MOTILAL OSWAL

April 2011

India Strategy

Uphill task

Research Team
(Rajat@MotilalOswal.com)

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Note: All stock prices and indices for Section C as on 25 March 2011, unless otherwise stated

India Strategy

Uphill task

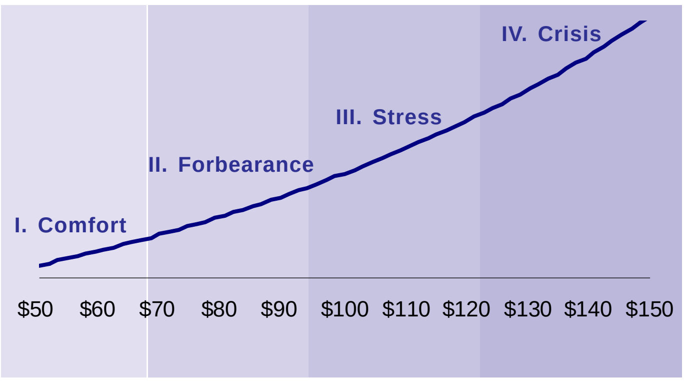
FY11 ended on a positive note for Indian equities, with several records being created. A late rally in March 2011 helped the markets to close FY11 at their highest annual closing level of 19,450 points, a gain of 11%. FIIs poured in a record US$25b in FY11, a key driver for market gains. Earnings growth rebounded with the Sensex EPS growing 26% after a two-year growth holiday in FY09 and FY10. In a year of significant events, macroeconomic concerns emerged in 2HFY11, prominent among them being continued inflation and a big rise in oil prices. The government based its FY12 Budget projections on the assumption of 9% GDP growth, which appears challenging in the current environment.

Our FY12 estimates suggest Sensex EPS growth of 19% to Rs1,252, a marginal downgrade over the past two quarters. If the current trend of rising commodity prices persists, the PAT mix will tilt in favor of global cyclicals rather than domestic plays. This will drive down valuations of Indian equities. We believe attaining new high is an uphill task, and markets holding at current levels in 1QFY12/1HFY12 would be positive. As confidence improves in earnings growth and clarity emerges on the direction of oil prices, markets will look to move upwards. Our top bets are ICICI Bank, M&M, Infosys, Bharti, ITC and Tata Steel.

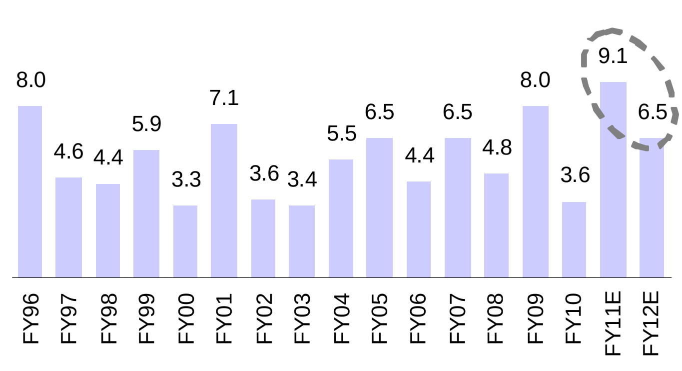
Oil, inflation and interest rates are headwinds to growth

While the market ended 4QFY11 in positive territory due to a late infusion of funds by FIIs, macroeconomic headwinds have been emphatic. Complacency on the oil front seems to have set in, as the government financed a swelling oil subsidy by spending enhanced fiscal space acquired from 3G/BWA revenue. This, however, ignores the high sensitivity of macroeconomic variables and negative correlation of corporate performance to oil prices. Inflation remains high and FY12 could be the second successive year of high inflation for India. High inflation reduces the RBI's policy space to hold rates even if the liquidity situation improves in 1HFY12 due to lower borrowing and controlled credit growth. Lastly, concerns over the investment climate could disrupt the investment cycle, adversely impacting FY12 GDP growth. Thus, in contrast to the start of FY11, when considerable tailwinds propelled the market, FY12 opens with significant headwinds.

Oil prices in stress zone (US$/bbl)



FY12 to be second consecutive year of high inflation (%)



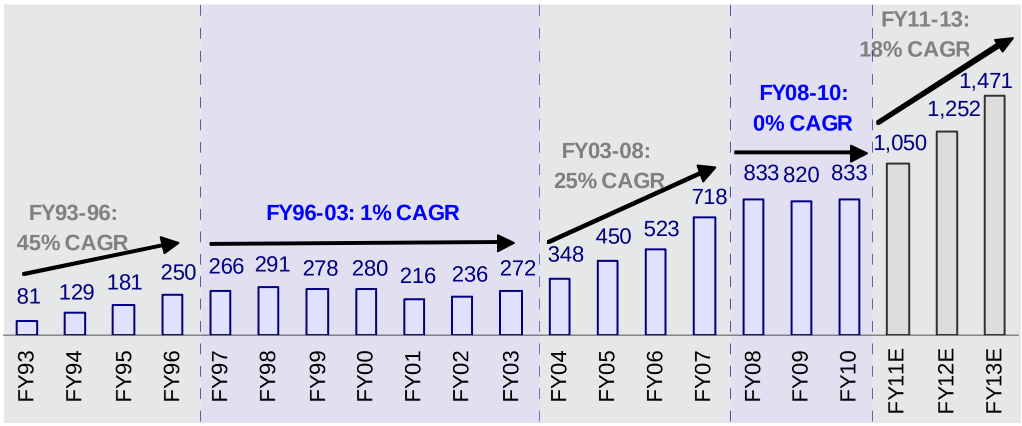
Sources of exhibits in this section include RBI, CMIE, Bloomberg, Industry, Companies and MOSL's own database

Corporate earnings growth: Downgrade cycle ahead?

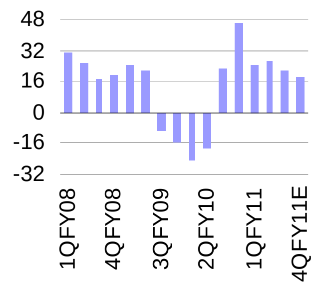
Our current bottom-up compilation estimates for Sensex EPS indicate FY12 growth of 19%. Over the past four quarters, these estimates have been downgraded marginally. After nasty earnings downgrades in FY09 and FY10, the foremost question on the minds of most investors is whether Corporate India will once again see downgrades in FY12 and

FY13 earnings estimates, driven by variables that have recently decayed. We believe this is unlikely, given that global cyclicals, which had led to a 76% downgrade in FY09 and FY10, are now in upgrade mode. Moreover, domestic businesses, where earnings are at risk, form a relatively lower proportion of aggregate earnings.

Sensex EPS trend: Hypothesis of a new cycle of earnings growth intact



Sensex PAT growth (YoY, %)



Expect Sensex PAT growth of 19% YoY in 4QFY11

We expect 4QFY11 aggregate PAT to grow 22% YoY for the MOSL Universe (excluding oil refining and marketing companies). PAT growth would be steady-to-robust across sectors, with only Telecom likely to post a sharp 38% drop in profits. (For Telecom, this would be the seventh successive quarter of profit de-growth since September 2009). Sensex PAT growth is expected to be 19% YoY. In most sectors, a heavyweight would drive earnings growth. Other features of earnings growth in 4QFY11 would be:

- Aggregate PAT of the MOSL Universe would reach a new high of Rs748b, up 45% over March 2008, when Indian markets posted all-time highs
- Financial sector PAT will grow at 27% and contribute 21% to aggregate PAT
- IT would report earnings growth of 19%, led largely by Infosys
- Cement would report strong growth of 27% after several quarters of decline, boosted by the merger of Grasim's cement division with Ultra Tech. On a comparable basis, earnings will grow 5%.
- Cairn India will contribute 21% to earnings growth in the quarter. If one were to factor under-recoveries due to oil subsidy in 4QFY11, earnings growth would be almost nil.

Investment strategy: No strong sector allocation; oil prices could become worrisome

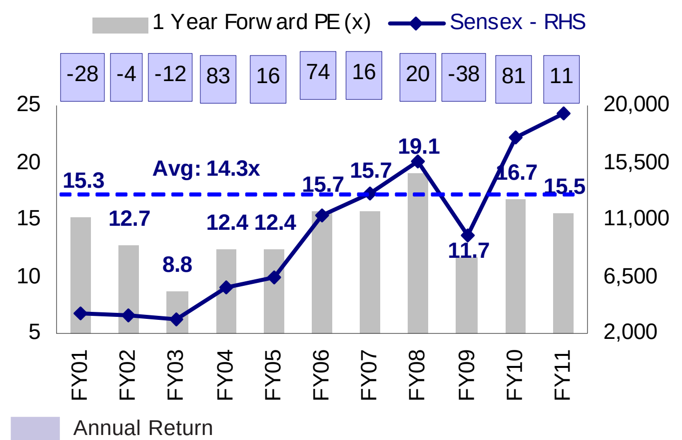
As the Sensex quotes at 15.5x FY12E EPS, a 10% premium to its long-term average, we see upsides capped. Time correction for the markets looks likely in 1HFY12. We believe attaining new high is an uphill task, and markets holding at current levels in 1QFY12/ 1HFY12 would be positive. As confidence improves in earnings growth and clarity emerges on the direction of oil prices, markets will look to move upwards. Against this backdrop, we have abstained from strong allocations to specific sectors. With markets expected to be range-bound in the near term, we look for opportunities that can outperform. Our top bets are **ICICI Bank**, **M&M**, **Infosys**, **Bharti**, **ITC** and **Tata Steel**.

Navin Agarwal (Navin@MotilalOswal.com) / **Rajat Rajgarhia** (Rajat@MotilalOswal.com)

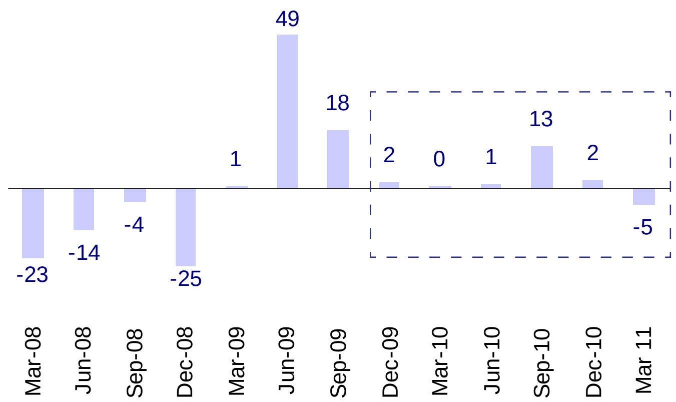
4QFY11: India underperforms the globe; late March rally helps to close positive for FY11

- India has been one of the worst performing markets in 4QFY11 (first negative return for Sensex in the last nine quarters). Negative returns for 4QFY11 could have been even higher, if not for a ~10% rally in the month of March.
- Owing to poor performance for 4QFY11, Sensex return in FY11 was muted at 11% v/s the strong return of 81% in FY10. The Sensex close of 19,445 is, however, the highest March year-end closing ever. At the March-end levels, the BSE Sensex quotes at 15.5x FY12E EPS, a 10% premium to its long-term average.
- Market cap to GDP ratio has further narrowed to 87% in FY11 v/s 94% in FY10, almost comparable to FY06/07 levels.

Trend in annual Sensex and return (%)

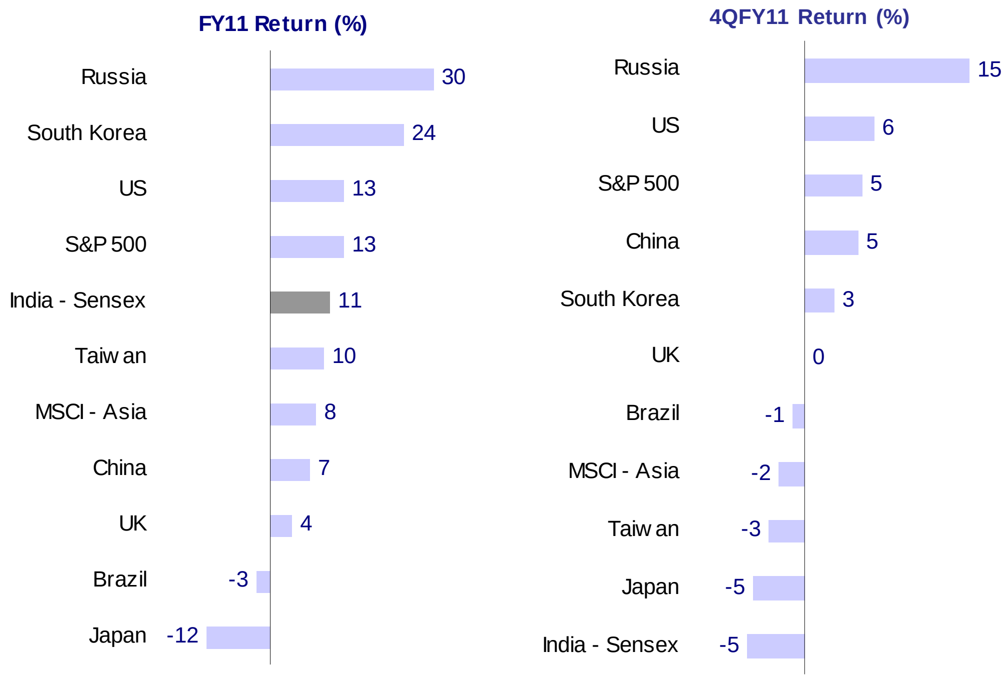


Quarterly trend in Sensex return (%)



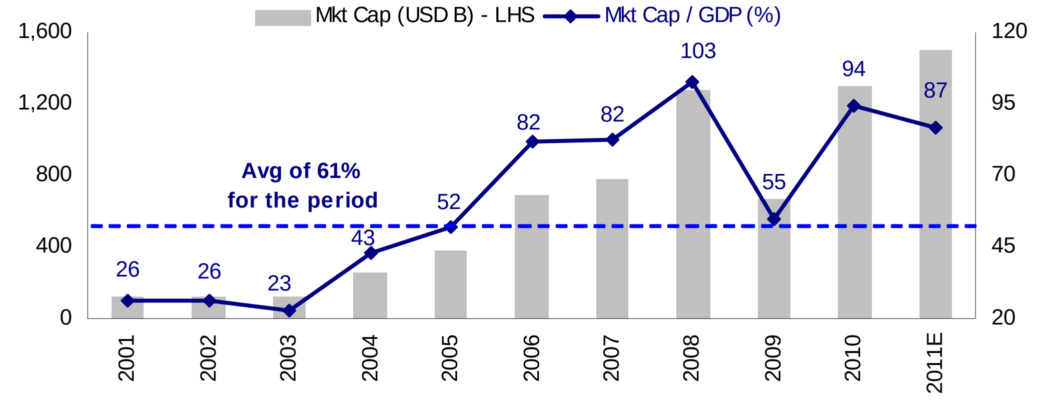
Performance of world equity indices (%)

India has been one of the worst performing markets in 4QFY11 (first negative return for Sensex in nine quarters)



Market cap toGDP ratio has further narrowed to 87% in FY11 v/s 94% in FY10, almost comparable to FY06/07 levels

India: Market cap and market cap to GDP

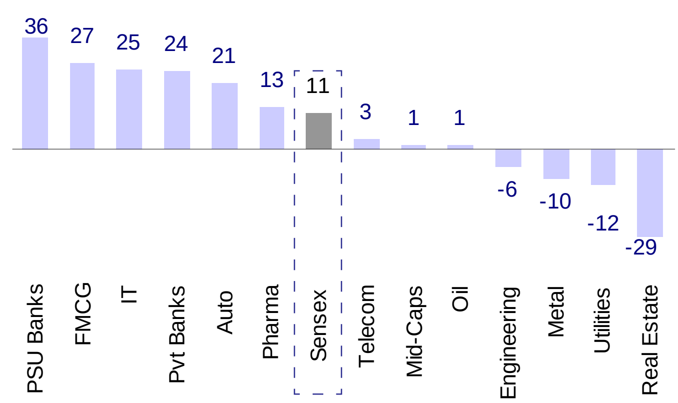


Sectoral performance in FY11: Domestic secular themes outperform cyclical commodity/industrials theme

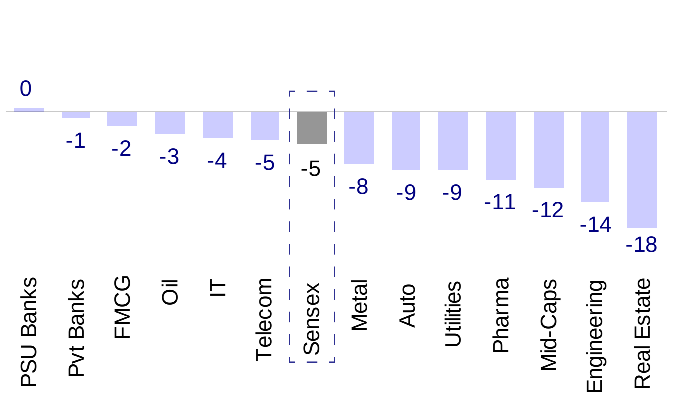
FY11 market performance accentuates the preference for low risk, high growth domestic themes; cyclical sectors like manufacturing and commodities have lagged.

- Banking has been one of the best performing sectors and state-owned banks have outperformed the sector/markets, both in 4QFY11 and FY11.
- FMCG and IT sector outperformance is largely driven by ITC and TCS.
- Oil & Gas sector performance was muted, despite 44% YoY increase in oil price through FY11.
- BSE Mid-Caps Index too has underperformed the Sensex.

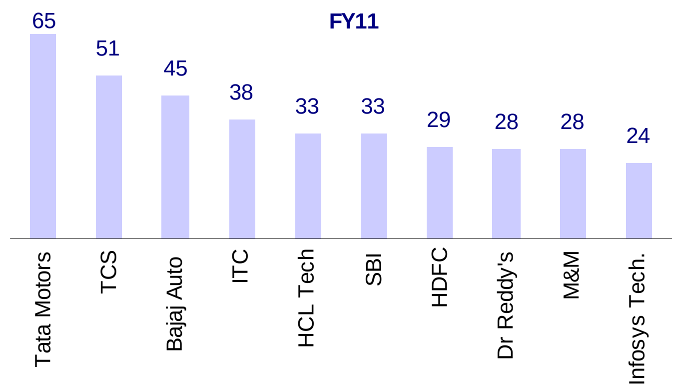
Sectoral performance for FY11 (%)

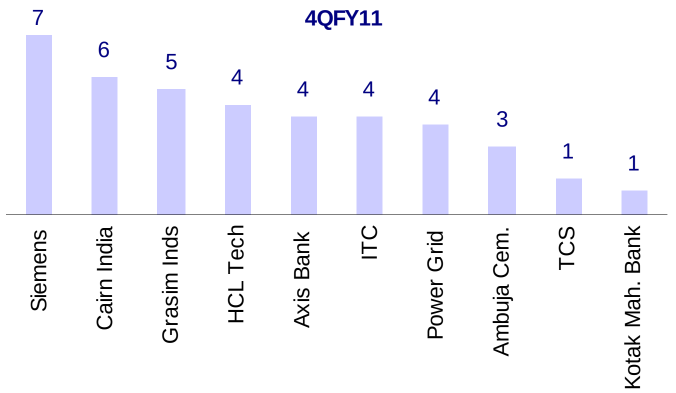


Sectoral performance for 4QFY11 (%)



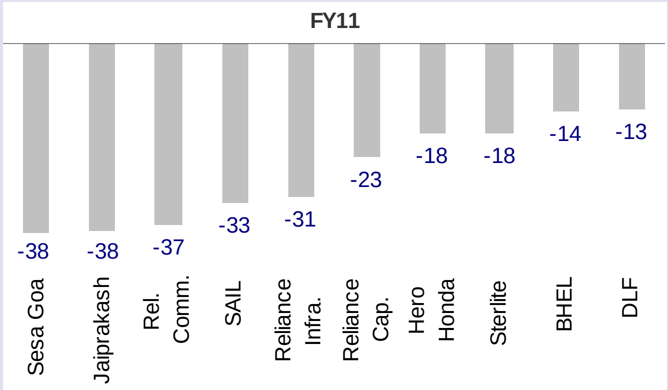
Best performing Nifty stocks in FY11 and 4QFY11 (% gain)

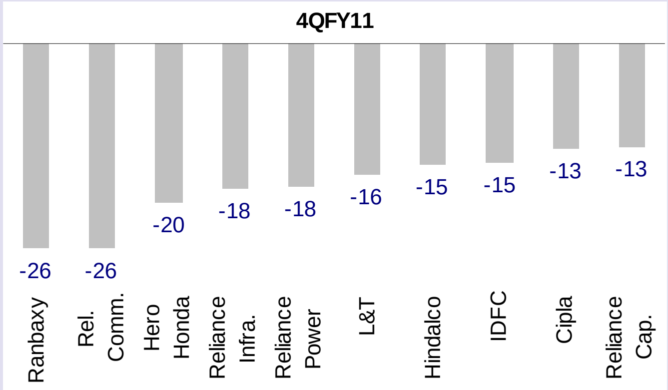




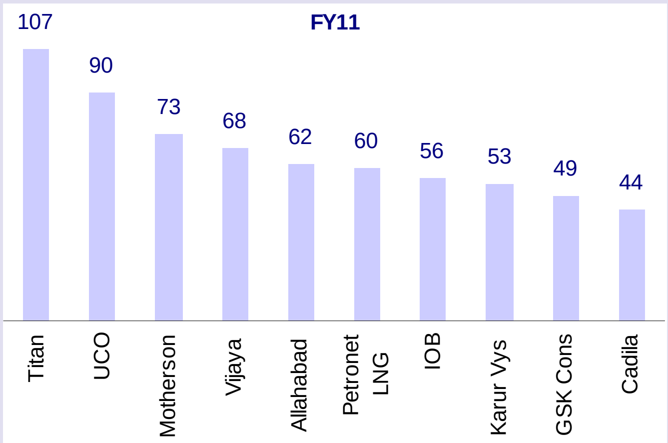
Market snapshots

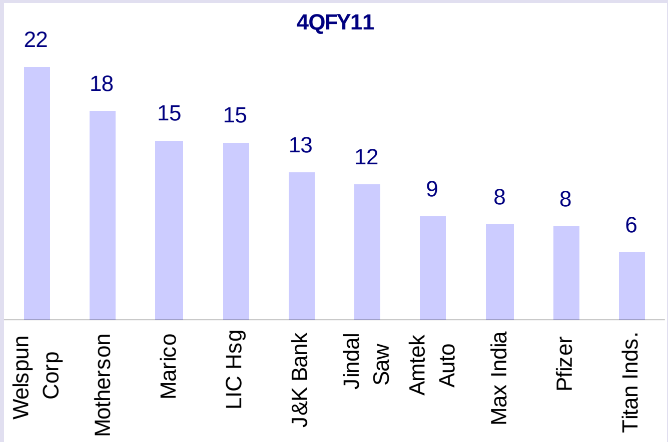
Worst performing Nifty stocks in FY11 and 4QFY11 (% decline)



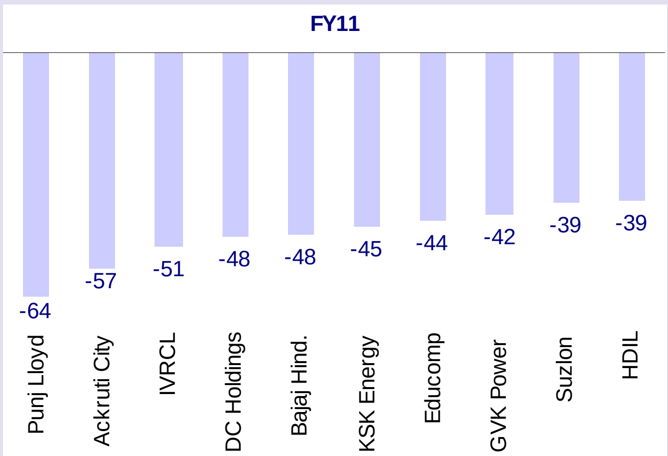


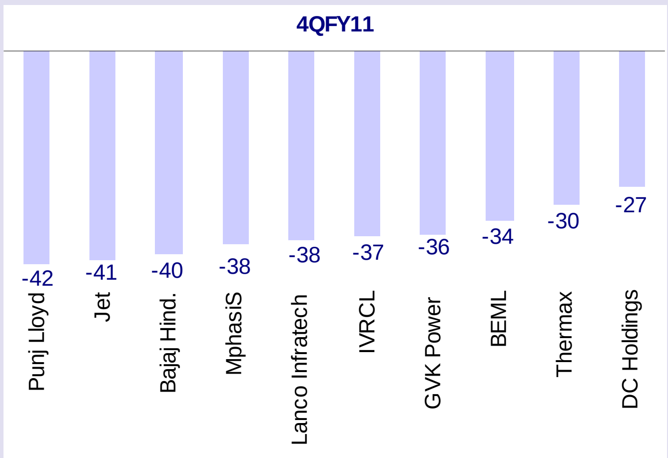
Best performing CNX Midcap stocks in FY11 and 4QFY11 (% gain)





Worst performing CNX Midcap stocks in FY11 and 4QFY11 (% decline)

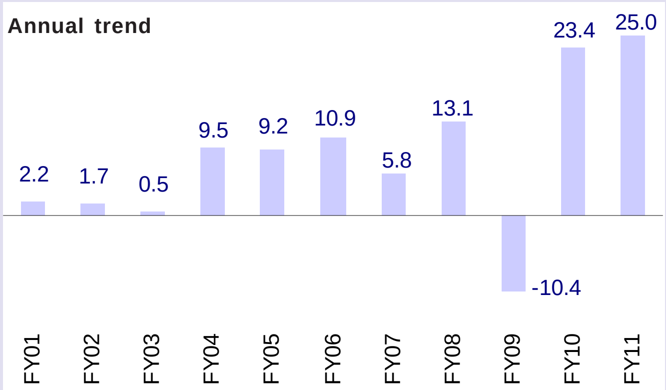


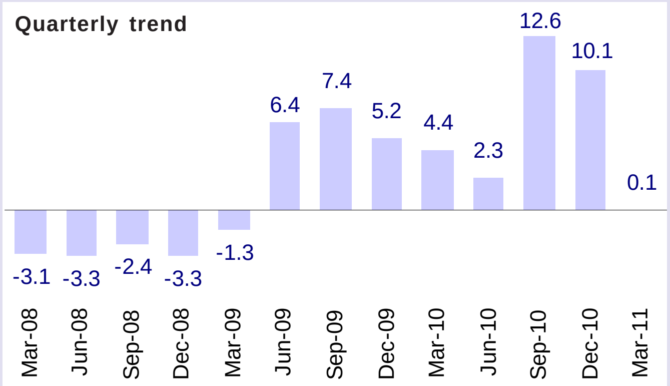


Highest ever FII inflow / DII outflow in FY11, barring 4Q

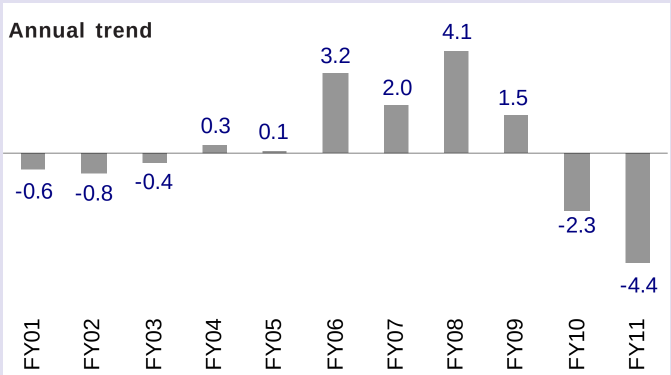
- FY11 has been a historic year for funds flow in Indian equity markets. The FII inflows surged to US$25b, the highest ever in a year, largely due to inflows in 2QFY11 and 3QFY11.
- However, domestic MFs have been responsible for net outflows of US$4.3b, again the highest ever in a year, marked by selling in 2Q/3Q. For 4QFY11, the net investments into equity markets, both by FIIs and domestic MFs have been muted.
- Insurance companies too were passive participants in markets, with net equity inflow of just US$0.3b in FY11 v/s US$7.4b in FY10. Positive inflows in FY11 were largely on the back of renewed buying by insurance companies in 4QFY11 at US$2b.

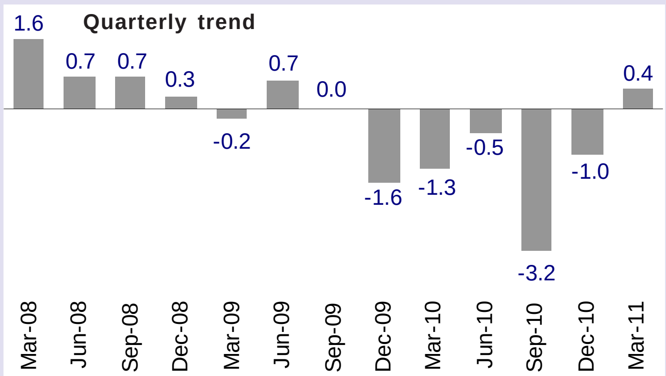
Trend in net FII investment (US$B)



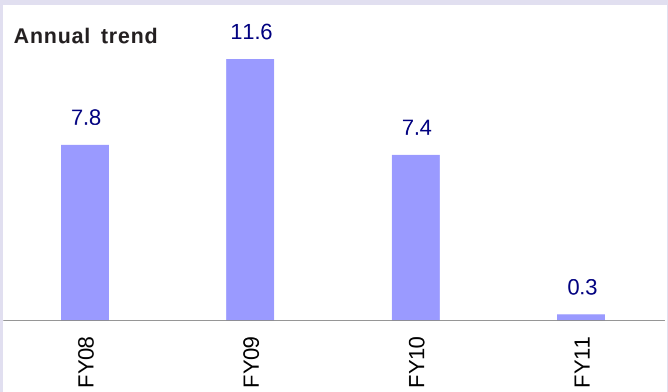


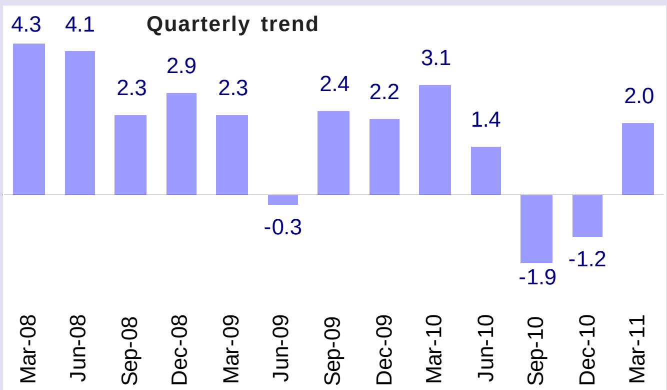
Trend in net domestic MF investment (US$B)





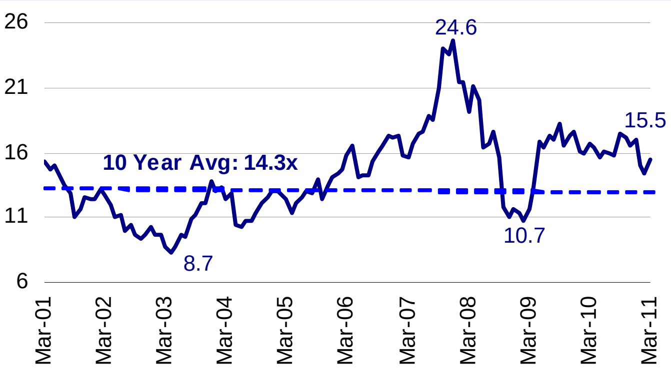
Trend in net investment by DIIs ex-MFs (US$B)



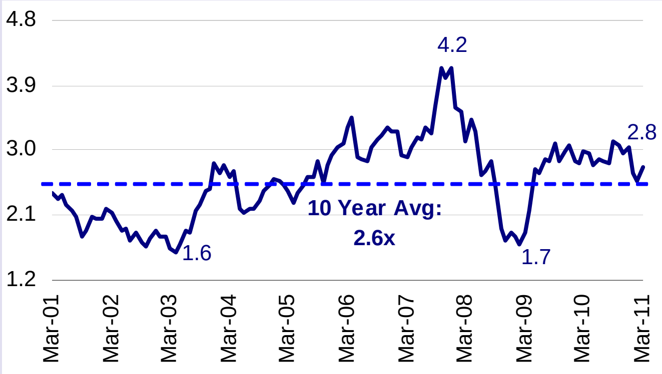


Market valuations: Marginal premium to long-term averages

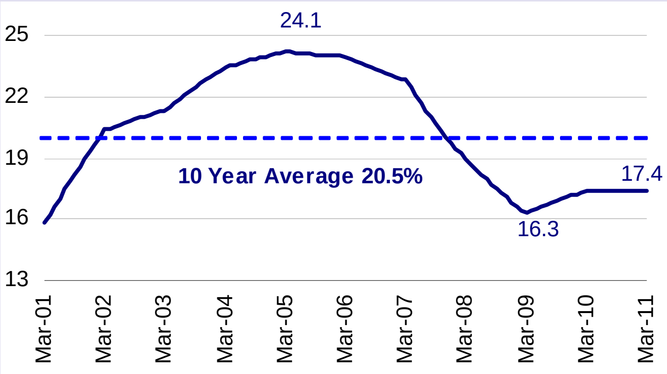
Sensex P/E (x)



Sensex P/B (x)



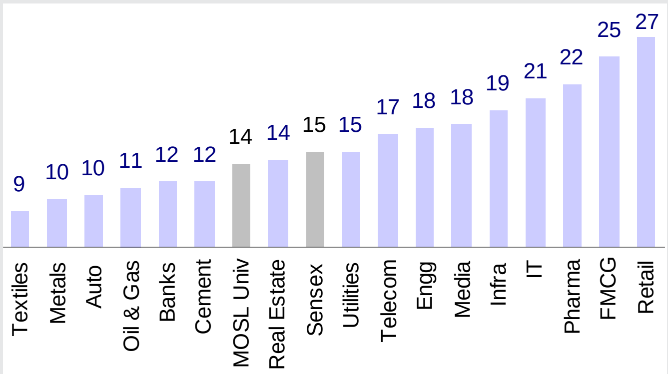
Sensex RoE (%)



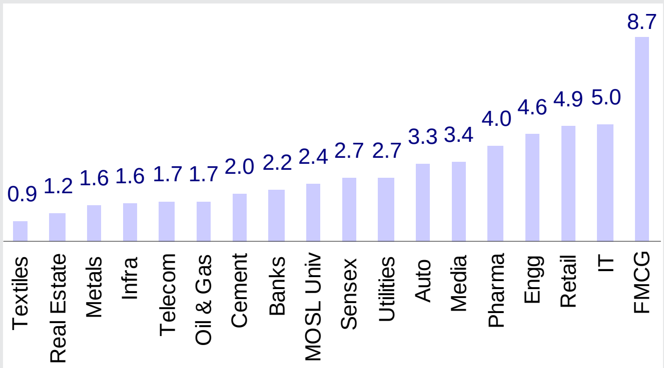
Sensex earnings yield v/s bond yield (%)

Sector valuations

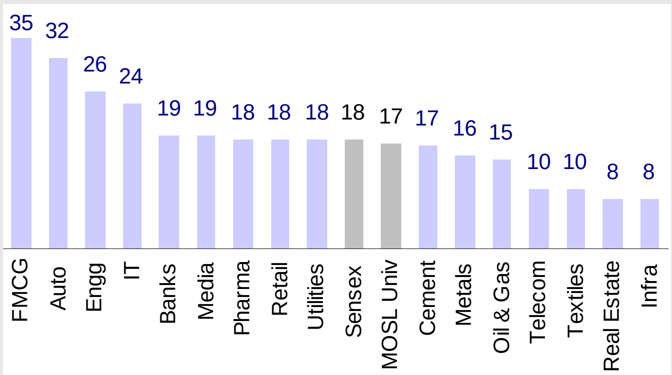
Sector P/E (FY12E, x)



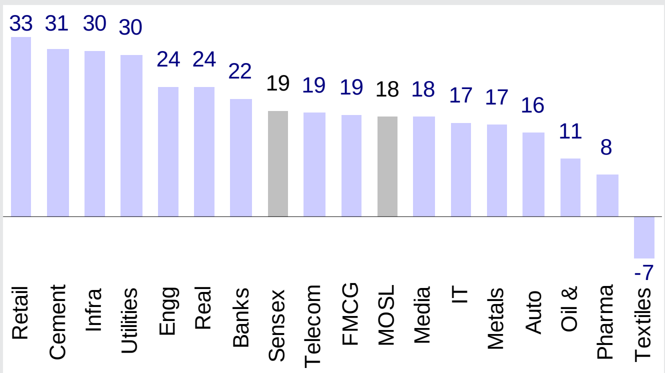
Sector P/B (FY12E, x)



Sector RoE (FY12E, %)



Sector earnings growth (FY12E, %)



Macroeconomy: Clouds of concern

Oil, inflation, interest rates test India's growth potential

The market has managed to end in the positive territory in 4QFY11, thanks to a late infusion of funds by FIIs. However, the build-up of macroeconomic risks in the interim has not relented; in fact, it has accentuated. Complacency seems to have set in on the oil front, with the swelling oil subsidy being financed by spending the enhanced fiscal space borne out of 3G/BWA revenue. This, however, ignores the high sensitivity of the various macroeconomic variables and corporate performance to every US$10 rise in oil prices.

Inflation remains high and FY11-12 could be the two-year period with the highest inflation in a decade. High inflation reduces RBI's policy space to hold rates even if liquidity improves in 1HFY11 on lower borrowing and controlled credit growth. Lastly, concerns over investment climate have disrupted the investment cycle, in turn adversely impacting the FY12 GDP growth. Thus, in contrast to the beginning of FY11, when considerable tailwinds propelled the market, FY12 opens with significant headwinds.

I. Oil: All's well @ US$90 but would b-oil @ US$120

- Rising oil price a worldwide concern
- Indian economy comfortable at current oil price of US$90/bbl ...
- ... but will be under stress if oil price continues to increase
- Government finances and domestic inflation would be adversely impacted
- Increasing oil prices also impact corporate performance

Rising oil price a worldwide concern

Rising oil price has once again emerged as a worldwide concern, accentuated by the geopolitical developments in West Asia and North Africa. With very high dependence on oil imports (~80% of requirement imported), India is susceptible to international oil price movement in various dimensions of economic and corporate sector performance.

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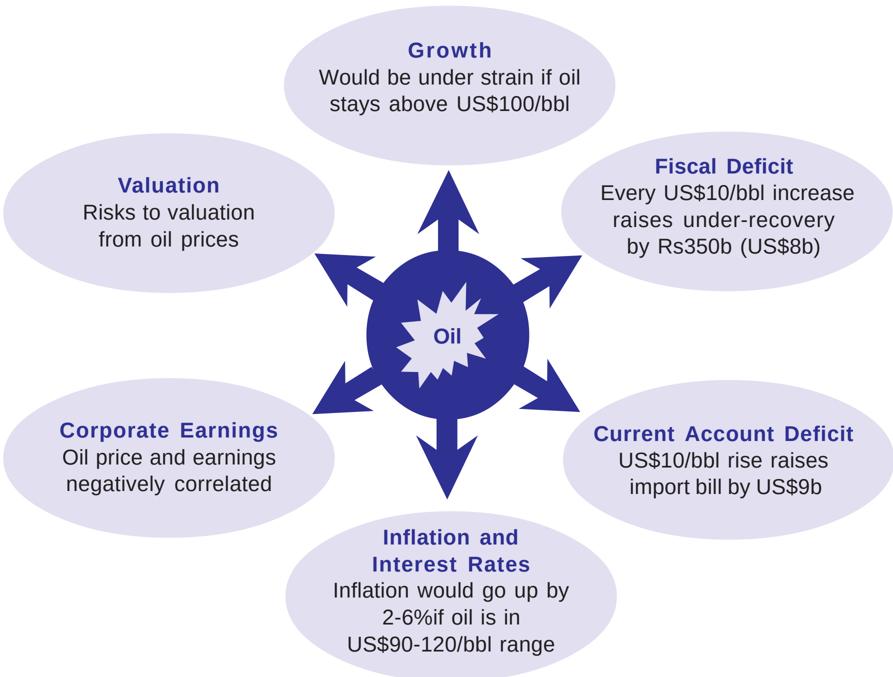
Oil - rising prices pose multidimensional challenges

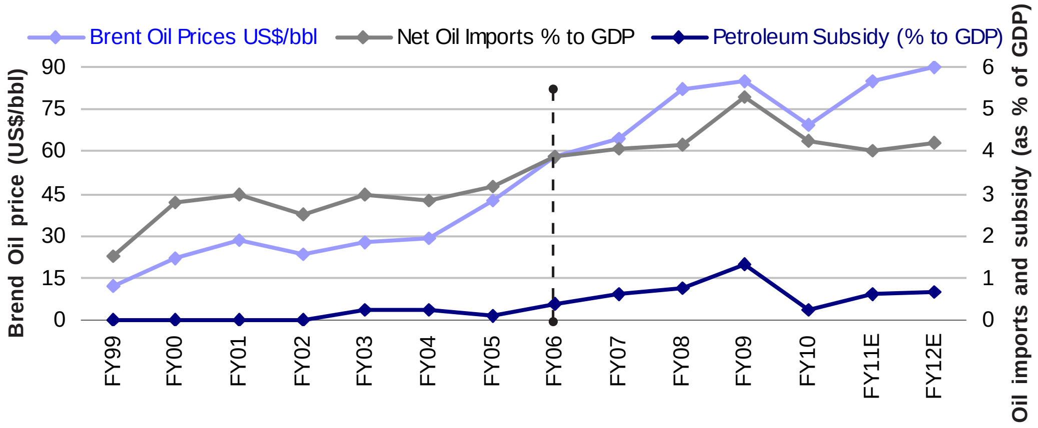


Indian economy comfortable at oil prices around US$90/bbl …

Vulnerability of the domestic economy to international oil prices has weakened, with no meaningful correction in real economic indicators like growth or employment visible in the previous episodes of oil price increase in the last two decades. In terms of more immediate impact on other macroeconomic variables like import bill and subsidy burden, if the average oil price for FY12 stays at US$90/bbl, India's net oil imports and oil subsidy bill would be contained at the FY06 level, when oil price was US$60/bbl. Thus, oil at US$90/bbl today is equivalent to oil at US$60/bbl in FY06, in terms of its direct impact.

Oil at US$90/bbl today is equivalent to oil at US$60/bbl in FY06, in terms of its direct impact

Oil @ US$90/bbl now = Oil @ US$60/bbl in FY06

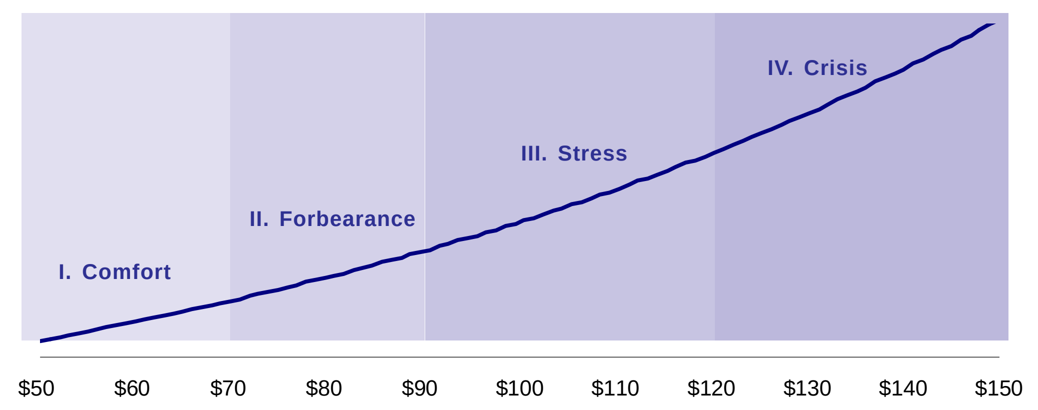


… but will be under stress if oil price continues to increase

While oil at US$90/bbl being manageable may lead to some complacency, the margin of tolerance to higher oil prices changes dramatically with every US$10 increase. The zone of stress starts from US$90/bbl up to US$120/bbl beyond which the burden of oil price becomes unbearable. High oil price has a significant impact on economic, corporate and market performance. If oil prices remain at elevated levels and stay above ~US$120/bbl, it would cause substantial strain on the macro economy:

1. Import bill will begin to bloat
2. Government finances and domestic inflation would be adversely impacted
3. Corporate performance will also be hit

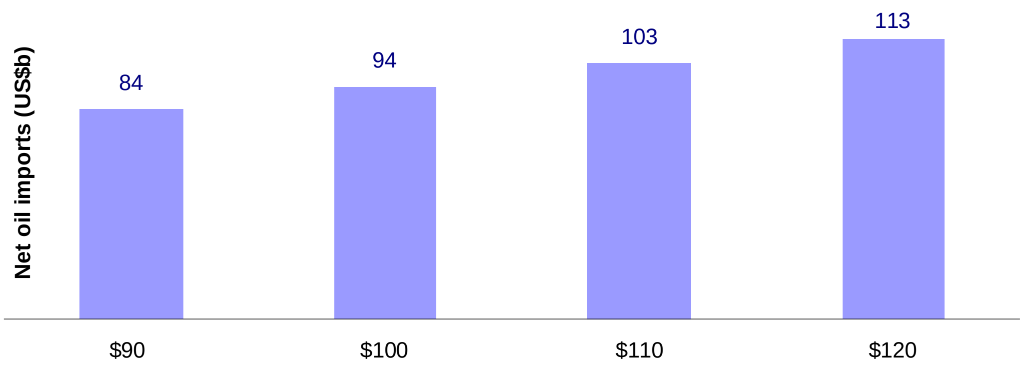
Tolerance to higher oil prices alters dramatically with every US$10/bbl increase



Import bill will begin to bloat

To begin with, the net import bill would go up by US$28b, if oil price moves up from US$90/bbl to US$120/bbl (with every US$10/bbl increase in oil price causes a hole of US$9b in trade deficit). However, the impact at the current account deficit would be limited to US$5b because of various other factors like co-movement of oil prices with other commodity prices on the imports side and higher exports to and remittances from countries in the Middle East.

Import bill increases by US$9b with every US$10/bbl increase in oil price beyond US$90/bbl



Government finances and domestic inflation would be adversely impacted

The more serious impact of oil price rise would be felt on government finances and domestic inflation. Our estimates suggest that the oil subsidy bill provided for FY12 would be exhausted in meeting increased under-recovery in FY11 resulting from already firmed up oil prices. Fiscal deficit would go up from the budgeted 4.6% to 5.3%, assuming average oil price stays at US$90/bbl in FY12 and domestic petro-product prices are not raised. Every successive US$10/bbl increase in oil price would result in ~Rs350b increase in under-recovery and ~Rs250b increase in the government's oil subsidy burden. The government's fiscal deficit increases by 0.3%, with every US$10/bbl increase in oil price. Further, the disinvestment target of Rs400b (10% of fiscal deficit) would be under threat in the prevailing uncertainties over oil price/subsidy regime.

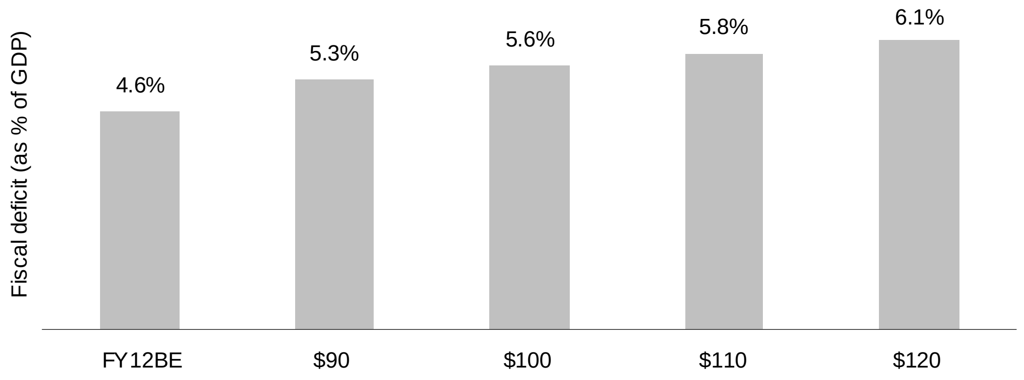
Every successive US$10/bbl increase in oil price would result in ~Rs350b increase in under-recovery and ~Rs250b increase in the government's oil subsidy burden

Under-recoveries to swell even if oil averages at US$90/bbl

(Rs B)	FY08	FY09	FY10	FY11E	*FY12E		
Fx Rate (Rs/US$)	40.3	46.0	47.5	45.6	45.0	45.0	45.0
Brent (US$/bbl)	82.3	84.8	69.6	86.3	**90.0**	**100.0**	**120.0**
Gross Under recoveries							
Auto Fuels	426	575	144	389	450	713	1,239
Domestic Fuels	347	458	316	405	439	546	759
Total	**773**	**1,033**	**461**	**795**	**889**	**1,259**	**1,998**
Sharing							
Oil Bonds/Cash	353	713	260	452	521	738	1,172
Upstream	257	329	145	263	296	420	666
OMC's sharing	163	(9)	56	79	71	101	160
Total	**773**	**1,033**	**461**	**795**	**889**	**1,259**	**1,998**
Sharing (%)							
Oil Bonds	46	69	56	57	59	59	59
Upstream	33	32	31	33	33	33	33
OMC's sharing	21	(1)	12	10	8	8	8
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* We assume Rs2/ltr diesel price hike in FY12; * We do not build any under recoveries for petrol in FY12

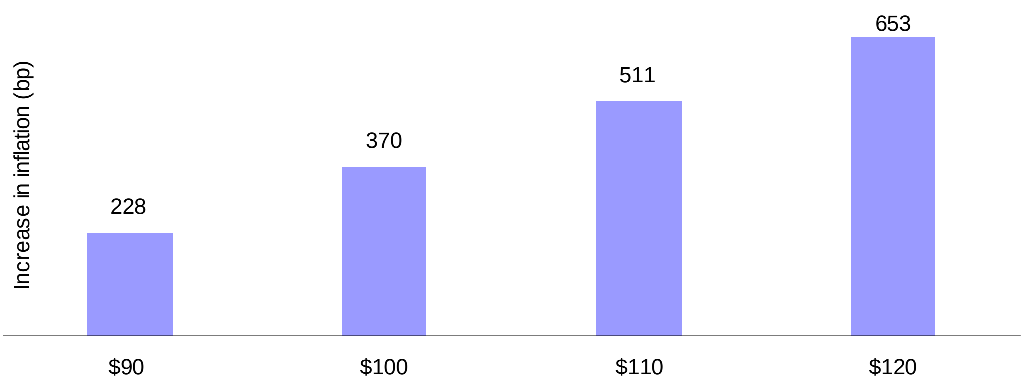
Oil prices at higher levels would unsettle fiscal calculations, if domestic petro-product prices are not hiked



At the other extreme, if the government chooses to pass on this burden completely to the consumer, the impact of the resultant price rise would be severe. At US$90/bbl, this would mean over 2% jump in inflation. If oil prices were to firm up to US$120/bbl, inflation could increase by more than 6%. Given the elevated inflation and the government's professed fiscal objectives, a more likely course would be to effect some increase in domestic petro-product prices and bear the rest of the burden. However, if oil prices were to average US$120/bbl, even if a 30% hike is effected for products under the administered price mechanism (APM) viz., diesel, kerosene and LPG, the fiscal burden would still go up to 5.6%, a full 1% higher than the 4.6% budgeted for FY12. A greater share of under-recovery for the upstream companies can ameliorate this burden only at the margin.

Very significant increase in inflation, if full impact of higher oil prices is passed through

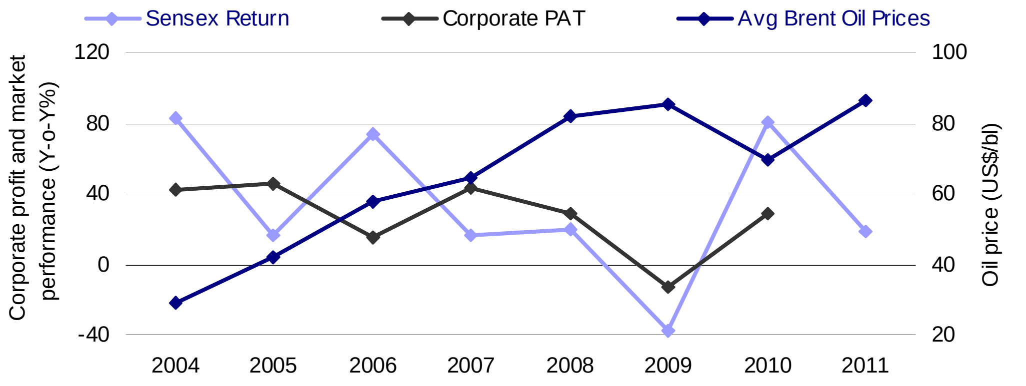
If the government chooses to pass on this burden completely to the consumer, the impact of the resultant price rise would be severe



Increasing oil prices also impact corporate performance

Increasing oil prices have a similar detrimental impact on corporate sector performance, as they raise energy costs directly. The negative relationship between oil prices and corporate/market performance seems to have been more pronounced in the recent phases just before the crisis hit. However, no significant impact is felt as yet on the overall Indian GDP, although runaway oil prices are bound to impact growth at a certain level as is widely believed for the world economy.

Negative correlation between oil price and corporate/market performance



II. Inflation: Still unrelenting, despite good monsoon in FY11 and suppressed petro-product prices

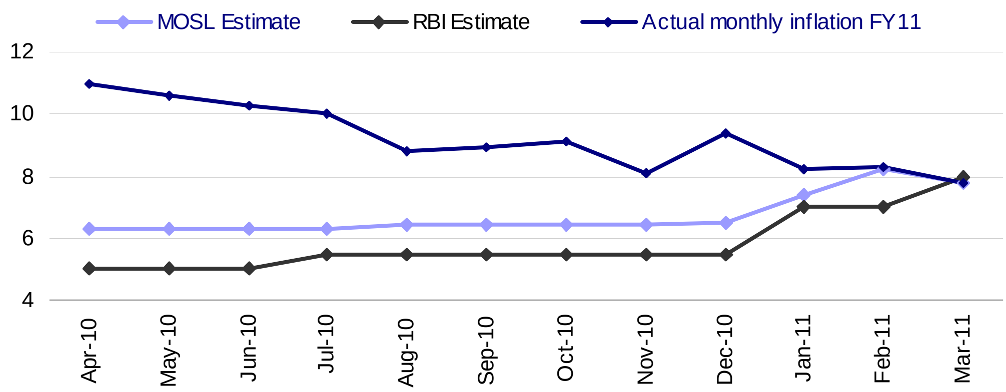
- Inflation showing no signs of relenting
- FY11-12 could be the two-year period of highest inflation in a decade
- Expect RBI to continue monetary tightening

Inflation showing no signs of relenting

Inflation has remained above 8% in all months of FY11 so far, beginning with four months of double-digit inflation. Strikingly, inflation has stayed disquietingly high despite a good monsoon in FY11 and heavy policy intervention in the nature of (1) suppressed domestic petro-product prices by high oil subsidy (0.6% of GDP), and (2) raising policy rates seven times, taking the effective short-term policy rates up 325bp. The stubbornly high inflation has led to revision in end-March 2011 inflation estimate by most agencies during the course of the year (MOSL: 150bp, RBI: 300bp).

Inflation stayed disquietingly high despite a good monsoon in FY11 and heavy policy intervention

Inflation: Expected moderation in 4QFY11 did not happen, leading to upward revision in March 2011 estimates



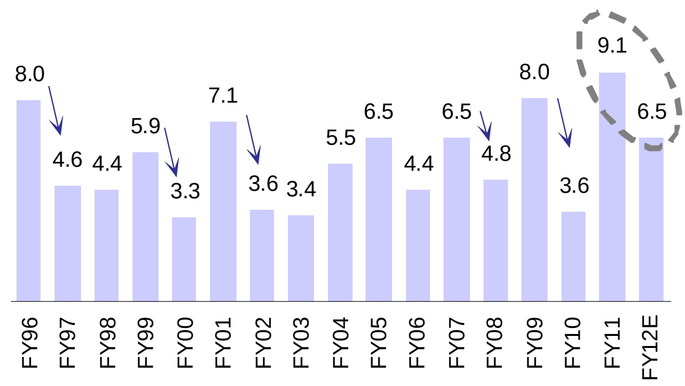
FY11-12 could be the two-year period of highest inflation in a decade

Inflation in FY11 would be the highest in the last 15 years, at ~9%. Since the mid-nineties, whenever inflation has gone to ~6% or above, it has always been followed by a sharp drop to below 5% due to high base effect. However, inflation is expected to stay ~6.5% in FY12, making FY11-12 the two-year period of highest inflation in a decade.

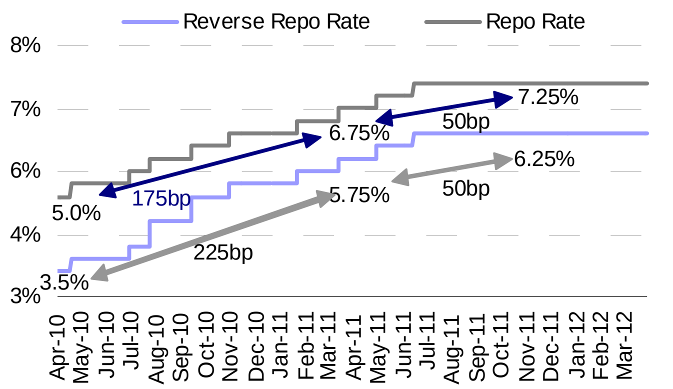
Expect RBI to continue monetary tightening

The outlook for FY12 inflation would be shaped by various factors including (1) monsoon in 2011, (2) global cereal prices (climbing up again), (3) oil prices and policy move with respect to deregulation, (4) international commodity prices, and (5) rising wages and input costs eroding margins, forcing companies to raise prices - manifested in manufacturing inflation. As no let up is visible in many of these factors, RBI is likely to stay on course of monetary tightening to curb inflation. We expect at least 50bp hike in policy rates to be front-loaded in 1HFY12.

Highest two years of consecutive high inflation since the mid-nineties (%)



Expect RBI to hike rates by 50bp more to fight inflation



III. Liquidity and interest rates: On the borders of forbearance

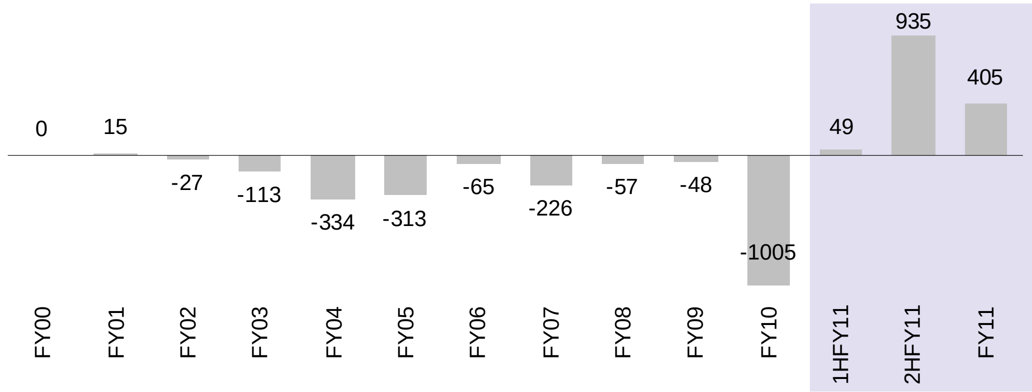
- Liquidity conditions have remained stressful…
- …but the pressure on liquidity is likely to ease…
- …with significant improvement in 1HFY12, followed by deterioration in 2HFY12
- Policy tight rope walk - to ease liquidity or to tame inflation

Liquidity conditions have remained stressful…

Liquidity conditions remained stressful for most part of FY11. Starting the year with a reverse repo balance of ~Rs360b, the market turned into repo mode within a couple of months since June 2010. Liquidity infusion through repo was necessitated by (1) bank credit growth at 23%, well in excess of deposit growth at 17%, and (2) strict control over money supply by the RBI, with OMO of Rs670b against our estimate of Rs1.2t, partly in accordance with tight monetary policy. This resulted in banks taking recourse to the repo window to the tune of ~Rs1t since November 2010. Prolonged period of strained liquidity resulted in severe stress in the money market, with short-term deposit rates exceeding 10%, leading to a flattening of the yield curve.

Prolonged period of strained liquidity resulted in severe stress in the money market, with short-term deposit rates exceeding 10%, leading to a flattening of the yield curve

Repo balance at its highest in FY11, indicating prolonged period of liquidity stress (Rs b)



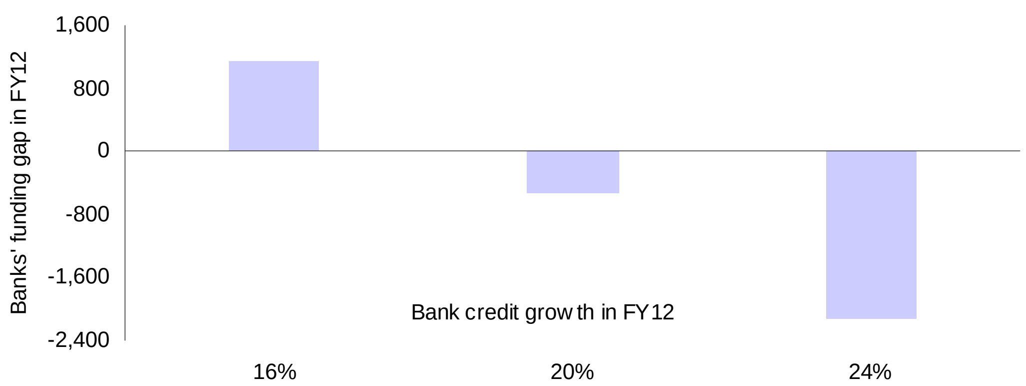
…but the pressure on liquidity is likely to ease…

A few things however are set to change. RBI may still restrict the money supply growth to ~17%, resulting in ~18% growth in deposits. However, credit growth may sober down to 20% appears plausible even after taking into account (1) higher credit to be demanded by oil companies, if the current oil price trend persists, (2) some let up in credit demand from industry on slowing investments, and (3) higher inflation, increasing nominal credit demand. With the government restricting its fiscal deficit to 4.6% of GDP and net market borrowing at Rs3.4t remaining nearly the same as in FY11, the pressure on liquidity is likely to ease somewhat.

Thus, the funding gap between credit and deposit growth is set to decline increasing the headroom for banks. The funding gap of the banking system in this baseline scenario works out to ~Rs500b, which can easily be funded by profit growth. However, if the credit growth surprises, it is likely to put stress on liquidity, requiring special amelioration measures including (1) increased capital flows to create additional liquidity, (2) open market operations (OMO) by RBI to inject enduring liquidity, (3) continued repo support or Exceptional Standing Facility (ESF) at bank rate (50bp higher than repo rate) proposed to be conducted under the revised operating procedure of monetary policy by RBI.

With the government restricting its fiscal deficit to 4.6% of GDP and net market borrowing at Rs3.4t remaining nearly the same as in FY11, the pressure on liquidity is likely to ease somewhat

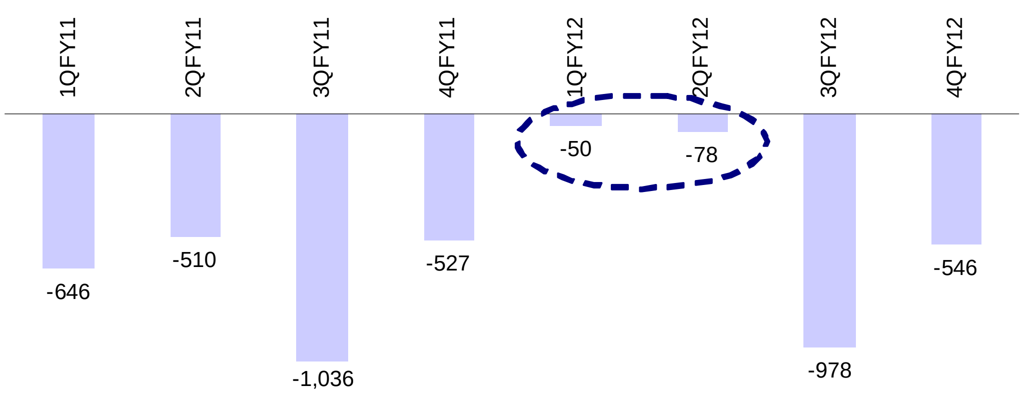
No liquidity pressure up to credit growth of 20% (Rs b)



...with significant improvement in 1HFY12, followed by deterioration in 2HFY12

With the baseline case of 18% deposit growth along with 20% credit growth, the immediate liquidity situation may improve because of three more triggers: (1) unwinding of the government cash balance kept with RBI (in the range of Rs500b-Rs1t at last count), (2) lower government borrowing in H1FY12 (60% as against exceeding 65% in the last two years), (3) higher redemption scheduled in 1HFY12 (Rs593b v/s Rs142b in 2HFY12). Thus, liquidity situation is expected to improve significantly in 1HFY12, followed by deterioration once again in 2HFY12.

Liquidity deficit to improve in 1HFY12, but may widen again in 2HFY12 (Rs b)

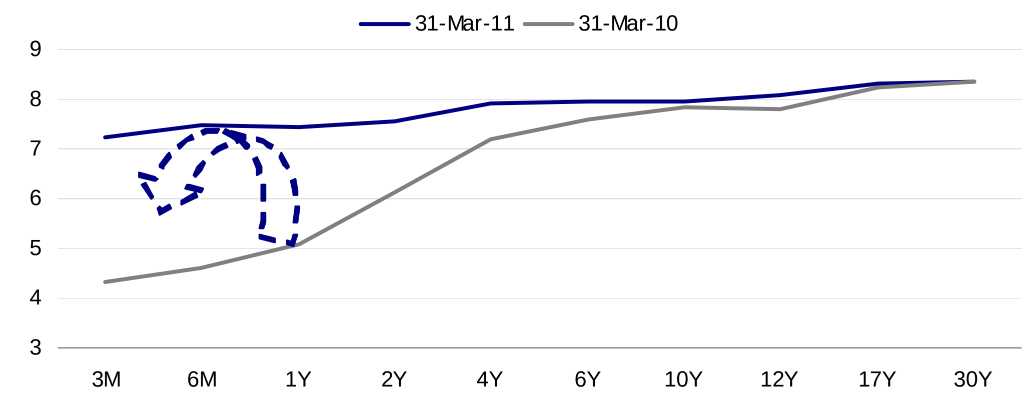


Policy tight rope walk - to ease liquidity or to tame inflation

The interest rate structure across the market would have to straddle between easing liquidity, on the one hand, and rate hike signals from the RBI on the back of still elevated inflation, on the other. The more immediate impact of such divergence would be a steepening of the yield curve in 1HFY12 rather than an across the board hike/easing of rates. With inflation remaining higher than RBI's comfort level, there is unlikely to be any respite from RBI's rate hike cycle continuing to push 10-year yields closer to 8.5% by end-September 2011. At the same time, easing liquidity conditions in the money market may soften rates at the lower end of the yield curve. Thus, the yield curve that had flattened during the course of FY11 is likely to rotate back with the longer term acting as a more resilient axis.

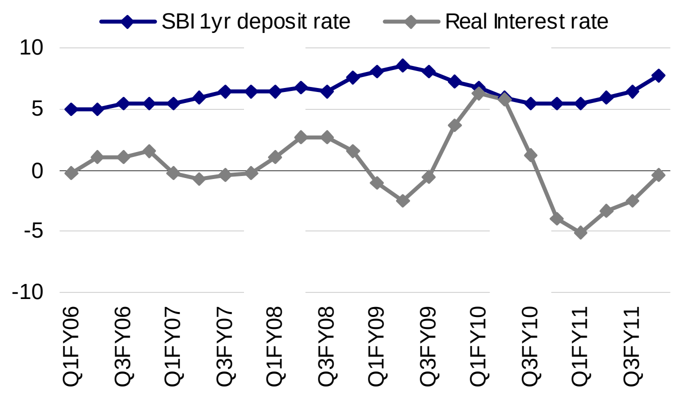
The yield curve that had flattened in FY11 would steepen in 1HFY12 (%)

Yield curve that had flattened during the course of FY11 is likely to rotate back with the longer term acting as a more resilient axis

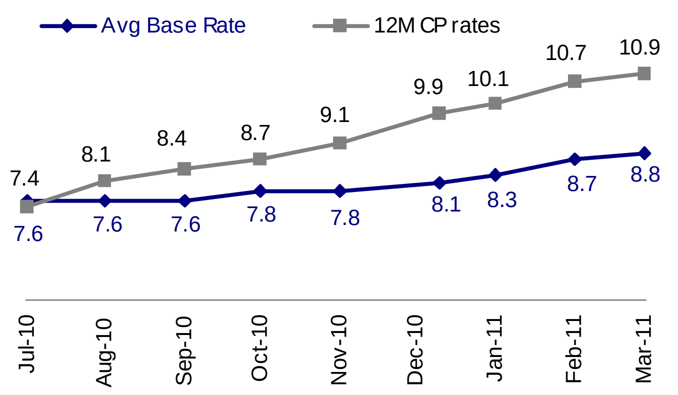


In the credit market, interest rates are unlikely to ease swiftly in response to easing liquidity because (1) inflation will remain high and lowering rates would take the real interest rates back in the negative territory, just when they were becoming positive, (2) RBI will continue to hike rates (expect at least 50bp more), (3) implementation of base rate has made the earlier type of sub-PLR lending unfeasible, and (4) there is risk of government borrowing overshooting the target on rising oil prices.

Softening of interest rates difficult; real rates about to become positive (%)



Introduction of base rate has accorded a degree of downward rigidity to lending rates (%)



IV: Growth: Moderate slowdown ahead

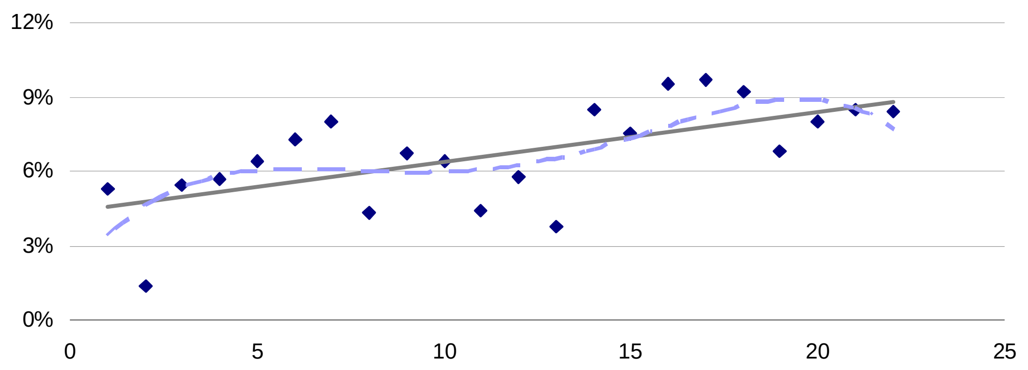
- Expect FY12 GDP growth at 8%, moderately lower than 8.5% for FY11
- Major growth drivers : (1) Agricultural production; (2) Service sector growth momentum; (3) Surging trade; and (4) Continued capital flow
- Growth drags: (1) Industrial production outlook; (2) Political stability

Expect FY12 GDP growth at 8%, moderately lower than 8.5% for FY11

We expect FY12 GDP growth at 8%, moderately lower than 8.5% for FY11. The key drivers are (1) Agricultural production, (2) Service sector growth momentum, (3) Surging trade, and (4) Continued capital flow.

Hitherto, India's robust growth story has invariably overwhelmed intermittent macroeconomic concerns. However, the latest IIP numbers are weak, especially capital goods. Further, business climate has taken an abrupt downturn. Thus, overall growth appears poised for a moderate course correction. Official pronouncements maintain FY12 GDP growth at 9%; we see challenges to these estimates.

Moderate cyclical correction expected in FY12 GDP growth to 8%



Major growth drivers

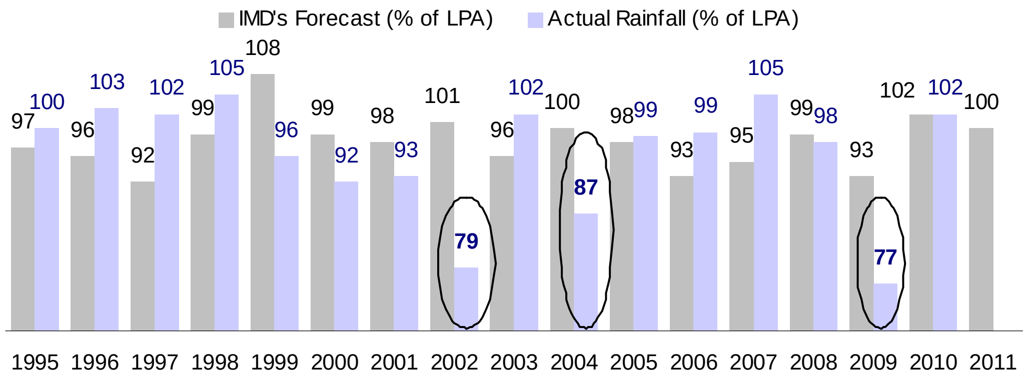
1. Agricultural production

Strong agricultural growth and transfers to rural income through various government schemes have helped keep rural consumer demand buoyant, providing an additional interlinkage to the growth of the service sector. We expect another year of good agricultural production growth (3.1% in FY12E on top of 5.2% in FY11) on account of the following three factors.

(i) Another year of good monsoon: While these are early days, IMD predicts a normal monsoon for 2011, with La Nina effect continuing well into May 2011. Further, statistical models have not found any presence of factors that can potentially weaken the prospects.

IMD predicts a normal monsoon for 2011, with La Nina effect continuing well into May 2011

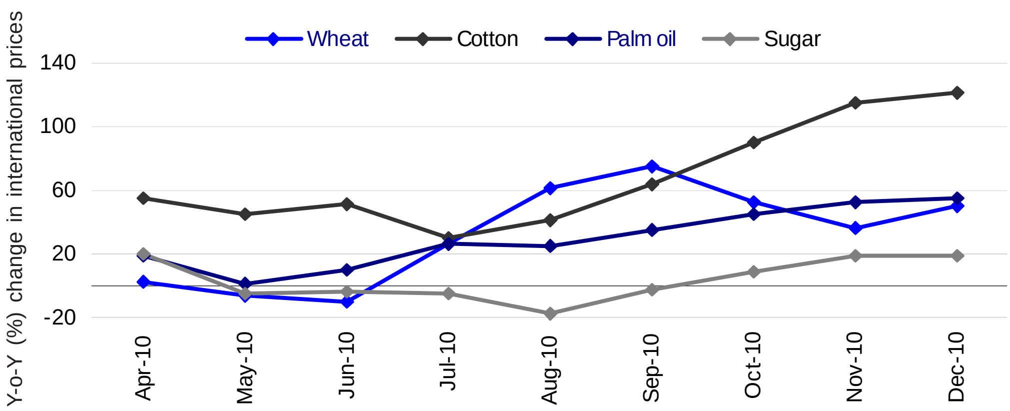
IMD predicts another year of normal monsoon in 2011



(ii) Continued government focus: The government has stepped up agricultural investment. Some of its major programs like the National Food Security Mission, National Horticulture Mission and Extending Green Revolution to the Eastern States have made significant progress in terms of utilization of funds as well as meeting physical targets.

(iii) Rising food prices and higher MSP: With the YoY growth in food prices remaining at double-digit levels for the larger part of FY11, and higher minimum support prices (MSP) on the domestic front and rising cereal prices on the international front, incentive for a bumper agricultural crop is at its highest.

International agri commodity prices are rising sharply



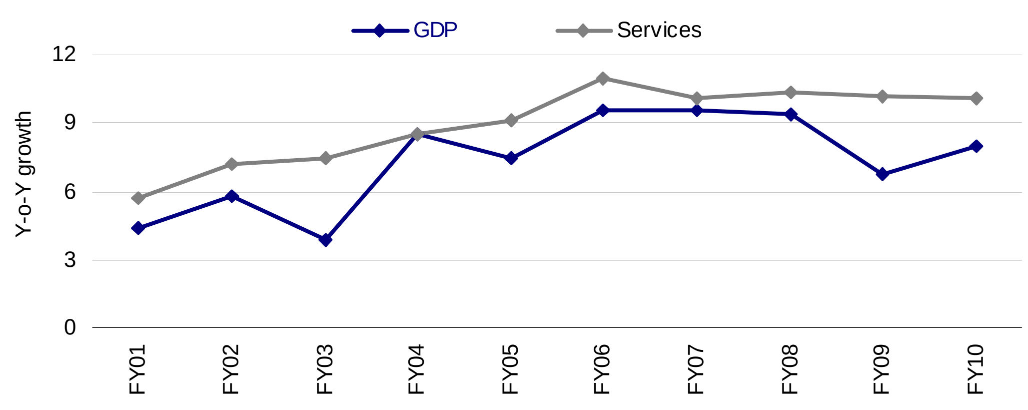
2. Key service sectors continue with their growth momentum

The service sector constitutes the biggest component of the GDP, with a share of 57%. We expect the service sector to grow at 9.5%, and this alone should ensure 5.5%-6% GDP growth. There are a few factors that give us confidence for such performance.

(i) Growth with resilience: Service sector growth has not only topped GDP growth, but has also remained resilient even in the midst of the crisis period (FY09-10).

Service sector has remained resilient even in the midst of the crisis period (FY09-10)

GDP growth consistently topped by services growth



(ii) YTD FY11 real indicators look good: Unlike industrial growth, most major indicators of service sector growth have not witnessed a commensurate slowdown. This augurs well for their continued momentum.

Unlike industrial growth, most major indicators of service sector growth have not witnessed a commensurate slowdown

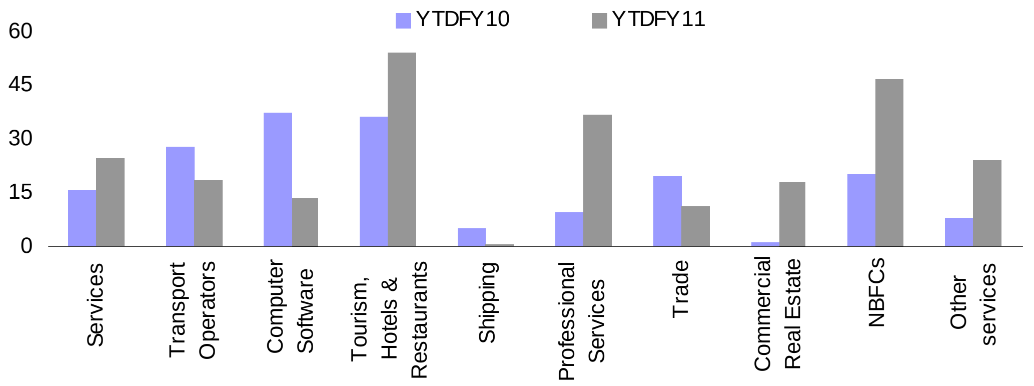
Real indicators of service sector have displayed continued growth (% YoY)

Components of service sector	FY10	YTD FY11	FY10 (Comparable)
i) Trade hotels, transport & communication (wt:27%)			
Foreign tourist arrival	4.4	8.3	4.2
Commercial vehicles sales	35	34.7	26.7
Railway freight	6.6	3.4	7.3
Air Passenger	13.6	15.1	12.3
Telephone subscriber additions	49.2	35.4	43.9
ii) Finance, insurance, real estate & business services (Wt: 17%)			
Bank Deposits	17.1	16.7	18.0
Bank Credit	17.0	23.4	16.1
Real Estate	80.8	58.5	46.7
iii) Social and personal services (Wt: 14%)			
Government Expenditure	13.4	14.0	14.7

Note: YTD growth refers to the period for which data is available for FY11 and varies as per different indicators. FY10 comparable period has been taken accordingly.
All indicators have been taken in their real units of measurement.

(iii) Service sector credit growth remains strong and is growing: Credit demand from the service sector is rising and growing at a higher rate than capital intensive industrial sector even after including infrastructure.

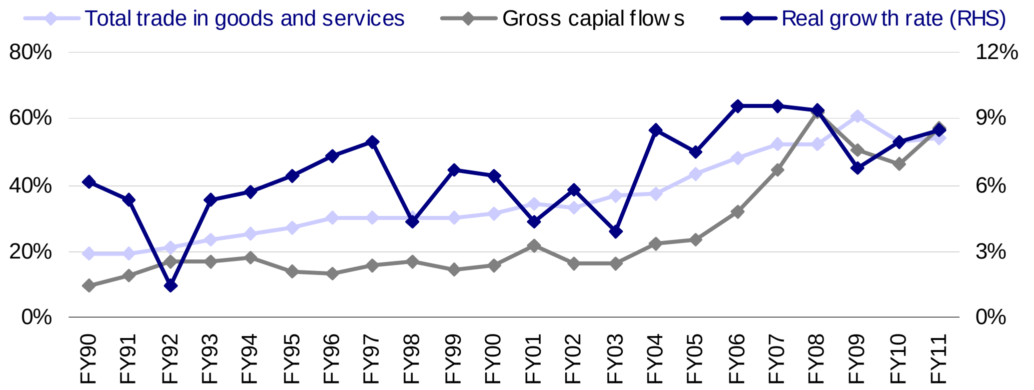
Strong credit demand from various segments of services sector (% YoY)

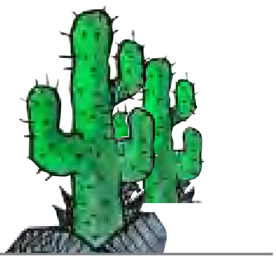


3. Surging trade to act as engine while continued capital flow improves sentiment

While the rising trade balance caused some worry in 1HFY11, it has registered remarkable improvement since December 2010. This is likely to provide significant impetus to India's growth process. The total exports of goods and services now exceed 25% of the GDP while total trade (imports and exports taken together) constitutes ~55% of the GDP. Gross capital flows (inflows and outflows) affect another ~55% of the economy. The trade linkages are, therefore, far more important now than at the beginning of the millennium, when total trade constituted ~30% of the economy. The prospects for exports and trade are looking up, with (1) revival in the West getting broadbased, (2) measures to double merchandise exports by FY14, and (3) successful trade treaties with various countries/ regions. Capital flows too have revived significantly and will help to balance the external account and improve sentiment.

Revival in trade to act as engine of growth





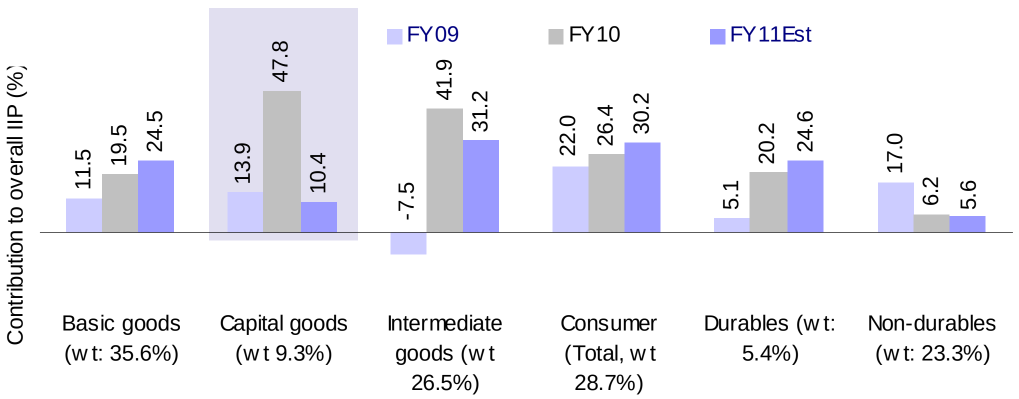
Growth drags

Along with factors that add to the resilience of India's growth and aid its acceleration, there are a few drags that could take growth below 8% (last seen during the crisis period in FY09).

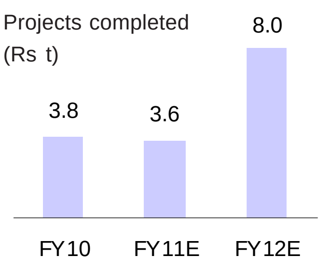
1. Industrial production outlook weakens

The chink to India's growth story at the moment lies in the performance of the industrial sector, clobbered by deterioration in the investment climate. Industrial production growth is likely to be 7.5% in FY11, and stay around that level in FY12, in contrast to a robust 10.3% growth in FY10. Notably, slowdown in industrial production is more concentrated in the capital goods and project related activities, while consumer goods, especially durables, have displayed buoyant growth. Lately, the consumer non-durables segment, a significant part of industry, has also turned up.

Industrial production is powered by consumption at present



Completed projects to rise in FY12 on delayed execution



A spate of governance/corruption issues as well as environmental clampdown and problems of land acquisition has led to delays/derailment of several projects. However, CMIE estimates suggest that the project pipeline is robust and if some of these bottlenecks are cleared, the projects implemented can go up multifold in FY12, partly because of spillover of delayed projects. Gradual improvement in industrial climate is a precondition to industrial revival.

2. Political equations can meaningfully alter business climate

The political atmosphere provides a less-than-ideal business environment at present:

- First, functioning of the central government has come under intense scrutiny on revelations of successive scams in India.
- Second, the parliamentary process has received a serious setback over disagreements on major issues on partisan lines, resulting in loss of business hours and stalling/delaying various important bills.
- Thirdly, impending assembly elections in a few states are significant not only in themselves but also in their implications for continued political strength of the ruling coalition at the Center.

Impending state elections - few facts

State	Term Expires	Total No. of Seats	No. ofLok Sabha Seats	Seats of UPA	Election Schedule	Counting of votes
Tamil Nadu	16-May-11	234	39	31	13-Apr-11	13-May-11
Kerala	23-May-11	140	20	0	13-Apr-11	13-May-11
Puducherry	28-May-11	30	1	1	13-Apr-11	13-May-11
Assam	28-May-11	126	14	9	Apr 4-11, 2011	13-May-11
West Bengal	6-Jun-11	294	42	26	Apr 18-May 10, 2011	13-May-11

Worst case scenario: GDP growth still a healthy 7%

We believe that there is limited downside risk to our baseline growth scenario, as continued industrial slowdown and below trend service sector growth are already factored in our 8% projections. However, in the worst case, when (1) monsoon too fails, pulling down agricultural growth, (2) industrial growth slumps further after the slowdown in FY11, and (3) combined deceleration in agriculture and services gets the better of service sector too, pulling its growth down to FY04 levels, we would still be left with a growth rate of 7%.

On the other hand, if (1) there is a positive surprise on industrial growth, based any improvement in investment climate and external performance, and (2) service sector comes back to its trend growth level, GDP growth would inch closer to the potential 9% level. Notably, in all scenarios risks/upside to growth emanate from the domestic factors. External economic performance is likely to act as an enabler this time, as recovery in the West is taking shape. However, the alternative scenarios are extreme events at the current state of the domestic and global economy.

Growth scenarios: Worst case GDP growth still a healthy 7%

	Base case	Worst case	Best case
GDP	**8.0**	**7.0**	**8.8**
Agriculture	3.1	1.1	3.1
Industry	7.5	6.3	9.2
Services	9.5	8.8	10.1

Worst case: Monsoon failure, services growth eventually falters too. Best case: Industrial climate improves materially, service sector back to trend growth.

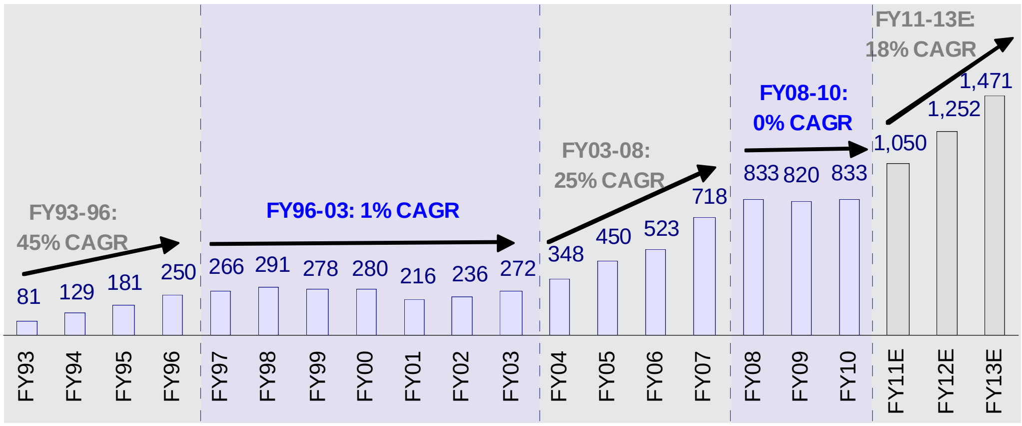
Conclusion

The Indian economy proved its resilience during the crisis period, but this does not mean that growth is a given. While overall growth is expected to be 8% in FY12 on continued momentum in agriculture, services and trade, considerable headwinds come from industrial slowdown, political uncertainties and oil prices. Growth in 1HFY12 is likely to be driven more by consumption, while investment climate takes time to recover from the current spell of uncertainties. Meanwhile, India needs to get the better of inflation, in view of the risks it poses to growth. Rising policy rates may nullify the gains of easing liquidity in the first half, keeping the pressures on interest rates and delaying industrial revival, which is already shrouded in uncertainties over the investment climate.

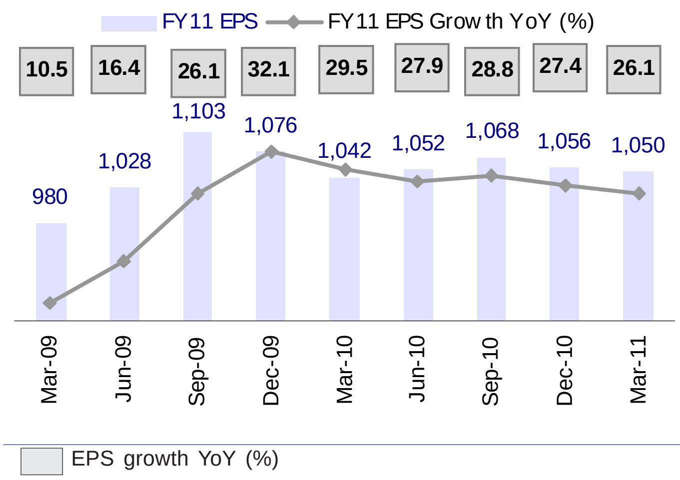
Corporate earnings growth: Downgrade cycle ahead?

Our bottom-up compilation estimates for Sensex EPS indicate growth of 19% in FY12. Over the past four quarters, these estimates have been marginally downgraded. After drastic earnings downgrades in FY09 and FY10, the topmost question in the minds of most investors is whether the corporate sector is likely to replay such earnings downgrades in FY12 and FY13. The estimates are driven by variables that have recently decayed. We attempt to unravel this mystery.

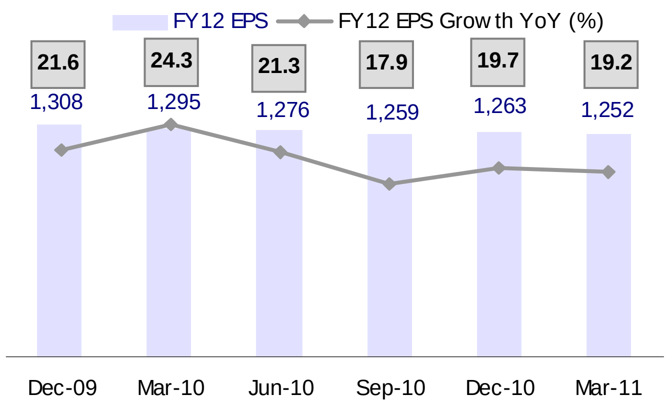
Sensex EPS trend: Hypothesis intact of a new cycle of earnings growth



Trend in Sensex EPS revision FY11



Trend in Sensex EPS revision FY12



FY11 EPS estimates have remained steady through the year

Post the initial downgrade for FY12, estimates have remained unchanged at aggregate level for last two quarters

Earnings downgrades in FY10 were driven by global plays

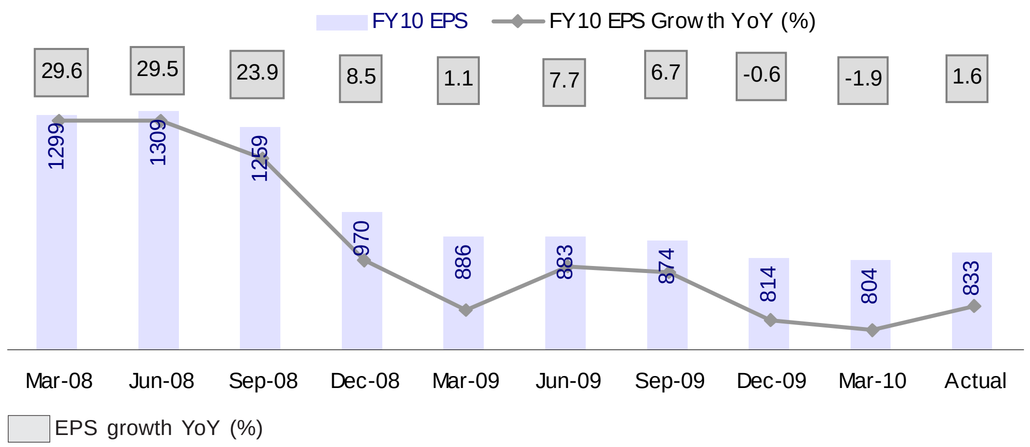
Reliance Industries and Tata Steel contributed 62% of the downgrades

FY10 earnings downgrades were driven mainly by global plays

In FY10, earnings of Sensex companies were downgraded meaningfully. Reported earnings were 36% below the first estimates made in FY08. Most of the earnings downgrades were driven by global turbulence. An analysis indicates that Reliance Industries and Tata Steel cumulatively contributed to 62% of the downgrades and global plays contributed to 76%. Earnings contributions of global plays to the Sensex were 53% below estimates made in FY08. Domestic plays, though, were relatively resilient with earnings contributions being 18% below estimates.

FY10 earnings of Sensex companies witnessed meaningful downgrades and reported earnings were 36% below estimates made in FY08

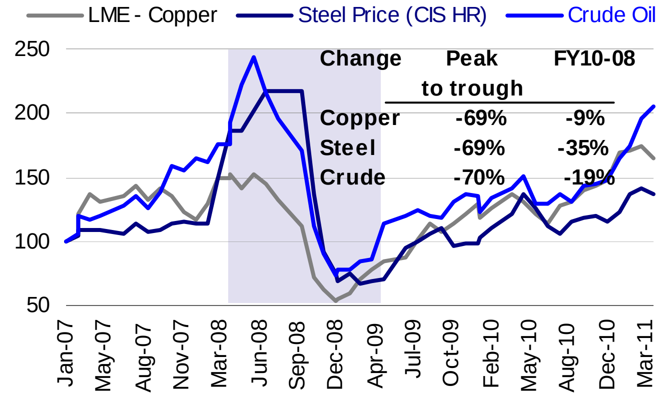
FY10 Sensex EPS estimates: Witnessed meaningful downgrades



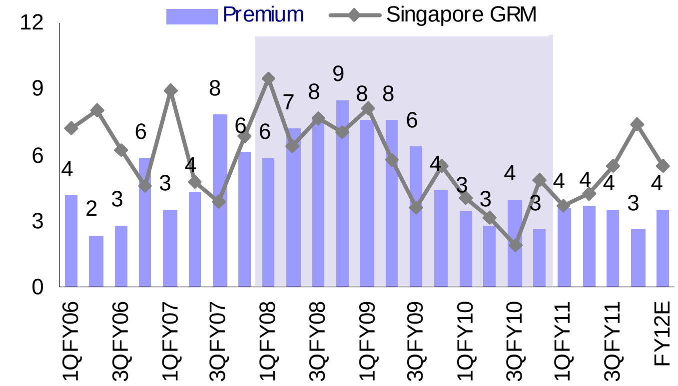
- Our FY10 Sensex EPS estimate made in March 2008 was Rs1,299, implying growth of 29.6%. The actual FY10 Sensex EPS turned out to be Rs833, growth of 1.6%.
- Commodity prices fell sharply during this period, with steel prices at a peak trough correction of 69%, crude prices at a peak-trough correction of 70% and Singapore GRM at a peak-trough correction of 80%.
- As a result, FY10 actual commodity prices were sharply lower than FY08 realizations: steel prices were 35% lower, crude prices were 19% lower and Singapore GRM was 30% lower.
- In contrast, domestic factors were stable, with GDP growth slowing to 8% in FY10 from 9.3% in FY08. The IIP moved up to 10.4% in FY10 from 8.5% in FY08 and the 10-year GSec yield moved from 8% in March 2008 to 7.2% in March 2010.

FY10 earnings downgrades were driven mainly by global factors…

Commodity (US$/t) and energy (US$/bbl) prices collapse



GRMs were down meaningfully (US$/bbl)



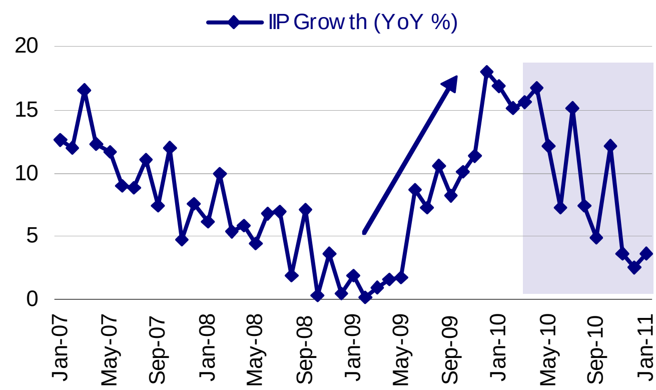
A large part of the earnings downgrade was driven by global turbulence

Note: Shaded area indicates possible earnings downgrades

…while domestic factors were supportive

One year commercial paper (%)

IIP growth declines, but rebounds sharply

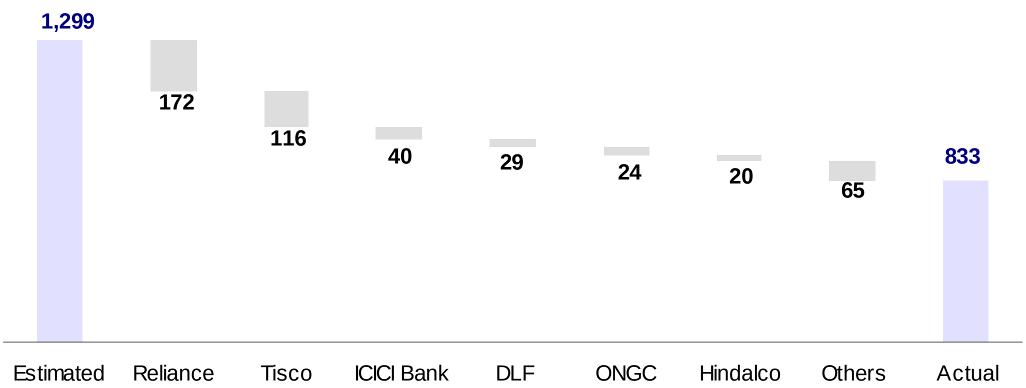


The contribution of domestic business was more resilient

Note: Shaded area indicates possible earnings downgrades

RIL, Tata Steel contribute 62% of downgrades…

An analysis of the downgrades indicates Reliance Industries and Tata Steel cumulatively contributed 62% of the downgrade during the period

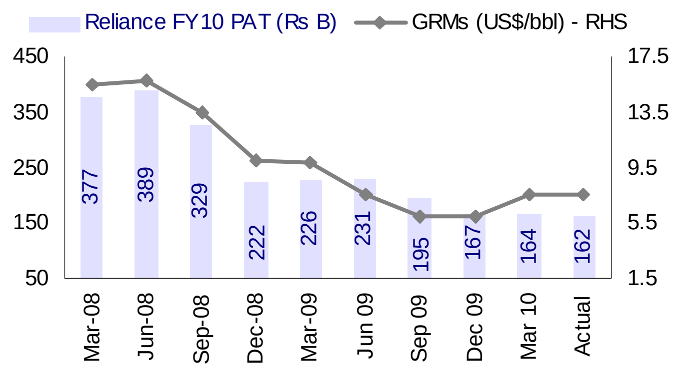


RIL & Tata Steel FY12 EPS estimates remain lower than initial estimates made in FY10; the stocks have underperformed during this period

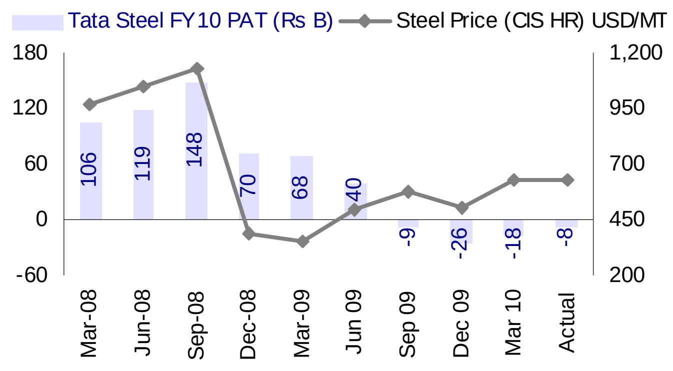
Sensex EPS downgrade **…most of the downgrades were driven by global factors**

Estimated	**1,299**	
Reliance	-172	Sharp decline in GRMs and lower profitability from gas
Tata Steel	-116	Decline in realizations and losses in Corus
ICICI Bank	-40	No growth in balance sheet and higher credit charges
DLF	-29	Significant fall in volumes and interest burden
ONGC	-24	Subsidy burden and higher operational expenses
Hindalco	-20	Decline in realizations and losses in Novelis
Others	-65	
Actual	**833**	

RIL posted earnings downgrade of 58% v/s estimates



Tata Steel posted losses v/s estimates of PAT of Rs148b



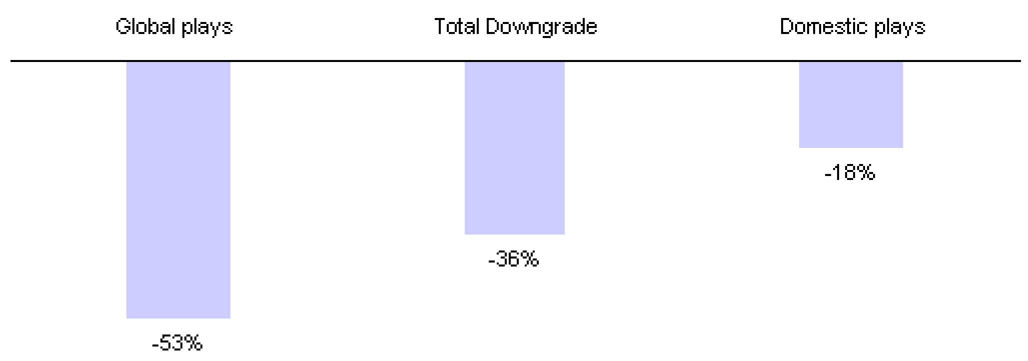
- A sharp fall in crude and steel prices and in GRM drove large downgrades in earnings estimates of Tata Steel, Reliance Industries, ONGC and Hindalco.
- To put this in perspective, Reliance Industries' FY10 PAT was 57% lower than our initial estimate in March 2008 and Tata Steel posted an FY10 loss of Rs8b against our initial estimate of PAT of Rs106b. Other global plays like ONGC and Hindalco suffered similarly.
- To add to their woes, domestic plays like DLF (collapse in volumes) and Reliance Communication witnessed large downgrades, as well. However, this was offset partly by upgrades in other domestic plays such as M&M, Hero Honda, ACC and SBI.

Downgrades were largely in global plays, upgrades were witnessed in domestic plays

Sensex: Top 5 EPS downgrades and upgrades (%)

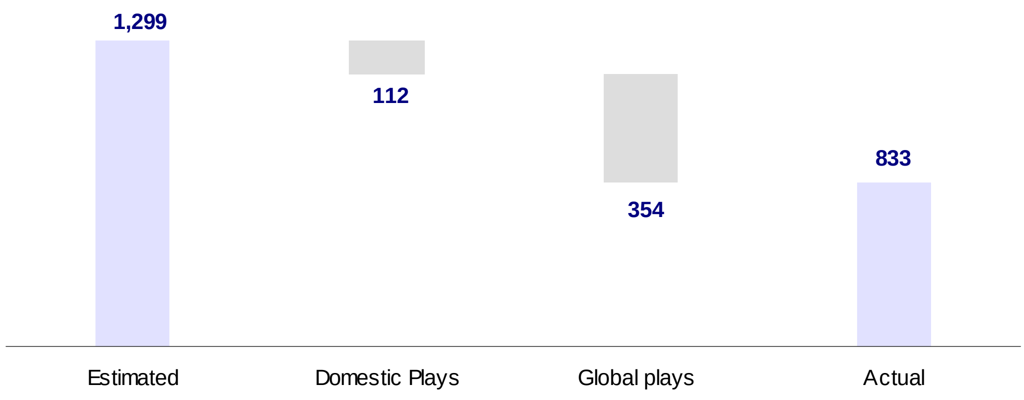
Tata Steel	-107.8	Mahindra & Mahindra	131.9
DLF	-81.8	Hero Honda	101.8
Reliance Industries	-57.0	Tata Power	49.0
Hindalco	-47.7	ACC	48.5
Reliance Comm	-37.2	State Bank	23.7

Global plays posted earnings downgrades of 53% v/s initial estimates



Global plays contributed 76% of the downgrades, with earnings contribution to the Sensex being 53% below initial estimates in FY08. Domestic plays, though, were relatively resilient with earnings contribution being 18% below initial estimates in FY08

In FY10 global plays contributed 76% of Sensex EPS downgrades



Sensex EPS downgrade (Rs)

Estimated	**1,299**
Domestic plays	-112
Global plays	-354
Actual	**833**

Domestic plays contributed 62% of FY10 earnings v/s initial estimates of 49%

- The aggregate profits of all global plays turned out to be 53% lower than our initial estimates. The relative resilience of domestic plays was manifested in aggregate profits being 18% lower than our initial estimates.
- While we had initially estimated global plays would contribute 52% of our aggregate corporate earnings, sharp downgrades restricted their eventual contribution to just 38%.

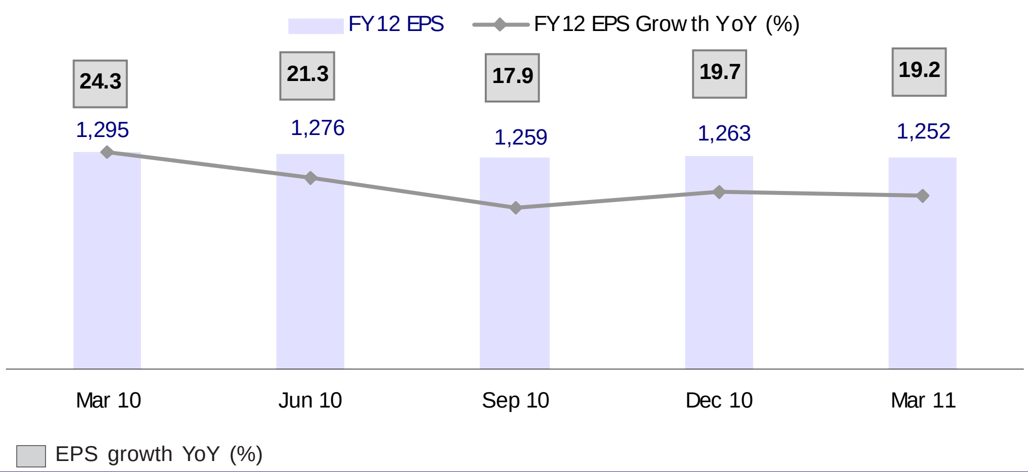
In FY12 headwinds to earnings will be from domestic plays

Unlikely to be a meaningful source of earnings downgrades

Financials, with 23% of the aggregate earnings, remain the backbone of the earnings momentum

Global growth and, in turn, global commodities have been on an upswing this time around, and we believe global plays (expected to contribute 45% of earnings in FY12) seem unlikely to lead downgrades in corporate earnings. Over the past two quarters, FY12E earnings downgrades have moderated at 2.3%, led largely by domestic plays, driven by rising interest rates, slowing economic growth and a deteriorating investment environment. The key sectors posing risks to earnings include domestic non-consumer sectors (refer definition below) and ONGC (in the event of increased upstream subsidy). While domestic non-consumer sectors will contribute 21% of FY12E, ex-utilities the share is a modest ~12%. This highlights the relative resilience of FY12E earnings. We believe Indian corporate earnings are unlikely to downgrade meaningfully as they did in FY08-10, largely driven by global cyclicals.

FY12 Sensex EPS estimates (Rs/sh): Earnings show resilience



- Our FY12 Sensex EPS estimate downgraded marginally over the past 12 months from Rs1,295 (up 24% YoY) to Rs1,252 (up 19% YoY).
- Unlike the last time, we have witnessed upgrades in our earnings estimates of global plays and downgrades in our earnings estimates for domestic plays.
- We analyse the key components of global plays (cyclicals v/s non-cyclicals) and domestic plays (financials, consumer and non-consumer players) to understand the risks and upsides to our earnings estimates.

Current assumptions indicate the possibility of upgrades in global plays

	FY09	FY10	FY11E	FY12E	Current
Interest Rate					
1 Year CP rate (Avg for the period)	11.18	6.96	8.50	9.00	10.5
10 Year G Sec (%) (Avg for the period)	7.61	7.23	7.91	7.80	7.90
Brent Oil Price (US$/bbl)	**84.7**	**69.8**	**86.8**	**90.0**	**118**
Steel (US$/Tonne)	851	718	804	838	840
Aluminum (US$/Tonne)	2,351	1,901	2,197	2,200	2,600
Zinc (US$/Tonne)	1,619	1,959	2,156	2,200	2,400
US$ / INR	**45.92**	**47.41**	**45.50**	**45.00**	**44.5**

For ease of understanding, we have classified the sectors as:

Domestic Consumer	Auto (ex Tata Motors), Telecom and FMCG
Domestic Non-Consumer	Utilities, Engineering, Cement, Real Estate, Infrastructure, etc
Global Plays Cyclical	Oil and Gas (ex RMs), Metals, Tata Motors
Global Plays Non-Cyclical	IT, Pharma

The expected increased contribution of global plays is largely driven by cyclicals, and we believe there are possibilities of further upgrades. The highest decline was in the domestic consumer segment

Global plays to contribute 45% of FY12 earnings from 40% in FY10

	% Contribution				
Sector	**FY06**	**FY08**	**FY10**	**FY12**	**Remarks**
Domestic Plays	**49.8**	**52.9**	**60.4**	**55.4**	
Financials	18.2	17	22.3	23.2	Very strong resilience in the medium term
Domestic consumer	10	12.7	14.8	10.8	Fall in FY12 is led by drop in Telecom PAT
Domestic non–consumer	21.5	23.2	23.3	21.4	Ex-utilities, earnings contribution at ~12% is modest
Global Plays	**50.2**	**47.1**	**39.6**	**44.6**	
Cyclical	40.2	37.2	28.0	33.3	Could lead to earnings upgrades; ONGC's earnings could be at risk in the event of an increased upstream subsidy
Non-cyclical	10.1	9.9	11.7	11.3	Large IT contribution, expected to be resilient
MOSL Universe ex RMs	**100**	**100**	**100**	**100**	

- The contribution of global plays to corporate earnings contracted from a high of 50% in FY06 to 40% in FY10. We expect stronger growth in earnings of global cyclicals, which will drive up the overall contribution of global plays to ~45% of corporate earnings.
- We expect the share of domestic plays in corporate earnings to contact from 60% in FY10 to 55% in FY12, largely led by lower growth in domestic consumer plays in sectors like Telecom and Auto.
- The earnings momentum of domestic plays has been negative, with a 5% downgrade in domestic consumer plays (Auto and Telecom) and a 6% downgrade in domestic non-consumer plays (Infrastructure and Engineering).

FY12 earnings estimates witnessed marginal downgrades, driven largely by domestic plays, which witnessed downgrades of 2.9-6.1%

Global plays' earnings estimates show resilience as downgrades moderate

	FY12 PAT (Rs b)			Current v/s Sep-10	
Sector	**As of Sep-10**	**As of Dec-10**	**Cur-rent**	**FY12 PAT Rev. (%)**	**Remarks**
Domestic Plays	**1,720**	**1,665**	**1,643**	**-4.5**	
Financials	759	733	737	-2.9	Downgrade led by SBI
Domestic consumer	380	374	360	-5.2	Autos, FMCG & Telecom witness downgrades of 4-7%
Domestic non-consumer	581	558	546	-6.1	Infrastructure witnesses a big 34% downgrade, Engineering 5% downgrade; Cement 6% upgrade
Global Plays	**1,470**	**1,523**	**1,473**	**0.2**	
Cyclical	1,095	1,128	1,098	0.3	5% downgrade led by Sesa, SAIL
Non-cyclical	374	394	375	0.1	Pharma 3% downgrade IT 1.1% upgrade
MOSL Universe ex RMs	**3,189**	**3,188**	**3,116**	**-2.3**	

The key sectors posing earnings risks include the domestic non-consumer segment given headwinds to the investment climate and ONGC (in the event of increased upstream subsidy)

Sectoral Analysis: FY12 earnings downgrades expected to moderate

Financials [23% earning contribution]	Robust credit growth, expected improvement in asset quality even though margins to contract
Domestic Consumer [11%]	Improving competitive scenario in Telecom (32% of earnings). Auto and FMCG unlikely to be key swing factors. Might witness some downgrade, but unlikely to meaningfully impact aggregates
Domestic Non-Consumer [21%]	Could potentially witness meaningful downgrades given headwinds to capex and new investments. However, utilities contribute ~46% of earnings, which are expected to be more resilient. Hence, they are unlikely to be a source of meaningful downgrades at the aggregate level
Global Cyclicals [33%]	Favorable global factors for (i) Oil and Gas (excluding refining and marketing companies) contributing 20% of aggregate earnings, (ii) Metals at 11%, to possibly result in earnings upgrades, going forward. Increased upstream subsidy sharing is a key risk to ONGC's earnings.
Global Non Cyclicals [11%]	IT and Pharma are more secular in the earnings trend and are unlikely to make a material difference to aggregates.

- We expect no major negative surprises from a large part of the corporate sector including domestic financials, domestic consumer or global plays.
- Unlike the FY08-10 cycle, when global plays led the earnings downgrade, our assumptions are below base metal prices or refining margins, implying lower risks to these estimates.
- Even within domestic non-consumer sectors, which have downgrades in earnings estimates in the trailing 12 months, Utilities contribute nearly half the earnings, making them less vulnerable to downgrades.
- Our analysis of EBITDA margins of the corporate sector are ~370bp lower than the previous highs of FY07, led by 520bp lower margins in global plays. We model a modest improvement in FY12 EBITDA margins and believe there exists resilience to our FY12 margin estimates led by global plays recouping part of the margin erosion witnessed since FY07.
- To conclude, unlike the previous downgrade cycle, the key risk to our earnings estimates could transpire from domestic plays rather than global plays and from volume growth rather than our margin assumptions.

Domestic and global non-consumer plays pose the biggest downside risk to margins, going forward. In the past cycle, there was margin pressure in domestic and global plays but in this cycle, we expect earnings of global plays to be more resilient

Expect EBITDA margins to be maintained, led by global cyclical plays

Sector	FY06	FY07	FY08	FY09	FY10	FY11E	FY12E	Remarks FY12E
Domestic Plays*	**20.9**	**23.4**	**24.6**	**20.6**	**22.8**	**22.0**	**22.6**	
Domestic consumer	21.2	23.8	25.0	23.8	24.5	22.0	22.9	Telecom margins rebound, others remain stable
Domestic non-consumer	20.8	23.1	24.4	18.8	21.7	22.0	22.3	Margins to rise in Cement & Infra; others are stable
Global Plays	**24.5**	**25.7**	**21.8**	**18.1**	**19.5**	**20.5**	**20.7**	
Cyclical	24.8	26.0	21.5	17.0	18.4	19.8	20.1	Margins improve due to higher prices
Non-Cyclical	22.7	24.5	23.6	24.2	24.7	24.2	23.9	Marginal decline driven by Pharma
MOSL Universe ex RMs	**23.1**	**24.8**	**22.9**	**19.1**	**20.8**	**21.1**	**21.5**	

*Ex Financials

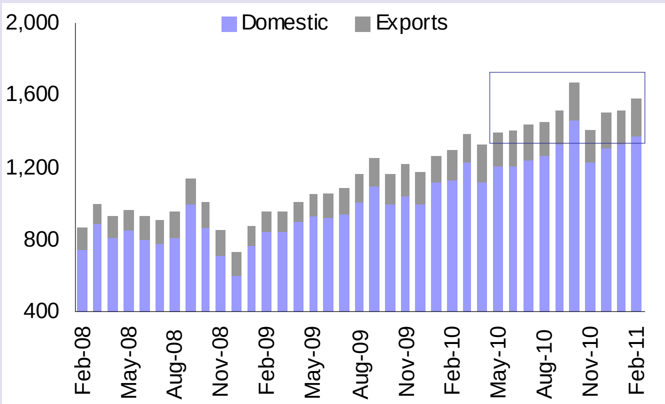
A 100bp decline in domestic margins, stable earnings by financials, necessitate a 70bp improvement from global cyclicals to maintain earnings

Sensitivity analysis [FY12E]

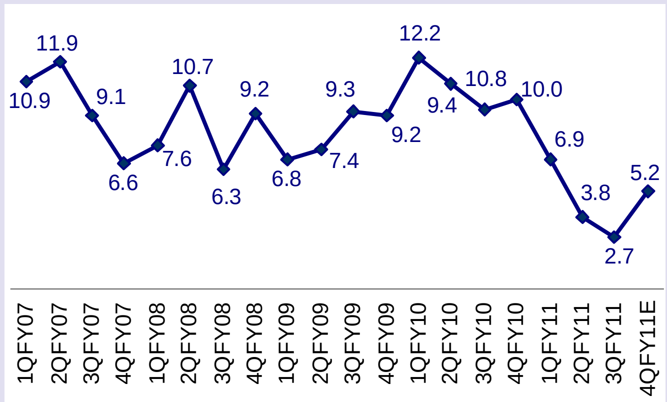
	Revenues (Rs b)	Margins (%)	Decline (bp)
Domestic Plays	8,733	22.6	-101 [Assumed]
Global Plays	12,579	20.7	70 [Required to offset]

Headwinds to topline growth the biggest challenge to margins, earnings

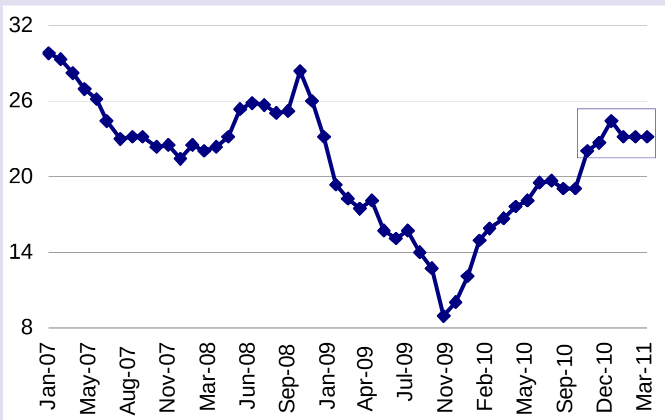
Auto volumes ('000) in a range



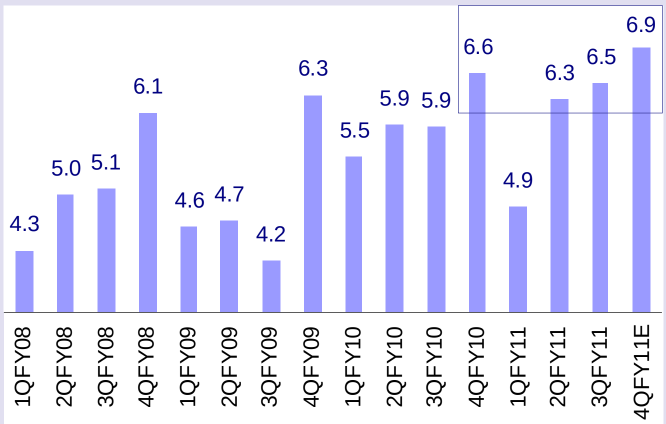
Cement dispatches growth (%) bouncing off from lows



India commercial credit growth YoY (%) in a range



Steel volumes (000 tons) in a range



Note: Volumes of Tata Steel, SAIL & JSW Steel

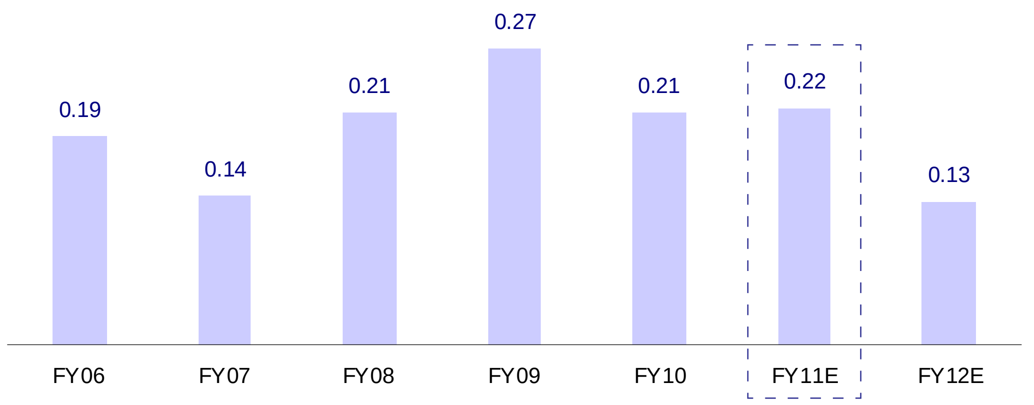
Interest cost unlikely to lead to earnings downgrades

Corporate India significantly under-leveraged

The Indian corporate sector is significantly under-leveraged with debt-equity expected to be just 0.1x as at FY12 and interest costs as a percentage of EBITDA at 8%. Hence, on an aggregate basis, interest cost increases are unlikely to impact earnings significantly. Besides, a large part of the debt is concentrated in a few sectors like Utilities, Telecoms, Infrastructure, Oil OMCs and companies such as Tata Steel and DLF. Most Indian sectors and companies hold net cash on their balance sheets. However, sustained higher interest rates could impact demand (consumer and industrial) and in turn, pose a longer term threat to earnings.

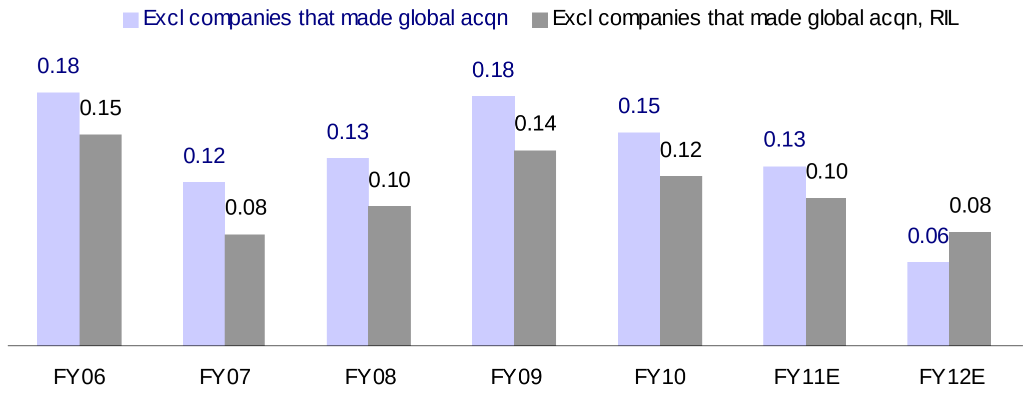
DER (MOSL Universe) is expected to decline from 0.3x in FY09 to 0.1x in FY12

Indian corporate sector significantly under-leveraged DER (x)



A large part of the expected improvement in FY12 DER will be due to receipt of Rs324b by RIL from the BP deal

FY11 DER declines to 0.13x, excluding companies that made large global acquisitions

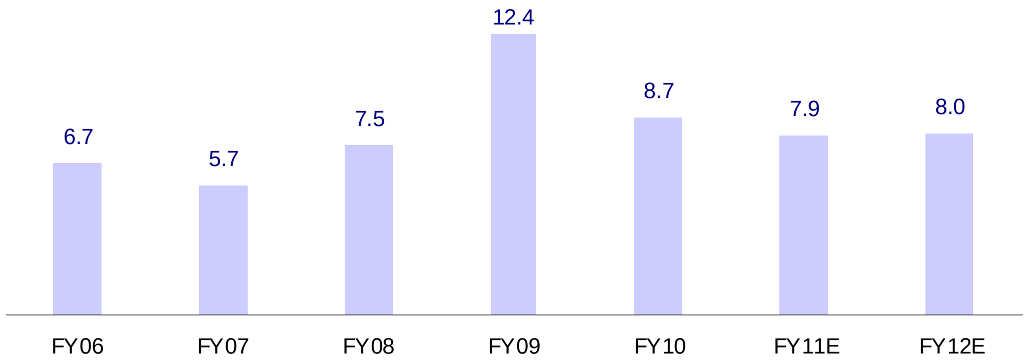


Companies that made large global acquisitions: Tata Steel, Tata Motors, Hindalco, Bharti

- The Indian corporate sector has consistently operated at low gearing. We estimate gearing of our Universe at a mere 0.2x in FY11 and a further fall to 0.1x in FY12.
- This level of gearing is despite some large cross-border M&As by Indian corporates, notably Bharti, Tata Steel, Tata Motors and Hindalco. Excluding these companies, gearing of the Indian corporate sector is expected to be 0.1x in FY11 and negligible in FY12.
- In turn, the sensitivity of corporate earnings to changes in interest rates is limited. Interest costs are estimated to have accounted for a mere 8% of EBITDA in FY11.

Interest cost increases are unlikely to meaningfully impact aggregate earnings

Interest cost as a percentage of EBITDA is low, at 8%



Highly indebted companies include Tisco and DLF and sectors include Utilities, Telecom, Infrastructure and Oil (OMCs). Besides, most other sectors/companies have large net cash

Higher interest rates will largely impact sectors such as Construction and Real Estate

Telecom, Oil & Gas, Infra most leveraged; IT, Engineering, Autos have large net cash

FY12	Net Debt Rs B	DER (x)	Inter. Cost (% of EBITDA)	Remarks
Telecommunication	962	0.9	5.7	Debt in Telecom is a build out of 3G auctions in FY11 and Bharti's debt for Zain
Oil & Gas	523	0.1	5.8	Entire debt led by OMCs, GAIL
Infrastructure	504	1.8	42.9	Bulk of debt is led by JPA, GMR
Utilities	321	0.2	15.2	NTPC, Powergrid are key drivers
Metals	243	0.1	11.1	Excl Tata Steel (Rs284b) and Hindalco (Rs191b), the Metals sector has meaningful net cash
Real Estate	221	0.3	19.5	DLF (Rs160b) contributes 72% of sector debt
Textiles	37	0.6	24.1	
Pharmaceuticals	25	0.1	5.6	Sun Pharma cash is 2x the sector's debt
Retail	20	0.3	-21.2	Pantaloon is the only one with debt
Cement	(14)	-0.0	8.9	Cash will rise significantly over FY11-13
Media	(30)	-0.3	2.4	None of the companies has debt
FMCG	(60)	-0.2	3.5	UNSP debt is more than sector's cash
Automobiles	(102)	-0.1	6.0	Excl. Tata Motors (Rs142b), the sector is meaningfully net cash
Engineering	(109)	-0.2	4.2	BHEL's cash is more than the sector's debt
Information Technology	(464)	-0.4	0.5	None of the companies has debt
Total	**2,079**	**0.13**	**8.0**	

Most of corporate India's borrowings are limited to a few sectors, led by recent developments and could be transitory and not structural indebtedness

Ex companies with global acquisitions: Metals and Autos have large cash balances

FY12	Net Debt Rs B	DER (x)	Interest Cost (% of EBIDTA)
Oil & Gas	523	0.1	5.8
Infrastructure	504	1.8	42.9
Telecommunication	482	0.4	5.7
Utilities	321	0.2	15.2
Real Estate	221	0.3	19.5
Textiles	37	0.6	24.1
Pharmaceuticals	25	0.1	5.6
Retail	20	0.3	-21.2
Cement	(14)	-0.0	8.9
Media	(30)	-0.3	2.4
FMCG	(60)	-0.2	3.5
Engineering	(109)	-0.2	4.2
Automobiles	(244)	-0.6	0.3
Metals	(332)	-0.2	7.0
Information Technology	(464)	-0.4	0.5
Total	**834**	**0.06**	**7.0**

- Most of corporate India's borrowings are limited to a few sectors, led by recent developments and could be transitory and not structural indebtedness.
- The Oil sector's gearing was driven by borrowings of oil marketing companies to meet the delayed payment of subsidy-sharing arrears by the government.
- The Telecom sector's gearing was driven by 3G auctions in FY11 and Bharti's debt for the buyout of Zain.
- The Infrastructure sector's gearing was driven by large projects undertaken by relatively smaller and younger Indian companies.
- Three out of five most indebted companies on the Sensex 30 made large cross-border acquisitions and the other two companies are from the Infrastructure sector.
- 14 out of the Sensex 30 companies hold net cash on their balance sheet.

Sensex companies: Top five with the highest debt in FY12 (Rs b)

Bharti Airtel	528	Largely related to Zain acquisition
Jaiprakash Associates	445	
Tata Steel	384	Largely related to Corus acquisition
NTPC	365	
Hindalco	191	Largely related to Novelis acquisition

Sensex companies: Top five with the highest net cash in FY12 (Rs b)

ONGC	-305	
Infosys	-211	
BHEL	-136	Beneficiary of working capital cycle
Reliance Industries	-132	Largely due to US$7b cash inflow from deal with BP
Wipro	-97	

Sensex companies DER and interest cost (% of EBITDA)

FY12	Net Debt (Rs b)	DER (x)	Interest Cost (% of EBITDA)
Bajaj Auto	-71	-1.0	0.1
Bharti Airtel	528	0.9	10.9
BHEL	-136	-0.6	0.4
Cipla	1	0.0	0.5
DLF	160	0.5	31.4
Hero Honda	-90	-1.5	-0.4
Hind. Unilever	-34	-1.3	0.0
Hindalco	191	0.7	17.2
Infosys	-211	-0.7	0.0
ITC	-85	-0.4	-0.5
Jaiprakash Associates	167	1.6	38.8
Larsen & Toubro	79	0.4	11.8
Mahindra & Mahindra	-9	-0.1	0.5
Maruti Suzuki	-74	-0.5	0.5
NTPC	365	0.5	20.3
ONGC	-305	-0.2	0.8
Reliance Comm	309	0.8	-21.2
Reliance Inds.	-132	-0.1	6.1
Reliance Infrastructure	-45	-0.2	19.3
Sterlite Inds.	-71	-0.2	7.6
Tata Motors	142	0.5	10.9
Tata Power	69	0.5	33.3
Tata Steel	384	0.9	17.0
TCS	-97	-0.3	0.0
Wipro	-97	-0.3	0.0
Total	**938**	**0.1**	**5.5**

4QFY11 earnings preview

Aggregate PAT up 22% YoY, Sensex PAT up 19%

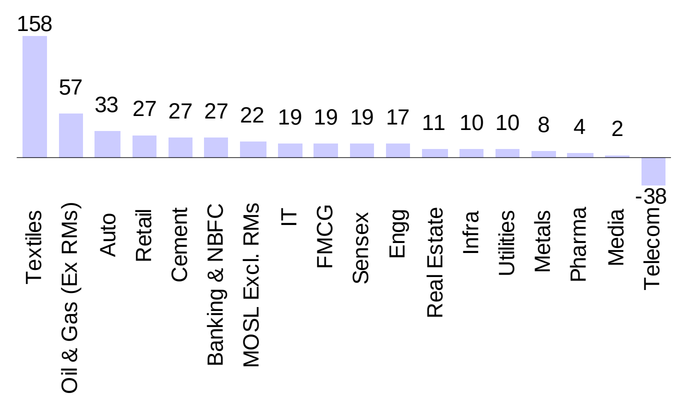
We expect 4QFY11 aggregate PAT to grow 22% YoY for MOSL Universe (excluding RMs i.e. HPCL, BPCL and IOC). PAT growth is steady-to-robust across sectors, with only Telecom expected to clock sharp 38% drop in profits, the seventh consecutive quarter of profit de-growth since September 2009. In most of the sectors, a heavyweight has been driving the earnings growth (discussed later). Other features of the quarterly earnings growth:

- Aggregate PAT of MOSL Universe will be a new high at Rs748b and is higher by 45% over March 2008, when Indian markets had made all time highs.
- Financials remain a big driver of aggregate earnings with contribution of 21% and growth of 27%.
- IT will report an earnings growth of 19%, largely led by Infosys.
- Cement will report a strong growth of 27% after several quarters of decline. This is boosted by the merger of Grasim's cement division with Ultra Tech. On a comparable basis, earnings would have grown 5%.
- Cairn India has a 21% contribution to the earnings growth in 4QFY11. If one were to factor the under-recoveries due to Oil subsidy in 4QFY11, the aggregate earnings growth of MOSL Universe would be almost nil.

