

INDIA WEEKLY ROADMAP

WEEK 6, 2012 (Feb 6 – Feb 10)

Sensex: ↑ 2.15% Nifty: ↑ 2.33%

..BUY with Conviction....!!

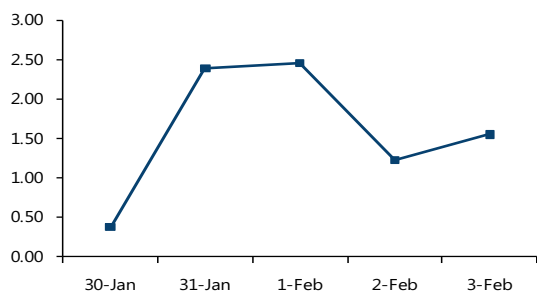
| | Sensex | Nifty |
|-------------------|---------------|-------------|
| Closing | 17604.96 | 5325.85 |
| Weekly Move | +370.98 | +121.15 |
| 52 Wk Hi / Low | 19811 / 15136 | 5944 / 4531 |
| Avg. To/day (mln) | 31435 | 139356 |

Institutional Activity (Mon-Fri)

| (₹ Mln) | FIs | MFs |
|----------|----------|----------|
| Purchase | 204853 | 34361 |
| Sales | 143280 | 38799 |
| Net | +61573 | -4438 |
| MTD | +42276 | +717 |
| YTD | *+153169 | **+28593 |

**FY11-12 *CY12

Advance / Declines Ratio



Sectors in Limelight

| Top Gainers | % | Top Losers | % |
|--------------|------|------------|---|
| Tea / Coffee | 14.5 | - | - |
| Paper | 7.0 | - | - |
| Realty | 6.7 | - | - |

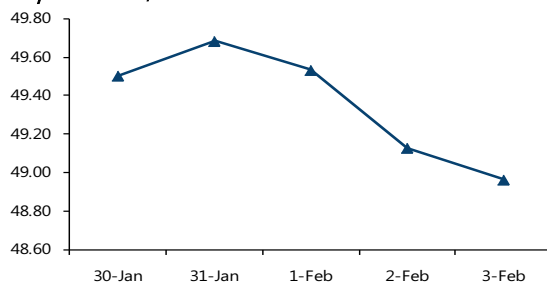
Scripts in Limelight

| Top Gainers | % | Top Losers | % |
|------------------|----|------------------|----|
| Aban Offshore | 23 | Varun Shipping | 12 |
| Tata Global Bevg | 23 | Sterling Biotech | 11 |
| Shreyas Shipping | 22 | Emco Ltd. | 9 |
| JK Lakshmi | 20 | FDC Ltd. | 7 |
| Orient Paper | 18 | Tata Coffee | 7 |

Currency

| | Closing | % ▲ |
|---------|---------|-------|
| ₹ /Euro | 64.40 | +1.01 |
| ₹ /US\$ | 48.96 | +1.38 |

Rupee ₹ vs. US\$



Q3FY12 Result Update

| | | | |
|------------|-----|-------------|------|
| IDBI Bank | Buy | Muthoot Fin | Buy |
| PTC India | Buy | Crompton G | Hold |
| Corp. Bank | Buy | KSK Energy | Buy |

Bulls around the Globe are on prey and markets are firing up. It has simply been an amazing move in Indian Equities in recent times. As we anticipated (though with a toned down voice) markets to make a bottom in beginning of the year, Indices are up 16% since December lows and still in mood to rise further.

It was indeed a surprise move for many a players in the markets as Indices and Rupee both posted their best monthly gains in last 15 years. FIs have poured in \$ 2.5 bln since start of the year and still counting. We would like to mention one of very time tested facts about markets that the initial turn is always due to corrective bounce in a depressed markets and then rally sustains on fund flows from big Institutional investors. And, this is what exactly happening in Indian markets too in last few weeks.

As Q3 result season is still underway, we can safely assume that it's a mixed bad till now and somewhat less worse than expectation of Analysts' consensus. We feel that the worst of margin contraction and de-growth may be behind and in the coming quarters companies may give better numbers across the sectors.

We continue with our earlier positive stance on the markets and strongly recommend Investors to position themselves on Long side in Indian equities. There may be small corrections on the way since markets may be overbought in the short term and hence we would assume that risk-reward may not be in favour for short term traders at these price points. But we are getting more convinced that the resumed UPTREND in Indian Equities is expected to last for longer period than many of us must have imagined.

BUY with conviction and belief in inherent resilience of Indian Economy.

Key Market Drivers

- Govt. Policies
- Fund flow
- Q 3 Results

Institutional

FIs could be net buyers on dips

Speculative

We expect selling to be initiated on rise

Tech View

Nifty has closed above the 200 DMA and also it has seen move past the downward channel which is very strong sign of underlying positive momentum. However due to sustained rally seen during last one month we expect some correction and that should be used as an opportunity to buy.

The MSFL Stoc trac

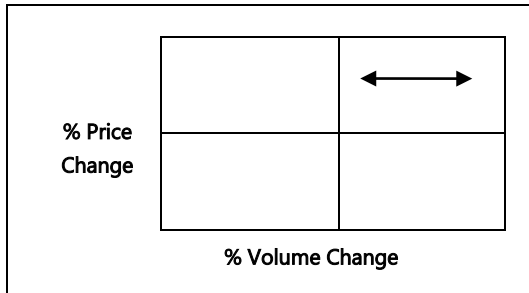
| | | | | | | |
|--|--|---|---|--|---|---|
| | | | | Aban Offshore Ltd. | Tata Global Beverages Shreyas Shipping | |
| | Kesoram Inds | Educomp Solutions Balaji Telefilms Power Finance Corp. | 20% Jet Airways, Allahabad Bank Orchid Chemicals Sadhav Engg, Aftok Infosys | IVRCL Infra, Great Offshore ABB, OBC, JK Cement | JK Lakshmi, Tricom India Orient Paper, Madras Cement Ingersol Rand, India Cement Mangalam Cement, 3i Infotec | |
| Subex Ltd. Eicher Motors Maruti Suzuki HT Media | MID-DAY Multimedia Shah Alloys, Britannia Sundaram Clayton Maharashtra Seamless | Wockhardt, Avaya Global Deccan Chronicle, Amtek Auto Punj Lloyd, HCL Technologies CESC, TCS, Opto Circuits | 10% KEC Intert, Marico Inds., DLF Sobha Developers, NCC McLeod Russel, Indian Hotels JP Associates, Raymonds | Reliance Capital, Sun Pharma Simbhaoli Sugar, Ambuja C Himatsingka Seide, Bajaj Aut Oracle Financial, Bharat Forg | Omax Auto, Ind-Swift Labs. Ahmednagar Forgings, Nalco Piramal Healthcare, Sesa Goa Prism Cement, Century Textile | |
| Kinetic Motor Dwarikesh Sugar Moser Baer, NDTV | Ashapura Minechem Madhucon Projects Panacea Biotec | IOC, SPL Inds., Titan Inds. Murudeshwar Ceramics, Pfizer IBN18, Seshasayee Paper Honda Siel Power, Upper Gange | 0% Emco Ltd., Tata Coffee Glenmark Pharma, Era Infra Century Enka, Hotel Leela ING Vysya Bank, Cairn India | FDC Ltd., Rajshree Sugar PVR, NRB Bearings TVS Motor, Jyoti Structures Asian Electronics, Triveni Eng | Jay Shree Tea, Escorts, MTNL 3M India, Praj Industries Ashok Leyland, BHEL, RCOM Mahindra Satyam, Indo Rama | |
| | | | -10% | | Varun Shipping Sterling Biotech | |
| | | | -20% | | | |
| < | -75% | -50% | 0 | 50% | 75% | > |
| Volume Change | | | | | | |



The MSFL \$toctrac

Rally continues....

Market last week (Week 5 2012)



| | |
|--|-----|
| <i>Gainers with above avg. volumes</i> | 161 |
| <i>Gainers with below avg. volumes</i> | 62 |
| <i>Losers with above avg. volumes</i> | 54 |
| <i>Losers with below avg. volumes</i> | 40 |

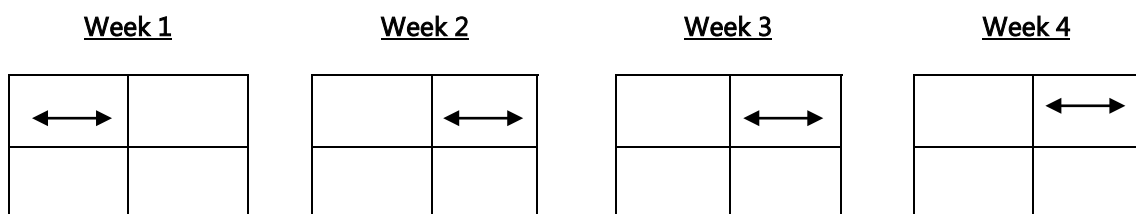
Sensex and Nifty increased by 2.15% and 2.33% respectively during the week. The market opened with a positive note and closed above 5300 on account of better than expected numbers in Banking and Metal sector. Manufacturing PMI came at 57.5 for the month of January compared to 54.2 last month. This along with service PMI at 58 compared to 54.2 last month boosted sentiments among the investors and helped Nifty to close firmly above 5200 levels. Strong global cues along with hopes that Greece would be able to close debt deal with private investors by March end kept the global markets firm and rising. The m-view grid remained in gainers with above average volumes quadrant during the week. Gainers with above average volumes decreased slightly during the week while gainers with below average volumes witnessed a slight decrease too in comparison to last week. There was an increase in losers with above average volumes as compared to last week. Losers with below average volumes increased slightly as compared to last week. The grid for next week is expected to be in gainers with below average volumes as we might see some profit booking at levels above 5350.

Sectors in the limelight...

- Tea/Coffee stocks increased by 14.5% during the week as the prices for tea, coffee have started coming down which will lead to margin enhancement for companies like Tata Global Beverages etc
- Metal stocks increased by 5.7% during the week on account of strong set of quarterly numbers by players like Hindalco, Sesa Goa
- Power Equipment sector being the only sector to trade in negative territory as investors have apprehensions about possible margin compression along with lack of order inflows for the coming quarters

Counters in the limelight...

