September 2012

Research Team

MARKET STRATEGY

Angel Broking™

Service Truly Personalized

Top Picks		
Company	**CMP (₹)**	**TP (₹)**
ICICI Bank	912	1,169
Wipro	363	420
Larsen & Toubro	1,364	1,568
Tata Motors	235	292
Axis Bank	978	1,373
Crompton Greaves	106	128
MCX	1,163	1,440
United Phosphorus	120	170
D B Corp	190	236
MLIFE	343	396
Tata Sponge Iron	295	424
CEAT	110	164

Note: Investment period - 12 Months
BSE Sensex (17,441) and Price as on September 4, 2012

Markets largely driven by global factors; domestic economic fundamentals remain subdued

1QFY2013 earnings snapshot

Sensex companies reported a 15.5% growth in earnings during 1QFY2013 as against our estimate of 12.2%. Even our coverage companies recorded an earnings growth of 16.1% vis-à-vis our estimate of 11.4%. The better than expected earnings performance can largely be attributed to the surprise earnings growth for oil & gas companies as against our estimate of an earnings decline. Ex-oil & gas, Sensex companies reported an earnings growth of 17.8%, in line with our estimate of 18%, while our coverage companies witnessed an earnings growth of 17.9% compared to our estimate of 15.6%. Excluding State Bank of India (SBI), Sensex companies reported an earnings growth of 10.8% as against our estimate of 7.7%, while our coverage companies reported an earnings growth of 13.2% compared to our estimate of 8.5%.

Continuing the trend witnessed in the past few quarters, stubborn inflation and slowing growth resulted in continued pressures on the OPM during 1QFY2013 as well. Amidst contracting margins, a robust growth in revenues largely aided earnings performance (in some cases like Larsen & Toubro [L&T] and Bharat Heavy Electricals Ltd [BHEL] earnings were partly aided by extraordinary/non operating items).

Markets largely driven by global liquidity; domestic economic fundamentals remain subdued

The Indian markets continued to take positive cues from global events in spite of the weak domestic economic and political environment. Markets extended their gains in the month of August 2012 driven by expectations of an increase in global liquidity flows. The liquidity-driven rally has led to risk-on trade in Indian markets.

Net equity inflows through Foreign Institutional Investments (FIIs) in the month of July soared to a five-month high of US$2bn after slowing down considerably since February. Buoyancy of FII investments can be largely attributed to 1) the European Central Bank (ECB)'s indication that it would purchase bonds to support the fragile Eurozone economy and 2) increasing expectations of a third-round of quantitative easing (QE3) measures by the US Federal Reserve in its September 2012 monetary policy meeting.

Outlook and valuation: Concerns over slowing growth and high level of inflation in the economy are expected to persist in the near term. We believe that the high interest rate environment and sluggish growth in capex activity will continue to affect stocks in cyclical sectors. Hence, we maintain a stock-specific and value-buying approach to yield better returns. The outlook for economic growth improving in FY2014 rests on catalysts such as easing inflation and interest rates, corrective fiscal consolidation measures and pick-up in investment activity along with a thrust on reforms in the mining and power sector. We prefer private banks and select infrastructure and real estate stocks amongst rate-sensitives and also quality stocks in export-oriented sectors like IT. Our top picks also include select mid-cap and reasonably valued defensive stocks. We expect the Sensex EPS to improve at a CAGR of 9.4% over FY2012-14E. We arrive at our 12 months Sensex target of 19,000, working with a conservative multiple of 14x FY2014E earnings, implying an upside of 9% which is likely to be back ended.

1QFY2013 performance snapshot for Sensex and coverage companies

Sensex companies reported a 15.5% growth in earnings during 1QFY2013 as against our estimate of 12.2%. Even our coverage companies recorded an earnings growth of 16.1% vis-à-vis our estimate of 11.4%. The better than expected earnings performance can largely be attributed to the surprise earnings growth for oil & gas companies as against our estimate of an earnings decline. Ex-oil & gas, Sensex companies reported an earnings growth of 17.8%, in line with our estimate of 18%, while our coverage companies witnessed an earnings growth of 17.9% compared to our estimate of 15.6%. Excluding State Bank of India (SBI), Sensex companies reported an earnings growth of 10.8% as against our estimate of 7.7%, while our coverage companies reported an earnings growth of 13.2% compared to our estimate of 8.5%.

Stubborn inflation and slowing growth resulted in continued pressures on the OPM during 1QFY2013 as well, thus continuing the trend witnessed in the past few quarters. Hence, operating margins contracted by 187bp and 155bp to 20.7% and 23.4% respectively for Sensex as well as coverage companies, which is higher than what we had estimated (~90bp contraction).

Amidst contracting margins, a robust growth in revenues largely aided earnings performance (in some cases like L&T and BHEL earnings were partly aided by extraordinary/non operating items). During 1QFY2013, the Sensex companies witnessed a revenue growth of 17.9% compared to our estimate of 13.8%, while our coverage companies reported a revenue growth of 17.2% as against our estimate of 15.2%.

Sector-wise, on a yoy basis, banking, financial services and insurance (BFSI) companies continued to dominate the Sensex' earnings growth with a contribution of 47.6% to the incremental earnings. IT, oil & gas and auto companies followed the BFSI segment with a combined total contribution of 50.7% to the incremental Sensex earnings.

Exhibit 1: Sensex companies' earnings* performance vis-a-vis Angel estimates

Sector	1QFY2013A			1QFY2013E			4QFY2012	
	Contribution to		Growth	Contribution to		Growth	Contribution to	Growth
	total	incr.	(% yoy)	total	incr.	(% yoy)	incr.	(% yoy)
Auto (5)	10.5	10.4	15.4	11.6	21.6	25.3	17.1	25.9
TTMT	5.5	9.5	30.6	6.4	19.8	51.3	14.3	43.1
ex TTMT (4)	5.0	0.9	2.5	5.3	1.8	3.7	2.8	8.6
Oil & Gas (3)	23.8	14.3	8.8	21.5	(10.1)	(4.9)	19.0	15.8
Finance (4)	16.2	47.6	64.8	16.4	57.2	61.2	67.4	134.1
SBI	7.6	32.9	136.9	7.6	39.6	129.8	54.3	19,297.8
ex SBI (3)	8.6	14.7	29.8	8.8	17.6	28.0	13.1	26.2
IT (3)	14.5	26.0	31.5	14.3	26.8	25.6	15.6	20.7
Mining (1)	9.1	4.6	7.2	8.6	(1.3)	(1.6)	(2.7)	(4.7)
Infrastructure (1)	1.8	1.8	15.7	1.7	1.4	9.8	4.1	19.9
Metals (4)	7.2	(17.8)	(24.9)	7.7	(20.2)	(22.3)	(28.3)	(37.2)
Power (2)	5.4	2.1	5.5	6.0	8.5	18.1	(7.9)	(17.5)
Telecom (1)	1.6	(6.7)	(36.1)	2.7	1.0	4.5	(5.3)	(28.2)
FMCG (2)	5.0	8.3	28.5	5.3	12.3	33.5	6.8	28.6
Pharma (3)	3.1	7.8	50.6	2.6	4.0	20.3	6.3	46.9
Capital Goods (1)	1.9	1.6	12.8	1.6	(1.2)	(7.6)	7.8	20.8
Sensex (30)	**100.0**	**100.0**	**15.5**	**100.0**	**100.0**	**12.2**	**100.0**	**16.5**
Sensex Ex O&G (27)	**76.2**	**85.7**	**17.8**	**78.5**	**110.1**	**18.0**	**81.0**	**16.7**
Sensex Ex O&G, SBI, TTMT (25)	**63.1**	**43.3**	**10.1**	**64.5**	**50.6**	**9.3**	**12.3**	**2.7**

*Source: Company, Angel Research; Note: *Net profit adjusted for forex gain/loss and other extraordinary items*

Exhibit 2: Angel coverage companies' earnings* performance vis-a-vis estimates

Sector	1QFY2013A			1QFY2013E			4QFY2012	
	Contribution to		Growth	Contribution to		Growth	Contribution to	Growth
	total	incr.	(% yoy)	total	incr.	(% yoy)	incr.	(% yoy)
Auto (7)	6.7	6.0	14.3	7.6	15.3	26.0	13.5	23.7
Auto Anc. (6)	0.9	(0.3)	(4.1)	1.2	2.6	27.7	-	(0.4)
Cap Goods (7)	1.5	0.8	7.6	1.4	(0.8)	(5.2)	4.2	11.1
Cement (7)	2.9	5.6	36.9	2.9	7.2	33.6	4.1	21.6
Banks - Large Pvt (3)	5.5	9.4	30.6	5.7	12.2	28.2	11.3	29.1
Banks - Small Pvt (3)	0.8	1.4	35.7	0.7	1.5	26.5	1.9	38.2
Banks- Large PSU (7)	11.0	27.1	51.6	11.3	36.5	48.9	57.4	105.4
Banks- Mid PSU (14)	5.5	6.1	17.9	4.9	-	0.1	2.4	6.6
Banks-Hsg. Fin. (2)	1.6	1.2	11.7	1.7	2.1	15.0	1.3	8.4
FMCG (11)	4.7	6.7	24.6	5.3	14.0	37.2	8.3	26.8
Infrastructure (12)	1.7	0.4	3.1	1.5	(1.5)	(9.7)	1.9	7.5
IT (13)	11.7	21.9	35.2	11.3	21.2	23.7	19.4	26.0
Media (5)	0.4	(0.3)	(9.4)	0.5	(0.1)	(2.7)	(1.0)	(25.9)
Metals (10)	11.7	(3.9)	(4.5)	11.8	(11.4)	(9.0)	(43.5)	(32.0)
Midcap (16)	0.5	0.6	21.4	0.5	1.6	49.8	0.1	2.6
Mining (1)	5.6	2.7	7.2	5.4	(0.9)	(1.6)	(2.2)	(4.7)
Oil & Gas (4)	18.5	10.7	8.7	16.7	(10.0)	(5.7)	15.2	12.3
Pharma-large (7)	3.0	4.5	26.0	2.7	3.0	13.1	10.8	54.7
Pharma-mid (7)	0.5	0.2	7.8	0.5	0.7	16.8	(1.4)	(24.6)
Power (3)	3.4	4.1	20.1	3.6	6.2	21.4	(0.8)	(2.6)
Real Estate (4)	0.6	(1.4)	(25.2)	0.7	(0.7)	(8.7)	(0.2)	(3.5)
Telecom (3)	1.5	(3.4)	(24.3)	2.1	1.0	5.1	(2.8)	(14.0)
Coverage (152)	**100.0**	**100.0**	**16.1**	**100.0**	**100.0**	**11.4**	**100.0**	**12.5**
Coverage Ex O&G (148)	**81.5**	**89.3**	**17.9**	**83.3**	**110.0**	**15.6**	**84.8**	**12.5**
Coverage Ex O&G, TTMT, SBI (146)	**73.4**	**63.8**	**13.7**	**74.5**	**70.1**	**10.6**	**29.6**	**4.6**

*Source: Company, Angel Research; Note: *Net profit adjusted for forex gain/loss and other extraordinary items; Only for coverage stocks for which quarterly results are estimated*

Exhibit 3: Sensex companies' operating margin performance vis-a-vis Angel estimates

Sector	1QFY2013A		1QFY2013E		4QFY2012	
	Absolute bps	Incr. yoy Margins	Absolute bps	Inc. yoy Margins	Absolute bps	Incr. yoy Margins
Auto (5)	12.8	(28.0)	13.2	8.0	12.5	(33.0)
TTMT	13.3	54.0	13.6	91.0	13.3	60.0
ex TTMT (4)	12.1	(140.0)	12.6	(108.0)	11.1	(182.0)
Oil & Gas (3)	16.1	(359.0)	17.4	(242.0)	16.5	(321.0)
Finance (4)	57.6	130.0	58.0	172.0	58.3	529.0
SBI	55.9	121.0	57.4	268.0	56.6	933.0
ex SBI (3)	59.7	117.0	58.9	32.0	60.6	20.0
IT (3)	26.9	102.0	27.8	195.0	27.4	(30.0)
Mining (1)	31.1	(418.0)	27.9	(739.0)	22.4	(2,078.0)
Infrastructure (1)	9.1	(279.0)	11.7	(18.0)	13.9	(134.0)
Metals (4)	14.6	(398.0)	14.6	(408.0)	15.1	(381.0)
Power (2)	21.5	(7.0)	24.0	258.0	25.0	60.0
Telecom (1)	30.2	(339.0)	32.7	(85.0)	33.3	(21.0)
FMCG (2)	24.4	188.0	25.1	237.0	23.1	118.0
Pharma (3)	29.3	464.0	25.9	121.0	26.5	672.0
Capital Goods (1)	14.2	(106.0)	15.0	(31.0)	25.2	184.0
Sensex (30)	**20.7**	**(187.0)**	**21.7**	**(88.0)**	**21.3**	**(176.0)**
Sensex Ex O&G (27)	**22.6**	**(117.0)**	**23.4**	**(42.0)**	**23.0**	**(127.0)**
Sensex Ex O&G, SBI, TTMT (25)	**22.2**	**(131.0)**	**22.9**	**(71.0)**	**22.6**	**(210.0)**

Source: Company, Angel Research

Exhibit 4: Angel coverage companies' operating margin performance vis-a-vis estimates

