

India: Target Price & EPS Revisions

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REVISION OF TARGET P/E & EPS FORECASTS FOR ENAM UNIVERSE

In light of robust underlying economic momentum, and sharp appreciation in INR v/s USD, we have undertaken a 1-time review of target P/E and EPS forecasts of our entire coverage universe. Based on the above exercise, our Top Buys/ Sells (in order of mkt cap) are:

Top BUYS					Top SELLS				
	CMP (Rs.)	Mkt Cap (USD mn)	Tgt Price (Rs.)	Upside Tgt Price/ CMP (%)		CMP (Rs.)	Mkt Cap (USD mn)	Tgt Price (Rs.)	Upside Tgt Price/ CMP (%)
SAIL	87	8,018	114	31%	Suzlon Energy	1,468	9,456	1,091	-26%
Sterlite Ind.	558	6,973	910	63%	HDFC Bank	1,121	7,900	825	-26%
Tata Steel	468	6,085	690	47%	ACC	1,132	4,746	834	-26%
Hindalco	172	4,457	290	69%	ABB India	3,691	3,503	2,815	-24%
NALCO	220	3,170	285	30%	Glenmark Pharma	555	1,477	437	-21%
Bharat Electronics	1,209	2,166	1,629	35%	Jet Airways India	675	1,304	450	-33%
MTNL	137	1,932	220	61%	Thermax	380	1,014	300	-21%
IPCL	280	1,888	375	34%	Shoppers' Stop	710	549	550	-22%
Federal Bank	223	427	300	34%					
Indraprastha Gas	116	365	167	44%					
Gokaldas Exports	646	249	863	34%					
PTC India	51	170	70	38%					

Source: ENAM Research; Prices as on December 1st 2006

Refer Appendix for Revision and valuation details of entire ENAM Coverage Universe.

Sensex EPS

	Previous EPS (Rs.)	Revised EPS (Rs.)	EPS Gwth (%)
FY07E	685	689	33
FY08E	803	812	18

Source: ENAM Research

INR:USD forecast

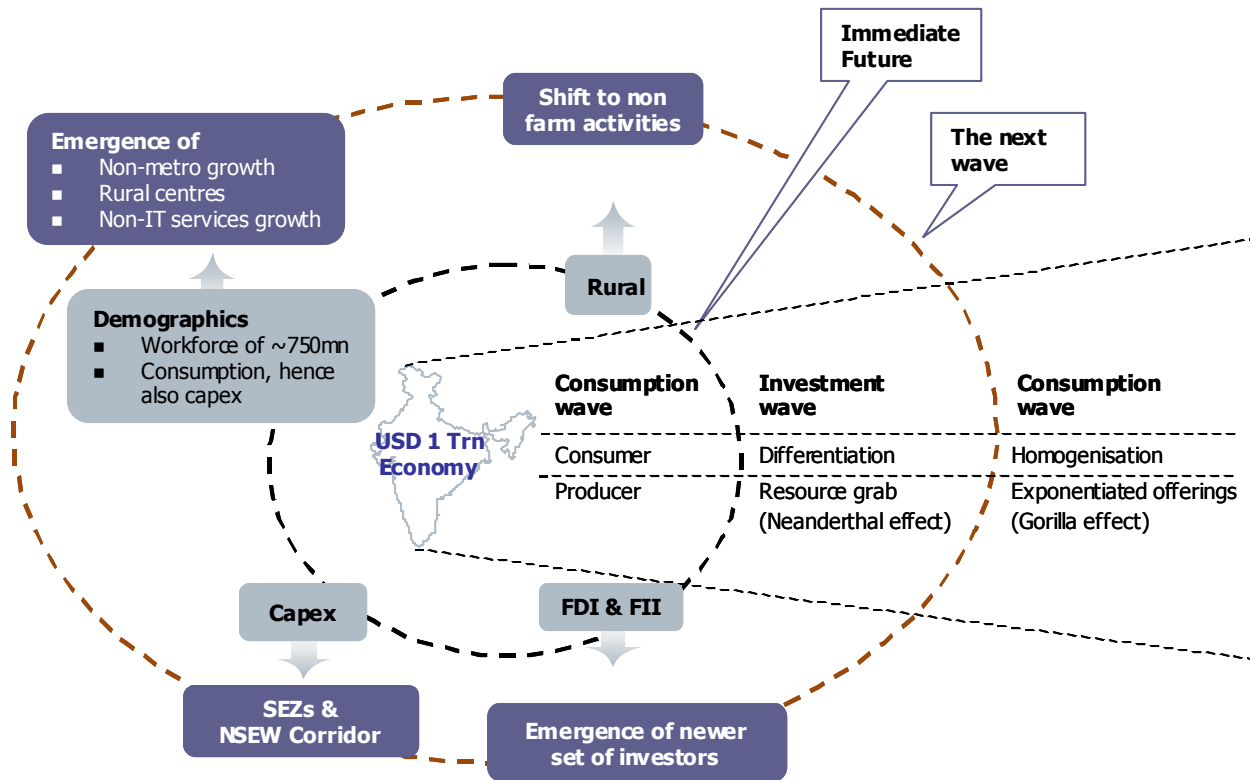
	Revised		Earlier	
	FY07E	FY08E	FY07E	FY08E
FY Avg	45.0	44.1	46.1	45.4
FY end	44.4	43.7	46.6	44.1

