PINC RESEARCH
PINC POWER PICKS
Ashok Leyland
Ashoka Buildcon
NIIT Tech
Nestle India
Phoenix Mills
Bajaj Auto
Jyothy Laboratories
Power Grid Corporation
Mahindra & Mahindra
Godawari Power
Jagran Prakashan
Tecpro Systems
Sintex Industries
Tata Steel
IRB Infrastructure
HCL Tech & Infosys
Infinity.com
Financial Securities Ltd
SMALL WORLD, INFINITE OPPORTUNITIES

Here's the roster for the PINC PowerPicks:

Company	Sector	CMP (Rs)	Recom.	TP (Rs)	Upside (%)	Market Cap (Rs bn)	P/E (x)		EV/EBITDA (x)		Earnings gr. (%)	ROE (%)	ROCE (%)
							FY12E	FY13E	FY12E	FY13E	(FY11-13E)	FY12E	FY12E
Ashok Leyland	Auto	25	BUY	37	51	65	9.8	8.3	7.1	6.5	11.7	23.7	17.9
Ashoka Buildcon	Infrastructure	240	BUY	363	51	13	11.1	9.3	6.1	4.9	15.9	12.1	11.9
Bajaj Auto	Auto	1,585	BUY	1,850	17	459	14.7	12.9	10.5	8.9	16.8	54.5	68.5
Godawari Power	Metals	113	BUY	206	83	4	3.2	2.7	3.5	2.9	25.0	17.0	11.0
HCL Tech	IT services	427	BUY	464	9	299	14.5	12.2	7.5	6.5	18.9	21.1	20.8
Infosys	IT services	2,697	BUY	2,950	9	1,541	18.7	16.5	12.3	10.7	17.0	25.6	30.8
IRB Infrastructure	Infrastructure	166	BUY	227	36	55	11.7	14.8	8.7	8.6	(9.0)	17.9	19.8
Jagran Prakashan	Media	104	BUY	148	42	38	13.9	12.7	9.7	8.4	11.8	29.3	32.6
Jyothy Laboratories	FMCG	140	BUY	246	76	11	20.3	9.6	17.8	10.9	28.3	11.4	9.7
Mahindra & Mahindra	Auto	799	BUY	831	4	469	19.2	16.7	14.3	12.1	5.1	21.8	23.8
Nestle India	FMCG	4,205	SELL	3,400	(19)	405	41.4	34.5	27.0	22.3	19.8	81.2	102.7
NIIT Tech	IT services	203	BUY	285	40	12	6.8	5.7	3.4	2.6	7.0	20.9	20.5
Phoenix Mills	Real Estate	204	BUY	265	30	30	18.8	12.8	15.6	9.8	65.9	9.0	6.4
Power Grid Corp.	Power Utilities	100	BUY	120	21	461	15.3	13.1	10.6	9.6	16.9	13.5	9.5
Sintex Industries	Diversified	117	BUY	240	105	32	5.9	5.1	5.4	4.8	16.5	20.2	11.8
Tata Steel	Metals	451	BUY	629	39	461	10.9	10.9	4.5	5.1	(13.8)	9.9	6.2
Tecpro Systems	Material Handling	214	BUY	375	75	11	6.8	5.7	5.0	4.7	19.2	21.7	24.0

PINC POWERPICKS is a list of our high-conviction stock ideas, a choice of stocks from across sectors in our coverage universe.

What moved in and what moved out:

In our October issue of PINC Power Picks, we introduce Ashok Leyland.

14th October 2011

ASHOK LEYLAND: BUY, TP-Rs37 (51% upside)

Sector: Auto
CMP: Rs25; Mcap: Rs65bn
Bloomberg: AL IN; Reuters: ASOK.BO

What's the theme?

Despite the macroeconomic headwinds and a high base, the domestic MHCV Truck segment has grown 8.9% YoY in H1FY12 aided by an increase in freight rates. Ashok Leyland has underperformed the industry with a 10% decline in volumes in the segment which is primarily attributable to the high base of H1FY11. However, we expect a rebound in H2FY12 with a 38% growth in MHCV truck volumes and a 26% growth in overall volumes.

What will move the stock?

1) The emission norms change that came into effect from 1st Oct'10 led to pre-buying and significant inventory stocking at dealer level. MHCV dispatches were lacklustre in Q3FY10 as primary dispatches were lower in light of the high pipeline inventory. We expect Ashok Leyland volumes to grow 26% in H2FY12 partly aided by the low base of Q3FY11. 2) As against the management volume guidance of 110k units in FY12, we expect the company to post a volume of 103k units. Further, we expect a 10% CAGR growth in volumes over FY11-13E. 3) Management expects to double production from Pantnagar facility from 6k units in Q1FY12 to 12k units by Q4FY12. Production from this facility is eligible for fiscal benefits. 4) Our profitability estimate for FY12 at 10.3% is marginally below the management guidance of 10.5%. 5) Ashok Leyland's JV with Nissan for LCVs launched its first product 'Dost' recently.

Where are we stacked versus consensus?

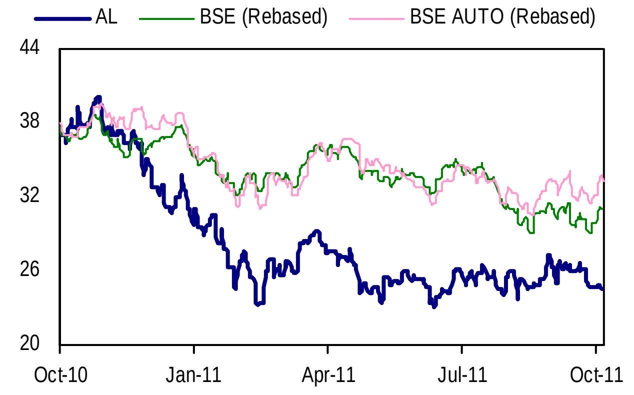
Our earnings estimates for FY11 and FY12 are Rs2.3 and Rs3.0 respectively. Our FY12 earnings estimate are 8.62% higher than consensus estimate of Rs2.51. We have a 'BUY' recommendation on the stock with a target price of Rs37, which discounts FY13E earnings by 12.5x.

What will challenge our target price?

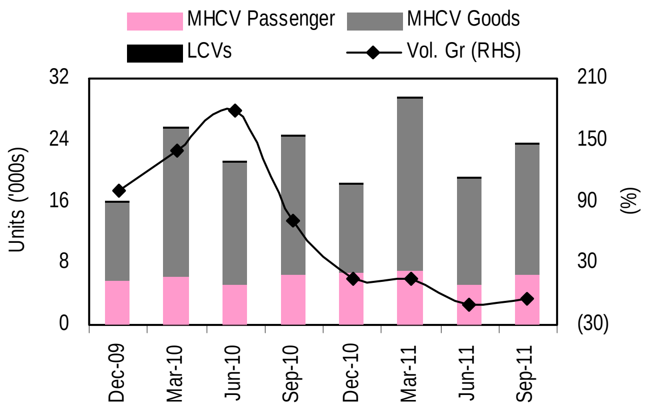
1) Increase in prices of raw materials such as steel and rubber affecting profitability; 2) Significant slowdown in industrial activity leading to a drop in freight rates and operator profitability.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	72,447	111,177	132,616	19.3	149,295	12.6
EBITDA	7,596	12,176	13,624	11.9	15,203	11.6
EBITDA Marg. (%)	10.5	11.0	10.3	(70)bps	10.2	(10)bps
Adj. Net Profits	4,237	6,313	6,685	5.9	7,883	17.9
Dil. EPS (Rs)	1.6	2.4	2.5	5.9	3.0	17.9
PER (x)	15.4	10.4	9.8	-	8.3	-
ROE (%)	19.0	25.2	23.7	(150)bps	17.7	(610)bps
ROCE (%)	13.7	18.4	17.9	(50)bps	17.8	(10)bps

Price performance



Sales Volume



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ASHOKA BUILDCON: BUY, TP-Rs363 (51% upside)

Sector: Infrastructure
CMP: Rs240; Mcap: Rs13bn
Bloomberg: ASBL IN; Reuters: ABDL.BO

What's the theme?

Ashoka Buildcon (ABL), with an experience of ten years in BOT road projects, currently has 23 projects in its portfolio, with 16 projects being operational. The company is among the few BOT developers that has seen a complete life cycle of a project and has handed over four BOT assets back to the government. ABL also has a strong in-house EPC arm, which executes in-house and third-party contracts.

What will move the stock?

1) Post the IPO, ABL is aiming for the next league with an aggressive but calculated bidding strategy. In FY11, the company won projects of more than Rs30bn. We expect it to maintain a market share of 3.5% in NHAI bidding in FY12-13.
2) No dilution likely in the medium term; ABL would require equity of Rs8bn in the next three years, which is likely to be met from internal accruals and securitisation of the existing projects.

Where are we stacked versus consensus?