Sector	1QFY2013A		1QFY2013E		4QFY2012	
	Absolute bps	Incr. yoy Margins	Absolute bps	Inc. yoy Margins	Absolute bps	Incr. yoy Margins
Auto (7)	12.5	(31.0)	12.9	15.0	12.4	(27.0)
Auto Anc. (6)	11.5	(207.0)	12.3	(142.0)	12.3	(318.0)
Cap Goods (7)	10.9	(91.0)	11.5	(29.0)	19.3	56.0
Cement (7)	26.8	35.0	27.9	146.0	24.5	(12.0)
Banks - Large Pvt (3)	55.1	171.0	53.6	24.0	54.2	(38.0)
Banks - Small Pvt (3)	58.0	(280.0)	57.1	(367.0)	55.7	(488.0)
Banks- Large PSU (7)	57.5	64.0	57.9	102.0	57.8	727.0
Banks- Mid PSU (14)	56.4	(16.0)	54.8	(174.0)	52.4	423.0
Banks-Hsg. Fin. (2)	90.5	(54.0)	89.9	(112.0)	92.1	(118.0)
FMCG (11)	19.5	129.0	20.8	243.0	19.3	72.0
Infrastructure (12)	14.0	(157.0)	14.8	(72.0)	15.1	(46.0)
IT (13)	25.3	187.0	25.7	202.0	24.9	15.0
Media (5)	32.6	(532.0)	34.7	(309.0)	30.3	(761.0)
Metals (10)	17.8	(353.0)	17.8	(359.0)	17.9	(589.0)
Midcap (16)	10.8	119.0	10.4	173.0	10.4	(52.0)
Mining (1)	31.1	(418.0)	27.9	(739.0)	22.4	(2,078.0)
Oil & Gas (4)	18.3	(364.0)	19.5	(250.0)	18.5	(352.0)
Pharma-large (7)	22.0	123.0	21.1	31.0	22.9	447.0
Pharma-mid (7)	19.7	13.0	20.3	74.0	19.0	48.0
Power (3)	22.8	202.0	25.1	429.0	25.9	13.0
Real Estate (4)	50.2	390.0	43.4	(297.0)	32.3	244.0
Telecom (3)	29.6	(259.0)	30.9	(132.0)	31.3	(5.0)
Coverage (152)	**23.4**	**(155.0)**	**24.1**	**(90.0)**	**23.4**	**(178.0)**
Coverage Ex O&G (148)	**24.8**	**(98.0)**	**25.2**	**(60.0)**	**24.5**	**(137.0)**
Coverage Ex O&G, TTMT, SBI (146)	**24.9**	**(102.0)**	**25.3**	**(75.0)**	**24.6**	**(181.0)**

Source: Company, Angel Research; Note: Only for coverage stocks for which quarterly results are estimated

Exhibit 5: Sensex companies' revenue performance vis-a-vis Angel estimates

Sector	1QFY2013A			1QFY2013E			4QFY2012	
	Contribution to		Growth	Contribution to		Growth	Contribution to	Growth
	total	incr.	(% yoy)	total	incr.	(% yoy)	incr.	(% yoy)
Auto (5)	17.9	25.1	27.0	18.4	31.0	25.6	29.1	34.2
TTMT	10.4	16.1	30.4	11.0	22.1	32.0	21.6	44.0
ex TTMT (4)	7.4	9.0	22.5	7.4	8.8	17.0	7.5	20.9
Oil & Gas (3)	29.8	27.1	16.0	27.8	10.3	4.7	24.4	18.0
Finance (4)	6.4	5.9	16.4	6.9	10.2	21.8	8.9	27.9
SBI	3.5	2.2	10.5	4.0	5.5	20.0	5.7	31.8
ex SBI (3)	2.8	3.7	24.8	2.9	4.7	24.4	3.2	22.9
IT (3)	8.5	13.2	30.9	8.8	17.3	31.2	8.8	24.4
Mining (1)	4.0	3.2	13.8	4.1	3.8	12.8	6.2	29.4
Infrastructure (1)	2.9	3.9	26.1	2.8	3.2	16.4	4.3	20.0
Metals (4)	13.5	5.1	6.0	13.5	4.3	4.0	4.2	5.5
Power (2)	5.6	5.1	15.9	5.9	7.1	17.2	4.1	14.3
Telecom (1)	4.7	3.8	14.0	4.9	4.9	14.0	3.5	15.2
FMCG (2)	3.1	2.6	14.6	3.4	4.6	19.9	2.5	16.7
Pharma (3)	1.7	3.1	37.8	1.6	2.2	20.7	2.4	33.7
Capital Goods (1)	2.0	1.9	16.1	1.9	1.1	7.0	1.7	6.6
Sensex (30)	**100.0**	**100.0**	**17.9**	**100.0**	**100.0**	**13.8**	**100.0**	**19.8**
Sensex Ex O&G (27)	**70.2**	**72.9**	**18.7**	**72.2**	**89.7**	**17.7**	**75.6**	**20.4**
Sensex Ex O&G, SBI, TTMT (25)	**56.2**	**54.6**	**17.2**	**57.1**	**62.1**	**15.2**	**48.2**	**15.9**

Source: Company, Angel Research

Exhibit 6: Angel coverage companies' revenue performance vis-a-vis Angel estimates

Sector	1QFY2013A			1QFY2013E			4QFY2012	
	Contribution to		Growth	Contribution to		Growth	Contribution to	Growth
	total	incr.	(% yoy)	total	incr.	(% yoy)	incr.	(% yoy)
Auto (7)	13.3	18.7	26.1	13.5	20.3	24.7	22.7	30.9
Auto Anc. (6)	2.4	5.7	52.0	2.5	6.7	54.1	5.7	54.8
Cap Goods (7)	2.8	2.2	12.7	2.8	1.5	7.9	1.7	5.2
Cement (7)	2.5	2.8	19.7	2.4	2.5	15.8	2.9	21.2
Banks - Large Pvt (3)	2.3	3.1	24.6	2.4	3.6	25.3	2.8	22.4
Banks - Small Pvt (3)	0.3	0.5	29.2	0.3	0.4	24.3	0.4	23.3
Banks- Large PSU (7)	5.5	4.3	12.9	5.9	7.2	19.2	6.1	18.0
Banks- Mid PSU (14)	2.8	2.0	11.7	2.9	2.4	12.5	1.0	5.6
Banks-Hsg. Fin. (2)	0.3	0.3	13.1	0.3	0.4	16.2	0.2	9.7
FMCG (11)	4.4	4.1	16.1	4.5	5.3	18.2	4.3	18.3
Infrastructure (12)	4.1	4.3	18.2	4.1	3.7	13.6	3.7	10.9
IT (13)	8.2	13.0	30.5	8.3	14.9	30.7	9.3	23.7
Media (5)	0.3	0.1	3.7	0.3	0.3	13.7	0.1	5.8
Metals (10)	13.5	4.0	4.5	14.2	8.1	8.1	3.9	4.2
Midcap (16)	1.3	1.0	13.1	1.3	1.4	17.1	1.4	21.3
Mining (1)	2.8	2.3	13.8	2.8	2.4	12.8	4.9	29.4
Oil & Gas (4)	21.5	20.3	16.1	19.7	6.6	4.6	19.3	17.4
Pharma-large (7)	2.6	4.9	38.6	2.3	2.8	19.3	4.2	34.6
Pharma-mid (7)	0.5	0.4	13.2	0.5	0.7	21.8	0.2	6.8
Power (3)	3.0	2.4	13.3	3.1	3.4	16.6	1.3	7.2
Real Estate (4)	0.4	(0.6)	(16.4)	0.6	0.2	5.3	-	(0.5)
Telecom (3)	5.1	4.3	14.1	5.2	5.0	14.5	4.0	13.9
Coverage (152)	**100.0**	**100.0**	**17.2**	**100.0**	**100.0**	**15.2**	**100.0**	**17.0**
Coverage Ex O&G (148)	**78.5**	**79.7**	**17.5**	**80.3**	**93.4**	**18.1**	**80.7**	**17.0**
Coverage Ex O&G, TTMT, SBI (146)	**68.7**	**66.5**	**16.6**	**69.9**	**76.0**	**16.7**	**59.1**	**14.0**

Source: Company, Angel Research; Note: Only for coverage stocks for which quarterly results are estimated

Asset quality woes continue for banks; private banks reported impressive earnings performance

The banking stocks in the Sensex, excluding SBI, reported a growth in operating income and earnings of 25.7% and 33.7%, respectively, which was in line with our growth expectation of 25.2% and 31.2%. As anticipated, SBI reported an earnings growth of 136.9% on a low base; however its asset quality came under severe pressure with incremental slippages coming in at 5%.

Amongst our coverage banking companies, large public sector (PSU) banks excluding SBI registered a moderate operating income growth of 15.0% yoy (including SBI, the growth was lower at 12.9% yoy), while the growth in the mid-PSU segment was modest at 11.7%. Provisioning expenses were significantly up in 1QFY2013 across all PSU banks on the back of continued fresh slippages leading to a moderate growth in PBT levels. Lower tax expenses on account of higher provisioning expenses propped up bottom-line growth to 19.3% and 17.9% yoy for large and mid PSU banks respectively.

Our coverage private banks reported an impressive performance during 1QFY2013, with operating income and earnings growth of 25.3% and 31.2%, respectively; however they also witnessed slight pressures on their asset quality with an increase in their gross and net NPA levels.

Pharma and IT companies perform better-than-expected aided by INR depreciation

The pharmaceutical companies in the Sensex reported a higher-than-expected earnings growth of 50.6% as compared to our estimate of 20.3%, driven by higher sales growth and improved EBIDTA margins for Cipla and Sun Pharmaceutical Industries (Sun Pharma). Amongst our coverage universe, large-cap pharma companies reported an earnings growth of 26% while mid-cap pharma companies reported an earnings growth of 7.8%.

IT companies in the Sensex reported a robust earnings growth of 31.5% as compared to our estimate of 25.6%, owing to higher net profit growth for TCS. Our coverage IT companies too reported higher-than-expected earnings growth of 35.2% as against our estimate of 23.7%, despite a decent volume growth of 2.5 - 3% qoq for all companies barring Wipro and Infosys, largely due to the impact of the depreciating rupee (INR).

Capital goods and infra companies report better earnings but outlook remains cautious

BHEL, the only capital goods company in the Sensex, performed much better than expected with earnings growth of 12.8% as against our estimate of 7.6% decline in earnings, owing to sturdy revenue growth on strong execution and forex gains on INR depreciation. Margins, however, remained under pressure mainly due to higher other operating expenses (provisions, power, freight etc), while order flow remains subdued with order book coverage deteriorating sequentially over the quarters to 2.7x.

The capital goods companies under our coverage too recorded a better-than-expected earnings performance of 7.6% against our estimate of a decline by 5.2% owing to BHEL's performance. Excluding BHEL, capital goods companies in our coverage reported a decline in earnings by 6.1%. Although Crompton Greaves posted a healthy revenue growth of 15.3% yoy, its earnings growth came in below our expectations at 8.1% yoy as the company's international subsidiaries continue to remain a drag on the profitability.

L&T, the only infrastructure company in the Sensex, recorded an earnings growth of 15.5% as against our estimate of 9.8% owing to a huge surge in other income despite the drop in margins. Amongst our coverage, other non-Sensex infrastructure companies viz IL&FS Transportation Networks Ltd (ITNL), IRB Infrastructure Developers (IRB), Ashoka Buildcon and Sadbhav Engineering reported a better-than-expected earnings performance. However, the earnings performance, entirely for Sadbhav Engineering and partly for Ashoka Buildcon, was aided by non operating items.

Subdued growth in earnings of auto stocks excluding Tata Motors

In case of auto companies in the Sensex, the growth in earnings came in at 15.4% as compared to our estimates of 25.3%. Tata Motors reported a strong top-line growth of 30.4% aided by a robust growth in Jaguar Land Rover (JLR) revenues. However, the net earnings growth at 30.6% came in lower than our estimate of 51.3% on account of higher tax outgo at JLR.

Excluding Tata Motors, auto companies in the Sensex reported a modest net profit growth of 2.5%, dragged down by de-growth of 22.8% in Maruti Suzuki's earnings. Mahindra & Mahindra (MM) reported a better-than-expected net profit growth of 20% on account of a strong volume growth of 39.5% augmented by sustained momentum in the utility vehicle (UV) and pick-up segments.

Performance of FMCG companies

FMCG companies in the Sensex reported a net profit growth of 28.5% as compared to our estimate of 33.5% with both HUL and ITC witnessing an earnings growth of 47.7% and 20.2% respectively. Overall, the sector contributed 8.3% to incremental Sensex earnings.

Our coverage FMCG companies reported an earnings growth of 24.6% as compared to our estimate of 37.2%. Hindustan Unilever Ltd (HUL) reported a strong earnings growth, much higher than our estimate of 25.6%, due to improvement in margins on account of better realization and reduction in raw material costs. Marico reported a growth in net profit of 45.7% as against our estimate of 30.9% due to robust growth in net sales and lower copra prices.

Power and telecom companies disappoint

Bharti Airtel reported a sharp earnings de-growth of 36.1% as compared to our estimate of a 4.5% growth, due to high operating costs, decline in African business revenues, hyper-competition resulting in subdued revenues in domestic telecom business and recent regulatory and tax developments.

The power companies in the Sensex witnessed an earnings growth of 5.5%, which was lower than what we had expected owing to a steep decline in earnings performance of Tata Power by 66% on a yoy basis because of impairment loss provisions made for the Mundra project.

Mixed performance by metals and mining companies

The metal companies in the Sensex recorded an expected decline in earnings by 24.9% on a yoy basis. Excluding the 14% growth in the earnings of Jindal Steel, the earnings for the remaining metal companies in the Sensex declined by 34.9%. In the case of mining, Coal India reported an unexpected positive earnings growth of 7.2% as against our expectations of a de-growth by 1.6% due to lower-than-expected staff and other costs and a higher volumes growth.

The metal companies under our coverage reported a mixed top-line performance. The operating profits of all non-ferrous players declined due to lower realizations and higher input costs, leading to an overall earnings de-growth of 12.3%. Among the steel players, JSW Steel and SAIL reported a healthy growth in other income by 83.2% and 435.0% yoy respectively which boosted their bottom-lines. Tata Steel reported a higher-than-expected deceleration of 59% in the net adjusted earnings growth owing to a decline in operating profits and margins due to higher labor costs at its European operations and decline in other income.

