



Economy News

- ▶ The Reserve Bank of India (RBI) has softened its stance on allowing real estate firms and brokerages to apply for banking licences. RBI had said earlier that final guidelines would be announced by the end of this financial year. (BS)
- ▶ The auto industry hub of Gurgaon-Manesar remained shut on the second day of the all-India strike. The companies in the belt said they will work on one of the coming holidays to compensate loss of production. (BL)
- ▶ Large-scale surrender of insurance policies, particularly unit-linked insurance plans, has forced the regulator to examine the issue. According to IRDA (Insurance Regulatory and Development Authority) data, in fiscal 2012 life insurers had to pay Rs 7120 bn on account of surrenders (withdrawals), of which, LIC paid Rs 415 bn and private sector insurers, the balance. (BL)
- ▶ The civil aviation ministry has cleared proposals to import 20 aircraft by three scheduled commercial airlines. This includes IndiGo that will import 11 aircraft over the 2013 calendar year period. (DNA)

Corporate News

- ▶ **NTPC** will start finalizing the process for competitive bidding to procure equipment for its 1980 MW super-thermal power plant in Jharkhand. The bids, worth nearly Rs 140 bn, should come by next fiscal (2013-14). (BL)
- ▶ **Tata Chemicals'** customised fertilisers unit at Babrala, Uttar Pradesh, is facing weak demand. The 1.3-lakh-million-tonne production facility is operating below half its installed capacity. (BL)
- ▶ **Tata Motors** plans to build low-cost vehicles in Malaysia for sale in that country and other markets. Among the vehicles proposed to be sold through a facility to be set up in Malaysia are the Nano and light commercial vehicles such as the Ace, Magic and Winger. (Mint)
- ▶ **Voltas** on Thursday announced joining hands with Swiss textile equipment maker Benninger AG for distribution, sales and marketing of its products in India. Voltas will continue to deepen and expand its regional business contacts leveraging on its relationship with customers across the entire textile value chain. (BL)
- ▶ Fresh hurdles have emerged in the way **Jet Airways'** deal with Etihad Airways, with later putting a host of conditions. These include an option to buy up to 49 per cent stake in the firm. Etihad has asked for its representation on the board of the Indian airline, in sync with its shareholding.
- ▶ US private equity TPG Capital has offloaded about 10 per cent stake in **Shriram Transport Finance Co** for about Rs 16.2bn. TPG (formerly Texas Pacific Group) owns about 20 per cent stake in the non-banking finance company.
- ▶ **Lupin Ltd** has said that its subsidiary Lupin Pharmaceuticals has received final approval for its Lorazepam Oral Concentrate USP, 2 mg/mL from the US Food and Drugs Administration. (BS)

Equity

	21 Feb 13	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	19,325	(1.6)	(3.3)	4.4
NIFTY Index	5,852	(1.5)	(3.2)	4.0
BANKEX Index	13,832	(2.5)	(4.2)	4.6
BSET Index	6,550	(0.6)	3.2	14.3
BSETCG INDEX	9,661	(2.1)	(8.6)	(9.1)
BSEOIL INDEX	9,007	(1.8)	(6.5)	13.1
CNXMcap Index	7,925	(1.9)	(6.8)	1.8
BSESMCAP INDEX	6,558	(1.7)	(10.3)	(6.9)
World Indices				
Dow Jones	13,881	(0.3)	1.2	8.1
Nasdaq	3,131	(1.0)	(0.4)	7.0
FTSE	6,292	(1.6)	1.8	8.6
NIKKEI	11,309	(1.4)	5.1	20.1
HANGSENG	22,907	(1.7)	(3.7)	4.8

Value traded (Rs cr)

	21 Feb 13	% Chg - Day
Cash BSE	1,894	7.4
Cash NSE	13,295	29.9
Derivatives	164,076	59.8

Net inflows (Rs cr)

	20 Feb 13	% Chg	MTD	YTD
FII	455 (20,763.6)		20,838	43,068
Mutual Fund	43 (43.9)		(1,259)	(5,973)

FII open interest (Rs cr)

	20 Feb 13	% Chg
FII Index Futures	10,898	(3.8)
FII Index Options	53,014	3.7
FII Stock Futures	30,320	(1.4)
FII Stock Options	3,467	8.5

