

June-11 Review

- ☑ Results In-line; Aggregate PAT up 12%, Sensex PAT up 10%
- ☑ FY12 Sensex EPS downgrade of 2%
- ☑ FY11-13 Sensex EPS CAGR at 16%

India Strategy: June-11 Results Review

- **Aggregate performance in line with estimates**

MOSL Universe (ex-RMs) 1QFY12 Sales grew 26% (est 26%), EBITDA 15% (est 19%), and PAT 12% (est 15%). Sensex aggregate performance was also In-line with estimates, EBITDA growth of 15% (est 17%) and PAT growth of 10% YoY (est growth of 13%).

- **Several large-caps perform below estimates across sectors**

Below estimates: Cipla, Tata Steel, Nestle, ONGC, NTPC, JSPL, SAIL, Bharti & Siemens.

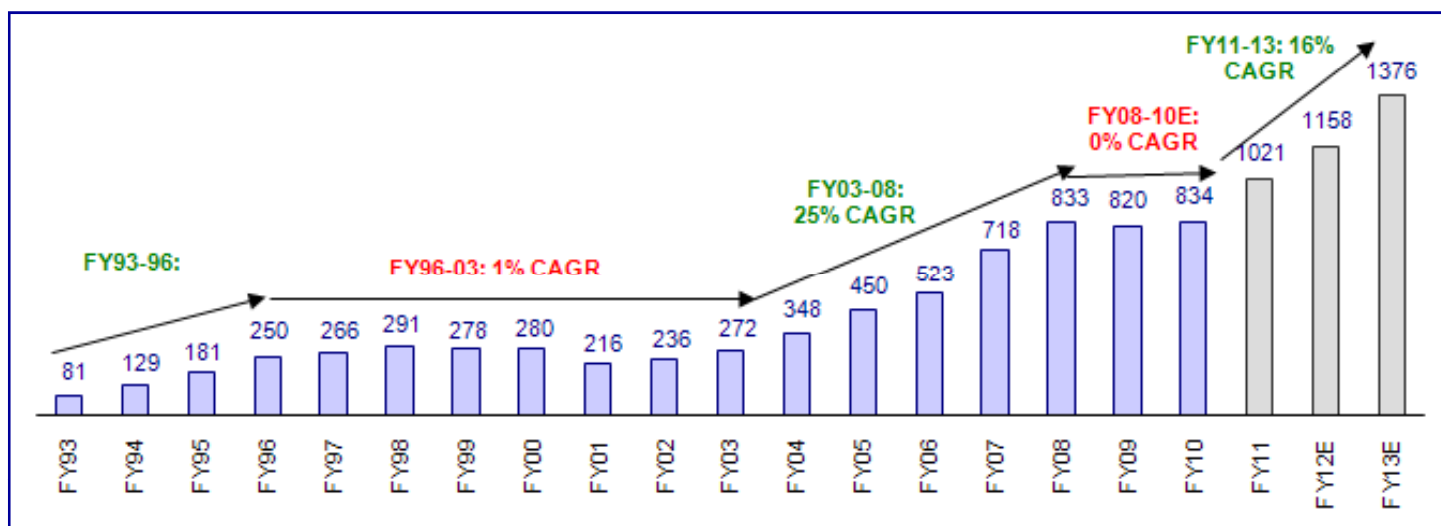
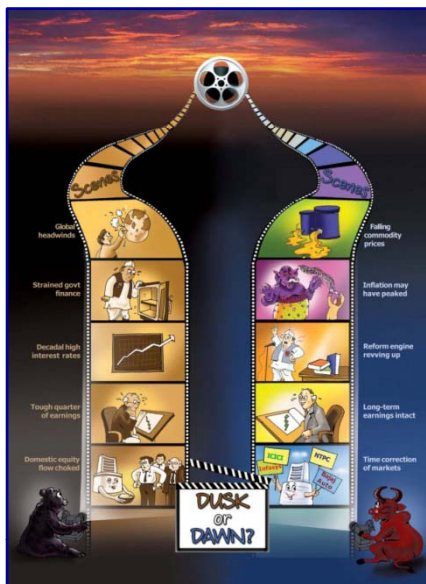
Above estimates: Sun Pharma, Ultratech, Idea, Sterlite, M&M, Dr Reddy's, Coal India & Maruti.

- **Downgrades exceed upgrades**

7 Sensex stocks witnessed downgrade in FY12 estimate (over 5%) while only 2 stocks (Sterlite & Sun Pharma) witnessed upgrade (over 5%) .

- **Revised Sensex FY12 EPS at 1,158 (growth of 13.4%), downgrade of 2%.**

Also refer our June-11 Quarter Preview



June-11 Quarter Results Review

Aggregate performance in line with estimates

- Aggregate performance (ex-RMs) is in line with estimates: Sales grew 26% YoY (v/s est of 26%), EBIDTA grew 15% (v/s est 19%) and PAT 12% (v/s est 15%).
- Aggregate EBITDA margin (ex financials and RMs) is down 170bp YoY; all major sectors are facing EBITDA margin pressure.
- 47 companies in our Universe reported PAT higher than estimate, 41 in-line and 47 below estimate. On the EBITDA front, 41 companies reported above estimate, 45 in-line, and 49 below estimate.

Sector performance: Oil & Gas, Private Banks lead PAT growth

- PAT growth was led by Oil & Gas (+58% YoY, driven by Cairn India), Utilities (Coal India) followed by Private Banks (+31%, in line with estimate).
- Sectors that had an adverse impact on aggregates were PSU Bank (down 20%), Telecom (down 25%) and other sectors which grew in low single digits (Autos, Cement Pharma, Metals etc).

Sensex performance: PAT up 10%, in-line

- Sensex aggregate PAT grew at 10% YoY vs estimate of 13%. EBIDTA growth is 15% v/s estimate of 17%.
- The 5 highest growth Sensex companies are Sterlite (+82%), Coal India (+63%), HDFC Bank (34%), Tata Power (34%) and ICICI Bank (+30%),
- The 7 companies to report PAT de-growth are SBI (-46%), Bharti (-28%), Tata Steel (-24%), DLF (-13%) Sun Pharma (-11%), JSPL (-2%) and Cipla (-2%).
- The top 5 outperformers over our estimates are DLF (+19%), Maruti (+17%), Sun Pharma (+17%), Coal India (+14%) and Sterlite (+12%). The top 5 underperformers are Tata Steel (-29%), JSPL (-20%), ONGC (-18%) Cipla (-15%) and Bharti (-14%).

June-11 Quarter: Key sectoral highlights

- **AUTOS:** Volume growth moderation visible in passenger vehicles and M&HCVs. Other segments' volume growth continues to be good. 1QFY12 witnessed margin contraction on RM cost push, partly diluted by better operating leverage. FY12 EPS downgrade for Tata Motors (~14.6%), Bajaj Auto (~3.8%) and M&M (~5.2%). **Prefer M&M and Bajaj Auto.**
- **CEMENT:** 1QFY12 volumes continued to disappoint, flat YoY. Realizations positively surprised, up INR10/bag QoQ translating into EBITDA/ton with improvement of ~INR7/bag QoQ. However, weakness in cement prices from May-11 onwards would have full impact in 2HCY11. FY12 EPS upgrades: UTCEM ~12% , ACC 4% and ICEM 40% . ACEM saw downgrade of ~9% and SRCEM ~13%. **Prefer Ambuja, UltraTech and Birla Corp.**
- **ENGINEERING:** Except L&T and Thermax, all companies posted below estimate results. EBITDA margin declined, as input cost rose across segments. Order inflow remained muted, with few power orders awarded during the period. Crompton and ABB witnessed significant earnings cut during the quarter; **Siemens downgraded to Neutral** as it achieved our target price. **L&T is top pick.**
- **FINANCIALS:** Performance has largely been in-line with expectation. PSU banks NIMs moderated QoQ led by lag impact of deposit re-pricing and higher slippages. On asset quality, most PSU banks saw higher slippages (partly led by CBS-led NPA recognition and Agri NPAs). Valuations are at the average of last five years; we believe risk-reward ratio is favorable. **Our top picks are SBIN, AXSB, ICICI and PNB.**
- **FMCG:** FMCG performance has been broadly in-line. Gross margins have been under pressure due to high input costs; ad spends have been cut to maintain margins. HUL has seen moderation in volume growth to 8.3%; ITC's cigarette volumes have increased ~8%. **Nestle and GSK Consumer have been downgraded to Neutral** due to rich valuations; **ITC remains top pick** in the space.
- **IT:** IT top-tier revenue growth and operating margins were largely in-line, but volume growth disappointed, especially at Infosys and HCL Tech. Cross currency movements facilitated revenue growth despite lower than

Key sectoral highlights (contd.)

estimated volumes. TCS led revenue growth, while HCL Tech outperformed on margins. Infosys earnings saw a downgrade of 2.7-5.5%. **Infosys, HCL Tech and Wipro are our top picks.**

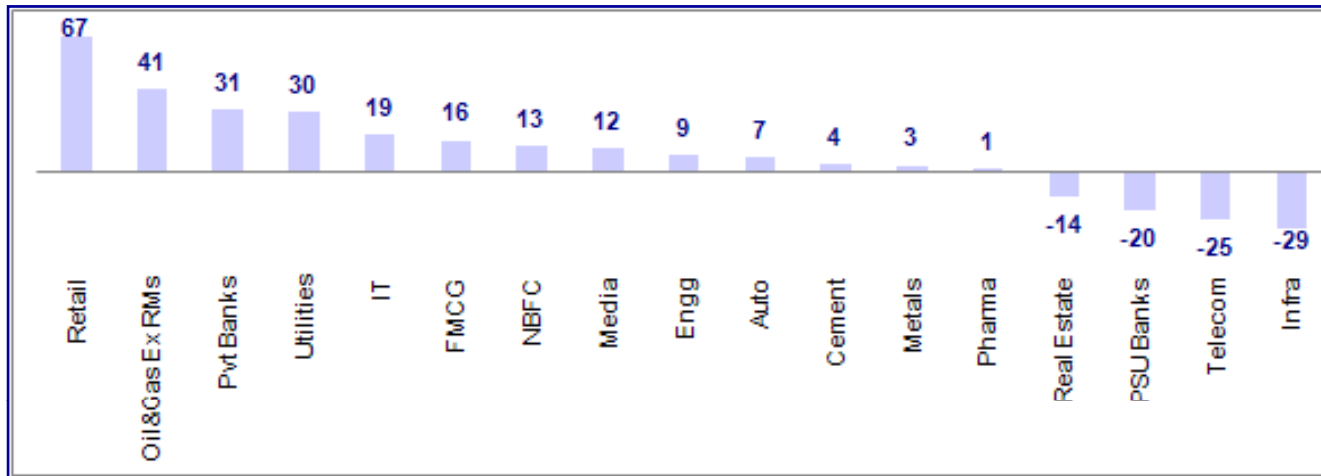
- **METALS:** Steel companies' performance was below expectation except JSW Steel. Average realization moved up despite declining price trend and sluggish demand; operating costs moved up as well. Staff cost was up again for SAIL. Rising interest rates hit midcaps more. Hindalco faced challenges in sourcing bauxite and reported sluggish demand for rolled products. **Tata Steel, Hindalco are our top picks.**
- **OIL & GAS:** Sector performance was largely in-line but for OMCs which reported losses due to lower than expected government compensation. Highlights: 1) Refining margins were impacted by inventory loss due to crude price decline, 2) Petchem margins were under pressure QoQ, and 3) Lower KG-D6 production impacted transmission companies (GAIL India, GSPL) but helped LNG importer, Petronet LNG.
- **PHARMA:** Overall results were in-line. Most companies' India formulations business was disappointing due to increased competitive intensity. CRAMS players are witnessing a recovery in supplies from Indian facilities post two bad years (FY10 & FY11). Top picks are **Cipla** (large cap), **Divi's** (CRAMS) and **Torrent** (mid-cap).
- **REAL ESTATE:** Most numbers were below estimate. While gross margins remain under pressure, net margin was impacted even more due to rise in interest cost. Most of the companies witnessed increase in leverage; DLF is yet to depict traction in its de-leveraging plan.
- **TELECOM:** Idea's numbers were significantly above estimates. Bharti reported in-line EBITDA but PAT was below estimates impacted by forex loss and higher tax rate. RCom's numbers were disappointing. Recent tariff hikes, strong volume growth, uptick in 3G revenue, and expected regulatory clarity post upcoming NTP 2011 are key positives for the sector. **Bharti and Idea are our top picks.**
- **UTILITIES:** 1QFY12 for most companies was marked by lower generation, merchant realization. Performance of NTPC and Powergrid was lower due to SEBs backdown / lower capitalization. Coal India performance was marginally above estimates due to better e-auction volume/realization and lower cost. **Our top picks in the sector are NTPC, Coal India and Powergrid.**

MOSL Universe: Jun-11 Quarter Performance (Rs b)

QUARTERLY PERFORMANCE - MOSL UNIVERSE (RS B)												
SECTOR (NO OF COMPANIES)	SALES				EBITDA				NET PROFIT			
	JUNE 2011	CHG. % QOQ	CHG. % YOY	VAR. OVER EXP. (%)	JUNE 2011	CHG. % QOQ	CHG. % YOY	VAR. OVER EXP. (%)	JUNE 2011	CHG. % QOQ	CHG. % YOY	VAR. OVER EXP. (%)
Automobiles (5)	592	-4.4	21.7	3.4	77	-8.0	10.7	1.6	45	-9.6	6.9	-1.7
Private Banks (8)	87	-0.8	18.8	-1.1	71	-5.4	10.1	-2.0	41	-5.3	31.0	4.6
PSU Banks (9)	233	2.7	20.7	2.5	176	5.3	11.2	-5.0	66	17.6	-20.1	-2.8
NBFC (8)	51	-2.7	21.1	3.4	49	-7.4	16.1	1.6	33	-8.9	13.2	-0.3
Cement (7)	126	-4.3	10.6	1.2	33	3.5	10.4	11.5	20	-2.8	3.7	10.9
Engineering (9)	262	-41.5	15.6	-5.8	32	-56.1	7.1	-5.9	22	-54.7	8.6	-3.7
FMCG (12)	238	7.5	21.9	1.7	47	7.4	15.2	-2.3	32	5.5	15.9	-1.0
IT (6)	332	4.0	23.2	1.0	80	-2.4	14.8	-1.4	62	-0.8	18.8	4.9
Infrastructure (6)	92	-21.9	3.4	-4.1	14	1.5	12.6	6.2	2	-52.8	-29.0	-11.0
Media (3)	16	-4.6	8.4	-3.7	6	-9.7	-2.3	-7.6	4	-20.6	11.8	-5.4
Metals (8)	899	-4.5	26.4	3.6	166	-12.2	9.8	-2.7	86	-17.6	3.3	-10.3
Oil & Gas (12)	3,261	4.8	40.4	-4.6	178	-45.5	25.2	-46.3	47	-74.6	58.0	-73.2
Pharma (16)	155	-1.0	11.0	2.6	35	10.7	-1.1	12.0	23	0.5	1.2	2.5
Real Estate (7)	39	-18.4	6.4	-1.4	17	24.6	-2.4	2.8	9	-2.5	-13.5	0.2
Retail (3)	26	8.4	51.9	17.0	3	43.1	56.2	15.2	2	44.7	67.4	25.2
Telecom (4)	271	2.5	25.9	-0.6	87	5.7	22.9	1.0	17	-9.2	-24.7	-6.1
Utilities (11)	469	4.5	19.6	1.8	133	-2.9	25.4	-4.8	86	-2.6	29.7	1.4
Others (1)	19	0.1	26.7	7.3	4	-6.3	19.4	-1.1	2	-20.4	29.5	-12.4
MOSL Universe (135)	7,169	(1.2)	29.1	(1.3)	1,206	(14.7)	14.9	(12.3)	595	(24.2)	9.2	(18.5)
MOSL Univ Ex RMs (132)	5,292	(2.4)	25.9	0.2	1,279	(3.5)	15.3	(3.1)	689	(5.1)	12.0	(2.8)
Sensex (30)	3,504	(2.8)	25.9	1.1	792	(2.3)	15.2	(1.7)	416	(2.1)	10.1	(2.3)

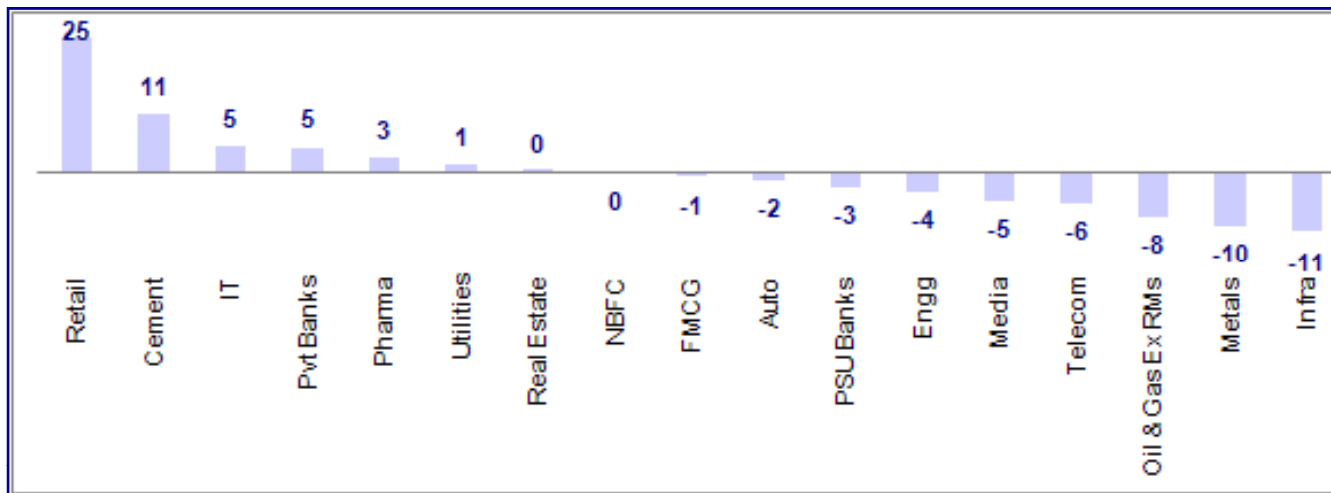
MOSL Universe: Jun-11 Quarter Performance

1QFY12 SECTOR PAT GROWTH (YOY, %): OIL & GAS, PRIVATE BANKS LEAD THE PACK



PAT growth was led by Oil & Gas Ex-RMs (+41% YoY, led by Cairn India), Utilities (Coal India) followed by Private Banks (+31%). Several domestic sectors grew well below the average.

SECTOR PAT VARIANCE FROM ESTIMATES (%): OIL & GAS, INFRASTRUCTURE DISAPPOINTS



Underperformers over our estimates Infra (-11%), Metals (-10%), Oil & Gas Ex RMs (-8%)

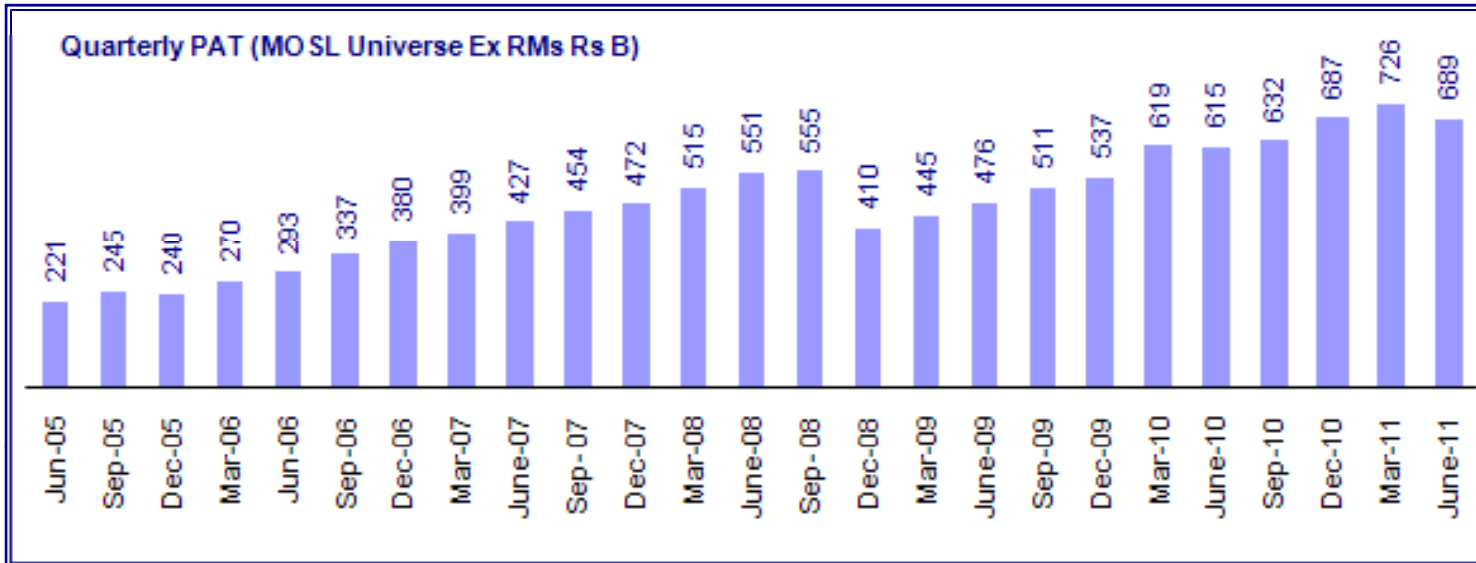
Sectoral quarterly PAT trend

- June-11 saw a steep decline in absolute PAT over March-11. Several sectors have seen stagnation in absolute PAT for last several quarters. Coal India & Cairn have been 2 big positive contributors. FMCG, Pharma recorded its highest ever PAT in June-11. Telecom posted its 7th quarter of earnings decline.

