

## Current Market & Economic Outlook

- ❖ The Indian equity markets have exhibited stellar performance in the past few months on the back of flows from global capital markets flushed with massive liquidity from the central banks and a stable domestic government focused on taking the economy back to high growth levels.
- ❖ However, there are concerns on the rising fiscal deficit and the impact of monsoon which is feared to be deficient in most of the parts of the country. Further the rising commodity prices including oil is expected to result in inflation getting back to 5-6 percent levels.
- ❖ The markets seems to have reacted to the positive global cues which has exhibited recovery with the US GDP expected to show positive growth in Q2FY10 onwards although concerns remain on rising unemployment rate and tight consumer spending.
- ❖ Higher government borrowings in FY10 as laid out in the Budget 09-10 would suck out the current liquidity from the market thus leading to higher interest rates.
- ❖ The markets therefore looks a bit stretched considering the threat of drought, and expectations of rising inflation in the coming six months and higher unemployment rates and low consumer spending in US.

## Results Analysis

- ❖ India Inc declared better than expected results for Q1FY10. Slow revival in economy led to moderate topline growth for many companies. Lower interest rates, falling commodity prices and cost control measures further aided the companies to report stellar profits.
- ❖ Some of the sectors that have posted better than expected results include Automobiles, Cement, Banking, Information Technology, etc.
- ❖ We have taken CNX-500 index companies as our universe for the analysis and considered year-on-year comparison for four key parameters for the Q1FY2010 results viz. **Sales Growth, EPS Growth, growth in EBITDA and PAT Margins**. Out of the 424 companies that have declared results, 122 companies have managed to grow on all the four parameters in the current recessionary environment thus becoming **"Recession Star Performers"**.
- ❖ We have further segmented these 122 companies into 12 broad categories based on their sectors to find out the underlying reasons for their outperformance.

## SECTOR WISE PERFORMANCE

Auto/Auto Ancillary				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
Carborundum Uni.	127.35	11841	28.6	3.1
Motherson Sumi	79.15	28262	29.9	6.8
Federal-Mogul Go	84.55	4712	58.4	1.6
Hero Honda Motor	1520.6	303414	20.1	8.0
TVS Motor Co.	56.9	13490	31.9	1.7
Bajaj Auto	1261.3	183049	19.6	9.8
M & M	880.5	245891	24.7	4.7
Apollo Tyres	41.95	21092	13.7	1.6

- ❖ Auto companies gave a positive surprise with better than expected results led by higher sales volume, higher realizations and new product launches.
- ❖ Declining interest rates, slow revival in the demand improved the sales for the auto companies.
- ❖ Cost rationalization, largely savings in material costs, further boosted the margins and earnings growth.

Cement				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
ACC	884	165,026	11.2	3.3
Birla Corpn.	310	23,796	6.1	1.9
Prism Cement	47	13,854	8.1	2.1
Shree Cement	1700	59,296	7.7	4.9
UltraTech Cem.	793	98,652	8.7	2.7
Century Textiles	449	41,756	12.1	2.8
Grasim Inds	2729	250,172	15.0	2.6

- ❖ Higher volume and realizations boosted the top line of cement companies.
- ❖ Volumes showed upswing led by higher consumption from rural areas and increased demand from Government infrastructure projects.
- ❖ Lower input costs like coal, crude and packaging further helped the companies increase the EBITDA and PAT margins.

