

INDICES

Indices	Previous (day) Close	% chg
Sensex	17,077.18	+0.48%
Nifty	5,158.30	+0.60%

(As on 25th January, 2012)

WORLD INDICES

Indices	Previous (day) Close	% chg
Dow Jones	12,734.63	-0.18%
Nasdaq	2,805.28	-0.46%
S&P 500	1,318.43	-0.57%
FTSE	5,795.20	+1.26%
DAX	6,539.85	+1.84%
CAC	3,322.65	-0.47%

(As on 26th January, 2012)

ASIAN INDICES

Indices	Last Traded	% chg
Nikkei	8,854.15	+0.05%
Hang Seng	20,528.30	+0.44%
Shanghai	2,319.12	+1.00%

(As on 27th January, 2012, 8.00 a.m. IST)

FROM RESEARCH DESK

- **Bloomberg Estimates**
- **Results Preview**
- **Result Updates**

Bank of Baroda | Results ahead of street expectations... growth remains intact, margins and asset quality slipped slightly... maintain BUY with the target price of Rs 939.

- **Research Update included**

Greaves Cotton Ltd. | Q3FY12 Concall Update

Torrent Pharmaceuticals Ltd. | Q3FY12 Concall Update

IRB Infrastructure Developers Ltd. | Q3FY12 Results Update

Biocon Ltd. | Q3 FY12 Concall Update

- **Result Today**

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Important Results expected today :

BHEL (Rs. In Mn.)	Q3FY12E	Q2FY12A	Q3FY11A	Y-o-Y % Ch.	Q-o-Q % Ch.
Net Sales	105,666	102,986	88,493	19.4%	2.6%
EBITDA	20,868	18,582	20,717	0.7%	12.3%
Net Profit	14,777	14,120	14,032	5.3%	4.7%
EPS (Rs.)	6.17	5.77	5.73	7.6%	6.8%

Note: Standalone Financials

Source: Bloomberg Estimates, IndiaNivesh Research

At CMP of Rs. 282/share, based on street estimates(on consolidated basis) the stock is trading at FY12E and FY13E, P/E multiple of 10.5x and 10.1x

Swaraj Engines (Rs. Mn)	Q3 FY12E	Q2FY12	Q3 FY11	QoQ %	YoY %
Revenue	1122	1029	926	9%	21%
EBIDTA	173	153	160	13%	8%
PAT	131	118	113	11%	15%
EPS (Rs.)	10.5	9.5	9.1		
Margins				QoQ BPS	YoY BPS
EBITDA	15.40%	14.80%	17.30%	59	-186
PAT	11.60%	11.40%	12.20%	18	-60

Source: Capitaline; IndiaNivesh Research; BL- Bloomberg Estimates

At CMP of Rs 424, the stock is trading at PE of 10.35x and 8.66x of its FY12E and FY13E EPS (Bloomberg Estimates).

Canara Bank (Rs. In Mn.)	Q3FY12E	Q2FY12A	Q3FY11A	Y-o-Y % Ch.	Q-o-Q % Ch.
Net Interest Income	24958	19617	21192	17.8%	27.2%
Net Profit	9578	8522	11057	-13.4%	12.4%
EPS (Rs.)	22.5	19.2	27.0	-16.6%	16.9%
ROA (%)	0.9	1.0	1.6	-11bps	-72bps

Source: Bloomberg Estimates, IndiaNivesh Research

At CMP of Rs. 480/share, based on street estimates on consolidated basis, the stock is trading at FY12E and FY13E, P/BV multiple of 1x and 0.9x respectively.

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NTPCQ3FY12 Preview

- We expect NTPC's top line to grow 28% y-o-y driven by higher tariff and new capacity addition. Impact of commercial additions at the end of Q2FY12 (1,160MW, 660 MW of Sipat+ 500 MW of Simhadri) can be seen in Q3FY12 result. During the quarter company has commissioned 500 MW Indira Gandhi Super Thermal Power Project and Unit # 2 of 660 MW of Sipat power project which benefits will be seen at the end of Q4FY12.
- Margin pressure could be seen clearly on account of lower PLF (84% Q3FY12 Vs. 87% in Q3FY11) due to shortage of fuel.

Quick Fundamentals (Rs. Mn)						
	Q3FY12E BI	Q3FY12E	Q2FY12	Q3 FY11	Q-o-Q %	Y-o-Y %
	INSPL					
Revenue	160,900	166,000	153,775	129,892	7.9	27.8
EBIDTA	35,061	38,180	35,602	38,719	7.2	-1.4
EBIT	22,993	31,180	29,019	35,811	7.4	-12.9
PAT	23,124	24,989	24,241	23,715	3.1	5.4
EPS (RS.)	2.80	3.03	2.94	2.88	3.1	5.4
	Margin %	Margin %	Margin %	Margin %	Basis Points (BPS)	
EBITDA %	21.8	23.0	23.2	29.8	-15	-681
EBIT %	14.3	18.8	18.9	27.6	-9	-879
PAT %	14.4	15.1	15.8	18.3	-71	-320

Source: Company Filings; IndiaNivesh Research; BL- Bloomberg

Key things to watch out:

- Basis of grossing up of ROE (whether MAT or corporate tax)
- progress of the capacity addition target of 4.3GW in FY12

Valuation: NTPC is well placed in terms of fuel security due to the preference it gets in domestic coal supply and ability to pass through hike in fuel costs. We expect the company to register CAGR of 10-12% in its top line and bottom line over FY2012-14E due to huge capacity addition in next two years. At the CMP of Rs. 174, NTPC is trading at 1.90x FY12E BV and 1.74x FY13E BV lower than of historical average book value of 2.3x. We have buy rating with a target price of Rs. 194.

