

 **IL&FS INVESTSMART**

Q1FY08 Results Preview



Sector-wise summary table

Q1FY08 projections

(Rs mn)	Net Sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
Auto	156,788	158,868	-1.3%	209,834	-25.3%	17,856	19,359	-7.8%	23,810	-25.0%	12,150	13,543	-10.3%	17,221	-29.4%
Banking	27,755	17,920	54.9%	23,679	17.2%	19,213	13,276	44.7%	16,754	14.7%	9,879	5,091	94.1%	7,321	34.9%
Cement	86,874	67,891	28.0%	84,570	2.7%	28,127	22,262	26.3%	26,481	6.2%	18,398	15,140	21.5%	18,952	-2.9%
FMCG	25,101	18,919	32.7%	23,679	6.0%	4,133	3,252	27.1%	3,568	15.9%	2,198	2,049	7.3%	1,905	15.4%
Hotels	1,630	1,374	18.6%	1,845	-11.7%	767	654	17.3%	808	-5.1%	367	368	-0.2%	1,125	-67.4%
IT	188,164	146,874	28.1%	187,473	0.4%	42,241	34,295	23.2%	46,912	-10.0%	36,822	30,579	20.4%	42,495	-13.3%
Metals	266,321	201,321	32.3%	264,298	0.8%	83,976	68,690	22.3%	85,306	-1.6%	50,776	41,063	23.7%	52,865	4.1%
Oil & Gas	1,198,321	1,055,805	13.5%	1,085,916	10.4%	123,380	62,030	98.9%	117,581	4.9%	68,329	46,147	48.1%	55,114	24.0%
Pharma	24,469	20,493	19.4%	22,032	11.1%	5,748	4,894	17.5%	4,145	38.7%	4,520	3,620	24.8%	4,004	12.9%
Infrastructure	14,052	8,998	56.2%	19,003	-26.1%	1,231	610	101.6%	1,911	64.4%	472	315	49.9%	1,011	-53.4%
Telecom	122,740	71,065	72.7%	106,712	15.0%	49,204	27,163	81.1%	43,448	13.2%	26,639	12,677	110.1%	25,358	5.1%
Textiles	24,363	18,984	28.3%	25,141	-3.1%	4,053	3,518	15.2%	4,150	-2.4%	1,194	1,065	12.2%	1,333	-10.4%



Recommendation summary

Our universe: Projections

Rs mn	Recommendation	FY07			FY08E			FY09E		
		Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Auto										
ANG Auto	Not Rated	1,145.4	307.6	227.1	3,191.0	579.2	422.0	4,150.0	770.0	600.0
Ashok Leyland	Accumulate	71,682.0	6,896.0	4,413.0	75,982.7	8,510.1	4,121.2	85,100.6	9,701.5	4,497.6
Bajaj Auto	Hold	95,204.1	14,169.7	12,371.0	99,964.3	13,395.2	11,587.9	108,461.3	14,859.2	13,197.6
Clutch Auto	Buy	2,355.0	402.4	215.2	3,405.0	570.0	290.0	4,657.0	772.0	425.0
Hero Honda	Hold	99,000.0	11,730.0	8,579.0	103,949.1	11,226.5	8,033.2	111,225.5	12,012.4	8,595.5
Maruti Udyog	Accumulate	147,884.0	19,312.0	15,883.0	168,520.0	22,076.0	16,158.0	192,113.0	25,839.0	19,138.0
Tata Motors	Hold	275,352.0	32,287.0	19,134.6	297,853.6	31,572.5	18,073.8	336,574.6	35,340.3	19,302.6
TVS Motors	Sell	38,549.6	1,373.0	666.0	39,706.1	1,508.8	667.1	42,486.0	1,826.9	883.7
Banks										
Federal Bank	Hold	7,324.6	5,503.6	2,927.5	9,061.3	7,237.4	3,480.7	10,571.8	7,730.1	4,240.6
HDFC Bank	Reduce	37,095.6	28,049.9	11,414.4	46,650.6	30,863.5	14,277.5	57,663.4	37,648.1	16,962.0
OBC	Accumulate	16,912.5	12,966.2	8,267.4	20,468.2	15,968.5	10,814.1	24,439.6	19,556.5	13,563.5
South Indian Bank	Buy	3,675.1	2,439.5	969.8	4,437.8	3,088.7	1,121.1	5,202.6	3,703.2	1,442.1
UTI Bank	Hold	15,670.0	13,625.2	6,589.5	23,780.4	19,640.6	9,280.3	31,369.7	23,666.5	10,927.5
Cement										
ACC	Hold	58,034.8	16,232.2	12,318.4	64,466.0	19,339.8	13,579.2	69,507.6	16,815.4	11,552.8
Grasim	Hold	86,756.9	24,093.5	15,358.1	95,193.4	26,847.1	16,398.0	113,371.6	28,081.2	17,159.5
Gujarat Ambuja	Hold	62,682.9	21,330.9	15,032.5	49,490.2	23,197.9	14,447.7	50,176.4	21,696.8	13,018.7
India Cement	Not Rated	20,497.4	6,617.3	4,495.0	23,240.3	7,394.4	5,362.7	23,869.5	6,478.4	4,614.9
Madras Cement	Buy	15,741.5	5,557.7	3,081.5	18,164.7	6,594.1	4,056.4	22,202.3	7,366.9	4,497.7
Shree Cement	Buy	13,679.7	5,922.2	1,770.0	19,524.0	8,859.0	5,012.7	22,539.4	9,404.5	5,072.1
Ultratech Cement	Accumulate	49,108.3	14,178.1	7,822.8	49,753.4	16,625.1	9,249.0	53,120.5	15,979.5	8,711.8
FMCG										
Marico Ltd.	Buy	15,568.7	2,127.3	1,129.8	18,631.6	2,689.2	1,695.2	18,631.6	3,240.2	2,116.9
Godrej Consumer	Buy	9,517.1	1,796.9	1,440.4	11,272.7	2,293.4	1,762.8	12,993.0	2,748.1	2,186.7
Dabur India	Reduce	22,337.3	3,497.4	2,830.4	26,067.7	4,149.4	3,321.6	29,984.3	4,790.6	3,884.2
Tata Tea	Buy	40,445.5	7,317.0	4,580.1	43,074.2	7,962.2	4,073.7	46,304.7	8,802.3	5,546.0



