



Here's the roster for the PINC PowerPicks:

Company	Sector	CMP (Rs)	Recom.	TP (Rs)	Upside (%)	Market Cap (Rs bn)	P/E (x)		EV/EBITDA (x)		Earnings gr. (%)	ROE (%)	ROCE (%)
							FY12E	FY13E	FY12E	FY13E	(FY11-13E)	FY12E	FY12E
Ashoka Buildcon	Infrastructure	270	BUY	364	35	14	11.4	9.6	6.3	5.1	21.5	14.0	12.8
Bajaj Auto	Auto	1,337	BUY	1,649	23	387	13.0	11.7	9.2	8.0	13.4	51.4	57.0
Godawari Power	Metals	176	BUY	272	55	5	4.9	3.6	3.3	2.4	25.6	17.4	14.1
HCL Tech	IT services	506	BUY	630	25	354	15.4	12.5	7.7	6.4	27.6	21.9	26.3
Indraprastha Gas	Oil & Gas	337	BUY	370	10	47	16.6	14.9	8.8	7.6	11.4	25.9	25.8
IRB Infra	Infrastructure	166	BUY	253	53	55	9.8	10.9	8.0	7.8	1.1	20.7	22.6
Jagran Prakashan	Media	119	BUY	165	38	38	14.5	13.5	8.2	7.1	11.4	32.3	39.5
Jyothy Labs	FMCG	209	BUY	280	34	17	20.9	13.6	12.4	10.5	19.5	15.2	14.7
Lupin	Pharma	439	BUY	497	13	196	20.2	17.4	15.8	13.3	15.1	26.8	25.2
Mahindra & Mahindra	Auto	692	BUY	910	31	392	14.4	12.5	10.5	8.8	12.8	24.4	26.9
Nestle	FMCG	4,155	SELL	3,208	(23)	401	40.9	34.3	26.0	21.7	19.4	81.4	125.3
NIIT Tech	IT services	195	BUY	285	46	12	6.3	5.5	4.3	2.4	7.4	22.5	21.5
Phoenix Mills	Real Estate	200	BUY	240	20	29	14.0	12.7	11.2	10.1	38.9	11.5	8.2
Sintex	Diversified	182	BUY	240	32	50	9.0	7.7	7.3	6.4	18.4	20.8	12.3
Tata Steel	Metals	594	BUY	817	38	614	9.6	8.7	4.7	4.8	5.0	16.0	9.9



PINC POWERPICKS is a list of our high-conviction stock ideas, a choice of stocks from across sectors in our coverage universe.

What moved in and what moved out:

In our May issue of PINC Power Picks, we have introduced Ashoka Buildcon.

We have dropped Usha Martin as the company continues to disappoint on margins despite vertical integration in raw material and value added products.

We have also dropped Ashok Leyland because of unabated inflation leading to higher interest rates and concerns over diesel price as crude continues to remain high.

16th May 2011

ASHOKA BUILDCON: BUY, TP-Rs364 (35% upside)

What's the theme?

Ashoka Buildcon (ABL) with a decade long experience in BOT road projects currently has 23 projects under its portfolio, with 16 projects being operational. ABL is amongst the few BOT developers who has seen a complete life cycle of project and has handed over four BOT assets back to the govt. ABL also has a strong in-house EPC arm, which executes internal as well as third party contracts.

What will move the stock?

- 1) Post IPO, ABL is aiming for the next league with aggressive but calculated bidding strategy. In FY11 ABL has won projects worth more than Rs30bn. We expect ABL to maintain its market share of 3.5% for FY12 & FY13 in NHAI bidding.
- 2) No dilution likely in medium term; ABL would require an equity of Rs8bn in the next two to three years, which is likely to come from internal accrual and securitization of existing projects.

Where are we stacked versus consensus?

We value BOT (DCF basis) at equity multiple of 1.6x and 1.1x FY12E and FY13E. Our SOTP based target price is Rs364, where BOT is valued at Rs208 and EPC division at Rs156 at 9x FY12E earning. We have a 'BUY' recommendation on the stock.

What will challenge our target price?

- 1) Further increase in interest rate would lower IRR;
- 2) Lower traffic growth;
- 3) Slowdown in execution of current orders;
- 4) Any change in government policy that may adversely affect tolling charges.

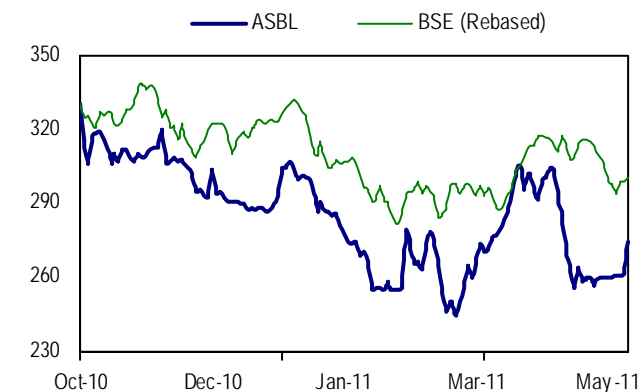
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	7,956	13,020	20,642	58.5	23,793	15.3
EBITDA	2,143	2,496	3,908	56.6	4,838	23.8
EBITDA Marg. (%)	26.9	19.2	18.9	(24)bps	20.3	7 bps
Adj. Net Profits	804	1,008	1,249	23.9	1,488	19.1
Dil. EPS (Rs)	17.6	19.2	23.7	23.9	28.3	19.1
PER (x)	15.4	14.1	11.4	-	9.6	-
ROE (%)	20.6	31.2	14.0	(1721)bps	15.3	125 bps
ROCE (%)	12.5	17.1	12.8	(433)bps	10.2	(254)bps

Sector: Infrastructure

CMP: Rs270; Mcap: Rs14bn

Bloomberg: ASBL IN; Reuters: AB DL.BO

Price performance



SOTP

Particulars	Rs/Share	Percentage
BOT Operational (SPV)	94	25.9%
BOT Operational (Standalone)	29	7.9%
BOT Under construction	85	23.3%
Construction business	156	42.9%
Total	364	
Upside (%)	34.6	

BAJAJ AUTO: BUY, TP-Rs1,649 (23% upside)

What's the theme?

With the success of Pulsar135 and Discover twins (100cc and 150cc), Bajaj Auto's brand-centric strategy has been validated. The high-margin brands, Pulsar and Discover, now account for 70% of the company's motorcycle sales. In addition, continued demand for three-wheelers and robust exports would help Bajaj Auto achieve volume growth of 13.8% in FY12. We expect profitability to be maintained at current levels of 20%.

What will move the stock?

1) Despite increasing competition, we expect Bajaj Auto to maintain its market share with domestic volume growth of 14%, in line with industry growth. 2) Export outlook continues to be stable with total exports expected to touch 1.4mn in FY12. 3) Increased proportion of high-margin motorcycles and continued contribution of three-wheelers would enable the company to maintain margins at current levels. 4) Bajaj Auto has launched the new Discover 125cc in Q1FY12 to further strengthen its position in commuter segment. 5) Management expects to improve its market share with growth of 22% to 4.8mn units during FY12 as against our volume estimates of 4.5mn units.

Where are we stacked versus consensus?