- Tata Global Beverages share price increased by 23% during the week after the company announced its' plans to unveil its first coffee shop in JV with Starbucks in August 2012
- JK Lakshmi share price increased by 20% during the week after the company announced plans for buyback of equity shares
- IVRCL share price increased by 17% during the week after the company secured approval from the Competition Commission of India for the proposed restructure of business operations, paving way for amalgamation of IVRCL Assets & Holdings Ltd, with IVRCL Ltd., and the demerger of real estate business into a new company



IDBI Bank

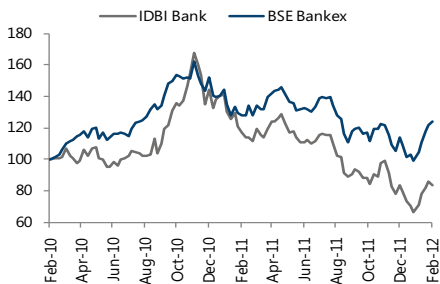
Buy - ₹ 97

Reco Maintained

| | | | |
|--------------|-------|------------|-----|
| Target Price | ₹ 133 | Support | 88 |
| Buy Zone | ₹ 110 | Resistance | 113 |
| Sell Trigger | ₹ 133 | | |

Price Performance

| | |
|--------------------|---------|
| 52 wk Hi/Lo | 154/77 |
| All time Hi/Lo | 202/14 |
| 6 mnth Average Vol | 1862332 |
| Stock Beta | 1.25 |



Relative Performance %

| | 1M | 3M | 1YR |
|------------|------|--------|--------|
| IDBI Bank | 21.6 | (11.9) | (19.5) |
| BSE Bankex | 21.6 | 3.7 | (4.3) |
| Nifty | 11.8 | 1.1 | (1.5) |

Valuation

| | FY11 | FY12P | FY13P |
|-----------|------|-------|-------|
| P/E (x) | 5.8 | 5.5 | 4.5 |
| P/BV (x) | 0.8 | 0.7 | 0.6 |
| P/ABV (x) | 0.9 | 0.8 | 0.7 |
| RONW (%) | 16.1 | 12.8 | 14.1 |

Peer Valuation (FY12)

| | PNB | BOB | Avg |
|----------|-----|-----|-----|
| PE | 5.2 | 5.4 | 4.7 |
| P/BV (x) | 1.3 | 1.3 | 1.1 |

Equity Data

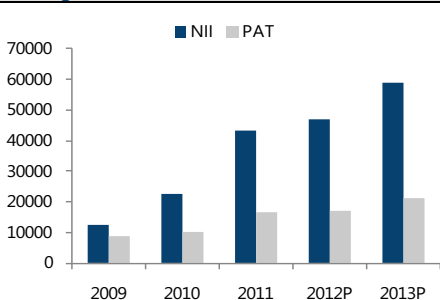
| | |
|------------------------|------|
| Market Cap. (₹ bln) | 95.5 |
| Face value (₹) | 10 |
| No of shares o/s (mln) | 985 |

| | Dec'10 | Dec'11 | Δ % |
|------------------|--------|--------|--------|
| Promoters | 65.14 | 65.13 | -0.02 |
| DFI's | 14.35 | 15.57 | 8.50 |
| FII's | 5.34 | 3.35 | -37.27 |
| Public | 15.17 | 15.95 | 5.14 |
| Free Float (mln) | 343.21 | 343.34 | 0.04 |

Key Institutional Holdings

Sundaram MF, LIC Nomura MF, UTI MF

Earnings Profile (in ₹ mln)



Subdued quarter

IDBI bank has reported lower than expected numbers both on earnings and profitability front with NII declining by 12% y-o-y while the Earnings declined by 9.8%. The decline in NII apart from increase in cost of deposits q-o-q is due to income reversal to the extent of ₹ 640mln on account of one aviation exposure slippage.

Consolidation in business growth

Business growth of the bank was at 17.1% y-o-y with advances growing by 16.2% and deposits growing by 17.9%. However, on YTD basis, business growth is down by 1.3% with advance and deposits declining by -0.6% and -1.9% respectively. Advances were driven by Retail (+20.7%) and Agri (+36.5%) with focus ahead being on priority sector lending in order to meet the PSL targets. CASA deposits of the bank improved by 54% y-o-y and the CASA ratio came in at 19.7% as against 19.2% in Q2FY12. Also the share of the bulk deposits to total deposit reduced to 54.8% as against 65% in the previous quarter, indicating increasing thrust on Retail deposits.

Sequential contraction in margins

The Net Interest Margin (NIM) of the bank declined by 11 bps q-o-q to 1.89% as cost of funds increased by 24 bps. Income reversal of ₹ 640mln due to slippage of one aviation account as well as sequential increase in loans to agriculture has led just 2bps increase in yield on advance q-o-q. Going forward, the management has guided that incremental growth would be largely towards priority sector to meet the PSL targets. While for the next quarter too we could see moderating margin trend, improvement in retail term deposits, further traction in CASA as well as falling interest rates should see margins improving in FY13.

Except for one-off, slippages lower than average run rate

The slippages for the quarter stood at ₹ 12.34bln which included one aviation exposure worth ₹ 6.96bln, sans which the slippages for the quarter has been lower than the average run rate of ₹ 6-7bln. The slippage ratio stood at 2.38% as against 1.6% q-o-q. GNPA and NNPA ratio on the relative basis came in at 2.94% and 1.96% as against 2.47% and 1.57%. Coverage ratio of the bank stood at 69.1% (incl. technical write offs). The restructured book swelled to 6.1% of the loan book as against 5.7% q-o-q as net additions to this book were to the tune of ₹ 7bln.

Valuation

As a part of the consolidation strategy, the topline growth is expected to be muted for the bank unless it gains comfort on the cost side. Add to this is the concerns on additional restructuring on certain lumpy accounts which would result in provisioning stress. Event hough the bank is trading at shallow multiples, we believe that it warrants discount to its PSB peers due to above mentioned concerns. At its CMP, the stock trades at 0.8x and 0.7x of its FY12 & FY13E ABV. We value the standalone business at ₹ 105 implying 0.77x of its FY13E ABV and ascribe ₹ 28 per share to for its investments, thus arriving at an SOTP based target price of ₹ 133.

Summary Financials

| Particulars (₹ in mln) | Q3FY12 | Q3FY11 | FY11 | FY12E |
|----------------------------|--------|--------|---------|---------|
| Interest Income | 58492 | 47123 | 186,008 | 225,239 |
| Interest Expense | 47897 | 35083 | 142,719 | 178,442 |
| Net Interest Income (NII) | 10595 | 12040 | 43,289 | 46,797 |
| Other Income | 4318 | 4472 | 20,837 | 22,063 |
| Net Total Income | 14913 | 16512 | 64,125 | 68,860 |
| Operating Expenses | 6670 | 5167 | 22,547 | 26,273 |
| Pre-Provisioning Profit | 8243 | 11345 | 41,579 | 42,587 |
| Provisions & Contingencies | 4064 | 6520 | 18,769 | 17,945 |
| PBT | 4179 | 4826 | 22,810 | 24,643 |
| PAT | 4098 | 4541 | 16503 | 17250 |
| GNPA (%) | 2.9 | 2.2 | 1.7 | 2.4 |
| NNPA (%) | 2.0 | 1.2 | 1.1 | 1.6 |
| Cost to Income Ratio (%) | 44.7 | 31.3 | 34.8 | 38.2 |

PTC India

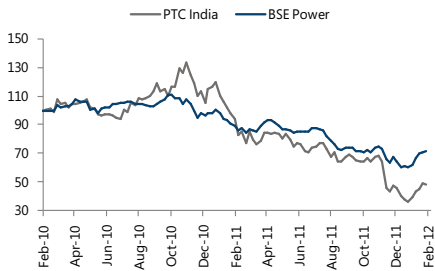
Buy - ₹ 54

Reco Maintained

| | | | |
|--------------|------|------------|----|
| Target Price | ₹ 70 | Support | 45 |
| Buy Zone | < 59 | Resistance | 66 |
| Sell Trigger | ₹ 70 | | |

Price Performance

| | |
|--------------------|---------|
| 52 wk Hi/Lo | 103/38 |
| All time Hi/Lo | 201/31 |
| 6 mnth Average Vol | 1150225 |
| Stock Beta | 1.22 |



Relative Performance %

| | 1M | 3M | 1YR |
|-----------|-------|--------|--------|
| PTC India | 30.06 | (27.3) | (46.9) |
| BSE Power | 17.2 | (2.6) | (12.1) |
| Nifty | 11.8 | 1.1 | (1.5) |

Valuation

| | FY10 | FY11 | FY12P |
|----------|------|------|-------|
| P/E (x) | 8.65 | 9.68 | 4.74 |
| P/BV (x) | 0.66 | 0.65 | 0.64 |
| RONW (%) | 6.5% | 5.0% | 6.3% |
| ROCE (%) | 8.1% | 7.2% | 9.4% |

Peer Valuation (FY12)

| | Adani | NTPC |
|------|-------|------|
| PE | 2.7 | 2.1 |
| P/BV | 14.2 | 15.0 |

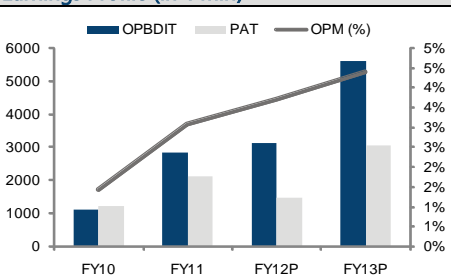
Equity Data

| | | | |
|------------------------|--------|--------|-------|
| Market Cap. (₹ bln) | 15 | | |
| Face value (₹) | 10 | | |
| No of shares o/s (mln) | 295 | | |
| | Dec'10 | Dec'11 | Δ % |
| Promoters | 16.30 | 16.27 | -0.18 |
| DFI's | 48.68 | 45.92 | -5.66 |
| FII's | 19.25 | 13.71 | -28.7 |
| Public | 15.77 | 24.10 | 52.8 |
| Free Float (mln) | 246.83 | 246.92 | 0.04 |

Key Institutional Holdings

Taurus, Sundaram, SBI, Sahara Mutual Fund

Earnings Profile (in ₹ mln)



Degrowth in Volumes pull down Earnings...

