Morgan Stanley

MORGAN STANLEY RESEARCH
ASIA/PACIFIC

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November 9, 2011

India Strategy

India's Future Large Caps

We have used a combination of quant and our analysts' opinion to filter Morgan Stanley's best mid-cap picks (market cap <US$2 billion from Morgan Stanley's coverage universe) on a 12-month view. Our picks are: COXK, GESCO, HATH, IRB, JI, MTCL, OBER, ONMB, PATNI, UNTP.

Over the long term, stocks down the cap curve tend to outperform their larger brethren: Valuation and performance make the case in favor of these stocks.

A combination of analyst opinion and quant: Our quant technique combines institutional ownership, consensus ratings, price momentum, earnings growth, revisions, trading volumes, valuations and ROE to score stocks. We overlay our analysts' opinion on these metrics to generate our best ideas.

In general, we prefer stocks that are:

- **Unloved:** Trading significantly below 200 DMA with depressed trading volumes vs. history
- **Under-owned:** Rated poorly by the consensus and not owned by institutions
- **Undervalued:** Valuations cheap in the context of ROE versus history
- **But with improving price momentum…** Poor 12M performance but rising 1M returns
- **…and earnings estimate revisions not priced in:** Earnings estimates rising – but not share prices

Morgan Stanley Mid-cap Basket

Ticker	Stock	Price Nov 2
COXK IN	Cox & Kings	222
GESCO IN	Great Eastern Shipping	233
HATH IN	Hathway	117
IRB IN	IRB Infra	166
JI IN	Jain Irrigation	117
MTCL IN	Mindtree Ltd.	395
OBER IN	Oberoi Realty	233
ONMB IN	OnMobile Global	57
PATNI IN	Patni Computer	334
UNTP IN	United Phosp	144

Source: Bloomberg, Morgan Stanley Research

Morgan Stanley Mid-cap Basket

Key Quant Criteria

Ticker	Stock	Rating	Price Nov 2	Market Cap (US$ Mn)	Average Daily Turnover (US$ Mn)	1M Perf	12M Perf	Deviation from 200 DMA	3M Trading Volume to 3-year Avg	PB as SD from average	Current ROE to 5-year average	Institutional ownership to free float	Consensus Rating	3M Perf	3M Earnings Growth Revisions
COXK IN	Cox & Kings	OW	222	591	3.4	2%	-23%	6%	88%	-0.7	64%	73%	0.6	4%	1%
GESCO IN	Great Eastern Shipping	OW	233	721	1.3	-6%	-26%	-12%	41%	-1.3	32%	52%	0.8	-13%	-4%
HATH IN	Hathway	OW	117	339	1.2	37%	-35%	10%	147%	-0.6	19%	55%	1.0	7%	46%
IRB IN	IRB Infra	OW	166	1,120	7.0	1%	-37%	-6%	124%	-1.0	172%	72%	0.9	-6%	-1%
JI IN	Jain Irrigation	OW	117	1,031	5.1	-18%	-46%	-27%	125%	-1.1	107%	85%	0.6	-28%	-5%
MTCL IN	Mindtree Ltd.	OW	395	323	0.7	15%	-22%	6%	44%	-0.6	59%	35%	0.3	-3%	2%
OBER IN	Oberoi Realty	OW	233	1,546	0.3	2%	-16%	-1%	NA	-0.9	75%	51%	0.9	-1%	-16%
ONMB IN	OnMobile Global	OW	57	141	1.0	-2%	-65%	-39%	90%	-0.8	110%	45%	0.8	-36%	-22%
PATNI IN	Patni Computer	EW	334	919	2.4	17%	-27%	-9%	60%	-0.8	111%	90%	-0.1	4%	6%
UNTP IN	United Phosp	OW	144	1,340	3.9	7%	-26%	-1%	85%	-1.3	84%	72%	0.9	-12%	-6%

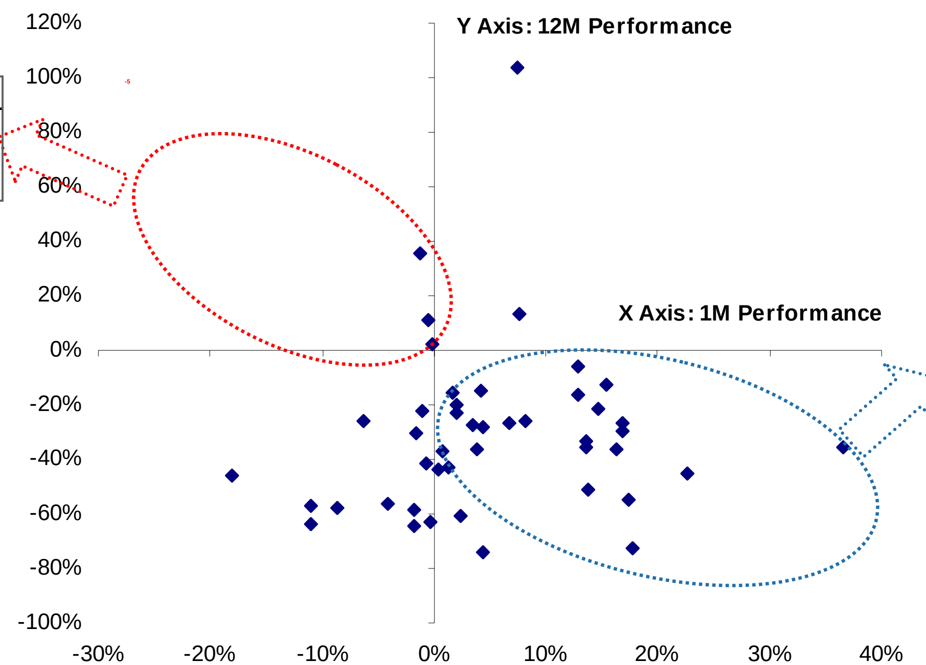
Source: FactSet, IBES, Bloomberg, Company Data, Morgan Stanley Research

Price Momentum

12M Vs 1M Performance

Stocks in Not Desirable Quadrant

Stocks	12M Perf	1M Perf
Aditya Birla Nuvo	11%	-1%
Dish TV India	35%	-1%
Info Edge (India)	2%	0%



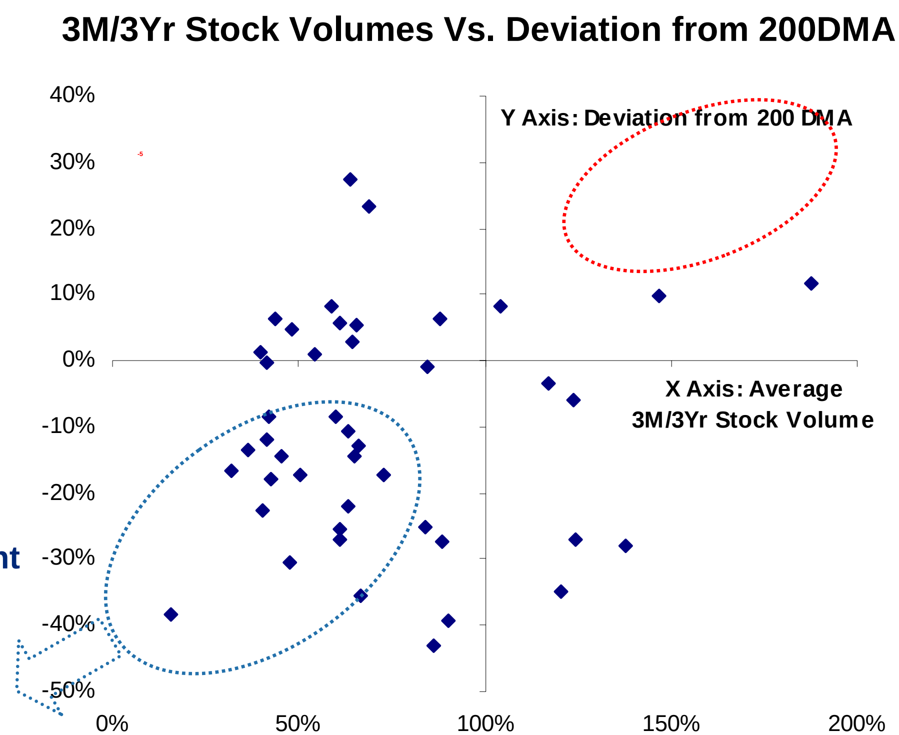
Stocks in Desirable Quadrant

Stocks	12M Perf	1M Perf
Aban Offshore	-45%	23%
Ashok Leyland	-28%	4%
Balrampur Chini Mills	-37%	16%
Biocon	-15%	4%
Corporation Bank	-43%	1%
Educomp	-51%	14%
Hathw ay Cable	-35%	37%
IDBI	-35%	14%
IVRCL Infra	-72%	18%
LANCO Infratech	-74%	4%
Mindtree	-22%	15%
MphasiS	-44%	0%
Patni Computer	-27%	17%
Reliance Capital	-55%	17%
Shree Renuka	-37%	4%
Sobha Developers	-30%	17%
Tata Tea	-26%	8%
Tech Mahindra	-20%	2%
TVS Motors	-6%	13%
United Phosphorus	-26%	7%
Yes bank	-12%	15%
Jaypee Infra	-33%	14%
IBREL	-61%	2%
IRB Infra	-37%	1%
Infotech Ent.	-27%	4%
Cox & Kings	-23%	2%
ING	-16%	13%
Oberoi Realty	-16%	2%

The idea is to look for stocks that have done poorly over 12 months but appear to be inflecting, with improving one month performance

Source: FactSet, IBES, Company Data, Morgan Stanley Research

Un-Loved



Stocks in "Not Desirable" Quadrant

None

Stocks in "Desirable" Quadrant

Stocks	3M/3Yr Volume	Deviation from 200 DMA
Bajaj Hindustan	47%	-31%
NCC	67%	-36%
Shipping Corp	61%	-26%
IBREL	61%	-27%
Indiabulls Pow er	16%	-38%

Stocks with depressed trading volumes compared to history and whose prices are well below the 200 DMA represent a set that is not favoured by market participants.

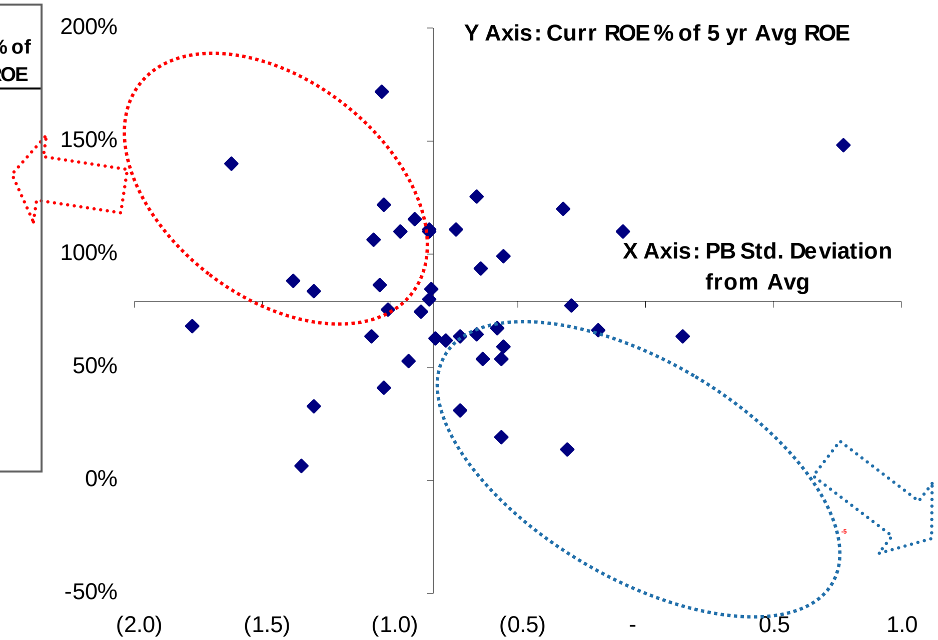
Source: FactSet, IBES, Bloomberg, Company Data, Morgan Stanley Research

Under-valued

"Not Desirable" Quadrant

Stocks	PB SD from Avg	Curr ROE % of 5 yr Avg ROE
Aditya Birla Nuvo	-0.93	6.18
Balrampur Chini	-0.84	0.84
Corporation Bank	-0.90	1.15
Jain Irrigation	-1.06	1.07
LANCO Infratech	-1.38	0.88
MphasiS Limited	-1.03	1.22
Pantaloon Retail	-0.96	1.10
Patni Computer	-0.85	1.11
Shree Renuka	-1.62	1.40
United Phosphorus	-1.30	0.84
Jaypee Infra	-1.04	0.86
IRB Infra	-1.03	1.72
OnMobile Global	-0.85	1.10
Infotech Ent.	-0.85	0.80

PB SD from Avg Vs ROE



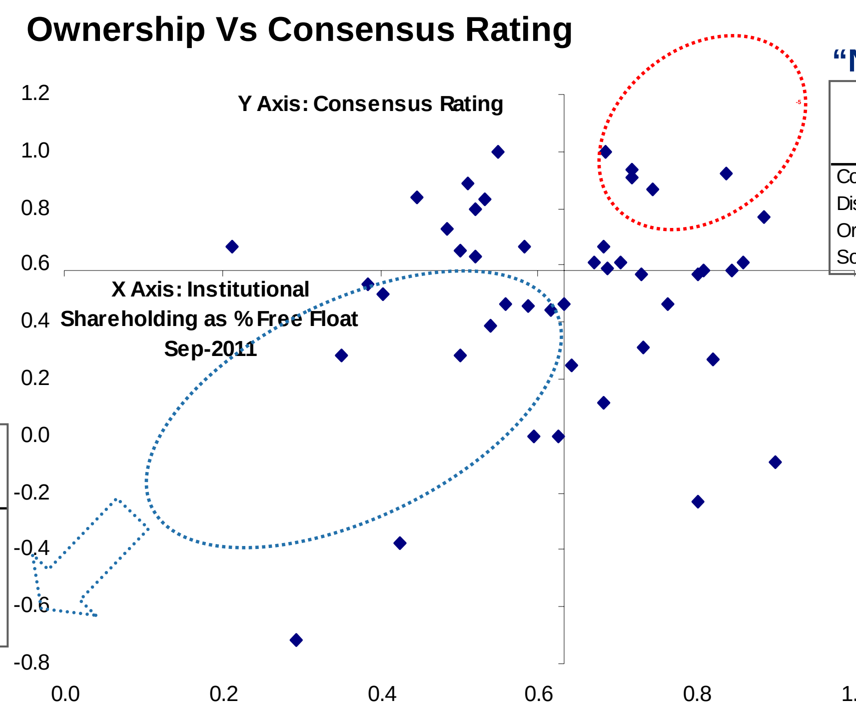
"Desirable" Quadrant

Stocks	PB SD from Avg	Curr ROE % of 5 yr Avg ROE
Bajaj Hindustan	-0.64	0.54
NCC	-0.58	0.67
Hathway Cable	-0.56	0.19
Hexaware Tech	-0.19	0.67
Indian Hotels	-0.31	0.14
Info Edge	-0.29	0.77
Marico	0.15	0.64
Mindtree	-0.56	0.59
Reliance Capital	-0.72	0.31
Sobha Developers	-0.66	0.64
Tata Global Beverages	-0.57	0.53
Tech Mahindra	-0.78	0.62
JSW Energy	-0.82	0.63
Cox & Kings	-0.72	0.64

