PINC RESEARCH

PINC POWERPICKS

Ashok Leyland

Godawari Power

Bajaj Auto

HCL Tech

Jagran Prakashan

IRB Infra

Jyothy Labs

Usha Martin

Lupin

M&M

NIIT Tech

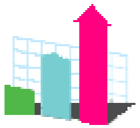
Tata Steel

UltraTech

Infinity.com
Financial Securities Ltd
SMALL WORLD, INFINITE OPPORTUNITIES

Here's the roster for the PINC PowerPicks:

Company	Sector	CMP (Rs)	Market Cap (Rs bn)	TP (Rs)	Upside	P/E (x)		EV/EBITDA (x)		Earnings gr. (%)	ROE (%)	ROCE (%)
					(%)	FY11E	FY12E	FY11E	FY12E	(FY10-12E)	FY11E	FY11E
Ashok Leyland	Auto	55	73	76	40	12.7	10.0	9.2	7.5	30.8	22.8	17.0
Bajaj Auto	Auto	1,323	383	1,649	25	14.9	12.8	10.9	9.1	28.3	67.1	67.4
Godawari Power	Metals	178	5	272	53	7.2	4.9	4.4	3.3	40.6	13.6	11.6
HCL Tech	IT services	484	336	615	27	15.2	12.3	10.4	9.9	28.4	21.6	25.7
IRB Infra	Const & Infra	174	58	269	54	11.7	10.6	8.9	8.3	18.9	22.0	23.4
Jagran Prakashan	Media	118	35	165	39	16.6	14.4	9.6	8.2	21.8	27.5	34.2
Jyothy Labs	FMCG	230	19	281	22	19.6	14.5	14.5	10.4	31.3	19.1	23.2
Lupin	Pharma	423	188	537	27	22.3	17.3	17.6	14.1	26.2	29.0	26.2
Mahindra & Mahindra	Auto	668	378	883	32	18.4	15.1	13.1	11.4	15.0	30.9	28.0
NIIT Tech	IT services	192	11	300	56	6.1	5.7	6.1	4.8	24.9	27.6	20.9
Tata Steel	Metals	617	637	817	32	10.5	9.9	5.4	4.8	NA	18.8	9.7
Ultratech Cement	Cement	943	258	1,177	25	17.9	13.6	9.8	6.4	(11.3)	16.4	17.9
Usha Martin	Metals	58	18	82	41	11.6	6.7	5.3	3.6	25.7	8.8	8.8



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 February issue of PINC Power Picks, we have introduced Jyothy Labs and UltraTech Cement.

We have reintroduced Tata Steel, Godawari Power and Usha Martin in the February series encompassing our revised assumptions for steel prices & raw material cost. We had excluded HCL Tech in our last issue due to low upside; however, we include it again in this issue on our subsequent revision of target price post quarterly results.

16th February 2011

ASHOK LEYLAND: BUY, TP-Rs76 (40% upside)

Sector: Auto
CMP: Rs55; Mcap: Rs73bn
Bloomberg: AL IN; Reuters: ASOK.BO

What's the theme?

The commercial vehicle (CV) segment took a hit for a couple of months to absorb pre-buying due to new emission norms, effective October 1, 2010. The domestic truck segment picked up momentum since December 2010 on strong economic growth. Further, increased production at Ashok Leyland's Uttarakhand facility is expected to boost margins.

What will move the stock?

1) Management targets 95k units during FY11 while we estimate volume of 89k units. We expect the company to surpass our estimates by 4-5%. In FY12, we expect the company to record volume growth of 10% to 97k units with an upward bias. 2) Due to fiscal benefits available at the Pantnagar unit, we expect Ashok Leyland to realize significant savings per vehicle produced at the facility. Production is expected to ramp up to 15k units in Q4FY11 as against the YTD number of 5K units. We estimate margin expansion of 100bps in FY12 due to increased contribution from this facility. 3) Ashok Leyland entered into a JV with Nissan, to participate in the high growth LCV segment. The JV is likely to commence production by H2 CY11. However, in our earning estimates, we have not considered any volumes for this JV during FY12. Commissioning of this JV would boost our earning estimate for FY12

Where are we stacked versus consensus?

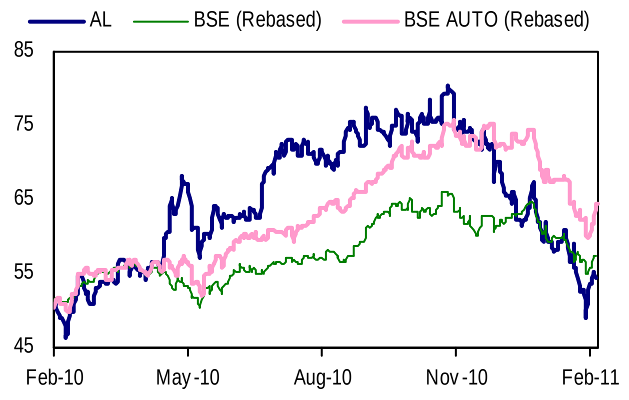
Our earnings estimates for FY11 and FY12 are Rs4.3 and Rs5.5 respectively. Our FY12 earnings estimate are 5.7% lower than consensus estimate of Rs5.8. We have a 'BUY' recommendation on the stock with a target price of Rs76, which discounts FY12E earnings by 14x.

What will challenge our target price?

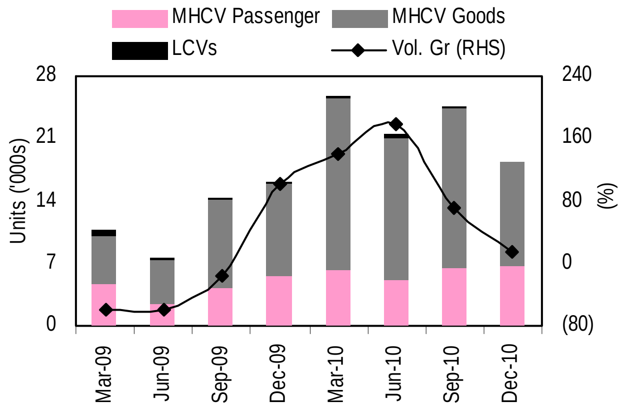
1) Increase in prices of raw materials such as steel and rubber affecting profitability; 2) Increase in excise duty hampering industry growth; and 3) Significant rise in interest rates increasing cost of ownership.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	59,811	72,447	99,597	37.5	112,149	12.6
EBITDA	4,559	7,596	10,682	40.6	13,185	23.4
EBITDA Marg. (%)	7.6	10.5	10.7	20 bps	11.8	100 bps
Adj. Net Profits	1,900	4,237	5,723	35.1	7,252	26.7
Dil. EPS (Rs)	1.4	3.2	4.3	35.1	5.5	26.7
PER (x)	38.2	17.1	12.7	-	10.0	-
ROE (%)	13.3	19.0	22.8	380 bps	24.8	200 bps
ROCE (%)	9.6	13.7	17.0	330 bps	18.3	130 bps

Price performance



Sales Volume



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BAJAJ AUTO: BUY, TP-Rs1,649 (25% upside)

Sector: Auto
CMP: Rs1,323; Mcap: Rs383bn
Bloomberg: BJAUT IN; Reuters: BAJA.BO

What's the theme?

