

Earnings Guide

June 2006



Prabhudas
Lilladher

Fulfilling investors' needs since 1944

Top Picks



- ➔ Infosys / Wipro / Satyam / TCS
- ➔ Reliance Industries
- ➔ ITC
- ➔ ICICI Bank
- ➔ Bharat Heavy Electricals
- ➔ Bank of India / Union Bank of India

- ➔ ACC / Ultra Tech / India Cement
- ➔ NALCO / Hindalco
- ➔ Punjab National Bank / Canara Bank
- ➔ ONGC
- ➔ Bajaj Auto

Other Ideas

- IVRCL / Prajay Engineers / Jay Prakash Assoc.
- Bharati Shipyard / ABG Shipyard
- Suzlon Energy
- KEI Inds. / Paramount Comm.
- Hindustan Dorr Oliver
- i-Flex Solutions
- Sterlite Inds. / Hindustan Zinc
- Shree Precoated Steels
- RPG Transmission / KEC Int. / Jyoti Structures
- Subex Systems / Prithvi Information Systems
- Ankur Drugs
- Gitanjali Gems
- Pitti Lamination
- ABB / Siemens
- Bombay Rayon Fashion
- BEML / BEL
- Bombay Dyeing / Prajay Engineers
- Amtek Auto
- Man Industries
- Maharashtra Seamless / Jindal Saw
- Rolta, India
- KCP / Balrampur Chini
- Monnet Ispat
- Shree Cement
- Emco Transformers
- Vivmed Labs

PL Universe – A Snapshot



	Last Year (FY06)		1-year forward (FY07)									
	(Rs.m)		(Rs.m)		Growth (%)		Valuations (x)					
	Sales	PAT	Sales	PAT	Sales	PAT	PER	MC/Sales	EV/EBITDA	EV/Sales	RoE (%)	RoCE (%)
Automobile	719,488	66,752	839,902	75,830	16.7	13.6	16.5	1.5	9.5	1.3	28.0	21.7
Auto Ancillaries	134,587	12,420	161,779	16,016	20.2	29.0	19.5	1.9	10.5	1.9	25.9	19.0
Cement	188,250	21,196	228,204	30,331	21.2	43.1	18.0	2.4	11.3	2.6	21.5	14.3
Construction	102,799	7,874	134,774	10,663	31.1	35.4	20.9	1.7	11.3	1.5	15.0	10.0
FMCG	304,790	48,129	352,608	56,718	15.7	17.8	24.9	4.0	20.9	4.5	31.3	26.8
IT	499,585	102,431	647,897	132,335	29.7	29.2	21.5	4.4	18.1	4.6	35.0	33.5
Metals	948,798	158,371	1,073,444	232,324	13.1	46.7	6.3	1.4	3.9	1.5	35.0	25.4
Pipes	54,607	3,361	71,949	4,843	31.8	44.1	9.8	0.7	6.3	0.8	18.2	13.6
Oil & Gas	5,130,786	358,507	5,580,832	389,592	8.8	8.7	9.9	0.7	6.3	0.8	21.3	15.1
Telecom	116,632	22,585	155,557	29,502	33.4	30.6	26.6	5.0	15.3	5.5	32.7	19.9
Textiles	54,653	3,394	70,664	5,062	29.3	49.2	11.3	0.8	7.7	1.5	14.2	7.7
Sugar	38,920	4,644	62,897	8,802	61.6	89.5	13.3	1.9	8.6	2.1	31.5	17.6
Others	77,773	11,669	98,490	15,456	26.6	32.5	14.4	0.8	7.7	1.5	22.3	16.9
PL Sub-universe	8,371,669	821,333	9,478,998	1,007,473	13.2	22.7	13.1		8.4	1.5		

	Last Year (FY06)		1-year forward (FY07)									
	(Rs.m)		(Rs.m)		Growth (%)		Valuations (x)					
	Total Inc.	PAT	Total Inc.	PAT	Total Inc.	PAT	PER	MCTBS	P/BV	P/ABV	RoE (%)	RoA (%)
Banks	1,355,377	161,573	1,571,618	197,645	16.0	22.3	9.3	9.1	1.5	1.6	16.0	1.0
PL Universe	9,727,046	982,905	11,050,616	1,205,117	13.6	22.6	12.4					

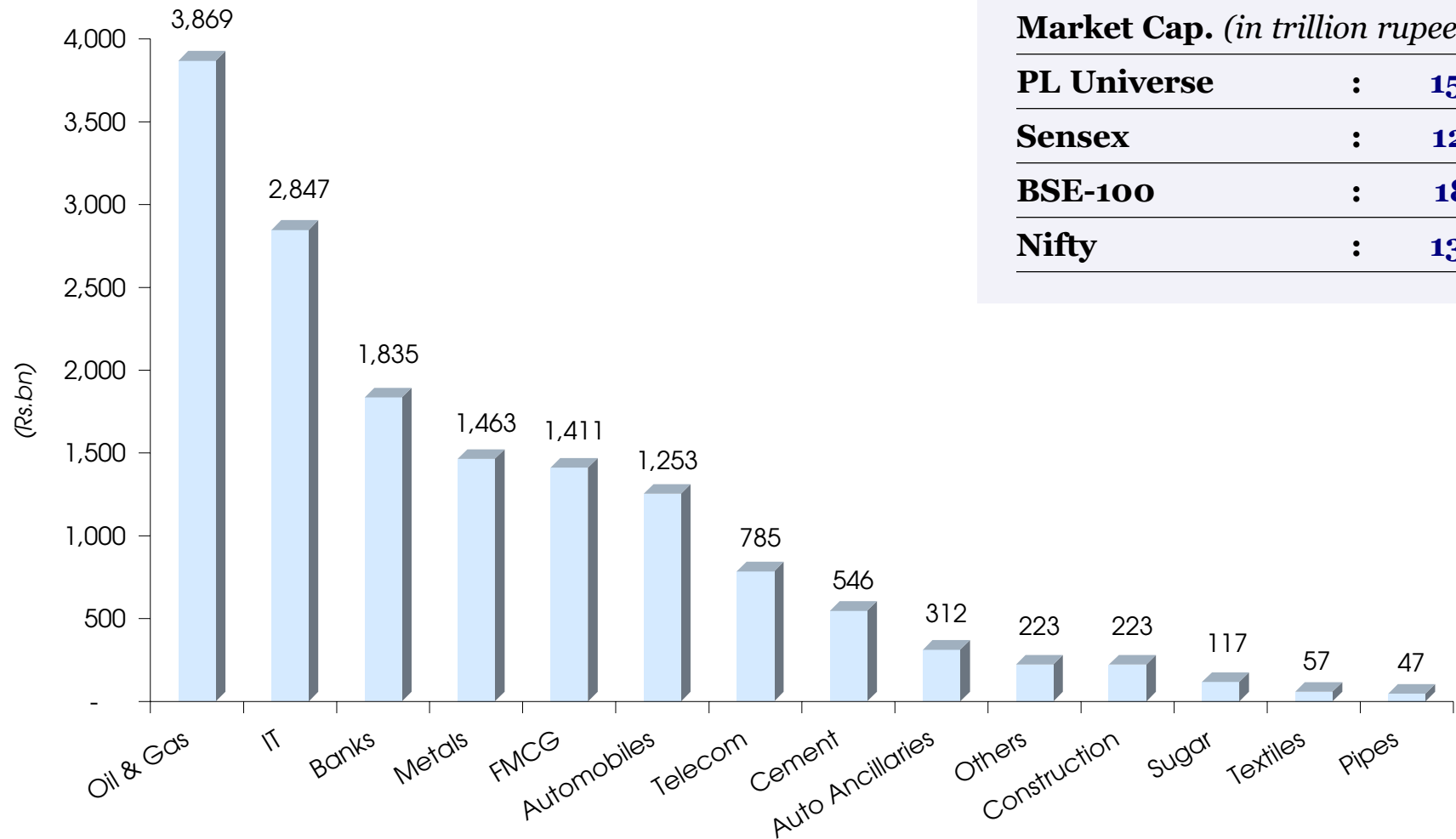
PL Universe – A Snapshot



	1-year forward (FY07)		2-year forward (FY08)									
	(Rs.m)		(Rs.m)		Growth (%)		Valuations (x)					
	Sales	PAT	Sales	PAT	Sales	PAT	PER	MC/Sales	EV/EBITDA	EV/Sales	RoE (%)	RoCE (%)
Automobile	839,902	75,830	957,739	88,726	14.0	17.0	14.1	1.3	7.9	1.1	24.8	21.8
Auto Ancillaries	161,779	16,016	200,152	21,014	23.7	31.2	14.9	1.6	8.1	1.5	27.0	20.6
Cement	228,204	30,331	259,210	34,134	13.6	12.5	16.0	2.1	9.6	2.3	21.0	14.7
Construction	134,774	10,663	181,542	15,157	34.7	42.1	14.7	1.2	8.8	1.2	16.9	11.7
FMCG	352,608	56,718	397,659	66,487	12.8	17.2	21.2	3.5	17.7	3.9	30.1	27.2
IT	647,897	132,335	807,254	162,284	24.6	22.6	17.5	3.5	15.1	3.8	33.4	32.3
Metals	1,073,444	232,324	1,165,395	261,390	8.6	12.5	5.6	1.3	3.6	1.4	30.3	22.9
Pipes	71,949	4,843	84,234	6,028	17.1	24.5	7.9	0.6	5.2	0.7	19.4	14.7
Oil & Gas	5,580,832	389,592	5,607,063	444,327	0.5	14.0	8.7	0.7	5.5	0.8	21.4	15.9
Telecom	155,557	29,502	197,448	40,184	26.9	36.2	19.5	4.0	12.2	4.4	32.1	20.6
Textiles	70,664	5,062	86,596	6,656	22.5	31.5	8.6	0.7	6.3	1.3	16.1	8.3
Sugar	62,897	8,802	76,880	11,212	22.2	27.4	10.5	1.5	7.1	1.7	24.1	15.8
Others	98,490	15,456	122,607	19,006	24.5	23.0	11.7	0.7	6.3	1.3	23.5	17.3
PL Sub-universe	9,478,998	1,007,473	10,143,778	1,176,604	7.0	16.8	11.2		7.3	1.4		