Markets: Poised delicately !

+	-
<p>A) Current growth momentum – GDP growth for FY07 estimated at 8.6% Earnings – Q2FY07 earnings for Sensex cos was up 13% QoQ and 17% YoY</p>	<p>D) Bunching of IPOs –USD5bn expected in the near term. Problem, only due to bunching!</p>
<p>B) Transformation of eco landscape There are new stealth drivers that could completely alter the economic landscape in the next 5 years (<i>see Next wave overleaf</i>)</p>	<p>E) UP state elections – UP, with the largest no. of Lok Sabha seats, goes to polls in Feb 07 – populist pressures in the run up</p>
<p>C) India: EM allocation to independent investment destination – With ~100 stocks with >USD1bn market cap & 27 stocks >USD5bn mkt cap, large no of new global investors now investing India- dedicatedly!</p>	

Source: ENAM Research;

The Next Wave !



Source: ENAM Research

Without comment !

www.business-standard.com

Business Standard

In association with FT FINANCIAL TIMES

Published simultaneously from Ahmedabad, Bangalore, Chandigarh, Chennai, Hyderabad, Kolkata, Lucknow MUMBAI (Late City), New Delhi and Pune. Also printed at Kochi

Rs 5.00 26 PAGES IN 2 SECTIONS FRIDAY 1 DEC

India's growth story just got better

GDP grows 9.2% in Q2, fastest half-year rise since 1991

Bankers see interest rate hike

FASTER, FASTER

Industry	2005-06		2006-07	
	Q1	Q2	Q1	Q2
Agriculture	3.4	4.0	3.4	1.7
Mining & Quarrying	3.1	-2.6	3.4	3.1
Manufacturing	10.7	8.1	11.3	11.9
Electricity, Gas & water supply	7.4	2.6	5.4	7.7
Construction	12.4	12.3	9.5	9.8
Trade, hotels, transport & communication	11.7	11.0	13.2	13.9
Financing, real estate & business services	8.8	10.5	8.9	9.5
Community, social & personal services	7.3	8.0	7.4	6.9
GDP	8.5	8.4	8.9	9.2

India's economic growth rate accelerated to 9.2 per cent in the July-September quarter from 8.4 per cent in the year-ago quarter on the back of a strong performance by the manufacturing and services sectors, raising the likelihood of interest rates being raised in January 2007.

Taken along with 8.9 per cent growth in the first quarter of the current financial year, this comes to 9.1 per cent growth for the first six months of 2006-07. Finance Minister P. Chidambaram said.

Bankers see a stronger possibility of a rate hike by the Reserve Bank of India (RBI) in its January 2007 quarterly review following the high GDP growth in the second quarter of 2006-07. The GDP grew at a higher-than-expected rate for the second quarter in a row, strengthening signals that the RBI will raise rates for the fourth time in a year to fight any likelihood of inflation.