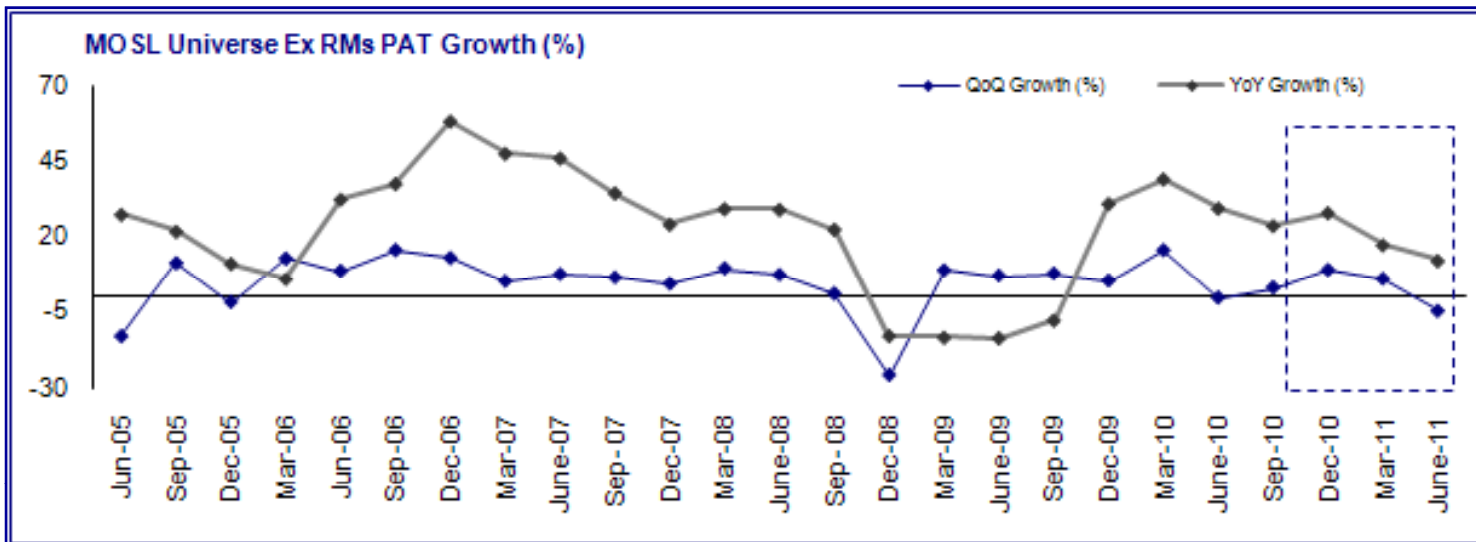
Quarterly PAT Trend (MOSL Universe) Rs B																
SECTOR	Sep-07	Dec-07	Mar-08	June-08	Sep-08	Dec-08	Mar-09	June-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
Auto	15.2	16.9	17.1	22.2	13.6	-9.4	3.6	7.1	22.2	29.7	38.5	41.8	46.0	48.0	49.4	44.7
Banking	74.3	86.9	89.0	72.5	97.0	118.5	121.3	109.9	119.6	128.5	124.2	142.4	143.3	158.5	135.0	139.3
Cement	16.9	16.9	16.3	17.1	14.3	14.7	18.7	23.5	22.3	16.6	18.5	18.9	7.2	11.1	20.2	19.6
Engineering	15.7	17.8	25.1	15.3	18.1	21.4	34.0	16.1	20.1	24.4	43.7	20.3	26.7	30.5	48.8	22.1
FMCG	19.0	20.2	17.8	20.2	20.4	21.1	20.9	24.0	25.6	27.0	24.4	27.3	29.3	31.1	30.0	31.7
IT	37.1	39.2	39.5	38.3	44.2	46.0	44.2	45.9	48.8	51.2	52.8	51.8	56.9	61.1	62.1	61.6
Infrastructure	2.1	3.1	4.3	3.2	3.4	3.5	6.0	3.7	3.0	4.7	4.7	2.7	2.5	3.8	4.0	1.9
Media	2.1	2.5	2.3	2.6	2.3	2.1	2.2	2.5	2.7	3.1	3.4	3.3	3.3	3.9	4.7	3.7
Metals	68.4	65.1	100.1	106.4	118.0	46.0	27.6	28.0	40.3	69.0	99.5	83.6	68.4	73.2	104.7	86.3
Oil & Gas Ex RMs	102.3	96.0	81.3	139.0	106.2	52.1	79.6	102.5	104.5	89.0	100.6	99.6	135.1	147.4	125.2	140.6
Pharma	13.9	13.0	14.4	13.9	13.8	12.6	3.5	14.8	17.6	9.1	18.4	22.3	22.6	18.7	22.5	22.6
Real Estate	27.9	30.9	35.1	26.3	27.4	10.8	3.1	7.9	10.2	10.4	9.8	9.8	10.0	11.4	8.7	8.5
Retail	0.5	0.3	0.5	0.1	0.7	0.4	0.2	0.3	1.0	1.0	1.1	1.1	1.6	1.9	1.2	1.8
Telecom	32.0	34.1	37.6	39.7	39.2	39.1	39.8	45.6	33.6	36.1	35.2	22.5	24.1	21.5	18.6	16.9
Utilities	25.2	28.5	32.9	32.6	35.1	30.7	39.1	41.9	38.8	36.8	42.1	66.2	53.9	64.0	88.1	85.8
Others	0.9	0.5	1.9	1.5	1.2	0.6	1.6	1.8	1.0	0.6	2.1	1.4	1.1	0.8	2.3	1.8
MOSL Univ Excl RMS	454	472	515	551	555	410	445	476	511	537	619	615	632	687	726	689

Note: Numbers for Coal India from June 10, JSW Energy from Dec 08, NHPC from Mar 08, Adani from Dec 09, Oberoi Realty from June 09.

1QFY12: PAT growth of 12% YoY



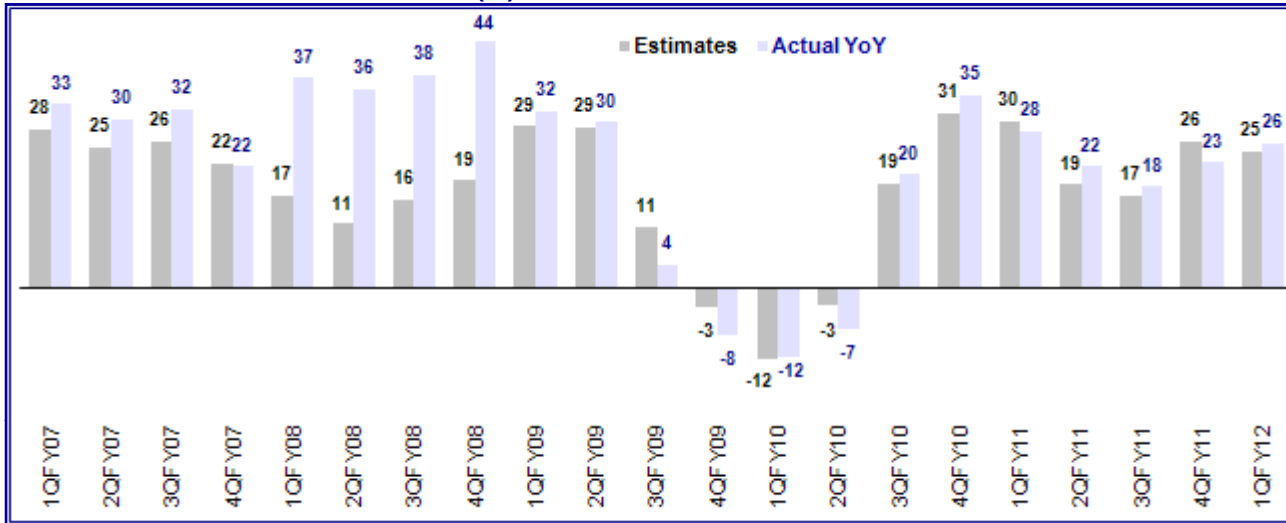
MOSL Universe (Excl RMs) PAT has flattened for last 3 qtrs.



MOSL Universe (Excl RMs) growth of 12% YoY and decline of 5% QoQ in 1QFY12.

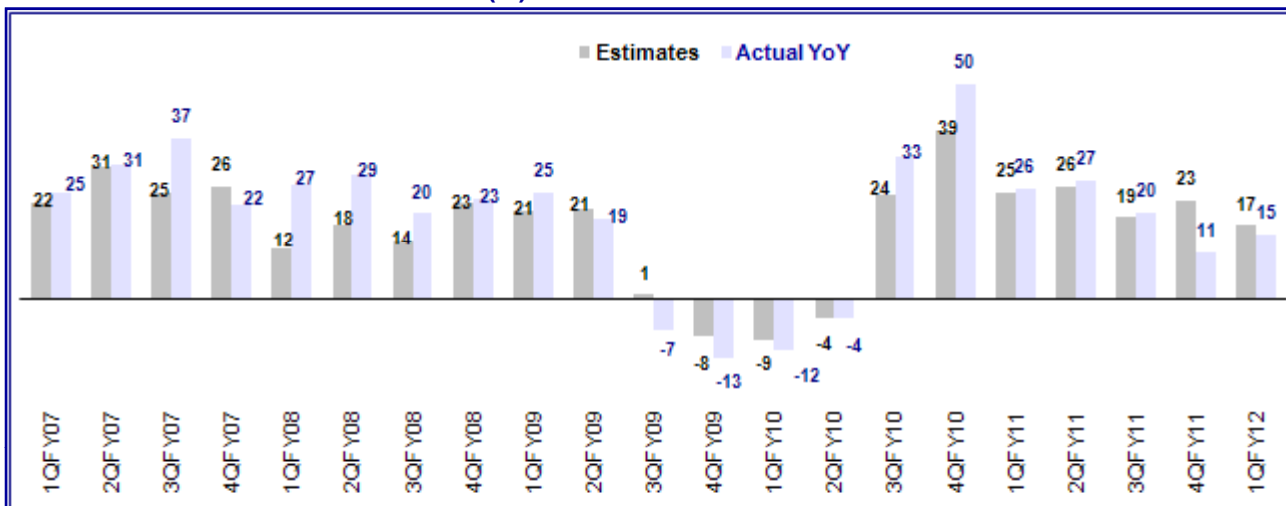
Sensex Performance: Actual v/s Estimates

TREND IN SENSEX SALES GROWTH (%): ACTUAL V/S ESTIMATES



- 1QFY12 sales grew 26%, in-line with estimates of 25%. Several sectors saw sales growth of >20%, with leaders being Oil & Gas (40%), Metals (26%), Telecom (26%).
- While inflation has been a key contributor to growth, volumes have seen moderation.
- Sectors to report low growth were Infra, Pharma, Media & Real estate.

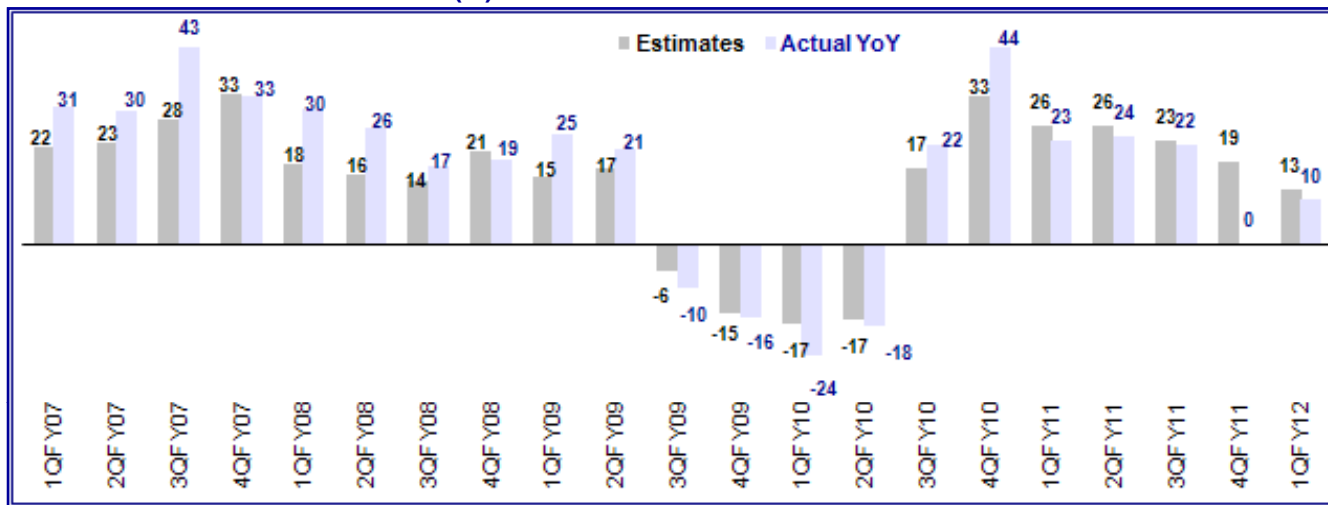
TREND IN SENSEX EBIDTA GROWTH (%): ACTUAL V/S ESTIMATES



- EBIDTA grew 15%, against estimate of 17%. Margin pressures were seen across sectors.
- Oil & Gas (25%), Utilities (25%) and Telecom (23%) were big drivers.
- Sectors where growth rates were low: Metals, Financials & Autos.

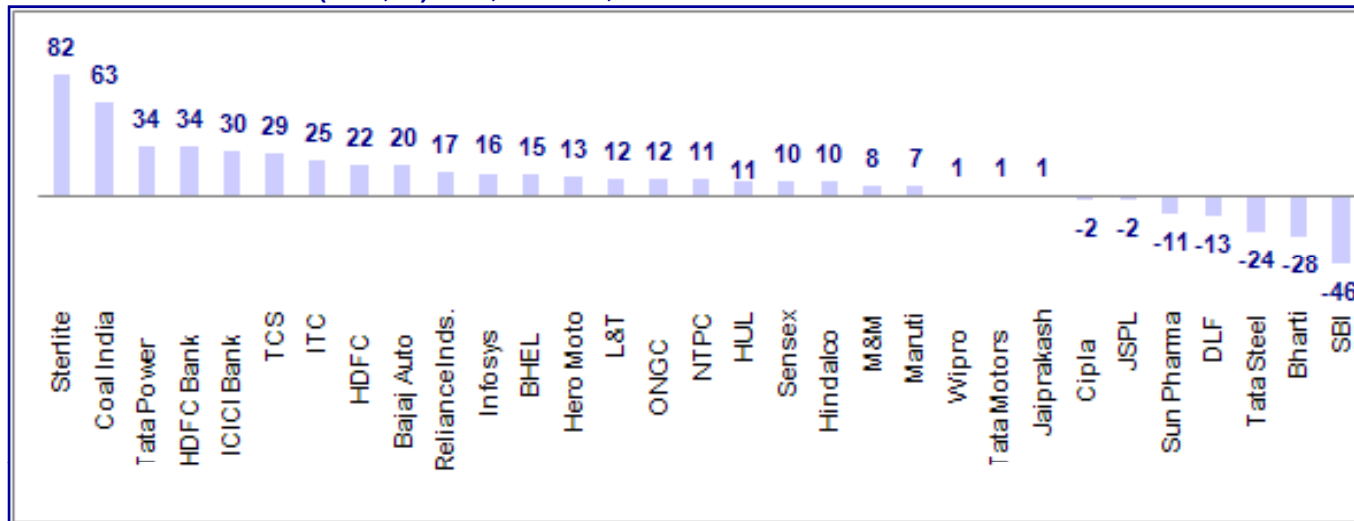
Sensex Performance: Actual v/s Estimates

TREND IN SENSEX PAT GROWTH (%): ACTUAL V/S ESTIMATES



- 1QFY12 performance has been in-line with estimates.
- 7 companies lagged, while 10 outperformed.

1QFY12 PAT GROWTH (YOY, %): SBI, BHARTI, TATA STEEL AMONG KEY LAGGARDS



- SBI, Bharti, Tata Steel, DLF, Sun Pharma, JSPL and Cipla were laggards.
- Sterlite, Coal India, HDFC Bank, ICICI Bank, TCS, ITC were among key leaders.

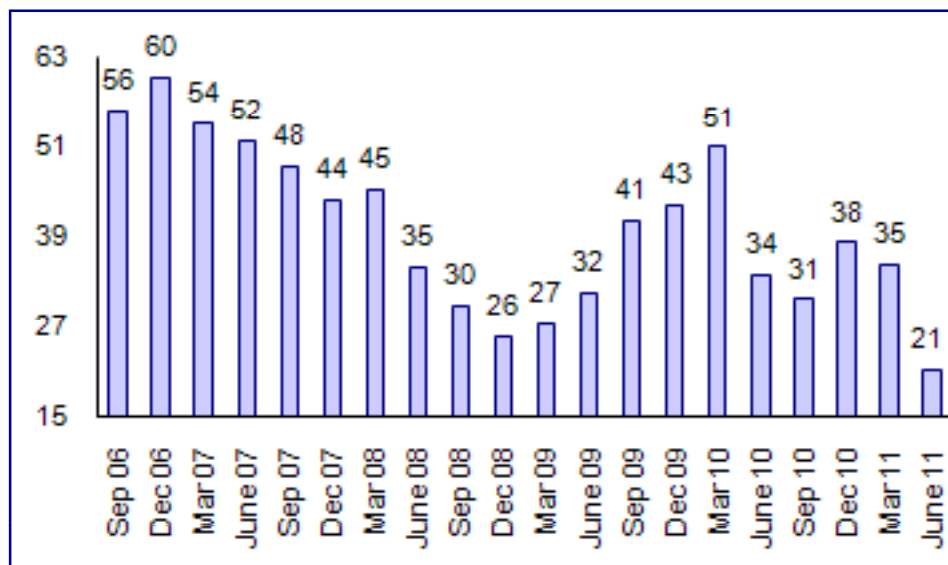
Sensex Companies' Performance

QUARTERLY PERFORMANCE OF SENSEX STOCKS (RS B)												
Company	SALES				EBITDA				PAT			
	Jun 2011	CHQ % QoQ	CHQ % YoY	VAR. OVER EXP. (%)	Jun 2011	CHQ % QoQ	CHQ % YoY	VAR. OVER EXP. (%)	Jun 2011	CHQ % QoQ	CHQ % YoY	VAR. OVER EXP. (%)
Bajaj Auto	48	13.7	22.8	-0.8	9	5.7	17.2	-2.8	7	5.2	20.5	-3.2
Bharti Airtel	170	4.4	38.8	1.4	57	4.7	29.3	-0.3	12	-13.2	-27.7	-13.7
BHEL	71	-60.2	10.0	-13.2	11	-68.6	8.3	-8.4	8	-65.4	14.8	0.2
Cipla	16	-4.5	7.5	-7.9	4	28.5	1.4	-2.7	3	18.3	-1.6	-14.9
Coal India	145	-3.2	26.8	0.8	48	-7.3	55.5	7.2	41	-2.0	62.8	14.1
DLF	24	-8.8	20.6	11.6	11	66.8	13.4	23.6	4	4.0	-12.8	19.4
HDFC	11	-20.1	17.1	1.1	12	-24.4	21.6	1.6	8	-26.0	21.6	0.6
HDFC Bank	28	0.3	18.6	-2.4	20	-3.0	16.3	-4.5	11	-2.7	33.7	1.1
Hero MotoCorp	56	5.4	32.2	0.7	6	-25.3	3.4	-8.1	6	11.2	13.5	2.2
Hind. Unilever	56	12.3	14.4	0.9	8	16.7	10.8	2.6	6	12.4	11.0	4.0
Hindalco	199	-2.0	18.8	7.4	23	2.8	8.1	1.1	10	-11.4	9.6	3.7
ICICI Bank	24	-3.9	21.1	1.0	22	-3.1	2.1	-0.9	13	-8.3	29.8	4.0
Infosys	75	3.2	20.8	1.0	22	-6.1	10.9	0.2	17	-5.3	15.7	1.8
ITC	59	-1.7	20.9	2.5	20	3.3	20.7	-1.9	13	4.0	24.5	1.0
Jaiprakash Associates	32	-18.5	0.3	-2.8	8	-0.2	20.4	14.1	1	-62.8	1.3	5.2
JSPIL	39	2.3	31.4	-5.9	16	-5.9	3.9	-15.5	9	-7.7	-2.4	-19.6
Larsen & Toubro	95	-37.1	21.1	-3.0	11	-51.9	12.1	5.3	7	-51.2	12.0	6.0
Mahindra & Mahindra	67	-0.1	30.2	8.4	9	4.1	15.7	10.0	6	-0.3	7.6	10.7
Maruti Suzuki	85	-15.5	2.6	1.3	8	-19.3	-5.0	5.7	5	-16.8	7.2	17.2
NTPC	142	-8.7	9.5	2.0	29	-25.0	2.2	-14.1	19	-26.0	11.4	-9.5
ONGC	162	5.2	18.5	-1.7	93	27.6	15.3	-8.5	41	59.1	11.8	-18.0
Reliance Inds.	810	11.5	39.1	-1.9	99	0.8	6.3	-3.9	57	5.3	16.7	0.1
State Bank	97	20.4	32.8	12.8	72	19.1	18.1	-0.7	16	7,487.7	-45.7	-2.0
Sterlite Inds.	99	-1.9	65.2	4.8	28	-9.8	84.2	15.1	16	-9.6	81.7	12.2
Sun Pharma	16	11.8	16.9	4.9	5	23.4	-11.1	29.9	5	13.2	-11.2	17.2
Tata Motors	336	-5.7	24.1	4.0	45	-7.4	12.9	1.6	20	-18.1	1.2	-9.0
Tata Power	19	9.0	2.9	8.3	4	3.8	-5.1	-17.6	3	83.3	33.9	9.2
Tata Steel	330	-2.4	21.3	3.2	44	14.2	-0.2	-4.0	14	21.3	-23.9	-28.6
TCS	108	6.3	31.4	1.8	30	-1.4	25.8	0.5	24	-0.9	29.1	10.3
Wipro	85	2.7	18.1	1.4	17	-1.1	4.2	-5.8	13	-2.9	1.2	-0.6
Sensex Universe	3,504	(2.8)	25.9	1.1	792	(2.3)	15.2	(1.7)	416	(2.1)	10.1	(2.3)

Comparison of Earnings Based on Growth Rates

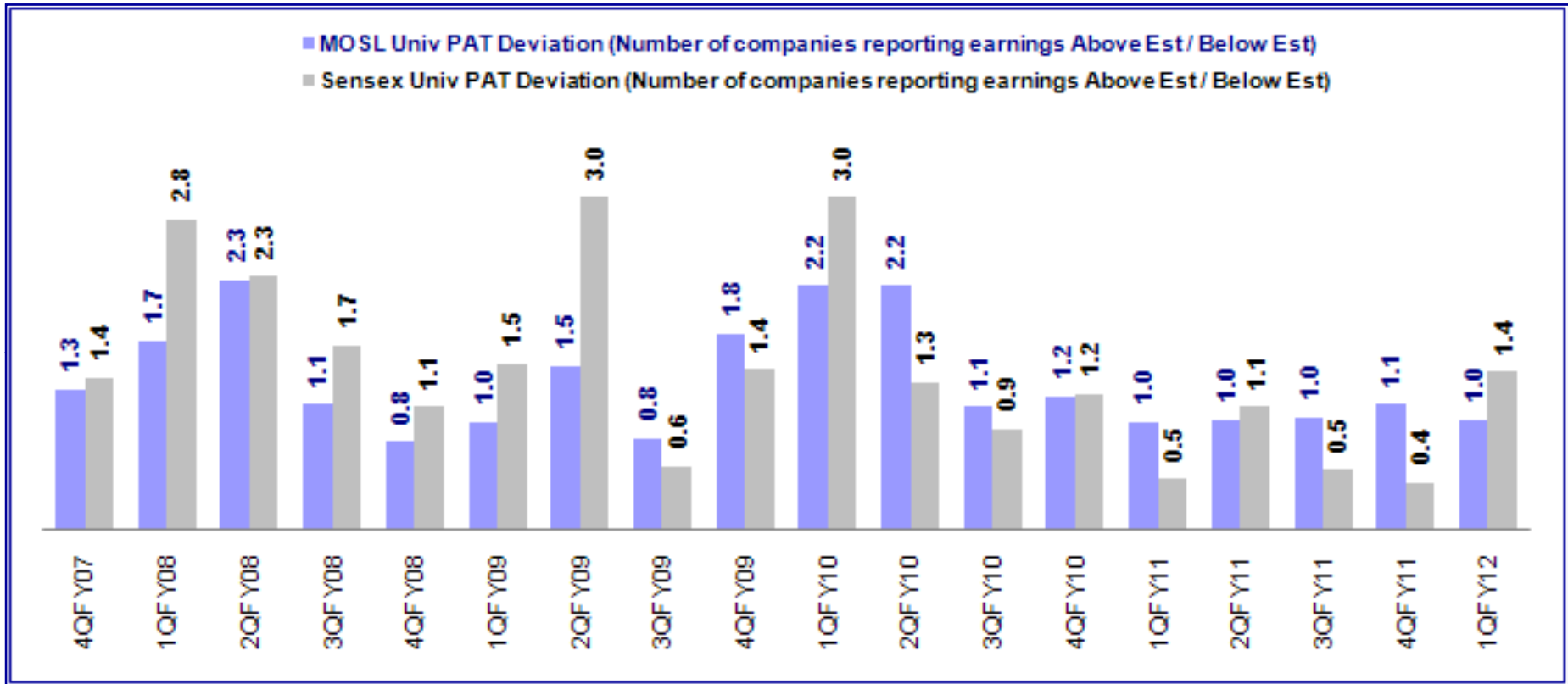
- For 1QFY12, 21% of the companies in MOSL Universe reported earnings growth of over 30%. This is lowest in past years.
- 31% of MOSL universe companies reported negative earnings growth.
- 23% of MOSL Universe companies reported earnings growth of 15-30%.

