

Dealer's Diary

The markets are expected to open sideways following flat opening across most of the Asian bourses. The muted start in Asia came amid lingering European uncertainty, after Greece failed to reach a debt-restructuring agreement over the weekend with holders of its sovereign bonds.

US stocks turned in a relatively lackluster performance during trading on Friday, as traders seemed somewhat reluctant to make any significant moves. A mixed reaction to the latest batch of earnings news contributed to the choppy trading seen throughout the session. European stocks were mixed on Friday, ending another strong week on a fairly lackluster note as markets looked for a resolution to the Greek debt debacle.

Indian shares continued to edge higher on Friday despite weak cues from European markets. The Supreme Court on Friday set aside a Bombay High Court judgment in the US\$2bn tax case against British telecom giant Vodafone, boosting prospects for more FDI inflow into India. For current week, investors would be closely watching the RBI's monetary policy review due on 24th January 2012.

Markets Today

The trend deciding level for the day is 16,713/5,039 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 16,814–16,890/5,074–5,099 levels. However, if NIFTY trades below 16,713/5,039 levels for the first half-an-hour of trade then it may correct up to 16,638–16,536/5,014–4,979 levels.

| Indices | S2 | S1 | PIVOT | R1 | R2 |
|---------|--------|--------|--------|--------|--------|
| SENSEX | 16,536 | 16,638 | 16,713 | 16,814 | 16,890 |
| NIFTY | 4,979 | 5,014 | 5,039 | 5,074 | 5,099 |

News Analysis

- 3QFY2012 Result Reviews – RIL, ITC, Wipro, Hindustan Zinc, Axis Bank, Ultratech Cement, Asian Paints, JSW Steel, GCPL, Exide Industries, Syndicate Bank, HT Media, Bank of Maharashtra, HCC, Persistent, Patel Eng.
- 3QFY2012 Result Previews – L&T, GAIL, Sterlite Inds, Maruti Suzuki, Colgate, Shree Cement, Federal Bank, KPIT, Ashoka Buildcon

Refer detailed news analysis on the following page

Net Inflows (January 19, 2012)

| ₹ cr | Purch | Sales | Net | MTD | YTD |
|------|-------|-------|-----|-------|-------|
| FII | 2,823 | 2,125 | 698 | 6,094 | 6,094 |
| MFs | 575 | 565 | 10 | (730) | (730) |

FII Derivatives (January 20, 2012)

| ₹ cr | Purch | Sales | Net | Open Interest |
|---------------|-------|-------|-----|---------------|
| Index Futures | 4,735 | 4,196 | 539 | 17,039 |
| Stock Futures | 6,428 | 6,047 | 380 | 29,719 |

Gainers / Losers

| Gainers | | | Losers | | |
|----------------|-----------|---------|----------------|-----------|---------|
| Company | Price (₹) | chg (%) | Company | Price (₹) | chg (%) |
| IVRCL Ltd | 44 | 9.9 | Adani Enter | 405 | (8.0) |
| Suzlon Energy | 25 | 8.1 | Sun TV Network | 280 | (5.8) |
| Pantaloon Retl | 178 | 7.2 | Educomp Sol | 205 | (5.6) |
| Indiabulls Fin | 183 | 6.3 | Jet Air India | 232 | (4.5) |
| Bajaj Auto | 1,558 | 6.2 | HDIL | 79 | (4.4) |

| Domestic Indices | Chg (%) | (Pts) | (Close) |
|------------------|---------|--------|---------|
| BSE Sensex | 0.6 | 95.3 | 16,739 |
| Nifty | 0.6 | 30.2 | 5,049 |
| MID CAP | 0.2 | 10.1 | 5,680 |
| SMALL CAP | 0.1 | 5.0 | 6,277 |
| BSE HC | (0.4) | (22.6) | 6,169 |
| BSE PSU | 0.6 | 46.3 | 7,227 |
| BANKEX | 3.5 | 370.0 | 10,912 |
| AUTO | 0.7 | 62.8 | 8,819 |
| METAL | (0.3) | (36.3) | 11,198 |
| OIL & GAS | 1.0 | 85.5 | 8,325 |
| BSE IT | 0.1 | 4.0 | 5,500 |

| Global Indices | Chg (%) | (Pts) | (Close) |
|----------------|---------|--------|---------|
| Dow Jones | 0.8 | 96.5 | 12,721 |
| NASDAQ | (0.1) | (1.6) | 2,787 |
| FTSE | (0.2) | (12.6) | 5,729 |
| Nikkei | 1.5 | 126.7 | 8,766 |
| Hang Seng | 0.8 | 167.4 | 20,110 |
| Straits Times | 1.4 | 38.2 | 2,849 |
| Shanghai Com | 1.0 | 23.0 | 2,319 |

