



Angel Broking™

Service Truly Personalized

Market Strategy

November 2011



Inflation

taking its toll



Research Team

Top Picks

Company	CMP (₹)	TP (₹)
Large Cap		
Ashok Leyland	26	32
Axis Bank	1,008	1,383
ICICI Bank	791	1,092
Larsen & Toubro	1,289	1,714
Lupin	463	593
Mahindra Satyam	70	81
Mphasis	315	382
Reliance Industries	863	1,060
Tata Steel	402	510
United Phosphorus	137	180
Mid Cap		
Jagran Prakashan	109	137
Relaxo	303	420
Siyaram Silk Mills	284	426
Taj GVK	86	121
Tata Sponge	310	382

Note: Investment period - 12 Months
 BSE Sensex (16,883) and Price as on November 15, 2011

Angel Portfolio

Sector	Weight (%)	Stocks
Auto & Ancillaries	6.0	Ashok Leyland, MRF
Banking	29.0	ICICI Bank, Axis Bank, SBI, HDFC Bank
Cap Goods & Infra	9.0	L&T, LMW
FMCG	3.0	ITC
Media	3.0	Jagran Prakashan
Metals	9.0	Tata Steel, Hindalco, Tata Sponge
Oil & Gas	12.0	Reliance Industries
Pharma & Agrichem	8.0	United Phosphorus, Lupin
Software	12.0	Infosys, TCS, Mphasis
Others	9.0	Relaxo, Taj GVK, Siyaram Silk

Inflation taking its toll
Sensex revenue growth remains healthy at 20%+ ; margins drag bottom-line growth:

For 2QFY2012, on a yoy basis, the top line of Sensex companies continued to show healthy (23%) growth, aided by persistence of higher inflation and strong 33% yoy growth in sales of oil and gas companies. Growth in EBITDA and bottom line was lower due to a ~120bp compression each in operating and profit margin. EBITDA growth stood at 16% yoy (ex-ONGC 14%), while PAT growth stood at 15% yoy (ex-ONGC 8%). Adjusting for forex gains/losses, growth on the adjusted PBT level, ex-ONGC, stood moderate at 9% yoy. Overall, quality of earnings was not up to the mark, as higher profits of ONGC (partly driven by the non-core factor of low subsidy-sharing assumption) largely offsetted the lower-than-expected earnings of metals and mining, power and telecom companies.

In our view, the compression in margins over the past few quarters reflects the resource constraints faced by India Inc. both from higher commodity prices and government policy paralysis. Resource constraints have translated into higher inflation, which has dented the EBITDA margin in the form of higher raw-material costs. Also, higher inflation has led to higher interest rates, which have affected the bottom line.

On a sectoral basis performance of banking and FMCG sectors was steady. Earnings growth for banking sector was aided by sequential expansion in NIM for almost all banks, which offsetted asset-quality pressures (especially faced by the public sector banks). Earnings trajectory for FMCG sector continued to be healthy on the back of steady top line growth and cost rationalisation undertaken by the companies. On the flip side, results of metal companies disappointed by reporting a 34% yoy decline in profits. Realizations of metal companies remained strong, but profitability was hampered as they could not fully pass on raw-material cost pressures. Other disappointments from the results season included Maruti Suzuki from the auto pack and Bharti Airtel from the telecom sector.

Sensex earnings growth likely to moderate to ~10% levels in FY2012, expect

revival in FY2013: We expect Sensex EPS growth to moderate to ~10% levels in FY2012, as the impact of higher raw-material costs as well as high interest rates affects the profitability of corporates. We have cut our Sensex EPS estimates by ~2% each for FY2012 and FY2013 during the current results season. However, the overhang on FY2013 earnings has reduced, with the RBI hinting at the peaking of interest rates in the current rate cycle at the current levels and moderating commodity prices on the back of slower global growth prospects. Overall, we expect Sensex companies to deliver a 13.6% earnings CAGR over FY2011-13E to ₹1,308. A fair multiple of 14x FY2013E EPS yields a Sensex target of 18,300, implying a moderate ~9% upside from current levels over the next 6-9 months.

Sovereign debt crisis - No quick fix seen:

Recent events such as the late October meeting of Eurozone political leaders indicated the urge to avert a catastrophic event, but the path to a sustainable solution remains challenging and could continue to lead to volatility in the near term. In our view, the long-term choice confronting Eurozone countries is likely to be in the form of either forming of a fiscal union or disintegration of Euro in an orderly manner and subsequent currency devaluation-led export growth driving the economic recovery, highlighting the complexity of the challenges facing the Eurozone countries.

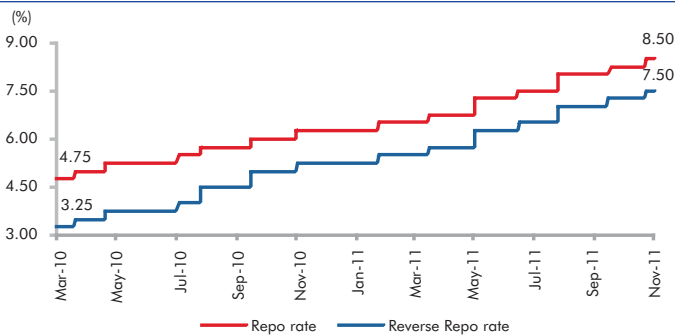
Macro outlook

Indication of peaking of interest rates

The Reserve Bank of India (RBI) in its 2QFY2012 monetary policy review turned less hawkish and indicated that the likelihood of further policy rate hike the upcoming policy review was lower. The RBI, since March 2010, has steadfastly stuck to its anti-inflationary stance and has raised the key policy rates on 13 occasions (resulting in a sharp 525bp increase in the effective policy rate). The change of stance by the Central Bank and suggestion of a possible peak at the current levels, in our view, augur well for India, Inc., as interest rates have shot up sharply over the past 18 odd months and interest costs have already begun to dent the margins and overall profitability of corporates. Even the cost of overseas borrowing has increased considerably in the aftermath of the ongoing sovereign debt crisis in the Eurozone and risk-aversion among global investors.

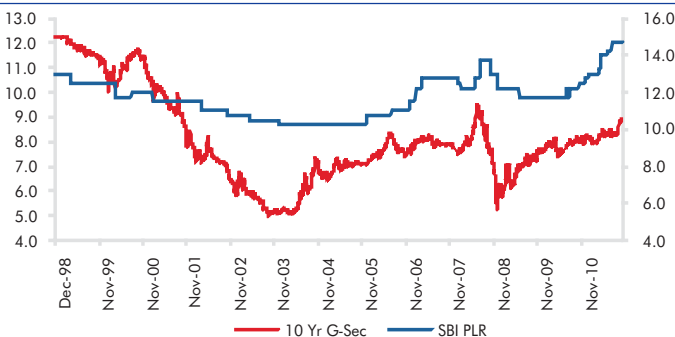
Although we do not expect the RBI to cut key policy rates in the short term unless the global macro scenario deteriorates further, even the end of the prolonged tightening stance should, at least marginally, improve the outlook for GDP growth in FY2013.

Exhibit 1: Prolonged tightening cycle



Source: RBI, Angel Research

Exhibit 2: 10-year G-Sec yield and SBI's PLR at multi-year highs



Source: Bloomberg, Angel Research

Inflation likely to moderate but remain above the comfort zone

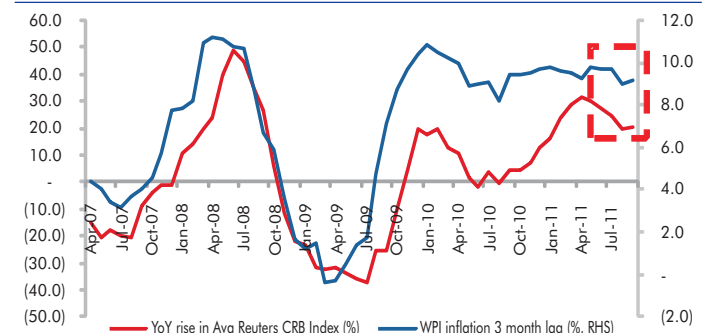
In our view, the signaling of the peaking of policy rates removes a key overhang on the outlook for FY2013 Sensex earnings, provided incrementally inflationary pressures do not re-emerge. The likelihood of the latter happening looks slightly lower, considering the moderating trend in commodity prices (Reuters CRB Index down by 6% on a qoq average basis). Trends in the Reuters CRB Index suggest moderation in headline WPI inflation from December 2011.

Over the past five years, there has been ~88% positive correlation between the yoy change in the monthly average of the Reuters CRB Index and headline WPI inflation numbers with a three-month lag. The yoy rise in Reuters CRB Index has slowed from 32.0% in June 2011 (which has reflected in WPI inflation numbers for September 2011) to just 4.6% during November 2011 (expected to reflect in domestic inflation numbers from February 2012). Even after factoring in the impact of the recent sharp depreciation of INR vis-à-vis the USD, we expect WPI inflation to moderate to 8.5% by February 2012.

Also, the impact of the previous monetary tightening is yet to flow through fully, in our view. Hence, we expect headline inflation to start moderating from December 2011, provided commodity prices do not resume their uptrend on hopes of further stimulus measures and consequent expectations of liquidity flows.

The RBI's aggressive tightening stance has been based primarily on the stickiness of headline WPI inflation numbers, well above the comfortable range. Going forward, we expect headline inflation to trend downwards on expectations of cooling global commodity prices due to slower global growth prospects and consequent lower demand. Hence, the likelihood of further policy rate hikes appears limited as of now. Having said that, we do not expect the RBI to cut policy rates unless the inflation trajectory settles down in the comfort range or domestic growth dips sharply.

Exhibit 3: Moderating commodity prices to ease inflation



Source: MOSPI, Bloomberg, Angel Research; Note: WPI inflation forecast figures from November 2011 based on historical correlation with exchange rate-adjusted Reuters CRB Index

Sovereign debt crisis - No quick fix seen

Sovereign debt crisis concerns amongst Eurozone countries have been persisting for more than a year now and have recently gotten worse. The muted to negative GDP growth in these countries has made matters more severe. One of the key reasons for the persistence of these issues has been the inability of political leaders to come together and agree on a common strategy for resolution.

Recent events such as the late October meeting of Eurozone political leaders indicated the urge to avert a catastrophic event, but the path to a sustainable solution remains challenging and could continue to lead to volatility in the near term. The basic problem with PIIGS countries is that so many of them, including not just Greece but even the likes of Spain, have unemployment rate as high as 15-16%. Now, one way to create employment is by public spending, but with the ECB still hesitant to outright print money, the actual firepower of its bailout fund is not as high as is required to fund the fiscal deficits of troubled countries. The stronger countries are still not able to reconcile their own citizens to a bailout, without imposing fiscal restrictions on the likes of Greece and Italy. But such kind of conditional bailout is not tenable, like was seen during the IMF bailout at the time of the Asian crisis.