Here we focus on stocks that are trading well below historical P/B but have an ROE above their trailing 5-year average

Source: FactSet, IBES, Company Data, Morgan Stanley Research

Under-owned



“Not Desirable” Quadrant

Stocks	Institutional ownership as % of Free Float	Consensus Rating
Corporation Bank	86%	61%
Dish TV	81%	58%
Oriental Bank	84%	92%
Sobha Developers	89%	77%

“Desirable” Quadrant

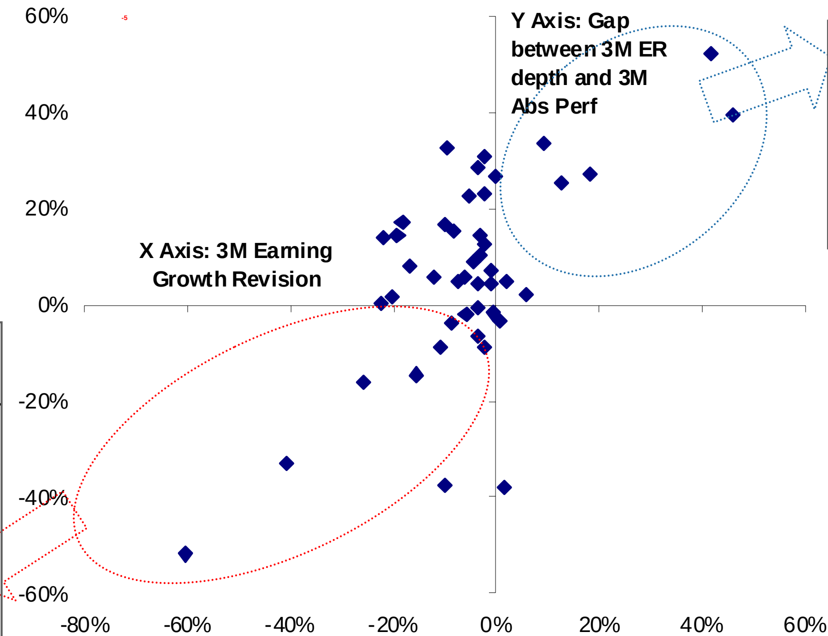
Stocks	Institutional ownership as % of Free Float	Consensus Rating
Bajaj Hindustan	29%	-71%
Biocon	40%	50%
Mindtree	35%	29%
JSW Energy	43%	-38%
Infotech Ent.	39%	53%

The stocks that are shortlisted are the ones where institutional ownership is less than 50% of free float and the sell-side consensus rating is worse than the average for the mid-cap stocks we cover (45 stocks in all).

Source: FactSet, IBES, Company Data, Morgan Stanley Research

Earnings Momentum

3M Perf Vs 3M Earnings Growth Revisions



Stocks in Desirable Quadrant

Stocks	3M Earnings Growth Revision	3M Abs Performance
Dish TV	42%	-10%
Hathw ay Cable	46%	7%
IDBI	18%	-9%
Tata Global Beverage	13%	-13%
Tech Mahindra	9%	-24%

Stocks in Not Desirable Quadrant

Stocks	3M Earnings Growth Revision	3M Abs Performance
Aban Offshore	-7%	-12%
Aditya Birla Nuvo	-9%	-5%
Ashok Leyland	-2%	7%
Balrampur Chini	-26%	-10%
Biocon	-4%	-3%
Educomp	-20%	-22%
Hexaw are Tech	-4%	3%
Indian Hotels	-41%	-8%
Info Edge	-1%	-8%
LANCO Infratech	-60%	-8%
Marico	-3%	-8%
Shree Renuka	-12%	-18%
Sobha Developers	-11%	-2%
United Phosphorus	-6%	-12%
Yes bank	0%	1%
Jaypee Infra	-10%	28%
JSW Energy	-22%	-23%
IRB Infra	-1%	-6%
ING	-6%	-4%
Oberoi Realty	-16%	-1%

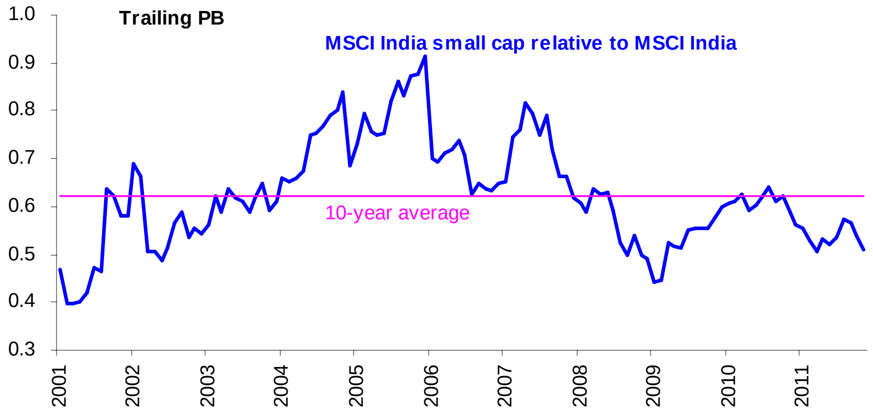
Positive earnings revisions with negative share price return is an opportunity for investors. We short list stocks with better-than-average earnings revisions and worse-than-average share price change (over the past three months).

Source: FactSet, IBES, Company Data, Morgan Stanley Research

Mid-caps Look Attractive

Valuations Becoming Attractive Down the Cap Curve

Relative multiples approaching multi-year lows

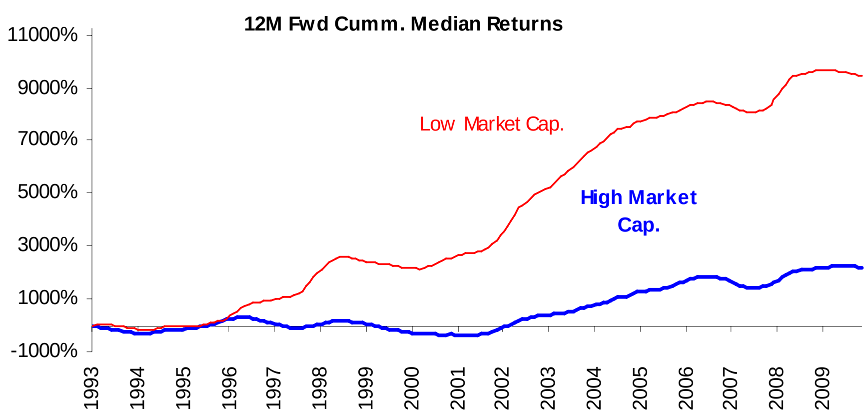


Mid-caps de-rated

- Valuations and performance favor stocks down the cap curve relative to large caps in the coming months.

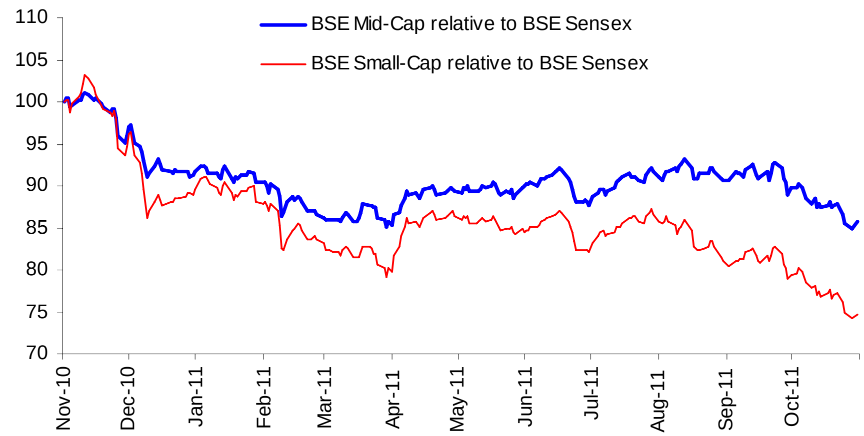
Gross Factor Return: Small Cap Wins Consistently

Over time small beats large in terms of returns



Small- & Mid-cap Indices: Underperformance

The past 12 months have been challenging



Source: FactSet, Bloomberg, Company Data, Morgan Stanley Research

Cox & Kings Ltd

Holidaybreak Plc Acquisition Likely to Be a Game Changer…

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We believe the acquisition of Holidaybreak Plc (HBR) will be a game changer for Cox & Kings (C&K) given its significant potential to drive synergies in the international business. The acquisition is likely be earnings accretive by ~40-45% for C&K for F13 (based on our current valuations for C&K and Bloomberg consensus estimates for HBR).

Key Catalysts: C&K is well-placed to capitalize on a potential inflection in travel expenditure in India and increase value through synergistic international acquisitions. Rising disposable income, favorable demographics, travel aspirations of India's large middle class, combined with food, language and cultural barriers, are among the key structural drivers of growth in outbound group tours from India. We believe that the potential to drive synergies between the strong Indian business and HBR business is large and is likely to be the key stock driver over the next 18 months.

Key Investor Debate: Markets are overly concerned about the possibility that C&K could lose value for investors through acquisitions in our view. C&K has a successful record in creating value from acquisitions. We believe the company can extract synergies to drive higher return ratios over the next three to five years.

Risks to our Call: The key risks to our call are –

- The travel and tour Industry is cyclical and sensitive to changes in the economy A macroeconomic shock negatively impacts the travel industry
- Integration risks of the acquired companies
- C&K is likely to face stiff competition from other leading brands as well as the unorganized sector.
- Capital investments by C&K in associate companies are a key risk as deteriorating business may see write-down in investments for Cox.

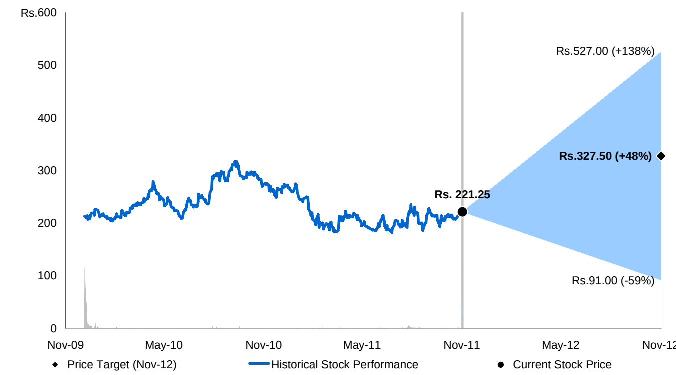
Exhibit 1

COKI.BO	Overweight			
12-month price target (Rs)	327.50	Market cap, US$ (mn)		614
52-week range (Rs)	180-283	PER (13e)		13.9 e
BBG Ticker	COX IN	Share Price, 02 Nov,11		221.25
Fiscal Year ending	**03-10**	**03-11 e**	**03-12 e**	**03-13 e**
PE (x)	28.7	22.5	17.2	13.9
P/BV (x)	3.7	2.3	2.2	1.9
P/sales (x)	7.6	5.6	5.2	4.4
EV/EBITDA (x)	17.0	11.0	9.6	7.6
EV/Sales (x)	7.9	5.0	4.4	3.6

(e)=Morgan Stanley Research estimates Source: Company data, FactSet, Morgan Stanley Research

Exhibit 2

Cox & Kings: Bull, Bear and Base Case



Source: Company data, FactSet, Morgan Stanley Research

Price Target Rs 327.5		Equal to our Base case DCF model, which assumes NOPAT growth of 15% during F2016-26 and a terminal growth rate of 5% and cost of capital of 11%.
Bull Case Rs527.0	33x Bull case 13e EPS	C&K capitalizes on synergy benefits from global operations to drive higher profitability. India business maintains current commission margin, and overall growth accelerates. F2016-26E ROIC of 20%, in line with current return ratios.
Base Case Rs327.5	21x Base case 13e EPS	Strong (18%) growth in revenues and 260 bps margin expansion (F2010-15E): Domestic revenues rise at 22% CAGR over the next five years, despite leisure travel commission margins contracting by 180bps. International business remains value accretive. F2016-26E ROIC of 16%.
Bear Case Rs91.0	6x Bear case 13e EPS	C&K fails to capitalize on synergy benefits, affecting returns on incremental capital employed. India business commission margins fall by over 500bps; organic growth is muted. F2016-26E ROIC of 10%. C&K loses value through acquisitions.

