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Value Guide

December 2011
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Sharekhan

Your guide to the financial jungle

Registered Office: Sharekhan Limited, 10th Floor, Beta Building, Lodha iThink Techno Campus, Off. JVLR, Opp. Kanjurmarg Railway Station, Kanjurmarg (East), Mumbai – 400 042, Maharashtra. Tel: 022 - 61150000. Sharekhan Ltd.: SEBI Regn. Nos. NSE – CD - INE231073330; MCX Stock Exchange: CD - INE261073330; United Stock Exchange: CD - INE271073350 ; for any complaints email at igc@sharekhan.com ; Disclaimer: Investments are subject to market risks. Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T & C on www.sharekhan.com before investing.

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Chain reaction spikes volatility

The euphoria generated in October over the approval of the Greece bail-out plan was short-lived. In November the euro zone crisis escalated spreading to more euro countries. The resulting strength in the dollar was the rupee's undoing. The local currency depreciated by nearly 8% and the macro environment deteriorated further. As concerns crowded in, the market went into a freefall plummeting by over 1,500 points during the month. 06

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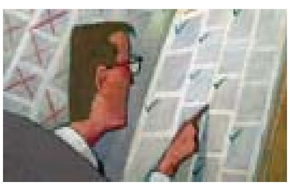

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Sharekhan Your guide to the financial jungle

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STOCK IDEAS STANDING (AS ON DECEMBER 02, 2011)

COMPANY	RECO PRICE	PRICE TARGET	RECO DATE	CURRENT RECO	PRICE AS ON 02-DEC-11	GAIN-LOSS (%)	ABSOLUTE PERFORMANCE				RELATIVE TO SENSEX			
							1M	3M	6M	12M	1M	3M	6M	12M
EVERGREEN														
HDFC	540.0	730.0	19-Nov-07	Hold	667.6	23.6	-4.1	-1.0	-3.5	-4.7	1.6	0.0	7.9	13.2
HDFC Bank	71.6	518.0	23-Dec-03	Hold	466.0	550.8	-6.0	-3.9	-4.8	-3.5	-0.3	-2.9	6.4	14.5
Infosys Technologies	689.1	2772.0	30-Dec-03	Hold	2694.2	291.0	-6.4	14.0	-5.0	-11.9	-0.8	15.1	6.2	4.6
Larsen & Toubro	1768.0	1523.0	18-Feb-08	Buy	1310.3	-25.9	-6.9	-19.5	-22.5	-35.6	-1.3	-18.7	-13.4	-23.6
Reliance Ind	283.5	1040.0	5-Feb-04	Buy	812.1	186.4	-7.2	2.1	-15.6	-18.5	-1.6	3.1	-5.7	-3.2
Tata Consultancy Services	426.3	1250.0	6-Mar-06	Buy	1178.0	176.4	2.4	9.2	-2.3	6.3	8.5	10.3	9.2	26.3
APPLE GREEN														
Aditya Birla Nuvo	714.0	1050.0	6-Dec-05	Buy	914.4	28.1	-4.7	-0.8	-1.8	17.7	1.1	0.3	9.8	39.7
Apollo Tyres	37.0	71.0	27-Jul-09	Buy	66.3	79.2	16.4	11.2	-6.7	-1.9	23.4	12.3	4.3	16.4
Bajaj Auto	293.1	1870.0	15-Nov-05	Hold	1714.6	485.0	-0.6	8.3	31.2	11.5	5.4	9.4	46.7	32.4
Bajaj Finserv	545.0	600.0	26-May-08	Buy	447.3	-17.9	-19.2	-18.9	-16.2	-9.3	-14.3	-18.0	-6.3	7.7
Bajaj Holdings	741.9	1009.0	26-May-08	Buy	709.1	-4.4	-4.5	-5.2	-2.9	-16.7	1.2	-4.2	8.5	-1.1
Bank of Baroda	239.0	850.0	25-Aug-06	Buy	730.8	205.8	-10.9	-3.4	-16.3	-24.1	-5.6	-2.4	-6.4	-9.9
Bank of India	309.0	305.0	22-Sep-11	Reduce	340.6	-9.3	-0.9	8.0	-21.6	-29.8	5.1	9.1	-12.4	-16.6
Bharat Electronics	1108.0	2100.0	25-Sep-06	Buy	1505.9	35.9	-6.4	-2.6	-12.2	-12.7	-0.8	-1.6	-1.8	3.6
Bharat Heavy Electricals	120.4	400.0	11-Nov-05	BUY	282.7	134.8	-13.5	-21.8	-28.5	-36.4	-8.2	-21.0	-20.1	-24.5
Bharti Airtel	313.0	468.0	8-Jan-07	Buy	390.6	24.8	-3.9	-6.3	-0.4	8.4	1.9	-5.4	11.3	28.7
Corp Bank	218.0	550.0	19-Dec-03	Buy	353.4	62.1	-17.9	-19.8	-33.3	-49.2	-13.0	-19.0	-25.5	-39.6
Crompton Greaves	50.4	152.0	19-Aug-05	Hold	132.3	162.4	-7.9	-14.5	-51.6	-61.7	-2.3	-13.7	-45.9	-54.6
Divi's Labs	767.0	1047.0	31-May-11	Buy	763.5	-0.5	-0.2	4.6	-0.7	21.5	5.8	5.7	11.0	44.3
GAIL	476.0	541.0	1-Oct-10	Buy	398.5	-16.3	-6.1	-3.3	-11.2	-18.5	-0.5	-2.3	-0.7	-3.2
Glenmark Pharmaceuticals	599.0	426.0	17-Jul-08	Buy	317.9	-46.9	1.7	-3.1	4.3	-12.7	7.8	-2.1	16.6	3.6
GCPL	145.0	516.0	7-May-09	Buy	396.5	173.4	-6.2	-7.2	-6.0	-3.7	-0.6	-6.2	5.1	14.3
Grasim	1119.0	2630.0	30-Aug-04	Buy	2451.4	119.1	-2.5	12.2	5.3	5.9	3.4	13.4	17.7	25.7
HCL Technologies	103.0	523.0	30-Dec-03	Buy	416.8	304.7	-6.8	-1.1	-21.0	-0.4	-1.2	-0.1	-11.7	18.3
Hindustan Unilever	324.0	**	29-Jul-11	Hold	394.9	21.9	1.6	23.0	28.3	33.9	7.7	24.3	43.4	58.9
ICICI Bank	284.0	998.0	23-Dec-03	Buy	787.7	177.4	-14.8	-12.7	-28.8	-33.8	-9.7	-11.8	-20.4	-21.4
Indian Hotel Company	76.6	97.0	17-Nov-05	Buy	61.1	-20.2	-14.9	-18.0	-26.9	-36.4	-9.8	-17.1	-18.3	-24.5
ITC#	34.8	227.0	12-Aug-04	Buy	206.5	494.2	-2.2	1.8	7.5	21.6	3.7	2.9	20.2	44.4
Lupin	80.7	538.0	6-Jan-06	Buy	470.1	482.5	-2.1	3.7	0.4	-8.4	3.8	4.8	12.2	8.7
M&M	116.0	842.0	1-Apr-04	Buy	749.9	546.4	-12.5	-1.1	9.7	-7.6	-7.2	-0.1	22.7	9.7
Marico	7.7	156.0	22-Aug-02	Hold	147.8	1818.8	-4.7	0.2	3.3	15.6	1.0	1.3	15.5	37.3
Maruti Suzuki	1092.0	1224.0	30-Aug-11	Buy	992.4	-9.1	-15.1	-11.8	-22.5	-31.5	-10.0	-10.9	-13.4	-18.7
Piramal Healthcare	417.0	345.0	9-May-11	Reduce	368.3	13.2	-0.4	-0.8	-0.8	-17.7	5.6	0.3	10.9	-2.3
PTC India	79.0	88.0	22-Mar-11	Buy	50.9	-35.6	-33.1	-31.9	-42.6	-60.9	-29.1	-31.2	-35.9	-53.6
Punj Lloyd	69.0	**	9-Feb-11	Reduce	50.2	37.6	-15.0	-17.8	-25.8	-55.6	-9.9	-17.0	-17.0	-47.3
SBI	476.0	2180.0	19-Dec-03	Hold	1886.9	296.4	-4.1	-7.6	-21.7	-40.4	1.7	-6.6	-12.4	-29.2
Sintex Industries^	143.0	182.0	26-Sep-08	Buy	93.9	-34.3	-21.1	-35.7	-50.0	-56.5	-16.4	-35.1	-44.1	-48.4
TGBL(Tata Tea)^	78.9	109.0	12-Aug-05	Hold	91.8	16.3	-3.7	-5.7	-1.9	-21.7	2.1	-4.7	9.7	-7.0
Wipro	356.0	400.0	31-Oct-11	Hold	391.8	-9.1	3.9	15.3	-13.0	-5.5	10.1	16.5	-2.7	12.2
EMERGING STAR														
Axis (UTI) Bank	229.4	1410.0	24-Feb-05	Buy	1006.0	338.6	-14.4	-9.3	-23.0	-30.9	-9.2	-8.4	-14.0	-18.0
Cadila Healthcare#	198.3	970.0	21-Mar-06	Buy	700.1	253.0	-6.3	-16.6	-21.8	-7.6	-0.7	-15.7	-12.6	9.7
Eros International Media	186.0	298.0	15-Nov-10	Buy	230.0	23.6	-10.8	5.3	48.8	30.3	-5.4	6.3	66.3	54.7
Greaves Cotton^	53.2	104.0	24-Dec-09	Buy	79.8	49.9	-9.4	-13.1	-5.1	-17.4	-3.9	-12.2	6.1	-1.9
ITNL	362.0	330.0	14-Sep-10	Buy	172.7	-52.3	-17.0	-6.6	-16.1	-40.9	-12.0	-5.7	-6.2	-29.8
IRB Infra	234.0	222.0	29-Nov-10	Buy	152.2	-35.0	-9.7	0.3	-7.5	-39.0	-4.3	1.3	3.4	-27.6
Max India	212.0	234.0	24-Nov-09	Buy	166.9	-21.3	-11.9	-16.3	-2.1	5.6	-6.6	-15.5	9.4	25.3

STOCK IDEAS STANDING (AS ON DECEMBER 02, 2011)

COMPANY	RECO PRICE	PRICE TARGET	RECO DATE	CURRENT RECO	PRICE AS ON 02-DEC-11	GAIN-LOSS (%)	ABSOLUTE PERFORMANCE 1M	3M	6M	12M	RELATIVE TO SENSEX 1M	3M	6M	12M
Opto Circuits India	199.0	355.0	13-May-08	Buy	203.3	2.2	-18.6	-22.9	-30.7	-28.7	-13.7	-22.1	-22.5	-15.3
Thermax	124.2	471.0	14-Jun-05	Hold	470.0	278.4	1.6	-4.8	-22.0	-46.3	7.7	-3.8	-12.8	-36.2
Yes Bank	332.0	360.0	2-Dec-10	Buy	290.2	-12.6	-9.2	0.6	-5.6	-14.6	-3.7	1.6	5.6	1.4
Zydus Wellness	530.0	**	18-Nov-11	Reduce	457.8	15.8	-20.2	-22.3	-21.2	-21.3	-15.4	-21.5	-11.9	-6.6
UGLY DUCKLING														
Ashok Leyland #	36.0	31.0	13-Sep-10	Buy	25.0	-30.6	-5.3	-0.2	-0.2	-29.9	0.4	0.8	11.5	-16.8
Bajaj Corp NEW	109.0	142.0	30-Aug-11	Buy	115.4	5.8	15.7	-3.2	11.1	4.4	22.7	-2.2	24.2	24.0
CESC NEW	282.0	413.0	29-Jun-11	Buy	260.4	-7.7	-5.9	-14.3	-9.2	-28.9	-0.2	-13.4	1.6	-15.5
Deepak Fert	50.6	188.0	17-Mar-05	Buy	147.7	191.9	-11.6	-10.1	-14.6	-13.7	-6.3	-9.2	-4.5	2.5
Federal Bank	258.0	500.0	16-Mar-10	Buy	396.4	53.6	-12.0	-1.6	-16.8	-18.9	-6.7	-0.6	-7.0	-3.7
Gayatri Projects	393.0	310.0	5-Apr-10	Buy	119.9	-69.5	-22.8	-21.9	-41.1	-66.4	-18.2	-21.1	-34.2	-60.1
Genus Power Infrastructure	20.7	18.0	21-Jun-10	Buy	10.0	-51.7	-24.8	-29.0	-28.5	-55.7	-20.3	-28.2	-20.0	-47.4
India Cements	72.0	80.0	12-Aug-11	Hold	75.6	4.9	-7.0	9.4	-13.0	-31.9	-1.4	10.5	-2.8	-19.1
Ipca Laboratories	132.0	364.0	5-Nov-07	Buy	265.0	100.8	-6.5	-17.6	-23.3	-19.0	-0.9	-16.8	-14.2	-3.8
ISMT	43.0	42.0	8-Oct-09	Buy	26.5	-38.5	-26.5	-21.0	-36.4	-58.4	-22.1	-20.2	-28.9	-50.6
Jaiprakash Associates	16.7	105.0	30-Dec-03	Buy	67.3	303.7	-14.5	6.5	-24.5	-42.1	-9.4	7.6	-15.6	-31.3
Kewal Kiran Clothing	427.0	840.0	7-Oct-10	Hold	713.9	67.2	-8.7	-3.9	30.3	23.8	-3.2	-2.9	45.6	47.0
NIIT Technologies	210.0	277.0	19-Jan-11	Buy	207.8	-1.1	-8.4	7.0	14.2	-0.8	-2.8	8.0	27.7	17.7
Orbit Corporation	142.0	50.0	23-Dec-09	Buy	30.8	-78.3	-14.5	-20.9	-35.5	-66.8	-9.4	-20.0	-27.9	-60.6
Polaris Software Lab	164.0	179.0	3-Nov-10	Buy	126.1	-23.1	-14.0	-4.7	-34.9	-18.0	-8.9	-3.7	-27.3	-2.7
Pratibha Industries	65.2	61.0	18-Jan-10	Buy	34.3	-47.5	-27.4	-28.5	-42.1	-51.4	-23.1	-27.8	-35.3	-42.3
Provogue India	61.0	64.0	6-Jul-10	Buy	25.2	-58.7	-13.3	-10.9	-33.9	-61.6	-8.1	-10.0	-26.1	-54.5
Punjab National Bank	180.0	1150.0	19-Dec-03	Buy	916.4	409.1	-11.0	-3.1	-16.5	-26.4	-5.7	-2.1	-6.7	-12.7
Ratnamani Metals	54.0	132.0	8-Dec-05	Buy	105.0	94.4	3.3	2.5	-9.7	-10.2	9.6	3.5	1.0	6.7
Raymond NEW	387.0	530.0	3-Nov-11	Buy	393.0	1.6	-0.9	10.4	4.1	8.1	5.1	11.5	16.4	28.4
Selan Exploration	58.0	500.0	20-Mar-06	Buy	274.0	372.3	-8.1	-5.1	-20.3	-22.9	-2.6	-4.1	-10.9	-8.5
Shiv-Vani Oil & Gas	370.0	300.0	4-Oct-07	Buy	187.3	-49.4	-12.2	11.7	-24.6	-54.5	-6.9	12.9	-15.7	-46.0
Sun Pharma	60.4	575.0	24-Dec-03	Buy	533.2	782.7	3.3	7.1	12.0	17.3	9.5	8.2	25.2	39.3
Torrent Pharma	185.0	680.0	4-Oct-07	Buy	557.5	201.4	-3.7	-7.3	-8.0	0.5	2.1	-6.3	2.8	19.4
UltraTech Cement	384.0	**	10-Aug-05	Hold	1176.7	206.4	1.9	8.9	13.1	2.0	8.1	10.0	26.5	21.2
Union Bank of India	46.0	255.0	19-Dec-03	Buy	223.8	386.4	-1.7	-10.3	-31.3	-39.5	4.2	-9.4	-23.3	-28.2
United Phosphorus	163.0	210.0	27-Aug-09	Buy	137.2	-15.8	-3.9	-3.3	-11.9	-26.3	1.9	-2.3	-1.5	-12.5
V-Guard Industries	162.0	224.0	6-Sep-10	Buy	181.4	12.0	-13.1	-12.4	-16.4	3.6	-7.9	-11.5	-6.6	23.0
VULTURE'S PICK														
Mahindra Lifespace	799.0	400.0	9-Jan-08	Buy	275.3	-65.5	-12.8	-14.4	-27.2	-34.2	-7.6	-13.5	-18.6	-21.9
Orient Paper and Industries	21.4	70.0	30-Aug-05	Buy	50.1	134.1	-20.5	-16.0	-16.0	-8.9	-15.7	-15.2	-6.1	8.1
Tata Chemicals	411.0	400.0	31-Dec-07	Buy	352.9	-14.1	9.1	4.8	-5.9	-3.6	15.7	5.9	5.2	14.5
Unity Infraprojects	138.4	103.0	26-Feb-08	Buy	31.2	-77.5	-20.8	-39.5	-53.9	-67.6	-16.0	-38.9	-48.5	-61.5
CANNONBALL														
Allahabad Bank	73.0	230.0	25-Aug-06	Buy	162.3	122.3	6.5	-11.4	-20.8	-33.3	12.9	-10.5	-11.4	-20.8
Andhra Bank	120.1	107.0	22-Sep-11	Reduce	100.4	19.6	-17.0	-23.2	-28.0	-36.4	-12.1	-22.4	-19.5	-24.5
IDBI Bank	106.0	140.0	19-Jun-09	Hold	97.4	-8.1	-17.0	-11.8	-27.5	-42.6	-12.0	-10.9	-18.9	-31.8
Madras Cement	88.0	122.0	10-Feb-11	Hold	115.6	31.3	7.2	27.2	22.7	4.6	13.7	28.5	37.2	24.2
Phillips Carbon Black	135.0	173.0	21-Aug-09	Buy	106.1	-21.4	-24.6	-28.3	-24.2	-38.6	-20.1	-27.6	-15.3	-27.1
Shree Cement	445.0	**	17-Nov-05	Hold	2131.6	379.0	8.2	25.3	15.8	0.1	14.7	26.6	29.5	18.9

**Price target under review ^ Reco price adjusted for stock split #Reco price adjusted for bonus

REPORT CARD: STOCK IDEAS BOOKED

COMPANY	RECOMMENDED AT (Rs)	RECOMMENDED ON	BOOKED AT (Rs)	BOOKED ON	APPRECIATION (%)
Patels Airtemp	88.2	7-Dec-07	44.0	23-Nov-11	-50.1

from sharekhan's desk

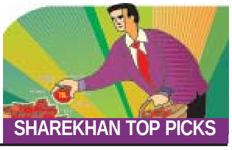
Chain reaction spikes volatility

The euphoria generated in October over the approval of the Greece bail-out plan was short-lived. In November the euro zone crisis escalated spreading to more euro countries. The resulting strength in the dollar was the rupee's undoing. The local currency depreciated by nearly 8% and the macro environment deteriorated further. As concerns crowded in, the market went into a freefall plummeting by over 1,500 points during the month. Volatility has risen as stray positive news, such as that of opening of the retail sector to foreign direct investment (FDI) and concerted efforts from central banks of major countries to ease liquidity, are vying with the emerging concerns for the market's attention. Wild swings in the market sentiments are confusing investors.

The euro zone crisis is threatening to turn into a contagion. Now there are fears that the single-currency zone may disintegrate under the weight of the crisis whose focal point has shifted to Italy. After Greece, bond yields have soared in Italy too, crossing the levels at which Greece, Portugal and Ireland had been forced to seek bail-outs. What's more alarming, even solvent nations are getting drawn into the vortex for just being part of the euro zone. Thus, Germany recently found it hard to mobilise funds while France could be facing a rating downgrade. A full-fledged financial crisis is looming large and Europe is hurtling towards recession. The ripples of the crisis are being felt across the world, especially in export driven economies like China, where growth has slowed down to 9.1%, the slowest since 2009.

Back home, the fiscal situation is deteriorating with the fiscal slippages already amounting to over 74% of the full-year budgeted figure. The tax receipts have also slowed down due to moderation in economic growth and the fiscal deficit could touch as much as 5.5-6.0% in FY2012, much worse than the target of 4.6% set in the budget. The higher fiscal deficit and the resultant increase in government borrowing are putting pressure on the liquidity and crowding out the private sector. It is not surprising that the gross domestic product growth in Q2 slipped to 6.9% (sub-7%) after nine quarters and could remain subdued for the coming couple of quarters as well. The cyclical slowdown is threatening to turn into a structural issue and some experts are even predicting a prolonged phase of slower than potential growth for the Indian economy if the government does not take radical steps to revive the investment cycle.

The slowing growth momentum may push the Reserve Bank of India to pause or even reverse the rate cycle sooner than later but it will take time to revive demand and investment, and repair the damage caused by the central bank's tight monetary policy. What can work faster is government policy action. A beginning has already been made by allowing 51% FDI in the multi-brand retail sector and 100% FDI in the single-brand retail sector, though that was easy considering it did not require the parliament's approval. The market has some more reforms on its wish-list including reforms in the pension sector, the Lokpal bill, power sector reforms and land acquisition reforms. Getting the consent of all parties to initiate these reforms may be a hard task, more so considering that five states including Uttar Pradesh, the state with the largest number of electorate in India, are going to polls next year. But if the government manages to shed its policy inertia and move ahead with reforms, it could turn around both the economy and market sentiment in no time.



Sharekhan Top Picks

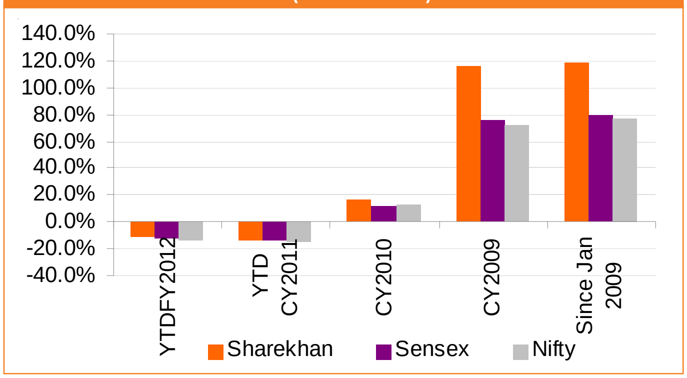
Sharekhan Top Picks

The roller-coaster ride continued for the market. After the surge in October, the sell-off in November 2011 took the Sensex all the way down to 4700 level and threatened to break the multi-month range of the benchmark index due to the deepening of the euro zone crisis and the rising macro concerns domestically. However, the global markets have rebounded sharply in response to the concerted effort to infuse liquidity by the leading central banks of the world. The Indian government's initiative to push forward some key reforms has improved sentiments. Consequently, the Sensex gained more than 1,100 points (or over 7%) in the last one week alone.

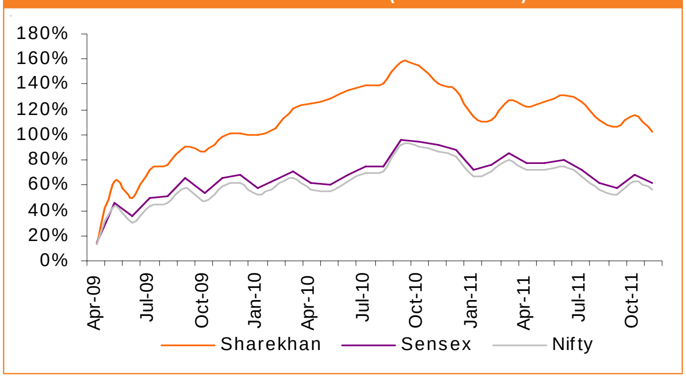
Despite the last week's upsurge, the Sensex and Nifty ended with losses of 3.8% and 4.4% respectively since our last monthly revision in the Top Picks basket on November 5, 2011. The broader market lagged the benchmark indices and the CNX Mid-Cap Index depreciated by 7.3% during the same period. Given the multiple market capital mix of our portfolio and the unexpected slump in the power stocks like PTC India, the Top Picks basket also lost 6.2% during the month. However, the Top Picks basket continues to outperform all the key indices over all the time frames.

In this month, we are removing only one stock, Godrej Consumer Products (which has been part of the portfolio for a long time and given handsome returns). Though we continue to like the company but its vulnerability to foreign exchange fluctuations is making us cautious in the near term. However, we are adding two new stocks, Bank of Baroda (BoB) and Bharat Electronics Ltd (BEL). With the monetary tightening cycle at its peak, and expectations of both a cut in the cash reserve ratio and moderation in inflation going ahead, we are adding BoB, which is our preferred pick among the public sector banks under our coverage. BEL is being added purely due to its compelling valuations. Moreover, BEL tends to show a robust pick-up in execution in the second half of a fiscal.

ABSOLUTE OUTPERFORMANCE (RETURNS IN %)



CONSTANTLY BEATING NIFTY AND SENSEX (RETURNS IN %)



NAME	CMP* (RS)	PER FY11	PER FY12E	PER FY13E	ROE (%) FY11	ROE (%) FY12E	ROE (%) FY13E	PRICE TARGET	UPSIDE (%)
Bank of Baroda	731	6.8	6.3	5.4	23.5	20.5	20.7	850	16
Bharat Electronics	1,508	14.3	12.8	11.5	17.2	15.4	14.2	2,100	39
Bharti Airtel	390	25.3	23.2	15.4	14.4	16.1	18.0	468	20
Divi's Laboratories	766	23.6	20.0	16.1	23.9	24.2	25.9	1,047	37
GAIL	398	14.2	12.9	12.5	19.8	18.9	17.3	541	36
Grasim	2,468	10.5	8.9	8.0	14.8	14.7	13.9	2,630	7
IL&FS Transportation	173	7.8	7.0	6.4	22.1	17.8	15.7	330	91
ITC	206	32.3	26.1	22.0	33.2	34.7	33.8	227	10
Mahindra & Mahindra	748	17.8	17.2	14.1	22.8	21.9	22.4	842	13
PTC India	51	10.8	10.4	7.7	6.4	6.4	8.1	88	73
TCS	1,176	26.5	21.8	18.8	42.0	39.8	36.4	1,250	6

* CMP as on December 02, 2011

NAME	CMP (RS)	PER FY11	PER FY12E	PER FY13E	ROE (%) FY11	ROE (%) FY12E	ROE (%) FY13E	PRICE TARGET	UPSIDE (%)
BANK OF BARODA	**731**	6.8	6.3	5.4	23.5	20.5	20.7	**850**	16

Remarks:

- Bank of Baroda stands out among the PSU banks as it continues to deliver strong earnings growth with improvement in key operational metrics. The bank's business growth is expected to remain better than industry's (contributed by stronger overseas growth) with relatively stable margins which will lead to a healthy growth in the top line.
- While the asset quality of most PSU banks has deteriorated significantly over the past two to three quarters, BoB's asset quality has remained healthy due to lower slippages. Although, the asset quality risks have risen due to weak macro environment and policy issues, yet BoB is expected fare better than the other PSU banks in terms of asset quality, resulting in lower credit cost and higher growth in earnings.
- The operating metrics of BoB has improved significantly led by strong focus on CASA, margins, fee income etc. The bank is expected to post RoE and RoA of around 20% and 1.2% respectively over the next two years.
- We believe BoB commands a premium over the other PSU banks due to a steady growth in its core income and a healthy asset quality. Currently, the stock is trading at 1.05x FY2013 book value which is reasonable. We recommend a Buy on the stock with a price target of Rs850 (1.2x FY2013E BV).

