Sensex: 10947

India Strategy

Sell into the Rally

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Investment Summary

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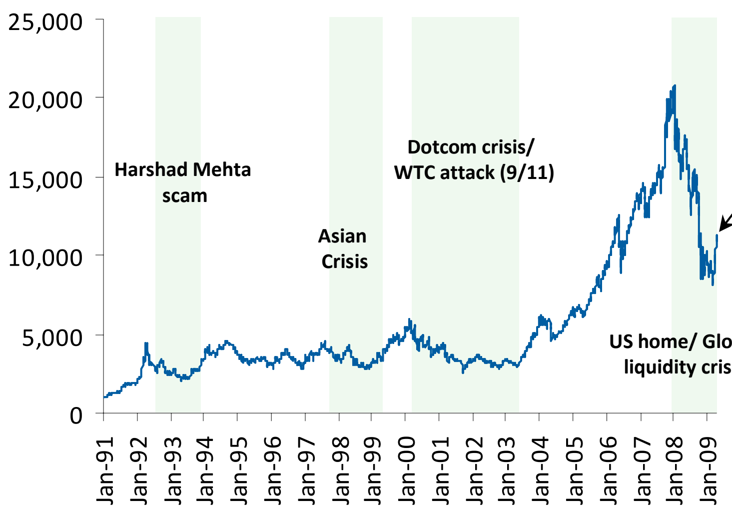
- **<u>Rally</u>:** India has seen the **sharpest bear rally** of the last 2 decades in the last 1 month (ref next page). This was primarily due to the peaking of global (eco) & local (political) fears in Feb/ March 09. As the pitch-black became a shade less, FIIs got in first, with cash-loaded domestic MFs & Insurance following swiftly
- **<u>Next trough</u>**: Markets could **trough** again after this severe rise **during, or immediate after elections** when the labour-pains of actual Govt formation kick in. The new Govt will have to prove its Durability quickly, affecting both: a) India Confidence: by India Inc, ie willingness to commit projects, AND by investors, & hence the INR, and b) perceptions of Govt policy, especially Fiscal policy (including whether it's spent more on immediate-political-return Consumption kickers vs longer gestation but higher trajectory Infra, in its first year of battling economic woes).
- **<u>Elections</u>:** Government formation would necessitate either of Congress/ BJP to lead or provide outside support & thus major back-tracking of reforms impossible. Hence, a market **crash is unlikely**. However, as a likely weak Coalition govt, this **won't inspire any major upturn**. Markets to follow global lead thereafter
- **<u>Recommendation</u>**: Hence, it is better to buy at a more Considered juncture during such a trough, despite continuing global liquidity flows. While a possible rate cut & good monsoon forecast may smoothen the market dip up to the elections, **valuations do not offer great risk/ reward** at this point. **Sell into this Rally**
- **<u>Best Sells</u>**: **ABB*, Cairns, HDFC, Idea, L&T*, ONGC, Ranbaxy, RCap*, TAMO, Tata Steel, Unitech, Wipro** (Ref slide 16 onwards for details on each Sell Idea)

*Note: Target price for ABB/ L&T/ RCap revised in respective slides, with explanation.

Biggest Bear Rally has driven Valuations up

- **The current rally in India is the biggest (+38%) in comparison to all bear market rallies (1992 - 2009):**



	EPS	P/E
FY09E	817	11.9
FY10E	843	13.0

Only rallies >15% are considered in the below table

Dates		Sensex		%	No of	% rise	Net flows (USDm)	
Bottom	Peak	Bottom	Peak	Rise	days	per day	FII	Domestic
Harshad Mehta scam			**Avg**	**29**	**57**	**0.6**		
6-Aug-92	15-Sep-92	2,530	3,410	35	40	0.9		
16-Dec-92	26-Feb-93	2,375	2,813	18	72	0.3		
19-Jul-93	15-Sep-93	2,098	2,800	33	58	0.6		
Asian crisis			**Avg**	**23**	**47**	**0.5**		
28-Jan-98	21-Apr-98	3,210	4,281	33	83	0.4		
23-Jun-98	16-Jul-98	3,037	3,489	15	23	0.6		
27-Nov-98	11-Jan-99	2,783	3,433	23	45	0.5		
8-Feb-99	15-Mar-99	3,184	3,784	19	35	0.5		
Dotcom crises/ WTC attack (9/11)			**Avg**	**21**	**51**	**0.7**		
4-Apr-00	11-Apr-00	4,691	5,542	18	7	2.6	299	45
22-May-00	5-Jul-00	3,920	4,912	25	44	0.6	(58)	(112)
18-Oct-00	13-Dec-00	3,594	4,285	19	56	0.3	376	77
26-Dec-00	15-Feb-01	3,827	4,438	16	51	0.3	1,048	(382)
12-Apr-01	29-May-01	3,184	3,742	18	47	0.4	492	(119)
21-Sep-01	10-Dec-01	2,600	3,443	32	80	0.4	242	(237)
27-Dec-01	26-Feb-02	3,132	3,713	19	61	0.3	460	(184)
28-Oct-02	27-Dec-02	2,834	3,398	20	60	0.3	202	(72)
US home/ Global liquidity crisis			**Avg**	**26**	**33**	**1.2**		
17-Mar-08	2-May-08	14,809	17,600	19	46	0.4	860	1,395
16-Jul-08	11-Aug-08	12,576	15,504	23	26	0.9	680	(21)
27-Oct-08	4-Nov-08	8,510	10,631	25	8	3.1	(58)	258
20-Nov-08	6-Jan-09	8,451	10,336	22	47	0.5	197	643
9-Mar-09	15-Apr-09	8,160	11,285	38	37	1.0	1,280	479
Average (1992-2009)				**24**	**46**	**0.7**		

Includes only MF as data for other domestic institutions are not available

Fears: Worst already perceived

- **Fundamental recovery ruled out in near term due to continuing global & local woes:** Ultimate market recovery for India is premised on global Market recovery (in anticipation of global Economic recovery in 2010). In the event, India will benefit from depressed global economic conditions (relative growth+ cheaper inputs costs), thus deriving the much needed financial flows
- **Weakness of US & European banking system:** Despite massive capital injections into banks and trillions of dollars of quantitative easing by central banks, bank lending remains anemic
- **Electoral fears & High fiscal deficit** which could get exacerbated by a short term oriented insecure Govt

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The bad: Politics, Fisc, INR, monsoons, Q4 results

Elections: Weaker UPA-led govt most likely

- A **Coalition** Government with **Congress** leading the formation (UPA led coalition) or providing support from the outside seems the most **likely outcome**.
- A market **crash is unlikely** since the worst fears (3rd front with no support of national party) should not materialize. However, though a weak UPA Coalition may be Durable, it is unlikely to be Decisive and thus **won't inspire confidence to spark a major upturn** in the markets.
- Thus, **post-elections, market should move loosely linked to weight of global liquidity** (as witnessed of late), and anticipating fundamental changes and pricing in a delayed / slower growth environment. Near term, **anxiety of time taken for government-formation** post-elections, could flutter markets.
- Sadly, all this probably translates into another opportunity lost, for India to attract disproportionate fund flows.