Financial Summary

Rs million; years ending March

Income Statement

	F2010	F2011E	F2012E	F2013E
Commission & other Op income	**3,992**	**5,091**	**5,863**	**6,824**
Growth (%)	39.1	27.6	15.2	16.4
Total Operating costs	2,127	2,745	3,159	3,619
Operating Profit	**1,864**	**2,346**	**2,703**	**3,206**
Growth (%)	53.6	25.8	15.2	18.6
Margin (%)	**46.7**	**46.1**	**46.1**	**47.0**
Interest	270	587	652	523
Depreciation/ amortzn	151	183	211	246
Other Income	137	283	670	657
Income from Associates	(9)	(28)	-	-
Profit before Tax	**1,572**	**1,830**	**2,511**	**3,094**
Income Tax	517	557	753	928
Effective Tax Rate (%)	32.9	30.5	30.0	30.0
Net Profit	1,055	1,273	1,757	2,166
Net Profit (adjusted)	**1,055**	**1,273**	**1,757**	**2,166**
Growth (%)	68.0	20.6	38.0	23.2
Net Margin	26.4	25.0	30.0	31.7
Modelware EPS	**8.39**	**9.32**	**12.87**	**15.86**
Growth (%)	-25.4	11.2	38.0	23.2
DPS	0.58	1.20	1.50	1.70

Balance Sheet

	F2010	F2011E	F2012E	F2013E
Share Capital	**629**	**683**	**683**	**683**
Reserves & Surplus	7,472	11,541	13,058	14,953
Shareholders' Funds	8,101	12,223	13,741	15,635
Secured Loans	2,946	2,646	1,946	1,246
Unsecured Loans	2,097	5,997	5,297	4,547
Total Loan Funds	5,043	8,643	7,243	5,793
Deferred tax liabilities	48	48	48	48
Total Liabilities	**13,192**	**20,914**	**21,032**	**21,476**
Gross fixed assets	**1,337**	**1,587**	**1,837**	**2,037**
Less: Depreciation	615	799	1,010	1,255
Add: Capital Work in Progress	204	204	204	204
Net Fixed Assets	**926**	**993**	**1,032**	**986**
Goodwill on consolidation	2,175	2,175	2,175	2,175
Investments	2,584	2,584	2,584	2,584
Deferred tax assets	34	34	34	34
Cash	3,747	11,815	11,552	11,718
Debtors	3,021	2,790	3,212	3,739
Inventory	83	62	68	74
Loans & advances	2,715	3,136	3,458	3,758
Current liabilities	1,769	2,257	2,599	3,025
Provisions	344	438	505	588
Net Current Assets	**7,452**	**15,108**	**15,187**	**15,676**
Miscellaneous Expenditure	21	21	21	21
Total Assets	**13,192**	**20,914**	**21,032**	**21,476**

Cash Flow Statement

	F2010	F2011E	F2012E	F2013E
Net income reported	1,055	1,273	1,757	2,166
Depreciation	151	183	211	246
Change in deferred tax liab	30	-	-	-
Net Interest Expense	270	587	652	523
Chg in working cap	(926)	413	(341)	(325)
Net decrease in inventories	(48)	21	(6)	(6)
Net decrease in debtors	(699)	231	(423)	(527)
Net decrease in loans and advances	(93)	(421)	(321)	(301)
Net increase in creditors	(66)	487	342	426
Net increase in provisions	(20)	95	66	83
Cash flow from operations	**580**	**2,456**	**2,279**	**2,610**
Capital expenditure	(259)	(250)	(250)	(200)
Strategic investments	(3,212)	-	-	-
Cash flow from investing	**(3,471)**	**(250)**	**(250)**	**(200)**
Equity raised	4,846	3,041	(0)	0
Debt raised	1,502	3,600	(1,400)	(1,450)
Net Interest Expense	(270)	(587)	(652)	(523)
Dividend (incl. tax)	(73)	(192)	(240)	(272)
Cash flow from financing	6,004	5,862	(2,291)	(2,245)
Net chg in cash	**3,113**	**8,068**	**(263)**	**165**

Ratio Analysis

(Year Ending Mar)	F2010	F2011E	F2012E	F2013E
Net sales (commission) growth (%)	39.1%	27.6%	15.2%	16.4%
EBITDA growth (%)	53.6%	25.8%	15.2%	18.6%
EBIT growth (%)	53.3%	26.2%	15.3%	18.8%
Adjusted Net Profit growth (%)	68.0%	20.6%	38.0%	23.2%
Return on Avg Equity (%)	20.3%	12.5%	13.5%	14.7%
ROE - Beg Period (%)	46.4%	15.7%	14.4%	15.8%
RNOA (%)	15.2%	15.0%	17.6%	20.1%
Debtor turnover (days)	276	200	200	200
Inventory turnover (days)	8	4	4	4
Creditors turnover (days)	162	162	162	162
Total debt/Equity (%)	62%	71%	53%	37%
Net debt/Equity (%)	16%	26%	31%	38%

E = Morgan Stanley Research estimates

Source: Company data; Morgan Stanley Research

Note: Our estimates do not incorporate Holidaybreak Plc acquisiton.

Great Eastern Shipping

Rising Exposure to Offshore and Strong Balance Sheet; Positive in Current Macro Environment

Morgan Stanley India Company Private Limited+

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We forecast increasing revenue days and margin expansion in offshore business to drive 18% CAGR in consolidated earnings over F11-13e. In addition, the company has a strong balance sheet (0.5x net gearing for F13e), which positions it well to expand its fleet as the shipping cycle recovers. Medium term positive.

Key Catalysts: 1) Management delivering on the growth potential in offshore earnings given recent fleet addition and relative strength in business environment. 2) Recovery in global growth leading to higher demand and better shipping rates, positive for earnings and asset prices and 3) Attractive valuation at 0.5x PB and 5x F13e EV/EBITDA.

Key Investor Debates:

Debate #1: Has the shipping cycle bottomed out?

Market View: Shipping environment remains challenging given muted demand, limiting potential earnings upside

Our view: We agree with consensus on the challenging outlook for shipping. However, in our view, increasing significance of offshore (offshore revenue days have increased from will rise from 15% of total in F09 to around 40% in F12e) will support earnings momentum. Moreover, ordering for new shipping assets have slowed down, medium term positive for rates.

Debate #2: What will be GESCO's margin trajectory over the next 12-18 months?

Market View: While margins may have bottomed out, near term improvement is less likely.

Our view: We estimate F12e margins to expand by around 700bps given increasing proportion of high margin offshore business in total revenues and supported by gains from buy out of a rig (this was in-chartered resulting in significant cost).

Risks to our Call: Weaker than expected earnings growth in offshore business with slowdown in global E&P capex and prolonged weakness in shipping business leading to higher than expected decline in asset prices.

Exhibit 1

GESCO: Key Statistics

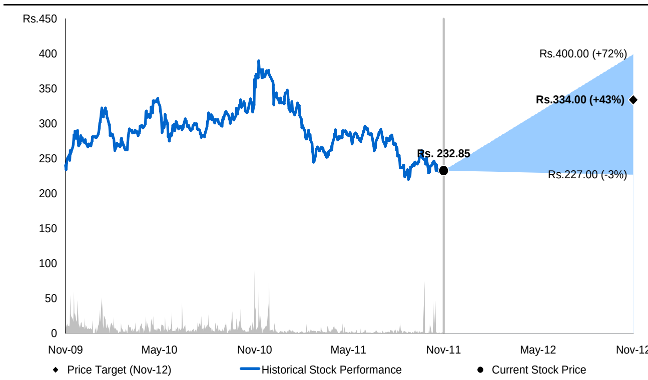
Reuters: GESC.BO Bloomberg: GESCO IN	Overweight
Price (Rs) (November 2, 2011)	233
12-month price target (Rs)	334
52-week range (Rs)	393-214.5
Market cap, US$(mn)	705

YE March	F2010	F2011	F2012E	F2013E
EV/EBITDA	5.3	5.8	5.4	4.9
P/E	6.9	7.5	5.2	4.6
P/BV	0.6	0.6	0.5	0.5
Dividend Yield (%)	3.4	3.5	3.4	3.4

(e)=Morgan Stanley Research estimates Source: Company data, Morgan Stanley Research

Exhibit 2

GESCO: Bull, Bear and Base Case



Source: Company data, FactSet, Morgan Stanley Research

Price Target Rs334		Probability weighted, 10%, 85%, and 5% to Bull, Base, and Bear cases, respectively. Shipping: 20% discount to NAV based on secondhand asset price data (Clarkson's). Offshore: 7x one-year forward EV/EBITDA.
Bull Case Rs400	8.1x Base Case F13e PE	**Better operating margins in shipping:** We assume that demand pick up drives rates and asset prices higher. We value shipping at 10% discount to NAV and offshore 8x EV/EBITDA.
Base Case Rs332	6.7x Base Case F13e PE	**Rising proportion of offshore revenue days to drive earnings growth**. We estimate 45% earnings CAGR in offshore over F11-13e. We value shipping at 20% discount to NAV and offshore 7x EV/EBITDA (discount to large global peers).
Bear Case Rs227	4.6x Base Case F12e PE	**Weak demand and increased supply lead to lower asset prices.** We value shipping at 45% discount to NAV as rates and asset prices remain weak and offshore at 6x EV/EBITDA.

Financial Summary

Rs Mn(Year-end March)	F2009	F2010	F2011	F2012E	F2013E
Gross Revenue	**41,239**	**30,755**	**25,733**	**27,348**	**29,338**
Profit from sale of ships	2,545	1,849	1,251	550	0
Shipping Revenue	**38,695**	**28,906**	**24,482**	**26,798**	**29,338**
Fleet Expenses	20,610	17,294	13,048	12,308	12,916
Sales, Admin, and Other Exp	1,901	4,013	1,730	1,528	1,955
Loss on Sale of LT Inv.	0	0	0	0	0
Total operating expenses	**22,512**	**21,307**	**14,777**	**13,835**	**14,871**
EBITDA	**18,728**	**9,449**	**10,956**	**13,513**	**14,467**
Depreciation and Amortisatio	4,540	4,246	4,204	5,206	5,575
EBIT	**14,188**	**5,203**	**6,751**	**8,307**	**8,892**
Other Income	1,082	1,810	1,259	1,527	1,607
Interest and finance charges	740	1,468	1,979	2,558	2,338
PBT	**14,531**	**5,546**	**6,031**	**7,276**	**8,160**
Taxation	454	450	552	610	589
Tax rate (%)	*3%*	*8%*	*9%*	*8%*	*7%*
PAT	**14,077**	**5,096**	**5,479**	**6,667**	**7,571**
Extraordinary items	101	32	-747	150	150
Preference Dividend	0	0	0	0	0
Minority Interest	0	0	45	80	80
PAT after extraordinary items	**14,178**	**5,128**	**4,687**	**6,737**	**7,641**
EPS before MI (Rs)	92.0	33.5	36.0	43.8	49.7
EPS (Rs)	92.4	33.7	30.8	44.2	50.2
DPS (Rs)	8.00	8.00	8.03	8.00	8.00

Rs Mn(Year-end March)	F2009	F2010	F2011	F2012E	F2013E
Liabilities					
Paid up share capital	1,542	1,546	1,547	1,547	1,547
Reserves and surplus	50,679	55,493	58,760	64,071	70,287
Equity Warrants	101	59	0	0	0
Net Worth	**52,220**	**57,039**	**60,307**	**65,618**	**71,834**
Loans	42,659	53,702	59,574	63,574	63,574
Unsecured loans	0	0	0	0	0
Deferred Tax Liability	0	-7	-9	-9	-9
Minority Interest	0	0	376	456	536
Total Liabilities	**94,980**	**110,792**	**120,248**	**129,639**	**135,935**
Assets					
Gross Block	75,148	85,438	98,286	125,202	133,648
Accumulated Depreciation	18,529	21,414	21,394	22,794	26,576
Net Block	56,619	64,024	76,893	102,407	107,072
CWIP & Construction Stores & Advan	19,181	11,011	13,950	3,000	1,500
Investments	3,023	0	0	0	0
Inventories	731	861	1,034	1,349	1,447
Sundry debtors	2,284	2,257	2,277	2,420	2,596
Cash and Cash Equivalents	22,177	39,228	31,250	25,530	28,472
Other current assets	1,942	1,283	1,101	1,166	1,236
Sundry Liabilities & Provisions	10,976	7,870	6,256	6,232	6,387
Net current assets	16,157	35,758	29,405	24,232	27,363
Total Assets	**94,980**	**110,792**	**120,248**	**129,639**	**135,935**

Rs Mn(Year-end March)	F2009	F2010	F2011	F2012E	F2013E
PAT	14077	5096	5479	6667	7571
Depreciation	4540	4246	4204	5206	5575
Changes in Working Capital	712	(236)	(2208)	(397)	(39)
Cash flow from operations	**19329**	**9106**	**7476**	**11476**	**13107**
(Purchase)/sale of fixed asse	(23534)	(3481)	(20013)	(19770)	(8740)
(Purchase)/sale of investmen	151	1753	0	0	0
Cash flow from investing acti	**(23383)**	**(1728)**	**(20013)**	**(19770)**	**(8740)**
Issue / Buyback of shares	104	59	(61)	0	0
Issue of Preference shares	0	0	0	0	0
Increase in debt	15190	11042	5873	4000	0
Other items inc dividend	(1426)	(1428)	(1252)	(1425)	(1425)
Cash flow from financing acti	**13868**	**9674**	**4559**	**2575**	**(1425)**
Change in cash and cash equ	**9814**	**17051**	**(7978)**	**(5720)**	**2942**
Opening cash and cash equiv	**12362**	**22177**	**39228**	**31250**	**25530**
Closing cash and cash equiv	**22177**	**39228**	**31250**	**25530**	**28472**

(Year-end March)	F2009	F2010	F2011	F2012E	F2013E
Growth (%)					
Revenues	14%	-25%	-16%	6%	7%
EBITDA	0%	-50%	16%	23%	7%
EBIT	-6%	-63%	30%	23%	7%
EBT	-3%	-62%	9%	21%	12%
Net Profit	-3%	-64%	8%	22%	14%
EPS	-3%	-64%	-9%	44%	13%
Margins (%)					
EBITDA	45.4%	30.7%	42.6%	49.4%	49.3%
EBIT	34.4%	16.9%	26.2%	30.4%	30.3%
Net Profit	34.1%	16.6%	21.3%	24.4%	25.8%
Return (%)					
ROE	30%	9%	9%	11%	11%
ROCE	17%	5%	5%	5%	6%
Gearing					
Debt/Equity	0.8	0.9	1.0	1.0	0.9
Net Debt/Equity	0.4	0.3	0.5	0.6	0.5
Valuations					
EV/EBITDA	2.8	5.3	5.8	5.4	4.9
P/E	2.5	6.9	7.5	5.2	4.6
P/BV	0.7	0.6	0.6	0.5	0.5
Dividend Yield (%)	3.4%	3.4%	3.5%	3.4%	3.4%

(e)=Morgan Stanley Research estimates   Source: Company data, Morgan Stanley Research

Morgan Stanley

Hathway Cable and Datacom Ltd.

Digitization to Unleash Growth

Morgan Stanley India Company Private Limited+

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We expect mandatory digitization to substantially increase the addressable market and spur earnings growth. EV/EBITDA multiple of 6.1x (F13e) indicates upside in view of our projected EBITA CAGR of 31% over F11-13. Our PT of Rs138 suggests 19% upside.