With the success of Pulsar135 and Discover twins (100cc and 150cc), Bajaj Auto's brand-centric strategy has been validated. The high-margin brands, Pulsar and Discover, now account for 70% of the company's motorcycle sales. In addition, continued demand for three-wheelers and robust exports would help Bajaj Auto achieve volume growth of 37.8% and 13.8% in FY11E and FY12E respectively. We expect profitability to be maintained at current levels of 20%.

What will move the stock?

1) Despite increasing competition, we expect Bajaj Auto to maintain its market share with domestic volume growth of 14%, in line with the industry. 2) Export outlook continues to be stable with total exports expected to touch 1.4mn in FY12. 3) Increased proportion of high-margin motorcycles and stable contribution of three-wheelers would enable the company to maintain margins at current levels. 4) Bajaj Auto is expected to make a new launch in the motorcycle space in Q1FY12 in association with KTM. 5) Management expects to improve its market share with growth of 22% to 4.8mn units during FY12 as against our volume estimates of 4.5mn units.

Where are we stacked versus consensus?

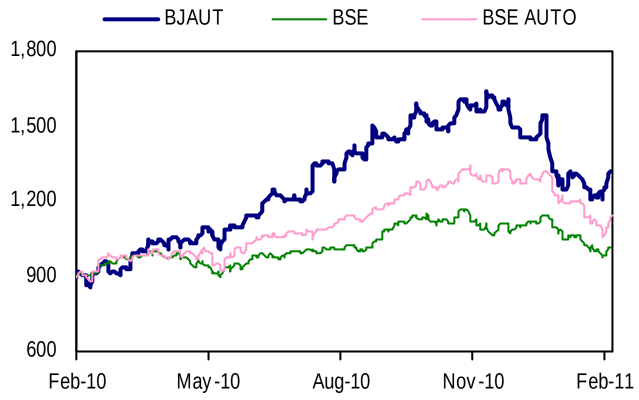
Our FY11 and FY12 earnings estimates are Rs88.8 and Rs103.1 respectively. We have a 'BUY' recommendation on the stock with a target price of Rs1,649, discounting FY12E earnings at 16x. Our FY12 earnings estimate is 1.6% higher than consensus estimate of Rs101.4.

What will challenge our target price?

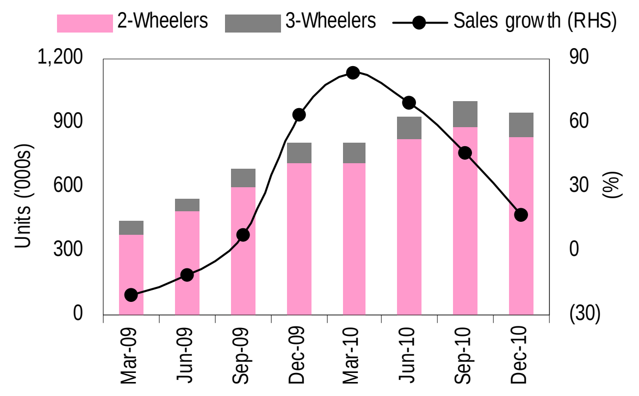
Significant increase in prices of commodities such as steel and rubber are likely to increasingly pressurise margins. Any increase in excise duty would lead to downward revision in growth estimates.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	84,369	115,085	162,081	40.8	188,832	16.5
EBITDA	8,295	21,835	28,120	28.8	32,474	15.5
EBITDA Marg. (%)	13.4	21.6	20.3	(130)bps	19.9	(50)bps
Adj. Net Profits	7,939	18,118	25,705	41.9	29,821	16.0
Dil. EPS (Rs)	27.4	62.6	88.8	41.9	103.1	16.0
PER (x)	48.2	21.1	14.9	-	12.8	-
ROE (%)	48.5	78.5	67.1	(1150)bps	51.4	(1570)bps
ROCE (%)	36.5	65.4	67.4	200 bps	57.0	(1040)bps

Price performance



Sales Volume



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GODAWARI POWER: BUY, TP-Rs272 (53% upside)

Sector: Metals
CMP: Rs178; Mcap: Rs5bn
Bloomberg: GODPI IN; Reuters: GDPI.BO

What's the theme?

We expect GPIL to benefit from earnings CAGR of 41% over FY10-FY12E on volume growth and margin expansion. This would be driven by higher output from Ari Dongri mines, 0.6mntpa pellet plant, and 20MW biomass power plant that have started giving results from Q3FY11. Further, 0.6 mtpa pellet plant of 75% subsidiary Ardent Steel's has also started to stabilize and is expected to provide additional earnings growth Q4FY11 onwards (not factored in our earnings estimates).

What will move the stock?

1) Stabilisation of the newly commissioned 20MW biomass power plant would ensure further power availability for captive use; sale of surplus power to be revenue accretive. 2) Higher output from Ari Dongri iron ore mine and 0.6mntpa pellet plant to help in revenue growth and margin expansion. 3) Contribution from sub. Ardent Steel to the consolidated earnings expected from Q4FY11 onward (not included in our earnings and TP estimates). 4) Boria Tibu mines, impacted by delay in handover of forest area, are now expected to commence mining from Q1FY12.

Where are we stacked versus consensus?

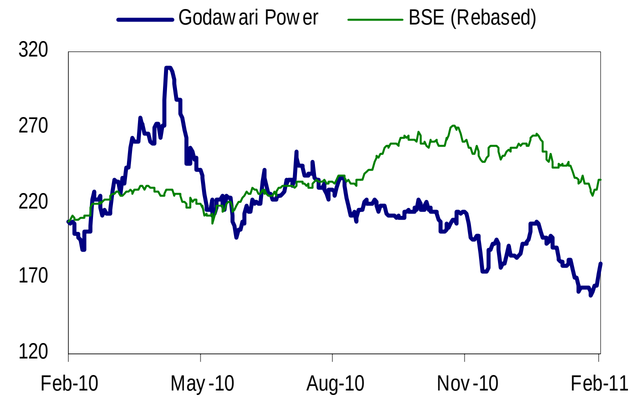
Our earnings estimates are below consensus estimates mainly because we have not included Ardent Steel in our estimates.