Advances / Declines (BSE)

	21 Feb 13	A	B	T	Total	% total
Advances	20	617	262	899	31	
Declines	181	1,365	366	1,912	65	
Unchanged	-	86	40	126	4	

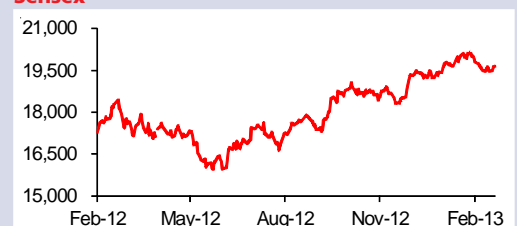
Commodity

	21 Feb 13	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	93.2	0.4	(3.1)	6.7
Gold (US\$/OZ)	1,579.0	(0.1)	(6.7)	(8.6)
Silver (US\$/OZ)	28.8	0.4	(10.5)	(13.6)

Debt / forex market

	21 Feb 13	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.0	8.0	8.0	N/A
Re/US\$	54.5	54.1	53.8	55.1

Sensex



RESULT UPDATE

Dipen Shah
dipen.shah@kotak.com
+91 22 6621 6301

R SYSTEMS INTERNATIONAL LTD (RS)

PRICE: Rs.230
TARGET PRICE: Rs.182

RECOMMENDATION: SELL
CY13 PE: 10.8x

We recommend SELL and terminate coverage on the stock

In line with the continuing quarterly volatility, R Systems reported a 7% growth in volumes in 4QCY12 following a 4% de-growth in 3Q. The predominantly project-based nature of revenues has been a concern for us. EBITDA margins fell sharply due to bonus provisioning and a one-time write off of Rs.44mn. Excluding the write-off, margins improved by 180bps. The macro scene continues to be uncertain and that remains a concern for the company, in our view. Earnings per share stand at Rs.21.2 for CY13E. The DCF-based price target stands at Rs.182 (Rs.159) based on CY13E earnings. We recommend SELL and terminate coverage on the stock. We maintain that, only higher consistency in revenue will lead to better margins and attract higher valuations for the stock. The high amount of (net) cash in the balance - sheet of about Rs.65 per share may act as cushion, though. A delayed recovery in developed economies and a sharper-than-expected appreciation in rupee v/s major currencies can pose risks to our estimates.

Summary table

(Rs mn)	CY11	CY12	CY13E
Sales	4,095	4,650	5,012
Growth (%)	40.9	13.6	7.8
EBITDA	323	392	403
EBITDA margin (%)	7.9	8.4	8.0
PBT	209	362	367
Net profit	165	257	264
EPS (Rs)	13.5	20.7	21.2
Growth (%)	(4.0)	53.3	2.8
CEPS (Rs)	24.2	28.8	29.3
BV (Rs/share)	162.2	156.3	172.4
Dividend / share (Rs)	3.6	23.5	5.0
ROE (%)	8.7	13.1	12.9
ROCE (%)	11.1	18.4	17.9
Net cash (debt)	829	815	947
NW Capital (Days)	93.9	77.0	76.1
P/E (x)	17.1	11.1	10.8
P/BV (x)	1.4	1.5	1.3
EV/Sales (x)	0.5	0.4	0.3
EV/EBITDA (x)	5.9	4.8	4.4

Source: Company, Kotak Securities - Private Client Research

4QCY12 results

(Rs mn)	3QCY12	4QCY12	QoQ (%)	4QCY11	YoY (%)
Income	1145.2	1216.0	6.2	1126.8	7.9
Expenditure	1068.9	1113.1		1020.0	
EBDITA	76.3	102.9	35.0	106.7	-3.6
Depreciation	24.3	22.6		33.1	
EBIT	52.0	80.3		73.6	
Interest	0.3	0.2		0.2	
Other income	26.6	16.7		-9.5	
PBT	78.3	96.8	23.6	64.0	51.3
Tax	32.1	23.7		9.7	
PAT	46.2	73.1	58.0	54.4	34.5
EO items	0.0	-44.0		0.0	
Shares (mns)	12.4	12.4		12.2	
EPS (Rs)	3.7	5.9		4.4	
Margins (%)					
EBDITA	6.7	8.5		9.5	
EBIT	4.5	6.6		6.5	
PAT	4.0	6.0		4.8	

Source : Company

Volumes up by 7% QoQ; highly volatile

- Volumes for the company grew by 7% on a QoQ basis; surprising for a seasonally weak quarter. The volume growth has been very volatile with 3QCY12 reporting a 4% drop in volumes.
- Volumes grew due to scale up in revenues from the smaller accounts as the top 10 clients saw revenue contribution fall sharply.
- Revenues from the Top 10 clients de-grew by about 4% QoQ after falling sharply by 8% QoQ during 3Q.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Equities Research Group of Kotak Securities Limited.

