

- Ashok Leyland
- Ashoka Buildcon
- Bajaj Auto
- CESC
- HCL Tech
- HSIL
- Infosys
- IRB Infrastructure
- Jagran Prakashan
- Jyothy Laboratories
- Mahindra & Mahindra
- Nestle India
- NIIT Tech
- Phoenix Mills
- Power Grid Corporation
- Tecpro Systems



Here's the roster for the PINC PowerPicks:

Company	Sector	CMP (Rs)	Recom.	TP (Rs)	Upside (%)	Market Cap (Rs bn)	P/E (x)		EV/EBITDA (x)		Earnings gr. (%)	ROE (%)	ROCE (%)
							FY12E	FY13E	FY12E	FY13E	(FY11-13E)	FY12E	FY12E
Ashok Leyland	Auto	25	BUY	38	53	66	9.9	8.2	7.0	6.2	13.4	23.7	17.9
Ashoka Buildcon	Infrastructure	183	BUY	321	75	10	9.4	7.1	5.4	4.2	16.4	10.9	11.2
Bajaj Auto	Auto	1,430	BUY	1,850	29	414	13.3	11.6	9.4	7.9	16.8	54.5	68.5
CESC	Power Utilities	228	BUY	346	52	29	5.8	5.6	4.6	4.7	3.6	9.8	11.3
HCL Tech	IT services	399	BUY	470	18	280	11.4	10.8	6.0	5.7	21.3	24.5	24.3
HSIL	Diversified	123	BUY	270	120	8	6.2	4.5	4.0	3.1	45.6	18.1	14.4
Infosys	IT services	2,586	ACCUMULATE	2,975	15	1,478	17.5	15.7	11.3	9.6	17.6	24.9	29.7
IRB Infrastructure	Infrastructure	145	BUY	216	49	48	10.0	11.6	7.9	7.6	(4.2)	18.2	19.9
Jagran Prakashan	Media	98	BUY	148	51	31	12.8	12.3	9.7	8.4	10.1	29.8	31.2
Jyothy Laboratories	FMCG	165	BUY	212	29	13	29.5	13.3	15.7	9.5	20.6	8.5	10.5
Mahindra & Mahindra	Auto	692	BUY	882	28	406	15.1	13.1	11.1	9.3	10.5	23.7	25.9
Nestle India	FMCG	3,942	SELL	3,618	(8)	380	39.4	33.3	26.5	21.9	18.0	80.3	88.9
NIIT Tech	IT services	200	BUY	285	43	12	6.3	5.5	3.7	2.8	7.3	22.0	20.3
Phoenix Mills	Real Estate	193	BUY	265	37	28	17.8	16.2	15.0	12.8	43.1	9.0	6.4
Power Grid Corp.	Power Utilities	102	BUY	120	18	472	15.7	13.4	10.8	9.7	16.7	13.5	9.5
Tecpro Systems	Material Handling	180	BUY	375	108	9	5.8	4.8	4.6	4.3	17.7	21.4	23.1



PINC POWERPICKS is a list of our high-conviction stock ideas, a choice of stocks from across sectors in our coverage universe.

16th January 2012

ASHOK LEYLAND: BUY, TP-Rs38 (53% upside)

What's the theme?

Despite the macroeconomic headwinds and a high base, the domestic MHCV Truck segment has grown 12% YoY in 9MFY12 aided by an increase in freight rates. Ashok Leyland has underperformed the industry with a 1% decline in volumes which is attributable to the high base of H1FY11 and its significant exposure to the Southern region. However, we expect volumes to recover in Q4FY12 with an 18% growth in MHCV truck volumes and a ramp up in LCV 'Dost' volumes.

What will move the stock?

1) Ashok Leyland dispatched 2.5k units of the LCV 'Dost' produced in a JV with Nissan. The company has targeted a sale of further 7.5k units of the Dost in Q4FY12. Additionally two more products from the JV i.e. the van Stile and 6mt (GVW) goods carrier Partner would be launched over the coming year. We expect a significant ramp-up in volumes for the JV in FY13. . 2) Management expects to increase contribution from Pantnagar facility from 13k units in H1FY12 to 20k units in H2FY12. We expect FY12 margins at 10.8% driven by higher contribution from the Pantnagar facility which is eligible for fiscal benefits. 3) Benefits of Pantnagar operations are already visible in AL's profitability during H1FY12 wherein despite inflationary pressures and low volumes, it has managed to have operating margins at ~10%.

Where are we stacked versus consensus?

Our earnings estimates for FY12 and FY13 are Rs2.5 and Rs3.1 respectively. Our FY13 earnings estimate is 11.2% higher than the consensus estimate of Rs2.7. We have a 'BUY' recommendation on the stock with a target price of Rs38, which discounts FY13E earnings by 12.5x.

What will challenge our target price?

1) Increase in prices of raw materials such as steel and rubber affecting profitability; 2) Significant slowdown in industrial activity leading to a drop in freight rates and operator profitability.

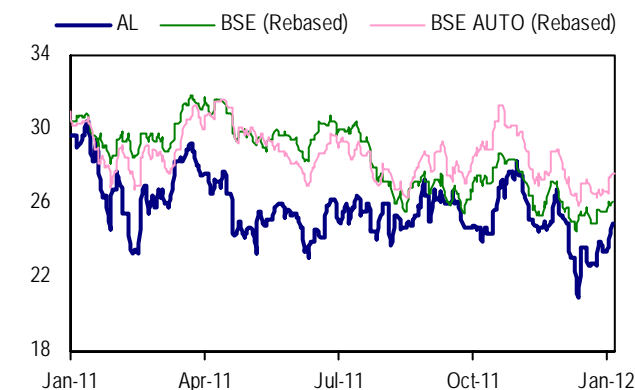
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	72,447	111,177	129,095	16.1	145,380	12.6
EBITDA	7,596	12,176	13,992	14.9	15,913	13.7
EBITDA Marg. (%)	10.5	11.0	10.8	(10)bps	10.9	10 bps
Adj. Net Profit	4,237	6,313	6,687	5.9	8,119	21.4
Dil. EPS (Rs)	1.6	2.4	2.5	5.9	3.1	21.4
PER (x)	15.6	10.5	9.9	-	8.2	-
ROE (%)	19.0	25.2	23.7	(150)bps	18.2	(560)bps
ROCE (%)	13.7	18.4	17.9	(50)bps	18.2	30 bps

Sector: Auto

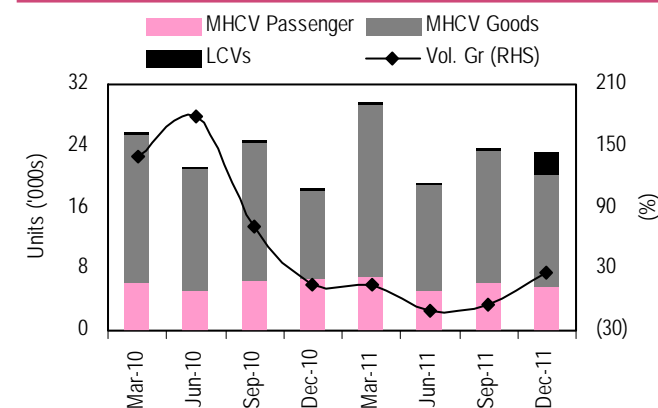
CMP: Rs25; Mcap: Rs66bn

Bloomberg: AL IN; Reuters: ASOK.BO

Price performance



Sales volume



ASHOKA BUILDCON: BUY, TP-Rs321 (75% upside)

What's the theme?

We believe, Ashoka Buildcon (ABL), a well experienced BOT road player with 18 operational project and 6 projects of ~2500kms under construction, is likely to become a prominent player in road infra over the next 3 years. However, due to unhealthy industry and market dynamics the stock is available at a sharp discount of P/BV 0.9x, which we believe does not reflect a long term average valuation for the company.

What will move the stock?

- 1) The P/E deal, which is likely by March 2011, wherein ABL will offload stake for a bouquet of 7-8 large BoT road assets. We believe ABL may offload approximately 20-25% stake for a value of Rs6-7bn.
- 2) Going ahead we expect ABL to substantially improve its EPC execution as OB has improved to Rs50bn. We estimate EPC revenue to grow by 23.5% in FY12E and then improve by 34.2% in FY13E.

Where are we stacked versus consensus?

