

Market Snapshot

Global Indices	Closing	% Chg	% YTD
Dow Jones	12,068	0.7	4.2
NASDAQ	2,695	0.3	1.6
FTSE	5,511	(0.3)	(6.6)
CAC	3,104	(0.6)	(18.4)
DAX	5,929	(0.6)	(14.3)
Russia	1,565	0.1	(11.6)
Bovespa	59,199	0.9	(14.6)
Nikkei	8,740	(0.2)	(13.4)
Hang Seng	19,849	0.9	(13.8)
Shanghai Composite	2,514	0.2	(10.5)

Indian Indices	Closing	% Chg	% YTD
Sensex	17,563	0.5	(14.4)
Nifty	5,284	0.4	(13.9)
MSCI India	432	-	(22.7)
CNX Midcap	7,320	1.0	(17.4)
BSE Smallcap	6,958	0.4	(28.0)

Flows (USDm)	Last	MTD
FII	39	184
Locals	(10)	(100)

Provisional flows	(USDm)
FII	27
Locals	15

Volumes	USDbn	% Chg
Cash (NSE + BSE)	2.5	7.0
F&O (net)	21.2	4.5

FII F&O	Stock Fut	Index Fut
Net (\$ mn)	(13)	(88)
Open Int (%)	1.1	(2.4)

ADR/GDR Gainers	Last	% Chg
Wipro	10.2	1.8
Sterlite	10.2	1.6
Ranbaxy	10.5	1.0
HDFC	31.3	0.8
ICICI Bank	35.6	0.7

ADR/GDR Losers	Last	% Chg
MTNL	1.2	(2.4)
Tata Motors	19.2	(0.4)

FROM THE RESEARCH DESK

Oil & Natural Gas Corporation Limited

Better 1H to makeup for uncertainty in 2H

Nestle India Limited

Profitability improves, but rich valuations

Marico Limited

Volume growth remains consistent, overriding concerns

Ashok Leyland Limited

Too soon to drive heavy trucks!

Global News

- Euro zone governments rushed to placate feverish bond markets on Monday as the 17-nation currency bloc's debt crisis threatened to accelerate out of control.

Sector & Corporate News

- **Banks:** The finance ministry has asked all banks, including private sector lenders, to open branches in locations with population of more than 5,000 in the under-banked districts by September, 2012.
- **Mining (Karnataka):** A federal government body assessing the environmental impact of mining in southern Karnataka state has in its report recommended restricting of iron ore mining in the state to 30 million tonnes per year.
- **Insurance companies:** The government is discussing the listing of four public-sector general insurance companies - New India Assurance, National Insurance, Oriental Insurance Company and United India Insurance - on the stock market.
- **ONGC:** After GAIL, IOC and BPCL, the board of ONGC has approved acquisition of Asian Development Bank's (ADB) stake in Petronet LNG Ltd.
- **Videocon Industries:** Is looking to sell a 25% stake in its direct-to-home broadcast services business for roughly USD75m to USD100m and is in talks with private equity firms.
- **Jaypee Group:** Is negotiating with investors to sell a part of its cement business as the real estate-to-power group tries to pare debt, which is over USD8bn, by more than a third.

Sectoral indices

	Closing	% Chg	% MTD	% YTD
BSE Auto	9,248	0.4	(2.4)	(9.6)
BSE Bank	11,302	0.6	(1.3)	(15.5)
BSE Cap Goods	11,003	1.0	0.3	(28.6)
BSE Cons dur	6,523	0.2	(1.1)	2.6
BSE FMCG	4,184	0.3	(0.3)	13.6
BSE IT	5,762	0.5	(1.1)	(15.6)
BSE Health	6,170	0.5	0.6	(8.4)
BSE Metal	11,843	1.6	(0.5)	(32.7)
BSE Oil	9,026	(0.3)	0.4	(14.9)
BSE Power	2,228	0.3	1.0	(25.5)
BSE PSU	7,587	0.4	0.4	(19.8)
BSE Realty	1,925	0.8	0.3	(32.6)
BSE TECK	3,514	0.7	(0.3)	(13.2)

Delivery Spike

Company	Volume	Spike (%)	Chg (%)
Asian Paints	95,874	328%	2.10
Sterlite	6,023,114	286%	1.49
Bajaj Auto	260,531	208%	0.98
Maruti	380,496	116%	(0.64)
ONGC	2,139,017	109%	(0.41)
Sun Pharma	659,831	108%	1.87
Idea	5,140,739	100%	1.08
Bharti Airtel	3,547,131	98%	0.99
Jindal Steel	434,373	90%	2.40
TCS	707,077	84%	(0.47)

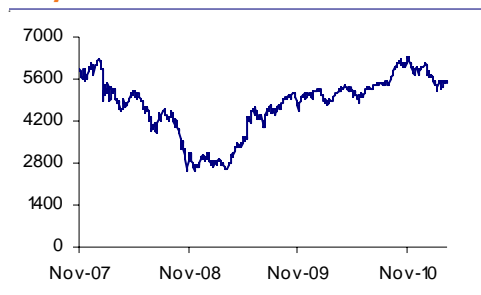
Nifty Outperformers

	Price	% Chg	% MTD	% YTD
Ambuja Cements Ltd	161	2.6	3.8	12.6
Hindalco Industries Ltd	139	2.6	2.4	(43.6)
Jindal Steel & Power Ltd	578	2.4	2.8	(18.8)
Hero Motocorp Ltd	2,114	2.1	(3.1)	6.3
Cairn India Ltd	306	2.0	2.7	(7.9)
Sun Pharmaceutical Indus	513	1.9	1.7	5.8
Steel Authority Of India	111	1.7	(1.1)	(39.2)

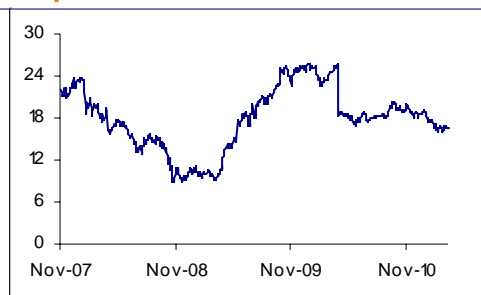
Nifty Underperformers

	Price	% Chg	% MTD	% YTD
Tata Power Co Ltd	103	(2.0)	2.8	(24.4)
Ranbaxy Laboratories Ltd	504	(2.0)	-	-
Reliance Infrastructure Ltd	457	(1.9)	(1.6)	(45.8)
Dr. Reddy'S Laboratories	1,622	(1.1)	(2.9)	(2.5)
Bharat Petroleum Corp Ltd	624	(1.0)	0.3	(5.2)
Punjab National Bank	979	(0.9)	0.2	(19.9)
Gail India Ltd	424	(0.9)	0.2	(17.3)

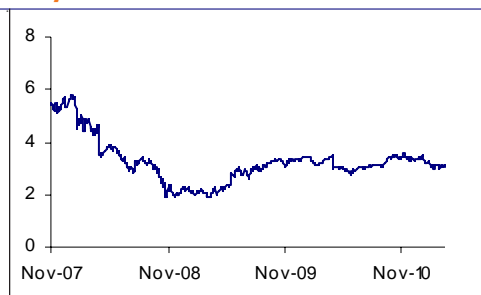
Nifty



Nifty P/E

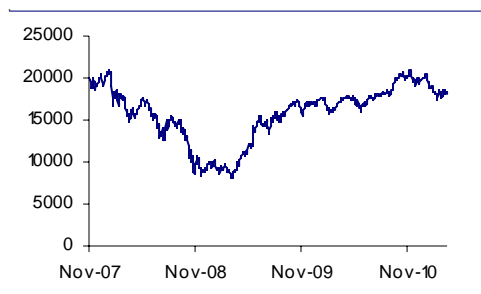


Nifty P/B

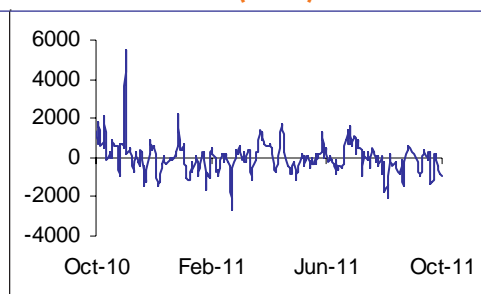


Source: Bloomberg

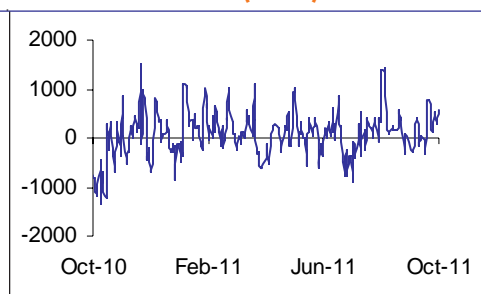
Sensex



FII Provisional Flows (INRcr)



DII Provisional Flows (INRcr)



Source: Bloomberg

Economy, Money & Banking

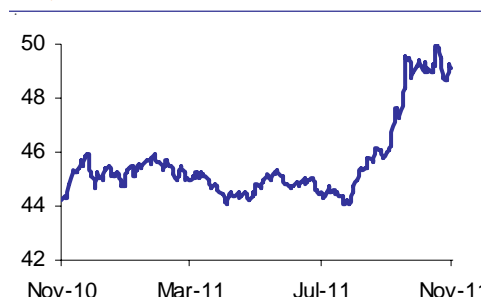
Forex Rate	Last	% Chg	% MTD	% YTD
INR~USD	49.1	0.1	(0.9)	(9.0)
INR~EUR	67.8	(0.0)	0.7	(11.8)
INR~GBP	78.7	0.1	(0.3)	(11.4)

Bond Market	Last	Chg (bps)	MTD (bps)	YTD (bps)
10 Year Bond	8.9	(2)	2	97
Interbank call	8.5	(2)	(12)	298

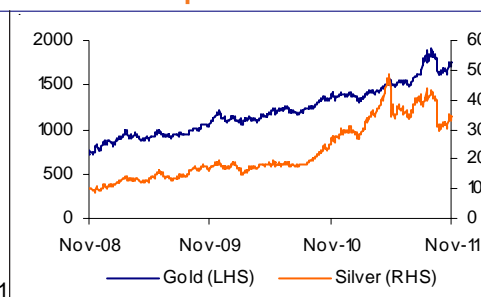
Commodities Update

Commodities	Last	% Chg	% MTD	% YTD
Gold (\$/Ounce)	1,759	(0.3)	2.6	23.8
Crude Oil (\$/Bl)	94	(0.4)	0.5	(0.9)
Aluminium (\$/t)	2,125	0.9	(3.3)	(13.7)
Copper (\$/t)	7,902	0.4	(1.0)	(18.1)
Zinc (\$/t)	1,962	2.2	(1.1)	(19.7)
Lead (\$/t)	2,015	0.5	(2.3)	(21.4)
Nickel (\$/t)	18,402	(0.8)	(5.9)	(25.5)

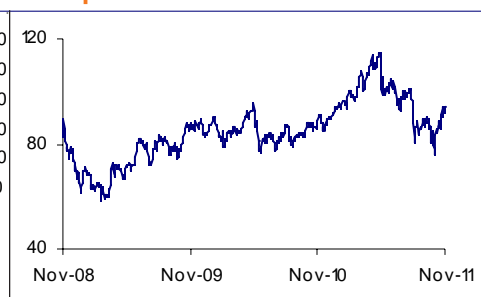
INR/USD



Gold and silver prices

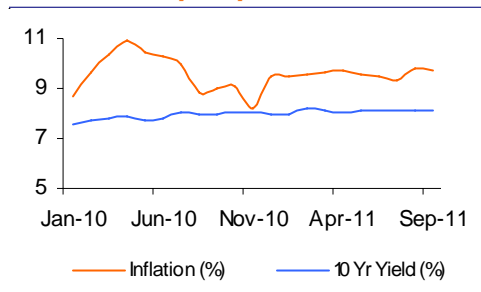


Crude prices

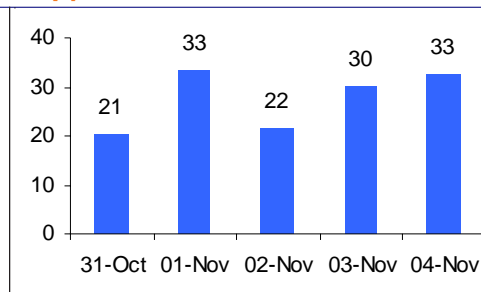


Source: Bloomberg

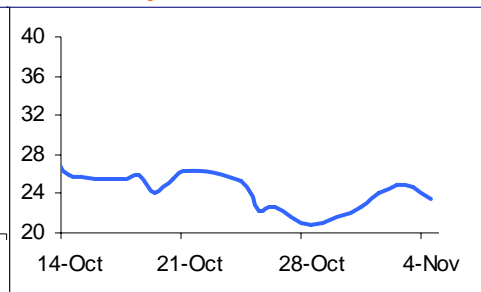
Inflation vs 10 year yield



Nifty premium/discount



NSE volatility index (%)



Source: Bloomberg

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR278
Target Price	: INR324
Potential Return	: 17%

Amit Rustagi

+91 22 4031 3434
amitr@antiquelimited.com

Ruchi Dugar

+91 22 4031 3422
ruchi.dugar@antiquelimited.com

Miten Vora

+91 22 4031 3447
miten.vora@antiquelimited.com

Market data

Sector	:	Oil & Gas
Market Cap (INRbn)	:	2,368
Market Cap (USDbn)	:	48
O/S Shares	:	8,555
Free Float (m)	:	1,078
52-wk HI/LO (INR)	:	349/248
Avg Daily Vol ('000)	:	2,449
Bloomberg	:	ONGC IN
Reuters	:	ONGC.BO

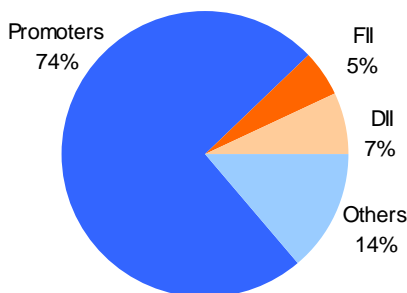
Source: Bloomberg

Returns (%)

	1 m	3 m	6 m	12 m
Absolute	5	1	(11)	(19)
Relative	(5)	2	(6)	(4)

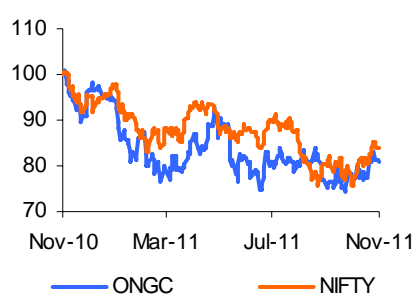
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance vs Nifty



Source: Bloomberg

2QFY12 RESULTS REVIEW

Oil & Natural Gas Corporation Ltd.

Better 1H to make up for uncertainty in 2H

Results highlights

ONGC has reported a PAT of INR86.4bn (up 111% QoQ, 60% YoY) which came above our expectations due to lower than expected DD&A expense by ~INR16bn. 2Q net realisations rose to USD83.7/bbl (up 72% QoQ and 33% YoY) due to lower under-recoveries (INR222bn lower QoQ) and govt. adhering to 1/3rd sharing during the quarter. ONGC is yet to take benefit of royalty of INR11.34bn paid on behalf of Cairn India on Rajasthan block, which will most likely be adjusted in 2HFY12.

ONGC's crude production for 2QFY12 increased by 2% QoQ at 6mmt and declined by 2% YoY. JV's production increased by 15% YoY due to increased production from Rajasthan block. Gas production improved by 4% QoQ to 5.8bcm and was flat YoY. Including JV, gas production increased by 4% QoQ and 2% YoY. ONGC has notified 3 new discoveries in 2QFY12 and 1 new discovery October in Namti PML Block and CB-OSN-2003/1 block respectively.

Clarity awaited on upstream subsidy sharing

Even though ONGC has posted 1HFY12 net realisations of USD66.2/bbl, we are assuming the same to be at USD55/bbl for FY12 to account for higher subsidy sharing in 2HFY12e. We estimate total net under-recoveries of INR1,300bn for FY12e. For FY13e and FY14e, we assume net realisations of USD58/bbl and USD60/bbl respectively.