- The de-growth in 3Q had come on the back of a business reorganization initiative taken up by the top client of RS. One of the businesses has been divested by the client and RS was in negotiations with the new owner to initiate the relationship.
- The company added 8 new accounts during the quarter and the company has a decent pipe line according to the management. The company has 18 \$1mn accounts.
- The management has indicated that, clients continue to focus more on cutting costs and reducing flab.
- Average realizations were flat during the quarter, we understand. In the current macro scenario, we believe that, like-to-like increases may be difficult to come by.

Employee count up, utilization levels down

- The technical employee strength rose by 21 over the previous quarter.
- The utilization levels rose by nearly 400bps on-site after falling about 200bps in 3Q.

Margins were down QoQ, largely due to one-offs

- EBIDTA margins fell by about 190bps QoQ, largely due to one-off provisioning towards receivables of Rs.44mn. Margins were also impacted to the tune of 128bps due to bonus payments.
- Excluding the Rs.44mn provisioning, margins improved by 180bps QoQ. This was largely due to the higher volume growth.

Future prospects

- We have incorporated the 4QCY12 results and have made changes to our CY13 estimates.
- For CY13, we expect revenues to grow by 8% on the back of higher volumes. We have assumed the rupee to average about Rs.52.5 / USD in CY13.
- Margins in CY13 are expected to be almost maintained at CY12 levels as benefits from better utilization and cost containment initiatives set off the impact of salary increases and expected rupee appreciation.
- After assuming tax at 28% of PBT, we arrive at a PAT of Rs.264mn in CY13. EPS works out to Rs.21.2.

Valuations and recommendation

- The volatility in quarterly revenues, the overall low rate of revenue growth and single digit margins have made us take a cautious view of the stock. The macro scene may once again lead to volatility in revenue growth.
- We recommend **SELL** on the stock and terminate coverage on the stock.
- We maintain that, only higher consistency in revenue will lead to better margins and attract higher valuations for the stock.

We recommend SELL on R Systems International with a price target of Rs.182

Concerns

- Rupee appreciation beyond our assumed levels could provide a downward bias to our earnings estimates.
- A delayed recovery in developed economies could impact revenue growth of Indian vendors, including R Systems.

RESULT UPDATE

Amit Agarwal
agarwal.amit@kotak.com
+91 22 6621 6222

PIPAVAV DEFENCE AND OFFSHORE ENGINEERING (PDO)

PRICE: Rs.85
TARGET PRICE: Rs.92

RECOMMENDATION: ACCUMULATE
FY14E P/E: 24.9x

Performance on expected lines

PDO reported revenue of Rs 6.2 bn growing 38% YoY but falling 7% QoQ. EBIDTA was reported at Rs 1.41 bn translating into operating margin of 22.7% for the company. Interest and depreciation continue to be high for the company as it pursues its capex programme. Consequently it reported PAT of Rs 100 mn. Now it is looking to sell around 10% stake to a strategic partner and would utilize the proceeds to convert the second wet dock into a dry dock. It has also delivered three 74,500 DWT Panamax Bulk Carrier to Golden Ocean of Norway and we estimate the company to execute the entire order book of Rs 106 bn by December 2016

We continue to believe that PDO is well placed to exploit the massive opportunity that India's defense sector offers in the next few years. It has global-sized assets and best-in-class tie-ups. Also, PDO offers the only credible large-size exposure for investors to India's defense business. We estimate net profit at Rs 1.9 bn for FY13 and Rs 2.3 bn for FY14, translating into an EPS of Rs 2.8 for FY13 and Rs 3.4 for FY14. It trades at 25 times FY14E PE, which we believe is fully valued considering its replacement cost. We reiterate ACCUMULATE rating on the stock with a TP of Rs 92

