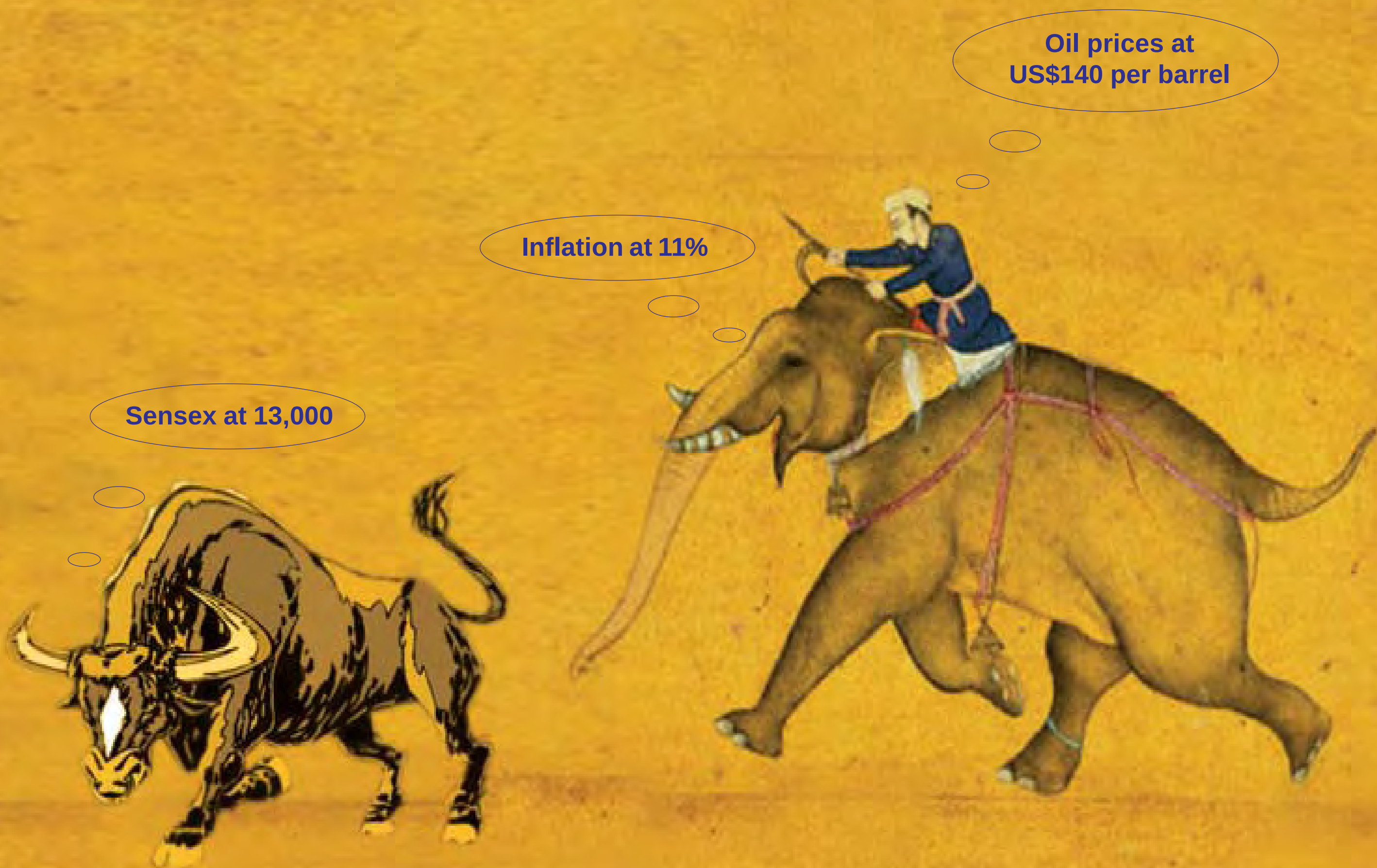
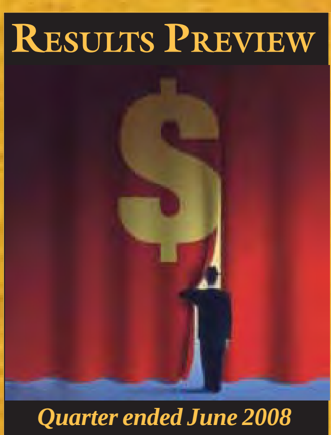
7 July 2008

India Strategy





In retreat, but hardly vanquished

Prices as of Thursday, 3 July 2008

Research Team (*Rajat@MotilalOswal.com*)

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India Strategy

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

The Sensex has corrected by 35% from its peak: In CY08 YTD, India has turned out to be one of the worst performing markets, globally. The BSE Sensex has corrected by 35.5% from its peak of 20,873 to close the quarter at 13,462. This has been the most severe correction of this bull-run that started in 2003. What started with a valuation correction, picked up downward momentum, as oil prices rose and inflation and interest rates kept on making multi-year highs.

Indian economy reeling under rising oil prices: In CY08 YTD, oil prices have gained 53%. India is on the wrong side of the oil boom, as it imports a large part of its oil requirements. We see three key risks from higher oil prices in FY09:

- India's rising oil import bill could increase its current account deficit and put pressure on the rupee
- The government may be forced to put additional burden of subsidy sharing on some companies
- Higher petro-product prices in the domestic market could further fuel rising inflation

Rising inflation, interest rates worrying: Inflation has been most the worrying factor for Indian markets and investors. Higher oil prices, spike in global commodity prices, and strong demand in the domestic economy has led to inflation crossing 11.63%. The immediate fallout of rising inflation has been more aggressive monetary tightening by RBI. Benchmark interest rates have risen to multi-year highs, adversely impacting demand.

Bottom-up earnings estimates still indicate positive outlook: Despite all the concerns, our bottom-up compilation of aggregate earnings do not show any evidence of slowdown. As their balance sheets remain in good health, the impact of higher interest rates on large companies would be limited. A number of companies in our universe are debt-free / have net cash. Our Sensex EPS estimate for FY09 is Rs1,011 – a growth of 20.5%.

Lot of comfort in current valuations: The valuations of Indian equities are below their long-term averages and are close to the lows. From a high of 20.6x one-year forward earnings in January 2008, the markets have corrected to a one-year forward P/E of 12.9x. If we adjust for embedded value, the Sensex P/E stands reduced to 10.3x, which is close to its lowest P/E of 10.2x, made in June 2004. We see lot of comfort in current valuations.

Buy stocks with high earnings visibility and valuable franchise: Our top picks are HDFC Bank / Axis Bank, Bharti / Idea, Infosys / TCS, ONGC, JSPL, Jaiprakash, Dr Reddy's, Maruti / M&M, and ITC. Amongst the mid-caps, we like IVRCL, Indiabulls Real Estate, Bajaj Auto, Bombay Rayon, and LIC Housing.

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Indian equities – from one extreme to another

The Sensex has corrected by 35% from its peak

The BSE Sensex has corrected by 35% from its peak of 20,873 to close the quarter at 13,462. This has been the most severe correction of this bull-run that started in 2003 (previous corrections were 27.3% in 2004 and 29.2% in 2006, but these had lasted for just three months and one month, respectively). What started with a valuation correction, picked up momentum, as oil prices rose and inflation and interest rates kept on making multi-year highs.

Valuations of Indian equities are below their long-term averages

Currently, the valuations of Indian equities are below their long-term averages and are close to the lows. From a high P/E of 24.9x in January 2008 (based on FY08 EPS), the markets have corrected to P/E of 12.9x (based on FY09 EPS). If we adjust for embedded value, the Sensex P/E stands reduced to 10.5x.

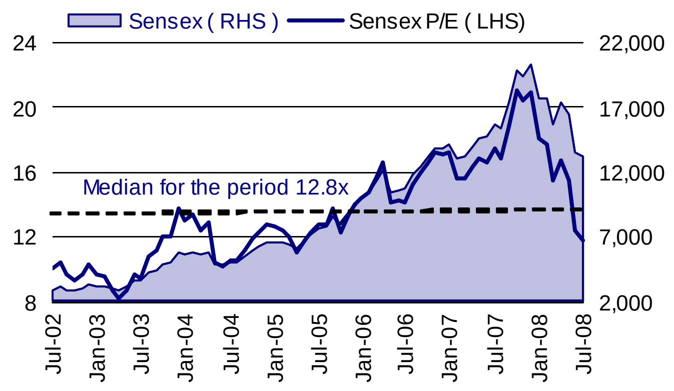
We see lot of comfort in current valuations

Market cap to GDP, which had risen to 157% on 8 January 2008 (FY08 GDP), has now corrected to 79% of FY09 GDP. We see lot of comfort in current valuations, as our earnings estimates have remained unchanged during this period. (discussed later).

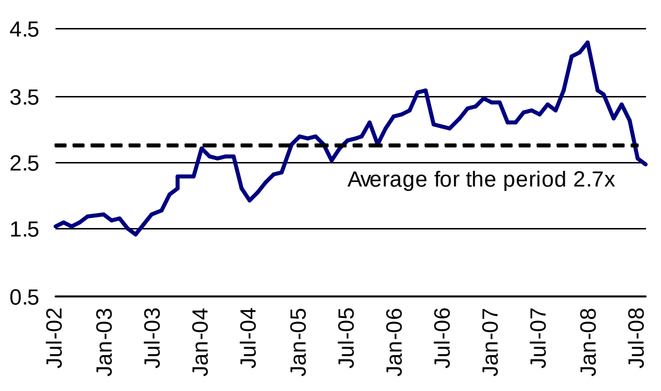
While valuations have moved from one extreme to another, FII investments have turned negative for the first time. Primary market issuance is also set for a sharp decline.

VALUATION S HAVE WITNESSES A SIGNIFICANT CORRECTIONS

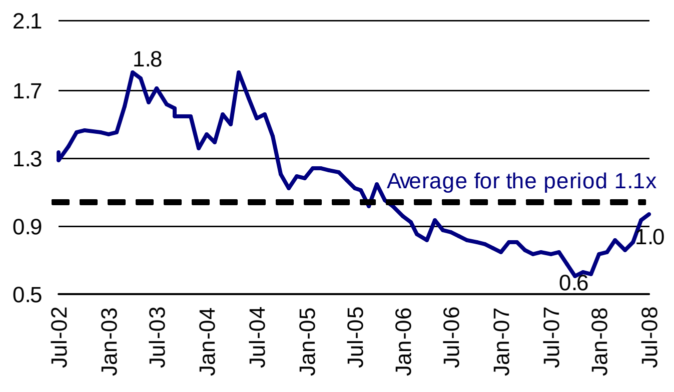
SENSEX P/E (X)



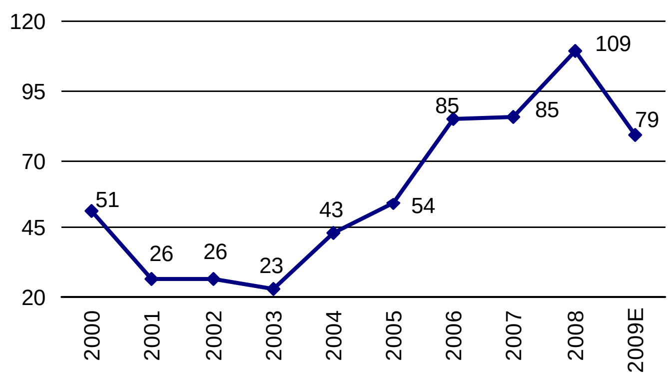
SENSEX P/B (X)



SENSEX EARNINGS YIELD VS BOND YIELD



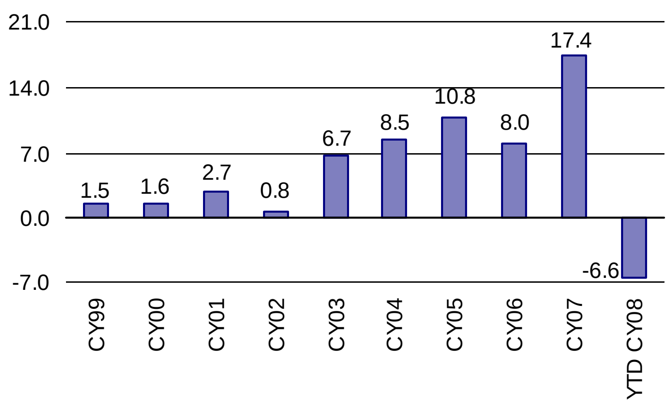
INDIAN MARKET CAP TO GDP (%)



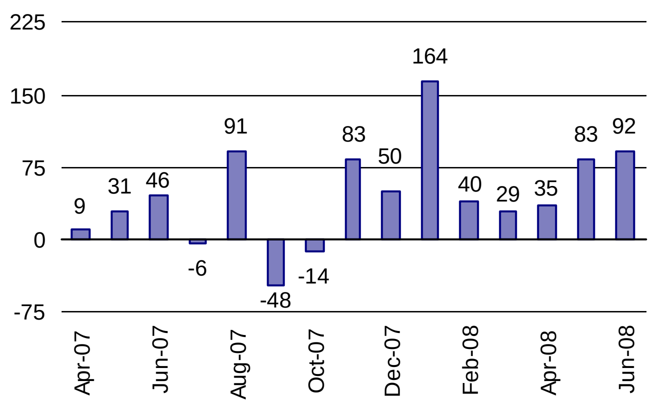
Source: Motilal Oswal Securities

Correction witnessed in other parameters also

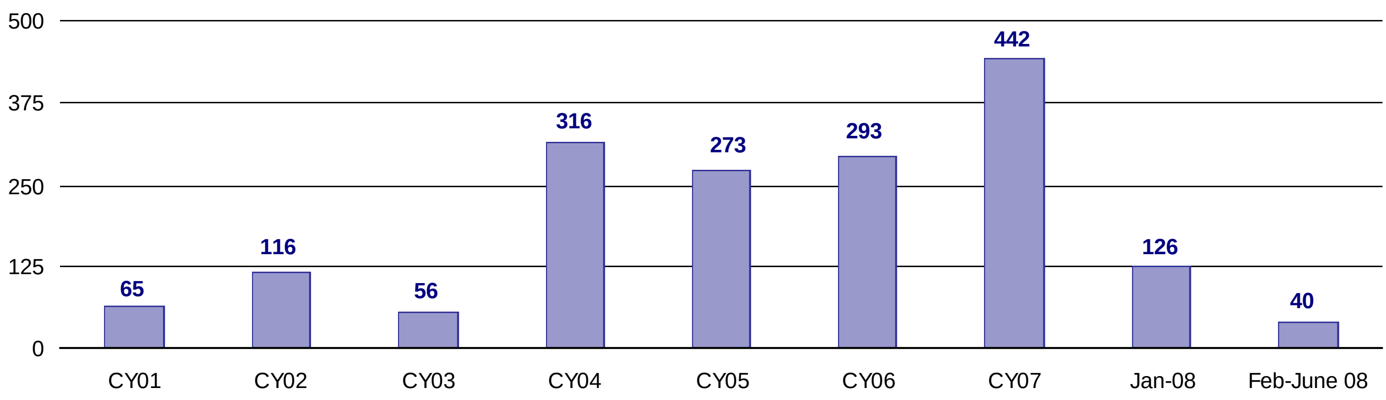
YEARLY TREND IN NET FII INVESTMENTS (US$B)



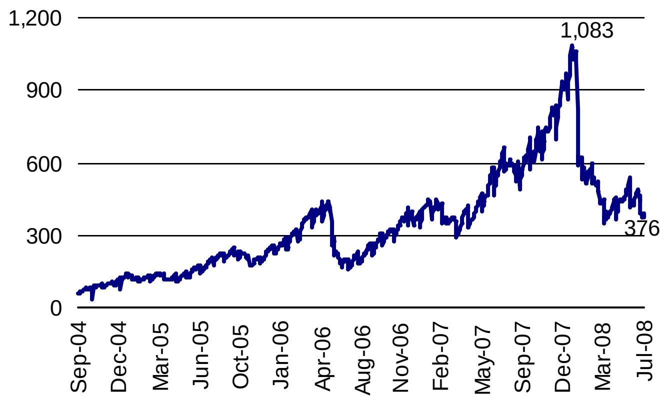
MONTHLY TREND IN NET DII INVESTMENTS (RS B)



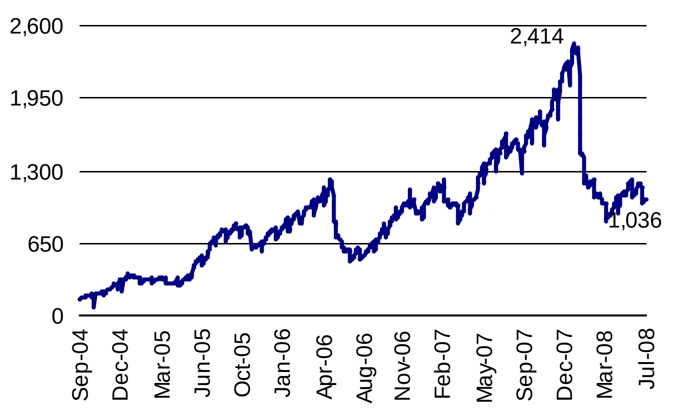
MONEY RAISED FROM CAPITAL MARKETS : PUBLIC ISSUE (RS B)



TOTAL FUTURES OPEN INTEREST (RS B)



TOTAL FUTURES OPEN INTEREST (SHARES M)



DII is trades executed by Banks, DFIs, Insurance and MFs *Source: NSE/SEBI/Motilal Oswal Securities*

From best performing to worst performing market

In the first half of CY08, India has been the second worst performing market

In CY08 YTD, India has turned out to be one of the worst performing markets, globally. Over CY04-07, the Indian markets had delivered returns of over 40% in each of the years. These were the most consistent and superior returns amongst all the global markets over this period. However, in the first six months of CY08, Indian markets have delivered negative returns of 35% – the second worst performing after China.

PERFORMANCE OF INDIAN MARKETS VIS-A-VIS GLOBAL MARKETS

	(% RETURN)						
INDEX	CY02	CY03	CY04	CY05	CY06	CY07	CY08 YTD
China	-17.5	10.3	-15.4	-8.3	130.4	96.7	-48.6
India - Sensex	**3.5**	**72.9**	**13.1**	**42.3**	**46.7**	**47.1**	**-35.5**
Philippines	-12.8	41.6	26.4	15.0	42.3	21.4	-35.4
Hong Kong	-18.2	34.9	13.2	4.5	34.2	39.3	-23.6
Malyasia	-7.1	22.8	14.3	-0.8	21.8	31.8	-20.2
Singapore	-20.3	32.8	15.6	14.0	28.0	18.7	-16.9
Indonesia	8.4	62.8	44.6	16.2	55.3	52.1	-16.7
Korea	-9.5	29.2	10.5	54.0	4.0	32.3	-15.3
UK - FTSE	-24.5	13.6	7.5	16.7	10.7	3.8	-15.2
US - S&P 500	-23.4	26.4	9.0	3.0	13.6	3.5	-14.0
Thailand	17.3	116.6	-13.5	6.8	-4.7	26.2	-13.5
Nikkei	-18.6	24.5	7.6	40.2	6.9	-11.1	-13.3
Taiwan	-19.8	32.3	4.2	6.7	19.5	8.7	-13.1
Brazil	-17.0	97.3	17.8	27.7	32.9	43.6	-7.2
Russia	38.1	58.0	8.3	83.3	70.7	19.2	-3.4

YTD is as on 3 July 2008 *Source : Bloomberg/Motilal Oswal Securities*

Indian equities have lost their valuation premium to other global markets

Over the last few years, Indian equities have been trading at premium valuations compared to most global markets. This was driven by strong earnings growth and very high inflows to equities. Over the last six months, Indian equities have lost their valuation premium to other markets and are now trading at par with the global markets. In fact, the BSE Sensex now trades at a discount to S&P 500.

COMPARISON OF INDIAN MARKETS WITH GLOBAL MARKETS

INDEX	INDEX VALUE	EPS (RS) CY07/FY08	EPS (RS) CY08/FY09	PE (X) CY07/FY08	PE (X) CY08/FY09	P/BV (X) CY07/FY08	P/BV (X) CY08/FY09	ROE (%) CY07/FY08	ROE (%) CY08/FY09
Russia	2,212	174	255	12.7	8.7	2.0	1.9	21.4	25.2
UK - FTSE	5,477	521	527	10.5	10.4	1.9	1.8	17.7	18.2
Thailand	742	56	70	13.2	10.6	1.6	1.7	16.2	15.9
Philippines	2,340	226	219	10.4	10.7	1.6	1.5	14.4	15.0
Korea	1,607	129	144	12.5	11.1	1.4	1.5	13.5	14.0
Brazil	59,273	4,310	5,149	13.8	11.5	2.2	2.0	17.4	19.2
Taiwan	7,394	582	630	12.7	11.7	1.9	1.9	16.1	16.4
Malyasia	1,154	93	96	12.4	12.0	1.7	1.8	14.6	14.9
India - Sensex	**13,094**	**839**	**1,011**	**15.6**	**12.9**	**3.4**	**2.6**	**21.7**	**20.2**
Hong Kong	21,243	1,722	1,541	12.3	13.8	2.0	1.9	14.0	14.9
US - S&P 500	1,263	61	91	20.8	13.8	2.4	2.2	16.3	17.7
Singapore	2,880	275	208	10.5	13.8	1.7	1.7	12.6	13.2
Indonesia	2,287	160	163	14.3	14.0	2.4	3.1	21.9	23.2
Nikkei	13,265	824	786	16.1	16.9	1.6	1.5	8.7	8.7
China	2,704	129	155	20.9	17.4	3.2	3.4	19.3	19.8

Source : Bloomberg/Motilal Oswal Securities

Several index stocks at multi-year low prices, valuations

The Sensex and the Nifty are quoting at 19-month lows

At current levels, the key indices – BSE Sensex and NSE Nifty – are quoting at 19-month lows (levels last seen in November 2006). However, half of the Index stocks are trading at levels prior to November 2006. Few index stocks are even trading at 3-5 year lows. The oil marketing companies (OMCs), auto and cement stocks are trading at multi-year lows.

NIFTY STOCKS TRADING AT MULTI-YEAR LOWS

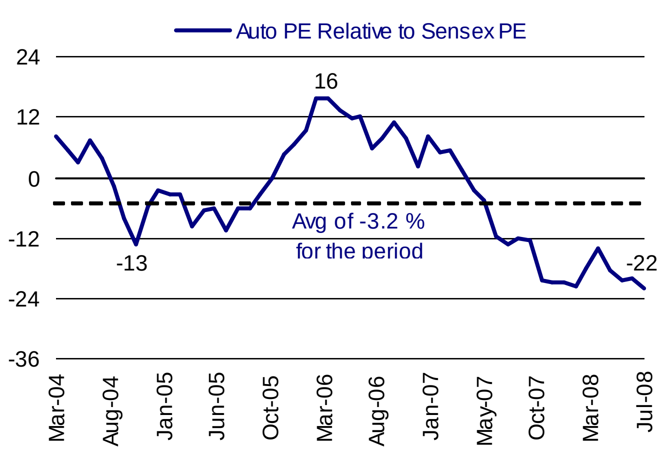
COMPANY NAME	CMP (RS)	% CHG FROM PEAK	CMP SEEN IN	NO OF MONTHS
DLF	383	-66.7	#	#
Idea Cellular	87	-35.9	#	#
Power Grid Corp.	74	-48.7	#	#
B P C L	226	-54.0	Jan-03	67
Dr Reddy' s Labs.	655	-7.0	Feb-04	54
Maruti Suzuki	548	-41.6	Apr-04	51
Tata Motors	392	-49.5	Sep-04	47
Ranbaxy Labs.	514	22.7	Feb-05	41
Hindalco Inds.	136	-35.1	Mar-05	40
Pun. Natl. Bank	384	-43.7	Jun-05	37
ACC	472	-52.1	Aug-05	35
Ambuja Cem.	72	-49.6	Sep-05	34
Wipro	430	-12.1	Nov-05	32
M & M	469	-43.5	Dec-05	31
ICICI Bank	572	-57.3	Dec-05	31
TCS	857	-13.3	Dec-05	31
Suzlon Energy	179	-60.6	Jan-06	30
Grasim Inds.	1,681	-50.6	Feb-06	29
Zee Entertainmen	190	-37.8	Mar-06	28
O N G C	859	-34.9	May-06	26
Siemens	385	-61.5	Jun-06	25
Tata Comm	352	-48.4	Jun-06	25
HCL Technologies	237	-21.3	Jun-06	25
ITC	169	-26.7	Aug-06	23
Infosys Tech.	1,743	4.9	Aug-06	23
Unitech	154	-70.6	Sep-06	22

COMPANY NAME	CMP (RS)	% CHG FROM PEAK	CMP SEEN IN	NO OF MONTHS
Nifty	**3,926**	**-37.6**	**Nov-06**	**19**
St Bk of India	1,100	-52.7	Jan-07	17
Bharti Airtel	708	-27.5	Mar-07	16
Reliance Comm.	390	-51.6	Mar-07	16
HDFC Bank	984	-42.6	Apr-07	15
A B B	795	-46.9	Apr-07	15
B H E L	1,402	-43.8	May-07	13
NTPC	153	-42.4	Jun-07	13
Larsen & Toubro	2,232	-48.5	Jul-07	12
S A I L	128	-51.2	Jul-07	12
Cipla	211	0.7	Jul-07	12
H D F C	1,941	-37.0	Aug-07	11
Hind. Unilever	196	-17.0	Aug-07	11
Reliance Infrast	724	-71.5	Aug-07	11
GAIL (India)	321	-38.9	Aug-07	10
Reliance Inds.	2,070	-32.2	Sep-07	10
Sterlite Inds.	658	-36.4	Sep-07	10
Tata Steel	658	-26.2	Sep-07	10
Reliance Petro	168	-31.9	Sep-07	9
Satyam Computer	451	6.2	Oct-07	9
Tata Power Co.	1,006	-35.7	Oct-07	9
Hero Honda Motor	664	-4.0	Nov-07	8
Natl. Aluminium	345	-31.1	Nov-07	7
Cairn India	257	2.5	Dec-07	6
Sun Pharma.	1,382	24.7	May-08	2

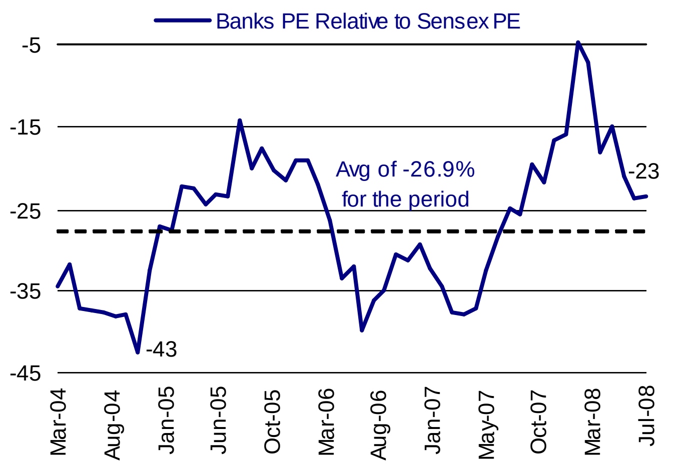
#Low since listing *Source: Motilal Oswal Securities*

SEVERAL SECTOR HAVE LOST VALUATION PREMIUM

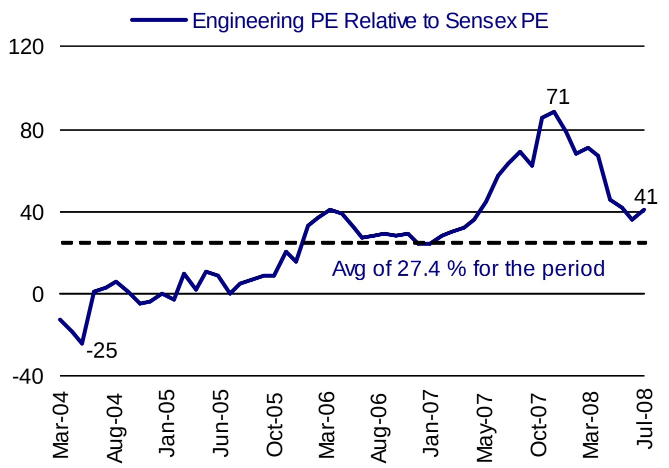
AUTO



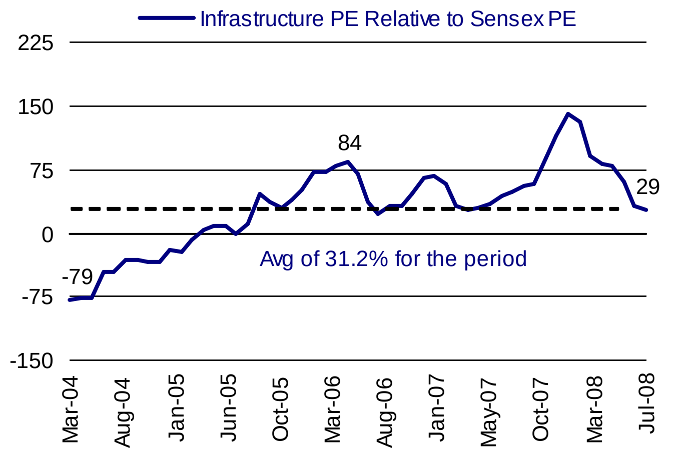
BANKS



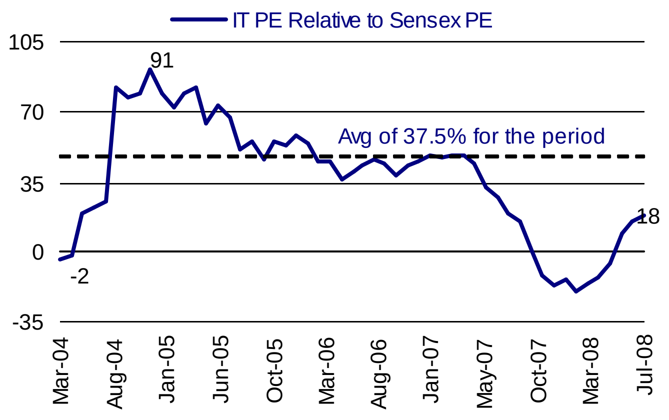
ENGINEERING



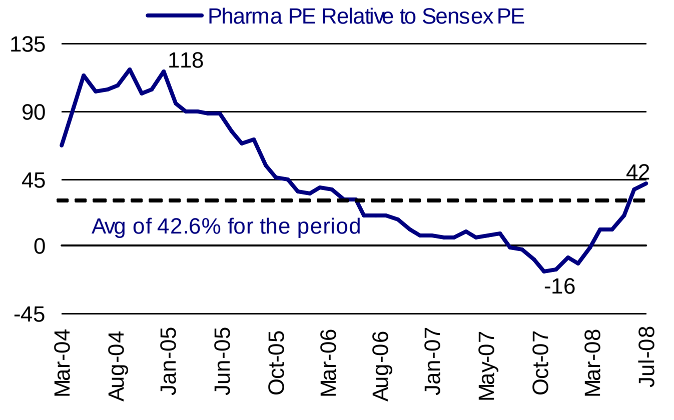
INFRASTRUCTURE



INFORMATION TECHNOLOGY



PHARMACEUTICALS



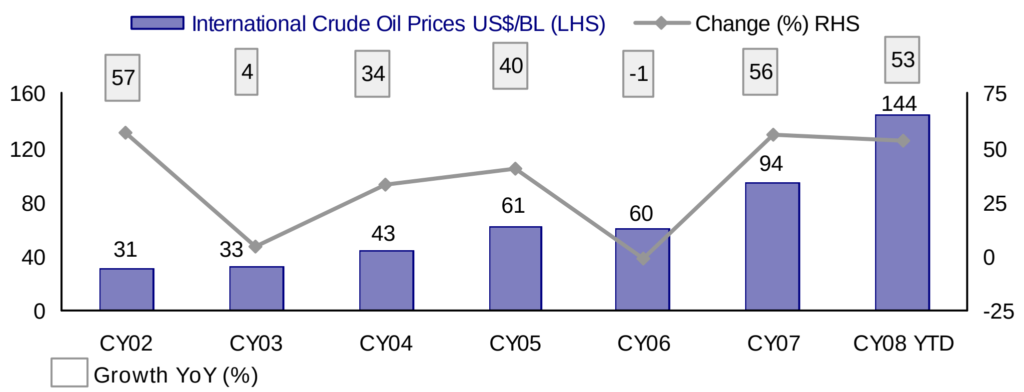
Source: Motilal Oswal Securities

Oil's not well

Oil prices have risen 53% in the first half of CY08

While the correction in Indian equities in January 2008 started with high valuations, the downward trend gained momentum as oil rallied well past US$100/barrel. In CY08 YTD, oil prices have gained 53%. India is on the wrong side of the oil boom, as it imports a large part of its oil requirements. We see three key risks from higher oil prices in FY09:

OIL PRICES AND ANNUAL PRICE GAINS



Source: Bloomberg/Motilal Oswal Securities

India's rising oil import bill would increase its current account deficit and put pressure on the rupee

1. India' s oil import bill in FY08 was US$77b at an average crude price of US$82/barrel. This is expected to increase to US$118b in FY09 (assuming an average crude price of US$130/barrel). For every US$10 price increase, India' s oil import bill increases by US$10b. If one assumes that other components in the trade bill would grow 25%, the current account deficit would grow to ~US$43b in FY09, over 3% of the GDP. This puts considerable pressure on the Rupee, which could depreciate significantly if capital flows also start drying up, as has been the trend in the last few months.

MAJOR ITEMS OF INDIA'S BALANCE OF PAYMENTS (US$ M)

	2008-09E	2007-08P	2006-07	2005-06
Exports	198,076	158,461	128,083	105,152
Imports	332,359	248,521	191,254	157,056
Oil Imports	*118,000*	*77,034*	*56,945*	*43,957*
Trade Balance	-134,283	-90,060	-63,171	-51,904
Net Invisibles	90,821	72,657	53,405	42,002
Current Account Balance	-43,461	-17,403	-9,766	-9,902

Source: RBI /Motilal Oswal Securities

The government may be forced to put additional burden of subsidy sharing on some companies

2. The Indian government is unable to fully pass on the hike in international oil prices to domestic buyers of petroleum products. As a result, OMCs face huge under-recoveries, which are shared with upstream companies and the central government also issues oil bonds to the OMCs. In FY09, the extent of under-recoveries is so huge that it would require multiple tough measures to meet this gap. Despite reducing duties on petro products and increasing retail fuel prices, there is a large gap yet to be funded and is increasing everyday. We see this as a key risk to corporate earnings. The government may be forced to ask few companies to bear this additional deficit, which could significantly impact overall earnings growth.

FUEL UNDER-RECOVERIES (RS B)

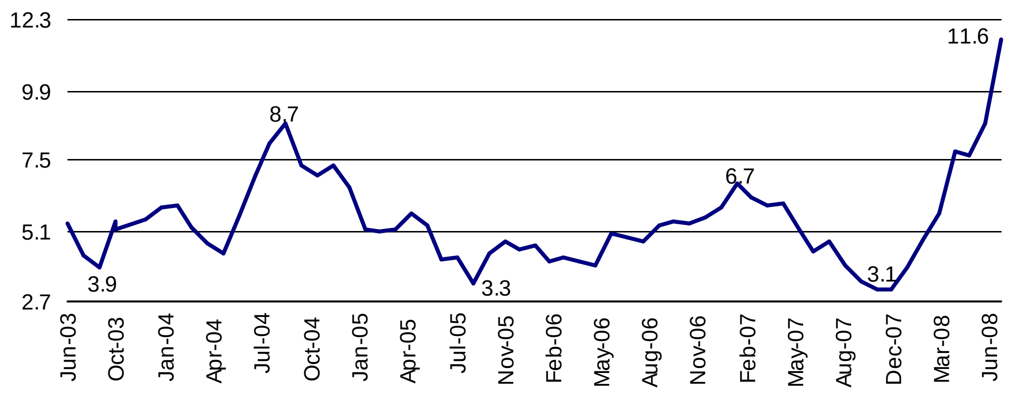
	FY07	FY08	FY09E - LIKELY SCENARIOS				
Exchange Rate (Rs/US$)	45.3	40.2	43.0	43.0	43.0	43.0	43.0
Brent Oil Price (US$/bbl)	64.4	82.3	**110.0**	**120.0**	**130.0**	**140.0**	**150.0**
Total Underrecoveries	**494**	**773**	**1,473**	**1,804**	**2,109**	**2,435**	**2,750**
Upstream Sharing	205	257	450	450	450	450	450
OMC' s Sharing	48	163	200	200	200	200	200
Oil Bonds	241	353	946	946	946	946	946
Total Sharing	**494**	**773**	**1,596**	**1,596**	**1,596**	**1,596**	**1,596**
Deficit	0	0	(123)	208	513	839	1,154

Source: Ministry of Petroleum & Natural Gas/Bloomberg /Motilal Oswal Securities

Higher oil prices would further fuel inflation

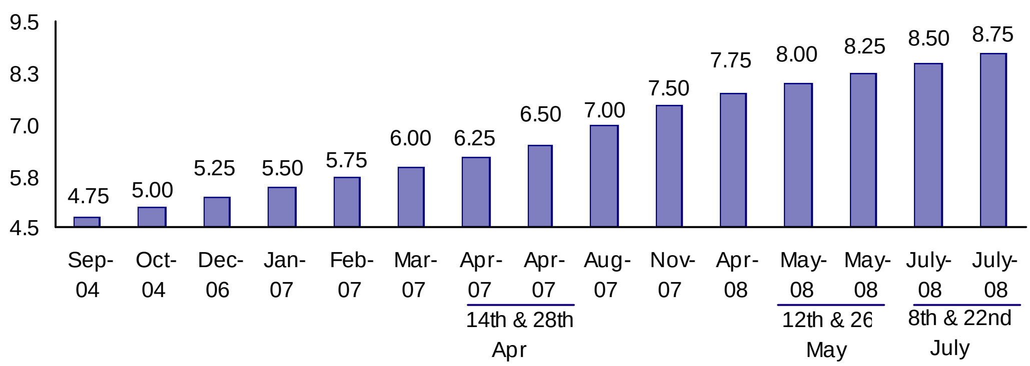
3. Inflation has been most the worrying factor for Indian markets and investors. Higher oil prices, spike in global commodity prices, and strong demand in the domestic economy has led to inflation crossing 11.6%, the highest since the series began in 1995. The immediate fallout of rising inflation has been more aggressive monetary tightening by RBI and several measures taken by the government to curb price rises.

INFLATION AT MULTI-YEAR HIGH (%)

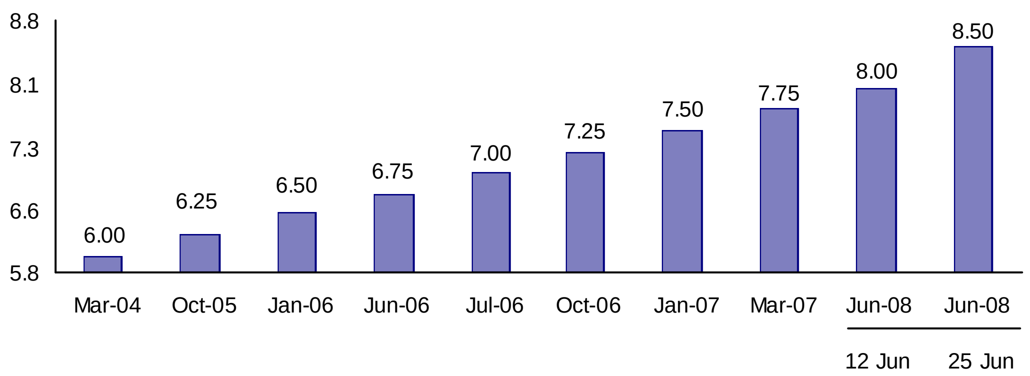


Source: Bloomberg/Motilal Oswal Securities

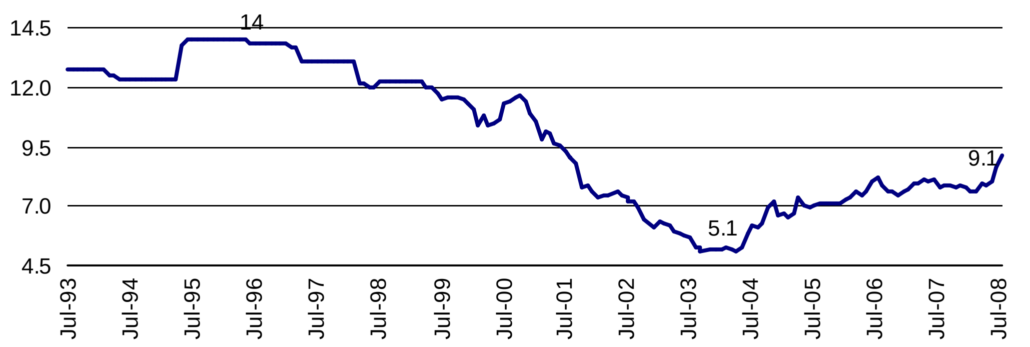
TREND IN CRR (%)



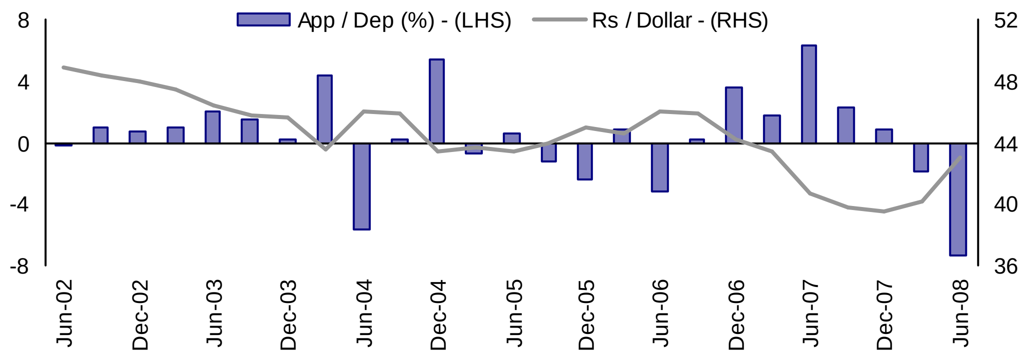
TREND IN REPO RATES (%)



INTEREST RATE (10-YEAR G-SEC %)



QUARTERLY TREND IN RUPEE APPRECIATION/DEPRECIATION AGAINST DOLLAR QOQ



Source: RBI/Bloomberg/Motilal Oswal Securities

The RBI has hiked CRR and repo rates consistently since December 2006

Since December 2006, the RBI has hiked CRR by 375bp to 8.75%. Every 100bp CRR hike results in draining out of Rs360b of liquidity from the system. Moreover, the RBI has also hiked repo rates by 225bp in this period. This has increased all the benchmark interest rates in the system to multi-year highs.

Rising interest rates have dampened credit growth

Credit growth in the system has contracted from its high of 32% couple of years back to current levels of 25%. We expect this to further reduce to 22%, as the impact of recent hikes is felt in the system. Higher rates would adversely impact demand for several industries (retail in particular, which is already slowing down significantly).

Despite higher interest rates, overall profitability of large corporates would remain strong

The impact of higher interest rates on the large corporates would be limited, as their balance sheet remains in good health. Our compilation of the Nifty 50 companies suggests that while debt levels have increased in FY08, the overall impact remains limited. A number of companies in these universe are debt-free / have net cash. Despite an increase in the interest cost in FY09, the overall profitability will remain very strong for the large corporates. The impact will be felt more on the mid-size and smaller companies.

RISING INTEREST RATES DO NOT HAVE MUCH IMPACT ON LARGE CORPORATES

AGGREGATE FOR NIFTY COMPANIES	2003	2004	2005	2006	2007	2008
Interest/Sales (%)	2.8	2.9	1.8	1.4	1.3	1.2
Interest/EBITDA (%)	14.1	14.4	7.8	6.6	6.0	5.4
Interest/PAT (%)	23.5	21.3	11.9	10.3	9.2	8.6

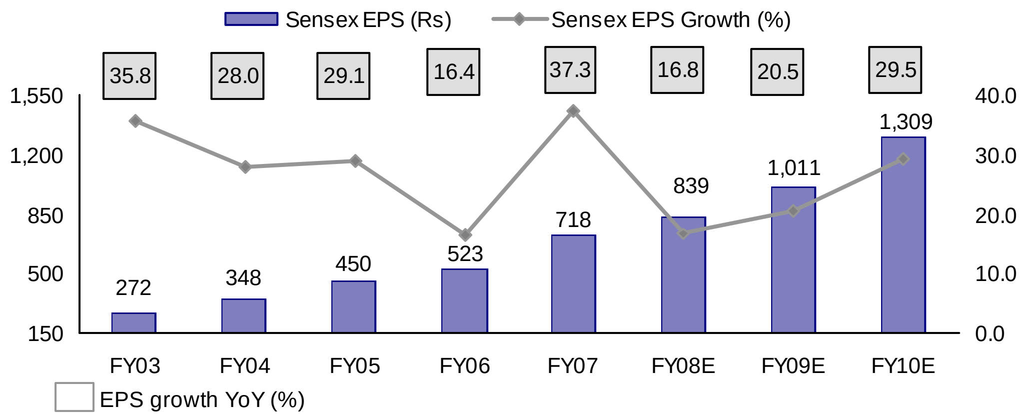
Source: Motilal Oswal Securities

Bottom-up earnings estimates still indicate positive outlook

Our Sensex EPS estimate for FY09 is Rs1,011 – a growth of 20.5%

Despite all the concerns mentioned earlier, our bottom-up compilation of aggregate earnings do not show any evidence of slowdown. Our Sensex EPS estimate for FY09 is Rs1,011 – a growth of 20.5%. We had expected the macro headwinds to impact earnings of several sectors. However, because of the diversified nature of overall earnings growth, the impact is limited. Importantly, 40% of our earnings growth in FY09 is from Reliance Industries, ONGC and Tata Steel. All these stocks are exposed to earnings risk from the global commodity cycle, and government policies on oil and inflation.

SENSEX EPS AND GROWTH



Source: Motilal Oswal Securities

Two factors that could impact Corporate India to a large extent

1. Large volatility in currency: In 1QFY09, the Indian rupee depreciated by 7.3% against the US dollar, while it had gained 6.4% in 1QFY08. This would have a big impact on 1QFY09 earnings growth. We estimate 8.5% growth in aggregate profit for 1QFY09 v/s EBITDA growth of 18.4%. Some of the large profit contributors such as IT and Wireless would see an adverse impact on their profits due to exchange rate volatility.

Rupee depreciation could lead to significant losses on foreign currency loans

If oil prices were to increase further, creating pressure on current account deficit, and capital flows remain muted, the rupee could depreciate further. This would favorably impact export-oriented sectors, but could lead to significant losses on foreign currency loans, which have grown significantly over the years.

Strained liquidity could impact funding of several industries/projects

2. Strained liquidity could impact funding of several industries/projects: The 10-year bond yields have moved up by over 100bp over the last four months. The risk-free rate (10-year bond) is now inching towards double digits for the first time since 2001. Besides the cost of debt, continuous intervention by RBI is also tightening liquidity in the system. This could have a severe impact on fund availability for various industries. Retail finance and real estate are witnessing severe slowdown due to fund constraints. As financiers perceive higher risk in other segments due to deteriorating fundamentals, funding could be constrained further. Moreover, as raising equity has become difficult, several plans/projects of the Indian companies could be delayed.

Possible triggers to the market

However, there are a few positives that the markets could look forward to:

While the last six months have been tough and the next few months appear challenging, there could be few positives that the markets would look forward to, besides faith in earnings growth. These include easing-off of inflation, possible cool-off in global commodities, and early political consensus on reforms.

- easing off of inflation

1. Easing-off of inflation: Inflation, which is likely to remain high for the next few months, should start easing by the end of CY08 due to high base effect. This is based on the assumption that there would be no further deterioration in the underlying index. The RBI realizes that the current inflation is largely due to global commodities and supply constraints. It may not be very aggressive about further monetary tightening. While markets would remain jittery till the time inflation remains high, we see 2HFY09 as more comfortable.

- cool off of global commodities

2. Cool-off in global commodities: As a large part of inflation is due to surge in global commodity prices, any cool-off could provide relief to Indian equities. With the current monsoons expected to be normal, primary article inflation could also see some moderation in 2HFY09.

- early political consensus

3. Early political consensus: The current political equation is set for a change in the wake of the nuclear treaty. The government could move forward with some of the economic reforms, which have been encountering political opposition from its key allies - the Left. This could provide confidence to investors. Moreover, as the central elections are due in less than 10 months, if a more stable government, with greater say in economic policy is formed, it would have a positive impact on Indian equities.

Our views on important sectors

We present below our views on different sectors for FY09.

Automobiles

The auto sector continues to face challenging times, as the pressures of FY08 have further intensified in FY09. Higher oil prices and interest rates remain key threats to volume growth. The sharp rise in input prices would pose a challenge for margins.

On the volumes front, companies are banking on higher disposable income, led by strong economic growth, favorable changes in personal income tax slabs, and new model launches. However, financing constraints still need to be addressed, as banks have significantly reduced their retail lendings. Large auto majors have now tied up with cooperatives and NBFCs to provide financing to buyers.

On the margins front, benefits from productivity improvement and cost reduction programs undertaken by companies would continue to partially offset the pressures from rising input prices. Commencement/ramping up of operations in tax-free zones like Uttaranchal would help counter cost pressures through lower tax burden. Valuations of the auto majors have become very attractive, with the long-term growth outlook still quite positive. Our top picks are Maruti Suzuki and Mahindra & Mahindra.

Banking

Higher inflation, rising interest rates, regulatory actions to tighten liquidity coupled with rising fiscal deficit are creating a challenging macro scenario for banks. While loan growth would moderate (we expect 20% growth, currently growing at 25%), we are expecting marginally lower margins for most banks (despite banks having shown their willingness to raise rates). We believe that having a low cost liability base (CASA) would be a key differentiator for the banking industry. Banks like HDFC Bank, Axis Bank, SBI, and PNB, which have high CASA ratios are at an advantage. Buy HDFC Bank, ICICI Bank and Axis Bank amongst the private players, and PNB and Bank of India amongst the state-owned banks.

