



Economy News

- ▶ National Housing Bank (NHB) Chairman and Managing Director S Sridhar is suggesting some revival of housing demand in January and indicating possibility of further cut in home loan rates. (BL)
- ▶ The government has said that is considering another stimulus package for the housing industry, in terms of providing cheaper input costs and low cost of money. (ET)
- ▶ NASSCOM has said that, software services and BPO exports in FY09 will grow to \$47bn (growth rate 16-17%) as against the earlier estimate of \$50bn (growth rate 21-24%). The export revenues stood at \$40.4bn in FY08. Cross currency fluctuations have shaved off nearly 2.2% growth from the export figures. Including domestic revenues, the industry is expected to grow to \$60bn as against the earlier estimate of \$62 - \$64bn. (BL)

Corporate News

- ▶ **Tata Motors** owes more than Rs.12bn in unpaid dues to its suppliers, accumulated over the past few months, though the exact amount could not be ascertained. A Tata spokesperson has said that the company is trying to cope with the extraordinary situation with help from its suppliers. (ET)
- ▶ **Glenmark Generics (GGI)**, the US subsidiary of Glenmark Generics, has received marketing approval from the United States Food and Drug Administration (USFDA) for selling its cheap versions of lithium carbonate capsules.
- ▶ **Cairn India** will invest \$3.8 billion in three blocks out of its 25 discoveries in Rajasthan, more than double the previously approved cost of \$1.5 billion. (ET)
- ▶ **RIL** has completed all formalities for setting up the coal bed methane (CBM) power plant on a pilot project basis in Shahdol district in MP and would later start work for setting up three units of 410 Mw each for the 1,250 Mw plant. (BS)
- ▶ **ONGC** will re-examine the feasibility of setting up a 15 million-tonne refinery in the desert district adjoining Indo-Pak border. (BS)
- ▶ **PTC India** will raise funds up to Rs.12bn through qualified institutional placement (QIP). The company would be raising Rs.4bn through non-convertible debentures and Rs.8bn by issuing warrants. (BL)
- ▶ **Gateway Distriparks** has acquired additional 26% stake in its Visakhapatnam-based subsidiary Gateway East India for Rs.46.8mn. Gateway Distriparks already had 74% stake in the subsidiary firm. (BS)
- ▶ **Indian Oil Corporation** has said that it can buy up to 1.5 million tonnes of crude oil a year from Cairn India from the latter's Rajasthan fields. (BL)
- ▶ Diageo is seeking a greater stake in **United Spirits** than the initial sub - 15% stake offered to it, according to a person close to the development. (ET)
- ▶ **Satyam Computer Services'** government-appointed board is expected to induct former managing director of Tata Chemicals Homi R. Khusrookhan on the board of directors as executive director (ED) and former chief financial officer (CFO) of Murugappa group Partho S. Datta as Director (finance). (BS)

Equity

	4 Feb 09	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	9,202	0.6%	NA	NA
NIFTY Index	2,803	0.7%	NA	NA
BANKEX Index	4,674	0.0%	NA	NA
BSET Index	2,196	0.0%	NA	NA
BSETCG INDEX	6,108	0.1%	NA	NA
BSEOIL INDEX	6,190	0.7%	NA	NA
CNXMcap Index	3,280	-0.3%	NA	NA
BSESMCAP INDEX	3,273	0.0%	NA	NA
World Indices				
Dow Jones	7,957	-1.5%	NA	NA
Nasdaq	1,515	-0.1%	NA	NA
FTSE	4,228	1.5%	NA	NA
Nikkei	8,039	2.7%	NA	NA
Hangseng	13,064	2.2%	NA	NA

Value traded (Rs cr)

	4 Feb 09	% Chg - Day
Cash BSE	NA	NA
Cash NSE	NA	NA
Derivatives	32,068	(20.0)

Net inflows (Rs cr)

	3 Feb 09	% Chg	MTD	YTD
FII	NA	NA	NA	NA
Mutual Fund	NA	NA	NA	NA

FII open interest (Rs cr)

	3 Feb 09	% Chg
FII Index Futures	NA	NA
FII Index Options	NA	NA
FII Stock Futures	NA	NA
FII Stock Options	NA	NA

Advances / Declines (BSE)

