

## Big disappointment, at a critical time!

- **Fiscal deficit target at 6.8% of GDP largely expected** ...but the BIG IDEA to raise resources to bridge this gap missing. Paralytic response to the fiscal challenge; expect serious pain to play out now as government borrowing set to cross Rs4tn. **Total public debt can cross 80% of GDP.**
- **No clear road map on a host of eagerly awaited reforms** - Disinvestment, FDI in insurance/banks/retail, infrastructure sector investment, transparent subsidy mechanisms for fuels/fertilizers.
- **Corporate tax unchanged**, but MAT hiked to 15% from 10%, MAT credit extended to 10 years from 7. A good move, considering India Inc's effective tax rate at ~21%.
- **Personal income tax eased** somewhat (removal of surcharge/FBT, mild increase in slab limits).

**Consumer demand to persist, led by pay commission largesse and social spend.**

**Overweight - FMCG, Pharma. Underweight - Financials**

The Big Picture	(Rs bn)	
	2008-09 RE	2009-10 BUDGET
<b>REVENUE RECEIPTS</b>	<b>5,622</b>	<b>6,145</b>
Tax Revenue	4,660	4,742
Non-tax Revenue	962	1,403
<b>CAPITAL RECEIPTS</b>	<b>123</b>	<b>53</b>
<b>TOTAL RECEIPTS</b>	<b>5,744</b>	<b>6,198</b>
<b>Non-plan Expenditure</b>	<b>6,180</b>	<b>6,957</b>
On Revenue Account	5,618	6,188
Of which, Interest Payments	1,927	2,255
On Capital Account	562	769
<b>Plan Expenditure</b>	<b>2,830</b>	<b>3,251</b>
On Revenue Account	2,417	2,784
On Capital Account	413	468
<b>Total Expenditure</b>	<b>9,010</b>	<b>10,208</b>
Revenue Expenditure	8,034	8,972
Capital Expenditure	975	1,236
Revenue Deficit	2,413	2,827
<b>Fiscal Deficit</b> (borrowings, printing, divestment, etc)	<b>3,265</b>	<b>4,010</b>
GDP assumption	54,263	60,214
<b>% of GDP</b>	<b>6.0</b>	<b>6.7</b>

Interest outgo, defence/pension spend spinning out of control; Debt trap ahoy!

Ballooning deficit = crowding out private sector borrowing; rising interest rates, pressure on bond portfolios of banks

## Auto

Measure	Impact	Stocks Impacted
Excise duty on SUV engines above 2,000cc to reduced from Rs20,000 to Rs15,000	OEMs will pass on the benefit of reduction in excise duty to customers. However the pass on benefit would be negligible	Neutral
Excise duty on petrol driven trucks/lorries to be reduced from 20% to 8%	As ratio between diesel driven trucks to petrol driven trucks would be skewed highly towards diesel driven, there is no substantial benefit accruing to the OEMs on account of this	Neutral impact on OEMs

Peer valuations (Rs mn)

	CMP (Rs)	Mkt cap	Net Sales		Net Profit		EPS (Rs)		ROE (%)		P/E (x)	
			FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Tata Motors	283.4	145,653	242,482	289,204	3,121	8,136	6.1	15.8	2.5	6.2	46.7	17.9
Ashok Leyland	29.3	38,979	58,463	66,929	2,183	3,061	1.6	2.3	9.0	11.4	17.9	12.7
Maruti Suzuki India	1,035.0	299,115	228,900	256,107	17,356	19,889	60.1	68.8	16.8	16.6	17.2	15.0
Mahindra & Mahindra	710.0	191,665	128,729	141,307	10,034	12,962	37.2	46.4	19.0	19.9	19.1	15.3
Hero Honda Motors	1,359.0	271,392	137,097	156,905	15,389	18,425	77.1	92.3	35.5	33.2	17.6	14.7
Bajaj Auto	984.0	142,365	96,168	110,144	8,715	10,818	60.2	74.8	43.0	39.7	16.3	13.2
TVS Motors	43.9	10,426	32,091	37,131	443	858	1.9	3.6	5.4	9.7	23.5	12.1