What will challenge our target price?

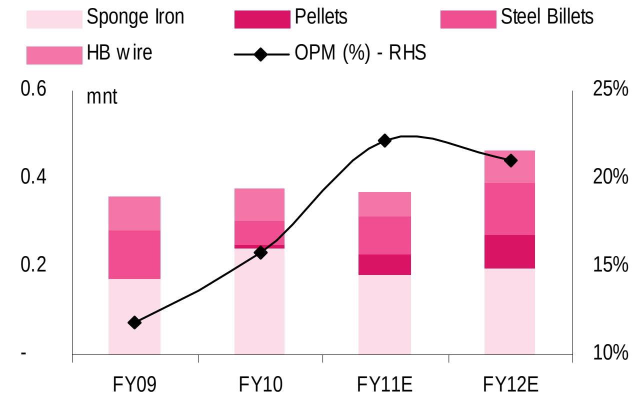
1) Impediments in ramping up of output from the pellet plant (own as well as in sub. Ardent Steel), 20MW power plant; 2) Continued delay in acquiring forest land in the Boria Tibu mine, and 3) Simultaneous decline in steel prices and power tariff.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	10,355	7,764	7,932	2.2	10,652	34.3
EBITDA	1,226	1,226	1,762	43.7	2,241	27.2
EBITDA Marg. (%)	11.8	15.8	22.2	642 bps	21.0	(118)bps
Adj. Net Profits	645	514	692	34.7	1,016	46.8
Dil. EPS (Rs)	23.0	18.3	24.7	34.7	36.2	46.8
PER (x)	5.7	9.5	7.2	-	4.9	-
ROE (%)	15.7	11.2	13.6	237 bps	17.4	383 bps
ROCE (%)	13.6	10.0	11.6	156 bps	14.1	259 bps

Price performance



Volume growth and margin expansion



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HCL TECH: BUY, TP-Rs615 (27% upside)

Sector: Information Technology
CMP: Rs484; Mcap: Rs336bn
Bloomberg: HCLT IN; Reuters: HCLT.BO

What's the theme?

Uptick in discretionary IT spend and recovery in the European market will boost volume growth for HCL Tech. Further, strengthening of EUR against USD will have positive near-term impact.

What will move the stock?

1)The strongest volume growth of 6.5% QoQ among peers in Q3FY11; 2) Outperformance in emerging verticals such as energy and utilities and retail; 3) One of the highest bookings in terms of new deals won in the recent quarter; 4) High growth in EAS and custom application segment driven by discretionary spend; 5) Higher EBIDTA margins in the near term, supported by higher offshoring and utilisation;6) Absence of forex losses (cash flow hedges) supporting the bottom line.

Where are we stacked versus consensus?

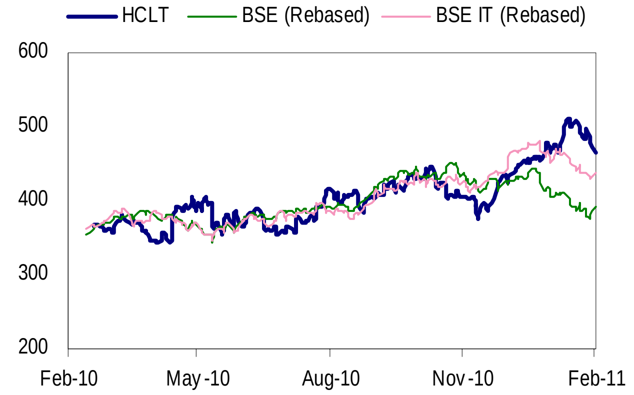
Our revenue estimates vary from Consensus by ~2% for FY13. Our EBITDA margin forecast for FY12 is in line with consensus. Our FY12 EPS estimate is also in line with consensus.

What will challenge our target price?

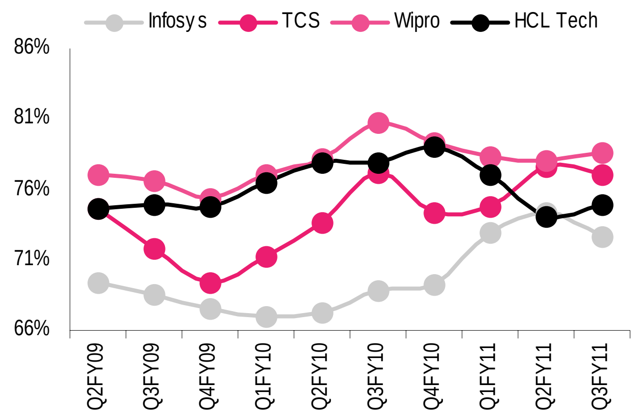
1) Slower recovery in the US economy; 2) Appreciation of INR vs. USD; 3) Increase in tax rates after the sunset clause; 4) Higher attrition and wage increments;

(Rs mn)	FY10E	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	125,650	153,222	189,143	23.4	230,002	21.6
EBITDA	25,729	26,687	34,735	30.2	41,931	20.7
EBITDA Marg. (%)	20.5	17.4	18.4	95 bps	18.2	(13)bps
Adj. Net Profits	13,029	16,056	21,466	33.7	26,493	23.4
Dil. EPS (Rs)	18.9	23.3	31.1	33.7	38.4	23.4
PER (x)	25.0	20.3	15.2	-	12.3	-
ROE (%)	18.5	19.9	21.6	168 bps	21.5	(9)bps
ROCE (%)	24.6	23.0	25.7	277 bps	26.4	68 bps

Price performance



Utilisation rates - scope for expansion



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IRB INFRA: BUY, TP-Rs269 (54% upside)

Sector: Construction & Infrastructure
CMP: Rs174; Mcap: Rs58bn
Bloomberg: IRB IN; Reuters : IRBI BO

What's the theme?

IRB infra is a proxy play on Indian road sector. IRB is amongst the largest BOT operator in India with in house execution capabilities and currently have 16 BOT projects under portfolio, of which ten are operational, five under construction and one project is in advance stage of financial closure. IRB is well positioned to add projects worth $1bn i.e about 4-6 BOT projects per annum without any equity dilution.

What will move the stock?

1) Timely execution of projects under construction will act as a catalyst for stock price.

2) NHAI's order awarding this year was laggard, we expect awarding activity to pick up before end of this year to achieve its full year target. Hence expect IRB to be major beneficiary of awarding process as IRB is pre-qualified for projects worth Rs250bn.