	4 Feb 09	A	B	S	Total	% total
Advances	97	761	182	1,040	46	
Declines	106	821	216	1,143	50	
Unchanged	3	67	14	84	4	

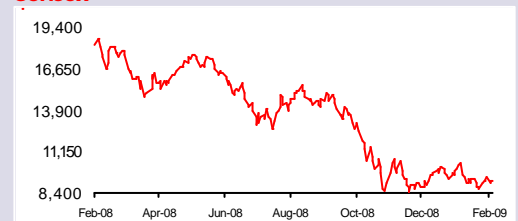
Commodity

		4 Feb 09	1 Day	1 Mth	3 Mths
Crude (NYMEX)	(US\$/BBL)	NA	NA	NA	NA
Gold	(US\$/OZ)	NA	NA	NA	NA
Silver	(US\$/OZ)	NA	NA	NA	NA

Debt / forex market

	4 Feb 09	1 Day	1 Mth	3 Mths
10 yr G-Sec yield (%)	NA	NA	NA	NA
Re/US\$	48.63	48.81	NA	NA

Sensex



RESULT REVIEW

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3QFY09 RESULTS REVIEW**3QFY09 results review - In line with the subdued expectations, no positive surprises; earnings trajectory shows moderation**

Results for the December were almost in line with our expectations. We had projected a 24% YoY rise in revenues and a 12% rise in net profits (ex-banks/NBFCs). For banks -NBFCs, we had projected a 20% YoY rise in NII and a 5% growth in PAT.

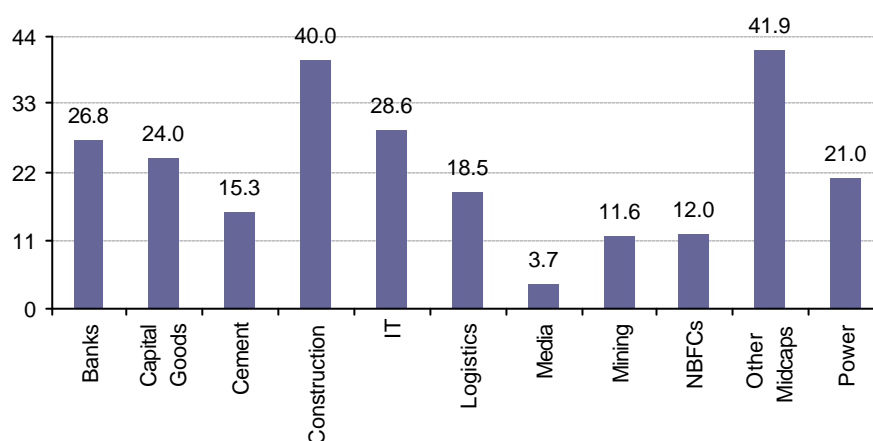
Revenues higher by 2% v/s projections

Ex-banking/NBFCs, the aggregate revenues were about 2% higher for our coverage universe (for companies which have declared results). For banks/NBFCs also, the NII was 2% higher than our expectations.

Capital goods, Logistics, Mining and mid-caps outperformed expectations

Sectorally, while capital goods, logistics, mining (Sesa Goa) and mid-caps reported higher revenues, media and IT pulled down the extent of out-performance. While we have been circumspect on the advertising revenue growth rates, they came in even lower than our pessimistic expectations. Only Zee News (the only BUY for us in the sector) was able to better our expected revenues.

Within IT large caps, TCS, Wipro and HCL Tech reported below-expected revenues while Infosys' revenues were very much in-line. Currency fluctuation played its part in impacting INR revenues.

YoY revenue growth in 3QFY09 (%)

Source: Company, Kotak Securities - Private Client Research

Lower EBIDTA and higher interest costs...

Media and Construction sectors were most impacted

EBIDTA fell marginally short of expectations and that was despite the better-than-expected revenues. This implies that, the pressures on margins were higher than what we had anticipated. We had expected margins to be lower by 70bps YoY. Media and construction sectors were the most impacted and reported significantly lower EBIDTA v/s our expectations.