Earnings surprise for ONGC aided oil and gas companies' performance

The oil and gas companies in the Sensex surprised with an earnings growth of 8.8% as against our expectations of a de-growth by 4.9% on the back of a healthy earnings performance reported by ONGC and GAIL India. In our coverage universe, oil and gas companies reported an earnings growth of 8.1% as against our estimate of a de-growth by 5.7%.

ONGC reported a higher-than-expected net profit growth of 48.4% due to positive impact of INR depreciation on crude oil earnings and lower subsidy sharing burden. GAIL (India) reported better-than-expected earnings due to higher profit from natural gas trading and LPG segments. Excluding the exceptional earnings performance of ONGC, earnings for Sensex oil and gas companies witnessed a de-growth of 15.6% while our coverage companies reported an earnings de-growth of 8.6%.

Indian markets take positive cues from global developments

The Indian equity markets continued to take positive cues from global events in spite of a weak economic and political environment on the domestic front. The markets extended their gains in the month of August 2012 driven by expectations of an increase in global liquidity flows. The liquidity-driven rally has led to risk-on trade in emerging market economies with high-growth potential including India.

The net equity inflows from FIIs in the month of July soared to a five-month high of US$2bn after slowing down considerably since February. The buoyancy in FII investments can be largely attributed to 1) the European Central Bank (ECB)'s indication that it would purchase bonds to support the fragile Eurozone economy and 2) increasing expectations regarding a third-round of quantitative easing (QE3) measures by the US Federal Reserve in its September 2012 monetary policy meeting.

Concerns over global growth environment to persist

Concerns over a slowdown in global growth continue to persist amidst negative growth in the Eurozone and slow pace of recovery in the US. According to initial estimates, GDP growth in the Eurozone contracted by 0.2% yoy during 2QCY2012 while recovery in the US has been sluggish as GDP growth during 2QCY2012 decelerated to 1.5% yoy.

Headwinds from de-growth in the Euro area have adversely affected the momentum of growth in emerging economies due to weak demand for exports in international markets and volatility of capital inflows. China's official Purchasing Managers' Index (PMI) for manufacturing declined below the 50-level threshold to 49.2 in August, signaling contraction on account of slowing new orders. Monetary policy tightening due to high inflation environment in emerging markets has led to dampening of domestic demand and moderation in growth to lower-than-expected levels.

Exhibit 7: Global Economic Snapshot

Country/ Region	GDP Growth (%)	Gross Debt as % of GDP	Current Account Bal. as % of GDP	Unemployment Rate (%)
USA	2.1	106.6	(3.3)	8.2
UK	0.8	88.4	(1.7)	8.3
Japan	2.0	235.8	2.2	4.5
China	8.2	22.0	2.3	4.0
Euro Area	(0.3)	90.0	0.7	10.9
Germany	0.6	78.9	5.2	5.6
Greece	(4.7)	161.2	(7.4)	19.4
Spain	(1.8)	79.0	(2.1)	24.2
Italy	(1.9)	123.4	(2.2)	9.5

Source: IMF 2012 Forecast

Markets to take cues from Eurozone developments in September

Global markets are gearing up to the review from the troika of the European Union, the ECB and the International Monetary Fund (IMF) on their decision to keep aid flowing to the Greek economy. The troika is expected to meet in Athens in September 2012 to review Greece's progress in implementing reforms and austerity measures.

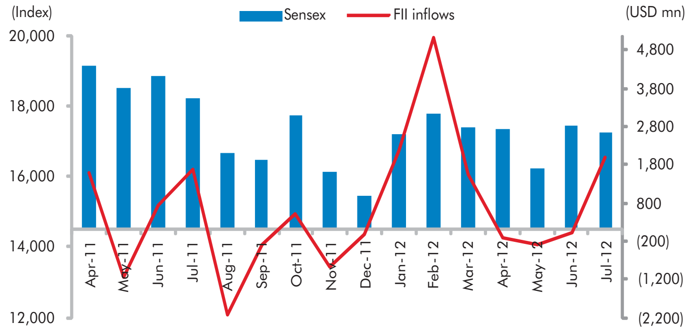
Greece's international lenders are expecting the economy to generate savings worth 5.5% of GDP or about EUR11.5bn in two years through its austerity measures. Moreover, Greece is likely to need an additional EUR2.5bn - EUR3bn in spending cuts to narrow its fiscal deficit below 3% of GDP by 2014 in order to continue receiving bail-out funds from the European Union / IMF and to avoid a potential exit from the Eurozone.

The Greek government, on the other hand, has indicated that it would seek a two-year extension in its austerity drive to curtail the budget deficit since measures to contract public spending by cutting down on jobs, wages and welfare benefits etc are likely to compound the unemployment problem in the country. Unemployment rate for the Greek economy reached a high of more than 23% in May 2012 and the economy contracted by 6.2% in Q2CY2012 as compared to a contraction of 6.5% in Q1CY2012.

Earlier in August, ECB Chief Mario Draghi suggested the bank is prepared to purchase government bonds In order to lower borrowing costs for debt-laden countries like Spain and Italy. The bond purchasing program, which is being debated, will push up prices of government bonds and lower interest yields. Spain and Italy have been struggling to keep their borrowing costs at sustainable levels; however, yield on their bonds fell following speculation on the ECB's intervention in the bond market.

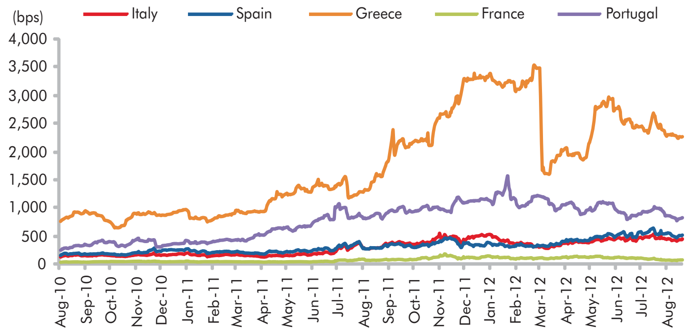
So far, the actions by the Eurozone members as well as the ECB have made it clear that they are committed to 'do whatever it takes' to preserve the Euro.

Exhibit 8: Movement of FII inflows and Sensex



Source: SEBI, Angel Research

Exhibit 9: 10 year sovereign yields spread over Germany



Source: Bloomberg, Angel Research

GDP growth for 1QFY2013 at 5.5%

The real GDP growth for 1QFY2013 increased to 5.5%, marginally higher than the 5.3% growth in the previous quarter driven by construction and financing, insurance, real estate and business services. Agriculture, forestry and fishing reported a growth of 2.9% in 1QFY2013 as against a growth of 1.7% during the previous quarter owing to positive growth in production of wheat (8.1%), cotton (6.7%), sugarcane (4.5%) and cereals (3.5%) although production of rice (-16.6%) and oilseeds (-12.6%) marked a significant decline.

The industrial sector reported a growth of 3.6% supported by growth in construction and electricity. Mining, manufacturing and electricity, gas and water supply reported a growth of 0.1%, 0.2% and 6.3% respectively in spite of a de-growth in the Index of Industrial Production (IIP) for mining and manufacturing by 1.1% and 0.7% respectively during the period.

Service sector growth decelerated to 6.9%, reflecting the slowdown in the industrial sector with a lag. Trade, hotels, transport and communication category, contributing the highest share in GDP, reported a moderate growth of 4% as compared to 13.8% in the corresponding period of the previous year. Financing, insurance, real estate and business services maintained growth momentum by reporting a 10.8% growth as compared to 10% growth in the previous quarter. Community, social and personal services followed with a growth of 7.9%, increasing for the fourth straight quarter.

Gross fixed capital formation (GFCF) reported a tepid growth of 0.6% as compared to 3.6% in the previous quarter and 14.7% in 1QFY2012 reiterating concern over the weak investment environment in the economy.

Although growth during 1QFY2013 has come in higher-than-expected, the economy has witnessed a significant decline in its growth trajectory as compared to the preceding quarters. We expect growth for FY2013 to range between 5.5% - 6%, below the economy's potential growth rate.

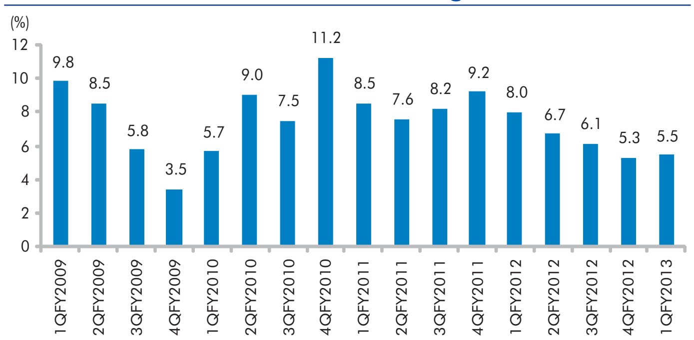
RBI unlikely to ease policy rates due to upside risks to inflation

We believe that the Reserve Bank of India (RBI) is unlikely to cut its key policy rates in its Mid Quarter Review of Monetary Policy due in September since upside risks to inflation continue to persist in the near-term.

Inflation for the month of July 2012 eased to 6.9% from 7.25% in June 2012 but Inflation in food articles continues to remain at double-digit levels. In our view, the better-than-expected sub-7% inflation figure is a temporary phenomenon and upside risks to inflation are expected to persist in the near-term due to factors like structural supply-side constraints in agriculture, high minimum support price (MSP) increase for kharif crops, deficiency of rainfall and the impending deregulation of diesel prices. Rising crude oil prices and retail petrol prices and revision of the electricity tariff during the month of August will lead to pass-through of these prices in generalized inflation adding to the expected uptrend in inflation.

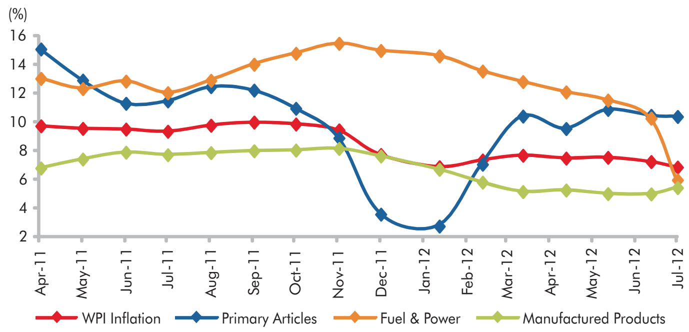
A rise in the prices of manufactured products for July 2012 has led to an increase in core inflation, which had moderated to below 5% levels during the previous five months. Core inflation is closely monitored by the RBI in determining its policy stance.

Exhibit 10: Slowdown in India's GDP growth



Source: MOSPI, Angel Research

Exhibit 11: Trends in WPI Inflation

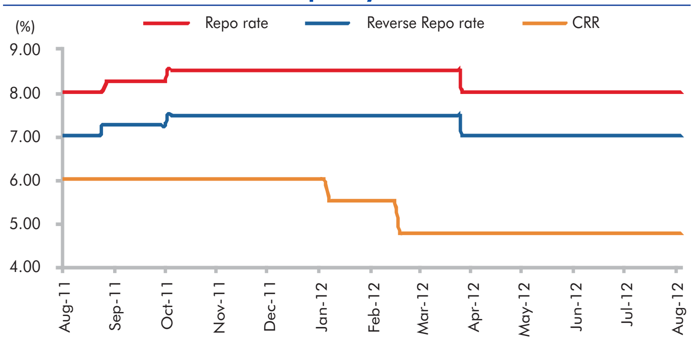


Source: Office of Economic Advisor, Angel Research

Exhibit 12:Rising CRB commodity index

Source: Bloomberg, Angel Research

Exhibit 13: RBI's hawkish policy stance

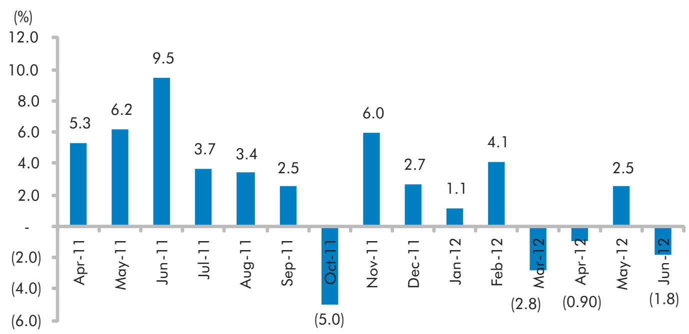


Source: RBI, Angel Research

Deteriorating industrial activity

Industrial activity, as measured by the IIP, has witnessed a downtrend since July 2011 and slipped into negative territory for the month of June 2012 displaying signs of de-growth in the industrial sector. The performance of capital goods in the IIP, considered indicative of investment activity in the economy, contracted steeply by almost 28% in June 2012.

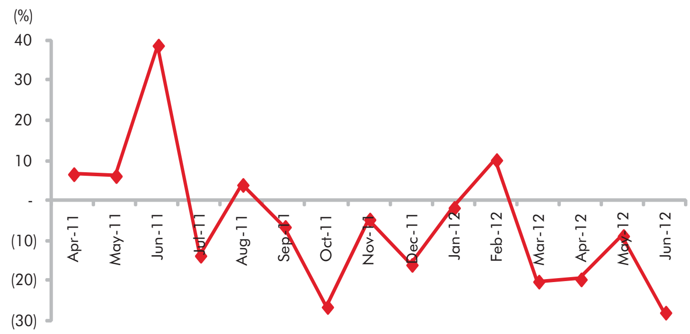
Exhibit 14: Sluggish industrial growth



Source: MOSPI, Angel Research

High interest rates aimed at curtailing inflationary pressures in the economy are keeping borrowing costs high and this is partly responsible for declining industrial production in the economy.