Coalition	Enam	TOI	DNA	India Today	NDTV
UPA	209	198	184	191-200	192-228
NDA	171	176	177	172-181	151-180
3rd Front	144	109	182^	169-178	125-152

Note: Inclusions of parties in various fronts vary in these projections

Scenario analysis for Gen Elections

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NDA

Scenario	Party	Seat Proj.09	Range (+/-)	Existing Seats
Core Allies (Pre- elections)	BJP	125	15	138
	Shiv Sena	10	5	12
	Other Core	6	5	12
	Total	**141**		**162**
Extended Allies (Pre/Post Elections)	JD(U)	30	15	6
	Total	**30**		**6**
Total (Core + Extended)	171			
Swing Possibilities / Outside Support	AIADMK	30		
	BJD	5		
	NCP (Outside)	15		
	Praja Rajyam	10	10	
	Total	**60**		
Total (Core + Extended + Swing)	231			
Desperate Combinations	BSP	40	10	
	TDP	20	10	
	Total	**60**		
Total Core + Extended + Swing+Desperate)	>272			

UPA

Scenario	Party	Seat Proj.09	Range (+/-)	Existing Seats
Core Allies (Pre- elections)	Congress	140	25	145
	TC	10	5	
	Total	**150**		**145**
Extended Allies (Pre/Post Elections)	RJD	15	10	24
	DMK	3	5	17
	NCP	15	5	9
	SP	15	10	36
	Others	11	10	16
	Total	**59**		**102**
Total (Core + Extended)	209			
Swing Possibilities / Outside Support	AIADMK (in lieu of DMK)	27		
	TDP	20		
	BSP (in lieu of SP)	25		
	Praja Rajyam	10	10	
	Total	**82**		
Total (Core + Extended + Swing)	>272			
Desperate Combinations	JDU (in lieu of RJD)	15		
	Communist	35		
	Total	**50**		
Total Core + Extended + Swing+Desperate)	>272			

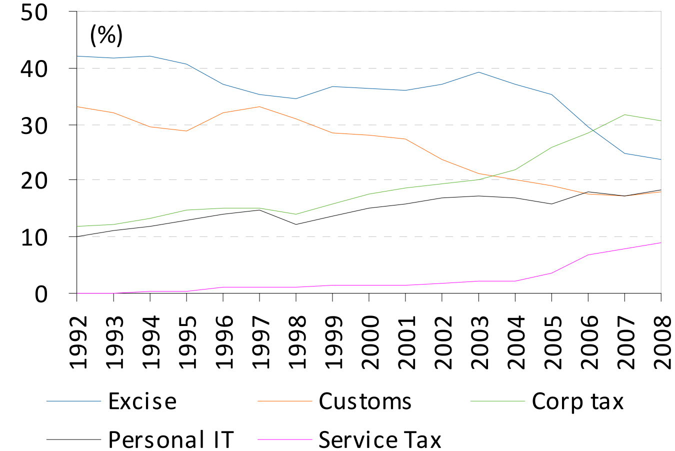
3rd Front

Scenario	Party	Seat Proj.09	Range (+/-)	Existing Seats
Core Allies (Pre- elections)	Communist	35	15	51
	Other Core (TRS, RSP, AIFB, JDS)	10	5	15
	Total	**45**		**66**
Extended Allies (Pre/Post Elections)	TDP	20	10	5
	AIADMK	30	10	0
	BJD	5	5	11
	PMK	4	5	6
	BSP	40	10	19
	Total	**99**		**41**
Total (Core + Extended)	144			
Swing Possibilities / Outside Support	NCP	15		
	RJD	15		
	JDU (in lieu of RJD)	15		
	Praja Rajyam	10		
	Total	**55**		
Total (Core + Extended + Swing)	199			
Desperate Combinations	Cong. / BJP	140		
	Total	**140**		
Total Core + Extended + Swing+Desperate)	>272			

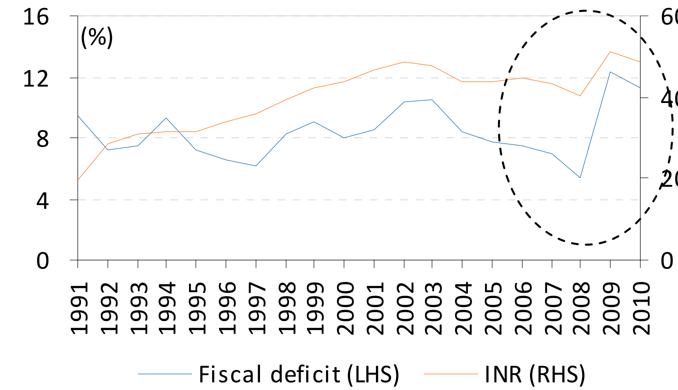
Fiscal Deficit: India's Achilles Heel

- **Revenues may fall short:** GoI reveune assumption based on ~11% nominal GDP growth. As revenues are highly leveraged to GDP growth, Tax/ GDP ratio will fall to ~10% (vs 13%)
- **Expenditure:** Growth under-budgeted & revenue expenditure still on the rise
- Will high fiscal deficit devalue INR & crowd out pvt sector?
  - Est central Govt borrowings of ~Rs 3.6 trn will cause long end yields to harden, however if RBI part-monetizes the deficit (by taking it on its books) & manages the OMO judiciously yields can soften by ~100 bps
  - However, it will hurt foreign inflows & INR
  - The actual budget (likely in July) may hold further clues on actual deficit, its financing & RBI role as GoI's I-banker

Tax revenue buoyancy leveraged to growth



Combined Fiscal Deficit



Source: GoI documents, ENAM Research

Tax revenues will fall & reported deficit will remain high at ~11% despite India getting lucky with commodity prices, that could shave off ~3% of GDP off-balance sheet liabilities

INR: See-saw btw US & India pump-priming

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- **Why did INR crash?**
  - Supply of dollars decreased
    - ECB (Indians borrowing abroad, M&A)
    - FII outflows, FDI, Remittances, Software exports
- **What has changed?**
  - **Fed bond buyback of $1.1trn may just have turned the tide against USD that had appreciated lately**
  - Crude oil price outlook remains muted thereby reducing pressure on India's CAD that may shrink to <1% of GDP
  - But slowdown in capital inflows will put downward pressure on INR. (*See table*)
- **What can turn the INR?**
  - **Any further expansion in US fisc or Fed moves will weaken USD. However, rising Indian Fiscal deficit will cap INR gains**
  - Improvement in global risk appetite could increase capital inflows into India
  - **Formation of a stable coalition govt in India & pro-investment policies** could attract capital flows

External Sector	FY10E
Exports (US$ bn)	**174.7**
Imports (US$ bn)	**249.4**
As % of GDP	20.0
Of which oil	57.0
& non oil	192.4
Trade Bal (US$ bn)	**(74.7)**
As a % of GDP)	(6.0)
Invisibles, net (US$ bn)	64.2
Software	25.4
Remittances	38.9
% of GDP	5.1
Current A/c Bal (US$ bn)	**(10.4)**
Current A/c Balance as % of GDP	(0.8)
Capital Account	
FDI (US$ bn)	20.0
Portfolio Invst (US$ bn)	5.0
Capital Inflows - % of GDP	2.4
Loans	6.0
Banking capital	7.5
Of which NRI	4.5
Rupee debt service	(0.5)
Other capital	3.0
Capital account	**41.0**
Overall balance	**30.6**
Forex Res excl. Gold (US$ bn)	245.6
Months of Imports	12.1

Source: ENAM Research

Assumed a degrowth of ~4% in exports & imports given recession in US/ Europe

Trade balance will shrink due to falling crude oil & KG Gas substitution as also lower non-oil imports. Crude price assumed at $65 (vs 90 in '09) & imports at 120MMT

Assumed 20% fall in software earnings & 10% in remittances

FDI flows expected to shrink in line with pvt global flows but FII lows will make a comeback

Fx Reserves build up to resume in FY10 as capital flows limp back to normalcy

We expect INR to remain weak in H1FY10 but strengthen towards the 2nd half

Sensex Q4 preview: 2nd consecutive qtr of decline in earnings

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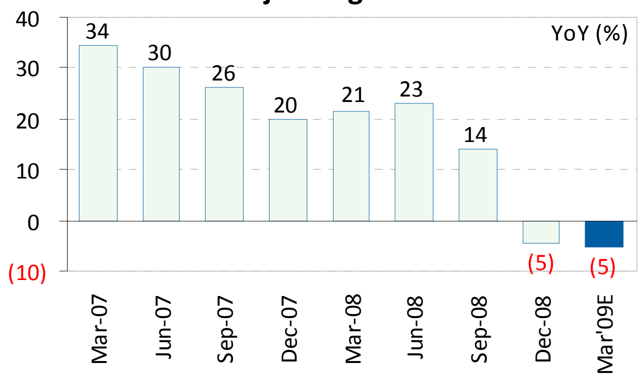
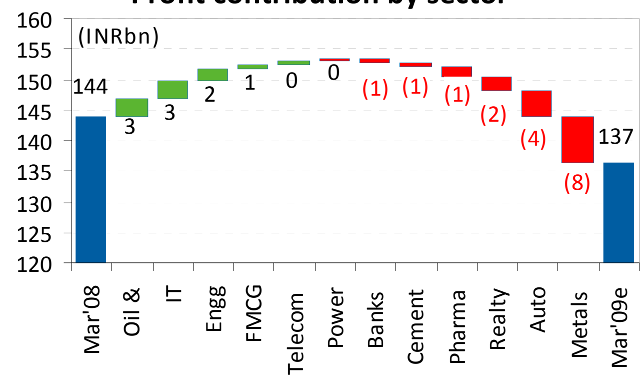
Note: numbers adjusted for free float and excludes Jaiprakash Associates