EBIDTA well below estimates

PTC India reported an EBIDTA of ₹ 210mln, well below our estimates of ₹ 287mln. The variance was on account of both lower than expected volume growth and trading margins. EBIDTA margins fell by 76bps to 1.58% (vs 2.34% in Q3FY11) largely because of lower rebate and surcharge income which came in at ₹ 107mln (vs ₹ 217mln in Q3FY11). Volumes for the first time declined by 21.5% y-o-y to come in at 4563mln (vs expectations of 6320mln). Margins inclusive/exclusive of Surcharge and Rebate income were 6.2/3.9 paise per unit (vs 8.0/4.3 paise per unit in Q3FY11). In our view, increased share of exchange trades and Banked Energy trades (which are low margin business ~ 2 paise/unit) have contributed to trading margins coming off this quarter. Mounting receivables also led to a surge in working capital requirements which in turn had been funded through debt and cash in hand leading to higher interest outgo of ₹ 103mln (vs 8mln y-o-y), 79 mln q-o-q) and lower treasury income of ₹ 43mln (vs ₹ 155mln y-o-y, ₹ 140mln q-o-q) for the quarter. Reported earnings for the quarter stood at ₹ 95mln (56%/64% below MSFL/ Consensus Estimates)

Management commentary and Other Operational highlights

- Simhapuri and Meenakshi Projects are expected to be commissioned by the end of Q4 FY12 and Q1 FY13 respectively. The above two projects are expected to add 300MW & 200 MW of trading volumes and 200,160 MW of tolling volumes.
- As on Q3FY12, the total PPAs signed by the company are 15370 MW (includes cross border trade). The cumulative MoUs stands at 11158 MW. The cumulative PSAs signed stand at 5400MW.

MSFL View on PTC and Valuation

The past two quarters have been among the worst quarters witnessed by PTC India for a very long time. All operational parameters such as volume growth, trading margins and working capital have been stress. We believe that PTC India has paid the price of being highly dependent on two SEBs namely Tamilnadu and UP. With over 11.5bln and 900mln of receivables and surcharge income due, PTC India has taken steps like cutting down supply to the above mentioned SEBs as well passing on payment risks to its suppliers. Although we expect receivables to be cleared over the medium to long term, the major impact would come in the form of muted volume growth over the next 2-3 quarters. We cut our earnings estimates for FY12/13 by 25%/26% to ₹ 1096/1412mln which translates to an EPS of ₹ 3.71/4.78. Further we reduce our SOTP based target price to 70 from 111 (down 36%) at which PTC would trade at a P/E of 6.80x and P/B of 0.92x its expected FY13 EPS and BV.

Summary Financials

| Particulars (₹ in mln) | FY11 | FY12P | FY13P | FY13P |
|---------------------------|---------|---------|---------|---------|
| Net sales | 89973 | 78471 | 106671 | 135160 |
| % growth y-o-y | 15.79% | -12.78% | 35.94% | 26.71% |
| OPBDIT | 1388 | 1495 | 2022 | 2544 |
| OPM (%) | 1.54% | 1.91% | 1.90% | 1.88% |
| Interest | 0 | 330 | 440 | 110 |
| Depreciation | 50 | 51 | 52 | 53 |
| OPBT | 1338 | 1114 | 1530 | 2381 |
| OPBT margin (%) | 1.49% | 1.42% | 1.43% | 1.76% |
| PBT | 1968 | 1566 | 2017 | 3225 |
| PAT | 1385 | 1096 | 1412 | 2258 |
| % growth y-o-y | 46.65% | -20.86% | 28.80% | 59.86% |
| PAT Margin (%) | 107.70% | 207.70% | 307.70% | 407.70% |
| EPS (₹) | 4.70 | 3.72 | 4.79 | 7.65 |
| Eff. Tax Rate (%) | 30% | 30% | 30% | 30% |
| Balance Sheet Size | 21876 | 28380 | 24604 | 23460 |
| Common Equity (₹ 10 each) | 2950 | 2950 | 2950 | 2950 |
| Other Shareholders Funds | 18852 | 19340 | 19544 | 20400 |
| Debt | 0 | 6000 | 2000 | 0 |
| Fixed Assets | 380 | 348 | 306 | 264 |
| Investments | 10527 | 10527 | 10527 | 10527 |
| Net Current Assets (WC) | 10969 | 17505 | 13772 | 12670 |



Corporation Bank

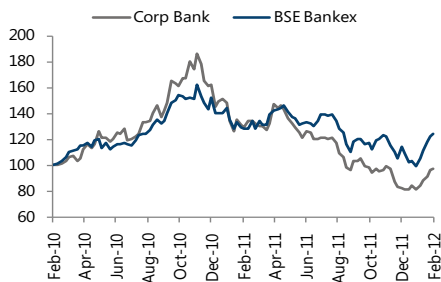
Buy - ₹ 428

Reco Maintained

| | | | |
|--------------|-------|------------|-----|
| Target Price | ₹ 524 | Support | 398 |
| Buy Zone | ₹ 445 | Resistance | 500 |
| Sell Trigger | ₹ 524 | | |

Price Performance

| | |
|--------------------|---------|
| 52 wk Hi/Lo | 657/335 |
| All time Hi/Lo | 814/55 |
| 6 mnth Average Vol | 68841 |
| Stock Beta | 0.60 |



Relative Performance %

| | 1M | 3M | 1YR |
|------------|------|-------|--------|
| Corp Bank | 22.1 | (0.3) | (12.2) |
| BSE Bankex | 21.6 | 3.7 | (4.3) |
| Nifty | 11.8 | 1.1 | (1.5) |

Valuation

| | FY11 | FY12P | FY13P |
|-----------|------|-------|-------|
| P/E (x) | 4.5 | 4.3 | 3.6 |
| P/BV (x) | 0.9 | 0.8 | 0.7 |
| P/ABV (x) | 0.9 | 0.9 | 0.7 |
| RONW (%) | 21.9 | 19.8 | 20.2 |

Peer Valuation (FY12)

| | BOI | UBI | Avg |
|----------|-----|-----|-----|
| PE | 4.7 | 4.0 | 5.0 |
| P/BV (x) | 1.0 | 0.9 | 1.1 |

Equity Data

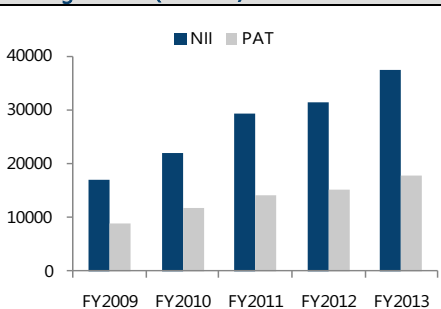
| | |
|------------------------|-----|
| Market Cap. (₹ bln) | 63 |
| Face value (₹) | 10 |
| No of shares o/s (mln) | 148 |

| | Dec'10 | Dec'11 | Δ % |
|------------------|--------|--------|-------|
| Promoters | 57.17 | 58.52 | 2.36 |
| DFI's | 32.81 | 30.53 | -6.95 |
| FII's | 4.56 | 4.50 | -1.32 |
| Public | 5.46 | 6.45 | 18.13 |
| Free Float (mln) | 61.43 | 61.44 | 0.02 |

Key Institutional Holdings

Reliance MF, ICICI Pru MF

Earnings Profile (in ₹ mln)



Satisfactory all-round performance

Corporation Bank delivered better than expected numbers for Q3FY12 with NII and earnings growing by 2.3% and 5.2% y-o-y as against our expectation of -6.4% and -2.9% respectively. The variance came in from sequential margin improvement by 23bps, 8% q-o-q business growth and strong other income growth.

Business grows sequentially

The Business for the bank continued to remain strong with 28.5% y-o-y growth with Advances growing by 28.4% y-o-y and 13.2% sequentially. The loan book was driven by high yielding SME (+60%), Corporate (+51%) and Retail (+22.5%) while the segments too showed smart growth. Deposit grew by 28.5% y-o-y and 5% sequentially. Higher growth in Term deposits by 6% q-o-q resulted in 68bps compression in CASA ratio at 21.1%.

Margins up 23bps sequentially; higher trading gains back other income

Higher Advances growth towards high yielding segments resulted in yields improvement by 16bps while cost of deposits increased by 10bps resulting in sequential improvement in margins by 23bps. Margins have improved by 25bps in past two quarters though incremental lending towards priority sector advances and shrinking CASA ratio makes us wary on the sustainability of margins ahead. The provisions for the bank increased by 20.6% y-o-y as investment depreciation provisions rose by nearly 5x while bank also had to make provisions on the restructured assets. However the credit costs still fell to 0.81% (annualized) as against 0.91% in the previous quarter.

Except one-off, slippages in control

The incremental slippages during the quarter were to the tune of ₹ 3.73bln which included one aviation account worth ₹ 1.56bln, excluding which, the slippages are in control. The slippage ratio for the quarter stood at 1.72% (annualized) as against 2.7% q-o-q. The GNPA and Net NPA ratio stands at 1.35% and 0.96% as against 1.32% & 0.91% respectively in the previous quarter. PCR including w/o is 62.9%. The addition to restructured book is ₹ 7.4bln which includes telecom exposure of ₹ 4.3bln. The total book now forms 4.9% of the book.

Valuation

While there are concerns on the low cost deposits and subsequent pressure on margins, Corporation bank continues to be one of the better performing bank in the mid cap space. With average RoE's of +20%, Dividend Yield of +4% and below BV multiples makes it one of the better play in the banking space. At its CMP, the stock is trading at 0.9x and 0.7x of its FY12 & FY13E Adjusted Book Value (ABV). We expect the bank to deliver an average RoE of 20% through CAGR FY12-13E. We largely maintain our earnings estimates as well as BUY recommendation with Target price of ₹ 524.