Source: BRICS Research Valuations as on July 6 2009

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## Banking

Measure	Impact	Stocks Impacted
<b>Banking</b> Interest subvention scheme for short term crop loans up to Rs300,000 per farmer at the interest rate of 7% to be continued. Additional subvention of 1% to be paid from this year as incentive to those farmers who repay short term crop loans on schedule Agriculture credit target set at Rs3,250bn v/s 2,870bn growth of over 13%	Rs4.1bn provided by Government for this additional subvention. Should not have any significant impact on profitability of banks  Agriculture credit target at 13% in line with overall target of 18-19%	-
<b>Macro data</b> Revenue receipts at Rs6.14tn and capital receipts at Rs4.06tn (Rs4tn from government borrowing programme) Government non-plan exp at Rs6.9tn and plan expenditure at Rs3.2tn	Total Revenue deficit pegged at Rs2.82tn (4.8% of GDP) and Fiscal deficit at Rs4tn (6.8% of GDP). In addition state deficit limit has been hiked to 4% of GDP which puts the total government deficit at 10.8% of GDP. Incremental slippages in both central and state borrowings along with increased subsidy would be in the range of Rs1tn taking the total fiscal deficit at close to 12% of GDP in FY10	Overall negative for banking as huge government borrowing in excess of Rs4tn would put upward pressure on interest rates. Rising interest rates will lead to double whammy for banks as it will hit their bond portfolio and at the same time reduce the demand for credit in the economy coupled with rising NPAs  We remain underweight on banking with Axis Bank as top SELL. We prefer Kotak Mahindra and ICICI Bank in the private space  We also remain negative on the entire PSU banking pack with PNB remaining the top SELL

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Peer valuations	CMP (Rs)	Market Cap	Net Interest Income		Non Interest Income		Net Profit		EPS (Rs)		P/Adj BV		ROE (%)		P/E (x)	
			FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
ICICI Bank	678	754,810	104,722	125,432	73,937	81,573	54,000	70,246	48.5	63.1	1.5	1.4	13.5%	15.6%	14.0	10.7
Kotak Mahindra Bank	596	205,425	21,786	25,834	40,565	47,599	8,282	10,681	23.2	31.0	2.9	2.5	12.2%	13.9%	25.6	19.2
HDFC Bank	1,427	505,772	94,107	114,911	36,629	42,751	27,103	33,486	76.5	94.5	3.2	3.2	19.0%	20.2%	19.1	15.3
Axis Bank	794	285,050	47,143	56,040	36,800	46,871	21,491	29,404	59.9	81.9	2.5	2.1	19.5%	22.9%	13.3	9.7
SBI	1655	1,045,084	273,424	336,583	118,361	130,210	92,845	115,279	147.0	182.6	2.1	1.9	15.6%	17.1%	11.3	9.1
PNB	642	202,424	79,881	93,370	19,359	19,678	29,902	35,180	94.8	111.6	1.6	1.6	19.4%	19.6%	6.8	5.8
BOI	327	171,974	83,073	102,105	22,479	24,586	25,924	32,306	49.3	61.4	1.7	1.4	18.9%	20.1%	6.6	5.3
HDFC	2,353	668,332	36,873	39,908	8,196	7,992	29,406	30,952	103.5	109.0	4.2	6.3	19.4%	18.1%	22.7	21.6
Union Bank	233	117,692	54,949	66,682	14,648	17,178	24,760	28,204	49.0	55.8	1.4	1.1	25.6%	24.1%	4.8	4.2