BHARAT ELECTRONICS	**1,508**	14.3	12.8	11.5	17.2	15.4	14.2	**2,100**	39

Remarks:

- BEL, a public sector unit, is one of the leading defence companies in India. With the increase in the defence budget and the focus on modernisation of the defence technology, BEL is best placed to take a sizeable pie of the defence spend.
- The second half of the fiscal is normally the best period for BEL as the major decisions and delivery to clients happen in the third and fourth quarters of the fiscal.
- The company's order book currently stands at Rs27,000 crore, which is around 5x its FY2011 revenues. This gives us a strong revenue visibility for at least the next two to three years.
- BEL has entered into joint ventures and technology collaborations to strengthen its position in the defence services space, reap the benefits of the offset clause (which it believes is worth $300 million in the next five to seven years) and enter into newer areas of operations.
- The key risk remains its execution: a delay in release of orders could lead to slower execution.
- At the current market price the stock trades at 12.8x and 11.5x its FY2012E and FY2013E respective earnings. The company has huge cash reserve of Rs5,875 crore, which translates into cash per share of Rs734 and gives the stock further support. We maintain our Buy recommendation on the stock.

BHARTI AIRTEL	**390**	25.3	23.2	15.4	14.4	16.1	18.0	**468**	20

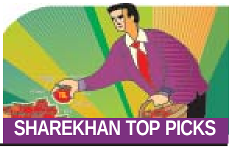
Remarks:

- Bharti continues to lead the domestic telecom market in terms of both the subscriber base (21% market share) and the revenue market share (32.3%).
- In the last two quarters the subscriber addition for the industry has moderated with the return of rationality and players shifting focus to revenue earning customers. Thus despite a fall in the subscriber net additions, the overall revenue of the industry grew by 6% sequentially in the June 2011 quarter with Bharti gaining market share by 50-basis-point.
- On the back of its improving market share, Bharti has hiked its on-net tariff by 20%, reflecting the return of pricing power. This was followed by tariff hikes by the other GSM players. We view this development as a positive one for the industry specially for the incumbent players like Bharti. The benefits of the same are likely to be reflected in the company's financials by the end of FY2012 and starting FY2013.
- An improving domestic 2G environment, a favorable regulatory regime, (New Draft Telecom policy, TRAI's new set of recommendations on relaxation of M&A norms coupled with share spectrum sharing) are developments in favour of Bharti. Also, visible volume and margin progress on the acquired African operations, and a strong data opportunity in the form of 3G adoption awaiting in the wings coupled with the stock's attractive valuation keep us bullish.
- The stock trades at a trailing EV/EBITDA of 10.0x, which appears attractive in view of the 21.7% EBITDA CAGR over FY2011-13E. The implied EV/EBITDA-to-growth is ~0.52x which compares favourably with the average of 0.64x for the leading emerging market telecom companies (including China Mobile, Telecom, Indosat, Idea Cellular and Bharti). Thus we maintain a Buy on Bharti valuing it at an EV/EBITDA of 8x. This leads to a price target of Rs468.

DIVI'S LABORATORIES	**766**	23.6	20.0	16.1	23.9	24.2	25.9	**1047**	37

Remarks:

- Coupled with an IPR-respecting and "non-compete with customer" policy, Divi's has an unstinted focus on the contract manufacturing (CM) space, thereby edging over its Indian peers.
- Its India-centric business model develops and produces all APIs/intermediates with a substantial cost advantage. Divi's enjoys an EBITDA margin of about 40%, possibly the highest amongst its peers globally.
- After a full year of inventory downsizing, the outstanding results in H2FY2012 have re-affirmed our confidence in the company's growth potential. The new facility at Vishakhapatnam started production from one of its blocks in June 2011. The remaining blocks are likely to get operational in a phased manner over FY2012-13, which will provide further thrust. The nutraceutical business could become a big opportunity with limited competition.
- A near debt-free balance sheet and a strong cash flow (free cash flow [FCF] likely to reach Rs230 crore by FY2013E) are likely to help build a war chest for pursuing strategic investments (biosimilars).
- The appreciation of the rupee and a slowdown in the research and development (R&D) allocation at the MNC clientele remain the key challenges for the company.
- With the order inflow picking up from H2FY2011 and its new plant getting operational, Divi's has a strong revenue growth visibility and the operating leverage in the business will boost its margins. Consequently, we estimate the company's revenue and earnings to grow at a compounded annual growth rate (CAGR) of 23% and 21% respectively over FY2011-13. At the current market price the stock trades at a price earning (PE) multiple of 20x and 16.1x discounting its FY2012E and FY2013E earnings respectively. We maintain our Buy recommendation.



NAME	CMP (RS)	PER FY11	PER FY12E	PER FY13E	ROE (%) FY11	ROE (%) FY12E	ROE (%) FY13E	PRICE TARGET	UPSIDE (%)
GAIL	**398**	14.2	12.9	12.5	19.8	18.9	17.3	**541**	36

Remarks:

- GAIL (India), a leading gas transmission company, is aggressively expanding its pipeline network and plans to invest more than Rs30,000 crore over FY2010-14 in a phased manner to double its gas pipeline network to over 14,000km and its transmission capacity to around 300mmscmd. This provides strong revenue visibility in its core gas utilities business.
- We also see value accretion from doubling of the petrochemical capacity by FY2014, and from the exploration and production (E&P) and city gas distribution (CGD) businesses going forward.
- A higher than expected fuel subsidy burden and regulatory risk in its core transmission business are the key risks for the company.
- Despite the subsidy burden, the strong growth visibility in its core gas transmission business would drive its earnings.
- At the current market price, the stock trades at a PE of 12.5x and enterprise value (EV)/EBITDA of 8.6x based on our FY2013 estimates. We have a Buy recommendation on the stock with a price target of Rs541.

NAME	CMP (RS)	PER FY11	PER FY12E	PER FY13E	ROE (%) FY11	ROE (%) FY12E	ROE (%) FY13E	PRICE TARGET	UPSIDE (%)
GRASIM	**2,468**	10.5	8.9	8.0	14.8	14.7	13.9	**2,630**	7

Remarks:

- Grasim Industries is well placed to capture the growing opportunity in its core business of VSF in terms of both volume and healthy realisation. In addition, the performance of its cement business (ie its key subsidiary UltraTech Cement) has shown signs of improvement with an increase in the average cement price.
- Due to the improved demand environment, the performance of the VSF division continues to shine. The VSF realisation has increased by 7.1% YoY to Rs125 per kg in Q2FY2012 on account of a pick-up in the global demand with volumes up 17% YoY.
- The cement capacity of the company at the consolidated level is the highest among the other domestic players at 52.75MTPA. Hence the company will be the key beneficiary of a likely pick-up in the demand through government infrastructure projects in the coming couple of months.
- On the other hand, the company is planning to expand its VSF capacity by another 120,000 tonne by FY2013 and its cement capacity by 9.2MTPA by FY2014. We believe the capacity addition will provide volume growth in the longer run.
- We believe the company will benefit due to its strong balance sheet as most of its capex will be met through internal accruals.
- However, in light of the upcoming capacity and stabilisation of the newly-added capacity, the cement prices are expected to come under pressure. Moreover, cost pressure in terms of coal prices and higher freight cost remains a key concern.
- At the current market price the stock trades at PE of 8.9x and 8.0x its FY2012 and FY2013 earnings estimates respectively on a consolidated basis.

NAME	CMP (RS)	PER FY11	PER FY12E	PER FY13E	ROE (%) FY11	ROE (%) FY12E	ROE (%) FY13E	PRICE TARGET	UPSIDE (%)
IL&FS TRANSPORTATION	**173**	7.8	7.0	6.4	22.1	17.8	15.7	**330**	91

Remarks:

- IL&FS Transportation Networks Ltd (ITNL) is India's largest player in the build-operate-transfer (BOT) road segment with 9,100 lane km in various stages of development, construction or operation. It has a pan-India presence and a diverse project portfolio consisting of 24 road projects, bus transportation and a metro rail project.
- It is well equipped to capitalise on the huge and growing opportunity in the road infrastructure sector due to its established track record in operating BOT road projects, its execution capabilities and the strong support from IL&FS. Though it has not bagged any project so far in FY2012, given the aggressive competitive scenario we believe the company has been bidding cautiously and it would pay off in the long run.
- It also has a fair mix of annuity and toll projects in its portfolio which provides revenue comfort. Further, it is present across the value chain except the civil construction services which it outsources to the local contractors. This helps the company to handle a large number of projects at a time and diversify geographically, reducing the risk of concentration.
- Thus, we expect the sales and the earnings to grow at a CAGR of 24% and 10% respectively over FY2011-13.
- At the current market price, the stock is currently trading at 7.0x its FY2012E earnings and at a price to book value (P/BV) of 1.1x. We maintain our Buy recommendation with a price target of Rs330.

NAME	CMP (RS)	PER FY11	PER FY12E	PER FY13E	ROE (%) FY11	ROE (%) FY12E	ROE (%) FY13E	PRICE TARGET	UPSIDE (%)
ITC	**206**	32.3	26.1	22.0	33.2	34.7	33.8	**227**	10

Remarks:

- ITC's cigarette business, which contributes around 60%, continues to be a cash cow for the company. The company endeavours to make a mark in the Indian FMCG market and with successful brands such as Bingo, Sunfeast and Aashirwaad, ITC is already in the reckoning among the best in the industry. With the new portfolio of personal care products gaining market share, its FMCG business promises to compete with the likes of Hindustan Unilever and Procter & Gamble.
- After a sharp increase of 16% in Union Budget FY2010-11, the government has spared cigarettes from an excise duty hike in the FY2012 budget. Also key states including Kerala, Karnataka, Andhra Pradesh and Maharashtra have kept VAT on cigarette unchanged in their respective state budgets. We expect ITC's cigarette sales volume to grow at mid single digits in FY2012.
- ITC's other businesses, such as hotel, agri, non-cigarette FMCG business and paper, paperboard and packaging, are showing a strong up-move and will provide a cushion to the overall profit in FY2012.
- An increase in taxation and the government's intention to curb the consumption of tobacco products remain the key risks to ITC's cigarette business over the longer term.
- We expect ITC's bottom line to grow at a CAGR of about 21.2% over FY2011-13. At the current market price, the stock trades at 26.1x its FY2012E earnings and 22.0x its FY2013E earnings. We maintain our Buy recommendation on the stock.

NAME	CMP (RS)	PER FY11	PER FY12E	PER FY13E	ROE (%) FY11	ROE (%) FY12E	ROE (%) FY13E	PRICE TARGET	UPSIDE (%)
MAHINDRA & MAHINDRA	**748**	17.8	17.2	14.1	22.8	21.9	22.4	**842**	13

Remarks:

- M&M is a strong rural India story benefited by rising agriculture incomes. The farm equipment sector is estimated to grow by 17% in FY2012 due to an expectation of better monsoon and greater need for farm mechanisation following labour shortages.
- The automotive sector is expected to grow by 15-18% in FY2012. The new sports utility vehicle (SUV) XUV 500 as well as the existing utility vehicles (UVs) + pick-ups portfolio are expected to deliver a good volume growth for the year.
- The company is expecting partial roll-back of the Maharashtra VAT reversal decision shortly. While negatives have been factored in, any decision on the roll-back by the government will be positive for the company.
- Launches expected in FY2012: new SUV, Reva electric NXR, M&M-Navistar trucks and SsangYong SUVs in India.
- Our SOTP based price target for M&M is Rs842 per share as we value the core business at Rs689 a share and the subsidiaries at Rs153 a share. We recommend Buy on the stock.

NAME	CMP (RS)	PER FY11	PER FY12E	PER FY13E	ROE (%) FY11	ROE (%) FY12E	ROE (%) FY13E	PRICE TARGET	UPSIDE (%)
PTC INDIA	**51**	10.8	10.4	7.7	6.4	6.4	8.1	**88**	73

Remarks:

- PTC India is the leading power trading company in India with a market share of around 33% in CY2010. Trading volume growth is secured by entering into long-term power purchase agreements (PPA) with power developers.
- Driven by a robust growth in its traded volumes and an uptick in the trading margins, we expect earnings to grow at a CAGR of 19% over the next two years.
- In the last few years, the company has also made a substantial investment in various areas like power project financing via PFS or taking direct equity stake, coal trading and power tolling which have great growth potential in the future. However, the deteriorating financial health of its main clientele, the state electricity boards (particularly that of Tamil Nadu and Uttar Pradesh), has put pressure on its working capital cycle and the company had to raise debt in Q2FY2012. However, after the recent steep fall in the stock price, its valuation is looking quite attractive on an SOTP basis.

NAME	CMP (RS)	PER FY11	PER FY12E	PER FY13E	ROE (%) FY11	ROE (%) FY12E	ROE (%) FY13E	PRICE TARGET	UPSIDE (%)
TCS	**1,176**	26.5	21.8	18.8	42.0	39.8	36.4	**1,250**	6

Remarks:

- TCS pioneered the IT services outsourcing business from India and is the largest IT service firm in the country. It is a leader in most service offerings and is in the process of further consolidating its leadership position through the organic and inorganic route as well by winning large deals.
- TCS has consistently increased its market share amongst the top 5 Indian outsourcers with market share in terms of revenues increasing from 29.2% in the March 2009 quarter to 30.3% in the September 2011 quarter.
- We continue to like TCS amongst the offshore IT vendors on account of its mammoth scale of operations and resilient cost model that allows it to withstand headwinds in the sector. On the other hand, at the current juncture TCS is well placed to garner incremental deals in the sector with the organisational structure in place, unlike Wipro and Infosys that are going through a phase of organisational restructuring.
- At the current market price the stock trades at 21.8x and 18.8x its FY2012E and FY2013E earnings respectively. We have a Buy recommendation on the stock with a price target of Rs1,250.

RAYMOND

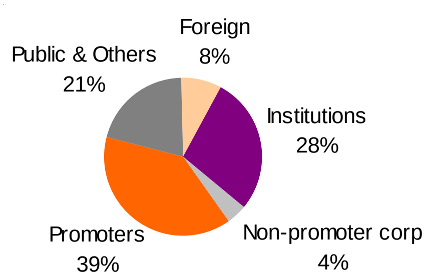
UGLY DUCKLING | BUY; CMP: RS387 | NOVEMBER 3, 2011

Premium brand at a discount

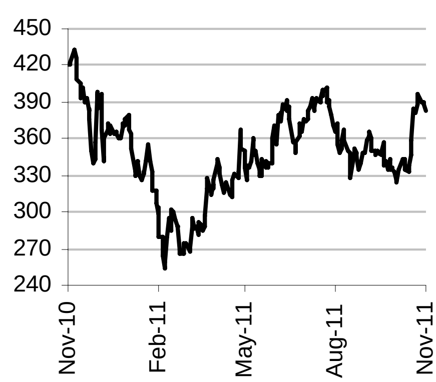
COMPANY DETAILS

Price target:	Rs530
Market cap:	Rs2,379 cr
52 week high/low:	Rs458/245
NSE volume (No of shares):	4.5 lakh
BSE code:	500330
NSE code:	RAYMOND
Sharekhan code:	RAYMOND
Free float (No of shares):	3.7 cr

SHAREHOLDING PATTERN



PRICE CHART



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	16.2	6.3	11.0	-9.2
Relative to Sensex	9.4	9.9	19.3	4.3

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

KEY POINTS

- **Lifestyle retailer with strong brands and powerful distribution set-up:** Raymond is present in the fast growing discretionary & lifestyle category of branded textiles and apparels. With the growing income, rise in aspirations to lead a luxurious life, greater discretionary spending and favourable demographics, the segment of branded apparels & fabrics presents a tremendous growth opportunity and Raymond with its brands and superior distribution set up is very well geared to encash the same.
- **Core business back on track:** For the last four years Raymond had been struggling with a slew of issues, namely loss in the denim business, ERP roll-out issues, forex issues, and duplicate plant cost at Thane and Vapi. These issues have been resolved with the closure of the loss-making businesses and an amicable settlement with the workers. Thus the core business has stabilised. The renewed focus on power brands and on improving its penetration in tier-2 and tier-3 cities is expected to drive the growth in the company's core textiles business.
- **Branded apparel business gains critical mass:** With a bouquet of strong brands (like Raymond, Park Avenue, Parx and ColorPlus) in its portfolio Raymond is well placed to cash in on the discretionary consumption opportunity offered by the favourable demographic and income profile of the Indian consumer. The top-of-mind brand recall along with a penetration-led strategy (762 exclusive stores, presence in around 18,000 retail touch points) would help it in gaining critical mass in the branded apparel segment. Currenlty branded apparel contributes ~22% to the company's total revenue. With renewed focus and enhanced retail thrust, we expect the share to reach ~26% in the next 3-4 years time frame.
- **Land bank provides additional trigger:** After reaching a VRS settlement with its employees Raymond now has 120 acre of land (previously the location of the Thane plant) in the heart of Thane city (situated at Pokhran Road) available for development. The company is exploring options to monetise this land either through an outright sale or joint development. Any development with regard to land bank monetisation would provide additional trigger for the stock.
- **Attractive valuations:** A branded play with a strong distribution franchisee, enhanced focus and a turnaround story with improved earnings visibility, Raymond is trading at 9.4x its FY2013 EPS of Rs41.2. This is attractive compared to the other branded retail plays, and does not factor the inherent strength of the brand and renewed focus and turn around status. Thus we believe that the stock is due for a re-rating. Further, any development with regard to the Thane land in the form of either joint development or disposal would lead to value unlocking and provide significant cash to the company. We initiate coverage on Raymond with a Buy rating and our SOTP based price target for the stock is Rs530 (valuing the core business at 10.5x FY2013E earnings +50% value for the Thane land bank parcel).

KEY FINANCIALS

Key financials	FY2010	FY2011	FY2012E	FY2013E
Net sales (Rs cr)	2,508	3,036	3,446	3,811
% growth	*-2.0*	*21.1*	*13.5*	*10.6*
EBITDA (Rs cr)	349.0	483.8	580.3	669.4
% growth	114.5	38.6	19.9	15.4
Reccurring PAT (Rs cr)	32.4	149.2	202.2	252.8
% growth	-	*360.7*	*35.5*	*25.0*
EPS (Rs)	5.3	24.3	32.9	41.2
PER (x)	73.3	15.9	11.7	9.4
EV/EBITDA (x)	9.6	7.2	5.8	4.7

For further details, please visit the Research section of our website, sharekhan.com.

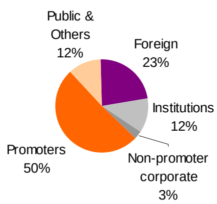
Aditya Birla Nuvo

Apple Green | Buy; CMP: Rs954 | November 2, 2011

COMPANY DETAILS

Price target:	Rs1,050
Market cap:	Rs10,826 cr
52 week high/low:	Rs993/710
NSE volume (No of shares):	94125
BSE code:	500303
NSE code:	ABIRLANUVO
Sharekhan code:	ABIRLANUVO
Free float (No of shares):	5.6 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	3.9	0.1	10.1	12.8
Relative to Sensex	-2.3	4.6	19.1	29.6

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Strong performance; insurance business drives earnings

RESULT HIGHLIGHTS

- Aditya Birla Nuvo Ltd (ABNL) reported strong Q2FY2012 results with the consolidated net revenue, operating profit and adjusted profit growing at 17.8%, 25% and 11.6% respectively on a year-on-year (Y-o-Y) basis. A strong growth in the fertilisers and agri business (+34.7% year on year [YoY]) followed by telecom (+26.6%) and the fashion & lifestyle business (+24.1% YoY) led the revenue growth, Efficiency and cost management efforts in the life insurance and the telecom businesses resulted in a strong operating performance.
- The life insurance business posted an over 4.6x increase in profitability from a mere Rs22.5 crore in Q2FY2011 to Rs105 crore in the quarter under consideration while the telecom business' profitability was up 37.2%.
- In line with the industry trend, the new business premium for Birla Insurance also showed a deceleration of 14% on a Y-o-Y basis. However for September, the business reported a strong 58% Y-o-Y growth in the new business premium, which is a result of the waning base effect. The net profit showed an around 5x fold rise from a mere Rs20 crore in Q2FY2011 to Rs97 crore in Q1FY2012.
- **Maintain Buy:** Given the diverse businesses of ABNL, the company is best valued using the sum-of-the-parts (SOTP) method. Looking at the robust and resilient performance of the key segments we continue with our bullish stance on the company and maintain our Buy rating with a target price of Rs1,050.■

For further details, please visit the Research section of our website, sharekhan.com.

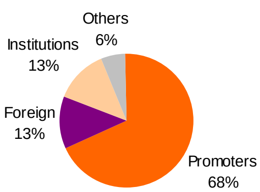
Bharat Heavy Electricals

Apple Green | Buy; CMP: Rs311 | November 15, 2011

COMPANY DETAILS

Price target:	Rs400
Market cap:	Rs76,120 cr
52 week high/low:	Rs486/311
NSE volume (No of shares):	10.6 lakh
BSE code:	500103
NSE code:	BHEL
Sharekhan code:	BHEL
Free float (No of shares):	62.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-4.8	-7.9	-21.1	-32.5
Relative to Sensex	-5.1	-9.6	-15.6	-21.6

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Price target revised to Rs400

RESULT HIGHLIGHTS

- Bharat Heavy Electricals Ltd (BHEL)'s Q2FY2012 results showed robust 24% revenue growth with strong execution in the industry division even as the power system segment continued to be sluggish. During the quarter, the company changed its formula for computation of leave encashment, as a result of which the profit before tax (PBT) was affected by an increase of Rs166 crore. Accounting for this extraordinary item, the PBT would stand lower at Rs1,814.6 crore, showing a growth of 10% year on year (YoY). (The non-adjusted PBT reported a growth of 20% at Rs1,980.6 crore).
- BHEL's implied order inflow was down 50% YoY in H1FY2012 at Rs14,871.6 crore. In view of the tough business environment, its guidance of a 10% yoy growth in the order inflow in FY2012 looks highly improbable. Hence, we are cutting our FY2012 order inflow estimate to Rs51,431 crore (fall of 15% yoy). Overall we are downgrading our estimate for FY2012 by 3% to Rs26.2 but maintaining our FY2013 estimate. We are estimating a compounded annual growth rate (CAGR) of 12.6% in the top line and that of 7.8% in the adjusted earnings over FY2011-13.
- The imposition of import duty might level the playing field for BHEL and provide some respite from Chinese competition. We expect H2 to be a subdued period in terms of profit growth on account of the unfavourable base effect. However, the supercritical orders expected from NTPC could boost its order book in the next four months. At the current market price, the stock trades at 11.1x FY2013E earnings. We have revised our price target to Rs400 (14x FY2013E). In view of the 28% upside potential, we maintain our Buy rating on the stock.■

For further details, please visit the Research section of our website, sharekhan.com.

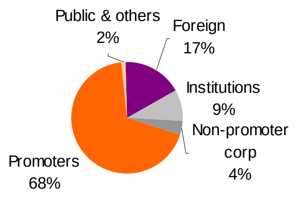
Bharti Airtel

Apple Green | Buy; CMP: Rs397 | November 8, 2011

COMPANY DETAILS

Price target:	Rs468
Market cap:	Rs150,762cr
52 week high/low:	RsRs444/304
NSE volume (No of shares):	45.4 lakh
BSE code:	532454
NSE code:	BHARTIARTL
Sharekhan code:	BHARTIARTL
Free float (No of shares):	120.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	7.4	-6.1	7.7	22.1
Relative to Sensex	-3.1	-5.6	11.9	43.3

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

Heightened seasonality hurt operational performance

RESULT HIGHLIGHTS

- Bharti Airtel's adjusted earnings for Q2FY2012 missed our expectation by 18.3% (adjusted net profit at Rs1,189 crore vs our expectation of Rs1,554 crore). The company reported a 15.5% sequential fall in its earnings for the quarter.
- The domestic mobile business disappointed on revenue and profitability fronts. The revenue declined by 0.6% on a sequential basis, led by a decline in the traffic growth (down 1.6% sequentially) and a 4% drop in the average revenue per user (ARPU; at Rs183 vs Rs190 in Q1FY2012).
- The silver lining of the quarterly result was the 1% sequential improvement in the average realised rate that increased from 42.8 paise in Q1FY2012 to 43.2 paise in the current quarter
- The African business' performance was robust with a sequential revenue growth of 7.4% and a 110-basis-point margin expansion from 25.2% in Q1FY2012 to 26.4% in the present quarter. A robust traffic growth (up 9.9% QoQ) with enhanced ARPU led the performance.
- All the other businesses showed a good growth in the revenue and EBITDA, and from this quarter onwards the company has started reporting its direct-to-home (DTH) performance. It has overall 6.3 million subscribers with an ARPU of Rs163 and the DTH business is profitable at the EBITDA level.
- **Maintain Buy with price target of Rs468:** We value the company at 8.1x its EV/EBITDA to arrive at our price target of Rs468, maintaining our Buy rating on the stock.■

For further details, please visit the Research section of our website, sharekhan.com.

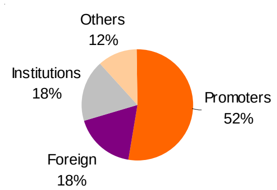
CESC

Ugly Duckling | Buy; CMP: Rs270 | November 9, 2011

COMPANY DETAILS

Price target:	Rs413
Market cap:	Rs3,454 cr
52 week high/low:	Rs400/254
NSE volume (No of shares):	1.4 lakh
BSE code:	500084
NSE code:	CESC
Sharekhan code:	CESC
Free float (No of shares):	6.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	5.2	-13.9	-1.2	-27.7
Relative to Sensex	-2.9	-17.0	3.0	-15.4

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Swing in other expenses changed bottom line picture

RESULT HIGHLIGHTS

- **Reported result in line with estimate:** CESC's sales grew by 12% year on year (YoY) and 5% quarter on quarter (QoQ) to Rs1,241 crore, which was in line with our estimate. The operating profit reported at Rs260 crore showed a decline of 18% YoY and of 3% QoQ. This was 10% lower than our estimate due to higher than estimated other expenses. In Q2FY2011, the other expense was a negative figure which can be attributed to the significant change in the other expenses YoY. Sequentially also, there was a 27% rise in the other expenses. Effectively, the operating profit margin (OPM) slipped by 792 basis points YoY and by 158 basis points QoQ to 21.3%. The fuel cost per unit went up from Rs1.75 in Q2FY2011 to Rs1.89 in Q2FY2012. This is almost equal to that of Q1FY2012. The operating profit declined by 18% YoY and 3% QoQ largely on account of a change in the other expenses. Profit after tax (PAT) down further by 28% YoY and 3% QoQ, in line with estimate.
- **Estimates fine-tuned:** We have revised upward our sales by 7% in both FY2012 and FY2013 factoring the tariff, cost of fuel and other expenses. We have cut our earnings estimates for FY2012 and FY2013 by about 10% each.
- **Spencers' sustained store-level profitability:** The same-store sales sustained the growth momentum and grew by about 18.8% from Rs981 per sq ft in H1FY2011 to Rs1,146 per sq ft in H1FY2012. Spencer's Retail has sustained profitability at the store level since the last year. In H1FY2012, it recorded EBITDA of Rs31 per sq ft per month.
- **View and valuation:** Currently, the stock is trading at 0.6x its FY2012 and 0.5x its FY2013 stand-alone book value. We retain our target price of Rs413 for CESC and continue to rate it as a Buy.■

For further details, please visit the Research section of our website, sharekhan.com.