% OF COMPANIES EARNINGS GROWTH > 30%



Earnings Growth % of Companies					
Range	PAT Growth (%)	Distribution of companies			
		>30%	>15-30%	>0-15%	<0%
Mar 05	33.9	40	19	13	28
June 05	26.4	48	17	19	15
Sep 05	20.5	48	25	13	13
Dec 05	9.3	50	23	10	18
Mar 06	4.7	49	10	15	26
June 06	33.9	51	19	13	16
Sep 06	36.9	56	20	12	12
Dec 06	55.2	60	19	11	11
Mar 07	36.4	54	19	11	17
June 07	34.0	52	23	11	14
Sep 07	25.1	48	23	15	14
Dec 07	15.4	44	21	14	21
Mar 08	24.3	45	11	19	24
June 08	25.6	35	18	24	23
Sep 08	19.7	30	18	26	26
Dec 08	-8.4	26	10	22	42
Mar 09	-15.5	27	14	18	41
June 09	-14.9	32	22	14	32
Sep 09	-11.3	41	10	14	35
Dec 09	22.7	43	17	9	31
Mar 10	41.7	51	13	9	27
June 10	24.4	34	26	11	30
Sep 10	20.9	31	20	23	27
Dec 10	22.7	38	18	18	26
Mar 11	9.9	35	21	20	24
June 11	15.0	21	23	24	31

PAT Deviation (Above vs Below)



The performance of Sensex companies was better than the MOSL Universe.

Jun-11 Quarter Results: The Best & The Worst (>\$5B Mktcap)

TOP POSITIVE SURPRISES

Company	EBITDA					PAT				
	Actual (Rs b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)	Actual (Rs b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)
Idea Cellular	12.0	20	16	36	17	1.8	-12	-47	-12	65
Ultratech Cement	11.9	16	-6	19	26	6.8	-6	-7	22	32
Maruti Suzuki	8.1	-19	-10	-5	6	5.5	-17	-9	7	17
Sun Pharma	5.5	23	-32	-11	30	5.0	13	-24	-11	17
Coal India	48.2	-7	45	55	7	41.3	-2	43	63	14
Sterlite Inds.	27.6	-10	60	84	15	15.7	-10	62	82	12
Mahindra & Mahindra	9.0	4	5	16	10	6.0	0	-3	8	11
Dr Reddy's Labs	3.8	-13	3	12	9	2.3	7	37	48	8

TOP NEGATIVE SURPRISES

Company	EBITDA					PAT				
	Actual (Rs b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)	Actual (Rs b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)
Adani Power	4.1	-22	263	92	-47	1.8	22	267	54	-58
Tata Steel	44.2	14	4	0	-4	14.3	21	7	-24	-29
SAIL	13.1	-41	8	-29	-34	8.4	-41	-1	-29	-28
Siemens	2.5	-44	25	3	-17	1.5	-44	32	-1	-25
JSPL	16.3	-6	23	4	-16	9.2	-8	21	-2	-20
ONGC	92.7	28	26	15	-9	40.9	59	36	12	-18
Cipla	3.7	29	4	1	-3	2.5	18	16	-2	-15
Bharti Airtel	57.1	5	30	29	0	12.2	-13	-16	-28	-14
Nestle	3.4	-11	23	17	-4	2.2	-16	22	9	-11
NTPC	28.7	-25	19	2	-14	19.0	-26	23	11	-10

Jun-11 Quarter Results: The Best & The Worst (<\$5B Mktcap)

TOP POSITIVE SURPRISES

Company	EBITDA					PAT				
	Actual (Rs b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)	Actual (Rs b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)
Birla Corporation	1.5	72	-31	-10	30	1.1	77	-28	-5	32
Petronet LNG	4.4	25	53	77	16	2.6	24	77	130	30
India Cements	2.4	35	120	142	10	1.1	44	575	774	29
Titan Industries	1.8	74	38	66	20	1.4	71	37	77	29
Glenmark Pharma	3.0	1,011	-40	29	115	1.1	66	-6	19	26
JSW Steel	13.9	-16	22	35	11	5.7	-31	42	67	17
ACC	5.5	-1	-9	0	10	3.4	-4	-14	-4	12
Torrent Pharma	1.5	133	8	34	25	0.9	104	12	18	5

TOP NEGATIVE SURPRISES

Company	EBITDA					PAT				
	Actual (Rs b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)	Actual (Rs b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)
IVRCL	0.8	-53	15	-17	-28	0.0	-93	-32	-85	-78
Sesa Goa	11.5	-46	-18	-26	-9	8.4	-42	-3	-39	-37
Bank of India	14.0	16	12	-1	-12	5.2	5	-5	-29	-25
Ranbaxy Labs	1.8	-55	-49	-56	-15	0.9	-49	-24	-42	-24
Colgate	1.4	-6	4	-15	-19	1.0	-12	4	-18	-21
Crompton Greaves	1.9	-29	8	-11	-17	1.3	-41	9	-9	-17
Union Bank	11.7	34	22	12	-9	4.6	-22	-12	-23	-13
Biocon	1.2	-16	6	-8	-13	0.7	-31	4	-9	-12
Godrej Consumer	1.4	-20	35	12	-17	1.0	-29	26	10	-12
Shopper's Stop	0.3	-30	19	5	-11	0.1	-41	30	17	-10

Highest Earnings Upgrade / Downgrade (>\$5B Mktcap)

TOP EARNINGS UPGRADES

Company	EPS - Pre-1QFY12 (Rs)			EPS - Post-1QFY12 (Rs)			% Upgrade	
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY12E	FY13E
Idea Cellular	2.7	1.3	3.8	2.7	2.6	6.8	107.3	80.2
Ultratech Cement	51.2	66.5	89.4	51.2	74.5	97.2	12.1	8.7
Sun Pharma	13.6	16.4	20.1	13.6	17.3	20.9	5.9	4.2
Bharti Airtel	15.9	20.0	26.2	15.9	20.6	30.6	3.4	17.0
Hind. Unilever	9.9	10.9	12.5	9.9	11.2	12.6	2.9	1.4
Asian Paints	87.9	105.7	129.2	87.9	108.4	132.8	2.5	2.8
Larsen & Toubro	66.7	83.8	102.6	69.7	85.5	109.3	2.0	6.5
TCS	44.4	52.3	61.5	44.4	53.0	64.0	1.4	4.1

TOP EARNINGS DOWNGRADES

Company	EPS - Pre-1QFY12 (Rs)			EPS - Post-1QFY12 (Rs)			% Downgrade	
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY12E	FY13E
Cairn India	33.3	57.9	49.0	33.3	42.7	37.6	-26.1	-23.2
Cipla	12.0	14.9	17.7	12.0	13.4	16.4	-10.2	-7.4
Tata Steel	54.8	67.7	86.6	62.3	61.4	79.2	-9.4	-8.6
DLF	9.7	10.6	12.6	9.7	9.6	12.0	-9.3	-4.5
Mahindra & Mahindra	48.7	53.1	65.5	48.2	48.3	63.4	-9.0	-3.2
Siemens	24.5	31.3	39.7	24.5	29.0	36.0	-7.4	-9.3
Tata Motors	136.5	136.0	150.9	136.5	126.5	142.7	-7.0	-5.4
JSPL	40.1	45.6	55.1	40.1	42.8	52.9	-6.2	-3.9
Nestle	86.8	107.4	127.4	86.8	103.5	123.2	-3.6	-3.3
Infosys	119.4	140.0	168.1	119.4	136.7	158.8	-2.4	-5.6

Highest Earnings Upgrade / Downgrade (<\$5B Mktcap)

TOP EARNINGS UPGRADES

Company	EPS - Pre-1QFY12 (Rs)			EPS - Post-1QFY12 (Rs)			% Upgrade	
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY12E	FY13E
India Cements	2.2	7.5	9.8	2.2	10.5	11.4	40.0	16.1
Petronet LNG	9.3	10.7	10.2	9.3	13.1	12.7	21.7	24.5
Jubilant Foodworks	11.2	14.5	21.6	11.2	16.7	25.8	14.9	19.7
Tulip Telecom	18.9	19.5	21.2	18.9	20.9	22.3	7.4	5.2
HT Media	7.7	9.2	12.1	7.7	9.8	12.5	6.0	4.0
Titan Industries	4.9	6.8	8.7	4.9	7.2	9.3	5.8	7.3
Strides Arcolab	21.1	29.0	36.4	21.1	30.4	38.1	4.8	4.8
ACC	53.6	58.1	74.9	53.6	60.6	77.4	4.3	3.3

TOP EARNINGS DOWNGRADES

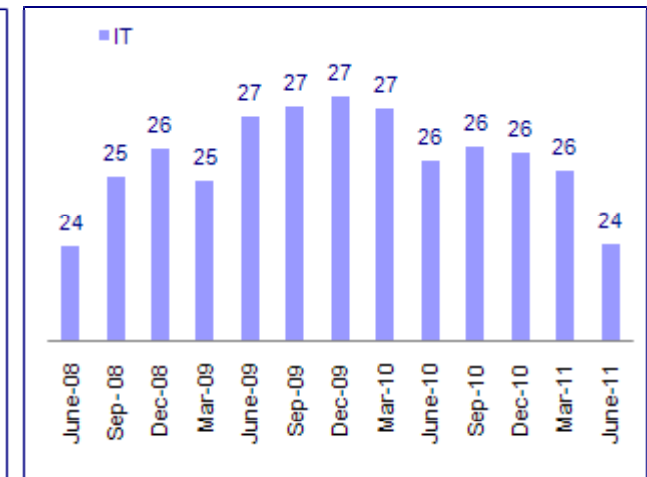
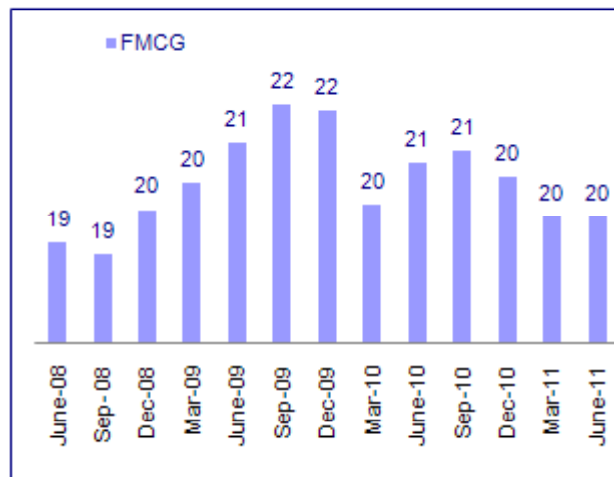
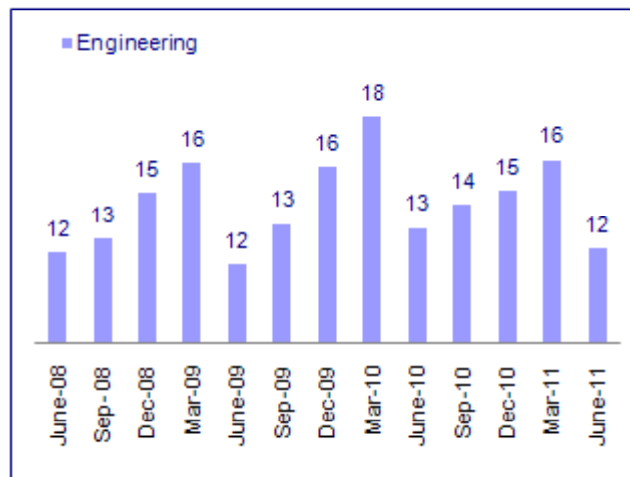
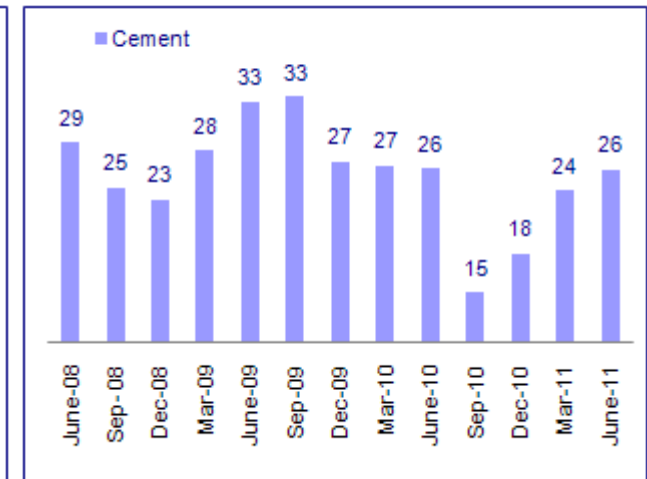
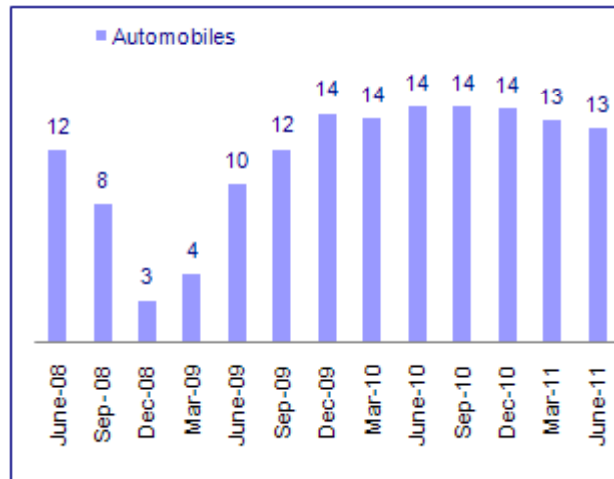
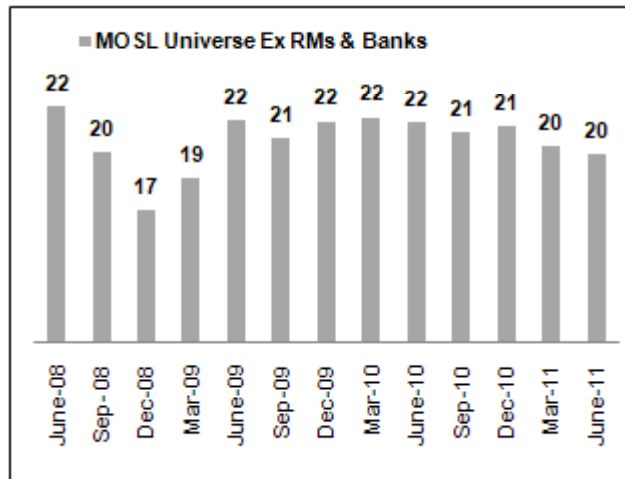
Company	EPS - Pre-1QFY12 (Rs)			EPS - Post-1QFY12 (Rs)			% Downgrade	
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY12E	FY13E
Hindustan Construction	1.0	0.8	0.9	1.0	0.3	0.7	-62.2	-21.1
JSW Steel	67.8	100.9	120.6	77.4	48.5	51.2	-51.9	-57.5
Crompton Greaves	14.3	15.8	19.4	14.3	10.7	15.0	-32.3	-22.6
Simplex Infra.	24.9	26.6	30.0	24.9	19.8	22.5	-25.6	-25.1
Cadila Health	30.9	35.5	44.9	30.9	28.3	41.1	-20.3	-8.5
Bank of India	45.5	62.9	79.1	45.5	51.9	65.1	-17.5	-17.7
Ambuja Cements	8.1	9.2	11.5	8.1	8.3	10.5	-9.4	-8.6
United Spirits	30.3	35.8	48.9	30.3	33.5	45.6	-6.4	-6.8
Shriram Transport Fin.	54.4	64.7	73.4	54.4	60.5	69.2	-6.6	-5.7
Zee Entertainment	5.8	6.7	8.2	6.0	6.4	7.5	-4.7	-9.1

