Motilal Oswal

WEEK IN A NUTSHELL

WIN-dow to the week that was

Week ended 23rd March 2012

Week In a Nutshell (WIN)

The first week of trading post the Monetary Policy & Union Budget ended with markets trading in a narrow range. Markets watched with concern the continued coercion of Congress by its coalition partners- snap change in the Railway Minister, roll-back in passenger fare hikes. Allies are now influencing India's foreign policy as well- Is anyone surprised!!! **We have one more storm brewing- Media carried a leaked CAG report attributing $210b loss to the exchequer on privileged/arbitrary Coal Block allocations** during 2004-2009 that benefited certain companies. We shall follow the progress closely.

RBI has hit the Gold Financiers fair and square with new guidelines- LTV cap of 60% will impact business growth and margins. Read our detailed note attached

LIC Housing Finance raised INR8.1b via preferential allotment to parent LIC (6.3% equity dilution). We expect spreads to improve to ~2% (calculated) in FY13 from low of ~1.3% in 3QFY12, leading to 4%+ upgrade in FY13 NII Ests.

Tech Mahindra-Mahindra Satyam merger- Marks the closure of one of the darkest sagas in Indian Corporate history (Satyam scam). The 2:17 swap merger will create an entity with USD2.47b revenue (FY12), 75,000+ strong workforce and 350+ active clients, across 54 countries. We estimate PAT of INR14.8b in FY12E and INR14b in FY13E. On a diluted share base of 211m, implies an EPS est of INR70/66 in FY12/13

ITC- More State Govts have hiked VAT on cigarettes. Now 5 of 13 states (accounting for ~23% of ITC's cigarette sales) have raised VAT till now- effective hike of 76bp. ITC would require a 7.7% price increase to pass on impact of additional levies and 12.7% hike to achieve 15% cigarette EBIT growth, assuming 3% volume growth.

Tata Motors in the news

First was the demand/discount scare in key Chinese markets, followed by the announcement of JV with Chery Auto China (~GBP 350m for a 50% stake). JLR now guides for higher investments in FY13 vs GBP 1.5b in FY12.

Some of the highlights of this edition:

- **IDEA CELLULAR:** Traffic growth momentum to sustain
- **INDUSIND BANK:** Core operations remain strong; upgrading est 5% for FY13; BUY

WWW – WIN Weekend Wisdom

Man's most powerful discovery

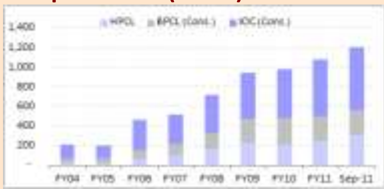
'Compound Interest'

Key WIN-dicators

INDIA: The poverty ratio as well as no. of poor fell but still remain very high

ITC: Margin expansion across segments except Hotels

Increasing OMC debt due to delayed/inadequate govt. compensation (INR b)



WoW - Nifty Change (-0.6%)

[W]INside this week's edition

WIN-teresting data points

Global Indices	Last week	Current week	WoW change (%)	P/E Valuations
Sensex	17466	17196	-1.54	15.70
Nikkei	10130	10127	-0.03	26.21
Hang Seng	21318	20902	-1.95	9.74
Dow Jones	13233	13046	-1.41	13.43
FTSE 100	5966	5846	-2.01	11.03
Sectoral Indices				
Bank Nifty	10391	10174	-2.10	13.70
CNX IT	6501	6437	-0.99	19.29
BSE Oil	8241	8012	-3	10.68

Bond yields-India	Last Friday	This week	WoW change (%)	Spread Vs US 10 yrs
1 Year	8.20	8.15	-0.65	7.97
10 Year	8.42	8.39	-0.40	6.11

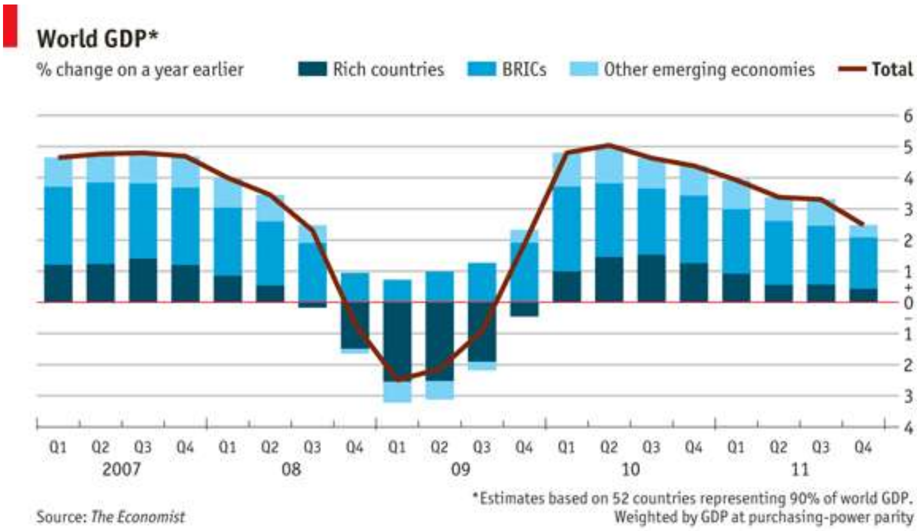
Inflows	MTD	YTD (Calender)
FII (Rs B)	84.66	447.73
DII (Rs B)	-32.64	218.54

Commodities	Last week	This week	WoW change (%)
Oil(US$/Bbl)	126.4	123.78	-2.07
Precious Metals			
Gold ($/OZ)	1660	1646	-0.85
Silver ($/OZ)	33	32	-2.91
Metals			
Copper(US$/MT)	8531	8325	-2.42
Zinc(US$/MT)	2070	1985	-4.11
Alluminium(US$/MT)	2219	2129	-4.08
Steel HRC(Rs/T)	39438	38531	2.4
Currency			
Rs Vs Dollar	50.19	51.22	-2.04
Euro Vs Dollar	1.32	1.32	0.20

BSE 500 – Key Movers			
Top Gainers		**Top Losers**	
Company Name	**% Change**	**Company Name**	**% Change**
Tech Mahindra	21.6%	Manappuram	19.3%
Century Textiles	15.5%	Kingfisher Airlines	13.5%
Zydus Wellness	14.4%	Muthoot	11.8%
TTK Prestige	13.8%	KSK Energy	11.4%
Bata	13.1%	Shree Renuka	10.0%
IVRCL	10.1%	Voltas	9.8%
FAG Bearings	9.5%	SKS Finance	8.8%

WIN-ning charts & chats

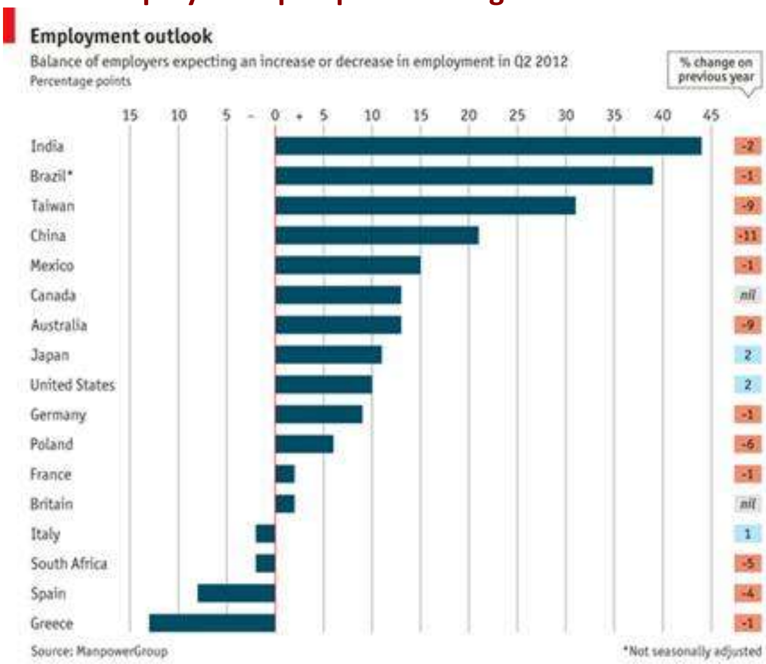
World GDP



- Year-on-year growth fell by just under one percentage point to 2.5%.
- Developed countries' average growth slumped to less than half a percent despite a small uptick in the3Q.
- The BRIC economies saw declining growth for a seventh successive quarter.
- In Europe heavy austerity measures have stifled growth; the economies of the Netherlands, Greece and Italy all contracted in the fourth quarter.

Source: The Economist

Where employment prospects are highest and lowest



MORE employers expect to hire than fire over the next three months

- The net employment outlook—the balance of employers expecting an increase in the size of their workforce over those expecting a decrease—is positive in 32 of the economies surveyed.
- Hiring optimism has strengthened or stayed the same in most labour markets.
- 6 out of 10 Indian employers in the service sector plan to expand their workforces before the end of June. In China, under pressure to improve salaries and working conditions, companies are not hiring as aggressively as they have in the past.

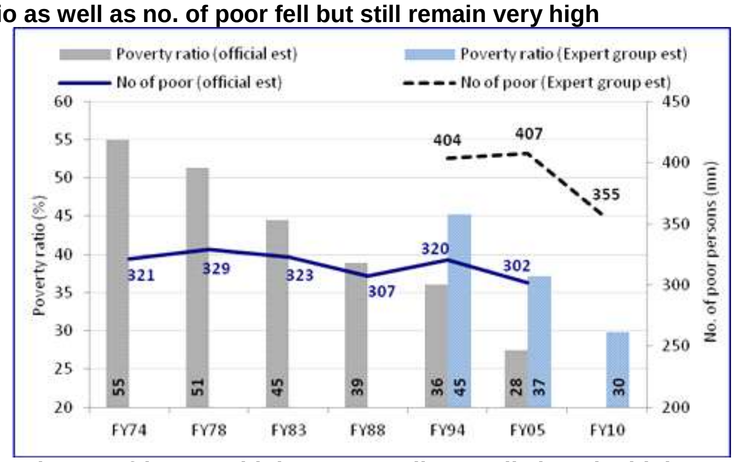
Source: The Economist & Manpower's Global Employment Outlook.

WIN-conomics

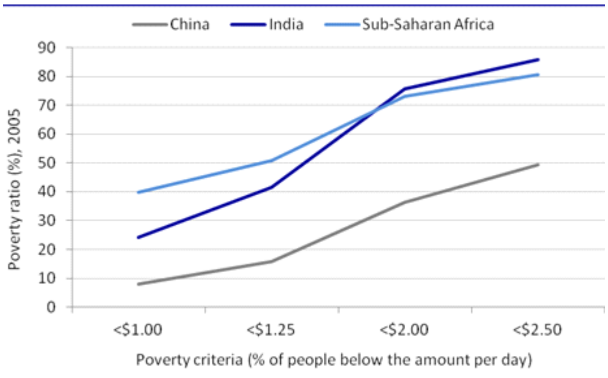
INDIA ECONOMICS: Poverty declines 7pp to 30%; Interesting growth-poverty paradoxes

- overty estimates, revealed decline in poverty (head count ratio, HCR) to 30% in FY10 from 37% in FY05. Moreover, it placed the number of poor at 366m, a decline of 52m people during this period.
- UN report estimates the poverty ratio to go down further to 22% by 2015.
- Significantly, the rural poverty ratio declined at a much sharper rate than the urban fall because of high base and plausibly spreading of various rural schemes including NREGA.
- India's poverty estimate varies between 16% to 77% depending upon the methodology adopted. Also the poverty ratio has been found to rise rapidly with application of stricter criteria in cross-country analysis placing India's poverty ratio higher than sub-Saharan Africa if higher poverty line is applied.
- State-level data revealed the irrelevance of growth for poverty reduction. While ten states achieved double-digit growth during this period, growth per se did not help poverty reduction.
- Many celebrated growth cases, viz, Bihar, Gujarat, Chhattisgarh and Delhi underperformed in poverty reduction, while relatively unsung heroes emerged including Tripura, Maharashtra, Orissa and Uttarakhand.

