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India Strategy

Earnings Final Cut: Earnings Growth Moderates

Research
India

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Morgan Stanley India Company
Private Limited+

Ridham Desai

Ridham.Desai@morganstanley.com
+91 22 6118 2222

Sheela Rathi

Sheela.Rathi@morganstanley.com
+91 22 6118 2224

Amruta Pabalkar

Amruta.Pabalkar@morganstanley.com
+91 22 6118 2225

Utkarsh Khandelwal

Utkarsh.Khandelwal@morganstanley.com
+91 22 6118 2226

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Earnings Final Cut: Earnings Growth Moderates

- ❑ **Key Debate: The slowdown in earnings remains a matter of concern for market participants – what did the latest earnings quarter produce in terms of performance and earnings revisions?**
- ❑ **Our key takeaways :** As highlighted in our earnings thus far update, earnings for this quarter were marked by about 50% of our coverage companies reporting an earnings growth in excess of 20% YoY even as 1/4 of the companies reported a decline in earnings YoY.
 - ❑ As expected, this is the first time in seven quarters that broad markets have lagged the narrow market (MS coverage) - at 26% YoY and 29% YoY, respectively. Ex-energy, earnings growth was at 14% for both. Earnings growth was slowest in 5-quarters.
 - ❑ Sensex companies reported 26% growth in aggregate earnings – ahead of expectations by 7ppt. Excluding, ONGC and Tata Motors, Sensex earnings are up 10.5% YoY.
 - ❑ In aggregate, 54% of reported MS covered companies beat analyst expectations. The beat is lower than the average of the past 6 quarters but higher than the average from the previous cycle (Jun-06 to Dec-07).
 - ❑ The quality of earnings was quite strong with net financial income's share in pre-tax earnings at 1.2% significantly lower than 5-year average of about 5%.
 - ❑ Interest costs were 1.9% of sales, higher than the 5-year average of 1.4%. Depreciation costs fell marginally after touching a 10-year high at the end of previous quarter.
- ❑ This quarter's earnings were led by Industrials and Energy while Telecoms and Utilities were the biggest laggards with substantial drop in YoY earnings.
- ❑ **How were earnings relative to the consensus expectations?** Earnings at the aggregate level appeared to be marginally ahead of expectations. Profit growth at the aggregate level (ex-energy) for our coverage universe was 3% points head of our analysts estimates. At the sector level, following are the observations.
 - Five out of ten sectors seem to have reported earnings ahead of expectations with Energy leading the charge while Healthcare lagging.
 - Six out of the ten sectors saw more earnings beats than misses.
 - Financials produced the biggest positive surprises, while Consumer staples and Healthcare produced the most negative surprises.
 - F11 earnings growth revisions were negative for 6 out of 10 sectors over the past month with Materials and Healthcare seeing the highest negative earnings revisions while Financials seeing the most positive earnings growth revisions.
- ❑ **Our View:** The recent events in the country coupled with higher inflation and global factors is putting pressure on growth and creating the risk of downward earnings revisions. For now, we think that the downward earnings revisions are likely to remain moderate. Our proprietary earnings growth leading indicator continues to point to slower broad market earnings growth in the coming quarters.

QE Dec-10 Earnings Season: Actual Vs. Expectations

Total MS Coverage:
Accounts for 71% of India's market cap

Revenue Growth:
20%YoY for MS Coverage and 19% YoY for the Broad Market

Sector Profit Growth:
Energy and Industrials leads the most while Telecoms lag

EBITDA Margins:
Margin contraction in 6 out of ten sectors

# Cos Rptd earnings	#Cos beating earnings expectations	YoY change MS Coverage	MS Estimates				Actuals				Chg in EBITDA Mrgn (bps)	NP Growth vs. MS estimates
			Sales	EBITDA	Net Profit	EBITDA Margins	Sales	EBITDA	Net Profit	EBITDA Margins		
17	7	Cons. Disc.	30%	13%	18%	15%	31%	10%	14%	14%	(276)	-4%
7	2	Cons. Staples	18%	17%	15%	24%	22%	13%	13%	23%	(183)	-3%
8	4	Energy	13%	-9%	-28%	8%	17%	45%	80%	12%	237	108%
25	20	Financials	24%	26%	16%	55%	26%	30%	22%	56%	197	6%
7	2	Healthcare	18%	21%	21%	24%	20%	9%	9%	21%	(215)	-12%
12	5	Industrials	22%	32%	61%	16%	21%	39%	67%	16%	207	6%
13	7	Materials	11%	2%	11%	20%	14%	0%	11%	19%	(270)	-1%
9	6	Technology	21%	15%	14%	26%	20%	14%	18%	26%	(148)	4%
6	4	Telecom	35%	60%	-51%	35%	33%	34%	-53%	29%	18	-2%
7	3	Utilities	16%	1%	-7%	23%	21%	9%	4%	24%	(264)	11%
111	60	Total (MS Cov)	17%	13%	5%	19%	20%	25%	25%	20%	81	20%
103	56	Total ex-Energy	20%	20%	12%	26%	22%	19%	15%	26%	(55)	3%
		Total ex-Energy and Industrials	20%	18%	8%	29%	22%	17%	10%	28%	(118)	3%
86	40	Total ex-Fin	17%	9%	2%	15%	19%	23%	26%	17%	53	25%
105	56	Total ex-Telecoms	17%	10%	8%	18%	19%	24%	30%	20%	79	22%
30	15	Sensex	20%	18%	19%	24%	19%	24%	26%	25%	100	7%
28	14	Sensex ex-Energy	19%	17%	10%	24%	22%	20%	13%	24%	(40)	3%
3215		Broad market					19%	24%	25%	21%	75	
3188		Broad market Ex-energy					21%	19%	17%	23%	(28)	

NP Growth vs MS Est: ahead for 5 out of ten sectors

EBITDA Margins:
up 81bps for MS coverage and 75bps for the broad market

Earnings ex-Energy and Industrials: up 10% YoY

Sensex Profit Growth: up 26% YoY

Broad Market (ex-Energy): 17% YoY profit growth

Aggregate Earnings (ex-energy): up 15% YoY, ahead of expectations by 3pnt.

Snapshot of the Broad Market Earnings: Earnings Weak Down the Cap Curve

Broad Market:
Accounting for 94% of India's market cap have reported earnings so far

Revenue Growth:
Companies in the top percentile reported earnings growth of 19% YoY

EBITDA Margins:
The margins for the larger companies significantly higher than the rest

Based on market cap	Market cap range (in US\$ m n)	Revenue Growth	Ebitda Growth	Net profit Growth	Ebitda Margins for QE-Dec 10	Contribution to Aggregate Net Profit
Top Quintile	More than 437	19%	26%	27%	23%	89%
	More 113 and less than 437	21%	25%	27%	17%	7%
2nd Quintile	More 21 and less than 113	21%	10%	4%	13%	4%
3rd Quintile	More than 6 and less than 21	15%	-10%	-96%	8%	0%
4th Quintile	More than 2 less than 6	21%	14%	NM	7%	0%
Bottom Quintile	Less than 2	26%	21%	NM	5%	0%
Total Sample of 3211 companies		19%	24%	25%	21%	100%

Contribution to Net profit: Top percentile companies account for 89% of the net profit contribution