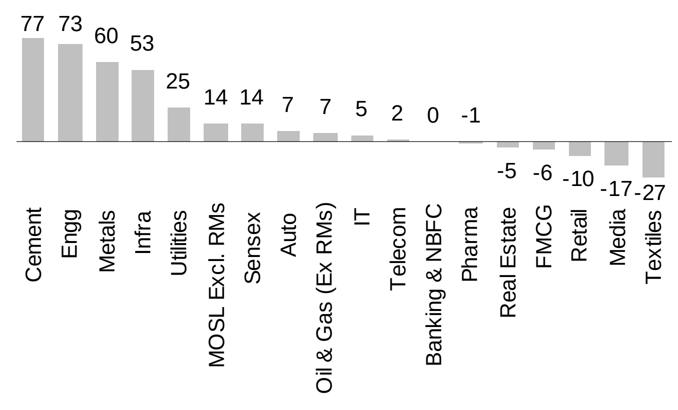
Quarterly Performance - MOSL Universe (Rs b)

Sector (no. of companies)	Sales			EBITDA			Net Profit		
	Mar-11	Var. % YoY	Var. % QoQ	Mar-11	Var. % YoY	Var. % QoQ	Mar-11	Var. % YoY	Var. % QoQ
Auto (5)	620	23	10	85	25	6	51	33	7
Banking & NBFC (27)	390	28	3	306	14	1	161	27	0
Private Banks (9)	96	22	3	85	17	8	46	33	3
PSU Banks (11)	249	31	2	178	11	-3	86	26	-5
NBFC (7)	45	23	9	43	23	6	29	20	11
Cement (7)	129	34	20	33	28	68	19	27	77
Engineering (9)	435	19	42	76	14	70	51	17	73
FMCG (11)	216	19	1	43	19	-2	28	19	-6
IT (7)	338	26	7	84	20	7	66	19	5
Infrastructure (5)	107	18	37	16	9	22	5	10	53
Media (5)	21	14	-9	7	-1	-18	4	2	-17
Metals (8)	913	21	17	184	9	39	107	8	60
Oil Gas & Petchem (12)	3,269	32	24	396	34	30	218	28	30
Excl. RMs (9)	1,374	42	22	284	44	8	158	57	7
Pharma (15)	138	13	-4	27	7	-5	18	4	-1
Real Estate (7)	44	13	2	21	22	0	11	11	-5
Retail (4)	53	36	-2	5	33	-2	2	27	-10
Telecom (4)	260	32	3	83	22	7	22	-38	2
Textiles (3)	22	33	5	4	45	-12	2	158	-27
Utilities (7)	251	19	11	79	28	23	40	10	25
Others (1)	18	21	48	4	31	66	2	6	171
MOSL (137)	**7,225**	**27**	**17**	**1,454**	**21**	**18**	**808**	**18**	**20**
MOSL Excl. RMs (134)	**5,330**	**27**	**15**	**1,343**	**22**	**12**	**748**	**22**	**14**
Sensex (29)	**3,570**	**26**	**17**	**837**	**22**	**12**	**449**	**19**	**14**

4QFY11 sectoral PAT growth YoY (%)



4QFY11 sectoral PAT growth QoQ (%)



Quarterly PAT trend (MOSL Universe, Rs b)

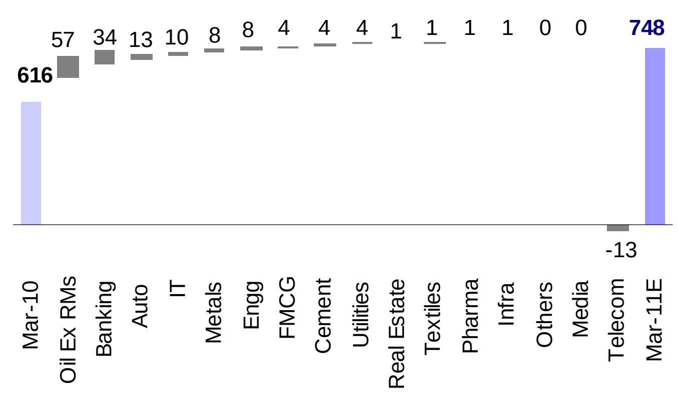
Sector	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11E
Auto	16.9	17.1	22.2	13.6	-9.4	3.6	7.2	22.2	29.7	38.5	41.8	46.0	48.0	51.3
Banking	90.2	91.6	73.5	98.2	120.4	117.1	110.7	120.3	130.6	126.9	143.9	144.8	161.1	160.9
Cement	16.9	16.3	17.1	14.3	14.7	18.7	23.5	22.3	13.2	15.3	17.7	6.9	11.0	19.5
Engineering	17.8	25.1	15.3	18.1	21.4	34.0	16.1	20.1	24.4	43.7	19.9	26.5	29.6	51.2
FMCG	19.8	17.5	19.6	19.9	21.0	20.6	23.1	24.7	26.3	23.9	26.2	28.5	30.2	28.3
IT	39.9	40.2	39.1	45.6	48.1	46.4	48.2	51.2	53.5	55.5	54.4	59.5	62.9	65.9
Infrastructure	2.9	4.1	2.7	3.3	3.4	5.2	3.4	2.6	4.5	5.0	2.4	2.3	3.6	5.5
Media	3.8	2.4	3.6	3.0	2.5	2.5	3.8	4.2	4.3	3.8	4.8	4.7	4.8	3.9
Metals	65.2	99.6	106.3	114.7	39.1	20.2	17.2	29.2	63.6	99.3	75.8	60.2	66.8	107.2
Oil & Gas Ex RMs	96.0	81.3	139.0	106.2	52.1	79.6	102.5	104.5	89.0	100.6	99.6	134.9	148.0	157.8
Pharma	12.6	13.9	13.4	13.3	12.1	3.2	14.1	16.9	7.9	17.8	19.1	20.9	18.6	18.4
Real Estate	30.9	35.1	26.3	27.4	10.8	3.1	7.9	10.2	10.4	9.8	9.8	10.0	11.4	10.9
Retail	0.6	0.8	0.4	1.1	0.8	0.6	0.5	1.2	1.4	1.7	1.2	2.1	2.3	2.1
Telecom	34.1	37.6	39.7	39.2	39.1	39.8	45.8	33.6	36.2	35.3	22.5	24.1	21.5	21.9
Textiles	0.6	0.6	-0.1	0.4	-0.3	0.2	0.1	0.8	0.9	0.6	0.7	1.8	2.1	1.5
Utilities	27.7	28.6	27.3	28.0	29.2	36.8	34.6	29.7	31.2	35.9	30.9	30.6	31.5	39.5
Others	0.5	1.9	1.5	1.2	0.6	1.6	1.8	1.0	0.6	2.1	1.4	1.1	0.8	2.3
MOSL Univ. Ex RMS	**476**	**514**	**547**	**548**	**406**	**433**	**460**	**495**	**528**	**616**	**572**	**605**	**654**	**748**

- Strong QoQ growth in Cement, Engineering and Metals is seasonal in nature.
- Strong growth in Autos is led by Tata Motors.
- Banking and Engineering have been the two key domestic sectors with consistent growth

- Sectors with PAT in 4QFY11 lower than previous quarterly highs of FY09/FY10 are Cement, Metals, Real Estate, Telecom and Media.
- Oil & Gas is boosted by commissioning of Cairn's production

EBITDA Margin Ex Banks & RMs (%)

MOSL Universe quarterly PAT delta Mar-10 to Mar-11 (Rs b)



PAT growth robust despite headwinds

PAT growth for 4QFY11 is fairly robust, despite concerns of rising commodity prices and interest rates. The two concerns have been more than negated as follows:

1. PAT share of sectors positively affected by rising prices and/or higher interest rates is higher than the share of negatively affected sectors; and
2. Positively affected sectors have grown much higher than negatively affected sectors.

Direct impact of high interest rates and commodity prices is very limited on corporate earnings. Lagged impact of these factors on demand will be crucial

Sectors positively affected by commodity prices and interest rates grow faster than those negatively affected

Sector Category	% of PAT			PAT growth		
	Total	Positively affected	Negatively affected	Total	Positively affected	Negatively affected
A. Commodity-price sensitives	56	35	20	29	33	24
B. Interest-rate sensitives	31	22	10	12	27	-10
Both A & B	1	0	1	10	-	10
Neutral to A & B	12	0	0	14	-	-
Total	**100**	**57**	**31**	**22**	**30**	**10**

The major sectors have been classified as under for the above calculations -

A. Commodity-price sensitive	
Positively affected	Metals, Oil & Gas (ex RMs)
Negatively affected	Autos, Cement, Engineering, FMCG, Textiles
B. Interest-rate hike sensitive	
Positively affected	Financials
Negatively affected	Real estate, Retail, Telecom, Utilities
Both A & B	Infrastructure
Neutral to A & B	IT, Media, Pharma

4QFY11 heavyweights

In almost every major sector, there is one company whose results have a heavyweight impact on the aggregate sector performance.

4QFY11 heavyweights

Sector	Heavyweight company (H/W)	4QFY11 PAT growth (%)	Sector PAT growth (%)			Remarks
			Current	Ex-H/W	Delta	
Auto	**Tata Motors**	83	33	3	30	JLR turnaround impact still on; 52% of sector profits from 38% a year earlier
Oil & Gas (ex RMs)	**Cairn India**	1,120	57	30	27	While Cairn benefits from higher oil prices, ONGC is another big contributor to growth
Telecom	**Bharti Airtel**	-22	-38	-61	23	Bharti's PAT de-growth is despite 33% EBITDA growth, due to huge interest burden led by Zain
Cement	**UltraTech**	151	27	5	22	Growth from merger of Grasim's cement units
Infrastructure	**Jaiprakash Associates**	30	10	-9	19	All other infra/construction companies have huge burden of interest leading to profit de-growth despite EBITDA growth
Retailing	**Titan Industries**	41	27	13	14	Titan accounts for 56% of sector profits, and enjoys strong growth
Media	**Sun TV**	21	2	-12	14	Sun accounts for over 50% of sector profits
Banking - PSU	**SBI**	51	26	17	9	SBI's PAT growth is led by a low base in FY10
Real Estate	**Oberoi Realty**	68	11	4	7	Oberoi is smaller relative to DLF and HDIL, but has the highest growth
Telecom	**RCom**	-78	-38	-19	-19	High finance cost is the key driver of profit decline

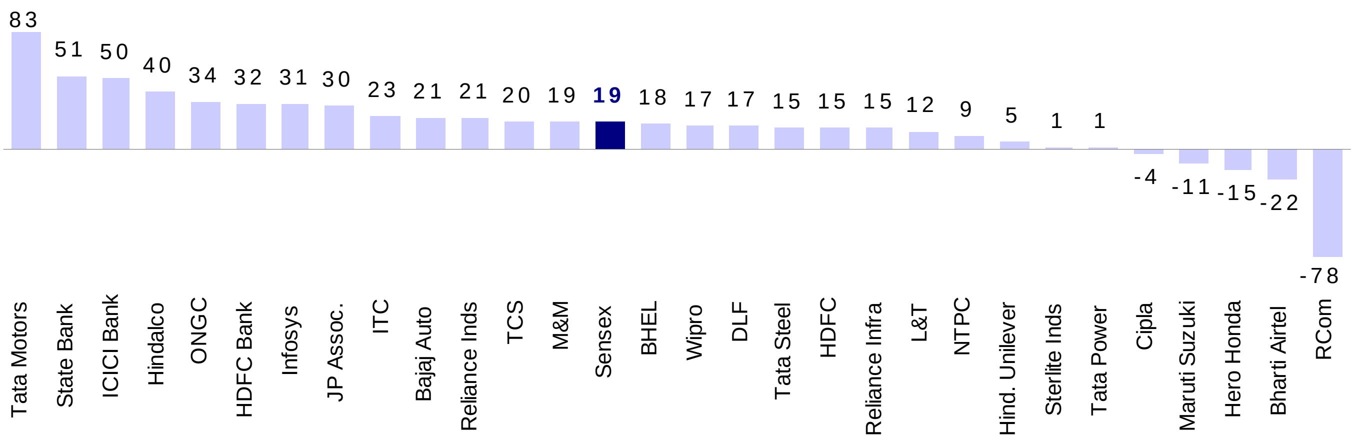
Sensex PAT up 19% YoY; margin pressures evident

- We expect Sensex sales growth of 26%, EBITDA growth of 21% and PAT growth of 19%. This will be the 4th consecutive quarter of around 20% growth for the Sensex.
- Margin pressures are evident with a drop of 100bps in EBITDA margins both YoY and QoQ.
- Five of the Sensex companies would be reporting decline in PAT in 4QFY11.
- The top five PAT growth companies are expected to be **Tata Motors** (+83% YoY), **State Bank** (+51%), **ICICI Bank** (+50%), **Hindalco** (+40%) and **ONGC** (+34%). The bottom five PAT growth companies are likely to be **RCom** (-78% YoY), **Bharti Airtel** (-22%), **Hero Honda** (-15%), **Maruti Suzuki** (-11%) and **Cipla** (-4%).
- **ONGC**, **State Bank** and **Tata Motors** that contribute 23% to total earnings will contribute 50% to the growth during the quarter.

Sensex PAT up 19% YoY

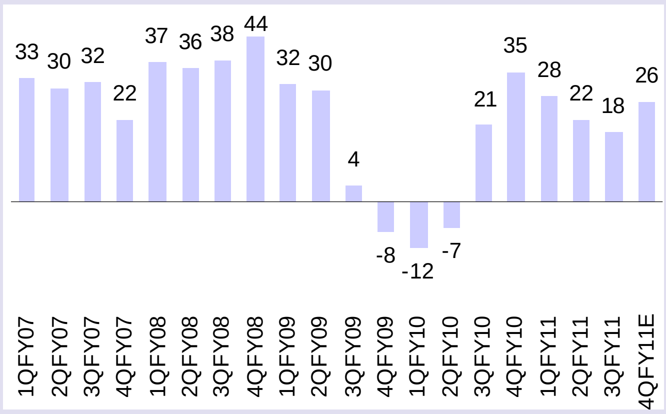
	Sales			EBITDA			Net Profit			% Contrib. to	
	Rs b	Var. % YoY	Var. % QoQ	Rs b	Var. % YoY	Var. % QoQ	Rs b	Var. % YoY	Var. % QoQ	PAT	PAT Growth
Bajaj Auto	44	30	6	9	13	3	7	21	3	2	2
Bharti Airtel	162	51	3	54	33	9	16	-22	23	4	-6
BHEL	162	20	80	39	13	91	27	18	99	6	6
Cipla	15	10	-4	3	29	-6	2	-4	-11	0	0
DLF	26	28	3	12	22	3	5	17	7	1	1
HDFC	13	9	19	15	16	22	11	15	20	2	2
HDFC Bank	29	21	3	21	21	-1	11	32	1	2	4
Hero Honda	53	28	3	6	-17	7	5	-15	3	1	-1
Hind. Unilever	48	9	-7	6	-6	-23	4	5	-24	1	0
Hindalco	192	17	10	23	11	21	10	40	63	2	4
ICICI Bank	23	15	2	24	1	4	15	50	5	3	7
Infosys	75	26	5	25	24	6	20	31	10	4	7
ITC	60	16	8	20	23	-2	13	23	-9	3	3
Jaiprakash Associates	39	18	36	9	4	13	3	30	36	1	1
Larsen & Toubro	161	20	42	23	10	82	15	12	86	3	2
Mahindra & Mahindra	65	24	7	10	16	7	7	19	10	2	2
Maruti Suzuki	97	15	2	9	-16	4	6	-11	4	1	-1
NTPC	150	22	11	47	35	21	25	9	21	6	3
ONGC	178	21	-4	109	33	-4	51	34	-13	11	18
Reliance Comm	51	0	2	17	5	1	3	-78	-52	1	-13
Reliance Inds.	791	37	32	105	15	10	57	21	11	13	14
Reliance Infrastructure	31	16	16	4	35	32	3	15	55	1	1
State Bank	93	39	3	68	32	1	28	51	0	6	14
Sterlite Inds.	93	29	12	24	10	21	14	1	27	3	0
Tata Motors	361	24	14	51	52	6	27	83	9	6	17
Tata Power	19	3	12	4	-3	31	2	1	48	0	0
Tata Steel	351	28	21	54	18	59	27	15	203	6	5
TCS	102	32	6	31	31	5	23	20	-1	5	5
Wipro	87	25	11	16	18	10	14	17	7	3	3
Sensex (29)	**3,570**	**26**	**17**	**837**	**22**	**12**	**449**	**19**	**14**		

Sensex companies' PAT growth YoY: 13 companies PAT growth higher than aggregate growth of 19% YoY

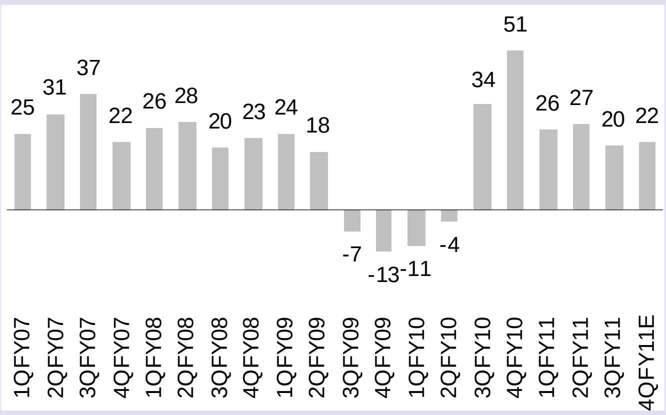


- **Tata Motors** is the top growing Sensex stock for the fifth successive quarter. **SBI** and **ICICI Bank**, the two other high growth companies, are our top picks.
- After almost seven quarters, EBITDA growth is slower than revenue growth, indicating margin pressure.
- PAT growth for Sensex throughout FY11 has been consistent at about 20%.

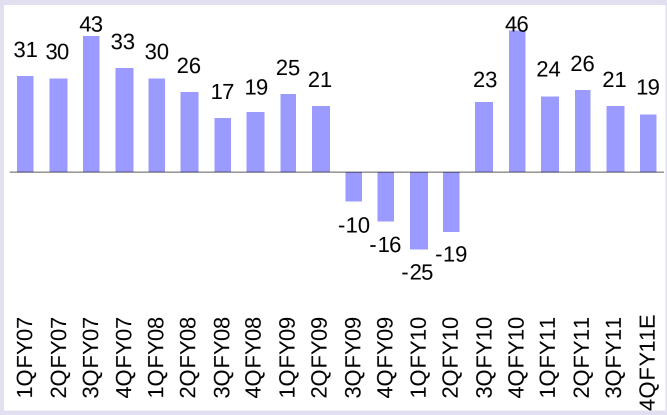
Sensex sales growth (%, YoY)



Sensex EBITDA growth (%, YoY)



Sensex PAT growth (%, YoY)



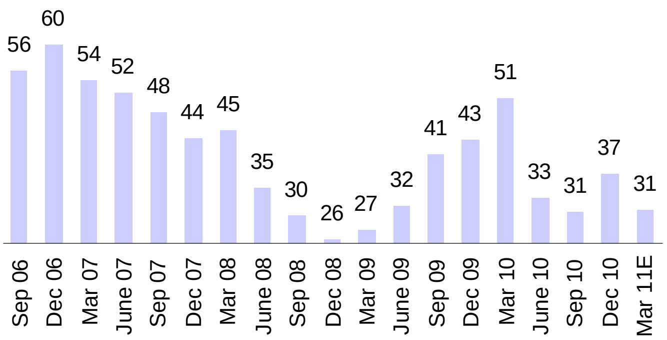
Broadbasing of earnings growth

We have analyzed the quarterly earnings growth since FY06 and distributed our Universe of companies into four growth buckets: (1) > 30%, (2) 15-30%, (3) 0-15%, and (4) < 0%. Importantly, the proportion of companies in our Universe with decline in earnings YoY is now just 20%, lowest since September 2007.

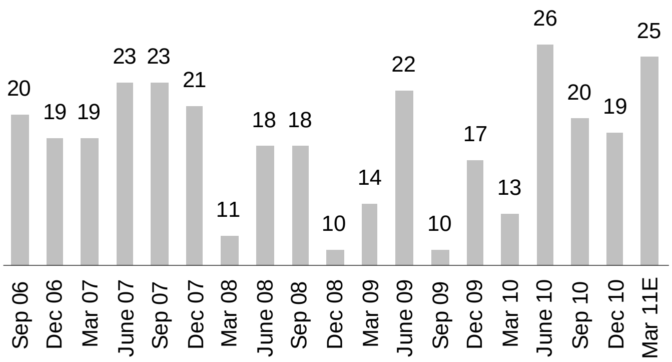
Distribution of earnings growth

Quarter ending	PAT Gr. (%)	% of cos with PAT growth of >30%	15-30%	0-15%	<0%
Mar-05	33.9	40	19	13	28
June-05	26.4	48	17	19	15
Sep-05	20.5	48	25	13	13
Dec-05	9.3	50	23	10	18
Mar-06	4.7	49	10	15	26
June-06	33.9	51	19	13	16
Sep-06	36.9	56	20	12	12
Dec-06	55.2	60	19	11	11
Mar-07	36.4	54	19	11	17
June-07	34.0	52	23	11	14
Sep-07	25.1	48	23	15	14
Dec-07	15.4	44	21	14	21
Mar-08	24.3	45	11	19	24
June-08	25.6	35	18	24	23
Sep-08	19.7	30	18	26	26
Dec-08	-8.4	26	10	22	42
Mar-09	-15.5	27	14	18	41
June-09	-14.9	32	22	14	32
Sep-09	-11.3	41	10	14	35
Dec-09	22.7	43	17	9	31
Mar-10	42.2	51	13	8	28
June-10	24.0	33	26	10	31
Sep-10	21.8	31	20	23	27
Dec-10	23.8	37	19	19	24
Mar-11E	21.5	31	25	25	20

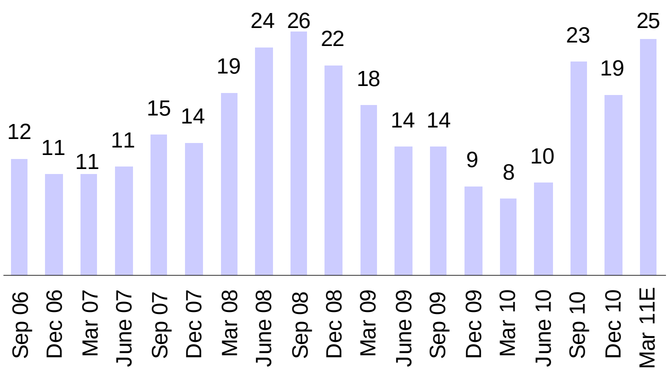
Percentage of companies with earnings growth of >30%



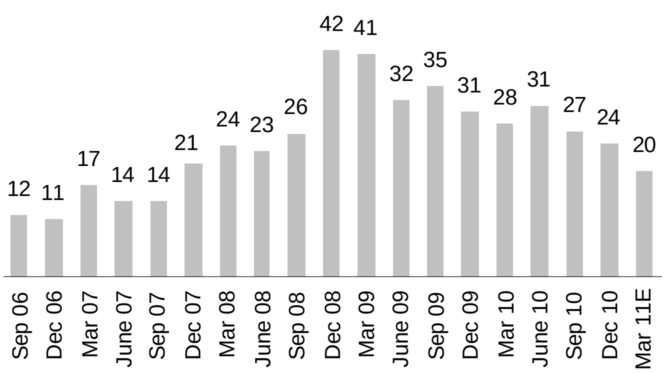
Percentage of companies with earnings growth of 15-30%



Percentage of companies with earnings growth of 0-15%



Percentage of companies with earnings growth <0%



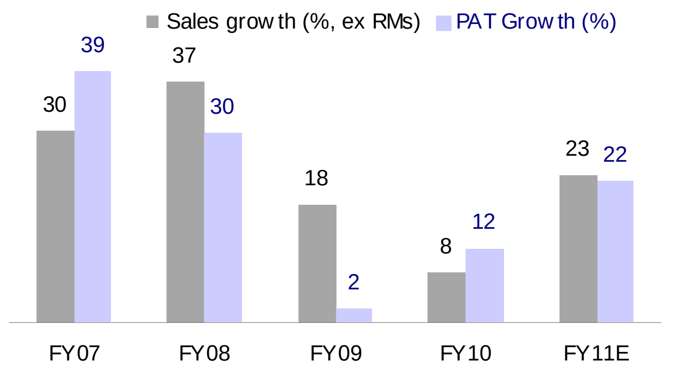
Intra-sector 4QFY11 earnings divergence (%)

Sectors	Sector Growth (%)	+25% Growth	15-25% growth	0-15% growth	-ve earnings growth (%)	Earnings momentum
Autos	33	Tata Motors: 83,	Bajaj Auto: 21 M&M: 19		Maruti: -11 Hero Honda: -15	1 2 0 2
Banks - Private	33	South Indian Bank: 70, IndusInd: 66, ICICI Bank: 50, Yes Bank: 44, HDFC Bank: 32	Axis Bank: 24		Kotak Mahindra Bank: -8	7 1 0 1
Banks - PSU	26	Canara Bank: 74, SBI: 51, BoI: 41	Andhra Bank: 25 BoB: 17	OBC: 11, Indian Bank: 10, PNB: 1	Union Bank: -15	3 3 4 1
NBFC	20	Dewan Housing: 55, Shriram Transport: 33, IDFC: 26	REC: 21, LIC Housing Fin: 16	M&M Financial: 15 HDFC: 15		3 2 2 0
Cement	27	UltraTech: 151 Grasim Inds: 31		Birla Corp: 1	Ambuja Cem.: -7, ACC: -24	4 0 1 2
Engineering	17	ABB: 478, Cummins India: 46, Siemens: 41	BHEL: 18 Thermax: 16	L&T: 12 Crompton Greaves: 9	BGR Energy: -18	3 2 3 1
FMCG	19	Britannia: 325, Godrej Consumer: 43, United Spirits: 30	ITC: 23, Nestle: 19, Asian Paints: 16	Marico: 8, Dabur: 6, Hind. Unilever: 5, Colgate: 5		3 4 4 0
IT	20	HCL Tech.: 38, Infosys: 31	TCS: 20, Wipro: 17		Tech Mah: -11, MphasiS: -18	2 2 3 0
Infra.	10	Jaiprakash Associates: 30	IVRCL Infra.: 13	Nagarjuna Const.: 5	Hind. Const.: -15 Simplex Infra.: -43	1 1 1 2
Media	2		Sun TV: 21, Jagran Prakashan: 17		HT Media: -8 Zee Entert.: -14	0 2 0 3
Metals	14	Hindalco:40, Sesa Goa: 27	Tata Steel: 15,	Hindustan Zinc: 14, Sterlite Inds.: 1	JSW Steel: -7, SAIL: -18	2 1 3 2
Oil & Gas (Ex RMS)	57	Cairn India: 1,120, Petronet LNG: 94, ONGC: 34,	Reliance Inds.: 21	GAIL: 4		7 1 1 0
Pharma	4	Ranbaxy Labs: 74	Dr Reddy' s Labs: 23, Sun Pharma: 18,	GSK Pharma: 13, Biocon: 10, Lupin: 8,	Glenmark: -4, Cipla: -4, Divis: -20, Jubilant Org.: -58	1 4 5 5
Real Estate	11	Oberoi Realty:68, Mah. Lifespaces: 38	DLF: 17	HDIL: 11, Anand Raj Inds.: 1	Unitech: -36	3 1 2 1
Retail	27	Jubilant Foodworks: 74, Titan Industries: 41		Pantaloon Retail: 5, Shopper's Stop: 3		2 0 2 0
Telecom	-38			Tulip Telecom: 8	Idea Cellular: -8 Bharti Airtel: -22, RCom: -78	0 0 1 3
Textiles	158	Vardhman Textiles: 137, Arvind Mills: 64				3 0 0 0
Utilities	115	PTC India: 145 Tata Power: 26	CESC: 19	Power Grid Corp.: 10, NTPC: 9, Tata Power: 1		1 1 4 0
Others	6			United Phosphorus: 6		0 0 1 0

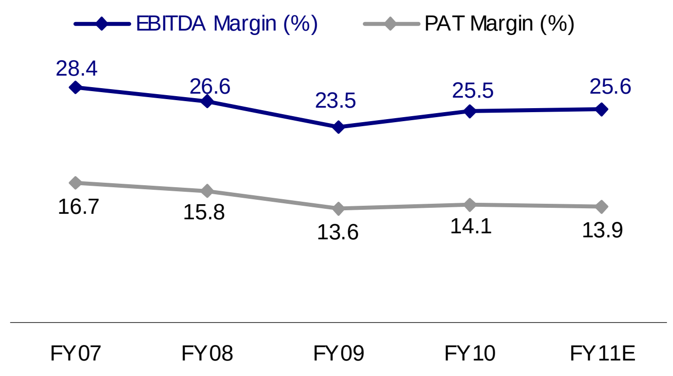
FY11: Sales and PAT growth resumes; stable EBITDA and PAT margins

After sluggish FY09 and FY10, sales and PAT growth are both expected to recover in FY11. Further, EBITDA and PAT margins should also remain stable, albeit lower than the pre-crisis levels.

Sales and PAT growth resumes in FY11 ...



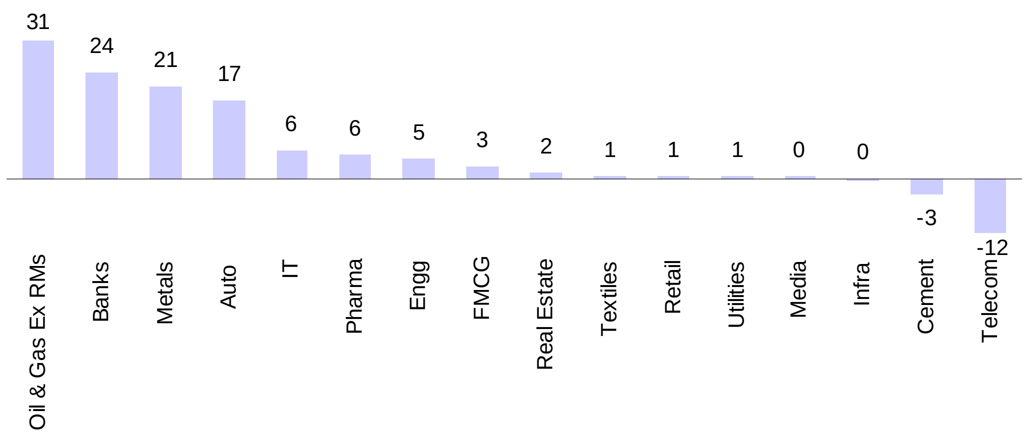
... on the back of stable margins



FY11: Key drivers - Oil & Gas, Banks, Metals, Auto; key laggard - Telecom

FY11 earnings growth performance was almost entirely led by just four sectors - Oil & Gas, Banks, Metals and Auto. Telecom was the only sector to clock significant negative earnings contribution. All other sectors remained range bound.

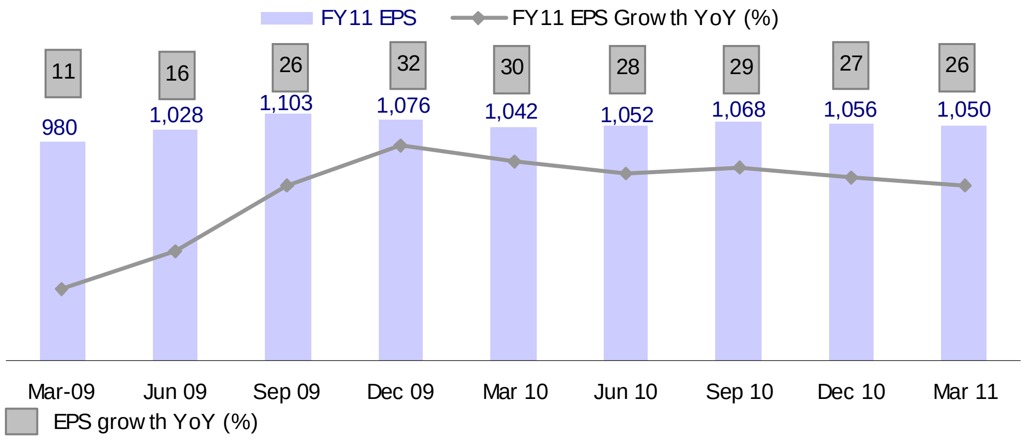
FY11 Sectoral contribution to PAT growth (%)



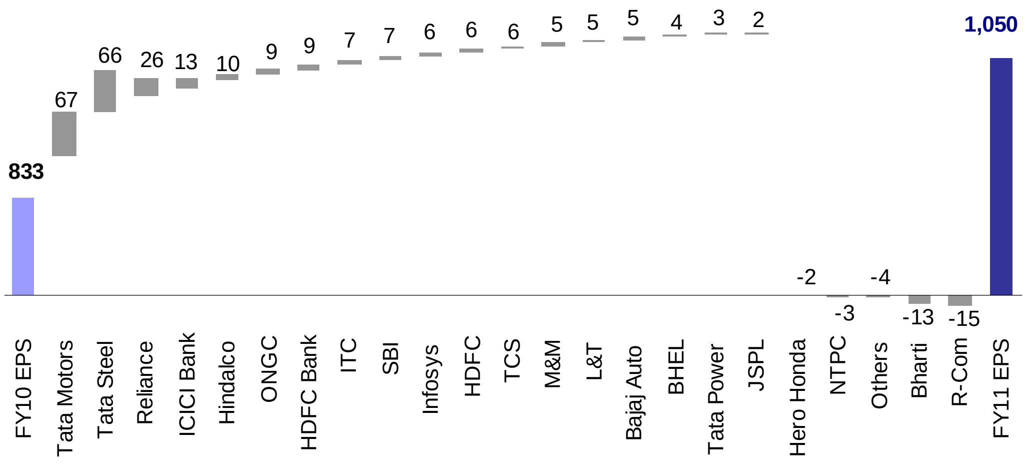
FY11: Sensex EPS estimates stable over quarters; up 26% YoY

Over the last two years, Sensex EPS estimate for FY11 has remained stable, closing the year at 1,050, up 26% YoY. The year marks the beginning of a new earnings cycle after remaining flat over FY08-10.

FY11: Sensex EPS estimates stable over quarters



Contribution to Incremental Sensex earnings from FY10 to FY11 EPS (Rs)



Investment strategy and model portfolio

No strong sector allocation; premium valuations at US$120 oil is worrisome

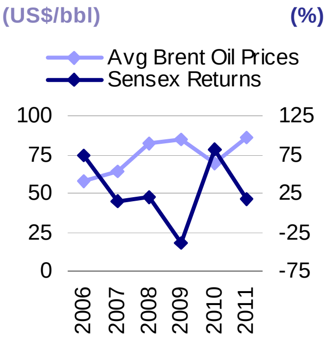
FY11 has ended on a positive note for Indian equities with several new records created. A late rally in March 2011 helped the markets to close FY11 at its highest annual closing at 19,450, up 11%. FIIs poured in a record US$25b in FY11, a key driver for market gains. Earnings growth rebounded in FY1 with Sensex EPS growing 26%, post 2-year growth holiday in FY09 and FY10.

Market earnings will be protected by global businesses, but valuations will be impacted by domestic businesses

As the Indian markets enter FY12, several macro headwinds have emerged that can impact its performance: (1) sustained high oil prices, (2) continued pressures on inflation, and (3) slowdown in industrial growth. On the other hand, global factors driven by a strong recovery in US have helped the external economy to do quite well. Given a large proportion of earnings from global businesses, India's corporate sector earnings is expected to grow 19% in FY12. Our aggregate earnings have seen marginal downgrades over the last couple of quarters, led by downgrades in earnings of domestic businesses.

Our economist expects RBI to effect another 50bp rate hike in FY12, and to be front-loaded. Inflation estimates have seen continuous upgrades over last few months and still remain protected from global oil prices. All these have led to a tight liquidity environment in 2HFY11, which we expect will improve in 1QFY12. However, interest rates are expected to remain high, given other pressures. Revival in industrial activity is delayed due to several headwinds, which is tempering down the GDP estimates for FY12. However, corporate earnings have been relatively resilient to these macro concerns.

Negative correlation between oil price and market

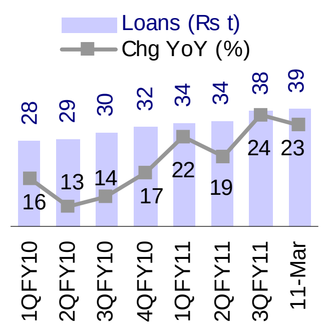


We believe macro concerns will likely impact valuations more than the corporate earnings. As the BSE Sensex trades at 15.5x P/E FY12, a 10% premium to its long-term averages, we see upsides capped from here. **Time correction looks likely for the markets in 1HFY12. Given this, attaining new highs is an uphill task. We re-iterate that markets holding at current levels in 1QFY12/1HFY12 will, in fact, be a positive.**

Model portfolio rationale

As confidence in earnings growth improves and clarity emerges on oil price trends, markets would seek further direction. In this backdrop, we have abstained from any strong allocations to specific sectors. With expectations of range-bound markets in the near term, we look for opportunities that can outperform in this backdrop.

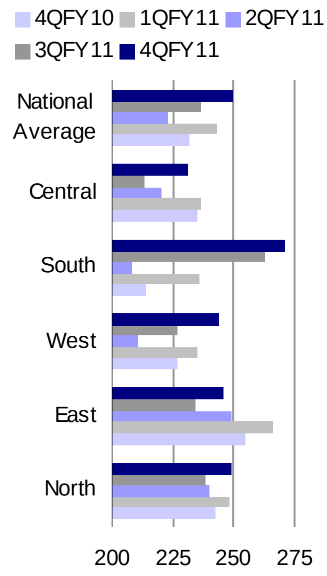
Loan growth remains strong



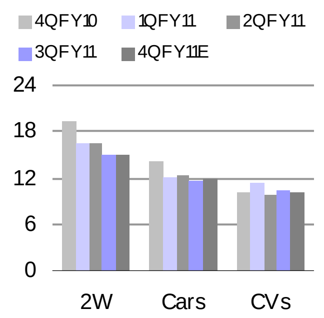
1. **Financials:** After a significant outperformance in FY11, financials are starting FY12 with headwinds of inflation and sharp rise in deposit costs. As margins moderate in FY12, earnings growth will be driven by lower credit charges. We maintain a **Neutral** stance on the sector, driven by a very low allocation to NBFCs (margin pressures, regulatory headwinds, rich valuations). **ICICI Bank remains our top bet** as it benefits from a revival in loan growth and RoE expansion will drive stock returns. **SBI** and **PNB** remain key overweight amongst PSU Banks. We have added **REC as a sole NBFC exposure** as recent correction in the stock has made valuations attractive.

2. **IT:** We remain positive on the growth prospects for the sector driven by the following: [1] Deal pipelines remain strong and deal activity has reverted to pre-recession levels. [2] We believe pick-up in discretionary spend, the prospect of quicker and higher standalone price increases (we model price increases of ~1.5% from 2QFY12),

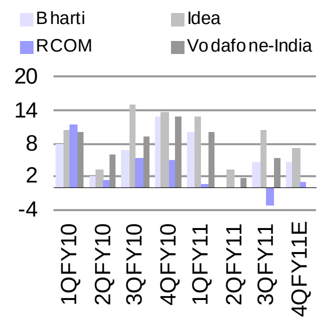
Cement prices recover strongly in 4QFY11 (Rs/bag)



Trend in auto segment EBITDA margins (%)



QoQ wireless traffic growth (%)



resurgence of large transformational deals, and revival of spending from the Telecom vertical can all drive upgrades in earnings estimates. [3] An added element of growth can be provided by ~US$40-45b worth of deals which are set to get renegotiated over a period of 3 years, where top-tier Indian vendors can gain at the cost of MNCs. [4] Margin concerns are abating with attrition peaking and gradually improving on a month on month basis. **Infosys** and **TCS** remains the top bets.

3. **Infrastructure & Engineering:** We have cut weight of Infrastructure & Engineering sectors in Model Portfolio given the headwinds facing the investment climate. All the three capex drivers - industry, infrastructure, power - are witnessing delays driven by environmental issues, resource crunch, infrastructure bottlenecks, and policy paralysis. Stressed liquidity is leading to higher interest rates. While these issues may not impair near term earnings growth given the robust order book positions, order intake will be impacted. **Our positive view on Cement** is driven by expectations of strong earnings in 1HCY11 led by production discipline and expected demand recovery in 2HFY12.

4. **Oil & Gas:** We have increased our underweight on Oil & Gas by cutting exposure to Reliance and removing ONGC. The uncertainty on subsidy sharing and divestment is the key reason for exclusion of PSU oil companies. Given the strength in oil prices, we add some weight to Cairn India. The stock has underperformed the oil prices, due to uncertainty on Vedanta deal. We believe that this has made the stock relatively attractive.

5. **Autos:** We remain **Neutral on Autos with M&M as the top bet**. Tata Motors remains a play on the recovery in key markets of JLR. Amongst the other Auto stocks, we have replaced Bajaj Auto now with Maruti. We note several headwinds for Autos in FY12 - interest rate hikes, commodity price rise, and rising competitive intensity.

6. **Metals:** Positive cues on global economy and strong volume growth will drive earnings for most of the Metal companies over FY12 & FY13. **Tata Steel**, **Sterlite** and **Hindalco** remain our top bets in the sector.

7. **Consumer:** We retain our **Underweight on FMCG** as we remain concerned about the competitive landscape, margin outlook and rich valuations. ITC is our only preferred bet as it benefits from nil increase in duty in budget and strong volume outlook.

8. **Telecom:** We have raised our **Overweight on Telecom** as we expect domestic business to rebound led by strong volume growth and stable pricing and regulatory environment. Domestic competitive intensity will improve as the top players will continue to dominate the market and new entrants are unlikely to be disruptive. Bharti should also benefit as the turnaround in African operations will drive re-rating of the stock.

9. **Utilities:** Our overweight on Utilities is primarily driven by Coal India.

10. **Pharma:** Remain Overweight. US generic market size of ~US$29b with drugs worth US$55b going off-patent over FY12-13E. More genericization imminent in Europe and Japan while Emerging market demand for pharmaceuticals is rising rapidly on the back of favorable demographic shift and low penetration. Adjusted PAT for our Universe is expected to grow at CAGR of 27% over FY10-13E, sustaining the current valuations.

11. **Mid-caps:** Our preferred mid-caps are IVRCL, Pantaloon, BGR Energy, Oberoi Realty, Sintex, Petronet, India Cements and Prakash Inds.

MOSL model portfolio

Sector weight / Portfolio Picks	BSE-100	MOSL Weight	Weight relative to BSE-100	Effective Sector Stance
Banks	**25.4**	**23.0**	**-2.4**	**Neutral**
Private	**12.6**	**12.0**	**-0.6**	**Neutral**
ICICI Bank	5.8	8	2.2	Buy
HDFC Bank	4.0	4	0.0	Neutral
PSU	**7.2**	**9.0**	**1.8**	**Overweight**
SBI	3.6	6	2.4	Buy
PNB	0.8	3	2.2	Buy
NBFCs	**5.6**	**2**	**-3.6**	**Underweight**
REC	0.4	2	1.6	Buy
Information Technology	**12.5**	**13.0**	**0.5**	**Overweight**
Infosys Tech	7.2	7	-0.2	Buy
TCS	3.2	4	0.8	Neutral
HCL Tech	0.6	2	1.4	Buy
Infrastructure & Related sectors	**11.4**	**11.0**	**-0.4**	**Neutral**
Larsen & Toubro	4.1	4	-0.1	Buy
BHEL	1.6	2	0.4	Buy
Crompton Greaves	0.5	2	1.5	Neutral
JaiPrakash	0.5	2	1.5	Buy
UltraTech	0.6	1	0.4	Buy
Oil & Gas	**13.9**	**9.0**	**-4.9**	**Underweight**
Reliance Inds.	8.6	6	-2.6	Neutral
Cairn	0.8	3	2.2	Neutral
Metals	**6.0**	**8.0**	**2.0**	**Overweight**
Sterlite	1.2	3	1.8	Buy
Tata Steel	1.9	3	1.1	Buy
Hindalco	1.3	2	0.7	Buy
Utilities	**5.9**	**6.0**	**0.1**	**Overweight**
Coal India	0.0	3	3.0	Buy
Power Grid Corp.	0.8	3	2.2	Buy
Auto	**6.6**	**6.0**	**-0.6**	**Neutral**
Mahindra & Mahindra	1.6	3	1.4	Buy
Tata Motors	2.1	2	-0.1	Buy
Maruti Suzuki	1.0	1	0.0	Buy
FMCG / Media	**8.0**	**6.0**	**-2.0**	**Underweight**
ITC	4.5	6.0	1.5	Buy
Telecom	**2.9**	**5.0**	**2.1**	**Overweight**
Bharti Airtel	2.2	4	1.8	Buy
Idea Cellular	0.3	1	0.7	Buy
Pharmaceuticals	**4.2**	**5.0**	**0.8**	**Overweight**
Cipla	0.8	3	2.2	Buy
Dr Reddys	0.9	2	1.1	Buy
Others	**3.3**	**8.0**	**4.7**	**Overweight**
BGR Energy	0.0	1	1.0	Buy
GVK Power	0.0	1	1.0	Buy
IVRCL	0.1	1	0.9	Buy
Oberoi Realty	0.0	1	1.0	Buy
Sintex	0.0	1	1.0	Buy
Petronet LNG	0.0	1	1.0	Buy
Prakash Inds	0.0	1	1.0	Buy
Pantaloon	0.0	1	1.0	Buy
Cash	**0.0**	**0.0**	**0.0**	
Total	**100.0**	**100.0**		

ICICI Bank is the top bet in the portfolio

Cement is the theme to play Infrastructure

Coal India is an O/W, also acts as a defensive

Telecom is back as a big O/W

Mid-caps will be key to adopt stock-specific approach

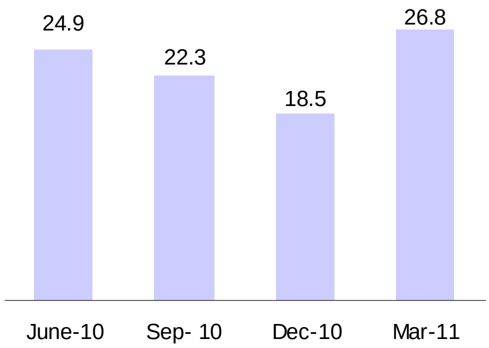
BSE Sensex: 18,816 **S&P CNX:** 5,654 **As on:** 25 March 2011

MOSL Universe: 4QFY11 Highlights & Ready Reckoner

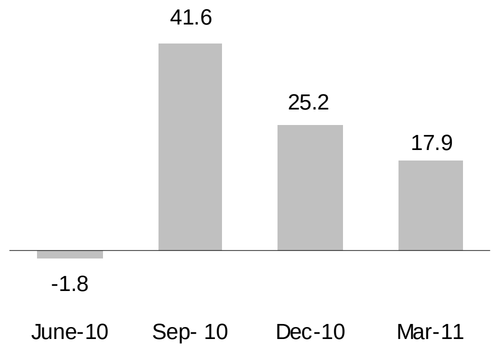
Note: In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company's quarterly and annual results or because of differences in the way we classify account heads as opposed to the company. **All stock prices and indices as on 25 March 2011, unless otherwise stated.**

MOSL Universe: 4QFY11 aggregate performance highlights

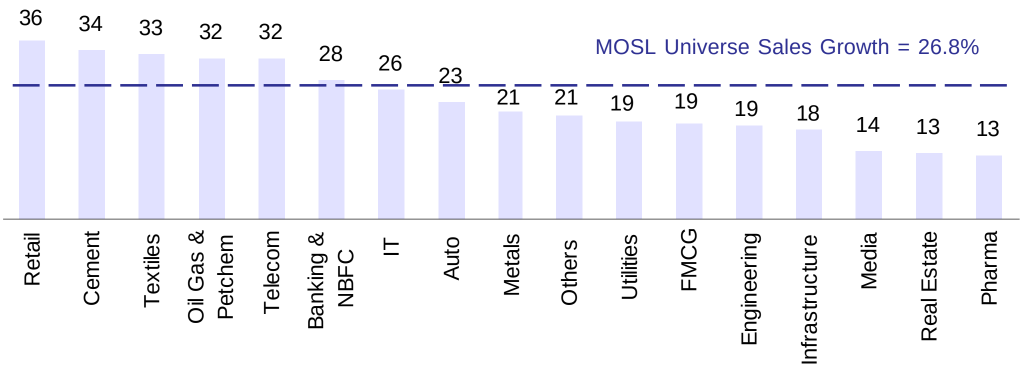
Quarter-wise sales growth (% YoY)



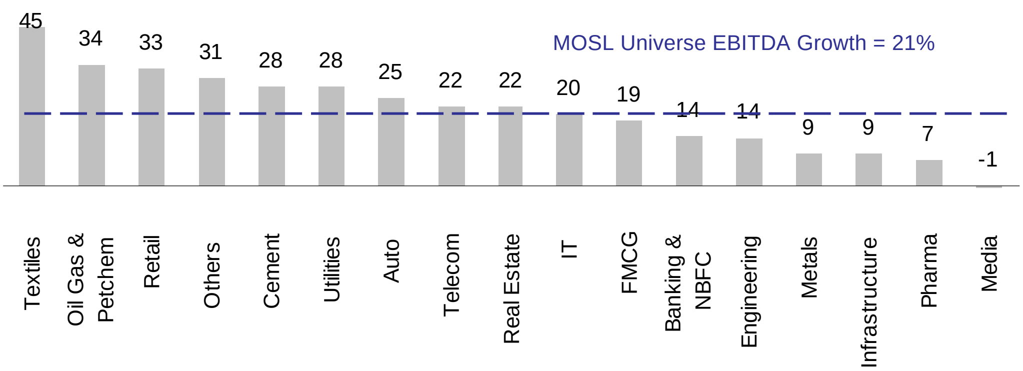
Quarter-wise net profit growth (% YoY)



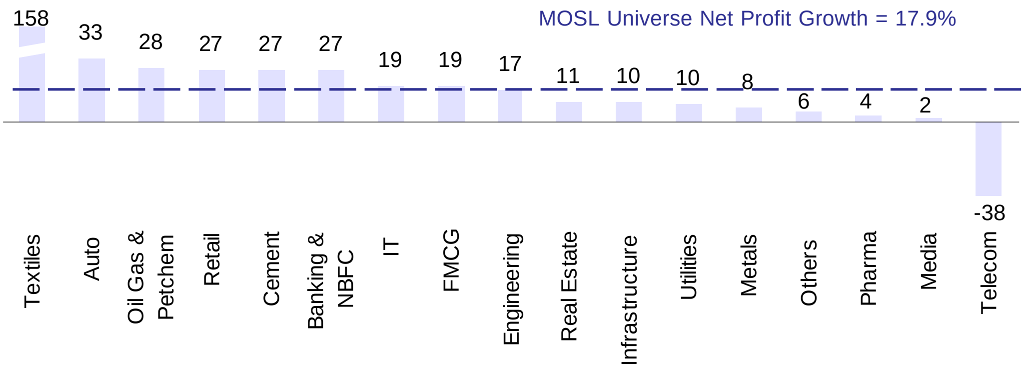
Sectoral sales growth - quarter ended March 2011 (%)



Sectoral EBITDA growth - quarter ended March 2011 (%)



Sectoral net profit growth - quarter ended March 2011 (%)

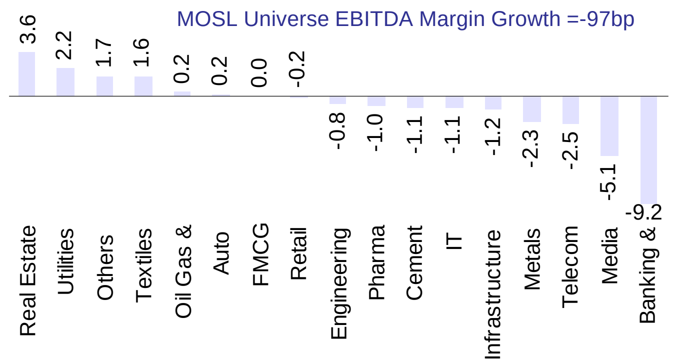


Quarterly performance - MOSL universe

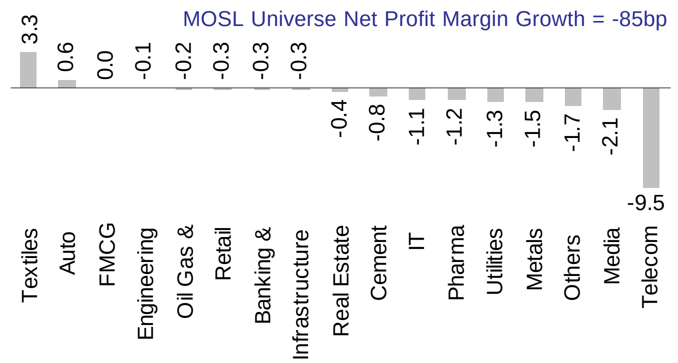
Sector	EBITDA Margin (%)			NET PROFIT Margin (%)		
(No. of Companies)	Mar.10	Mar.11	Chg. (%)	Mar.10	Mar.11	Chg. (%)
Auto (5)	13.5	13.7	0.2	7.7	8.3	0.6
Banking & NBFC (27)	87.7	78.5	-9.2	41.5	41.2	-0.3
Private Banks (9)	92.5	88.6	-3.9	44.0	47.8	3.8
PSU Banks (11)	84.0	71.4	-12.6	35.9	34.6	-1.3
NBFC (7)	96.5	96.4	-0.1	65.3	63.9	-1.4
Cement (7)	26.8	25.7	-1.1	16.0	15.1	-0.8
Engineering (9)	18.3	17.5	-0.8	11.9	11.8	-0.1
FMCG (11)	20.0	19.9	0.0	13.1	13.1	0.0
IT (7)	26.1	25.0	-1.1	20.6	19.5	-1.1
Infrastructure (5)	16.0	14.8	-1.2	5.5	5.1	-0.3
Media (5)	40.6	35.5	-5.1	20.8	18.7	-2.1
Metals (8)	22.4	20.2	-2.3	13.2	11.7	-1.5
Oil Gas & Petchem (12)	11.9	12.1	0.2	6.9	6.7	-0.2
Excl. RMs (9)	20.4	20.7	0.2	10.4	11.5	1.1
Pharma (15)	20.7	19.7	-1.0	14.5	13.3	-1.2
Real Estate (7)	43.1	46.7	3.6	25.2	24.7	-0.4
Retail (4)	9.8	9.6	-0.2	4.3	4.0	-0.3
Telecom (4)	34.3	31.8	-2.5	17.9	8.4	-9.5
Textiles (3)	16.8	18.3	1.6	3.6	6.9	3.3
Utilities (7)	29.3	31.6	2.2	17.1	15.8	-1.3
Others (1)	20.6	22.3	1.7	14.0	12.3	-1.7
MOSL (137)	**21.1**	**20.1**	**-1.0**	**12.0**	**11.2**	**-0.8**
MOSL Excl. RMs (134)	**26.4**	**25.2**	**-1.2**	**14.7**	**14.0**	**-0.7**
Sensex (29)	**24.4**	**23.5**	**-0.9**	**13.4**	**12.6**	**-0.8**

Source: MOSL

EBITDA margin growth - quarter ended March 2011 (%)



Net profit margin growth-quarter ended March 2011 (%)



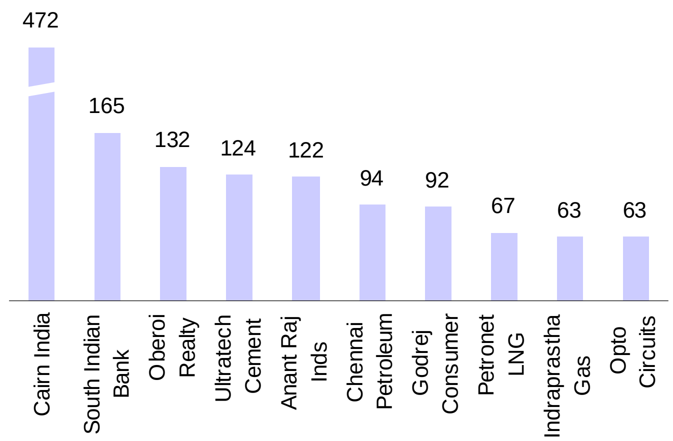
Sectoral contribution to growth in sales, EBITDA and net profit (%)

Sector	Contribution to Sales Gr.	Sector	Contribution to EBITDA Gr.	Sector	Contribution to NP Gr.
Oil Gas & Petchem (12)	52.0	Oil Gas & Petchem (12)	39.9	Oil Gas & Petchem (12)	38.6
Metals (8)	10.6	Banking & NBFC (27)	15.2	Banking & NBFC (27)	27.6
Auto (5)	7.7	Utilities (7)	6.9	Auto (5)	10.4
Banking & NBFC (27)	5.5	Auto (5)	6.7	IT (7)	8.8
IT (7)	4.6	Metals (8)	6.1	Metals (8)	6.4
Engineering (9)	4.5	Telecom (4)	6.0	Engineering (9)	6.1
Telecom (4)	4.1	IT (7)	5.8	FMCG (11)	3.6
Utilities (7)	2.7	Engineering (9)	3.6	Cement (7)	3.3
FMCG (11)	2.3	Cement (7)	2.9	Utilities (7)	2.9
Cement (7)	2.1	FMCG (11)	2.7	Real Estate (7)	0.9
Infrastructure (5)	1.1	Real Estate (7)	1.5	Textiles (3)	0.8
Pharma (15)	1.0	Pharma (15)	0.7	Pharma (15)	0.5
Retail (4)	0.9	Infrastructure (5)	0.5	Infrastructure (5)	0.4
Textiles (3)	0.4	Retail (4)	0.5	Retail (4)	0.4
Real Estate (7)	0.3	Textiles (3)	0.5	Others (1)	0.1
Others (1)	0.2	Others (1)	0.4	Media (5)	0.1
Media (5)	0.2	Media (5)	0.0	Telecom (4)	-10.9

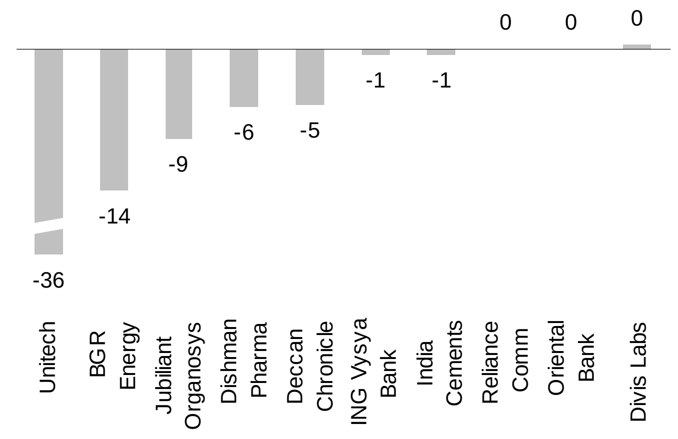
Source: MOSL

Scoreboard (quarter ended March 2011)

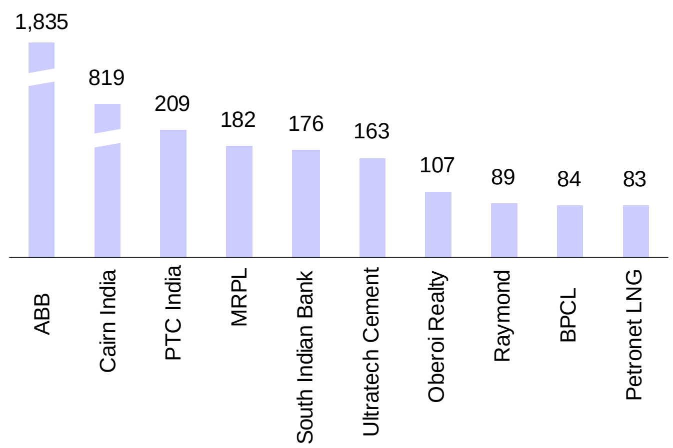
Top 10 by sales growth (%)



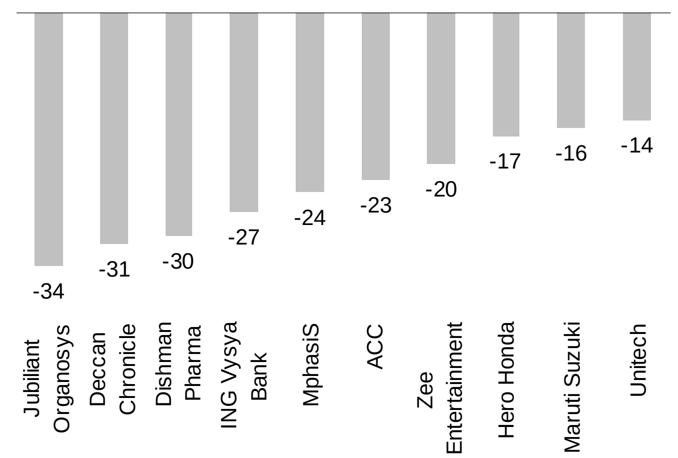
Worst 10 by sales growth (%)



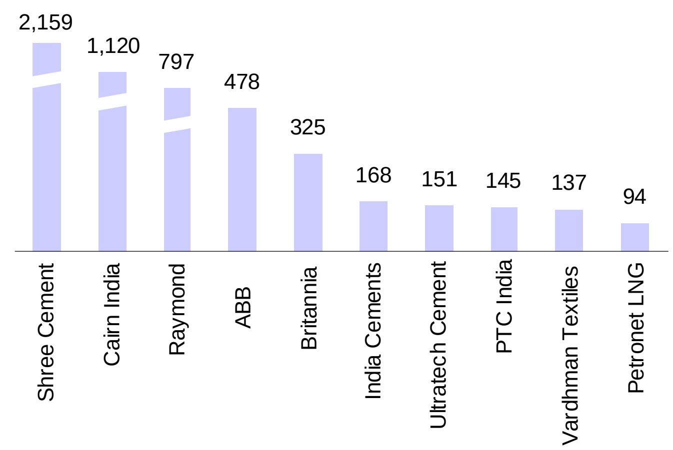
Top 10 by EBITDA growth (%)



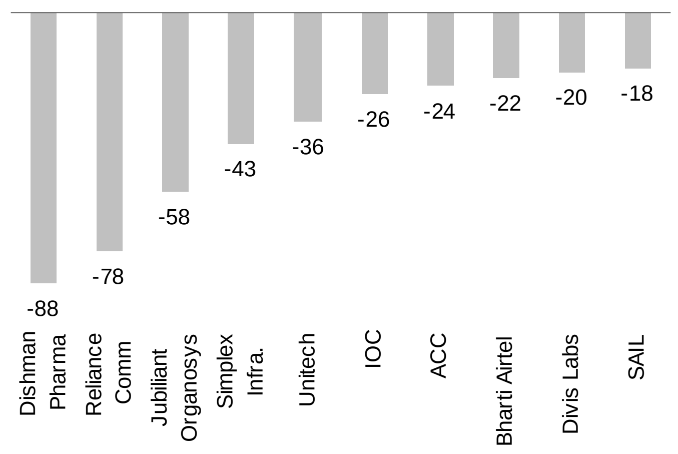
Worst 10 by EBITDA growth (%)



Top 10 by net profit growth (%)



Worst 10 by net profit growth (%)



Source: MOSL

Annual performance - MOSL universe (Rs billion)

	Sales					EBITDA					Net profit				
	FY11E	FY12E	FY13E	CHG * (%)	CHG # (%)	FY11E	FY12E	FY13E	CHG * (%)	CHG # (%)	FY11E	FY12E	FY13E	CHG * (%)	CHG # (%)
Auto (5)	2,325	2,692	3,041	15.8	13.0	337	384	430	14.1	12.0	194	224	254	15.5	13.4
Banks (27)	1,562	1,804	2,143	15.5	18.8	1,227	1,464	1,770	19.3	20.9	633	770	929	21.6	20.6
Cement (8)	625	764	900	22.2	17.8	133	171	212	28.6	23.7	71	92	116	30.5	25.4
Engineering (9)	1,300	1,581	1,917	21.6	21.2	194	239	288	23.6	20.3	134	166	201	23.9	21.3
FMCG (11)	822	968	1,120	17.8	15.7	169	203	237	20.0	16.9	112	133	158	18.7	18.3
IT (7)	1,256	1,518	1,767	20.9	16.4	315	383	447	21.7	16.6	241	283	335	17.1	18.5
Infrastructure (7)	398	468	553	17.7	18.2	76	94	119	23.6	25.7	18	23	32	30.4	34.9
Media (5)	86	97	109	12.4	12.1	33	37	41	11.0	11.9	18	22	25	18.2	15.8
Metals (8)	3,138	3,557	3,770	13.4	6.0	577	668	747	15.7	11.8	309	361	402	16.8	11.2
OilGas&Pe.(12)	11,015	10,876	10,243	-1.3	-5.8	1,346	1,469	1,582	9.1	7.7	690	764	841	10.7	10.0
Pharma (15)	561	617	705	10.0	14.2	125	127	150	2.2	17.7	87	94	112	7.7	19.7
Real Estate (12)	200	249	319	24.7	28.0	88	111	138	25.7	23.9	52	65	84	23.7	30.9
Retail (4)	202	252	305	25.1	21.0	19	24	30	27.8	24.4	8	11	14	32.7	33.6
Telecom (4)	974	1,157	1,290	18.7	11.5	309	395	452	27.6	14.6	90	107	141	19.1	31.9
Textiles (3)	104	113	119	9.0	5.0	19	19	19	-1.8	0.3	7	6	6	-7.4	6.0
Utilities (7)	1,447	1,753	2,045	21.2	16.6	398	484	575	21.6	18.8	247	320	369	29.6	15.1
Others (1)	59	68	77	16.8	12.5	12	15	17	19.7	15.6	6	8	10	41.1	20.1
MOSL (145)	**26,073**	**28,538**	**30423**	**9.5**	**6.6**	**5,379**	**6,288**	**7254**	**16.9**	**15.4**	**2,918**	**3,449**	**4029**	**18.2**	**16.8**
Ex. RMs (142)	**20,160**	**23,116**	**25405**	**14.7**	**9.9**	**5,155**	**6,042**	**6971**	**17.2**	**15.4**	**2,808**	**3,324**	**3886**	**18.4**	**16.9**
Sensex (30)	**6,970**	**7,867**	**8511**	**12.9**	**8.2**	**1,579**	**1,829**	**2112**	**15.8**	**15.5**	**845**	**1,007**	**1184**	**19.2**	**17.5**
Nifty (50)	**7,943**	**8,886**	**9596**	**11.9**	**8.0**	**1,782**	**2,069**	**2397**	**16.1**	**15.9**	**975**	**1,153**	**1351**	**18.2**	**17.2**

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

Valuations - MOSL universe

SECTOR	P/E (x)			EV/EBITDA (x)			P/BV (x)			RoE (%)			Div. yld (%)	PAT CAGR
(No. of companies)	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY10	FY11-13
Auto (5)	11.4	9.9	8.7	6.3	5.3	4.4	4.1	3.1	2.5	36.2	31.6	28.1	2.0	14.5
Banks (27)	14.0	11.5	9.6	NM	NM	NM	2.6	2.2	1.9	18.3	18.8	19.5	1.1	21.1
Cement (8)	14.8	11.4	9.1	7.9	6.0	4.6	2.3	1.9	1.7	15.5	17.0	18.4	1.4	27.9
Engineering (9)	21.6	17.4	14.4	14.4	11.7	9.5	5.4	4.5	3.7	25.1	25.8	25.9	0.9	22.6
FMCG (11)	29.3	24.7	20.8	19.3	15.9	13.4	10.2	8.5	7.2	34.7	34.7	34.5	3.3	18.5
IT (7)	23.5	20.1	16.9	17.0	13.6	11.2	6.0	4.8	3.9	25.7	24.0	22.9	1.1	17.8
Infrastructure (7)	24.3	18.7	13.8	11.7	10.0	8.2	1.6	1.5	1.4	6.7	8.1	10.1	0.9	32.6
Media (5)	20.7	17.5	15.2	10.9	9.5	8.1	3.7	3.3	2.9	18.0	18.7	18.9	1.6	17.0
Metals (8)	11.6	9.9	8.9	6.8	5.7	4.9	1.8	1.5	1.3	15.6	15.5	15.0	1.7	13.9
Oil Gas & Petchem (12)	12.2	11.0	10.0	7.0	6.1	5.5	1.9	1.6	1.5	16.0	14.7	14.6	1.8	10.4
Pharma (15)	23.7	22.0	18.4	16.8	16.4	13.7	4.5	4.0	3.5	18.9	18.1	18.9	0.7	13.5
Real Estate (12)	16.9	13.7	10.4	13.3	9.9	7.2	1.2	1.1	1.0	7.0	8.2	9.9	0.6	27.2
Retail (4)	34.7	26.1	19.5	15.6	12.3	9.7	5.4	4.7	4.0	15.7	18.0	20.5	0.4	33.2
Telecom (4)	19.3	16.2	12.3	9.0	6.8	5.5	1.7	1.6	1.4	9.0	9.8	11.6	0.3	25.3
Textiles (3)	8.1	8.7	8.2	5.0	4.8	4.3	0.9	0.8	0.8	11.4	9.7	9.5	0.4	-0.9
Utilities (7)	19.3	14.9	12.9	12.2	10.5	9.2	3.0	2.7	2.4	15.5	17.9	18.3	1.6	22.2
Others (1)	11.2	8.0	6.6	5.9	4.6	3.7	1.9	1.6	1.3	16.7	19.7	19.6	1.4	30.2
MOSL (145)	**16.0**	**13.5**	**11.6**	**N.M**	**N.M**	**N.M**	**2.8**	**2.4**	**2.1**	**17.3**	**17.4**	**17.7**	**1.5**	**17.5**
MOSL Excl. RMs (142)	**16.2**	**13.7**	**11.7**	**N.M**	**N.M**	**N.M**	**2.8**	**2.4**	**2.1**	**17.5**	**17.6**	**17.9**	**1.4**	**17.7**
Sensex (30)	**17.9**	**15.0**	**12.8**	**N.M**	**N.M**	**N.M**	**3.2**	**2.7**	**2.3**	**17.9**	**17.9**	**18.2**	**1.5**	**18.3**
Nifty (50)	**17.5**	**14.8**	**12.6**	**N.M**	**N.M**	**N.M**	**3.1**	**2.6**	**2.3**	**17.8**	**17.7**	**18.1**	**1.4**	**17.7**

N.M. - Not Meaningful
Source: MOSL

Ready reckoner: quarterly performance

	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Automobiles											
Bajaj Auto	1,381	Buy	44,254	30.2	5.9	8,765	12.8	3.2	6,854	21.3	2.7
Hero Honda	1,491	Buy	52,571	28.5	2.7	5,693	-16.5	6.8	5,081	-15.2	2.8
Mahindra & Mahindra	673	Buy	65,274	23.7	7.5	9,860	16.1	6.7	6,802	18.8	10.2
Maruti Suzuki	1,182	Buy	96,720	14.8	1.9	9,378	-15.6	4.0	5,874	-10.5	3.9
Tata Motors	1,182	Buy	360,713	24.1	13.8	51,148	51.8	6.1	26,699	82.9	8.8
Sector Aggregate			**619,532**	**23.3**	**9.6**	**84,844**	**25.0**	**5.7**	**51,310**	**33.2**	**7.0**
Cement											
ACC	1,037	Buy	23,306	10.9	19.1	4,820	-22.5	130.8	3,067	-24.3	107.1
Ambuja Cements	138	Buy	22,112	11.1	23.6	6,047	-2.9	92.2	4,092	-7.4	62.6
Birla Corporation	329	Buy	6,109	1.5	27.4	1,877	8.1	106.2	1,383	0.6	98.8
Grasim Industries	2,480	Buy	14,504	31.4	19.5	4,837	59.3	33.1	3,792	31.1	34.1
India Cements	94	Buy	9,589	-0.6	22.8	2,010	59.5	59.2	789	168.1	289.3
Shree Cement	1,864	Neutral	10,127	7.3	29.9	2,883	-11.4	83.0	596	2159.1	743.8
Ultratech Cement	1,048	Buy	42,807	124.2	15.2	10,601	163.3	49.8	5,744	151.3	80.1
Sector Aggregate			**128,553**	**33.7**	**20.0**	**33,076**	**28.4**	**67.9**	**19,464**	**26.8**	**77.2**
Engineering											
ABB	784	Neutral	15,821	8.7	-22.8	558	1835.1	393.8	384	478.5	466.4
BGR Energy	478	Buy	14,277	-13.8	14.1	1,598	-8.8	8.5	892	-17.7	1.8
BHEL	2,090	Buy	162,154	19.6	79.7	39,493	12.6	90.6	26,789	18.4	99.4
Crompton Greaves	268	Neutral	18,394	13.7	31.5	2,982	10.2	30.8	2,080	9.1	18.2
Cummins India	653	Buy	11,385	44.4	14.7	2,323	44.4	29.3	1,726	45.9	24.3
Havells India	364	Buy	8,092	14.3	11.2	841	-3.0	-7.9	660	2.4	8.0
Larsen & Toubro	1,598	Buy	160,579	20.1	41.8	22,511	9.8	81.9	14,984	12.0	86.1
Siemens	875	Buy	29,000	30.3	14.3	3,761	31.4	3.7	2,557	41.2	4.9
Thermax	594	Neutral	14,846	21.8	19.6	1,911	30.4	30.5	1,154	16.3	15.1
Sector Aggregate			**434,548**	**18.7**	**42.3**	**75,979**	**13.6**	**69.7**	**51,226**	**17.2**	**72.9**
FMCG											
Asian Paints	2,525	Buy	22,573	20.3	7.5	3,595	15.6	4.2	2,216	15.6	0.6
Britannia	355	Neutral	11,035	18.6	2.2	390	LP	-29.5	293	325.3	-21.6
Colgate	823	Neutral	6,051	17.1	8.4	1,505	4.4	61.6	1,111	5.3	67.6
Dabur	96	Neutral	10,702	26.1	-0.9	1,981	22.3	-5.5	1,404	5.5	-9.1
Godrej Consumer	356	Neutral	9,789	92.3	-0.1	1,778	65.4	5.9	1,315	43.3	10.7
GSK Consumer	2,130	Buy	7,846	21.0	54.5	1,593	19.7	172.6	1,183	23.0	121.7
Hind. Unilever	271	Neutral	47,801	9.1	-6.8	5,582	-6.3	-23.0	4,449	5.4	-24.2
ITC	177	Buy	59,520	16.0	7.9	19,932	23.2	-1.8	12,632	22.9	-9.1
Marico	131	Neutral	7,325	21.6	-10.4	935	10.1	-6.2	626	8.3	-10.0
Nestle	3,671	Buy	18,243	23.3	9.2	3,572	17.5	8.3	2,349	19.2	6.0
United Spirits	1,027	Neutral	15,254	21.8	-22.2	2,215	22.2	-19.8	742	30.5	-29.9
Sector Aggregate			**216,140**	**18.9**	**1.0**	**43,077**	**18.7**	**-1.8**	**28,319**	**18.6**	**-6.3**

PULL OUT

Ready reckoner: quarterly performance

	CMP (Rs) 25.03.11	Rating	Sales Mar.11	Sales Var. % YoY	Sales Var. % QoQ	EBITDA Mar.11	EBITDA Var. % YoY	EBITDA Var. % QoQ	Net profit Mar.11	Net profit Var. % YoY	Net profit Var. % QoQ
Information Technology											
HCL Technologies	471	Buy	40,414	31.4	4.6	6,376	9.3	5.4	4,056	26.2	9.0
Infosys	3,162	Buy	74,897	26.0	5.4	25,142	24.3	6.4	19,519	31.4	9.7
MphasiS	394	Neutral	12,744	4.4	3.3	2,393	-24.0	11.7	2,200	-17.7	20.0
Patni Computer	468	Neutral	8,465	9.3	3.2	1,503	-11.2	7.4	1,246	-16.8	-12.8
TCS	1,118	Neutral	102,165	32.1	5.7	30,512	31.5	4.6	23,080	19.5	-0.9
Tech Mahindra	736	Neutral	12,739	7.7	5.2	2,781	-0.2	11.3	1,668	-10.6	2.4
Wipro	456	Neutral	86,943	24.6	11.2	15,761	18.4	10.5	14,138	16.9	7.2
Sector Aggregate			**338,367**	**25.7**	**6.7**	**84,469**	**20.3**	**6.7**	**65,907**	**18.7**	**4.8**
Infrastructure											
Hindustan Construction	36	Neutral	14,691	34.6	43.0	1,553	26.2	17.6	292	-14.7	98.3
IVRCL Infra.	76	Buy	23,524	24.4	65.8	2,368	19.5	68.6	956	12.5	126.1
Jaiprakash Associates	90	Buy	39,468	18.0	36.4	8,917	4.5	12.7	3,182	30.0	36.3
Nagarjuna Construction	96	Buy	15,794	3.7	18.3	1,630	6.7	27.7	652	4.8	46.7
Simplex Infra.	333	Buy	13,772	10.0	18.0	1,414	9.9	31.5	409	-42.8	76.3
Sector Aggregate			**107,249**	**17.8**	**36.8**	**15,882**	**9.1**	**22.3**	**5,490**	**10.3**	**53.3**
Media											
Deccan Chronicle	80	Neutral	1,812	-5.4	-9.2	560	-31.2	-25.8	-41	PL	PL
HT Media	138	Neutral	4,529	17.6	-2.6	868	-6.6	-1.7	457	-7.8	-4.5
Jagran Prakashan	120	Neutral	2,748	16.3	-3.9	753	19.1	-16.1	425	16.7	-19.3
Sun TV	436	Neutral	4,723	20.5	-21.0	3,834	15.9	-23.6	1,993	20.8	-11.6
Zee Entertainment	124	Neutral	7,252	11.7	-3.9	1,460	-20.5	-5.2	1,101	-13.5	-3.5
Sector Aggregate			**21,064**	**13.6**	**-8.6**	**7,475**	**-0.6**	**-17.8**	**3,935**	**2.2**	**-17.2**
Metals											
Hindalco	206	Buy	192,445	16.9	10.4	23,044	10.6	20.9	9,866	40.2	63.2
Hindustan Zinc	138	Buy	30,015	17.9	14.1	16,905	9.2	12.2	14,162	14.3	9.8
JSW Steel	907	Buy	66,775	28.3	15.0	13,518	1.6	35.2	5,686	-7.3	51.6
Nalco	101	Sell	17,824	9.6	23.5	6,647	22.9	70.6	4,470	14.2	74.6
SAIL	168	Sell	130,581	6.8	15.4	27,514	-11.2	53.2	17,043	-18.3	53.9
Sesa Goa	279	Buy	31,406	29.8	39.6	18,268	21.5	48.5	15,344	26.5	44.3
Sterlite Inds.	169	Buy	93,128	28.8	11.8	24,018	9.9	21.4	13,993	1.3	26.6
Tata Steel	614	Buy	351,191	27.7	20.7	54,408	18.4	58.9	26,659	15.5	202.7
Sector Aggregate			**913,365**	**21.4**	**16.7**	**184,323**	**9.2**	**39.3**	**107,223**	**7.9**	**60.5**
Oil & Gas											
BPCL	592	Buy	495,382	31.9	34.6	20,770	84.2	185.2	10,589	50.5	465.1
Cairn India	351	Neutral	39,642	472.2	28.0	33,820	819.4	31.9	29,923	1120.4	48.9
Chennai Petroleum	210	Buy	106,182	94.3	27.2	4,785	LP	37.7	2,511	LP	62.0
GAIL	458	Neutral	83,622	28.2	0.0	15,472	17.5	17.7	9,495	4.2	-1.9
Gujarat State Petronet	101	Neutral	2,901	12.5	3.9	2,743	15.7	4.7	1,384	28.3	-13.0
HPCL	340	Buy	424,272	35.5	25.1	18,401	40.1	193.6	8,823	17.1	318.2
IOC	311	Buy	975,473	18.7	21.4	72,421	-0.8	165.3	40,848	-26.5	149.6
Indraprastha Gas	300	Neutral	4,701	63.4	3.4	1,342	45.1	5.7	675	31.1	0.5
MRPL	62	Sell	128,414	47.6	24.4	7,642	182.5	40.5	4,256	68.2	35.7
ONGC	276	Buy	177,846	20.9	-4.3	109,201	33.5	-3.8	50,579	33.9	-13.0
Petronet LNG	121	Buy	39,878	67.2	9.9	3,704	83.2	7.1	1,891	94.3	10.6
Reliance Inds.	1,026	Neutral	791,038	37.4	32.3	105,293	15.3	10.3	57,125	21.3	11.2
Sector Aggregate			**3,269,351**	**32.0**	**23.9**	**395,592**	**34.2**	**29.7**	**218,099**	**27.8**	**29.6**
Excl. RMs			**1,374,224**	**42.3**	**21.8**	**284,000**	**43.8**	**7.6**	**157,838**	**56.9**	**6.7**

PULL OUT

Ready reckoner: quarterly performance

	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Pharmaceuticals											
Aventis Pharma	1,991	Neutral	2,852	13.5	-0.4	452	24.1	118.3	447	23.7	52.9
Biocon	338	Buy	6,994	6.5	-3.9	1,428	9.6	-15.2	883	9.5	-12.3
Cadila Health	781	Buy	10,014	18.3	-14.2	2,283	20.6	-10.9	1,380	16.3	-14.8
Cipla	308	Buy	14,880	10.2	-4.2	2,979	29.2	-6.4	2,065	-4.2	-11.2
Dishman Pharma	96	Sell	2,339	-5.6	0.9	346	-30.1	36.5	23	-88.3	34.1
Divis Labs	637	Buy	3,152	0.3	1.8	1,298	-14.2	11.0	1,048	-19.7	6.5
Dr Reddy' s Labs	1,550	Buy	17,984	9.5	-5.3	2,724	27.0	-10.5	2,043	22.5	-14.3
Glenmark Pharma	280	Neutral	7,590	7.0	1.1	1,735	-2.7	4.3	988	-3.7	1.7
GSK Pharma	2,095	Buy	6,277	16.0	27.9	2,371	18.4	60.9	1,829	13.4	49.5
Jubiliant Organosys	155	Neutral	9,036	-8.8	4.3	1,427	-34.0	10.1	572	-58.3	29.8
Lupin	407	Buy	14,312	11.4	-2.5	2,754	10.6	1.6	2,378	7.8	6.2
Opto Circuits	283	Neutral	5,443	62.7	30.3	1,089	-1.8	-11.3	748	7.4	-22.2
Ranbaxy Labs	441	Sell	18,420	13.0	-15.4	1,857	11.2	-38.0	927	73.8	-12.5
Strides Arcolab	350	Buy	4,791	28.3	5.1	877	12.5	13.5	386	12.0	LP
Sun Pharma	458	Buy	14,321	29.1	-10.6	3,700	7.8	-16.0	2,708	17.8	-11.7
Sector Aggregate			**138,406**	**12.7**	**-3.9**	**27,321**	**7.4**	**-4.6**	**18,425**	**3.7**	**-0.8**
Real Estate											
Anant Raj Inds	85	Buy	758	122.3	-39.1	469	78.7	-39.3	301	1.2	-40.1
DLF	249	Buy	25,555	28.1	3.0	12,162	21.6	3.2	4,969	16.5	6.7
HDIL	165	UR	4,617	6.4	1.4	2,692	18.5	1.0	1,966	10.6	-22.0
Mahindra Lifespace	365	Buy	1,568	55.3	0.6	431	45.5	0.8	327	38.1	-2.1
Oberoi Realty	235	Buy	3,771	132.1	-5.4	2,120	107.0	-14.1	1,766	68.2	-13.9
Phoenix Mills	180	Buy	461	33.9	2.4	323	63.1	-1.3	235	49.7	-1.1
Unitech	40	Buy	7,227	-36.2	9.5	2,333	-14.4	11.8	1,297	-35.5	16.5
Sector Aggregate			**43,957**	**12.9**	**1.8**	**20,530**	**22.4**	**0.0**	**10,862**	**10.9**	**-4.9**
Retail											
Jubilant Foodworks	547	Neutral	1,903	53.4	2.5	332	72.2	2.9	181	73.8	-4.6
Pantaloon Retail	267	Buy	28,807	40.0	4.4	2,679	24.3	12.4	589	5.4	24.7
Shopper's Stop	338	Neutral	4,419	16.8	-3.6	351	29.6	-31.9	169	2.6	-39.5
Titan Industries	3,509	Neutral	17,403	32.7	-11.0	1,692	44.7	-13.2	1,172	41.4	-16.7
Sector Aggregate			**52,532**	**35.7**	**-1.9**	**5,053**	**33.4**	**-2.3**	**2,111**	**27.4**	**-10.1**
Telecom											
Bharti Airtel	339	Buy	162,000	50.7	2.8	54,290	33.0	9.0	16,023	-21.6	22.9
Idea Cellular	64	Buy	41,086	22.7	3.9	9,847	6.6	3.8	2,464	-7.6	1.4
Reliance Comm	107	Neutral	50,867	-0.1	1.7	16,805	4.9	0.7	2,539	-77.7	-51.7
Tulip Telecom	142	Buy	6,382	20.3	6.0	1,851	19.8	7.9	855	7.6	4.6
Sector Aggregate			**260,335**	**32.0**	**2.8**	**82,792**	**22.4**	**6.6**	**21,881**	**-38.0**	**1.6**
Textiles											
Arvind Mills	57	Neutral	7,174	24.6	10.7	961	44.9	9.2	253	64.4	-19.5
Raymond	328	UR	4,790	42.4	6.2	846	89.2	-14.6	320	796.5	-23.8
Vardhman Textiles	275	Buy	10,192	34.7	0.9	2,257	33.6	-18.3	954	136.7	-29.6
Sector Aggregate			**22,156**	**32.8**	**5.0**	**4,065**	**45.1**	**-12.3**	**1,527**	**157.7**	**-26.9**

PL: Profit to Loss; LP: Loss to Profit; UR = Under Review

PULL OUT

Ready reckoner: quarterly performance

	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Utilities											
CESC	310	Buy	8,654	14.8	-7.8	2,219	20.6	-12.3	1,192	19.2	8.4
Coal India	357	Buy	144,340		13.7	44,117		30.7	36,694		38.9
NTPC	182	Buy	150,433	21.8	11.5	46,534	35.2	21.4	24,995	9.3	20.9
Power Grid Corp.	98	Buy	25,970	16.4	26.6	22,230	22.1	28.7	7,943	9.6	31.4
PTC India	84	Buy	16,495	32.7	-6.2	279	209.4	-31.5	293	144.8	-22.7
Reliance Infrastructure	651	Buy	30,685	16.1	16.3	3,531	35.1	32.3	2,877	14.6	55.0
Tata Power	1,302	Neutral	18,558	3.4	12.3	4,343	-3.3	30.8	2,202	0.9	48.0
Sector Aggregate			**250,794**	**19.3**	**11.3**	**79,136**	**28.3**	**22.6**	**39,501**	**9.9**	**25.2**
Others											
United Phosphorous	145	Buy	18,483	20.7	48.1	4,124	30.5	66.5	2,273	5.8	170.9
Sector Aggregate			**18,483**	**20.7**	**48.1**	**4,124**	**30.5**	**66.5**	**2,273**	**5.8**	**170.9**

	CMP (Rs)	Rating	Net interest income			Operating profit			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Banking & Finance											
Private Banks											
Axis Bank	1,366	Buy	18,111	24.0	4.5	18,087	30.7	9.1	9,488	24.0	6.4
Federal Bank	386	Buy	4,399	7.4	-1.6	3,553	1.0	-0.4	1,503	28.6	5.0
HDFC Bank	2,262	Neutral	28,523	21.3	2.7	20,555	21.3	-0.8	11,015	31.7	1.3
ICICI Bank	1,091	Buy	23,472	15.3	1.5	24,261	1.1	3.6	15,073	49.9	4.9
IndusInd Bank	253	Buy	3,817	39.9	5.2	3,063	52.8	5.2	1,623	65.7	5.5
ING Vysya Bank	305	Buy	2,456	-0.6	-0.1	1,539	-26.9	-3.5	772	62.0	-7.0
Kotak Mahindra Bank	453	Neutral	10,128	29.2	9.7	9,418	27.1	58.0	3,866	-7.6	0.8
South Indian Bank	21	Buy	2,092	165.2	2.1	1,425	176.2	-0.2	657	70.2	-12.8
Yes Bank	299	Buy	3,304	35.3	2.2	3,428	33.1	10.1	2,013	43.7	5.3
Pvt. Sector Aggregate			**96,301**	**22.2**	**3.2**	**85,329**	**17.1**	**7.6**	**46,009**	**32.7**	**3.5**
PSU Banks											
Andhra Bank	143	Buy	8,387	27.8	-0.1	6,267	18.9	0.0	3,010	25.3	-9.0
Bank of Baroda	928	Neutral	23,469	34.5	2.4	18,412	13.0	-0.5	10,568	16.6	-1.1
Bank of India	456	Neutral	20,359	31.2	2.5	11,429	-10.4	-17.7	6,015	40.6	-7.9
Canara Bank	613	Buy	21,666	35.6	2.2	14,858	3.9	-1.8	8,744	73.8	-20.9
Corporation Bank	566	Neutral	8,370	30.8	-0.6	7,387	35.5	0.2	3,860	23.6	0.9
Dena Bank	101	Buy	4,606	41.2	-1.3	2,992	6.8	-5.5	1,390	1.4	-10.4
Indian Bank	221	Buy	10,683	14.4	2.9	8,182	-6.2	0.8	4,503	9.9	-8.3
Oriental Bank of Commerce	373	Buy	9,889	0.0	-4.0	7,175	-7.6	-7.3	3,529	11.3	-13.6
Punjab National Bank	1,142	Buy	32,088	28.5	0.2	21,820	-6.5	-7.1	11,456	0.9	5.1
State Bank	2,709	Buy	93,138	38.6	2.9	68,366	31.6	1.1	28,222	51.2	-0.2
Union Bank	336	Buy	16,709	19.7	3.4	11,122	-3.1	-11.8	5,030	-15.2	-13.2
PSU Sector Aggregate			**249,364**	**30.9**	**1.8**	**178,009**	**11.2**	**-3.2**	**86,330**	**26.0**	**-5.1**
NBFC											
Dewan Housing	223	Buy	1,306	39.6	5.6	869	53.8	7.2	645	54.6	4.5
HDFC	663	Neutral	12,811	9.4	19.3	14,922	16.4	21.5	10,652	15.0	19.6
IDFC	156	Neutral	4,803	49.6	4.4	4,595	24.1	-7.5	2,874	26.0	-10.6
LIC Housing Fin	205	Neutral	4,280	25.3	6.0	3,999	40.0	-18.2	2,471	15.7	15.7
M & M Financial	781	Buy	4,244	25.0	25.2	2,966	18.3	30.2	1,617	15.3	39.5
Rural Electric. Corp.	246	Buy	8,625	18.6	1.7	9,107	21.0	1.0	6,767	20.6	1.9
Shriram Transport Fin.	772	Buy	8,591	32.9	2.7	6,577	28.0	3.5	3,511	32.8	16.5
NBFC Sector Aggregate			**44,661**	**22.7**	**9.3**	**43,035**	**22.5**	**6.0**	**28,537**	**20.1**	**11.1**
Banking Sector Aggregate			**390,327**	**27.6**	**3.0**	**306,373**	**14.3**	**0.8**	**160,875**	**26.8**	**-0.1**

PULL OUT

Ready reckoner: valuations

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Automobiles														
Bajaj Auto	1,381	Buy	90.7	104.1	115.7	15.2	13.3	11.9	10.3	8.7	7.2	67.6	50.5	40.0
Hero Honda	1,491	Buy	100.9	113.4	129.7	14.8	13.1	11.5	10.3	8.1	6.5	49.7	37.2	33.2
Mahindra & Mahindra	673	Buy	51.9	63.7	74.0	13.0	10.6	9.1	5.3	4.3	3.6	24.1	22.2	21.2
Maruti Suzuki	1,182	Buy	86.0	99.9	120.3	13.7	11.8	9.8	7.3	6.1	4.7	16.0	16.4	16.7
Tata Motors	1,182	Buy	139.0	158.2	175.5	8.5	7.5	6.7	5.3	4.5	3.8	47.2	36.7	30.2
Sector Aggregate						**11.4**	**9.9**	**8.7**	**6.3**	**5.3**	**4.4**	**36.2**	**31.6**	**28.1**
Cement														
ACC	1,037	Buy	53.6	59.4	76.9	19.4	17.5	13.5	11.1	9.3	6.9	16.1	15.9	18.4
Ambuja Cements	138	Buy	8.1	10.2	12.6	17.0	13.5	10.9	10.3	8.0	6.1	18.1	20.1	21.6
Birla Corporation	329	Buy	51.3	68.6	79.5	6.4	4.8	4.1	3.3	2.7	2.1	18.6	20.4	19.5
Grasim Industries	2,480	Buy	253.0	303.9	364.9	9.8	8.2	6.8	4.4	3.6	2.5	16.0	16.6	17.0
India Cements	94	Buy	2.2	7.9	10.2	42.4	11.9	9.3	12.0	7.4	5.9	1.6	5.3	6.5
Shree Cement	1,864	Neutral	169.0	239.3	267.0	11.0	7.8	7.0	8.8	6.1	4.4	30.9	40.7	40.0
Ultratech Cement	1,048	Buy	45.7	70.1	96.0	23.0	15.0	10.9	11.5	7.7	5.8	16.3	16.6	19.3
Sector Aggregate						**14.8**	**11.4**	**9.1**	**7.9**	**6.0**	**4.6**	**15.5**	**17.0**	**18.4**
Engineering														
ABB	784	Neutral	3.0	18.5	24.7	262.7	42.3	31.7	107.2	26.9	19.7	2.6	14.8	17.1
BGR Energy	478	Buy	43.0	49.0	61.4	11.1	9.7	7.8	6.3	5.3	4.4	36.9	31.3	29.9
BHEL	2,090	Buy	119.2	146.4	173.0	17.5	14.3	12.1	10.3	8.2	6.8	32.6	32.2	30.8
Crompton Greaves	268	Neutral	14.4	17.3	20.4	18.7	15.5	13.2	12.2	10.1	8.2	28.4	26.6	24.8
Cummins India	653	Buy	31.3	40.0	48.6	20.9	16.3	13.4	14.7	11.5	9.1	36.1	37.6	36.5
Havells India	364	Buy	20.1	27.3	33.7	18.1	13.3	10.8	11.4	8.9	7.2	40.7	38.3	34.0
Larsen & Toubro	1,598	Buy	71.0	81.5	101.0	22.5	19.6	15.8	18.6	16.4	13.4	18.7	18.4	19.4
Siemens	875	Buy	22.5	31.3	39.7	38.9	28.0	22.1	21.4	16.9	13.0	25.9	27.3	28.3
Thermax	594	Neutral	31.5	41.1	49.8	18.8	14.5	11.9	12.1	9.3	7.6	30.9	31.5	29.7
Sector Aggregate						**21.6**	**17.4**	**14.4**	**14.4**	**11.7**	**9.5**	**25.1**	**25.8**	**25.9**
FMCG														
Asian Paints	2,525	Buy	91.6	110.1	131.6	27.6	22.9	19.2	17.0	14.2	11.9	40.5	39.1	37.9
Britannia	355	Neutral	10.4	15.8	20.7	34.1	22.4	17.1	22.8	15.4	11.6	26.1	32.4	34.3
Colgate	823	Neutral	29.4	32.1	37.1	28.0	25.7	22.2	20.0	17.1	14.7	110.3	99.6	96.5
Dabur	96	Neutral	3.2	3.9	4.7	29.7	24.5	20.6	22.6	18.2	15.5	45.8	42.8	40.2
Godrej Consumer	356	Neutral	14.4	17.2	20.1	24.8	20.7	17.7	20.9	16.4	13.6	28.3	29.6	30.1
GSK Consumer	2,130	Buy	71.3	87.4	105.0	29.9	24.4	20.3	17.7	14.9	11.6	31.2	31.8	32.4
Hind. Unilever	271	Neutral	9.6	10.4	11.8	28.1	26.1	23.0	21.4	19.2	16.7	87.6	82.5	81.6
ITC	177	Buy	6.4	7.8	9.2	27.5	22.7	19.3	17.3	14.0	11.9	31.7	31.8	29.1
Marico	131	Neutral	4.5	5.3	6.5	28.8	24.6	20.2	21.0	16.7	13.9	32.2	28.6	26.9
Nestle	3,671	Buy	85.8	103.3	125.5	42.8	35.5	29.2	28.6	23.5	19.2	102.5	86.2	76.5
United Spirits	1,027	Neutral	29.0	38.7	52.7	35.4	26.5	19.5	16.3	13.4	11.4	8.6	10.4	12.5
Sector Aggregate						**29.3**	**24.7**	**20.8**	**19.3**	**15.9**	**13.4**	**34.7**	**34.7**	**34.5**

PULL OUT

Ready reckoner: valuations

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Information Technology														
HCL Technologies	471	Buy	22.0	31.0	36.5	21.3	15.2	12.9	12.7	8.7	7.2	20.0	23.5	22.8
Infosys	3,162	Buy	121.8	152.2	182.9	26.0	20.8	17.3	18.0	14.2	11.5	28.2	29.6	28.8
MphasiS	394	Neutral	40.0	40.8	45.8	9.9	9.7	8.6	8.6	7.6	6.4	23.3	19.9	18.8
Patni Computer	468	Neutral	42.2	38.0	45.2	11.1	12.3	10.4	7.6	6.4	4.6	17.9	16.0	16.3
TCS	1,118	Neutral	43.9	51.8	61.0	25.5	21.6	18.3	19.1	15.2	12.5	37.3	34.6	31.0
Tech Mahindra	736	Neutral	58.2	58.9	65.2	12.6	12.5	11.3	7.1	6.4	6.1	26.5	22.3	20.0
Wipro	456	Neutral	21.8	24.1	28.7	20.9	18.9	15.9	17.3	14.6	12.1	21.7	18.8	18.5
Sector Aggregate						**23.5**	**20.1**	**16.9**	**17.0**	**13.6**	**11.2**	**25.7**	**24.0**	**22.9**
Infrastructure														
GMR Infrastructure	37	Neutral	0.6	1.0	2.1	68.0	38.4	17.8	14.1	11.4	8.6	3.0	5.0	9.9
GVK Power & Infra	26	Buy	1.1	1.5	1.9	23.8	17.2	14.0	17.8	15.9	10.6	5.2	6.8	7.8
Hindustan Construction	36	Neutral	1.2	1.2	1.6	30.0	29.5	22.9	10.4	9.5	8.7	4.4	4.0	4.9
IVRCL Infra.	76	Buy	7.1	7.9	9.4	10.8	9.7	8.1	6.9	6.0	5.2	9.8	10.1	11.1
Jaiprakash Associates	90	Buy	4.0	5.3	6.4	22.7	17.0	14.1	11.1	9.4	8.1	8.6	10.4	11.5
Nagarjuna Construction	96	Buy	10.2	11.0	12.3	9.4	8.7	7.8	10.4	9.2	8.7	8.7	9.3	10.4
Simplex Infra.	333	Buy	25.7	30.0	39.3	13.0	11.1	8.5	6.7	6.1	5.4	12.4	12.9	14.9
Sector Aggregate						**24.3**	**18.7**	**13.8**	**11.7**	**10.0**	**8.2**	**6.7**	**8.1**	**10.1**
Media														
Deccan Chronicle	80	Neutral	8.5	8.2	8.2	9.4	9.8	9.7	4.4	4.4	4.2	15.6	13.8	12.8
HT Media	138	Neutral	7.4	9.1	11.5	18.6	15.1	12.0	10.2	8.1	6.2	13.3	14.1	15.1
Jagran Prakashan	120	Neutral	7.0	8.1	9.4	17.1	14.8	12.8	9.8	8.2	7.0	30.3	27.9	27.8
Sun TV	436	Neutral	19.4	22.8	27.7	22.5	19.1	15.7	10.3	9.3	7.7	29.7	27.9	27.2
Zee Entertainment	124	Neutral	4.8	6.1	6.7	25.7	20.2	18.5	16.8	13.3	12.1	11.9	14.2	14.3
Sector Aggregate						**20.7**	**17.5**	**15.2**	**10.9**	**9.5**	**8.1**	**18.0**	**18.7**	**18.9**
Metals														
Hindalco	206	Buy	15.6	18.1	20.5	13.2	11.4	10.1	7.0	6.4	5.7	19.9	19.0	18.0
Hindustan Zinc	138	Buy	10.8	12.8	14.2	12.8	10.8	9.7	8.1	6.1	4.9	20.4	19.8	18.2
JSW Steel	907	Buy	57.2	111.7	131.9	15.9	8.1	6.9	5.6	3.9	3.6	7.8	13.0	13.4
Nalco	101	Sell	4.7	4.7	4.7	21.5	21.7	21.7	11.5	11.2	11.0	10.6	9.7	9.0
SAIL	168	Sell	12.5	10.5	10.1	13.4	15.9	16.5	8.3	10.2	10.9	13.7	10.7	9.6
Sesa Goa	279	Buy	48.8	37.0	39.8	5.7	7.5	7.0	3.1	3.0	2.2	33.1	20.5	18.4
Sterlite Inds.	169	Buy	13.0	22.5	24.0	13.0	7.5	7.0	7.0	3.9	3.0	10.9	16.2	14.9
Tata Steel	614	Buy	70.3	81.2	100.4	8.7	7.6	6.1	6.2	5.5	4.1	35.0	29.7	27.8
Sector Aggregate						**11.6**	**9.9**	**8.9**	**6.8**	**5.7**	**4.9**	**15.6**	**15.5**	**15.0**
Oil & Gas														
BPCL	592	Buy	53.6	57.6	58.2	11.0	10.3	10.2	9.7	9.3	9.5	13.1	12.9	11.9
Cairn India	351	Neutral	36.2	48.8	51.9	9.7	7.2	6.8	7.8	4.8	4.0	18.8	21.6	19.7
Chennai Petroleum	210	Buy	30.1	35.5	40.6	7.0	5.9	5.2	6.4	6.1	5.1	12.4	13.5	14.1
GAIL	458	Neutral	29.4	32.2	32.9	15.6	14.2	13.9	14.1	13.6	14.6	19.1	18.8	17.1
Gujarat State Petronet	101	Neutral	8.8	7.8	7.8	11.5	12.9	12.9	7.6	7.3	7.1	27.8	20.2	17.4
HPCL	340	Buy	38.3	40.7	41.8	8.9	8.4	8.1	8.3	8.0	7.5	10.8	10.7	10.3
Indraprastha Gas	300	Neutral	18.4	21.2	24.7	16.3	14.1	12.2	8.2	7.0	5.9	28.5	27.4	26.6
IOC	311	Buy	32.1	37.2	44.0	9.7	8.3	7.1	6.3	5.5	4.3	14.3	15.3	16.4
MRPL	62	Sell	6.0	5.5	6.7	10.4	11.2	9.3	7.8	9.3	6.6	17.5	14.3	15.4
ONGC	276	Buy	27.9	31.0	31.2	9.9	8.9	8.8	3.9	3.6	3.5	22.1	21.4	19.1
Petronet LNG	121	Buy	8.4	9.8	11.1	14.4	12.4	10.9	9.3	8.4	6.2	25.9	25.6	24.8
Reliance Inds.	1,026	Neutral	69.4	70.6	86.2	14.8	14.5	11.9	9.8	8.2	7.1	14.9	30.8	12.3
Sector Aggregate						**12.2**	**11.0**	**10.0**	**7.0**	**6.1**	**5.5**	**16.0**	**14.7**	**14.6**

PULL OUT

Ready reckoner: valuations

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Pharmaceuticals														
Aventis Pharma	1,991	Neutral	67.3	78.7	94.3	29.6	25.3	21.1	27.5	21.9	17.3	15.5	16.6	18.2
Biocon	338	Buy	17.4	20.1	22.4	19.4	16.8	15.1	11.4	10.0	8.8	17.1	17.2	16.7
Cadila Health	781	Buy	30.9	38.1	47.2	25.2	20.5	16.6	16.2	14.0	11.6	33.7	31.8	30.8
Cipla	308	Buy	12.0	15.0	16.8	25.7	20.6	18.3	18.6	15.2	13.5	14.5	16.0	15.8
Dishman Pharma	96	Sell	7.5	4.5	8.9	12.9	21.3	10.9	10.8	9.5	7.4	7.4	4.2	7.8
Divis Labs	637	Buy	27.2	32.9	42.4	23.4	19.4	15.0	19.6	15.5	12.3	20.2	20.7	22.3
Dr Reddy' s Labs	1,550	Buy	64.9	72.9	84.2	23.9	21.3	18.4	22.7	21.9	18.7	22.1	24.4	24.6
Glenmark Pharma	280	Neutral	13.1	16.7	19.8	21.4	16.8	14.2	12.5	11.9	10.3	13.2	14.5	14.8
GSK Pharma	2,095	Buy	68.6	80.2	93.9	30.5	26.1	22.3	21.2	18.0	15.1	30.1	32.0	34.2
Jubiliant Organosys	155	Neutral	14.5	15.1	21.5	10.7	10.3	7.2	9.0	8.3	6.6	10.5	10.3	13.9
Lupin	407	Buy	19.6	22.5	24.3	20.7	18.1	16.7	17.5	14.8	12.9	30.4	28.3	25.3
Opto Circuits	283	Neutral	18.1	21.0	27.6	15.6	13.5	10.3	13.5	11.4	8.7	28.6	28.2	30.9
Ranbaxy Labs	441	Sell	28.5	11.3	17.0	15.5	39.0	25.9	10.3	21.1	15.4	20.5	7.5	10.3
Strides Arcolab	350	Buy	21.1	31.3	36.5	16.6	11.2	9.6	11.3	10.2	9.7	11.6	13.3	13.9
Sun Pharma	458	Buy	13.2	16.0	18.8	34.7	28.7	24.3	22.8	23.4	19.6	16.1	16.8	17.4
Sector Aggregate						**23.7**	**22.0**	**18.4**	**16.8**	**16.4**	**13.7**	**18.9**	**18.1**	**18.9**
Real Estate														
Anant Raj Inds	85	Buy	5.9	8.7	10.8	14.4	9.8	7.9	13.2	8.7	6.9	4.7	6.7	7.8
Brigade Enterpr.	93	Buy	12.0	16.1	18.2	7.7	5.7	5.1	7.0	4.8	3.8	12.1	14.8	14.8
DLF	249	Buy	10.6	12.3	16.5	23.5	20.2	15.1	14.3	12.3	10.3	6.2	7.1	8.8
Godrej Properties	681	Neutral	16.3	39.5	53.8	41.6	17.2	12.6	73.2	22.7	11.5	13.1	26.1	27.6
HDIL	165	UR	21.7	25.8	29.0	7.6	6.4	5.7	7.8	5.3	4.7	10.0	11.2	11.8
Indiabulls Real Estate	121	Buy	5.5	6.9	12.7	22.2	17.5	9.5	22.3	11.5	6.7	2.1	2.6	4.6
Mahindra Lifespace	365	Buy	32.0	42.1	58.8	11.4	8.7	6.2	8.9	6.4	4.0	11.9	13.7	16.2
Oberoi Realty	235	Buy	17.0	19.5	34.1	13.8	12.0	6.9	10.3	7.7	3.5	21.1	17.3	24.9
Peninsula Land	59	Neutral	11.9	13.2	4.7	4.9	4.5	12.5	3.5	3.3	4.3	24.0	22.9	8.1
Phoenix Mills	180	Buy	6.4	8.5	12.1	28.1	21.3	14.9	23.9	13.2	9.0	5.5	6.9	9.1
Puravankara Projects	102	Neutral	7.9	9.1	10.1	12.9	11.2	10.1	15.0	8.7	-4.1	10.5	11.0	11.1
Unitech	40	Buy	2.3	3.1	4.4	17.6	13.2	9.1	14.3	9.5	6.3	5.0	6.4	8.5
Sector Aggregate						**16.9**	**13.7**	**10.4**	**13.3**	**9.9**	**7.2**	**7.0**	**8.2**	**9.9**
Retail														
Jubilant Foodworks	547	Neutral	11.1	14.6	21.7	49.2	37.4	25.2	28.5	19.5	13.4	37.6	35.4	37.9
Pantaloon Retail	267	Buy	8.6	12.2	16.5	30.9	21.9	16.2	8.4	7.0	6.1	5.7	7.7	9.6
Shopper's Stop	338	Neutral	8.8	13.1	17.6	38.5	25.8	19.2	17.5	12.4	9.4	12.1	15.7	18.1
Titan Industries	3,509	Neutral	105.2	131.8	171.8	33.4	26.6	20.4	23.6	18.6	14.2	53.5	48.4	46.4
Sector Aggregate						**34.7**	**26.1**	**19.5**	**15.6**	**12.3**	**9.7**	**15.7**	**18.0**	**20.5**
Telecom														
Bharti Airtel	339	Buy	16.5	21.4	27.9	20.6	15.8	12.2	9.4	7.0	5.6	13.0	14.8	16.7
Idea Cellular	64	Buy	2.6	2.3	4.4	24.2	28.0	14.5	8.7	6.9	5.1	7.4	6.1	10.8
Reliance Comm	107	Neutral	7.6	7.0	8.0	14.0	15.3	13.3	8.3	6.7	5.7	4.0	3.6	4.0
Tulip Telecom	142	Buy	19.0	24.7	26.2	7.5	5.8	5.4	5.3	3.9	2.2	29.0	28.8	24.4
Sector Aggregate						**19.3**	**16.2**	**12.3**	**9.0**	**6.8**	**5.5**	**9.0**	**9.8**	**11.6**
Textiles														
Arvind Mills	57	Neutral	4.3	5.8	6.4	13.1	9.8	8.9	5.6	4.8	4.4	4.7	6.0	6.2
Raymond	328	UR	14.4	19.1	20.9	22.8	17.2	15.7	8.6	7.8	7.1	7.4	9.3	9.7
Vardhman Textiles	275	Buy	71.8	54.2	55.9	3.8	5.1	4.9	3.3	3.4	2.9	20.1	13.4	12.3
Sector Aggregate						**8.1**	**8.7**	**8.2**	**5.0**	**4.8**	**4.3**	**11.4**	**9.7**	**9.5**

UR = Under Review

PULL OUT

Ready reckoner: valuations

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Utilities														
CESC	310	Buy	37.8	38.8	39.6	8.2	8.0	7.8	5.0	5.4	5.6	13.3	12.2	11.2
Coal India	357	Buy	16.4	22.4	26.8	21.7	16.0	13.3	14.6	9.9	8.0	25.4	27.1	25.9
NTPC	182	Buy	10.1	12.0	14.0	18.1	15.2	13.0	10.6	11.2	10.1	12.8	14.0	15.1
Power Grid Corp.	98	Buy	5.6	6.8	7.8	17.6	14.4	12.6	10.9	9.7	9.1	13.8	13.9	14.4
PTC India	84	Buy	5.7	10.6	14.4	14.8	7.9	5.8	10.6	9.5	6.2	6.2	7.1	9.4
Reliance Infrastructure	651	Buy	34.8	53.8	60.8	18.7	12.1	10.7	10.0	7.5	6.2	5.6	8.2	8.6
Tata Power	1,302	Neutral	76.3	111.2	98.3	17.1	11.7	13.2	23.2	18.5	18.6	7.3	9.7	6.7
Sector Aggregate						**19.3**	**14.9**	**12.9**	**12.2**	**10.5**	**9.2**	**15.5**	**17.9**	**18.3**
Others														
United Phosphorous	145	Buy	12.3	17.3	20.8	11.8	8.4	7.0	5.9	4.6	3.7	16.7	19.7	19.6
Sector Aggregate						**11.8**	**8.4**	**7.0**	**5.9**	**4.6**	**3.7**	**16.7**	**19.7**	**19.6**

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			P/BV (x)			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Banks														
Andhra Bank	143	Buy	22.4	27.0	31.7	6.4	5.3	4.5	1.2	1.1	0.9	23.0	21.4	21.4
Axis Bank	1,366	Buy	81.9	99.0	118.0	16.7	13.8	11.6	3.0	2.5	2.1	19.1	19.7	19.9
Bank of Baroda	928	Neutral	102.0	114.6	136.7	9.1	8.1	6.8	1.9	1.6	1.3	23.8	21.0	21.2
Bank of India	456	Neutral	47.4	60.2	77.3	9.6	7.6	5.9	1.6	1.3	1.1	18.1	19.2	21.0
Canara Bank	613	Buy	90.3	104.4	122.9	6.8	5.9	5.0	1.5	1.3	1.0	26.4	23.5	22.9
Corporation Bank	566	Neutral	98.2	107.0	120.3	5.8	5.3	4.7	1.2	1.0	0.9	22.4	20.3	19.6
Dena Bank	101	Buy	17.8	20.7	24.5	5.6	4.9	4.1	1.0	0.8	0.7	20.4	18.6	18.8
Dewan Housing	223	Buy	22.7	31.6	41.2	9.9	7.1	5.4	1.5	1.3	1.1	19.9	19.8	21.7
Federal Bank	386	Buy	33.1	38.0	43.9	11.7	10.1	8.8	1.3	1.2	1.1	11.5	12.1	12.6
HDFC	663	Neutral	23.7	28.4	32.9	28.0	23.3	20.2	5.4	4.7	3.7	25.8	25.9	26.8
HDFC Bank	2,262	Neutral	84.6	110.1	137.7	26.7	20.5	16.4	4.2	3.6	3.1	16.8	18.8	20.1
ICICI Bank	1,091	Buy	45.2	57.3	67.9	24.1	19.0	16.1	3.0	2.7	2.4	12.0	14.1	15.1
IDFC	156	Neutral	8.5	10.2	12.4	18.3	15.3	12.6	2.0	1.9	1.7	13.9	12.7	14.0
Indian Bank	221	Buy	40.2	45.9	52.4	5.5	4.8	4.2	1.2	1.0	0.9	23.2	22.4	21.7
IndusInd Bank	253	Buy	12.3	16.0	20.5	20.5	15.8	12.3	3.1	2.7	2.3	19.1	18.1	19.9
ING Vysya Bank	305	Buy	25.4	32.0	41.6	12.0	9.5	7.3	1.5	1.3	1.1	12.9	14.5	16.4
Kotak Mahindra Bank	453	Neutral	19.5	23.3	28.0	23.3	19.5	16.2	3.0	2.6	2.2	15.6	14.8	15.3
LIC Housing Fin	205	Neutral	19.1	22.1	26.4	10.7	9.3	7.8	2.4	2.0	1.7	24.3	23.4	23.4
M & M Financial	781	Buy	45.9	56.3	66.7	17.0	13.9	11.7	3.2	2.7	2.3	22.1	21.0	21.1
Oriental Bank	373	Buy	52.2	58.9	68.2	7.2	6.3	5.5	1.1	0.9	0.8	17.4	15.8	16.3
Punjab National Bank	1,142	Buy	138.2	168.1	203.5	8.3	6.8	5.6	1.8	1.5	1.2	24.2	24.2	24.2
Rural Electric. Corp.	246	Buy	25.8	30.0	35.8	9.5	8.2	6.9	1.9	1.7	1.5	21.4	21.8	22.7
Shriram Transport Fin.	772	Buy	55.0	66.2	77.9	14.0	11.7	9.9	3.6	2.9	2.3	28.6	27.3	25.9
State Bank	2,709	Buy	209.9	259.6	317.2	12.9	10.4	8.5	1.9	1.6	1.4	15.5	16.9	17.9
South Indian Bank	21	Buy	2.4	2.9	3.5	8.6	7.2	5.9	1.4	1.2	1.1	17.6	18.4	19.2
Union Bank	336	Buy	37.7	51.7	63.2	8.9	6.5	5.3	1.6	1.3	1.1	19.9	22.3	22.7
Yes Bank	299	Buy	21.3	27.6	34.2	14.0	10.8	8.7	2.7	2.2	1.8	21.2	22.5	22.8
Sector Aggregate						**14.0**	**11.5**	**9.6**	**2.6**	**2.2**	**1.9**	**18.3**	**18.8**	**19.5**
Private Banks						**21.5**	**17.2**	**14.2**	**3.3**	**2.9**	**2.5**	**15.4**	**16.8**	**17.8**
PSU Banks						**9.6**	**8.0**	**6.6**	**1.9**	**1.6**	**1.3**	**19.3**	**19.4**	**20.0**
NBFC						**17.9**	**15.0**	**12.5**	**3.7**	**3.0**	**2.6**	**20.5**	**20.3**	**20.6**

PULL OUT

Sectors & Companies

BSE Sensex: 18,816 **S&P CNX:** 5,654 **As on:** 25 March 2011

Note: In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company's quarterly and annual results or because of differences in the way we classify account heads as opposed to the company. **All stock prices and indices as on 25 March 2011, unless otherwise stated.**

Automobiles

COMPANY NAME

Bajaj Auto

Hero Honda

Mahindra & Mahindra

Maruti Suzuki India

Tata Motors

Strong momentum in automobile volumes: In 4QFY11 automobile volumes are expected to stay strong, growing 20.3% YoY (up ~3.8% QoQ), driven by strong economic growth, availability of credit and new product launches. Growth is expected to stay strong in all segments, with two wheelers growing 21% YoY (up ~1% QoQ), cars growing 21% YoY (up ~14.5% QoQ) and three-wheelers growing 26% YoY (up ~8% QoQ). However, CV volumes grew just 11% YoY (up ~17% QoQ) and M&HCV volumes growing just 7% YoY (up ~24% QoQ).

RM cost inflation to cap EBITDA margins: The prices of most commodities have been hardening in 4QFY11. As a result, we estimate a ~50bp QoQ (up ~240bp YoY) increase in raw material (RM) costs. However, price hikes of ~1% and higher operating leverage (~4.2% QoQ volume growth) will dilute the impact of the cost push. Our estimates factor in a ~30bp rise in FY12 RM cost (on top of a 290bp increase in FY11). The impact of this will be diluted by an increase in sales prices. Consequently we estimate 4QFY11 EBITDA margins will fall 10bp QoQ and 40bp in FY12 (on top of a 230bp fall in FY11) to 12%.

Forex fluctuation could have a de-stabilizing effect: Exchange rate fluctuations have led to concerns over export revenue realization, the cost of imported inputs and the effectiveness of companies' hedging practices. Sequentially, the rupee was stable against the US dollar, depreciated against the euro by 5.9% and British pound by 2.6% and appreciated against the yen by 0.7% in 4QFY11. The impact of the rupee depreciation will depend on each company's forex exposure and hedging strategies.

Headwinds may impact short-term outlook: The industry's volume outlook is positive, based on improved economic growth, easy availability of finance and an improved outlook for exports. New product launches will aid volume growth. However, higher interest rates and fuel prices, and pricing action to offset RM costs can be short term impediments.

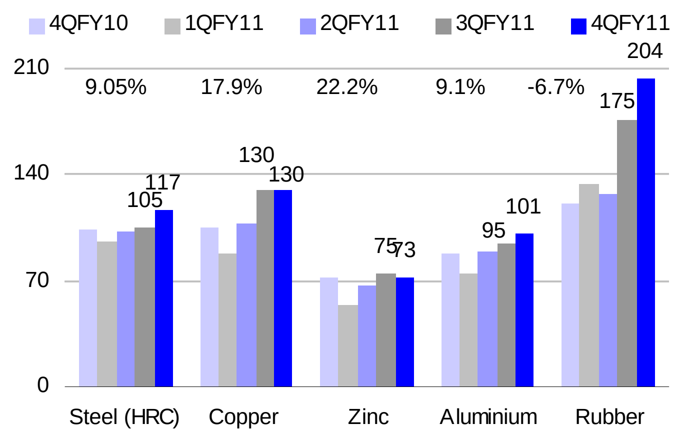
Valuation and view: Most auto stocks have outperformed the benchmark over the past one year due to strong volumes and margins. While volume outlook stays positive, operating margins are expected to moderate from their peaks in FY10. Besides, the momentum of short-term headwinds will determine stock performance. We prefer players that are less vulnerable to competitive dynamics, enabling dilution of short-term headwinds, such as **Bajaj Auto**, **M&M** and **Tata Motors**.

Expected quarterly performance summary (Rs million)

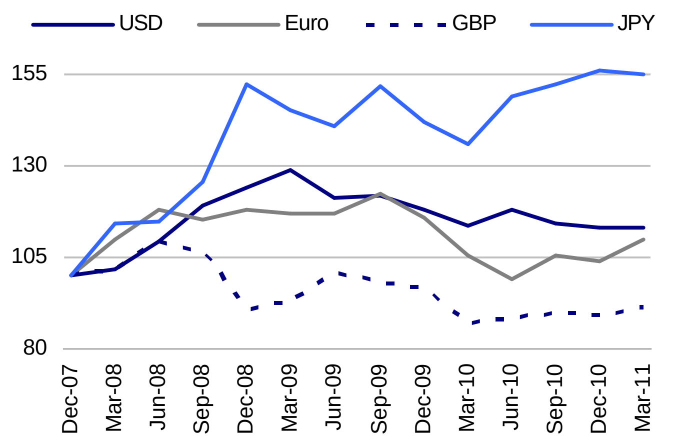
	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Bajaj Auto	1,381	Buy	44,254	30.2	5.9	8,765	12.8	3.2	6,854	21.3	2.7
Hero Honda	1,491	Buy	52,571	28.5	2.7	5,693	-16.5	6.8	5,081	-15.2	2.8
Mahindra & Mahindra	673	Buy	65,274	23.7	7.5	9,860	16.1	6.7	6,802	18.8	10.2
Maruti Suzuki	1,182	Buy	96,720	14.8	1.9	9,378	-15.6	4.0	5,874	-10.5	3.9
Tata Motors	1,182	Buy	360,713	24.1	13.8	51,148	51.8	6.1	26,699	82.9	8.8
Sector Aggregate			**619,532**	**23.3**	**9.6**	**84,844**	**25.0**	**5.7**	**51,310**	**33.2**	**7.0**

Jinesh Gandhi (Jinesh@MotilalOswal.com)

Commodity prices (indexed)

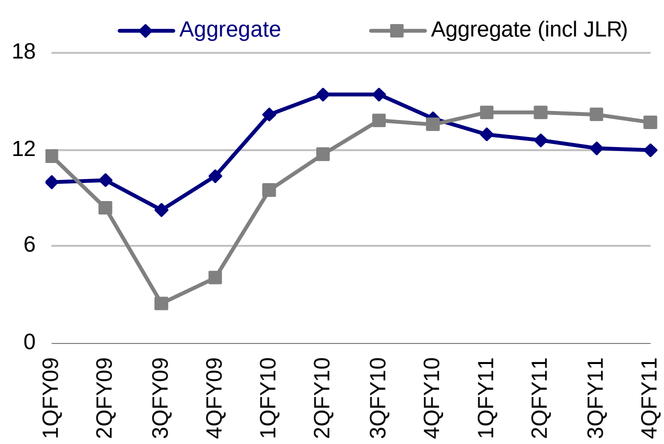


Trend in Rupee movement (Indexed)

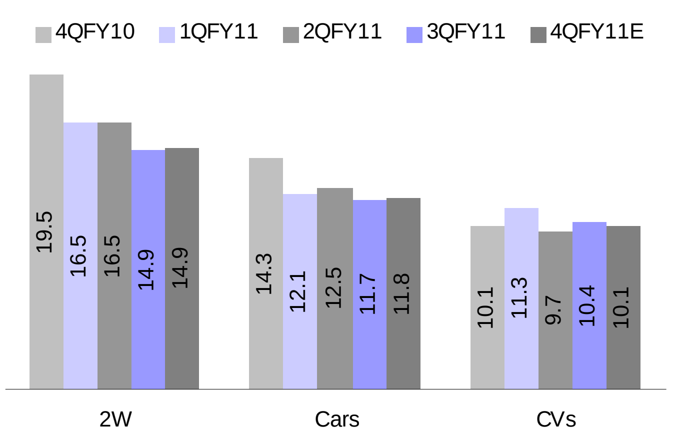


Source: Bloomberg/MOSL

Trend in EBITDA margins (%)

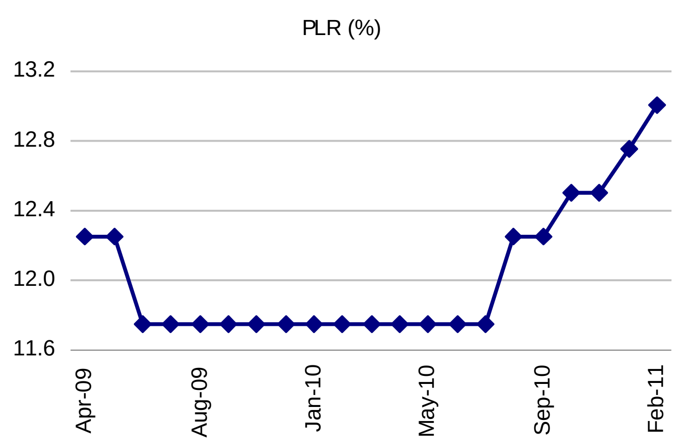


Trend in segment-wise EBITDA margins (%)

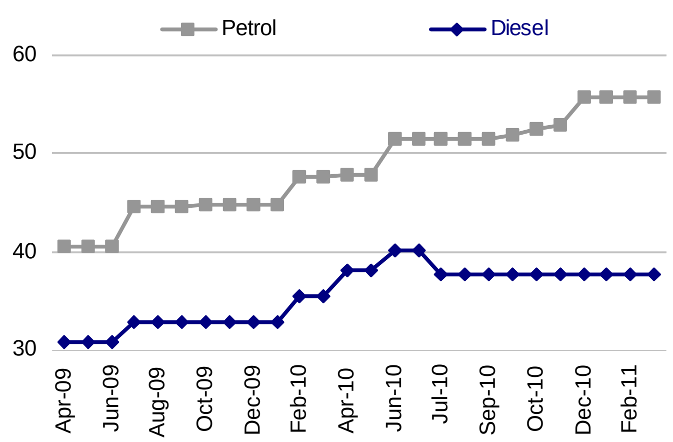


Source: Company/MOSL

Trend in Interest costs (%)



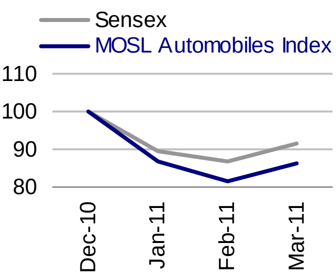
Trend in fuel costs (Rs/ltr)



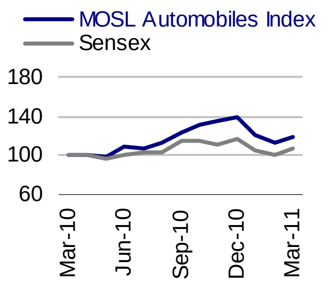
Source: SBI's PLR

Source: Bloomberg/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)

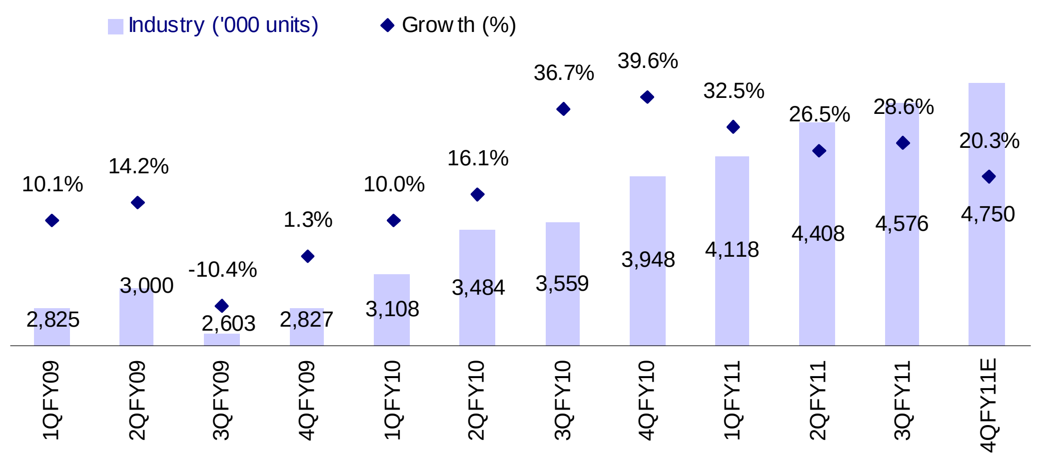


Auto Industry's volumes snapshot for 4QFY11 ('000 units)

	4QFY11E	4QFY10	YoY (%)	3QFY11	QoQ (%)	FY11	FY10	YoY (%)
Two wheelers	3,484	2,883	20.8	3,451	1.0	13,342	10,511	26.9
Three wheelers	218	174	25.7	202	8.0	802	614	30.8
Passenger cars	689	570	20.9	602	14.5	2,425	1,969	23.1
UVs & MPVs	145	127	13.9	138	5.5	540	427	26.2
M&HCV	101	94	6.8	81	24.0	346	265	30.3
LCV	113	99	14.3	102	11.0	397	311	27.4
Total CVs	**214**	**194**	**10.6**	**183**	**16.7**	**743**	**577**	**28.7**
Total	**4,750**	**3,948**	**20.3**	**4,576**	**3.8**	**17,852**	**14,099**	**26.6**

Source: SIAM/ MOSL

Trend in Industry volumes



Source: Bloomberg/MOSL

Key operating indicators

	Volumes ('000 units)					EBITDA margins (%)					Adjusted PAT (Rs m)				
	4Q FY11E	4Q FY10	YoY (%)	3Q FY11	QoQ (%)	4Q FY11E	4Q FY10	YoY (bp)	3Q FY11	QoQ (bp)	4Q FY11E	4Q FY10	YoY (%)	3Q FY11	QoQ (%)
Bajaj Auto	982	809	21.4	947	3.7	19.8	22.9	-310	20.3	-50	6,671	5,075	31.4	6,821	-2.2
Hero Honda	1,452	1,187	22.3	1,428	1.6	10.8	16.7	-580	10.4	40	4,941	5,358	-7.8	5,056	-2.3
Maruti Suzuki	335	287	16.6	331	1.3	9.7	13.2	-350	9.5	20	5,652	6,875	-17.8	5,982	-5.5
M&M	159	131	21.1	149	7.0	15.0	16.0	-100	15.1	-10	6,172	4,243	45.5	7,273	-15.1
Tata Motors (S/A)	248	217	14.3	194	27.7	10.1	10.1	10	10.4	-30	4,336	4,176	3.8	4,296	0.9
Tata Motors (Cons)						14.2	11.6	260	15.2	-100	24,533	8,128	201.8	20,882	17.5
Aggregate *	**3,176**	**2,631**	**20.7**	**3,048**	**4.2**	**12.0**	**13.9**	**-190**	**12.1**	**-10**	**27,772**	**25,727**	**7.9**	**29,428**	**-5.6**

* Aggregate includes Tata Motor's standalone performance only

Source: SIAM/ MOSL

Comparative valuation

	CMP (Rs) 25.03.11	Rating	EPS (Rs) FY11E	EPS (Rs) FY12E	EPS (Rs) FY13E	P/E (x) FY11E	P/E (x) FY12E	P/E (x) FY13E	EV/EBITDA FY11E	EV/EBITDA FY12E	EV/EBITDA FY13E	RoE (%) FY11E	RoE (%) FY12E	RoE (%) FY13E
Automobiles														
Bajaj Auto	1,381	Buy	90.7	104.1	115.7	15.2	13.3	11.9	10.3	8.7	7.2	67.6	50.5	40.0
Hero Honda	1,491	Buy	100.9	113.4	129.7	14.8	13.1	11.5	10.3	8.1	6.5	49.7	37.2	33.2
Mahindra & Ma. *	673	Buy	51.9	63.7	74.0	13.0	10.6	9.1	5.3	4.3	3.6	24.1	22.2	21.2
Maruti Suzuki*	1,182	Buy	86.0	99.9	120.3	13.7	11.8	9.8	7.3	6.1	4.7	16.0	16.4	16.7
Tata Motors *	1,182	Buy	139.0	158.2	175.5	8.5	7.5	6.7	5.3	4.5	3.8	47.2	36.7	30.2
Sector Aggregate						**11.4**	**9.9**	**8.7**	**6.3**	**5.3**	**4.4**	**36.2**	**31.6**	**28.1**

* Consolidated

Bajaj Auto

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	BJAUT IN
Equity Shares (m)	289.4
52 Week Range (Rs)	1,665/922
1,6,12 Rel Perf (%)	1/2/40
Mcap (Rs b)	399.5
Mcap (USD b)	8.9

CMP: Rs1,381 **Buy**

Year End	Net Sales (Rs M)	PAT (Rs M)	EPS (Rs)	EPS Growth (%)	P/E (X)	P/CE (X)	P/BV (X)	EV/ EBITDA	ROE (%)	ROCE (%)
3/10A	119,210	18,175	62.8	128.3	22.0	20.4	6.8	6.6	78.8	68.5
3/11E	168,343	26,248	90.7	44.4	15.2	14.5	8.3	10.3	67.6	70.2
3/12E	196,452	30,117	104.1	14.7	13.3	12.6	5.6	8.7	50.5	58.0
3/13E	223,802	33,465	115.7	11.1	11.9	11.4	4.1	7.2	40.0	49.3

- Bajaj Auto's 4QFY11 volumes are expected to improve by 21.4% YoY (up ~3.7% QoQ) to 982,103 units. Volume growth will be driven by growth of 24% YoY (up ~10% QoQ) in three-wheelers and growth of 21% YoY (up ~3% QoQ) in two-wheelers.
- We estimate net sales of Rs44.2b, up 30% YoY. Realizations are estimated to improve by 7.2% YoY (up ~2% QoQ), due to a price increase of 1-1.5% in January 2011.
- EBITDA margins are expected to decline by 50bp QoQ (down ~310bp YoY) to 19.8%, due to higher raw material costs (up 30bp QoQ and up 240bp YoY) and higher other expenses (up 20bp QoQ, up 50bp YoY). EBITDA is estimated to be Rs8.8b (up ~13% YoY, up 3% QoQ) and adjusted PAT is estimated to be Rs6.85b (up 21% YoY).
- Bajaj Auto's volumes are expected to improve, driven by easing of supply-side constraints in two-wheelers and a strong order book for three-wheelers. The company expects to increase the monthly run rate of motorcycle volumes to 350,000 units and three-wheeler volumes to 45,000 units by April 2011.
- We are lowering our FY12 volume growth assumption for two-wheeler volumes from 18% to 15%, resulting in an EPS downgrade of 1.1% to Rs104.1. Our estimates factor in 16% volume growth in FY12 and a 110bp decline in EBITDA margins to 19.1%. The stock trades at 13.3x FY12E and 11.9x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volumes (nos)	547,640	686,823	809,218	808,929	928,336	1,000,570	946,850	982,103	2,852,579	3,858,187
Change (%)	-11.7	7.3	63.9	83.7	69.5	45.7	17.0	21.4	30.0	35.3
Realization	42,701	42,042	40,725	42,024	41,904	43,393	44,116	45,060	41,790	43,633
Change (%)	13.2	6.8	-4.4	-1.8	-1.9	3.2	8.3	7.2	4.1	4.4
Net Sales	**23,385**	**28,875**	**32,956**	**33,995**	**38,901**	**43,418**	**41,771**	**44,254**	**119,210**	**168,343**
Change (%)	-0.1	14.6	56.7	80.5	66.4	50.4	26.7	30.2	35.3	41.2
Total Cost	18,831	22,510	25,720	26,224	31,131	34,447	33,278	35,489	93,284	134,344
EBITDA	**4,554**	**6,365**	**7,235**	**7,771**	**7,769**	**8,972**	**8,493**	**8,765**	**25,926**	**33,999**
EBITDA Margins (%)	19.5	22.0	22.0	22.9	20.0	20.7	20.3	19.8	21.7	20.2
Other Income	231	217	351	425	817	837	995	1,085	1,225	3,734
Extraordinary Expenses	458	458	458	458	0	0	0	0	1,833	0
Interest	60	0	0	0	6	7	4	10	60	27
Depreciation	331	336	357	341	318	300	310	323	1,365	1,251
PBT	**4,155**	**5,788**	**6,771**	**7,397**	**8,262**	**9,503**	**9,174**	**9,517**	**24,111**	**36,455**
Tax	1,220	1,760	2,020	2,075	2,360	2,682	2,503	2,663	7,075	10,207
Effective Tax Rate (%)	29.4	30.4	29.8	28.1	28.6	28.2	27.3	28.0	29.3	28.0
Rep. PAT	**2,935**	**4,028**	**4,751**	**5,322**	**5,902**	**6,821**	**6,671**	**6,854**	**17,036**	**26,248**
Adj. PAT	**3,105**	**4,347**	**5,073**	**5,651**	**5,902**	**6,821**	**6,671**	**6,854**	**18,177**	**26,248**
Change (%)	51.9	91.2	143.6	201.8	90.1	56.9	31.5	21.3	128.3	44.4

E: MOSL Estimates

Jinesh Gandhi (Jinesh@MotilalOswal.com)

Hero Honda

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HHIN
Equity Shares (m)	199.7
52 Week Range (Rs)	2,094/1,378
1,6,12 Rel Perf (%)	-7/-14/-33
Mcap (Rs b)	297.7
Mcap (USD b)	6.7

CMP: Rs1,491 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/CE (X)	P/BV (X)	EV/ EBITDA	ROE (%)	ROCE (%)
3/10A	157,582	22,402	112.2	72.2	13.3	12.2	8.6	9.0	61.7	72.8
3/11E	191,512	20,143	100.9	-10.1	14.8	13.3	6.4	10.3	49.7	57.1
3/12E	219,208	22,645	113.4	12.4	13.1	11.8	4.9	8.1	37.2	44.8
3/13E	245,574	25,900	129.7	14.4	11.5	10.3	3.8	6.5	33.2	40.6

- Hero Honda's 4QFY11 volumes are estimated to grow 22.3% YoY (up ~1.6% QoQ) to 1.45m. Realizations are expected to improve by 5% YoY (up ~1% QoQ) due to price increases of Rs500-1,000 each in December 2010 and March 2011.