Cement

While volume growth is likely to remain stable, new capacities (~32MT in FY09) would result in excess supply. However, these new capacities would impact demand-supply equilibrium only in 2QCY09. In the interim, prices would remain under check on account of high inflation and government monitoring. As a result, margins would remain under pressure, with stable pricing and severe cost push. Excess supply situation is expected to continue at least till FY11, curtailing pricing power for the industry.

Valuations for the industry are attractive – asset valuations for all cement companies are below replacement cost of US$120/ton. However, the upside appears limited, especially with impending excess supply situation and pressure on margins. We prefer companies that are ahead of the curve in adding capacity and that have the ability to save costs.

Construction

We believe that the macro environment for construction companies would be challenging over the medium term, given the following:

(1) Higher commodity prices and increased wage inflation would restrict EBITDA margin expansion
(2) Volatile capital markets could impact business momentum for cash contractors and infrastructure developers. Most of the companies have negative operating cash flows, requiring frequent access to capital markets
(3) Project awards could possibly get delayed due to the forthcoming elections, both at the center and in several states

We are positive on the construction sector over the medium term as: (1) current stock prices offer growth with reasonable valuations; and (2) order book to bill ratio of 3.3x FY08 (excluding L&T) is healthy, indicating continued revenue and earnings visibility.

IVRCL and Simplex are our top picks in the construction space, due to their (1) strong earnings growth over FY08-10, (2) lower contribution from embedded value as compared to peers, and (3) strong financial position, cash flows and lower equity commitment towards BOT/real estate ventures.

Engineering

We believe that the macro environment for capital goods companies would be challenging over the medium term, given the following:

(1) Execution constraints, resulting in delayed revenue growth: The key issues are: (1) availability of skilled manpower, (2) lack of reliable vendor base (limited availability of critical components and poor quality of subcontractor base in India), (3) bureaucracy, which includes issues like delays in land acquisition, rehabilitation, environmental/forest clearances.
(2) Higher input costs: Rising commodity prices would be the single largest risk on the earnings of the capital goods companies during FY09.

We believe that BHEL is better positioned than its peers, as robust order book and order intake would drive strong revenue CAGR. Also, impact on EBITDA margins due to commodity price increases would be largely mitigated by operating leverage and hedging. We expect 209bp margin expansion during FY08-10, driven by operating leverage (28% revenue CAGR over FY08-10) and savings in staff cost (368bp during FY08-10).

Telecom

Momentum in subscriber additions continues to be strong, primarily driven by higher coverage and attractive tariffs. We believe that the last of the concerns on the regulatory front have been digested by the market and expect strong near-term earnings momentum to shield against further disappointments. News flow on international expansion/industry consolidation could be further triggers while adverse regulatory environment and increase in competitive activity pose key risks.

Valuations of majors at 9-9.5x FY09E EV/EBITDA and ~7x FY10E EV/EBITDA are attractive. Current valuations factor tough regulatory environment and growth headwinds for incumbents resulting from entry of potential new competition. We prefer Bharti given its scale benefits, strong growth, and attractive valuations. We also like Idea which offers strong multi-year growth led by its footprint expansion and can emerge as a strong pan-India wireless operator with no constraints on spectrum / funding risks.

Real Estate

In FY08, the focus was on the real estate (RE) sector as a 'theme', with all RE stocks moving in tandem. In FY09, the focus is likely to shift to specific companies within the RE sector. We expect FY09 to be a year of consolidation for the RE industry, in which the industry leaders would get differentiated from peers. We believe developers with staying power would utilize this consolidation phase to emerge stronger and position themselves better to capitalize on the growth phase post consolidation.

Key differentiating factors for RE companies would be: (1) financial soundness, (2) monetization visibility over the next 3-4 years, and (3) execution capability. Our top picks are DLF and Indiabulls Real Estate.

Pharmaceuticals

While the past three years have witnessed significant underperformance by pharmaceutical stocks (led by deteriorating business fundamentals, especially in the US), the past few months have witnessed increased investor interest led by positive news flows related to patent challenge/settlement upsides and the stake sale by Ranbaxy promoters to a Japanese innovator company. Investor interest is also building up due to relative defensive nature of pharmaceutical earnings (given current market conditions) and the recent depreciation of the Indian rupee against the US dollar and the euro.

Geographical diversification of revenues is gradually reducing Indian Pharma's dependence on the fiercely competitive US market, thus reducing the sensitivity to US profits. The key success factors for pharma companies would be: (1) pragmatic mix of niche/FTF and normal products, (2) geographically diversified revenue base, (3) vertical integration, and (4) strong balance sheets to fund inorganic growth. Our top picks are Dr Reddy's, Sun Pharma and Piramal Healthcare.

IT

The quarter began on a positive note, with better than expected guidance by Infosys and Satyam for FY09. The rupee depreciated 4.7% against the dollar during 1QFY09, giving further fillip to the IT sector. After months of uncertainty in US credit markets, there is some pick-up in IT spend by few US-based BFS (banking and financial services) clients.

Risk of back-ended growth remains for FY09. We believe that IT companies having (a) wider service span; (b) faster scalability; (c) better bargaining power; (d) higher European share of revenues; and (e) financial strength would be on better footing. Our top picks are Infosys, TCS, and HCL Tech.

Oil & Gas

Performance of PSU oil companies (ONGC, GAIL, HPCL, BPCL and IOC) continues to be determined by the sharing of under-recoveries rather than business fundamentals. With controlled retail fuel prices and increasing oil prices, under-recoveries continue to burgeon. We are positive on ONGC, following the recent price correction and large E&P potential. However, possible increase in its subsidy sharing remains a concern.

Our top picks in the sector are GAIL (Buy) and RIL (Buy). GAIL would witness large volume upsides (136mmscmd by FY10 – 29% CAGR), as RIL's KG-D6 gas supply begins (RIL's gas would be directed towards priority sectors, which are on GAIL's current network). Subsidy sharing (partly moderated by higher LPG realization, with increasing oil prices) and likely petchem downturn remains a concern.

RIL would see near-term upsides from (1) marketing tie-ups with potential gas buyers, (2) oil and gas production start at its KG-D6 block (2HFY09), (3) start of its RPL refinery (expected to be online ahead of scheduled December 2008), and (4) progress on retail business. The key issue to watch, in our view, would be the ongoing litigation with RNRL (next court hearing scheduled on 22 July 2008). RIL is currently debarred from concluding gas-marketing agreements, though it is allowed to negotiate with customers.

Textiles

FY09 began on a promising note for the textile industry, with (a) the rupee depreciating, and (b) supply side correcting due to capacities closing down in China. However, the positives were overshadowed by (i) sharp increase in raw material (cotton price up 60%) and fuel costs, and (ii) slowdown in demand in the key western markets. As a result, despite several near-term macro fundamentals turning positive and valuations appearing inexpensive, we expect the textile industry to be under pressure over the next six months.

Our top pick in the sector is Vardhaman Textiles. Alok Industries could be vulnerable if interest rates continue to move up, or the global economy comes under further stress (impacting demand), due to its high debt of Rs50b.

Media

The media sector has witnessed the entry of a large number of players in FY08. Each of the media companies has been diversifying into new media verticals to become a media conglomerate. The entry of new players has fragmented the advertising market, thereby impacting the incumbent players. While channel launches (broadcasters) and entry into new markets (newspapers) were driving stock valuations in FY08, the focus would shift to earnings growth and cash flows in FY09.

We expect companies with earnings visibility, strong growth momentum and strong operating cash flows to be better placed. Print media companies have strong cash flows and the likely ease off in newsprint prices by 4QFY09 could boost earnings. Given the increase in fragmentation in television advertising, we maintain our Neutral stance on the TV broadcasting industry. The key differentiating factors for media companies would be (1) execution capabilities; (2) earnings visibility and growth momentum; and (3) strong positioning.

Utilities

The outlook for power utilities is challenging due to: (1) higher interest cost; (2) execution constraints; and (3) volatile capital markets impacting fund raising plans for several private sector projects. Besides, there have been delays in terms of land acquisition, environmental clearances, tight demand-supply for main plant equipment, etc which have further increased challenges for the sector. We believe that companies like NTPC and Tata Power would stand out in this scenario, given their strong financial position, strong execution capabilities, etc.

FMCG

The FMCG sector could be impacted by rising inflationary pressure. Recent price hikes by the companies could soften demand growth and trigger down-trading. We believe that strong pricing power and high switching cost would be the key differentiator, as it would ensure stability in margins and sustain volume growth. We prefer a selective approach, with preference for companies in packed foods, decorative paints, cigarettes, detergents, IMFL and skin care.

Key differentiating factors for FMCG companies: (1) high pricing power; (2) high consumer switching cost; and (3) product innovation. Among the large caps, we recommend Buy on ITC and United Spirits. Among the mid-caps, we like Nestle and Godrej Consumer.

Retail

We believe that the existing retailers would continue to grow topline and attract footfalls, though same-store sales growth could slow down. Rising competition and entry of new players would continue to offer bargains to consumers and retain the attraction of organized retail. EBITDA margins are unlikely to expand due to rising lease rentals and manpower costs. We expect specialty stores to flourish due to committed customers and strong brand recall.

The key differentiating factors for retail companies would be: (1) scale of operations, and (2) cost control initiatives. Pantaloon Retail is our top pick.

Metals

Shortage of raw material – coking coal, iron ore and steel scrap – has shifted the cost curve of the steel industry upwards and has constrained the global production of crude steel, resulting in doubling of steel prices in a short span of six months. Integrated steel producers like Tata Steel and JSPL are the key beneficiaries of this trend.

While the costs of steel producers using the blast furnace route have increased significantly, after 3x increase in coking coal prices in 2008, the costs of sponge iron based mini steel mills has not increased in a similar fashion due to use of domestically available coal. Mini mills like Godawari, Raipur Alloy, Monnet Ispat, Tata Sponge, and Adhunik Metaliks are the key beneficiaries of this trend.

Buy stocks with high earnings visibility

While macro concerns have played their role in the significant de-rating of Indian equities, the risk from hereon could be on the micro front. Earnings growth and commissioning of several key projects (refinery, gas, real estate, cement, auto exports, etc) would hold the key to the performance of Indian equities.

Buy stocks with high earnings visibility and valuable franchise

While we have seen significant changes in estimates of individual companies, our aggregate EPS estimate still shows very strong growth for FY09. On a top-down basis, we believe that the current macro environment poses a threat to our aggregate EPS but we still see double-digit earnings growth. Buy stocks with high earnings visibility and valuable franchise. Our top picks are **HDFC Bank / Axis Bank, Bharti / Idea, Infosys / TCS, ONGC, JSPL, Jaiprakash, Dr Reddy's, Maruti / M&M,** and **ITC**. Amongst the mid-caps, we like **IVRCL, Indiabulls Real Estate, Bajaj Auto, Bombay Rayon**, and **LIC Housing**.

MOST MODEL PORTFOLIO

SECTOR WEIGHT / PORTFOLIO PICKS	BSE-100	MOST WEIGHT	WEIGHT RELATIVE TO BSE-100	EFFECTIVE SECTOR STANCE
Banks	**17.3**	**17.0**	**-0.3**	**Neutral**
HDFC Bank	2.1	5.0	2.9	Buy
Axis Bank	0.9	4.0	3.1	Buy
ICICI Bank	4.8	4.0	-0.8	Buy
Bank of India	0.4	2.0	1.6	Buy
Kotak Bank	0.6	2.0	1.4	Buy
Engg./Infrastrcuture/Real Estate	**11.2**	**15.0**	**3.8**	**Overweight**
BHEL	1.8	5.0	3.2	Neutral
IVRCL Infra.	0.3	4.0	3.7	Buy
IndiaBulls Real Estate	0.4	3.0	2.6	Buy
Jaiprakash Associate	0.7	3.0	2.3	Buy
Information Technology	**12.1**	**12.0**	**-0.1**	**Neutral**
Infosys	6.4	6.0	-0.4	Buy
TCS	1.6	4.0	2.4	Buy
HCL Tech	0.4	2.0	1.6	Buy
Telecom	**6.6**	**9.0**	**2.4**	**Overweight**
Bharti Airtel	3.6	6.0	2.4	Buy
Idea Cellular	0.5	3.0	2.5	Buy
Petrochemicals	**14.1**	**8.0**	**-6.1**	**Underweight**
Reliance Inds.	11.4	8.0	-3.4	Buy
Oil & Gas	**5.6**	**8.0**	**2.4**	**Overweight**
ONGC	2.8	5.0	2.2	Buy
GAIL	0.8	3.0	2.2	Buy
Metals	**7.1**	**7.0**	**-0.1**	**Neutral**
Tata Steel	2.6	4.0	1.4	Buy
Jindal Steel & Power	0.9	3.0	2.1	Buy
Auto	**3.1**	**6.0**	**2.9**	**Overweight**
M&M	0.7	3.0	2.3	Buy
Maruti Suzuki	0.6	3.0	2.4	Buy
FMCG	**6.5**	**5.0**	**-1.5**	**Underweight**
ITC	3.4	3.0	-0.4	Buy
Nestle India	0.5	2.0	1.5	Buy
Pharmaceuticals	**4.2**	**5.0**	**0.8**	**Overweight**
Dr Reddys Labs.	0.6	3.0	2.4	Buy
Piramal Healthcare	0.0	2.0	2.0	Buy
Others	**12.1**	**8.0**	**-4.1**	**Underweight**
Bombay Rayon	0.0	2.0	2.0	Buy
LIC Housing	0.0	2.0	2.0	Buy
Cummins	0.0	2.0	2.0	Buy
BlueStar	0.0	2.0	2.0	Buy
Cash	**0.0**	**0.0**		
Total	**100.0**	**100.0**		

ANNUAL PERFORMANCE - MOST UNIVERSE (RS BILLION)

SECTOR	SALES				EBITDA				NET PROFIT			
Y/E MARCH	FY09E	FY10E	CH. (%)*	CH. (%)#	FY09E	FY10E	CH. (%)*	CH. (%)#	FY09E	FY10E	CH. (%)*	CH. (%)#
Auto (11)	1,131	1,305	14.6	15.0	132	155	11.5	14.1	82	95	9.6	13.1
Banks (20)	840	1,008	19.3	19.6	652	793	14.3	17.9	342	412	11.5	15.8
Cement (7)	467	517	11.5	11.1	130	127	-1.9	-1.9	70	69	-8.1	-4.6
Engineering (10)	1,169	1,466	30.6	27.9	172	225	35.8	33.2	122	158	34.3	31.9
FMCG (12)	647	746	17.0	16.2	124	147	17.7	18.1	91	109	19.2	19.6
IT (8)	1,080	1,318	28.3	25.1	264	318	29.4	24.8	212	251	24.9	21.6
Infrastructure (9)	328	446	32.9	34.5	56	81	52.6	49.0	24	30	38.0	33.1
Media (6)	69	81	22.4	19.9	25	31	20.1	21.7	17	21	29.1	26.0
Metals (8)	3,634	3,858	26.5	15.9	677	755	13.5	12.5	368	435	19.2	18.7
Oil Gas & Petchem (10)	9,805	9,310	29.8	11.0	984	1,332	8.0	20.9	547	820	8.0	27.2
Pharma (16)	471	478	19.5	10.1	97	114	18.2	17.5	68	83	3.4	12.8
Real Estate (2)	253	338	35.2	34.4	150	195	24.5	27.3	103	135	8.8	19.5
Retail (3)	134	178	41.8	37.1	10	14	41.9	39.5	4	6	49.6	52.5
Telecom (3)	734	915	38.9	31.7	303	388	38.7	33.3	165	205	24.7	24.2
Textiles (5)	123	147	19.6	19.6	19	24	26.3	24.9	5	7	20.4	33.5
Utilities (5)	650	769	12.9	15.6	157	185	16.6	17.3	110	126	17.0	15.6
Others (8)	161	201	40.1	32.2	33	43	50.9	40.0	21	27	61.1	44.5
MOSt (143)	**21,696**	**23,080**	**26.7**	**16.1**	**3,987**	**4,927**	**16.5**	**20.0**	**2,349**	**2,989**	**14.9**	**20.9**
MOSt Excl. Banks (123)	**20,855**	**22,072**	**27.0**	**15.9**	**3,335**	**4,134**	**16.9**	**20.4**	**2,007**	**2,577**	**15.4**	**21.7**
MOSt Excl.Oil & Gas (133)	**11,891**	**13,770**	**24.2**	**19.9**	**3,002**	**3,595**	**19.5**	**19.6**	**1,802**	**2,169**	**17.1**	**18.7**
MOSt Excl. Tata Steel (142)	**20,005**	**21,352**	**26.5**	**16.2**	**3,764**	**4,694**	**16.4**	**20.5**	**2,245**	**2,870**	**13.7**	**20.5**
MOSt Excl. RMs (140)	**15,857**	**18,190**	**25.1**	**19.8**	**3,851**	**4,690**	**18.8**	**20.3**	**2,291**	**2,860**	**18.0**	**21.4**

** Growth FY09 over FY08; # Growth FY10 over FY09. For Banks: Sales = Net Interest Income, EBITDA = Operating Profits; Tata Steel Figures are consolidated including Corus.*

VALUATIONS - MOST UNIVERSE

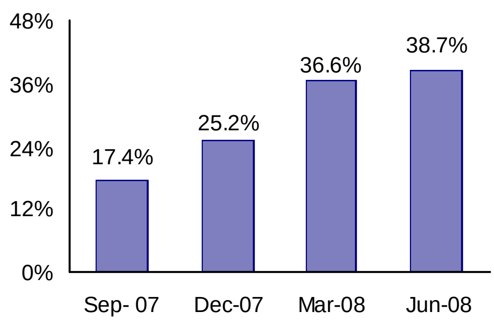
SECTOR	P/E (X)			EV/EBITDA (X)			P/BV (X)		ROE (%)			DIV. YLD (%)	EARN. CAGR
(NO. OF COMPANIES)	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY08E	FY09E	FY10E	FY09E	(FY10-08)
Auto (11)	10.4	9.5	8.1	6.0	5.1	4.1	2.4	2.0	22.7	21.1	21.0	3.2	13.1
Banks (20)	10.2	9.2	7.6	N.M	N.M	N.M	1.8	1.4	17.6	15.4	16.3	2.5	15.8
Cement (7)	6.4	6.9	7.0	3.6	3.5	3.5	2.1	1.6	32.7	23.8	19.8	2.7	-4.6
Engineering (10)	24.0	17.9	13.8	16.8	12.6	9.6	5.9	4.8	24.6	26.6	28.1	1.6	31.9
FMCG (12)	22.5	18.8	15.7	15.5	13.0	10.7	7.7	6.5	34.3	34.4	35.1	2.6	19.6
IT (8)	18.1	14.5	12.2	14.1	10.3	8.2	5.4	4.2	30.1	29.4	27.6	1.9	21.6
Infrastructure (9)	29.2	21.1	16.5	17.3	11.6	8.2	2.8	2.3	9.7	10.8	12.0	0.7	33.1
Media (6)	19.1	14.8	12.0	11.2	9.0	7.1	3.5	2.9	18.3	19.8	20.4	1.1	26.0
Metals (8)	8.2	6.9	5.8	5.0	4.2	3.5	2.0	1.5	24.3	22.2	21.2	1.8	18.7
Oil Gas & Petchem (10)	12.4	11.4	7.6	7.4	6.8	4.9	2.3	2.0	18.9	17.2	21.2	2.3	27.2
Pharma (16)	18.8	18.2	14.8	15.4	12.7	10.6	4.7	3.8	25.0	21.0	21.9	1.3	12.8
Real Estate (2)	9.6	8.8	6.7	9.0	7.3	5.1	3.7	3.1	39.1	34.7	34.4	2.1	19.5
Retail (3)	38.6	25.8	16.6	16.9	12.1	8.6	5.2	4.5	13.6	17.5	16.3	0.6	52.5
Telecom (3)	17.9	14.4	11.6	11.8	8.9	6.8	4.6	3.7	25.8	25.5	25.3	1.3	24.2
Textiles (5)	8.6	7.1	4.8	8.4	7.1	6.0	0.5	0.5	6.2	6.9	9.3	3.1	33.5
Utilities (5)	18.7	15.9	14.0	12.4	11.0	9.8	2.3	1.9	12.1	12.0	12.5	1.8	15.6
Others (8)	13.5	8.4	6.5	8.7	5.8	4.1	3.3	2.3	24.7	28.0	28.2	1.9	44.5
MOSt (143)	**13.4**	**11.7**	**9.2**	**N.M**	**N.M**	**N.M**	**2.9**	**2.3**	**21.3**	**19.8**	**21.1**	**2.0**	**20.9**
MOSt Excl. Banks (123)	**14.0**	**12.1**	**9.4**	**8.9**	**7.6**	**5.9**	**3.1**	**2.5**	**22.1**	**20.9**	**22.1**	**2.0**	**21.7**
MOSt Excl.Oil & Gas (133)	**13.8**	**11.8**	**9.8**	**N.M**	**N.M**	**N.M**	**3.1**	**2.5**	**22.3**	**20.8**	**21.0**	**1.9**	**18.7**
MOSt Excl. Tata Steel (142)	**13.6**	**12.0**	**9.4**	**N.M**	**N.M**	**N.M**	**2.9**	**2.4**	**21.3**	**19.7**	**21.0**	**2.0**	**20.5**
MOSt Excl. RMs (140)	**13.9**	**11.8**	**9.4**	**N.M**	**N.M**	**N.M**	**3.0**	**2.4**	**21.7**	**20.6**	**21.4**	**2.0**	**21.4**

N.M. - Not Meaningful *Source: Motilal Oswal Securities*

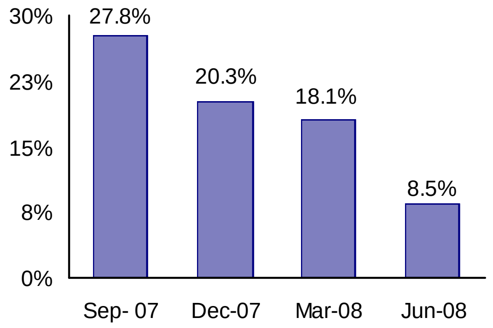
1QFY09: lowest PAT growth in 10 quarters

Aggregate estimates for our universe of 123 companies (excluding banks) suggest that 1QFY09 would be marked by acute pressure on EBITDA margins. Sales growth would be strong at ~40% YoY (led by Oil & Gas). However, EBITDA margin is likely to be down 260bp YoY. PAT growth would be just about 9% YoY – the lowest in the last 10 quarters. We expect the profit performance of Sensex companies to be better than the rest of the corporate sector – 15.6% PAT growth on sales growth of 30%, and EBITDA margin compression of 160bp YoY.

QUARTER-WISE SALES GROWTH (% YOY)



QUARTER-WISE NET PROFIT GROWTH (% YOY)



Source: Motilal Oswal Securities

QUARTERLY PERFORMANCE - MOST UNIVERSE (RS MILLION)

SECTOR	SALES			EBITDA			NET PROFIT		
(NO. OF COMPANIES)	JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)
Auto (11)	196,220	225,133	14.7	22,422	26,147	16.6	14,400	16,009	11.2
Banks (20)	161,366	191,444	18.6	114,111	134,573	17.9	61,401	65,046	5.9
Cement (7)	86,533	92,575	7.0	29,057	25,854	-11.0	19,236	15,081	-21.6
Engineering (10)	156,170	193,220	23.7	14,456	17,696	22.4	9,368	11,504	22.8
FMCG (12)	128,682	149,889	16.5	26,513	30,599	15.4	18,518	22,120	19.5
IT (8)	174,918	225,436	28.9	45,086	60,185	33.5	41,957	46,911	11.8
Infrastructure (9)	49,595	64,298	29.6	6,444	8,696	34.9	3,290	3,891	18.3
Media (6)	12,756	15,305	20.0	4,953	5,283	6.7	3,308	3,806	15.1
Metals (8)	567,974	686,397	20.8	137,796	158,748	15.2	76,393	90,448	18.4
Oil Gas & Petchem (10)	1,601,364	2,541,534	58.7	175,983	198,866	13.0	111,305	109,179	-1.9
Pharma (16)	89,945	108,862	21.0	17,514	22,474	28.3	15,148	13,347	-11.9
Real Estate (2)	39,394	57,549	46.1	27,044	33,710	24.6	18,915	22,925	21.2
Retail (3)	18,959	28,227	48.9	1,074	1,790	66.6	269	608	126.0
Telecom (3)	116,856	162,805	39.3	47,736	67,182	40.7	30,394	36,731	20.8
Textiles (5)	19,307	25,010	29.5	2,959	3,760	27.1	753	689	-8.6
Utilities (5)	139,808	167,041	19.5	31,582	37,080	17.4	21,637	24,605	13.7
Others (8)	23,515	34,707	47.6	3,894	6,052	55.4	2,279	3,780	65.9
MOSt (143)*	**3,583,361**	**4,969,431**	**38.7**	**708,624**	**838,694**	**18.4**	**448,571**	**486,679**	**8.5**
MOSt Excl. Banks (123)	**3,421,995**	**4,777,986**	**39.6**	**594,513**	**704,121**	**18.4**	**387,170**	**421,634**	**8.9**
MOSt Excl.Oil & Gas (133)	**1,981,997**	**2,427,897**	**22.5**	**532,642**	**639,829**	**20.1**	**337,266**	**377,500**	**11.9**
MOSt Excl. RMs (140)	**2,597,230**	**3,349,597**	**29.0**	**693,663**	**829,719**	**19.6**	**433,111**	**490,807**	**13.3**
Sensex (30)	**1,603,888**	**2,089,716**	**30.3**	**438,836**	**537,432**	**22.5**	**278,606**	**322,102**	**15.6**

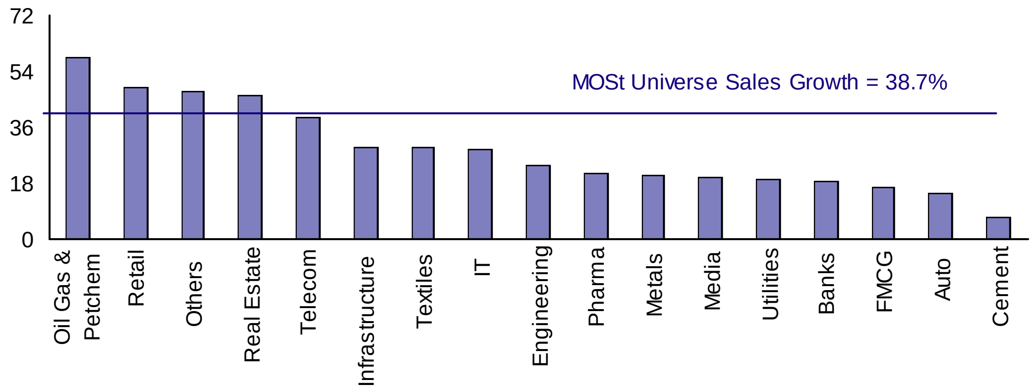
** Tata Steel Consolidated*

Source: Motilal Oswal Securities

Robust sales growth of 39% YoY

- In 1QFY09, we expect our Universe of 143 companies to record healthy sales growth of 39% YoY. Much of this growth would be led by the oil & gas sector (59% YoY), thanks to high prices. Excluding Oil & Gas, sales growth would be modest but still a healthy 22.5%. The other major sectors driving sales growth would be Infrastructure (+29.6%), Telecom (+29.5%), and IT (+29%). The growth rate would be dragged down mainly by Cement (+7%), Autos (+15%), and FMCG (+16.5%).
- Oil & Gas sales growth of 59% YoY would be the highest ever recorded by the sector in recent times, driven by rising crude prices coupled with hike in petrol and diesel prices announced in February 2008 and again in June 2008. The growth leaders would be Cairn India (+82%), HPCL (+77%), Chennai Petroleum (+72%) and BPCL (+64%).
- Growth in Infrastructure would be driven by a huge order backlog of 15-30 months, enabling the companies to sail through the current concerns of economic slowdown. The top-3 growth companies would be BL Kashyap (+49%), Simplex Infrastructure (+40%) and IVRCL Infrastructure (+35%).
- The Telecom sector is expected to witness revenue growth of 39% YoY on sustained strong addition to the wireless subscriber base (+25m in 1QFY09). Idea Cellular would lead the pack, with revenue growth of 44% YoY, followed by Bharti (+41.5%) and Reliance Communication (+35%).
- The IT sector is benefiting from the depreciating rupee and would record a healthy topline growth of 6.5% QoQ (29% YoY). The companies which are expected to grow faster than average are Satyam and Wipro (both +9% QoQ).
- Cement revenue growth would be slow at 7% due to macro and company-specific reasons. At the macro level, there is slowdown in housing-related demand and also capacity constraints. The major company-specific reason is hive-off of ACC' s RMC division into a separate company.
- Auto revenue growth of 15% YoY is one of the highest in recent quarters. Among OEMs, the fastest growers are M&M (+23.5%), followed by Maruti (+20%) and Hero Honda (+19%). Among auto ancillaries, Amtek Auto is expected to grow 22% and Bharat Forge 20%.

SECTORAL SALES GROWTH - QUARTER ENDED JUNE 2008 (%)



Source: Motilal Oswal Securities

260bp drop in EBITDA margin

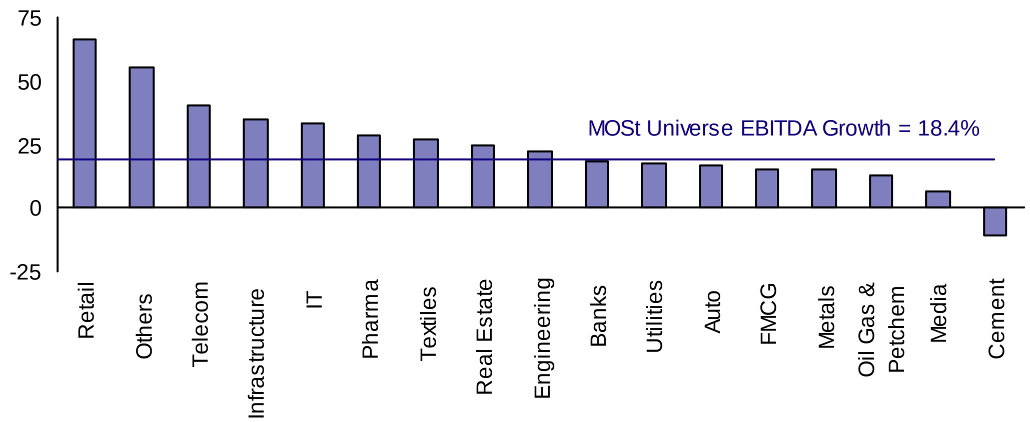
- We expect our Universe of 123 companies (excluding Banks) to register EBITDA growth of 18% YoY in 1QFY09. This is sharply lower than the estimated topline growth of 40%, implying a 260bp drop in EBITDA margin.

- However, most of the drop in margins would be explained by the under-recovery of oil marketing companies – IOC, HPCL and BPCL. Excluding Oil & Gas, aggregate EBITDA margin is expected to be just 50bp lower at 26.4% (23.6% in 4QFY07).

- The Real Estate sector is likely to take the worst hit, with EBITDA margin going down 10% to 58.6%.

- The cement sector is also expected to see a sharp 570bp drop in margins mainly due to increase in cost of key raw material, coal.

SECTORAL EBITDA GROWTH - QUARTER ENDED JUNE 2008 (%)

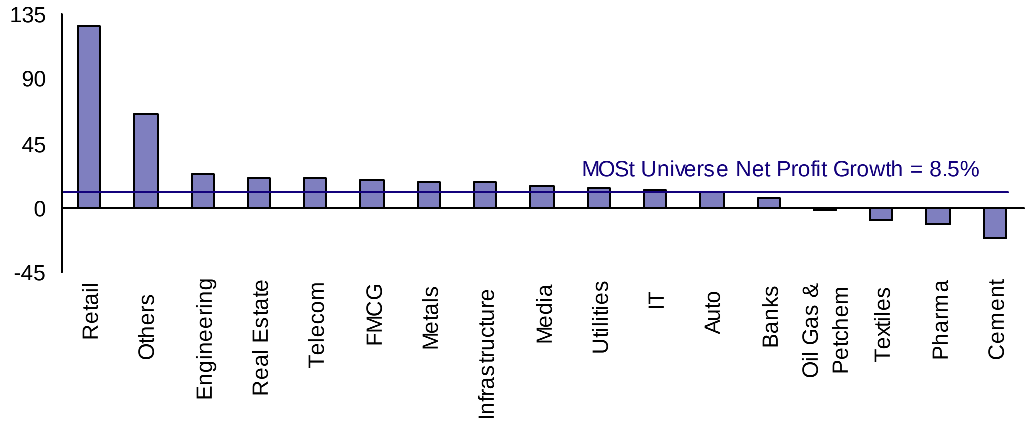


Source: Motilal Oswal Securities

PAT growth of 8.5% YoY; Sensex PAT growth of 15.6% YoY

- We expect overall PAT growth of just 8.5% YoY, the lowest in the last 10 quarters.
- The major contributors to PAT growth would be Engineering (+23% YoY), Real Estate (+21%), Telecom (+21%), FMCG (+19.5%), Infrastructure (+18%) and Metals (+18%). The major drags on profit growth would be Cement (-22% YoY), Pharma (-12%), Oil & Gas (-2%) and Banks (+6%).
- Profit growth for Sensex companies is expected to be 15.6% YoY. The top five performers are expected to be Reliance Infrastructure (+56% YoY), Satyam Computer (+43%), Wipro (+38%), HDFC (+38%), and Cipla (+31%). The bottom five are likely to be Ranbaxy (-83% YoY), Ambuja Cement (-25%), ICICI Bank (-21%), ACC (-19%) and Grasim (-18%).

SECTORAL NET PROFIT GROWTH - QUARTER ENDED JUNE 2008 (%)



Source: Motilal Oswal Securities

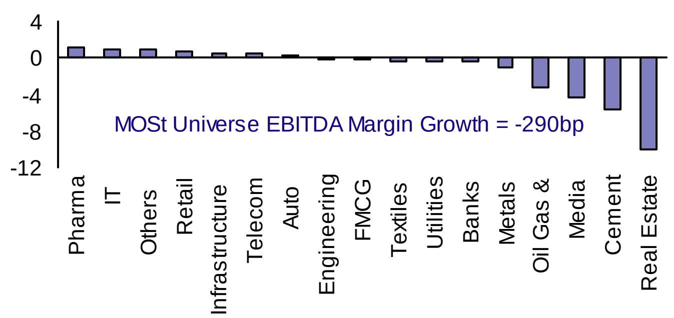
QUARTERLY PERFORMANCE - MOST UNIVERSE

SECTOR	EBITDA MARGIN (%)			NET PROFIT MARGIN (%)		
(NO. OF COMPANIES)	JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)
Auto (11)	11.4	11.6	0.2	7.3	7.1	-0.2
Banks (20)	70.7	70.3	-0.4	38.1	34.0	-4.1
Cement (7)	33.6	27.9	-5.7	22.2	16.3	-5.9
Engineering (10)	9.3	9.2	-0.1	6.0	6.0	0.0
FMCG (12)	20.6	20.4	-0.2	14.4	14.8	0.4
IT (8)	25.8	26.7	0.9	24.0	20.8	-3.2
Infrastructure (9)	13.0	13.5	0.5	6.6	6.1	-0.6
Media (6)	38.8	34.5	-4.3	25.9	24.9	-1.1
Metals (8)	24.3	23.1	-1.1	13.5	13.2	-0.3
Oil Gas & Petchem (10)	11.0	7.8	-3.2	7.0	4.3	-2.7
Pharma (16)	19.5	20.6	1.2	16.8	12.3	-4.6
Real Estate (2)	68.7	58.6	-10.1	48.0	39.8	-8.2
Retail (3)	5.7	6.3	0.7	1.4	2.2	0.7
Telecom (3)	40.9	41.3	0.4	26.0	22.6	-3.4
Textiles (5)	15.3	15.0	-0.3	3.9	2.8	-1.1
Utilities (5)	22.6	22.2	-0.4	15.5	14.7	-0.7
Others (8)	16.6	17.4	0.9	9.7	10.9	1.2
MOSt (143)*	**19.8**	**16.9**	**-2.9**	**12.5**	**9.8**	**-2.7**
MOSt Excl. Banks (123)	**17.4**	**14.7**	**-2.6**	**11.3**	**8.8**	**-2.5**
MOSt Excl.Oil & Gas (133)	**26.9**	**26.4**	**-0.5**	**17.0**	**15.5**	**-1.5**
MOSt Excl. RMs (140)	**26.7**	**24.8**	**-1.9**	**16.7**	**14.7**	**-2.0**
Sensex (30)	**27.4**	**25.7**	**-1.6**	**17.4**	**15.4**	**-2.0**

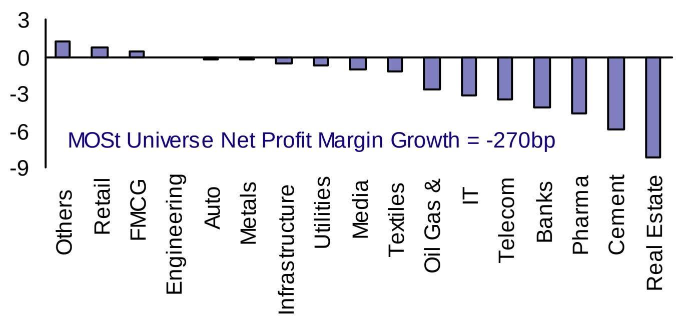
**Tata Steel Consolidated*

Source: Motilal Oswal Securities

EBITDA MARGIN GROWTH - QUARTER ENDED JUNE 2008 (%)



NET PROFIT MARGIN GROWTH - QUARTER ENDED JUNE 2008 (%)



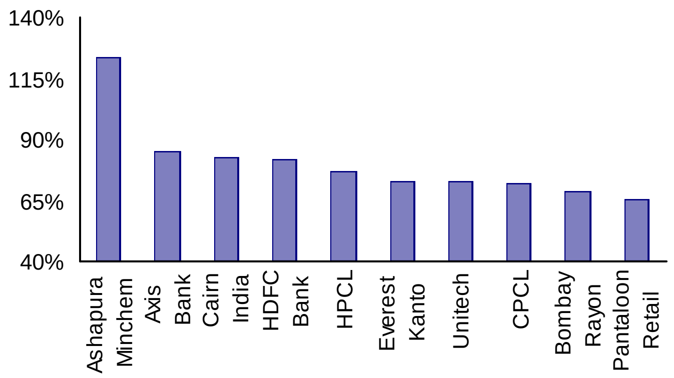
SECTORAL CONTRIBUTION TO GROWTH IN SALES, EBITDA AND NET PROFIT (%)

SECTOR	CONTRIBUTION TO SALES GR.	SECTOR	CONTRIBUTION TO EBITDA GR.	SECTOR	CONTRIBUTION TO NP GR.
Oil Gas & Petchem (10)	67.8	Oil Gas & Petchem (10)	17.6	Metals (8)	36.9
Metals (8)	8.5	Metals (8)	16.1	Telecom (3)	16.6
IT (8)	3.6	Banks (20)	15.7	IT (8)	13.0
Telecom (3)	3.3	Telecom (3)	15.0	Real Estate (2)	10.5
Engineering (10)	2.7	IT (8)	11.6	Banks (20)	9.6
Banks (20)	2.2	Real Estate (2)	5.1	FMCG (12)	9.5
Auto (11)	2.1	Utilities (5)	4.2	Utilities (5)	7.8
Utilities (5)	2.0	Pharma (16)	3.8	Engineering (10)	5.6
FMCG (12)	1.5	FMCG (12)	3.1	Auto (11)	4.2
Pharma (16)	1.4	Auto (11)	2.9	Others (8)	3.9
Real Estate (2)	1.3	Engineering (10)	2.5	Infrastructure (9)	1.6
Infrastructure (9)	1.1	Infrastructure (9)	1.7	Media (6)	1.3
Others (8)	0.8	Others (8)	1.7	Retail (3)	0.9
Retail (3)	0.7	Textiles (5)	0.6	Textiles (5)	-0.2
Cement (7)	0.4	Retail (3)	0.6	Pharma (16)	-4.7
Textiles (5)	0.4	Media (6)	0.3	Oil Gas & Petchem (10)	-5.6
Media (6)	0.2	Cement (7)	-2.5	Cement (7)	-10.9

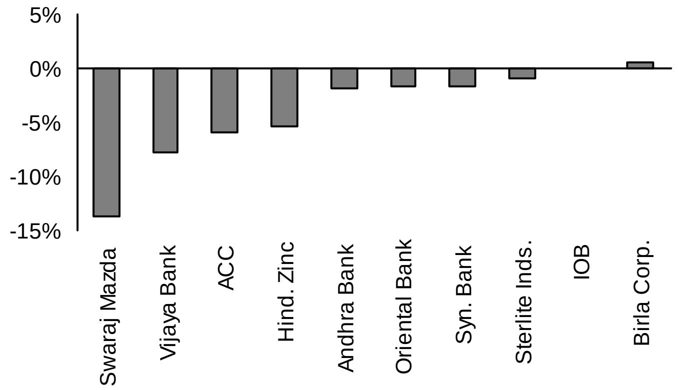
Source: Motilal Oswal Securities

Scoreboard (quarter ended June 2008)

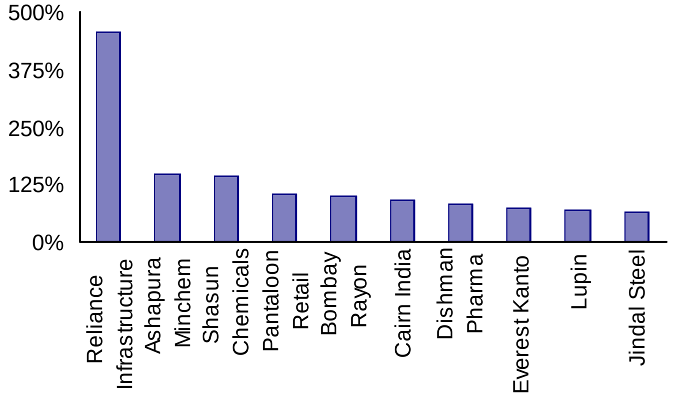
TOP 10 BY SALES GROWTH (%)



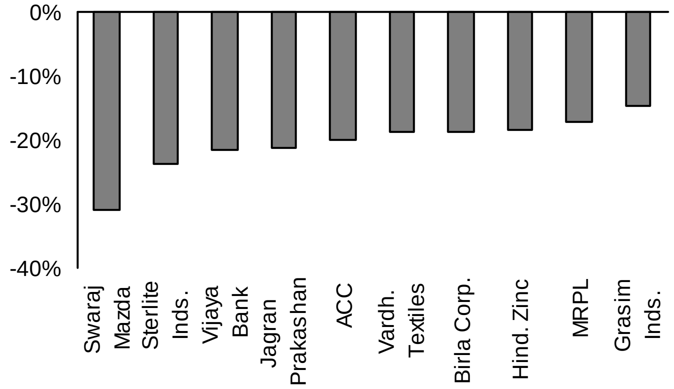
WORST 10 BY SALES GROWTH (%)



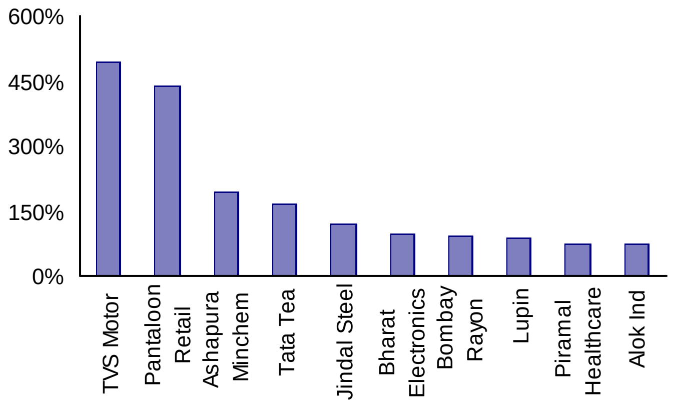
TOP 10 BY EBITDA GROWTH (%)



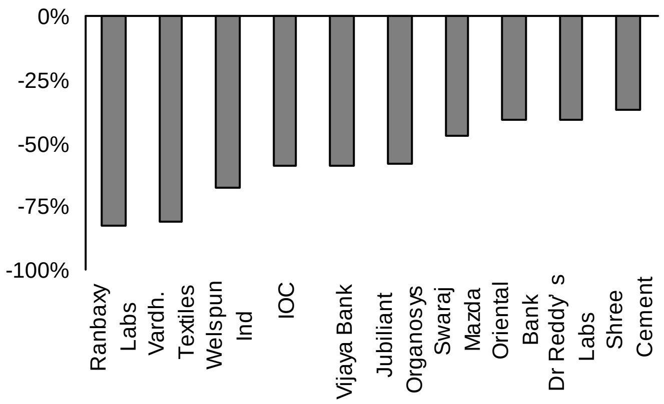
WORST 10 BY EBITDA GROWTH (%)



TOP 10 BY NET PROFIT GROWTH (%)



WORST 10 BY NET PROFIT GROWTH (%)



Source: Motilal Oswal Securities

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Note: In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company's quarterly and annual results or because of differences in the way we classify account heads as opposed to the company.