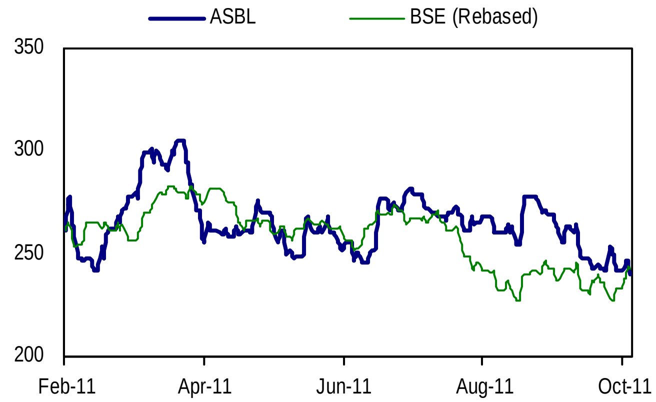
Our FY12 and FY13 earnings estimates are Rs21.6 and Rs25.7, 12.1% and 15.3% lower than consensus estimates respectively. We expect top-line growth of 12.5% and 19% to Rs20.1bn and Rs23.3bn in FY12 and FY13 vs. consensus forecasts of 46.8% and 21.5% to Rs19.1bn and Rs23.2bn, respectively.

We value BOT (on a DCF basis) at FY12E and FY13E equity multiples of 1.6x and 1.1x, respectively. Our SOTP-based target price is Rs363, where BOT is valued at Rs208 and EPC at Rs155 (9x FY12E earnings). The stock offers an upside potential of 51% at our SOTP-based target price of Rs363 vs. consensus target of Rs344.

What will challenge our target price?

1) Lower IRR owing to further increase in interest rates; 2) Lower traffic growth; 3) Slowdown in execution of current orders; and 4) Adverse impact on tolling charges from any changes in government policy.

Price performance



(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	7,956	13,020	20,105	54.4	23,250	15.6
EBITDA	2,143	2,522	3,755	48.9	4,651	23.9
EBITDA Marg. (%)	26.9	19.4	18.7	(69)bps	20.0	7.1bps
Adj. Net Profits	804	1,008	1,139	12.9	1,353	18.8
Dil. EPS (Rs)	17.6	19.2	21.6	12.9	25.7	18.8
PER (x)	13.7	12.5	11.1	-	9.3	-
ROE (%)	20.6	31.2	12.1	(1910)bps	12.7	60bps
ROCE (%)	12.5	17.2	11.9	(531)bps	9.5	(238)bps

SOTP

Particulars	Rs/Share	Percentage
BOT Operational (SPV)	95	26%
BOT Operational (Standalone)	28	7.6%
BOT Under construction	86	23.6%
Construction business	155	42.8%
Total	**363**	
Upside (%)	**51.2**	

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BAJAJ AUTO: BUY, TP-Rs1,850 (17% upside)

Sector: Auto
CMP: Rs1,585; Mcap: Rs459bn
Bloomberg: BJAUT IN; Reuters: BAJA.BO

What's the theme?

The success of Pulsar135 and Discover twins (100cc and 150cc) has validated Bajaj Auto's brand-centric strategy. The high-margin brands, Pulsar and Discover, now account for 70% of the company's motorcycle sales. In an attempt to further leverage these brands, Bajai Auto recently launched Discover125cc and is all set to launch Pulsar250cc in Dec'11. In addition, continued demand for three-wheelers and robust exports would help Bajaj Auto achieve volume growth of 16.2% in FY12E and 11.9% in FY13E.

What will move the stock?

1) The two-wheeler industry is less sensitive to current macro headwinds. We expect Bajaj Auto to maintain market share with domestic volume growth of 16%, in line with the industry. 2) The company is expected the take price hikes to counter the drop in export benefits from 9% under the DEPB scheme to 5.5% under the new drawback scheme. The rupee depreciation will also benefit the company. We expect exports to touch 1.4mn in FY12. 3) The company recently launched Boxer-150, thus reviving the Boxer brand, which is targeted at the rural segment (where Hero MotoCorp is the dominant player) and 4) With continued contribution from three wheelers and the high margin motorcycles, we expect BJAUT to restrict contraction in margins to 70bps in FY12.

Where are we stacked versus consensus?

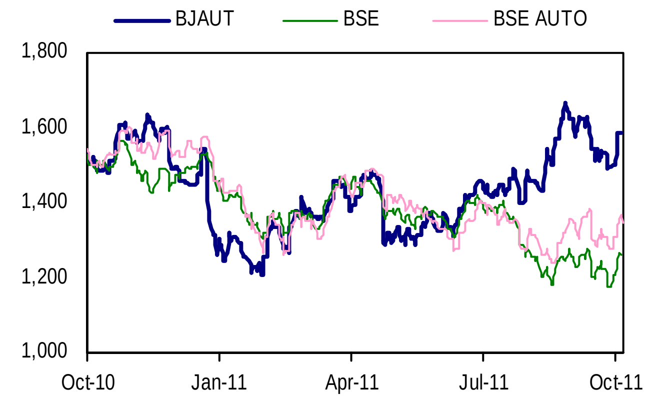
Our FY12 and FY13 earnings estimates are Rs107.5 and Rs123.3, respectively. We have a 'BUY' recommendation on the stock with a target price of Rs1,850 discounting FY13E earnings at 15x. Our FY12 earnings estimate is 8.5%higher than the consensus estimate of Rs99.06.

What will challenge our target price?

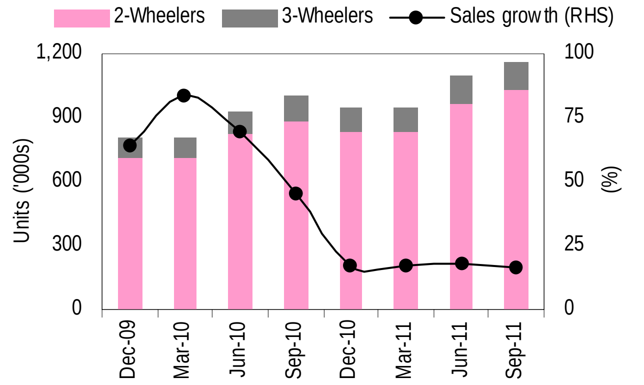
1) Significant increase in prices of commodities such as steel and rubber might exert pressure on margins.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	115,085	159,981	192,131	20.1	218,257	13.6
EBITDA	25,752	33,836	39,090	15.5	44,112	12.8
EBITDA Marg. (%)	21.6	20.4	19.7	(70)bps	19.6	(10)bps
Adj. Net Profits	18,118	26,152	31,106	18.9	35,691	14.7
Dil. EPS (Rs)	62.6	90.4	107.5	18.9	123.3	14.7
PER (x)	25.3	17.5	14.7	-	12.9	-
ROE (%)	78.5	66.7	54.5	(1220)bps	48.0	(660)bps
ROCE (%)	65.4	73.4	68.5	(490)bps	61.4	(710)bps

Price performance



Sales Volume



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GODAWARI POWER: BUY, TP-Rs206 (83% upside)

Sector: Metals
CMP: Rs113; Mcap: Rs4bn
Bloomberg: GODPI IN; Reuters: GDPI.BO

What's the theme?

We expect GPIL to record 25% earnings CAGR over FY11-13E on volume growth and margin expansion. This would be driven by higher output from Ari Dongri mines, the 0.6mtpa pellet plant and 20MW biomass power plant. Further, the 0.6mtpa pellet plant of 75% subsidiary, Ardent Steel, has started stabilising with ~40% CU in Q1FY12 (ramped up to ~80-90% in August); is expected to provide additional earnings growth.

What will move the stock?

1) Stabilisation of the newly-commissioned 20MW biomass power plant; 2) Revenue growth and margin expansion on the back of higher output from Ari Dongri iron ore mine and the 0.6mtpa pellet plant; 3) Additional volume and earnings growth from stabilisation of operations at Ardent Steel; and 4) Commencement of mining at Boria Tibu (which was impacted by delay in handover of forest area).

Where are we stacked versus consensus?

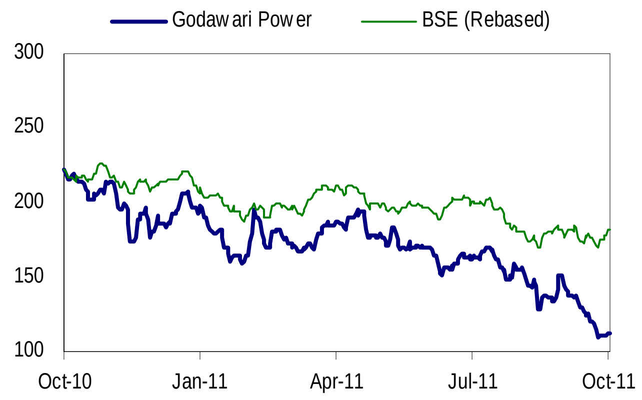
Our earnings estimates are lower than consensus forecasts.