| Indian ADRs | Chg (%) | (Pts) | (Close) |
|-------------|---------|-------|---------|
| Infosys | 1.1 | 0.6 | \$52.3 |
| Wipro | 4.5 | 0.5 | \$10.9 |
| ICICI Bank | 3.8 | 1.3 | \$34.1 |
| HDFC Bank | (1.4) | (0.4) | \$30.0 |

| Advances / Declines | BSE | NSE |
|---------------------|-------|-----|
| Advances | 1,363 | 623 |
| Declines | 1,481 | 813 |
| Unchanged | 112 | 72 |

| Volumes (₹ cr) | |
|----------------|--------|
| BSE | 2,948 |
| NSE | 13,694 |

3QFY2012 Result Reviews

RIL

For 3QFY2012, Reliance Industries (RIL) reported higher-than-expected net sales, while its net profit was slightly below our estimates. Net sales increased by 42.4% yoy to ₹85,135cr, above our estimate of ₹78,364cr. Net sales growth was mainly driven by the petrochemicals segment (+23.8% yoy to ₹19,781cr) and refining segment (+46.1% yoy to ₹76,738cr). RIL's EBITDA decreased by 23.7% yoy to ₹7,285cr on account of lower profits from all the three main segments. The refining segment's EBIT decreased by 30.8% yoy to ₹1,685cr; the petrochemical segment's EBIT decreased by 11.2% yoy to ₹2,157cr; and the oil and gas segment's EBIT decreased by 14.0% yoy to ₹1,294cr during the quarter. Gross refining margins stood at US\$6.8/bbl in 3QFY2012 compared to US\$9.0 in 3QFY2011 and US\$9.1/bbl in 2QFY2012. Production from KG-D6 stood at 41mmcmd in 3QFY2012 compared to 45mmcmd in 2QFY2012. Other income increased by 131.7% yoy to ₹1,717cr, which resulted in net profit decreasing by only 13.6% yoy to ₹4,440cr, slightly below our estimate of ₹4,519cr.

During 3QFY2012, RIL turned into a net debt-free company, as its net debt stood at ₹74,503cr and cash stood at ₹74,539cr, as on December 31, 2011. RIL announced share buyback program of 12cr shares (₹10,440cr) through open market purchases at a buyback price not exceeding ₹870. **We maintain our Buy view on the stock, while we keep our target price under review.**

ITC

For 3QFY2012, ITC declared steady growth in its top line and earnings (broadly in-line with our estimates). During the quarter, ITC declared top-line growth of 14.2% yoy to ₹6,195cr, in-line with our estimates. The cigarette division registered 11% yoy growth in gross revenue (16.6% yoy growth in net revenue) on the back of price hikes taken in cigarettes. Amongst other segments, at net level, agri-business, paperboards and packaging and hotels posted growth of 6.8% yoy, 11% yoy and -1.1% yoy, respectively, while the non-cigarette FMCG business grew by robust ~24% yoy. Earnings for the quarter grew by robust 22.5% yoy to ₹1,701cr, in line with our estimates. The company has been successful in reducing its losses in the non-cigarette FMCG business – loss during 3QFY2012 stood at ~₹47cr (₹74cr). **We maintain Accumulate on the stock with a target price of ₹219 based on our SOTP valuation.**

Wipro

For 3QFY2012, Wipro's IT services revenue came largely in-line with expectations at US\$1,505.5mn, up 2.2% qoq, primarily led by pricing growth of 2.9% and 2.3% qoq (reported basis). In constant currency (CC) terms, pricing – onsite and offshore – grew by 4.3% and 3.6% qoq, respectively. Volume growth during the quarter was tepid at 1.8% qoq. In INR terms,

revenue of the IT services segment came in at ₹7,608cr, up 11.4% qoq, aided by INR depreciation against USD. Revenue from the consumer care and lighting segment grew strongly by 26.4% yoy, while the IT products segment reported merely 2.4% yoy revenue growth. EBIT margin of the IT services, IT products and consumer care and lighting business grew by 83bp, 77bp and 87bp qoq to 20.8%, 5.3% and 11.9%, respectively. Overall, EBITDA and EBIT margin of Wipro grew by 72bp and 88bp qoq to 19.8% and 17.2%, respectively. PAT came in at ₹1,456cr.