Our FY11 and FY12 earnings estimates are Rs88.8 and Rs103.1 respectively. We have a 'BUY' recommendation on the stock with a target price of Rs1,649, discounting FY12E earnings at 16x. Our FY12 earnings estimate is 1.9% lower than consensus estimate of Rs105.1.

What will challenge our target price?

Significant increase in prices of commodities such as steel and rubber are likely to increasingly pressurise margins. The company draws significant benefits from DEPB export benefit scheme and withdrawal of the same would impact profitability.

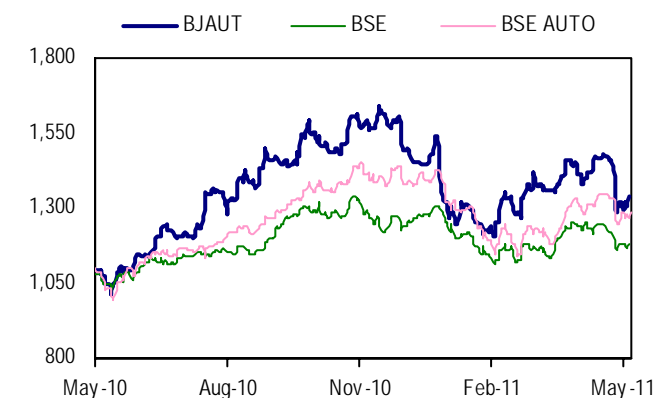
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	115,085	162,081	188,832	16.5	213,031	12.8
EBITDA	25,752	34,176	38,770	13.4	42,311	9.1
EBITDA Marg. (%)	21.6	20.3	19.9	(50)bps	19.2	(60)bps
Adj. Net Profits	18,118	25,705	29,821	16.0	33,027	10.8
Dil. EPS (Rs)	62.6	88.8	103.1	16.0	114.1	10.8
PER (x)	21.4	15.1	13.0	-	11.7	-
ROE (%)	78.5	67.1	51.4	(1570)bps	41.0	(1030)bps
ROCE (%)	65.4	67.4	57.0	(1040)bps	48.6	(850)bps

Sector: Auto

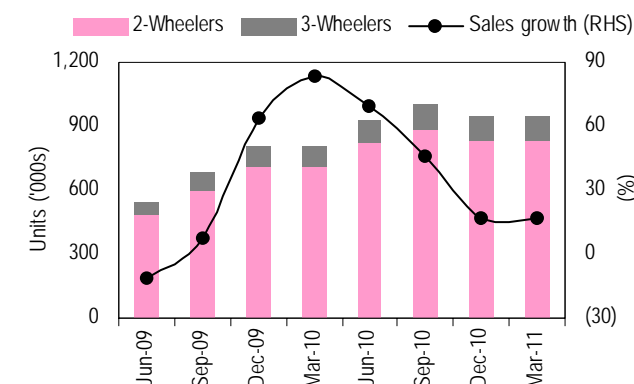
CMP: Rs1,337; Mcap: Rs387bn

Bloomberg: BJAUT IN; Reuters: BAJA.BO

Price performance



Sales Volume



GODAWARI POWER: BUY, TP-Rs272 (55% upside)

What's the theme?

We expect GPIL to benefit from earnings CAGR of 39% over FY10-FY13E on volume growth and margin expansion. This would be driven by higher output from Ari Dongri mines, 0.6mntpa pellet plant, and 20MW biomass power plant. Further, 0.6 mntpa pellet plant of 75% subsidiary Ardent Steel's also started to stabilize and is expected to provide additional earnings growth (not factored in our earnings estimates).

What will move the stock?

1) Stabilization of the newly commissioned 20MW biomass power plant; 2) Higher output from Ari Dongri iron ore mine and 0.6mntpa pellet plant, helping revenue growth and margin expansion; 3) Contribution from sub. Ardent Steel to the consolidated earnings from Q4FY11 onwards (not included in our earnings and TP estimates); 4) Mining commencing at the Boria Tibu mines, impacted by delay in handover of forest area, 5) Completion of amalgamation of group companies (received court approval, not factored in our estimates).

Where are we stacked versus consensus?

Our earnings estimates are below consensus estimates mainly because we have not included amalgamation of Ardent Steel and group companies in our estimates.

What will challenge our target price?

1) Impediments in ramping up output from the pellet plant (own as well as Ardent Steel) and 20MW power plant; 2) Negative impact if any of foray into a 50MW Solar power project (GPIL already invested Rs1.2bn in the project); 3) Continued delay in acquiring forest land in the Boria Tibu mine, and 4) Simultaneous decline in steel prices and power tariff.

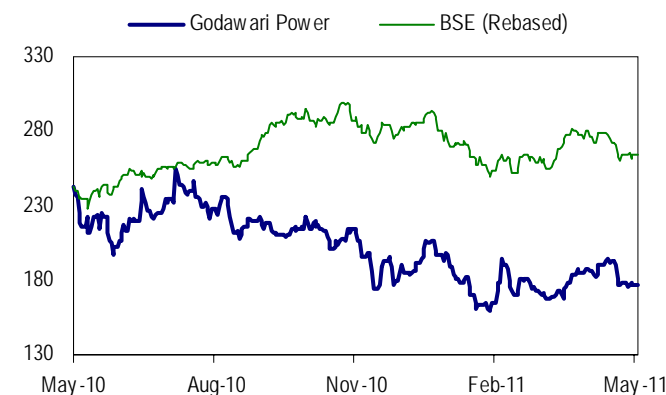
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	7,764	7,932	10,652	34.3	11,782	10.6
EBITDA	1,226	1,762	2,241	27.2	2,640	17.8
EBITDA Marg. (%)	15.8	22.2	21.0	(5.3)bps	22.4	6.5 bps
Adj. Net Profits	514	692	1,016	46.8	1,372	35.1
Dil. EPS (Rs)	18.3	24.7	36.2	46.8	48.9	35.1
PER (x)	9.6	7.1	4.9	-	3.6	-
ROE (%)	11.2	13.6	17.4	28.2 bps	19.9	14.2 bps
ROCE (%)	10.0	11.6	14.1	22.4 bps	16.4	16.2 bps

Sector: Metals

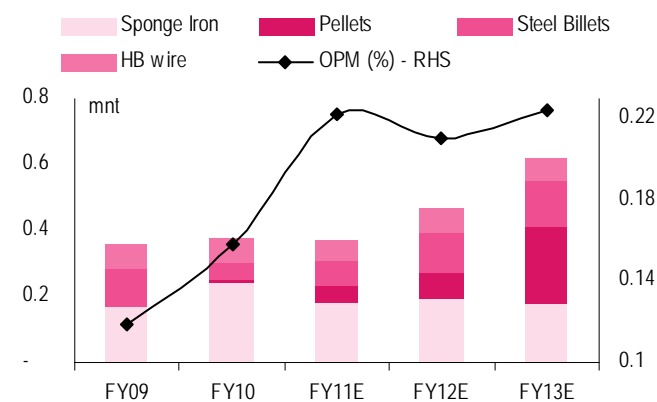
CMP: Rs176; Mcap: Rs5bn

Bloomberg: GODPI IN; Reuters: GDPI.BO

Price performance



Volume growth and margin expansion



HCL TECH: BUY, TP-Rs630 (25% upside)

What's the theme?

Uptick in discretionary IT spend and recovery in the European market will boost volume growth for HCL Tech. Margin expansion through improving employee pyramid and scale efficiencies.

What will move the stock?