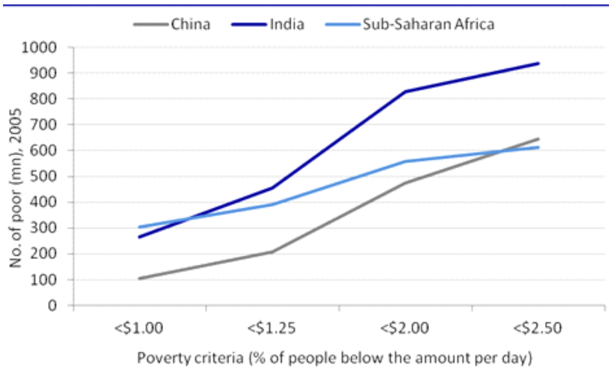
The poverty ratio as well as no. of poor fell but still remain very high



India's would overtake Sub-Saharan Africa on a higher poverty line

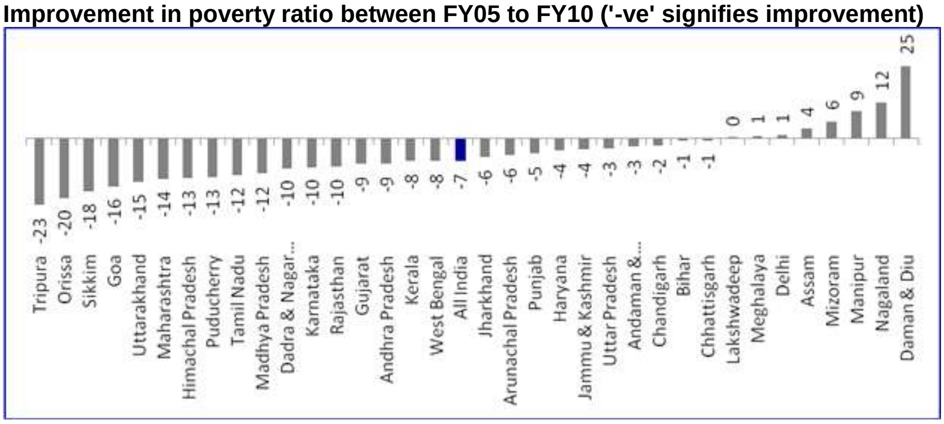


India has the highest no. of poor people in the world



Source: World Bank 2008 (Chen & Ravallion)

Improvement in poverty ratio between FY05 to FY10 ('-ve' signifies improvement)



UNION BUDGET 2012: A tough balancing act

Stretch assumptions, stiff measures and stuck markets

- At first glance, Budget 2012 has delivered on the low expectations: 7.6% real GDP growth with less than 6% inflation, fiscal deficit of 5.1% of GDP, inclusive growth, etc
- These headline numbers, however, build in stretch assumptions which imply taking stiff policy measures such as lower fuel and fertilizer subsidy.
- Foreign investors will likely be jolted by a proposed retrospective change in tax laws.
- There are also a few positives as well such as marginal relief in personal taxes and incentives for investment in some key sectors like fertilizers, power and roads.
- Overall, the Budget does not strengthen market's conviction of a meaningful rate cut cycle on the back of easing inflation. With valuations at LPA of 14x one-year forward P/E, expect markets to remain range-bound for the next few months.
- **Some unexpected big blows**

The budget has major negative implications for a few large cap stocks, mainly in O&G and Healthcare

- **Oil & Gas:** The Budget raised cess on crude oil production from INR2,500/MT to INR4,500/MT, leading to an 8-11% downgrade in earnings estimates and fair value for ONGC and Cairn India.
- **Healthcare:** The Budget extended MAT (minimum alternate tax) to non-corporate entities as well such as partnership firms. Sun Pharma and Cadila were operating partnership firms in tax exempt zones for their domestic business. They now become liable to MAT, which can effectively cut their earnings by 13-15%.

The tightrope act between stretch assumptions and stiff measures

Stretch assumptions	Stiff measures taken / required to be taken
Controlling total subsidy bill at 2% of GDP	■ Meaningful increase in fuel and fertilizer prices ■ Acceleration in UIDAI roll-out to enable targeted subsidy via direct cash transfers to beneficiaries
20% increase in FY13 tax revenue	■ 2% across-the-board hike in excise duty and service tax ■ Widening of service tax net
Jump in non-tax revenue and non-debt capital receipts	■ Completion of telecom spectrum auction to raise INR400b (zero in FY12) ■ Successful PSU disinvestment to raise INR300b (INR155b in FY12)
FY13 average inflation of <6%	■ Preventing higher user charges and higher indirect taxes from stoking inflation
FY13 real GDP growth of 7.6%	■ Ensuring fiscal discipline to ensure no major dis-saving by government, which would hurt investment rate, and hence growth

WIN-sights from management interaction

Association of Power Producers - Ashok Kumar Khurana, Director General

- Capacity constraints are there because there is no demand. The moment we create demand, the capacity will chase. Once we go for gas pooling concept, which is good for the entire sector, that capacity will chase demand immediately. It may not come up quickly, but in the next 7-8 months this capacity can come up like Dabhol will be ready in next month
- We have the arbitrage of pricing which is domestic gas pricing around Rs 4.5-5 and even if you have to import USD 18-19 per mmbtu the price is affordable by the power sector for simple reason that today in Andhra Pradesh, Tamil Nadu you have 15-18 days power cut to industries and commercial establishments.
- This idea has been accepted by Ministry of Petroleum and Natural Gas (MoPNG)
- If you compare power of gas and coal, the gas capital cost is less
- BK Chaturvedi committee in the Planning Commission- is having meeting with different states and doing the financial research. While they are looking at the increase in variable cost, whether it is coal or gas, we need to move to a different paradigm in power sector.

BAJAJ AUTO - Rajiv Bajaj, MD & CEO

- Honda owns quality, Hero owns is mileage and the one word Bajaj owns is power, thanks to the Pulsar. If it's Yamaha, that word is style. The one word that TVS owns is cheap
- Hero will remain no. 1 in India - If mileage continues to remain so important- unless someone is able to make a technology breakthrough
- I believe that one day everybody will buy powerful bikes; it may take five years or 15 years, but you have to direct the whole organization in that direction. Strategy is nothing but specialization
- At the bottom, we have the Boxer, a workhorse brand primarily for Africa, and the Platina, for slightly more evolved markets. In the mid-tier, we have Pulsar and Discover. The fun bike is Pulsar, while the fun bike that you can also ride to work is the Discover. At the top tier, we have KTM, of which we will be buying some more shares to up our stake from 40% currently (to close to 49%)
- I would not be surprised if KTM hit 200,000 numbers in the near future as it is now entering Malaysia and other emerging markets. The 125-400cc range is where there could be great synergy with Bajaj. By 2015 we expect to produce 50% of KTM bikes. In fact, out of the 120,000-odd to be sold by KTM this year
- One must draw a line between growth and greed. If I want to be greedy, I can introduce a 100cc Pulsar. It will grow for 6-12 months. But over a period of three years, it will diffuse the brand
- Global player: We should go up to 20-25% mkt share globally from 10% now. In exports, there is a lot of headroom to grow. In the past five years, we have grown six times; today, exports comprise 35% of total sales. A day should come when 20% of our sales are in India and 80% outside.

BERGER PAINTS - Abhijit Roy, Director and Chief Operating Officer

- Titanium Dioxide forms - around 20% of the raw material cost. This cut in duty would have otherwise to about point 7.8%, but unfortunately, the prices of Titanium Dioxide has been going up in the market. For the last one and half months, there has been appreciation of about 5-6%. Hence this will not result in any great benefit as far as paint companies are concerned
- Globally there is a shortage as aluminate ore, one of the raw materials used for making Titanium Dioxide, has become scarce and therefore the prices have been going up in the recent past.
- Demand, so far, has been reasonably good compared to the increase in prices to the extent of about 28-30%. The company's value growth is around 28% as of December. But prices will be raised, effective April 1, because of the increase in excise.

BPCL - RK Singh, chairman and managing director

- As the price of sensitive products like diesel, kerosene, LPG is concerned, the government will have to take a call. We will certainly increase the price of petrol. But being a government company, we have to consult with different agencies in the government

- The under-recovery has gone up to more than Rs 6 and the international price of petrol has gone up to about a USD 135 a barrel. The situation is very bad. Current prices are very high. The government is well within its right to intervene in an abnormal situation. Therefore, we will have to see all these conditions. We will have to see the rate of inflation, public opinion and public reaction.
- When I say government, it is basically the petroleum ministry with whom we do the consultation.
- Petrol prices are outside the subsidy scheme. If the subsidy of Rs 43,000 crore provided for in the Budget has to be maintained, the government has no option but to raise the prices
- Under-recovery on diesel stands at Rs 14, while that on kerosene is Rs 30 and around Rs 400 on per LPG cylinder which is not sustainable. Unless the price is increased by Rs 4-5-6, I don't think it will be possible for the government to maintain the subsidy level at Rs 43,000 crore
- Large population of LPG users today who do not deserve to be given subsidy. I don't know why the media is not creating this kind of opinion.
- I think the government is in too much of a corner to even attempt. Need I say more after the circus that we saw with respect to what happened to the Railway Minster
- I do not feel that the Budget was either realistic, pragmatic or even credible which most people have been saying about this Budget. I think it is pure hogwash. The food subsidy number, the oil subsidy number, the fertiliser subsidy number defy logic.