For 4QFY2012, management has given a decent revenue guidance of US\$1.520bn-1.550bn for the IT services segment, with qoq growth of 1-3%, which is slightly better than one of its peers, Infosys. Also, management maintained that the company will take another 1-2 quarters to grow at rates comparable to its peers. This implies poor annual growth for FY2012. Thus, we expect revenue CAGR for IT services (USD terms) to be muted at 12.8% over FY2011-13E. We value the company at 15.3x FY2013E EPS (15% discount to Infosys) of ₹27.8, which gives us a target price of ₹425. **We maintain our Neutral rating on the stock.**

Hindustan Zinc

For 3QFY2012, Hindustan Zinc's (HZL) net revenue increased by 5.6% yoy to ₹2,747cr (in-line with our estimate of ₹2,574cr) on account of higher sales volumes. Zinc sales volumes grew by 6.5% yoy and 3.2% qoq to 190kt and lead sales volumes grew by 118.8% yoy and 83.9% qoq to 27kt due to ramp up in production from Dariba smelter (commissioned in June 2011). Silver sales volumes grew by 66.0% yoy and 18.2% qoq to 49kt. Zinc realization decreased by 4.9% yoy and 2.4% qoq to ₹105,474/tonne, lead realizations decreased by 4.4% yoy and 5.0% qoq to ₹114,074/tonne, while silver realization increased by 33.1% yoy but decreased by 9.2% qoq to ₹52,449/kg. Hence, EBITDA margin contracted by 689bp yoy to 51.1% and EBITDA decreased by 7.0% yoy to ₹1,402cr. Other income was higher by 84.4% yoy to ₹382cr, which resulted in net profit growing by 0.6% yoy to ₹1,274cr. Excluding exceptional items (₹6cr in 3QFY2012 and ₹24cr in 3QFY2011), adjusted net profit declined by 0.7% yoy to ₹1,280cr (in-line with our estimate of ₹1,288cr). Reported net profit grew by 0.6% yoy to ₹1,274cr.

The company's cash and equivalents stood at ₹16,255cr at the end of 3QFY2012 (cash per share ₹38.4). The company is ramping up its Sindesar Khurd mine to 2mn tonnes by March 2012. **We maintain our Buy rating on the stock, while we keep our target price under review.**

Axis Bank

For 3QFY2012, Axis Bank reported healthy 23.7% yoy growth in its net profit to ₹1,102cr, above our as well as street estimates. Stable NIMs, continuance of traction in other income growth and largely stable asset quality were the key highlights of the results.

Business growth momentum for the bank remained on track in 3QFY2012 as well. Advances grew by healthy 6.2% qoq; on a yoy basis, the base effect

sedated the advances growth to 20.4%. Deposits accretion sustained the traction gained in 2QFY2012 into 3QFY2012 as well, with rise of 7.3% qoq and 33.9% yoy. CASA deposits on a daily average basis grew at a moderate pace of 13.2% yoy. CASA ratio remained steady around the 42% mark. The bank's reported NIM for the quarter remained largely stable at 3.75% in spite of a 15bp qoq rise in cost of funds. However, going forward, management expects some moderation in NIMs. Asset-quality pressures were well in check, with annualized slippage ratio at 1.5%, in-line with trends witnessed in 2QFY2012 and FY2011. Restructuring for the quarter was also in-line with ₹300cr witnessed in 2QFY2012. Gross and net NPA ratios were stable sequentially at 1.1% and 0.4%, respectively. The bank added 47 branches during the quarter. Tier-I CAR including profits stood at 9.6%.

The bank's substantial branch expansion over the past 2-3 years (407 in FY2011 itself, a 41.4% yoy increase) is expected to yield meaningful results over FY2012-13, leading to more CASA market share gains. We are cautious on the asset-quality front and have built in higher delinquencies; however, we note that the rise in NPAs is likely to be well within manageable limits for Axis Bank. We remain positive on the bank, owing to its attractive CASA franchise, rapid branch expansion, multiple sources of sustainable fee income, strong growth outlook and A-list management. The stock is trading at 1.6x FY2013E ABV. **We continue to maintain our Buy recommendation on the stock with a target price of ₹1,299.**

Ultra Tech Cement

Ultra Tech's 3QFY2012 top line grew by 23.1% yoy to ₹4,572cr, aided by robust 16.4% yoy growth in blended realization to ₹4,313/tonne. The company's domestic cement dispatches (incl. clinker and white cement) grew by 6.2% yoy to 9.97mn tonnes. However, the company faced cost pressures during the quarter on account of higher coal and freight costs. OPM for the quarter stood at 22.4%, up 283bp yoy. Net profit rose by 93.4% yoy to ₹617cr, aided by better operating performance and lower interest costs. **We continue to remain Neutral on the stock.**