Our FY12 and FY13 earnings estimates are Rs19.4 and Rs25.9, 15.8% and 14.4% lower than consensus estimates respectively. We expect top-line growth of 29.3% and 30.1% to Rs16.8bn and Rs21.9bn in FY12E and FY13E vs. consensus forecasts of 28.2% and 32.5% to Rs16.7bn and Rs22.1bn, respectively. We value BOT (on a DCF basis) at FY12E and FY13E equity multiples of 1.6x and 1.1x, respectively. Our SOTP-based target price is Rs321, where BOT is valued at Rs198 and EPC at Rs122 (8x FY12E earnings). The stock offers an upside potential of 75.2% at our SOTP-based target price of Rs321 vs. consensus target of Rs293.

What will challenge our target price?

- 1) Lower IRR owing to further increase in interest rates; 2) Lower traffic growth; 3) Slowdown in execution of current orders; and 4) Adverse impact on tolling charges from any changes in the government policy.

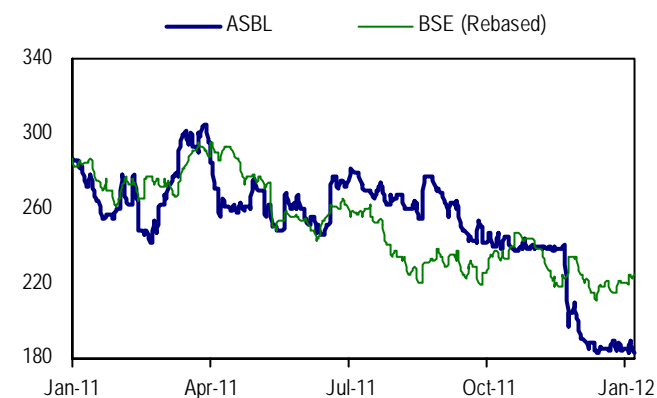
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	7,956	13,020	16,835	29.3	21,900	30.1
EBITDA	2,143	2,522	3,691	46.4	4,818	30.6
EBITDA Marg. (%)	26.9	19.4	21.9	255 bps	22.0	0.4 bps
Adj. Net Profits	804	1,008	1,021	1.2	1,366	33.8
Dil. EPS (Rs)	17.6	19.2	19.4	1.2	25.9	33.8
PER (x)	10.4	9.6	9.4	-	7.1	-
ROE (%)	20.6	31.2	10.9	(2,028)bps	13.0	204 bps
ROCE (%)	12.5	17.2	11.2	(599)bps	9.5	(174)bps

Sector: Infrastructure

CMP: Rs183; Mcap: Rs10bn

Bloomberg: ASBL IN; Reuters: AB DL.BO

Price performance



SOTP

Particulars	Rs/Share	Percentage
BOT Operational (SPV)	89	27.8%
BOT Operational (Standalone)	31	9.6%
BOT Under construction	78	24.5%
Construction business	122	38.2%
Total	321	
Upside (%)	75.2	

BAJAJ AUTO: BUY, TP-Rs1,850 (29% upside)

What's the theme?

The high-margin brands Pulsar and Discover, account for 70% of the Bajaj Auto's motorcycle sales thus validating its brand-centric strategy. The company is scheduled to launch a complete upgrade of the Pulsar family and KTM branded motorcycles in Q4FY12 followed by another motorcycle in mid-2012. With the help of new product launches and high double digit growth in export markets, we expect Bajaj Auto to achieve overall volume growth of 16.2% in FY12 and 11.9% in FY13. The rupee depreciation alongwith the price hikes undertaken is expected to boost export profitability.

What will move the stock?

1) We expect Bajaj Auto to maintain market share with domestic volume growth of 16% in FY12, in line with the industry despite increasing competition. 2) Exports currently contribute 35% of the total revenues for the company. The company undertook a price hike of 3.5% in all export geographies to compensate for the lower export benefit under the Duty drawback scheme. The rupee depreciation, increase in benefit rate under the Focused Market Scheme (FMS) and an additional 1% special incentive till FY12 are set to substantially boost export profitability. 3) BJAUT recently showcased the RE60 touted as an upgrade to the passenger three-wheeler. The product would first be launched in Sri Lanka wherein the current three-wheeler finds acceptance in the personal segment too. 4) With high realisations in export markets and rich product mix, we expect BJAUT to maintain EBITDA margins near the 20% mark in FY12 and FY13.

Where are we stacked versus consensus?

Our FY12 and FY13 earnings estimates are Rs107.5 and Rs123.3, respectively. We have a 'BUY' recommendation on the stock with a target price of Rs1,850 discounting FY13E earnings at 15x. Our FY13 earnings estimate is 3.3% higher than the consensus estimate of Rs119.4.

What will challenge our target price?

1) Loss of market share and lack of pricing power due to increase in competition would affect the company's ability to pass on cost inflation. 2) Slowdown in export markets is also a key risk to our volume estimate.

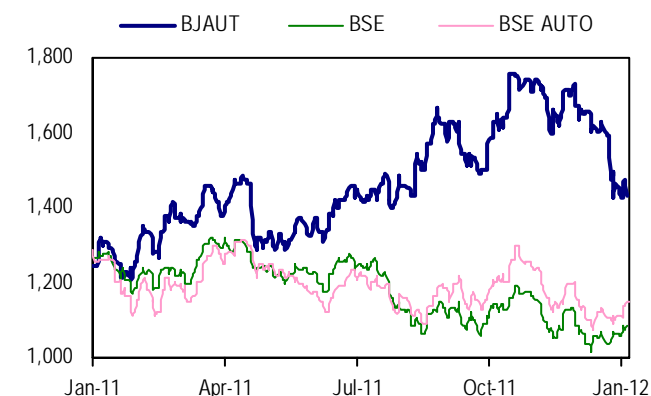
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	115,085	159,981	192,131	20.1	218,257	13.6
EBITDA	25,752	33,836	39,090	15.5	44,112	12.8
EBITDA Marg. (%)	21.6	20.4	19.7	(70)bps	19.6	(10)bps
Adj. Net Profit	18,118	26,152	31,106	18.9	35,691	14.7
Dil. EPS (Rs)	62.6	90.4	107.5	18.9	123.3	14.7
PER (x)	22.8	15.8	13.3	-	11.6	-
ROE (%)	78.5	66.7	54.5	(1220)bps	48.0	(660)bps
ROCE (%)	65.4	73.4	68.5	(490)bps	61.4	(710)bps

Sector: Auto

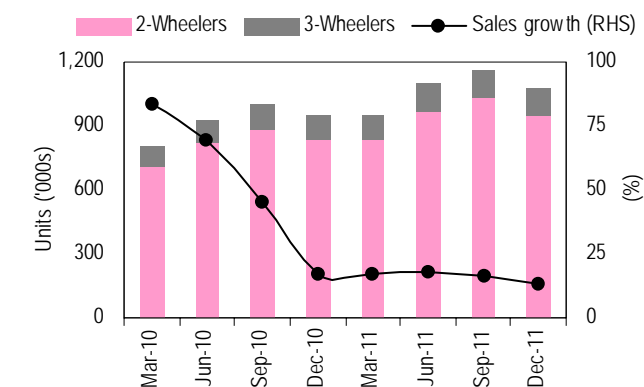
CMP: Rs1,430; Mcap: Rs414bn

Bloomberg: BJAUT IN; Reuters: BAJA.BO

Price performance



Sales volume



CESC: BUY, TP-Rs346 (52% upside)

What's the theme?

CESC is one of the most efficient power utilities operating at more than 85% PLF. It plans to nearly double its installed capacity to 2.4GW by FY15 by adding 600MW each at Chandrapur and Haldia - power from these projects will be sold largely on long term basis. Unlike its private sector peers, CESC currently has no merchant exposure and operates all the existing units under a regulatory framework - thus aiding steady cash flow. All power generated from these units is sold to its distribution arm, thus reducing risk of backing-down and default. We believe a robust base business would generate sufficient cash to fund capex of the consolidated entity and Spencer's losses. Even at our SoTP-based TP of Rs346/share, the base generating business will be available at 0.5x FY13 implied book, thus making CESC the most attractive generator in our coverage universe.

What will move the stock?

1) Lower than expected cash infusion by CESC into Spencer's Retail, 2) Faster than expected turnaround of Spencer's Retail and 3) timely commissioning of various under construction projects.