Civil Aviation Minister Ajit Singh

- Our concern is that Kingfisher maintain's the schedule and passenger safety is not jeopardized. We are not going to go into their financial problems whether they are getting loans or not getting loans, etc.
- I will tell you what is happening with Kingfisher. They are not maintaining their schedules as per the DGCA. They are not playing their staff including their pilots. They are not able to pay for the petrol. They are not able to service tax, income tax. They are not able to pay airports
- From 400 flights now they are down to 100 flights. According to the rules, if they maintain plans and equity, their license will not be cancelled
- If DGCA gives report that safety cannot be assured looking at the kind of problems they have then certainly we will take actions.
- This is final chance the kingfisher has to adhere to their plan to save themselves, it just cannot continue like this

COAL INDIA - Zohra Chatterji, Chairperson and Managing Director

- Exemption of 5% on import of equipment is certainly a welcome step. Customs duty on thermal coal has also being exempted
- This will certainly relieve the pressure on indigenous coal and Coal India because it is primarily the disparity in price between indigenous coal and imported coal
- We've crossed 400 million tonne already and we've attained a positive growth of 0.6%, so we have come out of the negative growth up to now. In February the growth rate is 17% compared to 6.3% in January, so the production has definitely picked up
- Rake availability has substantially improved, I must say. In February our average is 193, that's a growth of 15% over last year. We've also had the highest number ever, that is 210 rakes in one day.
- Higher freight rates for steel plants it's working out to about Rs 78 per tonne, that's about an increase of 20%, and for thermal plant its Rs 41, that's about 24%. contribution of freight to the coal price, which used to be 40-47% of the price, would now go up to 45 to 52%
- We are gearing up to sign the FSA by March 31.
- We'd said right in January itself that we would review the situation in April and if need be course correction would be made. So it is too early to say yet, we would have to study the data and take a call in April.

GMR INFRASTRUCTURE - A Subba Rao, group chief financial officer

- Budget cannot address all the issues of power sector or the airport sector. But Budget has delivered what it can do.

- By the time the project money goes to the top holding company most of the cash flow is stripped off by way of dividend distribution tax. Now that has been plugged in and only one company in the entire chain faces the dividend distribution tax. All that we lose is only 20% of the entire dividend payment by way of taxes that is fair enough.
- Certain issues in the power sector which has to addressed, thus waived off the import duty on the coal and the gas.
- As of now we don't have any coal imports because we don't have any commissioned projects in the coal segment. However, in the next six months we are commissioning significant capacity. So if the domestic coal is not available to that extent then we have to import the coal. To extent of the import that we are going to make it would reduce the cost by about 10%.

IDFC - Dr. Rajiv Lall, CEO & MD

- There are two important revelations in the budget or announcements in the budget with respect to infrastructure. The first is the definition of infrastructure which has been widened and includes telecom towers as part of it. The second is the allocation, increased allocation of VGF against that wider definition of infrastructure sectors.
- Extent that the withholding tax has come down, that makes such paper much more interesting for foreign investors and therefore it will make IDFC's task of actually raising money from overseas for infrastructure debt financing easier. That is an important development.
- infrastructure sector, what the budget has to say was on balance was really quite encouraging. They have revalidated and reiterated focus on improving, as you just mentioned, the National Highway Development Programmes roll out in the PPP format. It is very positive for IDFC.
- And finally they have reduced import duty on certain types of equipment. So for power equipment, for example, the import duty has been brought down. That again is constructive and helpful from IDFC's perspective.
- Outlook on credit growth margins - I would expect that it should all be better than last year and last year was a very tough year for us.

JET AIRWAYS - M Shivkumar, senior vice president-finance

- Month of February we have clocked in good amount of loads - 38,493 passengers a day as against the earlier average of 35,000 to 36,000. We have increased our market share
- Across the network the total revenue divided by the number of passengers over the last one and half years in the domestic circuit has hardly increased. Whereas fuel prices are actually doubled in the last one and half years so there is hardly any choice.
- My under recovery has been some Rs 700-800 per passenger. When it goes up based on whatever my current yield is in the domestic circuit, I will be able to come back to normalcy. So without that it will be very difficult to sustain in these times
- It's too early to say how much of hike will result in depletion of demand. As of now the demand has been there for us
- There will be two separate entities. One is full service segment and one is LCC segment. LCC segment is referred to as Jet Connect
- ECB is something which we will certainly be looking for because the differential is about 8% as of today and it is a welcome development. Not only it reduces the cost of the borrowing but also we have 40% of our revenue in dollars, so repayment in dollars could be possible out of these earnings.
- We have been growing at 15% in passenger traffic, 15-17% in the current year

MARUTI SUZUKI LTD - RC Bhargava, Chairman

- We have a long waiting list for diesel cars but despite that it is 49 per cent, so what this will do now is that the diesel car sales will continue to go up in the coming year. I don’t see this two per cent excise hike affecting diesel sales at all.On the other hand, petrol car sales have actually been declining the entire year (2011-12) and I think with two per cent increase in prices of petrol car because of the excise, the petrol car sales are going to be flat or will show very minimal growth in the coming year.

- Further growth can only come if petrol cars continue to grow because almost 70 per cent of our production capacity is petrol cars and therefore, this whole distortion between the demand for petrol and diesel car caused by the fuel difference is going to put a pressure on petrol car manufacturers.
- We have to now speed up our investment into diesel engine manufacturing. We will also augment diesel engine that we will get from Fiat, and that will give us the capacity, which is something close to 400,000 diesel cars in this year (2012-13). By the next year (there will be) additional capacity commission for diesel engines, so during this current year the diesel production will still be limited
- The diesel car segment volume will continue to remain around 30 per cent in the next 3-4 years

MUTHOOT FINANCE - George Alexander Muthoot, MD

- We have a Tier 1 capital of 13.37% and maybe the statutory requirement of Tier 1 capital is 12%.
- As far as the financing of gold bullion and gold coins is concerned, as a policy, I do not think there are any NBFCs doing this.
- With regards to the LTV ratio of 60%, at present our gold loan assets under management is about Rs 24,000 crore and the approximate value of the jewellery with the company is more than Rs 40,000 crore. So our LTV as on date is below 60% only
- We have 3600 branches, so presence itself will ensure a reasonable credit growth but of course capping the LTV will mean there is a subdued growth but that does not mean that there will not be any growth. This year, our credit growth would have been more than 50%, so next year, the credit growth should be subdued, maybe 25% to 30%

PETRONET LNG - RK Garg, Director Finance

- Government, in its own wisdom, gave the import duty concession only to the power sector. But in practical sense, it would become difficult for them to import LNG directly because currently, we have only two LNG terminals, owned by Petronet LNG and Shell Hazira. Moreover, we are operating at our full capacity today
- The question is whether power plants would be able to afford LNG at the prices currently prevailing in the international market and will they be able to dispatch power to the consumer? I personally believe that it would be difficult for them to get any major relief through this exemption.
- Prices of imported LNG would not come down. The exemption is given only to the power sector. Other sectors like fertilizer, industrial, refinery, petro chemicals will have to pay the prevailing prices plus the custom duty.
- There is a possibility that any existing power plants want to use LNG and import their cargo and use our facility, like at Kochi.
- Regarding our Dahej expansion, we are already working on that. Dahej is currently operating at over 10 million tonnes and the board has already approved our expansion from 10 to 15 million tonnes
  As far as Dahej terminal is concerned, you are right, we are operating at above capacity that would continue at the same level.
- Kochi terminal would be commissioned in the last quarter of FY13 of this year, so certain addition of volume would be coming there.

SHOPPERS STOP - Govind Shrikhande, MD

- We summarise this budget as pain, hope and faith. Pain because of the various service taxes, excise duty that has gone up. But, the retail industry or apparel industry has got a positive gain out of the excise as well because abatement gone up from a 55% to 70%. So, actually the excise on apparel is going down, 90 bps, so that is a very positive news
- GST being on roll and multibrand retail on roll and under consideration and on consensus building definitely is a very positive news
- Overall, I would say yes there has been some amount of price increases that will go across all sectors including retail per se.
- Equity fundraising programme - Not on the cards definitely for the next three months for sure, because as you know that our internal cash flows have been pretty strong enough

- GST we are actually expecting to be fully rolled out by April 2013 that is the next financial year because August 2012 my understanding is that the whole computerisation will be in place
- we are likely to hit between 70 to 75 stores within a span of three years time so volumes definitely will go up. Sourcing will definitely go up, that will definitely help our margins as well.
- GST can be a complete game changer across retail because it will impact retail prices and margins as well. So this year, like to like growth we should end up between a 6%, 7% number. And next year I expect it between 7% to 9% number, so slightly better than this year.

SBI - Diwakar Gupta, MD & CFO

- March is a very volatile month for liquidity anyway. Some players are comfortable, some are short, there is a scramble for short term deposits and therefore you cannot read very much into rates at the way they are moving.
- There is an overall gap of about Rs 25,000 crore of capital in the system and the public sector share being about 75%, Rs 15,000 crore is more or less there, it may be a little less or a little more, so it could be that we end up getting about Rs 5000 crore of that next year
- GDP could be anywhere between 7 and 7.8%. I do not think the banking industry will grow faster than 17% or 18%, unless investment demand really returns very strongly. SBI should be in the same range, a little lower than the industry may be. **C**urrent endeavour – is to protect asset quality.
- We have very significant margins on gold. I do not think I will confirm 60%, but it should be thereabouts. We do not give 90% or 80% against gold
- We are in continuous talks regarding salvaging Kingfisher. The entire account is NPA for us anyway. Crux of the issue is whether the airline can be saved
- There are some eight accounts which are significantly large and which are stressed but suffice to say, inherently all of them are viable and irrespective of what happens to them in the short term, in the long term they should all survive.
- Though the balance sheet will seem to grow a little slower, it has been very net interest income positive- expect margins to continue to remain healthy.
- We expect quarter 4 numbers to be significantly better than quarter 3 and, therefore, on the bell curve, we are over the hump. Going forward, asset quality should look significantly better

WIN Sector Updates

INDIA BANKING: Banking sector business data for the fortnight ended 9th March

RBI released the banking sector business data for the fortnight ended 9th March 2012. Key takeaways:

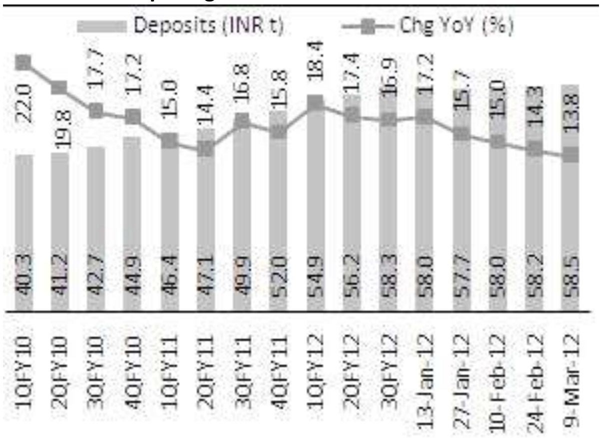
- Loan growth improved to 16.3% YoY v/s 15.6% in previous fortnight. Absolute loans increased by INR792b v/s increase of INR251b a fortnight ago and increase of INR449b a year ago.
- Deposit growth moderated further to 13.8% YoY v/s 14.3% a fortnight ago. In absolute terms, deposits improved by INR379b v/s INR150b in previous fortnight.
- CD ratio improved further by 86bp and remained elevated at 76.7% v/s 75.8% a fortnight ago. YTD FY12, incremental CD ratio at 84% (highest since beginning of the year) v/s 77% in previous fortnight
- SLR ratio improved to 27.6% v/s 27.5% a fortnight earlier. SLR investments improved by INR202b during the fortnight.

Our View:

- Our preferred bets: PSU banks – SBIN and PNB; Private banks – ICICIBC; Midcap banks – YES and INBK.

