

Dealer's Diary

The domestic markets are expected to open in the green tracking positive developments in the European and the Asian markets. Asian stocks are trading positively, reversing earlier losses, after Greek Prime Minister Lucas Papademos said major progress has been made in debt-swap talks with bondholders and Japan's industrial production grew faster than economists estimated.

The US markets traded lower most of Monday but recovered to close marginally in the red. The early weakness on Wall Street came as traders kept an eye on the latest developments in Europe amid concerns about a recession and its potential impact on the global economy. Traders also reacted negatively to a report from the U.S. Commerce Department showing that personal spending came in nearly unchanged in December despite a notable increase in personal income.

Meanwhile Indian markets tumbled on Monday on profit booking after witnessing a sharp rally in the last one week.

Markets Today

The trend deciding level for the day is 16,943/5,110 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 17,058 – 17,253/5,143– 5,200 levels. However, if NIFTY trades below 16,943/5,110 levels for the first half-an-hour of trade then it may correct up to 16,748 – 16,634/5,054 – 5,021 levels.

Indices	S2	S1	PIVOT	R1	R2
SENSEX	16,634	16,748	16,943	17,058	17,253
NIFTY	5,021	5,054	5,110	5,143	5,200

News Analysis

- SBI to get capital from Government of India
- Department of Justice announces consent decree against Ranbaxy
- 3QFY2012 - Result Reviews – LIC Housing, Allahabad Bank, OBC, Sadbhav Engineering, TAJ GVK
- 3QFY2012 - Result Previews – ICICI Bank, NMDC, PNB, Dabur, IDBI Bank, Crompton Greaves, Central Bank, Ipca Labs, TVS Motor, KEC International

Refer detailed news analysis on the following page

Net Inflows (January 27, 2012)

₹ cr	Purch	Sales	Net	MTD	YTD
FII	4,096	2,732	1,364	10,524	10,524
MFs	545	827	(281)	(1,613)	(1,613)

FII Derivatives (January 30, 2012)

₹ cr	Purch	Sales	Net	Open Interest
Index Futures	1,077	2,232	(1,155)	11,322
Stock Futures	1,483	1,643	(160)	25,752

Gainers / Losers

Company	Gainers		Losers	
	Price (₹)	chg (%)	Company	Price (₹) chg (%)
Hindustan Copper	299	7.5	Ranbaxy Labs	444 (6.6)
Jubilant Foodworks	904	5.7	Adani Power	84 (5.0)
MMTC	870	4.5	GE Shipping	234 (5.0)
MRF	7,657	3.9	IVRCL	50 (4.7)
JSW Energy	55	3.6	Alstom Projects	354 (3.9)

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	(2.2)	(370.7)	16,863
Nifty	(2.3)	(117.4)	5,087
MID CAP	(2.0)	(115.4)	5,757
SMALL CAP	(1.8)	(118.1)	6,374
BSE HC	(0.2)	(10.4)	6,251
BSE PSU	(1.8)	(134.5)	7,275
BANKEX	(2.8)	(313.2)	10,969
AUTO	(1.8)	(169.2)	9,028
METAL	(2.9)	(330.0)	11,246
OIL & GAS	(2.2)	(185.8)	8,356
BSE IT	(0.6)	(32.7)	5,689

Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	(0.1)	(6.7)	12,654
NASDAQ	(0.2)	(4.6)	2,812
FTSE	(1.1)	(62.4)	5,671
Nikkei	(0.4)	(34.2)	8,849
Hang Seng	1.6	328.7	20,439
Straits Times	0.1	2.8	2,894
Shanghai Com	0.6	13.6	2,333

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	(0.0)	(0.0)	\$54.3
Wipro	(2.2)	(0.2)	\$10.7
ICICI Bank	(1.9)	(0.7)	\$34.6
HDFC Bank	(2.2)	(0.7)	\$30.6

Advances / Declines	BSE	NSE
Advances	997	415
Declines	1,820	1,086
Unchanged	98	60

Volumes (₹ cr)

BSE	2,475
NSE	11,784

Department of Justice announces consent decree against Ranbaxy

The Department of Justice has announced the filing of consent decree for Ranbaxy's Paonta Sahib and Dewas facilities. Although the clarity and roadmap of the re-approval for both the facilities have emerged, forfeiting exclusivity is a clear negative for the company. Even though Ranbaxy now has a clear roadmap and defined timelines for the re-approval for both the facilities, the terms of the decree are more severe than anticipated. Moreover, forfeiting exclusivity is a clear negative for Ranbaxy.