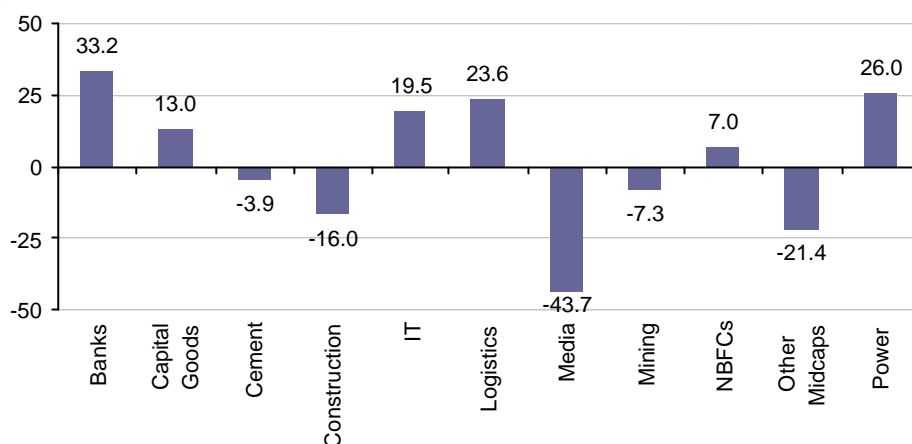
Interest rates remained high during the quarter and impacted profit growth. We understand that, companies also borrowed additional funds in the absence of alternate modes of financing.

...impacted net profits

Net profits fell short of expectations by about 3% because of the above mentioned factors. In our opinion, IT companies faced additional impact because of the forex fluctuations, which resulted in larger-than-expected forex losses in several cases. Media, Construction and Capital Goods reported lower than expected profits.

For banks, net profits were significantly higher than our expectations because of gains on portfolios which accrued due to the fall in interest rates. NBFCs reported lower-than-expected profits because of higher provisioning.

YoY PAT growth in 3QFY09 (%)



Source: Company, Kotak Securities - Private Client Research

No improvement in FY10 visibility

Change in FY09 EPS

	% of cos
Upgraded	26.3
Downgraded	40.0
Maintained	33.8

Source: Kotak Securities - Private Client Research

Managements cautious

Management commentaries failed to provide any positive cues for the medium term though most were optimistic on the longer term prospects.

On the other hand, several companies continued to maintain a pessimistic tone mainly because of the uncertain economic environment globally as well as in India. This uncertainty has led to low visibility for future quarters, making managements cautious.

Post the quarterly results, we have downgraded FY09 earnings estimates for 40% of the companies while upgrading estimates for 26% of the companies and maintaining estimates for 34% of the companies. We note that most of the downgrades in earnings are for companies where we already have a negative bias.

Conclusion and recommendation

This cautious tone obviously did not give any additional visibility for FY10, which is most important for the markets to stabilize. We re-iterate that, further visibility on FY10 growth is a pre-requisite for the markets to follow a longer term trend. Till that time, markets may move in a narrow range.

We expect the focus to shift once again on the macro factors like stimulus packages and their potential impact on the global economy.

The impending elections will likely coincide with the next earnings season and will be a significant factor to watch. In the absence of a full-fledged budget this time, the vote-on account will be placed in the Parliament on 16th February. Additional announcements around this may impact specific sectors, apart from the impact of the macro factors.

Valuations at about 10x current year earnings are not demanding, though they are higher than most Asian peers, according to consensus estimates.

We have a positive bias for banking stocks (selectively). In the backdrop of a challenging economic situation, we believe that, companies which benefit from Government spending (in construction, capital goods and power / power related sectors) and select FMCG companies (which have not yet been impacted by the slow down) will find favour with the market.

Coverage Universe (Actuals v/s Estimates)

Rs mns Sector	Revenues			EBIDTA			PAT			3QFY09	
	Actual	Projected	Variance (%)	Actual	Projected	Variance (%)	Actual	Projected	Variance (%)	Revenues YoY (%)	PAT YoY (%)
Capital Goods	252,832	241,398	4.7	32,453	32,679	(0.7)	21,623	24,686	(12.4)	24.0	13.0
Cement	30,490	30,102	1.3	8,378	8,517	(1.6)	4,242	4,249	(0.2)	15.3	-3.9
Construction	79,111	78,696	0.5	6,660	8,177	(18.6)	2,563	3,458	(25.9)	40.0	-16.0
IT	244,918	252,557	(3.0)	63,584	61,321	3.7	46,468	47,402	(2.0)	28.6	19.5
Logistics	54,835	52,962	3.5	6,454	6,553	(1.5)	3,989	3,924	1.7	18.5	23.6
Media	18,163	20,152	(9.9)	2,845	3,978	(28.5)	1,689	2,277	(25.8)	3.7	-43.7
Mining	13,744	12,047	14.1	6,237	6,072	2.7	4,707	3,800	23.9	11.6	-7.3
Other Midcaps	49,577	39,365	25.9	6,721	6,755	(0.5)	2,845	3,074	(7.4)	41.9	-21.4
Power	112,771	112,571	0.2	37,946	39,898	(4.9)	22,509	20,961	7.4	21.0	26.0
TOTAL	856,441	839,850	2.0	171,277	173,950	(1.5)	110,634	113,830	(2.8)		