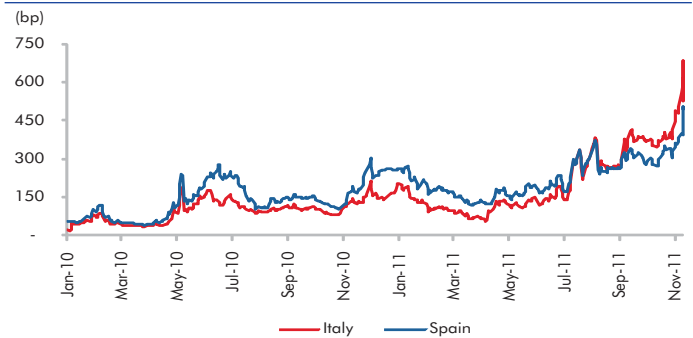
So, the only solution that remains if the Euro countries are not able to hammer out some kind of a fiscal union is to disintegrate the Euro in an orderly fashion. Then the weaker PIIGS countries will be able to float their own currencies, which would be much cheaper than the Euro. On the strength of their undervalued currencies, they will eventually find a way out of their economic woes through export growth. Naturally, in the short term, such an exercise as Euro break-up is hugely complicated and involves a huge risk of volatility.

Italy - Latest in the line of fire, though fundamentals appear stronger than other PIIGS countries

Apart from Greece, even Italy has come under intense pressure arising from its sovereign debt issues. Yields on the 10-year Italian bonds recently topped the 7% level, a level widely deemed to be unsustainable. An increase in the cost of using the country's bonds to raise funds offsets hopes for more reforms in Italy. The rise at the shorter end has been even sharper, suggesting the reducing investor confidence in the world's third-biggest sovereign bond market. Greece, Portugal and Ireland were forced to seek financial aid after yields on their bonds exceeded the 7% mark. Italy's public debt to GDP stood at the second highest level at ~120%, next only to Greece's 142%, amongst Eurozone countries.

Having said that, the fact remains that economies of Italy and Spain are substantially larger and stronger than other PIIGS countries and issues ailing them are neither multiple nor as onerous. Saving rate in Italy is reasonably high at 16.7% as compared to 4.1% for Greece and 8.9% for Portugal. Even fiscal deficit as a percentage of GDP is nearly half the levels of Greece and Portugal. So, an immediate default can be avoided, provided confidence is restored and lower cost funding is provided to PIIG countries. Then, the admittedly gradual process of rectifying the other imbalances can be undertaken in these nations

Exhibit 4: Sovereign yield spreads over Germany



Source: Bloomberg, Angel Research; Note: Spread over German Bunds

Exhibit 5: Global macro snapshot

Country	GDP USD bn	Savings rate (%)	Fiscal deficit (%)	Public Debt (%)	Current a/c (%)	Inv. rate (%)
Germany	3,316	22.8	(3.3)	80.0	5.3	17.5
France	2,583	17.3	(7.7)	84.3	(2.1)	19.3
Italy	2,055	16.7	(4.6)	119.0	(3.5)	20.2
Spain	1,410	18.5	(9.2)	60.1	(4.5)	23.0
Netherlands	783	25.4	(5.2)	63.7	7.1	18.3
Belgium	466	20.2	(4.6)	97.1	1.2	19.0
Austria	377	25.1	(4.1)	69.9	3.2	22.0
Greece	305	4.1	(9.6)	142.0	(10.4)	14.6
Finland	239	21.9	(2.8)	48.4	3.1	18.7
Portugal	229	8.9	(7.3)	83.3	(9.9)	18.8
Ireland	204	10.1	(32.2)	96.1	(0.7)	10.8
Slovak Rep.	87	20.2	(8.2)	42.0	(3.4)	23.7
Luxembourg	55	25.1	(1.7)	16.6	7.7	17.3
Slovenia	48	22.2	(5.2)	37.2	(1.2)	23.4
Cyprus	23	11.4	(5.4)	61.7	(7.0)	18.4
Malta	8	15.7	(3.8)	67.0	(0.6)	16.4
Euro Rgn.	12,189	19.2	(6.1)	85.0	0.1	19.1
PIIGS	4,204	15.6	(8.0)	97.9	(4.5)	20.2
PIG	739	7.2	(15.1)	111.1	(7.6)	14.8
US	14,527	12.5	(10.3)	94.4	(3.2)	15.7
UK	2,250	11.8	(10.2)	75.5	(3.2)	15.0
Japan	5,459	23.8	(9.2)	220.0	3.6	20.2

Source: IMF, Angel Research

2QFY2012 Sensex earnings - A mixed bag

Revenue growth remains healthy at 20%+; margins drag bottom-line growth:

On a yoy basis, the top line of Sensex companies continued to show healthy (23%) growth, primarily driven by strong 33% yoy growth in sales of oil and gas companies. EBITDA and bottom-line growth was lower due to a ~133bp yoy and ~110bp yoy compression in operating and profit margin, respectively. EBITDA growth stood at 16% yoy (ex-ONGC 14%), while PAT growth was at 14.8% yoy (ex-ONGC

just 7.8%). Adjusting for forex gains/losses, growth on the adjusted PBT level was reasonable at 16% yoy; however ex-ONGC, growth stood moderate at 9% yoy.

In our view, the compression in margins over the past few quarters reflects the resource constraints faced by India, Inc. both from higher commodity prices and government policy paralysis. Resource constraints have translated into higher inflation, which has dented the EBITDA margin in the form of higher raw-material costs. Also, higher inflation has led to higher interest rates, which have affected the bottom line.

Exhibit 6: Sensex earnings on a yoy basis

Company	Net Sales (₹ cr)			Operating Profit (₹ cr)			Adj. Net Profit (₹ cr)		
	2QFY2012	2QFY2011	Var. (%)	2QFY2012	2QFY2011	Var. (%)	2QFY2012	2QFY2011	Var. (%)
Auto	61,614	51,513	19.6	7,641	7,362	3.8	4,751	4,640	2.4
Construction	3,132	3,071	2.0	748	759	(1.4)	129	116	11.4
Engineering	21,791	17,822	22.3	3,133	2,638	18.8	2,150	1,792	19.9
Finance	23,722	20,642	14.9	13,309	11,525	15.5	6,484	5,457	18.8
FMCG	11,496	9,742	18.0	2,846	2,352	21.0	2,159	1,772	21.8
IT	28,827	23,964	20.3	7,636	6,693	14.1	5,645	5,148	9.7
Metals	53,559	43,556	23.0	7,605	7,350	3.5	2,856	4,297	(33.5)
Mining	13,148	11,668	12.7	2,750	1,859	47.9	2,588	1,494	73.2
Oil & Gas	101,185	75,909	33.3	24,313	20,718	17.4	14,345	10,312	39.1
Pharma	3,626	2,950	22.9	1,041	798	30.5	906	767	18.2
Power	21,626	18,148	19.2	4,624	3,246	42.4	2,823	2,602	8.5
Real Estate	2,532	2,369	6.9	1,173	929	26.3	368	412	(10.6)
Telecom	17,276	15,215	13.5	5,815	5,121	13.5	1,266	1,661	(23.8)
Sensex	363,534	296,570	22.6	82,635	71,350	15.8	46,468	40,471	14.8
Ex-ONGC	340,918	278,140	22.6	68,166	60,028	13.6	37,826	35,082	7.8

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

Exhibit 7: Sensex - PBT growth adjusted for forex gains/losses

Sector	Reported PBT (₹ cr)			Adjusted PBT (₹ cr)		
	2QFY12	2QFY11	Chg. (%)	2QFY12	2QFY11	Chg. (%)
Auto	5,376	5,954	(9.7)	5,943	5,826	2.0
Construction	223	290	(23.1)	223	290	(23.1)
Engineering	3,150	2,798	12.6	3,250	2,918	11.4
Finance	9,221	7,793	18.3	9,221	7,793	18.3
FMCG	3,062	2,498	22.6	3,018	2,458	22.8
IT	7,506	6,539	14.8	7,506	6,539	14.8
Metals	4,632	5,763	(19.6)	4,733	5,768	(18.0)
Mining	3,699	2,579	43.5	3,690	2,629	40.4
Oil & Gas	19,575	13,976	40.1	19,575	13,976	40.1
Pharma	694	693	-	694	693	-
Power	2,494	3,966	(37.1)	4,112	3,789	8.5
Real Estate	516	492	4.9	512	485	5.5
Telecom	1,513	2,227	(32.1)	1,752	2,227	(21.3)
Sensex	61,660	55,568	11.0	64,226	55,391	16.0
Ex-ONGC	49,402	47,741	3.5	51,968	47,564	9.3

Source: Company, Angel Research; Note: Adjusted PBT=Reported PBT adjusted for forex gains/losses and other extraordinary items

Sectoral overview of earnings for Sensex companies

■ On the positive side, Sensex earnings growth was primarily driven by strong performance of oil and gas companies and steady performance of banking and FMCG stocks. ONGC surprised positively by reporting considerably higher-than-expected bottom line, which was partly driven by the non-core factor of low subsidy-sharing assumption.

■ Earnings growth for the banking sector was aided by sequential expansion in NIM for almost all banks, which offset asset-quality pressures (especially faced by public sector banks). NIM expansion, in our view, has been on the back of a lesser aggressive stance adopted by the SBI (due to low capital adequacy and change of management) and continuation of ICICI Bank's consolidation strategy, which has given more leeway to relatively smaller banks to aggressively price their loans. However, going forward, the scope for NIM expansion in the form of higher-lending yields looks limited as already interest rates (SBI's PLR, 10-year G-Sec yield) have reached multi-year highs. Also, going forward, with slowing economic growth on the domestic as well as overseas front, asset-quality pressures are likely to accentuate for the sector as a whole.

■ On the flip side, results of metal companies disappointed by reporting a 34% yoy decline in profit. Realizations of metal companies remained strong, but profitability was hampered as they could not fully pass on raw-material cost pressures. Tata

Steel was the major laggard in the sector, registering a sharp 81% yoy fall in profits, despite 15% yoy top-line growth. The company's EBITDA margin shrunk rather steeply by 4.4% yoy.

■ Other disappointments from the results season included Maruti Suzuki from the auto pack and Bharti Airtel from the telecom sector. Although we were expecting poor numbers for both these companies, the actual performance turned out to be even lower than our expectations.

Sensex earnings largely in-line with our expectations, but quality of earnings poor: Earnings (adjusted for forex and other extraordinary items) for Sensex companies in 2QFY2012 were in-line with our estimates; however, ex-ONGC, profits were ~4% lower than expectations. During the quarter, operating profit and net profit margins were largely in-line with our expectations at 22.7% (est. 23.0%) and 12.8% (est. 12.7%) , respectively. On the bottom-line front, although profitability was on expected lines, poor performance of sectors such as metals and mining and telecom was masked by considerably better profits in case of oil and gas companies. Ex-ONGC, profits for Sensex companies were 3.7% below expectations. Metal and mining companies disappointed by reporting considerably lower-than-expected earnings (36.5% below our estimates), which were largely offset by strong growth (19.4% above expectations) in profits of oil and gas companies (partly aided by non-core reasons) and continuance of healthy performance by the FMCG sector.