	1-year forward (FY07)		2-year forward (FY08)									
	(Rs.m)		(Rs.m)		Growth (%)		Valuations (x)					
	Total Inc.	PAT	Total Inc.	PAT	Total Inc.	PAT	PER	MCTBS	P/BV	P/ABV	RoE (%)	RoA (%)
Banks	1,571,618	197,645	1,873,822	239,228	19.2	21.0	7.7	7.7	1.3	1.4	16.9	1.0
PL Universe	11,050,616	1,205,117	12,017,600	1,415,832	8.8	17.5	10.6					

PL Universe – Market Capitalisation



Market Cap. (in trillion rupees)

PL Universe : **15.0**

Sensex : **12.5**

BSE-100 : **18.1**

Nifty : **13.8**

Automobiles - Sector Overview



Positives

- ☺ **The outlook for growth remains strong due to rapid infrastructure development, low vehicle-penetration levels, and demographic profile**
- ☺ **The rural infrastructure development initiative, Bharat Nirman, would boost demand for utility vehicles and tractors**
- ☺ **Technological advances will raise operational efficiencies. Most auto companies have acquired engineering service companies and design houses in order to enter a new vertical and to source the latest engineering skills**
- ☺ **Evolving the Hub & Spoke distribution model is leading to a polarisation in commercial vehicles, with growth emanating from low- and very high-tonnage segments**
- ☺ **Excise duty reduction on small cars is helping improve vehicle penetration**

Negatives

- ☹ **Long overdue oil-price hike would be a setback to the industry in general and to commercial vehicles in particular**
- ☹ **Since the excise duty cut was not on mid-size cars and above, it is preventing upgrades from small to bigger cars**
- ☹ **Rising interest rates would lead to higher ownership costs and dampen demand to an extent**
- ☹ **Rising commodity prices are a worry, as operating margins would be subdued**

Automobiles



Sector View

Equal Weight

Top Picks

Bajaj Auto
Maruti Udyog
M&M

Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
Ashok Leyland #	OP	41	52,477	3,056	2.3	(1.8)	60,738	3,893	2.9	0.5	64,101	4,054	3.0	1.9
Bajaj Auto #	OP	2,916	76,679	11,243	111.1	110.3	96,777	14,154	139.9	123.8	116,527	17,244	170.4	128.9
Force Motors	MP	807	9,965	65	4.9	3.9	10,667	179	13.6	18.2	11,579	310	23.6	31.2
Hero Honda #	OP	827	87,140	9,713	48.6	51.4	101,076	11,818	59.2	63.9	115,498	13,803	69.1	70.3
M & M* #	OP	592	123,354	13,540	43.6	66.0	140,002	11,523	45.2	57.6	165,549	13,496	52.4	65.5
Maruti Udyog#	OP	791	120,522	11,891	41.1	39.8	146,791	13,972	48.3	51.1	168,709	16,400	56.7	60.9
Punjab Tractors	MP	252	9,586	724	11.9	20.2	10,815	945	15.6	20.0	11,481	1,046	17.2	13.3
Tata Motors #	MP	815	206,022	15,289	35.2	52.3	234,558	17,655	45.2	37.3	259,740	20,014	51.3	70.6
TVS Motors	MP	129	33,744	1,232	5.2	2.4	38,478	1,691	7.1	12.1	44,555	2,358	9.9	15.4
SECTOR			719,488	66,752			839,902	75,830			957,739	88,726		

* Consolidated

FY06 are actuals

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Automobiles



Sector View

Equal Weight

Top Picks

Bajaj Auto

Maruti Udyog

M&M

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
Ashok Leyland #	FY07	15.7	27.4	27.4	13.9	0.9	7.8	0.9	23.3	20.6
	FY08	5.5	4.2	4.2	13.3	0.8	7.2	0.8	19.5	19.9
Bajaj Auto #	FY07	26.2	25.9	25.9	20.8	3.0	13.8	2.5	26.0	22.1
	FY08	20.4	21.8	21.8	17.1	2.5	11.0	2.0	26.0	23.9
Force Motors	FY07	7.0	175.8	175.8	59.5	1.0	49.2	1.0	11.6	21.2
	FY08	8.6	73.4	73.4	34.3	0.9	35.3	0.9	17.6	16.2
Hero Honda #	FY07	16.0	21.7	21.7	14.0	1.5	7.5	1.2	50.6	45.6
	FY08	14.3	16.8	16.8	12.0	1.3	6.1	1.0	45.6	41.5
M&M* #	FY07	13.5	(14.9)	3.7	13.1	1.1	8.9	1.2	29.8	16.9
	FY08	18.2	17.1	15.8	11.3	0.9	7.4	1.0	27.5	18.2
Maruti Udyog#	FY07	21.8	17.5	17.5	16.4	1.6	8.7	1.2	23.0	22.9
	FY08	14.9	17.4	17.4	13.9	1.4	6.6	1.0	22.0	21.9
Punjab Tractors	FY07	12.8	30.4	30.4	16.2	1.4	9.3	1.3	15.9	15.5
	FY08	6.1	10.7	10.7	14.6	1.3	9.6	1.4	16.4	16.1
Tata Motors #	FY07	13.9	15.5	28.4	18.0	1.3	9.3	1.2	33.4	23.2
	FY08	10.7	13.4	13.4	15.9	1.2	8.3	1.1	30.4	22.3
TVS Motors	FY07	14.0	37.3	37.3	18.1	0.8	8.6	0.7	20.5	28.3
	FY08	15.8	39.5	39.5	13.0	0.7	6.2	0.6	24.2	20.8
SECTOR	FY07	16.7	13.6		16.5	1.5	9.5	1.3	28.0	21.7
	FY08	14.0	17.0		14.1	1.3	7.9	1.1	24.8	21.8

* Consolidated

FY06 are actuals

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Auto Ancillaries - Sector Overview



Positives

- ☺ India has crossed the ten-million mark in sales of new automobiles (two-wheelers, three-wheelers, cars, CVs and tractors)
- ☺ Auto-ancillaries belong to the newly discovered "small and medium enterprises" (SME) segment, attracting more attention from financial institutions and banks as the new engine of growth
- ☺ Auto-ancillaries are migrating from labour-intensive manufacturing to skill-intensive manufacturing. This is resulting in a massive outsourcing potential as direct suppliers to global OEMs
- ☺ Highly acknowledged quality practices comfort the OEMs and ensure repeat orders

Negatives

- ☹ Inability to absorb rising commodity prices are eroding margins
- ☹ Infrastructure bottlenecks like congestion at ports are leading to delayed shipments
- ☹ Scalability is an issue

Auto Ancillaries



Sector View

OverWeight

Top Picks

Ahmednagar Forgings

Amtek Auto

Bharat Forge

Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
Ahmednagar Forging*	OP	182	2,058	209	6.6	(6.8)	3,902	425	13.5	(14.3)	7,390	861	27.3	0.1
Amtek Auto*	OP	282	27,694	2,193	16.6	18.6	32,793	2,754	20.8	17.8	40,254	3,689	27.9	29.4
Bharat Forge #	OP	342	15,800	2,090	8.8	15.6	21,459	2,975	12.5	(5.6)	29,271	4,118	17.3	4.6
Denso India	MU	95	3,609	186	6.7	(0.4)	3,916	228	8.2	0.0	4,190	260	9.3	0.2
Gabriel India	OP	30	4,745	136	1.6	0.6	5,456	202	2.8	1.8	6,110	244	3.4	2.5
Goetze (India)	MP	315	5,082	384	15.2	21.7	5,593	504	19.9	36.0	6,012	571	22.6	41.0
India Nippon	MP	261	1,581	208	25.7	31.9	1,803	251	31.1	37.8	2,074	294	36.5	42.8
MICO**	OP	2,991	29,775	3,431	96.5	30.1	33,646	4,245	132.4	82.0	42,057	5,467	170.3	82.7
Motherson Sumi #	MP	91	7,041	768	3.3	1.1	8,309	888	3.8	1.7	9,555	1,070	4.6	2.1
Munjjal Showa	MU	366	5,942	195	24.4	6.1	6,536	246	30.7	22.3	7,059	289	36.2	24.0
Rico Auto #	MP	80	6,682	345	2.8	(4.3)	8,446	456	3.6	(0.3)	9,966	598	4.8	0.4
Sona Koyo#	OP	82	3,408	163	3.7	(1.3)	4,029	220	5.0	3.0	5,007	294	6.7	5.0
Sundaram Clay.#	MP	1,122	6,275	808	42.6	47.5	8,605	965	50.9	17.6	11,461	1,216	64.1	24.9
Sundaram Fast.	OP	149	11,575	1,028	9.8	0.3	13,630	1,326	12.6	4.6	16,175	1,724	16.4	3.8
Ucal Fuel Syst.	MP	172	3,318	278	20.0	6.7	3,656	332	23.9	8.5	3,986	379	27.2	9.7
SECTOR			134,587	12,420			161,779	16,016			200,568	21,075		