	Sales (INRbn)		Gwth	Adj PAT (INRbn)		Gwth	Ebitda mrgn (%)		Chg	PAT mrgn (%)		Chg
Sectors	Mar-08	Mar09e	Y-o-Y	Mar-08	Mar09e	Y-o-Y	Mar-08	Mar09e	Abs	Mar-08	Mar09e	Abs
Auto	96	91	(5)	8	4	(52)	10	8	(3)	8	4	(4)
Banks & Fin Serv	105	114	8	31	30	(1)	NA	NA	NA	NA	NA	NA
Cement	46	48	6	6	5	(14)	26	25	(1)	14	11	(3)
Engineering	102	130	28	12	14	16	15	14	(1)	12	11	(1)
FMCG	47	52	10	7	8	12	21	22	1	15	15	0
IT - Services	65	79	22	16	18	19	27	29	1	24	23	(1)
Metals	100	86	(14)	16	9	(47)	31	21	(10)	16	10	(6)
Oil & Gas	218	164	(25)	25	28	12	19	28	9	11	17	6
Pharma	12	11	(2)	3	2	(43)	34	22	(12)	29	17	(12)
Power Utilities	38	47	22	5	6	5	17	20	3	14	12	(2)
Real Estate	6	2	(66)	3	1	(76)	65	48	(17)	51	35	(15)
Telecom	46	56	23	12	12	4	42	41	(2)	26	22	(4)
Sensex	**880**	**881**	**0**	**144**	**137**	**(5)**	**-**	**-**	**-**	**-**	**-**	**-**
Sensex (ex Banks)	**775**	**767**	**(1)**	**113**	**106**	**(6)**	**22**	**22**	**0**	**15**	**14**	**(1)**
Sensex (ex Oil)	**662**	**717**	**8**	**119**	**109**	**(9)**	**29**	**27**	**(2)**	**18**	**15**	**(3)**

Adj. PAT growth



Profit contribution by sector



Source: ENAM Research

Metals, Auto & Realty leading Q4 fall. However, most downgrades already done, with this & next quarter likely to be the trough of earnings degrowth – though upgrades is some time away, depending on global liquidity for liquidity-dependant stocks, Govt policy for many others, and importantly on the KG Basin production start date for the market dominating RIL

The good: Low rates, Consumption

Unprecedented rate cuts & huge liquidity

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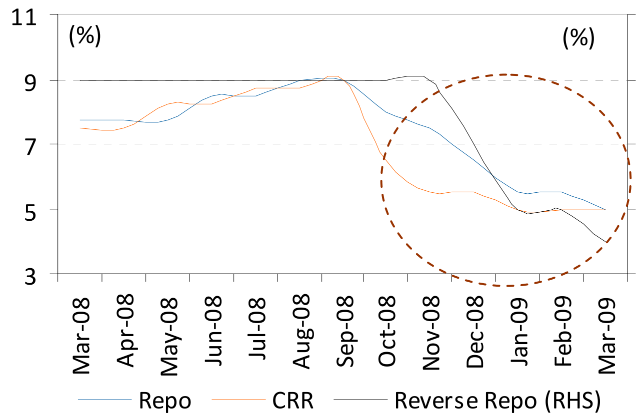
…Policy rates at their lowest



And huge liquidity unleashed since Sep 08

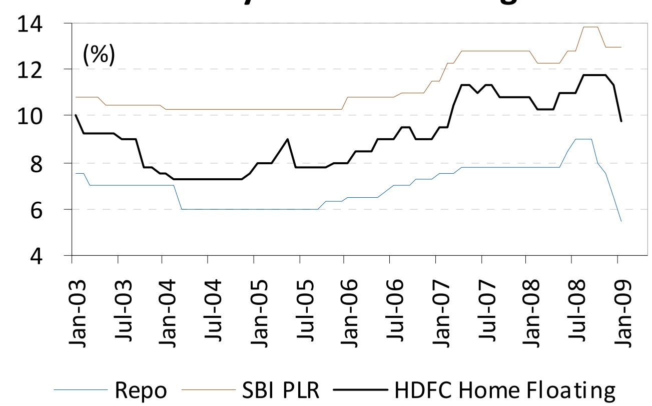
Potential liquidity	Rs bn
CRR reduction	1,600
MSS unwinding	630
Repo	600
Export credit refin	255
Spl. Refinance for SCBs	385
Refinance for SIDBI/ NHB/ Exim Bank	160
Liquidity facility for NBFCs through SPV	250
SLR Reduction	400
Total	**4,280**

Yet further room for fall…

Particulars	Peak Rate	Current	Fall (bps)
WPI	12.9	0.4	(1,246)
CRR	9.0	5.0	(400)
Repo	9.0	5.0	(400)
Rev Repo	6.0	3.5	(250)

- While inflation has fallen ~1300 bps;
  - CRR & Repo have fallen only 400 bps
  - And Rev Repo has fallen 250 bps

…As PLRs yet to reach trough levels



Source: CSO,RBI, ENAM Research

Unless PLRs fall meaningfully in relation to policy rates, investment will remain muted, expect RBI to cut rates again to lower real int rates in its policy meeting on the 21st Apr

Fiscal Stimulus: Right direction, but enough?

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- **Stimulus:** GoI announced package in 3 parts in Dec, Jan & Feb combining interest rate cuts and targeted fiscal steps for infra, exports & housing
- **And, let's not forget the UPA 'stimulus'(~2% of GDP)** in Budget 2008 way before the RoW even talked about it! (ref table below)

	Rs/person	Rs bn
Rural pockets		
Agri debt waiver	15,000	600
NREGS	10,000	160
Urban pockets		
IT exemption		
~30mn tax payers	*4,000-45,000*	*130-260*
Senior citizens	*30,000*	
Women	*35,000*	
~1.6mn out of the tax net	*40,000*	
6th Pay commission	31,000	150
Total	-	**~1100-1200**

Source: CSO, ENAM Research

Economic Stimulus: Unleashed in 3 parts

Measures	(Rs bn)
Fiscal stimulus 1.0 Dec 08	**200**
- Infra (IIFCL)	10
- Exports	70
- Textiles (TUFF)	14
- Others	106
Rev Loss due to above	154
- 4% Cenvat cut	87
- Import CVD	67
Fiscal Stimulus 2.0 Jan 09	**1,100**
SPV for liquidity to NBFCs	250
Addl borrowing for states	300
Addl bonds for IIFCL	300
Recap of PSU banks	200
RBI credit line to EXIM bank	50
Fiscal Stimulus 3.0 Feb 09	**540**
Excise/ Customs/ Svc tax cut	540
Total = 3.1 % of GDP	**1,686**

Source: CSO, ENAM Research

Success will depend entirely on execution and business confidence level

Consumption

- **In a deflating world, India's GDP and consumption will continue to grow,** albeit at a slower pace ie ~8-10% in nominal terms (vs 12-13% since 2006)
- **Agri (~57% of total) and govt workforce (9%) largely insulated** due to higher govt spending on schemes ie agri-debt waiver, NREGS, higher MSPs & 6^{th} Pay Commission award 28% of the work force could be affected by job-loss/ wage cuts. Least affected= sizeable Agri & Govt workforce (66%). Worst affected= SMEs (>8%), mostly trade & textile. Other problem areas= transport and automotive. Thus, consumption would slow from 12-13% since 2006 to ~8-10% over next 3 yrs
- **Lower interest & tax rates, balance disbursement of the 6^{th} pay commission, higher fiscal spend and pre-election splurge could provide consumption floor for the next 12 months.** Yet, broad-based consumption revival can be expected in FY11 or as early as H2FY10 if consumer sentiments stabilize
- Ref Appendix for a sectoral break down of India's labour force & wage outlook