Key Catalysts: (1) Progress on rollout of first phase of digitization in 1HCY12. (2) Shake out of the LCO in apprehension of digitization thus paving the way for further increase in addressability, by mid CY12. (3) Perceptible improvement in margin trend for Hathway likely to be seen in quarterly results, by 2HCY12

Key Investor Debate: (1) Will mandatory digitization happen – While the market seems to be skeptical we think it will happen, even if with some delay. (2) Who wins – DTH or cable? The market feels DTH industry will win the TV distribution market and that the cable industry will lose. We think both DTH as well as digital cable will show meaningful increases in their returns and profitability while analog cable will be the loser. (3) What happens to C&P fees after digitization? The market's perception is that it will drop close to zero immediately after the first one or two phases of digitization. We think it will take 6-7 years to fall to 10-12% of its current levels.

Risks to our Call:

1) Consumer opposition results in a lack of progress on implementation of digitization over the next 3-5 quarters.
2) Little success in getting a digital premium of Rs10-15/ month from consumers who opt for digitization: This could happen if consumers resist paying for enhanced quality and/or MSOs find it difficult to recover this amount from LCOs amid lack of progress on digitization
3) DTH penetration runs ahead of our expectation, mandatory digitization fails to take off and LCOs remain recalcitrant. Our bear case encapsulates this scenario, implying Hathway's subscriber base would start shrinking but margin enhancement would be elusive.

Exhibit 1
Hathway: Key Statistics

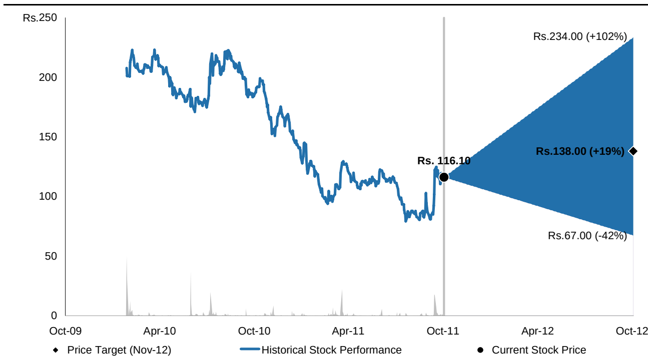
HAWY.BO (HATH IN)	**Overweight**
Price (Rs) (November 2, 2011)	117
12-month price target (Rs)	138
52-week range (Rs)	72-206
Market cap, US$(mn)	368

Exhibit 1
Key Ratios

Valuation	**F2010**	**F2011**	**F2012E**	**F2013E**
CMP	207	116	116	116
EPS	(0.5)	(1.5)	0.9	2.5
EV/Sales	4.0	1.9	1.7	1.5
EV/EBITDA	23.1	10.2	8.1	6.1
Growth	**F2010**	**F2011**	**F2012E**	**F2013E**
Revenue (%)	10.5	20.5	12.0	14.3
EBITDA (%)	19.4	28.8	28.4	33.2
EBIT (%)	71.6	162.9	68.9	42.4

Source: Company data, Morgan Stanley Research

Exhibit 2
Rollout of Mandatory Digitization to Limit Downside



Source: Company data, FactSet, Morgan Stanley Research

PT of Rs138		Base case, two-stage DCF. Explicit forecasts for F11-F18, terminal growth rate of 3% for F19 and beyond. WACC 13.0%
Bull Case Rs234	13.2x Bull Case 12e EV/EBITDA	1) Digital penetration jumps to 71% in F16 and 80% in F18, Subs record 34% CAGR and reach 90% reporting level by F16. 2) ARPU posts a CAGR of 6.3% in F13-F18
Base Case Rs138	8.1x Base Case 12e EV/EBITDA	1) Subs record CAGR of 27% over F11-F16; digital penetration grows to 44% and 75% in F16 and F18; 3) ARPUs rise at CAGR of 15% over F11-F13 ; 4)C&P fees remain flattish over F11-F13 and fall at 34% CAGR in F13-F18.
Bear Case Rs67	5.5x Bear Case 12e EV/EBITDA	1) Digital penetration is 52% and 51% in F16 and F18. Loses subs to DTH; subs base falls to 5.3m by F16 end versus 9m in bas ecase.2) Broadband subs grow at a CAGR of 9.9% in F11-F16 vs. 16.0% in base case.

Financial Summary

Income Statement

Rs Mn	F2010	F2011	F2012E	F2013E
Income from Operations	7,328	8,827	9,888	11,302
Staff Cost	747	1,152	1,242	1,346
Operating Expenses	3,808	4,467	4,883	5,405
Administrative Expenses	1,107	1,193	1,261	1,329
Provision for Bad Debts	407	394	421	448
Total Expenses	6,069	7,205	7,806	8,529
EBITDA	1,259	1,621	2,083	2,773
Other Income	68	196	272	262
Depreciation	1,129	1,297	1,475	1,783
EBIT	198	521	880	1,253
Interest	556	451	448	448
Exceptional Items	147	49	25	25
Income before Tax	(505)	21	406	780
Taxes	156	119	142	265
Net Income	(661)	(98)	264	514
Net Income post minority	(654)	(219)	133	351

(e)=Morgan Stanley Research estimates Source: Company data, Morgan Stanley Research

Balance Sheet

Rs Mn	F2010	F2011	F2012E	F2013E
Liabilities and Equity	18,439	18,176	18,764	20,138
Share Capital	1,429	1,429	1,429	1,429
Reserves and Surplus	12,020	12,020	12,020	12,020
Debit Balance of P&L	(4,623)	(4,842)	(4,709)	(4,358)
Minority Interest	1,280	1,402	1,533	1,695
Loans	4,607	4,607	4,607	4,607
Current liabilities	3,524	3,339	3,630	4,448
Provisions	119	115	115	115
Deferred Tax liability	82	107	139	181
Assets	18,438	18,175	18,762	20,136
Net Block	5,589	5,390	5,552	5,905
Capital Work in Progress	274	500	600	750
Intangible Assets	3,907	4,030	4,267	4,545
Investments	4,183	1,500	1,500	1,500
Inventories	25	48	54	62
Sundry Debtors	1,955	2,056	2,303	2,632
Cash and bank Balances	1,003	3,200	2,861	2,884
Loans and Advances	1,500	1,451	1,625	1,858

(e)=Morgan Stanley Research estimates Source: Company data, Morgan Stanley Research

Cash Flow

Rs Mn	F2010	F2011	F2012E	F2013E
Net Profit	(661)	(98)	264	514
Depreciation	1,129	1,297	1,475	1,783
Change in Debtors	(77)	(100)	(247)	(329)
Change in Inventory	18	(23)	(6)	(8)
Change in Creditors	(191)	(185)	291	818
Change in other assets	171	69	(142)	(191)
Interest paid	556	451	448	448
Cash from operations	946	1,410	2,083	3,036
Capex	(1,396)	(1,445)	(1,974)	(2,565)
Investments	(3,975)	2,683	-	-
Cash from Investments	(5,371)	1,238	(1,974)	(2,565)
Issue of Equity	315	-	-	-
Changes in AOCI	6,893	(0)	(0)	0
Change in Debt	(1,668)	-	-	-
Interest Paid	(556)	(451)	(448)	(448)
Cash from Finance	4,984	(451)	(448)	(448)
Inc/(Dec) in Cash	559	2,197	(339)	23
Cash at Beg	444	1,003	3,200	2,861
Cash in the end	1,003	3,200	2,861	2,884

(e)=Morgan Stanley Research estimates Source: Company data, Morgan Stanley Research

Ratios

	F2010	F2011	F2012E	F2013E
Valuation ratios				
CMP	207	116	116	116
EPS	(0.5)	(1.5)	0.9	2.5
EV/Sales	4.0	1.9	1.7	1.5
EV/EBITDA	23.1	10.2	8.1	6.1
P/BV	3.4	1.9	1.9	1.8
Growth Ratios				
Revenue (%)	10.5	20.5	12.0	14.3
EBITDA (%)	19.4	28.8	28.4	33.2
EBIT (%)	71.6	162.9	68.9	42.4
Profitability ratios				
EBITDA (%)	17.2	18.4	21.1	24.5
EBIT (%)	2.7	5.9	8.9	11.1
Efficiency ratios				
Debtors (days of sales)	95.5	82.9	80.4	79.7
Creditors (days of sales)	180.3	141.9	128.6	130.4
Stock (days of sales)	1.7	1.5	1.9	1.9
Net Fixed Asset turnover (x)	1.3	1.6	1.8	2.0
Net Debt/Equity (%)	40.8	16.3	20.0	19.0

(e)=Morgan Stanley Research estimates Source: Company data, Morgan Stanley Research

IRB Infrastructure

Competitive Intensity Not Here to Stay

Morgan Stanley India Company Private Limited+

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As a pure-play road developer, we view IRB as the best pick in our coverage for the road opportunity. Competition in the segment is peaking but we believe bigger and experienced players – like IRB – with balance sheet strength will be key beneficiaries of increased supply.

Key Catalysts:

- Traffic growth on its road projects
- India's rate of wholesale price index inflation, which determines the toll rates.
- New project wins at IRRs > CoE
- IRB's ability to refinance its loans at lower interest rates.
- Any real estate development plans announced by IRB.

Key Investor Debate: Investors have been worried about the competitive intensity in the industry and the prevailing high interest rates for developers. In our opinion, competition is peaking in the sector as project supply rises following government initiatives to make project awards faster and more transparent. We believe that larger players, such as IRB, with balance sheet strength stand to benefit from this increased supply. Also existing players are currently struggling with financial closures of recently won projects as well traffic growth of projects in hand.

On concerns of high interest rate, we think that it is unfair to apply the current high interest rates to the entire tenure of long gestation infra assets spread across 20-30 years. We believe IRB is a better position vs. its peers to weather the rising cost of funds as it has managed to obtain fixed rates for Mumbai-Pune project as well as its projects under construction. The recent ECB raising should also provide some cushion to the company.

Risks to our Call:

- Aggressive bidding for future project wins results in sub-par projects
- IRB's ability to raise finances if interest rates remain higher for longer

Exhibit 1

Key Valuation Ratios

Stock Rating:	Overweight	Mkt cap,curr (mm):	1,106
Price Target:	Rs 223	EV, curr (mm):	1,807
Share Price,close (2-Nov-11	Rs 165.70	Bloomberg ticker:	IRB IN
52-Week Range:	Rs 226.90 -132.00	SEDOL:	532947-NSE
		Reuters ticker	IRB.BO

Fiscal Year ending	3/10	3/11	3/12e	3/13e	3/14e
P/E	22.1	13.9	12.4	9.1	7.9
P/B	4.0	2.7	1.8	1.6	1.3
EV/EBITDA	13.7	9.6	8.3	7.5	7.1

e = Morgan Stanely Research estimates Source: Company Data, Morgan Stanley Research

Exhibit 2

Risk-Reward View: More Accommodative Valuation

Source: Company data, FactSet, Morgan Stanley Research

Price Target Rs223		SOTP (see page 29 for details). We assign 80% probability to our base case, 15% probability to our bull case and 5% to our bear case
Bull Case Rs361	19.9x Base case F13e EPS	**Business firing on all fronts:** Traffic grows 10%, or 1.1x the GDP growth rate. IRB wins projects with its excess cash. We assume no discount to peers and value the land bank at 80% discount to current market prices. We assign a value to cash available for future project wins.
Base Case Rs203	11.1x Base case F13e EPS	**Macro environment underpins upside:** 7% traffic growth in F2012-22, 6% in F2023-32 and 5% F2033 and beyond and 5% WPI increase across road assets. We value Construction at 20% discount to peers.
Bear Case Rs118	6.9x Base case F13e EPS	**Traffic growth slows to 5%; WPI decreases to 4%:** We value only financially closed projects. We assume lower construction margins and value the business at 30% discount to peers.

Financial Summary

Consolidated Income Statement

Rs in million	F2011	F2012E	F2013E	F2014E
Net Revenues	24,381	32,719	52,796	64,309
Direct Expenses	11,812	17,608	31,290	38,112
Employee Cost	929	1,385	2,461	2,997
Other Expenses	700	1,043	1,854	2,259
Total Operating Expenses	**13,441**	**20,036**	**35,605**	**43,368**
Operating Profit	**10,940**	**12,683**	**17,191**	**20,941**
Operating Profit Margin	*44.9%*	*38.8%*	*32.6%*	*32.6%*
Other income	645	490	645	677
Depreciation & Amortization	2,254	3,602	4,199	4,989
Interest	3,032	3,479	5,037	6,538
Profit before tax	**6,299**	**6,091**	**8,600**	**10,092**
Tax	1,117	1,681	2,566	3,105
Profit after tax	**5,182**	**4,409**	**6,035**	**6,987**
Minority Interest	117	(17)	1	18
Net profit after minority	**5,065**	**4,426**	**6,033**	**6,969**
Extraordinaries	540	-	-	-
Reported Profit	**4,525**	**4,426**	**6,033**	**6,969**

Consolidated Balance Sheet

Rs in million	F2011	F2012E	F2013E	F2014E
Share Capital	3,324	3,324	3,324	3,324
Reserves & Surplus	21,002	25,203	30,506	37,475
Net Worth	**24,326**	**28,527**	**33,829**	**40,798**
Minority Interest	896	879	880	898
Secured Loans	41,139	46,196	68,521	84,030
Unsecured Loans	5,116	16,617	18,617	20,617
Loan Funds	**46,255**	**62,814**	**87,138**	**104,647**
Def. Tax Liab	232	232	232	232
Total Capital Employed	**71,709**	**92,452**	**122,080**	**146,576**
Gross Fixed assets	41,317	65,828	86,566	128,357
Less : Accumulated Depr	7,695	11,367	15,566	20,554
Net Block	**33,622**	**54,461**	**71,000**	**107,803**
Capital W-I-P	25,085	20,352	43,869	33,112
Fixed Assets	**58,706**	**74,813**	**114,869**	**140,915**
Investments	551	551	551	551
Inventories	1,638	2,147	837	642
Sundry Debtors	397	520	203	155
Cash & Bank Balances	12,000	13,180	13,304	11,910
Loans & Advances	6,349	8,322	3,243	2,489
Total Current Assets	**20,384**	**24,168**	**17,587**	**15,196**
Less: Current Liabilities	7,941	7,080	10,927	10,086
Net Current Assets	**12,443**	**17,089**	**6,660**	**5,110**
Miscellaneous Expenses	9	-	-	-
Total Capital Employed	**71,709**	**92,452**	**122,080**	**146,576**