1) Strongest volume growth of ~5%QoQ, highest among peers in Q4FY11; 2) Outperformance in emerging verticals like energy and utilities and retail; 3) High growth in Enterprise Application Services and Custom Applications segments driven by discretionary spend; 4) Higher EBITDA margins in the near term supported by higher offshoring and utilization; 5) Support to EBITDA margin due to improvement in employee pyramid as last 4-5 quarters have seen huge lateral addition that is likely to be subdued going ahead; 6) Absence of forex losses (cash flow hedges) will provide positive support to the bottom-line

Where are we stacked versus consensus?

Our revenue estimates for FY12 and FY13 are in line with consensus, underpinned by stronger volumes and modest uptick in pricing. Our EBITDA margin forecast for FY12 and FY13 is higher than consensus by 60bps and 20bps respectively. Our FY12 EPS estimate is 1% higher than consensus whereas FY13 EPS estimate is in line with consensus.

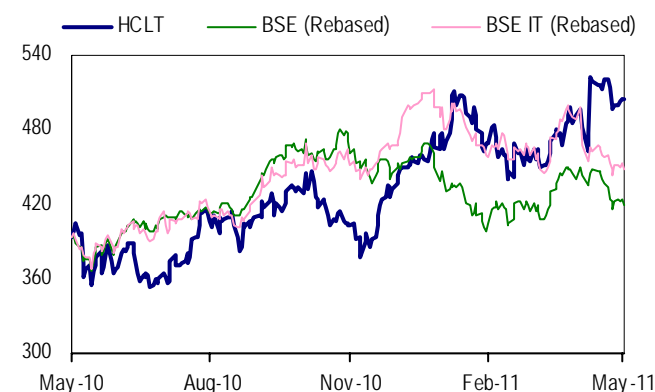
What will challenge our target price?

1) Slower recovery in the US economy; 2) Appreciation of INR vs. USD and strengthening of USD against EUR 3) Higher attrition and wage increments;

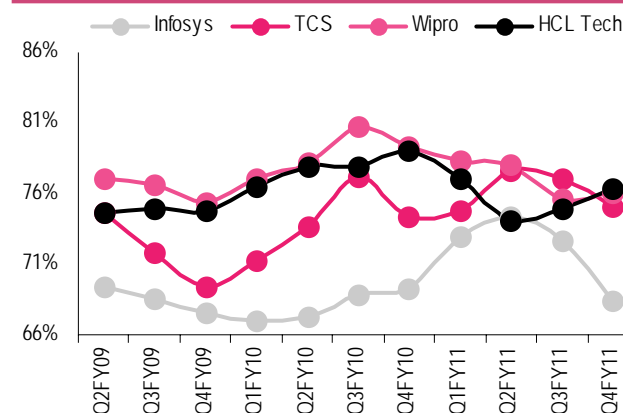
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	125,650	157,576	196,794	24.9	239,307	21.6
EBITDA	25,729	27,045	35,796	32.4	42,682	19.2
EBITDA Marg. (%)	20.5	17.2	18.2	103 bps	17.8	(35)bps
Adj. Net Profits	13,029	16,698	22,057	32.1	27,178	23.2
Dil. EPS (Rs)	18.9	24.2	32.0	32.1	39.4	23.2
PER (x)	26.1	20.4	15.4	-	12.5	-
ROE (%)	18.5	20.5	21.9	137 bps	21.7	(19)bps
ROCE (%)	24.6	23.1	26.3	313 bps	26.6	28 bps

Sector: Information Technology
 CMP: Rs506; Mcap: Rs354bn
 Bloomberg: HCLT IN; Reuters: HCLT.BO

Price performance



Utilisation rates - scope for expansion



INDRAPRASTHA GAS: BUY, TP-Rs370 (10% upside)

What's the theme?

IGL is a play on the growing city gas distribution business in India. With robust capex of ~Rs30bn in five years, IGL is increasing coverage in Delhi, Noida, Greater Noida and Ghaziabad. Given the strong parentage of GAIL, IGL should be able to meet challenges in sourcing gas. We believe IGL's customer profile gives it the ability to pass on price increases to make up for increasing LNG in its portfolio, which would maintain margins in absolute terms.

What will move the stock?

- 1) We expect the CNG and PNG segments to grow at 13% and ~49% CAGR over FY10-FY15 respectively;
- 2) IGL would make regular price increases for CNG and PNG to maintain margins, with increasing LNG volumes in its portfolio (EBITDA/scm would remain robust at ~Rs5/scm);
- 3) Although higher depreciation and interest due to aggressive capex (~Rs21bn from FY11 to FY13) would impact net profit, ROCE and ROE are expected to remain strong at ~24%

Where are we stacked versus consensus?

The correct measure to evaluate operating performance for the CGD business is at EBITDA level. Our FY12 EBITDA estimate is in line with consensus; however, our net profit estimate is 4.3% lower than consensus owing to higher depreciation and interest charges.

What will challenge our target price?

- 1) Higher LNG prices may create risk for volume growth, raising concerns on IGL's ability to pass on price increases;
- 2) Regulatory intervention in deciding marketing margins.

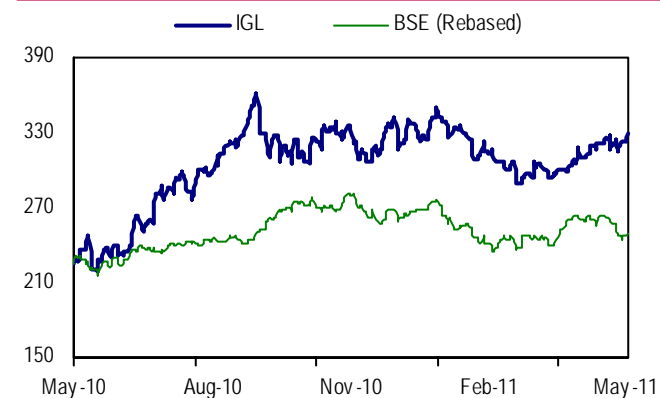
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	10,781	16,727	23,076	38.0	29,997	30.0
EBITDA	3,808	4,814	5,929	23.2	7,045	18.8
EBITDA Marg. (%)	35.3	28.8	25.7	(309)bps	23.5	(221)bps
Adj. Net Profits	2,155	2,546	2,834	11.3	3,159	11.5
Dil. EPS (Rs)	15.4	18.2	20.2	11.3	22.6	11.5
PER (x)	21.9	18.5	16.6	-	14.9	-
ROE (%)	28.6	27.9	25.9	(203)bps	24.3	(159)bps
ROCE (%)	39.7	31.9	25.8	(618)bps	23.4	(239)bps

Sector: Oil & Gas

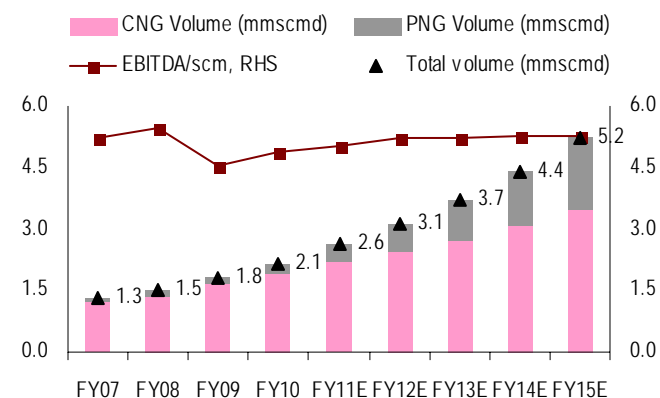
CMP: Rs337; Mcap: Rs47bn

Bloomberg: IGL IN; Reuters: IGAS. BO

Price performance



Volume growth and Robust EBITDA/scm



IRB INFRA: BUY, TP-Rs253 (53% upside)

What's the theme?