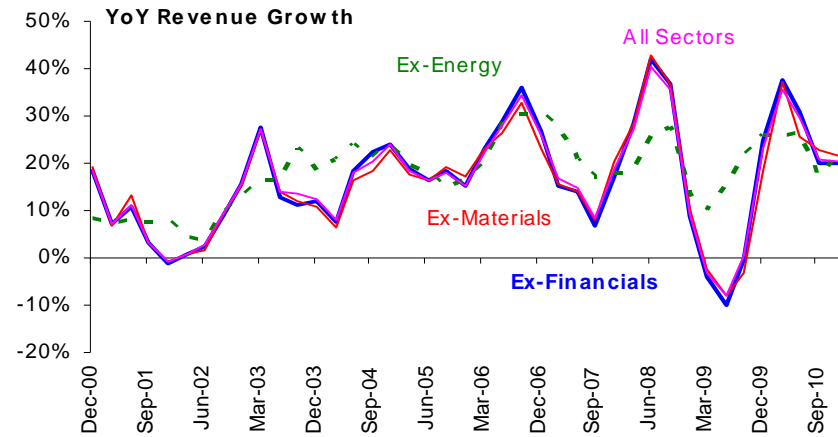
Broad Market:
Revenue growth at 19% YoY

Broad Market:
25% YoY profit growth

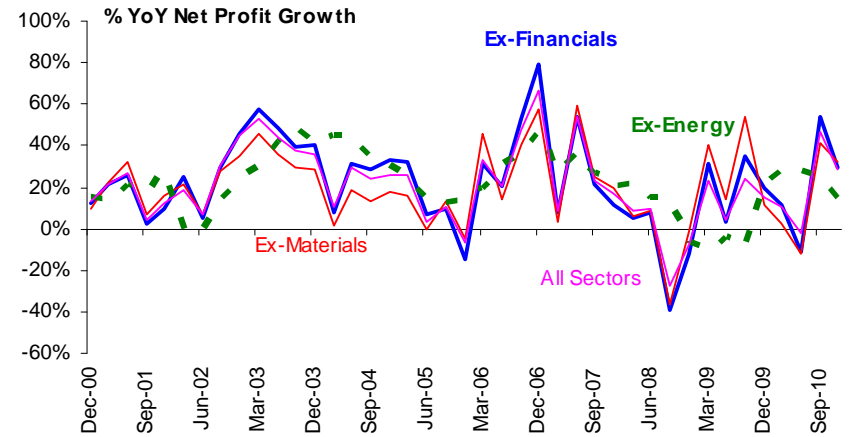
Aggregate Ebitda Margins: at 21%

QE-Dec10 Earnings: Earnings Growth Slow to 5-Quarter Low

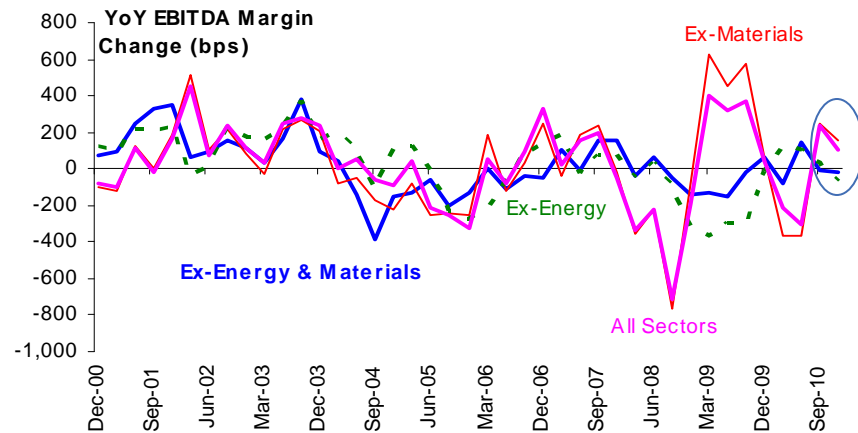
Revenues Growth Ex-Energy: Strong at 22% YoY



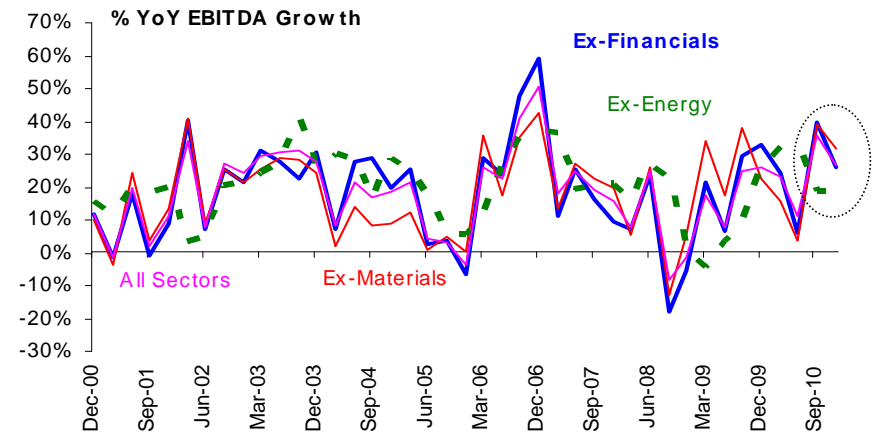
Net Profit Growth (Ex-Energy): Slows to 5-Quarter Low



EBITDA Margins (Ex-Energy): Further Contraction



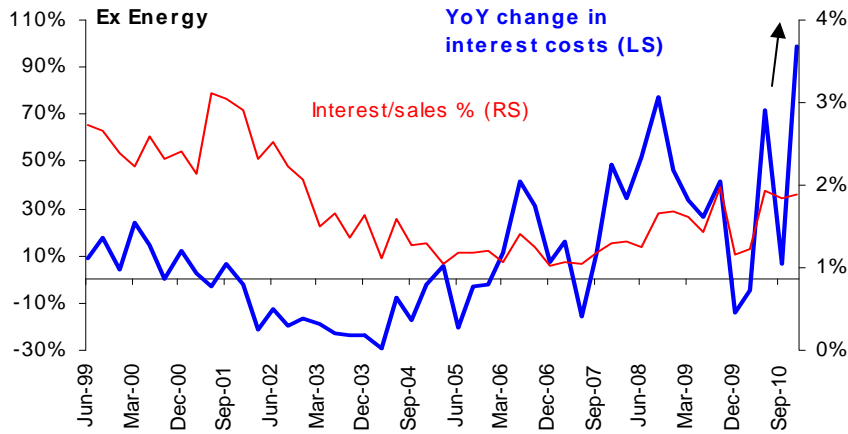
EBITDA Growth (Ex-Energy): Up 19% YoY



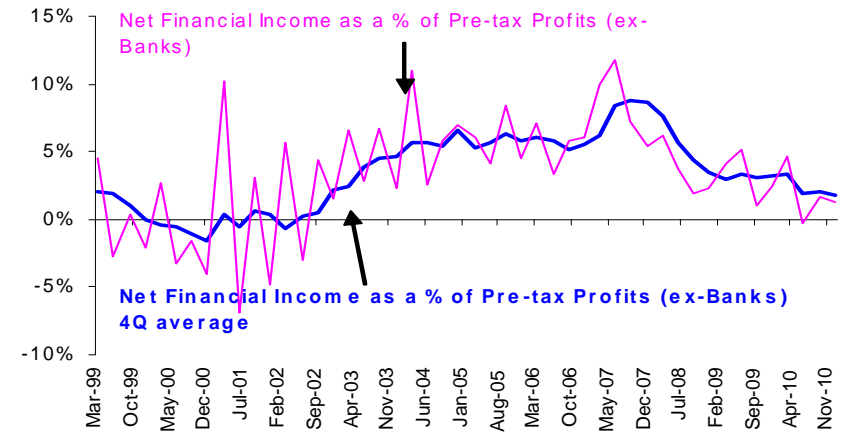
Source: Company data, Morgan Stanley Research

QE-Dec10 Earnings: Capital Costs Rise

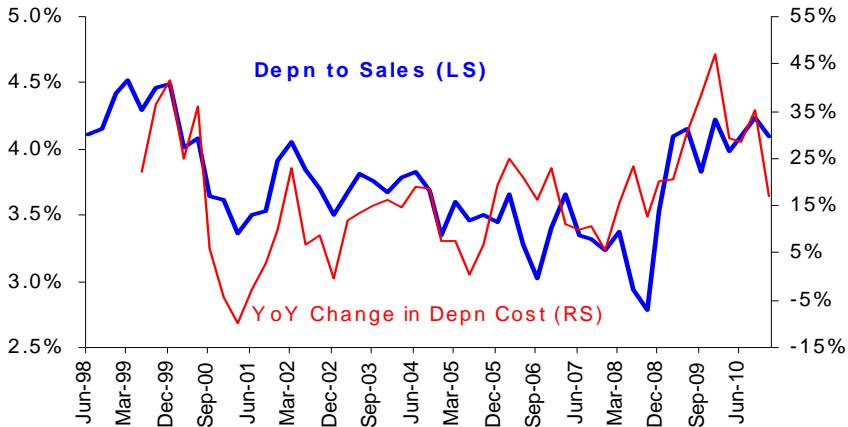
Interest Costs Rise: Telecoms Sees the Sharpest Rise



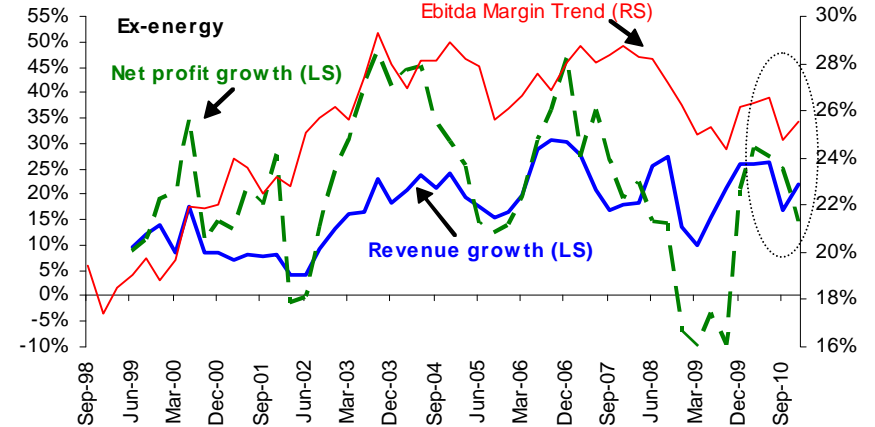
Share of Net Financial Income: Falls Further



Depreciation Expenses: Declines YoY and QoQ



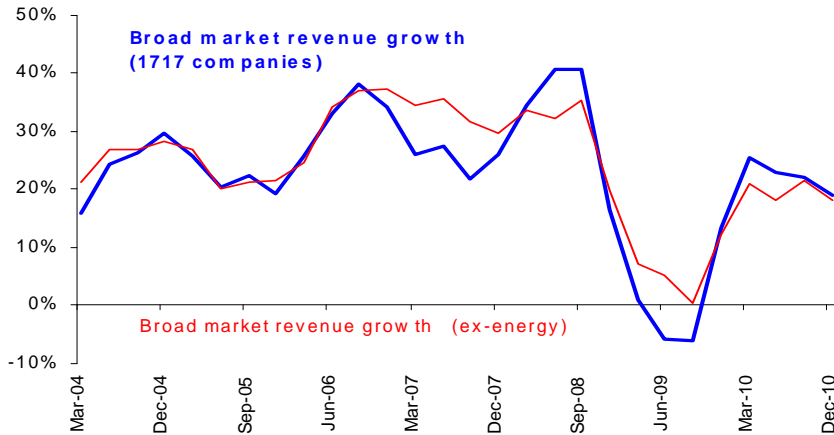
MS Coverage: Quarterly Earnings Snapshot