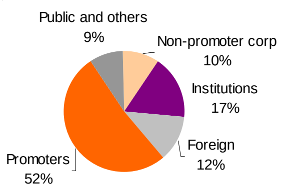
Divi's Laboratories

Apple Green | Buy; CMP: Rs762 | November 2, 2011

COMPANY DETAILS

Price target:	Rs1,047
Market cap:	Rs10,227 cr
52 week high/low:	Rs842/582
NSE volume (No of shares):	2.1 lakh
BSE code:	532488
NSE code:	DIVISLAB
Sharekhan code:	DIVISLAB
Free float (No of shares):	6.3 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	3.4	-7.3	9.0	10.1
Relative to Sensex	-2.7	-3.1	17.9	26.5

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Growth momentum continues

RESULT HIGHLIGHTS

- **Q2FY2012 results in line with expectation:** Divi's Laboratories (Divi's) reported a 39.8% year-on-year (Y-o-Y) rise in net sales to Rs354 crore in Q2FY2012, which is 4% higher than our estimate. The operating profit margin (OPM) improved 220 basis points (bps) YoY to 35.6%. However, a 139% year on year (YoY) rise in other income led the profit before tax (PBT) to jump by 65% YoY to Rs133 crore. The effective tax rate increased to 20.4% (vs 9.4% in Q2FY2011), presumably due to minimum alternate tax (MAT) provisions on special economic zone (SEZ) units. As a result, the net profit after tax (PAT) jumped by 45% YoY to Rs106 crore.
- **High base effect to impact H2FY2012 growth:** We expect a slower revenue growth (15% YoY) in H2FY2012 mainly due to the high base (due to bunching of certain orders in Q4FY2011). The H2FY2012 PAT would be impacted by higher tax provisioning (~10% in H2FY2012 vs 9% in H2FY2011). We expect a PAT growth of 8% to Rs298 crore in H2FY2012.
- **Maintain Buy:** The stock is trading at 18.5x and 14.8x FY2012E and FY2013E earning per share (EPS) respectively. We maintain our Buy rating on the stock and target price of Rs1,047 (which implies 22x FY2013E EPS).■

For further details, please visit the Research section of our website, sharekhan.com.

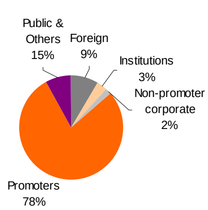
Eros International Media

Emerging Star | Buy; CMP: Rs255 | November 15, 2011

COMPANY DETAILS

Price target:	Rs298
Market cap:	Rs2,342 cr
52 week high/low:	Rs277/124
NSE volume (No of shares):	3.1 lakh
BSE code:	533261
NSE code:	EROSMEDIA
Sharekhan code:	EROSMEDIA
Free float (No of shares):	2.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	1.5	26.7	84.6	41.2
Relative to Sensex	1.2	24.3	97.6	64.0

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Price target upgraded to Rs298

RESULT HIGHLIGHTS

- **Soft quarter:** Eros International Media Ltd (EIML) reported revenues of Rs174.8 crore, down 6.3% on a year-on-year (Y-o-Y) basis on the back of a large catalogue sale in Q2FY2011 in Ayngaran International (Tamil production and overseas distribution business). On a standalone basis, the revenues were up 62.7% YoY to Rs151.3 crore. The quarter saw the release of "Murder 2", "Zindagi Na Milegi Dobara", "Bol" and "Mausam". The EBITDA margin was down 290 basis points (bps) to 27%, primarily due to the high catalogue sale in the corresponding previous quarter and partly due to higher selling, general and administrative expenses in the quarter.
- **Net profit impacted by higher forex losses:** The net profit after minority interest was down 39.7% to Rs27.4 crore on the back of higher forex losses of Rs5.9 crore on dollar denominated debt and higher taxes mainly due to higher standalone (domestic) revenues.
- **Valuation:** On the back of improved visibility of EIML's film slate for the next two years and increasing traction in the non-theatrical revenue streams, we have increased our earnings estimates for FY2013E by 6.8%. Further, we gather confidence from management's execution ability which reflects in the success of recent releases like "Ra.One", "Rockstar", "ZNMD" etc. We continue to remain positive on EIML, which remains one of the best plays on the Indian media sector. We have increased our target multiple for EIML to 13.5x from 12x earlier backed by improved earnings visibility and the management's execution ability; consequently we have upgraded our target price to Rs298 and maintain our Buy rating on the stock.■

For further details, please visit the Research section of our website, sharekhan.com.

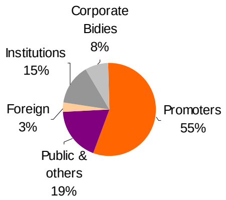
Gayatri Projects

Ugly Duckling | Buy; CMP: Rs135 | November 15, 2011

COMPANY DETAILS

Price target:	Rs310
Market cap:	Rs161.9 cr
52 week high/low:	Rs417/130
BSE volume (No of shares):	16,631
BSE code:	532767
Sharekhan code:	GAYAPROJ
Free float (No of shares):	5.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-3.0	-23.4	-34.5	-63.7
Relative to Sensex	-3.3	-24.8	-29.9	-57.8

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

Price target revised to Rs310

RESULT HIGHLIGHTS

- **Results above expectation; OPM expands:** The revenue grew by 15% YoY and the OPM expanded by 329 basis points YoY to 15.9% due to revenue recognition from two high-margin road projects and a power project during the quarter. However, despite 45% growth at the operating level, net profit grew by just 13% YoY due to higher interest burden.
- **Healthy order book:** The current order book excluding AP irrigation orders stands at Rs.4077 crore, which is 2.8x its FY2011 revenues, providing good revenue visibility over next 2-3 years. Further in AP some signs of revival are seen as the government is now pushing for faster execution of projects. The company bagged a road BOT project during the quarter worth Rs2,700 crore in Orissa which has not been included in the order book yet.
- **Maintain Buy:** The present order book provides a good revenue visibility. However, owing to a poor macro environment, Gayatri's plan to dilute stake in both the road BOT and power asset holding companies to private equity players is getting delayed due to unfair valuation being attributed to the business. Further, the rights issue is taking time to materialise given the volatile condition of the market. With the current debt-equity ratio already at 3.1x, raising further debt at the parent level will become difficult for Gayatri. We are factoring in lower toll collection in two of its road BOT projects and the non-receipt of the long pending bonus on two of its operational annuity projects. This lowers our valuation for the road BOT projects in our SOTP. Thus, our revised price target stands at Rs310. We maintain our Buy recommendation purely on the valuation front. Currently, the stock is trading at 4.2x and 3.0x its FY2012E and FY2013E diluted earnings. ■

For further details, please visit the Research section of our website, sharekhan.com.

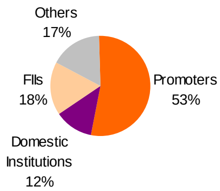
Hindustan Unilever

Apple Green | Hold; CMP: Rs388 | November 1, 2011

COMPANY DETAILS

Price target:	Under review
Market cap:	Rs83,835 cr
52 week high/low:	Rs393/264
NSE volume (No of shares):	24.0 lakh
BSE code:	500696
NSE code:	HINDUNILVR
Sharekhan code:	HINDUNILVR
Free float (No of shares):	102.6 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	10.3	16.0	33.2	30.2
Relative to Sensex	2.5	18.9	42.2	45.2

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

A quarter of impressive performance

RESULT HIGHLIGHTS

- **Volume-led top line growth:** The top line grew by a strong 18.0% YoY to Rs5,522.0 crore with a volume-led growth of 9.8% and a price-led growth of around 8% during the quarter. Though the prices of the key raw materials (palm oil, LAB and raw tea) have corrected from their highs the same remained higher on a Y-o-Y basis in Q2FY2012. Hence the GPM declined by 344 basis points on a Y-o-Y basis during the quarter.
- **Revision in estimates:** We have revised our earnings estimates for FY2012 and FY2013 by 2.5% and 4.0% respectively to factor in the higher than expected revenue growth in the soap and detergent segment and the better than expected OPM.
- **Outlook and valuation:** We expect HUL's top line to grow at a CAGR of 15% over FY2011-13 driven by a mix of sales volume and realisation-led growth. We expect the strong volume growth momentum to sustain in the coming quarter. However, the high food inflation remains a key risk to the volume growth expectation. With the OPM standing in the range of 12.5%-13.0%, we expect the bottom line to grow at a CAGR of 17% over FY2011-13.
- At the current market price the stock trades at 33.6x its FY2012E EPS of Rs11.6 and 28.8x its FY2013E EPS of Rs13.5. With the stock trading above its average one-year PE multiple of 26.7x, we don't see any substantial upside from the current levels. Hence we maintain our Hold recommendation on the stock with the price target under review. ■

For further details, please visit the Research section of our website, sharekhan.com.

STOCK UPDATE

EQUITY | FUNDAMENTALS

IL&FS TRANSPORTATION NETWORKS

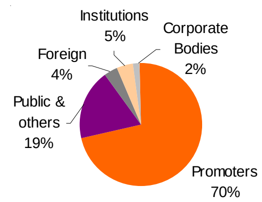
EMERGING STAR | BUY; CMP: RS203 | NOVEMBER 9, 2011

Strong execution drives earnings

COMPANY DETAILS

Price target:	Rs330
Market cap:	Rs3,943 cr
52 week high/low:	Rs334/170
NSE volume (No of shares):	66,457
BSE code:	533177
NSE code:	IL&FSTRANS
Sharekhan code:	IL&FSTRANS
Free float (No of shares):	4.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	2.5	4.4	4.1	-35.3
Relative to Sensex	-5.4	0.6	8.5	-24.3

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

RESULT HIGHLIGHTS

- In Q2FY2012 the consolidated PAT increased by 8.2% Y-o-Y on account of a strong revenue growth of 42.2% which was largely supported by the construction division (up 68.8%). Further toll collection increased by 22.7% YoY. But revenues from Elsamex has declined by 31.8% Y-o-Y as few of the O&M contracts were not renewed. The OPM however contracted to 28.4% in Q2FY2012 against 29.6% in Q2FY2011 due to a higher proportion of revenue from low margin construction division compared to the BOT space.
- **Surge in interest cost led by increase in borrowings:** The interest charges during the quarter have surged by 72.3% YoY due to increase in borrowings as more debt was drawn at the project level while some debt was raised to meet the cash flow requirements. Further, in case of annuity projects the company charges the interest to the P&L even in its construction phase which has resulted in a higher interest burden.
- **Clearance of Pune-Sholapur project likely to support FY13 growth:** During the quarter the company received clearances for its Pune-Sholapur toll project, having a project size of Rs1,403 crore which is likely to commence construction by Q4FY2012 and hence the project is likely to support the growth in the construction division in FY2013.
- **Upgrading earnings estimates for FY2012; maintain Buy:** We are upgrading our net profit estimates for FY2012 by 5% to incorporate better operating margins; we keep our FY2013 estimates unchanged. Given ITNL's leadership position in the road vertical, strong parentage of IL&FS, and a strong relationship with state governments coupled with a relatively diversified and de-risked business portfolio, we remain positive on the company. Hence we maintain our Buy rating with a price target of Rs330. Currently it is trading at 8.3x and 7.5x its FY2012E and FY2013E earnings respectively.■

For further details, please visit the Research section of our website, sharekhan.com.

IPCA LABORATORIES

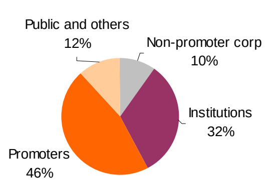
UGLY DUCKLING | BUY; CMP: RS274 | NOVEMBER 1, 2011

Super operating performance

COMPANY DETAILS

Price target:	Rs364
Market cap:	Rs3,406 cr
52 week high/low:	Rs351/230
NSE volume (No of shares):	1.1 lakh
BSE code:	524494
NSE code:	IPCALAB
Sharekhan code:	IPCALAB
Free float (No of shares):	6.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-1.1	-22.5	-15.7	-21.4
Relative to Sensex	-8.2	-20.5	-10.0	-12.3

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

RESULT HIGHLIGHTS

- **Q2FY2012 results outpace our estimates:** For Q2FY2012 Ipca Laboratories (Ipca) reported a 19.2% year-on-year (Y-o-Y) and 16.6% quarter-on-quarter (Q-o-Q) rise in net sales to Rs618 crore, which was ahead of our estimate of Rs584 crore. The growth was mainly powered by a 40% Y-o-Y rise in exports on account of an impressive uptake in the institutional business. The operating profit margin (OPM) jumped by 190 basis points year on year (YoY) to 24.7%, mainly due to a lower employee cost (on account of the reversal of certain provisions made earlier). However, due to a foreign exchange (forex) loss of Rs27.2 crore (vs a forex gain of Rs28.38 crore in Q2FY2011) the reported profit after tax (PAT) declined by 17% YoY to Rs77.9 crore.
- **Institutional sales power export growth, guidance revised:** The institutional sales jumped by 243% YoY to Rs91 crore in Q2FY2012 and by 366% YoY to Rs144 crore in H1FY2012. The management has indicated better traction in the institutional business which will lead to sales of Rs250 crore (earlier estimate Rs220 crore) in FY2012 and that of Rs300 crore in FY2013.
- **We fine-tune earnings estimates:** We marginally decreased our earnings per share (EPS) estimates to factor in the higher interest cost and the higher effective tax rate expected in H2FY2012. Our new EPS estimates are lower by 2% and 5% for FY2012 and FY2013 respectively.
- **Maintain Buy:** The current market price of the stock discounts 10.5x and 8.7x FY2012E and FY2013E earnings. We maintain our Buy recommendation on Ipca with a price target of Rs364.■

For further details, please visit the Research section of our website, sharekhan.com.

IRB Infrastructure Developers

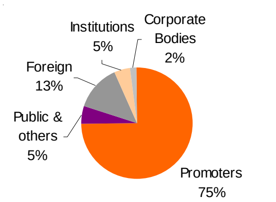
Emerging Star | **Buy; CMP: Rs163** | **November 11, 2011**

Strong execution led to robust performance

COMPANY DETAILS

Price target:	Rs222
Market cap:	Rs5,429 cr
52 week high/low:	Rs271/132
NSE volume (No of shares):	15.3lakh
BSE code:	532947
NSE code:	IRB
Sharekhan code:	IRB
Free float (No of shares):	8.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	2.1	6.1	4.1	-35.2
Relative to Sensex	-4.6	2.8	9.9	-23.0

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

RESULT HIGHLIGHTS

- **Strong performance; beats expectation:** IRB's consolidated PAT for the Q2FY2012 grew by 11% YoY, driven by a strong revenue growth of 50% YoY. The revenue growth was led by (1) strong execution by the construction division which was up by 74% due to contribution from three projects which commenced work in H2FY11 and (2) consistent toll revenue which was up by 16%. The BOT revenue was driven by an average traffic growth of 6% across projects and a toll hike of 10% in the Surat-Bharuch and Surat–Dahisar assets during the quarter.
- **OPM's contract; Net profit surges but growth pruned:** The OPM shrunk to 43.7% vs 48.2% in Q2FY2011 due to higher contribution of revenues from the low-margin construction income vs the BOT income. Despite a strong revenue growth, the net profit grew by only 11% YoY due to lower EBITDA margin and higher interest burden which almost doubled YoY on back of higher borrowings and a MTM loss of Rs14 crore on a derivative contract, which expired this quarter.
- **Maintain Buy with revised PT of Rs222:** We have reduced our revenue & net profit estimates for FY2013 by 5% & 9% on account of removal of the Goa-Karnataka project, from the order book given the uncertainties surrounding it. We continue to like IRB given its vast portfolio size, rich experience and strong financials. With the NHAI's awarding activity still in full momentum and the bidding aggressiveness coming down, the management is confident of securing projects at equity IRR of 18% once again. Hence, we maintain our Buy recommendation with a revised price target of Rs222. Currently the stock is trading at 10.8x and 9.6x its FY2012e and FY2013e earnings respectively. ■

For further details, please visit the Research section of our website, sharekhan.com.

Jaiprakash Associates

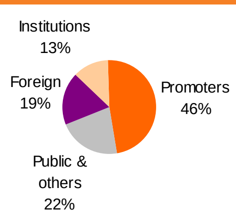
Ugly Duckling | **Buy; CMP: Rs67** | **November 16, 2011**

Price target revised to Rs105

COMPANY DETAILS

Price target:	Rs105
Market cap:	Rs14,216 cr
52 week high/low:	Rs130/54
NSE volume (No of shares):	1.30 cr
BSE code:	532532
NSE code:	JPASSOCIAT
Sharekhan code:	JPASSOCIAT
Free float (No of shares):	112.7 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-4.9	13.6	-19.4	-44.7
Relative to Sensex	-3.9	13.0	-12.6	-34.4

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

RESULT HIGHLIGHTS

- Jaiprakash Associates Ltd (JAL) on a stand-alone basis posted a net profit of Rs128.7 crore (an increase of 11.4% year on year [YoY]), which was well ahead of our as well as the Street's expectations on account of much higher than expected profitability in its construction division. However, the cement division disappointed with a loss at the EBIT level.
- JAL's revenues improved by 2.5% YoY to Rs3,067 crore in Q2FY2012. The overall revenue of the company was supported by its cement division, which posted a revenue growth of 9.6% YoY.
- The OPM contracted by 81 basis points YoY on account of the loss in the cement division at EBIT to the tune of Rs29 crore. However, the EBIT margin of the construction division surged by over 15 percentage points YoY to 36.1%.
- The board of directors of the company has accepted the recommendations to demerge the company's cement plants in Gujarat and Andhra Pradesh (AP), and its other units, viz the asbestos sheet plants, into its wholly owned subsidiary Jaypee Cement Corporation which is implementing a 3 mtpa cement plant in Karnataka. Going ahead, the company may sell stake in Jaypee Cement Corporation to reduce the debt in the parent's balance sheet.
- We have factor in higher than expected cost pressure in the cement division and the better than expected profitability of the construction division. Consequently, the revised EPS estimates for FY2012 and FY2013 work out to Rs3.1 and Rs4.2.
- We continue to like JAL due to its diversified business model and aggressive expansion plan. We maintain our Buy recommendation on the stock with a revised price target of Rs105. At the CMP, the stock is trading at PE of 21.7x FY2012 and 15.8x FY2013 earnings estimates.■

For further details, please visit the Research section of our website, sharekhan.com.

STOCK UPDATE

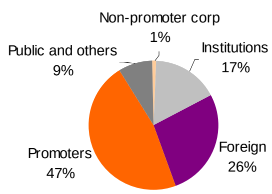
Lupin

Apple Green — Buy; CMP: Rs473 — November 11, 2011

COMPANY DETAILS

Price target:	Rs520
Market cap:	Rs21,105 cr
52 week high/low:	Rs520/363
NSE volume (No of shares):	9.0 lakh
BSE code:	500257
NSE code:	LUPIN
Sharekhan code:	LUPIN
Free float (No of shares):	23.7 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	3.3	7.9	11.4	4.1
Relative to Sensex	-3.5	4.5	17.6	23.8

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

Milestone payments boost results

RESULT HIGHLIGHTS

- **Better than expected results:** In Q2FY2012, Lupin's net sales grew by 24% year on year (YoY) to Rs1,742 crore (against our estimate of Rs1,617 crore)-mainly due to additional income of $20 million (approximately Rs96.9 crore) received as milestone payment from Medicis included in the top line. Adjusting for the one time revenue, net sales have grown by 17% YoY (yet 2% better than our expectation). The operating profit declined to 16.8% in Q2FY2012 from 19.2% in Q2FY2011, mainly due to higher other expenditure. The reported profit after tax (PAT) grew by 24% to Rs267 crore. However, if adjusted for non-recurring revenues, the recurring PAT would decline 9.8% YoY to Rs194 crore.
- **Strong growth in emerging markets:** The revenue from emerging markets jumped by 25%, mainly driven by India (22% Y-o-Y rise) and South Africa (61% Y-o-Y rise). The advanced markets of USA, Europe and Japan rose by 15%, mainly driven by a 25% Y-o-Y rise in Europe and 15% Y-o-Y rise in the US market.
- **Growth momentum to continue:** The management indicated that growth momentum would continue in most of the geographies, with increased focus on oral contraceptive products in the USA and in-licensed products from Eli-Lily, which contributed Rs18 crore in two months of deal for insulin products distribution in India.
- **Maintain Buy:** The Q2FY2012 results have been broadly in line with our expectation. We expect growth momentum to continue in advanced and emerging markets on additional product launches and better performance in branded business. At the current market price, the stock is trading at 21.7x and 17.9x FY2012E and FY2013E earnings per share (EPS) respectively. We maintain out Buy recommendation on the stock with a price target of Rs520 (implies 19.6x FY2013E EPS).■

For further details, please visit the Research section of our website, sharekhan.com.

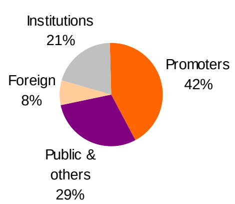
Madras Cement

Cannonball — Hold; CMP: Rs115 — November 9, 2011

COMPANY DETAILS

Price target:	Rs122
Market cap:	Rs2,736 cr
52 week high/low:	Rs129/79
NSE volume (No of shares):	98,133
BSE code:	500260
NSE code:	MADRASCEM
Sharekhan code:	MADRASCEM
Free float (No of shares):	23.3 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	18.0	37.9	25.0	-5.2
Relative to Sensex	8.9	33.0	30.3	10.9

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

Price target revised to Rs122

RESULT HIGHLIGHTS

- In Q2FY2012 Madras Cements delivered an impressive performance and posted an adjusted net profit of Rs111 crore (as against just Rs18.5 crore in the corresponding quarter of the previous year). The same is in line with our estimate. The quarter's performance was driven by sharp increase in the average realisation (rose by 51.6% yoy) and higher than expected profitability in the windmill division.
- The OPM expanded by close to 16 percentage points YoY to 32.6% on account of an increase in the realisation. The overall cost of production increased by 16.9% YoY on a per tonne basis. The EBDITA per tonne for the quarter stood at Rs1,229 as against just Rs201 in the corresponding quarter of the previous year.
- During the quarter the company commissioned new cement capacity of 2 mtpa at Ariyalur, Tamil Nadu. With the commissioning of the new capacity the overall cement capacity of the company has increased to 12.5mtpa. Going ahead, the volume growth of the company is likely to improve.
- We are upgrading our earnings estimates for FY2012 and FY2013 mainly to factor in the higher than expected cement realisation. The revised EPS estimates now stand at Rs13 and Rs14.6 for FY2012 and FY2013 respectively.
- Due to unfavourable demand-supply scenario in the southern region and increase in cost of production. We maintain our Hold recommendation with a revised price target of Rs122 (valued at enterprise value [EV]/tonne of $80). However, in the longer run we believe Madras Cements has the potential to deliver good returns to its investors due to its operational efficiency. At the current market price the stock trades at a PE of 7.8x and EV/EBDITA of 5.2x its FY2013 earnings estimate.■

For further details, please visit the Research section of our website, sharekhan.com.

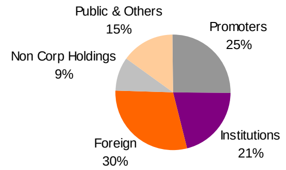
Mahindra & Mahindra

Apple Green | Buy; CMP: Rs790 | November 14, 2011

COMPANY DETAILS

Price target:	Rs842
Market cap:	Rs48,529 cr
52 week high/low:	Rs875/585
NSE volume (No of shares):	18.6 lakh
BSE code:	500520
NSE code:	M&M
Sharekhan code:	M&M
Free float (No of shares):	46.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	5.3	15.5	22.5	5.1
Relative to Sensex	1.2	14.3	30.9	24.1

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Toned down exhilaration

Q2FY2012 operating performance below estimates, lowest margins in two years

- Mahindra & Mahindra (M&M)'s revenue growth at 35.4% year on year (YoY) came in line with our estimates.
- The operating margin at 11.9% was 130 basis points (bps) below our estimates. Both, the automotive as well as the farm equipment division recorded the lowest margins in the last two years.
- Consequently, the Q2FY2012 (PAT) at Rs737 crore came 7% below our estimates inspite of a higher other income.

Ssangyong to place the company on the global road map: The company intends to synergize on Ssangyong products as well as the latter's distribution network. New products such as the Korendo and the Rexton are expected to be launched in the Indian markets at premium price points. Similarly, the XUV 5OO will be sold through Ssangyong's global distribution network.

Policy decisions on VAT refund and diesel price deregulation are the key overhangs: The management is hoping that VAT refund issue shall be resolved by the Maharashtra state government soon. Under a major policy overhaul, the government has decided to stop the VAT incentives for sales outside Maharashtra. Another major policy roadblock for diesel cars emerged after the finance minister indicated that the diesel used in diesel passenger cars and utility vehicles (UVs) may not be subsidised.

Valuation: We are lowering our FY2012 and FY2013 EPS estimates by 7% and 3% respectively. In spite of the lower estimates, we believe that M&M is the preferred pick in the auto (OEM) space on account of promising growth avenues and leadership position in key segments. Our revised target price stands at Rs842 per share. We recommend Buy.■

For further details, please visit the Research section of our website, sharekhan.com.

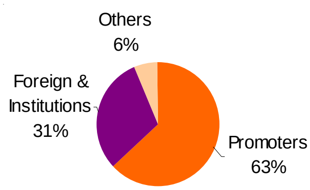
Marico

Apple Green | Hold; CMP: Rs149 | November 4, 2011

COMPANY DETAILS

Price target:	Rs156
Market cap:	Rs9,160 cr
52 week high/low:	Rs172/112
NSE volume (No of shares):	2.8 lakh
BSE code:	531642
NSE code:	MARICO
Sharekhan code:	MARICO
Free float (No of shares):	22.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	5.5	-6.2	8.4	6.8
Relative to Sensex	-2.6	-4.0	13.6	23.4

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Price target revised to Rs156

RESULT HIGHLIGHTS

- **Strong operating performance:** Q2FY2012 is the second consecutive quarter, where Marico's results were ahead of our expectation on account of better than expected operating performance during the quarter. The top line grew by 26% YoY while the operating margin stood at around 12% during the quarter. Though gross margins declined by 487 bps YoY to 45.3%, they have improved sequentially by 200bps.
- **Revision in estimates:** We have marginally revised our FY2012 and FY2013 earnings estimates by 2.8% each to factor in a better than expected operating performance during the quarter.
- **Outlook and valuation:** We expect Marico's top line to grow at a CAGR of 21% over FY2011-13 driven by a sustained and steady volume growth in the domestic consumer business and an above 20% growth in the international business. Though we expect the margins to remain under pressure in the near term, any significant downward movement in the key raw material prices and the management's stringent efforts to reduce other operating spends would help in showing a better margin picture in FY2013. Hence we expect the bottom line to grow at a CAGR of 28% over FY2011-13. However any slowdown in growth in the domestic or international markets and any significant increase in the prices of inputs would act as a key risk to our earnings estimates.

  In line with an upward revision in our earnings estimates, we have revised upwards our price target to Rs156. However in view of the limited upside from the current levels we maintain our Hold recommendation on the stock. At the current market price the stock trades at 28.8x its FY2012E EPS of Rs5.2 and 21.9x its FY2013E EPS of Rs6.8.■

For further details, please visit the Research section of our website, sharekhan.com.

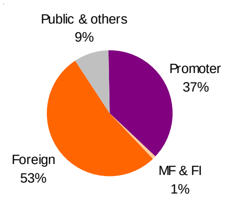
Max India

Emerging Star | Buy; CMP: Rs176 | November 15, 2011

COMPANY DETAILS

Price target:	Rs234
Market cap:	Rs4,528 cr
52 week high/low:	Rs214/132
NSE volume (No of shares):	3.9 lakh
BSE code:	500271
NSE code:	MAX
Sharekhan code:	MAX
Free float (No of shares):	16.7 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	2.6	-2.0	5.2	12.2
Relative to Sensex	2.2	-3.9	12.7	30.2

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

Strong growth continues

RESULT HIGHLIGHTS

- During Q2FY2012, Max India reported a profit of Rs82 crore on a consolidated basis compared to a loss of Rs125 crore in Q2FY2011. The profit was led by a strong growth in operating revenues (16% YoY) and significant focus on cost management.
- MNYL's annualised premium equivalent (APE) during the half year came in at Rs670 crore, a decline of 19% YoY while the other players registered on an average a degrowth of 43% YoY. The strong APE growth was driven by a focus on the traditional products and a sharp uptick in the distribution revenues via the Axis Bank franchisee.
- Max Healthcare's Q2FY2012 revenues were up 16.5% YoY to Rs198 crore. The EBITDA margin declined to 4.4% against 5.4% in Q2FY2011. The average revenues per bed increased 15.1% (per day basis) while the average occupancy improved to 74.2% (72.6% in Q2FY2011). During the quarter, Max India has entered into an agreement to sell 26% stake in Max Healthcare to Life Healthcare of South Africa.
- Max Specialty Products reported a 77.8% Y-o-Y increase in its revenues to Rs176 crore in Q2FY2012. However, the EBITDA margin declined to 11% from 13% in Q2FY2011. Profits from this segment grew by 8% YoY to Rs9.3 crore.
- Max Bupa, the health insurance business of Max India, registered a gross written premium (GWP) of Rs21.9 crore in Q2FY2012, a growth of 268% YoY. The company enrolled more than 39,000 lives in the quarter.
- We maintain Buy rating on the stock with a target price of Rs234.■

For further details, please visit the Research section of our website, sharekhan.com.