Valuation and outlook

We revise downwards our net realisation estimates for FY12e and FY13e to USD55/bbl and USD58/bbl respectively (earlier USD63/bbl) to account for expected higher subsidy sharing by upstream companies. We now adjust royalty paid on Rajasthan block in our financials at 10% from FY13e onwards (earlier assumed at 12%) and remove it from our valuations. We also increase our gas production estimates for FY13e, in line with management guidance and revise our currency assumption to INR/USD of 46 (earlier 44) and 45 (earlier 43.5) for FY12e and FY13e, respectively. We reiterate BUY on ONGC with a revised 12-month target price of INR324/share (earlier INR342/share) based on sum-of-the-parts valuation.

Quarterly financials

INRm	2QFY12	2QFY11	Chg (%)	1QFY12	Chg (%)
Net Sales	226,163	181,936	24	161,990	40
EBITDA	141,596	110,851	28	92,670	53
Reported PAT	86,422	53,888	60	40,949	111
Adj PAT	86,422	53,888	60	40,949	111
EPS (INR)	10.1	6.3	60	4.8	111
Gross realisation (USD/bbl)	117	79	48	121	(4)
Discount to OMCs (USD/bbl)	33	16	102	73	(54)
Net realisations (USD/bbl)	84	63	33	49	72
Subsidy burden (INRm)	57,130	30,190	89	120,460	(53)
DD&A	32,782	44,001	(25)	41,225	(20)

Source: Company, Antique

ONGC's 2QFY12 conference call highlights

- ONGC guided that out of the 7mmcmd gas allocated by the government from ONGC's marginal fields, 3mmcmd is already flowing in the system including production from BS-13 (0.2mmcmd) and B-22. Remaining 4mmcmd is expected to come on stream by next month which would largely constitute GS-15. However, delay in commencing production in G-1 will lead to marginal dip in ONGC gas production in FY12e. ONGC expects to produce 23bcm (63.9mmcmd) for FY12e rising to 24.9bcm (68.9mmcmd) in FY13e.
- ONGC drilled 55 wells during 1HFY12, of which 37 were onland wells, 11 were shallow wells and the remaining 7 were deep wells. Company guides that it will drill 111 wells in 2HFY12 (Deepwater - 10, Shallow - 22, Onland - 79).
- Tax for the quarter came lower at 30% (33% in 1QFY12) due to reversal of provision of INR1.3bn for R&D expenditure.
- Depreciation was lower due to INR1.6bn of pipeline capex capitalised last year which was fully depreciated. Dry well expenses were also lower as lower numbers of wells were completed in 2QFY12. Hence, expense on those wells where drilling is still going on were not considered in 2QFY12.
- ONGC guided a capex of INR330bn for FY12e and INR350bn for FY13e. ONGC has so far paid total INR25.1bn (INR11.3bn in 1HFY12) as part of Cairn's share of royalty in the Rajasthan block.
- ONGC has not adjusted for one time reversal of royalty paid on behalf of Cairn India as an agreement between ONGC, Cairn and Vedanta is yet to be signed. ONGC expects this reversal to come in 3QFY12.
- **OVL highlights**
 1. Imperial current production at 15,400bbl/d which is down from 18,000bbl/d due to tight sanctions.
 2. Production from Sakhalin at 158,000bbl/d and remain at this level for FY12.
 3. Carabobo's production to start from FY13e.
 4. Vietnam production decline is due to seasonal factors and its expected to pick this quarter.
 5. Syria production decline is due to sanction problems
- KG-DWN-98/2 - ONGC is still in discussions with government for DoC approval.
- Tripura Power plant Phase-1 is expected to be completed by Feb-March, 2012 with next phase to be done in 3 months after that.

Valuation and Outlook

- We revise downwards our net realisation estimates for FY12e and FY13e to USD55/bbl and USD58/bbl respectively (earlier USD63/bbl) to account for expected higher subsidy sharing by upstream companies. We now adjust royalty paid on Rajasthan block in our financials at 10% from FY13e onwards (earlier assumed at 12%) and remove it from our valuations. We also increase our gas production estimates for FY13e, in line with management guidance and revise our currency assumption to INR/USD of 46 (earlier 44) and 45 (earlier 43.5) for FY12e and FY13e, respectively. We reiterate BUY on ONGC with a revised 12-month target price of INR324/share (earlier INR342/share) based on sum-of-the-parts valuation.
- We value the core business (incl OVL) at INR299/share, applying a 10x multiple on FY13e EPS of INR30. We value listed investments at INR18/share and Exploration upside for 11% stake in the Venezuelan Carabobo field at INR7/share.

SoTP valuation

Particulars	Earnings	Multiple	Value/ share
Core business incl OVL (FY13e)	29.9	10	299
Exploration upside for 11% stake in the Venezuelan Carabobo field			7
Investments			18
Value per share			324

Source: Antique

Schedule of investments

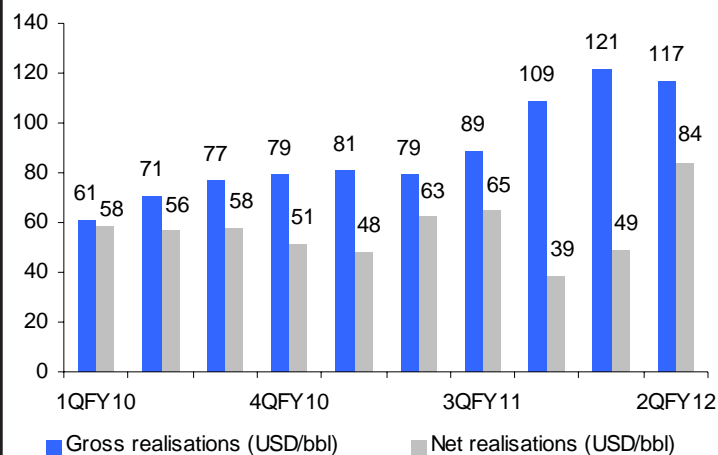
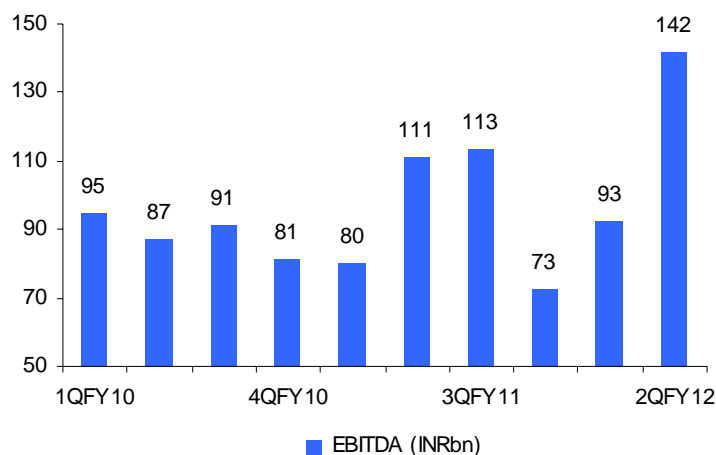
Investment	Shares (m)	Price	Value
GAIL	61	352	21,563
Indian Oil Corp. Ltd.	213	256	54,504
MRPL	1,255	56	70,300
Petronet LNG Ltd.	94	120	11,250
Total			157,617
No. of shares (m)			8,555
Value per share			18

Note: Investments valued at 20% discount to CMP

Source: Antique

Net realisations improved by 72% QoQ and 33% YoY to USD83.7/bbl due to 1/3rd subsidy sharing and higher oil prices

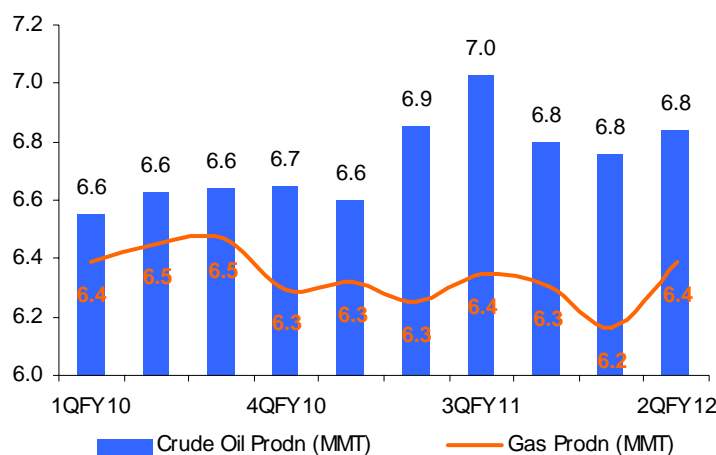
EBITDA up 53% QoQ and 28% YoY



Source: Company, Antique

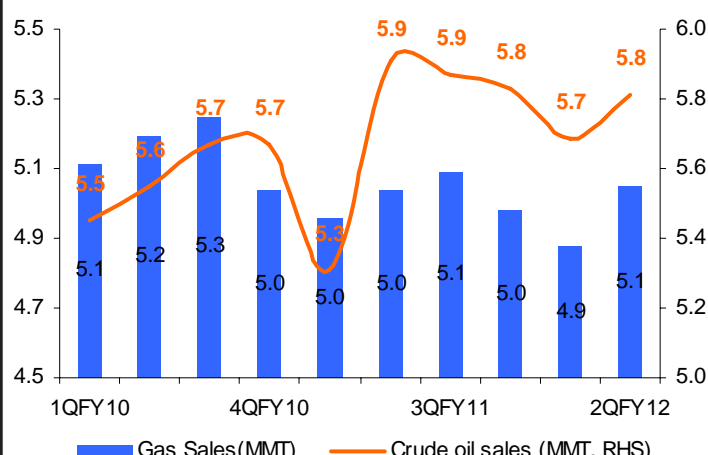
Source: Company, Antique

O&G production up 2% QoQ and 1% YoY



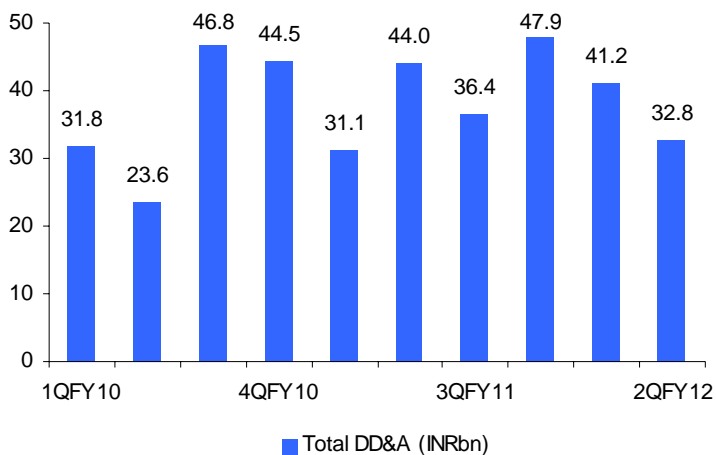
Source: Company, Antique

Oil sales up 2% QoQ and gas sales up 4% QoQ



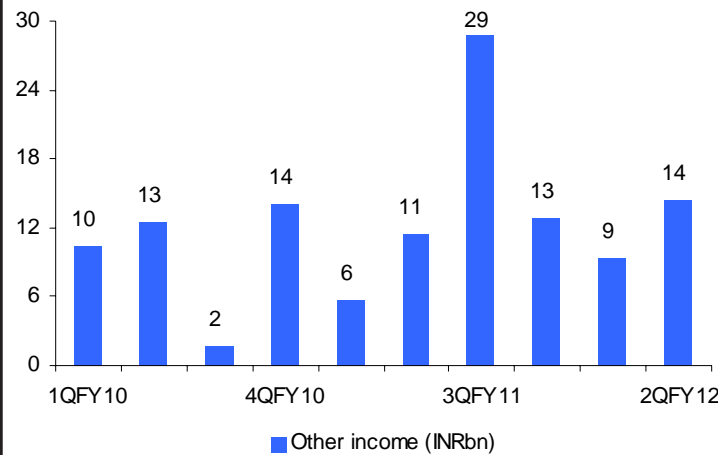
Source: Company, Antique

DD&A declined by INR8.4bn QoQ due to lower dry well and survey expense



Source: Company, Antique

Other income increased by 55% QoQ



Source: Company, Antique

Financials

Profit and loss account (INRbn)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Revenues	643	603	663	718	742
Expenses	(331)	(248)	(285)	(274)	(293)
EBITDA	312	355	378	444	449
Depreciation & amortisation	(121)	(147)	(159)	(154)	(158)
EBIT	191	208	218	289	291
Interest expense	(1)	(1)	(0)	(0)	(0)
Other income	49	42	58	43	42
Profit before tax	239	250	276	332	333
Tax	(79)	(82)	(87)	(106)	(110)
Profit after tax	160	168	189	226	223
Recurring EPS (INR)	19	20	22	26	26
Consolidated EPS (INR)	22	22	25	30	30

Balance sheet (INRbn)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
Share Capital	21	21	43	43	43
Reserves & Surplus	766	851	932	1,052	1,171
Networth	787	872	975	1,095	1,214
Debt	160	160	176	176	176
Capital Employed	948	1,033	1,151	1,271	1,389
Gross Fixed Assets	1,371	1,617	1,740	1,997	2,258
Accumulated Depreciation	(905)	(1,052)	(1,118)	(1,272)	(1,429)
Net Assets	466	565	622	725	830
Capital work in progress	168	195	218	246	275
Investments	51	51	53	53	53
Current Assets Loans & Advances					
Inventory	41	38	41	45	46
Debtors	41	38	38	42	43
Cash & Bank	191	158	224	128	120
Loans & advances and others	274	274	282	283	283
Current Liabilities & Provisions					
Creditors	130	123	188	204	211
Other liabilities & provisions	81	86	49	52	53
Net Current Assets	335	301	349	241	229
Deferred tax assets/(liabilities)	(78)	(85)	(100)	(3)	(6)
Misc expenses	7	7	8	8	8
Application of Funds	948	1,033	1,151	1,271	1,389

Per share data

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
No. of shares (Mn)	8,556	8,556	8,556	8,556	8,556
BVPS (INR)	92	102	114	128	142
CEPS (INR)	33	37	41	44	45
DPS (INR)	0.2	0.2	8.8	10.6	10.4

Margins (%)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
EBITDA	48	59	57	62	61
EBIT	30	35	33	40	39
PAT	25	28	29	31	30

Source: Company, Antique

Key assumptions

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
Brent (USD/bbl)	85	70	87	108	105
INR/USD	46	47	46	47	46
Crude sales excl. Cairn & OVL (MMT)	23	22	23	23	25
OVL production incl Imperial (MMT)	9	9	9	10	10
Discount to OMCs (USD/bbl)	(38)	(16)	(36)	(55)	(49)
Net realisations to ONGC (USD/bbl)	50	56	54	55	58
Gas sales (MMcm)	20,534	20,590	20,288	20,648	21,848

Cash flow statement (INRbn)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
PBT	239	250	276	332	333
Depreciation	80	147	87	154	157
Interest	(37)	(22)	(19)	(24)	(24)
Changes in working capital	7	2	62	11	5
Others	(2)	(3)	(5)	(6)	(6)
Tax paid	(64)	(75)	(73)	(203)	(107)
CF from operating activities	223	299	328	265	358
Capex	(147)	(273)	(189)	(285)	(291)
Investments	(15)	0	9	0	0
Others	(53)	0	(13)	0	0
Income from investments	41	24	24	30	30
CF from investing activities	(175)	(249)	(168)	(256)	(261)
Dividends & Interest paid	(81)	(83)	(117)	(106)	(104)
CF from financing activities	(81)	(83)	(117)	(106)	(104)
Net cash flow	(33)	(32)	43	(97)	(7)
Add: Opening balance	224	191	182	224	128
Closing balance	191	158	225	128	120

Growth indicators (%)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
Revenue	6	(6)	10	8	3
EBITDA	3	14	6	17	1
PAT	(4)	5	13	19	(1)
EPS	(4)	5	13	19	(1)
Consolidated EPS	(1)	0	15	20	(2)

Valuation (x)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
PE (x)	12.5	12.5	10.9	9.1	9.2
P/BV (x)	3.0	2.7	2.4	2.2	1.9
EV/EBITDA (x)	7.5	6.7	6.1	5.4	5.4
EV/Sales (x)	3.6	3.9	3.5	3.4	3.3
Dividend Yield (%)	0	0	3	4	4

Financial ratios

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
RoE	20	19	19	21	18
RoCE	20	20	19	23	21
Debt/Equity (x)	0.2	0.2	0.2	0.2	0.1
EBIT/Interest (x)	160	304	870	1,153	1,157

Source: Company Antique



Current Reco	: SELL
Previous Reco	: SELL
CMP	: INR4,499
Target Price	: INR3,697
Potential Return	: -18%