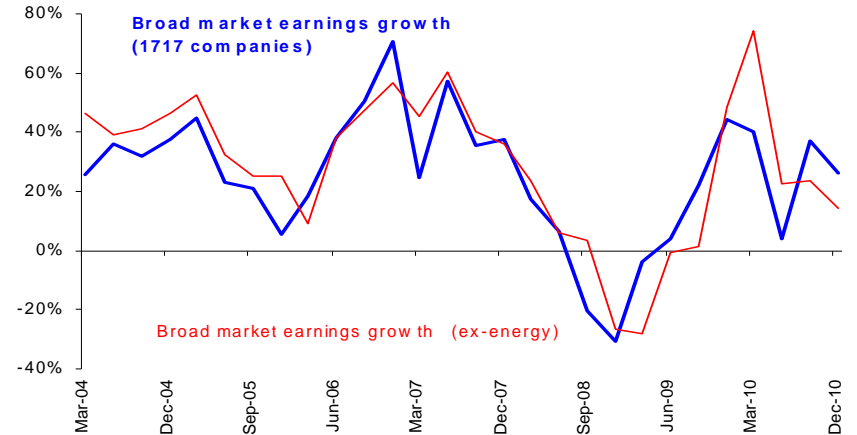
Source: Company data, Morgan Stanley Research

QE-Dec10 Earnings: Broad Earnings (Ex-Energy) Growth @ 14% YoY

Revenue Growth: Some Moderation



Net Profit Growth: Sequential Decline – 5 Quarter Low

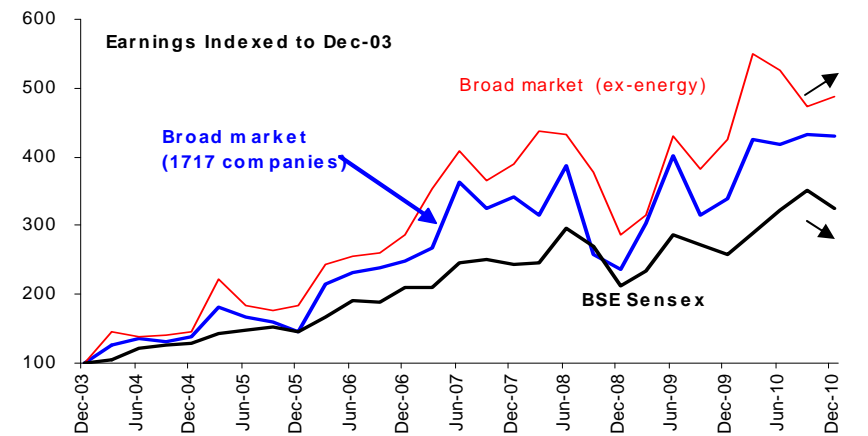


Sectoral Earnings Trend: Energy Leads, Telecom Lags

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Consumer Discretionary	93%	242%	250%	38%	33%	22%
Consumer Staples	41%	63%	20%	-13%	-11%	-13%
Energy	NM	22%	-28%	-68%	115%	111%
Financials	6%	4%	29%	28%	27%	24%
Health Care	51%	279%	NM	11%	21%	33%
Industrials	65%	254%	47%	47%	70%	32%
Information Technology	9%	21%	14%	20%	9%	13%
Materials	-41%	104%	295%	49%	39%	13%
Telecoms	-14%	-31%	-45%	-54%	-51%	-58%
Utilities	11%	42%	60%	8%	14%	0%
Total	22%	44%	40%	4%	37%	26%
Total (ex Energy)	1%	48%	74%	22%	24%	14%

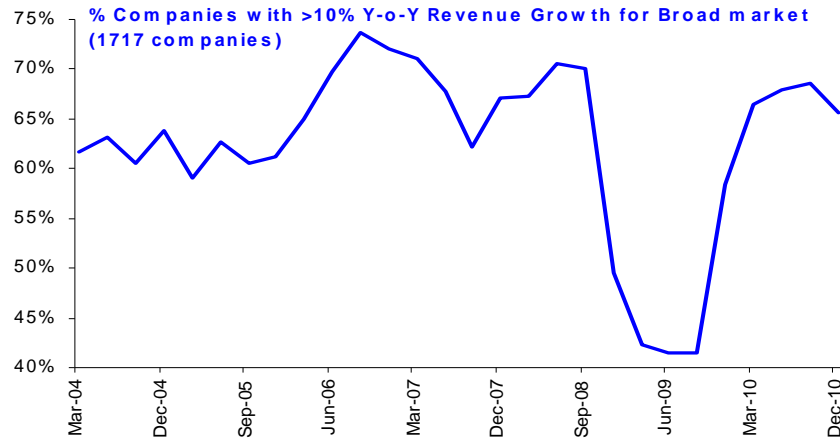
Source: Company data, Capitaline, Morgan Stanley Research

Earnings Trajectory: No Signs of Worry

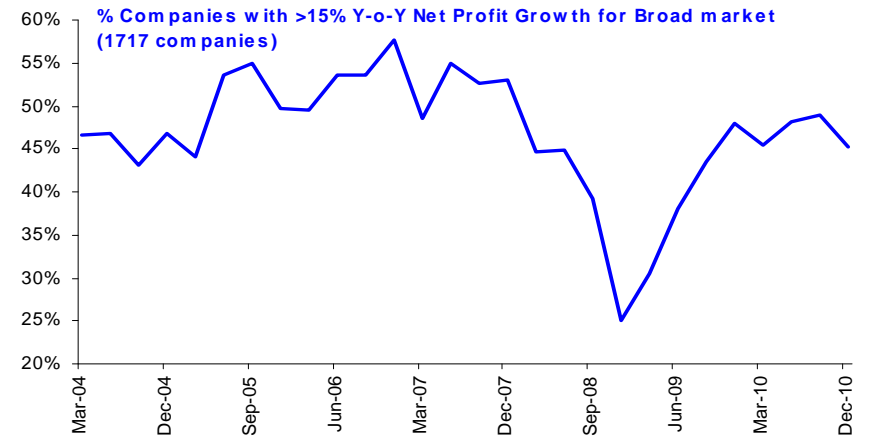


QE-Dec10 Earnings: Broad Market Earnings Breadth Fall

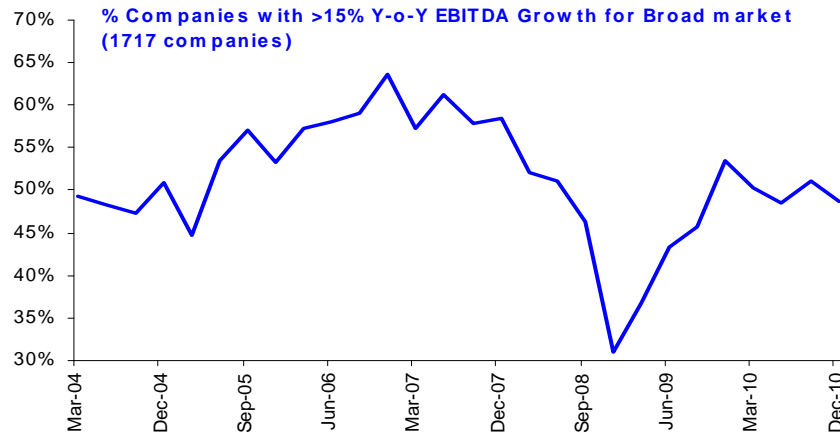
Revenue Growth: 66% of the companies grow >10%



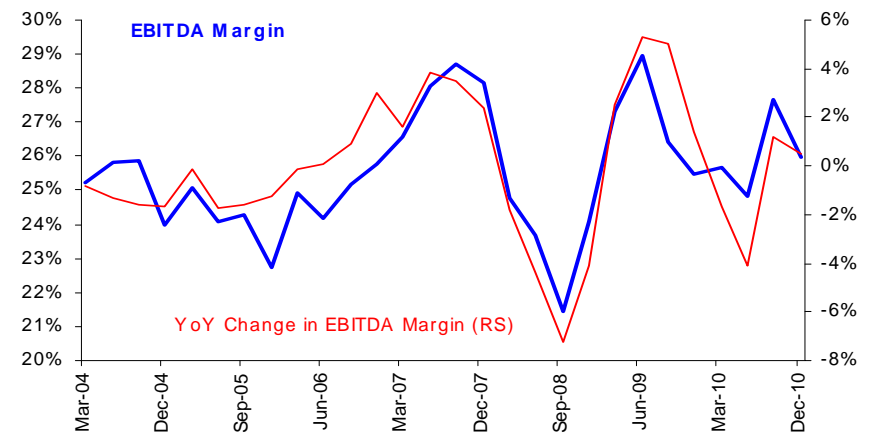
Net Profit Growth: 45% of the Companies Grow >15%



EBITDA Growth: About 49% See >15% EBITDA Growth



Broad Market Margins Decline



Source: Company data, Capitaline, Morgan Stanley Research

QE-Dec10 Earnings: Industrials, Energy Shine while Telecoms Lag

Energy and Industrials saw the fastest YoY change in earnings whereas Telecoms reported a fall in YoY earnings. Notably, nine out of the 10 sectors reported rise in profits except for Telecoms. Margin contraction in 6 out of the ten sectors with the exception of Energy, Financials, Industrials and Telecoms.