Summary Financials

| Particulars (₹ in mln) | Q3FY12 | Q3FY11 | FY11 | FY12E |
|----------------------------|--------|--------|--------|---------|
| Interest Income | 33628 | 24713 | 91,352 | 118,705 |
| Interest Expense | 25010 | 16289 | 61,955 | 87,269 |
| Net Interest Income (NII) | 8618 | 8424 | 29,397 | 31,435 |
| Other Income | 4417 | 2645 | 13,244 | 16,139 |
| Net Total Income | 13035 | 11069 | 42,641 | 47,574 |
| Operating Expenses | 4775 | 3699 | 16,417 | 18,507 |
| Pre-Provisioning Profit | 8259 | 7369 | 26,224 | 29,067 |
| Provisions & Contingencies | 3015 | 2500 | 6,888 | 9,541 |
| PBT | 5244 | 4869 | 19,336 | 19,527 |
| PAT | 4022 | 3824 | 14,133 | 15,231 |
| GNPA (%) | 1.4 | 1.3 | 0.9 | 1.4 |
| NNPA (%) | 1.0 | 0.6 | 0.5 | 0.7 |
| Cost to Income Ratio (%) | 36.6 | 33.4 | 38.5 | 38.9 |

Muthoot Finance

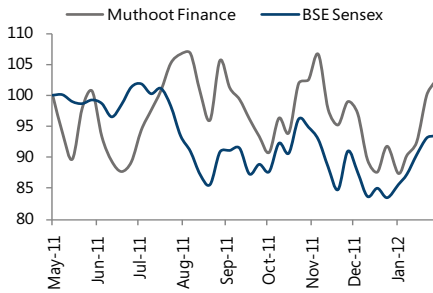
Buy - ₹ 183

Reco Maintained

| | | | |
|--------------|-------|------------|-----|
| Target Price | ₹ 232 | Support | 169 |
| Buy Zone | ₹ 202 | Resistance | 199 |
| Sell Trigger | ₹ 232 | | |

Price Performance

| | |
|--------------------|---------|
| 52 wk Hi/Lo | 218/144 |
| All time Hi/Lo | 218/144 |
| 6 mnth Average Vol | 256329 |
| Stock Beta | 0.70 |



Relative Performance %

| | 1M | 3M | 1YR |
|------------|------|-----|-------|
| MUTH | 17.1 | 2.7 | 16.9 |
| BSE Sensex | 10.4 | 0.7 | (1.9) |
| Nifty | 11.8 | 1.1 | (1.5) |

Valuation

| | FY11 | FY12P | FY13P |
|----------|------|-------|-------|
| P/E (x) | 11.9 | 7.5 | 5.9 |
| P/BV (x) | 5.1 | 2.2 | 1.6 |
| ROA (%) | 4.8 | 4.6 | 3.9 |
| RONW (%) | 51.5 | 40.8 | 31.3 |

Peer Valuation (FY12)

| | MGFL | NBFC Avg. |
|----------|------|-----------|
| PE | 9.7 | 10.8 |
| P/BV (x) | 2.1 | 2.0 |

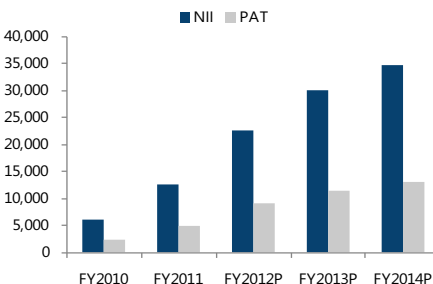
Equity Data

| | | | |
|------------------------|----------|--------|--------|
| Market Cap. (₹ bln) | 68 | | |
| Face value (₹) | 10 | | |
| No of shares o/s (mln) | 372 | | |
| | 3-May-11 | Dec'11 | Δ % |
| Promoters | 80.12 | 80.12 | 0.00 |
| DFI's | 2.08 | 1.90 | -8.65 |
| FII's | 4.84 | 8.11 | 67.56 |
| Public | 1.31 | 0.75 | -42.75 |
| Free Float (mln) | 63.66 | 73.90 | 16.08 |

Key Institutional Holdings

SBI MF, Birla Sun Life MF, BNP Paribas MF

Earnings Profile (in ₹ mln)



Stellar show..

The NII growth at 66% y-o-y for MUTH came in-line with our estimates however due to a better management in the expenditure front; the earnings grew by 61%, surpassing our estimates with a variance of 4%. During the quarter, in the midst of volatile gold prices, MUTH managed a smart sequential accretion of 9.3% in AUM with assignment comprising 11% of the AUM. Trend in NPLs continues to comfort at 0.57% and 0.49% levels for GNPA and NNPA respectively.

Healthy growth in books

The AUM for MUTH grew by 66% y-o-y and 9.3% sequentially to ₹ 228.8bln. Assignments as a percentage of AUM stand at 11% as against 25% last year. MUTH increased its branch network by 206 during the quarter, taking the branch strength to 3480. AUM/Branch as on Q3FY12 stands at ₹ 65.8mln (+3% q-o-q; +14% y-o-y). With the seasoning of the existing blend, we expect the AUM/Branch to drive the AUM and operating leverage for MUTH.

On the funding side –in-line with the strategy to improve/diversify the resource profile over the time MUTH made public NCD issues of ₹ 6.9bln in Sep'11 and further ₹ 4.6bln in Dec'11. Loan funds (Incl. B.A) grew by 53% y-o-y to ₹ 208.9bln.

Spreads decline

Spreads for the quarter saw a sequential decline of 78bps, at 9.9% Vs 10.7% in Q2FY12. The decline witnessed is majorly because of a 57bps rise in cost of funds due to higher cost incremental borrowing and change in borrowing mix. However a lower extent of leverage during the quarter resulted in a relatively lesser fall in margins. NIM for the quarter came at 10.3%, declining by 38bps during Q3FY12.

Cost parameters improve...

The cost parameters improved significantly resulting in 590bps decline in C/I ration, which stood at 37% for the quarter. The major reduction came from the Advertisement and Promotion head, which declined 49% q-o-q. The seasoning of the existing branches would lead to better cost ratios, having said that such drastic decline on sequential basis is non-recurring and hence should revert to normalized level. We expect MUTH to end FY12 with ~40% Cost/Income.

Valuation

MUTH is the largest organized player in the gold loan financing sector and currently trades at 1.6x of its FY13E Book Value. The increasing weights of mature branches would henceforth drive an analogous AUM growth, accompanied would be the benefits of scale. A strong/sustained performance on all parameters, prominent growth outlook and higher return ratios (RoAs of ~3.5% and RoEs of ~30% over FY11-14E) make current valuation of 5.9x FY13E EPS and 1.6x FY13E BV really attractive. We reiterate our BUY rating and target price of ₹ 232.

Summary Financials

| Particulars (₹ in mln) | Q3FY12 | Q3FY11 | FY11 | FY12E |
|---------------------------|--------|--------|-------|-------|
| Interest Income | 12261 | 6412 | 22983 | 45769 |
| Interest Expense | 6341 | 2850 | 10326 | 23062 |
| Net Interest Income (NII) | 5920 | 3561 | 12657 | 22708 |
| Other Income | 46 | 46 | 175 | 224 |
| Net Total Income | 5966 | 3608 | 12832 | 22932 |
| Operating Expenses | 2222 | 1284 | 5220 | 9194 |
| PBT | 3744 | 2324 | 7612 | 13738 |
| Tax | 1235 | 768 | 2670 | 4671 |
| PAT | 2509 | 1556 | 4942 | 9067 |
| EPS | 6.77 | 5.05 | 15.43 | 24.39 |
| Cost to Income (%) | 37% | 36% | 41% | 40% |
| GNPA (%) | 0.57% | 0.30% | 0.57% | 0.30% |
| NNPA (%) | 0.49% | 0.25% | 0.49% | 0.25% |

Crompton Greaves

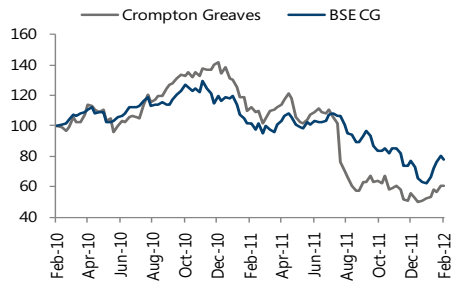
Hold- ₹ 144

Reco Maintained

| | | | |
|--------------|---------|------------|-----|
| Target Price | ₹ 137.2 | Support | 124 |
| Buy Zone | < 125 | Resistance | 170 |
| Sell Trigger | >137.2 | | |

Price Performance

| | |
|--------------------|----------|
| 52 wk Hi/Lo | 297/107 |
| All time Hi/Lo | 349/1.46 |
| 6 mnth Average Vol | 2150894 |
| Stock Beta | 0.98 |



Relative Performance %

| | 1M | 3M | 1YR |
|----------------|------|-------|--------|
| Crompton Grea. | 14.0 | 0.9 | (12.1) |
| BSE CG | 21.3 | (5.8) | (18.5) |
| Nifty | 11.8 | 1.1 | (1.5) |

Valuation

| | FY11 | FY12P | FY13P |
|----------|------|-------|-------|
| P/E (x) | 10.0 | 20.8 | 13.5 |
| P/BV (x) | 2.8 | 2.5 | 2.2 |
| RONW (%) | 32.1 | 12.8 | 17.3 |
| ROCE (%) | 25.1 | 9.8 | 13.6 |

Peer Valuation (FY13P)

| | CG | Siemens | ABB |
|------|------|---------|-----|
| P/E | 13.5 | 30 | 20 |
| P/BV | 2.2 | 5.3 | 5.5 |

Equity Data

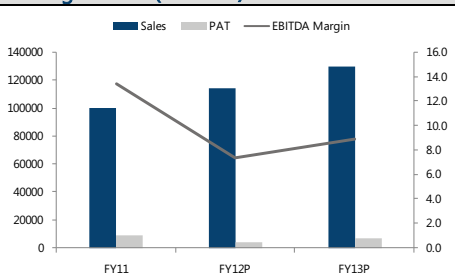
| | |
|------------------------|-----|
| Market Cap. (₹ bln) | 92 |
| Face value (₹) | 2 |
| No of shares o/s (mln) | 642 |

| | Dec'10 | Dec'11 | %Δ |
|------------------|--------|--------|-------|
| Promoters | 40.92 | 41.69 | 1.88 |
| DFI's | 20.80 | 21.69 | 4.28 |
| FII's | 22.34 | 16.55 | -25.9 |
| Public | 15.94 | 20.07 | 25.91 |
| Free Float (mln) | 379 | 374.06 | -1.30 |

Key Institutional Holdings

UTI, Tata, Sundaram, SBI, Sahara Mutual Fund

Earnings Profile (in ₹ mln)



Cost pressure erodes margins....