What will challenge our target price?

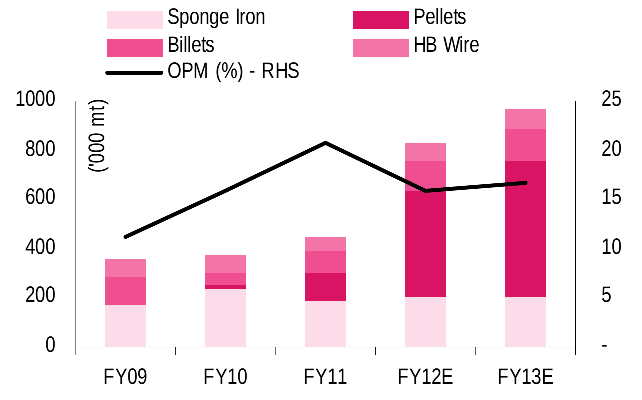
1) Impediments in ramping up output from the pellet plant (including Ardent Steel) and the 20MW power plant; 2) Negative impact of entry into the 50MW solar power project. GPIL has already invested Rs1.2bn in equity (valued at a 10% discount to invested capital) and achieved financial closure for debt of Rs5.8bn for the project; 3) Continued delay in acquiring forest land in the Boria Tibu mine; and 4) Simultaneous decline in steel prices and power tariff.

Consolidated (Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	8,224	11,161	18,488	65.7	20,063	8.5
EBITDA	1,305	2,323	2,915	25.5	3,361	15.3
EBITDA Marg. (%)	15.9	20.8	15.8	(505)bps	16.8	98 bps
Adj. Net Profits	572	859	1,116	30.0	1,342	20.2
Dil. EPS (Rs)	20.4	27.0	35.2	30.0	42.3	20.2
PER (x)	7.2	4.2	3.2	-	2.7	-
ROE (%)	12.1	15.6	17.0	145 bps	17.4	42 bps
ROCE (%)	9.2	12.4	11.0	(136)bps	11.1	3 bps

Price performance



Volume growth and margin expansion (standalone)



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HCL TECH: BUY, TP-Rs464 (9% upside)

Sector: Information Technology
CMP: Rs427; Mcap: Rs299bn
Bloomberg: HCLT IN; Reuters: HCLT.BO

What's the theme?

HCL Tech has capability to win new projects due to its strengths in IMS and package implementation (through AXON) particularly when project restructuring deals are growing faster. It has potential to improve margins on the back of better employee pyramid and scale efficiencies.

What will move the stock?

1) Outperformance in emerging verticals such as energy and utilities and retail; 2) Higher EBITDA margins in the near term, supported by higher offshoring and utilisation; 3) Support to EBITDA margins from improvement in the employee pyramid (last 4-5 quarters have seen huge lateral addition, which is likely to be subdued, going ahead); 4) Absence of forex losses (cash-flow hedges) a positive for the bottom line; 5) Relatively cheaper valuation compared to other large firms.

Where are we stacked versus consensus?

Our revenue estimates for FY12 and FY13 varies from consensus by ~(3)%. Our EBITDA margin and EPS forecasts for FY12 and FY13 are lower than consensus.

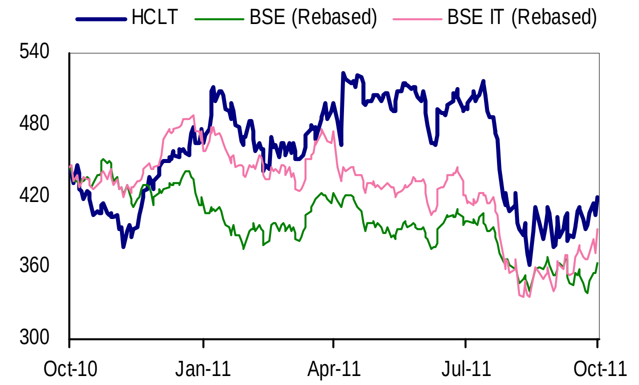
What will challenge our target price?

1) Slower recovery in the US economy; 2) Appreciation of INR vs. USD and strengthening of USD against EUR; and 3) Higher attrition and wage increments.

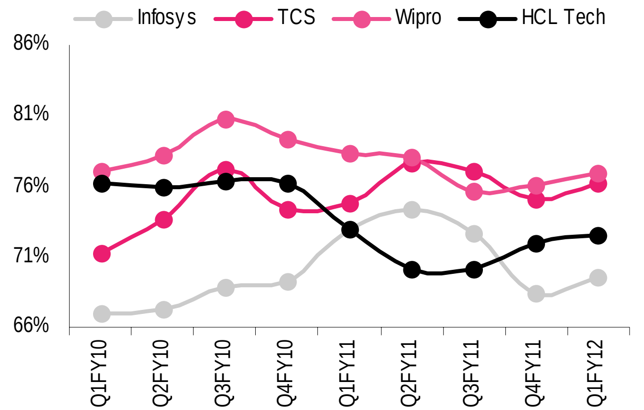
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	125,650	158,554	188,711	19.0	222,239	17.8
EBITDA	25,729	27,190	31,925	17.4	36,304	13.7
EBITDA Marg. (%)	20.5	17.1	16.9	(23)bps	16.3	(58)bps
Adj. Net Profits	13,029	16,919	20,273	19.8	24,044	18.6
Dil. EPS (Rs)	18.9	24.3	29.0	19.2	34.4	18.6
PER (x)	22.1	17.3	14.5	-	12.2	-
ROE (%)	18.5	20.1	21.1	106 bps	21.1	(1)bps
ROCE (%)	19.8	19.8	20.8	97 bps	20.6	(16)bps

* June year end

Price performance



Utilisation rates - scope for expansion



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INFOSYS: BUY, TP-Rs2,950 (9% upside)

Sector: Information Technology
CMP: Rs2,697; Mcap: Rs1,541bn
Bloomberg: INFO IN; Reuters: INFY BO

What's the theme?

We recommend staying with the leader during uncertain times. Infosys has a full-services portfolio with exposure to well-diversified verticals. The new management appears more aggressive on aspects such as inorganic growth.

What will move the stock?

1) Hiring guidance intact for FY12 (campus joinees at 27,500 and overall hiring of 45,000 at last year's closing headcount of 130,820); 2) Utilisation levels low; can be improved via lower lateral hiring to match the existing demand, which will result in better margins; 3) Salary increment will be lower going ahead and rupee depreciation is expected to support margins 4) Potential for utilisation of huge cash (~USD3.8bn) for acquisitions; the management indicated its interest in large-ticket acquisition to plug the gaps and drive growth; and 5) In case of recovery in the global economy, clients will stick to established and reliable brands such as Infosys with excellent execution skills.

Where are we stacked versus consensus?

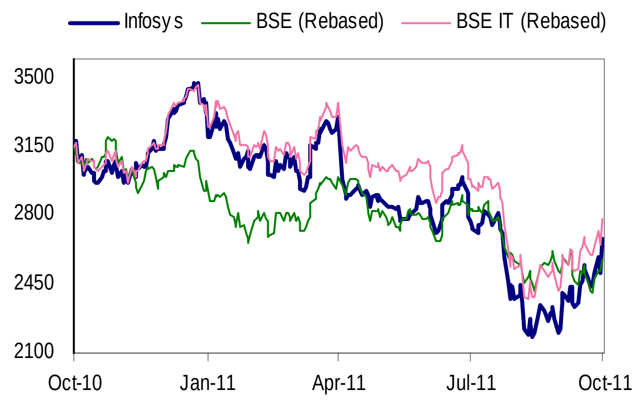
Our revenue estimate for FY12 varies from consensus by ~0.8% and 0.7% higher than consensus for FY13. Our EBITDA margin forecast is higher than consensus for FY12 and FY13. Our EPS estimates are ~3.0% higher and 1.5% higher than consensus for FY12 and FY13 respectively.

What will challenge our target price?