Exhibit 15: Sharp de-growth in capital goods performance



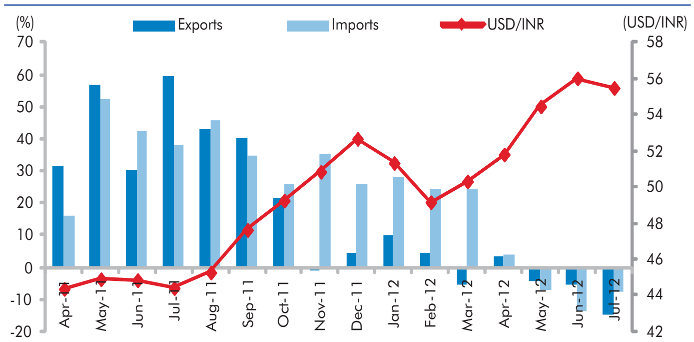
Source: MOSPI, Angel Research

CAD to narrow going ahead

On the external trade front, trade deficit in the month of July 2012 stood at US$15.5bn as compared to US$10.3bn during the month of June 2012. On a yoy basis, exports reported a de-growth for the third consecutive month by 14.8% while imports reported a de-growth of 7.6%. In the near term, exports growth is likely to remain under pressure and deteriorate further due to slowing global demand. However, Indian exporters are expected to benefit from the substantial INR depreciation (~22% In the August 2011 - July 2012 period) since it has improved their competitive edge vis-à-vis global competitors such as China.

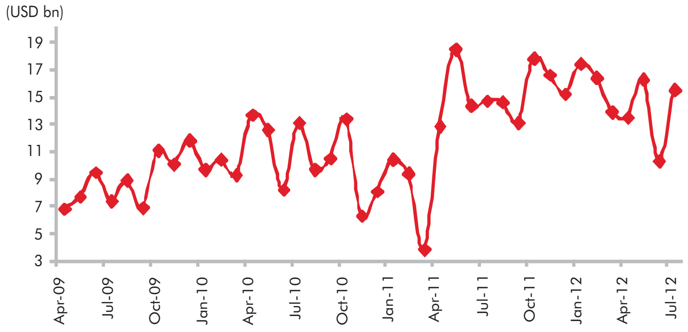
Going ahead, we believe that the current account deficit (CAD) is likely to narrow down on account of 1) decline in imports due to moderation in domestic demand and slowing capacity expansion activities, 2) high gold prices that have deterred consumer demand for gold. During the April - June 2012 period, consumer demand for gold in India declined by 38% yoy, leading to a 56% yoy decline in gold imports; 3) exporters gearing up to take advantage of the significant rupee depreciation.

Exhibit 16: Growth in India's Merchandise Trade



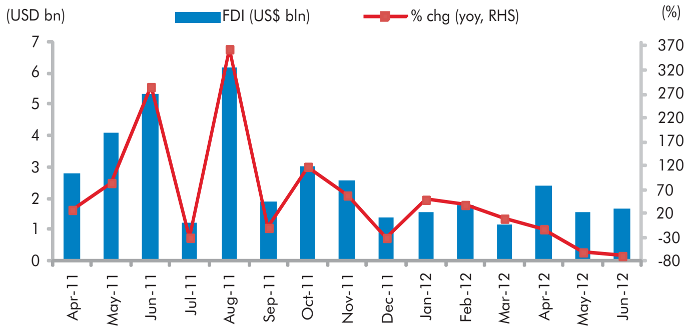
Source: Ministry of Commerce & Industry, RBI, Angel Research

Exhibit 17: India's trade deficit



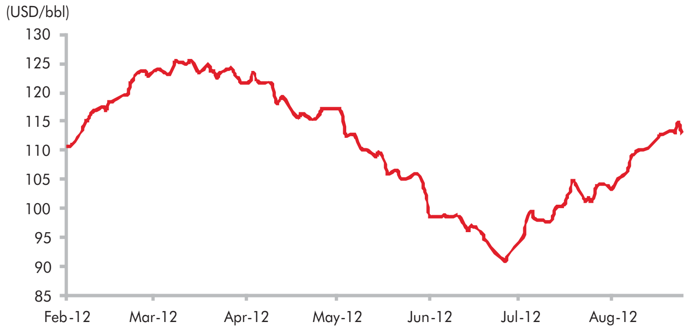
Source: Ministry of Commerce & Industry, Angel Research

Exhibit 18: FDI Inflows



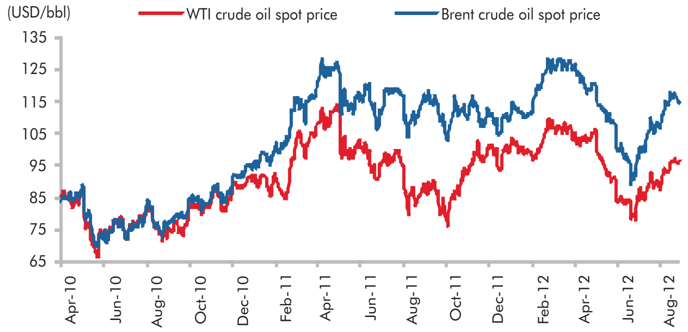
Source: DIPP, Angel Research

Exhibit 19: Price of India's crude oil basket mounting...



Source: Ministry of Petroleum & Natural Gas, Angel Research

Exhibit 20: ...due to increase in global crude prices



Source: Bloomberg, Angel Research

Looming threat of sovereign credit rating downgrade

Credit ratings agencies such as Standard and Poor's (S&P) and Fitch have revised India's rating outlook from stable to negative. Further deterioration in the fiscal balance coupled with slowing growth, faltering industrial production, high CAD and logjam in policy reforms are factors that S&P would take into account for taking a call on downgrade of the economy's sovereign rating from the lowest investment grade 'BBB-' to speculative grade.

The fiscal deficit, during the April - July 2013 period, already stands at 51.5% of the government's budget estimate for FY2013. We believe that calibrated measures on the policy reform front are needed to counter the threat of a rating downgrade.

Overall, measures by the government on the policy front in order to bridge the budget deficit by cutting down on food and oil subsidies, resolving the mining logjam in minerals like coal and iron ore, expediting FDI reforms, giving a thrust to mining auctions and clearances, land allocation and further increasing infrastructure ordering activity are urgently needed to boost business and investor sentiment in the economy.

Sensex EPS expected to post a 9.4% CAGR over FY2012-14E

The Sensex EPS is expected to grow by 7.2% to 1,205 in FY2013E and by 12.6% in FY2014E to 1,358; implying a CAGR of 9.4% over FY2012-14E.

In FY2013E, the BFSI sector is expected to dominate the increase in Sensex EPS contributing 45.6% to overall growth. The growth in the BFSI sector is primarily expected to be on account of strong performances by all companies (relatively higher for HDFC Bank and SBI) emanating from stable to improving margins, leading to higher profitability. After 1QFY2013 results, we have largely maintained our FY2013 earnings estimates for Sensex BFSI companies.

Among other stocks, power stocks are expected to contribute 16.7% to Sensex EPS growth mainly due to higher generation and new capacity addition by NTPC. For FY2013E, we expect power companies to report earnings growth of 30.2% as against 38.6% estimated earlier due to deceleration in earnings for Tata Power.

The IT sector is expected to contribute 16.4% to Sensex EPS growth mainly on account of a positive impact of the depreciating INR. After 1QFY2013 results, we have maintained our FY2013 earnings growth estimates of 16.5% for Sensex IT companies.

In FY2014E, we expect Sensex EPS to grow by 12.6% driven by BSFI, metal and IT stocks.

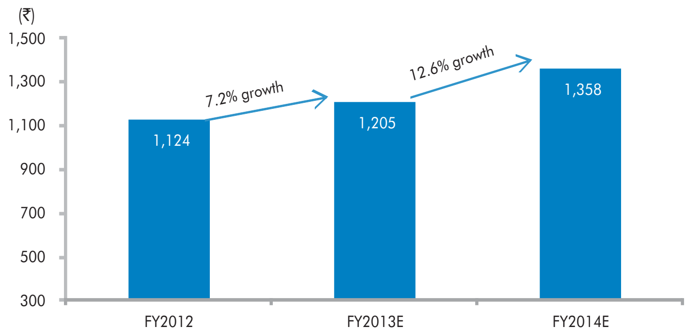
We expect the BFSI sector to continue dominating the Sensex EPS with 37.2% contribution to overall growth. After 1QFY2013 results, we have largely maintained our FY2014E estimates for BFSI companies.

Metal stocks are expected to contribute 14% to overall Sensex EPS growth due to improvement in margins on account of higher aluminum and zinc prices and decline in raw material costs for steel companies. Therefore, we expect higher improvement in margins for non ferrous companies than ferrous ones. For FY2014E, we expect earnings for metal companies to grow by 17.2%.

The IT sector is expected to contribute 8.4% to incremental Sensex EPS in FY2014E. We expect FY2014E earnings growth for Sensex IT companies to decelerate to 8.5% as compared to 10.6% estimated earlier, due to moderation in earnings accounted for Infosys and Wipro.

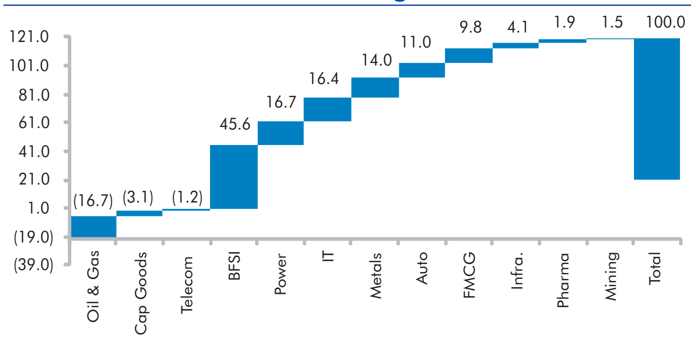
Performance of BHEL and Tata Power is expected to drag down Sensex EPS growth due to estimated contraction in BHEL's profit and margins from current levels due to strong competition (domestic as well as international), declining order flows and a weak capex cycle and Tata Power's operations at the Mundra project.

Exhibit 21: Sensex EPS growth over FY2012-14E



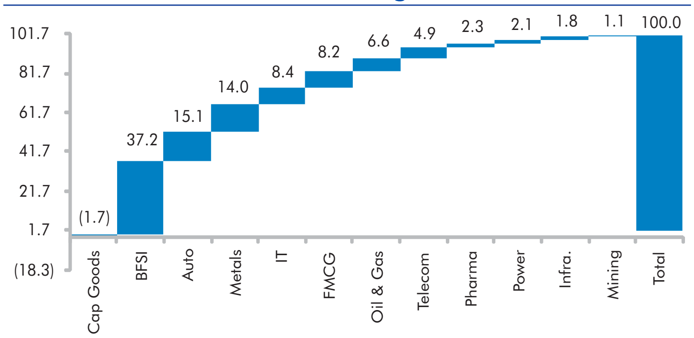
Source: Angel Research

Exhibit 22: FY2013E Sensex EPS growth contribution



Source: Angel Research

Exhibit 23: FY2014E Sensex EPS growth contribution



Source: Angel Research

Outlook and Valuation

Concerns over slowing growth and high level of inflation in the economy are expected to persist in the near term. We believe that high interest rate environment and sluggish growth in capex activity will continue to affect stocks in cyclical sectors. Hence, we maintain a stock-specific and value-buying approach to yield better returns.

The outlook for economic growth improving in FY2014 rests on catalysts such as easing inflation and interest rates, corrective fiscal consolidation measures and pick-up in investment activity along with thrust on reforms in the mining and power sector.

We expect Sensex EPS to improve at a CAGR of 9.4% over FY2012-14E. We prefer private banks and select infrastructure and real estate stocks amongst rate-sensitives and also quality stocks in export-oriented sectors like IT. Our top picks also include select mid-cap and reasonably valued defensive stocks.

We arrive at our 12 months Sensex target of 19,000, working with a conservative multiple of 14x FY2014E earnings, implying an upside of 9% which is likely to be back ended.

Exhibit 24: Sensex one year forward P/E

Source: Bloomberg, Angel Research

Exhibit 25: Earnings yield vs. Bond yield

Source: Bloomberg, Angel Research

Top Picks

ICICI Bank (CMP: ₹912 / TP: ₹1,169 / Upside: 28%)

- ICICI Bank's substantial branch expansion (from 955 branches at the end of 3QFY2008 to 2,755 branches by 1QFY2013) and strong capital adequacy at 18.5% (tier-1 at 12.8%) have positioned it to gain CASA and credit market share, respectively. The bank improved its market share of savings deposits by ~5bp in FY2012 compared to FY2011, capturing a substantial 5.7% incremental market share.
- The bank's strategic transformation has expectedly resulted in significantly better balance sheet and earnings quality. The distinguishing feature of the bank's performance in FY2010 was the improvement in CASA ratio to 42.1% (transformative considering that the ratio was as low as 22% at the end of FY2007 and 29% even as recently as FY2009). The CASA ratio as of 1QFY2013 remains healthy at 40.6%.
- The bank's asset quality continues to show further improvement, with a declining trend in additions to gross as well as net NPAs. The reduction in risk profile of advances has resulted in a commensurate decline in NPA provisioning costs and is reflected in improved RoA, from 1.0% in FY2010 to 1.4% in FY2012.
- The stock is trading at an attractive valuation of 1.5x FY2014E P/ABV. Hence, we maintain our Buy view on the stock with a target price of ₹1,169, valuing the core bank at 1.9x FY2014E P/ABV and assigning a value of ₹153 to its subsidiaries.