Loan growth improves to 16.3% YoY…

… however deposit growth continues to moderate…



INDIA FINANCIALS: RBI new guidelines for gold financers to impact business growth and margins

RBI released the guidelines for gold lending NBFCs. Key changes announced:

1) capped the LTV at 60% for loan against collateral of gold
2) increased the minimum Tier I capital requirement from 10% to 12% (however effective from April-2014)
3) made it compulsory to disclose gold loan as a percentage to total assets, and
4) disallowed NBFCs to lend against bullion/gold coins.

Manappuram Finance Response

- The change in guideline would have some negative implication in medium term. However, over a long term perspective it would bring about consolidation in the sector and create entry barriers.
- The guidelines are ambiguous in terms of calculating the price of gold collateral
- Manappuram does not lend against bullion and have a very insignificant exposure to loan against gold coin, so very limited Impact
- LTV for Manappuram is around 68%

Muthoot Finance Response

- **RBI** wants to strengthen the sector with robust operating practices and increase risk control measures.
- Muthoot currently complies with LTV of 60%.
- Muthoot had a Tier I Capital of 13.4%, thereby increasing of the minimum Tier l capital requirement to 12% by RBI will not have any impact.
- The company lends only against gold jewelry, thereby change in guideline by RBI of prohibiting lenders to give loans against bullion/ primary gold and coins will have no implication on Muthoot.

Our View

- With the guideline for LTV Cap being effective on a prospective basis, it will not have implications on existing portfolio. However, it would have negative implications on business growth and margins, going forward.

- With lower LTV, yield on portfolio is expected to come down impacting margins. Further, NBFCs would have to generate higher volumes to compensate for the loss in value which would be a challenge from perspective of business growth.

INDIAN MEDIA: TRAI consultation on advertising regulation; an overhang for broadcasters

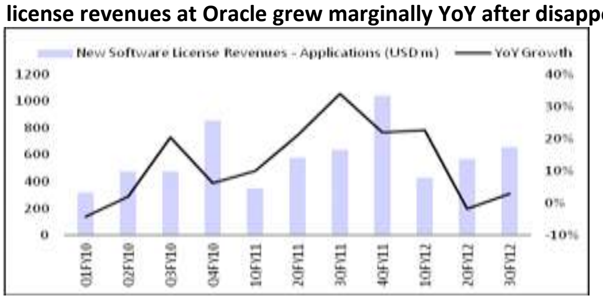
TRAI has issued a consultation paper on TV advertising aimed at regulating the duration and time-gap in case of full screen advertisements and space occupied in case of on-screen tickers and advertisements during telecast of news/sports events.

- Advertising constitutes ~70% of overall revenue for pay channels in India, 52% for Zee and 67% for Sun TV Network.
- Prescribed limits for duration of advertisements to be regulated on clock-hour basis (v/s average for the day),
- Ad duration for pay channels to be limited to 6 minutes/hr (v/s 12 minutes/hr currently for all channels),
- At least 12 minutes of break-free programming for normal programs and 30 minutes for movies,
- Advertisements only during lunch/drinks breaks during cricket matches (can significantly impact the economics if advertisements are not permitted during over change breaks),
- Not more than 10% of the screen space to be occupied by non-commercial tickers/scrolls in news and current affairs programming.
- While these proposals are only at a consultation stage and might not be implemented in the current form, we believe there could be significant impact on ad revenue and overall value proposition of the broadcasting media if implemented.
- The consultation process is likely to be an overhang on all broadcasting stocks including Zee Entertainment and Sun TV Network.

INDIAN TECHNOLOGY: Oracle guidance factors in conservative deal closing rates; Neutral for Indian IT

- Oracle's 3QFY12 revenues grew 3% YoY (and 4% CC) inline with consensus. Revenues from Americas up 4.4% YoY, APAC grew 7.3% YoY but EMEA down by 0.9%.
- New Software license sales grew 7% YoY (8% CC) at the mid-point of the company's guided band of 2-12% YoY growth in Constant Currency.
- GAAP EPS at USD0.49 higher than the consensus of USD0.446.
- Hardware Systems revenue down 11% YoY (and 11% CC); company had guided at 4-14% CC decline
- Guidance: 1-11% CC YoY growth in new license sales 1-5% CC YoY growth in overall revenues, 3% impact from currency
- Company not seeing anything negative in the markets. Guidance of 1-11% YoY growth in license sales in 4Q builds in some conservatism, after it missed its own guidance in 2Q as some closures got delayed unexpectedly.

Application license revenues at Oracle grew marginally YoY after disappointing 2Q



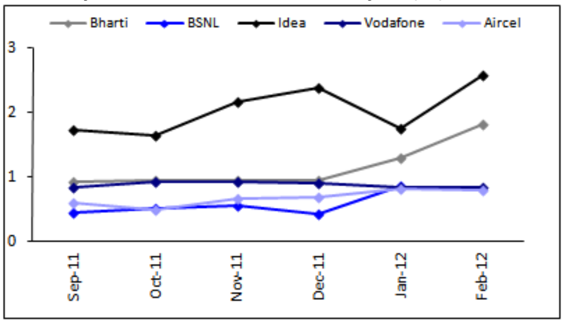
INDIA TELECOM: Feb-12 GSM net adds up 4% MoM to 8.8m

- Feb-12 GSM net adds up 4% MoM to 8.8m; Second consecutive month of recovery by Bharti; Maintain Buy on Bharti, Idea
- GSM subscriber net adds (ex RCom and Tata DOCOMO) is 8.8m in Feb-12 v/s 8.4m in Jan-12, up 4% MoM but down 40% YoY. Bharti/Idea recorded the highest MoM growth in net adds.
- Idea reported highest net additions of 2.58m (up 48% MoM) followed by 2.34m for Uninor. Bharti's net adds grew 40% MoM to 1.82m while Vodafone's net adds largely flat at 0.84m.

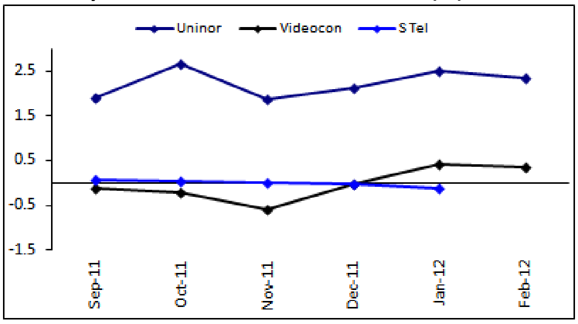
- Aggregate industry net adds for the month is not strictly comparable with earlier months as it does not include BSNL, S Tel, and Etisalat DB.
- Total GSM subscriber base as reported by COAI (excl RCom and Tata DOCOMO) is up 1.4% MoM to 657m.
- We expect net subscriber adds to remain at lower levels given already significant wireless penetration (75%+ reported; 50-55% real), as well as decline in competitive activity.

	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	*MoM (%)*	*YoY (%)*	Subs (m)	Past 12 months net adds (m)
Bharti	0.94	0.95	0.96	0.96	1.30	1.82	40	-43	179	20
Vodafone	0.85	0.92	0.93	0.91	0.86	0.84	-2	-76	149	19
Idea	1.74	1.64	2.17	2.39	1.75	2.58	48	3	111	24
BSNL	0.45	0.51	0.56	0.42	0.86	NA	NA	NA	93	8
Aircel	0.60	0.49	0.67	0.69	0.82	0.79	-3	-52	63	10
Uninor	1.92	2.67	1.86	2.12	2.49	2.34	-6	84	41	20
MTNL	0.03	0.03	0.03	0.04	0.05	0.04	-23	50	6	0
Loop	0.01	0.01	0.01	0.01	0.01	0.01	10	-33	3	0
Videocon	-0.11	-0.20	-0.59	-0.04	0.41	0.35	-14	-37	6	0
S Tel	0.06	0.04	0.02	-0.01	-0.12	NA	NA	NA	3	1
Etisalat DB	0.04	0.05	0.04	0.06	0.02	NA	NA	NA	2	1
Total of above	**6.5**	**7.1**	**6.7**	**7.6**	**8.4**	**8.8**	**4**	**-40**	**657**	**102**

Monthly net adds trend for GSM majors (m)



Monthly net adds trend for new entrants (m)



INDIA UTILITIES: Attempts to cap returns from projects with captive coal blocks

- In a recent meeting of MOP , we understand CEA has suggested formulae towards a ceiling price for bids evaluation from power projects which have captive coal mines.
- This had been formulated to
  1) Ensure that the tariff is not unduly high and the inherent benefits available with such developers are passed on to ultimate consumers
  2) To take care of the concern that the discovered tariff will be very near to the ceiling price suggested to go for reverse auctioning
- MOP, CEA & CERC in joint consultation is in the process of formulating a revised bid framework based on fuel source (Captive coal, Linkages and Imported coal), which is expected to be finalized in the next few months.
- Going ahead, capacity charge and Station Heat rate becomes the bidding parameters, while the fuel cost becomes a pass through in reference with the ceiling proposed by CEA.

Our View

- **The proposed development is in-line with our earlier interactions with Bureaucrats and Ministries.** This is negative for the developers with captive coal blocks who were consciously keeping capacity on merchant basis to get arbitrage opportunity between the 'dark spread' and 'spark spread'.
- As financial closure and debt disbursement are precedent to tying up large part of project capacity under Long Term Power Purchase Agreement (LT PPA), the return expectations will decline meaningfully.

METALS WEEKLY: Domestic steel prices increase 1% WoW; HZinc and Sesa Sterlite's earnings revised

- Indian long and flat steel prices increased 1% and 1.1% WoW, respectively. Sponge iron prices remained flat WoW at INR24,700/ton.

- Steel prices increased in China (0.4% WoW), Russia (1.2% WoW) and the Middle East (1.9% WoW). Prices declined in Turkey (-1.2% WoW) and North America (-0.7% WoW). Prices displayed a mixed trend in Europe.
- 63.5% Fe iron ore prices increased 1%WoW to USD149/ton. China 2nd grade coke weekly spot export prices declined 3% WoW to USD375/ton.
- Norsk Hydro's CAP 1.5mtpa alumina project has been postponed due to uncertainty in aluminum supply/demand balance.
- According to media reports, 2Q benchmark prices of FeCr are expected to increase amid rising spot prices and electricity-saving shutdowns in S.Africa. Prices are expected to settle between USD1.2/lb-1.40/lb.

Our View

- We have revised our earnings estimates for Hindustan Zinc (HZ) and Sesa Sterlite (SS) to factor in recent developments.
- We have cut HZ's FY13 EPS estimate by 10% to INR13.8 to factor 7% lower zinc production.
- SS FY13 EPS estimate has been increased by 2% to INR36.1/share due to increased cess on crude oil (negative by 5%) and higher crude price assumption of USD110/bbl (positive by 7%).

