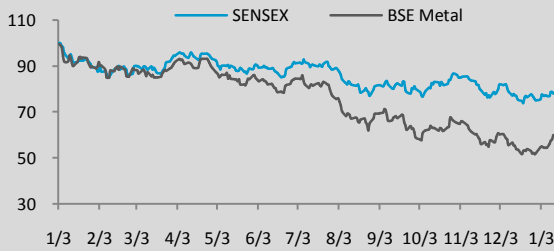
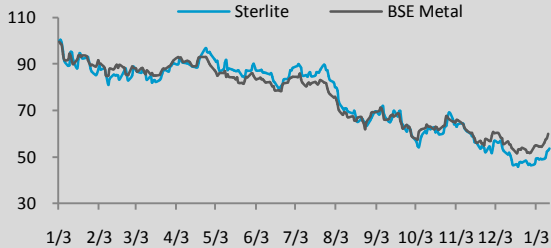


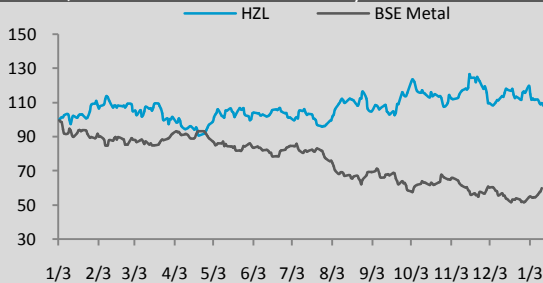
**BSE Metal, 12M Relative Performance v/s Sensex**



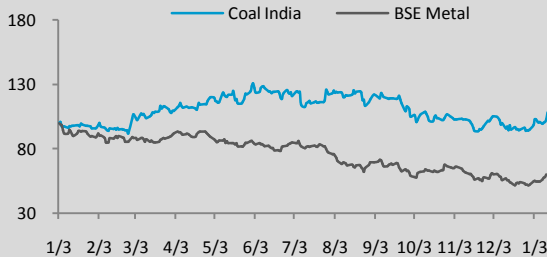
**Sterlite Indust, 12M Relative Performance v/s BSE Metal**



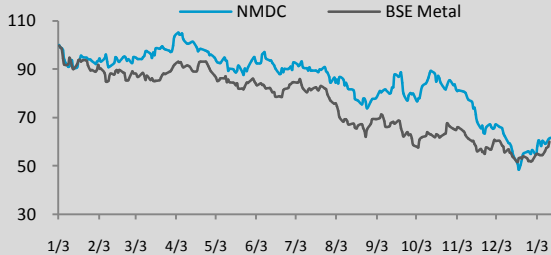
**HZL Ltd, 12M Relative Performance v/BSE Metal**



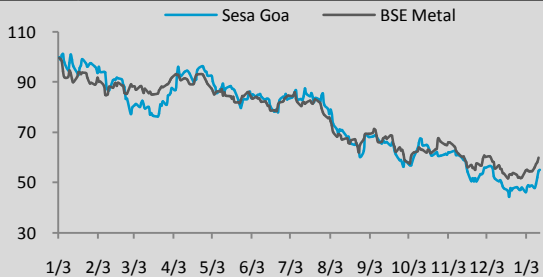
**Coal India Ltd, 12M Relative Performance v/s BSE Metal**



**NMDC, 12M Relative Performance v/s BSE Metal**



**Sesa Goa, 12M Relative Performance vs BSE Metal**



**Uncertainty in the global market, government intervention with strict and stringent policy in the domestic market is likely to trap the metals and mining sectors.** However, we still see some mining companies like Coal India, NMDC to report revenue growth of 25-30% while metal companies like Hindalco is likely to report revenue growth of 15%-16% during Q3FY'12 due to voluminous growth. However; other sector likes Sesa Goa to have negative revenue growth of ~13% on the back of continued mining ban activities in Karnataka by the Government and declining iron ore prices internationally. IIP reaches at its lows points out that the economic growth slowed down putting stress on the metals and mining companies. Domestically, companies are reeling on the back of the correction in the base metal prices but still we see some companies has sustained and overcome the pricing pressure with the operational excellence. We expect CIL, NMDC and HZL to report adjusted EBITDA growth of 30-40% during Q3.PAT of the mining companies except Sesa Goa expected to report better during the quarter while in the metals company, we expect HZL will be the leader with highest profitability among its peers.

**Negative news priced in, could not see much downside risk for the metals and mining companies:** In the last 1 yr we have seen BSE Metal index already corrected by ~60% with almost all the negative news including MMDR bill (non mining companies to share 100% royalty and coal mining company to share 26% profit with local miners), export ban, export duty hike on iron ore, mining ban. Further, base metal price has already corrected sharply by 30%-40% during CY11 but depreciation in the INR/USD has somewhat partially offset the fall in the metal prices. We expect that the metals and mining companies has already faced the challenges of 2011 and prepared themselves to show resilience in 2012. Since Indian economy is showing sign of recovery with inflation rate heading downwards is likely to force RBI to cut down interest rate during Q3 Monetary Policy Review. Thus, it will provide some relaxation to the metals and the mining sector.

**Euro Crisis fears still looms over and could be a greater risk for the industry. Investors should be selective for the metals and mining stocks for their portfolios:** Since uncertainty over the European economies still persist and unresolved, demand for the metals could be hit as well as the prices in near term as Euro is trading at its low and dollar index is becoming costlier day by day. Thus making base metals priced in dollar making more costly. But still we see there are few stocks in metals and the mining companies Coal India, HZL and MOIL which is our top pick as the company is both fundamentally as well as financially strong to give better return in long term horizon and will not be impacted much with that of the global market headwinds.

Source: Company & R K Global Research

Charts: NSE, Ace Equity & R K Global Research, as on 09<sup>th</sup> January 2012

CMP- ₹103.40

Sterlite Industries Ltd  
Revised "Buy"

Target Price- ₹119

## Market Data

Bloomberg Code	STLT IN
Reuters Code	STRL.BO
SENSEX/Nifty	162174.3/4866
Dividend Yield (%)	1.06
52 Week High/ Low(₹)	189.5/86.1
Equity Capital(₹ mn)	3361.6
Face Value (₹)	1
Market Cap (₹ mn)	347589
Avg. 10 day Vol. NSE	5222390

Source: Company, R K Global Research, as on Jan 13<sup>th</sup> 2012

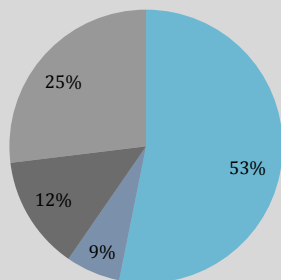
## Key Market Ratios

TTM Latest EPS (₹)	3.57
TTM Book Value (₹)	70.13
TTM PE (x)	28.98
TTM P/BV (x)	1.47
TTM EV/EBIDTA (x)	18.05
EV/TTM Sales (x)	2.13
Mcap /TTM Sales (x)	1.91

Source: Company, R K Global Research, as on Jan 13<sup>th</sup> 2012

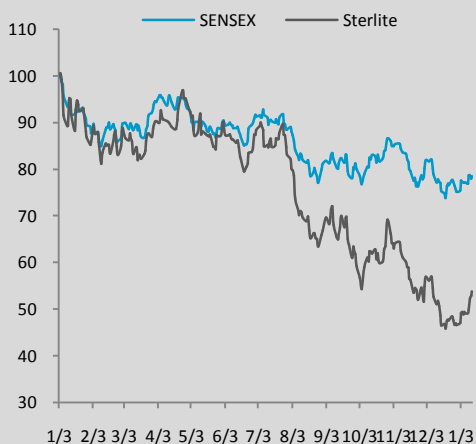
## Share-Holding Pattern (%)

Promoters Public FII's Others



Source: Ace Equity, R K Global Research, as on Dec'2011

## Price v/s NIFTY

Research Analyst  
Sweety Singh  
Sweety.sing@rkglobal.in

*Uncertain global markets weigh on copper prices that declined sharply during Q3 led to cut down our revenue estimate by 1.2% Y-o-Y compared to last quarter of corresponding year.*

We expect company to register revenue of ₹43303.13mn in Q3 which is 1.2% less compared to ₹43834.6mn in last quarter of corresponding year on the back of sharp fall in copper prices. During Q3FY'12, average copper price on LME stood at \$7509/ton which is 12.8% Y-o-Y (15.9% down Q-o-Q) lowered than the earlier \$8612/ton in Q3'FY11. However, we have increased our revenue estimate by 6.3% for FY12 to ₹171335mn due to the volume ramp up but cut down revenue estimate for FY13E to ₹180476mn by 27.5% as we expected that copper capacity will be double by FY13. However; that has been delayed till FY14.