In the Infra segment, which has been languishing due to fundamental issues, we prefer IRB due to its unique ability to manage and win competitive projects. We strongly believe in the sustainability of IRB's business model. The company is well positioned to add projects worth USD1bn per annum.

What will move the stock?

- 1) NHAI is likely to award 7,300km of projects in FY12. With the Ahmedabad-Vadodara project in its bag, the road ahead becomes easier. We expect IRB to maintain 8% share in the medium term.
- 2) Recent underperformance due to the Ahm-Vado project provides cushion to its stock price, we expect this project as a strategic fit to IRB and forecast the project to provide 12% equity IRR and 7% project IRR.

Where are we stacked versus consensus?

Our FY11E and FY12E earnings estimates are at Rs14.9 and Rs16.9, which are 3.1% and 4.8% higher than FY11 & FY12 consensus estimates. We expect top-line growth of 47.6% at Rs 25.2bn for FY11E and 40% at Rs35.2bn for FY12E vs. consensus estimate of 49.6% at Rs25.5bn and 50.3% at Rs38.3bn.

We believe the recent correction in stock price provides a good entry point for long-term investors. The stock offers an upside potential of 52.5% at our SOTP-based target price of Rs253 vs. consensus target of Rs264.

What will challenge our target price?

- 1) Further increase in interest rate would lower IRR.
- 2) Infusion of Rs12.8bn equity in Ahm-Vado project may strain the balance sheet
- 3) Lower traffic growth
- 4) Any change in government policy would adversely affect IRB's tolling charges.

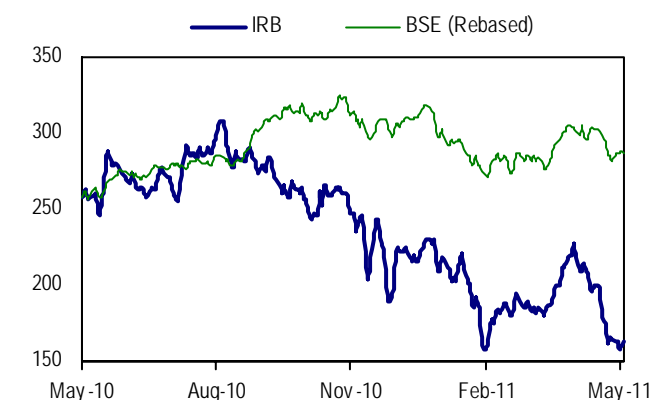
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	17,049	25,160	35,219	40.0	42,943	21.9
EBITDA	7,990	11,010	13,502	22.6	15,291	13.2
EBITDA Marg. (%)	46.9	43.8	38.3	(542)bps	35.6	(273)bps
Adj. Net Profits	3,854	4,958	5,629	13.5	5,069	(10.0)
Dil. EPS (Rs)	11.6	14.9	16.9	13.5	15.3	(10.0)
PER (x)	14.3	11.1	9.8	-	10.9	-
ROE (%)	20.4	22.0	20.7	(126)bps	15.9	(480)bps
ROCE (%)	19.4	23.4	22.6	(78)bps	18.2	(446)bps

Sector: Construction & Infrastructure

CMP: Rs166; Mcap: Rs55bn

Bloomberg: IRB IN; Reuters: IRBI BO

Price performance



SOTP

Particulars	Rs/Share	Percentage
BOT	138	54.6%
Construction business	90	35.6%
Real Estate	10	3.9%
Cash in hand	15	6.0%
Total	253	
Upside (%)	52.5	

JAGRAN PRAKASHAN (JPL): BUY, TP-Rs165 (38% upside)

What's the theme?

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

What will move the stock?

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

Where are we stacked versus consensus?

Our revenue estimate varies from consensus by ~6% for FY12. We expect net margin of 19% in FY12. Our EPS estimate of Rs8.2 for FY12 varies 4% from consensus.

What will challenge our target price?

1) Increase in newsprint prices; 2) Slowdown in the economy; 3) Increased competition in current markets where JPL has a presence.

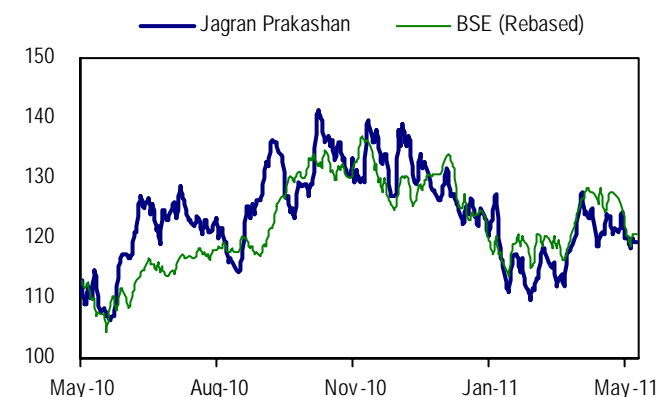
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	9,419	11,422	13,643	19.4	15,385	12.8
EBITDA	2,823	3,686	4,342	17.8	4,893	12.7
EBITDA Marg. (%)	30.0	32.3	31.8	(44)bps	31.8	(2)bps
Adj. Net Profits	1,759	2,254	2,608	15.7	2,800	7.3
Dil. EPS (Rs)	5.8	7.1	8.2	15.5	8.9	8.0
PER (x)	20.6	16.8	14.5	-	13.5	-
ROE (%)	28.7	30.7	32.3	160 bps	30.9	(139)bps
ROCE (%)	33.6	36.6	40.1	348 bps	39.5	(59)bps

Sector: Media

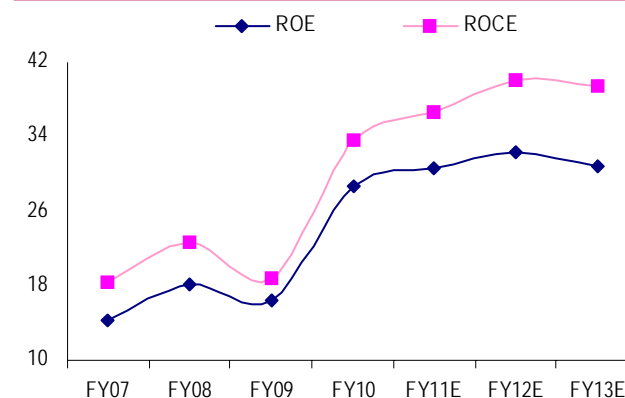
CMP: Rs119; Mcap: Rs38bn

Bloomberg: JAGP IN; Reuters: JAGP BO

Price performance



Financial Performance



JYOTHY LABS: BUY, TP-Rs280 (34% upside)

What's the theme?

Following the Henkel India acquisition, we expect numerous positives for Jyothy in the medium to long term that would improve profitability. Jyothy is among the few companies in the FMCG space which has immense potential for long-term profitability.

What will move the stock?