* Y/e June

** Y/e December

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Auto Ancillaries



Sector View

OverWeight

Top Picks

Ahmednagar Forgings

Amtek Auto

Bharat Forge

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
Ahmednagar Forging*	FY07	89.6	103.8	103.8	13.5	1.5	7.2	1.5	27.8	20.8
	FY08	89.4	102.5	102.5	6.7	0.8	4.0	0.8	33.0	27.6
Amtek Auto*	FY07	18.4	25.6	25.6	13.6	1.1	7.7	1.3	35.7	21.1
	FY08	22.7	33.9	33.9	10.1	0.9	6.3	1.1	34.5	19.7
Bharat Forge #	FY07	35.8	42.3	42.3	27.4	3.8	13.9	3.7	22.7	13.9
	FY08	36.4	38.4	38.4	19.8	2.8	9.8	2.6	23.9	16.0
Denso India	FY07	8.5	22.1	22.1	11.6	0.7	4.8	0.5	16.9	16.5
	FY08	7.0	14.2	14.2	10.2	0.6	4.0	0.5	17.6	17.1
Gabriel India	FY07	15.0	48.6	74.3	10.7	0.4	7.1	0.5	18.0	11.1
	FY08	12.0	21.3	21.3	8.8	0.4	5.7	0.5	19.8	10.6
Goetze (India)	FY07	10.0	31.4	31.4	15.8	1.4	8.2	1.6	26.0	16.9
	FY08	7.5	13.3	13.3	13.9	1.3	7.3	1.5	25.8	15.6
India Nippon	FY07	14.1	20.9	20.9	8.4	1.2	3.9	0.7	22.4	20.7
	FY08	15.0	17.4	17.4	7.2	1.0	2.9	0.6	22.3	20.5
MICO**	FY07	13.0	23.7	37.2	22.6	2.9	11.9	2.4	24.1	23.9
	FY08	25.0	28.8	28.6	17.6	2.3	9.1	1.9	27.3	29.0
Motherson Sumi #	FY07	18.0	15.5	15.5	24.2	2.6	14.7	2.5	34.7	30.0
	FY08	15.0	20.5	20.5	20.0	2.2	12.3	2.2	35.2	29.5
Munjral Showa	FY07	10.0	26.0	26.0	11.9	0.4	6.5	0.4	18.1	16.8
	FY08	8.0	17.8	17.8	10.1	0.4	5.3	0.4	19.5	18.6
Rico Auto #	FY07	26.4	32.2	28.3	22.0	1.2	9.6	1.3	18.6	12.8
	FY08	18.0	31.2	31.2	16.8	1.0	7.7	1.1	22.0	14.6
Sona Koyo#	FY07	18.2	35.2	35.2	16.4	0.9	8.8	1.1	22.8	13.4
	FY08	24.3	33.4	33.4	12.3	0.7	7.0	0.9	25.9	16.2
Sundaram Clay.#	FY07	37.1	19.5	19.5	22.0	2.5	15.0	2.5	29.8	24.7
	FY08	33.2	25.9	25.9	17.5	1.9	11.9	1.9	31.0	27.3
Sundaram Fast.	FY07	17.8	29.0	29.0	11.8	1.1	7.9	1.4	28.5	17.5
	FY08	18.7	30.0	30.0	9.1	1.0	6.3	1.2	29.0	19.2
Ucal Fuel Syst.	FY07	10.2	19.6	19.6	7.2	0.7	3.6	0.6	20.0	20.2
	FY08	9.0	14.0	14.0	6.3	0.6	4.0	0.7	19.6	19.8
SECTOR	FY07	20.2	29.0		19.5	1.9	10.5	1.9	25.9	19.0
	FY08	24.0	31.6		14.8	1.6	8.1	1.5	26.9	20.6

* Y/e June

** Y/e December

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Positives

- ☺ Remarkably improved asset quality, both gross and net. At net NPAs below 0.5%, asset quality is globally comparable for many leading banks
- ☺ Strong growth in credit off take led by upturn in investment cycle and by high growth in retail credit, specially housing
- ☺ So far banks have been reducing discounts on PLRs; now many have revised PLRs by 50 bp. This would result in higher interest income from existing loans as well
- ☺ In FY07 NIM is expected to be above 3%; RoE above 15%, even after equity dilution in many cases
- ☺ Significant rise in profitability due to healthy growth in NII, moderate NPA provisions, absence of significant depreciation losses and wage revision provisions
- ☺ Remarkable improvement in computerization to result in higher fee income and operational efficiency
- ☺ Loaded with so many positives, PSU stocks still trade at 0.9x-1.5x FY07 adjusted book values, which makes valuations attractive at current level.

Negatives

- ☹ In its April policy, the RBI has not revised reverse repo rates; liquidity has since improved in the bond market.
Though bond yields had fallen after March 31, they have again climbed over the March 31 level. Though liquidity remains healthy, bond yields have gone up because of the fear of a further rate hike in the US and of inflationary expectations from spiralling oil prices.
Those banks which had grabbed the opportunity provided by the temporary decline in bond yields to restructure their investment book would see less depreciation losses; those which had not done so would report higher depreciation losses in Q1.
- ☹ Too many banks in the system might result in a greater degree of competition, which naturally would affect earnings. While consolidation in the sector is an economic necessity, the RBI has not favoured open M&As.

Banks



Sector View

OverWeight

Top Picks

ICICI Bank

PNB

Canara Bank

Bank of India

Union Bank

IOB

Financials	Reco	CMP	Last Year (FY06)						1-year forward (FY07)						2-year forward (FY08)					
			(Rs.m)			(Rs)			(Rs.m)			(Rs)			(Rs.m)			(Rs)		
			Total	NII	PAT	EPS	BV	ABV	Total	NII	PAT	EPS	BV	ABV	Total	NII	PAT	EPS	BV	ABV
Andhra Bank	BUY	72	31,324	11,690	4,855	11.7	61.4	60.3	36,095	13,037	5,453	11.2	69.9	68.2	42,315	15,310	6,251	12.9	79.5	76.9
Bank of Baroda	OP	226	82,917	32,249	8,270	25.1	218.9	204.6	92,170	36,089	9,865	27.0	239.1	223.2	104,200	39,754	11,142	30.5	262.0	240.8
Bank of India	BUY	114	82,131	26,320	7,014	14.4	101.4	81.3	93,469	29,619	8,855	18.1	115.0	101.0	107,557	33,628	11,345	23.2	132.4	123.5
Canara Bank	BUY	229	100,890	35,815	13,432	32.8	169.4	147.8	117,208	40,416	16,236	39.6	200.3	177.1	135,758	46,466	19,915	48.6	238.2	214.2
Corporation Bank	BUY	300	31,979	12,268	4,445	31.0	233.1	222.4	36,910	13,594	4,977	34.7	259.5	245.2	43,386	15,352	5,778	40.3	290.1	270.8
Federal Bank	BUY	190	16,535	5,998	2,252	29.8	146.7	133.6	19,448	7,029	2,765	32.3	175.1	162.9	22,191	7,889	3,149	36.8	207.5	197.0
HDFC Bank	OP	740	55,993	25,458	8,708	28.0	169.2	164.8	79,355	34,322	11,272	36.0	192.3	184.7	103,547	45,215	14,686	46.9	227.5	217.5
ICICI Bank	BUY	537	187,676	41,870	25,401	32.2	249.3	236.2	258,311	62,462	32,046	36.0	272.6	253.6	358,038	91,384	41,748	46.9	303.1	276.5
IOB	BUY	83	51,345	20,672	7,833	14.4	57.8	53.6	58,615	24,152	9,954	18.3	71.6	65.9	67,286	27,145	11,462	21.0	90.2	82.5
OBC	BUY	192	46,717	16,051	8,032	36.3	178.8	172.1	51,414	18,035	8,936	35.7	209.1	202.7	57,855	20,278	9,809	39.2	242.4	234.8
PNB	BUY	391	108,153	46,668	14,393	45.6	278.0	271.4	121,881	51,816	15,403	48.9	319.5	310.9	138,860	58,838	17,541	55.6	366.8	354.9
SBI	BUY	819	431,836	156,356	44,067	83.7	532.7	439.5	454,764	180,575	53,327	101.3	615.8	532.3	510,423	201,432	63,019	119.7	714.0	644.8
Union Bank of India	BUY	106	64,888	23,743	6,752	14.6	84.5	68.0	76,876	27,696	9,201	18.2	98.1	82.9	90,779	31,605	11,106	22.0	114.6	101.1
UTI Bank	OP	285	36,184	10,782	4,851	17.6	103.0	95.1	46,784	14,921	6,488	23.3	120.4	109.6	60,065	19,533	8,766	31.5	144.0	129.4
Vijaya Bank	MP	42	26,808	9,728	1,269	2.9	39.9	36.6	28,319	10,349	2,868	6.6	44.5	40.3	31,561	11,890	3,511	8.1	50.2	45.3
SECTOR			1,355,377	475,668	161,573				1,571,618	564,111	197,645				1,873,822	665,718	239,228			

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Banks



Sector View

OverWeight

Top Picks

ICICI Bank

PNB

Canara Bank

Bank of India

Union Bank

IOB

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Valuations		Growth (%)				Valuations (x)					
		Total inc.	NII	PAT	EPS	PER	MC/Balance Sheet	P/BV	P/ABV	RoE (%)	RoAA (%)
Andhra Bank	FY07	15.2	11.5	12.3	(4.1)	6.4	7.5	1.0	1.1	17.1	1.3
	FY08	17.2	17.4	14.6	14.6	5.6	6.4	0.9	0.9	17.3	1.2
Bank of Baroda	FY07	11.2	11.9	19.3	7.7	8.4	6.4	0.9	1.0	11.8	0.8
	FY08	13.1	10.2	13.0	13.0	7.4	5.6	0.9	0.9	12.2	0.8
Bank of India	FY07	13.8	12.5	26.2	26.2	6.3	4.3	1.0	1.1	16.8	0.7
	FY08	15.1	13.5	28.1	28.1	4.9	3.7	0.9	0.9	18.8	0.8
Canara Bank	FY07	16.2	12.8	20.9	20.9	5.8	6.2	1.1	1.3	21.4	1.1
	FY08	15.8	15.0	22.7	22.7	4.7	5.3	1.0	1.1	22.2	1.2
Corporation Bank	FY07	15.4	10.8	12.0	12.0	8.7	8.9	1.2	1.2	14.1	1.1
	FY08	17.5	12.9	16.1	16.1	7.5	7.6	1.0	1.1	14.7	1.1
Federal Bank	FY07	17.6	17.2	22.8	8.4	5.9	6.8	1.1	1.2	20.1	1.2
	FY08	14.1	12.2	13.9	13.9	5.2	6.0	0.9	1.0	19.2	1.2
HDFC Bank	FY07	41.7	34.8	29.4	28.8	20.6	23.3	3.8	4.0	19.9	1.3
	FY08	30.5	31.7	30.3	30.3	15.8	18.3	3.3	3.4	22.3	1.3
ICICI Bank	FY07	37.6	49.2	26.2	11.7	14.9	14.7	2.0	2.1	13.8	1.1
	FY08	38.6	46.3	30.3	30.3	11.5	10.7	1.8	1.9	16.3	1.1
IOB	FY07	14.2	16.8	27.1	27.1	4.5	6.4	1.2	1.3	28.2	1.5
	FY08	14.8	12.4	15.2	15.2	3.9	5.5	0.9	1.0	26.4	1.5
OBC	FY07	10.1	12.4	11.3	(1.6)	5.4	7.1	0.9	0.9	18.4	1.4
	FY08	12.5	12.4	9.8	9.8	4.9	6.2	0.8	0.8	17.3	1.3
PNB	FY07	12.7	11.0	7.0	7.0	8.0	7.7	1.2	1.3	16.4	1.0
	FY08	13.9	13.6	13.9	13.9	7.0	6.8	1.1	1.1	16.2	1.0
SBI	FY07	5.3	15.5	21.0	21.0	8.1	7.6	1.3	1.5	17.6	1.0
	FY08	12.2	11.6	18.2	18.2	6.8	7.0	1.1	1.3	18.0	1.1
Union Bank of India	FY07	18.5	16.6	36.3	25.2	5.8	5.1	1.1	1.3	20.0	1.0
	FY08	18.1	14.1	20.7	20.7	4.8	4.3	0.9	1.0	20.7	1.0
UTI Bank	FY07	29.3	38.4	33.7	32.6	12.2	13.2	2.4	2.6	20.8	1.2
	FY08	28.4	30.9	35.1	35.1	9.1	10.5	2.0	2.2	23.8	1.3
Vijaya Bank	FY07	5.6	6.4	126.0	126.0	6.4	5.1	1.0	1.1	15.7	0.8
	FY08	11.4	14.9	22.4	22.4	5.2	4.6	0.8	0.9	17.1	0.9
SECTOR	FY07	16.0	18.6	22.3		9.3	9.1	1.5	1.6	16.0	1.0
	FY08	19.2	18.0	21.0		7.7	7.7	1.3	1.4	16.9	1.0