Asian Paints

Asian Paints (APL) posted its 3QFY2012 results, largely in line with our estimates. The company's consolidated top line grew by 22% yoy to ₹2,561cr (₹2,100cr), in-line with our estimates. Earnings grew by 17% yoy to ₹257cr (₹215cr), in line with our estimates. Operating profit dipped by 91bp yoy to ₹397cr (₹345cr) due to high raw-material costs and other expenses (up 19bp yoy). The company's EBITDA margins came in at 15.5% against our estimate of 15.7%. **At the CMP, the stock is trading at 22x FY2013E EPS and is fairly valued. Hence, we maintain our Neutral view on the stock and wait for better entry opportunities.**

JSW Steel

JSW Steel reported its standalone 3QFY2012 results. The company's net sales grew by 35.5% yoy to ₹7,860cr (in-line with our estimate of ₹7,645cr). Net sales growth was driven by increased steel volumes (+20.0% yoy to 1.9mn tonnes) and realization (+18.2% yoy to ₹43,401/tonne). Capacity utilization improved to 84% at Vijaynagar plant in 3QFY2012, compared to 30-60% during 2QFY2012. On the operating front, although JSW Steel's EBITDA increased by 20.9% yoy to ₹1,253cr, EBITDA margin slipped by 191bp yoy to 15.9% on account of higher raw-material prices. The company reported exceptional item related to forex loss of ₹500cr during the quarter. The company also reported a tax reversal of ₹141cr in 3QFY2012 compared to tax payable of ₹147cr in 3QFY2011, which resulted in adjusted net profit growing by 74.8% yoy to ₹668cr (higher than our estimate of ₹482cr). Reported PAT declined by 56.0% yoy to ₹168cr.

The company reported that its usable iron ore inventory at Vijaynagar plant (capacity – 10mn tonnes p.a.) is expected to last for the next 3-4 months. However, it opined that continuing steel production would remain a challenge until the mining ban is lifted in Karnataka. **We recommend Accumulate on the stock with a target price of ₹699.**

GCPL

GCPL posted its 3QFY2012 results, above our estimates. The company's consolidated top line grew by 36% yoy to ₹1,344cr (₹989cr). Earnings grew by 40.6% yoy to ₹167cr (₹119cr). Operating profit expanded by 302bp yoy to ₹265cr (₹165cr) due to steep cut in ad spends. The company's EBITDA margins came in at 19.7% against our estimate of 16.7%. **The stock is under review.**

Exide Industries

Exide Industries (EXID) reported better-than-expected operating performance for 3QFY2012, led by a sharp sequential improvement in operating margins. The company's top line registered strong 19% yoy (6.3% qoq) growth to ₹1,250cr driven by ~20% yoy volume growth in two-wheeler batteries and ~13% yoy increase in industrial battery volumes. However, demand continued to remain subdued in the four-wheeler OEM as well as the replacement segment. On the operating front, EBITDA margin improved substantially by 556bp sequentially, led by a 490bp and 130bp decline in raw-material expenses and other expenditure, respectively. On a yoy basis, raw-material expenses are still at elevated levels, as a result of which EBITDA margin contracted by 200bp. Net profit witnessed a sharp 103.9% qoq jump to ₹104cr, aided by better-than-expected operating performance; however, it declined by 16.2% yoy. We expect the company to report improvement in its performance in 4QFY2012 as well, led by likely revival in demand in the four-wheeler OEM as well as replacement batteries segments. At ₹126, the stock is trading at 16.5x FY2013E earnings. **The stock rating is currently under review.** We shall revise our estimates and release a detailed note post the earnings conference call with management.

Syndicate Bank

For 3QFY2012, Syndicate Bank reported 32% yoy growth in its net profit to ₹338cr, ahead of our estimates, primarily on account of lower-than-estimated effective tax rate. On the PBT front, results were ~18% below our estimates due to higher-than-expected provisioning expenses. Muted business growth while maintaining NIM and stabilization of asset-quality pressures were the key highlights of the results.

During the quarter, business growth for the bank moderated a bit. The bank's advances grew by muted 2.0% qoq and deposits increased by muted 1.4% qoq. Even on a yoy basis, business growth moderated to 14.9% yoy each as compared to 18.9% growth in advances and 21.5% rise in deposits in 2QFY2012. CASA deposits growth remained sluggish at 6.6% yoy (just 2.2% qoq), leading to a 237bp yoy dip in CASA ratio to 30.8%. However on a sequential basis CASA ratio improved albeit by a marginal 30bp to 30.8% on the back of a 5% qoq increase in current account deposits. The 22bp qoq rise in cost of deposits was largely offset by an almost similar increase in yield on advances, leading to sequentially stable NIM for the quarter at 3.45%. During 3QFY2012, asset-quality pressures for the bank subsided with slippages declining to ₹550cr from the elevated ₹971cr witnessed in 2QFY2012 (primarily on account of completion of switchover to system-based NPA recognition platform). Consequently, the annualized slippage ratio declined to 1.9% from 3.6% in 2QFY2012 and 2.6% in 3QFY2011. The bank had strong upgradations (of ~₹350cr), which aided in registering a 1.9% qoq decline in gross NPAs on an absolute basis. Gross and net NPA ratios improved albeit marginally to 2.3% and 0.9%, respectively. Provision coverage ratio including technical write-offs remained at comfortable 78.5%