Where are we stacked versus consensus?

Our FY12 & FY13 PAT estimates are in line with consensus. We value various projects - both existing and future - on FCFE basis to arrive at a target price of Rs346 (terminal growth rate 3% and cost of equity 15%)

What will challenge our target price?

- 1) Delay in approval of future tariff orders
- 2) Higher cash infusion by CESC into Spencer's Retail due to increased losses
- 3) Delay in bringing in a strategic investor into Spencer's Retail
- 4) Delay in turnaround of Spencer's Retail

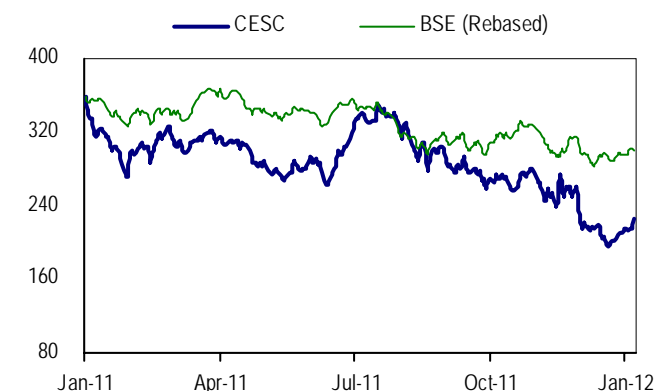
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	33,584	40,105	46,251	15.3	48,250	4.3
EBITDA	9,533	12,030	13,005	8.1	13,487	3.7
EBITDA Marg. (%)	28.4	30.0	28.1	(188)	28.0	(17)
Adj. Net Profits	4,233	4,781	4,946	3.5	5,133	3.8
Dil. EPS (Rs)	33.7	38.1	39.4	3.5	40.9	3.8
PER (x)	6.8	6.0	5.8	-	5.6	-
RoE (%)	10.6	10.5	9.8	(70)	9.4	(46)
ROCE (%)	10.0	11.2	11.3	7	10.8	(46)

Sector: Power Utilities

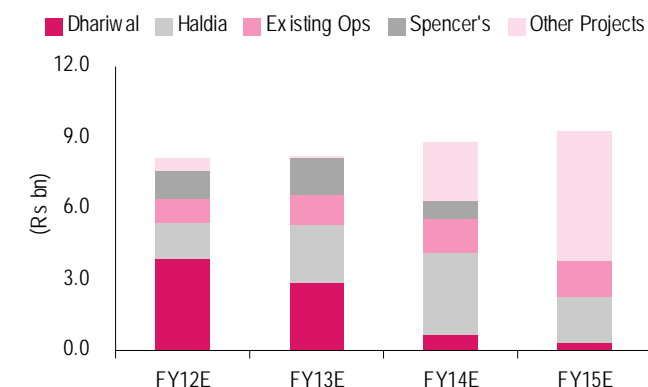
CMP: Rs228; Mcap: Rs29bn

Bloomberg: CESC IN; Reuters: CESC.BO

Price performance



Sufficient cashflow to meet capex and Spencer's losses



HCL TECH: BUY, TP-Rs470 (18% upside)

What's the theme?

HCL Tech has capability to win new projects due to its strengths in IMS and package implementation (through AXON) particularly when project restructuring deals are growing faster. HCL Tech is focused on developing capabilities in Enterprise Mobility, Cloud Computing and Analytics to complement its existing offerings and is looking for acquisitions for the same. It has potential to improve margins on the back of an improving employee pyramid and scale efficiencies.

What will move the stock?

1) Recent deal wins like transformational deal from AstraZeneca further consolidates HCL Tech's position as one of the leaders in IMS 2) Outperformance in emerging verticals such as energy and utilities and retail; 3) Scope for improvement in operating margins through balancing of the employee pyramid by higher fresher hiring and ramping up the utilisation levels 4) Would get substantial benefits from rupee depreciation due to lower hedge positions. 5) Relatively cheaper valuation compared to other large firms

Where are we stacked versus consensus?

Our revenue estimates marginally differ from consensus by 1% and (0.7%) for FY12 and FY13 respectively. While EBITDA margin and EPS estimates for FY12 are higher than consensus by 58 bps and 7% respectively; for FY13 EBITDA margin and EPS estimates lag the consensus by 46bps and 3% respectively.

What will challenge our target price?

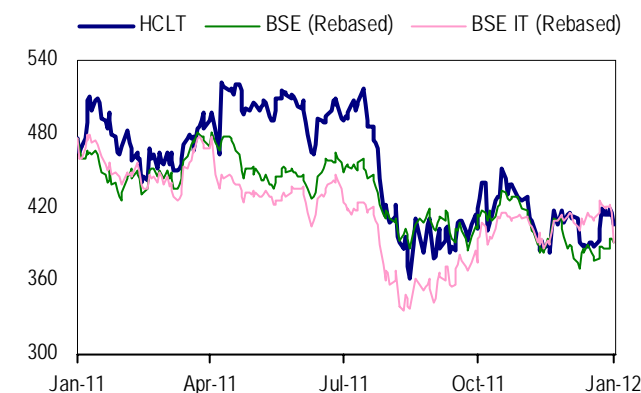
1) Slowdown in discretionary spending; 2) Appreciation of INR vs. USD and strengthening of USD against EUR; and 3) Higher attrition and wage increments.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	125,650	160,342	205,582	28.2	232,628	13.2
EBITDA	25,729	27,488	37,268	35.6	38,599	3.6
EBITDA Marg. (%)	20.5	17.1	18.1	98 bps	16.6	(154)bps
Adj. Net Profits	13,029	17,095	23,997	40.4	25,289	5.4
Dil. EPS (Rs)	18.9	24.5	34.3	39.7	36.1	5.4
PER (x)	20.6	16.0	11.4	-	10.8	-
ROE (%)	18.5	20.3	24.5	427 bps	21.5	(304)bps
ROCE (%)	19.8	20.0	24.3	432 bps	21.4	(289)bps

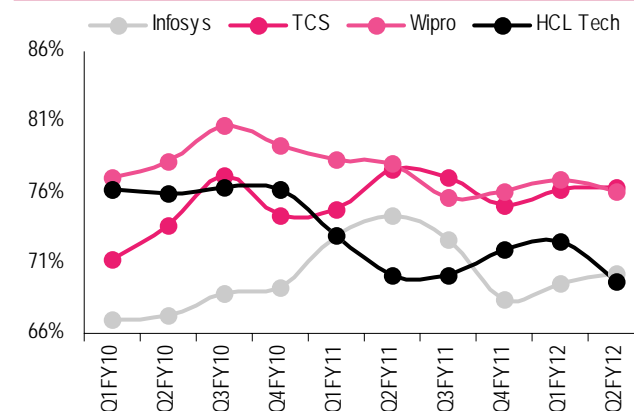
* June year end

Sector: Information Technology
 CMP: Rs399; Mcap: Rs280bn
 Bloomberg: HCLT IN; Reuters: HCLT.BO

Price performance



Utilisation rates - scope for expansion



HSIL: BUY, TP-Rs270 (120% upside)

What's the theme?

HSIL operates in 2 business segments, sanitary ware and container glass. Strong recall of the flagship brand Hindware enhances HSIL's leadership with 40% share in organised sanitaryware market and advantageous location of container glass plants helped achieve a 70% market share in south India.

What will move the stock?

- Growth in demand of the user industries of sanitaryware and glass will help engender a CAGR of 27% and 20% for sanitary and glass over FY11-FY13e.
- Margin expansion of 317bps to 22.0% in FY13e over FY11 on increased realisation, reduced outsourcing and focus on value mix.
- Improvement in FCF in FY12-FY13e through better operational efficiency.

Where are we stacked versus consensus?

Our earnings estimates (EPS) for FY12 and FY13 are Rs20.0 and Rs27.4, respectively. Our FY12 earnings estimate is 12% higher than the consensus estimate of Rs17.8. We have a 'BUY' recommendation on the stock with a target price of Rs270, which discounts FY12e earnings by 13.5x.

What will challenge our target price?