1) The acquisition of Henkel India added 4-5 established brands that improved Jyothy's sales mix; 2) Full impact of the price increase of Ujala Supreme will support revenue and profitability growth; 3) Maxo Military will add Rs600mn and Rs700mn revenue in FY12 and FY13 respectively; 4) We expect improvement in profitability in Henkel India; 5) Debt restructuring can lead to higher profits; 6) Merger of Jyothy and Henkel India will engender massive tax benefits of Rs1.2bn.

Where are we stacked versus consensus?

Our estimates for FY13 are among the highest on the street, led by expectation of profitability improvement in Henkel India and 50% debt repayment during FY13. We assign 16x to FY13 earnings and add Rs12/share NPV on tax saving of Rs1.2bn @12% discount rate to derive the TP of Rs280.

What will challenge our target price?

1) Change in our estimates for input costs owing to volatility in crude prices; 2) Inability to attract retail clients in the laundry business; 3) Higher brand building investments; and 4) Any delay in operational improvement in Henkel will start impacting the overall profitability.

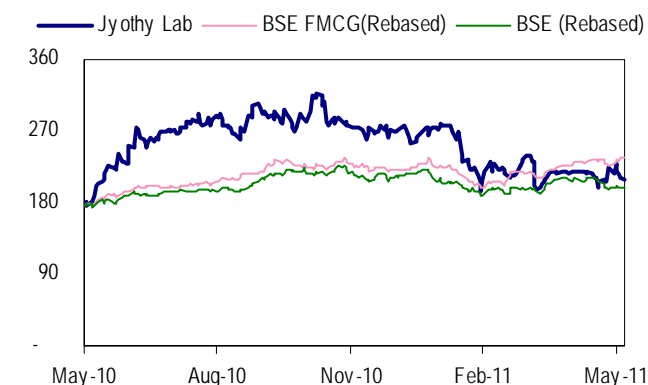
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	5,975	6,585	14,137	114.7	15,873	12.3
EBITDA	929	913	1,648	80.6	2,035	23.5
EBITDA Marg. (%)	15.5	13.9	11.7	(220)bps	12.8	116 bps
Adj. Net Profits	742	863	806	(6.6)	1,233	53.0
Dil. EPS (Rs)	9.2	10.7	10.0	(6.6)	15.3	53.0
PER (x)	22.7	19.5	20.9	-	13.6	-
ROE (%)	19.1	13.0	15.2	216 bps	26.1	1,094 bps
ROCE (%)	23.2	13.5	14.7	123 bps	23.6	881 bps

Sector: FMCG

CMP: Rs209; Mcap: Rs17bn

Bloomberg: JYL IN; Reuters: JYOI.BO

Price performance



Product Portfolio post acquisition	Rs mn		
	FY11P	FY12E	FY13E
Ujala Supreme	2,060	2,329	2,446
Techno Bright and Ujala	750	975	1,268
Henko	1,378	1,399	1,519
Mr White	550	578	606
Check	400	420	441
Stiff & Shine	278	334	401
Maxo	1,670	2,318	2,434
EXO	1,225	1,592	2,070
Prill	702	849	1,009
Jeeva	60	66	72
Margo	756	802	867
Fa	201	242	327
Neem	77	85	94
Laundry Business	160	374	460

LUPIN: BUY, TP-Rs497 (13% upside)

What's the theme?

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

What will move the stock?

1) Strong traction in the high-margin Suprax product (chewable tablets approved; double strength tablets now enjoy more than 50% of total Suprax prescription share) and gradual pick up in Antara prescription. 2) Approval of less competitive OC products (generic market size of >US\$ 1bn) in 2HFY2012 and launch of 6 generic products (other than OC) in next 12 months. 3) Commencement of API supplies from Goa facility to Kyowa to boost margins. 4) Given its strong balance sheet, we can expect Lupin to choose inorganic growth (Latam market, US branded generic the key target segments).

Where are we stacked versus consensus?

Our FY2013 earnings estimate is 7% lower than consensus. We expect net sales and EPS to log CAGR of 14.4% and 15.1% to Rs 74,424mn and Rs25.3 over FY2011-13E respectively. We value the company at 22x (in line with the big players in the sector) June'12E earnings yielding a TP of Rs497

What will challenge our target price?

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

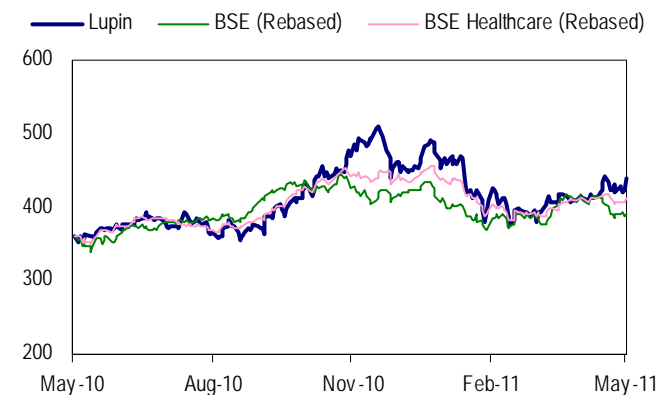
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	47,405	56,898	65,213	14.6	74,424	14.1
EBITDA	8,536	10,754	12,521	16.4	14,587	16.5
EBITDA Marg. (%)	18.0	18.9	19.2	30 bps	19.6	40 bps
Adj. Net Profits	6,816	8,523	9,689	13.7	11,291	16.5
Dil. EPS (Rs)	15.3	19.1	21.7	13.6	25.3	16.5
PER (x)	28.6	23.0	20.2	-	17.4	-
ROE (%)	34.1	29.3	26.8	(252)bps	25.6	(125)bps
ROCE (%)	26.9	25.5	25.2	(26)bps	24.7	(50)bps

Sector: Pharma

CMP: Rs439; Mcap: Rs196bn

Bloomberg: LPC IN; Reuters: LUPN.BO

Price performance



Sales Break-up

(Rs mn)	FY2012E	FY2013E	CAGR FY11-13 (%)
US	24,079	26,508	20.8
Japan	7,096	8,668	15.3
Europe	2,725	3,861	35.5
RoW	4,533	5,715	21.3
Domestic	21,137	23,969	15.0
API	5,644	5,704	0.7
Total	65,213	74,424	14.4

MAHINDRA & MAHINDRA: BUY, TP-Rs910 (31% upside)

What's the theme?

Normal monsoons are forecast for the year. Thus M&M, which has significant rural presence, would continue to benefit. The automobile segment is expected to record 13.2% growth in FY12, led by new product launches. The tractor segment too is expected to grow 5% in FY12, underpinned by higher crop output.

What will move the stock?

1) M&M has completed the acquisition of 70% stake in Ssangyong. The acquisition would enable M&M to make a 2-3 year leap in product development. Two SUVs from the Ssangyong Motors' portfolio (Rexton and Korando) would be assembled at M&M's Chakan facility. M&M has reconstituted the Ssangyong top management by including Indian representatives and look forward to build synergies between the two companies. 2) Production and marketing of MHCVs has begun in a JV with Navistar. M&M is currently in the roll-out phase and is increasing its geographical spread. 3) M&M launched the Genio pickup in Jan'11 which would help it expand its pickup portfolio. A new SUV is expected to be launched by the year end. 3) Demand for small commercial vehicles (SCVs), the fastest-growing CV segment, is strong; M&M recently entered this space with the launch of Maximmo and Gio. 4) The company is expected to roll out capacity expansion plans considering current growth in the tractor segment.