- 4QFY11 net sales are estimated to grow by 28.5% YoY (up ~2.7% QoQ) to Rs52.6b. Operating margins are estimated to improve by ~40bp QoQ (down ~590bp YoY) benefiting from price increases during the quarter. EBITDA is estimated to improve by 6.8% QoQ (decline ~16.5% YoY) translating into 2.8% QoQ growth (down ~15% YoY) in PAT to Rs5.1b.

- After the split with Honda, Hero Honda needs to address challenges related to new product development, brand transition, developing export markets and maintaining its market share. Besides, it needs to build a fourth plant to meet demand and maintain market share.

- We maintain our FY12 EPS estimate of Rs113.4 and FY13 estimate of Rs129.7. Our FY12 estimates factor in volume growth of 12.5% and a fall in EBITDA margins by 10bp to 11.6%. The stock trades at 13.1x FY12E EPS and 11.5x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Volumes ('000 nos)	1,119	1,183	1,111	1,187	1,234	1,286	1,428	1,452	4,600	5,400
Change (%)	25.1	21.7	29.6	18.9	10.3	8.7	28.5	22.3	23.6	17.4
Net Realization	34,058	34,145	34,322	34,492	34,558	35,082	35,841	36,218	34,256	35,468
Change (%)	7.1	4.1	2.4	0.9	1.5	2.7	4.4	5.0	3.5	3.5
Net Sales	**38,111**	**40,401**	**38,144**	**40,926**	**42,646**	**45,113**	**51,182**	**52,571**	**157,582**	**191,512**
Change (%)	34.0	26.7	32.7	20.0	11.9	11.7	34.2	28.5	27.9	21.5
Total Cost	31,723	33,254	31,785	34,106	36,941	39,440	45,850	46,878	130,936	169,109
EBITDA	**6,387**	**7,147**	**6,359**	**6,820**	**5,705**	**5,673**	**5,332**	**5,693**	**26,646**	**22,403**
As % of Sales	16.8	17.7	16.7	16.7	13.4	12.6	10.4	10.8	16.9	11.7
Other Income	539	982	800	992	854	1,190	1,055	1,181	3,380	4,280
Interest	-55	-61	-46	-45	-27	-21	-52	-21	-206	-120
Depreciation	456	503	469	487	483	608	560	598	1,915	2,248
Extraordinary Expense	0	0	0	0	0	0	798	0	0	798
PBT	**6,525**	**7,686**	**6,736**	**7,370**	**6,103**	**6,276**	**5,081**	**6,296**	**28,317**	**23,756**
Tax	1,524	1,715	1,378	1,382	1,187	1,220	790	1,215	5,999	4,412
Effective Tax Rate (%)	23.4	22.3	20.5	18.8	19.4	19.4	15.6	19.3	21.2	18.6
PAT	**5,001**	**5,971**	**5,358**	**5,988**	**4,917**	**5,056**	**4,291**	**5,081**	**22,318**	**19,344**
Adj. PAT	**5,001**	**5,971**	**5,358**	**5,988**	**4,917**	**5,056**	**4,941**	**5,081**	**22,318**	**19,994**
Change (%)	83.3	95.0	78.3	48.9	-1.7	-15.3	-7.8	-15.2	74.1	-10.4

E: MOSL Estimates

Jinesh Gandhi (Jinesh@MotilalOswal.com)

Mahindra & Mahindra

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	MM IN
Equity Shares (m)	590.3
52 Week Range (Rs)	826/491
1,6,12 Rel Perf (%)	7/4/20
Mcap (Rs b)	397.1
Mcap (USD b)	8.9

CMP: Rs673 **Buy**

YEAR END	N. SALES (RS M)	S/A PAT (RS M)	S/A EPS (RS)	CONS. EPS (RS)	CON EPS GR (%)	CONS. P/E (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	185,296	20,451	34.6	41.3	62.2	16.3	26.1	26.2	1.8	11.0
3/11E	232,223	26,115	44.2	51.9	25.6	13.0	24.1	25.3	1.4	9.4
3/12E	270,172	28,704	48.6	63.7	22.6	10.6	22.2	24.6	1.2	7.9
3/13E	307,611	32,346	54.8	74.0	16.2	9.1	21.2	24.2	1.0	6.6

- M&M is expected to post overall 4QFY11 volume growth of 21% YoY (up ~7% QoQ), driven by growth of 28% YoY (~2% QoQ) in tractor volumes, growth of 18% YoY (~9% QoQ) in UV volumes and growth of 16.5% YoY (~16% QoQ) in three wheeler volumes. Realizations are expected to improve 2.4% YoY (~0.5% QoQ) due to price increases.
- Net sales are estimated to grow 24% YoY to Rs65.3b. EBITDA margins are expected to decline 10bp QoQ (~100bp YoY) to 15%, due to RM cost inflation. EBITDA is estimated at Rs.9.9b (up ~16% YoY, up 7% QoQ) and adjusted PAT at Rs6.8b (up ~19% YoY and 10% up QoQ).
- With supply-side constraints now easing, volumes are expected to be driven by strong retail demand. The management has guided for 14-15% growth in the auto and tractor industry in FY11.
- We maintain our consolidated EPS estimates for FY12 at Rs63.7 and for FY13 at Rs74, backed by strong volume growth in the auto and tractor divisions and improvement in subsidiary performance. Our estimates factor in FY12 volume growth of 14.6% and a 30bp decline in EBITDA margins to 14.9%. On a consolidated basis, the stock trades at 10.6x FY12E and 9.1x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Volumes (nos)	102,281	109,292	112,506	131,307	127,299	131,285	148,631	159,030	458,319	566,245
Change (%)	23.8	29.3	59.6	47.8	24.5	20.1	32.1	21.1	40.2	23.5
Net Realization	414,797	410,394	399,723	403,987	405,353	408,407	411,831	413,717	404,295	410,110
Change (%)	3.9	3.4	-2.2	-1.6	-2.3	-0.5	3.0	2.4	0.9	1.4
Net Sales	**42,295**	**44,650**	**44,787**	**52,789**	**51,242**	**53,113**	**60,745**	**65,274**	**183,795**	**230,373**
Change (%)	28.7	35.1	56.3	45.8	21.2	19.0	35.6	23.7	41.5	25.3
Operating Other Income	131	203	184	258	359	505	466	519	1,501	1,850
Total Cost	35,557	37,159	38,116	44,554	43,845	45,135	51,973	55,933	155,334	196,887
EBITDA	**6,869**	**7,694**	**6,855**	**8,492**	**7,756**	**8,483**	**9,238**	**9,860**	**29,962**	**35,337**
EBITDA Margins (%)	16.2	17.2	15.2	16.0	15.0	15.8	15.1	15.0	16.2	15.2
Other income	236	1,333	244	181	205	1,998	419	329	1,994	2,950
Interest	60	128	82	9	-227	-91	-27	26	278	-319
Depreciation	885	892	984	947	976	970	1,022	1,163	3,708	4,131
EO Expense	779	-1,526	160	36	0	-467	-1,175	0	-498	1,642
PBT	**5,381**	**9,533**	**5,873**	**7,681**	**7,211**	**10,068**	**9,836**	**9,000**	**28,468**	**36,116**
Tax	1,373	2,504	1,736	1,978	1,588	2,483	2,490	2,198	7,590	8,758
Effective Tax Rate (%)	25.5	26.3	29.6	25.8	22.0	24.7	25.3	24.4	26.7	24.3
Reported PAT	**4,009**	**7,029**	**4,137**	**5,703**	**5,624**	**7,585**	**7,347**	**6,802**	**20,878**	**27,358**
Adj PAT	**4,580**	**5,917**	**4,243**	**5,726**	**5,624**	**7,273**	**6,172**	**6,802**	**20,451**	**25,871**
Change (%)	109.5	98.2	159.2	104.9	22.8	22.9	45.5	18.8	121.9	26.5

E: MOSL Estimates; Quarterly results don't add-up to full year results due to restatement

Jinesh Gandhi (Jinesh@MotilalOswal.com)

Maruti Suzuki India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	MSIL IN
Equity Shares (m)	289.0
52 Week Range (Rs)	1,600/1,126
1,6,12 Rel Perf (%)	-5/-14/-21
Mcap (Rs b)	341.5
Mcap (USD b)	7.6

CMP: Rs1,182 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	CONS. EPS (RS)	EPS GR. (%)	CONS. P/E (X)	P/CE (X)	P/BV (X)	EV/ EBITDA	ROE (%)	ROCE (%)
3/10A	296,231	25,062	90.8	113.8	13.0	10.3	2.9	7.0	21.1	28.4
3/11E	366,199	22,585	86.0	-5.3	13.7	10.5	2.5	7.5	16.0	21.7
3/12E	424,574	26,611	99.9	16.2	11.8	8.9	2.1	6.3	16.4	21.9
3/13E	495,030	31,895	120.3	20.4	9.8	7.3	1.8	4.8	16.7	22.5

- Maruti's 4QFY11 volumes are expected to grow 17% YoY (up ~1.3% QoQ) to 335,076 units, driven by growth of 24% YoY (up ~2% QoQ) in domestic sales. Realizations are expected to rise by 0.6% QoQ (down ~1.5% YoY) benefiting from 0.8-1% price increase in January 2011.
- Net revenue is estimated to grow by 15% YoY (up ~2% QoQ) to Rs96.7b. EBITDA margins are estimated to rise by 20bp QoQ (down ~350bp YoY) to 9.7% as price hikes dilute the impact of higher RM costs. EBITDA is estimated to improve by 4% QoQ (down ~16% YoY) to Rs9.4b, translating into 4% QoQ improvement (down ~10.5% YoY) in recurring PAT to Rs5.9b.
- Unhedged forex exposure in FY12, in the form of imports (yen) and exports (euro and the US dollar), could result in volatility in operating performance.
- We are downgrading our FY12 consolidated EPS estimate by 4.3% to Rs99.9 and for FY13 by 3.2% to Rs120.3, as we lower volume growth assumption to 14.3% in FY12 from 16.6% earlier. We estimate stable FY12 EBITDA margins at 10%. The stock trades at 11.8x FY12E consolidated EPS and 8.9x FY12E cash EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Volumes (nos)	226,729	246,188	258,026	287,422	283,324	313,654	330,687	335,076	1,018,365	1,262,741
Change (%)	17.7	29.9	48.7	21.5	25.0	27.4	28.2	16.6	28.6	24.0
Realizations (Rs/car)	279,640	286,349	284,226	286,508	284,151	284,935	280,529	282,338	284,363	282,916
Change (%)	13.8	12.9	8.0	7.5	1.6	-0.5	-1.3	-1.5	10.4	-0.5
Net Op. Revenues	**64,930**	**72,038**	**75,029**	**84,246**	**83,062**	**91,473**	**94,945**	**96,720**	**296,230**	**366,199**
Change (%)	33.6	44.3	60.3	31.0	27.9	27.0	26.5	14.8	41.7	23.6
Total Cost	56,998	62,877	63,689	73,135	74,485	81,870	85,927	87,342	256,687	329,623
EBITDA	**7,932**	**9,161**	**11,339**	**11,111**	**8,577**	**9,603**	**9,018**	**9,378**	**39,543**	**36,576**
As % of Sales	12.2	12.7	15.1	13.2	10.3	10.5	9.5	9.7	13.3	10.0
Non-Operating Income	2,165	1,100	913	790	1,002	1,340	1,283	1,271	4,968	4,895
Extraordinary Expense	0	0	0	0	652	0	0	0	0	652
Interest	63	60	84	129	80	97	4	12	335	193
Gross Profit	**10,034**	**10,202**	**12,168**	**11,772**	**8,847**	**10,846**	**10,297**	**10,636**	**44,176**	**40,626**
Depreciation	1,961	2,031	2,028	2,230	2,417	2,382	2,369	2,419	8,250	9,587
PBT	**8,073**	**8,171**	**10,140**	**9,542**	**6,430**	**8,464**	**7,928**	**8,217**	**35,925**	**31,039**
Tax	2,238	2,471	3,265	2,976	1,777	2,481	2,276	2,343	10,949	8,877
Effective Tax Rate (%)	27.7	30.2	32.2	31.2	27.6	29.3	28.7	28.5	30.5	28.6
PAT	**5,835**	**5,700**	**6,875**	**6,566**	**4,654**	**5,982**	**5,652**	**5,874**	**24,976**	**22,162**
Adjusted PAT	**5,835**	**5,700**	**6,875**	**6,566**	**5,125**	**5,982**	**5,652**	**5,874**	**24,976**	**22,627**
Change (%)	25.3	92.5	221.6	170.0	-12.2	5.0	-17.8	-10.5	105.9	-9.4

E: MOSL Estimates

Jinesh Gandhi (Jinesh@MotilalOswal.com)

Tata Motors

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	TTMT IN
Equity Shares (m)	664.6
52 Week Range (Rs)	1,381/670
1,6,12 Rel Perf (%)	1/17/56
Mcap (Rs b)	785.5
Mcap (USD b)	17.6

CMP: Rs1,182 **Buy**

YEAR END*	SALES (RS M)	ADJ/ PAT (RS M)	ADJ EPS (RS)	NORMAL EPS (RS)	CONS. P/E (X)	NORMAL P/E (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	925,193	15,051	22.6	-21.4	52.2	-55.3	18.3	10.7	1.0	10.6
3/11E	1,235,941	92,362	139.0	87.8	8.5	13.5	47.2	24.3	0.7	5.0
3/12E	1,431,205	105,158	158.2	107.4	7.5	11.0	36.7	23.7	0.6	4.2
3/13E	1,598,592	116,663	175.5	124.8	6.7	9.5	30.2	22.7	0.5	3.7

* Consolidated; ^ Normalized for capitalized expenses

- On a consolidated basis, we estimate net operating income will grow by 24% YoY (up ~14% QoQ) to Rs360.7b, driven by standalone (~14% YoY and 21% QoQ growth) and JLR (~36% YoY and 55% QoQ growth) performance, despite discontinuing the consolidation of Telcon as it ceases to be a subsidiary. We expect EBITDA to grow 52% YoY (up ~6% QoQ) to Rs51.1b translating into a 260bp YoY increase (down ~100bp QoQ) in margins to 14.2%. This will boost recurring PAT to Rs26.7b (up 83% YoY and up 9% QoQ).
- Standalone volumes in 4QFY11 are estimated to grow 14% YoY (~28% QoQ), driven by growth of 13% YoY (~13% QoQ) in CVs and 16% YoY (~57% QoQ) growth in PV. Standalone net sales in 4QFY11 are estimated to grow by 14% YoY to Rs139.8b. Margins are estimated to decline by 30bp QoQ (stable YoY) to 10.1%, due to RM cost inflation and an adverse product mix. EBITDA is expected to decline by 15% YoY (~18% QoQ) to Rs14.2b, translating into 27.5% YoY (~25% QoQ) growth in recurring PAT to Rs5.4b.
- For JLR, we estimate volume growth of 16% YoY (~5% QoQ) to 66,109 units and realizations to improve 17.5% YoY (flat QoQ), resulting in revenue growth of 36% YoY (~5% QoQ) to GBP2.8b. EBITDA margin is estimated at 17.2% (down ~20bp QoQ) due to increase in RM costs, translating into recurring PAT of GBP298m (against GBP275m in 3QFY11).
- We downgrade our FY12 estimates by 4.4% to Rs158.2 and for FY13 by 5.6% to Rs175.5, as we lower our volume growth assumption for CV from 17% to 13%. The stock trades at 7.5x FY12E consolidated EPS and 11x FY12E normalized EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Op Income	**163,970**	**210,885**	**259,742**	**290,596**	**270,556**	**287,820**	**316,852**	**360,713**	**925,193**	**1,235,941**
Growth (%)	13.2	-8.3	46.7	85.1	65.0	36.5	22.0	24.1	30.5	33.6
Total Expenditure	158,011	194,968	229,167	256,905	231,023	245,981	268,629	309,565	839,051	1,055,198
% of Sales	96.4	92.5	88.2	88.4	85.4	85.5	84.8	85.8	90.7	85.4
EBITDA	**5,959**	**15,916**	**30,575**	**33,691**	**39,533**	**41,839**	**48,223**	**51,148**	**86,142**	**180,743**
EBITDA Margins (%)	3.6	7.5	11.8	11.6	14.6	14.5	15.2	14.2	9.3	14.6
Depreciation	8,442	8,479	13,072	8,878	10,115	10,949	12,388	12,630	38,871	46,082
Product Dev. Exp	930	858	857	2,337	979	1,823	3,337	3,328	4,982	9,467
Other Income	22	348	47	-1	346	186	99	1,420	416	2,050
Interest Expenses	5,835	5,590	5,458	5,514	5,616	5,313	4,993	5,932	22,397	21,854
EO Exp/(Inc)	-6,528	-1,536	2,342	-9,198	414	-1,286	327	0	-14,919	-546
PBT after EO Exp	**-2,699**	**2,873**	**8,893**	**26,160**	**22,754**	**25,227**	**27,277**	**30,678**	**35,226**	**105,936**
Tax Rate (%)	-23.8	100.7	27.3	15.6	13.0	12.4	11.7	13.8	28.6	12.7
PAT	**-3,341**	**-22**	**6,464**	**22,068**	**19,794**	**22,096**	**24,089**	**26,454**	**25,169**	**92,433**
Minority Interest	51	42	155	-552	-63	-112	-108	-248	-303	-531
Share in profit of Associate	3	197	-194	839	156	25	263	493	845	937
Adj PAT	**-11,370**	**229**	**8,128**	**14,596**	**20,247**	**20,882**	**24,533**	**26,699**	**15,051**	**92,362**
Growth (%)	-207.0	-90.2	LTP	LTP	LTP	9007.0	201.8	82.9	LTP	513.7

E: MOSL Estimates

Jinesh Gandhi (Jinesh@MotilalOswal.com)

Banking

COMPANY NAME

Andhra Bank
Axis Bank
Bank of Baroda
Bank of India
Canara Bank
Corporation Bank
Dena Bank
Dewan Housing
HDFC
HDFC Bank
Federal Bank
ICICI Bank
IDFC
Indian Bank
IndusInd Bank
ING Vysya
Kotak Mahindra Bank
LIC Housing
M&M Financial Services
Oriental Bank
Punjab National Bank
Rural Electrification
Shriram Transport
South Indian Bank
State Bank
Union Bank
Yes Bank

In 4QFY11, we expect the banking sector to continue its robust performance. For our coverage universe we expect earnings growth of ~27% YoY driven by high loan growth, improved margins on a YoY basis (albeit moderating sequentially) and lower slippages. Ex SBI and ICICI Bank, our coverage universe is likely to report earnings growth of 20%. PSU banks (ex SBI) are likely to report earnings growth of 17% and Private Banks (ex ICICI) 26%. On a lower base, earnings growth for SBI and ICICI likely to be ~50%. Provisions towards pension liability for retired staff and CBS-led recognition of NPAs could throw up a negative surprise for some PSU banks.

Business growth to remain strong: In 9MFY11, banks under our coverage loan growth was strong at 26% YoY (sector loans grew 24% YoY) whereas deposits grew 21% against industry growth of ~16.5% YoY. In 4QFY11, we expect loan growth to remain strong (system loan growth was over 23% as per RBI's data for the fortnight ended on 11 March 2011). Over the past few months banks have increased deposit rates by 125-175bp. This coupled with moderation in inflation has led to real interest rates becoming attractive, resulting in pick up in deposit mobilization over the last four fortnights. CD ratio in the system continues to remain at a high of 75% and incremental CD ratio YTD remains at an elevated level of ~100%

High CD ratio providing strong pricing power; margins unlikely to compress sharply: Given the tight liquidity conditions and high CD ratio (75%) pricing power remains strong for banking system. Banks have increased Base Rate and PLR by 75-150bp and 75-125bp respectively in last two quarter. Thus, even though the Cost of deposits are likely increase (with a lag), margins are unlikely to compress sharply in the quarter. Wholesale funded entity like OBC, Andhra, IVB etc can report higher than system margin compression. In 4QFY11, we model in flat to 20bp (bank specific) decline in margins across the sector, positive surprises likely.

Provisions for retired employees' pension liability could throw negative surprise in Opex: In line with RBI guidelines, upfront booking of pension expenses towards retired staff in FY11 could result in higher operating expenses for PSU banks in 4QFY11. Our interaction with bankers suggests that in nominal terms, 25% of the pension liability could be towards retired employees. Thus the total deficit liability provisions to be made by banks in FY11 will be 38-40% (provision for retired employees plus 20% of provisions towards existing employees). This could impact 4QFY11 profitability. For some banks (that were providing gratuity liability in FY11 itself) there could be some cushion as RBI has allowed this liability to be amortized over five years. Overall we expect 4QFY11 operating expenses to grow 29% YoY for PSU banks and 18% YoY for private banks under our coverage.

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

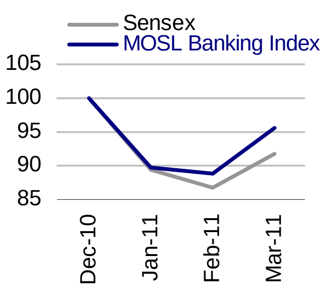
Asset quality to be stable/improve, CBS recognition of NPA remains a key: Over the past two quarters, the slippage ratio for the banking sector has been falling/stabilizing as a whole and we expect the trend to continue in 4QFY11. In our view, large corporate and retail delinquencies and slippages from restructured loans have peaked. Private banks are relatively better placed as retail delinquencies have been declining and a conservative restructuring policy adopted in the past reduces the risk of higher slippages from the restructured portfolio. However for PSU banks in 4QFY11, technical slippages due to transition of NPA recognition through the CBS platform could temporarily impact asset quality.

Operating performance to remain robust in 4QFY11: We expect some moderation in NIMs sequentially, but on a YoY basis there would be healthy improvement leading to NII growth of ~28% YoY for our coverage universe (~31% YoY for state-owned banks and ~22% YoY for private banks). Despite strong NII growth, we expect operating profit to grow ~14% YoY, as (1) trading profits are likely to decline YoY and (2) operating expenses are expected to increase, with state-owned banks accounting for higher pension provisions.

Expected quarterly performance summary **(Rs million)**

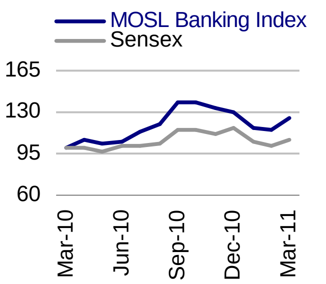
	CMP (Rs)	Rating	Net interest income			Operating profit			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Private Banks											
Axis Bank	1,366	Buy	18,111	24.0	4.5	18,087	30.7	9.1	9,488	24.0	6.4
Federal Bank	386	Buy	4,399	7.4	-1.6	3,553	1.0	-0.4	1,503	28.6	5.0
HDFC Bank	2,262	Neutral	28,523	21.3	2.7	20,555	21.3	-0.8	11,015	31.7	1.3
ICICI Bank	1,091	Buy	23,472	15.3	1.5	24,261	1.1	3.6	15,073	49.9	4.9
IndusInd Bank	253	Buy	3,817	39.9	5.2	3,063	52.8	5.2	1,623	65.7	5.5
ING Vysya Bank	305	Buy	2,456	-0.6	-0.1	1,539	-26.9	-3.5	772	62.0	-7.0
Kotak Mahindra Bank	453	Neutral	10,128	29.2	9.7	9,418	27.1	58.0	3,866	-7.6	0.8
South Indian Bank	21	Buy	2,092	165.2	2.1	1,425	176.2	-0.2	657	70.2	-12.8
Yes Bank	299	Buy	3,304	35.3	2.2	3,428	33.1	10.1	2,013	43.7	5.3
Pvt Banking Aggregate			**96,301**	**22.2**	**3.2**	**85,329**	**17.1**	**7.6**	**46,009**	**32.7**	**3.5**
PSU Banks											
Andhra Bank	143	Buy	8,387	27.8	-0.1	6,267	18.9	0.0	3,010	25.3	-9.0
Bank of Baroda	928	Neutral	23,469	34.5	2.4	18,412	13.0	-0.5	10,568	16.6	-1.1
Bank of India	456	Neutral	20,359	31.2	2.5	11,429	-10.4	-17.7	6,015	40.6	-7.9
Canara Bank	613	Buy	21,666	35.6	2.2	14,858	3.9	-1.8	8,744	73.8	-20.9
Corporation Bank	566	Neutral	8,370	30.8	-0.6	7,387	35.5	0.2	3,860	23.6	0.9
Dena Bank	101	Buy	4,606	41.2	-1.3	2,992	6.8	-5.5	1,390	1.4	-10.4
Indian Bank	221	Buy	10,683	14.4	2.9	8,182	-6.2	0.8	4,503	9.9	-8.3
Oriental Bank of Commerce	373	Buy	9,889	0.0	-4.0	7,175	-7.6	-7.3	3,529	11.3	-13.6
Punjab National Bank	1,142	Buy	32,088	28.5	0.2	21,820	-6.5	-7.1	11,456	0.9	5.1
State Bank	2,709	Buy	93,138	38.6	2.9	68,366	31.6	1.1	28,222	51.2	-0.2
Union Bank	336	Buy	16,709	19.7	3.4	11,122	-3.1	-11.8	5,030	-15.2	-13.2
PSU Banking Aggregate			**249,364**	**30.9**	**1.8**	**178,009**	**11.2**	**-3.2**	**86,330**	**26.0**	**-5.1**
NBFC											
Dewan Housing	223	Buy	1,306	39.6	5.6	869	53.8	7.2	645	54.6	4.5
HDFC	663	Neutral	12,811	9.4	19.3	14,922	16.4	21.5	10,652	15.0	19.6
IDFC	156	Neutral	4,803	49.6	4.4	4,595	24.1	-7.5	2,874	26.0	-10.6
LIC Housing Fin	205	Neutral	4,280	25.3	6.0	3,999	40.0	-18.2	2,471	15.7	15.7
M & M Financial	781	Buy	4,244	25.0	25.2	2,966	18.3	30.2	1,617	15.3	39.5
Rural Electric. Corp.	246	Buy	8,625	18.6	1.7	9,107	21.0	1.0	6,767	20.6	1.9
Shriram Transport Fin.	772	Buy	8,591	32.9	2.7	6,577	28.0	3.5	3,511	32.8	16.5
NBFC Banking Aggregate			**44,661**	**22.7**	**9.3**	**43,035**	**22.5**	**6.0**	**28,537**	**20.1**	**11.1**
Banking Sector Aggregate			**390,327**	**27.6**	**3.0**	**306,373**	**14.3**	**0.8**	**160,875**	**26.8**	**-0.1**

Relative Performance-3m (%)



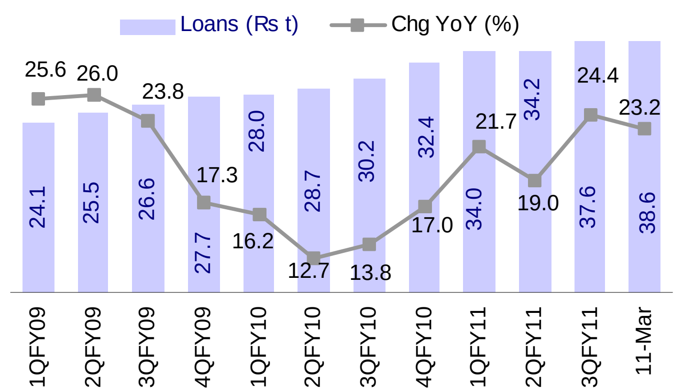
Earnings growth of 25%+ YoY for our coverage universe: We expect aggregate earnings growth of ~27% YoY for our coverage universe, with state-owned banks' earnings growing 26% and private banks' earnings growing 33% YoY. Strong outperformance is likely by SBI, ICICI Bank, Canara Bank and IndusInd Bank. We expect strong earnings growth of 51% YoY for SBI led by strong NII growth and a decline in provisioning expenses. Pension liability under 9th bipartite agreement can provide negative surprise for SBI. Despite flat operating profit YoY for ICICI bank, we expect ~50% net profit growth led by lower credit costs.

Relative Performance-1Yr (%)

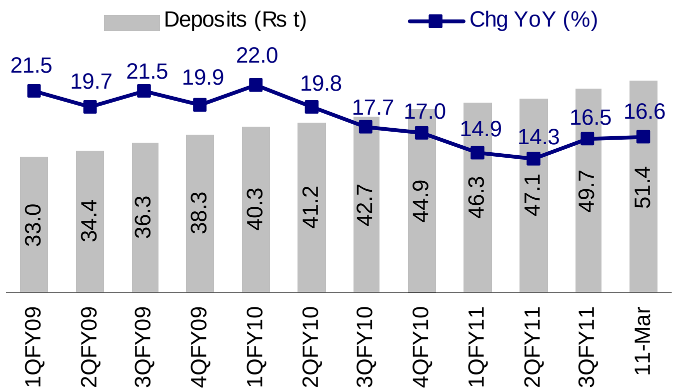


Core operations to remain strong; valuation at 5 year average: Loan growth of ~20%, operating leverage and fall in credit costs will keep the banking sector's profitability strong over FY12 and FY13. Margins, even with some moderation from their peaks in 3QFY11, will still be above or near the average of FY04-09 levels. Positive surprises from recoveries from written-off accounts could provide a surprise to earnings estimates. We expect banks to report over 20%+ earnings growth in FY12, on an aggregate basis, and return ratios to be healthy with RoA of over 1.1%+ and RoE of over 18%+. Our top bets are **SBI**, **ICICI Bank** and **PNB**. In the mid-cap space we like **Indusind Bank**, **Yes Bank** and **Union Bank**.

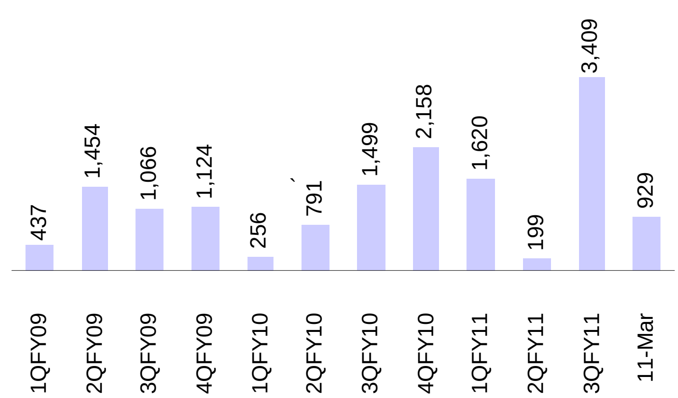
Loan growth remains strong



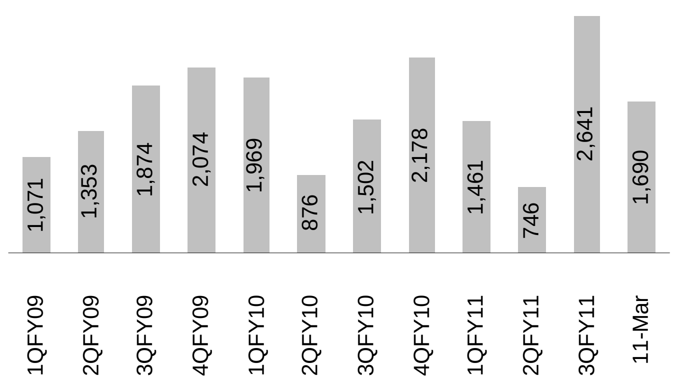
Deposit growth picking up



Incremental quarterly loans (Rs b)



Quarterly mobilization of deposits (Rs b)



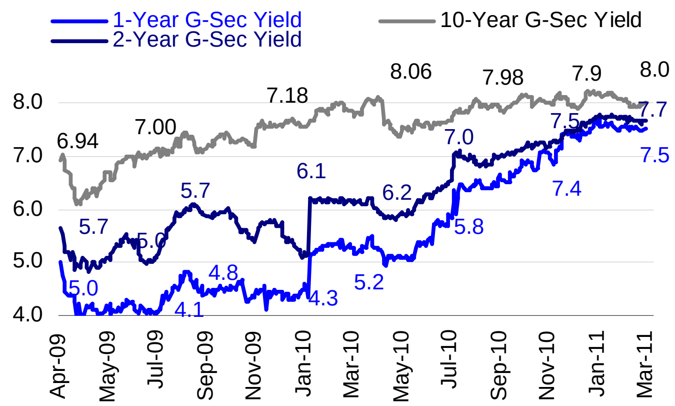
Source: Company/MOSL

Movement in SBI deposit rates (%); Retail term deposit rates have increased 100-125bp across maturities

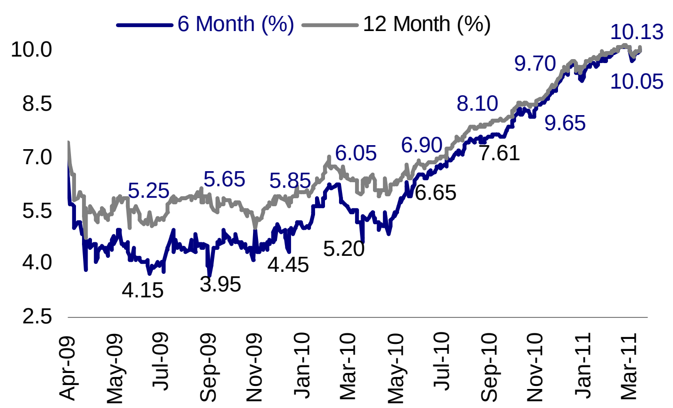
	Oct-08	Dec-08	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Sep-09	Oct-09	Nov-09	Aug-10	Oct-10	Dec-10	Jan-10	Feb-11
46-90d	5.3	5.3	5.3	5.0	4.8	4.0	4.0	4.0	3.8	3.5	4.0	4.0	5.5	5.5	5.5
180d-1 Yr	8.5	8.0	7.3	7.0	6.8	6.3	6.0	6.0	5.8	5.3	6.0	6.0	7.3	7.8	7.8
550d	10.0	9.5	8.1	7.8	7.5	7.0	6.5	6.5	6.3	6.0	7.3	7.5	8.5	9.0	9.3
1-2 Yr	10.0	9.5	8.1	7.8	7.5	7.0	6.5	6.5	6.3	6.0	6.8	7.0	7.8	8.3	8.3
1000 d	10.5	10.0	8.5	8.3	8.0	7.5	7.3	7.0	7.0	6.5	7.3	7.8	8.5	9.0	9.3
2-3Yr	9.5	9.0	8.3	8.0	7.8	7.3	7.0	7.0	7.0	6.5	7.0	7.5	8.3	8.8	8.8
3-5Yr	9.8	9.3	8.5	8.0	7.8	7.3	7.3	7.3	7.3	7.3	7.3	7.3	8.3	8.3	8.3
5-8Yr	9.3	9.0	8.5	8.3	8.0	7.8	7.5	7.5	7.3	7.3	7.5	7.5	8.5	8.5	8.5

Source: RBI/SBI

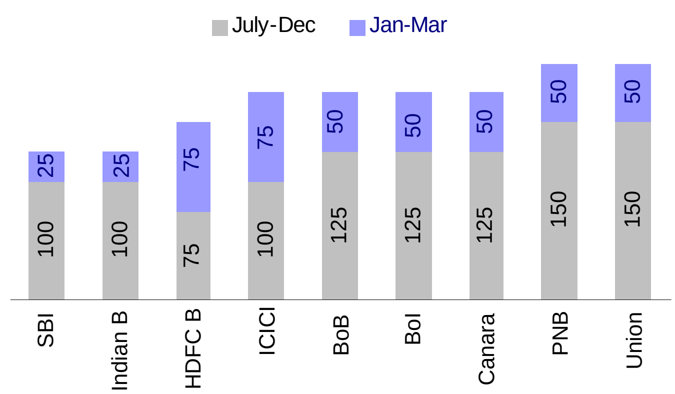
Movement in GSec yield

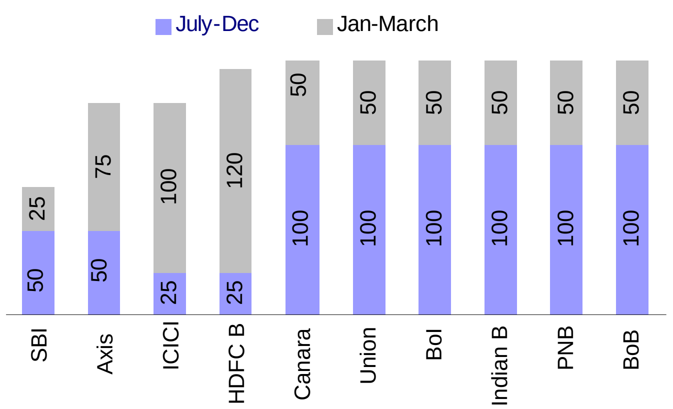


Liquidity crunch resulting in higher borrowing costs



Increase in BPLR, base rate to cushion the impact of rising cost of funds





Source: RBI/Industry/MOSL

Slippage ratio showing an improvement in last 2 quarters (%)

	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11
SBI	1.1	1.9	1.8	2.6	2.8	2.0
PNB	0.8	2.9	2.2	2.6	2.0	2.1
BoB	0.9	1.3	1.3	1.5	0.7	0.6
BoI	3.9	1.8	4.2	1.4	1.9	1.1
Union Bank	1.2	1.9	3.3	2.1	3.8	2.6

Source: RBI/Industry/MOSL

Pension liability may surprise negatively (Rs m)

	Liability towards			Provision in	Amortization of liability by banks now (years)		As a %age of FY12E
	Pension	Gratuity	Total	9MFY11	Pension	Gratuity	net worth
PNB	36,000	5,000	41,000	8,600	5	1	11
BoB	20,600	920	21,520	3,000	5	1	6
BOI	NA	NA	40,000	6,500	5	5	13
Canara Bank	22,000	4,000	26,000	6,600	5	1	8
Union Bank	24,000	2,500	26,500	5,500	5	1	13
Corporation Bank	5,400	NA	5,400	1,000	5	5	4
Andhra Bank	4,400	1,250	5,650	1,580	3	3	5
Allahabad Bank	7,840	2,840	10,680	1,560	5	5	8
Dena	NA	NA	4,650	700	5	5	8
OBC	11,000	2,000	13,000	4,100	5	5	7
IOB	NA	NA	12,960	3,240	3	3	11
United Bank	NA	NA	7,750	1,050	5	5	14

% to NW Post tax Source: MOSL

Comparative valuation

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			P/BV (x)			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Andhra Bank	143	Buy	22.4	27.0	31.7	6.4	5.3	4.5	1.2	1.1	0.9	23.0	21.4	21.4
Axis Bank	1,366	Buy	81.9	99.0	118.0	16.7	13.8	11.6	3.0	2.5	2.1	19.1	19.7	19.9
Bank of Baroda	928	Neutral	102.0	114.6	136.7	9.1	8.1	6.8	1.9	1.6	1.3	23.8	21.0	21.2
Bank of India	456	Neutral	47.4	60.2	77.3	9.6	7.6	5.9	1.6	1.3	1.1	18.1	19.2	21.0
Canara Bank	613	Buy	90.3	104.4	122.9	6.8	5.9	5.0	1.5	1.3	1.0	26.4	23.5	22.9
Corporation Bank	566	Neutral	98.2	107.0	120.3	5.8	5.3	4.7	1.2	1.0	0.9	22.4	20.3	19.6
Dena Bank	101	Buy	17.8	20.7	24.5	5.6	4.9	4.1	1.0	0.8	0.7	20.4	18.6	18.8
Dewan Housing	223	Buy	22.7	31.6	41.2	9.4	6.7	5.2	1.5	1.2	1.0	19.9	19.8	21.7
Federal Bank	386	Buy	33.1	38.0	43.9	11.7	10.1	8.8	1.3	1.2	1.1	11.5	12.1	12.6
HDFC	663	Neutral	23.7	28.4	32.9	20.6	16.1	13.2	5.2	4.1	3.6	25.8	25.9	26.8
HDFC Bank	2,262	Neutral	84.6	110.1	137.7	26.7	20.5	16.4	4.2	3.6	3.1	16.8	18.8	20.1
ICICI Bank	1,091	Buy	45.2	57.3	67.9	19.5	15.0	12.2	2.4	2.1	1.8	12.0	14.1	15.1
IDFC	156	Neutral	8.5	10.2	12.4	18.3	15.3	12.6	1.9	1.7	1.5	13.9	12.7	14.0
Indian Bank	221	Buy	40.2	45.9	52.4	5.5	4.8	4.2	1.2	1.0	0.9	23.1	22.3	21.6
IndusInd Bank	253	Buy	12.3	16.0	20.5	20.5	15.8	12.3	3.1	2.7	2.3	19.1	18.1	19.9
ING Vysya Bank	305	Buy	25.4	32.0	41.6	12.0	9.5	7.3	1.5	1.3	1.1	12.9	14.5	16.4
Kotak Mahindra Bank	453	Neutral	19.5	23.3	28.0	23.3	19.5	16.2	3.0	2.6	2.2	15.6	14.8	15.3
LIC Housing Fin	205	Neutral	19.1	22.1	26.4	10.7	9.3	7.8	2.4	2.0	1.7	24.3	23.4	23.4
M & M Financial	781	Buy	45.9	56.3	66.7	17.0	13.9	11.7	3.2	2.7	2.3	22.1	21.0	21.1
Oriental Bank	373	Buy	52.2	58.9	68.2	7.2	6.3	5.5	1.1	0.9	0.8	17.4	15.8	16.3
Punjab National Bank	1,142	Buy	138.2	168.1	203.5	8.3	6.8	5.6	1.8	1.5	1.2	24.2	24.2	24.2
Rural Electric. Corp.	246	Buy	25.8	30.0	35.8	9.5	8.2	6.9	1.9	1.7	1.5	21.4	21.8	22.7
Shriram Transport Fin.	772	Buy	55.0	66.2	77.9	14.0	11.7	9.9	3.6	2.9	2.3	28.6	27.3	25.9
State Bank	2,709	Buy	209.9	259.6	317.2	12.5	10.0	8.1	1.8	1.6	1.4	15.8	17.4	18.0
South Indian Bank	21	Buy	2.4	2.9	3.5	8.6	7.2	5.9	1.4	1.2	1.1	17.6	18.4	19.2
Union Bank	336	Buy	37.7	51.7	63.2	8.9	6.5	5.3	1.6	1.3	1.1	19.9	22.3	22.7
Yes Bank	299	Buy	21.3	27.6	34.2	14.0	10.8	8.7	2.7	2.2	1.8	21.2	22.5	22.8
Sector Aggregate						**14.0**	**11.5**	**9.6**	**2.6**	**2.2**	**1.9**	**18.3**	**18.8**	**19.5**
Private Banks						**21.5**	**17.2**	**14.2**	**3.3**	**2.9**	**2.5**	**15.4**	**16.8**	**17.8**
PSU Banks						**9.6**	**8.0**	**6.6**	**1.9**	**1.6**	**1.3**	**19.3**	**19.4**	**20.0**
NBFC						**17.9**	**15.0**	**12.5**	**3.7**	**3.0**	**2.6**	**20.5**	**20.3**	**20.6**

Andhra Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	ANDB IN
Equity Shares (m)	559.6
52 Week Range (Rs)	190/97
1,6,12 Rel Perf (%)	-1/-7/40
Mcap (Rs b)	80.2
Mcap (USD b)	1.8

CMP: Rs143 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	31,594	10,459	21.6	60.2	6.6	90.9	1.6	1.6	1.3	26.0
3/11E	40,205	12,554	22.4	4.0	6.4	116.4	1.2	1.3	1.3	23.0
3/12E	46,024	15,094	27.0	20.2	5.3	136.3	1.1	1.1	1.3	21.4
3/13E	53,963	17,719	31.7	17.4	4.5	159.2	0.9	0.9	1.3	21.4

- Andhra Bank's FY11 business growth is expected to be in line with the industry trend, with loan and deposit growth of ~23% and 16% respectively. CD ratio at the end of December 2010 was high at ~80%, and we expect this to moderate. 4QFY11, deposit growth is estimated at ~10% QoQ and loan growth at ~6% QoQ.
- We expect 4QFY11 margins to moderate 20-25bp QoQ from 3.9% in 3QFY11 as the lag impact of rising deposit rates catches up and incremental CD ratio declines.
- Non-interest income in 4QFY11 is expected to decline 17% YoY due to lower treasury gains compared with Rs533m reported in 4QFY10. Non-interest income excluding treasury gains is expected to grow ~10% QoQ but to remain muted YoY.
- Slippages over the last two quarters have been high, resulting in higher GNPAs of 1.3% at the end of December 2010 against 0.9% at the end of FY10. Strong loan growth in the past and higher slippages remains a key risk.
- We estimate 4QFY11 PAT growth of 25% YoY (on a low base) and a decline of ~10% QoQ (due to flattish sequential NII growth). Healthy operating performance and a decline in provisions towards NPAs (bank had provided Rs600m one-off provision related to the agriculture debt waiver and one large account in 4QFY10) would drive YoY PAT growth.
- The stock trades at 1.1x FY12E BV and 0.9x FY13E BV and 5.3x FY12E EPS and 4.5x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	15,046	15,577	16,026	17,079	18,650	19,412	21,216	22,817	63,729	82,094
Interest Expense	10,633	10,431	10,200	10,518	11,288	11,579	12,817	14,429	41,781	50,113
Net Interest Income	**4,414**	**5,147**	**5,825**	**6,562**	**7,362**	**7,833**	**8,399**	**8,387**	**21,948**	**31,981**
% Change (Y-o-Y)	27.5	18.7	28.9	66.0	66.8	52.2	44.2	27.8	34.9	45.7
Other Income	2,381	2,332	2,242	2,691	2,082	1,912	1,986	2,244	9,646	8,224
Net Income	**6,794**	**7,479**	**8,068**	**9,253**	**9,444**	**9,744**	**10,386**	**10,631**	**31,594**	**40,205**
Operating Expenses	3,314	2,950	3,250	3,981	4,340	4,099	4,119	4,365	13,495	16,923
Operating Profit	**3,480**	**4,528**	**4,818**	**5,272**	**5,103**	**5,646**	**6,266**	**6,267**	**18,099**	**23,281**
% Change (Y-o-Y)	69.5	62.6	29.3	22.1	46.6	24.7	30.1	18.9	40.5	28.6
Other Provisions	-32	578	964	2,229	519	1,196	1,717	1,916	3,740	5,348
Profit before Tax	**3,512**	**3,950**	**3,854**	**3,043**	**4,584**	**4,450**	**4,549**	**4,351**	**14,359**	**17,934**
Tax Provisions	950	1,210	1,100	640	1,380	1,420	1,240	1,340	3,900	5,380
Net Profit	**2,562**	**2,740**	**2,754**	**2,403**	**3,204**	**3,030**	**3,309**	**3,010**	**10,459**	**12,554**
% Change (Y-o-Y)	230.1	69.6	29.5	19.4	25.1	10.6	20.2	25.3	60.2	20.0
Deposit Growth (%)	22.8	23.3	23.7	30.8	23.7	26.2	23.4	16.0	30.8	16.0
Loan Growth (%)	31.8	32.2	22.2	27.1	27.2	26.6	27.7	23.0	27.1	23.0
Net Interest Margin (%)	2.9	3.1	3.4	3.4	3.7	3.9	3.9	3.7	3.1	3.6
Cost/Income Ratio (%)	48.8	39.5	40.3	43.0	46.0	42.1	39.7	41.1	42.7	42.1
Gross NPA	0.8	0.8	0.9	0.9	1.0	1.3	1.3	1.4	0.9	1.4
CASA (%)	30.7	32.3	30.1	29.4	29.6	30.4	28.5	29.3	29.4	29.3

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Axis Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	AXSB IN
Equity Shares (m)	405.2
52 Week Range (Rs)	1,608/1,129
1,6,12 Rel Perf (%)	5/-3/11
Mcap (Rs b)	553.4
Mcap (USD b)	12.4

CMP: Rs1,366 **Buy**

Year End	Net Income (Rs M)	PAT (Rs M)	EPS (Rs)	EPS Gr. (%)	P/E (X)	BV (Rs)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	89,503	25,145	62.1	22.7	22.0	396.0	3.4	3.5	1.5	19.2
3/11E	112,086	33,172	81.9	31.9	16.7	462.9	3.0	3.0	1.6	19.1
3/12E	132,310	40,113	99.0	20.9	13.8	543.9	2.5	2.5	1.6	19.7
3/13E	158,804	47,800	118.0	19.2	11.6	639.8	2.1	2.2	1.5	19.9

- Axis Bank would continue to grow at higher than the industry average. We expect 4QFY11 loan growth of ~30% YoY and 9-10% QoQ.
- Strong pricing power led to improvement in NIMs in 3QFY11 to 3.8%. Although deposit costs are rising, in-sync increase in lending rates and a strong CASA base is enabling the bank to protect its margins. We expect NIMs to remain stable/decline marginally in 4QFY11. NII growth is expected to be about 24% YoY.
- On a reported basis, fee income is expected to grow at over 45% YoY. In 4QFY10, the bank changed its accounting policy, resulting in fee income being lower by Rs1.4b. Strong business and increased non fund based activity will also aid fee income growth.
- Asset quality is expected to be stable. We believe the bank's credit costs have peaked as most of the restructured asset slippage is behind it. We expect credit costs to be sequentially stable at 0.8-0.9%.
- The stock trades at 2.5x FY12E BV and 2.1x FY13E BV and 13.8x FY12E EPS and 11.6x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	29,056	28,604	28,837	29,885	33,256	36,243	38,383	43,887	116,380	151,769
Interest Expense	18,599	17,107	15,345	15,284	18,118	20,092	21,052	25,776	66,335	85,038
Net Interest Income	**10,456**	**11,497**	**13,491**	**14,601**	**15,138**	**16,151**	**17,331**	**18,111**	**50,045**	**66,731**
% Change (Y-o-Y)	29.0	25.9	45.1	41.4	44.8	40.5	28.5	24.0	35.8	33.3
Other Income	9,586	10,656	9,881	9,335	10,008	10,332	11,477	13,538	39,458	45,356
Net Income	**20,042**	**22,153**	**23,372**	**23,936**	**25,146**	**26,483**	**28,808**	**31,649**	**89,503**	**112,086**
Operating Expenses	8,278	9,095	9,626	10,098	10,645	11,620	12,224	13,563	37,097	48,051
Operating Profit	**11,764**	**13,058**	**13,746**	**13,838**	**14,501**	**14,864**	**16,585**	**18,087**	**52,406**	**64,036**
% Change (Y-o-Y)	46.6	49.3	51.1	21.5	23.3	13.8	20.6	30.7	40.7	22.2
Other Provisions	3,153	4,989	3,731	2,019	3,330	3,788	3,139	3,708	13,892	13,965
Profit before Tax	**8,611**	**8,069**	**10,015**	**11,819**	**11,171**	**11,076**	**13,446**	**14,378**	**38,514**	**50,071**
Tax Provisions	2,990	2,752	3,455	4,171	3,752	3,725	4,532	4,890	13,368	16,899
Net Profit	**5,620**	**5,316**	**6,560**	**7,649**	**7,419**	**7,351**	**8,914**	**9,488**	**25,145**	**33,172**
% Change (Y-o-Y)	70.2	32.0	31.0	31.5	32.0	38.3	35.9	24.0	38.5	31.9
Deposit Growth (%)	23.9	12.4	7.7	20.4	33.8	35.7	36.9	25.0	20.4	25.0
Loan Growth (%)	27.7	17.7	12.5	27.9	39.1	36.5	45.7	30.0	27.9	30.0
Net Interest Margin (%)	3.3	3.5	4.0	4.1	3.7	3.7	3.8	3.7	3.3	3.6
Cost/Income Ratio (%)	41.3	41.1	41.2	42.2	42.3	43.9	42.4	42.9	41.4	42.9
Gross NPA	1.0	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1
CASA (%)	40.1	42.8	45.6	46.7	40.2	41.5	42.3	44.6	46.7	44.6

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Bank of Baroda

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	BOB IN
Equity Shares (m)	392.8
52 Week Range (Rs)	1,050/616
1,6,12 Rel Perf (%)	1/12/41
Mcap (Rs b)	364.3
Mcap (USD b)	8.2

CMP: Rs928 **Neutral**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	87,458	30,583	83.7	37.3	11.1	383.1	2.4	2.5	1.2	23.8
3/11E	112,421	40,068	102.0	21.9	9.1	499.7	1.9	1.9	1.3	23.8
3/12E	127,745	45,001	114.6	12.3	8.1	590.1	1.6	1.6	1.2	21.0
3/13E	148,290	53,691	136.7	19.3	6.8	698.0	1.3	1.4	1.2	21.2

- We expect Bank of Baroda's 4QFY11 margins to moderate marginally QoQ led by the lag impact of increase in the cost of deposits. For 3QFY11, NIMs stood at 3.2% and for 4QFY10 it was 2.97%.
- Healthy loan growth (~24%) and YoY improvement in margins would drive 34% YoY NII growth.
- 4QFY11 non-interest income is expected to decline 14% YoY due to higher treasury gains reported in 4QFY10 (Rs2.1b).
- BoB guided for pension and gratuity liability of Rs21.5b (pension Rs20.6b and gratuity Rs920m), for which it provided Rs3.7b in 9MFY11. RBI guidelines for providing retired employees liability in FY11 could result in additional provisions in 4QFY11. We expect operating expenses to grow 11% QoQ.
- We do not expect significant pressure on asset quality, but on a conservative basis we have built in higher NPA provisions. Upside to our estimates could emanate from lower provision.
- The stock trades at 1.6x FY12E BV and 1.3x FY13E BV and 8.1x FY12E EPS and 6.8x FY13E EPS. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	40,321	41,354	41,770	43,538	47,270	51,614	56,662	63,181	166,983	218,726
Interest Expense	28,274	27,468	25,757	26,089	28,690	31,205	33,739	39,712	107,589	133,346
Net Interest Income	**12,047**	**13,886**	**16,012**	**17,450**	**18,580**	**20,408**	**22,923**	**23,469**	**59,395**	**85,380**
% Change (Y-o-Y)	14.0	22.5	9.5	18.6	54.2	47.0	43.2	34.5	15.9	43.7
Other Income	7,030	5,953	6,597	8,483	6,172	6,813	6,762	7,294	28,064	27,041
Net Income	**19,077**	**19,839**	**22,609**	**25,933**	**24,752**	**27,221**	**29,684**	**30,763**	**87,458**	**112,421**
Operating Expenses	8,978	9,523	9,959	9,645	9,474	10,627	11,172	12,351	38,106	43,623
Operating Profit	**10,099**	**10,316**	**12,650**	**16,288**	**15,279**	**16,594**	**18,512**	**18,412**	**49,353**	**68,797**
% Change (Y-o-Y)	17.4	22.0	-10.6	24.9	51.3	60.9	46.3	13.0	14.6	39.4
Other Provisions	-390	1,163	2,425	3,773	2,513	1,855	3,041	3,318	6,972	10,727
Profit before Tax	**10,489**	**9,153**	**10,225**	**12,515**	**12,765**	**14,740**	**15,471**	**15,094**	**42,381**	**58,070**
Tax Provisions	3,635	2,811	1,900	3,452	4,174	4,520	4,783	4,526	11,797	18,002
Net Profit	**6,854**	**6,342**	**8,325**	**9,063**	**8,592**	**10,220**	**10,689**	**10,568**	**30,583**	**40,068**
% Change (Y-o-Y)	84.8	60.4	17.5	20.4	25.4	61.2	28.4	16.6	37.3	31.0
Deposit Growth (%)	28.2	28.7	27.6	25.3	28.2	30.0	30.9	22.0	25.3	22.0
Loan Growth (%)	27.7	25.4	23.5	22.2	30.7	29.6	32.7	24.0	22.2	24.0
Net Interest Margin (%)	2.4	2.6	3.0	3.0	2.9	3.0	3.2	3.1	2.5	3.0
Cost/Income Ratio (%)	47.1	48.0	44.1	37.2	38.3	39.0	37.6	40.1	43.6	38.8
Gross NPA	1.4	1.3	1.4	1.4	1.4	1.4	1.3	1.3	1.4	1.3
Domestic CASA (%)	35.1	36.2	36.9	35.9	35.2	35.9	35.1	34.5	35.9	34.5

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Bank of India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	BOI IN
Equity Shares (m)	547.2
52 Week Range (Rs)	588/310
1,6,12 Rel Perf (%)	-2/-2/38
Mcap (Rs b)	249.6
Mcap (USD b)	5.6

CMP: Rs456 **Neutral**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	83,726	17,411	33.1	-42.1	13.8	243.4	1.9	2.1	0.7	14.2
3/11E	100,625	25,964	47.4	43.3	9.6	290.1	1.6	1.7	0.9	18.1
3/12E	114,975	32,961	60.2	26.9	7.6	338.0	1.3	1.4	0.9	19.2
3/13E	134,414	42,292	77.3	28.3	5.9	399.5	1.1	1.2	1.0	21.0

- We expect Bank of India's 4QFY11 loans and deposits to grow ~7% QoQ and ~9% QoQ, respectively.
- Margins are estimated to decline by ~10bp QoQ (improve ~30bp YoY) as the lag impact of rising cost of deposits would be visible.
- We expect NII growth of ~31% YoY led by better margins (YoY basis) and improvement in asset quality.
- Non-interest income is estimated to decline 3% YoY on account of lower income from treasury and recoveries (Rs1.6b in 4QFY10). However with high slippages in the past, recoveries could provide upside to our estimates.
- BoI has guided for pension and gratuity liability of Rs40b and has made provisions of Rs6.5b. Considering the upfront provision for entire liability towards retired employees there could be additional provisions in 4QFY11. We expect operating expenses to grow 60% YoY (on a low base) and 28% QoQ, driven by higher employee expenses.
- Asset quality has been improving, which is evident from a decline in slippages in 3QFY11. We expect asset quality to remain stable.
- 4QFY11 net profit growth is expected to be over 40% YoY led by lower NPA and MTM provisions.
- The stock trades at 1.3x FY12E BV and 1.1x FY13E BV and 7.6x FY12E EPS and 5.9x FY13E EPS. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	43,777	44,890	44,862	45,251	48,217	51,556	54,675	60,685	178,780	215,133
Interest Expense	30,771	30,801	29,915	29,734	30,813	33,795	34,806	40,326	121,220	139,740
Net Interest Income	**13,006**	**14,089**	**14,948**	**15,517**	**17,405**	**17,761**	**19,869**	**20,359**	**57,559**	**75,393**
% Change (Y-o-Y)	10.1	3.4	-1.8	8.3	33.8	26.1	32.9	31.2	4.7	31.0
Other Income	6,459	6,760	5,716	7,232	5,859	5,845	6,482	7,046	26,166	25,232
Net Income	**19,465**	**20,849**	**20,664**	**22,749**	**23,264**	**23,606**	**26,351**	**27,404**	**83,726**	**100,625**
Operating Expenses	8,529	8,789	9,366	9,997	9,158	9,810	12,464	15,975	36,678	47,406
Operating Profit	**10,936**	**12,060**	**11,298**	**12,752**	**14,106**	**13,796**	**13,888**	**11,429**	**47,048**	**53,219**
% Change (Y-o-Y)	2.0	-0.7	-35.9	-9.4	29.0	14.4	22.9	-10.4	-13.8	13.1
Other Provisions	2,234	6,021	5,764	8,090	3,859	5,274	4,979	3,045	22,109	17,157
Profit before Tax	**8,702**	**6,038**	**5,534**	**4,662**	**10,247**	**8,522**	**8,908**	**8,384**	**24,938**	**36,061**
Tax Provisions	2,859	2,805	1,479	385	2,995	2,355	2,379	2,368	7,528	10,097
Net Profit	**5,843**	**3,233**	**4,055**	**4,277**	**7,251**	**6,168**	**6,530**	**6,015**	**17,411**	**25,964**
% Change (Y-o-Y)	4.0	-57.6	-53.5	-47.2	24.1	90.8	61.0	40.6	-42.1	49.1
Deposit Growth (%)	22.5	21.0	20.0	21.1	19.8	21.3	22.6	20.0	21.1	20.0
Loan Growth (%)	20.3	16.2	15.3	17.9	19.6	22.7	22.8	22.0	17.9	22.0
Net Interest Margin (%)	2.4	2.6	2.6	2.6	2.9	2.8	3.1	3.0	2.5	2.7
Cost/Income Ratio (%)	43.8	42.2	45.3	43.9	39.4	41.6	47.3	58.3	43.8	47.1
Gross NPA	1.9	2.6	2.7	2.9	2.7	2.6	2.4	2.3	2.9	2.3
CASA (%)	30.9	31.1	32.4	31.5	32.3	33.2	32.3	31.4	31.5	31.4

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Canara Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	CBK IN
Equity Shares (m)	443.0
52 Week Range (Rs)	844/345
1,6,12 Rel Perf (%)	-2/13/43
Mcap (Rs b)	271.6
Mcap (USD b)	6.1

CMP: Rs613 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	85,384	30,214	73.7	45.8	8.3	305.8	2.0	2.2	1.2	26.8
3/11E	103,932	40,014	90.3	22.6	6.8	401.5	1.5	1.7	1.4	26.4
3/12E	118,806	46,269	104.4	15.6	5.9	486.4	1.3	1.4	1.3	23.5
3/13E	139,040	54,461	122.9	17.7	5.0	586.3	1.0	1.1	1.3	22.9

- Canara Bank's 4QFY11 loan and deposit growth is expected to moderate on a higher base at ~24% YoY and ~22% YoY respectively (but will remain better than the industry average).
- CD ratio at the end of 3QFY11 was a comfortable ~72% and we expect it to improve marginally to ~73.3%, cushioning margins.
- In 4QFY11 we expect margins to stay stable or decline marginally from 3.21% in 3QFY11.
- Fee income is expected to stay flat YoY, however, lower treasury gains will result in non-interest income decline of ~15% YoY. Canara Bank reported trading gains of Rs1.1b in 4QFY10.
- The bank guided for a liability of Rs26b towards pension and gratuity. For this it provided Rs6.6b (Rs3.4b for pension and Rs3.2b for gratuity). An additional provisioning requirement could be expected as liability towards retired employees must be provided in FY11 itself. However incremental hit would be lower than that of its peers.
- We expect lower provisions YoY to lead 4QFY11 PAT growth of ~70%+ YoY.
- The stock trades at 1.3x FY12E BV and 1x FY13E BV and 5.9x FY12E EPS and 5x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	45,584	47,092	46,878	47,966	51,609	55,774	59,079	64,017	187,520	230,480
Interest Expense	32,669	33,955	32,100	31,990	34,331	35,741	37,887	42,351	130,714	150,310
Net Interest Income	**12,915**	**13,137**	**14,778**	**15,976**	**17,278**	**20,033**	**21,192**	**21,666**	**56,805**	**80,169**
% Change (Y-o-Y)	26.7	14.3	18.8	22.4	33.8	52.5	43.4	35.6	20.4	41.1
Other Income	4,736	8,929	7,813	7,101	7,340	4,996	5,366	6,061	28,579	23,763
Net Income	**17,651**	**22,066**	**22,591**	**23,077**	**24,618**	**25,029**	**26,558**	**27,727**	**85,384**	**103,932**
Operating Expenses	7,237	7,875	8,791	8,772	9,785	10,872	11,428	12,869	34,776	44,954
Operating Profit	**10,413**	**14,191**	**13,800**	**14,305**	**14,833**	**14,158**	**15,130**	**14,858**	**50,608**	**58,979**
% Change (Y-o-Y)	48.0	83.5	13.7	12.4	42.4	-0.2	9.6	3.9	27.7	16.5
Other Provisions	3,360	3,086	774	7,274	2,200	1,579	1,573	3,920	12,394	9,272
Profit before Tax	**7,053**	**11,105**	**13,026**	**7,031**	**12,634**	**12,579**	**13,557**	**10,937**	**38,214**	**49,707**
Tax Provisions	1,500	2,000	2,500	2,000	2,500	2,500	2,500	2,193	8,000	9,693
Net Profit	**5,553**	**9,105**	**10,526**	**5,031**	**10,134**	**10,079**	**11,057**	**8,744**	**30,214**	**40,014**
% Change (Y-o-Y)	352.7	72.0	50.0	-30.0	82.5	10.7	5.0	73.8	45.8	32.4
Deposit Growth (%)	23.9	19.6	20.2	25.6	23.3	21.5	25.4	22.0	25.6	22.0
Loan Growth (%)	28.1	22.7	14.3	22.5	23.5	20.2	28.8	24.0	22.5	24.0
Net Interest Margin (%)*	2.5	2.5	2.6	2.6	2.8	3.1	3.0	2.9	2.5	3.0
Cost/Income Ratio (%)	41.0	35.7	38.9	38.0	39.7	43.4	43.0	46.4	40.7	43.3
Gross NPA	1.7	1.6	1.8	1.5	1.5	1.5	1.4	1.4	1.5	1.4
CASA (%)	27.8	28.6	28.5	29.1	29.0	28.9	29.0	27.7	29.1	27.7

E: MOSL Estimates, * Calculated

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Corporation Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	CRPBK IN
Equity Shares (m)	148.1
52 Week Range (Rs)	815/442
1,6,12 Rel Perf (%)	-7/-13/17
Mcap (Rs b)	83.8
Mcap (USD b)	1.9

CMP: Rs566 — Neutral

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	33,967	11,703	81.6	31.1	6.9	402.6	1.4	1.4	1.2	21.9
3/11E	41,268	14,539	98.2	20.3	5.8	485.9	1.2	1.2	1.2	22.4
3/12E	46,493	15,844	107.0	9.0	5.3	567.8	1.0	1.0	1.1	20.3
3/13E	53,398	17,817	120.3	12.5	4.7	660.0	0.9	0.9	1.1	19.6

- Corporation Bank's 4QFY11 business growth is expected to be in line with the industry average and we expect loan growth of 6% QoQ.
- Although the incremental costs of deposit are rising, strong pricing power will cushion margins. At the start of 4QFY11, Corporation Bank hiked its base rate and PLR by ~50bp and ~25bp respectively. In our view, with 54% of loans linked to the base rate increased cost of funds would be passed on and 4QFY11 NIMs would remain sequentially flat or decline marginally.
- Strong loan growth and healthy margins (YoY improvement) will lead to NII growth of ~30% YoY.
- Non-interest income, excluding trading gains, is expected to grow 5% sequentially.
- Asset quality is expected to stay stable with lower slippages and higher up-gradations and recoveries. In 3QFY11 higher slippages from coffee crop loans (Rs1.2b; expected to be upgraded in 4QFY11) and some large accounts (Rs750m) led to slippages of ~Rs2.9b.
- The bank moved on to CBS-based recognition of NPA in 3QFY11 and the change in recognition resulted in an increase in GNPAs by ~Rs400m.
- The stock trades at 1x FY12E BV and 0.9x FY13E BV and 5.3x FY12E EPS and 4.7x FY13E EPS. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	17,422	17,695	18,606	19,222	20,278	21,581	24,713	28,361	72,946	94,932
Interest Expense	12,747	12,660	12,612	12,824	13,302	14,429	16,289	19,990	50,843	64,009
Net Interest Income	**4,675**	**5,035**	**5,994**	**6,398**	**6,976**	**7,152**	**8,424**	**8,370**	**22,103**	**30,923**
% Change (Y-o-Y)	23.7	23.8	25.4	49.4	49.2	42.1	40.5	30.8	30.7	39.9
Other Income	3,593	3,028	2,517	2,727	2,661	2,261	2,645	2,778	11,864	10,345
Net Income	**8,269**	**8,063**	**8,511**	**9,124**	**9,637**	**9,414**	**11,069**	**11,148**	**33,967**	**41,268**
Operating Expenses	2,556	2,707	3,132	3,674	3,433	3,679	3,699	3,762	12,600	14,573
Operating Profit	**5,712**	**5,356**	**5,379**	**5,450**	**6,204**	**5,735**	**7,369**	**7,387**	**21,367**	**26,695**
% Change (Y-o-Y)	78.0	52.4	19.7	-19.2	8.6	7.1	37.0	35.5	22.0	24.9
Other Provisions	1,550	940	1,134	1,651	1,266	976	2,500	2,035	4,744	6,778
Profit before Tax	**4,162**	**4,417**	**4,245**	**3,799**	**4,938**	**4,759**	**4,869**	**5,351**	**16,623**	**19,917**
Tax Provisions	1,550	1,500	1,195	676	1,600	1,241	1,045	1,491	4,921	5,378
Net Profit	**2,612**	**2,917**	**3,050**	**3,123**	**3,338**	**3,517**	**3,824**	**3,860**	**11,703**	**14,539**
% Change (Y-o-Y)	41.8	52.3	18.9	19.9	27.8	20.6	25.4	23.6	31.1	24.2
Deposit Growth (%)	31.8	34.2	36.4	25.3	26.2	19.8	16.7	14.0	25.3	14.0
Loan Growth (%)	21.6	20.7	26.2	30.3	36.8	32.7	26.8	21.0	30.3	21.0
Net Interest Margin (%)	2.3	2.3	2.5	2.5	2.6	2.6	2.7	2.6	2.5	2.8
Cost/Income Ratio (%)	30.9	33.6	36.8	40.3	35.6	39.1	33.4	33.7	37.1	35.3
Gross NPA	1.3	1.2	1.3	1.0	1.1	1.1	1.3	1.3	1.0	1.3
CASA (%)	23.3	22.4	23.2	28.6	24.1	25.0	24.3	28.2	28.6	28.2

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Dena Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	DBNK IN
Equity Shares (m)	333.4
52 Week Range (Rs)	151/77
1,6,12 Rel Perf (%)	3/-1/23
Mcap (Rs b)	33.5
Mcap (USD b)	0.8

CMP: Rs101 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	16,887	5,112	17.8	20.1	5.6	83.4	1.2	1.4	1.0	23.5
3/11E	22,372	5,937	17.8	16.1	5.6	102.9	1.0	1.1	0.9	20.4
3/12E	25,051	6,898	20.7	16.2	4.9	120.1	0.8	0.9	0.9	18.6
3/13E	28,759	8,174	24.5	18.5	4.1	140.6	0.7	0.8	0.9	18.8

- Dena Bank's 4QFY11 business growth is expected to remain strong with loan growth of ~25% and deposit growth of ~23% YoY.
- In 3QFY11 Dena Bank reported a 25bp decline in NIMs to ~3.3% led by higher cost of deposits and stable yields on loans. We expect moderation in margins to continue in 4QFY11, albeit at a slower pace as the bank had increased its base rate and PLR at the end of 3QFY11 to pass on rising cost of funds.
- We expect NII to remain flat QoQ, but on a lower base YoY growth is expected to be strong at ~41% (led to by robust loan growth and improvement in margins).
- We expect non-interest income to decline ~25% YoY led by muted fee income growth and lower recoveries (Rs700m in 4QFY10, Rs275m in 3QFY11).
- We expect PAT to remain flat YoY due to lower non-interest income growth and increased operating expenses.
- The stock trades at 0.8x FY12E BV and 0.7x FY13E BV and 4.9x FY12E EPS and 4.1x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	9,685	9,628	10,159	10,632	11,147	12,215	12,899	14,375	40,104	50,635
Interest Expense	7,180	7,223	7,329	7,371	7,542	7,562	8,235	9,769	29,103	33,108
Net Interest Income	**2,505**	**2,405**	**2,830**	**3,261**	**3,605**	**4,653**	**4,664**	**4,606**	**11,000**	**17,528**
% Change (Y-o-Y)	14.5	-5.4	-19.7	36.5	43.9	93.5	64.8	41.2	3.1	59.3
Other Income	1,554	1,253	1,331	1,749	1,071	1,189	1,271	1,314	5,886	4,844
Net Income	**4,059**	**3,658**	**4,161**	**5,010**	**4,676**	**5,842**	**5,935**	**5,920**	**16,887**	**22,372**
Operating Expenses	2,045	2,043	2,185	2,208	2,290	2,585	2,771	2,928	8,481	10,574
Operating Profit	**2,013**	**1,615**	**1,977**	**2,801**	**2,386**	**3,256**	**3,164**	**2,992**	**8,406**	**11,798**
% Change (Y-o-Y)	62.2	8.2	-25.5	49.2	18.5	101.6	60.1	6.8	15.2	40.4
Other Provisions	406	15	293	824	428	729	857	924	1,538	2,938
Profit before Tax	**1,607**	**1,600**	**1,684**	**1,977**	**1,958**	**2,528**	**2,307**	**2,068**	**6,868**	**8,861**
Tax Provisions	457	354	339	606	570	922	755	677	1,755	2,924
Net Profit	**1,150**	**1,246**	**1,345**	**1,371**	**1,388**	**1,606**	**1,552**	**1,390**	**5,112**	**5,937**
% Change (Y-o-Y)	68.4	21.2	-4.2	23.3	20.7	28.9	15.4	1.4	20.1	16.1
Deposit Growth (%)	23.4	26.5	30.7	19.3	24.7	18.2	26.4	23.5	19.3	23.5
Loan Growth (%)	22.5	23.2	20.4	22.4	33.9	21.1	34.0	25.0	22.4	25.0
Net Interest Margin (%)	2.4	2.3	2.5	2.8	2.8	3.5	3.3	3.1	2.3	3.0
Cost/Income Ratio (%)	50.4	55.9	52.5	44.1	49.0	44.3	46.7	49.5	50.2	47.3
Gross NPA	2.2	2.0	1.9	1.8	2.1	2.3	1.9	1.8	1.8	1.8
CASA (%)	35.2	35.6	35.5	36.0	36.9	39.1	35.4	34.6	36.0	34.6

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Dewan Housing Finance

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	DEWH IN
Equity Shares (m)	104.0
52 Week Range (Rs)	347/201
1,6,12 Rel Perf (%)	-16/-14/2
Mcap (Rs b)	23.2
Mcap (USD b)	0.5

CMP: Rs223 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	3,227	1,507	18.4	28.8	11.6	100.7	2.1	2.2	1.9	22.7
3/11E	4,753	2,356	22.7	23.3	9.4	144.3	1.5	1.5	1.9	19.9
3/12E	6,668	3,281	31.6	39.3	6.7	170.8	1.2	1.3	1.9	19.8
3/13E	8,767	4,285	41.2	30.6	5.2	205.4	1.0	1.1	1.8	21.7

* Valuation adjusted for investment in subs

- We expect Dewan Housing to post 4QFY11 loan growth of ~50% YoY. This will drive net income growth of ~40% YoY.
- With a lending rate hike of 75bp in 4QFY11, margins are expected to stay stable. For 9MFY11 NIMs were 2.99%.
- Asset quality is expected to stay stable in 4QFY11. We estimate profit growth of over 54% YoY led by stable operating parameters and strong loan growth.
- Dewan Housing has completed the acquisition of Deutsche Post Bank Home Finance (DPBHF) and would present consolidated results for 4QFY11. However, our estimates continues to be on standalone basis.
- The stock trades at 1.2x FY12E BV and 1x FY13E BV and 6.7x FY12E EPS and 5.2x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Operating Income	2,135	2,455	2,603	2,713	2,984	3,302	3,862	4,933	9,905	15,081
Other Income	4	6	4	6	5	6	7	4	20	22
Total Income	**2,139**	**2,461**	**2,607**	**2,719**	**2,989**	**3,309**	**3,869**	**4,936**	**9,925**	**15,103**
Y-o-Y Growth (%)	50.5	53.1	42.3	31.4	39.8	34.4	48.4	81.6	43.3	52.2
Interest expenses	1,492	1,721	1,709	1,776	1,976	2,123	2,625	3,626	6,698	10,350
Net Income	**647**	**740**	**898**	**942**	**1,013**	**1,186**	**1,244**	**1,310**	**3,227**	**4,753**
Y-o-Y Growth (%)	55.8	59.6	82.9	49.4	56.6	60.2	38.5	39.0	61.7	47.3
Operating Expenses	219	236	373	377	347	412	433	441	1,205	1,632
Profit before Tax	**428**	**504**	**525**	**565**	**666**	**774**	**811**	**869**	**2,022**	**3,120**
Tax Provisions	115	129	123	148	154	194	193	224	515	764
Net Profit before EO Item	**313**	**375**	**402**	**418**	**512**	**580**	**618**	**645**	**1,507**	**2,356**
Y-o-Y Growth (%)	59.3	70.0	73.0	95.1	63.9	54.7	53.8	54.6	64.2	56.3
Extraordinary Gain	0.0	0.0	0.0	0.0	0.0	354	0	0.0	0.0	354
PAT after extraordinary item	**313**	**375**	**402**	**418**	**512**	**935**	**618**	**645**	**1,507**	**2,710**
Int Exp/ Int Earned (%)	69.9	70.1	65.7	65.5	66.2	64.3	68.0	73.5	67.6	68.6
Cost to Income Ratio (%)	33.9	31.8	41.6	40.0	34.2	34.7	34.8	33.7	37.3	34.3
Tax Rate (%)	26.9	25.6	23.4	26.1	23.1	25.0	23.8	25.8	25.5	24.5

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Federal Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	FB IN
Equity Shares (m)	171.0
52 Week Range (Rs)	501/250
1,6,12 Rel Perf (%)	9/5/46
Mcap (Rs b)	66.0
Mcap (USD b)	1.5

CMP: Rs386 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	19,417	4,645	27.2	-7.2	14.2	272.5	1.4	1.4	1.1	10.3
3/11E	22,621	5,656	33.1	21.8	11.7	298.5	1.3	1.3	1.2	11.5
3/12E	25,123	6,504	38.0	15.0	10.1	329.0	1.2	1.2	1.2	12.1
3/13E	28,660	7,500	43.9	15.3	8.8	364.0	1.1	1.1	1.2	12.6

- We expect Federal Bank's 4QFY11 business growth to pick up and estimate it to be in line with the industry average on a sequential basis.
- Increase in the cost of deposits will result in margins moderating from an elevated level of 4.3% reported in 3QFY11.
- Fee income is expected to pick up in line with business growth. We expect non-interest income to grow ~13% YoY.
- Asset quality is expected to stabilize with accretion to NPAs slowing down. The management has guided for higher recoveries and up-gradations in 4QFY11. Better-than-expected recoveries will boost total income.
- On a low base, we expect higher PAT growth of ~29% YoY. In 4QFY10 the bank's tax rate was 54%, which has normalized in 9MFY11.
- The stock trades at 1.2x FY12E BV and 1.1x FY13E BV with RoA of over 1.2%. However RoE is likely to be lower due to lower leverage. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	8,744	9,011	9,446	9,531	9,518	9,783	10,219	10,879	36,732	40,399
Interest Expense	5,843	5,711	5,635	5,435	5,385	5,400	5,746	6,480	22,624	23,011
Net Interest Income	**2,901**	**3,300**	**3,811**	**4,097**	**4,133**	**4,384**	**4,473**	**4,399**	**14,108**	**17,388**
% Change (Y-o-Y)	4.3	-0.6	-0.9	27.7	42.5	32.9	17.4	7.4	7.3	23.2
Other Income	1,474	1,364	1,165	1,306	1,099	1,440	1,217	1,477	5,309	5,233
Net Income	**4,375**	**4,664**	**4,976**	**5,403**	**5,232**	**5,824**	**5,689**	**5,875**	**19,417**	**22,621**
Operating Expenses	1,592	1,631	1,661	1,885	1,879	1,974	2,122	2,323	6,769	8,298
Operating Profit	**2,783**	**3,032**	**3,315**	**3,518**	**3,353**	**3,850**	**3,567**	**3,553**	**12,648**	**14,323**
% Change (Y-o-Y)	9.8	0.1	-13.8	10.3	20.5	27.0	7.6	1.0	0.4	13.2
Other Provisions	520	1,501	1,053	979	1,334	1,703	1,424	1,293	4,053	5,753
Profit before Tax	**2,263**	**1,531**	**2,262**	**2,539**	**2,020**	**2,147**	**2,143**	**2,260**	**8,595**	**8,570**
Tax Provisions	900	520	1,160	1,370	701	743	712	757	3,950	2,914
Net Profit	**1,364**	**1,011**	**1,103**	**1,169**	**1,319**	**1,404**	**1,431**	**1,503**	**4,645**	**5,656**
% Change (Y-o-Y)	100.1	-11.6	-45.9	2.3	-3.3	38.9	29.8	28.6	-7.2	21.8
Deposit Growth (%)	18.0	26.5	26.9	12.0	10.2	8.0	6.7	10.0	12.0	10.0
Loan Growth (%)	14.7	20.9	20.8	20.4	16.6	7.2	8.5	12.0	20.4	12.0
Net Interest Margin (%)	3.3	3.7	4.1	4.2	4.2	4.4	4.3	4.1	3.7	4.1
Cost/Income Ratio (%)	36.4	35.0	33.4	34.9	35.9	33.9	37.3	39.5	34.9	36.7
Gross NPA	2.7	3.0	3.0	3.0	3.7	3.8	4.0	3.9	3.0	3.9
CASA (%)	26.1	25.8	25.9	26.2	29.0	29.4	29.6	28.5	26.2	28.5

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

HDFC

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HDFC IN
Equity Shares (m)	1,460.1
52 Week Range (Rs)	780/512
1,6,12 Rel Perf (%)	-1/-3/21
Mcap (Rs b)	967.9
Mcap (USD b)	21.7

CMP: Rs663 Neutral

YEAR END	NET INCOME (RS M)	PAT (RS M)	ADJ EPS (RS)	EPS GR. (%)	AP/E* (X)	ABV* (RS)	P/BV (X)	AP/ABV* (X)	ROAA (%)	CORE ROE (%)
3/10A	42,978	28,265	19.7	22.7	25.8	79.6	6.3	6.4	2.7	25.3
3/11E	52,214	34,582	23.7	20.3	20.6	94.5	5.4	5.2	2.8	25.8
3/12E	62,398	41,494	28.4	20.0	16.1	111.3	4.7	4.1	2.8	25.9
3/13E	74,621	49,808	32.9	15.7	13.2	122.3	3.7	3.6	2.8	26.8

* Price is adjusted for value of key ventures. Book Value is adjusted by deducting investments in key ventures from net worth

- Continued buoyancy in housing finance segment will keep the reported loan growth strong at ~20% YoY for the HDFC. However, on a high base of last year we expect HDFC's 4QFY11 disbursement growth to moderate to 16-17%.
- Increase in lending rates and the withdrawal of dual rate home loans will result in better yields, cushioning the impact of rising cost of funds. We expect the spread to remain stable QoQ in 4QFY11. In 3QFY11 HDFC reported spreads of 2.3%.
- We expect trading profits to remain high at Rs1.3b during the quarter. On a higher base, we expect 4QFY11 PAT growth of 15% YoY to Rs10.7b led by strong loan growth and stable spreads.
- The stock trades at 3.6x FY13E AP/ABV and 13.2x FY13E AP/EPS (price adjusted for value of other businesses and book value adjusted for investments made in those businesses). Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	26,894	26,209	25,994	27,307	26,549	28,020	30,667	36,752	106,404	121,988
Interest Expense	19,628	18,365	17,042	15,595	17,196	17,176	19,928	23,940	70,631	78,240
Net Interest Income	**7,266**	**7,844**	**8,952**	**11,712**	**9,353**	**10,845**	**10,739**	**12,811**	**35,773**	**43,748**
YoY Change (%)	7.6	1.8	9.7	23.3	28.7	38.3	20.0	9.4	11.4	22.3
Profit on Sale of Investments	513	613	514	454	0	590	1,672	1,332	2,094	3,594
Other operating income	1,035	1,627	1,061	1,162	1,422	1,045	823	1,332	4,885	4,622
Net Operating Income	**8,814**	**10,083**	**10,527**	**13,328**	**10,775**	**12,480**	**13,233**	**15,476**	**42,752**	**51,964**
YoY Change (%)	18.3	17.5	20.1	23.1	22.3	23.8	25.7	16.1	20.0	21.5
Other Income	49	54	53	70	48	47	49	106	226	250
Total Income	**8,863**	**10,137**	**10,580**	**13,398**	**10,824**	**12,527**	**13,282**	**15,582**	**42,978**	**52,214**
Operating Expenses	944	868	847	579	1,008	1,041	1,003	660	3,238	3,712
Pre Provisioning Profit	**7,919**	**9,269**	**9,733**	**12,819**	**9,816**	**11,485**	**12,279**	**14,922**	**39,740**	**48,502**
YoY Change (%)	20.0	19.5	22.6	23.3	24.0	23.9	26.2	16.4	21.6	22.0
Provisions	120	140	160	160	150	150	150	188	580	638
PBT	**7,799**	**9,129**	**9,573**	**12,659**	**9,666**	**11,335**	**12,129**	**14,734**	**39,160**	**47,864**
YoY Change (%)	20.0	20.1	22.5	23.2	23.9	24.2	26.7	16.4	21.7	22.2
Provision for Tax	2,150	2,490	2,860	3,395	2,720	3,260	3,220	4,082	10,895	13,282
PAT (Excl exceptional)	**5,649**	**6,639**	**6,713**	**9,264**	**6,946**	**8,075**	**8,909**	**10,652**	**28,265**	**34,582**
YoY Change (%)	20.7	24.3	22.8	26.3	23.0	21.6	32.7	15.0	23.8	22.3

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

HDFC Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HDFCB IN
Equity Shares (m)	462.6
52 Week Range (Rs)	2,518/1,785
1,6,12 Rel Perf (%)	4/-3/10
Mcap (Rs b)	1,046.3
Mcap (USD b)	23.4

CMP: Rs2,262 | **Neutral**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	121,942	29,487	64.4	22.1	35.1	470.3	4.8	4.9	1.5	16.1
3/11E	147,159	39,132	84.6	31.3	26.7	543.2	4.2	4.2	1.6	16.8
3/12E	176,953	50,949	110.1	30.2	20.5	630.1	3.6	3.6	1.7	18.8
3/13E	214,930	63,683	137.7	25.0	16.4	738.8	3.1	3.1	1.7	20.1

- We expect HDFC Bank's robust business trend to continue with loan growth of ~30% and deposit growth of ~21% YoY.
- We expect 4QFY11 NII growth of ~21% YoY. Margins are expected to be stable or decline marginally on a sequential basis, led by an increase in the cost of deposits. In 3QFY11 margins were 4.2%.
- Non-interest income is expected to grow 20% YoY driven by an increase in fee income. We expect the bank to maintain cost to core income ratio of 47-48%.
- We have built in 4QFY11 credit cost of ~1% v/s 0.73% in 3QFY11. With stable asset quality performance there could be a positive surprise on provisioning costs.
- The stock trades at 3.6x FY12E BV and 3.1x FY13E BV and 20.5x FY12E EPS and 16.4x FY13E EPS. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	40,931	39,919	40,348	40,531	44,202	48,100	52,300	56,045	161,729	200,646
Interest Expense	22,375	20,361	18,109	17,018	20,190	22,837	24,533	27,522	77,863	95,082
Net Interest Income	**18,556**	**19,558**	**22,239**	**23,514**	**24,011**	**25,263**	**27,767**	**28,523**	**83,866**	**105,564**
% Change (Y-o-Y)	7.7	4.8	12.4	27.0	29.4	29.2	24.9	21.3	13.0	25.9
Other Income	10,796	10,535	8,991	9,036	9,904	9,607	11,278	10,805	38,076	41,595
Net Income	**29,351**	**30,093**	**31,230**	**32,549**	**33,916**	**34,870**	**39,045**	**39,328**	**121,942**	**147,159**
Operating Expenses	14,165	14,163	14,993	15,605	16,429	16,799	18,318	18,773	57,645	70,318
Operating Profit	**15,187**	**15,930**	**16,237**	**16,944**	**17,487**	**18,071**	**20,727**	**20,555**	**64,297**	**76,840**
% Change (Y-o-Y)	47.8	41.9	11.4	7.9	15.1	13.4	27.7	21.3	24.2	19.5
Other Provisions	6,588	5,941	4,477	4,399	5,550	4,545	4,659	4,540	21,400	19,294
Profit before Tax	**8,598**	**9,989**	**11,760**	**12,545**	**11,937**	**13,526**	**16,068**	**16,015**	**42,897**	**57,546**
Tax Provisions	2,537	3,114	3,575	4,178	3,820	4,405	5,190	5,000	13,410	18,415
Net Profit	**6,061**	**6,875**	**8,185**	**8,366**	**8,117**	**9,121**	**10,878**	**11,015**	**29,487**	**39,132**
% Change (Y-o-Y)	30.5	30.2	31.6	32.6	33.9	32.7	32.9	31.7	31.3	32.7
Deposit Growth (%)	11.3	12.0	6.9	17.2	25.6	30.4	24.2	21.0	17.2	21.0
Loan Growth (%)	7.2	11.2	21.1	27.3	40.9	38.2	33.1	30.0	27.3	30.0
Net Interest Margin (%)	4.2	4.2	4.3	4.4	4.3	4.2	4.2	4.2	4.7	4.8
Cost/Income Ratio (%) (calc)	48.3	47.1	48.0	47.9	48.4	48.2	46.9	47.7	47.3	47.8
Gross NPA	2.1	1.8	1.6	1.4	1.2	1.2	1.1	1.1	1.4	1.1
CASA (%)	45.0	50.3	51.7	52.0	49.2	50.6	50.5	49.6	52.0	49.6

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

ICICI Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	ICICIBC IN
Equity Shares (m)	1,150.8
52 Week Range (Rs)	1,277/803
1,6,12 Rel Perf (%)	4/4/10
Mcap (Rs b)	1,255.4
Mcap (USD b)	28.1

CMP: Rs1,091 **Buy**

YEAR END	NET INC. (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	AP/E* (X)	ABV* (RS)	AP/ABV* (X)	ROAA (%)	CORE ROAE (%)
3/10A	155,920	40,250	36.1	6.9	30.2	24.4	349.1	2.5	1.1	9.7
3/11E	157,208	52,066	45.2	25.3	24.1	19.5	367.4	2.4	1.4	12.0
3/12E	188,175	65,992	57.3	26.7	19.0	15.0	403.6	2.1	1.5	14.1
3/13E	226,178	78,130	67.9	18.4	16.1	12.2	448.1	1.8	1.5	15.1

*Price is adjusted for value of key ventures; Book value adjusted for investment in subsidiaries

- ICICI Bank's 4QFY11 domestic loan growth is expected to trend towards the industry average, driven mainly by corporate loans in the form of project finance, short term and working capital loans. However moderate growth in the international book will result in overall loan growth of ~17% YoY.
- NII is expected to grow 15% YoY led by improving loan growth. Margins are expected to remain stable at ~2.6% on a sequential basis.
- Fee income growth is expected to pick up in 4QFY11; we factor in growth of ~14% YoY and ~6% QoQ.
- We estimate operating expense growth of 17% YoY and 4% QoQ as the full impact of branch additions over the past 2-3 quarters will be visible.
- With PCR above 70% and asset quality improving, we expect NPA provisions to decline in 4QFY11. We estimate provisioning expenses of Rs4.6b against Rs9.9b in 4QFY10.
- Thus, despite flat 4QFY11 operating profits, a fall in provisions would drive PAT growth of 50% YoY.
- Excluding subsidiaries, the stock trades at 1.8x FY13E AP/ABV (BV adjusted for NPA and investment in subsidiaries) and 12.2x FY13 AP/EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	71,334	66,569	60,896	58,270	58,125	63,091	66,960	71,650	257,069	259,826
Interest Expense	51,482	46,209	40,315	37,920	38,215	41,047	43,842	48,178	175,926	171,282
Net Interest Income	**19,853**	**20,361**	**20,581**	**20,349**	**19,911**	**22,044**	**23,117**	**23,472**	**81,144**	**88,544**
% Change (Y-o-Y)	-5.0	-5.2	3.4	-4.9	0.3	8.3	12.3	15.3	-3.0	9.1
Other Income	20,899	18,238	16,731	18,908	16,805	15,779	17,488	18,591	74,777	68,664
Net Income	**40,751**	**38,599**	**37,312**	**39,258**	**36,716**	**37,823**	**40,605**	**42,064**	**155,920**	**157,208**
Operating Expenses	15,460	14,245	13,624	15,269	14,835	15,704	17,179	17,802	58,598	65,520
Operating Profit	**25,291**	**24,353**	**23,688**	**23,989**	**21,881**	**22,119**	**23,426**	**24,261**	**97,322**	**91,688**
% Change (Y-o-Y)	47.5	6.6	-14.5	11.3	-13.5	-9.2	-1.1	1.1	9.0	-5.8
Other Provisions	13,237	10,713	10,022	9,898	7,978	6,411	4,643	4,596	43,869	23,628
Profit before Tax	**12,055**	**13,640**	**13,667**	**14,091**	**13,903**	**15,708**	**18,783**	**19,666**	**53,453**	**68,060**
Tax Provisions	3,273	3,239	2,656	4,036	3,643	3,345	4,413	4,593	13,203	15,994
Net Profit	**8,782**	**10,401**	**11,011**	**10,056**	**10,260**	**12,363**	**14,370**	**15,073**	**40,250**	**52,066**
% Change (Y-o-Y)	20.6	2.6	-13.4	35.2	16.8	18.9	30.5	49.9	7.1	29.4
Deposit Growth (%)	-10.3	-11.4	-5.5	-7.5	-4.4	12.8	10.2	15.2	-7.5	15.2
Loan Growth (%)	-11.6	-14.0	-15.6	-17.0	-6.9	1.8	15.3	17.2	-17.0	17.2
Net Interest Margin (%)	2.3	2.4	2.4	2.4	2.3	2.5	2.5	2.5	2.5	2.6
Cost/Income Ratio (%)	37.9	36.9	36.5	38.9	40.4	41.5	42.3	42.3	37.6	41.7
Gross NPA	4.6	4.7	4.8	5.1	5.1	5.0	4.8	4.6	5.1	4.6
CASA (%)	30.4	36.9	39.6	41.7	42.1	44.0	44.2	42.6	41.7	42.6

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

IDFC

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	IDFC IN
Equity Shares (m)	1,508.6
52 Week Range (Rs)	218/116
1,6,12 Rel Perf (%)	6/-18/-9
Mcap (Rs b)	234.7
Mcap (USD b)	5.3

CMP: Rs156 — Neutral

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	ABV (RS)	AP/ABV (X)	ROAA (%)	ROAE (%)
3/10A	21,067	10,623	8.2	41.1	19.1	42.2	3.1	3.4	16.1
3/11E	26,429	12,817	8.5	4.0	18.3	67.7	1.9	3.1	13.9
3/12E	32,521	15,384	10.2	20.0	15.3	77.4	1.7	2.7	12.7
3/13E	39,774	18,703	12.4	21.6	12.6	89.4	1.5	2.7	14.0

* Adjusted for Goodwill and Investment in subsidaries , Prices adjusted for other ventures

- We expect IDFC to post 4QFY11 loan book growth of ~5.4% QoQ (up ~48% YoY) on the back of strong demand for loans in the infrastructure sector.
- Being a wholesale funded organization, in current rising rate scenario, an increase in the cost of funds could impact its spread. For 9MFY11, IDFC reported spreads of 2.4%.
- Strong growth in loan book would lead to NII growth of ~50% YoY.
- A sequential pick up in loan growth will also boost loan-related fee income growth. We expect other operating income to grow ~20% QoQ but it would be 13% lower YoY due to a drop in asset management fees.
- We model in cost to income ratio of 25.4% on a rolling 12 month basis.
- With asset quality expected to remain stable, provisioning cost will remain low.
- The stock trades at 12.6x FY13E AP/EPS and 1.5x FY13E AP/ABV. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
NII	2,440	2,770	2,750	3,210	3,370	3,740	4,600	4,803	11,170	16,513
% Change (Y-o-Y)	13	37	6	25	38	35	67	50	20	48
- Infra Loans	2,190	2,520	2,600	2,900	3,040	3,590	4,130	4,503	10,210	15,263
- Treasury	250	250	150	310	330	150	470	300	960	1,250
Fees	1,535	1,698	1,390	2,397	1,492	2,620	1,662	1,877	7,019	7,651
- Asset management	720	690	680	1,530	650	750	630	736	3,620	2,766
- SSKI	390	590	340	510	360	740	510	500	1,830	2,110
- Loan related/others	425	418	370	357	482	1,130	522	642	1,569	2,775
Principal Investments	680	610	1,050	270	1,200	120	300	485	2,610	2,105
Other Income	23	145	5	95	58	24	38	40	268	160
Net Income	**4,679**	**5,223**	**5,194**	**5,971**	**6,120**	**6,503**	**6,600**	**7,206**	**20,799**	**26,429**
% Change (Y-o-Y)	22	20	55	44	31	25	27	21	34	27
Operating Expenses	1,026	1,097	1,091	2,268	1,232	1,239	1,634	2,610	5,482	6,715
Operating Profit	**3,653**	**4,126**	**4,103**	**3,704**	**4,888**	**5,265**	**4,966**	**4,595**	**15,317**	**19,715**
% Change (Y-o-Y)	19	21	53	30	34	28	21	24	29	29
Provisions	(66)	242	424	697	445	515	487	635	1,298	2,082
PBT	**3,718**	**3,884**	**3,679**	**3,007**	**4,443**	**4,750**	**4,479**	**3,960**	**14,287**	**17,633**
Tax	973	975	979	738	1,098	1,375	1,272	1,076	3,666	4,821
PAT	**2,745**	**2,908**	**2,700**	**2,269**	**3,345**	**3,375**	**3,207**	**2,884**	**10,622**	**12,811**
Less: Consol Adjustments	20	(10)	1	(13)	0	(9)	(8)	10	(1)	(6)
Consol PAT	**2,724**	**2,918**	**2,699**	**2,281**	**3,345**	**3,384**	**3,215**	**2,874**	**10,623**	**12,818**
% Change (Y-o-Y)	26	26	46	96	23	16	19	26	42	21

E: MOSL Estimates, * FY11 asset mgmt fees includes carry income which is clubed in principal investments in FY10

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Indian Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	INBK IN
Equity Shares (m)	429.8
52 Week Range (Rs)	317/162
1,6,12 Rel Perf (%)	2/-10/28
Mcap (Rs b)	95.0
Mcap (USD b)	2.1

CMP: Rs221 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	44,776	15,550	36.2	24.9	6.1	154.7	1.4	1.4	1.7	24.9
3/11E	51,787	17,256	40.2	11.0	5.5	184.5	1.2	1.2	1.5	23.1
3/12E	59,739	19,713	45.9	14.2	4.8	218.6	1.0	1.0	1.4	22.3
3/13E	69,280	22,523	52.4	14.3	4.2	257.8	0.9	0.9	1.4	21.6

- Indian Bank's 4QFY11 loans are expected to grow ~25% YoY and deposits are expected to grow ~22% YoY. We expect business growth to be in line with the industry average, sequentially.
- We expect margins to contract from ~3.8% at the end of 3QFY11 (3.9% in 4QFY10). Consequently, NII growth will be lower at ~14% YoY.
- Fee income is expected to grow ~18% YoY, but lower income from recoveries will result in a decline in total non-interest income. In 4QFY10 the bank had income of Rs938m by way of recoveries.
- At the end of 3QFY11 the bank declared pension liability of Rs2.8b and gratuity liability of Rs1.6b. These liabilities were on an estimated basis and the final number will be declared with its 4QFY11 results. Higher than expected provision for pension liability and gratuity is a key risk.
- In 3QFY11 Indian Bank benefited from the sale of GNPAs to asset reconstruction companies leading to 17% QoQ decline in GNPA. We do not expect any such transaction in 4QFY11 and hence expect NPAs are expected to stay stable.
- The stock trades at 1x FY12E BV and 0.9x FY13E BV and 4.8x FY12E EPS and 4.2x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	18,511	18,918	19,688	20,249	21,218	22,756	23,919	25,993	78,571	93,886
Interest Expense	11,426	11,780	11,418	10,908	11,951	12,924	13,542	15,310	45,532	53,728
Net Interest Income	**7,086**	**7,138**	**8,270**	**9,341**	**9,266**	**9,832**	**10,377**	**10,683**	**33,039**	**40,159**
% Change (Y-o-Y)	31.3	4.7	14.9	39.9	30.8	37.7	25.5	14.4	26.7	21.6
Other Income	3,792	2,826	3,395	2,929	3,555	2,837	2,487	2,750	11,737	11,628
Net Income	**10,878**	**9,964**	**11,665**	**12,270**	**12,821**	**12,669**	**12,864**	**13,433**	**44,776**	**51,787**
Operating Expenses	4,573	4,425	4,758	3,546	4,443	5,279	4,745	5,252	17,302	19,719
Operating Profit	**6,304**	**5,539**	**6,907**	**8,723**	**8,378**	**7,389**	**8,119**	**8,182**	**27,473**	**32,068**
% Change (Y-o-Y)	44.4	4.0	10.7	37.2	32.9	33.4	17.6	-6.2	22.9	15.7
Other Provisions	1,209	293	320	2,136	3,439	1,330	536	1,388	3,957	6,692
Profit before Tax	**5,096**	**5,246**	**6,586**	**6,588**	**4,939**	**6,060**	**7,583**	**6,794**	**23,516**	**25,376**
Tax Provisions	1,780	1,526	2,172	2,488	1,258	1,902	2,671	2,290	7,966	8,120
Net Profit	**3,316**	**3,720**	**4,414**	**4,100**	**3,681**	**4,158**	**4,913**	**4,503**	**15,550**	**17,256**
% Change (Y-o-Y)	52.4	31.5	25.9	4.0	11.0	11.8	11.3	9.9	24.9	11.0
Deposit Growth (%)	23.3	23.9	21.6	21.6	18.6	22.4	19.2	22.0	21.6	22.0
Loan Growth (%)	16.9	12.1	13.9	20.9	30.9	29.8	28.6	25.0	20.9	25.0
Net Interest Margin (%)	3.6	3.5	3.8	3.9	3.7	3.8	3.8	3.7	4.0	3.9
Cost/Income Ratio (%)	42.0	44.4	40.8	28.9	34.7	41.7	36.9	39.1	38.6	38.1
Gross NPA	0.9	0.9	0.9	0.8	1.5	1.3	1.0	1.0	0.8	1.0
CASA (%)	29.9	31.0	31.1	32.2	32.7	32.2	32.0	31.4	32.2	31.4

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

IndusInd Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	IIB IN
Equity Shares (m)	410.7
52 Week Range (Rs)	309/165
1,6,12 Rel Perf (%)	11/5/41
Mcap (Rs b)	103.9
Mcap (USD b)	2.3

CMP: Rs253 — Buy

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	14,399	3,503	8.5	104.2	29.6	53	4.8	4.9	1.1	19.5
3/11E	21,161	5,678	12.3	44.5	20.5	82	3.1	3.1	1.4	19.1
3/12E	27,385	7,382	16.0	30.0	15.8	95	2.7	2.7	1.4	18.1
3/13E	34,675	9,450	20.5	28.0	12.3	111	2.3	2.3	1.5	19.9

- We expect Indusind Bank's strong growth to continue in 4QFY11 with loan growth of over 30% and deposit growth of ~27%. NII growth will be higher at ~40% YoY.
- Favorable loan mix and better pricing power is expected to offset the pressure of the rising cost of funds in 4QFY11. We expect NIMs to stay sequentially stable. In 3QFY11 NIMs were 3.6%.
- 4QFY11 non-interest income is expected to grow 61% YoY, led by higher investment banking and forex-related fees.
- Asset quality is expected to remain stable. GNPAs at the end of 3QFY11 were 1.2% and the restructured book was 0.16%. We do not expect a negative surprise from higher slippages and estimate credit costs will remain under control.
- The stock trades at 2.7x FY12E BV and 2.3x FY13E BV and 15.8x FY12E EPS and 12.3x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	6,288	6,550	7,029	7,202	7,715	8,541	9,149	10,273	27,070	35,679
Interest Expense	4,615	4,465	4,652	4,474	4,759	5,244	5,519	6,456	18,206	21,977
Net Interest Income	**1,674**	**2,086**	**2,377**	**2,728**	**2,957**	**3,297**	**3,630**	**3,817**	**8,864**	**13,701**
% Change (Y-o-Y)	80.1	98.2	103.9	89.1	76.7	58.1	52.7	39.9	93.1	54.6
Other Income	1,728	1,324	1,160	1,324	1,610	1,751	1,960	2,139	5,534	7,460
Net Income	**3,401**	**3,409**	**3,537**	**4,052**	**4,566**	**5,049**	**5,590**	**5,956**	**14,399**	**21,161**
Operating Expenses	1,658	1,856	1,799	2,047	2,260	2,430	2,678	2,894	7,360	10,262
Operating Profit	**1,743**	**1,553**	**1,738**	**2,005**	**2,306**	**2,619**	**2,912**	**3,063**	**7,039**	**10,899**
% Change (Y-o-Y)	280.0	131.5	67.1	32.5	32.3	68.6	67.6	52.8	91.1	54.8
Other Provisions	343	389	445	531	487	567	562	613	1,709	2,230
Profit before Tax	**1,400**	**1,165**	**1,293**	**1,473**	**1,819**	**2,051**	**2,350**	**2,449**	**5,330**	**8,669**
Tax Provisions	535	387	412	494	633	720	811	826	1,827	2,991
Net Profit	**865**	**778**	**880**	**980**	**1,186**	**1,332**	**1,539**	**1,623**	**3,503**	**5,678**
% Change (Y-o-Y)	352.9	131.2	95.4	93.9	37.1	71.1	74.8	65.7	136.1	62.1
Deposit Growth (%)	19.4	17.1	20.0	20.8	26.5	37.1	23.9	27.0	20.8	27.0
Loan Growth (%)	24.0	25.2	32.7	30.3	31.3	33.4	31.0	32.0	30.3	32.0
Net Interest Margin (%)	2.5	2.9	2.9	3.2	3.3	3.4	3.6	3.6	3.2	3.8
Cost/Income Ratio (%)	48.8	54.4	50.9	50.5	49.5	48.1	47.9	48.6	51.1	48.5
Gross NPA	1.5	1.5	1.3	1.2	1.3	1.2	1.2	1.2	1.2	1.2
CASA (%)	20.2	21.2	22.5	23.7	24.3	25.4	26.8	27.4	23.7	27.4

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

ING Vysya Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	VYSB IN
Equity Shares (m)	120.0
52 Week Range (Rs)	444/254
1,6,12 Rel Perf (%)	-4/-8/11
Mcap (Rs b)	36.6
Mcap (USD b)	0.8

CMP: Rs305 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	14,501	2,423	18.5	0.6	16.5	185.3	1.6	1.8	0.7	11.6
3/11E	16,385	3,045	25.4	37.2	12.0	207.2	1.5	1.5	0.8	12.9
3/12E	18,504	3,838	32.0	26.0	9.5	235.1	1.3	1.3	0.9	14.5
3/13E	22,216	4,990	41.6	30.0	7.3	272.0	1.1	1.2	1.0	16.4

- ING Vysya's 4QFY11 business growth is estimated to be in line with the industry trend. Loans are expected to grow by 24% YoY and deposits by 15% YoY.
- The CD ratio at the end of 3QFY11 was ~79%; we expect it to moderate. This coupled with rising cost of deposits will lead to moderation in margins. We expect a 10-15bp decline in NIMs in 4QFY11.
- 4QFY11 NII is estimated to remain flat YoY and non-interest income is expected to grow ~15% YoY led by a healthy improvement in fee income.
- Asset quality is expected to improve further and with PCR at 76%, we estimate provisioning expenses to decline.
- On a lower base, we expect PAT to grow 62% YoY.
- The stock trades at 1.3x FY12E BV and 1.1x FY13E BV and 9.5x FY12E EPS and 7.3x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	5,831	5,389	5,430	5,679	5,876	6,388	6,907	7,721	22,329	26,892
Interest Expense	4,112	3,475	3,235	3,208	3,496	3,846	4,448	5,265	14,030	17,055
Net Interest Income	**1,719**	**1,914**	**2,194**	**2,471**	**2,380**	**2,542**	**2,459**	**2,456**	**8,299**	**9,838**
% Change (Y-o-Y)	8.8	22.2	27.3	52.2	38.5	32.9	12.1	-0.6	27.8	18.5
Other Income	1,597	1,516	1,303	1,787	1,244	1,933	1,668	1,703	6,202	6,547
Net Income	**3,316**	**3,430**	**3,497**	**4,258**	**3,624**	**4,475**	**4,127**	**4,158**	**14,501**	**16,385**
Operating Expenses	1,894	1,994	2,039	2,153	2,138	2,633	2,533	2,620	8,081	9,924
Operating Profit	**1,422**	**1,436**	**1,458**	**2,105**	**1,486**	**1,842**	**1,594**	**1,539**	**6,420**	**6,461**
% Change (Y-o-Y)	35.9	56.7	37.0	72.4	4.5	28.3	9.4	-26.9	51.1	0.6
Other Provisions	487	626	528	1,063	439	698	336	374	2,704	1,847
Profit before Tax	**935**	**810**	**930**	**1,042**	**1,047**	**1,145**	**1,258**	**1,165**	**3,716**	**4,614**
Tax Provisions	332	275	324	362	356	392	428	393	1,293	1,569
Net Profit	**603**	**535**	**606**	**680**	**691**	**753**	**830**	**772**	**2,423**	**3,045**
% Change (Y-o-Y)	48.3	13.8	16.6	38.3	14.6	40.8	37.0	13.6	28.3	25.7
Extra Ordinary Item	0	0	0	203	0	0	0	0	203	0
Adj. Net Profit	**603**	**535**	**606**	**477**	**691**	**753**	**830**	**772**	**2,220**	**3,045**
% Change (Y-o-Y)	48.3	13.8	16.6	-3.0	14.6	40.8	37.0	62.0	17.6	37.2
Deposit Growth (%)	10.9	7.7	4.7	3.9	7.1	15.9	16.2	15.0	3.9	15.0
Loan Growth (%)	11.9	3.3	9.4	10.4	17.5	23.5	22.5	24.0	10.4	24.0
Net Interest Margin (%)	2.7	3.1	3.4	3.6	3.3	3.3	3.1	3.0	2.7	2.9
Cost/Income Ratio (%)	57.1	58.1	58.3	50.6	59.0	58.8	61.4	63.0	55.7	60.6
Gross NPA	2.2	2.6	3.0	3.0	3.3	2.8	2.7	2.5	3.0	2.5
CASA (%)	28.8	32.7	32.2	32.6	34.0	35.9	33.5	33.7	32.6	33.7

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Kotak Mahindra Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	KMB IN
Equity Shares (m)	729.1
52 Week Range (Rs)	530/333
1,6,12 Rel Perf (%)	6/0/15
Mcap (Rs b)	330.5
Mcap (USD b)	7.4

CMP: Rs453 **Neutral**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	49,017	12,402	17.8	88.1	25.4	113.6	4.0	4.1	2.7	17.9
3/11E	52,118	14,198	19.5	9.3	23.3	149.7	3.0	3.1	2.3	15.6
3/12E	57,009	16,978	23.3	19.6	19.5	174.1	2.6	2.6	2.1	14.8
3/13E	69,163	20,394	28.0	20.1	16.2	202.6	2.2	2.3	2.0	15.3

Net Income and PAT Consolidated Ex life Insurance

- Kotak Mahindra Bank's 4QFY11 loan growth is expected to be driven by all segments. We expect FY11 loan growth to remain strong at ~48% YoY.
- Consolidated 3QFY11 reported NIM was 5.4%, including benefit of capital raising (~20bp). We expect 4QFY11 margins to compress sequentially due to the rising cost of funds and no benefit of capital issuance. Consolidated NII in 4QFY11 is expected to grow ~29% YoY and ~10% QoQ.
- Asset quality has been improving and with PCR at ~70% provisioning expenses are expected to decline QoQ.
- Kotak Bank's (standalone) PAT is expected to grow 4% YoY (on a high base) due to lower non-interest income and margin compression. Overall, we expect profits from lending business to grow ~3% YoY (on a higher base).
- Capital market-related subsidiaries are a mixed bag, with IB doing much better than it did in FY10 in terms of the number of deals though profitability remains a concern due to stiff competition.
- We expect consolidated PAT to decline by ~7.5% YoY with the lending business contribution remaining higher at ~71%.
- Adjusted for value of the insurance business (Rs29/share) the stock trades at 2.2x FY13E BV and 16.2x FY13E EPS (excluding insurance). Maintain **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Kotak Mahindra Bank (Standalone)	903	1,259	1,424	2,025	1,869	1,947	1,879	2,107	5,611	7,802
Kotak Mahindra Prime	189	395	494	586	760	613	937	581	1,664	2,891
Kotak Mahindra Investments	130	87	61	68	76	80	28	62	347	245
Lending Business	**1,222**	**1,741**	**1,980**	**2,679**	**2,705**	**2,640**	**2,843**	**2,751**	**7,622**	**10,939**
YoY Growth (%)	22	92	96	73	121	52	44	3	71	44
Kotak Mahindra Capital Company	48	41	16	133	69	73	76	81	239	299
Kotak Securities	743	759	592	508	474	517	466	445	2,601	1,903
Capital Market Business	**791**	**800**	**608**	**641**	**543**	**591**	**543**	**526**	**2,840**	**2,202**
YoY Growth (%)	49	60	2,835	352	-31	-26	-11	-18	138	-22
International Subsidiaries	231	208	226	139	157	123	82	82	804	444
Kotak Mahindra AMC & Trustee Co	153	195	229	148	89	-24	72	107	725	245
Kotak Investment Advisors	118	95	115	70	108	105	54	101	398	369
Asset Management Business	**501**	**499**	**569**	**357**	**355**	**204**	**209**	**290**	**1,926**	**1,057**
YoY Growth (%)	116	171	114	77	-29	-59	-63	-19	118	-45
Kotak Life Insurance	11	44	193	444	-69	134	236	299	692	600
Total	**2,524**	**3,082**	**3,348**	**4,120**	**3,534**	**3,568**	**3,830**	**3,866**	**13,074**	**14,797**
Reported PAT	**2,573**	**2,998**	**3,314**	**4,186**	**3,277**	**3,641**	**3,836**	**3,866**	**12,890**	**14,654**
YoY Growth (%)	71.7	86.2	153.2	98.7	27.4	21.5	15.7	-7.6	92.8	13.7

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

LIC Housing Finance

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	LICHF IN
Equity Shares (m)	475.0
52 Week Range (Rs)	299/150
1,6,12 Rel Perf (%)	5/-18/20
Mcap (Rs b)	97.3
Mcap (USD b)	2.2

CMP: Rs205 — Neutral

Year End	Net Income (Rs M)	PAT (Rs M)	EPS (Rs)	EPS Gr. (%)	P/E (X)	BV (Rs)	P/BV (X)	P/ABV (X)	RoAA (%)	RoAE (%)
3/10A	10,740	6,612	13.9	11.1	14.7	71.3	2.9	2.9	2.0	23.5
3/11E	17,174	9,068	19.1	37.1	10.7	86.0	2.4	2.4	2.0	24.3
3/12E	18,133	10,509	22.1	15.9	9.3	102.9	2.0	2.0	1.8	23.4
3/13E	21,665	12,533	26.4	19.3	7.8	123.0	1.7	1.7	1.8	23.4

- While LIC Housing's lending towards individual loans is expected to be robust, disbursements towards builder portfolio have been slow. We expect overall loans to grow ~32% YoY in 4QFY11.
- With a 75bp lending rate hike, overall spreads are expected to be stable (spreads were 2.1% in 3QFY11). Incremental spreads declined to 1.65% in 3QFY11 but with the full impact of the rate increase being visible in 4QFY11 it is expected to trend upwards to ~2%.
- We expect 4QFY11 net operating income to grow 25% YoY to Rs4.3b due to strong loan growth.
- In 3QFY11, LICHFL booked income on sale of its stake in LIC MF. In 4QFY11 the company has booked some profit on the sale of its investments in Kotak Real Estate Fund. The quantum is expected to be ~Rs300m.
- Asset quality has been improving. In 3QFY11, LICHFL provided Rs2.4b for standard dual rate housing loans. While the company stated that it would seek clarification from regulator on maintaining this provision, no communication has been received yet.
- The stock trades at 2x FY12E BV and 1.7x FY13E BV and 9.3x FY12E EPS and 7.8x FY13E EPS. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Operating Income	7,802	8,349	8,782	9,629	10,125	11,002	12,131	13,859	34,563	47,117
Other Income	17	42	22	53	25	72	1,413	370	135	1,880
Total Income	**7,819**	**8,391**	**8,805**	**9,683**	**10,149**	**11,074**	**13,544**	**14,229**	**34,697**	**48,997**
Y-o-Y Growth (%)	25.5	18.6	14.8	20.1	29.8	32.0	53.8	47.0	19.5	41.2
Interest Expenses	5,709	5,979	6,057	6,214	6,772	7,378	8,093	9,579	23,957	31,823
Net Income	**2,110**	**2,413**	**2,748**	**3,469**	**3,377**	**3,696**	**5,451**	**4,650**	**10,740**	**17,174**
Y-o-Y Growth (%)	17.9	13.4	18.3	31.8	60.0	53.2	98.4	34.0	21.1	59.9
Operating Expenses	322	552	425	613	394	503	560	651	1,920	2,108
Operating Profit	**1,788**	**1,861**	**2,323**	**2,856**	**2,983**	**3,193**	**4,891**	**3,999**	**8,820**	**15,065**
Y-o-Y Growth (%)	17.4	4.5	27.0	30.8	66.8	71.6	110.5	40.0	20.5	70.8
Provisions and Cont.	100	-417	158	-126	89	3	2,328	555	-283	2,975
Profit before Tax	**1,688**	**2,278**	**2,165**	**2,982**	**2,893**	**3,190**	**2,563**	**3,444**	**9,103**	**12,090**
Tax Provisions	450	566	629	847	773	848	428	973	2,491	3,023
Net Profit	**1,238**	**1,712**	**1,536**	**2,135**	**2,120**	**2,342**	**2,135**	**2,471**	**6,612**	**9,068**
Y-o-Y Growth (%)	18.3	26.8	14.3	35.5	71.2	36.8	39.0	15.7	24.4	37.1
Int Exp/ Int Earned (%)	73.2	71.6	69.0	64.5	66.9	67.1	66.7	69.1	69.3	67.5
Other Income / Net Income (%)	0.8	1.8	0.8	1.5	0.7	2.0	25.9	7.9	1.3	10.9
Cost to Income Ratio (%)	15.3	22.9	15.5	17.7	11.7	13.6	10.3	14.0	17.9	12.3
Tax Rate (%)	26.6	24.8	29.1	28.4	26.7	26.6	16.7	28.3	27.4	25.0

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

M & M Financial Services

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	MMFS IN
Equity Shares (m)	95.3
52 Week Range (Rs)	913/368
1,6,12 Rel Perf (%)	6/29/93
Mcap (Rs b)	74.4
Mcap (USD b)	1.7

CMP: Rs781 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	10,671	3,444	35.9	60.1	21.8	180.0	4.3	4.5	3.8	21.5
3/11E	13,822	4,683	45.9	27.8	17.0	246.2	3.2	3.3	3.5	22.1
3/12E	17,807	5,745	56.3	22.7	13.9	290.2	2.7	2.9	3.3	21.0
3/13E	21,766	6,814	66.7	18.6	11.7	342.9	2.3	2.5	3.1	21.1

RoAA is calculated on AUM

- We expect Mahindra Finance's business growth to remain strong in 4QFY11 due to healthy growth in vehicle sales and high demand in rural and semi-urban areas.
- For 9MFY11 MMFSL securitized assets worth ~Rs7.5b. With banks looking to buy out loan portfolios to meet PSL targets, securitization is expected to be high. We expect loan growth of ~45% YoY and 5% QoQ.
- MMFSL hiked its lending rates by ~50bp in 4QFY11. We believe the rate hike and higher income from securitization will absorb the rising cost of funds and we expect spreads to remain stable sequentially.
- We expect asset quality to continue to be healthy and credit cost to decline YoY. PCR at the end of 3QFY11 was ~82%.
- In 4QFY11 MMFSL raised Rs4.3b through a QIP issue.
- The stock trades at 2.7x FY12E BV and 2.3x FY13E BV and 13.9x FY12E EPS and 11.7x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Operating Income	3,202	3,530	3,939	4,636	3,924	4,696	5,203	6,478	15,308	20,301
Other Income	91	95	81	114	90	93	96	121	380	400
Total Income	**3,293**	**3,625**	**4,020**	**4,750**	**4,014**	**4,789**	**5,300**	**6,598**	**15,688**	**20,701**
Y-o-Y Growth (%)	10.0	9.5	12.7	19.4	21.9	32.1	31.8	38.9	13.3	32.0
Interest expenses	1,210	1,205	1,362	1,240	1,315	1,518	1,813	2,233	5,017	6,879
Net Income	**2,083**	**2,420**	**2,659**	**3,509**	**2,699**	**3,271**	**3,487**	**4,365**	**10,671**	**13,822**
Operating Expenses	703	790	754	1,002	1,046	1,194	1,209	1,399	3,250	4,848
Operating Profit	**1,380**	**1,629**	**1,905**	**2,507**	**1,653**	**2,077**	**2,278**	**2,966**	**7,421**	**8,973**
Y-o-Y Growth (%)	6.3	31.0	29.2	21.5	19.8	27.5	19.6	18.3	22.0	20.9
Provisions	778	596	503	339	543	335	545	387	2,215	1,810
Profit before Tax	**602**	**1,034**	**1,402**	**2,168**	**1,110**	**1,742**	**1,733**	**2,578**	**5,206**	**7,164**
Tax Provisions	202	342	453	765	368	577	574	962	1,762	2,481
Net Profit	**400**	**692**	**950**	**1,402**	**742**	**1,165**	**1,159**	**1,617**	**3,444**	**4,683**
Y-o-Y Growth (%)	49.5	96.5	113.4	29.8	85.5	68.3	22.0	15.3	60.5	36.0
Cost to Income Ratio (%)	33.8	32.7	28.3	28.6	38.8	36.5	34.7	32.1	30.5	35.1
Provisions/Operating Profits (%)	56.4	36.6	26.4	13.5	32.8	16.1	23.9	13.1	29.9	20.2
Tax Rate (%)	33.5	33.1	32.3	35.3	33.2	33.1	33.1	37.3	33.8	34.6

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Oriental Bank of Commerce

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	OBC IN
Equity Shares (m)	291.8
52 Week Range (Rs)	545/296
1,6,12 Rel Perf (%)	12/-9/15
Mcap (Rs b)	109.0
Mcap (USD b)	2.4

CMP: Rs373 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	41,075	11,347	45.3	25.3	8.2	292.2	1.3	1.4	0.9	16.5
3/11E	50,511	15,221	52.2	15.2	7.2	349.8	1.1	1.1	1.0	17.4
3/12E	57,334	17,175	58.9	12.8	6.3	394.1	0.9	1.0	1.0	15.8
3/13E	66,425	19,897	68.2	15.9	5.5	444.7	0.8	0.9	0.9	16.3

- Oriental Bank of Commerce's business growth is expected to be comparatively lower than the peers at ~20%.
- NII is expected to remain flat YoY. NIM in 4QFY10 was 3.27% and in 3QFY11 it was 3.1%. In 4QFY11 we expect NIM to contract further. Rising deposit rates and a low proportion of CASA deposits would keep margins under pressure. The management has guided that it would sustain NIMs above 3%.
- OBC will fare better than its peers on operating expenses as it has been carrying excess provisions for pension and gratuity liability (total liability for pension and gratuity is Rs13b; cumulative provisions made amount to ~Rs5.5b).
- Asset quality deteriorated in 3QFY11 with GNPA rising ~27bp QoQ to 1.94% due to one-off slippages. We believe the movement in asset quality needs to be watched for (the management guided that it would maintain GNPA under 2%).
- The stock trades at 0.9x FY12E BV and 0.8x FY13E BV and 6.3x FY12E EPS and 5.5x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	24,042	24,958	26,716	26,855	28,308	29,919	30,328	32,865	102,571	121,420
Interest Expense	19,201	19,347	17,987	16,961	17,736	19,148	20,029	22,975	73,497	79,888
Net Interest Income	**4,842**	**5,611**	**8,729**	**9,894**	**10,572**	**10,771**	**10,299**	**9,889**	**29,074**	**41,531**
% Change (Y-o-Y)	8.4	8.0	53.7	114.9	118.4	92.0	18.0	0.0	45.6	42.8
Other Income	3,919	3,051	2,377	2,654	2,147	2,141	2,314	2,378	12,000	8,980
Net Income	**8,760**	**8,662**	**11,106**	**12,548**	**12,720**	**12,912**	**12,613**	**12,267**	**41,075**	**50,511**
Operating Expenses	3,591	3,612	4,878	4,779	4,497	4,853	4,873	5,092	16,860	19,314
Operating Profit	**5,169**	**5,049**	**6,228**	**7,769**	**8,223**	**8,060**	**7,739**	**7,175**	**24,215**	**31,197**
% Change (Y-o-Y)	46.1	24.1	61.2	44.3	59.1	59.6	24.3	-7.6	43.7	28.8
Other Provisions	1,514	551	1,921	4,174	2,280	2,263	1,918	2,187	8,176	8,647
Profit before Tax	**3,656**	**4,498**	**4,307**	**3,595**	**5,943**	**5,796**	**5,822**	**4,989**	**16,039**	**22,550**
Tax Provisions	1,082	1,789	1,413	425	2,310	1,820	1,739	1,460	4,692	7,329
Net Profit	**2,574**	**2,709**	**2,894**	**3,170**	**3,633**	**3,977**	**4,083**	**3,529**	**11,347**	**15,221**
% Change (Y-o-Y)	16.7	14.3	14.8	61.9	41.1	46.8	41.1	11.3	25.3	34.1
Deposit Growth (%)	23.3	23.5	21.2	22.3	19.8	16.6	16.8	20.0	22.3	20.0
Loan Growth (%)	27.8	25.2	19.7	21.9	20.3	14.3	15.6	18.5	21.9	18.5
Net Interest Margin (%)	1.8	2.0	3.0	3.3	3.3	3.3	3.1	2.9	2.5	3.0
Cost/Income Ratio (%)	41.0	41.7	43.9	38.1	35.4	37.6	38.6	41.5	41.0	38.2
Gross NPA	1.6	1.5	1.6	1.7	1.7	1.7	1.9	1.8	1.7	1.8
CASA (%)	22.7	23.7	24.4	25.0	24.3	25.4	25.2	24.3	25.0	24.3

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Punjab National Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	PNB IN
Equity Shares (m)	316.8
52 Week Range (Rs)	1,395/933
1,6,12 Rel Perf (%)	2/-5/7
Mcap (Rs b)	361.8
Mcap (USD b)	8.1

CMP: Rs1,142 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	120,882	39,054	123.9	26.4	9.2	514.8	2.2	2.3	1.4	26.6
3/11E	152,642	43,782	138.2	11.6	8.3	628.0	1.8	1.9	1.3	24.2
3/12E	176,962	53,253	168.1	21.6	6.8	761.7	1.5	1.6	1.3	24.2
3/13E	208,759	64,470	203.5	21.1	5.6	923.5	1.2	1.3	1.3	24.2

- Punjab National Bank's business growth is expected to remain healthy with loan growth of ~25% YoY and deposit growth of 22% YoY.
- Margins are expected to moderate 10-15bp QoQ from 4.13% in 3QFY11.
- NII is estimated to remain sequentially flat but strong loan growth and better margins (on a YoY basis) would result in 28% YoY growth.
- We expect non-interest income to decline 13% YoY due to lower trading profits. In 4QFY10 it reported trading profit of Rs1.4b.
- Operating expenses are expected to grow 67% YoY (on a low base) as the bank will continue to provide for employee-related expenses. PNB guided for pension liability of Rs36b and gratuity liability of Rs5b.
- We expect provisions to remain elevated at ~Rs4b in 4QFY11 as slippages are expected to be at levels similar to those in 3QFY11.
- The stock trades at 1.5x FY12E BV and 1.2x FY13E BV and 6.8x FY12E EPS and 5.6x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	51,441	53,045	53,887	56,076	59,716	64,554	71,191	77,903	214,669	273,364
Interest Expense	33,456	33,123	31,764	31,097	33,733	34,787	39,158	45,815	129,440	153,494
Net Interest Income	**17,985**	**19,922**	**22,123**	**24,980**	**25,983**	**29,767**	**32,033**	**32,088**	**85,229**	**119,871**
% Change (Y-o-Y)	24.5	16.4	12.4	31.0	44.5	49.4	44.8	28.5	24.8	40.6
Other Income	10,334	7,713	8,478	9,346	8,917	7,183	8,572	8,099	35,653	32,771
Net Income	**28,320**	**27,636**	**30,601**	**34,326**	**34,901**	**36,950**	**40,605**	**40,187**	**120,882**	**152,642**
Operating Expenses	12,626	11,573	12,419	11,001	13,919	15,949	17,106	18,367	47,619	65,341
Operating Profit	**15,693**	**16,063**	**18,182**	**23,325**	**20,982**	**21,001**	**23,499**	**21,820**	**73,263**	**87,302**
% Change (Y-o-Y)	59.7	17.4	0.7	46.9	33.7	30.7	29.2	-6.5	28.7	19.2
Other Provisions	3,018	2,160	2,819	6,219	5,341	5,160	7,139	5,275	14,215	22,916
Profit before Tax	**12,676**	**13,903**	**15,363**	**17,106**	**15,640**	**15,841**	**16,360**	**16,545**	**59,048**	**64,386**
Tax Provisions	4,355	4,634	5,250	5,756	4,958	5,095	5,463	5,088	19,994	20,603
Net Profit	**8,321**	**9,270**	**10,113**	**11,350**	**10,683**	**10,746**	**10,898**	**11,456**	**39,054**	**43,782**
% Change (Y-o-Y)	62.4	31.1	0.5	31.1	28.4	15.9	7.8	0.9	26.4	12.1
Deposit Growth (%)	26.5	23.9	18.7	18.9	16.6	18.4	23.5	22.0	18.9	22.0
Loan Growth (%)	38.1	25.4	20.4	20.6	24.6	27.6	29.8	25.0	20.6	25.0
Net Interest Margin (%)	3.2	3.5	3.6	4.0	3.9	4.1	4.1	4.0	3.5	4.0
Cost/Income Ratio (%)	44.6	41.9	40.6	32.0	39.9	43.2	42.1	45.7	39.4	42.8
Gross NPA	1.8	1.6	1.8	1.7	1.8	1.9	2.0	2.0	1.7	2.0
CASA (%)	38.3	38.5	39.5	40.8	40.9	40.6	39.1	39.3	40.8	39.3

E: MOSL Estimates, Yearly numbers vary with full year number on account of reclassification; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Rural Electrification Corp

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	RECL IN
Equity Shares (m)	987.5
52 Week Range (Rs)	410/217
1,6,12 Rel Perf (%)	0/-22/-8
Mcap (Rs b)	242.7
Mcap (USD b)	5.4

CMP: Rs246 **Buy**

YEAR END	NET INCOME (RS M)	ADJ PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	ROAA (%)	ROAE (%)
3/10A	28,115	20,014	20.3	23.3	12.1	112	2.2	3.4	22.0
3/11E	35,982	25,464	25.8	27.2	9.5	129	1.9	3.5	21.4
3/12E	41,768	29,611	30.0	16.3	8.2	147	1.7	3.4	21.8
3/13E	49,702	35,316	35.8	19.3	6.9	169	1.5	3.4	22.7

