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Sensex: 13,787

India Strategy

Tomorrow's winners

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29 December, 2006

India Opportunity: 2007-2011

- **Global/ US factors:**
  - Liquidity overflow, USD depreciation, Asset sell-offs & Outsourcing to India, Geo-pol comfort
- **Plentiful & cheap Natural Gas**
- **Geographical Harmonization of India**
- **QUANTUM jumps in certain pockets of Consumption**
- **Multiple opportunities for India Inc Gorillas**
- **Pending Reforms**

Investing Strategy

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- **Value-investing in India paid off from 2002: Global liquidity to EMs, & India on independent radar of many NEW funds due to adequate large-cap universe**
- **Sectoral investing in India paid off from 2004: GDP revision, Capex & commodity boom, FMCG & auto pick-ups. 2006 saw land-grabs for retail/ SEZs, etc & a Rural pick-up**
- **2007 will see a continuance of ALL above trends. BUT, with near-term earnings growth largely priced-in, the "lucky" stage of "hit the right country/ sector" may be ending**
- **6 key drivers present themselves over the next few years due to a radical transformation of the eco-scape. Corporates who have the entrepreneurial ability to capitalize BEST on these, would be tomorrow's MULTI-BAGGERS**

See pgs 36+ for snapshots of these Cos

- **If we could forecast these, they would be in the price! Hence, here we only shortlist certain candidates, best poised to capitalize on these drivers, as LT core-holding bets**
- **In ST, Metals/ Media/ Telecom/ 4w auto to outperform (use basket) & expect Realty-momentum to bubble due to increased money-flows**
- **Buying opportunities: Sharp reverse-eddies to Secular currents will periodically present themselves. These conviction-micturators, eg due to the following reasons, should be capitalized on to accumulate LT bets:**
  - "Wealth-effect" reversals in global liquidity flows
  - Political: Elections/ increased wealth-disparities
  - IPO bunching
  - Sectoral:
    - Negative events/ Over-valuation in mkt-leading sectors in each phase
    - Over-capacity in sectoral pockets as enthusiasm outruns demand pickup

Accumulate LT core holding stocks who have huge asset-hoards & entrepreneurship

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Global/ US factors & India positioning

US/ Global Factors vis-a-vis India

- **Liquidity overflow to EMs a secular trend, with temporary reversals at the margin**

- **USD depreciation factored in at Corporate earnings level, but not at Macro level**:
  - Favourable macro NOT factored in: Project imports, NRI remittances, FII investments, Indian acquisitions
  - Sectorally adverse, but factored in: IT, petro, metals

- **Growing geo-pol proximity of India, to add India-comfort & radiate from Defence to other sectors**

- **Concentration under pressure: As US/ Euro regions move up value chain:**
  - Asset/ Co sell-offs to ambitious Indian cos wanting resources, US markets, etc
  - US Inc vacates non-core territories, leaving opportunities in developing markets to India Inc.
  - Increased Outsourcing to India, esp for US/ Euro zone to remain competitive

India to benefit from continuing global re-adjustment

Global liquidity secularly burgeoning - inflow to EMs

Source of Funds

Global E to W trade continues to throw liquidity W to E

- **Current A/c surplus** (Japan, China, Middle East etc.) + **Managed currency regimes** offset interest hikes and fund US deficits
- China not appreciating Yuan. No USD proxy yet

Wealth effect has accelerated Funds availability for equities – could reverse at the margin!

- **Asset values** – esp US (vulnerable to interest rates)
- **Commodity prices** eg Middle East, Russia
- **Abs GDP growth** in US, China, Russia offsetting lack of growth elsewhere

Alternate use of Funds

- **Physical Investments:** largely Indo-China only; hence, flows to financial markets

Resurgence of Development in monarchies/ ex-state-run ecos?

- **Equity - TINA** – other asset classes also high priced – interest rate hike more deleterious to bonds, properties, etc

Interest rate cycle & asset bubble prick?

- **Emerging Markets** still a better class vs Dev. Mkts.
- **EM Capex** not far-out unlike earlier decades; interest rate hikes not enough to jeopardize project economics

Geo pol risks in oil/ nuke-related EMs ?

Secular liquidity burgeoning & flows to EMs continue due to East vs West trade & currency dynamics. But, temporary setback possible due to reversal in the 3 Wealth effect factors, due to property prick (interest rates), oil price dip & US slowdown

India Advantage vs other EMs

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- **Long term India advantage:**
  - Economy: **Other EM ecos vulnerable to oil prices (Russia), commodities (Brazil), external trade (China/ Korea).**
  - 3 pillars: Demographics/ Consumption+ competitive/ ambitious India Inc+ Capex
  - Political structure: Democratic structure poses least risk of financial or political anarchy. **Never before has India enjoyed such relations with all major World powers & neighbours**.
  - Markets: Diversified, with high RoE. Hence, **valuation comparisons with other EMs who are largely commodity or property driven, is invidious**. Capital markets are Transparent, best cap gains tax regime (LT= 0, ST = 10%)

Relative valuations

Country	Trailing PE	Fwd PE	Implied EPS change
Russia	12.9	17.4	-26%
Korea	12.2	14.4	-15%
Brazil	12.5	11.9	4%
India	25.5	19.0	34%
China	21.6	19.4	12%

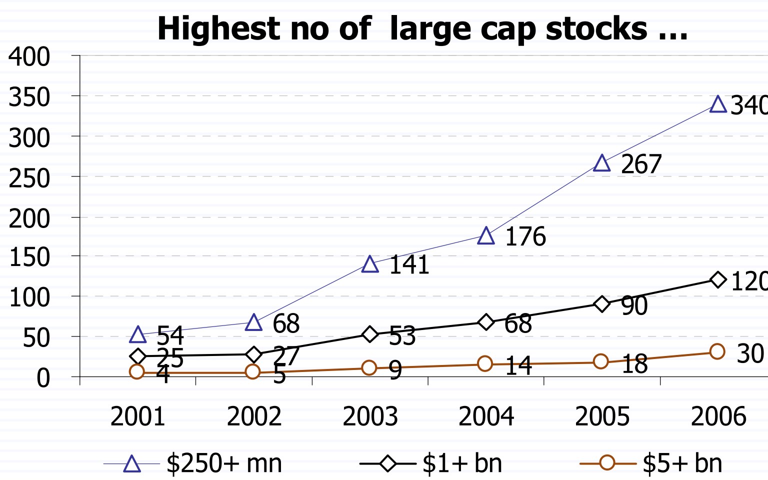
Source: Enam for India on FY basis, Bloomberg on CY basis for others

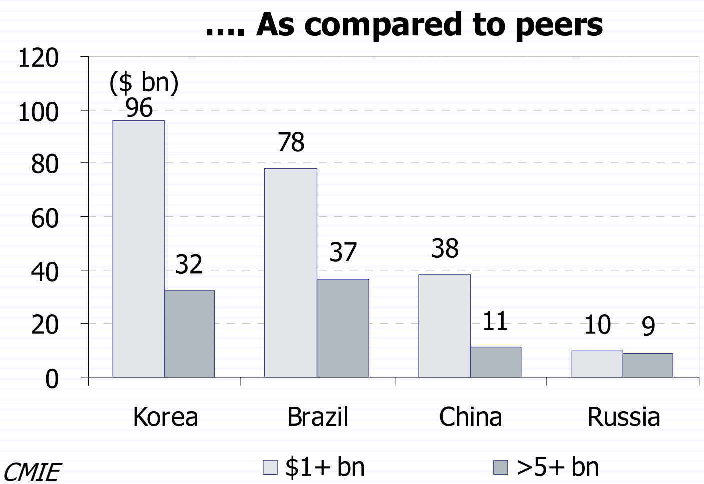
- **Global cyclical factors affect rest of world FAR more than India:**
  - US slowdown: US consumption directly affects manufactured goods (eg China, Europe), & hence, commodities (eg Russia, Brazil)
  - Interest rates on Wealth effect: US asset price pricking due to interest rates, affects US consumption: exacerbates above + directly affects risk appetite for EMs
  - Interest rates on Indian capex: Apart from its deleveraged status, most capex is in sectors where capacity utilization is high & is for IMMEDIATE needs; hence not so vulnerable to interest rates
  - Remittances: Interest rate differential directly affects countries where majority of Current a/c is remittances related to exchange & interest rate differentials, eg China, & only partly for India
  - **Thus, the direct Indian effect is only on interest rate differential & risk appetite, but NOT as much on GDP growth as for other EMs**
  - **Volume growth offsetting margin pressures (RM, interest, labour) in India**

India's long term advantages & lower vulnerabilities well recognized now. Market PEG also relatively favourable

Sophisticated India-investing

- **India: EM allocation to independent investment destination – eg MSCI weightage at ~10% vs actuals at ~18%.** Increase in no. of large caps enabled a large no. of mega global funds to look at India for the first time





Source: Bloomberg , CMIE

- **Sectors requiring longer time-perspective valued by international sectoral benchmarks, eg Realty, banking, media, traditionally undervalued by domestic investors wrt global valuations**

- **Fundamental shift in Investment approach by FIIs**
  - 1st stage – Allocate to India within EMs – choose leading stocks/ sectors
  - 2nd stage – Valuation/ Earnings growth related – choose stocks/ sectors which are undervalued or show high growth
  - **Current stage – given increased sophistication of India Inc & FII's experience in various EMs – choosing tomorrow's leaders, with scaleable business models and high & trustworthy entrepreneurship**
  - Hence, unlike last year's spate of global corporate roadshows, this year was one of FIIs on-the-ground assessing managements in India (bandwidth, execution)

FIIs zeroing in on managements with entrepreneurial vision & scaleable business models

Indian eco: Macro to Micro Prime-movers

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- **GDP & corporate earnings have constantly outrun forecasts & beaten adverse-at-the-margin macros. Quality of growth and underlying shifts in eco were not forecast. Cyclical fears were overemphasized, whereas Volumes consistently offset RM, labour & fiscal cost pressures**
- **GDP growth rate 9% achievable, given current rates of capital formation ~35-36%, savings rate of 32-33%, capital flows of ~2-3% and ICOR of 4**
- **Domestic structural inefficiencies due to transportation & taxes will reduce: infra-spend (incl freight corridors), VAT implementation, etc**
- **Fiscal situation improving:**
  - States: FRBM & 12th Finance Commission-mandated improvements pruning consolidated deficit
  - GDP growth has helped revenue buoyancy and improve tax/ GDP ratio
  - Expansion of tax base – limiting fiscal deficit
- **Increasing competition between States for projects offsetting many political/ infra hurdles.** For eg capitalist growth in communist W Bengal. Serious obstacles such as subsidies, labour flexibility, expected in time to bow down to inter-state competitive pressures
- **Judiciary & media also forcing Govt action/ accountability, eg urban infra**

Indian growth model moving from *Dirigisme* to decentralized sponsorship, ie to States, Corporates & individual entrepreneur ambitions

Energy costs

For further details on this Section, pls contact:

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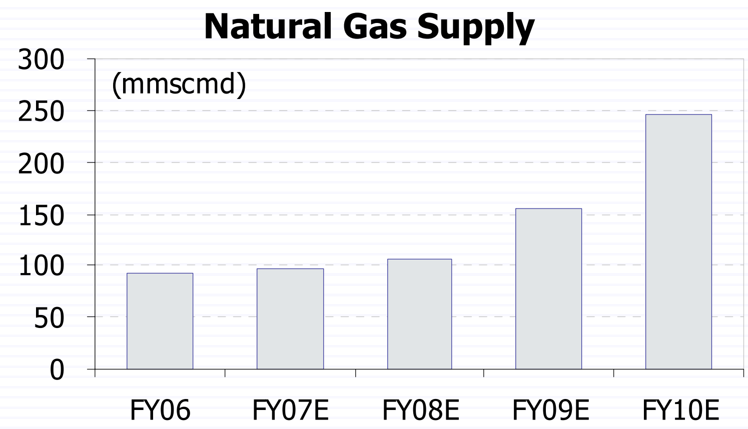
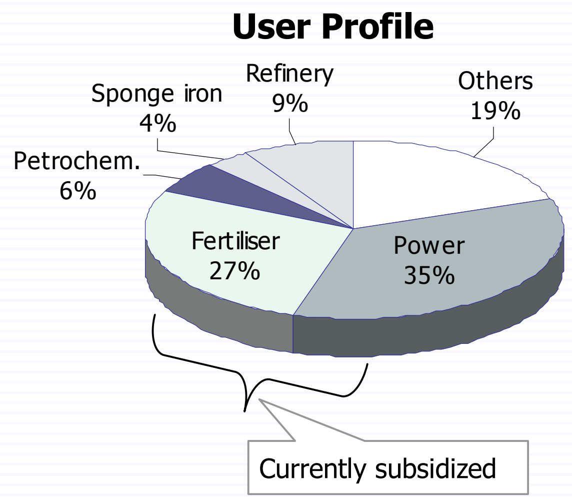
Abundant Natural Gas

- **<u>Availability</u>: By 2010, NG availability could increase ~3x**
  - Importantly, incremental supplies from private sector may lead to lower GoI interference in Gas pricing eventually
  - Increased availability for currently non-subsidized users
- **<u>Pricing</u>: NG penetration would depend on differential Pricing policies b/w various Producers & Users**
  - Individual contracts would consider the User's alternative-fuel economics
  - While global prices would depend on crude, finds, crude-vested interest of OPEC producers, etc, Indian prices may be de-linked due to marketable surplus
- **<u>Industry costs</u>: NG to lower industry costs significantly**
  - Power generation costs
  - Feedstock costs
  - NG may competitively abate coal prices, benefiting coal users
  - Possible substitution of electricity itself, eg AC&R, etc



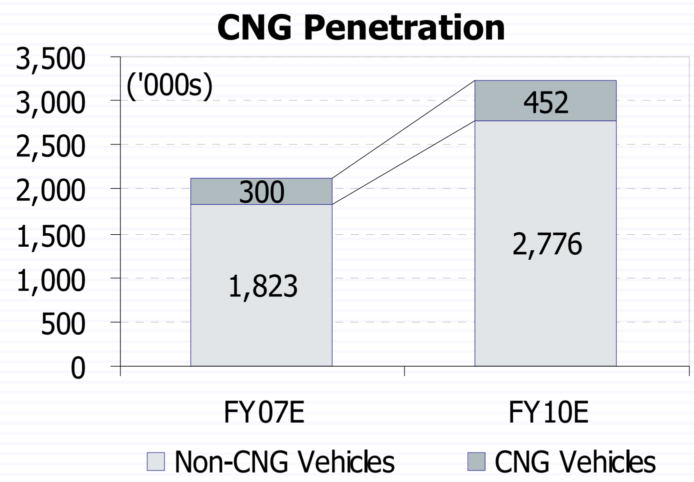


Source: Enam Research, Industry

E&P, Gas transporters/ distributors, and Users (Power/ Auto)

Crystal gazing into Beneficiaries!

- **Higher NG availability**
  - E&P players, Gas transportation (eg GAIL), distribution (eg IGL), & allied infra eg pipeline, compressors
  - NG-based Power plants- higher PLF incentives
- **Lower NG costs expanding volume bases**
  - Use of CNG could expand volume base of auto & ancs substantially
- **Energy intensives eg Alu, chemicals, esp those which are export-oriented**
- **Freight-intensives:**
  - Bulky export-oriented engg goods
  - "Organized" retailing at the expense of unorganized retailing
- **Cos with pure local focus (in demand & pricing) will largely pass thru savings in energy/ feedstock costs (fertilizers, cement, chemicals, etc). However, due to their increased volumes, suppliers to them would benefit**



Source: Enam Research, Industry

Harmonization of India

The Next Wave visible to many, though not to all!

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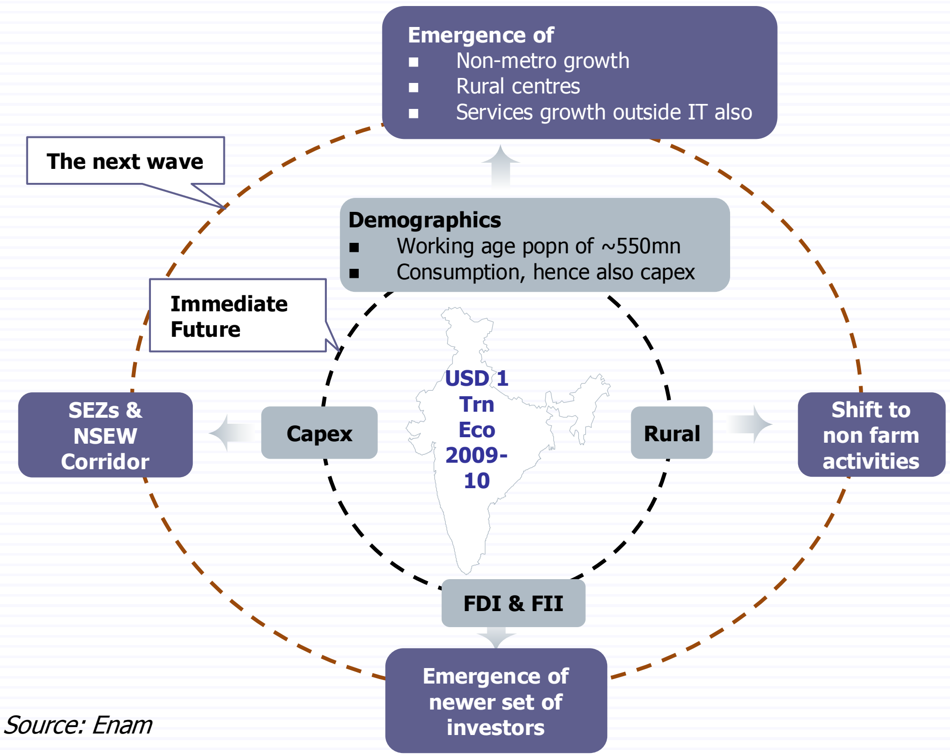
- **Investors feared an eventual levelling off of current drivers of the next few yrs' GDP growth, eg. who will replace the BPO-driven consumption wave**
- **Instead, a new avatar of EACH of these drivers is already visible on the horizon !**



Source: Enam

- **<u>Second CONSUMPTION wave</u>:**
  - Current Consumption wave due to diversity of offerings at higher affordability
  - Eventually, Indian consumer to get more homogenized (transportn, media, incomes, taxes, goods distribn, etc), leading to a SECOND wave of growth !
- **<u>Second PRODUCTION wave</u>:**
  - India Inc currently in a Resource-grab stage (men/ machines/ capital/ land !) - with infinite opportunities, local & global
  - The SECOND wave, will depend on how he UTILISES his surplus, to become dominant (gorilla-effect)

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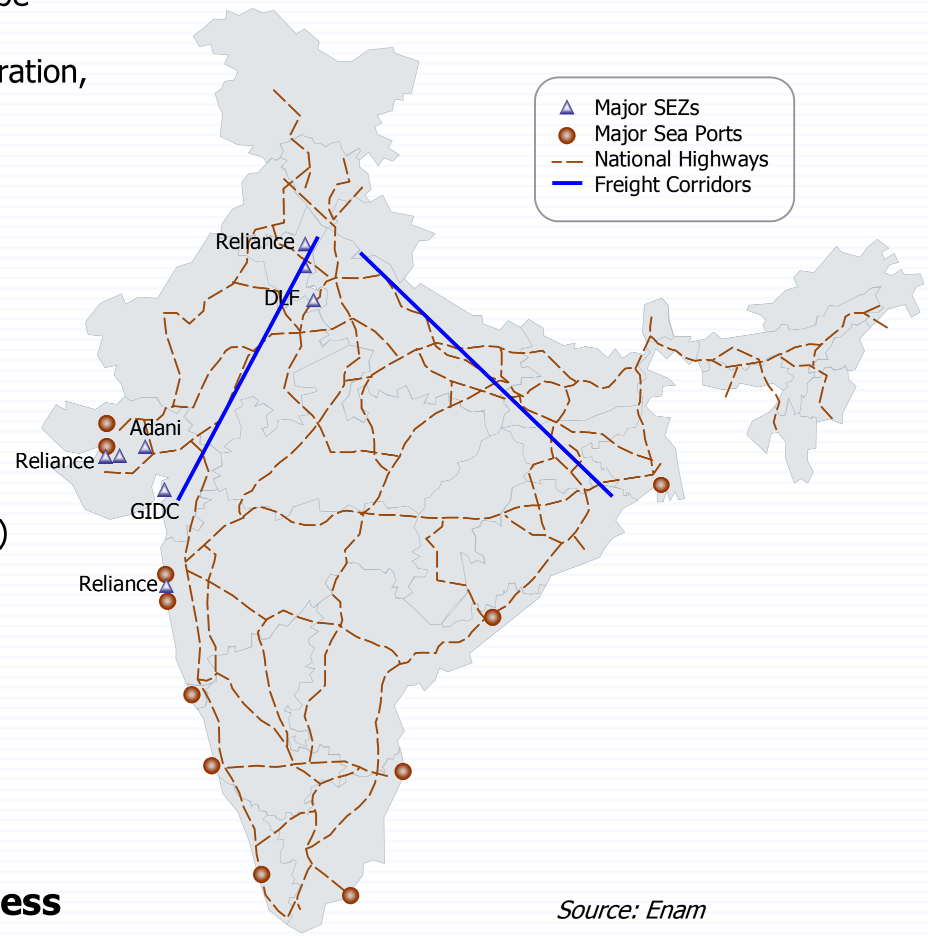
Geographical integration: India Inc

- **Infrastructure investments**
  - Expenditure on Infrastructure development expected to be ~USD350 bn by 2012
  - **Energy –** Est. investment of USD120 bn for power generation, transmission and distribution
  - **Ports –** Est. investments of USD11 bn
    - 50 new ports and up gradation of existing ports
  - **Roads -** Investments of USD49 bn for roads
    - Road infrastructure up gradation & improvement in all cities
    - Golden Quadrilateral: 6,000 kms connecting key metros
    - NSEW: 4,000km North-South & 3,300km East-west corridor
  - **Railway –** Investment of ~USD67 bn
    - 2,700 km Dedicated Freight Corridor
  - **Airports –** Modernization of Airports (~USD9bn)
    - 14 new international & 24+ domestic airports
  - **Irrigation** – USD18bn spend envisaged
  - **Others** (incl. Telcom,SEZs, Urban infra etc) – (USD76bn)
- **SEZs: 237** approvals granted. Benefits:
  - Substantial ancillary and hinterland development
  - Employment generation (0.5mn in the next 3 years)
  - FDI : ~USD22bn, boost to exports and tax revenues
- **Taxation: A uniform VAT/GST will reduce distortions and improve Tax/GDP ratio**
- **Organised Retailing & media increases awareness of India-wide offerings**