In our view, at the CMP, the stock is trading at attractive valuations of 0.6x FY2013E ABV. **We recommend an Accumulate rating on the stock with a target price of ₹99.**

HT Media

For 3QFY2012, HT Media reported a weak performance on the revenue as well as the profitability front. The company's top line grew by 13% yoy to ₹522cr. Recurring earnings declined by 3.8% yoy on account of high raw material cost and staff cost.

Key highlights for the quarter: During the quarter, the company witnessed overall growth of ~10% yoy in ad revenue, driven by ~10.5% yoy growth in the English and ~8.7% yoy growth in the Hindi print segments; however, sequentially, ad revenue growth in English was higher at 9.9% and that in Hindi declined ~9.6% qoq. Further, the company witnessed a ~6.8% yoy increase in circulation revenue. OPM during the quarter contracted by 125bp yoy due to higher other expenditure. **The stock is under review.**

Bank of Maharashtra

For 3QFY2012, Bank of Maharashtra reported a strong performance with a healthy 50.2% yoy growth in its net profit to ₹136cr, slightly lower than our estimate on account of higher tax provisioning (37% effective tax rate). On PBT basis, the reported figure of ₹215cr was in line with our estimates (₹216cr).

The net interest income of the bank grew at a healthy 23.7% yoy to ₹645cr. The non-interest income also registered a healthy growth of 21.3% yoy to ₹150cr, leading to operating income growth of 23.2% yoy. The operating expenses (₹370cr) of the bank grew by a relatively lower 9.8% yoy, leading to a pre-provisioning profit of 37.8% yoy. The provisioning expenses of the bank increased by 22.6% yoy (decline of 24.6% qoq) to ₹210cr. While the PBT for the bank grew by an impressive 69.4% yoy, higher tax rate (37.1% in 3QFY2012 compared to 31.5% in 2QFY2012) led to net PAT growing by 50.2% yoy to ₹136cr.

During 3QFY2012, advances for the bank de-grew by 0.3% qoq (up by 14.0% yoy), while deposit growth was also muted at 0.8% qoq (up by 11.4% yoy). CASA deposits growth at 1.5% qoq (13.6% yoy) was relatively higher compared to the overall deposit growth (saving account deposits rising by 2.1% qoq (12.2% yoy)), leading to CASA ratio for the bank improving sequentially by 29bp to 41.0%.

The bank shed around ₹2,000cr of bulk deposits during 3QFY2012, taking the total bulk deposits to ₹6000cr (8.6% of overall deposits). The cost of funds for the bank increased by a relatively lower 11bp qoq compared to 24bp qoq increase in the yield on advances. Consequently the reported NIMs witnessed a marginal improvement of 4bp to 3.3bp.

The bank's asset quality remained healthy with both absolute Gross and Net NPAs declining by 4% sequentially. While the gross NPAs improved from 2.15% to 2.06%, the net NPA ratio improved from 0.57% to 0.54%. The bank restructured ~₹1,100cr of loans to the Rajasthan and Haryana SEBs during 3QFY2012, taking the outstanding restructured advances to ₹3,100cr. The SEBs of UP and Gujarat have also approached the bank for restructuring and ~₹700cr of advances are expected to be restructured during 4QFY2012.

At the CMP, the stock is trading at reasonable valuations, in our view, of 0.7x FY2013E ABV vs. its five-year range of 0.6–1.2x and median of 0.9x. On the back of high NIM & CASA, moderate fee income and relatively better asset quality than peers, we expect the bank to deliver healthy 26.3% earnings CAGR over FY2011–13E. **We value the stock at 0.8x and hence recommend an Accumulate rating with a target price of ₹53.**

HCC

For 3QFY2012, HCC's reported a poor set of numbers with performance at the revenue and EBITDAM level coming in-line with our and street estimates; however, earnings plunged on account of provisions (expected future losses and cost revisions) worth ₹166cr by the company. We believe these provisions are not exceptional in nature and pertain to the normal course of business. On the top-line front, HCC's revenue declined by 5.6% yoy to ₹946.0cr