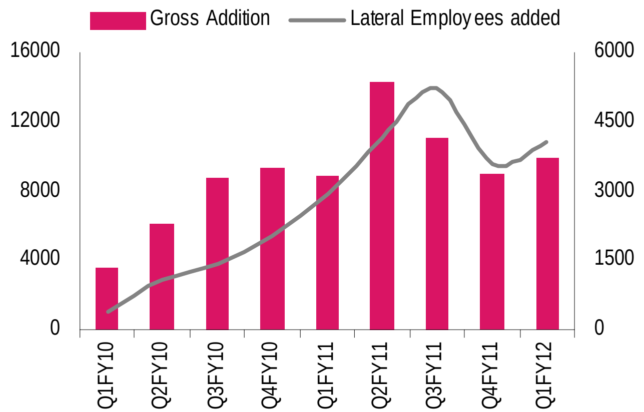
1) Slower recovery in the US economy; 2) Appreciation of INR vs. USD and strengthening of USD against EUR; and 3) Higher attrition and wage increments.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	227,420	275,010	339,184	23.3	391,079	15.3
EBITDA	78,520	89,640	109,699	22.4	121,280	10.6
EBITDA Marg. (%)	34.5	32.6	32.3	(25)bps	31.0	(133)bps
Adj. Net Profits	62,340	68,230	82,599	21.1	93,382	13.1
Dil. EPS (Rs)	109.2	119.4	144.6	21.1	163.4	13.1
PER (x)	24.7	22.6	18.7	-	16.5	-
ROE (%)	27.0	26.3	25.6	(68)bps	24.4	(122)bps
ROCE (%)	30.0	31.2	30.8	(40)bps	28.4	(243)bps

Price performance



Strong employee addition



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IRB INFRASTRUCTURE: BUY, TP-Rs227 (36% upside)

Sector: Construction & Infrastructure
CMP: Rs166; Mcap: Rs55bn
Bloomberg: IRB IN; Reuters: IRBI BO

What's the theme?

Despite the infra segment languishing due to fundamental issues, we prefer IRB due to its unique ability to manage and win competitive projects. We strongly believe in the sustainability of its business model. The company is well positioned to add projects worth USD1bn per annum.

What will move the stock?

1) NHAI is likely to award 7,300km of projects in FY12. With the Ahm-Vado project under its belt, the road ahead becomes easier for IRB. We expect it to maintain an 8% share this year.

2) Recent underperformance due to the Ahm-Vado project provides a cushion to IRB's share price; we see this project as a strategic fit for IRB and expect it to provide 12% equity IRR and 7% project IRR.

Where are we stacked versus consensus?

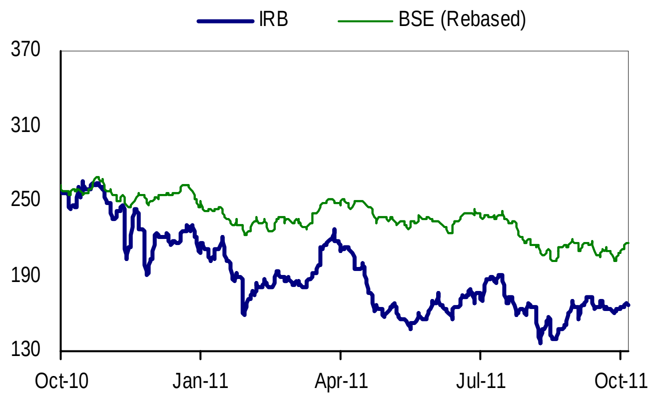
Our FY12 and FY13 earnings estimates are Rs14.2 and Rs11.3, 3.9% and 32.1% lower than consensus estimates respectively. We expect top-line growth of 27.6% and 18% to Rs31.1bn and Rs36.7bn in FY12 and FY13 vs. consensus forecasts of 33.6% and 31.9% to Rs32.6bn and Rs42.9bn, respectively.

We believe the recent correction in its share price provides a good entry point for long-term investors. The stock offers an upside potential of 36% at our SOTP-based target price of Rs227 vs. consensus target of Rs218.

What will challenge our target price?

1) Lower IRR owing to further increase in interest rates; 2) Strain on the balance sheet from infusion of Rs12.8bn in equity in Ahm-Vado project; 3) Lower traffic growth; and 4) adverse impact on IRB's tolling charges from any change in government policy.

Price performance



(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	17,049	24,381	31,106	27.6	36,706	18.0
EBITDA	7,990	10,939	12,512	14.4	14,150	13.1
EBITDA Marg. (%)	46.9	44.9	40.2	(464)bps	38.6	(167)bps
Adj. Net Profits	3,854	4,524	4,718	4.3	3,742	(20.7)
Dil. EPS (Rs)	11.6	13.6	14.2	4.3	11.3	(20.7)
PER (x)	14.3	12.2	11.7	-	14.8	-
ROE (%)	20.4	20.2	17.9	(232)bps	12.5	(539)bps
ROCE (%)	19.4	21.5	19.8	(174)bps	16.3	(347)bps

SOTP

Particulars	Rs/Share	Percentage
BOT	126	55.6%
Construction business	75	33.3%
Real Estate	10	4.4%
Cash in hand	15	6.6%
Total	**227**	
Upside (%)	**36.4**	

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JAGRAN PRAKASHAN (JPL): BUY, TP-Rs148 (42% upside)

Sector: Media
CMP: Rs104; Mcap: Rs38bn
Bloomberg: JAGP IN: Reuters: JAGP BO

What's the theme?

We like JPL for its leadership in the UP market (the largest print market in terms of readership and print ad value). We believe the company is well poised to benefit from a steady growth in the print media sector, underpinned by: 1) its well-entrenched position in growing regions such as Bihar and Jharkhand; 2) phased and planned expansion into new media businesses; and 3) a wide portfolio (including Mid-day, I-next and Cityplus). JPL's well-balanced business model (more than 30% revenue from circulation and other media businesses), its growth strategy to further increase penetration in terms of circulation in its current market, and monetisation of its readership insulates it from slowdown in advertisements due to the current macroeconomic scenario.

What will move the stock?

1) Momentum in ad revenue, underpinned by anticipated growth across sectors such as education and financial services (13% CAGR over FY11-FY13E); 2) Broad-based growth across other new media businesses; 3) Attractive valuations-At CMP, the stock is trading at an attractive 13xFY13E EPS.

Where are we stacked versus consensus?

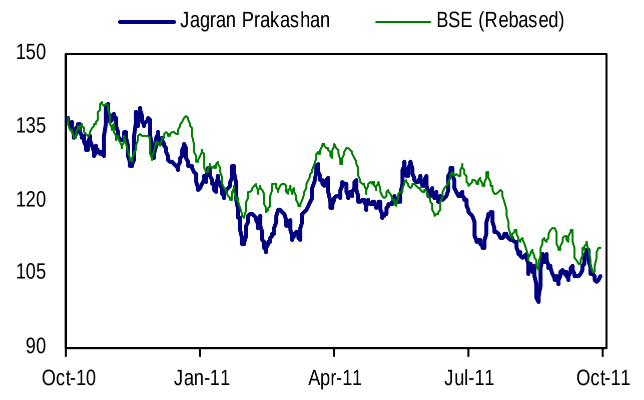
Our FY13 revenue estimate is in line with consensus. However, our FY13 EPS estimate of Rs8.2 is 5% below consensus. We have a 'BUY' recommendation on the stock with a target price of Rs148 (18xFY13E EPS).

What will challenge our target price?

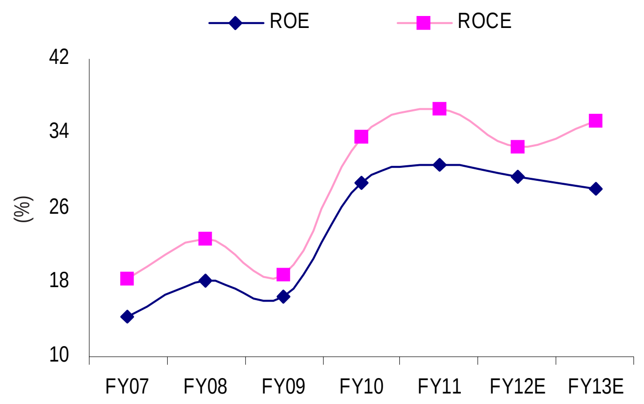
1) Increase in newsprint prices; 2) Slowdown in the economy; and 3) Stiff competition in markets where JPL has a presence.

Consolidated (Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	9,419	12,210	13,740	12.5	15,257	11.0
EBITDA	2,821	3,568	3,762	5.4	4,422	17.5
EBITDA Marg. (%)	29.9	29.2	27.4	(184)bps	29.0	160 bps
Adj. Net Profits	1,759	2,080	2,373	14.1	2,598	9.5
Dil. EPS (Rs)	5.8	6.6	7.5	14.1	8.2	9.5
PER (x)	17.9	15.8	13.9	-	12.7	-
ROE (%)	28.7	29.6	29.3	(36)bps	28.1	(114)bps
ROCE (%)	33.6	33.1	32.6	(52)bps	35.3	271 bps

Price performance



Financial Performance



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JYOTHY LABORATORIES: BUY, TP-Rs246 (76% upside)

Sector: FMCG
CMP: Rs140; Mcap: Rs11bn
Bloomberg: JYL IN; Reuters: JYOI.BO

What's the theme?

Jyothy Laboratories (Jyothy) is in the transformation phase following the acquisition of Henkel India. The strong operational performance of Henkel India in Q2CY11 gives us confidence of a turnaround. We see various operational synergies following the acquisition and expect numerous positives for Jyothy Labs in the medium to long term, which would improve overall profitability. Jyothy is among the few companies in the FMCG space which has immense potential for long-term profitability growth.