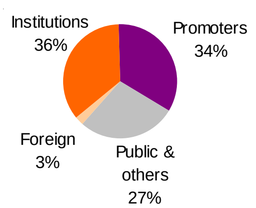
Orient Paper and Industries

Vulture's Pick | Buy; CMP: Rs59 | November 8, 2011

COMPANY DETAILS

Price target:	Rs70
Market cap:	Rs1,137 cr
52 week high/low:	Rs66/44
NSE volume (No of shares):	1.2 lakh
BSE code:	502420
NSE code:	ORIENTPPR
Sharekhan code:	ORIENTPPR
Free float (No of shares):	12.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	0.3	2.5	6.3	-2.4
Relative to Sensex	-9.5	2.9	10.5	14.5

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

Cement division drives Q2 performance

RESULT HIGHLIGHTS

- In Q2FY2012 Orient Paper & Industries Ltd (OPIL) posted a 32.3% Y-o-Y growth in its revenue to Rs506.6 crore, which was largely in line with our estimate. However, on account of severe cost pressure in the cement and electrical divisions and continued loss in the paper division the profit after tax (PAT) of the company came much below our and the Street's estimates at Rs24.1 crore (against Rs0.5 crore in Q2FY2011).
- The top line growth of 32.3% was driven by the cement division, which posted a revenue growth of 57.3% year on year (YoY). The operating profit margin (OPM) expanded by 608 basis points YoY due to increase in the profitability of the cement division.
- During the quarter the company incorporated a new subsidiary named Orient Cement. The company has decided to demerge the cement business by transferring the same to the newly formed subsidiary. We believe the development is a positive move and will unlock value for the shareholders.
- We are downgrading our earnings estimates for FY2012 and FY2013 mainly to factor the higher than expected loss in the paper division and a much lower than expected profit of the electrical division. Consequently, our revised EPS estimates now stand at Rs9.1 and Rs11.1 for FY2012 and FY2013 respectively.
- Besides the strong balance sheet and attractive valuation, the demerger of the cement division will act as re-rating trigger for the stock. Hence, we maintain our Buy recommendation on the stock with a price target of Rs70. At the current market price the stock trades at PE of 6.5x and EV/EBIDTA of 4.6x, discounting its FY2012 earnings estimate.■

For further details, please visit the Research section of our website, sharekhan.com.

Ratnamani Metals and Tubes

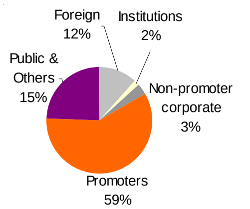
Ugly Duckling | **Buy; CMP: Rs100** | **November 17, 2011**

Price target revised to Rs132

COMPANY DETAILS

Price target:	Rs132
Market cap:	Rs465 cr
52 week high/low:	Rs134/90
NSE volume (No of shares):	10,298
BSE code:	520111
NSE code:	RATNAMANI
Sharekhan code:	RATNAMANI
Free float (No of shares):	1.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-0.8	0.1	-14.4	-16.5
Relative to Sensex	0.9	-0.4	-7.4	-2.5

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

RESULT HIGHLIGHTS

- **Revenues surge:** For the quarter ended September 2011, Ratnamani Metals & Tubes Ltd (Ratnamani) reported a 75.5% surge in net sales to Rs308.8 crore. The sales growth was backed by a 99% growth in the carbon steel tubes and pipes segment (CS pipes) and a 44.4% jump in the stainless steel tubes and pipes (SS pipes) segment. The gross profit margin improved by 440 basis points to 37% on the back of improved realisation. However, the operating profit margin slipped by 280 basis points to 15.3% due to a foreign exchange (forex) loss of Rs8 crore on marked-to-market forex denominated loans and change in terms with regards to freight re-imbursement. From the quarter under review, the company would not be getting re-imbursement of freight charges. The resultant net profit grew 26.7% to Rs23.5 crore.
- **Maintain Buy:** The company has demonstrated a strong revenue performance in the last two quarters. However, its margins have trended down consistently. The management commentary remains encouraging in terms of the potential opportunities in the oil & gas sector. Going forward, we have lowered our margin assumptions and expect the company's revenues and profits to grow at compounded annual growth rate of 27% and 13% respectively over FY2011-13. At the current market price, the stock is attractively trading at a price/earnings (PE) multiple of 5.9x its FY2012E earnings and 4.5x its FY2013E earnings. We maintain our Buy rating on the stock with a revised price target of Rs132 (based on 6x FY2013E earnings). ■

For further details, please visit the Research section of our website, sharekhan.com.

Selan Exploration Technology

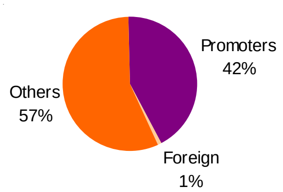
Ugly Duckling | **Buy; CMP: Rs261** | **November 17, 2011**

Higher realisation boosts performance

COMPANY DETAILS

Price target:	Rs500
Market cap:	Rs443 cr
52 week high/low:	Rs411/257
NSE volume (No of shares):	64,293
BSE code:	530075
NSE code:	SELAN
Sharekhan code:	SELAN
Free float (No of shares):	1.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-8.4	-9.4	-20.7	-23.2
Relative to Sensex	-6.8	-9.9	-14.3	-10.3

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RESULT HIGHLIGHTS

- **One more realisation-driven quarter though volume surprised negatively:** In Q2FY2012, the net revenues (adjusted for the petroleum profit) of Selan Exploration Technology (Selan) grew by 16% as a stupendous growth (of 75%) in the realisation overshadowed the fall of 34% in the production volume. However, sequentially, the average realisation growth of 7% could not cover up the 22% fall in the production and subsequently the sales declined by 17% quarter on quarter (QoQ). The production volume was around 36,748 barrels in this quarter.
- **Healthy OPM maintained:** The OPM broadly remained around the 70% range. In Q2FY2012, on account of an extraordinary item worth Rs2.6 crore, the profit after tax (PAT) reported a flat growth on a year-on-year (Y-o-Y) basis despite a 21% growth at the profit before tax (PBT) level. Excluding the extraordinary item, the adjusted PAT should exhibit a 29% growth YoY.
- **Production ramp-up target intact; we reiterate our positive stand:** The management reiterated its guidance for production of 500,000 to 700,000 barrels over the next two years. However, we have retained our estimate of 246,000 barrels of production in FY2012 and of 440,000 barrels in FY2013.
- **View and valuation:** Given the company's aggressive drilling programme, we expect Selan's net revenues and earnings to grow at a compounded annual growth rate (CAGR) of 40% and 42% respectively over FY2011-13. Moreover, currently the stock is attractively priced at 4x FY2012E and 2.4x FY2013E of enterprise value (EV)/EBITDA multiple. We maintain our Buy recommendation on Selan with a price target of Rs500 (based on EV/EBITDA FY2013E multiple of 5.5x). ■

For further details, please visit the Research section of our website, sharekhan.com.

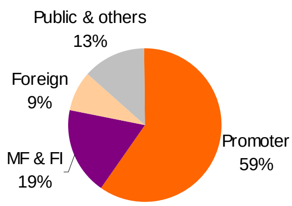
STATE BANK OF INDIA

APPLE GREEN | HOLD; CMP: RS1,862 | NOVEMBER 9, 2011

COMPANY DETAILS

Price target:	Rs2,180
Market cap:	Rs118,268 cr
52 week high/low:	Rs3353/1708
NSE volume (No of shares):	23.6 lakh
BSE code:	500112
NSE code:	SBIN
Sharekhan code:	SBIN
Free float (No of shares):	25.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	14.0	-9.9	-23.7	-40.9
Relative to Sensex	5.2	-13.1	-20.4	-30.9

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Asset quality concerns persist, maintain Hold

RESULT HIGHLIGHTS

- State Bank of India (SBI)'s Q2FY2012 results came in above our estimates as net profits increased by 12.3% year on year (YoY) to Rs2,810 crore driven by a strong growth in the net interest income and a decline in provisions.
- The NII growth of 28.4% YoY (7.4% QoQ) in Q2FY2012 was slightly higher than our estimates, mainly due to the sequential jump in the margins. The advances growth remained flattish sequentially while it increased by a modest 16.1% on a Y-o-Y basis. The deposits grew 13.8% YoY.
- The NIM continued its upward trend as it increased to 3.79% (domestic NIM at 4.07%) from 3.62% in Q1FY2012 driven by re-pricing of advances. During Q2FY2012 the yield on advances increased by 35bps QoQ to 10.75%. The CASA ratio remains stable at 47.6%.
- During Q2FY2012, the slippages rose to a whopping Rs8,016 crore (3.68% of opening advances). Contrary to that, the recoveries/upgradations were much lower (Rs1,772 crore). Consequently, the asset quality of the bank deteriorated significantly with the gross and net NPAs of the bank rising to 4.19% and 2.04% respectively from 3.52% and 1.61% in Q1FY2012.
- In Q2FY2012, the bank's provision expenses declined by 18.6% QoQ to Rs3,386 crore. The provision expenses include Rs550 crore towards a counter cyclical buffer.
- The non interest income declined by 14.4% YoY and 3% QoQ contributed by a sharp decline in the treasury profit (Rs28 crore vs Rs197 crore in Q2FY2011), lower dividend income and a decline in fee income.
- We maintain our Hold rating with a SOTP based target price of Rs2,180 (Rs1,600 from standalone SBI).■

For further details, please visit the Research section of our website, sharekhan.com.

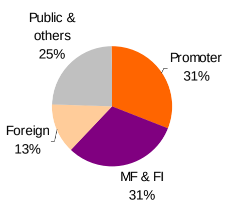
TATA CHEMICALS

VULTURE'S PICK | BUY; CMP: RS335 | NOVEMBER 14, 2011

COMPANY DETAILS

Price target:	Rs400
Market cap:	Rs8,534 cr
52 week high/low:	Rs446/288
NSE volume (No of shares):	2.8 lakh
BSE code:	500770
NSE code:	TATACHEM
Sharekhan code:	TATACHEM
Free float (No of shares):	17.6 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	6.1	-6.6	-8.9	-15.5
Relative to Sensex	2.0	-7.6	-2.6	-0.3

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Surprises positively on the back of strong margins

RESULT HIGHLIGHTS

- Tata Chemicals Ltd (TCL)'s revenue from operations during Q2FY2012 was significantly higher than our expectation mainly due to a higher than expected growth in the volume offtake and a higher realisation across the segment.
- The revenue for the quarter grew by 19.7% year on year (YoY) to Rs3,571.0 crore. The revenue from the chemical segment grew by 27.2% to Rs1,638.2 crore and the revenue from the agri input segment jumped by 27.9% to Rs513.7 crore.
- The volume and price realisation of soda ash across geographies remained strong and robust. Tata Chemical Magadi's performance was driven by higher production, better energy efficiency of plant and higher realisation for both PAM and SAM. Tata Chemical Magadi's margin improved to 21% during Q2FY2012 against 6% a year ago.
- In Q2FY2012 the OPM remained strong at 18.9%, which were 450 basis points higher in comparison with the Q2FY2011 OPM. The margin of the fertiliser segment as well as of the inorganic chemical segment will come under pressure because of an increase in the price of the raw materials such as lime stone, coke and phosphoric acid.
- Despite the input cost pressure, and the company's inability to manage cost and access to low-cost resources, TCL is expected to show a strong performance on the back of a relatively healthy demand for soda ash and an increase in the offtake of customised fertilisers. Consequently, we maintain our Buy recommendation on the stock with a price target of Rs400. We value TCL at 9x FY2013E earnings per share (EPS) and investment value of Rs45 per share.■

For further details, please visit the Research section of our website, sharekhan.com.

SHAREKHAN SPECIAL NOVEMBER 25, 2011

Q2FY2012 earnings review

Earnings growth in line; margin squeeze continues

- The aggregate adjusted earnings of the Sensex companies (ex energy companies) grew by 8.1% during Q2FY2012. The growth was largely in line with the expectations. The major negative surprises came from stocks like Maruti Suzuki, Bharti Airtel (Bharti), Jindal Steel & Power, Sterlite Industries and Tata Power. However, the shortfall was made up by better than expected results from Tata Motors, Hindustan Unilever Ltd (HUL), Coal India, State Bank of India (SBI) and NTPC.
- The revenue growth momentum remained quite strong with an aggregate net sales growth of 24.1% during the quarter. The revenue growth was broad-based with over 15% in all sectors except real estate and telecommunications (telecom). Apart from Reliance Industries, better than expected execution of projects in the capital goods and infrastructure sectors aided the outperformance in the revenue growth during the quarter.
- The margin pressure was visible in Q2 as well. The operating profit margin (OPM) of the Sensex companies (ex oil companies) declined by 150 basis points, marking the fourth consecutive quarter of a decline in the margins.

Earnings estimates get downgraded further; H2 implied growth achievable but risk to FY2013 estimates

- After the earnings downgrades post-Q2FY2012 results, the consensus estimate for the Sensex' earnings growth for FY2012 now stands at around 9.9% as against over 20% at the beginning of 2011. Taking into account the Sensex' earnings growth of 8.7% in the first half (H1FY2012), the implied growth in H2 works out to 11.2%, which appears to be achievable.
- Even after a downgrade of close to 12% in the FY2013 estimates over the past twelve months, the consensus estimate suggests an earnings growth of 14-15% for the next fiscal. This could be at risk if the global situation deteriorates and the policy inaction continues to impede the growth in corporate earnings.
- At the current consensus earnings estimate, the Sensex trades at around 12x one-year forward earnings, which is at the lower end of its price/earnings (PE) band, and the valuations are supportive now. However, the global turmoil and policy inaction are the key risks that could result in further downgrade of the PE multiples in the near term.■

SHAREKHAN SPECIAL NOVEMBER 25, 2011

FDI in retail

The union government has cleared the much awaited reforms in the Indian retail sector by allowing 51% foreign direct investment (FDI) in the multi-brand retail sector. It has also raised the FDI limit in the single-brand retail sector to 100% from 51% earlier.

The bill has some important riders which would benefit the sector as a whole

- The bill states that the foreign investor should bring in a minimum investment of $100 million and that half of this should be in the back-end infrastructure.
- Retail stores can come up only in cities with a population of one million and more as per the 2011 census (only 55 towns meet the criterion).
- Retailers will have to source at least 30% of the manufactured and processed products from small-scale units.
- Government and its agencies will have the first right on procurement.

Retail sector

- The move has come in as a breather for the retail sector as the retail business is highly capital intensive, requires strong financial muscle and has a relatively higher gestation period. Also, it is a positive for companies reeling under huge debt burdens, like Pantaloon Retail (Pantaloon) and CESC and for companies which are looking for tie-ups to enhance their presence in the domestic market, like Shoppers' Stop and Trent.

FMCG sector

- The reforms will help in increasing the share of some consumer product categories, such as processed foods and beverages on the retail shelves over a period of time. The same would be a positive for companies like Nestle India, Britannia Industries, Hindustan Unilever Ltd (HUL), Marico and Tata Global Beverages over the long run.

Retail pharmacy

- Apollo Hospitals, would be one of the key beneficiaries of the new FDI policy. Besides, mid-sized companies like Surya Pharma, which has been looking to expand its mid-sized retail pharmacy business, may also find new opportunities to invite overseas investments.

Real estate

- The relaxed norms will open the door for more brands, With an increase in the addressable market, the developers will be able to fill up the vacant spaces and be able to command a better bargaining power, thus resulting in higher rentals.

Automobile

- There will be a direct benefit for the organised players. Apart from the original equipment manufacturer linked pre-owned retail channel, several independent players like Carnation Auto could see investments coming in through the FDI route.■

FERTILISERS

NOVEMBER 15, 2011

Consumption outlook for complex fertiliser looks positive

- The aggregate sales volume for the 15 leading (mostly listed) fertiliser companies of India declined during October 2011. The total sales volume declined by 4% as compared to that in the same month of the previous year largely due to significantly lower imports of MOP and DAP this time around.
- In terms of the locally produced fertilisers, the volume offtake of the complex fertilisers increased by 13% (tracking the aggregate of the 15 leading fertiliser companies) in October this year. At the same time there was a decline of 1% in the offtake of indigenous DAP and an 8% drop in urea's sales during October 2011.
- Urea's sales volume for October 2011 decreased by 8% year on year (YoY). There was a decline in the sales volume of urea because its production was lower due to the shortage of gas and a plant shutdown for maintenance. Going ahead we expect an increase in the volume of urea due to an increase in acreage under cultivation during the rabi season.
- Overall, the imports of non-urea fertilisers declined by 4% YoY during October 2011. The decline was mainly due to the lower import of MOP and DAP. The import of complex fertilisers increased by 92% in October 2011 from 1.8 lakh tonne in October 2010 to 3.6 lakh tonne.
- The consumption of DAP (indigenous and import) during the month declined by 16% YoY mainly due to a 19% year-on-year (Y-o-Y) decline in the imports of DAP. The availability of DAP was constrained in the international market, hence the imports of DAP declined. Going ahead, the price movement of DAP would depend on (1) the capacity that will be shut down in North America due to environmental reasons, and (2) the stance of China on DAP export.
- There was a decline of 20% in the consumption of MOP during the month mainly due to its lower imports. The imports were lower due to a deadlock over pricing between the Indian importers and the global suppliers of potash. India imports 100% of its requirement of MOP (of 60 lakh tonne per annum) from Russia, Belarus and Canada. ■

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COAL INDIA

VIEWPOINT | CMP: RS318 | NOVEMBER 15, 2011

Concerns priced in currently

We attended the post-results (Q2FY2012) conference call of Coal India held on November 14, 2012 and present the highlights of the call below.

- **Production shortfall tough to recover:** In Q2FY2012, affected by heavy rains the company's coal production slipped 17% sequentially to 80.3 million tonne. However, the offtake reported a 12% decline sequentially, as it managed to liquidate some of its inventory. In H1FY2012 Coal India's coal production was down 5% and inventory liquidation helped it to have a flat offtake. Nevertheless, till H1FY2012 the production was 20 million tonne short of the target.
- **Attempts to get better price with changing pricing mechanism, more clarity awaited though:** Historically Coal India sold coal based on the heat rate pricing formula whereas now it is switching to the gross calorific value based method. We sense the new method could be beneficial for the company in terms of realisation.
- **Wage hike concern to remain; provision made by the company:** The wage revision negotiation with workers union is still on and likely to take some time to get finalised. However, taking historical trend Coal India has pegged the provision for the wage hike at Rs7,000 a month per employee for Q2FY2012. This translates into Rs714 crore for one quarter.
- **Valuation and view:** Currently the stock is trading at 13x its FY2012 and 12x its FY2013 estimated earnings (consensus earnings from Bloomberg). As per the consensus estimate, the earnings are likely to grow by 14-15% in the next two years based on above 30% EBITDA margin. Add to it has currently about Rs85 of net cash per share. In the last one quarter, the stock price has corrected by 15-20%, primarily on account of two headwinds it is facing: wage revision and the new mining bill. We believe with the recent price correction in the stock, these two headwinds have been factored in to a large extent. The stock is not under our active coverage; hence, it is not rated. ■

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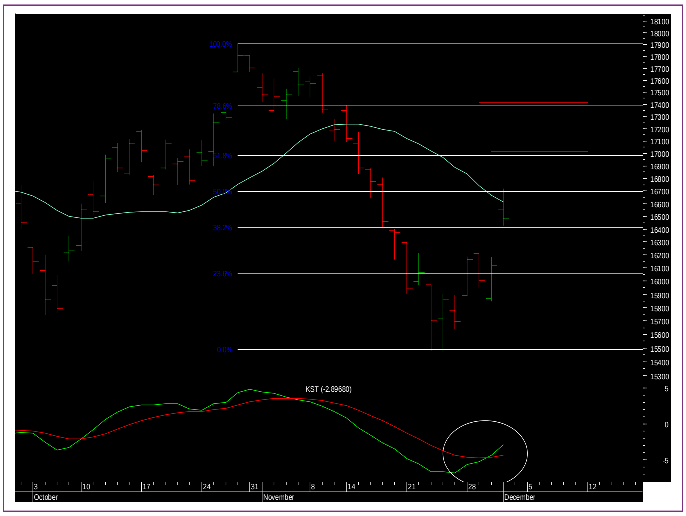
Downward slope

Sensex: Daily view



- The Sensex has been trading in a pullback mood forming higher tops and higher bottoms.
- The current fall from 17908 to 15479 is a five-wave structure completing wave A and a pullback as wave B is in process.
- Wave B can retrace the fall by 61.8%, ie to 17000, or 78.6%, ie to 17400, in the short term.
- The momentum indicators have given a positive crossover and are trading below the zero line, which is a positive sign for the market in the short term.
- A key support would be around 16430 followed by 16200 and resistance would be around 17000 and then 17400.■

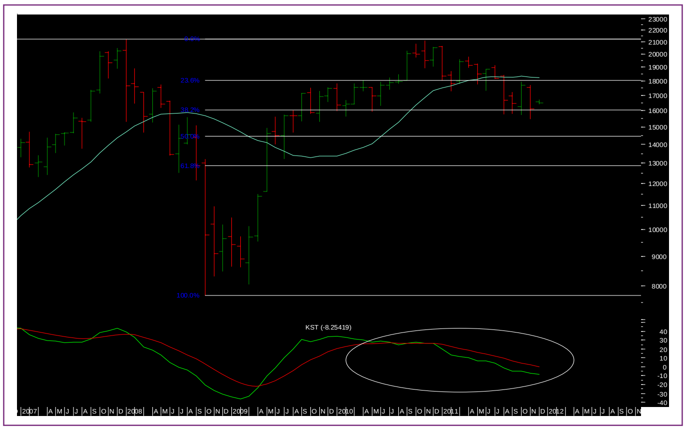
Short term

Trend	Trend reversal	Support	Resistance	Target
Up	Down below 15849	15849	16979	16979

Sensex: Weekly view

- The Sensex has been trading in a downward sloping channel forming lower tops and lower bottoms.
- According to the Elliott wave theory the Sensex has been correcting in a W-X-Y-X-Z form and wave B of Z is in process, which can retrace 61.8% or 78.6% of wave A of Z.
- The last leg down as wave C is still pending which could start as soon as this pullback is over with a negative weekly close going forward.
- The momentum indicators have given a negative crossover and are trading below the zero line, which is a negative sign for the market in the medium term.■

Sensex: Monthly view



- The Sensex has formed a double top around the all-time high, ie 21207, which is a negative sign for the market.
- The Sensex has been forming lower tops and lower bottoms, trading below the 20-month moving average, ie 18216, which will act as a very crucial resistance in the medium term.
- The Sensex has been retracing the rally from the 2009 lows, ie 7697, to the current highs, ie 21108, and is expected to target at least 14450, which is 50% retracement level.■

Medium term

Trend	Trend reversal	Support	Resistance	Target
Down	Up above 18132	15460	18132	15460

Derivative view: Bulls back with a bang

The November series witnessed a good start carrying forward the legacy of the previous month. The growing concern over the euro zone crisis, rising inflation, depreciating rupee and lack of support to the government over foreign direct investment (FDI) in retail along with many other factors played a spoil–sport, dragging the benchmark index off the highs (5400 Nifty level). On the lower side the psychological mark of 4700 was breached giving bears an upper hand. The month was a blessing in disguise though the Nifty lost 9.28% as it ended the last day of the series on a positive note as well as above the 4700 mark.

After a roller-coaster ride the December series had a subdued start. The move of the world's key central banks to support the European banks through cheaper dollars turned the table. Taking its cue from supportive global factors bulls managed overcome all the previous hurdles and trade near the 5000 mark. The December series has started the month with Rs10,575 crore vs the November series' Rs14,216 crore in Nifty futures; Rs24,654 crore vs the November series' Rs29,709 crore in stock futures; Rs51,846 crore vs the November series' Rs47,862 crore in index options; and Rs1,562 crore vs the November series' Rs1,544 crore in stock options. These are almost flattish to negative as compared to the last month (November)'s figures. The market-wide roll-over was in line with the Street's expectation that stands at 82.60% vs 85.89% whereas the Nifty has posted significantly lower roll-over of 64.30% vs 80.25% with an increase in the roll-over cost to 25.15 points from 16.75 points.

On the call option front the focus has shifted from 4800 strike to 5000 and 5100 strikes, which also have a combined open interest (OI) of 1.21 crore shares followed by the 5200 strike, which has an OI of 44.46 lakh shares. On other hand, on the put side, 4700 has the highest number of shares with the majority of the writing seen in the 4500 put options. The implied volatility since mid November has cooled off from its peak and is ranging in a band of 24-27% with the put-to-call ratio hovering around 1.25.

Top five stock futures with the highest open interest in the current series

STOCK FUTURES(SHAREKHAN SCRIP CODE)	OPEN INTEREST (RS CR)
SBIN	1436.6
ICICIBANK	956.9
RELIANCE	890.6
TATASTEEL	784.9
TATAMOTORS	764.4

Top five stock options with the highest open interest in the current series

STOCK OPTIONS(SHAREKHAN SCRIP CODE)	OPEN INTEREST (RS CR)
SBIN	380.8
RELIANCE	225.8
LT	204.1
TATAMOTORS	183.3
INFY	164.8

View

The volume weighted average price (VWAP) for the December series stands around 4800 levels. Finally we have seen the Nifty surpass the hurdle of 5000 and close well above that level, indicating 5200-5300 can be targeted going forward. On the lower side 4800 will act as a strong intermediate-level support with a trend reversal point of 4500. The overall bias of the market is positive and it's advisable to buy on dips.

On the stock-specific front, we feel Tata Steel has given a good break-out with good activity taking place on the option side and with good addition of the open interest. The overall set-up is positive and may outperform the benchmark index. So the ratio call spread can be formed at the current juncture with a favourable risk: reward ratio.■

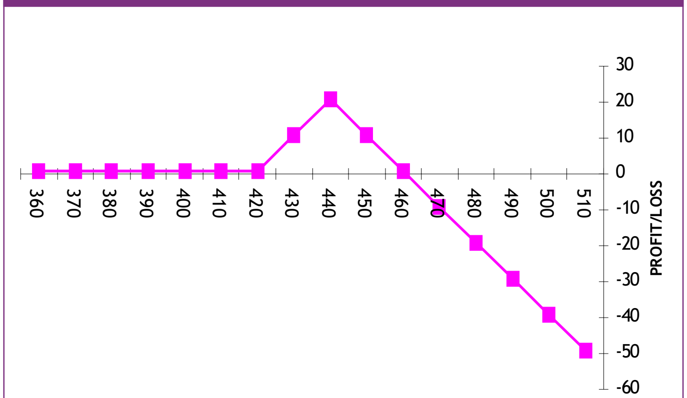
Ratio call spread

A ratio call spread is created when a stock is expected to move in an upward direction. The ratio call spread is created by buying slightly out-of-the-money call option and selling higher out-of-the-money call option twice the quantity of the call option purchased of the same scrip and expiry. It is a "limited profit, unlimited loss" strategy with a favourable risk: reward ratio.