Ready reckoner: valuations

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.7.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Automobiles														
Amtek Auto	217	Buy	25.2	31.0	36.6	8.6	7.0	5.9	6.3	5.4	4.4	15.9	16.4	16.2
Ashok Leyland	28	Buy	3.3	3.5	4.1	8.5	8.0	6.9	5.1	5.4	4.6	21.7	19.4	20.3
Bajaj Auto	408	Buy	57.7	66.8	77.6	7.1	6.1	5.3	4.2	3.2	2.1	47.6	43.4	37.5
Bharat Forge	230	UR	11.3	14.8	17.3	20.4	15.6	13.3	11.8	9.4	7.5	18.4	16.5	17.0
Eicher Motors	241	UR	22.4	24.5	28.4	10.7	9.8	8.5	4.9	4.1	3.2	13.7	13.5	13.9
Hero Honda	666	Buy	48.5	56.8	64.0	13.7	11.7	10.4	8.5	6.8	5.6	35.0	33.3	28.7
Mahindra & Mahindra	468	Buy	62.3	70.5	85.7	7.5	6.6	5.5	7.1	6.3	4.9	20.0	18.8	19.0
Maruti Suzuki	549	Buy	67.4	70.2	81.9	8.1	7.8	6.7	3.8	3.3	2.6	20.5	19.7	18.9
Swaraj Mazda	300	Neutral	22.6	25.7	28.6	13.3	11.7	10.5	8.1	7.3	6.5	25.8	24.4	22.7
Tata Motors	390	Neutral	47.6	52.0	60.8	8.2	7.5	6.4	6.1	5.5	4.6	20.8	19.8	20.5
TVS Motor	25	Neutral	1.8	1.4	2.6	13.5	17.4	9.6	11.4	7.6	5.3	5.3	4.0	7.0
Sector Aggregate						**10.4**	**9.5**	**8.1**	**6.0**	**5.1**	**4.1**	**22.7**	**21.1**	**21.0**
Cement														
ACC	472	Neutral	68.1	62.4	57.0	6.9	7.6	8.3	4.0	3.9	4.5	30.8	23.6	19.0
Ambuja Cements	72	Neutral	8.6	7.9	7.6	8.4	9.1	9.5	4.4	4.9	5.4	32.1	23.7	20.1
Birla Corporation	159	Buy	51.1	42.0	41.3	3.1	3.8	3.9	1.2	0.7	0.9	38.4	24.8	20.1
Grasim Industries	1,678	Buy	288.4	251.9	256.1	5.8	6.7	6.6	3.0	3.1	2.9	28.7	20.6	17.8
India Cements	125	Buy	23.0	20.6	20.5	5.4	6.0	6.1	4.9	4.5	4.3	34.1	21.4	17.9
Shree Cement	523	Buy	88.5	101.3	107.9	5.9	5.2	4.8	2.4	1.8	1.4	52.4	39.8	30.6
UltraTech Cement	534	Buy	80.9	83.3	85.8	6.6	6.4	6.2	4.7	3.9	3.5	45.2	32.6	25.7
Sector Aggregate						**6.4**	**6.9**	**7.0**	**3.6**	**3.5**	**3.5**	**32.7**	**23.8**	**19.8**
Engineering														
ABB	788	Neutral	23.2	31.2	41.3	34.0	25.3	19.0	21.9	16.0	11.5	34.7	34.4	33.7
Alstom Projects	321	Neutral	17.3	18.7	25.7	18.6	17.2	12.5	10.9	9.6	6.1	31.8	29.1	32.8
Bharat Electronics	999	Buy	95.9	110.2	138.5	10.4	9.1	7.2	5.7	4.3	2.7	27.5	26.2	26.5
BHEL	1,397	Neutral	56.6	73.5	95.6	24.7	19.0	14.6	16.7	11.7	8.7	28.0	28.9	29.9
Crompton Greaves	222	Neutral	10.6	12.6	16.6	21.0	17.6	13.3	16.9	15.3	12.0	38.6	32.8	32.9
Cummins India	228	Buy	16.4	20.4	25.5	13.9	11.2	8.9	9.6	7.5	5.7	28.8	29.5	30.2
Larsen & Toubro	2,234	Neutral	79.0	110.8	137.9	28.3	20.2	16.2	21.1	15.8	12.7	26.5	24.6	25.5
Siemens	384	Neutral	17.7	22.0	29.3	21.7	17.5	13.1	20.9	13.9	10.1	34.7	37.0	41.0
Suzlon Energy	179	Neutral	6.6	11.1	15.1	27.0	16.1	11.8	16.1	12.5	10.1	16.3	17.4	20.7
Thermax	374	UR	24.2	30.6	39.4	15.4	12.2	9.5	10.2	7.1	4.9	42.4	40.8	39.1
Sector Aggregate						**24.0**	**17.9**	**13.8**	**16.8**	**12.6**	**9.6**	**24.6**	**26.6**	**28.1**
FMCG														
Asian Paints	1,026	Buy	43.5	50.7	62.0	23.6	20.2	16.6	15.1	12.7	10.5	41.7	37.1	34.4
Britannia	1,335	Buy	80.3	93.7	111.1	16.6	14.2	12.0	11.9	9.8	7.8	25.6	24.8	24.5
Colgate	369	Buy	17.1	20.0	23.4	21.6	18.5	15.8	20.7	17.6	14.8	102.7	125.2	125.6
Dabur	76	Neutral	3.9	4.6	5.5	19.5	16.6	13.7	15.5	13.0	10.8	54.1	48.7	46.0
Godrej Consumer	125	Buy	7.0	8.1	9.6	17.7	15.4	13.0	13.5	9.8	8.2	92.8	33.0	36.1
GSK Consumer	606	Buy	38.7	44.0	52.2	15.7	13.8	11.6	9.6	8.2	6.6	25.2	24.8	25.0
Hind. Unilever	196	Neutral	8.1	9.4	11.0	24.2	20.9	17.9	21.9	18.0	15.1	122.9	113.4	105.8
ITC	169	Buy	8.3	9.6	11.4	20.4	17.7	14.9	13.5	11.4	9.3	26.1	26.3	27.4
Marico	53	Buy	2.7	3.0	3.5	19.2	17.8	15.2	13.6	11.7	9.9	62.1	46.7	38.4
Nestle	1,615	Buy	44.7	59.6	75.9	36.1	27.1	21.3	22.2	17.6	13.8	73.7	87.7	86.5
Tata Tea	710	Neutral	46.9	67.9	76.6	15.1	10.4	9.3	5.5	4.4	3.7	8.1	10.9	11.3
United Spirits	1,077	Buy	39.7	56.0	77.6	27.1	19.2	13.9	18.4	15.4	12.1	34.9	32.2	31.1
Sector Aggregate						**22.5**	**18.8**	**15.7**	**15.5**	**13.0**	**10.7**	**34.3**	**34.4**	**35.1**

PULL OUT

Ready reckoner: valuations

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.7.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Information Technology														
HCL Technologies	236	Buy	17.9	23.8	26.5	13.2	9.9	8.9	8.0	6.3	5.2	21.2	25.0	25.3
Infosys	1,748	Buy	81.3	101.7	117.1	21.5	17.2	14.9	17.7	12.8	10.3	37.2	37.5	34.4
MphasiS	196	Buy	12.2	14.7	18.9	16.0	13.3	10.3	7.4	5.4	4.0	31.0	30.2	31.3
Patni Computer	219	Neutral	33.6	25.5	30.1	6.5	8.6	7.3	3.5	2.6	2.0	19.0	12.8	14.3
Satyam Computer	451	Buy	25.2	34.1	40.0	17.9	13.2	11.3	14.1	9.2	7.3	26.0	28.0	26.1
TCS	855	Buy	51.3	60.3	70.5	16.7	14.2	12.1	14.0	10.9	8.9	46.1	40.2	35.9
Tech Mahindra	692	Neutral	58.3	70.8	88.8	11.9	9.8	7.8	10.3	6.9	4.7	56.2	33.8	37.8
Wipro	430	Buy	22.1	28.5	34.7	19.4	15.1	12.4	14.7	10.5	8.0	27.9	28.7	27.8
Sector Aggregate						**18.1**	**14.5**	**12.2**	**14.1**	**10.3**	**8.2**	**30.1**	**29.4**	**27.6**
Infrastructure														
B.L.Kashyap	1,037	UR	56.2	87.9	115.1	18.5	11.8	9.0	10.8	6.6	4.7	33.1	37.3	35.1
Gammon India	225	Neutral	10.6	14.0	16.9	21.3	16.0	13.3	10.8	8.9	7.4	7.6	9.2	10.0
GMR Infrastructure	81	Neutral	1.2	2.1	1.7	70.5	39.1	46.8	34.7	15.1	9.3	3.4	5.9	4.7
Hindustan Construction	77	Buy	2.5	3.9	6.3	30.5	19.5	12.2	10.2	7.4	5.7	7.4	8.8	10.8
IVRCL Infra.	292	Buy	16.2	20.4	28.6	18.0	14.3	10.2	13.2	9.4	6.6	14.6	16.5	19.8
Jaiprakash Associates	139	Buy	4.7	6.1	8.4	29.3	22.6	16.4	18.7	14.5	10.1	13.3	12.1	13.5
Nagarjuna Construction	124	Neutral	7.0	9.0	11.2	17.6	13.8	11.1	10.7	9.0	8.0	12.2	11.4	12.3
Patel Engg.	331	Buy	26.3	22.9	27.3	12.6	14.5	12.1	11.9	10.0	8.8	19.8	14.4	15.2
Simplex Infra.	379	Buy	16.4	31.7	50.6	23.1	12.0	7.5	10.4	6.5	4.6	12.9	15.1	19.8
Sector Aggregate						**29.2**	**21.1**	**16.5**	**17.3**	**11.6**	**8.2**	**9.7**	**10.8**	**12.0**
Media														
Deccan Chronicle	102	Buy	11.0	13.5	17.2	9.2	7.5	5.9	4.8	3.9	2.8	25.7	25.3	25.8
HT Media	94	Buy	6.2	6.6	8.2	15.2	14.1	11.4	8.9	7.9	6.1	15.8	14.8	15.8
Jagran Prakashan	64	Buy	3.3	3.8	5.3	19.6	16.6	12.0	11.1	9.3	6.7	18.2	19.8	23.8
Sun TV	240	Neutral	9.5	13.3	16.3	25.4	18.0	14.7	13.3	10.2	8.0	24.8	27.6	27.0
TV Today	86	Buy	7.5	8.6	11.1	11.4	10.0	7.7	6.7	5.4	4.1	15.0	16.0	17.8
Zee Entertainment	191	Neutral	8.5	11.5	13.3	22.4	16.7	14.4	15.8	12.5	10.2	16.9	17.1	16.8
Sector Aggregate						**19.1**	**14.8**	**12.0**	**11.2**	**9.0**	**7.1**	**18.3**	**19.8**	**20.4**
Metals														
Hindalco	136	Neutral	15.2	13.5	17.5	9.0	10.1	7.7	6.5	5.1	4.9	12.4	9.6	11.3
Hindustan Zinc	482	Buy	104.0	85.7	92.6	4.6	5.6	5.2	2.3	2.2	2.6	37.3	23.9	20.8
Jindal Steel & Power	1,679	Buy	85.2	183.3	304.0	19.7	9.2	5.5	13.4	6.7	4.1	35.8	43.9	42.4
JSW Steel	732	Neutral	81.6	98.0	165.5	9.0	7.5	4.4	6.7	5.3	3.9	20.8	20.2	24.8
Nalco	342	Neutral	25.6	31.5	45.8	13.4	10.8	7.5	8.7	6.7	3.8	18.8	19.8	23.3
SAIL	128	Neutral	20.3	22.3	23.5	6.3	5.7	5.4	3.2	2.9	3.0	36.6	30.3	25.4
Sterlite Inds.	658	Buy	62.6	61.4	56.0	10.5	10.7	11.7	4.1	3.9	6.1	19.8	16.5	13.0
Tata Steel	657	Buy	85.5	126.7	144.3	7.7	5.2	4.6	4.9	4.0	3.5	20.5	24.2	22.4
Sector Aggregate						**8.2**	**6.9**	**5.8**	**5.0**	**4.2**	**3.5**	**24.3**	**22.2**	**21.2**
Oil & Gas														
BPCL	226	Neutral	52.7	23.2	74.7	4.3	9.7	3.0	4.9	7.8	3.4	14.8	6.6	19.6
Cairn India	258	Neutral	-0.1	2.6	8.7	-1867.0	99.6	29.8	66.5	36.8	15.1	-0.1	1.6	5.0
Chennai Petroleum	272	Buy	75.4	59.4	56.2	3.6	4.6	4.8	2.7	3.6	3.6	36.8	23.4	19.1
GAIL	321	Buy	30.8	35.5	37.1	10.4	9.0	8.7	6.9	5.6	5.3	19.9	20.2	18.7
HPCL	181	Neutral	21.4	-17.5	28.5	8.5	-10.4	6.4	8.3	54.4	5.3	7.2	-5.9	9.8
Indraprastha Gas	106	Neutral	12.5	11.4	9.8	8.5	9.3	10.8	4.6	4.6	4.8	33.4	25.1	19.6
IOC	341	Neutral	66.4	46.6	77.6	5.1	7.3	4.4	4.9	6.1	3.8	19.7	12.2	18.3

PULL OUT

Ready reckoner: valuations

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.7.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Oil & Gas (Contd.)														
MRPL	45	Sell	7.3	5.4	5.9	6.2	8.3	7.6	5.1	6.1	6.6	38.9	22.8	21.2
ONGC	859	Buy	92.9	120.2	109.3	9.2	7.1	7.9	3.9	2.9	2.9	27.5	29.8	22.9
Reliance Inds.	2,071	Buy	105.0	112.6	246.1	19.7	18.4	8.4	14.2	13.1	6.4	21.5	18.5	28.5
Sector Aggregate						**12.4**	**11.4**	**7.6**	**7.4**	**6.8**	**4.9**	**18.9**	**17.2**	**21.2**
Pharmaceuticals														
Aventis Pharma	699	Buy	62.7	63.5	67.6	11.2	11.0	10.3	6.7	5.7	4.5	21.5	19.6	18.9
Biocon	380	Buy	22.5	27.5	31.6	16.9	13.8	12.0	12.1	9.4	7.5	15.3	16.3	16.4
Cadila Health	307	Buy	20.5	25.3	32.9	15.0	12.1	9.3	8.8	7.6	6.0	27.3	26.9	28.4
Cipla	212	Neutral	9.0	9.9	11.6	23.5	21.3	18.2	19.4	16.3	13.9	18.5	17.5	17.7
Dishman Pharma	281	Buy	15.0	17.8	21.6	18.8	15.7	13.0	18.9	12.6	10.2	32.8	29.7	28.0
Divis Labs	1,313	Neutral	54.8	71.2	84.7	24.0	18.4	15.5	20.5	15.7	12.2	50.2	43.8	37.6
Dr Reddy's Labs	655	Buy	27.8	37.8	48.0	23.5	17.3	13.6	17.0	12.3	10.1	10.4	12.7	14.4
GSK Pharma	1,133	Buy	47.2	53.1	59.9	24.0	21.4	18.9	16.3	15.1	12.8	29.4	27.4	26.0
Jubiliant Organosys	310	Buy	22.3	21.9	28.3	13.9	14.2	10.9	11.1	7.7	6.2	37.8	27.9	28.4
Lupin	688	Buy	37.8	46.3	60.6	18.2	14.9	11.4	14.1	11.4	8.8	31.8	29.7	30.9
Piramal Healthcare	300	Buy	17.4	21.1	25.7	17.2	14.2	11.7	12.7	9.8	8.0	32.5	30.6	28.5
Pfizer	554	Neutral	42.2	47.8	52.4	13.1	11.6	10.6	6.9	5.0	4.0	18.5	15.3	15.3
Ranbaxy Labs	514	Neutral	19.4	16.6	22.7	26.6	30.9	22.6	25.0	17.1	16.0	27.8	21.1	25.1
Shasun Chemicals	37	Buy	3.3	4.9	5.8	11.2	7.6	6.3	29.7	5.7	5.4	6.8	9.4	10.7
Sun Pharma	1,379	Buy	71.8	55.0	67.5	19.2	25.1	20.4	15.0	18.8	14.8	36.8	19.7	20.5
Wockhardt	173	Neutral	29.0	27.9	33.7	6.0	6.2	5.2	7.2	5.8	5.1	28.5	22.1	22.2
Sector Aggregate						**18.8**	**18.2**	**14.8**	**15.4**	**12.7**	**10.6**	**25.0**	**21.0**	**21.9**
Real Estate														
DLF	382	Buy	46.1	49.0	54.2	8.3	7.8	7.0	7.8	6.7	5.4	38.2	33.5	29.4
Unitech	154	Neutral	10.1	12.2	26.7	15.3	12.6	5.8	13.9	9.3	4.5	44.8	41.7	54.5
Sector Aggregate						**9.6**	**8.8**	**6.7**	**9.0**	**7.3**	**5.1**	**39.1**	**34.7**	**34.4**
Retailing														
Pantaloon Retail	355	Buy	8.9	14.2	21.0	39.8	25.0	16.9	15.5	10.9	7.5	10.0	14.2	12.4
Shopper's Stop	293	Neutral	0.8	2.9	9.9	384.8	102.5	29.7	19.1	12.5	8.3	-0.2	3.3	10.9
Titan Industries	1,035	Neutral	33.9	43.5	57.4	30.6	23.8	18.0	19.1	14.2	11.0	33.8	33.2	33.1
Aggregate						**38.6**	**25.8**	**16.6**	**16.9**	**12.1**	**8.6**	**13.6**	**17.5**	**16.3**
Telecom														
Bharti Airtel	709	Buy	35.4	47.2	57.0	20.1	15.0	12.4	12.2	8.9	7.0	36.9	34.1	31.4
Idea Cellular	87	Buy	4.0	4.8	6.6	22.0	18.1	13.2	12.7	9.3	7.0	30.2	30.4	32.0
Reliance Comm	390	Buy	26.9	30.8	38.6	14.5	12.7	10.1	10.9	8.8	6.4	22.7	20.6	21.9
Sector Aggregate						**17.9**	**14.4**	**11.6**	**11.8**	**8.9**	**6.8**	**25.8**	**25.5**	**25.3**
Textiles														
Alok Ind	37	Buy	8.4	10.0	12.4	4.4	3.7	3.0	8.0	7.8	6.7	15.2	13.1	14.1
Arvind Mills	28	Neutral	1.3	1.6	4.0	21.8	18.1	7.2	8.5	7.9	6.2	1.5	1.7	4.1
Raymond	210	Neutral	10.6	20.9	24.2	19.8	10.0	8.7	7.8	4.3	3.9	4.5	8.6	9.4
Vardhman Textiles	92	Buy	21.2	16.4	25.9	4.3	5.6	3.6	8.7	7.7	6.1	10.6	7.7	11.2
Welspun Ind	37	Neutral	3.4	3.3	9.3	10.9	11.2	4.0	9.4	7.6	6.0	4.2	4.0	10.8
Sector Aggregate						**8.6**	**7.1**	**4.8**	**8.4**	**7.1**	**6.0**	**6.2**	**6.9**	**9.3**

PULL OUT

Ready reckoner: valuations

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.7.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Utilities														
CESC	380	Neutral	25.4	27.5	30.3	15.0	13.8	12.5	9.6	9.8	9.0	11.9	11.5	11.4
NTPC	153	Neutral	9.2	10.0	10.6	16.6	15.2	14.4	10.6	10.0	9.4	14.3	14.7	14.2
PTC India	68	Buy	2.1	3.9	4.3	31.8	17.5	15.9	55.4	23.0	19.2	5.6	5.8	6.2
Reliance Infrastructure	722	UR	28.5	32.0	41.2	25.3	22.5	17.5	28.5	11.3	5.6	11.4	11.4	11.4
Tata Power	1,007	Buy	32.2	67.9	96.0	31.2	14.8	10.5	26.5	22.2	16.3	7.6	8.0	9.0
Sector Aggregate						**18.7**	**15.9**	**14.0**	**12.4**	**11.0**	**9.8**	**12.1**	**12.0**	**12.5**
Others														
Ashapura Minchem	112	Buy	25.3	51.3	63.9	4.4	2.2	1.8	3.2	1.5	0.8	40.4	52.8	42.8
Blue Star	344	Buy	16.3	24.0	32.6	21.1	14.3	10.5	13.3	9.3	6.8	73.1	66.7	62.6
Bombay Rayon	283	Buy	16.2	26.3	43.3	17.4	10.8	6.5	11.1	8.7	5.3	20.2	22.7	29.4
Everest Kanto	257	Buy	10.5	14.1	21.2	24.4	18.3	12.1	18.1	10.7	6.8	27.2	24.2	26.6
Great Offshore	472	UR	37.0	72.1	78.7	12.8	6.6	6.0	8.7	5.0	3.5	27.3	25.0	22.0
Greaves Cotton	170	Buy	22.2	27.8	35.9	7.7	6.1	4.7	4.6	3.2	2.3	33.8	33.0	34.2
TajGVK Hotels	98	Buy	11.2	14.0	16.2	8.7	7.0	6.1	5.7	4.3	3.6	32.6	32.5	30.5
United Phosphorous	267	Buy	15.4	22.9	29.1	17.3	11.7	9.2	7.9	5.7	4.3	22.0	24.8	24.9
Sector Aggregate						**13.5**	**8.4**	**6.5**	**8.7**	**5.8**	**4.1**	**24.7**	**28.0**	**28.2**

UR - Under Review

	CMP (RS)	RECO	EPS (RS)			P/E (X)			P/BV (X)			ROE (%)		
	3.7.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Banks														
Andhra Bank	51	Buy	11.9	12.6	14.5	4.3	4.0	3.5	0.8	0.7	0.6	18.0	17.8	18.3
Axis Bank	580	Buy	29.9	39.2	51.6	19.4	14.8	11.2	2.4	2.1	1.8	17.6	15.1	17.5
Bank of Baroda	211	Buy	39.3	45.3	54.0	5.4	4.6	3.9	0.8	0.7	0.6	15.6	16.0	16.8
Bank of India	225	Buy	38.2	43.4	50.3	5.9	5.2	4.5	1.3	1.1	0.9	27.6	23.4	22.4
Canara Bank	174	Neutral	38.2	36.3	41.6	4.6	4.8	4.2	0.9	0.8	0.7	19.1	16.9	17.2
Corporation Bank	263	Neutral	51.2	51.9	62.0	5.1	5.1	4.2	0.9	0.8	0.7	18.4	16.5	17.3
Federal Bank	184	Buy	21.5	30.0	33.2	8.6	6.1	5.6	0.8	0.7	0.7	13.6	12.4	12.5
HDFC	1,936	Buy	85.8	86.6	106.4	22.6	22.3	18.2	4.6	4.0	3.6	22.2	19.3	20.8
HDFC Bank	984	Buy	38.2	49.4	63.2	25.8	19.9	15.6	3.2	2.9	2.2	15.8	15.1	16.1
ICICI Bank	574	Buy	37.4	41.8	50.5	15.4	13.7	11.4	1.4	1.3	1.2	11.7	9.7	10.9
Indian Bank	88	Buy	23.5	23.6	28.5	3.7	3.7	3.1	0.8	0.7	0.6	25.8	20.4	21.0
Indian Overseas Bank	75	Buy	22.0	23.9	27.3	3.4	3.1	2.7	0.9	0.7	0.6	27.8	24.7	23.4
J&K Bank	500	Buy	74.2	85.1	110.4	6.7	5.9	4.5	1.1	0.9	0.8	16.7	16.8	18.9
Karnataka Bank	126	Buy	19.9	20.5	25.2	6.3	6.1	5.0	1.1	1.0	0.8	18.5	17.0	18.3
Oriental Bank	125	Neutral	33.6	27.3	34.4	3.7	4.6	3.6	0.5	0.5	0.4	14.8	11.4	13.0
Punjab National Bank	384	Buy	65.0	77.7	93.7	5.9	4.9	4.1	1.1	1.0	0.8	19.6	20.9	21.4
State Bank	1,102	Buy	106.6	119.7	142.6	10.3	9.2	7.7	1.4	1.3	1.1	16.8	14.6	15.5
Syndicate Bank	48	Neutral	16.2	13.8	14.8	3.0	3.5	3.2	0.6	0.6	0.5	23.8	17.5	16.6
Union Bank	112	Buy	27.5	29.4	33.0	4.1	3.8	3.4	1.0	0.8	0.7	26.8	24.0	22.4
Vijaya Bank	33	Neutral	8.3	6.7	7.8	3.9	4.9	4.1	0.6	0.5	0.4	16.6	10.7	10.6
Sector Aggregate						**10.2**	**9.2**	**7.6**	**1.8**	**1.4**	**1.2**	**17.6**	**15.4**	**16.3**

PULL OUT

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	3.7.08		JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)
Automobiles											
Amtek Auto	217	Buy	10,549	12,845	21.8	1,834	2,110	15.0	981	1,042	6.2
Ashok Leyland	28	Buy	16,211	17,432	7.5	1,546	1,482	-4.2	720	662	-8.1
Bajaj Auto	408	Buy	-	24,308	-		3,259	-		2,236	-
Bharat Forge	230	UR	4,969	5,964	20.0	1,012	1,408	39.1	425	668	57.3
Eicher Motors	241	UR	4,644	5,233	12.7	263	251	-4.6	111	133	19.3
Hero Honda	666	Buy	24,480	29,175	19.2	2,635	4,200	59.4	1,898	2,972	56.5
Mahindra & Mahindra	468	Buy	26,128	32,273	23.5	2,771	3,421	23.5	1,923	2,334	21.4
Maruti Suzuki	549	Buy	39,308	47,294	20.3	6,580	7,097	7.8	4,996	5,134	2.8
Swaraj Mazda	300	Neutral	1,530	1,321	-13.7	126	87	-30.8	60	32	-47.3
Tata Motors	390	Neutral	60,568	65,153	7.6	5,463	5,864	7.3	3,275	2,971	-9.3
TVS Motor	25	Neutral	7,833	8,443	7.8	191	228	19.2	10	62	495.1
Sector Aggregate			**196,220**	**225,133**	**14.7**	**22,422**	**26,147**	**16.6**	**14,400**	**16,009**	**11.2**
Cement											
ACC	472	Neutral	18,427	17,336	-5.9	5,444	4,351	-20.1	3,512	2,832	-19.4
Ambuja Cements	72	Neutral	14,644	15,514	5.9	5,453	4,695	-13.9	4,036	3,017	-25.3
Birla Corporation	159	Buy	4,093	4,116	0.6	1,438	1,168	-18.7	975	782	-19.8
Grasim Industries	1,678	Buy	24,448	27,589	12.8	7,921	6,765	-14.6	5,117	4,179	-18.3
India Cements	125	Buy	7,012	8,036	14.6	2,643	2,521	-4.6	1,834	1,237	-32.5
Shree Cement	523	Buy	4,258	5,375	26.2	1,823	1,988	9.0	1,169	733	-37.3
UltraTech Cement	534	Buy	13,653	14,609	7.0	4,335	4,365	0.7	2,594	2,301	-11.3
Sector Aggregate			**86,533**	**92,575**	**7.0**	**29,057**	**25,854**	**-11.0**	**19,236**	**15,081**	**-21.6**
Engineering											
ABB	788	Neutral	14,009	17,371	24.0	1,638	2,102	28.3	1,079	1,415	31.1
Alstom Projects	321	Neutral	2,413	3,321	37.6	246	319	29.7	175	226	28.9
Bharat Electronics	999	Buy	4,044	4,842	19.7	-46	387	-	263	515	95.8
BHEL	1,397	Neutral	32,339	38,850	20.1	3,107	3,115	0.2	2,357	2,828	20.0
Crompton Greaves	222	Neutral	8,961	10,726	19.7	1,045	1,148	9.9	638	706	10.7
Cummins India	228	Buy	5,423	6,779	25.0	740	915	23.7	640	715	11.7
Larsen & Toubro	2,234	Neutral	45,052	59,829	32.8	4,738	6,600	39.3	2,924	3,814	30.4
Siemens	384	Neutral	17,902	21,823	21.9	910	996	9.5	642	768	19.7
Suzlon Energy	179	Neutral	19,446	21,196	9.0	1,398	1,223	-12.5	189	-116	-
Thermax	374	UR	6,581	8,483	28.9	680	889	30.7	462	634	37.1
Sector Aggregate			**156,170**	**193,220**	**23.7**	**14,456**	**17,696**	**22.4**	**9,368**	**11,504**	**22.8**
FMCG											
Asian Paints	1,026	Buy	9,605	11,485	19.6	1,354	1,610	18.9	815	965	18.4
Britannia	1,335	Buy	5,769	6,550	13.5	446	525	17.7	392	463	18.1
Colgate	369	Buy	3,507	4,020	14.6	689	685	-0.6	619	677	9.4
Dabur	76	Neutral	4,791	5,485	14.5	792	895	13.0	622	724	16.3
Godrej Consumer	125	Buy	2,863	3,395	18.6	511	604	18.1	386	482	24.7
GSK Consumer	606	Buy	3,156	3,670	16.3	585	668	14.2	423	485	14.7
Hind. Unilever	196	Neutral	34,814	40,800	17.2	5,120	6,120	19.5	4,719	5,446	15.4
ITC	169	Buy	33,252	38,300	15.2	11,276	12,650	12.2	7,829	8,891	13.6
Marico	53	Buy	4,691	5,594	19.2	660	718	8.8	402	467	16.1
Nestle	1,615	Buy	8,389	10,240	22.1	1,695	2,109	24.5	1,037	1,333	28.6
Tata Tea	710	Neutral	10,188	10,900	7.0	1,672	1,890	13.1	377	1,011	168.3
United Spirits	1,077	Buy	7,657	9,450	23.4	1,714	2,125	24.0	896	1,175	31.2
Sector Aggregate			**128,682**	**149,889**	**16.5**	**26,513**	**30,599**	**15.4**	**18,518**	**22,120**	**19.5**

PULL OUT

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	3.7.08		JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)
Infrastructure											
B.L.Kashyap	1,037	UR	3,026	4,508	49.0	352	577	64.0	278	382	37.6
Gammon India	225	Neutral	6,495	8,378	29.0	577	753	30.5	271	327	20.6
Hindustan Construction	77	Buy	7,290	8,938	22.6	791	1,057	33.7	142	236	66.0
IVRCL Infra.	292	Buy	6,773	9,150	35.1	600	869	44.8	380	472	24.4
Jaiprakash Associates	139	Buy	9,270	11,103	19.8	2,390	3,210	34.3	1,400	1,600	14.3
Nagarjuna Construction	124	Neutral	7,622	10,061	32.0	794	964	21.5	360	420	16.6
Patel Engg.	331	Buy	3,301	4,014	21.6	358	442	23.4	264	168	-36.3
Simplex Infra.	379	Buy	5,818	8,145	40.0	582	823	41.4	196	286	45.9
Sector Aggregate			**49,595**	**64,298**	**29.6**	**6,444**	**8,696**	**34.9**	**3,290**	**3,891**	**18.3**
Media											
Deccan Chronicle	102	Buy	1,734	2,120	22.3	1,037	1,145	10.4	838	967	15.5
HT Media	94	Buy	2,733	3,100	13.4	556	620	11.6	342	403	18.0
Jagran Prakashan	64	Buy	1,834	2,195	19.7	515	406	-21.2	347	241	-30.6
Sun TV	240	Neutral	2,023	2,475	22.3	1,529	1,856	21.4	931	1,225	31.6
TV Today	86	Buy	515	585	13.6	119	126	5.9	80	93	16.7
Zee Entertainment	191	Neutral	3,916	4,830	23.3	1,197	1,130	-5.6	771	876	13.6
Sector Aggregate			**12,756**	**15,305**	**20.0**	**4,953**	**5,283**	**6.7**	**3,308**	**3,806**	**15.1**
Metals											
Hindalco	136	Neutral	46,779	55,148	17.9	8,843	10,558	19.4	6,029	6,891	14.3
Hindustan Zinc	482	Buy	19,700	18,633	-5.4	14,360	11,696	-18.6	11,850	9,284	-21.7
Jindal Steel & Power	1,679	Buy	12,231	17,641	44.2	4,792	8,000	67.0	2,317	5,060	118.3
JSW Steel	732	Neutral	24,280	39,296	61.8	8,397	10,384	23.7	4,369	4,276	-2.1
Nalco	342	Neutral	11,652	13,676	17.4	6,164	6,591	6.9	4,467	4,628	3.6
Sterlite Inds.	658	Buy	61,391	60,856	-0.9	21,561	16,474	-23.6	11,429	10,009	-12.4
SAIL	128	Neutral	80,395	101,091	25.7	24,636	37,098	50.6	15,704	24,544	56.3
Tata Steel	657	Buy	311,546	380,055	22.0	49,043	57,947	18.2	20,227	25,755	27.3
Sector Aggregate			**567,974**	**686,397**	**20.8**	**137,796**	**158,748**	**15.2**	**76,393**	**90,448**	**18.4**
Oil & Gas											
BPCL	226	Neutral	238,694	391,841	64.2	2,060	-922	-	1,646	-3,727	-
Cairn India	258	Neutral	2,433	4,438	82.4	1,895	3,620	91.0	-714	2,177	-
Chennai Petroleum	272	Buy	62,217	106,973	71.9	5,914	6,039	2.1	3,232	3,278	1.4
GAIL	321	Buy	42,457	49,681	17.0	10,387	12,056	16.1	6,852	7,512	9.6
HPCL	181	Neutral	218,817	387,364	77.0	-1,285	-3,566	177.4	-869	-6,406	636.9
Indraprastha Gas	106	Neutral	1,618	2,081	28.6	687	866	26.1	384	503	31.0
IOC	341	Neutral	528,620	840,629	59.0	14,187	13,463	-5.1	14,684	6,005	-59.1
MRPL	45	Sell	74,391	111,504	49.9	6,186	5,129	-17.1	3,686	2,666	-27.7
ONGC	859	Buy	136,877	179,621	31.2	79,223	101,573	28.2	46,105	56,973	23.6
Reliance Inds.	2,071	Buy	295,240	467,402	58.3	56,730	60,607	6.8	36,300	40,197	10.7
Sector Aggregate			**1,601,364**	**2,541,534**	**58.7**	**175,983**	**198,866**	**13.0**	**111,305**	**109,179**	**-1.9**
Pharmaceuticals											
Aventis Pharma	699	Buy	2,302	2,360	2.5	445	515	15.7	373	382	2.5
Biocon	380	Buy	2,710	2,916	7.6	765	816	6.7	530	568	7.2
Cadila Health	307	Buy	5,722	6,543	14.4	1,112	1,267	13.9	739	724	-2.0
Cipla	212	Neutral	9,018	10,560	17.1	1,607	2,010	25.1	1,198	1,570	31.1
Dishman Pharma	281	Buy	1,680	2,400	42.9	274	504	84.0	214	284	32.7
Divis Labs	1,313	Neutral	2,281	2,689	17.9	843	1,036	22.9	673	898	33.5
Dr Reddy' s Labs	655	Buy	12,018	14,441	20.2	2,132	2,020	-5.2	1,828	1,080	-40.9

Tata Steel numbers are consolidated.

PULL OUT

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	3.7.08		JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)
Pharmaceuticals (Contd.)											
GSK Pharma	1,133	Buy	3,915	4,287	9.5	1,223	1,353	10.6	964	1,160	20.3
Jubiliant Organosys	310	Buy	5,400	7,381	36.7	952	1,381	45.0	1,429	591	-58.6
Lupin	688	Buy	5,757	7,759	34.8	821	1,400	70.5	559	1,049	87.7
Piramal Healthcare	300	Buy	6,081	7,250	19.2	841	1,225	45.7	437	763	74.4
Pfizer	554	Neutral	1,800	1,828	1.6	474	538	13.6	379	427	12.7
Ranbaxy Labs	514	Neutral	16,853	20,110	19.3	2,265	3,390	49.7	2,635	452	-82.8
Shasun Chemicals	37	Buy	1,952	2,278	16.7	91	223	144.7	49	-102	-
Sun Pharma	1,379	Buy	6,153	7,705	25.2	2,148	2,881	34.1	2,272	2,729	20.1
Wockhardt	173	Neutral	6,303	8,355	32.6	1,522	1,915	25.8	870	773	-11.1
Sector Aggregate			**89,945**	**108,862**	**21.0**	**17,514**	**22,474**	**28.3**	**15,148**	**13,347**	**-11.9**
Real Estate											
DLF	382	Buy	30,738	42,620	38.7	22,039	26,424	19.9	15,244	18,849	23.6
Unitech	154	Neutral	8,656	14,930	72.5	5,005	7,286	45.6	3,670	4,076	11.0
Sector Aggregate			**39,394**	**57,549**	**46.1**	**27,044**	**33,710**	**24.6**	**18,915**	**22,925**	**21.2**
Retailing											
Pantaloon Retail	355	Buy	10,196	16,860	65.4	568	1,153	103.2	69	375	440.3
Shopper' s Stop	293	Neutral	2,188	2,900	32.5	138	200	44.6	20	22	11.6
Titan Industries	1,035	Neutral	6,575	8,467	28.8	369	437	18.6	180	211	17.3
Sector Aggregate			**18,959**	**28,227**	**48.9**	**1,074**	**1,790**	**66.6**	**269**	**608**	**126.0**
Telecom											
Bharti Airtel	709	Buy	59,046	83,551	41.5	24,466	35,050	43.3	15,116	18,798	24.4
Idea Cellular	87	Buy	14,773	21,339	44.4	5,128	7,035	37.2	3,085	2,694	-12.7
Reliance Comm	390	Buy	43,037	57,915	34.6	18,142	25,098	38.3	12,193	15,238	25.0
Sector Aggregate			**116,856**	**162,805**	**39.3**	**47,736**	**67,182**	**40.7**	**30,394**	**36,731**	**20.8**
Textiles											
Alok Ind	37	Buy	4,189	6,560	56.6	1,016	1,561	53.7	285	495	73.7
Arvind Mills	28	Neutral	5,103	6,058	18.7	721	636	-11.8	-24	-15	-39.3
Raymond	210	Neutral	2,091	3,131	49.7	-40	379	-	77	118	52.2
Vardhman Textiles	92	Buy	5,276	5,963	13.0	896	728	-18.8	323	61	-81.2
Welspun Ind	37	Neutral	2,647	3,298	24.6	367	457	24.6	92	30	-67.7
Sector Aggregate			**19,307**	**25,010**	**29.5**	**2,959**	**3,760**	**27.1**	**753**	**689**	**-8.6**
Utilities											
CESC	380	Neutral	7,170	7,568	5.5	1,300	1,400	7.7	697	739	6.1
NTPC	153	Neutral	89,697	108,380	20.8	26,945	30,346	12.6	17,648	19,760	12.0
PTC India	68	Buy	11,586	13,429	15.9	58	66	14.6	119	173	45.1
Reliance Infrastructure	722	UR	16,240	17,864	10.0	376	2,099	458.4	1,341	2,089	55.8
Tata Power	1,007	Buy	15,115	19,800	31.0	2,903	3,168	9.1	1,832	1,843	0.6
Sector Aggregate			**139,808**	**167,041**	**19.5**	**31,582**	**37,080**	**17.4**	**21,637**	**24,605**	**13.7**

UR - Under Review

PULL OUT

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	3.7.08		JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)
Others											
Ashapura Minchem	112	Buy	4,270	9,538	123.4	581	1,440	147.8	384	1,132	195.2
Blue Star	344	Buy	4,623	6,597	42.7	379	506	33.4	223	307	37.5
Bombay Rayon	283	Buy	2,013	3,399	68.9	396	785	98.3	221	420	90.3
Everest Kanto	257	Buy	1,113	1,921	72.6	309	538	74.2	223	309	39.0
Great Offshore	472	UR	1,450	1,958	-	640	1,095	-	355	727	-
Greaves Cotton	170	Buy	2,482	3,026	21.9	273	380	39.1	341	228	-33.1
TajGVK Hotels	115	Buy	565	633	12.0	259	293	12.8	151	163	8.2
United Phosphorous	267	Buy	8,450	9,594	13.5	1,697	2,111	24.4	738	1,221	65.5
Sector Aggregate			**23,515**	**34,707**	**47.6**	**3,894**	**6,052**	**55.4**	**2,279**	**3,780**	**65.9**

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	3.7.08		MAR.08	JUN.08	CHG. (%)	MAR.08	JUN.08	CHG. (%)	MAR.08	JUN.08	CHG. (%)
Information Technology											
HCL Technologies	236	Buy	19,448	20,458	5.2	4,829	5,266	9.0	3,424	3,012	-12.0
Infosys	1,748	Buy	45,420	48,034	5.8	14,780	15,421	4.3	12,490	13,015	4.2
MphasiS	196	Buy	6,576	6,937	5.5	1,033	1,169	13.2	714	674	-5.6
Patni Computer	219	Neutral	7,061	7,492	6.1	1,061	1,191	12.2	725	763	5.3
Satyam Computer	451	Buy	24,160	26,336	9.0	5,506	6,285	14.1	4,668	5,399	15.7
TCS	855	Buy	60,947	64,069	5.1	15,524	15,831	2.0	12,559	12,455	-0.8
Tech Mahindra	692	Neutral	10,218	10,847	6.2	2,224	2,256	1.4	2,189	1,769	-19.2
Wipro	430	Buy	37,899	41,262	8.9	11,206	12,767	13.9	8,754	9,824	12.2
Sector Aggregate			**211,729**	**225,436**	**6.5**	**56,164**	**60,185**	**7.2**	**45,523**	**46,911**	**3.0**

	CMP (RS)	RECO	NET INT INCOME			OPERATING PROFIT			NET PROFIT		
	3.7.08		JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)	JUN.07	JUN.08	CHG. (%)
Banks											
Andhra Bank	51	Buy	3,621	3,556	-1.8	2,234	2,200	-1.5	1,411	1,241	-12.1
Axis Bank	580	Buy	4,209	7,791	85.1	3,679	5,523	50.1	1,750	2,313	32.2
Bank of Baroda	211	Buy	9,046	9,872	9.1	6,445	5,677	-11.9	3,308	3,199	-3.3
Bank of India	225	Buy	9,472	11,486	21.3	6,778	8,707	28.5	3,152	4,166	32.2
Canara Bank	174	Neutral	8,941	9,102	1.8	6,121	5,545	-9.4	2,406	2,836	17.9
Corporation Bank	263	Neutral	3,522	3,705	5.2	2,756	2,782	1.0	1,771	1,450	-18.1
Federal Bank	184	Buy	1,889	2,612	38.3	1,884	2,294	21.7	669	974	45.5
HDFC	1,936	Buy	5,818	8,058	38.5	5,087	7,199	41.5	3,728	5,151	38.2
HDFC Bank	984	Buy	9,855	17,917	81.8	7,837	11,066	41.2	3,212	4,186	30.3
ICICI Bank	574	Buy	14,790	19,555	32.2	15,242	15,773	3.5	7,751	6,139	-20.8
Indian Bank	88	Buy	4,700	5,050	7.4	3,297	3,602	9.2	2,120	1,724	-18.7
Indian Overseas Bank	75	Buy	7,090	7,096	0.1	4,092	4,711	15.1	2,685	2,744	2.2
J&K Bank	500	Buy	1,896	2,227	17.4	1,312	1,591	21.3	832	903	8.5
Karnataka Bank	126	Buy	1,244	1,265	1.7	1,038	1,050	1.1	518	418	-19.4
Oriental Bank	125	Neutral	4,431	4,354	-1.7	3,251	2,886	-11.2	2,004	1,180	-41.1
Punjab National Bank	384	Buy	13,010	14,937	14.8	9,331	10,373	11.2	4,250	5,342	25.7
State Bank	1,102	Buy	42,014	47,218	12.4	23,615	34,099	44.4	14,258	16,314	14.4
Syndicate Bank	48	Neutral	5,470	5,380	-1.6	3,145	2,859	-9.1	2,210	1,647	-25.5
Union Bank	112	Buy	7,713	7,832	1.5	5,255	5,296	0.8	2,251	2,657	18.0
Vijaya Bank	33	Neutral	2,636	2,430	-7.8	1,713	1,341	-21.7	1,114	460	-58.7
Sector Aggregate			**161,366**	**191,444**	**18.6**	**114,111**	**134,573**	**17.9**	**61,401**	**65,046**	**5.9**

PULL OUT

Automobiles

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

The auto sector put forth mixed performance in FY08. While M&HCV, tractors, three-wheelers and two-wheeler volumes were lower, LCVs and passenger vehicles continued to register robust growth. Moreover, despite a 5% decline in two-wheeler volumes in FY08, the top two companies in the sector – Bajaj Auto and Hero Honda were able to deliver better operating performance in 2HFY08. In passenger vehicles too, Maruti Suzuki continued to deliver robust performance. However, the decline in M&HCV sales led to lower profitability for Tata Motor and Ashok Leyland, while M&M' s performance was negatively impacted due to sluggish tractor volumes.

In FY09, while concerns over higher input costs, volatility in foreign currency exchange rates and higher interest rates pose sizeable risks to sector performance, we remain bullish on the auto sector for the following reasons:

- The auto sector trades at attractive valuations of 9.5x FY09E and 8.1x FY10E earnings, with our earnings estimates providing significant upside for most stocks.
- The worst phase of the volume decline and stagnation in profitability has been negotiated. The industry remains on track to achieve volume growth CAGR of 8-12% over the long-term.
- The benefits accruing from productivity improvement and cost reduction programs undertaken by companies will continue to partially offset the pressures from rising input prices.
- Commencement/ramping up of operations in tax-free zones like Uttaranchal will help counter cost pressures through lesser tax burden. The recent excise duty cut from 16% to 12% on two and three wheelers and small cars will also help companies like Maruti Suzuki, Bajaj Auto, Hero Honda and M&M.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Automobiles							
Amtek Auto	Buy	12,845	21.8	2,110	15.0	1,042	6.2
Ashok Leyland	Buy	17,432	7.5	1,482	-4.2	662	-8.1
Bajaj Auto	Buy	24,308	-	3,259	-	2,236	-
Bharat Forge	UR	5,964	20.0	1,408	39.1	668	57.3
Eicher Motors	UR	5,233	12.7	251	-4.6	133	19.3
Hero Honda	Buy	29,175	19.2	4,200	59.4	2,972	56.5
Mahindra & Mahindra	Buy	32,273	23.5	3,421	23.5	2,334	21.4
Maruti Suzuki	Buy	47,294	20.3	7,097	7.8	5,134	2.8
Swaraj Mazda	Neutral	1,321	-13.7	87	-30.8	32	-47.3
Tata Motors	Neutral	65,153	7.6	5,864	7.3	2,971	-9.3
TVS Motor	Neutral	8,443	7.8	228	19.2	62	495.1
Sector Aggregate		**225,133**	**14.7**	**26,147**	**16.6**	**16,009**	**11.2**

UR = Under Review

Amit Kasat (Akasat@MotilalOswal.com);Tel:+91 22 39825411

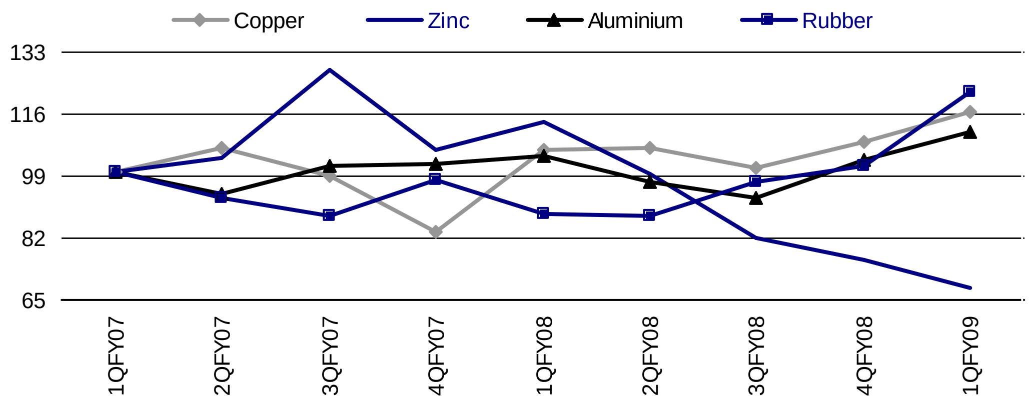
- The exports market is yet to be fully tapped by Indian auto manufacturers; this segment may become a further volume growth driver for the industry.
- Recent initiatives by the Finance Minister, such as increasing the taxation slabs for individuals and the recommendations of the Sixth Pay Commission (40% increase in basic salary) are positives for the sector as these moves will increase disposable incomes in the hands of the consumers, thereby increasing the demand potential for automobiles.
- The leaders in the sector have aggressive plans for new products, models and markets.
- However, the long-term growth drivers for the sector such as strong economic growth, increasing middle-class, infrastructure development etc are still intact.

Due to these reasons, valuations in the sector remain attractive considering the positive long-term business outlook. Moreover, auto volumes have registered robust 10.7% YoY growth in April-May 2008. Our top picks are **Maruti Suzuki, Bajaj Auto** and **Mahindra & Mahindra**.

Key concerns

- **Higher commodity prices:** Prices of aluminium, rubber and copper have inched upwards on a sequential basis in 1Q, while zinc price has corrected significantly.

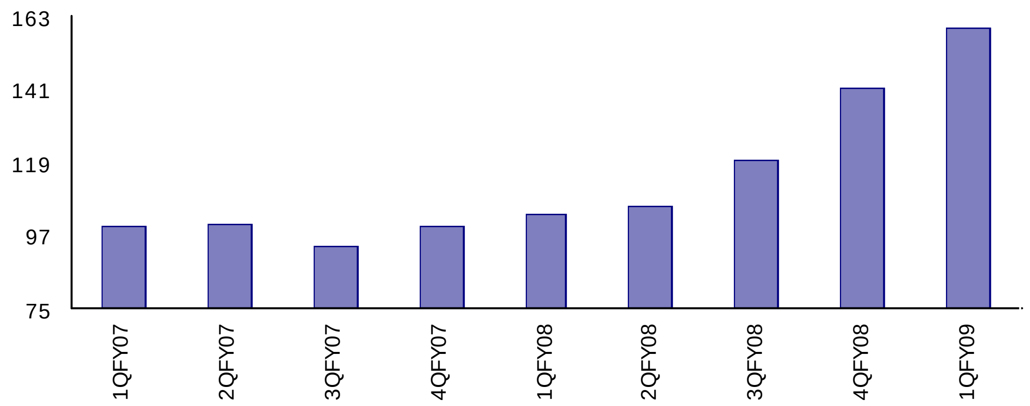
TREND IN COMMODITY PRICES (INDEX)



Source: Bloomberg

The biggest cause for concern is the rapid increase in steel price, even though domestic prices are relatively insulated from the even higher international prices.

STEEL (HRC) PRICES (INDEX)



Source: Bloomberg

- Forex fluctuation continues to have a destabilizing effect: Exchange rate fluctuation has led to concerns over export revenue realization and cost of imported inputs, and the effectiveness of hedging practices being followed by companies.

Sector outlook

- We expect the auto sector to register a volume CAGR in the range of 8-12% over the long term. We expect this growth rate on the back of robust growth sustaining in passenger vehicles, expectations of a turnaround in two-wheeler industry volumes, the increasing prevalence of the hub and spoke mode leading to good LCV sales and continuing infrastructure development leading to a revival in M&HCV sales.
- A revival in auto volumes will also result in economies of scale for most companies over their expanded capacities. Moreover, the leading companies have successfully undertaken cost reduction and productivity improvement programs, which will help partially offset the pressures from rising input prices.
- Auto majors like Tata Motors, Bajaj Auto, Hero Honda, Ashok Leyland, and TVS Motors respectively have set up plants in the tax-exempt region of Uttaranchal. All the companies have commenced their operations at these plants. As volumes are ramped up further at these tax-exempt locations, auto companies will be in even better positions to take further advantage of these tax benefits offered and thereby counter cost pressures. The recent excise duty cut from 16% to 12% on two and three wheelers and small cars will also help companies like Maruti Suzuki, Bajaj Auto, Hero Honda and M&M to boost demand.
- The exports market is yet to be fully tapped by Indian auto manufacturers; this segment may become a further volume growth driver for the industry. Companies like Maruti, Tata Motors, M&M, and Bajaj Auto are in a position to further increase their exports by tapping newer destinations and increasing penetration in their existing markets.
- Recent initiatives by the Finance Minister, such as increasing the taxation slabs for individuals and the recommendations of the Sixth Pay Commission (43% increase in basic salary relative to July 2007 level, increase in the loan) are positives for the

sector as these moves will increase the disposable incomes in the hands of the consumers, thereby increasing the demand potential for automobiles.

Segmental outlook

Auto volume growth in April-May 2008 has increased by a robust 10.7% in YTD FY09. Volume growth was led by higher exports, robust PV sales, and a revival in two-wheeler and M&HCV volumes.

AUTO VOLUMES SNAPSHOT FOR APR - MAY FY09 YTD

	FY09	FY08	% GR.
Domestic Sales			
Motorcycles	1,014,801	940,992	7.8
Two-wheelers	1,263,396	1,175,395	7.5
Three-wheelers	55,190	54,557	1.2
Passenger Cars	226,790	193,820	17.0
UVs	45,169	35,196	28.3
M&HCV	37,274	35,375	5.4
LCV	31,291	28,816	8.6
Total	**1,659,110**	**1,523,159**	**8.9**
Export Sales			
Motorcycles	157,974	113,937	38.7
Two-wheelers	163,202	123,065	32.6
Three-wheelers	19,714	26,654	(26.0)
Passenger Cars	42,693	28,778	48.4
UVs	671	539	24.5
M&HCV	2,289	2,659	(13.9)
LCV	4,960	5,315	(6.7)
Total	**233,529**	**187,010**	**24.9**
Total Sales			
Motorcycles	1,172,775	1,054,929	11.2
Two-wheelers	1,426,598	1,298,460	9.9
Three-wheelers	74,904	81,211	(7.8)
Passenger Cars	269,483	222,598	21.1
UVs	45,840	35,735	28.3
M&HCV	39,563	38,034	4.0
LCV	36,251	34,131	6.2
Total	**1,892,639**	**1,710,169**	**10.7**

Source: SIAM

✍ Passenger Vehicles: Expect double-digit volume growth

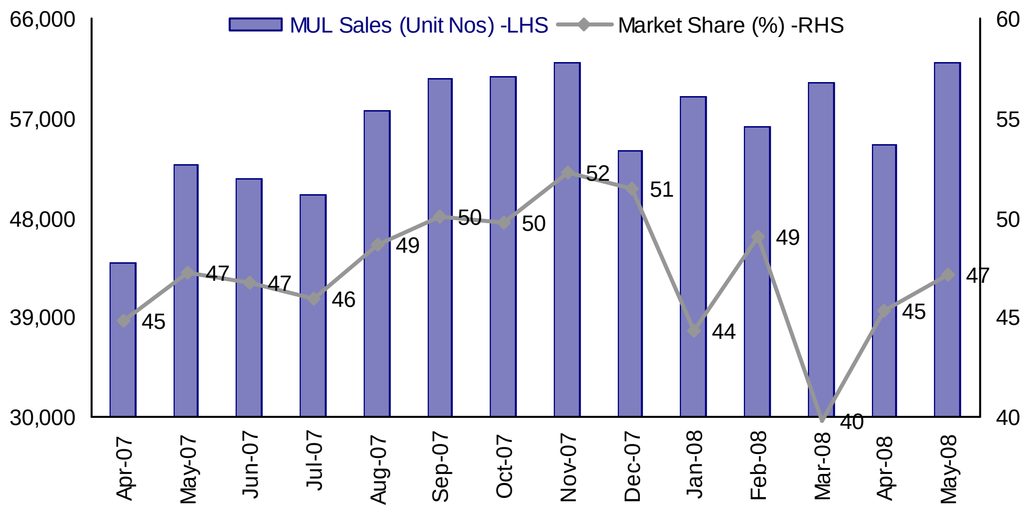
Demand for passenger vehicles is being boosted by an expected rapid growth in high and middle income households due to strong economic growth, increased urbanization, steady introduction of new products, greater penetration in upper-end segments, aggressive capex plans of most OEMs and the plan to develop India into a regional automotive hub leading to higher exports etc.