Currently, our target price and financials do not include major upsides from other Para IV opportunities besides Nexium and Lipitor. We would wait for more clarity from management before changing our estimates. **However, given the lack of clarity at this point, we recommend Neutral on the stock.**

SBI to get capital from Government of India

According to a filing by SBI on BSE, the government of India has approved capital infusion of ₹7,900cr in the bank. The capital infusion is expected to aid the bank in growing its loan portfolio at a faster pace and also increase the tier-1 ratio of the bank to above 8%, which as of 2QFY2012 stands at 7.5%. **We reiterate a buy on the stock with a target price of ₹2,359.**

3QFY2012 - Result Reviews

LIC Housing Finance

For 3QFY2012, LIC Housing posted net profit growth of 43.2% yoy to ₹306cr, above our estimate mostly due reversal of excess provisions (~₹100cr) that the company was carrying on its balance sheet. LIC Housing had made the entire standard provisioning of ₹160cr (40bp on ₹40,000cr) on individual loans in 2QFY2012, in spite of already providing 10-15bp. Also, the company was providing more on developer loans (90bp) than required by NHB (40bp) due to which the company had accumulated these extra provisions.

Net interest income of the company declined by 7.0% yoy, as high prevailing interest rates led to higher cost of funds. Consequently, NIM declined sequentially by 18bp to 2.27%. Loan portfolio of the company grew by healthy 26.6% yoy to ₹58,707cr. The company disbursed ₹4,722cr of loans during 3QFY2012 (96.7% to individuals). Gross NPA as of 3QFY2012 for the company stood at 0.63% (0.67% in 3QFY2011).

At the CMP, the stock is trading at 1.9x FY2013 ABV. **We recommend an Accumulate rating on the stock with a target price of ₹262.**

Allahabad Bank

For 3QFY2012, Allahabad Bank reported 34.8% yoy growth in its net profit to ₹560cr, ahead of our estimates primarily due to lower-than-expected effective tax rate. On the PBT level, results were below our estimates due to higher-than-expected provisioning expenses. Though operating income came in-line with expectations with NIM remaining stable sequentially, asset quality deteriorated with slippages rising to 2.5%.

Slippages rate remains high; restructuring for the quarter rises to over ₹1,000cr:

After the decline of 3.1% qoq in 2QFY2012, advances increased by 4.9% qoq (up 15.7% yoy). Deposits growth was a bit sluggish at 2.3% qoq and 20.1% yoy. Consequently, CD ratio improved by 175bp qoq to 69.1%. CASA deposits growth was moderate at 10.6% (with saving deposits registering better growth of 14.4% yoy), leading to a stable calculated share of CASA at 30.6%. NIMs remained stable sequentially at 3.7%, as the fall in yield on advances (35bp qoq) was largely compensated by the decline (32bp qoq) in cost of deposits. On the asset-quality front, slippages for the quarter rose further to 2.5% from 2.2% witnessed in 2QFY2012 and 2.0% in 3QFY2011. Management attributed a large part of slippages to priority sector lendings. Overall asset quality deteriorated a bit with gross and net NPAs rising by 10% qoq and 19.9% qoq, respectively. Provision coverage ratio, including technical write-offs, was stable sequentially at 78%. The bank restructured loans amounting to ~₹1,050cr during the quarter, taking the cumulative outstanding restructuring to ₹3,823cr (3.8% of advances).

Positives for Allahabad Bank include moderate CASA ratio of 30.6% and better-than-peer average fee income at 0.8-0.9% of assets. Also, the bank's return ratios are on the higher side; however, higher estimated provisioning expenses are expected to dent profitability going forward. The bank is trading at valuations of 0.6x FY2013E ABV, which we feel do not provide adequate margin of safety from the risk of asset-quality deterioration over FY2012-13. Hence, **we maintain our Neutral recommendation on the stock.**

