



## Economy News

- ▶ In a sign that the government's stimulus packages are having an impact, the National Highways Authority of India (NHAI) has shortlisted 16 bids from private players for projects valued at Rs.220bn for various projects in just over a month. (BS)
- ▶ The government expects fuel consumption to grow 6% next fiscal while crude oil imports are slated for a rise, despite slowdown in the economy. Fuel consumption in April-November period of 2008-09 fiscal grew by 4% to 86.6 mn tones, industry officials said. (BS)
- ▶ The government on Monday said the \$35-bn FDI target for this fiscal will be achieved despite the global economic slowdown and invited investors in public-private-partnership for infrastructure projects. (BL)
- ▶ The proposed increase in the Government borrowing and subsequent hike in spending is likely to put some pressure on liquidity in Q4 FY-09, according to CMIE forecast. The Government has sanctioned an additional Rs.1481bn over and above the budget estimate. The last quarter of the current fiscal is expected to see Rs 350.0bn of borrowing through dated securities. This projected increase is expected to keep up some pressure on liquidity during the next three months. (BL)
- ▶ Maintaining that India will grow by at least 7% this fiscal, Commerce Minister Kamal Nath on Monday said the government was considering another stimulus package to pump prime the economy. (ET)

## Corporate News

- ▶ The Government is keen on appointing **GAIL India** as the exclusive marketer for natural gas from Reliance Industries' eastern offshore KG-D6 block but the firm has opposed the move on the grounds that it runs contrary to marketing freedom guaranteed under NELP. (BS)
- ▶ **Cairn India** has received government approval to develop more oil and gas discoveries in the western Indian state of Rajasthan. (ET)
- ▶ The principal promoters of **Balaji Telefilms** have decided not to buy Star India's 26% stake in the television software company because of the sharp erosion in its share price. In August 2008, the Kapoors had agreed to buy the Star stake at Rs.190 per share by January 18. This would have raised their stake in Balaji Telefilms from 40% to 66%. (BS)
- ▶ **Unitech** has said that it has repaid or rescheduled about three-fourth of the company's debt worth Rs.25bn to be paid by March 2009.(BS)
- ▶ **Sadbhav Engineering** in consortium with two other firms, has bagged an order worth Rs 14.10bn from the National Highway Authority of India (NHAI) for a road project. (ET)
- ▶ **Vedanta Aluminium Ltd** has terminated its contract with Maytas Infra, owned by former Satyam Computer Chairman B Ramalinga Raju's family, for a project in Orissa. (ET)
- ▶ **Vodafone** has said that, it will continue to hold 4% indirect stake in Bharti Airtel, putting at rest the speculation that the British company is keen to get out of Bharti completely. (BS)
- ▶ **ITC** has reported a 8.73% growth rate in its net profit at Rs.9.03bn for the third quarter ended December 31, 2008, on the back of strong revenues from the FMCG segment. (BS)
- ▶ **Gujarat NRE Coke** said that, its net profit has declined 73.58% at Rs 132mn, for the third quarter ended December 31, 2008 as compared to Rs 499.7mn for the corresponding period last year. (BS)

### Equity

	19 Jan 09	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
SENSEX Index	9,330	0.1	(7.6)	(8.7)
NIFTY Index	2,846	0.6	(7.5)	(8.9)
BANKEX Index	4,989	(1.0)	(11.4)	(12.4)
BSET Index	2,169	(0.8)	(7.6)	(20.9)
BSETCG INDEX	6,603	1.3	(8.3)	(7.9)
BSEOIL INDEX	6,020	1.5	(6.6)	(7.7)
CNXMcap Index	3,535	0.8	(6.2)	(8.5)
BSESMCAP INDEX	3,451	1.1	(7.8)	(16.1)
<b>World Indices</b>				
Dow Jones	8,281	0.8	(3.5)	(6.5)
Nasdaq	1,529	1.2	(2.2)	(10.6)
FTSE	4,108	(0.9)	(4.2)	(4.1)
Nikkei	8,257	0.3	(6.9)	(11.2)
Hangseng	13,340	0.6	(14.7)	(15.8)

### Value traded (Rs cr)

	19 Jan 09	% Chg - Day
Cash BSE	2,582	(11.0)
Cash NSE	6,819	(6.2)
Derivatives	26,461.8	(19.1)

### Net inflows (Rs cr)

	16 Jan 09	% Chg	MTD	YTD
FII	(563)	18	(2,205)	(2,205)
Mutual Fund	285	(220)	(1,824)	(1,824)

### FII open interest (Rs cr)

	16 Jan 09	% Chg
FII Index Futures	9,998	4.7
FII Index Options	11,430	1.5
FII Stock Futures	11,316	2.0
FII Stock Options	836	0.9

### Advances / Declines (BSE)

	19 Jan 09	A	B	S	Total	% total
Advances	118	904	211	1,233	55	
Declines	85	656	175	916	41	
Unchanged	1	69	14	84	4	

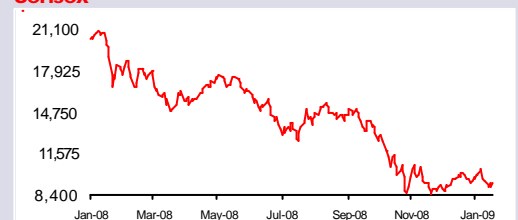
### Commodity

		19 Jan 09	% Chg		
			1 Day	1 Mth	3 Mths
Crude (NYMEX)	(US\$/BBL)	34.4	(5.8)	1.5	(53.7)
Gold (US\$/OZ)		835.9	(0.9)	(0.7)	4.4
Silver (US\$/OZ)		11.2	(0.8)	2.2	13.7

