

INDICES

Indices	Previous (day) Close	% chg
Sensex	17,707.31	+0.58%
Nifty	5,361.65	+0.67%

(As on 6th February, 2012)

WORLD INDICES

Indices	Previous (day) Close	% chg
Dow Jones	12,845.13	-0.13%
Nasdaq	2,901.99	-0.13%
S&P 500	1,344.33	-0.04%
FTSE	5,892.20	-0.15%
DAX	6,764.83	-0.03%
CAC	3,405.27	-0.66%

(As on 6th February, 2012)

ASIAN INDICES

Indices	Last Traded	% chg
Nikkei	8,906.16	-0.26%
Hang Seng	20,784.36	+0.36%
Shanghai	2,305.84	-1.09%

(As on 7th February, 2012, 8.00 a.m. IST)

FROM RESEARCH DESK

Stock Updates

Ajanta Pharma Ltd. | Ajanta Pharma touched new high of Rs.421. On 8 June 2011, in our initiating coverage, we recommended Ajanta Pharma at Rs 290 for the target price of Rs 454. Yesterday stock touched new high of Rs 421 yielding return of almost 45% YTD. Yesterday itself stock was up more than 10%, we reached the management and found no specific development. At current level, strategically, we advise investors to book partial profits and to accumulate the stock at dips. However, we maintain our target price of Rs 454.

Bloomberg Estimates
Results Preview
First Cut Analysis

BGR Energy | Improvement in EBITDA margin but order inflows remain a concern

Research Update included

Dr Reddy's Laboratories Ltd. | Q3FY12 Result Update | On the back of 180 days exclusivity of Olanzapine in US, reported strong quarter

Adani Power Ltd. | Q3FY12 First Cut Analysis | Poor set of numbers on the back of higher fuel cost and Forex losses

Cement Monthly | January 2012 | Strong volume growth continues....

Global Markets - Outlook
Result Today
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Important Results expected today :

Bajaj Corp (Rs. In Mn.)	Q3FY12E	Q2FY12A	Q3FY11A	Q-o-Q % Ch.	Y-o-Y % Ch.
Net Sales	1,083	1,068	859	1.4%	26.1%
EBITDA	292	273	260	6.8%	12.2%
Net Profit	295	287	194	2.5%	51.9%
EPS (Rs.)	2.00	1.95	1.32	2.6%	51.5%

Note: Standalone Financials

Source: Bloomberg, IndiaNivesh Research

At CMP of Rs. 107/share, based on street estimates (on standalone basis) the stock is trading at FY12E and FY13E, P/E multiple of 13.7x and 12.1x

Ballarpur Inds (Rs. In Mn.)	Q3FY12E	Q2FY12A	Q3FY11A	Q-o-Q % Ch.	Y-o-Y % Ch.
Net Sales	11,331	11,015	11,269	2.9%	0.6%
EBITDA	2,162	2,047	2,181	5.6%	-0.9%
Net Profit	329	254	480	29.6%	-31.4%
EPS (Rs.)	0.51	0.39	0.73	30.8%	-30.1%

Note: Consolidated Financials

Source: Bloomberg, IndiaNivesh Research

At CMP of Rs. 25/share, based on street estimates (on consolidated basis) the stock is trading at FY12E and FY13E, P/E multiple of 8.5x and 5.6x

GMR Infra (Rs. In Mn.)	Q3FY12E	Q2FY12A	Q3FY11A	Q-o-Q % Ch.	Y-o-Y % Ch.
Net Sales	18,136	18,123	13,588	0.1%	33.5%
EBITDA	5,128	5,014	3,813	2.3%	34.5%
Net Profit	(631)	(625)	(223)	-1.0%	-183.7%
EPS (Rs.)	(0.15)	(0.16)	(0.06)	6.3%	-150.0%

Note: Consolidated Financials

Source: Bloomberg, IndiaNivesh Research

At CMP of Rs. 30/share, based on street estimates (on consolidated basis) the stock is trading at FY12E and FY13E, EV/EBITDA multiple of 17.8x and 10.6x

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M&M Ltd.: Q3FY12 Preview

Quick Fundamentals (Rs. Mn)	Q3 FY12E	Q2FY12	Q3 FY11	QoQ %	YoY %
Volume (Units)	190,288	178,848	153,830	6	24
Revenue	79,847	73,606	61,211	8	30
Average Realization (Rs)	419,611	408,549	394,881	3	6
EBIDTA	9,985	8,740	9,238	14	8
PAT	6,868	7,374	7,347	-7	-7
Adjusted PAT	6,868	5,990	6,172	15	11
EPS (RS.)	11.19	12.01	11.97		
Margin %	Basis Points				
EBITDA %	12.5	11.9	15.1	63	(259)
PAT %	8.6	10.0	12.0	(142)	(340)
Adj. PAT %	8.6	8.1	10.1	46	(148)

Source: Capitaline; IndiaNivesh Research; BL- Bloomberg Estimates

- The revenue of the company is expected to increase by 30% YoY (8% QoQ) to Rs 79847 mn driven by 24% YoY (6% QoQ) volume growth to 190,288 units. Realization is likely to improve by 6% YoY (3% QoQ) driven by price increases of 1.5-2% in the auto segment in Oct 2011 and by 1.5% in the tractor business at the fag-end of Sep 2011.
- Looking at YoY, EBITDA margin of the company is likely to descend by 259 bps owing to high input costs and therefore, EBITDA growth could be limited to 8% YoY to Rs 9,985 mn. However, QoQ, there could be surge in the EBITDA margin due to softening of input cost from their peak level.
- However, PAT is likely to fall around 7% (QoQ & YoY) to Rs 6868 mn due to base effect. In the Q3FY11, there was extraordinary income of Rs 1174 mn due to a profit on exercise of a put option. While in Q2FY12, the company received Rs 1384 mn as dividend from subsidiaries / joint ventures. However, after adjusting these extraordinary items, PAT could increase 15% QoQ and 11% YoY.

Key things to watch out

- View on raw material cost
- View on currency hedges taken by the company
- Performance of Korean Subsidiary - Ssangyong Motor

Valuation

At CMP of Rs 710, M&M is trading at 15.16x of its FY12e EPS and 12.84x of its FY13e EPS which is at par with its historical average. Nonetheless, we have positive view on the stock due to its strong product portfolio catering to both urban & rural section apart from diesel based. The successful launch of SUV XUV500 (a premium segment product), added a new feather in M&M product portfolio which was earlier rural based. Being a diesel product and attractively priced, the SUV has received overwhelming response. Apart for this, M&M is deriving benefit from rural India growth story led by rising agriculture due to better monsoon, increase in the agriculture credit and labor shortage leading to farm mechanization. Therefore, with market share of around 43% & 55% in tractor & UVs segment respectively, new launches lined up (Reva electric NXR, M&M-Navistar trucks and Ssangyong SUVs) and strong product mix catering to all consumer segments, company is expected to continue with good volumes going forward. For 9 months period FY12, the company has achieved impressive volume growth of 29% in Auto segment and 19% in the farm segment.