Abhijeet Kundu
 +91 22 4031 3430
 abhijeet@antiquelimited.com

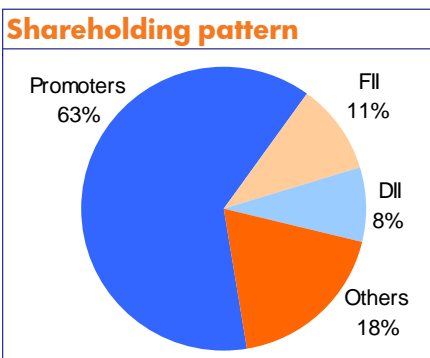
Hardik Shah
 +91 22 4031 3419
 hardik.shah@antiquelimited.com

Market data	
Sector	: FMCG
Market Cap (INRbn)	: 434
Market Cap (USDbn)	: 9
O/S Shares	: 96
Free Float (m)	: 33
52-wk HI/LO (INR)	: 4,521/3,160
Avg Daily Vol ('000)	: 43
Bloomberg	: NEST IN
Reuters	: NEST.BO

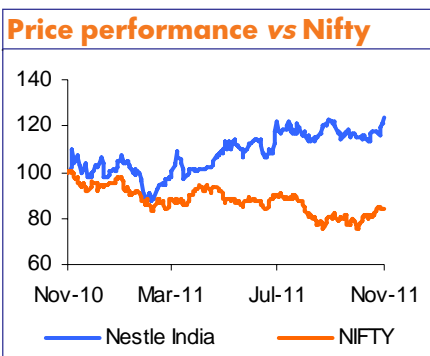
Source: Bloomberg

Returns (%)	1 m	3 m	6 m	12 m
Absolute	7	6	9	23
Relative	(3)	7	14	46

Source: Bloomberg



Source: BSE



Source: Bloomberg

3QCY11 RESULTS REVIEW

Nestle India Limited

Profitability improves, but rich valuations

Results highlights

- Nestle India's overall performance during 3QCY11 (ex. slowdown in exports) was in line with expectations. It recorded 20% growth in net sales to INR19.6bn while EBITDA and PAT grew by 27.5% and 24% respectively to INR4.1 bn and INR2.7bn.
- The key highlight was improvement in gross margins on a YoY and a QoQ basis. Raw material (RM) cost dropped by 91bps YoY to 48.2% of net sales (drop of 99bps QoQ to 48.2% of net sales). Drop in RM cost and improvement in gross margins have been led by the weighted average price hikes of ~2.5% during the quarter.
- According to our channel checks, Nestle India had taken price hikes in its key profit contributor business, baby and infant food, during the quarter. Further, the company had taken price hikes in its coffee portfolio. This has aided margins in the current inflation where the company's key raw material, Milk, has witnessed consistent increase in prices. However, the company has seen some respite on a sequential basis in other raw materials like vegetable oil and wheat.
- Led by drop of 91bps in RM cost and 123bps in other expenditure at 23.7% of net sales, EBITDA margins during the quarter improved by 86bps to 20.9%.
- Sales during the quarter was primarily led by the domestic sales while exports witnessed a slow-down due to ban on powder milk exports. Domestic sales continued to grow by ~21% at INR18.8bn while exports grew at a moderate pace of 5% at INR860m. Drop in contribution from exports is also expected to have aided margins during the quarter.
- However the point to be highlighted in the sales growth would be the probable moderation of volume growth in the domestic operations due to the price hikes. In our view, the sales growth should have been higher in view of the price hikes taken during the quarter.

Valuation and outlook

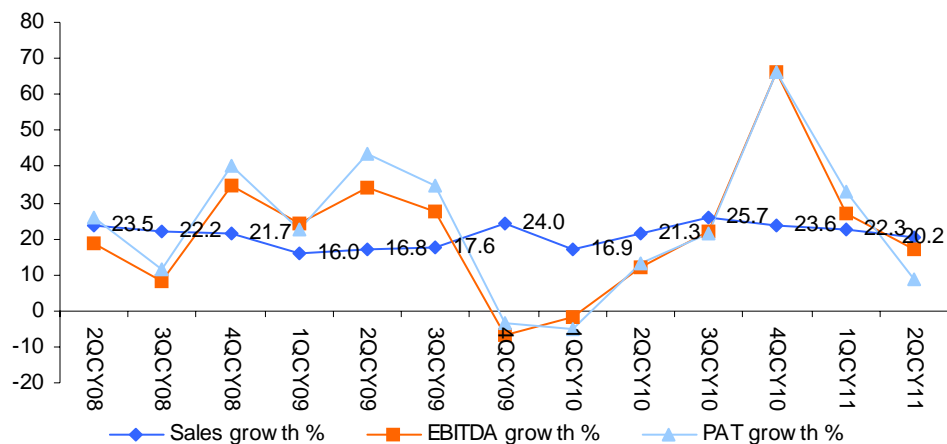
In view of the results being in line with expectations, we are maintaining our EPS estimates for CY11 and CY12 at INR108 and INR127. At the CMP of INR4,499, the stock is trading at 41.5x CY11e and at 35.3x CY12e. We continue to be positive on the company's domestic focus and ability to scale up operations in the longer term. However currently, rich valuations are concerning, and therefore we maintain a SELL on the stock.

Key financials

Year ended December	2008	2009	2010	2011e	2012e
Revenue	43,242	51,294	62,548	75,791	90,869
EBITDA	8,636	10,345	12,497	15,771	18,594
EBITDA margin (%)	20.0	20.2	20.0	20.8	20.5
EBITDA growth (%)	24	20	21	26	18
PAT	5,649	6,976	8,370	10,445	12,290
PAT growth (%)	31	24	20	25	18
EPS(INR)	59	72	87	108	127
EPS growth (%)	31	24	20	25	18
PE (x)	76.8	62.2	51.8	41.5	35.3
PB (x)	91.6	74.6	50.7	41.6	31.8
EV/EBITDA (x)	48.1	40.2	33.3	26.4	22.4
RoE (%)	119.3	120.0	97.8	100.1	90.1

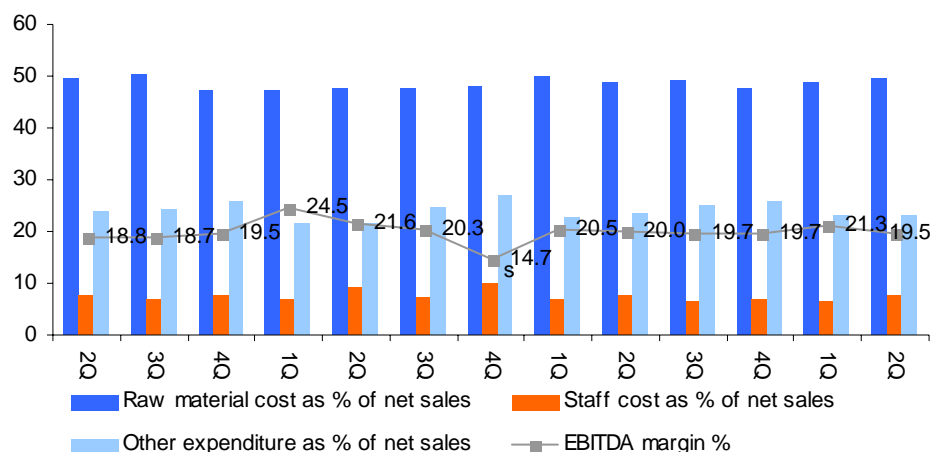
Source: Company, Antique

Sales growth has been consistent despite price hikes



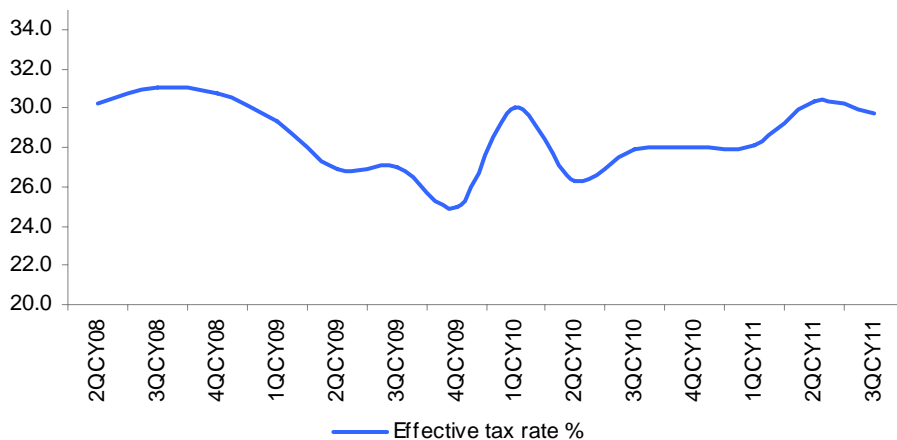
Source: Company, Antique

Margins have been stable despite inflationary pressure



Source: Company, Antique

Tax rate has been increasing due to the expiry of backward area benefits



Source: Company, Antique

Quarterly financials

INRm	3QCY11	3QCY10	Chg (%)	9mCY11	9mCY10	Chg (%)
Revenues	19,631	16,373	20	35,731	29,465	21
cost of RM	9,454	8,034	18	17,560	14,566	21
% of Net sales	48.2	49.1	(91)	49.1	49.4	(29)
Staff cost	1,424	1,041	37	2,580	2,114	22
% of Net sales	7.3	6.4	90	7.2	7.2	4
Other expenditure	4,650	4,079	14	8,293	6,805	22
% of Net sales	23.7	24.9	(123)	23.2	23.1	12
EBITDA	4,103	3,219	27	7,298	5,980	22
EBITDA margin (%)	20.9	19.7	124	20.4	20.3	13
Other income	121	95	27	208	193	8
Depreciation	394	306	29	694	614	13
Interest Expenses	12	1	2200	7	9	(27)
Tax	1,134	840	35	1,983	1,564	27
Recurring PAT	2,685	2,168	24	4,822	3,986	21
PAT Margin (%)	13.7	13.2	44	13.5	13.5	(3)
Reported PAT	2,612	2,186	20	4,695	3,967	18

Source: Company, Antique

Financials

Profit and loss account (INRbn)

Year ended 31st Dec	2008	2009	2010	2011	2012
Revenues	43,242	51,294	62,548	75,791	90,869
Expenses	34,607	40,949	50,051	60,020	72,275
EBITDA	8,636	10,345	12,497	15,771	18,594
Depreciation & amortisation	924	1,113	1,278	1,550	2,000
EBIT	7,712	9,232	11,219	14,221	16,594
Interest expense	16	14	11	70	115
Other income	341	378	427	560	590
Profit before tax	8,036	9,596	11,635	14,711	17,069
Taxes incl deferred taxation	2,387	2,620	3,265	4,266	4,779
Profit after tax	5,341	6,550	8,187	10,445	12,290
Adjusted profit after tax	5,649	6,976	8,370	10,445	12,290
Recurring EPS (INR)	58.6	72.4	86.8	108.3	127

Balance sheet (INRbn)

Year ended 31st Dec	2008	2009	2010	2011	2012
Share Capital	964	964	964	964	964
Reserves & Surplus	3,769	4,848	7,590	9,468	12,677
Networth	4,733	5,813	8,554	10,432	13,641
Debt	8	-	-	2,683	2,683
Capital Employed	4,742	5,813	8,554	13,115	16,324
Gross Fixed Assets	14,048	16,408	18,547	28,547	36,547
Accumulated Depreciation	(6,519)	(7,446)	(8,420)	(9,970)	(11,970)
Net Assets	7,530	8,962	10,127	18,577	24,577
Capital work in progress	1,092	796	3,489	3,489	3,489
Investments	349	2,033	1,507	1,507	1,507
Current Assets, Loans & Advances					
Inventory	4,349	4,987	5,760	6,907	8,231
Debtors	456	642	633	760	911
Cash & Bank balance	1,937	1,556	2,553	1,535	853
Loans & advances and others	1,238	1,380	1,514	1,514	1,514
Current Liabilities & Provisions					
Creditors	5,066	5,876	7,617	9,188	10,968
Other liabilities & provisions	6,773	8,348	9,079	11,669	13,492
Net Current Assets	(3,860)	(5,658)	(6,236)	(10,141)	(12,950)
Deferred tax assets/(liabilities)	(369)	(320)	(333)	(333)	(333)
Application of Funds	4,742	5,813	8,554	13,100	16,291

Per share data

Year ended 31st Dec	2008	2009	2010	2011	2012
No. of shares (m)	96.4	96.4	96.4	96.4	96.4
BVPS (INR)	49.1	60.3	88.7	108.2	141.5
CEPS (INR)	68.2	83.9	100.1	124.4	148.2
DPS (INR)	42.5	48.5	48.5	78.0	91.8

Margins (%)

Year ended 31st Dec	2008	2009	2010	2011	2012
EBITDA	20.0	20.2	20.0	20.8	20.5
EBIT	17.8	18.0	17.9	18.8	18.3
PAT	13.1	13.6	13.4	13.8	13.5

Source: Company, Antique

Key assumptions

Year ended 31st Dec	2008	2009	2010	2011	2012
Brent (USD/bbl)	85	70	87	108	105
INR/USD	46	47	46	47	46
Crude sales excl. Cairn & OVL (MMT)	23	22	23	23	25
OVL production incl Imperial (MMT)	9	9	9	10	10
Discount to OMCs (USD/bbl)	(38)	(16)	(36)	(55)	(49)
Net realisations to ONGC (USD/bbl)	50	56	54	55	58
Gas sales (MMcm)	20,534	20,590	20,288	20,648	21,848

Cash flow statement (INRbn)

Year ended 31st Dec	2008	2009	2010	2011	2012
EBIT	7,712	9,232	11,219	14,221	16,594
Depreciation & amortisation	924	1,113	1,278	1,550	2,000
Interest expense	(16)	(14)	(11)	(70)	(115)
(Inc)/Dec in working capital	2,220	1,417	1,575	2,887	2,127
Tax paid	(2,387)	(2,620)	(3,265)	(4,266)	(4,779)
Cash flow from operating activities	8,452	9,128	10,796	14,322	15,826
Capital expenditure	(2,605)	(2,064)	(4,832)	(10,000)	(8,000)
Inc/(Dec) in investments	595	(1,684)	526	-	-
Income from investments	341	378	427	560	590
Cash flow from investing activities	(1,670)	(3,370)	(3,880)	(9,440)	(7,410)
Inc/(Dec) in share capital	-	-	-	-	-
Inc/(Dec) in debt	(21)	(8)	-	2,683	-
Dividends paid	(4,794)	(5,471)	(5,471)	(8,799)	(10,353)
Others	(408)	(661)	(449)	232	1,272
Cash flow from financing activities	(5,223)	(6,140)	(5,920)	(5,885)	(9,081)
Net cash flow	1,559	(381)	997	(1,003)	(664)
Opening balance	378	1,937	1,556	2,553	1,535
Closing balance	1,937	1,556	2,553	1,550	871

Growth indicators (%)

Year ended 31st Dec	2008	2009	2010	2011	2012
Revenue	23	19	22	21	20
EBITDA	24	20	21	26	18
PAT	31	24	20	25	18
EPS	31	24	20	25	18

Valuation (x)

Year ended 31st Dec	2008	2009	2010	2011	2012
PE	76.8	62.2	51.8	41.5	35.3
P/BV	91.6	74.6	50.7	41.6	31.8
EV/EBITDA	48.1	40.2	33.3	26.4	22.4
EV/Sales	9.6	8.1	6.6	5.5	4.6
Dividend Yield (%)	0.9	1.1	1.1	1.7	2.0

Financial ratios

Year ended 31st Dec	2008	2009	2010	2011	2012
RoE (%)	119	120	98	100	90
RoCE (%)	163	159	131	108	102
Debt/Equity (x)	0.0	-	-	0.3	0.2
EBIT/Interest (x)	-470.2	-660.2	-1048.5	-203.2	-144.3

Source: Company Antique

Current Reco	:	HOLD
Previous Reco	:	HOLD
CMP	:	INR149
Target Price	:	INR148
Potential Return	:	0%

Abhijeet Kundu

+91 22 4031 3430
abhijeet@antiquelimited.com

Hardik Shah

+91 22 4031 3419
hardik.shah@antiquelimited.com

Market data

Sector	:	FMCG
Market Cap (INRbn)	:	92
Market Cap (USDbn)	:	2
O/S Shares	:	615
Free Float (m)	:	238
52-wk HI/LO (INR)	:	177/112
Avg Daily Vol ('000)	:	1,050
Bloomberg	:	MRCO IN
Reuters	:	MRCO.BO