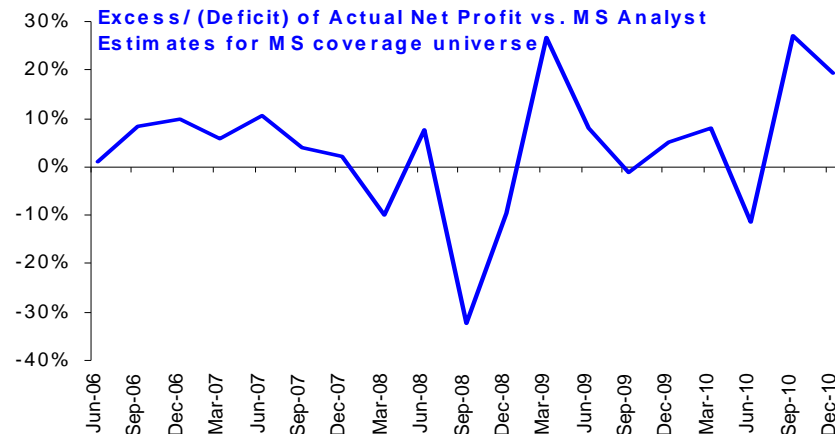
Sector Earnings Breakdown: YoY Change for Quarter Ended Dec 2010 (118 Companies)

%	Revenues	Op. Profit	Op. Margin*	Other Income	Interest	Depreciation	Pre-tax Profit	Tax	Net Profit
Consumer Discretionary	31.2	10.4	(273)	59.7	23.5	20.7	10.9	1.2	14.6
Consumer Staples	27.2	7.9	(367)	43.1	104.9	63.1	(0.4)	1.2	0.2
Energy	18.5	54.8	310	42.1	19.9	2.4	99.8	108.0	96.3
Financials	24.8	30.0	221	(26.1)	62.7	81.4	29.6	46.3	26.4
Healthcare	20.4	9.3	(215)	139.2	NM	51.3	8.5	(0.1)	9.2
Industrials	21.3	38.8	207	1.7	18.2	18.1	48.9	3.1	67.1
Materials	13.8	(0.3)	(270)	13.0	75.1	25.4	2.7	(14.0)	10.6
Technology	20.3	13.8	(148)	162.5	(44.1)	2.0	22.2	39.9	18.1
Telecom	33.3	34.2	18	5.9	NM	50.6	(47.5)	55.9	(52.8)
Utilities	21.0	9.3	(259)	2.4	61.5	3.8	2.4	16.5	3.5
Aggregate	20.5	26.8	101	27.5	69.3	17.0	28.5	31.0	28.8

* In basis points. Source: Company data, Morgan Stanley Research

What's the Consensus View: Negative Earnings Revision in 7 out of Ten Sectors

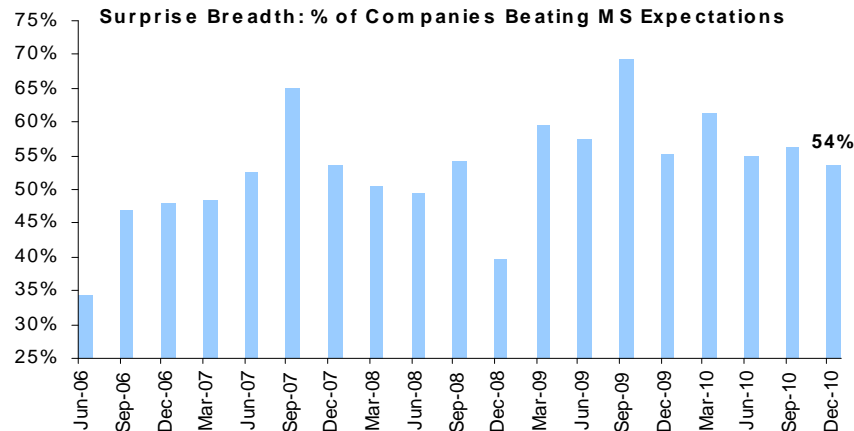
QE Dec-10 Earnings Higher than MS Expectations



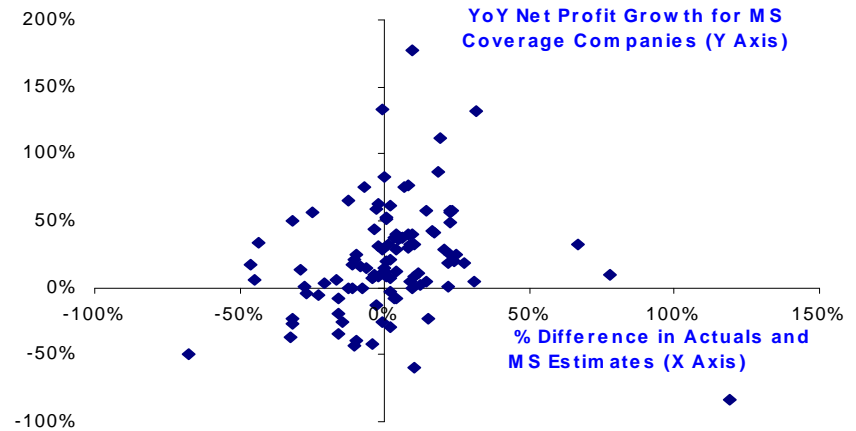
Consensus Revisions: +ve Technology, -ve Materials

Sector	F2011		% no of Companies	
	No. of companies	Earnings Revision	Downwards	Upwards
Consumer Disc	19	-0.9%	53%	42%
Consumer Staples	12	-1.3%	75%	25%
Energy	11	-0.7%	73%	27%
Financial	26	0.2%	46%	35%
Healthcare	9	-1.7%	78%	22%
Industrials	11	0.2%	55%	36%
Materials	16	-3.6%	81%	13%
Technology	11	0.4%	64%	36%
Telecom	4	-2.5%	50%	50%
Utilities	6	-3.3%	83%	17%
MS Coverage	125	-1.0%	63%	30%

Earnings Surprise: Better than Previous Cycle



Positive Surprises Across the Growth Curve



Source: FactSet, IBES, Company data, Capitaline, Morgan Stanley Research

What's the Consensus View: Consensus Revises Sensex Earnings Down Marginally

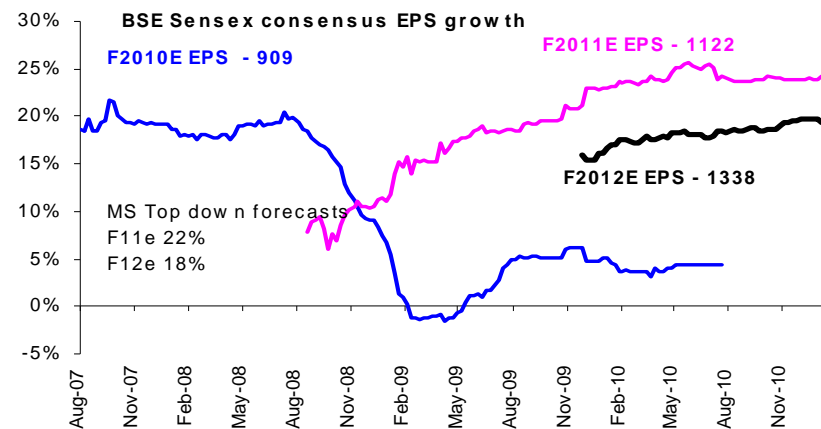
QE Dec-10 Actual Earnings vs. MS Expectations for Sensex Components

	Major Negative	Minor Negative	No Surprise	Minor Positive	Major Positive
Jaiprakash Asso	Major Negative				
Tata Power	Major Negative				
Cipla	Major Negative				
Hero Honda Motor	Major Negative				
BHEL	Major Negative				
HUL	Major Negative				
Bharti Airtel	Major Negative	Minor Negative			
Hindalco	Major Negative	Minor Negative			
Jindal Steel & Power	Major Negative	Minor Negative			
Maruti Suzuki	Major Negative	Minor Negative			
ICICI Bank	Major Negative	Minor Negative			
Wipro	Major Negative	Minor Negative			
Reliance Industries	Major Negative	Minor Negative			
Infosys					
SBI					
Sterlite Industries				Minor Positive	
Mahindra & Mahindra				Minor Positive	
HDFC Bank				Minor Positive	
ITC				Minor Positive	
Bajaj Auto				Minor Positive	
TCS				Minor Positive	
HDFC				Minor Positive	
Tata Motors				Minor Positive	
Reliance Comm				Minor Positive	
Larsen & Toubro				Minor Positive	
DLF				Minor Positive	
Tata Steel				Minor Positive	
NTPC				Minor Positive	
ONGC				Minor Positive	
Reliance Infra				Minor Positive	Major Positive

MS Top-down Sensex EPS Estimates

BSE Sensex EPS	F11E	F12E
MS Top Down EPS Estimates:		
Bear Case	1027	1150
EPS Growth	13%	12%
Base Case	1109	1309
EPS Growth	22%	18%
Bull Case	1163	1419
EPS Growth	28%	22%
Consensus EPS Estimates:		
EPS Growth	23%	19%

Sensex Consensus EPS Est. Slight Changes



Source: Company data, FactSet, IBES, Morgan Stanley Research

What's the Consensus View: Earnings Revision Breadth Turns Negative

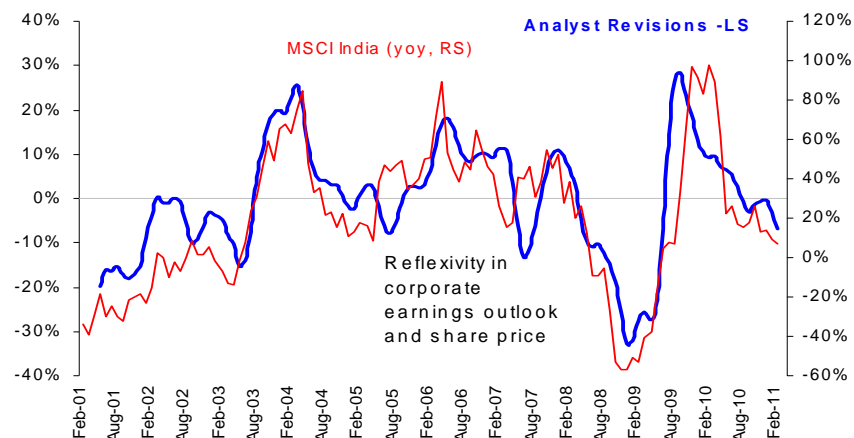
EPS Earnings Growth (MSCI India constituents)					Earnings Revision		
F11	Current	1W	1M	3M	1W	1M	3M
CD	12%	12%	14%	15%	0.2%	-1.4%	-2.7%
CS	13%	13%	12%	12%	0.0%	0.4%	0.8%
Energy	25%	24%	24%	27%	1.0%	0.2%	-2.3%
Financials	25%	25%	24%	25%	-0.1%	0.9%	0.1%
Healthcare	36%	36%	39%	38%	0.2%	-3.1%	-2.4%
Industrials	100%	100%	99%	91%	-0.1%	0.7%	9.3%
IT	20%	19%	20%	19%	0.2%	-0.1%	1.0%
Materials	50%	51%	56%	63%	-0.8%	-5.7%	-12.9%
Telecoms	-58%	-57%	-57%	-51%	-1.4%	-1.4%	-7.7%
Utilities	8%	8%	9%	11%	-0.2%	-1.0%	-3.0%
Total	28%	28%	29%	30%	0.1%	-0.7%	-2.2%

