STOCK IDEAS FOR

2  9

Chintan Mewar
Tel: +91 22 4000 2665
email: cmewar@finquestonline.com

Sunny Agrawal
Tel: +91 22 4000 2667
email:sagrawal@finquestonline.com

December 31, 2008

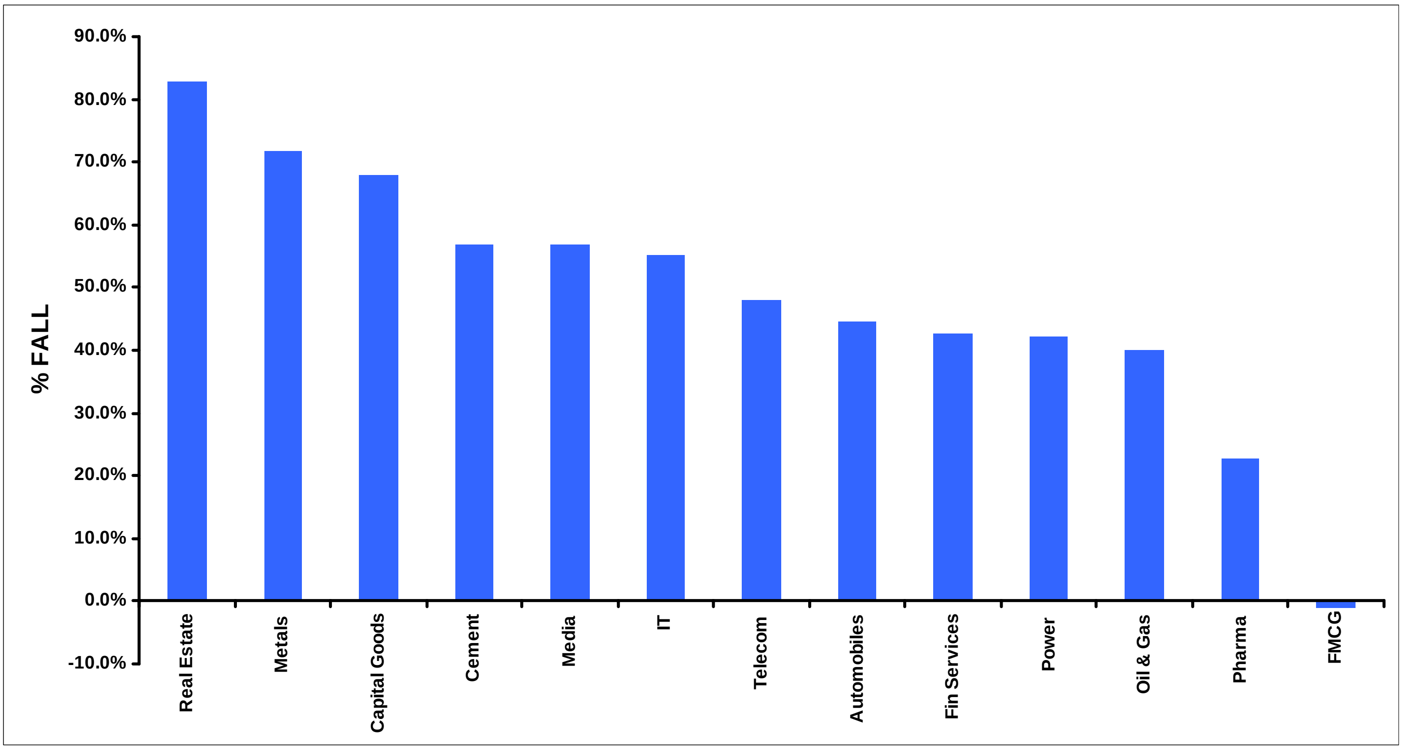
FINQUEST™
YOUR FINANCIAL GOAL. OUR QUEST

Macro Triggers for 2009

Indian market ended CY08 in a sad note with benchmark index hammered by 52%. We see CY09 to be the year of consolidation with low volumes in 1HCY09 barring result season. We also believe CY09 will end with benchmark index giving returns 15% in rupee and 20% in dollar terms and expect foreign money to pour in by CY09. We also believe GDP to show 8% growth in 4QCY09. Key contributors to real GDP growth in 4QCY09 would be low inflation in FY10 (< 5%), low subsidy (crude and fertilizers), low interest rates (6%-7%) resulting in credit off take, reforms, fiscal stimulus, FDI investments, and infrastructure development.

We also see risk emanating from election which can throw surprise in terms of third front coming to power and reforms taking a backseat.

Sectorwise average percentage fall in CY08



In **Oil & Gas** sector, fall in oil price and dollar will benefit PSU refining and marketing companies, while, downturn in petrochemical and refining margins will hurt downstream company. Our long term forecast of Oil is USD 60-70 per barrel that makes us bullish on upstream companies. We have a positive view on the sector. In **Financial Services**, easy liquidity by the RBI provides banks room to cut interest rates without hurting margins. Secondly, falling bond yields should lead to treasury gains. Government banks should benefit most from these factors.

Resilience to the economic slow-down and strong earnings growth make us positive on **Telecom** sector. We expect ARPU to fall down but margins to remain intact for top players because of distribution of fixed cost on larger base. In **Power** sector, as electricity demand is forecasted to grow at 8% CAGR by FY12E, we expect continuing power shortages. This should retain pressure on Central & State Governments to continue to offer attractive returns for utilities at 14 percent. However, rich valuations make companies unattractive. We have a positive view on the sector. For **Information Technology**, we believe the contagion in the financial industry globally and the economic slowdown will severely hit discretionary IT spend. We expect vendor rationalization and renewal of contracts to put pressure on margins. We have a negative view on the sector.