Improving connectivity & infra



Source: Enam

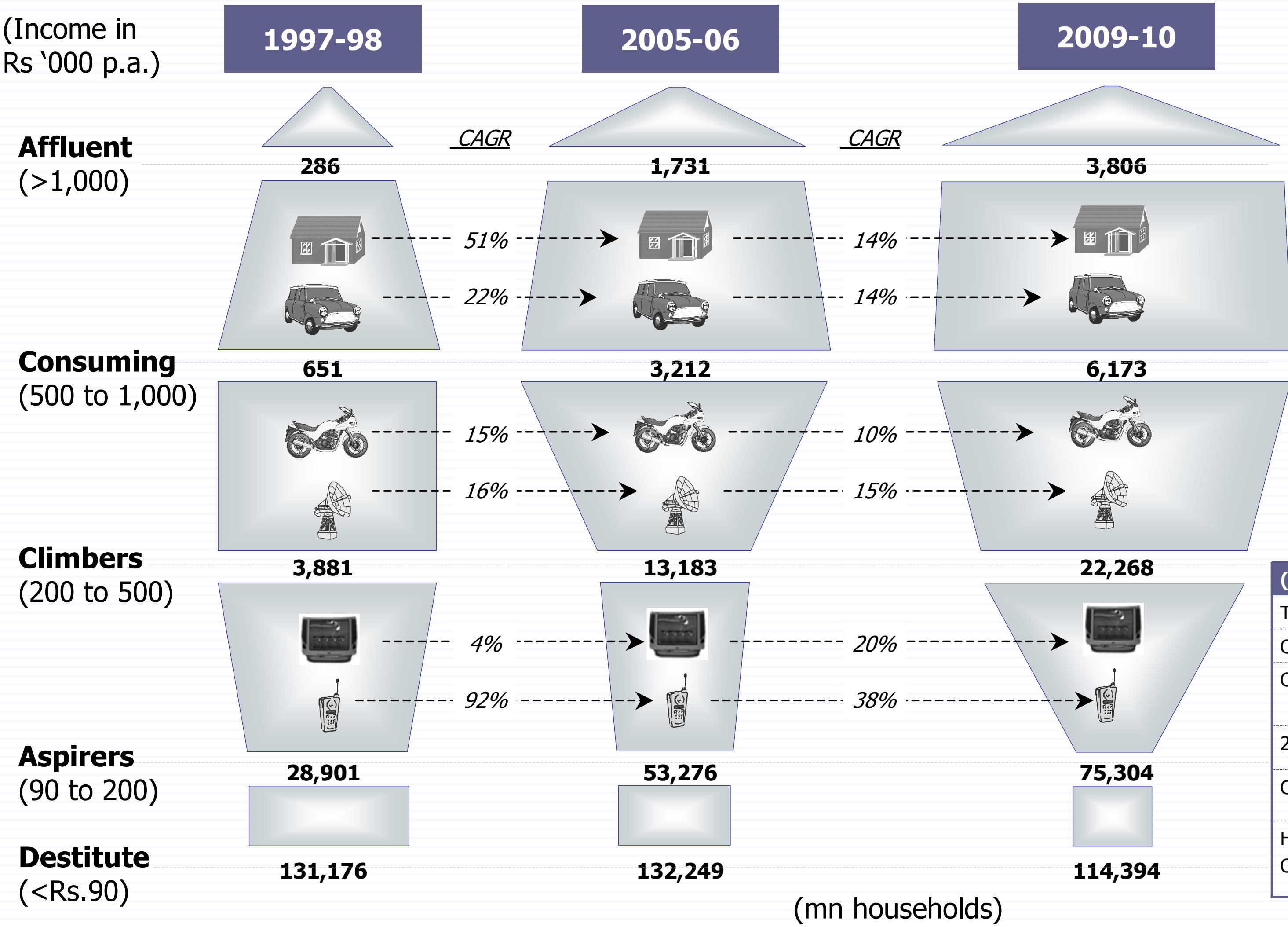
Domestic structural inefficiencies will reduce due to improved connectivity, harmonization of taxes and states' competition for investments

Consumption wave

Consumption wave

- **Demographic dividend & "normal" GDP growth multiplier**
- **Additionally, further multipliers to come into effect:**
  - 2nd line metro growth
  - Property multiplier
  - Rural wave
  - Other non-linear usage intensity at higher income levels, eg Consumer Leveraging

Demographic & GDP growth driven consumption growth

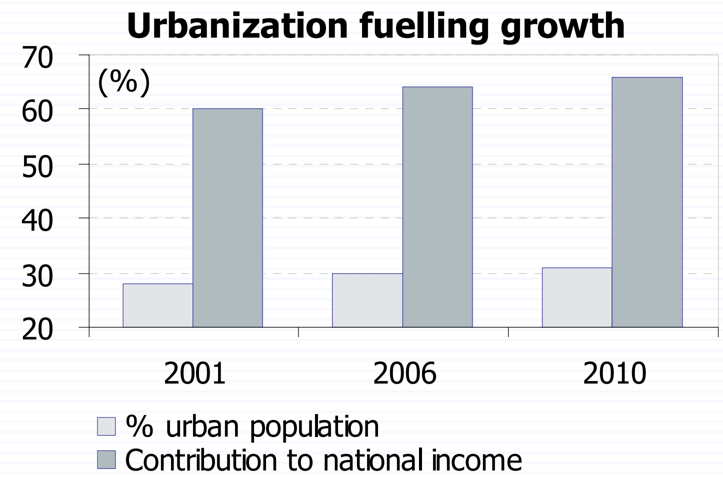


(mn)	1998	2005	2007
TV	70	90	130
Cable TV Sub	25	60	80
Cellular Subscriber	1	50	95
2 Wheelers	28	66	80
Cars	3	10	13
Home Mortgage O/s (Rs.bn)	145	1,700	2,210

Source: NCAER

2nd line metro growth

- Chinese concentrated most growth in urban pockets, with incentives & availability of large scale housing & employment
- India attempted growth distribution thru backward area incentives which largely failed
- BPO & the component industry made the first attempt in broad-basing India's growth to 2nd line metros
- Going forward, with increasing connectivity, property/ retail development & competition between State Govts to invite investment, 2nd line cities to burgeon



Source: Ministry of Urban Affairs, Enam

- **Emergence of second tier growth centres:**
  - India will have 50+ cities with population 1 mn+ by 2010 from 35 currently
  - Over 60% of Maruti's cars are being sold in non-top 10 cities of India
  - ~ 58% of ICICI Bank's disbursals are in non-metros
  - Retail loans have doubled in the last 3 years to reach ~USD78bn (outstanding) in 2006

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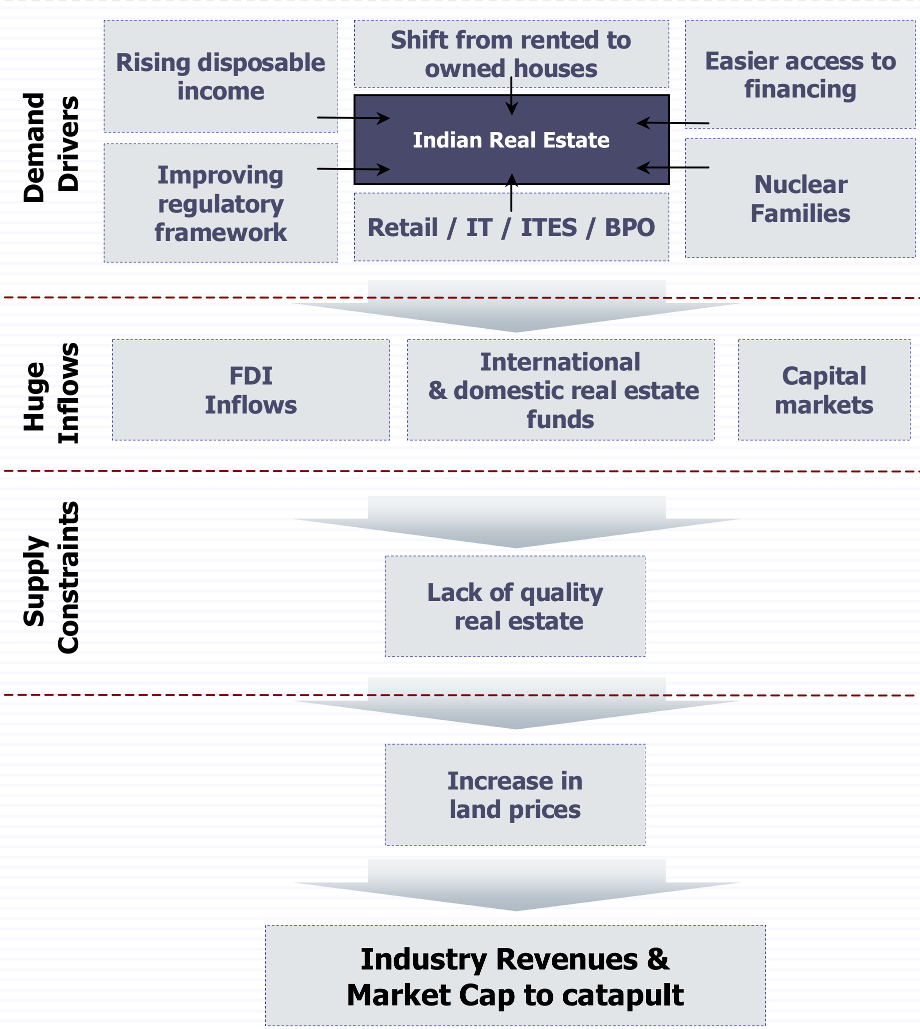
Real Estate

- **Revenues from organized real estate sector could reach USD50bn by 2010 from USD12bn now:**
  - Burgeoning middle class, rapid expansion of IT/ITeS and a retail boom fuelling demand
  - Forecast requirement of ~22.4mn housing units, ~200mn sq. ft. of IT&ITeS and retail space each by 2010
  - ~ USD10bn of real estate specific funds have been raised/ to be raised in the next 6 months, further fueling demand
  - Supply of quality real estate limited by lack of infrastructure

- **Investing in the Real Estate industry:**
  - Increase in prices of quality land to benefit all major developers across the country
  - With no clear leader emerging we recommend a basket approach to investing in the sector
  - We believe companies for the basket should be gauged on the following key parameters:
    - Development Strategy: Long Term vs Short Term
      - Township Vs City centric
      - Build-Hold-Lease Vs Build-Sell
    - Relations – At the ground level and in political circles
    - Execution capabilities – speed/ scale & Track record
    - Balance Sheet size