Where are we stacked versus consensus?

We expect EPS of Rs44.1 and Rs48.0 in FY11 and FY12 respectively. Our FY12 earnings estimate is 2.3% lower than consensus estimate of Rs49.2. We value M&M using SOTP at Rs920, discounting the standalone business at 15x FY12E earnings.

What will challenge our target price?

1) Steep raw material price increases and M&M's inability to pass them on to customers; 2) Increased competition in the UV segment on new launches affecting market share; and 3) Abnormal monsoons affecting the rural demand.

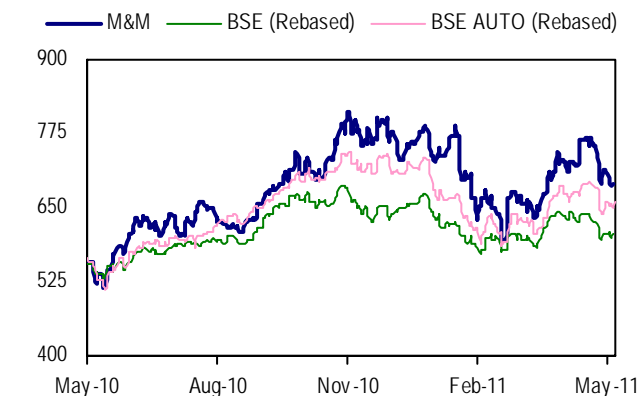
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	180,381	221,278	247,516	11.9	279,515	12.9
EBITDA	29,758	34,652	38,045	9.8	43,664	14.8
EBITDA Marg. (%)	16.0	15.3	15.0	(30)bps	15.3	30 bps
Adj. Net Profits	20,181	25,354	28,039	10.6	32,255	15.0
Dil. EPS (Rs)	36.3	44.1	48.0	8.9	55.2	15.0
PER (x)	19.0	15.7	14.4	-	12.5	-
ROE (%)	30.9	27.7	24.4	(340)bps	23.3	(110)bps
ROCE (%)	28.0	28.9	26.9	(210)bps	26.6	(30)bps

Sector: Auto

CMP: Rs692; Mcap: Rs392bn

Bloomberg: MM IN; Reuters: MAHM.BO

Price performance



SOTP Valuation

	Valuation Method	Per share (Rs)	Multiple	Value (Rs)
M&M (Standalone)	P/E	45.5	15	683
Tech Mahindra	CMP	69.8	0.8	56
Mahindra Holidays	CMP	45.4	0.8	36
M&M Financial Services	CMP	69.1	0.8	55
Mahindra Lifespace	CMP	13.5	0.8	11
M&M (Treasury Stocks)	CMP	61.4	0.8	49
Swaraj Engines	CMP	3.0	0.8	2
Mahindra Forgings	CMP	5.7	0.8	5
Mahindra Ugine Steel	CMP	1.4	0.8	1
Mahindra Composites	CMP	1.4	0.8	1
Mahindra Navistar	P/BV	6.8	1.5	10
SOTP Value (Rs)				910

NESTLE: SELL, TP-Rs3,208 (23% downside)

What's the theme?

We believe entry of new players in the hitherto-secure noodles segment challenges Nestle's 'cash cow'. Further, we believe the premium enjoyed by the stock vis-à-vis FMCG peers is unjustified and would correct.

What will move the stock?

1) Intense competition in the noodle segment (consist ~35% of total EBITDA) would impact the pricing power. We expect decline in EBITDA margin by 50bps and 60bps in CY11 and CY12; 2) Nestle currently trades at ~45% premium over FMCG sector however considering lower pricing power for key products and pressure on return ratios we argue that Nestle should trade at a 25% premium (last two-year average).

Where are we stacked versus consensus?

Our estimates and target price are among the lowest on the street, led by pressure on EBITDA margin and argument of narrowing down the Nestle's P/E premium to 25%. We assign P/E of 30x on next 12-months earnings to derive TP of Rs3,208.

What will challenge our target price?

1) We expect Nestle would focus on retaining the volume market share for Maggi noodles therefore assumes volume driven growth going forward. This assumption would result in lower profitability for Nestle and any change in this proposition might change our estimates; 2) We expect ITC, GSK consumer and HUL to be very aggressive in noodle segment, any delay in such efforts would again help Nestle to earn better profitability.

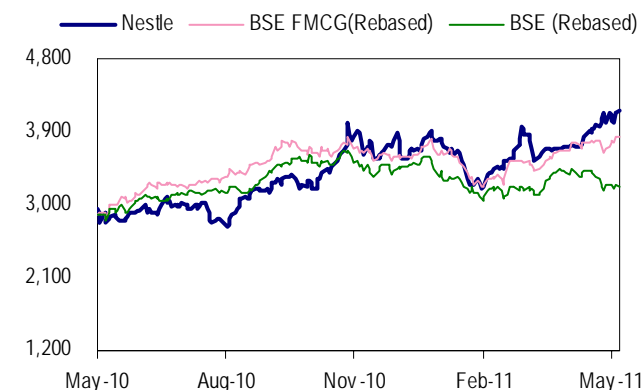
(Rs mn)	CY09	CY10	CY11E	YoY %	CY12E	YoY %
Net Sales	51,395	62,609	76,424	22.1	93,844	22.8
EBITDA	10,448	12,559	15,092	20.2	18,003	19.3
EBITDA Marg. (%)	20.3	20.1	19.7	(31)bps	19.2	(56)bps
Adj. Net Profits	6,575	8,188	9,803	19.7	11,681	19.2
Dil. EPS (Rs)	68.2	84.9	101.7	19.7	121.2	19.2
PER (x)	60.9	48.9	40.9	-	34.3	-
ROE (%)	113.1	95.7	81.4	(1,436)bps	72.0	(931)bps
ROCE (%)	179.7	146.8	125.3	(2,156)bps	111.0	(1,422)bps

Sector: FMCG

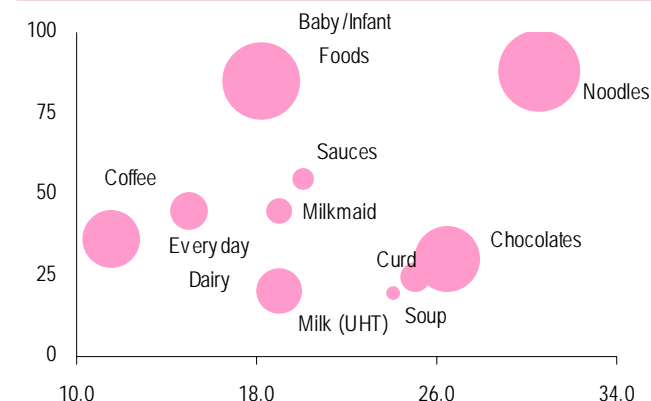
CMP: Rs4,155; Mcap: Rs401bn

Bloomberg: NEST IN; Reuters: NEST.BO

Price performance



Key brands' sales (Rsmn), growth (%) & market share (%)



Source: PINC Research, Industry, Company

Note: X Axis - Expected Sales Growth in CY10 (%), Y Axis - Expected Market Share in CY10 (%), Size of bubble - Expected Revenue in CY10

NIIT TECH: BUY, TP-Rs285 (46% upside)

What's the theme?