Y/E March	Op Inc. (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	RoA (%)	RoE (%)	P/E (x)	P/ABV (x)
FY2013E	22,356	2.9	7,915	68.7	568.7	1.4	14.2	13.3	1.6
FY2014E	27,157	3.0	9,451	82.0	622.2	1.4	15.5	11.1	1.5

Wipro (CMP: ₹363 / TP: ₹420 / Upside:16%)

- Wipro has identified four momentum industry verticals to focus uopn: 1) BFSI, 2) energy and utilities, 3) retail and 4) lifesciences and healthcare and these verticals account for 65% of the company's revenue. The managements of all IT companies have indicated that IT spend in industry verticals such as retail, energy and utilities is expected to grow higher than the overall industry growth and Wipro's exposure to energy and utilities is ~100% higher than the next largest competitor in this space (Infosys). We expect USD and INR revenue CAGR for IT services to be at 8.8% and 13.2%, respectively over FY2012-14E.
- Wipro has operating margin levers such as improving utilization level and increasing offshore revenue. Wipro's utilization level is currently at 68.3%, which is almost at its historic low levels. The company has headroom to improve its utilization by ~250bp even if the management does not want to run a tight ship. In addition, Wipro's share of offshore revenue declined to 45.6% due to SAIC's acquisition from 49% earlier (peers have offshore revenue above 50%). Increasing offshoring of revenue is on Wipro's cards right now and could offer a cushion to its margins.
- We expect a 12.2% and 11.1% CAGR in EBITDA and PAT respectively over FY2012-14E. The stock is currently trading at inexpensive valuations of 13.0x FY2014E EPS. **We value the stock at 15x FY2014E EPS of ₹28.0, which gives us a target price of ₹420 and recommend it as one of our top picks with a Buy rating.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2013E	43,492	19.4	6,157	25.1	18.6	14.5	2.7	8.9	1.7
FY2014E	48,332	19.3	6,865	28.0	18.0	13.0	2.3	7.4	1.4

L&T (CMP: ₹1,364 / TP: ₹1,568 / Upside:15%)

- Larsen & Toubro (L&T)'s strong balance sheet, a sound execution engine, wide array of capabilities, integrated operations tailored to suit India's infrastructure growth story and multiple, recurring value unlocking triggers over the medium term, lead us to place faith in this default India's infrastructure story. L&T has an order book of >₹1.4 trillion, lending revenue visibility.
- We believe L&T is best placed to benefit from the gradual recovery in the capex cycle, given its diverse exposure to sectors, strong balance sheet and cash flow generation as compared to its peers, which grapple with issues such as strained cash flow, high leverage and limited net worth and technological capabilities.
- On the valuation front, the stock is trading at a PE of 13.3x FY2014E earnings, adjusted for subsidiary value, which is lower than its historical PE of 15-20x. **Hence, we recommend a Buy view on the stock with a sum of the parts (SOTP) target price of ₹1,568.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2013E	60,474	12.1	4,417	72.1	16.3	18.9	2.9	12.7	1.5
FY2014E	69,091	11.5	4,678	76.3	15.1	17.9	2.5	11.8	1.4

Tata Motors (CMP: ₹235 / TP: ₹292 / Upside:24%)

- We expect Jaguar - Land Rover (JLR) to sustain its volume momentum (expect a ~14% volume growth in FY2013) driven by the success of *Evoque* and *new XF* 2.2 coupled with the launch of the new *Range Rover* and *Jaguar XE* in FY2013. Further, strong growth in China (sales up 98% in FY2012) will also benefit the overall volume growth of the company. Additionally, a favorable market mix (China's contribution increased from 11% in FY2011 to 17% in FY2012) and sourcing from low-cost countries will help Tata Motors mitigate raw-material cost pressures to a certain extent.
- We expect the domestic commercial vehicle segment to register a healthy growth rate (~10% CAGR over FY2012-14E) on the back of a strong volume momentum in light commercial vehicle (LCV) sales. However, the passenger vehicle segment is likely to register a moderate ~8% volume CAGR led by weak demand in domestic markets.
- At ₹235, the stock is attractively valued at 5.4x and 2.9x FY2014E earnings and EV/EBITDA, respectively. **We maintain our Buy rating on the stock with a sum of the parts (SOTP) target price of ₹292** - assigning a value/share of ₹84 (11x FY2014E EPS) to the domestic business, ₹188 (6x FY2014E EPS) to JLR and ₹20 to other subsidiaries.

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2013E	195,096	12.8	12,370	39.0	32.6	6.0	1.7	3.4	0.4
FY2014E	219,428	12.8	13,924	43.9	28.2	5.4	1.3	2.9	0.4

Axis Bank (CMP: ₹978 / TP: ₹1,373 / Upside: 40%)

- Axis Bank has increased its current account - savings account (CASA) market share multi-fold over the past nine years (4.6% as of FY2012) on the back of robust branch and ATM network expansion. The bank opened more than 400 branches in FY2011 (41.4% yoy) and added another 230 branches in FY2012. Going forward as well, annual addition of 250+branches is expected to lead to a 30-50bp increment in CASA market share every year.
- Fee income contribution across a spectrum of services has been meaningful at 1.9-2.0% of assets (almost twice the level in PSBs) over FY2009-12.
- We expect Axis Bank to raise capital in the next 12-18 months as the bank's capital adequacy at the end of FY2012 stood at 9.5% (Axis Bank had last raised capital in 2QFY2010, when its tier-1 capital adequacy ratio [CAR] was 9.4%). Dilution is likely to be book-accretive and will aid in further enhancing the bank's credit market share going forward.
- Axis Bank is trading at 1.3x FY2014E ABV (~60% discount to HDFC Bank). We remain positive on the bank, owing to its attractive CASA franchise, multiple sources of sustainable fee income, strong growth outlook and A-list management. We maintain our Buy recommendation on the stock with a target price of ₹1,373.

Y/E March	Op Inc. (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	RoA (%)	RoE (%)	P/E (x)	P/ABV (x)
FY2013E	15,961	3.1	5,010	117.3	631.8	1.6	20.1	8.3	1.5
FY2014E	19,583	3.2	6,110	143.1	742.4	1.6	20.8	6.8	1.3

Crompton Greaves (CMP: ₹106 / TP: ₹128 / Upside: 20%)

- We believe Crompton Greaves' (CG) power and industrial segments have been facing several headwinds on the international and domestic business fronts, as reflected in the pressure witnessed in the company's recent quarterly numbers, mainly due to increasing competitive pressures (taking a toll on profitability) and general slowdown faced by economies (impeding the revenue visibility). However, we are of the opinion that CG's margins have bottomed out and we expect EBITDAM to improve going forward. We expect CG's EBITDAM to reach 8.5% by FY2014 from 7.1% in FY2012. In its three-year vision, CG's management has targeted margin expansion of 450bp on the back of high-value offerings, better sourcing and improved manufacturing footprint, which we think is a step in the right direction.
- Given the attractive valuations (stock at ~45% discount to its five-year trading PE multiple), we maintain our positive stance on the company. The pessimism surrounding the company's profitability has clearly been factored in the stock price, given the PE multiple de-rating. **We have assigned a multiple of 14x to arrive at a target price of ₹128, implying an upside of 21% from the current levels.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2013E	12,691	7.0	417	6.5	11.1	16.2	1.7	7.8	0.5
FY2014E	14,096	8.5	585	9.1	14.2	11.6	1.6	5.9	0.5

MCX (CMP: ₹1,163 / TP: ₹1,440 / Upside: 36%)

- Multi Commodity Exchange (MCX) is the largest commodity exchange in India (86% market share) and the third largest in the world. MCX is in an expansion mode and has increased its registered members to 2,170, which are operating through over 3,46,000 terminals, including CTCL (computer to computer link) trading terminals (296,000 at the end of December 2011), spread over 1,577 cities and towns across India.
- Since its inception in FY2004, the number of products offered by MCX has grown from 15 to 49 in FY2012. The company registered a 35.3% and 63.1% CAGR in its revenue and adjusted PAT, respectively, over FY2009-12. The company is expected to continue to focus on offering futures trading in commodities, which is significant in the Indian and global contexts. Going ahead, we believe the company's technology platform and business model are highly scalable and have the potential to generate better margins at greater volumes.
- We expect MCX to post an 8.9% and 11.7% CAGR in its revenue and PAT, respectively, over FY2012-14. Further, we expect investment and cash to improve to ₹1,953cr or ₹385/share post dividend payout. Currently, MCX is trading at 16.1x FY2014E earnings, which we believe is attractive owing to its zero-debt and high-margin business and presence in an highly underpenetrated and oligopoly business. We recommend Buy with a target price of ₹1,440, valuing the stock at 20x FY2014E earnings.

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2013E	553	65.3	317	62.5	27.5	18.6	5.1	11.7	7.7
FY2014E	624	66.3	366	72.0	27.4	16.1	4.4	9.5	6.3

United Phosphorus (CMP: ₹120 / TP: ₹170 / Upside:42%)

- United Phosphorus (UPL) figures among the top five generic agrichemical players in the world, with a presence across major markets such as the US, Europe, Latin America and India.
- The total off-patent market is worth US$29bn, of which a mere US$16bn is currently being catered by generic players. Furthermore, 61% of the same is controlled by the five largest generic players, including UPL. Given the high entry barriers by way of high investments, entry of new players is restricted. Thus, amidst this scenario and on account of having a low cost base, we believe UPL enjoys an edge over competition and is placed in a sweet spot to leverage the upcoming opportunities in the global generic space.
- Over FY2012-14E, we estimate UPL to post a 10% and 18.4% CAGR in its sales and PAT, respectively. Currently, the stock is trading at an attractive valuation of 7.0x FY2014E EPS. Hence, **we maintain our Buy view on the stock with a target price of ₹170.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2013E	8,421	16.5	695	15.0	15.6	8.0	1.2	5.2	0.9
FY2014E	9,263	16.5	787	17.0	15.5	7.0	1.0	4.4	0.7

DB Corp. (CMP: ₹190 / TP: ₹236 / Upside:24%)

- DB Corp. is one of the leading publishing houses in India, with seven newspapers and 65 editions in four languages across 13 states. The company leads its nearest competitor in its market with a huge margin in terms of circulation. The company's combined average daily readership is 19.2mn readers, which makes it the most widely read newspaper group in India.
- DB Corp. has a relatively advertising-focused revenue model, and its multi-state leadership and strong foothold in Hindi belt ensures high advertising revenue. The company has successfully forayed into Maharashtra, with the launch of 5 editions of Divya Marathi. We expect a ~14% CAGR in ad revenue over FY2012-14.
- The recent underperformance of the stock can be attributed to OPM pressure on account of higher newsprint costs and the cyclical nature of ad revenue growth (sluggish due to slower GDP growth). At CMP, the stock is trading at cheaper valuations of 13.7x FY2014E consolidated EPS of ₹13.9. However, considering the structural positives of the print business (high brand loyalty and significant entry barriers) and DBCL's multi-state leadership, in our view, the stock deserves a premium to the Sensex. Hence, we assign a target multiple of 17x FY2014E EPS, benchmarking it to our print media sector valuations (which are at 15% premium to the Sensex) and maintain our Buy view on the stock with a target price of ₹236.

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2013E	1,597	22.9	204	11.1	20.2	17.1	3.3	9.1	2.1
FY2014E	1,785	24.2	255	13.9	22.1	13.6	2.8	7.5	1.8

Mahindra Lifespaces (CMP: ₹343 / TP: ₹396 / Upside:15%)

- Mahindra Lifespaces Developers (MLIFE) is a mid and premium housing developer catering to strong demand in tier-1 cities and small metros in the country. Apart from real estate development, MLIFE also operates two integrated business cities - Mahindra World City (MWC) Chennai and MWC Jaipur. MLIFE's strong balance sheet (D/E ratio - 0.2x), good corporate governance, diversified land bank and solid brand name sets it apart from its peers.
- With slowing demand in super metros (Mumbai and NCR), we favor MLIFE's exposure to tier-1 cities (Pune and Nagpur) and small metros (Hyderabad), given their strong demand dynamics. Pune, Nagpur and Hyderabad now form 68% of MLIFE's exposure in terms of saleable area. With 5.2mn sq ft of forthcoming projects (~4.3x its FY2012 sales), we expect strong sales momentum during FY2013E and FY2014E, which is the primary catalyst. We also note that with the initiation of the rate cut cycle, mid-market housing will lead the recovery in demand, which has been a focus area for MLIFE.
- MLIFE is currently trading at 1.1x and 1.0x on our FY2013E and FY2014E BVPS estimates, respectively. We recommend a Buy view on the stock, valuing it on sum-of-the-parts (SOTP) basis to arrive at a value of ₹495. We apply a 20% discount to our SOTP value to arrive at our target price of ₹396, implying a PB (FY2014E) of 1.2x.