Crompton Greaves (CG)' Q3FY12 results were a mixed bag with sales surpassing street expectations; while its margin hit rock bottom.

- CG's consolidated sales grew by 26% y-o-y to ₹ 30.3bln; led by strong growth in Power Systems. The growth was a result of improvement in standalone and subsidiaries' performance which was aided by rupee depreciation. Consumer segment which is a standalone business grew by 6% y-o-y to ₹ 5.0bln; improving its market share in fans and appliances.
- Cost pressure in overseas business particularly Europe led to EBITDA decline of 46% y-o-y to ₹ 1.83bln for the group; therefore EBITDA margin dropped by 800bps y-o-y to 6%.
- Increased interest cost and amortization of goodwill for two recently acquired companies (Emerton and QEI) led to PAT decline of 67% y-o-y to ₹ 755mln.
- Unexecuted order book at the end of Q3FY12 increased by 17% to ₹ 81.8bln. Order inflow grew by 66% y-o-y to ₹34bln. Standalone order inflow for the company came in at ₹ 14.9bln; while subsidiaries' order inflow stood at ₹ 19.15bln.
- CG bagged few significant orders such as offshore wind HVAC project in Germany and 7x500 MVA 765kV power transformer orders from PGCIL.
- In Power Systems, CG still faces cost pressure particularly in overseas business; however margin in industrial systems in next quarter shall improve as company has executed most of the loss making or zero margin projects (it executed a zero margin Euro 50mln project from US in current quarter)
- Raw materials hedged during recent fall in commodity prices shall be utilized in Q2FY13 and Q3FY13; which shall improve margins in FY13. The company has been pursuing to make low cost countries like India, Indonesia and Hungary their manufacturing hubs for sales in Europe and USA and have also succeeded in this endeavor by saving ₹ 500mln from outsourcing in Q3FY12 as well.

Outlook and Valuation

We have revised our estimates factoring in the strong sales and weak margins for the current quarter. We have revised our sales estimates upwards by 6% and 7% for FY12 and FY13 respectively; while trimming earnings estimates by 21% and 8% for FY12 and FY13 respectively. Decline in earnings and margin erosion has caused de-rating in the stock and at revised estimates; CG trades at 20.8x FY12P and 13.5x FY13P. CG's improving order book and possibility of margin improvement in FY13; give us comfort that downside to the stock is limited and therefore we maintain Hold with a TP of ₹ 137.2 (12x FY13P EPS); including Avantha Power valuation at ₹ 9.65

Summary Financials

| Particulars (₹ in mln) | Q3FY12 | Q3FY11 | FY12P | FY13P |
|---------------------------|-------------|-------------|--------------|--------------|
| Net sales | 30280 | 23970 | 114741 | 130429 |
| % growth y-o-y | 26.3 | 6.7 | 14.7 | 13.7 |
| OPBDIT | 1826 | 3402 | 8485 | 11661 |
| OPM (%) | 6.0 | 14.2 | 7.4 | 8.9 |
| Interest | 112 | 39 | 394 | 393 |
| Depreciation | 627 | 467 | 2202 | 2565 |
| OPBT | 1087 | 2896 | 5888 | 8703 |
| OPBT margin (%) | 9.4 | 7.8 | 5.1 | 6.7 |
| PBT | 1242 | 3017 | 6630 | 9505 |
| PAT | 771 | 2328 | 4366 | 6765 |
| % growth y-o-y | -67 | -58 | -53 | 55 |
| PAT Margin (%) | 2.5 | 9.7 | 3.8 | 5.2 |
| EPS (₹) | 1.2 | 3.6 | 6.9 | 10.6 |
| Eff. Tax Rate (%) | 39.2 | 23.3 | 34.2 | 30.0 |
| Balance Sheet Size | - | - | 45411 | 48355 |
| Common Equity (₹ 2 each) | - | - | 1283 | 1283 |
| Other Shareholders Funds | - | - | 35223 | 41167 |
| Debt | - | - | 7503 | 4503 |
| Fixed Assets | - | - | 17501 | 17245 |
| Investments | - | - | 7536 | 9036 |
| Net Current Assets (WC) | - | - | 19290 | 20990 |

KSK Energy

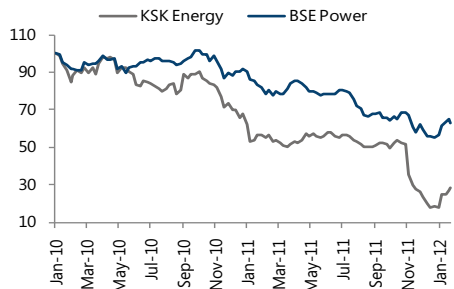
Buy - ₹ 63

Reco Upgraded

| | | | |
|--------------|------|------------|----|
| Target Price | ₹ 86 | Support | 45 |
| Buy Zone | < 75 | Resistance | 84 |
| Sell Trigger | ₹ 86 | | |

Price Performance

| | |
|--------------------|--------|
| 52 wk Hi/Lo | 125/33 |
| All time Hi/Lo | 245/33 |
| 6 mnth Average Vol | 185567 |
| Stock Beta | 0.56 |



Relative Performance %

| | 1M | 3M | 1YR |
|------------|------|--------|--------|
| KSK Energy | 91.9 | (31.8) | (38.8) |
| BSE Power | 17.2 | (2.6) | (12.1) |
| Nifty | 11.8 | 1.1 | (1.5) |

Valuation

| | FY11 | FY12P | FY13P |
|----------|------|-------|-------|
| P/E (x) | 11.7 | 21.7 | 21.1 |
| P/BV (x) | 0.8 | 0.8 | 0.7 |
| RONW (%) | 6.6 | 3.4 | 3.5 |
| ROCE (%) | 5.4 | 4.0 | 3.2 |

Peer Valuation (FY12)

| | Adani | NTPC |
|------|-------|------|
| PE | 14.4 | 14.5 |
| P/BV | 2.8 | 2.1 |

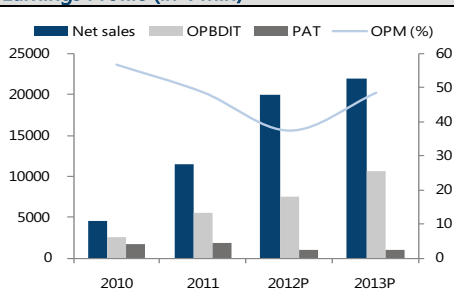
Equity Data

| Market Cap. (₹ bln) | 23 | | |
|------------------------|--------|--------|--------|
| Face value (₹) | 10 | | |
| No of shares o/s (mln) | 373 | | |
| | Dec'10 | Dec'11 | Δ % |
| Promoters | 52.73 | 74.94 | 42.12 |
| DFI's | 6.08 | 5.17 | -14.97 |
| FII's | 13.32 | 4.81 | -63.89 |
| Public | 27.87 | 15.08 | -45.89 |
| Free Float (mln) | 176.14 | 93.38 | -46.99 |

Key Institutional Holdings

UTI, PRINCIPAL, Morgan Stanley, Mutual Fund

Earnings Profile (in ₹ mln)



Margins Surprise positively....

KSK reported Net Sales of ₹ 5696mln in line with MSFL/ Consensus estimates. EBIDTA at ₹ 2373mln was above MSFL/ Consensus estimates by 22%/23% mainly as a result of decreased per unit fuel costs. EBIDTA Margins for the quarter stood at 41.7% (Down 444 bps y-o-y). Interest and depreciation costs were slightly above expectations. The company registered a profit of ₹ 755mln which was significantly above MSFL/Consensus estimates by 200%/320%.

Commencement of Coal Linkage helps improve margins

We believe the commencement of Linkage coal for the Wardha Warora unit has helped reduce dependence on e auction coal which has resulted in reduction of fuel costs. As a result EBIDTA margin has improved by 1159 bps on a sequential basis. However on an annual basis margins are down by 444 bps. Fuel Cost/ Unit at ~₹ 3 for Wardha Warora is still far from optimal and a cause of worry.

Other Company News

The overall promoter shareholding within the company following the open offer has increased to 74.94% from 54.94%. We also note that during the past quarter pledged shares component within the promoter holding has also increased from 25.40% to 47.03%. We believe that the increase in pledged shares reflects one of funding sources of the open offer.

Key Operational Data Points

- Blended O & M Cost/ Unit @ ₹ 0.54 (vs ₹ 0.85 y-o-y)
- Wardha Warora Revenue /Unit @ ₹ 5.32 (vs ₹ 4.70 y-o-y)
- Wardha Warora Fuel Cost/Unit @ ₹ 2.91
- Total Units Sold 1206mln (vs 579mln y-o-y)
- VS Lignite Revenue /Unit @ ₹ 3.47 (vs ₹ 3.31 y-o-y)
- VS Lignite Fuel Cost/Unit @ ₹ 0.77 (vs ₹ 0.66 y-o-y)

MSFL View and Valuation

We have revised our FY12/13 Earnings Estimates downwards by 67%/73% to 2.75/2.83 respectively. Some of the key changes to valuation assumptions include:

1. Realignment of Auxiliary Consumption % in line with actual
2. Increase in Blended O & M Cost/ Unit to 0.48
3. Increase in Wardha Warora PLF's to 72%/75% for FY12/13
4. Increase in Blended Fuel Cost Assumptions for Wardha Warora in line with actual.

Consequently we revise our target price downwards to ₹ 86 (Previous TP 113) implying a potential upside of 44.4%. At our TP, KSK would trade at a P/E and P/B of 30x & 1.1x its FY13E EPS & BV.