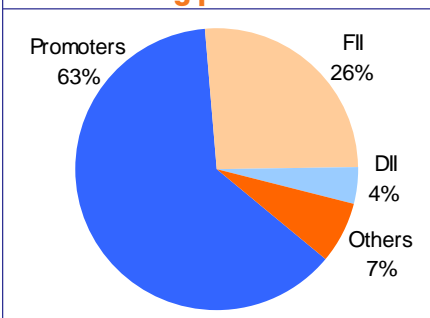
Source: Bloomberg

Returns (%)

	1 m	3 m	6 m	12 m
Absolute	3	(4)	14	6
Relative	(7)	(4)	20	26

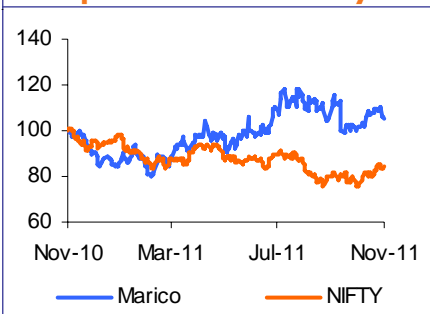
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance vs Nifty



Source: Bloomberg

2QFY12 RESULTS REVIEW

Marico Limited

Volume growth remains consistent, overriding concerns

Results highlights

- Marico's 2QFY12 performance was better over our expectations with continued healthy volume growth and a better than expected profitability. Net sales during the quarter grew by 25% to INR9.75bn led by 14% growth in domestic volumes. EBITDA and PAT grew by 13% and 5% to INR1.17bn and INR783m, respectively.
- Marico has displayed strong resilience in the current inflationary scenario and posted continued healthy volume growth across its businesses like Parachute coconut oil (10% volume growth in rigid packs), value added hair oils (26% volume growth) and Saffola (11% volume growth). In our view the most important factor during the past few quarters has been the increase in market share in the value-added hair oil through penetration of new categories like cooling oils (primarily southern markets) and gains in the Amla hair oil segment.
- In our view, the international business performance (19% growth with 14% organic growth, 19% inorganic growth and -14% decline due to foreign exchange and change in MODVAT accounting in Bangladesh) too has been satisfactory in the backdrop of the unstable environment in the MENA region which has impacted the region's supply chain. Marico has been attempting to scale up its business in this Bangladesh through launch of products and variants. We believe that the scenario in this geography will be clearer by FY13. Overall we believe that the IBG business should witness revival during FY13.
- The only real concern in Marico's performance has been its skin care business, Kaya, where the company has been taking more than expected time to become profitable. The company however has witnessed better same store growth, with higher product sales as compared to the earlier service heavy model.
- Additionally the pressure from sharp input cost inflation continued during the quarter, but has witnessed some softening with 11% decline in prices of Copra on a sequential basis. EBITDA margin dropped by 126bps to 12% due to 487bps increase in raw material cost to 54.7% of net sales.

Valuation and outlook

We are maintaining our EPS estimates at INR4.7 and INR6.7 for FY12e and FY13e. At the CMP of INR149, the stock is trading at 32x FY12e and at 22x FY13e. Though we are positive on the company's rising dominance in the premium refined edible oil and hair oil category coupled with the strength in coconut oil, we believe that the stock is fairly valued at the current levels and therefore maintain our HOLD rating on the stock with a target price of INR148.

Quarterly financials

INRm	2QFY12	2QFY11	Chg (%)
Revenues	9,745	7,788	25.1
EBITDA	1,167	1,031	13.2
EBITDA margin (%)	12.0	13.2	(126.1)
Recurring PAT	783	748	4.7
PAT margin	8.0	9.6	(156.9)
Reported PAT	783	716	9.4

Source: Company, Antique

Sales growth consistent, but input pressure maintained

Net sales grew by 25% to INR9.74bn led by about 14% volume growth in the domestic operations and 19% growth in the international business group. EBITDA margin dropped by 126bps to 12% due to 487bps increase in raw material cost to 54.7% of net sales. The higher raw material cost nevertheless was due to the 50% increase in prices of its key raw material, copra. Additionally prices of other key raw materials like safflower oil and rice brand oil were up 24% and 46%, respectively. However, Average copra prices in dropped sequentially by 11%. The management expects that the current levels of Copra prices could be the peak and the sequential fall in prices could continue in the coming quarters.

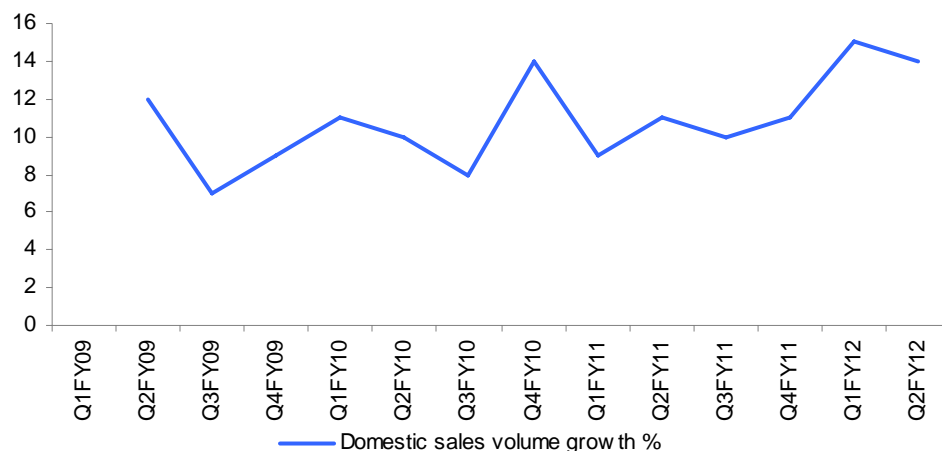
The drop in prices of Copra would take about eight weeks to have an impact on the company's financials. Consequently, we believe that the real benefit of fall in copra prices would be witnessed in Marico's financials by FY13e.

Drop in ad-spends of about 252bps to 9.7% of net sales limited the erosion of profitability during the quarter. Additionally, 106bps drop in other expenditure to INR1.58bn aided the company profitability.

Domestic business records 14% volume growth despite the sharp price hikes

Marico's domestic consumer products business recorded 44% growth in sales during the quarter at INR6.67bn backed by a 14% growth in volumes. If Sweekar(which was divested during 4QFY11) was to be included in sales of the previous corresponding period, the growth in sales would be to the tune of 30%.

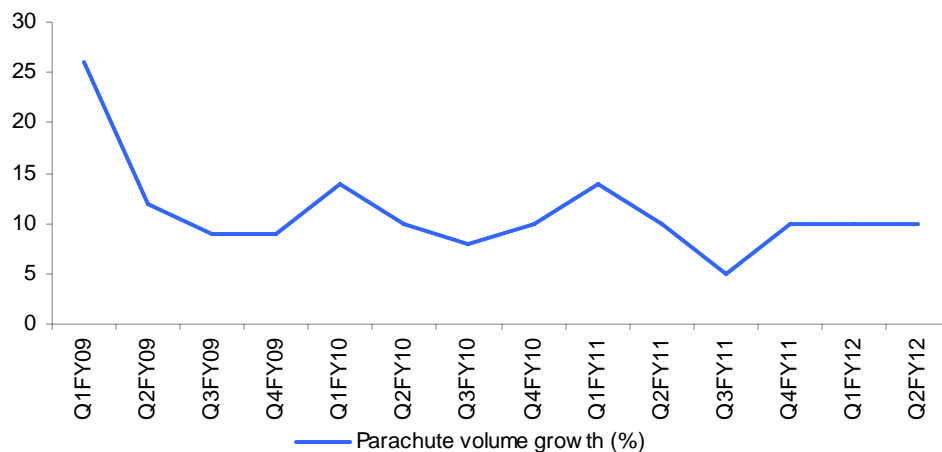
Domestic volume growth remains consistent



Source - Company, Antiqua

Parachute, coconut oil in rigid packs, grew by 10% in volume during the quarter with about 5.6% volume growth in the overall Parachute brand. Small packs continued to drive growth for the brand.

Parachute's focused portfolio volume growth sustained despite sharp price hikes

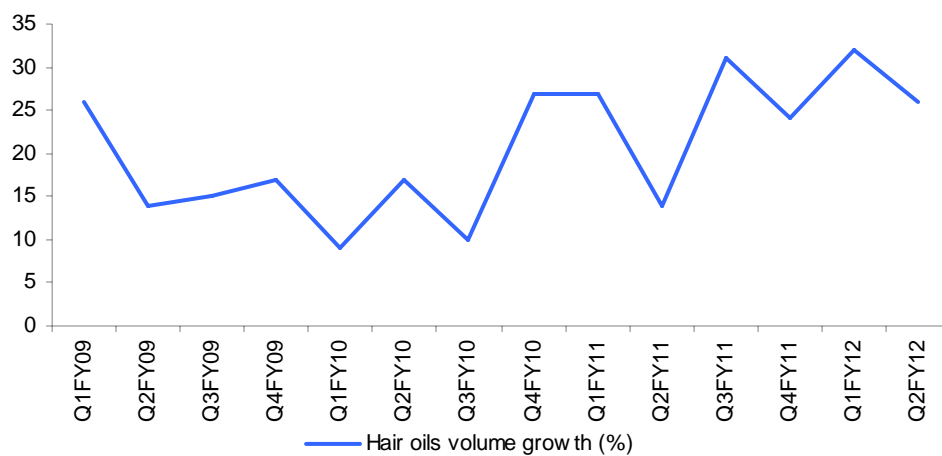


Source - Company, Antique

Marico's value added hair oils portfolio continued to post a strong outperformance with the rigid pack volume growing by 26%. In value terms the portfolio grew by 48%. This in turn has led to a market share gain of 160bps at 23.4%.

The market share gains has been due to the share gains in the Amla hair oil segment and introduction of new products such as Parachute Advanced Ayurvedic Hot Oil, Parachute Advanced Ayurvedic cooling oil and Parachute Advanced Ayurvedic Hair Oil. All these have grown the overall hair oils franchise by bringing specificity and creating more occasions for use. The company is now focusing on scaling up its presence in these sub segments.

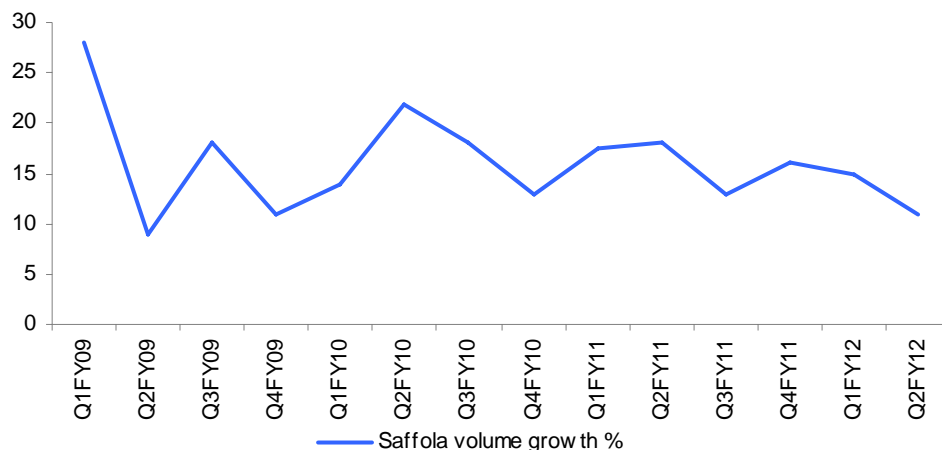
Value-added hair oils, the leading outperformer



Source - Company, Antique

Saffola Oil volumes grew by 11% during 2QFY12 despite reduction in the promotional volumes during this quarter. Saffola maintained its leadership position in the super premium refined edible oils segment with a market share of 54.8% during the 12 months ended September 2011.

Saffola displays stable growth trend



Source - Company, Antique

Focus on increasing rural penetration aiding growth

Marico's focus on driving its rural penetration has aided the overall volume growth for the company during the year. Led by higher penetration of the rural markets, the contribution from rural sales touched 30% of Marico's sales, from 27% in FY11 and 25% in FY10. Marico is reaching out to a larger number of retail outlets in the rural markets directly through its distributor sales force rather than depending on wholesalers to service these outlets. This has improved the quality of Marico's sales calls. It also provides the opportunity to sell-in a wider range of products. In recent times, the sales reach has increased largely on the back of penetrative pricing in Nihar Shanti Amla and lower price point packs in Parachute. Additionally, in the urban markets, Modern Trade has witnessed traction growing at 46% during 2Q primarily led by Saffola franchise.

Marico's International business recorded 19% YoY growth in sales to INR2.41bn during 2QFY12 aided by the acquisition of 85% equity in International Consumer Products in Vietnam in Feb 2011 (19% contribution to international sales during the quarter) and a 14% organic growth.

However, currency fluctuation and slowdown in sales of Bangladesh pulled down sales by about 14% during the quarter which nevertheless forms a part of the overall 19% growth in International Business. In Bangladesh, the slowdown in sales has been in accounting terms due to a change related to Modified Value Added Tax (MODVAT) policy. MODVAT on materials which was earlier a part of the cost of goods sold must now be shown as a reduction from Sales to arrive at Net Sales. This re-classification will result in lower reported net sales during FY12. However, adjustment will be neutral with regards to both profit and cash flow.

Marico has been attempting to scale up its business in Bangladesh through launch of products and variants. We believe that the scenario in this geography will be clearer by FY13e. Overall, we believe that the IBG business should witness revival during FY13e.

IBG growth to pick up from FY13e



Source: Company, Antique

Kaya still to show a material turnaround

During 2QFY12, Kaya recorded sales of INR662m (7% YoY growth) with same store collection growth of 16% in India and Middle East. Kaya has thus sustained the topline growth trend for the past four quarters on a same store basis. However, the business continued to make losses of INR75m. A part of the losses in addition to the operational expenses has also been due to change in revenue recognition of skin care packages and the amortisation of intangible assets.

Currently, Kaya is focusing on increasing its contribution from products sales which in turn will generate more through-put from the clinics and help improve their ROCE.

Valuation and outlook

We are maintaining our EPS estimates at INR4.7 and INR6.7 for FY12e and FY13e respectively. At the CMP of INR149, the stock is trading at 32x FY12e and at 22x FY13e. Though we are positive on the company's rising dominance in the premium refined edible oil and hair oil category coupled with the strength in coconut oil, we believe that the stock is fairly valued at the current levels and therefore maintain a HOLD rating.