3) After the recent stock price correction, the stock is available at a compelling P/BV of 2.3 & 2.0 for FY11E and FY12E resp and is trading at a PE 10.6x FY12.

Where are we stacked versus consensus?

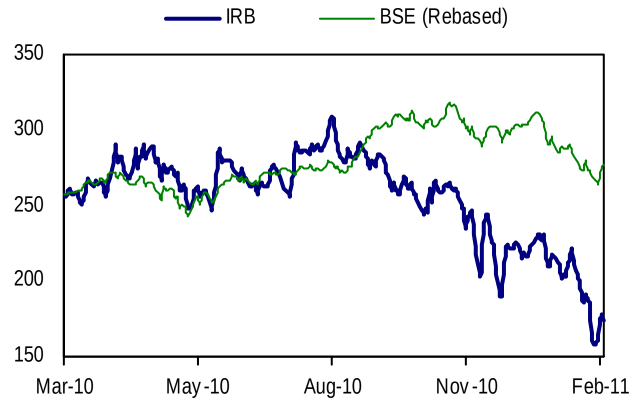
Our FY11E and FY12E earnings estimates are at Rs14.9 and Rs16.4, which are 3.6% higher and inline for FY12 consensus estimates. We expect topline growth of 47.6% at Rs 25.2bn for FY11 and 40% at Rs35.2bn for FY12 vs consensus estimate of 54.1% at Rs26.3bn and 47.9% at Rs38.9bn.

We believe recent stock price correction provides good entry point for long term investors with upside potential of 54.4% on our SOTP based target price of Rs269 vs consensus target of Rs277.

What will challenge our target price?

1) Lower traffic growth; 2) Slowdown in execution of current orders 3) Any change in government policy which may adversely affect the current tolling charges.

Price performance



(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	9,918	17,049	25,160	47.6	35,219	40.0
EBITDA	4,388	7,990	11,010	37.8	13,250	20.3
EBITDA Marg. (%)	44.2	46.9	43.8	(311)	37.6	(614)
Adj. Net Profits	1,758	3,854	4,958	28.6	5,452	10.0
Dil. EPS (Rs)	5.3	11.6	14.9	28.6	16.4	10.0
PER (x)	32.9	15.0	11.7	-	10.6	-
ROE (%)	10.5	20.4	22.0	155	20.1	(185)
ROCE (%)	12.7	19.4	23.4	407	22.0	(146)

SOTP

Particulars	Rs/Share	Percentage
BOT	160	59.5%
Construction business	84	31.2%
Real Estate	10	3.7%
Cash in hand	15	5.6%
Total	**269**	
Upside (%)	**54.4**	

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JAGRAN PRAKASHAN (JPL): BUY, TP-Rs165 (39% upside)

Sector: Media
CMP: Rs118; Mcap: Rs35bn
Bloomberg: JAGP IN: Reuters: JAGP BO

What's the theme?

We like JPL for its its leadership position in UP (the largest print market in terms of readership and print ad value), strong position in growing regions like Bihar and Jharkhand, better cost efficiency, phased and planned expansion into other forms of media businesses, and a wider portfolio (including Mid-Day). 9MFY11 business growth (20% ad growth) strengthens our belief that it is well poised to benefit from steady growth in the print media sector.

What will move the stock?

1) Robust ad growth of 18% CAGR FY10-FY12E coupled with margin enhancement would drive overall growth for the company; 2) Broad based growth across various other business verticals; 3) Blackstone investment to support its inorganic growth.

Where are we stacked versus consensus?

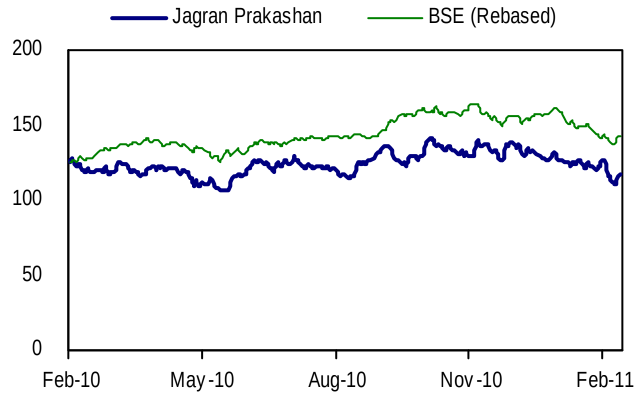
Our revenue estimates vary from consensus by ~3%, mainly account of incorporation of Mid-Day numbers in FY12. Our Net margin forecast for FY12 which is 19% is in line with consensus. Our FY12 EPS estimate is 3% lower than the consensus.

What will challenge our target price?

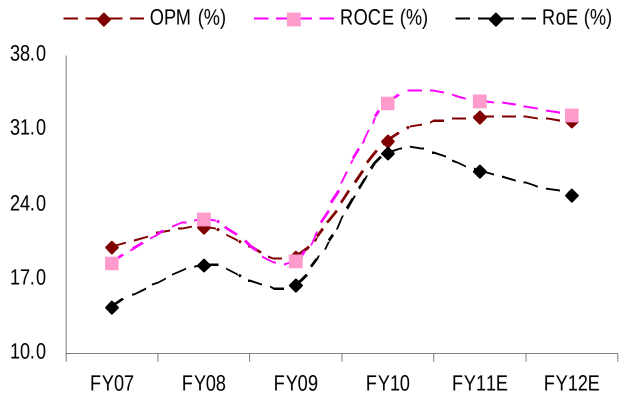
1) Increase in newsprint prices; 2) Slow down in economic activity; 3) Increased competition in current markets where JPL is present.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	8,234	9,419	11,422	21.3	13,643	19.4
EBITDA	1,567	2,823	3,686	30.6	4,342	17.8
EBITDA Marg. (%)	19.0	30.0	32.3	230 bps	31.8	(44)bps
Adj. Net Profits	916	1,759	2,254	28.2	2,608	15.7
Dil. EPS (Rs)	3.0	5.8	7.1	22.4	8.2	15.5
PER (x)	39.3	20.3	16.6	-	14.4	-
ROE (%)	16.4	28.7	27.5	(120)bps	24.7	(280)bps
ROCE (%)	18.7	33.6	34.2	60 bps	32.2	(200)bps

Price performance



Financial Performance



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JYOTHY LABS: BUY, TP-Rs281 (22% upside)

Sector: FMCG
CMP: Rs230; Mcap: Rs19bn
Bloomberg: JYL IN; Reuters: JYOI.BO

What's the theme?