EPS Earnings Growth (MSCI India constituents)					Earnings Revision		
F12	Current	1W	1M	3M	1W	1M	3M
CD	14%	14%	14%	14%	-0.2%	-0.2%	0.2%
CS	14%	15%	15%	14%	-0.5%	-0.5%	-0.2%
Energy	17%	18%	18%	20%	-0.9%	-1.4%	-3.1%
Financials	25%	26%	27%	27%	-0.5%	-1.3%	-1.7%
Healthcare	18%	18%	15%	13%	-0.1%	3.2%	5.6%
Industrials	31%	33%	32%	34%	-1.2%	-0.3%	-2.3%
IT	20%	20%	20%	18%	0.0%	0.6%	2.7%
Materials	25%	25%	24%	23%	0.5%	1.7%	2.5%
Telecoms	7%	21%	23%	21%	-14.7%	-16.6%	-14.3%
Utilities	14%	15%	15%	16%	-0.5%	-0.4%	-1.2%
Total	21%	22%	22%	22%	-0.6%	-0.4%	-0.8%

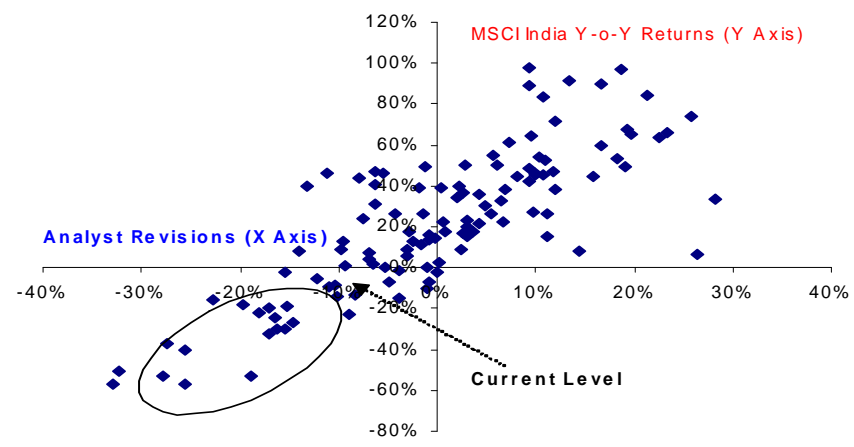
E = Morgan Stanley Research estimates

Source: FactSet, MSCI, IBES estimates, Company data, Morgan Stanley Research

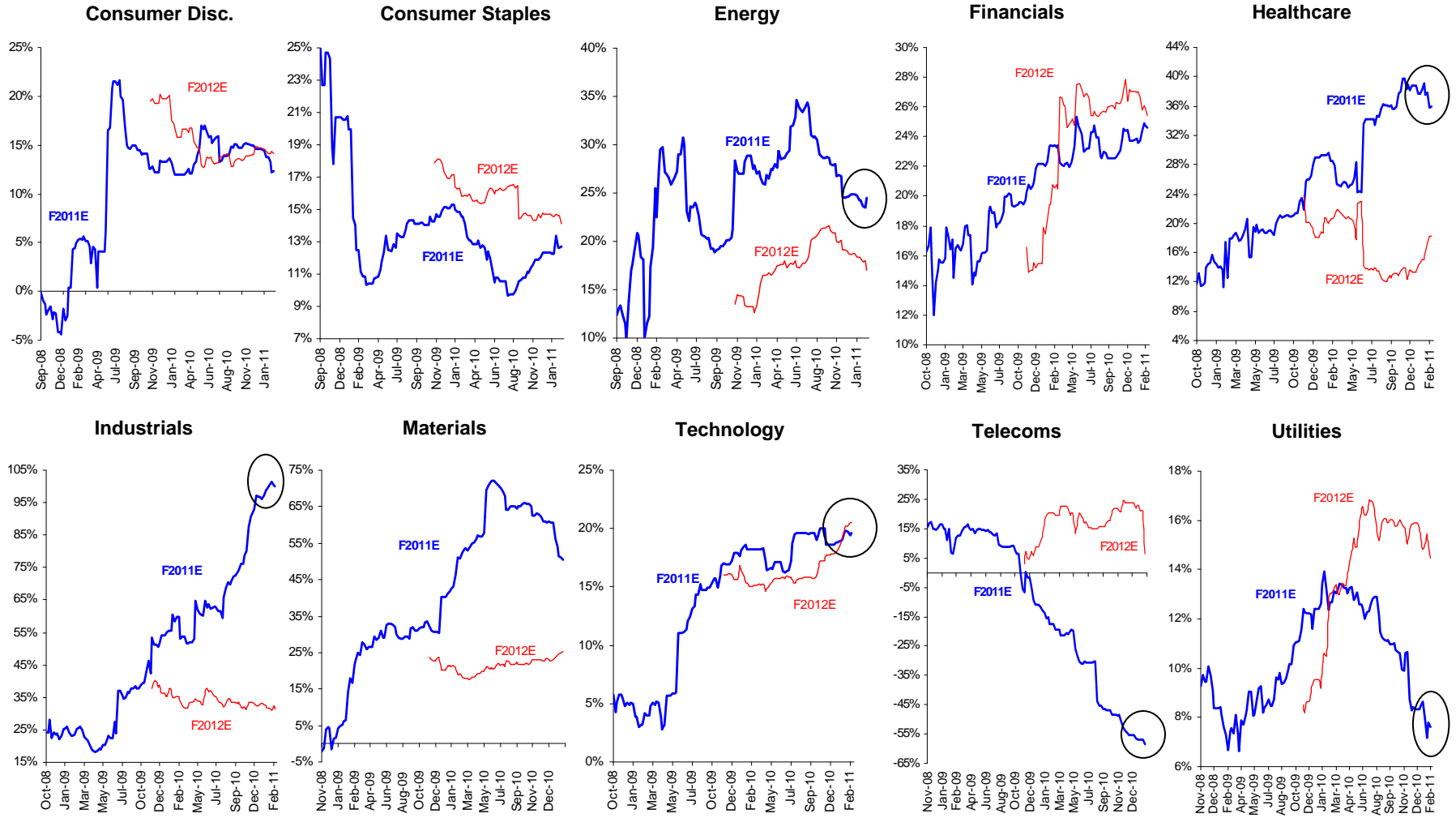
Earnings Revisions Breadth Turns Negative...



...Get To Levels Which May Hurt Share Prices



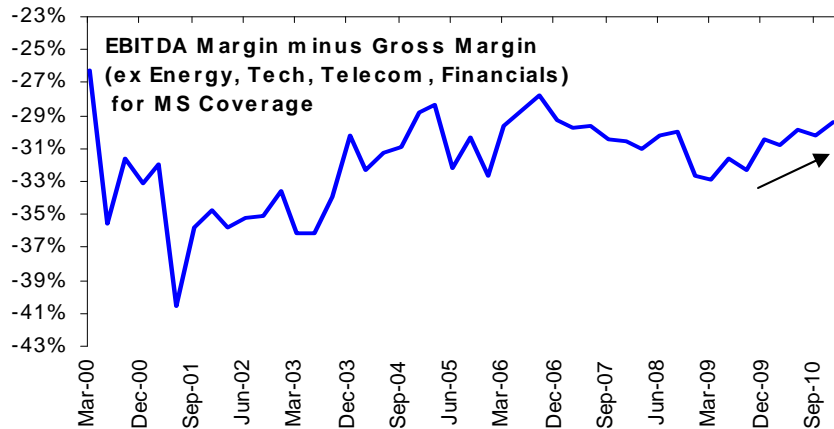
Consensus Earnings Growth Estimates for MSCI India Sectors



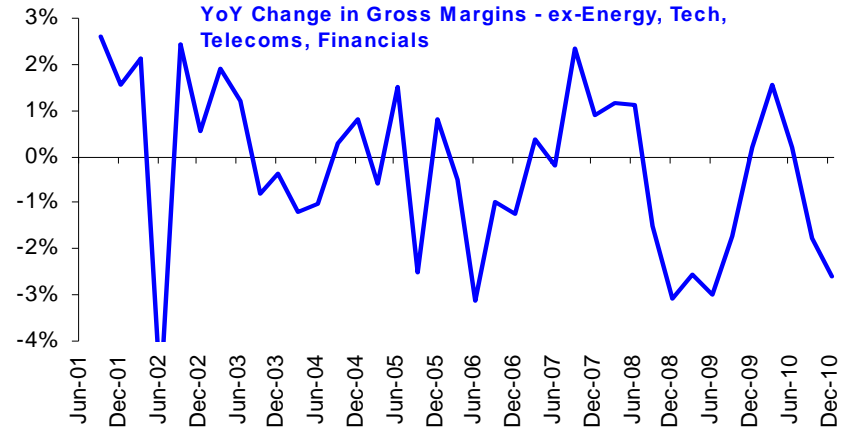
Source: FactSet, MSCI, Morgan Stanley Research