Coaches of the Pune-Mumbai Deccan Queen set on fire by Dalit activists on at Uhasnagar in Mumbai to protest against the desecration of BR Ambedkar in Kanpur on Wednesday. Three persons were killed and curfew imposed in Maharashtra as violence spread in the state. REUTERS REPORT

ENAM Coverage Stocks

			OLD				REVISED							Upside	Revised Tgt Price/		Comments			
	CMP	Mkt. Cap	Target	FDEPS (Rs)		Target PE (x)		Target	FDEPS (Rs)		Target PE (x)		Value of		ROE			CAGR (%)	Tgt Price / CMP	Old Tgt Price/
				(Rs.)	(US\$ m)	Price (Rs.)	FY07E		FY08E	FY07E	FY08E	Price (Rs.)			FY07E	FY08E				
AUTO																				
Tata Motors	843	7,271	966	43	52	19	16	966	43	51	19	16	138	30	31	10%	15%	1.00		
Bajaj Auto	2,748	6,226	3,077	82	101	21	17	3,077	82	101	21	17	1,358	25	25	-5%	12%	1.00		
Motherson Sumi	101	531	112	5	6	23	18	112	5	6	23	18		51	48	26%	11%	1.00	-	
Bharat Forge	365	1,814	400	15	20	27	20	400	15	20	27	20		26	29	35%	10%	1.00	-	
Apollo Tyres	355	369	361	21	28	17	13	361	21	26	17	14		10	11	17%	2%	1.00	-	
Mahindra & Mahindra	840	4,592	802	27	33	17	14	802	28	34	16	14	342	28	27	10%	-5%	1.00		
Hero Honda Motors	772	3,450	735	41	48	15	13	735	41	48	15	13	111	44	42	-1%	-5%	1.00		
Ashok Leyland	43	1,281	41	3	3	16	14	41	2	3	16	15		22	22	11%	-5%	1.00	-	
TVS Motor Co	99	526	93	5	7	18	14	93	5	6	20	15		16	19	13%	-6%	1.00	-	
Maruti Udyog	952	6,159	886	42	48	18	16	886	42	48	18	16	120	23	21	8%	-7%	1.00		
BANKING																				
			BV		P/BV			BV		P/BV										
Federal Bank	223	427	230	170	198	1.8	1.5	300	170	198	1.8	1.5		18	18	22%	34%	1.30	Stable ROE, robust business growth and rel underperformance to bank stocks	
LIC Housing Finance	174	331	228	183	205	1.2	1.1	220	177	198	1.2	1.1		15	15	21%	27%	0.96	-	
Punjab National Bank	555	3,915	590	333	387	2.1	1.8	697	333	387	2.1	1.8		17	18	17%	26%	1.18	Reflecting lower G-sec rates, higher treasury gains, improvement in margins	
OBC	251	1,408	265	198	232	1.5	1.3	305	200	235	1.5	1.3		21	19	20%	22%	1.15	OBC to benefit from fall in G-secs, higher earnings through recoveries	
Bank of Baroda	272	2,222	300	230	258	1.4	1.2	314	233	262	1.3	1.2		12	13	13%	15%	1.05	-	
Corp Bank	397	1,275	400	263	295	1.7	1.5	446	265	298	1.7	1.5		15	15	14%	12%	1.12	-	
Yes Bank	128	776	84	24	28	6.0	5.1	143	34	38	4.2	3.8		10	12	34%	11%	1.70	Revising FY07 book value estimates to reflect dilution and assigning higher multiple as business gains traction	
IDFC	80	2,005	72	26	29	3.2	2.8	82	26	29	3.2	2.8		18	19	13%	3%	1.14	Revising target price/book value multiple to reflect higher earnings and RoE	
HDFC	1,644	9,191	1,462	212	253	5.4	4.5	1,638	212	253	5.4	4.5	500	31	32	19%	0%	1.12		
ICICI Bank	877	17,538	801	273	303	2.5	2.2	860	273	303	2.5	2.2	183	13	15	12%	-2%	1.07	-	
State Bank of India	1,360	16,029	1,182	788	883	1.7	1.5	1,320	788	880	1.7	1.5		13	14	18%	-3%	1.12		
Bank of India	208	2,274	180	114	132	1.7	1.5	199	114	132	1.7	1.5		18	18	26%	-5%	1.10		
Centurion Bank of Punjab	31	1,038	30	9	10	3.3	2.9	30	9	10	3.3	3.0		11	12	27%	-5%	0.99	-	
Canara Bank	311	2,856	298	199	230	1.4	1.2	276	199	230	1.4	1.2		19	19	22%	-11%	0.93	-	
UTI Bank	492	3,091	433	121	144	3.6	3.0	430	121	143	3.6	3.0		20	21	22%	-12%	0.99	-	
HDFC Bank	1,121	7,900	826	198	236	4.2	3.5	825	198	236	4.2	3.5		20	22	19%	-26%	1.00	-	
CEMENT																				
Grasim Industries	2,760	5,666	2,889	176	206	16	14	2,889	176	206	16	14		27	26	45%	5%	1.00	-	
Ultra Tech Cement	916	2,554	879	59	63	15	14	879	59	63	15	14		42	31	86%	-4%	1.00	-	
Gujarat Ambuja	143	4,366	132	8	9	17	16	132	8	8	17	16		31	27	68%	-8%	1.00	-	
ACC	1,132	4,746	834	50	60	17	14	834	50	60	17	14		32	29	71%	-26%	1.00	-	
ENERGY																				
PTC India	51	170	70	3	3	28	21	70	3	3	28	21		15	18	9%	38%	1.00	-	
Reliance Energy	540	2,578	525	35	36	15	15	600	35	36	17	17		9	8	2%	11%	1.14	-	
NTPC	148	27,334	140	8	9	17	16	140	8	9	17	16		15	14	10%	-5%	1.00	-	
Tata Power Co	598	2,649	490	30	33	17	15	490	30	32	17	15		11	11	9%	-18%	1.00	-	