*EBITDA expected to be sustained on the back of increasing operational excellence that will support to maintain the margins*

We forecast EBITDA to remain stable at ₹4904mn in Q3FY'12 due to the improved efficiency. We expect total expenditure as a % of sales to lower down to 95% at ₹41502mn in Q3FY'12 compared to 98% at ₹43564mn in Q3FY'11. Thus voluminous growth & improved efficiency will help the company to maintain its EBITDAM and PATM at 11.33% and 7.9% respectively during the quarter. We have revised our EBITDA estimate to ₹5594mn and ₹7799mn which is 23.8% and 0.5% lower than our earlier estimates for FY12E and FY13E respectively. We have also cut down our PAT estimate for FY12 and FY13 by 45.8% and 33.9% to ₹8117mn and ₹12885mn compared to ₹14985mn and ₹19518mn respectively during the same period. EPS is also revised to be at ₹2.4/share and ₹3.8/share respectively for FY12 and FY13.

## Outlook and Valuation

At CMP of ₹103.40, the stock is trading at P/Ex of 22 on its FY13 EPS of 4.4. We revised our SOTP based target price at considering the deep correction in the metal prices. We have seen huge correction in the stock but our valuation is still looking attractive. We expect the stock is likely to get support from its zinc and energy business which will cap the downside risk for the stock. We revised our valuation for SIIL standalone business at ₹34(earlier ₹37) using EV/EBITDA 4x, HZL at ₹61 using market cap based at 20% discount. BALCO and VAL at ₹20 using EV/Sales 3x and SEL & others at ₹4 using BV/Share. Hence our revised SOTP (sum of the parts) based target price is ₹119 per share lowered by 21% compared to our earlier target price of ₹144. We recommend investors to "Buy" the stock as the stock has potential upside of ~15% from the current level.

Descriptions (₹ mn)	Q3FY'12E	Q3FY'11	VAR (%)	Q2FY'12	VAR (%)
Net Sales & OOI	43303.13	43834.6	-1.21%	48017.5	-9.82%
Total Expenditure	41502.28	43564.6	-4.73%	47356.4	-12.36%
PBIDT (Excl OI)	1800.85	270	566.98%	661.1	172.40%
Other Income	3103.24	4618.6	-32.81%	4592	-32.42%
Operating Profit	4904.09	4888.6	0.32%	5253.1	-6.64%
Interest	1015.91	644.7	57.58%	1110.9	-8.55%
PBDT	3888.18	4243.9	-8.38%	4142.2	-6.13%
Depreciation	468.22	381.7	22.67%	375.1	24.82%
PBT	3419.96	3862.2	-11.45%	3767.1	-9.22%
Tax	(29.29)	698.4	-104.19%	1195.4	-102.45%
Profit After Tax	3449.25	3163.8	9.02%	2571.7	34.12%

**Financial Highlight (₹ Mn)**

Income Statement	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	131143	152950	171335	180477
Total Expenditure	126146	146147	165741	172677
Operating Profit (Excl OI)	4996	6803	5594	7799
Other Income	11356	16241	11059	14598
Operating Profit	16352	23044	16653	22397
Interest	2633	2775	4064	3474
PBDT	13720	20269	12590	18923
Depreciation	1506	1527	1873	1912
Profit Before Tax	9478	18743	10717	17011
Provision for Tax	1163	4546	2599	4126
Profit After Tax	8315	14197	8118	12885

Ratios	FY10	FY11	FY12E	FY13E
<b>Per Share</b>				
Earnings Per Share (Rs)	7.36	4.22	2.42	3.83
CEPS(Rs)	5.84	4.68	2.97	4.40
Book Value (Rs)	132.49	69.11	70.80	73.38
Dividend Pay Out Ratio	0.44	0.30	0.30	0.33

Margin Ratios	FY10	FY11	FY12E	FY13E
PBDITM (%)	4%	4%	3%	4%
OPM%	12%	15%	10%	12%
EBITM (%)	10%	13%	7%	10%
Pre Tax Margin(%)	7%	12%	6%	9%
PATM (%)	6%	9%	5%	7%

Performance Ratios	FY10	FY11	FY12E	FY13E
ROA (%)	3%	4%	2%	4%
ROE (%)	4%	6%	3%	5%
ROCE (%)	6%	9%	6%	8%

Sales/Fixed Asset(x)	7.26	7.40	8.59	9.77
Working Capital/Sales(x)	1.15	1.37	1.12	1.12

Growth Ratio	FY10	FY11	FY12E	FY13E
Net Sales Growth (%)	13%	17%	12%	5%
Core EBITDA Growth (%)	-41%	36%	-18%	39%
EBIT Growth (%)	-49%	51%	-29%	58%
PAT Growth (%)	-33%	71%	-43%	59%
<b>EPS Growth (%)</b>	10%	-43%	-43%	59%

Financial Stability Ratios	FY10	FY11	FY12E	FY13E
Total Debt/Equity(x)	0.24	0.25	0.25	0.25
Current Ratio(x)	3.97	9.55	6.45	4.80
Interest Cover(x)	5.64	7.76	3.64	5.90

Balance Sheet	FY10	FY11	FY12E	FY13E
<b>Liabilities</b>				
Share Capital and Warrants	1681	3361	3361	3361
Shareholder's Funds	222681	232289	237959	246648
Total Debts	53222	57610	59923	62379
<b>Total Liabilities</b>	<b>275903</b>	<b>289899</b>	<b>297882</b>	<b>309027</b>
<b>Assets</b>				
Gross Block	29819	29728	36129	36567
Less: Accumulates Dep.	13364	14415	16288	18200
Net Block	15608	14672	18838	17340
Capital Work in Progress	2461	5990	1098	1134
Investments	109842	62379	90840	93110
Cash and Bank	22849	18913	18641	15318
Total Current Assets	169141	248531	242814	251452
Less: Current Liabilities	17708	38557	50604	48846
Net Current Assets	151433	209974	192210	202606
DTA/L	-3638	-4329	-5104	-5164
<b>Total Assets</b>	<b>275903</b>	<b>289899</b>	<b>297882</b>	<b>309027</b>

Cash Flow Statement	FY10	FY11	FY12E	FY13E
<b>Cash Flow from Operating Activities</b>				
EBDIT	16352	23044	16653	22397
Changes in CA (Ex. Cash)	-98228	-83326	5445	-11960
Changes in CL	1224	20848	12048	-1759
Changes In WC	-97004	-62477	17492	-13719
Cash fro Operation	-80651	-39433	34145	8678
Direct Taxes Paid	1163	4546	2599	4126
Net Cash From Operation	-81814	-43979	31546	4553
<b>Cash Flow from Investing Activities</b>				
Capital Expenditure (CAPEX)	-3265	-4454	-296	-474
Investments	6777	47463	-28461	-2270
Net Cash From Investing	3512	43009	-28757	-2744
<b>Cash Flow from Financing Activities</b>				
Change in Debt	14922	4388	2312	2457
Change in Equity	264	1680	0	0
Interest Paid	-2633	-2775	-4064	-3474
Dividends Paid	-3675	-4297	-2447	-4197
Others	77329	-2654	363	24
DTL & Misc Expenditures	302	691	775	60
Net Cash From Financing	83773	-2966	-3061	-5131
Net Increase in Cash	5471	-3936	-272	-3323
Cash at the End	22849	18913	18641	15318

CMP-₹127.2

Hindustan Zinc Ltd  
Revised "Hold"