## SECTOR WISE PERFORMANCE

Banking/ Financial Services				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
Axis Bank	845.6	304162	14.9	3.0
Federal Bank	228.35	38952	6.8	0.9
HDFC Bank	1413.6	603247	25.3	4.0
IndusInd Bank	86.85	30708	14.2	2.2
ING Vysya Bank	226.25	23103	11.1	1.4
J & K Bank	477.9	23229	5.4	0.9
Karnataka Bank	136.4	16644	5.8	1.1
Karur Vysya Bank	315.45	17000	6.2	1.3
Kotak Mah. Bank	731.8	254602	81.6	6.7
Lak. Vilas Bank	90.5	4433	6.5	1.0
Allahabad Bank	87.6	39131	4.0	0.8
Bank of Baroda	435.95	159975	6.4	1.2
Canara Bank	284.2	116153	4.6	1.2
Corporation Bank	363.5	52800	5.4	1.1
Punjab Natl. Bank	688.05	217494	6.4	1.7
St Bk of India	1796.65	1141006	11.6	2.0
Syndicate Bank	80.45	41914	3.9	0.9
UCO Bank	45.55	25051	4.6	0.9
Union Bank (I)	229.5	115774	6.0	1.6
Bajaj Holdings	471.3	47732	9.6	1.5
I D F C	132.25	171395	22.1	2.8
Power Fin. Corpn.	221.05	253772	15.7	2.2
Rural Elec. Corp.	192.05	164433	11.1	2.7
Geojit BNP	41.75	9367	29.0	3.4

- ❖ Treasury gains and write back of provisions helped the banks compensate fee income slowdown
- ❖ However, most banks saw moderate NII (Net Interest Income) growth and pressure on the NIM (Net Interest Margins) as credit offtake remained low.
- ❖ NPAs rose but on a slower pace. Restructured loans for most banks increased thus improving asset quality.
- ❖ Power Finance companies like **REC** and **PFC** declared robust results on the back of increasing investments in the power sector by the Government.

## SECTOR WISE PERFORMANCE

Pharma & Healthcare				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
Biocon	227	45,360	22.3	3.3
Apollo Hospitals	544	33,602	24.6	2.3
Indrapr.Medical	36	3,341	12.4	2.7
Ajanta Pharma	86	1,026	4.5	0.7
Lupin	936	78,011	16.0	5.5
Aurobindo Pharma	604	32,490	14.9	2.4
Cipla	276	214,560	24.7	4.9
FDC	43	8,017	8.8	1.9
Ipca Labs.	608	14,998	12.0	2.3
Piramal Health	326	68,165	22.8	5.7
Zandu Pharma.	7001	5,664	20.1	5.5
Aventis Pharma	1280	29,453	16.6	3.6

- ❖ Strong export ( due to weak INR) along with decent domestic growth led to sales growth although demand for contract manufacturing remained weak.
- ❖ Margins improved because of lower raw material costs.

FMCG/ Consumer Durable/ Consumer Goods				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
Godfrey Phillips	1744	18,062	13.1	3.1
ITC	234	882,455	26.0	6.5
VST Inds.	409	6,276	9.4	2.7
Nirma	153	24,181	11.8	0.9
Value Industries	19	747	19.2	0.2
Britannia Inds	1746	42,012	20.6	5.1
Bata India	162	10,420	16.8	4.1
V I P Inds.	74	2,087	9.1	1.5
Marico	83	50,608	23.8	13.8
Colgate-Palm.	646	87,917	27.0	40.7

- ❖ Revival in volume led to positive sales growth. Higher advertising and promotional expenses and new product launches helped boost the volumes.
- ❖ Lower commodity prices and better sales mix led to margin expansion.

## SECTOR WISE PERFORMANCE

Telecom				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
Sterlite Tech	232	15,002	10.6	2.4
GTL	299	28,331	22.7	2.9
Bharti Airtel	399	1,516,078	18.1	5.5
Tulip Telecom	945	27,389	9.8	4.0

- ❖ Positive results from tower subsidiaries helped the telecom players post decent results.
- ❖ The EBITDA margins were better than expected as the telecom players controlled their costs well.

Information Technology				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
Educomp Sol.	3946	74,685	50.6	7.3
Infosys Tech.	2058	1,177,409	19.6	6.6
Oracle Fin.Serv.	1476	123,948	15.4	3.5
Patni Computer	344	44,150	9.7	1.8
Polaris Soft.	125	12,315	9.6	1.8
Wipro	499	730,310	20.1	5.8
Hexaware Tech	70	10,063	13.2	1.7
Infotech Enterp.	226	12,487	13.4	1.8
Zensar Tech.	168	4,010	6.2	1.6

- ❖ Better pricing and volumes supported the topline growth.
- ❖ Cost rationalization helped boost the margins.