Stocks where Revised TP/Old TP > 15% are shaded in green.

Stocks where Revised TP/Old TP < 15% are shaded in red.

Similarly for EPS chg of > or < 15%

ENAM Coverage Stocks

			OLD					REVISED					Upside	Revised Tgt Price/		Comments					
	CMP (Rs.)	Mkt. Cap (US\$ m)	Target Price (Rs.)	FDEPS (Rs)		Target PE (x)		Target Price (Rs.)	FDEPS (Rs)		Target PE (x)			Value of Invst (Rs.)	ROE		CAGR (%) FY06-FY08	Tgt Price / CMP	Old	Tgt Price/	
				FY07E	FY08E	FY07E	FY08E		FY07E	FY08E	FY07E	FY08E			FY07E						FY08E
ENGINEERING				FDEPS		Target PE (x)			FDEPS		Tgt EV/EBITDA										
BHEL	2,520	13,813	1,950	93	114	21	17	2,055	93	114	13	10		30	30	30%	-18%	1.05	-		
Suzlon Energy	1,468	9,456	1,350	42	50	32	27	1,091	42	50	22	17		37	32	37%	-26%	0.81	Higher interest cost to offset incremental profits from Hansen Transmission		
Larsen & Toubro	1,379	8,643	1,350	48	66	28	20	1,350	48	66	14	10	165	25	28	31%	-2%	1.00	-		
Siemens India	1,179	4,451	1,175	40	53	30	22	1,175	40	53	19	14		44	40	52%	0%	1.00	-		
ABB India	3,691	3,503	3,000	81	113	37	27	2,815	81	113	21	15		33	34	48%	-24%	0.94	-		
Bharat Electronics	1,209	2,166	1,425	86	102	16	14	1,629	86	102	10	8		30	28	18%	35%	1.14	-		
Crompton Greaves	272	1,596	275	11	15	25	19	275	11	15	13	10		32	32	33%	1%	1.00	-		
Cummins India	283	1,253	300	13	16	23	19	300	13	16	15	13		28	27	25%	6%	1.00	-		
Kirloskar Brothers	428	1,014	445	20	24	22	19	400	20	24	12	10	77	30	26	41%	-7%	0.90	-		
Thermax	380	1,014	300	15	19	20	16	300	15	19	12	9		34	34	47%	-21%	1.00	-		
FMCG																					
Godrej Consumer	159	805	180	6	8	29	22	180	6	8	29	22		135	115	28%	13%	1.00	-		
Tata Tea	724	911	820	48	57	17	14	820	48	57	17	14		16	16	7%	13%	1.00	-		
Dabur India	147	1,891	154	5	6	31	26	154	5	6	31	26		54	54	23%	5%	1.00	-		
Titan Industries	775	771	800	29	38	28	21	800	29	37	28	21		47	38	19%	3%	1.00	-		
Marico	531	690	540	22	27	24	20	628	22	27	28	23		43	40	25%	18%	1.16	Consolidation and favourable commodity cycle		
Hindustan Lever	240	11,881	240	7	8	34	29	240	7	8	34	29		66	72	17%	0%	1.00	-		
Nestle India	1,114	2,406	1,100	35	44	31	25	1,100	35	44	31	25		90	92	17%	-1%	1.00	-		