Summary table

(Rs mn)	FY12	FY13E	FY14E
Sales	18,670	27,577	31,018
Growth (%)	117.1	47.7	12.5
EBITDA	4,203	6,205	6,979
EBITDA margin (%)	22.5	22.5	22.5
PBT	767	2,412	2,913
Net profit	214	1,930	2,331
EPS (Rs)	0.3	2.8	3.4
Growth (%)	-51.3	801.8	20.8
CEPS (Rs)	2.4	4.8	5.7
Book value (Rs/share)	31	34	37
Dividend per share (Rs)	0	0	0
ROE (%)	1.0	8.3	9.0
ROCE (%)	6.6	9.8	10.2
Net cash (debt)	(26,004)	(26,260)	(29,611)
NW Capital (Days)	219	240	234
EV/EBITDA (x)	20.4	13.8	12.8
P/E (x)	271.3	30.1	24.9
P/Cash Earnings	30.8	15.6	13.2
P/BV (x)	2.5	2.2	2.0

Source: Company, Kotak Securities - Private Client Research

Consolidated quarterly

(Rs mn)	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13
Sales(including Subsidy)	4,498	6,181	5,724	6,660	6,210
Raw material	2,125	3,821	3,335	2,860	3,032
Employee	110	150	115	129	129
Other Expenses	1,251	908	1,059	2,272	1,639
Operating Expenditure	3,486	4,879	4,509	5,261	4,800
EBIDTA	1,012	1,302	1,215	1,399	1,410
EBIDTA %	22.5	21.1	21.2	21.0	22.7
Depreciation	292	292	300	301	315
EBIT	720	1,010	915	1,098	1,095
Interest	627	828	977	1,011	1,036
Other Income	66	61	91	40	89
PBT	159	243	29	127	148
Taxation	64	373	7	41	48
Effective tax rate %	40.3	153.5	24.1	32.3	32.4
PAT	95	-130	22	86	100

Source: Company

Other Highlights**Company looking to raise money via stake sale**

PDO is looking to sell around a small stake to a strategic partner. The price and the exact quantum of dilution are still not disclosed by the company. We believe the transaction may be happen at a small premium to current market price of Rs 85 per share for a 10% dilution (69 million shares) which would fetch the company around Rs 6 bn.

We estimate the company to utilize the proceeds to convert the second wet dock into a dry dock and we estimate the conversion to happen by end of CY15 which would double the capacity for PDO from current Rs 60 bn to Rs 100 bn.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Equities Research Group of Kotak Securities Limited.

Equity raised by PDO till date

Month	No of shares	Investor	Price	Remark
Aug-12	20,000,000	Grevek	78	
Sep-11	10,500,000	Rakesh Jhunjunwala	78	Convertible warrants were issued
Sep-09	85,450,225	IPO	58	

Source: Company

PDO recently won an order of Rs 4 bn from ONGC

PDO recently won an order worth Rs 4 bn from ONGC for the repair and maintenance of an offshore oil rig named Sagar Laxmi. The company was selected among the top global competitors and we estimate similar contracts to come for the company in the near future.

Order book continues to be robust, both defense and non-defense segments

Currently PDO has a robust order book of Rs 104 bn (5x FY12 revenues). The order book includes Rs 54 bn from defense, Rs 10 bn from offshore, and Rs 41 bn from commercial shipbuilding. We expect its order book to grow significantly, driven by orders from both the defense and non-defense segments.

The company would be focusing on each segment of shipbuilding to beat the cyclical nature of any one segment. These segments are;

1. Commercial
2. Offshore
3. Defence
4. Ship repair

Order book as on February 2013

	(Rs bn)
Navy	Rs 54 bn
Offshore	Rs 10 bn
Commercial	Rs 41 bn
Delivery Period	April 2011 to December 2016

Source: Company

Delivered 3 Panamax till date - to execute the remaining order book by 2016

Till date PDO has successfully delivered two 74,500 DWT Panamax Bulk Carrier to Golden Ocean of Norway. These three vessels are the largest dry bulk carrier of its class ever built in India. We estimate the company to execute the entire order book by December 2016

PDO has Mammoth infrastructure

PDO operates the second largest shipbuilding capacity in the world, capable of constructing vessels up to 400,000DWT. Hyundai Heavy, the largest shipbuilder has a total capacity of 1,000,000DWT. PDO intends to become the world's largest shipbuilding company after completing the conversion of its second wet dock facility to a dry dock. It has a shipbuilding, ship repair and offshore fabrication complex spread over 750 acres with ~720 meters of sea front and 685 meters of outfit quay, including two Goliath cranes of 600 tons each, which service the dry dock and the adjoining pre erection berth, enabling PIPV to handle up to 1,200 tons of pre-outfitted ship blocks. A host of other technologically advanced infrastructure makes PDO one of the most modern shipyards in the world.