Cement - Sector Overview



Positives

- ☺ Demand-supply mismatch to continue into FY08 -- and may even widen
- ☺ Prices could rise by Rs 8-12 a bag in H2 FY07
- ☺ Valuations still looking moderately attractive

Negatives

- ☹ Most companies would have pruned costs to the optimum by FY07
- ☹ Pricing pressures could appear by early FY09 were demand to slacken

Cement



Sector View

OverWeight

Top Picks

Ultratech

Shree Cement

India Cement

ACC

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Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
ACC**	OP	741	32,034	2,732	14.7	1.5	53,272	6,726	36.2	8.9	61,364	8,092	43.5	32.3
GACL*	OP	91	34,645	7,100	5.3	3.5	40,068	8,411	6.2	7.5	43,720	9,230	6.8	8.0
Grasim	MP	1,706	66,557	8,591	93.7	73.9	66,271	8,924	97.3	44.7	77,609	9,364	102.2	(137.2)
India Cement#	OP	149	15,789	599	3.6	10.2	20,489	1,839	10.4	17.1	21,561	2,116	11.4	17.1
Shree Cement	OP	828	6,677	520	14.9	16.4	9,938	1,043	29.9	52.3	14,672	1,622	46.6	(77.3)
Ultratech	OP	599	32,548	1,655	13.3	26.6	38,166	3,389	27.2	46.9	40,284	3,709	29.8	31.8
SECTOR			188,250	21,196			228,204	30,331			259,210	34,134		

** Y/e Dec

* Y/e June

FY06 results not yet declared. Numbers are estimates of PL.

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
ACC**	FY07	66.3	146.2	146.2	20.5	2.6	13.6	2.7	27.4	17.8
	FY08	15.2	20.3	20.3	17.0	2.2	11.1	11.1	26.1	18.6
GACL*	FY07	15.7	18.5	18.5	14.6	3.1	10.1	3.2	28.3	18.9
	FY08	9.1	9.7	9.7	13.3	2.8	8.8	8.8	28.1	19.5
Grasim	FY07	(0.4)	3.9	3.9	17.5	2.4	11.6	2.5	16.8	17.8
	FY08	17.1	4.9	4.9	16.7	2.0	10.1	10.1	15.7	18.2
India Cement#	FY07	29.8	207.1	191.8	14.3	1.3	10.6	2.0	9.5	8.3
	FY08	5.2	15.1	9.6	13.1	1.3	9.8	9.8	9.6	8.7
Shree Cement	FY07	48.8	100.4	100.4	27.6	2.9	9.6	3.2	23.9	13.8
	FY08	47.6	55.5	55.5	17.8	2.0	6.5	6.5	37.1	17.5
Ultratech	FY07	17.3	104.8	104.8	22.0	2.0	10.7	2.1	21.8	11.3
	FY08	5.6	9.4	9.4	20.1	1.9	9.3	9.3	23.8	12.1
SECTOR	FY07	21.2	43.1		18.0	2.4	11.3	2.6	21.5	14.3
	FY08	13.6	12.5		16.0	2.1	9.6	2.3	21.0	14.7

** Y/e Dec

* Y/e June

FY06 results not yet declared. Numbers are estimates of PL.

Construction - Sector Overview



Positives

- ☺ **The next round of investment for the NSEW Corridor Phase II and IIIA, approximately Rs 343bn and Rs 220bn, respectively, is under way**
- ☺ **With the Golden Quadrilateral slated to be completed by Dec.'07 and with contracts awarded for the NSEW (II & III) at nearly Rs 300bn-400bn, the industry is set for heightened activity in roads, and the average size and the complexity of projects would rise.**

The average length of road contracts (50km), has now gone up to 150-200km (ticket size) in many cases

Negatives

- ☹ **Companies will increasing their risk on BOT projects. Traffic risks and servicing debt and equity would be key challenges**
- ☹ **Steady dilution in equity by most players**

Sector View

Over Weight

Top Picks

IVRCL

Jaiprakash Associates

Prajay Engineers

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Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
Gammon India #	OP	433	15,137	935	11.0	(11.8)	21,067	1,488	17.4	(1.3)	29,354	2,268	26.6	(2.2)
Hindustan Const.	OP	132	20,241	770	2.8	2.8	24,730	1,143	4.2	0.8	30,912	1,571	5.7	(1.7)
IVRCL Const	BUY	227	16,871	1,076	9.4	1.4	22,065	1,538	13.4	9.4	31,014	2,493	21.7	6.2
Jai Prakash Assoc.	OP	409	31,410	3,818	19.6	3.1	37,952	4,234	20.1	6.3	47,987	4,949	23.5	(65.5)
Nagarjuna Const	OP	318	18,404	1,039	10.4	32.5	26,500	1,565	15.6	13.2	35,775	2,244	22.4	24.8
Prajay Engineers	BUY	241	737	235	10.3	(16.8)	2,460	695	30.4	(27.0)	6,500	1,632	100.4	(45.0)
SECTOR			102,799	7,874			134,774	10,663			181,542	15,157		

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
Gammon India #	FY07	39.2	59.1	59.1	24.8	1.8	13.2	1.7	10.8	8.9
	FY08	39.3	52.4	52.4	16.3	1.3	9.5	1.2	14.2	11.1
Hindustan Const.	FY07	22.2	48.4	48.4	31.7	1.5	12.7	1.1	7.9	7.9
	FY08	25.0	37.4	37.4	23.1	1.2	10.4	0.9	9.8	9.3
IVRCL Const	FY07	30.8	42.9	42.9	16.9	1.2	12.2	1.2	23.5	14.3
	FY08	40.6	62.1	62.1	10.4	0.8	7.1	0.9	27.6	17.5
Jai Prakash Assoc.	FY07	20.8	10.9	2.6	20.3	2.3	10.8	2.3	12.0	8.1
	FY08	26.4	16.9	16.9	17.4	1.8	10.5	2.1	12.5	8.5
Nagarjuna Const	FY07	44.0	50.6	50.6	20.3	1.2	10.8	1.0	14.6	13.1
	FY08	35.0	43.4	43.4	14.2	0.9	7.7	0.7	17.4	15.1
Prajay Engineers	FY07	233.9	195.5	195.5	7.9	2.2	5.6	2.1	36.1	23.0
	FY08	164.2	134.9	230.0	2.4	0.8	2.3	0.8	45.9	28.0
SECTOR	FY07	31.1	35.4		20.9	1.7	11.3	1.5	15.0	10.0
	FY08	34.7	42.1		14.7	1.2	8.8	1.2	16.9	11.7

FY06 results not yet declared. Numbers are estimates of PL.

Sector View

OverWeight

Top Picks

Suzlon

ABB

BHEL

KEC Intl.

BEL

EMCO

Financials	Reco	CMP	Last Year (FY05)				1-year forward (FY06)				2-year forward (FY07)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
ABB****	BUY	2,222	22,602	1,505	35.5	28.6	29,631	2,187	51.6	10.8	42,301	3,080	72.7	19.5
BEL	OP	1,032	32,236	4,293	53.7	(34.2)	37,071	5,722	71.5	61.4	43,003	6,557	82.0	90.3
BHEL	OP	1,903	99,472	9,534	39.0	27.4	133,568	15,837	64.7	52.8	160,905	19,335	79.0	47.6
CESC	OP	277	23,212	1,635	21.8	100.0	26,127	2,086	24.6	33.7	24,248	2,396	28.2	(17.6)
EMCO*	BUY	497	3,700	230	29.1	(39.7)	5,970	425	53.6	(3.5)	8,871	692	87.4	(19.6)
Jyoti Structures	OP	448	4,446	112	8.1	(18.5)	7,304	252	18.3	3.4	10,850	499	33.3	23.9
Kalpataru Power	MP	702	5,418	287	26.4	9.6	8,150	573	52.7	(29.6)	16,500	832	76.6	27.3
KEC International	OP	333	12,311	427	11.4	67.8	18,381	629	16.7	19.1	22,976	913	24.3	28.1
Suzlon	OP	890	19,425	3,653	12.7	(0.1)	36,900	7,547	26.2	(20.2)	54,600	11,946	41.5	4.9
SECTOR			222,822	21,677			303,101	35,257			384,254	46,250		

**** Co follows Dec year end for annual accounts. Consequently Last year (FY06) represents Dec-04 year end

* Nos are for FY06, FY07, FY08, PL Estimates

Sector View

OverWeight

Top Picks

Suzlon

ABB

BHEL

KEC Intl.