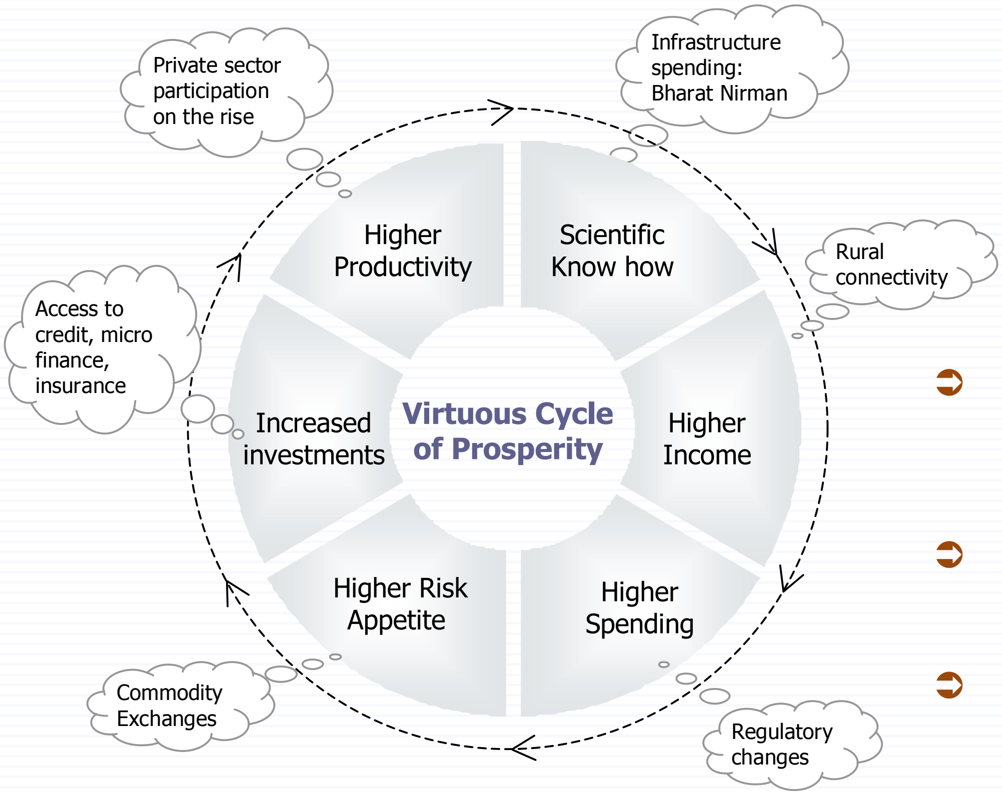
- **Property availability to have multiple beneficiaries in wealth-effect, skills upgradation, hinterland development, Durables purchases, etc**

Indian Real Estate – On a High Growth Trajectory



Source: ENAM Research

Rural India: From vicious to Virtuous Cycle of Prosperity



- **Bharat Nirman: The most ambitious rural plan in India (~USD40bn)**
  - **Roads**: ~USD11bn for rural road connectivity
  - **Telephony**: 67,000 villages to get phones by end-07
  - **Irrigation & Water supply**: Addl. Irrigation of 10mn ha and clean water for 56,000 habitations (~USD21bn)
  - **Rural Housing**: >1.5mn houses to be constructed every year for next 4 yrs (~USD3.2bn)
  - **Electricity**: For >125,000 villages (USD3.8bn)
- **Credit: Agri credit to double in next 3 yrs. Bank lending was up 35% in the last 2 yrs**
  - ~2.2mn SHGs given credit link of ~USD2.5bn
- **Corporate participation: RIL, ITC, & Bharti etc. giving a fillip to contract farming**
- **Resurgence of rural India :**
  - Job growth in rural areas was higher at 3.3% v/s 1.7% for urban enterprises
  - Rural enterprises grew 5.5%, i.e double the growth rate during last 2 decades

Rising rural incomes (>60% of population) will give a further fillip to consumption and growth

Rural tilt in government policies

- Amendments by the Government to give impetus to Agriculture & encourage trade in perishable goods

Act	Status	Benefits
APMC Act	14 States (Already Banned)	▪ No need for farmers to sell to registered intermediaries ▪ Farmers can sell to highest bidder ▪ Move towards Information Driven markets
Integrated Food Law	Pan India	▪ Integrate 16 laws governing food industry into one. ▪ Remove conflicts between existing laws
Warehouse Receipt Act	Pan India	▪ Allow warehouse receipts to become negotiable instruments ▪ Lead to greater banks lending due to mitigation of default risk
VAT	Pan India	▪ Reduce tax evasion ▪ Increase tax/ GDP ratio
Essential Commodities Act	Pan India (To Be Banned)	▪ Farmers will not need a license to hold commodities ▪ A free market for Essential commodities
Minimum Support Price (MSP)	To be phased out	▪ Move from highly subsidised products to market demand

Step-ladder exponential Growth at Higher absolute income levels

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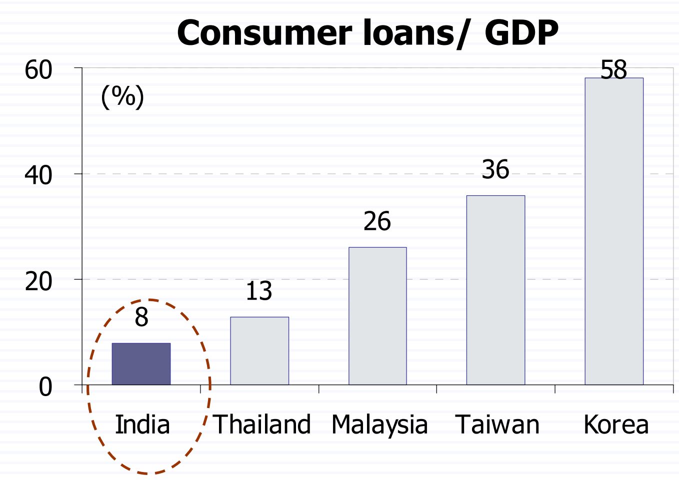
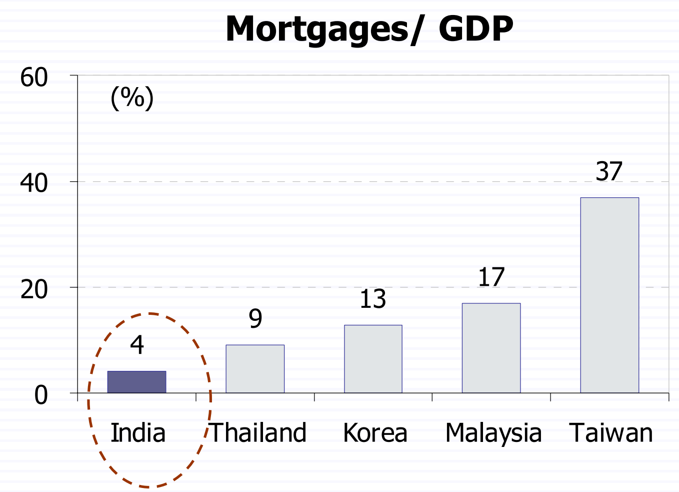
- **Increasing share of Consumption vs Savings, in addition to GDP related Consumption growth**
- **Consumer leveraging, results in further exponentiation of Consumer demand**
- **QUANTUM increase in intensity of use in certain pockets. Invest in suppliers to these segments too, esp if pricing pressure (competition) offsets volume:**
  - Metals/ Energy/ Cement: Engg, etc
  - Foods (Sugar, beverages): Farm inputs
  - Autos/ Consumer Durables – Alu & alloy steels
- **QUANTUM increase in Services: Assess Entrepreneurial ability of Providers:**
  - Distribution/ Leisure: Retail, Property, Media
  - Retail Credit





Source: Enam

Multiple opportunities for India Inc Gorillas

India Inc from niche competencies to scaleable growth models

- **Cheaper capital & asset purchases as USD depreciates**
- **Access to markets in US & developing countries where US vacates**
- **Lower domestic inefficiencies as India harmonizes: freight & tax costs – retailing, durables, housing, cars, beverages and farm inputs, distribution and leisure segments to benefit**
- **States compete to woo industrialization, with incentives**
- **Input inflation with rising GDP growth (labour/ capital/ assets), coupled with deflating real Product prices (competition) – the dominant could avert squeeze & become more DOMINANT**
- **Luck to Entrepreneurship: Resource grab to Exponentiation:**
  - Utilization of resources grabbed (land/ commodities/ cash) into development stage (eg with international tie-ups) & other businesses
  - Thus, the Valuation of some Resource Cos (commodities, realty, etc) to move from P/BV to P/E !

Multiple opportunities for the smart to grow &
the dominant to grow MORE DOMINANT !

Pending Reforms

Continuity of reforms

- **Foreign investment norms :**
  - Banking:
    - Higher ownership to be allowed in private banks - currently restricted to 5%
    - Removal of 10% voting rights
    - Basel II readiness
  - Insurance:
    - FDI ceiling is likely to be raised from 26% to 49%
  - Pension:
    - Investment norms in Pension
    - PFRDA bill is likely to become a law
  - Retail, Real Estate, Media, Coal and Mining sectors will be liberalized further
- **Regulator for petro, energy and real estate sectors**
- **Agri, Power, Urban infrastructure, Financial sector reforms & Water privatization high on agenda**
- **While the Govt has used reform by stealth in select areas, Privatization and Labour reforms could still prove to be the Achilles heel**

Continuity of reform is irreversible: Not one reform measure taken in the last 15 yrs has been reversed despite 6 different govts and 5 prime ministers!

Risks to call

Risks to Call

- **Long term:**
  - Unemployment
  - Terrorism/ Naxalism
  - Political Flux & Reforms
  - Inadequate infrastructure creation

- **Short term:**
  - Market leading sectors faltering due to over-valuation or industry-dynamics
  - Bunching of IPOs – USD5bn expected in near term. Problem is only due to bunching !
  - UP state elections in Feb 07– populist pressures in the run up

India story: Long term dampeners

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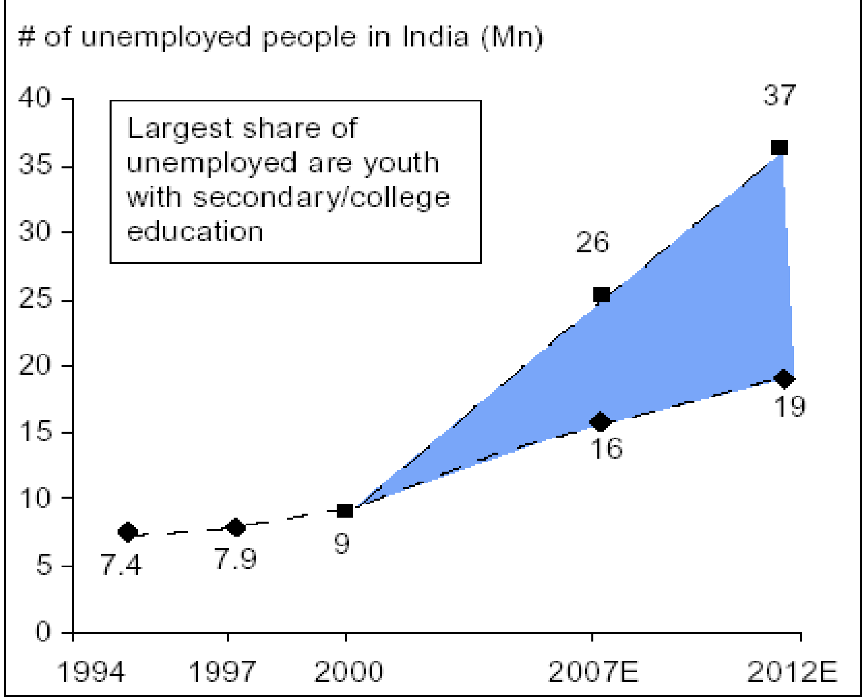
- **Unemployment**
  - Demographic story could unravel due to lack of educated supply/ jobs, leading to social unrest & increasing communal disharmony
- **Terrorism/ Naxalism**
  - But note US's increasing China-balancing stake in India, which could cut both ways
- **Political Flux & Reforms**
  - Coalition politics, or Weakness of leading party, could lead to populist swings(eg reservations) delaying reforms
  - Important Reforms like Power, Labour & Agro not sufficiently progressed
- **Too little infrastructure creation done – political stability a must, to create sustainable bankable frameworks for financing this**

Jobless growth: A socio-economic Tsunami

Economic growth should address the problem of unemployment...particularly of skilled youth