Exhibit 8: Sensex - Actual vs. Angel estimates

Sector	Net Sales (₹ cr)			Operating Profit (₹ cr)			Adj. Net Profit (₹ cr)		
	2QFY2012A	2QFY2012E	Var. (%)	2QFY2012A	2QFY2012E	Var. (%)	2QFY2012A	2QFY2012E	Var. (%)
Auto	61,614	60,137	2.5	7,641	7,612	0.4	4,751	4,574	3.9
Construction	3,132	3,097	1.1	748	722	3.6	129	69	85.6
Engineering	21,791	20,653	5.5	3,133	3,010	4.1	2,150	2,039	5.4
Finance	23,722	23,434	1.2	13,309	13,165	1.1	6,484	6,361	1.9
FMCG	11,496	11,294	1.8	2,846	2,811	1.3	2,159	2,077	3.9
IT	28,827	28,455	1.3	7,636	7,280	4.9	5,645	5,544	1.8
Metals	53,559	50,109	6.9	7,605	9,032	(15.8)	2,856	4,494	(36.5)
Mining	13,148	13,774	(4.5)	2,750	3,857	(28.7)	2,588	3,164	(18.2)
Oil & Gas	101,185	104,594	(3.3)	24,313	22,682	7.2	14,345	12,018	19.4
Pharma	3,626	3,339	8.6	1,041	924	12.7	906	791	14.5
Power	21,626	20,429	5.9	4,624	4,619	0.1	2,823	2,603	8.4
Real Estate	2,532	2,674	(5.3)	1,173	1,150	2.0	368	399	(7.8)
Telecom	17,276	17,091	1.1	5,815	5,592	4.0	1,266	1,308	(3.2)
Sensex	363,534	359,079	1.2	82,635	82,457	0.2	46,468	45,443	2.3
Ex-ONGC	340,918	336,089	1.4	68,166	69,812	(2.4)	37,826	39,282	(3.7)

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

Sensex earnings cut by ~2% each for FY2012 and FY2013: We have cut our earnings estimates for Sensex companies by ~2% each for FY2012 and FY2013. On a sectoral basis, Sensex metal companies witnessed the sharpest earnings downward revision (by 10-15%) for FY2012 and FY2013. Earnings for the financials

sector also saw a downward revision by 3-5% for FY2012 and FY2013, primarily to factor in the weakening asset-quality trend amid the slowing domestic and global growth scenario. On the positive side, earnings of Sensex IT companies witnessed an uptick of 2-3%, aided partly by the sharp depreciation witnessed in INR vs. USD.

Exhibit 9: Sectoral Sensex earnings revision

Sector	Net Profit FY2012E (₹ cr)			Net Profit FY2013E (₹ cr)		
	Earlier est.	Revised est.	Var. (%)	Earlier est.	Revised est.	Var. (%)
Auto	18,759	18,300	(2.4)	20,759	20,832	0.4
Construction	792	803	1.5	1,127	1,168	3.6
Engineering	10,857	10,979	1.1	12,561	12,266	(2.4)
Finance	27,418	26,681	(2.7)	35,728	34,090	(4.6)
FMCG	8,323	8,323	0.0	9,752	9,753	0.0
IT	23,511	23,942	1.8	26,117	26,926	3.1
Metals	21,328	18,239	(14.5)	25,031	22,484	(10.2)
Mining	14,672	14,816	1.0	15,889	15,510	(2.4)
Oil & Gas	49,583	49,848	0.5	55,565	54,116	(2.6)
Pharma	3,113	3,148	1.1	3,918	4,023	2.7
Power	12,312	12,278	(0.3)	13,320	13,006	(2.4)
Real Estate	1,659	1,659	-	2,016	2,016	-
Telecom	5,879	5,726	(2.6)	9,397	9,412	0.2
Sensex	198,204	194,743	(1.7)	231,183	225,601	(2.4)

Source: Company, Angel Research

Review of Angel coverage universe earnings

Earnings growth for Angel's coverage universe (ex-ONGC) stood weak at 6% yoy: On a yoy basis, our coverage universe registered growth of 21% in the top line, 15% (13% ex-ONGC) in operating profit and 11% (just 6% ex-ONGC) in the bottom line. Overall quality of earnings was relatively weak, as profits of oil and gas companies (partly driven by the non-core factor of low subsidy-sharing assumption) largely offsetted the lower-than-expected earnings of metals and mining, power and telecom companies.

Adjusting for forex gains/losses, growth on the adjusted PBT level was reasonable at 13% yoy; however, ex-ONGC, growth slowed considerably to 9% yoy.

■ Earnings for the financials coverage universe grew at a reasonable pace on the back of steady performance of large-cap banking stocks. The financials coverage universe registered reasonable growth of 11% yoy. Certain mid-cap banks such as Bank of India, OBC and Central Bank of India witnessed a sharp decline in profit.

■ IT and FMCG stocks continued to deliver a healthy performance. Earnings of the FMCG coverage stocks increased reasonably by 18% yoy and that of IT grew by 17% yoy.

Exhibit 10: Angel coverage universe earnings growth

Company	Net Sales (₹ cr)			Operating Profit (₹ cr)			Adj. Net Profit (₹ cr)		
	2QFY2012	2QFY2011	Var. (%)	2QFY2012	2QFY2011	Var. (%)	2QFY2012	2QFY2011	Var. (%)
Auto & Auto Ancillary	79,365	66,138	20.0	9,496	9,169	3.6	5,698	5,552	2.6
Capital Goods	20,020	17,055	17.4	2,770	2,558	8.3	1,796	1,671	7.5
Cement	10,130	8,165	24.1	1,859	1,134	64.0	789	355	122.3
Construction	25,378	21,844	16.2	3,431	3,104	10.5	1,150	1,182	(2.7)
Financials	61,944	53,986	14.7	35,570	30,651	16.0	16,275	14,714	10.6
FMCG	21,804	18,071	20.7	4,434	3,717	19.3	3,269	2,789	17.2
IT	38,531	31,879	20.9	9,209	7,887	16.8	6,922	5,808	19.2
Metals & Mining	93,557	79,208	18.1	16,748	15,398	8.8	10,283	9,757	5.4
Oil & Gas	120,434	90,963	32.4	29,075	24,909	16.7	16,217	13,103	23.8
Pharmaceuticals	14,364	12,429	15.6	2,760	2,345	17.7	1,821	2,083	(12.6)
Power	16,901	14,654	15.3	3,576	2,455	45.6	2,624	2,320	13.1
Real Estate	3,064	2,875	6.6	1,455	1,229	18.4	551	674	(18.1)
Telecom	26,688	23,992	11.2	8,359	7,564	10.5	1,624	2,287	(29.0)
Angel coverage universe	532,181	441,259	20.6	128,740	112,121	14.8	69,018	62,294	10.8
Ex-ONGC	509,565	422,829	20.5	114,271	100,799	13.4	60,376	56,905	6.1

Source: Company, Angel Research; Note: Data for 142 coverage stocks, Net profit adjusted for forex gain/loss and other extraordinary items

Exhibit 11: Angel coverage universe - PBT growth adjusted for forex gains/losses

Sector	Rep. PBT (₹ cr)			Adj. PBT (₹ cr)		
	2QFY12	2QFY11	Chg. (%)	2QFY12	2QFY11	Chg. (%)
Auto & Auto Ancillary	6,512	7,223	(9.8)	7,197	7,025	2.4
Capital Goods	2,551	2,432	4.9	2,550	2,424	5.2
Cement	1,163	524	122.1	1,147	507	126.1
Construction	1,863	2,036	(8.5)	1,955	2,156	(9.3)
Financials	22,594	20,518	10.1	22,594	20,518	10.1
FMCG	4,599	3,832	20.0	4,571	3,790	20.6
IT	8,966	7,482	19.8	8,916	7,433	19.9
Metals & Mining	13,803	14,648	(5.8)	15,382	14,518	5.9
Oil & Gas	24,161	17,571	37.5	23,630	17,571	34.5
Pharmaceuticals	1,555	2,510	(38.0)	2,088	2,219	(5.9)
Power	3,425	3,229	6.1	3,483	3,271	6.5
Real Estate	767	805	(4.7)	761	798	(4.6)
Telecom	1,992	2,845	(30.0)	2,231	2,845	(21.6)
Angel coverage universe	93,952	85,654	9.7	96,506	85,077	13.4
Ex-ONGC	85,310	80,265	6.3	84,248	77,250	9.1

Source: Company, Angel Research

Coverage universe results largely on expected lines: The 2QFY2012 earnings trajectory for our coverage universe was largely in-line with our estimates. Performance on the operating margin as well as net profit margin front was in-line with expectations.

- On a sectoral basis, profit growth was better than expected for the oil and gas, financials, FMCG and power sectors. Earnings of pharma companies were considerably below expectations and declined sharply even on a yoy basis.

- Other sectors, which disappointed vis-à-vis expectations, included the earnings of metals and mining, telecom and construction companies. Earnings of cement companies were also below expectations, despite registering strong growth on a yoy basis, as realizations proved out to be lower than the indications from our channel checks.

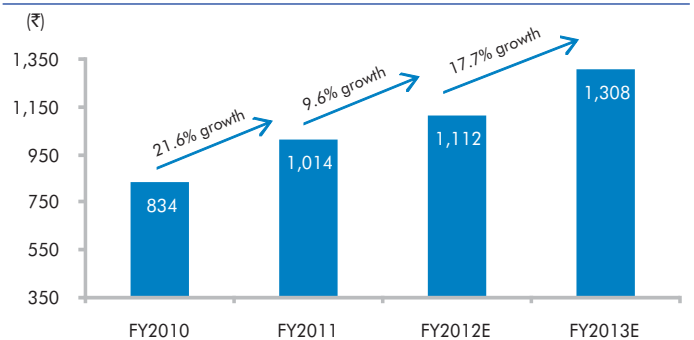
- Profitability of capital goods companies continued to be muted as higher interest rates and government policy paralysis hampered new order inflows. The profitability of few companies in the auto and auto ancillary sector also suffered setbacks. Maruti Suzuki's earnings fell sharply due to the impact of employee strike and forex loss due to the recent sharp depreciation of INR vs. JPY.

Sensex earnings growth to moderate to ~10% levels in FY2012; pick-up expected in FY2013

We expect Sensex EPS growth to moderate to ~10% levels in FY2012, as the impact of higher raw-material costs as well as multi-year high interest rates affects the profitability of corporates. We have cut our Sensex EPS estimates by ~2% each for FY2012 and FY2013 during the current results season, in addition to the

5-6% reduction since 1QFY2012. We expect earnings growth to pick up to 17.7% levels in FY2013, with the RBI hinting at the peaking of interest rates in the current rate cycle at the current levels and cooling commodity prices on the back of slower global growth prospects.