In the sector, we remain extremely positive on Maruti Suzuki's growth prospects. We expect its volume to grow at 14% CAGR over FY08-10; aggressive model launches could result in positive surprises both in domestic and export markets. The successful entry into the diesel segment with launch of the Swift diesel, replacement of the Baleno with the new-age SX4, successful launch of the DZire (Esteem replacement), and impending launches of the Splash and A-Star (in the A2 segment) will help Maruti to maintain its dominance in the passenger cars segment and outpace industry growth. Moreover, new launches by other auto companies in a booming economy and upgradation cycle will see the overall passenger vehicle industry maintaining double digit volume growth rate.

Maruti has also complemented its strong volume growth with robust EBITDA margins; this has been achieved even in the wake of rising input prices and occasional discounts being offered to boost volumes. The steady improvement in EBITDA margin has been achieved by the success of productivity improvement and cost reduction programs over the years. Increasing quantum of exports and higher input costs will result in lower EBITDA margin, while the change in depreciation policy to shorten the lives of its assets will increase the depreciation provision. This will lead to lower profitability growth at a CAGR of 10.3% over FY08-10.

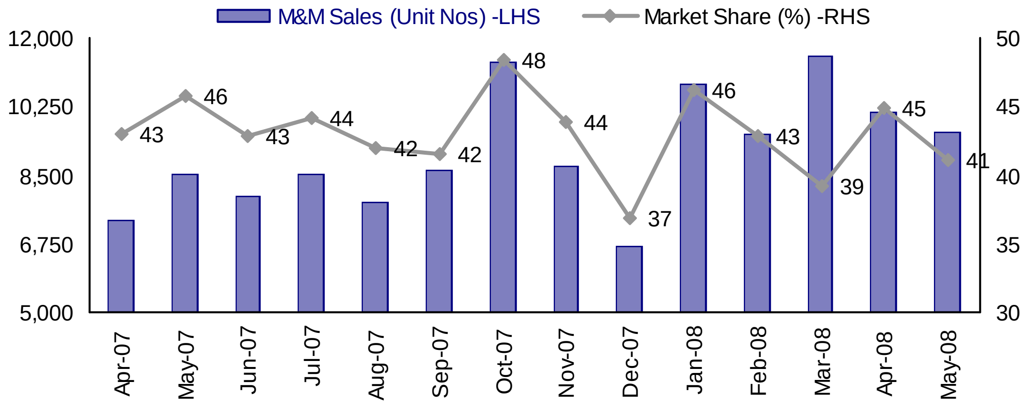
Our other preferred play in the passenger vehicles segment is Mahindra & Mahindra, which has a strong presence in utility vehicles and tractors. Although new entrants have dented its share in both the segments, the rapidly increasing size of the market has ensured that the company's UV sales have continued to grow at a fast clip. M&M's subsidiary and associate companies like M&M Financial Services, Mahindra Lifespaces, Tech Mahindra, Mahindra Systech etc. also add substantially to its valuations and consolidated revenues. The expected listing of Mahindra Holidays will add further to M&M's valuations.

MARKET SHARE OF MARUTI IN PASSENGER CARS

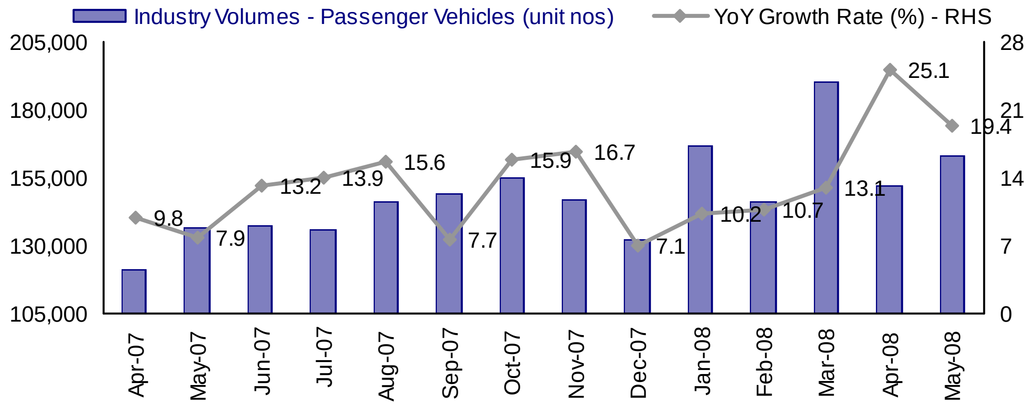


Source: Company/Motilal Oswal Securities

MARKET SHARE OF MAHINDRA IN UTILITY VEHICLES



INDUSTRY SALES AND GROWTH RATE FOR PASSENGER VEHICLES



Source: Company/Motilal Oswal Securities

Recent developments

- Tata Motor has acquired the luxury brands of Jaguar and Land Rover (JLR) from Ford UK at a cost of US$2.3b. Tata Motor has announced its intention to raise Rs72b via three simultaneous rights issues in the following tranches: (i) rights issue of equity shares up to Rs22b, (ii) rights issue of 'A' equity shares carrying differential voting rights (1 vote for every 10 shares held) up to Rs20b, and (iii) a rights issue of 5-year 0.5% convertible preference shares (CPS) up to Rs30b with option to convert to 'A' equity shares over 3-5 years. The proceeds of the issue are to be utilized to fund the JLR acquisition. The company may also raise US$500m-600m through foreign markets upon completion of this issue. We believe that this rights issue will constitute a ~24-31% (initial two rights issue) dilution of Tata Motors' existing equity of 385.5m shares (22-28% on diluted equity of 425.9m shares). Over and above this dilution, another 12% dilution will occur on account of CPS.
- Maruti has capex plans of Rs90b (Rs65b in Maruti Suzuki; Rs25b in the diesel engine JV with Suzuki) over FY07-11. Of the total capex involved in Maruti Suzuki, Rs34b has already been carried out. The targeted capex for FY09 is Rs14b. The company was able to carry out the capacity expansion at its Manesar plant at lower than budgeted cost – it is on track to save Rs3b on the budgeted outlay of Rs25b.

- The government has imposed additional taxes to the extent of Rs15,000-20,000 on high-end cars, multi utility vehicles and sports utility vehicles w.e.f. 13 June 2008. The additional specific duty would be Rs15,000/vehicle for vehicles in the 1,500-2,000 cc range, and Rs20,000/vehicles for vehicles with engines of over 2,000 cc. M&M being the dominant player in the UV industry is one of the most impacted companies due to this imposition of additional duty. However, we do not expect the long-term UV demand to be negatively impacted as a result of a 3-5% increase in the applicable duties. While the final impact for the customer would be to the tune of Rs19,000-26,000, we expect most companies to pass on this additional duty to the customer eventually.

- **CV industry: M&HCV volumes recover**

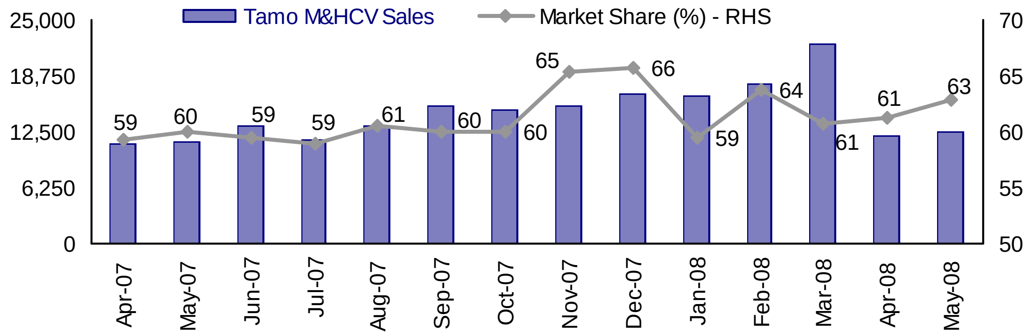
The M&HCV industry growth rate has slackened in FY08 on two main counts – the high base of the previous year, and higher interest rates on financing in 1HFY08 (which has led to a significant increase in the cost of ownership of a vehicle). However, with the interest rate on CVs declining, the scenario has improved partially in 4QFY08, with a further improvement expected in FY09. IN YTD FY09, M&HCV volumes have increased by 4% YoY.

We have a positive long-term view on the CV sector. Our view is based upon structural and fundamental positives such as the strong growth in economy/industry, policy focus on infrastructure, infrastructure development, steady vehicle replacement demand, expectation of an increase in the demand for buses from STUs and private operators etc.

Structural and fundamental demand drivers include substitution of three-wheelers by sub-one tonners (both in passenger and goods segments), tonnage redistribution demand (due to hub-and-spoke, restriction on entry of M&HCVs in cities, rising penetration of consumer goods), under-achievement of overloading ban and continued strong growth in industrial production.

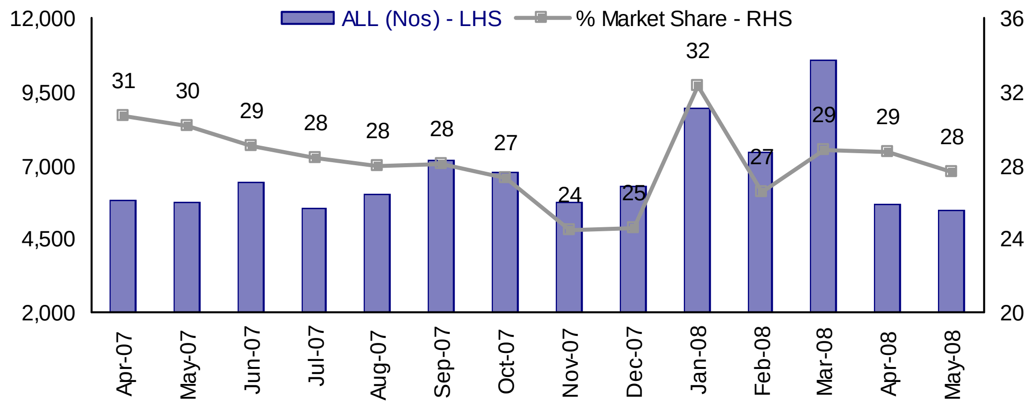
We have a Buy rating on Ashok Leyland, but have a Neutral rating on Tata Motor due to the dilution resulting from funding plans for the JLR acquisition, even though we are bullish on the company's M&HCV business over the long-term.

MARKET SHARE OF TATA MOTOR IN M&HCVS

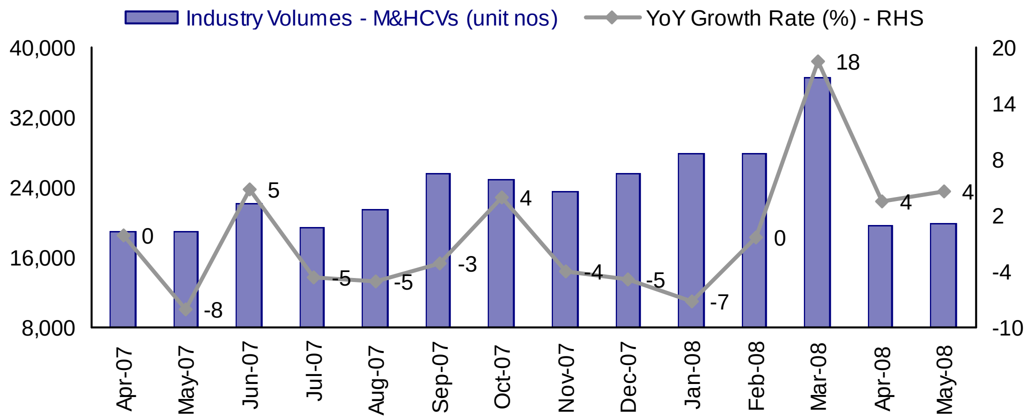


Source: Company/Motilal Oswal Securities

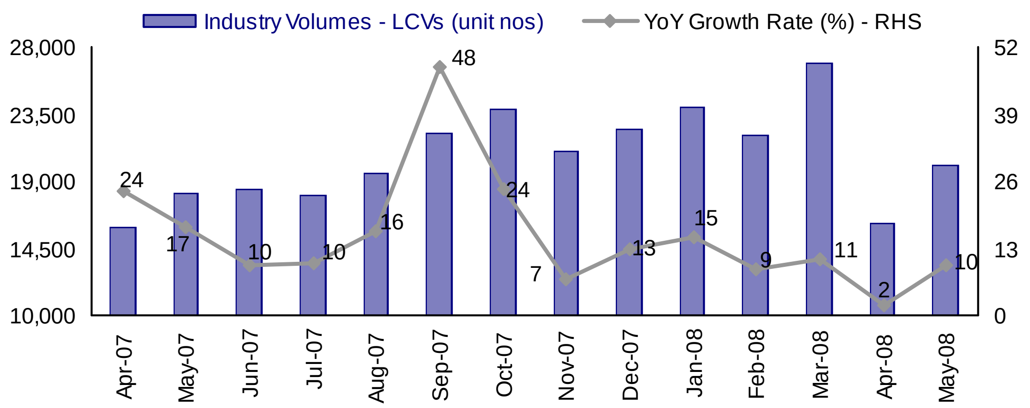
MARKET SHARE OF ASHOK LEYLAND IN M&HCVS



INDUSTRY SALES AND GROWTH RATE FOR M&HCVS



INDUSTRY SALES AND GROWTH RATE FOR LCVS



Source: Company/Motilal Oswal Securities

Two-wheelers: Demand recovers

The motorcycle segment had lost momentum in CY07 due to the rising interest cost, tighter financing norms and high base effect of previous year. In FY08, two-wheeler volumes declined 5%, with only Hero Honda registering marginally positive volumes, and the rest registering strong volume declines.

Volumes have recovered in YTD FY09 due to three key reasons:

- Occurrence of festivals like Baisakhi, Gudi Padwa, Akshay Tritiya, and marriage season.
- Purchases in anticipation of price increases being carried out by key auto OEMs.
- Impact of excise duty cut effected in Budget 2008.

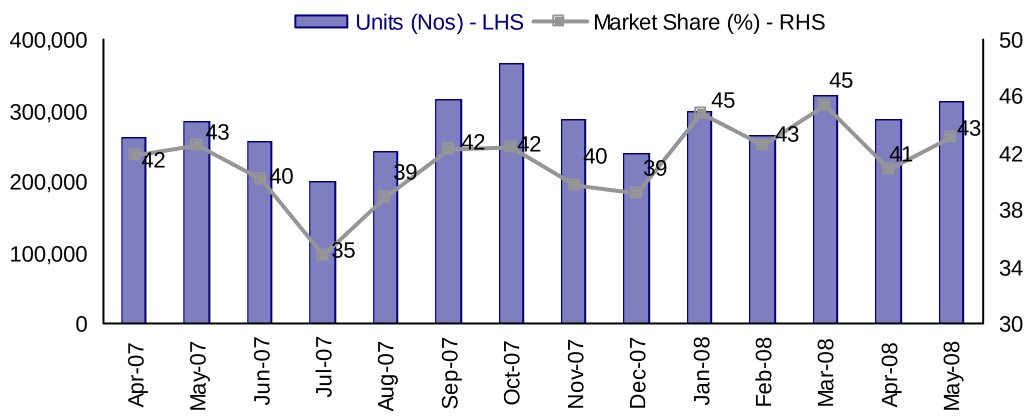
Favorable policy decisions like lower excise duty, lower tax rates for individuals and salary hikes announced by the Sixth Pay Commission for government employees will also have a positive impact. Coupled with new plants in tax-exempt regions becoming operational, we expect this phase of volume growth to lead to improved profitability for the industry leaders – Hero Honda and Bajaj Auto.

A buoyant economy, and rising income levels coupled with rising aspiration levels have increased the size of the target audience for two-wheelers. Poor public transportation necessitates the ownership of personal vehicles, and two-wheelers are both affordable and practical. Besides, a large base of aging two-wheelers and increasing desire to replace scooters/mopeds with motorcycles (or to replace old motorcycles with new versions) is driving replacement demand.

Exports also represent a big growth opportunity for the large two-wheeler manufacturers. Being truly global-sized players, with products comparable with their Japanese counterparts both in terms of price and quality, the top three players are well positioned to capitalize on the opportunity. For Bajaj Auto, exports already constitute 22% of its two-wheeler volumes and TVS Motor exports 9.5% of its volumes.

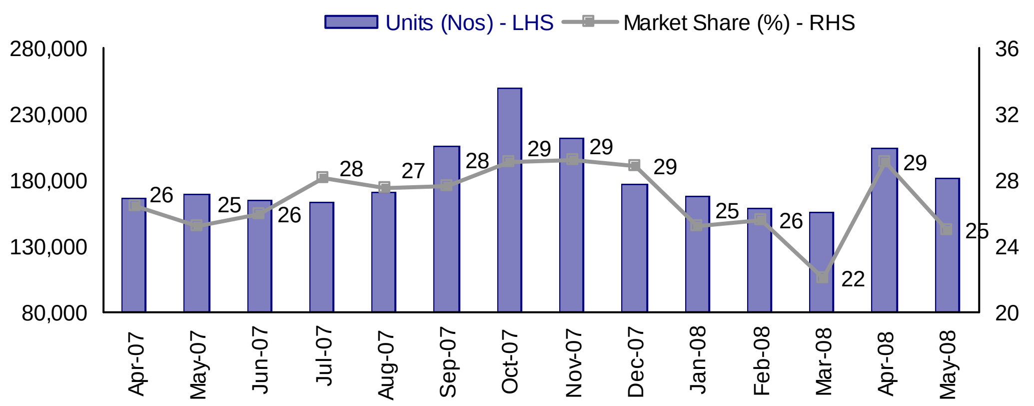
Apart from strong volume growth, we believe that the two-wheeler companies would be able to sustain better EBITDA margins, which would be driven by lower raw material costs, and improvements in product mix.

HERO HONDA: TWO-WHEELER MARKET SHARE

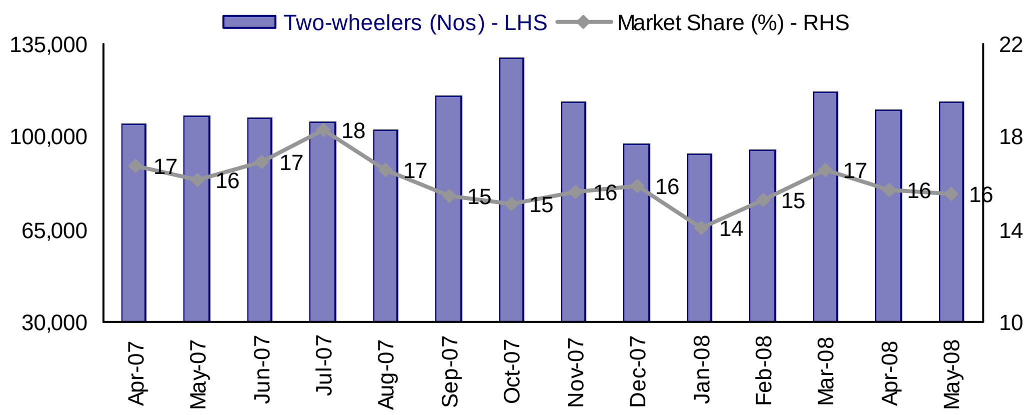


Source: Company/Motilal Oswal Securities

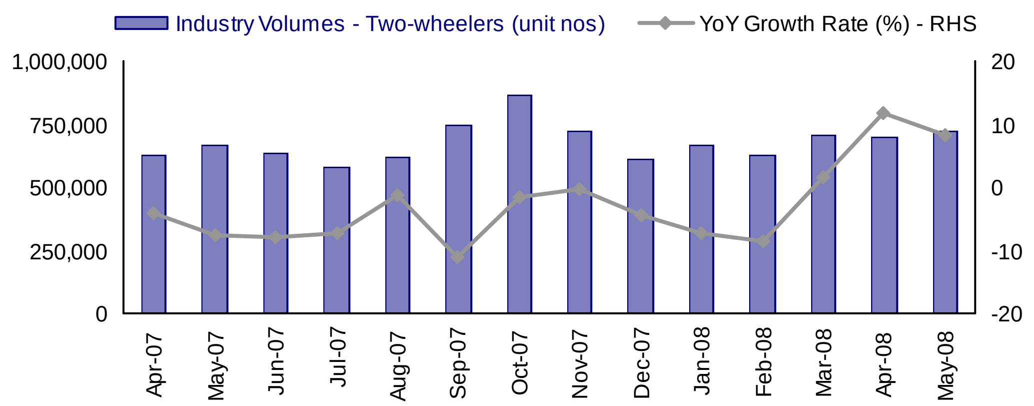
BAJAJ AUTO: TWO-WHEELER MARKET SHARE



TVS MOTOR: TWO-WHEELER MARKET SHARE

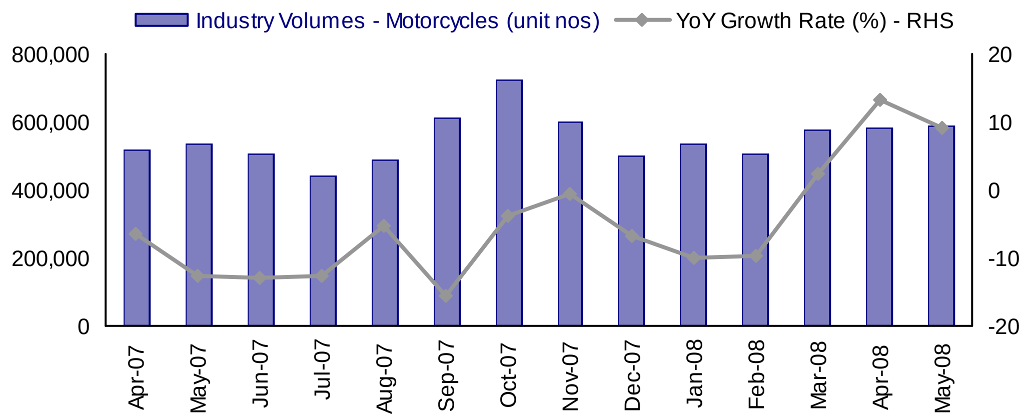


INDUSTRY VOLUMES (TWO-WHEELERS)



Source: Company/Motilal Oswal Securities

INDUSTRY VOLUMES (MOTORCYCLES)



Source: Company/Motilal Oswal Securities

Recent developments

- Bajaj Auto's demerger process has commenced; all the three demerged entities are now listed on the bourses.

Valuation and view

After witnessing a rapid surge in auto volumes in FY07 across all segments, volume growth turned sluggish in FY09, but has recovered strongly again in FY09. The growth rate has been lower on two main counts – the high base of the previous year, and more importantly, the higher interest rates on financing, which led to a significant increase in the cost of ownership of a vehicle. Further, stringent financing norms for segments such as two-wheelers and tractors has led to lower availability of credit as well, leading to these segments underperforming auto industry.

However, with interest rates softening in segments like CVs, and remaining stable for two-wheelers, the outlook for these segments is also shifting in favor of a positive bias.

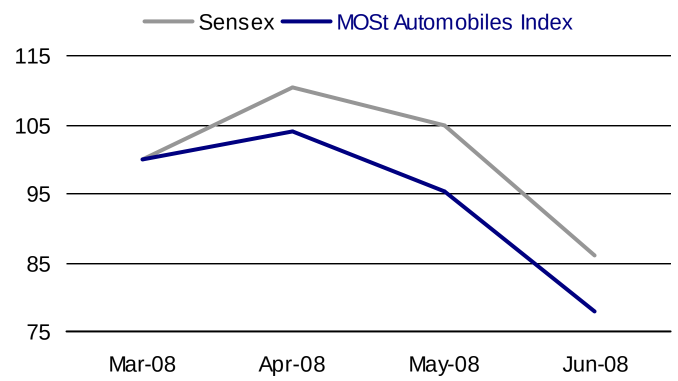
Valuations continue to be in a comfortable zone for the sector. We reiterate our Overweight stance on the auto sector. Our top picks, Maruti Udyog, M&M, Bajaj Auto are dominant players in highly consolidated segments, where the top two players command more than 50% market share.

Stock performance and valuations

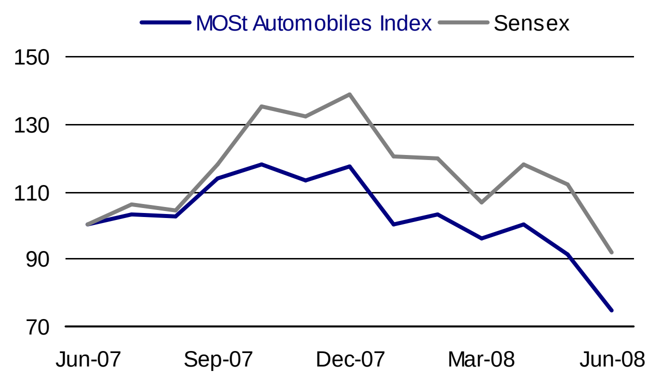
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Automobiles						
Amtek Auto	-28	-48	-11	-36	-1	-16
Ashok Leyland	-19	-27	-2	-15	7	5
Bajaj Auto	-	-	-	-	-	-
Bharat Forge	-16	-25	2	-14	11	6
Eicher Motors	-3	-31	15	-20	24	0
Hero Honda	-11	-3	6	8	16	28
Mahindra & Mahindra	-27	-36	-10	-25	-1	-5
Maruti Suzuki	-30	-30	-13	-18	-4	2
Swaraj Mazda	-6	-3	11	8	21	28
Tata Motors	-38	-43	-21	-32	-11	-12
TVS Motor	-29	-59	-12	-47	-2	-27

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Automobiles														
Amtek Auto	217	Buy	25.2	31.0	36.6	8.6	7.0	5.9	6.3	5.4	4.4	15.9	16.4	16.2
Ashok Leyland	28	Buy	3.3	3.5	4.1	8.5	8.0	6.9	5.1	5.4	4.6	21.7	19.4	20.3
Bajaj Auto	408	Buy	57.7	66.8	77.6	7.1	6.1	5.3	4.2	3.2	2.1	47.6	43.4	37.5
Bharat Forge	230	UR	11.3	14.8	17.3	20.4	15.6	13.3	11.8	9.4	7.5	18.4	16.5	17.0
Eicher Motors	241	UR	22.4	24.5	28.4	10.7	9.8	8.5	4.9	4.1	3.2	13.7	13.5	13.9
Hero Honda	666	Buy	48.5	56.8	64.0	13.7	11.7	10.4	8.5	6.8	5.6	35.0	33.3	28.7
Mahindra & Mahindra	468	Buy	62.3	70.5	85.7	7.5	6.6	5.5	7.1	6.3	4.9	20.0	18.8	19.0
Maruti Suzuki	549	Buy	67.4	70.2	81.9	8.1	7.8	6.7	3.8	3.3	2.6	20.5	19.7	18.9
Swaraj Mazda	300	Neutral	22.6	25.7	28.6	13.3	11.7	10.5	8.1	7.3	6.5	25.8	24.4	22.7
Tata Motors	390	Neutral	47.6	52.0	60.8	8.2	7.5	6.4	6.1	5.5	4.6	20.8	19.8	20.5
TVS Motor	25	Neutral	1.8	1.4	2.6	13.5	17.4	9.6	11.4	7.6	5.3	5.3	4.0	7.0
Sector Aggregate						**10.4**	**9.5**	**8.1**	**6.0**	**5.1**	**4.1**	**22.7**	**21.1**	**21.0**

UR = Under Review

Amtek Auto

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	AMTK IN
	REUTERS CODE
S&P CNX: 3,926	AMTK.BO

Diluted Equity Sh. (m)	162.6
52-Week Range	526/201
1,6,12 Rel. Perf. (%)	-5/-15/-36
M.Cap. (Rs b)	35.3
M.Cap. (US$ b)	0.8

3 July 2008

Buy

Previous Recommendation: Buy

Rs217

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
06/07A	39,898	3,909	24.0	55.7	9.0	1.3	18.1	16.0	1.3	7.0
06/08E	48,524	4,091	25.2	4.6	8.6	1.1	15.9	15.9	1.1	6.3
06/09E	57,897	5,045	31.0	23.3	7.0	1.1	16.4	17.1	0.9	5.4
06/10E	66,431	5,953	36.6	18.0	5.9	1.0	16.2	17.9	0.7	4.4

- We expect Amtek Auto's consolidated revenues to grow 22.2% YoY to Rs12.9b in 4QFY08, while consolidated adjusted PAT should grow 10.5% YoY to Rs1.1b.
- EBITDA margin is likely to expand 110bp QoQ, but decline 70bp YoY to 16.7%, EBITDA should increase 17.4% YoY to Rs2.4b. We expect margins to recover in 4QFY08 as the company has made price increases to its customers, and impact of price increases done to its customers in last two quarters will be reflected in 4QFY08.
- We expect Amtek Auto to report net sales of Rs48.6b in FY09 (up 21.6%), and an adjusted PAT of Rs4.6b (up 4.6%).
- Amtek Auto has also entered into an arrangement to acquire fully automatic machining line of Nissan, Spain (capacity of 500,000 crankshafts p.a.) for manufacture of crankshaft for passenger car and LCV applications. The acquisition is yet to be completed, and when operated at full capacity, will potentially add Rs2.5b to Amtek Auto's revenues. As it is a machining business, the EBITDA margin will also be higher at ~20%.
- Amtek Auto is the only player in India with strong presence in both forgings and castings along with machining capacity to supply finished components to global OEMs. On a fully consolidated basis, valuations of Amtek Auto are the cheapest in the auto component space. The stock trades at 8.6x FY08E EPS of Rs25.2, 7x FY09E EPS of Rs31 and 5.9x FY10E EPS of Rs36.6. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E JUNE	FY07				FY08				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**8,877**	**9,667**	**10,805**	**10,549**	**11,047**	**11,686**	**12,947**	**12,845**	**39,898**	**48,524**
Change (%)	*46.5*	*39.7*	*45.6*	*44.1*	*24.4*	*20.9*	*19.8*	*21.8*	*43.9*	*21.6*
Total Cost	7,275	7,890	8,812	8,715	9,103	9,602	10,933	10,735	32,692	40,372
EBITDA	**1,602**	**1,777**	**1,994**	**1,834**	**1,944**	**2,084**	**2,014**	**2,110**	**7,206**	**8,152**
As % of Sales	*18.0*	*18.4*	*18.4*	*17.4*	*17.6*	*17.8*	*15.6*	*16.4*	*18.1*	*16.8*
Change (%)	*53.0*	*42.8*	*48.4*	*43.6*	*21.4*	*17.3*	*1.0*	*15.0*	*46.7*	*13.1*
Other Income	151	178	203	366	319	298	237	179	898	1,033
Interest	171	199	211	251	228	257	283	242	832	1,010
Depreciation	330	339	368	421	460	509	534	565	1,457	2,067
Extraordinary Expense	0	0	0	0	0	0	-316	0	0	-316
PBT	**1,252**	**1,417**	**1,618**	**1,527**	**1,575**	**1,616**	**1,750**	**1,482**	**5,815**	**6,424**
Tax	293	343	409	441	412	430	405	341	1,486	1,588
Effective Tax Rate (%)	*23.4*	*24.2*	*25.3*	*28.9*	*26.2*	*26.6*	*23.1*	*23.0*	*25.6*	*24.7*
PAT	**959**	**1,074**	**1,209**	**1,086**	**1,163**	**1,187**	**1,345**	**1,141**	**4,328**	**4,836**
Minority Interest	87	103	125	105	102	121	108	99	419	429
Adj. PAT after Minority Int.	**872**	**971**	**1,085**	**981**	**1,061**	**1,066**	**922**	**1,042**	**3,909**	**4,091**
Change (%)	*59.8*	*55.7*	*55.4*	*52.5*	*21.7*	*9.7*	*-15.0*	*6.2*	*55.7*	*4.6*

E: MOSt Estimates

Amit Kasat (AKasat@MotilalOswal.com);Tel:+91 22 3982 5411

Ashok Leyland

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	AL IN
	REUTERS CODE
S&P CNX: 3,926	ASOK.BO

Equity Shares (m)	1,331.8
52-Week Range	58/26
1,6,12 Rel. Perf. (%)	-2/-11/-15
M.Cap. (Rs b)	37.2
M.Cap. (US$ b)	0.9

3 July 2008

Buy

Previous Recommendation: Buy

Rs28

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	71,682	4,276	3.2	41.4	8.6	1.9	23.3	22.8	0.5	5.3
3/08A	77,291	4,346	3.3	1.6	8.5	1.7	21.7	18.3	0.5	5.1
3/09E	91,232	4,640	3.5	6.8	8.2	1.6	19.4	14.2	0.5	5.5
3/10E	106,059	5,421	4.1	16.8	7.0	1.4	20.3	15.0	0.5	4.7

- Ashok Leyland is likely to report flat volume of 18,425 units in 1QFY09, resulting in sales growth of 7.5% YoY to Rs17.4b. Sales growth would be higher than volume growth, as the company' s product mix is shifting towards higher tonnage vehicles and higher sales of spare parts.
- Volume growth in the CV goods segment has slowed in FY08 due to higher interest rates impacting demand, and the high base of last year; ALL' s sales were marginally positive due to higher passenger M&HCV sales. In FY09, we expect ALL to register volume growth of 9% YoY.
- In 1QFY09, we expect EBITDA margin to be lower 100bp YoY to 8.5%, resulting in EBITDA of Rs1.5b (decline of 4.2% YoY).
- ALL continues its focus on non-cyclical businesses such as passenger buses, sale of spare parts, supply to defense and exports would cushion domestic business cyclicality in the long-term.
- The stock trades at 8.2x FY09E EPS of Rs3.5 and 7x FY10E EPS of Rs4.1. We maintain our **Buy** recommendation.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	18,163	18,870	18,965	27,311	18,425	21,200	21,900	29,282	83,309	90,807
Net Sales	**16,211**	**17,459**	**18,001**	**25,620**	**17,432**	**21,380**	**22,450**	**29,970**	**77,291**	**91,232**
Change (%)	*13.9*	*4.2*	*1.3*	*11.8*	*7.5*	*22.5*	*24.7*	*17.0*	*7.8*	*18.0*
Total Cost	14,665	15,820	16,313	22,565	15,950	19,456	20,339	26,591	69,364	82,337
EBITDA	**1,546**	**1,639**	**1,688**	**3,055**	**1,482**	**1,924**	**2,110**	**3,379**	**7,927**	**8,895**
As a % of Sales	*9.5*	*9.4*	*9.4*	*11.9*	*8.5*	*9.0*	*9.4*	*11.3*	*10.3*	*9.8*
Change (%)	*27.5*	*24.1*	*-9.7*	*17.7*	*-4.2*	*17.4*	*25.0*	*10.6*	*13.3*	*12.2*
Non-Operating Income	76	111	107	116	95	155	130	155	410	535
Interest	128	126	152	91	180	220	250	207	497	857
Gross Profit	**1,494**	**1,624**	**1,642**	**3,080**	**1,397**	**1,859**	**1,990**	**3,328**	**7,840**	**8,574**
Less: Depreciation	413	466	408	486	475	550	625	737	1,774	2,387
PBT	**1,081**	**1,158**	**1,234**	**2,594**	**922**	**1,309**	**1,365**	**2,590**	**6,066**	**6,186**
Tax	361	374	316	669	260	395	350	542	1,720	1,547
Effective Tax Rate (%)	*33.4*	*32.3*	*25.6*	*25.8*	*28.2*	*30.2*	*25.6*	*20.9*	*28.4*	*25.0*
Adj. PAT (before EO)	**720**	**784**	**918**	**1,925**	**662**	**914**	**1,015**	**2,049**	**4,346**	**4,640**
Change (%)	*-4.8*	*9.4*	*-17.4*	*13.8*	*-8.1*	*16.7*	*10.6*	*6.4*	*1.6*	*6.8*
Extraordinary Income	197	46	330	0	0	0	0	0	573	0
Extraordinary Loss	35	27	46	119	0	0	0	0	226	0
Rep. PAT	**882**	**803**	**1,202**	**1,806**	**662**	**914**	**1,015**	**2,049**	**4,693**	**4,640**
Change (%)	*27.5*	*-15.8*	*14.2*	*5.3*	*-25.0*	*13.8*	*-15.5*	*13.5*	*6.3*	*-1.1*
Adj. PAT (before EO)	**720**	**784**	**918**	**1,925**	**662**	**914**	**1,015**	**2,049**	**4,346**	**4,640**
Change (%)	*-4.8*	*9.4*	*-17.4*	*13.8*	*-8.1*	*16.7*	*10.6*	*6.4*	*1.6*	*6.8*

E: MOSt Estimates

Amit Kasat (AKasat@MotilalOswal.com);Tel:+91 22 3982 5411

Bajaj Auto

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BJAUT IN
	REUTERS CODE
S&P CNX: 3,926	BJAT.BO

Equity Shares (m)	144.7
52-Week Range (Rs)	945/395
1,6,12 Rel.Perf.(%)	-12/-/-
M.Cap. (Rs b)	59.0
M.Cap. (US$ b)	1.4

3 July 2008

Buy

Previous Recommendation: Buy

Rs408

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	CORE EPS (RS)	CORE EPS GR.(%)	P/E (X)	P/CORE EPS (X)	EV/ SALES	EV/ EBITDA
3/08A	90,462	8,352	57.7		50.9		7.1	8.0	0.6	4.2
3/09E	100,832	9,672	66.8	15.8	59.4	16.6	6.1	6.9	0.5	3.2
3/10E	112,728	11,223	77.6	16.0	69.4	16.8	5.3	5.9	0.3	2.1

- Total volumes of Bajaj Auto are expected to increase by 8.5% YoY in 1QFY09 versus 12.1% volume decline in 4QFY08 and 9.9% volume decline in FY08. Volume growth in 1Q has been led by robust motorcycle volumes, which are expected to increase 13.1% in 1QFY09, although three-wheeler volumes have continued to decline, being lower by 18.5% YoY.
- We expect net sales of Rs24.3b, boosted by volume growth of 8.5% during the quarter. The EBITDA margin is expected to be 13.4%, which is flat on a QoQ basis, and lower than the 14.8% EBITDA margin seen in 9MFY08. We estimate that the higher raw-material costs will also lead to lower margins in FY09 (14% v/s 14.5% in FY08). We estimate EBITDA at Rs3.2b (increase of 16.8% QoQ) and adj. PAT at Rs2.2b (increase of 34.3% YoY).
- The company is to follow launch of the 125cc bike XCD with fresh variants; three variants to be launched over the next 6-9 months.
- The demerger process of Bajaj Auto has been completed, and the three demerged entities Bajaj Auto, Bajaj Finserv, and Bajaj Holdings and Investments have been listed on the exchanges, thereby completing the value unlocking process. The stock trades at 6.1x FY09E auto EPS of Rs66.8 and 5.3x FY10E EPS of Rs77.6. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08		FY09E				FY08	FY09E
	9M	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	1,898,819	552,588	620,095	630,200	731,800	561,880	2,451,407	2,543,975
Total Income	**69,717**	**20,744**	**24,308**	**25,050**	**28,833**	**22,641**	**90,462**	**100,832**
Change (%)						*9.1*		*11.5*
Total Cost	59,398	17,969	21,049	21,458	24,794	19,386	77,366	86,687
EBITDA	**10,320**	**2,776**	**3,259**	**3,592**	**4,039**	**3,255**	**13,095**	**14,145**
As % of Sales	*14.8*	*13.4*	*13.4*	*14.3*	*14.0*	*14.4*	*14.5*	*14.0*
Change (%)						*17.3*		*8.0*
Other Income	1,022	205	300	500	300	250	1,227	1,350
Interest	34	18	12	14	14	12	52	52
Depreciation	1,326	414	420	440	475	486	1,740	1,821
PBT	**9,468**	**1,878**	**3,127**	**3,638**	**3,850**	**3,007**	**11,346**	**13,622**
Tax	3,118	670	891	1,037	1,136	887	3,788	3,950
Effective Tax Rate (%)	*32.9*	*35.7*	*28.5*	*28.5*	*29.5*	*29.5*	*33.4*	*29.0*
Rep. PAT	**6,350**	**1,208**	**2,236**	**2,601**	**2,714**	**2,121**	**7,558**	**9,672**
Change (%)						*75.6*		*28.0*
Adj. PAT	**6,695**	**1,657**	**2,236**	**2,524**	**2,714**	**2,121**	**8,352**	**9,672**
Change (%)						*28.0*		*15.8*
EPS (Rs)	**46.3**	**11.5**	**15.5**	**17.4**	**18.8**	**14.7**	**57.7**	**66.8**
Core PAT	**5,877**	**1,494**	**1,221**	**699**	**6,671**	**1,921**	**7,370**	**8,592**
Core EPS (Rs)	**40.6**	**10.3**	**8.4**	**4.8**	**46.1**	**13.3**	**50.9**	**59.4**

E: MOSt Estimates

Amit Kasat (AKasat@MotilalOswal.com);Tel:+91 22 3982 5411

Bharat Forge

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BHFC IN
	REUTERS CODE
S&P CNX: 3,926	BFRG.BO

Diluted Equity Sh. (m)	237.3
52-Week Range (Rs)	390/220
1,6,12 Rel.Perf.(%)	8/-3/-14
M.Cap. (Rs b)	51.3
M.Cap. (US$ b)	1.2

3 July 2008

Buy

Previous Recommendation: Buy

Rs230

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	CONS. EPS (RS)	P/E (X)	CONS. P/E (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	18,644	2,533	10.0	11.7	23.1	19.7	18.2	16.0	2.9	11.3
3/08A	21,965	2,258	8.9	11.3	25.9	20.4	18.4	14.8	2.6	11.2
3/09E	25,921	2,822	11.1	14.8	20.7	15.6	16.5	16.3	2.1	8.8
3/10E	29,875	3,391	13.4	17.3	17.2	13.3	17.0	17.2	1.7	7.1

- We expect Bharat Forge to post standalone net sales growth of 20% YoY in 1QFY09 to Rs5.9b, driven by 20.1% increase in domestic sales and 20% increase in exports. Wider range of products being manufactured and scaling up of European operations would help accelerate sales growth.
- We expect EBITDA to increase 39.1% YoY to Rs1.4b, with EBITDA margin improving 320bp YoY to 23.6%. We estimate PAT at Rs668m (increase of 57.3% YoY). The higher PAT growth will result from the low EBITDA and profitability growth in 1QFY08.
- Bharat Forge has reviewed its decision to issue preferential warrants of Rs3b to the promoters. The company has now proposed an issue of non-convertible debentures with detachable warrants on a rights basis worth up to Rs4b.The purpose of the rights issue will be to fund the company' s ongoing expansion in the non-automotive capacity.
- The key future growth drivers are expected to be turnaround in the US CV market, recovery of the Indian market, beginning of serial production at Baramati in 4QFY09, marking the inflection point in non-auto foray, beginning of serial production in 1QFY10 at Heavy Forge Division, Pune, a part of the non-auto foray.
- The stock trades at 15.6x FY09E cons EPS of Rs14.8 and 13.3x FY10E cons EPS of Rs17.3. We maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**4,969**	**5,632**	**5,567**	**5,797**	**5,964**	**6,297**	**6,696**	**6,964**	**21,965**	**25,921**
Change (%)	*18.1*	*25.0*	*16.7*	*12.3*	*20.0*	*11.8*	*20.3*	*20.1*	*17.8*	*18.0*
Total Expenses	3,956	4,249	4,204	4,360	4,557	4,773	5,089	5,281	16,769	19,700
EBITDA	**1,012**	**1,383**	**1,364**	**1,437**	**1,408**	**1,524**	**1,607**	**1,683**	**5,196**	**6,221**
As % of Sales	*20.4*	*24.6*	*24.5*	*24.8*	*23.6*	*24.2*	*24.0*	*24.2*	*23.7*	*24.0*
Change (%)	*-5.7*	*17.5*	*10.1*	*15.6*	*39.1*	*10.2*	*17.8*	*17.1*	*9.8*	*19.7*
Other Income	200	144	179	126	220	170	190	134	649	714
Interest	234	273	294	249	255	285	310	264	1,050	1,114
Depreciation	329	351	353	356	375	390	410	435	1,389	1,610
Extraordinary Expenses	0	0	23	158	0	0	0	0	181	0
Extrordinary Income	333	109	0	303	0	0	0	0	745	0
PBT	**983**	**1,012**	**872**	**1,103**	**998**	**1,019**	**1,077**	**1,119**	**3,970**	**4,212**
Tax	335	334	290	275	329	336	355	369	1,234	1,390
Effective Tax Rate (%)	*34.1*	*33.0*	*33.3*	*24.9*	*33.0*	*33.0*	*33.0*	*33.0*	*31.1*	*33.0*
PAT	**648**	**677**	**582**	**828**	**668**	**683**	**722**	**749**	**2,736**	**2,822**
Adj. PAT	**425**	**605**	**597**	**631**	**668**	**683**	**722**	**749**	**2,258**	**2,822**
Change (%)	*-31.0*	*-2.8*	*-5.1*	*-5.1*	*57.3*	*12.9*	*20.8*	*18.8*	*-10.9*	*25.0*

E: MOSt Estimates

Amit Kasat (AKasat@MotilalOswal.com);Tel:+91 22 3982 5411

Eicher Motors

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	EIM IN
	REUTERS CODE
S&P CNX: 3,926	EICH.BO

Equity Shares (m)	28.1
52-Week Range (Rs)	599/230
1,6,12 Rel. Perf. (%)	3/-8/-20
M.Cap. (Rs b)	6.8
M.Cap. (US$ b)	0.2

3 July 2008

Under Review

Previous Recommendation: Under Review Rs241

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	19,525	613	21.8	21.5	11.0	1.6	14.8	15.6	0.3	4.8
3/08A	22,024	630	22.4	2.9	10.7	1.5	13.7	14.8	0.3	4.9
3/09E	25,031	688	24.5	9.1	9.8	1.3	13.5	14.8	0.2	4.1
3/10E	26,860	798	28.4	16.0	8.5	1.2	13.9	15.5	0.2	3.2

- We expect Eicher Motors' overall volumes to grow 8.4% YoY in 1QFY09, with 8% growth in CVs and 8.6% increase in two-wheeler volumes.
- Eicher should report sales of Rs5.2b for the quarter, resulting in an EBITDA of Rs251m and PAT of Rs133m. For FY09 we expect sales of Rs25b and PAT of Rs688m (+9.1% YoY).
- Eicher Motors' has signed the agreement with Volvo to finalize a JV for the CV business. We believe the JV is positive for Eicher Motors, as it will give access to sophisticated technology from Volvo, image of a global brand as well as further investment from Volvo to develop the business. The company has also announced share buyback.
- As per the JV, Eicher Motors has transferred its CV, component, and design services businesses to a separate JV, which would be a 54.4% subsidiary of the company. Volvo would be contributing US$275m in cash and its distribution network worth US$75m to this JV, while also taking 8.1% stake in Eicher Motors.
- While currently, Eicher Motors is a small player in the CV industry facing margin pressures, benefits of the JV would be visible over the long term and thereby enable the company to increase its presence in M&HCVs, particularly at the expense of other fringe players. We are currently reviewing our recommendation on the stock. **Under Review.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**4,644**	**5,369**	**5,478**	**6,534**	**5,233**	**6,117**	**6,417**	**7,264**	**22,024**	**25,031**
Change (%)	*21.2*	*17.6*	*10.9*	*5.5*	*12.7*	*13.9*	*17.1*	*11.2*	*12.8*	*13.7*
Total Expenses	4,381	5,064	5,176	6,234	4,983	5,809	6,081	6,875	20,854	23,747
EBITDA	**263**	**306**	**302**	**300**	**251**	**308**	**336**	**389**	**1,170**	**1,284**
As a % of Sales	*5.7*	*5.7*	*5.5*	*4.6*	*4.8*	*5.0*	*5.2*	*5.4*	*5.3*	*5.1*
Change (%)	*43.8*	*16.1*	*-7.6*	*-21.8*	*-4.6*	*0.8*	*11.4*	*29.8*	*1.2*	*9.7*
Non-Operating Income	53	83	63	96	80	85	65	75	295	305
Interest	53	50	38	37	40	45	50	43	178	178
Gross Profit	263	338	326	359	291	348	351	421	1,287	1,411
Less: Depreciation	109	109	107	107	110	118	122	127	431	477
PBT	**155**	**230**	**220**	**252**	**181**	**230**	**229**	**294**	**856**	**934**
Tax	43	63	62	58	48	61	61	77	226	246
Effective Tax Rate (%)	*28.0*	*27.3*	*28.3*	*22.9*	*26.5*	*26.5*	*26.5*	*26.0*	*26.4*	*26.4*
PAT	**111**	**167**	**158**	**195**	**133**	**169**	**168**	**218**	**631**	**688**
Adjusted PAT	**111**	**167**	**158**	**195**	**133**	**169**	**168**	**218**	**631**	**688**
Change (%)	*32.2*	*17.8*	*-11.4*	*-6.8*	*19.3*	*1.4*	*6.7*	*11.9*	*2.9*	*9.1*

E: MOSt Estimates

Amit Kasat (AKasat@MotilalOswal.com);Tel:+91 22 3982 5411

Hero Honda

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	HH IN
	REUTERS CODE
S&P CNX: 3,926	HROH.BO

Equity Shares (m)	199.7
52-Week Range	865/561
1,6,12 Rel. Perf. (%)	1/29/8
M.Cap. (Rs b)	133.1
M.Cap. (US$ b)	3.1