- Fall in real estate demand
- Rise in soda ash prices

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	8,042	10,785	13,996	29.8	17,173	22.7
EBITDA	1,458	2,064	3,011	45.9	3,812	26.6
EBITDA Marg. (%)	17.8	18.8	21.3	243 bps	22.0	72 bps
Adj. Net Profits	436	782	1,323	69.3	1,806	36.5
Dil. EPS (Rs)	7.9	12.9	20.0	55.1	27.4	36.6
PER (x)	15.5	9.5	6.2	-	4.5	-
ROE (%)	12.4	13.7	18.1	440 bps	20.7	263 bps
ROCE (%)	9.1	10.5	14.4	389 bps	15.4	106 bps

Sector: Diversified

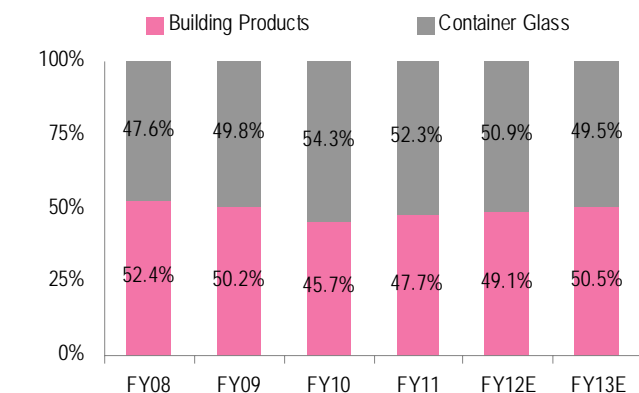
CMP: Rs123; Mcap: Rs8bn

Bloomberg: HSI IN; Reuters: HSNT.BO

Price performance



Revenue breakup



INFOSYS: ACCUMULATE, TP-Rs2,975 (15% upside)

What's the theme?

We recommend staying with the leader during uncertain times. Infosys has a full-services portfolio with exposure to well-diversified verticals. The new management appears more aggressive on aspects such as inorganic growth and is looking for acquisitions in healthcare vertical and for increasing presence in Europe.

What will move the stock?

1) In anticipation of future demand, the company maintains an overall hiring guidance for FY12 at 45,000 and for FY13 has already given 20,000 campus offers. 2) The company can exercise the utilisation lever to take care of demand spurt which would boost the operating margins. 3) Large deal wins in the recent past along with higher client mining gives revenue visibility over a longer term. 4) Salary increment will be lower going ahead and rupee depreciation is expected to support margins 5) Potential for utilisation of huge cash (~USD3.7bn) for acquisitions; the management indicated its interest in large-ticket acquisition to plug the gaps and drive growth.

Where are we stacked versus consensus?

Our revenue estimates are inline with consensus for FY12 and marginally lower than consensus for FY13 by 1.3%. EBITDA margin estimates are higher by 112bps for FY12 and 80 bps for FY13. While our EPS estimate is 1.8% higher than consensus EPS for FY12, it lags the consensus by 1.2% for FY13.

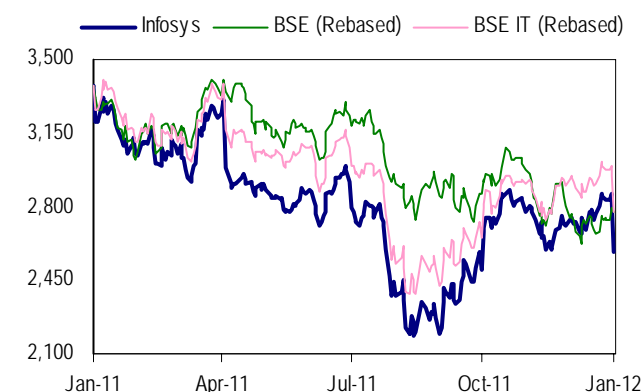
What will challenge our target price?

1) Prolonged delays in clients' decision making on project ramp-ups and new initiatives; 2) Appreciation of INR vs. USD and strengthening of USD against EUR; and 3) Higher attrition and wage increments

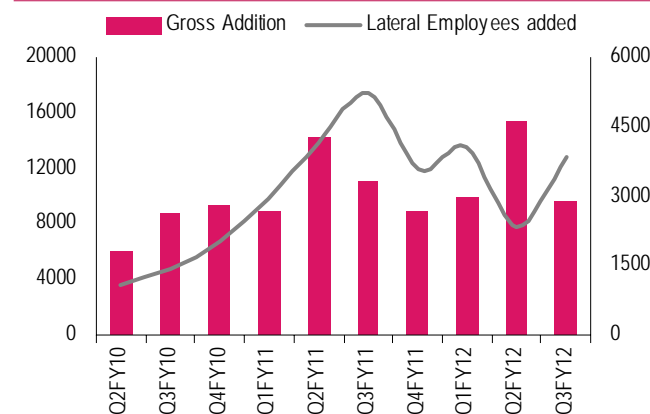
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	227,420	275,010	342,182	24.4	390,653	14.2
EBITDA	78,520	89,640	111,242	24.1	124,545	12.0
EBITDA Marg. (%)	34.5	32.6	32.5	(9)bps	31.9	(63)bps
Adj. Net Profits	62,340	68,230	84,591	24.0	94,414	11.6
Dil. EPS (Rs)	109.2	119.4	148.0	24.0	165.2	11.6
PER (x)	23.7	21.7	17.5	-	15.7	-
ROE (%)	25.9	25.0	24.9	(8)bps	22.7	(221)bps
ROCE (%)	28.3	29.3	29.7	40 bps	27.0	(277)bps

Sector: Information Technology
 CMP: Rs2,586; Mcap: Rs1,478bn
 Bloomberg: INFO IN; Reuters: INFY BO

Price performance



Strong employee addition



IRB INFRASTRUCTURE: BUY, TP-Rs216 (49% upside)

What's the theme?

Despite the infra segment languishing due to fundamental issues, we believe road BoT segment would fare well and we prefer IRB due to its unique ability to manage and win competitive projects. We strongly believe in IRB's ability to grow and sustain its strong business model.

What will move the stock?

- 1) NHAI is targeting to award 7,300km of projects in FY12. With the Rs35bn Ahm-Vado project under its belt, the road ahead becomes easier for IRB as it becomes choosier in bidding. We expect it to maintain an 8% share in NHAI projects.
- 2) IRB can well manage to garner USD1bn order book per annum without any risk of dilution, as internal accruals and debt funding from parent entity would suffice requirement.

Where are we stacked versus consensus?

Our FY12 and FY13 earnings estimates are Rs14.5 and Rs12.5, 0.9% and 20.9% lower than consensus estimates respectively. We expect top-line growth of 28.2% and 22.3% to Rs31.3bn and Rs38.2bn in FY12E and FY13E vs. consensus forecasts of 29.6% and 24.3% to Rs31.6bn and Rs39.2bn, respectively.

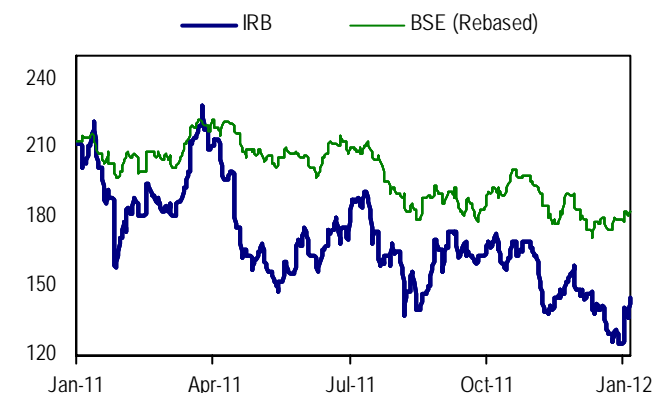
What will challenge our target price?

- 1) Lower IRR owing to further increase in interest rates;
- 2) Strain on the balance sheet from infusion of Rs12.8bn in equity in Ahm-Vado project;
- 3) Lower traffic growth;
- 4) adverse impact on IRB's tolling charges from any change in the government policy.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	17,390	24,381	31,257	28.2	38,220	22.3
EBITDA	8,331	10,939	13,190	20.6	15,267	15.7
EBITDA Marg. (%)	47.9	44.9	42.2	(267)bps	39.9	(225)bps
Adj. Net Profits	4,196	4,524	4,807	6.3	4,149	(13.7)
Dil. EPS (Rs)	12.6	13.6	14.5	6.3	12.5	(13.7)
PER (x)	11.5	10.7	10.0	-	11.6	-
ROE (%)	22.3	20.2	18.2	(201)bps	13.7	(447)bps
ROCE (%)	20.4	21.5	19.9	(160)bps	15.1	(483)bps

Sector: Construction & Infrastructure
 CMP: Rs145; Mcap: Rs48bn
 Bloomberg: IRB IN; Reuters: IRBI BO

Price performance



SOTP

Particulars	Rs/Share	Percentage
BOT	125	57.9%
Construction business	89	40.9%
Real Estate	3	1.2%
Total	216	
Upside (%)	49.2	

JAGRAN PRAKASHAN (JPL): BUY, TP-Rs148 (51% upside)

What's the theme?