For **Capital Goods/ Construction/ Engineering** sector, given the current order backlog, near term earnings are relatively secure. Sector will gain from the fall in interest rates. However, we perceive sharp decline in order inflows and order cancellation for next one year. We have a positive view on the sector. In **FMCG**, steady earnings growth and margin expansion from falling raw material prices are positive for the sector. However, stocks quote at relatively high premiums to the market. We have a negative view on the sector. Global slow-down is likely to hurt demand for the **Metals** sector and continue to keep prices under pressure. We expect rebound in 2HCY09 due to incremental demand from US & China & steep correction in CY08. We have positive view on the sector.

We expect **Real Estate** prices to soften in CY09. This coupled with fall in interest rates will lead to demand for medium/low cost housing by end of 2009. Real estate stocks have corrected by almost 80% in CY08; we expect bounceback by 2HCY09 in real estate stocks. We have positive view on sector. We are negative on the **Automobile** sector due to poor demand scenario. However, we expect rural demand to pick up post Rabi season. Dealer discount is expected to increase. Fall in metal price will ease cost pressures. The **Pharmaceuticals** sector is characterized by steady earnings growth driven by robust growth in developing markets and scale-up in US generics business. Its defensive characteristics make it safe in the current environment. We have a positive view on the sector.

For **Cement** companies, despite easing energy prices globally, we think EBITDA margins of cement majors will stay under pressure in FY10E led by lower cement prices due to slowdown in demand and capacity expansion. We have a negative view on the sector. The **Media** industry is poised to witness a take off in growth trajectory led by digitization of distribution; we do see signs of weakness in ad markets due to slowdown in domestic demand. We have positive view on the sector.

FINQUEST
YOUR FINANCIAL GOAL. OUR QUEST

December 31, 2008

Cairn India Ltd.

CMP: Rs 172 **Outperformer**

Sector: Oil & Gas

Key Data

Market Cap (Rs bn)	326
Market Cap (US$ mn)	6726
52 WK High / Low	342/88
Avg Daily Volume (BSE)	1198332
Face Value (Rs)	10
BSE Sensex	9716
Nifty	2980
BSE Code	532792
NSE Code	CAIRN
Reuters Code	CAIL.BO
Bloomberg Code	CAIR IN

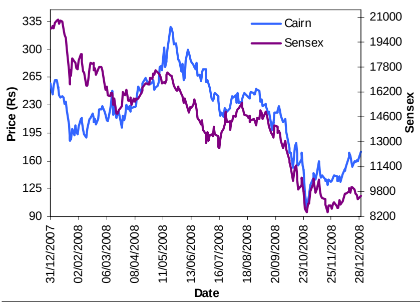
Shareholding Pattern (%)

Promoters	65.0
MF/Banks/Indian FIs	5.0
FII/ NRIs/ OCBs	26.0
Indian Public	4.0

Price Performance (%)

	Absolute	Relative
3 Months	(17.5)	6.8
6 Months	(37.2)	(8.1)
12 Months	(33.1)	19.9

Cairn India Ltd. vs BSE



Cairn India was incorporated as a subsidiary of Cairn Energy PLC (UK) to own and operate all of Cairn Plc's Indian E&P assets. Cairn India has operating interests in producing fields in KG Basin and the Cambay Basin offshore. However, most reserves accrue from the Rajasthan Block where production commences in 2009. Post-IPO, Cairn Plc holds 69.5% in Cairn India.

Key Positives in CY09

Crude Theory: In CY09 we see bounce back in crude oil from its bottom. We see bottom in 1QCY09 (USD 30 per barrel approx) and we expect it hover around to USD 55-60 per barrel in 2HCY09. This will benefit Cairn India Limited as market is discounting current price of crude for long term while production will start in 2HCY09.

Reserve Accretion: Cairn India has one of the finest onshore oil finds in India in its Rajasthan block. Recent success near its Rageshwari field also demonstrates potential for the incremental reserves from the areas around discoveries already made under license. We also expect success in its east coast fields in CY09.

Production start in 2HCY09: Cairn will start producing oil from its Rajasthan field in 2HCY09 and will reach peak production in CY10. We expect company to generate incremental cash flows from 2HCY09 and substantial cash flows in CY10. We also expect oil price to stabilize in CY10 to USD 60 per barrel.

Risk to our call

Cess Issue: Government is demanding cess of INR 2,675/MT. Cairn India believes it is not liable to pay any cess and is currently contesting cess payment with the government. Higher cess payment in CY09 would be negative for Cairn India.

Rupee Dollar: Any significant appreciation in rupee will bring down the realisation of oil in CY09 for Cairn India Limited.

Valuation: At current market price, Cairn India is trading at 3.7 x its CY10E EPS. We believe valuations are inexpensive and market is discounting current oil price weakness for CY09 and CY10. Hence, we rate the stock as **Outperformer** in CY09.

Key Financials

Particulars INR mn	CY07	CY08E	CY09E	CY10E
Net Sales	10123	12680	45715	148500
EBITDA	6672	8900	33440	110850
EBITDA%	65.9	70.2	73.1	74.6
PAT	(245)	4850	22800	88850
PAT%	(2.4)	38.2	49.9	59.8
EPS	(0.1)	2.6	12.0	46.9
P/E	NA	66.2	14.3	3.7

FINQUEST™ YOUR FINANCIAL GOAL. OUR QUEST

Sector: Pharmaceutical

December 31, 2008

Ranbaxy Laboratories Ltd.