(₹1,003cr) against our estimate of ₹982.0cr due to slowdown in order inflow and execution bottlenecks. EBITDAM came in at 11.7% (12.6%), a dip of 90bp yoy and marginally lower than our estimate of 11.9%. On the earnings front, HCC reported a loss of ₹130.4cr vs. profit of ₹7.9cr in 3QFY2011, against our estimate of loss of ₹25.5cr owing to a decline in revenue, EBITDA margin and provisioning of ₹166cr. Interest cost came at ₹104.3cr, a decline of 39.4%/2.9% on a yoy/qoq basis. **Owing to concerns such as slowdown in order inflow, high debt and stretched working capital, we remain Neutral on the stock.**

Persistent

Persistent Systems (Persistent) reported weak set of 3QFY2012 results. The dollar revenues came in at US\$51.7mn, up merely 0.3% qoq. The company's onsite billing rates declined by 2.2% qoq. In rupee terms, revenues came in at ₹268cr, up 12.4% qoq. The company's EBITDA and EBIT margin grew by 696bp and 688bp qoq to 26.0% and 20.1%, mostly due to INR depreciation against USD. PAT stood at ₹41cr, up 25.2% qoq. **The stock is currently under review and we will be releasing a detailed result update shortly.**

Patel Engineering

Patel Engineering (PEL) posted better-than-expected numbers for 3QFY2012. The company reported revenue growth of 42.5% on the consolidate top-line front to ₹619.3cr (₹434.6cr), as against the dismal performance over the past few quarters and despite slowdown on the order inflow front for the past few quarters. On the operating front too, the company posted abnormally high margins at 18.0% (13.4%). This stellar performance on the top-line and operating fronts led to yoy bottom-line growth of 104.8% to ₹20.0cr (₹9.8cr) in spite of a 63.4%/14.1% yoy/qoq jump in interest cost. We wait for further details from the management about the results. However, we are concerned about the growth prospects of the company in the long run and believe that it is facing structural issues (stretched balance sheet and slowing order inflows), which will take time to be sorted out. Further, there are better plays available in the infrastructure space than PEL. **Hence, we maintain our Neutral view on the stock.**

3QFY2012 Result Previews

L&T

For 3QFY2012, we expect Larsen and Toubro (L&T) to report revenue of ₹12,171cr, registering 6.6% yoy growth. This subdued growth is on account of high base (3QFY2011 reported top-line growth of 40.5% yoy). We expect OPM to be flat at 11.1%. We project net profit at ₹866.6cr, marginally up by 3.1% yoy. We believe the company would end the quarter with a total order inflow of ~₹10,000cr (₹13,366cr). An important thing to watch out for would be management's commentary on the outlook for the sector and how things pan out

on the margin front going ahead. We do not expect INR depreciation to have a major impact on L&T's margins (L&T has foreign currency loans), given the company generates decent revenue from its international operations.

At the CMP of ₹1,274, the stock is trading at 17.9x FY2013E earnings and 2.7x FY2013E P/BV on a standalone basis. We have used the SOTP methodology to value the company to capture all its business initiatives and investments/stakes in different businesses. Ascribing separate values to its parent business on a P/E basis and investments in subsidiaries on P/E, P/BV and mcap basis, our target price works out to ₹1,857, which provides 15.0% upside from current levels. **We recommend Buy on the stock.**

GAIL

GAIL is expected to announce its 3QFY2012 results. Transmission volumes for the quarter are likely to stay flat qoq. We expect the company to report top-line growth of 14.6% yoy to ₹9,587cr. Operating margin is expected to contract by 44bp yoy to 15.5%. On the bottom-line front, we expect GAIL to report growth of 5.2% yoy to ₹1,018cr. **We maintain our Buy recommendation on GAIL with a target price of ₹499.**

Sterlite Industries

Sterlite Industries is slated to announce its 3QFY2012 results. The company's top line is expected to grow by 6.1% yoy to ₹8,798cr mainly due to higher sales volumes from its zinc business. On the operating front, EBITDA margin is expected to contract by 85bp to 23.0%. The bottom line is expected to decline by 30.2% yoy to ₹771cr. We maintain our Buy recommendation on the stock with a target price of ₹121.