### Debt / forex market

	19 Jan 09	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	5.66	5.70	5.60	7.62
Re/US\$	48.65	48.80	47.26	49.02

### Sensex



## RESULT UPDATE

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## ULTRATECH CEMENTS

PRICE: Rs.381  
TARGET PRICE: Rs.454RECOMMENDATION: REDUCE  
FY10E P/E: 6.7x

## Result highlights

- Revenues for the current quarter Q3FY09 grew by 18% YoY and were slightly better than our estimates. Revenue growth was primarily led by higher dispatches as well as higher proportion of RMC sales as compared to Q3FY08. Net realizations stood at Rs 3568 per tonne as against Rs 3163 per tonne for Q3FY08. Adjusted with the RMC revenues of Rs 1142 mn, cement realizations stood at Rs 3318 per tonne.
- Operating margins for the current quarter stood at 26.4%, down YoY and almost in line with our estimates.
- Net profit for the current quarter de-grew by 15% YoY due to steep decline in operating margins as well as higher interest and depreciation charges in Q3FY09 as compared to Q3FY08.
- At current market price of Rs 381, stock is trading at 5.2x and 6.7x on P/E multiples and 3.5x and 3.8x on EV/EBITDA multiples on FY09 and FY10 estimates respectively. We continue to maintain our negative bias for the sector as well as for the company due to impending oversupply, decline in realizations as well expected de-growth in profitability going forward. We continue to maintain REDUCE on the stock with a price target of Rs 454. At our target price, stock would trade at 8x P/E and 4.5x EV/EBITDA multiples on FY10 estimates.

## Summary table

(Rs mn)	FY08	FY09E	FY10E
Sales	55,092	63,654	65,633
Growth (%)	12.0	16.0	3.0
EBITDA	17,201	16,481	14,813
EBITDA margin (%)	31.2	25.9	22.6
Net profit	10,076	9,055	7,051
EPS (Rs)	80.9	72.7	56.6
Growth (%)	29.0	(10.0)	(22.0)
ROE (%)	44.4	28.1	17.5
ROCE (%)	41.1	29.8	20.5
EV/Sales (x)	1.0	0.9	0.9
EV/EBITDA (x)	3.3	3.5	3.8
P/E (x)	4.7	5.2	6.7
P/BV (x)	1.7	1.3	1.1

Source: Company, Kotak Securities - Private Client Research

## Financial highlights

(Rs mn)	Q3FY09	Q3FY08	YoY (%)
<b>Net Sales</b>	<b>16,308</b>	<b>13,821</b>	<b>18</b>
Expenditure	12,000	9,136	
Inc/Dec in trade	-837	-308	
RM	1,746	1,357	
As a % of net sales	10.7	9.8	
Purchase of finished goods	54	0	
As a % of net sales	0.3	0.0	
Staff cost	636	436	
As a % of net sales	3.9	3.2	
Power and fuel	5,272	3,239	
As a % of net sales	32.3	23.4	
Transportation & Handling	2,708	2,367	
As a % of net sales	16.6	17.1	
Other expenditure	2,421	2,045	
As a % of net sales	14.8	14.8	
<b>Operating Profit</b>	<b>4,308</b>	<b>4,685</b>	<b>-8</b>
Operating Profit Margin	26.4	33.9	
Depreciation	805	583	
<b>EBIT</b>	<b>3,503</b>	<b>4,102</b>	<b>-15</b>
Interest	359	174	
EBT(exc other income)	3,144	3,928	
Other Income	204	201	
<b>Profit before tax</b>	<b>3,348</b>	<b>4,129</b>	<b>-19</b>
Tax	964	1,334	
Tax Rate (%)	28.8	32.3	
Net Profit	2,384	2,795	-15
NPM (%)	14.6	20.2	
Equity Capital	1,244.9	1,244.9	
<b>EPS (Rs)</b>	<b>19.1</b>	<b>22.5</b>	

Source: Company

### Revenue growth slightly better than our estimates

- Revenues for the company have registered an YoY growth of 18% for Q3FY09. This was boosted by higher dispatches as well as higher RMC sales for the current quarter as against last year. Volume increase is brought about by commissioning of new capacities at Andhra Pradesh Cement Works (APCW), AP and grinding unit in Ginigera. RMC sales for the current quarter stood at Rs 1142mn
- Net realizations for the current quarter stood at Rs 3568 per tonne. However, adjusted with the RMC sales of Rs 1142 mn, net realizations for the current quarter stands at Rs 3318 per tonne.
- Commercial production of clinker from APCW(AP) and cement from Ginigera unit has already commenced while installation of captive power plants is expected to be over by end of FY09. Thus, expansion plan of the company is on schedule.
- We maintain our revenue estimates for the company and expect revenues to be around Rs 64bn and Rs 66bn for FY09 and FY10 respectively.

### Operating margins impacted by higher power and fuel cost

- Operating margins for the company in Q3FY09 stood at 26.4%, inline with our estimates. Margins in the current quarter were impacted by higher power and fuel cost.
- Though imported coal prices have started coming down but in Q3FY09, company used its existing inventory of fuel originally bought at higher prices. This has resulted in much higher power and fuel cost for the current quarter. Impact of lower coal prices would start getting reflected from Q4FY09 onwards.
- We expect operating margins to be around 26% for the full year. However due to lower expected realizations going forward, we expect much lower operating margins of 23% in FY10.