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2013E	813	26.2	131	32.0	10.4	10.7	1.1	8.8	2.3
FY2014E	901	26.6	151	37.0	11.0	9.3	1.0	7.5	2.0

Tata Sponge Iron (CMP: ₹295 / TP: ₹424 / Upside: 44%)

- Tata Sponge Iron (TSIL), a 51% subsidiary of Tata Steel, is a leading manufacturer of sponge iron, with an installed capacity of 3,90,000TPA and a 26MW captive power plant.
- The company has a long-term supply agreement with Tata Steel for assured supply of iron ore, thus leading to uninterrupted production. Transportation issues which led to iron ore shortage since one year witnessed a revival during 1QFY2013, but continue to be an overhang in the short term due to unstable political scenario. We expect this issue to be resolved completely by FY2014.
- TSIL has a 45% stake in Talcher coal block in Odisha with estimated reserves of 120mn tonne for captive consumption. The company has received environmental clearance for the block and deposited money for the first phase of land acquisition with the Odisha government, while forest clearance for the block is pending. TSIL's management expects the coal block to be operational by FY2014E end, however, recent concerns on deallocation of coal blocks of private firms remains an overhang on the stock.
- At the current market price of ₹295, the stock is trading at a PE of 4.4x its FY2014E earnings. The company is debt free with cash reserves of ₹331cr and RoIC of 32.8% for FY2014E. **We maintain our Buy rating on the stock with a target price of ₹424 based on a target P/B of 0.9x for FY2014E.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoIC (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2013E	787	16.2	90	58.5	30.0	5.0	0.7	1.4	0.2
FY2014E	837	17.5	103	66.9	32.8	4.4	0.6	0.7	0.1

CEAT (CMP: ₹110 / TP: ₹164 / Upside:50%)

- The Indian tyre industry is going through a structural shift as radialization levels in the truck and bus radial (TBR) segment are expected to reach ~40% by FY2014 from ~18% in FY2012. Further, an expected steady growth of 8-10% in replacement demand (~65% of total demand) is likely to lend a greater degree of stability to overall tyre demand in our view.
- Ceat is ramping up its radial capacity at the Halol plant to 150TPD, which is likely to be fully operational by 4QFY2013. With the completion of the proposed expansion, the product mix of truck: non-truck is likely to improve to 55:45 resulting in a better product mix, thereby fetching better margins. Further, stable raw-material pricing environment is also expected to improve margins going ahead (~300bp improvement in FY2013E).
- Ceat has been increasingly focusing on exports (~24% of volumes in FY2012), especially the high-margin specialty tyres, in a bid to offset volatility in its domestic tyre business in the long run. The company has recently acquired the global rights of the "Ceat" brand from Italian tyre maker Pirelli, which is likely to enable the company to expand its global presence.
- The stock is currently trading at an attractive valuation of 2.7x its FY2014E EPS. **We maintain our Buy view on the stock with a target price of ₹164, valuing it at 4x FY2014E EPS.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2013E	4,989	8.7	112	32.7	15.8	3.3	0.5	3.1	0.3
FY2014E	5,634	8.5	141	41.1	16.9	2.7	0.4	2.7	0.2

Stock Watch

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr) FY13E	Sales (₹ cr) FY14E	OPM (%) FY13E	OPM (%) FY14E	EPS (₹) FY13E	EPS (₹) FY14E	PER (x) FY13E	PER (x) FY14E	P/BV (x) FY13E	P/BV (x) FY14E	RoE (%) FY13E	RoE (%) FY14E	EV/Sales (x) FY13E	EV/Sales (x) FY14E
Agri / Agri Chemical																		
Rallis	Neutral	137	-	2,655	1,466	1,686	14.8	14.8	7.0	8.1	19.5	16.9	4.1	3.5	22.6	22.5	1.9	1.6
United Phosphorus	Buy	120	170	5,534	8,421	9,263	16.5	16.5	15.0	17.0	8.0	7.1	1.2	1.0	15.6	15.5	0.8	0.7
Auto & Auto Ancillary																		
Amara Raja Batteries	Accumulate	374	402	3,196	2,844	3,225	15.4	15.5	31.7	36.6	11.8	10.2	3.0	2.4	28.8	26.2	1.0	0.9
Apollo Tyres	Accumulate	92	99	4,640	13,412	15,041	11.0	11.0	11.4	14.1	8.0	6.5	1.4	1.2	18.7	19.4	0.5	0.4
Ashok Leyland	Buy	21	30	5,601	14,920	16,850	9.0	9.3	2.2	2.7	9.7	7.7	1.8	1.6	13.3	15.6	0.5	0.4
Automotive Axle	Buy	344	430	520	993	1,140	11.6	11.5	36.9	43.0	9.3	8.0	1.8	1.6	21.2	21.2	0.6	0.4
Bajaj Auto	Neutral	1,648	-	47,692	21,285	23,927	18.2	18.3	108.5	121.3	15.2	13.6	6.3	5.1	46.1	41.3	1.9	1.6
Bharat Forge	Buy	277	351	6,438	7,004	7,985	16.2	16.4	20.3	25.1	13.6	11.0	2.5	2.1	19.9	20.9	1.1	0.9
Bosch India	Neutral	8,500	-	26,690	9,034	10,286	17.8	18.3	373.6	435.8	22.8	19.5	4.7	3.9	20.5	19.8	2.6	2.2
CEAT	Buy	110	164	375	4,989	5,634	8.7	8.5	32.7	41.1	3.3	2.7	0.5	0.4	15.8	16.9	0.3	0.2
Exide Industries	Neutral	143	-	12,147	5,899	6,771	16.0	17.0	7.4	9.1	19.4	15.7	3.5	2.9	19.0	20.2	1.7	1.4
FAG Bearings	Neutral	1,609	-	2,673	1,505	1,747	17.7	18.0	111.5	130.0	14.4	12.4	3.0	2.5	22.8	21.7	1.5	1.2
Hero Motocorp	Buy	1,805	2,428	36,053	26,097	29,963	15.0	15.3	139.5	151.8	12.9	11.9	6.1	4.6	54.6	44.3	1.1	1.0
JK Tyre	Buy	109	135	449	7,517	8,329	6.1	6.3	26.2	38.5	4.2	2.8	0.5	0.5	13.4	17.2	0.3	0.3
Mahindra and Mahindra	Buy	761	879	46,721	36,536	41,650	11.6	11.5	49.3	54.9	15.4	13.9	3.2	2.7	22.1	21.1	1.0	0.9
Maruti Suzuki	Neutral	1,173	-	33,931	41,796	47,953	7.6	8.4	67.1	87.6	17.5	13.4	2.0	1.8	12.1	14.1	0.6	0.5
Motherson Sumi	Buy	191	228	7,484	24,173	27,055	6.6	7.1	11.7	15.2	16.3	12.5	3.4	2.8	22.4	24.2	0.5	0.4
Subros	Buy	27	34	165	1,230	1,378	8.8	8.6	4.5	5.7	6.1	4.8	0.6	0.6	9.8	11.8	0.4	0.3
Tata Motors	Buy	235	292	62,577	195,096	219,428	12.8	12.8	39.0	43.9	6.0	5.4	1.7	1.3	32.6	28.2	0.4	0.4
TVS Motor	Accumulate	38	43	1,789	7,545	8,301	6.2	6.1	4.9	5.4	7.6	7.0	1.4	1.2	18.8	18.1	0.2	0.2
Financials																		
Allahabad Bank	Accumulate	121	128	6,055	7,233	8,579	3.1	3.3	40.5	40.9	3.0	3.0	0.5	0.5	19.4	17.0	-	-
Andhra Bank	Neutral	93	-	5,179	4,959	5,787	3.1	3.1	22.7	24.5	4.1	3.8	0.6	0.6	16.0	15.3	-	-
Axis Bank	Buy	978	1,373	40,543	15,961	19,583	3.1	3.2	117.3	143.1	8.3	6.8	1.5	1.3	20.1	20.8	-	-
Bank of Baroda	Buy	630	829	24,648	15,830	19,300	2.6	2.7	118.9	147.1	5.3	4.3	0.8	0.7	16.7	18.0	-	-
Bank of India	Buy	262	323	15,053	13,159	15,851	2.4	2.5	61.1	71.1	4.3	3.7	0.7	0.6	16.6	17.0	-	-
Bank of Maharashtra	Neutral	44	-	2,591	3,471	3,889	3.1	3.1	9.0	11.5	4.9	3.8	0.6	0.6	13.7	15.5	-	-
Canara Bank	Buy	321	421	14,203	11,334	13,629	2.2	2.3	75.4	85.1	4.3	3.8	0.6	0.6	15.2	15.3	-	-
Central Bank	Neutral	67	-	4,943	7,181	8,365	2.5	2.7	16.3	21.8	4.1	3.1	0.7	0.6	12.7	15.1	-	-
Corporation Bank	Buy	375	436	5,560	5,067	5,998	2.1	2.3	105.6	111.0	3.6	3.4	0.6	0.5	17.6	16.3	-	-
Dena Bank	Buy	88	107	3,091	3,177	3,595	2.8	2.8	25.2	25.3	3.5	3.5	0.6	0.5	18.9	16.4	-	-
Federal Bank	Accumulate	407	458	6,955	2,697	3,171	3.4	3.4	47.9	58.0	8.5	7.0	1.1	1.0	13.6	14.7	-	-
HDFC	Neutral	722	-	110,887	7,340	8,805	3.5	3.5	31.5	37.8	22.9	19.1	4.6	4.1	34.8	32.2	-	-
HDFC Bank	Neutral	590	-	139,199	21,936	27,454	4.4	4.4	28.7	36.0	20.6	16.4	3.9	3.3	20.7	22.0	-	-
ICICI Bank	Buy	912	1,169	104,831	22,356	27,157	2.9	3.0	68.7	82.0	13.3	11.1	1.6	1.5	14.2	15.5	-	-
IDBI Bank	Buy	87	101	11,109	7,952	9,876	1.9	2.2	18.5	23.6	4.7	3.7	0.6	0.5	12.8	14.7	-	-
Indian Bank	Buy	160	190	6,883	6,294	7,191	3.4	3.4	40.6	44.9	3.9	3.6	0.7	0.6	18.1	17.4	-	-
IOB	Buy	68	80	5,396	7,473	8,732	2.5	2.5	16.7	22.6	4.0	3.0	0.5	0.4	11.8	14.4	-	-

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr) FY13E	Sales (₹ cr) FY14E	OPM (%) FY13E	OPM (%) FY14E	EPS (₹) FY13E	EPS (₹) FY14E	PER (x) FY13E	PER (x) FY14E	P/BV (x) FY13E	P/BV (x) FY14E	RoE (%) FY13E	RoE (%) FY14E	EV/Sales (x) FY13E	EV/Sales (x) FY14E
J & K Bank	Accumulate	902	1,026	4,374	2,625	2,921	3.6	3.5	194.4	191.8	4.6	4.7	0.9	0.8	21.2	18.0	-	-
LIC Housing Finance	Buy	241	279	12,147	1,867	2,338	2.4	2.4	21.1	28.5	11.4	8.4	1.9	1.6	17.5	20.4	-	-
Oriental Bank	Buy	225	278	6,573	6,518	7,458	2.8	2.9	61.3	65.1	3.7	3.5	0.6	0.5	15.2	14.3	-	-
Punjab Natl.Bank	Buy	677	950	22,969	20,116	23,625	3.2	3.3	152.8	173.9	4.4	3.9	0.8	0.7	18.2	18.0	-	-
South Ind.Bank	Buy	22	25	2,498	1,514	1,717	2.8	2.7	4.0	4.2	5.5	5.2	1.1	0.9	20.5	18.5	-	-
St Bk of India	Buy	1,872	2,270	125,636	64,470	75,940	3.5	3.5	224.4	258.7	8.3	7.2	1.4	1.2	17.6	17.8	-	-
Syndicate Bank	Buy	96	119	5,788	6,840	7,996	2.9	2.9	25.7	29.2	3.7	3.3	0.6	0.5	17.9	17.8	-	-
UCO Bank	Neutral	65	-	4,331	5,488	6,338	2.4	2.4	17.3	17.7	3.8	3.7	0.7	0.7	17.0	15.3	-	-
Union Bank	Buy	158	230	8,710	10,299	12,227	2.9	3.0	42.1	49.3	3.8	3.2	0.7	0.5	16.7	17.1	-	-
United Bank	Buy	51	79	1,827	3,634	4,194	2.8	2.9	18.2	23.0	2.8	2.2	0.4	0.4	15.0	16.7	-	-
Vijaya Bank	Neutral	48	-	2,359	2,579	3,028	2.1	2.3	8.8	11.6	5.4	4.1	0.6	0.6	11.1	13.3	-	-
Yes Bank	Buy	333	453	11,817	3,255	4,228	2.8	3.0	34.2	42.7	9.7	7.8	2.1	1.7	23.2	23.8	-	-
Capital Goods																		
ABB*	Sell	722	498	15,307	8,760	10,023	5.5	7.5	12.4	20.7	58.1	34.8	5.6	5.0	10.1	15.2	1.7	1.5
BGR Energy	Neutral	262	-	1,892	3,669	4,561	11.0	11.0	24.7	29.6	10.6	8.9	1.6	1.4	15.3	16.7	(0.0)	0.5
BHEL	Neutral	219	-	53,578	47,801	43,757	19.4	19.8	25.7	23.9	8.5	9.2	1.8	1.6	22.7	18.3	1.0	0.9
Blue Star	Neutral	172	-	1,543	3,047	3,328	5.4	6.9	12.5	16.2	13.7	10.6	3.3	2.7	26.1	28.2	0.6	0.5
Crompton Greaves	Buy	106	128	6,781	12,691	14,096	7.0	8.5	6.5	9.1	16.3	11.6	1.7	1.6	11.1	14.2	0.5	0.5
Jyoti Structures	Buy	37	59	308	2,622	2,801	10.3	10.7	8.7	13.1	4.3	2.9	0.4	0.4	10.3	14.0	0.3	0.3
KEC International	Buy	55	69	1,420	6,858	7,431	7.5	8.3	9.0	11.5	6.1	4.8	1.1	0.9	26.9	27.2	0.3	0.3
LMW	Neutral	1,985	-	2,237	2,369	2,727	11.7	11.7	143.4	166.0	13.8	12.0	2.3	2.1	17.4	18.4	0.5	0.3
Thermax	Neutral	487	-	5,808	5,514	5,559	8.9	9.6	26.9	28.4	18.1	17.2	3.1	2.8	18.4	17.1	1.0	1.0
Cement																		
ACC	Neutral	1,302	-	24,447	11,220	12,896	20.0	20.6	71.1	81.2	18.3	16.0	3.2	2.9	18.1	19.0	1.9	1.5
Ambuja Cements	Neutral	182	-	27,949	10,205	11,659	24.6	24.2	10.8	12.0	16.8	15.1	3.5	3.1	19.7	19.8	2.4	1.9
India Cements	Neutral	84	-	2,582	4,393	4,914	19.3	19.5	10.1	12.7	8.3	6.6	0.7	0.7	8.8	10.6	1.0	0.9
J K Lakshmi Cements	Neutral	95	-	1,162	1,964	2,278	19.5	20.4	16.3	17.8	5.8	5.3	0.8	0.7	14.7	14.6	0.7	1.1
Madras Cements	Neutral	183	-	4,344	3,608	3,928	27.4	26.9	15.6	18.1	11.7	10.1	1.8	1.6	16.8	16.9	1.8	1.6
Shree Cements	Neutral	3,338	-	11,628	5,767	6,337	28.4	26.9	216.9	253.3	15.4	13.2	3.4	2.8	24.7	23.4	1.5	1.1
UltraTech Cement	Neutral	1,672	-	45,839	20,167	22,752	21.7	23.0	90.8	107.7	18.4	15.5	3.1	2.6	17.9	18.3	2.2	2.1
Construction																		
Ashoka Buildcon	Buy	254	304	1,335	2,014	2,293	22.4	22.4	22.6	26.7	11.2	9.5	1.2	1.1	11.4	11.9	2.5	2.8
Consolidated Co	Neutral	14	-	259	2,262	2,522	6.6	7.5	1.5	2.7	9.4	5.3	0.4	0.4	4.4	7.5	0.4	0.4
Hind. Const.	Neutral	16	-	968	4,239	4,522	9.9	11.2	(2.3)	(1.0)	(7.1)	(16.5)	0.9	1.0	(11.4)	(5.6)	1.1	1.1
IRB Infra	Buy	127	166	4,218	3,964	4,582	42.3	40.2	15.5	16.9	8.2	7.5	1.3	1.1	16.6	15.7	2.6	2.5
ITNL	Buy	165	232	3,205	6,840	7,767	26.3	26.0	24.4	28.3	6.8	5.8	1.0	0.9	16.0	16.2	2.6	2.8
IVRCL Infra	Buy	39	51	1,197	5,510	6,722	8.8	9.0	2.5	4.6	15.4	8.5	0.5	0.5	3.4	5.8	0.7	0.6