- REC has guided for total disbursements of ~Rs220b in FY11. This would translate into 4QFY11 disbursement of ~Rs60b (flat YoY and QoQ).
- We expect 4QFY11 loan growth to be healthy at ~21% YoY at Rs796.7b.
- Spreads are expected to remain stable sequentially at 3.3-3.4%. REC raised rates in 4QFY11 by 50bp. It also raised ECB worth US$500m in January 2011, which will keep cost of funds under control.
- Stable spreads and healthy business growth will lead to NII growth of ~19% YoY.
- Foreign currency loans constitute 7% of REC's borrowings. Except for the US$500m raised (dollar denominated) everything is hedged. We do not expect significant forex gains/losses in 4QFY11.
- The stock trades at 1.7x FY12E BV and 1.5x FY13E BV and 8.2x FY12E EPS and 6.9x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	14,494	15,324	16,532	17,959	18,771	19,877	20,860	21,894	64,309	81,401
Interest Expenses	8,735	9,413	10,279	10,685	11,012	12,076	12,380	13,268	38,961	48,736
Net Interest Income	**5,759**	**5,911**	**6,254**	**7,274**	**7,758**	**7,801**	**8,480**	**8,625**	**25,348**	**32,665**
YoY Gr %	41.8	36.0	40.2	51.0	34.7	32.0	35.6	18.6	42.6	28.9
Other Operational Income	115	512	185	377	225	390	564	516	1,189	1,695
Net Operational Income	**5,874**	**6,423**	**6,438**	**7,651**	**7,984**	**8,191**	**9,044**	**9,141**	**26,537**	**34,359**
YoY Gr %	42.6	43.4	40.3	40.9	35.9	27.5	40.5	19.5	41.9	29.5
Other Income	480	393	345	360	292	555	357	419	1,578	1,622
Total Net Income	**6,354**	**6,816**	**6,783**	**8,011**	**8,275**	**8,746**	**9,401**	**9,560**	**28,115**	**35,982**
YoY Gr %	44.8	35.6	39.1	35.3	30.2	28.3	38.6	19.3	37.6	28.0
Operating Expenses	300	351	338	482	343	385	386	453	1,620	1,567
YoY Gr %	20.2	-10.7	20.7	131.9	14.3	9.7	14.2	-6.0	34.1	-3.3
% to Income	4.7	5.1	5.0	6.0	4.1	4.4	4.1	4.7	5.8	4.4
Operating Profit	**6,054**	**6,466**	**6,445**	**7,529**	**7,933**	**8,361**	**9,015**	**9,107**	**26,495**	**34,415**
YoY Gr %	46.3	39.5	40.2	31.8	31.0	29.3	39.9	21.0	37.8	29.9
Provisions	1	1	0	0	0	1	0	4	2	5
PBT	**6,053**	**6,465**	**6,445**	**7,529**	**7,933**	**8,360**	**9,015**	**9,103**	**26,493**	**34,410**
YoY Gr %	46.6	39.5	35.9	32.4	31.1	29.3	39.9	20.9	38.0	29.9
Tax	1,340	1,521	1,705	1,917	2,059	2,178	2,374	2,336	6,478	8,947
Tax Rate %	22.1	23.5	26.4	25.5	26.0	26.0	26.3	25.7	24.5	26.0
PAT	**4,713**	**4,944**	**4,741**	**5,612**	**5,874**	**6,182**	**6,641**	**6,767**	**20,014**	**25,464**
YoY Gr %	72.9	69.6	48.8	44.6	24.6	25.1	40.1	20.6	57.3	27.2

E:MOSL Estimates; Quarterly and annual numbers would not match due to differences in classification

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Shriram Transport Finance

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SHTF IN
Equity Shares (m)	225.5
52 Week Range (Rs)	900/494
1,6,12 Rel Perf (%)	-3/8/45
Mcap (Rs b)	174.1
Mcap (USD b)	3.9

CMP: Rs772 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	22,528	8,731	38.7	28.7	19.9	170.0	4.5	4.6	2.8	28.6
3/11E	32,608	12,404	55.0	42.1	14.0	215.0	3.6	3.6	3.4	28.6
3/12E	39,040	14,922	66.2	20.3	11.7	269.2	2.9	2.9	3.3	27.3
3/13E	46,233	17,569	77.9	17.7	9.9	333.0	2.3	2.4	3.2	25.9

* RoA is calculated on AUM

- We expect Shriram Transport Finance's strong traction in AUM to continue. We estimate total AUM of Rs360b by the end of March 2011 (up 24% YoY).
- Net income including securitization income is expected to grow by more than 33% YoY led by robust AUM growth.
- An increase in bulk borrowing rates will impact the cost of funds, but the ability to pass on the increased cost and higher securitization in 4QFY11 (year-end phenomenon) would help to maintain spreads.
- Despite higher operating expenses YoY, we factor in an increase in 4QFY11 operating profits of 28% YoY, led by robust net income growth.
- We estimate 4QFY11 PAT growth of ~33% YoY. Improved outlook on asset quality and comfortable coverage ratio of ~81% would limit the provisioning requirement.
- The stock trades at 2.3x FY13E BV and 9.9x FY13E EPS with RoE of 25%+ over FY11-13. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	9,038	9,470	10,256	8,742	8,740	9,562	9,784	10,398	37,507	38,484
Interest Expenses	5,384	5,248	5,708	5,522	5,450	5,578	5,396	6,033	21,862	22,457
Net Interest Income	**3,654**	**4,222**	**4,548**	**3,221**	**3,289**	**3,984**	**4,388**	**4,365**	**15,644**	**16,026**
Y-o-Y Growth (%)	13.2	14.6	34.4	-15.2	-10.0	-5.6	-3.5	35.5	11.0	2.4
Securitization Income	1,037	1,044	1,208	3,242	3,725	3,543	3,979	4,226	6,531	15,472
Net Inc. (Incl. Securitization)	**4,691**	**5,266**	**5,756**	**6,462**	**7,014**	**7,527**	**8,367**	**8,591**	**22,175**	**31,498**
Y-o-Y Growth (%)	14.3	19.0	36.0	43.5	49.5	42.9	45.3	32.9	28.4	42.0
Fees and Other Income	168	140	154	189	360	232	184	334	651	1,110
Net Operating Income	**4,859**	**5,406**	**5,911**	**6,651**	**7,374**	**7,759**	**8,550**	**8,925**	**22,827**	**32,608**
Y-o-Y Growth (%)	16.2	19.9	37.0	42.2	51.8	43.5	44.7	34.2	29.1	42.9
Operating Expenses	1,454	1,227	1,318	1,513	1,748	2,034	2,199	2,349	5,512	8,330
Operating Profit	**3,405**	**4,179**	**4,593**	**5,138**	**5,626**	**5,725**	**6,351**	**6,577**	**17,315**	**24,279**
Y-o-Y Growth (%)	17.3	34.2	52.1	62.1	65.3	37.0	38.3	28.0	41.8	40.2
Provisions	935	1,116	1,006	1,012	1,281	1,264	1,787	1,295	4,069	5,627
Profit before Tax	**2,469**	**3,063**	**3,587**	**4,127**	**4,345**	**4,461**	**4,564**	**5,281**	**13,246**	**18,652**
Tax Provisions	825	988	1,219	1,482	1,456	1,472	1,551	1,771	4,515	6,248
Net Profit	**1,644**	**2,074**	**2,368**	**2,645**	**2,889**	**2,990**	**3,014**	**3,511**	**8,731**	**12,404**
Y-o-Y Growth (%)	14.5	25.3	58.6	71.9	75.7	44.1	27.3	32.8	42.6	42.1
Int Exp/ Int Earned (%)	59.6	55.4	55.7	63.2	62.4	58.3	55.2	58.0	58.3	58.4
Securitization Inc./Net Income (%)	21.3	19.3	20.4	48.7	50.5	45.7	46.5	47.3	28.6	47.4
Cost to Income Ratio (%)	29.9	22.7	22.3	22.7	23.7	26.2	25.7	26.3	24.1	25.5
Tax Rate (%)	33.4	32.3	34.0	35.9	33.5	33.0	34.0	33.5	34.1	33.5

E: MOSt Estimates; * Quaterly nos and full year nos will not tally due to different way of reporting financial nos

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

South Indian Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SIB IN
Equity Shares (m)	1,130.1
52 Week Range (Rs)	30/14
1,6,12 Rel Perf (%)	-2/-8/26
Mcap (Rs b)	23.8
Mcap (USD b)	0.5

CMP: Rs21 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	7,768	2,338	2.1	20.0	10.2	13.1	1.6	1.6	1.0	16.9
3/11E	9,635	2,765	2.4	18.3	8.6	15.0	1.4	1.4	1.0	17.6
3/12E	11,542	3,322	2.9	20.1	7.2	17.2	1.2	1.3	0.9	18.4
3/13E	13,765	4,002	3.5	20.5	5.9	19.9	1.1	1.1	0.9	19.2

- South Indian Bank's business growth is expected to stay strong with loan and deposit growth of ~25% YoY.
- On a reported basis, NII growth is expected to be ~165% YoY but adjusted for a technical error (interest expenses were under-stated by Rs708m in 9MFY10 and was accounted for in 4QFY10) NII is expected to grow ~40% YoY.
- Margins are expected to remain sequentially stable or to decline marginally. In 9MFY11, NIMs were 3%.
- We expect fee-based income growth to moderate to ~8% YoY on a higher base and non-interest income to grow by ~11% YoY.
- While asset quality is likely to remain strong, on a conservative basis, we have built in a higher NPA provision. In 4QFY10 the bank reported a write back of provisions of Rs35m. An upside to our estimate could emanate from lower provisions.
- On a reported basis, 4QFY11 profits are expected to grow by ~70% YoY, but adjusted for a technical error in the counting of interest expenses (Rs468m after tax) we expect PAT to decline 23% YoY.
- The stock trades at 1.2x FY12E BV and 1.1x FY13E BV and 7.2x FY12E EPS and 5.9x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	4,653	4,689	4,878	5,138	5,401	5,795	6,227	6,827	19,357	24,250
Interest Expense	3,128	3,037	3,160	4,349	3,728	3,822	4,179	4,735	13,674	16,463
Net Interest Income	**1,524**	**1,652**	**1,718**	**789**	**1,674**	**1,973**	**2,048**	**2,092**	**5,683**	**7,786**
% Change (Y-o-Y)	48.3	28.5	17.5	-46.7	9.8	19.4	19.2	165.2	8.7	37.0
Other Income	560	655	431	439	417	449	497	487	2,085	1,849
Net Income	**2,084**	**2,307**	**2,149**	**1,227**	**2,090**	**2,422**	**2,545**	**2,578**	**7,768**	**9,635**
% Change (Y-o-Y)	52.1	39.9	11.6	-36.2	0.3	5.0	18.4	110.1	13.0	24.0
Operating Expenses	1,015	968	967	711	1,046	1,174	1,116	1,153	3,662	4,489
Operating Profit	**1,069**	**1,339**	**1,182**	**516**	**1,044**	**1,248**	**1,429**	**1,425**	**4,106**	**5,146**
% Change (Y-o-Y)	54.1	44.0	18.0	-46.4	-2.3	-6.8	20.9	176.2	14.5	25.3
Other Provisions	104	165	195	-31	167	68	298	422	433	956
Profit before Tax	**965**	**1,174**	**987**	**547**	**877**	**1,180**	**1,130**	**1,003**	**3,673**	**4,190**
Tax Provisions	364	448	363	161	293	410	377	345	1,336	1,425
Net Profit	**601**	**726**	**625**	**386**	**584**	**770**	**754**	**657**	**2,338**	**2,765**
% Change (Y-o-Y)	55.6	40.3	15.2	-23.2	-2.8	6.1	20.7	70.2	20.0	18.3
Deposit Growth (%)	21.3	25.3	25.5	27.2	25.1	27.3	30.8	25.0	27.2	25.0
Loan Growth (%)	19.1	20.9	31.6	32.7	33.9	34.8	28.2	25.9	32.7	25.9
Net Interest Margin (%) *	2.8	3.0	2.9	2.7	2.9	3.3	3.1	3.0	2.7	3.0
Cost/Income Ratio (%)	48.7	42.0	45.0	58.0	50.1	48.5	43.9	44.7	47.1	46.6
Gross NPA	1.9	1.6	1.5	1.3	1.3	1.3	1.3	1.3	1.3	1.3
CASA (%)	24.5	24.3	24.2	23.1	25.1	23.9	22.4	22.5	23.1	22.5

E: MOSL Estimates; * calculated

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

State Bank of India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SBIN IN
Equity Shares (m)	635.0
52 Week Range (Rs)	3,515/2,015
1,6,12 Rel Perf (%)	-1/-8/25
Mcap (Rs b)	1,720.4
Mcap (USD b)	38.5

CMP: Rs2,709 **Buy**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	CONS. EPS (RS)	CONS. P/E (X)*	CONS. BV (RS)	CONS. P/BV (X)*	CONS. P/ABV (X)*	ROAA (%)	ROAE (%)
3/10A	386,396	91,661	144.4	184.8	14.1	1,267.8	2.1	2.3	0.9	14.8
3/11E	492,733	110,659	174.3	209.9	12.5	1,436.8	1.8	2.0	1.0	15.8
3/12E	563,885	139,047	219.0	259.6	10.0	1,643.7	1.6	1.7	1.1	17.4
3/13E	657,243	164,863	259.7	317.2	8.1	1,902.5	1.4	1.5	1.1	18.0

* valuation multiples are adjusted for SBI Life

- State Bank of India's sequential loan growth is likely to be in line with that of the industry. We expect loan growth of ~21% YoY and deposit growth of 16% YoY (on a lower base).
- Reported margins are expected to be stable or decline marginally, but adjusted for IT refunds (Rs2.3b) in 3QFY11, the bank is expected to show stable/improving margins (reported NIM in 3QFY11 was 3.6%; adjusted 3.5%).
- We expect NII to grow ~39% YoY, led by healthy loan growth and YoY improvement in margins.
- Fee income growth is estimated to improve sequentially led by higher government business and healthy loan growth. However on a YoY basis (a higher base) we expect fee income growth of ~3%. Overall non-interest income growth is likely to remain muted YoY.
- Asset quality is expected to continue to improve, however provisioning expenses will remain high, in line with the bank's target to meet 70% PCR as stipulated by the RBI. PCR at the end of 3QFY11, including technical write-off, was 64.1%.
- SBI has not yet provided for an increase in standard asset provisioning on dual rate housing loans to 2% v/s 0.4%. Also guidance on pension liability would need to be watched for.
- Adjusted for the value of insurance (Rs127/share), the stock trades at 1.4x FY13E consolidated BV and 8.1x FY13E consolidated EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	174,728	177,759	177,797	179,656	184,522	198,081	214,128	229,796	709,939	826,527
Interest Expense	124,479	121,671	114,634	112,442	111,484	116,932	123,630	136,658	473,225	488,705
Net Interest Income	**50,249**	**56,088**	**63,163**	**67,214**	**73,038**	**81,149**	**90,498**	**93,138**	**236,714**	**337,823**
% Change (Y-o-Y)	4.3	2.8	9.7	38.8	45.4	44.7	43.3	38.6	13.4	42.7
Other Income	35,688	35,252	33,657	45,085	36,900	40,052	33,139	44,819	149,682	154,910
Net Income	**85,936**	**91,340**	**96,820**	**112,300**	**109,938**	**121,201**	**123,637**	**137,958**	**386,396**	**492,733**
Operating Expenses	49,198	42,990	50,639	60,361	48,593	57,631	55,992	69,592	203,187	231,808
Operating Profit	**36,739**	**48,350**	**46,181**	**51,939**	**61,345**	**63,570**	**67,645**	**68,366**	**183,209**	**260,925**
% Change (Y-o-Y)	-7.3	15.3	3.0	-1.6	67.0	31.5	46.5	31.6	2.3	42.4
Other Provisions	1,727	10,161	8,566	23,494	15,514	26,215	20,515	25,777	43,948	88,020
Profit before Tax	**35,011**	**38,190**	**37,615**	**28,445**	**45,831**	**37,355**	**47,130**	**42,589**	**139,261**	**172,905**
Tax Provisions	11,708	13,289	12,825	9,779	16,688	12,342	18,849	14,367	47,600	62,246
Net Profit	**23,304**	**24,900**	**24,791**	**18,666**	**29,143**	**25,014**	**28,281**	**28,222**	**91,661**	**110,659**
% Change (Y-o-Y)	42.0	10.2	0.0	-31.9	25.1	0.5	14.1	51.2	0.5	20.7
Deposit Growth (%)	35.9	25.2	11.3	8.4	6.8	10.7	14.0	16.0	8.4	16.0
Loan Growth (%)	22.5	16.0	18.9	16.5	20.3	19.0	21.3	21.0	16.5	21.0
Net Interest Margin (%)	2.3	2.6	2.8	3.0	3.2	3.4	3.6	3.6	2.6	3.3
Cost/Income Ratio (%)	57.2	47.1	52.3	53.7	44.2	47.5	45.3	50.4	52.6	47.0
Gross NPA	2.8	3.0	3.1	3.1	3.1	3.4	3.2	3.1	3.1	3.1
Domestic CASA (%)	36.6	40.0	41.7	45.3	46.6	46.7	47.3	46.2	45.3	46.2

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Union Bank of India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	UNBK IN
Equity Shares (m)	524.3
52 Week Range (Rs)	427/272
1,6,12 Rel Perf (%)	0/-7/9
Mcap (Rs b)	176.4
Mcap (USD b)	3.9

CMP: Rs336 — Buy

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	61,672	20,749	41.1	20.2	8.2	174.4	1.9	2.1	1.2	26.2
3/11E	81,501	19,874	37.7	-8.1	8.9	211.2	1.6	1.8	0.9	19.9
3/12E	93,486	27,219	51.7	37.1	6.5	252.7	1.3	1.5	1.1	22.3
3/13E	108,444	33,245	63.2	22.2	5.3	303.4	1.1	1.2	1.1	22.7

- Union Bank's business is expected to remain strong with loans and deposits growing ~9% QoQ.
- NII is expected to grow ~20% YoY (~3% QoQ) led by strong loan growth. Sequentially, we expect margins to fall by 10-12bp. In 3QFY11, NIMs were 3.4%.
- Union Bank guided for total liability of Rs26.5b for pension and gratuity liability. Therefore, it has provided Rs5.6b (Rs3.6b for pension and Rs1.9b for gratuity). Additional provisioning requirement could be expected as liability towards retired employees must be provided in FY11 itself.
- The bank's 4QFY11 operating expenses will increase ~50% YoY (30% QoQ) led by higher provisions towards pension liability for retired employees.
- The bank's asset quality has been under stress over the past four quarters. Deceleration in incremental slippages is crucial for improvement in operating performance. We estimate provisioning expenses of Rs3.2b against Rs3.6b in 3QFY11.
- Higher operating and provisioning expenses are expected to lead to a 15% YoY decline in PAT.
- The stock trades at 1.3x FY12E BV and 1.1x FY13E BV and 6.5x FY12E EPS and 5.3x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	31,490	32,319	33,183	35,617	36,857	39,522	41,995	45,709	133,027	164,082
Interest Expense	23,737	23,422	22,289	21,656	23,376	24,164	25,836	29,000	91,103	102,377
Net Interest Income	**7,753**	**8,897**	**10,894**	**13,961**	**13,480**	**15,358**	**16,158**	**16,709**	**41,924**	**61,706**
% Change (Y-o-Y)	-1.7	-8.6	-3.2	50.7	73.9	72.6	48.3	19.7	9.9	47.2
Other Income	5,550	5,290	4,400	4,925	4,350	5,096	4,936	5,413	19,747	19,795
Net Income	**13,303**	**14,187**	**15,294**	**18,887**	**17,830**	**20,455**	**21,094**	**22,122**	**61,672**	**81,501**
Operating Expenses	5,429	6,086	6,152	7,411	7,393	9,149	8,483	11,000	25,078	36,025
Operating Profit	**7,875**	**8,101**	**9,142**	**11,475**	**10,437**	**11,306**	**12,611**	**11,122**	**36,593**	**45,477**
% Change (Y-o-Y)	27.8	15.8	7.0	25.9	32.5	39.6	37.9	-3.1	18.7	24.3
Other Provisions	1,903	1,350	1,611	3,400	1,973	5,989	4,000	3,852	8,264	15,814
Profit before Tax	**5,972**	**6,751**	**7,531**	**8,075**	**8,464**	**5,317**	**8,612**	**7,270**	**28,329**	**29,663**
Tax Provisions	1,550	1,700	2,190	2,140	2,450	2,284	2,816	2,239	7,580	9,789
Net Profit	**4,422**	**5,051**	**5,341**	**5,935**	**6,014**	**3,034**	**5,796**	**5,030**	**20,749**	**19,874**
% Change (Y-o-Y)	93.7	39.7	-20.5	27.6	36.0	-39.9	8.5	-15.2	20.2	-4.2
Deposit Growth (%)	33.8	28.6	16.5	22.6	19.2	19.3	23.5	20.0	22.6	20.0
Loan Growth (%)	26.7	14.9	14.6	21.7	29.9	27.1	25.6	21.6	21.7	21.6
Net Interest Margin (%)	2.3	2.4	2.8	3.4	3.0	3.4	3.4	3.3	2.6	3.2
Cost/Income Ratio (%)	40.8	42.9	40.2	39.2	41.5	44.7	40.2	49.7	40.7	44.2
Gross NPA	2.0	1.9	2.0	2.2	2.2	2.8	2.7	2.6	2.2	2.6
CASA (%)	30.5	33.0	32.3	31.7	32.6	32.7	33.3	32.3	31.7	32.3

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Yes Bank

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	YES IN
Equity Shares (m)	339.7
52 Week Range (Rs)	388/234
1,6,12 Rel Perf (%)	10/-5/17
Mcap (Rs b)	101.4
Mcap (USD b)	2.3

CMP: Rs299 — Buy

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	BV (RS)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	13,635	4,777	14.1	37.5	21.2	91.0	3.3	3.3	1.6	20.3
3/11E	18,747	7,250	21.3	51.8	14.0	110.0	2.7	2.7	1.6	21.2
3/12E	25,441	9,362	27.6	29.1	10.8	134.6	2.2	2.2	1.4	22.5
3/13E	32,741	11,627	34.2	24.2	8.7	165.3	1.8	1.8	1.3	22.8

- We expect Yes Bank to continue to post strong business growth (loans growth of ~55% and deposit growth of ~63%).
- NII growth will be lower at ~35% YoY due to drop in margins. NIM in 4QFY10 was 3.2% and in 3QFY11 it was 2.8%. We expect 4QFY11 margins to stay stable or decline marginally on a QoQ basis.
- A low CASA mix and higher proportion of wholesale funds would result in an increase pressure on sustaining the cost of funds.
- 4QFY11 non-interest income is expected to grow 30% YoY. Healthy business growth and pick up in economic activity augur well for Yes Bank's fee income streams.
- GNPA ratio of 23bp and provision coverage ratio of 76% are among the best in the industry. We expect asset quality to stay stable in 4QFY11.
- The stock trades at 2.2x FY12E BV and 1.8x FY13E BV and 10.8x FY12E EPS and 8.7x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	5,358	5,430	6,264	6,646	7,392	9,538	11,262	14,113	23,697	42,304
Interest Expense	3,789	3,670	4,154	4,204	4,771	6,406	8,030	10,809	15,818	30,016
Net Interest Income	**1,568**	**1,760**	**2,109**	**2,442**	**2,621**	**3,132**	**3,232**	**3,304**	**7,880**	**12,288**
% Change (Y-o-Y)	38.8	43.6	69.5	62.9	67.1	77.9	53.2	35.3	54.7	55.9
Other Income	1,521	1,355	1,278	1,601	1,438	1,310	1,617	2,094	5,755	6,459
Net Income	**3,089**	**3,115**	**3,387**	**4,043**	**4,059**	**4,442**	**4,848**	**5,397**	**13,635**	**18,747**
Operating Expenses	1,111	1,197	1,226	1,467	1,570	1,628	1,736	1,969	5,002	6,902
Operating Profit	**1,978**	**1,918**	**2,162**	**2,576**	**2,490**	**2,814**	**3,113**	**3,428**	**8,633**	**11,844**
% Change (Y-o-Y)	116.4	95.8	17.2	67.3	25.9	46.7	44.0	33.1	63.6	37.2
Other Provisions	455	234	254	426	126	174	250	392	1,368	942
Profit before Tax	**1,523**	**1,684**	**1,908**	**2,150**	**2,364**	**2,640**	**2,863**	**3,036**	**7,265**	**10,902**
Tax Provisions	522	567	649	750	800	877	952	1,023	2,487	3,652
Net Profit	**1,001**	**1,117**	**1,259**	**1,400**	**1,564**	**1,763**	**1,911**	**2,013**	**4,777**	**7,250**
% Change (Y-o-Y)	84.0	75.6	19.0	74.8	56.3	57.8	51.8	43.7	57.2	51.8
Deposit Growth (%)	22.2	35.1	62.8	65.7	97.1	106.6	79.0	62.5	65.7	62.5
Loan Growth (%)	26.1	41.5	71.1	78.9	107.2	86.2	66.3	55.0	78.9	55.0
Net Interest Margin (%)	3.1	3.1	3.1	3.2	3.1	3.0	2.8	2.7	2.8	2.8
Cost/Income Ratio (%)	36.0	38.4	36.2	36.3	38.7	36.6	35.8	36.5	36.7	36.8
Gross NPA	0.5	0.3	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.3
CASA (%)	9.5	9.6	10.1	10.5	10.5	10.1	10.2	10.8	10.5	10.8

E: MOSL Estimates; Margin reported for quarterly and calculated for yearly

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Abhishek Agarwal (Abhishek.Agarwal@motilaloswal.com) / Sohail Halai

Cement

COMPANY NAME
ACC
Ambuja Cements
Birla Corporation
Grasim Industries
India Cements
Shree Cement
UltraTech Cement

Initial signs of demand pick-up; 4QFY11 growth to be ~6% YoY: Cement demand showed initial signs of picking up over February and March 2011. However, muted volumes in January will restrict 4QFY11 volume growth to ~6% YoY (~15.7% QoQ) and FY11 volume growth of ~4.8%. Demand grew on QoQ basis in all the regions including South (where it contracted on a YoY basis). Consequently, capacity utilization is expected to pick up from ~72% in 3QFY11 to ~80% in 4QFY11.

Price recovers significantly in all regions, driven by discipline: Cement prices recovered significantly in 4QFY11 from their lows in December 2010. Cement prices improved by Rs13-15/bag QoQ (national average) and by Rs28-30/bag from their lows in December 2010. Prices recovered in all the regions, but the highest recovery was in the northern, central and eastern regions, where they increased by Rs15-18/bag QoQ. In the southern region, prices improved by Rs8/bag QoQ. The price recovery was driven largely by production discipline and recovery in demand. We are factoring in Rs13/bag QoQ improvement in 4QFY11, translating into ~Rs3/bag decline in FY11. For FY12, we are modeling a price increase of Rs12/bag (which is similar to 4QFY11, but Rs10/bag lower than March 2011 exit prices).

Strong realizations, operating leverage to drive EBITDA by Rs360/ton QoQ: A sharp recovery in prices and higher operating leverage (volume growth of ~15.7% QoQ) would drive EBITDA improvement per ton of ~Rs360 QoQ (flat YoY) to Rs960. The EBITDA improvement would have been higher but for a cost push due to higher energy costs (domestic and imported coal), which are fully factored in our estimates at current coal prices. As a result, in FY12 we estimate a Rs135/ton improvement in EBITDA to Rs895/ton, against Rs240/ton improvement in realization.

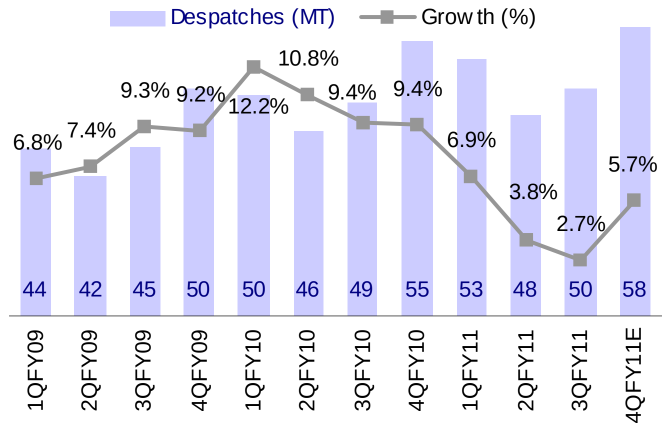
Valuation and view: We believe the worst is behind us and expect gradual improvement in operating performance. Although the cement sector will be plagued by overcapacity at least until December 2011, cement prices are expected to be buoyant at least until 2QFY12, driven by seasonality in demand and pricing discipline. Revival in demand would be the key catalyst further stock re-rating. Cement stock valuations are factoring in bottom-of-the-cycle profitability. We prefer **Ambuja Cements**, **Grasim** and **JP Associates** among large caps and **Birla Corp** and **India Cements** among mid caps.

Expected quarterly performance summary **(Rs million)**

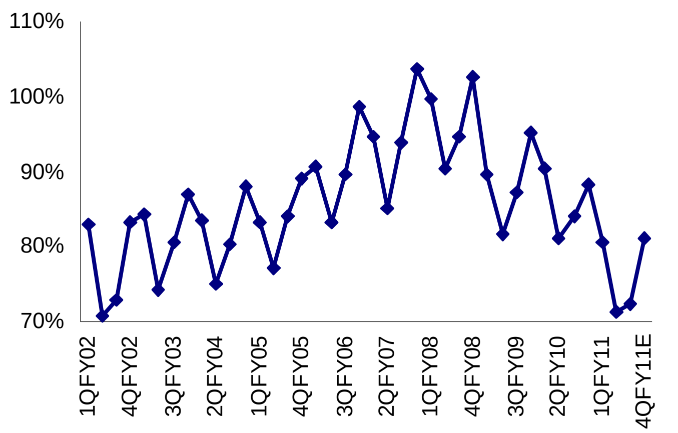
	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
ACC	1,037	Buy	23,306	10.9	19.1	4,820	-22.5	130.8	3,067	-24.3	107.1
Ambuja Cements	138	Buy	22,112	11.1	23.6	6,047	-2.9	92.2	4,092	-7.4	62.6
Birla Corporation	329	Buy	6,109	1.5	27.4	1,877	8.1	106.2	1,383	0.6	98.8
Grasim Industries	2,480	Buy	14,504	31.4	19.5	4,837	59.3	33.1	3,792	31.1	34.1
India Cements	94	Buy	9,589	-0.6	22.8	2,010	59.5	59.2	789	168.1	289.3
Shree Cement	1,864	Neutral	10,127	7.3	29.9	2,883	-11.4	83.0	596	2159.1	743.8
Ultratech Cement	1,048	Buy	42,807	124.2	15.2	10,601	163.3	49.8	5,744	151.3	80.1
Sector Aggregate			**128,553**	**33.7**	**20.0**	**33,076**	**28.4**	**67.9**	**19,464**	**26.8**	**77.2**

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Initial signs of pick-up in demand

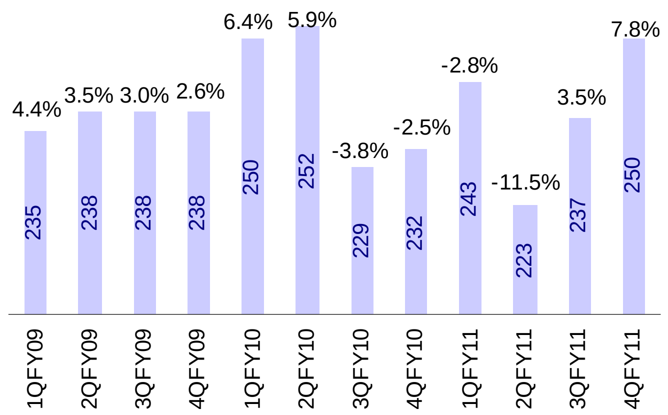


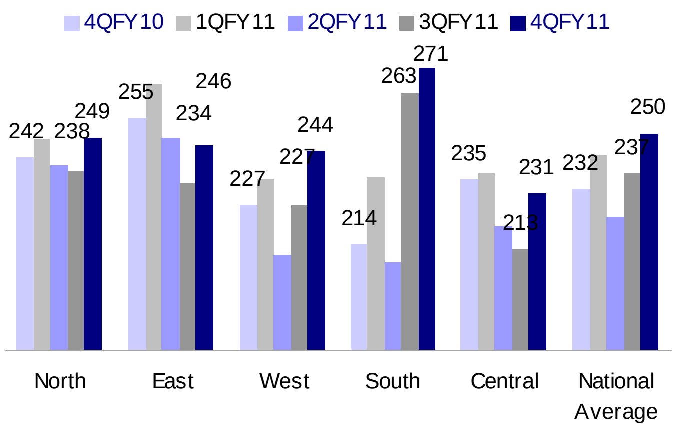
...driving improvement in utilization



Source: CMA/MOSL

Cement prices recover strongly in 4QFY11 (Rs/bag)

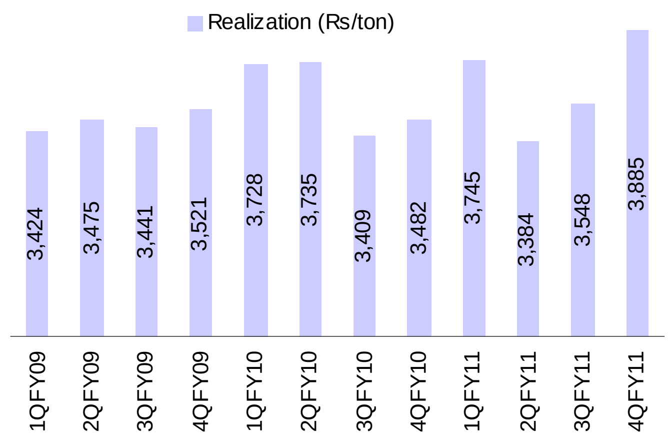


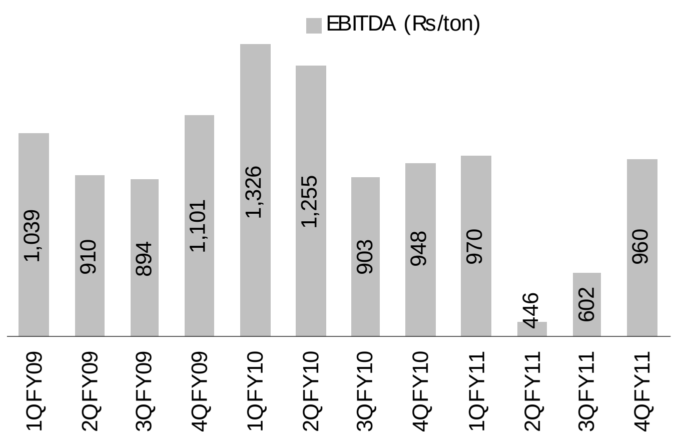


(Figures on top of bar indicate YoY change;)

Source: CMA/MOSL

Improved realizations, higher operating leverage drive profitability





Source: Company/MOSL

4QFY11 key operating parameters

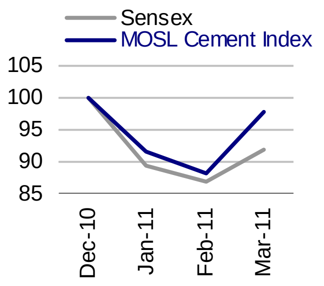
	Volume (m tons)			Realization (Rs/ton)			EBITDA (Rs/ton)		
	4QFY11	YoY (%)	QoQ (%)	4QFY11	YoY (Rs)	QoQ (Rs)	4QFY11	YoY (Rs)	QoQ (Rs)
ACC	6.2	10.2	9.6	3,790	23	300	784	-331	411
Ambuja Cements	5.6	6.3	11.1	3,949	172	400	1,080	-102	456
UltraTech	10.4	-5.6	6.3	4,110	760	319	1,004	-42	292
Birla Corp	1.7	0.2	11.6	3,682	45	456	1,159	-36	438
India Cements	2.4	-17.8	18.9	3,834	709	169	829	402	210
Shree Cement	2.8	5.6	7.6	3,298	-57	447	939	-195	383
Sector Aggregate	**29.1**	**-0.3**	**9.3**	**3,885**	**384**	**337**	**960**	**-77**	**358**

4QFY11 key financial parameters

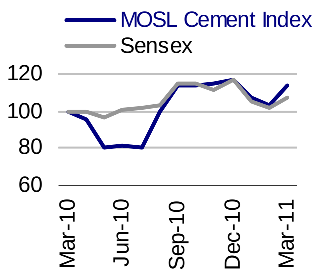
	Net Sales (Rs m)			EBITDA Margins (%)			Net Profit (Rs m)		
	4QFY11	YoY (%)	QoQ (%)	4QFY11	YoY (BP)	QoQ (BP)	4QFY11	YoY (%)	QoQ (%)
ACC	23,306	10.9	19.1	20.7	-890	1,000	3,067	-24.3	107.1
Ambuja Cements	22,112	11.1	23.6	27.3	-390	980	4,092	-7.4	62.6
UltraTech	42,807	1.8	15.2	24.8	0	570	5,744	151.3	80.1
Birla Corp	6,109	1.5	27.4	30.7	190	1,170	1,383	0.6	98.8
India Cements	9,589	-0.6	22.8	21	790	480	789	168.1	289.3
Shree Cement	10,127	7.3	29.9	28.5	-600	830	596	2,159.1	743.8
Sector Aggregate	**114,049**	**5.5**	**20**	**24.8**	**-220**	**790**	**15,672**	**25.8**	**92.1**

Source: Company/MOSL

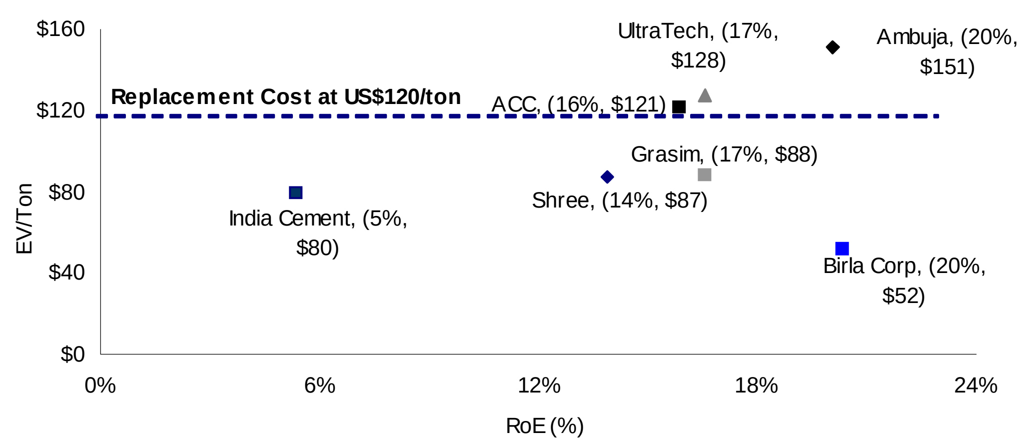
Relative Performance - 3m (%)



Relative Performance-1Yr (%)



Valuations: attractive despite recent run up (FY12)



Source: MOSL

Comparative valuation

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Cement														
ACC	1,037	Buy	53.6	59.4	76.9	19.4	17.5	13.5	11.1	9.3	6.9	16.1	15.9	18.4
Ambuja Cements	138	Buy	8.1	10.2	12.6	17.0	13.5	10.9	10.3	8.0	6.1	18.1	20.1	21.6
Birla Corporation	329	Buy	51.3	68.6	79.5	6.4	4.8	4.1	3.3	2.7	2.1	18.6	20.4	19.5
Grasim Industries	2,480	Buy	253.0	303.9	364.9	9.8	8.2	6.8	4.4	3.6	2.5	16.0	16.6	17.0
India Cements	94	Buy	2.2	7.9	10.2	42.4	11.9	9.3	12.0	7.4	5.9	1.6	5.3	6.5
Shree Cement	1,864	Neutral	169.0	239.3	267.0	11.0	7.8	7.0	8.8	6.1	4.4	30.9	40.7	40.0
Ultratech Cement	1,048	Buy	45.7	70.1	96.0	23.0	15.0	10.9	11.5	7.7	5.8	16.3	16.6	19.3
Sector Aggregate						**14.8**	**11.4**	**9.1**	**7.9**	**6.0**	**4.6**	**15.5**	**17.0**	**18.4**

ACC

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	ACC IN
Equity Shares (m)	188.0
52 Week Range (Rs)	1,133/700
1,6,12 Rel Perf (%)	-2/8/4
Mcap (Rs b)	195.0
Mcap (USD b)	4.4

CMP: Rs1,037 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
12/09A	80,272	16,399	87.2	39.0	12.2	3.2	30.0	34.5	7.1	153
12/10A	77,173	10,065	53.6	-38.6	20.7	3.0	16.1	16.3	11.1	126
12/11E	90,534	11,159	59.4	10.9	18.1	2.8	15.9	16.8	9.3	121
12/12E	106,644	14,455	76.9	29.5	13.5	2.5	18.4	20.0	6.9	114

- Dispatches during 1QCY11 are estimated to grow by 10.2% YoY (~9.6% QoQ) to 6.15mt, benefiting from recently commissioned new capacities. Average realizations are expected to improve by 8.6% QoQ (~0.6% YoY) to Rs3,790/ ton.
- Net sales are expected to grow by 19% QoQ (~11% YoY) to Rs23.3b. EBITDA margins are expected to improve by 10pp QoQ (~890bp YoY decline) to 20.7%, benefiting from QoQ improvement in realizations and operating leverage. Consequently, EBITDA is expected to improve by 130% QoQ (down ~22.5% YoY) to Rs4.8b and PAT to improve by 107% QoQ (down ~24% YoY) to Rs3.1b.
- ACC is one of the cement companies that is highly dependent on domestic coal and would be worst affected by the recent increase in domestic coal prices. We estimate increased energy cost translates into a cost increase of ~Rs4/ bag.
- After three years of muted volume growth, ACC would witness robust volume growth of ~10% CAGR over next two years driven by new capacities. We maintain our CY11 earnings estimate of Rs59.4 and for CY12 of Rs76.9. Valuations of 18.1x CY11E EPS and 9.3x CY11E EV/EBITDA are attractive considering bottom-of-the-cycle earnings. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E DECEMBER	CY10				CY11E				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Cement Sales (m ton)	5.58	5.27	4.83	5.61	6.15	5.80	5.30	6.17	21.3	23.4
YoY Change (%)	-2.6	-2.8	-3.6	4.7	10.2	10.1	9.7	10.0	-1.1	10.0
Cement Realization	3,767	3,834	3,390	3,490	3,790	3,990	3,790	3,891	3,625	3,866
YoY Change (%)	5.0	-0.1	-13.8	-2.7	0.6	4.0	11.8	11.5	-2.8	6.6
QoQ Change (%)	5.1	1.8	-11.6	2.9	8.6	5.3	-5.0	2.7		
Net Sales	**21,018**	**20,207**	**16,372**	**19,576**	**23,306**	**23,139**	**20,085**	**24,005**	**77,173**	**90,534**
YoY Change (%)	2.3	-2.9	-16.9	1.9	10.9	14.5	22.7	22.6	-3.9	17.3
Total Expenditure	14,796	14,677	14,673	17,488	18,486	17,635	17,359	19,192	61,634	72,672
EBITDA	**6,222**	**5,530**	**1,699**	**2,089**	**4,820**	**5,505**	**2,725**	**4,812**	**15,540**	**17,862**
Margins (%)	29.6	27.4	10.4	10.7	20.7	23.8	13.6	20.0	20.1	19.7
Depreciation	935	962	911	1,119	1,125	1,240	1,250	1,285	3,927	4,900
Interest	127	141	162	137	125	120	120	129	568	494
Other Income	609	497	709	1,010	750	550	850	1,100	2,825	3,250
PBT before EO Item	**5,769**	**4,924**	**1,335**	**1,842**	**4,320**	**4,695**	**2,205**	**4,498**	**13,870**	**15,718**
EO Income/(Expense)	0	0	100	1,465	0	0	0	0	1,565	0
PBT after EO Item	**5,769**	**4,924**	**1,435**	**3,306**	**4,320**	**4,695**	**2,205**	**4,498**	**15,435**	**15,718**
Tax	1,717	1,435	435	647	1,253	1,361	639	1,304	4,234	4,558
Rate (%)	29.8	29.1	30.3	19.6	29.0	29.0	29.0	29.0	27.4	29.0
Reported PAT	**4,051**	**3,489**	**1,000**	**2,659**	**3,067**	**3,333**	**1,566**	**3,193**	**11,200**	**11,159**
Adjusted PAT	**4,051**	**3,489**	**931**	**1,481**	**3,067**	**3,333**	**1,566**	**3,193**	**10,065**	**11,159**
Margins (%)	19.3	17.3	5.7	7.6	13.2	14.4	7.8	13.3	13.0	12.3
YoY Change (%)	0.1	-28.1	-78.6	-52.9	-24.3	-4.5	68.2	115.6	-38.6	10.9

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Ambuja Cements

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	ACEM IN
Equity Shares (m)	1,529.9
52 Week Range (Rs)	167/100
1,6,12 Rel Perf (%)	5/1/10
Mcap (Rs b)	211.1
Mcap (USD b)	4.7

CMP: Rs138 **Buy**

Year End	Net Sales (Rs M)	PAT (Rs M)	EPS (Rs)	EPS Growth (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
12/09A	70,769	11,872	7.8	2.1	-	-	19.6	28.4	-	-
12/10A	73,902	12,434	8.1	4.3	17.0	2.9	18.1	24.1	10.3	168
12/11E	87,813	15,621	10.2	25.6	13.5	2.6	20.1	27.4	8.0	151
12/12E	103,233	19,328	12.6	23.7	10.9	2.2	21.6	29.5	6.1	141

- Dispatches are expected to grow by 6.3% YoY (~11% QoQ) to 5.6mt, driven by a recent ramp-up of capacities in Himachal Pradesh and Chhattisgarh. Average realizations are expected to improve by 11.3% QoQ (up ~4.6% YoY) to Rs3,949/ton due to higher price recovery in two of its key markets of North and East India.

- Net sales are expected to grow by 11% YoY (~24% QoQ) to Rs22.1b. EBITDA margin is expected to improve by 970bp QoQ (down ~400bp YoY) to 27.3%, benefiting from a recovery in realizations and operating leverage. Recurring PAT is estimated to grow by 63% QoQ (down ~7% YoY) to Rs4.1b.

- Ambuja has a well diversified fuel mix, with 55-57% dependence on domestic coal. We estimate an increase by Rs2-2.5/bag in cost due to the increase in domestic coal prices by Coal India.

- We maintain our CY11 earnings estimates of Rs10.2 and CY12 at Rs12.6. With superior profitability being restored, we expect valuations to get re-rated. Valuations are 13.5x CY11E earnings and 8x CY11E EV/EBITDA, which are attractive for superior profitability. **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E December	CY10				CY11E				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales Volume (m ton)	5.27	5.34	4.35	5.04	5.60	5.90	4.75	5.55	20.00	21.80
YoY Change (%)	3.3	10.6	6.1	5.6	6.3	10.5	9.2	10.1	6.4	9.0
Realization (Rs/ton)	3,776	3,834	3,595	3,549	3,949	4,149	3,949	4,048	3,695	4,028
YoY Change (%)	4.4	0.2	-8.5	-4.5	4.6	8.2	9.8	14.1	-1.8	9.0
QoQ Change (%)	1.7	1.5	-6.2	-1.3	11.3	5.1	-4.8	2.5		
Net Sales	**19,902**	**20,476**	**15,640**	**17,885**	**22,112**	**24,476**	**18,756**	**22,469**	**73,902**	**87,813**
YoY Change (%)	7.8	10.8	-2.9	0.9	11.1	19.5	19.9	25.6	183.5	81.1
EBITDA	**6,227**	**6,032**	**2,832**	**3,146**	**6,047**	**7,412**	**4,511**	**4,884**	**18,236**	**22,854**
Margins (%)	31.3	29.5	18.1	17.6	27.3	30.3	24.1	21.7	24.7	26.0
Depreciation	767	1,001	1,018	1,086	1,100	1,125	1,140	1,156	3,872	4,521
Interest	108	81	89	209	80	82	85	83	487	330
Other Income	546	667	495	767	700	775	725	1,050	2,476	3,250
PBT before EO Item	**5,897**	**5,618**	**2,220**	**2,619**	**5,567**	**6,980**	**4,011**	**4,695**	**16,353**	**21,253**
Extraordinary Inc/(Exp)	265	0	0	0	0	0	0	0	265	0
PBT after EO Exp/(Inc)	**6,163**	**5,618**	**2,220**	**2,619**	**5,567**	**6,980**	**4,011**	**4,695**	**16,619**	**21,253**
Tax	1,476	1,705	699	102	1,475	1,850	1,063	1,244	3,983	5,632
Rate (%)	24.0	30.4	31.5	3.9	26.5	26.5	26.5	26.5	24.0	26.5
Reported Profit	**4,687**	**3,912**	**1,521**	**2,517**	**4,092**	**5,130**	**2,948**	**3,451**	**12,636**	**15,621**
Adj PAT	**4,421**	**3,912**	**1,521**	**2,517**	**4,092**	**5,130**	**2,948**	**3,451**	**12,434**	**15,621**
YoY Change (%)	32.3	20.5	-46.7	4.3	-7.4	31.1	93.8	37.1	4.7	25.6

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Birla Corporation

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	BCORP IN
Equity Shares (m)	77.0
52 Week Range (Rs)	448/290
1,6,12 Rel Perf (%)	2/-12/-21
Mcap (Rs b)	25.3
Mcap (USD b)	0.6

CMP: Rs329 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
03/10A	21,570	5,572	72.4	72.2	4.5	1.4	31.1	30.5	2.5	65
03/11E	21,494	3,952	51.3	-29.1	6.4	1.2	18.6	21.2	3.3	51
03/12E	24,965	5,280	68.6	33.6	4.8	1.0	20.4	23.9	2.7	52
03/13E	29,209	6,120	79.5	15.9	4.1	0.8	19.5	25.0	2.1	37

- In 4QFY11, Birla Corporation's revenue is expected to grow by 1.5% YoY (up ~27% QoQ) to Rs6.1b. Cement volumes are estimated to grow by 11.6% QoQ (flat YoY) to 1.66mt and cement realizations are likely to improve by 15% QoQ (down ~2% YoY) to Rs3,401/ton driven by strong recovery in its key North, East and Central India markets.
- Recovery in realizations would translate into an 11.7pp QoQ improvement (up ~190bp YoY) in EBITDA margins to 30.7%. As a result, EBITDA is estimated to grow by 106% QoQ (up ~8% YoY) to Rs1.9b, translating into PAT growth of 99% QoQ (flat YoY) to Rs1.38b.
- Birla Corp is highly dependent on domestic coal, with linkage coal contributing ~65% to its fuel requirement. We estimate a Rs4-5/bag increase due to higher energy costs after an increase in domestic linkage coal prices by Coal India.
- We maintain our EPS estimates for FY12 at Rs68.6 and FY13 at Rs79.5. The stock trades at 4.8x FY12E EPS, 2.7x EV/EBITDA and US$52/ton, which is at a discount to comparable peers. We believe the discount is not justified and valuations, based on earnings and replacement costs, are compelling. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Cement Sales (m ton)	1.21	1.29	1.50	1.66	1.49	1.39	1.49	1.66	5.65	6.02
YoY Change (%)	1.8	15.7	7.0	3.6	23.0	7.6	-0.8	0.2	6.9	6.5
Cement Realization	3,717	3,621	3,448	3,468	3,510	3,119	2,953	3,401	3,551	3,252
YoY Change (%)	20.0	17.4	17.6	6.4	-5.6	-13.9	-14.4	-1.9	14.3	-8.4
QoQ Change (%)	14.0	-2.6	-4.8	0.6	1.2	-11.1	-5.3	15.2		
Net Sales	**4,904**	**5,057**	**5,589**	**6,020**	**5,749**	**4,843**	**4,794**	**6,109**	**21,570**	**21,494**
YoY Change (%)	23.9	36.0	23.6	5.5	17.2	-4.2	-14.2	1.5	20.5	-0.4
Total Expenditure	3,148	3,122	3,964	4,284	4,102	4,077	3,884	4,232	14,519	16,294
EBITDA	**1,756**	**1,935**	**1,624**	**1,736**	**1,647**	**766**	**910**	**1,877**	**7,051**	**5,200**
Margins (%)	35.8	38.3	29.1	28.8	28.6	15.8	19.0	30.7	32.7	24.2
Depreciation	133	137	144	143	140	157	171	201	556	669
Interest	60	64	60	86	139	119	157	161	270	575
Other Income	519	249	215	400	285	370	321	337	1,383	1,313
Profit before Tax	**2,082**	**1,983**	**1,636**	**1,907**	**1,653**	**861**	**904**	**1,852**	**7,608**	**5,269**
Tax	528	463	513	532	470	171	208	468	2,036	1,317
Rate (%)	25.4	23.3	31.4	27.9	28.4	19.9	23.0	25.3	26.8	25.0
Reported PAT	**1,553**	**1,521**	**1,123**	**1,375**	**1,183**	**690**	**696**	**1,383**	**5,572**	**3,952**
Adjusted PAT	**1,553**	**1,521**	**1,123**	**1,375**	**1,183**	**690**	**696**	**1,383**	**5,572**	**3,952**
Margins (%)	31.7	30.1	20.1	22.8	20.6	14.2	14.5	22.6	25.8	18.4
YoY Change (%)	69.2	154.7	38.0	52.2	-23.9	-54.6	-38.0	0.6	72.2	-29.1

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Grasim Industries

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	GRASIM IN
Equity Shares (m)	91.7
52 Week Range (Rs)	2,950/1,740
1,6,12 Rel Perf (%)	4/20/-20
Mcap (Rs b)	227.4
Mcap (USD b)	5.1

CMP: Rs2,480 **Buy**

Year End*	Net Sales (Rs m)	PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (x)	P/BV (x)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/Ton (US$)
03/10A	199,334	27,342	298.2	25.0	8.3	1.7	22.7	23.9	3.8	-
03/11E*	203,649	23,200	253.0	-15.2	9.8	1.6	17.2	17.1	4.8	90
03/12E*	238,302	27,870	303.9	20.1	8.2	1.4	17.8	18.4	4.2	76
03/13E*	278,467	33,463	364.9	20.1	6.8	1.2	18.3	20.4	4.2	45

** Consolidated; Demerger of cement business assumed w.e.f 1 October 2009*

- Grasim's 4QFY11 VSF business volumes are estimated to grow by 2% QoQ (flat YoY) to 86,176 tons, if it operates at full capacity. VSF realizations are estimated to improve by Rs14/kg QoQ (~Rs26/kg YoY) to Rs137/kg benefiting from three price increases during 4QFY11.
- Grasim's 4QFY11 standalone revenue is estimated to grow by 20% QoQ (~31% YoY) to Rs14.5b, driven by strong improvement in VSF realizations. EBITDA margins are estimated to grow 350bp QoQ to 33.4%, benefiting from higher realizations.
- EBITDA is estimated to grow by 33% QoQ (~59% YoY) to Rs4.8b, translating into PAT growth of 34% QoQ (~31% YoY) to Rs3.8b.
- It is investing in expanding capacity of both cement (~9mt) and VSF (~156,500 ton) to cater to future growth.
- We maintain our consolidated estimates for FY12 at Rs303.9 and for FY13 at Rs364.9. The stock quotes at very attractive valuations of 8.2x FY12E consolidated EPS, 4.2x EV/EBITDA and 1.4x P/BV. Implied valuation of the cement business is US$76/ton. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E March	FY10				FY11*				FY10	FY11E
	1Q	2Q	3Q*	4Q*	1Q	2Q	3Q	4QE		
Net Sales	**30,453**	**29,838**	**10,302**	**11,037**	**9,449**	**9,326**	**12,137**	**14,504**	**81,721**	**45,416**
YoY Change (%)	18.1	11.0	-61.3	-61.9	-69.0	-68.7	17.8	31.4	-24.5	-44.4
Total Expenditure	21,600	19,676	6,404	7,999	6,437	6,689	8,502	9,667	55,756	31,295
EBITDA	**8,853**	**10,162**	**3,897**	**3,037**	**3,012**	**2,638**	**3,635**	**4,837**	**25,966**	**14,121**
Margins (%)	29.1	34.1	37.8	27.5	31.9	28.3	29.9	33.4	31.8	31.1
Depreciation	1,370	1,359	375	408	445	453	442	485	3,511	1,825
Interest	475	505	112	112	102	103	117	118	1,204	441
Other Income	620	1,432	798	925	593	1,623	842	942	3,758	4,000
PBT before EO Items	**7,628**	**9,729**	**4,209**	**3,443**	**3,058**	**3,705**	**3,917**	**5,176**	**25,008**	**15,855**
Extraordinary Inc/(Exp)	3,447	0	0	0	0	0	0	0	3,447	3,447
PBT after EO Items	**11,075**	**9,729**	**4,209**	**3,443**	**3,058**	**3,705**	**3,917**	**5,176**	**28,455**	**19,302**
Tax	2,322	2,986	1,590	549	820	908	1,089	1,384	8,724	4,202
Rate (%)	21.0	30.7	37.8	15.9	26.8	24.5	27.8	26.7	30.7	21.8
Reported PAT	**8,752**	**6,743**	**2,619**	**2,894**	**2,238**	**2,796**	**2,827**	**3,792**	**19,731**	**15,101**
Adj. PAT	**5,392**	**6,743**	**2,619**	**2,894**	**2,238**	**2,796**	**2,827**	**3,792**	**16,371**	**11,741**
Margins (%)	17.7	22.6	25.4	26.2	23.7	30.0	23.3	26.1	20.0	25.9
YoY Change (%)	4.9	60.7	-20.5	-24.8	-58.5	-58.5	7.9	31.1	-0.7	-28.3

E: MOSL Estimates; * Not comparable due to demerger of cement business

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

India Cements

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	ICEM IN
Equity Shares (m)	307.2
52 Week Range (Rs)	143/81
1,6,12 Rel Perf (%)	1/-13/-38
Mcap (Rs b)	29.0
Mcap (USD b)	0.6

CMP: Rs94 **Buy**

YEAR END *	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
03/10A	37,711	3,253	10.9	-38.5	8.7	0.7	8.4	10.6	5.9	78
03/11E	35,292	663	2.2	-79.6	42.4	0.7	1.6	3.5	11.8	80
03/12E	42,153	2,282	7.9	257.1	11.9	0.6	5.3	7.1	7.2	80
03/13E	49,241	2,930	10.2	28.4	9.3	0.6	6.5	8.7	5.7	77

* Consolidated

- India Cements' volumes are expected to grow by 19% QoQ (down ~18% YoY) to 2.43mt, driven by a pick-up in demand in South India. Cement price recovery due to production cuts will drive improvement in realizations by 4.6% QoQ (up ~22.7% YoY) to Rs3,834/ton.
- Its 4QFY11 revenues are estimated to grow by 23% QoQ (flat YoY) to Rs9.6b. We estimate revenue of Rs120m from IPL for its share in the central pool.
- We estimate EBITDA of Rs2b in 4QFY11 and EBITDA margins improvement of 480bp QoQ (up ~790bp YoY) to 21%, translating into PAT of Rs789m (up ~168% YoY and 289% QoQ).
- India Cements is highly dependent on imported coal (~60%), with ~30% of its requirements being met by domestic linkages. We estimate its energy cost will rise by Rs2-2.5/bag due to the recent increase in domestic coal prices.
- We maintain our earnings estimates for FY12 of Rs7.9 and FY13 of Rs10.2. Valuations at 11.9x FY12E EPS, 7.2x FY12E EBITDA and US$80/ton are attractive. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales Dispatches (m ton)	2.46	2.79	2.76	2.95	2.66	2.72	2.04	2.43	10.96	9.84
YoY Change (%)	3.9	15.0	38.1	26.9	8.0	-2.7	-26.1	-17.8	20.2	-10.3
Realization (Rs/ton)	3,736	3,438	3,028	3,125	3,211	2,909	3,665	3,834	3,304	3,375
YoY Change (%)	8.6	-4.1	-16.6	-16.1	-14.0	-15.4	21.1	22.7	-8.1	2.2
QoQ Change (%)	0.2	-8.0	-11.9	3.2	2.8	-9.4	26.0	4.6		
Net Sales	**9,535**	**9,894**	**8,641**	**9,643**	**8,807**	**8,412**	**7,810**	**9,589**	**37,713**	**34,617**
YoY Change (%)	13.9	4.6	14.8	8.5	-7.6	-15.0	-9.6	-0.6	10.1	-8.2
Total Expenditure	6,671	6,917	7,476	8,383	7,806	8,125	6,547	7,579	29,448	30,058
EBITDA	**2,863**	**2,977**	**1,165**	**1,260**	**1,001**	**286**	**1,263**	**2,010**	**8,266**	**4,559**
Margins (%)	30.0	30.1	13.5	13.1	11.4	3.4	16.2	21.0	21.9	13.2
Depreciation	571	572	573	616	599	610	617	626	2,331	2,451
Interest	385	374	299	369	298	280	407	411	1,426	1,395
Other Income	68	55	119	129	27	23	63	31	370	145
PBT before EO Expense	**1,976**	**2,086**	**412**	**404**	**132**	**-580**	**303**	**1,004**	**4,878**	**858**
Extra-Ord Expense	-210	13	-117	-122	-142	-113	-18	0	-436	-273
PBT	**2,186**	**2,074**	**528**	**526**	**274**	**-467**	**321**	**1,004**	**5,313**	**1,131**
Tax	745	704	180	143	24	-131	106	215	1,770	214
Rate (%)	34.1	34.0	34.1	27.1	8.8	28.0	33.1	21.4	33.3	18.9
Reported PAT	**1,441**	**1,369**	**348**	**383**	**250**	**-336**	**215**	**789**	**3,543**	**917**
Adj PAT	**1,302**	**1,378**	**271**	**294**	**120**	**-417**	**203**	**789**	**3,253**	**696**
YoY Change (%)	-16.7	-10.9	-61.3	-71.8	-90.8	-130.3	-25.3	168.1	-32.9	-78.6
Margins (%)	13.7	13.9	3.1	3.1	1.4	-5.0	2.6	8.2	8.6	2.0

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Shree Cement

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SRCM IN
Equity Shares (m)	34.8
52 Week Range (Rs)	2,542/1,505
1,6,12 Rel Perf (%)	3/-2/-25
Mcap (Rs b)	65.0
Mcap (USD b)	1.5

CMP: Rs1,864 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
03/10A	36,321	10,168	291.9	55.0	6.4	3.5	66.8	31.9	4.4	112
03/11E	34,545	5,886	169.0	-42.1	11.0	3.3	30.9	8.5	7.7	102
03/12E	44,326	8,335	239.3	41.6	7.8	3.1	40.7	8.6	5.4	87
03/13E	54,333	9,301	267.0	11.6	7.0	2.6	40.0	17.3	3.8	78

- Shree Cement's cement volumes (incl. clinker) are expected to grow by 8% QoQ (up ~5.6% YoY) to 2.82mt and realizations are expected to improve by 15.7% QoQ (down ~1.7% YoY) to Rs3,298/ton.
- Merchant power sale is estimated at 198m units (up ~155% YoY and 169% QoQ) at ~Rs4.2/unit (against Rs6.3 in 4QFY10 and Rs4.55 in 3QFY11).
- 4QFY11 sales are expected to grow by 30% QoQ (~7% YoY) to Rs10.1b. Merchant power revenues are estimated to grow by 71% YoY (~150% QoQ) to Rs838m.
- Recovery in realizations and operating leverage will drive an 830bp QoQ improvement (down ~600bp YoY) in EBITDA margins to 28.5%. Cement business EBITDA/ton is expected to improve by ~Rs380/ton QoQ (down ~Rs195/ton YoY) to Rs939/ton. Higher depreciation and interest will restrict PAT to Rs596m.
- Shree Cement is entirely dependent on pet coke and imported coal. Consequently the recent increase in domestic coal would not impact it.
- We maintain our FY12 adjusted EPS (adjusted for accelerated depreciation) estimate of Rs239.3 and in FY13 of Rs267. The stock quotes at valuations of 7.8x FY12E EPS, 5.4x FY12E EBITDA and US$87/ton. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales Dispatches (m ton)	2.55	2.48	2.56	2.67	2.49	2.28	2.62	2.82	10.25	10.20
YoY Change (%)	32.8	23.1	21.7	10.8	-2.4	-8.2	2.1	5.6	21.3	-0.5
Realization (Rs/ton)	3,479	3,447	3,205	3,355	3,272	3,010	2,851	3,298	3,373	3,113
YoY Change (%)	8.7	13.0	5.2	6.2	-5.9	-12.7	-11.0	-1.7	8.4	-7.7
QoQ Change (%)	10.2	-0.9	-7.0	4.7	-2.5	-8.0	-5.3	15.7		
Net Sales	**9,224**	**8,996**	**8,660**	**9,440**	**9,445**	**7,176**	**7,796**	**10,127**	**36,321**	**34,545**
YoY Change (%)	50.2	43.2	30.3	17.2	2.4	-20.2	-10.0	7.3	34.0	-4.9
Total Expenditure	4,966	4,847	5,298	6,185	6,550	5,749	6,221	7,244	21,296	25,764
EBITDA	**4,258**	**4,149**	**3,363**	**3,255**	**2,895**	**1,427**	**1,575**	**2,883**	**15,025**	**8,781**
Margins (%)	46.2	46.1	38.8	34.5	30.6	19.9	20.2	28.5	41.4	25.4
Depreciation	973	998	947	2,786	1,509	1,285	1,314	2,373	5,704	6,480
Interest	160	222	125	662	420	137	204	341	1,291	1,102
Other Income	473	316	160	212	287	255	19	480	1,284	1,040
PBT before EO Exp	**3,599**	**3,245**	**2,451**	**20**	**1,253**	**260**	**77**	**649**	**9,313**	**2,239**
Extra-Ord Expense	42	29	14	549	9	75	59	-72	634	70
PBT	**3,557**	**3,215**	**2,436**	**-529**	**1,244**	**185**	**18**	**722**	**8,679**	**2,169**
Tax	645	326	762	185	185	80	-257	172	1,918	179
Deferred Tax	-81	-59	118	1	-157	-59	-42	-11	-20	-269
Rate (%)	18.1	10.1	31.3	-34.9	14.9	43.0	-1,430.6	23.8	22.1	8.3
Reported PAT	**2,911**	**2,889**	**1,674**	**-714**	**1,059**	**105**	**275**	**550**	**6,761**	**1,990**
Adj PAT	**2,946**	**2,915**	**1,684**	**26**	**1,149**	**238**	**71**	**596**	**7,097**	**2,054**
YoY Change (%)	153.0	153.2	31.8	-98.9	-61.0	-91.8	-95.8	2,159.1	18.6	-71.1
Margins (%)	31.9	32.4	19.4	0.3	12.2	3.3	0.9	5.9	19.5	5.9

E:MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

UltraTech Cement

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	UTCEM IN
Equity Shares (m)	274.2
52 Week Range (Rs)	1,175/820
1,6,12 Rel Perf (%)	3/8/-10
Mcap (Rs b)	287.4
Mcap (USD b)	6.4

CMP: Rs1,048 **Buy**

Year End	Net Sales (Rs m)	PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (x)	P/BV (x)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/Ton (US$)
03/10A	70,497	10,932	87.8	11.9	11.9	2.8	26.6	28.5	14.5	125
03/11E *	130,005	12,519	45.7	-48.0	23.0	2.7	16.3	18.5	11.5	137
03/12E *	179,597	19,210	70.1	53.4	15.0	2.3	16.6	18.7	7.7	129
03/13E *	214,018	26,335	96.0	37.1	10.9	1.9	19.3	22.5	5.8	106

* Consolidated; Merger of cement business assumed w.e.f 1 July 2010

- UltraTech's results are not comparable on a YoY basis due to the merger of Grasim's cement business, but they are comparable sequentially.
- Cement volumes are estimated to grow by 6% QoQ (contract ~5.6% YoY on a like-to-like basis). Realizations are estimated to improve by 9.5% QoQ (up ~5.7% YoY) to Rs3,458/ton benefiting from a significant recovery in cement prices in North and East India. As a result, net revenues are expected to grow by 15% QoQ to Rs42.8b.
- Recovery in realizations and operating leverage will result in a 570bp QoQ improvement in EBITDA margins to 24.8%. As a result, EBITDA is estimated to improve by 50% QoQ to Rs10.6b and PAT to grow by ~80% QoQ to Rs5.7b.
- UltraTech has a well diversified fuel mix, with ~53% dependence on domestic coal. We estimate ~Rs2.5/bag increase in cost due to the increase in domestic coal prices by Coal India.
- Our earning estimates are yet to consolidate for ETA Star Cement (UAE). We maintain our earnings estimates for FY12 at Rs70.1 and for FY13 at Rs96. The stock trades at 15x FY12E EPS, 7.7x FY12E EV/EBITDA and US$129/ton. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E March	FY10				FY11*				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales (m ton) *	10.2	8.7	9.8	11.0	10.3	9.2	9.80	10.42	20.2	39.7
YoY Change (%)	NA	NA	NA	NA	0.6	5.1	0.1	-5.6	11.3	-0.1
Realization (Rs/ton) *	3,635	3,613	3,251	3,273	3,353	2,941	3,158	3,458	3,435	3,237
YoY Change (%)	9.4	7.8	-4.2	-1.9	-7.7	-18.6	-2.9	5.7	2.4	-5.8
QoQ Change (%)	9.0	-0.6	-10.0	0.7	2.5	-12.3	7.4	9.5		
Net Sales	**19,528**	**15,408**	**16,518**	**19,094**	**39,898**	**32,147**	**37,152**	**42,807**	**70,497**	**152,005**
YoY Change (%)	30.5	10.4	1.3	2.6	104.3	108.6	124.9	124.2	10.4	115.6
EBITDA	**7,168**	**4,700**	**3,836**	**4,027**	**9,997**	**4,078**	**7,078**	**10,601**	**19,711**	**31,754**
Margins (%)	36.7	30.5	23.2	21.1	25.1	12.7	19.1	24.8	28.0	20.9
Depreciation	936	967	985	993	2,132	2,184	2,191	2,200	3,881	8,707
Interest	330	299	262	285	787	845	818	850	1,175	3,300
Other Income	342	308	300	259	858	684	606	750	1,227	2,898
PBT after EO Expense	**6,244**	**3,743**	**2,888**	**3,007**	**7,936**	**1,733**	**4,675**	**8,301**	**15,882**	**22,645**
Tax	2,067	1,234	928	721	2,359	575	1,486	2,557	4,949	6,976
Rate (%)	33.1	33.0	32.1	24.0	29.7	33.2	31.8	30.8	31.2	30.8
Reported PAT	**4,178**	**2,509**	**1,960**	**2,286**	**5,577**	**1,158**	**3,190**	**5,744**	**10,932**	**15,669**
Adj PAT	**4,178**	**2,509**	**1,960**	**2,286**	**5,577**	**1,158**	**3,190**	**5,744**	**10,932**	**15,669**
YoY Change (%)	57.6	52.8	-17.8	-26.1	33.5	-53.9	62.7	151.3	10.0	43.3

E: MOSL Estimates; * Including Samruddhi Cement

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Engineering

COMPANY NAME
- ABB
- BGR Energy
- BHEL
- Crompton Greaves
- Cummins India
- Havells India
- Larsen & Toubro
- Siemens
- Thermax

4QFY11: Execution remains strong; Sluggish intake outlook

During 4QFY11, we expect Engineering companies under our coverage to report revenue growth of 25% YoY, Adj EBITDA growth of 20% YoY and net profit growth of 28% YoY.

High inflation and interest rates key risk to growth: Capital Goods Index de-grew 9.3% and 19% in December and January. Higher rates on working capital financing and lack of liquidity for project financing are key challenges for capex upturn in the medium term. From April to September IIP growth rates have averaged 10.6% while for October to January they averaged 5.5% given the issues of inflation and rising interest rates.

Execution remains on track but intake growth lackluster: Revenue growth in 3QFY11 stood at 20% YoY for the Engineering sector. For 4QFY11, we expect revenue growth of 28% YoY, given expanded capacities of BHEL to (15GW) and healthy order backlog of the industry with BTB's of 2.7xTTM revenues. Order intake during 3QFY 11 declined 15% YoY for our engineering universe, at Rs372b. The decline in order intake ex-BHEL stood at 9% YoY. For 9mFY11 order intake ex-BHEL grew 7% YoY indicative of a broad based intake growth across the universe. The bulk tendering of 11 units of 660MW (Rs250b) to BHEL, L&T and BGR should push up the growth rates in early FY12.

4QFY11E industry EBITDA margins at 17.5% (down 20bp YoY), Material prices increase: In 4QFY11, we expect EBIDTA margins at 17.5% (down 20bp YoY). In 4QFY11, we expect margin decline for BHEL (down 151bpYoY), Havells (down 185bp YoY), L&T (down 130bp YoY) while ABB should see margins at 3.5% (up 333bp YoY). Both Steel and Copper prices have increased by more than 50% from 1QFY10 levels and are up ~30% in YTD FY11. Steel and Copper prices on QoQ basis have risen 17% and 12% and in 2HFY11 by 23% and 32% respectively. We believe that this will keep margins under check despite strong volume growth across companies.

Valuations attractive, Buy: This sector universe trades at FY12E P/E of 18x and P/BV of 5x. We expect revenue and PAT CAGR of 21% and 20% over FY11-13E. Despite near term uncertainties like rising interest rates, lower project awards we remain positive on the upturn in government and private capex in the country. We are positive on the sector with **Buy** ratings for BHEL, L&T, Siemens, Cummins, Havells and BGR Energy.

Expected quarterly performance summary (Rs million)

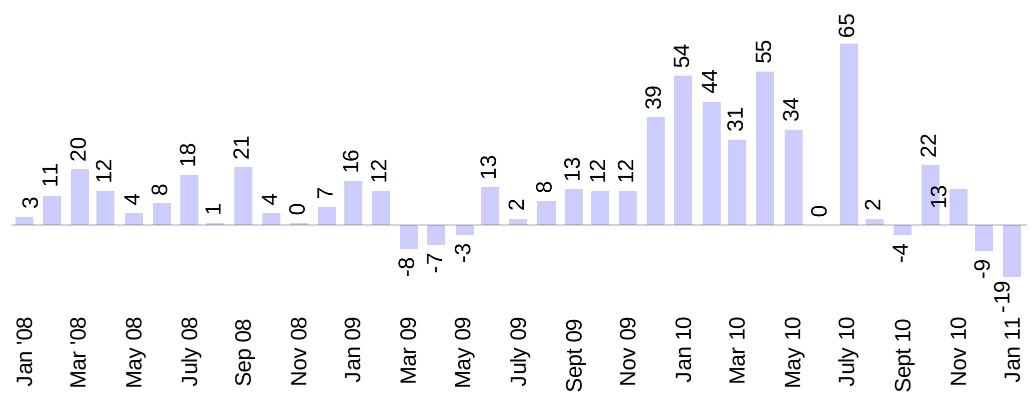
	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
ABB	784	Neutral	15,821	8.7	-22.8	558	1835.1	393.8	384	478.5	466.4
BGR Energy	478	Buy	14,277	-13.8	14.1	1,598	-8.8	8.5	892	-17.7	1.8
BHEL	2,090	Buy	162,154	19.6	79.7	39,493	12.6	90.6	26,789	18.4	99.4
Crompton Greaves	268	Neutral	18,394	13.7	31.5	2,982	10.2	30.8	2,080	9.1	18.2
Cummins India	653	Buy	11,385	44.4	14.7	2,323	44.4	29.3	1,726	45.9	24.3
Havells India	364	Buy	8,092	14.3	11.2	841	-3.0	-7.9	660	2.4	8.0
Larsen & Toubro	1,598	Buy	160,579	20.1	41.8	22,511	9.8	81.9	14,984	12.0	86.1
Siemens	875	Buy	29,000	30.3	14.3	3,761	31.4	3.7	2,557	41.2	4.9
Thermax	594	Neutral	14,846	21.8	19.6	1,911	30.4	30.5	1,154	16.3	15.1
Sector Aggregate			**434,548**	**18.7**	**42.3**	**75,979**	**13.6**	**69.7**	**51,226**	**17.2**	**72.9**

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

Macro data points show a short term impact to growth and capex upturn

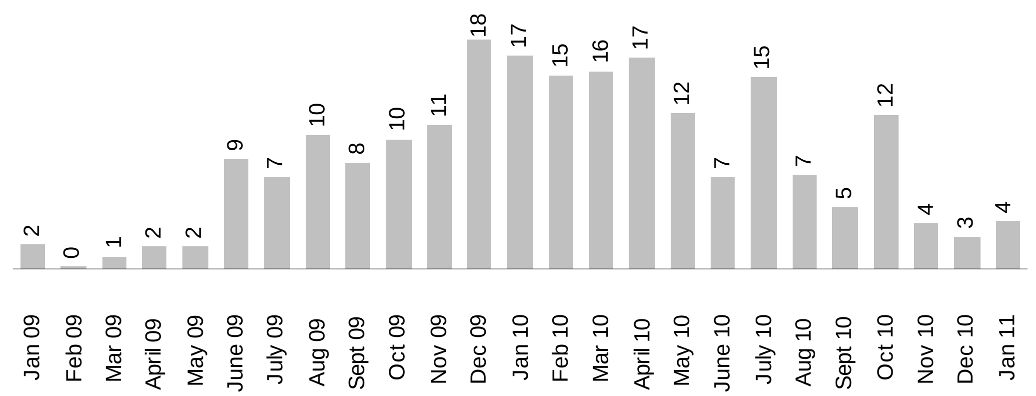
Index de-grew by 9.3% and 19% in December and January given base effect and high inflation. Higher rates on working capital financing and lack of liquidity for project financing for companies are the challenges for capex upturn

Capital Good Index (% YoY): High inflationary environment and higher base slowing down growth



From April to September IIP growth rates have averaged 10.6% while for October to January they averaged 5.5%. IIP grew by 3.6% in November, 2.5% in December and 3.7% in January, given inflationary pressures and interest rate hikes

IIP Growth (% YoY): Growth slows down

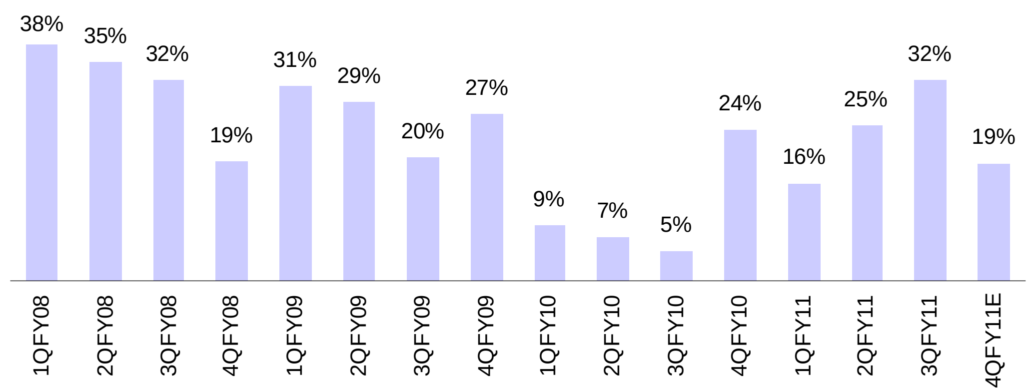


Source: MOSPI/Bloomberg

Execution remains strong

For4QFY11E we expect revenue growth of 20%. Project execution has remained strong in 9mFY11 where revenues grew by 25% YoY. With average BTB of 2.7xTTM, we expect revenue CAGR of 22% through FY11-13E

Expect 4QFY11 revenue growth of 20%; 9mFY11 revenue growth at 25% YoY



Source: Company/MOSL

During 4QFY11E we expect robust growth for Cummins, Siemens and Thermax, while growth rates in BHEL and L&T remain consistent. Considering that the BTB ratios of most of the project companies ranges between 2-4xTTM, speedy execution remains the key challenge to superior earnings growth

Cummins, Siemens, Thermax to report robust revenue growth; BHEL, L&T consistent growth

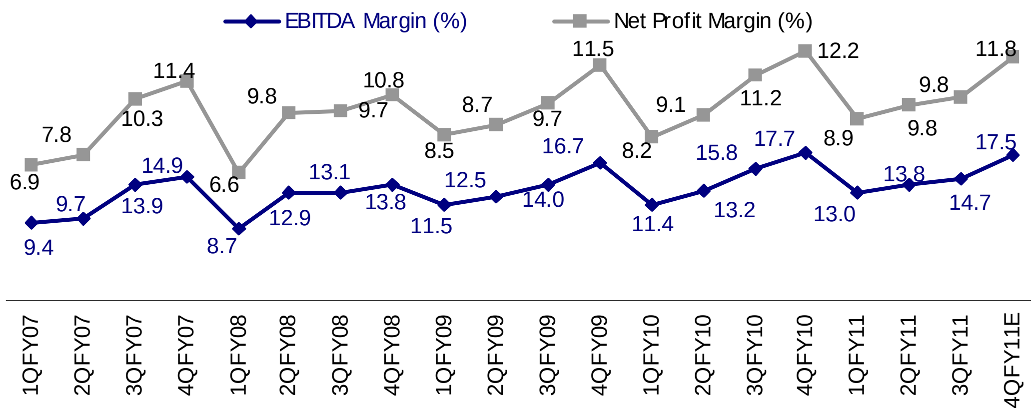
(%)	4QFY10	4QFY11E	FY10
ABB	5	9	-6
BHEL	29	20	26
BGR Energy	131	-14	60
Crompton	19	14	15
Cummins	-27	44	-14
Havells	23	14	13
L&T	28	20	9
Siemens	-7	31	3
Thermax	29	22	-2
Industry	**24**	**19**	**12**

Source: Company/MOSL

Rising costs keep EBITDA margins on a tight leash at 17.5% (down 20bp YoY)

In 4QFY11, expect margin declines for BHEL (down 151bpYoY), Havells (down 185bp YoY), L&T (down 52bp YoY) while ABB should see margins at 3.5% (up 333bp YoY). Rising prices of steel (up 30% in YTD FY11) and Copper (up 32% in YTD FY11) will keep margins under pressure

4QFY11E expect industry margins to be at 17.2% (down 50bp YoY)

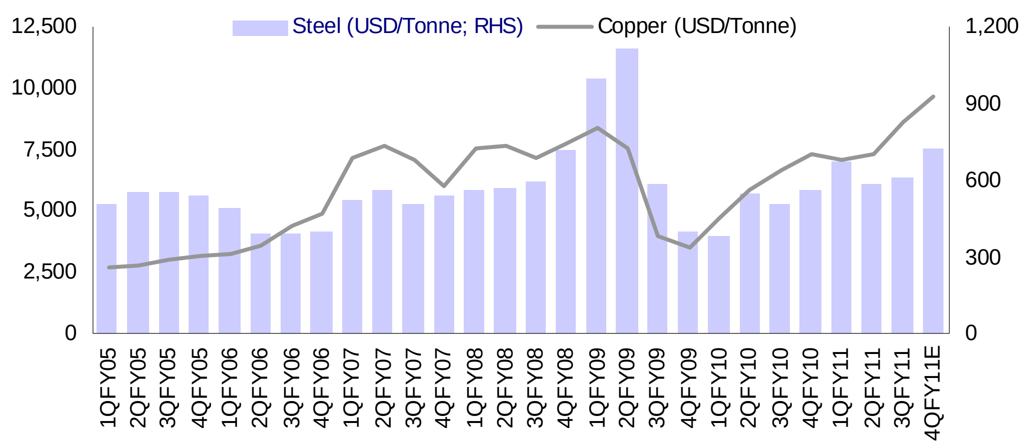


Source: Company/MOSL

Commodity prices more than double since lows of 1QFY10 (USD/ton)

Both Steel and Copper prices have increased by more than 50% from 1QFY10 levels and are up ~30% in YTD FY11. Steel and Copper prices on QoQ basis have risen 17% and 12% and in 2HFY11 by 23% and 32% respectively. We believe that this will keep margins under check despite strong volume growth across companies

Steel and Copper prices rise ~30% in YTD FY11

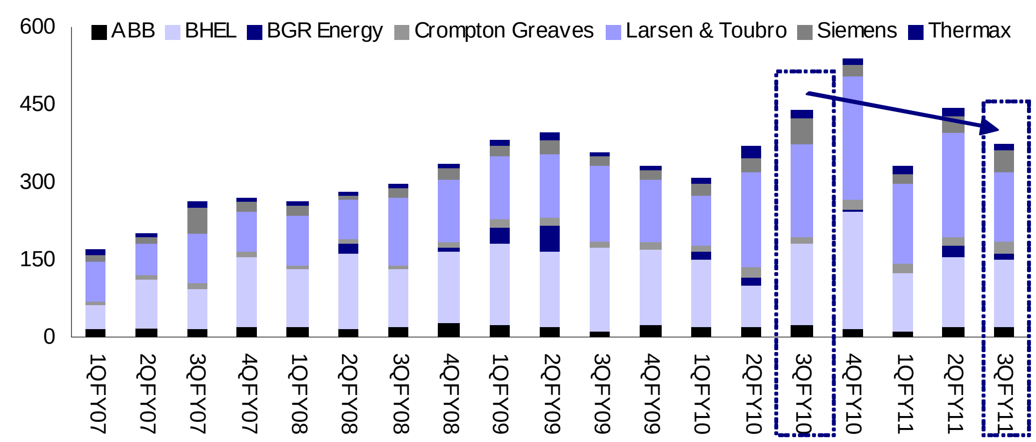


Source: Company/MOSL

3QFY11 industry intake drops 12% YoY; BTB at 2.7xTTM revnues

Order intake during 3QFY 11 declined 15% YoY for our engineering universe, at Rs372b. The decline in order intake ex-BHEL stood at 9% YoY. For 9mFY11 order intake ex-BHEL grew 7% YoY indicative of a broad based intake growth across the universe. The bulk tendering of 11 units of 660MW (Rs250b) to BHEL, L&T and BGR should push up the growth rates in early FY12

3QFY11 Order intake trend (Rs b): Intake declines 15% YoY



Source: Company/MOSL

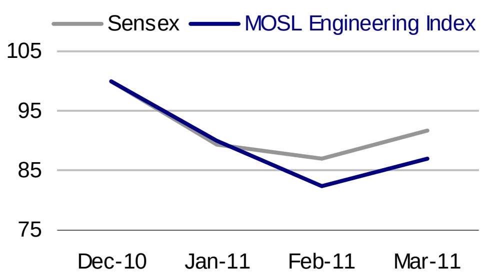
BHEL offers the best earnings visibility in the universe (BTB of 4.3x). The bulk tendering award of 11X660MW in FY12 will push up the BTB ratios for new as well as established players like BHEL, L&T and BGR Energy

Order backlog (Rs b) and book to bill (x)

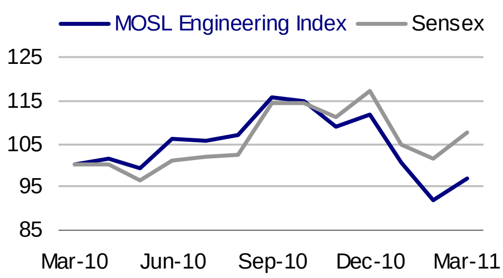
Company	Order Backlog (Dec 2010)	BTB (x)
ABB	84	1.3
BHEL	1,580	4.2
BGR Energy	93	1.9
Crompton Greaves	70	0.7
Larsen & Toubro	1,148	2.7
Siemens	151	1.6
Thermax	72	1.6

Source: Company/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (Rs) 25.03.11	Rating	EPS (Rs) FY11E	EPS (Rs) FY12E	EPS (Rs) FY13E	P/E (x) FY11E	P/E (x) FY12E	P/E (x) FY13E	EV/EBITDA FY11E	EV/EBITDA FY12E	EV/EBITDA FY13E	RoE (%) FY11E	RoE (%) FY12E	RoE (%) FY13E
Engineering														
ABB	784	Neutral	3.0	18.5	24.7	262.7	42.3	31.7	107.2	26.9	19.7	2.6	14.8	17.1
BGR Energy	478	Buy	43.0	49.0	61.4	11.1	9.7	7.8	6.3	5.3	4.4	36.9	31.3	29.9
BHEL	2,090	Buy	119.2	146.4	173.0	17.5	14.3	12.1	10.3	8.2	6.8	32.6	32.2	30.8
Crompton Greaves	268	Neutral	14.4	17.3	20.4	18.7	15.5	13.2	12.2	10.1	8.2	28.4	26.6	24.8
Cummins India	653	Buy	31.3	40.0	48.6	20.9	16.3	13.4	14.7	11.5	9.1	36.1	37.6	36.5
Havells India	364	Buy	20.1	27.3	33.7	18.1	13.3	10.8	11.4	8.9	7.2	40.7	38.3	34.0
Larsen & Toubro	1,598	Buy	71.0	81.5	101.0	22.5	19.6	15.8	18.6	16.4	13.4	18.7	18.4	19.4
Siemens	875	Buy	22.5	31.3	39.7	38.9	28.0	22.1	21.4	16.9	13.0	25.9	27.3	28.3
Thermax	594	Neutral	31.5	41.1	49.8	18.8	14.5	11.9	12.1	9.3	7.6	30.9	31.5	29.7
Sector Aggregate						**21.6**	**17.4**	**14.4**	**14.4**	**11.7**	**9.5**	**25.1**	**25.8**	**25.9**

ABB

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	ABB IN
Equity Shares (m)	211.9
52 Week Range (Rs)	975/596
1,6,12 Rel Perf (%)	9/-5/-12
Mcap (Rs b)	166.1
Mcap (USD b)	3.7

CMP: Rs784 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/09A	62,372	3,546	16.7	-33.4	46.8	6.9	15.6	24.3	2.6	30.4
12/10A	62,871	632	3.0	-82.2	262.7	6.7	2.6	4.8	2.6	107.2
12/11E	71,914	3,928	18.5	521.4	42.3	5.9	14.8	23.4	2.2	26.9
12/12E	85,978	5,242	24.7	33.4	31.7	5.0	17.1	26.9	1.8	19.7

- Order backlog at end 4QCY10 stood at Rs84b, down 0.5% YoY; book to bill ratio stood at 1.3x TTM revenues and has increased from 0.9x in CY08. This is driven by increased share of projects in order book, which entail a comparatively higher execution period.
- For 4QCY10, order intake stood at Rs14b down 41% YoY. These orders largely pertain to the product business. ABB announces orders very selectively and thus order announcements do not provide an indication of the actual intake. Order intake during CY10 stood at Rs63b and was down 27% YoY.
- 4QCY10 revenue growth was up 9% YoY and 52% QoQ. Sluggish growth in power systems (CY10 rev up 6%), Process Automation (CY10 rev down 2%) and Power products (CY10 rev down 9%) has impacted CY10 growth. For 1QCY11 we expect flat revenues (down 1%YoY). Poor order intake, project withdrawals and extended threshold levels of revenue and margin recognition have led to flat revenues and a PAT decline of 82% YoY in CY10.
- EBITDA margins during 4QCY10 stood at 0.6%. This steep contraction was due to decline in the Power systems where EBIT margins were negative 6% and for Power products they again stood at 4% vs 6.5%. Cost escalations, project related write-offs, price driven competition in the product business have been some of the reasons for the decline in margins for the power group. For 1QCY11, we expect EBITDA margins of 3.5%, up 333bp YoY.
- During 4QCY10 PAT declined 92% YoY and for CY10 was down 82% YoY. For 1QCY11 we expect PAT to grow 6x due to base effect (as 1QCY10 PAT declined 92% YoY). Profitability in the power systems (20% of revenues) still continues to be a drag.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY10				CY11E				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**14,559**	**14,466**	**13,490**	**20,506**	**15,821**	**15,821**	**16,540**	**23,732**	**62,871**	**71,914**
Change (%)	4.5	(3.9)	(7.2)	8.8	8.7	9.4	22.6	15.7	0.8	14.4
EBITDA	**29**	**500**	**-134**	**113**	**558**	**812**	**1,379**	**3,030**	**838**	**5,779**
Change (%)	-97.7	-60.9	-111.0	-91.2	1,835.1	62.2	-1,125.0	2,578.9	-84.2	589.9
As % of Sales	0.2	3.5	(1.0)	0.6	3.5	5.1	8.3	12.8	1.3	8.0
Depreciation	120	122	126	148	129	135	135	163	517	562
Interest	38	43	45	48	39	44	46	47	174	175
Other Income	212	220	513	240	200	200	300	300	855	1,001
PBT	**83**	**555**	**208**	**156**	**591**	**833**	**1,498**	**3,120**	**1,002**	**6,043**
Tax	17	172	93	88	207	292	524	1,092	370	2,115
Effective Tax Rate (%)	20.4	31.0	44.7	56.5	35.0	35.0	35.0	35.0	36.9	35.0
Repoted PAT	**66**	**383**	**115**	**68**	**384**	**542**	**974**	**2,028**	**632**	**3,928**
Adj. PAT	**66**	**383**	**115**	**68**	**384**	**542**	**974**	**2,028**	**632**	**3,928**
Change (%)	-91.5	-54.2	-86.1	-92.1	478.5	41.4	746.5	2,890.5	-82.2	521.4

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

BGR Energy

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	BGRL IN
Equity Shares (m)	72.0
52 Week Range (Rs)	871/402
1,6,12 Rel Perf (%)	1/-31/-13
Mcap (Rs b)	34.4
Mcap (USD b)	0.8

CMP: Rs478 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	30,779	2,016	28.0	74.2	17.1	4.9	31.7	22.8	1.1	9.6
03/11E	47,220	3,095	43.0	53.6	11.1	3.5	36.9	24.8	0.7	6.2
03/12E	56,559	3,529	49.0	14.0	9.7	2.7	31.3	22.6	0.6	5.3
03/13E	72,211	4,420	61.4	25.2	7.8	2.1	29.9	22.8	0.5	4.2

- For 4QFY11, we expect revenues of Rs14b, down 14%YoY, EBITDA of Rs1.6b, down 9% and net profit of Rs892m, down 18%YoY. For FY11 we expect revenue growth of 54% YoY with margins of 11.4% (+flat YoY) while PAT at Rs892m (down 18% YoY).
- Order book for BGR at end 3QFY11 was at Rs93b (down 20%YoY, down 11%QoQ) with BTB ratio 2xTTM revenues. BGR is technically qualified for two super-critical projects of the Rajasthan Electricity Board, each with 2 x 660MW configuration worth Rs65b. BGR expects to will at least one of them. There has been delay in price bid submission for the projects (earlier it was expected in September 2010) due to various reasons. Success in the project will ensure order-inflow of Rs120b, almost 3.5 x FY10 order-intake, providing significant earnings visibility for FY12-13.
- We have revised our FY11 EPS upwards by 5%, due to better than expected margins reported. However, we have reduced our FY12 revenue and EPS estimate by 12% and 8%, respectively. Earnings downgrade in FY12 is due to delay in finalization of Rajasthan based EPC contract.
- The company is also expecting bids to be invited for another 1 x 600 MW power project, in Tamil Nadu. BGR is already executing a 600 MW power project in the state. The company has bid for the boiler package of NTPC bulk tender (11 x 660 MW). We expect BGR's order-book to double to Rs200b by the end of FY11.
- We expect BGR to report revenue and PAT CAGR's of 24% and 20% through FY11-13E.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**3,111**	**4,660**	**6,351**	**16,571**	**9,054**	**11,337**	**12,511**	**14,277**	**30,692**	**47,220**
Change (%)	1.4	9.7	34.4	130.7	191.1	143.3	97.0	-13.8	59.7	53.8
EBITDA	**422**	**596**	**714**	**1,752**	**1,038**	**1,323**	**1,472**	**1,598**	**3,480**	**5,382**
Change (%)	35.5	36.2	44.2	112.6	145.7	122.0	106.1	-8.8	63.3	54.6
As of % Sales	13.6	12.8	11.2	10.6	11.5	11.7	11.8	11.2	11.3	11.4
Depreciation	21	23	24	31	31	33	34	44	98	141
Interest	163	164	93	118	116	138	168	234	538	656
Other Income	67	53	37	39	26	26	17	31	202	100
PBT	**307**	**463**	**635**	**1,642**	**917**	**1,178**	**1,287**	**1,351**	**3,047**	**4,684**
Tax	104	157	216	559	312	400	411	459	1,037	3,091
Effective Tax Rate (%)	34.0	34.0	34.0	34.0	34.0	34.0	32.0	34.0	34.0	66.0
Reported PAT	**202**	**306**	**419**	**1,083**	**605**	**778**	**876**	**892**	**2,010**	**3,091**
Change (%)	17.4	29.0	54.0	130.6	199.2	154.5	108.9	-17.7	74.7	53.8
Adj PAT	**202**	**306**	**419**	**1,083**	**605**	**778**	**876**	**892**	**2,010**	**3,091**
Change (%)	17.4	29.0	54.0	130.6	199.2	154.5	108.9	(17.7)	74.7	53.8

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

BHEL

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	BHEL IN
Equity Shares (m)	489.5
52 Week Range (Rs)	2,695/1,905
1,6,12 Rel Perf (%)	0/-9/-19
Mcap (Rs b)	1022.9
Mcap (USD b)	22.9

CMP: Rs2,090 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	334,757	46,839	95.7	31.3	21.8	6.4	32.5	51.4	2.8	15.6
03/11E	403,304	58,340	119.2	24.6	17.5	5.2	32.6	53.1	2.2	10.3
03/12E	496,027	71,656	146.4	22.8	14.3	4.1	32.2	53.5	1.8	8.2
03/13E	601,472	84,707	173.0	18.2	12.1	3.4	30.8	50.1	1.5	6.8

- For 4QFY11, we expect revenues of Rs162b, up 20% YoY led by steady execution. 3QFY11 order backlog stood at Rs1,580b, up 18% YoY. We expect FY11 end backlog to be at Rs1,655b, up 15% YoY.
- For 4QFY11 EBITDA margins are expected to be at 24.4%, down 151bp YoY while PAT at Rs27b is expected to grow 18% YoY. For FY11 we expect revenue and PAT growth of 20% and 25% respectively.
- For 4QFY11, public announcement of large orders received add up to Rs67b. The Rs32b (2X500MW) order received from West Bengal Power Development Corporation, Export order for gas turbines from republic of Yemen (Rs20b) and Rs14b (600MW) order from APGENCO for Rayalaseema thermal power plant.
- BHEL remains front runner for receiving a significant share of the bulk tendering order for 11 sets of 660MW worth Rs250b for complete turnkey. Intake for 3QFY11 stood at Rs128bn (down 18% YoY) and for 9mFY11 at Rs371bn up 2% YoY. Order intake for FY11E stands Rs628bn up 6% YoY.
- During the quarter, BHEL signed an agreement with Abengoa, Spain to bid for EPC orders in building Concentrated Solar Power Projects (CSP's) in India. This comes in context of Jawaharlal Nehru Nataional Solar Mission which aims to at setting up 20GW of solar power projects in the country by 2022.
- We expect PAT and revenue CAGR of 20% and 22% through FY11-13E.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales (Net)	**55,957**	**66,252**	**72,292**	**135,591**	**64,797**	**84,907**	**90,233**	**162,154**	**328,803**	**394,785**
Change (%)	29.3	24.0	20.0	28.6	15.8	28.2	24.8	19.6	25.3	20.1
EBITDA	**5,920**	**12,318**	**15,617**	**28,728**	**9,670**	**16,324**	**20,717**	**39,493**	**62,583**	**86,204**
Change (%)	28.8	51.6	36.1	43.2	63.4	32.5	32.7	37.5	41.4	37.7
As a % Sales	10.6	18.6	21.6	21.2	14.9	19.2	23.0	24.4	19.0	21.8
Adjusted EBITDA	**5,920**	**12,318**	**15,617**	**35,074**	**9,670**	**16,324**	**20,717**	**39,493**	**68,929**	**86,204**
Change (%)	9.3	35.6	24.5	47.3	63.4	32.5	32.7	12.6	35.5	25.1
As a % Sales	10.6	18.6	21.6	25.9	14.9	19.2	23.0	24.4	21.0	21.8
Interest	43	45	69	178	38	59	145	239	335	482
Depreciation	961	934	1,038	1,647	1,269	1,341	1,447	1,396	4,580	5,453
Other Income	2,271	1,955	1,933	2,080	1,635	1,620	1,529	2,021	8,239	6,805
PBT	**7,187**	**13,294**	**16,443**	**28,983**	**9,998**	**16,544**	**20,655**	**39,879**	**65,907**	**87,075**
Tax	2,481	4,715	5,717	9,887	3,301	5,121	6,623	13,691	22,800	28,735
Effective Tax Rate (%)	34.5	35.5	34.8	34.1	33.0	31.0	32.1	34.3	34.6	33.0
Reported PAT	**4,706**	**8,579**	**10,726**	**19,096**	**6,697**	**11,423**	**14,032**	**26,789**	**43,106**	**58,940**
Change (%)	22.4	39.3	35.7	41.7	42.3	33.2	30.8	40.3	37.4	36.7
Adj. PAT	**4,533**	**8,579**	**11,096**	**22,633**	**6,697**	**11,423**	**13,432**	**26,789**	**46,839**	**58,340**
Change (%)	3.5	26.6	29.0	42.2	47.7	33.2	21.1	18.4	31.3	24.6

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

Crompton Greaves

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	CRG IN
Equity Shares (m)	641.5
52 Week Range (Rs)	349/219
1,6,12 Rel Perf (%)	4/-10/1
Mcap (Rs b)	172.1
Mcap (USD b)	3.9

CMP: Rs268 **Neutral**

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	91,409	8,266	12.9	47.6	20.8	6.9	34.3	34.3	1.8	12.9
3/11E	98,586	9,214	14.4	11.5	18.7	5.3	28.4	28.4	1.6	11.9
3/12E	114,520	11,108	17.3	20.6	15.5	4.1	26.6	26.6	1.4	9.6
3/13E	134,727	13,075	20.4	17.7	13.2	3.3	24.8	24.8	1.1	6.3

** Consolidated; pre-exceptionals*

- For 4QFY11, we expect Crompton Greaves to report standalone revenues of Rs18b up 14% YoY and FY11 at Rs60b, up 14% YoY. We expect PAT at Rs2b up 9% YoY and for FY11 at Rs6.8b, up 19% YoY.

- Consolidated order backlog at end 3QFY11 stood at Rs70b with BTB of 0.7x, and was up 15% YoY. The international business has a backlog at Rs33bn and forms 47% of the consolidated backlog. The standalone order book at end 3QFY11 was at Rs37b, was up 25% YoY and forms 53% of the overall backlog. Management has guided for FY11 standalone revenue growth of 14-15% YoY and for international at 5-7% growth in local currency. In FY10, Crompton emerged as the biggest player in the 765Kv market with a 45% share in transformers and reactor orders from PGCIL.

- During 3QFY11, international business revenues declined 2% YoY while PAT declined 14% YoY. EBITDA margins were at 11.2% (flat YoY). For FY11E we expect the business to record flat revenue growth and 2% PAT growth due to lack of volume growth in EU and US leading to limited operational leverage available to expand margins.

- EBITDA margins for standalone business for 3QFY11 stood at 16.3% (down 30bp YoY). For 4QFY11, we expect margins at 16.2% (down 50bp YoY) and for FY11 at 16% down 20bp YoY.
  We expect Crompton to report consolidated earnings of Rs14 (up 12% YoY) for FY11E and for FY12E to be at Rs17.3 (up 21% YoY) with a consolidated PAT CAGR of 19% through FY11-13E.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**11,735**	**12,686**	**12,238**	**16,182**	**13,429**	**14,448**	**13,986**	**18,394**	**52,840**	**60,257**
Change (%)	8.4	16.8	13.3	18.8	14.4	13.9	14.3	13.7	14.6	14.0
EBITDA	**1,740**	**2,094**	**2,036**	**2,707**	**2,094**	**2,309**	**2,281**	**2,982**	**8,578**	**9,666**
Change (%)	26.1	46.7	46.9	24.9	20.3	10.3	12.0	10.2	34.8	12.7
As of % Sales (Adj)	14.8	16.5	16.6	16.7	15.6	16.0	16.3	16.2	16.2	16.0
Depreciation	128	129	132	129	172	195	211	223	519	802
Interest	-6	0	11	38	-6	-7	23	15	44	25
Other Income	84	99	167	337	148	193	221	243	688	805
PBT	**1,702**	**2,064**	**2,060**	**3,281**	**2,075**	**2,314**	**2,268**	**2,987**	**9,106**	**9,644**
Tax	555	703	705	970	654	729	507	907	2,933	2,797
Effective Tax Rate (%)	32.6	34.1	34.2	29.6	31.5	31.5	22.4	30.4	32.2	29.0
Reported PAT	**1,147**	**1,361**	**1,354**	**2,311**	**1,422**	**1,585**	**1,760**	**2,080**	**6,173**	**6,847**
Adj PAT	**1,147**	**1,361**	**1,354**	**1,907**	**1,422**	**1,585**	**1,760**	**2,080**	**5,770**	**6,847**
Change (%)	29.1	47.1	59.8	45.7	23.9	16.5	30.0	9.1	46.0	18.7

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

Cummins India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	KKC IN
Equity Shares (m)	198.0
52 Week Range (Rs)	810/480
1,6,12 Rel Perf (%)	-7/-6/22
Mcap (Rs b)	129.2
Mcap (USD b)	2.9

CMP: Rs653 **Buy**

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	28,449	4,439	22.4	7.1	29.1	8.4	30.4	39.5	4.3	23.0
3/11E	41,504	6,197	31.3	39.6	20.9	6.9	36.1	44.9	2.9	14.7
3/12E	52,245	7,918	40.0	27.8	16.3	5.5	37.6	46.4	2.3	11.5
3/13E	62,219	9,622	48.6	21.5	13.4	4.4	36.5	44.6	1.9	9.1

** Consolidated; pre-exceptionals*

- For 4QFY11, we expect revenues of Rs11b, up 44%YoY, EBITDA of Rs2.3b, up 44% with margins at 20.4% (flat YoY) and net profit of Rs1.7b, up 46%YoY. For FY11, we expect revenue growth of 46% YoY with margins of 20% (+150bp YoY) and PAT growth of 40% YoY.
- We expect domestic sales to grow at a CAGR of 20% in FY11-13E. We expect project exports to grow to Rs15b by FY12, from low of Rs4.8bin FY10, buoyed by strong recovery in American and Asian markets. Cummins Inc has identified as India as a key outsourcing destination for <200KVA sets. The company supplies K, N series engines of various displacements like 28, 38 and 50 litres.
- We believe that better product mix, healthy pricing environment, stable commodity prices and continuous cost-cutting initiatives will keep margins strong going forward
- Cummins India will spend US$300m on its new mega-site at Phaltan near Pune. In FY11 the company will commission four facilities, including a parts distribution centre and reconditioning factory at the megasite, on which it began work about two years ago.
- We expect Cummins India to post 22% and 25% revenue and PAT CAGR over FY11-13E. Earnings will be driven by strong revenue growth and stable margins of 19-20%.Our EPS estimates stand at Rs31 (up 40%) for FY11E and Rs40 for FY12E (up 28%).

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**6,398**	**6,191**	**8,380**	**7,883**	**9,279**	**10,914**	**9,925**	**11,385**	**28,449**	**41,504**
Change (%)	-9.5	-21.6	11.8	-27.1	45.0	76.3	18.4	44.4	-13.9	45.9
EBITDA	**1,174**	**1,135**	**1,898**	**1,609**	**1,975**	**2,172**	**1,796**	**2,323**	**5,275**	**8,267**
Change (%)	25.2	8.4	35.1	-11.6	68.3	91.5	-5.3	44.4	10.5	56.7
As of % Sales	18.3	18.3	22.6	20.4	21.3	19.9	18.1	20.4	18.5	19.9
Depreciation	89	99	76	98	93	93	91	89	361	366
Interest	6	8	0	3	4	4	3	9	21	20
Other Income	166	165	206	138	97	205	103	204	1,216	608
PBT	**1,245**	**1,193**	**2,028**	**1,646**	**1,974**	**2,281**	**1,805**	**2,429**	**6,109**	**8,489**
Tax	350	316	543	463	572	602	416	703	1,670	2,292
Effective Tax Rate (%)	28.1	26.4	26.8	28.1	29.0	26.4	23.0	28.9	27.3	27.0
PAT	**896**	**878**	**1,485**	**1,183**	**1,403**	**1,679**	**1,389**	**1,726**	**4,439**	**6,197**
Change (%)	1.5	-6.6	11.4	0.1	56.6	91.3	-6.5	45.9	2.4	39.6

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

Havells India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HAVL IN
Equity Shares (m)	124.8
52 Week Range (Rs)	447/264
1,6,12 Rel Perf (%)	7/-3/18
Mcap (Rs b)	45.4
Mcap (USD b)	1.0

CMP: Rs364 **Buy**

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	54,315	696	5.6	80.9	65.3	11.3	17.4	7.5	1.0	16.9
3/11E	57,834	2,503	20.1	259.9	18.1	7.4	40.7	18.2	1.0	11.4
3/12E	64,163	3,411	27.3	36.3	13.3	5.1	38.3	21.7	0.8	8.9
3/13E	70,378	4,205	33.7	23.3	10.8	3.7	34.0	22.9	0.7	7.2

** Consolidated; pre-exceptionals*

- For 4QFY11, we expect revenues of Rs8b, up 14%YoY, EBITDA of Rs841m, down 3% with margins at 10.4% (-180bp YoY) and net profit of Rs660m, up 2.4%YoY. For FY11, we expect revenue growth of 19% YoY with margins of 11.5% (down 110bp YoY) while PAT at Rs2.38b was up 4.4%.

- For standalone business, electrical consumer durables segment has grown fastest with 9mFY11 revenue growth of 40% and EBIT margins of 26%. Havells intends to expand its consumer durables portfolio by including geysers and irons. It has already launched geysers in 2QFY11 and has been generating decent revenue. We expect geysers to contribute revenue of Rs400m in FY11, and grow at 35-40% over the next few years

- For the 9mFY11 period Sylvania reported revenue decline of 6% with EBITDA margins at 4.2% (vs -1.8% YoY) while PAT stood at Rs200m against a loss of Rs1.3b YoY. For FY11 we expect Sylavania's revenues to decline 4.3% at Rs28b with margins of 5.4%. For FY12 we expect revenues at Rs30b with OPM's of 7% (+150bp) and a PAT of Rs548m.

- We expect Havells to report revenue and PAT CAGR's of 10% and 32% through FY11-13E.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**5,899**	**5,980**	**5,913**	**7,081**	**7,177**	**6,966**	**7,279**	**8,092**	**24,735**	**29,515**
Change (%)	65.9	17.7	21.7	22.7	21.7	16.5	23.1	14.3	12.5	19.3
EBITDA	**724**	**797**	**801**	**867**	**802**	**838**	**914**	**841**	**3,108**	**3,394**
Change (%)	33.4	31.8	264.2	31.6	10.7	5.1	14.1	-3.0	53.5	9.2
As of % Sales	12.3	13.3	13.5	12.2	11.2	12.0	12.6	10.4	12.6	11.5
Depreciation	54	55	59	65	68	72	75	78	233	293
Interest	16	19	13	16	38	13	52	96	117	199
Other Income	4	2	1	2	1	1	1	149	145	153
PBT	**658**	**725**	**730**	**787**	**697**	**754**	**788**	**816**	**2,903**	**3,055**
Tax	166	183	141	143	163	175	177	157	622	672
Effective Tax Rate (%)	25.2	25.2	19.3	18.1	23.5	23.3	22.4	19.2	21.4	22.0
Reported PAT	**493**	**542**	**589**	**644**	**533**	**579**	**611**	**660**	**2,281**	**2,383**
Change (%)	20.9	22.3	418.7	32.0	8.3	6.7	3.7	2.4	57.1	4.4
Adj PAT	**493**	**542**	**589**	**644**	**533**	**579**	**611**	**660**	**2,281**	**2,383**
Change (%)	20.9	22.3	418.7	32.0	8.3	6.7	3.7	2.4	57.2	4.4

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

Larsen & Toubro

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	LT IN
Equity Shares (m)	602.2
52 Week Range (Rs)	2,212/1,463
1,6,12 Rel Perf (%)	-1/-15/-10
Mcap (Rs b)	962.5
Mcap (USD b)	21.5

CMP: Rs1,598 **Buy**

YEAR END	NET SALES (RS M)	PAT * (RS M)	EPS* (RS)	EPS GR. (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	370,348	37,110	61.6	20.1	25.9	5.3	19.8	23.1	2.7	21.2
3/11E	447,945	42,732	71.0	15.1	22.5	4.6	18.7	21.8	2.3	18.6
3/12E	543,912	49,106	81.5	14.9	19.6	4.0	18.4	20.0	1.9	16.4
3/13E	665,470	60,838	101.0	23.9	15.8	3.5	19.4	20.8	1.5	13.4

* Consolidated; EPS is fully diluted

- For 4QFY11, order intake announced (based on company announcements) stands at just Rs34b. Order intake in 3QFY11 stood at Rs133b (down 25% YoY) and in 9mFY11 at Rs494b (up 8% YoY). Order backlog at end 3QFY11 was Rs1148bn (up 41% YoY) with a book/bill ratio of 2.7xTTM revenues. We project an FY11E backlog of Rs1242b (up 24% YoY) while intake to be at Rs688b (down 8% YoY)

- Major orders announced during 4QFY11 include a) EPC order for 375MW gas based power project at Gujarat from GSECL worth Rs11b. b) Orders for various railway lines from utilities and process industries like Tata Power, BALCO and Sterlite worth Rs11b

- During 4QFY11, we expect EBITDA margins (Including Operating other income) of 14% down 130bp YoY and FY11 at 12.4% (down 30bp) YoY. Given large power projects under execution and also given margin recognition norm post 25% project completion (for project execution greater than 2 years), we believe that FY12 will account for majority of the costs being booked power BTG orders.

- We estimate a revenue and standalone PAT CAGR of 19% and 16% through FY11-13E.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**73,627**	**78,662**	**80,714**	**133,749**	**78,351**	**92,608**	**113,217**	**160,579**	**366,752**	**444,755**
Change (%)	6.7	2.3	-6.1	27.8	6.4	17.7	40.3	20.1	9.0	21.3
Other Operational Income	456	527	508	2,102	502	700	914	1,074	3,597	3,190
EBITDA	**8,319**	**8,372**	**10,069**	**20,508**	**10,071**	**10,057**	**12,379**	**22,511**	**44,559**	**55,017**
Change (%)	6.6	9.5	4.3	49.1	21.1	20.1	22.9	9.8	14.7	23.5
Margin (%)	11.3	10.6	12.5	15.3	12.9	10.9	10.9	14.0	12.1	12.4
Adjusted EBITDA	**8,319**	**8,372**	**10,069**	**20,508**	**10,071**	**10,657**	**12,379**	**22,511**	**44,559**	**55,617**
Adjusted Margin (%)	11.3	10.6	12.5	15.3	12.9	11.5	10.9	14.0	12.1	12.5
Depreciation	937	1,001	1,045	1,162	1,142	1,212	1,281	1,323	4,146	4,957
Interest	1,096	1,310	1,339	1,356	1,423	1,932	1,757	1,797	5,053	6,909
Other Income	2,228	2,176	2,336	3,298	2,268	3,822	2,472	1,917	12,699	10,478
Extraordinary Inc/(Exp)	10,199	120	626	961	0	708	353	0	10,748	708
Reported PBT	**18,712**	**8,357**	**10,646**	**22,249**	**9,773**	**11,444**	**12,166**	**21,309**	**58,807**	**54,338**
Tax	2,730	2,707	3,058	7,914	3,112	3,794	3,760	6,325	16,409	16,884
Effective Tax Rate (%)	14.6	32.4	28.7	35.6	31.8	33.2	30.9	29.7	27.9	31.1
Reported PAT	**15,982**	**5,650**	**7,589**	**14,335**	**6,662**	**7,650**	**8,405**	**14,984**	**42,398**	**37,454**
Adjusted PAT	**5,783**	**5,530**	**6,103**	**13,374**	**6,662**	**6,941**	**8,052**	**14,984**	**30,790**	**36,639**
Change (%)	17.9	10.5	-4.7	25.6	15.2	25.5	31.9	12.0	14.2	19.0

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

Siemens

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SIEM IN
Equity Shares (m)	337.0
52 Week Range (Rs)	897/645
1,6,12 Rel Perf (%)	-2/17/8
Mcap (Rs b)	294.9
Mcap (USD b)	6.6

CMP: Rs875 — Buy

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
9/10A	93,324	8,271	24.5	49.2	35.7	8.4	25.9	41.3	2.9	21.2
9/11E	120,832	10,543	31.3	27.5	28.0	6.9	27.3	42.1	2.3	17.4
9/12E	151,767	13,370	39.7	26.8	22.1	5.6	28.3	43.4	1.8	13.7
9/13E	188,710	16,773	49.8	25.4	17.6	4.6	28.9	44.1	1.5	10.9

*Consolidated

- For 2QFY11E (September year ending), we expect Siemens to report revenue of Rs29b, up 30% YoY; EBIDTA of Rs3.8b (up 31%YoY), and net profit of Rs2.5b (up 41%YoY). In 1QFY11 Industry and Energy segment witnessed revenue growth of 10% and 59%, while EBIT margins stood at 11% (+72bp) and Energy at 15% (-732bp).
- Order book at end of 1QFY11 stood at Rs151b (up 11%YoY). During 1QFY11, order intake stood at Rs39b (down 24%YoY, up 32%QoQ). Siemens during 4QFY10 in consortium with Siemens AG has received an LOI for the development of 1200MW combined cycle power plant for Torrent Power tentatively valued at Rs20-25b which is included in order intake. The current BTB ratio stands at 1.6xTTm revenues.
- During 1QFY11, Energy segment revenues grew strongly during the quarter, by 59% YoY. Each sub segment posted strong growth. Revenues for transmission and distribution segments jumped by 47%. The company is executing a large transmission project in Qatar, valued at Rs30b, which is progressing well and is meaningfully contributing to T&D segment revenue growth.
- We expect Siemens to report consolidated EPS of Rs31 (+28% YoY) and Rs40 (+27% YoY) for FY11 and FY12E respectively. We estimate a revenue and PAT CAGR of 25% and 26% through FY11-13E.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E SEPTEMBER	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Revenues	**19,022**	**22,261**	**22,464**	**30,254**	**25,381**	**29,000**	**29,000**	**37,452**	**94,001**	**120,832**
Change (%)	16.0	-6.6	17.1	20.1	33.4	30.3	29.1	23.8	11.1	28.5
EBITDA	**3,678**	**2,861**	**2,420**	**3,973**	**3,627**	**3,761**	**3,317**	**5,089**	**12,932**	**15,794**
Change (%)	116.1	-18.0	-5.9	60.9	-1.4	31.4	37.1	28.1	26.4	22.1
As % of Revenues	19.3	12.9	10.8	13.1	14.3	13.0	11.4	13.6	13.8	13.1
Depreciation	227	237	249	301	266	300	300	293	1,015	1,158
Interest Income	158	117	181	214	290	300	300	210	670	1,158
PBT	**3,609**	**2,741**	**2,351**	**3,887**	**3,651**	**3,761**	**3,317**	**5,006**	**12,587**	**15,735**
Tax	1,225	930	790	1,373	1,213	1,203	1,061	1,714	4,317	5,193
Effective Tax Rate (%)	33.9	33.9	33.6	35.3	33.2	32.0	32.0	34.2	34.3	33.0
Reported PAT	**2,385**	**1,811**	**1,561**	**2,513**	**2,438**	**2,557**	**2,255**	**3,292**	**8,270**	**10,543**
Adjusted PAT	**1,891**	**1,811**	**1,561**	**2,513**	**2,438**	**2,557**	**2,255**	**3,292**	**8,270**	**10,543**
Change (%)	58.4	-19.7	-9.5	65.8	28.9	41.2	44.5	31.0	39.9	27.5

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

Thermax

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	TMX IN
Equity Shares (m)	119.2
52 Week Range (Rs)	927/543
1,6,12 Rel Perf (%)	-8/-18/-18
Mcap (Rs b)	70.7
Mcap (USD b)	1.6

CMP: Rs594 **Neutral**

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	33,703	2,592	21.8	-9.9	27.3	6.5	25.0	38.2	1.8	15.2
3/11E	47,728	3,756	31.5	44.9	18.8	5.2	30.9	46.6	1.4	11.4
3/12E	61,093	4,891	41.1	30.2	14.5	4.0	31.5	47.9	1.1	8.8
3/13E	72,926	5,934	49.8	21.3	11.9	3.1	29.7	45.3	0.9	7.1

** Consolidated*

- For 4QFY11, we expect revenues of Rs14b, up 22%YoY, EBITDA of Rs1.9b, up 30% and net profit of Rs1.15b, up 16%YoY. For FY11, we expect revenue growth of 45% YoY with margins of 12.2% (flat YoY) and PAT growth of 45% YoY.
- Consolidated order book for Thermax at end 3QFY11 was at Rs72b (up 28%YoY, down 2%QoQ) with BTB ratio 1.6x.The energy division contributed Rs61b (85%) while environment contributed Rs11b (15%) to the order backlog. The management had initially guided for a double digit growth rate on order intake; has now guided for a flat YoY growth in inflows for FY11E implying 4QFY11 inflow growth of more than 60% YoY. 9mFY11intake declined 17% YoY at Rs41b
- The JV with B&W (51:49) will have peak production capacity of 3GW to be set-up over the next 18 months and will employ close to 500 people. Thermax is in the process of registering itself as one of the world-wide suppliers of Heat Recovery Steam Generator to Siemens world-wide and hence this would open up a large market for its products going forward
- Thermax has been chosen by the Maharashtra government to build and operate a geo-thermal plant ranging between 3-5MW initially. The non-invasive studies for this projects will be under way in late FY11 or early FY12
- We expect Thermax to report revenue and PAT CAGR's of 25% and 27% through FY11-13E. We expect Consolidated PAT of Rs3.7b in FY11E (up 45%) and Rs4.8b in FY12E (up 30%)

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**5,441**	**6,804**	**7,483**	**12,193**	**7,898**	**10,916**	**12,412**	**14,846**	**31,855**	**46,072**
Change (%)	-24.1	-15.4	-5.9	28.6	45.2	60.4	65.9	21.8	-2.3	44.6
EBITDA	**689**	**792**	**894**	**1,466**	**960**	**1,286**	**1,464**	**1,911**	**3,841**	**5,621**
Change (%)	-24.4	-15.0	-7.6	10.0	39.3	62.3	63.8	30.4	-7.3	46.3
As of % Sales	12.7	11.6	11.9	12.0	12.2	11.8	11.8	12.9	12.1	12.2
Depreciation	95	104	104	101	106	105	106	119	404	435
Interest	5	1	6	3	6	5	2	8	15	20
Other Income	103	142	74	179	140	133	117	113	498	503
Extra-ordinary Items				-1,149					-1,149	
PBT	**692**	**829**	**858**	**392**	**988**	**1,309**	**1,474**	**1,898**	**3,919**	**5,669**
Tax	227	288	292	549	326	414	471	744	1,356	1,956
Effective Tax Rate (%)	32.8	34.7	34.1	140.0	33.0	31.6	32.0	39.2	34.6	34.5
Reported PAT	**465**	**541**	**565**	**-157**	**662**	**895**	**1,002**	**1,154**	**1,414**	**3,713**
Change (%)	-27.0	-5.0	-21.8	-116.6	42.4	65.4	77.4	-836.1	-50.8	162.5
Adj PAT	**465**	**541**	**565**	**992**	**662**	**895**	**1,002**	**1,154**	**2,563**	**3,713**
Change (%)	(27.0)	(5.0)	(21.8)	6.7	42.4	65.4	77.4	16.3	(10.4)	44.9

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

FMCG

COMPANY NAME
- Asian Paints
- Britannia Industries
- Colgate Palmolive
- Dabur India
- GSK Consumer
- Godrej Consumer Products
- Hindustan Unilever
- ITC
- Marico
- Nestle India
- United Spirits

Aggregate organic sales to grow 16%, PAT to grow 17% in 4QFY11: We expect our FMCG universe to post ~18.9% revenue growth and 18.8% PAT growth during 3QFY11. EBITDA is likely to grow 18.7%, as margin pressures for HUL, Marico and Asian Paints will likely be compensated by a low base effect in United Spirits and Britannia, and strong margin expansion in ITC. Excluding the impact of acquisitions, we expect sales to increase by 15.7%, EBIDTA by 16.6% and PAT by 16.8%. We expect ITC to post 16% sales growth (3% cigarette volume growth) and 23% PAT growth; HUL's sales are likely to grow 9%, with 190bp margin contraction.

Demand environment stable; high input costs force staggered price increases despite heightened competitive intensity: Volume growth for most categories is likely to remain healthy amidst a stable demand environment. Rural demand growth continues to outstrip urban demand growth. Costs of major inputs like copra (up 84%), LAB (up 24%) and palm oil (up 32%) are firm; companies have initiated price increases in select segments like toilet soaps, personal care, paints and coffee. We expect margin pressure to sustain for companies like HUL, Asian Paints, Marico, Dabur and GCPL.

Unrest in the Middle East and Egypt to impact Marico, Dabur and Asian Paints: The political unrest in Egypt and surrounding MENA markets has disrupted operations and impacted demand for FMCG players operating in that region. We note that Marico, Dabur and Asian Paints have started production, which was stopped due to unrest. However, ensuing uncertainty has impacted consumer offtake; we believe that consumer demand will take a couple of quarters to recover. This would impact profit growth for Dabur (15% of sales), Asian Paints (8% of sales), and Marico (6% of sales).

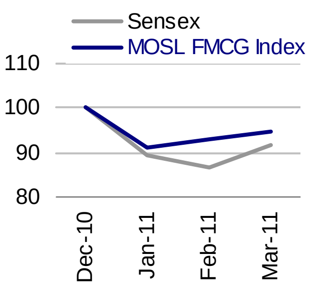
Maintain cautious view on the sector: FMCG companies continue to trade near their peak multiples even as competition is intensifying (more so in personal care and processed foods) and margin pressures persist. We continue to prefer niche plays, with strong pricing power and greater visibility on volume growth and profitability. **ITC** and **Asian Paints** are our top bets.