Oriental Bank of Commerce

For 3QFY2012, Oriental Bank of Commerce (OBC) registered a poor set of results with net profit declining by 13.2% yoy to ₹355cr, which were above our estimates due to lower tax provisioning than estimated by us. On PBT basis, the reported figure of ₹447cr was dot in-line with our estimates. Tax rate for 3QFY2012 stood at 20.6% in 3QFY2012 compared to 29.9% in 3QFY2011. According to management, lower tax rate was due to the benefits of taxation on the heavy restructuring done by the bank during 3QFY2012. On the operating front, performance was reasonable (up 13.8% yoy), mostly due to 27.6% yoy growth in non-interest income. The company hired ~1,072 personals during 3QFY2012 (~1,800 during FY2012), which led to a sharp 30.5% sequential rise in employee expenses to ₹608cr. Provisioning expenses went up sharply by 98.6% yoy to ₹381cr. Although provisioning for NPAs was low at ₹101cr, the bank took a hit of ₹143cr as NPV losses on the restructuring done during 3QFY2012. During 3QFY2012, the bank restructured loans worth ₹2,206cr, which also include loans to GTL and Uttar Haryana Discom. Total outstanding restructured

book of the bank now stands at ₹6,885cr. The company is expecting ₹1,500 more of restructuring on account of proposals through the CDR mechanism in the coming few quarters. This figure can go up to ₹3,000cr if the restructuring on Air India also goes through. Slippage ratio for the bank in 3QFY2012 stood at 2.9%. As of 3QFY2012, gross NPA ratio of the bank stands at 2.9%, while net NPA ratio stands at 1.9%.

At the CMP the stock is trading at 0.7x FY2013 ABV. **We recommend a Neutral rating on the stock.**

Sadbhav Engineering

For 3QFY2012, Sadbhav Engineering (SEL) reported a strong performance, marginally ahead of our expectations (highest on the street) and way ahead of street estimates. SEL reported robust 52.0% yoy growth on the top-line front to ₹723.7cr, in-line with our estimate of ₹714.3cr (consensus estimate of ₹630cr). SEL has been able to maintain a sturdy execution pace for captive road BOT projects since the past few quarters, leading to robust revenue growth. On the margin front, the company posted EBITDAM of 10.4%, marginally lower than our estimate of 10.7%. The only surprise came in the interest cost, as it stood at ₹10.6cr, registering a decline of 31.3% on a sequential basis and lower than our estimate of ₹16.8cr. On the earnings front, SEL reported 58.1% growth yoy to ₹41.7cr, higher than our expectation of ₹38.9cr (consensus estimate of ₹31cr) on account of higher top-line growth and lower interest cost. **We maintain our Buy view on the stock with a target price of ₹150.**

TAJ GVK

For 3QFY2012, TAJ GVK reported a decline of 5.8% yoy in its net sales to ₹66cr. EBITDA declined by 32.7% yoy to ₹19cr and EBITDA margin declined by 1,129bp yoy to 28.2%, largely due to launch of its new property at Begumpet, where all pre-operating expenses were accounted for in the P&L. Consequently, PAT declined by 52.8% yoy to ₹6cr, while margin declined by 919bp yoy to 9.2%. We will be coming out with a detailed report post management interaction. **We continue to maintain our Buy rating on the stock with a target price of ₹121.**

3QFY2012 - Result Previews

ICICI Bank

ICICI Bank is slated to announce its 3QFY2012 results. We expect the bank to report moderate net interest income growth of 14% yoy to ₹2,635cr. Non-interest income growth is expected to be moderate 9.1% yoy to ₹1,908cr. Pre-provision profit of the bank is expected to rise by 11.1% yoy. However, net profit is expected to go up by 14.4% yoy to ₹1,644cr on account of lower provisioning expenses (expected to go down by 22.1% yoy). At the CMP, the stock is trading at attractive valuations of 1.6x FY2013E ABV (without adjusting value of subsidiaries). **We continue to maintain our Buy rating on the stock with a target price of ₹1,061, implying an upside of 25%.**

NMDC

NMDC is slated to announce its 3QFY2012 results. We expect the company's top line to grow by 4.7% yoy to ₹2,745cr on account of increased sales volumes as well as realization. On the operating front, EBITDA margin is expected to improve by 58bp yoy to 77.5%. The bottom line is expected to grow by 15.7% yoy to ₹1,757cr. **We maintain our Buy rating on the stock with a target price of ₹231.**

Punjab National Bank

Punjab National Bank is scheduled to announce its 3QFY2012 results. We expect the bank to report net interest income growth of 12.6% yoy. Operating profit of the bank is expected to register growth of 16.1% yoy. Net profit growth is expected to be at 16.9% on a yoy basis to ₹1,274cr. At the CMP, the stock is trading at 1.1x FY2013E ABV. **We continue to maintain our Accumulate recommendation on the stock with a target price of ₹1,059.**

Dabur

Dabur is slated to announce its 3QFY2011 numbers. For the quarter, we expect Dabur to post robust 24.7% yoy growth in its consolidated top line to ₹1,347cr, driven by steady growth in its core brands and new product launches. The bottom line is expected to register healthy growth of 17.9% yoy to ₹182cr, aided by top-line growth and margin contraction of 64bp to 18.8%. **We maintain our Buy rating on the stock with a target price of ₹110.**