3 July 2008

Buy

Previous Recommendation:Buy

Rs666

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	99,000	8,659	43.4	-10.9	15.4	5.4	38.3	48.5	1.2	9.7
3/08A	103,318	9,679	48.5	11.8	13.7	4.4	35.0	44.9	1.1	8.5
3/09E	117,228	11,336	56.8	17.1	11.7	3.6	33.3	41.6	0.9	6.8
3/10E	129,421	12,771	64.0	12.7	10.4	3.0	28.7	36.7	0.8	5.6

- We expect Hero Honda's total volumes in 1QFY09 to increase by 11.4% YoY. Volume growth has recovered strongly for the two-wheeler industry in 1QFY09 due to the occurrence of several festivals like Gudi Padwa, Baisakhi, Akshay Tritiya, purchases made in anticipation of price increase, release of pent-up demand, launch of various new bikes and lower cost of acquisition due to the reduction in excise duty rate from 16% to 12% in the Union Budget 2008.
- We expect net sales to increase 19.2% YoY to Rs28.2b, while operating margins are likely to improve 360bp YoY to 14.4%, resulting in EBITDA of Rs4.2b. The margins will be lower QoQ due to expensing advertising and sponsorship expenditure incurred on the IPL, and depreciation of the rupee, which will increase the cost of imported alloy wheels. The YoY improvement in the EBITDA margin will be brought about by the relatively lower spend in advertising on the IPL compared with the 200 cricket World Cup, improved demand conditions, and success of premium bikes — Hunk and CBZ-X
- The new 0.5m-unit plant in Uttaranchal has been completed in mid-FY08, has commenced production in April 2008. This will help Hero Honda avail tax benefits in FY09 and thereby report further improvement in profitability.
- We expect volume growth of 8.1% FY09 and 7.6% in FY10. The stock trades at 11.7x FY09E EPS of Rs56.8 and 10.4x FY10E EPS of Rs64. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	802,853	756,633	893,581	884,075	894,244	827,500	957,500	928,961	3,337,142	3,608,205
Net Sales	**24,480**	**23,521**	**27,431**	**27,887**	**29,175**	**27,010**	**30,275**	**30,768**	**103,318**	**117,228**
Change (%)	*3.5*	*5.5*	*2.9*	*5.6*	*19.2*	*14.8*	*10.4*	*10.3*	*4.4*	*13.5*
Total Cost	21,845	20,606	23,605	23,768	24,975	23,300	26,315	27,164	89,824	101,754
EBITDA	**2,635**	**2,915**	**3,826**	**4,118**	**4,200**	**3,710**	**3,960**	**3,604**	**13,494**	**15,474**
As % of Sales	*10.8*	*12.4*	*13.9*	*14.8*	*14.4*	*13.7*	*13.1*	*11.7*	*13.1*	*13.2*
Change (%)	*-17.4*	*2.8*	*26.7*	*48.9*	*59.4*	*27.3*	*3.5*	*-12.5*	*14.3*	*14.7*
Other Income	389	393	521	551	390	395	525	555	1,854	1,865
Interest	-90	-101	-87	-81	-85	-95	-90	-88	-358	-358
Depreciation	376	384	408	435	460	480	495	517	1,603	1,952
PBT	**2,737**	**3,024**	**4,026**	**4,316**	**4,215**	**3,720**	**4,080**	**3,730**	**14,103**	**15,745**
Tax	839	980	1,276	1,329	1,243	1,097	1,203	864	4,424	4,409
Effective Tax Rate (%)	*30.6*	*32.4*	*31.7*	*30.8*	*29.5*	*29.5*	*29.5*	*23.2*	*31.4*	*28.0*
PAT	**1,898**	**2,043**	**2,750**	**2,987**	**2,972**	**2,623**	**2,876**	**2,866**	**9,679**	**11,336**
Adj. PAT	**1,898**	**2,043**	**2,750**	**2,987**	**2,972**	**2,623**	**2,876**	**2,866**	**9,679**	**11,336**
Change (%)	*-20.1*	*-5.4*	*31.5*	*47.1*	*56.5*	*28.4*	*4.6*	*-4.1*	*11.8*	*17.1*

E: MOSt Estimates

Amit Kasat (AKasat@MotilalOswal.com);Tel:+91 22 3982 5411

Mahindra & Mahindra

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	MM IN
	REUTERS CODE
S&P CNX: 3,926	MAHM.BO

Diluted Eq. Shares (m)	255.9
52-Week Range	872/430
1,6,12 Rel.Perf.(%)	-3/-8/-25
M.Cap. (Rs b)	119.7
M.Cap. (US$ b)	2.8

3 July 2008

Buy

Previous Recommendation: Buy

Rs468

YEAR END	NET SALES (RS M)	S/A PAT (RS M)	ADJ.EPS (RS)	CONS. EPS (RS)	P/E (X)	CONS, P/E (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	99,874	9,198	35.9	55.1	13.0	8.5	25.9	22.3	0.9	7.7
3/08A	114,106	8,744	34.2	62.3	13.7	7.5	20.0	19.5	0.7	6.4
3/09E	124,717	9,239	36.1	70.5	13.0	6.6	18.8	18.7	0.6	5.7
3/10E	138,946	10,696	41.8	85.7	11.2	5.5	19.0	19.4	0.5	4.4

- M&M is expected to report overall volume growth of 18.9% YoY in 1QFY09 (UVs, tractors and three-wheelers), driven by strong growth in UVs (22.4% YoY). Tractor volumes have also recovered in April-June 2008, tractor sales also expected to increase by 10.3% in 1Q. Three-wheeler volumes are also expected to increase 55.3% due to the success of new launches.
- Net sales should grow 23.5% YoY to Rs32.3b. We expect margins to decline slightly by 30bp on a QoQ basis, but flat YoY at 10.6%, resulting in a 23.5% increase in EBITDA to Rs3.4b, and adjusted PAT of Rs2.3b – an increase of 21.4% YoY.
- In FY09, we expect M&M to deliver 9.3% total income growth to Rs124.7b, while the net profit is expected to increase by 5.7% to Rs9.2b.
- The government has imposed additional taxes to the extent of Rs15,000-Rs20,000 on high-end cars, multi-utility vehicles and sports utility vehicles. The additional specific duty would be Rs15,000/vehicle for vehicles in the 1,500-2,000cc range, and Rs20,000/vehicle for vehicles with engines of over 2,000cc. However, we do not expect this hike to impact UV demand in the long term.
- On a consolidated basis, the stock trades at 6.6x FY09E EPS of Rs70.5 and 5.5x FY10E EPS of Rs85.7. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	67,232	69,411	77,088	79,026	81,416	77,000	83,600	79,406	293,759	321,422
Total Income	**26,128**	**27,095**	**29,402**	**31,482**	**32,273**	**30,358**	**30,929**	**31,158**	**114,106**	**124,717**
Change (%)	*17.8*	*10.6*	*14.1*	*14.7*	*23.5*	*12.0*	*5.2*	*-1.0*	*14.3*	*9.3*
Total Cost	23,357	24,170	26,087	28,058	28,852	27,140	27,681	27,772	101,672	111,445
EBITDA	**2,771**	**2,925**	**3,315**	**3,424**	**3,421**	**3,218**	**3,248**	**3,386**	**12,434**	**13,273**
As % of Sales	*10.6*	*10.8*	*11.3*	*10.9*	*10.6*	*10.6*	*10.5*	*10.9*	*10.9*	*10.6*
Change (%)	*10.3*	*-11.2*	*7.1*	*10.5*	*23.5*	*10.0*	*-2.0*	*-1.1*	*3.6*	*6.7*
Non-Operating Income	316	692	401	273	325	700	415	274	1,682	1,714
Extraordinary Income	0	929	1,571	156	0	0	0	0	2,656	0
Extraordinary Expense	16	19	23	18	0	0	0	0	75	0
Interest	-51	82	72	139	85	75	65	66	242	291
Gross Profit	**3,122**	**4,444**	**5,192**	**3,697**	**3,661**	**3,843**	**3,598**	**3,594**	**16,454**	**14,696**
Less: Depreciation	571	577	590	649	630	665	690	712	2,387	2,697
PBT	**2,551**	**3,867**	**4,601**	**3,048**	**3,031**	**3,178**	**2,908**	**2,882**	**14,068**	**11,998**
Tax	640	1,008	550	837	697	731	669	663	3,034	2,760
Effective Tax Rate (%)	*25.1*	*26.1*	*12.0*	*27.5*	*23.0*	*23.0*	*23.0*	*23.0*	*21.6*	*23.0*
PAT	**1,912**	**2,859**	**4,052**	**2,211**	**2,334**	**2,447**	**2,239**	**2,219**	**11,034**	**9,239**
Change (%)	*-6.4*	*-26.0*	*67.6*	*-6.3*	*22.1*	*-14.4*	*-44.7*	*0.4*	*3.3*	*-16.3*
Adj PAT	**1,923**	**2,259**	**2,496**	**2,066**	**2,334**	**2,447**	**2,239**	**2,219**	**8,744**	**9,239**
Change (%)	*3.0*	*-8.6*	*3.0*	*-15.2*	*21.4*	*8.3*	*-10.3*	*7.4*	*-4.9*	*5.7*

E: MOSt Estimates

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Maruti Suzuki India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	MSIL IN
	REUTERS CODE
S&P CNX: 3,926	MRTI.BO

Equity Shares (m)	289.0
52-Week Range	1,252/545
1,6,12 Rel.Perf.(%)	-12/-8/-18
M.Cap. (Rs b)	158.6
M.Cap. (US$ b)	3.7

3 July 2008

Buy

Previous Recommendation: Buy

Rs549

YEAR END	TOTAL INC. (RS M)	PAT (RS M)	ADJ. EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	149,663	15,574	53.9	28.5	10.2	2.3	22.8	30.2	0.8	5.1
3/08A	184,785	19,472	67.4	25.0	8.1	1.9	20.5	31.2	0.6	3.8
3/09E	219,695	20,288	70.2	4.2	7.8	1.5	19.7	27.0	0.5	3.3
3/10E	260,890	23,672	81.9	16.7	6.7	1.3	18.9	26.2	0.4	2.6

- Maruti's volumes are expected to grow 13.5% YoY in 1QFY09, marking a strong recovery after the low 1.1% quarterly volume growth seen in 4QFY08. Volume growth has recovered strongly for the industry in 1QFY09 due to the occurrence of several festivals like Gudi Padwa, Baisakhi, Akshay Tritiya, purchases being made in anticipation of price increase, release of pent-up demand, launch of various new models and lower cost of acquisition due to the reduction in excise duty rate from 16% to 12% in Budget 2008.
- Net sales should grow 20.3% YoY to Rs47.3b. We expect EBITDA margin to be lower by 170bp YoY and 100bp QoQ, on account of discounts and promotional offers and increase in steel prices. However, Maruti would be able to minimize the impact from the higher input prices due to successful cost reduction, productivity improvement and increased localization, leading to higher internal efficiencies. We expect EBITDA of Rs7.1b (7.8% YoY) and PAT of Rs5.1b (2.8% YoY).
- We remain positive on Maruti's growth prospects and expect 13.5% volume growth in FY09. The stock trades at 7.8x FY09E and 6.7x FY10E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	169,669	191,325	201,623	202,225	192,584	212,500	230,000	232,754	764,842	867,838
Net Sales	**39,308**	**45,474**	**46,741**	**48,384**	**47,294**	**53,537**	**54,919**	**58,579**	**179,907**	**214,329**
Change (%)	*25.8*	*33.0*	*27.0*	*9.2*	*20.3*	*17.7*	*17.5*	*21.1*	*22.8*	*19.1*
Other Operating Income	833	1,105	853	2,088	925	1,250	950	2,241	4,878	5,366
Total Income	**40,141**	**46,578**	**47,594**	**50,472**	**48,219**	**54,787**	**55,869**	**60,820**	**184,785**	**219,695**
Total Cost	33,560	39,496	40,609	42,568	41,122	46,979	48,054	52,400	156,233	188,555
EBITDA	**6,580**	**7,083**	**6,986**	**7,904**	**7,097**	**7,808**	**7,815**	**8,420**	**28,553**	**31,140**
As % of Sales	*16.4*	*15.2*	*14.7*	*15.7*	*14.7*	*14.3*	*14.0*	*13.8*	*15.5*	*14.2*
Change (%)	*27.3*	*30.5*	*19.3*	*21.7*	*7.8*	*10.2*	*11.9*	*6.5*	*24.4*	*9.1*
Non-Operating Income	1,400	780	853	772	1,800	900	1,100	1,161	3,806	4,961
Extraordinary Expense	0	0	0	3,173	0	0	0	0	3,173	0
Interest	151	140	144	161	156	151	147	142	596	596
Gross Profit	**7,829**	**7,722**	**7,695**	**5,342**	**8,741**	**8,557**	**8,768**	**9,438**	**28,589**	**35,504**
Less: Depreciation	822	881	867	988	1,300	1,450	1,650	1,702	3,559	6,102
PBT	**7,007**	**6,841**	**6,828**	**4,354**	**7,441**	**7,107**	**7,118**	**7,737**	**25,030**	**29,403**
Tax	2,011	2,176	2,158	1,377	2,307	2,203	2,207	2,398	7,722	9,115
Effective Tax Rate (%)	*28.7*	*31.8*	*31.6*	*31.6*	*31.0*	*31.0*	*31.0*	*31.0*	*30.9*	*31.0*
PAT	**4,996**	**4,665**	**4,670**	**2,977**	**5,134**	**4,904**	**4,911**	**5,338**	**17,308**	**20,288**
Adjusted PAT	**4,996**	**4,665**	**4,670**	**5,141**	**5,134**	**4,904**	**4,911**	**5,338**	**19,472**	**20,288**
Change (%)	*35.2*	*25.6*	*26.9*	*14.6*	*2.8*	*5.1*	*5.2*	*3.8*	*25.0*	*4.2*

E: MOSt Estimates

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Swaraj Mazda

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SM IN
	REUTERS CODE
S&P CNX: 3,926	SWRJ.BO

Equity Shares (m)	10.5
52-Week Range	395/224
1,6,12 Rel. Perf. (%)	16/25/8
M.Cap. (Rs m)	3,148.2
M.Cap. (US$ m)	72.7

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs300

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	6,034	161	15.3	-3.6	19.6	4.2	21.3	17.6	0.7	11.3
3/08A	6,472	237	22.6	47.5	13.3	3.4	25.8	23.3	0.6	8.1
3/09E	7,067	269	25.7	13.5	11.7	2.8	24.4	23.5	0.6	7.3
3/10E	7,648	300	28.6	11.4	10.5	2.4	22.7	23.3	0.5	6.5

- We expect Swaraj Mazda to report volume decline of 16.2% YoY in 1QFY09, as a result, we expect net sales to decrease 13.7% YoY to Rs1.3b. We expect PAT at Rs32m during the quarter.
- EBITDA margins were under pressure in FY08 due to poor operating performance, due to the ongoing cost pressures, and the higher competition due to new capacities by existing players coming into operation and new entrants in the industry, we expect the EBITDA margin to be at 6.6%. We estimate PAT at Rs269m for FY09 (13.5% YoY).
- We estimate EPS at Rs25.7 for FY09 and at Rs28.6 for FY10.
- Currently, Swaraj is facing pressure on its operating margins. It is also incurring huge capex over the next 2-3 years. We expect margin and capex pressures to affect profitability. Our recommendation is **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2QE	3Q	4QE		
Total Volumes (nos)	2,685	2,923	3,052	2,861	2,250	3,100	3,600	3,262	11,521	12,212
Net Sales	**1,530**	**1,772**	**1,663**	**1,749**	**1,321**	**1,917**	**2,001**	**1,829**	**6,472**	**7,067**
Change (%)	*29.6*	*3.6*	*11.5*	*5.9*	*-13.7*	*8.2*	*20.3*	*4.5*	*7.3*	*9.2*
Total Cost	1,404	1,646	1,530	1,597	1,233	1,764	1,837	1,677	5,970	6,510
EBITDA	**126**	**126**	**133**	**152**	**87**	**153**	**164**	**152**	**502**	**557**
As % of Sales	*8.2*	*7.1*	*8.0*	*8.7*	*6.6*	*8.0*	*8.2*	*8.3*	*7.8*	*7.9*
Change (%)	*306.5*	*28.6*	*24.3*	*28.5*	*-30.8*	*21.7*	*23.4*	*-0.2*	*41.5*	*10.9*
Interest	30	26	29	32	30	29	28	27	114	114
Gross Profit	**96**	**100**	**104**	**120**	**57**	**124**	**136**	**125**	**387**	**442**
Depreciation	8	8	8	9	10	10	10	10	33	40
PBT	**88**	**92**	**96**	**111**	**47**	**114**	**126**	**115**	**354**	**402**
Tax	28	30	33	44	16	38	42	38	117	133
Tax Rate (%)	*31.8*	*32.6*	*34.4*	*39.6*	*33.0*	*33.0*	*33.0*	*33.0*	*33.0*	*33.0*
PAT	**60**	**62**	**63**	**67**	**32**	**77**	**84**	**77**	**237**	**269**
Adj. PAT	**60**	**62**	**63**	**67**	**32**	**77**	**84**	**77**	**237**	**269**
Change (%)	*3233.3*	*26.0*	*26.0*	*11.9*	*-47.3*	*23.6*	*34.1*	*14.6*	*47.5*	*13.5*

E: MOSt Estimates

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Tata Motors

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	TTMT IN
	REUTERS CODE
S&P CNX: 3,926	TAMO.BO

Diluted Eq.Shares (m)	407.2
52-Week Range	840/383
1,6,12 Rel. Perf. (%)	-14/-15/-32
M.Cap. (Rs b)	159.0
M.Cap. (US$ b)	3.7

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs390

YEAR END	SALES (RS M)	S/A PAT (RS M)	ADJ EPS (RS)	CONS. EPS (RS)	P/E RATIO	CONS. P/E (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	274,048	18,963	46.6	52.9	8.4	7.4	27.6	27.1	0.6	4.8
3/08A	285,314	16,192	39.8	47.6	9.8	8.2	20.8	20.8	0.6	5.8
3/09E	324,696	17,270	42.4	52.0	9.2	7.5	19.8	20.3	0.5	5.4
3/10E	385,882	20,404	50.1	60.8	7.8	6.4	20.5	21.7	0.4	4.6

- We expect Tata Motors to post 3.4% volume growth in 1QFY09. While M&HCV volumes would increase 6.9% YoY and LCV volumes would increase 15.2% YoY, UV volumes would be the biggest growth driver, increasing 8.1% YoY, driven by the success of the newly launched Sumo Grande. On the other hand, passenger car sales would continue their declining trend, with a 12% YoY fall in volumes despite success of the Indigo CS, due to lower sales of Indica and other components of the Indigo family.
- We estimate sales at Rs65.2b (up 7.6% YoY) and EBITDA at Rs5.9b (increase of 7.3% YoY), with EBITDA margin decline of 10bp QoQ, but flat YoY to 9%. This would result in the adjusted PAT declining 9.3% YoY to Rs3b.
- Tata Motors has completed acquisition of Jaguar and Land Rover (JLR) from Ford; the acquired businesses are on the path to recovery. JLR reported EBIT of US$417m in 1QCY08 v/s US$289m in 1QCY08. This includes two exceptional items which have not been quantified - a one-time cash adjustment and the newly launched model, XF stock build-up. Management has highlighted that there was improvement in EBIT performance on a YoY basis, which indicates that the EBIT in 1QCY08 may be over US$289m after the two adjustments during the quarter.
- The stock trades at 7.5x FY09E cons.EPS of Rs52 and 6.4x FY10E cons. EPS of Rs60.8. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	127,361	135,463	143,979	175,472	131,733	148,050	184,700	236,809	582,401	701,292
Total Income	**60,568**	**64,733**	**72,518**	**87,495**	**65,153**	**73,577**	**85,586**	**100,379**	**285,314**	**324,696**
Change (%)	*4.7*	*-1.5*	*6.3*	*6.4*	*7.6*	*13.7*	*18.0*	*14.7*	*4.1*	*13.8*
Total Cost	55,105	58,780	64,321	79,555	59,289	65,852	77,883	90,899	257,761	293,924
EBITDA	**5,463**	**5,953**	**8,197**	**7,940**	**5,864**	**7,726**	**7,703**	**9,480**	**27,553**	**30,772**
As % of Sales	*9.0*	*9.2*	*11.3*	*9.1*	*9.0*	*10.5*	*9.0*	*9.4*	*9.7*	*9.5*
Change (%)	*-27.2*	*-23.5*	*-2.8*	*-13.2*	*7.3*	*29.8*	*-6.0*	*19.4*	*-16.2*	*11.7*
Non-Operating Income	863	707	268	1,606	880	720	280	1,619	3,444	3,499
Forex Gain / (Loss)	2,059	309	275	-1,266	0	0	0	0	1,376	0
Extraordinary Income	20	1,994	650	718	0	0	0	0	3,382	0
Interest	816	965	918	126	925	1,000	975	508	2,824	3,408
Gross Profit	**7,589**	**7,997**	**8,473**	**8,872**	**5,819**	**7,446**	**7,008**	**10,591**	**32,931**	**30,863**
Depreciation & Amort.	1,475	1,597	1,675	1,776	1,700	1,850	2,300	2,492	6,523	8,342
Product Dev. Expenses	193	188	147	116	198	192	150	120	644	660
PBT	**5,921**	**6,212**	**6,651**	**6,980**	**3,921**	**5,404**	**4,558**	**7,979**	**25,765**	**21,861**
Tax	1,254	944	1,661	1,618	950	1,300	900	1,441	5,476	4,591
Effective Tax Rate (%)	*21.2*	*15.2*	*25.0*	*23.2*	*24.2*	*24.1*	*19.7*	*18.1*	*21.3*	*21.0*
PAT	**4,668**	**5,268**	**4,991**	**5,363**	**2,971**	**4,104**	**3,658**	**6,538**	**20,289**	**17,270**
Change (%)	*22.2*	*19.3*	*-2.8*	*-7.0*	*-36.4*	*-22.1*	*-26.7*	*21.9*	*6.0*	*-14.9*
Adj PAT	**3,275**	**3,267**	**4,156**	**5,493**	**2,971**	**4,104**	**3,658**	**6,538**	**16,192**	**17,270**
Change (%)	*-27.3*	*-26.7*	*-5.7*	*-1.8*	*-9.3*	*25.6*	*-12.0*	*19.0*	*-14.6*	*6.7*

E: MOSt Estimates

Amit Kasat (AKasat@MotilalOswal.com);Tel:+91 22 3982 5411

TVS Motor

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	TVSL IN
	REUTERS CODE
S&P CNX: 3,926	TVSM.BO

Equity Shares (m)	237.5
52-Week Range	79/23
1,6,12 Rel. Perf. (%)	-14/-30/-47
M.Cap. (Rs b)	5.9
M.Cap. (US$ b)	0.1

3 July 2008

Neutral

Previous Recommendation: Neutral Rs25

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	38,550	666	2.8	-37.9	8.8	0.7	8.2	7.7	0.2	5.8
3/08A	32,195	437	1.8	-34.4	13.5	0.7	5.3	3.1	0.3	11.4
3/09E	36,430	338	1.4	-22.7	17.4	0.7	4.0	4.6	0.2	7.6
3/10E	40,094	612	2.6	81.0	9.6	0.7	7.0	6.4	0.2	5.3

- TVS Motor is expected to register overall volume growth of 3.6% YoY in 1QFY09, with motorcycle volumes expected to increase 9.2% YoY. Volume growth has recovered strongly for the two-wheeler industry in 1QFY09 due to occurrence of several festivals like Gudi Padwa, Baisakhi, Akshay Tritiya, purchases being made in anticipation of price increase, release of pent-up demand, launch of various new bikes and lower cost of acquisition due to reduction in excise duty from 16% to 12% in the Union Budget 2008.
- We expect sales to increase 7.8% YoY to Rs8.4b and estimate EBITDA margin at 2.7%, resulting in EBITDA of Rs228m. Net profit would increase nearly 6x on a YoY basis to Rs62m.
- TVS Motor' s volumes have been negatively impacted by the aggressive strategies adopted by Hero Honda and Bajaj Auto. The company is attempting to put in place a strong product portfolio that could drive growth going forward. Entry in the three-wheeler segment would help diversify revenues over a period of time. However, we believe operating performance remains an area of concern.
- We expect TVS Motor to report EPS of Rs1.4 in FY09 and Rs2.6 in FY10. The stock trades at 17.4x FY09E EPS and 9.6x FY10E EPS. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	320,161	322,996	339,956	305,665	331,789	368,100	364,700	342,849	1,288,778	1,407,438
Net Sales	**7,833**	**8,234**	**8,750**	**7,377**	**8,443**	**9,806**	**9,669**	**8,512**	**32,195**	**36,430**
Change (%)	*-15.0*	*-23.6*	*-6.5*	*-19.8*	*7.8*	*19.1*	*10.5*	*15.4*	*-16.5*	*13.2*
Total Cost	7,642	8,036	8,600	7,196	8,215	9,542	9,359	8,222	31,474	35,337
EBITDA	**191**	**199**	**150**	**182**	**228**	**265**	**309**	**291**	**721**	**1,093**
As % of Sales	*2.4*	*2.4*	*1.7*	*2.5*	*2.7*	*2.7*	*3.2*	*3.4*	*2.2*	*3.0*
Change (%)	*-54.0*	*-64.5*	*-49.3*	*80.2*	*19.2*	*33.4*	*106.0*	*60.1*	*-47.5*	*51.5*
Other Income	182	179	211	147	190	185	180	177	719	732
Interest	98	70	85	-232	100	75	85	88	22	348
Depreciation	239	240	240	227	245	270	285	279	946	1,079
Extraordinary Gain / (Expense)	72	102	36	-330	0	0	0	0	-119	0
PBT	**109**	**169**	**72**	**3**	**73**	**105**	**119**	**100**	**354**	**397**
Tax	34	50	14	-61	11	21	26	1	36	60
Effective Tax Rate (%)	*30.8*	*29.6*	*19.3*	*-1,808.5*	*15.0*	*20.0*	*22.0*	*1.5*	*10.2*	*15.0*
PAT	**75**	**119**	**58**	**65**	**62**	**84**	**93**	**99**	**318**	**338**
Change (%)	*-64.5*	*-52.0*	*-49.1*	*-28.4*	*-17.8*	*-29.7*	*59.7*	*52.6*	*-52.3*	*6.3*
Adj.PAT	**10**	**51**	**26**	**350**	**62**	**84**	**93**	**99**	**437**	**338**
Change (%)	*-95.1*	*-79.5*	*-77.6*	*286.6*	*495.1*	*64.8*	*262.1*	*-71.7*	*-34.4*	*-22.7*

E: MOSt Estimates

Amit Kasat (AKasat@MotilalOswal.com);Tel:+91 22 3982 5411

Banking

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

Over the last three months, the macro economic environment has deteriorated — fiscal deficit has been increasing on the back of rising oil prices, rising fertilizer subsidy and the farmers' loan waiver package introduced in the Union Budget FY09. Inflation has increased significantly to 11.42% (for the week ended 14 June 2008) on the back of all round increase in prices of fuel, primary articles and manufacturing goods. All of this coupled with a weakening rupee have raised serious concerns over interest rates and the imminent slowdown in the economy. In 1QFY09, the RBI increased CRR by 125bp (50bp to be effective in July 2008) and repo rates by 75bp. With the continued inflationary pressure we expect further monetary tightening, which could lead to slower growth for the financial sector.

While macro economic factors are deteriorating, business growth continues to remain strong for the sector. In 1QFY09, deposits grew ~23% YoY and 2% QoQ (as on 6 June, 2008) to Rs32,570b and loans grew ~26% YoY during 1QFY09 (as at 6 June, 2008). Loan offtake has increased 1.4% QoQ. We believe strong growth in the corporate segment is leading to growth in overall credit offtake. Rising oil price is leading to higher working capital requirement for the oil marketing companies, which is likely to be a large part of the increase in the loan offtake during the quarter. While industrywise credit is growing, we expect retail loans to slow down, as some of the large players have turned cautious due to rising delinquency levels.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	NET INTEREST		OPERATING PROFIT		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Banks							
Andhra Bank	Buy	3,556	-1.8	2,200	-1.5	1,241	-12.1
Axis Bank	Buy	7,791	85.1	5,523	50.1	2,313	32.2
Bank of Baroda	Buy	9,872	9.1	5,677	-11.9	3,199	-3.3
Bank of India	Buy	11,486	21.3	8,707	28.5	4,166	32.2
Canara Bank	Neutral	9,102	1.8	5,545	-9.4	2,836	17.9
Corporation Bank	Neutral	3,705	5.2	2,782	1.0	1,450	-18.1
Federal Bank	Buy	2,612	38.3	2,294	21.7	974	45.5
HDFC	Buy	8,058	38.5	7,199	41.5	5,151	38.2
HDFC Bank	Buy	17,917	81.8	11,066	41.2	4,186	30.3
ICICI Bank	Buy	19,555	32.2	15,773	3.5	6,139	-20.8
Indian Bank	Buy	5,050	7.4	3,602	9.2	1,724	-18.7
Indian Overseas Bank	Buy	7,096	0.1	4,711	15.1	2,744	2.2
J&K Bank	Buy	2,227	17.4	1,591	21.3	903	8.5
Karnataka Bank	Buy	1,265	1.7	1,050	1.1	418	-19.4
Oriental Bank	Neutral	4,354	-1.7	2,886	-11.2	1,180	-41.1
Punjab National Bank	Buy	14,937	14.8	10,373	11.2	5,342	25.7
State Bank	Buy	47,218	12.4	34,099	44.4	16,314	14.4
Syndicate Bank	Neutral	5,380	-1.6	2,859	-9.1	1,647	-25.5
Union Bank	Buy	7,832	1.5	5,296	0.8	2,657	18.0
Vijaya Bank	Neutral	2,430	-7.8	1,341	-21.7	460	-58.7
Sector Aggregate		**191,444**	**18.6**	**134,573**	**17.9**	**65,046**	**5.9**

Manish Karwa (Mkarwa@MotilalOswal.com)/Ajinkya Dhavale (AjinkyaDhavale@MotilalOswal.com)/Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)

The continued inflationary pressure and tightening measures by the RBI led to the rising cost of funds for the sector which gives a strong case for banks to increase lending rates and maintain their margins. Most of the banks have already raised PLR by 50bp. However, banks have also increased deposit cost by 25-100bp across maturities, which is likely to have an adverse impact on their margins. We expect margin pressure for banks, particularly the PSU banks.

We expect banks to report higher MTM losses (10-25% of the operating profits) on the back of the significant increase in G Sec yields across maturities. The banks are also expected to incur transfer losses for the shifting of securities from AFS to the HTM portfolio. However transfer losses are likely to be minimal, as most banks have shifted securities in the first week of April when the yield movement was not large.

The valuations for PSU banks are at 0.7-1x FY09E BV, with RoEs in the range of 16-23%. Private banks, being growth plays, continue to trade at premium at 1-3x FY09E BV. We prefer selective buying with preference for banks with high earnings visibility. In this uncertain environment we maintain our preference for private banks. Our preferred bets are Axis Bank, HDFC Bank and ICICI Bank amongst private players and PNB and BoI from PSU banks.

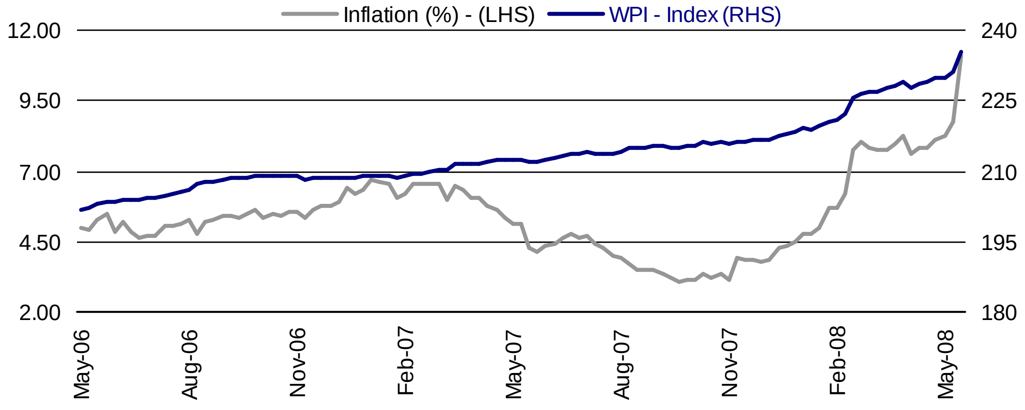
Over the last three months, the macro economic environment has deteriorated — fiscal deficit has been increasing on the back of rising oil prices, rising fertilizer subsidy and the farmers' loan waiver package introduced in the Union Budget FY09. Inflation has increased significantly to 11.42% (for week ended 14 June 2008) on the back of all round increase in prices of fuel, primary articles and manufacturing goods. All of this coupled with a weakening rupee have raised serious concerns over interest rates and the imminent slowdown in the economy. In 1QFY09, the RBI increased CRR by 125bp (50bp effective in July 2008) and repo rates by 75bp. With continued inflationary pressure we expect further monetary tightening, which could lead to slower growth for the financial sector.

Inflation up 11.42% (13-year high), fear of further tightening from RBI persists

Inflation increased to the 13-year high of 11.42% in June mainly due to rising price of primary articles and the pass-through effect of the increase in the global crude oil prices in India. Inflation is well above RBI's comfort level of 5-5.5%. Mounting commodity prices and global uncertainties have increased the upside risk to inflation.

We believe if inflation continues to soar at the current level, the probability of a CRR and repo rate hike by the RBI would increase. In our view, inflation is driven by supply side constraints (especially food articles and oil prices) and excessive demand control through increased interest rates would derail economic growth. However the RBI would likely keep its tight monetary policy implying higher lending yields in the medium term.

MOUNTING INFLATION – KEY CONCERN

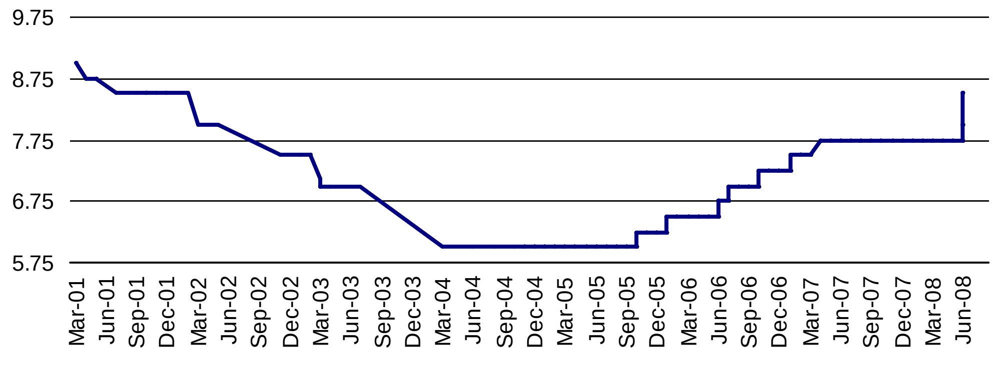


Source: Industry/Motilal Oswal Securities

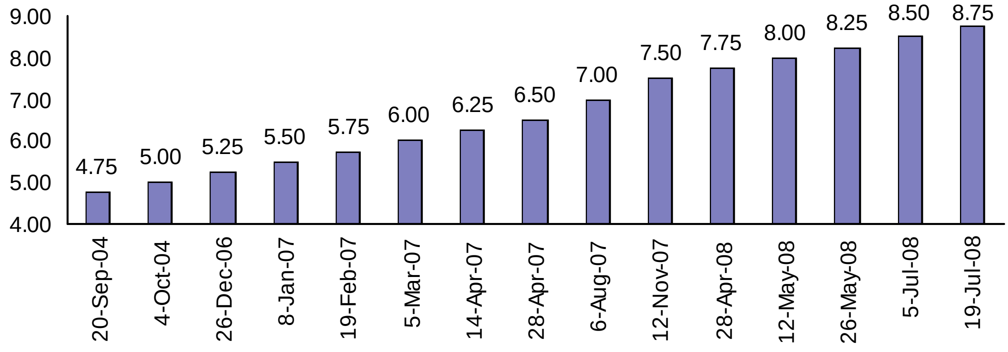
Tighter monetary stance by RBI to tame Inflation ...

In 1QFY09, the RBI has raised the repo rate by 75bp to 8.5% and CRR by 125bp to 8.75% (50bp to be effective in July 2008). CRR increase of 125bp would amount to liquidity outflow from the system of Rs450b. The annualized impact of a CRR hike on banks would be Rs45b, implying that average loan yields will have to increase by 7-8bp to maintain margins.

RBI REPO RATE



RBI CASH RESERVE RATIO (CRR)

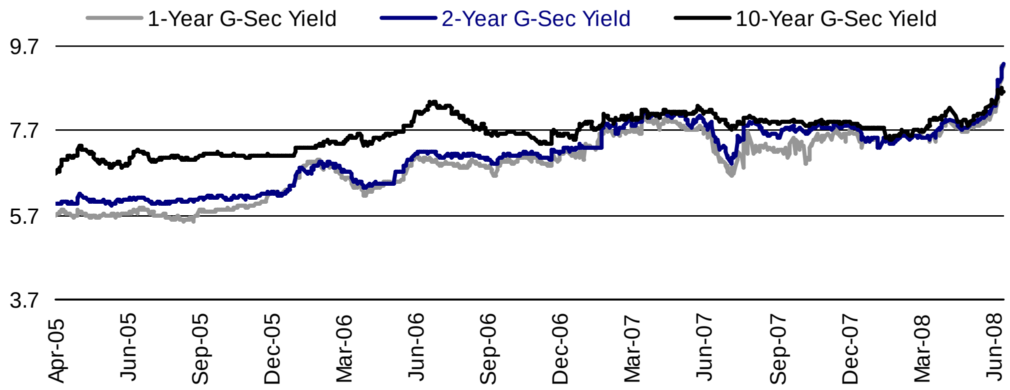


Source: Industry/Motilal Oswal Securities

... leading to higher G-sec yields

While the G-sec yields remained flat in FY08 on a YoY basis, they shot up significantly in the last two months, as the high inflation numbers meant that interest rates would rise. While one-year G-sec yield has increased by 168bp QoQ, 2-3 year yields increased 164bp and the 10 year G-sec yield increased by 74bp. On a YoY basis however, yields are higher by 70-175bp across maturities. We expect significant MTM provisions on the AFS book for banks during the quarter. We expect higher MTM provisions for SBI, OBC, Canara Bank, Indian Bank and Federal Bank owing to the high percentage in the AFS book and/ or higher duration of the AFS book. However, Indian Bank and Federal Bank will likely be impacted less, as their portfolio is insulated up to 8.3% due to higher provisions made in the past.

TREND IN G-SEC YILEDS



Source: Industry/Motilal Oswal Securities

... rising cost of funds

The effective funding costs for all the banks would increase on account of these two (CRR and repo rate hike) monetary measures. The RBI has already given its signal to banks to raise interest rates in the system in order to tame inflation. All the banks have already raised deposit rates by 25-100bp across maturities after the recent hike in repo and CRR by RBI.

... and higher lending yields

In order to maintain margins the banks have already passed the rising cost of funds to its borrowers by hiking the PLR by 50bp. However, increase in PLR is less than the increase in cost of funds which is likely to keep pressure on margins. With the higher interest rates we expect the loan growth to go down to 20% in FY09 from the current level of ~26%.

Business growth continues to remain strong for the sector

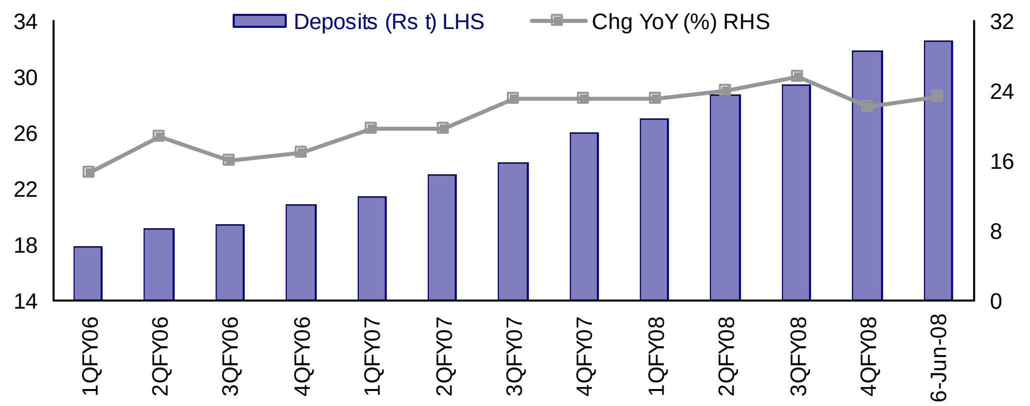
While the macro economic factors are deteriorating, business growth continues to remain strong. In 1QFY09, deposits grew ~23% YoY and 2% QoQ (as on 6 June 2008) to

Rs32,570b and loans grew ~26% YoY in 1QFY09 (as at 6 June 2008). Loan offtake has increased 1.4% QoQ. Non food credit grew ~1.2% QoQ and ~26% YoY to Rs23,312b.

Deposit growth strong at 23% YoY

Deposits grew ~23% YoY and 2% QoQ (as on 6 June 2008) to Rs32,570b. Strong growth in deposits came on the back of higher interest rates offered by the banks (due to competitive pressure) in a bid to improve market share. The banks are offering higher interest rates in order to reduce reliance on high cost bulk deposits and to improve the share of core retail term deposits.

DEPOSITS GROWTH YOY BASIS



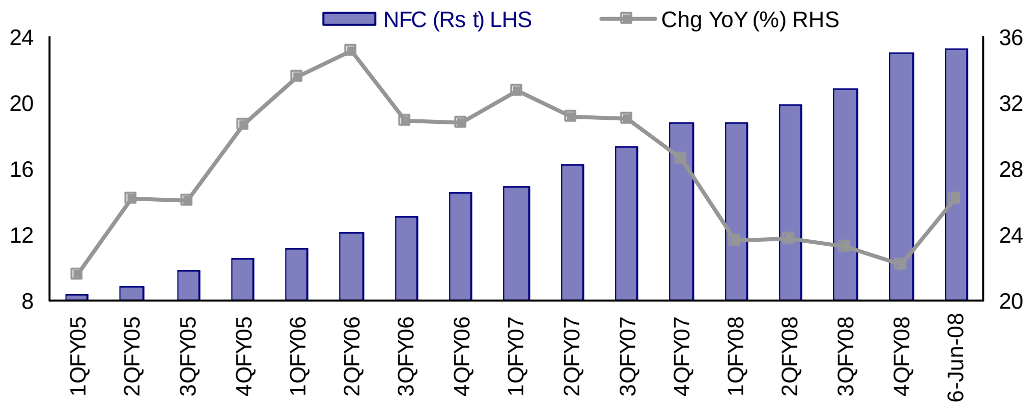
Source: Industry/Motilal Oswal Securities

Credit growth picks up on back of the lower base

Credit grew 26% YoY (as on 6 June 2008) versus 22% in FY08. On a QoQ basis loans grew by 1.4% compared to 2.1% QoQ in 1QFY08. In 1QFY09, the credit to deposit ratio was 73.1%, which is lower than 73.6% recorded in FY08, and incremental credit to deposit ratio is ~49% during 1QFY09.

In our view, a large part of the growth in loan book has come from the corporate segment, particularly form the oil marketing companies (OMC). Substantial increase in the oil prices has led to higher working capital requirement for OMCs. Retail loan growth is likely to remain subdued as some large banks such as ICICI Bank, SBI and other PSU banks have slowed down retail loan disbursements due to mounting NPAs. However, banks like HDFC Bank and Axis Bank have taken this as an opportunity to increase their market share in retail loans. According to managements of these banks, as the large players are out of the market, the pricing power has increased and risk reward ratio has turned highly favorable in the current circumstances.

YOY NON-FOOD CREDIT GROWTH



Source: Industry/Motilal Oswal Securities

Margins likely to be under pressure QoQ

Continued inflationary pressure and tightening measures by the RBI will lead to rising cost of funds for the sector. Most banks have already raised the PLR by 50bp; however increase in lending rates was along with the rise in deposit cost. We believe margins are likely to remain under pressure for banks.

We expect private as well as public sector banks to likely report a fall in margins on a QoQ basis whereas, on a YoY basis we expect the private banks to show improvement in their margins due to the benefit of capital raising in FY08 and improvement in low cost deposits ratio and repricing of the bulk deposits at the lower rates in 4QFY08. On a YoY basis, NII growth would remain subdued for the small and mid-sized PSU banks.

Operating profit growth to be subdued for small and mid-sized PSU banks

We believe subdued NII growth (owing to margin pressure) coupled with fall in treasury profits is likely to keep operating income growth muted in 1QFY09 for mid sized PSU banks. On the contrary, large PSU banks and new age private sector banks (except ICICI Bank) likely to show healthy growth on back of the robust business growth and rapidly growing fee based income. We believe that treasury profits are likely to remain muted for almost all banks due to subdued capital markets and adverse movement in yields in bond markets in 1QFY09.

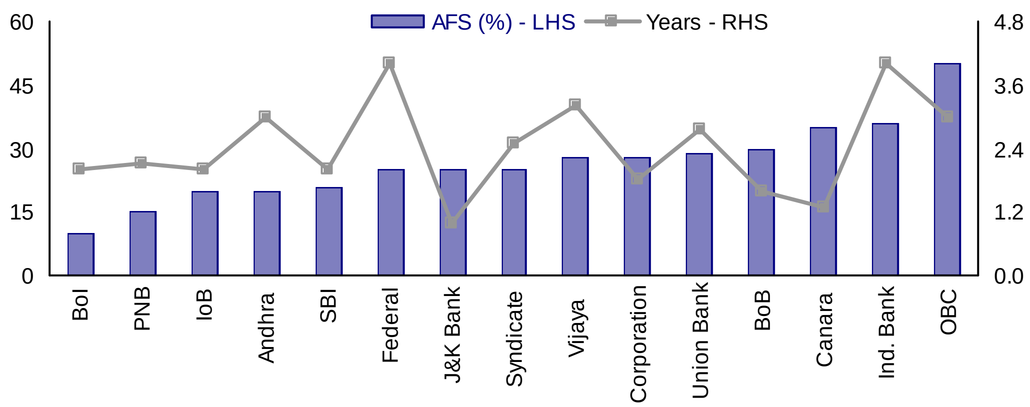
We believe operating expenses for PSU banks is likely to grow faster, as they would start making provisions for the likely wage hike liability in FY09. We have factored in 15% wage hike across all the PSU banks. Overall, we expect operating profits to remain subdued for the mid-sized PSU banks whereas, large PSU banks and private banks are likely to show healthy growth at the operating profit level.

Provisioning expenses to increase on back of significant increase in yields

We expect banks to report higher MTM provisions (10-25% of the operating profits) on the back of significant increase in G-sec yields due to mounting inflationary pressure and continued monetary tightening by the RBI. The banks are also expected to incur transfer losses for the shifting of securities from the AFS to the HTM portfolio. However, transfer losses are likely to be minimal, as most banks have shifted securities in the first week of April when yield movement was not large.

With the significant increase in G-sec yields, banks with higher exposure to the AFS category such as SBI, Indian Bank, OBC, Federal Bank are to be impacted adversely with the higher MTM provisions. In FY08, on a YoY basis yields were flat which led to the near zero depreciation on investment portfolio for the banks. However, in FY09, due to higher inflationary pressure if the yields will remain at current levels then it would impact profits adversely.

AFS (%)



Source: Industry/Motilal Oswal Securities

We expect banks to make substantial MTM provisions. Large banks that have made excessive provisions for NPAs due to significant increase in the treasury profits in FY08 are likely to remain comfortable as far as provisioning expenses are concerned. Overall we expect net profit growth to likely remain subdued for the mid-sized PSU banks whereas, large-sized PSU banks are likely to report healthy growth in profits. PSU banks are also expected to reverse the provisions made on the agri loans under the farm loan waiver package. However, due to lack of clarity we have not factored in the provision reversal in our earnings estimates.

We believe impact of increase in the yields is likely to remain mixed for private banks. Due to the significantly higher exposure to the corporate debt markets, Axis Bank is likely to be impacted by Rs1.5b on its corporate debt portfolio. The other new age private sector banks are likely to make higher provisions for retail NPAs that have been showing signs of distress for a few recent quarters. We believe negative surprise can also arise from a hit on forex derivative losses. However, strong growth in operating profits is likely to take care of excess provisions for these banks.

Reduced earnings for all the banks to factor in lower margins and reduced treasury profit, higher employee expenses and higher provisions for investments

Rising cost of funds and inability of banks (due to competitive pressures) to completely pass on the cost to borrowers is likely to keep margins under pressure for all PSU banks. Falling share of CASA ratio would also lead to pressure on margins for PSU banks. We have assumed 5-10bp fall in margins for all the PSU banks over FY09-10.

In FY08, treasury profits for most of the PSU banks ranged between 10-15% of operating profits. Banks like BoB, Syndicate Bank and Vijaya Bank earned 18%, 22% and 32% respectively of operating profits from treasury activity. Absence of treasury profits is likely to impact their earnings adversely.

For FY09, we have introduced 15% increase in the employees' cost for all PSU banks to factor in the likely wage hike which is also likely to impact profits adversely. Overall we expect earnings to remain under pressure for PSU banks and the mid sized banks are expected to be impacted the most.

On the contrary, private banks are expected to show strong growth in earnings with stable margins due to the improving ratio of low-cost deposits. Fee-based income growth is likely to remain strong and the ongoing branch expansion expected to give further impetus to business growth. Higher-than-expected NPA provisions and provisions for forex derivatives is likely to pose downside risk to our earnings estimates.

We have reduced our earnings estimate by 5-10% in order to factor in lower margins and treasury profits, higher MTM losses and increased employee expenses.

