



Model Portfolio – Sept 2011

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The FOMC's "Twist" could accentuate risk-aversion, exacerbate pressure on INR, dampen commodities including crude, and alleviate interest rate pressures on RBI.

Hence Domestic consumption related sectors to relatively benefit from peaking off of inflation & interest rates. Take off in Infra sectors remain hostage to govt policy moves, high interest rates, global outlook and weak equity markets. Defensives such as FMCG/ Utilities, and interest rate/crude plays (Banking, OMCs) to benefit in the immediate term.

Our model portfolio is being revised in light of the above and current stock/ target prices. Except where obvious from the TP upsides, reasons for change from previous weights are mentioned alongside.

Key sectoral & stock highlights are as follows:

- **Key OW sectors:** Pharma, Power Utilities, Telecom, Consumer & Resources
- **Key UW sectors:** Auto, Cement, Engg & Infra, IT Services, Realty & OilnGas (ex-OMCs)
- **Key Nifty-OW positions:** Bajaj Auto, SBI, PNB, Grasim, TCS, Sterlite Ind, BPCL, Sun Pharma, Dr. Reddy's, JSPL, PGCIL, Tata Power & Bharti.
- **Off-Nifty inclusions:** BoB, PFC, ABNL, Coromandel, Jain Irrigation, Pantaloon, Coal India, Hind Zinc, Lupin & HPCL.
- **Key Nifty UW positions in stocks of mkt cap > USD 10 bn:** TAMO, M&M, BHEL, L&T, HUL, Infosys, Wipro, ONGC, GAIL, NTPC & Cairn.

Nifty-benchmarked ENAM Model Portfolio

Portfolio Monthly update as of 21-Sep-11

Notes: a) Nil-cash portfolio, b) Non-Nifty stocks highlighted in blue & usually capped at 2%, c) Allocations capped at 10% (eg RIL, ICICI), d) Stks of mcap < \$ 1bn excluded irrespective of analyst's upside, e) Tgt pr upsides are based on 1yr analyst-outlook while Model portfolio may be at variance to reflect nearer term concerns/ triggers, allocative imperatives, impending changes in multiples for factors not yet quantifiable into forecasts, f) Highlighted wtgs are those that are changed from previous wtgs, underlined = major OW

| Sector/ Company name | Mcap (USD mn) | CMP (Rs) | Weightages (%) | | Tgt Price (Rs) | Upside (%) | 24-Jun-11 | | | Reasons for wtg changes/ Other comments, except where obvious from TP upside shown |
|---------------------------------------|------------------|-------------|------------------|-------------------|-------------------|---------------|---------------|----------------|---------------------|---|
| | | | Nifty Current | ENAM 21-Sep-11 | | | Price (Rs) | Weights (%) | OW/ UW wrt Nifty | |
| Auto | 45,811 | | 8.2 | 3.5 | | | 5.0 | ▼ | | |
| Tata Motors | 10,167 | 165 | 2.1 | 0.0 | 171 | 4 | 193 | 1.5 | ▼ | Europe worries; risky despite Evoque success |
| Mah & Mah | 10,386 | 814 | 2.4 | 1.0 | 808 | (1) | 672 | 1.0 | ▼ | |
| Bajaj Auto | 9,639 | 1,603 | 1.4 | <u>2.5</u> | 1,743 | 9 | 1,383 | 2.5 | ▲ | |
| Maruti Suzuki | 6,748 | 1,124 | 1.0 | 0.0 | 1,157 | 3 | 1,121 | 0.0 | ▼ | |
| Hero Honda | 8,871 | 2,138 | 1.3 | 0.0 | 2,051 | (4) | 1,866 | 0.0 | ▼ | |
| Banks & Financial Services | 133,022 | | 26.6 | 29.5 | | | 29.5 | ▲ | | Valuations discount asset qlty and credit growth concerns, NIMs stable, Pausing of intt rate hikes likely |
| State Bank | 26,476 | 2,007 | 3.4 | 4.0 | 2,481 | 24 | 2,288 | 4.0 | ▲ | |
| ICICI Bank | 21,583 | 901 | 6.7 | 7.5 | 1,074 | 19 | 1,065 | 9.0 | ▲ | Europe worries |
| HDFC Bank | 23,958 | 493 | 5.7 | 6.0 | 502 | 2 | 476 | 6.0 | ◀▶ | |
| HDFC | 20,601 | 674 | 5.7 | 6.0 | 730 | 8 | 667 | 5.5 | ◀▶ | Floating rate assets keep protecting margins |
| Axis Bank | 9,879 | 1,154 | 1.9 | 2.0 | NR | - | 1,273 | 1.5 | ◀▶ | At neutral wtg |
| PNB | 6,589 | 1,001 | 0.9 | <u>1.5</u> | 1,175 | 17 | 1,063 | 0.0 | ▲ | Among PSBs, hi CASA & lower slippages |
| Kotak Mah Bank | 7,363 | 480 | 1.1 | 0.0 | - | - | 448 | 0.0 | ▼ | |
| IDFC | 3,498 | 115 | 0.9 | 0.0 | 120 | 4 | 124 | 0.0 | ▼ | |
| Reliance Capital | 2,157 | 423 | 0.3 | 0.0 | - | - | 540 | 0.0 | ▼ | |
| BoB | 6,423 | 790 | | 0.5 | 900 | 14 | 865 | 1.5 | | Shifting wt to PNB |
| Power Finance | 4,495 | 164 | | 2.0 | 200 | 22 | 178 | 2.0 | | |
| Cement | 16,698 | | 3.0 | 2.0 | | | 2.0 | ▼ | | Cement scenario continues to be bad |
| Grasim Inds | 4,490 | 2,357 | 1.0 | <u>2.0</u> | 2,833 | 20 | 2,089 | 2.0 | ▲ | |
| Ambuja Cement | 4,755 | 149 | 0.8 | 0.0 | 135 | (10) | 133 | 0.0 | ▼ | |
| ACC | 4,185 | 1,073 | 0.7 | 0.0 | 962 | (10) | 978 | 0.0 | ▼ | |
| JP Associates | 3,267 | 74 | 0.5 | 0.0 | 86 | 16 | 79 | 0.0 | ▼ | |