Recommendation summary

Our universe: Projections

Rs mn	Recommendation	FY07			FY08E			FY09E		
		Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Hotels										
HLVL	Hold	4,155.7	1,931.6	1,266.0	5,337.2	2,646.9	1,339.9	5,685.0	2,819.4	1,389.4
Taj GVK	Buy	2,427.6	1,148.2	650.2	2,654.8	1,238.7	679.3	3,602.4	1,717.2	947.9
IT										
TCS	Buy	186,334.0	50,630.0	41,315.0	223,991.0	60,224.0	47,712.0	274,383.0	75,098.0	57,612.0
Infosys	Buy	138,931.0	43,911.0	38,561.0	166,412.0	51,092.0	44,417.0	202,884.0	61,764.0	53,523.0
Wipro	Buy	149,431.0	29,882.0	28,676.0	184,421.0	32,307.0	30,638.0	223,324.0	39,676.0	37,530.0
Satyam	Buy	64,851.0	15,377.0	14,048.0	78,865.0	16,991.0	16,094.0	97,484.0	20,955.0	19,606.0
HCL Tech	Buy	60,294.0	13,465.0	12,072.0	73,558.0	15,689.0	13,191.0	89,543.0	19,279.0	16,089.0
Patni	Reduce	26,112.0	4,935.0	3,565.0	27,986.0	5,330.0	4,218.0	33,142.0	5,838.0	4,541.0
I-Flex	Reduce	20,381.0	3,586.0	2,768.0	27,579.0	5,366.0	4,148.0	36,283.0	6,897.0	5,326.0
Mphasis	Reduce	11,958.0	2,049.0	1,199.0	16,399.0	2,767.0	1,762.0	22,197.0	3,764.0	2,422.0
Tanla	BUY	2,218.0	1,105.0	928.0	3,721.0	1,660.0	1,523.0	4,718.0	2,041.0	1,870.0
Subex	Buy	3,409.0	488.0	676.0	7,295.0	1,838.0	1,425.0	9,268.0	2,509.0	2,089.0
Sasken	Buy	4,751.0	755.0	441.0	6,079.0	999.0	521.0	8,225.0	1,764.8	1,093.0
KPIT	Buy	4,637.0	715.0	501.0	6,047.0	933.0	591.0	7,846.0	1,269.0	870.0
R System	Accumulate	2,039.0	224.0	78.0	2,508.0	221.0	141.0	2,881.0	287.0	186.0
Allsec	Accumulate	1,133.0	325.0	281.0	1,285.0	374.0	347.0	1,645.0	481.0	437.0
MicroTech	Buy	1,064.0	427.0	320.0	1,380.0	617.0	450.0	1,618.0	781.0	562.0
Logistics										
GDL	Hold	1,609.8	810.4	773.6	1,893.4	1,031.5	836.3	-	-	-
AGLL	Accumulate	8,954.1	798.2	620.9	16,412.3	1,311.9	894.2	19,862.2	1,812.8	1,270.4
Multiplex										
Adlabs	Buy	2,641.6	1,370.8	671.0	3,578.3	1,303.2	987.3	-	-	-
Inox Leisure	Hold	1,530.1	454.5	247.9	2,346.1	788.4	461.9	2,684.1	899.2	548.0
PVR Ltd	Buy	1,640.9	253.0	105.6	2,951.2	673.9	276.9	-	-	-
Shringar Cinemas	Buy	515.9	148.5	98.3	1,700.1	387.6	194.1	-	-	-
UTV Software Comm.	Accumulate	1,519.2	320.8	447.1	3,602.5	522.5	410.5	-	-	-
Jagran Prakashan	Accumulate	5,981.8	1,473.8	762.2	7,436.8	1,544.0	918.9	9,239.5	1,941.0	1,179.7
Metals										
Godawari Power	Buy	4,420.9	793.5	522.1	8,162.9	1,841.1	1,194.8	-	-	-
Hindalco	Accumulate	183,129.9	40,148.2	25,643.0	197,811.3	40,304.8	24,152.3	-	-	-
JSW Steel	Reduce	85,944.1	27,077.7	12,920.1	106,741.9	33,601.6	16,620.3	-	-	-
Malco	Accumulate	4,028.9	1,550.4	1,354.4	5,058.3	1,856.6	1,645.0	-	-	-
Monnet Ispat	Accumulate	6,380.9	1,802.9	1,386.5	13,450.3	3,187.6	2,539.6	-	-	-



Recommendation summary

Our universe: Projections

Rs mn	Recommendation	FY07			FY08E			FY09E		
		Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Metals										
Nalco	Reduce	59,424.0	35,342.5	23,805.1	53,308.2	27,984.8	18,864.3	-	-	-
SAIL	Accumulate	350,262.1	101,270.2	62,022.9	352,067.7	104,502.5	69,469.0	-	-	-
Sesa Goa	Reduce	22,178.0	9,603.5	6,511.3	24,094.4	10,475.9	7,207.4	-	-	-
Tata Steel	Reduce	175,520.1	69,732.6	42,222.0	192,903.5	77,340.6	49,342.4	-	-	-
Oil & Gas										
ONGC	Buy	822,529.0	351,252.0	177,689.0	838,979.6	391,411.6	192,965.3	847,369.4	410,001.4	199,131.8
HPCL	Buy	890,412.6	24,101.6	15,717.0	862,115.8	20,826.5	12,739.8	863,169.0	24,096.4	14,805.4
BPCL	Buy	982,049.0	43,119.0	21,395.0	930,982.5	43,630.1	18,619.6	883,502.3	43,859.1	19,437.1
IOC	Accumulate	1,844,607.0	132,811.7	78,676.0	1,789,268.8	123,459.5	64,413.7	1,771,376.1	132,853.2	69,083.7
Pharma										
Glenmark	BUY	12,069.9	4,071.0	2,773.8	16,723.3	6,003.8	4,294.9	21,487.1	7,762.4	5,528.3
Glaxo	Hold	15,529.2	4,759.6	3,617.3	16,680.5	5,228.2	4,120.2	18,667.6	5,891.9	4,653.6
Lupin	BUY	20,137.1	3,031.0	3,086.4	25,216.4	3,669.9	3,170.2	28,962.9	4,277.4	3,249.0
Cipla	Hold	35,721.4	8,227.6	6,608.4	42,773.5	10,640.3	8,646.2	50,770.1	12,752.9	10,299.1
Indoco Remedies	BUY	3,157.1	631.1	383.5	4,013.5	836.1	553.0	5,023.1	1,072.9	744.8
Telecom										
Bharti Airtel	Buy	185,196.0	74,508.0	40,620.0	284,151.7	115,812.8	61,958.6	390,803.6	159,547.8	89,343.6
RCOM	Buy	144,683.0	57,206.0	31,632.0	211,364.0	88,139.0	48,497.0	297,743.0	128,923.0	79,175.0
Idea	Buy	44,129.0	15,102.0	5,033.0	70,134.0	24,071.0	10,834.0	96,047.0	33,801.0	17,385.0
Textiles										
Abhishek Industries	Reduce	8,044.5	1,482.7	379.8	9,890.3	1,966.4	503.6	12,222.2	2,282.3	661.2
Alok Industries	Buy	17,909.6	3,895.4	1,338.6	23,383.6	4,965.8	1,927.8	-	-	-
Arvind Mills	Not Rated	15,444.4	3,255.7	464.6	17,325.4	4,369.3	1,558.0	-	-	-
Celebrity Fashions	Buy	3,320.5	170.0	(52.7)	5,292.2	476.6	132.9	-	-	-
Gokaldas Exports	Buy	10,345.7	1,208.7	720.0	12,544.0	1,276.2	776.7	15,052.8	1,534.4	982.0
Page Industries	Not Rated	1,399.2	282.1	172.5	1,904.6	425.5	294.0	2,533.9	569.8	388.8
Vardhman Textiles	Buy	21,722.7	3,976.8	1,691.1	25,329.8	4,699.9	1,868.4	-	-	-
Welspun India	Buy	9,183.3	1,952.2	594.4	11,485.2	2,515.4	840.5	-	-	-
Others										
Mcleod Russel	Buy	6,296.4	1,001.6	661.6	7,005.5	1546.5	985.7	7,497.3	1,923.8	1,309.2
Punj Lloyd	Not rated	51,265.8	3,743.0	1,972.7	79,720.0	7234.9	3133.7	103,636.0	9,022.6	3,697.8
Sadbhav Engineering	Buy	4,918.4	552.7	251.0	7,961.0	966.7	486.6	11,513.9	1,398.9	704.2
Finolex Cables	Buy	10,330.2	1,186.5	689.9	12,892.1	1775.4	1080.5	17,179.9	2,450.1	1,483.0