INFRASTRUCTURE				FDEPS		Target PE (x)			FDEPS		Tgt EV/EBITDA										
Punj Lloyd	1,111	1,299	900	25	58	36	16	900	25	58	15	9		12	23	142%	-19%	1.00	-		
Patel Engineering	432	577	380	21	25	18	15	399	21	25	13	11		26	19	31%	-8%	1.05	-		
IT SERVICES																					
Infosys Technologies	2,194	27,301	2,350	70	90	34	26	2,405	70	89	35	27		44	39	41%	10%	1.02	-		
TCS	1,187	26,006	1,194	42	52	29	23	1,280	41	51	31	25		53	44	31%	8%	1.07	-		
Satyam Computer	467	6,857	456	21	25	21	18	498	21	25	23	20		28	25	26%	7%	1.09	-		
Hexaware Technologies	181	533	192	10	11	19	17	192	9	10	22	19		23	18	17%	6%	1.00	-		
Infotech Enterprises	323	332	268	17	21	15	13	333	18	22	19	15		31	29	42%	3%	1.24	Higher growth in EMI, increase in billing rates and operational efficiencies to lead to earnings upgrade and P/E re-rating		
HCL Technologies	633	4,595	600	32	40	19	15	600	32	40	19	15		24	26	29%	-5%	1.00	-		
Wipro	601	19,296	567	19	24	29	23	567	19	24	29	24		31	30	31%	-6%	1.00	-		
I-Flex Solutions	1,678	3,048	1,581	40	52	40	31	1,553	40	52	39	30		22	23	34%	-7%	0.98	-		
MEDIA																					
Entertainment Network Ind	236	251	255	7	8	38	34	255	7	7	38	34		11	11	27%	8%	1.00	-		
Adlabs Films	418	372	440	15	20	29	22	440	15	20	29	22		16	13	83%	5%	1.00	-		
Inox Lesure	174	234	155	7	7	23	21	155	6	7	26	22		15	16	53%	-11%	1.00	-		
METALS																					
Hindalco	172	4,457	290	21	24	14	12	290	21	24	14	12		22	20	37%	69%	1.00	-		
Tata Steel	468	6,085	690	81	83	9	8	690	81	83	9	8		40	28	21%	47%	1.00	-		
SAIL	87	8,018	114	15	16	8	7	114	15	16	8	7		42	34	29%	31%	1.00	-		
Sterlite Ind.	558	6,973	910	72	92	13	10	910	72	92	13	10		62	46	86%	63%	1.00	-		
NALCO	220	3,170	285	33	29	9	10	285	33	29	9	10		31	22	9%	30%	1.00	-		
Hindustan Zinc	962	9,103	1,150	127	112	9	10	1,150	127	112	9	10		90	44	81%	20%	1.00	-		
Sesa GOA	1,270	1,119	1,513	181	194	8	8	1,513	181	194	8	8		54	42	16%	19%	1.00	-		
JSW Steel	328	1,153	382	50	64	8	6	382	50	64	8	6		20	21	49%	16%	1.00	-		
PAINTS & PKG																					
Asian Paints	715	1,536	650	26	29	25	22	700	26	29	27	24		34	33	15%	-2%	1.08	-		

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Similarly for EPS chg of > or < 15%