Sensex Companies' EPS Upgrade/Downgrade

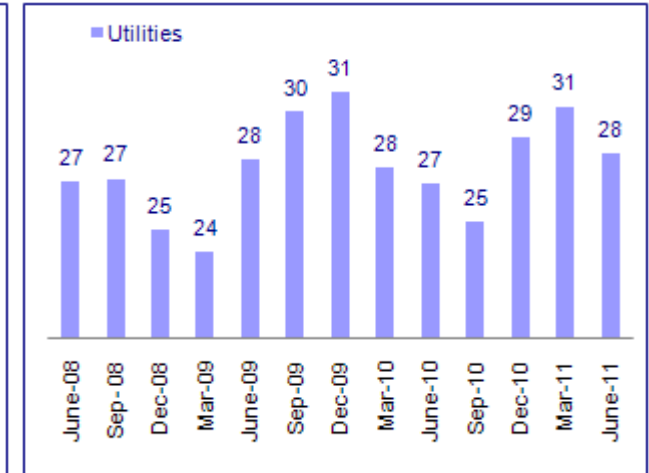
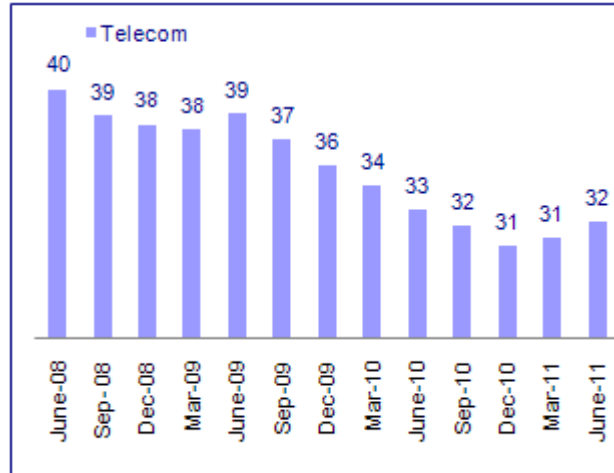
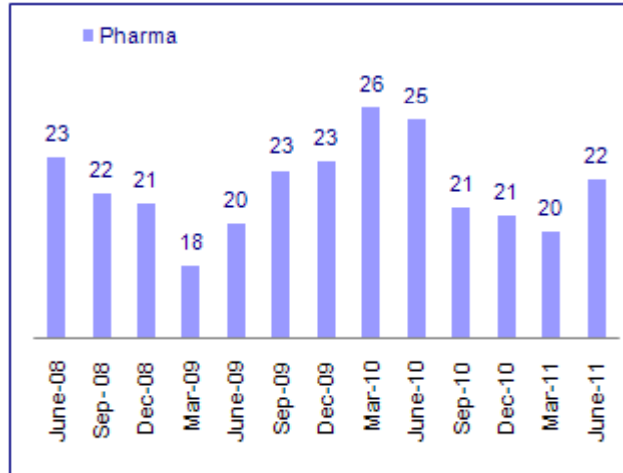
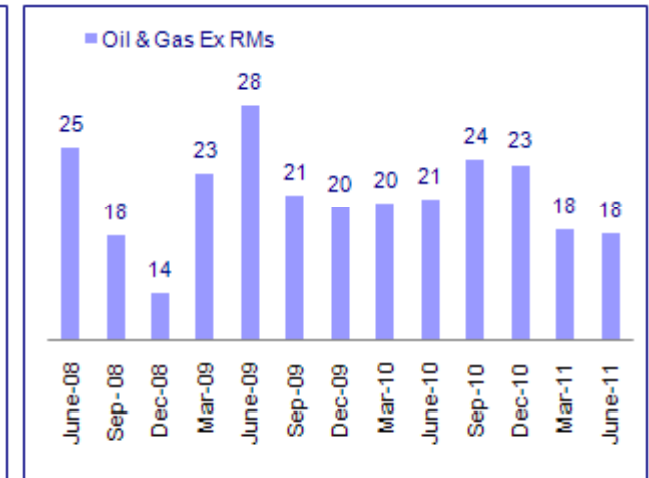
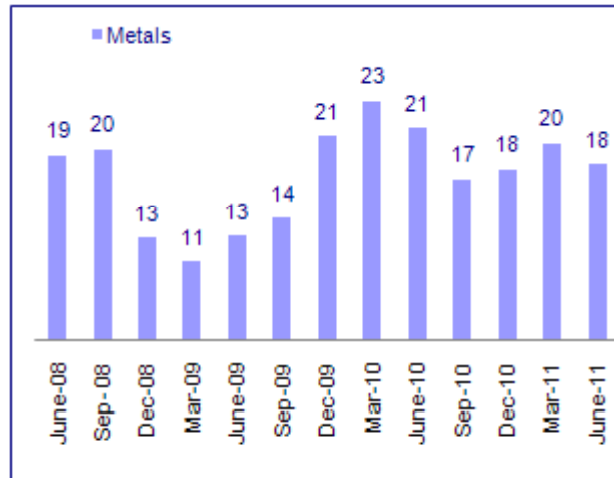
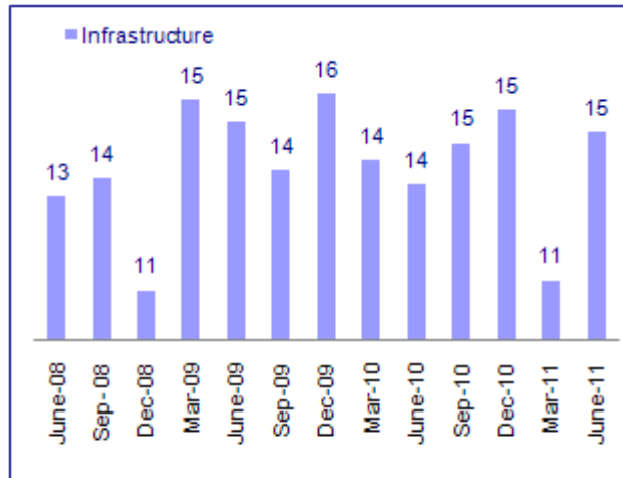
(Rs)	PRE-1QFY12 EPS			POST-1QFY12 EPS			EPS UPGRADE / DOWNGRADE (%)	
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY12E	FY13E
Sterlite Inds.	14.0	19.1	21.5	15.2	20.3	19.9	6.2	-7.5
Sun Pharma	13.6	16.4	20.1	13.6	17.3	20.9	5.9	4.2
Bharti Airtel	15.9	20.0	26.2	15.9	20.6	30.6	3.4	17.0
Hind. Unilever	9.9	10.9	12.5	9.9	11.2	12.6	2.9	1.4
Maruti Suzuki	82.4	83.2	100.9	82.4	85.4	101.5	2.6	0.6
Larsen & Toubro	66.7	83.8	102.6	69.7	85.5	109.3	2.0	6.5
Coal India	17.3	22.1	27.7	17.3	22.6	26.8	2.0	-3.3
TCS	44.4	52.3	61.5	44.4	53.0	64.0	1.4	4.1
Wipro	21.6	23.1	27.5	21.6	23.2	27.4	0.6	-0.5
ICICI Bank	44.7	55.6	66.6	44.7	55.7	66.0	0.1	-0.8
HDFC Bank	16.9	22.2	27.9	16.9	22.2	27.6	0.0	-1.0
BHEL	115.6	137.9	164.3	115.6	137.9	164.3	0.0	0.0
ITC	6.4	7.8	9.2	6.4	7.8	9.2	0.0	0.0
Hero MotoCorp	100.5	113.1	130.9	100.5	112.8	131.7	-0.2	0.6
Hindalco	17.2	18.7	18.3	17.2	18.7	18.4	-0.4	0.5
Reliance Inds.	68.4	76.3	82.4	68.4	75.3	80.8	-1.2	-1.9
NTPC	9.7	11.7	13.9	9.7	11.5	13.7	-1.2	-1.8
HDFC	24.1	28.6	33.2	24.1	28.2	32.6	-1.5	-1.9
Infosys	119.4	140.0	168.1	119.4	136.7	158.8	-2.4	-5.6
Tata Power	78.6	111.7	104.3	73.8	109.0	106.5	-2.4	2.1
Bajaj Auto	90.4	104.6	117.3	90.4	100.6	117.4	-3.9	0.1
ONGC	24.5	30.3	37.4	24.5	29.1	36.8	-4.0	-1.9
State Bank	168.3	242.1	302.3	168.3	231.3	304.2	-4.5	0.6
JSPL	40.1	45.6	55.1	40.1	42.8	52.9	-6.2	-3.9
Tata Motors	136.5	136.0	150.9	136.5	126.5	142.7	-7.0	-5.4
Mahindra & Mahindra	48.7	53.1	65.5	48.2	48.3	63.4	-9.0	-3.2
DLF	9.7	10.6	12.6	9.7	9.6	12.0	-9.3	-4.5
Tata Steel	54.8	67.7	86.6	62.3	61.4	79.2	-9.4	-8.6
Cipla	12.0	14.9	17.7	12.0	13.4	16.4	-10.2	-7.4
Jaiprakash Associates	3.7	4.0	4.7	3.4	3.5	4.3	-13.6	-8.4
Sensex	1,014	1,186	1,397	1,021	1,158	1,376	-2.3	-1.5

Sectoral EBIDTA Margin Trend (%)

EBIDTA Margins have declined for many sectors in MOSL Universe in 1QFY12. At aggregate level, EBIDTA margins dropped by 170bps YoY.



Sectoral EBIDTA Margin Trend (%)

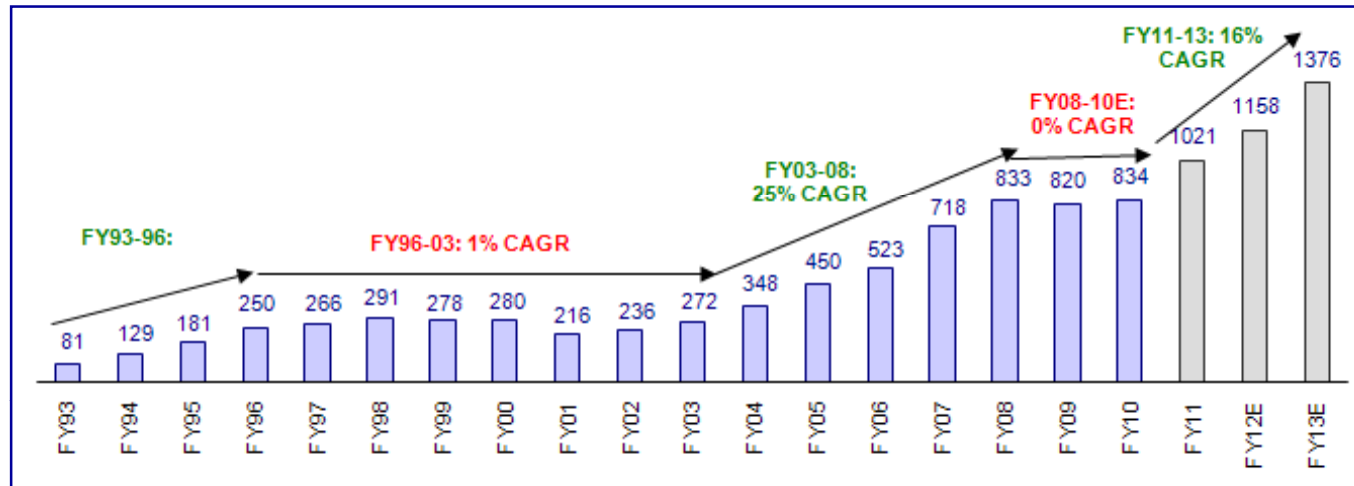


Markets reaction on quarter performance

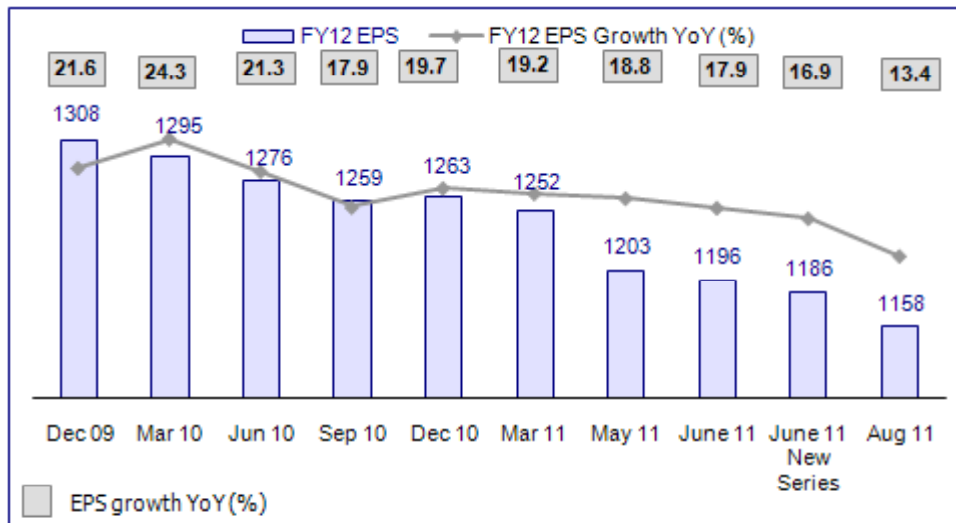
Top 15 Stock Price Performance									
Company	EBITDA				PAT				Stock Return (%)
	Actual	QoQ	YoY	Var. Over	Actual	QoQ	YoY	Var. Over	2 day post results
	(Rs m)	Chg (%)	Chg (%)	Exp. (%)	(Rs m)	Chg (%)	Chg (%)	Exp. (%)	Vs 1 day before results
Petronet LNG	4,381	25	77	16	2,567	24	130	30	17.3
Mahindra & Mahindra	8,973	4	16	10	6,049	0	8	11	11.4
Idea Cellular	12,040	20	36	17	1,773	-12	-12	65	9.2
Axis Bank	15,585	-14	7	0	9,424	-8	27	11	7.9
Zee Entertainment	1,560	-31	-17	-22	1,337	-36	10	-10	7.7
Marico	1,251	59	19	-2	850	18	15	2	6.9
PTC India	476	39	77	50	453	35	59	42	4.9
Opto Circuits	1,432	20	48	21	1,164	6	41	26	4.8
Thermax	1,137	-42	18	5	799	-37	21	7	4.0
ITC	19,761	3	21	-2	13,327	4	25	1	3.7
Oriental Bank of Commerce	8,016	-5	-3	0	3,549	6	-2	22	3.7
Union Bank	11,658	34	12	-9	4,644	-22	-23	-13	3.7
Hindustan Zinc	15,923	-19	56	23	14,986	-15	68	30	3.7
HT Media	903	3	13	-9	515	-3	24	-3	3.5
Yes Bank	3,251	-7	31	1	2,161	6	38	12	3.4
Bottom 15 Stock Price Performance									
Crompton Greaves	1,867	-29	-11	-17	1,290	-41	-9	-17	-25.1
BGR Energy	961	-43	-7	5	503	-49	-17	0	-11.4
Shopper's Stop	263	-30	5	-11	117	-41	17	-10	-10.9
Adani Power	4,102	-22	92	-47	1,769	22	54	-58	-10.3
Canara Bank	12,703	-25	-14	-22	7,258	-19	-28	-15	-10.3
Cadila Health	3,024	33	2	2	1,433	4	-12	-26	-8.6
Tata Power	4,279	4	-5	-18	2,940	83	34	9	-7.8
BHEL	11,133	-69	8	-8	8,155	-65	15	0	-7.6
JSPL	16,257	-6	4	-16	9,188	-8	-2	-20	-7.1
IDFC	4,909	-3	0	3	3,137	9	-6	4	-6.5
Hindustan Construction	1,379	-17	10	10	29	-81	-90	-61	-6.2
Infosys	21,750	-6	11	0	17,220	-5	16	2	-6.1
SAIL	13,114	-41	-29	-34	8,381	-41	-29	-28	-6.1
Bank of India	13,959	16	-1	-12	5,175	5	-29	-25	-6.0
JSW Steel	13,939	-16	35	11	5,713	-31	67	17	-5.8

FY12 EPS downgrade by 2% at Rs1158; CAGR of 16% till FY13

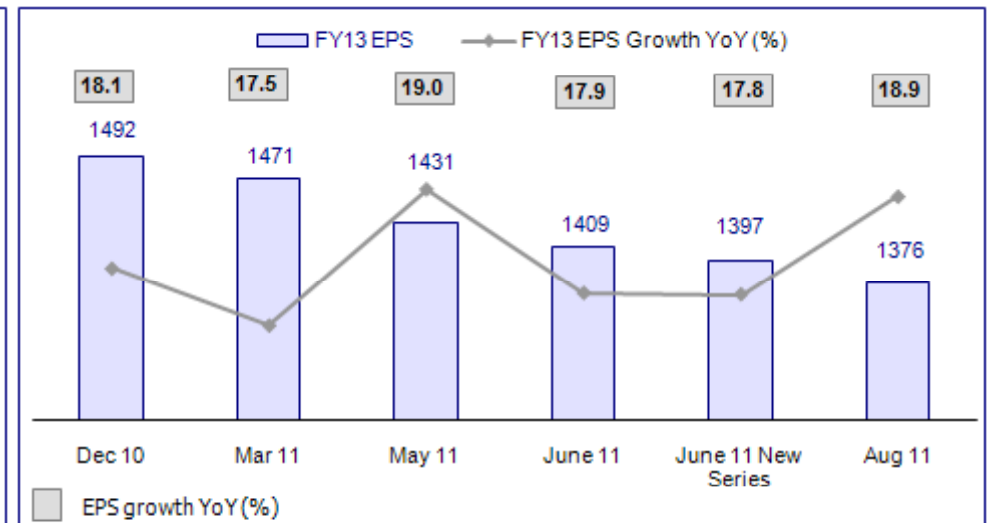
EARNINGS GROWTH REVIVAL FROM FY11 AFTER FY08-10 GROWTH HOLIDAY



TREND IN FY12E SENSEX EPS REVISION



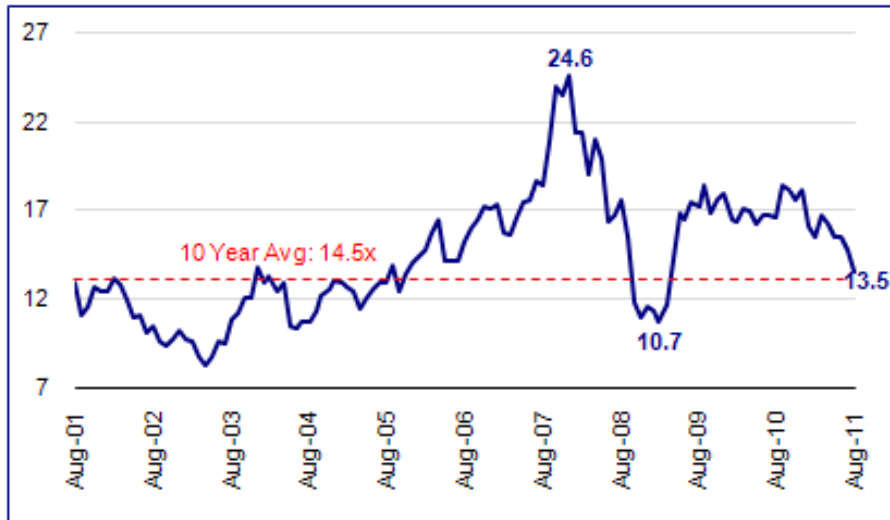
TREND IN FY13E SENSEX EPS REVISION



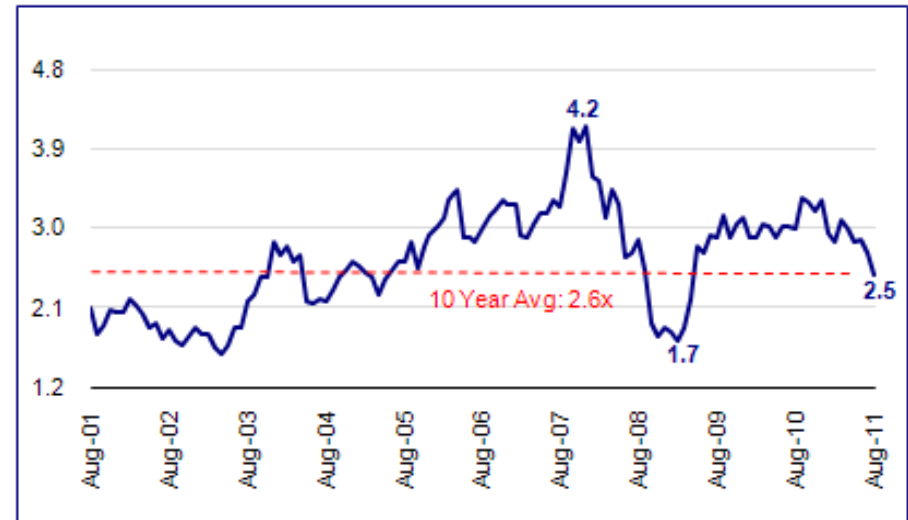
New Series is inclusion of Coal India & Sun Pharma in Sensex

Current valuations below decadal average

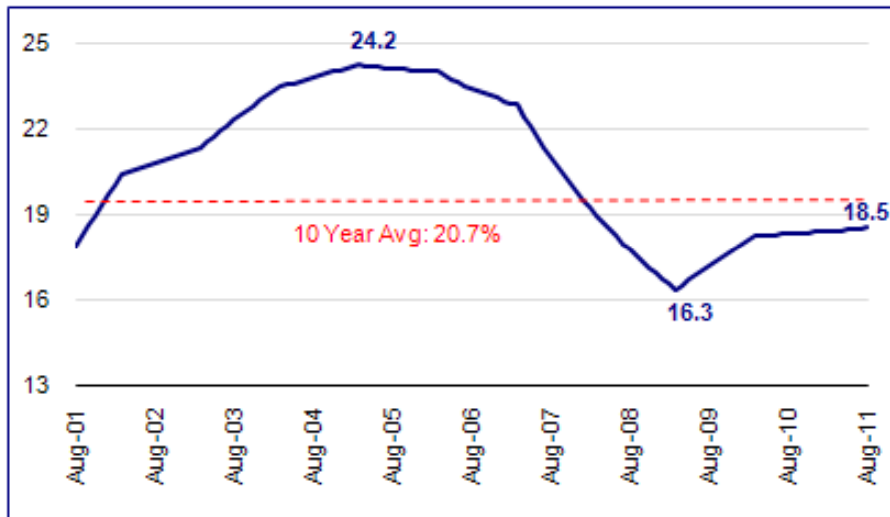
SENSEX P/E (x)



SENSEX P/B (x)



SENSEX ROE (%)

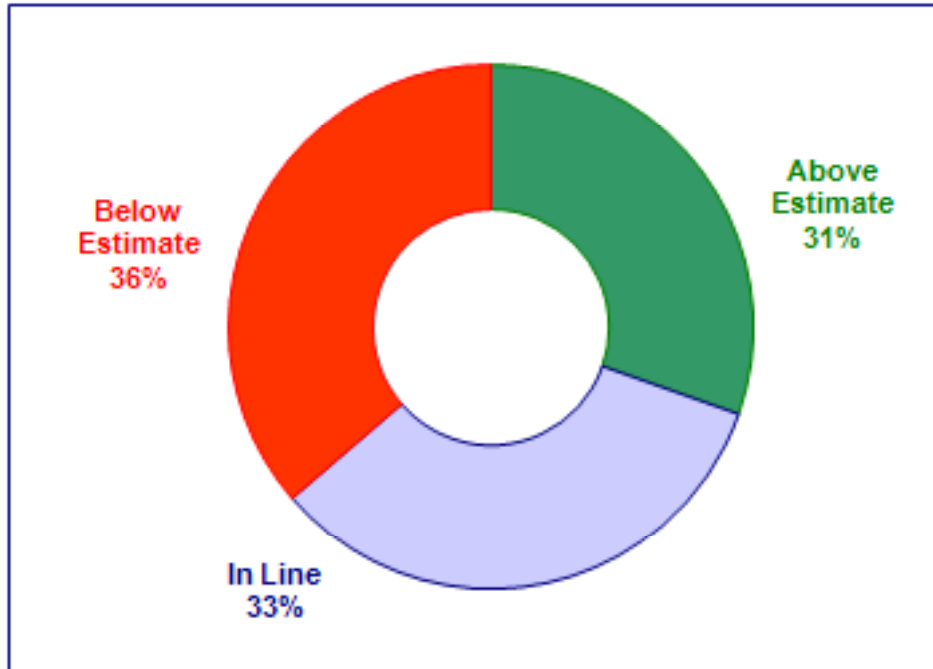


SENSEX EARNINGS YIELD Vs BOND YIELD (%)

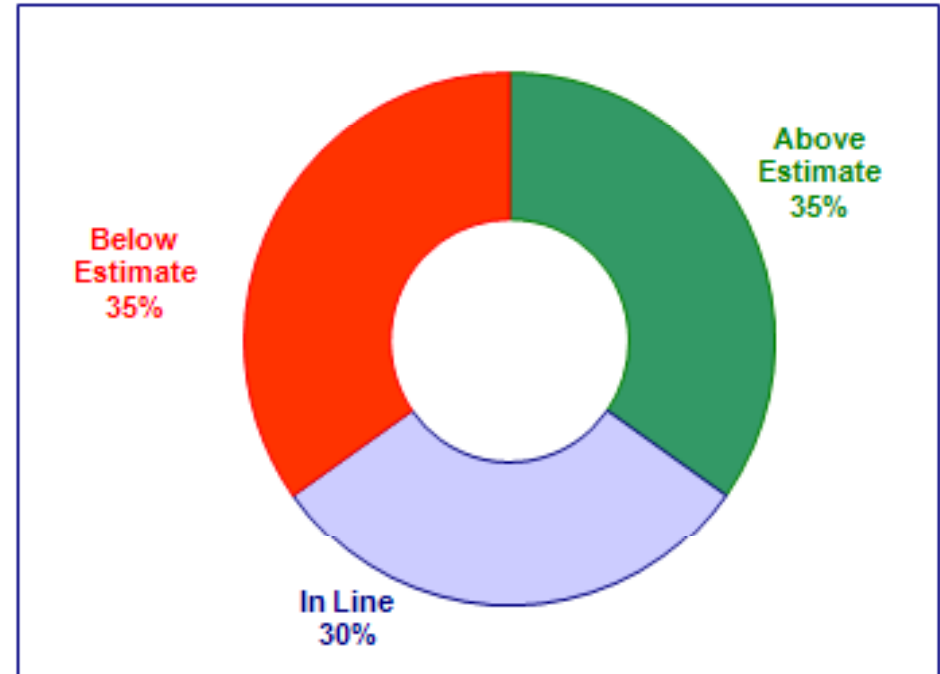


June-11 Quarter Results: Deviation from Est. (Companies)

EBITDA DEVIATION (135 COMPANIES)



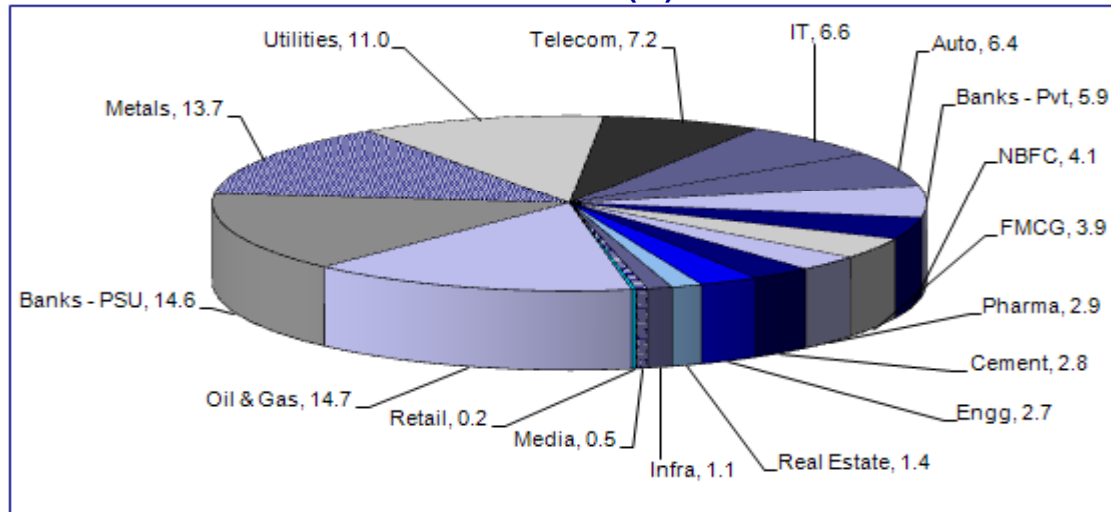
PAT DEVIATION (135 COMPANIES)



- On the EBITDA front, 41 companies surpassed estimates while 49 fell short.
- On the PAT front, 47 companies surpassed estimates while 47 fell short.