Corporate Fundamentals: Lack of Pricing Power Hurts Margins

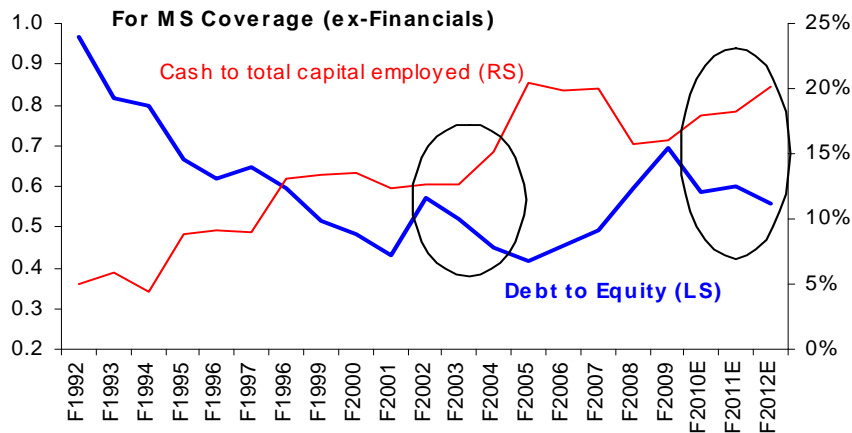
Operating Leverage is High



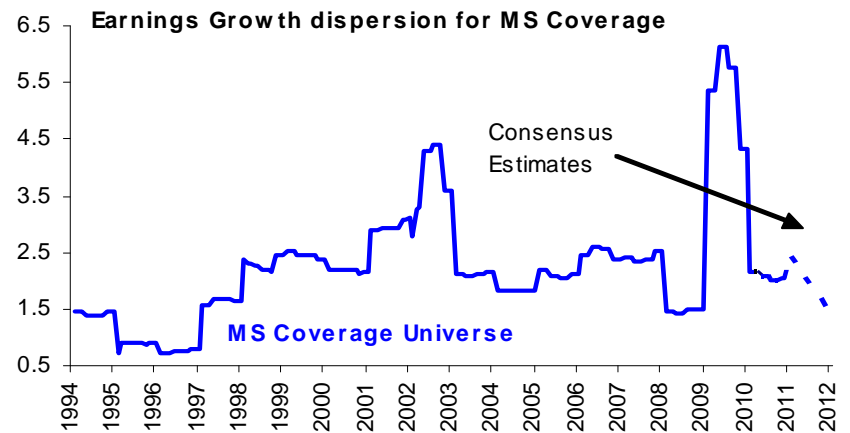
Pricing Power Drops Further



Balance Sheets in Fine Fettle



Growth Dispersion Suggests Broad-based Perf.



Source: FactSet, IBES, Company data, Capitaline, Morgan Stanley Research

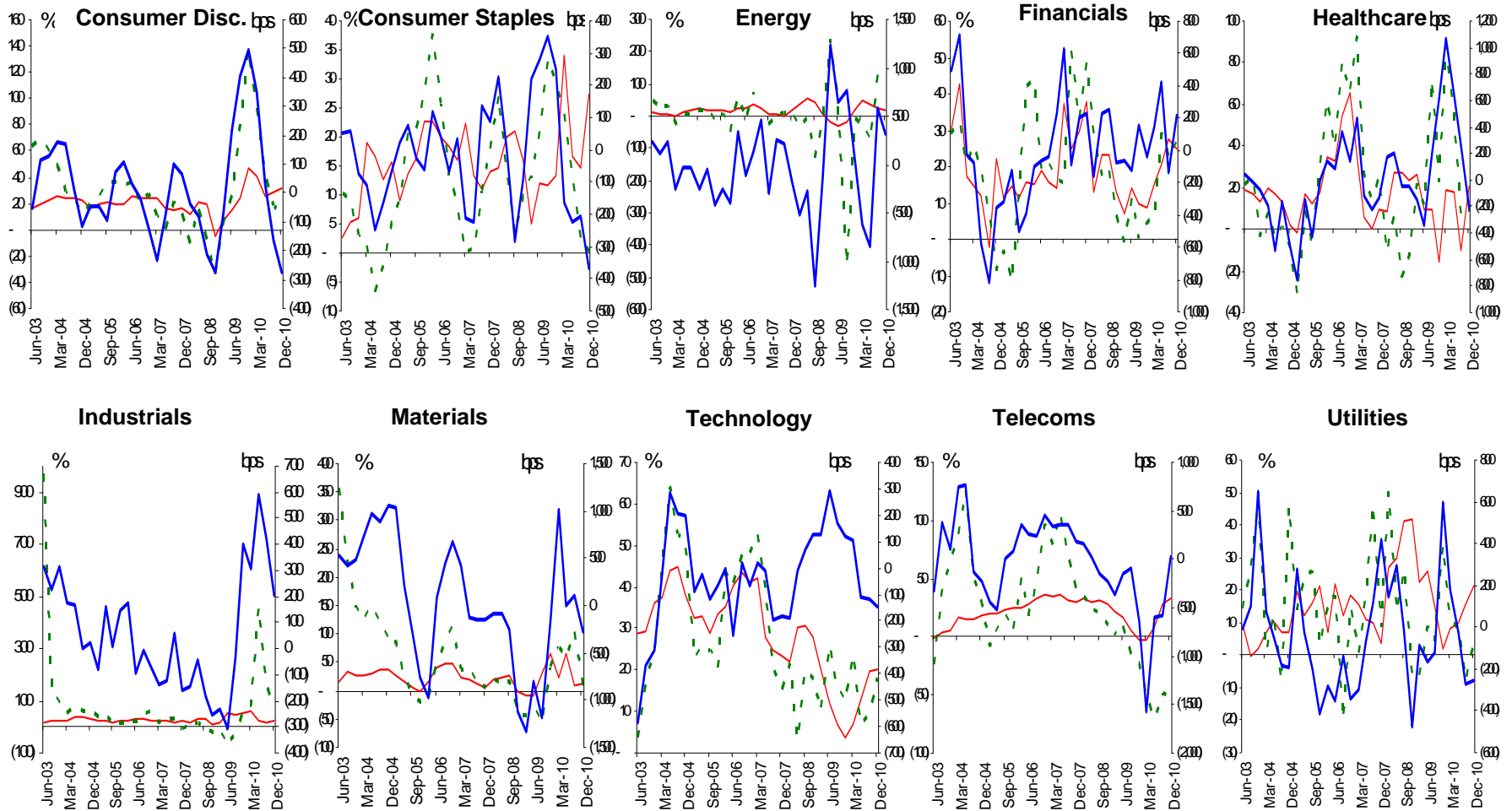
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India Strategy

Earnings for Past 10 Quarters (118 Companies)