NIIT Tech has large exposure to high-growth niche verticals such as insurance and travel. New service lines would boost non-linear growth and lead to improvement in realizations. NIIT Tech has no exposure to the PIIGS zone and it has been able to achieve volume growth in Europe despite economic headwinds. Also, differentiated strategy with new development of IPs in emerging technologies (like cloud services) and emerging verticals (like healthcare).

What will move the stock?

1) Good performance in the BFSI and travel and transport verticals, which contribute ~74% to revenue; 2) Large untapped opportunity in the APAC markets, which are expected to be highest IT spenders in CY11; 3) Strong order book and very high bookings in Q4FY11 (USD116mn compared to USD50mn in Q3FY11 and USD150mn in 9MFY11); 4) Highest EBITDA margins among mid-tier peers in the IT services business.

Where are we stacked versus consensus?

Our top-line estimates vary from consensus by ~0.5% for FY12 and ~1.4% for FY13, underpinned by stronger volumes and modest uptick in pricing. Our EBITDA margin estimate for FY12 is 20.5% and FY13 is 20.3% which is in line with consensus. Our EPS estimate for FY12 and FY13 is 6.4% and 6.5% respectively higher than consensus.

What will challenge our target price?

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

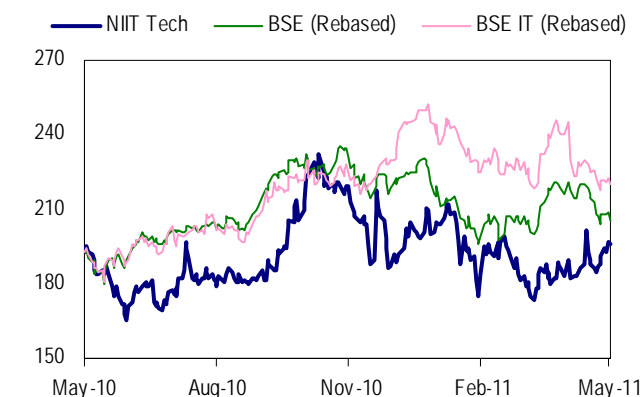
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	9,138	12,323	13,319	8.1	15,517	16.5
EBITDA	1,889	2,363	2,723	15.2	3,145	15.5
EBITDA Marg. (%)	20.7	19.2	20.4	127 bps	20.3	(17)bps
Adj. Net Profits	1,265	1,823	1,824	0.1	2,101	15.2
Dil. EPS (Rs)	21.5	30.9	31.0	0.1	35.7	15.2
PER (x)	9.0	6.3	6.3	-	5.5	-
ROE (%)	21.7	24.2	22.5	(173)bps	21.7	(83)bps
ROCE (%)	19.1	20.4	21.5	110 bps	20.9	(63)bps

Sector: Information Technology

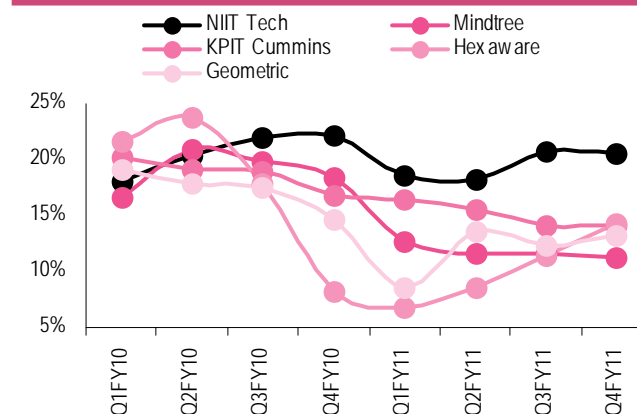
CMP: Rs195; Mcap: Rs12bn

Bloomberg: NITEC IN; Reuters: NIITT.BO

Price performance



Strongest EBITDA margin among peers



PHOENIX MILLS: BUY, TP-Rs240 (20% upside)

What's the theme?

PHNX's key project, High Street Phoenix (HSP), is now fully operational and is likely to generate rental income of Rs2-2.2bn in FY12E. In addition, rental income would accrue from renewal of 0.15 msf in HSP.

What will move the stock?

We see the following near-term triggers for the stock: (1) Commencement of three Market City Projects in Q1 & Q2 FY12; (2) Commencement of the first phase of Shangri-La Hotel in Q2FY12;

(3) HSP-Phase IV (0.25 msf) - although this provides a strong delta to the company's valuation, it may add significant upside if PHNX manages to secure hospitality FSI (5x).

Where are we stacked versus consensus?

Our EPS estimates for FY12 and FY13 are Rs14.3 and Rs15.8 respectively. Our FY12 earnings estimate is 35% higher than consensus estimate of Rs11. We have a 'BUY' recommendation on the stock with a target price of Rs240, which discounts FY12E Gross NAV by 20%.

What will challenge our target price?

1) " Slowdown in execution in Market City projects and extending free rental periods may hamper holding company profitability; economic slowdown may affect revenue from Market City and HSP.

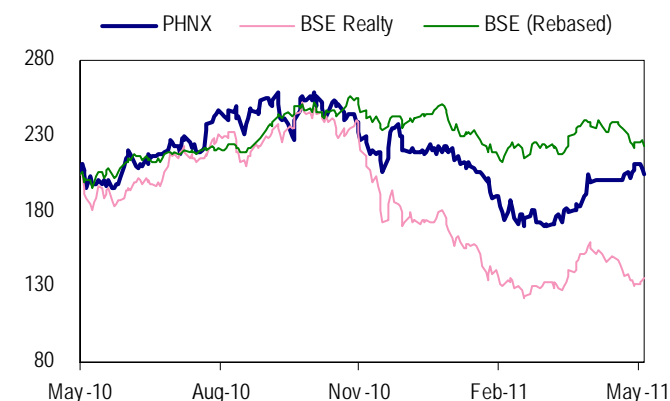
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	1,230	2,621	5,095	94.4	6,194	21.6
EBITDA	775	1,613	3,106	92.5	3,461	11.4
EBITDA Marg. (%)	63.0	61.5	61.0	(59)bps	55.9	(508)bps
Adj. Net Profits	620	1,185	2,064	74.2	2,288	10.8
Dil. EPS (Rs)	4.3	8.2	14.3	74.2	15.8	10.8
PER (x)	46.7	24.4	14.0	-	12.7	-
ROE (%)	4.0	7.2	11.5	430 bps	11.4	(3)bps
ROCE (%)	3.2	5.3	8.2	288 bps	8.1	(2)bps

Sector: Real Estate

CMP: Rs200; Mcap: Rs29bn

Bloomberg: PHNX IN; Reuters: PHOE.BO

Price performance



PHNX One year forward NAV

Project	NPV (Rs)
High Street Phoenix	141
Market City (Kurla, Bengaluru, Chennai, Pune)	94
Other Residential	18
Investment in Treasure World Developers	18
Investment in Galaxy Entertainment	1
Investment in Phoenix construction	0.1
Other investments	27
Shangrila hotel	21
HSP Phase IV	14
Less: Net Debt	36
G. NAV	297
Less: 20% Discount to NAV	59
Net NAV	238

SINTEX INDUSTRIES: BUY, TP-Rs240 (32% upside)

What's the theme?