Recommendation summary

Our universe: Projections

Price as on 3 July 2007 (Rs)	FY08E							FY09E						
	EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE/ROA	RoE	EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE/ROA	RoE		
Auto														
ANG Auto	255	31.8	8.0	6.1	3.1	22.3%	42.8%	45.1	5.7	4.5	1.9	22.4%	38.2%	
Ashok Leyland	38	3.1	12.2	6.8	2.7	14.3%	21.9%	3.4	11.2	6.6	2.6	13.2%	23.5%	
Bajaj Auto	2,101	114.5	18.3	16.8	3.5	15.6%	19.2%	130.4	16.1	15.0	3.2	17.1%	20.1%	
Clutch Auto	133	17.3	7.7	5.4	2.2	23.3%	32.9%	25.3	5.3	3.9	1.6	24.1%	34.7%	
Hero Honda	689	40.2	17.1	12.2	4.7	26.5%	27.6%	43.0	16.0	11.4	4.1	24.8%	25.6%	
Maruti Udyog	784	55.9	14.0	9.6	2.9	20.0%	20.6%	66.2	11.8	8.2	2.4	20.0%	20.5%	
Tata Motors	685	46.9	14.6	10.0	3.3	13.3%	22.8%	50.1	13.7	9.1	2.9	12.6%	21.3%	
TVS Motors	60	2.8	21.5	11.5	2.0	6.4%	9.6%	3.7	16.3	9.4	1.9	8.2%	11.6%	
Banks														
Federal Bank	311	43.4	7.2	-	1.5	1.3%	22.6%	42.6	7.3	-	1.3	1.1%	18.6%	
HDFC Bank	1,141	45.5	25.1	-	4.9	1.3%	21.2%	54.0	21.1	-	4.2	1.2%	21.3%	
OBC	229	43.2	5.3	-	1.0	1.4%	19.4%	54.1	4.2	-	0.8	1.5%	20.6%	
South Indian Bank	135	15.9	8.5	-	1.2	0.8%	14.9%	20.5	6.6	-	1.0	0.8%	17.0%	
UTI Bank	616	33.0	18.7	-	4.2	1.1%	25.0%	38.8	15.9	-	3.6	1.0%	24.6%	
Cement														
ACC	1,008	72.3	13.9	9.6	4.6	38.4%	37.4%	61.5	16.4	10.7	3.8	28.7%	25.5%	
Grasim	2,740	167.5	16.8	11.5	3.4	24.2%	23.9%	187.1	14.6	9.8	2.8	22.6%	21.0%	
Gujarat Ambuja	130	10.7	12.2	7.3	4.6	42.1%	41.8%	9.6	13.5	7.7	3.9	33.7%	31.0%	
India Cement	215	24.3	8.8	7.0	1.6	18.8%	20.3%	20.9	10.3	7.4	1.4	17.5%	14.9%	
Madras Cement	3,075	335.8	9.2	6.1	3.4	36.0%	45.6%	372.3	8.3	5.1	2.5	32.4%	34.9%	
Shree Cement	1,351	143.9	9.4	5.5	4.1	41.3%	54.6%	145.6	9.3	4.6	2.9	31.9%	36.2%	
Ultratech Cement	925	74.3	12.4	7.1	4.6	32.1%	44.2%	70.0	13.2	6.9	3.5	24.9%	30.2%	
FMCG														
Dabur India	103	3.9	26.7	21.6	15.3	54.1%	66.6%	4.5	22.8	18.6	11.1	49.2%	56.4%	
Godrej Consumer	138	7.8	17.9	14.1	14.2	68.0%	79.1%	9.7	14.5	11.5	9.3	68.9%	64.4%	
Marico Ltd.	55	2.8	20.1	13.1	9.1	31.7%	29.5%	3.5	16.1	10.7	6.6	35.3%	29.5%	
Tata Tea	865	69.0	12.4	7.9	2.0	15.8%	17.3%	94.0	9.1	6.9	1.7	21.1%	20.1%	
Hotels														
HLVL	53	3.2	16.7	6.3	1.6	8.2%	9.7%	3.3	16.1	6.4	1.5	8.1%	9.0%	
Taj GVK	160	10.8	14.3	3.6	4.0	21.1%	27.8%	15.1	10.3	3.0	3.0	23.7%	29.0%	



Recommendation summary

Our universe: Projections

	Price as on 3 July 2007 (Rs)	FY08E						FY09E					
		EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE	RoE	EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE	RoE
IT													
Allsec	239	21.4	11.2	7.0	2.1	15.8%	19.0%	27.0	8.9	5.1	1.8	17.3%	20.5%
HCL Tech	335	17.2	19.5	13.5	4.7	23.8%	24.2%	21.3	15.7	10.5	4.0	25.1%	25.4%
I-Flex	2,590	51.2	50.6	36.4	8.9	18.0%	17.5%	65.8	39.4	27.4	7.5	19.9%	19.0%
Infosys	1,948	77.8	25.0	19.8	7.4	33.3%	33.9%	93.7	20.8	15.7	5.7	29.9%	30.9%
KPIT Cummins	137	7.9	17.3	11.7	4.5	21.8%	26.1%	11.7	11.7	7.8	3.5	27.6%	29.6%
MicroTech	231	42.8	5.4	3.5	1.4	29.8%	26.9%	53.5	4.3	2.1	1.1	29.9%	26.0%
Mphasis	326	13.2	24.7	18.5	6.6	25.4%	22.1%	17.9	18.2	13.4	5.5	29.3%	25.3%
Patni	517	29.5	17.6	10.9	2.8	18.0%	17.4%	31.7	16.3	9.4	2.4	16.5%	16.1%
R Systems	120	10.4	11.6	5.4	1.2	10.1%	10.5%	13.7	8.7	4.8	1.1	13.6%	12.5%
Sasken	513	18.6	27.5	14.7	3.2	11.8%	11.8%	39.1	13.1	7.8	2.8	24.0%	21.2%
Satyam	473	24.0	19.7	15.9	5.0	23.4%	25.3%	29.3	16.1	12.4	4.1	23.8%	25.3%
Subex	603	41.0	14.7	15.0	2.3	9.6%	15.7%	60.0	10.1	10.1	1.9	12.2%	19.4%
Tanla	392	30.5	12.9	8.6	3.1	24.9%	24.2%	37.4	10.5	6.2	2.5	24.2%	23.6%
TCS	1,128	48.8	23.1	17.4	10.3	49.3%	45.2%	58.9	19.1	13.4	7.5	44.2%	39.5%
Wipro	515	21.0	24.5	17.7	6.7	28.9%	27.4%	25.7	20.0	14.0	5.4	28.6%	27.1%
Logistics													
AGLL (CY)	1,048	44.1	23.8	16.8	4.3	20.2%	18.3%	62.7	16.7	12.0	3.4	23.2%	20.6%
GDL	196	7.3	26.5	20.7	3.2	12.0%	12.3%	-	-	-	-	-	-
Multiplex													
Adlabs	583	24.8	23.5	21.1	4.8	10.4%	20.5%	-	-	-	-	-	-
Inox Leisure	133	7.7	17.3	11.2	2.7	18.1%	15.7%	9.1	14.6	9.8	2.3	18.2%	15.7%
PVR Ltd	212	12.0	17.6	8.8	2.4	16.0%	13.6%	-	-	-	-	-	-
Shringar Cinemas	64	6.1	11.0	10.2	2.2	8.2%	21.5%	-	-	-	-	-	-
UTV Software Comr	525	16.5	31.8	25.2	4.0	13.7%	12.7%	-	-	-	-	-	-
Jagran Prakashan	485	15.3	31.8	17.1	5.2	19.6%	17.1%	19.6	24.8	13.3	4.7	23.3%	19.9%
Metals													
Godawari Power	147	48.1	3.1	3.0	1.1	29.8%	36.1%	-	-	-	-	-	-
Hindalco	157	21.3	7.3	4.9	1.2	21.9%	17.1%	-	-	-	-	-	-
JSW Steel	639	96.6	6.6	4.5	1.7	27.7%	27.8%	-	-	-	-	-	-
Malco	547	73.1	7.5	6.5	2.6	34.7%	34.6%	-	-	-	-	-	-
Monnet Ispat	288	47.1	6.1	5.9	1.5	16.2%	27.6%	-	-	-	-	-	-
Nalco	261	29.3	8.9	4.5	1.8	28.3%	21.8%	-	-	-	-	-	-