We also believe the following to be strengths of the company:

- 1) Modular technology - which is cost effective; able to deliver 4-5 x faster
- 2) Excellent facility and site
- 3) Diversified product mix with thrust on defence and offshore
- 4) Catering to high margin ship repair segment
- 5) Key tie ups with the best in the industry

Macro headwinds for ship building hurting order inflow for PDO, but India's growing defense expenditure presents a huge opportunity

Shipbuilding industry is up against weak fundamentals. Very low freight for bulk carriers threatens the business outlook for building bulk carriers. We estimate the freight rates for dry bulk to remain under pressure for the next two financial years. A fall in oil price (though unlikely) would also threaten the demand outlook for vessels catering to off shore oil exploration and production activity. We estimate that orders would be tough to come from the commercial shipbuilding segment.

But with India set to spend ~Rs 600 bn over the next five years on improving its military infrastructure and stress on indigenization coupled with the strengths of PDO, we expect order book to grow significantly, driven by orders from both the defense and offshore segment.

Execution capabilities should comfortably support the orderbook

The shipyard consists of a dry-dock facility along with block fabrication sites, berths, etc. The yard originally had two wet basins, one of which has being converted into a dry dock. The second wet dock would be converted to a dry dock by 2015. PDOs current capacity, which is currently Rs 60 bn (in terms of revenue potential), is likely, to shoot up to Rs 100 bn once the second dry dock becomes operational by 2015. We estimate the capacity to comfortably support the strong order growth for PDO.

Outlook and Valuation

We are not changing the estimates as nothing has fundamentally changed in the company/sector. We continue to value PDO at its replacement cost of Rs 64 bn or Rs 92 per share.

We factor in the following to arrive at the fair value:

- Healthy top line and bottom line growth of 20 - 25% p. a in the medium term
- No dilution of equity - 2nd phase of expansion would be financed through debt (present net debt to equity is 1.3 x)
- Aspects like scalability of the yard, strategic tie ups and diversified business

We continue to believe that PDO is well placed/ahead of the curve to exploit the massive opportunity that India's defense sector offers in the next few years. We believe that the near term stock performance is more a function of macro news flows and order intakes. Hence, an earnings based valuation approach may not be the correct representative of the fair value for PDO, given the low capacity utilization in the interim period. We thus value PDO based on replacement cost method at Rs 64 bn (Rs 92/share). It trades at 25 times FY14E PE, which we believe is fully valued considering its replacement cost.

We reiterate ACCUMULATE rating on Pipavav Defence and Offshore Engineering with a price target of Rs.92

RESULT UPDATE

Sanjeev Zarbade
sanjeev.zarbade@kotak.com
+91 22 6621 6305

ABB LTD

PRICE: Rs.583
TARGET PRICE: Rs.405

RECOMMENDATION: SELL
CY13E P/E: 37.5x

- ❑ Revenues contracted by 5% for the quarter on a yoy basis, a reflection of the sedate market conditions for the T&D equipment makers. Margins have not recovered completely as the company continues to report losses on projects.
- ❑ The T&D equipment industry continues to reel under cost pressures, aggressively priced imports, domestic oversupply in transformer capacity and slackening investment in power generation and core sector. We remain negative on the T&D equipment makers like ABB, Areva, CGL and Voltamp.
- ❑ We value the stock at 26x one year forward earnings, thus arriving at a price target of Rs 405 (Rs 556 earlier). In view of the steep downside to target price, we recommend Sell from a Reduce earlier on the stock.