CMP: Rs 232 **Outperformer**

Key Data

Market Cap (Rs bn)	98
Market Cap (US$ mn)	2011
52 WK High / Low	613/164
Avg Daily Volume (BSE)	1093342
Face Value (Rs)	5
BSE Sensex	9716
Nifty	2980
BSE Code	500359
NSE Code	RANBAXY
Reuters Code	RANB.BO
Bloomberg Code	RBXY IN

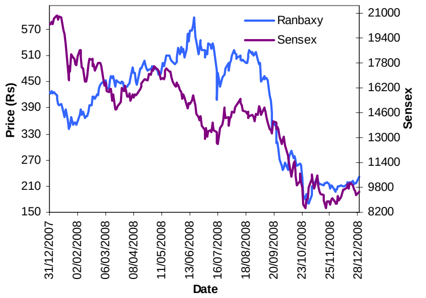
Shareholding Pattern (%)

Promoters	35.0
MF/Banks/Indian FIs	12.0
FII/ NRIs/ OCBs	9.0
Indian Public	44.0

Price Performance (%)

	Absolute	Relative
3 Months	(9.2)	15.1
6 Months	(55.6)	(26.4)
12 Months	(45.5)	7.5

Ranbaxy Laboratories Ltd. vs BSE



Ranbaxy Laboratories is India's largest pharmaceutical company ranking among the top 10 generic players in the world. About 80% of Ranbaxy's revenues are derived from international markets viz. US generics (26% of 07 revenues), EU generics (15% of 07 revenues) and BRICS/ Emerging markets (55% of 07 revenues). Ranbaxy has strengthened its BRICS/Emerging market focus through Terapia and Be-Tabs acquisitions. The company is now owned by Daiichi of Japan.

Key Positives in CY09

Exploring Japanese Markets: Daiichi is among the leading Japanese pharma majors with strong presence in Japan as well as worldwide. Generics drugs account for only 5-6% (or 17% in terms of volume) of USD60 billion of the Japanese pharma market. Japanese government is planning to increase generic share to 30% by CY12.

High healthcare cost and ageing population (Japanese have longest life) will make it imperative for the government to aggressively pursue use of generic drugs. We expect Ranbaxy-Daiichi to aggressively look at Japanese generic market in CY09, we also feel Japanese owner ship of the Ranbaxy will make it easier for Ranbaxy to achieve faster penetration in Japanese market.

Cash Flows: Daiichi has already invested USD 740 million in Ranbaxy that is expected to be utilised for repaying the high-cost debt and for acquisitions in the overseas branded generics market. We expect healthier balance sheet and increase in revenue due to acquisition in CY09.

US FDA Ban: The US FDA has imposed a ban on import of 30 drugs manufactured at Ranbaxy's two Indian plants - Dewas and Poanta Sahib - effective September 2008. Post the ban, Ranbaxy has retained services of the former New York City Mayor, Rudy Giuliani, for advice and reviewing compliance issues related to the US FDA. Any positive news related to ban in 2009 will increase the valuation of the company.

Risk to our call

Margin Pressure: Ranbaxy's developed market business is showing decline in revenue. We expect the impact on EBITDA would be greater than the loss of revenues because the company would still need to incur fixed costs for the US and European operations. Any steep fall in margins will be negative to stock price.

Valuation: At current market price, Ranbaxy is trading at 10.9 x its CY09 EPS, a sharp discount to its historical forward earning multiple of 15x. We rate the stock as **Outperformer** in CY09.

Key Financials

Particulars INR mn	CY06	CY07	CY08E	CY09E
Net Sales	60170	65904	81500	87050
EBITDA	7561	6458	9670	10325
EBITDA%	12.6	9.8	11.9	11.9
PAT	5103	7901	5075	8950
PAT%	8.5	12.0	6.2	10.3
EPS	12.1	18.8	12.1	21.3
P/E	19.2	12.3	19.2	10.9

FINQUEST
YOUR FINANCIAL GOAL. OUR QUEST

December 31, 2008

Reliance Communication Ltd.

CMP: Rs 213 | **Outperformer**

Sector: Telecommunication

Key Data

Market Cap (Rs bn)	440
Market Cap (US$ mn)	9065
52 WK High / Low	844/148
Avg Daily Volume (BSE)	3187575
Face Value (Rs)	5
BSE Sensex	9716
Nifty	2980
BSE Code	532712
NSE Code	RCOM
Reuters Code	RLCM.BO
Bloomberg Code	RCOM IN

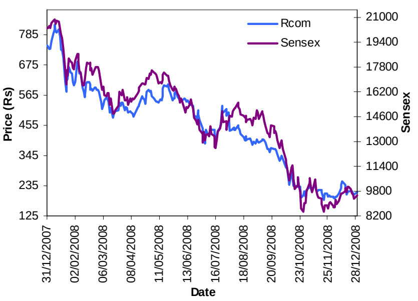
Shareholding Pattern (%)

Promoters	66.0
MF/Banks/Indian FIs	9.0
FII/ NRIs/ OCBs	12.0
Indian Public	13.0

Price Performance (%)

	Absolute	Relative
3 Months	(34.8)	(10.5)
6 Months	(51.9)	(22.7)
12 Months	(71.5)	(18.5)

RCom. vs BSE



Rcom is the second largest telecom operator in India. The company provides wireless telephony service through CDMA technology. The company also caters to long distance and enterprise businesses in India. The company owns 100% of the global undersea cable company Flag Telecom. RCom acquired US-based ethernet service provider "Yipes Holdings" in FY08 for a consideration of USD300 million.

Key Positives in CY09

Roll-out of GSM : RCom is launching its nationwide GSM in Jan 2009, 6 months ahead of schedule. We expect foray in GSM technology to help rollout of 3G faster in 2009 and increase blended ARPU of GSM and CDMA techonology. This will also increase RCom's market share in Indian telecom industry. Currently, Rcom has wireless market share of around 17% and post GSM launch, it is expected to increase to 23.1% by FY2010.

Cheap Fund: Reliance Communications (RCOM) has raised a fresh line of credit of USD 1.5 billion in Dec08 from leading international export development banks at LIBOR plus 150 bps. The rate is significantly less than the rates of 10-11% at which loans are available from commercial banks. This funds can be used for GSM network rollout and bidding for 3G spectrum. RCom will also get refund of INR 1.1 billion as it is surrendering the permission for dual technology in six circles where it already has GSM services.