Exhibit 12: Sensex EPS estimates



Source: Angel Research

Exhibit 13: Sensex - One-year forward P/E



Source: Bloomberg, Angel Research

Exhibit 14: Sensex earnings yield vs. bond yield

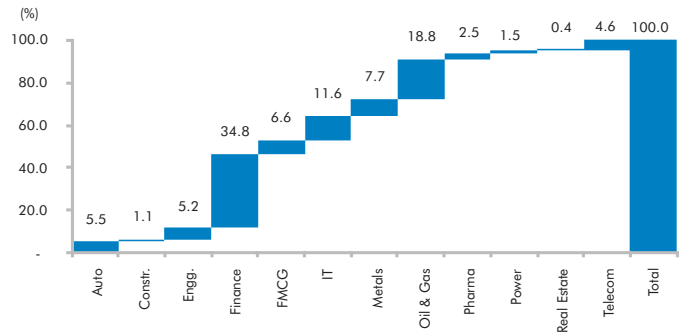


Source: Bloomberg, Angel Research

The primary growth drivers of Sensex EPS over FY2011-13E are expected to be BFSI, oil and gas and IT stocks, with the BFSI sector expected to contribute 34.8% to overall growth in Sensex EPS during the period, while contribution from the oil and gas and IT sector is estimated to be at 18.8% and 11.6%. Strong performance by the BFSI sector highlights the underpenetration of financial services in India, which would drive credit growth in the years to come. Metal companies are expected to contribute 7.7% to Sensex EPS growth over FY2011-13E, primarily backed

by capacity expansions. On the other hand, sectors such as telecom, power and FMCG are expected to underperform the others. The combined contribution of all these sectors to Sensex EPS growth is expected to be 12.6% over FY2011-13E. Overall, we expect Sensex companies to deliver a reasonable 13.6% CAGR in EPS over FY2011-13E to ₹1,308. A fair multiple of 14x FY2013E EPS yields a Sensex target of 18,300, implying a moderate ~9% upside from current levels.

Exhibit 15: Sensex growth FY2011-13E



Source: Angel Research

Angel Model Portfolio

Sector	Company	CMP (₹)	Target Price (₹)	BSE 100 Weightage (%)	Angel Weightage (%)	Stance
Auto & Ancillaries				7.4	6.0	Underweight
	Ashok Leyland	26	32	0.2	3.0	Overweight
	MRF	6,757	7,904	0.0	3.0	Overweight
BFSI				25.6	29.0	Overweight
	ICICI Bank	791	1,092	4.7	12.0	Overweight
	Axis Bank	1,008	1,383	1.4	9.0	Overweight
	SBI	1,730	2,194	2.5	5.0	Overweight
	HDFC Bank	472	497	4.5	3.0	Underweight
Capital Goods & Infrastructure				8.7	9.0	Equalweight
	L&T	1,289	1,714	3.6	6.0	Overweight
	LMW	1,757	2,780	0.0	3.0	Overweight
Cement				2.5	0.0	Underweight
FMCG				10.5	3.0	Underweight
	ITC	210	219	5.9	3.0	Underweight
Media				0.3	3.0	Overweight
	Jagran Prakashan	109	137	0.0	3.0	Overweight
Metals				7.2	9.0	Overweight
	Tata Steel	402	510	1.4	3.0	Overweight
	Hindalco	126	151	0.9	3.0	Overweight
	Tata Sponge	310	382	0.0	3.0	Overweight
Oil & Gas				13.1	12.0	Underweight
	Reliance Industries	863	1,060	8.0	12.0	Overweight
Pharma & Agrichem				5.3	8.0	Overweight
	United Phosporus	137	180	0.2	5.0	Overweight
	Lupin	463	593	0.6	3.0	Overweight
Power				3.9	0.0	Underweight
Real Estate				0.7	0.0	Underweight
Software				11.5	12.0	Overweight
	Infosys	2,793	2,837	7.0	5.0	Underweight
	TCS	1,123	1,220	3.4	4.0	Overweight
	Mphasis	315	382	0.0	3.0	Overweight
Telecom				3.3	0.0	Underweight
Others				0.0	9.0	Overweight
	Siyaram Silk	284	426	0.0	3.0	Overweight
	Taj GVK	86	121	0.0	3.0	Overweight
	Relaxo	303	420	0.0	3.0	Overweight

Top Picks

Ashok Leyland

(CMP: ₹26/ TP: ₹32/ Upside: 21%)

- M&HCV demand has witnessed a slowdown in recent times due to high interest rates and slowdown in industrial activity; however, we believe M&HCV demand is near its trough. With interest rates expected to cool down from CY2012, we expect a pick-up in industrial activity, leading to a rebound in M&HCV sales. Thus, we expect ALL's volume growth to rebound to ~12% in FY2013E from flat levels in FY2012E.
- The new tax-free facility at Pantnagar is relatively more profitable, with profitability estimated to be ~25% higher (cost savings of ~₹35,000/vehicle) than that of existing plants. ALL plans to ramp-up production to ~35,000 vehicles in FY2012 from 12,800 in FY2011. We expect these benefits to partially offset the impact of raw-material cost pressures, enabling ALL to maintain its OPM at 10-11%.
- Currently, the stock is trading at attractive levels of 9.7x FY2013E earnings. **We maintain our Buy recommendation with a target price of ₹32, valuing the stock at 12x FY2013E earnings.**

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	12,590	10.2	605	2.3	14.8	11.6	2.4	6.8	0.7
FY2013E	14,507	10.2	726	2.7	16.5	9.7	2.1	5.8	0.6

Axis Bank

(CMP: ₹1,008/ TP: ₹1,383/ Upside: 37%)

- Axis Bank has increased its CASA market share multi-fold over the last eight years (4.2% as of FY2011) on the back of robust branch and ATM network expansion. In fact, the bank opened 400 branches in FY2011 itself (41.4% yoy). 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 2.0% of assets (almost twice the level in PSBs), over FY2009-11.
- We expect Axis Bank to raise capital in the next 12-18 months, as the bank's capital adequacy at the end of 2QFY2012, including 1HFY2012 profits, stood at 9.3% (Axis Bank had last raised capital in 2QFY2010, when its tier-1 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 1.6x FY2013E ABV (~47% discount to HDFC Bank). The bank's ALM position vis-à-vis HDFC Bank is currently a disadvantage; however, with the interest rate cycle close to its peak, in our view, the bank will also benefit more once interest rates cool off a bit in CY2012. Hence, **we maintain our Buy view on the stock with a target price of ₹1,383.**

Y/E	Op Inc.	NIM	PAT	EPS	ABV	RoA	RoE	P/E	P/ABV
March	(₹ cr)	(%)	(₹ cr)	(₹)	(₹)	(%)	(%)	(x)	(x)
FY2012E	13,140	3.0	4,010	94.5	527.2	1.5	19.4	10.7	1.9
FY2013E	16,056	3.0	4,851	114.3	614.8	1.5	20.0	8.8	1.6

ICICI Bank

(CMP: ₹791/ TP: ₹1,092/ Upside: 38%)

- ICICI Bank's substantial branch expansion (from 955 branches at the end of 3QFY2008 to 2,535 branches as of 2QFY2012) and strong capital adequacy at 19.0% (tier-1 at 13.1%) have positioned it to gain CASA and credit market share, respectively. The bank improved its market share of savings deposits by 10bp in FY2011 compared to FY2010, capturing a substantial 5.8% incremental market share.
- The bank has been able to increase its CASA ratio to 45% as of FY2011 and, contrary to the overall trend in the sector, we expect this favorable change in the bank's liability mix to improve its NIM to ~2.6% by FY2013.
- The bank's asset quality continues to show further improvement, with a declining trend in additions to gross as well as net NPAs. We expect the reduction in risk profile of advances (and the consequent lower yield on advances) to result in a ~30bp decline in NPA provisioning costs by 2013E over FY2011.
- The stock is trading at attractive valuations of 1.4x FY2013E P/ABV. Hence, **we maintain our Buy view on the stock with a target price of ₹1,092**, valuing the core bank at 2.15x FY2013E P/ABV and assigning a value of ₹160 to its subsidiaries.

Y/E	Op Inc.	NIM	PAT	EPS	ABV	RoA	RoE	P/E	P/ABV
March	(₹ cr)	(%)	(₹ cr)	(₹)	(₹)	(%)	(%)	(x)	(x)
FY2012E	17,596	2.5	6,217	54.0	508.4	1.4	13.3	14.7	1.6
FY2013E	21,808	2.6	7,832	68.0	547.0	1.4	15.4	11.6	1.4

L&T

(CMP: ₹1,289/ TP: ₹1,714/ Upside:33%)

- The L&T stock has underperformed BSE Sensex by ~21.3% in the last three months, owing to factors such as slowing order inflows and rising competition (especially in the BTG equipment segment), leading to fears of slippage on order inflow guidance. Also, L&T lost the public sector shipyard, Mazagon dock, for defense and naval ships and failed to win the recent ONGC pipeline tenders. We believe though L&T would find it difficult to meet its revised guidance for FY2012 (growth of 5% in order inflow and 25% in revenue), it is better placed than its peers on a number of counts (such as diversification and balance sheet strength).
- 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, due to the recent correction in prices, the stock is trading at PE of 12.3x FY2013E earnings, adjusted for subsidiary value, which is lower than its historical PE of 15-20x. **Hence, we believe the recent correction provides a good opportunity to Buy.**

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	53,503	11.9	3,954	64.2	16.9	20.1	3.1	13.6	1.6
FY2013E	62,568	12.0	4,555	74.0	16.9	17.4	2.7	11.9	1.4

Lupin

(CMP: ₹463/ TP: ₹593/ Upside:28%)

- Lupin is one of the highest filers of ANDAs in the Indian pharmaceuticals industry. As of FY2011, the company's cumulative filings stood at 148, of which 48 have been approved. Lupin plans to launch 10 products in the US in FY2012 and another 80 products over the next three years. Overall, we expect the US market to post a CAGR of 28.8% over FY2011-13E.
- In the oral contraceptive (OC) segment, Lupin has filed 22 ANDAs and expects to get approvals from 2HFY2012. As per management, the OC segment is expected to contribute US\$100mn to the company's top line over the next 2-3 years.
- Lupin continues to make strides in the Indian market. Currently, Lupin ranks No.5, climbing up from being No.11 six years ago. Lupin has been the fastest growing company among the top five companies in the domestic formulation space, registering a strong CAGR of 20% over the last three years.
- Management has given a revenue guidance of US\$3bn by FY2013-14. We expect Lupin's net sales to grow at a 20.4% CAGR to ₹8,272cr and earnings to grow at a 24.0% CAGR to ₹29.7/share over FY2011-13E. Currently, the stock is trading at 20.7x and 15.6x FY2012E and FY2013E earnings, respectively. Based on the above-mentioned triggers, **we maintain our positive outlook on the company and recommend a Buy rating on the stock with a target price of ₹593.**

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	6,817	18.3	997	22.4	28.2	20.7	5.5	17.0	3.2
FY2013E	8,272	19.7	1324	29.7	30.8	15.6	4.3	13.0	2.6

Mahindra Satyam

(CMP: ₹70/ TP: ₹81/ Upside:15%)

- Mahindra Satyam (Satyam) has enterprise business solutions (EBS) (~40% of revenue) and manufacturing (~32% of revenue) as its anchor service line and vertical, respectively, which is showing strong traction. Hence, we expect the company to grow at a revenue CAGR of 15.3% and 15.9% in USD and INR, respectively.
- Satyam has adequate margin levers such as 1) employee pyramid rationalization (number of employees <3 years of experience are very less at ~24% vis-à-vis industry at 40-45%; 2) strong volume growth expected on the back of a strengthening deal pipeline expected to improve utilizations to 77% by FY2013; and 3) current SGA at ~20.5% of sales, which can be brought down to 19.0% by FY2013.
- We expect the company to maintain its growth momentum as recorded over the past few quarters and grow at rates comparable to its peers at a 15.3% CAGR in USD revenue and a 31.5% CAGR in earnings over FY2011-13E. At the CMP of ₹70, the stock is trading at a 9.6x FY2013 EPS of ₹7.3 i.e., at a PEG of 0.30x. We value the stock at 40% discount to Infosys' target FY2013 PE i.e., 11.0x and recommend it as one of our top picks with a target price of ₹81.