We like JPL for its leadership in the UP market (the largest print market in terms of readership and print ad value). We believe the company is well poised to benefit from steady growth in the print media sector, underpinned by: 1) its well-entrenched position in growing regions such as Bihar and Jharkhand; 2) phased and planned expansion into new media businesses; and 3) a wide portfolio (including Mid-day, I-next and Cityplus). JPL's well-balanced business model (more than 30% revenue from circulation and other media businesses), its growth strategy to further increase penetration in terms of circulation in its current market, and monetisation of its readership insulates it from slowdown in advertisements due to the current macroeconomic scenario.

What will move the stock?

1) Momentum in ad revenue, underpinned by government spends (UP election in Q4); 2) Broad-based growth across other new media businesses; 3) Attractive valuations-At CMP, the stock is trading at an attractive 12x FY13E EPS.

Where are we stacked versus consensus?

Our FY13 revenue estimate is 5% below consensus. However, our FY13 EPS estimate of Rs8 is in-line with consensus. We have a 'BUY' recommendation on the stock with a target price of Rs148 (18.6x FY13E EPS).

What will challenge our target price?

1) Increase in imported newsprint prices; 2) Slowdown in the economy; and 3) Increased competition in markets where JPL has presence.

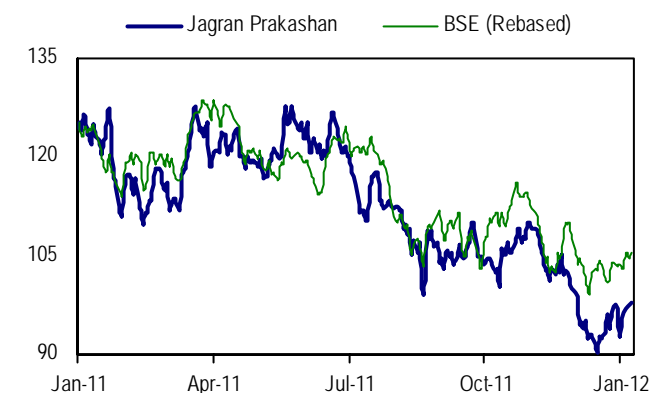
Consolidated (Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	9,419	12,210	13,105	7.3	14,234	8.6
EBITDA	2,821	3,568	3,786	6.1	4,068	7.5
EBITDA Marg. (%)	29.9	29.2	28.9	(33)bps	28.6	(31)bps
Adj. Net Profits	1,759	2,080	2,431	16.9	2,520	3.7
Dil. EPS (Rs)	5.8	6.6	7.7	16.9	8.0	3.7
PER (x)	16.9	14.9	12.8	-	12.3	-
ROE (%)	28.7	29.6	29.8	14 bps	27.3	(243)bps
ROCE (%)	33.6	33.1	31.2	(189)bps	30.5	(71)bps

Sector: Media

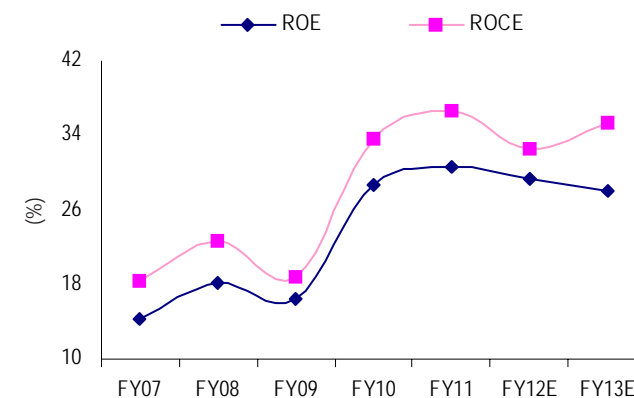
CMP: Rs98; Mcap: Rs31bn

Bloomberg: JAGP IN; Reuters: JAGP BO

Price performance



Financial performance



JYOTHY LABORATORIES: BUY, TP-Rs212 (29% upside)

What's the theme?

We believe Jyothy Labs' (Jyothy) standalone business should recover from H2FY12 onwards. Except Maxo, the dynamics of the standalone business are still at the same level. National launch of Exo has already started showing strong numbers and reported 23% growth in H1FY12. While 7% price hike on Ujala Supreme along with higher focus on the core business should result into better fabric care growth. We are bullish on turnaround performance of Henkel India (Henkel) and its profitable performance since acquisition has been encouraging. Jyothy is among the few companies in the FMCG space which has immense potential for long-term profitability growth.

What will move the stock?

1) Improvement in standalone business would provide better visibility; 2) Full impact of the 7% price increase of Ujala Supreme will support revenue and profitability growth; 3) Exo's national launch benefits has been showing through 23% sales growth in H1FY12; 4) Jyothy's revenue mix has improved post the addition of Henkel's 4-5 national brands; 5) Henkel's sustainable profitability would boost investors confidence; 6) Merger of Jyothy and Henkel India will engender massive tax benefits of Rs1.2bn; 7) Restructuring of Jyothy's distribution model would improve EBITDA margin by 3% and 8) Debt rationalisation can lead to higher profitability.

Where are we stacked versus consensus?

Our estimates for FY13 are among the highest on the street, led by expectation of better performance of the core business and sustainability of Henkel's profitable performance. We assign 16x to FY13E earnings and add Rs12/share NPV on tax saving of Rs1.2bn @12% discount rate to derive the TP of Rs212.

What will challenge our target price?

1) Further volatility in the core business owing to higher marketing spend; 2) Delay in achieving growth in Henkel's brands; 3) Debt restructuring can lead to higher interest cost; 4) Sharp rise in input prices due to volatility in crude prices and 5) Inability to attract retail clients in the laundry business.

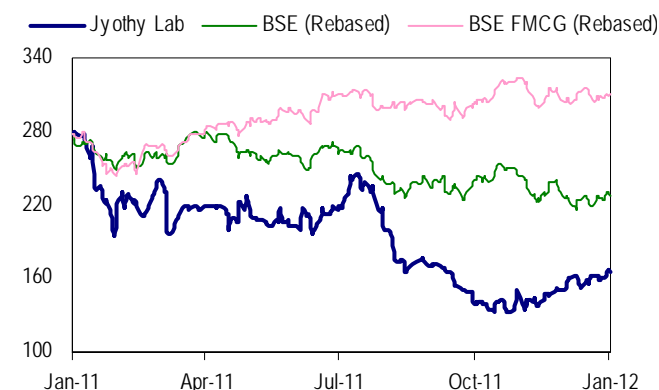
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	5,975	6,174	11,675	89.1	13,754	17.8
EBITDA	929	727	1,132	55.7	1,775	56.8
EBITDA Marg. (%)	15.6	11.8	9.7	(208)bps	12.9	321 bps
Adj. Net Profits	743	688	452	(34.3)	1,000	121.4
Dil. EPS (Rs)	9.2	8.5	5.6	(34.3)	12.4	121.4
PER (x)	17.9	19.3	29.5	-	13.3	-
ROE (%)	19.2	10.9	8.5	(237)bps	16.9	836 bps
ROCE (%)	23.2	10.4	10.5	15 bps	16.8	631 bps

Sector: FMCG

CMP: Rs165; Mcap: Rs13bn

Bloomberg: JYL IN; Reuters: JYOI.BO

Price performance



Product portfolio post acquisition

Brands	FY11P	FY12E	FY13E
Ujala Supreme	2,119	2,127	2,549
Techno Bright and Ujala	660	647	763
Henko	1,378	982	1,239
Mr White	550	578	606
Check	400	420	441
Stiff & Shine	255	242	284
Maxo & Maxo Military	1,426	1,397	1,564
EXO	1,140	1,482	2,001
Prill	702	648	762
Margo	60	61	73
Fa	756	678	741
Laundry Business	201	179	223

MAHINDRA & MAHINDRA: BUY, TP-Rs882 (28% upside)

What's the theme?