Quarterly financials

INRm	2QFY12	2QFY11	Chg (%)
Revenues	9,745	7,788	25.1
Cost of RM	5,329	3,880	37.4
% of net sales	54.7	49.8	487
Staff cost	725	582	24.6
% of net sales	7.4	7.5	(3.1)
Adv and Sales Prom	941	949	(0.8)
% of net sales	9.7	12.2	(252.2)
Other expenditure	1,582	1,347	17.5
% of net sales	16.2	17.3	(105.9)
EBITDA	1,167	1,031	13.2
EBITDA margin (%)	12.0	13.2	(126.1)
Other income	106	71	48.9
Depreciation	177	140	26.9
Interest expenses	91	65	40.8
Minority interest	17	18	(6.6)
Tax	205	132	
Recurring PAT	783	748	4.7
PAT margin (%)	8.0	9.6	(156.9)
Reported PAT	783	716	9.4

Source: Company, Antique

Financials

Profit and loss account (INRbn)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Revenues	23,884	26,608	31,283	38,159	44,322
Expenses	20,844	22,760	27,185	33,580	38,294
EBITDA	3,040	3,847	4,098	4,579	6,028
Depreciation & amortisation	358	452	708	880	790
EBIT	2,682	3,395	3,390	3,699	5,238
Interest expense	301	257	393	480	500
Other income	122	183	279	440	550
Profit before tax	2,504	3,321	3,275	3,659	5,288
Taxes incl deferred taxation	409	701	662	745	1,072
Profit after tax	1,925	2,277	2,864	2,860	4,137
Adjusted profit after tax	2,076	2,601	2,563	2,860	4,137
Recurring EPS (INR)	3.4	4.3	4.2	4.7	6.7

Balance sheet (INRbn)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
Share Capital	609	609	614	614	614
Reserves & Surplus	3,927	5,930	8,539	10,929	14,588
Networth	4,536	6,540	9,153	11,543	15,203
Debt	3,743	4,584	7,937	7,992	8,071
Capital Employed	8,278	11,124	17,090	19,535	23,274
Gross Fixed Assets	4,569	5,292	7,615	8,215	8,715
Accumulated Depreciation	(2,035)	(2,424)	(3,366)	(4,246)	(5,036)
Net Assets	2,534	2,868	4,250	3,970	3,680
Capital work in progress	1,427	1,979	4,622	4,622	4,622
Investments	121	827	890	890	890
Current Assets, Loans & Advances					
Inventory	3,390	4,448	6,011	4,953	5,062
Debtors	1,108	1,507	1,880	1,793	2,044
Cash & Bank balance	902	1,115	2,131	7,139	11,737
Loans & advances and others	1,299	1,900	2,181	2,181	2,181
Current Liabilities & Provisions					
Creditors	2,779	3,369	4,098	5,750	6,679
Other liabilities & provisions	366	768	1,077	564	564
Net Current Assets	3,555	4,833	7,028	9,753	13,782
Deferred tax assets/(liabilities)	641	616	301	301	301
Misc. Expenses	-	-	-	-	-
Application of Funds	8,278	11,124	17,090	19,535	23,274

Per share data

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
No. of shares (m)	609.3	609.0	614.4	614.4	614.4
BVPS (INR)	7.4	10.7	14.9	18.8	24.7
CEPS (INR)	2.8	3.5	3.0	3.2	5.4
DPS (INR)	0.7	0.7	0.6	0.7	0.7

Margins (%)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
EBITDA	13	14.5	13.1	12.0	13.6
EBIT	11	13	11	10	12
PAT	9	10	8	7	9

Source: Company, Antique

Key assumptions

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
Parachute coconut oil sales (INRm)	7,374	7,743	9,059	12,502	13,752
Saffola sales (INRm)	4,004	3,844	4,459	5,351	6,314
Raw material as % of net sales	54.9	47.4	51.7	54.8	50.2
Advertisement as % of net sales	10.2	13.2	11.1	9.8	12.5
Other expenditure as % of net sales	22.2	24.9	24.1	23.4	23.7

Cash flow statement (INRbn)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
EBIT	2,682	3,395	3,390	3,699	5,238
Depreciation & amortisation	358	452	708	880	790
Interest expense	(301)	(257)	(393)	(480)	(500)
(Inc)/Dec in working capital	(1,076)	(1,066)	(1,178)	2,284	568
Tax paid	(409)	(701)	(662)	(745)	(1,072)
Cash flow from operating activities	1,254	1,824	1,864	5,638	5,024
Capital expenditure	(938)	(1,275)	(1,840)	(600)	(500)
Inc/(Dec) in investments	121	706	63	-	-
Income from investments	122	183	279	440	550
Cash flow from investing activities	(695)	(387)	(1,499)	(160)	50
Inc/(Dec) in share capital	-	0	5	-	-
Inc/(Dec) in debt	163	716	3,260	-	-
Dividends paid	(467)	(467)	(470)	(470)	(477)
Others	(107)	(1,474)	(2,144)	-	-
Cash flow from financing activities	(410)	(1,225)	651	(470)	(477)
Net cash flow	149	213	1,016	5,008	4,597
Opening balance	753	902	1,115	2,131	7,139
Closing balance	902	1,115	2,131	7,139	11,737

Growth indicators (%)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
Revenue	25	11	18	22	16
EBITDA	23	27	7	12	32
PAT	31	25	(1)	12	45
EPS	31	25	(2)	12	45

Valuation (x)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
PE	43.7	34.9	35.7	32.0	22.1
P/BV	20.0	13.9	10.0	7.9	6.0
EV/EBITDA	32.8	25.9	24.3	21.8	16.5
EV/Sales	4.2	3.7	3.2	2.6	2.2
Dividend Yield (%)	0.4	0.4	0.4	0.4	0.4

Financial ratios

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
RoE (%)	46	40	28	25	27
RoCE (%)	32	31	20	19	23
Debt/Equity (x)	0.8	0.7	0.9	0.7	0.5
EBIT/Interest (x)	(8.9)	(13.2)	(8.6)	(7.7)	((10.5))

Source: Company Antique

Current Reco	: HOLD
Previous Reco	: HOLD
CMP	: INR28
Target Price	: INR32
Potential Return	: 13%

Ashish Nigam

+91 22 4031 3443
ashish.nigam@antiquelimited.com

Kunal Jhaveri

+91 22 4031 3411
kunal.jhaveri@antiquelimited.com

Market data

Sector	:	Automobiles
Market Cap (INRbn)	:	74
Market Cap (USDbn)	:	2
O/S Shares	:	2,661
Free Float (m)	:	1,318
52-wk HI/LO (INR)	:	41/23
Avg Daily Vol ('000)	:	6,327
Bloomberg	:	AL IN
Reuters	:	ASOK.BO

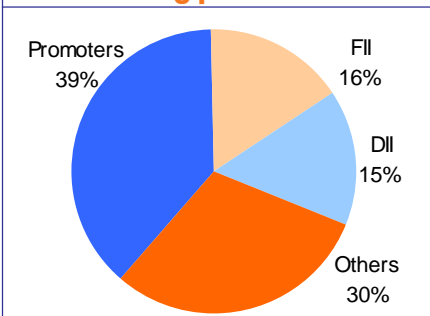
Source: Bloomberg

Returns (%)

	1 m	3 m	6 m	12 m
Absolute	11	14	15	(29)
Relative	0	15	21	(16)

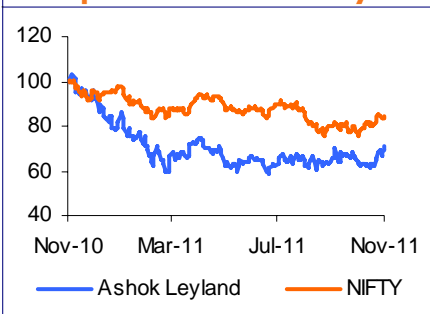
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance vs Nifty



Source: Bloomberg

2QFY12 RESULTS REVIEW

Ashok Leyland Limited

Too soon to drive heavy trucks!

2Q results – Margins remain resilient!

- PAT at INR1.54bn (down 8% YoY; up 101% QoQ) was better than our estimate of INR1.2bn (consensus - INR1.42bn). Revenues were up 14% YoY despite a 4% decline in volumes as realisations increased by 19% YoY – a function of the marathon price hikes all through last year.
- EBITDA margins stood at 10.7% (down 58bps YoY; up 128bps QoQ) as against our estimate of 10%. Sequential margin improvement was not aided by raw material cost savings (RM as a % to sales actually increased by 150bps QoQ) but driven by tight control on other fixed costs. Other income was up 115% YoY (151% QoQ) due to dividend from investments - mainly IndusInd bank (~1.8m shares).
- Volumes for October 2011 stood at 6,252 units (up 9% YoY; down 27% MoM). Volumes would have been higher had it not been for A) Shortage in fuel injection pump supply from Bosch (due to a strike at their plant) and B) 20 day production loss at their Pantnagar facility due to communal disturbances in the region.

Low guidance from a not-so-conservative management!

- Sluggish freight rates in the southern market coupled with an unfavourable macro (more so for heavy CVs) has made the normally not-so-conservative management give a low guidance for FY12 - modest growth rate of 5-6%. However, margins would remain firm on the back of rising contribution from the Pantnagar plant (from 13.6% in FY11 to around 32% in FY12e; 40% in FY13e).

Too soon to get into heavier CVs... Maintain HOLD!

- We remain cautious on the MHCV segment as our channel checks give us less confidence on meaningful capacity additions in the near term. Freight rates haven't moved up commensurately with the recent cost pressures (diesel, driver, maintenance, tyres, etc.) which suggests that transporter profitability seems to be under pressure.
- Hence, while current valuations still provide some comfort (trading at P/E of 9.2x FY13e), we see limited re-rating triggers in the near term. Till the time we see some meaningful relief on the macro side, we maintain our HOLD recommendation with a target price of INR32 (10x FY13e EPS + INR1.5 per share for the company's investment in IndusInd Bank).

Quarterly financials

INRm	2QFY12	2QFY11	YoY (%)	1QFY12	QoQ (%)
Net sales	30,946	27,140	14	24,955	24
EBITDA	3,312	3,063	8	2,352	41
EBITDA margin (%)	10.7%	11.3%	(58)	9.4%	128
PAT	1,541	1,671	(8)	768	101
EPS (INR)	0.6	0.6	(8)	0.3	101
Total volumes (In Nos)	23,628	24,590	(4)	19,277	23
Net realisation (INR)	1,309,705	1,103,682	19	1,294,551	1
EBITDA/Vehicle (INR)	140,154	124,546	13	121,990	15

Source: Company, Antique

Financials

INRm	2QFY12	2QFY11	YoY (%)	1QFY12	QoQ (%)
Net sales	30,946	27,140	14	24,955	24
- Raw material	22,757	19,969	14	17,981	27
(% of net sales)	74	74	(4)	72	149
- Staff Expenditure	2,515	2,115	19	2,497	1
(% of net sales)	8	8	33	10	(188)
- Other Expenditure	2,362	1,993	18	2,125	11
(% of net sales)	8	7	29	9	(88)
Total expenditure	27,634	24,077	15	22,603	22
EBITDA	3,312	3,063	8	2,352	41
EBITDA margin (%)	10.7	11.3	(58)	9.4	128
Depreciation	859	641	34	847	2
EBIT	2,452	2,422	1	1,505	63
Interest	627	395	59	533	18
Other income	103	48	115	41	151
PBT	1,929	2,075	(7)	1,013	90
Tax	388	405	(4)	245	58
Adjusted PAT	1,541	1,671	(8)	768	101
Exceptional items	0	0		95	
Reported PAT	1,541	1,671	(8)	863	79
EPS (INR)	0.58	0.63	(8)	0.32	79
Adjusted EPS (INR)	0.58	0.63	(8)	0.29	101
Total volumes (in nos)	23,628	24,590	(4)	19,277	23
Net realisation (INR)	1,309,705	1,103,682	19	1,294,551	1
EBITDA/Vehicle (INR)	140,154	124,546	13	121,990	15

Source: Company, Antique

Results highlights

- Net sales grew by 14% YoY despite a 4% decline in volumes as realisations were higher by 19% YoY - function of several price hikes all through last year and a better mix (higher contribution of defense vehicles). Sequentially, revenues were up 24% QoQ on the back of a 23% growth in volumes and 1% growth in realisations.
- EBITDA margins fell by 58bps YoY (up 128bps QoQ) to 10.7% as against our estimate of 10%. There weren't any input cost benefits during the quarter (RM by sales actually increased by 149bps QoQ). Staff costs were lower than estimates (flat QoQ despite a 24% QoQ increase in sales).
- PAT at INR1.54m (down 8% YoY; up 101% QoQ) was higher than our estimate of INR1.21bn (consensus INR1.42bn). Other income was up 115% YoY (151% QoQ) due to dividend from investments - mainly IndusInd bank (~1.8m shares), offset the higher interest (up 59% YoY; 18% QoQ) and depreciation costs (up 34% YoY; 2% QoQ). Lower tax (at 20.1% - up 60 bps YoY; down 407bps QoQ) was driven by higher production from the Pantnagar plant (~9k during the quarter).

Key takeaways from the call

- Volumes for October 2011 stood at 6,252 units (up 9% YoY; down 27% MoM). Volumes would have been higher had it not been for A) Shortage in fuel injection pump supply from Bosch (due to a strike at their plant) and B) 20 day production loss at their Pantnagar facility due to communal disturbances in the region.

- Given the macro headwinds and sluggish freight rates (more so in the Southern markets), the management has given a modest guidance for FY12 (expecting Industry growth of 5-6%). Their own volume guidance is 100,000 units for FY12e (our estimate of 97k).
- The company has lost market share as sales have slowed down in the southern market (their strong hold) on account of state elections, Telangana unrest and softening freight rates in the southern market. The management expects to regain lost market share and aims to get back to its previous 25.5%.
- The company has incurred other expenses to the tune of INR150m which are one-off in nature (INR80m on account of renewal of annual maintenance contracts and INR60m on account of certain one-time advertisements).
- Discounts and incentives have increased by INR4,000-5,000 in 1HFY12 and maintains that the same will continue in 2H as well.
- The management has guided for production of 20,000 units (~3,000 units per month) from Pantnagar facility in 2HFY12 vis-à-vis ~9,000 units in 2QFY12 and 5,900 units in 1QFY12.
- The company has taken a price hike of 1% (INR8,000-12,000 across models) on 1st November 2011. On the engine side, the company has taken a price hike of 4% in June 2011.
- Going ahead, the management expects raw material costs to subside from the current levels, but the depreciating INR to offset some of this benefit.
- Increase in staff cost in 1H were on account of two reasons - 1) Increase in headcount (2,000 people added - 1,000 executives and 1,000 workers) which has resulted in an increase employee cost by INR200m, and 2) Higher welfare expenses ~INR100m.

Ashok Leyland ~ Nissan JV

- The Nissan JV sold about 210 units of its LCV (DOST) of which 116 units were through the JV and 94 units through Ashok Leyland.
- The arrangement between Nissan and Ashok Leyland is that within Tamil Nadu, vehicles will be sold through the JV company (to avail VAT incentives in the state) whereas outside Tamil Nadu, it will be sold by Ashok Leyland. Dealership network, supplies and marketing spends for this product range is taken care by Ashok Leyland.

Ashok Leyland ~ John Deere JV (construction equipment)

- Expected to launch a backhoe loader end November. Production of the same would be ramped up to ~8,000-9,000 units in a stabilized operation condition. Supply of engines to this JV is in progress.

Ashok Leyland ~ Alteams JV

- JV manufactures high pressure die castings. Will enter into high-end, value-added product supply to the telecom and auto segment. Within autos, it plans on supplying to all auto majors who have put up shop in Tamil Nadu.
- Management expects 60% of volumes to be covered by the auto sector from earlier plan of 40% (telecom being the balance).

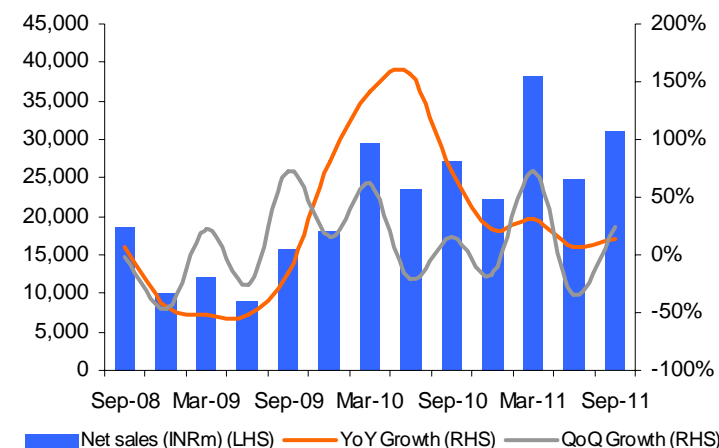
Volumes (in nos)

	2QFY12	2QFY11	YoY (%)	1QFY12	QoQ (%)
MHCV (Passengers)	6,125	6,504	(6)	5,328	15
MHCV (Goods)	17,225	17,926	(4)	13,755	25
LCVs	278	160	74	194	43
Total Volumes	23,628	24,590	(4)	19,277	23
**Total Domestic	20,398	22,240	(8)	16,738	22
**Total Exports	3,230	2,350	37	2,539	27

Source: Company, Antique

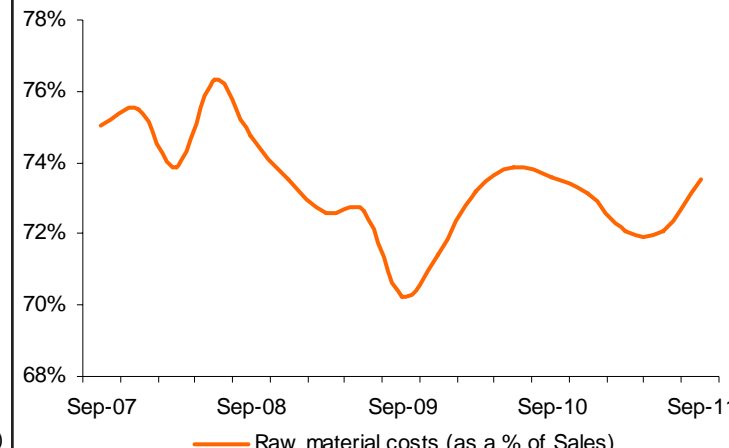
Quarterly trends

Revenues up 14% YoY (24% QoQ) aided by a 19% YoY growth in realisations, offsetting the 4% YoY decline in volumes