What will move the stock?

1) The acquisition of Henkel India added 4-5 established brands that improved Jyothy's sales mix; 2) Full impact of the price increase of Ujala Supreme will support revenue and profitability growth; 3) Maxo Military will add Rs600mn and Rs700mn revenue in FY12 and FY13 respectively; 4) We expect improvement in profitability in Henkel India; 5) Debt restructuring can lead to higher profitability; 6) Merger of Jyothy and Henkel India will engender massive tax benefits of Rs1.2bn; 7) Restructuring of Jyothy's distribution model would improve EBITDA margin by 3%.

Where are we stacked versus consensus?

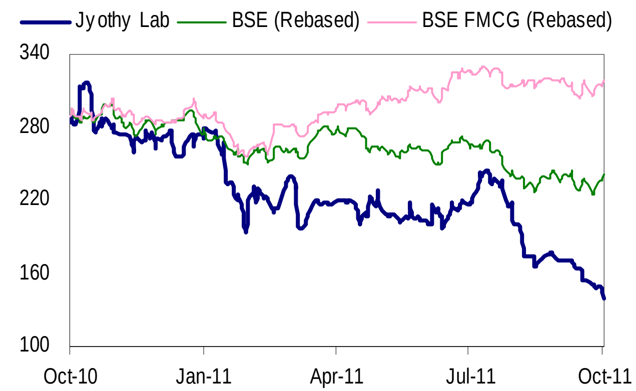
Our estimates for FY13 are among the highest on the street led by expectation of improved profitability in Henkel India. We assign 16x to FY13 earnings and add Rs12/share NPV on tax saving of Rs1.2bn @12% discount rate to derive the TP of Rs246.

What will challenge our target price?

1) We are cautious on FY12 performance due to restructuring over the next 6-9 months; 2) Any delay in operational improvement in Henkel India will impact the overall profitability; 3) Higher brand building investments; 4) Change in our estimates for of input costs owing to volatility in crude prices and 5) Inability to attract retail clients in the laundry business.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	5,975	6,230	11,963	92.0	13,872	16.0
EBITDA	929	775	1,110	43.3	1,778	60.1
EBITDA Marg. (%)	15.5	12.4	9.3	(316)bps	12.8	353 bps
Adj. Net Profits	742	717	557	(22.3)	1,180	111.9
Dil. EPS (Rs)	9.2	8.9	6.9	(22.3)	14.6	111.9
PER (x)	15.2	15.8	20.3	-	9.6	-
ROE (%)	19.1	11.2	11.4	23 bps	20.8	936 bps
ROCE (%)	23.2	11.0	9.7	(137)bps	15.4	571bps

Price performance



Product Portfolio post acquisition

Rs mn

Brands	FY11P	FY12E	FY13E
Ujala Supreme	2,119	2,477	2,822
Techno Bright and Ujala Detergent	660	686	810
Henko	1,378	982	1,197
Mr White	550	578	606
Check	400	420	441
Stiff & Shine	255	265	310
Maxo & Maxo Military	1,426	1,534	1,744
EXO	1,140	1,300	1,755
Prill	702	648	749
Margo	756	678	734
Fa	201	179	213
Laundry Business	119	374	540

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MAHINDRA & MAHINDRA: BUY, TP-Rs831 (4% upside)

Sector: Auto

CMP: Rs799; Mcap: Rs469bn

Bloomberg: MM IN; Reuters: MAHM.BO

What's the theme?

An extensive product range has helped M&M maintain its dominance in the utility vehicle (UV) and pick-up segments and maintain healthy margins despite raw material cost increases. During FY12, we expect double-digit growth of 13.2% in the automotive segment. A normal monsoon this fiscal and expectation of higher crop yields bode well for the tractor segment; we expect 11% growth.

What will move the stock?

1) M&M recently launched a refreshed Bolero and a lower-end Scorpio EX. The new XUV500, launched in Sep'11, has been attractively priced leading to a strong response and bookings crossing the 8k mark. 2) Within two years of launch, small commercial vehicles (SCVs), Maxximmo and Gio, have been able to garner 20% market share in the segment. The launches of the Genio and Maxximmo mini van have led to incremental volumes in the pick-up and SCV segment. 3) M&M is working on turning around its recent acquisition of South Korean automaker Ssangyong. In CY11, M&M targets revenue of USD3bn from Ssangyong vs.USD2bn in CY10. Two SUVs from the Ssangyong Motors' portfolio (Rexton and Korando) would be assembled at M&M's Chakan facility. 4) Through its JV with Navistar, M&M continues to expand its sales network for commercial vehicles. 5) Post M&M's separation from the JV partner, the passenger car segment has been gaining strength every month and new launches in H2FY12 would fortify this.

Where are we stacked versus consensus?

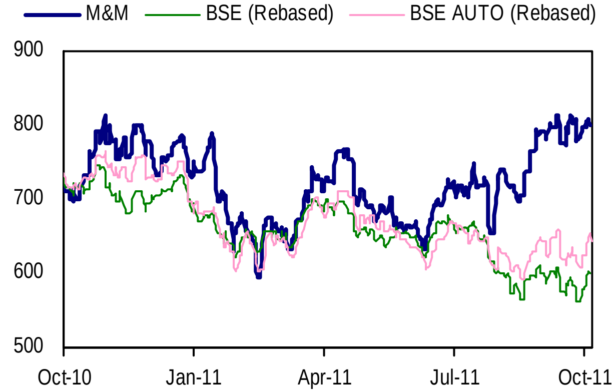
Our FY12 and FY13 earnings forecast are Rs41.6 and Rs47.9 respectively. Our FY12 earning estimate is 8.8% lower than consensus estimate of Rs45.65. We value M&M at Rs831 using SOTP methodology, discounting the standalone business at 13x FY13E earnings.

What will challenge our target price?

1) Imposition of additional taxes on diesel powered vehicles or dual pricing for diesel would adversely impact demand for M&M's products; and 2) Global turbulence may delay turnaround at Ssangyong.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	180,381	227,575	250,395	10.0	279,730	11.7
EBITDA	29,758	34,581	33,722	(2.5)	38,581	14.4
EBITDA Marg. (%)	16.0	14.7	13.1	(160)bps	13.4	30 bps
Adj. Net Profits	20,181	25,443	24,443	(3.9)	28,129	15.1
Dil. EPS (Rs)	36.3	44.1	41.6	(5.7)	47.9	15.1
PER (x)	22.0	18.1	19.2	-	16.7	-
ROE (%)	30.9	28.1	21.8	(620)bps	21.4	(40)bps
ROCE (%)	28.0	28.5	23.8	(470)bps	24.0	20 bps

Price performance



SOTP Valuation

	Valuation Method	Per share (Rs)	Multiple	Value (Rs)
M&M (Standalone)	P/E	44.9	13	583
M&M Veh. Mfg. (MVML)	EV/EBITDA	8.5	4	34
Tech Mahindra	CMP	64.8	0.8	52
Mahindra Holiday	CMP	37.9	0.8	30
M&M Financial Services	CMP	63.2	0.8	51
Mahindra Lifespace	CMP	10.5	0.8	8
M&M (Treasury Stocks)	CMP	70.0	0.8	56
Swaraj Engines	CMP	3.3	0.8	3
Mahindra Forgings	CMP	4.9	0.8	4
Mahindra Ugine Steel	CMP	1.3	0.8	1
Mahindra Composites	CMP	1.1	0.8	1
Mahindra Navistar	P/BV	5.1	1.5	8
SOTP Value (Rs)				**831**

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NESTLE INDIA: SELL, TP-Rs3,400 (19% downside)

Sector: FMCG
CMP: Rs4,205; Mcap: Rs405bn
Bloomberg: NEST IN; Reuters: NEST.BO

What's the theme?

The rising competitive scenario in most of the Nestle's categories along with high capex for capacity addition would force the company to maintain its volume market share. Therefore, we expect pressure on pricing power of key brands. Nestle trades at a ~41% premium to the FMCG sector and we expect that this premium would narrow.

What will move the stock?

1) Intense competition in the noodle segment (consists ~35% of total EBITDA) would impact the pricing power. We expect decline in EBITDA margin by 31bps and 40bps in CY11 and CY12; 2) Nestle currently trades at ~41% premium over FMCG sector however, considering lower pricing power for key products and pressure on return ratios we argue that Nestle should trade at a 25% premium (last two-year average).

Where are we stacked versus consensus?