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	6,329	14.6	854	7.3	15.6	9.7	1.5	6.7	1.0
FY2013E	6,912	15.0	858	7.3	13.5	9.6	1.3	5.4	0.8

Mphasis
(CMP: ₹315/ TP: ₹382/ Upside: 21%)

- Mphasis is witnessing modest growth from non-HP channel business. The company's ITO business is witnessing good growth, with open billable position standing at 600 in 3QFY2011. In fact, this business segment has grown at a scorching pace of 9.7% CQGR over 1QFY2010-3QFY2011 and is expected to continue as a growth driver for the company.
- The company is looking at an inorganic strategy to supplement its growth further. Recently, management acquired Wyde, an international software vendor and creator of Wynsure - an insurance policy administration IP solution - to scale up its insurance portfolio. Also, in our view, there is a good possibilities that the company may use its cash pile (~₹1,500cr) to announce a buy-back.
- Going forward, management expects the direct channel (33% to revenue) and HP non-enterprise solution business (which is currently ~5% of revenue from HP channel) to drive growth, whereas the HP-ES business is expected to remain sluggish. We expect the company to record a revenue CAGR of 10% over FY2011E-13E. **We value the company at 10x FY2013E (March ending) EPS of ₹38.2, which gives us a target price of ₹382 and recommend a Buy rating on the stock.**

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
Oct.	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	5,571	17.1	759	36.2	16.1	8.7	1.4	4.4	0.7
FY2013E	6,020	15.5	786	39.6	14.5	8.0	1.2	3.7	0.6

RIL
(CMP: ₹863/ TP: ₹1,060/ Upside:23%)

- RIL's upstream segment still has significant upside in store, considering the huge untapped resources. Although RIL is producing natural gas below its potential 80mmcmd from KG-D6 due to constraints over reservoir pressure, we believe that it will ramp up its production over the medium term with the help of BP's technical expertise.
- RIL has recently concluded several three-year exploration phases on the prospective eastern coast and it is expected to commence with the development phase soon. RIL expects to commence significant E&P activities from CY2014.
- RIL has been eyeing inorganic routes for diversifying its asset portfolio by entering into newer ventures on the back of significant cash pile and treasury stocks. Initiatives such as shale gas acquisitions, with in-place reserves of ~12TCF, could prove to be a potential trigger for the stock in the long term.
- Over the last five years, RIL has traded at an average one-year forward PE of 17.7x, while currently it is trading at PE of 12.2x FY2012E and 11.0x FY2013E. On a P/B basis, the stock is trading at 1.5x FY2012E and 1.3x FY2013E earnings. **We maintain our Buy recommendation on the stock with a target price of ₹1,060.**

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	316,591	12.9	23,063	70.5	14.0	12.2	1.5	6.5	0.9
FY2013E	328,147	13.5	25,602	78.2	13.8	11.0	1.3	5.8	0.8

Tata Steel

(CMP: ₹402/ TP: ₹510/ Upside:27%)

- Tata Steel's 2.9mn tonne brownfield expansion programme is on track and expected to be commissioned by FY2012. The product mix constitutes 2.5mn tonne of HRC and 0.3mn tonnes of slabs. We expect this expansion to contribute ~₹3,500cr p.a. to its consolidated EBITDA once the production reaches high levels of utilization.
- Tata Steel is in the process of developing a coking coal mine in Mozambique and an iron ore mine in Canada to enhance integration levels of TSE. The projects are expected to be commissioned in phases beginning FY2012. Total capex remaining for the Mozambique project is US\$ 100mn-150mn, while the Canadian project will involve capex of CAD350mn. We expect these backward integration projects at Mozambique and Canada to boost TSE's earnings substantially post FY2012.
- Tata Steel is setting up a 6mn tonne integrated steel plant (including cold rolling mill) in two phases of 3mn tonnes each for a capex of ₹34,500cr. Phase 1 of the 3mn tonne plant is expected to be completed by CY2014. This plant could potentially result in significant earnings accretion post completion, as these plants will be backed by captive iron ore.
- Tata Steel is currently trading at an EV/EBITDA of 5.9x FY2012E and 4.5x FY2013E, which is inexpensive in our view. On a P/B basis, the stock is trading at 0.9x FY2012E and 0.7x FY2013E P/BV. **We maintain our Buy recommendation on the stock with a target price of ₹510.**

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	123,172	12.4	5,786	59.3	24.0	6.8	0.9	5.9	0.7
FY2013E	142,958	13.4	7,562	77.4	15.5	5.2	0.7	4.5	0.6

United Phosphorous

(CMP: ₹137/ TP: ₹180/ Upside:31%)

- United Phosphorus (UPL) figures among the top five generic agrichemical players in the world, with a presence across major markets such as the US, EU, Latin America and India.
- The total off-patent market is worth US\$29bn, of which 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 FY2011-13E, we expect UPL to post a 13% and 14% CAGR in sales and PAT, respectively. At current valuations of 8.5x FY2013E EPS, the stock is attractively valued compared to its global and domestic peers (18x) and historic average (15x). **Hence, we maintain our Buy rating on the stock with a target price of ₹180.**

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	6,935	19.7	688	14.9	17.1	9.2	1.5	5.9	1.1
FY2013E	7,424	19.7	740	16.0	16.1	8.5	1.3	5.7	1.0

Jagran Prakashan

(CMP: ₹109/ TP: ₹137/ Upside:26%)

- Jagran Prakashan (JPL) continues to remain a leader in UP, the largest state of India, and stands No. 2 in the second largest state, Bihar, with a readership of ~5.4cr and covers ~70% of Hindi speaking readers. Also, the company's presence in tier-II cities provides opportunity to create a strong foothold in the faster growing markets. The company successfully launched Punjabi Jagran (now JPL caters to five different languages). JPL launched the 11th edition of The Inquilab, the largest read Urdu newspaper in UP and New Delhi, through its subsidiary Mid-Day Infomedia Ltd. City Plus launched four more editions, now totaling 30 editions.
- We expect JPL to post a 9% CAGR in its top line over FY2011-13E, driven by the ~10% CAGR in advertising revenue and a ~3% CAGR in circulation revenue. The other businesses and MML are estimated to record a CAGR of ~11% and 13%, respectively, during the mentioned period on better traction. In terms of earnings, we expect JPL to report a CAGR of 7% over FY2011-13E, driven by top-line growth, various cost-curtailment measures and improving profitability in the nascent businesses.
- The underperformance of the stock and attractive valuations (at the CMP, the stock trades at 14.3x FY2013E EPS) provide a good entry point for investors. Hence, we maintain our Buy view on the stock with a target price of ₹137.

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	1,336	27.6	210	6.7	30.2	16.3	5.0	9.8	2.5
FY2013E	1,447	28.2	241	7.6	33.8	14.3	4.7	8.8	2.3

Relaxo Footwears

(CMP: ₹303/ TP: ₹420/ Upside: 39%)

- We expect Relaxo to post an 18% CAGR in its top line over FY2011-13E to ₹950cr on the back of a 12% increase in realization and changing revenue mix (high-value brands Sparx and Flite contributing 60% to the company's revenue).
- Relaxo has set up a new plant at Bahadurgarh, Haryana, for fashionable footwear with state-of-the-art PU technology and additional features such as longevity, skid-resistance and lightweight. The company launched *Flite Pu-Fashion* in June 2011, which is expected to add ~₹50cr to the company's top line by FY2013E.
- The company's EBITDA margin is expected to improve by 225bp to 11.9x in FY2013 from 9.6% in FY2011 due to the expected softening of rubber prices. Earnings are expected to grow at a CAGR of 44% over FY2011-13E, from ₹27cr in FY2011 to ₹56cr in FY2013.
- At ₹303, the stock is trading at attractive valuations of 10.8x and 6.5x for FY2012E and FY2013E earnings, respectively. **We recommend a Buy view on the stock with a target price to ₹420, based on a target PE of 9x FY2013E earnings.**

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	815	9.8	34	28	20.2	10.8	2.2	7.0	0.7
FY2013E	950	11.9	56	47	25.5	6.5	1.7	4.9	0.6

Siyaram Silk Mills

(CMP: ₹284 / TP: ₹426/ Upside:50%)

- Siyaram Silk Mills (SSML) has built a strong brand presence in the country through continuous advertisement and brand-building efforts over the past 30 years. (SSML spends 3-5% of its net sales on advertising). The company has created a niche for itself in a highly competitive industry. The company enjoys a strong brand presence across the country, with brands such as *Siyaram*, *Mistair*, *J Hampstead* and *Oxemberg* in its kitty.
- The company is expanding the capacity of its fabric division by over 50% (adding 286 looms) in a phased manner over FY2011-13. The company will also add 400 stitching machines to its ready-made garments (RMG) division by 2QFY2012, which will result in 23% volume growth by FY2012E.
- The RMG and yarn divisions have been reporting improved utilization rates on the back of strong growth. The yarn division, which achieved ~57% utilization in FY2011, is expected to further improve to 80% by FY2012E. The RMG division also achieved optimum utilization in FY2011. Higher utilization will further aid revenue growth and will help the company to maintain its margins going forward.
- Currently, the stock is attractively placed at 4.0x FY2013E earnings, compared to its historical median of 6x one-year forward EPS. **We maintain our Buy recommendation on the stock with a target price of ₹426, valuing the stock at 6x FY2013E earnings.**

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	982	12.7	61	64.8	24.9	4.4	1.0	4.7	0.6
FY2013E	1,150	12.1	66	70.9	22.5	4.0	0.8	4.0	0.5

TajGVK

(CMP: ₹86/ TP: ₹121/ Upside: 41%)

- TajGVK is the market leader in the Hyderabad market, where it has a share of nearly 30% in premium-segment rooms. The company will start operations at its Begumpet property in 3QFY2012, which will strengthen its foothold further and help the company to tap mid-market room demand.
- TajGVK is adding 189 rooms at its Begumpet property, using an asset-light strategy. This would require a lower capital outlay as compared to a Greenfield expansion. We expect TajGVK's debt-equity ratio to be comfortable at 0.2x in FY2013E, which provides the company adequate room to plan further expansions, without hampering its balance sheet quality.
- We maintain our positive outlook on the entire hotel industry, as increasing FTAs and economic growth will lead to a further increase in demand for hotel rooms. With the tourist season coming in, TajGVK is expected to take full advantage from its expansion plans in Hyderabad, which will take its owned rooms to 1,086 in 3QFY2012 from 897 currently.
- The stock is currently trading at attractive valuation of 8.5x its FY2013E EPS. **We maintain our Buy view with a target price of ₹121, valuing it at 12x FY2013E EPS.**