Recommendation summary

Our universe: Projections

Price as on 3 July 2007 (Rs)	FY08E							FY09E						
	EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE	RoE	EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE	RoE		
Metals														
SAIL	132	16.8	7.9	4.1	2.3	36.8%	32.9%	-	-	-	-	-	-	
Sesa Goa	1812	183.1	9.9	5.9	3.3	52.9%	38.1%	-	-	-	-	-	-	
Tata Steel	616	81.0	7.6	3.9	1.9	34.4%	27.7%	-	-	-	-	-	-	
Oil & Gas														
ONGC	887	90.2	9.8	5.2	2.3	37.2%	23.2%	93.1	9.5	5.0	2.1	35.9%	22.1%	
HPCL	266	37.6	7.1	5.4	0.9	12.8%	12.3%	43.7	6.1	4.7	0.8	13.1%	13.3%	
BPCL	340	51.5	6.6	5.2	1.0	19.2%	15.9%	53.8	6.3	5.5	0.9	16.6%	14.3%	
IOC	454	55.1	8.2	7.0	1.5	17.9%	18.6%	59.1	7.7	6.8	1.4	17.2%	17.8%	
Pharma														
Glenmark	668	31.9	20.8	16.1	8.5	31.1%	40.7%	41.0	16.2	12.3	5.6	31.9%	34.6%	
Glaxo	1,259	48.6	25.8	20.3	7.8	37.0%	30.2%	54.9	22.9	18.0	6.8	36.6%	29.8%	
Lupin	717	39.5	18.1	16.3	5.3	17.2%	29.1%	40.4	17.7	14.0	4.4	17.3%	24.7%	
Cipla	214	11.1	19.3	15.7	4.4	23.6%	22.8%	13.2	16.2	13.1	3.7	24.6%	22.8%	
Indoco Remedies	286	46.8	6.1	3.8	1.2	24.5%	20.2%	63.0	4.5	3.0	1.0	26.2%	22.0%	
Telecom														
Bharti Airtel	867	32.7	26.5	14.1	9.9	38.6%	38.7%	47.1	18.4	10.0	5.8	42.9%	38.6%	
Idea	124	4.1	29.2	14.3	6.9	24.8%	25.6%	6.6	18.6	10.2	5.2	31.9%	31.8%	
RCOM	537	23.0	23.3	13.1	4.8	24.2%	20.7%	37.5	14.3	8.8	3.8	30.3%	26.5%	
Textiles														
Abhishek Industries	18	2.6	6.8	6.4	0.8	7.9%	11.2%	3.4	5.2	5.2	0.7	9.3%	12.7%	
Alok Industries	59	11.3	5.2	6.9	1.0	10.5%	18.3%	-	-	-	-	-	-	
Arvind Mills	45	7.4	6.0	5.2	0.6	10.1%	10.6%	-	-	-	-	-	-	
Celebrity Fashions	70	7.5	9.4	5.2	0.7	11.0%	7.8%	-	-	-	-	-	-	
Gokaldas Exports	251	22.6	11.1	8.8	1.8	13.2%	16.1%	28.6	8.8	7.3	1.5	14.5%	17.1%	
Page Industries	410	26.4	15.6	11.3	3.9	40.6%	40.1%	34.9	11.8	8.3	2.9	33.8%	28.5%	
Vardhman Textiles	166	32.3	5.1	5.5	0.7	10.6%	14.1%	-	-	-	-	-	-	
Welspun India	66	11.5	5.7	5.4	0.7	10.4%	13.7%	-	-	-	-	-	-	
Others														
McLeod Russel	62	7.8	7.9	6.3	0.9	14.8%	12.8%	9.7	6.4	5.2	0.8	16.4%	13.6%	
Punj Lloyd	280	12.0	22.3	11.5	4.4	13.0%	21.6%	13.3	20.2	9.8	3.1	12.6%	18.6%	
Sadbhav Engineering	589	44.6	13.3	7.8	3.3	29.7%	27.7%	64.6	9.2	5.6	2.5	33.0%	30.6%	
Finolex Cables	93	7.1	13.2	9.3	2.0	15.7%	15.9%	9.7	9.6	9.3	1.7	19.4%	19.1%	



 **IL&FS INVESTSMART**

Sector-wise summary



Automobiles- Subdued volumes to hit topline

Sector highlights

- ✓ The industry's performance for Q1FY08 was disappointing, registering 3% decline in sales YoY. The hardening interest rates had its impact on both two wheelers, especially in the less than 125cc and commercial vehicles, while the passenger cars continued to show a firm trend indicating the increased disposable income at those levels. Segment-wise growth is outlined in the table below.

Segment	#YoY (%)
PV	12.7
Two-wheelers (excl. motorcycles)	(10.9)
Motorcycles	(17.5)
Three-wheelers	(7.6)
CV	3.6
M&HCV	(3)
LCV	13

#Growth during Q1FY08

- ✓ Exports continued to show a robust growth in Q1FY08 registering 18.52% growth. CV exports were up 28.24% and two-wheelers 21.86%; however, PV exports declined 9.03%, albeit on a smaller base.
- ✓ We believe two wheelers and commercial vehicles to see more pressure on margins in Q1FY08. Operating margin is likely to remain under pressure on the back of firm up in input costs and intense competition, thus resulting in subdued profits.



Automobiles- Subdued volumes to hit topline

Company highlights

- ✓ **Bajaj Auto:** BAL has witnessed sharp decline in sales in Q1 FY08, down around 14% YoY due to demand slowdown in motorcycle segment. In the entry level vehicles at less than 125cc capacity, the company has lost market share to Hero Honda. With the expected launch of new platform of value-added 100cc motorcycle in the quarter ending September 07, BAL could improve its performance in the second half.
- ✓ **TVS Motors:** Squeezed between BAL and Hero Honda, TVS has taken the brunt of the slowdown in two wheelers due to its higher exposure to the economy segment which is highly price sensitive and a competitive segment in the motorcycle industry which has taken larger hit. We expect this trend to continue in this quarter as well. TVS is expected to continue the good show in the scooterette and moped segments, as there is less competition in this segment.
- ✓ **Hero Honda:** HHML is expected to be the least affected among the two wheeler companies on the back of its new product offering. We expect HHML to gain market share in premium segment of more than 125cc, while continuing its leadership in the economy segment.



Automobiles- Subdued volumes to hit topline

- ✓ **Ashok Leyland:** The M&HCV segment has been giving a mixed trend. While the goods carrier segment is expected to remain under pressure in the near term on the back of increase in interest rates, the M&HCV passenger carrier segment is expected to do well on account of increased orders from the various state transport corporations for supply of buses. The increased thrust for infrastructure is expected to result in increased sale of tippers and trailers as well.
- ✓ **Maruti Udyog:** Maruti has done well in Q1FY08, with improved performance coming from all segments excluding the entry level. The new offering, *SX4* has been a success and has made its presence felt in the A3 segment. We expect *SX4* to continue with the good show in the coming quarters on back of its premium quality features and affordable price range among its competitors. MUL's models like *Swift* and *Alto* continue to elicit good response and we expect the company to grow at 13% to 14% CAGR over next two years.



Automobiles- Subdued volumes to hit topline

- ✓ **Tata Motors:** M&HCV goods carrier sales continue to remain under pressure and is expected to remain under pressure atleast for the first half of FY08. We expect passenger car sales to remain flat, as Tata Motors is facing increased competition from domestic players like Mahindra and Maruti, as well as from global players like General Motors, who have successfully launched new products that have been well received in the market. The company is not likely to launch new products till the last quarter of FY08. This is when it plans to roll out the *Indica* on a new platform. Tata Motors is also likely to see an erosion in market share on account of the above reasons.

Tata Motors is expected to do well in the fast growing LCV segment, as its unique offering – *ACE* – is continuing to do well. They have also launched a new passenger version of *ACE* in mid-June..

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
ANG Auto	390	253	54.4%	317	23.0%	81	70	15.7%	83	-2.9%	61	52	16.4%	59	3.6%
Ashok Leyland	14,666	14,239	3.0%	22,910	-36.0%	1,672	1,187	40.9%	2,649	-36.9%	970	692	40.3%	1,715	-43.4%
Bajaj Auto	19,824	22,027	-10.0%	23,136	-14.3%	2,815	3,607	-22.0%	3,263	-13.7%	2,556	2,660	-3.9%	3,083	-17.1%
Clutch Auto	608	400	52.1%	910	-33.2%	95	60	57.1%	140	-32.4%	47	34	36.3%	71	-34.2%
Hero Honda	23,171	23,644	-2.0%	26,396	-12.2%	2,502	3,190	-21.5%	2,687	-6.9%	1,791	2,377	-24.7%	1,950	-8.2%
Maruti Udyog	37,506	31,255	20.0%	44,298	-15.3%	5,063	4,566	10.9%	5,510	-8.1%	3,571	3,696	-3.4%	4,486	-20.4%
Tata Motors	52,051	57,834	-10.0%	82,670	-37.0%	5,413	6,263	-13.6%	9,377	-42.3%	3,101	3,819	-18.8%	5,767	-46.2%
TVS Motors	8,573	9,218	-7.0%	9,199	-6.8%	214	416	-48.5%	101	112.6%	55	213	-74.2%	91	-39.3%



Banks - Strong growth expected

Sector highlights

- ✓ Credit growth continues at appx. 22% YoY; driven by incremental disbursements in retail and SME. Banks tilting exposure to rural sector.
- ✓ Liquidity is available only at a higher cost. Maintaining Net Interest Margins will be key as 10 year G-Sec is 8.29% and any additional borrowings will be costly.

Company highlights

- ✓ **HDFC Bank:** Operating performance would continue to impress on all parameters

We believe that HDFC Bank has enough room to raise capital if it exceeds pace of 20-25% credit growth to normalize its capital adequacy at 11.1%, the bank has option to raise via Upper-Tier II or perpetual bonds.

- ✓ **Oriental Bank of Commerce:** Improvement in yield on advances coupled with higher credit growth to result in some increase in NIM.