Buyback of FCCB: Taking advantage of RBI's permission to buyback FCCBs, RCOM is set to buyback whole or part of its FCCBs issued in February 2007 at 50%+ discount. In first tranche, RCom will use rupee resources to buyback bonds worth USD 50 million. Later on, the company will also look at buying back using forex from the market. This move will help RCOM to reduce the liability and forex exposure. On the top of that, the capital gain is attractive at the current market price. This effect will be seen in CY09 in company balance sheet.

Tower Business: Potential to unlock value in the tower business and international operations through Reliance Globalcom. We think the tower spin would lead to a lower depreciation rate for the sector as a whole.

Risk to our call

Entry of New Players: There is key risk of heightened competition due to entry of many new players like Unitech, Swan Telecom et al in GSM space. Also Rcom lags behind big players like Bharti, BSNL and Idea in GSM space, as all the big players have presence in this space right from start.

Increasing Subsidy: RCom may increase GSM handsets subsidies to stay ahead of competitors. This may lead to more provisioning in P&L and hence PBIT margins may get impacted.

Valuation: At current market price, RCom is trading at 5.4 x its FY10E EPS. We rate the stock as **Outperformer** in CY09.

Key Financials

Particulars INR mn	FY07	FY08	FY09E	FY10E
Net Sales	144683	190678	278493	374122
EBITDA	57210	81992	116716	154375
EBITDA Margin	39.5	43.0	41.9	41.3
PAT	31638	54012	65317	81473
PAT Margin	21.9	28.3	23.5	21.8
EPS	15.5	24.8	31.7	39.5
PE	13.7	8.6	6.7	5.4

Sector: Oil & Gas

December 31, 2008

Reliance Industries Ltd.

CMP: Rs 1246 **Outperformer**

Key Data

Market Cap (Rs bn)	1961
Market Cap (US$ mn)	40432
52 WK High / Low	3252/930
Avg Daily Volume (BSE)	1913979
Face Value (Rs)	10
BSE Sensex	9716
Nifty	2980
BSE Code	500325
NSE Code	RELIANCE
Reuters Code	RELI.BO
Bloomberg Code	RIL IN

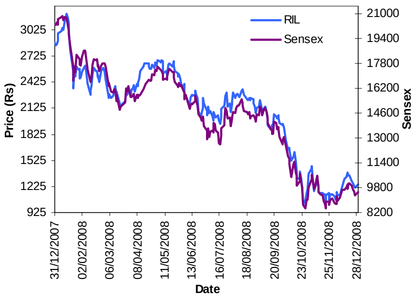
Shareholding Pattern (%)

Promoters	45.0
MF/Banks/Indian FIs	9.0
FII/ NRIs/ OCBs	28.0
Indian Public	18.0

Price Performance (%)

	Absolute	Relative
3 Months	(35.4)	(11.1)
6 Months	(40.4)	(11.2)
12 Months	(56.7)	(3.7)

Reliance Industries Ltd. vs BSE



RIL is India's largest petrochemical and second largest refining company, RIL owns a 660kbpd refinery. Along with RPL, its total refining capacity would be 1.2mbpd by 2009. It also has a 900ktpa cracker, 1mtpa polyester, 1.9mtpa polymer and over 3mtpa of fibre intermediate capacities. Refining contributes 55% to revenues with petrochemical contributes 43% of revenue. RIL has discovered gas with 1P reserves of over 40tcf on the East Coast.

Key Positives in CY09

RPL on Stream: RIL has commenced production from its RPL refinery recently. We expect the RPL to reach full capacity in next 2 months. RPL will add significantly to the consolidated revenue of RIL in CY09. RPL is the most complex and versatile refinery in the world hence it will command premium valuation due to higher refinery margins.

Gas Production: RIL is expected to start producing gas from KG basin from Jan CY09. We expect significant ramp up in volumes post start of initial production in Jan CY09. We also expect revenue from gas to more than offset decline in petrochemical margins and low GRMs in CY09.

Fund Raising: RIL has raised funds around INR 290 billion (USD 6.2 billion) in the October-December quarter. The amount includes money put in by the company's main promoter and that raised through debt. We expect mega plan in terms of big projects and acquisition in CY09. We believe any such incidence will be positive to the company.

Risk to our call

Ongoing Gas Dispute: Ongoing gas dispute involving RIL, RNRL and NTPC may result negative to neutral outcome on RIL. If the outcome comes negative, the stock price will experience downward pressure.

Valuations: At current market price, RIL is trading at 8.9x its FY10E EPS. We rate the stock as **Outperformer** in CY09.

Key Financials

Particulars INR mn	FY07	FY08	FY09E	FY10E
Net Sales	1114927	1334430	1855650	2658590
EBITDA	198462	233056	245950	410800
EBITDA%	17.8	17.5	13.3	15.5
PAT	116434	147869	148550	220180
PAT%	10.4	11.1	8.0	8.3
EPS	74.0	94.0	94.4	139.9
P/E	16.8	13.3	13.2	8.9

FINQUEST
YOUR FINANCIAL GOAL. OUR QUEST

Sector: Capital Goods/Engineering/Construction

December 31, 2008

Reliance Infrastructure Ltd.