BEL

EMCO

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
ABB****	FY07	31.1	45.3	45.3	43.1	3.2	27.9	3.0	27.5	27.1
	FY08	42.8	40.8	40.8	30.6	2.2	19.0	2.1	30.4	29.7
BEL	FY07	15.0	33.3	33.3	14.4	2.2	7.8	1.8	32.3	32.1
	FY08	16.0	14.6	14.6	12.6	1.9	6.1	1.4	29.0	28.9
BHEL	FY07	34.3	66.1	66.1	29.4	3.5	18.4	3.2	23.7	25.2
	FY08	20.5	22.1	22.1	24.1	2.9	14.3	2.6	23.5	25.6
CESC	FY07	12.6	27.6	12.7	11.3	0.9	7.2	1.7	14.5	8.1
	FY08	(7.2)	14.9	14.9	9.8	1.0	6.2	1.7	13.9	9.0
EMCO*	FY07	61.3	84.4	84.4	9.3	0.7	5.9	0.8	25.0	18.0
	FY08	48.6	63.0	63.0	5.7	0.4	4.1	0.6	30.4	22.1
Jyoti Structures	FY07	64.3	124.6	124.9	24.5	0.8	9.4	1.0	22.9	18.8
	FY08	48.5	98.0	82.2	13.5	0.6	6.4	0.7	32.5	25.3
Kalpataru Power	FY07	50.4	99.7	99.7	13.3	0.9	9.2	1.2	41.5	22.0
	FY08	102.5	45.2	45.2	9.2	0.5	5.2	0.5	33.7	23.1
KEC International	FY07	49.3	47.1	47.1	19.9	0.7	8.8	0.8	30.9	17.5
	FY08	25.0	45.2	45.2	13.7	0.5	6.6	0.6	38.3	20.5
Suzlon	FY07	90.0	106.6	106.6	34.0	6.9	26.9	6.8	41.5	34.1
	FY08	48.0	58.3	58.3	21.5	4.7	17.4	4.6	36.4	32.0
SECTOR	FY07	36.0	62.6		27.0	3.1	16.8	3.0	26.8	22.2
	FY08	26.8	31.2		20.6	2.5	12.6	2.3	26.6	23.7

**** Co follows Dec year end for annual accounts. Consequently Last year (FY06) represents Dec-04 year end

* Nos are for FY06, FY07, FY08, PL Estimates

Positives

- ☺ **Growth in consumer demand is accelerating, led by higher demand from rural markets**
- ☺ **With rising income levels, urban markets also have grown, supported by growth in organized retailing**
- ☺ **The growth in consumer demand is broad-based, with low-penetration categories like personal products and homecare leading the pack**
- ☺ **Overall, greater consumer demand has led to an improved pricing scenario for FMCG products, leading to price hikes by leading companies in the last 12-14 months**
- ☺ **Price hikes have mainly come on the back of higher input prices**
- ☺ **Consistent innovation and fresh introductions are expected to remain key drivers of growth**
- ☺ **Expected acquisitions by domestic companies are likely to be one of the key success factors ahead**
- ☺ **The monsoon is expected to be favorable this year, which in turn would boost agricultural growth and consequently rural demand**

Negatives

- ☹ **Due to volatility in crude oil prices, input-cost pressures remain a key concern**
- ☹ **A less-than-expected monsoon might dampen demand growth, as 70% of the population still dwells in rural areas**

Sector View

OverWeight

Top Picks

ITC

HLL

Marico

Dabur

Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
Britannia#	OP	1,417	17,133	1,415	59.2	62.0	18,677	1,600	67.0	78.9	20,341	2,037	85.3	96.0
Dabur	OP	126	18,996	2,269	3.8	0.5	21,985	2,675	4.4	6.4	26,043	3,193	5.6	6.6
GCPL	OP	690	6,997	1,208	21.4	3.6	9,187	1,479	26.2	22.3	10,521	1,843	32.6	38.3
Goodlass Nerolac	OP	750	10,096	1,386	54.3	41.2	11,537	1,251	49.0	46.7	13,073	1,429	56.0	64.0
HLL*	OP	224	110,606	13,545	6.2	9.2	123,761	16,784	7.6	8.6	136,349	19,421	8.8	9.7
ITC**	BUY	160	97,905	22,803	6.1	4.5	119,957	26,857	7.2	5.8	138,326	31,265	8.3	6.6
Marico	OP	436	11,439	1,066	18.4	(23.1)	14,286	1,335	23.0	13.1	16,224	1,559	26.9	22.6
Nestle***	OP	1,048	24,769	3,293	34.1	30.1	27,553	3,655	37.9	39.4	31,178	4,529	47.0	60.1
P&G HH##	UP	832	6,849	1,144	35.2	40.2	5,665	1,083	33.3	31.0	5,604	1,211	37.3	34.6
SECTOR			304,790	48,129			352,608	56,718			397,659	66,487		

* December ending , Profit After Tax excluding extraordinary items

** Profit After Tax excluding extraordinary items

*** December ending

Profit After Tax excluding extraordinary items

June ending

P&G HH - P&G Hygiene & Healthcare

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Sector View

OverWeight

Top Picks

ITC

HLL

Marico

Dabur

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
Britannia#	FY07	9.0	13.1	13.1	21.2	1.8	19.7	2.4	25.6	25.0
	FY08	8.9	27.3	27.3	16.6	1.7	16.5	2.2	26.7	26.2
Dabur	FY07	15.7	17.9	14.6	28.7	3.3	22.7	3.6	47.4	41.2
	FY08	18.5	19.4	27.3	22.6	2.8	18.7	2.9	44.8	40.2
GCPL	FY07	31.3	22.4	22.4	26.3	4.2	22.2	4.5	126.1	86.4
	FY08	14.5	24.6	24.6	21.1	3.7	17.9	3.9	114.1	101.0
Goodlass Nerolac	FY07	14.3	(9.7)	(9.7)	15.3	1.7	11.9	1.9	29.1	24.1
	FY08	13.3	14.2	14.2	13.4	1.5	9.9	1.6	27.5	23.5
HLL*	FY07	11.9	23.9	23.9	29.3	4.0	33.7	4.9	66.6	62.3
	FY08	10.2	15.7	15.7	25.4	3.6	28.6	4.4	62.9	59.2
ITC**	FY07	22.5	17.8	17.8	22.4	5.0	15.3	5.0	27.1	25.7
	FY08	15.3	16.4	16.4	19.2	4.3	13.0	4.3	27.2	25.8
Marico	FY07	24.9	25.2	25.2	18.9	1.8	17.3	2.3	40.6	26.1
	FY08	13.6	16.8	16.8	16.2	1.6	14.6	1.9	34.1	27.2
Nestle***	FY07	11.2	11.0	11.0	27.7	3.7	22.0	4.5	95.8	60.5
	FY08	13.2	23.9	23.9	22.3	3.2	18.6	3.9	102.3	63.8
P&G HH##	FY07	(17.3)	(5.4)	(5.4)	24.9	4.8	22.4	5.3	41.3	39.3
	FY08	(1.1)	11.8	11.8	22.3	4.8	18.8	5.3	37.5	35.8
SECTOR	FY07	15.7	17.8		24.9	4.0	20.9	4.5	31.3	26.8
	FY08	12.8	17.2		21.2	3.5	17.7	3.9	30.1	27.2

* December ending , Profit After Tax excluding extraordinary items

** Profit After Tax excluding extraordinary items

*** December ending

Profit After Tax excluding extraordinary items

June ending

P&G HH - P&G Hygiene & Healthcare

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Positives

- 😊 **Strong volume growth in exports, as India emerges as the next best sourcing destination after China, based on superior quality and designing capabilities**
 - 😊 **The worst seems to be over in terms of pricing pressures. Prices to remain stable, with marginal downside**
 - 😊 **Industry characterised by integration and consolidation, leading to larger capacities and one-stop-shop solutions**
 - 😊 **RoE and RoCE to improve in spite of lower realisations, due to falling interest costs and greater volumes**
 - 😊 **After capital infusion by leading textile companies over several quarters, the benefits from these new capacities have finally started to flow in**
- Garment manufacturers emerge as key beneficiaries, post-quota elimination**

Negatives

- 😞 **High gearing on account of larger borrowings from TUF for capacity expansion**
- 😞 **Currently, the sector is expanding capacity, leading to poor cash flows and return ratios when compared to other sectors**
- 😞 **The denim segment is once again going through a downtrend but this may only be temporary. However, companies highly dependent on this segment are likely to see a few weak quarters.**

Sector View

OverWeight

Top Picks

Bombay Rayon

Gokaldas Exports

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Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
Alok Industries	OP	79	14,188	1,102	6.9	(41.5)	20,949	1,853	9.3	(36.6)	25,139	2,311	11.6	(18.0)
Arvind Mills*	MP	73	22,981	1,069	5.1	12.7	24,408	1,176	5.6	22.7	28,272	1,489	7.1	3.9
Bombay Rayon#	BUY	197	2,102	198	4.1	(4.3)	5,365	581	11.9	(35.1)	8,623	938	19.1	7.0
Gokaldas Exports	BUY	600	8,845	608	35.4	12.7	10,481	747	43.5	(0.1)	12,368	906	52.7	3.2
Welspun India	OP	96	6,537	416	5.7	(36.8)	9,461	704	9.2	(84.1)	12,194	1,012	13.2	(5.2)
SECTOR			54,653	3,394			70,664	5,062			86,596	6,656		

* Consolidated

FY06 results not yet declared. Numbers are estimates of PL.

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
Alok Industries	FY07	47.7	68.2	33.4	8.5	0.8	7.5	1.7	16.3	7.9
	FY08	20.0	24.7	24.8	6.8	0.6	6.7	1.6	17.3	7.8
Arvind Mills*	FY07	6.2	10.0	10.0	13.0	0.6	6.5	1.3	9.2	7.6
	FY08	15.8	26.6	26.6	10.3	0.5	5.5	1.2	10.8	7.4
Bombay Rayon#	FY07	155.3	193.1	193.1	16.6	1.8	10.5	2.0	30.8	16.2
	FY08	60.7	61.2	61.2	10.3	1.1	6.0	1.2	36.1	17.1
Gokaldas Exports	FY07	18.5	22.8	22.8	13.8	1.0	10.4	1.1	19.1	14.8
	FY08	18.0	21.3	21.3	11.4	0.8	8.7	1.0	19.3	15.3
Welspun India	FY07	44.7	69.5	61.3	10.4	0.8	8.3	1.9	11.1	5.2
	FY08	28.9	43.7	43.7	7.3	0.6	6.1	1.5	13.9	6.7
SECTOR	FY07	29.3	49.2		11.3	0.8	7.7	1.5	14.2	7.7
	FY08	22.5	31.5		8.6	0.7	6.3	1.3	16.1	8.3

* Consolidated

FY06 results not yet declared. Numbers are estimates of PL.