Sustained fee income growth and realized operational leverage/efficiencies to improve NOI, operating profit.



Banks - Strong growth expected

Company highlights

- ✓ **South Indian Bank:** Cheaper valuations at 1.2x and 1.0x FY08E and FY09E and higher earnings growth positive for the bank.

The bank could raise Upper-Tier II Bonds or an equity dilution a possibility.

- ✓ **UTI Bank:** Increased yield on advances to compensate for the rising cost of funds, NIM expected to increase slightly

Rapid branch expansion to result in healthy low cost deposit mobilization as well as increasing retail fees and interest income

- ✓ **Federal Bank:** Strong growth momentum to continue will report EPS of Rs11 quarterly and full year EPS of Rs43.5, makes the bank look cheaper in valuations as compared to other private sector banks trading at higher P/BV multiple.

Higher provisioning coverage to keep NNPA at 0.45% in FY08E.



Banks - Strong growth expected

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
Federal Bank	2,265	1,586	42.8%	2,280	-0.6%	167	114	47.1%	225	-25.5%	945	402	135.1%	993	-4.8%
HDFC Bank	11,663	8,177	42.6%	11,177	4.3%	7,716	6,160	25.3%	8,282	-6.8%	3,412	2,393	42.6%	3,436	-0.7%
OBC	5,117	4,110	24.5%	4,462	14.7%	3,992	3,510	13.7%	3,248	22.9%	1,828	940	94.5%	548	233.7%
South Indian Bank	1,109	829	33.8%	1,119	-0.8%	772	420	83.7%	776	-0.4%	280	151	86.2%	226	24.2%
UTI Bank	7,600	3,218	136.2%	4,642	63.7%	6,566	3,072	113.7%	4,223	55.5%	3,414	1,206	183.2%	2,119	61.1%



Cement

Sector highlights

- ✓ Cement demand continued to grow at a robust pace, with dispatches growing 8.3% YoY during April-May 2007. However, exports were lower during the above period. In view of higher excise duty, national retail cement prices were higher by 12% QoQ. While cement prices were up 17.9% in the South and 12.8% in the West; the same were higher by 10% in the East, 8.7% in the central region and 7.3% in the North.
- ✓ During the quarter, My Home Industries reported an increase in capacity from 1.56mn tonne to 2.76mn tonne and Ambuja Cement India's 1mn tonne grinding unit at Farakka became operational.
- ✓ While all cement companies are expected to report robust growth on YoY basis; on QoQ basis, the improvement is expected to be marginal in view of negligible increase in net realisations.

Company highlights

- ✓ **ACC:** Marginally higher volume and cement realisation to drive topline growth. However, net profit is expected to be flat YoY, as April- June06 profit included Rs1.4bn from sale of land and Rs380mn from the sale of Mancherial Works.



Cement

Company highlights

- ✓ **Gujarat Ambuja:** Marginal increase in QoQ cement realisation and volume to drive topline growth. However, net profit is likely to decline QoQ in view of revenue from the sale of shares in Ambuja Cement India Ltd. by the company booked during Jan – Mar 07.
- ✓ **Grasim:** While higher cement prices and VSF volume, and prices will drive growth in these divisions, rising sponge iron prices is likely to improve profitability of the sponge iron division. However, performance of the chemical division is expected to be impacted due to lower caustic soda prices.
- ✓ **Madras Cements:** QoQ performance to improve on the back of higher cement prices and cement dispatches.
- ✓ **India Cements:** QoQ performance to improve on the back of higher cement prices and cement dispatches.
- ✓ **Shree Cements:** Marginal QoQ increase in cement realisation and prices to drive growth.
- ✓ **Ultratech Cement:** Despite higher QoQ net realisation, performance to be impacted due to lower sales volume during the quarter.



Cement

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
ACC	18,675	14,621	27.7%	16,748	11.5%	5,768	4,556	26.6%	5,071	13.7%	4,029	4,056	-0.7%	3,638	10.8%
Grasim	25,040	18,770	33.4%	24,938	0.4%	7,475	5,133	45.6%	6,942	7.7%	4,607	3,119	47.7%	4,745	-2.9%
Gujarat Ambuja	14,875	11,342	31.1%	14,338	3.7%	5,817	4,433	31.2%	5,631	3.3%	4,166	3,039	37.1%	5,907	-29.5%
India Cement	5,863	4,852	20.8%	5,758	1.8%	2,045	1,655	23.6%	1,906	7.3%	1,525	1,126	35.4%	1,398	9.1%
Madras Cement	4,384	3,409	28.6%	4,350	0.8%	1,390	1,364	1.9%	1,332	4.3%	741	788	-6.1%	710	4.4%
Shree Cement	4,078	3,094	31.8%	3,783	7.8%	1,528	1,375	11.1%	1,513	1.0%	1,016	904	12.4%	239	325.2%
Ultra Tech Cemco	13,960	11,803	18.3%	14,655	-4.7%	4,104	3,746	9.6%	4,085	0.5%	2,314	2,108	9.8%	2,315	-0.1%



FMCG - Steady growth to continue

Sector highlights

- ✓ VAT impact is likely to result in slowdown in volume growth for ITC; however, we do not expect de-growth to happen in the first quarter. We expect 13.9% growth in net sales in Q1FY08.

Company highlights

- ✓ **HUL** expected to post 13.4% revenue growth and 14.5% earnings growth. Performance of the personal care business will be a key factor to watch.
- ✓ We expect **GCPL's** revenue to grow by 18.4%, buoyed by strong performance of soaps and reversal of slowdown in hair colour. Margins likely to improve on account of increase in prices.
- ✓ We expect **Marico** to post 19.7% growth in net sales, while earnings are likely to grow by 50% on the back of lower depreciation charges.
- ✓ Healthy performance from **Tata Tea's** brands across global markets is expected to drive 6.6% QoQ increase in turnover. Lacklustre growth in net profit is expected due to high interest from debt for Glacéau acquisition.



FMCG

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-06	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-06	Q-o-Q
Godrej consumer	2,815	2,376	18.4%	2,424	16.1%	537	421	27.6%	431	24.7%	418	341	22.4%	394	6.1%
Dabur India	5,549	4,755	16.7%	5,765	-3.7%	737	621	18.6%	873	-15.6%	566	482	17.4%	769	-26.4%
Marico	4,461	3,728	19.7%	3,970	12.4%	711	562	26.4%	401	77.3%	454	303	50.0%	240	89.5%
Tata Tea	12,276	8,060	52.3%	11,521	6.6%	2,148	1,648	30.4%	1,863	15.3%	761	923	-17.6%	502	51.4%



Hotels

Sector highlights

- ✓ The hospitality industry has witnessed 31% growth in ARR (Average Room Rate) in FY07 to Rs8,252 from Rs6,270 in FY06; while occupancy levels have been rather steady at 74%, resulting in RevPar (Revenue Per Available Room) growth of 30% to Rs6,278 in FY07 from Rs4,766 in FY06.
- ✓ Hilton and DLF real estate developer would jointly set-up 75 hotels in India with an investment of \$1.5bn, mainly catering to business travellers, at locations like Delhi, Hyderabad, Bangalore and Mysore, amongst others.
- ✓ Sarovar Hotels, presently operating properties under the Park Plaza and Park Inn brands, plans to set-up properties in the budget category under the brand name Homotel across cities like Chennai, Mumbai and Hyderabad.

Company highlights

- ✓ **Hotel Leela:** We expect sales to grow by 25% YoY to Rs 1,013mn in Q1FY08E from Rs 808mn in Q1FY07, mainly on account of inventory addition of 105 rooms in Bangalore.

Net profit is expected to be Rs206mn on standalone basis.

We expect ARR at Bangalore to decline by 2-3% from Rs18,000 in Q1FY07.



Hotels

- ✓ **Taj GVK:** We expect sales to grow by 8% YoY to Rs617mn in Q1FY08E from Rs566mn in Q1FY07.

Net profit expected to be Rs161mn from Rs148mn in FY06.

Hyderabad is expected to see a slow down in ARR growth on account of supply in three-star and four-star categories.