continued...

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|---------------------------------|------------------|-------------|------------------|-------------------|-------------------|---------------|---------------|----------------|---------------------|---|
| | | | Nifty Current | ENAM 21-Sep-11 | | | Price (Rs) | Weights (%) | OW/ UW wrt Nifty | |
| Engineering & Infra | 54,867 | | 8.0 | 5.0 | | | 10.0 | | ▼ | |
| BHEL | 16,665 | 1,639 | 1.7 | 1.0 | 2,135 | 30 | 1,947 | 1.5 | ▼ | FPO overhang in near term |
| Larsen & Toubro | 19,836 | 1,562 | 5.4 | 4.0 | 1,900 | 22 | 1,739 | 6.5 | ▼ | Govt inactivity esp on Power & Land to keep order flow depressed; valns do not capture further downgrades |
| Siemens | 6,332 | 896 | 0.5 | 0.0 | 800 | (11) | 879 | 0.0 | ▼ | |
| Reliance Infra | 2,549 | 459 | 0.4 | 0.0 | UR | - | 530 | 0.0 | ▼ | |
| Mundra | 6,523 | 157 | | 0.0 | 170 | 8 | 154 | 1.0 | | |
| Crompton Greaves | 2,128 | 160 | | 0.0 | 179 | 12 | 258 | 1.0 | | |
| FMCG, Media, Retail, etc | 53,895 | | 9.1 | 11.5 | | | 11.5 | | ▲ | |
| ITC | 31,874 | 198 | 6.8 | 7.5 | - | - | 195 | 7.5 | ◀▶ | |
| Hindustan Unilever | 15,233 | 339 | 2.3 | 1.0 | 275 | (19) | 324 | 1.0 | ▼ | |
| Sun TV | 2,438 | 298 | | 0.0 | UR | - | 365 | 1.0 | | Political issues continue |
| Coromandel International | 1,819 | 310 | | 1.0 | 400 | 29 | 330 | 1.0 | | |
| Jain Irrigation | 1,363 | 170 | | 1.0 | 222 | 31 | 157 | 1.0 | | |
| Pantaloon Retail | 1,168 | 257 | | 1.0 | 377 | 47 | 281 | 0.0 | | Massive upside IF FDI in Retail announced |
| IT - Services | 100,403 | | 12.9 | 10.5 | | | 12.0 | | ▼ | Global worries to offset bear term INR deprecn benefit |
| Tata Consultancy | 42,416 | 1,043 | 3.4 | 5.5 | 1,059 | 2 | 1,136 | 5.5 | ▲ | |
| Infosys Tech | 29,030 | 2,433 | 7.6 | 5.0 | 2,248 | (8) | 2,862 | 5.5 | ▼ | Reducing overall IT allocation |
| Wipro | 18,147 | 355 | 1.2 | 0.0 | 289 | (19) | 423 | 0.0 | ▼ | |
| HCL Tech | 5,810 | 406 | 0.6 | 0.0 | 473 | 17 | 493 | 1.0 | ▼ | Reducing overall IT allocation |
| Resources | 100,072 | | 5.4 | 6.0 | | | 5.0 | | ▲ | No changes, Europe a worry |
| SAIL | 9,749 | 114 | 0.4 | 0.0 | UR | - | 136 | 0.0 | ▼ | |
| Tata Steel | 9,134 | 458 | 2.0 | 0.0 | 503 | 10 | 579 | 0.0 | ▼ | |
| Sterlite Inds | 9,371 | 134 | 1.2 | 1.5 | 173 | 29 | 160 | 1.5 | ▲ | |
| Hindalco Inds | 5,808 | 146 | 1.2 | 0.0 | 124 | (15) | 173 | 0.0 | ▼ | |
| Sesa Goa | 3,976 | 220 | 0.6 | 0.0 | - | - | 280 | 0.0 | ▼ | |
| Coal India | 50,421 | 384 | | 3.5 | 419 | 9 | 390 | 2.5 | | Will be part of Nifty (~1.5%) from 10 Oct, v defensive |
| Hindustan Zinc | 11,615 | 132 | | 1.0 | 152 | 15 | 131 | 1.0 | | |

continued...