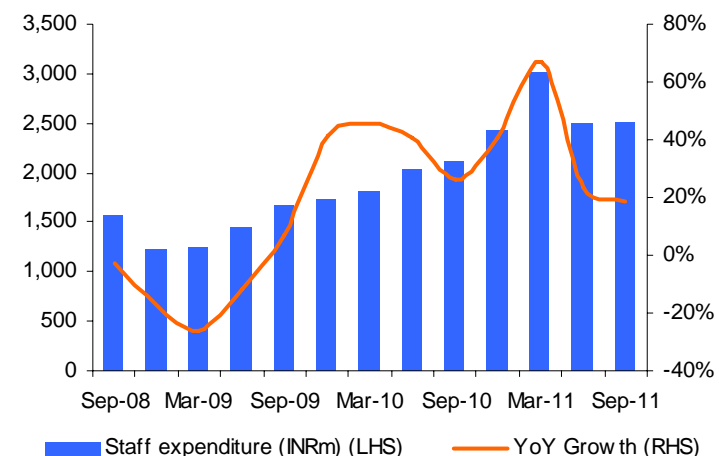
Source: Company, Antique

Raw material pressures persist (RM to sales up 149bps QoQ, flat YoY)



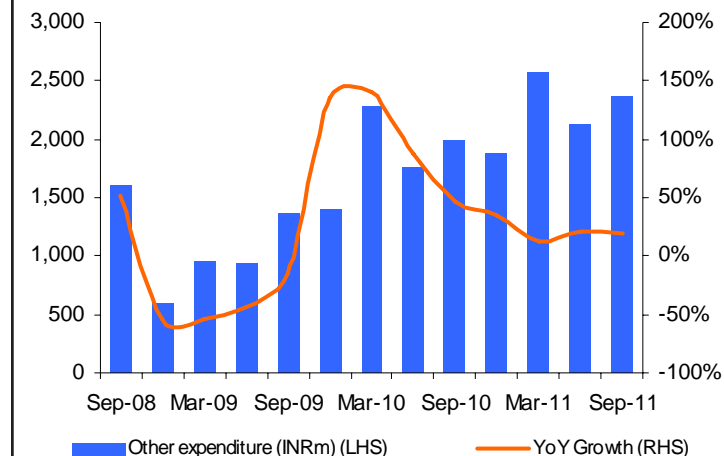
Source: Company, Antique

Staff expenditure (up 19% YoY; flat QoQ)



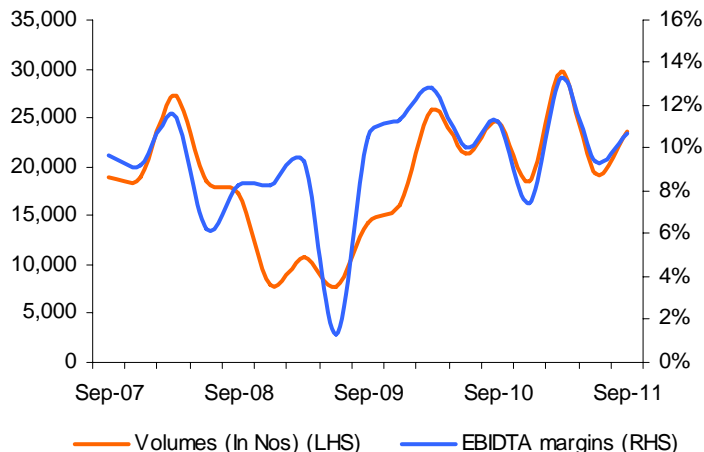
Source: Company, Antique

Other expenditure (up 18% YoY; 11% QoQ) on account of one-time expenses to the tune of INR150m



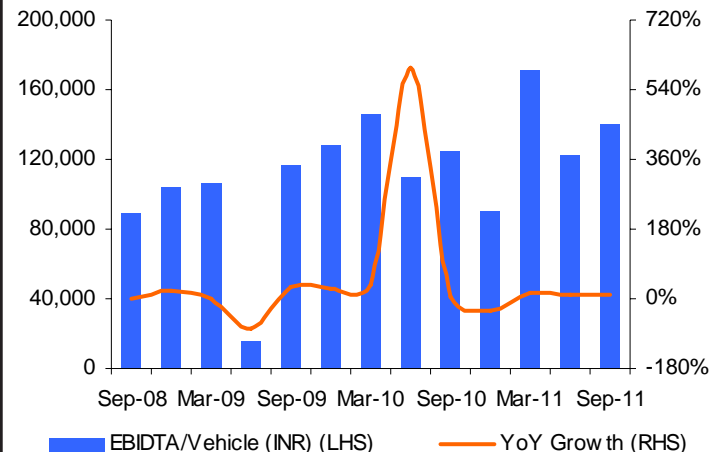
Source: Company, Antique

EBIDTA margins - Very strong co-relation with volumes



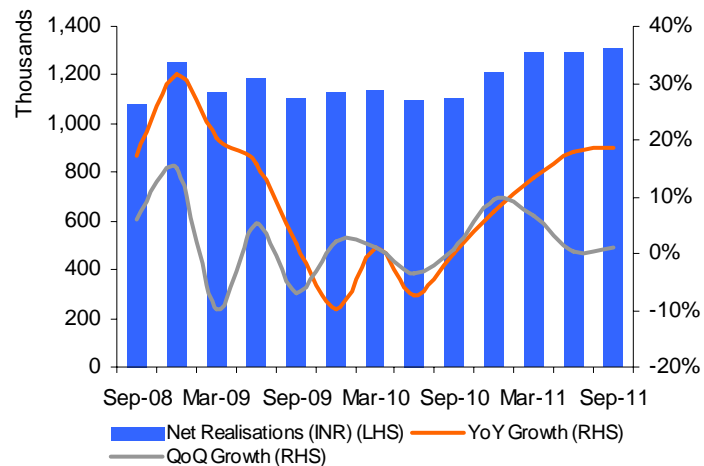
Source: Company, Antique

EBIDTA/vehicle improves as contribution from tax-haven Pantnagar plant increases



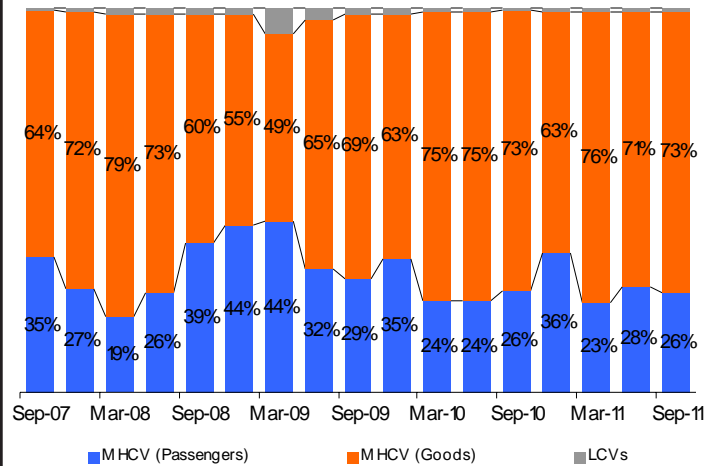
Source: Company, Antique

Steady uptrend in realisations on the back of relentless price hikes and better mix



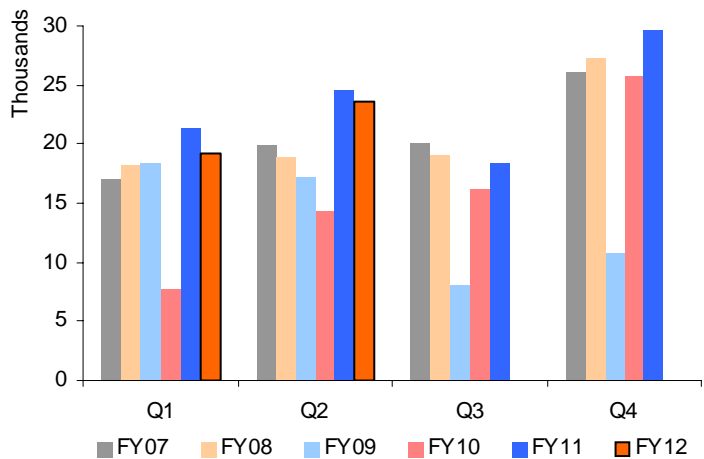
Source: Company, Antique

Quarterly product mix



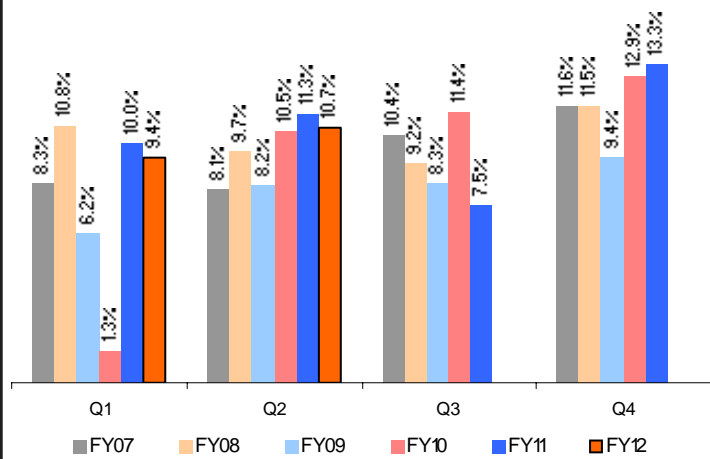
Source: Company, Antique

Quarterly volume trend



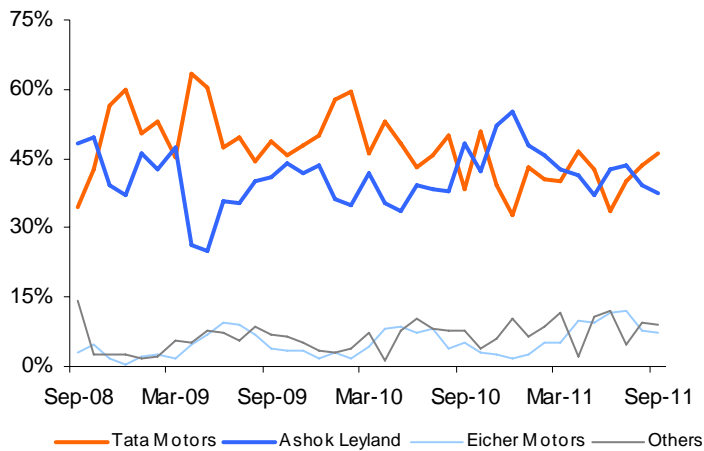
Source: Company, Antique

EBIDTA margin trend



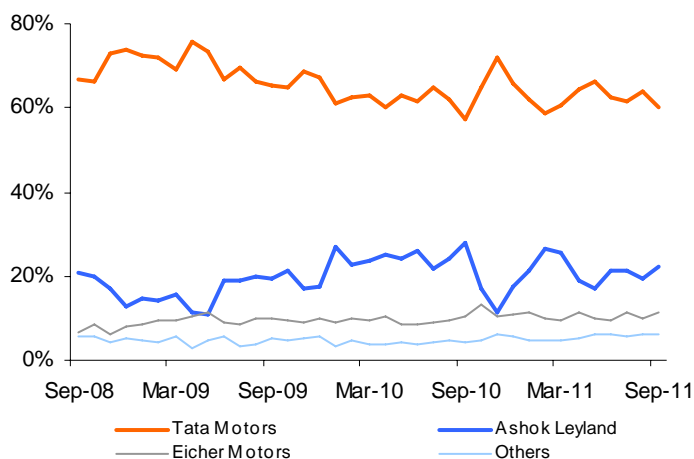
Source: Company, Antique

MHCV passenger carrier - market share



Source: Company, Antique

MHCV goods carrier - market share

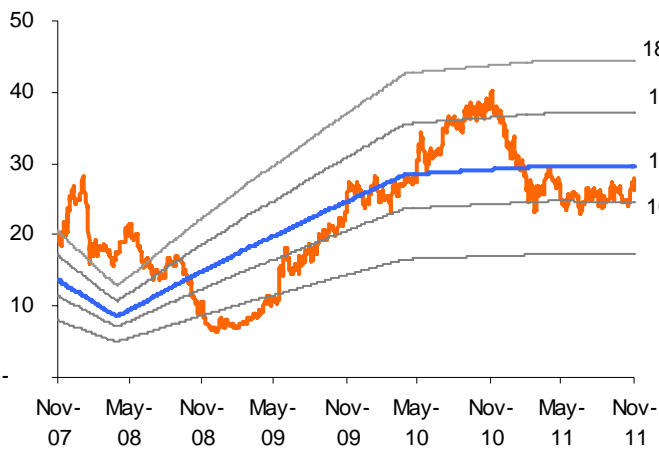


Source: Company, Antique

Too soon to get into heavier CVs... Maintain HOLD!

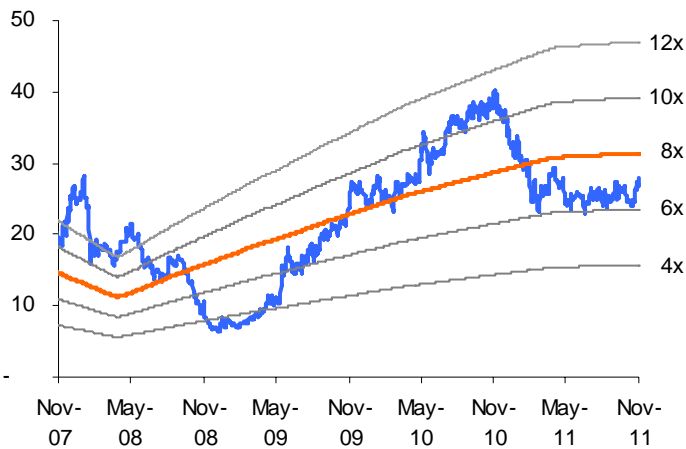
- We remain cautious on the MHCV segment as our channel checks give us less confidence on meaningful capacity additions in the near term. Freight rates haven't moved up commensurately with the recent cost pressures (diesel, driver, maintenance, tyres, etc.) which suggests that transporter profitability seems to be under pressure.
- Hence, while current valuations still provide some comfort (trading at P/E of 9.2x FY13e), we see limited re-rating triggers in the near term. Till the time we see some meaningful relief on the macro side, we maintain our HOLD recommendation with a target price of INR32 (10x FY13e EPS + INR1.5 per share for the company's investment in IndusInd Bank).