Consolidated Cash Flow

Rs in million	F2011	F2012E	F2013E	F2014E
Profit after tax	5,065	4,426	6,033	6,969
Add : Depreciation	2,254	3,602	4,199	4,989
Add : Deferred Tax	(35)	-	-	-
Cash flow from operations	7,283	8,029	10,232	11,958
Net Dec in Working Capital	1,115	(2,871)	10,554	155
Net Cash from Operations	**8,398**	**5,158**	**20,786**	**12,113**
Capital Expenditure	(17,414)	(19,709)	(44,255)	(31,034)
Change in Core Investments	(100)	-	-	-
Net Cash from Investing	**(17,514)**	**(19,709)**	**(44,255)**	**(31,034)**
Issue of Equities	-	-	-	-
Change in Debt	17,103	16,446	24,324	17,509
Dividend Paid (-)	(597)	(698)	(731)	-
Minority	117	(17)	1	18
Other Financing items	(541)	-	-	-
Net Cash from Financing	**16,082**	**15,731**	**23,594**	**17,527**
Net Change in Cash	7,438	1,180	125	(1,394)
Opening Cash & Bank	5,102	12,000	13,180	13,304
Closing Cash & Bank	12,000	13,180	13,304	11,910

Ratios

Per share Ratios	F2011	F2012E	F2013E	F2014E
Modelware EPS	15.2	13.3	18.2	21.0
Book Value per Share	75.9	88.5	104.4	125.5
Valuation				
P/E	13.9 x	12.2 x	9.0 x	7.8 x
P/B	2.8 x	1.8 x	1.6 x	1.3 x
EV/EBITDA	9.6 x	7.0 x	5.2 x	4.2 x
Profitability Ratios (%)				
Operating Margins	45%	39%	33%	33%
Net Profit Margins	21%	14%	11%	11%
Average RoE	23%	17%	19%	19%
Average RoCE	8%	5%	6%	5%
Growth				
Revenue	43%	34%	61%	22%
EBITDA	37%	16%	36%	22%
Net Profits	31%	-13%	36%	16%
Capitalization				
Debt/Equity (x)	1.8 x	2.1 x	2.5 x	2.5 x
Net Debt/Equity (x)	1.4 x	1.7 x	2.1 x	2.2 x
Basic Shares Outstanding (m)	332.4	332.4	332.4	332.4

(e)=Morgan Stanley Research estimates Source: Company data, Morgan Stanley Research

Jain Irrigation

Pricing in a Business Model Breakdown, Reiterate OW

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This stock is pricing in a business model breakdown, which is unlikely in our view. We expect significant improvements in capital efficiencies, and the market should then start to focus on structural factors driving overall business growth. Following March '12 results, we expect the stock to re-rate.

Key Catalysts: Continuing strong growth in MIS business, step-up of growth in the agro processing business, overall margin expansion aided by growth in MIS & agro processing business coupled with improvement in capital efficiencies (i.e. reduced working capital days and rationalized capital expenditure program) are the key stock catalysts in our view.

Key Debate #1 – visible improvements in capital efficiency: Poor working capital management and pace of progress so far have been the key concerns for us – but we think these concerns are now passé. We expect gross MIS receivable days to decrease by 60 days by Mar-12 as strategy prioritizes cash flows over growth. We are confident that JI will turn FCF-positive in F14, another likely catalyst for re-rating.

Key Debate #2 – Micro Irrigation (MIS) – near-term growth should moderate… Our long-held view here remains intact as management focuses on capital efficiencies. With the recent stock price correction, we believe the market's estimates for MIS growth are closer to our views.

…yet MIS remains a multi-year investment theme: Indian governments will remain committed to improvement in agricultural productivity, food security, and water scarcity. MIS is not a cyclical or commoditized business, yet it trades ~7x F13E implied MIS earnings.

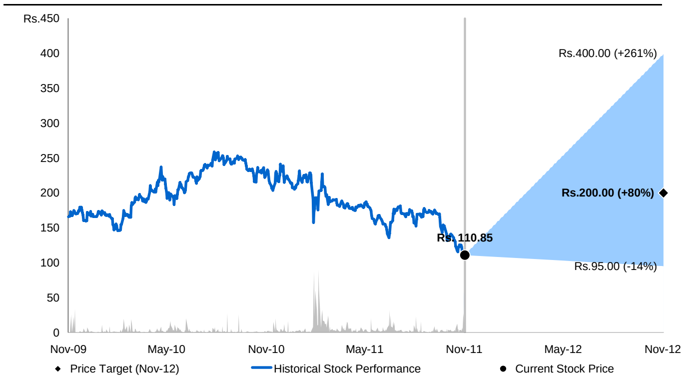
Risks to our call: If there is no improvement in working capital efficiencies from current levels, JI would have constraint of capital for funding growth, which could lead to the stock trade closer to our bear case.

Exhibit 1
Key Statistics

JAIR.BO (Bloomberg: JI IN)				Overweight
12-month price target (Rs)				200.00
52-week range (Rs)				108-247
Market cap, US$(mn)				882
Key Ratios	**F2011**	**F2012e**	**F2013e**	**F2014e**
PE	24.6	12.1	9.5	7.1
P/BV	4.5	2.4	1.9	1.6
P/sales	1.7	0.9	0.7	0.6
Debtor turnover (days)	149	169	165	164
MIS Gross Debtor Days	369	310	280	260

Source: Company data, Morgan Stanley Research

Exhibit 2
Capital Efficiencies Will Drive Stock Performance



Source: Company data, FactSet, Morgan Stanley Research

Price Target Rs200		Our price target equals our base-case residual income value. Cost of equity 14%, terminal growth rate 5%.
Bull Case Rs400	23x Bull Case 13e EPS	1) Revenue CAGR (F11-14): 27% overall 2) Margins expand by 420bps over the next 3 yrs 3) Paradigm shift in core working capital management ~76 days over the next 3 years.
Base Case Rs200	17x Base Case 13e EPS	1) **Revenue CAGR (F11-14):** 19% overall and 24% growth in MIS business 2) **Margins** expand by 240bps over the next 3 yrs 3) **Working Capital:** Gradual improvement in working capital (44days over next 3 yrs) driven by reduction in gross MIS receivable days.
Bear Case Rs95	14x Bear Case 13e EPS	1) Revenue CAGR (F11-14): 14% overall and 18% growth in MIS business 2) Margins expand by 30bps over the next 3 yrs 3) Further deterioration in core working capital.

Financial Summary

JI: Consolidated Profit and Loss Statement

(Rs m, Year Ending Mar)	2011	2012E	2013E	2014E
Net sales	**41,528**	**49,691**	**58,679**	**69,116**
Raw material consumed	22,024	25,478	30,072	35,004
Manufacturing expenses	3,214	3,975	4,694	5,529
Employee costs	4,178	4,969	5,868	6,912
Selling and distribution cost	2,736	3,230	3,814	4,493
Administrative expenses	1,717	1,988	2,347	2,765
Total Operating costs	33,870	39,639	46,796	54,702
Operating Profit	**7,659**	**10,052**	**11,883**	**14,415**
Margin (%)	*18.4*	*20.2*	*20.3*	*20.9*
Interest	2,717	3,760	4,089	4,297
Depreciation	1,216	1,419	1,629	1,764
Profit before Tax	4,000	5,122	6,415	8,604
Income Tax	1,121	1,518	1,873	2,488
Net Profit	2,694	3,605	4,542	6,116
Non-recurring income/ (expense)	186	-488	0	0
Net Profit (adjusted)	**2,805**	**3,532**	**4,481**	**6,049**
Growth (%)	44	26	27	35
Modelware EPS	**7.3**	**9.2**	**11.6**	**15.7**

JI: Consolidated Balance Sheet

(Rs m, Year Ending Mar)	2011	2012E	2013E	2014E
Share Capital	7,326	7,326	7,326	7,326
Reserves & Surplus	8,232	10,780	14,674	20,045
Shareholders' Funds	**15,558**	**18,105**	**21,999**	**27,371**
Loan Funds	29,888	35,888	39,188	40,188
Minority Interest	524	597	658	725
Deferred tax liabilities	1,239	1,239	1,239	1,239
TOTAL LIABILITIES	**47,209**	**55,829**	**63,084**	**69,523**
Gross fixed assets	29,827	34,016	38,316	41,316
Less: Depreciation	8,044	9,463	11,092	12,856
Net Fixed Assets	21,782	24,552	27,223	28,459
Investments	211	211	211	211
Cash and Mkt Securities	4,144	3,791	4,643	5,617
Debtors	16,924	22,942	26,481	31,026
Inventory	14,864	16,273	18,774	21,543
Loans & advances	5,030	5,585	6,081	6,795
Current liabilities and provisions	16,324	18,102	20,906	24,706
Net Current Assets	20,494	26,698	30,429	34,658
Deferred Tax Asset	577	577	577	577
TOTAL ASSETS	**47,209**	**55,829**	**63,084**	**69,523**

JI: Consolidated Cash Flow Statement

(Rs m, Year Ending Mar)	2011	2012E	2013E	2014E
Net income reported	2,694	3,605	4,542	6,116
Depreciation	1,216	1,419	1,629	1,764
Interest	2,717	3,760	4,089	4,297
Chg in working cap	-5,683	-6,250	-3,822	-4,319
Cash flow from operations	**944**	**2,534**	**6,438**	**7,858**
Capital expenditure	-5,186	-4,189	-4,300	-3,000
Cash flow from investing	**-5,236**	**-4,189**	**-4,300**	**-3,000**
Equity raised	868	0	0	0
LT Debt raised	5,440	6,000	3,300	1,000
Dividend (incl. tax)	-418	-450	-496	-587
Interest paid	-2,717	-3,760	-4,089	-4,297
Cash flow from financing	**3,383**	**1,302**	**-1,286**	**-3,884**
Net chg in cash	-908	-353	853	974

JI: Key Ratios

(Rs m, Year Ending Mar)	2011	2012E	2013E	2014E
Net sales growth (%)	21.4	19.7	18.1	17.8
EBITDA growth (%)	29.0	31.2	18.2	21.3
EBIT margin (%)	15.5	17.4	17.5	18.3
Return on Avg Equity (%)	20.3	21.0	22.3	24.5
ROE - Beg Period (%)	23.1	22.7	24.7	27.5
RNOA (%)	11.4	12.2	12.5	13.8
Per share data and valuation				
EPS	7.3	9.2	11.6	15.7
DPS	1.0	1.1	1.3	1.5
BVPS	40.0	46.9	57.0	71.0
Debtor turnover (days)	149	169	165	164
MIS Gross Debtor Days	369	310	280	260

Source: Company data, Morgan Stanley Research

E = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Please Note: We do not expect the warrants to be exercised given the differential between the share price and conversion price of the warrants (Rs228/share)

MindTree Limited

Robust Operating Performance

Morgan Stanley India
Company Private Limited+

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We believe MindTree will continue to deliver robust operating performance over the coming quarters. The stock is currently trading at 11xFY12e and 9xFY13e EPS for earnings CAGR of 18% over FY12-14e.

Key Catalysts: We believe sustained improvement in the operating performance over the coming quarters could be the key catalyst for the stock. We expect MindTree to have delivered industry-leading revenue growth of 22% in 1H with operating margins improving to ~8% in F1H12 (vs. 7.7% in F1H11). We expect MindTree to continue to show margin improvement in F2H and achieve full-year margin of ~9.6% (vs consensus estimate of ~9%).

Key Investor Debate: MindTree stock has corrected by 30% YTD (vs -14% for the Sensex) on multiple concerns like the exit of the co-promoter and the partial sale of his stake, losses related to closure of its handset business and the ramp-down by large client. Following the correction, the stock continues to lag due to concerns of double dip in the US and a lack of clarity on secular trends in margins for the company. We believe uncertainty around pace of margin improvement has restrained re-rating for the stock.

After an earnings decline of -53% yoy in FY11, we expect net income to grow by 50% yoy in FY12e. We forecast strong revenue and earnings CAGR of 17% and 18%, respectively, over F2012-14. We believe our earnings estimates could turn out to be conservative in the event of stronger-than-expected revenue growth and continued rupee depreciation over the coming quarters.

Risks to our Call: 1) Revenue growth in PE services (36% of revenues) lags in the coming quarters dragging overall revenue growth of the company, 2) Slowdown in key verticals like manufacturing and BFSI in IT services owing to a tough macro environment; and 3) Margin performance lags expectations, leading to slower-than-expected improvement over the coming quarters.

Exhibit 1

Reuters: MINT.BO Bloomberg: MTCL IN

Stock Rating	**Overweight**	Mkt cap, curr (mn)	Rs15,799
Price target	**Rs 460**	EV, curr (mn)	Rs14,274
Shr price (Nov 2)	Rs395		
52-Week Range	Rs.321-571		

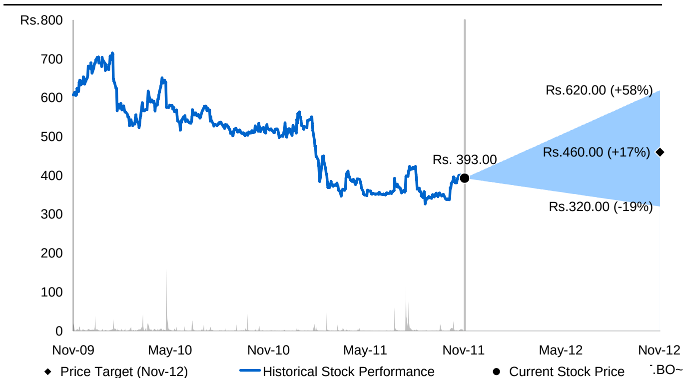
MindTree: Key ratios

Key Ratios	**FY2010**	**FY2011**	**FY2012e**	**FY2013e**	**FY2014e**
P/E	7.5	15.8	10.7	9.0	8.1
EV/EBITDA	5.9	8.2	5.9	4.8	4.2
P/B	2.4	2.1	1.8	1.5	1.3
ROAE (%)	35.2	14.1	18.1	18.6	18.0
ROACE (%)	22.7	10.7	15.0	15.5	15.0

Source: Morgan Stanley Research; E = Morgan Stanley Research Estimates

Exhibit 2

MindTree: Risk Reward Scenarios



Source: Company data, Morgan Stanley Research

Price Target Rs460		Probability-weighted average of bull (25%), bear (25%) and base cases (50%) from DCF model. Cost of equity 11.4%; other key assumptions below.
Bull Case Rs620	15x Bull case FY12e EPS	**Organic/inorganic growth initiatives deliver:** MindTree grows significantly ahead of industry average rtes. We assume F2012 USD revenue growth of 22%+ and EBIT margin to improve to 10.5%. Revenue and EBIT CAGRs of 18% and 21% over F2011-21e, respectively.
Base Case Rs450	12x Base case FY12e EPS	**MindTree grows in line with industry:** We expect ~18% USD revenue growth with margin of 9.6% for F2012e. Longer term, we expect margins to decline gradually and forecast revenue and EBIT CAGRs of 12% and 13.6%, respectively, over F2011-21e.
Bear Case Rs320	10x Bear case FY12e EPS	**Slower client penetration:** Lack of deep client penetration could keep revenue growth slower than the industry. Revenue and EBIT CAGRs of 6.9% and 5.5%, respectively, over F2011-21e.