Expected quarterly performance summary (Rs million)

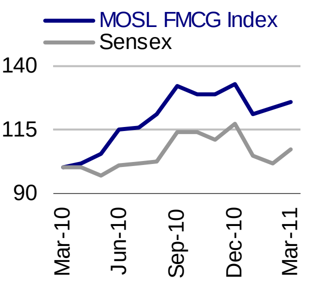
	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Asian Paints	2,525	Buy	22,573	20.3	7.5	3,595	15.6	4.2	2,216	15.6	0.6
Britannia	355	Neutral	11,035	18.6	2.2	390	LP	-29.5	293	325.3	-21.6
Colgate	823	Neutral	6,051	17.1	8.4	1,505	4.4	61.6	1,111	5.3	67.6
Dabur	96	Neutral	10,702	26.1	-0.9	1,981	22.3	-5.5	1,404	5.5	-9.1
Godrej Consumer	356	Neutral	9,789	92.3	-0.1	1,778	65.4	5.9	1,315	43.3	10.7
GSK Consumer	2,130	Buy	7,846	21.0	54.5	1,593	19.7	172.6	1,183	23.0	121.7
Hind. Unilever	271	Neutral	47,801	9.1	-6.8	5,582	-6.3	-23.0	4,449	5.4	-24.2
ITC	177	Buy	59,520	16.0	7.9	19,932	23.2	-1.8	12,632	22.9	-9.1
Marico	131	Neutral	7,325	21.6	-10.4	935	10.1	-6.2	626	8.3	-10.0
Nestle	3,671	Buy	18,243	23.3	9.2	3,572	17.5	8.3	2,349	19.2	6.0
United Spirits	1,027	Neutral	15,254	21.8	-22.2	2,215	22.2	-19.8	742	30.5	-29.9
Sector Aggregate			**216,140**	**18.9**	**1.0**	**43,077**	**18.7**	**-1.8**	**28,319**	**18.6**	**-6.3**

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Volume growth traction maintained for most companies

Quarter Ending	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11E
Asian Paints	17.5	25.0	16.0	24.0	0.0	27.0	16.0
Colgate (Toothpaste)	18.0	15.0	11.0	14.0	12.0	13.0	15.0
Dabur	13.0	14.5	12.0	17.0	13.5	10.0	15.0
Godrej Consumer							
Soaps	16.0	11.0	0.0	-9.0	-10.0	3.0	5.0
Hair Color	35.0	11.0	14.0	4.0	12.0	2.0	3.0
GSK Consumer	9.0	10.0	13.0	10.0	18.0	13.0	13.0
Hindustan Unilever	1.0	5.0	10.9	10.3	14.0	13.0	9.0
ITC (cigarette)	7.5	8.5	8.8	-3.0	-0.5	2.0	4.0
Marico							
Parachute	10.0	8.0	10.0	14.0	10.0	5.0	4.0
Hair Oil	17.0	10.0	27.0	27.0	18.0	31.0	15.0
Saffola	22.0	18.0	13.0	17.5	14.0	13.0	14.0
United Spirits	11.1	12.3	16.0	6.0	16.0	14.0	15.0

Source: Company/MOSL

Coconut oil prices increase upto 20%; paint prices up 1% during the quarter

Company	Brand	Category	Price increase (%)
ITC	Gold Flake regular	Cigarettes	4
	Gold Flake Kings	Cigarettes	9-11
	Bristol	Cigarettes	12
Marico	Parachute	Coconut oil	8-20
	Saffola	Refined edible oil	3-8
Dabur	Dabur Vatika, Anmol	Hair oils	4-5
Asian Paints		Paints	1
HUL	Lux	Soaps	3-6
	Lifebouy	Soaps	3-6
Godrej Consumer	Godrej No 1	Soaps	4-6

Source: Company/MOSL

Higher input costs likely to impact sector margins for the quarter

Input	Price Trend (YoY)	Unit	52 Week H/L	Current Price	12m chg. %	Change from peak/bottom	Impact	Companies
LAB	Up	Rs/Kg	102/84	Rs102/Kg	24.4	Peak	Negative	HUL
Soda Ash	Up	Rs/75Kg	965/838	Rs965/75Kg	15.0	Peak	Negative	HUL
Palm Fatty Acid	Up	US$/MT	1,042/605	US$ 927/MT	32.7	-11.0	Negative	HUL, Godrej Consumer
Palm Oil	Up	MYR/MT	3,927/2,510	MYR3,450/MT	31.8	-12.1	Negative	Britannia, Nestle, HUL, ITC
HDPE	Up	US$/MT	1,450/1,100	US1450/MT	9.5	Peak	Negative	All Companies
Sugar	Down	Rs/Qtl	3,280/2,525	Rs2,881/Qtl	-10.0	14.1	Positive	Britannia, Nestle, GSK Cons.
Wheat	Sideways	Index	173/168	173 (Index)	Flat	Peak	Positive	Nestle, ITC and Britannia
Milk	Up	Index	179/160	179 (Index)	12.0	Peak	Negative	Nestle, GSK Consumer
Copra	Up	Rs/Qtl	6,700/3,250	Rs5,950/Qtl	83.8	-11.2	Negative	Marico

Source:Companies/MOSL

Launch of oreo cookies by Cadbury will increase competitive intensity in biscuits

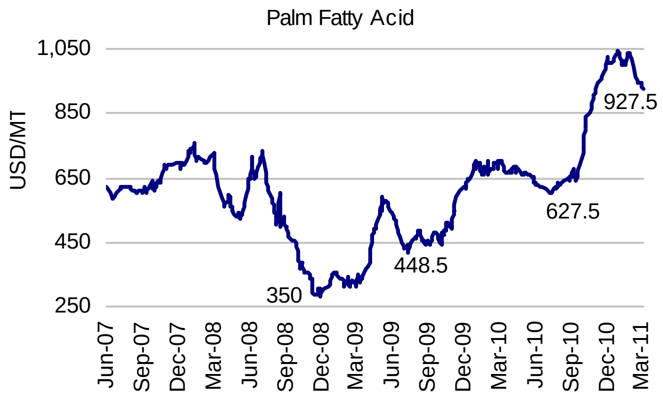
New launches are happening at slower pace

Company	Brand	Category
ITC	Vivel Milk Cream and Glycerine	Soap
Cadbury	Oreo Cookies	Biscuits
Britannia	Healthy Start	Breakfast mix
Dabur	Oxy Life facial kit	Premium skin care
HUL	Bru Lite	Instant coffee
	Kissan	Fruit drink
Amul	Flaavyo	Probiotic fruit yogurt

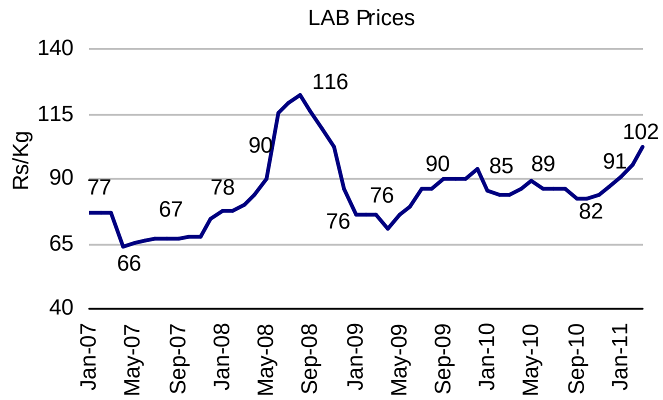
Source:Companies/MOSL

Key input cost movements

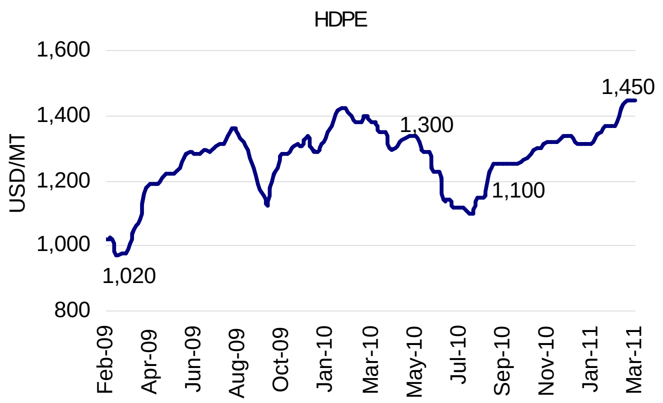
Palm fatty acid prices: still higher by 33% YoY



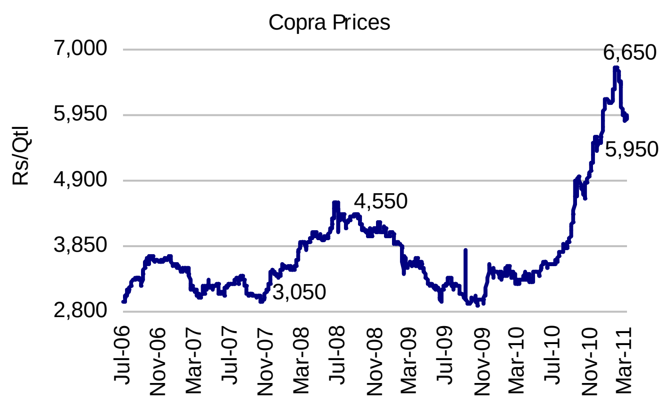
LAB prices: inching up steadily



HDPE: trending crude



Copra prices; 11% correction from the peak



Source:Companies/MOSL

Comparative valuation

	CMP (Rs) 25.03.11	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
			FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
FMCG														
Asian Paints	2,525	Buy	91.6	110.1	131.6	27.6	22.9	19.2	17.0	14.2	11.9	40.5	39.1	37.9
Britannia	355	Neutral	10.4	15.8	20.7	34.1	22.4	17.1	22.8	15.4	11.6	26.1	32.4	34.3
Colgate	823	Neutral	29.4	32.1	37.1	28.0	25.7	22.2	20.0	17.1	14.7	110.3	99.6	96.5
Dabur	96	Neutral	3.2	3.9	4.7	29.7	24.5	20.6	22.6	18.2	15.5	45.8	42.8	40.2
Godrej Consumer	356	Neutral	14.4	17.2	20.1	24.8	20.7	17.7	20.9	16.4	13.6	28.3	29.6	30.1
GSK Consumer	2,130	Buy	71.3	87.4	105.0	29.9	24.4	20.3	17.7	14.9	11.6	31.2	31.8	32.4
Hind. Unilever	271	Neutral	9.6	10.4	11.8	28.1	26.1	23.0	21.4	19.2	16.7	87.6	82.5	81.6
ITC	177	Buy	6.4	7.8	9.2	27.5	22.7	19.3	17.3	14.0	11.9	31.7	31.8	29.1
Marico	131	Neutral	4.5	5.3	6.5	28.8	24.6	20.2	21.0	16.7	13.9	32.2	28.6	26.9
Nestle	3,671	Buy	85.8	103.3	125.5	42.8	35.5	29.2	28.6	23.5	19.2	102.5	86.2	76.5
United Spirits	1,027	Neutral	29.0	38.7	52.7	35.4	26.5	19.5	16.3	13.4	11.4	8.6	10.4	12.5
Sector Aggregate						**29.3**	**24.7**	**20.8**	**19.3**	**15.9**	**13.4**	**34.7**	**34.7**	**34.5**

Asian Paints

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	APNT IN
Equity Shares (m)	95.9
52 Week Range (Rs)	3,027/1,960
1,6,12 Rel Perf (%)	-2/-3/22
Mcap (Rs b)	242.2
Mcap (USD b)	5.4

CMP: Rs2,525 **Buy**

Year End	Net Sales (Rs m)	Adj. PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (x)	P/BV (x)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
3/10A	66,809	7,720	80.5	92.4	31.4	14.2	45.1	58.5	3.6	19.3
3/11E	79,979	8,789	91.6	13.8	27.6	11.2	40.5	50.9	2.9	17.0
3/12E	94,864	10,559	110.1	20.1	22.9	9.0	39.1	50.7	2.5	14.2
3/13E	112,419	12,621	131.6	19.5	19.2	7.3	37.9	50.2	2.1	11.9

- We expect Asian Paints to report net sales of Rs22.5b, a growth of 20%. We expect ~16% volume growth in domestic decorative paints, led by strong demand in tier-II cities and small towns. International business is likely to report a decline in sales due to political turmoil in the Middle East.
- We estimate 280bp decline in gross margin to 41.4%, while EBITDA margin is likely to decline 70bp to 15.9%. We estimate adjusted PAT at Rs2.2b (up 15.6%).
- Prices of major inputs like titanium dioxide and MTO (mineral turpentine oil) are steadily moving up and are unlikely to turn soft. Pricing environment remains rational, with no price-led competition. Asian Paints has increased prices by another 1% from March, taking the overall price increase to 11.8% since April 2010.
- Domestic paints demand remains strong while international sales will take time to recover due to continuing turmoil in the Middle East.
- Asian Paints remains one of our preferred picks in the consumer space due to strong brand, mid-teen volume growth and lack of price-based competition. The stock is trading at 22.9x FY12E and 19.2x FY13E earnings. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q*	1Q	2Q	3Q	4QE		
Volume Growth (%) *	**11.5**	**17.5**	**25.0**	**16.0**	**24.0**	**0.0**	**27.0**	**16.0**	**16.4**	**17.0**
Net Sales	**14,602**	**17,239**	**16,200**	**18,768**	**18,302**	**18,108**	**20,996**	**22,573**	**66,809**	**79,979**
Change (%)	17.6	16.9	22.6	31.7	25.3	5.0	29.6	20.3	22.3	19.7
Raw Material/Packing Material	8,191	9,798	9,127	10,464	10,487	10,197	12,535	13,221	37,580	46,441
Gross Profit	**6,411**	**7,441**	**7,073**	**8,304**	**7,815**	**7,911**	**8,461**	**9,352**	**29,230**	**33,538**
Gross Margin (%)	43.9	43.2	43.7	44.2	42.7	43.7	40.3	41.4	43.8	41.9
Operating Expenses	3,653	4,213	3,892	5,195	4,344	4,596	5,012	5,757	16,954	19,708
% of Sales	25.0	24.4	24.0	27.7	23.7	25.4	23.9	25.5	25.4	24.6
EBITDA	**2,758**	**3,228**	**3,181**	**3,109**	**3,471**	**3,315**	**3,449**	**3,595**	**12,276**	**13,830**
Margin (%)	18.9	18.7	19.6	16.6	19.0	18.3	16.4	15.9	18.4	17.3
Change (%)	60.2	54.6	191.0	73.6	25.8	2.7	8.4	15.6	83.2	12.7
Interest	72	64	79	69	42	46	59	60	285	206
Depreciation	198	200	197	241	269	284	286	313	836	1,152
Other Income	156	247	167	208	184	249	194	260	778	887
PBT	**2,645**	**3,211**	**3,072**	**3,006**	**3,344**	**3,234**	**3,298**	**3,482**	**11,934**	**13,358**
Tax	844	1,065	955	868	1,013	984	974	1,170	3,731	4,141
Effective Tax Rate (%)	31.9	33.2	31.1	28.9	30.3	30.4	29.5	33.6	31.3	31.0
PAT before Minority	**1,801**	**2,146**	**2,117**	**2,138**	**2,331**	**2,250**	**2,324**	**2,312**	**8,203**	**9,217**
Minority Interest	40	89	133	221	109	103	120	96	483	428
Adjusted PAT	**1,761**	**2,057**	**1,985**	**1,917**	**2,222**	**2,147**	**2,203**	**2,216**	**7,720**	**8,789**
Change (%)	64.9	55.4	232.8	86.8	26.2	4.4	11.0	15.6	92.4	13.8

E: MOSL Estimates; * 4QFY10 Numbers include 6 months consolidation of International operations

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Britannia Industries

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	BRIT IN
Equity Shares (m)	119.5
52 Week Range (Rs)	535/313
1,6,12 Rel Perf (%)	-4/-11/4
Mcap (Rs b)	42.4
Mcap (USD b)	0.9

CMP: Rs355 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	34,014	1,634	14.2	-15.8	25.0	10.7	42.7	27.0	1.2	26.0
03/11E	42,055	1,243	10.4	-26.6	34.1	8.8	26.1	27.5	1.0	22.8
03/12E	51,015	1,892	15.8	52.1	22.4	7.2	32.4	34.2	0.8	15.4
03/13E	58,777	2,477	20.7	30.9	17.1	5.8	34.3	56.8	0.7	11.6

- We expect Britannia to report sales of Rs11b, a growth of 18.6%. Volume growth is likely to be ~13%. Realization would grow 5-6% on the back of grammage reduction and selective price increases.
- We estimate EBITDA margin at 3.5% and EBITDA at Rs390m (v/s EBITDA loss of Rs116m in 4QFY10), aided by reduction in sugar prices and price increases. However, higher palm oil prices and increased advertising spends on new launches (breakfast mix) will result in a margin contraction on a sequential basis.
- Though YoY profit growth will be strong (owing to losses in the base quarter), lower EBITDA margin and higher tax incidence is likely to keep sequential profit margin lower by 80bp at 2.7%, with adjusted net profit expected at Rs293m.
- With presence of a large number of unorganized players at the mass end and increasing competition from Parle, ITC, GSK, Kraft, Unibic and Mcvitae in cookies and creams, margins for Britannia are unlikely to rebound to 8%+ levels in the near term.
- With sugar prices back on the rise (up 14% from the bottom) and the impact of higher vegetable oil prices yet to be fully reflected, margin expansion looks unlikely.
- The stock trades at 22.4x FY12E EPS and 17.1x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**7,312**	**8,585**	**8,814**	**9,303**	**9,128**	**10,948**	**10,800**	**11,035**	**34,014**	**41,911**
YoY Change (%)	5.5	2.4	7.7	22.1	24.8	27.5	22.5	18.6	8.8	23.2
Raw Material Cost	5,070	5,918	6,418	7,168	6,698	8,124	7,999	8,286	24,573	31,106
Gross Profit	**2,243**	**2,668**	**2,396**	**2,134**	**2,430**	**2,824**	**2,801**	**2,750**	**9,441**	**10,805**
Margins (%)	30.7	31.1	27.2	22.9	26.6	25.8	25.9	24.9	27.8	25.8
Other Exp	1,643	1,930	2,017	2,250	2,023	2,295	2,249	2,360	7,840	8,927
% of Sales	22.5	22.5	22.9	24.2	22.2	21.7	21.7	21.4	23.0	21.3
Total Exp	6,713	7,848	8,434	9,418	8,722	10,419	10,247	10,646	32,413	40,034
EBITDA	**599**	**737**	**380**	**-116**	**407**	**529**	**552**	**390**	**1,601**	**1,878**
Margins (%)	8.2	8.6	4.3	-1.2	4.5	4.8	5.1	3.5	4.7	4.5
Depreciation	91	94	95	96	100	103	106	107	376	416
Interest	8	9	8	17	94	97	96	108	42	395
Other Income	153	126	113	161	106	125	157	204	553	591
PBT	**653**	**762**	**390**	**-67**	**319**	**453**	**508**	**378**	**1,736**	**1,658**
Tax	109	101	29	-136	73	122	135	85	103	414
Rate (%)	16.7	13.3	7.4	201.9	23.0	26.8	26.5	22.6	5.9	25.0
Adjusted PAT	**544**	**660**	**361**	**69**	**246**	**332**	**373**	**293**	**1,634**	**1,243**
YoY Change (%)	18.7	10.7	-31.4	-84.0	-62.8	-49.8	3.5	325.3	-18.7	-23.9

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Colgate Palmolive

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	CLGT IN
Equity Shares (m)	136.0
52 Week Range (Rs)	996/673
1,6,12 Rel Perf (%)	-5/-4/9
Mcap (Rs b)	112.0
Mcap (USD b)	2.5

CMP: Rs823 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	19,625	4,038	29.7	39.1	27.7	34.3	156.1	154.0	5.5	21.6
03/11E	22,439	3,996	29.4	-1.1	28.0	28.1	110.3	110.0	4.8	20.0
03/12E	26,104	4,361	32.1	9.1	25.7	23.5	99.6	99.3	4.0	17.1
03/13E	30,281	5,047	37.1	15.7	22.2	19.7	96.5	96.1	3.4	14.7

- We expect sales growth of 17.1% to Rs6.1b, with toothpaste volume growing 15%.
- We estimate 910bp contraction in gross margin to 61.1% and 280bp contraction in EBITDA margin to 24.1%. Gross margins are not comparable due to the merger of the full year numbers of Professional Oral Care in the base of 4QFY10.
- We expect EBITDA margin contraction due to higher advertising spends and sales promotion schemes; in addition, the company has started 'Ask the Dentist' campaign.
- PBT increase of 18.1% is likely due to higher other income and lower depreciation costs (due to the full year merger of POC in the base). A higher tax rate is likely to depress profit growth to 5.3% to Rs1.1b.
- The impending launch of P&G's toothpaste can increase the competitive intensity. Although Colgate has strong leadership position, increased investments to protect market share can dent profitability; it is currently operating at all-time high margins.
- The stock is trading at 25.7x FY12E and 22.2x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2QE	3Q	4QE		
Toothpaste Volume Gr %	**14.0**	**18.0**	**15.0**	**11.0**	**14.0**	**12.0**	**13.0**	**15.0**	**14.0**	**13.0**
Net Sales	**4,680**	**4,873**	**4,906**	**5,166**	**5,288**	**5,518**	**5,582**	**6,051**	**19,625**	**22,439**
YoY Change (%)	14.8	18.1	17.0	13.4	13.0	13.2	13.8	17.1	15.8	14.3
COGS	2,050	2,076	2,100	1,543	1,967	2,201	2,160	2,356	7,768	8,684
Gross Profit	**2,630**	**2,797**	**2,806**	**3,623**	**3,321**	**3,316**	**3,422**	**3,695**	**11,856**	**13,754**
Gross Margin (%)	56.2	57.4	57.2	70.1	62.8	60.1	61.3	61.1	60.4	61.3
Other operating Expenses	1,579	1,847	1,798	2,376	1,932	2,195	2,675	2,377	7,599	9,180
% to sales	33.7	37.9	36.6	46.0	36.5	39.8	47.9	39.3	38.7	40.9
Other operating Income	174	156	203	194	209	175	184	187	727	756
EBITDA	**1,226**	**1,106**	**1,212**	**1,441**	**1,598**	**1,297**	**931**	**1,505**	**4,985**	**5,330**
Margins (%)	25.3	22.0	23.7	26.9	29.1	22.8	16.1	24.1	24.5	23.0
Depreciation	56	58	56	206	79	84	91	99	376	354
Interest	5	1	5	4	3	6	19	10	15	38
Financial other Income	86	66	74	28	54	81	92	92	254	319
PBT	**1,251**	**1,113**	**1,225**	**1,259**	**1,569**	**1,288**	**913**	**1,487**	**4,848**	**5,258**
Tax	223	216	166	204	350	285	250	376	810	1,262
Rate (%)	17.8	19.4	13.6	16.2	22.3	22.1	27.4	25.3	16.7	24.0
PAT	**1,028**	**897**	**1,059**	**1,055**	**1,219**	**1,003**	**663**	**1,111**	**4,038**	**3,996**
YoY Change (%)	42.9	41.3	36.2	36.9	18.6	11.8	-37.4	5.3	39.1	-1.1

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Dabur India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	DABUR IN
Equity Shares (m)	1,738.0
52 Week Range (Rs)	112/79
1,6,12 Rel Perf (%)	-9/-2/13
Mcap (Rs b)	166.8
Mcap (USD b)	3.7

CMP: Rs96 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	33,657	5,015	2.9	26.5	33.6	8.9	53.2	54.6	2.4	25.9
03/11E	40,394	5,620	3.2	13.1	29.7	13.6	45.8	37.9	4.2	22.6
03/12E	51,043	6,813	3.9	21.2	24.5	10.4	42.8	44.2	3.3	18.2
03/13E	57,961	8,091	4.7	18.7	20.6	8.2	40.2	43.7	2.8	15.5

- We expect Dabur India to report net sales of Rs10.7b, up 26% with 15% volume growth. The higher sales growth would be on account of the consolidation of the Hobi Kozmetik and Namaste acquisitions for the full quarter. We estimate organic sales growth for 4QFY11 at ~10%, impacted by disruption in operations in Egypt and the Middle East.
- We estimate 60bp contraction in EBITDA margin, impacted by steep input cost inflation and consolidation of lower margin new acquisitions. EBITDA is likely to grow by 22.3% to Rs1.98b.
- We estimate 5.5% PAT growth to Rs1.4b, impacted by lower other income and higher depreciation charges (acquisitions) as well as a higher tax rate (up 350bp).
- Egypt constitutes ~3% of Dabur's sales. However, the entire MENA and GCC contribute ~ 15% to Dabur's sales, which is likely to get impacted during the quarter due to the unrest.
- High levels of competitive intensity in Dabur's key categories like shampoo, skin care, oral care and hair oils is likely to keep growth and margin expansion under check in the domestic business. We remain cautious on the company's acquisition strategy, particularly the recent Namaste acquisition.
- The stock is trading at 24.5x FY12E and 20.6x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth (%)	**16.0**	**13.0**	**14.0**	**12.0**	**17.0**	**13.5**	**10.0**	**15.0**	**15.0**	**14.5**
Net Sales	7,683	8,480	9,262	8,488	9,165	9,728	10,800	10,702	33,657	40,394
YoY Change (%)	27.2	22.7	18.9	16.0	19.3	14.7	16.6	26.1	20.0	20.0
Total Exp	6,523	6,726	7,489	6,868	7,798	7,699	8,704	8,721	27,327	32,922
EBITDA	**1,159**	**1,754**	**1,773**	**1,620**	**1,367**	**2,028**	**2,095**	**1,981**	**6,330**	**7,472**
Margins (%)	15.1	20.7	19.1	19.1	14.9	20.9	19.4	18.5	18.8	18.5
YoY Growth (%)	33.0	40.6	37.5	25.0	18.0	15.6	18.2	22.3	34.5	18.0
Depreciation	130	139	146	149	145	190	233	235	557	802
Interest	32	33	37	25	8	46	54	79	132	187
Other Income	80	107	59	143	122	167	89	97	387	475
PBT	**1,078**	**1,690**	**1,650**	**1,589**	**1,337**	**1,960**	**1,897**	**1,764**	**6,028**	**6,959**
Tax	189	286	271	258	263	356	357	348	1,006	1,324
Rate (%)	17.6	16.9	16.4	16.2	19.7	18.2	18.8	19.7	16.7	19.0
Minority Interest	-5	11	1	0	6	1	-4	12	8	15
Adjusted PAT	**894**	**1,392**	**1,378**	**1,331**	**1,068**	**1,604**	**1,544**	**1,404**	**5,015**	**5,620**
YoY Change (%)	26.5	29.1	27.0	27.6	19.5	15.2	12.1	5.5	27.4	13.2

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

GlaxoSmithKline Consumer

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SKB IN
Equity Shares (m)	42.1
52 Week Range (Rs)	2,460/1,452
1,6,12 Rel Perf (%)	-5/12/35
Mcap (Rs b)	89.7
Mcap (USD b)	2.0

CMP: Rs2,130 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/09A	19,864	2,328	55.4	23.5	38.5	9.9	25.7	39.5	4.1	21.7
12/10A	23,800	2,998	71.3	28.8	29.9	9.3	31.2	47.3	3.4	17.7
12/11E	28,751	3,678	87.4	22.6	24.4	7.8	31.8	47.8	2.8	14.9
12/12E	34,714	4,417	105.0	20.1	20.3	6.6	32.4	48.6	2.2	11.6

- We expect GSK Consumer to report net sales of Rs7.8b, a growth of 21%. MFD volume growth would be ~13%, with business volume growth being higher at ~15%.
- We estimate 20bp decline in EBITDA margin to 20.3% due to higher input costs of milk powder and barley malt, which will impact gross margins.
- A 19.7% growth in EBITDA, 25% increase in other income (higher yields) and lower tax rate will drive 23% increase in net profit to Rs1.2b.
- Foodles been successful in achieving revenue of Rs324m in the first full year of its launch. The performance of new launches in biscuits and the company's sports energy drink, Lucozade, will be key factors to watch for in the coming quarters.
- Strong leadership position and lower competitive intensity in the MFD space will likely enable above teens growth for GSK in the medium term.
- A further re-rating in the stock will be a function of success of its new launches. We expect a strong 21% PAT CAGR over CY10-12.
- The stock currently trades at 24.4x CY11E and 20.3x CY12E EPS. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY10				CY11E				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
MFD Volume Growth (%)	**12.5**	**10.0**	**18.0**	**10.0**	**13.0**	**12.0**	**12.0**	**13.0**	**12.5**	**12.5**
Net Sales	**6,484**	**5,374**	**6,126**	**5,078**	**7,846**	**6,556**	**7,412**	**6,115**	**23,061**	**27,929**
YoY Change (%)	20.2	14.5	23.7	21.4	21.0	22.0	21.0	20.4	20.0	21.1
Total Exp	5,154	4,480	5,175	4,493	7,825	6,534	7,391	1,640	19,294	23,389
EBITDA	**1,331**	**894**	**951**	**584**	**1,593**	**1,095**	**1,156**	**695**	**3,767**	**4,539**
Margins (%)	20.5	16.6	15.5	11.5	20.3	16.7	15.6	11.4	16.3	16.3
YoY Change (%)	12.1	18.4	21.0	61.2	19.7	22.5	21.6	19.0	22.1	20.5
Depreciation	96	93	100	109	113	116	120	158	397	506
Interest	6	6	7	7	9	9	9	8	26	35
Other Income	236	281	334	331	295	342	401	452	1,174	1,490
PBT	**1,465**	**1,076**	**1,178**	**800**	**1,765**	**1,312**	**1,429**	**982**	**4,518**	**5,488**
Tax	503	358	392	266	582	433	471	324	1,520	1,810
Rate (%)	34.4	33.3	33.3	33.3	33.0	33.0	33.0	33.0	33.6	33.0
PAT	**962**	**718**	**786**	**534**	**1,183**	**879**	**957**	**658**	**2,999**	**3,678**
YoY Change (%)	14.6	28.5	30.9	59.1	23.0	22.5	21.8	23.3	28.8	22.6

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Godrej Consumer Products

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	GCPL IN
Equity Shares (m)	323.6
52 Week Range (Rs)	480/254
1,6,12 Rel Perf (%)	-8/-7/27
Mcap (Rs b)	115.2
Mcap (USD b)	2.6

CMP: Rs356 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	20,412	3,603	11.1	119.2	32.0	11.5	37.7	47.3	5.2	26.1
03/11E	35,552	4,646	14.4	22.8	24.8	7.0	28.3	19.8	3.7	20.9
03/12E	44,496	5,553	17.2	19.5	20.7	6.1	29.6	23.2	3.0	16.4
03/13E	52,154	6,500	20.1	17.1	17.7	5.3	30.1	25.3	2.5	13.6

- We expect 92.3% increase in net sales to Rs9.8b, driven by international (Issue, Argencos, Megasari, Tura) and domestic (GHPL's 51% stake, Genteel, Swastik brands) acquisitions. We estimate organic sales growth at ~15%.
- Low margin acquisitions in Latin America and Africa as well as the impact of higher PFAD prices will cause a 300bp contraction in EBITDA margin to 18.2%.
- Higher depreciation and interest costs as well as a 230bp increase in tax rate will limit PAT growth to 43.3% at Rs1.3b.
- Revenue growth in soaps will accelerate from 3Q levels due to a low base effect and 3-4% price increases in January 2011. Hair colors will maintain steady growth in mid-teens, driven by 10% price increase in August even as volume growth will be in low single digits.
- Sales growth and profitability will be driven by household insecticides, with both GHPL and Megasari (~44% of sales) expected to deliver over 20% sales and EBITDA growth.
- We believe that integration of new acquisitions is a key risk in the stock. Rs19b debt and higher working capital requirements in new acquisitions will impact free cash flow generation. The stock is trading at 20.7x FY12E and 17.7x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**4,389**	**5,756**	**5,176**	**5,092**	**6,431**	**9,528**	**9,804**	**9789**	**20,412**	**35,552**
YoY Change (%)	21.4	65.4	51.3	48.1	46.5	65.5	89.4	92.3	46.2	74.2
EBITDA	**864**	**1,119**	**1,014**	**1,075**	**1,191**	**1,690**	**1,678**	**1,778**	**4,290**	**6,337**
Margins (%)	19.7	19.4	19.6	21.1	18.5	17.7	17.1	18.2	21.0	17.8
YoY Growth (%)	74.3	171.2	109.8	59.7	37.9	51.0	65.5	65.4	107.7	
Depreciation	52	68	56	61	84	155	135	151	236	525
Interest	38	26	20	27	105	89	133	148	111	474
Other Income	101	139	111	122	106	194	63	158	464	521
PBT	**876**	**1,164**	**1,049**	**1,110**	**1,108**	**1,641**	**1,473**	**1,637**	**4,406**	**5,858**
Tax	179	234	198	192	268	338	285	321	803	1,212
Rate (%)	20.5	20.1	18.8	17.3	24.1	20.6	19.3	19.6	18.2	20.7
PAT	**697**	**930**	**851**	**918**	**841**	**1,302**	**1,188**	**1,315**	**3,603**	**4,646**
YoY Change (%)	78.2	112.3	112.4	54.5	20.7	40.0	39.6	43.3	97.6	29.0
Extraordinaries	0	0	0	0	-323	-8	0	0	0	-331
Reported PAT	**697**	**930**	**851**	**918**	**1,164**	**1,311**	**1,188**	**1,315**	**3,603**	**4,977**

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Hindustan Unilever

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HUVR IN
Equity Shares (m)	2,158.8
52 Week Range (Rs)	329/221
1,6,12 Rel Perf (%)	-9/-8/10
Mcap (Rs b)	585.0
Mcap (USD b)	13.1

CMP: Rs271 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	177,253	20,587	9.4	-1.3	28.7	22.9	79.7	105.1	3.2	20.1
03/11E	195,487	20,783	9.6	2.0	28.1	24.5	87.6	110.9	2.9	21.4
03/12E	218,873	22,448	10.4	8.0	26.1	21.4	82.5	105.8	2.5	19.2
03/13E	244,038	25,439	11.8	13.3	23.0	18.7	81.6	105.3	2.3	16.7

- We expect HUL to report 11% increase in sales to Rs47.8b, with ~9% volume growth. We note that this is the first quarter with high base effect (11% in 4QFY10).
- The impact of steep inflation in PFAD, LAB, palm oil and coffee prices could lead to a gross margin contraction of 200bp to 47.4%.
- We estimate 190bp decline in EBITDA margin, as the base quarter had seen a sharp 14.3% A&P to sales and increase in royalty payments to the parent company.
- We expect adjusted PAT growth of 5.4% to Rs4.5b, aided by higher other income and lower tax rate.
- Strong double-digit growth in personal care, foods and beverages will be compensated by slower growth (single digits) in soaps and detergents.
- With the HUL management's strategy shifting (in the last 15 months) from profitable growth to increasing product innovation and market share in a highly competitive and inflationary environment, sustained risks to margins and profit growth exist.
- The stock is currently trading at 26.1x FY12E and 23x FY13E earnings. Key near-term risks include higher than expected margin contraction due to input cost inflation and heightened competitive intensity. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth (%)	2.0	1.0	5.0	11.0	11.0	14.0	13.0	9.0	4.8	11.5
Palm Fatty Acid (Index)	**81**	**120**	**110**	**130**	**167**	**161**	**154**	**225**	**110**	**164**
Net Sales (incl service inc)	**45,026**	**42,692**	**45,732**	**43,802**	**48,762**	**47,647**	**51,277**	**47,801**	**177,253**	**195,487**
YoY Change (%)	6.3	3.9	4.4	8.5	8.3	11.6	12.1	9.1	5.4	10.3
COGS	23,117	21,512	22,111	22,175	24,466	23,830	25,692	25,138	88,779	99,125
Gross Profit	**21,910**	**21,181**	**23,622**	**21,627**	**24,296**	**23,817**	**25,586**	**22,663**	**88,474**	**96,361**
Margin (%)	48.7	49.6	51.7	49.4	49.8	50.0	49.9	47.4	49.9	49.3
Operating Exp	14,760	14,661	15,747	15,672	17,487	17,348	18,336	17,081	60,975	70,252
% to sales	32.8	34.3	34.4	35.8	35.9	36.4	35.8	35.7	34.4	35.9
EBITDA	**7,150**	**6,520**	**7,875**	**5,955**	**6,809**	**6,469**	**7,250**	**5,582**	**27,500**	**26,110**
Margins (%)	15.9	15.3	17.2	13.6	14.0	13.6	14.1	11.7	15.5	13.4
Depreciation	425	462	450	503	535	554	563	575	1,840	2,227
Interest	52	15	2	1	1	1	1	3	70	5
Other Income	335	473	389	284	421	768	770	470	1,481	2,430
PBT	**7,009**	**6,515**	**7,812**	**5,735**	**6,695**	**6,683**	**7,456**	**5,474**	**27,071**	**26,308**
Tax	1,643	1,520	1,822	1,513	1,485	1,426	1,589	1,025	6,481	5,525
Rate (%)	23.4	23.3	23.3	26.4	22.2	21.3	21.3	18.7	23.9	21.0
Adjusted PAT	**5,367**	**4,995**	**5,990**	**4,221**	**5,210**	**5,257**	**5,867**	**4,449**	**20,590**	**20,783**
YoY Change (%)	-0.6	9.4	-1.8	-7.6	-2.9	5.2	-2.1	5.4	0.7	0.9
Extraordinary Inc/(Exp)	65	-710	501	1,591	122	404	508	0	1,430	1,035
Reported Profit	**5,432**	**4,285**	**6,491**	**5,812**	**5,332**	**5,661**	**6,375**	**4,449**	**22,020**	**21,818**

E: MOSL Estimates, PFAD - 1QFY08 as 100 with 3month lag

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

ITC

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	ITC IN
Equity Shares (m)	7,705.9
52 Week Range (Rs)	185/127
1,6,12 Rel Perf (%)	7/5/27
Mcap (Rs b)	1,365.9
Mcap (USD b)	30.6

CMP: Rs177 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	183,810	40,610	5.3	24.4	33.3	9.7	29.2	40.9	7.2	20.5
03/11E	214,603	49,694	6.4	22.4	27.5	7.6	31.7	44.5	5.9	17.3
03/12E	251,250	60,152	7.8	21.0	22.7	6.5	31.8	45.4	5.0	14.0
03/13E	288,356	70,724	9.2	17.6	19.3	5.5	29.1	42.3	4.2	11.9

- We expect ITC to post 16% growth in revenue to Rs59.5b. Margin expansion of 200bp will drive 23% growth in EBITDA and net profit to Rs19.9b and Rs10.2b, respectively.
- We expect cigarette volume growth to accelerate to 4%; 4.2% price increases in January 2011 coupled with improving sales mix will enable 23% growth in cigarette PBIT and 100bp margin expansion.
- We expect 20% increase in New FMCG sales and EBIT losses to stay at 4QFY10 levels. With higher palm oil prices and increased advertising spends on the recently launched instant noodles and a new variant in Vivel soaps, losses are unlikely to decline.
- Paper margins are likely to expand 300bp QoQ to 24%, led by higher sales to cigarette business (de-stocking in 3Q due to uncertainty on pictorial warnings).
- Agri business is likely to sustain its growth, with margins being stable at 4QFY10 levels. Hotel occupancies have witnessed gradual improvement, although ARR (average revenue per room) remains low; we estimate 15% increase in sales and 21% increase in EBIT due to improved margins.
- The stock is currently trading at 22.7x FY12E and 19.3x FY13E EPS. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Cigarette Vol Gr (%)	5.5	7.5	8.5	8.8	-3.5	-0.5	2.5	4.0	8.3	0.5
Net Sales	**41,978**	**43,453**	**45,802**	**51,316**	**48,473**	**51,472**	**55,137**	**59,520**	**183,822**	**214,603**
YoY Change (%)	6.7	12.5	18.7	28.7	15.5	18.5	20.4	16.0	16.3	16.7
Total Exp	28,105	27,552	28,725	35,137	32,103	32,723	34,845	39,588	120,792	139,258
EBITDA	**13,873**	**15,901**	**17,076**	**16,180**	**16,371**	**18,749**	**20,293**	**19,932**	**63,031**	**75,345**
Growth (%)	19.5	30.8	23.9	24.6	18.0	17.9	18.8	23.2	24.7	19.5
Margins (%)	33.0	36.6	37.3	31.5	33.8	36.4	36.8	33.5	34.3	35.1
Depreciation	1,516	1,484	1,549	1,539	1,597	1,640	1,681	1,749	6,087	6,667
Interest	58	182	109	185	58	54	230	154	534	495
Other Income	876	684	1,591	592	985	1,245	1,930	735	3,743	4,895
PBT	**13,175**	**14,920**	**17,010**	**15,048**	**15,701**	**18,300**	**20,313**	**18,765**	**60,153**	**73,079**
Tax	4,388	4,821	5,569	4,766	4,998	5,833	6,422	6,133	19,543	23,385
Rate (%)	33.3	32.3	32.7	31.7	31.8	31.9	31.6	32.7	32.5	32.0
Reported PAT	**8,787**	**10,099**	**11,442**	**10,282**	**10,703**	**12,467**	**13,891**	**12,632**	**40,610**	**49,694**
YoY Change (%)	17.4	25.8	26.7	27.1	21.8	23.5	21.4	22.9	24.4	22.4

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Marico

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	MRCO IN
Equity Shares (m)	609.0
52 Week Range (Rs)	153/100
1,6,12 Rel Perf (%)	0/7/11
Mcap (Rs b)	79.5
Mcap (USD b)	1.8

CMP: Rs131 — Neutral

Year End	Net Sales (Rs m)	PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (x)	P/BV (x)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
03/10A	26,608	2,454	4.0	20.4	32.7	12.2	36.9	40.8	3.1	21.9
03/11E	31,192	2,730	4.5	12.5	28.8	9.5	32.2	38.1	2.6	21.0
03/12E	37,398	3,189	5.3	16.8	24.6	7.2	28.6	42.2	2.1	16.7
03/13E	43,865	3,899	6.5	22.1	20.2	5.5	26.9	42.4	1.8	13.9

- We expect Marico to report net sales of Rs7.3b, up 21.6%. Volume growth is estimated at 13%. Organic growth for the quarter would be 17.3% (ex Ingwe, Derma Rx and ICP acquisitions).
- Parachute volume growth is likely to sustain at 4-5%; Saffola would witness mid-teens volume growth.
- Input cost pressure due to steep copra price inflation continues (up 83%). The company has taken price increases of ~30% in Parachute and we do not rule out further price increases as well as slowdown in volume growth in the coming quarters. Saffola prices have been increased by ~5% during the quarter.
- We estimate 760bp decline in gross margin to 48.4%. Cost containment (lower A&P spends) will restrict EBITDA margin decline to 130bp at 12.8%. Higher other income and lower tax rate (down 140bp) will boost PAT growth to 8.3% at Rs626m.
- The company has acquired Vietnam-based personal care company, ICP, during the quarter. International business revenue will be impacted during the quarter due to restriction of operations in Egypt and Middle East (7% of sales).
- We remain cautious due to (1) steep input cost inflation impacting margins and volume growth, (2) concerns in Middle East and Egypt, and (3) lack of successful launches in the domestic market. The stock trades at 24.6x FY12E and 20.2x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth (%)	14.0	15.0	14.0	14.0	16.0	15.0	15.0	13.0	14.0	14.8
Net Sales	**6,967**	**6,922**	**6,696**	**6,023**	**7,901**	**7,788**	**8,177**	**7,325**	**26,608**	**31,192**
YoY Change (%)	16.8	14.4	7.8	7.3	13.4	12.5	22.1	21.6	11.4	17.2
COGS	3,501	3,275	3,167	2,646	4,033	3,880	4,307	3,776	12,577	15,996
Gross Profit	**3,466**	**3,647**	**3,528**	**3,377**	**3,868**	**3,908**	**3,870**	**3,549**	**14,031**	**15,196**
Gross margin (%)	49.7	52.7	52.7	56.1	49.0	50.2	47.3	48.4	52.7	48.7
Other Expenditure	2,501	2,695	2,540	2,527	2,813	2,960	2,873	2,614	10,240	11,260
% to sales	35.9	38.9	37.9	42.0	35.6	38.0	35.1	35.7	38.5	36.1
EBITDA	**965**	**953**	**988**	**849**	**1,055**	**949**	**997**	**935**	**3,791**	**3,935**
Margins (%)	13.8	13.8	14.8	14.1	13.3	12.2	12.2	12.8	14.2	12.6
Depreciation	99	182	166	157	120	140	146	162	601	568
Interest	86	55	64	50	70	65	76	80	257	291
Other Income	31	42	56	53	44	71	69	62	183	247
PBT	**811**	**757**	**814**	**695**	**909**	**816**	**843**	**755**	**3,116**	**3,323**
Tax	210	133	183	117	162	126	133	117	643	538
Rate (%)	25.9	17.5	22.5	16.9	17.8	15.5	15.8	15.5	20.6	16.2
Minority Interest	0	1	9	0	10	18	14	13	19	55
Adjusted PAT	**600**	**624**	**622**	**578**	**737**	**672**	**695**	**626**	**2,454**	**2,730**
YoY Change (%)	29.6	32.3	22.2	-2.7	22.8	7.7	11.8	8.3	20.4	11.2

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Nestle India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	NEST IN
Equity Shares (m)	96.4
52 Week Range (Rs)	4,199/2,570
1,6,12 Rel Perf (%)	-2/18/32
Mcap (Rs b)	353.9
Mcap (USD b)	7.9

CMP: Rs3,671 **Buy**

Year End	Net Sales (Rs M)	Adj. PAT (Rs M)	EPS (Rs)	EPS Growth (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
12/09A	51,294	6,976	72.4	23.5	50.7	60.9	120.0	165.2	6.8	33.9
12/10A	62,548	8,197	85.0	17.5	43.2	42.9	102.5	141.6	5.5	28.6
12/11E	77,427	9,961	103.3	21.5	35.5	30.0	86.2	89.5	4.5	23.5
12/12E	95,330	12,100	125.5	21.5	29.2	21.9	76.5	78.5	3.7	19.2

- We expect 23.3% growth in net sales to Rs18.2b in 1QCY11, with volume growth sustaining in high teens (14.3% volume growth in 1QCY10).
- Gross margin is likely to decline by 20bp to 50% due to steep inflation in milk, palm oil and coffee. Higher brand investments will result in a 90bp decline in EBITDA margin to 19.6%; EBITDA growth would stay healthy at 17.5%.
- PAT growth at 19.2% will be assisted by lower tax rate (30% tax rate in the base).
- Price increases are likely in 2QCY11, as the company will look to pass on a portion of the steep input cost inflation.
- Nestle has commissioned its new culinary facility in Nanjangud for Maggi. The company is in the midst of US$500m capacity expansion, which will enable it to accelerate growth and launch new products/brands in the Indian market.
- The stock is trading at 35.5x CY11E and 29.2x CY12E EPS. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E December	CY10				CY11E				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**14,798**	**14,667**	**16,373**	**16,710**	**18,243**	**17,954**	**20,384**	**20,846**	**62,548**	**77,427**
YoY Change (%)	16.9	21.3	25.7	23.6	23.3	22.4	24.5	24.8	21.9	23.8
COGS	7,376	7,191	8,034	7,956	9,121	8,798	9,784	9,962	30,556	37,665
Gross Profit	**7,422**	**7,476**	**8,339**	**8,754**	**9,121**	**9,157**	**10,600**	**10,884**	**31,992**	**39,762**
Margin (%)	50.2	51.0	50.9	52.4	50.0	51.0	52.0	52.2	51.1	51.4
Operating Exp	4,382	4,537	5,120	5,457	5,549	5,570	6,522	44,586	50,224	62,227
EBITDA	**3,040**	**2,940**	**3,219**	**3,298**	**3,572**	**3,587**	**4,077**	**3,964**	**12,324**	**15,200**
Margins (%)	20.5	20.0	19.7	19.7	19.6	20.0	20.0	19.0	19.7	19.6
YoY Growth (%)	-1.8	12.3	21.8	66.4	17.5	22.0	26.7	20.2	-64.6	23.3
Depreciation	310	304	306	358	385	420	440	482	1,278	1,727
Interest	6	4	1	1	15	20	25	35	11	95
Other income	91	101	95	139	90	70	62	46	427	267
PBT	**2,816**	**2,733**	**3,008**	**3,078**	**3,262**	**3,217**	**3,674**	**3,492**	**11,462**	**13,646**
Tax	845	718	840	861	913	853	992	926	3,265	3,684
Rate (%)	30.0	26.3	27.9	28.0	28.0	26.5	27.0	26.5	28.5	27.0
Adjusted PAT	**1,971**	**2,015**	**2,168**	**2,217**	**2,349**	**2,365**	**2,682**	**2,566**	**8,197**	**9,961**
YoY Change (%)	-5.2	13.1	21.5	66.3	19.2	17.4	23.7	15.8	-73.9	21.5
Extraordinary Inc/(Exp)	48	-67	18	-183	-76	-76	-76	-76	-184	-303
Reported PAT	**2,019**	**1,948**	**2,186**	**2,034**	**2,273**	**2,289**	**2,606**	**2,490**	**8,014**	**9,659**
YoY Change (%)	2.3	20.3	19.6	80.1	12.6	17.5	19.3	22.4	-74.2	20.5

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

United Spirits

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	UNSP IN
Equity Shares (m)	130.8
52 Week Range (Rs)	1,684/952
1,6,12 Rel Perf (%)	-14/-30/-30
Mcap (Rs b)	134.3
Mcap (USD b)	3.0

CMP: Rs1,027 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	63,623	3,026	25.8	12.3	39.8	3.3	8.0	11.5	2.5	16.6
03/11E	73,712	3,554	29.0	12.5	35.4	3.0	8.6	10.9	2.3	16.3
03/12E	86,779	4,741	38.7	33.4	26.5	2.7	10.4	12.3	2.0	13.4
03/13E	101,893	6,449	52.7	36.0	19.5	2.4	12.5	13.7	1.8	11.4

- We expect United Spirits to register 22% revenue growth to Rs15.3b in 4QFY11. Volume growth is likely to be healthy at 15%, driven by higher growth in premium segments.
- EBITDA margin is likely to remain stable at 14.5%, as the benefit of lower ENA prices and operating leverage is likely to be neutralized by higher glass bottle costs and increased marketing spends. We note that United Spirits had high advertising cost in 4QFY10 due to IPL starting from second half of March.
- We anticipate strong EBITDA growth and stable interest cost (higher interest burden due to increase in domestic debt in the base quarter). We estimate 30% increasing adjusted PAT to Rs742m on a low base.
- We estimate ENA prices at Rs142/case for 4QFY11 (Rs143/case in 3QFY11 and Rs152/case in 4QFY10). ENA prices have remained stable in 4Q and have not softened despite higher production due increased usage of spirit for ethanol blending.
- We believe that United Spirits will maintain its healthy volume growth trajectory in the IMFL space. However, high debt on the books, poor cash flows and sub-par return ratios remain key risks.
- The stock trades at 26.5x FY12E and 19.5x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth (%)	**17.0**	**10.0**	**12.3**	**16.0**	**6.0**	**16.0**	**14.0**	**15.0**	**13.5**	**12.8**
ENA Price/Case	**151**	**151**	**152**	**152**	**143**	**138**	**143**	**142**	**152**	**140**
Net Sales	**12,417**	**10,801**	**13,468**	**12,521**	**14,630**	**13,542**	**19,601**	**15,254**	**49,207**	**63,027**
YoY Change (%)	22.5	19.7	30.8	37.9	17.8	25.4	45.5	21.8	27.9	28.1
Total Exp	10,198	8,980	11,256	10,708	11,818	11,351	16,840	13,039	52,500	53,049
EBITDA	**2,219**	**1,821**	**2,212**	**1,813**	**2,811**	**2,191**	**2,761**	**2,215**	**8,065**	**9,978**
Margins (%)	17.9	16.9	16.4	14.5	19.2	16.2	14.1	14.5	16.4	15.8
Depreciation	80	83	93	114	91	104	126	142	370	463
Interest	592	751	747	1,023	965	983	1,038	1,066	3,112	4,053
PBT From operations	**1,547**	**987**	**1,372**	**677**	**1,755**	**1,104**	**1,597**	**1,007**	**4,583**	**5,462**
Other income	82	109	85	146	68	29	-16	148	422	229
PBT	**1,629**	**1,097**	**1,456**	**822**	**1,823**	**1,133**	**1,581**	**1,155**	**5,004**	**5,692**
Tax	553	401	488	254	613	387	523	413	1,695	1,935
Rate (%)	34.0	36.5	33.5	30.9	33.6	34.1	33.1	35.8	33.9	34.0
PAT	**1,076**	**696**	**968**	**569**	**1,211**	**746**	**1,058**	**742**	**3,309**	**3,757**
YoY Change (%)	-8.1	-25.9	216.6	2.2	12.5	7.2	9.3	30.5	11.3	13.5
Extraordinary Inc/(Exp)	700	0	0	0	0	0	241	0	700	241
Reported PAT	**1,776**	**696**	**968**	**569**	**1,211**	**746**	**1,300**	**742**	**4,009**	**3,998**

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Information Technology

COMPANY NAME

HCL Technologies

Infosys

MphasiS

Patni Computer

TCS

Tech Mahindra

Wipro

Revenue growth to decelerate on seasonality, though demand visibility remains positive: The quarter ending March (4Q) is seasonally the weakest for the industry, as clients usually finalize their budget spends for the next year during this period. We expect deceleration in volumes (3-5% sequential growth, led by TCS) to drive US$ revenue growth of 3.25-5.2% across the top tier. HCL Tech is expected to lag peers due to higher exposure to Japan and ongoing BPO restructuring. The demand environment, however, remains strong and pick-up in sequential growth rates will resume from 1QFY12. However, Wipro may to continue to marginally lag peers for the next few quarters, as the organization settles under the new leadership.

Sequential rupee depreciation to have marginally positive impact on margins: TCS is the only top-tier company, where we expect a slight margin contraction (30bp QoQ), but this is primarily driven by normalization of bad debt provisions (60bp impact). We expect sequential depreciation of 1% in the rupee to have a marginally positive impact on the company's margins (~40bp) and model 30bp improvement at Wipro (overall) and 40bp improvement at Infosys. Sequential appreciation of 1.5% in the GBP v/s the USD will aid margin expansion at Tech Mahindra the most. Other than that, we expect the impact of cross-currency movements during the quarter to be insignificant. Excluding impact of Japan HCL seems to be on track for margin recovery, though the skew could be more back-ended than our earlier expectations. We expect 20bp QoQ increase in HCL Tech EBIT margin.

Expect Infosys to guide 18-20% growth for FY12, Wipro to guide 3-5% QoQ growth for 1QFY12: Given Nasscom's estimate of 16-18% growth for the Indian IT industry in FY12, we expect Infosys to guide 18-20% growth for FY12. Our expectation for Infosys' EPS guidance is Rs143.7-144.7. We expect Wipro to continue to guide a sequential US-dollar revenue growth of 3-5% QoQ. We do not expect Wipro to bridge the volume-growth gap vis-à-vis its peers before the December quarter.

Expected quarterly performance summary (Rs million)

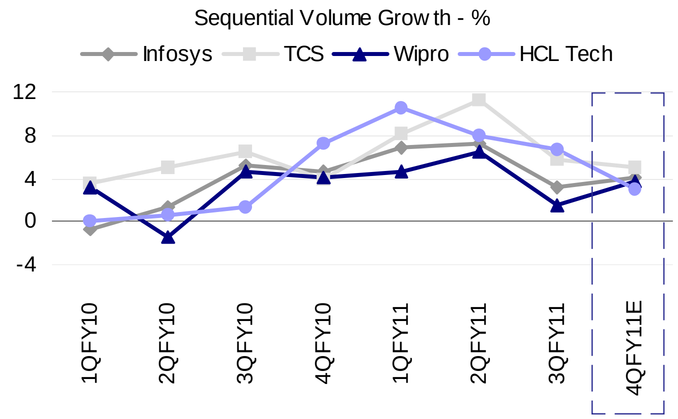
	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
HCL Technologies	471	Buy	40,414	31.4	4.6	6,376	9.3	5.4	4,056	26.2	9.0
Infosys	3,162	Buy	74,897	26.0	5.4	25,142	24.3	6.4	19,519	31.4	9.7
MphasiS	394	Neutral	12,744	4.4	3.3	2,393	-24.0	11.7	2,200	-17.7	20.0
Patni Computer	468	Neutral	8,465	9.3	3.2	1,503	-11.2	7.4	1,246	-16.8	-12.8
TCS	1,118	Neutral	102,165	32.1	5.7	30,512	31.5	4.6	23,080	19.5	-0.9
Tech Mahindra	736	Neutral	12,739	7.7	5.2	2,781	-0.2	11.3	1,668	-10.6	2.4
Wipro	456	Neutral	86,943	24.6	11.2	15,761	18.4	10.5	14,138	16.9	7.2
Sector Aggregate			**338,367**	**25.7**	**6.7**	**84,469**	**20.3**	**6.7**	**65,907**	**18.7**	**4.8**

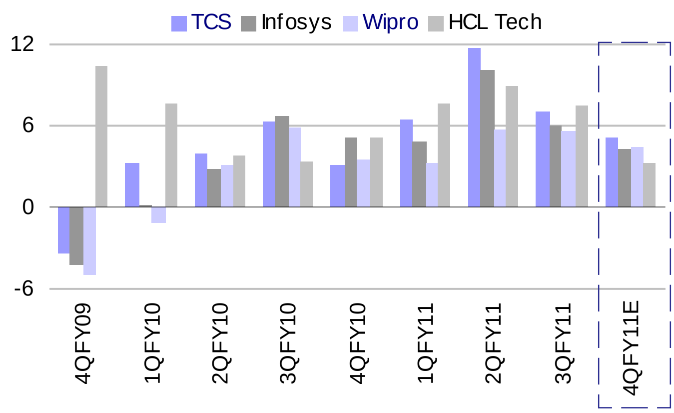
Kuldeep Koul (Kuldeep.Koul@MotilalOswal.com)/Ashish Chopra (Ashish.Chopra@MotilalOswal.com)

Infosys' revenue guidance, hiring guidance by TCS and trend in wage inflation are the key things to watch for: Amidst the environment of continued demand strength and positive pricing cues, the key things to watch for in 3QFY11 results will be: (1) revenue growth, EPS and hiring guidance by Infosys, (2) TCS' commentary on pricing and guidance on hiring, (3) wage hikes announced by TCS, Infosys and Wipro, (4) sequential movement in pricing after the uptrend witnessed in 3QFY11, and (5) trend in discretionary activity.

Prefer Infosys and HCL Tech: We expect IT demand revival witnessed in FY11 to continue, with US-dollar revenue growth of 20.4-26.4% in FY12 across the top tier. We prefer playing the sector through companies that (1) gain from pick-up in discretionary demand, and (2) have better scope to manage margins. We like **Infosys** and **HCL Tech** on these parameters. Our order of preference among the top-three IT companies is **Infosys**, followed by **TCS** and **Wipro**.

Sequential volume growth of 3-5% across the top tier to drive revenue growth of 3.25-5.2%





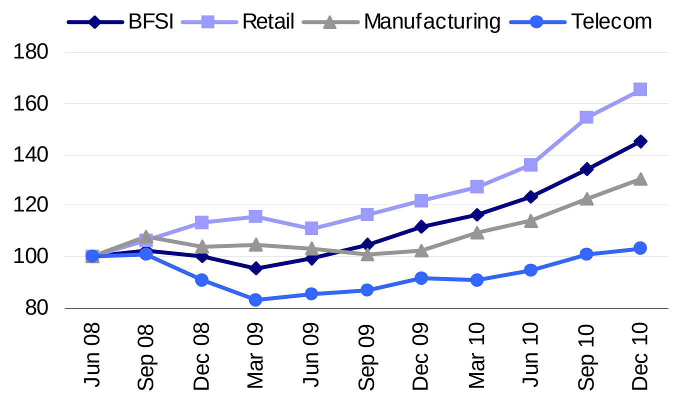
Source: Company/MOSL

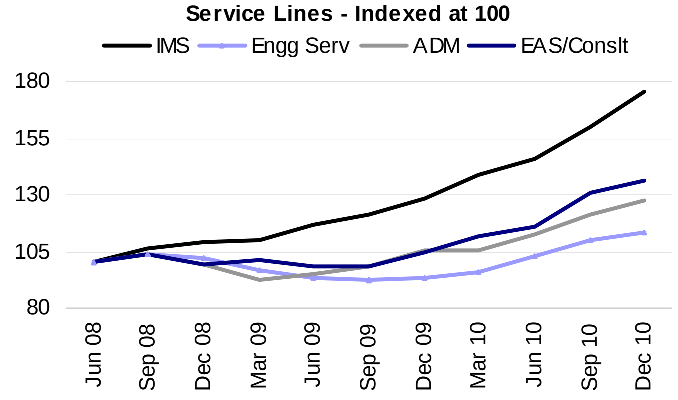
TCS to lead revenue growth, but may see slight margin contraction

Company	4QFY11	4QFY10	YoY (%)	3QFY11	QoQ (%)	4QFY11	4QFY10	YoY (%)	3QFY11	QoQ (%)
Revenues (US$)						**Revenues (Rs b)**				
TCS	2,255	1,686	33.8	2,144	5.2	102	77	32.1	97	5.7
Infosys	1,653	1,296	27.6	1,585	4.3	75	59	26.0	71	5.4
Wipro	1,404	1,166	20.4	1,344	4.5	87	70	24.6	78	11.2
HCLT	892	685	30.2	864	3.2	40	31	31.4	39	4.6
Aggregate	**6,204**	**4,833**	**28.4**	**5,937**	**4.5**	**304**	**237**	**28.3**	**285**	**7.0**
EBIT Margin (%)						**PAT (Rs b)**				
TCS	28	28	31	28	-27	23	19	19.5	23	-0.9
Infosys	31	30	29	30	39	20	15	31.4	18	9.7
Wipro	18	19	-94	18	-11	14	12	16.9	13	7.2
HCLT	13	15	-267	12	25	4	3	26.2	4	9.0
Aggregate	**24**	**24**	**-43**	**23.8**	**(6)**	**61**	**49**	**22.9**	**58**	**4.8**

Source: Company/MOSL

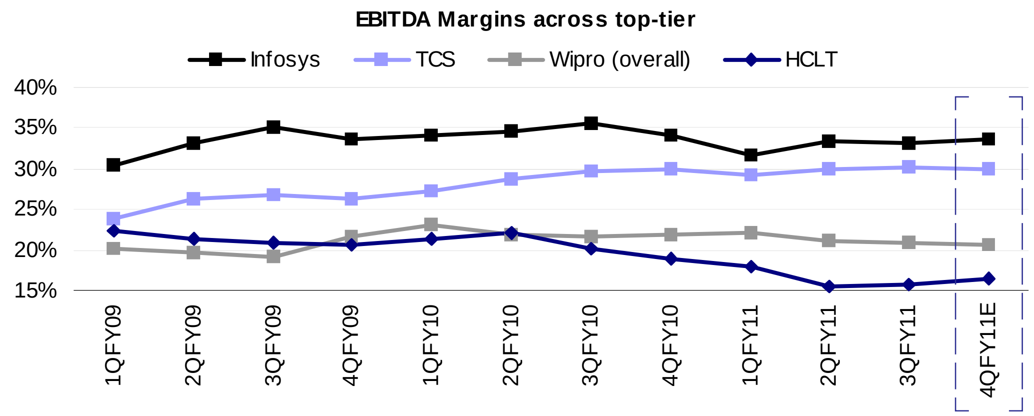
BFSI and Retail the key growth verticals, IMS the fastest growing service line





Source: Company/MOSL

Marginal positive impact of 1% sequential rupee depreciation; TCS' margin to drop slightly on normalization of bad debt provisions



Source: Company/MOSL

1% sequential depreciation in the rupee, cross-currency impact negligible

	Rates (INR)				Change (%, QoQ)			
	US$	EUR	GBP	AUD	US$	EUR	GBP	AUD
4QFY11 currency highlights								
Average	45.3	61.8	72.6	45.5	1.0	1.4	2.5	2.5
Closing	45.0	63.8	73.7	45.4	0.6	6.7	5.7	-0.7

Source: Company/MOSL

4QFY11 currency highlights (US$)

	Rates (US$)			Change (%, QoQ)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.37	1.60	1.00	0.5	1.5	1.5
Closing	1.42	1.64	1.01	5.9	4.8	-1.3

4QFY11 guidance exchange rate assumptions

Guided at	EUR	GBP	AUD	INR/US$
Infosys	1.36	1.58	0.97	44.70
Wipro	1.35	1.58	1.01	44.98
Actual (Average)	**1.37**	**1.60**	**1.00**	**45.30**

Source: Company/MOSL

Infosys: guidance v/s expectations

	4QFY11G	4QFY11E	FY11G	FY11E	FY12GE	FY12E	Comments
INR revenue (b)	71.6-72.3	74.9	274.08-274.81	277.41	323.5-329	335.13	
Sequential growth (%)	0.7%-1.7%	5.40%	20.5%-20.8%	22.0%	17.8-18.6%	20.8%	Sequential Rupee growth guidance for FY12 lower than US$ growth due to the assumption of appreciation in Rupee rate
INR EPS	31.06-31.28	34.35	118.68-118.9	121.8	143.7-144.7	152.2	24.8% YoY growth in EBITDA in FY12
US dollar revenue	1,601m-1,617m	1,653m	6.04b-6.06b	6,092m	7.19b-7.31b	7.45b	
Sequential growth (%)	1%-2%	4.30%	25.7%-26.1%	26.80%	18%-20%	22.20%	We prefer to remain conservative on Revenue growth assumption vis-à-vis our guidance assumption for Infosys
US dollar EPS	0.69-0.7	0.76	2.6-2.61	2.67	3.16-3.22	3.38	
INR/US$ rate	44.71	45.3	44.70	45.53	45	45.00	

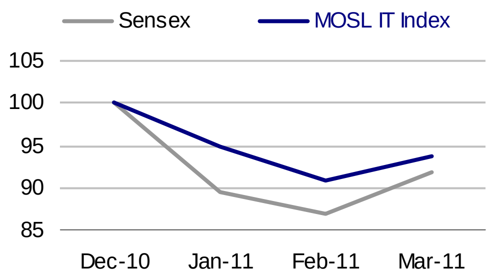
E: MOSL Estimate, GE: Guidance Estimate

EPS estimates (Rs): MOSL v/s consensus

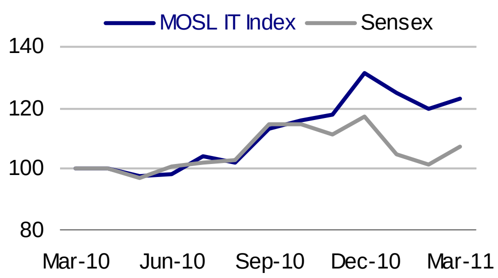
	4QFY11		FY11		FY12		Upside/Downside to Consensus (%)		
	MOSL	Consensus	MOSL	Consensus	MOSL	Consensus	3QFY11	FY11	FY12
Infosys	34.16	33.1	121.8	121	152.2	149.7	3.2	0.6	1.6
TCS	11.8	11.8	43.9	44.3	51.8	52.1	-0.1	-0.9	-0.6
Wipro	5.9	5.7	21.9	21.7	24.1	24.5	3.2	0.9	-1.7
HCL Tech*	5.8	6.3	22.6	23.7	31	31.6	0.1	-5.3	-2.3

*: 3QFY11 for HCL Tech; MOSL's EPS estimate after adjusting for ESOPs

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

Company	TP/TM*	% Upside	Rating	EPS (Rs)			P/E (x)			FY11-13 CAGR (%)	
				FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	US$ Rev	EPS
Infosys	3,664 / 20x	22.4	Buy	121.8	152.2	182.9	24.6	19.7	16.4	20.8	22.6
TCS	1,225 / 20x	15.1	Neutral	43.9	51.8	61.0	24.2	20.6	17.4	22.6	17.9
Wipro	517 / 18x	12.3	Neutral	21.9	24.1	28.7	19.9	18.1	15.2	19.8	14.4
HCL Tech	550 / 15x	20.9	Buy	22.4	30.9	36.5	20.3	14.7	12.5	22.9	27.6
Tech Mahindra	714 / 11x	0.4	Neutral	58.2	58.9	65.2	12.2	12.1	10.9	11.3	5.8
Mphasis	450 / 11x	15.6	Neutral	40.0	40.8	45.8	9.7	9.5	8.5	7.9	-8.4
Patni	500 / 11x	8.5	Neutral	42.2	38.0	45.2	10.6	11.8	9.9	17.3	3.5

* - TP: Target Price, TM - Target Multiple based on FY13EPS, Mphasis TP based on FY12 EPS Source: Company/MOSL

HCL Technologies

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HCLT IN
Equity Shares (m)	692.1
52 Week Range (Rs)	518/338
1,6,12 Rel Perf (%)	-1/18/20
Mcap (Rs b)	325.7
Mcap (USD b)	7.3

CMP: Rs471 **Buy**

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
6/10A	125,650	11,766	17.1	-3.8	27.5	4.5	18.5	12.8	2.5	12.8
6/11E	158,136	15,355	22.0	28.9	21.3	3.8	20.0	16.0	2.0	12.5
6/12E	198,921	21,764	31.0	40.7	15.2	3.2	23.5	20.9	1.6	8.6
6/13E	232,778	25,832	36.5	17.8	12.9	2.6	22.8	21.3	1.3	7.2

* After ESOP charges; # Axon consolidated in December 2008

- We expect HCL Tech's revenue to decelerate the most across the top-tier due to higher exposure to Japan and ongoing BPO restructuring. Its revenue are expected to grow at 3.25% QoQ to US$892m.
- In rupee terms, we expect HCL Tech's revenue to grow 4.6% QoQ to Rs40.4b.
- We expect EBIT margin (after ESOP charges) to increase 20bp QoQ to 12.7%, only a muted expansion primarily impact from Japan. Excluding Japan, the margin recovery is on track, though skew could be more back-ended than our earlier expectations (implying greater expansion in 4QFY11).
- HCL Tech's forward cover amounted to US$256m as on 2QFY11. Total forex losses are expected at US$3m driven by OCI losses remaining on the balance sheet and losses on restatement of assets and liabilities.
- The company is likely to post a net profit (after ESOP charge) of Rs4.06b as against Rs3.7b in 2QFY11, up 9% QoQ on a lower base (due Rs133m forex losses in 2QFY11).
- The stock trades at 14.7x FY11E and 12.5x FY12E earnings. Maintain **Buy**, with a target price of Rs550.
- **What to look for:** Operating margin performance, commentary on large deals, and performance of discretionary lines.
- **Key risks:** Delay in margin recovery, slower ramp-up of large deals and currency volatility.

QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E JUNE	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenues	**30,314**	**30,325**	**30,757**	**34,254**	**36,116**	**38,625**	**40,414**	**42,981**	**125,650**	**158,136**
Q-o-Q Change (%)	4.2	0.0	1.4	11.4	5.4	6.9	4.6	6.4	18.5	25.9
Direct Expenses	19,349	19,749	20,619	23,166	24,931	26,692	27,928	29,208	82,883	108,759
Sales, General & Admin. Exp.	4,279	4,432	4,304	4,950	5,553	5,884	6,110	6,334	17,965	23,881
Operating Profit	**6,686**	**6,144**	**5,834**	**6,138**	**5,632**	**6,049**	**6,376**	**7,439**	**24,802**	**25,496**
Margins (%)	22.1	20.3	19.0	17.9	15.6	15.7	15.8	17.3	19.7	16.1
Other Income	-63	-133	-141	-208	4	54	64	34	-545	828
Forex Gain / (Loss)	-1,504	-1,257	-626	-1,370	-638	-133	-136	-37	-4,757	-944
Depreciation & Amort.	1,418	1,361	1,099	1,131	1,218	1,231	1,234	1,337	5,009	5,019
PBT bef. Extra-ordinary	**3,701**	**3,393**	**3,968**	**3,429**	**3,780**	**4,739**	**5,070**	**6,099**	**14,491**	**19,689**
Provision for Tax	687	665	754	618	776	1,019	1,014	1,525	2,724	4,334
Rate (%)	18.6	19.6	19.0	18.0	20.5	21.5	20.0	25.0	18.8	22.0
PAT after ESOP chrg	**3,013**	**2,728**	**3,214**	**2,811**	**3,004**	**3,720**	**4,056**	**4,575**	**11,766**	**15,355**
Q-o-Q Change (%)	-2.6	-9.5	17.8	-12.5	6.8	23.8	9.0	12.8	-2.0	30.5
US$ Revenues	**630**	**652**	**685**	**738**	**804**	**864**	**892**	**955**	**2,704**	**3,515**
Q-o-Q Change (%)	3.8	3.4	5.1	7.7	9.0	7.5	3.2	7.1	23.6	30.0
Volumes Growth QoQ (%)	**0.6**	**1.3**	**7.2**	**10.5**	**7.9**	**6.7**	**3.0**	**7.4**	**11.4**	**30.8**

E: MOSL Estimates; Axon is consolidated since December 2008

Kuldeep Koul (Kuldeep.Koul@MotilalOswal.com)/Ashish Chopra (Ashish.Chopra@MotilalOswal.com)

Infosys

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	INFO IN
Equity Shares (m)	571.3
52 Week Range (Rs)	3,494/2,510
1,6,12 Rel Perf (%)	-1/10/6
Mcap (Rs b)	1,806.6
Mcap (USD b)	40.4

CMP: Rs3,162 **Buy**

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	227,420	61,340	107.4	4.7	27.9	7.4	29.7	33.7	6.9	20.0
3/11E	277,407	69,569	121.8	13.4	24.6	6.5	28.2	33.6	5.6	17.0
3/12E	335,126	86,936	152.2	25.0	19.7	5.3	29.6	35.2	4.5	13.3
3/13E	391,029	104,502	182.9	20.2	16.4	4.3	28.8	33.8	3.7	10.8

- We expect Infosys to post revenue of US$1,653m, up 4.3% QoQ. The management had guided for US dollar revenue growth of just 1-2% QoQ for 4QFY11. In rupee terms, we expect revenue to grow 5.4% QoQ to Rs74.9b.
- Our revenue growth estimates factor in 4% QoQ volume growth and a flattish pricing environment (0.3% mix-based uptick).
- We expect Infosys' EBITDA margin to improve by 30bp QoQ to 33.6%, led by 1% sequential depreciation of the rupee v/s the US dollar.
- We expect Infosys to book other income of Rs3.46b in 4QFY11 v/s Rs2.9b in 3QFY11.
- Our PAT estimate of Rs19.5b implies a 9.7% QoQ increase (on higher other income and tax rate assumption of 26% v/s 27% in 3QFY11). Our EPS estimate for the quarter is Rs34.2. Infosys had guided EPS of Rs29.9 at the higher end.
- Our expectations on Infosys' guidance for FY12: US$ revenue growth of 18-20%; EPS of Rs143.7-144.7.
- The stock trades at 19.7x FY12E and 16.4x FY13E earnings. Maintain **Buy**.
- **What to look for:** FY12 guidance, magnitude of wage inflation and its impact on margins, commentary on pricing and discretionary traction.
- **Key risks:** Initial guidance lower than 18% at the mid-point, macro uncertainties in Europe, delay in discretionary spends, increased attrition and currency volatility.

QUARTERLY PERFORMANCE (INDIAN GAAP) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenues	**54,720**	**55,850**	**57,410**	**59,440**	**61,980**	**69,470**	**71,060**	**74,897**	**227,420**	**277,407**
Q-o-Q Change (%)	-2.9	2.1	2.8	3.5	4.3	12.1	2.3	5.4	4.8	22.0
Direct Expenses	29,150	29,630	30,090	31,840	34,410	37,540	38,470	40,468	120,710	150,888
SG&A	6,890	6,890	6,940	7,380	7,950	8,780	8,960	9,287	28,100	34,977
Operating Profit	**18,680**	**19,330**	**20,380**	**20,220**	**19,620**	**23,150**	**23,630**	**25,142**	**78,610**	**91,542**
Margins (%)	34.1	34.6	35.5	34.0	31.7	33.3	33.25	33.6	34.6	33.0
Other Income	2,690	2,360	2,310	2,080	2,390	2,670	2,900	3,456	9,430	11,416
Depreciation	2,220	2,320	2,310	2,200	2,070	2,170	2,160	2,222	9,050	8,622
PBT bef. Extra-ordinary	**19,150**	**19,370**	**20,380**	**20,100**	**19,940**	**23,650**	**24,370**	**26,377**	**78,990**	**94,337**
Provision for Tax	3,880	3,970	4,550	5,250	5,060	6,280	6,570	6,858	17,650	24,768
Rate (%)	20.3	20.5	22.3	26.1	25.4	26.6	27.0	26.0	22.3	26.3
PAT before EO	**15,270**	**15,400**	**15,830**	**14,850**	**14,880**	**17,370**	**17,800**	**19,519**	**61,340**	**69,569**
Q-o-Q Change (%)	-4.4	0.9	2.8	-6.2	0.2	16.7	2.5	9.7	4.3	13.4
Extra-ordinary Items	0	0	0	1,320	0	0	0	0	1,320	0
Adjusted PAT	**15,270**	**15,400**	**15,830**	**16,170**	**14,880**	**17,370**	**17,800**	**19,519**	**62,660**	**69,569**
Q-o-Q Change (%)	-5.3	0.9	2.8	2.1	-8.0	16.7	2.5	9.7	4.6	11.0
Diluted EPS	26.6	26.8	27.7	26.0	26.0	30.4	31.2	34.2	107.4	121.8
US$ Revenues	**1,122**	**1,154**	**1,232**	**1,296**	**1,358**	**1,496**	**1,585**	**1,653**	**4,804**	**6,092**
Q-o-Q Change (%)	0.1	2.9	6.8	5.2	4.8	10.2	5.9	4.3	3.0	26.8
Volume Growth - Q-o-Q (%)	**-0.7**	**1.4**	**5.3**	**4.6**	**6.9**	**7.1**	**3.1**	**4.0**	**6.2**	**23.0**

E: MOSL Estimates

Kuldeep Koul (Kuldeep.Koul@MotilalOswal.com)/Ashish Chopra (Ashish.Chopra@MotilalOswal.com)

Mphasis

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	MPHL IN
Equity Shares (m)	210.0
52 Week Range (Rs)	712/355
1,6,12 Rel Perf (%)	-18/-33/-47
Mcap (Rs b)	82.7
Mcap (USD b)	1.9

CMP: Rs394 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
10/09A	42,638	9,086	43.2	79.4	9.0	3.5	48.1	48.8	1.7	6.4
10/10A	50,366	10,269	48.6	12.5	8.0	2.5	36.4	36.4	1.3	5.5
10/11E	51,403	8,435	40.0	-17.9	9.7	2.1	23.3	22.4	1.2	6.3
10/12E	56,889	8,616	40.8	2.1	9.5	1.7	19.9	21.6	1.0	5.1

*Financial year end changed to YE Oct from March in FY08 (corresponds to 7month period)

- We expect Mphasis to post US-dollar revenue growth of 3.5% QoQ to US$280.5m in 2QFY11 (Y/E October), pegged back slightly on account of 50bp impact of pricing cut (which was effective only for two months in the previous quarter).
- In rupee terms, we expect Mphasis to post revenue growth of 3.3% QoQ to Rs12.7b.
- EBITDA margin is likely to expand by 140bp QoQ to 18.8%, primarily driven by higher utilization (up 300bp QoQ in Applications and 200bp QoQ in ITO) and SGA leverage (flattish in absolute Rupees, QoQ).
- We expect net profit to grow 20% QoQ to Rs2.2b, driven by higher yield on invested cash.
- The stock trades at 9.7x FY11E and 9.5x FY12E earnings. Maintain **Neutral** with a target price of Rs450.
- **What to look for:** New client wins and growth in the direct channel, performance of HP channel, and quantum of sequential margin improvement.
- **Key risks:** Slower than expected growth in the direct channel, further adverse pricing renegotiations with HP, and attrition.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E OCTOBER	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenues	**11,916**	**12,205**	**12,791**	**13,454**	**12,335**	**12,744**	**12,992**	**13,331**	**50,366**	**51,403**
Q-o-Q Change (%)	5.3	2.4	4.8	5.2	-8.3	3.3	1.9	2.6	18.1	2.1
Direct Expenses	7,794	8,077	8,598	9,281	9,026	9,189	9,326	9,551	33,749	37,091
Sales, General & Admin. Exp.	1,395	978	1,034	1,199	1,167	1,163	1,158	1,162	4,607	4,650
Operating Profit	**2,727**	**3,150**	**3,159**	**2,974**	**2,142**	**2,393**	**2,509**	**2,618**	**12,010**	**9,662**
Margins (%)	22.9	25.8	24.7	22.1	17.4	18.8	19.3	19.6	23.8	18.8
Other Income	330	275	174	310	346	551	596	634	1,089	2,128
Depreciation	458	402	404	374	359	356	356	359	1,638	1,430
PBT bef. Extra-ordinary	**2,599**	**3,023**	**2,929**	**2,910**	**2,129**	**2,588**	**2,749**	**2,894**	**11,461**	**10,360**
Provision for Tax	325	350	217	300	295	388	605	637	1,192	1,925
Rate (%)	12.5	11.6	7.4	10.3	13.9	15.0	22.0	22.0	10.4	18.6
PAT bef. Extra-ordinary	**2,274**	**2,673**	**2,712**	**2,610**	**1,834**	**2,200**	**2,144**	**2,257**	**10,269**	**8,435**
Q-o-Q Change (%)	-7.2	17.6	1.5	-3.8	-29.7	20.0	-2.5	5.3	13.0	-17.9
Diluted EPS (Rs)	10.8	12.7	12.8	12.4	8.7	10.4	10.2	10.7	48.6	40.0
US$ Revs	257	271	276	296	271	281	287	295	1,099	1,134
Q-o-Q Change (%)	10.5	5.4	1.8	7.5	-8.5	3.5	2.5	2.7	25.6	3.2

E: MOSL Estimates

Kuldeep Koul (Kuldeep.Koul@MotilalOswal.com)/Ashish Chopra (Ashish.Chopra@MotilalOswal.com)

Patni Computer Systems

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	PATNI IN
Equity Shares (m)	130.4
52 Week Range (Rs)	624/413
1,6,12 Rel Perf (%)	-2/12/-26
Mcap (Rs b)	61.0
Mcap (USD b)	1.4

CMP: Rs468 — Neutral

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/09A	31,620	4,660	36.1	26.3	12.8	1.8	15.7	15.2	1.3	6.3
12/10A	31,689	5,679	42.2	17.0	10.6	2.0	17.9	17.4	1.5	7.5
12/11E	35,918	5,111	38.0	-10.0	11.8	1.8	16.0	15.5	1.2	6.3
12/12E	42,151	6,074	45.2	18.8	10.0	1.5	16.3	15.9	0.9	4.5

* Reflects adjusted PAT

- We expect Patni's US-dollar revenue to grow 2.2% sequentially to US$186.9m. Last quarter, the company stopped its usual practice of giving guidance on the next quarter's revenue and profit to align with the practices of the new promoter, iGate.
- In rupee terms, revenue is likely to grow 3.2% QoQ to Rs8.5b.
- EBIT margin is likely to pick-up by 80bp to 14.5%, closer to the company's target band of operating margin, primarily driven by utilization uptick (60bp QoQ, after utilization dropped 160bp QoQ in 4QCY10 to 72.4%).
- We expect other income to decline to Rs287m (v/s Rs616m in 4QCY10) due to reduced forex gains (forex gains in 4QCY10 were Rs364m v/s EBIT of Rs1119b).
- PAT is likely to decline 12.8% QoQ to Rs1.28b. We estimate diluted EPS for 1QCY11 at Rs9.3.
- The stock trades at 11.8x CY11E and 10x CY12E earnings. Maintain **Neutral**, with a target price of Rs500.
- **What to look for:** Large deal wins, timelines for integration with iGate, and attrition trend.
- **Key risks:** Defection of employees amidst integration with iGate, client concentration and currency volatility.

QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E DECEMBER	CY10				CY11E				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**7,745**	**7,776**	**7,967**	**8,200**	**8,465**	**8,709**	**9,171**	**9,574**	**31,689**	**35,918**
Q-o-Q Change (%)	-1.9	0.4	2.4	2.9	3.2	2.9	5.3	4.4	0.2	13.3
Direct Expenses	4,596	4,855	5,071	5,293	5,539	5,741	5,883	6,139	19,814	23,303
Sales, General & Admin. Expenses	1,457	1,354	1,391	1,507	1,422	1,446	1,513	1,580	5,708	5,961
Operating Profit	**1,693**	**1,568**	**1,505**	**1,400**	**1,503**	**1,522**	**1,774**	**1,856**	**6,166**	**6,655**
Margins (%)	21.9	20.2	18.9	17.1	17.8	17.5	19.3	19.4	19.5	18.5
Other Income	413	520	329	616	287	384	323	342	1,876	1,335
Depreciation	280	304	285	281	279	287	303	316	1,150	1,185
PBT bef. Extra-ordinary	**1,825**	**1,784**	**1,549**	**1,735**	**1,511**	**1,618**	**1,794**	**1,882**	**6,892**	**6,805**
Provision for Tax	328	310	268	307	264	437	484	508	1,213	1,694
Rate (%)	18.0	17.4	17.3	17.7	17.5	27.0	27.0	27.0	17.6	24.9
Net Income bef. Extra-ordinary	**1,497**	**1,473**	**1,281**	**1,428**	**1,246**	**1,181**	**1,310**	**1,374**	**5,679**	**5,111**
Q-o-Q Change (%)	9.8	-1.6	-13.1	11.5	-12.8	-5.2	10.9	4.9	21.9	-10.0
Net Income aft. Extra-ordinary	**1,497**	**1,473**	**1,281**	**1,765**	**1,246**	**1,181**	**1,310**	**1,374**	**5,679**	**5,111**
Q-o-Q Change (%)	-20.3	-1.6	-13.1	37.8	-29.4	-5.2	10.9	4.9	21.9	-10.0
Diluted EPS (Rs)	**11.2**	**11.0**	**9.6**	**10.6**	**9.3**	**8.8**	**9.7**	**10.2**	**42.2**	**38.0**
US$ Revenues	**172.3**	**167.6**	**179**	**183**	**186.9**	**193.5**	**204**	**213**	**702**	**797**
% Chg (QoQ)	1.3	-2.8	6.7	2.3	2.2	3.6	5.3	4.4	7.0	13.6

E: MOSL Estimates

Kuldeep Koul (Kuldeep.Koul@MotilalOswal.com)/Ashish Chopra (Ashish.Chopra@MotilalOswal.com)

Tata Consultancy Services

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	TCS IN
Equity Shares (m)	1,957.2
52 Week Range (Rs)	1,221/692
1,6,12 Rel Perf (%)	-6/26/28
Mcap (Rs b)	2,188.6
Mcap (USD b)	49.0

CMP: Rs1,118 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	300,289	68,647	35.1	33.6	30.3	9.9	37.3	40.9	6.8	23.5
3/11E	373,835	85,888	43.9	25.1	24.2	8.3	37.3	42.7	5.4	18.2
3/12E	466,252	101,343	51.8	18.0	20.6	6.2	34.6	41.8	4.3	14.4
3/13E	542,296	119,469	61.0	17.9	17.4	4.8	31.0	37.8	3.5	11.8

- We expect TCS to post revenue of US$2,255m in 4QFY11, up 5.2% QoQ, driven by 5% growth in volumes. Revenue growth would be impacted by seasonality.
- In rupee terms, we expect revenue of Rs102.2b, up 5.7% QoQ.
- EBITDA margin is likely to decline 30bp QoQ to 29.9%, despite 1% sequential depreciation in the rupee v/s the US-dollar, primarily due to normalization of bad debt provisions (impact of 60bp).
- We expect TCS' total other income to drop to Rs0.4b v/s Rs1.8b in 3QFY11. The company had reported forex gains of Rs922m in the previous quarter.
- PAT is likely to decline by 0.9% sequentially to Rs23.1b.
- The stock trades at 20.6x FY12E and 17.4x FY13E earnings. Maintain **Neutral**.
- **What to look for:** Hiring guidance for FY12, wage inflation and outlook on margin impact of wage inflation, and performance of discretionary segments.
- **Key risks:** Macro uncertainties, sluggishness in manufacturing, and currency volatility.

QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenues	**72,070**	**74,351**	**76,503**	**77,365**	**82,173**	**92,864**	**96,634**	**102,165**	**300,289**	**373,835**
Q-o-Q Change (%)	0.5	3.2	2.9	1.1	6.2	13.0	4.1	5.7	8.0	24.5
Direct Expenses	38,208	39,215	39,841	39,897	43,978	49,448	51,186	53,713	157,243	198,325
Sales, General & Admin. Exp.	14,243	13,794	13,945	14,264	14,107	15,522	16,275	17,940	56,246	63,844
Operating Profit	**19,619**	**21,342**	**22,717**	**23,204**	**24,088**	**27,894**	**29,173**	**30,512**	**86,800**	**111,667**
Margins (%)	27.2	28.7	29.7	30.0	29.3	30.0	30.2	29.9	28.9	29.9
Other Income	194	-144	570	1,636	831	337	1,817	404	2,255	3,389
Depreciation	1,727	1,811	1,829	1,924	1,781	1,886	2,041	2,099	7,209	7,807
PBT bef. Extra-ordinary	**18,086**	**19,387**	**21,458**	**22,916**	**23,138**	**26,345**	**28,948**	**28,818**	**81,846**	**107,248**
Provision for Tax	2,655	2,909	3,241	3,284	4,423	4,992	5,385	5,475	12,088	20,275
Rate (%)	14.7	15.0	15.1	14.3	19.1	18.9	18.6	19.0	14.8	18.9
Minority Interest	228	239	242	320	272	289	262	262	1,029	1,085
Net Income after. Extra-ordin.	**15,203**	**16,239**	**17,975**	**19,312**	**18,442**	**21,064**	**23,301**	**23,080**	**68,729**	**85,888**
Q-o-Q Change (%)	15.7	6.8	10.7	7.4	-4.5	14.2	10.6	-0.9	33.8	25.0
Diluted EPS (Rs)	7.8	8.3	9.2	9.9	9.4	10.8	11.9	11.8	35.1	43.9
US$ Revenues	1,480	1,538	1,635	1,686	1,794	2,004	2,144	2,255	6,339	8,197
% Chg (QoQ)	3.3	3.9	6.3	3.1	6.4	11.7	7.0	5.2	5.4	29.3
Volume Growth QoQ (%)	3.6	5.0	6.6	4.0	8.1	11.2	5.7	5.0	17.4	26.6

E: MOSL Estimates

Kuldeep Koul (Kuldeep.Koul@MotilalOswal.com)/Ashish Chopra (Ashish.Chopra@MotilalOswal.com)

Tech Mahindra

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	TECHM IN
Equity Shares (m)	130.7
52 Week Range (Rs)	922/539
1,6,12 Rel Perf (%)	9/1/-25
Mcap (Rs b)	96.2
Mcap (USD b)	2.2

CMP: Rs736 — Neutral

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	46,254	7,546	45.0	-42.0	15.8	3.0	31.6	31.5	3.0	6.0
3/11E	48,537	9,266	58.2	29.4	12.2	2.4	26.5	21.8	2.4	6.4
3/12E	53,268	9,240	58.9	1.2	12.1	2.0	22.3	20.2	2.0	5.8
3/13E	58,087	10,061	65.2	10.7	10.9	1.6	20.0	19.0	1.6	5.4

* EPS incl. profits from Satyam and adjusted for restructuring charge,# reported PAT incl. Satyam

- We expect Tech Mahindra to post revenue of US$281m, up 4.6% QoQ, boosted partially by 1.5% sequential appreciation of the GBP v/s the USD. In rupee terms, we expect revenue to increase 5.2% QoQ to Rs12.7b.
- Reported EBITDA margin is likely to improve 120bp QoQ to 21.8%, boosted by GBP appreciation vis-à-vis USD and also INR depreciation v/s USD.
- Our estimate for other income is Rs322m v/s Rs521m in 3QFY11.
- We expect PAT after restructuring fees to be Rs1.7b, up 2.4% QoQ, despite higher EBITDA, due to lower other income and higher taxation assumption (17% in 4QFY11 v/s 14.8% effective tax rate in 3QFY11).
- The stock trades at 12.1x FY12E and 10.9x FY13E earnings including Satyam, excluding restructuring charges. Maintain **Neutral**.
- **What to look for:** Performance of Mahindra Satyam, growth in the non-BT portfolio, and attrition.
- **Key risks:** Dependence on BT (44% of revenue), growth skew towards lower margin BPO and telco rollouts, legal issues pertaining to Satyam, and currency volatility.

QUARTERLY PERFORMANCE (INDIAN GAAP) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenues	**11,130**	**11,418**	**11,873**	**11,833**	**11,337**	**12,350**	**12,111**	**12,739**	**46,254**	**48,537**
Q-o-Q Change (%)	5.9	2.6	4.0	-0.3	-4.2	8.9	-1.9	5.2	3.6	4.9
Direct Cost	6,838	6,986	7,514	7,373	7,458	7,850	7,882	8,137	28,711	31,326
Other Operating Exps	1,487	1,507	1,552	1,672	1,752	1,820	1,731	1,822	6,218	7,125
Operating Profit	**2,805**	**2,925**	**2,807**	**2,788**	**2,127**	**2,680**	**2,498**	**2,781**	**11,325**	**10,086**
Margins (%)	25.2	25.6	23.6	23.6	18.8	21.7	20.6	21.8	24.5	20.8
Other Income	-261	270	6	739	253	83	521	322	754	1,179
Interest	571	843	459	311	264	270	252	230	2,184	1,016
Depreciation	296	312	331	399	354	347	347	357	1,338	1,405
PBT bef. Extra-ordinary	**1,677**	**2,040**	**2,023**	**2,817**	**1,762**	**2,146**	**2,420**	**2,517**	**8,557**	**8,845**
Provision for Tax	268	345	285	542	312	418	359	428	1,440	1,517
Rate (%)	16.0	16.9	14.1	19.2	17.7	19.5	14.8	17.0	16.8	17.1
Minority Interest	8	5	9	6	-6	7	6	6	28	13
Net Income bef. Extra-ordinary	**1,402**	**1,690**	**1,729**	**2,269**	**1,456**	**1,721**	**2,055**	**2,083**	**7,090**	**7,315**
Q-o-Q Change (%)	-31.8	20.6	2.3	31.2	-35.8	18.2	19.4	1.4	-23.1	3.2
Net Income aft. Extra-ordinary	**1,317**	**1,690**	**1,729**	**2,269**	**1,456**	**1,735**	**2,570**	**2,083**	**7,005**	**7,315**
Q-o-Q Change (%)	-42.9	28.3	2.3	31.2	-35.8	19.2	48.1	-18.9	-31.0	4.4
Effect of restructuring fees	420	415	430	404	411	403	426	415	1,669	1,655
Adj. Net Inc.*	**897**	**1,275**	**1,299**	**1,865**	**1,045**	**1,332**	**1,629**	**1,668**	**5,336**	**5,660**
Q-o-Q Change (%)	-61.1	42.2	2.0	43.5	-44.0	27.6	22.3	2.4	-47.4	6.1
Diluted EPS (Rs)	10.7	12.9	13.2	17.4	11.1	13.2	19.7	15.9	54.2	59.9
US$ Revenues	228	237	254	259	251	265	269	281	977	1,066
Q-o-Q Change (%)	7.7	3.9	7.3	1.9	-2.9	5.4	1.6	4.6	-0.9	9.2

E: MOSL Estimates; Excl prior period items*

Kuldeep Koul (Kuldeep.Koul@MotilalOswal.com)/Ashish Chopra (Ashish.Chopra@MotilalOswal.com)

Wipro

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	WPRO IN
Equity Shares (m)	2,434.1
52 Week Range (Rs)	500/328
1,6,12 Rel Perf (%)	-1/8/-1
Mcap (Rs b)	1,109.6
Mcap (USD b)	24.8

CMP: Rs456 — Neutral

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	271,957	45,638	18.6	17.4	23.4	5.4	26.6	21.8	3.8	17.2
3/11E	314,770	47,140	21.8	17.0	20.0	4.5	21.7	18.3	3.2	16.5
3/12E	372,120	49,664	24.1	10.5	18.1	3.7	18.8	18.0	2.6	13.9
3/13E	431,019	59,434	28.7	19.1	15.2	3.0	18.5	17.8	2.1	11.5

- We expect Wipro's IT services revenue to grow 4.5% QoQ to US$1,404m v/s the company's guidance of 3-5% growth to US$1,384m-1,411m, driven by 3.7% sequential growth in volumes and 70bp positive impact of pricing.
- Consolidated revenue would be Rs86.9b, up 11.2% QoQ, driven by growth from other divisions.
- Our expectations on Wipro's guidance for 1QFY12: revenue growth of 3-5% QoQ.
- We expect IT services EBIT margin to pick up by 50bp QoQ to 22.7% due to rupee depreciation and uptick in utilization after falling 250bp in 3QFY11.
- We expect other income to be Rs1.2b (v/s Rs1.4b in 3QFY11). Consolidated net profit is likely to increase by 7.2% QoQ to Rs14.2b.
- The stock trades at 18.1x FY12E and 15.2x FY13E EPS. Maintain **Neutral**.
- **What to look for:** Guidance for 1QFY12, commentary on wage inflation, and attrition rate.
- **Key risks:** Fixed-price project overruns, delay in the recovery of the telecom sector, currency volatility.

CONSOLIDATED QUARTERLY PERFORMANCE (IFRS) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
IT Services and Products#	55,603	61,835	61,762	61,496	63,322	68,164	68,278	78,595	240,696	278,359
Other Businesses	8,265	7,102	7,618	8,276	8,584	9,555	9,924	8,348	31,261	36,411
Revenues	**63,868**	**68,937**	**69,380**	**69,772**	**71,906**	**77,719**	**78,202**	**86,943**	**271,957**	**314,770**
Q-o-Q Change (%)	-2.2	7.9	0.6	0.6	3.1	8.1	0.6	11.2	0.0	0.0
Y-o-Y Change (%)	5.7	5.6	5.3	6.9	12.6	12.7	12.7	24.6	5.9	15.7
Direct Expenses	43,247	47,522	47,766	47,764	48,647	53,270	53,530	59,924	186,299	215,371
SG&A	7,791	8,466	8,472	8,701	9,225	10,002	10,406	11,257	33,430	40,890
EBIT	**12,830**	**12,949**	**13,142**	**13,307**	**14,034**	**14,447**	**14,266**	**15,761**	**52,228**	**58,508**
Margins (%)	20.1	18.8	18.9	19.1	19.5	18.6	18.2	18.1	19.2	18.6
Other Income	355	681	721	1,612	948	955	1,324	1,385	3,369	4,612
Forex Gain/(Loss)	-1,406	240	394	57	458	-414	91	-220	-715	-85
Income from equity investees	114	112	128	176	157	192	160	160	530	669
PBT	**11,893**	**13,982**	**14,385**	**15,152**	**15,597**	**15,180**	**15,841**	**17,086**	**55,412**	**63,704**
Provision for Tax	1,740	2,217	2,321	3,015	2,527	2,183	2,582	2,877	9,293	10,169
Rate (%)	14.6	15.9	16.1	19.9	16.2	14.4	16.3	16.8	16.8	16.0
Minority Interest	49.0	58.0	31.0	46.0	67.0	148.0	71.0	71.0	184.0	357.0
Net Income	**10,104**	**11,707**	**12,033**	**12,091**	**13,003**	**12,849**	**13,188**	**14,138**	**45,935**	**53,178**
Q-o-Q Change (%)	0.9	15.9	2.8	0.5	7.5	-1.2	2.6	7.2	18.5	15.8
Diluted EPS (Rs)	**4.1**	**4.8**	**4.9**	**4.9**	**5.4**	**5.3**	**5.4**	**5.8**	**18.8**	**21.8**
US$ Revenues (IT Services)	**1,033**	**1,065**	**1,127**	**1,166**	**1,204**	**1,273**	**1,344**	**1,404**	**4,391**	**5,224**
Q-o-Q Change (%)	-1.2	3.1	5.8	3.5	3.2	5.7	5.6	4.5	1.6	19.0
Volume Growth QoQ (%)	**3.1**	**-1.5**	**4.7**	**4.1**	**4.7**	**6.6**	**1.5**	**3.7**	**1.8**	**17.3**

E: MOSL Estimates; # reclassified in FY09

Kuldeep Koul (Kuldeep.Koul@MotilalOswal.com)/Ashish Chopra (Ashish.Chopra@MotilalOswal.com)

Infrastructure

COMPANY NAME

Hindustan Construction

IVRCL

Jaiprakash Associates

Nagarjuna Construction

Simplex Infrastructure

Expect improved order intake visibility in FY12; rising interest rates and commodity prices are key concerns

We expect construction companies to report revenue growth of 18% in 4QFY11

- We expect revenue growth of 18%YoY in 4QFY11 as compared to 13%YoY during 3QFY11. 3QFY11 was impacted due to uncertain policy environment impeding the ordering activity.
- We expect NCC and IVRCL to report revenue growth of 4% and 24% respectively in 4QFY11. We believe that IVRCL will post improved performance beginning 4QFY11. This, coupled with likely improvement in order flows, will provide much needed earnings visibility.

Book to Bill Ratio near recent highs, but execution of in-house BOT projects may be a concern

- For the construction sector, book to bill as at 3QFY11 stands at 3.8x, up 2% Y-o-Y. We believe that strong book to bill ratio for the sector will result in improved execution.
- The concerns mounting on the road sector, seems resolving with NHAI targeting to award ~12,000km worth of projects in FY12 as against of ~5000km of project award in FY11. The macro environment is encouraging with strong order intake expected from multiple infrastructure sectors like housing, railways industrial and road sector. We expect ordering to improve meaningfully in 1HFY12.

Margins upside capped despite strong volume growth expectation; increasing commodity prices and rising interest costs

- During 3QFY11, EBITDA margins for most construction companies witnessed decline (industry margins down 100bp); given (a) increasing commodity prices (b) execution delay, we expect 4QFY11 EBITDA margins to witness marginal decline of 10-20bp. Similarly we expect 4QFY11 profitability to be impacted given poor fixed cost absorption like depreciation and interest. PAT margins during 4QFY11 are expected to drop by 10-15bp YoY, given 20-30bp increase in interest costs (as percentage of revenues).

Expected quarterly performance summary (Rs million)

	CMP (Rs) 25.03.11	Rating	Sales Mar.11	Sales Var. % YoY	Sales Var. % QoQ	EBITDA Mar.11	EBITDA Var. % YoY	EBITDA Var. % QoQ	Net profit Mar.11	Net profit Var. % YoY	Net profit Var. % QoQ
Hindustan Construction	36	Neutral	14,691	34.6	43.0	1,553	26.2	17.6	292	-14.7	98.3
IVRCL Infra.	76	Buy	23,524	24.4	65.8	2,368	19.5	68.6	956	12.5	126.1
Jaiprakash Associates	90	Buy	39,468	18.0	36.4	8,917	4.5	12.7	3,182	30.0	36.3
Nagarjuna Construction	96	Buy	15,794	3.7	18.3	1,630	6.7	27.7	652	4.8	46.7
Simplex Infra.	333	Buy	13,772	10.0	18.0	1,414	9.9	31.5	409	-42.8	76.3
Sector Aggregate			**107,249**	**17.8**	**36.8**	**15,882**	**9.1**	**22.3**	**5,490**	**10.3**	**53.3**

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Pooja Kachhawa (Pooja.Kachhawa@MotilalOswal.com)

Order book (Rs b)

	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	YoY (%)
HCC	102	102	108	122	164	154	155	157	188	193	197	185	18
IVRCL	127	124	138	143	145	139	150	218	234	233	236	242	11
NCC	114	122	124	124	122	139	143	148	154	161	161	173	17
Simplex	100	100	107	102	102	101	100	105	106	115	123	130	23
Aggregate	**502**	**507**	**537**	**562**	**604**	**605**	**621**	**699**	**745**	**787**	**827**	**839**	**20**
% Growth (QoQ)	13.7	1.0	5.7	4.8	7.5	0.1	2.7	12.5	6.6	5.6	5.1	1.5	
L&T	527	582	629	688	703	717	816	911	1,002	1,078	1,153	1,148	26
L&T (excl BTG)	527	582	613	672	687	701	762	789	881	956	1,031	1,026	30

Source: Companies

Revenue (Rs b)

	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	YoY (%)
HCC	11	9	6	8	11	10	9	9	11	10	9	10	7.7
IVRCL	13	9	11	12	16	11	12	12	19	11	11	14	19.8
NCC	13	10	11	10	11	10	11	12	15	11	12	13	12.5
Simplex	8	10	10	13	14	11	10	11	13	12	11	12	9.4
Aggregate	**49**	**42**	**42**	**46**	**52**	**42**	**42**	**44**	**58**	**44**	**42**	**49**	**12.7**
L&T	85	69	77	86	105	73	74	79	133	78	92	113	43.7

Source: Companies

EBITDA margins (%)

	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	YoY (%)
HCC	12.7	10.0	11.6	12.2	15.1	13.0	12.4	12.1	11.2	12.4	12.5	12.9	-388
IVRCL	10.5	8.9	8.0	9.1	8.9	9.2	10.2	9.8	10.5	9.1	8.9	9.9	157
NCC	8.7	9.4	10.3	8.8	7.6	10.3	10.2	9.9	10.0	9.7	10.3	9.6	240
Simplex	8.5	11.0	9.8	9.1	8.1	10.1	10.4	9.1	10.3	10.2	10.1	9.2	219
Industry	**9.8**	**10.5**	**10.8**	**10.5**	**10.4**	**10.5**	**11.5**	**11.1**	**10.3**	**11.3**	**11.7**	**11.1**	**-14**
L&T	13.3	9.6	9.6	11.0	13.1	10.7	10.0	11.8	13.8	12.2	10.1	10.1	72

Source: Companies

PAT (Rs m)

	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	YoY (%)
HCC	268	308	199	232	599	182	55	147	430	283	121	79	(46.1)
IVRCL	733	436	571	466	829	351	480	458	850	279	233	423	(7.7)
NCC	526	371	423	363	382	382	439	479	1,026	414	460	404	(15.5)
Simplex	295	383	280	253	299	257	279	231	569	362	269	232	0.6
Aggregate	**1,822**	**1,498**	**1,473**	**1,313**	**2,109**	**1,172**	**1,253**	**1,315**	**2,874**	**1,338**	**1,083**	**1,139**	**(13.4)**
L&T	9,101	4,906	5,004	6,406	10,646	5,783	5,530	6,103	13,374	6,662	6,941	8,052	31.9

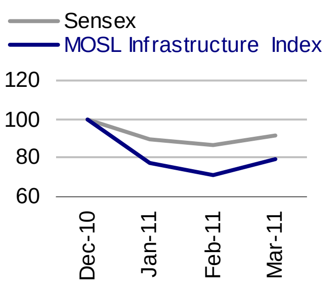
Source: Companies

Quarterly interest cost (Rs m, percentage of revenue)

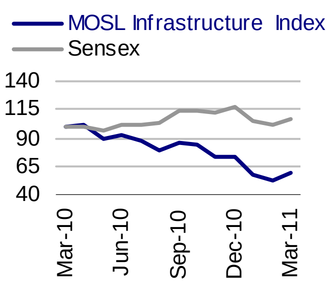
	3QFY08	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11
HCC	407.9	452.3	390.6	492.0	572.7	649.8	613.0	499.1	496.5	443.0	577.4	670.7	748.2
% Revenues	5.4	4.4	4.3	6.8	6.6	6.2	6.3	5.8	5.2	4.0	5.7	7.4	7.3
IVRCL	176.8	207.7	193.9	304.2	419.1	391.8	389.4	353.7	368.4	525.4	452.9	480.5	591.8
% Revenues	1.8	1.6	2.1	2.7	3.5	2.4	3.6	2.9	3.1	2.8	4.1	4.5	4.2
NCC	166.9	174.0	238.5	274.6	237.6	212.8	346.3	322.3	305.7	348.1	293.5	374.6	438.2
% Revenues	2.1	1.4	2.5	2.6	2.3	1.9	3.5	3.0	2.6	2.3	2.7	3.1	3.3
Simplex Infra	295.6	213.7	274.5	324.2	435.8	392.3	347.6	288.6	262.1	214.0	281.1	295.4	362.1
% Revenues	4.2	2.2	2.7	3.2	3.4	2.8	3.1	2.8	2.5	1.7	2.4	2.8	3.1
Total	**1,077**	**1,180**	**1,242**	**1,557**	**1,860**	**1,797**	**1,938**	**1,717**	**1,643**	**1,921**	**1,930**	**1,821**	**2,140**
% Revenues	3.4	2.6	3.2	4.0	4.3	3.5	4.7	4.1	3.7	3.3	4.4	4.3	4.3

Source: Company/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Key risks in 4QFY11: Increased commodity prices and liquidity crunch leading to higher interest rates

- We believe that the key risks for the construction sector are: increased commodity prices, increasing interest rates and funding constraints. While the commodity prices have corrected from the recent peaks, the average prices in FY11 are expected to be higher YoY.
- In 3QFY11 Interest cost as a percentage of revenues stands at 4.3%, and compares to the NPM of 2.3%. Earnings will continue to be at risk, with possibility of further rise in interest rates.

Most of the construction companies including NCC and HCC have plans for equity fund raising in FY12 as part of the project SPVs / holding companies. The equity fund raising could be through a combination of PE investments, QIP, structured transaction, etc. Any delays in terms of fund raising could also impact execution as in-house projects account for a meaningful part of the order book.

We remain Neutral on the sector

We remain neutral on the construction sector despite attractive valuations. We believe that the poor order intake, muted execution, rising commodity prices, higher debt levels and rising interest rates will be a constraint to earnings growth, impacting valuations.

Comparative valuation

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Infrastructure														
GMR Infrastructure	37	Neutral	0.6	1.0	2.1	68.0	38.4	17.8	14.1	11.4	8.6	3.0	5.0	9.9
GVK Power & Infra	26	Buy	1.1	1.5	1.9	23.8	17.2	14.0	17.8	15.9	10.6	5.2	6.8	7.8
Hindustan Construction	36	Neutral	1.2	1.2	1.6	30.0	29.5	22.9	10.4	9.5	8.7	4.4	4.0	4.9
IVRCL Infra.	76	Buy	7.1	7.9	9.4	10.8	9.7	8.1	6.9	6.0	5.2	9.8	10.1	11.1
Jaiprakash Associates	90	Buy	4.0	5.3	6.4	22.7	17.0	14.1	11.1	9.4	8.1	8.6	10.4	11.5
Nagarjuna Construction	96	Buy	10.2	11.0	12.3	9.4	8.7	7.8	10.4	9.2	8.7	8.7	9.3	10.4
Simplex Infra.	333	Buy	25.7	30.0	39.3	13.0	11.1	8.5	6.7	6.1	5.4	12.4	12.9	14.9
Sector Aggregate						**24.3**	**18.7**	**13.8**	**11.7**	**10.0**	**8.2**	**6.7**	**8.1**	**10.1**

Hindustan Construction

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HCC IN
Equity Shares (m)	606.6
52 Week Range (Rs)	73/31
1,6,12 Rel Perf (%)	2/-33/-54
Mcap (Rs b)	22.0
Mcap (USD b)	0.5

CMP: Rs36 — Neutral

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	ADJ. P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	36,442	1,044	1.7	23.8	5.1	2.3	8.3	9.0	1.6	13.3
3/11E	41,617	736	1.2	-29.5	7.3	0.6	4.4	7.6	1.0	8.2
3/12E	49,306	748	1.2	1.7	7.2	0.6	4.0	8.0	1.0	7.7
3/13E	58,833	962	1.6	28.6	5.6	0.5	4.9	9.1	0.9	7.2

* Fully Diluted

- For 4QFY11, we expect HCC to report revenues of Rs12.7b, (up 17.6% YoY); EBIDTA of Rs1.5b (up 26%) and net profit of Rs292m (down 14.7%). We expect HCC to maintain EBITDA margins in the range of 12-13% and report PAT margins decline given the increasing interest cost. Interest rates for the quarter ranged between 10.5-11%.
- Order book at the end of 3QFY11 stood at Rs185b (+18% YoY and -6% QoQ) and L1 orders of Rs12b. In 3QFY11, HCC booked zero order flows; likewise in 4QFY11 order intake stood at just Rs5.7b. New orders includes thermal power project 2x195MW from Kanti Bijlee Utpadan Nigam Ltd (JV co of NTPC & BSEB) worth Rs2.3b and EPC contract for construction of 57km of Kachchh Branch Canal Package-II from Sardar Sarover Narmada Nigam Ltd, Govt of Gujarat worth Rs3.5b.
- We believe ongoing sluggish order stream witnessed in the last two quarters will impact the revenue outlook going forward.
- In 3QFY11, Lavasa Corporation received final MoEF order which has brought out the details on the environmental damage and in light of this, status quo is to be continued. However the MoEF is prepared to consider the project on merits, with imposition of various terms and conditions. MoEF has asked for submission of various documents including (i) Detailed project report and the revision from the inception, (ii) All information related to all contracts with the various contractors, full plans prepared in relation to the project and all modifications, (iii) Amount spend directly or indirectly on the project, contacts entered into for the purchase / acquisition / lease / transfer of land and full details of future planning phase wise.
- We expect EPS and revenue CAGR of 14% and 19% through FY11-13.
- At the CMP, the stock trades at adjusted P/E of 7.2x FY12E and 5.6x FY13E and EV/EBITDA of 7.7x and 7.2x for FY12E and FY13E. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales (Excl JV)	**8,725**	**7,825**	**9,026**	**10,867**	**9,924**	**8,888**	**10,025**	**12,781**	**36,442**	**41,617**
Change (%)	0.8	20.6	10.2	10.9	13.7	13.6	11.1	17.6	10.0	14.2
Gross Sales (incl JV Inc)	**9,641**	**8,622**	**9,450**	**10,917**	**10,082**	**8,985**	**10,275**	**14,691**	**38,630**	**44,033**
Change (%)	7.7	23.6	7.9	6.0	4.6	4.2	8.7	34.6	10.4	14.0
EBITDA	**1,151**	**881**	**1,017**	**1,230**	**1,258**	**1,133**	**1,320**	**1,553**	**4,279**	**5,263**
Change (%)	26.3	5.0	-4.1	-22.7	9.3	28.6	29.8	26.2	-2.8	23.0
As of % Sales	13.0	12.5	12.2	11.3	12.5	12.6	12.8	12.1	12.2	12.6
Depreciation	301	315	322	201	347	359	382	409	1,139	1,497
Interest	613	499	496	443	577	671	748	772	2,052	2,769
Other Income	19	28	41	42	31	61	-56	64	130	100
PBT	**256**	**95**	**240**	**628**	**364**	**165**	**134**	**435**	**1,218**	**1,098**
Tax	74	40	92	198	81	43	55	144	404	362
Effective Tax Rate (%)	28.8	42.0	38.5	31.6	22.3	26.3	40.7	33.0	33.2	33.0
Reported PAT	**182**	**55**	**147**	**430**	**283**	**121**	**79**	**292**	**814**	**736**
Adj PAT	**268**	**280**	**218**	**342**	**283**	**121**	**147**	**292**	**1,044**	**736**
Change (%)	37.2	-701.1	32.8	-42.9	5.6	-56.6	-32.6	-14.7	14.5	-29.5

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Pooja Kachhawa (Pooja.Kachhawa@MotilalOswal.com)

IVRCL Infrastructure

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	IVRC IN
Equity Shares (m)	267.0
52 Week Range (Rs)	194/60
1,6,12 Rel Perf (%)	5/-49/-60
Mcap (Rs b)	20.4
Mcap (USD b)	0.5

CMP: Rs76 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	ADJ. P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	54,923	2,111	7.9	-6.9	5.8	2.4	11.5	14.7	1.1	11.0
3/11E	59,526	1,891	7.1	-10.4	6.4	1.0	9.8	13.3	0.7	6.9
3/12E	71,802	2,103	7.9	11.2	5.8	0.9	10.1	14.3	0.6	6.0
3/13E	86,422	2,515	9.4	19.6	4.8	0.9	11.1	15.6	0.5	5.2

Adj PE - Adjusted for investments

- For 4QFY11, we expect IVRCL to report revenues of Rs23.5b, (up 24% YoY); EBIDTA of Rs2.3b (up 20%) and net profit of Rs956m (up 12.5% YoY).
- Order book as at 3QFY11 stood at Rs242b including L1 orders of Rs12b, representing book to bill ratio of 4.4xTTM revenues.
- IVRCL has bagged orders worth Rs5.6b in 4QFY11 from various divisions like water, irrigation, building and transmission in the domestic market. The project details include (a) 400 KV and 765 KV transmission line awarded by Power Grid Corporation Rs3.4b, (b) Construction of 320 residential apartments awarded by Nagpur Housing and Area Development Board, Nagpur and other building projects worth Rs1.3b, (c) Construction of embankments for metro project awarded by Kolkata Metropolitan Authority worth Rs735m.
- We expect EPS and revenue CAGR of 15% and 20% through FY11-13.
- At the CMP, the stock trades at adjusted P/E of 5.8x FY12E and 4.8x FY13E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**10,860**	**12,565**	**11,840**	**18,904**	**11,064**	**10,750**	**14,188**	**23,524**	**54,923**	**59,526**
Change (%)	17.0	10.5	-0.5	16.2	1.9	-14.4	19.8	24.4	12.5	8.4
EBITDA	**996**	**1,241**	**1,156**	**1,982**	**1,006**	**953**	**1,404**	**2,368**	**5,313**	**5,731**
Change (%)	21.5	35.9	6.5	36.7	1.0	-23.2	21.5	19.5	24.5	7.9
As of % Sales	9.2	9.9	9.8	10.5	9.1	8.9	9.9	10.1	9.7	9.6
Depreciation	129	133	139	141	157	184	199	203	543	743
Interest	389	354	368	525	453	480	592	684	1,637	2,209
Other Income	39	34	39	20	9	57	11	10	155	86
PBT	**516**	**788**	**688**	**1,335**	**404**	**345**	**625**	**1,491**	**3,289**	**2,865**
Tax	165	309	229	486	125	112	202	534	1,177	974
Effective Tax Rate (%)	32.0	39.2	33.4	36.4	31.0	32.6	32.3	35.9	35.8	34.0
Reported PAT	**351**	**479**	**458**	**850**	**279**	**233**	**423**	**956**	**2,111**	**1,891**
Adj PAT	**351**	**479**	**458**	**850**	**279**	**233**	**423**	**956**	**2,111**	**1,891**
Change (%)	-19.3	-20.3	-1.5	6.4	-20.6	-51.4	-7.7	12.5	-7.8	-10.4

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Pooja Kachhawa (Pooja.Kachhawa@MotilalOswal.com)

Jaiprakash Associates

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	JPA IN
Equity Shares (m)	1,938.4
52 Week Range (Rs)	163/70
1,6,12 Rel Perf (%)	7/-19/-47
Mcap (Rs b)	175.1
Mcap (USD b)	3.9

CMP: Rs90 **Buy**

Year End	Net Sales (Rs M)	PAT (Rs M)	EPS* (Rs)	EPS Gr.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
3/10A	100,889	8,933	4.2	-0.4	21.5	2.3	11.8	14.4	3.3	14.4
3/11E	130,079	7,703	4.0	-5.5	22.7	1.8	8.6	11.6	2.6	11.1
3/12E	151,744	10,289	5.3	33.6	17.0	1.7	10.4	10.9	2.3	9.4
3/13E	166,026	12,392	6.4	20.4	14.1	1.6	11.5	12.2	2.0	8.1

* Not Fully Diluted; FCCB outstanding of Rs14b at conversion price of Rs166/sh (dilution of ~5%)

- In 4QFY11 we expect Jaiprakash Associates (JPA) to post revenue of Rs39.5b, up 18% YoY, EBITDA of Rs9b (up 23% YoY) and net profit of Rs3.2b, up 30% YoY.
- JPA's 4QFY11 performance will be driven by higher volumes in the cement division (factored at 5.25mt v/s 2.94mt) and the contribution from the EPC division is expected to be marginally better given a pick-up in execution from its own projects.
- CY11/FY12 will be an eventful game changer year for the JPA group, given large scale project commissioning: (i) cement capacity will increase from 23mt currently to 37mt, (ii) the Karcham Wangtoo 1GW hydro power project in March-June 2011, (iii) the Yamuna Expressway by June/July 2011, (iv) an F1 race circuit by June 2011 at a capex of Rs17b and (v) the Bina 500MW project by October 2011. The projects entail a cumulative cost of over Rs250b.
- JPA announced plans to ramp-up its cement capacity to 50mt from 33mt earlier. A large part of the increase in capacity could be brown field in nature, entailing lower capex.
- Jaypee group comprising Jaiprakash Associates, Jaypee Infratech and JPSK Sports crossed cumulative real estate (RE) bookings (pre-sales) of Rs157b as at December 2010 (42.4msf).
- We expect JPA to post standalone net profit of Rs7.7b in FY11 (down 14% YoY) and Rs10.3b in FY12 (up 34% YoY). The stock trades at a reported PER of 22.7x FY11E and 17x FY12E. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**20,671**	**18,243**	**28,524**	**33,452**	**31,742**	**29,933**	**28,937**	**39,468**	**100,889**	**130,079**
Change (%)	79.9	54.3	115.8	60.5	53.6	64.1	1.4	18.0	74.7	28.9
EBITDA	**5,417**	**4,558**	**7,739**	**8,535**	**6,421**	**6,811**	**7,915**	**8,917**	**26,248**	**30,064**
Change (%)	73.5	31.1	213.0	21.1	18.5	49.4	2.3	4.5	62.8	14.5
As of % Sales	26.2	25.0	27.1	25.5	20.2	22.8	27.4	22.6	26.0	23.1
Depreciation	1,017	1,100	1,109	1,334	1,503	1,528	1,542	1,008	4,561	5,581
Interest	2,219	2,588	2,762	2,989	3,279	3,234	3,382	3,349	10,558	13,244
Other Income	3,229	10,298	1,153	126	436	820	588	436	14,805	2,280
Extra-ordinary income	0	0	-2,110	-10	5,125	27	-9	-19	-2,119	5,125
PBT	**5,410**	**11,168**	**2,911**	**4,327**	**7,199**	**2,896**	**3,571**	**4,978**	**23,816**	**18,644**
Tax	498	2,466	1,879	1,890	2,039	1,741	1,245	1,814	6,733	6,839
Effective Tax Rate (%)	9.2	22.1	64.6	43.7	28.3	60.1	34.8	36.4	28.3	36.7
Reported PAT	**4,912**	**8,702**	**1,032**	**2,438**	**5,160**	**1,155**	**2,327**	**3,163**	**17,083**	**11,805**
Adj PAT	**2,181**	**1,161**	**3,141**	**2,447**	**1,058**	**1,155**	**2,335**	**3,182**	**8,931**	**7,703**
Change (%)	71.4	-42.8	49.2	-22.4	-51.5	-0.5	-25.7	30.0	4.3	-13.7

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Nalin Bhatt (NalinBhatt@MotilalOswal.com)

Nagarjuna Construction

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	NJCC IN
Equity Shares (m)	256.6
52 Week Range (Rs)	197/86
1,6,12 Rel Perf (%)	-10/-37/-46
Mcap (Rs b)	24.6
Mcap (USD b)	0.6

CMP: Rs96 **Buy**

YEAR END	NET SALES* (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	ADJ. P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	57,120	2,370	9.2	32.6	6.8	1.6	9.8	12.6	1.1	11.3
3/11E	64,208	2,618	10.2	10.5	6.2	1.0	8.7	9.5	1.0	10.3
3/12E	73,622	2,828	11.0	8.0	5.7	0.9	9.3	10.0	0.9	9.1
3/13E	84,046	3,165	12.3	11.9	5.1	0.9	10.4	10.7	0.9	8.7

* For construction segment (consolidated, including international business)

- We expect NCC to report revenue growth of Rs15.7b in 4QFY11 (up 4% YoY), EBITDA of Rs1.6b (up 6.7%) and net profit of Rs652b (up 5%) after adjusting for Rs70m tax provisioning.
- NCC had guided for an order intake of Rs100b in FY11. In 9mFY11, order intake stood at Rs Rs62b, implying intake of Rs37b in 4QFY11. However due to slow order flow momentum witnessed in 4QFY11, there exists probability of lower intake.
- In 3QFY11 NCC order book stood at Rs172b (+16% YoY and +7% QoQ). Order intake in 3QFY11 stood at Rs27b (up 32% YoY).
- NCC exposure to Andhra Pradesh has also reduced significantly, with the state accounting for a mere 6-7% of the order book, and receivables from the state standing at just Rs2.5-3b.
- We expect EPS and revenue CAGR of 18% and 21% through FY11-13.
- At CMP, the stock trades at a adjusted P/E of 5.7x FY12E and 5.1x FY13E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**10,004**	**10,670**	**11,870**	**15,227**	**10,865**	**12,013**	**13,355**	**15,794**	**47,778**	**52,028**
Change (%)	3.0	1.1	15.6	38.7	8.6	12.6	12.5	3.7	15.1	8.9
EBITDA	**1,032**	**1,089**	**1,181**	**1,527**	**1,058**	**1,234**	**1,276**	**1,630**	**4,834**	**5,197**
Change (%)	12.7	0.4	31.4	82.3	2.5	13.3	8.1	6.7	29.4	7.5
As of % Sales	10.3	10.2	9.9	10.0	9.7	10.3	9.6	10.3	10.1	10.0
Depreciation	127	129	133	136	156	168	175	187	525	687
Interest	346	322	306	348	293	375	438	512	1,322	1,618
Other Income	20	8	14	12	13	54	23	68	48	158
Extra-ordinary income	0	0	0	496	0	0	0	0	496	0
PBT	**579**	**646**	**756**	**1,551**	**621**	**745**	**686**	**999**	**3,530**	**3,050**
Tax	196	206	277	525	207	285	282	417	1,204	1,190
Effective Tax Rate (%)	33.9	32.0	36.7	33.8	33.3	38.3	41.0	41.8	34.1	39.0
Reported PAT	**382**	**439**	**479**	**1,026**	**414**	**460**	**404**	**582**	**2,326**	**1,859**
Adj PAT	**382**	**439**	**479**	**622**	**414**	**500**	**444**	**652**	**1,922**	**2,009**
Change (%)	3.1	3.8	31.8	62.7	8.3	13.8	-7.2	4.8	24.9	4.6

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Pooja Kachhawa (Pooja.Kachhawa@MotilalOswal.com)

Simplex Infrastructure

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SINF IN
Equity Shares (m)	49.5
52 Week Range (Rs)	515/296
1,6,12 Rel Perf (%)	-5/-24/-30
Mcap (Rs b)	16.5
Mcap (USD b)	0.4

CMP: Rs333 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	44,427	1,227	24.8	-6.9	17.9	2.3	13.1	13.3	0.8	7.9
3/11E	47,722	1,271	25.7	3.7	13.0	1.5	12.4	12.9	0.7	6.7
3/12E	57,512	1,482	30.0	16.6	11.1	1.4	12.9	13.5	0.6	6.1
3/13E	69,911	1,947	39.3	31.3	8.5	1.2	14.9	14.6	0.5	5.4

- For 4QFY11, we expect Simplex to report revenues of Rs13.7b, (up 10% YoY); EBIDTA of Rs1.4b (up 10%) and net profit of Rs409m (down 43%). We expect Simplex to maintain EBITDA margins at 9.5-10% and PAT margins 2.5-3% given increased fixed costs.

- Order book for 3QFY11 stands at Rs139b (up 31% YoY and 7% QoQ), and book to bill ratio of 2.9x TTM revenues. During 4QFY11, Simplex had added orders of Rs15b (including in-house orders of Rs5b). We expect Simplex to close FY11 order book at Rs150b.

- 1HFY11 had been slow moving in terms of order intake and execution, which impacted the overall revenues and profitability. However, in 2HFY11 order intake has picked up.

- We expect Simplex to report PAT CAGR of 23% over FY11-13 and EPS of Rs30/sh for FY12 and Rs39/sh for FY13.

- At CMP, the stock trades at 11.1x FY12E and 8.5x FY13E earnings. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Income	**11,097**	**10,252**	**10,668**	**12,521**	**11,768**	**10,515**	**11,667**	**13,772**	**44,427**	**47,722**
Change (%)	9.0	2.0	(16.0)	(9.8)	6.0	2.6	9.4	10.0	(5.2)	7.4
Total Expenses	9,980	9,187	9,699	11,234	10,567	9,458	10,591	12,358	9,980	9,699
EBITDA	**1,118**	**1,065**	**969**	**1,287**	**1,201**	**1,057**	**1,076**	**1,414**	**4,330**	**4,748**
Change (%)	0.2	7.8	(16.2)	14.6	7.4	(0.7)	11.0	9.9	1.3	9.7
As % of sales	10.2	10.7	9.5	12.6	10.3	10.4	9.5	11.0	10.3	10.3
Other Income	14	30	44	286	9	34	31	97	227	170
Interest	348	289	262	214	281	295	362	473	1,112	1,411
Depreciation	381	383	391	379	390	400	402	417	1,534	1,609
PBT	**404**	**423**	**359**	**980**	**539**	**396**	**342**	**622**	**1,911**	**1,898**
As % of sales	3.6	4.1	3.4	7.8	4.6	3.8	2.9	4.5	4.3	4.0
Change (%)	(33.0)	9.8	10.7	181.2	25.8	(8.8)	(13.0)	(42.4)	13.4	(7.6)
Tax	147	144	129	265	177	127	110	213	685	626
Tax / PBT (%)	36.4	34.0	35.8	27.0	32.8	32.1	32.2	34.2	35.8	33.0
PAT	**257**	**279**	**231**	**715**	**362**	**269**	**232**	**409**	**1,227**	**1,271**
Adjusted PAT	**257**	**279**	**231**	**715**	**362**	**269**	**232**	**409**	**1,227**	**1,271**
As % of sales	2.3	2.7	2.2	5.7	3.1	2.6	2.0	3.0	2.8	2.7
Change (%)	(39.0)	(7.7)	(23.7)	139.6	41.1	(3.8)	0.5	(42.8)	(7.4)	3.7

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com)/Pooja Kachhawa (Pooja.Kachhawa@MotilalOswal.com)

Media

COMPANY NAME

Deccan Chronicle

H T Media

Jagran Prakashan

Sun TV Network

Zee Entertainment

Momentum in ad revenue growth to continue ex-Deccan; robust earnings growth for Jagran, Sun: We expect ad revenue growth of 15-19% YoY for our coverage universe excluding Deccan Chronicle, which is likely to report ad revenue decline due to region specific issues. Earnings performance is likely to be mixed, with Jagran/Sun likely to report 17-21% growth but other companies reporting declines led by tough YoY comparison for Zee (no Sports loss in 4QFY10) and print companies (increased newsprint cost to reflect fully). We expect margins to be under pressure across media companies.

Hindi GEC — Star Plus undisputed leader at ~24%; Zee improves its ratings in 4Q: The cricketing season, starting with the World Cup and to be followed by Indian Premier League is impacting the gross rating points (GRPs) of all leading channels in the Hindi general entertainment space. Although Star Plus has maintained its leadership position at ~24%, its average GRP has declined to 322 (v/s 370 in 3QFY11). Similarly, Colors' GRP has declined from 274 in 3Q to 257. Zee is placed at the third spot, with a relative market share of 17%, ahead of Sony. Zee's GRP has increased to 220 (v/s 200 in 3Q).

Print media — Newsprint prices stabilizing but could harden on increased energy costs: Newsprint prices have stabilized over the past two quarters after steadily rising for more than one year. We expect cost structures of all print companies to fully reflect higher newsprint prices in 4QFY11, post which the pressure on costs should abate. However, there are renewed concerns on newsprint cost inflation due to higher energy costs, led by increase in crude oil prices over the past quarter.

Abbreviations and acronyms

GEC: General entertainment channel

DTH: direct to home

Sector outlook: Ad revenue growth remains strong for the sector. The broadcasting space looks attractive due to rising subscription revenues from DTH, digitization drive from cable companies and improving outlook on advertising. For print companies, while ad revenue growth is likely to sustain, declining circulation revenue due to increased competition (lower cover prices), and newsprint cost inflation continue to remain overhangs.