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IL&FS Trans: Q3FY12 Preview

IL&FS Trans (Rs. In Mn.)	Q3FY12E	Q2FY12A	Q3FY11A	Q-o-Q % Ch.	Y-o-Y % Ch.
Net Sales	12,585	12,555	7,309	0.2%	72.2%
EBITDA	3,213	3,567	2,207	-9.9%	45.6%
Net Profit	1,024	1,162	616	-11.9%	66.2%
EPS (Rs.)	5.01	5.98	3.15	-16.2%	59.2%

Note: Consolidated Financials

Source: IndiaNivesh Research

Valuation: At CMP of Rs. 215/share, (on consolidated basis) the stock is trading at FY12E and FY13E, EV/EBITDA multiple of 7.6x and 6.3x.

We continue to maintain our BUY rating on the stock with a price target of Rs 273. Our estimates are above-street estimates and reflect our view that the company would report stronger revenue on the back of increased construction activity flowing from its Build-Own-Transfer (BOT) projects. Given the increased revenue contribution from EPC works, we sense that there would some more margin compression to be seen during the quarter.

Key things to watch out for are: Update on the execution and margins of the Engineering, Procurement, Construction (EPC) projects being executed.

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Cadila Healthcare Ltd. Q3 FY12 Preview

(Rs Mn)	Q3 FY 12E	Q2 FY 12 - A	Q3 FY 11 - A	Y.o.Y	Q.o.Q
Sales	13,799	12,196	11,346	21.6%	13.1%
EBITDA	2,767	2,371	2,562	8.0%	16.7%
Net Profit	1,690	1,027	1,695	-0.3%	64.6%
EPS (Rs.)	8.37	5.02	8.14	2.9%	66.9%

Source: Bloomberg; IndiaNivesh Research

Key things to watch out: Revenue growth in domestic market will be key thing to watch out. Revenue contribution from the acquisition of Biochem. U.S. market would maintain healthy growth, however revival in other export would be watched carefully. Due to low contribution from domestic market, margins may remain under pressure. Management's commentary on the revival of overall business growth & measures for achieving goal of \$3 billion revenue by 2015.

Valuation: At CMP of Rs 674, the stock trades at 18.5x & 14.9x of FY12E & FY13E street earnings estimates. Our rating & target price is under review.

CMP : Rs.246

STOCK INFO

BSE	532930
NSE	BGREENERGY
Bloomberg	BGRL.IN
Reuters	BGRE.BO
Sector	Capital Goods
Face Value (Rs)	10
Equity Capital (Rs Mn)	721.6
Mkt Cap (Rs Mn)	17,751
52w H/L (Rs)	588/ 172.55
Avg Daily Vol (BSE+NSE)	677,030

SHAREHOLDING PATTERN

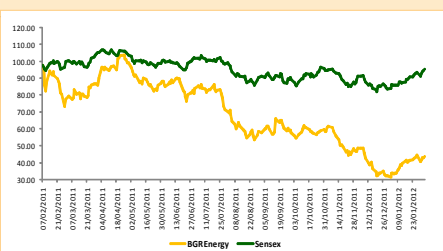
	%
<i>(as on 31st Dec. 2011)</i>	
Institutions	5.12
Others, Incl Public	13.75
Promoters	81.13

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
BGR ENERGY	28	-28	-56
SENSEX	10	1	-5

Source: Capitaline, IndiaNivesh Research

BGR ENERGY v/s SENSEX



Source: Capitaline, IndiaNivesh Research

BGR Energy

Improvement in EBITDA margin but order inflows remain a concern

BGR Energy reported its Q3 FY12 numbers (Standalone) which show mixed performance as both revenue and net profit were below street expectation but EBITDA margin improved driven by lower raw material cost. Revenue decreased by 36% y-o-y basis to Rs. 8.03 bn against street expectation of Rs.10.31 bn due to 38% de growth in construction and EPC segment. Net profit decreased by 37% y-o-y during the quarter to Rs 547 mn against street expectation of 595 mn mainly by higher interest cost. However, sequential basis revenue and net profit were higher by 4.18 and 6.60 percent respectively. An exhausting order book remains a major concern for the company. The order book currently stands at around Rs. 80 bn (Rs. 72 bn at the end of Q2FY12) and during Q3 FY12 company received EPC contract worth Rs.16.98 bn from TRN energy Pvt. Ltd.

EBITDA margin improved due to lower raw material cost

During Q3 FY 12 , EBIDTA margin increased by 205 bps and 463 bps q-o-q/y-o-y on account of lower raw material cost. Raw material cost eased substantially during the quarter (as a% of Net Sales) to 73.08% compared to 80.61 % in Q3FY11 and 75.48% in Q2FY12 while Employee cost increased (as a% of Net Sales) from 5.42% to 5.99% q-o-q basis. Other expenditure remained flat (as a% of Net Sales). The company also witnessed improvement in EBIT margin on the back of 455 bps y-o-y and 328 bps q-o-q- increase in construction and EPC segment.

Net Profit margin contracted on account of higher interest cost

Net profit decreased by 36% y-o-y to Rs. 547 mn as against Rs 876 mn in same quarter in the previous year due to lower EBITDA and higher interest expenses. Other income was nil compared to 17 mn in Q3 FY 11. The interest cost jumped substantially 175% y-o-y and 53% Q-o-Q to Rs 462 mn. The depreciation was slightly higher to Rs 41 mn compared to 34 mn in Q3 FY11. This has escalated the de growth at PBT level to 37% y-o-y to Rs. 810 mn. Net profit margin contracted by 16 bps to 6.81% compared to 6.97% in Q3 FY11.

Order inflows subdued due to slowdown in power sector

An exhausting order book remains a major concern for the company. The order book currently stands at around Rs. 80 bn (Rs. 72 bn at the end of Q2FY12. During Q3 FY12 company received EPC contract worth Rs.16.98 bn in from TRN energy Pvt. Ltd. The company is also L1 for NTPC’s bulk tender-2 (4x800 MW) for turbine packages. The company is also likely to receive orders for four packages of TG (Turbo Generator) sets worth ~Rs.30 bn, thus marking its first order in the supercritical space and in its JV with Hitachi.

Valuation

At CMP Rs. 246 stock currently trades at 6.21x FY12E and 7.25x FY13E earnings, which is lower than its historical average of 12x. Concern remains over BGR Energy’s lower revenue visibility due to subdued order inflow as well as the possibility of further pressure on the company’s margin and earnings for FY13. However, this is offset by the stock’s reasonable valuation and stock is trading at significant discount on historical PE band. We do not see any significant downside in the stock. We advise investors accumulate the stock with potential upside of 20% to Rs. 280-300 (based on 9x FY13 EPS). Management will conduct conference call on Tuesday (at 10.30 a.m (IST) and we will update if there is anything significant.

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BGR Energy (contd...)