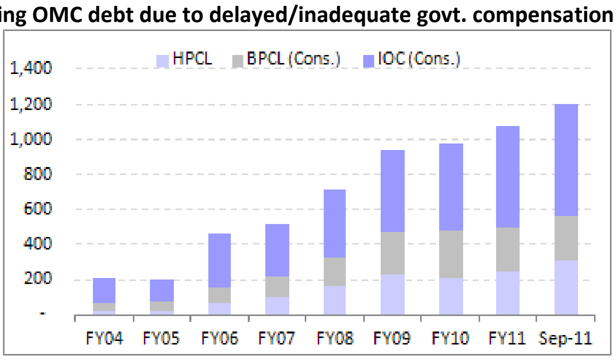
OIL & GAS: OMCs FY12 profitability under threat if petrol losses not compensated.

- We believe the demand by oil marketing companies (OMCs) to declare petrol as a regulated product is primarily to get compensation from the government for losses incurred on petrol sales and should not be read as a demand to prevent deregulation of the sector.
- If the demand is accepted, it would be a retrograde step when the government should be moving towards gradual deregulation of sector. The government is likely to compensate OMCs for losses on petrol sales (similar to FY09 where it had more than compensated under-recoveries as OMCs had also incurred huge forex losses), and we model same in our base case estimates.
- We estimate total petrol under-recoveries for FY12 at INR34b. If OMCs are not compensated for this, their profitability would be severely impacted (BPCL by 41%, HPCL by 68% and IOC by 20%).
- Valuation and view: Though high crude oil prices do not augur well for OMCs, likely price hikes after the budget session and likely nil subsidy sharing will be positive triggers in the near-term. Of the three OMCs, BPCL is our top pick due to upside potential from its E&P business.
- Crude prices up 14% since last petrol price revision: Petrol price was last revised on Dec 1, 2011 when price was cut by INR0.78 per liter to INR65.64 per liter in Delhi. Since then, there have been no price revisions even though Brent crude oil prices have gone up by 13.6% from USD109/bbl to USD124/bbl and international petrol prices have gone up by 21.6% from USD111/bbl to USD135/bbl.

OMCs FY12 profitability under stress without petrol compensation (INR b)

	PAT	Est. Petrol loss (post-tax)	PAT (post Petrol loss)	Chg (%)
IOC (Cons.)	70.7	19.6	57.6	-19%
BPCL (Cons.)	15.4	7.9	10.1	-34%
HPCL	9.8	7.4	4.8	-51%

Increasing OMC debt due to delayed/inadequate govt. compensation (INR b)



PHARMA: NPPP may be dropped; GoM decision awaited; GSK Pharma, Ranbaxy beneficiaries of status quo

National Pharma Pricing Policy (NPPP): National Pharma Pricing Policy may be dropped

- Media articles suggest that the Dept. of Pharmaceuticals (DoP) has decided to abandon the proposed National Pharma Pricing Policy (NPPP).
- Proposed NPPP tried to strike a balance between affordability of drugs to the public, and acceptance of the NPPP by the industry. While it included a significant increase in span of price control (from current 74 drugs to 348 drugs), it also proposed to shift the pricing of drugs from the current cost-based model to market-linked prices (by taking average of top 3 brands) and allowing WPI-linked price increases.
- Change in DoP's view will now be submitted to GoM. We await the final decision of the GoM on this issue. Meeting scheduled on 28-Mar-2012.

Impact:

- As per the provision of the proposed NPPP, we had estimated an adverse impact of ~4-5% on EPS for most companies.
- For GSK Pharma and Ranbaxy, we had estimated the EPS impact to be more severe at 13% and 9% respectively.

Impact of NPPP on earnings for FY13

Companies	Total revenue (INR m)	DF revenue (INR m)	Impact of NPPP on DF revenue (INR m)	Impact of NPPP on DF revenue (%)	PAT (INR m)	EPS (INR)	Impact on PAT/EPS (%)
Cipla	79,421	35,180	-750	-2.1	13,280	16.5	-4.6
Dr Reddy's Lab	93,807	15,057	-753	-5.0	14,255	84.2	-4.4
GSK Pharma	26,921	25,253	-1510	-6.0	7,586	89.6	-13.5
Glenmark	41,285	11,562	-250	-2.2	5,899	20.8	-3.7
Ranbaxy	92,280	22,857	-800	-3.5	7,501	17.8	-8.9

DF – Domestic formulations; Impact based on preliminary estimates

- If GoM agrees with the DoP's latest suggestions, the above impact will not materialize.

THE PORTRAIT: Feb 2012 cargo traffic down 5.6% YoY, YTD FY12 volumes flat.

- Cargo traffic at major ports was 43.7m tons, down 5.6% YoY. Cargo volume in YTDFY12 have declined 0.7% YoY to 511m tons. Cargo volumes degrowth in the month of February was led by fall in Iron ore exports Container Cargo volumes were down ~6.3% so were fertilizers volume (4.2%).
- Container cargo volumes at JNPT fell 4.6% YoY to 4.3m tons in February. Apart from JNPT, all-India container cargo declined 6.3% YoY led by drop in the cargo at Haldia (down 27% YoY to 0.3m tons), Mumbai (down 20% YoY to 0.04m tons) and Chennai port (down 17% YoY to 2.1m tons).
- In Dec 2011, coking coal imports grew 75% YoY to 2.1m tons (v/s 1.2m tons in Dec 2010), primarily due to the increase in steel production and recorded 33% YoY growth at 19.8m tons in YTD FY12. Non-coking coal imports grew 74% YoY to 3.2m tons (v/s 0.9m tons in Dec 2010), YTD FY12 growth at 32% YoY at 30.7m tons.
- During Feb 2012, six major ports posted positive cargo growth. Cargo traffic grew by 76.3% at Ennore and 7.3% at Tuticorin. At these ports, volumes were boosted by coal cargo. Also, Mumbai port volumes grew 17.9% YoY to 5.1 m tons, driven by POL, container and others cargo. Mormugao port reported the highest decline in cargo volumes at 38.3% YoY led by decline in fertilizer, iron ore and other cargo.

WIN Corporate Corner

GODREJ PROPERTIES: Institutional placement – issue at fair price band of INR575-620.

- Price brand for share issue at INR575 to INR620; Offer 7,442,555 equity shares; with a right to allot an additional up to 744,255 equity shares in case of oversubscription;
- To Raise INR4.3b-5.1b through this institutional placement, which will be largely utilized towards debt reduction
- Net debt of the company has increased sharply to ~INR19.3b (net DER of ~2x)

Valuation and view: 22.8x FY13E EPS; Neutral

- GPL is trading at 22.8x FY13E EPS, 3.8x FY13E BV, and at par to our core NAV based fair value.
- Going forward, key triggers: a) progress in de-leveraging, b) stronger execution ramp-up, commensurate with project acquisition, and c) revival of sales momentum.

Understanding potential upside on subscription

Calculating potential upside

	Proposed issue (7.44m shares)		If oversubscribed (8.18m shares)
	Lower band	Upper band	Upper band
Issue price (INR/share)	575	620	620
Proposed issue (m)	7.4	7.4	8.2
Fund inflow (INR b)	4.3	4.6	5.1
Pre-issue equity value (INR b)	*44.5*	*44.5*	*44.5*
Effective value Post-issue (INR b)	**48.8**	**49.1**	**49.6**
Number of shares post-issue (m)	77.3	77.3	78.0
Fair price Post-issue (INR/share)	631	635	635
Upside (%)	9.7	2.5	2.5

IDEA CELLULAR: Traffic growth momentum to sustain; BUY

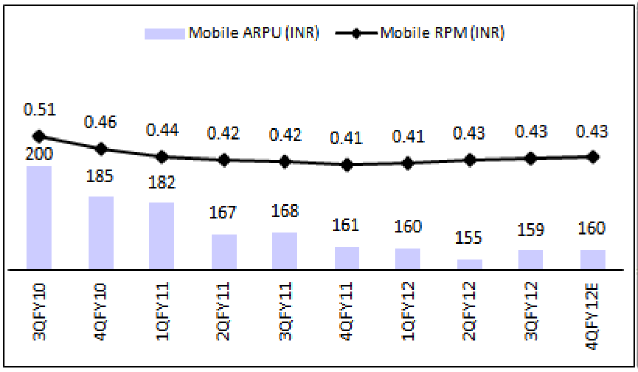
We met with Idea Cellular. Key takeaways

- Traffic growth to remain strong: Expect 24% growth in FY12; 14% CAGR over FY12E-14E
- Tariff environment relatively tough with aggressive stance taken by some large operators; expect flat RPM for 4QFY12 (v/s 1% increase earlier)
- Set to deliver a strong 37% EBITDA growth in FY12 driven by 26% revenue growth and ~200bp EBITDA margin expansion led by strong revenue momentum, lower opex growth given slower network build-up, and rationalization of channel commissions.

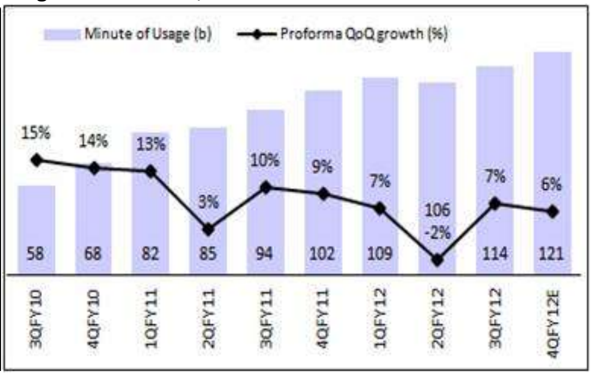
Valuation and View: EV/EBIDTA of 8.8x FY12E; BUY

- Indian telecom sector is likely to face multiple headwinds which will impact both pricing and volumes and make 1QFY13 a tough quarter for wireless companies to negotiate.
- However we remain positive on Idea largely due to strong, industry leading volume growth, consistent gain in revenue market share, and operating leverage.
- The stock trades at EV/EBIDTA of 8.8x FY12E and 6.5x FY13E. Maintain Buy with a target price of INR125

Quarterly RPM expected to remain stable



24% traffic growth in FY12E; 14% CAGR over FY12E-14E



INDUSIND BANK: Core operations remain strong; upgrading est 5% for FY13; BUY

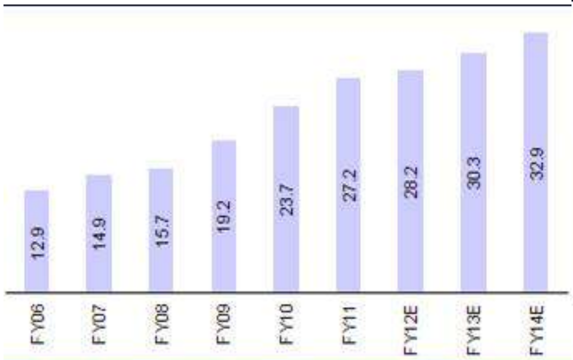
We met the management to gain insights on asset quality and operating performance. Key highlights:

- Loan growth at 25-30% (above industry average) over FY12-14, with key focus on consumer finance and high yielding loans.
- Increasing proportion of high yielding loans and improving liability structure led to NIM increase from 1.4% in FY08 to ~3.25% in 3QFY12. Management opines has levers to improve margins to 3.7%+ by FY14.
- Portfolio mix expected to remain stable at 50:50 between consumer finance and corporate banking. Within consumer finance, Mgmt intends to increase proportion of higher yielding loan viz. old CV and loan against property which will propel yield on loans. On liability side, improving CASA ratio (guidance of 33% by FY14 as against 27% at end of 3QFY12).
- Fee income growth is expected to remain above loan growth with focus on third party distribution, client based forex income, trade-related fees and investment banking.
- Despite higher CV loans it has been able to deliver strong performance on asset quality with GNPA and NNPA declining from 1.6% and 1.1% in 4QFY09 to 1.1% and 0.3% at the end of 3QFY12 respectively. Stable freight rates and strong underwriting standards has been the key to the performance of CV portfolio.
- Mgmt expects asset quality to remain stable going forward and has guided for credit cost of 50bp (MOSL estimate 55bp) for FY12 and marginally higher than FY12 for FY13 (MOSL estimate of 80bp).