Rs mns Sector	Net Interest Income			Pre-provisioning Profit			PAT			3QFY09	
	Actual	Projected	Variance (%)	Actual	Projected	Variance (%)	Actual	Projected	Variance (%)	Revenues YoY (%)	PAT YoY (%)
Banks	123,173	119,524	3.1	119,311	96,237	24.0	62,226	50,087	24.2	26.8	33.2
NBFCs	20,807	21,712	(4.2)	18,475	18,717	(1.3)	12,131	13,018	(6.8)	12.0	7.0
TOTAL	143,979	141,236	1.9	137,785	114,954	19.9	74,357	63,105	17.8		
Coverage Universe	1,000,421	981,086	2.0	309,062	288,904	7.0	184,991	176,935	4.6		

Source: Companies, Kotak Securities - Private Client Research

ANALYST MEET UPDATE

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PUNJAB NATIONAL BANK

PRICE: Rs.401
TARGET PRICE: Rs.583RECOMMENDATION: BUY
FY10E P/E: 4.4x, P/ABV: 0.8x

We attended the analyst meet hosted by Punjab National Bank and returned impressed with the fact that its business is on track albeit in an uncertain macro environment.

We like the bank's strategy of positioning itself as a dominant player in the Indo-Gangetic belt. PNB's strong liability franchise along with the technological initiatives (100% CBS) provides icing on the cake.

The bank is showing improvement in asset quality. Its gross NPA declined from 4.11% at the end of Q3FY08 to 2.28% at the end of Q3FY09. Similarly, net NPA also declined from 1.33% to 0.39% during the same period.

We are maintaining our earning estimates and a BUY rating on the stock with a target price of Rs.583 based on 1.21x its FY10E adjusted book value (assigning 75:25 weights to historical multiple and fair multiple based on single-stage Gordon Growth Model, respectively)

Key Takeaways

PNB has a large branch network in the Indo-Gangetic belt with a market share of about 17-18% of the total banking business in that region as against the market share of 5.2% of total banking business in the country. We like the bank's strategy of positioning itself as a dominant player with the aim of garnering market share of 25-30% in the total banking business in the Indo-Gangetic belt, which is an economically well-off region.

Bank delivered robust earning growth

The bank's net interest income (NII) grew 38.1% % to Rs.19.67 bn in Q3FY09 from Rs.14.24 bn in Q3FY08 on back of strong loan growth (39.5%), improvement in C/D ratio from 66.5% in Q3FY08 to 71.9% in Q3FY09 along with improvement in NIM from 3.66% to 3.85% during the same period.

Its net profit grew 85.8% to Rs.10.06 bn in Q3FY09 from Rs.5.41 bn in Q3FY08 due to robust NII growth (38.1%), very strong growth in non-interest income (95.5%) and lower growth in operating expenses (20.7%).

Non-interest income witnessed strong traction

Non-interest income witnessed strong traction of 95.5% to Rs.9.46 bn in Q3FY09 from Rs.4.84 bn in Q3FY08 on back of very strong growth in trading profit along with good growth in the core fee income. Core non-interest income also rose 72.4% to Rs.6.04 bn in Q3FY09 from Rs.3.50 bn in Q3FY08.

Trend in non-interest income

(Rs bn)	3Q 2008	2Q 2009	3Q 2009	Growth	
				YoY (%)	QoQ (%)
Total non-interest income	4.84	6.628	9.46	95.5	42.7
C/E/B	2.41	3.069	3.37	39.8	9.8
Profit on Exchange transaction	0.55	0.835	1.1	100.0	31.7
Trading Profit	1.33	0.723	3.41	156.4	371.6
Dividend from subsidiaries/JV	0.05	0.13	0.16	220.0	23.1
Miscellaneous Income	0.5	1.871	1.42	184.0	-24.1
Core non-interest income	3.50	5.90	6.04	72.4	2.3

Source: Company

Business growth was healthy

Total business of the bank rose 33.3% to Rs.3387.3 bn in Q3FY09 from Rs.2541.6 bn in Q3FY08.