Source: BRICS Research Valuations as on July 6 2009

## Capital goods

Measure	Impact	Stocks Impacted
APDRP allocation has increased from Rs13bn to Rs20.8bn for FY10	<p><b>Positive:</b> Higher allocation to APDRP schemes will give a boost to the transmission and the distribution (T&amp;D) space of the power sector in the country</p> <p>Higher allocation will speed up the process of awarding contracts for sub-stations below and above 11KV in towns and cities with a population above 30,000 and 10,000 for areas like the North-East, Sikkim, Uttarakhand, Himachal and J&amp;K</p>	<p><b>Positive:</b> ABB, Areva T&amp;D, Crompton Greaves, Jyoti Structures, KEC international, Kalpataru Power Transmission, EMCO, Voltamp Transformers, Indo-Tech Transformers, Transformers &amp; Rectifiers, Bharat Bijlee</p>
Enhanced allocation to Jawaharlal Urban renewal mission (JNURM) by 187% to Rs128bn	<p><b>Positive:</b> JNURM is a Rs1205bn programme spread over seven years starting FY06 requiring Rs81.6bn every year for targeting projects relating to water supply and sanitation, sewerage, solid waste management, road network, urban transport and redevelopment of city areas including rehabilitation. More than doubling of this allocation will lead to more contracts awarded by state municipalities under all the above mentioned heads</p>	<p><b>Positive:</b> Thermax and Ion Exchange as both the companies engage in the supply of resins for treatment of waste water. Thermax also has the technology for treating industrial waste</p>
Increased allocation to Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) by 27% to Rs70bn	<p><b>Positive:</b> FY10 marks the highest allocation of Rs70bn under the RGGVY rural electrification programme. Over the two years of the 11th plan a sum of Rs16.48bn was allocated (FY08- 40bn and FY09- Rs55bn). RGGVY in the 11th plan involves a total spend of Rs280bn which leaves a sum of Rs57.5bn each year for the next two years of the plan period. This allocation is widely positive for all companies engaged in the T&amp;D space of the power sector</p>	<p><b>Positive:</b> Crompton Greaves, Jyoti Structures, KEC International, Kalpataru Power Transmission, EMCO Voltamp Transformers, Indo-Tech Transformers, Transformers &amp; Rectifiers, Bharat Bijlee</p>

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Peer valuations	(Rs mn)											
	CMP (Rs)	Mkt cap	Net Sales		Net Profit		EPS (Rs)		ROE (%)		P/E (x)	
			FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
ABB	745	157,872	72,437	79,727	4,926	5,677	23.2	26.8	21.3	20.8	32.0	27.8
Areva T&D	306	73,166	36,171	45,611	2,722	3,612	11.4	15.1	28.2	28.9	26.9	20.3
Crompton Greaves	300	109,976	98,668	113,581	6,201	7,369	16.9	20.1	29.8	27.6	17.7	14.9
KEC International	395	19,466	44,778	53,734	1,770	2,537	35.9	51.4	27.5	31.7	9.6	6.7
Jyoti Structures	140	11,346	21,478	25,774	1,047	1,315	14.4	17.9	20.8	21.2	10.8	8.6
Thermax	405	48,256	33,858	37,714	2,683	3,060	22.5	25.7	24.8	23.9	18.0	15.8
Voltamp	804	8,134	6,416	7,075	1,010	1,067	99.9	105.5	33.4	27.9	8.1	7.6

Source: BRICS Research Valuations as on July 6 2009

## Engineering and construction sector

Measure	Impact	Stocks Impacted
MAT rate has been raised from 10% to 15%. MAT credit entitlement can now be availed for up to 10 years (v/s 7 years earlier)	Rise in MAT rate will impact the companies which are claiming Section 80IA tax benefits	Negative for BOT asset owners like IRB, GMR, Gammon Infra; E&C companies like Patel Engineering and IVRCL Infrastructure
Statement on allowing IIFCL to raise debt, for refinancing banks' exposure to infrastructure projects (up to 60% of their exposure). IIFCL to explore option of takeout financing with banks	There is nothing new in this announcement except for exploring the option of "take out financing"	None
Allocation to Accelerated Irrigation Benefit Program is higher by Rs10bn, than what was allocated during Interim budget, and up 75% v/s FY09 Budget Estimate of Rs200bn	Higher allocation in irrigation will be used to fund more irrigation projects	Marginally positive for IVRCL Infrastructure, Patel Engineering
Allocation to NHDP at Rs159bn, up 23% over FY09 Budget Estimate	Higher allocation to NHDP will improve NHAI's capability to take up new projects by providing viability gap funding for BOT projects	Marginally positive for IRB Infrastructure, Sadbhav Engineering, Gammon Infra, Nagarjuna, HCC
Increase in spend through JNNURM scheme from Rs69bn in FY09 Budget Estimate to Rs129bn in FY10 (which is Rs10bn over FY10 Interim Budget Estimate)	Higher allocation will be used to fund more projects in urban infrastructure side. Majority of projects sanctioned under JNNURM include projects in water supply, drainage and sewerage facilities	Positive for companies focused on sewerage pipelines, water supply projects