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)	
					FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Jaiprakash Asso.	Buy	65	91	13,907	15,259	17,502	25.7	24.7	4.2	5.0	15.4	13.1	1.3	1.2	8.5	9.3	2.2	2.0
Larsen & Toubro	Buy	1,364	1,568	83,712	60,474	69,091	12.1	11.5	79.7	85.4	17.1	16.0	2.9	2.5	16.3	15.1	1.5	1.4
Madhucon Proj	Buy	30	56	218	2,206	2,502	10.7	10.7	4.6	4.7	6.4	6.3	0.3	0.3	5.2	5.0	0.7	0.7
Nagarjuna Const.	Buy	33	45	847	5,804	6,513	8.0	8.6	3.0	3.5	10.8	9.4	0.3	0.3	3.2	3.6	0.6	0.6
Patel Engg.	Neutral	64	-	450	3,609	3,836	13.1	13.1	14.0	14.5	4.6	4.4	0.3	0.3	6.2	6.1	1.0	1.0
Punj Lloyd	Neutral	46	-	1,523	11,892	13,116	8.9	8.9	1.7	3.1	27.0	14.8	0.5	0.5	1.9	3.4	0.5	0.5
Sadbhav Engg.	Buy	131	182	1,975	2,506	3,147	10.3	10.7	7.5	10.4	17.4	12.6	2.2	1.9	13.5	16.0	0.9	0.8
Simplex Infra	Buy	194	265	960	6,732	7,837	8.1	8.4	23.5	29.4	8.2	6.6	0.8	0.7	9.6	11.0	0.4	0.4
FMCG																		
Asian Paints	Neutral	3,687	-	35,361	11,198	13,184	16.3	16.3	121.0	144.8	30.5	25.5	10.2	8.0	37.4	35.3	3.1	2.6
Britannia	Buy	503	584	6,005	5,835	6,824	5.7	5.9	20.7	25.4	24.3	19.8	9.6	7.3	43.1	41.9	0.9	0.8
Colgate	Neutral	1,219	-	16,571	3,018	3,429	20.9	22.3	34.6	41.0	35.2	29.7	32.4	24.6	99.5	94.1	5.3	4.7
Dabur India	Neutral	128	-	22,283	6,124	7,030	17.0	16.8	4.5	5.2	28.6	24.7	11.8	9.3	43.2	41.4	3.7	3.1
GlaxoSmith Con*	Neutral	2,886	-	12,138	3,124	3,663	17.1	17.6	104.5	123.8	27.6	23.3	8.6	6.9	34.4	32.8	3.5	2.9
Godrej Consumer	Neutral	680	-	23,152	6,097	7,233	18.4	18.6	21.9	26.5	31.1	25.7	6.9	5.7	25.5	25.4	4.0	3.3
HUL	Neutral	521	-	112,699	25,350	28,974	13.9	13.9	14.3	16.5	36.6	31.6	21.8	16.7	70.9	59.8	4.2	3.6
ITC	Neutral	266	-	208,921	29,513	33,885	35.4	35.8	9.3	10.8	28.7	24.7	9.5	7.9	35.6	35.0	6.8	5.9
Marico	Neutral	206	-	13,300	4,840	5,643	13.1	13.1	6.8	8.5	30.4	24.4	8.4	6.4	31.4	29.7	2.8	2.3
Nestle*	Neutral	4,617	-	44,517	8,610	10,174	20.9	21.2	114.8	139.8	40.2	33.0	24.3	16.9	71.2	60.3	5.2	4.3
Tata Global	Neutral	132	-	8,138	7,207	7,927	9.7	10.0	6.6	7.9	19.8	16.8	2.0	1.9	8.6	9.5	1.0	0.9
IT																		
HCL Tech	Neutral	562	-	38,947	24,400	27,049	18.6	17.5	41.1	45.0	13.7	12.5	3.1	2.6	22.7	21.1	1.5	1.3
Hexaware	Accumulate	126	133	3,740	1,947	2,161	22.0	21.4	11.3	12.1	11.1	10.4	2.9	2.4	26.4	24.0	1.6	1.4
Infosys	Accumulate	2,362	2,530	135,656	39,151	41,743	31.6	31.9	161.9	174.5	14.6	13.5	3.5	3.0	23.8	22.1	2.9	2.6
Infotech Enterprises	Neutral	180	-	2,006	1,889	2,065	18.0	17.5	18.0	19.7	10.0	9.2	1.4	1.3	14.5	13.7	0.7	0.6
KPIT Cummins	Neutral	130	-	2,322	2,149	2,331	15.6	14.8	10.7	11.2	12.1	11.6	2.5	2.1	20.6	17.8	1.1	0.9
Mahindra Satyam	Neutral	95	-	11,192	7,574	8,062	19.6	18.4	9.5	9.7	10.1	9.9	1.6	1.4	16.1	14.1	1.1	0.9
Mindtree	Accumulate	665	708	2,715	2,341	2,513	18.6	17.1	66.5	70.8	10.0	9.4	2.2	1.8	22.3	19.3	1.0	0.8
Mphasis	Neutral	379	-	7,965	5,713	6,005	18.0	16.8	36.9	37.1	10.3	10.2	1.5	1.3	14.3	12.6	0.9	0.8
NIIT	Buy	30	40	503	1,162	1,304	14.8	15.1	7.1	8.8	4.3	3.5	0.7	0.6	16.7	18.4	0.3	0.2
Persistent	Neutral	383	-	1,533	1,193	1,278	25.6	24.3	42.6	44.2	9.0	8.7	1.5	1.3	17.2	15.5	0.9	0.8
TCS	Neutral	1,342	-	262,698	61,046	67,507	29.3	29.1	67.3	72.4	19.9	18.5	6.4	5.3	31.9	28.3	4.1	3.7
Tech Mahindra	Accumulate	821	900	10,476	6,553	7,331	18.1	17.1	92.5	100.7	8.9	8.1	2.1	1.7	23.6	20.7	1.7	1.4
Wipro	Buy	363	420	89,407	43,492	48,332	19.4	19.3	25.1	28.0	14.5	13.0	2.7	2.3	18.6	18.0	1.7	1.4
Media																		
D B Corp	Buy	190	236	3,484	1,597	1,785	22.9	24.2	11.1	13.9	17.1	13.6	3.3	2.8	20.2	22.1	2.1	1.8
HT Media	Buy	90	113	2,116	2,111	2,263	15.2	15.1	7.3	8.1	12.3	11.1	1.3	1.2	11.2	11.2	0.5	0.4
Jagran Prakashan	Buy	92	112	2,902	1,506	1,687	22.5	23.2	6.2	7.0	14.8	13.1	3.5	3.2	25.0	25.7	2.1	1.9
PVR	Neutral	181	-	471	625	732	17.4	17.1	13.3	15.6	13.6	11.6	1.5	1.3	13.2	13.8	1.2	1.0
Sun TV Network	Neutral	295	-	11,641	1,981	2,239	77.0	76.7	18.6	21.3	15.9	13.9	4.0	3.5	27.1	27.5	5.3	4.6

Company Name	Reco	CMP	Target	Mkt Cap	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)	
		(₹)	Price (₹)	(₹ cr)	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Metal																		
Bhushan Steel	Neutral	461	-	9,787	11,979	14,584	31.6	31.0	49.2	61.4	9.4	7.5	1.2	1.1	14.1	15.2	2.8	2.3
Coal India	Accumulate	360	385	227,452	69,808	75,550	27.4	27.4	26.0	28.3	13.8	12.7	4.0	3.2	32.5	28.1	2.3	2.0
Electrosteel Castings	Buy	18	23	611	1,984	2,074	11.2	12.6	2.5	2.9	7.1	6.2	0.3	0.1	5.1	5.7	0.5	0.4
Hind. Zinc	Accumulate	128	144	54,084	12,446	13,538	52.3	52.9	14.3	15.5	9.0	8.2	1.7	1.4	20.5	18.9	2.5	1.9
Hindalco	Neutral	104	-	19,864	84,855	92,446	8.7	9.3	13.2	16.2	7.9	6.4	0.6	0.5	7.8	8.9	0.6	0.5
JSW Steel	Neutral	677	-	15,099	38,740	41,459	17.2	17.0	79.9	89.4	8.5	7.6	0.8	0.8	10.4	10.6	0.8	0.8
MOIL	Accumulate	241	271	4,044	918	993	50.6	50.9	24.5	26.1	9.8	9.2	1.5	1.4	16.0	15.5	2.1	1.8
Monnet Ispat	Buy	297	379	1,909	2,511	3,303	23.8	26.0	46.3	57.3	6.4	5.2	0.7	0.6	12.4	13.7	1.7	1.2
Nalco	Neutral	50	-	12,912	7,401	7,841	16.7	19.2	3.4	4.1	14.6	12.2	1.1	1.0	7.4	8.4	1.3	1.2
NMDC	Accumulate	188	214	74,695	12,934	14,266	79.4	80.1	21.1	23.4	8.9	8.1	2.4	1.9	29.6	26.5	3.9	3.3
SAIL	Neutral	77	-	31,888	47,252	60,351	14.2	14.8	9.6	11.7	8.1	6.6	0.7	0.7	9.4	10.6	1.1	0.9
Sesa Goa	Accumulate	170	192	14,801	7,704	8,034	33.6	34.6	42.0	43.1	4.1	4.0	0.8	0.7	22.3	19.2	2.1	2.0
Sterlite Inds	Buy	96	115	32,346	41,680	45,382	24.2	23.2	16.3	16.9	5.9	5.7	0.6	0.6	11.3	10.7	0.4	0.3
Tata Steel	Buy	363	481	35,265	145,799	150,431	10.3	11.2	48.6	63.3	7.5	5.7	0.8	0.7	10.5	12.4	0.5	0.5
Sarda	Buy	117	148	420	1,251	1,321	22.7	23.4	33.0	37.1	3.5	3.2	0.5	0.4	15.1	14.8	0.7	0.6
Prakash Industries	Buy	50	73	669	2,694	2,906	14.6	16.6	17.9	22.6	3.0	2.4	0.3	0.3	11.4	12.8	0.5	0.3
Godawari Power	Buy	113	161	359	2,341	2,425	15.6	17.3	33.8	43.8	3.3	3.4	0.4	0.3	13.2	14.4	0.5	0.5
Oil & Gas																		
Cairn India	Accumulate	340	380	64,897	16,605	17,258	75.4	71.7	57.0	54.9	6.0	6.2	1.1	0.9	20.2	16.3	2.9	2.3
GAIL	Neutral	359	-	45,513	50,176	55,815	15.5	15.8	35.4	36.5	10.1	9.8	1.8	1.6	18.9	17.0	0.6	0.5
ONGC	Accumulate	271	312	232,239	147,139	154,821	33.9	33.7	30.7	32.3	8.8	8.4	1.5	1.4	18.3	17.2	1.3	1.2
Reliance Industries	Neutral	779	-	254,940	362,700	380,031	7.9	8.0	61.5	64.3	12.7	12.1	1.3	1.2	10.3	9.9	0.7	0.6
Gujarat Gas	Neutral	295	-	3,784	3,267	3,864	11.5	11.3	19.2	22.1	15.4	13.4	4.1	3.7	28.7	29.0	1.0	0.9
Indraprastha Gas	Neutral	242	-	3,381	3,040	3,135	24.3	26.7	24.8	27.9	9.7	8.7	2.3	1.9	25.5	23.6	1.1	1.0
Petronet LNG	Accumulate	158	176	11,843	29,145	33,736	6.6	6.5	14.2	16.0	11.1	9.9	2.7	2.2	26.9	24.4	0.4	0.4
Gujarat State Petronet	Neutral	79	-	4,437	1,041	939	91.8	91.9	8.5	7.4	9.3	10.7	1.6	1.4	18.1	14.0	5.1	5.7
Pharmaceuticals																		
Alembic Pharma	Buy	74	91	1,396	1,624	1,855	14.2	15.6	6.6	9.1	11.2	8.1	2.7	2.1	27.9	29.2	1.0	0.8
Aurobindo Pharma	Buy	119	156	3,457	5,243	5,767	14.6	14.6	11.8	12.6	10.1	9.4	1.3	1.1	17.9	16.4	1.1	1.0
Aventis*	Neutral	2,197	-	5,059	1,482	1,682	15.5	15.5	95.0	104.0	23.1	21.1	4.1	3.2	18.6	17.0	3.2	2.7
Cadila Healthcare	Accumulate	903	953	18,486	6,148	7,386	18.6	19.6	36.0	46.1	25.1	19.6	5.9	4.7	25.8	26.8	3.2	2.6
Cipla	Accumulate	379	399	30,451	8,031	9,130	23.4	22.4	18.4	20.0	20.6	19.0	3.4	2.9	17.8	16.6	3.6	3.1
Dr Reddy's	Neutral	1,681	-	28,539	10,696	11,662	20.7	21.0	83.7	92.9	20.1	18.1	4.1	3.5	22.4	21.0	3.0	2.6
Dishman Pharma	Neutral	103	-	830	1,280	1,536	17.8	17.8	9.2	11.3	11.2	9.1	0.8	0.8	7.7	8.5	1.3	1.1
GSK Pharma*	Neutral	2,096	-	17,750	2,651	2,993	31.7	31.2	76.0	82.4	27.6	25.4	8.0	7.1	20.1	26.3	5.9	5.1
Indoco Remedies	Buy	70	92	642	685	837	15.2	15.2	7.4	8.9	9.4	7.8	1.4	1.2	16.4	17.0	1.1	0.9
Ipca labs	Accumulate	442	475	5,576	2,850	3,474	20.7	20.7	29.2	36.6	15.1	12.1	3.6	2.8	26.1	26.1	2.1	1.7
Lupin	Accumulate	595	647	26,573	8,426	10,082	19.7	20.0	27.4	32.4	21.7	18.4	5.3	4.2	26.0	24.7	3.2	2.6
Orchid Chemicals	Neutral	111	-	780	1,667	1,835	13.9	13.9	11.4	13.3	9.7	8.3	0.6	0.6	6.6	7.3	0.9	0.8
Ranbaxy*	Neutral	569	-	24,008	12,046	11,980	18.0	15.8	35.7	29.8	15.9	19.1	6.2	5.0	39.1	28.9	2.0	2.0
Sun Pharma	Neutral	663	-	68,594	9,752	12,134	41.6	41.6	26.0	28.2	25.5	23.5	4.8	4.1	20.3	18.8	6.3	4.9