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|---|------------------|--------------|------------------|-------------------|--------------------------------|---------------|---------------|----------------|---------------------|---|
| | | | Nifty Current | ENAM 21-Sep-11 | | | Price (Rs) | Weights (%) | OW/ UW wrt Nifty | |
| Oil & Gas | 157,540 | | 14.0 | 12.5 | | | 11.0 | | ▼ | Crude to fall, Brent ests 110/ 105 avg for FY 12/ 13 |
| Reliance Inds | 57,018 | 838 | 9.2 | 8.0 | 1,100 | 31 | 870 | 7.0 | ▼ | No near triggers, but most under-owned mega-cap Allocation, to invest in FPO |
| ONGC | 46,413 | 261 | 2.3 | 1.5 | 325 | 24 | 273 | 1.5 | ▼ | |
| Cairn | 11,780 | 298 | 0.7 | 0.0 | - | - | 310 | 0.0 | ▼ | |
| GAIL | 11,351 | 431 | 1.3 | 0.0 | 415 | (4) | 449 | 0.0 | ▼ | |
| BPCL | 4,975 | 662 | 0.6 | 1.5 | 740 | 12 | 634 | 0.5 | ▲ | Crude fall likely in near term+ exploration upside |
| Indian Oil | 15,540 | 308 | | 0.0 | 335 | 9 | 337 | 0.5 | | |
| Oil India | 6,607 | 1,322 | | 0.0 | 1,490 | 13 | 1,282 | 0.5 | | |
| HPCL | 2,606 | 370 | | 1.5 | 400 | 8 | 393 | 1.0 | | Most levered to falling crude |
| Pharmaceuticals | 34,669 | | 3.8 | 5.5 | | | 5.0 | | ▲ | |
| Sun Pharma | 10,363 | 484 | 1.2 | 2.0 | 570 | 18 | 490 | 0.0 | ▲ | |
| Dr Reddy | 5,377 | 1,528 | 1.2 | 2.0 | 1,789 | 17 | 1,497 | 3.0 | ▲ | Domestic sales weak, but para IV newsflow may improve by Dec |
| Cipla | 4,729 | 284 | 0.9 | 0.0 | 310 | 9 | 326 | 0.0 | ▼ | |
| Ranbaxy Lab | 4,293 | 490 | 0.5 | 0.0 | 495 | 1 | 536 | 0.0 | ▼ | |
| Lupin Ltd | 4,513 | 486 | | 1.5 | 540 | 11 | 430 | 2.0 | | |
| Power Utilities | 59,728 | | 5.1 | 7.0 | | | 6.0 | | ▲ | |
| NTPC | 29,612 | 173 | 1.4 | 0.0 | 171 | (1) | 182 | 0.0 | ▼ | |
| Jindal Steel & Power | 10,814 | 557 | 1.4 | 2.0 | 662 | 19 | 634 | 2.0 | ▲ | |
| Power Grid | 9,537 | 99 | 0.9 | 3.0 | 120 | 21 | 104 | 2.0 | ▲ | Defensive cash-equivalent, execution to revive |
| Reliance Power | 4,837 | 83 | 0.3 | 0.0 | UR | - | 112 | 0.0 | ▼ | |
| Tata Power | 4,928 | 999 | 1.0 | 2.0 | 1,202 | 20 | 1,276 | 2.0 | ▲ | |
| Real Estate | 8,146 | | 0.5 | 0.0 | | | 0.0 | | ▼ | |
| DLF | 7,517 | 213 | 0.5 | 0.0 | 225 | 6 | 217 | 0.0 | ▼ | |
| Telecommunications | 36,878 | | 3.4 | 7.0 | | | 3.0 | | ▲ | |
| Bharti Airtel | 30,969 | 393 | 3.1 | 6.0 | 490 | 25 | 391 | 3.0 | ▲ | Pricing power, 3G monetisation, Africa turnaround. Valuations discount Fx worries - only a translation impact and USD may depreciate by FY 13 |
| Reliance Com | 3,656 | 85 | 0.4 | 0.0 | - | - | 94 | 0.0 | ▼ | |
| Aditya Birla Nuvo | 2,253 | 956 | | 1.0 | - | - | 871 | 0.0 | | At CMP, insurance biz is free; potential candidate for banking licence |
| Nifty Index | | | 100.0 | 100.0 | | | 100.0 | | | |
| Nifty Index performance | | | | | From Inception 7-Jan-10 | | (2.5) | | | |
| ENAM Model Portfolio performance | | | | | From Inception 7-Jan-10 | | (0.8) | | | |

Source: Bloomberg; ENAM Research

Note: Price as on 21-September-2011

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