Summary table

(Rs mn)	CY11	CY12	CY13E
Sales	74489.7	74703.1	76910.9
Growth (%)	18.5	0.3	3.0
EBITDA	3865.1	3358.7	6073.5
EBITDA margin (%)	5.2	4.5	7.9
PBT	2675.7	2055.9	4923.5
Net profit	2093.6	1367.9	3298.7
EPS (Rs)	9.9	6.5	15.6
Growth (%)	231.2	-34.7	141.2
CEPS (Rs)	14.4	10.9	20.5
BV (Rs/share)	119.6	122.6	134.7
Dividend / share (Rs)	2.0	2.0	2.0
ROE (%)	7.4	5.3	12.1
ROCE (%)	13.4	9.2	26.3
Net cash (debt)	2558.8	766.7	8691.7
NW Capital (Days)	38.9	59.7	36.0
EV/Sales (x)	1.6	1.6	1.7
EV/EBITDA (x)	31.3	36.6	18.6
P/E (x)	59.1	90.4	37.5
P/Cash Earnings	40.6	53.5	28.4
P/BV (x)	4.9	4.8	4.3

Source: Company, Kotak Securities - Private Client Research

Financial performance

(Rs mn)	Q4 CY12	Q4 CY11	YoY (%)
Sales	20,528	21,693	(5)
Other operating income	295	302	(2)
Raw material costs	14,785	15,356	(4)
purchase of traded goods	704	997	(29)
Personnel expenses	1,459	1,547	(6)
Other expenditure	3,210	3,019	6
Operating expenses	20,157	20,918	(4)
Operating profit	666	1,078	(38)
Other income	28	14	109
Depreciation	246	124	98
EBIT	448	967	(54)
Interest	185	129	43
PBT	263	837	(69)
Tax	96	199	(52)
PAT reported	167	638	(74)
EPS	0.79	3.01	
Ratios			
EBITDA (%)	3.2	5.0	
Raw Material costs to sales (%)	75.5	75.4	
Staff costs to sales (%)	7.1	7.1	
Other exp to sales (%)	15.6	13.9	
Tax rate (%)	36.4	23.8	

Source: Company

Decline in revenue; Depressed margins; Weak business outlook; Even after building in optimistic estimates in CY13, valuations look rich and are not in sync with underlying business fundamentals.

Revenues declined for the quarter on a yoy basis, a reflection of the subdued market conditions for the T&D equipment makers. Except for the LV segment, the revenue declined across all segments.

Several large projects have been delayed due to issues relating to fuel availability and land acquisition. This has impacted revenues from the project segment. However, the product and services segment continued to do well in the fiscal.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Equities Research Group of Kotak Securities Limited.

Industrial demand continues to remain tepid, which is not surprising given the contraction we are seeing in the IIP and Capital Goods index. Consequently, Process automation and automation products (motors and drives) segments have reported decline in revenues.

Segment revenues

(Rs mn)	Q4 CY12	Q4 CY11	% YoY
Power Products	5844	5952	-1.8%
Power Systems	5990	7314	-18.1%
Discrete automation products	4934	5271	-6.4%
Process Automation	4098	4255	-3.7%
LV products	1683	1449	16.1%
Total	22549	24242	-7.0%

Source: Company

Margins continue to be remain depressed

For the quarter, EBITDA margins were down 180 bps, which is lower than our estimates.

Project business continued to face cost-overruns and delayed receipt of payments due to tight liquidity in the market. The company quantified the impact due to delay in projects to the tune of Rs 600 mn in Q4CY12. Forex volatility and lower price realization added to the margin pressure.

While revenue posted a decline of 5%, the company also could not contain the "other expenditure" which rose by 6% yoy to Rs 3.2 bn. This resulted in margin compression.

ABB has improved operational efficiencies and consolidated supplier base and has invested in manufacturing capability with a view to increase global footprint. New investments include facilities for dry-type transformers, GIS, propulsion converters, traction transformers and low voltage protection devices.

The company plans to respond to the adverse market situation through higher indigenization of its products and modernization of operations. Access to parent's global supply chain is also expected to mitigate impact of material cost inflation.

Segment Margins

(%)	Q4 CY12	Q4 CY11
Power Products	9.4%	6.7%
Power Systems	-10.5%	-0.2%
Discrete Automation and motion	13.1%	14.8%
Process Automation	-0.2%	-1.3%
LV products	6.8%	5.7%

Source: Company

Order intake down 28.5% yoy

During the quarter, order booking at Rs 15.8 bn is down 28.5% and 6% on a yoy and qoq basis respectively.