SCRIP	ACTION	RATE	QUANTITY	INFLOW/ OUTFLOW
Tata Steel CE 420	Buy	15.45	500	
Tata Steel CE 440	Sell	8.05	500	-0.65
Tata Steel CE 440	Sell	8.05	500	

The strategy has an initial inflow of 0.65 points in Tata Steel, which is Rs325 (0.65*500) and a maximum profit potential of 20.65 points, which is Rs10,325 (20.65*500). The higher break-even point (BEP) for the strategy is 460 and it is advisable to close the strategy if the stock moves above 460 levels. The maximum profit of Rs10,325 can be made if the stock expires at 440 levels.■

PAY-OFF DIAGRAM



Commodities: Mostly up as governments, central banks try to contain euro zone crisis

Macro-economy

Key points

- Fed, five central banks cut rate on dollar swaps.
- China reduces reserve ratio to spur bank loans.
- IMF MD Ms Lagarde Warns of risk of "lost decade" for global economy.
- Goldman to UBS cut by S&P in global bank rout.
- German bonds 10-year auction misses target by 35%.
- Euro ministers bid for bigger IMF role as fund boost falls short.
- Italian bonds collapse, yields hit euro era highs.
- France's "AAA" status in tatters as yields surge.
- Merkel rejects euro bonds as failed auction fans crisis concerns.
- EU lowers euro-region growth forecasts on worsening crisis.
- US rating outlook cut to negative by Fitch.
- BoJ cuts economic view as Europe's crisis becomes "largest risk".
- Fed economists: 2012 recession odds top 50%.
- UK unemployment hits 8.3%, the highest since 1996.
- Global demand for US assets rises as investors seek safety.
- China's 2012 growth forecast slashed.
- US rating affirmed by S&P, Moody's as super-committee fails.
- US Q3 growth revised down to 2% from 2.5% in Q2.
- UK warns of "consequences" after Tehran embassy attack.
- Speculators cut holdings to the lowest since July 2009: Commodities.
- Mounting euro break-up risk seen by banks as debt crisis festers.

COMMODITY PRICES IN NOVEMBER (IN $)

Commodity	High	Low	Close	% Mon chg
Copper	8062.5	7100.3	7885.0	2.0
Zinc	2112.0	1859.8	2071.0	8.2%
Lead	2136.0	1908.0	2110.0	6.5%
Gold	1803.0	1666.8	1746.4	1.6%
Silver	35.3	30.7	32.8	-1.6%
Crude oil	103.4	89.1	100.4	9.0%

MONTHLY CHAINGE IN DOE CRUDE STOCKS (OCT-NOV)

	Crude oil	Dist.	Gasoline
Change in (000' bbls)	-4713	-3400	3573
28-Oct-11	339460	141889	206274
Change in (%)	-1.39	-2.40	1.73

Refinary utlization rate was at 84.60% in the last week of November .

MONTHLY CHANGE IN SHFE STOCKS (OCT-NOV)

	Copper	Lead	Zinc
Change (in tonne)	-8563	-8140	-6349
28-Oct-11	73768	54226	375288
Change (in %)	-11.61	-15.01	-1.69

MONTHLY CHANGE IN LME STOCKS (OCT-NOV)

	Copper	Lead	Zinc
Change (in tonne)	-42750	-17975	-41025
31-Oct-11	429375	387800	780875
Change (in %)	-9.96	-4.64	-5.25

Note—LME: London Metal Exchange , SHFE: Shanghai Futures Exchange, DOE: Department of Energy (US)

Crude oil: Sell on rallies

Key points

- Simmering Middle-East supporting prices.
- Iran says oil market will suffer if its exports are disrupted.
- IEA cuts oil demand forecast a third month on weaker US, Japan.
- Seaway pipeline reversal seen as supportive for WTI crude.
- Libya says crude oil output reaches 840,000 barrels a day.
- Crude markets are currently in balance and not over-supplied--OPEC ministers
- OPEC likely to cut output in December--Iraq's oil minister
- IEA cuts global oil refining forecast on Taiwan, Singapore halts.
- OPEC November crude output up 390,000 barrel a day to 30.355 million.

WTI NYMEX crude oil — CMP: $100.50

WTI crude oil turned out to be the best performer among commodities last month. Crude oil rose sharply on reversal of seaway pipeline in the USA and geopolitical issues. Violent protests in Saudi--the largest producer in the OPEC group, sanctions hit Syria, France calls for a European embargo on crude supplies from Iran, a possibility of a pick-up in the fuel demand during winter and central bankers' efforts to contain the debt crisis led to a sharp rally. Reversal of the seaway pipeline would reduce the glut at Cushing, the US delivery point, which would reduce the storage charges as well. Prices are likely to be between $90 and $105. Situation in Iran needs close monitoring.

Precious metals: Gold trading as a risk asset now

Key points

- Gold prices topped $1,800 on safe haven demand.
- Gold trading as a risk asset now after a sharp rally in last three months.
- China gold demand may exceed 750 tonne this year, WGC says.
- Gold demand advanced 6% in third quarter on European debt crisis.
- India's gold imports may drop 15% on rupee's plunge: Rajesh Exports
- Gold ETP inflows at a record high level.
- Silver underperforms gold.
- Wild swings in the Indian Rupee a key factor for bullion traders.
- China's silver imports declined in October.
- Silver ETP data shows weak investment demand.
- Silver is likely to be vulnerable, highly volatile.

Gold — CMP: $1,750

Gold prices have corrected after topping $1,800 level as the US Dollar Index rose 2.91% last month. Investment demand remains strong as seen in record high ETP holdings. However physical demand is somewhat slow at the current prices. Significantly weaker Indian Rupee and wild swings in currencies could dampen the Indian demand a bit. However, intrinsic fundamentals of the yellow metal are solid on sovereign debt problems and a possibility of enormous money printing by the major central bankers. A break-up of the euro union as we know it is not unimaginable anymore. Although fundamentals remain bullish, yet gold prices could decline in case of a sell-off in the wider markets. We look for a range of $1,650-1,800 in the near term. Long term target is at $2300.

Silver — CMP: $33.30

Silver traded mostly between $30 and $35 last month. Concerns about the global economy have kept the counter subdued. Silver could be vulnerable in case of a sell-off in equities. Downside can extend to $29 level. The upside is likely to be capped around $36. Long term target is at $60-$75.

Base metals: Energised by liquidity move

Key points

- Copper use exceeded output by 45,000 tonne in August, ICSG says.
- Copper imports by China gain for a fifth month on arbitrage.
- Nationalism tops crisis as a key risk to mine supply: Commodities.
- Japan copper cable shipments increase as economy expands.
- China may halt metals stockpiling, start sales.
- Zinc demand in China may gain 6.1% next year, Antaike says.
- Global lead and zinc market surplus shrunk in September.
- Refined zinc output jumped to 1.1 million tonne from 1.08 million tonne.
- Refined lead output climbs to 880,500 tonne from 856,000 tonne.
- China shuts 90% of lead-acid battery makers.

Copper — CMP: Rs404

Intrinsic fundamentals of the metal remain appealing as SHFE inventories fell to two-year low level while LME inventories continued to decline. China continues to show interest in the metal around $7,000 level. In the best possible case copper can rally to Rs430 level. The downside is likely to be limited to Rs365 level. However, as situation in the global financial markets remains quite fluid, complacency would be costly. China may suspend stockpiling non-ferrous metals and may start to sell existing inventories to tame prices, the Chinese-language *Securities Times* reported. In that case, base metals' prices can correct sharply lower.

Zinc — CMP: Rs105.50

Zinc has rallied sharply amid expectations of tightening supply in medium to long term. LME cash-to-three-month spread has moved in backwardation. Refined zinc production rose to 1.114 million metric tonne in September from 1.084 million in August, the International Lead and Zinc Study Group said. The usage was 1.112 million tonne in September and 1.049 million tonne in August. The global zinc market recorded a 1,900-tonne surplus in September compared with 35,600 tonne in August. Zinc can extend its rally to Rs114 level. We suggest selling around that level for a target of Rs97 in the near term.

Lead

CMP: Rs108

The 11,100-tonne overhang in the lead market in September was down from 11,700 tonne in August. In a negative development China has shuttered almost 90% of lead-acid battery makers in a government crackdown to curb lead poisoning cases, cutting sales and weighing on lead prices. We look for a price of Rs93 in the medium term. The upside is capped around Rs114.

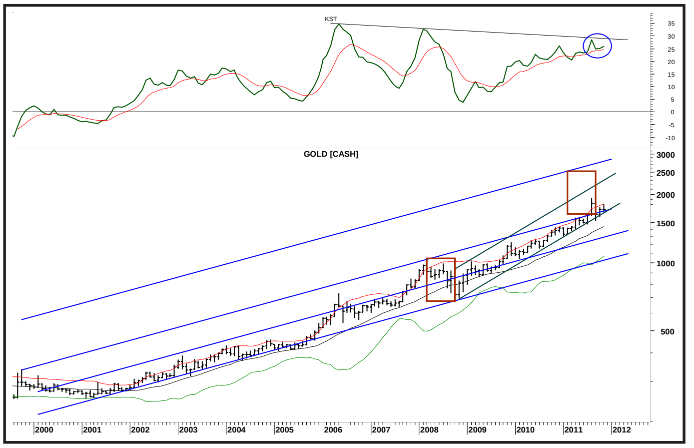
CMP as on December 01, 2011

Major economic events in December 2011

Date	Region	Event	Forecast	Actual	Prior	Impact
1-Dec-11	CN	PMI Manufacturing	49.8	- -	50.4	Likely to show a decline, hence would be bearish for industrial commodities, however recent co-ordinated efforts by the Central banks to stem crisis could blunt the negative impact initially.
1-Dec-11	US	ISM Manufacturing	51.7	- -	50.8	US economy is doing better than expected; with struggling Europe and slowing down China the data is crucial for industrial commodities.
1-Dec-11	EC	PMI Manufacturing	46.4	- -	46.4	European data are likely to be disappointing as the region heads towards a mild recession.
1-Dec-11	GE	PMI Manufacturing	47.9	- -	47.9	Data is important as Germany is the growth engine of the EC region.
1-Dec-11	UK	PMI Manufacturing	47	- -	47.4	Important for industrial commodities and GBP.
2-Dec-11	US	Change in Nonfarm Payrolls	120K	- -	80K	With the US ADP data topping the forecast the employment report is likely to be upbeat. Important for all the commodities and currencies.
2-Dec-11	US	Unemployment Rate	9.00%	- -	9.00%	No major change expected.
5-Dec-11	US	Factory Orders	-0.30%	- -	0.30%	Important for industrial commodities.
6-Dec-11	EC	Euro-Zone GDP s.a. (QoQ)	- -	- -	0.20%	Important for Euro and Industrial commodities.
6-Dec-11	GE	Factory Orders MoM (sa)	- -	- -	-4.30%	Important for industrial commodities.
7-Dec-11	GE	Industrial Production MoM (sa)	- -	- -	-2.70%	Important for industrial commodities.
8-Dec-11	EC	ECB announces interest rates	1%	- -	1.25%	Markets look for further easing after the ECB cut rates by 25bps at its last meeting. Dovish tone is likely to be bearish for the Euro.
9-Dec-11	CN	Consumer Price Index (YoY)	4.50%	- -	5.50%	Higher than expected would be bearish for industrial commodities as it would reduce the chances of aggressive easing. Gold can benefit on the same data.
9-Dec-11	CN	Industrial Production (YoY)	12.90%	- -	13.20%	Important for industrial commodities.
9-Dec-11	US	U. of Michigan Confidence	63	- -	64.1	Bearish data would be negative for industrial commodities.
9-Dec-11	JN	Gross Domestic Product (QoQ)	- -	- -	1.50%	Important mainly for JPY and commodities.
10-Dec-11	CN	Trade Balance (USD)	$15B	- -	$17.03B	Higher than expected surplus could reduce the chances of aggressive easing.
13-Dec-11	US	Advance Retail Sales	- -	- -	0.50%	Important for industrial commodities.
13-Dec-11	EC	ZEW Survey (Econ. Sentiment)	- -	- -	-59.1	Six-month forward looking investors' and analysts' expectations. Important for industrial commodities and the euro.
13-Dec-11	GE	ZEW Survey (Econ. Sentiment)	- -	- -	-55.2	Six-month forward looking investors' and analysts' expectations. This shows economic sentimnets in the market. Important for industrial commodities and the euro.
13-Dec-11	UK	CPI (YoY)	- -	- -	5.00%	Important for GBP.
14-Dec-11	US	FOMC Rate Decision	- -	- -	0.25%	Focus would be on hints by the Fed at further easing. In that case commodities can climb up, though upside in industrial commodities could be limited.
14-Dec-11	EC	Euro-Zone CPI (YoY)	- -	- -	- -	Important for Euro, gold.
14-Dec-11	JN	Industrial Production (MoM)	- -	- -	2.40%	Important for industrial commodities.
15-Dec-11	US	Industrial Production	- -	- -	0.70%	Important for industrial commodities.
15-Dec-11	US	Philadelphia Fed.	- -	- -	3.6	Important for industrial commodities.
16-Dec-11	US	Consumer Price Index (YoY)	- -	- -	3.50%	Higher than expected would be bearish for industrial commodities as it would decrease the chances of easing the policies in the near-term.
20-Dec-11	US	Housing Starts MOM%	- -	- -	-0.30%	Important for industrial commodities.
20-Dec-11	GE	IFO - Business Climate	- -	- -	106.6	Business climate indicator important for industrial commodities and the euro.
21-Dec-11	EC	Euro-Zone Consumer Confidence	- -	- -	-20.4	It indicates investors' confidenece in the economy. Important for industrial commodities and Euro.
21-Dec-11	GE	GfK Consumer Confidence Survey	- -	- -	5.6	Important for industrial commodities and Euro.
21-Dec-11	JN	BOJ Target Rate	- -	- -	0.10%	Further easing possible, which could weigh on the JPY.
21-Dec-11	UK	Bank of England Minutes				Important for GBP.
22-Dec-11	US	GDP QoQ (Annualized)	- -	- -	2.00%	Disappointing data could lead to sell-off in industrial commodities unless the Fed hints at further easing.
22-Dec-11	UK	GDP (QoQ)	- -	- -	0.50%	Important for GBP.
23-Dec-11	US	Durables Ex Transportation	- -	- -	0.70%	Important for industrial commodities.
23-Dec-11	US	New Home Sales MoM	- -	- -	1.30%	Important for industrial commodities, particularly copper and aluminium.
27-Dec-11	US	Consumer Confidence	- -	- -	56	Bearish data would be negative for industrial commodities.
29-Dec-11	US	Pending Home Sales MoM	- -	- -	- -	Important for industrial commodities.

Gold (London): @ Make or break

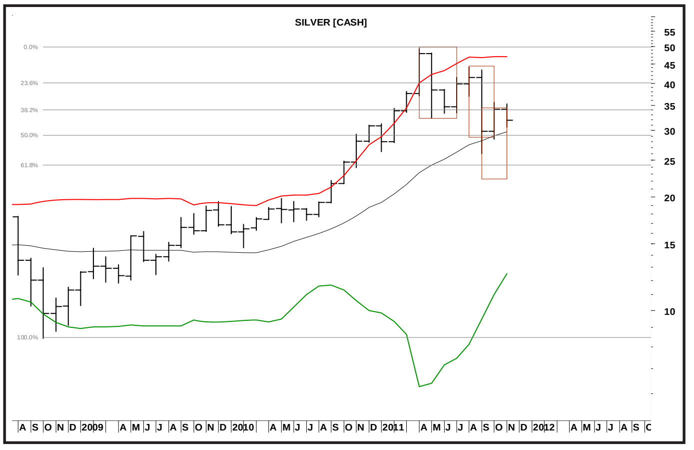
- Gold has retraced nearly 61.8% of the entire fall from the all-time high and is struggling at the higher Bollinger Band on the daily charts.
- The momentum indicators are in a sell mode on the weekly and daily time frames suggesting a reversal in trend in the medium term.
- Gold is trading around its 20-day moving average (DMA) and 20-weekly moving average (WMA), which are placed at $1,739 and $1,725 respectively and are key levels to watch for in the immediate run.
- All these technical evidences suggest that prices are in a correction mode in the medium term. If gold breaks the key support at $1,460 on a monthly closing basis then it can slide till $1,313 in the medium term.
- The reversal of the view is placed at $1,802, which is the upper Bollinger Band on the monthly charts.



Trend	Trend reversal	Supports	Resistances	Target
Down since 01-10-11	$1,802	$1,534/1,460	$1,786/1,820	$1,460/ $1,313

Silver: Monthly 20 moving average @ $29.8

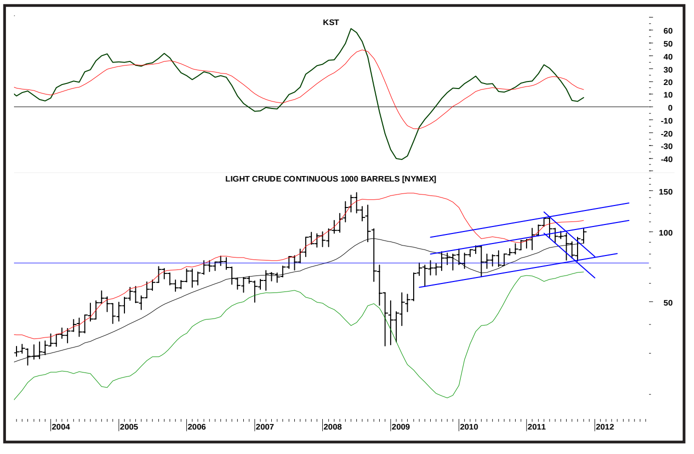
- After a sharp sell-off silver is flirting at the middle of the monthly Bollinger Band, which is a very crucial area in the medium term.
- The momentum cycles are in a sell mode on the monthly, weekly and daily time frames.
- Once the support area of $29.8 is broken convincingly prices are set to start the next leg of down move.
- The down side can be maintained at $26.10, which is the recent swing low, and $24.30, which is the 61.8% retracement of the swing from $8.42 – 49.51. On the higher side resistance is placed at $35.35 which is a reversal point for the bearish view.



Trend	Trend reversal	Supports	Resistances	Target
Down since 04-08-11	$37.5	$28.5/26	$35.1/36.8	$29.9/ $28.4

Light sweet crude oil: Bullish momentum intact

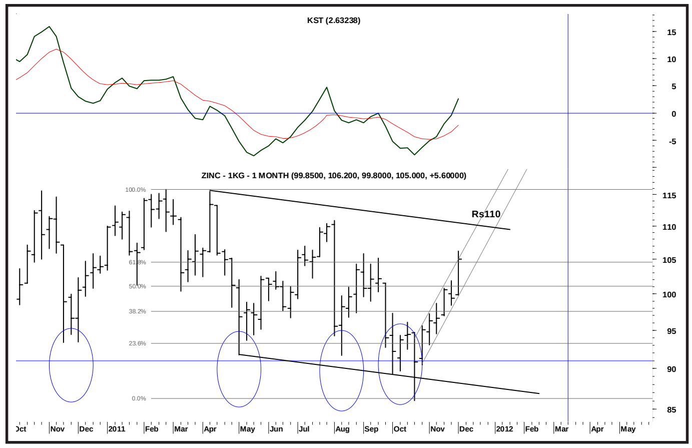
- As expected crude oil rallied and achieved our first target and is currently hovering near the $100 mark.
- The momentum cycles are in a sell mode on the monthly and daily time frames. The daily is about to finish its down cycle in the near term. Prices are trading above the 20 month moving average which is placed at $89.1.
- Going forward a key support is placed at $89.12 and resistance will be faced at $105.
- The strategy is to go long around $96 for a target of $105 initially and then $110 in the medium term with a stop placed at $89.15.



Trend	Trend reversal	Supports	Resistances	Target
Up since 04-11-11	$89.1	$89/83.15	$105/110	$110/ $123

Zinc: Channeled Up

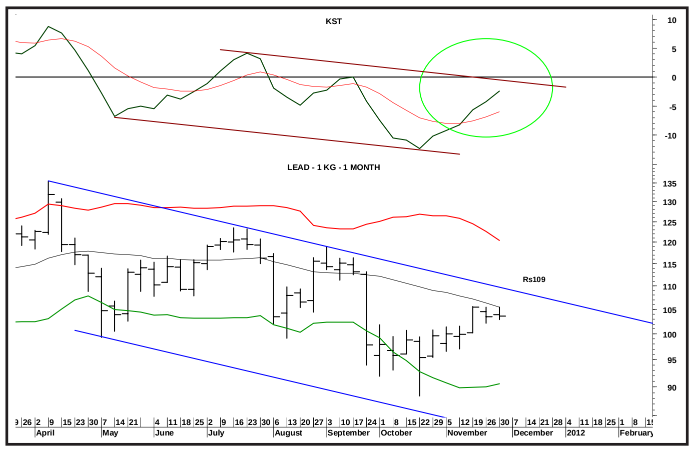
- Last month zinc broke out of an inverse head and shoulders and achieved its first target.
- The momentum cycle is in a sell mode on the daily and monthly time frames but the weekly has witnessed a buy cross over in the last month.
- Prices are moving in an upward sloping channel and are likely to target Rs110 before a short term pause.



Trend	Trend reversal	Supports	Resistances	Target
Up since 04-11-11	Rs93	Rs95/98	Rs105/109	Rs110/ Rs115

Lead: Nearing resistance

- After breaking out of an inverse head and shoulders the rally is nearing a key resistance at the 20 WMA ie Rs105.45.
- Going forward lead is likely to correct from its 20 WMA and is expected to retrace the rise from the lows of Rs88.45.
- In the short term lead is likely to edge lower towards Rs101 and Rs97. On the higher side a key resistance is placed at Rs109 which is a key hurdle for the bulls. Hence unless they take off this area on a closing basis, prices are likely to correct / halt before the start of the next up move.



Trend	Trend reversal	Supports	Resistances	Target
Up since 04-11-11	Rs94	Rs101/97	Rs109/116	Rs109/ Rs116

Pepper NCDEX: Bulls start a new journey

- After breaking out from the inverse head and shoulders pattern on the daily chart pepper has started to form higher tops and higher bottoms suggesting that the bulls are back for a new move.
- The momentum cycle is in a sell mode on the weekly time frame but seems to be nearing its down cycle. The daily and monthly cycles are in a buy mode providing support to the bulls.
- Support is placed at Rs33,474 (20 WMA) and resistance is placed at Rs38,190 (weekly upper Bollinger)
- Reversal is placed at Rs33,474 where the 20 WMA is placed.
- The targets on the higher side are Rs37,130 and Rs39,150 ie the retest of the recent high.

Trend	Trend reversal	Supports	Resistances	Target
Up since 04-08-11	Rs33,474	Rs33,474/ Rs32,897	Rs38,190/ Rs39,150	Rs37,130/ Rs39,150

Currency market : Asian currencies slide in November

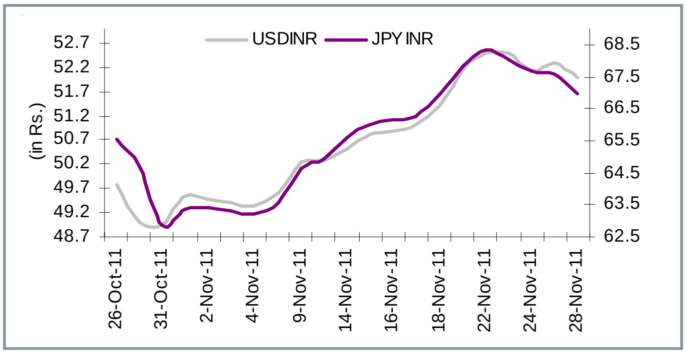
Key points

- India's GDP grows least since 2009 amid fastest BRIC inflation.
- India's trade deficit widens most since 1994.
- India's weakening rupee raises RBI policy risk.
- Bank of England open to more stimulus.
- RBI to buy bonds for the first time in ten months to boost cash.
- Asian currencies drop in November on fund outflows as growth cools.

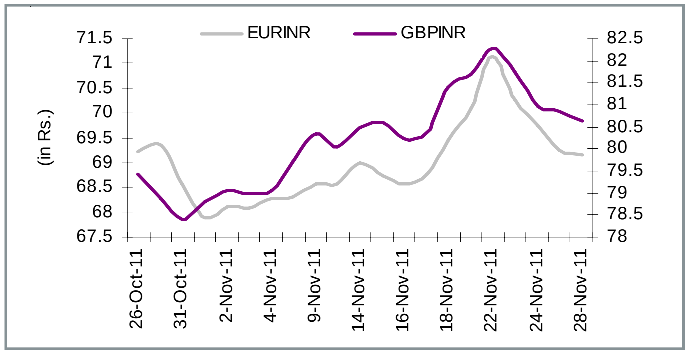
CURRENCY LEVELS IN NOVEMBER (IN RS)

Currency	High	Low	Close	Monthly chg (%)
INR-USD	52.50	48.98	51.98	-4.47
INR-EUR	71.15	67.90	69.16	0.09
INR-GBP	82.27	78.40	80.62	-1.48
INR-JPY	68.33	62.88	66.96	-2.17

November contract price movement



November contract price movement



INR-USD CMP: Rs51.71

The Indian Rupee (INR) depreciated sharply against the Japanese Yen (JPY), US Dollar (USD) and British Pound Sterling (GBP), while it rose slightly against the euro in the month. India's trade deficit widened the most to $19.60 billion in October in at least 17 years, adding pressure on the INR, Asia's worst performing currency this year. The Reserve Bank of India said that the INR's weakness adds to pressure on inflation. India's bonds have been unable to attract adequate interest at times. While the outlook for the INR remains weak, the domestic currency can appreciate to Rs50.70 level after sharp depreciation. The upside of the pair could extend to Rs53.50 level in the worst case. Further efforts by central bankers to contain the crisis would ease the pressure on the INR.

INR-EUR CMP: Rs69.66

The pair is likely to trade between Rs68 and Rs70 mostly. The euro can decline to 1.31 vs the USD this month if the market runs out of patience with the European officials. The mechanism of bailing out the ailing European nations is still not clear. Commodities can shoot up if Europe opts for money printing.

INR-GBP CMP: Rs81.15

Strength in the GBP and euro is more about the weakness of the INR against the USD. We suggest selling GBP into rallies for a target of Rs80. The upside is likely to be limited to Rs82.50. The USD/GBP pair is likely to trade between 1.51 and 1.60 mostly.

INR-JPY CMP: Rs66.57

The JPY looks weak against the USD as yields of Japanese government's bonds climb and the nation's sovereign debt rating is under threat. The JPY/USD pair can move towards 80 in the medium term. We recommend buying the INR-USD over the INR-JPY for a medium-term positional trade. The near-term range is likely to be Rs65-67.

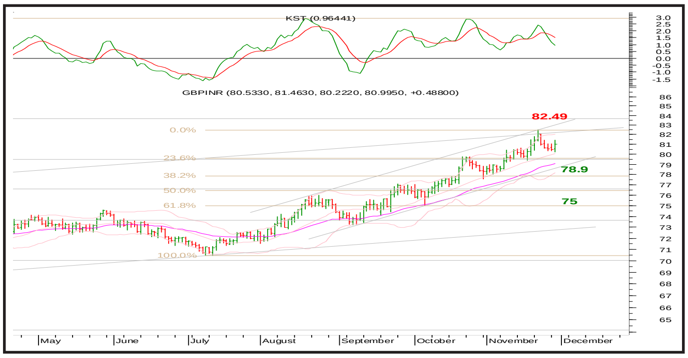
CMP as on December 01, 2011

USD-INR: Upside restricted

- USD-INR is trading near the previous high of 52.13.
- It can stretch till the upper end of the long-term rising channel ie 53.6.
- However the wave structure along with the weekly momentum indicator that is in overbought territory suggests that USD-INR is unlikely to surpass the upper channel line.
- Hence 53.6 will act as a crucial resistance on a closing basis.
- On the other hand, the junction of the swing low and the 21-day exponential moving average (DEMA; 48.55) would be the target.