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
Hotel Leela (Standalone)	1,013	808	25.3%	1,167	-13.2%	471	388	21.4%	472	-0.1%	206	220	-6.2%	448	-53.9%
Taj GVK	617	566	9.0%	678	-8.9%	296	266	11.3%	336	-12.0%	161	148	8.6%	678	-76.3%



Information Technology

Sector highlights

- ✓ Rupee appreciation of more than 6% on an average to have an impact on profitability.
- ✓ Considerable forex gains expected due to rupee appreciation.
- ✓ Offshore salary hikes of 15-16% and onsite 4-5%, to have an impact on profitability of Infosys, TCS, Patni, Sasken, Mphasis and KPIT.
- ✓ Visa expenses to further hit profitability.
- ✓ Reducing estimates by 5-10% for most of the IT companies due to rupee appreciation. New estimates at Rs/USD rate of Rs41.1 in FY08E and Rs40.5 in FY09E.
- ✓ Expect Infosys to miss its Q1FY08 rupee guidance and reduce its FY08E guidance by 3-4%.

Company highlights

- ✓ **TCS:** Volume driven growth; EBITDA margin likely to be lower by 310bps on account of rupee appreciation and salary hikes.
- ✓ **Infosys:** Volume-led growth, EBITDA margin likely to be lower by 360bps on account of rupee appreciation, visa expenses and salary hikes; expect Infosys to miss its Q1FY08 revenue and EPS rupee guidance. Likely to lower FY08 rupee revenue and EPS guidance to account for rupee appreciation.



Information Technology

Company highlights

- ✓ **Wipro:** Revenue to decline 3.5% sequentially on account of 2% decline in global IT revenues due to rupee appreciation, and 14% decline in infotech business due to its seasonal nature. Operating margin to be impacted by 130bps on account of rupee appreciation. Net profit to be lower by 17% on account of lower operating profit and higher taxes.
- ✓ **Satyam:** Expected to miss its rupee revenue guidance; revenue likely to grow 1% sequentially on account of 5% volume growth in IT services business. Rupee appreciation to have 130bps impact on EBITDA margin.
- ✓ **HCL Tech:** Revenue expected to increase 1.9% sequentially; EBITDA margin to be impacted by 110bps on account of rupee appreciation. Higher other income, due to forex gains, to lead to 2.3% increase in net profit.
- ✓ **Patni:** Revenue growth of 0.6%, salary hikes and rupee appreciation to impact EBITDA margin by 430bps.
- ✓ **I-Flex:** Lower product license fee and rupee appreciation to impact revenue growth. EBITDA margin expected to fall by 970bps on account of lower license fee booking and rupee appreciation.
- ✓ **Mphasis:** Volume growth to drive revenue growth. Expect to add 2,000 employee in Q1FY08. Rupee appreciation, salary hikes and high employee addition to impact EBITDA margin by 380bps.



Information Technology

Company highlights

- ✓ **Sasken:** Flat revenue growth in services business and 15% sequential fall in products revenue to lead to 1.1% sequential fall in revenue. Lower products revenue, rupee appreciation and salary hike to impact EBITDA margin by 410bps.
- ✓ **Subex:** Consolidation of Syndesis in Q1FY08 likely to result in 76.6% sequential increase in revenue. However, higher integration cost with Syndesis and higher taxes to result in 27% sequential fall in net profit.
- ✓ **KPIT Cummins:** Volume growth of 9% to drive sequential revenue growth of 1.2%; EBITDA margin to be impacted by 270bps on account of rupee appreciation and salary hikes.
- ✓ **R Systems:** Sequential revenue growth expected to be 3.7%. EBITDA margin expected to increase to 7.9% despite rupee appreciation. This is on account of lower losses in Ecnnet and other projects, where cost overrun impacted profitability in Q4CY06 and Q1CY07.
- ✓ **Allsec:** Volume growth to drive 6.4% sequential growth in revenue. Despite rupee appreciation, EBITDA margin to reduce by 10bps on account of lower SG&A.
- ✓ **Micro Tech:** Expected higher sales of security products and Lost Mobile tracking systems to lead to 5.0% and 5.8% sequential revenue and profit growth.
- ✓ **Tanla Solutions:** Expect Tanla to report 7.4% sequential increase in revenue on account of 8% growth in aggregator business and 12% in offshore development services. Higher contribution by aggregator business, salary hikes and rupee appreciation against British pound to impact EBITDA margin by 190bps.



Information Technology

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
TCS	52,017	41,443	25.5%	51,464	1.1%	13,084	10,016	30.6%	14,568	-10.2%	10,582	8,626	22.7%	11,728	-9.8%
Infosys	38,051	30,150	26.2%	37,720	0.9%	10,687	8,890	20.2%	11,970	-10.7%	9,481	8,000	18.5%	11,440	-17.1%
Wipro	41,880	31,312	33.8%	43,345	-3.4%	7,506	6,505	15.4%	8,344	-10.0%	7,110	6,142	15.8%	8,614	-17.5%
Satyam	17,978	14,429	24.6%	17,792	1.0%	3,912	3,550	10.2%	4,102	-4.6%	3,785	3,541	6.9%	3,936	-3.8%
HCL Tech	16,078	12,538	28.2%	15,771	1.9%	3,569	2,815	26.8%	3,668	-2.7%	3,391	2,331	45.5%	3,316	2.3%
Patni	6,764	6,561	3.1%	6,724	0.6%	1,161	998	16.3%	1,445	-19.6%	895	766	16.8%	1,200	-25.4%
I-Flex	5,447	4,075	33.7%	5,794	-6.0%	504	458	10.0%	1,093	-53.9%	316	415	-23.9%	777	-59.4%
Mphasis	3,670	2,607	40.8%	3,373	8.8%	565	319	77.1%	647	-12.7%	345	152	127.8%	456	-24.2%
Tanla	838	397	111.1%	780	7.4%	373	197	89.3%	362	3.0%	361	161	124.7%	340	6.0%
Subex	1,557	435	258.3%	882	76.6%	283	38	641.7%	57	393.2%	201	40	398.0%	276	-27.3%
Sasken	1,339	911	46.9%	1,354	-1.1%	153	131	16.7%	210	-27.3%	51	117	-56.8%	87	-41.5%
KPIT	1,319	1,023	29.0%	1,303	1.2%	173	152	13.4%	206	-15.9%	100	104	-3.9%	141	-29.2%
R Systems	615	495	24.3%	594	3.7%	49	68	-28.7%	39	23.6%	30	53	-42.6%	21	43.8%
Allsec	293	277	6.0%	276	6.4%	85	76	11.1%	80	5.9%	76	68	12.2%	70	8.7%
MicroTech	317	222	43.2%	302	5.0%	139	81	70.5%	121	14.3%	100	65	53.2%	94	5.8%

Note: Patni & R Systems December ending and HCL Tech June ending companies, EBIT for Wipro



Infrastructure/Real Estate

Sector highlights

- ✓ Robust topline growth on the back of rising order book position.
- ✓ Revenue to fall sequentially due to seasonally slack quarter.
- ✓ EBITDA margin expected to rise YoY on the back of better operating leverage, though sequentially it is likely to decline on lower revenue. .

Company highlights

- ✓ **Punj Lloyd:** Topline growth is expected to be strong due to SEC acquisition, and EBITDA margin is expected to rise on the back of new orders being implemented by SEC with higher margins.
- ✓ **Sadbhav Engineering:** Strong revenue growth with stable EBITDA margin projected on the back of strong order book. Full tax estimated for Q1FY08 as against benefit claimed by the company under Sec 80IA in FY07.



Infrastructure/Real Estate

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
Punj Lloyd	12,525	8,054	55.5%	17,036	-26.5%	1,066	508	109.6%	1,707	-37.6%	400	263	51.7%	889	-55.1%
Sadbhav Engineering	1,527	943	61.9%	1,967	-22.4%	165	102	61.9%	205	-19.3%	72	51	40.6%	122	-41.1%



Logistics - CFS/ICD business continues to fall, but core logistics still strong

Sector highlights

- ✓ Total container traffic handled at JNPT was 3.30mn TEUs for FY07 as against 2.66mn TEUs in FY06.
- ✓ Oversupply in CFS and ICD businesses have resulted in lower realisations per TEU.

Company highlights

- ✓ **Gateway Distriparks:** We expect net sales to grow at 33.3%, including the Snowman cold chain business, to Rs460mn in Q1FY08.

Realisations per TEU at Mumbai CFS are expected to be under pressure owing to competition.

We expect net profits of Rs163mn in Q1FY08 as against Rs198mn in Q1FY07.

- ✓ **Allcargo Global Logistics:** On consolidated basis, we expect net sales of Rs4,103mn in Q2CY07.