### Cost per tonne analysis

	Q3FY09	Q3FY08	Q2FY09
Despatches (mn tonne)	4.57	4.37	3.98
<b>Net Realisation/tonne (Rs)</b>	<b>3568</b>	<b>3163</b>	<b>3508</b>
YoY (%)	13		
QoQ (%)	2		
<b>Expense per tonne (Rs)</b>			
Raw material	199	240	393
Finished goods	12	0	5
Staff cost	139	100	127
Power and fuel	1154	741	991
Transporation & Handling	592	542	588
Other expenditure	530	468	658
<b>EBITDA per tonne</b>	<b>943</b>	<b>1072</b>	<b>746</b>

Source: Company

### Net profit de-grew by 15% due to lower operating margins

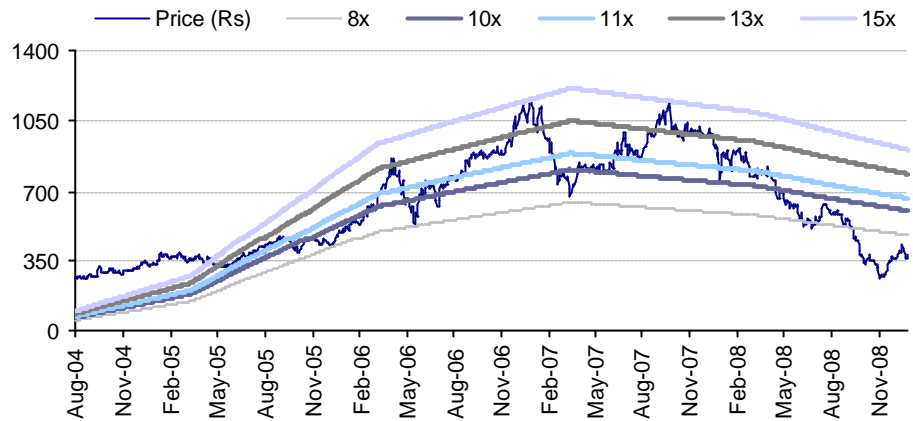
- Net profits of the company de-grew by 15% for Q3FY09 vis-à-vis corresponding period last year. This was due to lower operating margins as well as higher depreciation and interest charges as compared to corresponding period last year. Depreciation charges would continue to remain high on account of commissioning of new capacities as well as captive power plants going forward.
- We maintain our estimates of net profits to be around Rs 9bn and Rs 7bn for FY09 and FY10 respectively.

**We recommend REDUCE on Ultratech Cements with a price target of Rs.454**

**Valuation and recommendation**

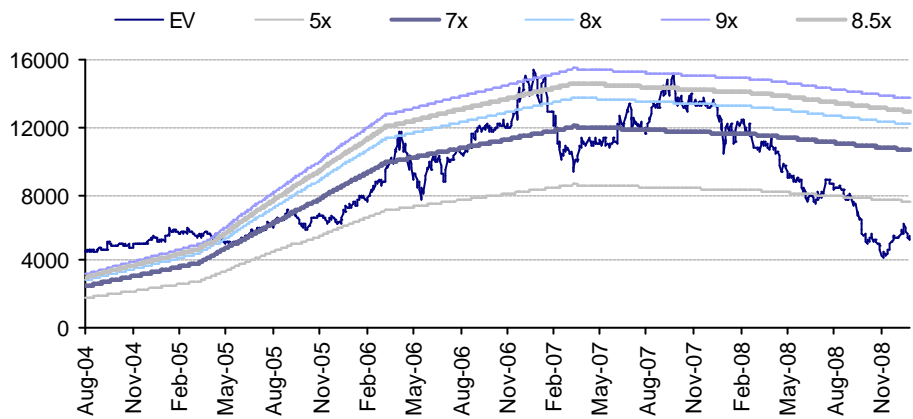
At current market price of Rs 381, stock is trading at 5.2x and 6.7x on P/E multiples and 3.5x and 3.8x on EV/EBITDA multiples on FY09 and FY10 estimates respectively. We continue to maintain our negative bias for the sector as well as for the company due to impending oversupply, declining realizations as well expected de-growth in profitability going forward. We continue to maintain **REDUCE** on the stock with a price target of Rs 454. At our target price, stock would trade at 8x P/E and 4.5x EV/EBITDA multiples on FY10 estimates.

**Forward P/E**



Source: Capitaline, Kotak Securities - Private Client Research

**Forward EV/EBITDA**



Source: Capitaline, Kotak Securities - Private Client Research

**RESULT UPDATE**

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+91 22 6621 6312**ALLAHABAD BANK****PRICE: Rs.54****TARGET PRICE: Rs.70****RECOMMENDATION: REDUCE****FY10E P/E: 3.4x; P/ABV: 0.5x****Reduce positions at every rise - Net profit decline of 14.8% CAGR expected over FY08-10E**

Allahabad Bank (ALB) delivered strong growth in NII (Net Interest Income) on back of higher growth in advances (15.2% vs. 10.4% growth in deposits), improvement in C/D ratio from 67.3% in Q3FY08 to 70.2% in Q3FY09 and improvement in NIM.