Target Price-₹134

## Market Data\*

Bloomberg Code	HZ IN
Reuters Code	HZNC.BO
Sensex/Nifty	162174.3/4866
Dividend Yield (%)	0.79
52 Week High/Low	155.3/106.7
Equity Capital (₹ mn)	8450.64
Face Value (₹)	2
Market Cap (₹ mn)	537460
Avg.10 day NSE Vol.	633053

Source: Ace Equity, R K Global Research, as on Jan 13'2012

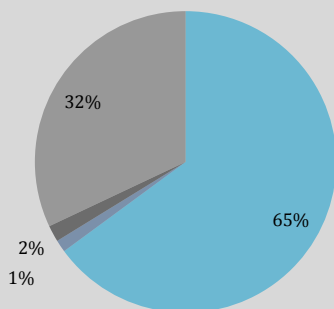
## Key Market Ratio\*

Latest TTM EPS (₹)	13.96
Book Value (₹)	60.08
TTM PE (x)	9.11
TTM PBV (x)	2.12
EV/TTM EBITDA (x)	6.18
EV/TTM Sales (x)	4.29
Market Cap/TTM sales (x)	4.79

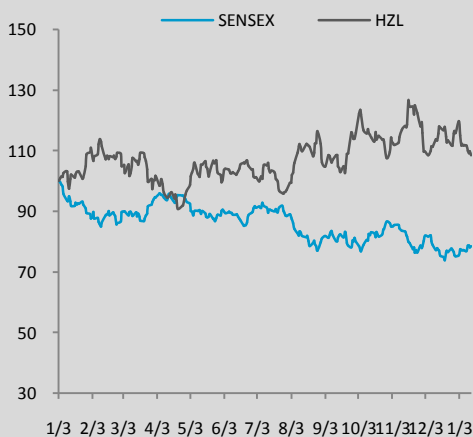
Source: Ace Equity, R K Global Research, as on Jan 13'2012

## Share-Holding Pattern (%)\*

■ Promoters ■ FII ■ DII ■ Others

Source: Ace Equity, R K Global Research \*As on 31<sup>st</sup> Dec'2011"

## Price vs Sensex



Revenue expected to grow by 33.36% to ₹35076mn along with the EBITDA of ₹22444mn due to voluminous growth and higher contribution from the silver business. EBITDAM and PATM are expected to be maintained at 63.9% and 56.0%.

Revenue estimated to remain on higher end on support of silver business and voluminous growth of zinc despite fall in the prices on LME: We expect company's revenue to grow by 33.3%Y-o-Y to ₹35076mn in Q3FY12 compared to ₹26301mn in Q3FY11 due to the voluminous growth of zinc as well as lead which is expected to get support from the commissioning of 100KTPA Lead Smelter at Dariba due to commissioning of the project in Q2. Also, company is further expected to churn out more revenue from the silver whose output can go substantially. Further although we have seen correction in the zinc prices; however during Q3, silver prices on an average stood at ₹53000/kg compared to ₹40,000/kg in corresponding quarter of previous year.

EBITDA and PAT expected to grow led by the cost minimization strategy: We expect that the company during the quarter can see 48% Y-o-Y jump in EBITDA to ₹22444mn. There could be possibilities of cost rationalization. Total expenditure as a percentage of sales are expected to come down by 15.6% during the quarter to ₹12632mn.

Margins expected to remain strong with improved efficiency: EBITDAM and PATM are expected to improve by 11.6% and 14.2% respectively to 63.9% and 56.0% in Q3FY'12 compared to 57.3% and 49.0% in Q3FY'11.

## Outlook &amp; Valuation

At current market price of ₹127, the stock is trading at EV/EBITDA of ~6x of its FY13E, EBITDA of ₹777964mn. We valued the company taking conservative view due to slow industrial growth and volatility in global metal prices. However; we expect that silver business will be a key trigger for this business which is expected to contribute 16% towards top line from current 6%. Further the company is fundamentally strong with huge cash reserve ₹16229crs as on Sep'11. We revised our valuation cutting down our zinc price forecast by ~13% and ~17% respectively for FY12 and FY13 to ₹1900/ton. We have also changed our USD/INR estimate by depreciating dollar by 5.3% and 9.7% to ₹48 per dollar and ₹50 per dollar for FY12 and FY13 from our earlier estimate of ₹45.57. At our revised valuation, our target price is reduced to ₹134.50 which is 15% lowered than our earlier target price of ₹159 per share. Hence we recommend our investors to "Hold" the stock with upside potential of ~5% from current level.

Descriptions (₹ mn)	Q3FY'12E	Q3FY'11	VAR (%)	Q2FY'12	VAR (%)
Net Sales & OOI	35076.22	26301.6	33.36%	26368.2	33.02%
Total Expenditure	12632.19	11229.1	12.50%	11720.2	7.78%
PBIDT (Excl OI)	22444.03	15072.5	48.91%	14648	53.22%
Other Income	2269.53	2071	9.59%	3867.80	-41.32%
Operating Profit	24713.56	17143.5	44.16%	18515.8	33.47%
Interest	37.50	1.1	3309.09%	120.3	-68.83%
PBDT	24676.06	17142.4	43.95%	18156.9	35.90%
Depreciation	902.00	1195.4	-24.54%	1455.2	-38.02%
PBT	23774.06	15947	49.08%	16701.7	42.35%
Tax	4127.49	3051.2	35.27%	3254.8	26.81%
Profit After Tax	19646.57	12895.8	52.35%	13446.9	46.10%

**Financial Highlight (₹ Mln)**

Income Statement	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	80170	99121	121660	133727
Total Expenditure	33469	44262	59640	55930
Operating Profit (Excl OI)	46701	54859	62020	77796
Other Income	7222	9890	12194	7948
Operating Profit	53923	64749	74214	85744
Interest	439	194	178	153
PBDT	53484	64555	74036	85592
Depreciation	3343	4747	4916	5551
Profit Before Tax	50141	59596	69121	80041
Provision for Tax	9727	10591	15715	16846
Profit After Tax	40414	49005	53406	63194

Ratios	FY10	FY11	FY12E	FY13E
<b>Per Share</b>				
Earnings Per Share (Rs)	6.46	11.60	12.64	14.96
CEPS(Rs)	10.36	12.72	13.80	16.27
Book Value (Rs)	42.89	53.33	62.75	74.01
Dividend Pay Out Ratio	0.12	0.08	0.09	0.10

Margin Ratios	FY10	FY11	FY12E	FY13E
PBIDTM (%)	58%	55%	51%	58%
OPM%	67%	65%	61%	64%
EBITM (%)	67%	65%	61%	64%
Pre Tax Margin (%)	63%	60%	57%	60%
PATM (%)	50%	49%	44%	47%

Performance Ratios	FY10	FY11	FY12E	FY13E
ROA (%)	21%	20%	19%	19%
ROE (%)	23%	23%	21%	21%
ROCE (%)	30%	29%	27%	27%

Sales/Fixed Asset(x)	1.10	1.22	1.25	1.23
Working Capital/Sales(x)	0.08	0.61	0.44	0.44

Growth Ratio	FY10	FY11	FY12E	FY13E
Net Sales Growth (%)	41%	24%	23%	10%
Core EBITDA Growth (%)	71%	17%	13%	25%
EBIT Growth (%)	77%	16%	14%	27%
PAT Growth (%)	48%	21%	9%	18%
<b>EPS Growth (%)</b>	-38%	80%	9%	18%

Financial Stability Ratios	FY10	FY11	FY12E	FY13E
Total Debt/Equity(x)	0.00	0.00	0.00	0.00
Current Ratio(x)	3.78	1.50	4.82	5.05
Interest Cover(x)	115.16	309.28	389.92	525.61