Maintain preference towards private sector banks

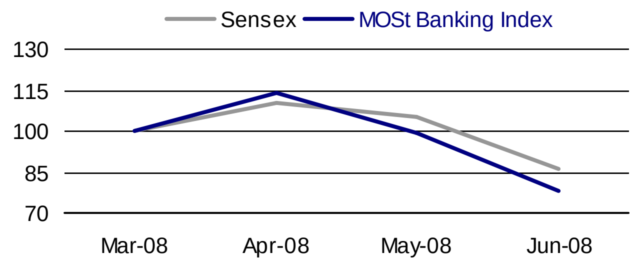
The valuations for PSU banks are at 0.8-1x FY09E BV, with RoEs in the range of 16-23%. Private banks being growth plays continue to trade at 2-3x FY09E BV. We prefer selective buying with preference for banks that envisage high earnings visibility. In this uncertain environment we maintain our preference for private banks. Our preferred bets are Axis Bank, HDFC Bank and ICICI Bank amongst private players and PNB and BoI from PSU banks.

Stock performance and valuations

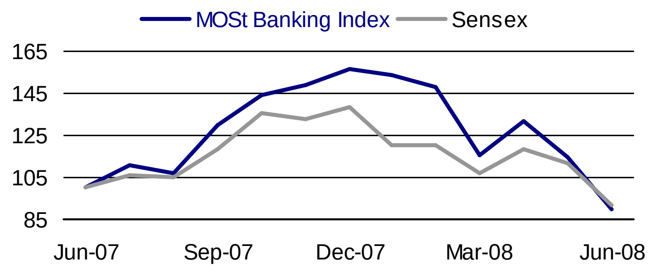
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Banking						
Andhra Bank	-32	-41	-15	-29	-7	-27
Axis Bank	-22	-7	-5	5	3	6
Bank of Baroda	-25	-23	-8	-12	0	-10
Bank of India	-20	-2	-3	10	5	12
Canara Bank	-23	-37	-5	-26	3	-24
Corporation Bank	-9	-22	8	-10	16	-8
Federal Bank	-17	-23	1	-11	9	-9
HDFC	-21	-3	-3	8	4	10
HDFC Bank	-26	-14	-9	-3	-1	-1
ICICI Bank	-27	-41	-10	-29	-2	-27
Indian Bank	-44	-32	-27	-21	-19	-19
Indian Overseas Bank	-44	-36	-27	-25	-19	-23
J&K Bank	-25	-27	-8	-15	0	-13
Karnataka Bank	-37	-28	-20	-17	-12	-15
Oriental Bank	-31	-46	-13	-34	-5	-32
Punjab National Bank	-24	-29	-6	-18	2	-16
State Bank	-33	-26	-15	-15	-8	-13
Syndicate Bank	-37	-39	-20	-27	-12	-25
Union Bank	-20	-16	-3	-4	5	-2
Vijaya Bank	-33	-37	-16	-25	-8	-24

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



	CMP (RS)	RECO	EPS (RS)			P/E (X)			P/BV (X)			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Banks														
Andhra Bank	51	Buy	11.9	12.6	14.5	4.3	4.0	3.5	0.8	0.7	0.6	18.0	17.8	18.3
Axis Bank	580	Buy	29.9	39.2	51.6	19.4	14.8	11.2	2.4	2.1	1.8	17.6	15.1	17.5
Bank of Baroda	211	Buy	39.3	45.3	54.0	5.4	4.6	3.9	0.8	0.7	0.6	15.6	16.0	16.8
Bank of India	225	Buy	38.2	43.4	50.3	5.9	5.2	4.5	1.3	1.1	0.9	27.6	23.4	22.4
Canara Bank	174	Neutral	38.2	36.3	41.6	4.6	4.8	4.2	0.9	0.8	0.7	19.1	16.9	17.2
Corporation Bank	263	Neutral	51.2	51.9	62.0	5.1	5.1	4.2	0.9	0.8	0.7	18.4	16.5	17.3
Federal Bank	184	Buy	21.5	30.0	33.2	8.6	6.1	5.6	0.8	0.7	0.7	13.6	12.4	12.5
HDFC	1,936	Buy	85.8	86.6	106.4	22.6	22.3	18.2	4.6	4.0	3.6	22.2	19.3	20.8
HDFC Bank	984	Buy	38.2	49.4	63.2	25.8	19.9	15.6	3.2	2.9	2.2	15.8	15.1	16.1
ICICI Bank	574	Buy	37.4	41.8	50.5	15.4	13.7	11.4	1.4	1.3	1.2	11.7	9.7	10.9
Indian Bank	88	Buy	23.5	23.6	28.5	3.7	3.7	3.1	0.8	0.7	0.6	25.8	20.4	21.0
Indian Overseas Bank	75	Buy	22.0	23.9	27.3	3.4	3.1	2.7	0.9	0.7	0.6	27.8	24.7	23.4
J&K Bank	500	Buy	74.2	85.1	110.4	6.7	5.9	4.5	1.1	0.9	0.8	16.7	16.8	18.9
Karnataka Bank	126	Buy	19.9	20.5	25.2	6.3	6.1	5.0	1.1	1.0	0.8	18.5	17.0	18.3
Oriental Bank	125	Neutral	33.6	27.3	34.4	3.7	4.6	3.6	0.5	0.5	0.4	14.8	11.4	13.0
Punjab National Bank	384	Buy	65.0	77.7	93.7	5.9	4.9	4.1	1.1	1.0	0.8	19.6	20.9	21.4
State Bank	1,102	Buy	106.6	119.7	142.6	10.3	9.2	7.7	1.4	1.3	1.1	16.8	14.6	15.5
Syndicate Bank	48	Neutral	16.2	13.8	14.8	3.0	3.5	3.2	0.6	0.6	0.5	23.8	17.5	16.6
Union Bank	112	Buy	27.5	29.4	33.0	4.1	3.8	3.4	1.0	0.8	0.7	26.8	24.0	22.4
Vijaya Bank	33	Neutral	8.3	6.7	7.8	3.9	4.9	4.1	0.6	0.5	0.4	16.6	10.7	10.6
Sector Aggregate						**10.2**	**9.2**	**7.6**	**1.8**	**1.4**	**1.2**	**17.6**	**15.4**	**16.3**

Andhra Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	ANDB IN
	REUTERS CODE
S&P CNX: 3,926	ADBK.BO

Equity Shares (m)	485.0
52-Week Range	130/50
1,6,12 Rel.Perf.(%)	-14/-23/-29
M.Cap. (Rs b)	24.7
M.Cap. (US$ b)	0.6

3 July 2008

Buy

Previous Recommendation: Buy Rs51

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	18,644	5,379	11.1	10.6	4.6	0.8	11.3	17.8	1.2	0.8
3/08A	20,012	5,756	11.9	7.0	4.3	0.8	11.7	18.0	1.1	0.8
3/09E	21,354	6,129	12.6	6.5	4.0	0.7	11.0	17.8	1.0	0.7
3/10E	24,102	7,049	14.5	15.0	3.5	0.6	10.8	18.3	1.0	0.6

- We expect net interest income (NII) to remain almost flat at Rs3.55b. Margins would continue to remain under pressure as the share of bulk deposits remains high at 25%. We expect ~22% YoY loan growth for the bank in 1QFY09.

- Fee income growth remains dismal and lower treasury profits are likely to keep non-interest income under pressure.

- With gross NPAs at just 1.07% and net NPAs at 0.15%, incremental provisioning for NPAs would be low. As the HTM portfolio comprises ~80% of the investments, provisioning on its AFS book will be low.

- At CMP, the stock is trading at 4x FY09E EPS and 0.7x FY09E BV. The stock also offer an attractive dividend yield of ~6.5%. We maintain **Buy** on the stock.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	9,895	10,455	10,857	11,692	11,985	12,404	12,838	13,392	42,899	50,618
Interest Expense	6,273	7,008	7,156	8,263	8,429	8,597	8,812	9,037	28,700	34,875
Net Interest Income	**3,621**	**3,447**	**3,701**	**3,429**	**3,556**	**3,807**	**4,026**	**4,354**	**14,199**	**15,743**
% Change (Y-o-Y)	*8.0*	*4.2*	*1.8*	*-11.6*	*-1.8*	*10.4*	*8.8*	*27.0*	*0.2*	*10.9*
Other Income	1,125	1,379	1,477	1,833	1,181	1,334	1,494	1,601	5,813	5,611
Net Income	**4,746**	**4,826**	**5,178**	**5,262**	**4,737**	**5,141**	**5,521**	**5,955**	**20,012**	**21,354**
Operating Expenses	2,512	2,505	2,295	2,131	2,537	2,563	2,601	3,240	9,443	10,941
Operating Profit	**2,234**	**2,322**	**2,883**	**3,131**	**2,200**	**2,579**	**2,920**	**2,715**	**10,569**	**10,413**
% Change (Y-o-Y)	*18.2*	*13.6*	*19.1*	*5.9*	*-1.5*	*11.1*	*1.3*	*-13.3*	*13.5*	*-1.5*
Other Provisions	93	110	278	914	500	150	400	350	1,394	1,400
Profit before Tax	**2,141**	**2,212**	**2,605**	**2,218**	**1,700**	**2,429**	**2,520**	**2,365**	**9,176**	**9,013**
Tax Provisions	730	700	1,015	975	459	777	819	829	3,420	2,884
Net Profit	**1,411**	**1,512**	**1,590**	**1,243**	**1,241**	**1,651**	**1,701**	**1,536**	**5,756**	**6,129**
% Change (Y-o-Y)	*21.2*	*3.3*	*16.7*	*-10.5*	*-12.1*	*9.2*	*6.9*	*23.6*	*7.0*	*6.5*
Interest Exp./Interest Income (%)	*63.4*	*67.0*	*65.9*	*70.7*	*70.3*	*69.3*	*68.6*	*67.5*	*66.9*	*68.9*
Other Income/Net Income (%)	*23.7*	*28.6*	*28.5*	*34.8*	*24.9*	*26.0*	*27.1*	*26.9*	*29.0*	*26.3*
Cost to Income Ratio (%)	*52.9*	*51.9*	*44.3*	*40.5*	*53.6*	*49.8*	*47.1*	*54.4*	*47.2*	*51.2*
Provisions/Operating Profits (%)	*4.2*	*4.7*	*9.6*	*29.2*	*22.7*	*5.8*	*13.7*	*12.9*	*13.2*	*13.4*
Tax Rate (%)	*34.1*	*31.6*	*39.0*	*44.0*	*27.0*	*32.0*	*32.5*	*35.1*	*37.3*	*32.0*

E: MOSt Estimates

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Axis Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	AXSB IN
	REUTERS CODE
S&P CNX: 3,926	AXBK.BO

Equity Shares (m)	357.7
52-Week Range	1,291/534
1,6,12 Rel.Perf.(%)	-5/-8/5
M.Cap. (Rs b)	207.4
M.Cap. (US$ b)	4.8

3 July 2008

Buy

Previous Recommendation: Buy

Rs580

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	24,784	6,590	23.4	34.5	24.8	4.8	11.6	21.0	1.1	5.0
3/08A	43,808	10,710	29.9	28.0	19.4	2.4	13.7	17.6	1.2	2.4
3/09E	58,821	14,039	39.2	31.1	14.8	2.1	11.7	15.1	1.1	2.1
3/10E	77,773	18,461	51.6	31.5	11.2	1.8	10.0	17.5	1.1	1.9

- We expect strong NII growth of 80%+ YoY in 1QFY09 on the back of 60%+ loan growth, improved yield on advances.
- We expect NIMs to decline from 3.93% in 4QFY08 due to increasing cost of funds, stable lending rates and build up of low yielding priority sector loans during 4QFY08. The impact of capital raising in 2QFY08 has faded now and there would be upward pressure on cost of funds for Axis Bank.
- Another key driver has been sustained growth in fee-based income. We expect core fee income to grow ~40% in 1QFY09. Lower treasury gains, however, would lower other income growth.
- We expect higher provisions during the quarter for MTM losses on the bank's non-SLR AFS book. We estimate overall provisions to increase 100%+ YoY due to the same reason.
- The stock currently trades at 14.8x FY09E EPS and 2.1x FY09E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	15,111	16,765	18,023	20,154	21,441	22,942	25,465	29,958	70,053	99,806
Interest Expense	10,901	10,878	10,550	11,870	13,651	14,743	16,069	19,180	44,200	63,642
Net Interest Income	**4,209**	**5,887**	**7,473**	**8,284**	**7,791**	**8,199**	**9,396**	**10,778**	**25,854**	**36,164**
Y-o-Y Growth (%)	*41.3*	*72.9*	*91.1*	*88.7*	*85.1*	*39.3*	*25.7*	*30.1*	*76.1*	*39.9*
Other Income	3,682	3,829	4,879	5,565	3,903	4,977	5,855	7,922	17,955	22,657
Net Income	**7,892**	**9,716**	**12,352**	**13,849**	**11,693**	**13,177**	**15,251**	**18,700**	**43,808**	**58,821**
Operating Expenses	4,212	5,087	5,630	6,621	6,170	7,223	7,544	8,925	21,549	29,862
Operating Profit	**3,679**	**4,629**	**6,723**	**7,228**	**5,523**	**5,953**	**7,707**	**9,776**	**22,259**	**28,959**
Y-o-Y Growth (%)	*29.9*	*85.3*	*101.4*	*82.1*	*50.1*	*28.6*	*14.6*	*35.2*	*76.1*	*30.1*
Provision & Contingencies	1,009	1,145	2,001	1,642	2,018	1,545	1,800	2,324	5,794	7,688
Profit before Tax	**2,670**	**3,484**	**4,722**	**5,586**	**3,505**	**4,408**	**5,907**	**7,451**	**16,465**	**21,271**
Tax Provisions	921	1,206	1,654	1,972	1,192	1,499	2,008	2,533	5,755	7,232
Net Profit	**1,750**	**2,278**	**3,068**	**3,614**	**2,313**	**2,909**	**3,899**	**4,918**	**10,710**	**14,039**
Y-o-Y Growth (%)	*45.2*	*60.5*	*66.2*	*70.5*	*32.2*	*27.7*	*27.1*	*36.1*	*62.5*	*31.1*
Int Exp/ Int Earned (%)	*72.1*	*64.9*	*58.5*	*58.9*	*63.7*	*64.3*	*63.1*	*64.0*	*63.1*	*63.8*
Other Income / Net Income (%)	*46.7*	*39.4*	*39.5*	*40.2*	*33.4*	*37.8*	*38.4*	*42.4*	*41.0*	*38.5*
Cost to Income Ratio (%)	*53.4*	*52.4*	*45.6*	*47.8*	*52.8*	*54.8*	*49.5*	*47.7*	*49.2*	*50.8*
Provisions/Operating Profit (%)	*27.4*	*24.7*	*29.8*	*22.7*	*36.5*	*26.0*	*23.4*	*23.8*	*26.0*	*26.5*
Tax Rate (%)	*34.5*	*34.6*	*35.0*	*35.3*	*34.0*	*34.0*	*34.0*	*34.0*	*35.0*	*34.0*

E: MOSt Estimates

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Bank of Baroda

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BOB IN
	REUTERS CODE
S&P CNX: 3,926	BOB.BO

Equity Shares (m)	365.5
52-Week Range	501/188
1,6,12 Rel.Perf.(%)	3/-21/-12
M.Cap. (Rs b)	77.1
M.Cap. (US$ b)	1.8

3 July 2008

Buy

Previous Recommendation: Buy Rs211

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	49,593	10,265	28.1	24.1	7.5	0.9	11.8	12.4	0.8	1.0
3/08A	59,628	14,355	39.3	39.8	5.4	0.8	12.9	15.6	0.9	0.8
3/09E	63,685	16,576	45.3	15.5	4.5	0.7	12.3	16.0	0.9	0.7
3/10E	73,300	19,750	54.0	19.1	3.8	0.6	11.0	16.8	0.8	0.6

- We expect strong loan growth of 30%+ for BoB on a lower base in 1QFY08. Margins would be under pressure as BoB has reduced lending rates in 4QFY08, while deposit costs have remained firm. Margins are expected to fall by ~20bp YoY.
- We expect treasury profits to be significantly lower YoY which would put downward pressure on other income and overall earnings growth. Fee income growth is expected to remain modest at ~15%.
- BoB's asset quality has improved significantly with coverage ratio at 75% and net NPAs at 0.47%. We expect NPA provisions to be nominal in 1QFY09. Provision for MTM losses on its AFS portfolio (SLR and non-SLR) would hurt earnings growth.
- We expect earnings to decline YoY in 1QFY09 mainly due to lower treasury profits and MTM provisioning
- The stock trades at 0.7x FY09E BV and 4.5x FY09E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	26,006	28,798	30,022	33,311	33,473	35,314	37,786	40,382	118,135	146,956
Interest Expense	16,961	18,983	20,047	23,026	23,601	24,663	25,896	27,594	79,017	101,753
Net Interest Income	**9,046**	**9,814**	**9,975**	**10,285**	**9,872**	**10,651**	**11,890**	**12,788**	**39,118**	**45,202**
% Change (YoY)	*16.3*	*17.1*	*9.8*	*-2.4*	*9.1*	*8.5*	*19.2*	*24.3*	*9.3*	*15.6*
Other Income	4,242	4,541	6,180	5,546	3,538	4,541	4,820	5,583	20,510	18,482
Net Income	**13,287**	**14,355**	**16,155**	**15,831**	**13,410**	**15,192**	**16,711**	**18,371**	**59,628**	**63,685**
Operating Expenses	6,843	7,983	6,831	7,687	7,734	8,062	8,538	9,350	29,343	33,684
Operating Profit	**6,445**	**6,372**	**9,324**	**8,145**	**5,677**	**7,130**	**8,172**	**9,022**	**30,286**	**30,000**
% Change (YoY)	*25.9*	*23.7*	*30.1*	*5.4*	*-11.9*	*11.9*	*-12.4*	*10.8*	*25.4*	*-0.9*
Provision & Contingencies	1,414	981	1,570	4,250	1,000	1,500	1,200	1,560	8,214	5,260
Profit before Tax	**5,030**	**5,392**	**7,754**	**3,895**	**4,677**	**5,630**	**6,972**	**7,462**	**22,072**	**24,740**
Tax Provisions	1,722	2,120	2,744	1,131	1,477	1,858	2,301	2,528	7,716	8,164
Net Profit	**3,308**	**3,272**	**5,010**	**2,764**	**3,199**	**3,772**	**4,671**	**4,933**	**14,355**	**16,576**
% Change (YoY)	*102.6*	*13.5*	*52.2*	*12.5*	*-3.3*	*15.3*	*-6.8*	*78.5*	*39.8*	*15.5*
Int Exp/ Int Earned (%)	*65.2*	*65.9*	*66.8*	*69.1*	*70.5*	*69.8*	*68.5*	*68.3*	*66.9*	*69.2*
Other Income / Net Income (%)	*31.9*	*31.6*	*38.3*	*35.0*	*26.4*	*29.9*	*28.8*	*30.4*	*34.4*	*29.0*
Cost to Income Ratio (%)	*51.5*	*55.6*	*42.3*	*48.6*	*57.7*	*53.1*	*51.1*	*50.9*	*49.2*	*52.9*
Provisions/Operating Profit (%)	*21.9*	*15.4*	*16.8*	*52.2*	*17.6*	*21.0*	*14.7*	*17.3*	*27.1*	*17.5*
Tax Rate (%)	*31.9*	*31.6*	*38.3*	*35.0*	*26.4*	*29.9*	*28.8*	*30.4*	*34.4*	*29.0*

E: MOSt Estimates

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Bank of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BOI IN
	REUTERS CODE
S&P CNX: 3,926	BOI.BO

Equity Shares (m)	525.9
52-Week Range	466/189
1,6,12 Rel.Perf.(%)	-5/-6/10
M.Cap. (Rs b)	118.3
M.Cap. (US$ b)	2.7

3 July 2008

Buy

Previous Recommendation: Buy

Rs225

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	50,034	11,232	23.0	60.2	9.8	1.9	11.6	21.3	0.9	2.1
3/08E	63,462	20,094	38.2	66.1	5.9	1.3	12.0	27.6	1.3	1.4
3/09E	71,553	22,825	43.4	13.6	5.2	1.1	11.3	23.4	1.2	1.2
3/10E	82,501	26,459	50.3	15.9	4.5	0.9	10.9	22.4	1.1	1.0

- We expect strong loan growth of 30%+ and deposit growth of 25%+. We expect margins to decline QoQ, as lending rates soften on the back of reduced PLR and deposit costs remain firm.
- We expect fee income growth to remain strong at ~25% while treasury profits are expected to remain subdued.
- BoI is the most protected PSU bank in terms of MTM losses on its AFS portfolio as ~90% of its investments are in the HTM category. We expect strong core operations to enable BoI to post 30%+ earnings growth in 1QFY09.
- The bank continues to be the most consistent in terms of its improvement in core performance. We believe BoI has many levers to bring in positive surprises to our earnings estimate. The stock is trading at 5.2x FY09E EPS and 1.1x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	27,273	29,752	31,511	35,016	35,688	37,294	38,413	40,965	123,552	152,360
Interest Expense	17,801	19,895	20,717	22,848	24,202	25,291	26,049	27,799	81,260	103,341
Net Interest Income	**9,472**	**9,858**	**10,795**	**12,168**	**11,486**	**12,003**	**12,363**	**13,166**	**42,292**	**49,019**
Y-o-Y Growth (%)	*23.9*	*16.1*	*25.7*	*25.7*	*21.3*	*21.8*	*14.5*	*8.2*	*22.9*	*15.9*
Other Income	3,812	5,284	5,541	6,533	4,377	5,813	5,486	6,859	21,169	22,534
Net Income	**13,284**	**15,142**	**16,336**	**18,700**	**15,863**	**17,816**	**17,849**	**20,025**	**63,462**	**71,553**
Operating Expenses	6,506	6,744	6,622	6,579	7,156	7,335	7,518	7,212	26,450	29,221
Operating Profit	**6,778**	**8,398**	**9,714**	**12,122**	**8,707**	**10,481**	**10,331**	**12,813**	**37,012**	**42,332**
Y-o-Y Growth (%)	*45.0*	*75.3*	*75.6*	*35.4*	*28.5*	*24.8*	*6.4*	*5.7*	*54.5*	*14.4*
Provision & Contingencies	1,992	2,993	2,314	2,866	3,000	3,292	2,545	2,227	10,165	11,064
Profit before Tax	**4,786**	**5,405**	**7,400**	**9,256**	**5,707**	**7,189**	**7,786**	**10,586**	**26,847**	**31,268**
Tax Provisions	1,634	1,153	2,281	1,686	1,541	1,941	2,102	2,858	6,753	8,442
Net Profit	**3,152**	**4,253**	**5,119**	**7,570**	**4,166**	**5,248**	**5,683**	**7,728**	**20,094**	**22,825**
Y-o-Y Growth (%)	*51.0*	*100.5*	*100.8*	*69.2*	*32.2*	*23.4*	*11.0*	*2.1*	*78.9*	*13.6*
Int Exp/ Int Earned (%)	*65.3*	*66.9*	*65.7*	*65.3*	*67.8*	*67.8*	*67.8*	*67.9*	*65.8*	*67.8*
Other Income / Net Income (%)	*28.7*	*34.9*	*33.9*	*34.9*	*27.6*	*32.6*	*30.7*	*34.3*	*33.4*	*31.5*
Cost to Income Ratio (%)	*49.0*	*44.5*	*40.5*	*35.2*	*45.1*	*41.2*	*42.1*	*36.0*	*41.7*	*40.8*
Provisions/Operating Profit (%)	*29.4*	*35.6*	*23.8*	*23.6*	*34.5*	*31.4*	*24.6*	*17.4*	*27.5*	*26.1*
Tax Rate (%)	*34.1*	*21.3*	*30.8*	*18.2*	*27.0*	*27.0*	*27.0*	*27.0*	*25.2*	*27.0*

E: MOSt Estimates

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Canara Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	CBK IN
	REUTERS CODE
S&P CNX: 3,926	CNBK.BO

Equity Shares (m)	410.0
52-Week Range	421/171
1,6, 12 Rel.Perf.(%)	3/-21/-26
M.Cap. (Rs b)	71.4
M.Cap. (US$ b)	1.6

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs174

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	54,778	14,208	34.7	5.8	5.0	0.9	13.5	18.8	1.0	1.0
3/08A	57,507	15,650	38.2	10.1	4.6	0.9	13.3	19.1	0.9	0.9
3/09E	59,778	14,864	36.3	-5.0	4.8	0.8	12.6	16.9	0.8	0.8
3/10E	68,209	17,052	41.6	14.7	4.2	0.7	12.0	17.2	0.8	0.7

- We expect margins to remain under pressure for the bank as cost of funds continues to be high. In spite of the balance sheet restructuring exercise, share of bulk deposits remains high at ~24%; however, significantly reduced from 33% in FY07.
- We expect loans to grow by 16% YoY and deposits to grow 12% YoY. In FY08, loans and deposits growth was a muted 9% due to the restructuring exercise at the bank to reduce high cost bulk deposits and low yielding advances.
- We expect operating profit to fall by 9% in 1QFY09 on back of muted NII growth, expected lower treasury profit and higher provisions for employee expenses.
- Canara Bank continues to enjoy one of the best asset qualities in the industry with gross NPAs at a mere 1.31% and net NPAs at 0.84%. Thus NPA provisions would continue to remain low for the bank going forward.
- We expect MTM provisions for Canara Bank to likely be higher, as 35% of the investment book is in the AFS category with the duration 1.3years (as of 31 March 2008). We have assumed MTM depreciation of ~Rs1.5b for the investment book. The bank may book a loss on account of transferring of securities from AFS to HTM in 1QFY09.
- At CMP, the stock is trading at 4.8x FY09E EPS and 0.8x FY09E BV. We remain **Neutral** on account of concerns on core operating profitability of the bank.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	33,800	34,826	35,502	37,880	38,259	38,603	38,989	42,334	142,007	158,185
Interest Expense	24,859	26,957	26,158	28,655	29,157	29,448	29,595	32,459	106,629	120,660
Net Interest Income	**8,941**	**7,869**	**9,344**	**9,225**	**9,102**	**9,155**	**9,394**	**9,875**	**35,378**	**37,526**
% Change (Y-o-Y)	*-5.7*	*-19.8*	*-10.1*	*-12.9*	*1.8*	*16.3*	*0.5*	*7.0*	*-12.1*	*6.1*
Other Income	3,801	5,721	5,464	7,143	3,991	5,248	6,011	7,003	22,129	22,253
Net Income	**12,742**	**13,590**	**14,808**	**16,368**	**13,093**	**14,403**	**15,405**	**16,878**	**57,507**	**59,778**
Operating Expenses	6,621	7,086	7,230	6,976	7,548	8,078	8,242	8,130	27,913	31,998
Operating Profit	**6,121**	**6,503**	**7,578**	**9,392**	**5,545**	**6,324**	**7,163**	**8,748**	**29,594**	**27,780**
% Change (Y-o-Y)	*3.7*	*5.7*	*8.0*	*-6.6*	*-9.4*	*-2.8*	*-5.5*	*-6.9*	*1.6*	*-6.1*
Other Provisions	3,015	1,787	1,990	3,751	2,000	2,100	2,400	2,700	10,544	9,200
Profit before Tax	**3,106**	**4,716**	**5,588**	**5,641**	**3,545**	**4,224**	**4,763**	**6,048**	**19,050**	**18,580**
Tax Provisions	700	700	1,000	1,000	709	845	953	1,210	3,400	3,716
Net Profit	**2,406**	**4,016**	**4,588**	**4,641**	**2,836**	**3,379**	**3,810**	**4,839**	**15,650**	**14,864**
% Change (Y-o-Y)	*26.0*	*11.0*	*26.1*	*-8.0*	*17.9*	*-15.8*	*-17.0*	*4.3*	*10.1*	*-5.0*
Interest Exp./Interest Income (%)	*52.0*	*52.1*	*48.8*	*42.6*	*57.6*	*56.1*	*53.5*	*48.2*	*48.5*	*53.5*
Other Income/Net Income (%)	*73.5*	*77.4*	*73.7*	*75.6*	*76.2*	*76.3*	*75.9*	*76.7*	*75.1*	*76.3*
Cost to Income Ratio (%)	*29.8*	*42.1*	*36.9*	*43.6*	*30.5*	*36.4*	*39.0*	*41.5*	*38.5*	*37.2*
Provisions/Operating Profits (%)	*49.3*	*27.5*	*26.3*	*39.9*	*36.1*	*33.2*	*33.5*	*30.9*	*35.6*	*33.1*
Tax Rate (%)	*22.5*	*14.8*	*17.9*	*17.7*	*20.0*	*20.0*	*20.0*	*20.0*	*17.8*	*20.0*

E: MOSt Estimates

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Corporation Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	CRPBK IN
	REUTERS CODE
S&P CNX: 3,926	CRBK.BO

Equity Shares (m)	143.4
52-Week Range	490/230
1,6,12 Rel.Perf.(%)	-4/-8/-10
M.Cap. (Rs b)	37.7
M.Cap. (US$ b)	0.9

3 July 2008

Neutral

Previous Recommendation: Neutral Rs263

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	19,436	5,361	37.4	20.6	7.0	1.0	12.8	15.0	1.2	1.0
3/08A	21,431	7,350	51.2	37.1	5.1	0.9	12.0	18.4	1.2	0.9
3/09E	23,486	7,444	51.9	1.3	5.1	0.8	11.0	16.5	1.0	0.8
3/10E	26,856	8,896	62.0	19.5	4.2	0.7	11.0	17.3	1.0	0.7

- We believe margins for the bank will continue to remain under pressure. In FY08, NIMs fell by 36bp to 2.71%. We expect business growth to remain strong at 25%+.
- We expect operating profit to remain flat due to higher employees' cost as the bank would start making provisions for the likely wage hike.
- Asset quality remains robust with net NPAs at 0.32%. We do not expect any material weakening of the asset portfolio for the bank.
- ~25% of investment portfolio is in the AFS category with a duration of 1.8 years. We expect provisions of Rs500m for the AFS book.
- The stock trades at 5.1x FY09E EPS and 0.8x FY09E BV. We remain **Neutral** on the stock.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	11,001	10,638	10,989	12,535	12,598	13,480	14,289	15,807	45,166	56,173
Interest Expense	7,479	7,092	7,652	8,510	8,893	9,337	10,084	11,275	30,732	39,588
Net Interest Income	**3,522**	**3,546**	**3,337**	**4,026**	**3,705**	**4,143**	**4,204**	**4,532**	**14,433**	**16,585**
% Change (Y-o-Y)	*16.5*	*17.5*	*6.0*	*3.4*	*5.2*	*16.8*	*26.0*	*12.6*	*10.3*	*14.9*
Other Income	1,387	1,832	1,670	2,112	1,456	1,631	1,762	2,052	6,998	6,901
Net Income	**4,909**	**5,377**	**5,007**	**6,138**	**5,162**	**5,774**	**5,966**	**6,585**	**21,431**	**23,486**
Operating Expenses	2,154	2,432	2,231	2,103	2,380	2,570	2,544	2,645	8,920	10,139
Operating Profit	**2,756**	**2,945**	**2,776**	**4,035**	**2,782**	**3,204**	**3,422**	**3,939**	**12,511**	**13,347**
% Change (Y-o-Y)	*-8.6*	*33.4*	*1.1*	*17.6*	*1.0*	*8.8*	*23.3*	*-2.4*	*9.7*	*6.7*
Other Provisions	200	542	97	1,019	650	575	575	600	1,857	2,400
Profit before Tax	**2,556**	**2,404**	**2,678**	**3,016**	**2,132**	**2,629**	**2,847**	**3,339**	**10,654**	**10,947**
Tax Provisions	785	790	769	960	682	841	854	1,126	3,304	3,503
Net Profit	**1,771**	**1,614**	**1,909**	**2,056**	**1,450**	**1,788**	**1,993**	**2,214**	**7,350**	**7,444**
% Change (Y-o-Y)	*22.8*	*27.1*	*30.4*	*73.5*	*-18.1*	*10.8*	*4.4*	*7.7*	*37.1*	*1.3*
Interest Exp./Interest Income (%)	*68.0*	*66.7*	*69.6*	*67.9*	*70.6*	*69.3*	*70.6*	*71.3*	*68.0*	*70.5*
Other Income/Net Income (%)	*28.3*	*34.1*	*33.3*	*34.4*	*28.2*	*28.3*	*29.5*	*31.2*	*32.7*	*29.4*
Cost to Income Ratio (%)	*43.9*	*45.2*	*44.6*	*34.3*	*46.1*	*44.5*	*42.6*	*40.2*	*41.6*	*43.2*
Provisions/Operating Profits (%)	*7.2*	*18.4*	*3.5*	*25.3*	*23.4*	*17.9*	*16.8*	*15.2*	*14.8*	*18.0*
Tax Rate (%)	*30.7*	*32.9*	*28.7*	*31.8*	*32.0*	*32.0*	*30.0*	*33.7*	*31.0*	*32.0*

E: MOSt Estimates

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Federal Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	FB IN
	REUTERS CODE
S&P CNX: 3,926	FED.BO

Equity Shares (m)	171.2
52-Week Range	395/173
1,6,12 Rel.Perf.(%)	5/-12/-11
M.Cap. (Rs b)	31.5
M.Cap. (US$ b)	0.7

3 July 2008

Buy

Previous Recommendation: Buy

Rs184

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	10,191	2,927	34.2	30.0	5.4	1.1	13.4	21.3	1.3	1.1
3/08A	12,630	3,680	21.5	-37.1	8.6	0.8	22.5	13.6	1.3	0.8
3/09E	14,892	5,128	30.0	39.3	6.1	0.7	19.7	12.4	1.5	0.7
3/10E	16,903	5,676	33.2	10.7	5.6	0.7	17.4	12.5	1.4	0.7

- We expect NII growth of 38% on the back of sustained margins and strong growth in loan book. During 4QFY08 the bank had raised Rs21b of capital via a rights issue, which would also help improve margins in the quarter.
- Asset quality has substantially improved with gross NPAs at 2.42% and net NPAs at 0.23% as of March 2008. We hence expect NPA provisions to remain low.
- The bank holds ~25% of the securities in the AFS category with the average duration of four years. This will result in higher provisions in the quarter. We expect MTM depreciation of Rs750m on the AFS book.
- Federal Bank is a play on improving asset quality, consolidation and attractive valuations. At CMP, the stock trades at 6.1x FY09E EPS and 0.7x FY09E BV with RoA of 1.4%+, however RoE is likely to remain lower. Maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	5,553	5,943	6,487	7,172	7,387	7,646	7,913	8,459	25,154	31,405
Interest Expense	3,665	3,918	4,450	4,442	4,775	4,990	5,164	5,296	16,474	20,225
Net Interest Income	**1,889**	**2,024**	**2,037**	**2,730**	**2,612**	**2,656**	**2,749**	**3,163**	**8,680**	**11,180**
% Change (Y-o-Y)	*22.2*	*23.9*	*16.6*	*22.0*	*38.3*	*31.2*	*34.9*	*15.8*	*21.1*	*28.8*
Other Income	1,044	808	850	1,249	992	892	848	981	3,950	3,713
Net Income	**2,932**	**2,832**	**2,887**	**3,979**	**3,604**	**3,548**	**3,597**	**4,144**	**12,630**	**14,892**
Operating Expenses	1,048	1,066	1,210	1,365	1,310	1,376	1,444	1,449	4,689	5,579
Operating Profit	**1,884**	**1,766**	**1,676**	**2,614**	**2,294**	**2,173**	**2,152**	**2,695**	**7,941**	**9,314**
% Change (Y-o-Y)	*65.7*	*27.1*	*23.7*	*16.3*	*21.7*	*23.0*	*28.4*	*3.1*	*29.6*	*17.3*
Other Provisions	670	548	345	1,377	950	525	275	490	2,940	2,240
Profit before Tax	**1,214**	**1,218**	**1,331**	**1,238**	**1,344**	**1,648**	**1,877**	**2,205**	**5,002**	**7,074**
Tax Provisions	545	265	302	209	370	453	516	606	1,321	1,945
Net Profit	**669**	**953**	**1,029**	**1,029**	**974**	**1,195**	**1,361**	**1,599**	**3,680**	**5,128**
% Change (Y-o-Y)	*66.6*	*37.2*	*22.8*	*3.6*	*45.5*	*25.3*	*32.2*	*55.4*	*25.7*	*39.3*
Interest Exp./Interest Income (%)	*66.0*	*65.9*	*68.6*	*61.9*	*64.6*	*65.3*	*65.3*	*62.6*	*65.5*	*64.4*
Other Income/Net Income (%)	*35.6*	*28.5*	*29.4*	*31.4*	*27.5*	*25.2*	*23.6*	*23.7*	*31.3*	*24.9*
Cost to Income Ratio (%)	*35.7*	*37.6*	*41.9*	*34.3*	*36.4*	*38.8*	*40.2*	*35.0*	*37.1*	*37.5*
Provisions/Operating Profits (%)	*35.6*	*31.0*	*20.6*	*52.7*	*41.4*	*24.2*	*12.8*	*18.2*	*37.0*	*24.1*
Tax Rate (%)	*44.9*	*21.8*	*22.7*	*16.9*	*27.5*	*27.5*	*27.5*	*27.5*	*26.4*	*27.5*

E: MOSt Estimates

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HDFC

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	HDFC IN
	REUTERS CODE
S&P CNX: 3,926	HDFC.BO

Equity Shares (m)	319.4
52-Week Range	3,257/1,750
1,6,12 Rel.Perf.(%)	-3/-1/8
M.Cap. (Rs b)	618.2
M.Cap. (US$ b)	14.3

3 July 2008

Buy

Previous Recommendation: Buy Rs1,936

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E# (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV* RATIO
3/07A	21,964	15,704	62.1	23.2	21.8	8.8	13.0	29.0	2.5	8.5
3/08A	30,532	24,363	85.8	38.2	15.8	4.6	16.5	22.2	2.7	4.2
3/09E	37,392	24,932	86.6	1.0	15.6	4.0	15.0	19.3	2.7	3.8
3/10E	45,710	30,621	106.4	22.8	12.7	3.6	14.0	20.8	2.8	3.4

** Price is adjusted for value of key ventures. Book Value is adjusted by deducting investments in key ventures from net worth*

- Despite concerns relating to growth in mortgages, we expect HDFC to maintain its traditional growth of 26-27% in disbursements and 25%+ in loans.
- HDFC has cut its lending rate on existing loans by 25bp in 4QFY08. This cut would affect its overall yields by ~10bp QoQ. We expect reported spreads to decline QoQ by ~5bp to ~2.25%. However, they would continue to be above HDFC's desired level of 2.1-2.2%.
- We expect strong 38% earnings growth in 1QFY09 on the back of improved spread and strong volume growth.
- Adjusting for the value of its investments, HDFC is available at 15.6x FY09E EPS and 3.8x FY09E ABV. With strong growth prospects, we are optimistic about future earnings prospects of HDFC, Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Income from Operations	18,270	18,886	21,504	23,112	23,738	24,332	25,305	28,105	81,764	101,480
Other Income	34	39	44	90	60	60	60	60	197	240
Reported Total Income	**18,304**	**18,925**	**21,547**	**23,202**	**23,798**	**24,392**	**25,365**	**28,165**	**81,961**	**101,720**
Total Income Ex-invst. profits	**18,044**	**18,912**	**20,513**	**23,159**	**23,773**	**23,892**	**24,865**	**27,591**	**80,628**	**100,121**
YoY Change (%)	*50.7*	*41.3*	*47.6*	*40.8*	*31.8*	*26.3*	*21.2*	*19.1*	*39.8*	*24.1*
Interest and Other Charges	12,451	12,238	13,160	13,598	15,680	16,308	16,308	16,032	51,429	64,327
Other Expenses	765	823	741	664	918	947	852	817	2,948	3,534
Total Expenses	13,217	13,061	13,901	14,262	16,599	17,254	17,160	16,849	54,377	67,862
PBDT	**5,087**	**5,864**	**7,646**	**8,940**	**7,199**	**7,137**	**8,205**	**11,316**	**27,584**	**33,858**
YoY Change (%)	*33.7*	*23.7*	*70.4*	*31.2*	*41.5*	*21.7*	*7.3*	*26.6*	*41.3*	*22.7*
Depreciation	37	40	44	45	45	40	40	41	166	166
PBT Pre-exceptional Income	**5,050**	**5,824**	**7,602**	**8,896**	**7,154**	**7,097**	**8,165**	**11,275**	**27,418**	**33,692**
Exceptional Profits	0	3,133	1,209	2,021	0	0	0	0	6,363	0
Reported PBT	**5,050**	**8,957**	**8,812**	**10,916**	**7,154**	**7,097**	**8,165**	**11,275**	**33,781**	**33,692**
Provision for Tax	1,322	2,493	2,323	3,235	2,003	1,845	1,960	2,952	9,373	8,760
Reported PAT	**3,728**	**6,464**	**6,489**	**7,681**	**5,151**	**5,252**	**6,205**	**8,324**	**24,408**	**24,932**
YoY Change (%)	*25.6*	*75.6*	*82.5*	*39.6*	*38.2*	*-18.7*	*-4.4*	*8.4*	*55.4*	*2.1*
PAT Ex-exceptional	**3,728**	**4,505**	**5,880**	**6,880**	**5,151**	**5,252**	**6,205**	**8,324**	**19,442**	**24,932**
YoY Change (%)	*25.6*	*22.4*	*65.4*	*25.1*	*38.2*	*16.6*	*5.5*	*21.0*	*34.0*	*28.2*

E: MOSt Estimates

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HDFC Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	HDFCB IN
	REUTERS CODE
S&P CNX: 3,926	HDBK.BO

Equity Shares (m)	471.9
52-Week Range	1,825/945
1,6,12 Rel.Perf.(%)	-5/-6/-3
M.Cap. (Rs b)	464.3
M.Cap. (US$ b)	10.7

3 July 2008

Buy

Previous Recommendation: Neutral

Rs984

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	59,597	12,628	33.8	21.3	29.1	4.7	13.1	19.3	1.4	4.8
3/08A*	88,044	17,014	38.2	12.9	25.8	3.2	12.5	15.8	1.2	3.3
3/09E	114,122	22,000	49.4	29.3	19.9	2.9	10.5	15.1	1.2	2.9
3/10E	147,106	29,838	63.2	28.1	15.6	2.2	11.0	16.1	1.3	2.2

** Includes pro forma merged figures for HDFC Bank and CBoP*

- HDFC Bank would consolidate Centurion Bank of Punjab (CBoP) with itself in 1QFY09. We have included impact of the CBoP merger in our 1QFY09 estimates.
- HDFC Bank is expected to maintain consistent PAT growth of ~30%+ despite higher opex cost and NPA provisions due to the CBoP merger.
- Fee income growth is expected to be moderate at ~25%. We expect overall cost-to-income ratio to deteriorate to >55% from a historical trend of ~50% due to strong opex growth in the quatrer.
- We expect provisions to increase significantly on account of NPAs as well as MTM losses on non- SLR investments.
- Post the CBoP merger, we estimate PAT CAGR of 32% over FY08-FY10E with RoE increasing to 16% by FY10 (after combining CBoP with HDFC Bank from FY08 itself). The stock trades at 2.9x FY09E BV and 19.9x FY09E EPS. We believe the valuations more than factor in merger risks. Upgrade to **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E*				FY08	FY09E*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	20,692	23,628	27,269	29,562	36,610	39,905	44,694	48,254	101,150	169,463
Interest Expense	10,836	12,001	12,893	13,141	18,693	20,936	23,868	24,990	48,871	88,487
Net Interest Income	**9,855**	**11,627**	**14,376**	**16,421**	**17,917**	**18,969**	**20,826**	**23,264**	**52,279**	**80,976**
Growth (%)	*30.1*	*47.6*	*65.6*	*55.7*	*81.8*	*63.1*	*44.9*	*41.7*	*50.7*	*54.9*
Other Income	5,725	4,824	6,789	5,493	6,753	8,012	9,125	9,256	22,825	33,146
Net Income	**15,581**	**16,451**	**21,165**	**21,914**	**24,669**	**26,981**	**29,951**	**32,521**	**75,103**	**114,122**
Operating Expenses	7,744	8,184	10,501	11,027	13,603	14,691	15,573	17,516	37,456	61,383
Operating Profit	**7,837**	**8,267**	**10,664**	**10,887**	**11,066**	**12,289**	**14,378**	**15,004**	**37,647**	**52,738**
Growth (%)	*41.0*	*36.3*	*67.5*	*42.3*	*41.2*	*48.7*	*34.8*	*37.8*	*46.8*	*40.1*
Provisions and Contingencies	3,071	2,894	4,231	4,651	5,000	5,000	5,500	5,355	14,843	20,855
Profit before Tax	**4,766**	**5,373**	**6,432**	**6,236**	**6,066**	**7,289**	**8,878**	**9,650**	**22,804**	**31,884**
Provision for Taxes	1,553	1,688	2,139	1,525	1,881	2,260	2,752	2,991	6,905	9,884
Net Profit	**3,212**	**3,685**	**4,294**	**4,711**	**4,186**	**5,030**	**6,126**	**6,658**	**15,899**	**22,000**
Growth (%)	*34.2*	*40.1*	*45.2*	*37.1*	*30.3*	*36.5*	*42.7*	*41.3*	*39.3*	*38.4*
Int Exp/ Int Earned (%)	*52.4*	*50.8*	*47.3*	*44.5*	*51.1*	*52.5*	*53.4*	*51.8*	*48.3*	*52.2*
Other Income/Total Income (%)	*36.7*	*29.3*	*32.1*	*25.1*	*27.4*	*29.7*	*30.5*	*28.5*	*30.4*	*29.0*
Cost to Income Ratio (%)	*49.7*	*49.7*	*49.6*	*50.3*	*55.1*	*54.5*	*52.0*	*53.9*	*49.9*	*53.8*
Provisions/Operating Profit %	*39.2*	*35.0*	*39.7*	*42.7*	*45.2*	*40.7*	*38.3*	*35.7*	*39.4*	*39.5*
Tax Payout %	*32.6*	*31.4*	*33.2*	*24.4*	*31.0*	*31.0*	*31.0*	*31.0*	*30.3*	*31.0*

*E: MOSt Estimates; *FY09 numbers include merger of CBoP. They are not strictly comparable to FY08 numbers*

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ICICI Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	ICICIBC IN
	REUTERS CODE
S&P CNX: 3,926	ICBK.BO

Equity Shares (m)	1,112.7
52-Week Range	1,465/551
1,6,12 Rel.Perf.(%)	-7/-18/-29
M.Cap. (Rs b)	638.5
M.Cap. (US$ b)	14.7

3 July 2008

Buy

Previous Recommendation: Buy

Rs574

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	AP/E* (X)	P/BV (X)	AP/ABV* (X)	CAR (%)	ROE (%)
3/07A	125,650	31,102	34.6	21.2	16.6	8.4	2.1	0.8	13.1	13.4
3/08A	161,149	41,577	37.4	8.0	15.4	7.8	1.4	0.7	14.0	11.7
3/09E	188,209	46,466	41.8	11.8	13.7	7.0	1.3	0.7	12.2	9.7
3/10E	223,676	56,186	50.5	20.9	11.4	5.7	1.2	0.7	10.9	10.9

**Price is adjusted for value of key ventures; Book value adjusted for investment in subsidiaries*

- We expect modest credit growth of 15-16% YoY as retail loan growth has slowed significantly. Higher-than-industry lending rates and management's conscious strategy to move away from retail would suppress its domestic loan growth in FY09.
- We expect stable QoQ margins during 1QFY09. However cost to income ratio is likely to increase to ~54% during 1QFY09 as massive branch expansion (475 branches added in 4 months) would mean operating costs continue to increase.
- With deteriorating asset quality and exposure to riskier asset classes, we expect NPA provisions to continue to remain high. MTM provision on investment book would further lead to downward pressure on earnings. We have assumed Rs7b of MTM losses during 1QFY09 — booked in other income.
- At CMP, excluding subsidiaries, the stock trades at 7x FY09E EPS and 0.7x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	73,308	75,165	79,118	80,293	82,220	86,742	91,513	96,265	307,883	356,741
Interest Expense	58,519	57,305	59,521	59,498	62,665	63,918	67,114	70,637	234,842	264,334
Net Interest Income	**14,790**	**17,860**	**19,597**	**20,795**	**19,555**	**22,824**	**24,399**	**25,628**	**73,041**	**92,407**
Y-o-Y Growth (%)	*22.4*	*33.9*	*32.0*	*29.3*	*32.2*	*27.8*	*24.5*	*23.2*	*29.6*	*26.5*
Other Income	19,506	20,719	24,266	23,617	18,350	23,206	26,692	27,554	88,108	95,802
Net Income	**34,295**	**38,579**	**43,863**	**44,411**	**37,905**	**46,030**	**51,092**	**53,182**	**161,149**	**188,209**
Operating Expenses	19,053	19,708	21,276	21,505	22,132	22,575	22,801	24,636	81,542	92,144
Operating Profit	**15,242**	**18,871**	**22,587**	**22,907**	**15,773**	**23,455**	**28,291**	**28,545**	**79,607**	**96,064**
Y-o-Y Growth (%)	*58.0*	*37.8*	*28.9*	*28.1*	*3.5*	*24.3*	*25.3*	*24.6*	*35.5*	*20.7*
Provisions and Contingencies	5,523	6,445	7,603	9,475	7,800	8,056	9,124	10,739	29,046	35,719
Profit before Tax	**9,720**	**12,427**	**14,984**	**13,432**	**7,973**	**15,399**	**19,167**	**17,806**	**50,561**	**60,346**
Provision for Taxes	1,969	2,401	2,681	1,933	1,834	3,542	4,409	4,095	8,984	13,880
Net Profit	**7,751**	**10,026**	**12,303**	**11,498**	**6,139**	**11,857**	**14,759**	**13,711**	**41,577**	**46,466**
Y-o-Y Growth (%)	*25.1*	*32.7*	*35.2*	*39.4*	*-20.8*	*18.3*	*20.0*	*19.2*	*33.7*	*11.8*
Int Exp/ Int Earned (%)	*79.8*	*76.2*	*75.2*	*74.1*	*76.2*	*73.7*	*73.3*	*73.4*	*76.3*	*74.1*
Other Income / Net Income (%)	*56.9*	*53.7*	*55.3*	*53.2*	*48.4*	*50.4*	*52.2*	*51.8*	*54.7*	*50.9*
Cost to Income Ratio (%)	*55.6*	*51.1*	*48.5*	*48.4*	*58.4*	*49.0*	*44.6*	*46.3*	*50.6*	*49.0*
Provisions/Operating Profit (%)	*36.2*	*34.2*	*33.7*	*41.4*	*49.5*	*34.3*	*32.2*	*37.6*	*36.5*	*37.2*
Tax Rate (%)	*20.3*	*19.3*	*17.9*	*14.4*	*23.0*	*23.0*	*23.0*	*23.0*	*17.8*	*23.0*