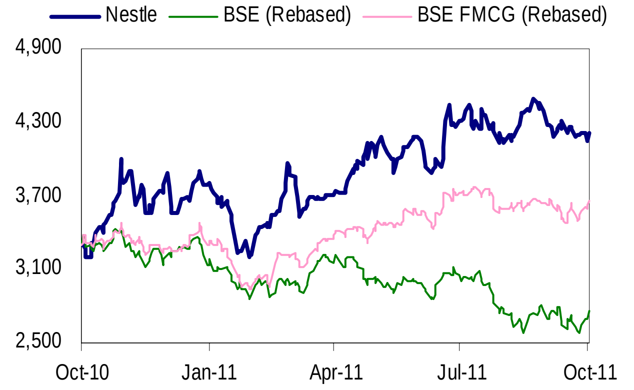
Our estimates and target price are among the lowest on the street, led by pressure on EBITDA margin and argument of narrowing down the Nestle's P/E premium. We assign P/E of 30x on next 12-months earnings to derive at a TP of Rs3,400.

What will challenge our target price?

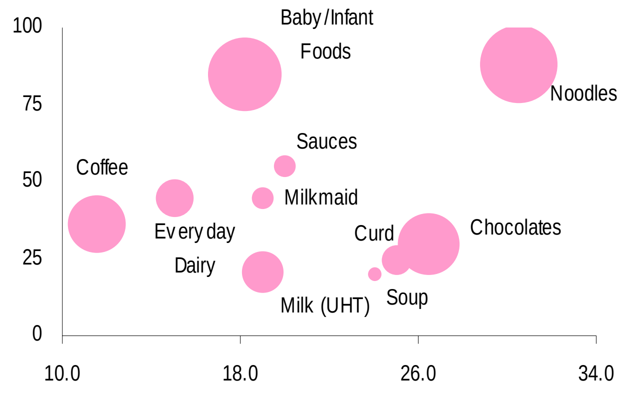
1) We expect Nestle would focus on retaining the volume market share for Maggi noodles and therefore assume volume driven growth going forward. This assumption would result in lower profitability for Nestle and any change in this proposition might change our estimates; 2) We expect ITC, GSK Consumer and HUL to be very aggressive in the noodle segment, any delay in such efforts would again help Nestle to earn better profitability.

(Rs mn)	CY09	CY10	CY11E	YoY %	CY12E	YoY %
Net Sales	51,395	62,609	76,556	22.3	94,126	23.0
EBITDA	10,448	12,559	15,122	20.4	18,212	20.4
EBITDA Marg. (%)	20.3	20.1	19.8	(31)bps	19.3	(40)bps
Adj. Net Profits	6,575	8,188	9,782	19.5	11,745	20.1
Dil. EPS (Rs)	68.2	84.9	101.4	19.5	121.8	20.1
PER (x)	61.7	49.5	41.4	-	34.5	-
ROE (%)	113.1	95.7	81.2	(1,449)bps	72.4	(886)bps
ROCE (%)	179.7	146.8	102.7	(4,412)bps	96.3	(640)bps

Price performance



Key brands' sales (Rsmn), growth (%) & market share (%)



Source: PINC Research, Industry, Company

Note: X Axis –Expected Sales Growth in CY10 (%), Y Axis – Expected Market Share in CY10 (%), Size of bubble – Expected Revenue in CY10

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NIIT TECH: BUY, TP-Rs285 (40% upside)

Sector: Information Technology
CMP: Rs203; Mcap: Rs12bn
Bloomberg: NITEC IN; Reuters: NITT.BO

What's the theme?

NIIT Tech has large exposure to high-growth niche verticals such as insurance and travel. New service lines would boost non-linear growth and lead to improvement in realisations. NIIT Tech has no exposure to the PIIGS zone and it has been able to achieve volume growth in Europe despite economic headwinds. Moreover, it has a differentiated strategy with development of IPs in emerging technologies (such as cloud services) and verticals (such as healthcare).

What will move the stock?

1) Good performance in the BFSI and travel and transport verticals, which contribute ~76% to revenue; 2) Large untapped opportunity in the APAC markets that are expected to be highest IT spenders in CY11; 3) Strong order book of USD200mn to be implemented over the next 12 months and continued high order bookings; 4) New order win announcements (won a large deal of USD85mn from Morris Communication recently); and 5) Highest EBITDA margins among mid-tier peers in the IT services business.

Where are we stacked versus consensus?

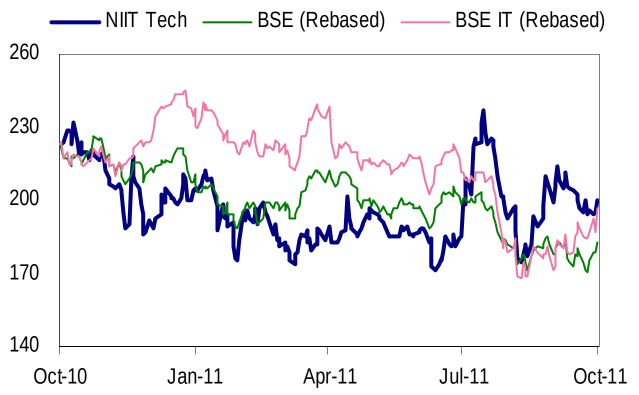
Our top-line estimates vary from consensus by ~(4.0)% for FY12 and ~(3.5)% for FY13. Our EBITDA margin estimate is 70bps higher for FY12 and 40bps higher for FY13. Our EPS estimate for FY12 is 2.7% lower than consensus but EPS estimate for FY13 is in-line with consensus.

What will challenge our target price?

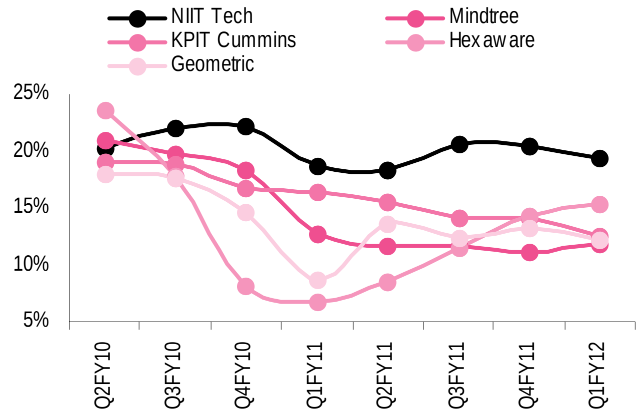
1) Slower recovery in Europe; 2) Sharp currency volatility; 3) Higher attrition and wage increments; and 4) Project delays and cancellation of government contracts.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	9,138	12,323	13,866	12.5	16,047	15.7
EBITDA	1,889	2,363	2,693	14.0	3,064	13.8
EBITDA Marg. (%)	20.7	19.2	19.4	25 bps	19.1	(33)bps
Adj. Net Profits	1,265	1,823	1,748	(4.1)	2,088	19.4
Dil. EPS (Rs)	21.5	30.9	29.7	(4.1)	35.5	19.4
PER (x)	9.4	6.6	6.8	-	5.7	-
ROE (%)	21.7	24.2	20.9	(336)bps	21.0	11 bps
ROCE (%)	19.1	20.4	20.5	10 bps	19.7	(83)bps

Price performance



Strongest EBITDA margin among mid-tier firms



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PHOENIX MILLS: BUY, TP-Rs265 (30% upside)

Sector: Real Estate
CMP: Rs204; Mcap: Rs30bn
Bloomberg: PHNX IN; Reuters: PHOE.BO

What's the theme?

PHNX's key project, High Street Phoenix (HSP) is now fully operational and is likely to generate rental income of Rs2-2.2bn in FY12E. Q1FY12 saw the launch of Pune Market City (PHNX stake 58.5%). This will strengthen the rental model of PHNX. Presently PHNX's rental revenue (FY11-Rs1.7bn) comes from HSP and the launch of Pune Market City is likely to further add Rs500mn to top line of PHNX in FY12E.

What will move the stock?

We see the following near-term triggers for the stock: (i) Commencement of Kurla and Bengaluru Market City projects in Q3FY12. (ii) Commencement of the first phase of Shangri- La Hotel in Q3FY12. (iii) HSP-Phase IV (at present 0.25 msf) will provide a strong delta to the company's valuation if it manages to get hospitality FSI (5x). (v) The company may further choose to increase stake in the Bengaluru and Chennai market city projects, which would enhance stock valuation.

Where are we stacked versus consensus?

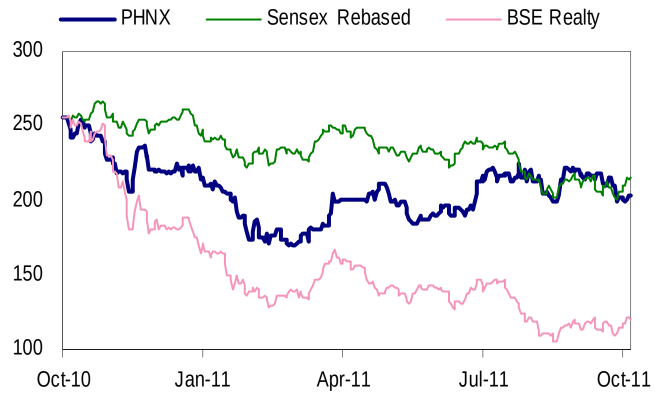
Our EPS estimates for FY12 and FY13 are Rs10.8 and Rs16.0 respectively. Our FY12 earnings estimate is 27% is higher than consensus estimate of Rs8.5. We have a 'BUY' recommendation on the stock with a target price of Rs265, which discounts FY12E Gross NAV by 15%.