Balance Sheet	FY10	FY11	FY12E	FY13E
<b>Liabilities</b>				
Share Capital and Warrants	4225	8451	8451	8451
Shareholder's Funds	181240	225332	265119	312707
Total Debts	605	4	395	348
<b>Total Liabilities</b>	<b>181844</b>	<b>225336</b>	<b>265514</b>	<b>313055</b>
<b>Assets</b>				
Gross Block	82407	98023	111234	125833
Less: Accumulates Dep.	20766	25481	30397	35948
Net Block	61641	72542	80837	89885
Capital Work in Progress	11130	8752	16123	19053
Investments	109492	93346	125145	156145
Cash and Bank	9275	56329	47545	53852
Total Current Assets	19953	75889	67146	74224
Less: Current Liabilities	13258	15747	13286	14821
Net Current Assets	6695	60143	53860	59403
DTA/L	-7112	-9447	-10452	-11431
<b>Total Assets</b>	<b>181844</b>	<b>225336</b>	<b>265514</b>	<b>313055</b>

Cash Flow Statement	FY10	FY11	FY12E	FY13E
<b>Cash Flow from Operating Activities</b>				
EBDIT	53923	64749	74214	85744
Changes in CA (Ex. Cash)	-30	-8883	-41	-770
Changes in CL	3249	2489	-2461	1535
Changes In WC	3219	-6394	-2502	765
Cash fro Operation	57142	58354	71712	86509
Direct Taxes Paid	9727	10591	15715	16846
Net Cash From Operation	47415	47764	55997	69663
<b>Cash Flow from Investing Activities</b>				
Capital Expenditure (CAPEX)	-23897	-13239	-20582	-17528
Investments	-40203	16146	-31799	-31000
Net Cash From Investing	-64100	2906	-52381	-48529
<b>Cash Flow from Financing Activities</b>				
Change in Debt	518	-601	391	-47
Change in Equity	0	4225	0	0
Interest Paid	-439	-194	-178	-153
Dividends Paid	-4911	-4049	-4773	-6350
Others	2078	-5121	0	0
DTL & Misc Expenditures	1524	2335	1005	979
Net Cash From Financing	-1231	-3616	-12400	-14827
Net Increase in Cash	-17916	47054	-8784	6307
Cash at the End	9275	56329	47545	53852

CMP-₹133.2

Hindalco Industries Ltd.  
Revised "Hold"

Target Price-₹140

## Market Data\*

Bloomberg Code	HNDL IN
Reuters Code	HALC.BO
Sensex/Nifty	162174.3/4866
Dividend Yield (%)	1.13
52 Week High/Low	251.4/111.3
Equity Capital (₹mn)	1914.4
Face Value (₹)	1
Market Cap (₹ mn)	255010
Avg.10 day NSE Vol.	19297823

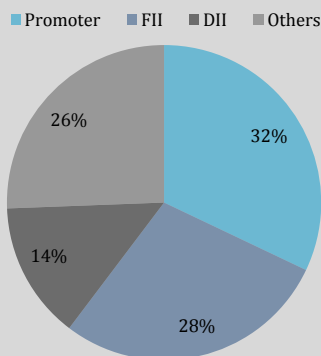
Source: Ace Equity, R K Global Research, \*as on Jan 13<sup>th</sup> 2012"

## Key Market Ratio\*

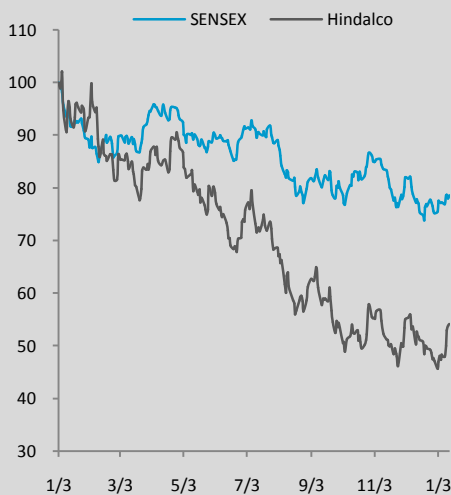
Latest TTM EPS (₹)	12.09
Book Value (₹)	160.29
TTM PE (x)	11.01
TTM PBV (x)	0.83
EV/TTM EBITDA (x)	8.77
EV/TTM Sales (x)	1.31
Market Cap/TTM sales (x)	1.03

Source: Ace Equity, R K Global Research, \*as on Jan 13<sup>th</sup> 2012"

## Share-Holding Pattern (%)\*

Source: Ace Equity, R K Global Research \*as on 30<sup>th</sup> Dec 2011"

## Price vs Sensex



Hindalco Industries is expected to register revenue growth of 16.3% Y-o-Y to ₹69489mn in Q3FY'12. Total expenditure as a percentage of sales expected to grow by 1.2% Y-o-Y during the quarter. Company is likely to report EBITDA growth of 6.5%. However; EBITDAM expected to decline by 8% during the quarter.

**Revenue expected to grow 16.3% Y-o-Y on voluminous growth:** We expect that the company is likely to post 16.3% Y-o-Y growth to ₹69489mn in Q3FY'12 compared to ₹59746mn in Q3FY'11 on the back of voluminous growth in the aluminium segment and on expectation of higher treatment and refinery charges of smelter. It is also expected to have benefit from its byproduct business on expectation that the company has commissioned alumina refinery during the quarter.

**Total Expenditure (as a % of sales) expected to go up expected to impact EBITDA by 8.4%:** Hindalco total expenditure expected to grow by 1.2% Y-o-Y (as a % of sales) to ₹61606mn in Q3FY'12 compared to ₹52345mn in Q3FY'11. With the incremental cost, we expect EBITDA expected to grow by 6.5% to ₹7884mn during the Q3 compared to ₹7401mn of the corresponding quarter of previous year.

**EBITDAM expected to slaughter; PBTM and PATM to be sustained:** EBITDAM is likely to decline by 8.4% to 11.35% in Q3FY'12 compared to 12.39% in Q3FY'11. This was due to the slow pace of revenue growth and higher total cost. However; we expect that the PBTM and PATM likely to be maintained at 10.2% and 8.2% respectively due to higher contribution from other income. PAT expected to grow by 24% to ₹5713mn in Q3FY'12 compared to ₹4603mn in Q3FY'11.

## Valuation

At CMP of ₹133 the stock is trading at EV/EBITDA of 5x FY13E EBITDA of ₹59714mn. Our valuation incorporates the expansion plans in aluminium and Novelis business which is assumed to take effect in FY12 and FY13 respectively. We have revised our valuation due to the volatility in the commodity market based on the uncertainty in the global market. We have cut down LME aluminium price to \$2300/ton and \$2400/ton for FY12E and FY13E. We have also cut down our INR/USD estimate to ₹48/dollar and ₹50/dollar for FY12E & FY13E from ₹45/dollar. Considering this, our target price has been revised downward by 2.8% from ₹144/share earlier to ₹140/share with upside potential of ~5% from the current level. We recommend our investors to "Hold" the stock at this level.

Particulars(₹Mn)	Q3FY'12E	Q3FY'11E	Var (%)	Q2FY'12	Var (%)
Net Sales	69489	59746	16.31%	62719	10.80%
Total Expenditure	61606	52345	17.69%	56026	9.96%
PBIDT	7884	7401	6.52%	6692	17.80%
Other Income	1891	606	211.94%	1761	7.38%
Operating Profit	9774	8007	22.07%	8453	15.63%
Interest	962	516	86.43%	675	42.50%
PBDT	8812	7491	17.63%	7778	13.30%
Depreciation	1750	1707	2.53%	1741	0.49%
PBT	7063	5785	22.09%	6037	16.99%
Tax	1350	1181	14.24%	1012	33.39%
PAT	5713	4603	24.10%	5025	13.69%