Quick Fundamentals (Rs. Mn)					
BGR ENERGY	Q3FY12	Q2FY12	Q2FY 11	Q-o-Q %	Y-o-Y %
Revenue	8,037	7,715	12,569	4.18	-36.05
Cost of Revenues	6,724	6,613	11,097	1.68	-39.40
Increase/Decrease in stock in trade	2	0	-31.7	-1,900.00	-105.67
Raw materials	5,874	5,824	10,133	0.86	-42.03
Employee Cost	482	418	415	15.08	16.10
Other Expenditure	367	371	581	-1.11	-36.89
EBIDTA	1,313	1,102	1,472	19.17	-10.79
Depreciation	41	40	34	3.00	20.43
EBIT	1,272	1,062	1,438	19.77	-11.53
Interest Expense	462	302	168	52.95	175.35
Other income	0.00	0.40	17	NA	-100.00
PBT	810	761	1,287	6.55	-37.03
Provision for taxation	263	247	411	6.43	-36.07
PAT	547	514	876	6.60	-37.48
EPS (RS.)	7.6	7.1	12.2	6.44	-37.57
	Margin %	Margin %	Margin %	BPS	BPS
EBITDA %	16.3	14.3	11.7	205.5	463
EBIT %	15.8	13.8	11.4	206.1	439
PBT %	10.1	9.9	10.2	22.4	-16
PAT %	6.81	6.66	6.97	15.5	-16

Source: Company Filings; IndiaNivesh Research;

CMP : Rs.1,670
Reco : BUY
Target : Rs.1,900
STOCK INFO

BSE	500124
NSE	DRREDDY
Bloomberg	DRRD IN
Reuters	REDY.BO
Sector	Pharmaceutical
Face Value (Rs)	5
Equity Capital (Rs mn)	848
Mkt Cap (Rs mn)	278,860
52w H/L (Rs)	1716/1387
Avg Daily Vol (BSE+NSE)	106,927

SHAREHOLDING PATTERN

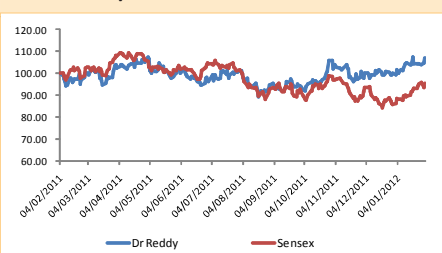
	%
<i>(as on 31st Dec. 2011)</i>	
Promoters	25.61
FII's	27.05
DII's	13.77
Public & Others	33.47

Source: BSE

STOCK PERFORMANCE (%) 1m 3m 12m

DR REDDY	2.1	1.1	3.5
SENSEX	9.9	-0.8	-3.2

Source: Capitaline, IndiaNivesh Research

DR REDDY v/s SENSEX


Source: Capitaline, IndiaNivesh Research

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- On the back of 180 days exclusivity of Olanzapine in US, Dr Reddy reported robust revenue growth of ~46% y-o-y 22% q-o-q to Rs 27.69 billion in Q3 FY12 above our estimates of Rs24.09 billion. Olanzapine reported a revenue of \$99 million during the quarter which led the revenue growth of Global generics business & North America business.
- Company's **global generics business** (contributed 77% of total revenue) reported a strong revenue growth of 56.6% y-o-y to Rs 21.28 billion in Q3 FY12. The growth was mainly led by 133% y-o-y growth from North American business on the back of launch of Olanzapine with 180 days exclusivity during the quarter. While excluding sale of Olanzapine, North America business grew 40% y-o-y & almost flat on sequential basis.
- European Business grew ~14.3% y-o-y to Rs 2.43 billion primarily led by new launches in Rest of Europe & INR depreciation while in Euro term revenue was almost flat, partially offset by tender based price erosion in Germany business.
- Domestic business grew 10.8% y-o-y to Rs 3.33 billion driven by volume increase in key products and 6 new launches during the quarter. Growth in revenue was also supported by 25% y-o-y increase in bio-similar portfolio products which contributes ~7% of total domestic revenue.
- Russia & CIS business grew 15.4% y-o-y to Rs3.32 billion primarily driven by OTC portfolio which grew 24% y-o-y.
- ROW business grew 34% y-o-y to Rs 1.1 billion driven by Glaxo partnership deal for emerging countries.
- Company's **PSAI business** reported a revenue growth of 11.7% y-o-y to Rs 5.56 billion in Q3 FY12 primarily led by 52% y-o-y growth from North America business & 38.6% y-o-y growth from domestic business partially offset by ~10% decline in European business. (See the table given below).

Revenue Mix by Segment

Rs Mn	Q3 FY12	Contribution	Q3 FY11	Contribution	y-o-y
Global Generics					
North America	11,114	52%	4,765	35%	133.2%
Europe	2,426	11%	2,123	16%	14.3%
India	3,333	16%	3,007	22%	10.8%
Russia & Other CIS	3,317	16%	2,875	21%	15.4%
RoW	1,097	5%	819	6%	33.9%
Total Global Generics	21,287	77%	13,589	72%	56.6%
PSAI					
North America	1,170	21%	770	15%	51.9%
Europe	1,651	30%	1,830	37%	-9.8%
India	862	15%	622	12%	38.6%
RoW	1,880	34%	1,758	35%	6.9%
Total PSAI	5,563	20%	4,980	26%	11.7%
Proprietary Products & Others	842	3%	417	2%	101.9%
Total	27,692	100%	18,986	100%	45.9%

Revenue Mix by Geography

(In Rs Millions)	Contribution	Contribution	y-o-y
North America	12,826	46%	120.3%
Europe	4,325	16%	6.1%
India	4,194	15%	15.5%
Russia & Other CIS	3,317	12%	15.4%
Others	3,030	11%	17.6%
Total	27,692	100%	45.9%

Source: Company Filings; IndiaNivesh Research

High cash flow linked with Olanzapine improved operating performance

On the back of higher revenue from North America, Dr Reddy reported gross profit of Rs 12.20 billion, up ~46% y-o-y. Gross margin increased ~500 bps y-o-y to 59.9% level in Q3 FY12 due to decline in material cost linked with change in product mix.

Company's Operating profit grew 170% y-o-y & ~36% q-o-q to Rs 7.38 billion in Q3 FY12, above our estimate of Rs 5.02 billion. Operating Margin increased 1225 bps y-o-y & 1110bps q-o-q to 26.7% level due to higher gross margin during the quarter linked with change in product mix. (see the table given below).

Ratios	Q3 FY12	Q3 FY11	bps change	Q2FY12	bps change	FY11
Gross Margin	59.9%	54.9%	500	53.8%	604	53.9%
Operating Margin	26.7%	14.4%	1,225	15.6%	1,110	15.4%
Net Margin	16.5%	13.1%	340	11.8%	464	13.3%
Material cost/ Total Income	28.4%	31.7%	(329)	33.8%	(541)	32.4%
Other Expenses	13.1%	15.3%	(226)	15.3%	(222)	16.1%
R&D Expenses/ Total Income	5.5%	6.9%	(141)	6.4%	(97)	6.8%
SGA/Total Income	27.7%	33.6%	(584)	31.8%	(409)	31.7%
Tax Rate	36.4%	5.8%	3,067	19.0%	1,743	12.4%

Source: Company Filings; IndiaNivesh Research

Robust performance in top-line transferred to bottom line.