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Peer valuations	(Rs mn)											
	CMP (Rs)	Mkt cap	Net Sales		Net Profit		EPS (Rs)		ROE (%)		*Adj. P/E (x)	
			FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
HCC	103	26,325	43,082	53,852	1,282	1,551	5.0	6.1	12.1	13.2	16.3	13.5
IVRCL Infra	330	44,023	63,465	82,504	2,436	2,877	18.2	21.6	13.3	14.0	15.7	13.3
L&T	1,464	856,528	408,733	504,135	31,863	38,903	54.1	65.6	22.4	22.1	23.2	19.1
Nagarjuna Construction	130	29,706	47,741	57,289	1,590	1,710	7.0	7.5	9.0	9.0	15.6	14.5
Punj Lloyd #	199	60,295	131,948	158,251	4,196	5,408	13.8	17.8	15.3	16.9	13.6	10.5
Simplex Infrastructure	383	18,940	56,337	73,239	1,382	1,707	27.9	34.5	14.9	16.0	13.7	11.1

Source: BRICS Research Valuations as on July 6 2009

\* PE multiple has been adjusted for value of subsidiaries, investments.

# Numbers for Punj Lloyd are on consolidated basis. For other companies, numbers are on standalone basis.



## FMCG

Measure	Impact	Stocks Impacted
<p>4% agricultural growth targeted. Agri credit allocation upped 13%; interest subvention continues for loan up to Rs3 lacs</p> <p>NREGA allocation up by 144%; 1,000 villages where SC/ST are 50% get extra Rs10 lacs per annum; 50% of rural women in National self help groups</p> <p>Personal Tax exemption of min. Rs10K</p> <p>10% surcharge, FBT done away with</p> <p>Excise at 4% continues for Food, Paper, Paperboards</p>	<p>Agri focus, NREGA allocation, tax and FBT exemption to increase income in hands of consumers. See FMCG demand buoyancy continue in double digits</p>	<p>Positive for ITC as central excise remained unchanged; unchanged excise for foods and Paperboards a relief. Overweight</p>
<p>MAT upped from 10% to 15%</p> <p>GST structure broadly agreed on; may come in by April 2010</p>	<p>MAT hike largely sector Neutral, except for Colgate, Dabur and Marico</p> <p><b>Dual GST</b> - one Central, one at State level; unlikely to change existing tax burdens for FMCG companies in a hurry</p>	<p><b>Hike in MAT negative for:</b></p> <p>Dabur - FY10E EPS impact 4-5%. Underweight</p> <p>Colgate - FY10E EPS impact 1-1.5%. Overweight</p> <p>Marico - FY10E EPS impact 3%. Underweight</p> <p>Neutral for GSK Consumer, HUL, Nestle, Tata Tea, Jyothy Labs and ITC</p>

Peer valuations	(Rs mn)											
	CMP (Rs)	Mkt cap	Net Sales		Net Profit		EPS (Rs)		ROE (%)		P/E (x)	
			FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
HUL	275	601,773	192,133	211,346	25,484	28,033	11.7	12.9	82.8	71.5	23.5	21.4
ITC	198	746,199	188,671	211,311	37,434	43,050	9.9	11.4	23.8	23.5	19.9	17.3
Dabur	129	111,303	33,441	38,792	4,674	5,626	5.4	6.5	43.0	44.0	23.8	19.8
Marico	72	43,635	28,661	33,533	2,192	2,558	3.6	4.2	37.9	39.0	19.9	17.1
Colgate	610	82,901	19,952	22,940	3,426	4,035	25.2	29.7	122.8	114.4	24.2	20.5
GSK Consumer *	922	38,781	18,982	20,642	2,162	2,189	51.4	52.1	24.1	21.1	17.9	17.7
Jyothy Labs	90	6,524	5,288	5,942	561	622	7.7	8.6	14.0	14.2	11.6	10.5