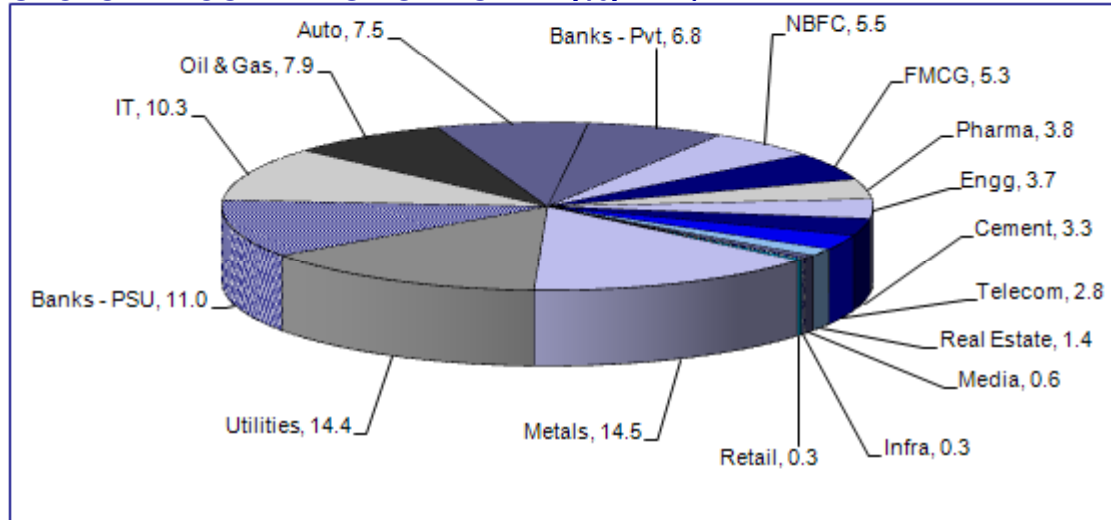
1QFY12 Results Review: Sectoral Contribution

SECTORAL CONTRIBUTION TO EBIDTA (%) – 1QFY12



Oil & Gas (15%) and PSU Banks (15%) are the biggest contributors to EBITDA for 1QFY12.

SECTORAL CONTRIBUTION TO PAT (%) – 1QFY12



Metals (14%) and Utilities (14%) are the biggest contributors to PAT for 1QFY12.

June-11 Quarter Sector Margins: Actual v/s Estimates

QUARTERLY PERFORMANCE - EBITDA AND PAT MARGIN (%)								
SECTOR	EBITDA MARGIN				PAT MARGIN			
	ACTUAL	ACTUAL	EST.	ACTUAL	ACTUAL	ACTUAL	EST.	ACTUAL
	JUNE 10	JUNE 11	CHG	CHG	JUNE 10	JUNE 11	CHG	CHG
Automobiles	14.3	13.0	-1.1	-1.3	8.6	7.6	-0.7	-1.0
Private Banks	88.6	82.1	-5.8	-6.5	42.8	47.1	1.8	4.4
PSU Banks	82.2	75.8	-0.5	-6.5	42.7	28.2	-12.9	-14.4
NBFC	99.2	95.2	-2.4	-4.0	68.1	63.7	-2.0	-4.4
Cement	26.4	26.3	-2.5	-0.1	16.6	15.5	-2.4	-1.0
Engineering	13.3	12.3	-1.0	-1.0	9.0	8.4	-0.7	-0.5
FMCG	20.8	19.6	-0.3	-1.1	14.0	13.3	-0.3	-0.7
Infrastructure	13.6	14.8	-0.2	1.2	3.0	2.1	-0.8	-0.9
IT	25.8	24.0	-1.2	-1.8	19.2	18.6	-1.4	-0.7
Media	41.2	37.1	-2.5	-4.1	21.9	22.6	1.1	0.7
Metals	21.2	18.4	-1.6	-2.8	11.8	9.6	-0.7	-2.2
Oil & Gas	6.1	5.4	3.6	-0.7	1.3	1.4	3.9	0.2
Pharma	24.9	22.2	-4.6	-2.7	15.9	14.5	-1.4	-1.4
Real Estate	47.0	43.1	-5.7	-3.9	26.7	21.7	-5.4	-5.0
Retail	9.3	9.6	0.4	0.3	6.1	6.8	0.2	0.6
Telecom	32.9	32.1	-1.3	-0.8	10.4	6.2	-3.8	-4.2
Utilities	27.1	28.4	3.3	1.3	16.9	18.3	1.5	1.4
Others	20.7	19.5	0.5	-1.2	9.6	9.8	2.4	0.2
MOSL Universe	18.9	16.8	0.0	-2.1	9.8	8.3	0.2	-1.5
Sensex Universe	24.7	22.6	-1.5	-2.1	13.6	11.9	-1.3	-1.7

Sector Snapshots

AUTO: Mixed bag; RM cost hit margins

Summary

- **Volume growth** moderation visible in passenger vehicles and M&HCVs only. Other segments' volume growth continues to be good.
- **Margin contraction** on account of RM cost push, partly diluted by better operating leverage. RM cost has stabilized at higher levels; expect moderation in the coming quarters.
- **FY12 EPS downgrades:** Tata Motors (14.6% due to higher cost push and tax in JLR), Bajaj Auto (3.8% due to lower treasury income) and M&M (5.2% due to consolidation of Ssangyong).
- **Multiple headwinds** in form of increasing cost of ownership (price hike, hardening interest rates) and cost of operations (fuel prices hike) would impact demand in near term. However, softening commodity prices and peaking-out of interest rates positive sign for medium term.
- **Top picks:** M&M and Bajaj Auto.

TREND IN KEY FINANCIALS

	Volumes ('000 units)			EBITDA Margins (%)			Adj PAT (Rs M)		
	1QFY12	YoY (%)	QoQ (%)	1QFY12	YoY (bp)	QoQ (bp)	1QFY12	YoY (%)	QoQ (%)
Bajaj Auto	1,093	17.7	15.4	19.1	-90	-140	7,111	20.5	5.2
Hero MotoCorp*	1,530	23.9	5.1	10.5	-290	-100	5,579	13.5	11.2
Maruti Suzuki	282	-0.6	-18.0	9.5	-80	-50	5,492	7.2	-16.8
M&M	155	22.1	-3.2	13.3	-170	60	6,049	7.6	-0.3
Tata Motors (S/A)	198	3.9	-19.3	8.4	-290	-40	3,992	-10.0	-36.5
Tata Motors (Cons)				13.3	-130	-20	20,481	1.2	-18.1
Aggregate **	3,257	17.9	3.4	11.2	-180	-10	28,222	8.5	-8.1

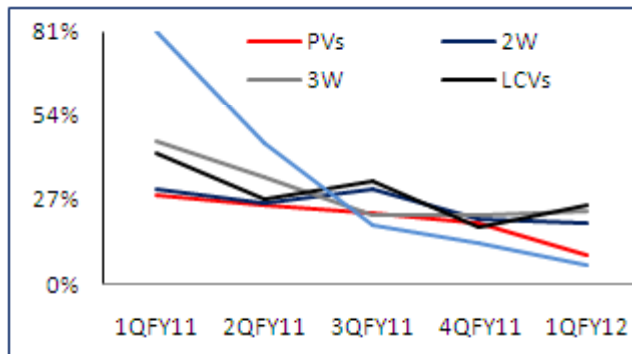
* Normalized; ** Aggregate includes Tata Motor's standalone performance only

Revised EPS Estimates (INR)

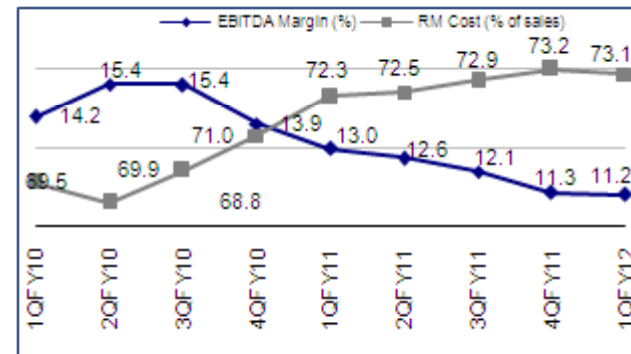
EPS	FY12E			FY13E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Bajaj Auto	100.6	104.6	-3.8	117.4	117.3	0.1
Hero MotoCorp	112.8	113.1	-0.2	131.7	130.9	0.6
Maruti *	85.4	83.2	2.6	101.5	100.9	0.6
M&M *	48.4	51.1	-5.2	63.9	63.1	1.3
Tata Motors * #	74.0	86.7	-14.6	86.5	97.5	-11.3

* Consolidated; # Normalized EPS adj. for R&D capitalization

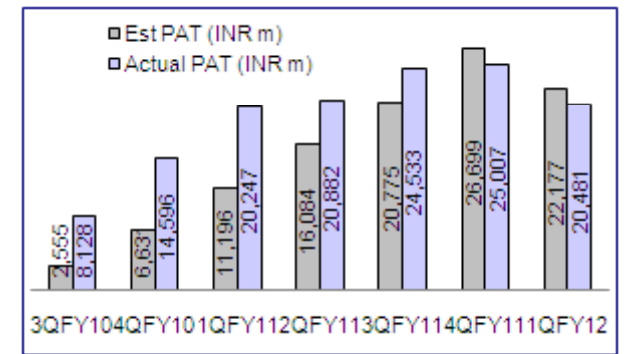
Volume growth moderation in cars & M&HCVs



RM stable at higher levels; expected to moderate



TTMT: 2nd consecutive qtr of negative surprise



CEMENT: Above est on higher realizations; upgrades exceed downgrades

Summary

- 1QFY12 volumes continue to disappoint, flat YoY.
- Realizations surprised positively, up INR10/bag QoQ; EBITDA/ton improved INR7/bag QoQ.
- FY12 EPS changes:** Upgrades of ~12% for UTCEM, 4% for ACC and 40% for ICEM. However, ACEM saw downgrade of ~9% and SRCM ~13%.
- Next six months would be challenging** for the industry as it enters seasonally weak period with muted demand. Prices have already corrected INR10-20/bag. We estimate INR15-20/bag lower realizations in 2HCY11 from 1QFY12 level. Expect high volatility in cement prices and cement companies' performance over next 6-9 months.
- Top Picks:** Ambuja Cement, UltraTech and Birla Corp.

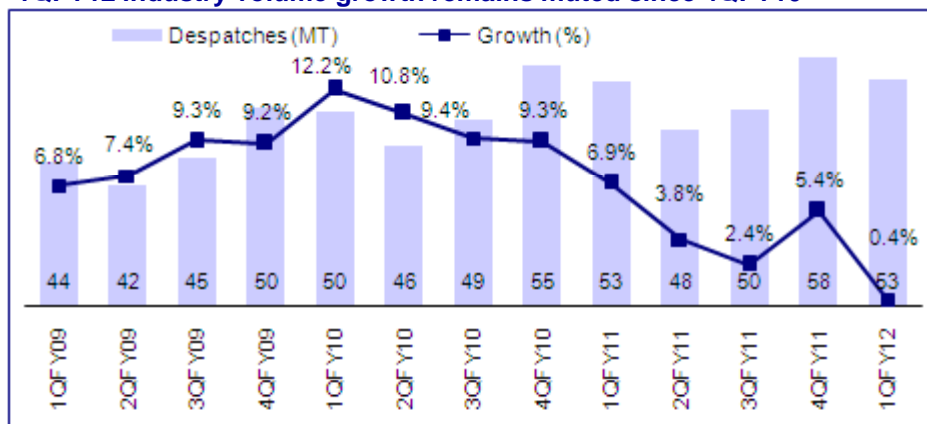
INR10/bag QoQ improvement in realizations drive INR7/bag QoQ EBITDA improvement

	Volumes (M Ton)		Realizations (INR/Ton)			EBITDA (INR/Ton)			
	1QFY12	YoY (%)	QoQ (%)	1QFY12	YoY (Rs)	QoQ (Rs)	1QFY12	YoY (Rs)	QoQ (Rs)
ACC	5.9	12.5	-3.7	4,052	218	159	928	-121	28
Ambuja	5.3	-2.2	-6.2	4,108	323	195	1,101	-14	17
UltraTech	9.9	-3.9	-8.7	4,427	539	270	1,190	732	258
Birla Corp	1.5	2.0	-0.2	3,675	-184	-192	956	-218	262
India Cement	2.3	-13.0	-9.3	4,148	937	336	1,045	669	344
Shree Cement	2.7	8.3	-6.5	3,405	133	106	880	-123	34
Aggregate	27.6	0.1	-6.6	4,121	386	194	1,062	282	147

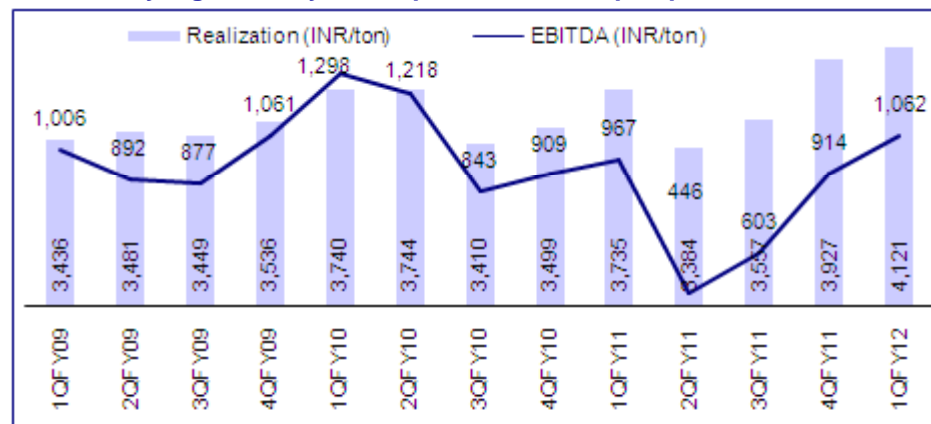
Revised EPS estimates (INR)

	FY12E			FY13E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
ACC	60.6	58.1	4.3	77.4	74.9	3.3
Ambuja	8.3	9.2	-9.4	10.5	11.5	-8.6
UltraTech	74.5	66.5	12.1	97.2	89.4	8.7
Birla Corp	51.0	52.1	-2.1	58.4	58.8	-0.7
India Cement	10.5	7.5	40.0	11.4	9.8	16.1
Shree Cement	154.1	176.8	-12.9	183.8	205.0	-10.3

1QFY12 industry volume growth remains muted since 4QFY10



Profitability significantly below peak levels, despite peak realizations

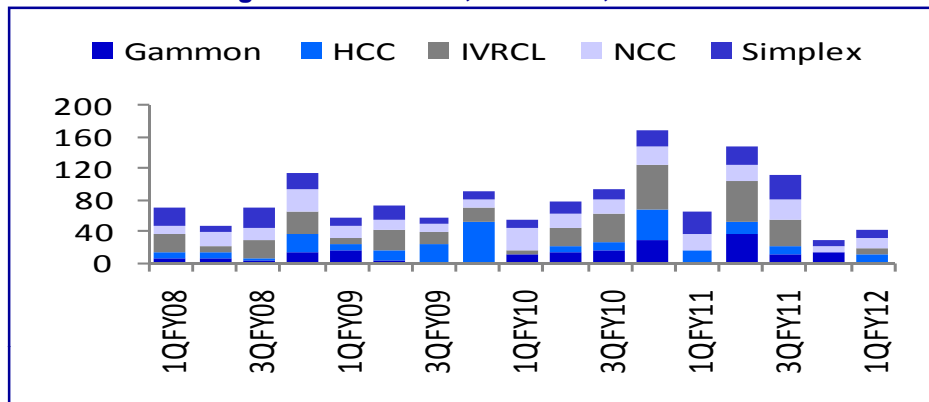


CONSTRUCTION: Poor order intake, interest burden impacting profitability

Summary

- Order intake weak:** Order intake remained poor during the quarter, declining by 37% YoY. Order intake remained muted for Simplex (INR8.7, down 70%) and HCC (INR10, down 37%). Gammon reported no new orders during the quarter. Adverse macro environment and rising interest rates have badly impacted project awards in recent quarters, which is expected to continue in the near term.
- Payment delays by clients** have forced construction companies to slow down execution, which has impacted revenue growth in recent times. Revenues grew by 5.1% YoY during the quarter vs. 13.5% in 1QFY11.
- EBITDA margins remained flat YoY.** However increasing interest rates have impacted PAT margins. Interest rates which stood at 3.4% of revenues in 1QFY11 has jumped to 5.4% in 1QFY12.
- Top Pick: NCC**

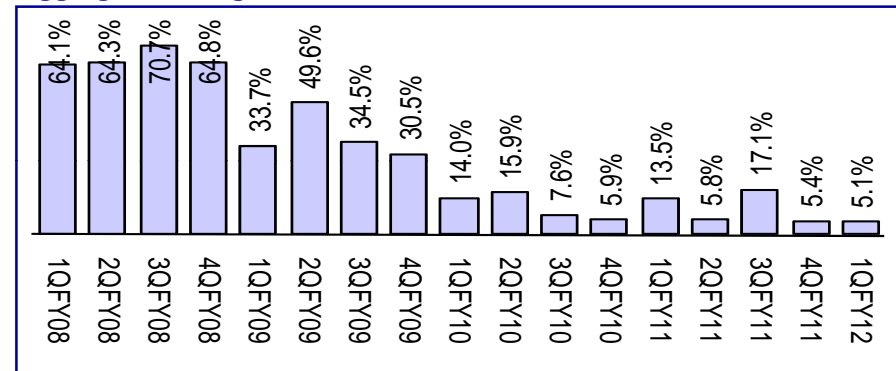
Poor order intake growth in 1QFY12; at INR41b, down 37% YoY



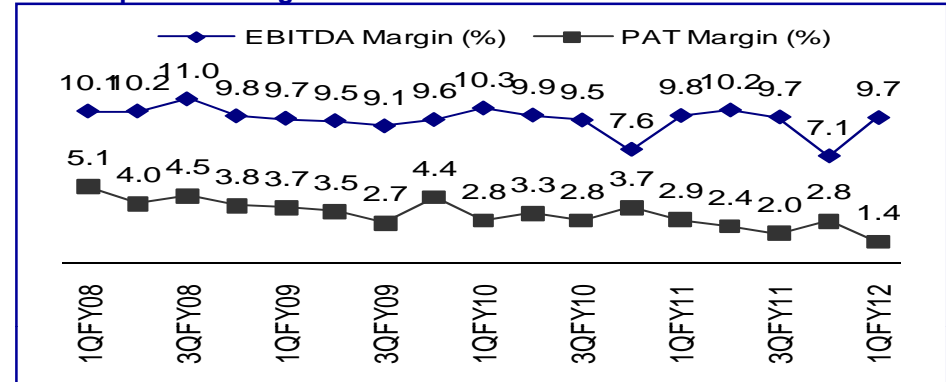
1QFY12: ACTUAL VS ESTIMATES

	Net sales (IINR m)			EBITDA (IINR m)			PAT (IINR m)		
	Actual	Est	Var %	Actual	Est	Var %	Actual	Est	Var %
HCC	10,603	10,129	5	1,379	1,254	10	29	74	-61
IVRCL	11,219	12,581	-11	832	1,157	-28	42	188	-78
NCC	11,415	12,033	-5	1,165	1,179	-1	233	277	-16
Simplex	12,609	12,919	-2	1,202	1,253	-4	241	343	-30
Gammon	13,905	15,058	-8	1,223	1,131	8	289	239	21

Aggregate sales growth remains subdued due to execution concerns



EBITDA margins flat YoY; Higher working capital and rising interest rates impact net margins

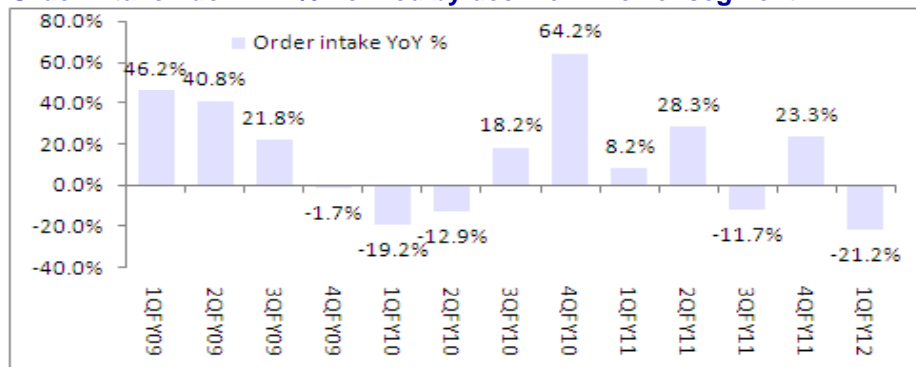


ENGINEERING: Growth moderates; margins decline

Summary

- **Sector performance was below estimates** except for L&T and Thermax. BHEL, Crompton Greaves and Cummins revenue was below estimate. Profitability was hit by rising input costs, though L&T surprised positively. Sector OPM at 12.3% was down 98bp impacted by rising input costs. Crompton Greaves reported disappointing results, with consolidated profit declining by 59% YoY.
- **Order intake declined 21% YoY** impacted by declining orders in power sector. BHEL and CG saw significant decline in orders. L&T posted 4% YoY growth in orders driven by pick up in infrastructure and oil & gas. Only Siemens and ABB posted good growth driven by industrial demand.
- **Top picks:** Crompton Greaves and ABB witnessed significant earnings cut during the quarter; **Siemens was downgraded to Neutral** as it achieved our target price. **L&T is top pick** in the space.