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NHPC....Q3FY12 Preview

- We expect top line to grow 7% y-o-y basis driven by higher tariff.
- Power Generation volume is likely to be down by 6% y-o-y basis due to lower capacity utilization on account of lower flow of water in its ROR (Run on river projects) projects.

Quick Fundamentals (Rs. Mn)						
	Q3 FY12E INSPL	Q3 FY12E BL	Q2FY12	Q3 FY11	Q-o-Q %	Y-o-Y %
Revenue	8,044	7,653	19,815	7,508	-59.4	7.1
EBIDTA	4,907	4,518	14,161	5,389	-65.3	-8.9
EBIT	2,673	2,042	11,927	4,142	-77.6	-35.5
PAT	2,698	2,600	9,665	3,007	-72.1	-10.3
EPS (RS.)	0.22	0.21	0.79	0.24	-72.1	-10.3
	Margin %	Margin %	Margin %	Margin %	Basis Points (BPS)	
EBITDA %	61.0	59.0	71.5	71.8	-1047	-1077
EBIT %	33.2	26.7	60.2	55.2	-2696	-2193
PAT %	33.5	34.0	48.8	40.0	-1524	-651

Source: Company Filings; IndiaNivesh Research; BL- Bloomberg

Key things to watch out

- Status of projects under construction
- Realization per unit.
- Management commentary regarding Uri-I and Salal projects which J&K government wants to take back

Valuation: At the CMP of Rs 20.50 the stock is trading at a P/BV of 1x FY12E and 0.95x FY13E, respectively. We have assigned a fair value of Rs 30 based on discounted cash flow model. In assigning the fair value, we have assumed cost of equity of 11.2% with a terminal growth of 3% for valuing the standalone entity at Rs.26 per share. 51% subsidiary (NHDC) has a valuation of Rs. 4 per share. We maintain our buy rating on NHPC with a target price of Rs. 30.

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Divis Lab Q3 FY12 Results Preview

Divis Lab (Rs Mn)	Q3 FY12 E	Q2 FY12 A	Q3 FY11 A	Y o Y Ch.	Q o Q Ch.
Sales	3,840	3,541	3,097	24.00%	8.45%
Operating Profit	1,371	1,262	1,170	17.21%	8.62%
Net Profit	1,133	1,061	984	15.12%	6.84%
Adj EPS (Rs.)	8.17	6.28	6.65	22.82%	30.10%
Remarks					

Source: IndiaNivesh Research

Key things to watch out:

- Revenue growth momentum would be key thing to watch out because of its high base in previous year's same quarter.
- Sustainability in margins & benefit due to currency movement would observe closely.

At CMP of Rs 803, the stock trades at PE 21.8x & 17.3x of FY12E & FY13E earnings estimates respectively. We have BUY rating on the stock with target Price of Rs 885.

CMP : Rs.790

Reco : BUY

Target : Rs.939

STOCK INFO

BSE	532134
NSE	BANKBARODA
Bloomberg	BOB IN
Reuters	BOB.BO
Sector	Banking-Public
Face Value (Rs)	10
Equity Capital (Rs Mn)	3928
Mkt Cap (Rs Mn)	310,320
52w H/L (Rs)	1007/630
Avg Daily Vol (BSE+NSE)	469,913

SHAREHOLDING PATTERN

	%
<i>(as on 31st Dec. 2011)</i>	
Institutions	30.8
Others, Incl Public	12.2
Promoters	57.0

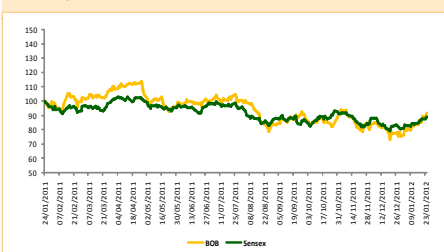
Source: BSE

STOCK PERFORMANCE (%)

	1m	3m	12m
BOB	18	7	-8
SENSEX	7	1	-11

Source: Capitaline, IndiaNivesh Research

BOB v/s SENSEX



Source: Capitaline, IndiaNivesh Research

Bank of Baroda

Results ahead of street expectations... growth remains intact, margins and asset quality slipped slightly... maintain BUY with the target price of Rs 939.

- Loan book expanded by 26% yoy and 9% sequentially with strong B/s growth of 26% yoy (6% QoQ).
- Cost to income ratio improved drastically by 373 bps QoQ to 31.5% vs 35.2% in Q2FY12. Operating expense growth seen at 7% yoy.
- Non interest income holds up well with yoy increase of 70% supported by trading and forex gains.
- Asset quality marginally impacted with Gross and Net NPA moved up 7 bps and 4 bps sequentially with delinquency ratio of 0.87% however restructured portfolio increased to Rs 21.2 bn (0.8% of total advances).