Source: BRICS Research Valuations as on July 6 2009

\* - Estimates are for CY09E and CY10E

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## IT

Measure	Impact	Stocks Impacted
FBT abolished	Impact on IT services profit and loss would be minimal as the corporates had largely transferred the burden on to employees for both perks as well as ESOPs. Most IT companies were bypassing FBT on major expense items like foreign travel by getting tickets from overseas locations.	Though Companies do not provide granularity on the units coming out of STPI, we believe that Patni, HCL Tech, TCS and Tech Mahindra - standalone (in that order) could have a marginal positive impact with slightly lower effective tax rates for FY11. At first look we estimate upgrades to FY11 EPS for these companies in the range of 3 to 9%. As of now, we are holding our estimates pending interaction with management after the silent period.
STPI exemption extended to FY11 MAT increased from 10% to 15%	Effect of extension of STPI to FY11 and increase in MAT would imply that effective tax rates would be marginally lower for FY11.	

Peer valuations	(Rs mn)											
	CMP (Rs)	Mkt cap	Net Sales		Net Profit		EPS (Rs)		ROE (%)		P/E (x)	
			FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Mphasis Ltd	351	73,457	49,854	49,706	9,548	10,021	45.6	47.9	50.1	37.3	7.7	7.3
TCS (historically adjusted)	381	745,114	286,696	321,653	24,797	27,167	25.3	27.8	27.3	24.6	15.0	13.7
Tech Mahindra (standalone)	696	84,808	44,332	47,109	5,018	6,202	41.2	50.9	30.6	27.0	16.9	13.7
Infosys Technologies	1,761	1,009,272	234,387	265,625	55,752	59,177	97.3	103.3	30.8	30.1	18.1	17.1
Wipro	372	545,454	259,605	270,209	37,422	35,303	25.5	24.1	23.0	18.0	14.6	15.5
HCL Technologies#	187	125,614	119,411	127,168	11,928	13,800	17.8	20.6	18.0	25.0	10.5	9.1
Patni^	247	31,700	30,322		3,228	-	25.2		11.2	10.8	9.8	9.8

Source: BRICS Research Valuations as on July 6 2009

^ - Estimates are for CY09 and CY10E

# year ending June;

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## Media

Measure	Impact	Stocks Impacted	
Print	Extension of stimulus package, comprising for waiver of 15% agency commission and rates hikes on DAVP (Government) advertisements by another six months, till 31/12/09	DAVP ads contributes 15% of the total ad revenues and thus would impact their top line positively by 1-2%	Marginally positive for HT Media, Jagran and Deccan chronicle. We recommend BUY on HT Media and Jagran
Media Infra	Custom Duty of 5% of Set Top Box	Customer acquisition cost set to increase	Negative for Dish TV and WWIL. However, we recommend BUY on Dish TV on every dips

Peer valuations	(Rs mn)											
	CMP (Rs)	Mkt cap	Net Sales		Net Profit		EPS (Rs)		ROE (%)		P/E (x)	
			FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Sun TV	225	88,650	14,130	16,668	4,901	5,820	12.4	14.8	24.6	23.9	18.1	15.2
Zee Telefilms	170	73,780	22,086	24,493	4,189	4,673	9.7	10.8	11.5	11.3	17.6	15.8
Zee News	39	9,360	5,916	7,335	444	541	1.9	2.4	16.8	19.2	20.2	16.6
Dish TV	37	35,002	13,046	16,680	(2,845)	(1,388)	-3.0	-1.5	-25.2	-12.3	-12.3	-3.0
HT Media	92	21,160	13,659	15,168	1,353	1,673	5.9	7.3	11.9	12.7	15.6	12.6
Jagran	72	21,672	9,479	10,714	1,003	1,413	3.3	4.7	13.3	14.6	21.6	15.3
Deccan chronicle	68	1,734	7,315	7,732	1,617	1,891	6.5	7.6	11.8	12.1	10.5	9.0
ENIL	168	8,014	4,710	5,269	(88)	72	-1.8	1.5	-2.7	1.9	-91.1	112.0