GBP-INR: Channelised move

- GBP-INR recently faced resistance near the upper end of short as well as the medium-term rising channel.
- As a result it is moving down.
- The daily momentum indicator is showing a negative divergence and has triggered a bearish crossover.
- The high of 82.49 will act as a key resistance on a closing basis.
- The initial target on the downside is the junction of the lower end of the short-term channel and the 40-day exponential moving average (DEMA), ie 78.9; below that the 61.8% retracement of the previous rise, ie 75, will be the target.

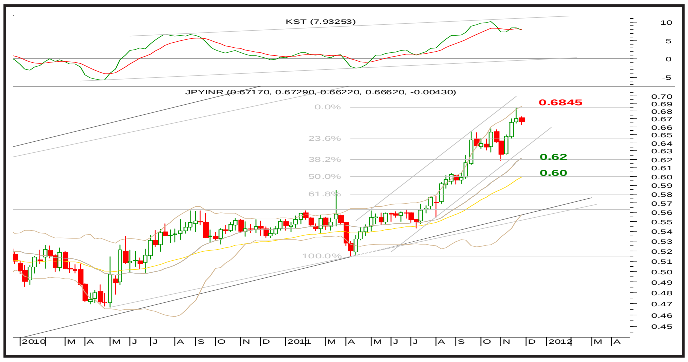


EUR-INR: Back into the channel

- EUR-INR made a throw over the rising channel and entered back into it.
- It faced resistance at the all-time high of 71.31, which can potentially result into a double top.
- The momentum indicator is showing a negative divergence and has given a sell signal.
- On the downside, the swing low of 66.98 would be the initial target.
- The channel target is 65, ie the lower end of the channel.

JPY-INR: Correction on the cards

- From the long-term rising trendline JPY-INR formed a channelised rally.
- Structurally the rally seems to have matured at the high of 0.6845.
- On the weekly chart JPY-INR formed an inverted hammer at the weekly upper Bollinger Band.
- The weekly momentum indicator is showing a negative divergence and is on the verge of a bearish crossover.
- The target on the downside is the junction of 38.2% retracement mark, swing low and the 20-weighted moving average (WMA), ie 0.62, followed by the junction of 50% retracement mark and the 40-weighted exponential moving average (WEMA), ie 0.60.



Currency	View	Reversal	Supports	Resistances	Target
USD-INR	Down	53.60	51/50.32	52.73/53	48.55
GBP-INR	Down	82.490	80.22/77.54	81/82	78.9-75
EUR-INR	Down	71.31	68.7/66.2	70/71	66.98-65
JPY-INR	Down	0.6845	06579/0.6445	0.6729/0.68	0.62-0.6

Portfolio Management Service

We are pleased to introduce you to Sharekhan's Portfolio Management Service (PMS) in which we completely manage your investment portfolio so that you stop worrying about the market volatility and focus your energy on things that you like to do!

We have a wide range of strategies that you can choose from. Our strategies are based on fundamental research and technical analysis.

We have the following strategies on offer:

ProPrime (based on fundamental research)

- Top Equity
- Diversified Equity

ProTech (based on technical analysis)

- Nifty Thrifty
- Diversified
- Trailing Stoploss

PROPRIME - TOP EQUITY

OVERVIEW

The **ProPrime—Top Equity** PMS strategy is suitable for the long-term investors looking to create an equity portfolio through disciplined investments that will lead to a growth in the portfolio's value with low to medium risk.

INVESTMENT STRATEGY

- Disciplined investment decisions are taken in specific stocks based on thorough fundamental research.
- Investments are made primarily in the Nifty Fifty or the BSE 100 scrips.
- Attempts to have an exposure of minimum of 70% in the Nifty Fifty stocks and that of minimum of 90% in the BSE 100 stocks.
- Endeavours to create a core portfolio of blue-chip companies with a proven track record and have partial exposure to quality companies in the mid-cap space.

PRICING

- **Minimum investment of Rs10 lakh**
- **Charges**
  - 2% per annum; AMC fee charged every quarter
  - 0.5% brokerage
  - 20% profit sharing after the 12% hurdle is crossed at the end of every fiscal

Fund Manager: Gaurav Dua

Product performance as on November 30, 2011

(In %)	Scheme	Sensex	Nifty
1 month	-8.1	-8.9	-9.3
3 month	-5.7	-3.3	-3.4
6 month	-	-	-
1 year	-	-	-
3 year	-	-	-
Since inception*	-8.3	-12.9	-13.1
Best month	3.7	7.6	7.8
Worst month	-8.1	-8.9	-9.3
Best quarter	-	-3.1	-3.2
Worst quarter	-4.5	-12.7	-12.5

#18-May-11

Disclaimer: Returns are based on a client's returns since inception and may be different from those depicted in the risk disclosure document.

Top 10 stocks

ICICI Bank
Bank of Baroda
Divi's Laboratories
Reliance Industries
Sintex Industries
Bharat Heavy Electricals
Bharti Airtel
Godrej Consumers
State Bank of India
Selan Explo. Tech

FUND OBJECTIVE

A good return on money through long-term investing in quality companies

PROPRIME - DIVERSIFIED EQUITY

OVERVIEW

The **ProPrime—Diversified Equity** PMS strategy is suitable for long-term investors looking to create an equity portfolio through disciplined investments that will lead to a growth in the portfolio's value with medium to high risk.

INVESTMENT STRATEGY

- Disciplined investment decisions are taken in specific stocks based on thorough fundamental research.
- A balanced mix of value and growth stocks (mid-cap and small-cap) is created that represents investment opportunities across sectors and market capitalisation.
- Invests in quality value and growth stocks with good earnings visibility and healthy balance sheet.
- The fund manager, with the help of extensive, in-house, superior research, identifies fundamentally sound companies to invest in.
- The fund manager strives to capture the short-term trading opportunities to maximise the potential of the swings in specific stocks.

PRICING

- **Minimum investment of Rs5 lakh**
- **Charges**
  - 2.5% per annum; AMC fee charged every quarter
  - 0.5% brokerage
  - 20% profit sharing after the 15% hurdle is crossed at the end of every fiscal

FUND MANAGER'S VIEW

The Indian market is facing the pressure of huge selling by the exchange traded funds due to the depreciation of the local currency. The euro zone crisis, political logjam and policy paralysis have given rise to widespread pessimism among investors. There is no sign of recovery in sight and the market has been reduced to being driven by news. Under the circumstances investors tend to remain on the sidelines and ignore the fundamentals of the stocks they hold.

In view of the recent developments in Europe and the Indian macro situation we are quite hopeful that the Indian government shall recognise the need to act fast and improve the falling growth numbers. The immediate impact of the declining inflation and the steps taken by the government to restrict the slide in the local currency would be felt in the form of the reversal of the interest rate cycle. The co-ordinated efforts by the key central banks of the world led by the US Federal Reserve to tackle the euro zone problems have also given a respite to the investor community and once again the world markets have welcomed the USA's leadership at times of crises.

We expect the recent reformist measures taken by the domestic government would bring back foreign direct investment and foreign institutional investors to India after December 2011. As a strategy, we prefer to stay on the sidelines for the triggers to occur and work out. If the companies in the portfolio are performing on the earnings front, we do not see the point in booking unwanted losses just because stock prices are going down. We are very confident that our high-conviction stocks like IL&FS Transportation Networks, Diamond Power, PTC India, SPIC and Reliance Infrastructure will do exceedingly well in the long term. As an opportunity we have already started accumulating growth stocks like Yes Bank, Bharat Earth Movers and Selan Exploration Technology; we are also accumulating PTC India, Reliance Infrastructure and SPIC at lower levels.

Fund Manager: Suhas Samant

Product performance as on November 30, 2011

(In %)	Scheme	S&P CNX 500
1 month	-14.8	-9.6
3 month	-14.3	-5.6
6 month	-27.2	-15.2
1 year	-43.7	-20.3
3 year	11.7	82.1
Since inception*	72.1	157.7
Best month	37.5	34.4
Worst month	-24.1	-27.2
Best quarter	65.0	51.2
Worst quarter	-29.1	-28.6

*24-Sept-04

Disclaimer: Returns are based on a client's returns since inception and may be different from those depicted in the risk disclosure document.

Top 10 stocks

ITNL
Reliance Industries
Gayatri Projects
Diamond Power Infrastructure
PTC India
Southern Petrochemicals Industries
Aftek
Reliance Infrastructure
Polyplex Corporation
SREI Infrastructure Fina.

FUND OBJECTIVE

A good return on money through long-term investing regardless of short-term volatility

PROTECH - DIVERSIFIED

OVERVIEW

The **ProTech–Diversified** PMS strategy is suitable for long-term investors who desire to profit from both bullish and bearish market conditions. The strategy involves going long (buying) or going short (selling without holding) on certain investment classes by predicting the market direction based on a back-tested automated model.

INVESTMENT STRATEGY

- This strategy has the potential to generate profits irrespective of the market direction by going long or short on specific indices and stocks.
- It invests in the Nifty and the Bank Nifty indices (via futures) and 10 stock futures.
- An automated basic back-testing model is used to predict the market direction for each of the indices and stocks which then decides the strategy to be deployed in terms of going long or short.
- The portfolio is not leveraged, ie its exposure will never exceed its value.

PRICING

- **Minimum investment of Rs5 lakh**
- Charges
  - AMC fees: 0%
  - Brokerage: 0.05%
  - Profit sharing: Flat 20% charged on a quarterly basis

FUND MANAGER'S VIEW

The Nifty, which tumbled by more than 10% in November this year, surprised most of the long-only funds. The heat of the current fall was felt even by the very well diversified portfolios with exposure across sectors as well as asset classes. As pointed out in my earlier newsletters, when all asset classes move in tandem, we may not get the desired benefits of diversification. At such times absolute-return products offer the right diversification to your portfolio as against the other asset classes that also come under stress during recessionary phases. Absolute-return products not only provide stability to your portfolio but also generate returns and this has been proved time and again.

The market is likely to remain volatile and bounce back up to the 5100-5150 level, which seems to be the cap for our market at the current juncture. The option side of the market is indicating the market would move in the 4800-5100 range. As validated by the history of our market, the month of December tends to be positive. So we feel the market is likely to remain in this broad range of 4800-5100 with sharp bounces from the lower end of the range.

ProTech Diversified delivered a return of 2.10% in November this year. It delivered a positive return for the second consecutive month. The scheme has been performing consistently for the last couple of months irrespective of the direction of the market and that makes this product a perfect diversification option for your portfolio. ProTech Diversified not only protects your portfolio but also generates returns in a downward market.

Fund Manager: Abhinay Jain

Product performance as on November 30, 2011

(In %)	Scheme	Sensex	Nifty
1 month	2.1	-8.9	-9.3
3 month	-0.4	-3.3	-3.4
6 month	4.2	-12.9	-13.1
1 year	7.8	-17.4	-17.6
3 year	-	-	-
Since inception*	16.5	-8.2	-8.4
Best month	7.1	11.7	11.6
Worst month	-5.6	-10.6	-10.2
Best quarter	6.3	13.4	13.5
Worst quarter	-1.3	-12.7	-12.5

*16-May-2010

Disclaimer: Returns are based on a client's returns since inception and may be different from those depicted in the risk disclosure document.

Top 10 stocks*

Nifty
Bank Nifty
IDBI Bank
Aban Offshore
DLF
Jindal Steel
Jaiprakash Associates
Punj Llyod
Ranbaxy
Sesagoa
Tata Motors
Yes Bank

*Traded stocks

FUND OBJECTIVE

Absolute returns irrespective of market conditions through a long-short strategy followed in multiple investments

PROTECH – NIFTY THRIFTY

OVERVIEW

The **ProTech–Nifty Thrifty** PMS strategy is suitable for long-term investors who desire to profit from both bullish and bearish market conditions. The strategy involves going long (buying) or going short (selling without holding) on Nifty futures by predicting the market direction based on a back-tested automated model.

INVESTMENT STRATEGY

- The strategy has the potential to generate profits irrespective of the market direction by going long or short on Nifty futures.
- An automated basic back-testing model is used to predict the market direction for the Nifty which then decides the strategy to be deployed in terms of going long or short.
- The portfolio is not leveraged, ie its exposure never exceeds its value.

PRICING

- **Minimum investment of Rs5 lakh**
- **Charges**
  - AMC fees: 0%
  - Brokerage: 0.05%
  - Profit sharing: Flat 20% charged on a quarterly basis

FUND MANAGER'S VIEW

We like it when the market trends a clear fall from 5400 to 4640 in the Nifty allowing us to continue to deliver another good month for the Nifty Thrifty clients. The market's trending behaviour that started a year back remains the best reason why this product will continue to do well. However, most of the market's moves are less than 10-15%. Bigger index moves would allow us to capture a more sizeable chunk of returns. The direction does not matter. However, we have been witnessing a market that is making lower tops and bottoms for most of the year gone by. So till that changes the overall trend might remain down.

Nifty Thrifty should continue to outperform the market as the market is trending and falling at the same time. Investors can use dips in the net asset value of Nifty Thrifty to add to their investment in this product as the environment is conducive to its success. As always, there is no human intervention and it remains within the risk management parameters. The long-term compounded annual growth rate or the net asset value is far below the expected mean, so the potential for returns to improve and head to mean is high.

Fund Manager: Rohit Shrivastava

Product performance as on November 30, 2011

(In %)	Scheme	Sensex	Nifty
1 month	4.1	-8.9	-9.3
3 month	4.0	-3.3	-3.4
6 month	12.3	-12.9	-13.1
1 year	21.2	-17.4	-17.6
3 year	20.6	77.3	75.4
Since inception*	140.5	55.5	57.2
Best month	28.9	28.3	28.1
Worst month	-17.1	-23.9	-26.4
Best quarter	33.3	49.3	42.0
Worst quarter	-11.7	-25.0	-24.5

*01-Feb-2006

Disclaimer: Returns are based on a client's returns since inception and may be different from those depicted in the risk disclosure document.

Stocks

Stocks
Nifty Index

FUND OBJECTIVE

Absolute returns irrespective of market conditions.

PROTECH – TRAILING STOPS

OVERVIEW

Our **ProTech–Trailing Stops** PMS strategy is suitable for long-term investors who desire to make profits in both bullish and bearish market conditions. It is also for those investors who are looking for profit pay-outs at regular intervals. This strategy involves going long (buying) or short (selling without holding) on stock/index futures.

INVESTMENT STRATEGY

- This strategy spots the winning trades based on technical analysis vs time frame-based portfolios, basically the momentum calls.
- A risk model has been developed for stock portfolio allocation that reduces the risk and portfolio volatility through staggered building of positions.
- It is non-leveraged—the exposure will never exceed the value of the portfolio.

PRICING

- **Minimum investment of Rs5 lakh**
- Charges
  - AMC fees: 0%
  - Brokerage: 0.05%
  - Profit sharing: Flat 20% charged on a quarterly basis

FUND MANAGER'S VIEW

The model that evolved over years of experience and was kicked off with a new portfolio manager in place in May 2011 has been paying off if you look at the net asset value graph that is showing that the volatility in the net asset value is very low while delivering returns. The design is to spread out trades in the direction of the trend so that the impact of day-to-day news and volatility on the portfolio is reduced significantly. This approach has allowed us to generate consistent returns on the product over the last six months. Currently the net asset value at 10.95 shows a return of 9.52% vs a drop of 6.43% in the Sensex over the same time frame.

The strategy continues to be to identify long- and short-side opportunities in the market from time to time based on trend. However, with the trend down it is obvious that the short side has been more profitable and trading long has been more difficult. Still, as the market is bouncing up lately we do attempt long-side trades based on the above strategy of volatility management. Also, till the larger trend up is established, long positions are with lower overall portfolio weightage rather than short positions. These weightages are based on a defined model so that there is no human error when it comes to risk management. The trending nature of the market has further enhanced the performance of Trailing Stops.

Fund Manager: Rohit Shrivastava

Product performance as on November 30, 2011

(In %)	Scheme	Sensex	Nifty
1 month	4.1	-8.9	-9.3
3 month	3.2	-3.3	-3.4
6 month	12.3	-12.9	-13.1
1 year	-	-	-
3 year	-	-	-
Revised strategy date*	3.4	-15.7	-16.0
Best month	8.3	7.6	7.8
Worst month	-7.9	-8.4	-8.8
Best quarter	9.9	-3.1	-3.2
Worst quarter	-	-12.7	-12.5

*07th May 2011 (Revised strategy)

Disclaimer: Returns are based on a client's returns since inception and may be different from those depicted in the risk disclosure document.

Stocks

Nifty Index
Stock Futures

FUND OBJECTIVE

Absolute returns irrespective of market conditions.

Sharekhan
Your guide to the financial jungle

Select the Portfolio strategy that matters to you

Sign up for a FREE webinar on two smart ways to maximise opportunities

Looking for the **next Infosys?**

Identifying opportunities in Small and Mid Cap stocks

A part of being an HNI is investing in relatively unknown companies, some of which have given great returns. It is wise to learn about investing in Mid Cap/Small Cap companies. ProPrime PMS (Portfolio Management Services) is a strategy that is suitable for long-term investors looking to create an equity portfolio through disciplined investments that will potentially lead to a better portfolio.

In this exclusive webinar with Suhas Samant, you will learn:

- Why you need to invest in Mid Cap/Small Cap companies
- About various precautions that you need to take while investing in such companies
- What you need to keep in mind in terms of return expectations or time horizons while investing

New Emerging Asset Class

Learn about Absolute Return Products

The current market conditions are pushing High Networth Individuals towards Absolute Return Products. Learn about ProTech Portfolio Management Services, a strategy which is suitable for long-term investors who wish to make profits regardless of the market's health.

This exclusive webinar will guide you to:

- The various asset classes that are available for investment
- The advantages of investing in Absolute Return Products
- What you need to keep in mind when investing in an Absolute Return Product

To register please visit our website www.sharekhan.com

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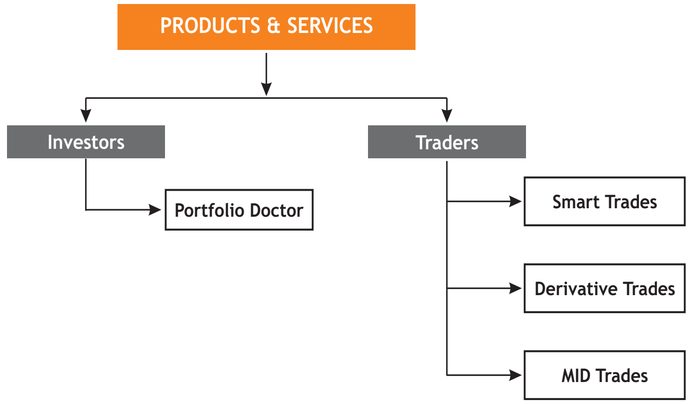
Advisory Products & Services

Sharekhan's Advisory Desk is a central desk consisting of Mumbai-based expert advisory team that runs various sample model portfolios (for illustration purposes only) for clients of all profiles, be they traders or investors. Targeted at all types of clients, it is ideal for those who do not have the time to monitor the market tick by tick or to sift through pages of research for data or to pour over complex charts to catch a trend.

Advisory Desk caters to both traders and investors. For traders it has three products, Smart Trades, Derivative Trades and MID Trades. For investors it runs the Sharekhan Portfolio Doctor service under which it reviews an existing portfolio on various parameters and suggests recommendations on a regular basis to improve its performance.



FOR INVESTORS

PORTFOLIO DOCTOR

Portfolio Doctor evaluates an existing portfolio on various parameters and suggests recommendations on a regular basis to improve its performance. It is targeted at long-term investors with a portfolio value of more than Rs10 lakh. The Portfolio Doctor service involves three simple steps:

- analysis of an existing portfolio,
- realignment of the portfolio with Sharekhan's recommendations and
- creation of a Model Portfolio.

FOR TRADERS

SMART TRADES

Smart Trades are calls generated based on the market pulse or the flavour of the season (these calls are not based on fundamental research). These calls are targeted at short-term delivery traders with a medium risk profile.

DERIVATIVE TRADES

Derivative Trades are generated by the Sharekhan Derivatives Desk based on the analysis of open interest and other indicators. It is a leveraged product and ideal for aggressive futures traders.

MID TRADES

MID Trades are trading calls on liquid stocks where momentum is expected before or after the announcement of results or where there is some news/event probable. These calls are generated by our Market Intelligence Desk and are rolled out based on the market pulse. The calls under MID Trades are not based on fundamental research but are generated using basic technical indicators and derivatives analysis. MID Trades are for intra-day and short-term swing traders.

All these products require perfect discipline and money management for desired results.

Product performance

Product	Smart Trades		Derivative Trades		MID Trades	
Ticket size (Rs)	300,000		300,000		NA	
Month	Nov 2011	YTD FY12	Nov 2011	YTD FY12	Nov 2011	YTD FY12
No of calls	9	160	30	213	63	194
Profit and loss (Rs)	-6,572	-46,269	-5,915	15,791	31,000	93,000
Returns (%)	-2.19	-15.42	-1.97	5.26	NA	NA
Strike rate (%)	NA	NA	NA	NA	49.2	49.0

For more details on any of the Advisory Desk products write to us at info@sharekhan.com

READY FOR ROARING ADVICE

SHAREKHAN'S TOP MUTUAL FUND PICKS (EQUITY)

Data as on October 31, 2011

Scheme name	Star rating	NAV (Rs)	Returns (%)				
			Absolute	Compounded annualised			Since inception
			6 months	1 year	3 years	5 years	
Large-cap funds							
ICICI Prudential Focused Bluechip Equity Fund - Ret	★★★★★	15.7	-4.1	-7.9	**32.4**	--	14.9
Principal Large Cap Fund	★★★★	25.1	-9.5	-16.5	**29.0**	10.0	17.4
Franklin India Bluechip	★★★★★	202.0	-3.7	-7.1	**27.9**	11.1	25.9
Birla Sun Life Frontline Equity Fund - Plan A	★★★★	79.5	-7.1	-13.0	**26.7**	12.0	25.9
Birla Sun Life Top 100 Fund	★★★★	20.7	-6.2	-10.8	**23.0**	7.5	13.7
Indices							
BSE Sensex		17705.0	-7.4	-13.1	**21.8**	6.4	
Mid-cap funds							
SBI Magnum Sector Funds Umbrella - Emerg Buss Fund	★★★★★	43.4	6.4	1.0	**43.7**	9.9	23.3
IDFC Premier Equity Fund - Plan A	★★★★★	31.7	1.6	-6.4	**38.0**	22.9	21.7
IDFC Small & Midcap Equity Fund	★★★★	17.0	-5.5	-13.1	**38.0**	--	16.9
Religare Mid Cap Fund	★★★★	13.7	0.6	-10.5	**37.1**	--	8.3
HDFC Mid-Cap Opportunities Fund	★★★★	14.9	-2.1	-8.6	**34.6**	--	10.4
Indices							
BSE MID CAP		6298.0	-11.2	-25.5	**25.3**	3.1	
Multi-cap funds							
Reliance Equity Opportunities Fund	★★★★★	33.1	-4.0	-9.4	**37.2**	11.8	20.9
Mirae Asset India Opportunities Fund	★★★★★	15.1	-5.4	-8.9	**35.5**	--	13.6
Tata Dividend Yield Fund	★★★★★	31.7	-4.2	-7.2	**34.0**	14.0	18.6
UTI Opportunities Fund	★★★★★	26.8	-1.5	-3.3	**31.8**	14.2	17.3
AIG India Equity Fund - Reg	★★★★★	12.0	1.6	-2.6	**28.1**	--	5.2
Indices							
BSE 500		6763.3	-8.9	-15.8	**23.7**	6.4	
Tax saving funds							
ICICI Prudential Taxplan	★★★★	126.7	-6.7	-10.6	**32.2**	8.0	23.7
Religare Tax Plan	★★★★★	16.4	-2.9	-8.8	**31.9**	--	11.9
Fidelity Tax Advantage Fund	★★★★	20.4	-5.0	-10.0	**29.6**	13.0	14.2
Franklin India Taxshield	★★★★★	202.3	-1.2	-3.1	**28.0**	11.3	27.4
Tata Tax Saving Fund	★★★★	43.9	-4.0	-7.0	**26.0**	7.5	20.8
Indices							
CNX500		4215.9	-8.6	-15.1	**23.7**	6.2	
Thematic funds							
DSP BlackRock Natural Resources & New Energy Fund	★★★★★	13.9	-2.8	-8.2	**29.8**	--	10.9
Canara Robeco Infrastructure Fund	★★★★	20.9	-6.3	-10.6	**28.7**	10.6	13.9
Birla Sun Life India GenNext Fund	★★★★★	23.9	0.7	-6.0	**26.3**	11.1	15.6
Fidelity India Special Situations Fund	★★★★	16.8	-6.9	-13.8	**25.8**	8.0	10.8
UTI India Lifestyle Fund	★★★★	11.6	-0.2	-5.2	**24.4**	--	4.2
Indices							
S&P Nifty		5326.6	-7.3	-13.0	**22.7**	7.3	
Balanced funds							
HDFC Prudence Fund	★★★★	198.6	-3.9	-6.4	**32.1**	14.2	20.4
HDFC Balanced Fund	★★★★★	54.3	-0.4	-1.6	**29.9**	12.2	16.7
Tata Balanced Fund	★★★	79.9	-2.1	-4.3	**26.1**	12.2	16.2
Canara Robeco Balance	★★★★	59.4	-1.8	-3.8	**25.6**	10.4	10.3
ICICI Prudential Balanced	★★★★	45.6	-0.7	-1.7	**22.4**	7.2	13.6
Indices							
Crisil Balanced Fund Index			-3.6	-5.3	**18.1**	7.9	

Every individual has a different investment requirement, which depends on his financial goals and risk-taking capacities. We at Sharekhan first understand the individual's investment objectives and risk-taking capacity, and then recommend a suitable portfolio. So, we suggest that you get in touch with our Mutual Fund Advisor before investing in the best funds.■

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the mutual funds mentioned in the article.