Top Sells

ABB

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- **Automation business (41% of sales, 47% of PBIT) growth linked to industrial capex**
  - Expect capex in sectors such as metals, refinery, etc to be deferred due to global over capacity & unviability at current interest rates / commodity prices
    - The management believes that recovery in capex cycle may be 3-4 quarters away.
  - Current order backlog provides visibility of < 1 year, driving revenues to decline by a third over the next two years
- **Power system (58% of sales, 47% of PBIT) correlated to T&D capex on a firm footing**
  - Dependent on capex of central / state government utilities such as NTPC, PGCIL etc
  - We expect ~7% revenue CAGR over CY08-10E
- **Overall, OPM to decline by 110 bps over CY08-10E due to adverse business mix and increasing competition**
- **We expect ABB's earnings to decline by 17% in CY09E and grow marginally thereafter**
  - On the back of falling utilization & margin contraction, RoCE expected to contract from 59% in CY07 to 27% in CY10
- **Valuations rich at CY10E PER of 22x given earning de-growth and declining return ratios. Maintain sector Underperformer with a revised target price of Rs 350 (29% downside)**

Financial summary **(CMP: Rs 492)**

Y/E Dec	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	EV/EBITDA (x)	P/B (x)	RoE (%)	RoCE (%)
2007	59,303	5,467	-	25.8	59	19.1	11.8	6.4	38.7	58.7
2008	68,371	5,294	-	25.0	(3)	19.7	11.8	4.9	28.3	45.3
2009E	63,312	4,395	26.0	20.7	(17)	23.7	13.6	4.2	19.0	31.0
2010E	65,158	4,684	29.4	22.1	7	22.3	12.5	3.6	17.3	27.4

*Source: *Consensus broker estimates, Company, ENAM estimates*

Cairn India

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- **Pricing of waxy crude remains a concern**
  - Cairn (CIL) guidance is ~10% discount to Brent
  - However, media reports indicate buyers are looking for a larger discount, in the range of USD 10 – 20/bbl
- **Might have to explore exports option**
  - PSU OMCs likely to offtake ~2.5 – 3 MMTPA of the total 8.7 MMTPA
  - Balance to be absorbed by RIL, EOL and/or exported
    - However, looking at waxy nature of crude, it will be difficult and expensive proposition to export
- **Valuations**
  - We value CIL at Rs 165/shr (Implied EV/boe of USD 10.1) based on long term Brent assumption of USD 60/bbl and discount for Rajasthan oil at 10% to Brent.

Target Price sensitivity to long term crude

Rs/share		Long term Brent (USD/bbl)				
		50	**55**	**60**	**65**	**70**
Dsicount to Brent (%)	**0%**	157	168	181	196	206
	5%	150	164	172	186	198
	10%	145	157	**165**	177	190
	15%	137	150	160	169	180
	20%	130	142	152	163	170

Source: ENAM research

Financial summary **(CMP: Rs 188)**

Y/E Dec	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2007	10,123	(245)	-	(0.1)	11	(1,586)	(0.6)	2.9	91	0.0
2008E	12,509	7,692	-	3.9	(3,058)	54	13.4	15.2	54.0	0.0
2009E	22,397	6,098	5.2	3.1	(21)	68	8.1	8.9	32.1	1.0
2010E	75,512	42,615	19.5	21.5	599	10	48.0	43.6	7.0	9.0

*Source: *Consensus broker estimates, Company, ENAM estimates*

HDFC

- **While we remain positive on HDFC from a medium to long term perspective , the recent sharp rise in the stock price has again pushed the stock to an extremely rich valuation zone:**
  - Has risen 26% during the past one month and currently trading at 3.6x FY10E P/Adj. BV (Adjusted for NPA and cost of investments)
- **Although historically HDFC has traded at a premium multiple, we believe such rich valuations are not sustainable in the current economic environment due to the likely near term risks we foresee:**
  - Disbursement value expected to come down due to a combination of lower real estate prices and lower loan-to-value
  - Delayed pickup in the demand for financing in terms of the number of sanctions/approvals
  - Competition from PSBs leading to switches by existing customers as well as decrease in incremental lending
  - Any further deterioration in the liquidity conditions to put further pressure on funding cost and margins
- **Continued slowdown in insurance with FY09 (11 months) new premium growth already down to 7% YoY**
- **May not go for the warrants conversion of HDFC Bank and hence lose the 10% money (Rs 4 bn) paid upfront**

Financial summary (Standalone) **(CMP: Rs 1753)**

Y/E Mar	PAT (Rs. m)	FDEPS (Rs. m)	EPS chg (%)	P/E (x)	P/E* (x)	Adj. BV (Rs.)	P/Adj. BV (x)	P/Adj. BV* (x)	RoE (%)	RoA (%)	Net NPA (%)
2007	15,704	58	-	30	21	207	8.5	7.5	30.7	2.7	0.2
2008	24,362	85	46	21	14	419	4.2	3.9	20.6	2.5	0.2
2009E	21,213	71	(17)	25	17	439	4.0	4.0	16.9	2.4	0.2
2010E	23,764	79	11	22	15	482	3.6	3.7	17.1	2.2	0.2

*Source: Company, ENAM estimates, Note: *P/Adj. BV and P/E calculated after deducting value of investment from price and cost of investment from BV.*

Idea Cellular

- **Medium-term run-up has largely been a function of:**
  - Higher subs additions (esp. in Mumbai circle) and becoming eligible for award of additional spectrum
  - 2G services being funded adequately and
  - Revision in capex (FY09E revised to Rs 65 bn v/s Rs 75 bn earlier and FY10 capex at ~ Rs 60 bn)
- **However, following fundamentals warrant a SELL call:**
  - Low-end subs additions to impact revenue growth rates ; revenue growth would lag subs growth
  - Margins would decline in next few quarters due to the investment phase of new circles, Spice integration and passive infrastructure charges
  - Revenue concentration with Top 3 and Top 5 circles at ~42% and 61% (Q3FY09) remains a concern ahead of implementation of Mobile Number Portability (MNP). These are its incumbent circles where it enjoys high ARPUs
  - Balance Sheet funded for 2G services. But 3G auctions would increase debt/ equity, in case Idea Cellular opts for 3G
  - **Valuations high v/s market leader, Bharti**

Financial summary **(CMP: Rs 53)**

Y/E March	Sales (Rs mn)	EBITDA (Rs. mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2007	43,664	14,637	5,033	-	1.9	104	27.6	16.1	11.7	11.2
2008	67,200	22,517	10,422	-	4.0	107	13.4	36.4	16.9	8.9
2009E	102,320	27,753	7,252	2.8	2.2	(44)	24.0	10.1	9.5	8.3
2010E	136,308	34,898	9,019	3.0	2.7	24	19.3	8.0	7.2	7.5

*Source: *Consensus broker estimates, Company, ENAM estimates.* Idea financials are consolidated for Spice and based on 3,300 mn o/s shares

L&T

- **Capex plans of most corporates likely to defer given the tight credit markets and sharp decline in commodity prices (oil, metals, etc), which may impact ~15% of L&T's order book & FY10 execution**
  - Buildings & Real estate - 10% of order book and refinery + Steel – 5% of order book
  - Adjusting for the deferrals, L&T's FY09 order book would be 10% higher than FY08
- **FY09 intake guidance missed; guides for 25-35% intake growth in FY10 in difficult macro-environment**
  - FY09 intake grew by 24% to Rs 520 bn vs guidance of 30% due to delay in hydrocarbon orders
  - Management guided for a 25-35% growth in intake guidance (vs flat intake earlier expected by us)
  - We revise our FY10 earnings estimate upwards by 10% to account for the same
- **Margin pressures from adverse mix, rising competition**
  - <u>Adverse biz mix</u>: 44% of 9MFY09 order inflow from low margin Infrastructure segment
  - Competition from Koreans increasing for high margin Oil & Gas jobs
  - Margin erosion in manufacturing - Electricals (depended on realty) and Machinery (depended on hydrocarbon)
  - Increase in leverage due to capex (Rs 30 bn) and increase in working capital (Rs 36 bn)
- **Significant premium compared with previous downcycle (FY00-03)**
  - In FY00-03 L&T was trading at PE 9- 11x 1 yr fwd, while currently the core business trades at FY10E PE 19x
  - Retain our sector Underperformer rating with a revised price target of Rs 640 (23% downside)