Order intake: down 21% YoY led by decline in Power segment

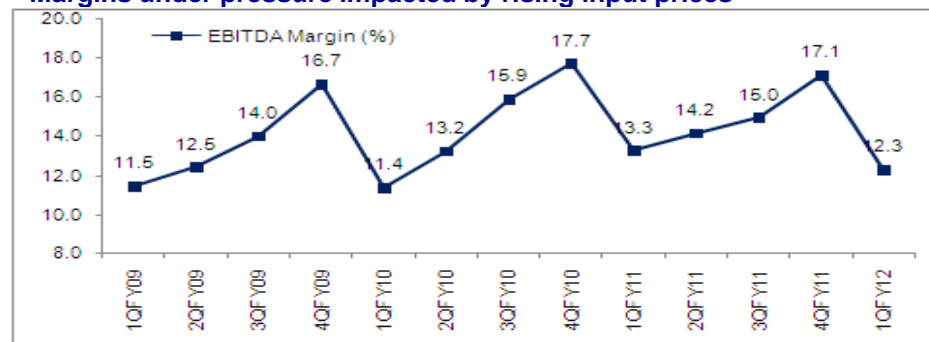


Results below estimates; only L&T beats estimates

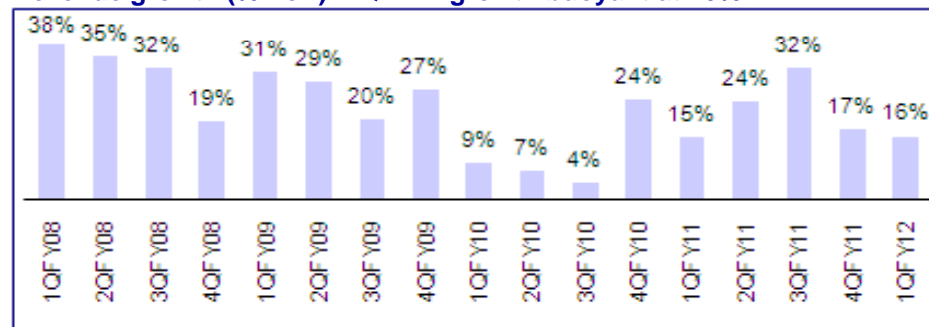
	Sales YoY (%)		EBITDA YoY (%)		PAT YoY (%)		Var*
	Actual	Est.	Actual	Est.	Actual	Est.	
ABB	17	19	32	142	1	109	-52
BGR Energy	-19	-9	-7	-12	-17	-17	0
BHEL	10	27	15	25	15	15	0
Crompton Greaves	9	15	-11	8	-9	9	-17
Cummins India	13	21	-6	0	-3	4	-7
Havells	16	13	8	14	8	16	-7
Larsen & Toubro	21	25	12	6	12	5	6
Siemens	25	29	3	25	0	32	-25
Thermax	32	17	18	17	21	17	3
Sector	16	23	9	16	9	13	-4

* Variance of actual PAT over estimate

Margins under pressure impacted by rising input prices



Revenue growth (% YoY): 1QFY12 growth buoyant at 16%



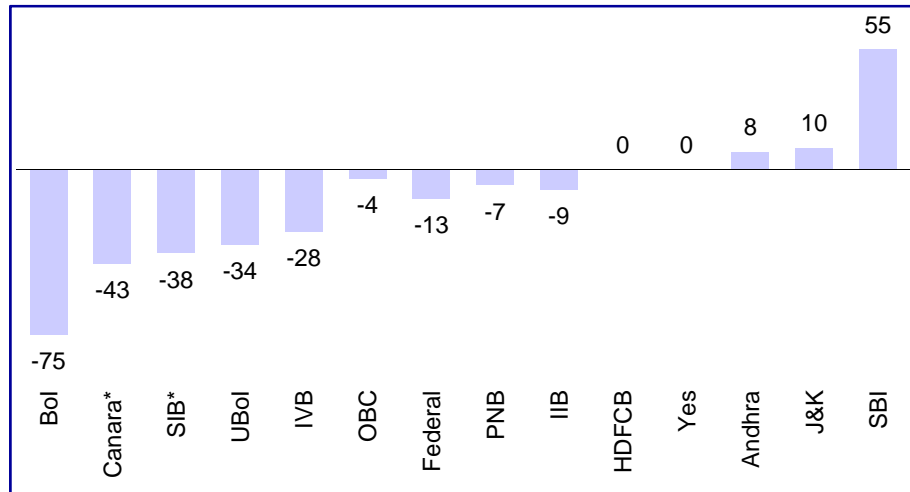
FINANCIALS: PSUs – operationally weak qtr; Pvt banks outperform

- Moderation in business growth:** Our coverage universe (CU) witnessed moderation in business growth with loans and deposits growth of 1-2% QoQ vs industry growth of 4-5% each. CU Credit to Deposit ratio remained stable QoQ at 77%.
- Sharp moderation in margins for PSU banks:** PSU banks' margins moderated sharply QoQ led by higher slippages and lag impact of deposit repricing. SBI and Andhra surprised positively with 25bp+ and 10bp improvement in margins. Sharp moderation of 40bp+ QoQ in margins witnessed for BOI, Canara and Indian Bank. Private banks' NIM performance was relatively better than PSUs with max drop of 20bp (except IVB at 28bp).
- Slippages up; pvt banks fare better:** For CU, GNPA's were up 8%+ QoQ. Most PSU banks saw higher slippages partly led by CBS-led NPA recognition and agri NPAs – Canara, SBI, Bol. Upgradations were impressive for SBI, PNB, Union Bank. Private banks continued to enjoy strong asset quality.
- Profits in-line with expectation; though a mixed bag:** For CU NII growth of 20% was marginally lower than estimates on higher margin declines. BOI and Canara disappointed. Positive margin surprise came from SBI. Operating profit growth was lower than expected due to muted fees and higher opex. BoB and Axis surprised positively on fees. Lower provisions for Axis, OBC and mid-cap private banks led to higher than expected profit growth.
- Valuations at 5-year average though near-term uncertainty prevails:** In FY12, we expect significant volatility in quarterly earnings due to highly volatile quarterly earnings of FY11 on account of opex and provisions. While margins are likely to decline, they will still be near the FY04-09 average. Strong operating leverage and lower credit cost will be the key earnings drivers in FY12. Valuations are at the average of last five years, and we believe risk-reward ratio is favorable. Our top sector picks are: **SBIN, AXSB, ICICI and PNB.**

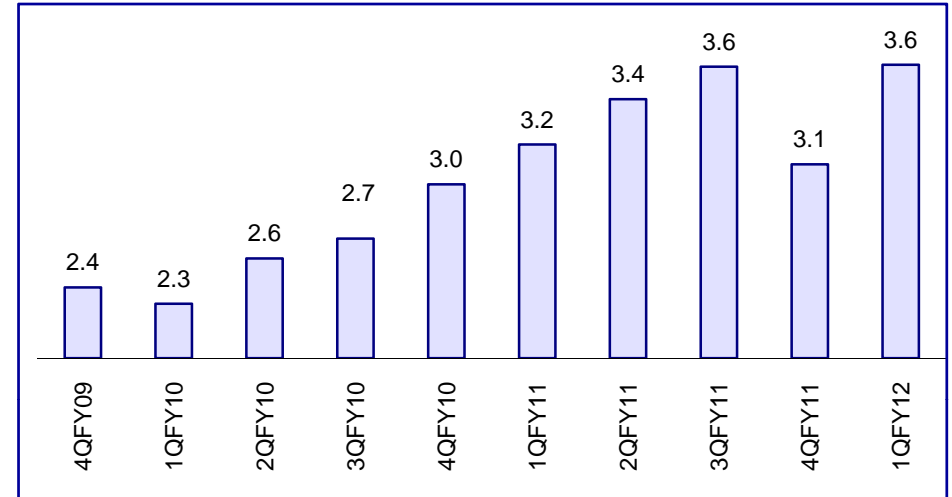
	NII		Fee Income		PAT		Deposits		Loans		Gross NPA		NIM %		
	QoQ %	YoY %	QoQ %	YoY %	QoQ %	YoY %	QoQ %	YoY %	QoQ %	YoY %	QoQ %	YoY %	1QFY11	4QFY11	1QFY12
% Growth	QoQ %	YoY %	QoQ %	YoY %	QoQ %	YoY %	QoQ %	YoY %	QoQ %	YoY %	QoQ %	YoY %	1QFY11	4QFY11	1QFY12
SBI	20.4	32.8	-29.4	9.3	N.A.	-45.7	1.7	16.5	1.9	18.0	9.6	33.3	3.18	3.07	3.62
PNB	2.8	19.9	4.4	36.8	-8.0	3.4	3.6	26.9	0.3	23.4	11.7	35.4	3.91	3.91	3.84
Canara	-9.2	3.8	-13.1	27.0	-19.4	-28.4	2.1	25.7	1.2	23.7	16.7	41.5	3.01	2.85	2.42
BoB	-12.1	23.6	-17.4	27.8	-20.2	20.2	2.5	22.9	1.6	25.2	8.7	28.9	2.90	3.10	2.87
Bol	-20.2	5.8	-21.0	16.9	4.8	-28.6	-1.9	25.4	-0.6	21.6	20.4	20.8	2.89	2.94	2.19
UBol	-7.4	18.0	-22.1	3.4	-22.3	-22.8	-1.6	16.4	-4.9	16.7	3.4	36.9	3.03	3.44	3.10
Coverage PSU	2.7	20.9	-21.9	12.9	17.6	-20.1	1.5	20.7	1.2	20.7	12.2	31.2	NA	NA	NA
Private Bank															
ICICI Bk	-3.9	21.1	-11.9	11.6	-8.3	29.8	2.2	14.8	2.0	19.7	-0.5	0.9	2.50	2.70	2.60
HDFC Bk	0.3	18.6	-6.9	19.9	-2.7	33.7	1.2	15.4	9.7	20.0	8.2	2.3	4.30	4.20	4.20
Axis	1.4	13.9	-14.1	40.4	-7.6	27.0	-3.0	24.5	-7.4	21.4	-1.6	17.3	3.71	3.44	3.28
Coverage PVT	-0.5	18.9	-11.1	20.6	-4.2	30.7	0.2	20.3	1.8	21.1	1.3	4.0	NA	NA	NA
Coverage Universe	1.8	20.3	-17.4	16.3	8.0	-5.7	1.2	20.6	1.3	20.8	7.7	19.0	NA	NA	NA

FINANCIALS: PSUs operationally weak qtr; Private bank outperform

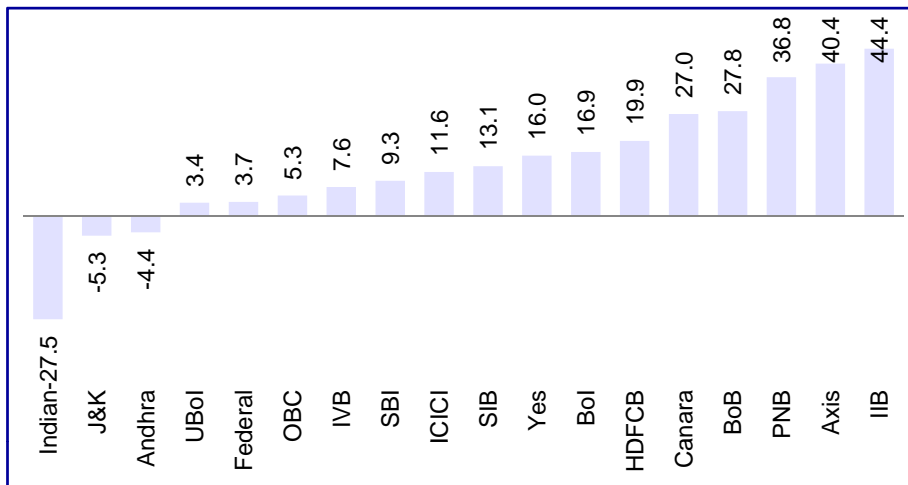
NIMs (QoQ chg in bp) contracted sharply for most banks



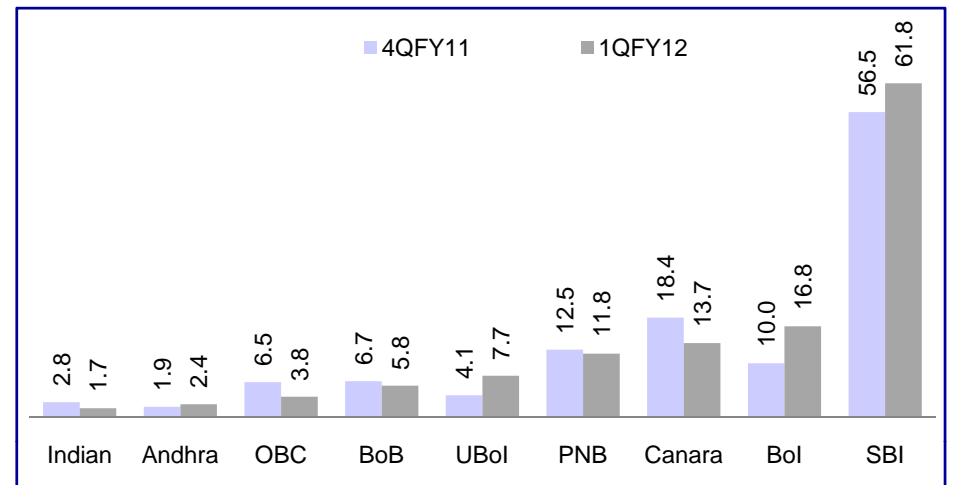
SBI margin improve sharply; Mgmt guides for margin of 3.5%+



Fee income growth: PNB, BoB surprised +ve while SBI disappointed (%)



Slippages remain at an elevated level (INR b)



FMCG: Healthy volume growth; RM pressure continues to dent margins

Summary

- **Volume growth healthy:** Except for HUL and Dabur, all others posted healthy volume growth with Marico, GSK Consumer and Godrej Consumer positively surprising; ITC's cigarette volumes increased by ~8%.
- **Input cost pressures continued** with gross margin decline of 300bp for coverage universe
- **Steep ad spend cuts** in HUL, Dabur and Marico enabled to protect margins; low levels of ad-spend unsustainable
- PFAD prices steady after decline in 1Q; LAB and milk prices at life high; copra prices up 10% after 20% decline.
- **Top picks:** ITC and Pidilite
- **Downgrades:** Nestle and GSK Consumer cut to Neutral on rich valuations.

Healthy volume growth trend across companies (except HUL)

Quarter Ending	Jun-10	Sep-10	Dec-10	Mar-11	Jun-10
Asian Paints	24.0	0.0	27.0	16.0	15.0
Colgate (Toothpaste)	14.0	12.0	13.0	13.0	14.0
Dabur	17.0	13.5	10.0	9.3	8.6
Godrej Consumer					
Soaps	-9.0	-10.0	3.0	9.0	11.0
Hair Color	4.0	12.0	2.0	5.0	9.0
GSK Consumer	10.0	18.0	13.0	5.5	14.0
Hindustan Unilever	10.3	14.0	13.0	14.0	8.3
ITC (cigarette)	-3.0	-0.5	2.0	-2.0	8.0
Marico					
Parachute	14.0	10.0	5.0	5.0	10.0
Hair Oil	27.0	18.0	31.0	21.0	32.0
Saffola	17.5	14.0	13.0	14.0	15.0
United Spirits	6.0	16.0	14.0	12.0	15.4

Quarterly Financial Highlights

Company	Sales	YoY (%)	EBIDTA	YoY (%)	PAT	YoY (%)
Asian Paints	22,604	23.5	3,922	13.0	2,637	18.7
Britannia Inds	11,063	21.4	506	23.7	306	29.2
Colgate	6,111	15.6	1,356	-15.2	1,004	-17.6
Dabur*	12,046	31.4	1,708	24.9	1,277	19.6
Godrej Cons	9,978	39.6	1,428	11.5	1,002	10.3
GSK Cons	6,534	21.6	985	10.2	825	14.9
HUL	55,794	14.4	7,543	10.8	5,784	11.0
ITC	58,602	20.9	19,761	20.7	13,327	24.5
Marico*	10,486	32.7	1,251	18.6	850	15.3
Nestle India	17,631	20.2	3,445	17.2	2,196	9.0
Pidilite	7,699	21.8	1,533	-1.5	1,079	0.1
United Spirits	19,354	32.3	3,303	17.1	1,377	13.8

Gross margin contraction for 11 out of 12 companies

Company	Expansion/Contraction in (bp)		
	Gross Margin	Ad-spend	EBITDA Margin
Asian Paints*	-260	N.A	-170
Britannia Inds	-50	-10	10
Colgate	-320	300	-750
Dabur*	-480	-380	-80
GSK Consumer	-300	140	-150
Godrej Consumer*	30	130	-360
Hind. Unilever	-490	-410	-40
ITC	-230	N.A	-10
Marico*	-550	-210	-210
Nestle India	-50	N.A	-50
Pidilite*	-360	N.A	-370
United Spirits	-510	-170	-210

* Consolidated

IT SERVICES – Volumes disappoint, margins in-line

Summary

- **1QFY12 volume growth disappointed** for Infosys and HCL Tech; Wipro volumes, though above estimate, grew only 1.4% QoQ. But revenue growth was in-line on cross-currency gains.
- **Pricing trend took a breather** in 1Q, and any upticks seen in the quarter were on reported currency (aided by cross currency) and on revenue mix shift in favor of onsite.
- **Margin decline** for TCS and Infosys were in-line, Wipro was marginally below estimates, HCL was above estimate.
- **Infosys' FY guidance of 18-20% was in-line**; but 2Q guidance of 3.5-5% puts the burden of growth on 2H. Wipro' organic growth guidance of 0-1.9% QoQ implies continued restructuring impact.
- **EPS CAGR of 12.7-24%**: Over FY11-13, expect top-4 US\$ revenue CAGR of 16.2-23.5% and EPS CAGR of 12.7-24.1%.
- **Double-dip a key risk**: Uncertain macro leading to deferral in spends and cutback on a double-dip recession are key risks.
- **Top picks**: Infosys, HCL Tech, Wipro.