CMP: Rs 562 **Outperformer**

Key Data

Market Cap (Rs bn)	130
Market Cap (US$ mn)	2675
52 WK High / Low	2631/354
Avg Daily Volume (BSE)	1790613
Face Value (Rs)	10
BSE Sensex	9716
Nifty	2980
BSE Code	500390
NSE Code	RELINFRA
Reuters Code	RLIN.BO
Bloomberg Code	RELI IN

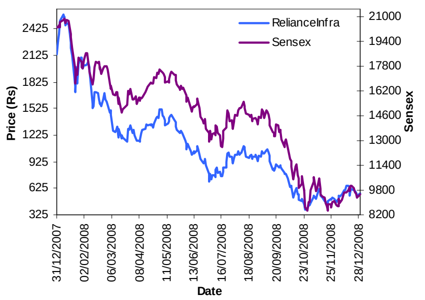
Shareholding Pattern (%)

Promoters	37.0
MF/Banks/Indian FIs	25.0
FII/ NRIs/ OCBs	20.0
Indian Public	18.0

Price Performance (%)

	Absolute	Relative
3 Months	(29.2)	(4.8)
6 Months	(28.3)	0.8
12 Months	(73.7)	(20.6)

Reliance Infrastructure Ltd. vs BSE



Reliance Infrastructure Ltd (RELI) is not only India's largest private sector enterprise in power utility but also the largest private sector player in many other infrastructure sectors of India. In the power sector the company is involved in generation, transmission, distribution and trading of electricity and constructing power plants as EPC partners. In the infrastructure space the company is focused on roads and Urban infrastructure.

Key Positives in CY09

Largest Portfolio of Road Projects: The Company has emerged as a sole bidder for NHAI's Eastern Peripheral Expressway entailing investment of INR 27 billion. This project would take Reliance Infrastructure road portfolio to 601 kms worth INR 65 billion and has emerged as one of the largest BOT concessionaire for NHAI.

Recent stimulus package by government to allow re-financing of highway projects will make ROI attractive for Reliance Infrastructure. Further, toll revenue from 2 road projects in Tamil Nadu is expected to commence immediately after Jan CY09 when the project is expected to be completed.

Projects Ahead of Schedule: Reliance Metro One and Rosa Power (Rpower's project) is expected to be completed ahead of schedule. Any further development in this regard in CY09 will boost investor's confidence in execution capability of Reliance Infrastructure.

Engineering Space: Apart from being EPC contractor to power projects of Rpower, Reliance infrastructures tied up with China Metallurgical Corporation for setting up steel plants and Shanghai Electric Corporation for supplying BTG equipments on preferred client basis. Any further development in terms of entering into nuclear power space in CY09 will be positive for the stock.

Risk to our call

Financial Closure of Rpower: The Company faces risk of cancellation or delay in orders received from Rpower, in case of delays in financial closure or project execution of Rpower's projects.

Valuation: At current market price, Reliance Infrastructure is trading at 10.4x its FY10E EPS. Given the opportunities in the sector, we expect robust increase in EPC's revenues as well as order intake and stable revenues from the Generation biz. We rate the stock as **Outperformer** in CY09.

Key Financials

Particulars INR mn	FY07	FY08	FY09E	FY10E
Net Sales	68316	82948	87096	95805
EBITDA	5316	4804	5226	5940
EBITDA%	7.8	5.8	6.0	6.2
PAT	8345	11782	12106	12455
PAT%	12.2	14.2	13.9	13.0
EPS	36.1	51.0	52.4	53.9
P/E	15.6	11.0	10.7	10.4

Sector: Information Technology

December 31, 2008

Satyam Computer Services Ltd.

CMP: Rs 148 **Outperformer**

Key Data

Market Cap (Rs bn)	100
Market Cap (US$ mn)	2056
52 WK High / Low	544/114
Avg Daily Volume (BSE)	1811506
Face Value (Rs)	2
BSE Sensex	9716
Nifty	2980
BSE Code	500376
NSE Code	SATYAMCOMP
Reuters Code	SATY.BO
Bloomberg Code	SCS IN

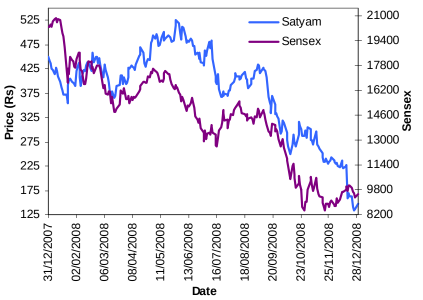
Shareholding Pattern (%)

Promoters	9.0
MF/Banks/Indian FIs	14.0
FII/ NRIs/ OCBs	68.0
Indian Public	9.0

Price Performance (%)

	Absolute	Relative
3 Months	(49.3)	(25.0)
6 Months	(66.1)	(36.9)
12 Months	(67.0)	(14.0)

Satyam Computers vs BSE



Satyam is a leading global business and information technology company, delivering consulting, systems integration, and outsourcing solutions to clients in over 20 industries. Satyam follows global delivery model and serves 690 clients, including 185 Fortune 500 companies with employee strength of 52865.

Key Positives in CY09

Cash Rich: Satyam has net cash position of USD 1.3 billion, which results in cash of INR 92 per share. We believe in current market situation it can be utilized for value accretion for shareholders be it buyback or huge dividend out go in CY09.

UPaid, World Bank News: The recent negative sentiments created due to UPaid and World Bank news is already known to investors' community. World Bank has not renewed its contract in September 2008 and damage in UPaid case will be substantially lower than USD 1 billion. Both the news was already discounted by investor community in forward earnings.

Change in Ownership Structure: Any change in ownership structure in future (Founder stake < 10%) might lead to re-rating of the stock.

Risk to our call

Earning Reduction: There are chances of fall in billing rates and reduced IT spending and billing rates at client level due to global slowdown.

Valuation: At current market price, Satyam is trading at 4.3 x its FY09E EPS. We think the stock is oversold on the back of all the recent bad news and corporate governance issue. Now, with the management in damage control mode, we rate the stock as **Outperformer** in CY09.