(YoY Change %)	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Excluding Energy										
Revenues	27.4	13.7	9.8	15.5	21.1	25.9	26.1	26.4	17.0	22.0
Operating Profit	23.1	0.8	(4.5)	3.6	8.0	25.2	32.5	31.7	18.8	18.9
Operating Margin (in bps)	(95.4)	(326.6)	(368.3)	(290.6)	(294.7)	(14.7)	126.9	106.8	36.1	(66.6)
Other Income	(0.8)	5.6	(4.0)	9.4	(0.8)	6.6	29.6	11.5	39.7	21.2
Interest	77.0	46.5	33.7	26.1	41.3	(14.5)	(4.9)	71.4	6.5	98.5
Depreciation	16.4	22.4	33.5	37.2	42.7	33.5	23.5	25.5	22.1	28.8
Pre-tax Profit	16.2	(2.0)	(13.5)	(0.3)	(2.9)	18.8	36.0	27.8	19.2	14.0
Tax	14.2	(3.0)	(14.3)	14.8	16.1	23.2	42.9	24.6	14.7	16.0
Net Profit	14.3	(7.0)	(10.0)	(3.6)	(9.5)	20.8	29.2	27.5	24.8	14.8
Net Profit Margin (bps)	(196.9)	(334.7)	(320.5)	(284.6)	(432.4)	(63.6)	37.1	13.6	85.3	(88.4)
Including Energy										
Revenues	27.4	13.7	9.8	15.5	21.1	23.2	35.4	29.7	20.6	20.5
Operating Profit	23.1	0.8	(4.5)	3.6	8.0	26.2	22.9	11.3	35.8	26.8
Operating Margin (in bps)	(95.4)	(326.6)	(368.3)	(290.6)	(294.7)	46.8	(214.0)	(301.0)	235.0	100.6
Net Profit	14.3	(7.0)	(10.0)	(3.6)	(9.5)	15.4	10.8	(2.6)	46.5	28.8
Net Profit Margin (bps)	(196.9)	(334.7)	(320.5)	(284.6)	(432.4)	(70.8)	(262.1)	(300.6)	210.9	71.6
Excluding Materials										
Revenues	27.4	13.7	9.8	15.5	21.1	18.4	37.2	25.4	22.8	21.6
Operating Profit	23.1	0.8	(4.5)	3.6	8.0	22.4	15.9	3.6	39.0	31.8
Net Profit	14.3	(7.0)	(10.0)	(3.6)	(9.5)	11.4	2.7	(12.1)	40.8	32.4
YoY Change in EBITDA for Key Sectors										
Consumer Discretionary	1.2	(22.9)	2.0	35.0	64.9	107.1	77.2	28.0	15.9	10.4
Consumer Staples	5.1	11.5	16.5	28.4	32.6	26.0	24.2	5.0	4.1	7.9
Energy	(79.3)	(8.8)	120.2	21.3	200.6	29.9	3.4	(42.0)	99.3	54.8
Financials	29.4	11.6	5.8	11.6	12.8	7.7	18.5	30.6	24.3	30.0
Healthcare	24.8	20.2	17.2	(7.8)	21.0	14.4	83.9	60.4	0.8	9.3
Industrials	13.9	(12.0)	(2.9)	11.0	42.1	109.1	106.5	105.6	58.7	38.8
Materials	15.2	(36.1)	(47.2)	(30.8)	(23.8)	51.7	83.8	66.0	14.9	(0.3)
Technology	34.5	34.3	26.4	25.7	13.8	8.4	11.4	8.0	14.2	13.8
Telecom	25.7	21.0	10.5	11.6	3.1	(19.4)	(46.9)	(8.2)	7.2	34.2
Utilities	40.3	14.8	17.8	17.5	9.3	31.9	17.2	8.7	2.8	9.3
YoY Change in Revenues										
Consumer Discretionary	19.3	(4.8)	6.9	14.9	23.9	47.5	40.8	25.2	29.2	31.2
Consumer Staples	20.9	15.9	5.1	12.1	11.8	13.4	34.0	16.8	14.7	27.2
Energy	45.1	3.6	(18.5)	(30.8)	(21.1)	19.6	50.5	34.9	26.2	18.5
Financials	23.2	13.2	6.9	14.2	9.6	8.4	15.4	20.7	27.4	24.8
Healthcare	27.6	23.1	26.1	9.6	9.1	(15.9)	18.4	17.8	(10.1)	20.4
Industrials	30.6	10.1	18.1	50.3	46.3	50.2	62.2	23.3	15.0	21.3
Materials	26.0	(0.5)	(8.1)	(8.1)	29.8	63.9	22.2	65.8	7.9	13.8
Technology	30.9	27.7	20.1	12.0	6.6	3.6	6.9	12.8	19.5	20.3
Telecom	31.0	29.0	22.0	16.1	5.8	(2.1)	(3.1)	9.5	27.7	33.3
Utilities	41.0	41.9	22.6	26.0	14.8	2.1	8.0	9.9	15.7	21.0
YoY Change in EBITDA Margins (bps)										
Consumer Discretionary	(214)	(278)	(63)	217	402	495	349	32	(167)	(273)
Consumer Staples	(284)	(90)	220	281	352	247	(165)	(221)	(203)	(367)
Energy	(1,250)	(124)	1,234	649	762	80	(624)	(849)	579	310
Financials	257	(78)	(60)	(121)	152	(34)	148	421	(136)	221
Healthcare	(43)	(41)	(146)	(334)	206	615	1,069	637	254	(215)
Industrials	(184)	(253)	(236)	(304)	(32)	404	303	591	421	207
Materials	(255)	(1,123)	(1,333)	(807)	(1,185)	(175)	1,015	3	109	(270)
Technology	68	126	126	290	167	121	108	(112)	(120)	(148)
Telecom	(152)	(234)	(363)	(148)	(93)	(627)	(1,579)	(590)	(571)	18
Utilities	(12)	(476)	(85)	(168)	(118)	598	178	(26)	(268)	(259)

Quarterly Revenue/Profit Growth and Change in EBITDA Margins for Sectors

Green dotted Line- Y-o-Y Net profit growth (%) – LS, Red line -Y-o-Y Revenue growth (%) – LS, Blue Line – Operating margin trend (bps) -RS



Source: Morgan Stanley Research. Please note for sectors we use MSCI sector classification

Snapshot of Companies' Reported Earnings for the Quarter Ended Dec-10

MS Coverage	Sector	QE Dec- 09			QE Dec-10A			YoY			Miss/Beat expectations
		Revenues	EBITDA	Net Profit	Revenues	EBITDA	Net Profit	Revenues	EBITDA	Net Profit	
Dish TV	Consumer Disc	2,772	114	-762	3,732	667	(443)	35%	488%	NM	NM
Ashok Leyland	Consumer Disc	18,155	2,062	1,056	22,272	1,920	637	23%	-7%	-40%	-10%
SUN TV	Consumer Disc	3,951	3,125	1,519	5,980	5,018	2,255	51%	61%	48%	22%
Hero Honda	Consumer Disc	38,270	6,609	5,358	51,617	6,046	4,927	35%	-9%	-8%	-16%
Hotel Leelaventure	Consumer Disc	1,277	511	289	1,423	556	220	11%	9%	-24%	15%
Indian Hotels	Consumer Disc	4,379	1,512	657	4,853	1,443	503	11%	-5%	-23%	-32%
M&M	Consumer Disc	44,971	6,855	4,242	61,211	9,238	6,470	36%	35%	53%	1%
Maruti	Consumer Disc	75,029	11,339	6,878	94,945	9,541	6,025	27%	-16%	-12%	-3%
Pantaloon Retail	Consumer Disc	21,031	2,125	448	27,586	2,383	472	31%	12%	5%	-45%
Titan Industries	Consumer Disc	13,336	1,096	754	19,546	1,950	1,408	47%	78%	87%	18%
TVS Motors	Consumer Disc	10,895	682	239	16,467	1,006	558	51%	48%	133%	-1%
UTV Software	Consumer Disc	2,162	332	378	2,551	526	415	18%	59%	10%	-4%
ZEE	Consumer Disc	5,309	1,573	1,364	7,548	1,540	1,508	42%	-2%	11%	12%
Educomp Solutions	Consumer Disc	2,601	1,362	612	3,575	1,632	967	37%	20%	58%	23%
Bajaj Auto	Consumer Disc	32,956	7,235	5,210	41,771	8,493	6,671	27%	17%	28%	4%
Exide	Consumer Disc	9,129	2,187	1,305	10,502	1,601	1,244	15%	-27%	-5%	-27%
Cox & Kings	Consumer Disc	789	303	159	1,083	386	169	37%	27%	6%	-17%
Colgate	Consumer Staples	4,906	1,212	1,059	5,582	931	662	14%	-23%	-37%	-33%
Godrej Consumer	Consumer Staples	5,176	1,022	851	9,804	1,762	1,218	89%	72%	43%	-3%
Hindustan Lever	Consumer Staples	45,043	7,875	5,934	50,270	7,250	5,876	12%	-8%	-1%	-8%
ITC	Consumer Staples	45,996	17,076	11,442	54,535	20,293	13,891	19%	19%	21%	2%
Marico	Consumer Staples	6,696	988	671	8,177	1,093	791	22%	11%	18%	27%
Tata Global Beverages	Consumer Staples	15,400	1,958	720	16,024	1,840	720	4%	-6%	0%	NA
United Spirits	Consumer Staples	13,580	2,324	968	19,694	2,854	1,133	45%	23%	17%	-11%
Bajaj Hindustan	Consumer Staples	6,291	2,152	862	14,830	2,679	579	136%	25%	-33%	NA
Balrampur Chini Mills	Consumer Staples	4,395	1,316	766	5,315	724	234	21%	-45%	-69%	NA
Aban Offshore	Energy	8,413	5,193	897	7,780	5,166	1,185	-8%	-1%	32%	67%
BPCL	Energy	321,829	6,444	3,791	366,859	7,488	2,924	14%	16%	-23%	NM
HPCL	Energy	278,742	3,544	314	340,560	7,802	2,110	22%	120%	572%	NM

Source: Company data, Morgan Stanley Research

Snapshot of Companies' Reported Earnings for the Quarter Ended Dec-10

MS Coverage	Sector	QE Dec- 09			QE Dec-10A			YoY			Miss/Beat expectations
		Revenues	EBITDA	Net Profit	Revenues	EBITDA	Net Profit	Revenues	EBITDA	Net Profit	
Reliance Industries	Energy	568,560	78,440	40,080	597,890	95,450	51,360	5%	22%	28%	-1%
Essar Oil	Energy	99,580	2,210	-2,260	122,710	7,650	2,730	23%	246%	NM	18%
Oil India	Energy	20,844	11,061	7,089	24,734	14,068	9,706	19%	27%	37%	6%
Coal India	Energy	NA	NA	NA	126,919	34,489	27,148	NM	NM	NM	-12%
AXIS Bank	Financials	23,372	13,746	6,560	28,808	16,585	8,914	23%	21%	36%	4%
Bank of Baroda	Financials	22,609	12,650	8,325	29,684	18,512	10,689	31%	46%	28%	20%
Bank of India	Financials	20,664	11,298	4,055	26,351	13,888	6,532	28%	23%	61%	2%
Canara Bank	Financials	22,591	14,700	10,526	26,558	15,129	11,056	18%	3%	5%	31%
Corp Bank	Financials	8,511	5,379	3,050	11,069	7,369	3,824	30%	37%	25%	23%
DLF	Financials	20,258	8,433	4,641	24,799	11,780	4,722	22%	40%	2%	12%
HDFC	Financials	10,580	9,733	6,713	13,282	12,279	8,909	26%	26%	33%	9%
HDFC Bank	Financials	30,769	16,237	8,185	39,045	20,727	10,878	27%	28%	33%	2%
ICICI Bank	Financials	37,312	23,688	11,011	40,605	23,426	14,370	9%	-1%	31%	-2%
IDBI	Financials	11,443	6,402	2,871	15,762	10,595	4,541	38%	66%	58%	14%
IDFC	Financials	5,190	4,100	2,701	6,610	4,990	3,218	27%	22%	19%	1%
Kotak Mahindra Bank	Financials	19,622	6,232	3,314	19,376	5,959	3,836	-1%	-4%	16%	-8%
Oriental Bank	Financials	11,105	6,228	2,894	12,613	7,739	4,083	14%	24%	41%	17%
IBREL	Financials	375	-322	99	3,997	1,229	766	967%	NM	674%	217%
Punjab National Bank	Financials	30,601	18,182	10,113	40,605	23,499	10,898	33%	29%	8%	2%
Reliance Capital	Financials	14,888	1,039	632	13,689	1,543	1,106	-8%	48%	75%	-7%
Sobha Developers	Financials	3,093	646	408	3,629	820	490	17%	27%	20%	24%
SBI	Financials	94,620	46,181	24,791	123,637	69,045	28,281	31%	50%	14%	0%
Union Bank of India	Financials	15,294	9,142	5,341	21,094	12,611	5,796	38%	38%	9%	10%
Yes Bank	Financials	3,387	2,161	1,259	4,848	3,113	1,911	43%	44%	52%	0%
Indusind Bank	Financials	3,625	1,825	880	5,590	2,912	1,539	54%	60%	75%	7%
Jaypee Infra	Financials	NA	NA	NA	7,554	4,742	3,785	NM	NM	NM	10%
LIC Housing Finance	Financials	2,748	2,323	1,536	4,084	3,524	768	49%	52%	-50%	-68%
ING	Financials	3,497	1,458	606	4,127	1,594	830	18%	9%	37%	3%
Oberoi Realty	Financials	2,112	1,354	1,309	3,987	2,469	2,052	89%	82%	57%	23%