Financial Summary

Profit and Loss Statement (Rs m)

Yr to Mar	FY2010	FY2011	FY2012e	FY2013e	FY2014e
Total Revenues	**12,960**	**15,091**	**17,516**	**20,789**	**24,133**
% yoy	*4.7*	*16.4*	*16.1*	*18.7*	*16.1*
S/W Dev Exp	7,982	10,145	11,567	13,793	16,269
Gross Profit	4,977	4,946	5,949	6,995	7,864
Gross Margin (%)	*38.4*	*32.8*	*34.0*	*33.6*	*32.6*
Admin Exp	2,522	3,167	3,465	3,982	4,439
EBITDA	**2,456**	**1,779**	**2,484**	**3,013**	**3,425**
EBITDA Margin (%)	*18.9*	*11.8*	*14.2*	*14.5*	*14.2*
% yoy	*-25.8*	*-27.6*	*39.7*	*21.3*	*13.7*
Depreciation	652	712	798	903	1028
EBIT	**1,804**	**1,067**	**1,687**	**2,110**	**2,397**
EBIT Margin (%)	*13.9*	*7.1*	*9.6*	*10.1*	*9.9*
% yoy	*-34.2*	*-40.9*	*58.1*	*25.1*	*13.6*
Interest	27	4	1	1	1
Other income	770	242	193	229	265
PBT	**2,547**	**1,305**	**1,878**	**2,337**	**2,662**
PBT Margin (%)	*19.7*	*8.6*	*10.7*	*11.2*	*11.0*
% yoy	*321.8*	*-48.8*	*44.0*	*24.4*	*13.9*
Total Tax	*398*	*288*	*357*	*491*	*559*
Eff tax rate(%)	*15.6*	*22.1*	*19.0*	*21.0*	*21.0*
PAT	*2,149*	*1,017*	*1,521*	*1,847*	*2,103*
% yoy	*300.4*	*-52.7*	*49.6*	*21.4*	*13.9*
Recurring Basic EPS	**54.5**	**25.6**	**37.5**	**44.6**	**49.8**
Recurring FD EPS	**52.4**	**24.9**	**36.7**	**43.7**	**48.8**

Cash Flow Statement (Rs m)

Yr to Mar	FY2010	FY2011	FY2012e	FY2013e	FY2014e
PAT	2,149	1,017	1,521	1,847	2,103
Depreciation	652	712	798	903	1,028
Working Cap Changes	(617)	(1,275)	(522)	(698)	(719)
Goodwill	1,306	154	-	-	-
Operating cash flow	**3,489**	**608**	**1,797**	**2,052**	**2,411**
Capex	(320)	(260)	(1,152)	(1,050)	(1,176)
Free cash flow	***3,169***	***348***	***645***	***1,002***	***1,236***
Investing cash flow	**(320)**	**(260)**	**(1,152)**	**(1,050)**	**(1,176)**
Investments	(259)	160	-	-	-
Dividends	(138)	(199)	(203)	(207)	(211)
Reserves & Assets Adj	(1,388)	(394)	0	0	(0)
Debt	(1,363)	15	7	10	10
Total Change in cash	36	(64)	455	813	1,043
Cash at beginning	**488**	**523**	**459**	**914**	**1,727**
Cash at end	**523**	**459**	**914**	**1,727**	**2,770**

Balance Sheet (Rs m)

Yr to Mar	FY2010	FY2011	FY2012e	FY2013e	FY2014e
Fixed Assets	2,859	3,034	3,388	3,535	3,683
Investments	1,272	1,112	1,112	1,112	1,112
Deferred tax assets	214	216	252	301	357
Debtors	2,370	2,825	3,263	3,873	4,496
Cash	523	459	914	1,727	2,770
Loans and Advances	1,948	2,506	2,927	3,474	4,033
Total CA	4,841	5,790	7,105	9,074	11,299
TOTAL ASSETS	**9,340**	**10,152**	**11,857**	**14,022**	**16,451**
Loans	31	46	53	63	74
Current Liabilities	2,114	1,814	2,102	2,495	2,896
Provisions	490	530	615	730	848
Shareholder Funds	6,706	7,762	9,086	10,734	12,634
Total Liabilities	**9,340**	**10,152**	**11,857**	**14,022**	**16,451**

Key Metrics and Ratios

Yr to Mar	FY2010	FY2011	FY2012e	FY2013e	FY2014e
Rupee	47.60	45.55	44.89	44.66	44.66
YoY Growth (% Chg)	3	-4	-1	-1	-1
Utilisation (%)	59	65	63	64	64
Employees	8,297	9,547	11,547	13,247	13,247
Revenue Growth (%)	5	16	16	19	16
Gross Margins (%)	38.4	32.8	34.0	33.6	32.6
EBITDA Margins (%)	18.9	11.8	14.2	14.5	14.2
Net Margins (%)	16.6	6.7	8.7	8.9	8.7
Net Profit Growth (%)	300	-53	50	21	14

E = Morgan Stanley Research estimates
Source: Company data, Morgan Stanley Research

Oberoi Realty Ltd

Preferred India Property Play

Morgan Stanley India Company Private Limited+

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OBER remains our preferred play on the Indian Property market given its strong balance sheet (Rs13bn net cash), preparedness to monetize its land bank and strong brand name. Stock weakness due to ongoing slowdown in Mumbai market is an opportunity to buy, we believe. We are OW with a PT of Rs345 and a potential upside of another 47%

Key Catalysts: Healthy Mumbai market with steady growth in volume demand and pricing; Land bank accretion using surplus cash and/or through JDA; Construction progress in investment assets (Commerz II) and pre-leasing trends in Commerz II – Phase 1; Unlocking value in pipeline projects – Exotica, Oasis and Glaxo Land (Worli).

Key Investor Debate: The market expects OBER to be hurt by the ongoing slowdown in Mumbai property market. We think the slowdown will be short term as the mid-to-long term demand drivers (GDP growth, employment creation) are intact. It has maintained a quarterly sale rate of 85-95 units cumulatively across its ongoing projects (Exquisite, Esquire, Splendor and Splendor Grande)
Land bank augmentation is a challenge for OBER, especially in the lucrative but land-scarce Mumbai market. However its cash-rich balance sheet (Rs13bn net cash) provides it the means to bid for lucrative land purchase deals unlike its peers who have b/s limitations.

Risks to our Call: 1. Sharp/prolonged slowdown in the Mumbai property market; 2. unable to find value enhancing land bank in Mumbai; 3. Sangamwadi (Pune) project - currently facing hurdles - does not materialize; 4. Exotica (Mulund) project launch gets delayed beyond F13 on account of regulatory issues; 5. Inability to maintain premium pricing over peers.

Exhibit 1

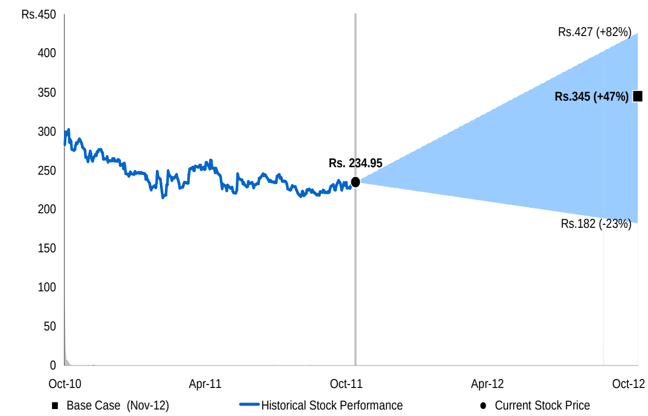
Key Ratios and Statistics

Rating: Overweight			**Reuters: OEBO.BO**	**Bloomberg: OBER IN**
Price target	Rs345.00		Sh out, dil, curr (mn)	328
+/- to price target (%)	47%		Mkt cap, curr (mn)	Rs77,118
Shr price (Nov 2)	Rs234.95		EV, curr (mn)	Rs63,485
52-Week Range	Rs294.50-210.00		Avg daily trading value (mn)	Rs24
Fiscal Year ending	**11-Mar**	**03/12e**	**03/13e**	**03/14e**
ModelWare EPS (Rs)	15.76	15.28	22.64	39.5
Consensus EPS (Rs)§	16.02	17.09	24.45	36.45
P/E	16	15.4	10.4	5.9
P/BV	2.5	2	1.7	1.4
RNOA (%)	27.1	19	27.8	47
ROE (%)	28.3	15.1	19.7	29.1

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note). § = Consensus data is provided by FactSet Estimates. e = Morgan Stanley Research estimates

Exhibit 2

Risk – Reward View: Surplus cash, Quality Name, Gearing Potential



Source: Company data, FactSet, Morgan Stanley Research

Price Target Rs345		Base case, NAV.
Bull Case Rs427	28x F12e base case EPS, 19x F13e	**Market Booms; new land acquisition:** Boom in physical property and capital markets (Rs36/share); new land acquisition (Rs26/share); pricing upside for commercial property (Rs20/share)
Base Case Rs345	23x F12e base case EPS, 15x F13e	**Realistic business environment with upside from surplus cash deployment:** Includes Mar12e NAV of Rs314 with base case at 10% premium to this forward NAV. Valuation assumes 15% discount rate; 5% price/cost inflation, and 9.5% cap rate
Bear Case Rs182	12x F12e base case EPS, 8x F13e	**Loss of project coupled with market slowdown:** Tough Mumbai residential market (Rs103/share); stagnant commercial market (Rs30/share); idle cash (Rs22/share); loss of Sangamwadi project (Rs8/share).

Financial Summary

Income Statement

Rs Million	2011	2012E	2013E	2014E
Total Revenue from Operations	**9,960**	**9,554**	**14,010**	**27,271**
Cost of construction /development	3,766	3,277	4,153	9,615
Staff Costs	270	191	406	818
Administration expenses	153	239	420	764
Total Expenditure	**4,190**	**3,707**	**4,980**	**11,197**
Operating Profits	**5,770**	**5,847**	**9,030**	**16,074**
Other Income	627	50	50	50
Finance charges	2	-1,258	-1,613	-2,256
Depreciation	237	283	372	372
Profit Before Tax	6,159	6,872	10,321	18,007
Less: Taxation	983	1,855	2,890	5,042
Net Profits	**5,172**	**5,017**	**7,431**	**12,965**

Source: Company data, Morgan Stanley Research

Balance Sheet

Rs Million	2011	2012E	2013E	2014E
Equity Share Capital	3,282	3,282	3,282	3,282
Reserves and Surplus	29,834	34,500	41,336	53,394
Net Worth	**33,117**	**37,782**	**44,619**	**56,676**
Preference Share Capital	359	359	359	359
Loan Funds	**0**	**0**	**0**	**0**
Total Liabilities	**33,476**	**38,141**	**44,978**	**57,035**
Net Debt	*(13,993)*	*(17,447)*	*(22,872)*	*(33,521)*
Total Fixed Assets	**9,691**	**11,219**	**13,161**	**14,906**
Investments	**650**	**650**	**650**	**650**
Cash and Bank Balances	**13,993**	**17,447**	**22,872**	**33,521**
Inventory	7,742	8,003	8,098	8,239
Loans & Advances	7,163	7,163	7,163	7,163
Sundry Debtors	468	468	468	468
Others	173	173	173	173
Total Current Assets	**15,545**	**15,806**	**15,901**	**16,042**
Current Liabilities and Provisions	**6,412**	**6,991**	**7,615**	**8,094**
Total Assets	**33,476**	**38,141**	**44,978**	**57,035**

Source: Company data, Morgan Stanley Research

Cash Flow Statement

Rs Million	2011	2012E	2013E	2014E
Cash flow from operating activities:				
Net Profits	5,172	5,017	7,431	12,965
add depreciation	226	84	65	56
add working capital required	(3,095)	317	529	338
Net cash from operations	**2,302**	**5,418**	**8,025**	**13,359**
Cash flow from investing activities:				
Fixed Asset investments	1,746	1,612	2,006	1,802
Other investments	(140)	0	0	0
Net cash from investing	**1,606**	**1,612**	**2,006**	**1,802**
Cash flow from financing activities:				
Issuance of equity (incl Dividends paid)	9,667	(0)	(0)	(0)
Dividends (incl dividend tax)	0	(351)	(594)	(908)
Other adjustments	0	0	0	0
Net cash from financing	**9,667**	**(351)**	**(594)**	**(908)**
(Increase)/decrease in net debt	**10,363**	**3,455**	**5,424**	**10,650**
Opening net debt	*(3,631)*	*(13,993)*	*(17,447)*	*(22,872)*
Closing net debt	*(13,993)*	*(17,447)*	*(22,872)*	*(33,521)*

Source: Company data, Morgan Stanley Research

Key Ratios

	2011	2012E	2013E	2014E
Profitability Ratios:				
Operating Margin (%)	58%	61%	64%	59%
Pre-Tax Margin (%)	62%	72%	74%	66%
Net Margin (%)	52%	53%	53%	48%
Valuation Ratios:				
ROE (%)	20%	14%	18%	26%
ROCE (%)	24%	16%	21%	31%
Leverage Ratios:				
Net Debt / Equity (%)	-42%	-46%	-51%	-59%
Total Debt / Equity (%)	0%	0%	0%	0%
Per Share Data:				
Basic EPS	15.8	15.3	22.6	39.5
BVPS	100.9	115.1	135.9	172.7

Source: Company data, Morgan Stanley Research

OnMobile Global Ltd.