E: MOSt Estimates

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Indian Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	INBK IN
	REUTERS CODE
S&P CNX: 3,926	INBA.BO

Equity Shares (m)	429.8
52-Week Range	256/82
1,6,12 Rel.Perf.(%)	-7/-23/-21
M.Cap. (Rs b)	37.7
M.Cap. (US$ b)	0.9

3 July 2008

Buy

Previous Recommendation: Buy

Rs88

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	26,052	7,598	17.7	20.5	5.0	1.2	14.1	29.9	1.5	1.2
3/08A	30,596	10,087	23.5	32.8	3.7	0.8	12.9	25.8	1.6	0.8
3/09E	31,637	10,149	23.6	0.6	3.7	0.7	11.4	20.4	1.3	0.7
3/10E	36,504	12,236	28.5	20.6	3.1	0.6	10.0	21.0	1.3	0.6

- We expect loan book growth to remain strong at 35%+. The bank has built up excess liquidity in the balance sheet with the credit to deposit ratio at 66% at the end of FY08. In 4QFY08, the bank has increased its exposure to high cost bulk deposits which is likely to put pressure on margins. However higher incremental credit to deposit ratio is likely to keep margins stable QoQ.
- Fee based income growth to remain strong at 20%+ and higher than expected recoveries would provide upside to our earnings estimates.
- MTM provision is likely to be higher as the bank holds ~35% of its investment in the AFS category at an average duration of four years. However, this investment is protected until the yield on 10-year G-sec rises to 8.3%, which will then reduce impact of the MTM provisions on earnings. We expect MTM depreciation of Rs1.2b on the AFS book.
- Stock trades at 3.7x FY09E EPS and 0.7x FY09E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	11,824	12,330	13,754	13,600	14,280	15,565	17,122	19,068	51,508	66,035
Interest Expense	7,124	7,862	8,137	8,468	9,230	10,337	11,371	13,108	31,591	44,047
Net Interest Income	**4,700**	**4,468**	**5,617**	**5,132**	**5,050**	**5,228**	**5,750**	**5,960**	**19,917**	**21,988**
% Change (Y-o-Y)	*21.5*	*3.5*	*35.7*	*-6.7*	*7.4*	*17.0*	*2.4*	*16.1*	*11.8*	*10.4*
Other Income	1,944	2,601	3,006	3,129	2,300	2,346	2,581	2,423	10,679	9,649
Net Income	**6,644**	**7,069**	**8,623**	**8,261**	**7,350**	**7,574**	**8,331**	**8,383**	**30,596**	**31,637**
Operating Expenses	3,346	3,635	3,991	3,031	3,748	3,860	3,976	4,329	14,003	15,913
Operating Profit	**3,297**	**3,434**	**4,632**	**5,230**	**3,602**	**3,713**	**4,355**	**4,054**	**16,593**	**15,724**
% Change (Y-o-Y)	*43.7*	*15.5*	*59.6*	*-3.4*	*9.2*	*8.1*	*-6.0*	*-22.5*	*17.4*	*3.4*
Other Provisions	907	497	1,057	1,782	1,500	600	600	647	4,243	3,347
Profit before Tax	**2,390**	**2,937**	**3,575**	**3,448**	**2,102**	**3,113**	**3,755**	**3,406**	**12,350**	**12,377**
Tax Provisions	270	461	500	1,031	378	560	676	613	2,262	2,228
Net Profit	**2,120**	**2,476**	**3,075**	**2,417**	**1,724**	**2,553**	**3,079**	**2,793**	**10,087**	**10,149**
% Change (Y-o-Y)	*28.7*	*46.4*	*61.4*	*2.7*	*-18.7*	*3.1*	*0.1*	*15.6*	*32.8*	*0.6*
Interest Exp./Interest Income (%)	*60.3*	*63.8*	*59.2*	*62.3*	*64.6*	*66.4*	*66.4*	*68.7*	*61.3*	*66.7*
Other Income/Net Income (%)	*29.3*	*36.8*	*34.9*	*37.9*	*31.3*	*31.0*	*31.0*	*28.9*	*34.9*	*30.5*
Cost to Income Ratio (%)	*50.4*	*51.4*	*46.3*	*36.7*	*51.0*	*51.0*	*47.7*	*51.6*	*45.8*	*50.3*
Provisions/Operating Profits (%)	*27.5*	*14.5*	*22.8*	*34.1*	*41.6*	*16.2*	*13.8*	*16.0*	*25.6*	*21.3*
Tax Rate (%)	*11.3*	*15.7*	*14.0*	*29.9*	*18.0*	*18.0*	*18.0*	*18.0*	*18.3*	*18.0*

E: MOSt Estimates

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Indian Overseas Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	IOB IN
	REUTERS CODE
S&P CNX: 3,926	IOBK.BO

Equity Shares (m)	544.8
52-Week Range	229/70
1,6,12 Rel.Perf.(%)	-17/-27/-25
M.Cap. (Rs b)	40.8
M.Cap. (US$ b)	0.9

3 July 2008

Buy

Previous Recommendation: Buy Rs75

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	29,478	10,084	18.5	28.7	4.0	1.1	13.3	29.1	1.4	1.1
3/08A	34,871	11,973	22.0	18.7	3.4	0.9	11.1	27.8	1.3	0.9
3/09E	38,600	13,001	23.9	8.6	3.1	0.7	11.8	24.7	1.2	0.7
3/10E	44,964	14,886	27.3	14.5	2.7	0.6	11.5	23.4	1.1	0.6

- Net interest income is likely to remain flat due to continued pressure on margins (stable QoQ). We expect the loan book to grow by 25% YoY.
- Losses on account of transfer from AFS to HTM is likely to be minimum as the bank shifted securities in the first week of April and the yield movement was not large. Lower transfer losses and strong growth in fee-based income and recoveries is likely to keep non interest income growth strong.
- Asset quality is strong with gross NPAs at 1.63% and net NPAs at 0.6% in FY08. We do not expect material weakness in asset quality and thereby provisions on NPA are likely to remain lower. We have factored in the higher MTM provision of ~Rs600m for its ~20% of the investment which is in the AFS category with average duration of two years.
- PAT growth is likely to remain flat in 1QFY09, driven by lower NII, higher operating cost and MTM provision on the investment book.
- At CMP, the stock is trading at 3.1x FY09E EPS and 0.7x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	18,462	19,303	20,759	21,159	22,005	23,215	24,840	26,223	79,683	96,283
Interest Expense	11,372	12,982	14,199	14,335	14,909	15,878	17,029	18,062	52,888	65,877
Net Interest Income	**7,090**	**6,321**	**6,560**	**6,823**	**7,096**	**7,337**	**7,811**	**8,161**	**26,795**	**30,406**
% Change (Y-o-Y)	*23.2*	*3.3*	*8.4*	*-11.2*	*0.1*	*16.1*	*19.1*	*19.6*	*4.6*	*13.5*
Other Income	616	1,745	2,195	3,521	1,500	1,875	2,250	2,570	8,076	8,195
Net Income	**7,706**	**8,066**	**8,755**	**10,344**	**8,596**	**9,212**	**10,061**	**10,731**	**34,871**	**38,600**
Operating Expenses	3,614	3,486	3,824	3,929	3,885	4,002	4,202	4,881	14,853	16,971
Operating Profit	**4,092**	**4,580**	**4,931**	**6,415**	**4,711**	**5,210**	**5,859**	**5,850**	**20,018**	**21,630**
% Change (Y-o-Y)	*93.8*	*27.5*	*15.2*	*14.2*	*15.1*	*13.8*	*18.8*	*-8.8*	*28.3*	*8.1*
Other Provisions	620	83	367	2,398	1,100	500	900	819	3,521	3,319
Profit before Tax	**3,472**	**4,497**	**4,564**	**4,017**	**3,611**	**4,710**	**4,959**	**5,031**	**16,497**	**18,311**
Tax Provisions	787	1,300	1,482	957	867	1,319	1,488	1,637	4,524	5,310
Net Profit	**2,685**	**3,197**	**3,082**	**3,060**	**2,744**	**3,392**	**3,471**	**3,394**	**11,973**	**13,001**
% Change (Y-o-Y)	*20.9*	*28.0*	*24.9*	*5.6*	*2.2*	*6.1*	*12.6*	*10.9*	*18.7*	*8.6*
Interest Exp./Interest Income (%)	*61.6*	*67.3*	*68.4*	*67.8*	*67.8*	*68.4*	*68.6*	*68.9*	*66.4*	*68.4*
Other Income/Net Income (%)	*8.0*	*21.6*	*25.1*	*34.0*	*17.4*	*20.4*	*22.4*	*23.9*	*23.2*	*21.2*
Cost to Income Ratio (%)	*46.9*	*43.2*	*43.7*	*38.0*	*45.2*	*43.4*	*41.8*	*45.5*	*42.6*	*44.0*
Provisions/Operating Profits (%)	*15.2*	*1.8*	*7.4*	*37.4*	*23.4*	*9.6*	*15.4*	*14.0*	*17.6*	*15.3*
Tax Rate (%)	*22.7*	*28.9*	*32.5*	*23.8*	*24.0*	*28.0*	*30.0*	*32.5*	*27.4*	*29.0*

E: MOSt Estimates

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Jammu & Kashmir Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	JKBK IN
	REUTERS CODE
S&P CNX: 3,926	JKBK.BO

Equity Shares (m)	48.5
52-Week Range	970/450
1,6,12 Rel.Perf.(%)	-5/-10/-15
M.Cap. (Rs b)	24.2
M.Cap. (US$ b)	0.6

3 July 2008

Buy

Previous Recommendation: Buy

Rs500

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	9,281	2,745	56.6	55.2	8.8	1.2	13.2	14.4	1.0	1.3
3/08A	10,555	3,600	74.2	31.2	6.7	1.1	12.8	16.7	1.2	1.1
3/09E	11,707	4,128	85.1	14.7	5.9	0.9	11.6	16.8	1.1	1.0
3/10E	14,052	5,353	110.4	29.7	4.5	0.8	11.6	18.9	1.2	0.9

- NII is expected to grow 17% to Rs2.3b in 1QFY09 on the back of modest growth of 18%+ in the loan book. Management's strategic ability to source core deposits to fund this growth without impacting margins would be the key to watch for.
- Fee income is likely to grow by 20% YoY.
- Asset quality has deteriorated in 4QFY08 (net NPAs increased to >1%) due to fall in provisions coverage from 68% to 58%. We expect slippages to be controlled and provisions for NPAs to likely remain low.
- The bank holds ~28% of the investment book in the AFS category with duration of one year. We expect MTM provisions of Rs250m during the quarter.
- The stock currently trades at 5.9x FY09E EPS and 0.9x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	5,751	5,967	6,183	6,442	6,635	7,100	7,650	8,068	24,342	29,453
Interest Expense	3,854	4,016	4,169	4,198	4,408	4,805	5,382	5,578	16,238	20,173
Net Interest Income	**1,896**	**1,951**	**2,013**	**2,244**	**2,227**	**2,295**	**2,268**	**2,490**	**8,104**	**9,280**
% Change (Y-o-Y)	*6.2*	*1.7*	*3.2*	*10.9*	*17.4*	*17.6*	*12.7*	*11.0*	*5.5*	*14.5*
Other Income	358	581	705	806	448	560	700	720	2,450	2,427
Net Income	**2,254**	**2,532**	**2,718**	**3,050**	**2,675**	**2,854**	**2,968**	**3,210**	**10,555**	**11,707**
Operating Expenses	943	1,034	1,039	1,021	1,084	1,138	1,195	1,228	4,036	4,645
Operating Profit	**1,312**	**1,498**	**1,679**	**2,029**	**1,591**	**1,716**	**1,773**	**1,982**	**6,518**	**7,062**
% Change (Y-o-Y)	*11.7*	*10.0*	*20.8*	*38.0*	*21.3*	*14.6*	*5.6*	*-2.3*	*17.3*	*8.3*
Other Provisions	190	40	88	441	300	50	75	475	759	900
Profit before Tax	**1,122**	**1,458**	**1,591**	**1,588**	**1,291**	**1,666**	**1,698**	**1,507**	**5,760**	**6,162**
Tax Provisions	289	380	500	990	387	542	552	553	2,160	2,033
Net Profit	**832**	**1,078**	**1,091**	**598**	**903**	**1,125**	**1,146**	**954**	**3,600**	**4,128**
% Change (Y-o-Y)	*33.4*	*30.0*	*30.1*	*32.1*	*8.5*	*4.3*	*5.0*	*59.6*	*31.2*	*14.7*
Interest Exp./Interest Income (%)	*67.0*	*67.3*	*67.4*	*65.2*	*66.4*	*67.7*	*70.4*	*69.1*	*66.7*	*68.5*
Other Income/Net Income (%)	*15.9*	*22.9*	*25.9*	*26.4*	*16.7*	*19.6*	*23.6*	*22.4*	*23.2*	*20.7*
Cost to Income Ratio (%)	*41.8*	*40.8*	*38.2*	*33.5*	*40.5*	*39.9*	*40.3*	*38.2*	*38.2*	*39.7*
Provisions/Operating Profits (%)	*14.5*	*2.7*	*5.2*	*21.7*	*18.9*	*2.9*	*4.2*	*24.0*	*11.6*	*12.7*
Tax Rate (%)	*25.8*	*26.1*	*31.4*	*62.4*	*30.0*	*32.5*	*32.5*	*36.7*	*37.5*	*33.0*

E: MOSt Estimates; All quarters have been adjusted for reclassification of amortization on HTM

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Karnataka Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	KBL IN
	REUTERS CODE
S&P CNX: 3,926	KNBK.BO

Equity Shares (m)	121.4
52-Week Range	286/120
1,6,12 Rel.Perf.(%)	-17/-15/-17
M.Cap. (Rs b)	15.2
M.Cap. (US$ b)	0.4

3 July 2008

Buy

Previous Recommendation: Buy

Rs126

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	5,941	1,770	14.6	0.5	8.6	1.2	11.5	15.1	1.1	1.3
3/08A	6,962	2,417	19.9	36.6	6.3	1.1	12.2	18.5	1.4	1.1
3/09E	8,016	2,490	20.5	3.0	6.1	1.0	12.5	17.0	1.2	1.0
3/10E	9,447	3,061	25.2	22.9	5.0	0.8	12.5	18.3	1.2	0.9

- We expect margins to remain under pressure on the back of subdued advances growth of ~18%. Inability to raise PLR due to competitive pressure in Karnataka state and rising cost of funds would put pressure on margins for the bank.
- The bank has shown robust growth of 32% in traditional fee income in FY08. We expect the strong traction in fee-based income to continue in 1QFY09 as well.
- The bank has improved asset quality substantially, reduced its net NPA to below 1% and increased provision coverage to >70%. Asset quality, provisions and recoveries would be key aspects to watch for and can surprise our estimates.
- With ~50% of the bank' s investment book in the AFS category and average duration of 2.48 years, the bank is likely to have large MTM depreciation of Rs0.4b.
- Karnataka Bank is a play on improving key operating parameters and consolidation. At CMP the stock trades at 6.1x FY09E EPS and 1x FY09E BV. Maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	3,619	3,828	4,055	4,207	4,365	4,528	4,755	4,904	15,708	18,552
Interest Expense	2,375	2,721	2,897	3,024	3,100	3,193	3,336	3,487	11,017	13,116
Net Interest Income	**1,244**	**1,106**	**1,158**	**1,183**	**1,265**	**1,336**	**1,419**	**1,417**	**4,691**	**5,437**
% Change (Y-o-Y)	*30.5*	*22.0*	*10.2*	*-8.2*	*1.7*	*20.8*	*22.5*	*19.8*	*11.7*	*15.9*
Other Income	418	569	739	545	470	598	769	742	2,271	2,579
Net Income	**1,662**	**1,675**	**1,897**	**1,728**	**1,735**	**1,934**	**2,187**	**2,160**	**6,962**	**8,016**
Operating Expenses	623	768	682	982	686	771	868	958	3,056	3,283
Operating Profit	**1,038**	**907**	**1,215**	**746**	**1,050**	**1,162**	**1,320**	**1,201**	**3,906**	**4,733**
% Change (Y-o-Y)	*17.8*	*22.5*	*35.8*	*-28.9*	*1.1*	*28.1*	*8.6*	*61.2*	*9.5*	*21.2*
Other Provisions	246	-86	105	253	500	175	225	275	518	1,175
Profit before Tax	**792**	**993**	**1,110**	**493**	**550**	**987**	**1,095**	**926**	**3,388**	**3,558**
Tax Provisions	275	392	420	-115	132	316	350	269	971	1,067
Net Profit	**518**	**601**	**690**	**608**	**418**	**671**	**744**	**657**	**2,417**	**2,490**
% Change (Y-o-Y)	*40.8*	*0.9*	*28.1*	*127.2*	*-19.4*	*11.6*	*7.8*	*8.1*	*36.6*	*3.0*
Interest Exp./Interest Income (%)	*65.6*	*71.1*	*71.4*	*71.9*	*71.0*	*70.5*	*70.2*	*71.1*	*70.1*	*70.7*
Other Income/Net Income (%)	*25.1*	*34.0*	*39.0*	*31.5*	*27.1*	*30.9*	*35.1*	*34.4*	*32.6*	*32.2*
Cost to Income Ratio (%)	*37.5*	*45.8*	*36.0*	*56.9*	*39.5*	*39.9*	*39.7*	*44.4*	*43.9*	*41.0*
Provisions/Operating Profits (%)	*23.7*	*-9.5*	*8.6*	*33.9*	*47.6*	*15.1*	*17.1*	*22.9*	*13.3*	*24.8*
Tax Rate (%)	*34.6*	*39.5*	*37.8*	*-23.4*	*24.0*	*32.0*	*32.0*	*29.1*	*28.7*	*30.0*

E: MOSt Estimates

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Oriental Bank of Commerce

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	OBC IN
	REUTERS CODE
S&P CNX: 3,926	ORBC.BO

Equity Shares (m)	250.5
52-Week Range	321/122
1,6,12 Rel. Perf.(%)	-11/-25/-34
M.Cap. (Rs b)	31.2
M.Cap. (US$ b)	0.7

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs125

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	22,946	8,268	33.0	2.9	3.8	0.6	12.5	15.4	1.2	0.6
3/08A	22,987	8,409	33.6	1.7	3.7	0.5	12.1	14.8	1.0	0.6
3/09E	24,539	6,848	27.3	-18.6	4.6	0.5	11.0	11.4	0.7	0.5
3/10E	28,289	8,621	34.4	25.9	3.6	0.4	11.0	13.0	0.7	0.5

- We expect the margin for OBC to remain under pressure in 1QFY09. The bank has reduced the proportion of bulk deposits however; the share continues to remain above 25%+. Higher proportion of bulk deposits would continue to put pressure on margins. Advances are expected to grow in line with industry.
- Higher operating cost due to provisions for wage hikes are likely to keep operating profit under pressure. We expect operating profits to fall by 11% YoY.
- We expect the bank to report higher MTM losses on its investment portfolio as it holds ~50% of AFS category for an average duration of above 3 years. The bank is also expected to report losses on transfer of securities from AFS to the HTM category. The bank carries an additional provision of Rs630m, which it will use to offset likely MTM depreciation
- We expect profits to decline 41% due to higher provisions on MTM depreciation
- At CMP, the stock is trading at 4.6x FY09E EPS and 0.5x FY09E BV. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	15,341	16,457	17,479	19,105	19,678	20,170	20,573	20,898	68,382	81,318
Interest Expense	10,910	12,462	13,456	14,734	15,324	15,630	15,865	16,256	51,562	63,075
Net Interest Income	**4,431**	**3,995**	**4,024**	**4,370**	**4,354**	**4,539**	**4,708**	**4,642**	**16,820**	**18,243**
% Change (Y-o-Y)	*7.8*	*-3.2*	*-4.5*	*-2.1*	*-1.7*	*13.6*	*17.0*	*6.2*	*-0.6*	*8.5*
Other Income	1,462	1,425	1,674	1,606	1,491	1,536	1,597	1,671	6,167	6,295
Net Income	**5,893**	**5,420**	**5,697**	**5,976**	**5,845**	**6,075**	**6,306**	**6,312**	**22,987**	**24,539**
Operating Expenses	2,642	2,698	2,730	2,726	2,959	3,048	3,109	3,279	10,796	12,396
Operating Profit	**3,251**	**2,722**	**2,967**	**3,250**	**2,886**	**3,027**	**3,197**	**3,033**	**12,190**	**12,143**
% Change (Y-o-Y)	*-7.4*	*-13.3*	*-3.2*	*0.0*	*-11.2*	*11.2*	*7.7*	*-6.7*	*-6.0*	*-0.4*
Other Provisions	506	-191	258	-1,001	1,200	300	300	560	-429	2,360
Profit before Tax	**2,745**	**2,913**	**2,710**	**4,251**	**1,686**	**2,727**	**2,897**	**2,473**	**12,619**	**9,783**
Tax Provisions	741	551	713	2,206	506	818	869	742	4,210	2,935
Net Profit	**2,004**	**2,362**	**1,997**	**2,046**	**1,180**	**1,909**	**2,028**	**1,731**	**8,409**	**6,848**
% Change (Y-o-Y)	*29.1*	*-24.0*	*-18.0*	*74.6*	*-41.1*	*-19.2*	*1.5*	*-15.4*	*1.7*	*-18.6*
Interest Exp./Interest Income (%)	*71.1*	*75.7*	*77.0*	*77.1*	*77.9*	*77.5*	*77.1*	*77.8*	*75.4*	*77.6*
Other Income/Net Income (%)	*24.8*	*26.3*	*29.4*	*26.9*	*25.5*	*25.3*	*25.3*	*26.5*	*26.8*	*25.7*
Cost to Income Ratio (%)	*44.8*	*49.8*	*47.9*	*45.6*	*50.6*	*50.2*	*49.3*	*52.0*	*47.0*	*50.5*
Provisions/Operating Profits (%)	*15.6*	*-7.0*	*8.7*	*-30.8*	*41.6*	*9.9*	*9.4*	*18.5*	*-3.5*	*19.4*
Tax Rate (%)	*27.0*	*18.9*	*26.3*	*51.9*	*30.0*	*30.0*	*30.0*	*30.0*	*33.4*	*30.0*

E: MOSt Estimates

Manish Karwa (Mkarwa@MotilalOswal.com)/Ajinkya Dhavale (AjinkyaDhavale@MotilalOswal.com)/Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)

Punjab National Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	PNB IN
	REUTERS CODE
S&P CNX: 3,926	PNB.BO

Equity Shares (m)	315.3
52-Week Range	721/332
1,6,12 Rel.Perf.(%)	-1/-10/-18
M.Cap. (Rs b)	120.9
M.Cap. (US$ b)	2.8

3 July 2008

Buy

Previous Recommendation: Buy

Rs384

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	69,436	15,401	48.8	7.0	7.9	1.2	12.3	16.0	1.0	1.3
3/08A	75,317	20,488	65.0	33.0	5.9	1.1	13.5	19.6	1.1	1.2
3/09E	84,487	24,503	77.7	19.6	4.9	1.0	11.5	20.9	1.1	1.0
3/10E	97,526	29,553	93.7	20.6	4.1	0.8	11.3	21.4	1.1	0.9

- We expect loan growth to remain at ~22% and deposit growth at ~20%. Margins are expected to be marginally down QoQ due to strong term deposit intake in 4QFY08.
- PNB is well protected on MTM losses on its AFS portfolio as >85% of its SLR investments are in the HTM category. Nevertheless, we expect some AFS provisions during 1QFY09
- We expect ~70% YoY decline in treasury profits in 1QFY09. However absence of HTM transfer loss (Rs690m in 1QFY08) would mitigate the same.
- We expect strong core operations to enable PNB to post 25%+ earnings growth in 1QFY09.
- At CMP, the stock is trading at 4.9x FY09E EPS and 1x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	32,860	34,631	36,361	38,798	40,066	42,069	43,332	45,043	142,650	170,510
Interest Expense	19,850	21,716	22,119	23,625	25,129	26,386	27,309	27,519	87,309	106,343
Net Interest Income	**13,010**	**12,915**	**14,242**	**15,173**	**14,937**	**15,684**	**16,022**	**17,524**	**55,342**	**64,167**
Y-o-Y Growth (%)	*7.4*	*0.4*	*4.0*	*12.7*	*14.8*	*21.4*	*12.5*	*15.5*	*6.2*	*15.9*
Other Income	5,091	4,678	4,834	5,372	4,624	4,912	4,738	6,046	19,976	20,320
Net Income	**18,101**	**17,593**	**19,076**	**20,545**	**19,561**	**20,596**	**20,760**	**23,570**	**75,317**	**84,487**
Operating Expenses	8,770	9,043	9,165	8,277	9,188	9,947	10,081	10,461	35,255	39,678
Operating Profit	**9,331**	**8,550**	**9,912**	**12,268**	**10,373**	**10,649**	**10,679**	**13,109**	**40,062**	**44,810**
Y-o-Y Growth (%)	*89.7*	*-5.0*	*3.6*	*39.0*	*11.2*	*24.5*	*7.7*	*6.9*	*10.7*	*11.8*
Provision & Contingencies	3,073	778	1,576	1,677	2,400	1,500	1,500	2,837	7,103	8,237
Profit before tax	**6,259**	**7,772**	**8,336**	**10,591**	**7,973**	**9,149**	**9,179**	**10,271**	**32,959**	**36,572**
Tax Provisions	2,009	2,386	2,923	5,154	2,631	3,019	3,029	3,390	12,472	12,069
Net Profit	**4,250**	**5,385**	**5,413**	**5,438**	**5,342**	**6,130**	**6,150**	**6,882**	**20,488**	**24,503**
Y-o-Y Growth (%)	*15.6*	*6.6*	*25.9*	*128.8*	*25.7*	*13.8*	*13.6*	*26.6*	*33.0*	*19.6*
Int Exp/ Int Earned (%)	*60.4*	*62.7*	*60.8*	*60.9*	*62.7*	*62.7*	*63.0*	*61.1*	*61.2*	*62.4*
Other Income / Net Income (%)	*28.1*	*26.6*	*25.3*	*26.1*	*23.6*	*23.9*	*22.8*	*25.7*	*26.5*	*24.1*
Cost to Income Ratio (%)	*48.4*	*51.4*	*48.0*	*40.3*	*47.0*	*48.3*	*48.6*	*44.4*	*46.8*	*47.0*
Provisions/Operating Profit (%)	*32.9*	*9.1*	*15.9*	*13.7*	*23.1*	*14.1*	*14.0*	*21.6*	*17.7*	*18.4*
Tax Rate (%)	*32.1*	*30.7*	*35.1*	*48.7*	*33.0*	*33.0*	*33.0*	*33.0*	*37.8*	*33.0*

E: MOSt Estimates; Quarterly and Annual numbers would not tally due to reclassification

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State Bank of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SBIN IN
	REUTERS CODE
S&P CNX: 3,926	SBI.BO

Equity Shares (m)	631.5
52-Week Range	2,397/1,007
1,6,12 Rel.Perf.(%)	-3/-16/-15
M.Cap. (Rs b)	695.6
M.Cap. (US$ b)	16.1

3 July 2008

Buy

Previous Recommendation: Buy Rs1,102

YEAR END	NET INCOME (RS B)	PAT (RS B)	EPS (RS)	CON. EPS (RS)	CON. P/E (X)	P/BV (X)	CON. P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)
3/07A	218.2	45.4	86.3	120.9	9.2	1.9	1.4	12.3	15.4	0.9
3/08A	257.2	67.3	106.6	141.9	7.8	1.4	1.1	13.5	16.8	1.0
3/09E	299.5	75.6	119.7	158.7	7.0	1.3	1.0	12.5	14.6	1.0
3/10E	352.3	90.1	142.6	188.7	5.9	1.1	0.9	11.7	15.5	1.0

Consolidated

- Due to its capital raising in 4QFY08, we expect margins to be stable, despite a PLR cut in February 2008. Cost of funds during the quarter is expected to remain stable due to downward re-pricing of bulk deposits in 4QFY08.
- We expect advances growth to remain strong for the bank at ~27% YoY and deposit growth at ~23% YoY.
- We expect fee income growth to remain strong at ~20%. Treasury profits are expected to be subdued. However higher income from subsidiaries and no transfer losses (v/s Rs7b in 1QFY08) would enable the bank to significantly improve other income during 1QFY09.
- MTM losses on AFS investment portfolio (including Rs100b of rights issue bonds) are expected to dent earnings growth during the quarter. We have factored in Rs5.5b of MTM losses during 1QFY09 for SBI.
- At CMP, the stock is trading at 7x FY09E cons. EPS and 1x FY09E cons. BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	110,905	116,163	126,668	135,767	137,947	144,844	152,810	158,591	489,503	594,192
Interest Expenses	68,891	78,534	84,105	87,761	90,729	96,626	101,458	102,404	319,291	391,217
Net Interest Income	**42,014**	**37,629**	**42,564**	**48,006**	**47,218**	**48,218**	**51,353**	**56,187**	**170,212**	**202,975**
Y-o-Y Growth (%)	*19.0*	*6.3*	*23.8*	*5.6*	*12.4*	*28.1*	*20.6*	*17.0*	*0.0*	*19.2*
Other Income	11,386	20,419	26,972	28,172	18,830	21,440	23,600	32,609	86,949	96,480
Net Income	**53,400**	**58,049**	**69,536**	**76,178**	**66,048**	**69,658**	**74,953**	**88,796**	**257,162**	**299,456**
Operating Expenses	29,785	30,916	32,938	32,447	31,950	32,462	36,232	42,678	126,086	143,322
Operating Profit	**23,615**	**27,132**	**36,597**	**43,731**	**34,099**	**37,196**	**38,721**	**46,118**	**131,076**	**156,134**
Y-o-Y Growth (%)	*30.8*	*28.4*	*55.7*	*10.2*	*44.4*	*37.1*	*5.8*	*5.5*	*0.0*	*19.1*
Provision & Contingencies	1,594	857	8,044	16,191	9,000	8,000	9,000	13,817	26,687	39,817
Profit before Tax	**22,021**	**26,275**	**28,553**	**27,540**	**25,099**	**29,196**	**29,721**	**32,301**	**104,389**	**116,317**
Provision for Taxes	7,763	10,161	10,467	8,707	8,784	10,219	10,402	11,305	37,098	40,711
Net Profit	**14,258**	**16,114**	**18,086**	**18,833**	**16,314**	**18,977**	**19,319**	**20,996**	**67,291**	**75,606**
Y-o-Y Growth (%)	*78.5*	*36.0*	*69.8*	*26.1*	*14.4*	*17.8*	*6.8*	*11.5*	*48.2*	*12.4*
Int Exp/ Int Earned (%)	*62.1*	*67.6*	*66.4*	*64.6*	*65.8*	*66.7*	*66.4*	*64.6*	*65.2*	*65.8*
Other Income / Net Income (%)	*21.3*	*35.2*	*38.8*	*37.0*	*28.5*	*30.8*	*31.5*	*36.7*	*33.8*	*32.2*
Cost to Income Ratio (%)	*55.8*	*53.3*	*47.4*	*42.6*	*48.4*	*46.6*	*48.3*	*48.1*	*49.0*	*47.9*
Provisions/Operating Profit (%)	*6.7*	*3.2*	*22.0*	*37.0*	*26.4*	*21.5*	*23.2*	*30.0*	*20.4*	*25.5*
Tax Rate (%)	*35.3*	*38.7*	*36.7*	*31.6*	*35.0*	*35.0*	*35.0*	*35.0*	*35.5*	*35.0*

E: MOSt Estimates

Manish Karwa (Mkarwa@MotilalOswal.com)/Ajinkya Dhavale (AjinkyaDhavale@MotilalOswal.com)/Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)

Syndicate Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SNDB IN
	REUTERS CODE
S&P CNX: 3,926	SBNK.BO

Equity Shares (m)	522.0
52-Week Range	131/47
1,6,12 Rel.Perf.(%)	-11/-26/-27
M.Cap. (Rs b)	25.0
M.Cap. (US$ b)	0.6

3 July 2008

Neutral

Previous Recommendation: Neutral Rs48

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	27,685	7,161	13.7	33.5	3.5	0.8	11.7	24.3	1.0	0.8
3/08A	29,628	8,481	16.2	18.4	3.0	0.6	11.2	23.8	0.9	0.7
3/09E	29,983	7,204	13.8	-15.1	3.5	0.6	11.4	17.5	0.6	0.7
3/10E	32,995	7,718	14.8	7.1	3.2	0.5	11.5	16.6	0.6	0.6

- We expect NII growth to remain subdued and margins to be under pressure on account of slower advances growth and increased cost of deposits owing to aggressive bulk deposit raising by the bank.
- Muted NII growth, higher operating cost and lower treasury income would keep operating profit growth muted.
- The stock is trading at 3.5x FY09E EPS and 0.6x FY09E BV. On the back of concerns over core operations we continue to maintain a **Neutral** view on the stock.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	18,463	19,386	19,870	21,344	22,198	22,642	23,321	24,328	79,063	92,490
Interest Expense	12,993	14,494	15,130	15,718	16,818	17,239	17,842	18,530	58,336	70,429
Net Interest Income	**5,470**	**4,892**	**4,740**	**5,626**	**5,380**	**5,403**	**5,479**	**5,799**	**20,728**	**22,061**
% Change (Y-o-Y)	*8.1*	*0.9*	*-14.7*	*-6.8*	*-1.6*	*10.5*	*15.6*	*3.1*	*-3.6*	*6.4*
Other Income	1,531	2,164	2,786	2,420	1,450	1,740	1,914	2,818	8,901	7,922
Net Income	**7,001**	**7,056**	**7,527**	**8,046**	**6,830**	**7,143**	**7,393**	**8,617**	**29,628**	**29,983**
Operating Expenses	3,855	3,795	3,801	3,494	3,971	4,050	3,969	4,237	14,946	16,228
Operating Profit	**3,145**	**3,261**	**3,726**	**4,552**	**2,859**	**3,093**	**3,424**	**4,380**	**14,683**	**13,755**
% Change (Y-o-Y)	*8.5*	*9.0*	*16.5*	*-3.9*	*-9.1*	*-5.2*	*-8.1*	*-3.8*	*7.0*	*1.2*
Other Provisions	482	590	437	3,127	800	800	1,000	2,150	4,627	4,750
Profit before Tax	**2,664**	**2,671**	**3,289**	**1,424**	**2,059**	**2,293**	**2,424**	**2,230**	**10,055**	**9,005**
Tax Provisions	453	395	557	161	412	459	485	446	1,575	1,801
Net Profit	**2,210**	**2,276**	**2,732**	**1,263**	**1,647**	**1,834**	**1,939**	**1,784**	**8,481**	**7,204**
% Change (Y-o-Y)	*22.4*	*11.0*	*20.8*	*21.1*	*-25.5*	*-19.4*	*-29.0*	*41.2*	*18.4*	*-15.1*
Interest Exp./Interest Income (%)	*70.4*	*74.8*	*76.1*	*73.6*	*75.8*	*76.1*	*76.5*	*76.2*	*73.8*	*76.1*
Other Income/Net Income (%)	*21.9*	*30.7*	*37.0*	*30.1*	*21.2*	*24.4*	*25.9*	*32.7*	*30.0*	*26.4*
Cost to Income Ratio (%)	*55.1*	*53.8*	*50.5*	*43.4*	*58.1*	*56.7*	*53.7*	*49.2*	*50.4*	*54.1*
Provisions/Operating Profits (%)	*15.3*	*18.1*	*11.7*	*68.7*	*28.0*	*25.9*	*29.2*	*49.1*	*31.5*	*34.5*
Tax Rate (%)	*17.0*	*14.8*	*16.9*	*11.3*	*20.0*	*20.0*	*20.0*	*20.0*	*15.7*	*20.0*

E: MOSt Estimates

Manish Karwa (Mkarwa@MotilalOswal.com)/Ajinkya Dhavale (AjinkyaDhavale@MotilalOswal.com)/Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)

Union Bank of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	UNBK IN
	REUTERS CODE
S&P CNX: 3,926	UNBK.BO

Equity Shares (m)	505.1
52-Week Range	235/96
1,6,12 Rel.Perf.(%)	5/-15/-4
M.Cap. (Rs b)	56.8
M.Cap. (US$ b)	1.3

3 July 2008

Buy

Previous Recommendation: Buy

Rs112

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	34,768	8,454	16.7	25.3	6.7	1.2	12.8	19.2	0.9	1.3
3/08A	41,736	13,873	27.5	64.1	4.1	1.0	12.5	26.8	1.2	1.0
3/09E	44,492	14,870	29.4	7.2	3.8	0.8	11.3	24.0	1.1	0.9
3/10E	51,966	16,667	33.0	12.1	3.4	0.7	10.5	22.4	1.0	0.7

- We expect margins to remain stable QoQ at 2.8-2.85%. Moderation in incremental cost of funds and stable yields would enable the bank to hold on to its margins.
- We expect moderate loan growth of 23%+ and deposit growth of 21%+. We expect the bank to maintain its focus on sustaining its margins by increasing the share of high yielding loans, reducing share of bulk deposits and stable CASA ratio. Bulk deposit proportion has reduced from 22% in FY07 to 17% in FY08. Union Bank was one of the few PSU banks which has increased its CASA ratio in FY08 over FY07.
- Core fee income is likely to grow strongly at ~25% YoY in 1QFY09 on the back of bank's increased thrust on marketing third party products and scaling up traditional non-fund based revenue.
- We expect the bank to make MTM provisions of Rs1b on its investment book. The bank holds ~29% of the investments in the AFS category with average duration of ~2.5years.
- At CMP, the stock is trading at 3.8x FY09E EPS and 0.8x FY09E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	21,112	22,548	24,586	26,024	25,959	27,257	28,893	30,639	94,473	112,748
Interest Expense	13,399	15,820	16,705	17,685	18,127	18,852	19,795	21,898	63,609	78,673
Net Interest Income	**7,713**	**6,728**	**7,881**	**8,339**	**7,832**	**8,405**	**9,098**	**8,741**	**30,864**	**34,075**
% Change (Y-o-Y)	*21.6*	*7.2*	*14.9*	*-1.0*	*1.5*	*24.9*	*15.4*	*4.8*	*10.6*	*10.4*
Other Income	1,783	2,708	3,475	3,107	1,917	2,300	2,761	3,439	10,872	10,417
Net Income	**9,496**	**9,436**	**11,355**	**11,446**	**9,749**	**10,705**	**11,858**	**12,180**	**41,736**	**44,492**
Operating Expenses	4,241	4,153	4,996	2,539	4,453	4,542	4,633	4,721	15,930	18,350
Operating Profit	**5,255**	**5,283**	**6,359**	**8,907**	**5,296**	**6,163**	**7,225**	**7,459**	**25,806**	**26,142**
% Change (Y-o-Y)	*35.6*	*35.8*	*36.5*	*17.4*	*0.8*	*16.6*	*13.6*	*-16.3*	*97.9*	*76.3*
Other Provisions	1,554	976	1,108	3,520	1,500	1,400	1,300	700	7,199	4,900
Profit before Tax	**3,701**	**4,308**	**5,251**	**5,387**	**3,796**	**4,763**	**5,925**	**6,759**	**18,607**	**21,242**
Tax Provisions	1,450	1,550	1,600	170	1,139	1,429	1,777	2,028	4,734	6,373
Net Profit	**2,251**	**2,758**	**3,651**	**5,217**	**2,657**	**3,334**	**4,147**	**4,731**	**13,873**	**14,870**
% Change (Y-o-Y)	*35.0*	*42.0*	*42.5*	*128.7*	*18.0*	*20.9*	*13.6*	*-9.3*	*64.1*	*7.2*
Interest Exp./Interest Income (%)	*63.5*	*70.2*	*67.9*	*68.0*	*69.8*	*69.2*	*68.5*	*71.5*	*67.3*	*69.8*
Other Income/Net Income (%)	*18.8*	*28.7*	*30.6*	*27.1*	*19.7*	*21.5*	*23.3*	*28.2*	*26.1*	*23.4*
Cost to Income Ratio (%)	*44.7*	*44.0*	*44.0*	*22.2*	*45.7*	*42.4*	*39.1*	*38.8*	*38.2*	*41.2*
Provisions/Operating Profits (%)	*29.6*	*18.5*	*17.4*	*39.5*	*28.3*	*22.7*	*18.0*	*9.4*	*27.9*	*18.7*
Tax Rate (%)	*39.2*	*36.0*	*30.5*	*3.2*	*30.0*	*30.0*	*30.0*	*30.0*	*25.4*	*30.0*

E: MOSt Estimates

Manish Karwa (Mkarwa@MotilalOswal.com)/Ajinkya Dhavale (AjinkyaDhavale@MotilalOswal.com)/Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)

Vijaya Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	VJYBK IN
	REUTERS CODE
S&P CNX: 3,926	VJBK.BO

Equity Shares (m)	433.5
52-Week Range	97/30
1,6,12 Rel.Perf.(%)	-12/-30/-25
M.Cap. (Rs b)	14.1
M.Cap. (US$ b)	0.3

3 July 2008

Neutral

Previous Recommendation: Neutral Rs33

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	13,467	3,313	7.6	161.1	4.3	0.7	11.2	18.6	0.9	0.8
3/08A	13,622	3,613	8.3	9.0	3.9	0.6	11.2	16.6	0.7	0.6
3/09E	13,715	2,885	6.7	-20.2	4.9	0.5	10.5	10.7	0.5	0.5
3/10E	15,860	3,400	7.8	17.9	4.1	0.4	10.5	10.6	0.5	0.4

- We expect the bank to post decline in its NII by 8% on a YoY basis to Rs2.4b as margins continue to be under pressure on account of high share of bulk deposits.
- Business growth would continue to be strong for the bank. Loans are expected to show 30%+ YoY growth while deposits are also likely to post 23%+ growth YoY. CASA ratio is declining significantly over the last two years which is likely to increase pressure on margins.
- Healthy recoveries and lower than expected provisions for NPA would provide surprises to the bottom line. However, higher than expected provisions on its investment book is likely to pose a risk to our earnings estimates.
- The bank holds ~28% of the investment book in the AFS category with average duration of 3.2 years. We have assumed an MTM hit of Rs0.6b for MTM losses.
- With gross NPA ratio at 1.6% and net NPAs close to 0.5%, we expect incremental NPA provisions to remain low for the bank during the quarter.
- At CMP the stock trades at 4.9x FY09E EPS and 0.5x FY09E BV. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	8,982	9,644	10,225	10,983	11,532	11,878	12,412	12,803	39,834	48,625
Interest Expense	6,346	7,452	8,034	8,751	9,101	9,420	9,750	10,054	30,584	38,325
Net Interest Income	**2,636**	**2,192**	**2,191**	**2,231**	**2,430**	**2,458**	**2,663**	**2,749**	**9,250**	**10,300**
% Change (Y-o-Y)	*2.0*	*-15.6*	*-17.3*	*-22.7*	*-7.8*	*12.1*	*21.5*	*23.2*	*-13.7*	*11.4*
Other Income	685	869	1,167	1,651	600	720	900	1,195	4,372	3,415
Net Income	**3,321**	**3,060**	**3,358**	**3,882**	**3,030**	**3,178**	**3,563**	**3,944**	**13,622**	**13,715**
Operating Expenses	1,609	1,615	1,771	2,018	1,689	1,757	1,880	2,127	7,013	7,452
Operating Profit	**1,713**	**1,446**	**1,586**	**1,864**	**1,341**	**1,421**	**1,683**	**1,817**	**6,609**	**6,263**
% Change (Y-o-Y)	*-4.9*	*-9.6*	*4.2*	*-8.5*	*-21.7*	*-1.7*	*6.1*	*-2.5*	*1.1*	*0.7*
Other Provisions	349	311	-225	3,398	800	400	500	717	3,833	2,417
Profit before Tax	**1,364**	**1,135**	**1,811**	**-1,534**	**541**	**1,021**	**1,183**	**1,100**	**2,776**	**3,846**
Tax Provisions	250	83	543	-1,712	81	255	296	329	-837	962
Net Profit	**1,114**	**1,053**	**1,269**	**178**	**460**	**766**	**887**	**771**	**3,613**	**2,885**
% Change (Y-o-Y)	*53.3*	*2.9*	*36.8*	*-72.0*	*-58.7*	*-27.2*	*-30.1*	*333.0*	*9.0*	*-20.2*
Interest Exp./Interest Income (%)	*70.7*	*77.3*	*78.6*	*79.7*	*78.9*	*79.3*	*78.5*	*78.5*	*76.8*	*78.8*
Other Income/Net Income (%)	*20.6*	*28.4*	*34.8*	*42.5*	*19.8*	*22.7*	*25.3*	*30.3*	*32.1*	*24.9*
Cost to Income Ratio (%)	*48.4*	*52.8*	*52.8*	*52.0*	*55.7*	*55.3*	*52.8*	*53.9*	*51.5*	*54.3*
Provisions/Operating Profits (%)	*20.4*	*21.5*	*-14.2*	*182.3*	*59.6*	*28.1*	*29.7*	*39.4*	*58.0*	*38.6*
Tax Rate (%)	*18.3*	*7.3*	*30.0*	*111.6*	*15.0*	*25.0*	*25.0*	*29.9*	*-30.1*	*25.0*

E: MOSt Estimates

Manish Karwa (Mkarwa@MotilalOswal.com)/Ajinkya Dhavale (AjinkyaDhavale@MotilalOswal.com)/Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)

Cement

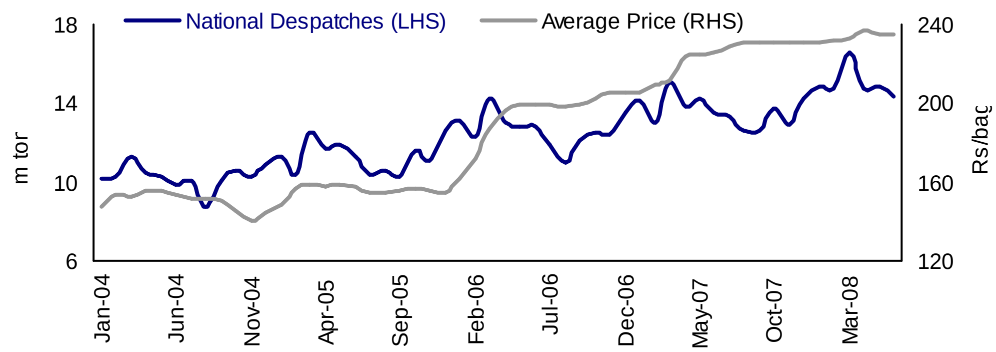
BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

1QFY09: Highlights

YoY Comparative (v/s 1QFY08)
- Volumes expected to be higher by 5.5%
- Prices expected to be higher by 4.8%

QoQ Comparative (v/s 4QFY08)
- Volumes expected to be lower by 4.6%
- Prices expected to be higher by 1.6%

CEMENT INDUSTRY DYNAMICS: DEMAND AND PRICE TRENDS



Source: CMA/MOSt

MOST CEMENT UNIVERSE: 1QFY09 PERFORMANCE AT A GLANCE

	VOLUME (M TON)			REALIZATION*
	1QFY09	1QFY08	GR. (%)	YOY (%)
ACC	5.3	5.3	-0.7	3.8
Grasim	4.5	4.4	2.5	5.4
Ambuja Cement	4.1	3.9	3.8	9.7
Ultratech	4.3	4.5	-3.6	9.2
Birla Corp	1.33	1.32	0.8	1.4
India Cement	2.18	1.74	25.5	23.6
Shree Cement	1.7	1.4	20.6	6.7
Industry*	**43.9**	**41.6**	**5.5**	**4.8**

** Adjusted for increase in excise* *Source: CMA/Motilal Oswal Securities*

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Cement							
ACC	Neutral	17,336	-5.9	4,351	-20.1	2,832	-19.4
Ambuja Cements	Neutral	15,514	5.9	4,695	-13.9	3,017	-25.3
Birla Corporation	Buy	4,116	0.6	1,168	-18.7	782	-19.8
Grasim Industries	Buy	27,589	12.8	6,765	-14.6	4,179	-18.3
India Cements	Buy	8,036	14.6	2,521	-4.6	1,237	-32.5
Shree Cement	Buy	5,375	26.2	1,988	9.0	733	-37.3
UltraTech Cement	Buy	14,609	7.0	4,365	0.7	2,301	-11.3
Sector Aggregate		**92,575**	**7.0**	**25,854**	**-11.0**	**15,081**	**-21.6**

Jinesh K Gandhi (Jinesh@MotilalOswal.com); Tel +91 22 39825416

Cement prices remain stable

1QFY09 Highlights

- **YoY Comparative:** higher by 4.8%
- **QoQ Comparative:** higher by 1.6%

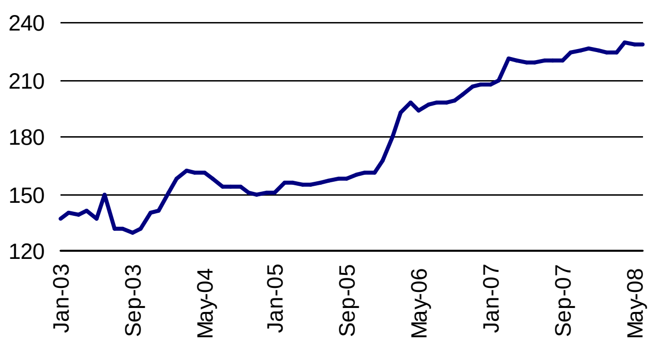
1QFY09: SUMMARY PRICING TREND

	PRICE CHANGE (%) *	
	YOY	QOQ
North	4.4	1.7
East	5.4	6.6
West	3.0	0.9
South	9.1	-0.6
Central	0.4	0.9
National	**4.8**	**1.6**

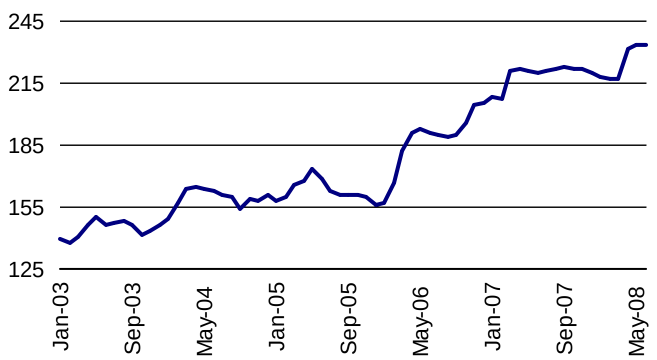
** adjusted for changes in prices for excise duty*

Source: Industry/Motilal Oswal Securities

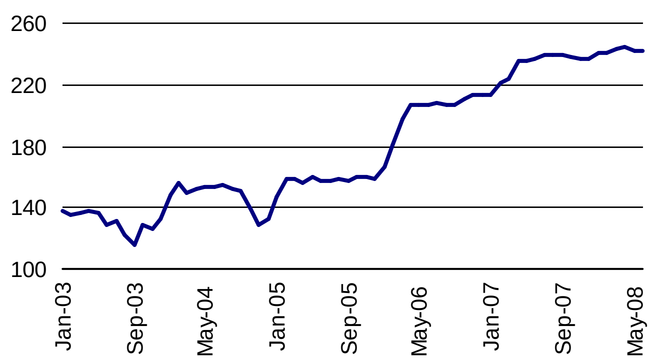
PRICE TREND – NORTH (RS/BAG)



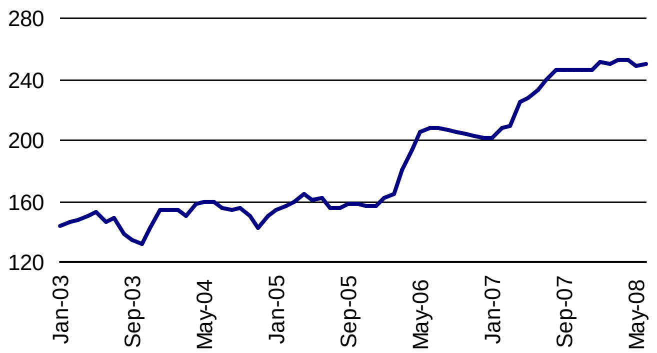
PRICE TREND – EAST (RS/BAG)



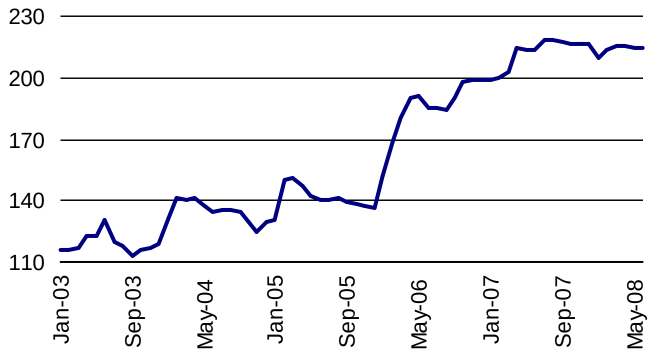
PRICE TREND – WEST (RS/BAG)



PRICE TREND – SOUTH (RS/BAG)



PRICE TREND – CENTRAL (RS/BAG)

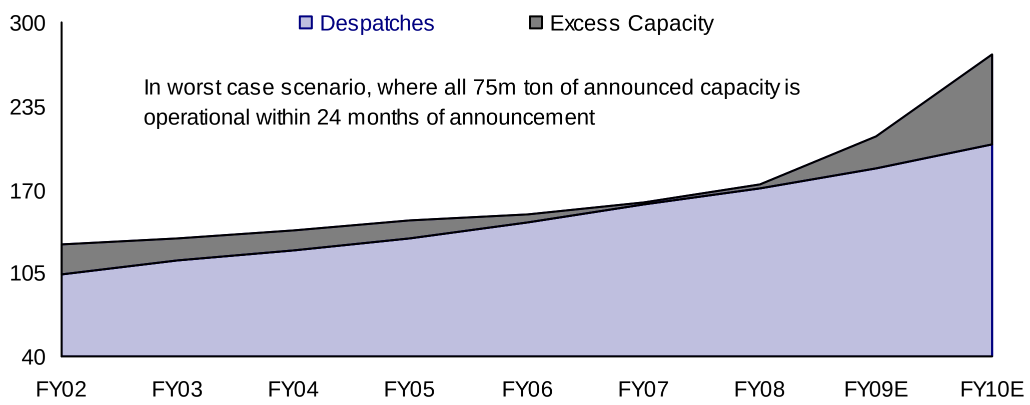


Source: CMA/Motilal Oswal Securities

FY09: Demand excess to supply excess

In FY08, total capacity addition for the industry was 30MT, taking the total capacity to 198MT. Further, at least another 45MT of capacity is scheduled to commission in FY09. As a result, FY09 is expected to witness excess supply based on capacity additions of FY08 and FY09. While incremental demand would be around 16MT, incremental supply would be at least 45MT.