Financial summary **(CMP: Rs 832)**

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2008	294,685	21,878	-	37.0	23	22.5	22.8	18.9	14.7	9.8
2009E	392,316	27,436	-	46.4	25	17.9	20.7	16.5	12.9	11.5
2010E	413,618	26,032	52.0	44.0	(5)	18.9	16.5	13.6	13.3	11.5
2011E	470,832	30,397	54.9	51.4	17	16.2	16.9	13.6	12.2	11.5

*Source: *Consensus broker estimates, Company, ENAM estimates*

ONGC

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Pressure on core business

- Onshore oil production (constituting 30.5% of total) on the decline
- Gas production also likely to fall from FY10 onwards
- Contribution from OVL to taper off due to decline in production from existing fields + falling crude oil prices

No clarity yet on Q4FY09 subsidy sharing

- GOI likely to issue bonds worth Rs 150 bn to compensate for Under recoveries of Rs 1.04 tn for FY 09
- However, OMCs require another Rs 20-30 bn to stay in profits as poor refining margins, huge inventory losses and Fx losses have taken toll on profitability
  - To be adjusted within OMCs (BPCL / IOCL to compensate HPCL)
  - Or to be borne by Upstream

Valuations rich

- Trading at 9.7x FY10E EPS of Rs 87.9/ share
- We value ONGC at Rs 791/ share based on 9x FY09E EPS of Rs 87.9/share

Financial summary **(CMP: Rs 852)**

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2007	822,615	185,598	-	86.7	(16)	9.8	29.9	44.4	4.6	31.0
2008	967,824	199,889	-	93.3	8	9.1	28.4	43.3	4.1	49.2
2009E	1,110,343	202,280	96.1	94.5	1	9.0	26.1	41.5	3.7	52.0
2010E	917,086	188,357	88.7	87.9	(7)	9.7	22.5	35.4	4.1	49.5

*Source: *Consensus broker estimates, Company, ENAM estimates*

Reliance Capital

- **Majority of Reliance Capital's businesses are highly capital market linked. While the management is trying its best to focus on "Profitable growth" with a conscious effort at cost-rationalisation, Business expansion/ growth would revive only when capital markets move into its deserved trajectory**
- **Significant slowdown in the life insurance business**
  - While RCAP enjoyed high growth in premiums until recently, growth now has slowed down to 46% YoY in FY09 (11mth)
  - We believe that current growth would tend to fall further in FY10 as most of the business still remains ULIP dominated
- **Consumer finance business severely affected by tight liquidity conditions**
  - Severe liquidity crunch in 3QFY09 forced the company to halt fresh disbursements, as a result the loan book has contracted to book Rs 86 bn in Feb 09 as against Rs 95 bn in Q2FY09
- **General insurance business adversely affected by declining premiums and high expenses**
  - Premiums declined 12% YoY in Q3FY09 and combined ratio worsened to 114% pushing the company back into a loss
- **Possibility of losses on the proprietary book/ investments due to weak equity markets**
- **We are now factoring in lower growth estimates for life insurance and consumer finance business and revising our target price downwards to Rs 480 per share**

Sum of the parts	Valuation basis	RCAP's stake	Value per share
Life insurance	12x FY10E NBAP + EV	100%	215
General insurance	10x FY10E earnings	100%	20
Asset management	3% of current AUM	95%	94
Broking & distribution	10x FY10E earnings	100%	17
Consumer finance	1x FY10E Net worth	100%	135
Value of unrealized gains on Investments	Breaking even only	100%	0
Value per share of Reliance Capital			**480**

Source: Company, ENAM estimates

Ranbaxy

- **The stock has gained ~40% from its low of Rs 134 less than a month ago, due to a few events that have been viewed positively i.e.**
  - re-certification of one of its units at Poanta Sahib by the UK MHRA and Australian TGA for supply of formulations
  - Daiichi's intention to seek a meeting with the US FDA to try and resolve outstanding issues
  - the decision to allow companies to delay implementation of AS 11
  - the appointment of BSR & Co (an affiliate of KPMG International) as its new auditors
- **We do not think these developments, by themselves, are sufficient to justify a change in our fundamental view. Our concerns remain:**
  - the as yet un-quantified nature of the forex hedging loss that the company may have to eventually book (ET speculated today this could be over USD 500 mn)
  - US FDA's February 25 charge that the company falsified data to obtain approvals. This is more serious and likely to delay resolution of the matter well beyond the three-six month time frame that the original Warning Letter (issued in Sep'08) led us to believe

Financial summary **(CMP: Rs 186)**

Y/E Dec	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS # (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2007	66,480	7,745	-	19.3	50	9.6	28.3	16.8	11.4	8.5
2008	72,219	5,080	-	11.0	(43)	16.9	12.7	5.9	16.1	8.5
2009E	79,915	5,336	10.9	11.5	5	16.1	10.3	11.0	8.8	8.5
2010E	89,635	6,024	14.9	13.0	13	14.3	11.3	11.9	8.2	8.5

*Source: *Consensus broker estimates, Company, ENAM estimates*

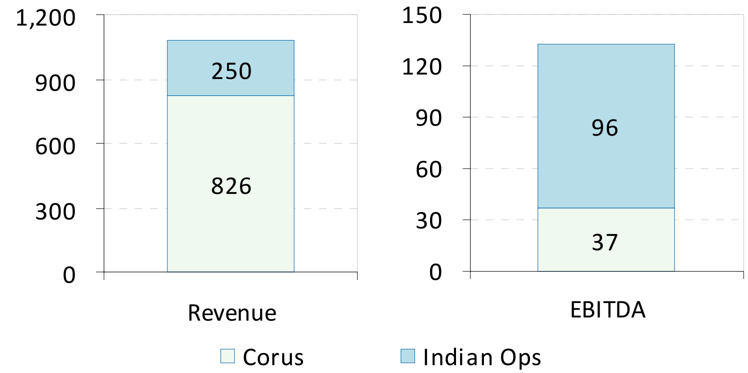
Tata Steel

- **Overall business to remain under stress due to poor performance of Corus in spite of cost competitive Indian operation**
  - <u>40% output cut in Corus</u>: As demand from construction and automobiles in Europe remains poor.
  - <u>EBITDA margin to be under pressure</u> on falling steel prices despite likely reduction in contract prices for iron ore and coking coal
- **High EPS sensitivity because of low margin & high financial leverage**
  - FY09E cons. net D/E ratio of 1.1x (FY09E Net debt of ~Rs 410 bn)
  - High capital charges (~70% of EBITDA) could erode earnings in a declining profitability environment.
- **Overvalued at 8x FY10E EPS – Does not reflect high EPS sensitivity** *(refer table on the right)*
  - Sector **Underperformer** rating with a TP of Rs 168 (5x FY10E EPS)

High FY10E EPS sensitivity to HRC price

(Rs)		Indian HRC (USD)				
		490	**540**	**590**	**640**	**690**
Corus - ebitda (USD/Ton)	**20**	(1)	9	20	30	40
	30	6	16	27	37	48
	40	13	23	**34**	44	55
	50	20	30	41	51	62
	60	27	37	48	58	69

FY10E Rev. & EBITDA break up (Rs bn)



Financial summary (Consolidated) **(CMP: Rs 269)**

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Cons. EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)	D/E (x)
2008	1,315,359	62,256	-	70.8	46	3.8	16	18	3.7	15.9	1.3
2009E	1,437,436	75,086	108.0	85.4	21	3.2	18	16	4.3	10.5	1.2
2010E	1,086,933	29,623	48.3	33.7	(61)	8.0	6	9	5.1	5.3	1.0
2011E	1,129,462	34,340	65.7	39.1	16	6.9	7	10	4.6	5.3	0.9

*Source: *Consensus broker estimates, Company, ENAM estimates*

Tata Motors

- **JLR remains a blind spot, as disclosures expected along with Q4FY09 results**
  - Financial performance of JLR(60% of conso revenues) key to consolidated cash flows and funding requirements.
  - Roll over of bridge loan seems likely, as banks/ UK govt have extended credit availability to TAMO. However, pension fund (USD 4 bn) revaluation in CY09 could throw up further requirement of capital within JLR.
- **Nano to impact earnings only by FY11. Initial booking amount float available only for 3 months**
  - Given the supply constraints, production of Nano expected to be 50k in FY10. Even at 350k volumes in FY11, Nano would contribute revenues of Rs 30 bn (~15% of standalone revenues).
  - TAMO to refund the booking amount for the rejected applications post the June allotment lottery.
    - Assuming 20% of the applicants (500k) await 2nd round in 2010, the total money = ~Rs 22 bn (<10% of total debt of Rs 260 bn).
- **Domestic operations still under pressure (voln down 14% in FY09), FY10 to see mild recovery**
  - M&HCV volume growth expected at 5-8% in FY10. However, competition in LCVs, cars and UVs to increase.
- **B/S remains highly leveraged, JLR remains key to re-rating**
  - Conso D/E remains high at 2:1 with debt of Rs 260 bn (incl JLR). Funding capex requirement of Rs 80-100 bn over the next 3 years seems difficult. Re-rating on TAMO will depend on a turnaround in JLR.
  - SOTP value of TAMO at Rs 130/ share (9x FY10E EPS + Rs 6 as value of subs). CMP of Rs 243 implies a 46% downside.