What will challenge our target price?

Slowdown in execution in Market City projects and extending free rental periods may hamper the holding company's profitability; economic slowdown may affect revenue from Market City and HSP.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	1,230	2,102	3,993	90.0	6,029	51.0
EBITDA	775	1,406	2,447	74.1	3,897	59.2
EBITDA Marg. (%)	63.0	66.9	61.3	(559)bps	64.6	335 bps
Adj. Net Profits	620	842	1,570	86.5	2,316	47.5
Dil. EPS (Rs)	4.3	5.8	10.8	86.5	16.0	47.5
PER (x)	47.7	35.1	18.8	-	12.8	-
ROE (%)	4.0	5.1	9.0	388 bps	12.1	306 bps
ROCE (%)	3.2	4.1	6.4	231 bps	8.3	188 bps

Price performance



PHNX One year forward NAV

Project	NAV (Rs)
High Street Phoenix	142
Market City (Kurla, Bengaluru, Chennai, Pune)	87
Other Residential	36
BARE	10
Investment in Treasure World Developers	18
Investment in Galaxy Entertainment	0.2
Investment in Phoenix construction	0.1
Other investments	26
Shangrila hotel	11
HSP Phase IV	21
Share Application Money	21
Less: Net Debt	60.1
NAV	**310**
15% Discount to NAV	45
Target Price	**265**

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POWER GRID: BUY, TP-Rs120 (21% upside)

Sector: Power Utilities
CMP: Rs100; Mcap: Rs461bn
Bloomberg: PWGR IN; Reuters: PGRD.BO

What's the theme?

PGCIL seems to be moving ahead to achieve its XIth Plan capex and capitalisation target of Rs550bn and Rs320bn respectively. It aims to significantly ramp up its capex over the XIIth Plan period, as it seeks to nearly double this to Rs1.02trn. It intends to achieve a yearly capex and ordering run rate of ~Rs200bn and ~Rs180bn respectively during the XIIth Plan. This increased capex run rate should translate into 20% CAGR in its regulated equity over FY11-15E. In addition, PGCIL is insulated from risks like rising fuel cost, backing down and SEB defaults (as payments are secured through a tripartite agreement). We believe the stock offers safe and steady returns as compared to its private sector peers.

What will move the stock?

1) Conversion of its huge CWIP into regulatory assets will translate into higher earnings for the company, 2) Increased capex run rate, translating into higher capitalisation and hence greater earnings and 3) Healthy growth in its telecom division will offset stagnant earnings in consultancy division and 4) Improvement in debtor days as distribution tariffs are revised and billing is based on new tariff norms.

Where are we stacked versus consensus?

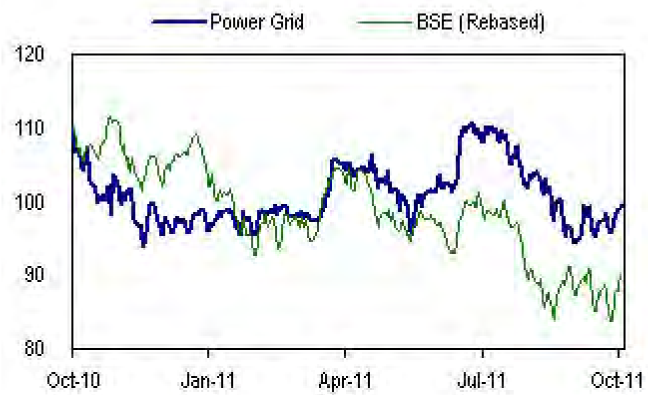
Our FY12 PAT estimate is in line with consensus while FY13 is higher by 1%. We value PGCIL on FCFE basis to arrive at a target price of Rs120 (terminal growth rate 3% and 13% Ke)

What will challenge our target price?

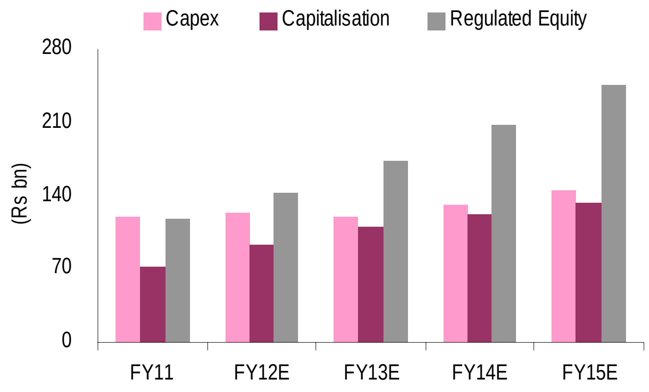
1) Delay in capitalisation of projects under construction
2) Lower incentives and STOA income will impact our earnings estimate
3) High debtor days

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	72,182	84,009	102,206	21.7	119,121	16.5
EBITDA	61,593	74,642	88,829	19.0	102,551	15.4
EBITDA Marg. (%)	85.3	88.9	86.9	(194)	86.1	(82)
Adj. Net Profits	21,308	25,800	30,217	17.1	35,252	16.7
Dil. EPS (Rs)	5.1	5.6	6.5	17.1	7.6	16.7
PER (x)	19.7	17.9	15.3	-	13.1	-
RoE (%)	13.9	13.8	13.5	(31)	14.4	88
ROCE (%)	8.8	9.2	9.5	29	9.8	34

Price performance



Steady Growth In Capitalisation



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SINTEX INDUSTRIES: BUY, TP-Rs240 (105% upside)

Sector: Diversified
CMP: Rs117; Mcap: Rs32bn
Bloomberg: SINT IN; Reuters: SNTX.BO

What's the theme?

Sintex has a diversified business model, marked by low volatility in sales, profit and cash flows. It is a market leader in the monolithic and prefab segment. In its Q2FY12 results, it reported a 25% jump YoY with revenues at Rs11.57bn and strong EBITDA margin of 17.7%. Reported PAT was lower at Rs388mn on account of (i) One time Forex loss of Rs596mn (ii) Higher interest expense due to charge off to P&L on commissioning of two new facilities (Chennai II and Dadri). However, after adjusting for forex losses, PAT grew by 23% YoY and stood at Rs984mn. We believe that the results are strong at the operating level and management maintains its FY12 guidance of 25-30% growth (excluding Forex losses).

What will move the stock?

- Its market leadership in the prime monolithic and prefab segments, which are expected to record 25% and 27% CAGR , respectively, during FY11-FY13E;
- Its acquired overseas and domestic subsidiaries are likely to show operational improvement; and
- Further WC improvement would lead to increase in operational cash flow.

Where are we stacked versus consensus?

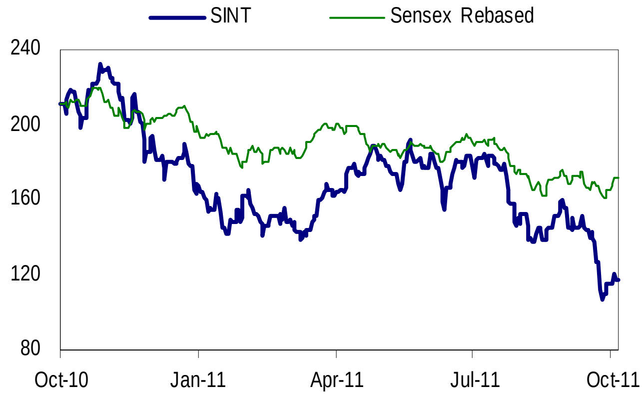
Our earnings estimates (EPS) for FY12 and FY13 are Rs19.9and Rs22.8, respectively. Our FY12 adjusted earnings estimate is 7.6% higher than consensus estimate of Rs18.5. We have a 'BUY' recommendation on the stock with a target price of Rs240, which discounts FY12E earnings by 12x.

What will challenge our target price?