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	310	35.5	50	7.9	14.6	10.8	1.5	6.0	2.1
FY2013E	360	36.3	63	10.1	16.4	8.5	1.3	4.7	1.7

Tata Sponge Iron
(CMP: ₹310/ TP: ₹382/ Upside: 23%)

- Tata Sponge Iron (TSIL) is an associate company of Tata Steel, which holds a 39.7% stake in the company. TSIL is a leading manufacturer of sponge iron, which is used as a raw material in steel manufacturing, with an installed capacity of 3,90,000 tonnes per annum and a 26MW captive power plant.
- The company has a long-term supply agreement with Tata Steel for assured supply of iron ore for uninterrupted production.
- TSIL has a 45% stake in Talcher coal block in Orissa with estimated reserves of 120mn tonnes for captive consumption. The company has deposited money for the first phase of land acquisition with the Orissa government. Forest clearance for the block is pending.
- At the CMP of ₹310, the stock is trading at PE of 5.2x its FY2013E earnings and P/B of 0.7x for FY2013E. The company is debt free with cash reserves of ₹221cr and RoIC of 44% for FY2013E. **We maintain our Buy rating on the stock with a target price of ₹382, based on a target P/B of 0.9x for FY2013E.**

Y/E	Sales	OPM	PAT	EPS	RoE	P/E	P/BV	EV/EBITDA	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)	(x)
FY2012E	693	18.7	88	56.9	48.8	5.4	0.8	2.0	0.4
FY2013E	794	17.1	92	59.8	44.0	5.2	0.7	1.5	0.3

Stock Watch

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)		
					FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	
Agri / Agri Chemical																			
Rallis	Accumulate	165	176	3,217	1,342	1,570	18.4	17.4	8.3	9.8	19.9	16.9	4.9	4.0	27.3	25.9	2.3	1.9	
United Phosphorus	Buy	137	180	6,295	6,935	7,424	19.7	19.7	14.9	16.0	9.2	8.5	1.5	1.3	17.1	16.1	1.1	1.0	
Auto & Auto Ancillary																			
Amara Raja Batteries	Buy	216	250	1,840	2,179	2,514	14.3	13.8	20.9	23.8	10.3	9.0	2.3	1.9	24.6	22.7	0.8	0.7	
Apollo Tyres	Buy	61	74	3,054	11,819	13,296	8.9	9.4	7.2	9.3	8.4	6.5	1.1	1.0	12.2	14.8	0.5	0.4	
Ashok Leyland	Buy	26	32	7,024	12,590	14,507	10.2	10.2	2.3	2.7	11.6	9.7	2.4	2.1	14.8	16.5	0.7	0.6	
Automotive Axles#	Buy	360	450	544	944	1,078	12.5	12.3	40.4	45.0	8.9	8.0	2.3	1.9	27.6	26.2	0.7	0.6	
Bajaj Auto	Neutral	1,714	-	49,605	19,722	22,964	19.6	19.0	106.6	115.8	16.1	14.8	8.0	6.2	55.5	47.0	2.2	1.8	
Bharat Forge	Buy	274	323	6,368	6,057	6,832	16.2	16.0	19.1	21.5	14.4	12.7	2.6	2.2	20.2	19.0	1.2	1.0	
Bosch India*	Accumulate	6,978	7,763	21,911	7,967	9,197	19.5	18.6	350.8	388.1	19.9	18.0	4.2	3.5	21.2	19.4	2.4	2.0	
CEAT	Buy	73	104	250	4,403	5,111	3.9	5.0	3.8	20.8	19.0	3.5	0.4	0.4	2.0	10.9	0.3	0.3	
Exide Industries	Accumulate	121	128	10,264	4,953	5,688	13.0	15.5	5.5	7.7	21.8	15.7	3.4	3.0	16.3	20.1	1.7	1.5	
FAG Bearings*	Accumulate	1,252	1,396	2,080	1,272	1,478	19.9	18.8	103.8	114.4	12.1	10.9	2.8	2.3	26.4	23.1	1.3	1.0	
Hero MotoCorp	Neutral	2,164	-	43,205	22,863	26,260	14.5	14.1	116.5	130.1	18.6	16.6	9.9	7.2	63.7	50.2	1.6	1.3	
JK Tyre	Buy	68	89	279	7,011	8,167	4.2	5.1	11.3	22.2	6.0	3.1	0.3	0.3	5.5	10.4	0.3	0.3	
Mah. & Mah.	Accumulate	759	859	46,601	28,745	33,210	12.4	12.6	47.5	54.0	16.0	14.1	3.9	3.2	25.5	25.0	1.3	1.1	
Maruti	Accumulate	1,006	1,138	29,069	32,989	38,444	6.0	8.0	54.5	81.3	18.5	12.4	1.8	1.6	10.5	13.8	0.7	0.5	
Motherson Sumi	Buy	161	193	6,223	9,800	11,119	8.5	9.2	8.9	12.0	18.0	13.3	3.6	3.0	20.6	24.3	0.7	0.6	
Subros	Neutral	25	-	148	1,016	1,166	8.7	8.5	3.3	4.1	7.6	6.1	0.6	0.6	8.3	10.0	0.4	0.3	
Tata Motors	Neutral	181	-	48,798	144,712	162,453	12.0	11.6	26.9	29.5	6.7	6.1	2.4	1.9	39.4	33.9	0.6	0.5	
TVS Motor	Accumulate	64	74	3,055	7,604	8,683	6.7	6.4	5.6	6.2	11.5	10.4	2.6	2.2	24.5	23.0	0.4	0.3	
Financials																			
Allahabad Bank	Accumulate	160	169	7,638	6,503	7,095	3.3	3.1	36.8	37.6	4.4	4.3	0.8	0.7	21.0	18.4	-	-	
Andhra Bank	Neutral	105	-	5,864	4,640	5,072	3.3	3.0	24.0	22.2	4.4	4.7	0.8	0.7	19.2	15.6	-	-	
Axis Bank	Buy	1,008	1,383	41,578	13,140	16,056	3.0	3.0	94.5	114.3	10.7	8.8	1.9	1.6	19.4	20.0	-	-	
Bank of Baroda	Buy	765	918	29,953	13,178	15,356	2.7	2.6	118.6	140.7	6.5	5.4	1.2	1.0	20.4	20.7	-	-	
Bank of India	Neutral	331	-	18,064	10,780	12,485	2.1	2.1	40.0	58.5	8.3	5.7	1.1	1.0	13.0	16.9	-	-	
Bank of Maharashtra	Accumulate	48	55	2,329	3,047	3,210	3.1	2.9	8.9	11.7	5.4	4.1	0.7	0.6	14.1	16.5	-	-	
Canara Bank	Buy	446	523	19,762	10,878	12,813	2.2	2.3	76.4	85.6	5.8	5.2	1.0	0.9	17.6	17.2	-	-	
Central Bank	Accumulate	93	100	5,991	6,863	7,736	2.7	2.6	13.3	19.5	7.0	4.7	0.9	0.7	12.4	13.9	-	-	
Corporation Bank	Buy	402	498	5,952	4,386	5,071	2.0	2.0	95.7	98.2	4.2	4.1	0.7	0.7	18.5	16.6	-	-	
Dena Bank	Neutral	69	-	2,304	2,566	2,877	2.7	2.7	19.5	21.2	3.5	3.3	0.6	0.5	17.4	16.4	-	-	
Federal Bank	Buy	378	444	6,470	2,447	2,740	3.5	3.2	42.0	49.0	9.0	7.7	1.1	1.0	13.3	14.0	-	-	
HDFC	Neutral	657	-	96,760	6,135	7,210	3.5	3.5	27.8	31.2	23.7	21.0	5.1	4.1	39.1	34.1	-	-	
HDFC Bank	Accumulate	472	497	110,361	17,392	21,694	4.2	4.2	22.1	28.7	21.4	16.4	3.7	3.2	18.8	20.9	-	-	
ICICI Bank	Buy	791	1,092	91,130	17,596	21,808	2.5	2.6	54.0	68.0	14.7	11.6	1.6	1.4	13.3	15.4	-	-	
IDBI Bank	Neutral	102	-	10,038	6,846	8,012	1.8	1.8	18.7	21.1	5.5	4.8	0.7	0.7	13.8	14.0	-	-	
Indian Bank	Accumulate	205	227	8,815	5,685	6,313	3.5	3.3	42.3	44.8	4.8	4.6	0.9	0.8	21.5	19.4	-	-	
IOB	Accumulate	95	107	5,903	6,633	7,591	2.7	2.5	19.9	25.0	4.8	3.8	0.7	0.6	14.3	15.9	-	-	