**Financial Highlight (₹Mln)**

Income Statement	FY10	FY11	FY12E	FY13E	Balance Sheet	FY10	FY11	FY12E	FY13E
Net Sales	195221	238592	269174	297462	<b>Liabilities</b>				
Employee Cost	8740	2279	12257	13215	Share Capital and Warrants	1954	1959	1915	1915
COGS	144804	36312	212838	239449	Shareholder's Funds	279110	297001	329673	365486
O&M Expenses	15411	6746	17407	18575	Total Debts	63569	72715	90449	100274
Total Expenditure	168784	207598	222261	245618	<b>Total Liabilities</b>	<b>342679</b>	<b>369716</b>	<b>420122</b>	<b>465760</b>
Operating Profit (Excl OI)	26437	30995	46914	51844	<b>Assets</b>				
Other Income	5702	4027	8124	7870	Gross Block	137934	142873	161298	166782
Operating Profit	32139	35022	55037	59714	Less: Accumulates Dep.	58400	64850	72059	80106
Interest	2780	2200	3276	3698	Less: Impairment of Assets	2185	2180	2859	2929
PBDT	29359	32822	51762	56017	Net Block	77348	75844	86381	83747
Depreciation	6714	6875	7209	8047	Capital Work in Progress	34622	91529	78418	81193
Profit Before Tax	22646	25947	44553	47970	Investments	214808	182468	215194	266359
Provision for Tax	3489	4578	7345	6915	Cash and Bank	1402	2334	2791	566
<b>Profit After Tax</b>	<b>19156</b>	<b>21369</b>	<b>37208</b>	<b>41054</b>	Total Current Assets	88643	108027	116595	130721
					Less: Current Liabilities	61484	78388	63546	78020
<b>Ratios</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12E</b>	<b>FY13E</b>	Net Current Assets	27159	29639	53049	52701
<b>Per Share</b>					DTA/L	-13664	-12875	-12920	-18240
Earnings Per Share (Rs)	10.01	11.16	19.43	21.44	<b>Total Assets</b>	<b>342679</b>	<b>369716</b>	<b>420122</b>	<b>465760</b>
CEPS(Rs)	13.52	14.75	23.20	25.65					
Book Value (Rs)	145.85	155.12	172.19	190.89	<b>Cash Flow Statement</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12E</b>	<b>FY13E</b>
Dividend Pay Out Ratio	0.16	0.11	0.12	0.13	<b>Cash Flow from Operating Activities</b>				
<b>Margin Ratios</b>					EBDIT	32139	35022	55037	59714
PBIDTM (%)	14%	13%	17%	17%	Changes in CA (Ex. Cash)	-18279	-18452	-8111	-16351
OPM%	16%	15%	20%	20%	Changes in CL	34764	16904	-14841	14474
EBITM (%)	15%	14%	19%	19%	Changes In WC	16485	-1549	-22953	-1877
Pre Tax Margin (%)	12%	11%	17%	16%	Cash fro Operation	48624	33473	32085	57837
PATM (%)	10%	9%	14%	14%	Direct Taxes Paid	3489	4578	7345	6915
<b>Performance Ratios</b>					Net Cash From Operation	45135	28895	24740	50922
ROA (%)	5%	5%	8%	8%	<b>Cash Flow from Investing Activities</b>				
ROE (%)	7%	7%	11%	11%	Capital Expenditure (CAPEX)	-27134	-62552	-2203	-8258
ROCE (%)	9%	10%	13%	13%	Investments	-23320	32341	-32727	-51165
Sales/Fixed Asset(x)	1.74	1.43	1.63	1.80	Net Cash From Investing	-50454	-30212	-34930	-59423
Working Capital/Sales(x)	0.14	0.12	0.20	0.18	<b>Cash Flow from Financing Activities</b>				
<b>Growth Ratio</b>					Change in Debt	-19674	9146	17734	9825
Net Sales Growth (%)	7%	22%	13%	11%	Change in Equity	217	6	-45	0
Core EBITDA Growth (%)	-12%	17%	51%	11%	Interest Paid	-2780	-2200	-3276	-3698
EBIT Growth (%)	-16%	22%	65%	10%	Dividends Paid	-3012	-2401	-4491	-5242
PAT Growth (%)	-14%	12%	74%	10%	Others	23976	-1514	679	70
EPS Growth (%)	-23%	11%	74%	10%	DTL & Misc Expenditures	-442	-790	45	5320
<b>Financial Stability Ratios</b>					Net Cash From Financing	-1715	2248	10647	6276
Total Debt/Equity(x)	0.23	0.24	0.27	0.27	Net Increase in Cash	-7035	932	457	-2225
Current Ratio(x)	2.90	1.44	1.38	1.83	<b>Cash at the End</b>	<b>1402</b>	<b>2334</b>	<b>2791</b>	<b>566</b>
Interest Cover(x)	9.15	12.80	14.60	13.97					

CMP-₹343

Coal India Ltd.  
Revised "Hold"

Target Price-₹360

### Market Data\*

Bloomberg Code	COAL.IN
Reuters Code	COAL.BO
Sensex/Nifty	162174.3/4866
Dividend Yield (%)	1.14
52 Week High/Low	422.3/289.0
Equity Capital (₹ mn)	63163
Face Value (₹)	10
Market Cap (₹ mn)	2170302
Avg.10 day NSE Vol.	4063708

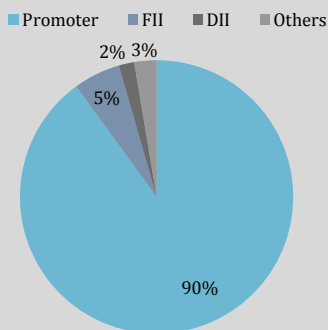
Source: Ace Equity, R K Global Research, \*as on Jan 13<sup>th</sup> 2012\*

### Key Market Ratio\*

Latest TTM EPS (₹)	21.5
Book Value (₹)	63.19
TTM PE (x)	15.99
TTM PBV (x)	5.44
EV/TTM EBITDA (x)	7.96
EV/TTM Sales (x)	3.12
Market Cap/TTM sales (x)	3.92

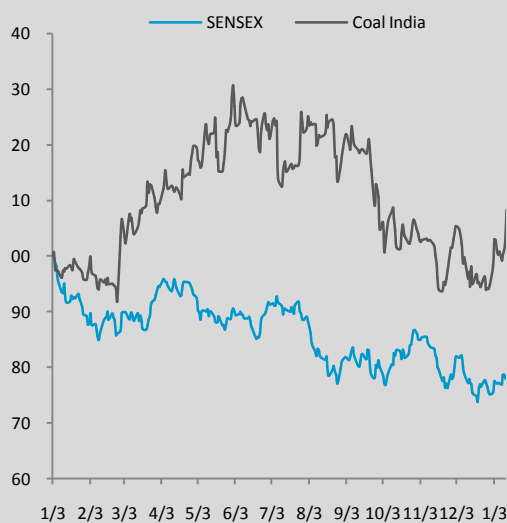
Source: Ace Equity, R K Global Research, \* as on Jan13<sup>th</sup> 2012\*

### Share-Holding Pattern (%)\*



Source: Ace Equity, R K Global Research \*as on Dec 30<sup>th</sup> 2011\*

### CIL vs Sensex



**Coal India expected to report 29% Y-o-Y revenue growth during the quarter on the back of better reported output compared to previous two quarters as well as corresponding quarter of previous year. The company has changed its pricing policy with effect from Jan '12 from UHV to GCV which would likely to increase the revenue of the company in coming quarters.**

**Revenue estimated to grow by 29% Y-o-Y; voluminous growth seen:** During the quarter we expect that the company will register revenue growth of 29% Y-o-Y to ₹163932mn on the back of trivial volume growth of 0.4% to close at 114.4mn tons in Q3FY12 compared to 113.9mn tons in Q3FY11. The company is likely to not benefit more from the voluminous growth but from the price hike during the year.

**Operating Profit to improve; EBITDA estimated to grow by 26.45%:** The Company after long struggle expected to see operational improvement due to the improved production which was achieved during the quarter even after one day strike. The operational efficiency was hit before on account of unfavorable weather condition. Hence, we expect that the company is likely to register 26.45% growth in EBITDA to ₹42690mn in Q3FY'12 compared to ₹33759mn in Q2FY'11. However; we believe that the margin of the company is likely to be slewed due to the cost pressure and will decline by 2.1% to 26.04% in Q3FY'12 compared to 26.60% in Q3FY11.

**Profitability likely to move up, PAT and PATM estimated to growth of 34.3% and 3.97% respectively:** Company is estimated to report PBT and PAT growth of 27.6% and 34.3% respectively at ₹53663mn and ₹35266mn during the quarter. PATM is also expected to grow by 3.97% to 21.5% in Q3FY'12 compared to 20.69% in Q3FY'11.