Linked with high cash flow from Olanzapine, effective tax rate increased 3067 bps to ~36% level in Q3 FY12. Adj net profit grew 84% y-o-y & 70% q-o-q to Rs 4.57 billion in Q3 FY12 above our estimate of Rs 3.75 billion. Net margin grew 340 bps y-o-y & 464 bps q-o-q to 16.5% level.

Company reported adj EPS of Rs 26.94 in Q3 FY12 compared to Rs 15.85 in Q3 FY11.

Opportunities in North America:

Company launched Olanzapine with 180 days exclusivity in US in Q3 FY12 and it contributed \$99 million revenue. We expect this product to contribute another \$100 million during exclusivity period. Fondaparinux has gained ~18% market share which is likely to increase going forward. Dr Reddy's other key products Lansoprazole, Tacrolimus & Omeprazole are gaining market share. However Allegera D24's performance was below expectation. Ziprasidone & Rosiglitazone are other two 180 days exclusivity opportunities for Dr Reddy in Q1 FY13 which are likely to contribute ~\$ 100 million combinedly.

During the quarter Company filed 3 ANDAs to reach cumulative 187, out of which 79 are still pending approval with USFDA of which 40 are Para IVs including 10 FTFs.

Domestic business would catch-up industry growth from next quarter onwards:

Company's domestic market is likely to return back to normal growth i.e inline with industry growth of ~14% after its calibrated efforts of restructuring products & field force. Dr Reddy's bio-similar portfolio contributes ~7% of domestic revenue which grew 25% y-o-y during the quarter.

Bio-similar portfolio would help to improve margins:

Strong product pipeline in launch of bio-similar in other emerging markets would ramp-up the growth & margins of the company. Management expects bio-similar portfolio to reach at ~\$100 million in next 2-3 years from current ~\$30 million. Further, increase in contribution from bio-similar products would help to improve margins going forward.

Russian business would remain consistent:

Dr Reddy accrued higher expenses in Russia & CIS in previous quarters on marketing expenses to promote its OTC portfolio, which contributes ~25% of total Russian business. We are of the view that company is likely to maintain healthy growth momentum in Russia & CIS region.

Valuations

On the back of Strong management, rich R&D pipeline including bio-similars and strong ANDAs filings, we remain bullish on the stock. Also, new launches in US & increase in contribution from domestic market would keep stock in buzz.

At CMP of Rs 1,670, the stock is trading at PE 19.3x & 18.1x of FY12e and FY13e earnings estimates respectively. The stock has traded at avg. PE of 20x in last 5 years. Due to robust performance of the company and FTF opportunities in coming years. We upgrade our target to Rs.1900 (valuing at 20x of FY13E earnings estimate) and maintain BUY rating on the stock (earlier target price was Rs.1,822).

Key Risk

Sluggish performance in European business & lumpiness in PSAI business.

Increasing R&D cost may have negative impact on margins in short term.

Important ANDAs pipeline:

Drug Name	Category	Brand	Company	Market Size (\$ Mn)	Parent Expiry date	C o m m e n t
1 Fondaparinux	Anticoagulant	Arixtra	GSK	200	2011 Sep	Launched in August 2011, has gained 18% Rx market share.
2 Fexofenadine + Pseudoephedrine	Anti histamine	Allegra D- 24	Sanofi	400	Jan-11	Launched OTC product in Sep-2011
3 Olanzapine	Schizophrenia	Zyprexa	Eli-lilly	1300	23-Oct-11	Launched with Teva, by sharing exclusivity for 20 mg strength only in Oct 2011
4 Esomeprazole	PPI	Nexium	Astra Zeneca	4500	Nov-14	Ranbaxy
4 Fenofibrate	anti hypertensive	Antara	Lupin		May-14	Lupin sold ANDA to DR Reddy post acquisition to brand. Paddock, Ranbaxy, Apotax & other filer.
5 Desloratadine	Anti-allergic	Clarinex	Schering-Plough	249	Dec-14	Company has tentative approval on the product, currently in the process of settling down the product, not significant due to multiple filers
6 Rosiglitazone	Anti-Diabetic	Avandia	GSK	408	Mar-12	Teva settled with GSK to launch in Q1 2012. it is shared opportunity with Teva.
7 Ziprasidone	Schizophrenia	Geodon	Pfizer	873	Mar-12	Share exclusivity of Dr Reddy & Lupin, likely launch by the end of March 2012.
8 Quetiapine	Bipolar Disorder	Seroquel	Astra Zeneca	3117	Mar-12	Company feels it's a limited competition opportunity for Dr Reddy, (source: Q2 FY12
9 Rivastigmine	brain disorder	Exelon		92	Sep-11	23 Sep 2011, company launched the product in US market.
10 Atorvastatin	Anti-Cholesterol	Lipitor	Pfizer	5000	Nov-11	Ranbaxy is FTF and launched with AG Watson, Mylan and Teva likely to enter in May 2012, Dr Reddy settled it with Pfizer. Other filer are Aurobindo, McLeods, Actavis & Kudco
11 Montelukast	Anti-allergic	Singular	Merk	3200	Aug-12	Teva is FTF filler & likely launch after exclusivity, Teva lost in first round to Merc. Expected launch in
12 Clopidogrel	Blood thinner	Plavix		5961	May-12	Apotex launched in 2006 at risk & recently paid penalty of USD 551 mn, exclusivity expires on 17th
13 Ibandronate	Osteoporosis	Boniva		506	Sep-12	Multiple
14 Finasteride	Male pattern baldness	Proscar		148	Jan-13	DR Reddy is FTF, opportunity likely to be recurring, launch may be in Jan -13.
15 Pioglitazone	Anti Diabetic	Actos		3212	Feb-13	Ranbaxy, Mylan & Watson are FTF, Dr Reddy likely to enter after exclusivity.
16 Esomeprazole + Magnesium + Naproxen	Osteoarthritic pain	Vimovo		50	Apr-13	Dr Reddy may be FTF, Lupin is other filler
17 Valganciclovir	Anti Viral	Valcyte	Roche Holdings	400	Aug-15	Also Roche sued Sandoz, Endo, Apotex for the same drug, Ranbaxy is FTF for this product & has settled for Mar-13 launch.
18 Esomeprazole	GERD	Nexium	Astra Zeneca	2700	Nov-14	Ranbaxy is FTF, Teva, Lupin sandoz are other filer known
19 Memantine	Alzheimer's Disease	Namenda		600	Apr-15	settled, not a meaningful opportunity
20 Zoledronic Acid	Osteoporosis (post Menopausal)	Zometa	Novartis			Received tentative approval in Dec 2011

Source: Company Filings; IndiaNivesh Research

Particulars (All figures in Rs Million except EPS, IFRS reporting)