We are bullish on Jyothy's long-term growth as it rolls out key brands nationally and expands its laundry business. Excluding the QIP money and the underlying value of its subsidiary, JFSL (laundry business), would result in lower valuation for its FMCG business. Jyothy has underperformed the BSE FMCG Index by 5% in the past three months and offers room for further upside.

What will move the stock?

1) Full impact of the price increase of Ujala Supreme will support revenue and profitability growth. Pricing power in Ujala Supreme will underpin volume growth as well; 2) Launch of Maxo Military will enhance revenue growth. We assume ~Rs600mn revenue from this brand, at ~7% of total sales in FY12e; 3) Aggressive marketing efforts on Techno Bright (Washing powder) and Exo would translate into improved performance in FY12.

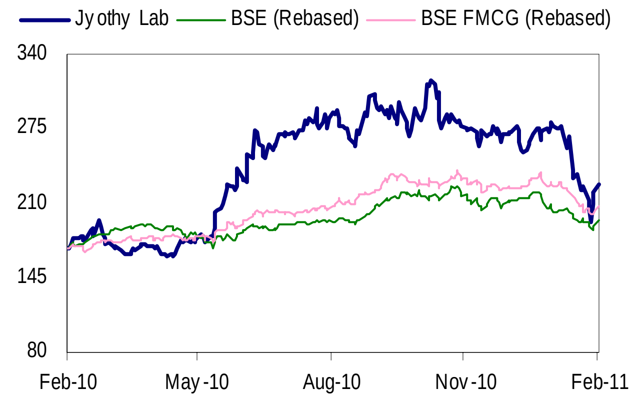
Where are we stacked versus consensus?

Our estimates are among the highest on the street, led by expectation of superior margins from Ujala Supreme and Maxo. We assign P/E of 18x on core EPS FY12 (Rs14/share - excluding other income from QIP funds) and add Rs28/share QIP cash to derive at a TP of Rs281.

What will challenge our target price?

1) Change in our estimates for input costs owing to volatility in crude prices; 2) Inability to attract retail clients in the laundry business; 3) Abrupt reduction in Maxo Military volume on discontinuation of sales promotion; 4) Higher brand building investments and; 5) Lower retail participation for Maxo Military.

Price performance



(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	3,619	5,963	6,770	13.5	8,575	26.7
EBITDA	494	929	1,024	10.2	1,382	35.0
EBITDA Marg. (%)	13.6	15.5	15.1	(48)bps	16.1	103bps
Adj. Net Profits	383	742	945	27.3	1,279	35.3
Dil. EPS (Rs)	4.7	9.2	11.7	27.3	15.9	35.3
PER (x)	48.5	25.0	19.6	-	14.5	-
ROE (%)	13.8	11.0	19.1	811bps	14.1	(509)bps
ROCE (%)	18.8	14.2	23.2	894bps	15.0	(817)bps

Sales & Gross Profit Mix in FY12E (%)

Products	Sales Mix %	Gross Profit Mix %
Ujala Supreme	28%	43%
Ujala Washing Powder	11%	9%
Stiff & Shine	4%	6%
Maxo	28%	20%
Exo	19%	14%
Laundry	5%	7%
Maya & Jeeva	6%	1%

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LUPIN: BUY, TP-Rs537 (27% upside)

Sector: Pharma
CMP: Rs423; Mcap: Rs188bn
Bloomberg: LPC IN; Reuters: LUPN.BO

What's the theme?

Lupin is one of the best plays in the pharma space, given its strong execution capabilities, improving financial performance and diversifying business model. The high-margin branded generic business has been the key differentiator. Strong growth on the US front (both branded generic and generic segments) and improvement in operating margins would maintain the growth momentum.

What will move the stock?

1) Strong traction in the high-margin Suprax product (chewable tablets approved; double strength tablets now enjoy more than 50% of total Suprax prescription share) and gradual pick up in Antara prescription. 2) Approval of less competitive OC products (generic market size of >US$ 1bn) in 2HFY2012 and launch of 10-12 generic products (other than OC) in next 12 months. 3) Commencement of API supplies from Goa facility to Kyowa to boost margins. 4) Given its strong balance sheet, we can expect Lupin to choose inorganic growth (Latam market, US branded generic the key target segments).

Where are we stacked versus consensus?

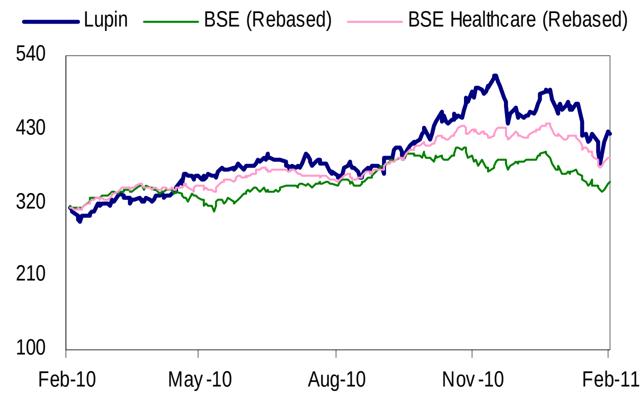
Our FY2012 estimates are higher than consensus. We expect net sales and earnings to log CAGR of 20.6% and 26.2% to Rs 68,956mn and Rs24.4 over FY2010-12 respectively. We value the company at 22x (in line with the big players in the sector) FY12 earnings yielding a TP of Rs537.

What will challenge our target price?

1) Earlier-than-expected competition in Suprax. 2) Further delay in OC generic product approvals impacting our estimates.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	37,967	47,405	57,434	21.2	68,956	20.1
EBITDA	6,694	8,536	11,027	29.2	13,791	25.1
EBITDA Marg. (%)	17.6	18.0	19.2	119bps	20.0	80bps
Adj. Net Profits	5,224	6,816	8,422	23.6	10,864	29.0
Dil. EPS (Rs)	12.6	15.3	18.9	23.6	24.4	29.0
PER (x)	33.5	27.6	22.3	-	17.3	-
ROE (%)	38.6	34.1	29.0	(511)bps	29.8	73bps
ROCE (%)	26.1	26.9	26.2	(71)bps	27.7	152bps

Price performance



Sales Bup

(Rs mn)	FY2011E	FY2012E	CAGR FY10-12 (%)
US	21,404	27,216	28.4
Japan	6,340	7,443	18.0
Europe	2,035	2,786	37.0
RoW	3,868	4,636	22.6
Domestic	18,115	21,137	17.0
API	5,671	5,737	1.6
Total	**57,434**	**68,956**	**20.6**

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Mahindra & Mahindra: BUY, TP-Rs883 (32% upside)

Sector: Auto
CMP: Rs668; Mcap: Rs378bn
Bloomberg: MM IN; Reuters: MAHM.BO

What's the theme?