Its net profit was flat due to moderate growth in non-interest income (however, very strong growth vis-à-vis Q1FY09 & Q2FY09) and six fold increase in tax provisions.

Although we are revising our earning estimates upward for FY09E and FY10E, we are retaining REDUCE rating on the stock with the target price of Rs.70 based on P/ABV of 0.6x its FY10E adjusted book value. We recommend reducing exposure to the stock at every rise.

Current valuation (0.5x FY10E ABV), which is at the lower end of its historical trading band post 58% correction since January 2008, points to a limited downside. However, unattractive earnings growth profile (expected net profit decline of 14.8% CAGR during FY08-10E) would lead to a subdued RoE (12.2% in FY10E), lower than its cost of capital (15.1%).

**Quarterly Performance**

(Rs mn)	Q3FY09	Q3FY08	YoY (%)
Interest on advances	14,511.9	11,295.4	28.5
Interest on Investment	4,423.0	4,206.5	5.1
Interest on RBI/ banks' balances	11.7	51.3	-77.1
Other interest	33.8	9.2	267.8
<b>Total Interest earned</b>	<b>18,980.5</b>	<b>15,562.4</b>	<b>22.0</b>
Interest expenses	12,939.1	11,382.1	13.7
<b>Net interest income</b>	<b>6041.4</b>	<b>4180.3</b>	<b>44.5</b>
Other income	4,084.1	4,001.7	2.1
Net Revenue (NII + Other income)	10,125.5	8,182.0	23.8
Operating Expenses	3,464.9	2,970.8	16.6
Payments to / Provisions for employees	2,300.3	1,800.3	27.8
Other operating expenses	1,164.6	1,170.5	-0.5
<b>Operating profit</b>	<b>6,660.6</b>	<b>5,211.2</b>	<b>27.8</b>
Provisions & contingencies	1,029.8	1,250.1	-17.6
Provision for taxes	1,936.1	310.6	523.3
<b>Net profit</b>	<b>3,694.7</b>	<b>3,650.5</b>	<b>1.2</b>
<b>EPS, Rs</b>	<b>8.27</b>	<b>8.17</b>	<b>1.2</b>

Source: Company

**Key Highlights****Strong growth in NII and net profit**

Net interest income (NII) grew 44.5% to Rs.6.04 bn in Q3FY09 from 4.18 bn in Q3FY08. This growth has come on the back of higher growth in advances (15.2% vs. 10.4% growth in deposits), improvement in C/D ratio from 67.3% in Q3FY08 to 70.2% in Q3FY09 and improvement in NIM. (3.24% in Q3FY09 vs 2.59% in Q3FY08)

Interest expense grew 13.7% (sequentially lower from Rs.1.35 bn in Q2FY09 to Rs.1.29 bn in Q3FY09) only vs. 22.0% growth in interest income during Q3FY09.

Even with strong growth in NII (44.5% growth YoY) and lower growth in other operating expenses (excluding employees expense), net profit was flat (growth of 1.2% YoY) due to moderate growth in non-interest income (however, very strong growth vis-à-vis Q1FY09 & Q2FY09) and more than six fold increase in tax provisions from Rs.310 mn in Q3FY08 to Rs.1.94 bn in Q3FY09.

### Flat non-interest income growth, however strong vis-à-vis Q1FY09 & Q2FY09

Non-interest income was flat and grew from Rs.4.0 bn in Q3FY08 to Rs.4.1 bn in Q3FY09, a growth of 2.1% YoY. However, it was very strong if compared with Rs.1.44 bn and Rs.1.31 bn during Q1FY09 and Q2FY09, respectively.

Trading profit was also flat (decline of 4.4% YoY) during Q3FY09 but was very strong vis-à-vis Q1FY09 & Q2FY09.

#### Trend in Non interest income

(Rs bn)	1Q FY08	2Q FY08	3Q FY08	4Q FY08	1Q FY09	2Q FY09	3Q FY09	YoY gr (%)
Fee Income (CEB & Forex)	2.04	1.04	0.90	1.43	1.07	0.91	1.18	31.0
Profit on sale of Investments	0.45	0.36	3.01	1.24	0.32	0.08	2.88	-4.4
Others	0.27	0.16	0.09	0.20	0.05	0.32	0.02	-77.0
<b>Total non-Interest income</b>	<b>1.22</b>	<b>1.56</b>	<b>4.00</b>	<b>2.87</b>	<b>1.44</b>	<b>1.31</b>	<b>4.08</b>	<b>2.1</b>

Source: Company

### Bank registers moderate business growth

- Total business of the bank increased 12.3% to Rs.1278.5 bn in Q3FY09.
- Total deposits of the bank rose 10.4% (YoY) to Rs.751.0 bn in Q3FY09. Low cost deposits (CASA) accounts for 34.7% of the total deposits at the end of Q3FY09, a decline of 90 bps YoY. (However, improvement of 140 bps sequentially)
- Advances of the bank increased 15.2% (YoY) to Rs.527.5 bn in Q3FY09.
- The higher growth in advances led to improvement in C/D ratio from 67.3% at the end of Q3FY08 to 70.2% at the end of Q3FY09.

Return on assets (RoA) stands at 1.78% at the end of Q3FY09 as compared to 1.98% at the end of Q3FY08. However, it is much above the 0.45% and 0.2% during Q1FY09 & Q2FY09, respectively.