Source: CII

Shorter term worries

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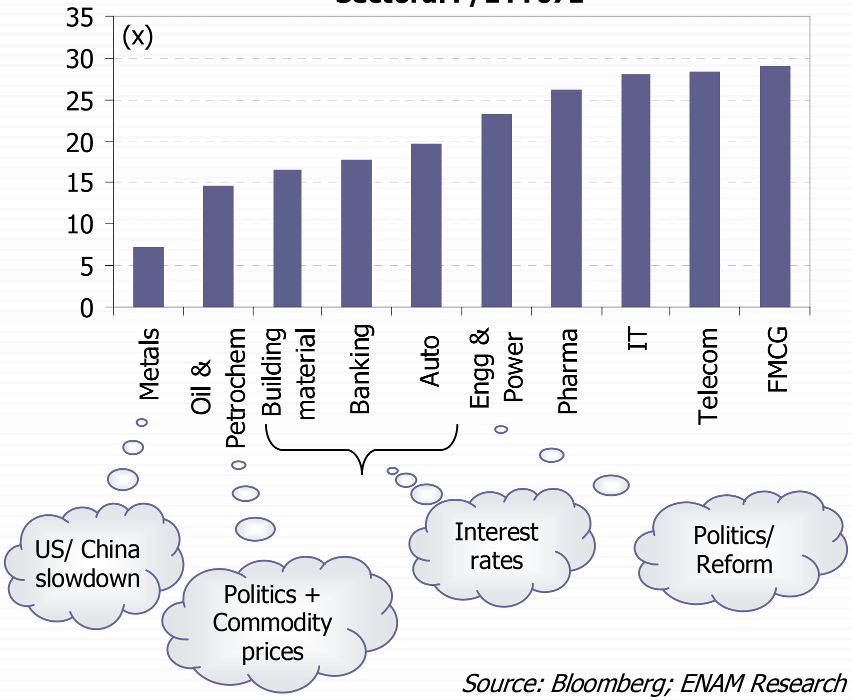
Sensex valuations

	EPS (Rs.)	PE (x)	EPS Gwth (%)
FY06	542	25	20
FY07E	727	19	34
FY08E	857	16	18

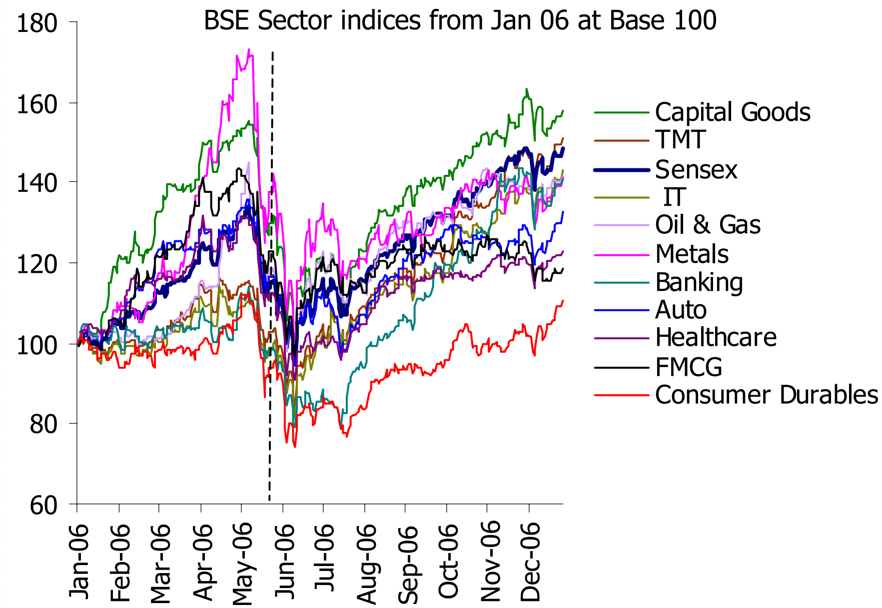
Sectoral P/E FY07E



Source: Bloomberg; ENAM Research

- **Undervalued sectors are largely due to nervousness on risks from outside the sector's domain – may not materialize!**

Faltering in leading sectors due to over-valuation or industry dynamics



Source: Bloomberg

- **Weighty Leadership in 1st half: FMCG, auto, oil&gas (+metals, cap goods)**
- **In 2nd half: IT, Banking (+cap goods):**
- **IT growth looks yet undisturbed, banking is not at unreasonable valuations**

Conclusion: India: Value to Growth stock !

- Near term earnings discounted, India no more a Value stock
- Actual growth outruns all forecasts & belies external fears, while Corporates demonstrate ability to grow despite margin pressures & other constraints
- Inherent characteristics of India make it one of the most attractive EMs
- Next wave drivers of GDP growth already visible on the horizon
- "Valuation" *to* "Sectoral/ Co earnings growth" *to* "Investing in the future" – ie Scalable biz models+ entrepreneurial ability: Where will the Quantum jumps be?
- Main drivers of Sensex EPS not at risk, as these corporates have excellent business models, with no demand constraints or extraneous vulnerabilities
- Short term market worries, due to bunching of IPOs & political flux, could temporarily affect Sensex - tho more likely to affect a larger no. of weaker (tho' low-weightage) sectors outside the Sensex
- Best is yet to come. Hence, while various shocks could interrupt the party, USE these hiatuses as Buying opportunities to accumulate TOMORROW'S WINNERS !

Recommendation

Tomorrow's winners!: Core holdings to accumulate

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- Who will have the Assets, and the Entrepreneurial vision to use that, to capitalize on the changing Indian eco-scape?
- While horses may fly, we have fought shy of many other serious contenders, whose valuations do not leave much margin for error. This is esp when global surprises lurk due to rising global tensions. Similarly, luscious short term ideas excluded here
- In ST, metals/ media/ telecom/ 4w auto to outperform: LT entrepreneurship for some of them not clear enough: Hence, use sector-basket investing. Money flows to Realty expected to move it to bubble-territory
- Based on a combination of Resource availability, Entrepreneurship & Valuation, an indicative list of long term core-holdings is given below:

				FDEPS (Rs.)		P/E (x)		RoE (%)	
Company Name	Sector	Price (Rs.)	Mkt. Cap (US$ m)	CY06E/ FY07E	CY07E/ FY08E	CY06E/ FY07E	CY07E/ FY08E	CY06E/ FY07E	CY07E/ FY08E
Oil & Natural Gas Corp Ltd	Petrochem, Oil & Gas	870	42,017	89	89	9.8	9.7	23	21
Reliance Industries Ltd	Petrochem, Oil & Gas	1,270	39,969	78	86	16.3	14.8	29	24
Infosys Technologies Ltd	IT SERVICES	2,241	27,017	69	89	32.4	25.2	44	39
ICICI Bank Ltd	BANKING	890	17,968	258	280	3.4	3.2	13	15
Sterlite Industries India Ltd	METALS	543	6,851	72	91	7.5	5.9	40	39
Bajaj Auto Ltd	AUTO	2,619	5,983	133	156	19.7	16.8	25	25
Hindalco Industries Ltd	METALS	174	4,557	21	24	8.2	7.2	22	20
Bharat Electronics Ltd	ENGINEERING	1,343	2,426	86	102	15.5	13.2	30	28
Indian Petrochemicals Co	Petrochem, Oil & Gas	288	1,958	48	47	6.1	6.1	21	17
Pantaloon Retail India Ltd	RETAIL	401	1,275						

Source: Company, ENAM Research
Note: Price as on December 29, 2006
For ICICI - Adj BV & P/B is taken
**Only stocks > USD 1bn considered, in order of market cap*

O N G C: E&P local & global, with a 2 year pay-back

ENAM

- **By 2012 target to double domestic reserves**
  - In ST stable volume thru "smart" capex
    - Higher recovery ratio targeted
  - For LT production growth capex upped significantly
    - Strong balance sheet = can take riskier bets
- **ONGC Videsh (OVL) - A key valuation driver**
  - Achieved accretion of 1.5bn bbl of 1 P reserves in < 3 years
  - Target: ~ 50% ONCG's domestic crude production by 2012
  - Value to unlock over medium to long term
- **Payback of 2 years, Net of**
  - Estimated valuation of OVL
  - Treasury investments
- **Key risk: Inability to find and develop fields in a globally competitive environment**

Implied valuation of ONGC's domestic operations

	Value (Rs.bn)	Value (US$bn)	Value (Rs. shr)
ONGC's Current Market Cap	**1,837**	**41**	**859**
Less:			
Estimated value of ONGC Videsh	675	15	316
Investment Portfolio of ONGC	389	9	180
Valuation of the new gas find	252	6	118
Subtotal	**1,313**	**29**	**614**
Implied Valns of ONGC dom opern	**525**	**12**	**245**

Implied Valuations of ONGC's domestic operations	
Stand-alone FY07E EBIDTA (Rs.bn)	292
Implied EV/EBIDTA (x)	**1.8**
Domestic 1 P Reserves (bn. BoE)	5.1
Implied EV/BoE (x)	**2.3**

Source: ENAM Research

Financial summary **(CMP: Rs.870)**

Y/E Mar	Sales (Rs.mn)	PAT (Rs. mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs.)
2005	602,859	143,426	-	67.1	52.7	-	24.5	35.6	-	40.0
2006	717,442	153,715	-	71.9	7.2	-	21.8	32.7	-	45.0
2007E	932,358	190,549	86.0	89.1	24.0	9.8	23.2	34.3	4.9	51.3
2008E	937,600	190,998	91.7	89.3	0.2	9.7	21.2	30.7	4.7	49.3

*Source: *Consensus broker estimates, Company, ENAM estimates*

Reliance Industries: Proxy to India growth, demonstrated execution

ENAM

- **By 2012, RIL a diversified conglomerate**
  - Estimated spend of USD16 bn thru 2007-2012
    - Refining+ E&P; Retail + SEZ
  - Well diversified revenue stream, cyclicality down
    - Refining + petchem= 50%, Gas = 16% and Retail= 34%
  - E&P - controlling ~40% Indian gas market
  - Organized Retailing- target of 100 mn sq ft
  - World class SEZ fully operational, revenues not factored
- **Revenues and EBIDTA estimated @ 3X FY07**
  - Key drivers - refining + gas + retailing
- **By 2012 ONLY new biz valuations=USD50bn**
  - Retail: USD 20-25bn
  - Land bank value USD 25-30 bn
- **By 2012, RIL valns > USD100bn**
  - Further upsides from E&P and retailing
- **Key Risk: Execution of diverse mega-plans in multi- skilled businesses**

RIL SoTP Valuations - Base case

	Value (Rs.bn)	Value (US$bn)	Value (Rs. shr)
Refining/ petchem earnings	**1,108**	**24.6**	**796**
Investment Portfolio	**455.5**	**10.1**	**327**
Reliance Industries	212.3		152
IPCL	40.0		29
Reliance Petroleum	203.2		146
E&P Business	**837.0**	**18.6**	**601**
(-) Net Debt	(165.6)	(3.7)	(119)
VALUE OF EQUITY	**2,235.3**	**49.7**	**1,605**

Source: ENAM Research

Financial summary **(CMP: Rs.1,270)**

Y/E Mar	Sales (Rs.mn)	PAT (Rs. mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs.)
2005	667,863	76,672	-	55.0	45	-	19.6	17.9	-	7.5
2006	831,172	93,982	-	67.5	23	-	25.0	19.6	-	10.0
2007E	957,654	108,491	72.7	77.9	15	16.3	28.6	21.3	12.7	12.0
2008E	866,423	119,496	72.8	85.8	10	14.8	24.3	21.5	11.1	13.0