- Total deposits of the bank rose 29.1% (YoY) to Rs.1970.7 bn in Q3FY09 from Rs.1526.2 bn in Q3FY08.

Trend in Deposits

(Rs bn)	Dec-07	Sep-08	Dec-08	Growth	
				YoY (%)	QoQ (%)
Demand deposits	656.3	723.7	737.0	12.3	1.9
Term deposits	869.9	1139.5	1233.7	41.8	8.3
Total deposits	1526.2	1863.2	1970.7	29.1	5.8

Source: Company

- Advances of the bank rose 39.5% (YoY) to Rs.1416.6 bn in Q3FY09 from Rs.1015.3 bn in Q3FY08. The strong growth in advances vis-à-vis deposits led to improvement in C/D ratio from 66.5% in Q3FY08 to 71.9% in Q3FY09.
 - SME book increased 22.9% (YoY) to Rs.204.7 bn.
 - Retail credit (excluding traders) increased 16.1% (YoY) to Rs.194.5 bn. (14% of gross advances)
 - Education loan of the bank registered an increase of 74.9% to Rs.15.55 bn.
 - Housing loan stood at Rs.78.6 bn (5.5% of gross advances)

Showing progress on asset quality front

PNB is showing an improvement on the asset quality front. Its gross NPA as a percentage of gross advances improved from 4.11% at the end of Q3FY08 to 2.28% at the end of Q3FY09. Similarly, net NPA also declined from 1.33% at the end of Q3FY08 to 0.39% at the end of Q3FY09.

Trend in NPAs

	Q1FY08	Q2FY08	Q3FY08	Q4FY08	Q1FY09	Q2FY09	Q3FY09
Gross NPA (Rs. bn)	37.08	47.17	42.51	33.19	32.65	31.25	32.64
% of Net NPA	3.81	4.57	4.11	2.74	2.82	2.37	2.28
Net NPA (Rs. bn)	9.26	18.66	13.39	7.54	7.15	5.45	5.52
% of Net NPA	0.98	1.86	1.33	0.64	0.63	0.42	0.39

Source: Company

The improvement in the asset quality has come on the back of stringent recovery efforts and controlled fresh delinquencies.

NPA Movement (Rs bn)

	Q1FY09	H1FY09	9MFY09
Gross NPA - Opening	33.2	33.2	33.2
Reduction	6.6	11.4	17.6
Additions	6.0	9.4	17.1
Gross NPA (Closed)	32.7	32.7	32.7

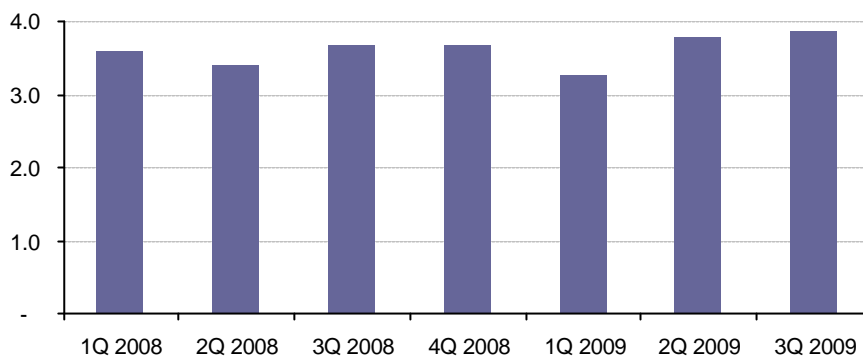
Source: Company

In Q3FY09, bank saw some increase in slippage vis-à-vis earlier two quarters. However, reduction due to recovery, upgradation and deduction due to written off accounts has been slightly bigger than the fresh slippage during 9MFY09.

Margins improved sequentially as well as YoY

The NIM improved to 3.85% in Q3FY09 from 3.78% in the Q2FY09 and from 3.66% in Q3FY08. This was on back of larger improvement in yield on advances (11.93% in Q3FY09 vs. 10.56% in Q3FY08) vis-à-vis rise in cost of funds (6.26% in Q3FY09 vs. 5.57% in Q3FY08).

Trend in NIM (%)



Source: Company

Ahead in technological initiatives

PNB has a strong technology focus which can be leveraged to maximize opportunities for cross-selling of financial products. It has successfully implemented the CBS (core banking solution) in all branches by the end of Q3FY09 as against the target of achieving this by the end of FY09. Its all branches are RTGS & NEFT enabled.