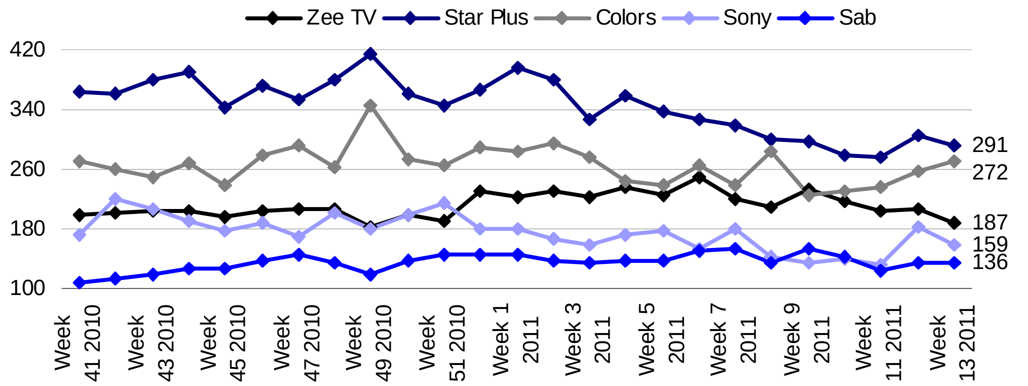
Expected quarterly performance summary **(Rs million)**

	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Deccan Chronicle	80	Neutral	1,812	-5.4	-9.2	560	-31.2	-25.8	-41	PL	PL
HT Media	138	Neutral	4,529	17.6	-2.6	868	-6.6	-1.7	457	-7.8	-4.5
Jagran Prakashan	120	Neutral	2,748	16.3	-3.9	753	19.1	-16.1	425	16.7	-19.3
Sun TV	436	Neutral	4,723	20.5	-21.0	3,834	15.9	-23.6	1,993	20.8	-11.6
Zee Entertainment	124	Neutral	7,252	11.7	-3.9	1,460	-20.5	-5.2	1,101	-13.5	-3.5
Sector Aggregate			**21,064**	**13.6**	**-8.6**	**7,475**	**-0.6**	**-17.8**	**3,935**	**2.2**	**-17.2**

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)/Nirav Poddar (Nirav.Poddar@MotilalOswal.com)

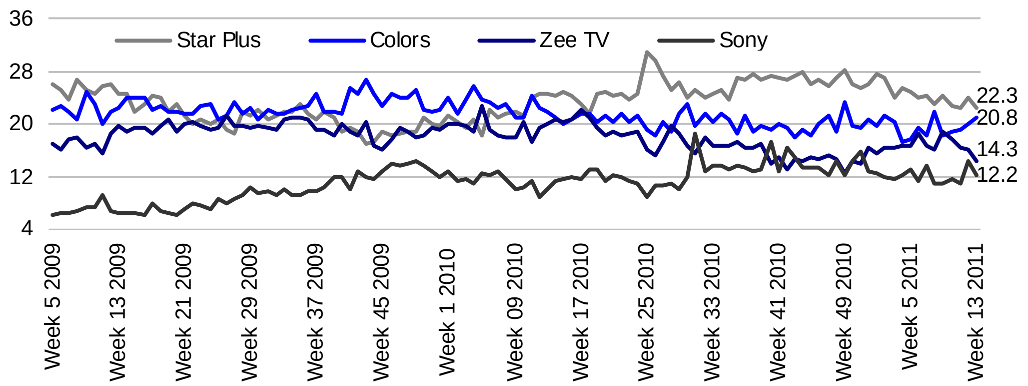
Recent GRP trends

GRP's of leading GEC's under pressure due to ongoing cricket world cup



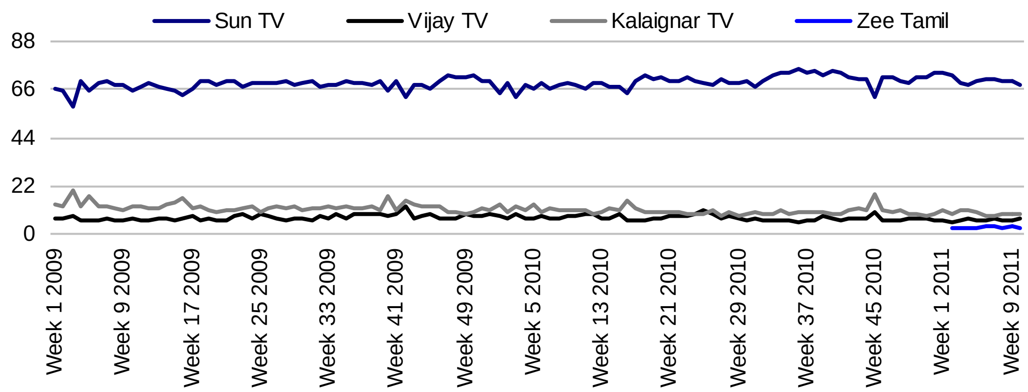
Hindi GEC channel share (~28% of viewership)

Zee TV has managed to stay ahead of Sony in 4QFY11



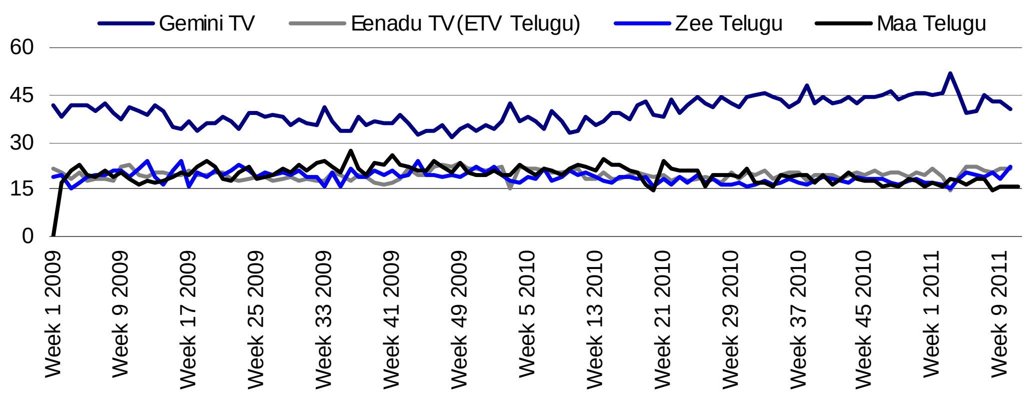
Tamil GEC channel share (~6% of viewership)

Sun TV is the undisputed market leader in Tamil GEC



Telegu GEC channel share (~5% of viewership)

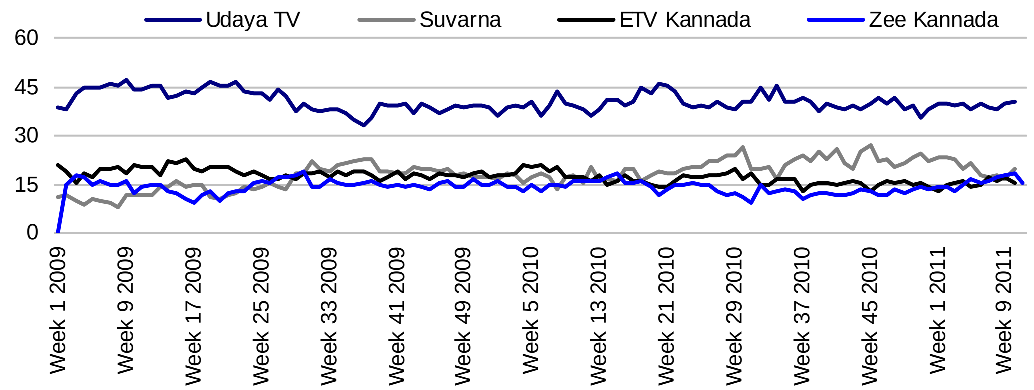
Zee locked in a fight for the second spot in the Telegu GEC



Source: TAM/MOSL

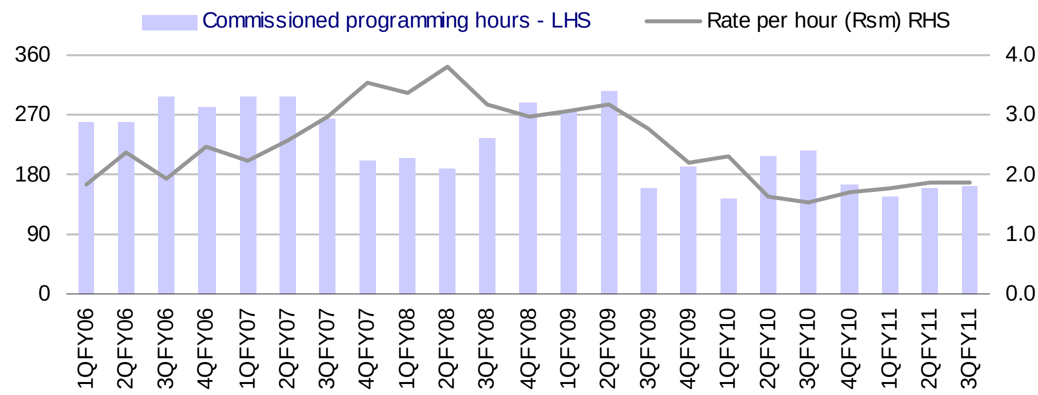
Sun has retained a wide lead over competitors in the Kannada GEC market

Kannada GEC channel share (~3% of viewership)



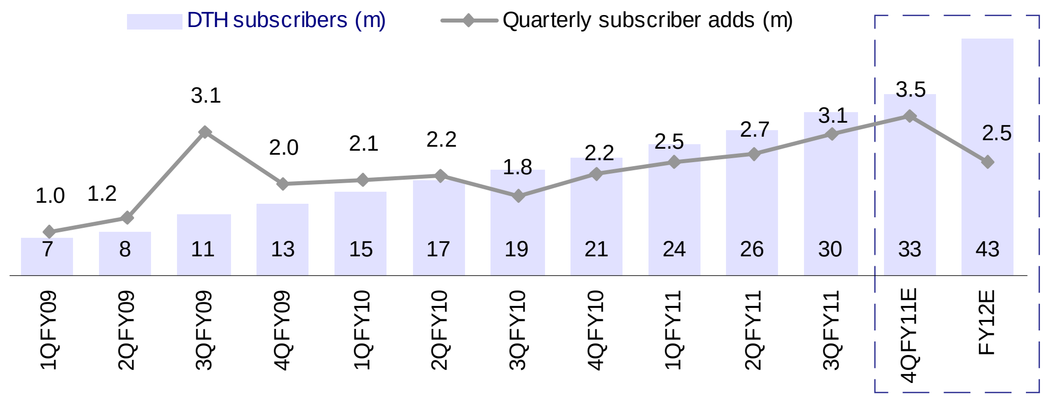
Increase in original programming hours coupled with cost inflation can put pressure on broadcaster margins

Balaji Telefilms: Trend in programming rates



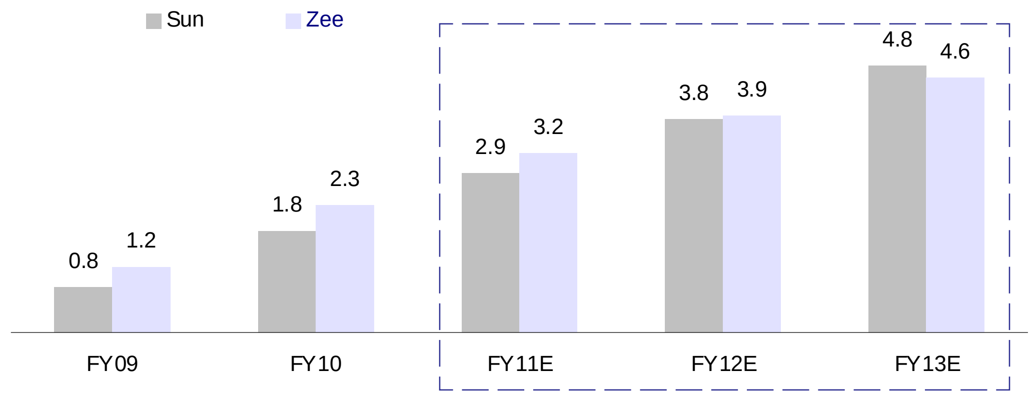
DTH adds robust on festive demand and sports events

Industry DTH subscriber base and additions trend



Increasing penetration of C&S and digital to drive revenue growth for broadcasters

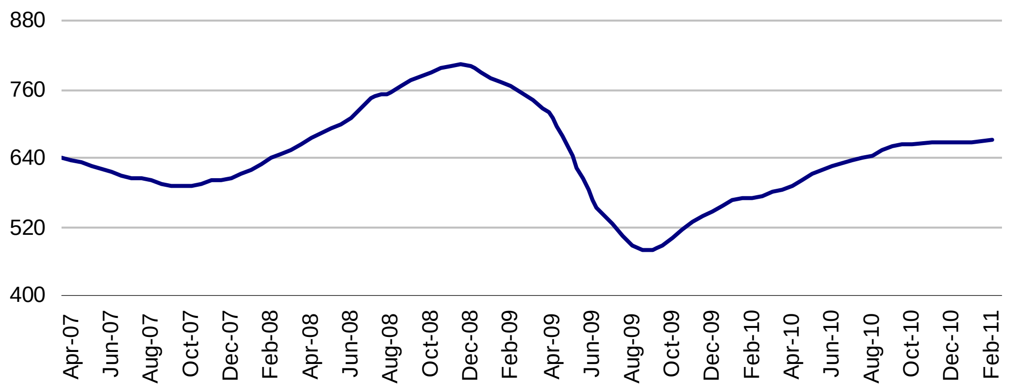
DTH revenue trend for ZEEL and SUN TV (Rs b)



Source: Company/MOSL

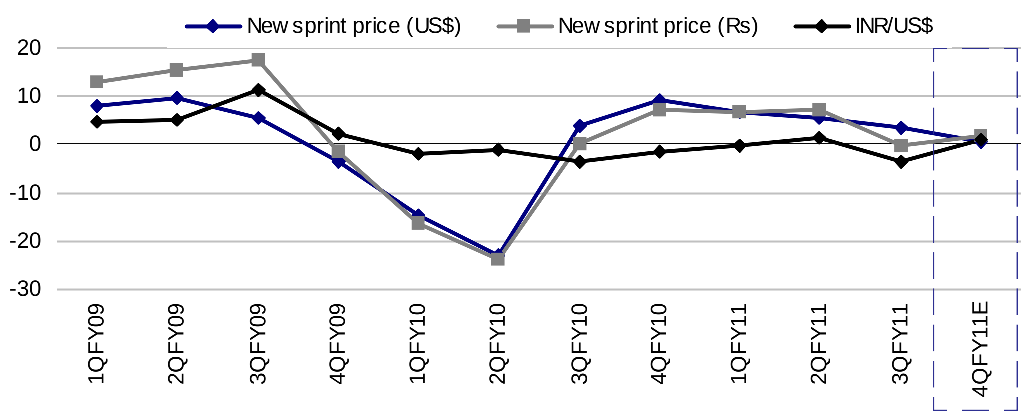
Newsprint prices have plateaud after sustained increase since September 2009

Newsprint prices have stabilised over last two quarters; upside risk from higher energy costs (US$/MT)



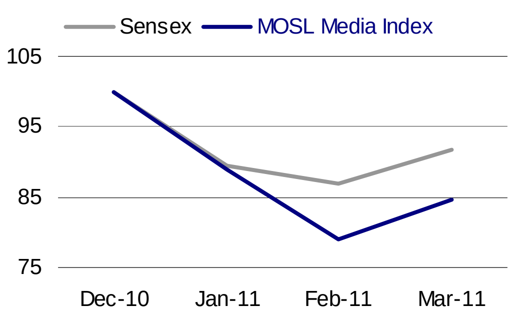
No significant sequential growth in newsprint prices

Newsprint: Trend in QoQ growth (%)

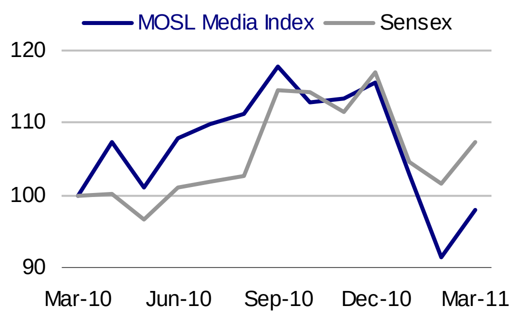


Source: Bloomberg/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Media														
Deccan Chronicle	80	Neutral	8.5	8.2	8.2	9.4	9.8	9.7	4.4	4.4	4.2	15.6	13.8	12.8
HT Media	138	Neutral	7.4	9.1	11.5	18.6	15.1	12.0	10.2	8.1	6.2	13.3	14.1	15.1
Jagran Prakashan	120	Neutral	7.0	8.1	9.4	17.1	14.8	12.8	9.8	8.2	7.0	30.3	27.9	27.8
Sun TV	436	Neutral	19.4	22.8	27.7	22.5	19.1	15.7	10.3	9.3	7.7	29.7	27.9	27.2
Zee Entertainment	124	Neutral	4.8	6.1	6.7	25.7	20.2	18.5	16.8	13.3	12.1	11.9	14.2	14.3
Sector Aggregate						**20.7**	**17.5**	**15.2**	**10.9**	**9.5**	**8.1**	**18.0**	**18.7**	**18.9**

Deccan Chronicle

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	DECH IN
Equity Shares (m)	243.5
52 Week Range (Rs)	180/56
1,6,12 Rel Perf (%)	26/-34/-59
Mcap (Rs b)	19.4
Mcap (USD b)	0.4

CMP: Rs80 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	8,925	2,609	10.7	87.3	7.4	1.5	21.7	17.7	1.9	3.7
03/11E	8,493	2,050	8.5	-21.0	9.4	1.4	15.6	13.7	1.9	4.4
03/12E	8,811	1,978	8.2	-3.5	9.8	1.3	13.8	12.4	1.7	4.4
03/13E	9,406	1,988	8.2	0.5	9.7	1.2	12.8	11.7	1.6	4.2

- We expect Deccan Chronicle's revenue to decline 5% YoY to Rs1.8b driven by 7% decline in ad revenue, as political issues continue to impact the Andhra Pradesh market.
- EBITDA margin would decline by ~1,200bp YoY and ~700bp QoQ due to lower revenue.
- We estimate a net loss of Rs41m, as Deccan's tax liability jumps significantly in 4Q due to provision of deferred tax for the full year in 4Q.
- The company continues to be a pure English print media play in South Indian markets of Hyderabad, Chennai and Bangalore.
- The stock trades at 9.8x FY12E and 9.7x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**2,166**	**2,509**	**2,334**	**1,917**	**2,318**	**2,367**	**1,996**	**1,812**	**8,925**	**8,493**
YoY (%)	11.9	10.8	8.7	6.3	7.0	-5.7	-14.5	-5.4	9.5	-4.8
EBITDA	**1,059**	**1,387**	**1,266**	**813**	**1,199**	**1,179**	**754**	**560**	**4,516**	**3,692**
YoY (%)	12.4	79.3	132.8	92.6	13.2	-15.0	-40.4	-31.2	68.3	-18.2
EBITDA margin (%)	48.9	55.3	54.3	42.4	51.7	49.8	37.8	30.9	50.6	43.5
Depreciation	99	102	102	126	109	111	111	120	422	450
Interest	111	111	113	116	118	133	138	143	451	532
Other Income	71	75	75	73	90	93	97	102	294	382
PBT	**920**	**1,249**	**1,127**	**644**	**1,062**	**1,029**	**602**	**399**	**3,937**	**3,092**
Tax	150	250	350	579	150	203	250	440	1,327	1,043
Effective Tax Rate (%)	16.3	20.0	31.1	89.9	14.1	19.7	41.5	110.3	33.7	33.7
Net Profit	**770**	**999**	**777**	**65**	**912**	**826**	**352**	**-41**	**2,609**	**2,049**
YoY (%)	26.3	120.7	202.6	-20.2	18.4	-17.3	-54.7	-163.4	86.3	-21.5

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)/Nirav Poddar (Nirav.Poddar@MotilalOswal.com)

H T Media

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HTML IN
Equity Shares (m)	235.0
52 Week Range (Rs)	186/125
1,6,12 Rel Perf (%)	-6/-6/-7
Mcap (Rs b)	32.4
Mcap (USD b)	0.7

CMP: Rs138 — Neutral

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	14,129	1,435	6.1	617.5	22.6	3.3	14.8	14.0	2.4	13.5
03/11E	17,677	1,737	7.4	21.0	18.6	2.5	13.3	15.7	1.9	10.2
03/12E	20,654	2,147	9.1	23.6	15.1	2.1	14.1	18.4	1.6	8.1
03/13E	23,553	2,694	11.5	25.5	12.0	1.8	15.1	20.4	1.3	6.2

- We expect HT Media to post revenue of Rs4.5b, up 18% YoY. Strong traction in Hindustan will be a key driver of ad revenues.
- EBITDA margin is likely to decline on YoY basis due to increased newsprint costs.
- Tough comparables would imply modest decline in adjusted earnings on both YoY and QoQ basis.
- Hindustan (third largest read newspaper in India) is the only large Hindi daily registering readership growth in India.
- HT continues to face strong competition in Mumbai and Delhi markets.
- The stock trades at 15.1x FY12E and 12x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**3,366**	**3,500**	**3,661**	**3,851**	**4,042**	**4,455**	**4,651**	**4,529**	**14,129**	**17,677**
Change (%)	NA	NA	NA	12.5	20.1	27.3	27.0	17.6	4.9	25.1
EBITDA	**578**	**512**	**745**	**929**	**799**	**791**	**883**	**868**	**2,554**	**3,341**
Change (%)	NA	NA	NA	270	38	54	19	-7	191	31
As of % Sales	17.2	14.6	20.3	24.1	19.8	17.8	19.0	19.2	18.1	18.9
Depreciation	175	186	165	180	194	211	217	223	707	845
Interest	79	74	72	71	64	55	46	50	295	215
Other Income	66	29	19	45	58	61	64	65	409	248
PBT	**390**	**281**	**527**	**723**	**599**	**586**	**684**	**660**	**1,961**	**2,529**
Tax	110	44	160	223	197	165	184	178	536	724
Effective Tax Rate (%)	28.2	15.7	30.4	30.8	32.9	28.2	26.9	27.0	27.4	28.6
PAT	**280**	**237**	**367**	**500**	**402**	**421**	**500**	**482**	**1,424**	**1,805**
Minority Interest	-7	-4	-5	5	-12	33	22	25	-11	68
Adj Net Profit	**287**	**241**	**372**	**495**	**414**	**388**	**478**	**457**	**1,435**	**1,737**
Change (%)	NA	NA	NA	259	44	61	28	-8	617	21
Exceptional Expenses	0	0	14	15	0	0	0	0	76	0
Reported Net Profit	**287**	**241**	**358**	**480**	**414**	**388**	**478**	**457**	**1,359**	**1,737**

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)/Nirav Poddar (Nirav.Poddar@MotilalOswal.com)

Jagran Prakashan

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	JAGP IN
Equity Shares (m)	301.2
52 Week Range (Rs)	148/104
1,6,12 Rel Perf (%)	1/2/-6
Mcap (Rs b)	36.1
Mcap (USD b)	0.8

CMP: Rs120 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	9,419	1,759	5.8	92.0	20.5	5.9	30.0	23.3	3.9	12.9
03/11E	12,106	2,225	7.0	20.5	17.1	4.4	30.3	24.6	3.0	9.8
03/12E	13,943	2,569	8.1	15.4	14.8	3.9	27.9	23.4	2.6	8.2
03/13E	15,762	2,970	9.4	15.6	12.8	3.9	27.8	23.8	2.2	7.0

- Our 4Q estimates do not include the financials of the acquired business of Mid-Day Multimedia Limited. Jagran would be consolidating Mid-Day effective April 2010.
- Jagran Prakashan is likely to post revenue of Rs2.75b, up ~16% YoY, driven by higher advertising revenue (up 15% YoY).
- We expect subscription revenue to increase 7% YoY to Rs576m.
- EBITDA margin should expand YoY but decline QoQ to 27.4% on higher newsprint prices.
- Adjusted earnings are likely to grow 16.7% YoY to Rs425m.
- The stock trades at 14.8x FY12E and 12.8x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (EX MID-DAY) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**2,319**	**2,468**	**2,269**	**2,363**	**2,698**	**2,769**	**2,860**	**2,748**	**9,419**	**11,075**
YoY (%)	12.3	18.3	9.6	17.4	16.4	12.2	26.1	16.3	14.4	17.6
Operating expenses	1,614	1,636	1,616	1,730	1,796	1,860	1,963	1,994	6,596	7,614
EBITDA	**705**	**832**	**653**	**633**	**902**	**908**	**897**	**753**	**2,823**	**3,461**
YoY (%)	42.0	119.1	117.1	62.2	27.9	9.1	37.5	19.1	80.1	22.6
EBITDA margin (%)	30.4	33.7	28.8	26.8	33.4	32.8	31.4	27.4	30.0	31.3
Depreciation	124	130	119	135	125	133	146	158	507	562
Interest	14	15	13	24	12	14	21	21	66	68
Other Income	157	50	70	66	57	64	55	60	343	236
PBT	**724**	**738**	**590**	**540**	**822**	**826**	**786**	**634**	**2,592**	**3,067**
Tax	229	235	193	176	266	271	259	209	833	1,005
Effective Tax Rate (%)	31.7	31.9	32.7	32.6	32.4	32.8	33.0	33.0	32.1	32.8
Adjusted Net Profit	**495**	**503**	**397**	**364**	**556**	**555**	**526**	**425**	**1,759**	**2,062**
YoY (%)	56.4	121.5	156.9	66.8	12.3	10.4	32.5	16.7	92.0	17.2
Reported Net Profit	**495**	**503**	**397**	**364**	**556**	**555**	**526**	**425**	**1,759**	**2,062**

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)/Nirav Poddar (Nirav.Poddar@MotilalOswal.com)

Sun TV Network

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SUNTV IN
Equity Shares (m)	394.1
52 Week Range (Rs)	557/371
1,6,12 Rel Perf (%)	3/-10/-1
Mcap (Rs b)	171.8
Mcap (USD b)	3.8

CMP: Rs436 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	13,950	5,674	14.4	36.3	30.3	8.5	28.2	52.8	12.0	15.1
3/11E	19,355	7,632	19.4	34.5	22.5	6.7	29.7	59.5	8.4	10.3
3/12E	20,817	8,999	22.8	17.9	19.1	5.3	27.9	51.5	7.5	9.3
3/13E	23,656	10,927	27.7	21.4	15.7	4.3	27.2	48.4	6.2	7.7

- We expect Sun TV to post revenue of Rs4.7b (up ~21% YoY), EBITDA of Rs3.8b (up ~16% YoY), and PAT of Rs2b (up ~21% YoY).
- Advertising revenue would grow 15% YoY but decline 3% QoQ to Rs2.95b.
- We expect DTH subscription revenue to increase 23% YoY and 11% QoQ to Rs777m.
- The film segment would record revenue of Rs250m, recognizing remaining revenue from the film 'Endhiran'.
- We believe that Sun TV continues to be one of the best broadcasting plays due to its strong presence in South India (part of faster growth regional advertising pie).
- The stock trades at 19.1x FY12E and 15.7x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue	**2,877**	**3,204**	**3,951**	**3,919**	**4,404**	**4,248**	**5,980**	**4,723**	**13,950**	**19,355**
Change (%)	28.7	34.7	45.9	42.0	53.1	32.6	51.4	20.5	38.4	38.7
EBITDA	**2,236**	**2,436**	**3,125**	**3,308**	**3,599**	**3,323**	**5,018**	**3,834**	**11,105**	**15,774**
Change (%)	32.9	38.1	55.3	46.6	60.9	36.4	60.6	15.9	43.9	42.0
As of % Sales	77.7	76.0	79.1	84.4	81.7	78.2	83.9	81.2	79.6	81.5
Depreciation and Amortization	550	571	885	848	1,147	908	1,740	908	2,854	4,703
Interest	6	2	2	2	1	3	1	1	12	7.0
Other Income	142	115	84	85	113	93	91	95	425	391
PBT	**1,822**	**1,978**	**2,322**	**2,542**	**2,563**	**2,505**	**3,367**	**3,020**	**8,664**	**11,455**
Tax	624	672	803	892	854	830	1,112	1,027	2,990	3,823
Effective Tax Rate (%)	34.3	34.0	34.6	35.1	33.3	33.1	34.0	34.0	34.5	33.4
Reported PAT	**1,198**	**1,306**	**1,519**	**1,651**	**1,710**	**1,674**	**2,255**	**1,993**	**5,674**	**7,632**
Adj PAT	**1,198**	**1,306**	**1,519**	**1,651**	**1,710**	**1,674**	**2,255**	**1,993**	**5,674**	**7,632**
Change (%)	16.8	37.3	35.4	44.7	42.7	28.2	48.4	20.8	36.2	34.5

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)/Nirav Poddar (Nirav.Poddar@MotilalOswal.com)

Zee Entertainment Enterprises

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	Z IN
Equity Shares (m)	978.1
52 Week Range (Rs)	163/106
1,6,12 Rel Perf (%)	-1/-13/-15
Mcap (Rs b)	121.0
Mcap (USD b)	2.7

CMP: Rs124 — Neutral

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	21,966	4,686	5.2	4.1	23.7	3.2	13.0	17.8	5.3	19.1
3/11E	28,686	4,716	4.8	-7.8	25.7	3.0	11.9	18.1	3.9	16.8
3/12E	32,763	6,004	6.1	27.3	20.2	2.8	14.2	21.0	3.4	13.3
3/13E	36,354	6,544	6.7	9.0	18.5	2.6	14.3	21.2	3.0	12.1

- We expect advertising revenue to increase 15% YoY but decline 8% QoQ given seasonality and likely impact of lower ratings in the previous quarter.
- We estimate subscription revenue growth of 14% YoY and 2% QoQ.
- DTH revenue would continue to drive growth in subscription revenue. We estimate share of subscription revenue at ~40% in 4QFY11.
- We expect EBIDTA margin to decline 800bp to 20.1% primarily due to assumption of sports business loss of Rs634m v/s break-even in the comparable quarter last year.
- Adjusted PAT is likely to decline 13.5% YoY to Rs1.1b.
- Zee TV has clocked an average channel share of ~17% (v/s 14.4% in 3QFY11) in Hindi GEC with a GRP of 220 (v/s 200 in 3QFY11). However, Star Plus has maintained leadership in channel share and GRP since 1QFY11.
- The stock trades at 20.2x FY12E and 18.5x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Advertsing Revenue	1,980	2,476	2,707	3,517	3,769	4,122	4,398	4,046	10,680	16,335
Subscription Revenue	2,410	2,435	2,467	2,513	2,614	2,737	2,818	2,873	9,824	11,042
Other Sales and Services	370	494	135	463	387	257	333	332	1,462	1,309
Net Sales	**4,759**	**5,405**	**5,309**	**6,493**	**6,770**	**7,116**	**7,548**	**7,252**	**21,966**	**28,686**
Change (%)	-12.2	-5.5	-2.7	26.4	42.2	31.7	42.2	11.7	1.1	30.6
Prog, Transmission & Direct Exp	2,392	2,229	2,306	2,609	3,050	3,458	4,152	3,851	9,536	14,512
Staff Cost	390	442	372	689	597	643	687	715	1,893	2,641
Selling and Other Exp	808	1,226	1,059	1,358	1,252	1,130	1,169	1,226	4,451	4,777
EBITDA	**1,170**	**1,508**	**1,573**	**1,836**	**1,870**	**1,885**	**1,541**	**1,460**	**6,087**	**6,757**
Change (%)	-18.9	1.3	31.0	52.8	59.8	25.0	-2.0	-20.5	14.2	11.0
As of % Sales	24.6	27.9	29.6	28.3	27.6	26.5	20.4	20.1	27.7	23.6
Depreciation	75	77	76	56	62	56	78	64	284	260
Interest	91	84	65	110	51	5	24	24	350	103
Other Income	325	291	323	291	126	240	232	241	1,230	839
Extraordinary Items			313	-11	328		700		302	1,028
PBT	**1,329**	**1,638**	**2,067**	**1,950**	**2,211**	**2,064**	**2,372**	**1,613**	**6,985**	**8,261**
Tax	416	529	603	662	710	801	818	557	2,210	2,886
Effective Tax Rate (%)	31.3	32.3	32.0	33.9	32.1	38.8	34.5	34.6	31.6	34.9
PAT	**913**	**1,109**	**1,464**	**1,288**	**1,500**	**1,263**	**1,554**	**1,056**	**4,775**	**5,374**
Minority Interest	-105.8	-32	-100	25	-38	1	-45.4	-45.4	-212.2	-127.8
Adj PAT after Minority Interest	**1,019**	**1,141**	**1,251**	**1,274**	**1,211**	**1,262**	**1,141**	**1,101**	**4,685**	**4,716**
Change (%)	-17.8	-6.7	22.5	37.4	18.8	10.6	-8.8	-13.5	6.2	0.7

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)/Nirav Poddar (Nirav.Poddar@MotilalOswal.com)

Metals

COMPANY NAME

- Hindalco
- Hindustan Zinc
- JSW Steel
- Nalco
- Sesa Goa
- SAIL
- Sterlite Industries
- Tata Steel

Domestic steel prices take a breather; metallics strong

- Domestic hot rolled coil (HRC) prices have been on an upward trend since early December, as higher raw material prices pushed up steel prices across the world. Iron ore spot prices in China inched up 12% QoQ to US$185/t CIF on higher Chinese imports and restricted supply from India and Iran. Coking coal supply was affected by floods in north-eastern Australia, resulting in an inflationary environment for steel makers. Consequently, steel makers, to maintain margins, began to raise product prices. Shredded scrap prices climbed 33% to US$480/t and average steel prices in Europe and North America increased 18-37% QoQ. Indian steel producers raised product prices by 12% QoQ to catch up with the rally.
- Domestic steel demand from end-user industries picked up gradually since early December 2010 as slow, steady recovery in the global economy improved price sentiment. The demand environment improved in developed economies after a seasonally weak winter quarter.
- Chinese steel prices moved up gradually (9% QoQ) in 4QFY11 due to lower supply from domestic producers, led by maintenance shutdowns and Lunar New Year holidays.
- 2QCY11 coking coal contract prices are expected to settle at ~US$325/t and BHP is negotiating for a monthly contract regime. According to media reports, Anglo-American settled coking coal contracts with a few Japanese mills at US$330/t fob (up 47% QoQ) in early March. However, these deals were later disputed by trade analysts.
- There will be a moderate increase in 2QCY11 iron ore contract prices as spot prices were up 12% QoQ in 4QFY11. The March quarter contract for iron ore was settled at ~US$135 (up 6.3% QoQ). Spot coke (China export) prices rose 8% to US$410/t.
- Domestic HRC prices moved up 16-17% to Rs38,078/t in mid-February and came off a bit since early March to Rs36,265/t. Sequentially, average HRC tube grade prices were up 12% at Rs36,514/t in 4QFY11, which augurs well for domestic integrated steel producers.
- We expect steel production volumes by key Indian producers to increase 9.2% YoY to 7.3mt (up 8% QoQ). With steel demand remaining strong, we expect 4QFY11 sales volumes of 1.7mt (up 12% YoY) for JSW, 3.5mt (up 3% YoY) for SAIL and 1.75mt (up 3% YoY) for Tata Steel.

Expected quarterly performance summary (Rs million)

	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Hindalco	206	Buy	192,445	16.9	10.4	23,044	10.6	20.9	9,866	40.2	63.2
Hindustan Zinc	138	Buy	30,015	17.9	14.1	16,905	9.2	12.2	14,162	14.3	9.8
JSW Steel	907	Buy	66,775	28.3	15.0	13,518	1.6	35.2	5,686	-7.3	51.6
Nalco	101	Sell	17,824	9.6	23.5	6,647	22.9	70.6	4,470	14.2	74.6
SAIL	168	Sell	130,581	6.8	15.4	27,514	-11.2	53.2	17,043	-18.3	53.9
Sesa Goa	279	Buy	31,406	29.8	39.6	18,268	21.5	48.5	15,344	26.5	44.3
Sterlite Inds.	169	Buy	93,128	28.8	11.8	24,018	9.9	21.4	13,993	1.3	26.6
Tata Steel	614	Buy	351,191	27.7	20.7	54,408	18.4	58.9	26,659	15.5	202.7
Sector Aggregate			**913,365**	**21.4**	**16.7**	**184,323**	**9.2**	**39.3**	**107,223**	**7.9**	**60.5**

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Saleable steel ('000 Tons) **(Rs Million)**

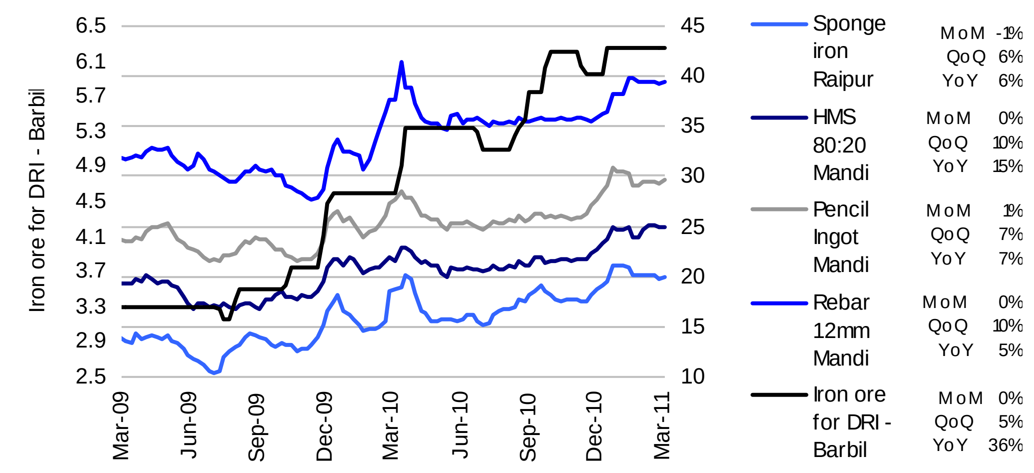
Y/E March	FY10 1Q	FY10 2Q	FY10 3Q	FY10 4Q	FY11 1Q	FY11 2Q	FY11 3Q	FY11 4QE	FY10	FY11E
Tata Steel India										
Production	1,542	1,519	1,688	1,732	1,590	1,610	1,750	1,809	6,481	6,759
Change (YoY %)	30.0	14.2	36.7	6.7	3.1	6.0	3.7	4.4		4.3
Sales	1,418	1,457	1,596	1,698	1,399	1,660	1,641	1,748	6,169	6,448
Change (YoY %)	22.3	19.4	49.0	-5.2	-1.3	14.0	2.8	3.0		4.5
SAIL										
Production	3,060	3,140	3,100	3,300	3,000	3,100	3,330	3,700	12,600	13,130
Change (YoY %)	3.8	-1.3	3.3	1.3	-2.0	-1.3	7.4	12.1		4.2
Sales	2,790	3,030	2,900	3,400	2,300	3,030	3,250	3,500	12,120	12,080
Change (YoY %)	5.3	14.3	20.8	-5.6	-17.6		12.1	2.9		-0.3
JSW Steel										
Production	1,376	1,540	1,469	1,615	1,574	1,566	1,636	1,750	6,000	6,526
Change (YoY %)	41.0	53.8	87.9	67.2	14.4	1.7	11.4	8.4		8.8
Sales	1,321	1,454	1,425	1,520	1,190	1,582	1,593	1,700	5,720	6,065
Change (YoY %)	61.7	73.7	100.4	63.8	-9.9	8.8	11.8	11.8		6.0
3 Key Producers Total										
Production	5,978	6,199	6,257	6,647	6,164	6,276	6,716	7,259	25,081	26,415
Change (YoY %)	17.0	12.5	24.7	13.7	3.1	1.2	7.3	9.2		5.3
Sales	5,529	5,941	5,921	6,618	4,889	6,272	6,484	6,948	24,009	24,593
Change (YoY %)	19.5	26.2	41.6	4.7	-11.6	5.6	9.5	5.0		2.4

E: MOSL Estimates

Metallic prices strong due to higher raw material prices

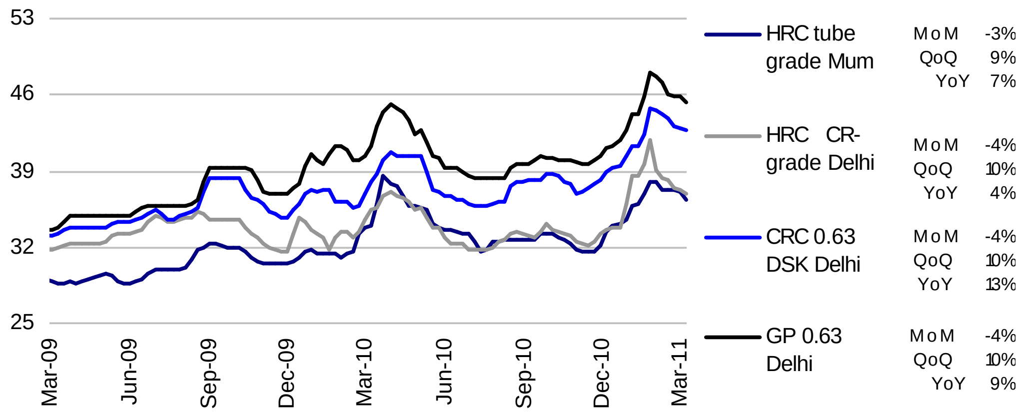
- Sponge iron prices rose 12% QoQ to Rs20,340/ton due to tight supply of iron ore and high scrap prices. Prices of HMS scrap increased 12.3% QoQ to Rs24,628/ton and iron ore for sponge was strong at Rs6,250/ton. Pig iron prices stabilized at a higher level of ~Rs23,200/ton (up 10% QoQ).
- Coal India increased prices of E and F grade coal by ~30% in 4QFY11, which will increase the cost of production for mid-size metal companies which are sourcing coal through linkages for captive power generation and sponge iron production.
- The government, in its Union Budget, increased export duty on iron ore from 5% on fines and 15% on lumps to a uniform 20% ad valorem. Indian Railways also increased freight rates for iron ore exports by 4% from 4 March 2011 to benefit from higher iron ore prices. These measures are being undertaken to discourage direct exports of iron ore from India.

Indian long product prices (Rs/kg) up by 9-12% QoQ

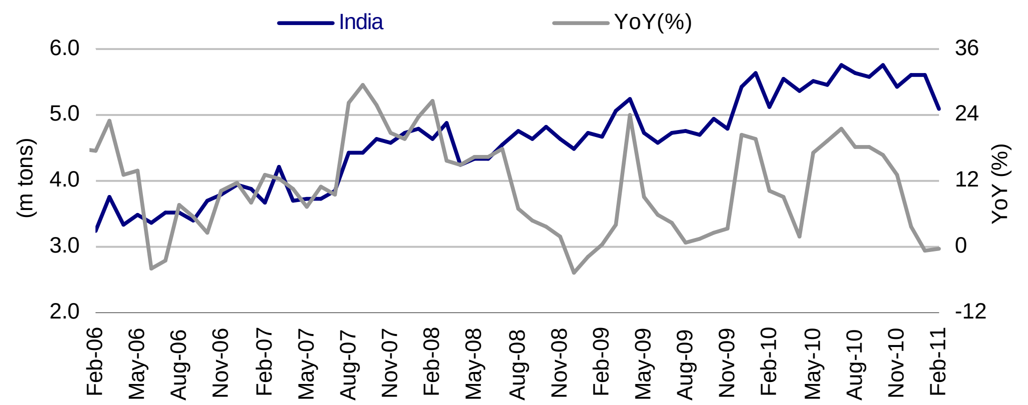


Source: Company/MOSL

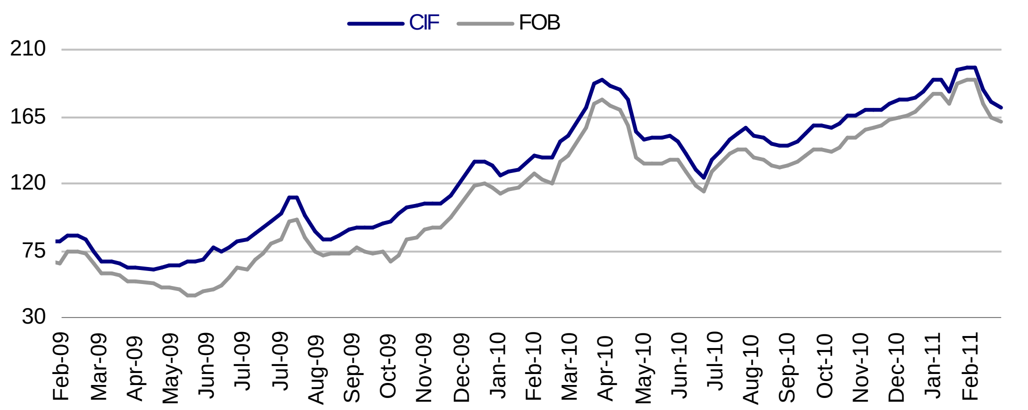
Indian flat product prices (Rs/kg) up by 12-15% QoQ



India's February crude steel production flat YoY at 5.1mt



Indian iron ore (63% FE) prices for shipment to China (US$/ton)



Source: Company/MOSL

Non-ferrous: higher LME, volumes to drive earnings growth

- Average 4QFY11 non-ferrous metal prices increased 4-12% QoQ led by expectations of a steady recovery in developed economies and supply constraints in copper, coal and iron ore markets. Copper touched an all-time high of US$10,000/t. Aluminum increased most (7% QoQ to US$2,524/t) after copper and stayed firm due to higher alumina/energy costs and strong demand from China. Stronger LME is likely to drive earnings for non-ferrous companies.

- Alumina producers have started moving customers from LME-linked to index-based pricing, citing independent dynamics of the alumina industry, in an attempt to realize better prices. This will benefit Hindalco and Nalco, which have excess alumina production capacity. Nalco will benefit from higher alumina export realization as it sold it at US$372-403/t in recent months.
- Volume growth is expected to be positive in 4QFY11. After the disruption of production at one of its sulfuric acid plants in 3QFY11, Hindalco is expected to post 8% QoQ growth in 4QFY11 in copper cathode production.
- Hindustan Zinc's volumes of refined zinc and lead are expected to be 5% higher QoQ at 201k tons (up 19% YoY). Higher silver volumes and strong realizations (up 17% QoQ at Rs46,000/kg) will also benefit Hindustan Zinc.

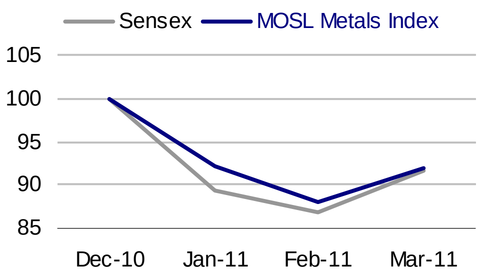
Quarterly average of base metal on LME (3M contract) (US$/Ton)

Quarter	Zinc			Aluminium			Copper			Lead			Alumina		
	Avg.	QoQ %	YoY %	Avg.	QoQ %	YoY %	Avg.	QoQ %	YoY %	Avg.	QoQ %	YoY %	Avg.	QoQ %	YoY %
4QFY11	2,418	4	5	2,524	7	15	9,639	12	33	2,568	7	15	388	10	19
3QFY11	2,333	14	4	2,365	12	16	8,614	18	29	2,406	17	4	353	11	16
2QFY11	2,043	0	15	2,110	-1	15	7,278	3	24	2,065	5	6	317	-5	18
1QFY11	2,052	-11	36	2,122	-3	39	7,042	-3	50	1,972	-12	30	335	3	61
4QFY10	2,307	3	91	2,199	8	57	7,274	9	108	2,235	-3	91	327	7	72
3QFY10	2,241	26	84	2,037	11	8	6,677	14	69	2,313	19	83	306	13	10
2QFY10	1,780	18	-1	1,836	20	-35	5,856	24	-23	1,942	28	1	270	29	-34
1QFY10	1,509	25	-30	1,530	9	-49	4,708	35	-43	1,520	30	-35	209	10	-49
4QFY09	1,208	-1	-51	1,401	-26	-50	3,494	-11	-55	1,173	-7	-60	190	-32	-51
3QFY09	1,219	-32	-54	1,885	-34	-25	3,948	-48	-46	1,265	-34	-61	279	-32	-19
2QFY09	1,798	-16	-44	2,839	-5	9	7,571	-9	-1	1,915	-18	-38	408	-1	17
1QFY09	2,150	-13	-42	2,995	8	7	8,323	8	10	2,330	-20	7	411	5	14

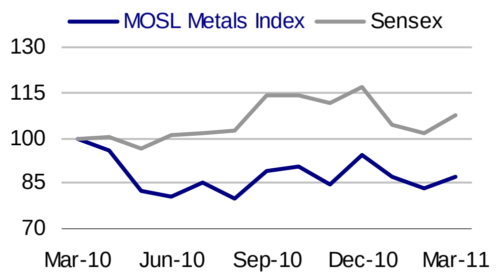
Note: - these are averages for three month forward cotract

Source: LME

Relative Performance - 3m (%)



Relative Performance - 1Yr (%)



Comparative valuation

	CMP (Rs) 25.03.11	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
			FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Metals														
Hindalco	206	Buy	15.6	18.1	20.5	13.2	11.4	10.1	7.0	6.4	5.7	19.9	19.0	18.0
Hindustan Zinc	138	Buy	10.8	12.8	14.2	12.8	10.8	9.7	8.1	6.1	4.9	20.4	19.8	18.2
JSW Steel	907	Buy	57.2	111.7	131.9	15.9	8.1	6.9	5.6	3.9	3.6	7.8	13.0	13.4
Nalco	101	Sell	4.7	4.7	4.7	21.5	21.7	21.7	11.5	11.2	11.0	10.6	9.7	9.0
SAIL	168	Sell	12.5	10.5	10.1	13.4	15.9	16.5	8.3	10.2	10.9	13.7	10.7	9.6
Sesa Goa	279	Buy	48.8	37.0	39.8	5.7	7.5	7.0	3.1	3.0	2.2	33.1	20.5	18.4
Sterlite Inds.	169	Buy	13.0	22.5	24.0	13.0	7.5	7.0	7.0	3.9	3.0	10.9	16.2	14.9
Tata Steel	614	Buy	70.3	81.2	100.4	8.7	7.6	6.1	6.2	5.5	4.1	35.0	29.7	27.8
Sector Aggregate						**11.6**	**9.9**	**8.9**	**6.8**	**5.7**	**4.9**	**15.6**	**15.5**	**15.0**

Tata Steel and Sterlite numbers are consolidated

Hindalco

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HNDL IN
Equity Shares (m)	1,984.4
52 Week Range (Rs)	252/129
1,6,12 Rel Perf (%)	-3/14/9
Mcap (Rs b)	409.3
Mcap (USD b)	9.2

CMP: Rs206 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	607,221	19,132	9.6	-19.0	21.4	3.0	14.0	8.3	0.9	8.1
3/11E	710,399	30,984	15.6	61.9	13.2	2.6	19.9	9.9	0.8	7.0
3/12E	693,989	35,840	18.1	15.7	11.4	2.2	19.0	10.6	0.9	6.4
3/13E	746,426	40,596	20.5	13.3	10.1	1.8	18.0	10.9	0.8	5.7

Consolidated

- **Strong LME, high volumes to drive revenue:** Net sales are expected to grow 18% QoQ to Rs70.5b (up 30% YoY) on strong LME and high volume growth in the aluminum and copper segments. Aluminum volumes are expected to increase 4% QoQ to 139k tons and copper volumes are expected to increase 8% QoQ to 86k tons. Copper production was affected in 3QFY11 by a breakdown of cooling towers at its sulfuric acid plant. Blended realization of aluminum per ton is expected to improve 7% QoQ (Rs158,318/ton).
- **EBITDA to grow 22% QoQ:** EBITDA is expected to grow 22% QoQ to Rs9b (up 5% YoY) in 4QFY11 due to robust performance in the copper segment, higher alumina realization and metal volumes.
- **Timely execution of greenfield projects crucial; maintain Buy:** Profit after tax will grow 31% QoQ to Rs6b on higher LME prices and strong growth in metal volumes. Hindalco is investing US$5b in greenfield projects to raise its aluminum capacity 2x to 1.3mt and alumina capacity 2x to 3mtpa. The Utkal refinery project is expected to be commissioned by 4QFY12 and the commissioning of its Aditya project has been delayed by 12 months. We have cut our volume assumptions of alumina and metal for FY12 and FY13 to incorporate delays in commissioning of the project. Timely execution of these greenfield projects is crucial for the company to achieve strong earnings growth over the next two years. The stock trades at 11.4x FY12E EPS and an EV of 6.4x FY12E EBITDA. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Alumina ('000 tons)	312	312	340	344	341	347	320	364	1,307	1,373
Aluminium ('000 tons)	133	139	142	138	131	128	134	139	552	532
Copper ('000 tons)	80	90	89	75	76	94	80	86	333	336
Net Sales	**38,905**	**49,124**	**54,743**	**54,434**	**51,783**	**58,599**	**59,746**	**70,542**	**197,206**	**240,670**
Change (YoY %)	-16.3	-13.6	33.0	44.3	33.1	19.3	9.1	29.6	8.2	22.0
EBITDA	**6,148**	**6,213**	**8,046**	**8,644**	**8,325**	**7,204**	**7,401**	**9,055**	**29,050**	**31,984**
As % of Net Sales	15.8	12.6	14.7	15.9	16.1	12.3	12.4	12.8	14.7	13.3
Interest	682	663	729	705	593	526	516	508	2,780	2,144
Depreciation	1,653	1,659	1,676	1,684	1,691	1,718	1,707	1,689	6,672	6,805
Other Income	753	573	496	777	689	821	606	792	2,599	2,908
PBT (before EO Item)	**4,566**	**4,464**	**6,136**	**7,031**	**6,730**	**5,781**	**5,785**	**7,650**	**22,197**	**25,945**
Extra-ordinary Income	1,430	-121	-570	-290		-220			449	-220
PBT (after EO Item)	**5,996**	**4,343**	**5,566**	**6,741**	**6,730**	**5,561**	**5,785**	**7,650**	**22,646**	**25,725**
Total Tax	1,190	903	1,295	102	1,386	1,222	1,181	1,606	3,489	5,396
% Tax	26.1	20.2	21.1	1.4	20.6	21.1	20.4	21.0	15.4	21.0
Reported PAT	**4,806**	**3,441**	**4,271**	**6,639**	**5,344**	**4,338**	**4,603**	**6,043**	**19,156**	**20,329**
Adjusted PAT	**3,376**	**3,562**	**4,841**	**6,929**	**5,344**	**4,558**	**4,603**	**6,043**	**18,707**	**20,549**
Change (YoY %)	-51.6	-50.5	-11.1	157.8	58.3	28.0	-4.9	-12.8	-16.1	9.8
Consolidated Financials										
Net Sales	**120,330**	**151,793**	**158,845**	**176,254**	**167,363**	**176,285**	**174,306**	**192,445**	**607,221**	**710,399**
EBITDA	**16,503**	**16,567**	**18,400**	**18,988**	**21,342**	**21,742**	**19,068**	**23,044**	**70,468**	**85,196**
Adjusted PAT	**3,482**	**3,668**	**4,947**	**7,035**	**7,626**	**7,449**	**6,044**	**9,866**	**19,132**	**30,984**
Avg LME Aluminium (USD/T)	1,505	1,827	2,037	2,189	2,122	2,110	2,365	2,500	1,904	2,274

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Hindustan Zinc

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HZ IN
Equity Shares (m)	4,225.3
52 Week Range (Rs)	144/90
1,6,12 Rel Perf (%)	3/34/7
Mcap (Rs b)	583.7
Mcap (USD b)	13.1

CMP: Rs138 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	80,170	40,414	9.6	48.2	14.4	3.2	22.3	22.9	5.8	10.0
3/11E	98,060	45,626	10.8	12.9	12.8	2.6	20.4	20.9	4.4	8.1
3/12E	104,896	54,033	12.8	18.4	10.8	2.1	19.8	20.2	3.7	6.1
3/13E	111,384	60,023	14.2	11.1	9.7	1.8	18.2	17.9	2.9	4.9

Consolidated

- **Metal volumes to drive top line:** 4QFY11 net sales are expected to increase by 14% QoQ to Rs30b (up 18% YoY) due to 5% volume growth in metals and a 4.5% increase in realizations. LME prices of zinc increased 4% QoQ and lead grew 7% QoQ during 4QFY11. Zinc and lead realization per ton is expected to improve to Rs115,647/ton and Rs124,756 respectively. Silver realization is expected to improve ~17% QoQ as silver prices surged (Rs46,000/kg) in 4QFY11. Refined zinc and lead production is expected to be 5% higher QoQ at 201k tons (up 19% YoY).
- **EBITDA to grow 12% QoQ:** EBITDA is expected to grow by 12% QoQ to Rs16.9b (up 9% YoY) in 4QFY11 due to strong volume growth and better realization of by-products. Silver production is expected to post CAGR of 44% over the next two years as the company ramps up SK Mines and commissions a 100ktpa lead smelter in 1QFY12.
- **PAT to grow 10% QoQ:** 4QFY11 adjusted PAT is expected to grow 9.8% QoQ to Rs14b (up 14% YoY). HZL's earnings are likely to be driven by volume growth going ahead. Zinc capacity has been expanded to 879ktpa recently and a 100ktpa lead smelter is being commissioned. Silver capacity will be expanded to 500tpa along with the commissioning of lead smelter. We expect strong growth in zinc, lead and silver production over the next few years. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Zn & Pb ('000 tons)	155	152	167	169	179	191	191	201	643	761
Change (YoY %)	6.4	13.5	0.5	1.5	15.6	25.3	14.0	18.9	5.0	18.4
Net Sales	**15,122**	**18,183**	**22,491**	**25,449**	**19,734**	**22,010**	**26,302**	**30,015**	**80,170**	**98,060**
Change (YoY %)	-8.0	1.6	110.4	101.5	30.5	21.0	16.9	17.9	41.1	22.3
Total Expenditure	7,443	7,428	8,630	9,967	9,516	10,758	11,229	13,109	33,469	44,612
EBITDA	**7,679**	**10,755**	**13,861**	**15,482**	**10,218**	**11,253**	**15,073**	**16,905**	**46,701**	**53,448**
As % of Net Sales	50.8	59.1	61.6	60.8	51.8	51.1	57.3	56.3	58.3	54.5
Interest	32	54	77	277	66	-5	1	49	439	111
Depreciation	748	771	817	1,006	1,123	1,158	1,195	1,252	3,343	4,728
Other Income	1,946	1,537	1,319	1,345	1,584	1,840	2,071	2,098	7,222	7,594
PBT (before EO Item)	**8,845**	**11,467**	**14,286**	**15,543**	**10,614**	**11,940**	**15,947**	**17,703**	**50,141**	**56,204**
Extra-ordinary Income	0	0	0	0	0	-212	0	0	0	-212
PBT (after EO Item)	**8,845**	**11,467**	**14,286**	**15,543**	**10,614**	**11,728**	**15,947**	**17,703**	**50,141**	**55,992**
Total Tax	1,657	2,118	2,799	3,153	1,705	2,241	3,051	3,541	9,727	10,537
% Tax	18.7	18.5	19.6	20.3	16.1	19.1	19.1	20.0	19.4	18.8
Reported PAT	**7,188**	**9,349**	**11,487**	**12,390**	**8,909**	**9,487**	**12,896**	**14,162**	**40,414**	**45,455**
Adjusted PAT	**7,188**	**9,349**	**11,487**	**12,390**	**8,909**	**9,658**	**12,896**	**14,162**	**40,414**	**45,626**
Change (YoY %)	-15.2	-2.6	211.4	124.7	23.9	3.3	12.3	14.3	48.2	12.9
Avg LME Zinc (USD/T)	1,509	1,780	2,241	2,311	2,052	2,043	2,330	2,400	1,960	2,206
Avg LME Lead (USD/T)	1,520	1,942	2,313	2,254	1,972	2,065	2,398	2,550	2,007	2,246
Fixed assets		63,226		72,771		76,955		85,570	72,771	85,570
Cash etc (net of debt)		102,014		118,162		123,528	130,920	148,869	118,162	148,869
Net Working Capital		1,523		-2,581		7,593		-2,377	-2,581	-2,377

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

JSW Steel

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	JSTL IN
Equity Shares (m)	254.3
52 Week Range (Rs)	1,400/752
1,6,12 Rel Perf (%)	-2/-23/-36
Mcap (Rs b)	230.5
Mcap (USD b)	5.2

CMP: Rs907 — Buy

Year End	Net Sales (Rs m)	PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (x)	P/BV (x)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
3/10A	189,572	11,117	59.4	9.3	15.3	1.9	12.4	10.1	1.9	8.8
3/11E	240,821	14,474	56.9	-4.2	15.9	1.2	7.8	8.9	1.5	8.2
3/12E	381,100	28,393	111.7	96.2	8.1	1.1	13.0	14.3	1.0	5.2
3/13E	405,885	33,548	131.9	18.2	6.9	0.9	13.4	15.9	0.8	4.3

Consolidated

- **High steel prices, volumes to drive top-line growth:** 4QFY11 standalone net sales are expected to grow 15% QoQ to Rs66.8b (up 28% YoY) due to strong steel prices and better volumes. We expect JSW to deliver 7% growth in steel volumes sequentially at 1.7mt (12% YoY) and average steel price realization is expected to improve 8% QoQ to Rs39,280/ton (up 15% YoY). Domestic steel prices started improving from mid December while demand remained buoyant. Average HRC prices increased 12% QoQ in the domestic market.
- **EBITDA to grow 35% QoQ:** 4QFY11 EBITDA is expected grow 35% QoQ to Rs13.5b due to higher steel realizations and an improved product mix. Margins are expected to improve sequentially by 302bp to 20.2% on higher steel realizations. We expect EBITDA per ton to increase 25% QoQ to US$175.
- **Adjusted PAT to grow 52% QoQ:** We expect adjusted PAT to increase 52% QoQ to Rs5.6b and steel volumes to increase 42% to 9.1mt in FY12 and by 12% in FY13 as JSW's capacity expansion to 11mtpa is on track to be completed by April 2011. Overseas investment in Chilean iron ore mines and US coal mines are expected to generate cash flows in FY12. We expect iron ore and coking coal production of 0.5mtpa each in FY12. We expect EPS CAGR of 51% over FY11-13. The stock trades at attractive valuations of 8.1x FY12E EPS and 5.2x EV/EBITDA. **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales ('000 tons)	1,321	1,454	1,425	1,520	1,190	1,582	1,593	1,700	5,720	6,065
Change (YoY %)	61.7	73.7	100.4	63.8	-9.9	8.8	11.8	11.8	73.7	6.0
Realization (Rs per ton)	29,650	31,080	32,372	34,243	39,329	36,510	36,457	39,280	31,912	37,826
Net Sales	**39,168**	**45,190**	**46,130**	**52,050**	**46,802**	**57,759**	**58,076**	**66,775**	**182,538**	**229,412**
Change (YoY %)	6.7	5.9	65.6	56.4	19.5	27.8	25.9	28.3	29.9	25.7
EBITDA	**7,467**	**11,070**	**11,180**	**13,308**	**10,345**	**9,922**	**10,002**	**13,518**	**43,024**	**43,786**
Change (YoY %)	-13.1	1.5	185.6	227.7	38.5	-10.4	-10.5	1.6	56.6	1.8
As % of Net Sales	19.1	24.5	24.2	25.6	22.1	17.2	17.2	20.2	23.6	19.1
EBITDA (US$ per ton)	116	157	168	191	190	135	140	175	159	158
Interest	2,206	2,298	2,178	1,944	2,142	1,993	1,320	1,765	8,627	7,219
Depreciation	2,718	2,805	2,860	2,851	3,172	3,324	3,464	3,637	11,234	13,597
Other Income	54	615	16	0	31	64	79	109	685	283
PBT (before EO Item)	**2,597**	**6,582**	**6,157**	**8,513**	**5,062**	**4,668**	**5,297**	**8,226**	**23,849**	**23,253**
EO Items	2,360	0	1,026	962	0	1,570	0	0	4,348	1,570
PBT (after EO Item)	**4,957**	**6,582**	**7,183**	**9,475**	**5,062**	**6,238**	**5,297**	**8,226**	**28,197**	**24,823**
Total Tax	1,556	2,066	2,041	2,306	1,560	1,783	1,474	2,468	7,969	7,285
% Tax	31.4	31.4	28.4	24.3	30.8	28.6	27.8	30.0	28.3	29.3
Reported PAT	**3,400**	**4,515**	**5,142**	**7,169**	**3,503**	**4,454**	**3,823**	**5,758**	**20,227**	**17,538**
Preference Dividend	72	72	72	72	72	72	72	72	290	290
Adjusted PAT	**968**	**4,443**	**4,044**	**6,135**	**3,430**	**3,283**	**3,751**	**5,686**	**15,590**	**16,149**
Change (YoY %)	-77.9	-23.2	861.0	2,443.1	254.5	-26.1	-7.3	-7.3	43.9	3.6
Fixed assets				235,504				289,907	235,504	289,907
Cash etc (net of debt)				-98,087				-75,925	-98,087	-75,925
Net Working Capital				-23,495				-21,509	-23,495	-21,509

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Nalco

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	NACL IN
Equity Shares (m)	2,577.2
52 Week Range (Rs)	120/84
1,6,12 Rel Perf (%)	-14/6/-4
Mcap (Rs b)	260.6
Mcap (USD b)	5.8

CMP: Rs101 — Sell

Year End	Net Sales (Rs m)	PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
3/10A	50,557	8,032	3.1	-36.3	32.4	2.5	7.7	6.1	4.3	22.1
3/11E	60,127	12,110	4.7	50.8	21.5	2.3	10.6	11.6	3.4	11.5
3/12E	69,004	12,010	4.7	-0.8	21.7	2.1	9.7	10.7	2.9	11.2
3/13E	67,514	11,998	4.7	-0.1	21.7	2.0	9.0	9.4	2.8	11.0

Consolidated

- **Alumina to drive revenue growth:** 4QFY11 net sales are expected to grow 24% QoQ to Rs17.8b due to higher volumes and realizations of alumina and a strong LME. Aluminum prices are up 7% QoQ (up 15% YoY) to US$2,524, and alumina is up 10% QoQ at US$388/ton. Nalco will benefit from higher alumina export realization. We expect average metal realization to increase by 7% QoQ to Rs120,611/t and that of alumina is expected rise 19% QoQ to Rs19,298/t. Alumina sales volume is expected to grow 19% QoQ to 223,015 tons and metal volume will grow 1% QoQ to 112,100 tons.
- **EBITDA to grow 71% QoQ:** 4QFY11 EBITDA is expected to increase 71% QoQ to Rs6.6b due to higher alumina and aluminum prices. Higher export realization of alumina will help the company to improve margins.
- **Refinery expansion delayed, cost of production rising:** Alumina producers worldwide have started moving customers from LME-linked to index-based pricing, citing independent dynamics of the alumina industry, in an attempt to realize better prices. Nalco will benefit from this move. However its alumina refinery expansion to 2.1mtpa is running behind schedule and is expected to be completed by April 2011. As the production of alumina ramps up, alumina sales will grow and drive revenue growth. There is no visibility of Nalco's greenfield projects. Besides, cost inflation led by a shortage of coal, rising maintenance and labor costs have resulted in higher cost of metal production. Maintain **Sell**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Alumina Production ('000 tons)	352	380	405	455	363	380	398	436	1,592	1,576
Aluminium Prod. ('000 tons)	105	103	111	113	112	110	111	112	431	445
Aluminium Sales ('000 tons)	93	106	118	119	109	109	103	112	436	432
Avg LME Aluminium (USD/ton)	1,505	1,827	2,037	2,189	2,150	2,110	2,357	2,500	1,890	2,279
Alumina Exports (USD/ton)	208	250	266	339	375	316	362	426	270	370
Net Sales	**9,353**	**11,791**	**14,176**	**16,260**	**13,081**	**14,792**	**14,431**	**17,824**	**50,557**	**60,127**
Change (YoY %)	-36.3	-23.3	36.8	44.4	39.9	25.4	1.8	9.6	-2.1	18.9
Total Expenditure	7,679	10,374	11,215	10,849	9,143	11,314	10,536	11,177	40,635	42,170
EBITDA	**1,674**	**1,417**	**2,961**	**5,411**	**3,938**	**3,477**	**3,896**	**6,647**	**9,922**	**17,958**
As % of Net Sales	17.9	12.0	20.9	33.3	30.1	23.5	27.0	37.3	19.6	29.9
Interest	11	8	1	1	0	0	1	0	23	1
Depreciation	756	764	789	878	916	952	1,030	1,057	3,194	3,955
Other Income	1,012	1,402	617	658	897	854	894	983	4,688	3,628
PBT (before EO Item)	**1,918**	**2,046**	**2,787**	**5,189**	**3,919**	**3,379**	**3,759**	**6,573**	**11,392**	**17,630**
Extra-ordinary Income	0	0	0	0	0	0	0	0	156	0
PBT (after EO Item)	**1,918**	**2,046**	**2,787**	**5,189**	**3,919**	**3,379**	**3,759**	**6,573**	**11,549**	**17,630**
Total Tax	654	451	1,236	1,275	1,079	1,139	1,199	2,104	3,406	5,520
% Tax	34.1	22.1	44.3	24.6	27.5	33.7	31.9	32.0	29.5	31.3
Reported PAT	**1,265**	**1,595**	**1,552**	**3,915**	**2,841**	**2,240**	**2,560**	**4,470**	**8,142**	**12,110**
Adjusted PAT	**1,265**	**1,595**	**1,552**	**3,915**	**2,841**	**2,240**	**2,560**	**4,470**	**8,032**	**12,110**
Change (YoY %)	-75.9	-64.1	-29.3	371.5	124.6	40.5	64.9	14.2	-37.2	50.8

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Sesa Goa

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SESA IN
Equity Shares (m)	889.7
52 Week Range (Rs)	494/221
1,6,12 Rel Perf (%)	-8/-10/-45
Mcap (Rs b)	248.2
Mcap (USD b)	5.6

CMP: Rs279 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	58,583	26,291	31.6	25.3	8.8	2.9	33.2	30.8	3.1	5.8
3/11E	87,221	43,387	48.8	54.1	5.7	1.9	33.1	36.4	1.7	3.1
3/12E	79,188	32,905	37.0	-24.2	7.5	1.5	20.5	24.9	1.6	3.0
3/13E	82,848	35,438	39.8	7.7	7.0	1.3	18.4	21.7	1.1	2.2

Consolidated

- **Volumes to drive revenue:** Iron ore sale volumes are expected to increase 39% QoQ to 7.5mt (up 2% YoY) led by strong volumes from Goa. The company was carrying 5.5mt of ore inventories at the end of 3QFY11. We expect average realization to improve 3% QoQ to Rs3,987/ton (US$88/ton; up 30% YoY) led by higher iron ore prices. Average spot prices in China increased 12% QoQ to US$185/t CIF on higher Chinese imports and restricted supply from India and Iran. We expect its 4QFY11 net sales to post a robust 40% QoQ growth (up 30% YoY) at Rs31.4b.
- **Robust sequential EBITDA growth:** 4QFY11 EBITDA is expected to increase 48% QoQ to Rs18.2b (up 22% YoY) due to higher volumes and lower costs as the proportion of ore volumes from Goa will be higher. As the export ban continues in Karnataka, Sesa is selling 700-800kt in domestic markets, saving on inland transport. There will be a small left over quantity from its Orissa operations, which stopped in 2QFY11. Sesa Goa's export realization is expected to be higher due to lower sea freight and higher ore prices.
- **Strong iron ore prices to drive earnings growth:** Although volume growth has become a challenge for Sesa, its competitive cost structure in Goa and strong iron ore prices will drive near-term earnings. Spot iron ore prices (China CFR) are well above our estimate of US$120/ton. The stock was recently de-rated due to uncertainties relating to the Cairn deal, the Karnataka export ban and downgrading of volume guidance due to a delay in availing of statutory permissions. We believe most negatives have been factored in the stock price. The stock trades at 3x FY12E EV/ EBITDA. Maintain **Buy** with a target price of Rs367 based on EV/EBITDA of 5x FY12E.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Average Realization (Rs/ton)	1,807	2,462	2,542	3,065	4,201	3,528	3,882	3,987	2,554	3,971
Sales Qty ('000 tons)	4,736	1,619	6,792	7,375	5,400	2,019	5,381	7,503	20,522	20,303
Net Sales	**10,115**	**5,387**	**18,892**	**24,189**	**24,131**	**9,183**	**22,501**	**31,406**	**58,583**	**87,221**
Change (YoY %)	-21.7	-37.6	38.9	67.6	138.6	70.5	19.1	29.8	18.1	48.9
EBITDA	**4,531**	**1,527**	**10,360**	**15,030**	**15,507**	**3,034**	**12,306**	**18,268**	**31,448**	**49,114**
As % of Net Sales	44.8	28.3	54.8	62.1	64.3	33.0	54.7	58.2	53.7	56.3
Interest	20	20	251	227	137	140	134	139	517	550
Depreciation	152	202	225	166	191	194	208	217	745	810
Other Income	752	893	1,325	1,291	1,609	1,004	1,268	1,187	4,260	5,068
PBT (before XO Item)	**5,110**	**2,198**	**11,210**	**15,928**	**16,787**	**3,704**	**13,232**	**19,099**	**34,446**	**52,822**
EO					-911	364	24	0		-523
PBT (after XO Item)	**5,110**	**2,198**	**11,210**	**15,928**	**15,877**	**4,068**	**13,255**	**19,099**	**34,446**	**52,299**
Total Tax	869	503	2,906	3,777	2,832	189	2,573	3,724	8,056	9,318
% Tax	17.0	22.9	25.9	23.7	17.8	4.6	19.4	19.5	23.4	17.8
Reported PAT before MI	**4,241**	**1,694**	**8,304**	**12,151**	**13,045**	**3,879**	**10,683**	**15,375**	**26,390**	**42,982**
Adjusted PAT	**4,223**	**1,665**	**8,275**	**12,129**	**13,766**	**3,502**	**10,634**	**15,344**	**26,291**	**43,294**
Change (YoY %)	-34.5	-48.7	75.8	121.5	226.0	110.4	28.5	26.5	32.2	64.7
Fixed assets		22,163		22,557		24,299		23,539	22,557	23,539
Cash etc (net of debt)		24,228		69,566		75,808	82,300	96,359	69,566	96,359
Net Working Capital		13,773		7,842		17,405		12,917	7,842	12,917

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Steel Authority of India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SAIL IN
Equity Shares (m)	4,130.4
52 Week Range (Rs)	259/150
1,6,12 Rel Perf (%)	3/-12/-38
Mcap (Rs b)	692.7
Mcap (USD b)	15.5

CMP: Rs168 **Sell**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	405,726	68,153	16.5	9.3	10.2	2.1	20.2	20.3	1.6	6.8
3/11E	443,479	51,539	12.5	-24.4	13.4	1.8	13.7	14.3	1.5	8.3
3/12E	473,989	43,568	10.5	-15.5	15.9	1.7	10.7	11.6	1.6	10.2
3/13E	498,763	41,881	10.1	-3.9	16.5	1.6	9.6	9.7	1.7	10.9

Consolidated

- **Volumes, realization to drive top-line:** 4QFY11 net sales are expected to increase 15% QoQ to Rs130.6b (up 7% YoY) on higher steel prices and better sales volumes. Volumes are expected to increase 8% QoQ to 3.5mt (up 3% YoY) and realization per ton is expected to improve by 7% QoQ to Rs37,309 (up 4% YoY). Domestic steel prices started improving from mid-December and demand remained buoyant. Average HRC prices increased 12% QoQ in the domestic market.
- **Margins to improve sequentially despite higher costs:** We expect EBITDA per ton to increase 41% QoQ to US$174 due to higher steel realizations.
- **Expensive valuations, maintain Sell:** We expect adjusted PAT to grow 54% QoQ to Rs17b (decline of 18% YoY). The next significant capacity addition: a new 2.5mtpa blast furnace at ISP, Burnpur, is expected to be commissioned by December 2011. Despite having full integration of iron ore and low debt on its balance sheet, steel prices remain the sole trigger for near-term earnings growth. SAIL is likely to finish FY11 with flat volumes at 12.1mt and FY12 with 5% growth. We have cut our FY12 EPS estimate for to Rs10.5 to incorporate lower volume growth and operating inefficiencies. The stock is expensive at 15.9x FY12E EPS and an EV of 10.2x FY12E EBITDA. Maintain **Sell**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales (m tons)	2.8	3.0	2.9	3.4	2.3	3.0	3.3	3.5	12.1	12.1
Change (YoY %)	5.3	14.3	20.8	-5.6	-17.6		12.1	2.9	7.3	-0.3
Realization (Rs per ton)	32,806	33,132	34,064	35,970	39,710	35,664	34,809	37,309	34,076	36,681
Change (YoY %)	-21.2	-28.3	-8.4	7.4	21.0	7.6	2.2	3.7	-13.0	7.6
Net Sales	**91,528**	**100,391**	**98,787**	**122,298**	**91,333**	**108,062**	**113,128**	**130,581**	**413,003**	**443,104**
Change (%)	-17.0	-18.0	10.7	1.4	-0.2	7.6	14.5	6.8	-6.7	7.3
EBITDA	**18,756**	**23,884**	**25,784**	**30,971**	**18,429**	**16,948**	**17,957**	**27,514**	**99,394**	**80,848**
As % of Net Sales	20.5	23.8	26.1	25.3	20.2	15.7	15.9	21.1	24.1	18.2
EBITDA per ton (US$)	138	163	191	198	176	120	123	174	173	147
Interest	828	735	1,101	1,347	1,296	1,090	592	1,026	4,011	4,005
Depreciation	3,269	3,322	3,390	3,384	3,505	3,688	3,793	3,789	13,366	14,776
Other Income	5,400	5,362	4,068	4,429	3,862	3,754	2,711	2,738	19,259	13,065
PBT	**20,059**	**25,189**	**25,361**	**30,668**	**17,489**	**15,923**	**16,282**	**25,437**	**101,277**	**75,131**
Total Tax	6,798	8,554	8,605	9,819	5,723	5,023	5,207	8,394	33,777	24,347
% Tax	33.9	34.0	33.9	32.0	32.7	31.5	32.0	33.0	33.4	32.4
Reported PAT	**13,261**	**16,635**	**16,756**	**20,849**	**11,767**	**10,900**	**11,075**	**17,043**	**67,500**	**50,784**
Adjusted PAT	**13,261**	**16,635**	**16,756**	**20,849**	**11,767**	**10,900**	**11,075**	**17,043**	**67,500**	**50,784**
Change (YoY %)	-36.9	-18.9	99.3	37.2	-11.3	-34.5	-33.9	-18.3	3.6	-24.8
Fixed Assets		225,037		286,414		320,541		391,638	286,414	391,638
Cash etc (net of debt)		112,683		65,940		17,574		10,607	65,940	10,607
Net Working Capital		-13,916		-5,037		33,001		-16,559	-5,037	-16,559

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Sterlite Industries

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	STLT IN
Equity Shares (m)	3,361.6
52 Week Range (Rs)	223/149
1,6,12 Rel Perf (%)	-1/4/-25
Mcap (Rs b)	566.6
Mcap (USD b)	12.7

CMP: Rs169 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	244,103	40,407	12.0	-2.2	14.0	1.5	10.9	9.5	1.9	11.4
3/11E	296,999	43,749	13.0	8.3	13.0	1.4	10.9	9.8	1.8	9.6
3/12E	390,092	75,700	22.5	73.0	7.5	1.2	16.2	14.3	1.3	5.7
3/13E	409,290	80,628	24.0	6.5	7.0	1.0	14.9	14.7	1.0	4.4

Consolidated

- **Strong volume growth, high LME to drive top-line:** 4QFY11 consolidated net sales are expected to grow 12% QoQ to Rs93.1b (up 29% YoY) on higher LME prices and better volumes from the zinc and lead businesses. LME prices for base metals increased 4-12% sequentially in 4QFY11. Refined zinc and lead volumes are expected to be 5% higher sequentially at 201k tons. Aluminum production from Balco is expected to increase 4% QoQ to 68k tons. Copper cathode production is expected to increase 1% QoQ to 80k tons. Sterlite Energy commissioned two units of 600MW each in FY11, but commercial generation is expected to start from April 2011.
- **EBITDA to grow 21% QoQ:** EBITDA is expected to grow 21% QoQ to Rs24b (up 10% YoY) due to strong performance in the zinc and lead businesses. We expect EBIT of the zinc business to grow 21% QoQ to Rs17.3b and aluminum (Balco) EBIT is expected to grow 8% QoQ at Rs1.3b in 4QFY11.
- **Adjusted PAT to grow 27% QoQ:** Adjusted profit after tax is expected to increase 27% QoQ (up 1% YoY) to Rs14b helped by better operating performance in the zinc business and higher other income. Sterlite's earnings are likely to be driven by strong volume growth in the metals and energy businesses. Although it has underperformed due to few setbacks recently, earnings growth is intact. The stock trades at a significant discount to its intrinsic valuation of Rs223 (based on SOTP). We believe the stock will get re-rated once its projects are delivered. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Copper cathode ('000 tons)	78	91	85	80	77	68	79	80	334	304
Aluminum (BALCO, '000 tons)	72	64	65	68	63	65	65	68	269	261
Aluminum (VAL, '000 tons)	53	56	65	91	77	97	103	112	265	389
Net Sales	**45,789**	**61,291**	**67,467**	**72,278**	**59,703**	**60,844**	**83,325**	**93,128**	**246,825**	**296,999**
Change (YoY %)	-20.6	-10.0	48.7	64.0	30.4	-0.7	23.5	28.8	14.7	20.3
EBITDA	**10,209**	**13,654**	**17,722**	**21,855**	**14,974**	**15,289**	**19,787**	**24,018**	**63,439**	**74,067**
As % of Net Sales	22.3	22.3	26.3	30.2	25.1	25.1	23.7	25.8	25.7	24.9
Interest	712	576	929	1,206	1,409	-3	705	1,056	3,424	3,167
Depreciation	1,736	1,734	1,782	2,246	2,170	2,123	2,488	2,621	7,498	9,403
Other Income	3,783	3,887	3,715	5,486	5,455	5,567	4,776	4,915	16,872	20,712
PBT (before XO Item)	**11,544**	**15,231**	**18,726**	**23,890**	**16,850**	**18,736**	**21,370**	**25,255**	**69,390**	**82,210**
Extra-ordinary Exp.	0	-234	-2,735	0	1,460	212	-41	0	-2,970	1,631
PBT (after XO Item)	**11,544**	**14,997**	**15,991**	**23,890**	**18,310**	**18,948**	**21,329**	**25,255**	**66,420**	**83,841**
Total Tax	2,305	2,593	2,903	4,528	3,685	4,555	4,214	4,798	12,330	17,252
% Tax	20.0	17.3	18.2	19.0	20.1	24.0	19.8	19.0	18.6	20.6
Reported PAT	**9,239**	**12,403**	**13,087**	**19,361**	**14,625**	**14,392**	**17,115**	**20,457**	**54,091**	**66,589**
Minority interest	3,219	3,677	4,803	5,541	3,756	3,853	5,081	5,646	17,241	18,336
Loss/(profit) of Associates	-707	-863	971	11	785	247	1,023	818	-588	2,873
Adjusted PAT	**6,727**	**9,823**	**10,049**	**13,809**	**8,624**	**10,080**	**11,052**	**13,993**	**40,407**	**43,749**
Change (YoY %)	-41.6	-23.7	107.0	253.4	28.2	2.6	10.0	1.3	21.9	8.3
Avg LME Aluminium (USD/T)	1,530	1,836	2,037	2,199	2,122	2,110	2,357	2,500	1,901	2,272
Avg LME Copper (USD/T)	4,640	5,856	6,637	7,274	7,042	7,180	8,674	9,500	6,102	8,099
Avg LME Zinc (USD/T)	1,509	1,780	2,241	2,307	2,052	2,043	2,330	2,400	1,959	2,206

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Tata Steel

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	TATA IN
Equity Shares (m)	971.4
52 Week Range (Rs)	737/449
1,6,12 Rel Perf (%)	-5/4/-11
Mcap (Rs b)	596.1
Mcap (USD b)	13.3

CMP: Rs614 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	1,023,931	-8,255	-9.3	-n/a-	-66.0	6.4	-9.7	4.5	1.0	12.3
3/11E	1,200,495	67,422	70.3	-n/a-	8.7	3.1	35.0	13.7	0.9	6.1
3/12E	1,365,120	78,870	81.2	15.5	7.6	2.2	29.7	14.1	0.7	5.5
3/13E	1,448,013	97,551	100.4	23.7	6.1	1.7	27.8	15.8	0.6	4.1

Consolidated

- **Tata Steel India:** 4QFY11 net revenue is expected to increase 13% QoQ to Rs83.8b due to higher steel realizations and better volumes. We expect sales volume to increase 7% QoQ to 1.75mt (3% YoY) in 4QFY11. Average steel price realization is expected to improve 8% QoQ to Rs44,404/ton as the steel market was buoyant in 4QFY11. Average domestic steel prices increased 10-12% QoQ and steel producers raised the prices to maintain their margins in a rising raw material price scenario. We expect EBITDA per ton to increase 24% QoQ to US$447 (up 23% YoY).
- **Tata Steel Europe and others:** For Tata Steel Europe (TSE) and other foreign subsidiaries, we expect EBITDA per ton to increase from US$37 in 3QFY11 to US$80 in 4QFY11 as steel prices began to improve across the world since early December and average prices in Europe moved up ~18% QoQ in early 4QFY11. Demand environment is also expected to improve after a seasonally weak winter quarter. However the lag effect of increase in raw material prices contracted in 2QFY11 will rein in margins. We expect consolidated EBITDA to increase 59% QoQ to Rs54.4b and EBITDA per ton is expected to improve to US$181.
- **Growth in high margin businesses to drive earnings:** We expect standalone adjusted PAT to grow 44% QoQ to Rs21.8b and consolidated PAT to triple QoQ to Rs26.6b due to a robust performance by TSE. Going forward, we believe growth in high margin businesses in Indian and foreign mineral investments will drive earnings growth. A focus on cutting costs and improving productivity at TSE will aid long-term earnings sustainability. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales ('000 tons)	1,418	1,457	1,596	1,698	1,399	1,660	1,641	1,748	6,169	6,448
Avg Realization (Rs/tss)	36,717	35,652	36,534	39,649	42,871	39,139	41,274	44,404	37,225	41,920
Net Sales	**56,156**	**56,921**	**63,749**	**73,394**	**65,515**	**71,068**	**73,974**	**83,809**	**250,220**	**294,365**
Change (YoY %)	-8.9	-16.9	32.8	12.9	16.7	24.9	16.0	14.2	2.9	17.6
EBITDA	**17,422**	**19,222**	**23,106**	**29,770**	**29,165**	**26,290**	**28,205**	**36,640**	**89,521**	**120,300**
(% of Net Sales)	31.0	33.8	36.2	40.6	44.5	37.0	38.1	43.7	35.8	40.9
EBITDA(US$/tss)	249	262	294	363	428	318	362	447	295	389
Interest	3,422	3,920	4,157	3,585	3,277	3,425	3,354	3,421	15,084	13,477
Depreciation	2,532	2,564	2,622	3,115	2,802	2,815	2,864	2,950	10,832	11,430
Other Income	463	761	936	1,378	484	327	113	689	3,538	1,613
PBT (before EO Inc.)	**11,932**	**13,499**	**17,263**	**24,449**	**23,570**	**20,378**	**22,100**	**30,958**	**67,143**	**97,006**
EO Income(exp)			163	4,837		7,001			5,000	7,001
PBT (after EO Inc.)	**11,932**	**13,499**	**17,426**	**29,286**	**23,570**	**27,378**	**22,100**	**30,958**	**72,143**	**104,006**
Total Tax	4,034	4,470	5,508	7,663	7,776	6,726	6,966	9,133	21,675	30,600
% Tax	33.8	33.1	31.6	26.2	33.0	24.6	31.5	29.5	30.0	29.4
Reported PAT	**7,898**	**9,029**	**11,918**	**21,623**	**15,794**	**20,652**	**15,135**	**21,825**	**50,468**	**73,406**
Adjusted PAT	**7,898**	**9,029**	**11,755**	**16,786**	**15,794**	**13,651**	**15,135**	**21,825**	**45,468**	**66,405**
Change (YoY %)	-55.9	-57.7	98.2	145.5	100.0	51.2	28.8	30.0	-12.6	46.0
Consolidated Financials										
Net Sales	**232,923**	**253,950**	**262,020**	**275,038**	**271,948**	**286,462**	**290,895**	**351,191**	**1,023,931**	**1,200,495**
EBITDA	**-299**	**3,718**	**31,043**	**45,964**	**44,326**	**36,723**	**34,246**	**54,408**	**80,427**	**169,704**
Reported PAT	**-22,385**	**-27,198**	**4,323**	**24,052**	**17,902**	**19,683**	**9,489**	**26,539**	**-21,208**	**73,613**
Adjusted PAT	**-19,899**	**-17,959**	**6,521**	**23,083**	**18,851**	**13,104**	**8,807**	**26,659**	**-8,255**	**67,422**

E: MOSL Estimates; tss=ton of steel sales

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Oil & Gas

COMPANY NAME

BPCL

Cairn India

Chennai Petroleum

GAIL

Gujarat State Petronet

HPCL

IOC

Indraprastha Gas

MRPL

ONGC

Petronet LNG

Reliance Industries

GRMs continue to rise in 4QFY11; up 35% QoQ and 51% YoY: The regional benchmark Reuters Singapore GRM increased 35% QoQ and 51% YoY to US$7.3/bbl in 4QFY11. The increase in GRM was primarily led by (1) higher gasoline, diesel/kerosene and fuel oil cracks, (2) refinery shutdown of ~1.4mmbbl/d due to quake in Japan, and (3) cold winter. However, considering the large refining capacity addition of ~2mmbpd in CY11 and CY12, we expect GRMs to remain range-bound at US$5-7/bbl.

Polymer spreads down; polyester spreads up sequentially: Polymer spreads are mixed, with flat PE and 15% and 38% declines in PP and PVC, respectively. Integrated polyester spreads are up 25-35% QoQ. We believe that most of the new capacities in the Middle East (ME) are ramping up gradually. Going forward, with increase in utilization, we expect low cost ME producers to marginally dampen the ethylene chain margins. Strong domestic demand growth, likely imposition of anti-dumping duties and shutdown of petrochemical complex at Japan will help margins to sustain for RIL and GAIL.

Awaiting clarity on diesel deregulation and subsidy rationalization: FY11 started remarkably for the Indian oil industry. The government deregulated petrol prices and increased the prices of diesel (Rs2/litre), kerosene (33%) and LPG (11%). However, at crude >US$100/bbl, OMCs are not increasing petrol prices further. Diesel prices had been left unchanged due to high inflation. We believe the government will provide clarity on (1) diesel deregulation and (2) subsidy sharing mechanism to the investors for divestment /FPO in ONGC and IOC only in the next fiscal, after the key state elections.

Valuation and view: Subsidy sharing and timing of diesel deregulation remains an overhang on OMCs and upstream state-owned companies. We believe GRMs will remain above US$5/bbl in the near term and petrochemical margins will remain strong. The adverse impact on RIL's E&P profitability would be offset by the improved margins in Refining and Petchem segments. Clarity on Cairn-Vedanta deal is expected in FY12 and will guide near-term movement of Cairn India's stock price. Refining margins could provide upside to RIL's earnings.

Expected quarterly performance summary (Rs million)

	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
BPCL	592	Buy	495,382	31.9	34.6	20,770	84.2	185.2	10,589	50.5	465.1
Cairn India	351	Neutral	39,642	472.2	28.0	33,820	819.4	31.9	29,923	1120.4	48.9
Chennai Petroleum	210	Buy	106,182	94.3	27.2	4,785	LP	37.7	2,511	LP	62.0
GAIL	458	Neutral	83,622	28.2	0.0	15,472	17.5	17.7	9,495	4.2	-1.9
Gujarat State Petronet	101	Neutral	2,901	12.5	3.9	2,743	15.7	4.7	1,384	28.3	-13.0
HPCL	340	Buy	424,272	35.5	25.1	18,401	40.1	193.6	8,823	17.1	318.2
IOC	311	Buy	975,473	18.7	21.4	72,421	-0.8	165.3	40,848	-26.5	149.6
Indraprastha Gas	300	Neutral	4,701	63.4	3.4	1,342	45.1	5.7	675	31.1	0.5
MRPL	62	Sell	128,414	47.6	24.4	7,642	182.5	40.5	4,256	68.2	35.7
ONGC	276	Buy	177,846	20.9	-4.3	109,201	33.5	-3.8	50,579	33.9	-13.0
Petronet LNG	121	Buy	39,878	67.2	9.9	3,704	83.2	7.1	1,891	94.3	10.6
Reliance Inds.	1,026	Neutral	791,038	37.4	32.3	105,293	15.3	10.3	57,125	21.3	11.2
Sector Aggregate			**3,269,351**	**32.0**	**23.9**	**395,592**	**34.2**	**29.7**	**218,099**	**27.8**	**29.6**

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

GRM improves, led by gasoline, middle distillates and fuel oil

Singapore complex GRM at ~US$7.3/bbl; Petchem margins down; Oil averaged US$105/bbl, up 13% QoQ

YoY comparison (v/s 4QFY10)

- Average 4QFY11 Brent price was up 37% at US$105/bbl v/s US76/bbl; Dubai crude was up 32% at US$100/bbl v/s US$76/bbl.
- Benchmark Singapore complex average 4QFY11 refining margins up 49% to ~US$7.3/bbl (v/s US$4.9/bbl).
- PE and PP prices were up 1% and 13%, respectively. POY and PSF prices were up 31% and 45%, respectively.

Polymer margins down: PE down 1%; PP up 22%.
Polyester intermediates margins up: PTA 49%, MEG up 38%.
Integrated polyesters margins up: POY 34%, PSF 55%.

QoQ comparison (v/s 3QFY11)

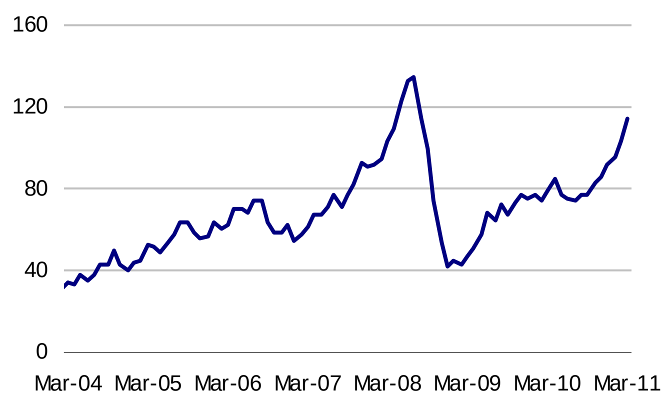
- Average 4QFY11 Brent was up 21% from US$86.6/bbl and Dubai was up 19% from ~US$84.2/bbl.
- Singapore complex margins averaged US$7.3/bbl up 31% from US$5.5/bbl in 3QFY11.
- Polymer prices were up 1-8%%, POY and PSF prices were up 22% and 29%, respectively.

Polymer margins down: PE by 12%; PP by 1%.
Polyester intermediates margins up: PTA and MEG by 42%.
Integrated polyesters margins up: POY 26%, PSF 36%.

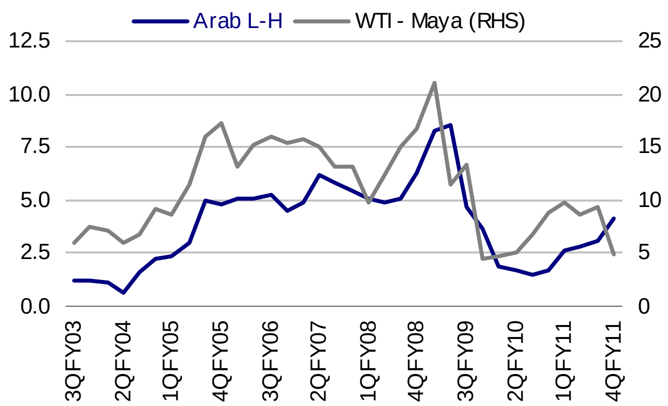
Key assumptions

- Our crude price assumption for FY11/12 is US$86/90/bbl and US$80/bbl over long term.
- We expect regional benchmark, Singapore Reuters GRM will be >US$5/bbl. We model Singapore GRM at US$4.5/bbl in FY11 and US$5.5/bbl/US$6/bbl in FY12/13.

Oil on uptrend: Initially by demand growth and recently by unrest in MENA countries (US$/bbl)



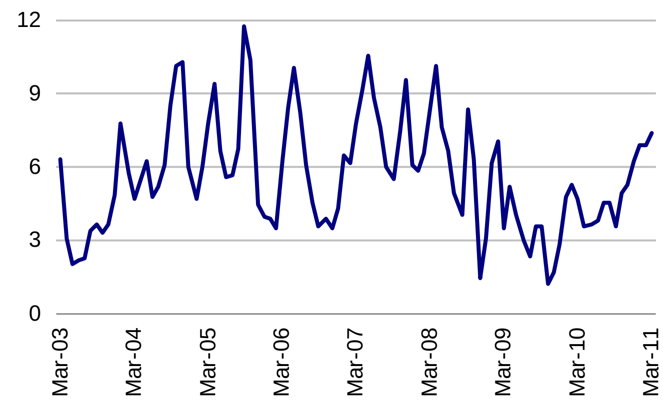
Arab light-heavy differential up QoQ to US$4.2/bbl from US$3.1/bbl in 3QFY11



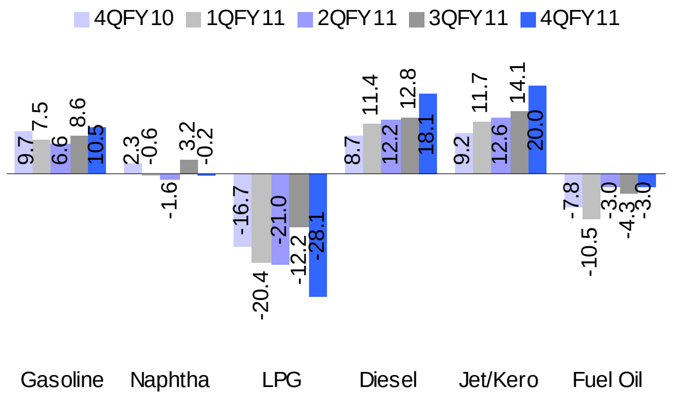
*Brent crude price

Source: Bloomberg; MOSL

Singapore GRM averaged US$7.3/bbl in 4QFY11 v/s US$5.5/bbl in 3QFY11



Gasoline, Diesel and Kerosene lead in supporting QoQ GRM uptick



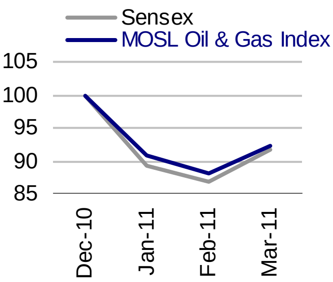
Source: Bloomberg/Reuters/MOSL

Polyester spreads strong QoQ as well as YoY

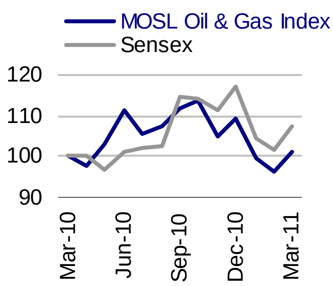
	Simple Spreads					Integrated Spreads	
	PE	PP	PVC	PTA	MEG	POY	PSF
1QFY10	42.2	40.0	21.2	28.3	12.1	45.3	41.4
2QFY10	41.9	37.2	20.5	26.6	15.6	45.6	41.9
3QFY10	38.1	32.8	16.7	22.8	17.1	42.3	39.0
4QFY10	43.6	40.9	20.5	25.8	25.9	47.6	43.6
1QFY11	41.5	40.2	20.7	25.3	21.8	48.0	45.9
2QFY11	38.9	41.3	20.8	23.3	16.9	45.2	44.3
3QFY11	37.0	39.7	16.9	26.5	21.0	51.0	52.0
4QFY11E	32.1	39.7	11.3	37.4	29.7	64.0	70.6
QoQ (%)	-13.4	-0.2	-33.2	41.4	41.7	25.3	35.7
YoY (%)	-22.7	-1.2	-45.4	48.1	36.7	33.2	53.9

Source: Industry/Bloomberg/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)



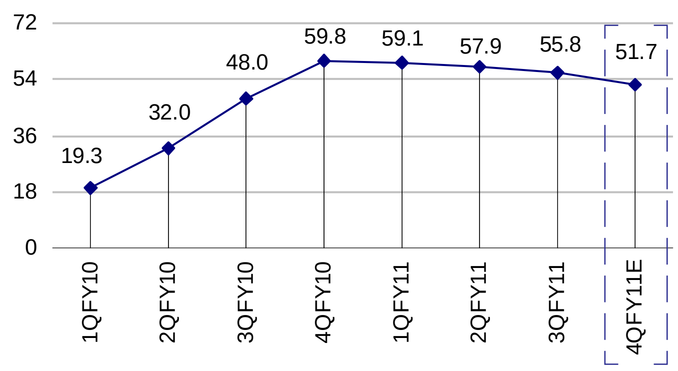
For FY11 we estimate under recoveries at Rs795, model downstream sharing at 10%

	FY08	FY09	FY10	9MFY11	4QFY11E	FY11E	FY12E
Fx Rate (Rs/US$)	40.3	46.0	47.5	45.7	45.3	45.6	45.0
Brent (US$/bbl)	82.3	84.8	69.6	80.2	104.5	86.3	90.0
Gross Under recoveries (Rs b)							
Auto Fuels	426	575	144	200	189	389	450
Domestic Fuels	347	458	316	270	136	405	439
Total	**773**	**1,033**	**461**	**470**	**325**	**795**	**889**
Sharing (Rs b)							
Oil Bonds/Cash	353	713	260	210	242	452	521
Upstream	257	329	145	155	108	263	296
OMC's sharing	163	(9)	56	105	(26)	79	71
Total	**773**	**1,033**	**461**	**470**	**325**	**795**	**889**
Sharing (%)							
Oil Bonds	46	69	56	45	75	57	59
Upstream	33	32	31	33	33	33	33
OMC's sharing	21	(1)	12	22	(8)	10	8
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

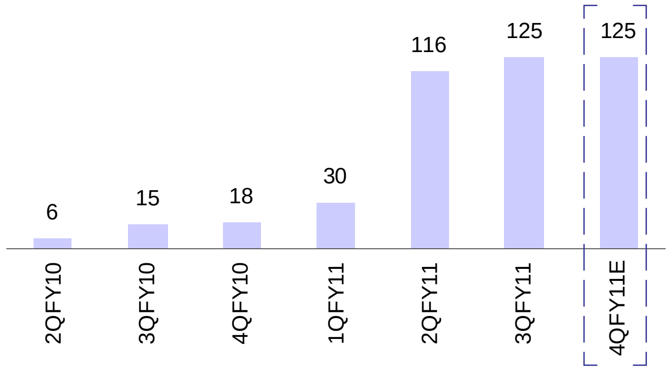
* We model Rs2/ltr price hike in diesel for FY12

Source: Company/MOSL

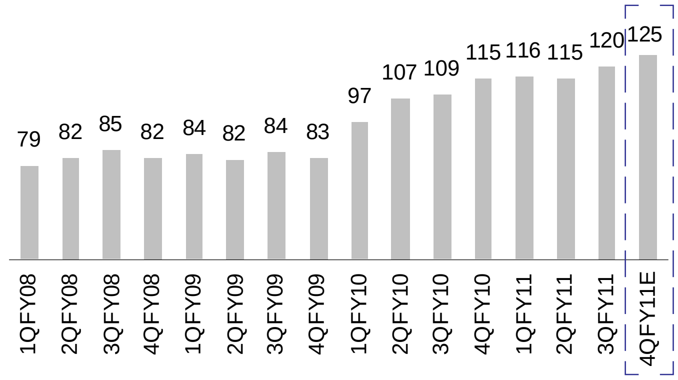
RIL production fall continued in 4QFY11 (mmscmd)



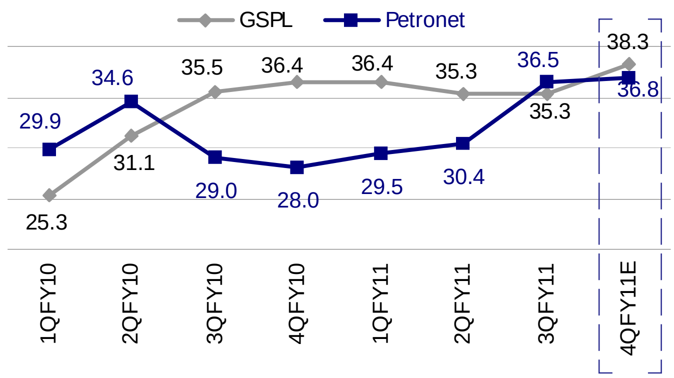
Cairn Rajasthan production stuck at 125kboepd for want of goverment approvals (kboepd)



GAIL volume growth continues, however further ramp-up delayed (mmscmd)



Gas deficit benefits Pertronet, GSPL growth halted by domestic gas ramp-up delay (mmscmd)



Source: Company/MOSL

Comparative valuation

	CMP (Rs) 25.03.11	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
			FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Oil & Gas														
BPCL	592	Buy	53.6	57.6	58.2	11.0	10.3	10.2	9.7	9.3	9.5	13.1	12.9	11.9
Cairn India	351	Neutral	36.2	48.8	51.9	9.7	7.2	6.8	7.8	4.8	4.0	18.8	21.6	19.7
Chennai Petroleum	210	Buy	30.1	35.5	40.6	7.0	5.9	5.2	6.4	6.1	5.1	12.4	13.5	14.1
GAIL	458	Neutral	29.4	32.2	32.9	15.6	14.2	13.9	14.1	13.6	14.6	19.1	18.8	17.1
Gujarat State Petronet	101	Neutral	8.8	7.8	7.8	11.5	12.9	12.9	7.6	7.3	7.1	27.8	20.2	17.4
HPCL	340	Buy	38.3	40.7	41.8	8.9	8.4	8.1	8.3	8.0	7.5	10.8	10.7	10.3
Indraprastha Gas	300	Neutral	18.4	21.2	24.7	16.3	14.1	12.2	8.2	7.0	5.9	28.5	27.4	26.6
IOC	311	Buy	32.1	37.2	44.0	9.7	8.3	7.1	6.3	5.5	4.3	14.3	15.3	16.4
MRPL	62	Sell	6.0	5.5	6.7	10.4	11.2	9.3	7.8	9.3	6.6	17.5	14.3	15.4
ONGC	276	Buy	27.9	31.0	31.2	9.9	8.9	8.8	3.9	3.6	3.5	22.1	21.4	19.1
Petronet LNG	121	Buy	8.4	9.8	11.1	14.4	12.4	10.9	9.3	8.4	6.2	25.9	25.6	24.8
Reliance Inds.	1,026	Neutral	69.4	70.6	86.2	14.8	14.5	11.9	9.8	8.2	7.1	14.9	30.8	12.3
Sector Aggregate						**12.2**	**11.0**	**10.0**	**7.0**	**6.1**	**5.5**	**16.0**	**14.7**	**14.6**

BPCL

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	BPCL IN
Equity Shares (m)	361.5
52 Week Range (Rs)	815/489
1,6,12 Rel Perf (%)	4/-19/10
Mcap (Rs b)	214.0
Mcap (USD b)	4.8

CMP: Rs592 — Buy

YEAR END *	NET SALES (RS B)	ADJ. PAT (RS B)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	1,238	16.3	45.2	157.6	13.1	1.5	11.9	3.9	0.4	15.9
03/11E	1,571	19.4	53.6	18.8	11.0	1.4	13.1	6.7	0.3	9.7
03/12E	1,531	20.8	57.6	7.3	10.3	1.3	12.9	7.7	0.3	9.3
03/13E	1,418	21.0	58.2	1.1	10.2	1.2	11.9	9.0	0.4	9.5

* Consolidated

- As in previous quarters, BPCL's profitability would depend more on subsidy sharing than on business fundamentals. Government subsidy compensation typically comes with a delay.
- For the full year, we assume that OMCs will bear 10% of the total under-recoveries. We have built in 1/3rd of total under-recoveries to be borne by upstream sector and the balance to be compensated by the government.
- We expect BPCL to report net profit of Rs10.6b as against Rs7b in 4QFY10 and Rs1.9b in 3QFY11. We estimate EBITDA at Rs20.8b v/s Rs11.3b in 4QFY10 and Rs7.3b in 3QFY11.
- The government deregulated petrol prices and increased prices of diesel, kerosene and LPG on 25 June 2010. Post deregulation, the company has increased petrol prices, although with a delay. However, there is no clarity on sharing mechanism of net under-recoveries among the government and public sector companies. We expect the government to clarify on diesel de-regulation and subsidy sharing in the next few months.
- BPCL trades at 10.3x FY12E EPS and 1.3x FY12E BV. The stock trades at the mid of its historical valuation levels. The E&P potential upside would be the key positive surprise. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**254,928**	**270,710**	**321,612**	**375,513**	**342,415**	**353,168**	**368,002**	**495,382**	**1,222,763**	**1,558,967**
Change (%)	-34.7	-28.4	0.9	41.7	34.3	30.5	14.4	31.9	-9.6	27.5
EBITDA	7,454	-1,163	6,228	11,275	-14,265	24,679	7,284	20,770	23,794	38,468
Change (%)	nm	-94.6	-59.1	-72.9	nm	nm	17.0	84.2	-13.1	61.7
% of Sales	2.9	-0.4	1.9	3.0	-4.2	7.0	2.0	4.2	1.9	2.5
Depreciation	2,311	3,088	3,816	3,208	4,007	4,019	3,700	4,036	12,423	15,762
Interest	2,866	2,673	2,513	2,059	2,324	2,780	2,747	2,835	10,110	10,686
Other Income	7,028	4,424	4,873	6,078	3,415	5,522	3,308	2,320	22,402	14,564
PBT	**9,306**	**-2,500**	**4,771**	**12,087**	**-17,181**	**23,402**	**4,144**	**16,219**	**23,664**	**26,584**
Tax	3,165	-912	980	5,052	0	1,980	2,270	5,631	8,284	9,881
Rate (%)	34.0	36.5	20.5	41.8	0.0	8.5	54.8	34.7	35.0	37.2
PAT	**6,141**	**-1,588**	**3,791**	**7,035**	**-17,181**	**21,422**	**1,874**	**10,589**	**15,379**	**16,704**
Change (%)	nm	-94.0	-52.6	-80.6	nm	nm	-50.6	50.5	118.6	8.6
Key Assumption (Rs b)										
Gross under recovery	11	22	30	38	46	25	35	78	101	184
Upstream sharing	2	9	12	15	15	8	12	26	36	61
Oil Bonds	0	0	15	38	0	29	18	58	53	105
Net Under/(Over) recovery	9	14	3	-14	31	-13	6	-6	12	17
As a % of Gross	85.5	61.8	11.0	nm	66.5	nm	15.6	nm	12.2	9

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

Cairn India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	CAIR IN
Equity Shares (m)	1,894.4
52 Week Range (Rs)	368/267
1,6,12 Rel Perf (%)	0/13/11
Mcap (Rs b)	665.8
Mcap (USD b)	14.9

CMP: Rs351 — Neutral

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	16,230	10,511	5.5	30.0	63.4	2.0	3.2	2.6	42.9	71.0
03/11E	105,876	68,689	36.2	553.5	9.7	1.7	18.8	19.5	6.4	7.8
03/12E	156,256	92,506	48.8	34.7	7.2	1.4	21.6	26.3	4.1	4.8
03/13E	163,574	98,449	51.9	6.4	6.8	1.2	19.7	23.9	3.4	4.0

Consolidated

- We expect Cairn India to report net sales of Rs39.6b (v/s Rs30.9b in 3QFY11), led by increase in crude oil prices. We estimate EBITDA at Rs33.8b v/s Rs3.7b in 4QFY10 and Rs25.6b in 3QFY11. Rajasthan crude sales commenced from 3QFY10; YoY numbers would not be meaningfully comparable.
- We estimate net oil sales of 88kbpd from Rajasthan field and total net sales of 100kboepd (v/s 26kboepd in 4QFY10 and 100kboepd in 3QFY11).
- We model Brent crude price of US$90/bbl in FY12 and long-term price of US$80/bbl in our estimates, and take a discount of 12.5% for quality and add customs duty on crude at 2.5%.
- Cairn's earnings will see a substantial jump over sequential quarters, as the production from Rajasthan block ramps up.
- Clarity on the status of Vedanta's bid to buy Cairn Energy's 51-60% in Cairn India is awaited. Cairn Energy and Vedanta have agreed at a sale price of Rs405/share, which includes Rs50/share as non-compete fees. Thus, the minority shareholders will be paid Rs355/share through an open offer, while Cairn Energy will be paid Rs405/share. Government decision on the deal is awaited.
- The stock currently trades at 7.2x FY12E EPS of Rs48.8. Maintain **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**2,050**	**2,298**	**4,955**	**6,928**	**8,406**	**26,864**	**30,964**	**39,642**	**16,230**	**105,876**
Change (%)	-35.1	-43.1	54.5	228.6	-41.3	1,210.8	1,247.6	700.1	13.3	552.3
Inc/Dec in Stock	-155	-259	-652	700	-670	268	49	0	-366	-352
Staff Cost	215	211	407	268	189	300	315	408	1,102	1,212
Operating Expenses	668	1,013	1,727	2,282	2,415	4,555	4,966	5,413	5,689	17,349
EBITDA	**1,321**	**1,333**	**3,473**	**3,678**	**6,472**	**21,742**	**25,634**	**33,820**	**9,805**	**87,668**
% of Net Sales	64.5	58.0	70.1	53.1	77.0	80.9	82.8	85.3	60.4	82.8
D,D & A (inc. w/off)	722	508	740	1,601	1,981	3,178	3,086	3,524	3,570	11,769
Interest	7	9	260	19	493	1,281	742	642	295	3,158
Other Income (Net)	572	1,056	999	879	281	282	342	619	3,505	1,523
Forex Fluctuations	718	0	0	0	-413	-236	0	0	718	-648
Exceptional items	-1,637	1,637			0	0			0	0
PBT	**244**	**3,510**	**3,472**	**2,938**	**3,866**	**17,329**	**22,147**	**30,273**	**10,164**	**73,615**
Tax	-210	-1,185	562	486	1,052	1,478	2,046	350	-348	4,926
Rate* (%)	nm	-33.8	16.2	16.5	27.2	8.4	9.2	1.2	-3.4	6.7
PAT	**454**	**4,695**	**2,910**	**2,452**	**2,814**	**15,851**	**20,101**	**29,923**	**10,511**	**68,689**
Adj. PAT	**2,092**	**1,873**	**2,910**	**2,452**	**2,814**	**15,851**	**20,101**	**29,923**	**9,326**	**68,689**
YoY Change					34.5	746.5	590.8	1,120.4	824.7	
Key Assumptions										
Brent Price (US$/bbl)	59.1	68.4	75.0	76.4	78.5	76.1	86.6	105.4	69.7	86.7
Sales - Cairn's Share (kboepd)										
Ravva and Cambay	15.9	14.4	13.8	14.1	13.7	13.1	12.9	11.6	14.6	12.8
Rajasthan	0.0	4.2	10.8	12.3	26.0	77.2	87.5	87.5	6.8	69.6

E: MOSL Estimates; * Excluding forex fluctuations

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

Chennai Petroleum Corporation

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	MRL IN
Equity Shares (m)	149.0
52 Week Range (Rs)	299/184
1,6,12 Rel Perf (%)	6/-10/-30
Mcap (Rs b)	31.2
Mcap (USD b)	0.7

CMP: Rs210 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	246,251	4,879	32.7	NM	6.4	0.9	18.5	12.5	0.3	9.1
03/11E	314,689	4,484	30.1	-8.1	7.0	0.8	12.4	10.5	0.2	6.4
03/12E	324,188	5,292	35.5	18.0	5.9	0.8	13.5	11.4	0.2	6.1
03/13E	303,431	6,052	40.6	14.4	5.2	0.7	14.1	12.0	0.7	5.1

- We expect CPCL to report PAT of Rs2.5b (v/s loss of Rs611m in 4QFY10 and PAT of Rs1.6b in 3QFY11).
- EBITDA is likely to see a significant jump to Rs4.8b (v/s Rs3.5b in 3QFY11), led by higher GRM of US$6.8/bbl in 4QFY11 v/s US$5.3/bbl in 3QFY11. Regional Benchmark Singapore GRM at US$7.3/bbl is up 46% YoY from US$5.0/bbl and is up 31% QoQ from US$5.5/bbl.
- On the operational front, we estimate refinery throughput at 2.8mmt (flat QoQ and up 50% YoY).
- We expect refining margin to be range-bound in the short term, as ~2mmbbl/d new refining capacity is likely to come online in the next 1-2 years, which can be partially offset by the global economic recovery. For CPCL, we have built GRM of US$5/bbl for FY12 and US$5.6/bbl for FY13. The stock trades at 5.9x FY12E EPS of Rs35.5 and at an EV of 6.1x FY12E EBITDA. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**56,604**	**69,971**	**68,498**	**54,653**	**63,604**	**81,222**	**83,476**	**106,182**	**249,726**	**334,485**
Change (%)	-49.7	-32.0	21.9	13.6	12.4	16.1	21.9	94.3	-21.9	33.9
Raw Materials (incl Stock Adj)	50,195	64,914	65,542	52,309	61,362	76,558	78,500	99,819	232,958	316,239
Employee Costs	450	501	593	1,179	582	548	603	623	2,723	2,356
Other Exp	1,282	1,339	1,160	1,732	1,480	1,565	899	956	5,513	4,900
EBITDA	**4,677**	**3,218**	**1,204**	**-568**	**181**	**2,552**	**3,474**	**4,785**	**8,532**	**10,990**
% of Sales	8.3	4.6	1.8	-1.0	0.3	3.1	4.2	4.5	3.4	3.3
% Change	-60.0	-702.6	-106.7	-110.9	-96.1	-20.7	188.4	nm	-59.6	28.8
Depreciation	665	679	683	644	741	731	734	738	2,671	2,945
Interest	279	316	354	425	348	469	545	579	1,374	1,940
Other Income	884	-115	891	690	80	114	124	292	2,351	610
PBT	**4,617**	**2,109**	**1,059**	**-947**	**-828**	**1,465**	**2,319**	**3,759**	**6,838**	**6,715**
Tax	1,570	717	-1,145	-336	-275	487	770	1,249	805	2,231
Rate (%)	34.0	34.0	nm	35.5	nm	33.3	33.2	33.2	11.8	33.2
PAT	**3,047**	**1,392**	**2,204**	**-611**	**-553**	**978**	**1,549**	**2,511**	**6,032**	**4,484**
Change (%)	-56.7	nm	nm	-122.5	nm	-29.8	-29.7	nm	-46.3	-25.7
Adj PAT*	**2,515**	**1,545**	**1,769**	**-951**	**-187**	**978**	**1,549**	**2,511**	**4,879**	**4,851**
Key Assumptions										
GRM (US$/bbl)	6.9	4.2	3.4	4.3	1.8	4.1	5.3	6.8	4.7	4.5
Throughput (mmt)	2.7	2.7	2.7	1.9	2.3	2.8	2.8	2.8	10.0	10.7

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

GAIL (India)

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	GAIL IN
Equity Shares (m)	1,268.5
52 Week Range (Rs)	536/398
1,6,12 Rel Perf (%)	-1/2/7
Mcap (Rs b)	581.4
Mcap (USD b)	13.0

CMP: Rs458 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	*EV/ SALES	EV/ EBITDA
03/10A	249,337	31,398	24.8	12.0	15.3	2.9	18.7	23.6	1.9	8.9
03/11E	319,272	36,591	29.4	18.7	12.8	2.5	19.1	24.7	1.6	8.2
03/12E	342,470	40,856	32.2	9.6	11.7	2.2	18.8	17.8	1.7	8.4
03/13E	368,830	41,744	32.9	2.2	11.5	2.2	17.1	13.8	1.9	9.3

*Adjustment for investments

- We expect GAIL to report adjusted net profit of Rs9.5b (down 1% QoQ and up 4% YoY). The reported PAT at Rs8.8b would be impacted by one-time reversal of Rs1b incurred due to higher DUPL/DPPL tariff charged earlier.
- GAIL's average transportation volume for 4QFY11 is likely to be 125mmscmd as compared to 115mmscmd in 4QFY10 and 120mmscmd in 3QFY11. Near-term volume growth would be only from RLNG imports due to delay in the KG-D6 ramp-up.
- We have built in subsidy sharing of Rs6b in 4QFY11 (v/s Rs3.4b in 4QFY10 and Rs4.2b in 3QFY11).
- Adjusted for investments, the stock trades at 11.7x FY12E EPS of Rs32.2. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**60,214**	**62,022**	**61,880**	**65,221**	**70,960**	**81,041**	**83,650**	**83,622**	**249,337**	**319,272**
Change (%)	5.1	1.2	6.5	6.8	17.8	30.7	35.2	28.2	4.9	28.0
EBITDA	**10,655**	**10,173**	**12,696**	**13,168**	**14,348**	**14,329**	**13,145**	**15,472**	**46,691**	**57,294**
% of Net Sales	17.7	16.4	20.5	20.2	20.2	17.7	15.7	18.5	18.7	17.9
Change (%)	-23.9	-28.9	377.3	37.5	34.7	40.9	3.5	17.5	15.2	22.7
Depreciation	1,404	1,416	1,409	1,389	1,600	1,626	1,605	1,734	5,618	6,565
Interest	179	179	142	200	205	117	165	295	700	783
Other Income	798	1,689	1,438	1,486	676	1,740	2,092	775	5,411	5,283
Extraordinary item*	0	0	0	0	0	0	0	-1,026		
PBT	**9,870**	**10,268**	**12,582**	**13,064**	**13,218**	**14,326**	**13,467**	**13,192**	**45,784**	**55,229**
Tax	3,312	3,135	3,983	3,956	4,349	5,090	3,791	4,383	14,386	17,613
Rate (%)	33.6	30.5	31.7	30.3	32.9	35.5	28.1	33.2	126.0	31.9
PAT	**6,558**	**7,132**	**8,599**	**9,108**	**8,869**	**9,235**	**9,676**	**8,809**	**31,398**	**37,616**
Change (%)	-26.9	-30.3	239.3	44.6	35.2	29.5	12.5	-3.3	12.0	19.8
Key Assumptions Adj. PAT										
Gas Trans.Volume (mmsmd)	97	107	109	115	116	115	120	125	107	119
Petchem Sales ('000MT)	92	88	120	109	88	107	81	113	409	389
Segmental EBIT Breakup (Rs m)										
Natural Gas	5,222	6,157	5,954	5,061	6,406	7,206	6,657	6,750	22,394	27,019
LPG	682	589	639	872	734	787	844	844	2,782	3,208
Natural Gas Trading	1,063	1,105	1,179	385	1,579	1,602	2,059	2,101	3,732	7,340
Petrochemicals	2,643	2,753	3,414	4,468	2,846	2,716	1,954	2,841	13,279	10,357
LPG & Liq.HC (pre-subsidy)	2,247	3,854	5,803	7,451	6,788	5,215	5,677	7,950	19,355	25,631
GAILTEL										
Unallocated; GAILTEL	(1,181)	(302)	(149)	(1,866)	(138)	(479)	(167)	0	(3,497)	(783)
Total	**10,677**	**14,156**	**16,839**	**16,371**	**18,214**	**17,048**	**17,024**	**20,486**	**58,043**	**72,772**
Less: Subsidy	(747)	(4,585)	(4,551)	(3,384)	(4,455)	(3,464)	(4,177)	(5,971)	(13,267)	(18,066)
Total	**9,929**	**9,571**	**12,288**	**12,987**	**13,759**	**13,584**	**12,848**	**14,515**	**44,776**	**54,705**

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

Gujarat State Petronet

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	GUJS IN
Equity Shares (m)	562.0
52 Week Range (Rs)	128/86
1,6,12 Rel Perf (%)	4/-4/7
Mcap (Rs b)	56.6
Mcap (USD b)	1.3

CMP: Rs101 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	9,920	4,138	7.4	235.2	13.7	3.6	29.8	26.5	7.0	8.7
03/11E	10,740	4,942	8.8	19.4	11.5	2.9	27.8	23.7	7.1	7.6
03/12E	10,220	4,396	7.8	-11.1	11.8	2.2	20.2	18.5	6.5	6.9
03/13E	10,202	4,393	7.8	-0.1	11.8	1.9	17.4	17.1	6.3	6.7

*Our EPS numbers does not factor in any provision towards "Social Contribution Fund"

- We expect GSPL to report net sales of Rs2.9b and PAT of Rs1.4b (down 13% QoQ, up 28% YoY).
- It is likely to deliver gas volumes of 38.3mmscmd (up 8% QoQ and 5%YoY). EBITDA in 4QFY11 is expected to be up 16% YoY at Rs2.7b due to increased tariff realization in non-RIL volumes as well as on higher overall volume.
- PNGRB regulations require application from GSPL for authorization, post which the board shall approve tariff. There could be a reduction in GSPL's network tariff by >20%.
- GSPL has raised an EOI for four major cross-country pipelines, out of which bids have been invited by PNGRB on 3 of them. GSPL's bids were the most competitive in all 3. The formal award of the pipelines will be made after Supreme Court affirms the PNGRB's power to authorize pipelines and city gas distribution networks. GSPL will require fund raising measures considering that the average cost of the approved pipelines will likely be over Rs50b.
- We build gas transmission volumes of 36.3mmscmd in FY11 and 40mmscmd in FY12. We model average tariff at Rs810/mscm in FY11 and Rs700/mscm in FY12. The stock trades at 11.8x FY12E EPS of Rs7.8. Maintain **Neutral.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**2,108**	**2,548**	**2,685**	**2,579**	**2,518**	**2,530**	**2,792**	**2,901**	**9,920**	**10,740**
Change (%)	76.4	114.8	128.6	95.4	19.4	-0.7	4.0	12.5	103.5	8.3
Employee Costs	28	-16	40	47	26	42	41	11	99	119
Operating expenses	97	120	114	162	111	166	132	147	492	556
Other Expenditure	36	0	0	0	0	0	0	0	36	0
EBITDA	**1,948**	**2,443**	**2,531**	**2,371**	**2,381**	**2,321**	**2,620**	**2,743**	**9,293**	**10,065**
% of Net Sales	92.4	95.9	94.3	91.9	94.6	91.8	93.8	94.6	93.7	93.7
% Change	81.1	138.5	149.0	110.1	22.2	-5.0	3.5	15.7	118.9	8.3
Depreciation	550	587	596	632	687	760	25	456	2,365	1,929
Interest	245	250	218	225	224	242	259	266	938	990
Other Income	68	59	33	121	57	83	54	60	280	254
PBT	**1,221**	**1,665**	**1,750**	**1,634**	**1,527**	**1,403**	**2,389**	**2,081**	**6,270**	**7,400**
Tax	415	564	597	555	476	488	798	697	2,131	2,458
Rate (%)	34.0	33.9	34.1	34.0	31.2	34.8	33.4	33.5	34.0	33.2
PAT	**806**	**1,101**	**1,154**	**1,079**	**1,051**	**915**	**1,591**	**1,384**	**4,138**	**4,942**
Change (%)	146.8	287.8	317.4	210.9	30.4	-16.8	37.9	28.3	235.5	19.4
EPS (Rs)	1.4	2.0	2.1	1.9	1.9	1.6	2.8	2.5	7.4	8.8
Transmission Vol. (mmscmd)	25.3	31.1	35.1	36.4	36.4	35.3	35.3	38.3	32.0	36.3
Implied tariff (Rs/mscm)	915	891	831	787	761	776	849	842	856	807

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

HPCL

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HPCL IN
Equity Shares (m)	339.0
52 Week Range (Rs)	555/293
1,6,12 Rel Perf (%)	2/-31/3
Mcap (Rs b)	115.3
Mcap (USD b)	2.6

CMP: Rs340 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	1,092,084	13,014	38.4	198.8	8.9	1.0	11.7	8.7	0.2	9.0
03/11E	1,336,946	12,987	38.3	-0.2	8.9	0.9	10.8	7.9	0.2	8.3
03/12E	1,239,429	13,790	40.7	6.2	8.4	0.9	10.7	8.2	0.2	8.0
03/13E	1,137,369	14,174	41.8	2.8	8.1	0.8	10.3	8.9	0.2	7.5

- As in previous quarters, HPCL's profitability would depend more on subsidy sharing than on business fundamentals. Government subsidy compensation typically comes with a delay.
- For the full year, we assume that OMCs will bear 10% of the total under-recoveries. We have built in 1/3rd of total under-recoveries to be borne by upstream sector and the balance to be compensated by the government.
- We expect HPCL to report net profit of Rs8.8b as against Rs7.5b in 4QFY10 and Rs2.1b in 3QFY11. We estimate EBITDA at Rs18.4b v/s Rs13b in 4QFY10 and Rs6.3b in 3QFY11.
- The government deregulated petrol prices and increased prices of diesel, kerosene and LPG on 25 June 2010. Post deregulation, the company has increased petrol prices, although with a delay. However, there is no clarity on sharing of net under-recoveries among the government and public sector companies. We expect the government to clarify on diesel de-regulation and subsidy sharing in the next few months.
- HPCL trades at 8.4x FY12E EPS and 0.9x FY12E BV. The stock has corrected from its historical high valuations due to delay in diesel deregulation and increase in crude oil prices. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**241,976**	**244,566**	**292,329**	**313,213**	**292,264**	**281,385**	**339,025**	**424,272**	**1,092,084**	**1,336,946**
Change (%)	-30.3	-31.0	-0.5	24.5	20.8	15.1	16.0	35.5	-12.4	22.4
EBITDA	**10,876**	**-4**	**1,421**	**13,139**	**-16,155**	**23,224**	**6,267**	**18,401**	**25,432**	**31,738**
% of Net Sales	4.5	0.0	0.5	4.2	-5.5	8.3	1.8	4.3	2.3	2.4
Change (%)	-364.6	-100.0	-69.9	-75.8	-248.5	nm	341.0	40.1	-12.1	24.8
Depreciation	2,629	2,833	3,007	3,175	3,174	3,234	3,647	3,919	11,644	13,973
Interest	2,702	2,493	2,202	1,640	1,968	2,200	2,417	2,588	9,038	9,172
OI (incl. Oper. other inc)	4,403	3,237	4,373	4,450	2,469	3,817	2,984	1,599	16,463	10,868
Exceptional Item	0	2	0	37	-14	-2			38	-16
PBT	**9,948**	**-2,094**	**585**	**12,774**	**-18,843**	**21,608**	**3,188**	**13,494**	**21,213**	**19,446**
Tax	3,457	-727	271	5,236	0	712	1,078	4,670	8,237	6,460
Rate (%)	34.8	34.7	46.3	41.0	0.0	3.3	33.8	34.6	38.8	33.2
PAT	**6,491**	**-1,367**	**314**	**7,538**	**-18,843**	**20,896**	**2,110**	**8,823**	**12,977**	**12,987**
Change (%)	nm	-95.8	nm	-85.2	nm	nm	571.2	17.1	126.0	0.1
Key Assumptions (Rs b)										
Gross under recovery	**12**	**22**	**29**	**37**	**44**	**24**	**34**	**71**	**100**	**174**
Upstream sharing	2	8	10	14	15	8	11	24	33	58
Oil Bonds/Cash subsidy	0	0	19	37	0	28	17	53	56	99
Net Under recovery	**10**	**15**	**1**	**-13**	**29**	**-12**	**5**	**-6**	**12**	**17**
Net Sharing (%)	**85.1**	**65.7**	**2.8**	**nm**	**66.7**	**nm**	**15.7**	**nm**	**12.2**	**10**

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

Indian Oil Corporation

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	IOCL IN
Equity Shares (m)	2,428.0
52 Week Range (Rs)	459/274
1,6,12 Rel Perf (%)	0/-23/-2
Mcap (Rs b)	754.8
Mcap (USD b)	16.9

CMP: Rs311 **Buy**

YEAR END	NET SALES (RS B)	ADJ. PAT (RS B)	ADJ. EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	2,501	107.1	44.1	304.8	7.0	1.3	21.9	16.0	0.5	9.1
03/11E	3,006	77.8	32.1	-27.4	9.7	1.3	14.3	12.9	0.4	7.0
03/12E	2,651	90.4	37.2	16.2	8.3	1.2	15.3	14.3	0.5	6.1
03/13E	2,462	106.9	44.0	18.3	7.1	1.1	16.4	17.0	0.5	4.8

*Consolidated

- As in previous quarters, IOC's profitability would depend more on subsidy sharing than on business fundamentals. Government subsidy compensation typically comes with a delay.
- For the full year, we assume that OMCs will bear 10% of the total under-recoveries. We have built in 1/3rd of total under-recoveries to be borne by upstream sector and the balance to be compensated by the government.
- We expect IOC to report net profit of Rs40.8b as against Rs55b in 4QFY10 and Rs16.4b in 3QFY11. We estimate EBITDA at Rs72b v/s Rs73b in 4QFY10 and Rs27.3b in 3QFY11.
- The government deregulated petrol prices and increased prices of diesel, kerosene and LPG on 25 June 2010. Post deregulation, the company has increased petrol prices, although with a delay. However, there is no clarity on sharing of net under-recoveries among the government and public sector companies. We expect the government to clarify on diesel de-regulation and subsidy sharing in the next few months.
- IOC trades at 8.3x FY12E EPS and 1.2x FY12E BV. The stock has corrected from its historical high valuations due to delay in diesel deregulation and increase in crude oil prices. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**621,966**	**607,461**	**740,595**	**821,571**	**715,246**	**768,022**	**803,352**	**975,473**	**2,791,594**	**3,262,093**
Change (%)	-29.6	-29.6	5.2	37.9	15.0	26.4	8.5	18.7	-8.4	16.9
EBITDA	**41,409**	**4,314**	**3,457**	**72,986**	**-30,819**	**65,663**	**27,296**	**72,421**	**122,165**	**134,562**
% of Net Sales	6.7	0.7	0.5	8.9	-4.3	8.5	3.4	7.4	4.4	4.1
% Change	331.2	nm	-89.3	-15.3	-174.4	1,422.2	689.6	-0.8	195.0	10.1
Depreciation	7,598	7,805	7,996	8,872	10,346	11,178	11,778	11,852	32,271	45,154
Interest	3,340	3,477	4,091	4,357	5,712	5,079	7,233	7,897	15,265	25,921
Other Income	23,625	10,306	13,798	18,703	11,349	12,309	13,528	11,753	66,432	48,939
PBT	**54,096**	**3,337**	**5,168**	**78,460**	**-35,528**	**61,716**	**21,813**	**64,426**	**141,061**	**112,427**
Tax	17,267	493	-1,798	22,893	0	8,323	5,445	23,577	38,855	37,345
Rate (%)	31.9	14.8	-34.8	29.2	0.0	13.5	25.0	36.6	27.5	33.2
PAT	**36,828**	**2,844**	**6,966**	**55,567**	**-35,528**	**53,393**	**16,368**	**40,848**	**102,206**	**75,081**
Change (%)	787.2	nm	-76.5	-16.1	-196.5	1,777.4	135.0	-26.5	177.5	-26.5
Key Assumptions (Rs b)										
Gross under recovery	32	60	76	92	110	64	87	176	259	437
Upstream sharing	2	18	23	32	37	21	29	59	75	146
Oil Bonds	0	0	45	107	0	72	44	131	152	248
Net Under recovery	30	42	8	-48	73	-29	13	-14	32	43
As a % of Gross	92.8	69.9	10.6	nm	66.7	nm	15.4	nm	12.2	10

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

Indraprastha Gas

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	IGL IN
Equity Shares (m)	140.0
52 Week Range (Rs)	374/209
1,6,12 Rel Perf (%)	-2/0/29
Mcap (Rs b)	42.0
Mcap (USD b)	0.9

CMP: Rs300 **Neutral**

Year End	Net Sales (Rs m)	PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
03/10A	10,781	2,155	15.4	24.9	19.5	5.1	28.6	39.7	3.8	10.9
03/11E	17,049	2,581	18.4	19.8	16.3	4.3	28.5	39.2	2.3	8.2
03/12E	21,317	2,975	21.2	15.3	14.1	3.5	27.4	36.7	1.9	7.0
03/13E	25,997	3,453	24.7	16.1	12.2	3.0	26.6	35.2	1.5	5.9

- We expect IGL to report volumes of 2.8mmscmd in 4QFY11 and a PAT of Rs675m (v/s Rs515m in 4QFY10 and Rs672m in 3QFY11).
- Currently, IGL receives 0.24mmscmd of RLNG, 0.3mmscmd from KG-D6 and the rest from APM allocation.
- We expect 4QFY11 CNG volumes to grow by 15% YoY to 2.3mmscmd and PNG volumes to grow by 153% YoY to 0.53mmscmd.
- The government approved APM gas price hike by 100% to US$4.2/mmbtu. IGL passed this on to its customers by raising CNG prices by Rs5.6/kg in 2QFY11. Since then, it has continued to pass on any increase in gas prices to customers, protecting EBITDA margins.
- We build total volumes of 3.2/3.8mmscmd in FY12/FY13. The stock trades at 14.1x FY12E EPS of Rs21.2. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**2,326**	**2,731**	**2,846**	**2,878**	**3,350**	**4,451**	**4,547**	**4,701**	**10,781**	**17,049**
Change (%)	21.9	26.9	29.7	26.5	44.1	63.0	59.8	63.4	26.4	58.1
Raw Material Consumed	1,041	1,242	1,283	1,382	1,667	2,547	2,598	2,633	4,949	9,444
Staff Cost	62	70	79	96	92	99	99	92	308	382
Other Exp (incl Stock Adj)	373	419	450	475	524	575	581	635	1,717	2,316
EBITDA	**849**	**1,000**	**1,034**	**925**	**1,067**	**1,230**	**1,269**	**1,342**	**3,808**	**4,908**
% of Net Sales	36.5	36.6	36.3	32.1	31.9	27.6	27.9	28.5	35.3	28.8
% Change	12.4	17.5	52.6	28.9	25.7	23.0	22.7	45.1	26.9	28.9
Depreciation	186	194	197	198	231	239	262	321	775	1,052
Interest	0	0	0	0	0	20	41	50	0	111
Other Income	64	50	53	45	19	23	31	40	211	112
PBT	**727**	**856**	**890**	**771**	**855**	**993**	**997**	**1,011**	**3,244**	**3,856**
Tax	244	288	301	256	283	331	325	336	1,089	1,275
Rate (%)	33.6	33.7	33.8	33.2	33.2	33.3	32.6	33.2	33.6	33.1
PAT	**483**	**568**	**589**	**515**	**571**	**663**	**672**	**675**	**2,155**	**2,581**
Change (%)	10.5	13.1	53.9	27.6	18.4	16.7	14.0	31.1	24.9	19.8
Gas Volumes (mmscmd)										
CNG	1.74	1.91	1.94	1.98	2.04	2.22	2.24	2.27	1.89	2.19
PNG	0.19	0.18	0.18	0.21	0.39	0.46	0.47	0.53	0.19	0.46
Total	**1.93**	**2.10**	**2.12**	**2.18**	**2.43**	**2.67**	**2.71**	**2.80**	**2.08**	**2.65**

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

MRPL

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	MRPL IN
Equity Shares (m)	1,752.6
52 Week Range (Rs)	90/55
1,6,12 Rel Perf (%)	3/-16/-24
Mcap (Rs b)	108.8
Mcap (USD b)	2.4

CMP: Rs62 — Sell

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	315,210	10,585	6.0	-27.3	10.3	1.9	20.5	14.2	0.3	7.0
03/11E	393,842	10,508	6.0	-0.7	10.4	1.7	17.5	14.2	0.3	7.8
03/12E	437,342	9,709	5.5	-7.6	11.2	1.5	14.3	9.8	0.4	9.3
03/13E	423,935	11,728	6.7	20.8	9.3	1.3	15.4	10.0	0.3	6.6

- We expect MRPL to report net profit of Rs4.3b in 4QFY11 (v/s Rs2.5b in 4QFY10 and Rs3.1b in 3QFY11).
- We estimate GRM for 4QFY11 at US$8.3/bbl v/s reported GRM of US$5.2/bbl in 4QFY10 and US$6/bbl in 3QFY11.
- On the operational front, we expect refinery throughput of 3.5mmtpa (up 14% YoY and flat QoQ). MRPL has upgraded its facilities to make Euro-IV compliant fuels and is planning to revamp capacity to 15mmtpa in FY13.
- For MRPL, we have assumed GRM of US$5.9/bbl for FY12 and US$6/bbl for FY13. The stock trades at 11.2x FY12E EPS of Rs5.5 and at an EV of 9.3x FY12E EBITDA. Maintain **Sell**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2QE	3Q	4QE		
Net Sales	**59,114**	**78,495**	**90,605**	**86,996**	**78,685**	**83,545**	**103,198**	**128,414**	**315,210**	**393,842**
Change (%)	-45	-42	20	33	33	6	14	48	-17.6	24.9
Raw Material (incl. inv chg)	52,144	74,035	86,674	83,298	75,022	78,998	96,027	119,335	296,151	369,381
Staff Cost	287	214	273	185	261	281	825	306	959	1,672
Other Expenditure	728	1,035	824	808	2,602	537	906	1,131	3,395	5,177
EBITDA	**5,955**	**3,210**	**2,834**	**2,705**	**801**	**3,729**	**5,440**	**7,642**	**14,704**	**17,612**
% of Net Sales	10.1	4.1	3.1	3.1	1.0	4.5	5.3	6.0	4.7	4.5
% Change	-57	128	nm	-71	-87	16	92	182	-30.4	19.8
Depreciation	963	975	990	966	990	1,003	982	989	3,893	3,964
Interest	302	302	289	262	252	265	246	280	1,155	1,043
Exceptional items	0	0	0	0	-30	13	13	0	0	-3
Other Income	1,291	737	2,293	2,402	541	1,682	482	421	6,723	3,126
PBT	**5,981**	**2,671**	**3,848**	**3,880**	**129**	**4,130**	**4,682**	**6,794**	**16,380**	**15,734**
Tax	2,095	1,033	1,308	1,350	-156	1,344	1,545	2,538	5,786	5,272
Prior year tax adjustment	0	9	0	0	0	-45	0	0	9	-45
Rate (%)	35.0	38.7	34.0	34.8	nm	32.6	33.0	37.4	35.3	33.5
PAT	**3,885**	**1,630**	**2,539**	**2,531**	**285**	**2,831**	**3,137**	**4,256**	**10,585**	**10,508**
Change (%)	-54.0	553.7	nm	-58.4	-92.7	73.7	23.5	68.2	-11.2	-0.7
EPS	**2.2**	**0.9**	**1.4**	**1.4**	**0.2**	**1.6**	**1.8**	**2.4**	**6.0**	**6.0**
GRM (US$/bbl)	8.0	3.6	4.5	5.3	1.9	6.1	6.0	8.3	5.3	5.6
Throughut (mmt)	2.85	3.19	3.40	3.06	2.91	2.87	3.49	3.49	12.5	12.8

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

ONGC

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	ONGC IN
Equity Shares (m)	8,555.4
52 Week Range (Rs)	368/249
1,6,12 Rel Perf (%)	-1/-17/-3
Mcap (Rs b)	2,358.3
Mcap (USD b)	52.8

CMP: Rs276 — Buy

YEAR END	NET SALES (RS B)	PAT (RS B)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	1,018	194	22.7	-2.0	12.2	2.3	20.2	19.4	2.1	4.8
03/11E	1,242	239	27.9	23.1	9.9	2.0	22.1	21.5	1.7	3.9
03/12E	1,317	265	31.0	11.1	8.9	1.8	21.4	20.8	1.6	3.6
03/13E	1,356	267	31.2	0.7	8.8	1.6	19.1	18.4	1.5	3.5

Consolidated

- We expect ONGC to report net profit of Rs50.6b (v/s adjusted net profit of Rs37.8b in 4QFY10 and Rs58.2b in 3QFY11). We estimate EBITDA at Rs109.2b (down 4% QoQ and up 33% YoY).
- We estimate gross realization at US$107.9/bbl v/s US$79.2/bbl in 4QFY10 and US$89.1/bbl in 3QFY11 and net realization at US$59.6/bbl v/s US$51.4/bbl in 4QFY10 and US$64.8/bbl in 3QFY11.
- We build upstream sharing at 1/3rd of gross under-recoveries and expect ONGC to share ~80% of it. We expect ONGC to share Rs90b (US$48/bbl) in 4QFY11 (highest in the last 10 quarters). We continue to model upstream sharing at 1/3rd level in FY12 and long-term.
- ONGC, in FY11 gave a bonus in the ratio of 1:1 and split each share into two. Government is planning to divest 5% (out of its 74.14% stake) in the company over the coming quarters. It is likely to consider an FPO by 2QFY12.
- Our Brent price assumption is US$90/bbl for FY12 and US$80/bbl over long term. The stock trades at 8.9x FY12E consolidated EPS of Rs31. **Buy.**

QUARTERLY PERFORMANCE (STANDALONE) (RS BILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**148.8**	**150.8**	**153.1**	**147.1**	**136.7**	**181.9**	**185.9**	**177.8**	**599.9**	**682.3**
Change (%)	-25.8	-13.4	23.1	7.4	-8.2	20.6	21.4	20.9	-5.7	13.7
EBITDA	**95.0**	**86.8**	**91.3**	**81.8**	**80.4**	**110.8**	**113.6**	**109.2**	**355.0**	**413.9**
% of Net Sales	63.9	57.6	59.6	55.6	58.8	60.9	61.1	61.4	59.2	60.7
Change (%)	-19.2	3.2	82.7	41.6	-15.4	27.7	24.3	33.5	14.7	16.6
D,D & A	31.8	23.6	46.8	44.5	31.1	44.0	36.4	43.3	146.6	154.8
Interest	0.1	0.0	0.0	0.6	0.0	0.0	0.1	0.0	0.7	0.1
Other Income	10.4	12.5	1.6	17.6	5.6	11.4	28.9	6.1	42.1	52.1
PBT	**73.6**	**75.7**	**46.2**	**54.4**	**54.8**	**78.2**	**106.0**	**72.1**	**249.9**	**311.1**
Tax	25.1	25.2	15.7	16.1	18.2	28.3	35.3	21.5	82.2	103.3
Rate (%)	34.1	33.3	34.0	29.6	33.2	36.2	33.3	29.8	32.9	33.2
PAT	**48.5**	**50.5**	**30.5**	**38.3**	**36.6**	**49.9**	**70.7**	**50.6**	**167.7**	**207.8**
Change (%)	-26.5	4.9	39.1	73.5	-24.5	-1.1	132.1	32.1	6.1	23.9
Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted PAT	**48.5**	**50.9**	**30.5**	**37.8**	**36.6**	**53.9**	**58.2**	**50.6**	**161.3**	**199.2**
Change (%)	-26.9	5.8	23.4	71.1	-24.5	5.9	90.4	33.9	0.0	23.5
Key Assumptions (US$/bbl)										
Fx rate (Rs/US$)	48.8	48.5	46.6	46.0	45.7	46.7	44.8	45.3	47.5	45.6
Gross Oil Realization	60.6	70.5	76.7	79.2	80.8	79.2	89.1	107.9	71.7	89.3
Subsidy	**2.3**	**14.1**	**19.0**	**27.7**	**32.8**	**16.5**	**24.3**	**48.3**	**15.8**	**30.5**
Net Oil Realization	58.3	56.4	57.7	51.4	48.1	62.8	64.8	59.6	55.9	58.8
Subsidy (Rs b)	4.3	26.3	35.0	50.0	55.2	30.2	42.2	90.3	115.6	217.9

E: MOSL Estimates; 3QFY11 other income includes one-time gas-pool account credit of Rs19b

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

Petronet LNG

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	PLNG IN
Equity Shares (m)	750.0
52 Week Range (Rs)	136/75
1,6,12 Rel Perf (%)	5/17/47
Mcap (Rs b)	90.9
Mcap (USD b)	2.0

CMP: Rs121 — Buy

YEAR END	NET SALES (RS B)	PAT (RS B)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	106,491	4,045	5.4	-22.0	22.5	4.1	19.2	23.0	1.1	13.7
03/11E	132,295	6,328	8.4	56.4	14.4	3.4	25.9	19.8	0.9	9.6
03/12E	161,580	7,343	9.8	16.0	12.4	2.9	25.6	18.9	0.8	8.6
03/13E	205,694	8,315	11.1	13.2	10.9	2.5	24.8	20.3	0.6	6.4

Consolidated

- We expect Petronet to report net profit of Rs1.9b (v/s Rs973m in 4QFY10 and Rs1.7b in 3QFY11). We estimate EBITDA at Rs3.7b (up 7% QoQ and 83% YoY).
- We have built in total volume of 2.4mmtpa in 4QFY11. We model 10mmtpa volume in FY12, of which 7.5mmtpa would be on long-term contract and 2.5mmtpa on spot/short-term basis.
- Petronet has increased its regasification charges by 5% in January to Rs33.3/mmbtu. We believe it will continue the trend of annual increase in regasification charges.
- We model Rs34.1/mmbtu as regasification charges for FY12 and marketing margin at Rs5/mmbtu. The stock trades at 12.4x FY12E consolidated EPS of Rs9.8. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS BILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**26,124**	**34,067**	**22,446**	**23,855**	**25,260**	**30,577**	**36,276**	**39,878**	**106,491**	**131,991**
Change (%)	58.7	105.8	-9.2	-10.1	-3.3	-10.2	61.6	0.7	26.3	23.9
Raw Material (incl. inv chg)	24,020	31,189	20,026	21,413	22,333	27,547	32,389	35,721	96,648	117,990
Staff Cost	41	41	41	81	73	53	57	53	204	237
Other Expenditure	245	299	291	339	376	261	374	400	1,174	1,410
EBITDA	**1,818**	**2,537**	**2,088**	**2,022**	**2,477**	**2,716**	**3,456**	**3,704**	**8,465**	**12,353**
% of Net Sales	7.0	7.4	9.3	8.5	9.8	8.9	9.5	9.3	7.9	9.4
% Change	-5	39	13	-41	36	7	66	83	-6.1	45.9
Depreciation	256	430	466	456	461	466	465	525	1,609	1,917
Interest	283	511	534	511	498	495	507	508	1,839	2,007
Other Income	288	191	167	332	126	186	54	255	978	621
PBT	**1,567**	**1,787**	**1,255**	**1,386**	**1,644**	**1,941**	**2,539**	**2,926**	**5,995**	**9,050**
Tax	534	580	423	414	530	630	830	1,036	1,950	3,026
Rate (%)	34.1	32.5	33.7	29.8	32.2	32.5	32.7	35.4	32.5	33.4
PAT	**1,033**	**1,207**	**832**	**973**	**1,114**	**1,311**	**1,709**	**1,891**	**4,045**	**6,024**
Change (%)	-2.2	16.8	-20.8	-52.4	7.8	8.6	105.4	94.3	97.9	48.9
Gas Volume (TBTU)	98.0	113.5	95.2	91.8	95.2	99.8	119.7	120.7	398.5	435.4

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

Reliance Industries

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	RIL IN
Equity Shares (m)	3,286.2
52 Week Range (Rs)	1,187/841
1,6,12 Rel Perf (%)	0/9/-13
Mcap (Rs b)	3,371.9
Mcap (USD b)	75.5

CMP: Rs1,026 — Neutral

Year End	Net Sales (Rs b)	PAT (Rs b)	EPS (Rs)	P/E (x)	Adj. EPS (Rs)	Adj.P/E (x)	P/BV (x)	ROE (%)	ROCE (%)	EV/ EBITDA
03/10A	1,925	162	49.6	20.7	54.8	18.7	2.4	13.4	11.3	12.6
03/11E	2,546	206	62.9	16.3	69.4	14.8	2.2	14.9	13.4	9.8
03/12E	2,648	211	64.0	16.0	70.6	14.5	1.6	30.8	24.7	8.2
03/13E	2,349	257	78.1	13.1	86.2	11.9	1.5	12.3	12.3	7.1

All adjusted per share info and valuation ratios are adjusted for treasury shares held by company

- In 4QFY11, the premium over Singapore GRM is likely to be less QoQ ($2.9/bbl in 4QFY11 vis-à-vis $3.5/bbl in 3QFY11), on account of a 5-week FCC maintenance shutdown in the DTA refinery in February.
- We expect RIL to report net profit of Rs57.1b (v/s Rs47.1b in 4QFY10 and Rs51.4b in 3QFY11). Strong YoY performance would be led by (1) higher GRM, and (2) improved petchem margins, marginally offset by lower KGD6 gas production.
- KG-D6 volumes have decreased to 51mmscmd gradually from 60mmscmd over the last couple of quarters. The company indicated that it will continue to maintain the current production to study reservoir characteristics.
- We build GRM of US$10.2/bbl for 4QFY11, US$9/bbl for FY12 and US$10.2/bbl for FY13. We expect polymer and fiber spreads (over naphtha) to be fairly constant, as the new capacities in ME and China get ramped up.
- RIL trades at 14.5x FY12E adjusted EPS of Rs70.6. **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS BILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**311.9**	**468.5**	**568.6**	**575.7**	**582.3**	**574.8**	**597.9**	**791.0**	**1,924.6**	**2,546.0**
Change (%)	-25.0	4.6	80.1	103.0	86.7	22.7	5.2	37.4	31.6	32.3
EBITDA	**63.8**	**72.2**	**78.4**	**91.4**	**93.4**	**94.0**	**95.4**	**105.3**	**305.8**	**388.1**
% of Net Sales	20.5	15.4	13.8	15.9	16.0	16.3	16.0	13.3	15.9	15.2
Change (%)	4.3	11.5	46.3	68.0	46.3	30.2	21.7	15.3	30.7	26.9
Depreciation	18.8	24.3	28.0	33.9	34.9	33.8	33.6	34.3	105.0	136.5
Interest	4.6	4.6	5.5	5.3	5.4	5.4	5.5	6.2	20.0	22.5
Other Income	7.1	6.3	5.1	6.2	7.2	6.7	7.4	7.4	24.6	28.7
PBT	**47.6**	**49.5**	**50.1**	**58.3**	**60.4**	**61.5**	**63.8**	**72.2**	**205.5**	**257.8**
Tax	10.9	11.0	10.0	11.2	11.9	12.3	12.4	15.0	43.1	51.6
Rate (%)	22.9	22.2	20.0	19.3	19.7	19.9	19.5	20.8	21.0	20.0
Adj. PAT	**36.7**	**38.5**	**40.1**	**47.1**	**48.5**	**49.2**	**51.4**	**57.1**	**162.4**	**206.2**
Change (%)	-10.8	-6.6	14.5	20.3	32.3	27.8	28.1	21.3	3.8	27.0
Reported PAT	**36.7**	**38.5**	**40.1**	**47.1**	**48.5**	**49.2**	**51.4**	**57.1**	**162.4**	**206.2**
EPS (Rs)	12.3	12.9	13.5	15.8	16.3	16.5	17.3	19.2	54.5	69.3
Key Assumptions (US$/bbl)										
Fx Rate (Rs/US$)	48.8	48.5	46.5	46.5	45.7	46.5	44.8	45.3	47.6	45.6
GRM	7.5	6.0	5.9	7.5	7.3	7.9	9.0	10.2	6.7	8.6
Singapore GRM	4.1	3.2	1.9	5.0	3.7	4.2	5.5	7.3	3.6	5.2
Premium/(disc) to Singapore	3.4	2.8	4.0	2.5	3.6	3.7	3.5	2.9	3.2	3.4
KG-D6 Gas Prodn (mmscmd)	19.3	32.0	48.0	59.8	59.1	57.9	55.8	51.7	39.8	56.1
Segmental EBIT Breakup (Rsb)										
Refining	13.0	13.5	13.8	19.9	20.4	21.9	24.4	30.9	60.1	97.6
Petrochemicals	21.1	22.0	20.6	22.2	20.5	22.0	24.3	24.6	85.8	91.4
E&P, others	10.2	12.4	14.9	17.1	19.3	17.1	15.1	15.4	54.6	67.0
Total	**44.3**	**47.8**	**49.2**	**59.2**	**60.2**	**61.0**	**63.8**	**71.0**	**200.5**	**256.0**

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Bivek Anand (Bivek.Anand@MotilalOswal.com)

Pharmaceuticals

COMPANY NAME
Aventis Pharma
Biocon
Cadila Healthcare
Cipla
Dishman Pharma
Divi's Laboratories
Dr Reddy's Labs.
GSK Pharma
Glenmark Pharma
Jubilant Organosys
Lupin
Opto Circuits
Ranbaxy Labs.
Strides Arcolab
Sun Pharmaceuticals

For 4QFY11, we expect topline growth of 12.3% YoY for our universe (excluding one-offs), with EBITDA growth at 13.2% YoY. Adjusted PAT is likely to grow 4.9% YoY. EBITDA growth would be mainly led by (1) Taro's acquisition driving strong performance by Sun Pharma, (2) strong growth in Dr Reddy's and Cipla on a low base, and (3) robust performance by second-tier generics companies, Cadila and Lupin. Adjusted PAT growth would be impacted by poor performance by CRAMS companies (likely to report 42.8% YoY decline in PAT) and Cipla (impacted by higher depreciation and lower other income).