With a significant rural presence, M&M would benefit from strong monsoons this year. The automobile segment is expected to record growth of 22.4% in FY11 and 13.2% in FY12, led by new product launches. The tractor segment too would grow 15.8% in FY11, underpinned by higher crop output.

What will move the stock?

1) The creditors for Ssangyong have approved M&M's offer of taking a haircut of USD100mn. M&M has made the balance 90% payment for 70% ownership stake. The acquisition would enable the company to make a 2-3 year leap in terms of product development. Two SUVs from Ssangyong Motors' portfolio (Rexton and Korando) would be assembled at M&M's Chakan facility. 2) Production and marketing has begun of MHCVs in a JV with Navistar. M&M is currently in the roll-out phase and is increasing its geographical spread. 3) M&M launched the Genio pickup in Jan'11 which would help it expand its pickup portfolio. A new SUV is expected to be launched by the year end. 3) Demand for small commercial vehicles (SCVs), the fastest-growing CV segment, is strong; M&M recently entered this space with the launch of Maximmo and Gio. 4) The company is expected to roll out capacity expansion plans considering current growth in the tractor segment.

Where are we stacked versus consensus?

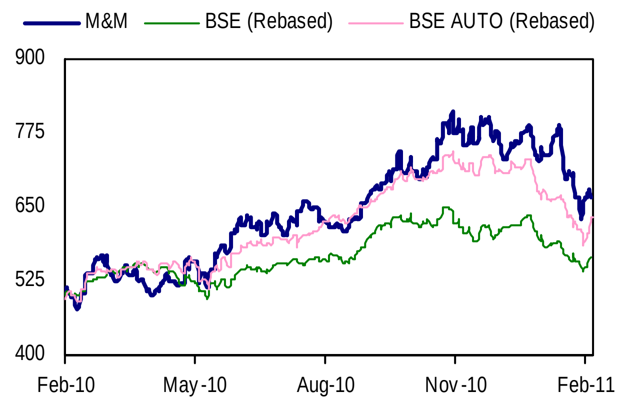
We expect EPS of Rs44.1 and Rs48.0 in FY11 and FY12 respectively. Our FY12 earnings estimate is 1.6% lower than consensus estimate of Rs48.8. We value M&M using SOTP at Rs883, discounting the standalone business at 15x FY12E earnings.

What will challenge our target price?

1) Steep raw material price increases and M&M's inability to pass them on to customers; 2) Increased competition in the UV segment on new launches affecting market share; and 3) Litigation with Global Vehicles Distributor, USA.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	126,491	180,381	221,278	22.7	247,516	11.9
EBITDA	10,923	29,758	34,652	16.4	38,045	9.8
EBITDA Marg. (%)	8.3	16.0	15.3	(70)bps	15.0	(30)bps
Adj. Net Profits	8,287	20,181	25,354	25.6	28,039	10.6
Dil. EPS (Rs)	16.2	36.3	44.1	21.4	48.0	8.9
PER (x)	41.2	18.4	15.1	-	13.9	-
ROE (%)	17.3	30.9	27.7	(320)bps	24.4	(340)bps
ROCE (%)	13.8	28.0	28.9	90 bps	26.9	(210)bps

Price performance



SOTP Valuation

	Valuation Method	Per share (Rs)	Multiple	Value (Rs)
M&M (Standalone)	P/E	45.5	15	683
Tech Mahindra	CMP	53.8	0.8	43
Mahindra Holidays	CMP	41.0	0.8	33
M&M Financial Services	CMP	62.4	0.8	50
Mahindra Lifespace	CMP	11.2	0.8	9
M&M (Treasury Stocks)	CMP	58.0	0.8	46
Swaraj Engines	CMP	3.0	0.8	2
Mahindra Forgings	CMP	4.7	0.8	4
Mahindra Ugine Steel	CMP	1.5	0.8	1
Mahindra Composites	CMP	1.3	0.8	1
Mahindra Navistar	P/BV	6.8	1.5	10
SOTP Value (Rs)				**883**

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NIIT TECH: BUY, TP-Rs300 (56% upside)

Sector: Information Technology
CMP: Rs192; Mcap: Rs11bn
Bloomberg: NITEC IN; Reuters: NIITT.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 realizations. NIIT Tech has been able to achieve volume growth in Europe despite economic headwinds.

What will move the stock?

1) Recent wins in the Indian market: Five-year BSF contract of Rs2,280mn; 2) Good performance in the BFSI and travel & transport verticals, which contribute ~73% to revenue; 3) Large untapped opportunity in the APAC markets, which are expected to be highest IT spenders in CY11; 4) Strong order book and high growth in top 10 clients; and 5) Stable EBIDTA margins at 22% in the IT services business, highest among mid tier peers.

Where are we stacked versus consensus?

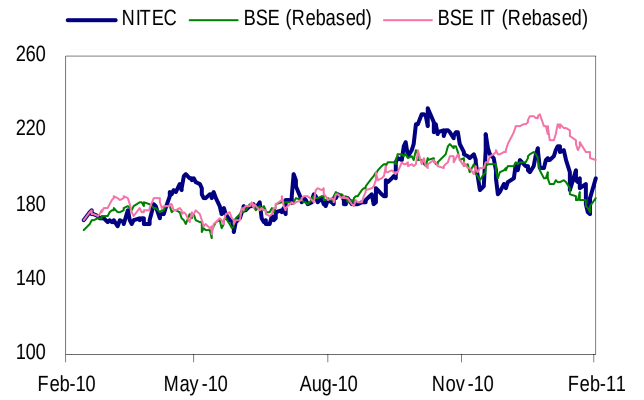
Our top-line estimates vary from consensus by ~4.4%, underpinned by stronger volumes and modest uptick in pricing for FY12. Our EBITDA margin estimate for FY12 is 22.1% higher than consensus estimate of 20.7%. Our FY12 EPS estimate is 13% higher than consensus.

What will challenge our target price?