Company Name	Reco	CMP	Target	Mkt Cap	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)	
		(₹)	Price (₹)	(₹ cr)	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Power																		
CESC	Accumulate	302	342	3,775	5,218	5,644	24.2	23.8	44.6	47.6	6.8	6.4	0.7	0.6	11.0	10.6	1.5	1.4
GIPCL	Accumulate	70	77	1,060	1,557	1,573	29.3	28.7	10.8	11.0	6.5	6.4	0.7	0.6	10.8	10.2	1.1	1.0
NTPC	Neutral	170	-	140,503	74,111	85,789	23.2	23.6	12.4	14.0	13.8	12.1	1.7	1.6	12.9	13.5	2.6	2.4
Real Estate																		
Anant Raj	Buy	44	78	1,287	657	875	52.0	56.1	8.4	12.7	5.2	3.4	0.3	0.3	6.3	8.9	3.2	2.4
DLF	Neutral	197	-	33,512	9,878	12,033	44.7	46.1	9.6	13.4	20.6	14.7	1.3	1.2	6.4	8.7	5.9	4.8
HDIL	Buy	70	115	2,939	2,441	3,344	55.1	48.2	22.7	26.6	3.1	2.6	0.3	0.2	8.8	9.4	3.0	2.3
MLIFE	Buy	343	396	1,402	813	901	26.2	26.6	32.0	37.0	10.7	9.3	1.1	1.0	10.4	11.0	2.1	1.8
Telecom																		
Bharti Airtel	Neutral	250	-	94,805	79,542	87,535	30.9	32.2	10.3	15.0	24.3	16.6	1.8	1.6	7.2	9.6	1.9	1.6
Idea Cellular	Neutral	76	-	24,994	22,988	25,333	26.4	26.9	3.5	4.9	21.8	15.4	1.8	1.6	8.1	10.2	1.5	1.3
Rcom	Neutral	50	-	10,351	21,553	22,494	31.0	30.7	3.5	4.5	14.4	11.3	0.3	0.3	1.9	2.4	2.0	1.8
Others																		
Abbott India	Neutral	1,615	-	3,432	1,602	1,833	10.4	11.8	54.7	71.7	29.5	22.5	5.6	4.7	20.0	22.7	1.9	1.6
Bajaj Electricals	Buy	172	234	1,713	3,569	4,172	8.1	8.7	16.3	21.3	10.6	8.1	2.2	1.8	21.7	24.6	0.5	0.4
Cera Sanitaryware	Neutral	351	-	444	396	470	16.7	16.5	28.0	33.2	12.5	10.6	2.6	2.1	23.8	23.1	1.2	1.0
Cravatex	Buy	422	682	109	289	340	5.2	6.0	40.7	56.8	12.4	8.9	3.1	2.4	25.2	26.5	0.5	0.4
CRISIL	Neutral	930	-	6,522	982	1,136	34.3	34.3	34.3	40.0	27.1	23.2	12.3	9.8	50.9	46.9	6.2	5.2
Finolex Cables	Buy	36	61	550	2,334	2,687	8.8	9.3	7.6	10.2	4.7	3.5	0.6	0.5	13.7	16.1	0.2	0.1
Force Motors	Buy	430	591	560	2,214	2,765	4.5	5.4	39.5	73.9	10.9	5.8	0.5	0.4	4.4	7.6	0.1	0.1
Goodyear India	Neutral	322	-	742	1,543	1,654	6.5	7.3	24.8	31.1	12.9	10.3	2.1	1.8	17.1	19.0	0.3	0.2
Graphite India	Buy	78	113	1,529	2,158	2,406	18.1	18.9	12.4	14.0	6.3	5.6	0.8	0.8	14.0	14.3	0.8	0.7
Greenply Industries	Buy	189	309	456	1,925	2,235	10.6	10.9	29.6	44.1	6.4	4.3	1.0	0.8	16.8	21.0	0.5	0.4
Hitachi	Accumulate	115	130	264	868	977	3.9	6.6	2.7	10.9	42.0	10.6	1.5	1.4	3.7	13.6	0.4	0.3
Honeywell Automation	Buy	2,420	2,842	2,140	1,847	2,162	4.3	7.3	61.0	120.0	39.7	20.2	3.1	2.7	9.3	16.3	1.1	0.9
Styrolution ABS India	Buy	640	744	1,125	1,056	1,081	8.1	10.6	33.8	46.5	18.9	13.8	2.6	2.2	14.7	17.5	1.0	0.9
ITD Cementation	Neutral	230	-	265	1,451	1,669	12.3	12.4	32.4	41.5	7.1	5.5	0.6	0.6	9.4	10.9	0.6	0.6
Jyothy Laboratories	Neutral	151	-	2,440	1,248	1,468	9.8	10.4	5.9	7.2	25.5	21.1	3.7	3.3	15.0	16.6	2.3	1.9
MCX	Buy	1,163	1,440	5,929	553	624	65.3	66.3	62.5	72.0	18.6	16.1	5.1	4.4	27.5	27.4	7.7	6.4
MRF	Buy	10,086	12,884	4,277	11,804	12,727	10.4	10.5	1,289.9	1,431.3	7.8	7.0	1.5	1.3	21.3	19.4	0.5	0.4
Page Industries	Neutral	3,021	-	3,369	887	1,108	18.3	18.6	95.0	120.9	31.8	25.0	16.6	13.5	57.4	59.5	3.8	3.1
Relaxo Footwears	Accumulate	645	684	774	1,019	1,208	12.3	13.0	51.0	68.4	12.6	9.4	3.3	2.5	30.3	30.2	0.9	0.8
Sintex Industries	Buy	56	79	1,541	4,751	5,189	16.3	16.6	13.6	15.8	4.1	3.6	0.6	0.5	12.9	13.2	0.7	0.6
Siyaram Silk Mills	Buy	287	392	269	1,042	1,173	12.4	12.5	66.3	78.5	4.3	3.7	0.8	0.7	21.1	20.8	0.5	0.4
S. Kumars Nationwide	Buy	18	24	544	7,134	7,985	19.7	19.4	12.2	14.1	1.5	1.3	0.2	0.1	11.3	11.5	0.6	0.6
SpiceJet	Buy	30	43	1,472	5,720	6,599	5.3	6.8	3.6	5.4	8.4	5.7	12.2	3.9	-	-	0.4	0.3
TAJ GVK	Buy	66	108	412	300	319	35.8	36.2	7.9	9.1	8.3	7.2	1.1	1.0	13.9	14.4	1.7	1.4
Tata Sponge Iron	Buy	295	424	454	787	837	16.2	17.5	58.5	66.9	5.0	4.4	0.7	0.6	14.9	15.1	0.2	0.1
TVS Srichakra	Accumulate	318	335	243	1,476	1,643	7.1	8.2	32.2	55.8	9.9	5.7	1.6	1.3	16.6	24.8	0.4	0.3
United Spirits	Neutral	1,009	-	13,202	10,289	11,421	13.5	14.3	31.0	42.9	32.5	23.5	2.5	2.3	8.1	10.3	2.0	1.8
Vesuvius India	Neutral	350	-	710	560	611	16.1	17.0	24.7	28.8	14.2	12.2	2.1	1.9	15.8	16.2	1.1	1.0

*Source: Company, Angel Research, Note: *December year end; #September year end; &October year end; ^June year end; Price as on September 4, 2012*

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6th Floor, Ackruti Star, Central Road, MIDC, Andheri (E), Mumbai - 400 093. Tel: (022) 39357800

Research Team

Fundamental:

Sarabjit Kour Nangra	VP-Research, Pharmaceutical	sarabjit@angelbroking.com
Vaibhav Agrawal	VP-Research, Banking	vaibhav.agrawal@angelbroking.com
Bhavesh Chauhan	Sr. Analyst (Metals & Mining)	bhaveshu.chauhan@angelbroking.com
Sharan Lillaney	Analyst (Mid-cap)	sharanb.lillaney@angelbroking.com
V Srinivasan	Analyst (Cement, Power, FMCG)	v.srinivasan@angelbroking.com
Yaresh Kothari	Analyst (Automobile)	yareshb.kothari@angelbroking.com
Nitin Arora	Analyst (Infra)	nitin.arora@angelbroking.com
Ankita Somani	Analyst (IT, Telecom)	ankita.somani@angelbroking.com
Varun Varma	Analyst (Banking)	varun.varma@angelbroking.com
Sourabh Taparia	Analyst (Banking)	Sourabh.taparia@angelbroking.com
Rahul Kaul	Analyst (Cap Goods, Real Estate)	rahul.kaul@angelbroking.com
Bhupali Gursale	Economist	bhupali.gursale@angelbroking.com
Vinay Rachh	Research Associate	vinay.rachh@angelbroking.com
Amit Patil	Research Associate	amit.patil@angelbroking.com
Shareen Batatawala	Research Associate	shareen.batatawala@angelbroking.com
Twinkle Gosar	Research Associate	gosar.twinkle@angelbroking.com
Tejashwini Kumari	Research Associate	tejashwini.kumari@angelbroking.com

Technicals:

Shardul Kulkarni	Sr. Technical Analyst	shardul.kulkarni@angelbroking.com
Sameet Chavan	Technical Analyst	sameet.chavan@angelbroking.com
Sacchitanand Uttekar	Technical Analyst	sacchitanand.uttekar@angelbroking.com

Derivatives:

Siddarth Bhamre	Head - Derivatives	siddarth.bhamre@angelbroking.com

Institutional Sales Team:

Mayuresh Joshi	VP - Institutional Sales	mayuresh.joshi@angelbroking.com
Hiten Sampat	Sr. A.V.P- Institution sales	hiten.sampat@angelbroking.com
Meenakshi Chavan	Dealer	meenakshis.chavan@angelbroking.com
Gaurang Tisani	Dealer	gaurangp.tisani@angelbroking.com
Akshay Shah	Sr. Executive	akshayr.shah@angelbroking.com

Production Team:

Tejas Vahalia	Research Editor	tejas.vahalia@angelbroking.com
Dilip Patel	Production Incharge	dilipm.patel@angelbroking.com

CSO & Registered Office: G-1, Ackruti Trade Centre, Rd. No. 7, MIDC, Andheri (E), Mumbai - 400 093.Tel.: (022) 3083 7700. Angel Broking Ltd: BSE Sebi Regn No: INB010996539 / PMS Regd Code: PM/INP000001546 / CDSL Regn No: IN - DP - CDSL - 234 - 2004 / NSE Sebi Regn Nos: Cash: INB231279838 / NSE F&O: INF231279838/ Currency: INE231279838 / MCX Currency Sebi Regn No: INE261279838 / Member ID: 10500 / Angel Commodities Broking Pvt. Ltd: MCX Member ID: 12685 / FMC Regn No: MCX / TCM / CORP / 0037 NCDEX : Member ID 00220 / FMC Regn No: NCDEX / TCM / CORP / 0302