Key Financials

Particulars INR mn	FY06	FY07	FY08	FY09E
Net Sales	47925	64850	84734	113822
EBITDA	11560	15378	18212	26324
EBITDA Margin	24.1	23.7	21.5	23.1
PAT	11417	14047	16878	22952
PAT Margin	23.8	21.7	19.9	20.2
EPS	17.1	20.5	24.6	34.1
PE	8.7	7.2	6.0	4.3

FINQUEST
YOUR FINANCIAL GOAL. OUR QUEST

December 31, 2008

Sterlite Industries (India) Ltd.

CMP: Rs 252 | **Outperformer**

Sector: Metals

Key Data

Market Cap (Rs bn)	179
Market Cap (US$ mn)	3682
52 WK High / Low	1084/164
Avg Daily Volume (BSE)	901682
Face Value (Rs)	2
BSE Sensex	9716
Nifty	2980
BSE Code	500900
NSE Code	STER
Reuters Code	STRL.BO
Bloomberg Code	STLT IN

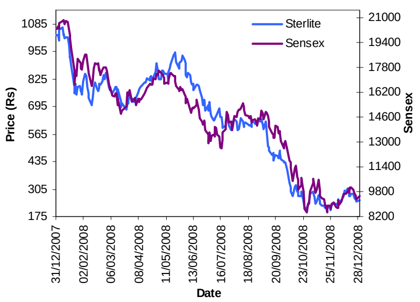
Shareholding Pattern (%)

Promoters	62.0
MF/Banks/Indian FIs	6.0
FII/ NRIs/ OCBs	25.0
Indian Public	7.0

Price Performance (%)

	Absolute	Relative
3 Months	(41.6)	(17.3)
6 Months	(64.0)	(34.8)
12 Months	(75.6)	(22.6)

Sterlite Industries vs BSE



Sterlite is a non-ferrous metal major with a presence in aluminium, zinc and copper. It is a custom copper smelter (capacity 400,000 tpa) with treatment and refining charges (TC/RCs) driving profit. Sterlite is in the lowest-cost quartile of worldwide copper smelting operations. Its aluminium revenues and profits come from its 51% ownership of Bharat Aluminium Co (Balco), with smelter capacity of 355,000 tpa. Sterlite's zinc and lead revenues come from its 64.9% holding in Hindustan Zinc Ltd (HZL), an integrated zinc producer with a 60% domestic share.

Key Positives in CY09

Cycle Reversal: We expect aluminium cycle to reverse by 2HCY10. Aluminium inventory is already at its peak in LME due to demand destruction. We expect fiscal stimulus in US (Obama plan to revamp power infrastructure) and China's infrastructure push to be new demand drivers for base metals especially aluminium and copper. Sterlite is the lowest cost producer of base metals and will benefit from this reversal.

Acquisition: With USD 3 billion in cash and access to ore reserves, Sterlite will be the front runner for any acquisition opportunities in CY09. We expect low metal price, high cost and liquidity crunch to make some of the global base metal assets redundant in CY09. This will provide Sterlite opportunity to acquire them at attractive valuation in CY09.

Power Punch: Sterlite's wholly-owned subsidiary Sterlite Energy is setting up a 2,400MW (600MWX4) greenfield coal-based power plant at Orissa scheduled for commissioning by December CY09.The company has coal block allocations of 112 million tons ensuring cost competitiveness. The company has a good history of project execution and as the time for commissioning comes near, market will start discounting valuation of utility asset in Sterlite's stock price.

Risk to our call

Delay in Reversal of Cycle: Any delay in reversal of aluminium and copper prices will have negative affect on performance of Sterlite Industries.

Valuation: At current market price, Sterlite is trading at 5.6 x its FY10E EPS and without taking into account substantial cash in the books (INR 132/ share) and valuation of power assets. We rate the stock as **Outperformer** in CY09.

Key Financials

Particulars INR mn	FY07	FY08	FY09E	FY10E
Net Sales	243868	247054	225850	238625
EBITDA	94589	78682	53965	59450
EBITDA%	38.8	31.8	23.9	24.9
PAT	44842	45061	28990	31875
PAT%	18.4	18.2	12.8	13.4
EPS	63.3	63.6	40.9	45.0
P/E	4.0	4.0	6.2	5.6

FINQUEST
YOUR FINANCIAL GOAL. OUR QUEST

Sector: Capital Goods/Engineering/Construction

December 31, 2008

Suzlon Energy Ltd.

CMP: Rs 60 **Outperformer**

Key Data

Market Cap (Rs bn)	90
Market Cap (US$ mn)	1854
52 WK High / Low	460/36
Avg Daily Volume (BSE)	7830598
Face Value (Rs)	2
BSE Sensex	9716
Nifty	2980
BSE Code	532667
NSE Code	SUZLON
Reuters Code	SUZL.BO
Bloomberg Code	SUEL IN

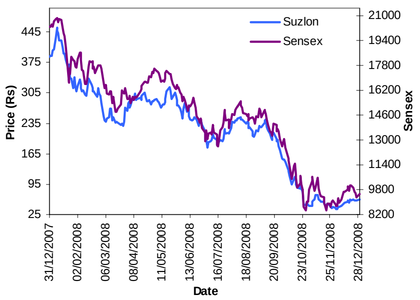
Shareholding Pattern (%)

Promoters	66.0
MF/Banks/Indian FIs	4.0
FII/ NRIs/ OCBs	22.0
Indian Public	8.0

Price Performance (%)

	Absolute	Relative
3 Months	(60.6)	(36.3)
6 Months	(72.0)	(42.8)
12 Months	(84.4)	(31.4)

Suzlon Energy Ltd. vs BSE



Suzlon Energy, now combined with REpower, is the third-largest wind energy solutions provider globally. It has substantial manufacturing facilities in India, the US, China, and Belgium. Its fully integrated business model includes consultancy, site development, design, manufacturing, and overhaul and maintenance services. Suzlon has had a market share above 50% in India in the past six years. It expects the majority of its revenues to come from international markets, primarily the US and China. Promoters own a 68.9% stake in Suzlon Energy.