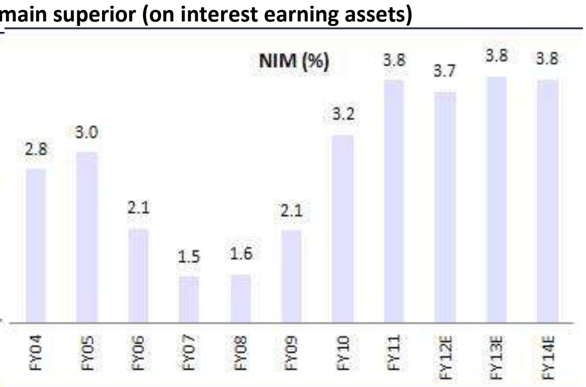
Our View and Valuation: 2.7x FY13 BV; BUY

- Stock trades at 13.5x and 2.7x FY13 EPS and BV respectively

Improvement in CASA ratio to continue (%)



Margins remain superior (on interest earning assets)



ITC: Himachal, Kerala and Karnataka hike VAT on cigarettes; 5 / 13 states raise VAT till now: BUY

- Himachal, Kerala and Karnataka have hiked VAT on cigarettes; we note that these states account for ~23% of ITC's cigarette sales.
- Kerala has increased VAT from 12.5% to 15% while Himachal Pradesh has increased it from 16% to 18% and Karnataka has increased from 15% to 17%.
- 13 states and have so far announced their budgets for FY13, only five states have increased VAT on cigarettes so far. These 5 states contribute slightly more than 1/4th of the total cigarette sales for the company. Haryana, Delhi, Rajasthan & Chhattisgarh have not increased VAT on cigarettes.
- Overall VAT rate stands increased by 76bp to ~19.0% from earlier level of 18.2%.
- Union Budget 2012-13 has levied an additional ad valorem duty at 10% of MRP with an abatement of 50% in addition to already prevailing specific excise duty on cigarettes of more than 65mm length
- We note that ITC would require a price increase of 7.7% to pass on the impact of additional levies and 12.7% to achieve 15% cigarette EBIT growth, assuming 3% volume growth.

State-wise VAT details and impact on ITC (all figures in %)

State	Share of ITC Sales	FY12 VAT Rate	FY12 ITC's Avg VAT Rate	FY13 VAT Rate	FY13 ITC's Avg VAT Rate	Budget Date	Addnl VAT rate impact
Andhra Pradesh	13	20.0	2.6	20.0	2.6	17-Feb-12	0.0
Bihar	3	13.5	0.4	20.0	0.6	24-Feb-12	0.2
Gujarat	3	25.0	0.8	25.0	0.8	24-Feb-12	0.0
Orissa	1	25.0	0.3	25.0	0.3	24-Feb-12	0.0
Madhya Pradesh	3	13.0	0.4	13.0	0.4	28-Feb-12	0.0
J&K	1	25.0	0.3	30.0	0.3	5-Mar-12	0.1
Haryana	4	20.0	0.8	20.0	0.8	5-Mar-12	0.0
Rajasthan	3	40.0	1.2	40.0	1.2	9-Mar-12	0.0
Chattisgarh	3	12.5	0.4	12.5	0.4	12-Mar-12	0.0
Delhi	4	20.0	0.8	20.0	0.8	16-Mar-12	0.0
Karnataka	9	15.0	1.4	17.0	1.5	18-Mar-12	0.2
Himachal Pradesl	2	16.0	0.3	18.0	0.4	19-Mar-12	0.0
Kerala	12	12.5	1.5	15.0	1.8	19-Mar-12	0.3
West Bengal	8	20.0	1.6	20.0	1.6	23-Mar-12	0.0
Maharashtra	9	20.0	1.8	20.0	1.8	26-Mar-12	0.0
Goa	3	20.0	0.6	20.0	0.6	30-Mar-12	0.0
Tamil Nadu	11	20.0	2.2	20.0	2.2		0.0
Uttar Pradesh	4	13.5	0.5	13.5	0.5		0.0
Others	4	12.5	0.5	12.5	0.5		0.0
Total	100		18.2		19.0		0.8

States that have kept VAT unchanged
States yet to declare their Budget
States which have increased VAT

Valuation and view: Trades at 28.2x FY12E and 24x FY13E. Buy

- We expect ITC to aggressively vie for a strong share in <65mm segment (it was defocused on <60mm segment earlier).
- We note that ITC posted 15% cigarette EBIT CAGR since 2004 despite unfavorable tax environment, which displays its strong pricing power and dominance of cigarette industry.

LIC HOUSING FINANCE: Raises INR8.1b via preferential allotment to LIC; Upgrading FY13 PAT by 5%.

- LIC Housing raised INR8.1b via preferential allotment leading to 6.3% equity dilution.
- 30m shares issued to LIC at a price of INR270/share leading to a total capital infusion of INR8.1b.
- As of Dec-11, LICHF had CAR of 14.5% of which Tier I ratio stood at 8.66%. With the capital infusion we expect CAR to improve to 16% with Tier I at 10%.

Valuation and View : 2x FY13E PBV. **Buy**.

Upgrading estimates to account for capital raising

- Capital raising of INR8.1b will lead to ~10bp benefit in spreads in our view. We expect spreads to improve to ~2% (cal) in FY13 from low of around 1.3% in 3QFY12. Change in spread assumption is leading to 4%+ upgrade in our NII estimates for FY13.
- Due to change in our margin assumption, we upgrade PAT by ~5% in FY13. ROA is expected to improve to 1.9% in FY13 against earlier expectation of 1.8%. FY13 RoE will decline but still remain strong at 22% (v/s 24.3% expected earlier).

	Pre-dilution		Post-dilution	
	FY12	FY13	FY12	FY13
EPS (INR)	20.9	27.5	19.7	27.0
BV (INR)	102.6	123.7	112.6	133.3
RoA (%)	1.8	1.8	1.7	1.9
RoE (%)	22.0	24.3	20.2	22.0
P/E	12.8	9.8	13.7	9.9
P/BV	2.6	2.2	2.4	2.0

- While margin performance remains disappointing in FY12, going forward, the re-pricing of the fixed-o-floaty rate home loan portfolio and rise in share of the high yielding developer loan portfolio will hold the key to margin improvement. The current infusion of capital will provide cushion to margins.
- The stock trades at 2.4x FY12E BV and 2x FY13E PBV. We maintain **Buy**.

RELIANCE INDS: KG-D6 decline continues; Production at 34.7mmscmd in week-ended Mar 4. Neutral

- Reliance Industries' KG-D6 production continued its decline with average gas production for week ended March 4, 2012 at 34.74mmscmd.
- This decline was primarily due to high water cut and sanding issues. Of this, D1/D3 produced 28.29mmscmd and MA field produced 6.45mmscmd.
- RIL's current production is from 12 wells, while it has completed 18 wells to-date of the approved 50 wells.

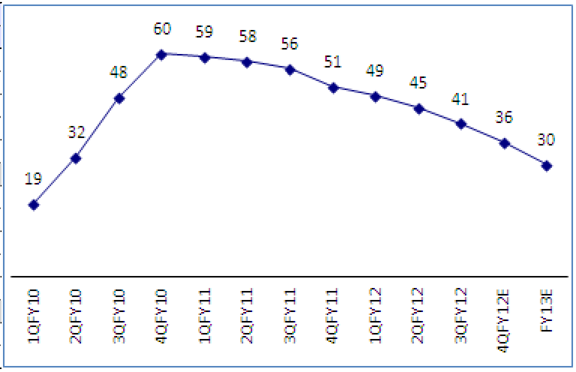
Valuation and view: P/E of 10.8x; NEUTRAL

- The stock trades at FY13E P/E of 10.8x (adj EPS of INR69.7) and EV/EBITDA of 7.2x.
- Our SOTP-based target price is INR840/share. We maintain Neutral due to concerns

KG-D6 Production Trend:

Period	Producing Wells	Production (mmscmd) D1/D3	MA1	Total
June 6 to June 12, 2011	16	39.00	7.80	46.80
July 4 to 10, 2011	16	39.00	7.80	46.80
July 11 to 17, 2011	16	39.00	7.60	46.60
July 25 to 31, 2011	16	38.40	7.60	46.00
Sept 12 to 18, 2011	16	36.50	7.40	43.90
2QFY12 average				45.30
Oct 10 to Oct 16, 2011	14	35.10	7.28	42.38
Oct 24 to Oct 30, 2011	14	34.71	6.97	41.68
Nov 7 to Nov 13, 2011	14	34.14	6.92	41.06
Nov 21 to Nov 27, 2011	14	33.47	6.88	40.35
Dec 12 to Dec 18, 2011	13	31.83	6.83	38.66
3QFY12 average				41.00
Jan 30 to Feb 5, 2012	12-13	29.22	6.55	35.77
Feb 27 to Mar 12, 2012	12	28.29	6.45	34.74

RIL's production had peaked at 60mmscmd in 4QFY10



SINTEX INDUSTRIES: Headwinds persist in monolithic, overseas composites; D/G earnings 4%. BUY

- Faces headwinds in – Monolithic (30/32% sales/EBITDA contribution) and Overseas composite (27/17% sales/EBITDA mix). Over past 2-3 quarters a) delay in government processes and stretched working capital have impacted Monolithic segment, and b) subdued outlook in Europe/US has dented the growth of overseas composite business.
- During 3QFY12, the Monolithic segment witnessed a sharp 24% YoY de-growth coupled with steep margin contraction to 16% (v/s normal range of 18-20%), while EBITDA margin in foreign composite declined to 7.3% against normal range of 10-12%.
- We believe stable political regime and recovery in macro economic outlook are the pre-requisites for revival of monolithic and composite segments.
- While we cut FY12E earnings estimate by 4% to factor in the continued business headwinds in 4Q, we believe that there exists possibilities for downgrades in FY13 earnings as well in case of a delayed recovery.

Valuation and view:

- Stock trades at 5.8x FY13E EPS and 5.3x FY13E EBITDA.

TATA MOTORS: JLR's Feb-12 above est at 32,257; Easing production constraints for Evoque : BUY

- JLR's Feb-12 volumes grew 49% YoY and 10% MoM to 32,257 (v/s est 30,750), driven by easing of production constraints for Evoque. Land Rover volumes at 28,029 (v/s est 26,000) grew 52% YoY (+13% MoM) led by Evoque volumes of ~10,000 (v/s 8,500 in Jan-12). Since its launch, Evoque's wholesale volume stands at ~50,000 units.