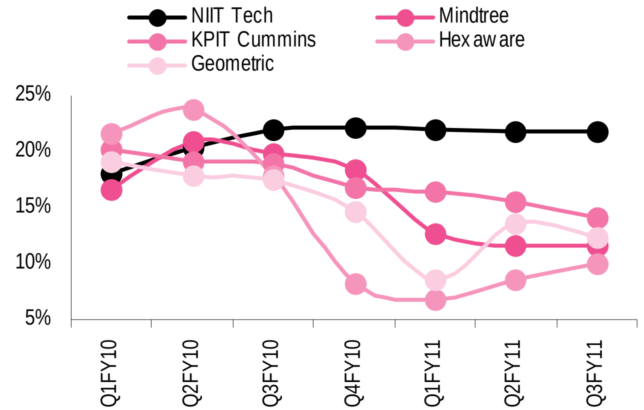
1) Slower recovery in Europe; 2) Sharp currency volatility; 3) Higher attrition and wage increments; and 4) Project delays and cancellation of government contracts.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	9,800	9,138	12,244	34.0	13,483	10.1
EBITDA	1,765	1,889	2,385	26.3	2,979	24.9
EBITDA Marg. (%)	18.0	20.7	19.5	(119)bps	22.1	261 bps
Adj. Net Profits	1,148	1,265	1,839	45.4	1,972	7.2
Dil. EPS (Rs)	19.6	21.5	31.3	45.4	33.6	7.2
PER (x)	9.8	8.9	6.1	-	5.7	-
ROE (%)	29.5	21.7	27.6	591 bps	27.9	27 bps
ROCE (%)	17.1	19.1	20.9	182 bps	22.9	197 bps

Price performance



Strongest EBITDA margin among peers



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TATA STEEL: BUY, TP-Rs817 (32% upside)

Sector: Metals
CMP: Rs617; Mcap: Rs637bn
Bloomberg: TATA IN; Reuters: TISC.BO

What's the theme?

We expect Tata Steel's EBITDA to grow at 42% CAGR over FY10-12, driven by its increasing share of profitable Indian operations with additional capacity at Jamshedpur, turnaround at Tata Steel Europe (TSE), capital restructuring, leaner cost structure, partial resource integration, and improving steel profitability. We expect Tata Steel's consolidated net profit to be Rs60.7bn in FY11 and Rs64.0bn in FY12. We find the stock attractively valued at 4.8x FY12E EV/EBITDA.

What will move the stock?

1) Brownfield expansion of 2.9mn tonnes at Jamshedpur to increase share of profitable Indian operations (FY11E EBITDA/t of USD382 vs. consolidated USD141); 2) FPO proceeds of Rs34.8bn eased high financial leverage (1.2x pre-issue vs. 1.0x post-issue); 3) Further fund raising of USD500mn via perpetual bond for long-term capex plans and debt repayment; 4) Recovery in European steel market apparent in better performance of Arcelor Mittal in Q4CY10 and stronger outlook for CY11; 5) Progress on raw material integration in TSE; and 6) Maintenance of its 24.2% stake in Riversdale Mining for which Rio Tinto announced a bid for takeover.

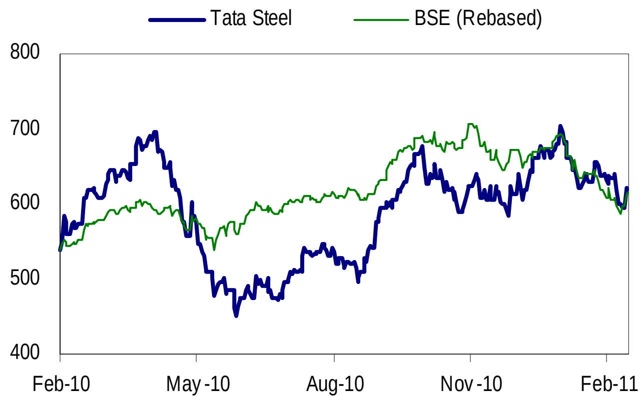
Where are we stacked versus consensus?

Our consolidated estimates are slightly on the lower side as compared to the street. We value Tata Steel using SOTP methodology at Rs817.

What will challenge our target price?

1) Lower steel profitability on correction in steel prices and/or significant rise in input costs; 2) Weak recovery in Europe leading to lower capacity utilization and sustained subdued profitability at TSE; 3) Delay in Brownfield expansion; and 4) Delay in resource integration.

Price performance



(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	1,473,293	1,023,931	1,130,648	10.4	1,200,867	6.2
EBITDA	181,277	80,427	154,976	92.7	161,226	4.0
EBITDA Marg. (%)	12.3	7.9	13.7	585 bps	13.4	(28)bps
Adj. Net Profits	90,454	(6,430)	60,667	NA	64,049	5.6
Dil. EPS (Rs)	104.1	(6.8)	58.7	NA	62.0	5.6
PER (x)	4.4	-	10.5	-	9.9	-
ROE (%)	26.4	-	18.8	NA	16.0	(277)bps
ROCE (%)	13.7	-	9.7	NA	9.9	20 bps

SOTP Valuation (Based on EV/EBITDA multiple)

In Rs mn	Target EV/EBIDTA	Target EV	Residual Equity	Target Price (Rs)
Tata Steel India	6.5	120,000	878,534	850
Tata Steel Europe (Corus)	5.0	8,573	(61,961)	(60)
Tata Steel Thailand	4.5	-	8,788	9
Natsteel	4.5	-	18,903	18
Tata Steel cons.	**6.1**	**128,573**	**844,264**	**817**

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ULTRATECH CEMENT: BUY, TP-Rs1,177 (25% upside)

Sector: Cement
CMP: Rs943; Mcap: Rs258bn
Bloomberg: UTCEM IN; Reuters: UTCL BO

What's the theme?

The cement industry has suffered due to over supply and substantial rise in costs. Cement demand is expected to pick up in the current quarter and continue until the onset of monsoon, giving price flexibility to manufacturers. Although all is still not well for the sector, the intense pain of Q2FY11 appears to be behind us.

What will move the stock?

1) UTCEM has the most balanced geographical spread of cement capacities with major demand centres i.e. North, West and South each accounting for 25% of total capacity. We expect UTCEM to achieve volume of 42mn mt in FY12. 2) The demand-supply gap in the South had widened due to newer capacities being commissioned and slump in demand in key state of AP. With realisation plummeting, industry moved into the red. A production discipline undertaken by the cement industry has supported realisation growth and marginal profit for incumbents. The discipline is expected to hold on until visible growth in demand emerges. 2) Developmental projects in AP, which were stalled, should get a push considering easing of political tensions. AP has been the trouble spot for the cement industry. 3) With growth in realisations, we expect a 300bps expansion in margins in FY12. 4) UTCEM has lined up capex of Rs100bn to add 9.2mn mt capacity over the next three years.

Where are we stacked versus consensus?