Maruti Suzuki

Maruti Suzuki is scheduled to announce its 3QFY2012 results. We expect the company to report a 21% yoy (down 3.2% qoq) decline in its top line to ₹7,335cr, as volumes registered a decline of 28% yoy (down 5.1% qoq) during the quarter. Volume growth was impacted due to slowdown in sales in the passenger vehicle segment and further due to labor strike at Manesar plant. The company's EBITDA margin is expected to decline by 417bp yoy (100bp qoq) to 5.3%, mainly due to a sharp appreciation in Yen vs. INR and due to the negative impact of operating leverage. As a result, the bottom line is expected to decline by 68% yoy to ₹179cr. **The stock rating is under review.**

Colgate

Colgate is expected to announce its 3QFY2012 results. For the quarter, we expect the company to post modest 15% yoy growth in its top line to ₹643cr, aided by a mix of value and volume growth. Earnings for the quarter are expected to register 23% yoy growth to ₹81cr on account of low base in 3QFY2011. Also, we estimate the operating margin to expand marginally by 80bp yoy to 14.2%. **We maintain our Neutral rating on the stock.**

Shree Cements

Shree Cements is expected to announce its 3QFY2012 results. The company is expected to post top-line growth of 38.8% yoy to ₹1,082cr. The strong performance on the top-line front is primarily because of 24.3% growth in cement realization. Riding on higher cement realization, the company's OPM is expected to expand by 628bp yoy to 25.8%. The company's bottom line is expected to grow by 175% yoy to ₹76cr. **We maintain our Neutral view on the stock.**

Federal Bank

Federal Bank is scheduled to announce its 3QFY2012 results. We expect the bank to report moderate NII growth of 13.9% on a yoy basis to ₹510cr. Non-interest income growth is expected to be muted at 3.5% yoy (up 7.7% qoq) to ₹126cr. Cost-to-income ratio is expected to remain largely steady at 38.5%. However, relatively faster rise in operating expenses on a yoy basis vis-à-vis operating income is expected to sedate pre-provision profit growth by 9.6% yoy to ₹391cr. Provisioning expenses are expected to decline by 36.6% yoy on the back of relatively better asset-quality trends, leading to a 40.3% yoy increase in PBT to ₹301cr. Overall, net profit growth is also expected to come in at 42% yoy at ₹203cr.

At the CMP, the stock is trading at 1.0x FY2013E P/ABV, which is at a considerable premium to mid and small PSU banks with similar or better fundamentals. Also, the recent interest rate deregulation by the RBI is likely to put pressure on NIMs going forward. Hence, **we maintain our Neutral recommendation on the stock.**

KPIT

KPIT Cummins Infosystems (KPIT) is scheduled to announce its 3QFY2012 results. We expect the company to post revenue of US\$71.9mn, up 2.2% qoq, majorly led by volume growth. In INR terms, revenue is expected to come in at ₹365cr, up 12.4% qoq. EBITDA margin is expected to expand by 313bp qoq to 16.8%. PAT is expected to come in at ₹37cr, aided by share of profits from Systeme. **We maintain our Accumulate rating on the stock with a target price of ₹163.**

Ashoka Buildcon

Ashoka Buildcon (ABL) is expected to post robust growth of 52.5% yoy on the consolidated revenue front to ₹360.6cr on the back of under-construction captive road BOT projects, which will drive its E&C revenue. The E&C segment will continue to dominate the company's revenue by contributing ₹268.4cr (74.4%), while the BOT segment's share is expected to be ₹92.2cr. EBITDAM is expected to come in at 21.5% (23.9%), registering a dip of 239bp yoy. We are expecting 26.0% yoy growth at the earnings level to ₹21.0cr, led by revenue growth.

At the CMP of 205, the stock is trading at a discount to our FY2013E SOTP target price of ₹245/share. The company's road BOT SPVs have been valued on NPV basis (₹104/share). The construction segment has been valued at 5.0x EV/EBITDA basis (₹141/share). **Hence, we maintain our Buy recommendation on the stock.**

Quarterly Bloomberg Brokers' Consensus Estimates

Gail Ltd - (23/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net sales | 9,787 | 8,365 | 17 | 9,699 | 1 |
| EBITDA | 1,600 | 1,333 | 20 | 1,676 | (4) |
| EBITDA margin (%) | 16.4 | 15.9 | | 17.3 | |
| Net profit | 996 | 968 | 3 | 1,094 | (9) |

Idea Ltd - Consolidated (23/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net sales | 4,916 | 3,953 | 24 | 4,608 | 7 |
| EBITDA | 1,294 | 948 | 36 | 1,187 | 9 |
| EBITDA margin (%) | 26.3 | 24.0 | | 25.8 | |
| Net profit | 160 | 243 | (34) | 106 | 51 |

Kotak Mahindra Bank Ltd - Consolidated (23/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net profit | 421 | 384 | 10 | 433 | (3) |