**Valuation:** At CMP of ₹313, the stock is trading at EV/EBITDA of 12x on FY13E EBITDA ₹166754mn. We have revised our valuation assuming production unit of 440mt and 452mt for FY12E and FY13E. We valued CIL based on DCF, assuming risk free rate of 8%, beta of 0.56. We have used FY12-14 as explicit period for our forecast. Assuming cost of equity at 12.5% and terminal growth rate of 5% on the future cash flows, we arrive at an intrinsic value of ₹369/share which is ~16% lower than our earlier target of ₹440/share. At our target price, the stock offer upside potential of ~5%; we recommend to "Hold" the stock at every dip.

Descriptions (₹ mn)	Q3FY'12E	Q3FY'11	VAR (%)	Q2FY'12	VAR (%)
Net Sales & OOI	163932.29	126918.9	29.16%	131480.8	24.68%
Total Expenditure	121242.19	93159.16	30.15%	106707.8	13.62%
PBIDT (Excl OI)	42690.108	33759.75	26.45%	24773	72.33%
Other Income	18315.359	12875.82	42.25%	17941.9	2.08%
Operating Profit	61005.467	46635.56	30.81%	42714.9	42.82%
Interest	82.603485	285.1	-71.03%	82.9	-0.36%
PBDT	60812.103	46192.38	31.65%	42723.8	42.34%
Depreciation	7148.8658	4136	72.84%	5733.7	24.68%
PBT	53663.237	42056.38	27.60%	36990.1	45.07%
Tax	18396.388	15795.6	16.47%	11132.3	65.25%
Profit After Tax	35266.849	26260.79	34.29%	25857.8	36.39%

**Financial Highlight (₹ Mln)**

Income Statement	FY11	FY12E	FY13E	FY14E
<b>Net Sales</b>	495488	620679	658623	700056
Total Expenditure	388940	471803	512740	533303
Operating Profit (Excl OI)	106548	148876	145883	166754
Other Income	47962	67075	72071	76604
Operating Profit	154510	215951	217954	243358
Interest	1220	969	1114	599
Depreciation	16728	20893	17243	22674
Profit Before Tax	136562	194088	199597	220085
Provision for Tax	55958	68082	71977	79365
Profit After Tax	80604	126006	127620	140720

Ratios	FY11	FY12E	FY13E	FY14E
<b>Per Share</b>				
Earnings Per Share (Rs)	12.8	19.9	20.2	22.3
CEPS(Rs)	15.4	23.3	22.9	25.9
Book Value (Rs)	55.3	63.0	70.3	80.7
Dividend Pay Out Ratio	0.6	0.6	0.6	0.5

Margin Ratios	FY11	FY12E	FY13E	FY14E
PBIDTM (%)	22%	24%	22%	24%
OPM%	31%	35%	33%	35%
EBITM (%)	31%	35%	33%	35%
Pre Tax Margin(%)	28%	31%	30%	31%
PATM (%)	16%	20%	19%	20%

Performance Ratios	FY11	FY12E	FY13E	FY14E
ROA (%)	10%	13%	13%	12%
ROE (%)	23%	32%	29%	28%
ROI (%)	38%	47%	44%	42%
Sales/Fixed Asset(x)	111	110	135	115
Working Capital/Sales(x)	0.91	0.82	0.74	0.80

Growth Ratio	FY11	FY12E	FY13E	FY14E
Net Sales Growth (%)	-8%	25%	6%	6%
Core EBITDA Growth (%)	2%	40%	-2%	14%
PAT Growth (%)	-16%	56%	1%	10%
EPS Growth (%)	-16%	56%	1%	10%

Financial Stability Ratios	FY11	FY12E	FY13E	FY14E
Total Debt/Equity(x)	0.05	0.05	0.04	0.03
Current Ratio(x)	1.84	1.37	0.00	0.00
Interest Cover(x)	112.94	201.26	180.18	368.49

Balance Sheet	FY11	FY12E	FY13E	FY13E
<b>Liabilities</b>				
Share Capital and Warrants	63164	63164	63164	63164
Shareholder's Funds	349386	398192	443842	509741
Total Debts	15536	16259	15325	14653
Total Liabilities	365247	414685	459488	524746
<b>Assets</b>				
Gross Block	367211	485193	492974	511091
Less: Accumulates Dep.	234313	261763	279741	301238
Less: Impairment of Assets	4469	5624	4889	6065
Net Block	128429	217805	208344	203788
Investments	10637	20451	17174	18783
Cash and Bank	458623	485528	535424	641051
Total Current Assets	643960	709712	759002	891836
Total Current Liabilities	448725	568827	558978	629712
Net Current Assets	195235	140885	200024	262124
Deferred Tax Assets / Liabilities	8732	11750	11941	12761

Cash Flow Statement	FY11	FY12E	FY13E	FY14E
<b>Cash Flow from Operating Activities</b>				
EBDIT	154510	215951	217954	243358
Changes in CA (Ex. Cash)	-32871	-38847	606	-27207
Changes in CL	33168	120101	-9848	70734
Changes In WC	297	81255	-9242	43527
Cash fro Operation	154807	297206	208711	286886
Direct Taxes Paid	55958	68082	71977	79365
Net Cash From Operation	98849	229123	136735	207520
<b>Cash Flow from Investing Activities</b>				
Capital expenditure	-17832	-119593	-5993	-23403
Investments	2185	-9814	3277	-1609
Net Cash From Investing	-15647	-129408	-2717	-25012
<b>Cash Flow from Financing Activities</b>				
Change in Debt	-4096	723	-933	-673
Interest Paid	-1220	-969	-1114	-599
Dividends Paid	-45252	-77200	-81971	-74821
Others	34262	7712	0	0
DTL & Misc Expenditure	854	-2984	-190	-820
Net Cash From Financing	-15361	-72811	-84122	-76881
Net Increase in Cash	67841	26905	49896	105627
Cash at the End	458623	485528	535424	641051

CMP-₹175.1

National Mineral Development Corporation  
Revised "HOLD"

Target Price-₹184

## Market Data\*

Bloomberg Code	NMDC.IN
Reuters Code	NMDC.BO
Sensex/Nifty	162174.3/4866
Dividend Yield (%)	1.88
52 Week High/Low	304.9/136.2
Equity Capital (₹ mn)	3964
Face Value (₹)	1
Market Cap (₹ mn)	694221
Avg.10 day NSE Vol.	655312

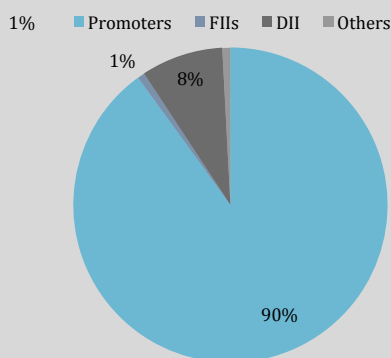
Source: Ace Equity, R K Global Research, \*as on Jan 13<sup>th</sup> 2012"

## Key Market Ratio\*

Latest TTM EPS (₹)	18.62
Book Value (₹)	57.92
TTM PE (x)	9.41
TTM PBV (x)	3.02
EV/TTM EBITDA (x)	4.69
EV/TTM Sales (x)	4.27
Market Cap/TTM sales (x)	5.67

Source: Ace Equity, R K Global Research, \*as on Jan 13<sup>th</sup> 2012"

## Share-Holding Pattern (%)\*

Source: Ace Equity, R K Global Research \*as on 31<sup>st</sup> Dec 2011"

## Price vs Sensex



**National Mineral Development Corporation of India Ltd. (NMDC) expected to register revenue growth of 31.8% on consistent voluminous growth. EBITDA expected to grow by 30.1% along with the EBITDAM and PATM of 77% and 58% respectively.**

**Revenue expected to grow by 31% on premium pricing:** We expect company's revenue to register 31.8% growth to ₹34568mn in Q3FY'12 compared to ₹26212mn in Q3FY'11. This is expected to be mainly driven by the premium pricing of the iron ore sold on e-auction in the market. Further, we expect that the production of the company will also to grow as the company stood at the advantageous position to continue to produce and sold in the market.