Increasing global presence

PNB's international ambition is based on the fact that it wants to reach places wherever people of Indo-Gangetic region have migrated. The management also believes that by going global it can lay down the foundation to leverage future opportunities arising from, India becoming important part of new world economic order.

PNB has branches in Kabul & Hong Kong. Its wholly owned subsidiary PNBIL has three branches in UK and is planning to open a new branch in Birmingham. It also has representative office at Oslo (Norway), Almaty (Kazakhstan), Shanghai (China) and Dubai (UAE).

The bank has received RBI approval for setting up subsidiary in Canada, upgrading RO Shanghai into branch, offshore banking unit at Singapore and branch at Dubai International Finance Centre.

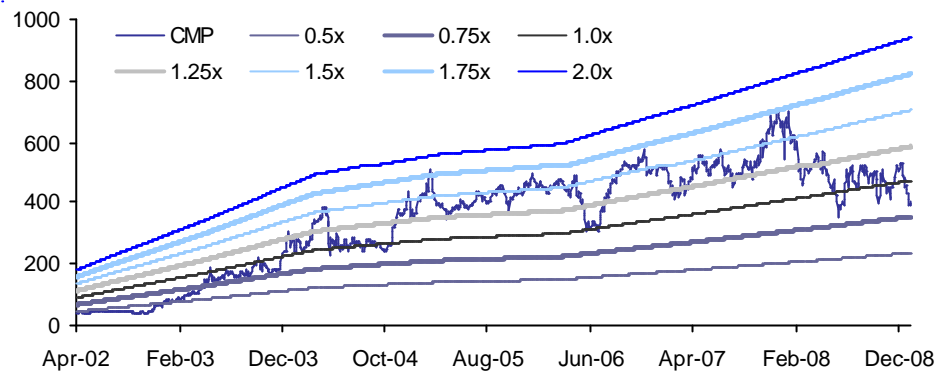
The bank is also focusing on financial inclusion by bringing more and more people under the banking umbrella through both functional expansion and geographical financial expansion. To achieve this bank is introducing innovative delivery channels especially leveraging its technological initiatives.

Valuation & recommendation

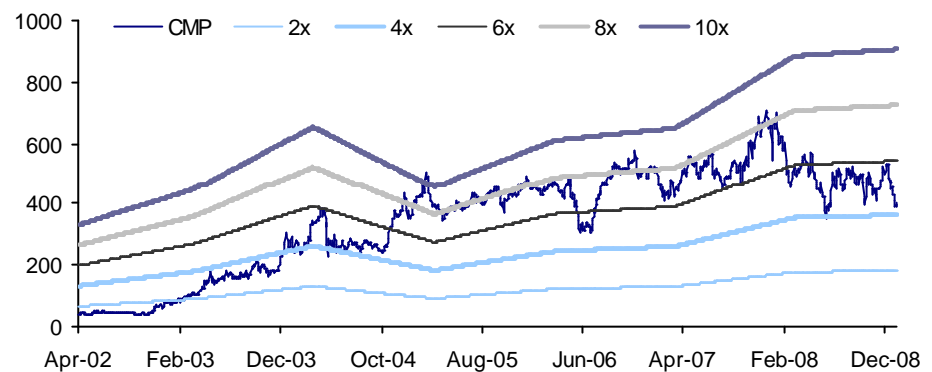
At the current market price of Rs.401, the stock is trading at 4.4x its FY10E earnings and 0.8x its FY10E ABV.

We are maintaining our earning estimates for FY09E and FY10E as well as a **BUY** rating on the stock with the target price of Rs.583. We expect net profit for FY09E and FY10E to be Rs.27.90 bn and Rs.28.74 bn, respectively.

This will result in an EPS of Rs.88.48 and Rs.91.14 for FY09E and FY10E, respectively. The ABV for FY09E and FY10E is forecast at Rs.417.7 and Rs.482.5, respectively.

Rolling 1-year forward P/ABV band

Source: Company, Kotak Securities - Private Client Research

Rolling 1-year forward P/E band

Source: Company, Kotak Securities - Private Client Research

At a RoE of 20.2% in FY10E, cost of equity of 14.5% and perpetual growth rate of 4%, the theoretical fair value stands at 1.54x its adjusted book value. Historically, the stock has been trading in the range of 0.75x-1.75x ABV with the average around 1.1x.