Larsen & Toubro Ltd - (23/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net sales | 13,338 | 11,322 | 18 | 11,245 | 19 |
| EBITDA | 1,390 | 1,238 | 12 | 1,174 | 18 |
| EBITDA margin (%) | 10.4 | 10.9 | | 10.4 | |
| Net profit | 880 | 841 | 5 | 798 | 10 |

Maruti Suzuki India Ltd - (23/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net sales | 7,482 | 9,326 | (20) | 7,537 | (1) |
| EBITDA | 431 | 902 | (52) | 494 | (13) |
| EBITDA margin (%) | 5.8 | 9.7 | | 6.6 | |
| Net profit | 221 | 565 | (61) | 240 | (8) |

Sterlite Industries Ltd - Consolidated (23/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net sales | 9,342 | 8,294 | 13 | 10,134 | (8) |
| EBITDA | 2,274 | 1,979 | 15 | 2,482 | (8) |
| EBITDA margin (%) | 24.3 | 23.9 | | 24.5 | |
| Net profit | 1,137 | 1,101 | 3 | 998 | 14 |

Cairn India Ltd - Consolidated (24/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net sales | 3,082 | 3,096 | (0) | 2,652 | 16 |
| EBITDA | 2,543 | 2,542 | 0 | 2,065 | 23 |
| EBITDA margin (%) | 82.5 | 82.1 | | 77.9 | |
| Net profit | 2,061 | 2,010 | 3 | 763 | 170 |

Lupin Ltd - Consolidated (24/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net sales | 1,739 | 1,467 | 19 | 1,742 | (0) |
| EBITDA | 339 | 297 | 14 | 404 | (16) |
| EBITDA margin (%) | 19.5 | 20.3 | | 23.2 | |
| Net profit | 241 | 224 | 8 | 267 | (10) |

Yes Bank Ltd (24/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net profit | 238 | 191 | 24 | 235 | 1 |

Grasim Industries Ltd - Consolidated (24/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net sales | 6,004 | 5,385 | 11 | 5,649 | 6 |
| EBITDA | 1,315 | 1,197 | 10 | 1,028 | 28 |
| EBITDA margin (%) | 21.9 | 22.2 | | 18.2 | |
| Net profit | 602 | 502 | 20 | 418 | 44 |

Bank of Baroda Ltd (25/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net profit | 1,197 | 1,069 | 12 | 1,166 | 3 |

Rural Electrification Ltd (25/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net profit | 721 | 664 | 9 | 623 | 16 |

Sesa Goa Ltd - Consolidated (25/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net sales | 1,965 | 2,237 | (12) | 784 | 151 |
| EBITDA | 884 | 1,231 | (28) | 260 | 240 |
| EBITDA margin (%) | 45.0 | 55.0 | | 33.2 | |
| Net profit | 644 | 1,065 | (40) | 1 | 50224 |

Tata Global Beverages Ltd - Consolidated (25/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net sales | 1,787 | 1,602 | 12 | 1,612 | 11 |
| EBITDA | 130 | 184 | (29) | 135 | (4) |
| EBITDA margin (%) | 7.3 | 11.5 | | 8.4 | |
| Net profit | 96 | 72 | 34 | 77 | 25 |

Union Bank of India Ltd (25/01/2012)

| Particulars (₹ cr) | 3Q FY12E | 3Q FY11 | y-o-y (%) | 2Q FY12 | q-o-q (%) |
|--------------------|----------|---------|-----------|---------|-----------|
| Net profit | 539 | 580 | (7) | 353 | 53 |

Economic and Political News

- Home ministry to have limited say in investments
- 2G: Order on plea to charge Chidambaram put up for Feb 4
- Acquisitions by foreign airline need FIPB nod

Corporate News

- Supreme victory for Vodafone in US\$2bn Hutchison tax case
- Coal India plans selective price cuts benefiting power, cement sectors
- NTPC to set up 5MW solar farm in Andaman

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

Results Calendar

| | |
|------------|--|
| 23/01/2012 | Larsen & Toubro, GAIL, Sterlite Inds, Kotak Mah. Bank, Idea Cellular, Maruti, Colgate, Federal Bank, D B Corp, LMW, KPIT Cummins, Electrosteel Castings, Ashoka Buildcon |
| 24/01/2012 | Cairn India, Grasim Inds, Indraprasth Gas, Godawari Ispat, CEAT |
| 25/01/2012 | Bank of Baroda, Sesa Goa, Rural Elec.Corp., Union Bank, IRB Infra, Tata Global, Tata Comm, Vijaya Bank |
| 27/01/2012 | NTPC, BHEL, NHPC, Canara Bank, Bank of India, Petronet LNG, Blue Star, Jyoti Structures |
| 28/01/2012 | J & K Bank, Divi's Lab., IOB |

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