**EBITDA to grow by ~30.1%; although expenditure to reduce marginally:** EBITDA is expected to grow by ~30.1% to ₹26652mn in Q3FY'12 compared to ₹20159mn in Q3FY'11. The company during the quarter sold their produce in e-auction which can be an added advantage for the company. Total expenditure as a percentage of sales are expected to remain flat at ₹7916mn. Hence, premium pricing along with flat cost pressure will enhance the margin of the company.

**EBITDAM and PATM to remains higher at 77% and 58% respectively:** The Company has maintained very high margins due to their operational excellence. We expect that it is likely to register EBITDAM of 77% in Q3FY'12 compared to 76.9% in Q3FY'11. PATM is also expected to grow marginally by 0.6% to ~58% during Q3'FY12 compared to 57.9% of corresponding quarter of previous year.

## Valuation

At CMP ₹175 the stock is trading at EV/EBITDAx of ~4.1x of its FY13E, EBITDA of ₹115518mn. We believe company will trade at a premium compared to its peer considering the advantage of continued operation in Karnataka and trivial impact of uncertain environment due to allowance of mining by company from the Government. We have revised our valuation by cutting down our EV/EBITDA to 3.9x from our earlier 6.5x multiple due to uncertainty on the global market which could be woes for the iron ore prices. At our revised valuation, our target price is ₹181 per share which is 30% lower than our earlier estimate of ₹260 per share. We recommend "Hold" rating on the stock at a target price of ₹184, an upside potential of ~5%, using EV/EBITDA of 3.9x.

Particulars(₹ Mn)	Q3FY'12E	Q3FY'11E	Var (%)	Q2FY'12	Var (%)
Net Sales	34568	26212	31.88%	30623.2	12.88%
Total Expenditure	7916.346	6053.3	30.78%	6269.7	26.26%
PBIDT	26652	20159	32.21%	24353.5	9.44%
Other Income	3428.722	2947.2	16.34%	5029.4	-31.83%
Operating Profit	30081	23106	30.19%	29382.9	2.38%
Interest	0	0	0.00%	0	0.00%
PBDT	30081	23106	30.19%	29382.9	2.38%
Depreciation	374.0555	293.9	27.27%	323.8	15.52%
PBT	29707	22812	30.22%	29059.1	2.23%
Tax	9567.56	7631.9	25.36%	9427.6	1.48%
PAT	20139	15180	32.67%	19631.5	2.59%

**Financial Highlight (₹ Mln)**

Income Statement	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	62391	113689	128231	133081
Total Expenditure	18203	27260	30430	32676
Operating Profit (Excl OI)	44188	86430	97801	100405
Other Income	8617	12057	16697	15114
Operating Profit	52805	98487	114498	115519
Interest	0	0	0	0
PBDT	52805	98487	114498	115519
Depreciation	732	1215	1496	1458
Profit Before Tax	52073	97272	113002	114061
Provision for Tax	17601	32280	38270	38600
Profit After Tax	34473	64992	74732	75461

Ratios	FY10	FY11	FY12E	FY13E
<b>Per Share</b>				
Earnings Per Share (Rs)	8.69	16.39	18.85	19.03
CEPS(Rs)	8.88	16.70	19.23	19.40
Book Value (Rs)	36.00	48.46	62.91	77.48
Dividend Pay Out Ratio	0.24	0.23	0.23	0.23

Margin Ratios	FY10	FY11	FY12E	FY13E
PBIDTM (%)	71%	76%	76%	75%
OPM%	85%	87%	89%	87%
EBITM (%)	85%	87%	89%	87%
Pre Tax Margin(%)	83%	86%	88%	86%
PATM (%)	55%	57%	58%	57%

Performance Ratios	FY10	FY11	FY12E	FY13E
ROA (%)	16%	23%	21%	18%
ROE (%)	25%	35%	30%	25%
ROCE (%)	72%	95%	79%	59%
Sales/Fixed Asset(x)	4.63	6.40	5.81	6.06
Working Capital/Sales(x)	2.07	1.53	1.77	2.14

Growth Ratio	FY10	FY11	FY12E	FY13E
Net Sales Growth (%)	-18%	82%	13%	4%
Core EBITDA Growth (%)	-24%	96%	13%	3%
EBIT Growth (%)	-25%	96%	13%	3%
PAT Growth (%)	-21%	89%	15%	1%
<b>EPS Growth (%)</b>	-21%	89%	15%	1%

Financial Stability Ratios	FY10	FY11	FY12E	FY13E
Total Debt/Equity(x)	0.00	0.00	0.00	0.00
Current Ratio(x)	3.07	2.83	2.93	3.15
Interest Cover(x)	0.00	0.00	0.00	0.00

Balance Sheet	FY10	FY11	FY12E	FY13E
<b>Liabilities</b>				
Share Capital and Warrants	3965	3965	3965	3965
Shareholder's Funds	142724	192145	249413	307184
Total Debts	0	0	0	0
<b>Total Liabilities</b>	<b>142724</b>	<b>192145</b>	<b>249413</b>	<b>307184</b>
<b>Assets</b>				
Gross Block	17711	22728	30562	31367
Less: Accumulates Dep.	9840	11736	13232	14690
Net Block	7872	10993	17330	16677
Capital Work in Progress	5613	6772	4724	5275
Investments	761	1357	1544	1605
Cash and Bank	128549	172281	219225	278636
Total Current Assets	199563	264164	332531	400255
Less: Current Liabilities	70403	90255	105714	115347
Net Current Assets	129160	173908	226817	284908
DTA/L	-849	-1029	-1002	-1280
<b>Total Assets</b>	<b>142724</b>	<b>192145</b>	<b>249413</b>	<b>307184</b>

Cash Flow Statement	FY10	FY11	FY12E	FY13E
<b>Cash Flow from Operating Activities</b>				
EBDIT	52805	98487	114498	115519
Changes in CA (Ex. Cash)	-11043	-20870	-21423	-8312
Changes in CL	19099	19852	15459	9633
Changes In WC	8056	-1018	-5964	1320
Cash from Operation	60861	97469	108534	116839
Direct Taxes Paid	17601	32280	38270	38600
Net Cash From Operation	43260	65190	70264	78239
<b>Cash Flow from Investing Activities</b>				
Capital Expenditure (CAPEX)	-4150	-6176	-5786	-1356
Investments	-46	-595	-188	-61
Net Cash From Investing	-4196	-6771	-5973	-1417
<b>Cash Flow from Financing Activities</b>				
Change in Debt	0	0	0	0
Change in Equity	0	0	0	0
Interest Paid	0	0	0	0
Dividends Paid	-8117	-15208	-17464	-17689
Others	-117	318	0	0
DTL & Misc Expenditures	323	203	118	278
Net Cash From Financing	-7912	-14688	-17346	-17411
Net Increase in Cash	31153	43731	46945	59411

CMP-₹186

**Sesa Goa Industries Ltd.**  
Revised "Buy"

Target Price-₹218

### Market Data\*

Bloomberg Code	SESA IN
Reuters Code	SESA BO
Sensex/Nifty	162174.3/4866
Dividend Yield (%)	1.88
52 Week High/Low	343.7/148.7
Equity Capital(₹ mn)	869.1
Face Value (₹)	1
Market Cap (₹ mn)	162174
Avg.10 day NSE Vol.	2855382

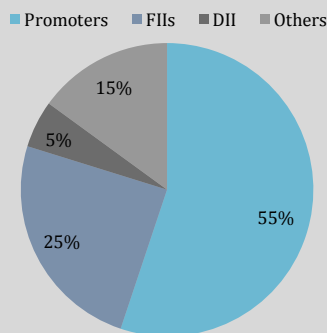
Source: Ace Equity, R K Global Research, \*as on Jan 13<sup>th</sup> 2012"

### Key Market Ratio\*

Latest TTM EPS (₹)	38.76
Book Value (₹)	156.85
TTM PE (x)	4.81
TTM PBV (x)	1.19
EV/TTM EBITDA (x)	3.25
EV/TTM Sales (x)	1.87
Market Cap/TTM sales (x)	1.86