Capital Adequacy Ratio (CAR) at the end Q3FY09 stands at 12.2% (Tier-I at 8.2%) vis-à-vis 12.84% at the end of Q3FY08.

The NIM of the bank improved to 3.24% in Q3FY09 from 2.59% in Q3FY08, an improvement of 65 bps YoY. It also improved from 2.75% and 2.70% during Q1FY09 & Q2FY09, respectively.

At the end of Q3FY09, gross NPA improved to 1.93% from 2.06% at the end of Q3FY08. During the same period, net NPA deteriorated to 0.82% from 0.67% YoY.

## Valuation & Recommendation

At the current market price of Rs.54, the stock is trading at 3.4x its FY10E earnings and 0.5x its FY10E ABV. We are revising our earning estimates upward for FY09E and FY10E but we are retaining REDUCE rating on the stock with the target price of Rs.70 based on P/ABV of 0.6x its FY10E adjusted book value.

### Changes in estimates

	Old		New	
	FY09E	FY10E	FY09E	FY10E
Net interest income (Rs bn)	18.91	20.60	20.67	23.57
Gross profit (Rs bn)	11.64	12.75	16.15	15.57
Net profit (Rs bn)	5.46	6.19	6.62	7.08
EPS (Rs)	12.2	13.8	14.8	15.8
Adj. BVPS (Rs)	110.6	116.1	112.4	118.8
Price target (Rs)		70		70
Recommendation		BUY		BUY
Recommendation base year		FY10E		FY10E

Source: Kotak Securities - Private Client Research

We now expect full year profits of Rs.6.62 bn and Rs.7.08 bn for FY09E and FY10E, respectively.

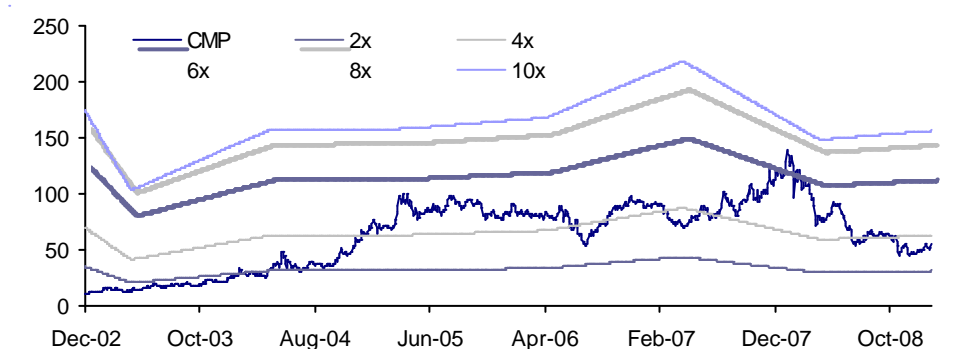
This will result in an EPS of Rs.14.8 and Rs.15.8 in FY09E and FY10E, respectively. The adjusted book value is estimated to be Rs.112.4 and Rs.118.8, for FY09E and FY10E, respectively.

### Rolling 1-year forward P/ABV band



Source: Company, Kotak Securities - Private Client Research

### Rolling 1-year forward P/E band



Source: Company, Kotak Securities - Private Client Research

### RoE - P/ABV Valuation Methodology

At the RoE of 12.2% (FY10E), cost of equity of 15.1% and perpetual growth rate of 4%, the theoretical fair value stands at 0.74x its adjusted book value. Historically, the stock has been trading in the ranges of 0.4x to 1.25x one year forward ABV with the average around 0.55x ABV.

We are assigning 75:25 weights to both historical multiple and fair multiple based on RoE-P/ABV methodology (derived from the Gordon Growth Model to arrive at a fair multiple of 0.60x.

**We recommend REDUCE on Allahabad Bank with a price target of Rs.70**

Current valuation (0.5x FY10E ABV), which is at the lower end of its historical trading band post 58% correction since January 2008, points to a limited downside. However, unattractive earnings growth profile (expected net profit decline of 14.8% CAGR during FY08-10E) would lead to a subdued RoE (12.2% in FY10E); lower than its cost of capital (15.1%). Given the above we do not see any near-term upside catalyst for ALB's valuations to improve significantly.

Therefore, we maintain our **REDUCE** recommendation on Allahabad Bank with a price target of Rs.70 based on P/ABV of 0.60x its FY10E adjusted book value.

#### Key data (Rs bn)

	2007	2008	2009E	2010E
Interest income	48.84	62.80	73.92	82.27
Interest expense	31.33	44.99	53.25	58.70
<b>Net interest income</b>	<b>17.51</b>	<b>17.81</b>	<b>20.67</b>	<b>23.57</b>
Other income	3.76	8.56	8.26	5.99
Gross profit	11.00	14.80	16.15	15.57
<b>Net profit</b>	<b>7.50</b>	<b>9.75</b>	<b>6.62</b>	<b>7.08</b>
Gross NPA (%)	2.6	2.0	2.0	1.9
Net NPA (%)	1.1	0.8	1.0	1.1
Net interest margin (%)	3.0	2.8	2.8	2.9
RoE (%)	18.5	20.1	12.2	12.2
RoAA (%)	1.2	1.3	0.8	0.7
Dividend Yield (%)	5.6	6.5	7.4	7.4
<b>EPS (Rs)</b>	<b>16.8</b>	<b>21.8</b>	<b>14.8</b>	<b>15.8</b>
Adjusted BVPS (Rs)	90.4	107.9	112.4	118.8
P/E (x)	3.2	2.5	3.6	3.4
P/ABV (x)	0.6	0.5	0.5	0.5