*Source: *Consensus broker estimates, Company, ENAM estimates*

Infosys Technologies: Scaleable giant, with huge assets to deploy & compete

ENAM

➲ An undisputed leading global IT vendor by 2012

- Qualitative improvement in Earnings
- New Service Offerings with 43% revenue share to lead the improvement in blended pricing
- Consulting practice instrumental in pricing and average deal sizes
- 50 strategic accounts have the potential to scale to USD50 mn v/s 12 presently
- Effectively managing supply constraints ahead of peers through scale investments in training & development
- Improving share of solutions-based engagements expected (12% currently) imbibing non-linearity in revenue growth rate

➲ Strategically placed

- FY10E Balance Sheet with > USD4 bn cash empowers the company with substantial muscle to take on incumbents in the Consulting and IMS space
- FY10E employee base at ~200K scales its leadership positioning among the Fortune 500 client base

➲ Key risk: Missing acquisition/ business- development opportunities

Financial summary **(CMP: Rs.2,241)**

Y/E Mar	Sales (Rs.mn)	PAT (Rs. mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)
2005	71,296	18,465	-	34.2	46	32.9	42.6	50.2	24.9
2006	95,216	24,385	-	44.7	31	33.4	39.5	45.2	25.0
2007E	145,772	38,560	67.392	69.5	56	32.4	44.5	50.6	25.7
2008E	201,607	49,407	86.964	89.1	28	25.2	39.1	45.3	18.5

*Source: *Consensus broker estimates, Company, ENAM estimates*

ICICI Group: Multi-directional growth

ENAM

- **Projected to become the largest financial Conglomerate in next 4-5 years**
  - Total asset size likely to grow 270% to USD 270bn by FY12 from an estimated USD 72bn in FY07
  - SBI, currently the largest, should reach an asset size of USD 240bn by FY12
- **Market Cap of ICICI Bank projected to reach**
  - USD 57bn by FY12 against USD 18bn currently
- **Life Insurance Business alone should command a value of USD12bn by FY12**
  - To contribute around 20% of the total value of the group
- **Key risk: Low CASA may pressurize NIMs in volatile interest rate scenarios**

ICICI Group Valuations:

USD bn	FY07	FY08	FY12E
Size of Banking Assets	72	94	269
ICICI Banking Business Market cap to asset (%)	18%	18%	15%
ICICI Banking Business Market cap	13	17	40
Life Insurance Value	3.4	4.5	12
Life Insurance value assigned to ICICI	2.6	3.4	8.7
Other Invest. (incl overseas subs)- Value	1.2	1.8	5.1
Projected ICICI Group Market Cap	18	23	57

Source: ENAM Research

Financial summary **(CMP: Rs.890)**

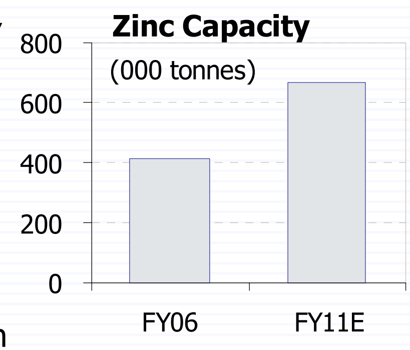
Y/E Mar	PAT (Rs.bn)	EPS (Rs.)	Change YoY (%)	BV (Rs.)	Banking BV (Rs.)	P/E* (x)	P/Banking BV* (x)	NPAs (%)	RoE (%)	ROE on Banking BV (%)	RoA (%)
2005	20,052	27.2	2.3	170	-	26	-	2	17.4	-	1.5
2006	25,401	28.5	4.9	250	205	25	3.4	0.7	16.2	19.1	1.2
2007E	31,391	35.3	24	273	217	20	3.3	0.8	13.5	17.2	1.1
2008E	39,366	44.2	25	303	247	16	2.9	0.9	15.4	18.0	1.0

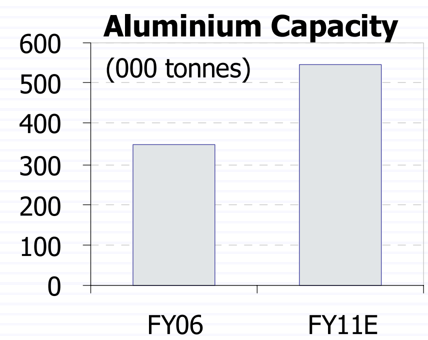
Source: Company, ENAM Research Net of value of investments. Banking BV is calculated after deducting the BV of equity investments from networth

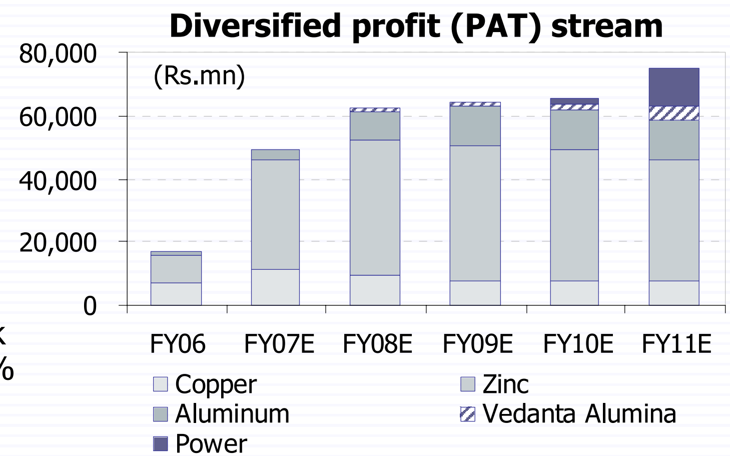
Sterlite Industries: Volume growth with stabler earnings

ENAM

- **Sizable non-ferrous player, with interests in Zinc, Copper and Aluminium**
  - Rapid expansion of volumes across all business lines using large cash flows
  - Aluminium profitability expected to improve
  - Then, it will be globally cost competitive in all metals
- **Sterlite would get access to all operating assets and cash flows of Vedanta group**
  - Post proposed acquisition of GoI holdings, stakes to go up in BALCO (100%) & HZL (91%)
- **Earnings to be stable and diversified, reducing volatility from commodity cycles**
  - Entry into the high ROE power business by FY11
  - Zinc (~70% of profits in FY07) is the dominant driver. Overall profits expected to rise even if zinc prices halve
- **Valuations are extremely attractive**
  - Current mcap ~ Potential "free cash" by 2011- a 4 year payback
  - P/E multiple set to expand as sustainable ROE stays close to 40%
- **Key risk :** Zinc prices fall by OVER 15% p.a. for next 5 yrs







Source: Company, ENAM Research

Financial summary **(CMP: Rs.543)**

Y/E Mar	Sales (Rs.mn)	PAT (Rs. mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs.)
2005	73,286	7,368		10.9	24	13.2	19.1	16.4	8.4	0.7
2006	131,820	16,889	-	24.9	129	14.1	25.6	29.5	7.3	1.4
2007E	261,816	48,998	73.8	72.2	190	7.5	40.2	63.6	2.6	3.0
2008E	250,935	62,090	70.0	91.5	27	5.9	39.0	51.1	3.1	3.0

*Source: *Consensus broker estimates, Company; Note: ENAM estimates on fully diluted equity post ADS*

Bajaj Auto: Domestic & global growth

ENAM

- **Volume momentum to continue**
  - Managed to close the fuel efficiency and design gaps with its competitors
  - Successful product offerings across price points and product categories
  - Market share gain in value segment and premium segment to drive volumes
  - Product-mix shift towards high margin products to help maintain margins

- **Global opportunity still untapped – export thrust will further accelerate growth**
  - Over the next 3-5 years, Bajaj Auto intends to have a meaningful presence in Africa, ASEAN and Latin America
    - Nigeria, Indonesia and Brazil will be used as beach-heads for Africa, ASEAN and Latin America respectively. Has already entered some of the South American markets. Scouting for other regions in Asia as well
    - Exports can potentially account for 16-18% in the next 3-4 years

- **Secular nature of business, low capex and deep cash reserves**

- **Potential value unlocking from Insurance subsidiaries**

- **Key risk: Momentum- loss due to competitive entry of global players as market size increases**

Financial summary **(CMP: Rs.2,619)**

Y/E Mar	Sales (Rs. mn)	EBIDTA (Rs.mn)	Core PAT (Rs.mn)	Core EPS (Rs.)	Change YoY (%)	Core P/E (x)	RoE (%)	RoCE (%)	EV/ EBIDTA (x)
2005	57,240	8,524	8,158	38.9	(8)	5.8	21	23	9
2006	74,694	12,622	11,243	63.7	64	25.5	25	28	19
2007E	96,624	15,742	13,424	82.3	29	15.6	25	29	14
2008E	114,977	18,993	15,741	101.1	23	12.7	25	29	11

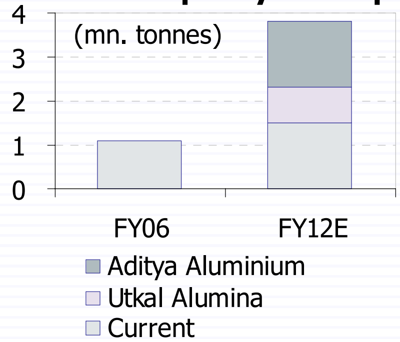
Source: Company, ENAM estimates

Hindalco Industries: Huge Volume growth

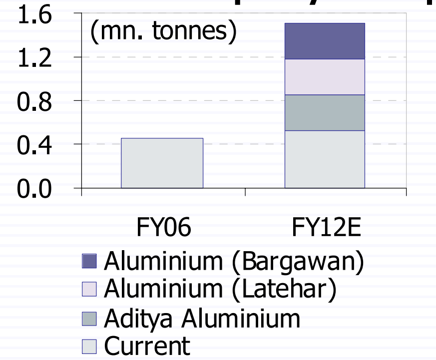
ENAM

- **Short to medium term: Volume growth + Product Mix + Cost Efficiencies**
- **Earnings growth through FY09 (on volumes despite cooling aluminium prices in FY08)**
- **Large Greenfield expansion:~4x in five years**
- **Cost of production to decline in line with captive coal mining/power and low cost alumina**
  - USD 900 per tonne vs current USD 1,100 per tonne and world average of USD 1,600 per tonne
- **More than Rs.300bn capex, to be largely funded out of huge internal cash flows**
- **Key risk: Execution, Aluminum price volatility**

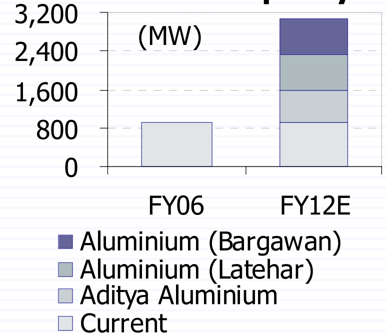
Alumina Capacity Buildup



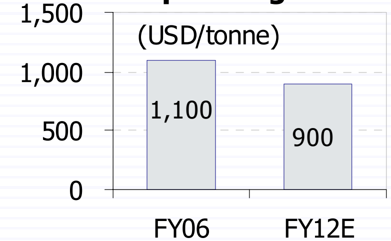
Aluminium Capacity Buildup



Power Capacity



Operating cost



Source: Company, ENAM Research

Financial summary **(CMP: Rs.174)**

Y/E Mar	Sales (Rs.mn)	PAT (Rs. mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs.)
2005	92,994	12,985	-	11.2	46	10.9	33.9	35.7	6.0	1.8
2006	110,808	15,017	-	12.9	16	14.1	17.4	16.8	8.4	2.1
2007E	167,694	24,659	22.5	21.3	64	8.2	22.5	24.4	4.6	2.5
2008E	192,105	28,158	20.1	24.3	14	7.2	19.8	23.4	4.1	2.5