4QFY11 aggregates - excluding one-offs

Pharma Universe	YoY growth (%)				EBITDA margin (%)		
Aggregates	Sales	EBITDA	Rep PAT	ADJ PAT	Mar'11	Mar'10	CHG (BP)
MNC Pharma	15.2	19.3	15.3	15.3	30.9	29.8	107
Big 4 Generics	12.6	32.1	-37.3	16.4	17.2	14.6	253
CRAMS	-6.4	-26.4	-51.3	-42.8	21.1	26.9	-572
Second Tier generics	14.5	14.1	7.1	12.2	20.8	20.8	-6
Sector Aggregate	**12.3**	**13.2**	**-21.7**	**4.9**	**19.7**	**19.6**	**16**

Note - Above numbers exclude one-offs to facilitate comparison of core operations

4QFY11 aggregates - excluding one-offs

Pharma Universe	YoY growth (%)				EBITDA margin (%)		
Aggregates	Sales	EBITDA	Rep PAT	ADJ PAT	Mar'11	Mar'10	CHG (BP)
MNC Pharma	15.2	19.3	15.3	15.3	30.9	29.8	107
Big 4 Generics	5.3	-20.5	-37.3	-30.0	19.7	26.1	-638
CRAMS	-6.4	-26.4	-51.3	-42.8	21.1	26.9	-572
Second Tier generics	13.7	12.4	7.1	10.7	21.1	21.3	-23
Sector Aggregate	**8.4**	**-9.7**	**-21.7**	**-17.7**	**21.0**	**25.2**	**-421**

Expected quarterly performance summary (Rs million)

	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Aventis Pharma	1,991	Neutral	2,852	13.5	-0.4	452	24.1	118.3	447	23.7	52.9
Biocon	338	Buy	6,994	6.5	-3.9	1,428	9.6	-15.2	883	9.5	-12.3
Cadila Health	781	Buy	10,014	18.3	-14.2	2,283	20.6	-10.9	1,380	16.3	-14.8
Cipla	308	Buy	14,880	10.2	-4.2	2,979	29.2	-6.4	2,065	-4.2	-11.2
Dishman Pharma	96	Sell	2,339	-5.6	0.9	346	-30.1	36.5	23	-88.3	34.1
Divis Labs	637	Buy	3,152	0.3	1.8	1,298	-14.2	11.0	1,048	-19.7	6.5
Dr Reddy' s Labs	1,550	Buy	17,984	9.5	-5.3	2,724	27.0	-10.5	2,043	22.5	-14.3
Glenmark Pharma	280	Neutral	7,590	7.0	1.1	1,735	-2.7	4.3	988	-3.7	1.7
GSK Pharma	2,095	Buy	6,277	16.0	27.9	2,371	18.4	60.9	1,829	13.4	49.5
Jubiliant Organosys	155	Neutral	9,036	-8.8	4.3	1,427	-34.0	10.1	572	-58.3	29.8
Lupin	407	Buy	14,312	11.4	-2.5	2,754	10.6	1.6	2,378	7.8	6.2
Opto Circuits	283	Neutral	5,443	62.7	30.3	1,089	-1.8	-11.3	748	7.4	-22.2
Ranbaxy Labs	441	Sell	18,420	13.0	-15.4	1,857	11.2	-38.0	927	73.8	-12.5
Strides Arcolab	350	Buy	4,791	28.3	5.1	877	12.5	13.5	386	12.0	LP
Sun Pharma	458	Buy	14,321	29.1	-10.6	3,700	7.8	-16.0	2,708	17.8	-11.7
Sector Aggregate			**138,406**	**12.7**	**-3.9**	**27,321**	**7.4**	**-4.6**	**18,425**	**3.7**	**-0.8**

Note: Historic numbers include one-offs and hence YoY comparison may not give the correct picture

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Key highlights for core 4QFY11 performance

- Tier-1 generics companies and some tier-2 generics companies would record strong operational improvement. We expect Sun Pharma, Cipla, Dr Reddy's, Cadila and Lupin to record strong EBITDA growth in 4QFY11. We attribute the following company-specific reasons for this performance:
  1. **Cipla:** Low base would enable strong operational performance. However, PAT would decline YoY due to higher depreciation related to Indore SEZ and lower other income.
  2. **Sun Pharma:** Strong operating performance would primarily be led by the acquisition of Taro.
  3. **Lupin:** Higher topline growth, better product-mix would lead to higher EBITDA.
  4. **Glenmark:** EBITDA would decline due to muted topline growth and high base.
  5. **Dr Reddy's:** Low base and favorable product mix would enable strong EBITDA growth.
  6. **Ranbaxy:** Core EBITDA, which was impacted by USFDA action on the company's US business, should see gradual improvement.

- All the CRAMS companies are likely to report poor performance due to tough business environment, with lack of demand, falling end product prices and high raw material cost, and sell-off/demerger of some business segments.

Sector view

Generics

- Emerging markets to aid gradual improvement in profitability from 2011
- New launches imperative for driving growth in core US business
- Differentiation becoming imperative - low competition/patent challenge products, brands, NCE research will be key differentiators
- Increasing MNC interest in generics space - may lead to large acquisitions/supply arrangements with Indian companies
- Top picks - **Cipla** and **Sun Pharma**

CRAMS (Contract Research & Manufacturing Services)

- Favorable macro trends - India on the threshold of significant opportunity, contract manufacturing opportunity to grow ~3.7x over 2007-2012
- Inventory de-stocking impacted performance in the last 4-5 quarters; expect recovery from FY12
- Top pick - **Divi's Labs**

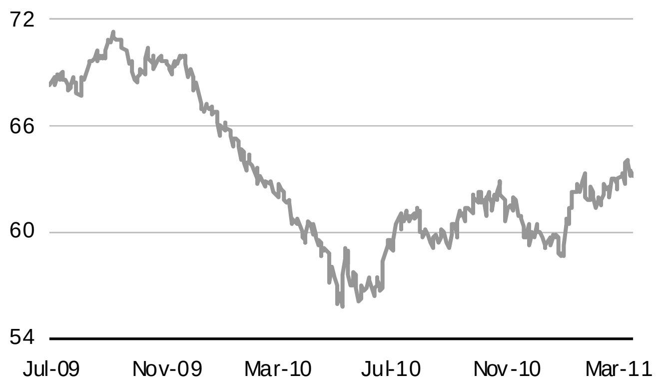
MNC Pharma

- Portfolio realignment in favor of lifestyle products to drive growth in short-to-medium term
- Branded generics, patented products and in-licensing to drive long-term growth
- Parent's commitment to listed entity is imperative
- Top pick - **GSK Pharma**

Currency appreciation to partly temper down topline growth for the sector

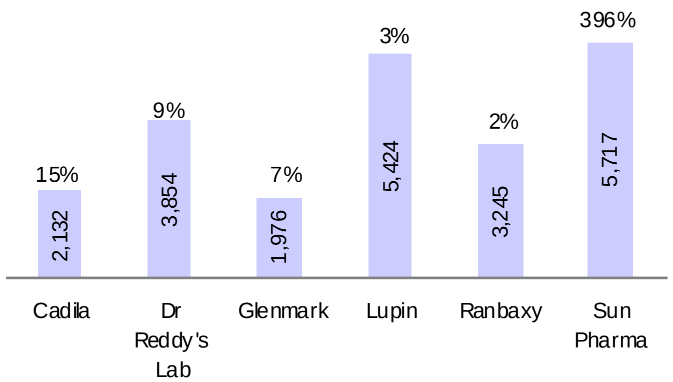
INR v/s US$ (Rs/US$)

INR v/s Euro (Rs/Euro)

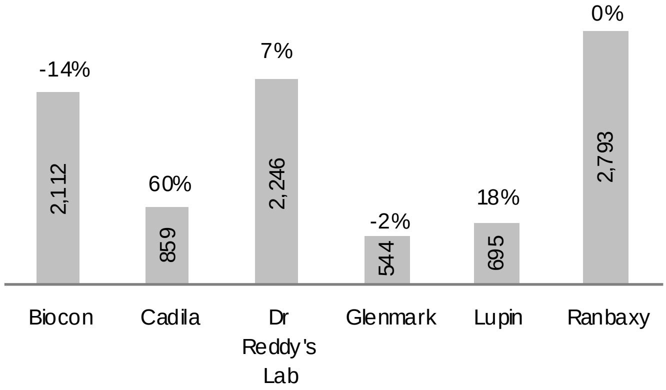


Source: Bloomberg

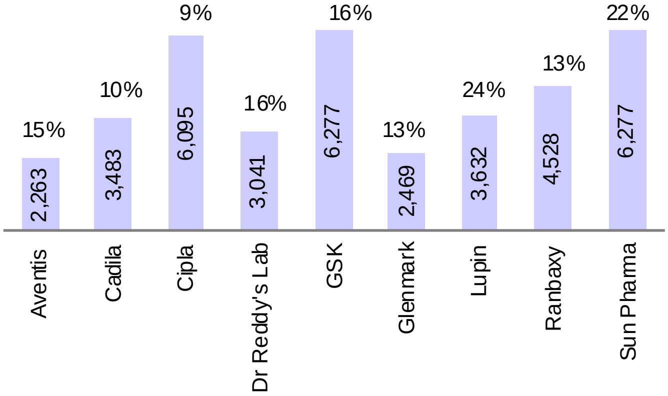
4QFY11 - US Revenue: Growth showing down



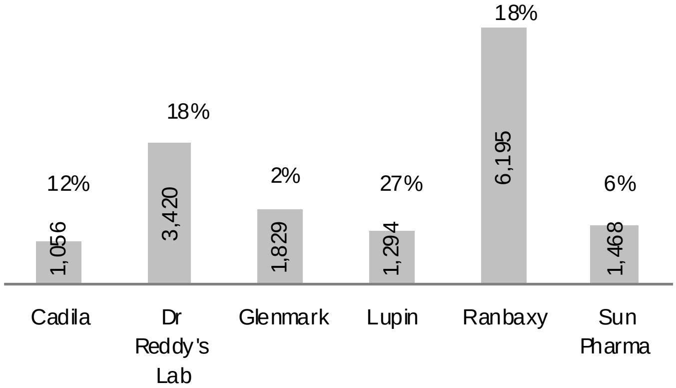
4QFY11 - Europe Revenue: Mixed performance



4QFY11- Domestic formulation revenue: Strong growth continues



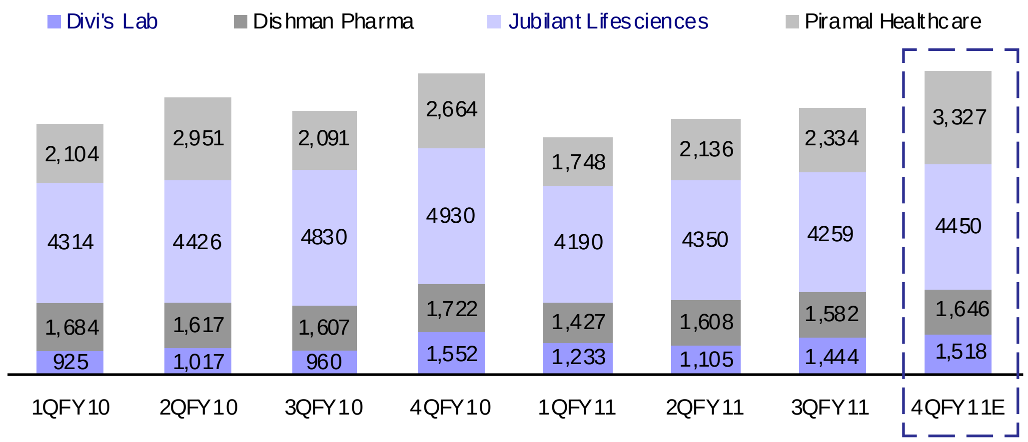
4QFY11 - RoW Revenue: Another growth driver



Note: Growth shown in percentage

Source: Company/MOSL

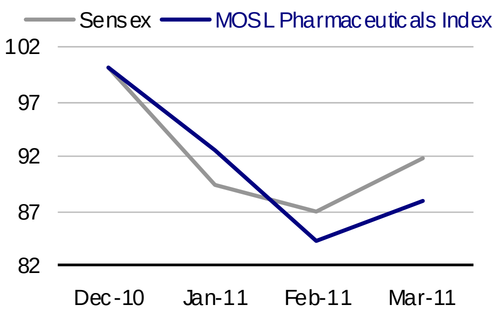
CRAMS - Muted performance due to de-stocking & lower prices (Rs m)



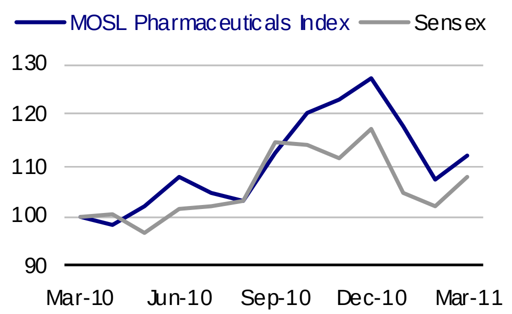
Note - Jubilant CRAMS revenue includes revenue from - Proprietary Products and Exclusive Synthesis, CMO and Drug Discovery & Development Services

Source: Company/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Pharmaceuticals														
Aventis Pharma	1,991	Neutral	67.3	78.7	94.3	29.6	25.3	21.1	27.5	21.9	17.3	15.5	16.6	18.2
Biocon	338	Buy	17.4	20.1	22.4	19.4	16.8	15.1	11.4	10.0	8.8	17.1	17.2	16.7
Cadila Health	781	Buy	30.9	38.1	47.2	25.2	20.5	16.6	16.2	14.0	11.6	33.7	31.8	30.8
Cipla	308	Buy	12.0	15.0	16.8	25.7	20.6	18.3	18.6	15.2	13.5	14.5	16.0	15.8
Dishman Pharma	96	Sell	7.5	4.5	8.9	12.9	21.3	10.9	10.8	9.5	7.4	7.4	4.2	7.8
Divis Labs	637	Buy	27.2	32.9	42.4	23.4	19.4	15.0	19.6	15.5	12.3	20.2	20.7	22.3
Dr Reddy' s Labs	1,550	Buy	64.9	72.9	84.2	23.9	21.3	18.4	22.7	21.9	18.7	22.1	24.4	24.6
Glenmark Pharma	280	Neutral	13.1	16.7	19.8	21.4	16.8	14.2	12.5	11.9	10.3	13.2	14.5	14.8
GSK Pharma	2,095	Buy	68.6	80.2	93.9	30.5	26.1	22.3	21.2	18.0	15.1	30.1	32.0	34.2
Jubiliant Organosys	155	Neutral	14.5	15.1	21.5	10.7	10.3	7.2	9.0	8.3	6.6	10.5	10.3	13.9
Lupin	407	Buy	19.6	22.5	24.3	20.7	18.1	16.7	17.5	14.8	12.9	30.4	28.3	25.3
Opto Circuits	283	Neutral	18.1	21.0	27.6	15.6	13.5	10.3	13.5	11.4	8.7	28.6	28.2	30.9
Ranbaxy Labs	441	Sell	28.5	11.3	17.0	15.5	39.0	25.9	10.3	21.1	15.4	20.5	7.5	10.3
Strides Arcolab	350	Buy	21.1	31.3	36.5	16.6	11.2	9.6	11.3	10.2	9.7	11.6	13.3	13.9
Sun Pharma	458	Buy	13.2	16.0	18.8	34.7	28.7	24.3	22.8	23.4	19.6	16.1	16.8	17.4
Sector Aggregate						**23.7**	**22.0**	**18.4**	**16.8**	**16.4**	**13.7**	**18.9**	**18.1**	**18.9**

Aventis Pharma

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	AVEN IN
Equity Shares (m)	23.0
52 Week Range (Rs)	2,059/1,710
1,6,12 Rel Perf (%)	-1/15/5
Mcap (Rs b)	45.8
Mcap (USD b)	1.0

CMP: Rs1,991 | **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/09A	9,744	1,574	68.4	-5.3	29.1	5.0	17.1	26.3	4.1	27.1
12/10A	10,850	1,550	67.3	-1.5	29.6	4.6	15.5	23.6	3.6	27.5
12/11E	12,196	1,812	78.7	16.9	25.3	4.2	16.6	24.8	3.2	21.9
12/12E	13,927	2,173	94.3	19.9	21.1	3.8	18.2	27.3	2.7	17.3

- We expect 1QCY11 revenue to grow 13.5% YoY to Rs2.85b, led by the domestic formulations business, which is likely to grow 14.8% YoY to Rs2.3b.
- EBITDA is likely to grow 24.1% YoY to Rs452m on a low base while EBITDA margin should expand 130bp YoY to 15.8%.
- We expect PAT to grow 23.7% YoY to Rs447m, led by better operational performance.

We believe that Aventis will be one of the key beneficiaries of the patent regime in the long term. The parent has a strong R&D pipeline, with a total of 62 products undergoing clinical trials, of which 26 are in Phase-III or pending approvals. Some of these are likely to be launched in India. Focus on growing strategic brands and strong support from the parent augurs well for Aventis. However, profitability has declined significantly in the last four years, with EBITDA margin declining from 25% for CY06 to 13.2% for CY10, mainly impacted by discontinuation of Rabipur sales in the domestic market, lower export growth, and higher staff & promotional expenses. RoE has declined from 28.6% to 15.5% in the same period. The stock is currently valued at 25.3x CY11E and 21.1x CY12E EPS. We believe that stock price performance is likely to remain muted in the short-term until clarity emerges on future growth drivers. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E DECEMBER	CY10				CY11E				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**2,514**	**2,715**	**2,756**	**2,865**	**2,852**	**3,098**	**3,199**	**3,047**	**10,850**	**12,196**
YoY Change (%)	9.8	8.6	6.6	20.8	13.5	14.1	16.1	6.4	11.4	12.4
Total Expenditure	2,150	2,280	2,331	2,658	2,400	2,591	2,656	2,784	9,419	10,431
EBITDA	**364**	**435**	**425**	**207**	**452**	**508**	**543**	**263**	**1,431**	**1,765**
Margins (%)	14.5	16.0	15.4	7.2	15.8	16.4	17.0	8.6	13.2	14.5
Depreciation	43	47	53	54	52	53	54	55	197	214
Interest	0	0	0	29	0	0	0	0	29	0
Other Income	226	253	313	343	267	290	314	290	1,135	1,161
PBT before EO Items	**547**	**641**	**685**	**467**	**666**	**745**	**802**	**499**	**2,340**	**2,713**
Extra-Ord Expense	0	0	0	-757	0	0	0	0	-757	0
PBT after EO Items	**547**	**641**	**685**	**1,224**	**666**	**745**	**802**	**499**	**3,097**	**2,713**
Tax	186	217	212	175	220	246	269	166	790	901
Effective tax Rate (%)	34.0	33.9	30.9	37.5	33.0	33.0	33.5	33.3	25.5	33.2
Reported PAT	**361**	**424**	**473**	**1,049**	**447**	**499**	**533**	**333**	**2,307**	**1,812**
Adj PAT	**361**	**424**	**473**	**292**	**447**	**499**	**533**	**333**	**1,550**	**1,812**
YoY Change (%)	-10.9	-10.0	8.0	9.1	23.7	17.7	12.8	14.0	-2.0	16.9
Margins (%)	14.4	15.6	17.2	10.2	15.7	16.1	16.7	10.9	14.3	14.9

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Biocon

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	BIOS IN
Equity Shares (m)	200.0
52 Week Range (Rs)	465/272
1,6,12 Rel Perf (%)	4/2/7
Mcap (Rs b)	67.6
Mcap (USD b)	1.5

CMP: Rs338 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	23,678	2,837	14.2	230.3	23.8	3.6	16.1	15.6	2.8	14.2
03/11E	27,686	3,477	17.4	22.6	19.4	3.2	17.1	18.0	2.4	11.4
03/12E	29,932	4,017	20.1	15.5	16.8	2.9	17.2	18.1	2.2	10.0
03/13E	33,446	4,473	22.4	11.3	15.1	2.5	16.7	17.8	1.9	8.8

- We expect Biocon's 4QFY11 topline to grow by 6.5% YoY to Rs7b, led by its Biopharma division and licensing income. Biopharma revenue is likely to grow 21% YoY, led by domestic formulations, statins, insulin and immuno-suppressants. AxiCorp's revenue is likely to decline 14.4% YoY to Rs2.1b due to high base. Contract research revenue is likely to grow 3.4% YoY.
- EBITDA is likely to increase by 9.6% YoY; EBITDA margin should expand by 60bp to 20.4%, led by better product mix.
- We expect adjusted PAT to grow 9.5% YoY to Rs883m, in line with operating performance.

Key growth drivers for FY11 and FY12 will be: (1) traction in the company's insulin initiative in emerging markets, (2) ramp-up in contract research business, and (3) incremental contribution from immuno-suppressant API supplies. But increased depreciation and higher expenses linked to the scale-up of the domestic formulations business will continue to temper earnings growth. Option values for future include separate listing of Syngene and a potential out-licensing of the oral insulin NCE. We estimate EPS of Rs17.4 for FY11 (up 22.6%), Rs20.1 for FY12 (up 15.5%) and Rs22.4 for FY13 (up 11.3%), leading to 15% earnings CAGR over FY10-13. Our estimates exclude the upsides from the upfront and milestone payments from Pfizer, as these are valued separately on a DCF basis. The stock is valued at 16.8x FY12E and 15.1x FY13E earnings, adjusted for DCF value of Rs49/share for the Pfizer deal. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**4,959**	**5,800**	**6,351**	**6,568**	**6,623**	**6,788**	**7,281**	**6,994**	**23,678**	**27,686**
YoY Change (%)	87.9	31.0	45.6	40.9	33.6	17.0	14.6	6.5	47.2	16.9
Total Expenditure	3,946	4,668	5,084	5,265	5,310	5,352	5,597	5,566	18,963	21,825
EBITDA	**1,013**	**1,132**	**1,267**	**1,303**	**1,313**	**1,436**	**1,684**	**1,428**	**4,715**	**5,861**
Margins (%)	20.4	19.5	19.9	19.8	19.8	21.2	23.1	20.4	19.9	21.2
Depreciation	324	351	360	366	375	390	406	432	1,401	1,603
Interest	56	52	27	34	70	65	66	77	169	278
Other Income	94	124	64	88	95	89	96	104	370	384
PBT	**727**	**853**	**944**	**991**	**963**	**1,070**	**1,309**	**1,023**	**3,515**	**4,365**
Tax	142	94	107	144	164	156	292	130	487	742
Rate (%)	19.5	11.0	11.3	14.5	17.0	14.6	22.3	12.7	13.8	17.0
Minority Interest	14	17	24	41	31	22	10	10	96	73
PAT	**571**	**742**	**813**	**806**	**767**	**892**	**1,007**	**883**	**2,932**	**3,550**
YoY Change (%)	283.5	194.4	191.3	219.0	34.3	20.2	23.9	9.5	215.1	21.0
Margins (%)	11.5	12.8	12.8	12.3	11.6	13.1	13.8	12.6	12.4	12.8

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Cadila Healthcare

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	CDH IN
Equity Shares (m)	204.7
52 Week Range (Rs)	864/538
1,6,12 Rel Perf (%)	-5/28/33
Mcap (Rs b)	159.9
Mcap (USD b)	3.6

CMP: Rs781 — Buy

Year End	Net Sales (Rs m)	PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
03/10A	36,868	5,092	24.9	57.7	31.4	9.9	36.0	26.7	4.6	20.8
03/11E	44,186	6,335	30.9	24.4	25.2	7.5	35.6	30.3	3.8	16.3
03/12E	50,725	7,791	38.1	23.0	20.5	5.8	31.8	29.9	3.3	14.2
03/13E	58,760	9,660	47.2	24.0	16.6	4.6	30.8	31.7	2.7	11.7

- We expect Cadila's 4QFY11 topline to grow 18.3% YoY to Rs10b, led by 28.3% YoY growth in export sales (contributing 53% to revenue). Domestic business is likely to grow 12.1% YoY to Rs4.67b. The company's consumer business in India should grow 18.4% YoY, while its domestic formulations revenue is likely to grow 10.1% YoY to Rs3.5b.
- EBITDA is likely to grow 20.6% YoY while EBITDA margin should expand by 40bp YoY to 22.8% due to improving profitability of foreign subsidiaries.
- We expect PAT to grow 16.3% YoY to Rs1.4b, led by healthy topline growth and improvement in operating margin. However, higher tax rate would temper down profits.

Cadila's future growth will be led by increased traction in its international businesses, ramp-up in supplies to Hospira and recovery in the domestic formulations business. This coupled with a de-risked business model should ensure good long-term potential. We estimate 16.8% revenue and 23.8% earnings CAGR over FY10-13, led by 21.4% CAGR in exports business and 20% CAGR in domestic consumer revenue, coupled with ramp-up in supplies to Hospira. We expect RoE of more than 30% over the next two years. We forecast EPS of Rs30.9 for FY11 (up 24.4%), Rs38.1 for FY12 (up 23%) and Rs47.2 for FY13 (up 24%), translating into 23.8% EPS CAGR over FY10-13. Cadila is currently valued at 20.5x FY12E and 16.6x FY13E consolidated earnings. Our estimates do not include any upsides from the supply agreement with Abbott. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Revenues	**9,036**	**9,458**	**9,910**	**8,465**	**11,338**	**11,166**	**11,668**	**10,014**	**36,868**	**44,186**
YoY Change (%)	29.4	25.0	32.3	17.0	25.5	18.1	17.7	18.3	25.9	19.8
Total Expenditure	6,998	7,401	7,810	6,572	8,364	8,718	9,106	7,731	28,782	33,920
EBITDA	**2,037**	**2,057**	**2,100**	**1,893**	**2,974**	**2,448**	**2,561**	**2,283**	**8,087**	**10,266**
Margins (%)	22.5	21.7	21.2	22.4	26.2	21.9	22.0	22.8	21.9	23.2
Depreciation	296	311	334	398	314	304	334	425	1,339	1,376
Interest	229	206	217	170	224	179	187	174	821	765
Other Income	28	16	63	52	-63	57	23	88	159	106
PBT before EO Income	**1,540**	**1,556**	**1,612**	**1,378**	**2,373**	**2,022**	**2,064**	**1,772**	**6,085**	**8,231**
EO Exp/(Inc)	9	26	11	0	0	0	0	0	46	0
PBT after EO Income	**1,531**	**1,530**	**1,601**	**1,378**	**2,373**	**2,022**	**2,064**	**1,772**	**6,039**	**8,231**
Tax	242	176	255	68	338	254	368	275	741	1,235
Rate (%)	15.8	11.5	15.9	4.9	14.2	12.6	17.8	15.5	12.3	15.0
Minority Int/Adj on Consol	40	35	49	123	43	60	76	117	247	296
Reported PAT	**1,248**	**1,319**	**1,297**	**1,187**	**1,992**	**1,708**	**1,620**	**1,380**	**5,051**	**6,700**
Adj PAT	**1,256**	**1,342**	**1,307**	**1,187**	**1,627**	**1,708**	**1,620**	**1,380**	**5,092**	**6,335**
YoY Change (%)	40.0	39.0	115.8	18.5	29.6	27.3	24.0	16.3	57.7	24.4
Margins (%)	13.9	14.2	13.2	14.0	14.3	15.3	13.9	13.8	13.8	14.3
Adj PAT incl one-offs	**1,256**	**1,342**	**1,307**	**1,187**	**1,627**	**1,708**	**1,620**	**1,530**	**5,092**	**6,485**

E: MOSL Estimates; Quarterly numbers don't add up to full year numbers due to restatement

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Cipla

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	CIPLA IN
Equity Shares (m)	802.9
52 Week Range (Rs)	381/286
1,6,12 Rel Perf (%)	-4/3/-19
Mcap (Rs b)	247.1
Mcap (USD b)	5.5

CMP: Rs308 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	56,057	10,050	12.5	25.0	24.6	4.2	17.0	20.6	4.4	17.9
03/11E	61,368	9,597	12.0	-4.5	25.7	3.7	14.5	16.0	4.0	18.6
03/12E	70,266	12,010	15.0	24.9	20.6	3.3	16.0	17.7	3.5	15.2
03/13E	80,302	13,509	16.8	12.4	18.3	2.9	15.8	17.7	3.1	13.5

- Cipla's 4QFY11 topline is likely to grow by 10.2% YoY to Rs14.9b, led by 9.4% YoY growth in domestic formulations business and 61.3% YoY growth in other operating income. However, topline would be tempered down by just 5.7% YoY growth in exports.
- While EBITDA is likely to increase by 29.2% YoY, EBITDA margin is likely to expand by 290bp YoY to 20% primarily due to favorable revenue mix and lower other expenditure.
- PAT is likely to decline by 4.2% YoY to Rs2.1b despite strong operational performance due to higher depreciation charges on account of commissioning of new SEZ and lower other income.

We believe that Cipla has one of the strongest generic pipelines amongst Indian companies. After a long delay, we believe Cipla's CFC-free inhaler pipeline is likely to gradually get commercialized in Europe and upsides from high-margin opportunities like Seretide can potentially come through over the next two years (our estimates do not include these upsides). Its large manufacturing infrastructure, strong chemistry skills and huge inhaler capacity make it a partner of choice for global MNCs that are ramping up their generics and emerging market presence. This coupled with its low-risk strategy and one of the strongest capex in the company's history (currently unutilized) should ensure good long term potential. Temporary slowdown in overall growth and increasing working capital requirements remain our key concerns. We expect Cipla to record EPS of Rs12 for FY11, Rs15 for FY12 and Rs16.8 for FY13, leading to 10.4% EPS CAGR for FY10-13. Cipla is currently valued at 25.7x FY11E, 20.6x FY12E and 18.3x FY13E earnings. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Revenues	**13,760**	**14,408**	**14,385**	**13,504**	**14,798**	**16,154**	**15,537**	**14,880**	**56,057**	**61,368**
YoY Change (%)	14.0	6.4	7.2	1.5	7.5	12.1	8.0	10.2	7.1	9.5
Total Expenditure	10,075	10,695	10,346	11,198	11,152	12,638	12,355	11,901	42,315	48,045
EBITDA	**3,685**	**3,713**	**4,039**	**2,305**	**3,646**	**3,516**	**3,182**	**2,979**	**13,742**	**13,323**
Margins (%)	26.8	25.8	28.1	17.1	24.6	21.8	20.5	20.0	24.5	21.7
Depreciation	458	478	457	278	548	639	653	670	1,671	2,510
Interest	105	84	44	-3	1.1	2.8	29.3	10.5	230	44
Other Income	-150	203	-62	478	28	316	257	192	469	793
Profit before Tax	**2,972**	**3,354**	**3,477**	**2,508**	**3,124**	**3,190**	**2,757**	**2,491**	**12,311**	**11,562**
Extra-Ord expense				-950					-950	0
PBT after EO expense	**2,972**	**3,354**	**3,477**	**3,458**	**3,124**	**3,190**	**2,757**	**2,491**	**13,261**	**11,562**
Tax	555	618	587	676	550	560	430	426	2,435	1,966
Rate (%)	18.7	18.4	16.9	27.0	17.6	17.6	15.6	17.1	19.8	17.0
Reported PAT	**2,417**	**2,737**	**2,890**	**2,782**	**2,574**	**2,630**	**2,327**	**2,065**	**10,826**	**9,597**
Adj PAT	**2,417**	**2,737**	**2,890**	**2,155**	**2,574**	**2,630**	**2,327**	**2,065**	**10,199**	**9,597**
YoY Change (%)	72.6	80.7	29.4	-17.7	6.5	-3.9	-19.5	-4.2	31.3	-5.9
Margins (%)	17.6	19.0	20.1	16.0	17.4	16.3	15.0	13.9	18.2	15.6

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Dishman Pharma

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	DISH IN
Equity Shares (m)	81.3
52 Week Range (Rs)	235/87
1,6,12 Rel Perf (%)	2/-43/-63
Mcap (Rs b)	7.8
Mcap (USD b)	0.2

CMP: Rs96 **Sell**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	9,154	1,157	14.2	-21.0	6.8	1.0	15.3	11.4	1.7	7.4
03/11E	8,804	607	7.5	-47.5	12.9	0.9	7.4	6.8	1.7	10.8
03/12E	9,841	368	4.5	-39.3	21.3	0.9	4.2	5.5	1.6	9.5
03/13E	11,669	720	8.9	95.6	10.9	0.8	7.8	7.7	1.4	7.4

- We expect Dishman's revenue to decline by 5.6% YoY to Rs2.33b in 4QFY11. Both the business segments, i.e. CRAMS and MM are likely to de-grow. Revenue from Carbogen AMCIS is likely to decline by 17% YoY to Rs784m while revenue of CRAMS business from India is likely to grow by 11.2% YoY to Rs862m. We expect MM business to report 8.4% YoY decline in revenue to Rs694m due to ongoing pricing pressure in QUATs segment.
- EBITDA is likely to decline by 30% YoY to Rs346m while EBITDA margin is likely to decline by 517bp YoY to 14.8% due to reduction in high margin contract research business from India, operating loss at Carbogen AMCIS and appreciation of the rupee versus the Euro and US dollar.
- We expect PAT to decline by 88% YoY to Rs23m, reflecting the muted growth in topline, contraction in EBITDA margin and higher interest cost.

The macro environment for the CRAMS business remains favorable, given India's inherent cost advantage and chemistry skills. We believe that Dishman's India operations will benefit from increased outsourcing from India, given its strengthening MNC relations. However, the adverse business environment for Carbogen AMCIS and Euro depreciation will continue to impact earnings growth in FY11 and FY12. We expect revenue CAGR of 8.4%, EBITDA CAGR of 2.3% and earnings CAGR of -14.6% over FY10-13. The stock currently trades at 21.3x FY12E and 10.9x FY13E earnings. RoE will continue to be below 10% till new facilities and CRAMS contracts ramp up. We maintain our **Sell** rating on the stock.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**2,277**	**2,174**	**2,223**	**2,479**	**2,019**	**2,128**	**2,318**	**2,339**	**9,154**	**8,804**
YoY Change (%)	-3.5	-13.7	-21.2	-15.2	-11.3	-2.1	4.3	-5.6	-13.8	-3.8
Total Expenditure	1,745	1,677	1,710	1,984	1,574	1,759	2,064	1,993	7,116	7,390
EBITDA	**532**	**498**	**513**	**495**	**445**	**369**	**253**	**346**	**2,038**	**1,414**
Margins (%)	23.4	22.9	23.1	20.0	22.0	17.4	10.9	14.8	22.3	16.1
Depreciation	145	174	141	135	161	168	171	172	594	672
Interest	104	99	85	100	82	95	133	147	388	458
Other Income	155	59	32	25	104	203	61	30	270	398
PBT after EO Income	**438**	**284**	**319**	**285**	**305**	**308**	**10**	**58**	**1,326**	**682**
Tax	9	25	30	-10	17	14	-7	51	54	75
Deferred Tax	37	14	-32	96	17	0	0	-17	115	0
Rate (%)	10.5	14.0	-0.6	29.9	11.2	4.4	-68.1	59.6	12.8	11.0
Prior Period Adjustment	1	5	-10	-12	-1	12	1	0	-17	0
Reported PAT	**391**	**240**	**331**	**212**	**272**	**283**	**17**	**23**	**1,174**	**607**
Adj PAT	**392**	**244**	**321**	**200**	**271**	**295**	**17**	**23**	**1,157**	**607**
YoY Change (%)	41.5	725.7	-19.3	-73.7	-30.8	20.7	-94.6	-88.3	-21.0	-47.5
Margins (%)	17.2	11.2	14.4	8.0	13.4	13.9	0.8	1.0	12.6	6.9

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Divi's Laboratories

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	DIVI IN
Equity Shares (m)	132.1
52 Week Range (Rs)	798/582
1,6,12 Rel Perf (%)	0/-4/-13
Mcap (Rs b)	84.2
Mcap (USD b)	1.9

CMP: Rs637 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	9,416	3,403	25.8	-19.9	24.7	5.5	24.7	27.3	9.0	20.8
03/11E	11,437	3,593	27.2	5.6	23.4	4.7	21.8	24.4	7.3	19.5
03/12E	13,639	4,343	32.9	20.9	19.4	4.0	22.4	26.7	6.2	15.4
03/13E	16,467	5,600	42.4	28.9	15.0	3.4	24.3	28.7	5.1	12.2

- We expect revenue to remain flat in 3QFY11 at Rs3.1b on a very high base boosted by one-time supply of highly profitable products. Divi's has been witnessing a strong recovery in CRAMS and API revenues from 1QFY11. We expect healthy revenue growth in the coming years. The company commissioned its Carotenoids facility in June 2009 and we expect a gradual scale-up in revenue from this initiative over the next two years.
- EBITDA is likely to fall by 15% YoY to Rs1.3b on a high base while EBITDA margin is likely to contract by 698bp on account of unfavorable revenue mix.
- We expect adjusted PAT to de-grow by 19.7% YoY to Rs1b, reflecting the muted operating performance and higher tax expenses.

We continue to be positive on the prospects of pharmaceutical outsourcing from India, given the unique combination of low costs and chemistry skills which India offers. We expect Divi's to be a key beneficiary of the increased pharmaceutical outsourcing from India, given its strong relationships with global innovator pharmaceutical companies. We estimate 20% revenue CAGR for FY10-13 led mainly by recovery in CRAMS business and 18% EPS CAGR excluding any significant upsides from the new Rs2b SEZ. Divi's stock currently trades at 19.4x FY12E and 15x FY13E consolidated earnings. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Op Revenue	**2,058**	**2,253**	**1,963**	**3,141**	**2,635**	**2,553**	**3,097**	**3,152**	**9,416**	**11,437**
YoY Change (%)	-22.6	-31.8	-25.9	-1.5	28.0	13.3	57.8	0.3	-20.2	21.5
Total Expenditure	1,392	1,200	1,304	1,628	1,645	1,711	1,927	1,853	5,364	7,133
EBITDA	**667**	**1,053**	**659**	**1,513**	**990**	**842**	**1,170**	**1,298**	**4,052**	**4,304**
Margins (%)	32.4	46.7	33.6	48.2	37.6	33.0	37.8	41.2	43.0	37.6
Depreciation	129	131	133	123	131	133	135	159	515	558
Interest	8	30	18	7	6	5	6	5	28	22
Other Income	143	55	262	43	59	92	102	106	343	359
PBT before EO Income	**673**	**947**	**771**	**1,427**	**912**	**797**	**1,131**	**1,240**	**3,853**	**4,083**
EO Income	-540	0	0	540	0	0	0	0	0	0
PBT after EO Income	**132**	**947**	**771**	**1,967**	**912**	**797**	**1,131**	**1,240**	**3,853**	**4,083**
Tax	87	83	104	135	71	77	130	212	408	490
Deferred Tax	2	17	-11	34	3	0	17	-20	42	0
Rate (%)	67.5	10.5	12.0	8.5	8.2	9.7	13.0	15.4	11.7	12.0
Reported PAT	**43**	**848**	**678**	**1,799**	**837**	**719**	**984**	**1,048**	**3,403**	**3,593**
Adj PAT	**594**	**848**	**678**	**1,305**	**837**	**719**	**984**	**1,048**	**3,403**	**3,593**
YoY Change (%)	-38.4	-37.8	-14.7	25.2	40.9	-15.2	45.1	-19.7	-18.3	5.6
Margins (%)	28.9	37.6	34.6	41.5	31.8	28.2	31.8	33.3	36.1	31.4

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Dr Reddy's Laboratories

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	DRRD IN
Equity Shares (m)	168.4
52 Week Range (Rs)	1,855/1,160
1,6,12 Rel Perf (%)	-5/10/11
Mcap (Rs b)	260.9
Mcap (USD b)	5.8

CMP: Rs1,550 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	ADJ. P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/11E	72,505	10,948	64.9		23.5	5.3	22.1	16.4	3.7	22.7
03/11E*	75,630	10,388	61.7		24.7					
03/12E	79,738	12,307	72.9	12.4	20.9	5.2	24.4	18.2	3.4	21.9
03/12E*	87,187	16,114	95.7	55.1	15.9					
03/13E	91,092	14,210	84.2	15.5	18.1	4.5	24.6	19.1	2.9	18.7

** Includes one-off upsides. Adj P/E for core est is adjusted for DCF value of bonus debentures*

- We expect core revenue (ex one-off sales) to grow 9.5% YoY to Rs17.9 in 4QFY11, led by strong 17% YoY growth in the branded generics business. Regulated market generics business is likely to report growth of 8.2% YoY while PSAI business is expected to report growth of 2.6% YoY. Including revenues from Para-IV/low competition product opportunities in US, overall revenue is likely to grow by 24% YoY to Rs20.3b.
- Core EBITDA is likely to grow 27% YoY to Rs2.7b while EBITDA margin is expected to expand by 210bp YoY to 15.1%, partially due to lower SG&A cost.
- Adjusted PAT is likely to grow by 22.5% YoY to Rs2b, in line with strong operating performance. Including contribution from one-off opportunities, PAT is likely to grow 62% YoY to Rs2.7b.

Traction in the branded formulations and US businesses and focus on improving profitability will be key growth drivers for the company over the next two years. We estimate core EPS at Rs72.9 for FY12 and Rs84.2 for FY13, adjusting for interest costs of proposed bonus debentures. We expect core EPS CAGR of 14% over FY11-13. Our core estimates exclude upsides from patent challenges/low-competition opportunities in the US (current DCF value of Rs47/share for visible opportunities). The stock trades at 20.9x FY12E and 18.1x FY13E core earnings. Maintain **Buy**.

GLOBAL QUARTERLY PERFORMANCE (IFRS) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Gross Sales	**18,189**	**18,368**	**17,296**	**16,424**	**16,831**	**18,704**	**18,985**	**17,984**	**70,277**	**72,505**
YoY Change (%)	21.0	13.7	-6.0	-17.3	-7.5	1.8	9.8	9.5	1.2	3.2
Total Expenditure	14,422	15,619	14,436	14,279	14,104	15,380	15,942	15,260	58,756	60,686
EBITDA	**3,767**	**2,749**	**2,860**	**2,145**	**2,727**	**3,324**	**3,043**	**2,724**	**11,521**	**11,818**
Margins (%)	20.7	15.0	16.5	13.1	16.2	17.8	16.0	15.1	16.4	16.3
Depreciation & Amortization	507	329	8,977	269	288	317	307	318	10,082	1,230
Other Income	-89	348	123	232	14	186	149	192	614	541
Profit before Tax	**3,171**	**2,768**	**-5,994**	**2,108**	**2,453**	**3,193**	**2,885**	**2,598**	**2,052**	**11,128**
Tax	726	595	-777	441	357	327	152	555	985	1,391
Rate (%)	22.9	21.5	13.0	20.9	14.6	10.2	5.3	21.4	48.0	12.5
Reported PAT	**2,445**	**2,173**	**-5,217**	**1,667**	**2,096**	**2,866**	**2,733**	**2,043**	**1,067**	**9,737**
Net Profit	**2,445**	**2,173**	**-5,217**	**1,667**	**2,096**	**2,866**	**2,733**	**2,697**	**1,067**	**10,739**
One Time & EO (Exp)/Inc	734	0	0	0	563	410	348	654	734	1,974
Adjusted PAT	**1,711**	**2,173**	**-5,217**	**1,667**	**1,533**	**2,456**	**2,385**	**2,043**	**333**	**8,764**
YoY Change (%)	26.9	79.1	-681.6	-115.1	-10.4	13.0		22.5	-104.5	2,534.2
Margins (%)	9.4	11.8	-30.2	10.1	9.1	13.1	12.6	11.4	0.5	12.1

E: MOSL Estimates; Note-DRL commcenced IFRS reporting wef 2QFY09. Past financials are as per US GAAP. Estimates do not include one-off upsides.

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

GlaxoSmithKline Pharmaceuticals

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	GLXO IN
Equity Shares (m)	84.7
52 Week Range (Rs)	2,430/1,670
1,6,12 Rel Perf (%)	-12/5/13
Mcap (Rs b)	177.5
Mcap (USD b)	4.0

CMP: Rs2,095 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/09A	18,708	5,049	59.6	12.6	35.2	10.1	28.7	43.0	8.5	24.3
12/10A	21,116	5,814	68.6	15.2	30.5	9.2	30.1	44.8	7.4	21.2
12/11E	24,132	6,789	80.2	16.8	26.1	8.4	32.0	47.4	6.4	18.0
12/12E	27,706	7,951	93.9	17.1	22.3	7.6	34.2	50.6	5.5	15.1

Note - Ratios based on CY10 balance sheet nos are estimates

- We expect GSK's 1QCY11 topline to grow 16% YoY to Rs6.3b, led by double-digit growth in Priority Products (60-70% of sales). DPCO products (~27% of sales) are likely to record single-digit revenue growth.
- EBITDA is likely to report 18.4% YoY growth to Rs2.4b, while EBITDA margin is likely to expand by 80bp YoY to 37.8% due to better product mix.
- We expect PAT to grow 17.2% YoY, led by topline growth and lower tax expenses.

GSK is one of the best plays on the increasing pharmaceutical consumption in India, resulting in a large macro opportunity for the company. This, along with the launch of patented products, is likely to bring the company long-term benefits. The parent is fully committed to the listed entity, which is evident from the fact that it is proposing the launch of most of the patented products through the listed entity. We expect GSK Pharma to post topline growth of 14-15% for over the next two years and the trajectory will improve in the long term. We expect GSK Pharma to outperform the average industry growth of 14-15% after CY13. Given the high profitability of its operations, we expect this growth to lead to a sustainable 15-20% earnings growth and RoE of over 30%. GSK deserves premium valuations due to its strong parentage (giving access to a large product pipeline), brand-building ability and likely positioning in the post-patent era. The stock is valued at 26.1x CY11E and 22.3x CY12E earnings. Maintain **Buy** with target price of Rs2,407 (26x CY12E EPS).

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY10				CY11E				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**5,411**	**4,979**	**5,820**	**4,906**	**6,277**	**5,545**	**6,639**	**5,671**	**21,116**	**24,132**
YoY Change (%)	18.4	8.9	13.7	10.4	16.0	11.4	14.1	15.6	12.9	14.3
Total Expenditure	3,410	3,163	3,733	3,433	3,906	3,512	4,190	3,888	13,739	15,497
EBITDA	**2,001**	**1,817**	**2,087**	**1,473**	**2,371**	**2,033**	**2,449**	**1,783**	**7,378**	**8,635**
Margins (%)	37.0	36.5	35.9	30.0	37.8	36.7	36.9	31.4	34.9	35.8
Depreciation	38	41	41	57	41	43	46	54	176	185
Other Income	438	298	328	413	399	351	399	447	1,477	1,597
PBT before EO Expense	**2,402**	**2,074**	**2,374**	**1,823**	**2,729**	**2,341**	**2,802**	**2,176**	**8,673**	**10,048**
Tax	790	678	792	600	901	749	897	712	2,859	3,259
Deferred Tax	0	0	0	0	0	0	0	0	0	0
Rate (%)	32.9	32.7	33.3	32.9	33.0	32.0	32.0	32.7	33.0	32.4
Adjusted PAT	**1,612**	**1,396**	**1,583**	**1,223**	**1,829**	**1,592**	**1,906**	**1,463**	**5,814**	**6,789**
YoY Change (%)	3.7	-19.6	-3.7	-7.4	13.4	14.0	20.4	19.6	15.2	16.8
Margins (%)	29.8	28.0	27.2	24.9	29.1	28.7	28.7	25.8	27.5	28.1
Extra-Ord Expense	0	106	4	66	0	0	0	0	177	0
Reported PAT	**1,612**	**1,290**	**1,578**	**1,157**	**1,829**	**1,592**	**1,906**	**1,463**	**5,637**	**6,789**

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Glenmark Pharmaceuticals

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	GNP IN
Equity Shares (m)	269.8
52 Week Range (Rs)	390/241
1,6,12 Rel Perf (%)	-6/4/8
Mcap (Rs b)	75.6
Mcap (USD b)	1.7

CMP: Rs280 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	24,616	3,310	11.6	174.9	24.1	3.2	14.1	12.7	3.8	15.6
03/11E	29,159	3,725	13.1	12.5	21.4	2.7	13.2	13.4	3.1	12.5
03/12E	32,627	4,749	16.7	27.5	16.8	2.3	14.5	14.7	2.7	11.9
03/13E	37,454	5,625	19.8	18.5	14.2	2.0	14.8	15.6	2.3	10.3

Note - Estimates exclude one-off upsides

- We expect Glenmark's 4QFY11 revenue to grow 7% YoY to Rs7.6b, primarily led by India formulations, Europe generics and API business. North America revenue would grow 6.7% YoY to Rs2b while Indian formulations revenue would grow 13% YoY to Rs2.5b.
- EBITDA is likely to decline by 3% YoY to Rs1.7b, while EBITDA margin is likely to contract by 220bp to 22.9% due to high base and rupee appreciation.
- The company is likely to report 4% YoY decline in adjusted PAT, reflecting the trend in muted operating performance.

We expect Glenmark to post 15% topline CAGR over FY10-13, led by 23% CAGR for the generics business and the branded generics business. Glenmark has differentiated itself from Indian pharmaceutical companies through its success in NCE research (resulting in licensing income of US$137m so far). Given this success, Glenmark has been aggressive in adding new NCEs to its pipeline, which will put pressure on its operations in the short to medium term, as it will have to fund R&D for these NCEs on its own. High net debt of Rs15.68b implies that fund raising may be needed to de-leverage the balance sheet (the management indicated it had no plans to dilute equity to cut debt). The stock trades at 16.8x FY12E and 14.2x FY13E earnings, with 14-16% RoE. Maintain **Neutral** with a target price of Rs295 (16x FY12E EPS).

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Revenues (Core)	**5,437**	**5,903**	**6,184**	**7,091**	**5,924**	**7,009**	**7,508**	**7,590**	**24,616**	**28,264**
YoY Change (%)	18.0	5.2	6.4	51.3	9.0	18.7	21.4	7.0	19.3	14.8
Net Revenues (incl one-offs)	**5,437**	**5,903**	**6,184**	**7,091**	**6,819**	**7,243**	**7,508**	**7,590**	**24,616**	**29,159**
EBITDA	**1,214**	**1,563**	**1,404**	**1,783**	**2,195**	**1,699**	**1,664**	**1,735**	**5,963**	**7,294**
Margins (%)	22.3	26.5	22.7	25.1	37.1	24.2	22.2	22.9	24.2	25.8
Depreciation	312	362	363	169	327	343	344	371	1,206	1,385
Interest	438	456	368	378	277	308	304	323	1,640	1,213
Other Income	76	262	312	72	260	353	342	159	722	1,115
PBT before EO Expense	**540**	**1,007**	**985**	**1,308**	**1,851**	**1,401**	**1,359**	**1,200**	**3,839**	**5,811**
Tax	85	198	44	202	296	284	263	203	529	1,046
Deferred Tax	-80	0	0	80	0	0	0	0	0	0
Rate (%)	0.9	19.6	4.5	21.5	16.0	20.3	19.4	16.9	13.8	18.0
Reported PAT (incl one-offs)	**535**	**809**	**941**	**1,026**	**1,555**	**1,116**	**1,096**	**998**	**3,310**	**4,765**
Adj PAT (excl one-offs)	**535**	**809**	**941**	**1,026**	**777**	**988**	**972**	**988**	**3,310**	**3,725**
YoY Change (%)	-42.1	-14.2	61.2		45.3	22.1	3.4	-3.7	194.3	12.5
Margins (%)	9.8	13.7	15.2	14.5	13.1	14.1	13.0	13.0	13.4	13.2

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Jubilant Organosys

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	JOL IN
Equity Shares (m)	170.0
52 Week Range (Rs)	413/154
1,6,12 Rel Perf (%)	-12/-48/-63
Mcap (Rs b)	26.3
Mcap (USD b)	0.6

CMP: Rs155 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	37,813	4,215	26.5	38.3	5.8	1.1	24.4	12.7	1.4	6.7
03/11E	37,392	2,462	14.5	-45.5	10.7	1.0	10.5	7.0	1.4	9.0
03/12E	38,753	2,569	15.1	4.4	10.3	1.1	10.3	8.0	1.4	8.3
03/13E	44,705	3,650	21.5	42.1	7.2	0.9	13.9	10.5	1.2	6.6

- We expect Jubilant's 4QFY11 topline to decline 8.8% YoY primarily due to de-merger of APP business into a separate entity with effect from 1 April 2010. PLSPS business is expected to remain flat at Rs9b. The pharmaceutical products segment, which includes generics and specialty pharmaceuticals, is likely to report 18% growth. Proprietary products and exclusive synthesis segments are likely to decline 10% and 5%, respectively on account of low end product prices.
- EBITDA is expected to fall by 34% YoY to Rs1.4b due to demerger of APP business, benign end product prices, higher input cost and high base. EBITDA margin would contract by 600bp YoY to 15.8%.
- We expect PAT to decline 58% YoY to Rs572m, reflecting the poor operational performance.

We believe the demerger of the APP business is a positive step, as it reflects the management's intention to adopt a focused approach for the PLSPS business. The demerger will also lead to improvement in Jubilant's RoCE. We believe Jubilant is facing challenges in its key businesses led by pricing pressure and delayed customer orders and execution. The management needs to demonstrate it can reverse some of these headwinds in the coming quarters. We also believe some of the past acquisitions (like Draxis) have been made at expensive valuations, resulting in extended payback periods and lower returns ratios. High debt, large FCCB redemption (US$202m in May 2011 including YTM) and low RoCE (11-13%) are an overhang. The stock trades at 10.3x FY12E EPS and 7.2x FY13E EPS. Our revised estimates take into account increased interest costs related to the re-financing of FCCB redemption (worth US$202m) for FY12. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**8,964**	**9,331**	**9,615**	**9,903**	**9,815**	**9,876**	**8,665**	**9,036**	**37,813**	**37,392**
YoY Change (%)	8.4	-0.8	5.7	17.7	9.5	5.8	-9.9	-8.8	7.5	-1.1
Total Expenditure	7,342	7,480	7,364	7,740	8,249	8,326	7,368	7,609	29,926	31,552
EBITDA	**1,622**	**1,851**	**2,251**	**2,163**	**1,567**	**1,549**	**1,297**	**1,427**	**7,887**	**5,840**
Margins (%)	18.1	19.8	23.4	21.8	16.0	15.7	15.0	15.8	20.9	15.6
Depreciation	308	308	313	318	496	505	493	546	1,247	2,039
Interest	407	363	390	345	198	249	286	301	1,505	1,033
Other Income	562	-362	-280	125	-147	81	19	21	44	-26
PBT after EO Expense	**1,469**	**818**	**1,268**	**1,624**	**726**	**877**	**537**	**602**	**5,179**	**2,741**
Tax	223	240	225	271	109	61	104	35	959	310
Rate (%)	15.2	29.3	17.8	16.7	15.1	7.0	19.3	5.9	18.5	11.3
PAT	**1,245**	**578**	**1,043**	**1,353**	**617**	**816**	**433**	**566**	**4,220**	**2,432**
Minority Interest	-13	1	35	-19	-11	-5	-8	-6	5	-30
Adjusted PAT	**1,258**	**577**	**1,008**	**1,372**	**627**	**821**	**441**	**572**	**4,215**	**2,462**
YoY Change (%)	886.1			-61.1	-50.1	42.3	-56.2	-58.3	79.6	-41.6
Margins (%)	14.0	6.2	10.5	13.8	6.4	8.3	5.1	6.3	11.1	6.6

E: MOSL Estimates; Numbers for 4QFY09 & full-year FY09 will be different from reported nos due to re-statement.

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Lupin

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	LPC IN
Equity Shares (m)	444.7
52 Week Range (Rs)	520/313
1,6,12 Rel Perf (%)	2/8/17
Mcap (Rs b)	180.8
Mcap (USD b)	4.0

CMP: Rs407 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	47,405	6,816	15.3	34.8	26.5	7.0	34.1	27.2	4.0	22.4
03/11E	56,155	8,732	19.6	28.1	20.7	5.7	30.4	25.7	3.4	17.5
03/12E	63,207	10,015	22.5	14.7	18.1	4.6	28.3	26.4	2.9	14.8
03/13E	72,445	10,806	24.3	7.9	16.7	3.9	25.3	26.9	2.5	12.9

- Lupin's 4QFY11 topline is likely to record 11.4% YoY growth, driven primarily by 25% YoY growth in formulations revenue from semi-regulated markets to Rs5b and 20% YoY growth in API business.
- We expect EBITDA to grow 10.6% YoY while EBITDA margin is likely to contract by 20bp YoY due to unfavorable product mix.
- PAT is likely to grow by 7.8% YoY to Rs2.4b, in line with operational performance.

Lupin is likely to witness a gradual improvement in underlying fundamentals, led by an expanding US generics pipeline, niche/Para-IV opportunities in the US, ramp-up in Antara revenue (branded product in US) and sustained traction in its domestic and European formulations businesses. While our estimates factor in generic competition for Suprax from 2HFY12, any out-of-court settlement for Suprax patent litigation is likely to raise our earnings for FY12/13. The company continues to target niche, low-competition opportunities to drive future growth and improve profitability. Its initiatives in the US oral contraceptives space are an effort in this direction. The stock trades at 18.1x FY12E and 16.7x FY13E EPS, with a sustained RoE of 25-30%. Our estimates do not include one-time upsides for the company's FTF pipeline in the US. We maintain **Buy**, with a target price of Rs490 (20x FY13E EPS).

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**10,856**	**11,147**	**12,554**	**12,848**	**13,121**	**14,051**	**14,672**	**14,312**	**47,405**	**56,155**
YoY Change (%)	25.9	22.7	30.5	23.1	20.9	26.0	16.9	11.4	25.5	18.5
Total Expenditure	8,914	9,506	10,090	10,359	10,499	11,353	11,960	11,558	38,869	45,369
EBITDA	**1,942**	**1,641**	**2,464**	**2,490**	**2,622**	**2,698**	**2,712**	**2,754**	**8,536**	**10,786**
Margins (%)	17.9	14.7	19.6	19.4	20.0	19.2	18.5	19.2	18.0	19.2
Depreciation	231	242	358	408	401	435	413	430	1,239	1,679
Interest	107	91	109	78	82	88	78	86	385	332
Other Income	211	541	155	539	230	303	294	547	1,445	1,375
PBT	**1,815**	**1,848**	**2,152**	**2,542**	**2,370**	**2,478**	**2,516**	**2,786**	**8,357**	**10,149**
Tax	364	200	504	293	350	271	237	360	1,360	1,218
Rate (%)	20.0	10.8	23.4	11.5	14.7	10.9	9.4	12.9	16.3	12.0
Reported PAT	**1,451**	**1,647**	**1,648**	**2,250**	**2,020**	**2,207**	**2,278**	**2,426**	**6,997**	**8,932**
Minority Interest	50	43	42	45	57	57	38	48	180	200
Recurring PAT	**1,401**	**1,604**	**1,606**	**2,205**	**1,963**	**2,150**	**2,240**	**2,378**	**6,816**	**8,732**
YoY Change (%)	25.0	38.8	37.9	40.1	40.1	34.1	39.5	7.8	35.9	28.1
Margins (%)	12.9	14.4	12.8	17.2	15.0	15.3	15.3	16.6	14.4	15.5

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Opto Circuits

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	OPTC IN
Equity Shares (m)	182.9
52 Week Range (Rs)	328/210
1,6,12 Rel Perf (%)	10/-2/21
Mcap (Rs b)	51.8
Mcap (USD b)	1.2

CMP: Rs283 — Neutral

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	10,776	2,452	13.4	55.0	21.1	5.0	33.9	28.5	4.9	14.4
03/11E	15,853	3,311	18.1	35.0	15.6	4.1	28.6	23.9	3.7	13.5
03/12E	23,084	3,848	21.0	16.2	13.5	3.6	28.2	21.2	2.6	11.4
03/13E	26,616	5,051	27.6	31.3	10.3	2.9	30.9	24.0	2.2	8.7

- Opto's 4QFY11 revenue is likely to grow 62.7% YoY to Rs5.4b, led by acquisition of Cardiac Science. Its non-invasive segment is likely to grow 120% YoY; excluding the Cardiac Science acquisition, it is likely to grow by 48%. However, we expect the invasive segment to report 37.5% decline on a large base.
- EBITDA is likely to decline by 2% YoY to Rs1.1b while EBITDA margin is likely to contract 1220bp due to losses of Cardiac Science, and increasing marketing and other expenses.
- We expect net profit to grow 7.4% YoY to Rs748m, led by lower tax expense.

Opto delivered strong revenue and earnings growth over the past few years and consistently maintained high return ratios. Despite rapid growth, the company remains a marginal player in the global medical devices industry, which gives Opto an opportunity to sustain its high revenue growth for the next couple of years. We believe Opto is likely to grow strongly in invasive and non-invasive businesses due to a large market opportunity, expanding distribution and its geographical spread, new product launches and a low base. However, early financial turnaround of CSC, large goodwill and debt on books are concerns. The stock trades at 15.6x FY11E EPS, 13.5x FY12E EPS and 10.3x FY13E EPS. We maintain **Neutral** with a target price of Rs274.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Revenues	**2,304**	**2,557**	**2,570**	**3,345**	**2,920**	**3,314**	**4,177**	**5,443**	**10,776**	**15,853**
YoY Change (%)	29.9	17.8	21.8	56.9	26.7	29.6	62.5	62.7	31.7	47.1
Total Expenditure	1,533	1,650	1,689	2,235	1,949	2,257	2,948	4,354	7,107	11,508
EBITDA	**770**	**908**	**881**	**1,110**	**971**	**1,057**	**1,228**	**1,089**	**3,669**	**4,345**
Margins (%)	33.4	35.5	34.3	33.2	33.2	31.9	29.4	20.0	34.0	27.4
Depreciation	44	69	65	99	91	115	153	153	278	512
Interest	135	104	72	71	52	62	88	103	382	305
Other Income	4	3	-61	-23	94	-82	105	-11	-76	106
PBT before EO Income	**596**	**737**	**683**	**917**	**922**	**799**	**1,091**	**822**	**2,933**	**3,635**
EO Exp/(Inc)	0	0	0	0	-4	1	4	0	32	2
PBT after EO Income	**596**	**737**	**683**	**917**	**926**	**798**	**1,087**	**822**	**2,901**	**3,633**
Tax	3	47	25	221	92	23	127	71	296	314
Rate (%)	0.5	6.4	3.7	24.1	10.0	2.9	11.7	8.7	10.2	8.6
Minority Int/Adj on Consol	0	0	-1	0	3	1	3	3	1	10
Reported PAT	**593**	**690**	**658**	**696**	**831**	**774**	**957**	**747**	**2,603**	**3,309**
Adj PAT	**593**	**690**	**659**	**696**	**828**	**774**	**961**	**748**	**2,632**	**3,311**
YoY Change (%)	30.7	21.5	25.1	20.2	39.7	12.3	45.8	7.4	24.1	25.8
Margins (%)	25.7	27.0	25.6	20.8	28.3	23.4	23.0	13.7	24.4	20.9

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Ranbaxy Laboratories

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	RBXY IN
Equity Shares (m)	420.4
52 Week Range (Rs)	625/364
1,6,12 Rel Perf (%)	-8/-17/-13
Mcap (Rs b)	185.2
Mcap (USD b)	4.1

CMP: Rs441 — Sell

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/09A	74,688	1,517	3.6	-50.9	99.0	3.5	3.5	8.1	2.8	35.8
12/10A	89,608	11,974	28.5	689.5	12.5	2.6	20.5	19.3	2.1	10.3
12/11E	82,086	4,751	11.3	-60.3	31.6	2.4	7.5	8.4	2.3	21.1
12/12E	91,883	7,138	17.0	50.3	21.0	2.2	10.3	12.8	2.0	15.4

** All valuation ratios adjusted for Rs123/sh DCF value of FTFs*

- Ranbaxy's 1QCY11 core topline is likely to decline 1% YoY, primarily due to 75% YoY decline in other operating income to Rs515m and 3% rupee appreciation v/s the US dollar. Topline growth would be led by 27.8% YoY growth in Africa and 42.6% YoY growth in Asia Pacific and Middle East regions on a low base. Core US generics business is likely to report 6% YoY growth to US$72m while domestic formulations business is expected to grow by 13% YoY.
- EBITDA margin at 10.1% will reflect the positive impact of the ongoing restructuring and cost cutting measures undertaken by the company over the past few quarters. However, it would be tempered down by increased manpower cost and appreciating currency.
- Adjusted PAT is likely to grow by 73.8% YoY to Rs927m on a very low base, impacted by ongoing USFDA issues. Taking into account the contribution by Para-IV/low competition products, adjusted PAT is likely to decline by 75% YoY due to high base of generic Valtrex.

Given the potential recurrence of Para-IV upsides every year over CY10-12, Para-IV upsides are attracting P/E based valuations. We believe these are one-off upsides and value them on a DCF basis. Sustaining current valuations is dependent on upsides from Lipitor and Nexium. It is imperative for Ranbaxy to salvage upsides from these two opportunities, which account for 75-80% of overall Para-IV upsides. We expect core EPS of Rs11.3 for CY11 and Rs17 for CY12 (assuming part recovery in the US). Our estimates exclude MTM forex gains and one-off upsides from Para-IV opportunities. Ranbaxy is valued at 31.6x CY11E and 21x CY12E core EPS. Our current DCF value of all potential Para-IV upsides is Rs86/share. We maintain **Sell**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY10				CY11E				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Income	**26,993**	**21,505**	**19,347**	**21,763**	**18,420**	**20,026**	**21,467**	**22,173**	**89,608**	**82,086**
YoY Change (%)	80.8	13.4	2.6	-0.8	-31.8	-6.9	11.0	1.9	20.0	-8.4
EBITDA	**9,839**	**4,168**	**1,386**	**2,995**	**1,857**	**2,114**	**2,400**	**2,648**	**18,389**	**9,021**
Margins (%)	36.5	19.4	7.2	13.8	10.1	10.6	11.2	11.9	20.5	11.0
Depreciation	1,005	695	987	1,030	842	878	951	988	3,717	3,659
Interest	248	111	110	145	153	159	169	169	614	651
Other Income	1,697	114	2,030	361	121	228	228	226	4,202	803
PBT before EO Expense	**10,283**	**3,477**	**2,319**	**2,181**	**984**	**1,305**	**1,508**	**1,717**	**18,260**	**5,514**
Extra-Ord Expense	-3,872	159	-1,257	2,229	240	0	0	0	-2,741	240
PBT after EO Expense	**14,155**	**3,318**	**3,576**	**-48**	**744**	**1,305**	**1,508**	**1,717**	**21,001**	**5,274**
Tax	4,524	-2	448	880	112	209	234	263	5,849	817
Rate (%)	32.0	-0.1	12.5	-1,846.7	15.0	16.0	15.5	15.3	27.8	15.5
Reported PAT	**9,631**	**3,320**	**3,128**	**-927**	**632**	**1,096**	**1,274**	**1,454**	**15,152**	**4,456**
Minority Interest	26	63	49	48	0	63	49	-112	185	0
Reported PAT after minority	**9,606**	**3,257**	**3,079**	**-975**	**632**	**1,033**	**1,225**	**1,565**	**14,968**	**4,456**
Adj PAT	**533**	**1,516**	**1,020**	**1,059**	**927**	**1,032**	**1,225**	**1,564**	**4,128**	**4,751**
YoY Change (%)	-238.7	658.4	95.0	-168.6	73.8	-31.9	20.2	47.7	-442.1	15.1
Margins (%)	2.0	7.0	5.3	4.9	5.0	5.2	5.7	7.1	4.6	5.8
Adj PAT incl one-offs	**6,822**	**3,414**	**1,020**	**1,452**	**1,688**	**1,349**	**1,225**	**4,893**	**12,709**	**9,156**

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Strides Arcolab

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	STR IN
Equity Shares (m)	57.7
52 Week Range (Rs)	478/302
1,6,12 Rel Perf (%)	2/-13/-7
Mcap (Rs b)	20.2
Mcap (USD b)	0.5

CMP: Rs350 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/09A	13,048	611	10.6	-314.4	33.1	4.0	9.9	8.1	2.1	14.9
12/10A	16,958	1,220	21.1	99.8	16.6	1.6	11.6	11.9	1.8	9.4
12/11E	20,423	1,810	31.3	48.4	11.2	1.4	13.3	11.5	1.5	8.5
12/12E	22,556	2,105	36.5	16.3	9.6	1.3	13.9	11.8	1.4	8.1

- We expect Strides' 1QCY11 revenue to grow 28.3% YoY to Rs4.8b, led by 3x rise in revenue from specialty segments on the back of new product commercialization, revenue from acquired facility in Brazil and low base. Pharma business is expected to report growth of 9.2% YoY to Rs2.7b, led by traction is various markets like Australasia, India etc. We expect licensing income of Rs694m for the quarter.
- EBITDA is likely to grow by 12.5% YoY to Rs877m while EBITDA margin is likely to contract 256bp due to high base and higher expenditure related to four new facilities, which are awaiting USFDA approval.
- We expect net profit to grow 12% YoY to Rs386m in line with operating performance.

Strides is set to catapult into a specialty company with revenue contribution from this segment set to rise from 27% in CY09 to 45% in CY12. The company has an impressive product pipeline in the specialty segment: it has 104 ANDA filings and 73 ANDAs awaiting approval. Besides, large manufacturing capacities (Rs15b capex over CY06-09) are in place to support a revenue scale-up and best-in-class marketing partners like Pfizer and GSK will lead to sustainable revenue growth. We expect Strides to clock earnings CAGR of 60% over CY09-12, led by ramp-up in revenue from the SI (sterile injectables) segment and core EBITDA margin expansion in line with changing product mix and higher capacity utilization. Return ratios are set to improve over CY09-12 and gearing will decline from 2.6x in CY09 to 1.1x in CY12. The stock trades at 11.2x CY11E and 9.6x CY12E earnings. Given the expected growth in earnings and improving business fundamentals, we believe the stock will offer impressive returns. **Buy** with target price of Rs557 (12x CY12E EPS).

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY10				CY11E				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Revenues	**3,736**	**4,545**	**4,122**	**4,556**	**4,791**	**4,962**	**5,326**	**5,344**	**16,958**	**20,423**
YoY Change (%)	31.4	46.7	30.0	15.8	28.3	9.2	29.2	17.3	30.0	20.4
Total Expenditure	2,956	3,532	3,420	3,784	3,914	3,945	4,453	4,439	13,693	16,751
EBITDA	**779**	**1,012**	**702**	**772**	**877**	**1,017**	**874**	**905**	**3,266**	**3,672**
Margins (%)	20.9	22.3	17.0	17.0	18.3	20.5	16.4	16.9	19.3	18.0
Depreciation	159	148	156	175	154	172	186	204	639	716
Interest	260	363	393	451	465	390	345	300	1,466	1,502
Other Income	80	293	182	142	197	205	213	222	697	836
PBT before EO Income	**440**	**793**	**336**	**289**	**454**	**659**	**556**	**622**	**1,858**	**2,291**
EO Exp/(Inc)	-63	207	-182	32	0	0	0	0	-6	0
PBT after EO Income	**503**	**586**	**518**	**257**	**454**	**659**	**556**	**622**	**1,864**	**2,291**
Tax	71	87	110	183	68	99	139	175	452	481
Rate (%)	14.2	14.9	21.3	71.2	15.0	15.0	25.0	28.2	24.2	21.0
Minority Int/Adj on Consol	33	41	0	113	0	0	0	0	187	0
Reported PAT	**398**	**458**	**407**	**-39**	**386**	**560**	**417**	**447**	**1,224**	**1,810**
Adj PAT	**344**	**634**	**264**	**-30**	**386**	**560**	**417**	**447**	**1,220**	**1,810**
YoY Change (%)	82.4	3,707.1	108.2	-111.3	12.0	-11.6	57.8	-1,608.7	99.8	48.4
Margins (%)	9.2	13.9	6.4	-0.7	8.1	11.3	7.8	8.4	7.2	8.9

E: MOSL Estimates; Quarterly numbers don't add up to full year numbers due to restatement

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Sun Pharmaceuticals Industries

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SUNP IN
Equity Shares (m)	1,035.6
52 Week Range (Rs)	511/303
1,6,12 Rel Perf (%)	3/25/24
Mcap (Rs b)	474.2
Mcap (USD b)	10.6

CMP: Rs458 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A*	41,028	13,511	13.0	-25.7	35.1	6.1	12.8	18.7	10.7	32.2
03/11E	58,030	13,679	13.2	44.0	34.7	5.2	16.1	20.9	7.4	22.8
03/11E*	63,178	17,798	17.2	31.7	26.6					
03/12E	66,712	16,541	16.0	20.9	28.7	4.5	16.8	18.0	6.4	23.4
03/13E	75,933	19,518	18.8	9.7	24.3	4.0	17.4	19.3	5.5	19.6

** Includes Para-IV upsides*

- Sun Pharma's core topline for 4QFY11 is likely to grow by 47.3% YoY to Rs14.3b, primarily due to acquisition of Taro, which is likely to contribute ~Rs4.4b to the topline. Including revenue from low competition products, the topline is likely to grow 40% YoY. We expect the domestic formulations business to grow 22.2% YoY while formulation exports (other than to the US) are likely to grow 5.5% YoY.
- Core EBITDA (ex-Para IV/low competition products) is likely to grow 54% YoY to Rs3.7b while core EBITDA margin is likely to expand by 110bp.
- We expect adjusted PAT to grow 17.8% YoY to Rs2.7b despite strong operational performance because of lower other income and higher depreciation. Including the contribution from low competition products, reported PAT is likely to grow 2% YoY to Rs3.2b.

An expanding generics portfolio coupled with change in product mix in favor of high-margin exports is likely to bring in long-term benefits for Sun Pharma. Its ability to sustain superior margins even on a high base is a clear positive. Key future drivers are: (1) ramp-up in US business and resolution of Caraco's cGMP issues, (2) monetization of the Para-IV pipeline in the US, (3) Taro's integration with potential for improvement in its profitability, and (4) launch of controlled substances in the US. We estimate core FY12 EPS at Rs16 and FY13 EPS at Rs18.8, including the Taro acquisition. Our estimates for Taro budget for 100bp expansion in EBITDA margin per year for the next two years. The stock is valued at 28.7x FY12E and 24.3x FY13E core earnings. Earnings growth is likely to improve post the resolution of Caraco's problems. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Revenues	**7,876**	**11,852**	**10,209**	**11,092**	**13,997**	**13,701**	**16,011**	**14,321**	**41,028**	**58,030**
YoY Change (%)	-23.1	0.6	11.2	4.3	77.7	15.6	56.8	29.1	-1.9	41.4
Total Expenditure	6,192	7,019	6,525	7,660	7,837	9,030	11,605	10,622	27,394	39,095
EBITDA	**1,684**	**4,833**	**3,684**	**3,432**	**6,160**	**4,670**	**4,405**	**3,700**	**13,633**	**18,935**
Margins (%)	21.4	40.8	36.1	30.9	44.0	34.1	27.5	25.8	33.2	32.6
Depreciation	376	379	359	419	402	352	805	819	1,533	2,377
Net Other Income	190	613	325	921	116	924	580	269	2,049	1,888
PBT	**1,499**	**5,067**	**3,650**	**3,933**	**5,873**	**5,242**	**4,181**	**3,149**	**14,149**	**18,446**
Tax	31	400	261	843	97	172	545	293	679	1,107
Rate (%)	2.1	7.9	7.1	21.4	1.7	3.3	13.0	9.3	4.8	6.0
Profit after Tax	**1,468**	**4,668**	**3,389**	**3,090**	**5,776**	**5,070**	**3,636**	**2,856**	**13,471**	**17,339**
Share of Minority Partner	-156	145	0	-28	133	34	134	149	-40	450
Reported PAT	**1,624**	**4,523**	**3,390**	**3,119**	**5,643**	**5,037**	**3,502**	**3,183**	**13,511**	**17,364**
One-off upsides	638	2,128	814	821	2,280	930	434	475	4,401	4,119
Adj Net Profit	**986**	**2,395**	**2,575**	**2,298**	**3,363**	**4,107**	**3,067**	**2,708**	**9,110**	**13,245**
YoY Change (%)	-70.2	-19.9	-26.3	-26.5	241.2	71.5	19.1	17.8	-29.5	45.4
Margins (%)	12.5	20.2	25.2	20.7	24.0	30.0	19.2	18.9	22.2	22.8

E: MOSL Estimates; Note - Estimates exclude Taro

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Real Estate

COMPANY NAME
- Anant Raj Industries
- DLF
- HDIL
- Mahindra Lifespaces
- Oberoi Realty
- Phoenix Mills
- Unitech

Valuations depressed following sustained underperformance: During 4QFY11, the BSE Realty Index declined by ~22%. It has underperformed the broader Sensex by 36% since October 2010. The steady underperformance was primarily driven by (1) volume slowdown in key markets due to declining affordability, (2) liquidity tightening by RBI, (3) corporate governance issues, and (4) continued financial stress in the listed/ unlisted domain. However, we believe the ongoing pessimism has already priced in most of the concerns and provides long-term investors with an attractive opportunity to play quality RE stocks.

Absence of strong near-term catalysts, expect trend reversal over 1HFY12: Although the key RE stocks have corrected sharply over the last six months, the industry still lacks strong near-term catalysts for a trend reversal. While the sales momentum in Gurgaon has witnessed a steady pick-up during 4QFY11, volume in Mumbai has largely remain sluggish due to sharp price appreciation. However, RE developers are yet to rationalize prices. Even in the commercial vertical, the pace of recovery has been weaker than expected. Nonetheless, we expect strong pick-up in business activities and robust expansion plans of IT/ITeS sector to boost the commercial leasing momentum and a possible price rationalization and slew of new launches to steadily unleash the latent housing demand over 1HFY12.

Expect RE universe to post 11% YoY earnings growth during 4QFY11: We expect our RE universe to post revenue growth of 13% YoY (1.8% QoQ), EBITDA growth of 22% YoY (flat QoQ) and net profit growth of 10.9% YoY (-5% QoQ) in 4QFY11. After a couple of muted quarters, the new launches have gained steady momentum during 4QFY11, with key RE players such as DLF and Unitech launching housing/plotted development projects across the country, particularly in NCR. We believe positive response to these new launches would be a key trigger to watch for.

Entry points attractive; buy selectively: RE stocks are trading at steep discounts of 30-50% to NAV, which offers appealing entry points. However, such attractive valuations come along with several sector-specific and company-specific headwinds, warranting a cautious and selective investment approach. We believe companies with (1) strong focus

Expected quarterly performance summary **(Rs million)**

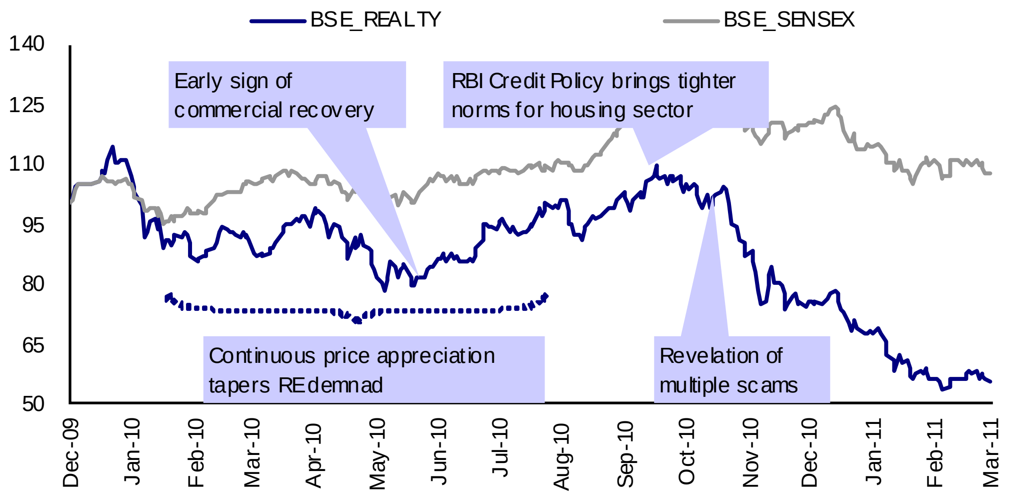
	CMP (Rs) 25.03.11	Rating	Sales Mar.11	Sales Var. % YoY	Sales Var. % QoQ	EBITDA Mar.11	EBITDA Var. % YoY	EBITDA Var. % QoQ	Net profit Mar.11	Net profit Var. % YoY	Net profit Var. % QoQ
Anant Raj Inds	85	Buy	758	122.3	-39.1	469	78.7	-39.3	301	1.2	-40.1
DLF	249	Buy	25,555	28.1	3.0	12,162	21.6	3.2	4,969	16.5	6.7
HDIL	165	UR	4,617	6.4	1.4	2,692	18.5	1.0	1,966	10.6	-22.0
Mahindra Lifespace	365	Buy	1,568	55.3	0.6	431	45.5	0.8	327	38.1	-2.1
Oberoi Realty	235	Buy	3,771	132.1	-5.4	2,120	107.0	-14.1	1,766	68.2	-13.9
Phoenix Mills	180	Buy	461	33.9	2.4	323	63.1	-1.3	235	49.7	-1.1
Unitech	40	Buy	7,227	-36.2	9.5	2,333	-14.4	11.8	1,297	-35.5	16.5
Sector Aggregate			**43,957**	**12.9**	**1.8**	**20,530**	**22.4**	**0.0**	**10,862**	**10.9**	**-4.9**

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

on product affordability (ensuring higher absorption), (2) ready/near-completion commercial assets in attractive micro-markets (beneficiaries from commercial recovery), (3) lower leverage and strong cash flows (lesser impact from liquidity tightening), and (4) superior brand recall, to outperform their sector peers. We prefer **DLF** among large caps, and **Oberoi Realty** and **Mahindra Lifespaces** among mid caps.

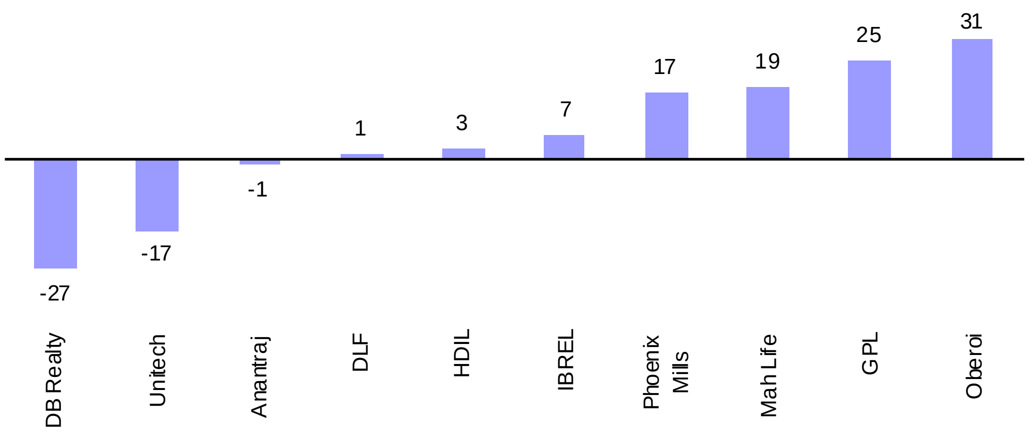
During 4QFY11, BSE Realty Index declined by ~22% and underperformed the broader Sensex by 36% since October 2010

Strong underperformance by BSE Realty Index



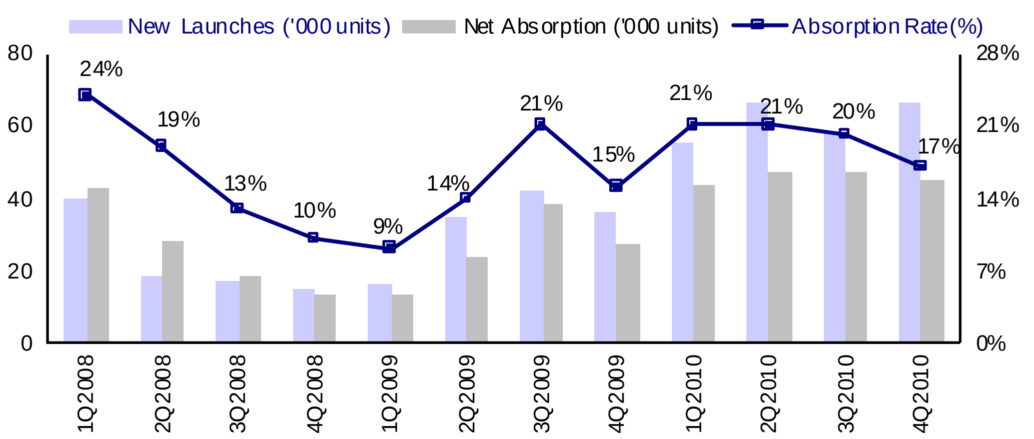
Companies with lower leverage and lesser headwinds have been outperformer

Key underperformers and outperformers to BSE Realty index (%)



Price appreciation coupled tighter liquidity led to decline in absorption rate during 3QFY11

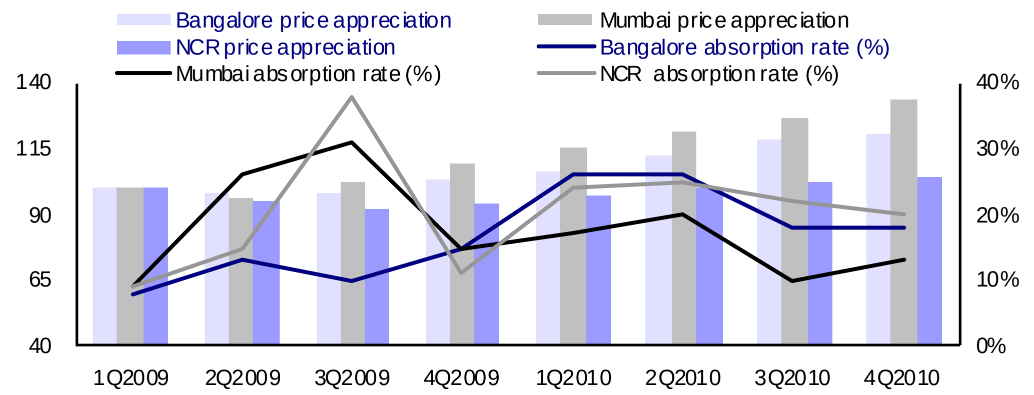
Pan India launches and absorption rate



Source: JLLM, Real Estate Intelligence Service, December 2010 data/Company/MOSL

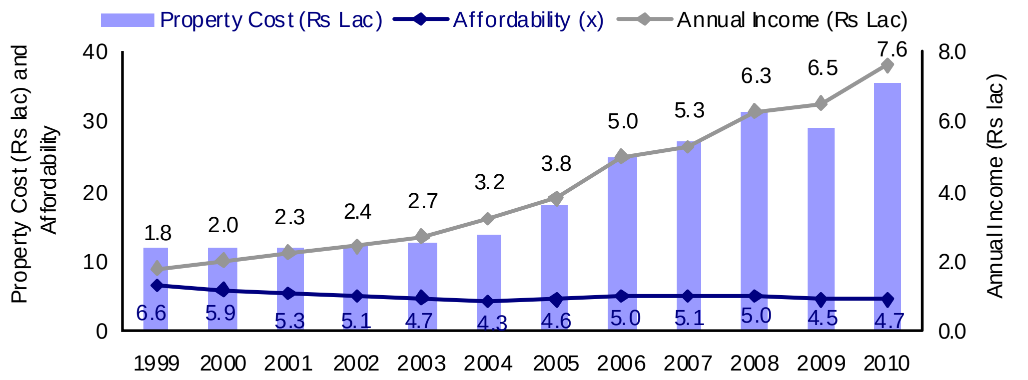
Absorption in Mumbai under-performed other cities due to sharp price appreciation

Relative capital value appreciation since 1QCY09



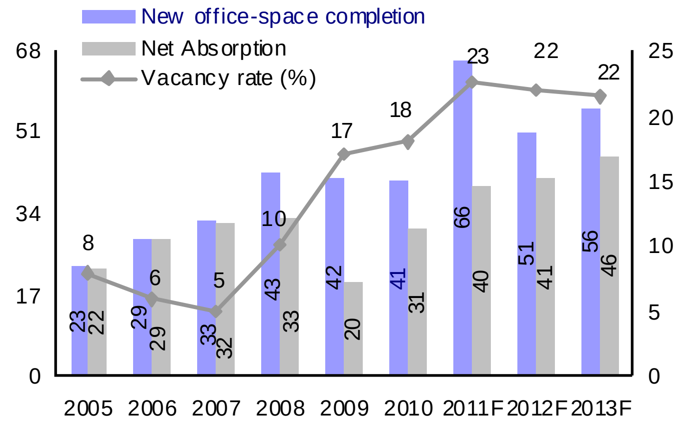
Affordability in 2010 has been close to 10 years low on account of steep increase in property value

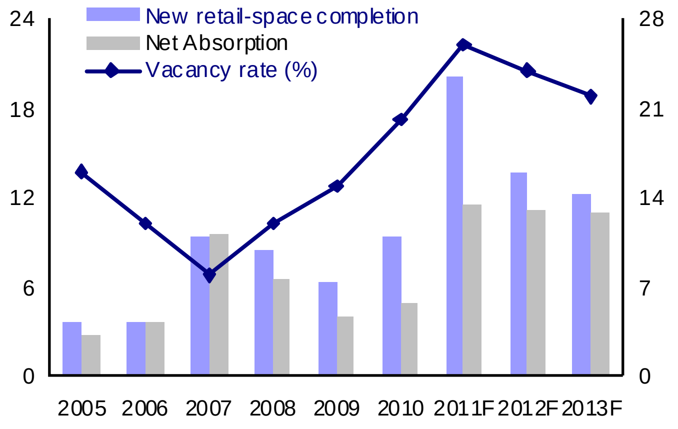
Affordability trend of home buyers



Source: HDFC Presentation/JLLM/Real Estate Intelligence Service, December 2010 data

Expect vacancy rates for commercial and retail verticals to decline in CY11

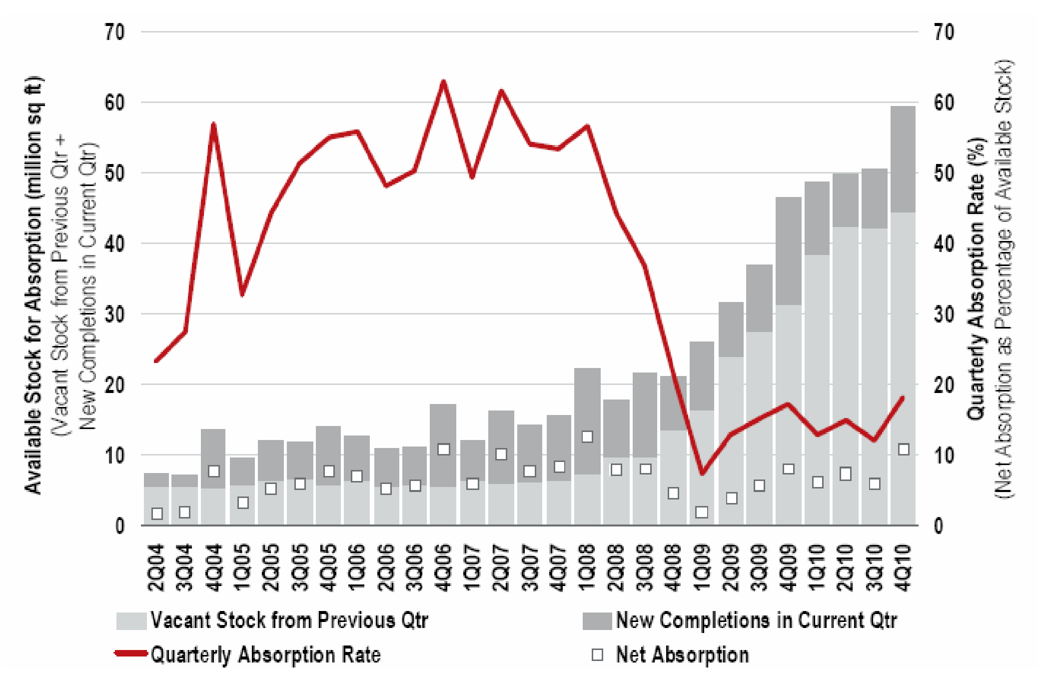




Source: JLLM/Real Estate Intelligence Service, December 2010 data

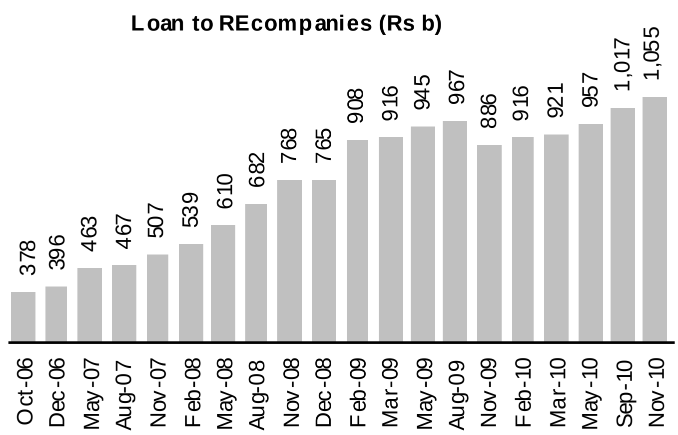
Commercial office space witnessed an absorption of 30.5msf during 2010 (v/s 20msf in 2009)

QoQ absorption trend in commercial vertical

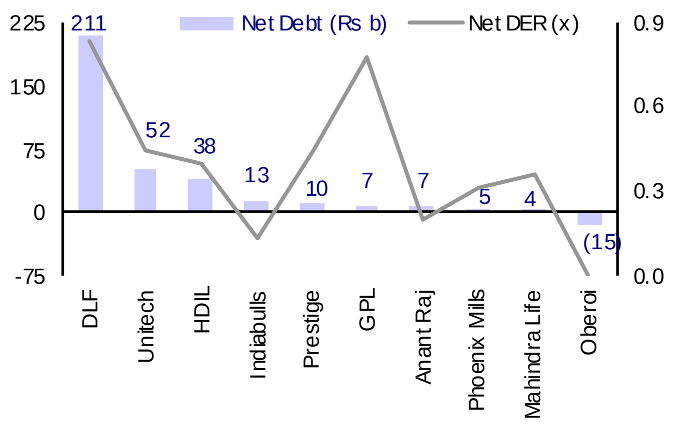


Source: JLLM, Real Estate Intelligence Service, December 2010 data

Sharp surge in bank loans to RE developers concerning

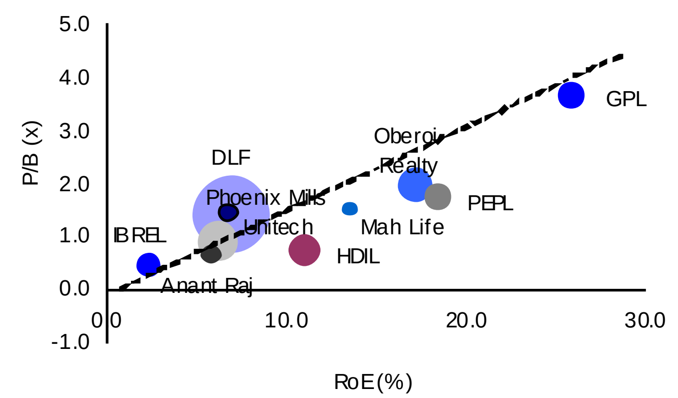


Net DER (x) level of key RE developers

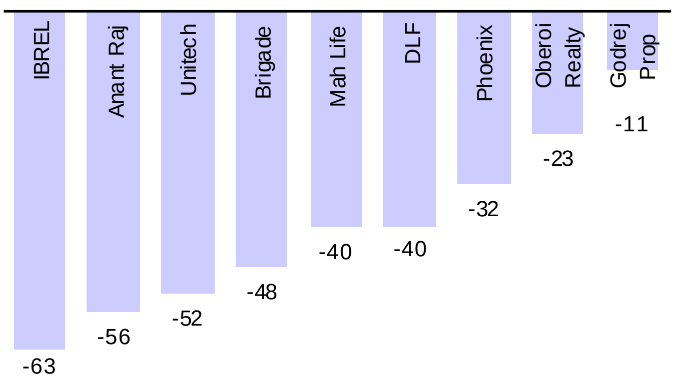


Source: RBI/Company/MOSL

RoE (%) v/s P/BV (x) for key RE stocks

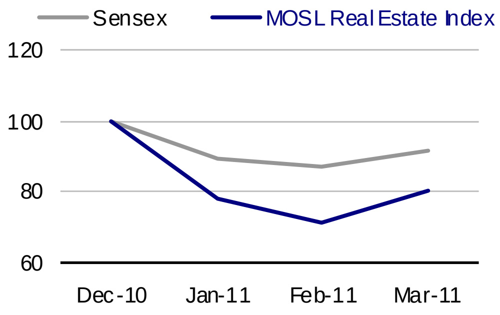


RE stocks are trading at steep discount to NAV (%)

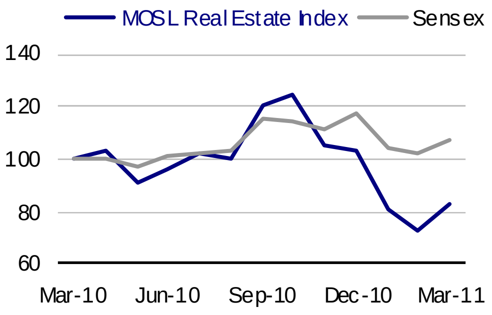


Source: Company/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Real Estate														
Anant Raj Inds	85	Buy	5.9	8.7	10.8	14.4	9.8	7.9	13.2	8.7	6.9	4.7	6.7	7.8
Brigade Enterpr.	93	Buy	12.0	16.1	18.2	7.7	5.7	5.1	7.0	4.8	3.8	12.1	14.8	14.8
DLF	249	Buy	10.6	12.3	16.5	23.5	20.2	15.1	14.3	12.3	10.3	6.2	7.1	8.8
Godrej Properties	681	Neutral	16.3	39.5	53.8	41.6	17.2	12.6	73.2	22.7	11.5	13.1	26.1	27.6
HDIL	165	UR	21.7	25.8	29.0	7.6	6.4	5.7	7.8	5.3	4.7	10.0	11.2	11.8
Indiabulls Real Estate	121	Buy	5.5	6.9	12.7	22.2	17.5	9.5	22.3	11.5	6.7	2.1	2.6	4.6
Mahindra Lifespace	365	Buy	32.0	42.1	58.8	11.4	8.7	6.2	8.9	6.4	4.0	11.9	13.7	16.2
Oberoi Realty	235	Buy	17.0	19.5	34.1	13.8	12.0	6.9	10.3	7.7	3.5	21.1	17.3	24.9
Peninsula Land	59	Neutral	11.9	13.2	4.7	4.9	4.5	12.5	3.5	3.3	4.3	24.0	22.9	8.1
Phoenix Mills	180	Buy	6.4	8.5	12.1	28.1	21.3	14.9	23.9	13.2	9.0	5.5	6.9	9.1
Puravankara Projects	102	Neutral	7.9	9.1	10.1	12.9	11.2	10.1	15.0	8.7	-4.1	10.5	11.0	11.1
Unitech	40	Buy	2.3	3.1	4.4	17.6	13.2	9.1	14.3	9.5	6.3	5.0	6.4	8.5
Sector Aggregate						**16.9**	**13.7**	**10.4**	**13.3**	**9.9**	**7.2**	**7.0**	**8.2**	**9.9**

Anant Raj Industries

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	ARCP IN
Equity Shares (m)	294.6
52 Week Range (Rs)	160/66
1,6,12 Rel Perf (%)	15/-32/-45
Mcap (Rs b)	25.1
Mcap (USD b)	0.6

CMP: Rs85 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	3,111	2,383	8.1	15.0	10.6	0.7	6.9	8.1	7.0	8.4
3/11E	4,364	1,741	5.9	-26.9	14.4	0.7	4.7	5.9	7.4	13.2
3/12E	7,195	2,575	8.7	47.9	9.8	0.6	6.7	7.8	4.8	8.7
3/13E	9,046	3,187	10.8	23.8	7.9	0.6	7.8	9.1	3.8	6.9

- We expect revenue to increase by 122% YoY to Rs758m, EBITDA to grow by ~78% YoY to Rs469m and net profit to remain flat YoY at Rs301m. We estimate EBITDA margin at 62%.
- The key contributors to revenue would be (1) presold residential projects at Manesar (1.2msf) and Kapasera, (2) the newly launched Sector-91 project in Gurgaon, and (3) rental income from commercial and hotel projects.
- We expect lower revenue recognition from the presold residential projects due to slower construction progress in the initial stages of Manesar and Kapasera projects. In the absence of significant new leases for its commercial projects, rental income would remain steady at Rs202m.
- Anant Raj has maintained its steady focus on mid-income housing. After encouraging response for its Manesar project (sold 1.2msf in 9MFY11), the company soft launched its Gurgaon, Secor-91 project (1.5msf), with a base price of Rs3,800/sf and sold 80 units in 4QFY11.
- It is also planning to launch its affordable housing project Nirwana (Rajasthan) in the last week of March 2011. The project is likely to have ~2,800 units, with sales realization of Rs1,400/sf.
- In 4QFY11, the incremental leasing at Manesar IT Park has been muted. Considering the delay in construction, the Kirti Nagar mall is now likely to get operational by 1QFY12 along with Hotel Tri-Color.
- The company is also planning to extend its land parcel at Gold Course Road to ~200 acres (existing 150 acres), with another Rs2b capex in the forthcoming quarters.
- Anant Raj has an NCR-centric land bank, with multiple revenue streams and steady monetization visibility from a balanced mix of mid-income and premium residential projects. We expect revenue to grow at 42% CAGR and net profit to increase at 35% CAGR over FY11-13. Our FY12E NAV for Anant Raj is Rs185/share. The stock trades at 54% discount to NAV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Sales	**1,050**	**892**	**826**	**341**	**1,034**	**1,329**	**1,244**	**1,265**	**3,111**	**4,872**
Change (%)	901.7	-43.0	17.0	52.4	-1.5	48.9	50.5	271.1	16.6	56.6
Total Expenditure	289	94	62	79	465	701	471	511	525	2,149
EBITDA	**760**	**799**	**764**	**262**	**569**	**627**	**772**	**754**	**2,586**	**2,723**
Change (%)	-	-46.6	17	83.4	-25.2	-21.5	1	187.7	9	5
As of % Sales	72	89	92	77	55	47	62	60	83	56
Depreciation	35	45	43	-16	36	38	38	40	107	152
Interest	0	0	0	48	15	9	89	92	49	205
Other Income	155	137	117	126	94	64	48	30	535	235
PBT	**880**	**890**	**837**	**369**	**612**	**645**	**692**	**652**	**2,965**	**2,602**
Tax	180	176	166	59	154	166	189	181	581	689
Effective Tax Rate (%)	20	20	20	16	25	26	27	28	20	27
Reported PAT	**700**	**714**	**671**	**309**	**459**	**479**	**503**	**472**	**2,384**	**1,912**
Change (%)	777.9	-43.9	1	92.5	-34.5	-33.0	-25	52.4	6	-20
Adj PAT	**689**	**713**	**671**	**297**	**458**	**481**	**503**	**472**	**2,383**	**1,912**
Change (%)	788.3	-44.0	1	95.3	-33.5	-32.6	-25	58.6	7	-20

E: MOSL Estimates

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

DLF

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	DLFU IN
Equity Shares (m)	1,714.4
52 Week Range (Rs)	397/209
1,6,12 Rel Perf (%)	10/-26/-24
Mcap (Rs b)	426.2
Mcap (USD b)	9.5

CMP: Rs249 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	74,209	18,067	10.2	-61.3	24.4	1.4	5.7	7.7	8.5	18.0
3/11E	94,330	18,219	10.6	3.6	23.5	1.5	6.2	8.1	6.5	14.3
3/12E	97,616	20,858	12.3	16.4	20.2	1.5	7.1	9.0	6.0	12.3
3/13E	112,700	27,987	16.5	34.2	15.1	1.4	8.8	10.7	4.9	10.2

- We expect revenue to grow 28% YoY to Rs25.6b, EBITDA to increase by 21.6% YoY to Rs12.2b and net profit to increase ~16.5% YoY to Rs5b. Margin would remain steady at ~47.6% (v/s 47.5% in 3QFY11).
- In 4QFY11, the company launched a super luxury project, Kings' Court (0.3msf) in GK2 (Delhi) at a price of ~Rs35,000/sf and a commercial complex project, Horizon Centre in Gurgaon (1msf) at a price of Rs11,000-12,000/sf. It has witnessed strong response for both these projects. The company is going to launch its luxury housing project, Bay View at Kochi (average ticket size of Rs10m-28m) towards the end of the quarter.
- Its plotted development projects at (1) Mullanpur (~2msf, ~600 plots at ~Rs3,200/sf), (2) Indore (1msf, ~Rs1,000/sf), (3) Gurgaon (2msf), and (4) remaining portion of its Alameda project in Gurgaon (launched in 3QFY11) are also likely to add to revenue.
- Achieving its initial residential sales guidance of 12-15msf seems challenging, with just 6.5msf sales during 9MFY11. However, DLF is likely to witness a strong boost in sales velocity during 4QFY11 in the backdrop of its new launches and plotted development projects. We expect the company to achieve incremental sales of ~4msf during the quarter.
- DLF has already surpassed its guidance for commercial leasing of 3-4msf for FY11 and achieved 4.2msf during 3QFY11. We expect the company to witness 1msf of new leasing during 4QFY11.
- Slower than expected sales in the residential vertical and high debt levels have been the key concerns for DLF. However, with new launches gaining visibility, we expect (a) faster monetization of residential projects, (b) revival in the commercial and retail verticals, (c) progress on debt leveraging, and (d) successful REIT listing at an attractive cap-rate. These could be near-term catalysts for the stock. DLF trades at a 32% discount to our FY12E NAV of Rs367/share. It trades at 20.2x FY12E EPS of Rs12.3 and 15.1x FY13E EPS of Rs16.5. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**16,499**	**17,509**	**20,258**	**19,944**	**20,285**	**23,690**	**24,799**	**25,555**	**74,210**	**94,330**
Change (%)	(56.7)	(53.2)	48.2	77.7	22.9	35.3	22.4	28.1	-26.1	25.9
Total Expenditure	9,058	8,371	11,825	9,944	10,490	14,401	13,020	13,393	39,198	51,303
EBITDA	**7,441**	**9,138**	**8,433**	**10,000**	**9,796**	**9,289**	**11,780**	**12,162**	**35,012**	**43,027**
Change (%)	-68.3	-58.8	9.2	546.9	31.6	1.7	39.7	21.6	-37.5	30.9
As % of Sales	45.1	52.2	41.6	50.1	48.3	39.2	47.5	47.6	47.2	49.1
Depreciation	734	766	800	947	1,498	1,540	1,612	1,680	3,246	6,330
Interest	2,874	2,486	2,568	3,147	3,884	4,338	4,277	4,538	11,075	17,037
Other Income	961	594	1,260	1,518	1,321	1,509	1,143	881	4,334	4,853
PBT	**4,794**	**6,481**	**6,325**	**7,424**	**5,734**	**4,920**	**7,034**	**6,825**	**25,024**	**24,513**
Tax	993	1,918	1,684	2,362	1,679	734	2,026	1,856	6,957	6,295
Effective Tax Rate (%)	20.7	17.5	26.6	31.8	29.3	14.9	28.8	27.2	27.8	25.7
Reported PAT	**3,801**	**4,563**	**4,641**	**5,062**	**4,056**	**4,186**	**5,008**	**4,969**	**18,067**	**18,219**
Change (%)	(79.9)	(76.4)	-31.9	198.3	6.7	(8.3)	7.9	(1.8)	-60.0	16.6
Adj. PAT	**3,960**	**4,397**	**4,679**	**4,264**	**4,110**	**4,184**	**4,657**	**4,969**	**17,300**	**17,919**
Change (%)	(78.8)	(77.3)	(30.2)	168.1	3.8	(4.9)	(0.5)	16.5	-61.3	21.8

E: MOSL Estimates

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

HDIL

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	HDIL IN
Equity Shares (m)	415.1
52 Week Range (Rs)	309/123
1,6,12 Rel Perf (%)	3/-32/-50
Mcap (Rs b)	68.4
Mcap (USD b)	1.5

CMP: Rs165 — Under Review

Year End	Net Sales (Rs M)	PAT (Rs M)	EPS (Rs)	EPS Growth (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
3/10A	15,021	5,666	15.8	-35.8	10.5	0.8	8.1	5.5	4.6	8.7
3/11E	17,406	9,002	21.7	37.3	7.6	0.8	10.0	7.4	2.8	4.6
3/12E	27,978	10,721	25.8	19.1	6.4	0.7	11.2	8.6	1.5	2.9
3/13E	34,178	12,019	29.0	12.1	5.7	0.7	11.8	9.5	1.2	2.7

- We expect revenue to grow 6.4% YoY to Rs4.6b, EBITDA to grow 18.5% YoY to Rs2.7b and net profit to increase by 10.6% YoY to ~Rs2b. EBITDA margin would remain flat at 58%.
- During 4QFY11, TDR prices in Mumbai suburbs declined sharply to Rs2,400-2,500/sf (v/s Rs3,100/sf during 3QFY11) due to muted demand on account of slow construction.
- In 3QFY11, the management had guided TDR inventory of 4.5msf, which it is planning to monetize over the next 2-3 quarters. We have assumed a TDR volume of ~0.9msf during 4QFY11. With lower near-term visibility on TDR, we expect the contribution from TDR sales to decline sharply during FY12.
- We expect the company to recognize part of its revenue through FSI sale in Popular Car Bazaar and Goregaon (overall sale value of Rs12b).
- While Mumbai real estate is witnessing a slowdown in sales, HDIL has till date been relatively less impacted due to its focus on affordable housing. However, sluggish TDR demand with uncertainty over progress of the MIAL project could impact HDIL negatively, since it derives a significant part of its revenue from the TDR vertical.
- We believe the key catalyst for HDIL in the near to medium term would be (a) clarity on relocation of airport slum families to its MIAL rehab area and progress on subsequent phases, and (b) faster monetization of its affordable housing projects.
- HDIL trades at 6.4x FY12E EPS of Rs25.8 and 5.7x FY13E EPS of Rs29. **Under Review**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E March	FY10				FY11				FY10*	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**2,954**	**3,537**	**4,089**	**4,341**	**4,509**	**3,727**	**4,554**	**4,617**	**15,021**	**17,406**
Change (%)	-48.2	-38.0	30.3	21.3	52.7	5.4	11.4	6.4	-13.1	15.9
Total Expenditure	1,792	1,740	2,201	2,070	1,835	1,354	1,888	1,926	7,129	7,003
EBITDA	**1,161**	**1,797**	**1,888**	**2,271**	**2,674**	**2,372**	**2,665**	**2,692**	**7,893**	**10,403**
Change (%)	-75.1	-33.6	98.7	135.3	130.3	32.0	41.2	18.5	1.4	31.8
As % of Sales	39.3	50.8	46.2	52.3	59.3	63.7	58.5	58.3	52.5	59.8
Depreciation	9	9	12	22	19	16	15	27	724	77
Interest	169	185	190	245	215	212	203	205	462	835
Other Income	233	274	266	304	342	339	281	-224	345	739
PBT	**1,217**	**1,876**	**1,952**	**2,309**	**2,782**	**2,483**	**2,728**	**2,236**	**7,052**	**10,230**
Tax	142	390	324	474	439	355	164	270	1,386	1,228
Effective Tax Rate (%)	11.6	20.8	17	20.5	16	14.3	6	12	20	12
Reported PAT	**1,075**	**1,486**	**1,628**	**1,835**	**2,343**	**2,129**	**2,564**	**1,966**	**5,666**	**9,002**
Change (%)	-66.2	-53.3	115.1	196.3	118.0	43.2	57.5	7.2	-16.4	58.9
Adjusted PAT	**1,075**	**1,486**	**1,628**	**1,778**	**2,343**	**2,138**	**2,519**	**1,966**	**5,666**	**9,002**
Change (%)	-66.2	-53.3	-12.0	187.2	118.0	43.9	54.8	10.6	-28.0	58.9

E: MOSL Estimates; * Consolidated Results

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

Mahindra Lifespaces

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	MLIFE IN
Equity Shares (m)	40.8
52 Week Range (Rs)	561/300
1,6,12 Rel Perf (%)	0/-13/-12
Mcap (Rs b)	14.9
Mcap (USD b)	0.3

CMP: Rs365 — Buy

Year End	Net Sales (Rs m)	PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (x)	P/BV (x)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/10A	4,179	785	19.0	22.7	19.0	1.5	7.9	8.9	4.3	15.2
3/11E	6,249	1,318	32.0	67.7	11.3	1.4	11.9	13.5	2.9	8.9
3/12E	7,906	1,727	42.1	31.1	8.6	1.2	13.7	16.2	2.2	6.4
3/13E	10,606	2,408	58.8	39.5	6.2	1.0	16.2	19.7	1.4	4.0

- We expect standalone revenue to increase by 55% YoY to Rs1.6b, EBITDA to grow by 45% YoY to Rs431m and net profit to increase by 38% YoY to Rs327m. EBITDA margin would be 27.5%.
- We expect it to recognize incremental revenue from its ongoing residential projects Mahindra Splendor (Bhandup), Eminente phase-2 and 3 (Goregaon), Rayale (Pune) and Chloris and Aura (NCR).
- During 9MFY11, the company has sold ~1.2msf aggregating ~Rs5.8b. While the residential sales volume has been sluggish in Mumbai, we expect Mahindra Lifespaces to achieve ~1.5msf of sales in FY11.
- Mahindra Lifespaces has two key ongoing SEZ projects at Chennai and Jaipur. The residential launches in Chennai SEZ witnessed strong response, with ~90% of its Aqualily and Iris projects getting sold.
- Jaipur is also witnessing steady progress, with commencement of construction at all the three SEZs (IT, Light Engineering and Handicraft). The total customer base at Jaipur SEZ stood at 28, with 3 operational and 9 under construction. The company has also entered into MoUs with additional 10 customers.
- Mahindra Lifespaces has a strong focus on the SEZ and residential verticals. Its sound balance sheet, strong brand, established client relationships, and large pipeline of SEZ projects position the company strongly to augment the scalability of its business significantly.
- Our FY12E SOTP value for Mahindra Lifespaces is Rs591/share: (1) Chennai SEZ at Rs172/share, (2) Jaipur SEZ at Rs164/share, (3) residential vertical at Rs188/share, and (4) other rental assets at Rs60/share. Our valuations do not include its pipeline SEZs (a) in North Chennai, (b) near the Mumbai-Pune Expressway, and (c) new MoUs at Dholera Special Investment Region.
- We expect earnings to witness a CAGR of 35% over FY11-13, due to strong contribution from the Chennai SEZ, sale of the processing area in the Jaipur SEZ and contribution from residential projects. The stock trades at ~38% discount to our FY12E SOTP value of Rs591, 8.6x FY12E EPS of Rs42.1 and 1.2x FY12E BV of Rs306. **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**473**	**635**	**1,089**	**1,010**	**679**	**890**	**1,558**	**1,568**	**3,207**	**4,695**
Change (%)	-2.0	109.5	95.7	223.4	43.7	40.1	43.1	55.3	-6.2	46.4
Total Expenditure	369	488	784	713	517	656	1,130	1,136	2,398	3,440
EBITDA	**104**	**147**	**305**	**296**	**163**	**234**	**428**	**431**	**808**	**1,255**
As % of Sales	22.0	23.2	28.0	29.4	23.9	26.2	27.5	27.5	25.2	26.7
Depreciation	6	5	5	7	6	6	6	17	23	34
Interest	0	0	0	0	0	0	0	7	0	7
Other Income	43	131	66	51	49	114	66	61	290	290
PBT	**140**	**229**	**366**	**340**	**206**	**342**	**488**	**468**	**1,075**	**1,504**
Tax	36	56	86	103	61	95	154	141	281	451
Effective Tax Rate (%)	25.8	24.2	23.5	30.3	29.6	27.9	31.5	30.2	26.2	30.0
Reported PAT	**104**	**173**	**280**	**237**	**145**	**247**	**334**	**327**	**773**	**1,053**
Change (%)	6.9	55.2	147.7	68.0	39.0	42.2	19.5	38.1	17.8	36.1
Adj. PAT	**104**	**203**	**280**	**237**	**145**	**247**	**334**	**327**	**794**	**1,053**
Change (%)	6.9	81.3	147.7	74.6	39.0	21.7	19.5	38.1	23.9	32.6

E: MOSL Estimates

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

Oberoi Realty

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	OBER IN
Equity Shares (m)	328.2
52 Week Range (Rs)	307/210
1,6,12 Rel Perf (%)	2/0/0
Mcap (Rs b)	77.0
Mcap (USD b)	1.7

CMP: Rs235 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	7,836	4,582	14.0	81.7	16.6	4.1	27.7	28.9	9.3	15.5
3/11E	11,060	5,571	17.0	21.6	13.7	2.2	21.1	25.6	5.9	10.2
3/12E	14,130	6,414	19.5	15.1	11.9	1.9	17.3	23.9	4.5	7.6
3/13E	24,561	11,181	34.1	74.3	6.8	1.5	24.9	34.5	2.2	3.5

- We expect revenue to grow 132% YoY to Rs3.8b, EBITDA to increase by 107% YoY to Rs2.1b and net profit to increase ~68% YoY to Rs1.8b. Margin would be 56% (59% in 9MFY11).
- The key revenue contributors would be (a) its residential projects Exquisite I, Splendor, and Grande (expected to start booking revenue from 4QFY11), and (b) Rs450m-500m of annuity income from Oberoi Mall, Commerz, Westin (hotel) and school.
- During 4QFY11, the company launched its residential project, Exquisite II in Garden City (Goregaon, Mumbai) at a BSP of Rs10,000/sf and witnessed good response. We model ~0.2msf of sales in this project during the quarter.
- The management has guided launch of Exotica (Mulund) and Oasis (Worli) during 1QFY12 and 2QFY12, respectively.
- We expect Oberoi Realty to post 35% earnings CAGR over FY10-13. We estimate NAV at Rs310/share for FY12 and at Rs342/share for FY13 based on NPV-based valuation of its land bank. The stock is attractively valued at 11.9x FY12E EPS of Rs19.5, 6.8x FY13E EPS of Rs34.1 and at ~25% discount to FY12E NAV. We expect the stock to trade at least at par with NAV due to (1) premium brand equity, (2) strong near-term cash flow visibility, and (3) value unlocking potential of huge surplus cash. **Buy** with a target price of Rs310, 32% upside.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Revenue	**1,493**	**2,606**	**2,112**	**1,625**	**1,602**	**1,701**	**3,987**	**3,771**	**7,836**	**11,060**
Change (%)	0.0	0.0	0.0	0.0	7.3	-34.7	88.7	132.1	84.2	41.1
Total Expenditure	715	1,090	758	600	754	694	1,518	1,651	3,164	4,617
EBITDA	**778**	**1,516**	**1,354**	**1,025**	**847**	**1,006**	**2,469**	**2,120**	**4,672**	**6,443**
Change (%)	0.0	0.0	0.0	0.0	8.9	-33.6	82.3	107.0	-27.0	37.9
As of % Sales	52.1	58.2	64.1	63.1	52.9	59.2	61.9	56.2	59.6	58.3
Depreciation	21	23	24	22	45	58	61	65	91	228
Interest	0	0	0	0	1	2	3	3	0	6
Other Income	25	39	43	112	57	70	218	200	218	545
PBT	**790**	**1,531**	**1,373**	**1,106**	**858**	**1,017**	**2,623**	**2,256**	**4,800**	**6,753**
Tax	62	36	64	64	60	62	570	490	226	1,182
Effective Tax Rate (%)	7.8	2.4	0.0	0.0	7.0	6.1	21.7	21.7	4.7	17.5
Reported PAT	**728**	**1,495**	**1,309**	**1,042**	**798**	**955**	**2,052**	**1,766**	**4,574**	**5,571**
Adj PAT	**728**	**1,495**	**1,309**	**1,050**	**798**	**955**	**2,052**	**1,766**	**4,582**	**5,571**
Change (%)	0.0	0.0	0.0	0.0	9.6	-36.1	56.7	68.2	63.0	21.6

E: MOSL Estimates

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

Phoenix Mills

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	PHNX IN
Equity Shares (m)	144.8
52 Week Range (Rs)	269/160
1,6,12 Rel Perf (%)	-3/-19/-12
Mcap (Rs b)	26.1
Mcap (USD b)	0.6

CMP: Rs180 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	1,230	612	4.2	-20.2	42.6	1.6	3.8	3.6	26.0	41.3
3/11E	2,110	927	6.4	51.3	28.1	1.5	5.5	5.1	15.7	23.9
3/12E	3,721	1,225	8.5	32.2	21.3	1.5	6.9	8.3	9.5	13.2
3/13E	6,417	1,746	12.1	42.6	14.9	1.4	9.1	11.3	5.6	9.0

- We expect revenue to grow 34% YoY to Rs461m, led by contribution from High Street Phoenix (HSP). EBITDA is likely to increase by 63% YoY to Rs323m, implying an EBITDA margin of 70% (v/s 72.6% in 3QFY11). Net profit would grow by 50% YoY to Rs235m. We expect a marginal QoQ drop in EBITDA margin on account of payment of property tax.
- Almost 97% of Palladium at HSP has been leased out and the weighted average lease rental for Palladium is Rs185-190/sf/month based on minimum rental guarantees. Earlier, the management guided re-pricing of old rental contracts of ~0.2msf in 4QFY11, which could increase the average rental of HSP by 15-20%. However, the negotiation is yet to be concluded and hence, we are not estimating any upside from re-pricing during 4QFY11. There could be a retrospective impact, going forward.
- Phoenix Mills' Market City projects witnessed no significant new leasing. ~60% of its Kurla mall and ~80% of its Pune mall has been leased. While the Pune retail mall is likely to be operational by April 2011, the Kurla (Mumbai), Chennai and Bangalore malls would be completed in 1HFY12.
- The company has started monetizing a part of its commercial projects at Market City, Kurla and Pune. It expects ~Rs250m of revenue recognition from its Pune commercial sales during 4QFY11.
- Phoenix Mills is smart play on the booming domestic consumption story. Our FY12 NAV estimate for the company is 258/share. The stock trades at 1.5x FY12E adjusted book value of Rs122 and at 30% discount to our FY12E NAV. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	CONSOL	CONSOL
Sales	**248**	**264**	**302**	**345**	**404**	**443**	**451**	**461**	**1,230**	**2,110**
Change (%)	19.7	12.6	36.7	61.0	63.1	68.0	49.3	33.9	23.5	71.5
Total Expenditure	59	82	125	147	111	126	123	138	455	721
EBITDA	**189**	**182**	**177**	**198**	**294**	**317**	**327**	**323**	**775**	**1,388**
% Change	21.3	1.5	14.2	51.7	55.5	74.5	84.7	63.1	28.8	79.2
As % of Sales	76.2	68.9	58.7	57.4	72.6	71.6	72.6	70.0	63.0	65.8
Depreciation	24	27	53	59	69	70	70	68	172	294
Interest	10	10	31	35	35	29	19	5	86	209
Other Income	53	83	47	58	44	66	71	52	243	232
PBT	**208**	**228**	**140**	**162**	**234**	**285**	**310**	**301**	**759**	**1,118**
Tax	55	53	39	4	52	64	72	66	147	254
Effective Tax Rate (%)	26.3	17.5	19.5	2.8	22.0	22.3	22.0	22.0	19.4	22.7
Reported PAT	**153**	**175**	**102**	**157**	**183**	**221**	**238**	**235**	**612**	**865**
Change (%)	38.9	-54.6	(30.9)	11.8	19.1	26.1	133.3	49.7	-20.1	41.2
Adj. PAT	**153**	**175**	**102**	**157**	**183**	**221**	**238**	**235**	**612**	**927**
Change (%)	38.9	(54.6)	(30.9)	11.8	19.1	26.1	133.3	49.7	-20.2	51.3

E: MOSL Estimates

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

Unitech

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	UT IN
Equity Shares (m)	2,438.8
52 Week Range (Rs)	98/31
1,6,12 Rel Perf (%)	14/-47/-51
Mcap (Rs b)	98.3
Mcap (USD b)	2.2

CMP: Rs40 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	29,313	6,751	2.8	-53.6	14.5	1.1	6.5	6.4	5.4	14.8
3/11E	28,556	5,976	2.3	-17.5	17.5	1.0	5.0	5.4	5.2	15.0
3/12E	41,105	8,016	3.1	34.1	13.1	0.9	6.4	7.3	3.4	9.9
3/13E	52,946	11,541	4.4	44.0	9.1	0.9	8.5	9.7	2.3	6.6

- We expect revenue to decline by 36% YoY to Rs7.2b, EBITDA to drop by 14.4% to Rs2.8b and net profit to decline by 35.5% YoY to Rs1.3b. We estimate EBITDA margin at 32%.
- In 4QFY11, the company came up with a slew of new launches, with ~3msf (~10 projects) largely in the mid-income segment across South Park (Gurgaon), Unihomes (Rewari, Haryana), Residences (Noida), Mohali, Greenwood City (Chennai), etc.
- The management has indicated strong response in its Gurgaon and Rewari projects (40-70% sold), while the sales momentum has been sluggish in Noida on account of supply pressure.
- Unitech had guided sales of ~10msf, aggregating to Rs50b for FY11. In 9MFY11, it has achieved sales of 7.2msf (~Rs33b). We expect sales of 9-9.5msf (Rs40b-43b) in FY11.
- We expect improved construction activities across projects, after the temporary slowdown on account of monsoon and labor-related issues in 2Q-3QFY11, to drive ~10% QoQ improvement in revenue booking.
- In 3QFY11, Unitech's gross debt reduced by Rs3.2b primarily on account of higher cash flow from warrant conversion. We do not see further reduction in debt during 4QFY11.
- Unitech is available at ~47% discount to its FY12E NAV of Rs75/share. It is available at 13.1x FY12E EPS of Rs3.1 and 0.9x FY12E BV of Rs42.4. Among the large cap RE stocks, it has one of the most comfortable balance sheets with a low leverage of ~0.45x and strong earnings visibility of 39% CAGR over FY11-13. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**5,149**	**5,095**	**7,745**	**11,325**	**8,286**	**6,445**	**6,598**	**7,227**	**29,313**	**28,556**
Change (%)	-50.1	-48.2	58.3	190.2	60.9	26.5	-14.8	-36.2	1.3	-2.6
Total Expenditure	1,998	2,117	5,888	8,598	5,348	3,917	4,510	4,894	18,601	18,670
EBITDA	**3,151**	**2,978**	**1,857**	**2,727**	**2,938**	**2,528**	**2,088**	**2,333**	**10,712**	**9,886**
Change (%)	-48.2	-51.1	-24.0	107.2	-6.8	-15.1	12.4	-14.4	-32.8	-7.7
As of % Sales	48.5	58.4	24.0	24.1	35.5	39.2	31.6	32.3	36.5	34.6
Depreciation	42	114	79	106	88	89	75	86	341	337
Interest	926	603	148	323	340	439	340	356	2,000	1,476
Other Income	333	172	139	196	150	304	181	33	840	668
PBT	**2,516**	**2,432**	**1,769**	**2,494**	**2,660**	**2,305**	**1,853**	**1,924**	**9,189**	**8,741**
Tax	539	654	373	835	834	564	740	627	2,402	2,765
Effective Tax Rate (%)	21.4	18.5	21.1	33.5	31.4	24.5	39.9	32.6	26.1	31.6
Reported PAT	**1,578**	**1,779**	**1,395**	**2,036**	**1,826**	**1,740**	**1,113**	**1,297**	**6,788**	**5,976**
Change (%)	-62.7	-50.5	1.1	-26.1	15.7	-2.2	-20.2	-36.3	-43.3	-12.0
Adj PAT	**1,178**	**1,777**	**1,760**	**2,011**	**1,800**	**1,738**	**1,113**	**1,297**	**6,751**	**5,948**
Change (%)	-72.2	-50.5	29.4	313.3	52.8	-2.2	-36.7	-35.5	-30.3	-11.9

E: MOSL Estimates

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

Retail

COMPANY NAME
Jubilant Food
Pantaloon Retail
Shoppers Stop
Titan Industries

We expect our Retail universe to post 35.7% growth in sales (36.6% in 3QFY11). EBITDA is likely to increase by 32% (36.6% in 3QFY11). PAT should grow 25% due to increase in tax rate and high base effect.