Key Positives in CY09

Martifer Stake Buyout: Suzlon and the Martifer group have entered into a new agreement on a revised payment schedule for Martifer's 22.4 percent stake in REpower. As per the new terms, Suzlon acquires the stake in three tranches by payment of Euro 65 million in December CY08, Euro 30 million in April 2009, and the final tranche of Euro 175 million in May CY09, which will take Suzlon's ownership level to approximately 91% in REpower. Currently Suzlon stake in REpower stands at 73.7 percent. We expect the deal to go through by May CY09.

Traction in Order Book: REpower is likely to bag the world's largest wind turbine contract of 1250 MW in the early CY09. REpower's potential customer Germany-based utility company RWE has bought the rights of the largest planned wind farm off the German coast, which could support a total wind energy output of 1250 MW. We also expect Suzlon's order book to gain traction once retrofit program and REpower integration is completed.

Component Supply Business takes Shape: Suzlon has increased its visibility in the component business with an order backlog of INR 11 billion at the end of September CY08. The forging and foundry units are likely to started production and incremental revenue will be booked in CY09. We expect Suzlon to supply forgings, castings and other components such as generators and rotor blades to other WTG suppliers from CY09.

Risk to our call

High Gearing: Suzlon's acquisition debt of INR 47 billion has to be repaid through FY09-13. Given the tight cash flow situation and low coverage ratios in CY08, we expect the company to raise additional equity/debt, if it were to go ahead with its plans to acquire the Martifier's 23% stake in REpower. Any distressed valuation on raising equity will be a negative to the stock.

Valuation: At current market price, Suzlon is trading at 5.4x its FY10E EPS which we believe is inexpensive. The company trades at significant discount to its global peers. We rate the stock as **Outperformer** in CY09.

Key Financials

Particulars INR mn	FY07	FY08	FY09E	FY10E
Net Sales	79857	136794	185550	216850
EBITDA	13199	18819	24125	30350
EBITDA%	16.5	13.8	13.0	14.0
PAT	8640	10301	14550	16600
PAT%	10.8	7.5	7.8	7.7
EPS	5.8	6.9	9.7	11.1
P/E	10.3	8.7	6.2	5.4

FINQUEST
YOUR FINANCIAL GOAL. OUR QUEST

December 31, 2008

Tata Power Company Ltd.

CMP: Rs 725 **Outperformer**

Sector: Power

Key Data

Market Cap (Rs bn)	161
Market Cap (US$ mn)	3309
52 WK High / Low	1641/531
Avg Daily Volume (BSE)	235443
Face Value (Rs)	10
BSE Sensex	9716
Nifty	2980
BSE Code	500400
NSE Code	TATAPOWER
Reuters Code	TTPW.BO
Bloomberg Code	TPWR IN

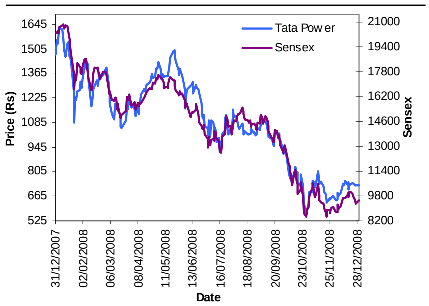
Shareholding Pattern (%)

Promoters	33.0
MF/Banks/Indian FIs	27.0
FII/ NRIs/ OCBs	20.0
Indian Public	20.0

Price Performance (%)

	Absolute	Relative
3 Months	(20.9)	3.4
6 Months	(31.0)	(1.9)
12 Months	(50.6)	2.4

Tata Power Company Ltd. vs BSE



Tata Power (TPC) is an integrated utility primarily engaged in the generation, transmission, supply and distribution of electricity in India. As the largest private sector generator in India by capacity, it owns an aggregate capacity of 2,379 MW in the states of Maharashtra (1,870 MW), Jharkhand (428 MW) and Karnataka (81 MW). TPC holds a 51% stake in a distribution company in Delhi, North Delhi Power Limited (NDPL). It also has a 51% stake in Power Links, the first public-private partnership for a transmission line. Private sector power major Tata Power has charted out an aggressive growth plan to add 10,000 MW of generation capacity in the next five years.

Key Positives in CY09

Incremental Capacity in CY09: In CY09, TPC will add about 600 MW of generation capacity comprising 250 MW at Trombay, 120 MW at Haldia, 120 MW at Jojobera, 40 MW DG sets and about 100 MW of wind power assets to its current installed capacity of about 2,400 MW. We believe these capacities will bring significant earning visibility in CY10.

Increase in Bumi Valuation: PT Bumi Resources, the Indonesian mining company in which Tata Power owns 30% stake, has revised its coal reserves by 18% to 2,119 million tonnes from 1,800 million tonnes. We believe, Bumi comprises of 15-20% of Tata Power's valuation. We also expect uptick in coal prices in 2HCY09 due to strong demand from power sector in India and China and stabilization of Crude oil prices.

Financial Closure Achieved: Tata Power has completed financing for two of its largest power plants under construction, 4,000 MW Mundra UMPP in Gujarat and 1,050 MW Maithon Right Bank Thermal Power Project in JV with Damodar Valley Corporation. The work of both the projects is on schedule. With these two big projects, most of the group's funding for plants under construction has been tied up. Any government incentive to bring fast track completion of power projects in CY09 will be positive for the company.

Risk to our call

Funding Requirements: On account of investments for expansion taking place simultaneously, TPC's total debt almost doubled to INR 91.1 billion in FY08 from INR 51.7 billion in FY07. Warrant conversions for Tata Power were an important source of financing, meeting nearly 25% of its total equity requirement by FY12. Tata sons have decided not to convert the warrant. TPC would need to take further debt/equity to fund the projects.