Results Highlights:

Loan growth driven by overseas advances:

Loan book of the bank expanded by 9% sequentially to Rs 2607 bn driven by overseas advances on account of current depreciation. Overseas advances grew by 46% yoy (15% QoQ) at Rs 804 bn and forms 31% of the total loan book and 29% of bank's total business. However excluding currency impact, the overseas loan growth was at ~25% yoy. Retail loan growth was slower at 5% yoy whereas SME and wholesale advances growth remain strong at 27% and 26% yoy. Management has specified business growth to continue at current pace of ~25% yoy and proportion of overseas to remain at 25% of the total loan book.

Break up of Loan book (Rs bn):	% of total	Q3FY12	Q3FY11	% YoY	Q2FY12	% QoQ
Overseas	30.9	804	552	45.7	701	14.8
Agriculture	9.8	256	228	12.3	223	14.7
Retail	11.8	306	292	4.9	294	4.2
SME	12.2	317	249	27.4	297	6.6
Wholesale	25.7	670	533	25.7	620	8.1
Others	9.7	252	218	15.9	255	-1.1
Total	100.0	2607	2072	25.8	2391	9.0

Source: Company Filings; IndiaNivesh Research

Deposits growth was also considerable at 24% yoy (6% QoQ) at Rs 3492 bn. CASA deposit grew by 16% yoy at Rs 948 bn and share of CASA stood at 27.2%, down from 29.1% in Q3FY11 and 27.4% in Q2FY12. Domestic CASA share was stable sequentially at 34% however was down 106 bps on yoy basis.

Deposits mix (Rs bn):	Q3FY12	Q3FY11	% YoY	Q2FY12	% QoQ
CASA (%)	34.1	35.1	-106bps	34.0	4bps
Domestic CASA	868	756	14.8	833	4.3
Domestic Current Deposits	167	155	7.3	162	2.6
Domestic Savings Deposits	702	601	16.8	670	4.7
Domestic Term Deposits	1682	1397	20.3	1615	4.1
Domestic Deposits	2550	2154	18.4	2447	4.2
CASA (%)	27.2	29.1	-197bps	27.4	-24bps
CASA	948	820	15.6	902	5.1
Current Deposits	230	205	12.3	216	6.2
Saving Deposits	718	615	16.7	685	4.8
Term Deposits	2544	1995	27.5	2390	6.4
Total Deposits	3492	2815	24.0	3292	6.1

Source: Company Filings; IndiaNivesh Research

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Bank of Baroda (contd...)**NIMs down sequentially due to contraction in domestic margins:**

NIMs have come down to 2.99% vs 3.2% in Q3FY11 (3.07% in Q2FY12) due to decline in yield on advances and increase in cost of deposits/funds. Yield on advances was down sequentially by 19 bps while cost of deposits increased by 4 bps thereby putting pressure on NIMs. Net Interest income improved by 16% yoy to Rs 26.6 bn attributed to Interest income growth of 35% yoy and interest expense growth of 49% yoy. Management is confident of maintaining NIM of 3% for FY12.

Non interest income holds up well:

Non interest income growth was excellent at 70% yoy at Rs 11.5 bn on account of jump in trading and forex income. Bank has booked trading gains arising from selling liquid mutual funds to the tune of Rs ~3 bn which is booked once in Q3FY12. However growth based on YTD basis was also strong at 28% yoy. Management has guided the other income growth to continue at current pace going forward.

Breakup of Other income	Q3FY12	Q3FY11	% YoY	Q2FY12	% QoQ	M9FY12	M9FY11	% YoY
Comm, Exch & Brok	2930	2445	19.8	3137	-6.6	8814	6944	26.9
Other Charges	742	741	0.1	749	-0.9	2286	2417	-5.4
Misc Income	848	642	32.1	664	27.7	1949	1603	21.6
Fee Income	4520	3828	18.1	4549	-0.6	13049	10964	19.0
Trading income	3855	848	354.8	102	3698.0	4697	3229	45.5
Forex income	2407	1471	63.7	1473	63.4	5281	3687	43.2
Tresury Income	6262	2319	170.1	1575	297.7	9978	6916	44.3
Recovery	711	615	15.7	1220	-41.7	2219	1868	18.8
Total Other income	11493	6762	70.0	7343	56.5	25245	19747	27.8

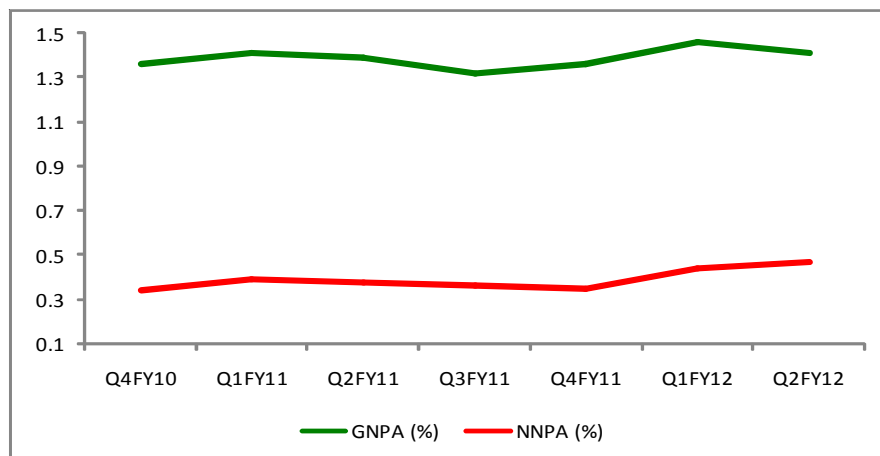
Source: Company Filings; IndiaNivesh Research

Improved Cost to income boosted Operating profit:

Operating profit grew by 40% yoy at Rs 26.1 bn on back of better efficiency resulting in slower operating expense growth. Cost to income ratio has come down to 31.5% from 37.6% in Q3FY11 with operating expense growth of 7% yoy at Rs 12 bn. Further the bank has provided the proportionate amount for pension liability as per the regulation.