Source: BRICS Research Valuations as on July 6 2009

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## Oil & Gas

Measure	Impact	Stocks Impacted
Gas pipeline highway announced, specifics to be announced by Petroleum minister	Positive for LNG terminals, gas transportation and marketing companies	<b>Positive</b> GAIL, GSPL
Oil product pricing policy to be announced after expert group devises it	Uncertainty for upstream oil, oil marketing companies to continue	<b>Negative</b> Cairn, RIL
Exemption under 80IB for oil and natural gas production	Negligible as consensus had factored this into estimates	
Increase in MAT from 10% to 15%	Negative for RIL (FY10E, FY11E EPS down by Rs3.5, 4.5), Cairn (FY10E, FY11E EPS down by Rs1.5 each)	
Investment linked tax exemption on oil and gas pipelines	Effective tax rate to fall for companies with pipeline projects like GAIL, GSPL, BPCL, IOCL	
Customs duty on biodiesel reduced from 7.5 to 2.5%; no excise duty on biodiesel - diesel blend with up to 20% biodiesel	Oil marketing companies will see minimal benefit as excise duty would still be levied on the diesel and biodiesel before the blending	

Peer valuations	(Rs mn)											
	CMP (Rs)	Mkt cap	Net Sales		Net Profit		EPS (Rs)		ROE (%)		P/E (x)	
			FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Gujarat Gas*	309	19,808	14,229	15,665	1,576	1,756	25	27	20	19	13	11
GSPL	50	28,297	7,441	9,542	2,149	3,089	4	5	17	20	13	9
IGL	137	19,131	9,711	10,870	2,462	2,732	18	20	33	29	8	7
Petronet LNG	66	49,238	117,332	159,372	4,684	4,953	7	6	29	22	9	11
GAIL	315	425,937	247,659	256,934	20,692	19,735	16	16	13	12	19	20
Cairn India	219	414,897	69,461	79,495	40,832	44,054	22	23	11	11	10	9
RIL	1,893	3,109,291	1,990,871	2,065,761	217,697	255,278	133	155	17	17	14	12
ONGC	1,070	2,288,074	1,115,180	877,488	174,208	169,283	81	79	18	17	13	14

Source: BRICS Research Valuations as on July 6 2009

\* CY09E/CY10E

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## Pharmaceuticals

Measure	Impact	Stocks Impacted
Increase in budget allocation to National Rural Health Mission by Rs2,057cr additional to earlier proposed Rs12,070cr	Increased spending on healthcare in rural areas; Good for overall sector, especially companies having good rural presence	<b>Positive:</b> GSK, Cipla, Cadila, Ranbaxy
Reduction in custom duty from 10% to 5% and exemption from excise duty and countervailing duty on influenza vaccine and nine specified life saving drugs used for the treatment of breast cancer, hepatitis-B, rheumatic arthritis etc. and on bulk drugs used for the manufacture of such drugs	Reduction in the prices of Female Healthcare drugs and Anti-infective drugs	<b>Positive:</b> Piramal, Cadila, Ranbaxy, Cipla and MNC Pharma companies like GSK, Aventis, Novartis etc
Reduction in the custom duty from 7.5% to 5% on two specified life saving devices used in treatment of heart conditions. These devices will be fully exempt from excise duty and CVD as well	Reduction in prices of heart related medical equipment such as stents	NA
Exemption of pharma sector from raising current excise duty of 4% to 8% in order to converge it with GST	Good for overall pharma sector, specially those having manufacturing base in India	<b>Positive:</b> All major companies
Sun Set clause for deduction in respect of export profit under Section 10A and 10B being extended by 1 year till FY11	Good for export focussed companies	CRAMS players like Dishman, Divi's. Generic exporters like Ranbaxy, Reddy's, Aurobindo, Sun Pharma, Glenmark

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Peer valuations	(Rs mn)											
	CMP (Rs)	Mkt cap	Net Sales		Net Profit		EPS (Rs)		ROE (%)		P/E (x)	
			FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Cadila	354	48	34,485	40,305	3,943	4,982	28.9	36.5	27.5	28.3	12.3	9.7
Cipla	260	202	59,331	65,951	11,310	12,480	14.6	16.1	22.9	21.2	17.9	16.2
Divis Lab	1,088	70	13,720	15,700	5,225	5,763	78.7	86.8	35.2	29.0	13.8	12.5
Piramal Healthcare	309	65	37,614	42,770	4,732	5,714	22.6	27.3	32.0	31.0	13.6	11.3
Dishman Pharma	175	14	12,427	14,925	1,880	2,357	23.1	29.0	23.7	23.7	7.6	6.0
Aurobindo	465	25	39,828	46,343	4,087	5,384	62.9	82.9	29.3	27.7	7.4	5.6
Dr Reddy's Lab	767	129	72,853	84,942	7,739	9,901	46.1	59.0	20.4	21.6	16.6	13.0
Glenmark Pharma	229	57	27,216	30,326	5,283	5,776	20.8	22.7	24.7	21.8	11.0	10.1
Sun Pharma	1,130	234	43,009	50,458	17,769	21,008	85.7	101.3	21.7	21.5	13.2	11.2
GSK pharma	1,261	107	18,976	21,250	5,268	6,067	62.2	71.6	30.5	29.5	20.3	17.6