Media				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
D C Holdings	98	24,037	15.4	2.1
Jagran Prakashan	89	26,566	24.2	4.7
T.V. Today Netw.	95	5,492	13.4	1.7
Zee News	42	9,976	21.1	4.1
Navneet Publicat	88	8,401	12.5	3.2

- ❖ Regional players benefitted with their advertising revenue showing positive growth while national players saw de-growth.

## SECTOR WISE PERFORMANCE

Infrastructure/ Cap Goods				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
Phoenix Mills	127	18,519	22.4	1.2
Alstom Projects	523	35,011	22.8	8.8
Crompton Greaves	274	100,820	23.8	8.2
Havells India	288	17,347	11.3	1.9
Honeywell Auto	1624	14,365	12.5	4.5
Siemens	470	158,147	16.3	7.6
Alfa Laval (I)	913	16,607	17.3	5.4
Engineers India	1061	59,718	15.4	4.3
Reliance Infra.	1176	266,225	22.1	2.4
Larsen & Toubro	1487	871,285	30.3	7.0
Swaraj Engines	333	4,070	15.7	4.2

- ❖ Topline was flat on back of tepid order book and slow order intake.
- ❖ Fall in commodity prices led to margin expansion.

Power & Power Utilities				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
CESC	318	39,687	9.4	1.2
Power Grid Corpn	113	474,547	24.6	3.2
Torrent Power	224	105,593	23.6	3.3
Kalpataru Power	721	19,152	19.7	2.3

- ❖ Higher electricity volume and higher PLF (Plant Load factor) helped companies deliver positive results
- ❖ Lower transmission and distribution losses further aided it.

Oil & Gas/ Petrochemicals				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
Guj Gas Company	361	23,203	15.0	3.4
Guj Fluorochem	146	16,045	4.6	1.3
Castrol India	466	57,641	18.5	12.1
Bhansali Engg.	12	1,941	0.0	2.8

- ❖ OMCs reported good results on back of inventory gains and forex gains despite subsidy burden

## SECTOR WISE PERFORMANCE

Agriculture				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
G N F C	92	14,283	5.9	0.7
Tata Chemicals	261	61,356	8.5	1.6
Bannari Amm.Sug.	1288	14,585	9.6	2.6
EID Parry	317	27,350	19.5	2.8
Sh.Renuka Sugar	178	56,519	52.6	4.9
Triven.Engg.Ind.	110	28,395	21.2	3.7
McLeod Russel	150	16,337	14.5	2.7
DCM Shriram Con.	59	9,780	8.3	0.8

- ❖ Sugar companies posted healthy results on the back of higher price realization and lower production. They offloaded their inventory, taking full advantage of high sugar prices.

Others				
Company Name	CMP	Market Cap (Rs Mn)	P/E	P/B
Gitanjali Gems	114	9,744	7.4	0.5
Radico Khaitan	83	8,549	146.4	3.9
United Spirits	1000	99,955	32.9	3.3
Carol Info Serv.	63	2,219	9.4	0.5
Mundra Port	571	229,209	42.9	7.8
Essel Propack	28	4,416	16.1	0.8
Kansai Nerolac	684	18,819	17.0	2.9
Supreme Inds.	299	7,575	8.1	2.7
Arvind Ltd	28	6,364	0.0	0.6
SRF	139	8,555	3.4	0.9
Garden Silk Mill	80	3,065	4.2	0.7
Vesuvius India	141	2,859	8.9	1.5
SEAMEC Ltd	183	6,229	3.8	1.9
JSW Steel	719	134,414	14.5	1.8
S T C	344	20,661	23.9	3.6



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