Valuation: At current market price, TPC is currently trading at 10.5x FY10E EPS. We find the valuations attractive with key triggers in place for CY09.We rate the stock as **Outperformer** in CY09.

Key Financials

Particulars INR mn (Consolidated)	FY07	FY08	FY09E	FY10E
Net Sales	64773	108909	135850	158220
EBITDA	13582	26004	33920	37150
EBITDA%	21.0	23.9	25.0	23.5
PAT	7596	10551	13880	15215
PAT%	11.7	9.7	10.2	9.6
EPS	34.3	47.7	62.7	68.7
P/E	21.1	15.2	11.6	10.5

Sector: Real Estate

December 31, 2008

Unitech Ltd.

CMP: Rs 38 | **Outperformer**

Key Data

Market Cap (Rs bn)	62
Market Cap (US$ mn)	1272
52 WK High / Low	546/21
Avg Daily Volume (BSE)	7887563
Face Value (Rs)	2
BSE Sensex	9716
Nifty	2980
BSE Code	507878
NSE Code	UNITECH
Reuters Code	UNTE.BO
Bloomberg Code	UT IN

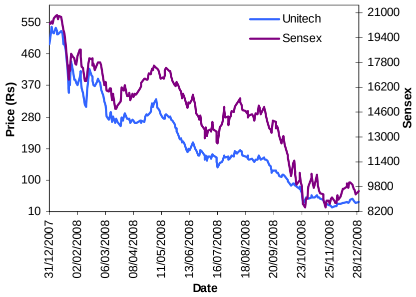
Shareholding Pattern (%)

Promoters	75.0
MF/Banks/Indian FIs	2.0
FII/ NRIs/ OCBs	6.0
Indian Public	17.0

Price Performance (%)

	Absolute	Relative
3 Months	(65.1)	(40.8)
6 Months	(77.8)	(48.6)
12 Months	(92.2)	(39.2)

Unitech Ltd. vs BSE



Unitech is one of India's largest, most diversified real estate companies with over 30 yrs of experience and an emerging pan-India presence. The company has severe exposure in the National Capital Region (NCR) and Kolkata, its land bank totals nearly 14,000 acres with saleable area of ~696m sq ft spread over Chennai (17%), NCR (15%), Kolkata (21%) and Tier III cities (37%). Residential projects account for about 77% of landbank, commercial 7%, IT parks 5% and retail 5%.

Key Positives in CY09

Falling Interest Rates: We expect interest rates in India to come down to 6% in CY09 and inflation to come down to 4.5% in CY09. Real estate sector is an interest rate sensitive sector and fall in interest rates results in rise in demand for housing. This coupled with economic bounce back in 3QCY09 will be a big positive for Unitech.

Reduction in Debt: We expect Unitech to clean up its huge debt through sale of properties and issue of additional shares to institutional investors. This will bring Unitech debt to a more manageable level in CY09 (approx INR 50-60 billion). This will also give Unitech option to undertake low cost housing projects that can be sold easily in CY09.

Telenor Deal: We expect Telenor deal to go through in CY09 as company has already acquired spectrum in 20 out of 22 circles and availability of abundant third party tower infrastructure providers in India. This will reduce the roll out cost of network as specified by Telenor in its deal with Unitech. The deal will also result in inflow of INR 3 billion cash to Unitech.

Risk to our call

Failure to Raise Cash: Any failure on company's part to raise cash to reduce debt and undertake new projects will be a dampener on the stock price.

Valuation: At current market price, Unitech trades at a P/E of 4.0x its FY10E EPS. Stake dilution in telecom and sale of its hotel properties will bring incremental cash flow in the company thereby reducing its net debt. We believe the valuations are inexpensive and thus rate the stock **Outperformer** in CY09.

Key Financials

Particulars INR mn	FY07	FY08	FY09E	FY10E
Net Sales	32883	41404	42605	44735
EBIDTA	18281	22290	19256	20131
Margin %	55.6	53.8	45.2	45.0
PAT	13058	16619	15162	15657
Margin %	39.7	40.1	35.6	35.0
EPS	8.0	10.2	9.3	9.6
P/E	4.8	3.7	4.1	4.0

RESEARCH

Name	Designation	Phone	E-mail ID
Chintan Mewar	Vice President - Research	4000 2665	cmewar@finquestonline.com
Shoiab Bhati	Analyst	4000 2669	sbhati@finquestonline.com
Sunny Agrawal	Analyst	4000 2667	sagrawal@finquestonline.com
Shruti Mehta	Analyst	4000 2641	smehta@finquestonline.com
Rajesh Ghodke	Production	4000 2668	rghodke@finquestonline.com

SALES

Name	Designation	Phone	E-mail ID
Uday Kamat	Senior Vice President - Institutional Sales	4000 2660	ukamat@finquestonline.com
Jyoti Nangrani	Technical Analyst	4000 2617	jnangrani@finquestonline.com

DEALING

Name	Designation	Phone	E-mail ID
Paras Shah	Institutional Dealer	4000 2661	pshah@finquestonline.com
Jackie Gandhi	Institutional Dealer	4000 2663	jgandhi@finquestonline.com
Vikas Mandhania	Institutional Dealer	4000 2662	vmandhania@finquestonline.com

FINQUEST Securities (P) Ltd.

602 Boston House, Next to Cinemax, Suren Road, Andheri (East) Mumbai 400 093

Tel.: 91-22-4000 2600 ● Fax: 91-22-4000 2605 ● Email: info@finquestonline.com

Website: www.finquestonline.com

Ratings (Returns)	Buy > 15%	Hold 0-15%	Sell > -10%
Relative Performance (Vis-a-vis Nifty)	Outperformer >10%	Underperformer <10%	