ENAM Coverage Stocks

			OLD				REVISED							Upside	Revised Tgt Price/		Comments			
	CMP	Mkt. Cap	Target	FDEPS (Rs)		Target PE (x)		Target	FDEPS (Rs)		Target PE (x)		Value of		ROE			CAGR (%)	Tgt Price / CMP	Old Tgt Price/
				(Rs.)	(US\$ m)	Price (Rs.)	FY07E		FY08E	FY07E	FY08E	Price (Rs.)			FY07E	FY08E				
PETRO, OIL & GAS																				
IPCL	280	1,888	375	50	50	7	8	375	48	47	8	8		21	17	14%	34%	1.00	Leveraged play on polymer cycle trades at BV	
Reliance Petro	68	6,645	75					85									26%	1.13	June-08 plant commissioning	
Indraprastha Gas	116	365	167	9	11	18	15	167	9	11	18	15		28	28	20%	44%	1.00	-	
Indian Oil Corp	447	11,679	585	51	55	11	11	550	50	54	11	10		15	14	20%	23%	0.94	-	
ONGC	865	41,424	933	87	79	11	12	1,050	83	80	13	13		22	19	6%	21%	1.13	-	
Reliance Industries	1,261	39,346	1,400	82	91	17	15	1,500	78	86	19	17		29	24	13%	19%	1.07	-	
Chennai Petroleum Corp	220	735	260	40	48	6	5	260	38	45	7	6		19	19	20%	18%	1.00	-	
GAIL India	262	4,965	275	28	27	10	10	275	28	27	10	10		19	17	-2%	5%	1.00	-	
BPCL	342	2,766	353	35	40	10	9	320	35	39	9	8		11	12	55%	-6%	0.91	-	
HPCL	288	2,190	251	25	31	10	8	250	25	30	10	8		8	9	50%	-13%	1.00	-	
PHARMACEUTICALS																				
Cipla/India	255	4,430	279	10	13	28	22	279	10	13	28	22		29	27	25%	10%	1.00	-	
Ranbaxy	383	3,198	420	13	19	33	22	420	13	19	33	22		21	29	83%	10%	1.00	-	
Biocon	378	846	353	18	22	20	16	398	18	22	22	18		19	19	13%	5%	1.13	-	
Sun Pharma	1,040	4,374	1,009	35	43	29	24	1,009	35	43	29	24		39	35	25%	-3%	1.00	-	
Nicholas Piramal	240	1,121	226	10	13	24	18	226	10	13	24	18		19	22	46%	-6%	1.00	-	
Dr Reddy's	770	2,862	719	42	33	17	22	719	42	33	17	22		26	17	101%	-7%	1.00	-	
GlaxoSmithkline Pharma	1,178	2,234	1,061	43	48	25	22	1,061	43	48	25	22		33	30	14%	-10%	1.00	-	
Glenmark Pharma	555	1,477	404	21	37	19	11	437	21	37	21	12		56	56	139%	-21%	1.08	-	
RETAIL																				
Trent	871	281	750	28	42	27	18	750	28	42	27	18		13	18	44%	-14%	1.00	-	
Shoppers' Stop	710	549	550	11	15	51	37	550	11	15	52	37		12	15	37%	-22%	1.00	-	
TELECOM																				
MTNL	137	1,932	220	13	14	17	16	220	13	14	14	13	40	7	7	2%	61%	1.00	-	
Reliance Com	442	20,238	489	12	22	40	23	489	12	22	32	18	100	20	27	NA	11%	1.00	-	
Bharti Airtel	633	26,865	532	19	27	28	20	582	19	26	31	22		33	33	49%	-8%	1.09	-	
TEXTILES																				
Gokaldas Exports	646	249	720	44	58	16	13	863	44	58	20	15		20	22	30%	34%	1.20	Pricing & margin environment to remain favourable	
Lakshmi Machine Works	34,052	943	32,500	1831	2193	18	15	32,500	1831	2193	18	15		43	38	37%	-5%	1.00	-	
Raymond	448	616	426	29	36	15	12	510	29	36	18	14		13	14	24%	14%	1.20	Branded apparel & worsted fabrics deserve valuation premium	
Arvind Mills	53	250	50	2	4	22	12	43	2	4	19	10		3	6	1%	-19%	0.86	-	
TRANSPORTATION																				
Container Corp	2,132	3,103	2,050	114	137	18	15	2,465	113	137	22	18		31	30	30%	16%	1.20	Firm traffic momentum unfazed by competition	
Jet Airways India	675	1,304	450	(51)	(33)	(9)	(14)	450	(54)	(33)	(8)	(14)		-23	-17	NA	-33%	1.00	-	

Note: Price as on December 01, 2006

Source: Company, ENAM Research

Auto: Core EPS for Tata Motors, Bajaj, M&M, HH & MUL

Engineering : Target EV/EBITDA

Banking : Target P/BV

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Stocks where Revised TP/Old TP < 15% are shaded in red.

Similarly for EPS chg of > or < 15%

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