We expect net profits of Rs224mn in Q2CY07.

The company has already begun operations at its Chennai and Mundra CFS.

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
GDL	460	345	33.3%	469	-1.9%	214	195	9.9%	218	-1.9%	163	198	-17.8%	193	-15.6%
AGLL (consolidated)	4,103	-	-	3,751	9.4%	328	-	-	306	7.1%	224	-	-	204	9.4%



Metals - Steel prices up QoQ; aluminium prices under pressure

Sector highlights

- ✓ In Q1FY08, international HR coil prices have increased 9.7% QoQ in view of firm global demand and imposition of export duties by China. However, given the appreciation in rupee against dollar, the net improvement in export realisation has been impacted during the quarter. Domestic steel prices have increased marginally by 2.3% QoQ.
- ✓ LME aluminium prices have declined marginally by 1.4% QoQ. This coupled with rupee appreciation against the dollar, has led to a decline in domestic aluminium prices.
- ✓ While copper prices have increased 28.8% on the LME. TC/RC margin remained under pressure during the quarter, thereby impacting operating margin of custom smelters.

Company highlights

- ✓ **Hindalco:** Marginal decline in aluminium prices, coupled with rupee appreciation, to impact profitability of the aluminium division. Copper division profitability too will be affected given the pressure on TC/RC margin.
- ✓ **Nalco:** Despite marginally higher aluminium prices, pressure on alumina prices to impact YoY performance.



Metals - Steel prices up QoQ; aluminium prices under pressure

Company highlights

- ✓ **SAIL:** Marginal QoQ increase in volume, coupled with higher steel prices, to drive growth.
- ✓ **Tata Steel:** Sharp YoY increase in steel prices and higher volumes to drive growth during the quarter.
- ✓ **JSW Steel:** Higher production and steel prices will drive profitability during Q1FY08.
- ✓ **Jindal Steel and Power:** Firm long steel prices and commissioning of the 1mn tonne plate mill in April 2007 to drive growth.
- ✓ **Monnet Ispat and power:** Partial operations of expanded capacity and firm sponge iron prices are likely to lead to higher profitability.
- ✓ **Malco:** Marginally lower aluminium prices, rupee appreciation and rising input costs to impact profitability.
- ✓ **Sesa Goa:** Higher iron ore prices and recovery in coke prices to lead to YoY growth. However, rupee appreciation and imposition of export duty on iron ore to have a bearing on the company's performance during the quarter.
- ✓ **Godawari Power & Ispat:** Firm sponge iron prices, coupled with partial operationalisation of phase-II capacity expansion, to drive growth during the quarter.



Metals - Steel prices up QoQ; aluminium prices under pressure

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
Godawari Power	1,676	1,070	56.7%	1,102	52.1%	310	179	73.1%	194	60.1%	185	121	52.4%	120	54.5%
Hindalco	46,579	42,737	9.0%	47,489	-1.9%	9,762	9,334	4.6%	10,499	-7.0%	6,186	6,015	2.9%	7,213	-14.2%
Jindal Steel & Pow	11,452	6,662	71.9%	10,539	8.7%	4,493	3,249	38.3%	3,917	14.7%	2,285	1,531	49.3%	2,028	12.7%
JSW Steel	27,889	15,694	77.7%	24,985	11.6%	9,196	4,558	101.7%	7,916	16.2%	4,480	1,703	163.0%	4,133	8.4%
Malco	1,311	1,300	0.8%	1,394	-6.0%	435	583	-25.3%	543	-19.8%	362	481	-24.6%	457	-20.7%
Monnet Ispat	2,181	1,371	59.1%	1,865	17.0%	613	370	65.5%	516	18.7%	444	257	72.8%	428	3.7%
Nalco	14,655	14,855	-1.3%	15,668	-6.5%	7,593	9,344	-18.7%	8,798	-13.7%	5,126	6,223	-17.6%	5,908	-13.2%
SAIL	108,564	74,164	46.4%	103,851	4.5%	30,845	23,385	31.9%	30,236	2.0%	19,458	13,864	40.4%	19,020	2.3%
Sesa Goa	4,819	4,309	11.8%	7,601	-36.6%	2,323	1,875	23.9%	3,652	-36.4%	1,645	1,334	23.3%	2,525	-34.8%
Tata Steel	47,195	39,159	20.5%	49,804	-5.2%	18,406	15,813	16.4%	19,035	-3.3%	10,604	9,534	11.2%	11,035	-3.9%



Oil & Gas

Sector highlights

- ✓ During Q1FY08, Brent crude averaged US\$68.63/bbl, while Dubai averaged US\$64.68/bbl as compared to US\$58.07/bbl and US\$55.51/bbl in Q4FY07 respectively.
- ✓ GRMs for Q1FY08 were better than the previous quarter due to higher product prices, especially MS and heavy ends. As per our estimates, GRMs for Q1FY08 will average approximately US\$6.5/bbl for Indian refiners.
- ✓ Total under realisation for the industry on four sensitive products (LPG, SKO, MS and HSD), is estimated to be approximately Rs130,000mn in Q1FY08 as compared to Rs75,000mn for Q4FY07.
- ✓ The government is expected to issue oil bonds worth Rs65,000mn to the three oil marketing PSUs as compared to Rs49,710mn in Q4FY07 and no issue in Q1FY07.
- ✓ The upstream amount in subsidy sharing scheme is expected to be approximately Rs51,480mn as against Rs55,575mn in Q4FY07 and Rs59,000mn in Q1FY07.



Oil & Gas

Company highlights

- ✓ **ONGC:** Benchmark for ONGC crude and Nigerian Bonny light averaged US\$71.1/bbl for the quarter ended June 2007 as compared to US\$60.5/bbl in Q4FY07 and US\$71.4/bbl in Q1FY07.

The company's share of under recovery is estimated to be Rs44,200mn for Q1FY08 as compared to Rs46,680mn in the previous quarter and Rs51,200mn in same quarter last year. Discounts will amount to US\$24.2/bbl on the selling price of crude.

EBITDA margin is expected to improve to 51% in Q1FY08 as compared to 35.6% in Q4FY07 due to lower staff cost and other expenditure.

- ✓ **IOC:** Refinery throughput is estimated at 11.90MMT for Q1FY08 as compared to 10.03MMT in Q1FY07. This is due to additional volumes from Panipat expansion.

The company is estimated to clock GRMs of US\$6.00/bbl for Q1FY08 as against US\$6.7/bbl in Q1FY07 and US\$5.76/bbl in Q4FY07.

Net sales for the quarter are estimated to reach 15.5MMT due to high domestic sales and its merger with IBP being reflected.

EBITDA margin will be higher by five times YoY, as nil oil bonds were issued in Q1FY07.



Oil & Gas

Company highlights

- ✓ **HPCL:** The company is estimated to end the quarter with crude throughput of 4.2MMT. GRMs are expected to average at US\$4.71/bbl for the quarter. This is higher than the previous quarter due to stabilisation of Visakh refinery expansion and buoyant regional margin.

Sales are estimated to be in the range of 5.7MMT for this quarter due to decrease in share of private players.

Gross under recovery on four major products is expected to be about Rs27,000mn, with upstream discounts likely to be Rs10,400mn and oil bonds of Rs13,310mn.

- ✓ **BPCL:** The company is estimated to end the quarter with crude throughput of 5.40MMT as against 5.27MMT in Q4FY07. GRMs are expected to average at US\$6.00/bbl for the quarter, which is marginally higher than US\$5.9/bbl in Q4FY07.

Sales are estimated to be in the range of 6.50MMT for the quarter as compared to 6.31MMT in Q4FY07 and 5.67MMT in Q1FY07 due to decrease in share of private players.

Gross under recovery on four major products is expected to be about Rs27,000mn, with upstream discounts likely to be Rs10,400mn and oil bonds of Rs13,310mn.