International Revenue Growth Kicks Off, Finally

Morgan Stanley India Company Private Limited+

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We believe that the market is focusing only on a possible slowdown in domestic revenues and ignoring the growth from the international business. Valuations are close to all-time lows at 15x F2012E P/E and 0.9x price to book.

Key Catalysts: Growth in investment revenues as the Telefonica rollout is completed. Potential listing on the US bourses. Announcement of recommendations on VAS by TRAI. New acquisitions to enhance geographical presence or service offerings and announcement of new deals with telecom operator/s.

Key Investor Debate: We believe that the market is pricing in the worst. The F1Q12 results were disappointing largely due to the 5% QoQ decline in revenues from the domestic business, reflecting an overall slowdown in the VAS space. However, in F2Q12 international revenue growth has picked up growing 51% QoQ and now account for close to 50% of the total revenues. Domestic revenues continued to decline, albeit at a slower pace (-3.5% QoQ). Management F2012 guidance of revenue growth of 20% and stable EBITDA margins now appear more realistic, in our view.

Risks to our Call: Pressure on domestic business due to regulatory changes; non-materializing of international revenues to the extent as expected; loss of a major customer and execution risk with global deals

Exhibit 1

Rating: Overweight	**Reuters: ONMO.BO Bloomberg: ONMB IN**			
Shr price (Nov 3)	Rs 65			
Consol Ratio Analysis				
	F2011	**F2012E**	**F2013E**	**F2014E**
VALUATIONS				
Normalized EPS	5.5	4.4	5.8	6.8
Modelware EPS	7.5	4.3	5.6	6.7
EPS Growth (%)	108%	-42%	31%	19%
P/E	8.7	15.0	11.5	9.7
P/E to 2 yr forward growth	(0.67)	0.61	0.63	0.29
2 year forward EPS CAGR	-13%	25%	18%	34%
EV/EBITDA	5.8	5.2	3.4	2.3
P/B	0.9	0.9	0.8	0.8
PROFITABILITY				
Operating margins	22%	20%	23%	25%
Net margins	17%	8%	9%	9%
ROCE	9%	6%	7%	8%
RONW	11%	6%	7%	8%

(e)=Morgan Stanley Research estimatesSource: Company data, Morgan Stanley Research

Exhibit 2

OnMobile: Bull, Bear and Base Case

Source: Company data, FactSet, Morgan Stanley Research

Price Target Rs100		Base case, DCF valuation. Assumes 6% terminal growth, cost of capital of 14.5% and beta of 1.4x.
Bull Case Rs138	F13 P/E multiple of 21x	**Global business takes off:** Domestic revenues grow 5% p.a. during F2011-14E; VAS operators do not pay license fees; 30-35% higher revenues from Vodafone and Telefonica; global margins of 19% by F2014E.
Base Case Rs100	F13 P/E multiple of 18x	**Strong domestic and global growth:** Domestic revenues grow 3% p.a. during F2011-14E; VAS operators do not pay direct license fees; Vodafone and Telefonica contribute 30% of revenues; global margins of 17% by F2014E.
Bear Case Rs40	F13 P/E multiple of 29x	**Slower domestic business growth; higher global business costs:** Domestic revenues decline 6% p.a. during F2011-14E; VAS operators pay 6% license fee; 20-25% lower revenues from Vodafone and Telefonica; global margins of 10% by F2014E; tax-related payments of Rs693mn to Karnataka Government.

Financial Summary

Consolidated Profit and Loss Statement (Rs m)

(Rs millions)	F2011	F2012E	F2013E	F2014E
Domestic VAS	3,905	3,866	4,059	4,222
Core Global VAS	935	1,009	1,130	1,255
Investments	296	1,167	2,211	3,124
Software	187	178	183	156
Others	50	45	40	36
Total Revenue	**5,372**	**6,265**	**7,624**	**8,792**
Content fee and royalty	955	703	663	670
Hardware & software development	348	553	740	900
Manpower Cost	1,773	2,165	3,013	3,301
Admin. & Other Expenses	1,090	1,602	1,492	1,746
Total Operating Cost	**4,166**	**5,022**	**5,908**	**6,616**
Total EBITDA	**1,206**	**1,242**	**1,716**	**2,176**
Other Income	448	137	171	222
Depreciation & Amortization	567	711	1,006	1,344
Depreciation	**481**	**523**	**559**	**548**
Amortization	86	188	447	796
Finance Charges	**8**	**19**	**20**	**19**
Profit Before Tax	1,079	649	861	1,035
Provision For Taxation	**212**	**130**	**181**	**228**
Profit After Tax	867	520	680	807
Share in profit/(loss) of associates	25	-	-	-
Profit attributable to the group	**892**	**520**	**680**	**807**
Normalized Profits	**640**	**520**	**680**	**807**

Note: Investments include Telefonica, Vodafone and Dilithium

Balance Sheet

(Rs millions)	F2011	F2012E	F2013E	F2014E
LIABILITIES				
Share Capital	1,171	1,180	1,180	1,180
Reserves and Surplus	7,092	7,611	8,291	9,030
Total Shareholder Funds	**8,263**	**8,791**	**9,471**	**10,209**
Total Loan Funds	**317**	**315**	**268**	**214**
Current Liabilities and Provisions	2,392	2,529	3,308	3,767
Current Liabilities	**1,141**	**1,376**	**2,104**	**2,447**
Provisions	**1,251**	**1,153**	**1,204**	**1,320**
Total Liabilities	**11,507**	**11,635**	**13,047**	**14,190**
ASSETS				
Goodwill on Consolidation	2,046	2,046	2,046	2,046
Total Gross Block	6,136	6,957	8,016	9,265
Less: Acc. Depn. & Amortization	2,501	3,212	4,217	5,561
Net Block	3,635	3,746	3,799	3,704
Capital Work-in-progress	204	323	408	477
Total Fixed Assets	**3,840**	**4,068**	**4,206**	**4,181**
Investments	542	271	271	271
Current Assets, Loans & Advances	5,079	5,249	6,523	7,692
Sundry Debtors	2,281	1,716	2,298	2,602
Cash and Bank Balances	912	1,505	1,966	2,726
Loans and Advances	1,832	1,965	2,183	2,276
Total Assets	**11,507**	**11,635**	**13,047**	**14,190**

Cash Flow Statement

(Rs millions)	F2011	F2012E	F2013E	F2014E
Profit After Tax	867	520	680	807
Add: Depreciation	567	711	1,006	1,344
Add: Interest expense	8	19	20	19
Less: Interest Income	448	137	171	222
Add: Changes in Working Capital	(1,750)	25	(33)	50
Cash Flow from Operations	**(757)**	**1,137**	**1,502**	**1,998**
Capital Expenditure	(1,020)	(940)	(1,144)	(1,319)
Change in Investments	135	271	-	-
Cash Flow from Investing	**(885)**	**(669)**	**(1,144)**	**(1,319)**
Issue of Debt	230	(2)	(47)	(54)
Interest Paid	(8)	(19)	(20)	(19)
Interest Received	448	137	171	222
Cash Flow from Financing	**670**	**125**	**103**	**81**
Net Change in Cash	**(971)**	**593**	**461**	**760**
Beginning Cash Balance	1,883	912	1,505	1,966
Closing Cash Balance	**912**	**1,505**	**1,966**	**2,726**

E= Morgan Stanley Research Estimates. Source: Company data, Morgan Stanley Research
Note: Book value is calculated using basic shares outstanding; EBITDA does not include the share of profits/losses from associates

Patni Computer

2012 Could Be a Year of Turnaround

Morgan Stanley India Company Private Limited+

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Patni remains a turn-around story in our view. However, the volatility in financials and lack of clarity on management plans to keep the stock listed could limit any prospects of a re-rating for the stock in the near term in our view. We have an Equal-weight rating on the stock.

Key Catalysts: We believe Patni's industry-lagging revenue growth has been the single biggest concern for investors and signs of a pickup in revenue growth should be key catalyst for the stock over coming quarters. Patni trades at 11x 2011e and 9x 2012e EPS and could turn out be a rerating candidate in the event of potential turnaround in revenue growth trajectory for the company.

Key Investor Debate: We believe the key investor concerns are around lack of clarity on future management plans for keeping Patni as a listed entity, risks around integration process and uncertainty on timeline for turnaround in revenue growth and margins. Patni's reported EBIT margins have been volatile in the last few quarters owing to acquisition related expenses.

We believe Sep-11 results highlight initial signs of turnaround for Patni. Management has indicated that integration process remains on track and improved revenue growth in Sep-11 resulted from ramp up of new accounts and improved account mining. Patni reported EBIT margins of ~11.9% in 3Q11. We believe 3Q11 operating margins could be more representative of company's core performance. We expect revenue growth to improve for Patni in 2012 and expect it to achieve EBIT margins of ~12%.

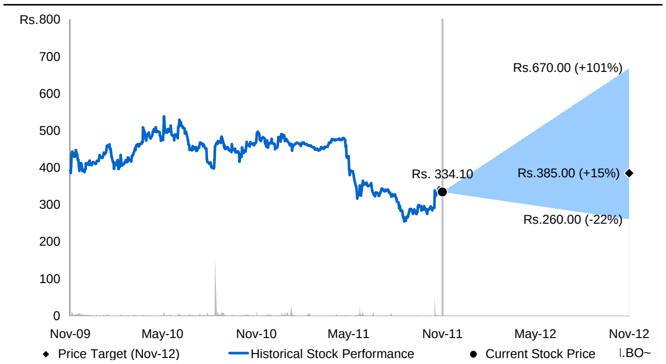
Risks to our Call: Downside 1) Delays in integration and turnaround plans for the company, 2) Budget cuts for 2012 by its key clients could keep revenue growth muted in 2012, 3) Lack of clarity around delisting plans could remain overhang on the stock in our view, 4) Adoption of transfer pricing mechanism for booking Patni's revenues could also remain an overhang for the stock until both companies (iGATE and Patni) demonstrate strong execution. Upside: Revenue growth surprises positive. Earlier than expected turnaround in margins.

Exhibit 1
Patni: Key ratios

Key ratios	CY09	CY10	CY11e	CY12e	CY13e
P/E	9.4	7.8	10.9	9.3	8.1
EV/EBITDA	4.3	4.5	5.7	4.4	3.7
P/S	1.4	1.4	1.3	1.1	0.9
P/B	1.2	1.4	1.3	1.1	1.0
ROAE (%)	15.2	16.8	11.7	12.3	12.5
ROCE (%)	14.2	12.4	8.3	10.0	10.5

Source: Morgan Stanley Research; E = Morgan Stanley Research Estimates

Exhibit 2
Patni: Risk reward scenario



Price Target Rs385		Probability-weighted average of the scenarios below. Cost of equity 13.4%.
Bull Case Rs670	Implies 20x Bull Case CY11e EPS	**Significant acceleration in revenue growth:** Our bull-case DCF assumes revenue CAGR of 20.7% and EBIT CAGR of 17.6% for C2010-19 with EBIT margins declining to ~13% by C2019. Prob =5%
Base Case Rs450	Implies 15x Base Case CY11e EPS	**Revenue growth trajectory improves gradually:** Our base case assumes CY11 revenue growth of ~10% with lower margins. In rupee terms, revenue and EBIT CAGRs of 16.2% and 11.9% over C2010-19 with margins declining to ~11%. Prob=55%
Bear Case Rs260	Implies 10x Bear Case CY11e EPS	**Slow growth continues:** Our bear case assumes that organic revenues in CY11 could grow in single digits with margins of ~10.5%. We assume 8% revenue CAGR and 1% EBIT CAGR with a larger margin decline to 9% by C2019. Prob=40%

Financial Summary

Consolidated Profit and Loss Statement (Rs m)

Year to Dec	CY09	CY10	CY11e	CY12e	CY13e
Net sales	**31,620**	**31,689**	**34,462**	**41,312**	**48,958**
Growth (%yoy)	*-1.2*	*0.2*	*8.8*	*19.9*	*18.5*
CORS	19,610	19,814	23,090	27,431	32,508
Gross Profits	**12,010**	**11,875**	**11,372**	**13,881**	**16,450**
GPM (%)	*38.0*	*37.5*	*33.0*	*33.6*	*33.6*
SG&A	5,461	5,681	6,482	7,485	8,864
EBITDA	**6,549**	**6,194**	**4,891**	**6,396**	**7,586**
Margin (%)	*20.7*	*19.5*	*14.2*	*15.5*	*15.5*
Dep & amortization	1,192	1,150	1,157	1,425	1,737
EBIT	**5,358**	**5,044**	**3,734**	**4,970**	**5,849**
Margin (%)	*16.9*	*15.9*	*10.8*	*12.0*	*11.9*
PBT (before O.I)	5,358	5,044	3,734	4,970	5,849
Other Income	381	1,788	1,780	1,470	1,560
Pre-tax profit	5,738	6,832	5,514	6,440	7,408
Tax	1,074	1,154	1,434	1,674	1,926
Eff tax rate (%)	*18.7*	*16.9*	*26.0*	*26.0*	*26.0*
PAT	**4,664**	**5,677**	**4,080**	**4,766**	**5,482**
Margin (%)	*14.8*	*17.9*	*11.8*	*11.5*	*11.2*
Growth (%yoy)	26.9	21.7	-28.1	16.8	15.0
Extraordinary	1059	0	0	0	0
Net Income	**5,723**	**5,677**	**4,080**	**4,766**	**5,482**
Margin (%)	*18.1*	*17.9*	*11.8*	*11.5*	*11.2*
EPS Excld XO (Rs)					
Basic	36.3	43.3	31.1	36.3	41.8
FD	35.1	42.2	30.3	35.4	40.8

Consolidated Cash Flow Statement (Rs m)

Year to Dec	CY09	CY10	CY11e	CY12e	CY13e
PAT	5886	5673	4080	4766	5482
Depreciation & amortization	1192	1150	1157	1426	1737
receivables	116	(551)	(1482)	(1361)	(1529)
cost in excess of billings	0	(677)	(133)	(134)	(134)
Account payables	(58)	(90)	96	112	126
accrued expenses	(1538)	(580)	689	727	817
Other opex	(631)	(60)	(76)	20	50
Operating CASH FLOW	**4965**	**4865**	**4330**	**5555**	**6549**
CAPEx	(1033)	(635)	(1460)	(1744)	(2072)
Investing CASH FLOW	**(1033)**	**(635)**	**(1460)**	**(1744)**	**(2072)**
Dividends	(470)	(407)	(9666)	(591)	(664)
Shares	2	2	0	0	0
Others	3063	(7284)	9076	(73)	0
Financing CASH FLOW	**2596**	**(7689)**	**(590)**	**(664)**	**(664)**
FX	1132	(1348)	(242)	(71)	(94)
Change in cash	7661	(4807)	2038	3170	3813
Opening cash	13511	21173	16366	18404	21574
Closing cash	**21173**	**16366**	**18404**	**21574**	**25387**