Information Technology - Sector Overview



Positives

- ☺ In a landmark achievement, the recent multiple multi-million-dollar mega-deals won by TCS, Infosys, HCL Tech and so on, once again emphasizes the increasing confidence of global players in deliverables of Indian players
- ☺ Potential to shift work offshore by newer players to offer significant upside, led by increased outsourcing. Go-ahead and acceptance of offshoring by European MNCs has begun, albeit on a mild note
- ☺ With outsourcing no longer confined to back office and other routine processes, and Strategic outsourcing having finally kicked off, the environment supporting an improved pricing scenario too has set in
- ☺ A recent spate of overseas acquisitions by Indian vendors gives generous access to uncharted and traditionally weak areas and expeditious access to a pool of specific skill sets possessed by domain specialists
- ☺ Exchange rate in favor of Indian vendors (almost 3% depreciation since end-Mar.'06, based on end-of-month prices)
- ☺ Margin resilience to continue, following better manpower and SG&A management
- ☺ Recruitment guidance pointing towards stable earnings growth. Moreover, robust operating factors and strong capex plans (Infosys: Rs 9.5bn- 11bn in FY07, v. Rs 8.3bn in FY06 and TCS: Rs 9.5bn in FY07) indicate a healthy expansion model
- ☺ Break-up of mega deals into smaller ones provides opportunity to mid-sized vendors as well
- ☺ Diversified and niche services and an expanding geographical base augment the inherent strengths of Indian IT

Negatives

- ☹ Slowdown in the developed economies of the world could limit and hamper the global business climate
- ☹ Fresh competition emerging in the form of MNCs providing offshore services
- ☹ **Flight for specific skill set manpower availability**, leading to paucity of such manpower would consecutively lead to inflated salary costs, thereby straining profitability to some extent
- ☹ Implementing the Fringe Benefit Tax, though minor, would have a mild to negative impact (though not more than 30-40bp) at the bottom line
- ☹ Extreme fluctuations in the exchange rate might dampen profitability to some extent

Information Technology



Sector View

OverWeight

Top Picks

Infosys / TCS

Wipro

Satyam

Subex Systems

Rohta

Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
Geometric	OP	97	2,234	258	4.6	3.2	3,083	395	7.0	4.0	3,762	436	7.7	8.6
HCL Tech	OP	500	43,398	7,686	24.1	44.8	55,115	9,344	29.3	54.2	68,343	10,526	33.0	44.1
I-Flex	OP	1,106	14,835	2,188	29.3	2.8	20,500	3,186	42.6	(4.8)	25,625	4,529	60.6	34.1
Infosys	BUY	2,829	95,216	24,610	89.3	144.3	124,664	32,669	118.6	160.6	155,830	39,152	142.1	205.4
KPIT	OP	420	3,182	326	21.8	42.6	4,678	492	33.0	62.0	6,158	748	50.1	75.5
Mastek	OP	374	6,832	693	25.0	7.9	8,335	979	35.3	19.5	9,835	1,210	43.6	8.9
Mphasis	OP	191	9,401	1,499	9.3	23.3	11,563	1,724	10.7	31.2	13,876	2,132	13.2	46.5
Patni	MP	351	23,886	3,541	28.4	8.5	28,902	4,253	34.1	24.4	34,683	5,054	40.5	32.1
Prithvi	BUY	361	4,527	541	29.9	(57.1)	5,800	849	47.0	13.9	8,100	1,321	73.1	(18.6)
Rohta	BUY	189	5,320	1,252	15.6	(10.3)	6,756	1,762	22.0	6.7	8,648	2,231	27.9	11.1
Satyam	BUY	658	47,926	9,892	30.5	23.6	61,573	12,383	38.2	47.3	75,119	14,706	45.3	50.7
Subex	BUY	470	1,814	379	10.5	21.7	3,110	661	18.4	42.8	5,281	1,561	43.4	124.0
Tata Elxsi	OP	193	2,356	343	11.0	4.6	3,134	477	15.3	9.7	3,917	642	20.6	19.2
TCS	BUY	1,712	132,550	28,968	59.2	53.5	173,641	37,215	76.1	78.8	217,051	44,503	91.0	(36.7)
Wipro	BUY	444	106,107	20,257	14.2	11.2	137,042	25,946	18.2	20.2	171,026	33,530	23.5	35.5
SECTOR			499,585	102,431			647,897	132,335			807,254	162,284		

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Information Technology



Sector View

OverWeight

Top Picks

Infosys / TCS

Wipro

Satyam

Subex Systems

Rolta

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Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
Geometric	FY07	38.0	53.3	53.3	13.8	1.8	7.8	1.8	36.6	67.1
	FY08	22.0	10.4	10.4	12.5	1.4	6.7	1.5	40.5	78.6
HCL Tech	FY07	27.0	21.6	21.6	17.0	2.9	14.9	3.3	36.1	42.6
	FY08	24.0	12.7	12.7	15.1	2.3	12.6	2.7	43.5	53.6
I-Flex	FY07	38.2	45.6	45.6	26.0	4.0	18.7	4.4	21.3	32.0
	FY08	25.0	42.2	42.2	18.3	3.2	14.0	3.5	24.7	34.9
Infosys	FY07	30.9	32.7	32.7	23.9	6.3	20.2	6.5	38.6	46.9
	FY08	25.0	19.8	19.8	19.9	5.0	16.8	5.2	33.8	41.4
KPIT	FY07	47.0	51.1	51.1	12.7	1.3	9.0	1.4	42.1	39.7
	FY08	31.6	52.1	52.1	8.4	1.0	6.5	1.0	42.3	39.0
Mastek	FY07	22.0	41.3	41.3	10.6	1.2	8.0	1.4	31.2	40.2
	FY08	18.0	23.6	23.6	8.6	1.1	6.3	1.2	29.7	40.2
Mphasis	FY07	23.0	15.1	15.1	17.8	2.7	16.9	2.7	23.3	25.0
	FY08	20.0	23.7	23.7	14.4	2.2	13.4	2.3	22.9	25.0
Patni	FY07	21.0	20.1	20.1	10.3	1.5	7.5	1.5	16.3	19.0
	FY08	20.0	18.8	18.8	8.7	1.3	6.1	1.3	16.4	20.2
Prithvi	FY07	28.1	57.0	57.0	7.7	1.1	(0.2)	(0.0)	24.7	21.8
	FY08	39.7	55.6	55.6	4.9	0.8	4.3	0.8	30.1	26.0
Rolta	FY07	27.0	40.7	40.7	8.6	2.2	5.6	2.3	17.6	26.5
	FY08	28.0	26.6	26.6	6.8	1.8	4.4	1.8	19.3	29.1
Satyamf	FY07	28.5	25.2	25.2	17.2	3.5	16.1	3.9	25.6	29.4
	FY08	22.0	18.8	18.8	14.5	2.8	13.4	3.2	23.7	27.7
Subex	FY07	71.4	74.6	74.6	25.6	5.4	20.6	5.5	30.2	37.7
	FY08	69.8	136.0	136.0	10.8	3.2	9.2	3.2	47.2	56.4
Tata Elxsi	FY07	33.0	39.0	39.0	12.6	1.9	9.2	1.9	61.7	86.1
	FY08	25.0	34.6	34.6	9.3	1.5	6.8	1.6	59.7	83.4
TCS	FY07	31.0	28.5	28.5	22.5	4.8	17.8	4.9	48.3	59.0
	FY08	25.0	19.6	19.6	18.8	3.9	14.6	3.9	37.8	47.6
Wipro	FY07	29.2	28.1	28.1	24.4	4.6	23.0	4.8	36.0	39.6
	FY08	24.8	29.2	29.2	18.9	3.7	17.3	3.9	41.8	47.2
SECTOR	FY07	29.7	29.2		21.5	4.4	18.1	4.6	35.0	33.5
	FY08	24.6	22.6		17.5	3.5	14.6	3.7	33.4	32.3

Positives

Ferrous

- ☺ Unlike past rallies, higher capacities this time round are coming at very low specific investment costs and at much better gearing
- ☺ Despite efforts to cool down, China will consume more steel than last year. Economy is not responding as robustly as expected
- ☺ Higher raw material costs ensure non-attractive marginal earnings per ton of steel for non-integrated steel-makers, ensuring continued strong pricing
- ☺ Consolidation in global markets to ensure that supply is adjusted to demand, thereby reducing price volatility
- ☺ Prices bouncing back from lower levels owing to rise in demand

Non-Ferrous

- ☺ Tc/Rc showing signs of decline, but would be sufficiently higher, leading to higher margins of Indian standalone smelting companies
- ☺ Increased vertical integration by most companies to ensure sustained margins on lower costs, despite international prices falling
- ☺ Bare minimum duty protection leaves little room for further downward surprise
- ☺ Alumina prices softening on expectation of higher capacity additions in China. Capacity constraints due to infrastructure bottlenecks and, consequently, higher prices

Negatives

Ferrous

- ☹ Continued effort of the Chinese Government to induct discipline into the economy and thereby decelerate FAI growth
- ☹ Scary increases in raw material costs to squeeze margins of non-integrated producers

Non-Ferrous

- ☹ Close relationship in movement of LME prices of metal and dollar. Predictability on both counts blurs visibility
- ☹ The LME trades Futures as well, which induces speculation. Prices of metals on the LME reflective not only of fundamental strengths but also of huge speculative premia

Sector View

Equal Weight

Top Picks

NALCO

**Sterlite
Industries**

Monnet Ispat

**Hindustan
Zinc**

Hindalco

Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
Hindalco*	OP	180	117,642	16,748	14.4	0.4	128,131	28,020	24.2	6.8	140,852	31,206	26.9	27.0
Hindustan Zinc	OP	633	38,770	14,720	34.8	13.3	62,371	32,578	77.1	80.4	69,406	36,860	87.2	90.5
JSPL**	OP	1,681	27,974	5,668	184.1	(211.1)	31,708	6,609	214.6	(297.2)	45,181	9,406	305.5	(417.0)
JSW Steel	MP	259	61,801	8,643	55.1	(57.3)	74,098	8,498	54.2	(50.5)	86,932	11,966	76.3	(130.3)
Monnet Ispat**	OP	209	6,725	1,143	33.3	(42.5)	9,019	1,988	45.8	(26.3)	15,547	3,198	73.7	1.6
Nalco	OP	227	48,887	15,646	24.3	21.2	55,551	24,159	37.5	29.7	60,269	25,425	39.5	33.5
SAIL**	MP	67	292,264	41,156	10.0	4.6	291,849	56,766	13.7	9.7	309,742	65,176	15.8	11.7
Sterlite**	OP	360	134,067	15,555	27.9	(29.6)	191,499	29,327	52.7	59.4	204,853	33,011	59.3	67.8
Tata Steel**	OP	473	220,669	39,091	70.5	24.5	229,218	44,379	80.1	2.0	232,613	45,141	81.4	4.4
SECTOR			948,798	158,371			1,073,444	232,324			1,165,395	261,390		

* Consolidated number not yet declared, hence FY 06 numbers are estimates.