Oil & Gas

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
ONGC	136,634	146,028	-6.4%	123,969	10.2%	70,344	81,094	-13.3%	44,146	59.3%	36,275	41,189	-11.9%	26,817	35.3%
HPCL	224,328	206,741	8.5%	218,495	2.7%	7,890	(5,164)	-252.8%	10,252	-23.0%	4,261	(6,076)	-170.1%	5,495	-22.5%
BPCL	248,016	216,153	14.7%	241,265	2.8%	11,162	(5,456)	-304.6%	12,738	-12.4%	6,239	(6,773)	-192.1%	6,700	-6.9%
IOC	589,343	486,883	21.0%	502,187	17.4%	33,984	(8,444)	-502.5%	50,445	-32.6%	21,553	17,806	21.0%	16,101	33.9%



Pharma

Sector highlights

- ✓ Patent expiries would drive generics growth in regulated markets.
- ✓ Low penetration level should drive double digit growth in many European markets.
- ✓ Consolidation would gain further steam.
- ✓ Counter pricing pressure in regulated markets by de-risking / re-aligning businesses.
- ✓ Due to high incidence of acquisition multiple in generics space, payback for inorganic initiatives to extend for longer periods.
- ✓ Indian companies better placed to leverage acquisitions, given the possibility of shifting manufacturing back to India over the long-term.
- ✓ Companies that are vertically integrated, geographically diversified, with wide product basket, robust balance sheet and having low cost of manufacturing would benefit in the long-term.



Pharma

Company highlights

- ✓ **Glenmark:** Increased US formulation exports likely to expand EBITDA margin by 530bps due to launch of drugs such as Ondansetron, Terbinafine, Pravastatin, Naproxen Sodium and Naproxen in Q1FY08E, and benefits accruing from lower tax provisions. Key risk - suspension of NCE (GRC 3886) in clinical trials.
- ✓ **Lupin:** Topline growth of 23.5% YoY due to launch of Trandolapril tablets, Cefadroxil capsules, Simvastatin tablets and Suprax suspension in the US market in 1QFY08E. EBITDA margin to expand by 183bps; lower tax provisioning at 22% of PBT (vis-à-vis 25.3% in 4QFY07) expected to boost PAT growth to 44.9%.
- ✓ **Glaxo:** Contribution from power brands to boost revenue growth of 7.6% YoY. Improved operational efficiency to expand operating margin by 150bps YoY; this is likely to translate into healthy profitability growth of 17.2%.
- ✓ **Cipla:** Q1FY08E revenue is expected to grow by 19.9% to Rs10.4bn based on 23% growth in export business. While formulation exports are expected to grow at 28% YoY, API exports are expected to grow at 10% YoY and domestic business is expected to grow by 16% YoY. Operating margin to expand by 750bps YoY on account of better product-mix resulting in PAT growth of 14.2% YoY.
- ✓ **Indoco Remedies:** Net sales is expected to grow at 12.2% YoY due to strong growth from the exports market, launch of new products in the domestic markets and full effect of contract manufacturing for five companies in the UK market. EBITDA margin should increase by 296bps YoY to 30.9% resulting in PAT growth of 16% YoY to Rs183.8mn.



Pharma

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
Glenmark	2,503	1,829	36.8%	3,391	-26.2%	572	321	78.1%	1,010	-43.4%	376	187	101.2%	633	-40.6%
Glaxo	4,587	4,262	7.6%	3,203	43.2%	1,587	1,411	12.4%	814	94.9%	1,238	1,034	19.7%	682	81.6%
Lupin	6,128	4,963	23.5%	5,318	15.2%	913	649	40.8%	776	17.7%	777	536	44.9%	1,411	-45.0%
Cipla	10,351	8,636	19.9%	9,385	10.3%	2,397	2,289	4.7%	1,470	63.1%	1,946	1,704	14.2%	1,257	54.7%
Indoco Remedies	900	803	12.2%	736	22.4%	279	224	24.2%	74	273.9%	184	159	16.0%	21	775.5%



Tea

Sector highlights

- ✓ Tea prices across auctions continue to firm up.
- ✓ Interest from international buyers for Indian CTC tea has increased, as tea from the second flush arrived at auctions.
- ✓ Tea exports for January to April 2007 have kept pace with exports for the same period in CY06 at 53mn kgs.
- ✓ Launch of first round of special purpose tea fund in June has seen 82 applications for re-plantation and rejuvenation of tea gardens. This is expected to restrain domestic tea production, while demand continues to grow at 3% per annum.



Telecom

Sector highlights

- ✓ Acceleration in India's subscriber base, roughly 6.8mn additions in May 2007, continues to drive growth.
- ✓ Geographical expansion will remain key driver for mobile subscriber growth.
- ✓ Availability of 45MHz spectrum is a positive for acceleration in subscription.

Company highlights

- ✓ **Bharti Airtel:** Subscriber driven EPS growth story
Bharti continues to spearheads subscriber growth in the sector.
Net addition of 1.85mn subscriber in May 2007.
- ✓ **Idea Cellular:** An Aditya Birla group company; Idea went public in March 2007.
A lot depends on expanding into new geographies successfully.
A mid-sized company, but valuations are at par with larger peers.



Telecom

Company highlights

- ✓ **Reliance Communication Ventures Ltd. (RCOM):** Subscriber driven EPS growth story; similar to that of Bharti.

Value unlocking possibilities through de-merger of tower business.

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
Bharti Airtel	61,262	38,564	58.9%	53,932	13.6%	24,717	15,101	63.7%	22,407	10.3%	13,971	7,550	85.0%	13,180	6.0%
RCOM	46,340	32,501	42.6%	39,369	17.7%	19,324	12,062	60.2%	16,352	18.2%	10,500	5,127	104.8%	10,244	2.5%
Idea	15,138	-	-	13,411	12.9%	5,164	-	-	4,689	10.1%	2,168	-	-	1,934	12.1%



Textiles

Sector highlights

- ✓ Total apparel exports to the U.S. grew 7.1% during Jan–Dec 2006; this increased India's market share among the total U.S. apparel imports from 4.3% (CY05) to 4.45% (CY06).
- ✓ Cotton apparel exports to the U.S. grew 14.3% during Jan-July 2006.
- ✓ Textile product exports to EU grew by 15% during Jan–Nov 2006; as a result, India's market share among the total EU textile product imports improved from 3.45% to 3.87% during the period.

Company highlights

- ✓ **Abhishek Ind:** Delay in ramping up utilisation rates and lower margins to hit bottomline.
- ✓ **Alok Industries:** Completion of phase II of expansion to drive strong revenue growth.
- ✓ **Celebrity Fashions:** Moderate growth led by rising volume and better product-mix.
- ✓ **Gokaldas Exports:** Leveraging on its consistent capacity and client additions.
- ✓ **Page Industries:** Focus on increasing market reach and new premium product introductions to drive growth.
- ✓ **Mahavir Spinning:** Moderate growth expected with increase in capacity utilisation of its fabric division.



Textiles

Company highlights

- ✓ **Welspun India:** Rising utilisation rates in home textile segment to drive strong topline growth.
- ✓ **Arvind Mills:** Oversupply would continue to affect volume and realisations in Arvind's core denim business. Branded apparel growth to contribute to bottomline growth.

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
Abhishek Ind	2,242	1,865	20.2%	2,202	1.8%	349	330	5.7%	313	11.3%	47	87	-45.9%	(13)	-468.3%
Alok Ind	4,818	3,579	34.6%	5,741	-16.1%	1,056	806	31.0%	1,321	-20.0%	318	269	18.2%	453	-29.7%
Arvind Mills	4,904	3,546	38.3%	4,831	1.5%	809	744	8.8%	755	7.2%	96	67	42.8%	122	-21.6%
Celebrity Fashions	1,051	746	41.0%	1,014	3.7%	87	71	22.7%	84	3.4%	13	10	31.7%	15	-7.7%
Gokaldas Exports	2,619	2,216	18.2%	2,766	-5.3%	280	225	24.3%	367	-23.8%	156	135	15.7%	181	-13.5%
Page Industries	407	n.a.	-	n.a.	-	87	n.a.	-	n.a.	-	55	n.a.	-	n.a.	-
Vardhman Textiles	5,292	4,755	11.3%	5,400	-2.0%	788	836	-5.7%	768	2.7%	321	375	-14.2%	369	-12.9%
Welspun India	2,344	1,989	17.9%	2,485	-5.7%	413	413	-0.1%	352	17.3%	103	75	36.1%	103	-0.3%



Others

Company highlights

- ✓ **Finolex Cables:** The development in residential and commercial real estate is likely to remain demand drivers for electrical cables. We expect margin to bounce back for the quarter on sequential basis.

Q1FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q	Jun-07	Jun-06	Y-o-Y	Mar-07	Q-o-Q
Finolex Cables	2,707	2,117	27.9%	2,922	-7.4%	373	242	53.8%	189	97.7%	284	226	26.0%	88	221.9%



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