	Q3 FY12	Q3 FY11	Y-o-Y %	Q2FY12	Q-o-Q %	FY11
Net Income from Sales and Services	27,692	18,986	45.9%	22,678	22.1%	74,693
(Increase) / decrease in stock	(361)	(353)	2.5%	(658)	-45.1%	(1,776)
Consumption of raw materials	7,863	6,015	30.7%	7,666	2.6%	24,187
Other expenditure	3,615	2,908	24.3%	3,465	4.3%	12,019
Gross Profit	16,575	10,415	59.1%	12,205	35.8%	40,263
SG&A Exp	7,678	6,373	20.5%	7,216	6.4%	23,690
R&D Exp	1,514	1,306	15.9%	1,459	3.7%	5,060
Operating profit	7,382	2,737	169.8%	3,529	109.2%	11,513
Finance (expense) / income, net	(225)	(98)	129.6%	(225)	0.0%	(189)
Profit/Loss to equity affiliates, net of tax	26	(1)	-3742.9%	13	91.7%	3
Profit / (loss) before tax	7,183	2,638	172.3%	3,318	116.5%	11,327
Tax Expense	2,617	152	-100.0%	630	315.2%	1,403
Net Profit after tax (Adjusted)	4,566	2,486	83.7%	2,687	69.9%	9,924
Forex gain (Loss)	151	(45)	-435.6%	151	0.0%	-
Profit on sale of Investment	25	93	-73.2%	25	0.0%	-
Other (income) / expense, net	165	198	-100.0%	215	-100.0%	1,115
Net Profit (Reported)	4,907	2,732	79.6%	3,079	59.4%	11,039
Paid up equity capital (Rs 5 per share)	848	844	0.4%	848	0.0%	844
Adj EPS	26.94	14.73	82.9%	15.85	-94.8%	58.78

Source: Company Filings; IndiaNivesh Research

CMP : Rs.82

STOCK INFO

BSE	533096
NSE	ADANIPOWER
Bloomberg	ADANI.IN
Reuters	ADAN.BO
Sector	POWER
Face Value (Rs)	10
Equity Capital (Rs Mn)	21800
Mkt Cap (Rs Mn)	178,760
52w H/L (Rs)	127.75/59.40
Avg Daily Vol (BSE+NSE)	1,346,650

SHAREHOLDING PATTERN

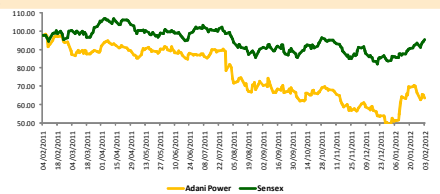
SHAREHOLDING PATTERN		%
<i>(as on 31st Dec. 2011)</i>		
Institutions	11.22	
Others, Incl Public	15.28	
Promoters	73.5	

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
ADANI POWER	21	-6	-36
SENSEX	10	1	-5

Source: Capitaline, IndiaNivesh Research

ADANI POWER v/s SENSEX



Source: Capitaline, IndiaNivesh Research

Poor set of numbers on the back of higher fuel cost and Forex losses

Adani Power Ltd (APL) reported poor set of numbers in Q3 FY12. Revenue for Q3FY12 decreased by 1% q-o-q basis to Rs. 10.59 bn below street expectation of Rs. 10.97 bn while on profitability front the company reported net loss of Rs. 3.58 bn against street expectation of net profit 2.11 bn mainly by higher fuel cost and forex loss of Rs 2.04 bn.

- Top line jumped by 111% y-o-y basis largely on account of addition of power generation capacity, taking the total power generation capacity to 2640 MW added 1320 MU in FY11 and 660 MW in last quarter. However, revenue degrew by 1% q-o-q basis due to lower average realization of Rs. 3.51 unit vs. Rs. 3.62 in Q2FY12. PLF declined to 66% during this quarter against 86% in Q3 FY11. The company sold 3018 million unit powers in Q3 FY12 vs. 2959 Million unit in Q2 FY12 and 1717 Million unit in Q3 FY11.
- EBITDA for the quarter was Rs 2.1 bn slid by 59% q-o-q led by higher fuel cost which jumped by 68% on account of regulatory change in Indonesian coal prices. The fuel cost increased q-o-q (as a % of Total Income) from 40.81 % to 69.50% while staff cost increased to 1.29% from 1.11%. Other expenditure remained flat. EBITDA Margin declined by 2842 bps q-o-q to 20%.
- On Bottom line front, company reported net loss of Rs. 3.58 bn against street expectation of net profit 2.11 bn led by higher fuel cost and derivative MTM forex loss of Rs 2.04 bn (buyer's credit on imported coal). Other income was Rs 22 mn jumped by 246% q-o-q. The depreciation was higher to Rs 1.57 bn Q3 FY12 compared to 1.05 bn in Q3 FY11 on account of 660 MW capacity addition at Mundra. The interest cost increased by 4% q-o-q to Rs 1.38 bn due to addition in debt for its undergoing projects.

Valuation

At CMP Rs. 82 the stock is trading at 2.37x FY12E BV and 1.90x FY13E BV. We believe constant capacity expansion is positive for company and will boost the top line of company. However, increasing uncertainty related to coal (mainly pricing and supply) and lower realization rate are the key concerns for stock. We maintain our negative view on this stock.

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Quick Fundamentals (Rs. Mn)					
Adani Power	Q3 FY12	Q2 FY12	Q3 FY11	Q-o-Q %	Y-o-Y %
Revenue	10,595	10,724	5,026	-1	111
Cost of Revenues	8,474	5,530	2,296	53	269
Fuel Cost	7,364	4,377	1,790	68	311
Other Expenditure	973	1,033	430	-6	126
Staff cost	137	120	76	15	81
EBIDTA	2,120	5,194	2,730	-59	-22
Depreciation	1,570	1,053	455	49	245
EBIT	550	4,141	2,275	-87	-76
Interest Expense	1,387	1,336	532	4	161
Other income	22	6	15	246	48
Exceptional item(MTM) gain/loss	2,047	558	29	267	6,933
PBT	-2,861	2,253	1,758	-227	-263
Provision for taxation	719	478	667	50	8
PAT	-3,580	1,775	1,091	-301.72	-428
EPS (RS.)	-1.64	0.81	0.50	-301.72	-428
	Margin %	Margin %	Margin %	Basis Points (BPS)	
EBITDA %	20.0	48.4	54.3	-2842	-3,430
EBIT %	5.2	38.6	45.3	-3342	-4,007
PBT %	-27.0	21.0	35.0	-4801	-6,199
PAT %	-33.8	16.5	21.7	-5034	-5,550

Source: Company Filings; IndiaNivesh Research

Cement giants ACC, Ambuja and Ultratech together, reported 8.7% year-over-year increase in their dispatches for the month of Jan-2012 to 7.87 mn tonnes. Dealers surveyed cited (1) increase in construction works across Eastern India & (2) marginal uptick in consumption across the Western India as key reasons for such higher dispatches.

Our recent 20-city survey across regions indicate that Western and Eastern region witnessed upside in cement pricing trends during Jan-12. Northern India witnessed an almost flat pricing environment. Whereas, Central and Southern region experienced mixed bag of pricing trends.

Northern Region (Delhi/NCR, Jaipur, Ludhiana, Jalandhar)

As per our dealer's survey, prices across Northern region have been flat during Jan-12 (compared to ~Rs 20/bag decrease seen in Dec-11). Pricing stability is on the back of improved consumption patterns seen in rural and semi-urban areas. Despite the recently concluded state assembly elections in Punjab (on Jan-30, 2012), dealers in Punjab have cited continued demand consumption trends. Prices across other North Indian regions have been almost flat after having witnessed pricing volatility for the prior 6 weeks.