Financial summary **(CMP: Rs 243)**

Y/E Mar	Sales (Rs.mn)	EBIDTA (Rs. mn)	PAT (Rs. mn)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2007	267,153	32,274	19,135	41.3	23.7	-	30.9	29.9	-
2008	279,893	28,586	17,208	35.4	(14.4)	-	23.4	20.4	-
2009E	236,218	16,714	8,262	14.8	(58.3)	16.0	8.1	7.2	11.2
2010E	250,928	21,748	7,582	13.5	(8.2)	17.5	5.9	6.8	8.9

*Source: *Consensus broker estimates, Company, ENAM estimates*

Unitech

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Near term survival assured….

- Near term survival issues addressed via recent asset sales/ debt restructuring/ further equity infusion via QIP (Rs 16 bn @ Rs 38.5/ share)
  - Increased net worth provides flexibility for further debt raising

….but medium-long term concerns remain

- However, weak macro environment to impact future launches → Operating cash flows to fall short → requiring further debt + sale of assets + equity dilution to service debt & interest payments
  - Interest cost of ~Rs 8 bn p.a. (debt of ~Rs 65 bn+ post repayment of ~Rs 20 bn in FY10) → servicing the same to require sales of ~15+ mn sq ft. p.a. (Peak sales in FY08: ~7mn)
  - Given the weak macro environment, we doubt the success of Unitech's future launches and hence have not consider the same in our valuations
- Execution scalability untested → risk of delayed customer payments

Valuations

With near term concerns alleviated, we revise our NAV to **Rs 34/ share** using a lower discount rate of 16%. At CMP of Rs 43, the stock trades at a ~26% premium to our revised NAV. We maintain our sector **Underperformer** rating

FY10 cash flow analysis

Funding requirements	(Rs.bn)
Debt repayment	20
Interest cost	12
Land cost payment	-
Construction costs	8
Overheads	13
Total	**52**

Potential sources of funds	(Rs.bn)
Cash balance	8
Cash from Telenor	3
Sale of assets - 1) Hotels	4
2) Saket office	4
Internal accruals	10
QIP infusion	16
Balance via further debt restructuring	7
Total	**52**

Source: ENAM Research; Assuming construction of ~5mn sq. ft.

Financial summary

(CMP: Rs 43)

Y/E March	Sales (Rs mn)	PAT (Rs mn)	EPS (Rs.)	Change (YoY %)	RoE (%)	RoCE (%)
2007	32,984	13,058	6.4	1,440	114.6	52.2
2008	41,404	16,619	8.1	27	58.2	25.7
2009E	31,928	10,301	5.0	(38)	24.3	13.7
2010E	26,304	7,434	3.6	(28)	12.5	10.2

Valuation	(Rs)
NAV*	34
Price / NAV (x)	1.3

Source: ENAM Research; Note: Figures not adjusted for recent QIP dilution

Wipro

- **Run-up in the past one month assimilates the medium-term positives:**
  - Likely improvement in net realisation from fixed-price contracts
  - Margin defense through no employee recruitments / wage hikes and SG& leverage
  - No major impairment of Goodwill / Intangibles
  - Decline in open hedge positions
- **The above positives are reflected in current valuations of ~11x FY10 P/E and 2.3x FY10E P/ BV. We believe that the following fundamental concerns still persist:**
  - Topline growth remains a challenge esp. in its core Telecom OEM / R&D space and BFSI vertical.
  - A leveraged balance sheet and a high composition of Goodwill / Intangibles v/s peers
  - High forex cover (despite recent cancellations) relative to size of revenues partly neutralizing the benefits of currency depreciation
  - Single digit CAGR (~6%) btw FY09-FY11E

Financial summary **(CMP: Rs 277)**

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	M Cap / Sales (x)
2008	197,428	32,241	-	22.2	11	12.5	27.9	25.8	11.9	2.0
2009E	257,024	34,650	24.7	23.7	7	11.7	24.9	21.4	9.7	1.6
2010E	273,060	36,986	25.4	25.4	7	10.9	22.7	20.5	9.3	1.5
2011E	309,308	38,960	26.5	26.7	5	10.4	20.2	20.3	8.1	1.3

*Source: *Consensus broker estimates, Company, ENAM estimates*

Database

Note: 1) * Tata Motor estimates are on standalone basis; 2) PE is adjusted for VOI wherever applicable; 3) Telecom company valuations exclude tower valuations; 4) IT Cos :Kindly note that the extension of 10A/10B tax benefit by one year has been incorporated in the FY10 estimates; 5) SBI: BV, EPS & valuations are on standalone basis.

Source: ENAM estimates, Bloomberg

ENAM valuations

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	CMP	Mcap	TP	Upside	Price perf (%)		FDEPS (INR)		PER (x)		PBR (x)		ROE (%)	
Company Name	(INR)	($m)	(INR)	(%)	1w	1m	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e
Autos														
Ashok Leyland	21	563	16	(24)	14	20	1	2	17	12	1.3	1.3	8	12
Bajaj Auto	657	1,909	600	(9)	0	22	56	60	10	9	5.1	4.3	47	42
Bharat Forge	122	544	81	(33)	1	28	12	10	10	12	1.7	1.5	17	14
Bosch	3,082	1,985	2,863	(7)	2	3	195	185	16	17	3.2	2.7	22	18
Hero Honda Motors	1,080	4,334	969	(10)	2	12	63	72	15	13	5.7	4.5	37	34
Mahindra & Mahindra	451	2,528	375	(17)	(3)	21	31	31	9	9	2.4	2.2	17	16
Maruti Suzuki India	852	4,943	661	(22)	7	22	51	57	14	13	2.6	2.2	16	16
Motherson Sumi Systems	79	567			17	31	5	6	17	13	5.0	3.9	33	33
Tata Motors*	243	2,198	130	(47)	16	46	15	14	14	15	1.0	1.0	8	6
TVS Motor Co	24	114	20	(16)	3	10	1	2	22	12	0.7	0.7	3	6
Banking														
Axis Bank	471	3,395	550	17	8	37	47	57	10	8	1.6	1.4	18	19
Bank of Baroda	289	2,114	350	21	20	40	54	67	5	4	0.8	0.7	17	18
Bank of India	258	2,719	320	24	13	29	56	71	5	4	1.2	0.9	29	28
Canara Bank	190	1,566	230	21	13	28	46	55	4	3	0.9	0.7	21	21
Corp Bank	201	579	250	24	8	21	60	71	3	3	0.6	0.5	18	18
HDFC Bank	1,064	9,097	1,150	8	0	26	48	60	22	18	3.1	2.3	16	15
Housing Development Finance Corp	1,753	10,018	1,675	(4)	3	26	71	79	25	22	4.0	3.6	17	17
ICICI Bank	426	9,535	500	17	14	32	37	41	6	5	1.0	1.0	9	9
Infrastructure Development Finance (	66	1,708	75	14	0	37	6	7	11	9	1.4	1.2	14	15
ING Vysya Bank	140	289	170	21	6	27	22	30	6	5	1.0	0.8	15	18
LIC Housing Finance	273	466	340	25	10	32	59	73	5	4	1.1	0.9	25	25
Oriental Bank Of Commerce	136	686	180	32	14	32	37	44	4	3	0.5	0.5	15	16
Power Finance Corp	145	3,333	175	21	3	1	11	13	13	12	1.6	1.5	13	13
Punjab National Bank	486	3,076	520	7	8	42	91	110	5	4	1.2	0.9	24	24
Reliance Capital	517	2,552	480	(7)	20	64	46	47	11	11	1.7	1.5	16	14
Rural Electrification Corp	103	1,785	95	(8)	5	17	14	16	7	7	1.5	1.3	22	22
Shriram Transport Finance Co	214	875	220	3	17	17	27	35	8	6	2.2	1.6	28	28
State Bank of India	1,262	16,093	1,530	21	12	28	136	163	9	8	1.6	1.4	16	17
Union Bank Of India	162	1,643	200	24	3	28	36	43	5	4	1.1	0.9	28	27
Yes Bank	68	405	80	18	26	54	10	13	7	5	1.2	1.0	20	21