Asset quality marginally impacted, restructured assets increased substantially and are a cause of concern:

Asset quality has marginally impacted with increase in Gross and Net NPA of 1.48% and 0.51% vs 1.32% and 0.36% in Q3FY11. In absolute terms, Gross and Net NPA were up 41% and 78% yoy at Rs 38.9 bn and Rs 13.3 bn. Fresh slippages has come from sectors like Telecom, infra and Airlines. Restructuring portfolio amounted to Rs 21.2 bn and provisioning under restructuring portfolio amounted Rs 1.5 bn. Provision coverage ratio was healthy at 81%.



Source: Company Filings; IndiaNivesh Research

Bank of Baroda (contd...)

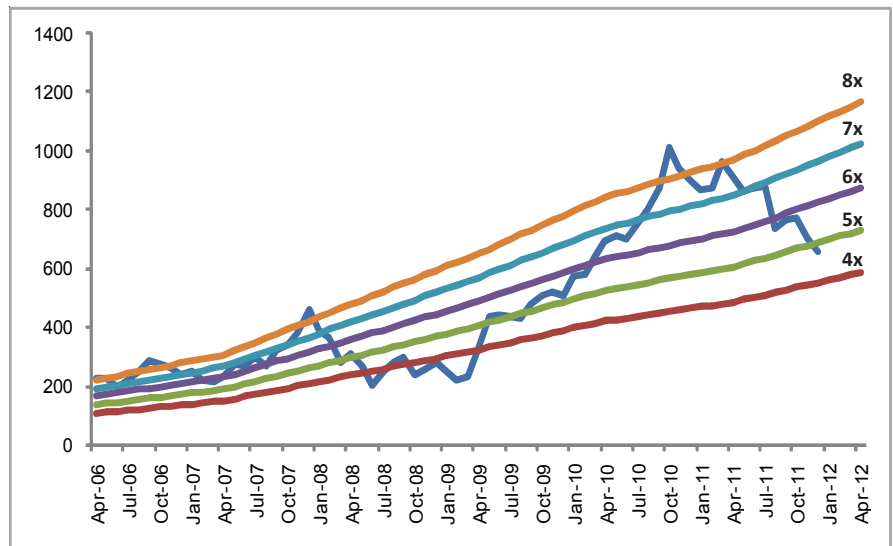
Capital adequacy improved:

Bank remains well capitalised with Capital adequacy of 13.5% and Tier I ratio of 9.3% vs 12.5% and 7.7% respectively in Q3FY11. This capital adequacy doesn't include the 9MFY12 profits however including profits it will be at ~14.5%. Further the bank is expecting capital to the tune of Rs 6.8 bn from GOI in current fiscal.

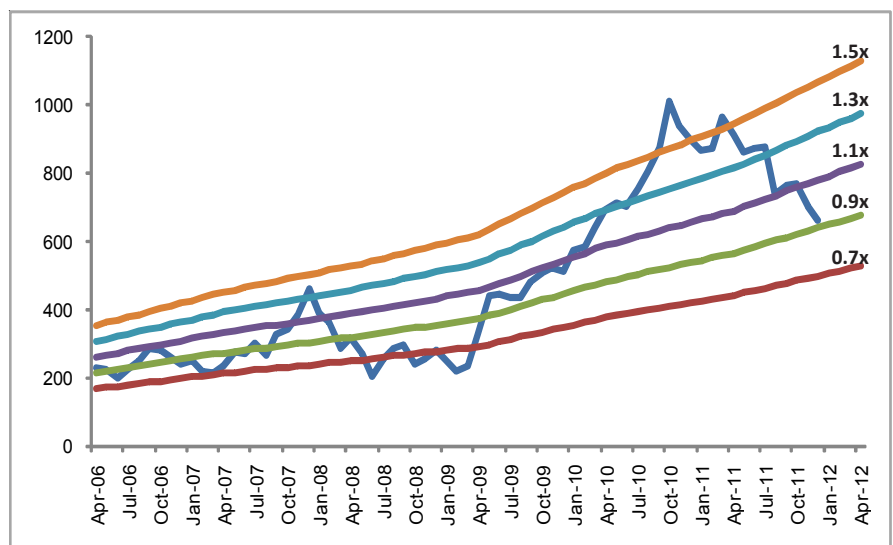
Valuation

BOB has continued its consistent performance in terms of balance sheet growth and improving operating matrix. NIMs has come down by few bps however can be maintained at 3%. Asset quality has impacted marginally but slippages remain under control with higher coverage. Further with improving efficiency, we expect the Net profit growth to remain intact reflecting strong ROE/ROA of ~21%/1.2%.

At CMP of Rs790, based on street estimates on consolidated basis, the stock is trading at P/BV of 1.3x / 1.1x and P/ABV of 1.1x / 1x for FY12E / FY13E. We maintain BUY on the stock with the target price of Rs 939.