Source: Company, Kotak Securities - Private Client Research

**RESULT UPDATE****Apurva Doshi**doshi.apurva@kotak.com  
+91 22 6621 6308**PETRONET LNG LTD****PRICE: Rs.37****TARGET PRICE: Rs.50****RECOMMENDATION: ACCUMULATE****FY09E P/E: 6.6x****Summary table**

(Rs mn)	FY07	FY08	FY09E
Sales	55.1	65.6	84.9
Growth (%)	43.6	19.0	29.5
EBITDA	6.5	8.7	7.6
EBITDA margin (%)	11.8	13.2	9.0
Net profit	3.1	4.7	4.2
Net cash (debt)	(10.4)	(12.2)	(17.4)
EPS (Rs)	4.2	6.3	5.6
Growth (%)	60.7	51.5	(10.8)
DPS (Rs)	-	1.25	1.50
ROE (%)	24.6	29.3	24.0
RoIC (%)	20.3	34.2	22.6
EV/Sales (x)	0.7	0.6	0.5
EV/EBITDA (x)	5.9	4.6	5.9
P/E (x)	8.9	5.8	6.6
P/CEPS (x)	6.7	4.8	5.2
P/BV (x)	2.2	1.7	1.5

Source: Company, Kotak Securities - Private Client Research

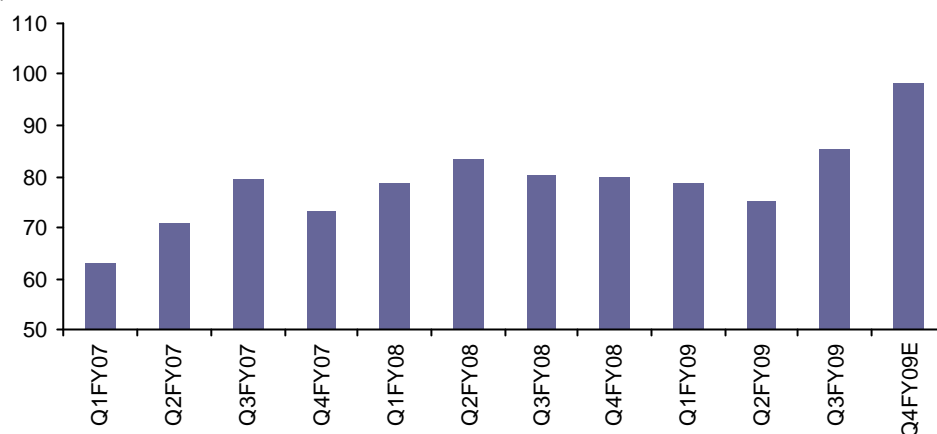
- ❑ Petronet LNG reported weaker than expected operating margins in Q3FY09 due to lower re-gasification margins
- ❑ Revise FY09 EPS downwards by 5.2% to Rs.5.6.
- ❑ We maintain ACCUMULATE rating on PLNG with revised price target of Rs.50 (Rs.60 earlier).
- During the Q3FY09, PLNG sold 85.1 TBTU of re-gasified LNG which is up 6.0% on YoY basis. This is primarily due to higher import of spot cargo during the quarter.
- Net sales for Q3FY09 were at Rs.24.7 bn which is up 56.4% YoY and up 49.4% on sequential basis. The average realizations improved by 47.6% on YoY basis to Rs.291 mn per TBTU during Q3FY09 over the corresponding period last year. This was due to higher import of spot cargo which typically are priced higher than long term contracts.
- For Q3FY09, the operational profit declined by 20.1% on YoY basis to Rs.1.8 bn. The company recorded lower EBITDA margin of 7.5%, which is down 720 bps on YoY basis and down 350 bps on sequential basis. This is due to lower re-gasification margin which resulted into higher raw material to sales ratio at 91.3% in Q3FY09 as against 83.4% in the same quarter last year.
- PBT for Q3FY09 was at Rs.1.5 bn down 18.9% on YoY basis.
- PAT for Q3FY09 was at Rs.1.0 bn down 19.8% on YoY basis thereby translating into quarterly EPS of Rs.1.4 and CEPS of Rs.1.7.
- PAT for 9MFY09 was at Rs.3.1 bn down 11.4% on YoY basis thereby translating into 9MFY09 EPS of Rs.4.2 and CEPS of Rs.5.2.