1QFY12 Metrics - Top-tier

Company	USD Rev (m)	QoQ Gr (%)	QoQ Vol. Gr (%)	OPM (%)	QoQ (bp)	PAT (INR b)	QoQ Chg (%)
TCS	2,412	7.5	7.4	26.2	-180	23.8	-0.9
Infosys	1,671	4.3	3.2	26.1	-290	17.2	-5.3
Wipro*	1,408	0.5	1.4	22.0	-10	133.5	-2.9
HCL Tech	963	5.3	3.0	15.0	120	4.9	10.3

*: Wipro - Rev, OPM for IT Services, PAT overall

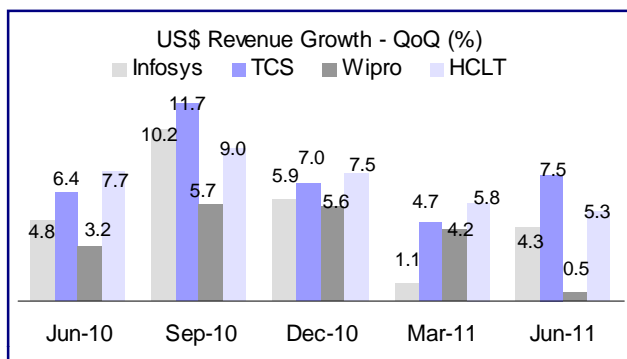
EPS upgrade at TCS, downgrades at Infosys and Patni

Company	FY12E			FY13E		
	EPS - New	% Chg	P-E	EPS - New	% Chg	P-E
TCS	53.0	1.3	17.9	64.0	4.1	14.9
Infosys	136.7	-2.4	17.4	158.8	-5.5	15.0
Wipro	23.2	0.4	14.8	27.4	-0.4	12.5
HCL Tech	28.8	-0.3	14.2	35.5	-0.3	11.5
Tech Mahindra	64.4	3.4	11.4	68.0	-3.4	10.8
Mphasis*	39.0	-4.2	10.3	41.7	0.0	9.6
Patni#	27.5	-21.4	10.2	33.7	-10.8	8.4

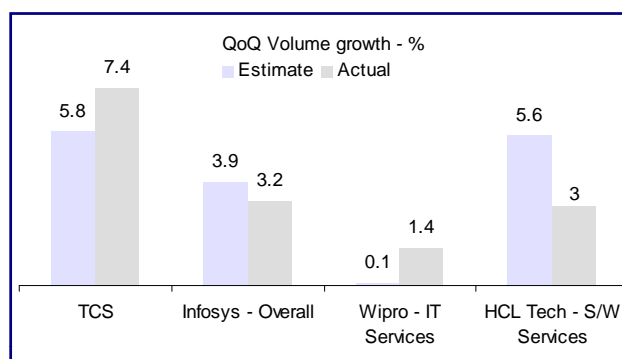
*: PE for FY11 and FY12 (YE Oct)

#: PE for CY11 and CY12

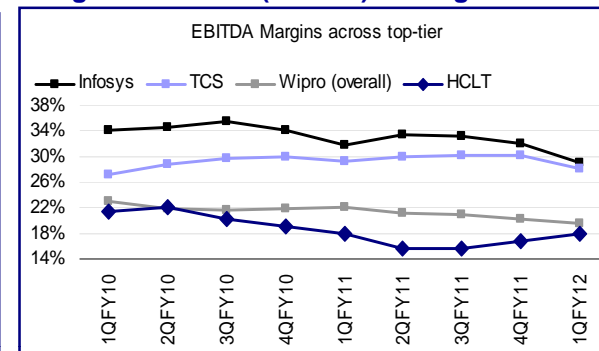
Revenue: Only TCS surprised positively



Volumes above est. at TCS, Wipro (organic)



Margins: Declined (ex HCL) on wage hikes



MEDIA: Strong ad momentum; Newsprint inflation a concern for print

Summary

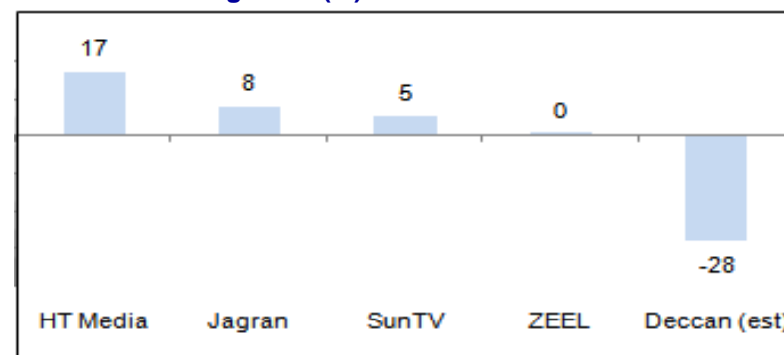
- Ad revenue was impacted by overhang of heavy advertising in sports segment (CWC, IPL), and relatively weak macro environment. HT Media had the highest ad growth driven by English segment.
- All media companies in our universe reported lower-than expected revenue and PAT. Jagran did not report consolidated results (including Mid-Day), excluding which the revenue and PAT miss was relatively lower.
- Zee reported INR566m EBITDA loss in sports business (in line) and ~15% YoY EBITDA growth in non-sports (below est).
- International newsprint prices have stabilized; domestic prices continue to firm up due to high prices of scrap paper.
- Ad revenue growth could moderate further in 2QFY12 as recent commentary from media companies indicates no meaningful uptick in media spends. Pick-up in the festive season would be the key variable to watch-out.

1QFY12: Actual v/s estimates

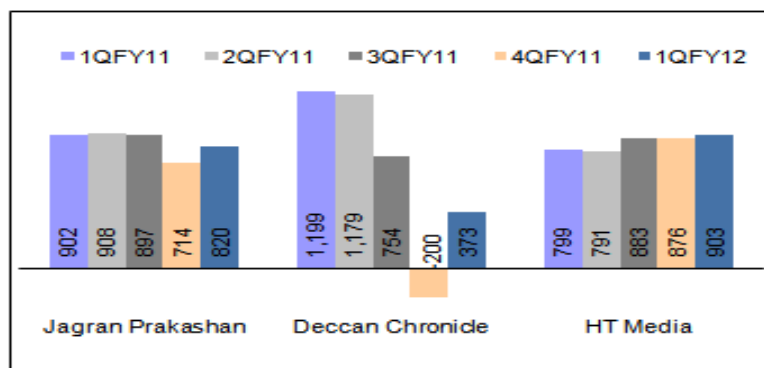
	Net Sales (INR m)			PAT (INR m)		
	Actual	Est	Var (%)	Actual	Est	Var (%)
Sun TV	4,540	4,633	-2	1,876	1,929	-3
ZEEL	6,983	7,497	-7	1,337	1,482	-10
Jagran Prakashan	3,046	3,262	-7	497	564	-12
Deccan Chronicle (DCHL)	2,018	2,131	NA	122	157	NA
HT Media	4,969	5,001	-1	515	530	-3

Note: DCHL numbers not comparable due to subsidiaries merger

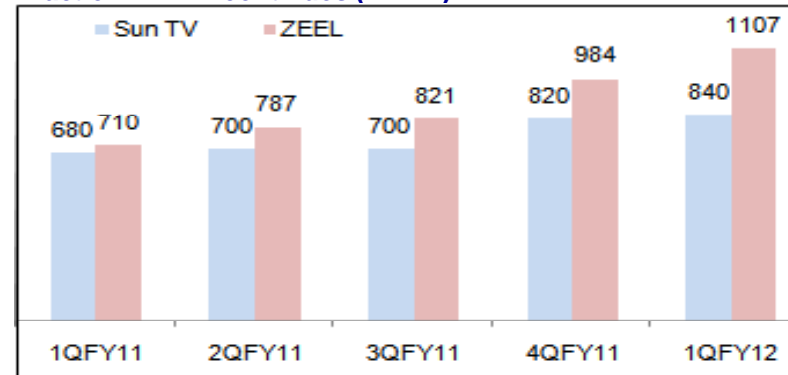
YoY Ad revenue growth (%)



EBITDA under pressure for DCHL and Jagran (INR m)



Traction in DTH continues (INR m)



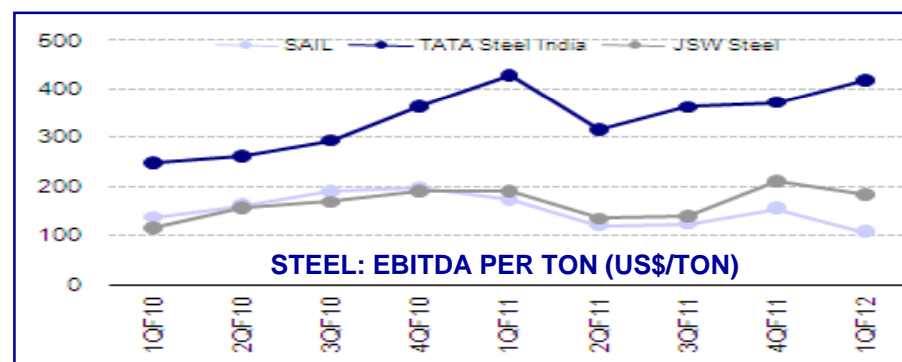
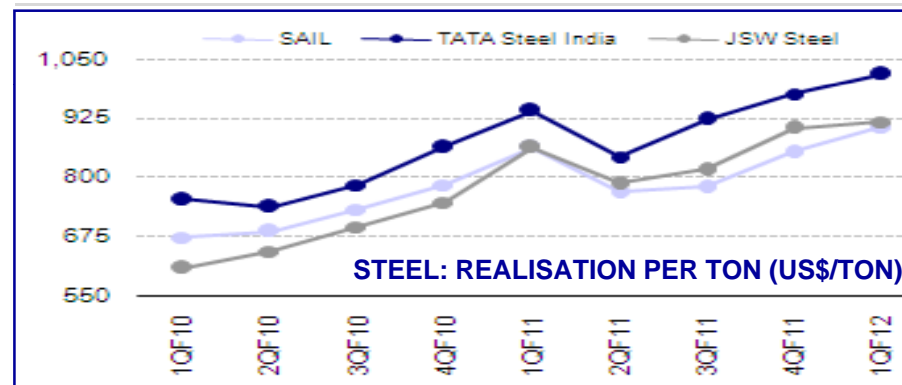
METALS: Rising costs offsetting higher metal prices

Summary

- Despite softening steel prices, **average realizations of key steel producers increased 1-5% QoQ** due to strong long product prices and contracted volumes of flat products. Domestic steel demand remained sluggish due to seasonal factors and weakness in steel prices. However production volumes were in line.
- There has been overall cost pressure due to rising coal and fuel oil prices for metal companies. **Margins of key producers declined QoQ** (except Tata) due to higher operating costs mainly power and fuel. Higher RM costs were largely in line. Tata Steel's margin expansion was higher than estimates as it contained its operating costs although energy costs increased. SAIL disappointed again due to higher than expected costs and further delays in expansion.
- Mid-cap companies were affected** due to (1) sluggish demand, (2) falling steel prices, (3) higher coal, and (4) interest rates. Godawari and Prakash Industries outperformed amongst peers due to good performance of pellet plant and captive mines.
- Performance of non-ferrous companies was in-line** due to strong LME which compensated for higher coal costs and slightly sluggish demand; although metal volumes were in-line. Hindalco experienced sluggish demand in domestic FRP market in 1Q.
- JPC data suggests **slowdown in real finished steel consumption during 1Q**, up just 1.5% YoY as compared to 10.6% for FY11.
- Top picks:** Tata Steel and Hindalco. Tata's earnings will grow due to strong volume growth in high-margin business while Hindalco appears attractive on less volatile cash flows, strong volume growth in emerging markets by Novelis, and ongoing high-margin domestic greenfield projects.

1QFY12 PERFORMANCE SNAPSHOT

	Net Sales		EBITDA		Adj PAT	
	Rs b	YoY (%)	Rs b	YoY (%)	Rs b	YoY (%)
Tata Steel	330.0	21	44.2	0	14.3	-24
JSW Steel	70.7	51	13.9	35	5.7	67
SAIL	111.9	23	13.1	-29	8.4	-29
JSPL	39.4	31	16.3	4	9.2	-2
Sesa Goa	21.1	-13	11.5	-26	8.4	-39
Nalco	17.6	35	5.3	35	3.8	33
Hindal std.	60.3	16	8.7	4	6.4	21
Sterlite	98.6	65	27.6	84	15.7	82
Hind Zinc	28.5	44	15.9	56	15.0	68



OIL & GAS: OMCs report loss; GRMs hit; petchem margins lower

Summary

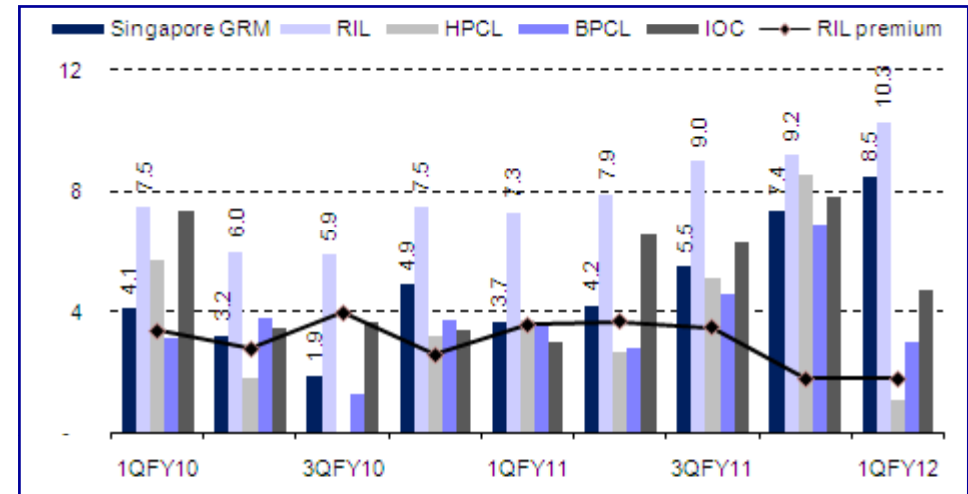
- OMCs in loss due to lower govt sharing:** As against our estimate of 58%, govt shared only 33% under-recovery in 1QFY12 resulting in OMCs reporting losses. We expect final subsidy sharing to be clear in 4Q. We model upstream share at 38.7%/33% in FY12/13 and downstream share at 6%/13% enabling them to report RoE above 10%.
- Upstream: KG-D6 production down, Cairn's Rajasthan production stuck at 125kbpd:** KG-D6 volume decline continued in 1Q with volumes at 48.6mmscmd (v/s 51 in 4QFY11); concerns remain on timelines of further ramp up. Cairn's Rajasthan production is stuck at 25kbpd.
- Midstream:** Lower domestic gas production benefits Petronet LNG. Headwinds for volume ramp-up remain for gas transmission companies, GAIL and GSPL.
- Refining: Crude inventory loss impacts GRM; expect to remain range bound:** Led by US\$7/bbl decrease in crude prices in 1QFY12, reported GRMs of oil PSUs were impacted. RIL's premium to benchmark Reuters Singapore GRM remained flat QoQ at USD1.8/bbl.
- Petchem margins hit by de-stocking:** Polyester margins were impacted by lower cotton prices while de-stocking at customer end due to price volatility impacted polymer margins. Except pressure to remain in near-term.
- Top Picks:** Petronet LNG, ONGC

1QFY12: ACTUAL VS ESTIMATE

Company	EBITDA				PAT				
	Actual	Var	YoY	QoQ	Actual	Var	YoY	YoY	QoQ
Reliance Inds.	99.3	-3.9	6.3	0.8	56.6	0.1	16.7	5.3	16.5
ONGC	92.7	-8.5	15.3	27.6	40.9	-18.0	11.8	59.1	36.4
Cairn India	31.7	-9.0	390.6	1.2	27.3	4.1	868.9	10.9	830.5
OMC's: In red as OMC's net subsidy sharing at 32% due to lower govt. sharing in the quarter									
HPCL	-26.9	PL	Loss	PL	-30.8	PL	Loss	PL	LP
BPCL	-21.9	PL	Loss	PL	-25.6	PL	Loss	PL	LP
IOC	-24.2	PL	Loss	PL	-37.2	PL	Loss	PL	LP
Gas: Volume increase helps IGL and Petronet LNG									
GAIL	15.6	-0.8	8.4	22.3	9.8	2.5	11.0	14.1	8.3
Gujarat State Petronet	2.6	2.5	10.0	14.0	1.4	3.1	30.7	-8.8	26.8
Indraprastha Gas	1.6	11.7	47.4	16.0	0.8	11.7	40.1	15.8	25.4
Petronet LNG	4.4	15.8	76.9	24.7	2.6	30.0	130.5	24.4	77.4
Pure Refiners: Inventory loss impacts GRM									
MRPL	2.2	-66.7	177.9	-73.7	1.7	-56.3	506.8	-68.8	1,288.6
Chennai Petroleum	0.6	-89.6	255.6	-89.0	-0.6	PL	Loss	PL	LP

*Variance from estimates; Var, YoY and QoQ in %

Singapore GRM up QoQ to USD8.5/bbl in 1QFY12

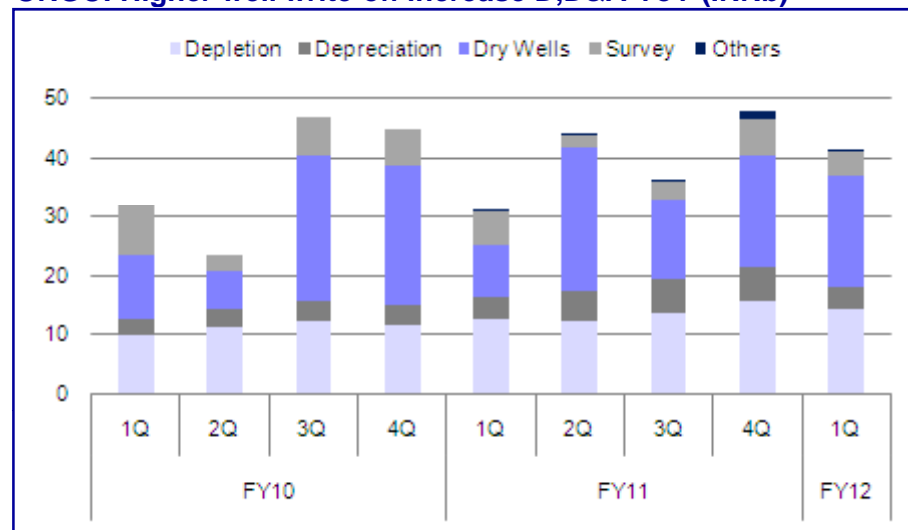


OIL & GAS: KG-D6 production down; Cairn's production stuck at 125kbpd

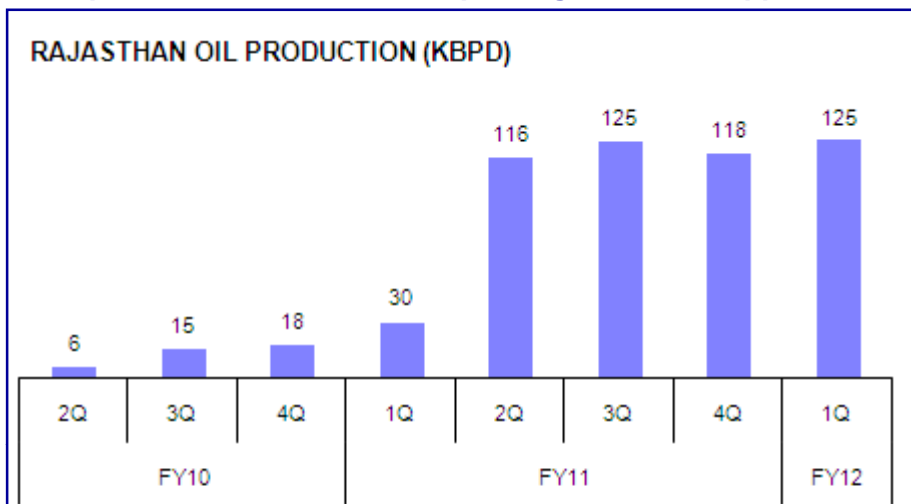
Subsidy ad-hoc; model 38.7% upstream sharing in FY12

(Rs B)	FY08	FY09	FY10	FY11	FY12E	FY13E
Fx Rate (Rs/US\$)	40.3	46.0	47.5	45.6	44.5	44.0
Brent (US\$/bbl)	82.3	84.8	69.6	86.3	107.0	95.0
Gross Under recoveries (Rsb)						
Auto Fuels	426	575	144	375	573	155
Domestic Fuels	347	458	316	405	508	380
Total	773	1,033	461	780	1,081	535
Sharing (Rsb)						
Oil Bonds/Cash	353	713	260	410	591	287
Upstream	257	329	145	303	420	178
OMC's sharing	163	(9)	56	67	69	70
Total	773	1,033	461	780	1,081	535
Sharing (%)						
Oil Bonds	46	69	56	53	55	54
Upstream	33	32	31	39	39	33
OMC's sharing	21	(1)	12	9	6	13
Total	100	100	100	100	100	100

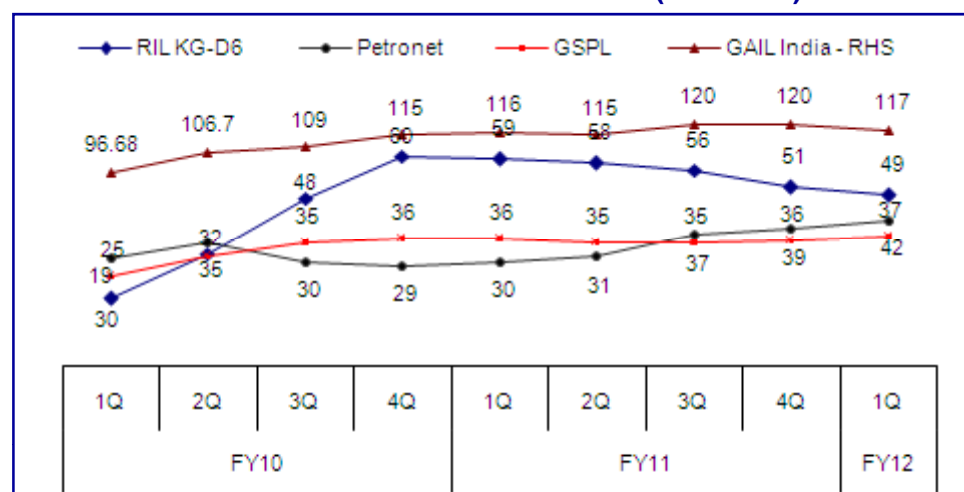
ONGC: Higher well write-off increase D,D&A YoY (INRb)



Cairn production stuck at 125kbpd for government approvals



KG-D6 volume decline benefits Petronet LNG (mmscmd)



PHARMA: CRAMS above est; Generics/MNCs below est

Summary

- **Sector aggregate:** Overall performance was in-line. Revenues in-line except for CRAMS players which outperformed. Revenue above/in-line with estimates except for Cipla, Cadila, and Biocon. EBITDA above/in-line with estimates except for Aventis, Biocon, Cadila, DRL, GSK and Ranbaxy.
- **Generics:** Adj PAT in line; Sun Pharma, Dr Reddy, Glenmark, Torrent Pharma and Strides outperform while Cipla, Biocon and Cadila disappoint.
- **CRAMS:** Divi's PAT in-line with estimates; Dishman and Jubilant above estimates led by better operational performance
- **Top Picks:** Cipla, Torrent Pharma, Divi's Labs and GSK Pharma.