We recommend BUY on Punjab National Bank with a price target of Rs.583

We are assigning 75:25 weights to historical multiple and fair multiple (based on single-stage Gordon Growth Model), respectively. We have, thus, arrived at a fair multiple of 1.21x.

We are maintaining a **BUY** rating on the stock with a target price of Rs.583 based on 1.21x its FY10E adjusted book value (assigning 75:25 weights to historical multiple and fair multiple based on single-stage Gordon Growth Model, respectively) which could provide 45% upside from current levels over a 12-month horizon.

Key data

(Rs bn)	FY06	FY07	FY08	FY09E	FY10E
Interest income	93.37	112.36	142.65	192.07	216.00
Interest expense	49.17	60.23	87.31	121.89	136.90
Net interest income	44.20	52.13	55.34	70.18	79.10
Other income	15.21	17.30	19.98	25.69	24.71
Gross profit	29.17	36.17	40.06	54.14	56.41
Net profit	14.39	15.40	20.49	27.90	28.74
Gross NPA (%)	4.2	3.5	2.8	2.4	2.3
Net NPA (%)	0.3	0.8	0.6	0.8	0.8
Net int. margin (%)	3.4	3.5	3.2	3.3	3.1
RoE (%)	17.2	20.3	19.6	23.4	20.2
RoAA (%)	1.1	1.3	1.1	1.3	1.1
Dividend Yield (%)	1.5	1.5	3.2	3.5	3.5
EPS (Rs)	45.6	61.1	65.0	88.5	91.1
Adjusted BVPS (Rs)	280.7	298.0	356.8	417.7	482.5
P/E (x)	8.8	6.6	6.2	4.5	4.4
P/ABV (x)	1.4	1.3	1.1	1.0	0.8

Source: Company, Kotak Securities - Private Client Research

COMPANY UPDATE

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LIC HOUSING FINANCE

PRICE: Rs.206
TARGET PRICE: Rs.310RECOMMENDATION: ACCUMULATE
FY10E P/E: 3.2x; P/ABVx:0.75x

We spoke to the management of LIC Housing Finance; following are the key take away.

- Lowered interest rate for new customers by 100bps to 8.75% for home loan up to Rs 30 lakh.
- We are also introducing our FY10 earnings estimates and rolling over our valuation for the stock to FY10.
- Better non-performing loan recoveries help improve asset quality.

9MFY09 results were better than our expectation. We continue to maintain our Accumulate recommendation for the stock with 12-month price target of Rs 310

Summary table

(Rs bn)	FY08	FY09E	FY10E
Interest Income	20.4	25.9	31.5
Interest expenses	14.7	18.9	23.1
NII	5.6	7.0	8.3
Non-Int Income	1.3	1.2	1.0
Total Income	6.9	8.2	9.3
Optg Profit	5.6	6.7	7.7
PAT	3.9	4.8	5.5
Gross NPA (%)	1.7	1.4	1.2
Net NPA (%)	0.6	0.5	0.4
NIMs (%)	2.8	2.9	2.8
RoA (%)	1.9	1.9	1.8
RoE (%)	22.9	24.1	23.9
Divi. Payout (%)	24.9	24.3	24.3
EPS (Rs)	45.6	56.7	64.8
BV (Rs)	215.5	255.5	286.9
Adj. BV (Rs)	198.9	239.8	272.7
P/E (x)	4.5	3.6	3.2
P/ABV (x)	1.0	0.9	0.8

Source: Company, Kotak Securities - Private Client Research

Lending rate for new customers lowered

- LICHF has lowered its lending rate for new home loan customers by 100bps to 8.75% from 9.75% previously. The new rates are effective from February 1, 2009.
- Interest rate for the existing customer continues to stand at Rs 10.75% to 11.25%. LICHF had reduced lending rate by 75bps, effective from January 1 2009. Interest rate for the existing customers will be reviews towards the end of Q4FY09.
- The move comes on the back of easing interest rate, which led to re-pricing of the borrowing cost. Instead of lowering interest rate for the existing customers, LICHF has reduced interest rate for new customers.
- We opine that this move will help build new business and will also help in competing against their banking counter parts.