TATA MOTORS : JLR

	YOY			MOM		YTD							
Company Sales	February12	February11	YoY (%) chg	January12	MoM (%) chg	FY12	FY11	YTD (%) chg	FY12 estimate	YoY (%) chg	Residual Growth (%)	Residual Monthly Run rate	FY12 YTD Monthly Run rate
JLR	32,257	21,653	49.0	29,293	10.1	277,957	217,472	27.8	310,817	27.6	25.7	32,860	25,269
Jaguar	4,228	3,213	31.6	4,547	-7.0	48,691	49,221	-1.1	52,993	0.0	14.1	4,302	4,426
Land rover	28,029	18,440	52.0	24,746	13.3	229,266	168,251	36.3	257,824	35.3	27.6	28,558	20,842

- The strong growth in wholesale volumes reflect pick-up of momentum in both US and UK retail volumes. In US, JLR's retail volumes grew 32% YoY (Jaguar: +27%; Land Rover: +48%) to 4,277; however, it underperformed the luxury car market growth of 47% YoY. UK retail volumes grew 17% YoY, [Jaguar 198 (-13% YoY), Land Rover 828 (+27% YoY)], outperforming luxury car growth of 6% YoY. Together, US and UK comprise ~36% of JLR's retail volumes.

- BMW indicates single digit growth in CY12 driven by China and US, Mercedes Benz targets ~6% CAGR over CY11-15 and Audi expects to outperform the industry in CY12 driven by Q3 ramp-up.

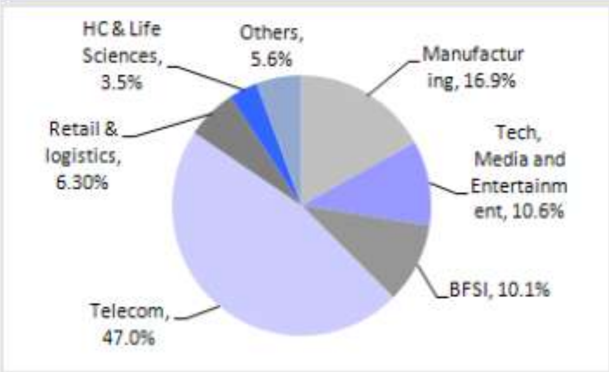
TECH MAHINDRA: To merge Mahindra Satyam; 2:17 swap ratio; synergies over time. NEUTRAL

- BOD'S at Tech Mahindra and Mahindra Satyam approved the merger ratio of 2 Tech Mahindra shares for every 17 shares of Mahindra Satyam.
- The Mahindra Group will own 26.3% in the combined entity, British Telecom will own 12.8%, 10.4% will be held as treasury stock, 34.4% to be held by the public shareholders of Mahindra Satyam and the balance 16.1% will be held by the public shareholders of Tech Mahindra
- The completion of the merger process remains 6-9 months away.
- The joint entity will have USD2.47b revenue in FY12, 75,000+ strong workforce and 350+ active clients, across 54 countries.
- Revenues will have ~53% contribution from Telecom and Retail verticals, followed by 17% from
- Manufacturing. BFSI and Technology, Media & Entertainment will constitute ~10% each.
- 42% of revenue from North America, 35% from Europe and 23% from Rest of the World.
- The combination will benefit from operational synergies, economies of scale, sourcing benefits, and standardization of business processes.

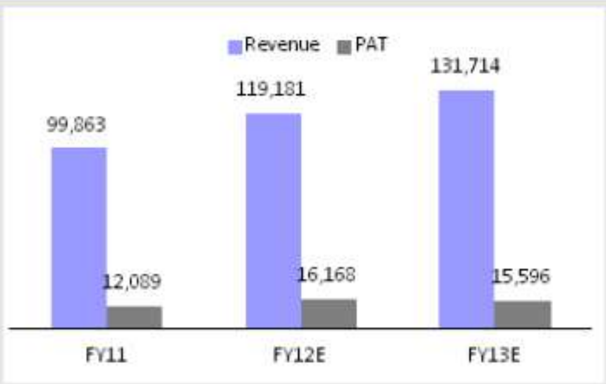
Valuation and View: Neutral on Tech Mahindra

- We expect the synergy benefits to start reflecting in the financials only over a period of time. Key headwinds in the near-medium term are: (1) Muted revenue outlook at Satyam, and (2) Uncertainty over BT revenues at Tech Mahindra.
- The combined entity trades at 10.3x FY13E earnings.
- We remain Neutral on Tech Mahindra.

Telecom to continue to be the dominant segment



Merged entity revenues at INR132b in FY13E, PAT at INR15.6b



TITAN INDS: Higher import duty, TDS on cash transactions to impact demand further: NEUTRAL

- Titan Inds is currently witnessing pressure on demand due to consumer slowdown led by higher Gold prices. We expect this trend to continue as budget has increased custom duty on Gold from 2% to 4%, which will increase in duty by INR560/10gm.
- Duty on gold was changed from a specific duty of INR300/10gm to 2% of value a couple of months back. Thus the duty has increased from INR300/10 gm to INR1120/gm in the past few months. Including the making charges on jewelry the effective increase in prices works out to be 5%.
- Budget has proposed 1% TDS on cash sale or purchase of jewelry above INR0.2m. This move seems to be aimed at curbing money laundering and cash transactions in jewelry.
- We note that the intent of government is to reduce the consumption as well as imports of Gold
- <u>We are cutting volume growth estimates for Jewelry from 10% to 5%</u>. We believe demand trend post 1QFY13 would be key factor to watch out for as pricing element would be significantly lower by that time. Lackluster volume growth and lower price element can impact profit growth from 1QFY13.
- <u>We are cutting FY13 and FY14 EPS estimates by 4%</u> to INR7.8 (INR8.1 earlier) and INR9.6 (INR10 earlier). The stock trades at 30xFY13 EPS of INR7.8 and 24.6xFY14 EPS of INR9.6. **Neutral**.

Volumes have been impacted badly; 5% decline in 3QFY12

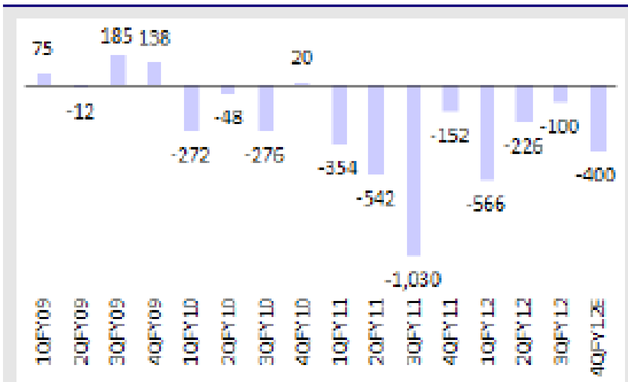
ZEE ENTERTAINMENT: Cutting earnings 3-5% on higher sports loss and lower core margins.NEUTRAL

- We are cutting our earnings estimates for Zee by 3-5% as we assume higher sports loss (at INR 1.3b in FY12 based on company guidance vs previous guidance of INR1b, implying ~INR400m loss in 4QFY12) and slightly lower ad revenue/ex-sports EBITDA margin (assume 18% YoY ad revenue decline in 4QFY12 vs 15% earlier).
- ad revenue is expected to remain soft given continued weakness in macro environment and residual impact of loss in market share during 3QFY12
- Zee's relative market share in Hindi GEC has improved to 16% led by a 20% QoQ improvement in 4QFY12 average GRP to 192 vs ~10% QoQ decline for Star Plus/Colors/Sony.
- We continue to expect pressure on ex-sports margins which are likely to decline by ~420bp to 34.3% during FY12 leading to a 9% YoY decline in ex-sports EBITDA. We expect ex-sports margins to be dragged down further to 32% in FY13/FY14 due to continued investment in content costs
- While we expect robust domestic subscription revenue CAGR of 13.5% YoY over FY12-14E, there are fresh concerns post recent statement by the competition commission on the ongoing examination of Star Den - Zee Turner merger.
- Recent consultation paper by TRAI on TV advertising aimed at regulating the duration and time-gap for advertisements could also be a significant overhang for broadcasters like Zee.

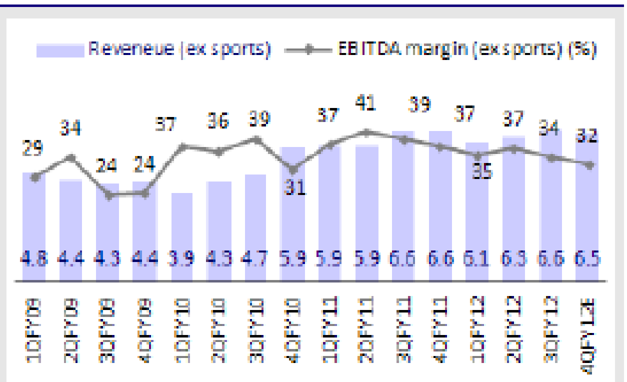
Valuation and View: 19.1x FY13E EPS; Neutral

- We are cutting our FY12/13/14 earnings estimates by 4/5/3% on account of higher-than-guided sports losses and pressure on core margins.
- We expect EPS growth of 10% in FY13 and 14% in FY14. The stock trades at 21.1x FY12E EPS of INR5.8 and 19.1x FY13E EPS of INR6.4. Maintain Neutral with a target price of INR110 (15x FY14E EPS).

Zee's sports business incurred losses of INR890m during 9MFY12 (INR m)



Core margins (ex-sports) have declined significantly from peak levels of 41%



Source: Company/MOSL

WIN Collage

The Apple effect An iPopping phenomenon:

What the rise of Apple's share price says about the modern economy and the stockmarket.

STEVE JOBS may be dead but his corporate creation goes from strength to strength. Apple's shares have risen by nearly 50% this year, making the company the most highly valued on the American stock market, at more than $550 billion. This week investors waited agog to find out how much of its near $100 billion cash pile it would return to shareholders (see article).

As a titan of the equity market, Apple is unusual. For much of the past 20 years, three companies have alternated in the role of the largest, by value, on the American stockmarket: Exxon Mobil, General Electric and Microsoft. The first two are very big companies by Apple standards. Exxon Mobil has annual revenues of $486 billion and GE employs 301,000 people; Apple had annual revenues of $108 billion in its last fiscal year and its workforce numbered just 60,000.
But Apple offers the kind of growth prospects that the shareholders of Exxon Mobil and GE can only dream of. Its sales in the latest quarter were almost double those of the previous year, and forecasts for 2013 revenues are nearly treble those recorded in 2010. It is the epitome of the modern company: short on physical capital but long on brainpower.

Exxon Mobil's spell at the top of the rankings illustrated the importance of energy resources at a time when rising demand from Asia caused the oil price to rise more than fivefold over the past decade. GE's reign illustrated the close links between modern industry and finance: GE Capital contributes almost half of the conglomerate's profits. Microsoft ruled the age of desktop computing.