Source: BRICS Research Valuations as on July 6 2009

## Retail

Measure	Impact	Stocks Impacted
Raising exemption limit for individual tax payers from Rs1.5lac to Rs1.6lac	Will raise disposable incomes marginally	Is positive for organised retail; may see uptick in same store sales (SSS) growth for staples and discretionary items. Positive for Pantaloon (diversified presence across formats ensures larger share of wallet, BUY) and Trent (exemption should see greater off take in hypermarket format, BUY). Neutral for Shoppers Stop (exemption limit is immaterial for high income groups, SELL)

Peer valuations	(Rs mn)											
	CMP (Rs)	Mkt cap	Net Sales		Net Profit		EPS (Rs)		ROE (%)		P/E (x)	
			FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Pantaloon*	303	48,284	74,428	88,293	1,945	2,517	10.2	13.2	8.0	9.4	29.7	22.9
Shoppers Stop	147	5,140	13,735	14,942	(174)	(1)	-3.9	0.0	-10.4	-5.7	-	-
Trent	482	9,416	10,616	16,186	47	189	2.4	9.7	0.6	2.9	242.9	52.2
Vishal Retail	60	1,353	14,196	14,533	101	256	3.1	7.9	2.2	5.4	19.3	7.6
Koutons Retail	402	12,292	12,306	13,567	896	1,066	29.3	34.9	17.4	17.1	13.7	11.5

Source: BRICS Research Valuations as on July 6 2009

\* - Estimates are for year ended June

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## Telecom

Measure	Impact	Stocks Impacted
Full exemption from 4% special CVD on accessories, components and parts imported for manufacturing mobile handsets re-introduced for another year, up to July 6, 2010	Enables widespread penetration of mobile services across India, continues to be positive for telcos offering handsets under bundled schemes	Neutral for all telecom operators
Withdrawal of customs duty exemption on set-top boxes for television broadcasting - 5% customs duty to be imposed	An increase of around Rs60-80 in the cost of imported set-top boxes; increasing cost of ownership for consumers	Marginally negative for Bharti Airtel and Reliance Communications
Receipts from Communications estimated at Rs483.3bn in 2009-10 (5% of total receipts) v/s revised estimate of Rs131.7bn for Budget 2008-09 (1% of total receipts)	Includes Rs133bn as licence fees & spectrum charges and Rs350bn as expected revenue from 3G auction v/s Rs200 billion projected in the Interim Budget	Neutral for all telecom operators
FBT abolished; MAT increased to 15% of book profits and MAT credit extended from 7 to 10 years	Increase in MAT to lead to higher tax outgo for players like Bharti Airtel, Idea Cellular and Reliance Communications	A marginal negative impact on cash flows of telecom companies

Peer valuations	(Rs mn)											
	CMP (Rs)	Mkt cap	Net Sales		Net Profit		EPS (Rs)		ROE (%)		P/E (x)	
			FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Bharti Airtel	783	1,486,294	436,195	485,108	95,080	102,550	50.1	54.0	28.0	23.5	15.6	14.5
Idea Cellular	70	215,302	132,645	153,056	9,640	11,224	2.9	3.4	6.6	7.2	23.8	20.4
Reliance Comm*	269	555,946	275,153	320,777	47,290	51,093	23.0	24.8	13.9	13.0	11.7	10.8
MTNL*	96	60,606	45,668	46,814	1,889	1,664	3.0	2.6	1.7	1.4	32.4	37.0

Source: BRICS Research Valuations as on July 6 2009

\* Bloomberg Consensus Estimates

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