Sharekhan's top SIP fund picks

Data as on October 31, 2011

Investment period	1 year		3 years		5 years	
Total amount invested (Rs)	12,000		36,000		60,000	
Funds would have grown to (Rs)	Present value (Rs)	Avg. annual return (%)	Present value (Rs)	Avg. annual return (%)	Present value (Rs)	Avg. annual return (%)
Large-cap funds						
Principal Large Cap Fund	10184.8	-15.1	56372.8	**29.0**	77437	10.0
Franklin India Bluechip	11320.8	-5.7	55372.3	**27.9**	79730	11.1
Birla Sun Life Frontline Equity Fund - Plan A	10623.2	-11.5	54305.2	**26.7**	81669.7	12.0
Tata Pure Equity Fund	10503.0	-12.5	53177.3	**25.4**	78054.1	10.3
DSP BlackRock Top 100 Equity Fund	11038.2	-8.0	51828.0	**23.8**	83443.5	12.8
BSE Sensex	9975.1	-16.9	50040.5	**21.6**	67316.5	4.6
Multi-cap funds						
Reliance Equity Opportunities Fund	10229.2	-14.8	61920.5	**34.7**	77642.7	10.1
Tata Dividend Yield Fund	10525.2	-12.3	59606.4	**32.4**	83443.5	12.8
Birla Sun Life Dividend Yield Plus	10142.9	-15.5	59214.6	**32.0**	85265.6	13.6
UTI Opportunities Fund	11086.5	-7.6	58825.9	**31.6**	85496.8	13.7
Canara Robeco Equity Diversified	10806.4	-9.9	57020.9	**29.7**	81669.7	12.0
BSE 500	9443.8	-21.3	50681.6	**22.4**	67145.6	4.5
Mid-cap funds						
SBI Magnum Sector Funds Umbrella - Emerg Buss Fund	12249.9	2.1	72066.3	**43.7**	77232.8	9.9
IDFC Premier Equity Fund - Plan A	11246.0	-6.3	65430.9	**38.0**	110500.7	22.9
Sundaram Select Midcap	10153.3	-15.4	60001.3	**32.8**	78468.9	10.5
UTI Mid Cap Fund	10564.0	-12.0	58344.3	**31.1**	73285.6	7.9
Franklin India Prima Fund	10139.2	-15.5	56834.8	**29.5**	69057.6	5.6
BSE Midcap	8391.0	-30.1	50681.6	**22.4**	61651.6	1.1
Tax saving funds						
ICICI Prudential Taxplan	10008.6	-16.6	59019.8	**31.8**	70129.8	6.2
HDFC Taxsaver	9804.0	-18.3	56281.0	**28.9**	73285.7	7.9
Fidelity Tax Advantage Fund	10209.0	-14.9	56006.5	**28.6**	80156.3	11.3
Franklin India Taxshield	11088.0	-7.6	55013.8	**27.5**	77847.8	10.2
Taurus Taxshield	9460.7	-21.2	53263.0	**25.5**	85035.1	13.1
S&P Nifty	10444.2	-13.0	50924.6	**22.7**	72151.6	7.3

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Sharekhan Earnings Guide

Prices as on December 02, 2011

Company	Price (Rs)	Sales			Net Profit			EPS			(%) EPS Growth	PE (x)			ROCE (%)		RONW (%)		DPS	Div Yield
		FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY13/FY11	FY11	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	(Rs)	(%)
Evergreen																				
HDFC	667.6	4247.0	5064.0	6005.0	3536.0	4128.0	4853.0	24.1	28.1	32.0	15%	27.7	23.8	20.9	-	-	20.9	19.1	9.0	1.3
HDFC Bank	466.0	14878.0	18041.0	21584.0	3926.0	5107.0	6187.0	16.9	20.8	25.2	22%	27.6	22.4	18.5	-	-	18.7	19.5	3.3	0.7
Infosys Tech	2694.2	27501.0	33968.5	37869.2	6835.0	8212.2	9038.3	119.5	143.6	158.0	15%	22.5	18.8	17.1	39.3	34.6	28.4	25.8	60.0	2.2
Larsen & Toubro	1310.3	52089.1	62324.7	68175.8	3920.9	4724.4	5433.6	64.5	77.7	89.4	18%	20.3	16.9	14.7	11.5	11.9	16.3	16.2	14.5	1.1
Reliance Ind	812.1	265810.6	278775.3	295675.0	19293.7	21501.0	24046.3	58.7	65.4	73.2	12%	13.8	12.4	11.1	11.6	12.8	12.2	12.0	9.0	1.1
TCS	1178.0	37324.5	47855.9	56035.6	8682.9	10537.6	12229.6	44.4	53.8	62.5	19%	26.5	21.9	18.8	51.6	46.2	39.8	36.4	14.0	1.2
Applegreen																				
Aditya Birla Nuvo @	914.4	5436.0	6012.0	6877.0	302.2	367.5	473.0	26.6	32.4	41.7	25%	34.4	28.2	21.9	8.9	10.0	7.1	8.3	5.5	0.6
Apollo Tyres	66.3	8867.8	11937.0	13909.4	440.9	429.8	548.1	8.7	8.5	10.9	12%	7.6	7.8	6.1	15.0	17.0	15.2	16.4	0.5	0.8
Bajaj Auto	1714.6	16609.0	20387.0	23527.0	2615.0	3256.4	3606.8	90.4	112.6	124.7	17%	19.0	15.2	13.7	52.3	41.5	55.5	45.7	40.0	2.3
Bajaj Finserv	447.3	2444.0	-	-	1114.8	-	-	77.1	-	-	-	-	-	-	-	-	-	-	1.3	0.3
Bajaj Holdings	709.1	898.2	-	-	2322.8	-	-	219.0	-	-	-	-	-	-	-	-	-	-	35.0	4.9
Bank of Baroda	730.8	11611.0	13116.0	15360.0	4242.0	4581.0	5364.0	107.6	116.3	136.1	12%	6.8	6.3	5.4	-	-	20.5	20.7	16.5	2.3
Bank of India	340.6	10453.0	11154.0	13309.0	2489.0	2321.0	3130.0	45.5	42.4	57.2	12%	7.5	8.0	6.0	-	-	12.8	15.4	7.0	2.1
Bharat Electronics	1505.9	5471.7	6294.8	6984.3	861.5	943.9	1053.3	105.2	118.0	131.7	12%	14.3	12.8	11.4	22.1	20.5	15.4	14.2	21.6	1.4
BHEL	282.7	41566.1	48747.8	52657.7	6011.2	6413.9	6985.1	24.6	26.2	28.5	8%	11.5	10.8	9.9	42.1	38.0	26.1	23.7	31.2	11.0
Bharti Airtel	390.6	59467.0	72539.0	80130.0	5859.0	6381.0	9664.0	15.4	16.8	25.4	28%	25.4	23.3	15.4	18.9	20.0	16.1	18.0	1.0	0.3
Corp Bank	353.4	4264.0	4535.0	5311.0	1413.0	1383.0	1655.0	95.3	93.3	111.7	8%	3.7	3.8	3.2	-	-	18.0	18.7	20.0	5.7
Crompton Greaves	132.3	10005.1	11016.2	12225.2	926.8	603.4	812.7	14.3	9.4	12.7	-6%	9.2	14.1	10.4	21.7	25.4	16.0	18.3	2.2	1.7
Divi's Labs	763.5	1307.1	1621.4	1964.1	429.3	506.4	631.2	32.4	38.2	47.6	21%	23.6	20.0	16.0	27.5	29.5	24.2	25.9	10.0	1.3
GAIL	398.5	32458.6	36904.0	41685.6	3561.3	3902.8	4062.4	28.1	30.8	32.0	7%	14.2	13.0	12.4	22.6	19.1	18.9	17.3	7.5	1.9
Glenmark Pharma	317.9	2949.1	3673.3	4002.9	392.8	652.0	612.1	14.5	24.1	22.6	25%	21.9	13.2	14.1	17.3	14.9	19.1	15.3	0.4	0.1
GCPL***	396.5	3643.0	4619.9	5732.5	476.9	564.3	725.6	14.7	17.4	22.4	23%	27.0	22.8	17.7	16.8	20.9	28.5	29.0	4.5	1.1
Grasim	2451.4	21269.0	23761.0	25554.0	2164.0	2549.0	2822.0	236.0	278.1	307.8	14%	10.4	8.8	8.0	18.3	17.5	14.7	13.9	20.0	0.8
HCL Tech**	416.8	16034.2	19788.6	22577.1	1709.5	2223.3	2745.6	24.5	31.9	39.4	27%	17.0	13.1	10.6	27.4	28.2	26.8	27.0	7.5	1.8
HUL*	394.9	19691.0	22866.0	25944.2	2134.4	2501.6	2918.8	9.9	11.6	13.5	17%	39.9	34.0	29.3	103.7	92.8	81.3	72.7	3.5	0.9
ICICI Bank	787.7	15665.0	17752.0	20303.0	5151.0	5846.0	6709.0	44.7	50.8	58.3	14%	17.6	15.5	13.5	-	-	10.4	11.6	14.0	1.8
Indian Hotel Co	61.1	2891.7	3421.8	4078.8	-105.6	132.6	309.9	-1.4	1.7	3.8	-	-43.6	35.9	16.1	7.5	10.9	5.3	11.1	1.0	1.6
ITC#	206.5	21468.3	25334.3	29634.0	4987.6	6127.1	7307.1	6.4	7.9	9.4	21%	32.3	26.1	22.0	45.3	44.2	34.7	33.8	4.5	2.2
Lupin	470.1	5706.8	6722.0	8003.6	862.5	991.9	1223.8	19.3	22.2	27.4	19%	24.4	21.2	17.2	21.3	21.4	23.0	21.9	3.0	0.6
M&M	749.9	23494.0	29465.0	34657.0	2662.0	2674.4	3253.3	42.0	43.6	53.0	12%	17.9	17.2	14.1	23.9	24.7	21.9	22.4	11.5	1.5
Marico	147.8	3128.3	3942.8	4580.0	256.9	318.9	420.4	4.2	5.2	6.8	27%	35.2	28.4	21.7	25.2	28.1	30.4	30.7	0.7	0.4
Maruti Suzuki	992.4	36965.0	34402.0	46860.0	2289.0	1554.0	2826.0	79.2	53.8	97.8	11%	12.5	18.4	10.1	14.5	23.3	10.7	17.4	7.5	0.8
Piramal Healthcare	368.3	2556.0	2043.1	2411.5	-3435.8	110.0	334.4	-204.6	6.4	19.3		-1.8	57.5	19.1	-0.3	1.4	0.8	2.3	12.0	3.3
PTC India	50.9	8997.3	9316.0	12297.0	138.5	145.0	195.0	4.7	4.9	6.6	19%	10.8	10.4	7.7	8.4	11.4	6.4	8.1	1.5	2.9
Punj Lloyd	50.2	7849.6	9749.0	12441.0	-160.0	51.8	173.5	-4.8	1.6	5.2		-10.4	31.3	9.6	8.1	9.6	1.7	5.4	0.2	0.3
SBI	1886.9	48351.0	56372.0	63426.0	8265.0	10687.0	14357.0	130.2	168.3	226.1	32%	14.5	11.2	8.3	-	-	15.5	18.2	30.0	1.6
Sintex Industries^	93.9	4483.5	5569.9	6400.8	460.5	566.8	629.7	14.9	18.3	20.3	17%	6.3	5.1	4.6	14.2	14.0	19.2	17.6	0.7	0.7
TGBL(Tata Tea)^	91.8	6004.5	6402.5	6811.1	248.0	333.5	422.9	4.0	5.4	6.8	30%	22.9	17.0	13.5	7.7	9.3	8.2	9.7	2.0	2.2
Wipro	391.8	31054.2	37013.7	40441.6	5253.3	5780.8	6146.9	21.4	23.6	25.0	8%	18.3	16.6	15.7	22.5	22.1	22.1	20.3	6.0	1.5
Emerging Star																				
Axis (UTI) Bank	1006.0	11195.0	13475.0	15999.0	3389.0	4079.0	4811.0	82.5	99.3	117.2	19%	12.2	10.1	8.6	-	-	19.6	18.8	14.0	1.4
Cadila Healthcare	700.1	4630.3	5258.2	6049.9	711.1	800.0	991.4	34.7	39.1	48.4	18%	20.2	17.9	14.5	22.4	23.4	29.1	27.6	6.3	0.9
Eros Intl Media	230.0	707.0	891.0	1103.9	117.3	154.8	201.8	12.9	16.7	22.1	31%	17.8	13.8	10.4	22.9	25.9	20.9	22.8	0.0	0.0
Greaves Cotton^	79.8	1667.3	1890.9	2219.3	169.7	171.5	201.8	7.0	7.0	8.3	9%	11.4	11.4	9.6	42.9	41.4	29.4	28.3	1.1	1.4
ITNL	172.7	4048.3	5353.0	6456.5	432.3	477.7	526.1	22.3	24.6	27.1	10%	7.7	7.0	6.4	14.3	11.5	17.8	15.7	3.5	2.0

@Stand-alone financials

**June ending company

Note: For Grasim and Apollo Tyres we have shifted our estimates to consolidated

Company	Price (Rs)	Sales			Net Profit			EPS			(%) EPS Growth	PE (x)			ROCE (%)		RONW (%)		DPS	Div Yield
		FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY13/FY11	FY11	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	(Rs)	(%)
IRB Infra	152.2	2438.2	3278.0	4589.2	452.4	503.6	564.1	13.6	15.2	17.0	12%	11.2	10.0	9.0	14.2	12.4	19.0	18.0	1.5	1.0
Max India	166.9	6668.0	-	-	32.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opto Circuits India	203.3	1585.6	1931.9	2270.9	367.2	422.8	509.4	19.7	22.7	27.3	18%	10.3	9.0	7.4	19.7	20.5	26.9	25.8	4.5	2.2
Thermax	470.0	4884.4	5638.3	6202.1	383.5	429.2	468.2	32.2	36.0	39.3	10%	14.6	13.1	12.0	43.2	38.7	26.9	24.1	9.0	1.9
Yes Bank	290.2	1870.2	2537.0	3259.0	727.1	965.0	1175.0	20.9	25.3	30.8	21%	13.9	11.5	9.4	-	-	20.0	18.4	2.5	0.9
Zydus Wellness	457.8	336.5	359.0	411.5	59.6	70.5	86.2	15.2	18.0	22.1	21%	30.1	25.4	20.7	51.5	45.9	42.0	37.8	4.0	0.9
Ugly Duckling																				
Ashok Leyland	25.0	11117.6	12957.0	15165.4	636.1	641.7	778.6	2.4	2.4	2.9	10%	10.4	10.4	8.6	13.6	15.2	15.5	17.3	1.0	4.0
Bajaj Corp	115.4	359.4	469.6	560.7	103.1	119.3	140.5	7.0	8.1	9.5	16%	16.5	14.2	12.1	34.7	33.4	27.5	26.6	1.9	1.6
CESC	260.4	3939.9	4612.7	4990.2	488.4	516.1	572.7	38.9	41.1	45.6	8%	6.7	6.3	5.7	7.1	7.2	9.0	9.3	4.0	1.5
Deepak Fert	147.7	1564.8	1948.9	2278.5	186.6	186.9	237.3	21.2	21.2	26.9	13%	7.0	7.0	5.5	11.5	12.8	16.5	18.5	5.0	3.4
Federal Bank	396.4	2263.4	2593.0	3069.0	587.1	728.0	924.0	34.3	42.5	54.0	25%	11.6	9.3	7.3	-	-	13.0	14.5	8.5	2.1
Gayatri Projects	119.9	1440.6	1707.4	2079.7	62.4	68.3	96.0	52.1	32.4	45.5	-7%	2.3	3.7	2.6	13.9	15.1	14.7	15.2	2.5	2.1
Genus Power	10.0	714.1	767.6	820.4	54.8	47.8	53.2	3.4	3.0	3.4	0%	2.9	3.3	2.9	14.0	13.4	13.0	12.7	0.1	1.0
India Cements	75.6	3501.0	4190.0	4370.0	66.3	287.0	355.0	2.2	9.3	11.6	130%	34.3	8.1	6.5	7.0	7.0	7.0	8.0	1.5	2.0
Ipca Laboratories	265.0	1898.9	2265.3	2646.7	262.8	285.4	344.7	20.9	22.8	27.5	15%	12.7	11.6	9.6	23.0	23.2	23.9	23.4	3.2	1.2
ISMT	26.5	1611.4	1965.0	2281.8	75.4	60.8	102.5	5.1	4.2	7.0	18%	5.2	6.3	3.8	10.2	13.1	9.2	13.5	1.3	4.7
Jaiprakash Asso	67.3	13320.2	14651.0	17265.0	653.0	657.0	900.0	3.1	3.1	4.2	16%	21.7	21.7	16.0	9.3	10.4	7.0	9.0	0.9	1.4
KKCL	713.9	236.6	308.0	372.2	46.2	58.0	69.3	37.5	47.0	56.0	22%	19.0	15.2	12.7	35.1	36.6	27.0	27.9	10.0	1.4
NIIT Technologies	207.8	1232.2	1645.9	1960.1	180.9	187.4	205.5	30.5	31.6	34.7	7%	6.8	6.6	6.0	30.5	27.8	22.8	21.8	7.5	3.6
Orbit Corporation	30.8	385.6	380.2	566.9	78.3	38.9	81.8	6.9	3.4	7.2	2%	4.5	9.1	4.3	7.8	10.4	4.1	8.2	1.5	4.9
Polaris Software	126.1	1586.3	2136.2	2516.5	191.7	218.0	244.2	20.4	23.0	24.7	10%	6.2	5.5	5.1	25.9	25.0	19.5	18.9	4.5	3.6
Pratibha Industries	34.3	1268.1	1555.0	1902.4	71.5	82.5	102.4	7.2	8.2	10.1	18%	4.8	4.2	3.4	18.7	18.1	15.8	16.9	0.6	1.8
Provogue India	25.2	565.4	616.1	662.3	33.4	35.4	43.0	2.9	3.1	3.8	14%	8.7	8.1	6.6	8.0	9.1	4.6	5.3	0.3	1.0
PNB	916.4	15420.0	17653.0	20334.0	4434.0	4867.0	5756.0	139.9	153.6	181.7	14%	6.6	6.0	5.0	-	-	20.8	20.8	22.0	2.4
Ratnamani Metals	105.0	812.2	1105.4	1308.7	80.5	78.9	102.3	17.4	17.0	22.1	13%	6.0	6.2	4.8	17.3	19.6	16.8	18.5	2.5	2.4
Raymond	393.0	3035.9	3446.3	3811.1	53.8	182.2	250.8	24.3	32.9	41.2	30%	16.2	11.9	9.5	13.9	16.8	14.1	16.0	1.0	0.3
Selan Exploration	274.0	71.0	105.2	152.7	32.2	48.1	71.1	18.9	28.3	41.9	49%	14.5	9.7	6.5	29.6	35.6	22.8	25.6	1.8	0.6
Shiv-Vani Oil	187.3	1462.2	1534.7	1608.2	225.0	226.1	280.4	48.5	48.8	60.5	12%	3.9	3.8	3.1	14.7	15.7	13.6	14.4	1.0	0.5
Sun Pharma	533.2	5721.4	7341.9	8273.2	1816.1	2275.8	2591.9	17.5	22.0	25.0	20%	30.5	24.2	21.3	21.6	20.3	20.0	18.7	3.5	0.7
Torrent Pharma	557.5	2122.0	2475.3	2915.8	248.2	337.4	411.9	29.3	39.9	48.7	29%	19.0	14.0	11.4	25.3	25.7	28.9	27.7	8.0	1.4
UltraTech Cement#	1176.7	13209.9	16715.5	18180.4	1278.7	1802.2	2086.0	54.0	65.8	76.1	19%	21.8	17.9	15.5	18.0	18.8	14.7	14.8	6.0	0.5
UBI	223.8	8255.0	8793.0	10273.0	2082.0	1945.0	2533.0	39.7	37.1	48.3	10%	5.6	6.0	4.6	-	-	14.5	16.6	8.0	3.6
United Phosphorus	137.2	5804.3	7620.4	8919.4	585.8	767.2	968.3	12.7	16.6	21.0	29%	10.8	8.3	6.5	16.5	18.6	16.5	18.9	2.0	1.5
V-Guard Industries	181.4	726.3	967.1	1251.8	39.0	44.2	66.8	13.1	14.8	22.4	31%	13.8	12.3	8.1	21.4	24.9	23.5	28.7	3.5	1.9
Vulture's Pick																				
Mahindra Lifes@	275.3	476.7	460.3	522.1	103.1	106.1	114.7	24.9	25.6	27.7	5%	11.1	10.8	9.9	13.3	13.4	9.9	9.9	5.0	1.8
Orient Paper	50.1	1959.0	2232.0	2601.0	143.1	176.0	210.0	7.1	9.1	11.0	24%	7.1	5.5	4.6	12.0	13.0	18.0	19.0	1.2	2.4
Tata Chemicals	352.9	11060.2	12885.7	14355.5	690.4	864.4	986.6	27.1	33.9	38.7	20%	13.0	10.4	9.1	16.4	17.1	14.3	14.6	10.0	2.8
Unity Infraprojects	31.2	1701.5	2018.6	2318.7	94.4	100.4	127.3	12.7	13.6	17.2	16%	2.5	2.3	1.8	17.1	18.3	14.4	15.9	1.0	3.2
Cannonball																				
Allahabad Bank	162.3	5393.0	6544.0	7651.0	1423.0	1908.0	2229.0	29.9	40.1	46.8	25%	5.4	4.0	3.5	-	-	19.0	20.3	5.0	3.1
Andhra Bank	100.4	4118.0	4701.0	5230.0	1267.0	1375.0	1509.0	22.6	24.6	27.0	9%	4.4	4.1	3.7	-	-	19.9	20.3	5.5	5.5
IDBI Bank	97.4	4329.0	5061.0	5917.0	1650.0	1856.0	2149.0	16.8	18.8	21.8	14%	5.8	5.2	4.5	-	-	13.8	14.3	3.5	3.0
Phillips Carbon Black	106.1	1690.0	1994.2	2165.3	111.8	124.4	135.2	33.6	37.5	40.7	10%	3.2	2.8	2.6	17.7	17.0	21.5	19.1	5.0	4.7
Madras Cements	115.6	2605.0	3066.0	3309.0	211.0	310.0	348.0	8.9	13.0	14.6	28%	13.0	8.9	7.9	8.0	9.0	17.0	16.0	1.8	1.5
Shree Cement	2131.6	3511.9	3881.0	4725.0	258.2	162.0	302.0	74.1	46.4	86.7	8%	28.8	45.9	24.6	7.0	10.0	8.0	14.0	8.0	0.4

#UltraTech numbers are post merger of Samruddhi Cement.

	Remarks
	Evergreen
HDFC	• HDFC is among the top mortgage lender providing housing loans to individuals, corporates and developers. It has interests in banking, asset management and insurance through its key subsidiaries. As these subsidiaries are growing faster than HDFC, the value contributed by them would be significantly higher going forward.
HDFC Bank	• HDFC Bank was established in 1994 as a part of liberalisation of the Indian banking industry by the Reserve Bank of India (RBI). It was one of the first banks to receive an 'in principle' approval from the RBI to set up a private sector bank. Its relatively high margins (compared with its peers), strong branch network and better asset quality make HDFC Bank a safe bet.
Infosys	• Infosys is India's premier IT and IT-enabled services company. It is one of the key beneficiaries of the strong trend of offshore outsourcing. The company is relatively better positioned to weather the tough business environment and is also among the major beneficiaries of the revival in IT spending. However, the leadership re-organisation, visa litigation and quarterly under-performance have led to a near-term sluggishness in the stock's performance.
L&T	• Larsen & Toubro, being the largest engineering and construction company in India, is a direct beneficiary of the strong domestic infrastructure boom. Strong potential from its international business, its sound execution track record, bulging order book and strong performance of subsidiaries further reinforce our faith in it. There also lies great growth potential in some of its new initiatives. However, the recent cut in its order inflow guidance amid low capex activities and a tough business environment have hampered the stock's sentiments in the recent times.
Reliance Ind	• RIL holds a great promise in E&P business with gas production from KG basin starting from April 2009 and crude oil production commencing from September 2008. We expect the company's GRM to pick up with a likely improvement in the light-heavy crude oil price differential. The company is likely to fetch premium over Singapore Complex' GRM due to its superior refinery complexity and captive use of KG D-6 gas. We expect the petrochem margins to be maintained in the medium term on uptick in the domestic demand. Currently the decline in gas output from KG D6 basin has weighed high on the stock price, however its recent deal with BP is expected to benefit RIL in terms of the global expertise of BP in deep-water exploration to ramp-up production at KG-D6.
TCS	• TCS pioneered the IT services outsourcing business from India and is the largest IT service firm in the country. It is a leader in most service offerings and is in the process of further consolidating its leadership position through the inorganic route and large deals. At the current juncture TCS is well placed to garner incremental deals in the sector with organisational structure in place, unlike Wipro and Infosys, which are going through a phase of organisational restructuring. Its consistent quarterly performance coupled with the higher predictability of its earnings would keep it the Street's favourite over Infosys.
	Apple Green
Aditya Birla Nuvo	• We believe the value businesses of the company (insulators, textiles, fertilisers, carbon black and rayon) have started witnessing increased efficiency as reflected in sharp improvement in their operating margins, while the growth businesses (retail, BPO, life insurance and financial services) are showing improved revenue visibility and gaining strong market share. We believe strong internal cash flows from value businesses coupled with promoter funding would aid in meeting the funding requirement of the growth businesses.
Apollo Tyres	• Apollo Tyres is the market leader in truck and bus tyre segments with a 28% market share. A strong demand in the OEM and replacement tyre segments coupled with the commencement of additional capacity at its new Chennai facility is likely to see a healthy growth in its volume going forward. The European and South African acquisitions have yielded regional and product diversification. The Indian operations contribute about 62%; VBBV contributes around 25%; and Apollo Dunlop, South Africa contributes approximately 13% to the consolidated revenues.
Bajaj Auto	• Bajaj Auto is a leading two-wheeler automobile company. It is moving up the value chain by concentrating on the executive and premium motorcycle segments. The success of the new launches will drive most of the growth for the company during the year and help the company to regain its lost market share in the 125cc segment.
Bajaj Finserv	• Bajaj Finserv is actively present in businesses such as vehicle finance, consumer finance, distribution etc with insurance being the dominant contributor to revenues. It is one of the top few players in the fast growing life insurance segment and also has a sizable presence in the general insurance segment.
Bajaj Holdings	• Bajaj Holdings is the holding company of the Bajaj group, having a 30% stake each in Bajaj Auto and Bajaj Finserv. The two-wheeler sales are expected to improve going forward with new product launches. The insurance business makes it one of the largest players in the insurance space.
Bank of Baroda	• BoB is among the top PSU banks having sizeable overseas presence (86 offices in 25 countries) and a strong domestic network of over 3,400 branches across the country. It has a stronghold in the western and eastern parts of India. The bank has laid out aggressive plans to expand its income streams from both domestic and international businesses.
Bank of India	• Bank of India has a wide network of branches, spread across the country and abroad, along with a diversified product and services portfolio and steadily growing assets. The asset quality had posed concerns and affected the operating performance of the bank.

	Remarks
Bharti Airtel	• Bharti Airtel continues to perform well in the African telecom market in terms of both, growth in subscriber base and revenue market share. The return of pricing power in the domestic market visible through recent tariff hikes coupled with improving efficiency and market share in the acquired Zain Africa operations puts Bharti Airtel in a sweet spot.
BEL	• Bharat Electronics Ltd (BEL), a PSU manufacturing electronic, communication and defence equipment, is benefiting from the enhanced budgetary outlay for strengthening and modernising the country's security. The growth in revenue is also expected to be aided by the civilian and export orders. The company's current order book of Rs27,000 crore provides revenue visibility for the next two years.
BHEL	• BHEL, India's biggest power equipment manufacturer will be the prime beneficiary of the four-fold increase in the investments being made in the domestic power sector. The current order book of Rs1,61,000 crore stands at around 3.9x its FY2011 revenues providing revenue visibility for at least the next three years. However, the key challenge before the company now would be to maintain a robust order inflow amid rising competition in the power equipment space and a profitable execution of the order book.
Corp Bank	• Corporation Bank is a mid-sized PSU bank having strong presence in the corporate segment. The bank is planning to expand its retail and SME book, and expand the CASA ratio which will improve the net interest margin over the medium term. The bank is most aggressive on technology implementation which gives it a competitive edge over its peers.
Crompton Greaves	• Crompton Greaves' key businesses—industrial and power systems—holds huge potential in view of investment opportunities in infrastructure particularly Transmission and Distribution sector in India. Its consumer products segment, which has done very well in the recent years, also led to diversification in its business exposure. The synergy from the acquisition of Pauwels, GTV, Microsol, Emotron and QEI will drive the company's consolidated earnings. However, continuing disappointment in the Q2FY2012 results have added to the investors' concerns on the company's growth slowdown and competitive margin pressure.
Divi Labs	• After a full year of inventory downsizing, the outstanding results in H1FY2012 have re-affirmed our confidence in Divi's Labs' growth potential. New facility at Vishakhapatnam started production from one of its blocks in June 2011. Remaining blocks are likely to get operational in phased manner over FY12-13, which will give further thrust. A near debt-free balance sheet and strong cash flow are likely to help build a war chest for pursuing strategic investments (biosimilars) and exploit growth opportunities in niche segments like high potency for oncology and steroids for contraceptives. With the order inflow picking up from H2FY2011 and its new plant getting operational, Divi's has a strong revenue growth visibility and the operating leverage in the business will boost its margins.
GAIL	• GAIL India, a leading gas transmission company, is aggressively expanding its pipeline network and plans to invest more than Rs30,000 crore over FY2010-14 in a phased manner to double its gas pipeline network to over 14,000km and its transmission capacity to around 300mmscmd. This provides strong revenue visibility in its core gas utilities business. Despite the subsidy burden, the strong growth visibility in its core gas transmission business would drive its earnings growth in long run.
Glenmark Pharma	• Through the successful development and out-licencing of five molecules in a short span of eight years, Glenmark has become India's best play on research-led innovation. It has built a pipeline of 14 molecules (recent addition of GBR500) and has managed to clinch five out-licencing deals worth $1,672mn (received $192mn as initial milestone payment). Its core business has seen stupendous success due to its focus on niche specialties and brand building. Out-licencing deals of its key molecules would provide further impetus to the earnings.
GCPL	• Godrej Consumer Products Ltd (GCPL) is a major player in personal wash, hair colour and household insecticide market segments in India. The recent acquisitions of Darling Group, Tura, Megasari and an Argentine company has helped the company to expand its geographic footprint. We believe the decent sales volume growth in the domestic business coupled with a strong growth in Megasari (Indonesian business), African and the Argentine business would help GCPL to achieve an above 20% CAGR top line and bottom line growth over FY2011-13.
Grasim	• Due to the de-merger of its cement division, Grasim Industries has become a holding company for the cement business and is left with the VSF and chemical divisions. On the other hand, due to a strong demand for VSF in the global market the company's realisation is healthy. Further, the company is in the process of adding another 120,000 tonne capacity by FY2013 with an investment of Rs1,690 crore.
HCL Tech	• HCL Tech is one of the leading Indian IT service vendors. It has outperformed its peers in terms of better financial performance in the past few quarters on the back of a ramp-up in business from large deals bagged earlier. We expect HCL Tech to show a superior earning CAGR of 27% over FY2011-2013E with a broad based revenue growth and margin improvement. With improved revenue visibility and consistency in financial performance, we now value HCL Tech at a 25% discount to Infosys.