City	Recent Trend	Price as on 2 Feb 2012		Price as on 3 Jan 2012		Expected Trend
		Trade	Non-trade	Trade	Non-trade	
Northern Region						
Delhi/NCR	↔	260-265	225-230	260-265	225-230	↑
Jaipur	↔	255-260	230-235	255-260	230-235	↑
Ludhiana	↔	305-310	285-290	300-305	285-290	↑
Jalandhar	↔	310-316	295-300	310-316	295-300	↑

Expected Trend: Dealers have expressed optimism regarding price increases in Feb-2012, given the strong construction activity seen every year during Feb-Apr. However, given the lesser number of projects (on a year-over-year basis) being executed currently across both, real estate and infrastructure, we are of the view that demand should be slightly lower. This when coupled with pricing discipline being followed by Tier 1 cement players, should lead to upward pricing trend.

Central Region (Bhopal, Lucknow, Kanpur, Allahabad)

Our dealership survey indicates a mixed set of response towards the cement demand (poor demand seen in Bhopal, Lucknow, Kanpur vs. strong demand seen across Allahabad). Prices have been stable in Bhopal despite the poor demand, in anticipation of improvement in the demand. Cement prices in Kanpur increased by Rs 20/bag despite poor demand owing to supply related constraints. Interestingly, Lucknow reported a Rs 10/bag decline on account of poor demand & Allahabad witnessed increase in both demand and cement prices. Both, these cities are heading for state assembly polls scheduled on 19 & 15 Feb, 2012, respectively.

City	Recent Trend	Price as on 2 Feb 2012		Price as on 3 Jan 2012		Expected Trend
		Trade	Non-trade	Trade	Non-trade	
Central Region						
Bhopal	↔	260-265	240-245	260-265	240-245	↔
Lucknow	↓	240-245	210-215	250-255	220-225	↑
Kanpur	↑	255-260	245-250	235-240	225-230	↔
Allahabad	↑	250-260	240-250	210-215	200-205	↑

Expected Trend: On account of a mixed set of demand in Central India in the near term, we expect the prices to be flat to upwards. Only Allahabad amongst the 4 cities from Central India, has seen strong demand, with others reporting decline in demand levels. Allahabad is expected to witness another Rs 10-15/bag of price increases in the next one month, on the back of continued increase in consumption levels.

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Southern Region (Hyderabad, Chennai, Bangalore, Goa)

Our dealership survey indicates a mixed set of response towards the cement demand (poor demand seen in Hyderabad, Bangalore vs. surge in demand seen across Chennai, Goa). Ongoing political turmoil in Andhra Pradesh and infighting within the ruling BJP in Karnataka has led to an almost muted demand environment. Owing to lack of demand, prices in Andhra Pradesh declined by Rs 10/bag. On the other hand, consumption in rural & urban Real Estate sector led to flat pricing scenario in Karnataka.

City	Recent Trend	Price as on 2 Feb 2012		Price as on 3 Jan 2012		Expected Trend
		Trade	Non-trade	Trade	Non-trade	
Southern Region						
Hyderabad	↓	295-300	285-290	305-310	295-300	↔
Chennai	↓	295-300	275-280	300-305	280-285	↔
Bangalore	↔	305-315	290-295	305-310	290-295	↔
Goa	↑	300-305	295-300	295-300	290-295	↑

Expected Trend: Despite poor demand in Andhra Pradesh and Karnataka, dealers anticipate pricing stability in Feb. on the back of a scenario where supplies are likely to be upheld.

Western Region (Mumbai, Ahmedabad, Nagpur, Surat)

Cement prices across Western region again witnessed upward pricing trend in the range of Rs 10/bag after being stable for one-month. This uptrend in prices is due to the improvement seen in demand. Demand improvement in Mumbai reflects the impact of increased construction activity ahead of the civic body polls, scheduled in Feb.2012.

City	Recent Trend	Price as on 2 Feb 2012		Price as on 3 Jan 2012		Expected Trend
		Trade	Non-trade	Trade	Non-trade	
Western Region						
Mumbai	↑	305-310	295-300	295-300	285-290	↑
Ahmedabad	↑	287-292	265-270	277-282	255-260	↔
Nagpur	↑	280-285	265-270	270-275	255-260	↑
Surat	↑	290-295	270-275	280-285	260-265	↑

Expected Trend: Owing to increase in the demand, dealers anticipate cement prices to go up by Rs 10/bag in Mumbai. On the back of good demand to be seen ahead of Holi, dealers from Nagpur and Surat expect price hike to the tune of Rs 15-20/bag. We are of the view that, prices in Urban Maharashtra would continue to hold firm, owing to increased construction activity on account of civic body polls.

Eastern Region (Kolkata, Patna, Bhubaneswar, Raipur)

Cement prices across Eastern region witnessed upward pricing trend in the range of Rs 15-20/bag, after having declined by Rs 20-40/bag during Dec-2011. Patna & Bhubaneswar registered maximum price rise of Rs 20/bag on account of lower Dec-2011 base (when prices fell by ~Rs 40/bag) price and supply bottlenecks being taken care of by cement producers.