Source: Bloomberg; IndiaNivesh Research



Source: Bloomberg; IndiaNivesh Research

Bank of Baroda (contd...)

Q3FY12 - Rs mn	Q3FY12	Q3FY11	% YoY	Q2FY12	% QoQ	M9FY12	M9FY11	% YoY
Interest Income	76720	56662	35.4	72514	5.8	215552	155518	38.6
Interest on advances	57360	42122	36.2	54824	4.6	162955	116162	40.3
Income Investments	16462	12774	28.9	15461	6.5	45448	34564	31.5
Other Interest	2899	1766	64.2	2230	30.0	7149	23839	-70.0
Interest Expense	50165	33739	48.7	46845	7.1	140356	93634	49.9
Net Interest Income	26555	22923	15.8	25669	3.5	75196	61884	21.5
Non Interest Income	11493	6762	70.0	7343	56.5	25245	19747	27.8
Net Income	38048	29684	28.2	33013	15.3	100442	81631	23.0
Total Income	88213	63423	39.1	79858	10.5	240797	175265	37.4
Total Expenses	11967	11172	7.1	11613	3.0	34647	31273	10.8
Operating/Pre Provisioning Profit	26082	18512	40.9	21400	21.9	65794	50358	30.7
Provisions	8497	3041	179.5	4964	71.2	17502	7409	136.2
Profit Before Tax	17585	15471	13.7	16436	7.0	48293	42949	12.4
Tax	4686	4783	-2.0	4775	-1.9	13405	13476	-0.5
Net Profit	12899	10689	20.7	11661	10.6	34888	29473	18.4
EPS (Rs)	32.9	29.3	12.3	29.8	10.6	89.1	80.9	10.1
Advances	2606606	2072090	25.8	2391203	9.0			
Deposits	3492059	2815120	24.0	3291854	6.1			
Total Business	6098665	4887210	24.8	5683057	7.3			
Assets	4113894	3274218	25.6	3872873	6.2			
Investments	838055	718374	16.7	883403	-5.1			
Gross NPA	38951	27703	40.6	34021	14.5			
Net NPA	13253	7442	78.1	11186	18.5			
Business Per Employee	135	115	17.2	130	4.2			
Business Per Branch	1629	1477	10.3	1603	1.6			
Profit Per Employee	1.2	1.1	12.8	1.1	7.7			
Profit Per Branch	13.8	12.9	6.7	13.2	4.7			

Key Ratios (%)	bps			bps	
NIM	2.99	3.20	-21	3.07	-8
Cost of Deposits	5.65	4.53	112	5.61	4
Cost of Funds	5.52	4.59	93	5.44	8
Yield on Advances	9.45	8.58	87	9.64	-19
Yield on Investments	7.67	7.39	28	7.58	9
Yield on Funds	9.13	8.42	71	9.03	11
Cost to Income Ratio	31.5	37.6	-619	35.2	-373
CASA	34.1	35.1	-106	34.0	4
CAR	13.5	12.5	100	12.7	72
Tier I Capital	9.3	7.7	161	8.8	49
Credit to Deposit	74.6	73.6	104	72.6	200
GNPA	1.48	1.32	16	1.41	7
NNPA	0.51	0.36	15	0.47	4
ROE	21.4	25.5	-415	20.8	56
ROA	1.29	1.34	-5	1.23	6

Source: Company Filings; IndiaNivesh Research

CMP : Rs.83

Reco : BUY

Target : Rs.98

STOCK INFO

BSE	501455
NSE	GREAVESCOT
Bloomberg	GRV IN
Reuters	GRVL.BO
Sector	Industrial Machinery
Face Value (Rs)	2
Equity Capital (Rs mn)	488
Mkt Cap (Rs mn)	21,160
52w H/L (Rs)	100.9/69.5
3m Avg Daily Volume (BSE + NSE)	86,637

SHAREHOLDING PATTERN

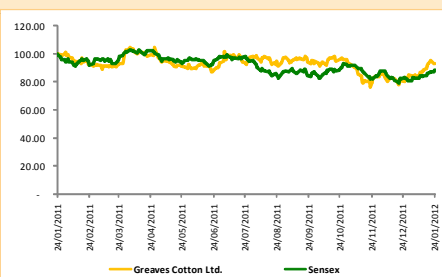
	%
<i>(as on 31st Dec. 2011)</i>	
Promoter	51.58
FII	7.22
DII	28.86
Others	12.34

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
GREAVES COTTON	16	-3	-7
SENSEX	6	0	-11

Source: Capitaline, IndiaNivesh Research

GREAVES COTTON v/s SENSEX



Source: Capitaline, IndiaNivesh Research

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Following are the key-takeaways of the Q3FY12 post result concall:

- During the quarter Greaves Cotton (GC) reported EBITDA margins of 12.6%, which is a decline of 438 bps on year-over-year basis. 200 of the 438 bps decline, were from non-regular transactions, which include major advertising campaigns (to the tune of Rs 25 mn), disposal of slow-moving inventory and some costs related to leadership transitions. Further, GC expects non-regular transactions (disposal of slow moving inventory) to continue in Q4FY12 also.
- The new engines plant at Shendra commenced operations from Oct. 19, 2011. This plant has the capacity to manufacture 87,000 engines. With this expansion, the total yearly production capacity of light engines would increase to 375,000 units. All the required manpower towards the Shendra plant has been recruited. Management expects economies of scale to be realized in the long run from this plant.
- Post signing the agreement with Tata to supply engines, the company supplied ~18,000 engines in Q3FY12. Currently, ~200 engines per day are being sourced to Tata, of the required 1,000 engines. Management expects that they would gradually catch-up to Tata's requirements in the next 4 quarters.
- The Ranipet brownfield expansion is almost in line with the company's plans and likely to be complete by Apr-2012. Of the targeted manufacture of additional 500 engines per day from this expansion, currently 100-150 engines are being manufactured.
- Management highlighted that their profitability from Infra segment would be challenging till they attain ~Rs 500-550 mn worth of quarterly top-line (revenues from Infra equipment segment for Q3FY12 stood at Rs 363.4 mn). Attaining this kind of segment top-line would be challenging for the company in Q4FY12. Volumes of both, Concrete Equipments and Road Construction Equipments registered a decline during the quarter. Also, sales of the recently introduced Batching Equipment had seen pricing pressure.
- The Auto segment during the quarter reported 11-12% year-over-year growth in its revenues. Management has highlighted that there has been some slow-down seen in the 3W market. Also, management mentioned that they are in the process of negotiating on the pricing with some of their Auto clients and by next quarter some visibility should emerge.
- The Auxiliary power segment esp. the low KVAs witnessed sharp decline in pricing, leading to decline in the total aux. power segment sales.
- During the quarter, of the total engine sales, the company reported 6-7% of it from Industrials, ~55% from Autos, with the remaining contribution from Agri and Power verticals.
- The Auto engines business reported 11% year-over-year growth and on a 9 month basis reported 8% year-over-year growth.

Valuations

The current headwinds being faced by the company have been resultant from smaller part (~14% of FY12E revenues) of the total sales. With a likely scenario of softening in the interest rates by Q1FY13-end, we sense that revival across these business segment (Agri, Construction, Industrial and Power) is inevitable. We continue to like to the business model of GC on the back of revenue stickiness from their steadily growing engines business, balance sheet strength and R&D initiatives driving the non-engines business. At CMP of Rs 83, the stock is currently trading at FY12E and FY13E, P/E multiple of 12.7x and 11.0x. Given their strong business positioning, and with revival in the economy in store, the growth prospects of the company look attractive and hence, we continue to maintain our BUY rating on the stock with a price target of Rs 98, reflecting FY13E P/E multiple of 13.0x.

CMP : Rs.550

Reco : HOLD

Target : Rs.564

STOCK INFO

BSE	500420
NSE	TORNTPHARM
Bloomberg	TRP IN
Reuters	TORP.BO
Sector	Pharmaceutical
Face Value (Rs)	5
Equity Capital (Rs mn)	423
Mkt Cap (Rs mn)	52,100
52w H/L (Rs)	687/499
Avg Daily Vol (BSE+NSE)	89,952

SHAREHOLDING PATTERN

	%
<i>(as on 31st Dec. 2011)</i>	
Promoters	71.51
FII's	5.34
DII's	11.82
Public & Others	11.33

Source: BSE

Key takeaways from Con Call:

- Company's revenue grew 21.8% y-o-y to Rs 6.76 billion in Q3 FY12, primarily on the back of robust 36% y-o-y growth from international business partially attributed to INR depreciation. In constant currency term revenue grew 29% y-o-y
- Brazilian business grew 27% y-o-y (21% in constant currency term) in Q3 FY12 inline with industry growth of ~20%. Launch of new products in this market may delay due to regulatory approval constraints which may moderate revenue growth going forward.
- Heuman (Germany) posted revenue growth of 14% y-o-y in Q3 FY12, on the back of mix of tender & prescription business. Going forward, company is likely to maintain the same growth rate.
- In US, company has reported a good ramp up in its existing portfolio & it reported 67% y-o-y revenue growth in Q3 FY12. Company launched 1 new product (Olanzapine ODT) in USA. Due to low base effect, we expect company to report healthy growth in US business & breakeven can be seen in FY13.
- On the domestic front, Torrent's revenue grew merely 7% y-o-y to Rs 2.92 billion in Q3 FY12. Muted growth was linked with poor performance in acute therapies which grew merely 4% y-o-y while chronic therapies grew in line with industry. Management sounds confident to report in-line with industry growth in FY13, we are of the view that company is likely to underperform domestic market going forward.
- During the quarter company's margin declined sequentially as well as yearly due to lower contribution from domestic market. Further, company is likely to report fourth quarter's seasonally weak results. Hence FY12 is likely to remain muted year. Also we don't have much expectations in FY13. Hence, going forward, relatively lower revenue contribution from domestic business may keep margins under pressure.

Valuation

At CMP of Rs 550, the stock is trading at PE 13.04x & 11.9x of FY12E & FY13E earnings estimates respectively. Although company reported healthy growth in International business but performance in domestic market remained muted, which led to poor operating performance. We maintain our view that company is likely to underperform the market going forward. Growth in domestic market is likely to remain muted for another 2 to 3 quarters. Further, aggressive move of MNC's in emerging markets may harden competition for domestic players. We believe that company's margins are likely to remain under pressure due to relatively lower contribution from domestic market. Declining R&D cost is a cause of concern. We maintain HOLD rating on the stock with downward revised target price of Rs 564. *(valuing at 13x of FY13E earnings estimates)*

(Prior target was Rs.618 @ 14x of FY13E earnings estimates).