*Source: *Consensus broker estimates, Company, ENAM estimates*

Bharat Electronics: Long term trajectory with entry-barriers

ENAM

- **Sustainable growth in core business at 15%+**
  - BEL has a virtual monopoly status in defense communication & electronics segment
  - Defense expenditure grows at 1.7-2x GDP growth, strong growth visibility considering India's GDP growth rate of 8%+
- **Offset agreements being signed by India offer an additional USD16-20bn opportunity for Indian defense equipment companies**
  - As per offset clause, 30% of the value of foreign defense contracts over Rs.3bn should be offset by purchases, investments and transfer of technology in India
- **Concerns over private competition over-played**
  - Life time servicing and spares support are also key factors responsible for BEL's success in the market
  - Due to confidentiality, being a PSU, only BEL engineers can be present at site during war like situation
- **A robust business model with a sustainable RoE of 25%+**
  - Operating margin of 25% is sustainable given the 80:20 business mix of defense:civil and ability to cut cost by 60-65% post indigenization
  - Strong free cash generation due to negative working capital cycle and low capital intensity
- **Compelling valuations, given a non-cyclical, non-capital intensive, near monopoly and free cash generating business**
- **Key risk: Complacency in addressing scalar opportunity forces govt to raise pvt participation**

Financial summary **(CMP: Rs.1,343)**

Y/E Mar	Sales (Rs.mn)	PAT (Rs. mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs.)
2005	32,125	4,760	-	59.5	28	11.2	33.9	50.5	5.7	11.2
2006	35,308	5,840	-	73.0	23	18.1	32.4	48.3	9.9	14.6
2007E	41,746	6,910	85.6	86.4	18	15.5	30.0	47.2	7.7	17.3
2008E	48,806	8,145	100.1	101.8	18	13.2	28.0	44.1	6.2	20.4

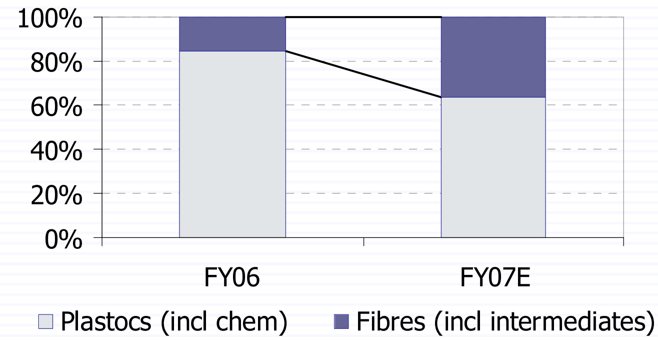
*Source: *Consensus broker estimates, Company, ENAM estimates*

I P C L: Vehicle for Petrochem growth at low valuations

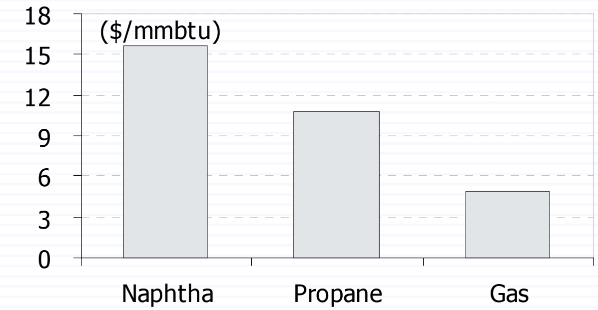
ENAM

- **Leveraged play on the polymer cycle**
  - > 75% revenues from polymers; balance polyester
  - Significant beneficiary of the sustained polymer cycle
    - Expected to last till FY08
- **Feedstock advantage**
  - 70% capacity on gas; price fixed for next 2 years
  - Benefits from bullish crude as Product prices pegged to it
- **Solid financials**
  - Cash flow generation ~ USD 1 bn thru FY07/08
  - Net worth > USD 1bn; Debt free
- **Eying inorganic growth initiatives**
  - Stress on business integration, to eliminate the cyclicality
  - Potential "in-organic" growth vehicle for the RIL group
- **Key risk: Shareholder interest in IPCL V/s RIL The price of Acquisitions**

IPCL's changing business mix



Comparative feedstock prices



Source: Company reports, ENAM Research

Financial summary **(CMP: Rs.288)**

Y/E Mar	Sales (Rs.mn)	PAT (Rs. mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	BVPS (Rs.)
2005	83,010	8,477	-	34.0	103	-	23.3	22.3	-	161
2006U	109,596	10,434	-	36.2	6	-	20.7	24.7	-	211
2007E	119,507	14,285	39.9	47.6	31	6.1	20.9	26.5	3.6	253
2008E	117,985	14,124	29.2	47.1	(1)	6.1	17.3	23.4	3.1	292

*Source: *Consensus broker estimates, Company, ENAM estimates*

Pantaloon Retail: Huge expansion with demonstrated domain skills

ENAM

PANTALOON RETAIL (INDIA) LIMITED

Retailing

Value Retailing

Format	Size (sq.ft.)
Big Bazaar	1.3mn
Food Bazaar	0.4mn
Depot	0.01mn
Others	0.2mn
Home Stop	Private placement valuing the business at Rs.8.1-10.6bn

Lifestyle Retailing

Format	Size (sq.ft.)
Pantaloon	0.5mn
Central	0.5mn
Others	0.1mn

Financial Services

Future Capital

- Asset management company

Fund	AUM (USD mn)
Kshitij	80
Horizon	350
Indivision	425

- Insurance: JV with Generali, PRIL stake - 58%
- Financial products distribution: Retailing of financial products

Support Services

- **Future Media**
- **Future Logistics**

Source: Company

Pantaloon: Valuing the retail business

PRIL's growth trajectory

	Current	FY10E
Square Footage	3.25 mn sq. ft.	18.0 mn sq. ft.
Sales (FY06)	Rs. 17.7bn	Rs.180bn

Sensitivity – EV to Sales

(Rs.mn)		Sales / psf (Rs.)				
		8,000	8,500	9,000	10,000	11,000
EV / Sales (X)	1.0	144,000	153,000	162,000	180,000	198,000
	1.2	172,800	183,600	194,400	216,000	237,600
	1.5	216,000	229,500	243,000	270,000	297,000
	1.8	259,200	275,400	291,600	324,000	356,400
	2.0	288,000	306,000	324,000	360,000	396,000

Sensitivity – EV to EBIDTA

(Rs.mn)		EBIDTA Margin (%) - 2010				
		7.00	7.25	7.50	7.75	8.00
EV / EBIDTA (X)	10	126,000	130,500	135,000	139,500	144,000
	12	151,200	156,600	162,000	167,400	172,800
	14	176,400	182,700	189,000	195,300	201,600
	16	201,600	208,800	216,000	223,200	230,400
	18	226,800	234,900	243,000	251,100	259,200

Sum of Parts Valuation

(Rs.mn)	2010
Retailing business	237,600
Future Capital	23,450
Total	**261,050**

Source: ENAM Research

- **Key risk: Success of business model Vs that of other Giants, eg. Walmart, RIL**

Database

Enam covered stocks

Company Name	Price (Rs.)	Mkt. Cap (US$ m)	ENAM estimates: FDEPS (Rs.) CY05/ FY06	FDEPS (Rs.) CY06E/ FY07E	FDEPS (Rs.) CY07E/ FY08E	P/E (x) CY05/ FY06	P/E (x) CY06E/ FY07E	P/E (x) CY07E/ FY08E	ROE (%) CY05/ FY06	ROE (%) CY06E/ FY07E	ROE (%) CY07E/ FY08E
AUTO											
Tata Motors	900	7,831	43	52	63	21	17	14	32	31	32
Maruti Udyog	927	6,049	41	49	55	23	19	17	24	23	21
Bajaj Auto	2,619	5,983	111	133	156	24	20	17	25	25	25
M&M#	906	3,902	28	36	42	20	16	13	28	28	27
Hero Honda	762	3,437	48	49	56	16	16	14	55	44	41
Mico	3,500	2,533	105	130	161	33	27	22	24	23	22
Bharat Forge	363	1,823	11	17	21	33	21	17	29	26	29
Ashok Leyland	45	1,358	2	2	3	20	18	16	24	22	22
Motherson Sumi	109	577	4	5	6	28	22	18	45	51	48
TVS Motors	87	468	5	5	6	18	19	15	18	16	18
Rico Auto	62	171	4	4	5	17	16	13	25	18	21
BANKING			Adj. BV (Rs.)			P/ABV (X)					
ICICI Bk	890	17,968	240	258	280	3.2	3.0	2.8	15	13	15
SBI	1,246	14,805	627	694	761	2.0	1.8	1.6	16	13	14
HDFC	1,625	9,168	179	212	253	6.6	5.5	4.6	30	31	32
HDFC Bank	1,070	7,612	166	193	229	6.5	5.5	4.7	18	20	22
PNB	507	3,609	283	330	374	1.8	1.5	1.4	17	17	18
UTI Bank	469	2,975	97	112	132	4.8	4.2	3.5	18	20	21
Canara Bank	276	2,557	155	181	213	1.8	1.5	1.3	21	19	19
BoI	208	2,288	84	104	125	2.5	2.0	1.7	15	18	18
Bank of Baroda	240	1,973	206	229	259	1.2	1.0	0.9	13	12	13
IDFC	78	1,969	23	26	29	3.4	3.0	2.6	18	18	19
Union Bank	123	1,399	69	82	95	1.8	1.5	1.3	19	18	21
OBC	227	1,281	163	194	227	1.4	1.2	1.0	25	21	19
Corporation Bank	346	1,122	227	258	292	1.5	1.3	1.2	14	15	15
Centurion Bank	31	1,030	6.1	8.3	9.0	5.0	3.7	3.4	10	11	12
Yes Bank	135	822	21	34	38	6.4	4.0	3.6	14	10	12
LIC Hsg.	161	310	135	144	161	1.2	1.1	1.0	16	15	15
CEMENT											
Grasim	2,789	5,773	98	176	206	28	16	14	18	27	26
ACC	1,086	4,588	20	50	60	53	22	18	18	32	29
Gujarat Ambuja	141	4,341	3	8	8	47	18	17	28	31	27
UltraTech Cement	1,097	3,083	18	59	63	60	19	17	22	42	31

We have excluded value of investments per share ie Rs.342 from CMP of Rs.888 to calculate core business valuations.