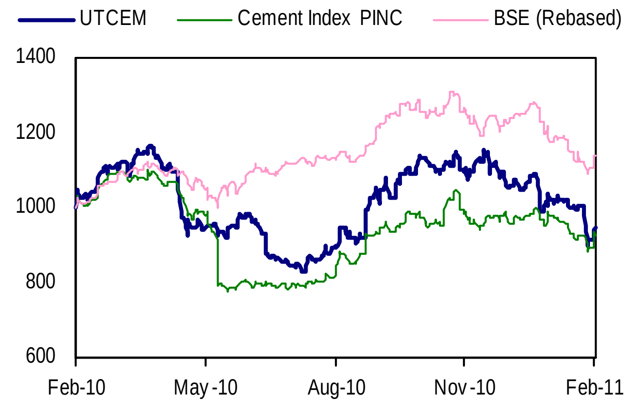
Our FY11 and FY12 earnings estimates are Rs52.6 and Rs69.1 respectively. Our FY12E earnings estimate is 5.2% higher than consensus estimate of Rs65.7. We have a 'BUY' recommendation on the stock with a target price of Rs1,177, which discounts FY12E EBITDA by 8x.

What will challenge our target price?

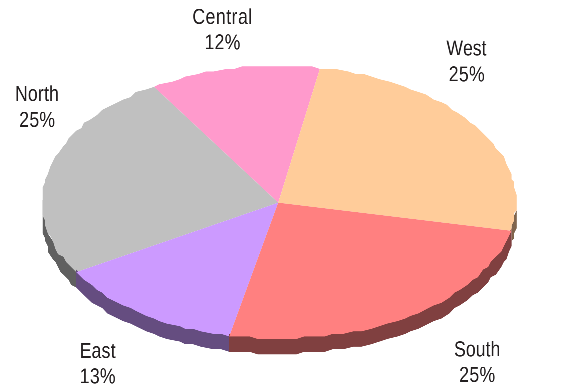
1) Any change in the excise duty structure to rein in price correction would hamper profitability; 2) Escalation of unrest in AP in view of the Telangana issue stalemate would undermine demand growth;

(Rs mn)	FY09	FY10P	FY11E	YoY %	FY12E	YoY %
Net Sales	63,830	70,497	133,822	89.8	168,358	25.8
EBITDA	17,310	20,354	27,202	33.6	39,195	44.1
EBITDA Marg. (%)	27.0	28.6	20.2	(840)bps	23.1	300 bps
Adj. Net Profits	9,488	10,932	12,446	13.8	18,944	52.2
Dil. EPS (Rs)	76.2	87.8	52.6	(40.1)	69.1	31.4
PER (x)	12.4	10.7	17.9	-	13.6	-
ROE (%)	30.1	26.6	16.4	(1020)bps	16.6	20 bps
ROCE (%)	25.4	25.2	17.9	(730)bps	17.9	0 bps

Price performance



Capacity - Regional spread



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USHA MARTIN: BUY, TP-Rs82 (41% upside)

Sector: Metals
CMP: Rs58; Mcap: Rs18bn
Bloomberg: USM IN; Reuters: USBL.BO

What's the theme?

We expect Usha Martin to benefit from 32% volume CAGR over FY10-FY12E and improved cost structure with completion of capacity expansion of metallics by 0.4mtpa and steel by 0.6mtpa and full integration from mineral resources to value-added products. Though there are concerns over execution of volumes mainly due to one-time events (breakdown of a 30MW CPP, inadequate power from the grid and captive coal logistics issues) in Q3FY11, we believe that these are factored-in the price. At CMP of Rs58 we find the risk-reward favorable. On a consolidated level we estimate 29% EBITDA CAGR and 26% EPS CAGR over FY10-FY12.

What will move the stock?

1) Volume growth on higher metallics and billet output from the recently-commissioned 0.4mntpa blast furnace (aided by feed from 0.8mntpa sinter plant) and 0.6mntpa SMS respectively; 2) Better performance of international subsidiaries; and 3) Increased output from captive iron ore and coal mines post monsoon

Where are we stacked versus consensus?

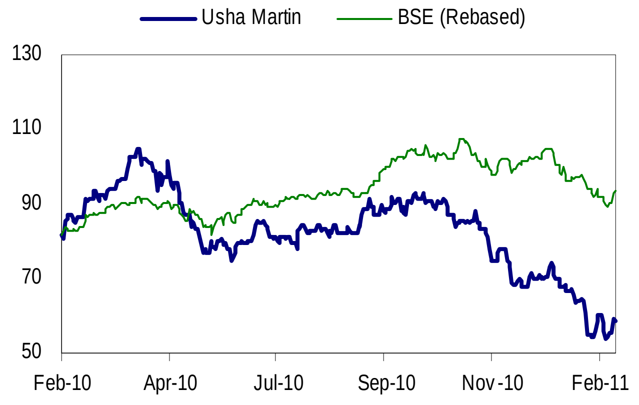
Our earnings estimates are almost in line with the consensus estimates.

What will challenge our target price?

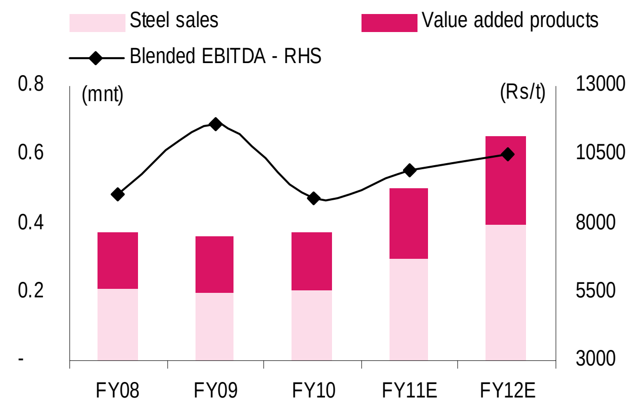
1) Delay in stabilization of recently-commissioned projects impacting volumes and margin expansion; 2) Weak recovery in Europe, which contributes >10% to consolidated revenue; 3) Impact on mining operation either due to regulatory changes or naxalite activities; and 4) Severe decline in steel profitability.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	29,619	25,344	30,346	19.7	40,415	33.2
EBITDA	5,258	4,895	6,018	22.9	8,140	35.3
EBITDA Marg. (%)	17.8	19.3	19.8	52 bps	20.1	31 bps
Adj. Net Profits	1,853	1,686	1,529	(9.3)	2,664	74.2
Dil. EPS (Rs)	7.4	5.5	5.0	(9.3)	8.7	74.2
PER (x)	8.8	10.6	11.6	-	6.7	-
ROE (%)	17.6	11.9	8.8	(319)bps	13.9	518 bps
ROCE (%)	11.5	9.5	8.8	(65)bps	10.2	142 bps

Price performance



Sales volume & EBITDA growth



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