**Quarterly performance**

(Rs mn)	Q3FY09	Q3FY08	YoY%	Q2FY09	QoQ (%)	9MFY09	9MFY08	YoY%
<b>Net Sales</b>	<b>24,730</b>	<b>15,811</b>	<b>56.4</b>	<b>16,549</b>	<b>49.4</b>	<b>57,738</b>	<b>48027</b>	<b>20.2</b>
Raw Material	22,576	13,192	71.1	14,416	56.6	51,224	40645	26.0
Staff cost	37	37	(1.1)	36	1.1	111	136	(18.4)
Other exp.	262	262	0.3	274	(4.3)	808	732	10.3
Total exp.	22,875	13,491	69.6	14,726	55.3	52,143	41,514	25.6
<b>EBIDTA</b>	<b>1,855</b>	<b>2,320</b>	<b>(20.1)</b>	<b>1,823</b>	<b>1.8</b>	<b>5,596</b>	<b>6,513</b>	<b>(14.1)</b>
Other income	222	120	85.2	178	24.7	566	357	58.5
Depreciation	258	257	0.7	258	0.1	772	768	0.5
<b>EBIT</b>	<b>1,818</b>	<b>2,184</b>	<b>(16.7)</b>	<b>1,742</b>	<b>4.4</b>	<b>5,389</b>	<b>6,102</b>	<b>(11.7)</b>
Interest	255	256	(0.5)	241	5.7	747	774	(3.5)
<b>PBT</b>	<b>1,563</b>	<b>1,927</b>	<b>(18.9)</b>	<b>1,501</b>	<b>4.1</b>	<b>4,642</b>	<b>5,328</b>	<b>(12.9)</b>
Tax & deferred tax	513	617	(16.9)	468	9.6	1,502	1,782	(15.7)
<b>PAT</b>	<b>1,051</b>	<b>1,311</b>	<b>(19.8)</b>	<b>1,034</b>	<b>1.7</b>	<b>3,141</b>	<b>3,546</b>	<b>(11.4)</b>
Equity shares o/s (mn)	750.0	750.0		750.0		750.0	750.0	
<b>Ratios</b>								
Operating profit margin (%)	7.5	14.7	-720 bps	11.0	-350 bps	9.7	13.6	-390 bps
RM / Sales (%)	91.3	83.4		87.1		88.7	84.6	
Staff cost / Sales (%)	0.1	0.2		0.2		0.2	0.3	
Other exp. / Sales (%)	1.1	1.7		1.7		1.4	1.5	
Tax / PBT (%)	32.8	32.0		31.1		32.3	33.4	
<b>EPS (Rs)</b>	<b>1.4</b>	<b>1.7</b>		<b>1.4</b>		<b>4.2</b>	<b>4.7</b>	
CEPS (Rs)	1.7	2.1		1.7		5.2	5.8	
Sales Volumes - TBTU	85.1	80.3	6.0	75.0	13.5	238.9	242.1	(1.3)
Avg. Reali - Rs. mn per TBTU	291	197	47.6	221	31.7	242	198	21.8
Regasification charges Rs. mn per BTU 25.3	32.6	32.6	(22.4)	28.4	(11.0)	27.3	30.5	(10.6)

Source: Company

### Quarterly sale volume - TBTU



Source: Company, Kotak Securities - Private Client Research

### Dahej expansion completed

- The company has successfully expanded the Dahej LNG terminal facility from the 5 MMTPA to 10 MMTPA in the second week of January 2009. This would result into increased volumes going forward.
- The other expansions are on schedule. The Dahej facility would be further ramped upto 12.5 MMTPA by December 2010. The Kochi LNG terminal with capacity of 2.5 MMTPA is expected to be operational by December 2011. It would be further expanded to 5 MMTPA by December 2012.

### LNG price hiked by Qatar

- From January 2009, Qatar has hiked rates for supplies of LNG to Petronet LNG. Petronet five-year fixed price period ended in January 2009 and now the price has moved to a price band linked to Japanese Crude Cocktail (JCC).
- Petronet imports LNG from Qatar under two contracts - one long term at cheaper rates and the other short term on spot prices.
- From January 2009, the long-term rates have risen by 23.3% from \$2.53 per MMBTU (million British thermal unit) to \$3.12 per MMBTU. This is the FOB price to which we have to add shipping cost, import duty, regasification charges, pipeline tariff, marketing margins and sales tax. This works to around \$6 per MMBTU. Current spot rates are around \$10 to \$12 per MMBTU.
- Post the price hike this LNG would be expensive fuel in the country as compared with the free-market gas of Reliance Industries at \$4.2 per MMBTU and Panna Mukta Tapti field's gas at \$5.7 per MMBTU.
- However we expect Petronet LNG to be able to sell the LNG as according to the Eleventh Plan, India would have a demand of 281 MMSCMD (million metric standard cubic meters per day) of gas by 2012 as against expected domestic supply of 192 MMSCMD including Reliance gas. This would still leave a gap of 89 MMSCMD of unmet gas demand to be fulfilled by LNG.

### Confident of tying up more LNG

A lot of LNG facilities are being created around the world by end of 2009 and thus Petronet is confident of procuring more LNG supply at competitive rates. Currently, the company gets 5 MMTPA from RasGas of Qatar under a long-term LNG deal which will increase to 7.5 MMTPA from October 2009. The company is also in talks with various LNG suppliers for long-term LNG contracts. Thus we feel that the company should be able to tie up long term LNG supply for its future expansions.

**Change in estimates - FY09E (Rs. mn)**

	Old	Revised
Revenues	69.6	84.9
EBIDTA (%)	12.1	9.0
PAT	4.5	4.2
EPS (Rs.)	6.0	5.6
CEPS (Rs.)	7.7	7.1
Volume (MMTPA)	6.3	6.5
Price Target (Rs.)	60	50

Source: Kotak Securities - Private Client Research

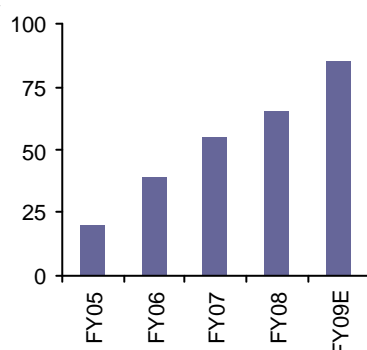
**We recommend ACCUMULATE on Petronet LNG with a price target of Rs.50**