Enam covered stocks

ENAM

Company Name	Price (Rs.)	Mkt. Cap (US$ m)	ENAM estimates: FDEPS (Rs.) CY05/FY06	FDEPS (Rs.) CY06E/FY07E	FDEPS (Rs.) CY07E/FY08E	P/E (x) CY05/FY06	P/E (x) CY06E/FY07E	P/E (x) CY07E/FY08E	ROE (%) CY05/FY06	ROE (%) CY06E/FY07E	ROE (%) CY07E/FY08E
ENERGY											
NTPC	136	25,394	7	8	9	19	16	15	14	15	14
Tata Power	560	2,502	27	28	30	21	20	18	11	10	10
Reliance Energy	520	2,501	34	35	35	15	15	15	10	9	8
PTC India	57	193	3	3	3	20	23	17	18	15	18
ENGINEERING											
BHEL	2,298	12,700	68	93	114	34	25	20	27	30	30
L&T	1,443	9,134	38	48	66	38	30	22	25	25	28
Suzlon Energy	1,304	8,475	26	42	50	49	31	26	43	37	32
Siemens	1,134	4,318	23	40	53	49	28	21	36	44	40
ABB	3,712	3,552	52	81	113	72	46	33	27	33	34
BEL	1,343	2,426	73	86	102	18	16	13	32	30	28
Crompton Greaves	209	1,728	6	8	11	35	26	20	36	32	32
Cummins	278	1,241	10	13	16	28	21	18	25	28	27
Thermax	387	1,041	9	15	19	43	26	20	24	34	34
Kirloskar Bros	408	975	12	20	24	34	20	17	28	30	26
BEML	1,016	843	47	58	66	22	18	15	22	23	22
Kirloskar Oil Engines	280	614	11	17	21	26	17	14	16	21	22
FMCG											
HLL	217	10,790	6	7	8	35	30	26	62	66	72
Nestle	1,136	2,474	32	35	44	35	32	26	92	90	92
Dabur	147	1,904	4	5	6	37	30	25	53	54	54
Colgate-Palmolive	389	1,193	11	15	17	36	27	23	57	69	71
Tata Tea	720	960	50	48	57	14	15	13	18	16	16
Titan Industries	859	861	26	29	37	33	30	23	76	47	38
Godrej Consumer	150	767	5	6	8	30	24	18	176	135	115
Marico	540	742	17	22	27	31	25	20	42	35	31
INFRASTRUCTURE											
GMR Infrastrusture	355	2,657	4	4	4	92	96	84	11	7	5
Punj Lloyd	1,030	1,214	10	25	58	105	42	18	7	12	23
IVRCL#	385	1,111	8	12	17	16	11	8	21	17	15
Nagarjuna Construction#	215	1,003	10	9	13	17	18	12	16	18	22
Hindustan Construction#	147	850	3	3	5	28	25	14	12	10	15
Gammon India#	420	830	12	13	20	22	20	13	18	13	17
Patel Engineering#	450	606	15	19	22	22	17	14	38	23	16

We have excluded value of BOT investments & the Real Estate value to calculate core business valuations.

Enam covered stocks

ENAM

Company Name	Price (Rs.)	Mkt. Cap (US$ m)	FDEPS (Rs.) CY05/ FY06	FDEPS (Rs.) CY06E/ FY07E	FDEPS (Rs.) CY07E/ FY08E	P/E (x) CY05/ FY06	P/E (x) CY06E/ FY07E	P/E (x) CY07E/ FY08E	ROE (%) CY05/ FY06	ROE (%) CY06E/ FY07E	ROE (%) CY07E/ FY08E
			ENAM estimates								
IT SERVICES											
Infosys	2,241	28,116	45	69	89	50	32	25	39	44	39
TCS	1,219	26,926	30	42	52	41	29	23	60	53	44
Wipro	605	19,631	14	19	24	43	31	25	30	31	30
Satyam	484	7,175	16	21	24	31	23	20	27	29	27
HCL Tech	649	4,752	24	33	41	27	20	16	20	24	27
Tech Mahindra	1,670	4,378	18	44	66	91	38	25	43	51	43
I-flex	1,948	3,579	29	39	51	68	49	38	18	21	23
Patni	418	1,304	22	18	32	19	23	13	16	12	19
Hexaware	200	595	7	8	10	27	24	19	30	23	18
Infotech Enterprises	321	333	11	18	22	29	18	14	27	31	29
MEDIA											
Adlabs Films	434	390	6	15	20	74	28	22	10	16	13
Entertainment Network India	264	283	5	7	8	57	39	35	15	11	11
INOX Leisure	144	195	3	6	9	47	25	17	13	15	15
METALS											
SAIL	89	8,319	10	15	16	9	6	6	35	42	34
Hindustan Zinc	824	7,858	34	127	112	24	6	7	52	90	44
Sterlite Ind.	543	6,851	25	72	91	22	8	6	26	40	39
Tata Steel	482	6,321	56	81	83	9	6	6	42	40	28
Hindalco	174	4,557	13	21	24	13	8	7	17	22	20
Nalco	214	3,113	24	33	29	9	7	8	29	31	22
Sesa Goa	1,411	1,254	145	181	194	10	8	7	62	54	42
PAINTS											
Asian Panits	734	1,589	22	26	29	33	28	25	33	34	33
Kansai Nerolic	815	469	34	43	50	24	19	16	23	25	25
PETROCHEM											
ONGC	870	42,017	72	89	89	12	10	10	22	23	21
RIL	1,270	39,969	67	78	86	19	16	15	25	29	24
IOC	450	11,869	37	50	54	12	9	8	12	15	14
Gail	262	4,994	28	28	27	9	9	10	23	19	17
BPCL	337	2,749	16	35	39	21	10	9	4	11	12
HPCL	278	2,133	13	25	30	21	11	9	5	8	9
IPCL	288	1,958	36	48	47	8	6	6	21	21	17
Petronet	48	816	3	3	3	19	15	14	20	20	19
Chennai Petro	216	727	32	46	46	7	5	5	18	22	19
Maharashtra Seamless	467	695	24	41	47	19	11	10	35	36	28
Indraprastha Gas	116	366	8	9	11	15	13	11	28	28	28
Welspun-Gujarat Stahl	93	269	4	5	8	24	18	12	15	36	15

Enam covered stocks

Company Name	Price (Rs.)	Mkt. Cap (US$ m)	ENAM estimates FDEPS (Rs.) CY05/ FY06	FDEPS (Rs.) CY06E/ FY07E	FDEPS (Rs.) CY07E/ FY08E	P/E (x) CY05/ FY06	P/E (x) CY06E/ FY07E	P/E (x) CY07E/ FY08E	ROE (%) CY05/ FY06	ROE (%) CY06E/ FY07E	ROE (%) CY07E/ FY08E
PHARMACEUTICALS											
Cipla	251	4,400	8	10	13	31	25	20	35	29	27
Sun Pharma	979	4,201	28	35	43	35	28	23	45	39	35
Ranbaxy	392	3,297	6	13	19	69	30	21	9	21	29
Dr Reddy's	811	3,072	8	42	33	100	19	25	6	26	17
Glaxo Pharma	1,164	2,227	37	43	48	32	27	24	33	33	30
Glenmark	599	1,609	6	21	37	94	29	16	25	56	56
Nicholas	265	1,250	6	10	13	45	28	21	17	19	22
Cadila Healthcare Ltd	351	997	13	17	21	27	21	17	26	27	26
Divi's Lab	3,056	885	54	89	143	56	34	21	22	29	36
Biocon	372	840	17	91	116	21	4	3	21	94	102
Jubilant Organosys	241	780	7	12	15	34	21	16	19	23	24
Dishman Pharmaceuticals & Chemicals	249	388	6	8	12	39	30	21	31	30	33
Shasun Chemicals	110	114	8	8	9	14	13	12	23	21	20
RETAIL											
Shoppers' Stop	682	532	8	11	15	86	64	46	14	12	15
Trent	877	286	20	28	42	43	31	21	11	13	18
TELECOM											
Bharti Tele-venture	629	26,917	12	19	26	53	33	24	29	33	33
RCVL	471	20,687	2	12	22	200	38	22	8	20	27
VSNL	424	2,731	5	15	25	88	28	17	3	8	12
MTNL	143	2,032	13	13	14	11	11	10	8	7	7
TEXTILES											
Lakshmi Machine Works Ltd	3,594	1,004	117	183	219	31	20	16	37	43	38
Raymond Ltd/India	400	554	23	29	36	17	14	11	12	13	14
Vardhman Textiles Ltd	275	359	17	32	38	16	9	7	10	16	17
Arvind Mills Ltd	52	244	4	2	4	12	22	12	6	3	6
Gokaldas Exports Ltd	609	236	34	44	58	18	14	11	23	20	22
Welspun India Ltd	85	139	4	9	10	20	10	8	7	12	12
Zodiac Clothing Co	256	48	15	22	26	17	12	10	13	17	18
TRANSPORTATION											
Container Corp	2,132	3,129	81	113	137	26	19	16	28	31	30
Jet Airways	615	1,200	10	(54)	(33)	61	(11)	(19)	4	(23)	(17)

Source: Company, ENAM Research
Note: ICICI Bank, HDFC valuations are calculated after including the value of investments.
Note: M&M - Standalone FDEPS
Note: Price as on December 29, 2006

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Appendix: Database of Eco indicators

Nov-06		% chg			
	Current	1M	3M	6M	12M
Industrial Production Index - Oct					
General	238	(1.9)	0.9	5.6	6.2
Manufacturing	251	(3.3)	0.2	5.8	6.0
Mining	158	7.9	4.1	0.8	4.0
Electricity	212	5.5	5.6	7.3	9.7
Inflation Index - Nov					
WPI	209	0.2	1.9	3.8	5.3
CPI	127	0.0	2.4	5.0	6.7
Balance of payments (USDm) - Nov					
Exports	9,681	0.6	(6.7)	(3.6)	33.6
Imports	15,876	0.3	14.5	11.0	42.9
Banking Trends (INRbn) - Nov					
Bank Credit	16,837	1.7	6.2	12.8	28.8
Bank Deposits	23,314	1.7	4.3	9.1	21.4
Non-food credit	16,451	1.6	6.7	13.1	30.1
Money Supply(M3) % actuals	15.9	15.8	14.9	18.2	20.9

Nov-06		Actuals			
	Current	1M	3M	6M	12M
10Y Bond Yield (%)	7.4	7.6	7.9	7.7	7.1
Forex Reserves (USDbn)	172.8	167.1	165.3	162.6	142.2
Reverse REPO (%)	6.0	6.0	5.8	5.5	5.0

Nov-06		% chg			
	Current	1M	3M	6M	12M
Auto ('000) - Nov					
Passenger Car Sales	109	(4.8)	0.7	(0.7)	25.8
CV-Sales	20	2.8	16.9	26.5	50.2
2-W Sales	722	(17.1)	15.3	(0.1)	14.5
Tourist arrivals (nos) - Oct	394,009	42.7	19.0	21.1	19.8
Total comm traffic at ports ('000 tonnes) - (Oct)	38,797	8.9	9.0	19.8	11.8
Cellular subscribers (mn) - Nov	101	5.3	16.4	33.9	82.2
Cement Desp (m tonnes) - Nov	12	(0.9)	12.8	(2.8)	13.1
Diesel Prod (HSD) ('000 tonnes) (Oct)	4,402	4.8	(2.5)	12.1	19.6
Crude Oil - (Nov)					
Brent 38 Uk $/bbl	62	4.1	(11.4)	(13.2)	13.5
Dubai Fateh 32 $/bbl	59	4.7	(10.4)	(8.7)	17.8
LME Spot Prices ($/metric tonnes) - (Nov)					
Zinc	4,390	2.3	31.8	12.3	156.4
Copper	6,936	(6.4)	(9.3)	(14.8)	57.5
Lead	1,675	1.1	37.1	59.2	57.4
Aluminium	2,686	(5.2)	10.2	(1.0)	24.4
Steel Imports Cold Rolled Coil	550	1.4	(3.5)	13.4	(9.8)
Bullion (Nov)					
Gold (Rs/ 10gm)	9,205	5.3	(2.3)	(5.8)	24.6
Silver (Rs/ kg)	19,421	4.5	0.8	0.5	58.7

Source: Bloomberg, CMIE

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Thank You