New launches and strong performance from its existing products has helped M&M retain its dominance in the utility vehicle (UV) and pick-up segments in addition to maintaining healthy margins despite raw material cost increases. We expect a 16.8% growth in the automobile sector in FY13. The farm equipment segment too is expected to grow 8.2% in FY13, given shortage of labour, rising rural income and increasing non-farm usage of tractors.

What will move the stock?

1) The passenger UV segment has grown 17.3% in 9MFY12 aided by the launch of lower end EX variant of the Scorpio and refreshed Bolero. 2) New offering XUV500 received overwhelming response since its launch in Sep'11. The company has taken a price hike of up to Rs55k on the vehicle and is expected to re-open bookings shortly alongwith an increase in production capacity from 2k to 3k per month. 3) M&M is expected to launch the mini SUV based on the Xylo in H1FY13 which would provide incremental volumes. 2) Pick-up and SCVs segment is expected to maintain its impressive performance with continued contribution coming from Genio and Maxximo mini van. 3) M&M is working on turning around its recent acquisition of South Korean automaker Ssangyong. Two SUVs from the Ssangyong Motors' portfolio (Rexton and Korando) would be assembled at M&M's Chakan facility. 4) Tractor dispatches, which have remained soft in Nov and Dec'11 due to seasonality, are expected to grow 13.9% in Q4FY12

Where are we stacked versus consensus?

Our FY12 and FY13 earnings forecast are Rs45.7 and Rs52.9 respectively. Our FY13 earning estimate is in line with the consensus estimate. We value M&M at Rs882 using SOTP methodology, discounting the standalone business at 13x FY13E earnings.

What will challenge our target price?

1) Imposition of additional taxes on diesel powered vehicles or dual pricing for diesel would adversely impact demand for M&M's products; and 2) Global turbulence may delay turnaround at Ssangyong.

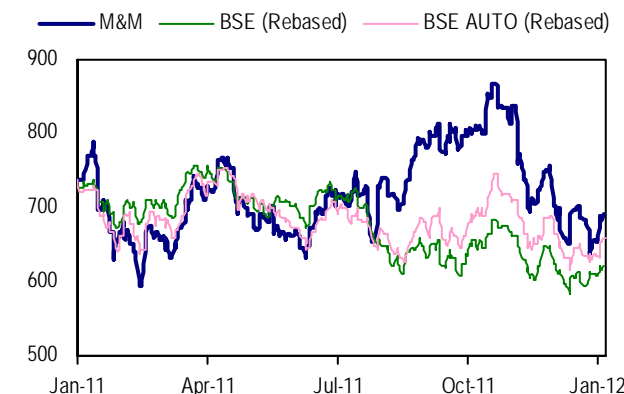
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	180,381	227,575	286,533	25.9	329,116	14.9
EBITDA	29,758	34,581	37,436	8.3	42,699	14.1
EBITDA Marg. (%)	16.0	14.7	12.8	(200)bps	12.7	(10)bps
Adj. Net Profits	20,181	25,443	26,867	5.6	31,078	15.7
Dil. EPS (Rs)	36.3	44.1	45.7	3.7	52.9	15.7
PER (x)	19.0	15.7	15.1	-	13.1	-
ROE (%)	30.9	28.1	23.7	(430)bps	23.0	(80)bps
ROCE (%)	28.0	28.5	25.9	(260)bps	25.9	(0)bps

Sector: Auto

CMP: Rs692; Mcap: Rs406bn

Bloomberg: MM IN; Reuters: MAHM.BO

Price performance



SOTP

	Valuation Method	Per share (Rs)	Multiple	Value (Rs)
M&M (Standalone)	P/E	49.9	13	649
M&M Veh. Mfg. (MVML)	EV/EBITDA	8.5	4	34
Tech Mahindra	CMP	62.1	0.8	50
Mahindra Holiday	CMP	34.8	0.8	28
M&M Financial Services	CMP	63.5	0.8	51
Mahindra Lifespace	CMP	9.3	0.8	7
M&M (Treasury Stocks)	CMP	61.0	0.8	49
Swaraj Engines	CMP	2.9	0.8	2
Mahindra Forgings	CMP	4.0	0.8	3
Mahindra Ugine Steel	CMP	1.4	0.8	1
Mahindra Composites	CMP	1.0	0.8	1
Mahindra Navistar	P/BV	5.1	1.5	8
SOTP Value (Rs)				882

NESTLE INDIA: SELL, TP-Rs3,618 (8% downside)

What's the theme?

Nestle India (Nestle) underperformed BSE FMCG by 10% during the last 12-months but its valuations are still very expensive. Rising competition along with sharp price hike on all the key brands resulted into volume growth of 9% during 9MCY11 which was slowest in the past 5 years. Nestle is in the capacity expansion mode which would force the company to focus more on volume growth. Higher marketing efforts would be required for retaining leadership position which would exert pressure on profitability.

What will move the stock?

1) Noodles contribute ~35% of the total EBITDA and higher competition would force Nestle to invest more on marketing efforts. As a result, we expect 31bps and 23bps decline in overall EBITDA margin in CY11E and CY12E respectively; 2) Nestle currently trades at 33x 12-month forward earnings which is ~30% premium over FMCG sector P/E. Considering pressure on Nestle's EBITDA margin, reduction in return ratios and improvement in performance of peers, we argue that Nestle's P/E premium should reduce further.

Where are we stacked versus consensus?

Our estimates and target price are lower than the consensus, led by the expectation of pressure on EBITDA margin and argument of narrowing down of the Nestle's valuation premium. We assign P/E of 30x on the next 12-months earnings to derive a TP of Rs3,618.

What will challenge our target price?

1) We expect Nestle would focus on retaining the volume market share for Maggi noodles hence there will be volume driven growth going forward. This assumption would result in lower profitability for Nestle and any change in this proposition might change our estimates; 2) We expect ITC, GSK Consumer and HUL to be very aggressive in noodle segment, any delay in such efforts would again help Nestle to earn better profitability.

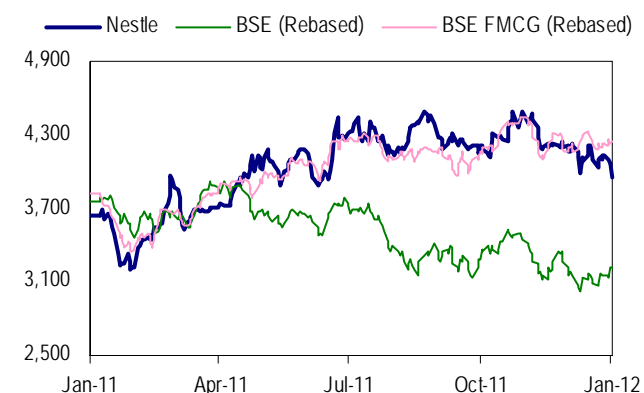
(Rs mn)	CY09	CY10	CY11E	YoY %	CY12E	YoY %
Net Sales	51,395	62,609	76,556	22.3	94,350	23.2
EBITDA	10,448	12,559	15,122	20.4	18,419	21.8
EBITDA Marg. (%)	20.3	20.1	19.8	(31)bps	19.5	(23)bps
Adj. Net Profits	6,575	8,188	9,648	17.8	11,405	18.2
Dil. EPS (Rs)	68.2	84.9	100.1	17.8	118.3	18.2
PER (x)	57.8	46.4	39.4	-	33.3	-
ROE (%)	113.1	95.7	80.3	(1,545)bps	70.8	(951)bps
ROCE (%)	179.7	146.8	88.9	(5,797)bps	81.4	(741)bps

Sector: FMCG

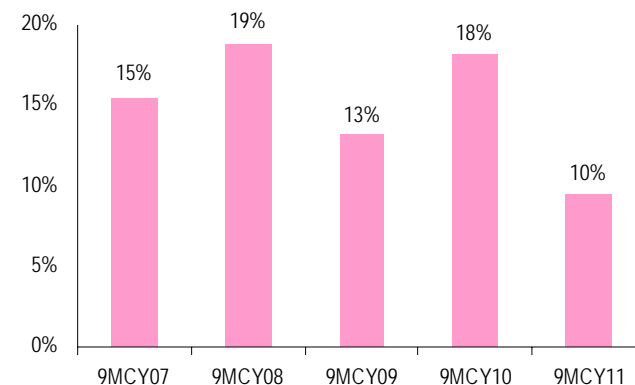
CMP: Rs3,942; Mcap: Rs380bn

Bloomberg: NEST IN; Reuters: NEST.BO

Price performance



Domestic Volume Growth



Source: PINC Research, Company

NIIT TECH: BUY, TP-Rs285 (43% upside)

What's the theme?