	Remarks
HUL	• HUL is India's largest FMCG company. It would achieve around 15% Y-o-Y top line growth driven by a mix of sales volume and a price-led growth. However, the higher input prices will continue to sustain pressure on the profitability in the near term. With commodity prices showing a downward trend, the company could ease out of margin pressure in the second half of FY2012. Thus overall we expect HUL's bottom line to growth at a CAGR of 17% over FY2011-13. In the long term, HUL will be one of the key beneficiaries of the Indian consumerism story.
ICICI Bank	• ICICI Bank is India's second largest private sector bank with a network of over 2,500 branches in India and a presence in around 18 countries. The bank has once again entered an expansionary mode after making a conscious effort to contract its advances book due to asset quality concerns. The bank offers substantial value unlocking opportunities with the expected listing of its subsidiaries like ICICI Securities and ICICI Prudential Life Insurance.
Indian Hotels Co	• Indian Hotels is the largest hotelier in India with a vast portfolio of hotel properties around the globe. Over the long term the company would benefit from increase in tourism and corporate travels in India. Also, a turnaround in profitability of its overseas properties would boost its earnings. The occupancies and ARRs in the domestic business have revived on the back of buoyancy in domestic tourism and a strong growth in foreign tourist arrivals.
ITC	• ITC has a strategy of effectively utilising the excess cash generated from its cash cow, the cigarette business, to strengthen and enhance it's other non-cigarette businesses. This would nurture the growth of these businesses some of which are at nascent stage. Thus we believe the company will deliver sustained and steady growth in coming years.
Lupin	• Lupin is set to take off in the export market by targeting the US market (primarily for branded formulations) while maintaining its dominance in the anti-TB segment globally. Further, with an expanded field force and therapy focused marketing division; its formulation business in the domestic market has been performing better than the industry. Its ongoing R&D activities are also expected to yield sweet fruits going forward. Further, a swift ramp-up in branded products would add further sheen to its growth, especially focus on oral contraceptives and ophthalmic segment would augur well.
M&M	• M&M is a leading maker of tractors and utility vehicles in India. New product launches are likely to drive its growth going forward in the automobile segment, while the company has consolidated well in the tractor segment with the acquisition of Punjab Tractors. Further, its investments with world majors in passenger cars and commercial vehicles have helped it diversify into various automobile segments, while the value of its subsidiaries adds to its sum-of-the-parts valuation.
Marico	• Marico is among India's leading FMCG company. Its core brands, Parachute and Saffola, have a strong footing in the market. It follows a three-pronged strategy that shall ensure its growth in the long term. The strategy hinges on expansion of existing brands, launch of new product categories (especially in beauty and wellness space) and growth through acquisitions. While the domestic product portfolio is likely to achieve a steady growth in volumes, the international business is expected to post a robust growth on the back of an increase in distribution to neighbouring countries and extension of its international product portfolio over the long run. However in the recent past firming copra prices have kept profitability under pressure.
Maruti Suzuki	• Maruti Suzuki is India's largest small carmaker. It is the only pure passenger car play in the domestic market. While the new Swift has seen unprecedented response from the market, there is considerable stress in its petrol portfolio. Suzuki of Japan has also identified India as a manufacturing hub for small cars for its worldwide markets.
Piramal Health	• Even though the pharma business is witnessing strong traction, diversification into unrelated areas allays our fears of losing focus on the core business. With the NCE business becoming an integral part of the parent company, the risk profile of the company has increased. We value the company at a higher discount rate of 50% (from 20% earlier) as it still has a hefty cash balance of Rs8,500 crore (part to be received over a period of 4 years), which could be utilised for high risky ventures.
PTC India	• PTC India Ltd is a leading power trading company in India with a market share of around 33% in short term power trading in CY2010. Driven by a strong growth in trading volumes and an uptick in the trading margins, the company is estimated to show a robust growth in its earnings over the next few years. In the last few years, the company has made substantial investments in various areas like power project financing via PFS or taking direct equity stake, coal trading and power tolling which have great growth potential in the future. However, the deteriorating financial health of state electricity boards has put pressure on its working capital cycle and the company has raised debt in Q2FY2012. Still, its valuations look quite attractive on a sum-of-the-parts basis.
Punj Lloyd	• Punj Lloyd is the second largest EPC player in the country (first being Larsen & Toubro) with a global presence. However, since FY2009, the profitability has come under severe pressure due to cost overruns/ liquidated damages in some of Simon Carves (subsidiary) projects. Thus it has put Simon Carves under administration. Further Libyan projects will take another three-four quarters to begin execution. Therefore, going ahead, the successful execution of its projects along with debt reduction and working capital management hold the key as the company enjoys a robust order book.

	Remarks
SBI	• State Bank of India is the largest bank of India with loan assets of Rs7.9 lakh crore. The loan growth is likely to remain slightly subdued in FY2012 while the core operating performance will be healthy with stable net interest margin. Successful merger of the associate banks could provide further upside for the parent bank. The asset quality of the bank would remain a key monitorable.
Sintex Industries	• A key player in the plastic specialties space, Sintex Industries has a diverse business model with presence in construction, prefabs, custom moulding and textile businesses. Being a pioneer in the monolithic construction technique, it is witnessing a strong traction in the order inflow for this division. Given the need for affordable housing, we expect its order book to remain buoyant in the future.
TGBL	• Over the past few years, Tata Global Beverage Ltd (TGBL, formerly Tata Tea) has transformed its focus from being a mere tea and coffee company to a complete beverage maker. The recent addition of Mount Everest mineral water to its product portfolio and its tie-up with Pepsico Inc to make a mark in the non-carbonated beverage space are likely to be the new growth drivers for the company in the long run. Its intention to acquire companies in the US, Europe and Russia also augurs well to enhance its geographical footprint.
Wipro	• Wipro is one of the leading Indian IT service companies. The company has lagged the other IT biggies in terms of performance. In the medium term we expect Wipro to demonstrate a relatively weaker earnings growth vis-à-vis its peers with the organisational re-structuring and lower presence in the banking and financial services space. We expect Wipro's earnings to grow at a CAGR of 8% over FY2011-13E.
Emerging Star	
Axis Bank	• Over the last few years, Axis Bank has grown its balance sheet aggressively. Notably, the bank has maintained a delicate balance between aggressive balance sheet growth and profitability. Besides the core banking business, the bank has forayed into the asset management business and is acquiring the securities and investment banking business of ENAM. We expect the quality of its earnings to improve as the proportion of fee income goes up.
Cadila	• Despite a weak performance in Q2FY2012, Cadila's improving performance in the US generic vertical and emerging markets along with steady progress in CRAMS space enrich its growth visibility of achieving a $3bn revenue target. With the key subsidiaries turning profitable and its aggressive take on Para IV filings, the company is all set to harvest the fruits of its long-term investments.
Eros Intl Media	• Eros is one of the largest integrated film studios in India with multi-platform revenue streams and a well-established distribution network across the globe. With its proven track record, de-risked business model and aggressive ramp-up plans, we believe the company is well poised to gain from the rising discretionary spending on film entertainment driven by the country's favourable demographics. Thus, EIML is a compelling value play on the Indian media and entertainment industry.
Greaves Cotton	• Greaves Cotton is a midsize and well-diversified engineering company. The Company's core competencies are in Diesel/ Petrol engines, Power Gensets, Agro engines & pumpsets (Engines segment) and Construction Equipment (Infrastructure equipment segment). The engine business accounts for ~85% of the company's revenue, while the rest comes from infrastructure equipment. With strong growth in sales of automotive engines and expected revival in the construction equipment sales, we expect the company to post a robust CAGR of 16% in profits over FY2011-14.
IL&FS Trans	• ITNL is India's largest player in the BOT road segment with a pan-India presence and a diverse project portfolio. The fair mix of annuity and toll projects, and state and NHAI projects along with the geographical diversification across 12 states reduces the risk to a large extent and provides comfort. Further, a strong pedigree along with the outsourcing of civil construction activity helps ITNL to scale up its portfolio faster. Thus, it is well equipped to capitalise on the huge and growing opportunity in the road infrastructure sector.
IRB Infra	• IRB is the largest toll road BOT player in India and the second largest BOT operator in the country with all its projects being toll based. It has an integrated business model with an in-house construction arm which provides a competitive advantage in bidding for the larger projects and captures the entire value from the BOT asset. Further, it has a profitable portfolio as majority of its operational projects have become debt-free and it has presence in high-growth corridors which provides healthy cash flow. Thus, IRB is well poised to benefit from the huge opportunity in the road development projects on the back of its proven execution capability and the scale of its operations.
Max India	• Max India is a unique investment opportunity providing direct exposure to two sunrise industries of insurance and healthcare services. Max New York Life, its life insurance subsidiary, is among the leading private sector players, has gained the critical mass and enjoys some of the best operating parameters in the industry. With insurance penetration picking up in India and with the company entering into a tie up with Axis Bank we expect to see a healthy growth in the company's annual premium equivalent (APE) going ahead.

	Remarks
Opto Circuits	• A leading player in manufacturing medical equipment like sensors and patient monitors, Opto Circuits has diversified into invasive space, supplying stents for medical use. A lower cost base and an attractive pricing strategy have enabled the company's stents to gain acceptance globally. A steady growth in the non-invasive segment and increasing acceptance of DIOR, a revolutionary cardiac balloon, in Europe would also drive its growth. The Criticare acquisition has further enabled it to diversify into gas monitoring system and strengthen its position in the USA. The quick turnaround in the recently acquired Cardiac Lifescience is impressive and would drive the future growth.
Thermax	• The energy and environment businesses of Thermax are set to benefit from a continuing rise in India Inc's capex. Its group order book stands at Rs6,513 crore, which is 1.3x its FY2011 consolidated revenue. While its super-critical boilers foray is yet to see some major order inflow, we remain positive on its diversified sector exposure and opportunities in the infrastructure sector.
Yes Bank	• Yes Bank, a new generation private bank, started its operations in November 2004 and is the only greenfield bank approved by the RBI in the last decade. The bank is promoted by Rana Kapoor and Ashok Kapur. Yes Bank follows a unique business model based on knowledge banking, which offers product depth and a sustainable competitive edge over established banking players. Knowledge led banking also enables the bank to generate strong fee income, which eventually translates into higher return ratios.
Zydus Wellness	• Zydus Wellness owns three high growth brands, Nutralite, Sugar free and Ever Yuth in the niche health and wellness segment. The company focuses on rampant growth by increasing the distribution of existing products, scaling up the existing product portfolio through variants and new product launches leveraging the three brands. Also, the tax benefit from the new facility would aid in a strong bottom line growth in the coming years. Thus, we expect the company's profit to register a strong CAGR of 30% over FY2011-13E. However the company is facing intensifying competition in some of its key categories, which has moderated the sales growth in H1FY2012. The tax benefit from the new facility in Sikkim would help the company to achieve an around 20% CAGR bottom line growth over FY2011-13.
	Ugly Duckling
Ashok Leyland	• Ashok Leyland, the second largest commercial vehicle (CV) manufacturer in India, is a pure CV play. The new greenfield facility in Pantnagar in Uttaranchal has provided strategic cost and diversification benefits. The company has ventured into LCV space with the launch of Dost together with Nissan. It has also entered into construction equipment space through JV with John Deere.
Bajaj Corp	• Bajaj Corp is the third largest player in the hair oil segment and has emerged as the dominant player in the premium light hair oil (LHO) category with its Almond Drops hair oil. With its strong brand positioning, distribution strength and healthy balance sheet, it is well poised to ride on the strong consumer demand emerging due to the rising disposable income and growing aspirations of the Indians. Any initiative on the company's part to expand its limited product portfolio or strengthen its core business would be the key upside trigger for the stock. Hence, we recommend Buy on the stock with a price target of Rs142.
CESC	• CESC is the power distributor in Kolkata and Howrah backed by 1,225MW of power generation capacity, which is a strong cash generating business. Further, it is adding 1,200MW of generation capacity which would be on stream by FY2015. Moreover, having 80% of assured coal supply from invested company and coal linkages, CESC has a high degree of integrated status among peers. Despite that, the stock is currently one of the cheapest stock in the Indian utility space trading at a discount to its book value primarily on account of the concerns related to losses from its retail business, Spencer's. However, we believe the concerns are overdone and the company has started exhibiting store level profit in FY2011 which is an initial sign of revival as per the management. Nevertheless, this possible turnaround of retail business is not priced in the current stock price; hence the stock is a rerating candidate.
Deepak Fert	• DFPCL manufactures and supplies industrial chemicals and ANP fertilisers. Given the expansion in TAN capacity, introduction of new products in the fertiliser division and ability to manage cost pressures, we expect the company to report flat growth in revenue and earning going forward due to some slow down seen in off take of TAN from new TAN plant.
Federal Bank	• Federal Bank is the fourth largest private sector bank in India in terms of asset size and has traditionally been a strong player in south India especially Kerala. The bank is expected to witness an improvement in its RoE due to leveraging of its equity and easing of cyclical asset-quality pressures.
Gayatri Proj	• Gayatri Projects is a Hyderabad-based infrastructure company with a very strong presence in irrigation, road and industrial construction businesses. The order book excluding Andhra Pradesh irrigation projects stands at Rs4,077 crore, which is 2.8x its FY2011 revenues. It is also expanding its power and road BOT portfolio and plans to unlock value by offloading stake to private equity. We feel the company has potential to transform itself into a bigger player and expect its net profit to grow at a CAGR of 24% over FY2011-13.

	Remarks
Genus Power	• Genus, India's leading electric meter making company, is all set to reap the benefits of APDRP's initiatives like 100% metering programme and replacement of mechanical meters with electronic meters. However in the recent times its order inflow and execution has been below our expectation and its guidance. On these concerns, in the recent times, the stock's price has seen a steep fall and has come at quite an attractive level.
India Cements	• India Cements' installed capacity has got enhanced to 16MTPA which will result in volume growth and drive the earnings of the company. The company is also setting up a 100MW captive power plant, which is expected to come on stream by FY2013. However, in spite of cost inflation we expect the profitability of the company to improve in FY2012 due to the increase in the cement realisation on account of supply discipline followed by the manufacturers.
Ipca Lab	• A well-known name in the domestic formulation space, Ipca has successfully capitalised on its inherent strength in producing low-cost APIs to tap the export markets. The company's ongoing efforts in the branded promotional business in the emerging economies, revival in the UK operations, pan-European initiatives, likely approval of one additional product under institutional business (in December 2011) and a significant scale-up in the US business will drive its formulation exports. The Indore SEZ approval (USFDA) is likely to be the next trigger.
ISMT	• A leading maker of seamless tubes, ISMT is likely to benefit from improving demand in its traditional user industries like automobile and mining. It would also gain from efforts taken to expand its product offerings and it increasing the size of its addressable market by penetrating into energy and oil exploration sectors. However, a delay in commissioning of its 40MW power plant has led to a delay in margin expansion for the company. With the power plant now expected to be commissioned in FY2013, we have lowered our estimates and now expect the profit to grow at a CAGR of 18% over FY2011-13E.
Jaiprakash Asso	• Jaiprakash Associates, India's leading cement and construction company, is all set to reap the benefits of India's infrastructure spending. The company has also monetised very well on the real estate properties of Yamuna Expressway. Moreover, the marked improvement in macro environment has improved accessibility to capital and thus eased the concerns of liquidity to some extent. However, higher leverage could act as drag on the valuation.
KKCL	• Kewal Kiran Clothing Ltd is a branded apparel play with four brands in its kitty. Killer, its flagship denim brand, has created a niche space in the minds of consumers. With a gross market turnover of approximately Rs145 crore, Killer is ahead of its rival--Spykar. We believe that a strong brand profile, a disciplined management and a consistent track record coupled with a robust balance sheet position (cash on books at ~Rs120 a share) puts KKCL in a sweet spot.
NIIT Tech	• With its strong domain expertise in a few niche verticals and competitive advantage in terms of significant contribution from its non-linear initiatives, NIIT Technologies is well placed to benefit from the overall improvement in the demand environment. The recent large deal wins give further revenue visibility for the future. Moreover, the company has healthy cash on the books with minimal debt which leaves scope for further acceleration in growth through inorganic initiatives and act as another re-rating trigger for the stock.
Orbit Corp	• Given its unique business model, Orbit is expected to cash in the massive re-development opportunities in southern and central Mumbai. Further, given its presence in the luxury segment, which is less price sensitive, it will be able to revive faster once the real estate industry recovers.
PNB	• Punjab National bank (PNB) has one of the best deposit mixes in the banking space with low-cost deposits constituting around 39% of its total deposits that helps it maintain one of the highest margins in the sector . A strong liability franchise and technology focus will help the bank boost its core lending operations and fee income related businesses.
Polaris	• Polaris Software Lab (Polaris) is one of the few integrated midcap IT companies having a strong foothold in the BFSI vertical and having offerings in both, the services and solutions segments. We continue to remain positive on the "Intellect" side of the business and expect a faster and stronger growth momentum in the coming years.
Pratibha Ind	• Pratibha Industries is a dominant player in water & irrigation and urban infrastructure space. The company's backward integration into making HSAW pipes has enabled it to bid for pipeline related projects at competitive prices. It has also diversified into other high-margin areas like road BOT, power and oil & gas. The current order book stands at Rs5,840 crore, which is 4.6x its FY2011 revenues. Given the government's thrust on developing these segments, we expect the net profit to grow at a CAGR of 20% over FY2011-13.
Provogue India	• Provogue India is a strong bet to play the up-cycle in the discretionary consumption space. The company's core business—fashion apparels continues to do well. Further, its subsidiary Prozone, which is developing multipurpose infrastructure in tier II cities with a well-funded balance sheet and good portfolio of land bank, has received clearance certificate for the Indore property and expects to soon get clearance for its Coimbatore project.

	Remarks
Ratnamani Metals	• Ratnamani Metals and Tubes is the largest stainless steel tubes and pipes maker in India. In spite of the challenging business environment due to increasing competition, we believe the stock is attractively valued. The management has maintained a strong outlook on the potential opportunities in the oil & gas sector. The company has reported strong revenue growth but margins have been trending downwards. Revenues and earnings are likely to grow at a CAGR of 27% and 13% respectively for FY2011-13E.
Raymond	• Raymond is present in the fast growing discretionary & lifestyle category of branded textiles and apparels. With the growing income, rise in aspirations to lead a luxurious life, greater discretionary spending and favourable demographics, the segment of branded apparels & fabrics presents a tremendous growth opportunity and Raymond with its brands and superior distribution set up is very well geared to encash the same. We believe that Raymond with its strong brands and an enviable distribution reach is a quality play on the fast growing lifestyle & discretionary segment. Further the company's efforts towards enhanced focus on its power brands coupled with benefits of turnaround performance are not getting reflected in the valuations and hence we believe the stock is due for a re-rating. Further, any development with regard to the Thane land in the form of either joint development or disposal would lead to value unlocking and provide significant cash to the company.
Selan Exploration	• Selan Exploration is an oil exploration & production company with five oil fields in the oil rich Cambay Basin of Gujarat. The initiatives taken to monetise the oil reserves in its Bakrol and Lohar oil fields are likely to improve production. Further, in FY2012 it intends to explore its next field, Indrora, which is the most prolific one with significant reserves. Based on this, we expect the company to ramp up its production two times by FY2014 over that of FY2011. It would lead to an earnings growth of 49% (three years' CAGR over FY2011-13) as it is expected to take advantage of the ramp-up in production, higher crude price and stable operating cost. Hence, we rate this stock as Buy.
Shiv-vani	• The company is the largest on-shore oil exploration service provider in the domestic market. Its strong order book of Rs2,700 crore, which is 1.8x its FY2011 revenues, provides healthy visibility to its revenues for two years. Currently the stock is trading attractively at low valuation.
Subros	• Subros is the largest integrated manufacturer of automobile air conditioning systems in India. It is expected to be the prime beneficiary of the buoyancy in the passenger car segment led by its key clients Maruti Suzuki, Tata Motors and Mahindra & Mahindra.
Sun Pharma	• The combination of Sun Pharma and Taro offers an excellent business model. With a stronghold in the domestic formulation market, Sun Pharma has become an aggressive participant in the Para IV patent challenge space. Along with the exclusivities in the USA, the recent consolidation of the Taro acquisition has provided the much-needed boost to the stock. With most of the potential bad news (relating to Caraco) already priced in, we do not expect any significant de-rating ahead. The resumption of Caraco and Cranbury facilities, and Para IV approvals would act as re-rating factors for the stock.
Torrent Pharma	• A well-known name in the domestic formulation market, Torrent has been investing in expanding its international presence. With the investment phase now over, Torrent should start gaining from its international operations in Russia and Brazil. The impending turnaround of its German acquisition, Heumann, will also drive the profitability of the company.
UltraTech Cement	• Due to the amalgamation of Samruddhi Cement (the cement business of Grasim Industries) into UltraTech Cement, the latter has emerged as India's largest cement company with approximately 52 million tonne cement capacity. UltraTech Cement is likely to benefit from the likely improvement in its market mix. Ramping-up of new capacity and savings accruing from new captive power plants will improve the company's cost efficiency.
United Phos	• A leading global producer of crop protection products, intermediates, specialty chemicals and other industrial chemicals, United Phosphorus has presence across value-added agricultural inputs ranging from seeds to crop protection products and post-harvest activities. A diversified geography and the recent acquisition of DVA Agro Brazil will help the company to have a strong presence in the Brazilian market and help in growing inorganically. United Phosphorous will grow at 30% to 35% for the next two years.
UBI	• Union Bank has a strong branch network and an all-India presence. With strong return ratios and stable performance in terms of various operating parameters, the bank is a good investment play.
V Guard Ind	• V-Guard Industries is an established brand in the electrical and household goods space, particularly in South India. Over the years, it has successfully ramped up its operation and network to become a multi-product company. The company has recently also forayed into non-South India and is particularly focusing on the tier-II and III cities where there is a lot of pent-up demand for its products. We expect VGI to post a CAGR of 31% in its earnings over FY2011-13E.

	Remarks
Vultures's Pick	
Mahindra Lifespace	• The company is the first in India to own two integrated business cities (IBC; which is a combination of SEZ and domestic area)—one in Chennai and the other at Jaipur and both have become operational. Further, it has acquired land at Pune and Chennai to come up with two more IBCs. Apart from this, it has 3.11 million sq ft of residential and commercial projects under construction across various cities and an additional land bank of 17 million sq ft for future development. Consequently, we expect the company's stand-alone net profit to grow at a CAGR of 5.5% over FY2011-13.
Orient Paper	• Orient Paper has increased its cement capacity from 3.4 million tonne to 5 million tonne and installed a 50MW captive power plant to save on power costs. We believe, the company will be able to deliver an impressive volume growth in FY2012 due to the commissioning of its new capacity. Further, a change in its market mix in favour of the western region compared to southern region augurs well for the company. The company is also in the process to de-merge its cement division which could act as a value unlocking.
Tata Chemicals	• With a combined capacity of 5.5MMTPA Tata Chemicals is the second largest soda ash producer in the world. Tata Chemicals has purchased 25% stake in urea-ammonia green field project at Goban with investment at $290mn. Further changes in urea policy are likely to benefit the company further. We expect IMACID to show a strong performance on the back of a steep increase in the price of phosphoric acid, the main raw material for the production of DAP. TCL is expected to show a strong performance on the back of a relatively healthy demand for soda ash and sodium bicarbonate in India compared to the rest of the world.
Unity Infra	• With a well-diversified order book, Unity Infrastructure is expected to be the key beneficiary of the government's thrust on infrastructure spending. The order book remains strong at Rs3,797 crore, which is 2.2x its FY2011 revenues. We expect its net profit to post a CAGR of 16% on the back of a strong order book during FY2011-13. Further, it has recently forayed into road BOT segment and plans to enter power segment also.
Cannonball	
Allahabad Bank	• With a wide network of over 2,200 branches spread across India, Allahabad Bank enjoys a strong hold in north and east India. With an average RoE of ~20% during FY2010-12E, coupled with improving asset quality trends the bank is one of the stronger players in the public sector banks.
Andhra Bank	• Andhra Bank, with a wide network of over 1,200 branches across the country, has a strong presence in south India especially in Andhra Pradesh. Though the bank is available at attractive valuation, concerns on asset quality front and political situation within the state would affect its operations.
IDBI Bank	• IDBI Bank is one of leading public sector banks of India. The bank is expected to improve its core performance significantly, which is likely to reflect in the form of better margins and return ratios. Due to rising asset quality risks and slower business growth the stock is likely to underperform in the near term.
Madras Cement	• Madras Cement, one of the most cost-efficient cement producers in India, will benefit from the capacity addition carried out ahead of its peers in the southern region. The 3-million-tonne expansion will provide the much-needed volume growth in the future. However, regional demand remains lacklustre but on account of the improvement in the realisation due to supply discipline and a likely change in the market mix, we believe, the profitability of the company would improve in FY2012.
Phillips Carbon	• Phillips Carbon Black, a leading carbon black manufacturer in India, is one of the key beneficiaries of the revival seen in the domestic tyre industry. To tap this opportunity it is constantly adding capacity in India and is now entering the Vietnam market. The company also generates substantial revenue from the sale of surplus power in the open market which helps to protect margins even during down turns. Consequently, we expect the company to generate a healthy earnings growth and returns ratio over the next two years. Currently, the stock is undervalued (below its BV) and we believe it should trade at par with its BV of Rs205.
Shree Cement	• The company's cement grinding capacity has enhanced to 13.5MTPA which will support the volume growth of the company in the coming years. Additionally, the company is also setting up a 300MW power plant entirely for merchant sale, which is expected to come on-stream by FY2012. Thus, a volume growth of the cement division and the additional revenue accruing from the sale of surplus power will drive the earnings of the company.

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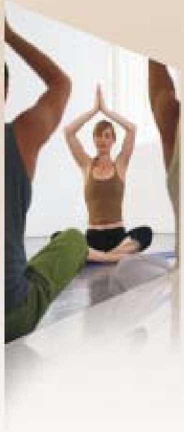

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