Mortgage loan growth outlook remains intact

- Correction in residential real estate prices, particularly in the tier II cities, coupled with reduction in interest rates has improved affordability to certain extent. However, some more correction is needed to draw the retail buyers. Moreover, developer's increasing focus on affordable housing would also support the overall business growth outlook
- We are quite comfortable with LICHF's customer profile mix. Of the total loan book of Rs 253bn (as of Q3FY09), 93% is individual loans. In the total individual loans 50% comprise of loans to government employees. Affordability is not an issue for these set of customers following revision in salaries on account of new pay commission.

Liquidity is not an issue

- Improved liquidity conditions facilitated better fund availability. As we mentioned in our sector update report on 26 Nov 2008, that LICHF is better placed in terms of liquidity, and has access to funds from its parent LIC of India, NHB and also from Banks.
- LICHF also has very good asset liability management system in place which facilitate better asset liability match.
- During the 9MFY09 LICHF has borrowed close to Rs 88bn, while it further need to borrow cRs 25bn to meet its annual disbursement target of Rs 100bn.
- The easing cost of funds is significantly positive; we opine that this will help LICHF in maintain stable NIM.

Better recoveries - improving asset quality

- The continuing efforts towards non-performing asset recovery has helped improving asset quality. The management target to have Gross NPA ratio of c.1.5% during FY09.
- During the 9MFY09 Non performing loan of the HFC declined by 24% yoy and 4% qoq to Rs. 4.3bn. This is attributable to improved recoveries.
- Gross NPA ratio and Net NPA ratio improves materially to 1.69% (2.77%) and 0.73% (1.67%) respectively during 9MFY09.

Introducing our FY10 estimates; revising our FY09 estimates

- We are introducing our FY10 estimates for the HFC; we expect a 20% yoy growth in overall loan book to Rs 321.2b and a 22% growth in disbursements.
- In the light of good asset liability management system in place and proactive approach we expect LICHF's net margins to remain stable, we expect NIM of 2.8% for FY10.
- Net profit of the HFC is expected to grow by 14% yoy to Rs 5.5bn in FY10.
- For FY09 we project a loan growth of 23% yoy to Rs 269bn for FY09
- Net profit is expected to growth by 24% yoy to Rs 4.8bn in light of better mortgage loan growth, stable margins, and lower loan loss provision.
- Return ratios of the HFC are expected remain strong at about 24%.

Valuation attractive; maintain accumulate

We recommend ACCUMULATE on LIC Housing Finance with a price target of Rs.310

We maintain our positive outlook for LICHF. At the current price the stock is attractively priced at 0.85x its FY09 P/ABVx and 0.75x its FY10 P/ABVx. We continue to maintain our **ACCUMULATE** recommendation for the stock with 12-month price target of Rs 310.

Bulk Deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
4-Feb	Amit Securit	Anil Kumar Mittal HUF	B	419,000	8.50
4-Feb	Amit Securit	Shailendra Engineering Company	B	406,000	8.50
4-Feb	Amit Securit	Mradulamittal	B	408,300	8.50
4-Feb	Amit Securit	Sweta Sureshkumar Goenka	S	200,000	8.50
4-Feb	Amit Securit	Anshulmittal	S	206,000	8.50
4-Feb	Amit Securit	Ankitmittal	S	419,000	8.50
4-Feb	Amit Securit	Rajranimittal	S	408,300	8.50
4-Feb	Bgil FI Tec	Jinesh Devendra Bhatt	S	50,000	82.83
4-Feb	Evinix	Pankhuri Investements Securi	B	684,000	2.67
4-Feb	Evinix	Rakesh Gupta	S	623,397	2.67
4-Feb	Explicit Fin	Yash Management And Satellite Ltd	B	61,000	23.30
4-Feb	Explicit Fin	Uma Kedia	S	30,000	23.30
4-Feb	Riba Textile	Kumkum Stock Broker Pvt Ltd	B	75,100	36.45
4-Feb	Splash Media	Sunil Agarwal Huf	S	7,229	42.70
4-Feb	Union Bank	TCI Cyprus Holding Limited	S	3,415,497	146.00
4-Feb	Valson Ind	Ramesh G Gokani	S	25,000	27.80
4-Feb	Vertex Secur	Ami Stock Share Brokers Pltd	B	30,000	8.56
4-Feb	Vertex Secur	Ramesh G Gokani	S	55,000	8.57
4-Feb	Winsome Text	Shaishil Tusharkumar Jhaveri	B	34,000	36.31

Source: BSE

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