NIIT Tech has large exposure to high-growth niche verticals such as insurance and travel. Recent acquisition of Proyecta Sistemas and JV with Morris, will give further thrust to growth through access to untapped markets and presence in newer industries. New service lines would boost non-linear growth and lead to improvement in realisations. Moreover, it has a differentiated strategy with development of IPs in emerging technologies (such as cloud computing) & verticals (such as insurance & healthcare).

What will move the stock?

1) Good performance in the BFSI and travel and transportation verticals, which contribute ~75% to revenue; 2) Large untapped opportunity in the APAC and Latin American markets; 3) Strong order book of USD232mn to be implemented over next 12 months and continued high order bookings; 4) New order win announcements continue (won deals worth USD200mn in Q2FY12); 5) Ramp-ups of the major deals won in the recent quarters would substantiate growth 6) High EBITDA margin among mid-tier peers in the IT services business.

Where are we stacked versus consensus?

Our top-line estimate for FY12 is marginally higher by 1.6% than consensus while lag the consensus for FY13 by 1.4%. Our EBITDA margin estimates for FY12 are marginally lower than consensus by 26bps and in line with consensus for FY13. Our EPS estimates for FY12 & FY13 lag the consensus by 0.5% and 4.2% respectively.

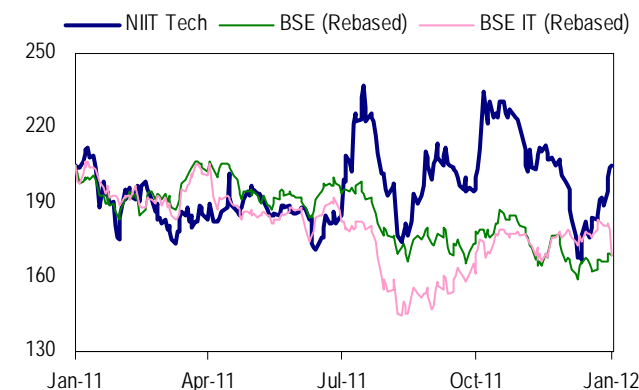
What will challenge our target price?

1) Prolonged macroeconomic uncertainty in Europe; 2) Sharp currency volatility; 3) Higher attrition and wage increments; and 4) Project delays and cancellation of government contracts

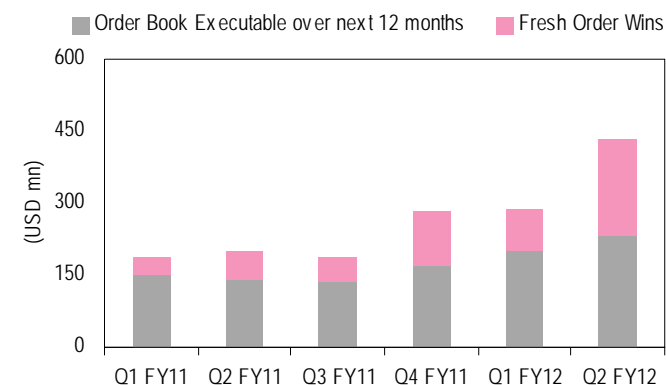
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	9,138	12,323	16,080	30.5	18,434	14.6
EBITDA	1,889	2,363	2,750	16.4	3,236	17.7
EBITDA Marg. (%)	20.7	19.2	17.1	(208)bps	17.6	46 bps
Adj. Net Profits	1,265	1,823	1,867	2.4	2,121	13.6
Dil. EPS (Rs)	21.5	30.9	31.7	2.4	35.7	12.5
PER (x)	9.3	6.5	6.3	-	5.5	-
ROE (%)	21.7	24.2	22.0	(225)bps	21.0	(98)bps
ROCE (%)	19.1	20.4	20.3	(15)bps	20.0	(30)bps

Sector: Information Technology
 CMP: Rs200; Mcap: Rs11.76bn
 Bloomberg: NITEC IN; Reuters: NITT.BO

Price performance



Healthy order book



PHOENIX MILLS: BUY, TP-Rs265 (37% upside)

What's the theme?

PHNX's key project, High Street Phoenix (HSP), is now fully operational and is likely to generate rental income of Rs2-2.2bn in FY12E. In Q3FY12, three out of four market cities were operational and expect to deliver higher occupancy going forward. This will help strengthen the company's rental model. At present, PHNX's rental revenue (FY11- Rs1.8bn) comes from HSP and the launch of Pune and Bangalore Market Cities is likely to add ~Rs550mn of rental revenue to the top line in FY12E.

What will move the stock?

We see the following near-term stock triggers: (i) Kurla Market City project commenced operation in Q3FY12 and is ramping up (ii) The first phase of Shangri-La Hotel to commence in Q2FY13. (iii) HSP-Phase IV (at present 0.25 msf) to provide a strong delta to the company's valuation if it manages to get hospitality FSI (5x). (iv) The company may further choose to increase stake in the Bengaluru and Chennai market city projects, which would enhance stock valuation.

Where are we stacked versus consensus?

Our EPS estimates for FY12 and FY13 are Rs10.8 and Rs11.9 respectively. Our FY12 earnings estimate is 21% higher than consensus estimate of Rs8.9. We have a 'BUY' recommendation on the stock with a target price of Rs265 after assigning 15% discount to FY12E gross NAV.

What will challenge our target price?

1) Slowdown in execution in Market City projects and extending free rental periods may hamper the holding company's profitability, 2) economic slowdown may affect revenue from Market City and HSP.

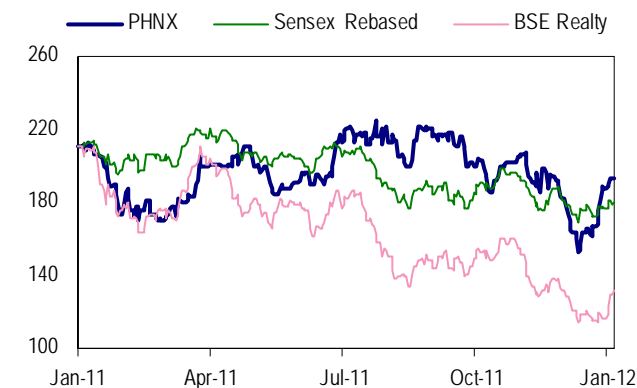
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	1,230	2,102	3,993	90.0	4,349	8.9
EBITDA	775	1,406	2,447	74.1	2,872	17.4
EBITDA Marg. (%)	63.0	66.9	61.3	(559)bps	66.0	474 bps
Adj. Net Profits	620	842	1,570	86.5	1,725	9.9
Dil. EPS (Rs)	4.3	5.8	10.8	86.5	11.9	9.9
PER (x)	45.2	33.3	17.8	-	16.2	-
ROE (%)	4.0	5.1	9.0	388 bps	9.1	12 bps
ROCE (%)	3.2	4.1	6.4	231 bps	6.4	(1)bps

Sector: Real Estate

CMP: Rs193; Mcap: Rs28bn

Bloomberg: PHNX IN; Reuters: PHOE.BO

Price performance



PHNX one year forward NAV

Project	NAV (Rs)
High Street Phoenix	142
Market City (Kurla, Bengaluru, Chennai, Pune)	87
Other Residential	36
BARE	10
Investment in Treasure World Developers	18
Investment in Galaxy Entertainment	0.2
Investment in Phoenix construction	0.1
Other investments	26
Shangri-la hotel	11
HSP Phase IV	21
Share Application Money	21
Less: Net Debt	60.1
NAV	310
15% Discount to NAV	45
Target Price	265

POWER GRID: BUY, TP-Rs120 (18% upside)

What's the theme?