Sintex has a diversified business model marked by low volatility in sales, profit and cash flows. It is a market leader in the Monolithic and Prefab segment.

What will move the stock?

We like Sintex primarily because of: -

- We expect the Monolithic and Prefab segment record 25% and 27% CAGR during FY11-FY13E respectively
- We expect the domestic subsidiaries and acquired overseas subsidiaries to show operational improvement with 300bps increase in margin to 12.2% in FY13e vs. FY10
- We expect the company to emerge cash flow positive in FY12-FY13e through better management

Where are we stacked versus consensus?

Our earnings estimates (EPS) for FY12 and FY13 are Rs20.2 and Rs23.6 respectively. Our FY12 earnings estimate is 3.2% higher than consensus estimate of Rs19.5. We have a 'BUY' recommendation on the stock with a target price of Rs240, which discounts FY12E earnings by 12x.

What will challenge our target price?

- Execution risks in the Monolithic and Prefab segments
- Fluctuation in raw material prices denting margin
- Delay in improvement at the subsidiaries

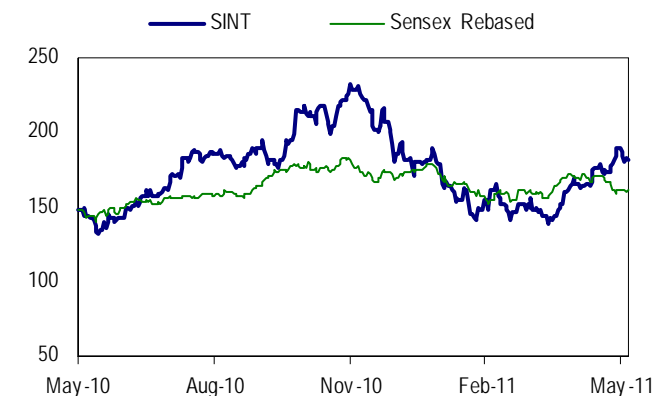
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	32,816	44,751	53,371	19.3	61,880	15.9
EBITDA	5,005	8,154	9,161	12.3	10,426	13.8
EBITDA Marg. (%)	15.3	18.2	17.2	(106)bps	16.8	(32)bps
Adj. Net Profits	3,311	4,583	5,501	20.0	6,430	16.9
Dil. EPS (Rs)	12.1	16.8	20.2	20.0	23.6	16.9
PER (x)	15.0	10.8	9.0	-	7.7	-
ROE (%)	18.1	21.1	20.8	(39)bps	20.0	(78)bps
ROCE (%)	9.2	11.4	12.3	87 bps	12.5	26 bps

Sector: Diversified

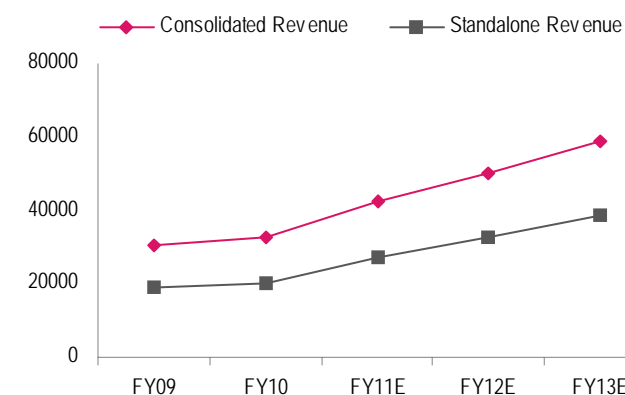
CMP: Rs182; Mcap: Rs50bn

Bloomberg: SINT IN; Reuters: SINTX.BO

Price performance



Sales volume



TATA STEEL: BUY, TP-Rs817 (38% upside)

What's the theme?

We expect Tata Steel's EBITDA to grow at 30% CAGR over FY10-13E, driven by: 1) Improving share of highly profitable integrated Indian operations with completion of 2.9mntpa brownfield expansion at Jamshedpur in FY12; 2) Turnaround at Tata Steel Europe (TSE) led by improved capacity utilization, sale of TCP and leaner cost structure and 3) Improved capital structure (Q3FY11 net D/E of 1.1x vs. 1.3x in FY10). Partial resource integration for TSE on commencement of mining at Riversdale and New Millennium remains future growth trigger. We find the stock attractively valued at 4.7x FY12E EV/EBITDA.

What will move the stock?

1) Brownfield expansion of 2.9mntpa at Jamshedpur to increase share of profitable Indian operations (FY11E EBITDA/t of USD382 vs. consolidated USD141); 2) Improved capital structure with manageable financial leverage (Q3FY11 net D/E of 1.1x vs. 1.3x in FY10); 4) Progress on raw material integration in TSE; 5) 27.1% stake in Riversdale, in which Rio Tinto has recently acquired ~72% stake; and 6) Likely improvement in steel profitability.

Where are we stacked versus consensus?

Our consolidated estimates are lower than street estimates. We value Tata Steel using SOTP methodology at Rs817.

What will challenge our target price?

1) Raw material prices remaining high, squeezing margin for non-integrated operation of TSE resulting in losses at EBITDA level; 2) Delay in brownfield expansion; and 3) Delay in commencing mining at Riversdale/ New Millennium.

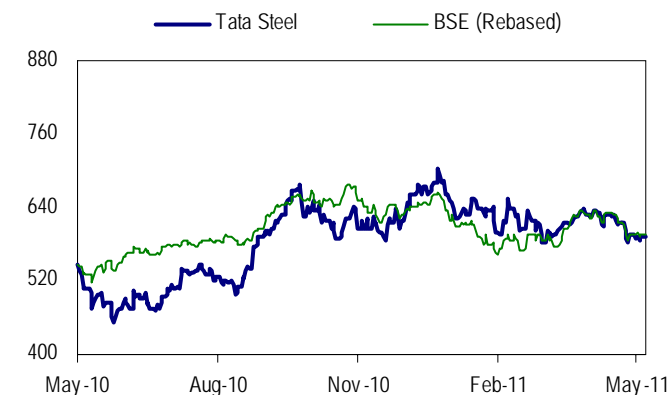
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	1,023,931	1,130,648	1,200,867	6.2	1,257,024	4.7
EBITDA	80,427	154,997	161,226	4.0	175,920	9.1
EBITDA Marg. (%)	7.9	13.7	13.4	(28)bps	14.0	57 bps
Adj. Net Profits	(6,430)	60,680	64,050	5.6	70,176	9.6
Dil. EPS (Rs)	(6.8)	58.7	62.0	5.6	67.9	9.6
PER (x)	-	10.1	9.6	-	8.7	-
ROE (%)	-	18.8	16.0	(14.8)bps	15.5	(46)bps
ROCE (%)	-	9.7	9.9	2.0 bps	10.5	53 bps

Sector: Metals

CMP: Rs594; Mcap: Rs614bn

Bloomberg: TATA IN; Reuters: TISC.BO

Price performance



SOTP Valuation (Based on FY12E EV/EBITDA multiple)

In Rs mn	Target EV/EBITDA	Target EV	Residual Equity	Target Price (Rs)
Tata Steel India	6.5	799,775	878,548	850
Tata Steel Europe (Corus)	5.0	160,151	(61,960)	(60)
Tata Steel Thailand	4.5	8,788	8,788	9
Natsteel	4.5	18,903	18,903	18
Tata Steel cons.	6.1	987,616	844,279	817

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