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)		
					FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	
J & K Bank	Neutral	801	-	3,884	2,098	2,281	3.4	3.2	152.5	159.1	5.3	5.0	1.0	0.8	19.7	17.8	-	-	
LIC Housing Finance	Neutral	216	-	10,248	1,860	2,219	2.8	2.7	20.5	27.2	10.5	7.9	2.1	1.7	21.4	23.6	-	-	
Oriental Bank	Accumulate	282	301	8,216	5,267	5,751	2.5	2.3	40.8	56.9	6.9	4.9	0.8	0.7	11.1	14.1	-	-	
Punjab Natl.Bank	Buy	923	1,106	29,234	17,678	20,197	3.4	3.3	151.9	168.9	6.1	5.5	1.2	1.0	21.9	20.6	-	-	
South Ind.Bank	Accumulate	23	24	2,588	1,203	1,336	2.9	2.7	3.4	3.5	6.8	6.6	1.3	1.1	20.6	18.2	-	-	
Sr Bk of India	Buy	1,730	2,194	109,849	57,567	67,417	3.3	3.3	177.3	233.5	9.8	7.4	1.6	1.4	17.4	20.0	-	-	
Syndicate Bank	Buy	101	123	5,810	5,989	6,517	2.9	2.7	19.9	22.8	5.1	4.4	0.8	0.7	16.1	16.3	-	-	
UCO Bank	Neutral	63	-	3,975	4,877	5,544	2.4	2.4	15.5	16.9	4.1	3.7	0.8	0.7	17.6	16.7	-	-	
Union Bank	Accumulate	216	245	11,347	8,737	9,923	2.7	2.6	37.5	43.8	5.8	4.9	0.9	0.8	16.6	17.0	-	-	
United Bank	Buy	62	75	2,122	3,114	3,426	2.7	2.7	14.1	16.8	4.4	3.7	0.6	0.5	13.0	13.9	-	-	
Vijaya Bank	Neutral	55	-	2,593	2,524	2,755	2.3	2.2	9.0	9.4	6.1	5.8	0.7	0.7	12.2	11.7	-	-	
Yes Bank	Buy	285	355	10,013	2,377	2,908	2.4	2.4	26.6	30.1	10.7	9.5	2.2	1.8	22.0	20.8	-	-	
Capital Goods																			
ABB*	Sell	670	469	14,189	7,595	8,698	4.8	7.6	8.3	17.4	81.1	38.6	5.6	4.9	8.3	13.7	1.9	1.6	
Areva*	Neutral	200	-	4,788	4,459	5,064	9.0	9.0	7.3	8.5	27.5	23.6	4.3	3.7	16.4	16.9	1.3	1.1	
BGR Energy	Sell	281	229	2,031	4,415	4,238	12.0	12.0	36.2	32.8	7.8	8.6	1.8	1.6	25.1	19.6	0.9	1.1	
BHEL	Neutral	311	-	76,010	51,527	57,978	19.8	19.8	28.7	31.5	10.8	9.9	3.0	2.4	30.8	27.2	1.3	1.2	
Blue Star	Neutral	185	-	1,664	3,304	3,667	4.9	6.4	8.7	16.4	21.2	11.3	3.2	2.8	15.2	25.3	0.6	0.6	
Crompton Greaves	Buy	132	153	8,452	10,940	12,406	9.0	11.1	8.4	12.8	15.7	10.3	2.3	2.0	15.6	20.7	0.8	0.7	
Jyoti Structures	Buy	56	78	457	2,818	3,135	11.0	11.0	14.0	15.5	4.0	3.6	0.7	0.6	18.3	17.2	0.4	0.3	
KEC International	Neutral	46	-	1,187	5,431	6,385	8.6	9.0	6.9	9.3	6.7	5.0	1.1	0.9	25.3	27.4	0.5	0.5	
LMW	Buy	1,757	2,780	1,980	2,350	2,883	14.7	14.8	176.7	235.5	9.9	7.5	2.1	1.7	22.6	25.2	0.4	0.3	
Thermax	Neutral	466	-	5,547	5,816	6,172	10.8	11.0	33.8	36.4	13.8	12.8	3.4	2.8	27.5	24.2	0.8	0.7	
Cement																			
ACC*	Neutral	1,206	-	22,638	9,581	10,994	21.2	21.9	60.5	71.6	19.9	16.9	3.1	2.8	16.6	17.6	2.1	1.7	
Ambuja Cements*	Neutral	161	-	24,605	8,447	9,662	23.9	24.4	7.8	9.2	20.6	17.5	3.0	2.7	15.5	16.4	2.6	2.2	
India Cements	Neutral	71	-	2,176	4,016	4,322	18.2	18.3	9.7	11.1	7.3	6.4	0.6	0.6	8.5	9.7	1.0	0.9	
J K Lakshmi Cements	Buy	44	52	534	1,470	1,682	18.2	17.8	7.6	8.0	5.8	5.5	0.5	0.5	8.5	8.4	0.6	0.5	
Madras Cements	Neutral	117	-	2,785	3,006	3,241	30.2	28.0	14.0	14.9	8.3	7.8	1.4	1.2	17.8	16.3	1.8	1.5	
UltraTech Cement	Neutral	1,148	-	31,451	17,575	19,624	21.2	21.2	67.4	76.9	17.0	14.9	2.6	2.3	16.2	16.1	1.8	1.5	
Construction																			
Consolidated Co	Reduce	18	17	335	2,362	2,646	3.7	5.9	(0.4)	2.4	-	7.7	0.5	0.5	(1.1)	7.0	0.4	0.3	
Hind. Const.	Neutral	25	-	1,501	4,152	4,633	12.4	12.6	(1.0)	0.6	-	38.5	1.1	1.1	(3.9)	2.8	1.4	1.1	
IRB Infra	Buy	150	182	4,974	3,037	3,781	43.3	40.4	11.9	13.1	12.6	11.5	1.8	1.6	15.2	14.7	3.3	3.0	
ITNL	Buy	200	260	3,886	5,169	6,609	27.5	23.7	24.4	25.7	8.2	7.8	1.5	1.3	19.2	17.4	2.2	2.1	
IVRCL Infra	Buy	34	54	914	5,669	6,994	8.8	9.2	3.9	6.1	8.7	5.6	0.4	0.4	5.2	7.6	0.6	0.6	
Jaiprakash Asso.	Buy	70	86	14,928	15,094	17,674	24.5	24.4	3.8	5.5	18.6	12.8	1.5	1.4	8.3	11.1	2.4	2.1	

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)	
					FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Larsen & Toubro	Buy	1,289	1,714	78,766	53,503	62,568	11.9	12.0	64.2	74.0	20.1	17.4	3.1	2.7	16.9	16.9	1.6	1.4
Madhucon Proj	Buy	56	88	410	1,959	2,512	11.4	10.4	5.3	5.2	10.5	10.6	0.6	0.6	6.3	5.9	0.8	0.7
Nagarjuna Const.	Buy	46	69	1,179	5,095	6,139	9.5	9.8	3.6	5.7	12.9	8.0	0.5	0.5	3.8	5.9	0.7	0.7
Patel Engg.	Neutral	87	-	605	3,271	3,586	14.2	13.1	14.0	14.5	6.2	6.0	0.4	0.4	6.6	6.5	1.0	1.0
Punj Lloyd	Neutral	52	-	1,724	9,585	10,992	8.3	8.4	1.9	3.6	27.4	14.5	0.6	0.6	2.1	3.9	0.7	0.6
Sadbhav Engg.	Buy	127	165	1,910	2,602	2,768	10.4	10.6	9.1	9.8	13.9	13.0	2.5	2.0	19.7	17.1	0.9	0.8
Simplex Infra	Buy	199	270	985	5,563	6,486	9.4	9.8	20.7	30.0	9.6	6.6	0.8	0.8	9.1	11.9	0.6	0.5
FMCG																		
Asian Paints	Neutral	3,035	-	29,100	9,092	10,608	17.0	17.6	102.5	126.3	29.6	24.0	10.5	8.2	39.6	38.3	3.1	2.6
Britannia	Neutral	477	-	5,703	5,014	5,858	5.8	7.1	15.4	22.5	31.0	21.2	10.9	8.9	37.8	46.0	1.1	0.9
Colgate	Neutral	1,015	-	13,801	2,550	2,931	19.8	20.3	32.3	37.8	31.5	26.9	34.4	25.1	111.7	108.0	5.2	4.5
Dabur India	Buy	97	115	16,915	5,179	5,919	18.4	18.4	4.0	4.6	24.1	21.1	9.7	7.9	44.9	41.6	3.3	2.8
GlaxoSmith Con*	Neutral	2,620	-	11,020	2,723	3,174	16.4	16.9	82.7	98.3	31.7	26.7	38.5	32.5	32.6	31.8	3.7	3.1
Godrej Consumer	Accumulate	409	452	13,243	4,470	5,503	17.5	18.1	16.5	21.5	24.8	19.0	6.2	5.1	36.6	29.4	3.3	2.6
HUL	Neutral	392	-	84,645	21,865	24,637	13.6	14.0	11.7	13.3	33.5	29.4	27.0	23.5	87.5	85.3	3.7	3.3
ITC	Neutral	210	-	163,683	24,706	29,294	34.0	34.2	7.5	8.8	28.2	23.8	8.4	6.8	32.7	31.5	6.3	5.3
Marico	Neutral	149	-	9,134	3,743	4,300	13.0	13.4	5.0	6.3	29.6	23.4	7.6	6.1	30.2	28.8	2.5	2.1
Nestle*	Neutral	4,408	-	42,499	7,277	8,435	20.1	20.7	101.0	120.1	43.7	36.7	33.2	22.5	91.1	72.9	5.7	4.9
IT																		
HCL Tech ^	Buy	424	545	29,283	20,128	23,323	18.8	17.7	35.1	38.9	12.1	10.9	2.9	2.4	24.2	22.4	1.4	1.2
Hexaware*	Accumulate	85	94	2,485	1,412	1,690	16.8	16.9	8.1	8.3	10.4	10.2	2.2	1.9	21.7	19.2	1.4	1.1
Infosys	Neutral	2,793	-	160,346	33,566	37,821	31.2	30.6	140.9	157.6	19.8	17.7	4.8	4.0	24.4	22.5	4.2	3.6
Infotech Enterprises	Neutral	121	-	1,351	1,525	1,708	14.9	15.7	12.2	14.9	10.0	8.1	1.1	1.0	11.5	12.4	0.5	0.4
KPIT Cummins	Neutral	168	-	1,488	1,372	1,578	14.8	15.4	14.1	16.3	11.9	10.3	1.9	1.6	17.7	17.1	1.1	0.9
Mahindra Satyam	Buy	70	81	8,278	6,329	6,912	14.6	15.0	7.3	7.3	9.7	9.6	1.5	1.3	15.6	13.5	1.0	0.8
Mindtree	Buy	395	462	1,601	1,884	2,117	13.7	14.4	43.3	45.8	9.1	8.6	1.7	1.4	18.6	16.5	0.7	0.6
Mphasis&	Buy	315	382	6,611	5,571	6,020	17.1	15.5	36.2	39.6	8.7	8.0	1.4	1.2	16.1	14.5	0.7	0.6
NIIT	Buy	47	60	783	1,184	1,084	13.6	16.3	5.5	8.0	8.6	6.0	1.0	0.9	11.9	15.6	0.4	0.3
Persistent	Neutral	315	-	1,261	983	1,107	19.9	20.0	31.3	36.7	10.1	8.6	1.5	1.3	14.6	14.8	1.0	0.8
TCS	Accumulate	1,123	1,220	219,786	47,750	55,099	29.5	28.7	53.7	61.0	20.9	18.4	7.0	5.7	33.5	30.9	4.4	3.8
Tech Mahindra	Accumulate	616	707	7,835	5,487	5,929	16.6	15.9	71.5	78.5	8.6	7.8	1.9	1.5	22.7	19.3	1.5	1.3
Wipro	Neutral	384	-	94,291	36,554	39,657	19.7	18.8	22.0	24.4	17.4	15.7	3.4	2.9	19.4	18.6	2.3	2.0
Media																		
D B Corp	Buy	212	274	3,892	1,413	1,586	27.6	28.5	13.1	15.5	16.2	13.7	3.9	3.3	26.4	26.0	2.7	2.3
HT Media	Buy	130	177	3,055	2,010	2,255	17.9	17.8	8.6	9.5	15.2	13.7	2.0	1.8	14.4	13.9	1.2	1.1
Jagran Prakashan	Buy	109	137	3,439	1,336	1,447	27.6	28.2	6.7	7.6	16.3	14.3	5.0	4.7	30.2	33.8	2.5	2.3
PVR	Accumulate	136	143	350	507	577	16.6	16.7	8.0	9.8	16.9	13.8	1.0	1.0	6.2	7.2	0.8	0.6
Sun TV Network	Neutral	273	-	10,757	2,090	2,321	78.4	78.4	20.6	22.8	13.2	12.0	3.5	2.9	30.0	27.3	4.3	3.5