KEY PLAYERS – ESTIMATE VS ACTUALS

(INR M)	EBITDA			Adj PAT		
	Actual	Estimate	Var (%)	Actual	Estimate	Var (%)
Aventis Pharma	428	495	(14)	497	467	6
Biocon	1,204	1,387	(13)	701	800	(12)
Cadila Health	1,935	2,953	(34)	1,433	1,945	(26)
Cipla	3,695	3,799	(3)	2,533	2,976	(15)
Dishman Pharma	437	411	6	151	90	68
Divi's Lab	1,277	1,221	5	1,026	1,002	2
Dr Reddy's Labs	3,336	3,517	(5)	2,269	2,096	8
Glenmark Pharma	1,854	1,378	35	1,100	872	26
GSK Pharma	1,870	2,012	(7)	1,475	1,574	(6)
Jubilant Organosys	1,820	1,321	38	771	438	76
Lupin	2,698	2,761	(2)	2,101	2,094	0
Opto Circuits	1,432	1,188	21	1,164	922	26
Ranbaxy	1,138	2,128	(47)	883	1,154	(23)
Strides Arcolabs	1,081	881	23	557	490	14
Sun Pharma	4,695	4,215	11	4,425	3,689	20
Torrent Pharma	1,335	1,208	11	873	829	5

1QFY12 REVIEW – EARNINGS IMPACT

Company	EPS change (%)		Reason for upgrade/downgrade
	FY12/CY11	FY13/CY12	
Aventis	(5.8)	(2.6)	Lower operational performance
Biocon	(4.5)	(4.9)	Lower operational performance Higher depreciation
Cadila	(20.3)	(8.5)	Lower operational performance
Cipla	(10.2)	(7.4)	Lower topline guidance Higher tax rate guidance
Dishman	12.0	-	Better operational performance
DRL	(5.7)	(1.3)	Lower operational performance
Glenmark	2.6	2.5	Better operational performance but lower other income
GSK Pharma	(1.3)	(3.2)	Lower operational performance
Jubilant	17.0	13.1	Better operational performance
Opto Circuits	3.4	0.4	Better operational performance
Ranbaxy	(14.5)	(2.3)	Lower operational performance
Strides Arcolabs	2.9	3.1	Better operational performance
Sun Pharma	5.9	4.2	Better operational performance and lower tax rate guidance
Torrent Pharma	2.2	-	Better operational performance

REAL ESTATE: Margin declined; new launches sluggish; leverage widened

Summary

- **Sluggish launch and sales momentum continues** barring encouraging response in some mid-income projects and plotted sales. Bangalore remained the steadiest metro. Approval delay continues to impact launch plan.
- **Commercial leasing has been mixed bag.** DLF, IBREL witnessed slower run-rate; Prestige volumes were stronger with 1msf leasing as against overall 1.9msf in FY11.
- **EBITDA margin declined YoY** for our coverage universe due to cost pressure and change in revenue-mix. PAT impact was higher due to increasing interest cost (PAT margin of 22% v/s 27% in 1QFY11).
- **Leverage increased** for most developers along with higher cost of debt (50-125bp) worsening the liquidity pressure. De-leverage plan is yet to gain traction for DLF.
- **Focus on faster cash flow generation is visible** including plotted sales (DLF, Anant Raj), FSI sales (HDIL), project level equity dilution (GPL) or lower capex to annuity assets.
- **Top picks:** Oberoi Realty, Prestige in mid caps. DLF will outperform if de-leveraging plan takes off.

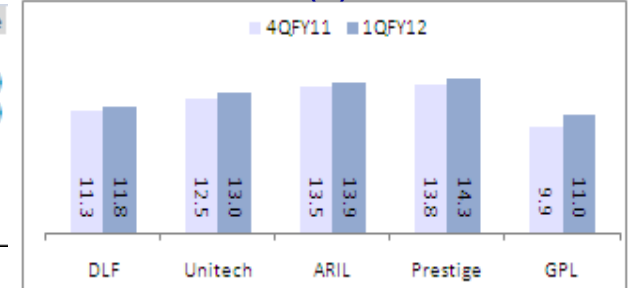
Launch muted for most players, sales volume down

Company	1QFY11	4QFY11	1QFY12	New launches	Remarks
DLF	1.9	3.8	2.2	2.4	Sales and launch largely driven by plotted development,
Unitech	3.0	2.0	1.9	3.2	Launch guidance in-line, sales impacted
ARIL	0.4	0.0	0.4	0.3	Steady response in mid-income, while Golf Course and Bhgawandas yet to gain traction
HDIL	0.8	0.3	0.4	0.8	Single launch improved volume
GPL	0.5	0.8	0.6	0.4	Lower new launches
Oberoi	0.1	0.3	0.2	NIL	MoEF issue delayed Mulund Launch
MahLife	0.2	0.2	0.3	0.2	Lower inventory impacted fresh sales
IBREL	0.7	1.1	0.8	NIL	Mumbai sales impacted strongly
Prestige	0.2	0.4	0.5	NIL (4msf of pre-launch)	Launch slow but sales steady
Sobha	0.7	0.7	0.7	3.5	Strong launch and steady sales

Net debt up for most cos.

Company	4QFY11	1QFY12	% Change
DLF	216	218	0.9
Unitech	54	53	(1.9)
HDIL	40	39	(1.4)
ARIL	8.2	10	22.0
Prestige	11.5	11.9	3.5
Phoenix	6.4	7.9	23.4
GPL	8	9.4	17.5

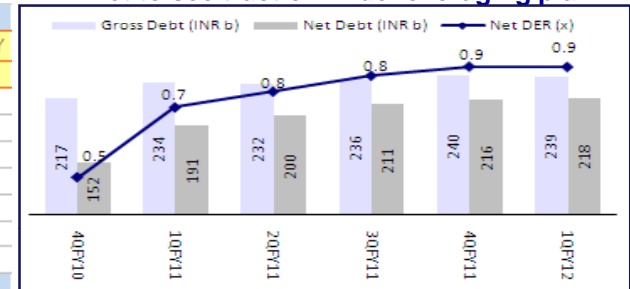
...so also cost of debt (%)



YoY growth indicates margin pressure continues, while liquidity pressure has increased

Company	Sales (INR m)				EBITDA (INR m)				PAT (INR m)			
	Est.	Actual	Actual QoQ	Actual YoY	Est.	Actual	Actual QoQ	Actual YoY	Est.	Actual	Actual QoQ	Actual YoY
Anant Raj Inds	738	838	32.1	-19.0	458	493	8.4	-13.3	303	351	14.7	-23.5
DLF	21,917	24,458	-8.8	20.6	8,986	11,110	66.8	13.4	3,002	3,584	4.0	-12.8
HDIL	5,053	5,022	-4.1	11.4	2,526	2,658	4.0	-0.6	2,016	2,090	5.9	-10.8
Mahindra Lifespace	1,377	815	-50.3	19.9	330	172	-57.3	6.1	258	171	-43.9	18.0
Oberoi Realty	2,120	1,609	-39.7	0.5	1,251	903	-37.7	6.6	1,135	1,058	-22.6	32.5
Phoenix Mills	487	471	0.6	16.4	351	331	3.0	12.6	262	272	0.2	49.1
Unitech	8,052	5,959	-43.5	-28.1	2,496	1,198	-28.9	-59.2	1,516	984	-6.9	-45.4
Total	39744	39171	-18	6	16398	16865	25	-2	8492	8509	-2	-14

DLF: Yet to see traction in de-leveraging plan



TELECOM: Stable quarter; tariff hikes to flow through in a year

Summary

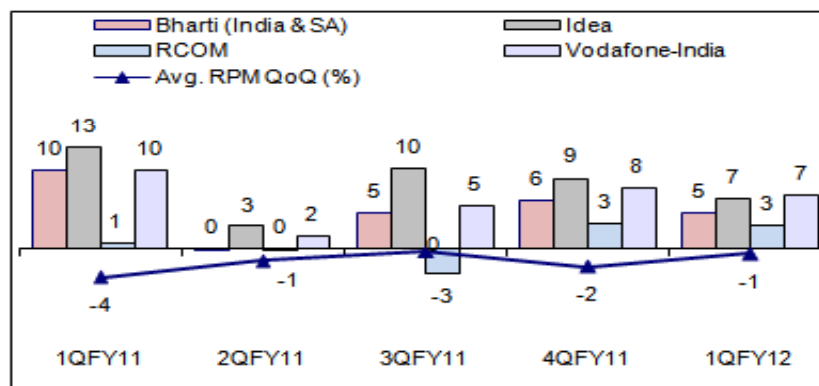
- **3-7% traffic growth:** Wireless traffic grew 7% QoQ for Vodafone/Idea, 5% for Bharti (India) and 3% for Rcom.
- **Stable RPM trends;** on average RPM declined by 1% QoQ.
- **Divergent revenue growth;** Idea lead the pack with 7% QoQ revenue growth followed by Bharti/Vodafone India at 4-5%. RCom reported 7% QoQ decline in adjusted revenue primarily led by global and broadband segment.
- **Margins improve:** Idea's margin improved sharply led by operating leverage. RCom reported improvement in margin thus leading to flat QoQ EBITDA despite sharp revenue decline. Bharti's EBITDA margin remained broadly stable QoQ.
- **Multiple factors hit PAT:** Increased D&A, finance costs (primarily related to 3G licence fee amortization) and higher tax rates (80IA benefits expired for older circles).
- **Recent tariff hikes** (take by all four majors) should lead to gradual improvement in voice RPM over the next four quarters. 3G services should also add 3-5% incremental RPM by FY13.
- **Outlook positive:** New National Telecom Policy (NTP) 2011 will be finalized by end-2011 and is expected to establish liberal M&A, spectrum sharing, uniform license fee pan-India, and regulatory clarity on 2G spectrum pricing. Revenue & EBITDA growth is expected to rebound in FY12 driven by robust traffic growth, RPM inflection and launch of 3G services. Recent tariff hikes, steps to rationalize channel incentives/commissions, and organizational restructuring by telecom companies point towards decline in the competitive intensity.
- **Top picks:** Bharti, Idea

QUARTERLY FINANCIALS (CONSOLIDATED)

	1QFY11	4QFY11	1QFY12	YoY (%)	QoQ (%)
REVENUE (RS B)					
Bharti (ex Africa)	112.7	121.2	126.3	12.0	4.2
Bharti (consolidated)	122.3	162.7	169.7	38.8	4.4
Idea	36.5	42.0	45.2	23.7	7.6
RCOM #	51.1	53.3	49.4	-3.3	-7.3
Vodafone - India (implied)	60.1	66.4	70.0	16.4	5.4
EBITDA (RS B)					
Bharti (ex Africa)	42.4	44.3*	46.0	8.4	3.7
Bharti (consolidated)	44.1	54.5*	57.1	29.3	4.7
Idea	8.9	10.0	12.0	35.5	20.0
RCOM #	16	15.9	16.0	-1.8	0.6
Vodafone - India	15.7	16.7	NA	NA	NA
PAT (RS B)					
Bharti (ex Africa)	19.0	18.2	15.2	-20.4	-16.5
Bharti (consolidated)	16.8	14.0	12.2	-27.7	-13.2
Idea	2.0	2.0	1.8	-12.0	-12.4
RCOM	3.0	1.8	2.2	-25.5	25.6

Adj for change in accounting for IRU sales

QOQ WIRELESS TRAFFIC GROWTH and average RPM (%)



UTILITIES: Operational performance muted, Lower PLF across the sector

- 1QFY12 operational performance for most companies was lower / in-line, due to lower generation, merchant realization.
- NTPC** coal plants' PLFs declined 250bp YoY, while PAT was higher due to gross up of corporate tax. Generation at **NHPC** plants was robust at 11% YoY. FY12 capacity addition target reduced to 0.5GW v/s 1.1GW earlier. **PGCIL** capitalization stood at INR8b v/s our estimates of INR20b; PAT boosted by higher other income.
- Tata Power** standalone PAT was impacted due to lower generation / merchant profitability. Reported PAT included higher dividend income from Coal SPVs.
- CESC's** power profitability intact, Spencer store level EBITDA increased to INR36/sft/mth v/s INR6/sft/mth YoY. **Reliance Infra** performance boosted by higher EPC business revenues and margins.
- Adani Power and JSWEL** saw lower generation by 24% and 20% compared to estimates. Lower generation was led by less drawal from SEB and plant maintenance.
- Coal India** PAT boosted by higher e-auction volumes/realization and higher other income.
- Top picks:** Coal India, NTPC and Powergrid.

Merchant realization (INR/Unit)

Companies	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12
Adani Power	6.75	4.88	3.90	4.50	3.60
JSW Energy	5.77	4.65	4.75	4.71	5.27
Lanco Infratech					
- Kondapalli	n.a.	4.30	3.50	4.75	3.80
- Amarkantak	n.a.	3.70	4.10	5.00	3.80
Tata Power					
- Trombay	5.40	4.20	5.00	5.08	4.64
- Haldia	5.10	3.60	2.90	3.38	3.62

Reported v/s Estimated performance

	Sales Est. 1Q	Sales Actual 1Q	Variance (%)	PAT Est 1Q	Pat Actual 1Q	Variance (%)
CPSU's						
NTPC	138,959	141,715	2.0	21,011	19,015	-9.5
NHPC	12,069	15,605	29.3	5,452	5,600	2.7
PGCIL	24,173	22,025	-8.9	6,615	7,053	6.6
Est. IPPs						
Tata Power	17,745	19,212	8.3	2,692	2,940	9.2
CESC	10,150	11,830	16.6	1,118	1,111	-0.7
Rinfra	30,308	36,607	20.8	2,476	2,874	16.1
New IPPs						
Adani Power	12,669	8,187	-35.4	4,196	1,769	-57.9
JSW Energy	12,962	12,724	-1.8	2,888	1,363	-52.8
Lanco Infratech	25,646	30,953	20.7	1,675	2,350	40.3
Other						
PTC	32,019	24,874	-22.3	319	453	41.8
Coal India	143,890	144,991	0.8	36,200	41,308	14.1

EPS revision (INR)

	FY12		Variance (%)	FY13		Variance (%)
	Earlier	New		Earlier	New	
CPSU's						
NTPC	11.7	11.5	-1.2	13.9	13.7	-1.8
NHPC	1.6	1.7	4.1	1.9	2.0	2.2
PGCIL	6.6	6.5	-1.9	7.6	7.9	4.4
Est. IPPs						
Tata Power	111.7	109.0	-2.4	104.3	106.5	2.1
CESC	38.8	40.1	3.4	39.6	41.9	5.9
Rinfra	44.9	44.9	0.0	53.7	53.7	0.0
New IPPs						
Adani Power	11.5	6.5	-43.5	13.6	12.5	-7.9
JSW Energy	6.9	3.7	-46.6	6.8	5.1	-25.6
Lanco Infratech	2.5	2.5	0.0	3.5	3.5	0.0
Other						
PTC	8.4	8.7	3.9	10.8	10.4	-3.8
Coal India	22.1	22.6	2.0	27.7	26.8	-3.3

MOSL Universe: Annual Performance (Rs b)

Annual performance - MOSL universe															(INR billion)	
	Sales					EBITDA					Net profit					
	FY11	FY12E	FY13E	CHG * (%)	CHG # (%)	FY11	FY12E	FY13E	CHG * (%)	CHG # (%)	FY11	FY12E	FY13E	CHG * (%)	CHG # (%)	
Auto (5)	2,334	2,814	3,203	20.6	13.8	334	362	417	8.4	15.1	190	189	222	-0.2	17.5	
Bks & NBFC (28)	1,585	1,846	2,198	16.5	19.1	1,273	1,486	1,788	16.7	20.3	638	764	931	19.7	21.9	
Private Banks (9)	356	418	511	17.5	22.2	304	359	447	18.3	24.5	165	205	246	24.6	19.8	
PSU Banks (11)	1,041	1,204	1,418	15.6	17.8	779	905	1,075	16.2	18.8	345	410	507	19.0	23.7	
NBFC (8)	187	224	269	19.8	19.8	191	222	265	16.2	19.5	129	149	178	15.5	19.8	
Cement (7)	587	685	804	16.6	17.4	123	151	186	22.0	23.2	66	82	102	24.5	23.4	
Engineering (9)	1,300	1,576	1,899	21.2	20.5	192	226	276	17.8	22.2	132	157	194	18.5	24.1	
FMCG (12)	784	930	1,071	18.6	15.2	173	209	247	20.7	18.2	117	139	165	18.9	18.5	
IT (7)	1,249	1,491	1,745	19.4	17.0	313	355	420	13.4	18.6	239	270	322	13.1	19.1	
Infrastructure (7)	397	447	503	12.8	12.4	57	66	79	15.8	20.1	15	15	18	3.0	20.3	
Media (5)	88	95	108	7.7	13.6	33	34	40	4.0	16.1	19	20	24	6.5	19.1	
Metals (9)	3,267	3,800	4,002	16.3	5.3	634	676	743	6.6	9.8	351	378	397	7.8	5.1	
O&G -Pet. (12)	10,894	13,343	12,584	22.5	-5.7	1,264	1,501	1,620	18.7	7.9	654	741	827	13.4	11.5	
Excl. RMs (9)	4,967	6,048	5,965	21.8	-1.4	1,063	1,207	1,310	13.5	8.5	544	626	703	15.0	12.4	
Pharma (16)	590	649	737	10.0	13.6	132	139	163	4.9	17.7	90	97	117	7.2	21.2	
Real Estate (9)	187	214	268	14.1	25.2	73	89	112	20.7	26.0	41	46	61	11.9	33.7	
Retail (4)	201	261	316	30.1	21.0	18	24	30	34.0	25.2	8	11	15	47.0	31.7	
Telecom (4)	979	1,181	1,354	20.7	14.7	310	393	488	26.8	24.3	87	100	162	14.2	62.2	
Textiles (3)	109	113	119	3.6	5.0	21	19	19	-9.8	0.3	9	6	6	-32.9	6.1	
Utilities (11)	1,642	1,992	2,338	21.3	17.4	460	571	700	24.1	22.7	285	361	437	27.0	21.0	
Others (1)	59	75	86	27.3	15.0	12	16	18	28.9	18.1	6	8	10	32.7	30.3	
MOSL (149)	26,252	31,513	33,336	20.0	5.8	5,423	6,314	7,346	16.4	16.3	2,946	3,385	4,012	14.9	18.5	
Excl. RMs (146)	20,325	24,218	26,716	19.2	10.3	5,222	6,020	7,036	15.3	16.9	2,836	3,269	3,888	15.3	18.9	
Sensex (30)	6,864	8,193	8,850	19.4	8.0	1,545	1,756	2,016	13.7	14.8	825	956	1,136	15.9	18.9	
Nifty (50)	7,858	9,330	10,073	18.7	8.0	1,750	1,975	2,275	12.9	15.2	940	1,083	1,274	15.3	17.6	

* Growth FY12 over FY11; # Growth FY13 over FY12. For Banks : Sales = Net Interest Income, EBITDA = Operating Profits; Note: Sensex & Nifty Numbers are Free Float.

MOSL Universe: Valuations

Valuations - MOSL universe

SECTOR (No. of companies)	P/E (x)			EV/EBITDA (x)			P/BV (x)			RoE (%)			Div. yld (%)	PAT CAGR
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY11-13
Auto (5)	11.3	11.3	9.6	6.3	5.4	4.4	4.2	3.3	2.7	37.0	29.4	27.9	2.6	8.3
Banking & NBFC (28)	12.8	10.7	8.8	-	-	-	2.3	2.0	1.7	17.9	18.3	19.1	1.5	20.8
Private Banks (9)	20.4	16.4	13.7	-	-	-	3.2	2.7	2.4	15.5	16.7	17.5	1.0	22.2
PSU Banks (11)	8.5	7.2	5.8	-	-	-	1.6	1.4	1.2	18.5	18.9	20.0	2.0	21.3
NBFC (8)	14.5	12.5	10.5	-	-	-	2.9	2.4	2.0	19.8	19.1	19.3	1.8	17.6
Cement (7)	14.6	11.7	9.5	7.6	6.2	4.8	2.2	1.9	1.6	15.0	15.8	17.1	1.5	24.0
Engineering (9)	20.0	16.9	13.6	12.6	10.7	8.8	5.9	4.7	3.8	29.3	27.5	27.6	1.2	21.3
FMCG (12)	32.6	27.5	23.2	21.8	18.0	15.1	11.6	9.9	8.2	35.6	35.9	35.6	1.8	18.7
IT (7)	19.1	16.9	14.2	13.6	11.5	9.3	4.9	3.9	3.2	25.4	23.1	22.3	1.7	16.0
Infrastructure (7)	15.7	15.3	12.7	9.8	9.1	7.9	1.1	1.0	0.9	6.7	6.6	7.5	1.3	11.3
Media (5)	16.8	15.8	13.3	9.4	8.7	7.2	3.2	2.9	2.5	18.9	18.1	19.1	2.2	12.6
Metals (9)	9.2	8.5	8.1	6.1	5.9	5.2	1.5	1.2	1.1	15.9	14.4	13.4	1.4	6.4
Oil Gas & Petchem (12)	11.5	10.2	9.1	7.0	5.7	4.9	1.8	1.6	1.3	15.3	15.3	14.6	2.0	12.4
Excl. RMs (9)	11.7	10.2	9.1	6.2	5.4	4.5	1.9	1.6	1.4	15.9	16.0	15.1	1.9	13.7
Pharma (16)	24.5	22.8	18.8	17.0	16.2	13.5	4.8	4.2	3.6	19.7	18.3	19.3	1.1	14.0
Real Estate (9)	16.7	14.9	11.2	14.3	11.5	8.8	1.0	1.0	0.9	6.1	6.5	8.1	0.7	22.4
Retail (4)	44.6	30.4	23.0	20.3	15.1	11.9	6.7	5.7	4.8	15.0	18.9	20.9	0.5	39.2
Telecom (4)	22.6	19.8	12.2	9.8	7.5	5.7	2.0	1.8	1.6	8.9	9.3	13.2	0.3	36.1
Textiles (3)	5.7	8.5	8.0	4.8	4.8	4.4	0.9	0.8	0.8	15.7	9.7	9.5	0.7	-15.6
Utilities (11)	19.3	15.2	12.5	13.8	11.3	9.5	2.7	2.4	2.2	14.1	16.0	17.2	1.7	24.0
Others (1)	11.8	8.9	6.8	5.7	4.7	3.7	2.0	1.7	1.4	17.0	18.8	20.9	1.4	31.5
MOSL (149)	15.1	13.1	11.1	-	-	-	2.6	2.2	1.9	17.0	16.9	17.3	1.6	16.7
MOSL Excl. RMs (146)	15.3	13.2	11.1	-	-	-	2.6	2.3	2.0	17.2	17.1	17.5	1.6	17.1
Sensex (30)	16.5	14.5	12.2	-	-	-	2.9	2.7	2.3	17.8	18.4	18.5	1.4	16.1
Nifty (50)	16.1	14.1	12.0	-	-	-	2.8	2.5	2.1	17.6	17.5	17.5	1.3	16.1

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