Source: Company data, Morgan Stanley Research

Snapshot of Companies' Reported Earnings for the Quarter Ended Dec-10

MS Coverage	Sector	QE Dec- 09			QE Dec-10A			YoY			Miss/Beat expectations
		Revenues	EBITDA	Net Profit	Revenues	EBITDA	Net Profit	Revenues	EBITDA	Net Profit	
Biocon	Healthcare	6,351	1,267	808	7,281	1,684	1,006	15%	33%	25%	24%
Cipla	Healthcare	14,522	3,799	2,890	15,681	3,182	2,327	8%	-16%	-19%	-16%
Dr Reddy's	Healthcare	17,296	2,657	2,270	18,985	2,933	2,733	10%	10%	20%	-10%
GlaxoSmithKline	Healthcare	4,591	1,438	1,067	5,105	1,574	1,223	11%	9%	15%	-6%
Lupin	Healthcare	12,708	2,618	1,606	15,102	2,973	2,240	19%	14%	39%	4%
Sun Pharmaceuticals	Healthcare	10,209	3,684	3,390	16,011	4,405	3,502	57%	20%	3%	-21%
Oberoi Realty	Healthcare	2,325	356	218	3,714	539	345	60%	51%	59%	-3%
Aditya Birla Nuvo	Industrials	45,735	3,638	82	47,423	6,952	2,749	4%	91%	3232%	93%
BHEL	Industrials	71,003	14,329	10,726	84,093	18,097	13,432	18%	26%	25%	-10%
Nagarjuna Constructions	Industrials	11,865	1,175	473	13,355	1,276	444	13%	9%	-6%	-23%
GMR Infrastructure	Industrials	10,667	3,454	312	13,588	3,813	(520)	27%	10%	NM	NM
Great Eastern Shipping	Industrials	4,669	1,634	1,034	5,560	2,023	1,173	19%	24%	13%	-29%
IVRCL Infra	Industrials	11,840	1,155	458	14,168	1,404	423	20%	22%	-8%	3%
Jain Irrigation	Industrials	6,410	1,304	442	7,047	1,421	439	10%	9%	-1%	-11%
Jaiprakash Associates	Industrials	28,524	7,738	3,140	29,487	8,464	2,295	3%	9%	-27%	-32%
L&T	Industrials	81,222	10,069	6,099	114,131	12,379	8,052	41%	23%	32%	10%
SCI	Industrials	8,454	877	673	8,889	1,612	1,231	5%	84%	83%	0%
Tata Motors	Industrials	260,443	30,575	8,806	316,852	48,223	24,416	22%	58%	177%	9%
Adani Enterprises	Industrials	63,718	5,015	3,039	56,426	9,405	4,744	NM	NM	NM	-25%
IRB Infra	Industrials	4,331	2,271	953	6,688	2,936	1,330	54%	29%	40%	8%
ACC	Materials	20,500	4,340	2,779	19,576	2,188	2,559	-5%	-50%	-8%	4%
Gujarat Ambuja	Materials	17,399	4,014	2,412	17,886	3,142	2,511	3%	-22%	4%	9%
Grasim Industries	Materials	47,884	13,849	7,153	53,845	11,202	5,018	12%	-19%	-30%	2%
Hindalco	Materials	53,153	7,476	4,272	59,179	6,834	4,603	11%	-9%	8%	-4%
Jindal Steel	Materials	26,753	14,393	8,744	31,740	15,988	9,512	19%	11%	9%	-4%
JSW Steel	Materials	45,877	10,927	5,143	57,714	9,640	3,822	26%	-12%	-26%	-14%
Nalco	Materials	13,865	2,649	1,552	14,250	3,714	2,559	3%	40%	65%	-13%
Sesa Goa	Materials	18,668	10,054	7,763	22,373	12,148	10,652	20%	21%	37%	6%
SAIL	Materials	98,787	25,784	16,756	111,432	16,261	11,076	13%	-37%	-34%	-16%
Sterlite Industries	Materials	66,770	17,024	15,823	82,943	19,406	17,156	24%	14%	8%	1%

Source: Company data, Morgan Stanley Research

Snapshot of Companies' Reported Earnings for the Quarter Ended Dec-10

MS Coverage	Sector	QE Dec- 09			QE Dec-10A			YoY			Miss/Beat expectations
		Revenues	EBITDA	Net Profit	Revenues	EBITDA	Net Profit	Revenues	EBITDA	Net Profit	
Tata Steel	Materials	262,020	29,506	4,726	286,062	29,414	10,030	9%	0%	112%	19%
Ultratech Cement	Materials	16,693	4,011	1,961	37,152	7,078	3,190	NM	NM	NM	-2%
United Phosphorus	Materials	11,497	1,952	629	12,221	2,215	839	6%	13%	33%	-43%
NMDC	Materials	15,876	10,786	8,600	26,212	20,159	15,180	65%	87%	77%	8%
HCL Technologies	Technology	30,325	6,144	2,726	38,884	6,095	3,745	28%	-1%	37%	5%
Info edge	Technology	589	179	156	751	275	219	28%	53%	40%	9%
Infosys Tech	Technology	57,410	20,380	15,820	71,060	23,630	17,800	24%	16%	13%	0%
MindTree Consulting	Technology	3,319	651	538	3,848	449	305	16%	-31%	-43%	-10%
Patni	Technology	7,896	1,676	1,366	8,200	1,400	1,426	4%	-16%	4%	14%
TCS	Technology	76,503	22,717	17,975	96,634	29,173	23,302	26%	28%	30%	8%
Tech Mahindra	Technology	11,873	2,807	1,729	12,111	2,498	2,055	2%	-11%	19%	22%
Wipro	Technology	69,662	15,545	12,174	78,202	16,344	13,188	12%	5%	8%	-2%
Infotech Ent.	Technology	2,391	518	379	3,138	475	370	31%	-8%	-3%	2%
Bharti	Telecom	97,722	39,266	22,252	157,560	53,176	13,033	61%	35%	-41%	-4%
Idea Cellular	Telecom	31,495	8,141	1,701	39,556	9,483	2,431	26%	16%	43%	16%
MTNL	Telecom	9,021	-8,666	-8,762	9,512	(2,952)	(6,751)	5%	NM	NM	NM
Reliance Comm	Telecom	53,098	18,127	11,869	50,041	16,681	4,803	-6%	-8%	-60%	10%
Tata Comm	Telecom	7,698	1,556	2,818	8,776	1,979	457	14%	27%	-84%	119%
OnMobile Global	Telecom	1,155	231	126	1,486	336	199	29%	46%	58%	23%
Adani Pow er	Utilities	2,336	1,272	725	5,026	2,730	1,091	115%	115%	51%	-32%
GAIL	Utilities	62,057	12,875	8,600	83,836	13,331	9,676	35%	4%	13%	4%
LANCO Infratech	Utilities	16,107	2,978	946	15,615	4,800	1,106	-3%	61%	17%	-46%
NTPC	Utilities	117,092	38,907	23,650	137,288	40,653	23,715	17%	4%	0%	22%
Reliance Infra	Utilities	32,866	4,169	3,679	37,440	5,581	4,053	14%	34%	10%	78%
Tata Pow er	Utilities	15,665	3,641	1,357	16,419	3,219	1,373	5%	-12%	1%	-27%
JSW Energy	Utilities	7,016	3,864	2,049	10,765	3,538	1,528	53%	-8%	-25%	-1%
Indiabulls Pow er	Utilities	0	-140	88	4	(61)	3	NM	57%	-97%	NA

Source: Company data, Morgan Stanley Research



Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations. For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

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(as of January 31, 2011)

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	Count	% of Total	Count	% of Total IBC	% of Rating Category
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Total	2,906		1028		

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The Americas

1585 Broadway
New York, NY 10036-8293

United States

Tel: +1 (1)212 761 4000

Europe

20 Bank Street, Canary Wharf
London E14 4AD

United Kingdom

Tel: +44 (0)20 7425 8000

Japan

4-20-3 Ebisu, Shibuya-ku
Tokyo 150-6008

Japan

Tel: +81 (0)3 5424 5000

Asia/Pacific

1 Austin Road West
Kowloon

Hong Kong

Tel: +852 2848 5200