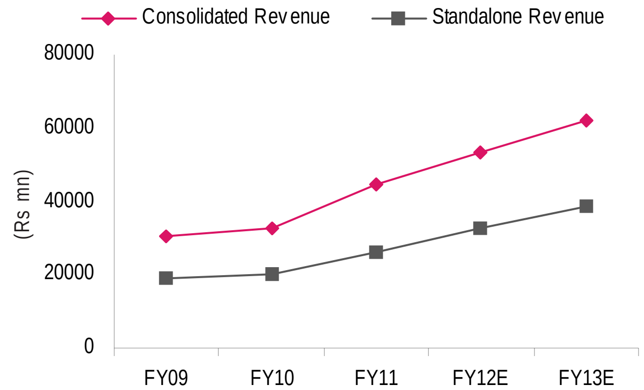
- Execution risks in the Monolithic and Prefab segments.
- Fluctuation in raw material prices denting margin.
- Delay in improvement of subsidiaries.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	32,816	44,751	53,371	19.3	61,880	15.9
EBITDA	5,005	8,154	9,161	12.3	10,426	13.8
EBITDA Marg. (%)	15.3	18.2	17.2	(106)bps	16.8	(32)bps
Adj. Net Profits	3,311	4,583	5,438	18.6	6,219	14.4
Dil. EPS (Rs)	12.1	16.8	19.9	18.6	22.8	14.4
PER (x)	9.6	7.0	5.9	-	5.1	-
ROE (%)	18.1	21.1	20.2	(85)bps	19.0	(121)bps
ROCE (%)	9.2	11.1	11.8	68 bps	12.1	26 bps

Price performance



Revenue



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TATA STEEL: BUY, TP-Rs629 (39% upside)

Sector: Metals
CMP: Rs451; Mcap: Rs461bn
Bloomberg: TATA IN; Reuters: TISC.BO

What's the theme?

We expect Tata Steel to undergo a transformation, driven by: 1) improving share of the highly-profitable integrated Indian operations (EBITDA/t of USD350+, one of the highest globally) with completion of brownfield expansion of 2.9mtpa at Jamshedpur in FY12; 2) transformation steps taken at TSE (reduced headcount, sale of TCP, downsizing at Scunthorpe) to improve profitability; 3) better capital structure-net D/E improved from 1.0x as of FY11 to 0.76x post the accrual of proceeds from the TCP settlement and sale of investment in Riversdale and Tata Refractories in Q1FY12; and 4) hedging of high RM cost at TSE on commencement of mining at Riversdale (2HFY12) and New Millennium (FY13). We find the stock attractively valued at 4.5x FY12E EV/EBITDA.

What will move the stock?

1) Brownfield expansion of 2.9mtpa at Jamshedpur would increase share of the profitable Indian operations (FY11 EBITDA/t of USD353 vs. USD138 at the consolidated level); 2) Capital structure has improved and financial leverage is manageable (FY11 net D/E of 1.0x vs. 1.3x in FY10); 3) Progress in raw material integration at TSE; 4) Coal mining commences from Riversdale's Benga project, in which Tata Steel holds 35% stake with 40% offtake rights; and 5) Expected improvement in steel profitability as high raw material prices ease.

Where are we stacked versus consensus?

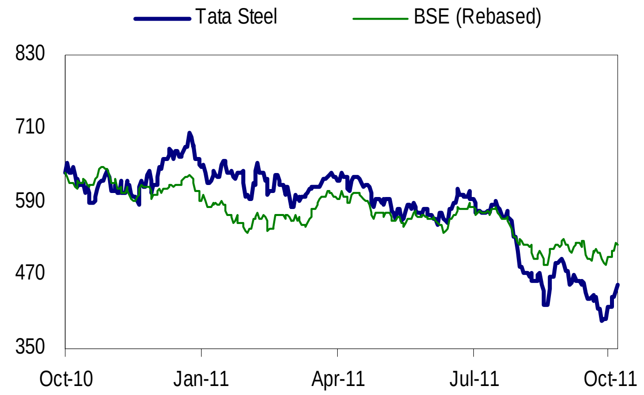
Our consolidated estimates are lower than consensus. We value Tata Steel at Rs629 using SOTP methodology.

What will challenge our target price?

1) Raw material prices remaining high and contracting margins for TSE's non-integrated operations, resulting in EBITDA losses; 2) Delay in brownfield expansion; and 3) Delay in commencement of mining at Riversdale/ New Millennium.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	1,023,931	1,187,531	1,186,784	(0.1)	1,193,305	0.5
EBITDA	80,427	159,956	138,723	(13.3)	148,525	7.1
EBITDA Marg. (%)	7.9	13.5	11.7	(178)bps	12.4	76 bps
Adj. Net Profits	(14,414)	57,743	42,727	(26.0)	42,917	0.4
Dil. EPS (Rs)	(15.2)	56.5	41.3	(26.9)	41.5	0.4
PER (x)	-	8.0	10.9	-	10.9	-
ROE (%)	(5.0)	17.3	9.9	(744)bps	8.9	(101)bps
ROCE (%)	-	8.8	6.2	(254)bps	6.5	28 bps

Price performance



SOTP Valuation (Based on FY12E EV/EBITDA multiple)

In Rs mn	Target EV/EBIDTA	Target EV	Residual Equity	Target Price (Rs)
Tata Steel India	6.0	716,145	743,012	719
Tata Steel Europe (Corus)	4.5	75,412	(104,434)	(101)
Tata Steel Thailand	4.5	2,225	2,225	2
Natsteel	4.5	9,509	9,509	9
Tata Steel consol.	5.8	803,291	650,313	629

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TECPRO SYSTEMS: BUY, TP-Rs375 (75% upside)

Sector: Material Handling
CMP: Rs214; Mcap: Rs11bn
Bloomberg: TPRO IN; Reuters: TPSL.BO

What's the theme?

Most of the power BoP orders pertaining to the XIIth Five-Year Plan (including orders for coal and ash handling) are yet to be awarded. Tecpro, given its past experience, appears best placed among peers to bag these orders. If interest rates stabilise in the near term, we expect incremental order inflows to come from the cement, steel, minerals and mining sectors. A healthy (1.6x FY12E revenue) and safe (all orders have achieved financial closure) order book minimises the risk of any delay or cancellations.

What will move the stock?

- Increased pace of order inflow, expected in H2FY11, mainly from the power sector. We expect Tecpro to record 9% growth in order inflow in FY12.
- Execution of the current order book in a timely and profitable manner. We expect Tecpro to achieve a 29% CAGR in revenue and 20% CAGR in profit over FY11-13E.
- Any decline in interest rates would enable the company to improve net profit margins.
- Improvement in working capital would lead to higher cash flows.

Where are we stacked versus consensus?

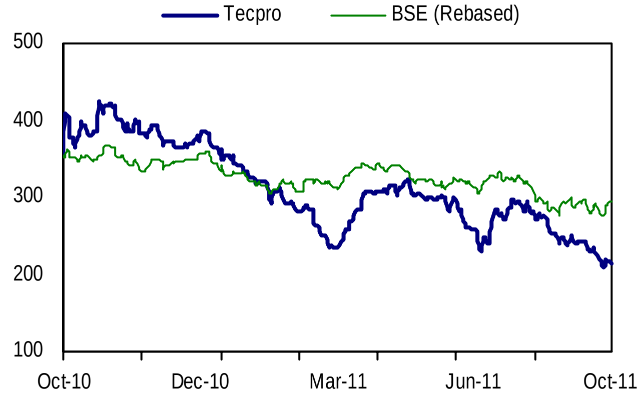
We expect EPS of Rs31.4 and Rs37.6 in FY12 and FY13, respectively, almost in line with consensus forecasts. We expect 9% growth in order inflow in FY12, whereas some analysts forecast de-growth of ~30-35%. However, the management has guided for ~30% growth in order inflow in FY12. We have a BUY recommendation with a target price of Rs375 (10x FY13E).

What will challenge our target price?

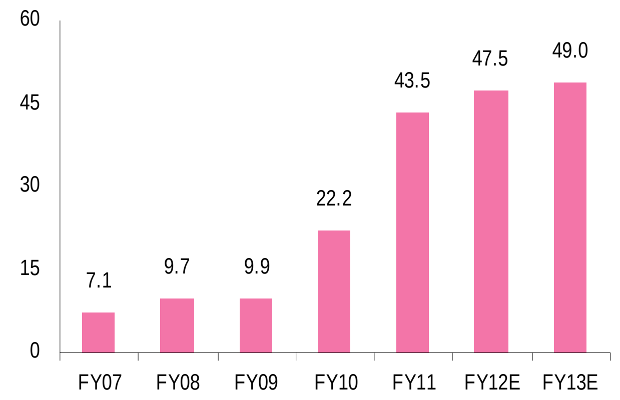
- Further rise in interest rates, which cannot be passed on to the customers and hence adversely impacting the bottom line.
- Any delay in execution leading to further deterioration of working capital.
- Sluggish order inflows.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	14,628	19,725	26,594	34.8	32,889	23.7
EBIDTA	1,982	2,998	3,736	24.6	4,456	19.3
EBIDTA Marg. (%)	13.5	15.2	14.0	(115) bps	13.5	(50) bps
Adj. Net Profit	1,096	1,334	1,587	18.9	1,896	19.5
Dil. EPS (Rs)	24.8	26.4	31.4	18.9	37.6	19.5
PER (x)	8.6	8.1	6.8	-	5.7	-
ROE (%)	42.8	26.3	21.7	(460)bps	21.4	(30)bps
ROCE (%)	37.1	26.6	24.0	(260)bps	23.7	(30)bps

Price performance



Order Inflow (Rs Bn)



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