IDBI Bank

IDBI Bank is scheduled to announce its 3QFY2012 results. We expect the bank to report a 3.9% yoy decline in its net interest income to ₹1,157cr. Non-interest income is also expected to rise by reasonably healthy 17.5% yoy, taking overall operating income growth to 1.9% yoy. While operating expenses are expected to increase considerably by 28.4% yoy, provisioning expenses are expected to

decline by 44.7% yoy. PBT is expected to rise by healthy 36.5% yoy; however, normalized effective tax rate of 26% is expected to subside PAT growth to 7.4% yoy at ₹488cr. At the CMP, the stock is trading at 0.6x FY2013E ABV. **We continue to maintain our Accumulate recommendation on the stock with a target price of ₹107.**

Crompton Greaves

For 3QFY2012, we expect Crompton Greaves to report moderate top-line growth of 10.5% yoy to ₹2,649cr, mainly aided by a favorable currency translation gain for its international revenue (thereby overshadowing persistent weakness in the power system segment, which has remained a drag since the past few quarters). On the EBITDA front, the company's margin is expected to decline sharply by ~470bp yoy to 9.5%. However, we expect an uptick of 110bp qoq in the company's margin, factoring in the cooling of commodity prices (read copper). PAT for the quarter is expected to drop by 42.6% yoy to ₹133.6cr. At the CMP, the stock is trading at 16.5x and 11.0x FY2012E and FY2013E EPS, respectively. **We recommend Buy on the stock with a target price of ₹158.**

Central Bank

Central Bank is slated to announce its 3QFY2012 results. We expect the bank to report a muted net interest income growth of 0.4% yoy to ₹1,426cr. However, due to traction in non-interest income (up 24.8% yoy) to ₹311cr, operating income is expected to grow by 3.3% yoy. However, on account of shift of leftover loan book (below ₹10lakh and below) to system-driven NPA recognition, we expect provisioning expenses to rise sharply by 149.1% yoy to ₹473cr. Consequently, we expect net profit to decline by 41.2% yoy to ₹237cr. At the CMP, the stock is trading at 0.7x FY2013E ABV. **We recommend Neutral on the stock.**

Ipca Labs

For 3QFY2012, we estimate Ipca Labs' top line to grow by 26.8% to ₹587.6cr. The company's OPM is expected to expand by 170bp yoy to 20.7%, led by higher gross margin. Overall, adjusted net profit is expected to decline by 11.2% yoy on the back of higher tax outgo. **At the CMP, we recommend a Buy rating on the stock with a target price of ₹358.**

TVS Motor

TVS Motor is scheduled to announce its 3QFY2012 results. We expect the company's top line to report modest 7% yoy growth to ₹1,729cr, primarily led by 6% yoy growth in net average realization. Volumes during the quarter remained flat as motorcycle volumes declined by 7% yoy. EBITDA margin is expected to expand moderately by 40bp yoy to 6.5%. Thus, the bottom line is expected to post 7% yoy growth to ₹60cr. **The stock rating is under review.**

KEC International

For 3QFY2012, KEC International (KEC) is expected to register strong growth of 18.2% yoy to ₹1,266cr on the back of execution of its robust order book. On the EBITDA front, despite increased contribution from SAE Towers, the company's margin is expected to contract by ~313bp yoy to 8.5% due to margin pressures faced by the company in the domestic business. Interest cost is expected to remain at elevated levels, but it is likely to be offset by an extraordinary gain of ₹49cr (sale of land), which will possibly boost the company's PAT by 48.1% yoy to ₹85.9cr. Adjusted for this gain, PAT will likely decline by 36.4% yoy to ₹36.9cr. At the CMP, the stock is trading at 7.6x and 5.8x FY2012E and FY2013E EPS, respectively. **We recommend Neutral on the stock.**

Quarterly Bloomberg Brokers' Consensus Estimates

Dabur India Ltd - Consolidated (31/01/2012)

Particulars (₹ cr)	3Q FY12E	3Q FY11	y-o-y (%)	2Q FY12	q-o-q (%)
Net sales	1,369	1,080	27	1,262	8
EBITDA	246	209	18	241	2
EBITDA margin (%)	18.0	19.4		19.1	
Net profit	177	154	14	174	2

Crompton Greaves Ltd - Consolidated (31/01/2012)