Source: Ace Equity, R K Global Research, as on Jan 1 3<sup>th</sup> 2012"

### Share-Holding Pattern (%)\*



Source: Ace Equity, R K Global Research \*as on 31<sup>st</sup> Dec 2011"

### Price vs Sensex



**Topline expected to reel due to the mining ban in Karnataka which account for nearly 18% towards the revenue of the company. Government has further hike the export duty on iron ore to 30% likely to impact the revenue of the company going forward.**

We expect that the company revenue is likely to be slaughtered by 13.4% to ₹19481mn in Q3'FY12 compared to ₹22500mn in Q3FY'11 on the back of continued ban in Karnataka which contribute approximately 17% towards total revenue of the company. On the other hand, we expect that the company will suffer from extensive cost pressure which will be added pressure on the operating profit of the company. EBITDA (excl OI) is likely to decline by 33% to ₹8244mn in Q3FY'12 compared to ₹12305mn in Q3FY'11. Other income too is expected to fall by 29.6% to ₹908mn which will further put pressure on the adjusted EBITDA to decline by 32.6% to ₹9152mn in Q3FY'12. Further, we expect that the company's interest cost burden will rise to ₹198mn during the quarter. With the incessant cost pressure we expect that the PBDT and PAT will too will fall by 33% to ₹8954mn and ₹8762mn in Q3FY'12. NPAT is also expected to fall drastically by 38.5% to ₹6565mn in Q3FY'12 compared to ₹10682mn in Q3FY'11.

**Low revenue, high cost expected to swallow down the margins of the company:** With revenue lowering down and high cost to remain, we expect that the margins of the company will take a big hit. We expect that total expenditure as a percentage of sales is likely to grow by 27% during the quarter to 11237mn in Q3FY'12 compared to 10195mn in Q3FY'11. Hence; EBITDAM and PBDTM is likely to decline by 22%-23% during the quarter to 42.3% and 45.9% respectively compared to 54% and 59% of the corresponding quarter of previous year. PBTM and PATM too is expected to fell by 23%-29% to 44.9% and 48.4% compared to 59% and 47.4% respectively of Q3FY'11.

### Outlook & Valuation

At CMP of ₹186 the stock is trading at EV/EBITDA of 2x FY2013E EBITDA of ₹47591mn. We value the company based on Sum of parts-valuing a) its core operations on a FY12EV/EBITDA multiple of 2.69x at ₹124 and b) Cairn Investment based on market cap (discounted at 20%) at ₹94. At our target price of ₹218/share, the stock offers a potential upside of around ~ 17% from the current level; we recommend 'Buy' rating on the stock with an SOTP based target.

Descriptions (₹ mn)	Q3FY'12E	Q3FY'11	VAR (%)	Q2FY'12	VAR (%)
Net Sales & OOI	19481.30	22500.6	-13.42%	7897.4	146.68%
Total Expenditure	11237.09	10195.1	10.22%	7638.3	47.12%
PBIDT (Excl OI)	8244.21	12305.5	-33.00%	259.1	3081.87%
Other Income	908.44	1291.4	-29.65%	503.8	80.32%
Operating Profit	9152.65	13596.9	-32.69%	762.9	1099.72%
Interest	198.02	133.9	47.89%	516.1	-61.63%
PBDT	8954.63	13463	-33.49%	246.8	3528.29%
Depreciation	191.78	207.6	-7.62%	243.1	-21.11%
PBT	8762.85	13255.4	-33.89%	3.7	236733.76%
Tax	2197.60	2572.5	-14.57%	-9.1	-24249.40%
Profit After Tax	6565.25	10682.9	-38.54%	12.8	51191.04%

**Financial Highlight (₹ Mn)**

Income Statement	FY10	FY11	FY12E	FY13E	Balance Sheet	FY10	FY11	FY12E	FY13E
Net Sales	66501	101337	79779	91586	<b>Liabilities</b>				
Employee Cost	1641	2022	2266	2293	Share Capital	831	869	869	869
COGS	4969	9403	10905	10248	Shareholder's Funds	78346	127235	147822	177388
Other Manuf. expenses	16309	19239	14228	16418	Total Debts	99216	138099	158387	183837
Misc. expenses	219	182	-18	29	<b>Assets</b>				
Total Expenditure	35565	49693	48609	49385	Gross Block	27510	30648	27020	31348
Operating Profit	35746	57462	35392	47591	(-)Accumulated Depreciation	5741	6492	7720	8991
Interest	555	901	1253	543	Net Block	21770	24156	19300	22357
PBDT	35191	56561	34139	47048	Capital Work in Progress	787	7287	5758	7067
Depreciation	745	964	1228	1272	Investments	45649	87998	134998	108908
PBT	34446	55597	32911	45776	Cash and Bank	23918	8970	9186	51520
Provision for Tax	8056	13372	8834	12273	Total Current Assets	67123	74722	42685	91962
Profit After Tax	26390	42225	24077	33504	Current Liabilities	8302	12946	0	0
<b>Ratios</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12E</b>	<b>FY13E</b>	Total Current Liabilities	35362	55382	43415	45500
<b>Per Share</b>					Net Current Assets	31760	19340	-730	46462
EPS	31.76	48.58	27.70	38.55	DTA&L	-750	-682	-940	-957
CEPS(₹)	32.65	49.69	29.12	40.01	Total Assets	99216	138099	158387	183837
DPS(₹)	3.80	4.07	4.02	4.53	<b>Cash Flow Statement</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12E</b>	<b>FY13E</b>
Book Value/Share	95.28	147.40	171.09	205.11	<b>Cash Flow from Operating Activities</b>				
<b>Margin Ratios</b>					Operating Profit	35746	57462	35392	47591
PBIDTM (%)	54%	57%	44%	52%	Change in C. Asset (excl Cash)	-11194	-22547	32252	-6943
EBITM (%)	53%	56%	43%	51%	Changes in Current Liabilities	14167	20019	-11967	2085
Pre Tax Margin(%)	52%	55%	41%	50%	Changes In WC	2973	-2528	20285	-4858
PATM (%)	39%	41%	30%	38%	Cash Generated From Operations	38719	54934	55677	42733
<b>Performance Ratios</b>					<b>Cash Flow from Investing Activities</b>				
ROA (%)	27%	31%	15%	18%	Capital Expenditure (CAPEX)	-18945	-9637	5157	-5637
ROE (%)	33%	33%	16%	19%	Investments	-14397	-42350	-47000	26090
ROCE (%)	55%	68%	30%	33%	Net Cash from Investment	-33342	-51987	-41843	20453
Sales/Fixed Asset(x)	297%	324%	319%	301%	<b>Cash Flow from Financing Activities</b>				
<b>Growth Ratio (%)</b>					Change in Debt	19587	-9611	-299	-4116
Net Sales Growth	26%	52%	-21%	15%	Change in Equity	44	38	0	0
EBITDA Growth	23%	67%	-40%	35%	Interest Paid	-555	-901	-1253	-543
EBIT Growth	29%	61%	-40%	36%	Dividends Paid	-3160	-3535	-3491	-3937
PAT Growth	32%	60%	-43%	39%	Minority Interest BS	99	-433	0	0
EPS Growth	25%	53%	-43%	39%	Minority interest paid	-99	0	0	0
<b>Financial Stability Ratios</b>					Others	10418	9987	0	0
Total Debt/Equity(x)	0.24	0.08	0.07	0.03	DTL & Misc Expenditure Changes	86	-68	258	17
Current Ratio(x)	1.90	1.35	0.98	2.02	Net cash from financing	26419	-4524	-4785	-8579
					Cash balance as per balance sheet	23918	8970	9186	51520

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**Rating Criteria**

**BUY** Stock to generate return above 15% from CMP over the next 12 months period  
**HOLD** Stock to generate return between 0-15% from CMP over the next 12 months period  
**SELL** Stock to generate less than 0% from CMP over the next 12 months period

**Coverage Terminology**

IC = Initiating Coverage  
 RU = Result Update  
 EU = Event Update  
 NC = Not Covered

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