Summary Financials

| Particulars (₹ in mln) | 2010 | 2011 | 2012P | 2013P |
|---------------------------|-------|--------|--------|--------|
| Net sales | 4534 | 11436 | 19979 | 21992 |
| % growth y-o-y | 30 | 152 | 75 | 10 |
| OPBDIT | 2568 | 5555 | 7463 | 10653 |
| OPM (%) | 56.6 | 48.6 | 37.4 | 48.4 |
| Interest | 1246 | 2561 | 5246 | 6188 |
| Depreciation | 260 | 1224 | 1744 | 1853 |
| OPBT | 1062 | 1770 | 474 | 2612 |
| OPBT margin (%) | 23% | 15% | 2% | 12% |
| PBT | 2189 | 1927 | 1266 | 2837 |
| PAT | 1751 | 1818 | 979 | 1056 |
| % growth y-o-y | 29 | 4 | -46 | 8 |
| PAT Margin (%) | 38.6 | 15.9 | 4.9 | 4.8 |
| EPS (₹) | 4.92 | 5.11 | 2.75 | 2.83 |
| Eff. Tax Rate (%) | 13% | -18% | 4% | 38% |
| Balance Sheet Size | 82080 | 105013 | 143398 | 178896 |
| Common Equity (₹ 10 each) | 3726 | 3726 | 3726 | 3726 |
| Other Shareholders Funds | 22894 | 24659 | 25638 | 26695 |
| Debt | 53390 | 71481 | 109086 | 142062 |
| Fixed Assets | 67003 | 90493 | 126079 | 164737 |
| Investments | 32 | 410 | 410 | 410 |
| Net Current Assets (WC) | 13065 | 13581 | 16380 | 13219 |

TVS Motors Ltd.

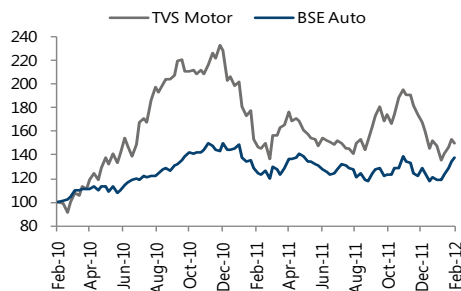
Buy - ₹ 53

Reco Maintained

| | | | |
|--------------|------|------------|----|
| Target Price | ₹ 63 | Support | 46 |
| Buy Zone | ₹ 55 | Resistance | 62 |
| Sell Trigger | ₹ 63 | | |

Price Performance

| | |
|--------------------|---------|
| 52 wk Hi/Lo | 70/44 |
| All time Hi/Lo | 93/3 |
| 6 mnth Average Vol | 1929241 |
| Stock Beta | 1.23 |



Relative Performance %

| | 1M | 3M | 1YR |
|-----------|------|--------|-------|
| TVS Motor | 5.6 | (22.4) | (3.0) |
| BSE Auto | 16.1 | 3.4 | 10.1 |
| Nifty | 11.8 | 1.1 | (1.5) |

Valuation

| | FY11 | FY12P | FY13P |
|----------|------|-------|-------|
| P/E (x) | 12.8 | 9.9 | 7.7 |
| P/BV (x) | 2.5 | 2.1 | 1.8 |
| RONW (%) | 20 | 23 | 25 |
| ROCE (%) | 15 | 20 | 24 |

Peer Valuation - FY12E

| | Hero | Bajaj |
|------|------|-------|
| PE | 17.1 | 14.9 |
| P/BV | 9.2 | 7.3 |

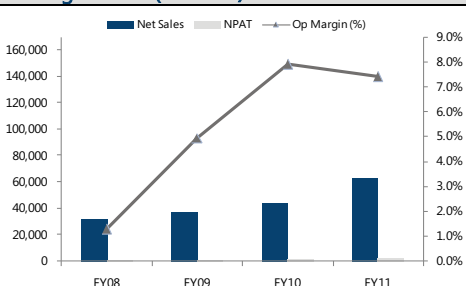
Equity Data

| | | | |
|------------------------|--------|--------|--------|
| Market Cap. (₹ bln) | 25 | | |
| Face value (₹) | 1 | | |
| No of shares o/s (mln) | 475 | | |
| | Dec'10 | Dec'11 | Δ% |
| Promoters | 59.31 | 59.31 | 0.00 |
| DFI's | 13.30 | 16.32 | 22.71 |
| FII's | 7.24 | 4.68 | -35.36 |
| Public | 20.15 | 19.69 | -2.28 |
| Free Float (mln) | 193.32 | 193.32 | 0.00 |

Key Institutional Holdings

Franklin Temp MF, Birla SunLife – Sundaram MF

Earnings Profile (in ₹ mln)



Margins to improve

TVS Motors reported 3Q FY12 revenue at 17,620mln up 7% y-o-y driven by higher volumes (up 1% y-o-y) and better realizations (up 6% y-o-y). Higher realization was mainly due to higher exports and scooter sales. EBITDA margins came in at 6.9% for the current quarter slightly below expectation due to higher other expenditure offsetting savings in raw material costs. With increasing competition and sustained investments in the subsidiary companies, we reduce the target multiple to 9x from earlier 10x. Buy with revised TP of ₹ 63/share.

Earnings largely in line with expectation

TVS Motors reported 3Q FY12 total revenue at 17,620mln in line with our expectation and up 7% yoy driven by higher realisations (up 8% yoy) and marginally higher volumes of 1%. EBITDA margins came in at 6.9% for the current quarter slightly below expectation due to higher other expenditure offsetting savings in raw material costs. Net income came in at 565 mln marginally up y-o-y due to higher taxes (25% in the quarter)

Revise volume guidance downwards; exports to remain strong

The company has revised downwards its volume guidance for full year FY12E to c10% with FY13E industry growth assumption to 10-12E. It however expects export markets to remain strong. We have revised our volume guidance downward to factor in some slowdown in the domestic industry and higher competitive scenario. The company plans to launch re-furbished version of its key models Apache and Scooty in March 12. It further has plans to launch two new scooters and motorcycles in CY12.

Gradual improvement in margins

We expect gradual improvement in margins as top line increases, absorbing higher fixed costs and contribution from high margin segments increase. Lower commodity prices and appreciating rupee should ease some pressure on the margins. The company has also taken 1% price increase across models effective 1st November which will further improve realisations.

Maintain Buy, revised TP of ₹ 63

We have a positive view on the 2W industry and expect industry to grow at 12% over next two years. Though there has been near term concerns on slowing demand we believe the segment will be first to catch up as sentimental factors improve. We believe TVS Motors will benefit the most as benefits of operating leverage kicks once volumes picks up. At CMP of ₹ 53/share, it is trading at 9.9x and 7.7x FY12E and FY13E earnings respectively. With increasing competition and further investments in the subsidiary & associate companies (CY investments equal to operating cash flows of LY), we reduce the target multiple to 9x from earlier 10x. We maintain our Buy recommendation with a revised TP of ₹ 63/share.

Summary Financials

| Particulars (₹ in mln) | Q3FY12 | Q3FY11 | FY12P | FY13P |
|--------------------------|--------|--------|--------|--------|
| Net sales | 17,620 | 16,467 | 73,535 | 84,378 |
| % growth y-o-y | 7% | 51% | 17% | 15% |
| Expenditure | 16,400 | 15,295 | 68,350 | 78,151 |
| EBITDA | 1,220 | 1,171 | 5,185 | 6,227 |
| EBITDA Margin (%) | 6.9% | 7.1% | 7.1% | 7.4% |
| Interest | 103 | 96 | 430 | 300 |
| Depreciation | 364 | 445 | 1,451 | 1,524 |
| PBT | 758 | 703 | 3,304 | 4,404 |
| Tax | 190 | 145 | 793 | 1,145 |
| Adj PAT | 568 | 558 | 2,511 | 3,259 |
| % growth y-o-y | 2% | 137% | 28% | 30% |
| PAT Margin (%) | 3.2% | 3.4% | 3.4% | 3.9% |
| Adj. EPS (₹) | 1.2 | 1.2 | 5.3 | 6.9 |
| Eff. Tax Rate (%) | 25% | 21% | 24% | 26% |
| Balance Sheet Size | - | - | 19,310 | 19,950 |
| Common Equity (₹ 1 each) | - | - | 475 | 475 |
| Other Shareholders Funds | - | - | 11,324 | 13,714 |
| Debt | - | - | 6,554 | 4,804 |
| Fixed Assets | - | - | 9,736 | 9,446 |
| Investments | - | - | 7,211 | 7,611 |
| Net Current Assets (WC) | - | - | 2,363 | 2,893 |

THE WEEK GONE BY

Sectoral Market Movements: Indicative Change in Market Capitalization

| <i>(Change)</i> | Week 2 | Week 3 | Week 4 | Week 5 | Change | Change |
|-------------------|--------|--------|--------|--------|--------|--------|
| | | | | | Month | Year |
| BSE Sensex | 1.93 | 3.62 | 2.96 | 2.15 | 11.08 | -2.24 |
| Nifty | 2.51 | 3.75 | 3.09 | 2.33 | 12.20 | -1.30 |
| Automobiles | 2.96 | 5.70 | 2.21 | 3.74 | 15.39 | 15.99 |
| Auto Ancillaries | 5.11 | 1.08 | 2.42 | 2.39 | 11.41 | 5.36 |
| Banking & Finance | 6.08 | 5.52 | 4.00 | 2.77 | 19.63 | -7.60 |
| Shipping | 8.41 | 0.76 | 8.20 | 3.79 | 22.68 | -29.79 |
| Cement | 1.13 | 3.12 | 2.88 | 5.75 | 13.45 | 26.68 |
| Construction | 13.75 | 2.79 | 7.29 | 4.17 | 30.68 | -22.86 |
| Realty | 10.91 | 8.54 | -0.19 | 6.67 | 28.17 | -8.47 |
| Paper | 4.53 | -0.59 | 1.29 | 7.05 | 12.68 | -12.19 |
| Tea / Coffee | 1.29 | -1.91 | 3.87 | 14.53 | 18.20 | 15.49 |
| Sugar | 9.03 | -2.86 | 13.26 | 1.15 | 21.33 | -42.91 |
| Textiles | 9.34 | 0.46 | 6.46 | 5.11 | 22.93 | -1.20 |
| Oil / Refineries | 2.77 | 5.53 | 3.16 | 0.56 | 12.50 | -7.14 |
| FMCG | 0.51 | 0.21 | 0.01 | 3.46 | 4.21 | 32.53 |
| Pharmaceuticals | 1.75 | 0.39 | 1.26 | 2.08 | 5.59 | -0.20 |
| Steel | 10.99 | 2.27 | 7.99 | 1.88 | 24.87 | -28.83 |
| Telecom | 5.22 | 1.07 | 9.65 | 1.52 | 18.39 | 13.26 |
| Power | 5.13 | 3.87 | 1.65 | 3.03 | 14.36 | -0.42 |
| Hotels | 3.59 | -0.77 | 4.29 | 3.14 | 10.56 | -17.46 |
| I.T. | -5.37 | 0.49 | 4.15 | 2.98 | 1.99 | -10.52 |
| Power Equipment | 6.34 | 0.41 | 0.63 | -0.01 | 7.42 | -27.40 |
| Engineering | 8.85 | 5.30 | 4.07 | 0.27 | 19.61 | -7.91 |
| Fertilizers | -0.67 | -0.21 | 3.10 | 2.44 | 4.68 | -5.83 |
| Aluminium/Metals | 5.54 | 1.38 | 5.19 | 5.77 | 19.05 | -16.84 |
| Media | 3.70 | -1.10 | 4.20 | 2.03 | 9.03 | -9.48 |