PGCIL is moving ahead to achieve its XIth Plan capex and capitalisation target of Rs550bn (76% achieved till H1FY12) and Rs320bn (82% achieved till H1FY12) respectively. It aims to significantly ramp up its capex over the XIIth Plan period, as it seeks to nearly double this to Rs1.02trn. It intends to achieve a yearly capex and ordering run rate of ~Rs200bn and ~Rs180bn respectively during the XIIth Plan. This increased capex run rate should translate into 20% CAGR in its regulated equity over FY11-15E. In addition, PGCIL is insulated from risks like rising fuel cost, backing down and SEB defaults (as payments are secured through a tripartite agreement). We believe the stock offers safe and steady returns as compared to its private sector peers.

What will move the stock?

1) Conversion of its huge CWIP into regulatory assets will translate into increased earnings for the company, 2) Increased capex run rate, translating into higher capitalisation and hence higher earnings, 3) Healthy growth in its telecom division will offset stagnant earnings in consultancy division and 4) Improving debtor days as distribution tariffs are revised and billing is based on new tariff norms.

Where are we stacked versus consensus?

Our FY12 & FY13 PAT estimates are in line with consensus. We value PGCIL on FCFE basis to arrive at a target price of Rs120 (terminal growth rate 3% and 13% Ke)

What will challenge our target price?

- 1) Delay in capitalisation of projects under construction & delayed payments by SEBs
- 2) Lower incentives and STOA income will impact our earnings estimate
- 3) High debtor days

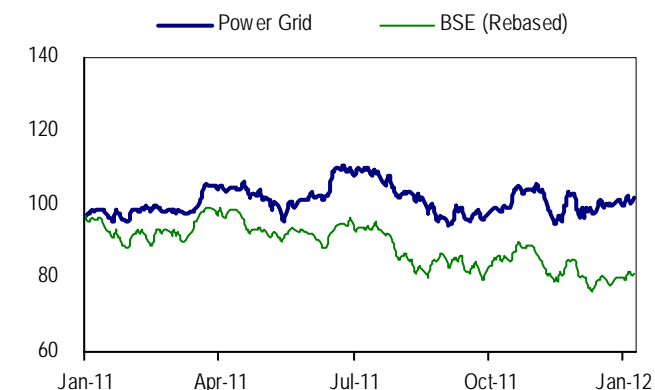
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	72,182	84,009	101,983	21.4	118,719	16.4
EBITDA	61,593	74,642	88,778	18.9	102,538	15.5
EBITDA Marg. (%)	85.3	88.9	87.1	(180)	86.4	(68)
Adj. Net Profits	21,308	25,800	30,141	16.8	35,119	16.5
Dil. EPS (Rs)	5.1	5.6	6.5	16.8	7.6	16.5
PER (x)	20.1	18.3	15.7	-	13.4	-
RoE (%)	13.9	13.8	13.5	(34)	14.4	86
ROCE (%)	8.8	9.2	9.5	25	9.8	30

Sector: Power Utilities

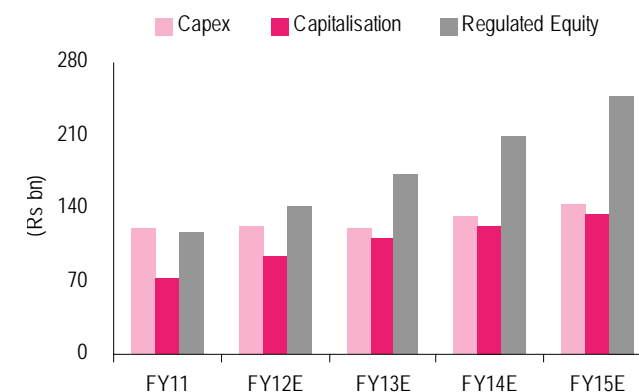
CMP: Rs102; Mcap: Rs472bn

Bloomberg: PWGR IN; Reuters: PGRD.BO

Price performance



Steady growth in capitalisation



TECPRO SYSTEMS: BUY, TP-Rs375 (108% upside)

What's the theme?

Most of the power BoP orders pertaining to the XIIth Five-Year Plan (including orders for coal and ash handling) are yet to be awarded. Tecpro appears best placed among peers to bag these orders, given its past experience. If interest rates stabilise in the near term, we expect incremental order inflows to come from the cement, steel, minerals and mining sectors. A healthy (1.6x FY12E revenue) and safe (all orders have achieved financial closure) order book minimises the risk of any delay or cancellations.

What will move the stock?

- Increased pace of order inflow, expected in H2FY12, mainly from the power sector. We expect Tecpro to record 9% growth in order inflow in FY12.
- Execution of the current order book in a timely and profitable manner. We expect Tecpro to achieve a 29% CAGR in revenue and 20% CAGR in profit over FY11-13E.
- Any decline in interest rates would enable the company to improve net profit margins.
- Improvement in working capital would lead to higher cash flows.

Where are we stacked versus consensus?

We expect EPS of Rs31.0 and Rs37.4 in FY12 and FY13, respectively, almost in line with consensus forecasts. We expect 9% growth in order inflow in FY12, whereas some analysts forecast de-growth of ~30-35%. However, the management has guided for ~30% growth in order inflow in FY12. We maintain a BUY recommendation on the stock with a target price of Rs375 (10x FY13E).

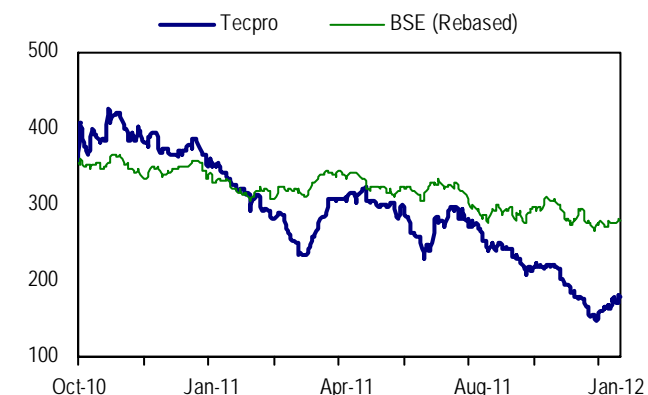
What will challenge our target price?

- Further rise in interest rates, which cannot be passed on to customers and hence, impact the bottom line.
- Any delay in execution leading to further deterioration of working capital.
- Less than estimated order inflows.

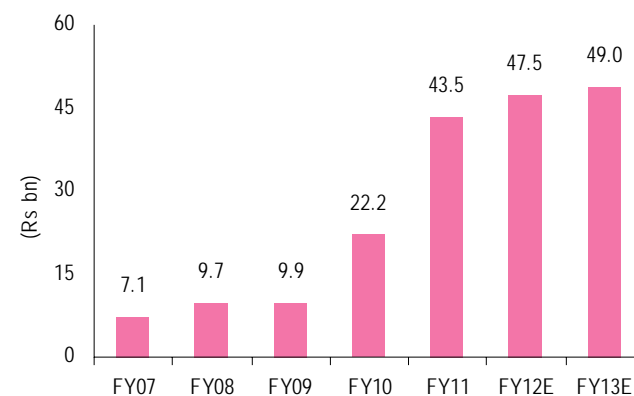
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	14,628	19,736	26,594	34.7	32,889	23.7
EBIDTA	1,982	3,010	3,736	24.1	4,456	19.3
EBIDTA Marg. (%)	13.5	15.2	14.0	(115) bps	13.5	(50)bps
Adj. Net Profit	1,096	1,363	1,565	14.9	1,887	20.5
Dil. EPS (Rs)	24.8	27.0	31.0	14.9	37.4	20.5
PER (x)	7.3	6.7	5.8	-	4.8	-
ROE (%)	42.8	26.9	21.4	(490)bps	21.3	(10)bps
ROCE (%)	37.1	26.9	23.1	(350)bps	22.9	(20)bps

Sector: Material Handling
 CMP: Rs180; Mcap: Rs9bn
 Bloomberg: TPRO IN; Reuters: TPSL.BO

Price performance



Order inflow



T E A M

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Rating Objective		
Rating	Large Caps	Mid Caps
	M.Cap > USD1bn	M.Cap <= USD1bn
Return %		
BUY	More than 15	More than 20
Accumulate	5 to 15	10 to 20
Reduce	(-)5 to +5	0 to 10
Sell	Below (-)5	Less than 0


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