** FY06 results not yet declared. Numbers are estimates of PL.

***September-end, Company

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Sector View

Equal Weight

Top Picks

NALCO

Sterlite Industries

Monnet Ispat

Hindustan Zinc

Hindalco

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
Hindalco*	FY07	8.9	67.3	67.3	7.4	1.6	4.9	1.8	24.1	17.9
	FY08	9.9	11.4	11.4	6.7	1.5	4.3	1.6	21.7	17.0
Hindustan Zinc	FY07	60.9	121.3	121.3	8.2	4.3	5.3	4.2	64.9	60.2
	FY08	11.3	13.1	13.1	7.3	3.9	4.7	3.8	54.1	51.1
JSPL**	FY07	13.3	16.6	16.6	7.8	1.6	6.7	2.5	30.0	16.9
	FY08	42.5	42.3	42.3	5.5	1.1	5.6	2.1	32.5	17.4
JSW Steel	FY07	19.9	(1.7)	(1.7)	4.8	0.5	4.8	1.5	21.7	12.4
	FY08	17.3	40.8	40.8	3.4	0.5	4.6	1.5	25.0	11.6
Monnet Ispat**	FY07	34.1	73.9	37.4	4.6	1.0	3.8	1.3	32.0	20.9
	FY08	72.4	60.9	60.9	2.8	0.6	2.5	0.8	32.7	25.4
Nalco	FY07	13.6	54.4	54.4	6.1	2.6	3.6	2.5	31.9	31.9
	FY08	8.5	5.2	5.2	5.8	2.4	3.6	2.5	26.2	26.2
SAIL**	FY07	(0.1)	37.9	37.9	4.9	0.9	2.8	0.9	42.3	34.5
	FY08	6.1	14.8	14.8	4.2	0.9	2.4	0.9	36.5	32.5
Sterlite**	FY07	42.8	88.5	88.5	6.8	1.0	3.3	1.2	40.3	19.5
	FY08	7.0	12.6	12.6	6.1	1.0	2.7	1.1	32.0	18.3
Tata Steel**	FY07	3.9	13.5	13.5	5.9	1.1	4.0	1.3	30.0	25.0
	FY08	1.5	1.7	1.7	5.8	1.1	4.0	1.3	24.3	20.8
SECTOR	FY07	13.1	46.7		6.3	1.4	3.9	1.5	35.0	25.4
	FY08	8.6	12.5		5.6	1.3	3.6	1.4	30.3	22.9

* Consolidated number not yet declared, hence FY 06 numbers are estimates.

** FY06 results not yet declared. Numbers are estimates of PL.

***September-end, Company

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Sector View

Over Weight

Top Picks

Man Industries Maharashtra Seamless

Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
Jindal Saw***	OP	362	36,338	1,576	28.1	(63.4)	44,675	2,199	39.2	(59.7)	48,650	2,623	46.8	19.2
Mah Seamless	OP	304	9,723	1,368	19.4	21.9	13,600	1,859	26.4	29.2	16,440	2,205	31.3	34.4
Man Industries**	OP	200	8,546	416	14.8	(3.5)	13,674	784	27.9	28.4	19,144	1,200	5.5	43.2
SECTOR			54,607	3,361			71,949	4,843			84,234	6,028		

** FY06 results not yet declared. Numbers are estimates of PL.

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
Jindal Saw***	FY07	22.9	39.5	39.5	9.2	0.5	6.7	0.8	15.3	10.3
	FY08	8.9	19.3	19.3	7.7	0.4	5.8	0.7	15.9	10.8
Mah Seamless	FY07	39.9	35.9	35.9	11.5	1.6	7.0	1.5	22.8	20.5
	FY08	20.9	18.6	18.6	9.7	1.3	5.9	1.2	23.3	21.2
Man Industries**	FY07	60.0	88.4	88.4	7.2	0.4	3.6	0.4	18.8	22.2
	FY08	40.0	53.0	(80.5)	36.7	0.3	2.6	0.3	23.4	26.2
SECTOR	FY07	31.8	44.1		9.8	0.7	6.3	0.8	18.2	13.6
	FY08	17.1	24.5		7.9	0.6	5.2	0.7	19.4	14.7

** FY06 results not yet declared. Numbers are estimates of PL.

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Positives

Downstream

- ☺ The Government's decision to provide discounted bonds worth Rs 115bn to marketing companies (BPC, HPC and IOC) positively signals its apathy regarding the problem of under-recoveries
- ☺ Expected increase in MS and HSD prices, although only partly, offers positive vibes

Upstream

- ☺ Higher crude oil prices augur well for earnings, and the smaller subsidy cushions the impact of lower prices
- ☺ Relatively unaffected from under-recoveries suffered by marketing companies (only one-third of the sharing is done by these companies)

Natural Gas

- ☺ Lack of volatility in prices and abundant availability make this source of energy the fuel of the future
- ☺ The above two factors lead to clear visibility and sustained earnings growth over the next four or five years for companies in the sector (GAIL and IGL)

Negatives

Downstream

- ☹ Crude prices have been very volatile in the past two years, though with an upward bias. The absence of a clear policy regarding the pricing of petroleum products leads to an uncertain earnings environment
- ☹ LPG and SKO under-recoveries seem to have become the norm and are even increasing, as the Government is not at present considering any price increases in these two products

Upstream

- ☹ Lack of a clear policy on under-recovery sharing leads to uncertainty regarding earnings predictability, even though fundamentals seem robust

Natural Gas

- ☹ Continuation of subsidy-sharing for LPG by GAIL maintains the uncertain environment on short-term earnings predictability



Sector View

Under Weight

Top Picks

Reliance Industries

Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
BPCL (cons)	MP	372	775,219	4,923	16.4	(20.0)	825,608	8,657	23.9	(14.0)	784,328	15,163	41.9	17.9
Chennai Petro.	MP	212	211,288	4,810	32.3	12.7	200,723	4,566	30.6	34.1	190,687	5,057	33.9	34.3
GAIL	MP	224	163,513	23,101	27.3	13.4	192,590	27,545	32.6	4.0	211,161	30,304	35.8	10.6
HPCL	MP	293	718,760	4,056	12.0	(4.7)	767,210	2,370	7.0	(9.4)	744,193	9,882	29.2	(10.4)
Indraprastha Gas	OP	118	5,209	1,061	7.6	4.3	5,938	1,254	9.0	4.2	6,651	1,406	10.0	4.2
IOC (cons)	MP	442	1,613,166	49,324	42.2	(26.3)	1,726,088	48,619	41.6	(14.0)	1,760,610	65,509	56.1	4.9
IPCL	OP	230	84,690	10,050	40.4	39.0	90,011	9,231	37.1	32.6	101,136	10,001	40.2	24.8
ONGC (cons)#	OP	1,076	746,830	170,492	119.6	59.6	814,045	188,555	132.2	77.4	835,299	200,835	140.8	93.9
Reliance Inds.	OP	925	812,110	90,690	65.1	5.6	958,620	98,794	70.9	15.4	972,999	106,170	76.2	17.8
SECTOR			5,130,786	358,507			5,580,832	389,592			5,607,063	444,327		

FY06 results not yet declared. Numbers are estimates of PL.

Sector View

Under Weight

Top Picks

Reliance Industries

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
BPCL (cons)	FY07	6.5	75.8	45.9	15.5	0.2	8.8	0.2	7.8	5.4
	FY08	(5.0)	75.2	75.2	8.9	0.2	5.3	0.2	12.0	8.5
Chennai Petro.	FY07	(5.0)	(5.1)	(5.1)	6.9	0.2	5.1	0.3	18.7	10.8
	FY08	(5.0)	10.7	10.7	6.3	0.2	4.7	0.3	18.4	11.1
GAIL	FY07	17.8	19.2	19.2	6.9	1.0	6.4	1.4	25.6	20.5
	FY08	9.6	10.0	10.0	6.3	0.9	4.2	0.9	24.5	20.1
HPCL	FY07	6.7	(41.6)	(41.6)	41.9	0.1	12.6	0.2	2.7	2.7
	FY08	(3.0)	316.9	316.9	10.1	0.1	5.8	0.2	10.9	8.1
Indraprastha Gas	FY07	14.0	18.2	18.2	13.2	2.8	7.0	2.9	29.6	24.8
	FY08	12.0	12.1	12.1	11.8	2.5	6.4	2.6	27.9	24.0
IOC (cons)	FY07	7.0	(1.4)	(1.4)	10.6	0.3	8.3	0.4	15.3	9.5
	FY08	2.0	34.7	34.7	7.9	0.3	6.7	0.4	18.6	12.4
IPCL	FY07	6.3	(8.1)	(8.1)	6.2	0.6	3.2	0.6	22.8	17.6
	FY08	12.4	8.3	8.3	5.7	0.6	2.8	0.5	21.2	16.8
ONGC (cons)#	FY07	9.0	10.6	10.6	8.1	1.9	4.3	1.9	29.8	24.0
	FY08	2.6	6.5	6.5	7.6	1.8	4.0	1.8	27.4	22.9
Reliance Inds.	FY07	18.0	8.9	8.9	13.0	1.3	9.2	1.5	19.7	14.5
	FY08	1.5	7.5	7.5	12.1	1.3	8.7	1.5	19.8	14.9
SECTOR	FY07	8.8	8.7		9.9	0.7	6.3	0.8	21.3	15.1
	FY08	0.5	14.0		8.7	0.7	5.5	0.8	21.4	15.9

FY06 results not yet declared. Numbers are estimates of PL.