Order backlog is down marginally to Rs 86.7 bn, thus yielding a revenue visibility of 14 months of trailing four quarters revenues.

Capital employed up but cash generation strong

Although overall capital employed has inched up during the quarter on a yoy basis, the company indicated that cash generation has been strong in the quarter.

Segment Capital Employed

(Rs mn)	Q4CY12	Q4CY11
Power Products	8684.4	6792.6
Power Systems	5025.1	4417
Discrete automation products	2685.4	2083.6
Process Automation	4425.3	3603.5
LV products	2532.3	2014.1
Total	23352.5	18910.8

Source: Company

Earnings Revision - Depleting order book and depressed margins drive earnings revision.

Earnings estimates (CY13E)

(Rs mn)	Earlier	Revised
Revenues	86866	76911
EBITDA (%)	9.0	7.9
EPS (Rs)	21.4	15.6
% change		-27.3%

Source: Company

Valuation and Target Price: Maintain Sell

We recommend SELL on ABB with a price target of Rs.405

Valuations are extremely rich. The stock has tended to peak at above 30x one year forward earnings in the previous three corrections. The average forward PE for the stock has been at 26x.

We value the stock at 26x one year forward earnings, thus arriving at a price target of Rs 405 (Rs 556 earlier). In view of the steep downside to target price, we recommend **SELL** vs Reduce on the stock.

Bulk Deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
21-Feb	Ankush Finstock	Ankit Shah Bhumika	B	65,758	7.2
21-Feb	Bampsl Sec	Bhaijee Overseas Ltd	B	3,500,000	0.7
21-Feb	Bampsl Sec	Satender Kumar Goel	S	3,500,000	0.7
21-Feb	Clarus Finance	Nagda Anil Meghji	B	100,000	35.7
21-Feb	Clarus Finance	G Prashanth Narayan	S	150,000	35.7
21-Feb	Cupid Trades	Pragnesh Himmatlal Yagnik	B	4,880	221.1
21-Feb	Dhenu Buildcon	Malti Textile Mills Ltd	S	100,000	150.3
21-Feb	Dhenu Buildcon	Jyoti Agarwal	B	123,000	150.2
21-Feb	Dhenu Buildcon	Neeraj Singal	S	114,440	150.1
21-Feb	Dhenu Buildcon	Survashaya Farms & Developers	B	150,000	150.4
21-Feb	Gcv Serv	Akash B Patava	S	576,295	1.0
21-Feb	Hitech Gears	Ask Securities Advisory Services	S	200,000	75.0
21-Feb	Hitech Gears	Anuj Anantrai Sheth	B	202,504	75.0
21-Feb	Invicta Meditek	Phlp Computer Technologies Pvt Ltd	B	37,209	17.6
21-Feb	Invicta Meditek	Sunitha Kumari	S	30,000	17.7
21-Feb	Kadvani Sec	Yrv Infra & Media Pvt Ltd	B	72,500	46.0
21-Feb	Koffee Break	Hemang Jayendra Thaker	S	700,000	0.3
21-Feb	Koffee Break	Alken Management & Financial Ser	B	710,000	0.3
21-Feb	Liberty Phos	Blue Deebaj Chemicals Llc	S	100,000	227.0
21-Feb	Lippi Systems-\$	Gandhi Neil Bharat	S	39,003	5.1
21-Feb	Mahesh Agri	Sangeeta Jain	S	3,746	21.1
21-Feb	Mfl India	Pace Stock Broking Services Pvt Ltd	S	204,901	9.0
21-Feb	Mfl India	Manorites Capital Management Ltd	B	200,000	9.0
21-Feb	Pg Electroplast	Sumtinath Shares & Services Pvt Ltd	S	90,000	335.0
21-Feb	Regency Trust	Aristo Media & Entertainment Pvt Ltd	B	58,849	28.4
21-Feb	Super Sales-\$	Yogesh Himatlal Patel	B	145,856	182.5
21-Feb	Super Sales-\$	Fidelity Multitrade Pvt. Ltd.	B	122,082	182.3
21-Feb	Super Sales-\$	Bharat Jayantilal Patel	S	267,082	182.3
21-Feb	Suryanagri Fin	Nezone Biscuits Pvt Ltd	B	149,850	25.8
21-Feb	Suryanagri Fin	Sk Khemka	S	62,450	25.8
21-Feb	Suryanagri Fin	Subhankar Exim Pvt Ltd	S	45,000	25.8
21-Feb	Suryanagri Fin	Eversafe Promoters Pvt Ltd	S	42,550	25.8
21-Feb	Sybly Inds-\$	Ccl International Ltd	B	10,258,417	0.3
21-Feb	Tera Software	Nimmagadda Venkateswara V Prasad	S	71,200	40.2
21-Feb	Vaishnavi	Sai Nithisha Parvathaneni	B	295,584	7.3
21-Feb	Vaishnavi	Parvathaneni Venkata Siva G Rao	S	170,051	7.3
21-Feb	Vaishnavi	Swapna Sri Tummala	S	123,346	7.2
21-Feb	Vms Inds	G Prashanth Narayan	B	151,000	35.5
21-Feb	Wheels India	Rajasthan Global Securities Ltd	B	50,239	746.1
21-Feb	Yuvraaj Hygiene	Mudra Financial Services Ltd	S	500,000	6.8