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CMP : Rs.168
STOCK INFO

BSE	532947
NSE	IRB
Bloomberg	IRB IN
Reuters	IRBI.BO
Sector	Roads & Highways
Face Value (Rs)	10
Equity Capital (Rs mn)	3,324
Mkt Cap (Rs mn)	55,837
52w H/L (Rs)	230.0/121.0
3m Avg Daily Volume (BSE + NSE)	1,307,747

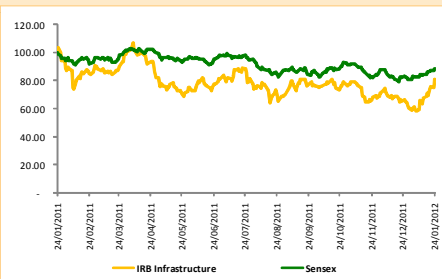
SHAREHOLDING PATTERN

	%
<i>(as on 31st Dec. 2011)</i>	
Promoters	67.6
FII's	17.4
DII's	6.5
Public & Others	8.6

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
IRB INFRASTRUCTURE	22	10	-19
SENSEX	6	0	-11

Source: Capitaline, IndiaNivesh Research

IRB INFRA. v/s SENSEX


Source: Capitaline, IndiaNivesh Research

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Q3FY12 Consolidated Results Update

- IRB Infrastructure reported an impressive set of numbers. The company reported revenues of Rs 7.5 bn, marginally above our expectations of Rs 7.4 bn. Growth in quarterly revenues reflect 1.3% sequential and 11.5% year-over-year increase. From total income perspective, the company reported 14.5% year-over-year and 1.7% sequential increase to Rs 7.7 bn.
- The construction segment reported a 0.3% sequential decline in total income to Rs 5.2 bn (67.5% of Q3FY12 total income). However, on a year-over-year basis the construction segment reported 12.7% increase. BOT segment on the other hand continued to report a healthy 6.3% sequential and 18.4% year-over-year increase to Rs 2.5 bn (32.5% of Q3FY12 total income). As per our analysis, a major chunk of construction revenues were booked from Jaipur-Tonk-Deoli project (~Rs 1.8 bn), Talegaon-Amravati project (~Rs 1.7 bn) and Amritsar-Pathankot project (~Rs 1.0 bn). On BOT Toll revenues front, Mumbai-Pune BOT project reported a sharp 23.6% year-over-year increase in its toll income to Rs 1 bn, Surat-Dahisar reported 11.3% year-over-year increase in toll income to Rs 1.0 bn. Further, the Tumkur-Chitradurga BOT road project started toll collection during the quarter (gross toll income of Rs 380 mn).
- IRB reported EBITDA of Rs 3.4 bn against our expectations of Rs 3.1 bn, despite the challenging inflationary environment. IRB reported EBITDA of 45.8% in Q3FY12 against 43.9% in Q3FY11 and 43.7% in Q2FY12. The improvement in margins is primarily attributable to 34.0% sequential and 41.5% year-over-year decline in the contract expenses to Rs 1.4 bn. On the other hand, IRB witnessed 122% & 100% increase in year-over-year cost of materials purchased and other direct expenses to Rs 1.5 bn and 473.0 mn, respectively.
- Construction segment's EBITDA margin (after including Other Income) improved from 26.5% in Q2FY12 to 27.9% in Q3FY12, reflecting better execution capabilities. On the other hand BOT segment's EBITDA margin (after including Other Income) witnessed improvement from 88.8% in Q2FY12 to 90.2% in Q3FY12, owing to gross toll income booked from Tumkur-Chitradurga BOT project.
- The company reported Net profit of Rs 1.3 bn well above our expectations of Rs 1.0 bn. Steep increase in interest & depreciation expenses led to a 226 bps margin compression scenario on year-over-year basis to 17.6% in Q3FY12. However, on a sequential basis, it is above the last quarter's 15.0%. During the quarter, depreciation and interest expenses increased 23.6% and 73.2% on a year-over-year basis to Rs 723.7 mn and Rs 1.4 bn, respectively. Effective tax rate declined sequentially from 24.9% to 18.0% in Q3FY12, however, it was below the previous quarters 24.9%.
- At the PAT level (post adjustment of Minority Interest), Construction segment reported a marginal 5.5% increase sequentially to Rs 691 mn, whereas, the BOT segment's PAT reported a sharp 39.8% sequential increase to Rs 622.6 mn.

Valuation

At CMP of Rs 168, the stock (on consolidated basis) is trading at FY12E and FY13E, EV/EBITDA multiple of 7.3x and 6.1x, respectively. Given the slow-down seen across the award of new BOT road projects, steady decline seen in the order book (from Rs 117 bn in FY11-end to Rs 91 bn in Q3FY12, thereby now giving revenue visibility for just 30 months), rising debt to equity levels (from 0.92x in FY08 to 1.67x as of Q3FY12-end), declining return on capital employed levels (from 13% in FY10 to 9% in Q3FY12-end) we sense a possible increase in the risk profile of the company. With likely scenario of increase in the debt to equity ratios going forward, we do not have any comfort of expecting a possible re-rating for the stock, going forward.