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)		
					FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	
Metal																			
Bhushan Steel	Reduce	322	293	6,841	8,717	9,233	29.9	31.7	37.9	39.0	8.5	8.3	1.0	0.9	12.8	11.7	2.9	2.7	
Coal India	Neutral	318	-	200,608	63,100	67,324	26.8	25.7	23.5	24.6	13.5	12.9	4.5	3.5	37.8	30.5	2.3	2.0	
Electrosteel Castings	Buy	25	33	796	2,035	2,132	9.6	14.0	2.5	5.3	10.3	4.8	0.5	0.4	4.8	9.8	0.4	0.4	
Godawari Ispat	Buy	118	154	376	1,992	2,064	14.9	16.3	25.0	35.4	4.7	3.3	0.5	0.4	11.0	13.7	0.5	0.5	
Hind. Zinc	Buy	117	142	49,500	11,775	12,743	53.4	52.8	14.1	15.2	8.3	7.7	1.8	1.5	23.7	20.9	2.5	1.8	
Hindalco	Buy	126	151	24,027	76,285	79,080	10.3	11.3	17.5	20.1	7.2	6.3	0.7	0.7	11.0	11.3	0.5	0.5	
JSW Steel	Accumulate	645	699	14,396	32,667	41,440	17.0	19.6	68.3	117.1	9.4	5.5	0.8	0.7	10.0	15.3	0.8	0.7	
MOIL	Accumulate	238	257	3,994	939	986	54.5	55.3	26.4	28.8	9.0	8.3	1.6	1.4	19.4	18.4	2.0	1.6	
Monnet Ispat	Buy	393	528	2,525	1,973	2,960	26.3	29.5	47.3	63.5	8.3	6.2	1.1	0.9	13.7	16.7	2.3	1.8	
Nalco	Accumulate	57	60	14,690	6,853	8,954	19.0	21.7	3.9	4.7	14.8	12.1	1.2	1.2	8.6	9.9	1.3	0.9	
NMDC	Buy	210	241	83,120	13,582	14,932	80.2	80.0	21.6	23.6	9.7	8.9	3.2	2.5	37.9	31.5	4.4	3.6	
Prakash Industries	Buy	41	61	549	2,220	2,271	18.6	20.8	18.7	21.6	2.2	1.9	0.3	0.2	14.7	14.7	0.5	0.5	
SAIL	Neutral	99	-	40,891	46,170	54,932	13.6	17.1	9.2	12.3	10.7	8.1	1.0	0.9	15.7	15.1	1.1	1.0	
Sarda Energy	Buy	107	137	384	992	1,070	13.8	17.1	13.2	14.7	8.1	7.3	0.5	0.5	7.0	7.3	0.9	0.8	
Sesa Goa	Buy	200	232	17,343	7,979	9,073	45.2	45.2	29.5	33.0	6.8	6.1	1.2	1.0	18.7	17.7	0.9	0.6	
Sterlite Inds	Buy	114	154	38,144	36,843	43,285	23.0	25.1	14.6	18.5	7.8	6.1	0.8	0.7	11.2	12.6	0.7	0.6	
Tata Steel	Buy	402	510	38,512	123,172	142,958	12.4	13.4	59.3	77.4	6.8	5.2	0.9	0.7	24.0	15.5	0.7	0.6	
Oil & Gas																			
Cairn India	Reduce	309	285	58,803	11,487	13,630	74.2	77.7	31.9	40.5	9.7	7.6	1.3	1.1	14.0	15.3	4.6	3.4	
GAIL	Buy	408	499	51,741	32,459	34,080	19.2	19.5	31.7	35.6	12.9	11.5	2.3	2.0	19.3	18.7	0.4	0.0	
Gujarat Gas	Neutral	377	-	4,836	2,472	2,908	19.3	18.6	24.9	28.0	15.1	13.5	4.8	4.0	34.4	32.1	1.8	1.5	
Gujarat State Petronet	Buy	95	117	5,359	1,173	1,259	92.2	92.5	10.2	11.1	9.3	8.6	2.2	1.8	25.6	22.7	5.5	4.9	
Indraprasth Gas	Neutral	419	-	5,863	2,370	2,829	29.1	26.7	24.9	27.3	16.8	15.3	4.6	3.7	30.6	26.8	2.6	2.1	
ONGC	Buy	259	324	221,416	125,242	138,164	43.9	42.3	31.3	33.3	8.3	7.8	1.7	1.5	21.5	19.9	1.4	1.2	
Petronet LNG	Accumulate	167	180	12,503	20,642	24,221	8.9	8.1	13.7	13.8	12.1	12.0	3.5	2.8	33.1	26.1	0.7	0.6	
Reliance Industries	Buy	863	1,060	282,492	316,591	328,147	12.9	13.5	70.5	78.2	12.2	11.0	1.5	1.3	14.0	13.8	0.9	0.8	
Pharmaceuticals																			
Alembic Pharma	Buy	43	77	817	1,266	1,395	14.0	14.5	4.9	5.9	8.8	7.3	2.2	1.7	29.0	26.4	0.9	0.8	
Aurobindo Pharma	Buy	96	166	2,793	4,519	5,243	14.8	14.6	11.8	13.8	8.1	7.0	0.9	0.8	17.1	15.1	1.0	0.9	
Aventis*	Sell	2,338	1,937	5,384	1,224	1,401	14.9	15.3	85.6	89.9	27.3	26.0	4.7	4.2	18.3	17.1	3.8	3.3	
Cadila Healthcare	Buy	723	965	14,813	5,235	6,343	19.8	19.0	37.7	48.2	19.2	15.0	5.3	4.2	31.0	31.1	2.9	2.3	
Cipla	Buy	307	369	24,642	7,006	8,164	20.0	21.2	14.9	18.4	20.6	16.6	3.3	2.8	16.8	18.2	3.5	3.0	
Dr Reddy's	Buy	43	68	344	1,115	1,282	17.5	17.9	9.9	11.7	4.3	3.6	0.4	0.3	8.6	9.2	1.1	1.0	
Dishman Pharma	Buy	1,617	1,920	27,398	8,721	9,584	25.2	25.1	87.9	96.0	18.4	16.8	4.7	3.9	28.6	25.2	3.3	2.9	
GSK Pharma*	Neutral	2,003	-	16,962	2,447	2,788	35.5	35.5	72.0	86.9	27.8	23.0	7.6	6.6	21.1	30.7	6.1	5.2	
Indoco Remedies	Buy	398	555	489	587	734	14.7	15.2	42.5	55.5	9.4	7.2	1.3	1.1	14.3	16.9	1.0	0.8	
Ipca labs	Buy	250	358	3,148	2,207	2,548	20.5	21.5	20.0	27.5	12.5	9.1	2.5	2.1	21.8	24.9	1.6	1.4	
Lupin	Buy	463	593	20,695	6,817	8,272	18.3	19.7	22.4	29.7	20.7	15.6	5.5	4.3	28.2	30.8	3.2	2.6	
Orchid Chemicals	Buy	159	270	1,121	2,143	2,508	21.8	21.8	28.4	37.3	5.6	4.3	1.1	0.9	19.3	23.4	1.4	1.2	
Ranbaxy*	Buy	469	577	19,771	10,196	12,023	17.0	24.0	29.4	52.8	15.9	8.9	3.0	2.5	20.1	25.9	1.9	1.4	

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)		
					FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	
Sun Pharma	Accumulate	505	569	52,015	7,416	9,272	34.1	35.1	20.3	25.9	24.9	19.5	4.8	4.0	22.4	22.4	6.6	5.2	
Power																			
CESC	Buy	257	379	3,212	4,533	4,880	24.2	23.5	40.9	42.1	6.3	6.1	0.7	0.6	11.3	10.5	1.2	1.1	
GIPCL	Buy	75	95	1,137	1,384	1,437	33.3	30.9	10.2	11.0	7.4	6.9	0.8	0.7	10.8	10.8	1.5	1.2	
NTPC	Buy	170	201	140,132	66,446	73,342	24.8	25.1	12.2	13.1	14.0	12.9	1.9	1.7	13.8	13.7	2.6	2.5	
Real Estate																			
Anant Raj	Buy	49	81	1,444	532	742	54.4	54.9	5.3	8.1	9.2	6.1	0.4	0.4	4.1	6.0	3.8	3.0	
DLF	Accumulate	208	220	35,364	10,466	11,702	43.6	44.5	9.8	11.9	21.3	17.5	1.4	1.3	6.6	7.8	5.6	5.1	
HDIL	Buy	79	115	3,289	2,675	3,167	50.5	54.4	24.9	31.7	3.2	2.5	0.3	0.3	10.3	11.6	2.7	2.3	
Telecom																			
Bharti Airtel	Accumulate	401	425	152,452	72,089	83,165	34.0	35.9	15.1	24.8	26.6	16.2	2.8	2.4	10.6	14.9	3.0	2.4	
Idea Cellular	Neutral	95	-	31,261	19,610	23,363	26.0	27.1	2.4	3.5	38.7	26.8	2.4	2.2	6.2	8.2	2.2	1.8	
Rcom	Neutral	77	-	15,965	20,050	22,911	31.0	32.8	3.9	5.7	19.8	13.5	0.4	0.4	2.5	2.8	2.3	1.8	
Others																			
Bajaj Electrical	Neutral	180	-	1,795	3,223	3,659	7.7	8.5	14.0	18.2	12.8	9.9	2.5	2.1	21.3	23.6	0.5	0.5	
CRISIL	Neutral	902	-	6,398	819	990	34.0	34.3	29.4	34.6	30.7	26.0	13.4	11.4	47.8	47.3	7.5	6.1	
Finolex Cables	Buy	35	51	533	2,081	2,341	8.0	8.5	5.5	8.5	6.3	4.1	0.7	0.6	11.2	15.6	0.2	0.2	
Graphite India	Buy	72	102	1,406	1,721	2,053	18.9	22.6	9.6	13.4	7.5	5.4	0.9	0.8	11.9	15.3	1.1	0.9	
Greenply	Buy	200	284	483	1,426	1,574	8.1	9.4	22.4	35.6	8.9	5.6	1.3	1.1	15.5	20.8	0.7	0.6	
Page Industries	Neutral	2,575	-	2,872	658	822	18.6	18.6	64.0	79.1	40.2	32.6	19.5	16.1	55.8	56.4	4.5	3.6	
Sintex	Buy	101	150	2,745	5,296	6,256	18.3	17.4	20.8	23.6	4.8	4.3	0.9	0.8	19.3	18.1	0.8	0.6	
Siyaram Silk Mills	Buy	284	426	266	982	1,150	12.7	12.1	64.8	70.9	4.4	4.0	1.0	0.8	24.9	22.5	0.6	0.5	
SpiceJet	Neutral	22	-	958	4,165	5,489	(6.1)	(0.5)	(6.6)	(2.7)	-	-	6.0	22.6	-	-	0.4	0.3	
Taj GVK	Buy	86	121	537	310	360	35.5	36.3	7.9	10.1	10.8	8.5	1.5	1.3	14.6	16.4	2.1	1.7	

Source: Company, Angel Research, Note: *December year end; #September year end; &October year end; ^ June year end; Price as on November 15, 2011

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Ratings (Returns) :

Buy (> 15%)
Reduce (-5% to -15%)

Accumulate (5% to 15%)
Sell (< -15%)

Neutral (-5 to 5%)

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