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
Bajaj Auto	1,984	0.0	0.0	0.3
Cipla Ltd	382	0.1	0.0	2.1
GAIL India	338	0.0	0.0	1.1
Losers				
ICICI Bank	1,080	(3.7)	(15.2)	3.3
Reliance Ind	859	(1.8)	(8.0)	3.7
HDFC Bank	666	(1.6)	(6.1)	2.7

Source: Bloomberg

Fundamental Research Team

Dipen ShahIT
dipen.shah@kotak.com
+91 22 6621 6301**Sanjeev Zarbade**Capital Goods, Engineering
sanjeev.zarbade@kotak.com
+91 22 6621 6305**Teena Virmani**Construction, Cement
teena.virmani@kotak.com
+91 22 6621 6302**Saurabh Agrawal**Metals, Mining
agrawal.saurabh@kotak.com
+91 22 6621 6309**Saday Sinha**Banking, NBFC, Economy
saday.sinha@kotak.com
+91 22 6621 6312**Arun Agarwal**Auto & Auto Ancillary
arun.agarwal@kotak.com
+91 22 6621 6143**Ruchir Khare**Capital Goods, Engineering
ruchir.khare@kotak.com
+91 22 6621 6448**Ritwik Rai**FMCG, Media
ritwik.rai@kotak.com
+91 22 6621 6310**Sumit Pokharna**Oil and Gas
sumit.pokharna@kotak.com
+91 22 6621 6313**Amit Agarwal**Logistics, Transportation
agarwal.amit@kotak.com
+91 22 6621 6222**Jayesh Kumar**Economy
kumar.jayesh@kotak.com
+91 22 6652 9172**K. Kathirvelu**Production
k.kathirvelu@kotak.com
+91 22 6621 6311

Technical Research Team

Shrikant Chouhanshrikant.chouhan@kotak.com
+91 22 6621 6360**Amol Athawale**amol.athawale@kotak.com
+91 20 6620 3350**Premshankar Ladha**premshankar.ladha@kotak.com
+91 22 6621 6261

Derivatives Research Team

Sahaj Agrawalsahaj.agrawal@kotak.com
+91 22 6621 6343**Rahul Sharma**sharma.rahul@kotak.com
+91 22 6621 6198**Malay Gandhi**malay.gandhi@kotak.com
+91 22 6621 6350**Prashanth Lalu**prashanth.lalu@kotak.com
+91 22 6621 6110

Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Securities Ltd. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Securities Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Equities Research Group of Kotak Securities Limited.

We and our affiliates, officers, directors, and employees world wide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Securities' prior written consent.

Registered Office: Kotak Securities Limited, Bakhtawar, 1st floor, 229 Nariman Point, Mumbai 400021 India.

Correspondence address: Infinity IT Park, Bldg. No 21, Opp Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097.

Tel No : 66056825.

Securities and Exchange Board Of India: Registration No's: NSE INB/INF/INE 230808130, BSE INB 010808153/INF 011133230/INE 011207251, OTC INB 200808136, MCX SX INE 260808130. AMFI No: 0164.

Investment in securities market is subject to market risk, please read the combined risk disclosure document prior to investing.