Consolidated Financials

(Rs in mn.)	Q3FY12	Q2FY12	Q3FY11	q-o-q ch.	y-o-y ch.
Sales & other receipts	7,454.8	7,358.8	6,688.1	1.3%	11.5%
Contract expenses	1,402.8	2,126.8	2,399.9	-34.0%	-41.5%
Cost of materials consumed	1,596.0	1,179.4	718.8	35.3%	122.0%
Other direct expenses	473.0	328.7	235.8	43.9%	100.6%
Employees cost	362.2	313.3	229.6	15.6%	57.7%
Other expenditure	<u>203.9</u>	<u>195.9</u>	<u>168.2</u>	4.1%	21.3%
Total Operating Expenses	4,037.9	4,144.0	3,752.4	-2.6%	7.6%
EBITDA	3,416.9	3,214.9	2,935.6	6.3%	16.4%
EBITDA Margin (%)	45.8%	43.7%	43.9%		
Depreciation	723.7	628.5	585.4	15.1%	23.6%
Other Income	<u>337.6</u>	<u>300.7</u>	<u>117.1</u>	12.3%	188.2%
Profit before Interest	3,030.7	2,887.0	2,467.4		
Interest and finance charges	<u>1,419.6</u>	<u>1,411.5</u>	<u>819.7</u>	0.6%	73.2%
Profit from ord. activities bef. tax	1,611.1	1,475.6	1,647.7	9.2%	-2.2%
Tax expense	<u>290.7</u>	<u>366.9</u>	<u>288.0</u>		
NP before MI & prior period adj.	1,320.4	1,108.7	1,359.7	19.1%	-2.9%
Minority Interest	<u>6.4</u>	<u>8.1</u>	<u>29.6</u>		
Net profit for the period	1,313.9	1,100.6	1,330.1	19.4%	-1.2%
Effective Tax Rate (%)	18.0%	24.9%	17.5%		
PAT Margins (%)	17.6%	15.0%	19.9%		
EPS- Diluted	4.0	3.3	4.0		

Source: Company Filings; IndiaNivesh Research

CMP : Rs.266

Reco : HOLD

Target : Rs.296

STOCK INFO

BSE	532523
NSE	BIOCON
Bloomberg	BIOS IN
Reuters	BION.BO
Sector	Pharmaceutical
Face Value (Rs)	5
Equity Capital (Rs mn)	1000
Mkt Cap (Rs mn)	55,000
52w H/L (Rs)	465/272
Avg Daily Vol (BSE+NSE)	760,013

SHAREHOLDING PATTERN

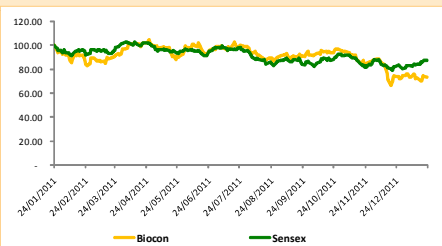
	%
<i>(as on 31st Dec. 2011)</i>	
Promoters	60.91
FII's	3.52
DII's	10.43
Public & Others	25.14

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
BIOCON	0.6	-23.7	-27.1
SENSEX	7.8	-5.4	-12.5

Source: Capitaline, IndiaNivesh Research

BIOCON v/s SENSEX



Source: Capitaline, IndiaNivesh Research

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Key takeaways from con call:

- In Q3 FY12, Biocon reported muted set of numbers mainly due to lower out-licensing income. On the yearly basis out licensing income would be lower in FY12 (~Rs 1.16 billion) compared to FY11 (Rs 1.53 billion).
- Sales of Biopharma business was partially impacted by regulatory & planned decision, which are likely to normalize in coming quarters.
- Biocon's partner Optimer received NDA approval for DIFICLIR (Fidoxamycin) in Dec 2011 and company expect launch of the product in Europe by the end of March 2012. Hence, full benefit of Fidoxamicin API supply would accrue in FY13 onwards.
- Higher expenditure during the quarter was linked to the launch of Insupen (drug device) in domestic market, which is likely to normalize going forward.
- Company's CRAMS business reported robust growth of ~40% y-o-y in Q3 FY12 partially on the back of INR depreciation, we continue to expect this business to maintain healthy growth rate going forward also.
- Company is still in the process of finding a partner for outsourcing its Oral Insulin (IN105) novel molecule.
- We maintain our view that increasing R&D cost and increase in head counts & wages is putting pressure on company's margins, which is likely to persist for the longer period.

Valuation

At CMP of Rs 266, the stock is trading at PE 17.4x & 14.7x of FY12E & FY13E earnings estimates respectively. Company is likely to grow at healthy rate of 18-20% in FY12 & FY113 owing to growth of its product portfolio in branded business & consistent growth in CRAMS business. However, muted growth in API business & high variation in recognizing out licensing income is a cause of concern in near term. Further company's margin may remain under pressure in longer term due to its expansion plan, increase in R&D expenses, head counts & wages. We believe that benefit from sale of Insulin in European market & other markets may take longer time period due to regulatory hurdles, which may lead to hangover on the stock price in near term. However, any positive news flow from the R&D front would be a positive trigger for the stock. On SOTP basis we arrived at **target price of Rs 296** for the stock. (Value of CRAMS business = Rs 48, API business= 155, Branded Formulation= Rs 18, Cash & out Licensing Income= Rs 29, R&D= Rs45). Hence due to limited upside from current level we maintain HOLD rating on the stock.

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