ENAM valuations

Company Name	CMP (INR)	Mcap ($m)	TP (INR)	Upside (%)	Price perf (%) 1w	Price perf (%) 1m	FDEPS (INR) FY09e	FDEPS (INR) FY10e	PER (x) FY09e	PER (x) FY10e	PBR (x) FY09e	PBR (x) FY10e	ROE (%) FY09e	ROE (%) FY10e
Cement														
ACC	617	2,325	484	(21)	6	10	56	42	11	15	2.4	2.2	24	16
Ambuja Cements	80	2,452	61	(24)	11	15	7	6	11	15	2.2	1.9	22	14
Century Textile & Industries	224	418	213	(5)	3	15	24	21	NA	NA	1.5	1.4	16	14
Grasim Industries	1,609	2,964	1,627	1	3	9	232	155	6	9	1.1	1.0	18	10
India Cements	121	689	75	(38)	10	17	19	11	6	11	1.1	1.0	19	9
Madras Cements	75	357	73	(2)	(5)	23	16	11	5	7	1.4	1.2	35	19
Shree Cement	796	557	756	(5)	11	30	146	61	5	13	2.4	2.1	56	17
Ultra Tech Cement	545	1,362	558	2	1	13	75	52	7	11	1.9	1.6	30	17
Power Utilities														
NTPC	196	32,436	178	(9)	6	14	9	10	21	19	2.7	2.5	14	14
Power Grid Corp	95	8,004	82	(13)	2	(1)	4	5	21	19	2.3	2.1	11	12
Reliance Infrastructure	644	2,914	790	23	5	39	44	47	15	14	1.2	1.1	8	8
Tata Power Co	867	3,858	835	(4)	1	29	98	70	7	10	1.7	1.5	21	13
Engineering														
ABB/India	492	2,097	350	(29)	11	34	25	21	20	24	4.9	4.2	28	19
AIA Engineering	166	314	145	(13)	18	47	18	20	9	8	2.0	1.6	24	22
Bharat Electronics	937	1,506	875	(7)	(0)	13	104	109	9	9	2.0	1.7	24	21
Bharat Heavy Electricals	1,627	15,997	1,500	(8)	6	16	74	92	22	18	6.9	5.4	35	34
Crompton Greaves	151	1,110	100	(34)	18	17	14	14	11	11	3.2	2.8	33	28
Cummins India	199	791	140	(30)	8	27	18	14	11	14	2.7	2.4	27	18
Larsen & Toubro	832	9,784	640	(23)	8	33	46	44	17	18	3.3	2.9	21	16
Punj Lloyd	121	739	90	(26)	14	57	13	13	10	9	1.3	1.1	14	13
Siemens India	301	2,039	190	(37)	12	38	15	16	19	19	4.4	3.8	25	22
Suzlon Energy	56	1,690	61	9		60	10	7	6	8	0.8	0.8	15	10
Thermax	224	536	160	(29)	12	43	24	22	9	10	2.9	2.5	33	26
Voltas	54	357			4	49	6	7	8	7	2.4	1.9	32	29
FMCG														
Asian Paints	904	1,741	800	(12)	15	25	39	52	23	17	7.2	6.0	33	37
Colgate Palmolive India	458	1,251	477	4	2	0	20	25	23	19	30.3	24.7	150	146
Dabur India	97	1,689	98	1	2	3	4	5	22	18	10.2	7.7	53	48
Godrej Consumer Products	129	670	110	(15)	1	8	6	8	21	16	5.5	5.0	41	33
Hindustan Unilever	239	10,474	278	16	5	2	11	12	21	21	31.8	29.9	162	149
Marico	63	767	69	10	7	2	3	4	20	16	8.4	6.1	49	43
Nestle India	1,665	3,226	1,564	(6)	4	9	55	65	30	26	28.8	22.4	109	98
Tata Tea	673	836	600	(11)	14	27	55	69	12	10	0.9	0.8	7	9

ENAM valuations

Company Name	CMP (INR)	Mcap ($m)	TP (INR)	Upside (%)	Price perf (%)		FDEPS (INR)		PER (x)		PBR (x)		ROE (%)	
					1w	1m	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e
Infrastructure														
GMR Infrastructure	105	3,848	78	(26)	4	36	1	3	92	42	3.0	2.8	3	6
Gammon India	75	130	64	(14)	6	41	10	11	3	3	0.6	0.6	10	9
Hindustan Construction Co	56	287	39	(30)	21	74	4	4	9	8	1.3	1.2	9	10
IVRCL Infrastructures & Projects	150	403	138	(8)	(3)	27	16	19	8	6	1.1	1.0	12	13
Patel Engineering	168	201	162	(4)	4	59	26	24	5	6	1.0	0.9	16	13
IT Services														
HCL Technologies	122	1,641	105	(14)	9	20	19	21	6	6	1.3	1.0	23	20
Infosys Technologies	1,341	15,437	1,504	12	(5)	4	104	100	13	13	4.2	3.4	37	28
Redington	140	219	158	13	17	42	20	23	7	6	1.0	0.8	18	15
Tata Consultancy Services	571	11,229	646	13	(1)	10	53	56	11	10	3.4	2.7	36	30
Tech Mahindra	350	855	299	(15)	13	37	69	67	5	5	2.2	1.6	57	39
Wipro	277	8,137	257	(7)	3	21	24	25	12	11	2.7	2.3	25	23
Media														
Entertainment Network India	149	143	118	(21)	21	26	(10)	(4)	NA	NA	1.7	1.9	(11)	(5)
HT Media	67	315	40	(40)	12	53	3	4	26	16	1.9	1.8	7	11
Sun TV Network	187	1,478	168	(10)	8	10	9	11	20	17	4.2	3.7	22	24
Television Eighteen India Ltd	83	199			13	35	(1)	2	NA	35	1.8	1.7	(1)	5
Zee Entertainment Enterprises	128	1,120	115	(10)	10	34	8	10	15	13	1.6	1.5	12	12
Metals														
Hindalco Industries	58	1,978	45	(22)	(3)	36	4	5	12	8	0.6	0.5	3	5
Hindustan Zinc	494	4,189	494	0	1	32	60	52	5	5	1.5	1.3	20	14
Jindal Steel & Power	1,347	4,184	1,131	(16)	5	24	214	179	6	8	2.8	2.1	59	32
JSW Steel	331	1,243	163	(51)	6	79	31	33	11	10	0.8	0.8	8	8
National Aluminium Co	241	3,115	206	(14)	4	5	20	23	10	9	1.6	1.4	14	14
Sesa Goa	110	1,734	114	4	4	32	24	21	3	3	1.9	1.5	49	31
Steel Authority Of India	111	9,224	96	(14)	3	33	14	12	6	7	1.7	1.5	23	17
Sterlite Industries India	401	5,706	372	(7)	4	37	43	42	6	6	0.9	0.8	10	9
Tata Steel	269	3,951	168	(38)	14	59	85	34	3	8	0.5	0.5	18	6