So what does Apple's dominance reveal about the economy and the stockmarket? First, it is a powerful reminder, at a time when the Chinese model of state capitalism is gaining adherents, that the free market can still be remarkably innovative. In the past 11 years Apple has launched three products—the iPod, iPhone and iPad—that have created brand new markets, fulfilling desires that consumers did not even know they had. It is impossible to imagine any of those designs being dreamed up by a Beijing bureaucrat.

Second, it shows that the internet has come of age. The dotcom bubble of the late 1990s featured companies that were heavy on ideas but light on revenues or profits. When the bubble burst a decade ago, it was feared that the internet would savage margins by "commoditising" devices like phones and personal computers. Apple has so far proved that it is possible to earn high margins with brilliant design and by offering consumers ways to access the internet effortlessly wherever they go. It has made the mobile era its own.

Third, Apple's rise shows that, even in a period of austerity, consumers are willing to pay for the must-have gadget. The company is a huge beneficiary of globalisation: able not only to source its products at low cost in Asia but to sell the finished goods there as well (there was a near-riot in Beijing when customers could not buy the latest iPhone). A global elite is now willing to pay for the most desirable products, from luxury luggage to premium Scotch. And America's soft power is still so strong that it can create aspirational brands for that elite.

Bubblehood and Apple high

But does Apple's surge to pre-eminence, along with the imminent flotation of Facebook, a social-networking giant, indicate that the stockmarket is back to the insane days of the late 1990s? There are certainly warning signs. Brokers are competing to come up with the highest potential price target for Apple's shares, and the announcement of a share buy-back should remind investors that companies have a tendency to purchase their own equity at market peaks. But when Cisco, a technology giant, was briefly worth more than $500 billion in 2000, its price-earnings ratio was above 100; Apple trades on only 22 times its 2011 profits. Its new dividend yield will be almost as generous as that of the overall market. Even if its shares turn out to be overvalued, this would be more like a pimple than a bubble.

Nifty Valuations at a glance

Company	BBG Ticker	Mkt Cap (US$ M)	EPS (Rs)		PS Growth Yo		P/E		P/BV		EV/EBITDA		ROE		Div. Yield FY11 (%)	Abs olut YTD (%)
			FY12	FY13	FY12 (%)	FY13 (%)	FY12 (x)	FY13 (x)	FY12 (x)	FY13 (x)	FY12 (x)	FY13 (x)	FY12 (%)	FY13 (%)		
ACC	ACC IN	4,948	57.2	75.9	9.0	32.8	23.5	17.7	3.5	3.2	13.2	9.7	16.2	19.0	2.3	18.4
Ambuja Cements	ACEM IN	5,058	8.2	10.5	1.1	27.4	20.5	16.1	3.2	2.9	12.0	9.3	16.4	19.0	1.5	8.4
Axis Bank	AXSB IN	9,457	96.0	111.6	16.3	16.3	12.3	10.5	2.2	1.9	-	-	19.7	19.5	1.0	45.9
Bajaj Auto	BJAUT IN	9,581	108.5	122.6	20.1	13.0	15.6	13.8	7.5	5.8	10.6	8.6	54.9	47.6	2.4	6.2
Bharti Airtel*	BHARTI IN	24,042	12.1	20.2	-23.9	66.5	26.7	16.0	2.3	2.0	8.0	6.3	8.8	13.5	0.3	-5.6
BHEL	BHEL IN	12,502	25.5	25.8	10.5	0.9	10.2	10.1	2.6	2.2	7.0	6.7	28.1	23.8	2.4	9.2
BPCL	BPCL IN	4,811	42.5	48.5	-6.1	14.1	16.0	14.0	1.5	1.4	9.2	8.4	9.7	10.2	2.1	41.9
Cairn India	CAIR IN	12,873	48.0	53.9	44.2	12.3	7.2	6.4	1.4	1.2	5.7	4.0	21.1	20.4	0.0	10.3
Cipla	CIPLA IN	4,711	13.5	16.4	11.9	21.7	22.2	18.3	3.2	2.8	15.7	13.1	14.5	15.6	2.2	-6.2
Coal India	COAL IN	41,901	23.2	27.8	33.9	19.9	14.6	12.2	5.0	3.9	9.6	7.2	27.6	26.3	1.6	12.6
DLF*	DLFU IN	6,485	8.1	9.5	-16.2	17.0	23.9	20.4	1.3	1.2	12.6	11.2	5.1	5.7	0.5	5.6
Dr Reddy's Labs *	DRRD IN	5,501	93.7	85.5	42.9	-8.8	17.7	19.4	5.2	4.5	14.0	15.2	29.1	23.3	0.5	5.3
GAIL	GAIL IN	8,993	30.9	31.1	7.7	0.5	11.7	11.7	2.1	1.9	3.4	3.8	17.6	16.0	2.2	-5.7
Grasim Industries *	GRASIM IN	4,855	292.9	343.8	17.9	17.4	9.2	7.9	1.5	1.3	6.0	4.9	15.8	15.9	0.7	7.8
HCL Technologies*	HCLT IN	6,547	32.8	37.0	42.1	12.9	14.5	12.9	3.2	2.7	8.5	7.9	24.5	23.1	1.6	22.9
HDFC	HDFC IN	18,940	27.4	31.3	13.6	14.3	24.1	21.1	5.2	4.2	-	-	26.6	28.8	1.4	1.6
HDFC Bank	HDFCB IN	22,885	22.2	27.9	31.2	25.9	22.7	18.0	4.0	3.4	-	-	18.8	20.3	0.7	17.7
Hero Motocorp	HMCL IN	7,578	119.0	139.4	18.3	17.2	16.3	13.9	9.9	7.5	10.0	7.9	60.5	53.6	5.4	1.8
Hind. Unilever	HUVR IN	16,741	11.8	13.6	18.1	15.7	33.7	29.1	25.8	20.8	25.2	21.4	76.6	71.6	1.6	-2.9
Hindalco *	HNDL IN	5,179	17.8	19.5	1.2	9.4	7.5	6.8	1.4	1.2	6.0	5.7	19.8	18.6	1.1	14.9
ICICI Bank	ICICIBC IN	20,279	55.1	62.3	23.2	13.0	16.3	14.4	1.7	1.5	-	-	13.8	14.3	1.6	31.4
IDFC	IDFC IN	3,871	10.5	11.4	20.1	8.2	12.8	11.9	1.6	1.5	-	-	13.9	13.2	1.5	47.5
Infosys *	INFO IN	31,618	147.0	161.3	23.1	9.8	19.2	17.5	5.1	4.4	13.0	11.6	29.0	26.9	2.1	2.2
ITC	ITC IN	33,277	7.9	9.2	22.0	17.2	27.9	23.9	9.0	7.7	18.1	15.2	35.0	34.7	2.0	9.1
Jaiprakash Associates	JPA IN	3,188	3.6	4.1	4.5	13.8	21.0	18.5	1.6	1.5	10.3	9.3	8.0	8.5	0.9	46.2
JSPL	JSP IN	9,993	44.4	49.9	10.5	12.6	12.3	10.9	1.0	0.9	9.4	8.9	25.9	23.2	0.3	20.6
Kotak Mahindra Bank*	KMB IN	6,980	13.3	15.0	27.2	12.7	38.8	34.5	4.9	4.3	-	-	14.2	14.1	0.1	19.7
Larsen & Toubro *	LT IN	15,460	75.6	83.5	8.5	10.5	17.2	15.5	3.2	2.9	13.7	13.1	17.7	15.6	1.1	30.4
Mahindra & Mahindra *	MM IN	7,987	42.1	55.9	-12.6	32.8	16.2	12.2	1.7	1.4	7.6	6.4	20.7	19.5	1.7	0.1
Maruti Suzuki	MSIL IN	7,529	51.0	81.8	-36.2	60.4	26.1	16.3	2.6	2.2	12.4	7.8	9.8	13.8	0.6	44.7
NTPC	NTPC IN	27,631	10.1	11.0	4.6	9.0	17.0	15.6	1.9	1.8	13.0	12.3	11.8	12.0	2.5	6.6
ONGC	ONGC IN	45,334	30.1	29.9	23.0	-0.7	9.0	9.0	1.8	1.6	3.5	3.2	21.0	18.4	3.3	5.4
Power Grid Corp.	PWGR IN	9,624	6.7	7.9	21.4	18.6	15.9	13.4	2.1	1.9	11.3	10.0	13.8	14.9	1.6	6.3
Punjab National Bank	PNB IN	5,854	155.3	180.8	11.0	16.4	6.1	5.2	1.2	1.0	-	-	24.3	21.7	2.3	20.4
Ranbaxy Labs *	RBXY IN	3,381	13.8	17.4	-46.5	25.9	29.8	23.6	4.3	3.6	11.6	16.5	-72.0	15.2	0.5	1.4
Reliance Comm*	RCOM IN	3,562	3.8	5.6	-48.0	48.1	23.4	15.8	0.5	0.5	8.4	6.6	2.1	3.2	0.7	26.3
Reliance Inds.*	RIL IN	47,376	69.4	69.7	1.4	0.5	10.6	10.6	1.3	1.2	6.9	7.0	13.3	12.0	1.1	6.3
Reliance Infrastructure*	RELI IN	3,072	62.7	77.3	55.0	23.4	9.4	7.6	0.8	0.8	5.9	7.2	10.1	10.5	1.0	72.4
SAIL	SAIL IN	7,580	7.9	9.7	-34.4	23.2	11.9	9.7	1.0	0.9	8.8	8.0	8.4	9.7	3.2	15.6
Sesa Goa*	SESA IN	3,367	34.1	33.9	-30.4	-0.5	5.8	5.8	1.1	1.0	5.5	9.2	21.0	17.6	1.8	21.7
Siemens*	SIEM IN	5,198	22.9	30.6	-11.2	33.7	34.5	25.8	6.3	5.6	21.0	15.3	19.2	23.0	0.8	22.7
State Bank *	SBIN IN	26,855	240.8	280.3	43.1	16.4	9.0	7.7	1.4	1.2	-	-	16.4	17.1	1.4	33.4
Sterlite Inds.*	STLT IN	7,497	17.4	14.9	14.5	-14.3	6.6	7.7	0.8	0.8	3.9	3.3	13.4	10.5	1.0	27.2
Sun Pharma*	SUNP IN	11,427	22.4	24.5	65.3	9.3	25.1	23.0	5.2	4.4	17.4	16.7	22.3	20.7	0.6	13.5
Tata Motors *	TTMT IN	17,709	34.7	37.9	28.1	9.1	7.8	7.1	0.6	0.5	4.2	3.6	40.4	31.9	1.5	51.5
Tata Power *	TPWR IN	4,625	8.3	8.5	13.1	2.0	11.9	11.7	2.0	1.9	17.9	17.7	9.5	7.1	1.3	14.1
Tata Steel*	TATA IN	8,564	26.5	44.4	-57.4	67.3	17.0	10.1	1.7	1.5	7.1	6.1	11.1	15.7	2.7	34.3
TCS*	TCS IN	44,755	54.4	63.4	22.6	16.6	21.5	18.4	6.9	5.6	14.9	13.1	36.5	33.7	1.2	0.6
Wipro *	WPRO IN	20,250	23.2	26.5	7.4	14.3	18.2	15.9	3.7	3.0	13.8	10.8	22.0	21.2	1.0	5.7