Discount season sales encouraging; mid-teen same store sales growth likely: Consumer sentiment remained strong despite high inflation. Discount season sales were strong in apparel; new stocks are likely to see price increases. Retailers also promoted food and grocery at lower prices in times of high food inflation. We expect our Retail universe to post same store sales growth in mid teens despite high base effect.

Gold prices range-bound; late start of marriage season might impact sales: Gold prices have been inching up but within a limited range. The prices are up 5% since December 2010 and by 2% from the average of the previous quarter. Consequently, demand for jewelry has remained strong. Performance for the quarter will, however, be impacted by late Holi festival (20th March v/s 2nd March in 2010), as it marks the beginning of summer marriage season sales.

Budget a disappointment; FDI in retail not in sight: The FY12 budget has disappointed. It has imposed 10% excise duty on branded apparel after deducting for 55% abatement. This will increase the end product prices by 4.5%. Although the abatment rate has been increased industry is trying for a complete rollback, as apparel prices have increased by 10-18% due to sharp increase in cotton prices during the year. FDI on retail remains a pipedream, with no visibility or clarity on its implementation.

Sector view cautious; no triggers in sight: We believe that positive consumer sentiment will continue to drive sales growth for organized retail; however, base effect will reduce the growth rates. We expect margin expansion to be muted due to lower growth and rising costs of manpower and overheads. We believe that valuations are rich for most players except Pantaloon Retail. We do not rule out decline in same store sales growth due to excise duty on apparels. We have a cautious view on the sector. We have a **Buy** rating on **Pantaloon Retail** and **Neutral** on **Shoppers Stop**, **Titan Industries**, and **Jubilant Foodworks.**

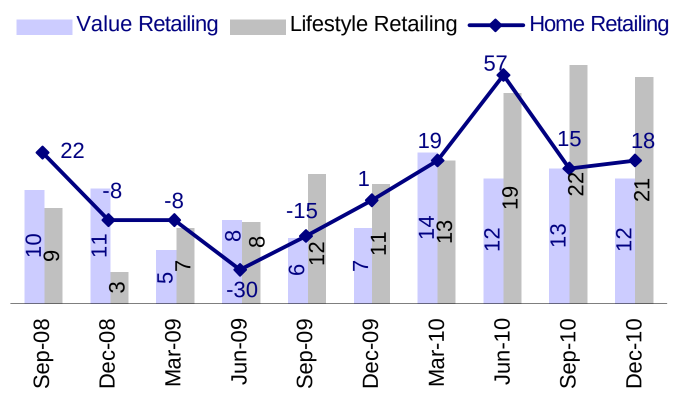
Expected quarterly performance summary (Rs million)

	CMP (Rs) 25.03.11	Rating	Sales Mar.11	Sales Var. % YoY	Sales Var. % QoQ	EBITDA Mar.11	EBITDA Var. % YoY	EBITDA Var. % QoQ	Net profit Mar.11	Net profit Var. % YoY	Net profit Var. % QoQ
Jubilant Foodworks	547	Neutral	1,903	53.4	2.5	332	72.2	2.9	181	73.8	-4.6
Pantaloon Retail	267	Buy	28,807	40.0	4.4	2,679	24.3	12.4	589	5.4	24.7
Shopper's Stop	338	Neutral	4,419	16.8	-3.6	351	29.6	-31.9	169	2.6	-39.5
Titan Industries	3,509	Neutral	17,403	32.7	-11.0	1,692	44.7	-13.2	1,172	41.4	-16.7
Sector Aggregate			**52,532**	**35.7**	**-1.9**	**5,053**	**33.4**	**-2.3**	**2,111**	**27.4**	**-10.1**

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

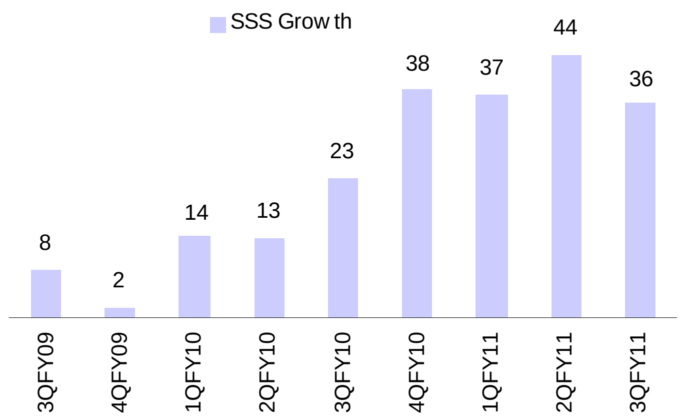
Same store sales growth has remained strong (%, YoY)

Pantaloon Retail

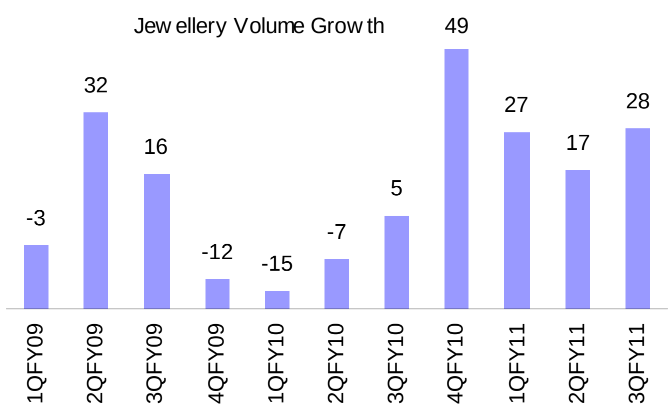


Shoppers' Stop

Jubilant Foodworks



Titan Industries' jewelry volume growth



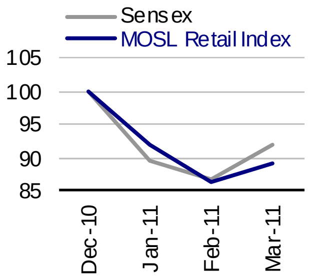
Source: Company/MOSL

Range bound gold prices are positive for sustaining volume growth in branded jewelry

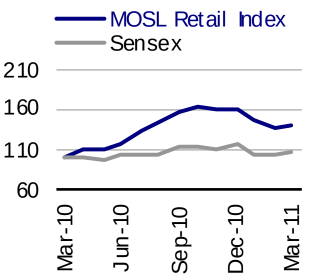
Gold prices up 5% YoY and 2% QoQ

Source: Company/MOSL

Relative Performance-3m (%)

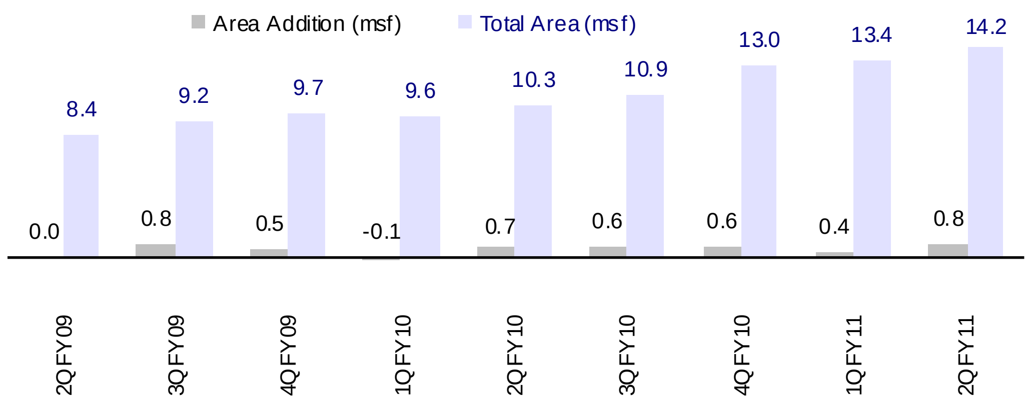


Relative Performance-1Yr (%)

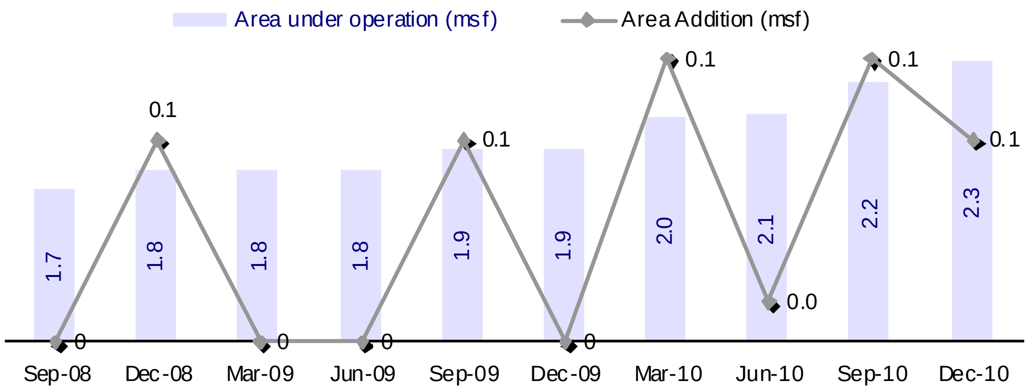


Area addition plans are on track

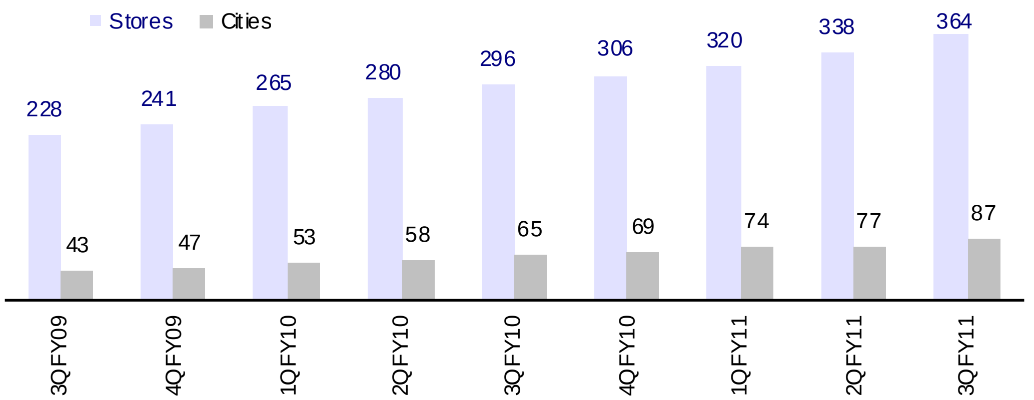
Pantaloon Retail



Shoppers Stop



Jubilant Foodworks



Source: Company/MOSL

Comparative valuation

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Retail														
Jubilant Foodworks	547	Neutral	11.1	14.6	21.7	49.2	37.4	25.2	28.5	19.5	13.4	37.6	35.4	37.9
Pantaloon Retail	267	Buy	8.6	12.2	16.5	30.9	21.9	16.2	8.4	7.0	6.1	5.7	7.7	9.6
Shopper's Stop	338	Neutral	8.8	13.1	17.6	38.5	25.8	19.2	17.5	12.4	9.4	12.1	15.7	18.1
Titan Industries	3,509	Neutral	105.2	131.8	171.8	33.4	26.6	20.4	23.6	18.6	14.2	53.5	48.4	46.4
Sector Aggregate						**34.7**	**26.1**	**19.5**	**15.6**	**12.3**	**9.7**	**15.7**	**18.0**	**20.5**

Jubilant Foodworks

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	JUBI IN
Equity Shares (m)	63.5
52 Week Range (Rs)	671/252
1,6,12 Rel Perf (%)	-2/16/54
Mcap (Rs b)	34.7
Mcap (USD b)	0.8

CMP: Rs547 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	4,242	334	5.3	318.3	104.2	29.6	28.5	78.2	8.2	52.1
03/11E	6,750	708	11.1	111.7	49.2	18.5	37.6	80.2	5.1	28.5
03/12E	9,441	931	14.6	31.5	37.4	13.2	35.4	79.6	3.5	19.5
03/13E	12,799	1,380	21.7	48.3	25.2	9.6	37.9	78.3	2.5	13.5

- We expect Jubilant to report 53% sales growth to Rs1.9b, same store sales growth is likely to peter out to ~25% (v/s 35.7% in 3QFY11) due to base effect.
- We expect the company to add 12 new stores, taking the total to 376.
- We estimate 190bp margin expansion to 17.4% (flat QoQ), led by operating leverage despite increase in employee costs. We expect PAT of Rs181m, up 74%.
- Jubilant Foodworks has entered into an agreement to open Dunkin Donuts stores in India. The company is likely to launch the first store within 12 months. It will be competing with Café Coffee Day, Barista and Costa Coffee. We expect the venture to remain in investment mode for the initial couple of years.
- We believe QSR as a format holds immense potential in India and the increasing acceptance of Pizza among consumers will enable Jubilant Foodworks to benefit from the trend.
- We expect muted margin expansion in the coming years post a sharp 570bp margin expansion over FY09-11. We estimate 40% PAT CAGR over FY11-13. However, the current valuations of 37.4x FY12E and 25.2x FY13E EPS factor in the positives. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10E	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
No of Stores	265	280	296	306	320	338	364	376	306	376
Cities Covered	53	58	65	69	74	77	87	88	69	84
SSS Growth %	13.6	13.2	23.1	38.0	37.0	43.8	35.7	25.0	22	32
Net Sales	**850**	**978**	**1,174**	**1,241**	**1,356**	**1,634**	**1,857**	**1,903**	**4,242**	**6,750**
YoY Change (%)			50.4	67.1	59.5	67.1	58.2	53.4	51.0	59.1
Gross Profit	643	736	884	929	1,023	1,229	1,383	1,424	3,192	5,059
Gross Margin %	75.7	75.3	75.3	74.8	75.5	75.2	74.5	74.8	75.3	75.0
Other Expenses	522	584	687	736	772	932	1,061	1,092	2,524	3,856
% of Sales	61.5	59.8	58.5	59.3	56.9	57.0	57.1	57.4	59.5	57.1
EBITDA	**121**	**152**	**197**	**193**	**251**	**297**	**323**	**332**	**669**	**1,203**
Margins (%)	14.2	15.6	16.8	15.5	18.5	18.2	17.4	17.4	15.8	17.8
Depreciation	54	58	62	69	63	69	78	91	243	301
Interest	31	19	21	20	2	1	0	1	91	4
Other Income	0	0	0	1	1	3	6	6	1	16
PBT	**37**	**75**	**115**	**104**	**187**	**229**	**251**	**245**	**335**	**913**
Tax	2.5	-2.4	0.6	0.1	34	45	61	65	0.8	205
Rate (%)	6.8	-3.1	0.5	0.1	18.3	19.7	24.4	26.4	0.2	22.5
Adjusted PAT	**34**	**78**	**114**	**104**	**153**	**184**	**190**	**181**	**334**	**708**
YoY Change (%)			543.6	172.7	346.2	137.3	66.3	73.8	357.6	111.7
Reported PAT	**34**	**78**	**114**	**104**	**153**	**184**	**190**	**181**	**334**	**708**

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Pantaloon Retail

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	PFIN
Equity Shares (m)	217.1
52 Week Range (Rs)	531/218
1,6,12 Rel Perf (%)	-10/-40/-41
Mcap (Rs b)	58.0
Mcap (USD b)	1.3

CMP: Rs267 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
06/10A	89,261	1,680	8.2	25.8	32.7	2.0	6.0	14.2	0.8	9.2
06/11E	113,016	1,874	8.6	5.8	30.9	1.8	5.7	13.5	0.7	8.4
06/12E	140,963	2,721	12.2	41.0	21.9	1.7	7.7	15.8	0.6	7.0
06/13E	168,310	3,690	16.5	35.6	16.2	1.5	9.6	17.2	0.5	6.1

- We expect core retail sales to grow 40% to Rs28.8b. The numbers are not comparable YoY due to inclusion of home retailing business. We expect same store sales growth to be in mid teens for the fashion segment.
- EBITDA is likely to increase 24% to Rs2.68b, as continued loss in electronics business and margin pressure in lifestyle retailing will reduce margins by 120bp (up 70bp QoQ). Higher interest cost (Rs1.16b v/s Rs859m in 3QFY10; due to increasing interest rates) is likely to limit PAT growth to 5.4%.
- We note that discount season sales have been encouraging and demand for apparel has been good. Food and grocery has also reported higher sales due to lower prices in organized retail formats like Big Bazaar and Food Bazaar.
- Pantaloon Retail has increased prices by 12-15% from March, which will adversely impact sales growth. Imposition of excise duty on branded apparel can impact sales growth in the high margin apparel segment in the coming quarters.
- The stock trades at 21.9x FY12E and 16.2x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E JUNE	FY10				FY11				FY10*	FY11E
	1Q*	2Q	3Q	4Q*	1Q	2Q	3QE	4QE		
Net Sales	**19,542**	**21,031**	**20,576**	**31,786**	**25,814**	**27,586**	**28,807**	**30,810**	**89,261**	**113,016**
YoY Change (%)	29.3	37.8	25.3	91.2	32.1	31.2	40.0	-3.1	40.8	26.6
Total Exp	17,698	17,094	18,420	29,686	23,687	25,202	26,128	28,293	81,070	103,311
EBITDA	**1,845**	**2,125**	**2,156**	**2,099**	**2,127**	**2,383**	**2,679**	**2,516**	**8,191**	**9,706**
Growth %	19.1	35.1	24.6	26.4	15.3	12.1	24.3	19.9	40.8	18.5
Margins (%)	9.4	10.1	10.5	6.6	8.2	8.6	9.3	8.2	9.2	8.6
Depreciation	481	506	465	774	630	650	672	699	2,123	2,652
Interest	1,029	962	859	1,350	933	1,078	1,160	1,258	3,913	4,428
Other Income	51	22	14	25	81	52	35	24	106	193
PBT	**386**	**679**	**847**	**-1**	**645**	**708**	**882**	**584**	**2,261**	**2,819**
Tax	123	231	288	-176	218	235	293	199	582	944
Rate (%)	31.8	34.0	34.0		33.7	33.2	33.2	34.0	25.7	33.5
Adjusted PAT	**263**	**448**	**559**	**176**	**428**	**472**	**589**	**385**	**1,680**	**1,874**
YoY Change (%)		33.5	62.7	-9.3	62.4	5.5	5.4	119.2	36.0	11.6
Exceptional Income	0	0	0	622	0	0	0	0	622	0
Repoorted PAT	**263**	**448**	**559**	**797**	**428**	**472**	**589**	**385**	**2,302**	**1,874**

E: MOSL Estimates; * Core Retailing Nos in FY10, 4QFY10 estimates include 12month working of Home Solutions; FY11 Nos are of Core Retailing

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Shoppers Stop

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	SHOP IN
Equity Shares (m)	82.0
52 Week Range (Rs)	396/181
1,6,12 Rel Perf (%)	-9/15/64
Mcap (Rs b)	27.8
Mcap (USD b)	0.6

CMP: Rs338 — Neutral

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	13,989	418	4.2	174.6	81.4	9.0	13.5	14.8	2.0	27.3
03/11E	16,985	721	8.8	111.4	38.5	4.7	12.1	14.8	1.5	17.5
03/12E	22,791	1,078	13.1	49.6	25.8	4.1	15.7	19.1	1.1	12.4
03/13E	27,935	1,443	17.6	33.9	19.2	3.5	18.1	23.7	0.9	9.4

- We expect Shoppers Stop to report sales of Rs4.4b (up 16.8%). We expect LTL growth of 15%. Strong consumption sentiment continues to benefit Shoppers Stop, as consumers upgrade to premium offerings.
- We estimate 70bp increase in EBITDA margin to 7.9%, led by lower overheads even as manpower costs will show an increase. PBT is estimated at Rs252m, an increase of 46%. PAT is likely to increase 2.9% due to lower tax rate in base quarter (4.7% in 4QFY10).
- Shoppers Stop has increased apparel prices by 12-15% from March, the impact of which will be reflected in the coming quarters. Sales trend in coming quarters would be a key factor to watch for following the imposition of excise duty on branded apparel.
- The company added three departmental stores during the quarter (Durgapur, Siliguri and Pune) and plans to add another 24 stores in coming 30 months.
- In Hypercity format, the company added one store at Ludhiana during the quarter; we expect it to add 4-5 stores every year..
- The stock trades at 25.8x FY12E and 19.2x FY13E EPS. Long-term prospects look encouraging; however, valuations are at a significant premium. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Same Store Sales Gr %	**-6.3**	**2.3**	**2.1**	**16**	**21**	**13**	**22**	**15**		
Net Sales	**2,766**	**3,715**	**3,760**	**3,783**	**3,435**	**4,545**	**4,586**	**4,419**	**13,989**	**16,985**
YoY Change (%)	0.3	9.6	12.1	20.1	24.2	22.3	22.0	16.8	10.6	21.4
Total Exp	2,614	3,448	3,371	3,512	3,185	4,163	4,071	4,068	12,946	15,487
EBITDA	**152**	**267**	**389**	**271**	**250**	**382**	**515**	**351**	**1,043**	**1,498**
Margins (%)	5.5	7.2	10.4	7.2	7.3	8.4	11.2	7.9	7.5	8.8
Depreciation	61	62	122	65	64	73	88	93	310	318
Interest	55	54	57	33	33	40	3	6	161	82
Other Income	0	0	0	0	0	0	0	0	0	0
PBT	**36**	**150**	**210**	**172**	**153**	**269**	**424**	**252**	**572**	**1,098**
Tax	10	29	107	8	54	95	145	83	154	378
Rate (%)	29.1	19.5	50.8	4.7	35.0	35.4	34.3	33.1	27.0	34.4
PAT	**25**	**121**	**104**	**164**	**100**	**174**	**279**	**169**	**418**	**721**
YoY Change (%)	-116.5	-209.4	135.1	-197.1	295.0	44.1	131.1	2.6	246.2	72.6
Exceptionals	0	0	-76	0	0	0	0	0	85	0
Reported PAT	**25**	**121**	**180**	**164**	**100**	**174**	**279**	**169**	**502**	**721**

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Titan Industries

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	TTAN IN
Equity Shares (m)	44.4
52 Week Range (Rs)	4,244/1,765
1,6,12 Rel Perf (%)	-1/11/90
Mcap (Rs b)	155.8
Mcap (USD b)	3.5

CMP: Rs3,509 — Neutral

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	46,744	2,615	58.9	24.7	59.6	21.5	41.0	53.6	3.3	40.5
03/11E	64,836	4,670	105.2	78.6	33.4	14.9	53.5	65.4	2.4	23.6
03/12E	79,005	5,851	131.8	25.3	26.6	10.9	48.4	63.3	1.9	18.6
03/13E	96,005	7,624	171.8	30.3	20.4	8.1	46.4	60.1	1.5	14.2

- We expect Titan to post sales growth of 33% to Rs17.4b, led by strong growth in both watches and jewelry. We estimate 45% increase in EBITDA, enabled by 80bp margin expansion. PAT is likely to grow 41% to Rs1.2b.
- We expect the watch division to post 21% sales growth; improved sales mix on account of lower Sonata sales will enable 41% increase in EBIT, aided by 230bp margin expansion.
- The jewelry division is likely to post strong volume growth (~17%) and 160bp margin expansion to 8%. Margins are likely to decline 100bp QoQ due to seasonal business. Jewelry business will also be impacted by late start of summer wedding season, which is post Holi (20th March this year v/s 3rd March in 2010).
- Titan Eye+ continues to be in investment mode and the store count is likely to touch 150. We expect increase in losses QoQ due to aggressive store openings.
- We estimate 27.8% PAT CAGR over FY11-13. We believe Titan is one of the best plays on urban consumption and the specialty retail segment. However, the stock appears expensive at 20.4x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Jewelry Volume Gr %	-15	-7	5	49	28	17	28	17	8.0	22
Gold Price chg YoY %	20	22	31	14	23	20	19	15	22	19
Net Sales	**8,828**	**11,468**	**13,336**	**13,112**	**12,528**	**15,360**	**19,546**	**17,403**	**46,744**	**64,836**
YoY Change (%)	8.9	5.4	30.3	48.9	41.9	33.9	46.6	32.7	22.9	38.7
Total Exp	8,336	10,387	12,264	11,943	11,415	13,624	17,596	15,711	42,929	58,347
EBITDA	**493**	**1,081**	**1,073**	**1,169**	**1,113**	**1,736**	**1,950**	**1,692**	**3,815**	**6,490**
Margins (%)	5.6	9.4	8.0	8.9	8.9	11.3	10.0	9.7	8.2	10.0
Depreciation	90	89	91	91	82	86	86	111	360	365
Interest	76	50	29	99	26	24	20	55	254	125
Other Income	10	32	30	47	81	82	155	80	119	398
PBT	**337**	**974**	**983**	**1,026**	**1,085**	**1,707**	**1,999**	**1,606**	**3,319**	**6,397**
Tax	111	198	199	196	274	430	591	433	704	1,727
Rate (%)	32.9	20.3	20.3	19.2	25.2	25.2	29.6	27.0	21.2	27.0
Adjusted PAT	**226**	**776**	**784**	**829**	**812**	**1,278**	**1,408**	**1,172**	**2,615**	**4,670**
YoY Change (%)	-31.2	-11.0	86.0	88.2	258.9	64.7	79.7	41.4	33.0	78.6
Extraordinary Income	234	0	-29	-317	0	0	0	0	-112	0
Reported PAT	**460**	**776**	**754**	**512**	**812**	**1278**	**1408**	**1,172**	**2,503**	**4,670**

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Telecom

COMPANY NAME

Bharti Airtel

Idea Cellular

Reliance Communication

Tulip Telecom

Stable quarter; 3G spectrum amortization and interest costs from 1QFY12: We expect 4QFY11 to be a stable quarter, with traffic growth remaining strong but a modest step-up in RPM pressure. 4Q has 90 days as against 92 days in 3Q; this will negatively impact revenue growth as well as margins. Our industry interactions indicate limited impact of MNP; however pre-paid as well as post paid tariffs have seen some moderation due to circle level disruptions, especially in the long distance segment. 3G launch has been back-ended for most operators, resulting in limited P&L impact from capitalization of 3G spectrum fee on 4QFY11 results; full impact is likely from 2QFY12.

Traffic growth continues to be strong; slight pressure on tariffs: We expect RPM decline of 2-3% QoQ v/s 1-2% decline for GSM incumbents in the last two quarters and an average decline of 7-8% QoQ in the preceding three quarters. We expect Bharti (ex-Africa) to report revenue growth of 2.6% QoQ, driven by ~5% mobile traffic growth. On a consolidated basis, we expect 2.8% QoQ revenue growth for Bharti. We expect QoQ revenue growth of 2% for RCom and 4% for Idea.

Core margin to remain stable: We expect EBITDA margin to remain largely stable QoQ, as positive impact of revenue growth would be offset by increased spending on network rollout (2G as well as 3G), promotions and subscriber acquisition/retention measures, especially on 3G/MNP. We model ~50bp core margin increase for Bharti (ex-Africa) on a normalized basis (not including re-branding expenditure incurred in 3QFY11), flat margin for Idea and ~30bp decline for RCom (likely better margins in non-wireless). For Bharti's Africa business, we model EBITDA margin of 21.2%, which implies a 200bp QoQ decline on a normalized basis (excluding re-branding).

Abbreviations and acronyms

RPM: revenue per minute
MNP: mobile number portability
VLR: visitor location register
TRAI: Telecom Regulatory Authority of India
ARPU: average revenue per user
MOU: minutes of use

QoQ PAT growth for Bharti in absence of re-branding expenses; flat PAT for Idea; decline for RCom: For Bharti, we expect consolidated PAT to grow 23% QoQ in the absence of Rs3.4b re-branding costs incurred in 3QFY11. For Idea, we expect PAT to remain flat QoQ at Rs2.5b, as EBITDA growth of ~4% would be offset by increase in interest costs. RCom's proforma net profit is likely to decline by 50% QoQ mainly due to assumption of normalized tax rate and finance costs. For Bharti, we expect 22% YoY

Expected quarterly performance summary **(Rs million)**

	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Bharti Airtel	339	Buy	162,000	50.7	2.8	54,290	33.0	9.0	16,023	-21.6	22.9
Idea Cellular	64	Buy	41,086	22.7	3.9	9,847	6.6	3.8	2,464	-7.6	1.4
Reliance Comm	107	Neutral	50,867	-0.1	1.7	16,805	4.9	0.7	2,539	-77.7	-51.7
Tulip Telecom	142	Buy	6,382	20.3	6.0	1,851	19.8	7.9	855	7.6	4.6
Sector Aggregate			**260,335**	**32.0**	**2.8**	**82,792**	**22.4**	**6.6**	**21,881**	**-38.0**	**1.6**

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)/Nirav Poddar (Nirav.Poddar@MotilalOswal.com)

decline in consolidated PAT and 5% YoY decline in ex-Africa PAT. PAT is likely to decline 78% YoY for RCom and 8% YoY for Idea.

Subscriber additions back to normalized level of 19m-20m: Industry subscriber net adds were 19m-20m in January-February 2011 v/s an average of 21.5m in 3QFY11, mainly due to decline in subscriber additions for BSNL, Uninor, Videocon, and S Tel.

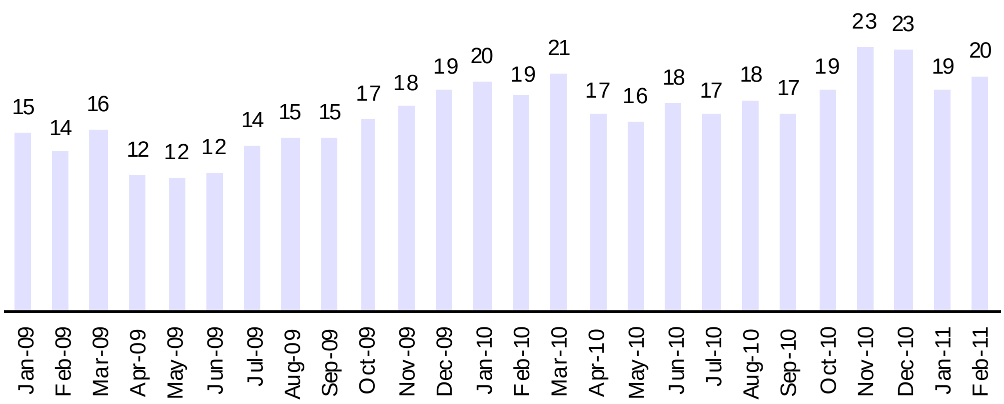
MNP update: Recent TRAI data on MNP (launched 20 January 2011) status suggest increase in porting requests to 3.8m (0.5% of subscriber base) as of 28 February v/s 1.7m (0.2% of subscriber base) as of 15 February. While the MNP-induced churn is insignificant as of now, full impact of MNP is likely to be visible only post two quarters of launch. We continue to believe that MNP is unlikely to be a game changer, given the largely pre-paid nature of the Indian market (>96% of subscriber base) and high churn levels (50-120% per year).

3G rollout progressing well, but slightly back-ended: Most of the major operators have launched 3G in select cities; rollout across major cities in 3G footprint is likely to be completed in 1QFY12. Bharti has already launched in more than 15 cities and plans to take its 3G coverage to 40 cities in the near term. We expect 3G to contribute 1-2% to mobile revenue in FY12 and 3-4% in FY13.

Valuation and view: Ongoing policy revamp (regulatory reforms) could drive consolidation, which is a positive for GSM incumbents. We believe market mechanism could lead to price discovery of 2G spectrum at lower than 3G/TRAI valuations, as potential 2G spectrum supply has increased. Revenue and EBITDA growth is likely to rebound in FY12, driven by robust traffic growth, lower RPM decline and launch of 3G services. We reiterate **Buy** on **Bharti** (trades at 7.2x FY12E and 5.9x FY13E proportionate EV/EBITDA) and **Idea** (trades at 6.9x FY12E and 5.1x FY13E EV/EBITDA).

4QFY11 net adds lower QoQ on declines from BSNL, Uninor, Videocon and S Tel

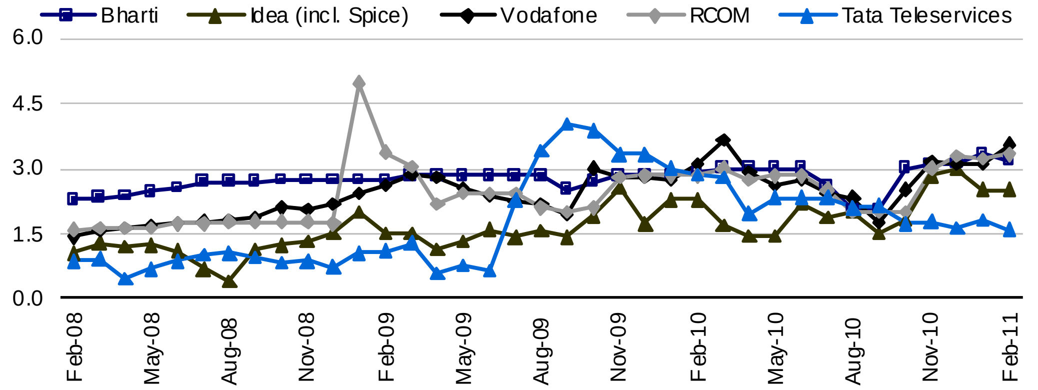
Wireless subscriber net additions (m)



Source: TRAI/MOSL

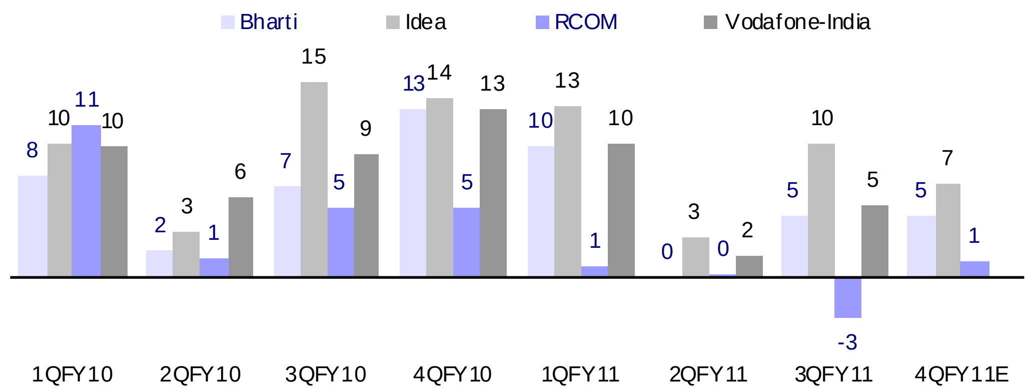
Monthly subscriber additions for major operators (m)

Net adds for majors remain stable



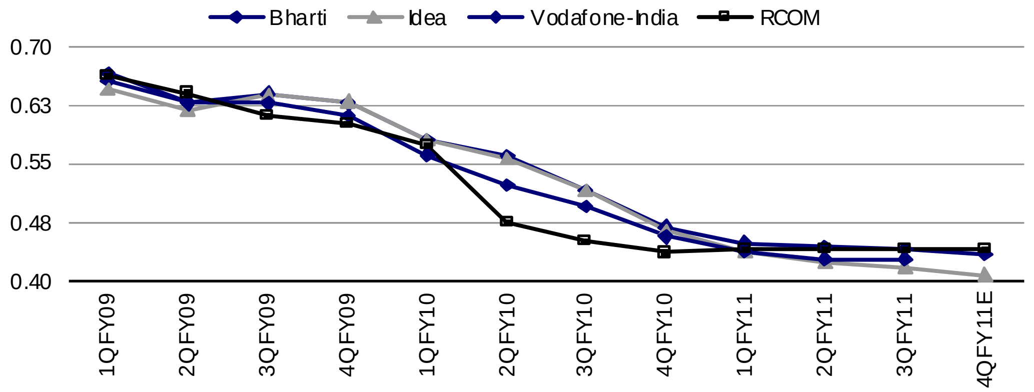
QoQ wireless traffic growth (%)

We expect another quarter of robust traffic growth for Bharti and Idea while RCom is likely to continue underperforming the industry



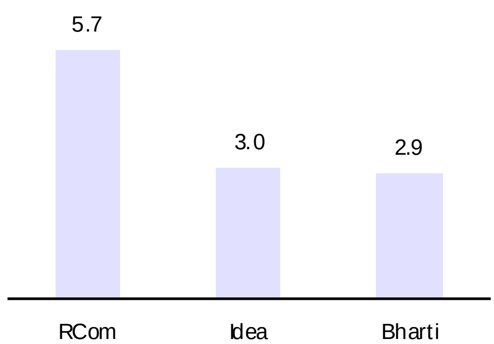
Trend in wireless RPM (Rs)

RPM pressure expected to be slightly more than that witnessed in 1HFY11

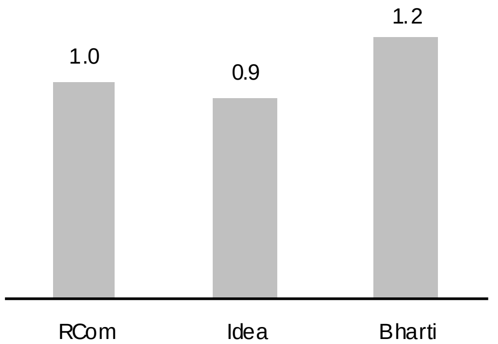


Source: Company/MOSL

FY11 Net Debt/EBITDA (x)

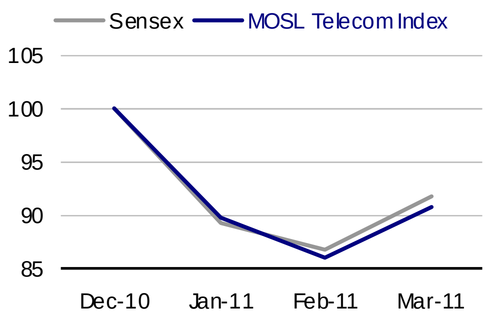


FY11 Net Debt/Equity (x)

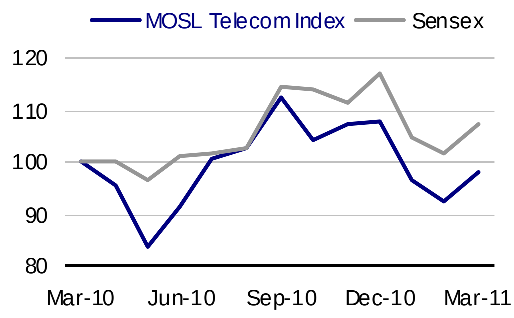


Source: Company/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)



MNP: A damp squib??

Circle	MNP effective from	Wireless subs Jan 2011 (m)	Porting requests as of 15th Feb (m subs)	15th Feb (%)	28th Feb (m subs)	28th Feb (%)
Haryana	25th November 2010	19	0.2	1.2	0.3	1.7
Gujarat	20th January 2011	44	0.2	0.4	0.4	0.8
Rajasthan	20th January 2011	41	0.1	0.3	0.3	0.8
Karnataka	20th January 2011	47	0.1	0.2	0.3	0.7
T.N. (incl Chennai)	20th January 2011	67	0.1	0.2	0.3	0.4
Others	20th January 2011	553	0.9	0.2	2.2	0.4
Aggregate		**771**	**1.7**	**0.2**	**3.8**	**0.5**

Source: TRAI

Vodafone, Idea, Bharti top gainers from MNP; RCOM & BSNL top losers

Operators	Total Subs (m)	Subs ported in	Subs ported out	Net additions	% subs ported in	% subs ported out	% net additions
Vodafone	127.36	488,250	295,489	192,761	0.38	0.23	0.15
Idea	84.29	391,191	240,402	150,789	0.46	0.29	0.18
Bharti	155.8	530,615	382,400	148,215	0.34	0.25	0.10
Aircel	51.83	162,664	117,822	44,842	0.31	0.23	0.09
Uninor	20.31	31,019	24,689	6,330	0.15	0.12	0.03
Videocon	6.01	5,404	11,633	-6,229	0.09	0.19	-0.10
MTNL	5.43	3,793	14,851	-11,058	0.07	0.27	-0.20
TTSL	86.05	197,404	236,793	-39,389	0.23	0.28	-0.05
BSNL	88.82	107,724	257,817	-150,093	0.12	0.29	-0.17
RCom	128.87	44,753	351,170	-306,417	0.03	0.27	-0.24

Source: COAI

Comparative valuation

	CMP (Rs) 25.03.11	Rating	EPS (Rs) FY11E	FY12E	FY13E	P/E (x) FY11E	FY12E	FY13E	EV/EBITDA FY11E	FY12E	FY13E	RoE (%) FY11E	FY12E	FY13E
Telecommunication														
Bharti Airtel	339	Buy	16.5	21.4	27.9	20.6	15.8	12.2	9.4	7.0	5.6	13.0	14.8	16.7
Idea Cellular	64	Buy	2.6	2.3	4.4	24.2	28.0	14.5	8.7	6.9	5.1	7.4	6.1	10.8
Reliance Comm	107	Neutral	7.6	7.0	8.0	14.0	15.3	13.3	8.3	6.7	5.7	4.0	3.6	4.0
Tulip Telecom	142	Buy	19.0	24.7	26.2	7.5	5.8	5.4	4.7	3.5	2.6	29.0	28.8	21.6
Sector Aggregate						**19.3**	**16.2**	**12.3**	**9.0**	**6.8**	**5.5**	**9.0**	**9.8**	**11.6**

4QFY11: Summary Expectations

Wireless KPIs

	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11E	YOY(%)	QOQ(%)
EOP Wireless Subs (m)										
Bharti (India)	102	111	119	128	137	143	152	161	26.5	5.9
Idea**	43	47	52	64	69	74	82	88	38.1	7.8
RCOM	80	86	94	102	111	117	126	133	30.0	6.0
Avg. Wireless Subs (m)										
Bharti (India)	98	106	115	123	132	140	148	157	27.4	6.2
Idea**	41	45	50	58	66	72	78	85	46.3	8.9
RCOM	76	83	90	98	107	114	121	129	31.9	6.5
ARPU (Rs/Month)										
Bharti (India)	278	252	230	220	215	202	198	192	-13.0	-3.5
Idea**	232	209	200	185	182	167	168	160	-13.4	-4.7
RCOM	210	161	149	139	130	122	111	105	-24.1	-5.0
MOU Per Sub										
Bharti (India)	478	450	446	468	480	454	449	442	-5.5	-1.5
Idea**	399	375	389	398	415	394	401	393	-1.3	-2.0
RCOM	365	340	330	318	295	276	251	238	-25.0	-5.0
Revenue Per Min (Rs)										
Bharti (India)	0.58	0.56	0.52	0.47	0.45	0.44	0.44	0.43	-7.9	-2.0
Idea**	0.58	0.56	0.51	0.46	0.44	0.42	0.42	0.41	-12.3	-2.7
RCOM	0.58	0.47	0.45	0.44	0.44	0.44	0.44	0.44	1.2	0.0
Wireless Traffic (B Min)										
Bharti (India)	141	144	153	173	190	191	199	208	20.4	4.6
Idea**	49	50	58	68	82	85	94	100	36#	7.1
RCOM	83	85	89	94	94	94	91	93	-1.0	1.2

** Idea 4QFY10 numbers include one month consolidation with Spice; full merger from 1QFY11; # Like-to-like growth including Spice

Quarterly Financials (Consolidated)

	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11E	YOY(%)	QOQ(%)
Revenue (Rs b)										
Bharti (ex Africa)	104.1	98.5	97.7	107.5	112.7	113.3	117.2	120.2	11.8	2.6
Bharti (consolidated)	104.1	98.5	97.7	107.5	122.3	152.2	157.6	162.0	50.7	2.8
Idea**	29.8	29.7	31.5	33.5	36.5	36.6	39.6	41.1	22.7	3.9
RCOM	61.5	57.0	53.1	50.9	51.1	51.2	50.0	50.9	-0.1	1.7
EBITDA (Rs b)										
Bharti (ex Africa)	43.0	41.4	39.1	41.8	42.4	42.2	43.7*	45.4	8.6	3.8
Bharti (consolidated)	43.0	41.4	39.1	41.8	44.1	51.2	53.2*	54.3	29.9	2.0
Idea**	8.6	8.1	8.1	9.2	8.9	8.8	9.5	9.8	6.6	3.8
RCOM	25	20	18	16	16	17	16.7	16.8	4.9	0.7
EBITDA Margin (%)										
Bharti (ex Africa)	41.3	42.1	40.0	38.9	37.6	37.3	37.3*	37.8	-112bp	45bp
Bharti (consolidated)	41.3	42.1	40.0	38.9	36.1	33.7	33.8*	33.5	-538bp	-26bp
Idea**	28.9	27.2	25.8	27.6	24.3	24.0	24.0	24.0	-362bp	0bp
RCOM	39.9	35.4	34.1	31.5	31.9	32.4	33.3	33.0	158bp	-30bp
PAT (Rs b)										
Bharti (ex Africa)	24.7	23.2	22.1	20.4	19.0	20.4	18.2	19.4	-4.9	6.8
Bharti (consolidated)	24.7	23.2	22.1	20.4	16.8	16.6	13.0	16.0	-21.6	22.9
Idea**	3.0	2.2	1.7	2.7	2.0	1.8	2.4	2.5	-7.6	1.4
RCOM	17.3	8.2	11.9	11.4	3.0	4.9	5.3	2.5	-77.7	-51.7
EPS (Rs)										
Bharti	6.5	6.1	5.8	5.4	4.4	4.4	3.4	4.2	-21.6	22.9
Idea	1.0	0.7	0.5	0.9	0.6	0.5	0.7	0.7	-13.2	1.4
RCOM	8.4	4.0	5.8	5.5	1.5	2.4	2.5	1.2	-77.7	-51.7
Capex (Rs b)										
Bharti (ex Africa)	27.1	22.8	16.9	15.1	17.4	29.3	29.3	31.4	108.7	7.5
Idea	9.1	9.6	9.0	5.3	3.6	3.0	9.5	14.9	182.0	57.8
RCOM	9.8	9.8	13.3	8.8	7.9	9.3	19.1	11.7	32.7	-39.1

* Before re-branding expenses; ** Idea 4QFY10 numbers include one month consolidation with Spice; full merger from 1QFY11

Source: Company/MOSL

Bharti Airtel

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	BHARTI IN
Equity Shares (m)	3,793.9
52 Week Range (Rs)	377/254
1,6,12 Rel Perf (%)	-3/-2/1
Mcap (Rs b)	1,286.5
Mcap (USD b)	28.8

CMP: Rs339 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	418,472	89,767	23.7	5.9	14.3	2.9	23.6	18.9	3.1	7.8
3/11E	594,018	62,485	16.5	-30.4	20.6	2.5	13.0	9.0	3.1	9.4
3/12E	715,207	81,214	21.4	30.0	15.8	2.2	14.8	8.9	2.5	7.0
3/13E	798,558	105,874	27.9	30.4	12.2	1.9	16.7	10.1	2.1	5.6

- We expect consolidated revenue to grow 50.7% YoY (2.8% QoQ) to Rs162b, driven by 12% YoY (2.6% QoQ) growth in India and South Asia. We expect revenue of Rs120b from India and South Asia and Rs42b (US$927m) from Africa business.
- Proforma EBITDA margin (before re-branding expenses incurred in 3Q) is likely to decline ~25bp QoQ to 33.5%. This is primarily due to the expectation of lower proforma margin in Africa business, driven by interconnect and network cost increases. Proforma EBITDA margin for the Africa business is likely to decline by ~200bp QoQ to ~21%. For India and South Asia, proforma EBITDA margin should expand by ~50bp QoQ to 37.8%.
- We expect mobile revenue for India and South Asia to grow ~13% YoY (2.6% QoQ) to Rs93.9b, driven by 4.6% QoQ traffic growth, partially offset by ~2% RPM decline. We expect mobile ARPU to decline 13% YoY (3.5% QoQ) to Rs192. We expect EBITDA margin for the mobile business to expand 40bp QoQ to ~35%.
- ARPU at US$7.1 and subscriber base at 44m to drive revenue growth of ~2% QoQ for the Africa business.
- Consolidated net profit is likely to decline ~21.6% YoY but increase 23% QoQ to Rs16b. We expect PAT for India and South Asia to decline ~5% YoY but grow ~7% QoQ to Rs19.4b.
- Bharti trades at an EV/EBITDA (proportionate) of 7.2x FY12E and 5.9x FY13E. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue	**104,143**	**103,785**	**103,053**	**107,491**	**122,308**	**152,150**	**157,560**	**162,000**	**418,472**	**594,018**
YoY Growth (%)	22.8	15.1	7.0	9.4	17.4	46.6	52.9	50.7	13.2	41.9
QoQ Growth (%)	6.0	-0.3	-0.7	4.3	13.8	24.4	3.6	2.8		
Total Operating Expenses	61,169	60,778	62,231	66,662	78,168	100,938	107,743	107,710	250,839	394,560
EBITDA	**42,974**	**43,007**	**40,823**	**40,829**	**44,140**	**51,212**	**49,816**	**54,290**	**167,633**	**199,458**
QoQ Growth (%)	7.4	0.1	-5.1	0.0	8.1	16.0	-2.7	9.0		
Margin (%)	41.3	41.4	39.6	38.0	36.1	33.7	31.6	33.5	40.1	33.6
Net Finance Costs	-1,284	2,084	-266	-356	4,198	3,320	7,470	6,266	178	21,254
Non-Operating Income	-21	181	128	179	244	166	256	252	467	918
Depreciation & Amortization	14,753	15,246	15,883	16,953	19,467	25,790	27,107	28,820	62,832	101,184
Profit before Tax	**29,484**	**25,858**	**25,334**	**24,412**	**20,719**	**22,268**	**15,495**	**19,456**	**105,091**	**77,938**
Income Tax Expense / (Income)	4,305	2,753	2,980	3,415	3,750	5,678	3,366	3,746	13,453	16,540
Profit after Tax	**25,179**	**23,105**	**22,354**	**20,997**	**16,969**	**16,590**	**12,129**	**15,711**	**91,638**	**61,398**
Reported Net Profit / (Loss)	**24,746**	**22,628**	**21,947**	**20,444**	**16,816**	**16,613**	**13,033**	**16,023**	**89,768**	**62,485**
YoY Growth (%)	22.2	10.6	1.6	-8.7	-32.0	-26.6	-40.6	-21.6	6.0	-30.4
India - Mobile ARPU (Rs/month)	278	252	230	220	215	202	198	192	243	201
QoQ Growth (%)	-8.8	-9.4	-8.6	-4.6	-2.0	-6.4	-1.6	-3.5		
India - Mobile MOU/sub/month	478	450	446	468	480	454	449	442	459	454
QoQ Growth (%)	-1.5	-5.9	-0.9	4.9	2.7	-5.5	-1.1	-1.5		
India - Mobile RPM (Rs/min)	0.58	0.56	0.52	0.47	0.45	0.44	0.44	0.43	0.53	0.44
QoQ Growth (%)	-7.5	-3.7	-7.8	-9.1	-4.6	-0.9	-0.6	-2.0		
Africa - Subscribers (m)					36	40	42	45		45
Africa - ARPU (US$/month)					7.4	7.6	7.4	7.1		7.3
Africa - EBITDA margin (%)					27.5	23.1	19.1	21.2		23.9

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)/Nirav Poddar (Nirav.Poddar@MotilalOswal.com)

Idea Cellular

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	IDEA IN
Equity Shares (m)	3,299.8
52 Week Range (Rs)	80/49
1,6,12 Rel Perf (%)	3/-11/-11
Mcap (Rs b)	210.9
Mcap (USD b)	4.7

CMP: Rs64 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	124,476	9,540	3.1	2.0	20.8	1.7	7.6	5.5	2.1	7.7
3/11E	153,771	8,705	2.6	-14.3	24.2	1.8	7.4	5.3	2.1	8.7
3/12E	183,315	7,542	2.3	-13.4	28.0	1.7	6.1	5.6	1.8	6.9
3/13E	209,453	14,598	4.4	93.6	14.5	1.5	10.8	8.4	1.4	5.1

- Idea is likely to report 3.9% QoQ growth in consolidated revenue to Rs41.1b.
- We expect mobile traffic growth of ~7% and RPM decline of ~3%.
- ARPU is likely to decline ~5% QoQ to Rs160, impacted by RPM decline.
- Consolidated EBITDA margin would remain flat QoQ at 24%. We estimate EBITDA margin in established circles at 28.5% (flat QoQ). EBITDA loss in new circles is likely to remain ~Rs1.4b.
- We expect net profit to decline 7.6% YoY but increase 1.4% QoQ to Rs2.46b.
- Idea trades at an EV/EBITDA of 6.9x FY12E and 5.1x FY13E. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Gross Revenue	**29,759**	**29,739**	**31,501**	**33,477**	**36,537**	**36,592**	**39,556**	**41,086**	**124,476**	**153,771**
YoY Growth (%)	36.6	29.1	15.3	14.0	22.8	23.0	25.6	22.7	22.7	23.5
QoQ Growth (%)	1.4	-0.1	5.9	6.3	9.1	0.2	8.1	3.9		
EBITDA	**8,599**	**8,095**	**8,141**	**9,235**	**8,884**	**8,788**	**9,482**	**9,847**	**34,070**	**37,000**
YoY Growth (%)	19.4	33.4	16.7	13.9	3.3	8.6	16.5	6.6	20.2	8.6
QoQ Growth (%)	6.1	-5.9	0.6	13.4	-3.8	-1.1	7.9	3.8		
Margin (%)	28.9	27.2	25.8	27.6	24.3	24.0	24.0	24.0	27.4	24.1
Net Finance Costs	869	740	938	621	1,142	1,028	941	1,154	3,168	4,265
Depreciation & Amortization	4,555	4,796	5,130	5,667	5,656	5,820	5,925	6,043	20,148	23,443
Profit before Tax	**3,175**	**2,559**	**2,073**	**2,947**	**2,086**	**1,940**	**2,616**	**2,650**	**10,754**	**9,292**
Income Tax Expense / (Income)	204	357	372	281	72	143	186	185	1,214	586
Net Profit / (Loss)	**2,971**	**2,202**	**1,701**	**2,666**	**2,014**	**1,797**	**2,430**	**2,464**	**9,540**	**8,705**
YoY Growth (%)	12.9	52.8	-22.5	-2.8	-32.2	-18.4	42.9	-7.6	5.9	-8.8
QoQ Growth (%)	8.3	-25.9	-22.8	56.7	-24.5	-10.8	35.2	1.4		
Margin (%)	10.0	7.4	5.4	8.0	5.5	4.9	6.1	6.0	7.7	5.7
Mobile ARPU (Rs/month)	232	209	200	185	182	167	168	160	207	167
QoQ Growth (%)	-8.7	-9.9	-4.3	-7.5	-1.6	-8.2	0.6	-4.7		
Mobile MOU/sub/month	399	375	389	398	415	394	401	393	388	395
QoQ Growth (%)	-0.7	-6.0	3.7	2.3	4.3	-5.1	1.8	-2.0		
Mobile RPM (Rs)	0.58	0.56	0.51	0.46	0.44	0.42	0.42	0.41	0.53	0.42
QoQ Growth (%)	-8.0	-4.1	-7.8	-9.6	-5.7	-3.4	-1.2	-2.7		

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)/Nirav Poddar (Nirav.Poddar@MotilalOswal.com)

Reliance Communication

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	RCOM IN
Equity Shares (m)	2,063.0
52 Week Range (Rs)	205/75
1,6,12 Rel Perf (%)	16/-31/-44
Mcap (Rs b)	220.3
Mcap (USD b)	4.9

CMP: Rs107 **Neutral**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	222,457	48,812	23.7	-20.7	4.5	0.6	12.6	5.8	1.9	5.3
3/11E	203,183	15,700	7.6	-67.8	14.0	0.6	4.0	3.1	2.7	8.3
3/12E	229,977	14,373	7.0	-8.5	15.3	0.5	3.6	3.2	2.3	6.7
3/13E	248,963	16,540	8.0	15.1	13.3	0.5	4.0	3.4	2.0	5.7

- We expect revenue to remain flat YoY but increase 2% QoQ to Rs50.9b.
- Wireless ARPU is likely to decline by ~5% QoQ to Rs105.
- We expect RPM to remain flat QoQ at Rs0.44 (would imply no decline for the fifth consecutive quarter) and MOU to decline 5% QoQ to 238 minutes.
- EBITDA margin is likely to decline by ~30bp QoQ to 33%.
- We expect pre minority interest net profit to decline by 78% YoY (52% QoQ) to Rs2.5b.
- RCom trades at an EV/EBITDA of 6.7x FY12E and 5.7x FY13E. **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Gross Revenue	**61,452**	**57,026**	**53,052**	**50,928**	**51,092**	**51,183**	**50,041**	**50,867**	**222,457**	**203,183**
YoY Growth (%)	15.5	1.0	-9.3	-16.8	-16.9	-10.2	-5.7	-0.1	-3.0	-8.7
QoQ Growth (%)	0.4	-7.2	-7.0	-4.0	0.3	0.2	-2.2	1.7		
EBITDA	**24,525**	**20,199**	**18,126**	**16,020**	**16,320**	**16,595**	**16,680**	**16,805**	**78,869**	**66,400**
YoY Growth (%)	9.0	-12.2	-22.9	-32.8	-33.5	-17.8	-8.0	4.9	-15.1	-15.8
QoQ Growth (%)	2.9	-17.6	-10.3	-11.6	1.9	1.7	0.5	0.7		
Margin (%)	39.9	35.4	34.2	31.5	31.9	32.4	33.3	33.0	35.5	32.7
Net Finance Costs	-6,205	6,551	-4,075	-8,134	4,396	2,797	1,296	3,397	-11,863	11,886
Depreciation & Amortization	11,144	7,144	8,331	10,847	9,648	9,553	10,338	10,455	37,466	39,994
Profit before Tax	**19,586**	**6,504**	**13,870**	**13,307**	**2,276**	**4,245**	**5,046**	**2,952**	**53,266**	**14,520**
Income Tax Expense / (Income)	2,267	-1,739	2,003	1,923	-719	-661	-214	413	4,454	-1,181
Adjusted Net Profit / (Loss)	**17,319**	**8,243**	**11,867**	**11,384**	**2,995**	**4,906**	**5,260**	**2,539**	**48,812**	**15,700**
YoY Growth (%)	5.6	-50.8	-19.8	-16.3	-82.7	-40.5	-55.7	-77.7	-20.7	-67.8
QoQ Growth (%)	27.4	-52.4	44.0	-4.1	-73.7	63.8	7.2	-51.7		
Margin (%)	28.2	14.5	22.4	22.4	5.9	9.6	10.5	5.0	21.9	7.7
Extraordinary Exp/Minority Interest	953	840	790	-811	486	447	457	461	1,772	1,851
Reported Net Profit / (Loss)	**16,366**	**7,403**	**11,077**	**12,195**	**2,509**	**4,459**	**4,803**	**2,078**	**47,040**	**13,849**
Wireless ARPU (Rs/month)	**210**	**161**	**149**	**139**	**130**	**122**	**111**	**105**	**161**	**117**
QoQ Growth (%)	-6.3	-23.3	-7.5	-6.7	-6.5	-6.2	-9.0	-5.0		
Wireless MOU/sub/month	**365**	**340**	**330**	**318**	**295**	**276**	**251**	**238**	**334**	**264**
QoQ Growth (%)	-1.9	-6.8	-2.9	-3.6	-7.2	-6.4	-9.1	-5.0		
Wireless RPM (Rs)	**0.58**	**0.47**	**0.45**	**0.44**	**0.44**	**0.44**	**0.44**	**0.44**	**0.48**	**0.44**
QoQ Growth (%)	-4.5	-17.7	-4.6	-3.2	0.8	0.3	0.0	0.0		

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)/Nirav Poddar (Nirav.Poddar@MotilalOswal.com)

Tulip Telecom

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	TTSL IN
Equity Shares (m)	145.0
52 Week Range (Rs)	201/132
1,6,12 Rel Perf (%)	-8/-11/-23
Mcap (Rs b)	20.6
Mcap (USD b)	0.5

CMP: Rs142 **Buy**

Year End	Net Sales (Rs m)	PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (x)	P/BV (x)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
3/10A	19,664	2,755	17.0	15.0	8.4	2.5	34.2	16.4	1.5	5.5
3/11E	23,506	3,094	19.0	12.3	7.5	1.9	29.0	14.8	1.3	4.7
3/12E	28,590	4,006	24.7	29.5	5.8	1.5	28.8	15.8	1.0	3.5
3/13E	33,321	4,252	26.2	6.1	5.4	1.0	21.6	14.9	0.7	2.6

- We expect consolidated revenue to grow 20% YoY and 6% QoQ to Rs6.4b.
- EBITDA margin is likely to expand ~50bp QoQ to 29%. EBITDA would grow 20% YoY and 8% QoQ to Rs1.85b.
- Reported PAT is likely to grow 8% YoY and 5% QoQ to Rs855m.
- Tulip trades at an EV/EBITDA of 3.5x FY12E and 2.6x FY13E. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Gross Revenue	**4,429**	**4,910**	**5,009**	**5,307**	**5,252**	**5,850**	**6,022**	**6,382**	**19,664**	**23,506**
YoY Growth (%)	33.2	27.7	15.0	15.0	18.6	19.1	20.2	20.3	21.8	19.5
QoQ Growth (%)	-4.0	10.9	2.0	5.9	-1.0	11.4	2.9	6.0		
Total Operating Expenses	3,343	3,642	3,659	3,762	3,834	4,217	4,306	4,531	14,409	16,888
EBITDA	**1,086**	**1,268**	**1,350**	**1,545**	**1,417**	**1,634**	**1,716**	**1,851**	**5,255**	**6,618**
YoY Growth (%)	66.0	56.5	48.0	56.0	30.5	28.8	27.1	19.8	56.1	25.9
QoQ Growth (%)	9.6	16.8	6.5	14.4	-8.3	15.3	5.0	7.9		
Margin (%)	24.5	25.8	27.0	29.1	27.0	27.9	28.5	29.0	26.7	28.2
Net Finance Costs	158	187	186	185	185	190	212	288	716	874
Non-Operating Income	271	37	104	57	-13	14	11	26	468	37
Depreciation & Amortization	353	436	409	155	375	420	441	463	1,353	1,699
Profit before Tax	**846**	**682**	**858**	**1,262**	**844**	**1,038**	**1,075**	**1,126**	**3,654**	**4,082**
Income Tax Expense / (Income)	96	164	172	467	203	258	257	271	899	988
Reported Net Profit / (Loss)	**750**	**518**	**686**	**795**	**642**	**781**	**817**	**855**	**2,755**	**3,094**
YoY Growth (%)	63.2	3.2	41.0	-24.8	-14.5	50.8	19.1	7.6	10.0	12.3
QoQ Growth (%)	-29.0	-31.0	32.6	15.9	-19.3	21.7	4.7	4.6		
Margin (%)	16.9	10.5	13.7	15.0	12.2	13.3	13.6	13.4	14.0	13.2

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)/Nirav Poddar (Nirav.Poddar@MotilalOswal.com)

Textiles

COMPANY NAME
Arvind Mills

Raymond

Vardhman Textiles

Union Budget measures negative for the sector: Union Budget 2011-12 was negative for the sector, as the government imposed mandatory excise duty of 10% on branded garments and made-ups (tax on 60% of the list price). This is likely to adversely impact growth of the organized branded apparel industry and impact margins for the entire textiles sector in general, as it would be difficult to pass on the entire price increase to the buyers. Historically, differential tax treatment between organized and unorganized textile players has resulted in the low share of the organized textile industry. This Budget proposal could slow down the prevalent shift towards the organized sector. Furthermore, no details about the status of the Textile Upgradation Fund (TUF) post its expiry in 2012, were shared. This could impact the modernization and expansion plans of the textile industry.

Cotton prices could fall in near term: Cotton prices reached a historical high of 200cents/pound in February 2011 before retreating partially. Global cotton production is likely to rebound in the coming season (world production expected to increase from 101m bales to 114m bales), which could exert pressure on the global cotton prices. Nevertheless, demand from China would remain extremely strong due to the low levels of Chinese stocks.

Margins of domestic yarn producers to get negatively impacted: Margins of domestic yarn producers peaked in 3QFY11, as textile players exhausted their low cost inventory. We expect yarn margins to fall sharply for all domestic yarn producers on a QoQ basis from 4QFY11 onwards. Also, if cotton prices start weakening over the next few months, yarn prices are likely to decline. This could lead to inventory losses for key producers in FY12, as most large yarn producers are already covered for their cotton requirement till October-November 2011.

Valuation and view: Key Indian textile companies undertook capacity expansion over FY07-10, which allowed them to achieve critical scale and most capacities are slated to reach full utilization from FY11-12 onwards. Key Indian textile companies are in a sweet spot, as they do not have major near-term capital expenditure plans and could enjoy significant free cash flows over the next few years. Our top pick is **Vardhman Textiles**.

Expected quarterly performance summary **(Rs million)**

	CMP (Rs)	Rating	Sales			EBITDA			Net profit		
	25.03.11		Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ	Mar.11	Var. % YoY	Var. % QoQ
Arvind Mills	57	Neutral	7,174	24.6	10.7	961	44.9	9.2	253	64.4	-19.5
Raymond	328	Under Review	4,790	42.4	6.2	846	89.2	-14.6	320	796.5	-23.8
Vardhman Textiles	275	Buy	10,192	34.7	0.9	2,257	33.6	-18.3	954	136.7	-29.6
Sector Aggregate			**22,156**	**32.8**	**5.0**	**4,065**	**45.1**	**-12.3**	**1,527**	**157.7**	**-26.9**

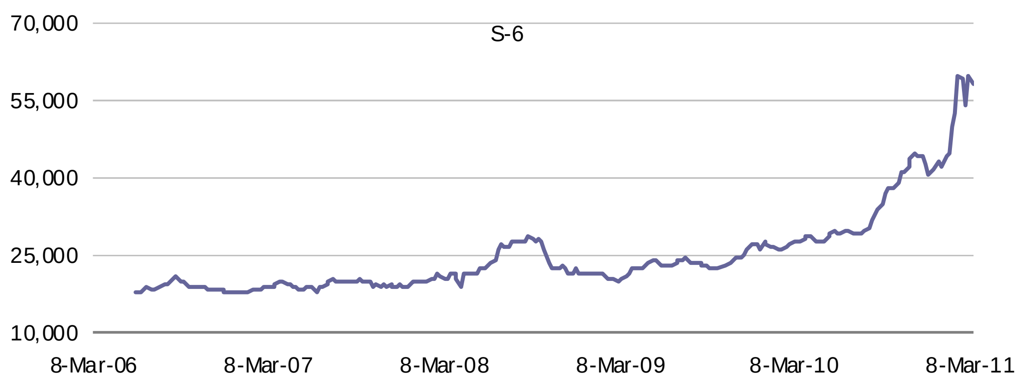
Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

World cotton demand-supply outlook (m bales)

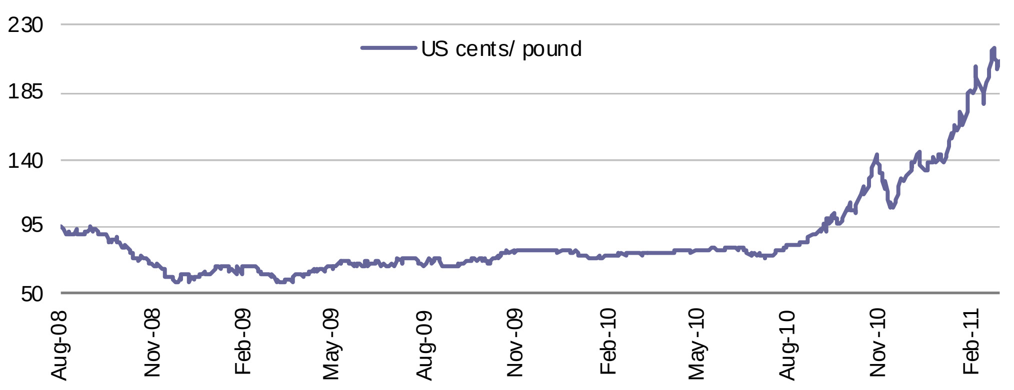
	Production	Imports	Mill Use	Ending Stocks	Stocks to-use Ratio
2001/02	98.52	29.38	94.55	46.93	49.64
2002/03	88.30	30.16	98.49	38.13	38.71
2003/04	95.26	34.06	98.00	43.10	43.98
2004/05	120.12	33.39	108.82	53.87	49.50
2005/06	117.69	44.37	116.23	60.15	51.75
2006/07	121.99	37.41	123.43	62.82	50.90
2007/08	119.91	38.99	122.97	62.66	50.96
2008/09	107.10	30.14	110.07	60.52	54.98
2009/10 (estimates)	101.34	35.98	118.52	43.84	36.99
2010/11 (projections)	114.95	38.59	116.61	42.33	36.30

Source: ICAC

Domestic cotton prices have been moving up (Rs/candy)

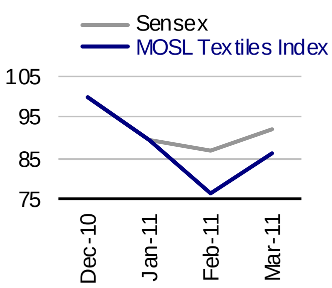


International cotton prices have touched new highs (US cents/pound)

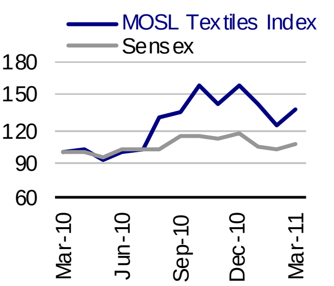


Source: Cotton Outlook

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (Rs) 25.03.11	Rating	EPS (Rs) FY11E	EPS (Rs) FY12E	EPS (Rs) FY13E	P/E (x) FY11E	P/E (x) FY12E	P/E (x) FY13E	EV/EBITDA FY11E	EV/EBITDA FY12E	EV/EBITDA FY13E	RoE (%) FY11E	RoE (%) FY12E	RoE (%) FY13E
Textiles														
Arvind Mills	57	Neutral	4.3	5.8	6.4	13.1	9.8	8.9	5.6	4.8	4.4	4.7	6.0	6.2
Raymond	328	UR	14.4	19.1	20.9	22.8	17.2	15.7	8.6	7.8	7.1	7.4	9.3	9.7
Vardhman Textiles	275	Buy	71.8	54.2	55.9	3.8	5.1	4.9	3.3	3.4	2.9	20.1	13.4	12.3
Sector Aggregate						**8.1**	**8.7**	**8.2**	**5.0**	**4.8**	**4.3**	**11.4**	**9.7**	**9.5**

Arvind Mills

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	ARVND IN
Equity Shares (m)	218.9
52 Week Range (Rs)	75/30
1,6,12 Rel Perf (%)	-1/38/65
Mcap (Rs b)	12.5
Mcap (USD b)	0.3

CMP: Rs57 — Neutral

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	32,795	531	2.4	-153.4	23.5	0.6	2.7	6.8	0.9	7.2
3/11E	34,107	952	4.3	79.4	13.1	0.6	4.7	8.8	0.8	5.5
3/12E	38,200	1,275	5.8	33.9	9.8	0.6	6.0	9.7	0.7	4.7
3/13E	41,256	1,399	6.4	9.8	8.9	0.5	6.2	9.6	0.6	4.3

- We expect revenue to increase 24.6% to Rs7.1b.
- EBITDA margin is likely to expand by 187bp to 13.4%.
- We expect the company to post net profit of Rs253m in 4QFY11 v/s Rs154m in 4QFY10.
- Arvind Mills has begun the process of monetizing its surplus land bank in Ahmedabad, where it has 800 acres of surplus land.
- The company has restructuring plans, which could involve relocating part of its commodity grade denim capacity to other countries. It is enhancing its focus on branded apparel and garment manufacturing.
- The stock trades at 0.6x FY12E book value. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**6,768**	**5,977**	**5,439**	**5,757**	**5,777**	**6,545**	**6,481**	**7,174**	**23,942**	**25,977**
Change (%)	24.1	2.9	-9.3	-1.9	-14.6	9.5	19.2	24.6	3.2	8.5
Total Expenditure	5,888	5,162	4,881	5,094	4,844	5,631	5,601	6,212	21,024	22,288
EBITDA	**880**	**816**	**559**	**663**	**933**	**914**	**880**	**961**	**2,917**	**3,689**
Change (%)	60.2	75.5	-31.6	17.8	6.1	12.1	57.5	44.9	13.6	26.4
As % of Sales	13.0	13.6	10.3	11.5	16.2	14.0	13.6	13.4	12.2	14.2
Depreciation	326	283	292	272	300	298	275	298	1,172	1,172
Interest	473	463	381	267	536	470	415	417	1,584	1,837
Other Income	5	82	237	28	94	136	124	23	352	377
PBT	**86**	**152**	**123**	**154**	**191**	**283**	**314**	**269**	**514**	**1,057**
Tax	0	0	0	0	0	0	0	16	0	16
Effective Tax Rate (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.8	0.0	1.5
Reported PAT	**86**	**152**	**123**	**154**	**191**	**283**	**314**	**253**	**514**	**1,041**
Change (%)	107.5	826.8	-136.9	-175.3	-84.0	230.0	106.7	106.6	-207.4	102.5
Adj. PAT	**86**	**152**	**123**	**154**	**191**	**283**	**314**	**253**	**514**	**1,041**
Change (%)	3,328.0	310.8	-139.8	-202.8	122.9	86.1	156.5	64.4	-188.0	102.5

E: MOSt Estimates, * Restated Quarterly Numbers

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

Raymond

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	RW IN
Equity Shares (m)	68.4
52 Week Range (Rs)	458/195
1,6,12 Rel Perf (%)	17/-6/32
Mcap (Rs b)	22.4
Mcap (USD b)	0.5

CMP: Rs328 — Under Review

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	25,085	76	1.1	-105.9	296.3	1.9	0.6	-2.8	1.5	40.0
3/11E	28,141	984	14.4	1,200.4	19.5	1.4	7.4	6.4	1.0	7.7
3/12E	32,129	1,304	19.1	32.5	14.7	1.4	9.3	7.6	0.9	7.0
3/13E	32,129	1,431	20.9	9.7	13.4	1.3	9.7	8.2	0.8	6.3

** Consolidated*

- We expect standalone revenue of Rs4.8b in 4QFY11, up 42.4% as compared with Rs3.4b in 4QFY10.
- EBITDA is likely to be Rs846m against Rs447m in 4QFY10. We estimate EBITDA margin at 17.7%.
- While we expect the company to start deriving the benefits of lower employee cost from 4QFY11, margins are likely to be under pressure due to higher raw material prices.
- Raymond's decision to close its loss-making denim operations in the US and Belgium will lower its denim business losses.
- With labor issues resolved at the Thane plant, we expect faster monetization of its real estate (120 acres in Thane). Even partial land sale in the near future could be a key catalyst as it would lower leverage, improve cash flow outlook and potentially set a base benchmark for the rest of the land bank.
- The stock trades at 14.7x FY12E adjusted EPS of Rs19.1 and 13.4x FY13E adjusted EPS of Rs20.9. We value Raymond's Thane land at a minimum of Rs160/share. **Under Review**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**2,348**	**3,985**	**3,723**	**3,365**	**2,443**	**3,985**	**4,511**	**4,790**	**13,421**	**15,729**
Change (%)	-0.4	-8.1	3.7	-7.3	-81.6	0.0	21.2	42.4	-2.7	17.2
Total Expenditure	2,413	3,411	3,184	2,917	2,452	3,171	3,520	3,944	11,926	13,087
EBITDA	**-66**	**575**	**539**	**447**	**-9**	**815**	**991**	**846**	**1,495**	**2,643**
Change (%)	-83.2	14.4	101.5	174.7	86.3	41.8	83.8	89.2	404.5	76.7
As % of Sales	-2.8	14.4	14.0	13.3	-0.4	20.4	22.0	17.7	11.1	16.8
Depreciation	270	281	281	282	254	256	260	265	1,113	1,035
Interest	232	228	211	174	210	225	255	279	844	969
Other Income	215	155	164	104	113	173	120	89	637	495
Extra-ordinary Items	50	152	-169	-44	19	1	2,351	0	-12	2,371
PBT	**-401**	**69**	**380**	**140**	**-379**	**506**	**-1,755**	**391**	**187**	**-1,237**
Tax	-85	-6	-45	73	-131	114	-601	70	-63	-547
Effective Tax Rate (%)	21.2	-8.5	-11.9	52.3	-	22.5	-	18.0	25.5	-
Reported PAT	**-316**	**74**	**426**	**67**	**-248**	**392**	**-1,154**	**320**	**251**	**-690**
Adj. PAT	**-266**	**181**	**307**	**36**	**-229**	**393**	**421**	**320**	**257**	**905**
Change (%)	87.6	6.0	316.5	-97.3	-14.0	117.5	36.8	796.5	-155.6	251.6

E: MOSL Estimates

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

Vardhman Textiles

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	VTEX IN
Equity Shares (m)	63.7
52 Week Range (Rs)	377/229
1,6,12 Rel Perf (%)	1/-4/12
Mcap (Rs b)	17.5
Mcap (USD b)	0.4

CMP: Rs275 — Buy

Year End	Net Sales (Rs m)	PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (x)	P/BV (x)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
3/10A	33,777	2,407	37.8	52.7	7.3	1.1	15.0	10.5	1.2	5.6
3/11E	41,770	4,570	71.8	89.9	3.6	0.7	20.1	16.7	0.8	3.2
3/12E	43,006	3,447	54.2	-24.6	4.7	0.6	13.4	12.9	0.7	3.3
3/13E	43,006	3,557	55.9	3.2	4.6	0.6	12.3	11.9	0.6	2.8

Consolidated

- Vardhman is likely to post standalone revenue growth of 34.7% in 4QFY11 to Rs10.1b. We expect EBITDA margin to remain flat YoY and fall 522bp QoQ to 22.1%. Adjusted PAT is likely increase 137% to Rs954m, boosted by high cotton yarn margins.
- The company's yarn margins peaked in 3QFY11 as it exhausted its low cost inventory. We expect EBIT margin to decline from ~21.7% in 3QFY11 to ~18.5%.
- Vardhman's Rs26b capex plans were completed in FY10-11, while utilization improved towards the end of FY11. We expect FY12 to be the first year of full capacity utilization.
- Post expansion, Vardhman's spinning capacity increased from 0.5m spindles to 0.85m spindles and its processing fabric plant capacity increased from 40m meters to 90m meters.
- The stock trades at 4.7x FY12E EPS of Rs54.2 and 4.6x FY13E EPS of Rs55.9. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**6,201**	**6,752**	**6,992**	**7,565**	**8,112**	**9,217**	**10,100**	**10,192**	**27,510**	**37,620**
Change (%)	-4.7	3.8	8.4	27.8	30.8	36.5	44.4	34.7	12.1	36.8
Total Expenditure	5,105	5,401	5,612	5,875	6,321	7,001	7,335	7,935	21,992	28,592
EBITDA	**1,096**	**1,351**	**1,380**	**1,690**	**1,791**	**2,216**	**2,764**	**2,257**	**5,517**	**9,028**
Change (%)	27.7	21.6	48.0	102.2	63.4	64.0	100.3	33.6	47.6	63.6
As % of Sales	17.7	20.0	19.7	22.3	22.1	24.0	27.4	22.1	20.1	24.0
Depreciation	539	538	554	577	575	580	585	608	2,209	2,348
Interest	220	182	223	242	255	235	264	289	867	1,042
Other Income	156	3	62	0	18	56	0	19	221	94
Extra-ordinary Items	112	0	0	208	23	0	0	0	320	23
PBT	**492**	**634**	**665**	**871**	**980**	**1,457**	**1,916**	**1,379**	**2,662**	**5,732**
Tax	93	130	188	323	193	298	560	425	733	1,475
Effective Tax Rate (%)	18.8	20.5	28.2	37.0	19.6	20.4	29.2	30.8	27.5	25.7
Reported PAT	**399**	**504**	**478**	**549**	**787**	**1,160**	**1,356**	**954**	**1,930**	**4,256**
Adj. PAT	**287**	**504**	**478**	**403**	**764**	**1,160**	**1,356**	**954**	**1,706**	**4,233**
Change (%)	-8.5	290.9	187.5	161.7	166.1	130.0	183.7	136.7	169.7	148.2

E: MOSL Estimates

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

Utilities

COMPANY NAME
CESC
Coal India
NTPC
Power Grid
PTC India
Reliance Infrastructure
Tata Power

During 4QFY11, we expect utility companies in our coverage to report net profit growth of 4% YoY. Muted net profit growth at 4% YoY is driven by lower generation given back down by SEBs, lower merchant profitability, etc.

PLFs lower YoY, base / peak deficit declines: During January - February 2011, overall generation grew by 9% YoY; but coal based power projects PLFs were down by 57bps (given ~12.5GW of capacity addition in YTD FY11). Generation growth was impacted due to back down by SEBs given financial constraints and partly due to fuel supply issues. Lower demand is also enunciated in lowest ever base deficit levels over past several years at 8.6% (down 130bps YoY) in YTD FY11 (vs 9-10% deficit over FY08-10), while peak deficit stood at 10.3% (down 230bps YoY). Demand growth for January-February, 2011 is up 7% YoY (demand of ~70BU/month), and has shown some signs of improvement.

ST prices strengthen given upcoming state elections / summer season: For 4QFY11, average spot rates at IEX stood at Rs3.6/unit (down by 13% YoY, up 52% MoM). The recent strengthening in ST prices is on account of pre-election demand in Southern States and also seasonal factors. Similarly, the forward rate curve has increased (from Rs4.25/unit in Jan-Mar delivery to Rs4.70-4.90/unit in Mar-May delivery). For June 2011, current forward rate is lower at Rs3.79/unit, given lower demand in monsoons.

Higher capacity additions, increasing fuel cost to put pressure on margins: Capacity addition YTD FY11 has been ~12.5GW, and is higher than ~9.2GW in FY10. For FY12E, capacity addition target stands at ~20GW, and would lead to improved power availability. This, along with increase in share of imported coal / E-auction, higher coal prices, etc entails lower gross margins for merchant projects. For FY12, we currently estimate merchant price of Rs4/unit, down from ~Rs5/unit in FY11.

Valuations and view: Power sector has seen significant valuation de-rating given concerns on delayed capacity additions, merchant prices, lower demand, fuel supply issues, etc. We remain positive on companies, which are relatively better positioned on these fronts. Our top picks in the sector are **Coal India**, **Powergrid** and **NTPC**; and amongst mid caps we prefer **CESC** and **PTC**.

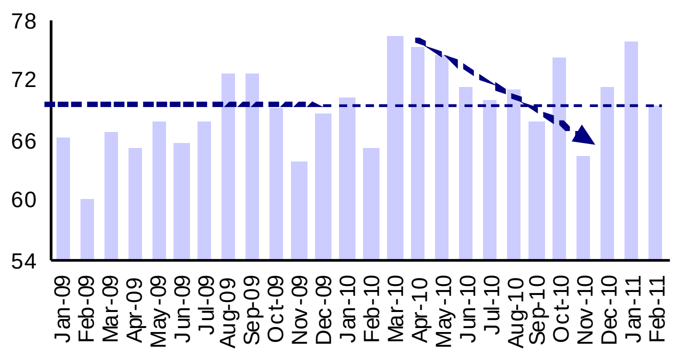
Expected quarterly performance summary (Rs million)

	CMP (Rs) 25.03.11	Rating	Sales Mar.11	Sales Var. % YoY	Sales Var. % QoQ	EBITDA Mar.11	EBITDA Var. % YoY	EBITDA Var. % QoQ	Net profit Mar.11	Net profit Var. % YoY	Net profit Var. % QoQ
CESC	310	Buy	8,654	14.8	-7.8	2,219	20.6	-12.3	1,192	19.2	8.4
Coal India	357	Buy	144,340		13.7	44,117		30.7	36,694		38.9
NTPC	182	Buy	150,433	21.8	11.5	46,534	35.2	21.4	24,995	9.3	20.9
Power Grid Corp.	98	Buy	25,970	16.4	26.6	22,230	22.1	28.7	7,943	9.6	31.4
PTC India	84	Buy	16,495	32.7	-6.2	279	209.4	-31.5	293	144.8	-22.7
Reliance Infrastructure	651	Buy	30,685	16.1	16.3	3,531	35.1	32.3	2,877	14.6	55.0
Tata Power	1,302	Neutral	18,558	3.4	12.3	4,343	-3.3	30.8	2,202	0.9	48.0
Sector Aggregate			**250,794**	**19.3**	**11.3**	**79,136**	**28.3**	**22.6**	**39,501**	**9.9**	**25.2**

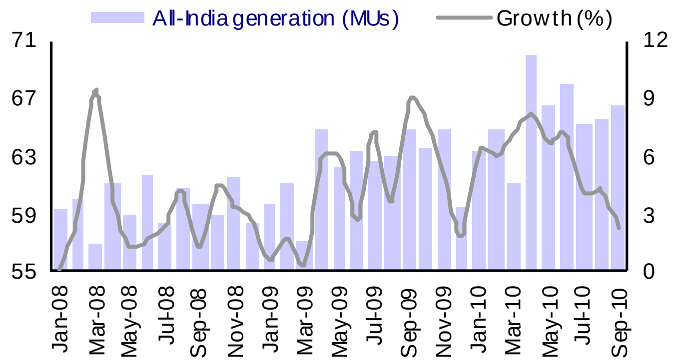
* Excluding Coal India

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Vishal Periwal (Vishal.Periwal@MotilalOswal.com)

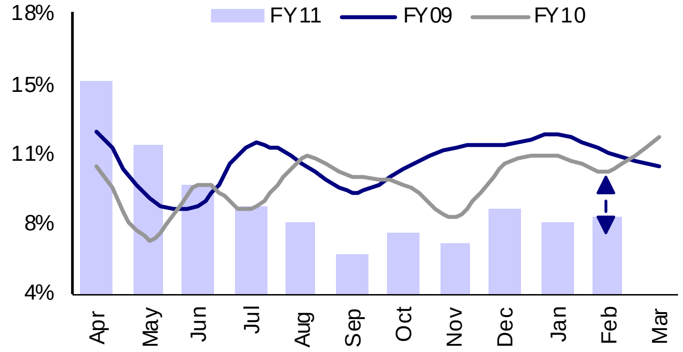
Demand impacted given improved monsoons, showing signs of improvement in 4QFY11 (BUs)



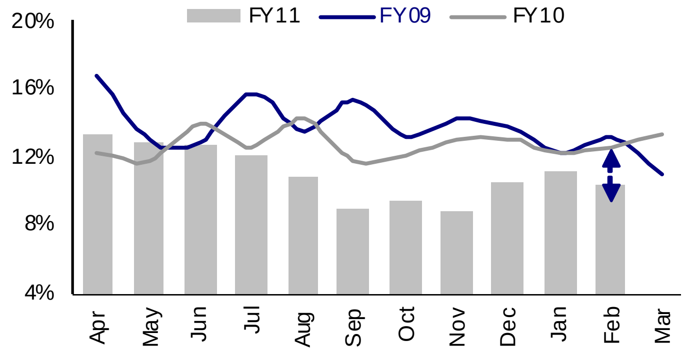
Generation growth bounced back from lows in 2QFY11 (BUs, % YoY)



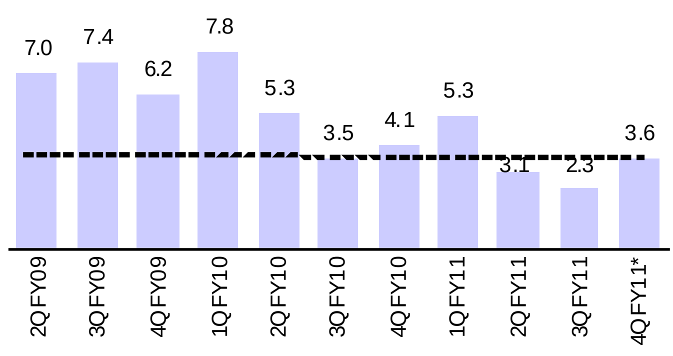
Base Deficit continues to be lower (%)



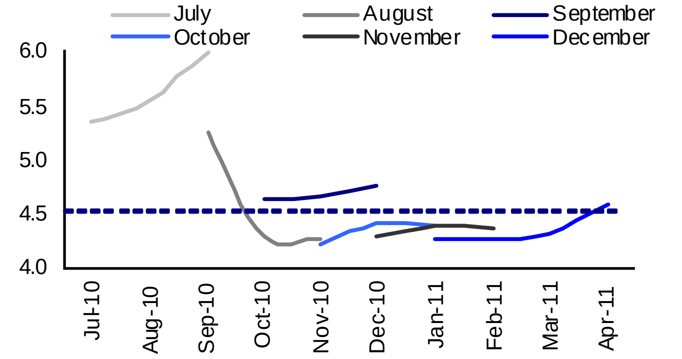
Peak deficit has declined, impacting merchant prices (%)



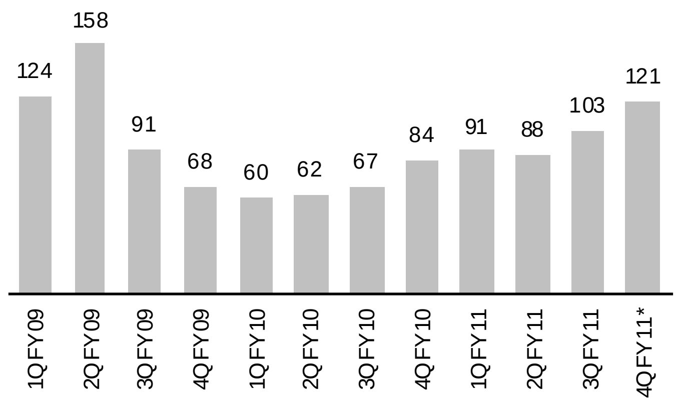
ST prices till March at IEX up QoQ (Rs/UNIT)



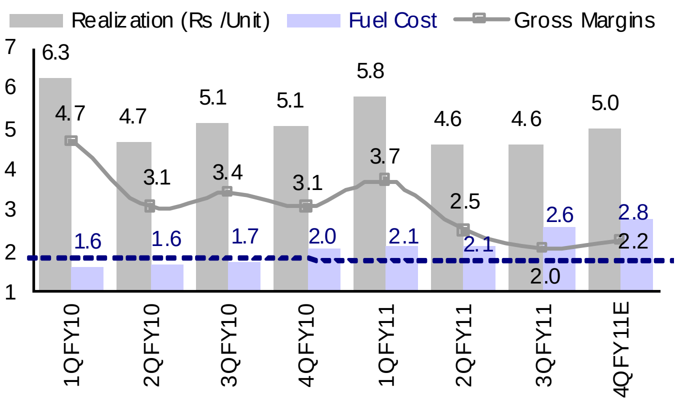
Forward curve improves to Rs4.50-4.90/unit (Rs/unit)



RB Index on upmove (US$/ton)



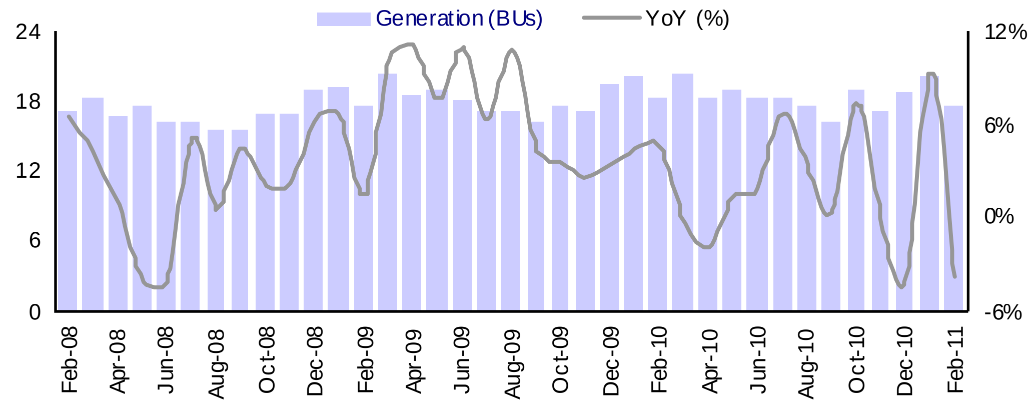
...margins for imported coal projects trend lower (Rs/unit)



* Till 31-March

Source: Source:CEA/ IEX/CERC/Bloomberg/MOSL

NTPC: Generation declines 4% YoY in February, PLF at ~92% (trend in PLF, %)



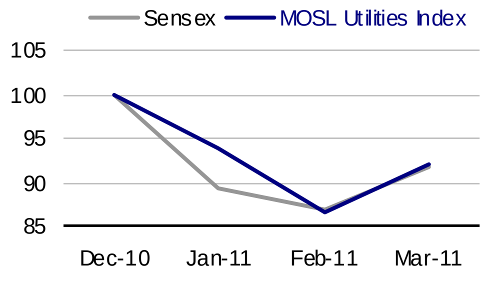
Source: Company/MOSL

Generation for key players: Generation growth from capacity addition

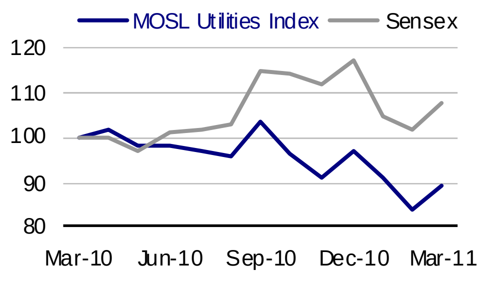
	Capacity (MW)*	Feb-11 Generation	Feb-11 PLF (%)	Feb-10 Generation	Feb-10 PLF (%)	Generation Jan-Feb,10	Generation Jan-Feb,11	Chg (%)
Adani Power								
- Mundra	1,980.0	831.1	93.7	198.6	41.2	423.3	1,709.7	NA
GVK								
- JP 1 & 2	455.4	196.8	59.2	267.0	80.3	567.7	421.8	-25.7
- Gautami	464.0	220.7	65.1	300.3	88.7	613.7	467.2	-23.9
GMR								
- Barge Mounted	220.0	85.4	53.2	0.0	0.0	0.0	85.4	NA
- Chennai	200.0	89.3	61.1	82.5	56.5	151.3	145.4	-4.0
- Vemagiri	370.0	197.5	73.1	250.3	92.7	483.8	413.1	-14.6
JPL								
- Chattisgarh	1,000.0	681.7	101.4	647.3	96.3	1,305.3	1,432.6	9.7
Rel Infra								
- Dahanu	500.0	345.2	102.8	348.0	103.8	738.9	732.7	-0.8
Rel Power								
- Samalkot (AP)	220.0	86.8	54.1	132.0	82.2	288.7	188.4	-34.7
- Goa	48.0	24.0	68.5	17.1	48.7	44.1	44.7	1.4
- Kochi	174.0	8.4	6.6	0.0	0.0	10.5	8.4	NA
- Rosa	600.0	366.9	91.0	0.0	0.0	0.0	713.6	NA
Tata Power								
- Trombay	1,580.0	676.6	58.4	694.8	61.7	1,350.8	1,329.9	-1.5
- TISCO (Jamshedpur)	441.3	194.6	68.3	197.4	81.6	375.8	408.3	8.7
Torrent Power								
- Existing	500.0	197.2	60.5	314.3	94.5	633.7	416.3	-34.3
- Sugen	1,147.5	533.0	63.6	567.3	67.7	1,221.9	1,253.3	2.6
JSW Energy								
- Rajwest Unit-I	270.0	99.3	54.7	0.0	0.0	0.0	259.5	NA
- Karnataka	860.0	598.4	103.6	405.5	70.2	803.5	1,199.0	49.2
- Ratnagiri	600.0	332.0	73.9	0.0	0.0	0.0	666.8	n.a.
CESC	1,225.0	554.5	64.2	550.0	72.9	1,114.0	1,150.7	3.3
Lanco Infratech								
- Kondapali	716.0	336.0	64.3	353.0	67.5	619.0	570.0	-7.9
- Amarkantak (LANCO)	600.0	272.7	62.3	176.0	40.2	349.0	613.2	75.7
- UPCL	600.0	270.4	61.7	0.0	0.0	0.0	526.2	NA
KSK								
- Wardha	405.0	210.9	71.3	0.0	0.0	0.0	386.5	NA
Sterlite								
- Jharsuguda	1,200.0	222.9	25.4	0.0	0.0	0.0	275.6	NA

Source: CEA

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (Rs)	Rating	EPS (Rs)			P/E (x)			EV/EBITDA			RoE (%)		
	25.03.11		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Utilities														
CESC	310	Buy	37.8	38.8	39.6	8.2	8.0	7.8	5.0	5.4	5.6	13.3	12.2	11.2
Coal India	357	Buy	16.4	22.4	26.8	21.7	16.0	13.3	14.6	9.9	8.0	25.4	27.1	25.9
NTPC	182	Buy	10.1	12.0	14.0	18.1	15.2	13.0	10.6	11.2	10.1	12.8	14.0	15.1
Power Grid Corp.	98	Buy	5.6	6.8	7.8	17.6	14.4	12.6	10.9	9.7	9.1	13.8	13.9	14.4
PTC India	84	Buy	5.7	10.6	14.4	14.8	7.9	5.8	10.6	9.5	6.2	6.2	7.1	9.4
Reliance Infrastructure	651	Buy	34.8	53.8	60.8	18.7	12.1	10.7	10.0	7.5	6.2	5.6	8.2	8.6
Tata Power	1,302	Neutral	76.3	111.2	98.3	17.1	11.7	13.2	23.2	18.5	18.6	7.3	9.7	6.7
Sector Aggregate						**19.3**	**14.9**	**12.9**	**12.2**	**10.5**	**9.2**	**15.5**	**17.9**	**18.3**

CESC

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	CESC IN
Equity Shares (m)	125.6
52 Week Range (Rs)	433/263
1,6,12 Rel Perf (%)	-1/-17/-27
Mcap (Rs b)	38.9
Mcap (USD b)	0.9

CMP: Rs310 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS* GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	32,928	4,333	34.5	17.7	9.0	1.3	13.8	10.8	1.7	7.4
03/11E	39,764	4,742	37.8	9.4	8.1	1.1	13.3	12.9	1.3	4.9
03/12E	41,417	4,874	38.8	2.8	7.8	1.0	12.2	11.9	1.3	5.4
03/13E	45,010	4,969	39.6	2.0	7.7	0.9	11.2	11.3	1.2	5.5

* Excl Spencers; fully diluted

- During 4QFY11, we expect CESC to report revenues of Rs9b (up 15% YoY) and net profit of Rs1.2b, up 19% YoY. In Jan-Feb, 2011, PLF stood at 64% (v/s 62% YoY) and generation stood at 1.2BUs YoY (up 3% YoY).
- CESC is planning a fund raising of ~Rs15b in Haldia Energy (600MW each Haldia and Chandrapur project, 1.3GW Orissa Project), to part finance the project construction. Orissa project is amongst the 12 projects considered for linkages in the standing linkages committee meeting (score of 90 out of 100) for 12th plan projects Further, CESC has also planned expansion of Haldia project to 1320MW; and has secured ~800acres land for the project.
- CESC has emerged as the preferred bidder for Patna distribution circle, which is however pending award. Management expects equity IRR of 18-20%. CESC is also actively looking at other distribution circles, which are being privatised.
- Spencer has achieved store level EBITDA break even in 1HFY11 and reported revenues of Rs1048+/sq ft in December 10. Over the past 1 year, Spencer has closed 9 stores and reduced its area under operations by 5%. However going forward, the company plans gradual expansion in total area under operations from 0.85msf to 2.5msf over next 3 years and improvement in stores level EBIDTA profitability to Rs50/sq.ft/month, vs Rs20/sq.ft/ month now.
- We expect CESC to post standalone net profit of Rs4.7b in FY11 (up 9% YoY) and Rs4.9b in FY12 (up 3% YoY), excluding Spencer. The stock trades at reported PER of 8.1x FY11E and 7.8x FY12E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**8,090**	**9,490**	**7,970**	**7,540**	**10,820**	**10,900**	**9,390**	**8,654**	**32,910**	**39,764**
Change (%)	3.3	25.7	6.0	1.8	33.7	14.9	17.8	14.8	8.6	20.8
EBITDA	**1,900**	**2,100**	**1,880**	**1,840**	**2,420**	**3,030**	**2,530**	**2,219**	**7,540**	**10,199**
Change (%)	55.7	12.3	24.5	21.1	27.4	44.3	34.6	20.6	23.2	35.3
As of % Sales	23.5	22.1	23.6	24.4	22.4	27.8	26.9	25.6	22.9	25.6
Depreciation	480	490	490	520	670	640	690	717	1,980	2,717
Interest	430	460	420	470	670	770	690	684	1,780	2,814
Other Income	280	360	260	360	290	320	220	412	1,440	1,242
PBT	**1,270**	**1,510**	**1,230**	**1,210**	**1,370**	**1,940**	**1,370**	**1,229**	**5,220**	**5,909**
Tax	220	250	210	210	270	390	270	237	890	1,167
Effective Tax Rate (%)	17.3	16.6	17.1	17.4	19.7	20.1	19.7	19.3	17.0	19.8
Reported PAT	**1,050**	**1,260**	**1,020**	**1,000**	**1,100**	**1,550**	**1,100**	**992**	**4,330**	**4,742**
Adjusted PAT	**1,050**	**1,260**	**1,020**	**1,000**	**1,100**	**1,350**	**1,100**	**1,192**	**4,330**	**4,742**
Change (%)	27.3	34.0	4.1	6.4	4.8	7.1	7.8	19.2	17.5	9.5

E: MOSL Estimates, Standalone Numbers (excl Spencers Retail)

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Vishal Periwal (Vishal.Periwal@MotilalOswal.com)

Coal India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	COAL IN
Equity Shares (m)	6,316.4
52 Week Range (Rs)	371/287
1,6,12 Rel Perf (%)	-/-/-
Mcap (Rs b)	2,257.8
Mcap (USD b)	50.5

CMP: Rs357 — Buy

YEAR END	NET SALES* (RS M)	PAT* # (RS M)	EPS# (RS)	EPS GR (%)	P/E (X)	P/BV (X)	ROE$ (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
FY10A	466,843	98,294	15.6	76.7	23.0	8.7	31.6	59.8	-0.8	18.0
FY11E	496,969	103,838	16.4	5.6	21.7	6.9	25.4	53.2	-0.8	14.6
FY12E	614,799	141,257	22.4	36.0	16.0	5.4	27.1	55.5	-0.9	9.9
FY13E	688,623	169,234	26.8	19.8	13.3	4.2	25.9	50.0	-1.0	8.0

* Consolidated; # Adjusted; $ RoE is adjusted for OB reserves accounts, as applicable under IFRS

- During 4QFY11, we expect Coal India to report revenues of Rs144b and net profit of Rs36.7b. Global coal prices have increased 17%+ since 3QFY11, and could lead to improved realizations for e-auctions. Production in FY11 is expected at 430m tons (unchanged YoY), and targeted production in FY12 stands at 447m tons. Stagnant production in FY11 is lower than estimates of ~440m tons.
- Recently, CIL has affected price increase across specific product categories. This would lead to Rs6.2b increase in FY11E and Rs65b in FY12E. We understand that the price increase is partly to offset cost increases (~10% YoY) given increased staff costs (Dearness allowance increased by 50%) and other costs. However, the management clarified that this price increase does not cover the price increase required towards proposed wage negotiations due in July 2011.
- CIL invited EoI to enter into 10 years thermal coal off-take (import) agreements with Coal producers in Indonesia, Australia, South Africa and the US. This is to meet the commitment shortfall in terms of domestic linkages through imported coal.
- Also, CIL is in process to float tenders for 18 abandoned mines with 1.6 billion tonnes of reserves. Many of these capacities have high grade coal, which have higher profitability.
- We expect Coal India to report net profit of Rs103b in FY11 (up 6% YoY) and Rs141b in FY12 (up 36% YoY). The stock trades at reported PER of 21.7x FY11E and 16x FY12E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH		FY11				FY10	FY11E
	1HFY10	1Q	2Q	3Q	4QE		
Sales	**202,068**	**114,493**	**111,217**	**126,919**	**144,340**	**466,843**	**496,969**
EBITDA	**33,183**	**30,324**	**18,543**	**33,760**	**44,117**	**104,725**	**126,744**
As of % Sales	16.4	26.5	16.7	26.6	30.6	22.4	25.5
Depreciation	6,669	4,112	3,701	4,136	4,375	13,138	16,323
Interest	259	521	222	285	563	1,560	1,591
Other Income	21,335	11,777	11,576	12,876	14,692	52,408	50,922
Extraordinary Income/(Expense)	0	-41	614	0	0	0	0
PBT	**47,591**	**37,509**	**25,582**	**42,215**	**53,872**	**142,436**	**159,751**
Tax	15,921	12,098	10,841	15,796	17,178	43,425	55,913
Effective Tax Rate (%)	33.5	32.3	42.4	37.4	31.9	30.5	35.0
Reported PAT	**31,670**	**25,411**	**14,741**	**26,419**	**36,694**	**99,011**	**103,838**
Adjusted PAT (Pre Exceptional)	**31,670**	**25,218**	**15,355**	**26,419**	**36,694**	**98,294**	**103,838**

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Vishal Periwal (Vishal.Periwal@MotilalOswal.com)

NTPC

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	NATPIN
Equity Shares (m)	8,245.5
52 Week Range (Rs)	222/169
1,6,12 Rel Perf (%)	1/-7/-17
Mcap (Rs b)	1,502.7
Mcap (USD b)	33.6

CMP: Rs182 **Buy**

YEAR END*	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	463,226	92,493	11.2	14.6	16.2	2.4	15.4	15.4	0.3	13.3
03/11E	562,369	83,179	10.1	-10.1	18.1	2.1	12.8	12.8	0.3	10.4
03/12E	665,942	99,040	12.0	19.1	15.2	2.0	14.0	14.0	0.6	11.0
03/13E	768,329	115,571	14.0	16.7	13.0	1.8	15.1	15.1	0.9	10.0

** Pre Exceptional Earnings*

- During 4QFY11, we expect NTPC to report revenues of Rs150b (up 22% YoY) and adjusted net profit of Rs25b, up 9% YoY.
- Generation in Jan/Feb-11 declined 2% YoY to 37.6BUs comprising 1% YoY decline for thermal plants and ~11% YoY for gas based projects. This is largely given issues like fuel availability, SEB finances, etc; and was a surprise.
- YtdFY11, NTPC has commercialized 2.5GW of capacity and 500MW Simhadri project will be synchronized by March 2011. Thus, capacity addition in FY11 is expected at 3150MW (in-line with revised target). For FY12, as per MoU signed with MoP NTPC has committed to add 4.2GW and has set internal target of 5.5GW.
- Bulk tendering for (660MW) boiler award has been delayed with court cases, and the award is now expected by June 11. NTPC has also floated RFQs for sourcing of 9 units of 800MW under bulk tendering. There have been delays in terms of BTG contract awards, and during FY12 we expect awards of 22-25GW. This is now critical for NTPC to achieve its targeted capacity additions in the Twelfth Plan.
- During 4QFY11, we expect NTPC to write back Rs7.3b written off in 9mFY11 pertaining to tax gross up of RoE on MAT basis. Given the delays in terms of capacity commissioning (COD); we expect NTPC to enjoy tax gross up based on corporate tax, improving returns in FY11.
- We expect NTPC to report net profit of Rs83b in FY11 (down 10% YoY) and Rs99b in FY12 (up 19% YoY). The stock trades at reported PER of 18.1x FY11E and 15.2x FY12E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**120,027**	**107,828**	**111,837**	**123,534**	**129,445**	**147,526**	**134,965**	**150,433**	**463,226**	**562,369**
Change (%)	25.8	11.6	-0.8	7.9	7.8	36.8	20.7	21.8	10.5	21.4
EBITDA	**31,757**	**32,137**	**33,653**	**26,657**	**29,867**	**35,107**	**38,330**	**53,772**	**124,204**	**157,076**
Change (%)	31.1	26.1	4.9	20.1	-5.9	9.2	13.9	101.7	19.5	26.5
As of % Sales	26.5	29.8	30.1	21.6	23.1	23.8	28.4	35.7	26.8	27.9
Depreciation	6,128	6,438	6,614	7,322	6,827	5,063	5,986	7,093	26,501	24,969
Interest	4,447	5,407	3,418	4,818	5,358	5,902	4,932	6,566	18,089	22,757
Other Income	7,763	7,410	7,791	6,277	5,849	6,147	6,694	8,872	29,241	27,563
PBT	**28,945**	**27,703**	**31,412**	**20,794**	**23,532**	**30,290**	**34,106**	**48,986**	**108,855**	**136,914**
Tax	7,009	6,183	8,862	-976	5,113	9,216	10,392	14,253	19,454	38,974
Effective Tax Rate (%)	24.2	22.3	28.2	-4.7	21.7	30.4	30.5	29.1	17.9	28.5
Reported PAT	**21,936**	**21,520**	**22,550**	**21,771**	**18,419**	**21,074**	**23,715**	**34,732**	**89,400**	**97,940**
Adj. PAT (Pre Exceptional)	**22,580**	**18,340**	**20,903**	**22,877**	**19,000**	**18,510**	**20,675**	**24,995**	**92,493**	**83,179**
Change (%)	23.0	0.4	4.9	-4.7	-15.9	0.9	-1.1	9.3	14.6	-10.1

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Vishal Periwal (Vishal.Periwal@MotilalOswal.com)

Power Grid Corporation

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	PWGR IN
Equity Shares (m)	4,629.7
52 Week Range (Rs)	120/92
1,6,12 Rel Perf (%)	-7/-1/-15
Mcap (Rs b)	454.4
Mcap (USD b)	10.2

CMP: Rs98 **Buy**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	71,275	23,031	5.5	18.6	17.9	2.6	15.1	8.6	10.2	12.3
3/11E	87,749	25,876	5.6	2.1	17.7	2.1	13.8	9.2	9.3	11.0
3/12E	110,127	31,632	6.8	22.2	14.5	1.9	13.9	9.9	8.3	9.7
3/13E	131,621	36,200	7.8	14.4	12.6	1.7	14.4	9.9	7.9	9.1

- For 4QFY11, we expect PGCIL to report revenue of Rs26b (up 16% YoY) and net profit of Rs7.9b, up 10%YoY.
- During YTD FY11, the Board of Powergrid has accorded investment approval (upto 2nd week of March) for projects of Rs190b (vs Rs133b in FY10) and total projects under construction stands at Rs815b. This is quite significant and project commissioning will drive earnings growth.
- Order award from PGCIL stood at Rs62.5b during April - Feb-11. Considering the ABB-BHEL order (Rs70b), we expect project awards of Rs150b+ in FY11. While this is lower than the initial expectations of Rs180-190b; we believe that awards of Rs150b are quite commendable.
- For FY11, Powergrid has lowered budget capex guidance by Rs10b to Rs119b, vs Rs129b earlier given delays in commissioning of Hydro power projects. Capex for FY12 is expected at Rs167b, a meaningful increase. For 12th plan, PGCIL's capex is expected at Rs1-1.2t.
- During 9MFY11, fixed asset capitalization stood at ~Rs69b, much higher than averages of Rs33b pa during FY09 and FY10. The management has guided for capitalization of Rs90b during FY11 (residual capitalization of Rs22b in 4QFY11) and Rs100b in FY12.
- We expect PGCIL to report net profit of Rs26b in FY11 (up 12% YoY) and Rs31.6b in FY12 (up 22% YoY). The stock trades at reported PER of 17.7x FY11E and 14.5x FY12E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**16,230**	**17,486**	**15,254**	**22,305**	**19,991**	**21,266**	**20,521**	**25,970**	**71,275**	**87,749**
Change (%)	19.3	10.1	3.2	-0.9	23.2	21.6	34.5	16.4	6.8	23.1
EBITDA	**13,299**	**14,723**	**12,467**	**18,205**	**16,811**	**17,858**	**17,274**	**22,230**	**58,694**	**74,173**
Change (%)	17.2	8.5	2.0	-2.1	26.4	21.3	38.6	22.1	5.3	26.4
As of % Sales	81.9	84.2	81.7	81.6	84.1	84.0	84.2	85.6	82.3	84.5
Depreciation	4,670	5,819	5,360	3,949	5,024	5,456	5,709	6,469	19,797	22,659
Interest	3,834	4,162	4,119	3,318	4,049	4,017	4,050	4,629	15,432	16,745
Other Income	1,993	751	2,246	-1,229	1,506	963	931	859	3,761	4,259
Extraordinary Income / (Expense)	-14	8	-4	973	-12	35	47	0	963	-23
PBT	**6,802**	**5,485**	**5,239**	**8,737**	**9,256**	**9,313**	**8,399**	**11,991**	**26,263**	**38,959**
Tax	1,336	885	361	3,271	2,224	2,799	2,487	4,048	5,854	11,558
Effective Tax Rate (%)	19.6	16.1	6.9	37.4	24.0	30.1	29.6	33.8	22.3	29.7
Reported PAT	**5,466**	**4,600**	**4,877**	**5,466**	**7,032**	**6,514**	**5,913**	**7,943**	**20,409**	**27,401**
Adj. PAT (Pre Exceptional)	**5,403**	**5,151**	**5,026**	**7,244**	**5,907**	**5,980**	**6,046**	**7,943**	**23,031**	**25,876**
Change (%)	40.9	17.2	19.5	3.3	9.3	16.1	20.3	9.6	18.6	12.4

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Vishal Periwal (Vishal.Periwal@MotilalOswal.com)

PTC India

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	PTCIN IN
Equity Shares (m)	294.5
52 Week Range (Rs)	145/75
1,6,12 Rel Perf (%)	-4/-25/-30
Mcap (Rs b)	24.8
Mcap (USD b)	0.6

CMP: Rs84 **Buy**

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	76,490	1,150	3.9	-6.9	21.5	1.2	5.2	7.2	0.2	26.3
03/11E	86,340	1,669	5.7	45.1	14.4	1.1	6.2	9.0	0.2	10.4
03/12E	114,272	3,128	10.6	87.5	7.7	1.1	7.1	9.9	0.1	8.9
03/13E	179,330	4,239	14.4	35.5	5.7	1.0	9.4	12.6	0.1	5.9

* Consolidated

- For 4QFY11, we expect PTC to report revenue of Rs16.5b (up 33% YoY) and net profit of Rs293m, up 145%YoY.
- During 4QFY11, we expect volume growth of 35% YoY to 4.3 BUs in 4QFY11. Also, we expect trading margins (adjusted for surcharge, rebates, etc) at Ps4.89/unit (up from Ps4.29/unit in 2QFY11). Given the stress in the system, higher competition, and increased contribution of power exchanges to overall trading market (~20% now vs 10% in FY10); margin improvement has been impacted (3QFY11 reported margins of Ps4.3/unit and 2QFY11 at Ps4.6/unit).
- PTC Financial Services (77% stake) has raised Rs4.4b from IPO entailing valuations of Rs15.7b for PFS. Post IPO the stake of PTC is down to 60%. PFS had liquidated part of its stake in Indian Energy Exchange for a profit of Rs124m in 4QFY11 and was the first instance of PFS unlocking value from its principal investments.
- We expect PTC to report consolidated net profit of Rs1.7b in FY11 (up 45% YoY) and Rs3.1b in FY12 (up 87% YoY). The stock trades at reported PER of 14.4x FY11E and 7.7x FY12E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Power Traded (MUs)	4,204	6,388	4,444	3,202	5,747	7,730	5,813	4,310	18,236	23,600
Sales	**23,717**	**24,582**	**16,975**	**12,430**	**27,576**	**24,693**	**17,576**	**16,495**	**76,490**	**86,340**
Change (%)	97.1	21.0	-19.8	5.5	16.3	0.5	3.5	32.7	17.2	12.9
EBITDA	**147**	**297**	**103**	**90**	**269**	**381**	**407**	**279**	**438**	**1,318**
Change (%)	151.0	111.0	280.0	285.2	82.7	28.3	293.9	209.4	75.3	200.9
As of % Sales	0.6	1.2	0.6	0.7	1.0	1.5	2.3	1.7	0.6	1.5
Depreciation	14	14	16	14	12	12	13	12	55	50
Interest	1	0	2	1	1	2	8	8	0	19
Other Income	280	175	142	136	147	180	159	167	742	652
PBT	**413**	**459**	**229**	**216**	**403**	**546**	**545**	**425**	**1,125**	**1,902**
Tax	79	149	72	77	125	147	166	132	377	570
Effective Tax Rate (%)	19.1	32.5	31.3	35.7	31.0	26.9	30.5	31.1	33.5	30.0
Reported PAT	**334**	**310**	**158**	**139**	**278**	**399**	**379**	**293**	**748**	**1,331**
Adjusted PAT	**345**	**276**	**158**	**120**	**284**	**358**	**379**	**293**	**941**	**1,295**
Change (%)	82.6	-17.2	-42.7	-31.2	-17.7	29.4	140.4	144.8	3.4	37.6

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Vishal Periwal (Vishal.Periwal@MotilalOswal.com)

Reliance Infrastructure

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	RELI IN
Equity Shares (m)	268.2
52 Week Range (Rs)	1225/493
1,6,12 Rel Perf (%)	-4/-33/-44
Mcap (Rs b)	174.5
Mcap (USD b)	3.9

CMP: Rs651 — Buy

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	100,273	10,617	39.6	16.9	16.4	1.1	8.2	8.2	1.0	9.3
3/11E	103,732	9,338	34.8	-12.0	18.7	1.0	5.6	6.9	1.2	9.9
3/12E	140,777	14,440	53.8	54.6	12.1	0.9	8.2	9.4	0.9	7.4
3/13E	161,036	16,295	60.8	12.8	10.7	0.9	8.6	9.7	0.7	6.1

* Consolidated, Fully Diluted

- For 4QFY11, we expect RELI to report revenues of Rs31b (up 16% YoY) and net profit of Rs2.9b, up by 15%YoY.
- RELI has a portfolio of infrastructure assets under various stages of development at Rs400b in segments like Roads, Metro, Transmission line, Sea link and Airports. The company is not going ahead with the plans to demerge the business into separate business verticals.
- As at 3QFY11, EPC order book stands at Rs235b. RELI has targeted EPC revenues of Rs35b in FY11, implying 4QFY11 revenues at Rs10.5b.
- During 3QFY11, promoters increased their stake by ~5% to 48% by investing Rs21b through conversion of warrants at Rs929/sh. Reliance Infra board has approved share buyback of up to Rs10b at price ceiling of Rs725/share.
- We expect RELI to post net profit of Rs9.3b in FY11 (down 12% YoY) and Rs14.4b in FY12 (up 55% YoY). The stock trades at reported PER of 18.7x FY11E and 12.1x FY12E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**24,463**	**26,496**	**22,875**	**26,439**	**22,280**	**24,391**	**26,376**	**30,685**	**100,273**	**103,732**
Change (%)	6.8	7.1	-15.8	10.7	-8.9	-7.9	15.3	16.1	1.6	3.5
EBITDA	**2,995**	**3,129**	**2,354**	**2,614**	**2,534**	**4,162**	**2,670**	**3,531**	**10,282**	**12,898**
Change (%)	4.8	12.9	-24.6	67.6	-15.4	33.0	13.4	35.1	-0.3	25.4
As of % Sales	12.2	11.8	10.3	9.9	11.4	17.1	10.1	11.5	10.3	12.4
Depreciation	722	740	830	807	769	825	817	860	3,188	3,270
Interest	1,037	740	565	581	613	600	582	615	2,922	2,410
Other Income	2,442	1,633	2,156	1,668	1,804	-508	1,021	1,591	7,898	3,908
PBT	**3,678**	**3,283**	**3,114**	**2,895**	**2,957**	**2,229**	**2,292**	**3,648**	**12,070**	**11,126**
Tax (incl contingencies)	513	214	333	384	494	524	436	771	1,453	2,225
Effective Tax Rate (%)	13.9	6.5	10.7	13.3	16.7	23.5	19.0	21.1	12.0	20.0
Reported PAT	**3,166**	**3,069**	**2,781**	**2,511**	**2,463**	**1,705**	**1,856**	**2,877**	**10,617**	**8,901**
PAT (Pre Exceptionals)	**3,166**	**3,069**	**2,781**	**2,511**	**2,463**	**2,205**	**1,856**	**2,877**	**10,617**	**9,338**
Change (%)	26.5	44.6	-1.5	-33.0	-22.2	-28.2	-33.3	14.6	2.0	-12.0

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Vishal Periwal (Vishal.Periwal@MotilalOswal.com)

Tata Power

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	TPWR IN
Equity Shares (m)	237.3
52 Week Range (Rs)	1,465/1,142
1,6,12 Rel Perf (%)	4/4/-11
Mcap (Rs b)	309.1
Mcap (USD b)	6.9

CMP: Rs1,302 **Neutral**

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	70,983	14,799	62.4	16.9	20.9	3.1	7.9	9.2	5.0	19.0
03/11E	70,116	18,869	76.3	22.3	16.1	2.5	7.3	5.8	5.0	22.5
03/12E	65,786	27,513	111.2	45.8	11.0	2.4	9.7	7.1	5.5	17.8
03/13E	70,857	24,318	98.3	-11.6	12.5	2.3	6.7	6.6	5.3	18.2

* Consolidated including share of profit from Bumi Resources, Pre Exceptionals, Fully Diluted

- For 4QFY11, on standalone basis we expect Tata Power to report revenue of Rs18.5b (up 3% YoY) and net profit of Rs2.2b, up by 1%YoY.
- During 4QFY11, we expect consolidated net profit at Rs6.1b (up 29.5% YoY). This will largely be driven by coal earnings, and we expect EBIT from KPC / Arutmin mines to increase to Rs5.9b in 4QFY11 (vs Rs4.3b in 3QFY11 and Rs4.6b in 4QFY10).
- In FY12, TPWR is expected to commission 1,050MW Maithon project (JV with DVC) and 1st unit of Mundra power project (800MW). PPA for Maithon project would begin from April 2012 onwards and thus, TPWR would be able to sell part power (as ~300MW will be given to DVC on CERC terms) on merchant basis in the interim period.
- High Court has set aside Maharashtra government directive asking Tata Power to supply 360MW power to R-Infra. This would enable TPWR to divert the power for its own distribution business, and will lower the fuel costs.
- Tata Power has partnered with Australian solar power Company, Sunengy Pty Limited and plans to build a low-cost floating on water solar technology pilot plant in India.
- We expect Tata Power to report consolidated net profit of Rs18.9b in FY11 (up 22% YoY) and Rs27.5b in FY12 (up 46% YoY). The stock trades at reported PER of 16.1x FY11E and 11x FY12E. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Operating Income	**20,156**	**17,211**	**15,665**	**17,951**	**18,679**	**16,361**	**16,519**	**18,558**	**70,983**	**70,116**
Change (%)	-0.5	-12.1	-11.8	21.8	-7.3	-4.9	5.4	3.4	-1.9	-1.2
EBITDA	**6,323**	**4,168**	**3,641**	**4,491**	**4,509**	**3,510**	**3,319**	**4,343**	**18,623**	**15,681**
Change (%)	107.4	57.5	42.2	53.1	-28.7	-15.8	-8.8	-3.3	66.4	-15.8
As of % Sales	31.4	24.2	23.2	25.0	24.1	21.5	20.1	23.4	26.2	22.4
Depreciation	1,118	1,184	1,208	1,270	1,267	1,327	1,286	1,375	4,779	5,255
Interest	1,177	1,018	922	950	796	1,084	1,095	1,139	4,066	4,114
Other Income	1,076	755	452	533	1,275	1,935	852	801	2,816	4,864
PBT	**5,104**	**2,721**	**1,963**	**2,805**	**3,722**	**3,034**	**1,790**	**2,629**	**12,593**	**11,175**
Tax	1,333	889	484	499	1,032	517	260	427	3,205	2,235
Effective Tax Rate (%)	26.1	32.7	24.6	17.8	27.7	17.0	14.5	16.2	25.5	20.0
Reported PAT	**3,771**	**1,832**	**1,479**	**2,306**	**2,690**	**2,517**	**1,531**	**2,202**	**9,388**	**8,940**
Adjusted PAT	**2,020**	**1,589**	**1,357**	**2,183**	**2,195**	**2,173**	**1,488**	**2,202**	**7,148**	**8,057**
Change (%)	27.5	-19.3	38.7	131.8	8.6	36.8	9.7	0.9	30.6	12.7
Consolidated Reported PAT	**5,528**	**3,687**	**986**	**9,468**	**3,177**	**6,755**	**4,414**	**6,065**	**19,668**	**21,228**
Consolidated Adjusted PAT	**3,122**	**3,097**	**3,896**	**4,685**	**4,200**	**3,923**	**4,093**	**6,065**	**14,799**	**18,869**
Change (%)	46.6	-32.8	-25.0	LP	34.5	26.7	5.1	29.5	15.5	27.5

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Vishal Periwal (Vishal.Periwal@MotilalOswal.com)

United Phosphorus

BSE Sensex	S&P CNX
18,816	5,654
Bloomberg	UNTP IN
Equity Shares	439.6
52 Week Range	220/126
1,6,12 Rel Perf (%)	5/-17/-11
Mcap (Rs b)	63.8
Mcap (USD b)	1.4

CMP: Rs145 **Buy**

Year End	Net Sales (Rs m)	PAT (Rs m)	EPS (Rs)	EPS Growth (%)	P/E (x)	P/BV (x)	ROE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
03/10A	54,945	5,527	12.0	-5.8	12.1	2.0	18.8	15.8	1.2	7.1
03/11E	58,644	5,682	12.3	2.8	11.8	1.8	16.7	16.8	1.2	6.3
03/12E	68,496	8,016	17.3	41.1	8.4	1.5	19.7	17.9	1.0	4.9
03/13E	77,058	9,624	20.8	20.1	7.0	1.3	19.6	19.0	0.8	4.0

- United Phosphorus (UPL) is expected to report 20.7% YoY growth in consolidated revenue to Rs18.5b. We estimate 33% growth in domestic revenue and 19% growth in international revenue. Revenue benefited from the acquisition of non-mixture Mancozeb (June 2010) and RiceCo (December 2010).
- EBITDA margin is expected to rise by 170bp YoY to 22.3%, due to lower RM costs, the last leg of Cerexagri restructuring and the Mancozeb acquisition.
- The operating environment in developed markets is slowly improving and normal climatic patterns in 4QFY11 in the key US and EU markets will aid growth.
- The company is buying 50% stake in Sipcam Isagro Brazil (SIB) from Isagro. SIB specializes in making formulations (through one plant in Brazil) and distributing agro-chemicals with strength in insecticides and fungicides. The acquisition of SIB strengthens UPL's presence in the US$7b Brazilian agro-chem market, where it has nascent operations. This acquisition will add US$45m-50m to FY12 revenue (for 50% stake) or drive FY12 revenue growth by 3-4%.
- We maintain our EPS estimates for FY12 at Rs17.3 and for FY13 at Rs20.8. Valuations at 8.4x FY12E EPS and 7x FY13E EPS fully factor in short-term headwinds but do not reflect the growth potential (organic and inorganic) of the company. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E March	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Gross Revenues	**16,442**	**11,610**	**11,580**	**15,314**	**14,872**	**12,807**	**12,484**	**18,483**	**54,946**	**58,644**
YoY Change (%)	25.1	-0.3	5.8	9.4	-9.5	10.3	7.8	20.7	10.5	6.7
Total Expenditure	13,306	9,606	9,545	12,155	11,794	10,243	10,007	14,359	44,612	46,402
EBITDA	**3,135**	**2,005**	**2,035**	**3,159**	**3,078**	**2,564**	**2,477**	**4,124**	**10,334**	**12,242**
Margins (%)	19.1	17.3	17.6	20.6	20.7	20.0	19.8	22.3	18.8	20.9
Depreciation	501	547	541	558	472	515	491	561	2,147	2,038
Interest	578	405	596	360	1,004	652	893	897	1,938	3,446
PBT before EO Expense	**2,056**	**1,053**	**898**	**2,241**	**1,603**	**1,397**	**1,093**	**2,666**	**6,249**	**6,758**
Extra-Ord Expense	0	0	0	0	0	0	0	0	267	0
PBT after EO Expense	**2,056**	**1,053**	**898**	**2,241**	**1,603**	**1,397**	**1,093**	**2,666**	**5,982**	**6,758**
Tax	268	165	247	134	156	250	266	408	814	1,081
Rate (%)	13.0	15.7	27.5	6.0	9.8	17.9	24.4	15.3	13.6	16.0
Reported PAT	**1,789**	**888**	**651**	**2,107**	**1,447**	**1,147**	**827**	**2,257**	**5,168**	**5,677**
Income from Associate Co	-26	135	-23	42	-23	0	12	16	188	96
Adjusted PAT	**1,762**	**1,023**	**629**	**2,149**	**1,424**	**1,147**	**839**	**2,273**	**5,586**	**5,773**
YoY Change (%)	19.3	-16.2	-2.7	33.2	-19.2	12.0	33.5	5.8	12.9	3.3
Margins (%)	10.7	8.8	5.4	14.0	9.6	9.0	6.7	12.3	10.2	9.8

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

For more copies or other information, contact
Institutional: Navin Agarwal. **Retail:** Manish Shah
Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com

Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

Disclosure of Interest Statement

The MOSt group and its Directors own shares in the following companies covered in this report: Bharti Airtel, Birla Corporation, Coal India, GSK Pharma, Hero Honda, IDFC, IOC, Marico, Nestle India, Oriental Bank, Siemens, South Indian Bank, State Bank, Tata Steel

MOSt has broking relationships with a few of the companies covered in this report.

MOSt is engaged in providing investment-banking services in the following companies covered in this report: Nil

Motilal Oswal India Strategy Gallery