Sector View

Equal Weight

Top Picks

Bharti

Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
Bharti	OP	415	115,117	21,759	11.5	0.3	138,556	28,985	15.3	1.5	165,600	35,887	19.0	6.3
SECTOR			115,117	21,759			138,556	28,985			165,600	35,887		

Consolidated

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
Bharti	FY07	20.4	33.2	33.2	27.0	5.7	16.3	6.2	32.5	20.4
	FY08	19.5	23.8	23.8	21.8	4.7	13.7	5.2	29.5	20.0
SECTOR	FY07	20.4	33.2		27.0	5.7	16.3	6.2	32.5	20.4
	FY08	19.5	23.8		21.8	4.7	13.7	5.2	29.5	20.0

Consolidated

Sugar - Sector Overview



Positives

- ☺ Domestic sugar prices remain steady -- in the range of Rs 1,950 - 2,000 a quintal
- ☺ Pakistan lifts the ban on import of sugar from India
- ☺ The European Commission agrees to reduce export subsidies. Globally, shortages continue
- ☺ For most players, capex to lead growth in the next two years
- ☺ Production for 2005-06 estimated at 18.5m tons
- ☺ The Ethanol Blending Program has again been revived, with sugar mills agreeing to supply ethanol to oil companies at Rs 18.80 a litre
- ☺ Reliance plans to set up three units to produce ethanol

Negatives

- ☹ Most players to go in for equity dilution in order to fund expansion plans
- ☹ Once additional capacity comes onstream, the battle for sourcing cane is likely to intensify. This could severely hit capacity utilisation
- ☹ Availability of sugarcane and escalating cost of procuring cane would be key risks to the industry's profitability
- ☹ Rising cane cost severely impacts operating margins of companies

Sector View

OverWeight

Top Picks

Balrampur Chini

Bajaj Hindusthan

Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
Bajaj Hindustan*	OP	400	8,368	1,404	9.3	(32.6)	15,286	2,712	18.0	(11.8)	26,807	4,640	30.7	(12.1)
Balrampur Chini*#	OP	126	8,133	1,474	5.9	5.9	18,851	3,032	8.1	(7.3)	15,634	2,638	10.6	5.7
Dwarikesh Sugar*	OP	160	1,549	268	17.2	(40.5)	2,406	391	25.1	(69.2)	3,645	561	36.0	29.4
K M Sugar*	OP	54	1,249	59	3.2	5.4	1,387	165	9.0	(66.2)	2,446	353	19.2	(11.1)
KCP Sugar~	OP	76	3,986	708	6.2	5.5	4,696	856	7.5	6.7	4,988	753	6.6	6.7
Kesar Enterprises**	OP	157	1,799	161	20.1	20.3	2,325	248	31.0	13.2	2,995	338	42.3	(140.4)
Sakthi Sugar**	OP	167	6,169	271	6.5	(16.6)	8,272	814	19.4	16.5	8,519	1,269	30.2	24.1
Simbhaoli Sugar	OP	100	4,322	184	6.5	(45.6)	5,008	255	8.9	(58.8)	5,685	264	9.3	(3.5)
Ugar Sugar*	OP	29	3,345	116	1.3	6.3	4,667	329	3.7	2.6	6,160	395	4.4	(17.2)
SECTOR			38,920	4,644			62,897	8,802			76,880	11,212		

* Sept End

** June End

FY06 nos are for 18 mths, valuations are annualised

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Sector View

OverWeight

Top Picks

Balrampur Chini

Bajaj Hindusthan

Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
Bajaj Hindustan*	FY07	82.7	93.2	93.2	22.3	3.9	14.2	3.9	24.8	16.5
	FY08	75.4	71.1	71.1	13.0	2.3	8.4	2.1	22.5	17.5
Balrampur Chini*#	FY07	131.8	105.7	37.1	15.5	2.5	10.8	2.8	27.7	16.9
	FY08	(17.1)	(13.0)	30.5	11.8	2.0	8.1	2.2	24.6	16.6
Dwarikesh Sugar*	FY07	55.4	45.8	45.8	6.4	1.0	5.5	1.7	30.4	15.9
	FY08	51.5	43.4	43.4	4.4	0.7	3.8	1.0	29.5	15.2
K M Sugar*	FY07	11.0	179.0	179.0	6.1	0.7	7.2	1.5	29.9	13.4
	FY08	76.3	114.3	114.3	2.8	0.4	3.2	0.9	36.2	19.8
KCP Sugar~	FY07	17.8	20.9	20.9	10.1	1.8	6.0	1.7	43.7	36.2
	FY08	6.2	(12.0)	(12.0)	11.4	1.7	7.4	1.7	29.2	26.0
Kesar Enterprises**	FY07	29.2	54.4	54.4	5.1	0.5	4.3	0.8	48.9	23.3
	FY08	28.9	36.4	36.4	3.7	0.4	4.4	0.9	39.1	19.6
Sakthi Sugar**	FY07	34.1	200.3	200.3	8.6	0.8	5.7	1.4	43.4	15.7
	FY08	3.0	55.9	55.9	5.5	0.8	4.3	1.0	31.5	14.8
Simbhaoli Sugar	FY07	15.9	38.5	38.5	11.2	0.6	7.1	1.0	9.1	6.0
	FY08	13.5	3.6	3.6	10.8	0.5	8.1	1.1	7.1	5.8
Ugar Sugar*	FY07	39.5	185.4	185.4	7.9	0.6	5.4	0.6	44.6	20.4
	FY08	32.0	20.2	20.2	6.6	0.4	6.2	0.8	36.0	18.2
SECTOR	FY07	61.6	89.5		13.3	1.9	8.6	2.1	31.5	17.6
	FY08	22.2	27.4		10.5	1.5	7.1	1.7	24.1	15.8

* Sept End

** June End

FY06 nos are for 18 mths, valuations are annualised

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Financials	Reco	CMP	Last Year (FY06)				1-year forward (FY07)				2-year forward (FY08)			
			(Rs.m)		(Rs)		(Rs.m)		(Rs)		(Rs.m)		(Rs)	
			Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS	Sales	PAT	EPS	FCPS
ABG Shipyard	BUY	290	4,672	837	16.4	(28.7)	6,325	1,123	22.1	(21.5)	9,171	1,437	28.2	(6.7)
Bharti Shipyard	BUY	415	2,601	504	20.4	(45.8)	3,526	980	30.6	(52.1)	8,874	1,403	43.8	(57.9)
BILT**	OP	120	17,901	1,670	10.3	12.3	19,385	2,083	12.8	12.6	20,290	2,519	15.8	20.8
CCL Products India*OP		423	3,004	416	30.8	(37.4)	4,371	548	40.6	2.0	5,752	858	63.9	11.0
Container Corp.	OP	1,696	20,035	4,258	65.5	19.0	24,070	5,172	79.6	67.9	28,889	6,312	97.1	95.4
Gateway Distripark*OP		201	1,449	675	7.5	0.7	2,082	949	10.5	6.7	2,838	1,274	14.2	13.7
Gujarat Alkalies	OP	185	9,441	1,980	27.0	39.1	11,104	2,368	32.2	36.3	11,641	2,290	31.2	28.4
Havell's India	OP	598	5,820	299	11.2	(25.8)	8,784	585	21.8	(18.3)	10,558	706	26.3	30.1
KEI	BUY	351	2,983	260	22.1	(29.7)	6,188	570	39.9	(69.8)	8,787	811	56.8	(31.6)
Paramount CommBUY		209	1,959	220	12.9	(7.4)	3,971	450	26.3	(34.0)	6,171	707	41.4	(8.5)
Savita Chemicals#OP		440	5,979	345	39.4	19.8	6,676	381	43.5	32.5	7,498	446	50.9	(11.8)
Star Paper#	MP	50	1,858	176	11.3	5.8	2,009	203	13.0	0.5	2,139	236	15.1	3.7
SECTOR			77,703	11,640			98,490	15,411			122,607	18,999		

** June Ending

* Consolidated

FY06 results not yet declared. Numbers are estimates of PL.

Others



Valuations		Growth (%)			Valuations (x)					
		Sales	PAT	EPS	PER	MC/Sales	EV/EBIDTA	EV/Sales	RoE (%)	RoCE (%)
ABG Shipyard	FY07	35.4	34.2	34.2	13.1	2.3	14.4	2.4	22.1	15.6
	FY08	45.0	28.0	28.0	10.3	1.6	9.3	1.7	22.6	15.1
Bharti Shipyard	FY07	35.6	94.2	49.5	13.6	3.8	16.6	3.4	26.8	15.0
	FY08	151.6	43.2	43.2	9.5	1.5	8.3	1.6	18.4	19.5
BILT**	FY07	8.3	24.8	24.8	9.4	1.0	6.1	1.6	13.3	11.8
	FY08	4.7	20.9	23.5	7.6	1.0	4.8	1.4	14.3	12.1
CCL Products India*	FY07	45.5	31.9	31.9	10.4	1.3	8.3	1.4	37.7	25.7
	FY08	31.6	56.6	57.4	6.6	1.0	5.3	1.0	40.8	30.1
Container Corp.	FY07	20.1	21.5	21.5	21.3	4.6	13.0	4.2	27.2	25.2
	FY08	20.0	22.0	22.0	17.5	3.8	10.2	3.3	26.9	25.0
Gateway Distripark*	FY07	43.6	40.6	40.6	19.0	8.7	11.4	7.0	15.7	15.1
	FY08	36.4	34.3	34.3	14.2	6.4	7.9	4.8	18.2	17.5
Gujarat Alkalies	FY07	17.6	19.6	19.6	5.7	1.2	3.2	1.2	20.8	18.3
	FY08	4.8	(3.3)	(3.3)	5.9	1.2	2.6	0.9	16.8	15.2
Havell's India	FY07	50.9	95.5	95.5	27.4	1.6	16.3	1.8	47.1	28.6
	FY08	20.2	20.8	20.8	22.7	1.4	7.5	0.8	34.3	27.5
KEI	FY07	107.4	118.9	80.6	8.8	0.8	4.1	0.6	21.6	18.5
	FY08	42.0	42.4	42.4	6.2	0.6	3.2	0.5	18.6	16.7
Paramount Comm	FY07	102.7	104.1	104.1	7.9	0.9	4.2	0.8	23.4	19.3
	FY08	55.4	57.2	57.2	5.0	0.6	2.8	0.5	28.6	23.8
Savita Chemicals#	FY07	11.7	10.2	10.2	10.1	0.6	5.3	0.5	20.8	19.1
	FY08	12.3	17.0	17.0	8.6	0.5	5.1	0.5	29.4	23.5
Star Paper#	FY07	8.1	15.3	15.3	3.9	0.4	3.6	0.8	16.1	8.9
	FY08	6.5	16.1	16.1	3.3	0.4	2.8	0.6	15.9	9.4
SECTOR	FY07	26.8	32.4		14.4	2.3	9.0	2.2	22.3	16.5
	FY08	24.5	23.3		11.7	1.8	6.7	1.7	23.5	17.0

** June Ending

* Consolidated

FY06 results not yet declared. Numbers are estimates of PL.

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PL's Recommendation Scale

BUY : > 15% Outperformance to BSE Sensex
Market Performer : -5 to 5% of Sensex Movement
Sell : <-15% Relative to Sensex

Outperformer : 5 to 15% Outperformance to Sensex
Underperformer : -5 to -15% of Underperformance to Sensex

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