**Change in earning estimates**

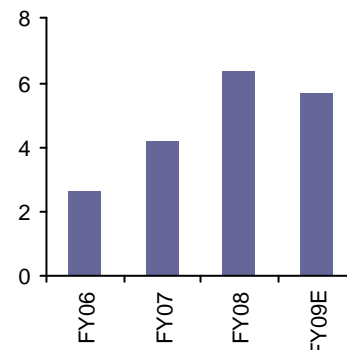
- We have revised the earning estimate for Petronet LNG to account for higher than expected spot cargo handled, price hikes by Qatar and faster ramp up of the expansion of the Dahej facility.
- In FY09E we now expect the company to report higher revenues of Rs.84.9 bn as against our earlier estimate of Rs.69.6 bn. This is primarily on account of higher volumes of 6.5 MMTPA as against our earlier estimate of 6.3 MMTPA
- However we expect the company to report lower operating margin of 9.0% as against our earlier estimate of 12.1%. This is on account of more handling of high priced spot cargo thereby increasing raw materials to sales ratio.
- We now expect the company to report lower PAT of Rs.4.2 bn as against our earlier estimate of Rs.4.5 bn.
- Accordingly we expect the company to report lower EPS of Rs.5.6 as against our earlier estimate of Rs.6.0.
- We have revised the price target to Rs.50 (Rs.60 earlier), based on DCF method of valuation with 13.5% WACC and 3% terminal growth rate.

**Valuation & Recommendation**

- On the basis of our estimates, the stock at current market price of Rs.37 is trading at 5.9x EV/EBIDTA, 6.6x P/E and 5.2x P/CEPS on the basis of FY09E earning estimates.
- We continue to remain positive on the long term growth prospect of Petronet LNG due to capacity expansions and robust business model.
- However due to near term concerns of slowdown in the economy and relatively higher prices of spot cargo we maintain ACCUMULATE rating on PLNG.
- We recommend **ACCUMULATE** on PLNG with revised price target of Rs.50.

**Net sales (Rs bn)**

Source: Company, Kotak Securities - Private Client Research

**EPS (Rs)**

Source: Company, Kotak Securities - Private Client Research

## Bulk Deals

## Trade details of bulk deals

Date	Scrp name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
19-Jan	Asia Ind Net	Atul Naginbhai Chauhan	B	21,682	6.76
19-Jan	Camlin Limit	Meridian Investments	S	349,170	9.70
19-Jan	Chemcel	Nainesh Himat Jatania	S	200,000	5.18
19-Jan	Intens Tech	Vacuf Limited	S	102,567	8.56
19-Jan	Kzleasing	Prakash D. Mori	B	20,000	33.75
19-Jan	Sanraa	Lokesh Inder Kapoor	S	240,000	4.99
19-Jan	Super Bake I	Manindra Nath Tiwari	S	23,700	5.00
19-Jan	Transgene Bi	Carwin Mercantiles Pvt Ltd	B	92,949	18.47
19-Jan	Transgene Bi	Arion Commercial Private Limited	S	87,643	18.33
19-Jan	Twinsta So E	Juhi Dineshchandra Rastogi	B	200,000	2.35
19-Jan	Twinsta So E	Namita Stocktrade.Pvt.Ltd	S	200,000	2.35
19-Jan	Unitech Ltd	Sicom Ltd	S	12,200,000	26.72
19-Jan	Well Pack Pa	Sunil Bhandari	B	65,627	43.20
19-Jan	Well Pack Pa	Rekha Bhandari	B	105,000	43.20
19-Jan	Winsome Text	Sanjay Shah	B	30,000	32.90
19-Jan	Zuari Indust	Citigroup Global Mkts Mauritius Pvt Ltd	S	340,000	146.00

Source: BSE

## Gainers & Losers

### Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
<b>Gainers</b>				
ONGC	670	3.3	7.4	1.4
Bharti Airtel	647	1.9	3.7	2.0
Reliance Ind	1,230	1.0	3.2	4.3
<b>Losers</b>				
ICICI Bank	413	(2.6)	(2.0)	6.0
NTPC Ltd	178	(0.8)	(1.9)	3.1
SBI	1,146	(1.5)	(1.8)	2.1

Source: Bloomberg

## Forthcoming events

### Company/Market

Date	Event
20-Jan	Hero Honda, LIC Housing, Polaris Software, Reliance Capital, ICI India, DRL, MRPL, Alstom Projects India, NIIT Ltd, Fortis, RPL, Kirloskar Brothers earnings expected
21-Jan	Wipro, HDFC, India Infoline, Hindustan Zinc, Pantaloon Retail, Uco Bank, ZENL, Biocon, Indian Bank earnings expected
22-Jan	Reliance Industries, BOI, Piramal Healthcare, Idea Cellular, Future Capital Holdings, Voltas, Marico, Cipla, TCI, Gateway Distriparks, Sonata Software, Reliance Infra, Reliance Power, NDTV, Coromandel Fertilizers earnings expected
23-Jan	CONCOR, Canara Bank, HCL Tech, Union Bank of India, Punj Lloyd, Asian Paints, Welspun, Edelweisse Capital, Shriram Transport Finance, Tech Mahindra, Crompton Greaves, IDBI Bank, Reliance Natural Resources, Reliance Communications, Indiabulls Financials earnings expected

Source: Bloomberg

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