ENAM valuations

ENAM
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Company Name	CMP (INR)	Mcap ($m)	TP (INR)	Upside (%)	Price perf (%) 1w	Price perf (%) 1m	FDEPS (INR) FY09e	FDEPS (INR) FY10e	PER (x) FY09e	PER (x) FY10e	PBR (x) FY09e	PBR (x) FY10e	ROE (%) FY09e	ROE (%) FY10e
Petrochem, Oil & Gas														
Aban Offshore	481	364			15	78	229	341	2	1	1.4	0.7	92	68
BPCL	383	2,782	460	20	3	6	17	49	22	8	1.1	1.0	5	14
Cairn India	188	7,172	165	(12)	(7)	11	4	3	49	61	5.1	4.8	13	8
Chennai petro	119	355	136	15	(3)	40	(33)	30	NA	4	0.6	0.5	(15)	15
Essar Oil	154	3,725	60	(61)	30	112	(8)	6	NA	28	3.6	2.4	(24)	11
GAIL India	249	6,355	265	6	(2)	13	23	25	11	10	2.2	1.9	21	20
Gujarat Gas Co Ltd	276	356			1	13	23	27	12	10	2.4	2.0	22	22
Gujarat State Petronet	40	454			(5)	11	2	3	21	15	1.7	1.5	9	10
HPCL	263	1,788	283	8	1	0	4	31	64	8	0.8	0.8	1	10
Indian Oil	423	10,127	529	25	4	2	28	59	15	7	1.0	0.9	7	14
Indraprastha Gas	111	313	135	21	2	11	14	17	8	7	2.3	1.9	32	31
Oil & Natural Gas Corp	852	36,601	791	(7)	(4)	19	94	88	9	10	2.2	2.1	26	23
Petronet LNG	45	680	48	6	(2)	28	6	7	8	7	1.6	1.3	21	22
Reliance Industries	1,737	54,906	1,475	(15)	4	31	92	143	19	12	2.4	2.1	15	18
Reliance Petroleum	108	9,742	89	(17)	3	32		13	NA	8	3.6	2.6		36
Pharmaceuticals														
Biocon	150	605	152	1	(1)	39	12	16	12	9	1.9	1.6	17	19
Cadila Healthcare	292	801	342	17	4	17	26	30	11	10	3.1	2.5	30	28
Cipla/India	238	3,724	248	4	8	18	11	13	21	18	4.4	3.7	22	22
Dishman Pharmaceuticals & Chemica	113	183	145	28	16	18	18	21	6	5	1.3	1.1	22	22
Divi's Laboratories	938	1,220	1,026	9	2	6	66	73	14	13	4.9	3.6	41	33
Dr Reddys Laboratories	524	1,772	448	(14)	2	21	24	35	22	15	1.8	1.6	8	11
GlaxoSmithKline Pharmaceuticals	1,099	1,870	1,158	5	1	(3)	53	58	21	19	6.0	5.3	30	30
Glenmark Pharmaceuticals	181	911	154	(15)	2	35	12	12	15	15	2.4	2.1	18	15
Jubilant Organosys	120	355	122	2	16	35	19	18	6	7	1.0	0.9	15	14
Lupin	692	1,151	867	25	8	16	55	62	13	11	2.9	2.4	25	23
Piramal Healthcare	215	904	262	22	3	13	21	22	10	10	3.4	2.7	36	31
Ranbaxy Laboratories	186	1,573	139	(25)	2	26	11	12	17	16	1.5	1.5	13	10
Sun Pharmaceutical Industries	1,236	5,116	1,377	11	16	24	86	77	14	16	3.9	3.3	31	22

ENAM valuations

Company Name	CMP (INR)	Mcap ($m)	TP (INR)	Upside (%)	Price perf (%) 1w	1m	FDEPS (INR) FY09e	FY10e	PER (x) FY09e	FY10e	PBR (x) FY09e	FY10e	ROE (%) FY09e	FY10e
Real Estate														
Brigade Enterprises	50	112	55	11	24	49	6	6	8	8	0.6	0.5	7	7
Housing Development & Infrastructur	124	689	100	(20)	12	73	25	21	5	6	0.8	0.7	17	12
Indiabulls Real Estate	136	702	124	(9)	18	46	2	10	89	14	0.7	0.7	1	5
Peninsula Land	31	175	28	(10)	7	60	5	5	6	6	0.9	0.8	16	13
Unitech	43	1,412	34	(22)	18	65	5	4	9	12	1.9	1.2	24	13
Retail														
Titan Industries	798	711	961	20	(5)	8	46	55	17	15	6.0	4.6	40	36
Zodiac Clothing Co	189	32			4	17	39	42	4	4	0.9	0.8	21	20
Telecom														
Bharti Airtel	669	25,504	644	(4)	1	17	45	49	11	10	4.0	3.1	32	26
IDEA	53	3,289	40	(24)	(1)	17	2	3	13	11	1.6	1.5	10	8
Reliance Communications	217	9,017	250	15	(0)	39	28	25	5	6	1.4	1.2	19	15
Transportation														
Allcargo Global Logistics	779	350	464	(40)	(1)	12	56	46	14	17	2.7	2.2	23	15
Container Corp Of India	760	1,985	580	(24)	7	14	62	58	10	11	2.6	2.3	23	19
Gateway Distriparks	73	157	67	(8)	18	41	8	7	7	8	1.1	1.1	13	11
Great Eastern Shipping Co/The	199	609	190	(4)	6	17	76	36	3	5	0.5	0.5	23	9
Others														
Aditya Birla Nuvo Ltd	516	985	610	18	6	42	(48)	10	NA	53	1.5	1.5	(42)	5
Jet Airways India	198	343	210	6	13	32	(238)	(148)	NA	NA	0.5	0.8	(56)	(48)
Mundra Port and Special Economic Zo	380	3,062	382	0	(1)	22	10	17	34	20	5.3	4.7	15	22

Note: 1) * Tata Motor estimates are on standalone basis; 2) PE is adjusted for VOI wherever applicable; 3) Telecom company valuations exclude tower valuations; 4) IT Cos :Kindly note that the extension of 10A/10B tax benefit by one year has been incorporated in the FY10 estimates; 5) SBI: BV, EPS & valuations are on standalone basis.

Source: ENAM estimates, Bloomberg

Appendix

Incomes & consumption

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Sector	% of GDP	% of workforce*	Outlook on aggregate wages
Agri	**18**	**57**	**Spurt in FY09 led by 30% YoY in min. support prices, loan waiver, pre-election splurge, good monsoons. FY10 hangs on monsoon.**
Services	**56**	**24**	
Wholesale/ Retail trade	14	11	Inventory, funding issues & poor consumer sentiment to affect small stores.
Community services	11	8	Should rise as majority of the workforce is govt. employed: stable jobs + enjoying pay-hikes incl arrears.
Transport	5	4	Slowdown in manufacturing to impact truckers' income levels.
Banking & Insurance	7	0.6	~75% of labour in public sector: Bal disbursement of 6^{th} pay commission.
Dwelling/ Real Estate	8	0.6	Funding issues, demand slump & deferments to impact contractual workforce. Hope of revival only as realty prices fall sharply.
IT/ ITES Services	3	0.4	Important contributor despite small share, due to high wage levels. Hiring freeze. Small-mid sized IT firms could see massive job cuts.
Communications	6	0.2	Subscriber growth remains strong.
Hotels/ Restaurants	2	0.2	Fall in travel & tourism; large var. salaries; job losses & wage reductions.

Note: Legend for impact on wages/employment: No impact, High impact, Low impact

Total workforce= **496 mn** in FY08E**. Community services**= **Social** (public admin and defence) + **personal services** (education, community, health and recreation). **Constructio**n= public works (roads, ports etc), erection of new plants.

Source: CMIE, EAC, Industry, ENAM research

Industry

Sector	% of GDP	% of workforce*	Outlook on aggregate wages
Industry	**26**	**19**	
Textile	2	8	Massive job losses expected in SMEs.
Infrastructure/ Const.	7	6	Higher govt. spending (road/rail/port) could partially offset pvt. slowdown
Automotive	2	3	In a 'go slow' mode – hardest hit by credit freeze and demand slump.
Mining & quarrying	2	0.6	Further production cuts from high cost miners if prices remain depressed.
FMCG	2	0.6	Unaffected as secular growth trend maintained thus far.
Other manufacturing	6	0.8	Impacted by slowdown.
Utilities	2	0.3	To be stable as majority of the workforce is govt. employed (incl pay-hikes)
Metals	3	0.1	Global commodity linked, production cut backs.
Total	**100**	**100**	**~70% of the workforce should have low/no impact on wages /employment due to the current slowdown**

Note: Legend for impact on wages/employment: No impact, High impact, Low impact

Total workforce= **496 mn** in FY08E**. Community services**= **Social** (public admin and defence) + **personal services** (education, community, health and recreation). **Constructio**n= public works (roads, ports etc), erection of new plants.

Source: CMIE, EAC, Industry, ENAM research

Thank you