1-year-forward P/E band



Source: Antique

1-year-forward cash P/E band



Source: Antique

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Revenues	59,811	72,447	111,177	127,844	144,333
Expenses	55,116	64,819	99,002	114,175	128,458
EBITDA	4,694	7,628	12,176	13,669	15,875
Depreciation & amortisation	1,784	2,041	2,674	3,392	3,560
EBIT	2,910	5,587	9,501	10,277	12,315
Interest expense	1,187	811	1,637	2,389	2,723
Other income	496	704	153	192	211
Extraordinary Items	(135)	(33)	-	95	-
Profit before tax	2,084	5,448	8,018	8,175	9,803
Taxes incl deferred taxation	185	1,211	1,705	1,648	1,765
Profit after tax	1,900	4,237	6,313	6,526	8,038
Adjusted profit after tax	1,900	4,237	6,313	6,526	8,038
EPS (INR)	0.76	1.60	2.37	2.42	3.02

Balance sheet (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Share Capital	1,330	1,330	1,330	2,661	2,661
Reserves & Surplus	33,409	35,357	38,299	41,357	46,574
Networth	34,739	36,688	39,630	44,018	49,235
Debt	19,581	22,039	25,683	32,411	33,253
Capital Employed	54,320	58,726	65,312	76,429	82,487
Gross Fixed Assets	49,533	60,186	66,919	71,919	76,419
Accumulated Depreciation	15,542	17,691	20,581	23,973	27,533
Capital work in progress	9,983	5,615	3,580	3,580	4,080
Net Assets	43,974	48,110	49,918	51,525	52,965
Investments	2,636	3,262	12,300	18,450	20,664
Current Assets, Loans & Advances					
Inventory	13,300	16,382	22,089	25,219	28,471
Debtors	9,580	10,221	11,852	13,310	14,631
Cash & Bank balance	881	5,189	1,795	2,338	2,988
Loans & advances and others	7,895	9,605	7,936	9,126	10,222
Current Liabilities & Provisions					
Liabilities	18,689	25,921	30,379	32,843	35,949
Provisions	2,681	3,687	4,903	5,148	5,663
Net Current Assets	10,287	11,789	8,390	12,002	14,700
Deferred tax (assets)/liabilities	2,634	4,611	5,338	5,613	5,907
Misc. Expenses	58	176	43	65	65
Application of Funds	54,320	58,726	65,312	76,429	82,487

Per share data

Year ended 31st Mar	2009	2010	2011	2012e	2013e
No. of shares (m)	1,330	1,330	1,330	2,661	2,661
BVPS (INR)	13.1	13.8	14.9	16.5	18.5
CEPS (INR)	5.5	9.4	13.5	3.7	4.4
DPS (INR)	1.0	1.5	2.0	0.7	0.9

Margins (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
EBITDA	7.8	10.5	11.0	10.7	11.0
EBIT	4.9	7.7	8.5	8.0	8.5
PAT	3.2	5.8	5.7	5.1	5.6

Source: Company, Antique

Key Assumptions (Volumes - In Nos)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
MHCV (Passengers) - Total	19,981	18,481	25,226	24,685	27,029
MHCV (Goods) - Total	33,071	44,345	68,009	71,583	79,061
LCVs - Total	1,379	1,100	871	1,128	1,409
Exports	6,812	5,979	10,306	12,109	13,969
Total Volumes	54,431	63,926	94,106	97,395	107,500

Growth (%)

MHCV (Passengers) - Total	(10)	(8)	36	(2)	9
MHCV (Goods) - Total	(45)	34	53	5	10
LCVs - Total	68	(20)	(21)	29	25
Exports	(6)	(12)	72	17	15
Total Volumes	(35)	17	47	3	10

Cash flow statement (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
EBIT	2,910	5,587	9,501	10,277	12,315
Depreciation & amortisation	1,784	2,041	2,674	3,392	3,560
Interest expense	1,187	811	1,637	2,389	2,723
(Inc)/Dec in working capital	7,886	(2,806)	(6)	3,069	2,048
Tax paid	60	-	1,112	1,374	1,470
CF from operating activities	(4,439)	9,623	9,433	6,837	9,634
Capital expenditure	24,799	6,285	4,698	5,000	5,000
Inc/(Dec) in investments	(3,463)	626	9,038	6,150	2,214
Income from investments	496	704	153	192	211
CF from investing activities	(20,839)	(6,207)	(13,583)	(10,958)	(7,003)
Inc/(Dec) in share capital	0	-	-	1,330	-
Inc/(Dec) in debt	10,706	2,457	3,644	6,729	841
Others	11,349	(2,288)	(3,371)	(3,468)	(2,821)
CF from financing activities	22,056	169	273	4,591	(1,980)
Net cash flow	(3,633)	4,308	(3,394)	543	650
Opening balance	4,514	881	5,189	1,795	2,338
Closing balance	881	5,189	1,795	2,338	2,988

Growth indicators (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Revenue	(23)	21	53	15	13
EBITDA	(43)	63	60	12	16
PAT	(60)	123	49	3	23
EPS	(58)	110	48	2	25

Valuation (x)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
P/E	36.6	17.4	11.8	11.6	9.3
P/BV	2.1	2.0	1.9	1.7	1.5
EV/EBITDA	11.9	7.1	5.0	7.7	6.6
EV/Sales	0.9	0.7	0.5	0.8	0.7
Dividend Yield (%)	3.6	5.4	7.1	2.5	3.2

Financial ratios

Year ended 31st Mar	2009	2010	2011	2012e	2013e
RoE (%)	5.5	11.5	15.9	14.8	16.3
RoCE (%)	7.7	11.8	15.6	14.4	16.0
Debt/Equity (x)	0.6	0.6	0.6	0.7	0.7
EBIT/Interest (x)	2.5	6.9	5.8	4.3	4.5

Source: Company Antique

Valuation Guide

Company	Reco	CMP	TP	Return	M.Cap	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
		(INR)	(INR)	(%)	(INRbn)	FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12	FY12	FY12	FY12	FY12	1m	12m
AUTOMOBILES																			
Ashok Leyland	HOLD	28	26	(6)	74	6.3	6.7	2.4	2.5	11.7	11.3	8.0	7.6	0.8	5.0	15.1	14.6	11	(29)
Bajaj Auto	BUY	1,745	1,935	11	505	26.2	32.0	90.4	110.7	19.3	15.8	14.8	12.2	7.9	2.9	50.4	67.9	17	8
Bosch	BUY	6,996	7,940	13	220	8.6	11.3	273.5	360.0	25.6	19.4	20.9	16.1	4.4	0.8	22.4	28.5	(1)	10
Exide Industries	SELL	125	102	(19)	107	6.2	4.4	7.3	5.1	17.2	24.5	12.1	17.2	3.5	0.8	14.1	20.8	(5)	(23)
Escorts	HOLD	90	114	26	10	1.0	1.7	10.1	16.3	8.9	5.6	5.3	3.7	0.5	2.3	8.5	10.7	27	(62)
Hero MotoCorp	BUY	2,114	2,672	26	422	19.3	23.5	100.5	117.6	21.0	18.0	19.7	17.0	10.6	4.7	79.1	96.0	8	15
Mahindra & Mahindra	BUY	836	843	1	513	25.4	27.5	40.6	42.0	20.6	19.9	15.4	14.0	4.5	1.3	22.5	28.4	8	8
Maruti Suzuki	BUY	1,122	1,178	5	324	22.9	17.8	79.2	61.7	14.2	18.2	8.5	10.5	2.1	0.5	11.5	19.0	1	(26)
Tata Motors	BUY	188	212	13	556	89.4	89.1	28.0	27.9	6.7	6.7	4.6	4.4	2.2	1.1	32.6	27.5	28	(24)
CEMENT																			
ACC	HOLD	1,224	1,122	(8)	230	11.2	12.8	59.6	68.1	20.5	18.0	14.4	10.9	3.2	2.5	28.0	18.9	11	13
Ambuja Cements	HOLD	161	146	(10)	247	12.6	13.2	8.1	8.6	19.9	18.7	12.6	10.4	3.0	1.7	17.0	22.1	8	6
HeidelbergCement India	BUY	34	51	47	8	0.7	1.2	3.1	5.1	11.0	6.7	8.6	5.0	0.8	-	12.6	25.1	3	(31)
Shree Cements	BUY	1,990	2,101	6	69	2.1	2.6	61.2	75.8	32.5	26.3	8.6	7.1	2.9	0.6	11.7	12.7	6	(13)
Ultratech Cements	BUY	1,150	1,206	5	315	14.4	18.7	52.4	68.2	22.0	16.9	14.2	10.1	2.6	0.5	16.6	18.3	5	3
DIVERSIFIED																			
Aditya Birla Nuvo	BUY	940	1,060	13	107	3.4	3.7	29.9	32.6	31.5	28.8	16.6	15.1	1.9	0.4	6.7	7.7	7	12
FMCG & RETAIL																			
Asian Paints	HOLD	3,226	3,102	(4)	309	8.8	10.3	87.4	102.8	36.9	31.4	23.6	20.4	13.5	1.1	43.0	43.3	5	21
Britannia Industries	HOLD	469	452	(4)	56	1.5	2.2	12.2	18.2	38.6	25.7	27.1	18.3	9.7	1.6	32.2	20.1	2	13
Colgate Palmolive India	SELL	1,078	832	(23)	147	4.0	4.1	29.6	30.5	36.4	35.3	31.6	29.1	33.1	2.1	104.8	108.4	9	21
Dabur India	BUY	100	113	13	174	5.7	6.6	3.3	3.8	30.5	26.3	24.7	20.5	9.6	1.4	40.8	27.3	(2)	0
Godrej Consumer Products	HOLD	424	411	(3)	137	4.7	5.7	14.4	17.7	29.5	23.9	24.2	18.1	6.8	1.5	35.6	38.7	6	(2)
Hindustan Unilever	HOLD	380	443	17	820	21.6	25.7	10.0	11.9	37.9	31.9	34.0	26.8	24.6	2.0	77.1	81.5	16	27
ITC	HOLD	210	218	4	1,636	49.9	62.1	6.4	8.0	32.6	26.2	22.6	18.4	9.1	2.3	31.3	40.5	10	20
Jyothy Laboratories	SELL	132	169	28	11	0.8	0.8	9.5	9.4	13.9	14.0	8.5	8.3	1.6	2.7	11.9	11.1	(12)	(53)
Marico	HOLD	149	144	(3)	92	2.6	2.9	4.2	4.7	35.7	31.5	23.8	20.2	7.9	0.4	28.0	19.8	5	5
Nestle India	SELL	4,497	3,699	(18)	434	8.4	10.4	86.8	108.3	51.8	41.5	34.5	27.6	41.6	1.7	97.8	131.2	7	23
Pantaloon Retail	BUY	193	331	72	42	1.9	2.9	8.7	12.6	22.0	15.3	7.6	6.1	1.3	0.7	8.3	11.0	4	(59)
Titan Industries	BUY	217	248	14	193	4.3	5.6	4.9	6.3	44.4	34.7	33.8	25.9	13.3	0.9	38.3	45.1	10	14
United Breweries	HOLD	402	372	(7)	102	1.9	2.2	7.3	8.5	55.0	47.5	29.9	26.1	1.6	0.2	13.2	10.2	11	(6)
United Spirits	HOLD	836	1,068	28	109	3.7	4.4	30.3	36.0	27.6	23.2	15.2	12.8	2.2	0.2	8.9	9.2	8	(45)
INFRASTRUCTURE																			
IL&FS TransportationNetworks	BUY	203	330	62	39	4.3	4.9	22.3	25.3	9.1	8.0	7.4	7.2	1.6	1.5	19.6	14.0	4	(37)
Mundra Port And SEZ	BUY	165	164	(1)	331	8.2	11.1	3.9	5.4	41.9	30.5	28.8	19.3	6.7	0.5	19.4	14.6	12	2
INFORMATION TECHNOLOGY																			
HCL Technologies	HOLD	439	428	(2)	303	17.1	20.0	24.6	28.6	17.9	15.4	11.6	9.8	3.0	1.8	19.8	27.3	12	7
Infosys Ltd.	BUY	2,826	3,318	17	1,623	68.2	83.5	119.4	146.1	23.7	19.3	16.2	13.0	5.0	1.1	25.0	29.7	16	(8)
Persistent Systems	BUY	313	418	33	13	1.4	1.4	34.7	33.9	9.0	9.3	7.3	5.2	1.5	2.9	15.7	16.1	4	(22)
Tata Consultancy Services	BUY	1,100	1,344	22	2,153	90.7	105.7	29.5	16.5	37.2	66.6	18.6	14.9	7.1	1.5	34.7	43.1	5	3
Wipro	BUY	372	421	13	914	310.5	364.3	21.8	22.1	17.1	16.8	14.0	13.2	3.4	1.9	19.9	18.3	11	(15)
KPIT Cummins	BUY	159	208	31	14	0.9	1.2	11.7	14.1	13.6	11.3	8.6	7.0	2.0	0.6	17.4	18.9	9	2
MEDIA																			
Den Networks	BUY	76	75	(2)	10	0.4	0.3	2.9	2.1	26.5	36.8	8.5	9.2	1.3	-	3.5	5.2	19	(66)
Dish TV India	HOLD	76	80	6	81	(1.9)	(1.3)	(1.8)	(1.2)	(42.5)	(62.5)	37.0	19.1	4.9	-	(7.9)	0.1	1	15
Hathway Cable & Datacom	BUY	121	119	(1)	17	(0.3)	0.0	(2.1)	0.1	(56.4)	1,464.9	13.5	10.8	2.0	-	0.1	3.2	45	(37)
TV 18 Broadcast	BUY	44	74	68	16	(0.2)	0.7	(0.7)	1.9	(60.1)	22.8	45.9	15.0	1.6	-	7.2	6.4	8	(60)
Sun TV Network	BUY	289	454	57	114	7.7	8.0	19.5	20.4	14.8	14.2	6.8	6.5	4.3	3.2	30.5	40.0	31	(45)
UTV Software Communications	HOLD	950	729	(23)	39	1.4	2.0	33.3	49.1	28.5	19.3	26.4	14.6	3.4	-	14.4	1.0	0	58
Zee Entertainment Enterprises	BUY	125	148	18	123	6.4	6.2	6.5	6.3	19.3	19.9	14.4	13.7	3.5	1.5	17.6	23.7	10	(16)