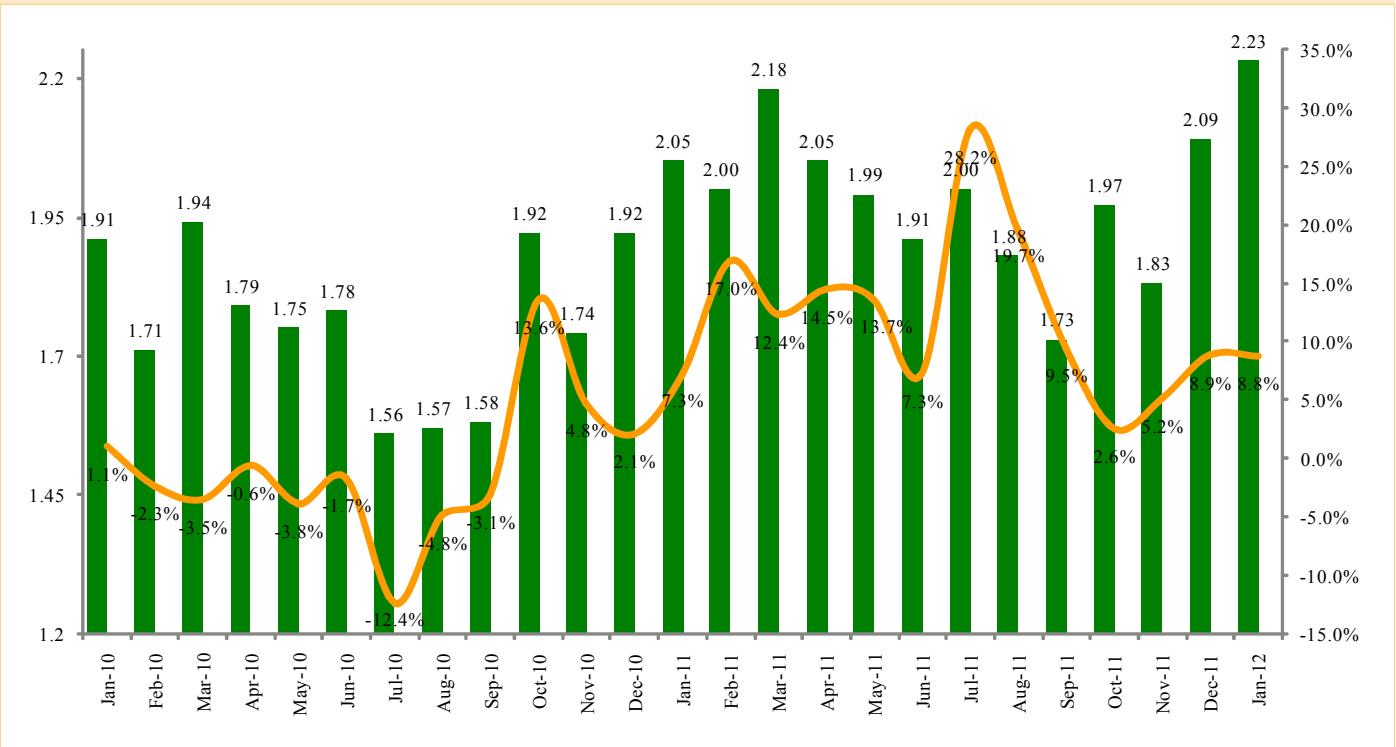
City	Recent Trend	Price as on 2 Feb 2012		Price as on 3 Jan 2012		Expected Trend
		Trade	Non-trade	Trade	Non-trade	
Eastern Region						
Kolkata	↑	320-330	310-315	305-310	295-300	↑
Patna	↑	300-305	290-295	280-285	270-275	↑
Bhubaneswar	↑	320-325	310-315	280-285	270-275	↑
Raipur	↑	235-240	225-230	220-225	210-215	↑

Expected Trend: Cement prices, after reverting back to their Nov-2011 prices, are expected to increase by Rs 10/bag across Eastern India, on the back of continued increase in demand.

Company-wise Cement dispatches

ACC Ltd: ACC reported 8.8% year-over-year increase in its Jan-2012 cement dispatches to 2.23 mn tonnes. On a month-over-month basis, dispatch volumes increased by 6.7%.

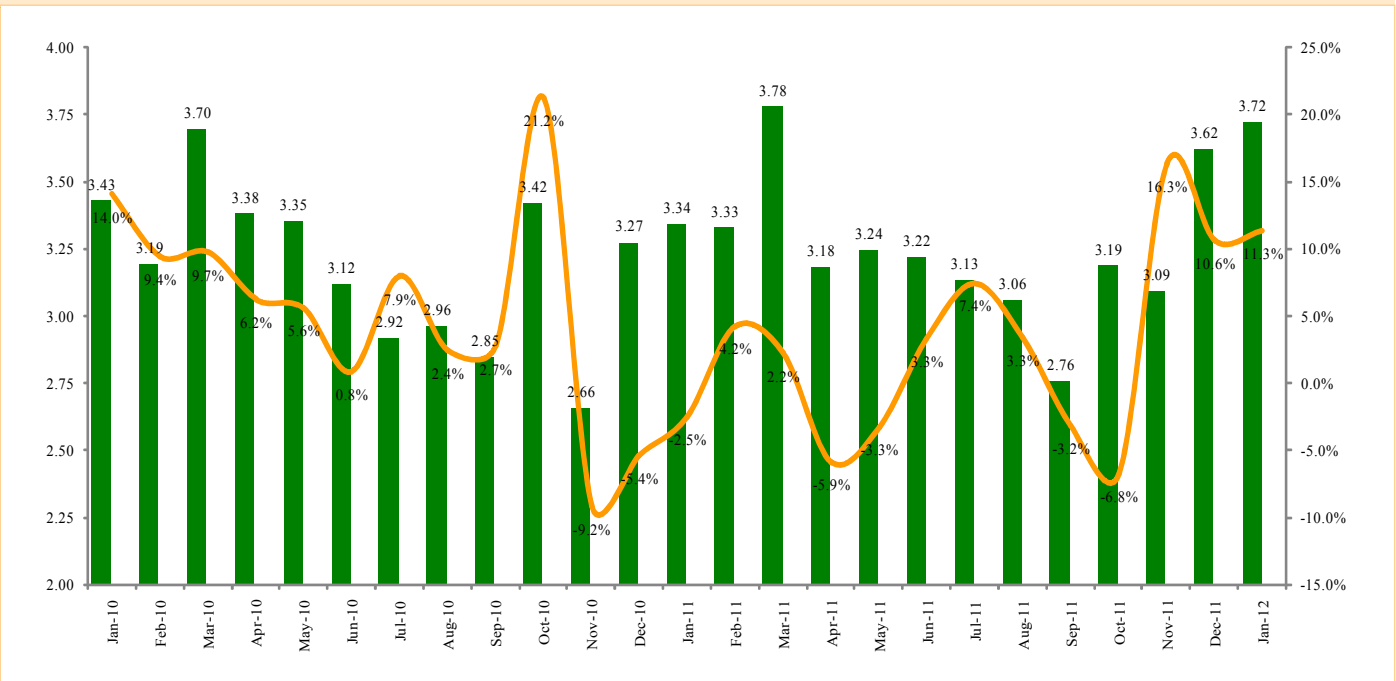
Cement Dispatches and YoY Change (%)



Source: Company Filings; IndiaNivesh Research

UltraTech Cement Ltd: Ultratech reported 11.3% year-over-year increase in its Jan-2012 cement dispatches to 3.72 mn tonnes, mainly due to low base effect. On a month-over-month basis, dispatch volumes increased by 2.8%.