| <i>Over the last week</i> | <i>Over the last month</i> | <i>Over the last year</i> |
|---|---|--|
| Out performer | Out performer | Out performer |
| Cement, Construction, Realty, Paper, Tea / Coffee, Textiles, Aluminum/Metals | Automobiles, Banking & Finance, Shipping, Construction, Realty, Tea / Coffee, Sugar, Textiles, Steel, Telecom, Engineering, Aluminum/Metals | Automobiles, Cement, Tea / Coffee, FMCG, Telecom |
| Market performer | Market performer | Market performer |
| Automobiles, Auto Ancillaries, Banking & Finance, Shipping, Sugar, Oil / Refineries, FMCG, Pharmaceuticals, Steel, Telecom, Power, Hotels, I.T, Engineering, Fertilizers, Media | Auto Ancillaries, Cement, Paper, Oil / Refineries, Power, Hotels, Power Equipment, Media | Auto Ancillaries, Banking & Finance, Realty, Textiles, Oil / Refineries, Pharmaceuticals, Power, Engineering, Fertilizers, Media |
| Under performer | Under performer | Under performer |
| Power Equipment | FMCG, Pharmaceuticals, I.T, Fertilizers | Shipping, Construction, Paper, Sugar, Steel, Hotels, I.T, Power Equipment, Aluminum/Metals |



Momentum remains strong ...

| The Market Trend | | |
|---------------------------|--------|----------|
| | Sensex | Nifty |
| Close | 17605 | 5326 |
| % Change | +2.15 | +2.33 |
| Support 1 | 17210 | 5178 |
| Support 2 | 16828 | 5077 |
| Resistance 1 | 17908 | 5401 |
| Resistance 2 | 18440 | 5551 |
| Short-Term Trend | | Positive |
| Medium-Term Trend | | Neutral |
| Long-Term Trend | | Positive |
| Sentiments | | Positive |
| Key Indicators & Patterns | | |
| 7 DEMA | 17253 | 5214 |
| 14 DEMA | 16968 | 5121 |
| 200 DEMA | 17098 | 5194 |
| 14 RSI | 73 | 73 |
| 14 SO | 93 | 93 |

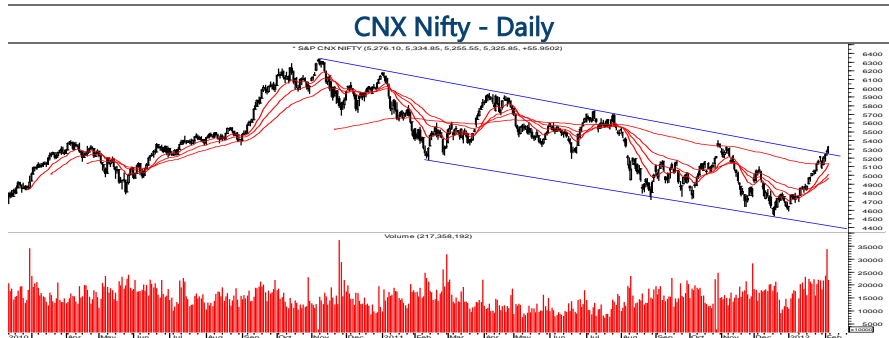
Nifty has closed above the 200 DMA and also it has seen move past the downward channel which is very strong sign of underlying positive momentum. However due to sustained rally seen during last one month we expect some correction and that should be used as an opportunity to buy.

We had mentioned in our last weekly (weekly 05) that if Nifty surpasses the crucial resistance area of 5200-5250 then buy for a target of 5400 and it is moving towards the same. Week on week Nifty has gained close to 2% indicating strength. This is the fifth straight consecutive positive weekly closing for the Nifty. Critical support and resistance levels are placed at 5178 (5077) and 5401 (5551) for the Nifty. All the daily exponential moving averages have been pierced on upside and are acting as support. Most importantly Nifty has crossed 200 DMA this week and has closed above the same. Also the important downward channel has been pierced on upside and has closed above the same. Daily momentum indicators although is running above their respective trigger lines are into overbought territory and are indicating signs of caution. However weekly momentum indicators are showing signs of positivism as they have pierced their respective trigger lines on upside. Due to sustained rally seen during last one month we expect some correction in the forthcoming week and recommend buying any correction for a major move

Sensex has closed above the much awaited 200 DMA and also above the downward channel indicating strength. Short term DEMA have been pierced on upside and are acting as support. Daily momentum indicators are overbought but weekly indicators are strong.



Nifty has closed above 200 DEMA and also it has moved above the downward channel indicating strength. Short term DEMA have been pierced on upside and are acting as support. Daily momentum indicators are overbought but weekly indicators are strong.



TECHNICAL PICKS

| | |
|--|---|
| <p>DLF (₹ 230)</p> <p>The stock has seen formation of Head and shoulder pattern on the daily candle chart and the volumes have been encouraging. Its immediate support and resistance are 220 (204) and 240 (252) respectively. Short term Daily exponential moving averages have been pierced on upside and are acting as support. Daily and weekly RSI are into positive territory and have pierced their respective trigger lines on upside indicating strength. The stock has witnessed break out above the neckline from Head and Shoulder pattern and is about to test 252 on upside. We therefore recommend buying on declines with Stop Loss below support level.</p> | <p><i>Head and shoulder pattern witnessed; Buy</i></p>  <p>Detailed description: The chart for DLF shows a price movement from late 2010 to early 2012. It features a classic head and shoulder pattern. The price peaks at approximately ₹ 400 in late 2010, followed by a decline to a shoulder at ₹ 300 in early 2011, and a final peak at ₹ 380 in mid-2011. The price then falls below the neckline (around ₹ 250) and finds temporary support around ₹ 220 before a recent breakout above ₹ 240. The volume chart below shows significant trading activity, with a notable spike in volume during the breakout phase.</p> |
| <p>JP Associates (₹ 76)</p> <p>The stock has seen very strong rally since 50 levels and has rallied with good volumes. Its immediate support and resistance are placed at 71 (65) and 81 (84) respectively. Short term as well as long term daily exponential moving averages have been pierced on upside and are acting as support. Daily momentum oscillators are into oversold territory while weekly momentum indicators are showing strength as they have pierced their respective trigger lines on upside. Bunch of white candles on the daily as well as weekly chart indicates positive momentum. We therefore recommend buying on declines with stop loss below support level.</p> | <p><i>Close above 200DMA; Buy</i></p>  <p>Detailed description: The chart for JP Associates shows a price rally starting from around ₹ 50 in late 2010, reaching a peak of ₹ 160 in early 2011. The price then declines to a low of ₹ 65 in mid-2011, followed by a steady recovery to ₹ 80 by late 2011. A blue line representing the 200-day moving average (DMA) is shown, which the price has recently crossed above. The volume chart shows consistent trading activity throughout the period.</p> |
| <p>ONGC (₹ 281)</p> <p>The stock after making a low of 242 has been gradually rising with average volumes. Its immediate support and resistance are 272 (255) and 295(310) respectively. Short term as well as long term daily exponential moving averages have been pierced on upside and are acting as support. Daily and weekly RSI are into positive territory and have pierced their respective trigger lines on upside indicating strength. The stock has also pierced the resistance line on upside with good volumes. The stock has also closed above 200 DEMA. We therefore recommend buying on declines with stop loss below support level.</p> | <p><i>Positive divergence seen; Buy</i></p>  <p>Detailed description: The chart for ONGC shows a price rise from a low of ₹ 242 in late 2010 to a peak of ₹ 370 in early 2011. The price then declines to ₹ 270 in mid-2011, followed by a recovery to ₹ 290 by late 2011. A blue line representing the 200-day DEMA is shown, which the price has recently crossed above. The volume chart shows average trading activity throughout the period.</p> |



TECHNICAL PICKS

| | |
|---|--|
| <p>Dr Reddy Ltd (₹ 1671)</p> <p>The stock has taken good support of its trend line and its 50 DMA on daily chart. Its immediate support and resistance levels are 1630 (1584) and 1720 (1800) respectively. The stock has also closed above its short term moving averages like 7, 14 & 28 DEMA. Daily & Weekly Momentum Indicators like RSI have closed above their trigger line giving positive divergence. Daily & Weekly Stochastic Oscillator to have closed above their trigger line giving positive divergence. The stock is moving in upward channel and might test its 1800 levels once 1720 level is cleared. Buy on dips with strict stop loss of support level.</p> | <p><i>Trend line support taken; Buy with stop loss</i></p> <p>DR. REDDYS LABS (1,653.00, 1,682.00, 1,635.35, 1,670.75, +39.1500)</p> <p>Volume (1,562,635)</p> |
| <p>BHEL Ltd (₹ 265)</p> <p>The stock is on the verge of making Bullish Head & Shoulder pattern or inverted head & shoulder, where it has made left shoulder, head and right shoulder with good volumes. The stock should test the neck line and might pierce the same to test its 200 DMA. Its immediate support and resistance levels are 256 (241) and 290 (336) respectively. The stock has pierced its 7, 14 & 28 DEMA on daily chart and also its 50 DMA. Daily RSI has pierced its trigger line on upside, giving positive signal. The stock should test 290 which is neck line level and if it pierces the same the stock might test 336 levels. Buy on dips with strict stop loss.</p> | <p><i>On the verge of making Bullish H & S pattern; Buy</i></p> <p>BHEL (260.000, 265.800, 259.000, 264.750, +6.1500)</p> <p>Volume (4,286,791)</p> |
| <p>Sesa Goa Ltd (₹ 231)</p> <p>The stock tested its 200 DMA on daily chart and has closed below the same on daily chart. It has also got resistance of 50 & 200 DMA on weekly chart. Its immediate support and resistance levels are 215 (200) and 242 (249) respectively. Daily RSI is in overbought zone and is showing signs of fatigue and giving sell signal. Daily Stochastic Oscillator too are in overbought zone and are showing signs of fatigue and giving sell signal. There is an appearance of black candlestick on daily chart after series of white candlesticks indicating correction. Our recommendation is to sell on rise with strict stop loss of resistance levels and book profits near support levels.</p> | <p><i>Resistance of long term Moving Averages; Sell</i></p> <p>SESA GOA (233.750, 237.000, 229.000, 230.650, -1.8000)</p> <p>Volume (4,318,883)</p> |