UR: Under Review

Valuation Guide

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
						FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12					FY12	FY12
METALS																			
Graphite India	BUY	72	111	54	14	1.9	2.1	10.3	10.6	7.0	6.8	5.5	5.3	0.8	4.2	13.1	16.0	(3)	(23)
Hindalco Industries	BUY	139	235	69	267	12.8	19.2	12.8	19.2	10.8	7.3	5.4	4.8	1.4	2.1	11.4	10.4	11	(39)
Hindustan Zinc	BUY	123	148	20	521	49.2	48.4	11.6	11.5	10.6	10.7	6.6	5.8	1.9	0.9	18.1	18.1	10	(6)
Jindal Steel & Power	BUY	578	603	4	540	37.5	44.0	47.1	55.4	12.3	10.4	10.7	9.5	2.9	0.3	23.8	14.6	27	(20)
JSW Steel	BUY	712	750	5	159	20.1	10.8	90.1	44.8	7.9	15.9	7.2	7.9	0.9	1.4	5.4	5.5	29	(47)
Monnet Ispat	BUY	435	618	42	28	2.6	3.2	40.9	50.2	10.6	8.7	12.5	10.1	14.5	3.6	17.4	13.2	(11)	(29)
Prakash Industries	BUY	45	107	135	6	2.2	2.1	16.3	15.7	2.8	2.9	2.7	2.9	0.3	-	11.6	12.8	(8)	(69)
Sesa Goa	HOLD	210	205	(2)	182	42.2	22.2	49	25	4.3	8.2	4.2	6.1	1.2	1.5	33.0	15.0	9	(37)
Steel Authority of India	HOLD	111	108	(3)	458	48.8	38.1	11.8	9.2	9.4	12.0	6.4	8.0	1.2	3.0	9.9	8.6	11	(43)
Sterlite Industries	BUY	123	148	21	413	50.4	44.4	15.0	13.2	8.2	9.3	5.1	4.7	0.9	0.9	9.8	11.4	17	(32)
TATA Steel	HOLD	467	423	(10)	448	89.8	79.6	93.7	82.0	5.0	5.7	6.1	6.5	1.0	2.5	17.9	9.0	18	(25)
OIL & GAS																			
Bharat Petroleum Corp.	HOLD	624	607	(3)	226	17.2	12.6	52.4	38.3	11.9	16.3	12.0	12.6	1.4	1.3	12.2	5.4	(7)	(18)
Cairn India	HOLD	306	312	2	583	63.2	72.0	33.3	43.6	9.2	7.0	6.8	4.7	2.5	2.0	17.5	17.7	15	(7)
Essar oil	BUY	86	138	61	117	6.5	8.0	4.8	5.8	17.9	14.7	9.6	10.0	1.6	-	10.8	7.6	16	(46)
GAIL India	HOLD	424	463	9	538	35.6	41.2	28.1	32.5	15.1	13.0	9.9	8.5	2.4	1.8	18.5	21.6	3	(14)
Gujarat State Petronet Limited	BUY	102	134	32	57	5.1	4.5	9.0	8.0	11.3	12.8	7.3	7.7	20.7	7.4	18.7	19.6	(3)	(14)
Hindustan Petroleum Corp.	HOLD	340	356	5	115	15.4	5.7	45.4	17.0	7.5	20.0	11.1	13.3	0.9	1.5	12.3	5.0	(10)	(30)
Indian Oil Company	HOLD	300	314	5	729	74.5	38.7	31.4	16.3	9.6	18.4	10.6	11.7	1.2	1.7	13.5	6.6	(6)	(28)
MRPL	BUY	64	108	68	112	11.6	7.2	6.6	4.1	9.8	15.6	5.2	10.4	7.7	0.8	10.5	9.7	7	(26)
Oil India	BUY	1,307	1,638	25	314	28.9	33.2	120.1	138.2	10.9	9.5	5.2	3.9	1.8	2.9	18.6	21.3	(1)	(10)
Oil & Natural Gas Corp.	BUY	277	342	24	2,368	189.2	222.1	112.3	30.4	2.5	9.1	5.6	5.0	2.1	0.1	19.4	19.2	5	(19)
Petronet LNG	BUY	171	216	26	128	6.2	10.5	8.3	14.0	20.7	12.2	14.1	8.9	3.6	1.5	29.8	21.8	6	40
Reliance Industries	HOLD	880	880	(0)	2,881	192.9	206.1	58.9	62.9	14.9	14.0	9.0	9.0	1.5	0.9	12.0	9.2	14	(20)
PHARMACEUTICALS																			
Aurobindo Pharma	UR	128	UR	NA	37	5.8	5.3	19.9	18.2	6.4	7.1	6.1	6.6	1.4	0.6	16.1	22.9	8	(51)
Cadila Healthcare	UR	763	UR	NA	156	7.1	8.8	33.3	43.0	22.9	17.8	16.0	12.2	5.4	1.0	21.6	35.9	0	6
Claris Lifesciences	UR	122	UR	NA	8	1.5	1.9	24.1	29.2	5.1	4.2	3.7	3.4	0.7	6.0	16.5	21.5	4	-
Dr Reddy's Limited	UR	1,622	UR	NA	275	10.0	11.5	59.0	68.0	27.5	23.8	19.1	14.9	5.6	1.0	20.7	25.8	12	(6)
Indoco Remedies	UR	396	UR	NA	5	0.5	0.6	39.2	50.3	10.1	7.9	7.0	5.0	1.2	2.9	16.4	16.6	2	(19)
Ipca Laboratories	UR	269	UR	NA	34	2.4	3.4	19.2	27.3	14.0	9.8	9.6	6.8	2.3	-	18.5	26.8	14	(21)
Lupin	UR	483	UR	NA	216	8.8	10.9	19.9	24.5	24.3	19.7	17.3	13.7	5.0	0.5	29.1	28.7	4	8
Sun Pharma	UR	513	UR	NA	528	15.5	21.7	15.0	20.9	34.3	24.5	26.9	19.1	4.8	0.5	22.4	21.4	13	14
Ranbaxy Laboratories Limited	UR	504	UR	NA	213	15.9	7.8	35.5	18.4	14.2	27.4	7.5	15.2	3.4	0.4	9.6	13.0	(2)	(17)
REAL ESTATE																			
D B Realty	UR	71	UR	NA	17	3.8	4.8	15.6	19.6	4.5	3.6	4.0	3.0	0.4	-	12.2	16.4	45	(83)
DLF	UR	248	UR	NA	420	16.4	14.9	9.7	8.8	25.6	28.2	17.2	16.6	1.5	0.8	5.5	6.2	23	(30)
HDIL	UR	101	UR	NA	42	8.3	8.8	19.9	19.9	5.1	5.1	7.5	6.1	0.4	-	8.1	7.9	12	(61)
Indiabulls Real Estate	UR	77	UR	NA	31	1.6	2.8	4.0	6.5	19.4	11.9	19.3	9.8	0.3	-	1.6	2.0	10	(61)
Phoenix Mills	UR	202	UR	NA	29	0.9	1.1	6.5	7.9	31.1	25.7	27.7	18.5	1.6	0.6	5.6	3.6	(4)	(17)
Sobha Developers	UR	242	UR	NA	24	1.9	2.3	19.5	23.0	12.4	10.5	10.4	9.0	1.2	1.2	10.9	9.5	17	(34)
Unitech	UR	29	UR	NA	75	5.7	6.4	2.2	2.4	13.3	11.8	14.0	11.7	0.6	-	4.9	5.1	14	(68)
SHIPPING AND LOGISTICS																			
Container Corp. of India	HOLD	968	1,161	20	126	8.3	9.3	63.9	71.9	15.2	13.5	10.0	9.2	2.2	1.9	16.4	21.9	3	(27)
Essar Ports Ltd	BUY	85	120	42	35	0.5	1.4	1.1	3.2	75.5	26.7	15.7	11.0	1.5	-	5.7	7.4	56	(50)
Great Eastern Shipping Co	BUY	231	329	42	35	4.2	4.8	27.8	31.7	8.3	7.3	8.8	8.3	0.5	3.5	7.5	6.5	1	(37)
Great Offshore	BUY	130	315	142	5	0.6	0.9	17.4	24.8	7.5	5.3	8.6	7.2	0.4	3.1	7.5	6.1	13	(66)
Mercator Lines	BUY	26	48	81	6	1.0	1.3	3.8	4.8	7.0	5.5	5.1	5.4	0.4	3.8	5.6	5.6	19	(64)
SUGAR																			
Balrampur Chini Mills	BUY	54	70	31	13	1.7	0.7	6.4	3.0	8.4	18.0	6.4	10.3	1.0	1.9	5.7	6.3	20	(39)
Shree Renuka Sugars	BUY	57	83	47	38	7.0	3.2	10.5	4.8	5.4	5.4	8.3	6.5	1.5	1.8	12.9	12.6	6	(41)
Triveni Engineering & Ind	BUY	23	49	114	6	2.0	2.6	7.6	9.9	3.0	2.3	3.0	2.0	0.4	6.3	18.6	23.6	9	(82)

UR: Under Review

Valuation Guide

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x) FY12	Div Yld (%) FY12	RoE (%) FY12	RoCE (%) FY12	Absolute (%)	
						FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12					1m	12m
UTILITIES & INDUSTRIALS																			
ABB	SELL	677	533	(21)	144	2.2	3.6	10.4	17.0	65.4	39.8	168.5	26.4	5.1	0.0	12.8	16.5	(0)	(21)
Adani Power	UR	86	UR	NA	187	10.6	21.8	4.9	10.0	17.6	8.6	23.2	10.5	2.0	-	22.8	8.7	5	(39)
BGR	BUY	342	618	81	25	3.2	3.7	44.9	51.5	7.6	6.6	4.9	5.8	2.0	3.3	34.1	19.9	13	(58)
Bharat Heavy Electricals	BUY	334	358	7	818	54.8	63.1	22.4	25.8	14.9	13.0	9.7	7.8	3.3	2.1	25.8	32.8	4	(34)
CESC	BUY	278	391	41	35	2.5	3.0	20.1	23.9	13.9	11.7	12.1	13.5	0.7	2.1	8.6	3.1	3	(28)
Coal India	BUY	326	467	43	2,061	109.3	155.3	17.3	24.6	18.9	13.3	12.0	7.8	4.6	0.3	34.7	36.0	2	(5)
Lanco Infrastructure	BUY	16	35	114	39	4.5	6.0	1.9	2.5	8.7	6.5	15.0	9.2	0.9	-	13.3	7.8	8	(74)
Larsen & Toubro	BUY	1,394	1,643	18	852	44.6	49.7	73.2	81.6	19.0	17.1	14.9	13.2	2.9	1.2	17.2	11.4	4	(36)
McNally Bharat Eng. Ltd.	BUY	120	202	69	4	0.6	0.8	20.4	25.3	5.9	4.7	4.9	4.4	1.0	1.7	20.8	16.6	5	(52)
NTPC	BUY	179	203	13	1,479	93.7	97.8	11.4	11.9	15.8	15.1	11.8	10.9	2.0	2.6	13.3	10.8	9	(8)
Power Grid	BUY	104	124	19	481	23.9	29.1	5.2	6.3	20.1	16.5	12.2	10.8	2.0	1.5	12.3	8.1	8	2
PTC India	BUY	73	96	32	21	1.4	1.3	4.7	4.4	15.3	16.7	10.4	10.9	0.9	2.1	7.6	5.3	7	(49)
Reliance Infrastructure	BUY	457	1,065	133	122	15.0	16.0	65.6	70.2	7.0	6.5	12.9	12.4	0.4	5.3	6.4	2.0	21	(56)
Siemens	SELL	862	818	(5)	293	9.8	11.0	29.1	32.7	29.7	26.3	21.0	19.0	23.1	0.8	21.8	30.8	4	3
Suzlon Energy	BUY	37	70	90	65	(5.5)	4.9	(3.0)	2.6	(12.4)	14.1	23.1	8.2	1.1	1.2	7.5	7.4	4	(36)
Tata Power	SELL	103	92	(11)	245	20.6	19.0	86.8	77.1	1.2	1.3	10.2	8.0	0.2	12.7	12.9	4.3	7	(26)
Tecpro Systems	BUY	222	379	71	11	1.3	1.7	7.0	30.0	31.8	31.8	2.5	1.7	1.7	1.9	21.3	21.9	2	(47)

MISCELLANEOUS

Amtek Auto	HOLD	126	NA	NA	29	1.6	4.0	6.9	17.2	18.4	7.3	6.1	5.0	0.5	1.6	7.4	8.9	12	(22)
Bajaj Electricals Ltd.	BUY	194	268	38	19	1.4	1.5	14.5	15.6	13.4	12.4	7.8	7.4	2.6	1.5	23.0	33.5	9	(32)
Cummins India Ltd.	BUY	376	474	26	104	6.3	6.4	22.9	23.1	16.4	16.3	15.6	14.2	4.5	2.1	27.6	29.2	(6)	(34)
Gayatri Projects	BUY	145	494	240	2	0.7	0.9	47.9	64.6	3.0	2.2	2.8	2.4	0.4	3.1	19.4	20.7	5	(62)
Havell's India	BUY	419	520	24	52	3.0	3.8	24.3	30.2	17.2	13.9	11.1	8.6	5.3	0.7	57.6	30.1	21	2
Maharashtra Seamless	BUY	335	436	30	24	3.4	3.5	48.6	49.5	6.9	6.8	5.7	4.1	0.8	1.8	14.2	21.5	(3)	(20)
Mahindra Holidays	BUY	330	481	46	28	1.0	1.4	12.5	16.4	26.5	20.1	21.5	13.9	4.7	1.5	25.0	13.5	4	(17)
McLeod Russel Ltd.	BUY	243	319	31	27	2.3	2.7	21.2	24.2	11.5	10.0	10.2	7.6	1.5	2.1	16.3	18.7	7	6
Nava Bharat Ventures	BUY	182	245	35	16	3.1	1.4	33.9	15.9	5.4	11.4	4.9	7.3	0.9	1.5	7.5	6.2	1	(49)
Opto Circuits	BUY	248	314	27	46	3.7	4.9	19.7	26.2	12.6	9.5	11.9	7.8	2.6	1.8	31.1	24.9	14	(18)
Rainbow Papers	HOLD	64	60	(7)	6	0.4	0.6	4.1	6.2	15.6	10.4	10.3	6.3	1.7	0.8	14.7	9.5	(1)	2
REI Agro Ltd	BUY	22	34	55	21	2.7	4.6	2.8	4.8	7.9	4.6	6.1	5.0	0.8	1.8	16.5	13.3	(9)	(21)
S Kumars Nationwide	BUY	39	89	128	11	2.8	3.8	9.5	12.7	4.1	3.1	4.3	3.6	0.4	-	15.5	14.9	0	(52)
Spice Jet	BUY	25	41	67	10	1.0	0.4	2.6	0.9	9.6	28.1	1.6	2.7	2.7	-	9.8	(1.3)	17	(72)
Sterlite Technologies	HOLD	40	39	(3)	16	1.4	1.0	3.8	2.7	10.7	15.0	7.8	7.6	0.5	1.2	9.0	13.3	14	(52)
V-Guard Industries Ltd.	HOLD	205	214	4	6	0.4	0.4	14.3	14.8	14.4	13.9	10.3	9.0	3.0	1.5	23.4	22.7	(0)	4
West Coast Paper Mills	BUY	69	104	51	4	0.9	1.2	14.4	18.4	4.8	3.8	6.8	4.9	0.6	2.9	14.2	7.7	4	(31)

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		NNPA Ratio (%)		P/AdjBV (x) FY11	Div Yld (%) FY12	RoE (%) FY12	RoA (%) FY12	Absolute (%)	
						FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12					1m	12m

FINANCIALS

Axis Bank	BUY	1,129	1,580	40	465	34	40	83	98	13.7	11.5	0.3	0.4	2.5	1.4	19.6	1.5	18	(27)
Bajaj Auto Finance	BUY	712	945	33	26	2	3	67	78	16.7	9.1	1.8	1.8	1.9	1.4	19.4	2.7	12	(12)
HDFC	HOLD	684	714	4	1007	35	40	24	27	28.4	24.9	0.4	0.4	5.9	1.3	21.8	2.8	10	(8)
HDFC Bank	HOLD	483	515	7	1129	39	52	17	22	28.4	21.8	0.2	0.3	4.5	0.8	18.8	1.7	8	1
ICICI Bank	BUY	884	1,320	49	1019	52	66	45	57	19.8	15.4	1.1	1.4	1.9	1.8	11.0	1.5	10	(30)
LIC Housing Finance	HOLD	239	238	(0)	113	10	11	21	24	11.7	10.2	0.0	0.1	2.8	1.6	24.3	1.9	11	(13)
Punjab National Bank	BUY	979	1,340	37	310	44	50	140	158	7.0	6.2	0.8	0.6	1.7	0.3	21.2	1.2	6	(29)
Shriram Transprt finance	BUY	605	778	29	137	12	15	54	65	11.1	9.4	0.0	0.0	2.8	0.5	26.4	4.1	(2)	(32)
State Bank Of India	BUY	1,966	2,764	41	1249	83	115	130	164	15.1	12.0	1.4	1.3	2.4	1.5	14.5	0.9	10	(43)
YES Bank	HOLD	317	330	4	111	7	9	21	25	15.1	12.9	0.0	0.0	2.9	0.9	20.5	1.3	26	(15)
Bank of Baroda	BUY	815	1,063	30	319	42	45	108	114	7.5	7.1	0.3	0.6	1.7	2.4	19.7	1.2	11	(22)
Union Bank of India	BUY	227	321	41	119	21	24	40	46	5.7	4.9	1.2	1.6	1.3	3.5	20.2	1.0	(2)	(41)
Rural Electrification Corp.	BUY	196	220	12	193	26	30	24	30	8.1	6.5	0.0	0.0	1.5	3.1	21.5	3.0	25	(47)
Power Finance Corp.	BUY	164	200	22	217	27	30	23	23	7.1	7.2	-	-	1.2	3.0	16.7	2.6	21	(56)
Bank of India	BUY	342	452	32	187	25	28	45	51	7.5	6.6	2.3	2.5	1.3	2.4	15.3	0.7	12	(33)

UR: Under Review

Events Calendar

November 2011

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sun
7 Nov	8 Nov	9 Nov	10 Nov	11 Nov	12 Nov	13Nov
Prakash Industries United Spirits	ABB Opto Circuits Bosch Bank of India Monnet Ispat	Power Finance Corp Indian Oil Corp CESC Oil India	Hindalco Industries Tata Steel Britannia Ind Cummins India Shree Cements	UTV Software Comm Lanco Infra Mundra Port & SEZ Adani Power REI Agro	Coal India Rural Electrification Co	LICHF
14 Nov	15 Nov	16 Nov	17 Nov	18 Nov	19 Nov	20Nov
Mahindra & Mahindra Tata Motors BGR Energy Gujarat State Petronet	Tata Power Company					
21 Nov	22 Nov	23 Nov	24 Nov	25 Nov	26 Nov	27Nov
28 Nov	29 Nov	30 Nov				

Important Disclaimer:

This report is prepared and published on behalf of the research team of Antique Stock Broking Limited (ASBL). ASBL, its holding company and associate companies are a full service, integrated investment banking, investment advisory and brokerage group. Our research analysts and sales persons provide important inputs for our investment banking and allied activities. We have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time without any notice. ASBL or any persons connected with it do not solicit any action based on this report and do not accept any liability arising from the use of this document. The recipients of this material should rely on their own judgment and take their own professional advice before acting on this information. The research reports are for private circulation and are not to be construed as, an offer to sell or solicitation of an offer to buy any securities. Unless otherwise noted, all research reports provide information of a general nature and do not address the circumstances of any particular investor. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. ASBL its holding company and associate companies or any of its connected persons including its directors or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained, views and opinions expressed in this publication. ASBL its holding company and associate companies, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as advisor or lender/borrower to such company(ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. ASBL, its holding company and associate companies, directors, officers or employees may, from time to time, deal in the securities mentioned herein, as principal or agent. ASBL its holding company and associate companies may have acted as an Investment Advisor or Merchant Banker for some of the companies (or its connected persons) mentioned in this report. The research reports and all the information opinions and conclusions contained in them are proprietary information of ASBL and the same may not be reproduced or distributed in whole or in part without express consent of ASBL. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Analyst ownership in stock

No



Antique Stock Broking Limited

Nirmal, 2nd Floor, Nariman Point, Mumbai 400 021.
Tel. : +91 22 4031 3444 • Fax : +91 22 4031 3445
www.antiquelimited.com