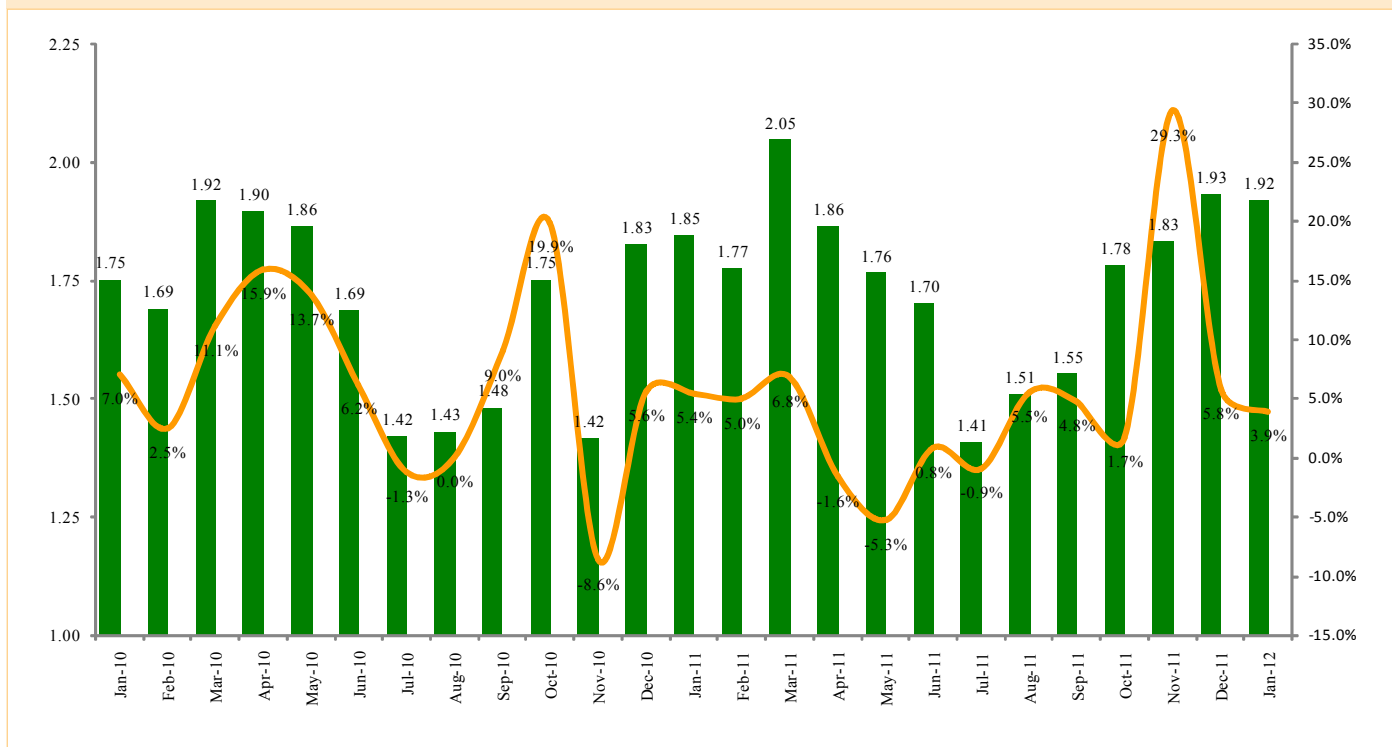
Cement Dispatches and YoY Change (%)



Source: Company Filings; IndiaNivesh Research

Ambuja Cements Ltd: Ambuja reported 3.9% year-over-year increase in its Jan-2012 cement dispatches to 1.92 mn tonnes. On a month-over-month basis, dispatch volumes marginally decreased by 0.7%.

Cement Dispatches and YoY Change (%)



Source: Company Filings; IndiaNivesh Research

Price Performance

	ACC	Ambuja	Ultratech
CMP (Rs.)	1268.1	172.6	1274.7
Change (%)			
1m	11.9%	13.2%	9.9%
3m	5.7%	11.6%	12.5%
6m	29.5%	35.7%	25.8%
12m	29.7%	40.3%	28.9%

Note: As of Feb 3, 2012

Source: BSE, IndiaNivesh Research

Valuation Matrix

	ACC		Ambuja		Ultratech	
Rs in mn	CY11E	CY12E	CY11E	CY12E	FY12E	FY13E
Sales	97041	108538	83855	94334	179914	201470
Growth (%)	17.5	11.8	13.5	12.5	31.4	12.0
EBITDA	18592	21171	20682	22970	38198	44166
Growth (%)	3.1	13.9	9.3	11.1	49.2	15.6
PAT	11032	12641	12476	14184	20059	23333
Growth (%)	2.4	14.6	-1.2	13.7	46.7	16.3
EPS (Rs.)	58.6	68.2	8.2	9.2	71.9	84.8
Growth (%)	1.4	16.4	-1.2	12.0	17.1	18.0
ROE (%)	16.7	17.5	16.3	16.4	17.1	17.1
At CMP (Rs.)	1268.1		172.6		1274.7	
P/E (x)	21.6	18.6	21.1	18.8	17.8	15.0
EV/EBITDA (x)	12.2	10.7	11.7	10.5	9.7	8.4
EV/tonne (USD)	144	141	166	160	100	99

Note: 1 USD = Rs 50.00

Source: Bloomberg, IndiaNivesh Research

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Global Market Update

- **US Markets:** U.S. stocks retreated from multi-year highs Monday as Greece struggled for an agreement on spending cuts needed to ensure another round of rescue funds.

In Europe, leaders turned up the heat on Greek politicians to accept the conditions for another round of rescue funds needed to avoid a government default. In Athens, a meeting of Greek political leaders was postponed until Tuesday as they worked to devise a uniform reply.

- **Day's Performance:** Losing ground after finishing Friday at its highest level since May 2008, the Dow Jones Industrial Average on Monday shed 17.10 points, or 0.1%, to 12,845.13. Nineteen of the Dow's 30 components slid. The S&P 500 shed 0.57 point, or 0.04%, at 1,344.33, its first down day in four. As of Friday, the S&P 500 had made its strongest start of the year since 1987, gaining 6.9%. Financials and materials were the worst performing and energy the best of its 10 industry groups. The Nasdaq Composite declined 3.67 points, or 0.1%, to 2,901.99, its first down day in five and coming off a December 2000 high reached Friday. For every two stocks rising, three fell on the New York Stock Exchange, where 687 million shares traded. NYSE composite volume was 3.3 billion.
- **Set ups** on S&P 500, Dow Industrial Average and Nasdaq 100 are looking good. We expect S&P 500 to test 1360 levels in near term.
- **Emerging markets:** Asia markets mostly rise as investors sift through batch of corporate earnings reports, but Japanese blue-chip stocks lose ground. Asia markets are mostly trading firm this morning with gains of 0.30% to 0.40%.
- **Bullions & Commodities:** Gold is trading at \$1725.90 per troy ounce this morning up 0.06% from previous close. Crude oil is trading at \$97.28 a barrel while Brent Crude future is trading at \$116.34 per barrel.
- **Currencies:** The U.S. Dollar Index tracking the U.S. currency against a basket of six others currencies trading at 79.07 this morning down (0.02%) from previous close. Long term set ups up on Dollar Index remains strong. The dollar and U.S. stocks often trade on opposite paths, with a weak dollar seen as providing investors with cheap funding to buy stocks. Plus the dollar's drop generally helps U.S. companies' overseas sales.

Source: Bloomberg

AIA Engineering	Mangalam Cem
Arss Infra Proj	Marathon Next
Bajaj Corp	Mudra Lifestyle
Ballarpur Inds	Mukand Engr
Bharat Gears	National Plast Inds
Cadila Health	Navneet Pub
Career Point	Nimbus Foods
GMR Infra	Opto Circuits
Hindustan Oil	PVP Vent
Hindustan Wires	Radico Khaitan
ICRA	Seamec
IL&FS Trans	Simplex Realty
JK Lakshmi Cem	Standard Inds
JM Financial-\$	Tide Water
LKP Fin	Triveni Engr
Mahindra & Mahindra	United Brew-\$
Man Inds-\$	VIP Inds-\$



Trust.....we earn it.

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