TECHNICAL VIEWS

| Stocks | Chart | Remarks |
|--|-------|--|
| HUL CMP 401 Reco Buy on dips Support 393,388 Resist. 411,420 | | Long white candle with volume and bull counter witnessed on weekly chart indicating strength. All short term DEMAs are acting as strong support. RSI and SO both have given buying signal. We expect the stock might be making new high in near term. Buy on dips |
| Siemens CMP 749 Reco Buy Support 733,715 Resist. 782,800 | | Doji followed by big white candle stick on daily chart indicating strength. Short term DEAMs are acting as strong support while the stock is facing resistance of 100 DEMA. RSI and SO both have given positive divergence along with buying signal. The stock might be test 200 DEMA on daily chart in near term. Buy |
| Sun Pharma CMP 556 Reco Buy on dips Support 542,522 Resist. 572,590 | | Couples of Doji followed by white candle stick on weekly chart indicating strength. The stock is moving in channel on weekly chart however break out is yet to pending and its upper arm stand at 572 therefore we expect it will test these levels in near term. Buy on dips |
| Kotak bank CMP 518 Reco Buy Support 502,490 Resist. 532,550 | | The stock is moving in symmetric triangle pattern on weekly chart and it will break out by next week. It is expected to touch 550 levels in near term. Short term DEMAs are acting as strong support while RSI and SO both are supported the positive trend. Buy |
| Biocon CMP 279 Reco Buy on dips Support 268,257 Resist. 290,305 | | Double bottom pattern has been seen on daily chart and it has given upside breakout with huge volume indicating strength. RSI and SO both have showing buying signal with positive divergence. Short term DEMAs are acting as strong support. Buy on dips |
| NTPC CMP 176 Reco Buy on dips Support 172,167 Resist. 183,190 | | The stock has pierced 200 DEMA on upside and close above that levels. It has moving in channel on weekly chart and it is expected to give upside breakout. RSI and SO both are showing strength on upside. We expect the stock might be test 190 levels in near term. Buy on dips |
| TCS CMP 1171 Reco Buy Support 1133,1099 Resist. 1210,1247 | | The stock has bounce back from 200 DEMA and couples of white candle stick on daily chart indicating strength. All short term DEMAs are acting as strong support while RSI has suggesting buying. Strong closing on weekly chart indicating strength. Buy |



TECHNICAL VIEWS

| Stocks | Chart | Remarks |
|--|-------|---|
| <p>Chambal Fertilizers</p> <p>CMP 89.30</p> <p>Reco Buy with SL</p> <p>Support 85.90,82.90</p> <p>Resist. 91.70,94.50</p> | | <p>Stock has closed above all the moving averages after almost a year suggesting a strong breakout on upside. On Friday stock has given the breakout of a upside channel. MACD has given the central line crossover suggesting a bull power. RSI has also given the bullish crossover suggesting a buy.</p> |
| <p>Britannia</p> <p>CMP 475</p> <p>Reco Buy with SL</p> <p>Support 464,452</p> <p>Resist. 481,492</p> | | <p>Stock has closed above all the short term and long term averages. MACD gave the central line crossover last week triggering a buy call for the stock. Rectangular i.e., a consolidation phase breakout has been confirmed on the upside. We recommend to keep a strict Stop loss for trades.</p> |
| <p>Max</p> <p>CMP 167</p> <p>Reco Buy</p> <p>Support 161,156</p> <p>Resist. 172,178</p> | | <p>Stock has been trading over all the short term moving averages last week suggesting strength of bulls over the bears for near term. A Flag pattern can be witnessed on Daily chart with breakout over 168 with target of 172/173. MACD and RSI has given bullish crossover to support them.</p> |
| <p>Gail</p> <p>CMP 391</p> <p>Reco Buy on Dips</p> <p>Support 385,377</p> <p>Resist. 397,404</p> | | <p>Stock has closed above all the short term moving averages with a Doji on Friday. MACD and RSI has given the bullish crossover to its MA. MACD is near the central to crossover for bulls confirmation. A Doji on weekly chart has been confirmed with strong bull candle.</p> |
| <p>ABIRLANUVO</p> <p>CMP 853</p> <p>Reco Buy with SL</p> <p>Support 840,820</p> <p>Resist. 875,891</p> | | <p>Stock has closed above all the short term moving averages and resisted near 200 DEMA. MACD has given the central line crossover to confirm bulls. RSI has crossed 50 level mark to confirm MACD and bull rally for the stock. Weekly chart has been supporting bulls.</p> |
| <p>APIL</p> <p>CMP 377</p> <p>Reco Buy with SL</p> <p>Support 354,325</p> <p>Resist. 397,414</p> | | <p>Stock has closed over all the short term moving averages. A Morning star pattern has been confirmed last week on the daily chart . MACD and RSI are yet to confirm the bulls. On weekly chart indicators are suggesting a tug of war between bulls and bears so keep strict SL.</p> |
| <p>Rallis</p> <p>CMP 135</p> <p>Reco Buy</p> <p>Support 131,126</p> <p>Resist. 140,143</p> | | <p>Stock has closed over all the short term moving averages. A dragon fly Doji on Daily chart was confirmed on Friday with a long bull candle. RSI is strong over 50 level mark while MACD has just given a central line crossover to confirm the bulls. We recommend to accumulate the stock.</p> |



DERIVED VALUE

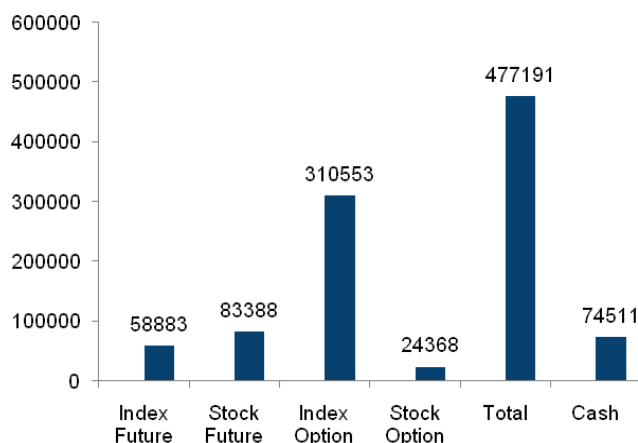
F & O Trend

Positive: 3I Infotech, Arvind Mills, Dr.Reddy, Biocon, BOSCH, Jain Irrigation, JP Associates, Jubilant Foods, M&M, Oil India, Kotak Bank, Pantaloon Retail, PFC, Opto Circuit, MRPL, REC, Syndicate Bank, Titan have witnessed a Long Build up of position.

Negative: Adani Power, Ashok Leyland, EKC, Financial Tech., Idea Cellular, Jindal Steel, Mphasis BFL, RCOM, Tata Chemical, Tech Mahindra, Vip Ind., Voltas have short build up of positions.

❖ *FII's were the net Buyers in the last week to the tune of ₹ 2098 cr. while their Open interest has gone up by 14.46%.*

F&O turnover (NSE) at ₹ 4771.91bn



*Cumulative From Monday to Friday

FII Trade summary

FII's derivative activities for the week*

| (₹ in Crore) | Buy | Sell | Net | Open Int. |
|------------------|--------------|--------------|-------------|---------------|
| Index Futures | 8244 | 9008 | -763 | 58887 |
| Index Option | 56970 | 54405 | 2565 | 162629 |
| Stock Futures | 9460 | 9126 | 333 | 134029 |
| Stock Options | 3455 | 3492 | -36 | 5190 |
| Total ... | 78129 | 76031 | 2098 | 360735 |

MSFL Derivatives Strategies

| JP Associates | ₹ 76 | Dena Bank | ₹ 74 |
|--|------|--|------|
| <p>Outlook – Positive Increase in price coupled with increase in open interest indicates Long build up of positions. The stock is likely to test ₹ 85 levels.</p> <p>Strategy – Covered Call Strategy Buy a Feb Fut @ 76.40 Write a Feb 85 call @ 1.45 Keep a Strict Stop loss of ₹ 72</p> <p>Payoff Maximum profit ₹ 10.05 at or above 85 levels. While loss is limited to 2.95 at stop loss levels.</p> <p>Logic Buying a Future allows one to gain on up move while writing a higher value call reduces the cost of strategy.</p> | | <p>Outlook – Positive Increase in price coupled with increase in open interest indicates Long build up of positions. The stock is likely to test ₹ 80 levels.</p> <p>Strategy – Ratio Call Spread Strategy Buy a Feb 70 Call @ 5.90 Write 2 Feb 80 Call @1.25 each</p> <p>Payoff Maximum profit ₹ 6.60 at or above 80 levels.</p> <p>Logic Buying an in the money call allows one to gain on the up move while writing 2 Higher value call reduces the cost of strategy.</p> | |

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We, **MSFL Research Team**, hereby certify that the views expressed in this report are purely our views taken in an unbiased manner out of information available to the public and believing it to be reliable. No part of our compensation is or was or in future will be linked to specific view/s or recommendation(s) expressed by us in this research report. All the views expressed herewith are our personal views on all the aspects covered in this report.

MSFL Investment Rating

The ratings below have been prescribed on a potential returns basis with a timeline of up to 12 months. At times, the same may fall out of the price range due to market price movements and/or volatility in the short term. The same shall be reviewed from time to time by MSFL. The addressee(s) decision to buy or sell a security should be based upon his/her personal investment objectives and should be made only after evaluating the stocks' expected performance and associated risks.

Key ratings:

| Rating | Expected Return |
|------------|-----------------|
| Buy | > 15% |
| Accumulate | 5 to 15% |
| Hold | -5 to 5% |
| Sell | < -5% |
| Not Rated | - |

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