Consolidated Balance Sheet (Rs m)

As at 31st Dec	CY09	CY10	CY11e	CY12e	CY13e
Cash and cash eq	21,177	16,366	18,404	21,574	25,387
Account receivables	5,276	5,491	6,892	8,262	9,792
Cost in excess of billings	1,708	2,277	2,377	2,513	2,647
Deferred income tax	332	762	751	752	752
Prepaid expenses	103	96	95	95	95
Other current assets	484	1,379	1,581	1,806	2,029
Total current assets	29,080	26,372	30,100	35,003	40,702
Investments	-	-	-	-	-
PPE	7,120	6,152	6,364	6,691	7,026
Intangibles	1,104	1,455	1,434	1,436	1,436
Goodwill	3,175	3,146	3,099	3,103	3,103
Other assets	2,983	2,289	2,833	3,395	4,024
TOTAL ASSETS	**43,462**	**39,415**	**43,831**	**49,628**	**56,290**
LIABILITIES					
Trade account payables	606	478	567	679	805
Billing in excess of costs	171	161	158	158	158
Income tax payable	675	632	623	624	624
Accrued expenses	3,864	3,039	3,682	4,414	5,231
Capital lease obligation	4	4	4	4	4
Other liabilities	2,113	3,386	4,060	4,867	5,768
TOTAL CL	7,434	7,699	9,094	10,746	12,590
SH EQUITY					
share capital	301	285	280	281	281
additional paid in	10,289	9,635	9,492	9,504	9,504
Reserves	25,432	21,796	24,964	29,097	33,915
SH EQUITY	36,028	31,716	34,737	38,882	43,700
TOTAL LIABILITIES	**43,462**	**39,415**	**43,831**	**49,628**	**56,290**

Key Ratios & Assumptions

Yr to Dec	CY09	CY10	CY11e	CY12e	CY13e
ROE (%)	15.2	16.8	11.7	12.3	12.5
Volume (chg YoY)	-7	15	19	20	20
Blended Price Realztn (YoY)	-2.4	-6.9	-7.3	0.1	0.1
Avg Realized FX Rate (Rs/US$)	48.23	45.16	44.49	44.55	44.55
Employees	13,995	17,642	19,539	23,889	23,889
SG&A as of Revenue	17.3	17.9	18.8	18.1	18.1
Effective Tax Rate (%)	18.7	16.9	26.0	26.0	26.0

Source: Company data, Morgan Stanley Research; E = Morgan Stanley Research Estimates

United Phosphorus Limited

Strong Double-digit Organic Revenue, Re-rating Outlook Good

Morgan Stanley India Company Private Limited+

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We see an attractive risk-reward balance in UPL (a global generic crop protection company) amongst our Indian agri coverage universe. High crop commodity prices and high farm incomes are key lead indicators for crop protection products demand. Management revenue guidance implies organic growth of ~18% in F12 (ex Rice Co and DVA Agro) and this guidance calls for a re-rating in the stock.

Key Catalysts: High crop commodity prices, high farm incomes, rising input costs, and compelling valuations are key stock catalysts. Strong macro environment for agri commodities bodes well for volume growth.

Key Investor Debates:
Debate #1: Visibility of Revenue Growth:
Market View: Consensus seems to be skeptical on revenue growth.
Our view: High agricultural commodities prices globally (e.g., corn, wheat, soybean, and cotton) bodes well for revenue growth over the next 12 months, in our view.

Debate #2: Operating Margin expansion
Market View: Rise in raw material costs is likely to pressure margins. Hence, scope for margin expansion is limited.
Our view: We expect margin expansion of 110bp by F2014 driven by a combination better absorption of fixed costs and benefits from Cerexagri restructuring (shutdown of Rotterdam manufacturing facility). Contrary to perception, we believe that an environment of modest cost inflation augurs well for earnings progression.

Risks to our Call: 1) Sharp decline in agri commodity prices globally could lead to lower revenues; however, our MS team is bullish on agri commodities. 2) Weather-driven demand destruction in key markets. 3) Intense competition results in higher rebates (discounts), resulting in worse-than-expected operating margins.

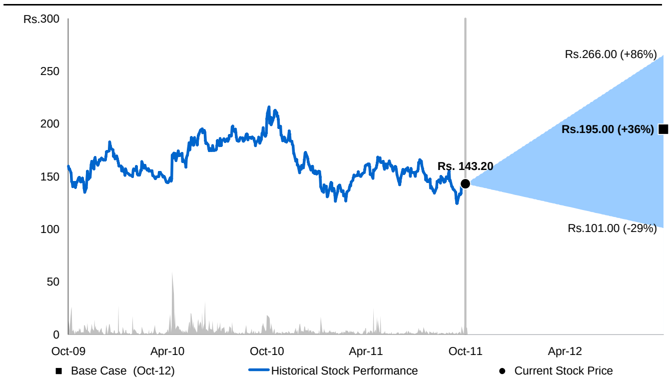
Exhibit 2
UPL: Key Statistics

UNPO.BO	Overweight
12-month price target (Rs)	195.00
52-week range (Rs)	123-217
Market cap, US$(mn)	1,372

Key Ratios	2010	2011	2012E	2013E
PE	12.4	12.2	9.6	8.2
P/BV	2.3	1.9	1.6	1.4
EV/EBITDA	7.0	6.4	5.7	4.8
Div Yield (%)	1.6	1.5	2.0	2.8

Source: Company data, Morgan Stanley Research

Exhibit 2
Key Catalyst: Double-digit organic revenue growth



Source: Company data, FactSet, Morgan Stanley Research

Price Target Rs195		Derived from our base-case residual income valuation. Cost of equity reflects risk-free rate of 7%, ERP of 6%, and beta of 1.1. Terminal growth rate 4%.
Bull Case Rs266	11.8x Bull Case F'13e EPS	**Strong volume and pricing growth; operating margins expand by 290bp:** Revenue CAGR of 23% (F12-14) and EBITDA margin expands by 350bp driven by manufacturing restructuring and higher operating efficiencies.
Base Case Rs195	15x Base Case F'13e EPS	**Strong volume growth; operating margin expand by 110bps by F2014:** We expect revenue CAGR of 18% in F2012-13, driven largely by higher volumes. Margin improves by 110bps over the next three years with F2014E margin of 18.9%.
Bear Case Rs101	14.5x Bear Case F13 EPS	**Poor volume off-take with limited pricing power; margins slide:** Revenue growth remains sluggish due to uncertainty over trend in farm income/weather-related demand destruction. Margins continue to slide on lower off-take and increasing competitive pressures.

Financial Summary

Rs million; Years Ending March

Profit and Loss Statement

(Rs mn, Year Ending Mar)	2010	2011	2012E	2013E	2014E
Net sales	**54,603**	**58,045**	**76,505**	**86,038**	**94,513**
Raw material consumed	29,542	29,881	40,930	45,600	49,147
Employee costs	5,018	5,146	6,885	7,571	8,223
Selling and distribution cost	1,662	2,238	3,219	3,781	4,229
Administrative expenses	8,391	9,674	11,609	13,234	15,087
Foreign Exchange fluctuation	-113	-811	-154	0	0
Operating Profit	**9,878**	**10,295**	**13,708**	**15,852**	**17,828**
Margin (%)	18.3	19.1	18.1	18.4	18.9
Interest (Net)	1,482	1,372	2,015	2,303	2,084
Depreciation	2,147	2,138	2,803	2,957	3,162
Exceptional Items	-302	-140	-144	0	0
Profit before Tax	**5,947**	**6,924**	**9,033**	**10,591**	**12,583**
Income Tax	814	731	1,749	2,330	3,020
Share of Associate company	188	-234	-100	25	50
Minority Interest	59	104	0	80	100
Net Profit (adjusted)	**5,563**	**5,716**	**7,041**	**8,206**	**9,513**
Modelware EPS	**12.0**	**12.4**	**15.2**	**17.8**	**20.6**

Balance Sheet

(Rs mn, Year Ending Mar)	2010	2011	2012E	2013E	2014E
Share Capital	11,196	14,095	14,095	14,095	14,095
Reserves & Surplus	18,722	23,166	28,740	35,058	42,098
Shareholders' Funds	**29,918**	**37,261**	**42,834**	**49,153**	**56,193**
Loan Funds	23,818	24,919	34,919	31,919	27,919
Minority Interest	140	180	180	260	360
Deferred tax liabilities	780	374	374	374	374
Deferred Payment Liabilities	375	731	731	731	731
TOTAL LIABILITIES	**55,031**	**63,465**	**79,039**	**82,437**	**85,577**
Net Fixed Assets	18,128	23,867	31,464	31,006	30,345
Investments	7,612	8,232	8,232	8,232	8,232
Cash and Mkt Securities	15,778	15,659	15,814	15,724	15,438
Debtors	12,135	14,795	23,056	27,108	31,073
Inventory	10,084	14,055	20,185	22,488	24,237
Loans & advances	4,693	4,662	4,700	4,800	5,000
Other current assets	553	743	979	1,101	1,210
Current liabilities and provisions	14,616	19,358	26,201	28,831	30,766
Net Current Assets	12,848	14,898	22,720	26,666	30,754
Deferred Tax Asset	665	809	809	809	809
TOTAL ASSETS	**55,031**	**63,465**	**79,039**	**82,437**	**85,577**

Cash Flow Statement

(Rs mn, Year Ending Mar)	2010	2011	2012E	2013E	2014E
Net income reported	5,563	5,716	7,041	8,206	9,513
Depreciation	2,147	2,138	2,803	2,957	3,162
Interest	1,825	2,309	2,954	3,252	3,027
Chg in working cap	6,526	-2,050	-7,822	-3,946	-4,088
Cash flow from operations	**16,604**	**7,563**	**4,976**	**10,469**	**11,614**
Capital expenditure	-689	-1,019	-1,250	-1,250	-1,250
Strategic investments	-3,279	-620	0	0	0
Intangibles	-1,230	-6,281	-9,150	-1,250	-1,250
Cash flow from investing	**-5,199**	**-7,920**	**-10,400**	**-2,500**	**-2,500**
LT Debt raised	3,153	1,102	10,000	-3,000	-4,000
Dividend (incl. tax)	-1,025	-1,076	-1,379	-1,887	-2,473
Interest paid	-1,825	-2,309	-2,954	-3,252	-3,027
Other cash Flow	-3,229	2,662	56	80	100
Cash flow from financing	**-2,926**	**379**	**5,723**	**-8,060**	**-9,400**
Net chg in cash	**8,479**	**22**	**299**	**-90**	**-287**

Key Ratios

(Rs m, Year Ending Mar)	2009	2010	2011	2012E	2013E
Net sales growth (%)	32.2	10.7	6.3	31.8	12.5
EBITDA growth (%)	21.2	19.1	4.2	33.2	15.6
EBIT margin (%)	12.9	14.2	14.1	14.3	15.0
Return on Avg Equity (%)	20.1	19.6	17.0	17.6	17.8
ROE - Beg Period (%)	22.0	20.8	19.1	18.9	19.2
RNOA (%)	15.5	15.0	16.9	15.6	15.1
Sales/Total Assets (x)	1.0	1.0	0.9	1.0	1.0
Sales/Net FA (x)	2.7	3.0	2.4	2.4	2.8
Debtor turnover (days)	84	81	93	110	115
Inventory turnover (days)	251	125	172	180	180
Current ratio (x)	1.8	1.6	1.5	1.7	1.8
Total debt/Equity (%)	79	82	68	82	66
Net debt/Equity (%)	40	1	3	25	16
Per share data and valuation					
EPS	10.6	12.0	12.4	15.2	17.8
BVPS	57.8	64.8	80.7	92.8	106.4
PE	9.2	12.4	12.2	9.6	8.2
Div Yield (%)	1.8	1.6	1.5	2.0	2.8
P/BV	1.7	2.3	1.9	1.6	1.4
P/sales	0.9	1.3	1.2	0.9	0.8
EV/EBITDA	5.9	7.0	6.4	5.7	4.8
EV/Sales	1.1	1.3	1.2	1.0	0.9

E – Morgan Stanley Research Estimates
Source: Company data, Morgan Stanley Research

IRB Infrastructure: Sum of the Parts Valuation

	Bear Case Assumptions	Base Case Assumptions	Bull Case Assumptions
1. Traffic Growth rates	Slower traffic growth of 5% CAGR for F2012-22, 4% for F2023-32 and 3% beyond F2032 for all of the BOT projects	7% traffic growth For F2012-22; 6% for F2023-32 and 5% beyond F2033 across all of the BOT projects	Traffic grows at 1.1x GDP ie 10% across all the BOT Projects
2. Toll rate increase	WPI is at 4% across the concession period	We have assumed 5% WPI across the concession period of the assets	Same as base case
3. Project wins	We value all current projects	We value all current projects. The Goa project & Ahmedabad project assume a further project risk discount of 14.6%	With Rs 3 bn of excess cash available; we assume IRB wins Rs 15 bn road projects without any further dilution. We value this win at a P/B of 1.25x.
3.Valuation of the construction business	We value the construction business at a 30% discount to peer multiples(higher discount since IRB needs to win projects to sustain its order book momentum).	Construction business is valued at 20% discount to peer mutliples - inline with our basis followed for Lanco and Jaiprakash which have in-house orderbooks	We assume no discount to construction peer multiples
4. Real Estate	We do not assign any value to the land parcel	We do not assign any value to the land parcel	We value only the equity invested in the real estate venture at a P/B of 2 x.
	Bear case value per share	**Base case value per share**	**Bull case value per share**
BOT Projects	75	145	255
Construction	43	58	73
Real Estate & Airport	-	-	6
Future project wins	-	-	27
Total	**118**	**203**	**361**
Probability	0.05	0.80	0.15
Target Price		**223**	

Source: Morgan Stanley Research estimates

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Underweight/Sell	**418**	**15%**	**115**	**11%**	**28%**
Total	**2,828**		**1018**		

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