Particulars (₹ cr)	3Q FY12E	3Q FY11	y-o-y (%)	2Q FY12	q-o-q (%)
Net sales	2,669	2,397	11	2,706	(1)
EBITDA	246	340	(28)	226	9
EBITDA margin (%)	9.2	14.2		8.3	
Net profit	138	233	(41)	117	18

Siemens India Ltd (31/01/2012)

Particulars (₹ cr)	3Q FY12E	3Q FY11	y-o-y (%)	2Q FY12	q-o-q (%)
Net sales	2,842	2,525	13	3,604	(21)
EBITDA	305	363	(16)	292	5
EBITDA margin (%)	10.7	14.4		8.1	
Net profit	200	244	(18)	169	18

ICICI Bank Ltd (31/01/2012)

Particulars (₹ cr)	3Q FY12E	3Q FY11	y-o-y (%)	2Q FY12	q-o-q (%)
Net profit	1,593	1,437	11	1,503	6

PNB Ltd (31/01/2012)

Particulars (₹ cr)	3Q FY12E	3Q FY11	y-o-y (%)	2Q FY12	q-o-q (%)
Net profit	1,259	1,090	15	1,205	4

IDBI Bank Ltd (31/01/2012)

Particulars (₹ cr)	3Q FY12E	3Q FY11	y-o-y (%)	2Q FY12	q-o-q (%)
Net profit	474	454	4	81	483

Titan Industries Ltd - (31/01/2012)

Particulars (₹ cr)	3Q FY12E	3Q FY11	y-o-y (%)	2Q FY12	q-o-q (%)
Net sales	2,503	1,955	28	2,096	19
EBITDA	230	195	18	200	15
EBITDA margin (%)	9.2	10.0		9.6	
Net profit	169	138	23	148	14

NMDC Ltd - Consolidated (31/01/2012)

Particulars (₹ cr)	3Q FY12E	3Q FY11	y-o-y (%)	2Q FY12	q-o-q (%)
Net sales	2,980	2,621	14	3,062	(3)
EBITDA	2,088	2,016	4	2,435	(14)
EBITDA margin (%)	70.1	76.9		79.5	
Net profit	1,876	1,518	24	1,963	(4)

Ashok Leyland Ltd - (01/02/2012)

Particulars (₹ cr)	3Q FY12E	3Q FY11	y-o-y (%)	2Q FY12	q-o-q (%)
Net sales	2,934	2,227	32	3,095	(5)
EBITDA	296	166	78	331	(11)
EBITDA margin (%)	10.1	7.5		10.7	
Net profit	120	43	177	154	(22)

ONGC Ltd - (02/02/2012)

Particulars (₹ cr)	3Q FY12E	3Q FY11	y-o-y (%)	2Q FY12	q-o-q (%)
Net sales	21,127	18,586	14	22,616	(7)
EBITDA	13,119	13,531	(3)	14,469	(9)
EBITDA margin (%)	62.1	72.8		64.0	
Net profit	6,859	7,083	(3)	8,642	(21)

Economic and Political News

- Plan panel backs government move to go slow on disinvestment
- Government to focus on fiscal consolidation in budget
- DoT may not allow spectrum sharing by 3G operators

Corporate News

- Oil Ministry asks Reliance Industries to withdraw arbitration notice
- Lupin gets USFDA nod for diabetes drug
- Bajaj Auto unveils new *Pulsar 200NS*; sales to begin from FY2013
- Suzlon bags orders worth ₹2,000cr from U.S. and Brazil
- IVRCL bags ₹1,300cr project from NHAI

Source: Economic Times, Business Standard, Business Line, Financial Express, Mint

Results Calendar

31/01/2012	ICICI Bank, NMDC, Punjab Natl. Bank, Siemens, Titan Inds., Dabur India, Crompton Greaves, IDBI Bank, Central Bank, Thermax, TVS Motor, PTC India, KEC International
01/02/2012	Mahindra Satyam, Ashok Leyland, UCO Bank, Finolex Cables
02/02/2012	ONGC, Andhra Bank, Corporation Bank, Hexaware, Greenply
03/02/2012	Dr Reddy's, Power Fin.Corp., HPCL, Madras Cements, Prakash Industries, Subros
06/02/2012	HUL, Mundra Port, Adani Power, Nalco, GlaxoSmith Con, MOIL, Dena Bank, BGR Energy, India Cements, Nagarjuna Const., GIPCL
07/02/2012	M&M, Cadila Healthcare, GMR Infra., ITNL, J K Lakshmi Cements

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