EXCESS SUPPLY SITUATION EXPECTED FROM FY09

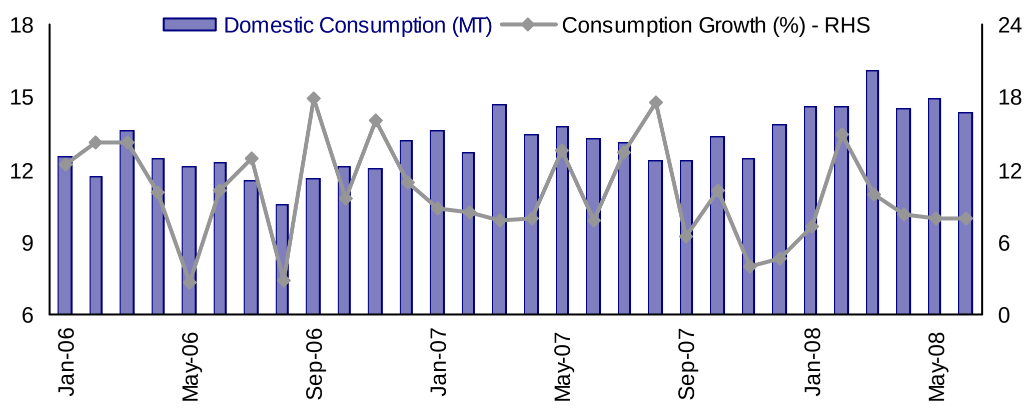


Source: CMA/Motilal Oswal Securities

Domestic demand growth stable at 8%...

Demand in domestic market is expected to grow at 7.6% in 1QFY09 to 43.6MT. Demand growth in 1QFY09 was particularly impacted by slow growth in the Northern region (due to Gujjar agitation and early monsoon). Cement demand, in general, has also been impacted by slowdown in the housing sector. Demand growth in key regions of North and West has slowed down considerably in this quarter, thereby impacting industry growth. However, Southern region continues to grow at ~10%, whereas Eastern region witnessed recovery post muted growth of 3% in FY08.

DOMESTIC DEMAND GROWTH STABLE AT 8%

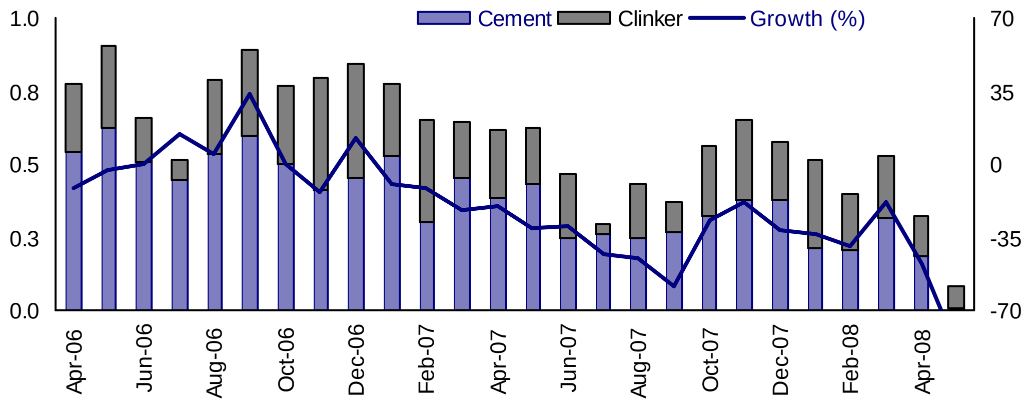


Source: CMA/Motilal Oswal Securities

...but exports decline due to temporary ban

Cement (including clinker) exports are expected to decline by 56% to 0.75MT in 1QFY09 on account of temporary ban on exports. The government banned cement exports on 11April 2008, but later allowed exports from Gujarat port on 27 May 2008. This 46 days ban resulted in significant decline in exports of cement and clinker.

EXPORTS EXPECTED TO DECLINE 56% IN 1QFY09

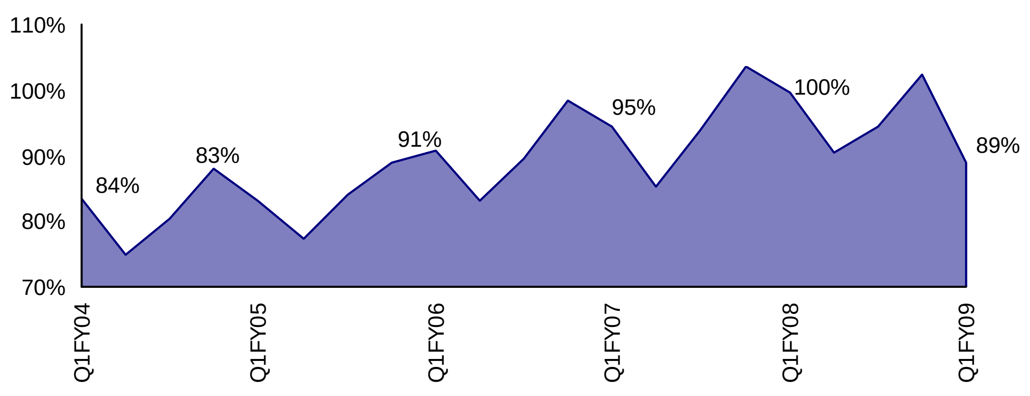


Source: CMA/Motilal Oswal Securities

Decline in capacity utilization for first time in last 5 years

Capacity utilization for 1QFY09 declined to 89% (v/s 100% in 1QFY08) on the back of 30MT of capacity addition in FY08. Cement industry' s capacity utilization for 1QFY09 is expected to decline on YoY basis for the first time in the last five years. Capacity utilization for the industry is expected to ease off from optimum level of ~95% to ~88% in FY09 and 75% in FY10 on the back of significant capacity addition over the next two to three years.

CAPACITY UTILIZATION: NEW CAPACITIES EASING PRESSURE

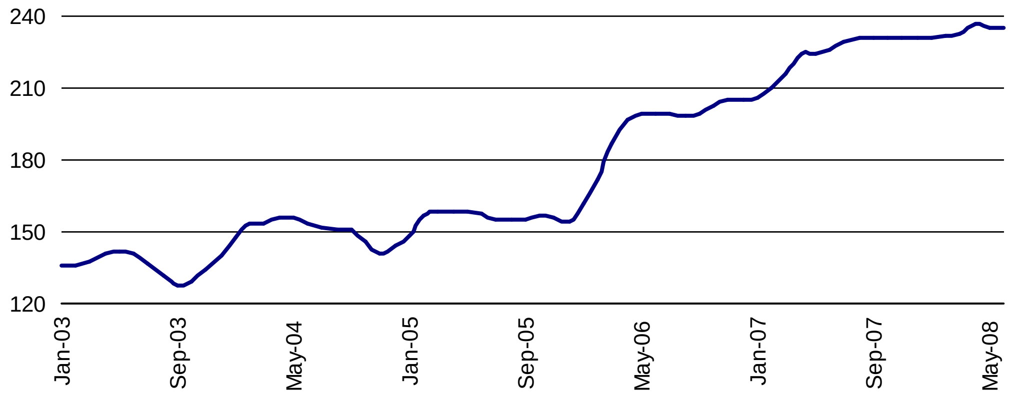


Source: CMA/Motilal Oswal Securities

Cement prices remain stable…

Cement prices are expected to remain stable with 1.6% QoQ increase. Given high inflation, the cement companies were under pressure to maintain prices. Part of the price increase is on account of increase in freight and higher excise. Further, ban on exports also resulted in flush of supply in Western and Northern markets, which also helped in controlling cement prices. Cement prices in eastern region are expected to recover by 6.6% QoQ (~5.4% YoY) in line with strong demand growth in the region.

TREND IN CEMENT PRICES (NATIONAL AVERAGE, RS/BAG)



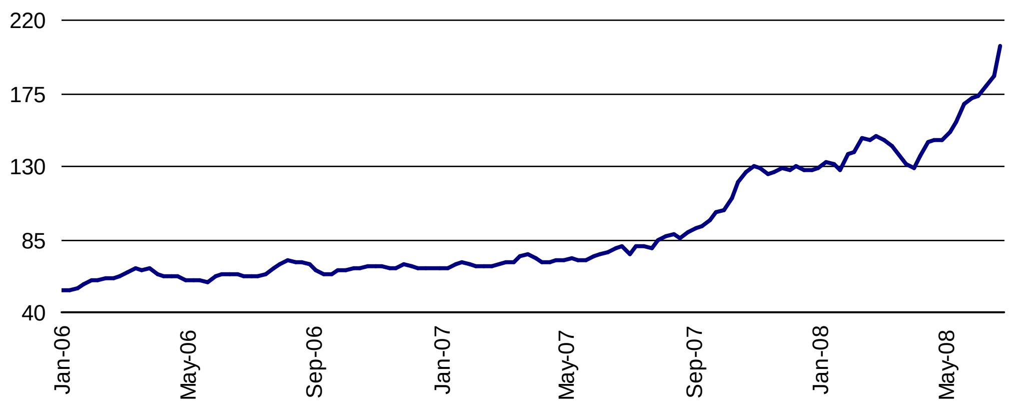
Source: CMA/Motilal Oswal Securities

With the government's focus on containing inflation, the cement industry is expected to maintain pricing at current levels. While we don't anticipate any significant increase in cement prices from here on, we don't rule out marginal and gradual increase in prices to offset cost push.

…but severe cost push would impact margins

EBITDA margins for the companies are expected to decline on YoY basis, as cement prices have remained stable despite significant cost push in the form of energy and freight cost. Coal prices, both domestic and imported, are on an uptrend. Imported coal prices have gone up by around 14% QoQ, and are currently trading at around US$180/ton CIF. Although domestic coal prices have remain unchanged, reduction in linkage by Coal India would push total cost of coal as the companies will have to procure expensive coal from the open market (30-40% higher cost). Escalating coal prices are expected to push overall cost up at least by Rs30-40/ton.

TREND IN IMPORTED COAL PRICES – CIF (US$/TON)



Source: Bloomberg

Also, freight cost has increased by 10-12% post the recent Rs3/litre increase in diesel prices. This would result in cost escalation of Rs50-70/ton. However, the cost push is expected to be partly passed on to the consumer, although with a lag. Our estimates now factor in higher coal prices at current level and higher freight.

Slow volume growth, stable prices to result in muted revenue growth

We expect MOSt cement universe to report ~1.5% volume growth, primarily driven by strong volume growth of 21% for Shree Cement. Other cement companies under our coverage are expected to report muted volume growth, as they are operating at optimum capacity. Improvement in realizations (~Rs142 YoY and Rs16 QoQ) would dilute impact of cost push, thereby resulting in EBITDA decline of Rs141/ton YoY (~Rs29/ton QoQ improvement) to Rs998/ton.

TREND IN KEY OPERATING PARAMETERS (JAN-MAR QUARTER)

	VOLUME (M TON)			REALIZATION (RS/TON)			EBITDA (RS/TON)		
	JUN-08	YOY (%)	QOQ (%)	JUN-08	YOY (RS/T)	QOQ (RS/T)	JUN-08	YOY (RS/T)	QOQ (RS/T)
ACC	5.3	-0.7	-1.9	3,271	7	0	821	-258	-50
Birla Corp	1.3	-2.4	-15.3	3,004	32	41	929	-226	-29
Grasim	4.1	3.8	-6.7	3,247	164	-20	1,063	-169	-22
Ambuja Cement	4.5	2.5	-6.3	3,448	112	0	1,043	-199	-32
India Cement	2.3	1	-5.2	3,449	416	80	1,082	-64	13
Shree Cement	1.7	20.6	-17.3	3,162	142	0	1,169	-124	-64
UltraTech	4.3	-3.6	-10.6	3,161	203	31	1,013	43	-1
Sector Aggregate	**23.4**	**1.5**	**-7.5**	**3,276**	**142**	**16**	**998**	**-141**	**-29**

Source: Company/Motilal Oswal Securities

Overall, we expect our cement universe's revenue to grow by 6% YoY, with EBITDA margin declining by 610bp (~100bp QoQ) to 29.1%, translating into 23% YoY decline in PAT.

TREND IN KEY OPERATING PARAMETERS (JAN-MAR QUARTER)

	NET SALES (RS M)			EBITDA MARGIN (%)			NET PROFIT (RS M)		
	JUN-08	YOY (%)	QOQ (%)	JUN-08	YOY (BP)	QOQ (BP)	JUN-08	YOY (%)	QOQ (%)
ACC	17,336	-5.9	-1.9	25.1	-797	-154	2,832	-19.4	-14.5
Birla Corp	4,116	0.6	-15.8	28.4	-674	155	782	-19.8	-9.6
Grasim	15,875	14.2	-5.4	27.7	-756	-106	4,179	-18.3	-6.2
Ambuja Cement	15,514	5.9	-6.3	30.3	-697	-92	3,017	-25.3	-8.6
India Cement	8,036	14.6	-4.8	31.4	-631	23	1,237	-32.5	-18.9
Shree Cement	5,375	26.2	-17.3	37	-583	-204	733	-37.3	78.6
UltraTech	14,609	7	-8.8	29.9	-188	-62	2,301	-11.3	-18.7
Sector Aggr.*	**80,861**	**6.4**	**-6.9**	**29.1**	**-607**	**-96**	**10,903**	**-22.8**	**-11**

*Sector PAT excl Grasim

Source: Company/Motilal Oswal Securities

Downgrade earnings to factor in cost push

We are downgrading our earnings estimates for FY09 and FY10 to factor in higher energy prices and higher freight cost. Our estimates for imported coal prices are now rebased at current level. Our estimates are based on flat prices for FY09 over FY08 (average) level and a Rs5/bag decline in FY10. Our earnings estimates are lowered by 2%-22% for FY09 and by 2%-20% for FY10. While our estimates factor in impact of higher energy prices, impact of any pass-through of cost push to consumers is not yet fully factored in our estimates.

REVISED EPS FORECAST (RS)

	FY09E			FY10E		
	REV	OLD	CHG (%)	REV	OLD	CHG (%)
ACC	62.4	63.5	-1.7	57.0	58.2	-2.0
Ambuja Cement	7.9	8.3	-5.5	7.6	8.1	-6.3
Birla Corp	42.0	47.5	-11.5	41.3	48.1	-14.1
Grasim	251.9	262.4	-4.0	256.1	270.1	-5.2
India Cement	20.6	23.4	-11.9	20.5	23.1	-11.2
Shree Cement	101.3	130.3	-22.2	107.9	135.5	-20.3
UltraTech	83.3	88.4	-5.8	85.8	89.7	-4.3

Source: Motilal Oswal Securities

Valuation and view

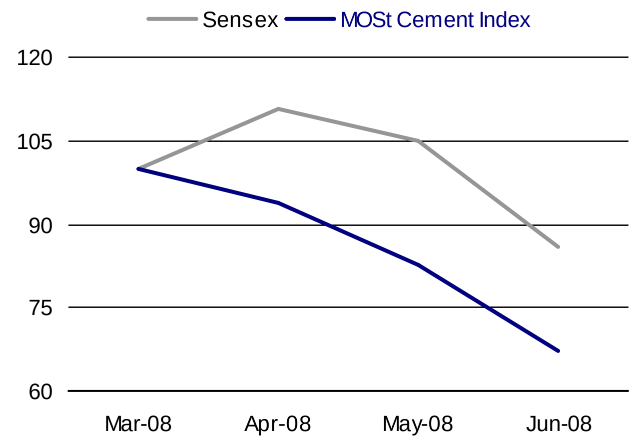
Stable volume growth and first flush of new capacities has resulted in decline in capacity utilization. The impact of these new capacities on demand-supply equilibrium is expected only by 2QCY09. However, higher inflation would restrict the industry' s ability to increase cement prices, as the government continues to monitor higher prices to curb inflation. As a result, margins are expected to remain under pressure with stable pricing and cost push. We prefer companies that are ahead of the curve in adding capacity, along with strong cost saving possibilities. In large caps, Grasim remains our top pick. We prefer Birla Corp, India Cement, Kesoram and Shree Cement among mid-caps.

Stock performance and valuations

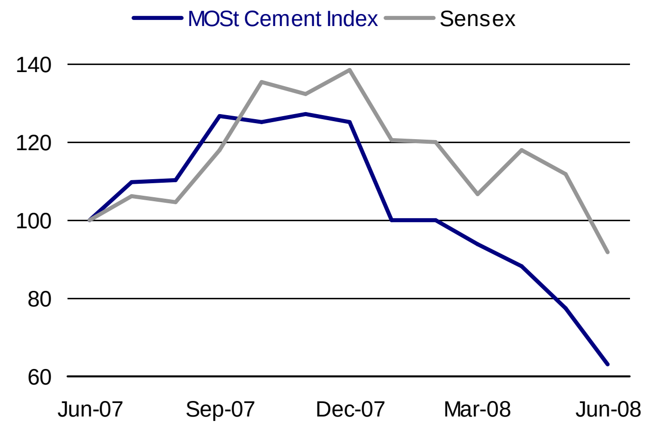
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Cement						
ACC	-43	-50	-26	-38	-5	-8
Birla Corporation	-19	-40	-1	-28	19	2
Grasim Industries	-34	-38	-17	-26	4	4
Ambuja Cement	-41	-42	-24	-31	-3	0
India Cement	-33	-40	-16	-28	5	2
Shree Cement	-50	-60	-33	-48	-12	-18
UltraTech Cement	-34	-40	-17	-28	4	2

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Cement														
ACC	472	Neutral	68.1	62.4	57.0	6.9	7.6	8.3	4.0	3.9	4.5	30.8	23.6	19.0
Ambuja Cements	72	Neutral	8.6	7.9	7.6	8.4	9.1	9.5	4.4	4.9	5.4	32.1	23.7	20.1
Birla Corporation	159	Buy	51.1	42.0	41.3	3.1	3.8	3.9	1.2	0.7	0.9	38.4	24.8	20.1
Grasim Industries	1,678	Buy	288.4	251.9	256.1	5.8	6.7	6.6	3.0	3.1	2.9	28.7	20.6	17.8
India Cements	125	Buy	23.0	20.6	20.5	5.4	6.0	6.1	4.9	4.5	4.3	34.1	21.4	17.9
Shree Cement	523	Buy	88.5	101.3	107.9	5.9	5.2	4.8	2.4	1.8	1.4	52.4	39.8	30.6
UltraTech Cement	534	Buy	80.9	83.3	85.8	6.6	6.4	6.2	4.7	3.9	3.5	45.2	32.6	25.7
Sector Aggregate						**6.4**	**6.9**	**7.0**	**3.6**	**3.5**	**3.5**	**32.7**	**23.8**	**19.8**

ACC

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	ACC IN
	REUTERS CODE
S&P CNX: 3,926	ACC.BO

Equity Shares (m)	187.9
52-Week Range	1,315/470
1,6,12 Rel. Perf. (%)	-9/-17/-38
M.Cap. (Rs b)	88.8
M.Cap. (US$ b)	2.0

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs472

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	57,170	11,094	59.0	161.7	8.0	2.8	35.3	31.3	1.5	5.3
12/07A	68,780	12,798	68.1	15.4	6.9	2.1	30.8	32.6	1.1	4.0
12/08E	69,894	11,730	62.4	-8.3	7.6	1.8	23.6	26.1	1.0	3.9
12/09E	77,244	10,713	57.0	-8.7	8.3	1.6	19.0	20.2	0.9	4.5

** Fully Diluted EPS*

- ACC's 2QCY08 results are not comparable as it has divested RMC business into a separate subsidiary. Dispatches during 2QCY08 are expected to remain flat at 5.3mt, as it continues to operate at optimal rate. Average realizations are expected to remain flat at Rs3,271/ton. Net sales are expected to degrow by 5.9% YoY to Rs17.3b due to divestment of RMC business. Cement business EBITDA margin is expected to decline by 800bp to 25.1%, as fixed costs are expected to remain high. Higher depreciation (up 15%) and higher interest cost (Rs60m; net interest income in 2QCY07) would result in recurring PAT decline of 19% to Rs2.83b.
- ACC would be severely hit by reduction in linkage by Coal India (~85% domestic coal), from 75% to 45%, thereby resulting in increased sourcing from open market (30-40% higher than linkage price). Further, increase in freight cost (6-10%) due to increase in diesel prices would also impact the profitability.
- We have marginally revised our earnings estimate downwards for CY08 by 1.7% to Rs62.4 and CY08 by 2% to Rs57 to factor in higher coal and freight cost. Valuations at 7.6x CY08E EPS and 3.9x CY08E EV/EBITDA appear rich. Maintain **Neutral.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Cement Sales (m ton)	4.93	5.34	4.68	5.02	5.40	5.30	5.00	5.67	20.0	21.4
YoY Change (%)	*-2.4*	*15.3*	*9.9*	*3.5*	*9.5*	*-0.7*	*6.8*	*13.0*	*6.1*	*7.0*
Cement Realization	3,152	3,264	3,310	3,316	3,271	3,271	3,271	3,271	3,260	3,271
YoY Change (%)	*25.9*	*11.9*	*9.2*	*6.1*	*3.8*	*0.2*	*-1.2*	*-1.4*	*13.4*	*0.3*
QoQ Change (%)	*0.8*	*3.5*	*1.4*	*0.2*	*-1.4*	*0.0*	*0.0*	*0.0*		
Net Sales	**16,349**	**18,427**	**16,369**	**17,636**	**17,663**	**17,336**	**16,355**	**18,540**	**68,780**	**69,894**
YoY Change (%)	*22.3*	*28.7*	*20.2*	*10.8*	*8.0*	*-5.9*	*-0.1*	*5.1*	*20.3*	*1.6*
Total Expenditure	11,276	12,983	11,882	13,466	12,958	12,985	12,500	13,798	49,606	52,241
EBITDA	**5,073**	**5,444**	**4,486**	**4,170**	**4,706**	**4,351**	**3,855**	**4,742**	**19,174**	**17,654**
Margins (%)	*31.0*	*29.5*	*27.4*	*23.6*	*26.6*	*25.1*	*23.6*	*25.6*	*27.9*	*25.3*
Depreciation	744	633	707	966	714	730	745	770	3,051	2,958
Interest	170	-23	-9	600	56	60	60	65	739	240
Other Income	535	283	284	685	656	400	405	492	1,787	1,950
PBT before EO Item	**4,694**	**5,116**	**4,072**	**3,289**	**4,593**	**3,961**	**3,455**	**4,399**	**17,172**	**16,405**
EO Income/(Expense)	77	0	39	2,015	366	0	0	0	2,131	366
PBT after EO Item	**4,771**	**5,116**	**4,111**	**5,305**	**4,958**	**3,961**	**3,455**	**4,399**	**19,303**	**16,771**
Tax	1,215	1,604	1,186	912	1,383	1,129	985	1,283	4,917	4,780
Rate (%)	*25.5*	*31.3*	*28.9*	*17.2*	*27.9*	*28.5*	*28.5*	*29.2*	*25.5*	*28.5*
Reported PAT	**3,557**	**3,512**	**2,925**	**4,392**	**3,575**	**2,832**	**2,470**	**3,116**	**14,386**	**11,991**
Adjusted PAT	**3,499**	**3,512**	**2,897**	**2,724**	**3,312**	**2,832**	**2,470**	**3,116**	**12,798**	**11,730**
YoY Change (%)	*53.4*	*15.5*	*28.9*	*-21.4*	*-5.4*	*-19.4*	*-14.7*	*14.4*	*15.4*	*-8.3*

E: MOSt Estimates; Note: The quarterly results are not strictly comparable due to demerger of RMC business from January 2008.

Jinesh K Gandhi (Jinesh@MotilalOswal.com); Tel +91 22 39825416

Ambuja Cement

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	ACEM IN
	REUTERS CODE
S&P CNX: 3,926	GACM.BO

Equity Shares (m)	1,522.4
52-Week Range	161/69
1,6,12 Rel. Perf. (%)	-4/-15/-31
M.Cap. (Rs b)	109.5
M.Cap. (US$ b)	2.5

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs72

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	48,479	13,401	8.8	114.7	8.1	3.1	47.4	43.3	2.0	5.4
12/07A	56,314	13,078	8.6	-2.8	8.4	2.4	32.1	42.9	1.6	4.4
12/08E	62,952	11,980	7.9	-8.4	9.1	2.0	23.7	32.1	1.5	4.9
12/09E	68,629	11,522	7.6	-3.8	9.5	1.8	20.1	26.7	1.5	5.4

- Ambuja Cement's 2QCY08 sales are expected at Rs15.5b (up ~6% YoY). Dispatches are expected at 4.5mt (growth of ~2.5% YoY), whereas average realizations are expected at Rs3,448/ton (up ~3.4% YoY, but flat QoQ). Ambuja's volume growth would be impacted due to ban on exports and Gujjar agitation in North India.
- EBITDA margin is expected to decline by 700bp YoY to 30.3%, impacted by spiraling imported coal prices and higher freight cost, translating into EBITDA of Rs4.7b (~14% decline). Further, 38% decline in other income (net of interest expenses) would translate into recurring PAT decline of 25% to Rs3b.
- During the quarter, Ambuja Cement sold its balance 11% stake in Ambuja Cement India Pvt Ltd to Holcim for Rs5.9b. We estimate profits of Rs3b (pre-tax) from this stake sale.
- We are revising our earnings estimate downwards for CY08 by 5.5% to Rs7.9 and CY09 by 6.3% to Rs7.6 due to increase in coal prices (domestic as well as imported) and higher freight costs. Valuations at 9.1x CY08E earnings and 4.9x CY08E EV/EBITDA are fair reflection of business fundamentals. Maintain **Neutral.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales Volume (m ton)	4.34	4.39	3.77	4.26	4.80	4.50	4.20	4.80	16.76	18.30
YoY Change (%)	*3.8*	*1.7*	*3.0*	*3.4*	*10.6*	*2.5*	*11.4*	*12.7*	*2.8*	*9.2*
Realization (Rs/ton)	3,271	3,336	3,448	3,398	3,448	3,448	3,448	3,419	3,360	3,440
YoY Change (%)	*27.3*	*9.6*	*11.6*	*5.3*	*5.4*	*3.4*	*0.0*	*0.6*	*13.0*	*94.5*
QoQ Change (%)	*1.4*	*2.0*	*3.4*	*-1.5*	*1.5*	*0.0*	*0.0*	*-0.8*	*64.2*	*15.7*
Net Sales	**14,195**	**14,644**	**12,999**	**14,476**	**16,549**	**15,514**	**14,480**	**16,409**	**56,314**	**62,952**
YoY Change (%)	*32.2*	*11.5*	*14.9*	*8.9*	*16.6*	*5.9*	*11.4*	*13.4*	*16.2*	*262.8*
EBITDA	**5,659**	**5,453**	**4,332**	**5,007**	**5,160**	**4,695**	**4,018**	**4,760**	**20,451**	**18,633**
Margins (%)	*39.9*	*37.2*	*33.3*	*34.6*	*31.2*	*30.3*	*27.7*	*29.0*	*36.3*	*29.6*
Depreciation	598	583	584	598	618	650	680	738	2,363	2,687
Interest	119	-211	-156	1,006	57	65	75	71	759	267
Other Income	330	487	184	935	406	500	450	444	1,935	1,800
PBT before EO Item	**5,272**	**5,567**	**4,088**	**4,338**	**4,890**	**4,480**	**3,713**	**4,395**	**19,265**	**17,479**
Extraordinary Inc/(Exp)	2,408	5,747	-270	-26	-59	3,032	0	0	7,859	2,973
PBT after EO Exp/(Inc)	**7,679**	**11,314**	**3,818**	**4,312**	**4,832**	**7,512**	**3,713**	**4,395**	**27,124**	**20,452**
Tax	2,017	2,537	893	3,986	1,570	1,835	1,132	1,314	9,433	5,851
Rate (%)	*26.3*	*22.4*	*23.4*	*92.4*	*32.5*	*24.4*	*30.5*	*29.9*	*34.8*	*28.6*
Reported Profit	**5,663**	**8,778**	**2,924**	**327**	**3,262**	**5,677**	**2,581**	**3,081**	**17,691**	**14,601**
Adj PAT	**3,582**	**4,036**	**3,133**	**2,347**	**3,302**	**3,017**	**2,581**	**3,081**	**13,078**	**11,980**
YoY Change (%)	*33.5*	*23.2*	*19.7*	*-30.5*	*-7.8*	*-25.3*	*-17.6*	*31.3*	*-2.4*	*-8.4*

E: MOSt Estimates

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Birla Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BJUT IN
	REUTERS CODE
S&P CNX: 3,926	BRLC.BO

Equity Shares (m)	77.0
52-Week Range	386/157
1,6,12 Rel. Perf. (%)	-1/-17/-28
M.Cap. (Rs b)	12.3
M.Cap. (US$ b)	0.3

3 July 2008

Buy

Previous Recommendation: Buy

Rs159

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	15,669	3,262	42.4	37.9	3.8	1.8	49.0	46.9	0.7	2.1
03/08A	17,248	3,932	51.1	20.5	3.1	1.2	38.4	46.7	0.4	1.2
03/09E	16,809	3,238	42.0	-17.7	3.8	0.9	24.8	29.4	0.2	0.7
03/10E	18,627	3,181	41.3	-1.8	3.9	0.8	20.1	24.9	0.2	0.9

- For 1QFY09, Birla Corp's revenue are expected to remain flat at Rs4.1b. Cement realizations are likely to be up 1% YoY (1.4% QoQ) to Rs3,004/ton. However sales volume is expected to decline by 2.4%, due to on-going suspension of plant at Durgapur, West Bengal.
- However, higher energy cost (due to lower linkage) and higher freight cost would result in 670bp decline in EBITDA margin to 28.4% and translate into 19% decline in EBITDA to Rs1.17b. Performance of non-cement businesses is expected to improve and is expected to break-even at PBIT level. However, higher tax provisioning (at 30% of PBT v/s 29% in 1QFY08) would result in PAT decline of 20% to Rs782m.
- We are revising our earnings estimate downwards for FY09 by 11.5% to Rs42 and for FY10 by 14% to Rs41.3 to factor in lower volumes due to suspension of works at Durgapur, higher energy prices (due to lower coal linkages) and increase in freight cost (due to diesel price increases).
- The stock trades at 3.8x FY09E EPS and 0.7x FY09E EV/EBITDA. Its EV/ton (at 7.5mt capacity) works out to US$76/ton, which is at a discount to its comparable peers. We believe the discount is not justified and valuations, based on earnings as well as replacement cost, are compelling. Maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Cement Sales (m ton)	1.28	1.20	1.33	1.48	1.25	1.15	1.28	1.45	5.28	5.13
YoY Change (%)	*2.9*	*-4.2*	*0.8*	*4.0*	*-2.4*	*-4.0*	*-4.1*	*-1.5*	*0.9*	*-2.8*
Cement Realization	2,972	3,064	3,016	2,963	3,004	3,004	3,004	3,004	3,004	3,004
YoY Change (%)	*15.8*	*16.9*	*7.9*	*1.4*	*1.1*	*-1.9*	*-0.4*	*1.4*	*9.9*	*0.0*
QoQ Change (%)	*1.7*	*3.1*	*-1.6*	*-1.7*	*1.4*	*0.0*	*0.0*	*0.0*		
Net Sales	**4,093**	**3,940**	**4,329**	**4,887**	**4,116**	**3,815**	**4,191**	**4,688**	**17,248**	**16,809**
YoY Change (%)	*17.3*	*8.0*	*5.8*	*10.1*	*0.6*	*-3.2*	*-3.2*	*-4.1*	*10.1*	*-2.5*
Total Expenditure	2,655	2,440	2,823	3,575	2,947	2,826	2,999	3,319	11,493	12,090
EBITDA	**1,438**	**1,500**	**1,506**	**1,312**	**1,168**	**989**	**1,192**	**1,369**	**5,755**	**4,718**
Margins (%)	*35.1*	*38.1*	*34.8*	*26.8*	*28.4*	*25.9*	*28.4*	*29.2*	*33.4*	*28.1*
Depreciation	103	103	102	107	106	107	108	109	419	430
Interest	50	53	54	54	50	48	46	44	211	188
Other Income	88	98	97	101	105	120	135	165	383	525
Profit before Tax	**1,372**	**1,441**	**1,447**	**1,253**	**1,117**	**954**	**1,173**	**1,381**	**5,508**	**4,626**
Tax	398	409	382	387	335	286	352	414	1,576	1,388
Rate (%)	*29.0*	*28.4*	*26.4*	*30.9*	*30.0*	*30.0*	*30.0*	*30.0*	*28.6*	*30.0*
Adjusted PAT	**975**	**1,031**	**1,065**	**866**	**782**	**668**	**821**	**967**	**3,932**	**3,238**
Margins (%)	*23.8*	*26.2*	*24.6*	*17.7*	*19.0*	*17.5*	*19.6*	*20.6*	*22.8*	*19.3*
YoY Change (%)	*56.3*	*52.7*	*11.9*	*-14.5*	*-19.8*	*-35.2*	*-22.9*	*11.7*	*20.5*	*-17.7*

E: MOSt Estimates

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Grasim Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	GRASIM IN
	REUTERS CODE
S&P CNX: 3,926	GRAS.BO

Equity Shares (m)	91.7
52-Week Range	4,074/1,661
1,6,12 Rel. Perf. (%)	-6/-18/-26
M.Cap. (Rs b)	153.9
M.Cap. (US$ b)	3.6

3 July 2008

Buy

Previous Recommendation: Buy

Rs1,678

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	140,952	19,683	214.7	89.7	7.8	2.3	29.6	32.0	1.3	4.6
03/08A	170,370	26,444	288.4	34.3	5.8	1.7	28.7	32.3	1.1	3.8
03/09E	189,148	23,093	251.9	-12.7	6.7	1.4	20.6	29.8	1.0	4.1
03/10E	213,211	23,478	256.1	1.7	6.6	1.2	17.8	26.7	0.8	3.8

** Consolidated*

- Grasim (standalone) is expected to post sales growth of 13% YoY to Rs27.6b in 1QFY09, driven by strong performance of VSF, chemicals and sponge iron business. However, significant cost push in its key businesses of cement and VSF would lead to margin declining by 790bp to 24.5% and PAT degrowth of 18% to Rs4.2b.
- The cement volumes are expected to grow by 3.8% YoY to 4.05mt, constrained by lack of capacity, and realizations are expected to improve by 5.3% YoY (~flat QoQ) to Rs 3,247/ton. However, cement division' s operating margins are expected to decline by 760bp YoY to 27.7%, as the company is witnessing severe cost push on account of higher energy and freight.
- VSF volumes are likely to increase by 5% YoY and realizations are likely to move up by 9% YoY (~4% QoQ decline) to Rs 103/Kg. However, higher sulphur prices would severely impact operating margins, resulting in 15.6bp decline in margins to 21%.
- Grasim has entered into an agreement to sell off its sponge iron business for Rs10.3b to Welspun Power & Steel. Grasim's sponge iron business contributes 5.6% to FY08 consolidated revenues and 3.2% to EBITDA. This transaction is expected to be completed within next six months and hence we would adjust our estimates upon completion of this deal.
- We are revising our earnings estimate downwards for FY09 by 4% to Rs251.9 and for FY10 by 5.2% to Rs256.1 to factor in increase in energy prices, higher freight cost and downgrade in UltraTech earnings. Valuations at 6.7x PER FY09E and 4.1x FY09E EV/EBITDA (consolidated) appears reasonable. Maintain **Buy.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**24,448**	**25,192**	**26,299**	**27,424**	**27,589**	**28,486**	**30,046**	**30,634**	**102,781**	**116,755**
YoY Change (%)	*29.2*	*25.2*	*15.3*	*10.8*	*12.8*	*13.1*	*14.2*	*11.7*	*18.9*	*13.6*
EBITDA	**7,921**	**8,050**	**8,563**	**6,623**	**6,765**	**5,932**	**6,940**	**6,834**	**31,097**	**26,472**
Margins (%)	*32.4*	*32.0*	*32.6*	*24.2*	*24.5*	*20.8*	*23.1*	*22.3*	*30.3*	*22.7*
Depreciation	850	875	865	942	1,210	1,220	1,460	1,481	3,533	5,371
Interest	285	272	234	272	285	290	365	366	1,070	1,306
Other Income	677	573	650	1,187	700	600	700	1,250	3,148	3,250
PBT before EO Items	**7,464**	**7,476**	**8,114**	**6,597**	**5,970**	**5,022**	**5,815**	**6,238**	**29,642**	**23,045**
Extraordinary Inc/(Exp)	0	0	39	2,257	0	0	0	0	2,307	0
PBT after EO Items	**7,464**	**7,476**	**8,153**	**8,853**	**5,970**	**5,022**	**5,815**	**6,238**	**31,949**	**23,045**
Tax	2,347	2,478	2,616	2,182	1,791	1,507	1,745	1,871	9,623	13,827
Rate (%)	*31.4*	*33.1*	*32.1*	*24.7*	*30.0*	*30.0*	*30.0*	*30.0*	*30.1*	*60.0*
Reported PAT	**5,117**	**4,998**	**5,538**	**6,671**	**4,179**	**3,516**	**4,071**	**4,366**	**22,326**	**9,218**
Adj. PAT	**5,117**	**4,998**	**5,511**	**4,453**	**4,179**	**3,516**	**4,071**	**4,210**	**20,071**	**15,604**
YoY Change (%)	*64.0*	*47.9*	*33.9*	*-0.8*	*-18.3*	*-29.7*	*-26.1*	*-5.4*	*32.9*	*-22.3*

E: MOSt Estimates; Quarterly results do not add-up to full year results due to restatement

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India Cements

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	ICEM IN
	REUTERS CODE
S&P CNX: 3,926	ICMN.BO

Equity Shares (m)	281.9
52-Week Range	333/134
1,6,12 Rel. Perf. (%)	-7/-23/-28
M.Cap. (Rs b)	35.2
M.Cap. (US$ b)	0.8

3 July 2008

Buy

Previous Recommendation: Buy

Rs125

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	22,552	4,788	17.6	818.6	7.1	2.3	43.0	22.0	2.3	6.9
03/08A	30,443	6,739	23.0	30.4	5.4	1.4	34.1	25.5	1.7	4.9
03/09E	37,718	6,048	20.6	-10.2	6.0	1.1	21.4	21.9	1.4	4.5
03/10E	41,807	6,011	20.5	-0.6	6.1	1.0	17.9	19.6	1.2	4.3

- India Cement (incl Visaka) is expected to report 14.6% YoY sales growth to Rs8b, driven by 13.7% YoY (~2.4% QoQ) higher realizations to Rs3,345/ton. However, volume growth is expected to be muted at just 1% to 2.33mt, as the company is operating at full capacity.
- Higher realizations would mitigate impact of higher cost (energy and freight cost) to some extent, translating into EBITDA margin declining by 630bp YoY to 31.4% and EBITDA decline of 5% to Rs2.5b. However, translational forex losses on US$75m FCCB (~Rs200m) and higher tax provisioning (at 33% of PBT v/s 14.8% in 1QFY08) would result in PAT degrowth of 32% to Rs1.246b.
- Our estimates are excluding financials of its team in Indian Premier League (IPL), pending details on the same. Our interaction with the management suggests that this venture has achieved break-even.
- We are revising our earnings estimate downwards for FY09 by 11.9% to Rs20.6 and for FY10 by 11.2% to Rs20.5 to factor in spiraling imported coal prices and higher freight cost. However, our estimates do not fully factor in for the savings to be derived from recently acquired ships for plying imported coal. At current valuations of 6x FY09E EPS and 4.5x FY09E EBITDA, valuations appear attractive. Maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales Dispatches (m ton)	2.31	2.27	2.18	2.46	2.33	2.50	2.75	3.33	9.23	10.91
YoY Change (%)	*24.5*	*20.9*	*25.5*	*-*	*1.0*	*10.1*	*26.0*	*35.4*	*9.4*	*0.0*
Realization (Rs/ton)	3,033	3,339	3,395	3,369	3,449	3,449	3,349	3,323	3,279	3,385
YoY Change (%)	*16.4*	*22.2*	*25.0*	*21.6*	*13.7*	*3.3*	*-1.4*	*-1.4*	*20.7*	*22.2*
QoQ Change (%)	*9.4*	*10.1*	*1.7*	*-0.8*	*2.4*	*0.0*	*-2.9*	*-0.8*	*23.2*	*3.2*
Net Sales	**7,012**	**7,612**	**7,379**	**8,440**	**8,036**	**8,622**	**9,209**	**11,851**	**30,443**	**37,718**
YoY Change (%)	*44.5*	*47.4*	*56.2*	*8.0*	*14.6*	*13.3*	*24.8*	*40.4*	*35.0*	*23.9*
Total Expenditure	4,369	4,539	4,930	5,811	5,514	6,003	6,713	8,068	19,648	26,297
EBITDA	**2,643**	**3,074**	**2,449**	**2,629**	**2,521**	**2,619**	**2,496**	**3,783**	**10,794**	**11,420**
Margins (%)	*37.7*	*40.4*	*33.2*	*31.1*	*31.4*	*30.4*	*27.1*	*31.9*	*35.5*	*30.3*
Depreciation	275	303	311	390	395	400	430	489	1,279	1,714
Interest	314	283	273	229	440	280	275	254	1,099	1,249
Other Income	97	59	30	325	160	130	80	200	511	570
PBT before EO Expense	**2,151**	**2,546**	**1,895**	**2,335**	**1,846**	**2,069**	**1,871**	**3,240**	**8,928**	**9,027**
Extra-Ord Expense	0	0	0	481	0	0	0	0	481	0
PBT	**2,151**	**2,546**	**1,895**	**1,854**	**1,846**	**2,069**	**1,871**	**3,240**	**8,446**	**9,027**
Tax	317	320	624	810	609	683	618	1,069	2,071	2,979
Rate (%)	*14.8*	*12.6*	*32.9*	*43.7*	*33.0*	*33.0*	*33.0*	*33.0*	*24.5*	*33.0*
Reported PAT	**1,834**	**2,227**	**1,271**	**1,044**	**1,237**	**1,386**	**1,254**	**2,171**	**6,375**	**6,048**
Adj PAT	**1,834**	**2,227**	**1,271**	**1,408**	**1,237**	**1,386**	**1,254**	**2,171**	**6,739**	**6,048**
YoY Change (%)	*62.9*	*89.8*	*59.3*	*-16.8*	*-32.5*	*-37.7*	*-1.3*	*54.2*	*40.7*	*-10.2*

E: MOSt Estimates

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Shree Cement

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SRCM IN
	REUTERS CODE
S&P CNX: 3,926	SHCM.BO

Equity Shares (m)	34.8
52-Week Range	1,695/491
1,6,12 Rel. Perf. (%)	-12/-26/-48
M.Cap. (Rs b)	18.2
M.Cap. (US$ b)	0.4

3 July 2008 **Buy**

Previous Recommendation: Buy Rs523

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	13,680	1,588	45.6	898.7	11.5	4.0	42.3	17.6	1.8	4.1
03/08A	20,659	3,083	88.5	94.1	5.9	2.5	52.4	28.6	1.0	2.4
03/09E	25,033	3,530	101.3	14.5	5.2	1.7	39.8	31.1	0.6	1.8
03/10E	27,262	3,759	107.9	6.5	4.8	1.3	30.6	29.8	0.4	1.4

- Sales in 1QFY09 are expected to grow by 26% YoY to Rs5.4b, driven by volume growth of 20.6% YoY to 1.7mt, while realizations are expected to grow by 4.7% YoY (flat QoQ) to Rs3,162/ton. Volume growth would have been higher, but for Gujjar agitation in its key market of Rajasthan and NCR.
- Significant increase in petcoke prices, coupled with increase in freight rates would translate in EBITDA margin decline of 580bp at 37% and EBITDA to Rs2b (up ~9%). However, higher depreciation (by 151% due to accelerated depreciation on new plant), higher interest cost (up 511%) and higher tax provisioning (at 30% of PBT v/s 24.7% in 1QFY08) would result in PAT decline of 37% YoY to Rs733m.
- The company' s volume growth is expected to remain strong, driven by recently added capacity of 1.5MT at Unit VI. Further, the company is adding 1mt at Ras and is expected to be operational by 3QFY10.
- We are revising our earnings estimates downwards for FY09 by 22.2% to Rs101.3 and for FY10 by 20.3% to Rs107.9 to factor in significant increase in pet coke prices and increase in freight rate. The stock is quoting at very attractive valuations of 5.2x FY09E EPS and 1.8x FY09E EBITDA. Maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales Dispatches (m ton)	1.41	1.49	1.62	2.06	1.70	1.75	2.10	2.45	6.60	8.00
YoY Change (%)	*21.9*	*34.6*	*24.9*	*61.1*	*20.6*	*17.1*	*29.9*	*19.2*	*33.6*	*21.2*
Realization (Rs/ton)	3,020	3,122	3,238	3,162	3,162	3,112	3,122	3,125	3,129	3,129
YoY Change (%)	*13.3*	*9.7*	*15.0*	*6.7*	*4.7*	*-0.3*	*-3.6*	*-1.2*	*13.1*	*0.0*
QoQ Change (%)	*1.9*	*3.4*	*3.7*	*-2.4*	*0.0*	*-1.6*	*0.3*	*0.1*	*-7.3*	*-26.1*
Net Sales	**4,258**	**4,664**	**5,236**	**6,501**	**5,375**	**5,446**	**6,556**	**7,657**	**20,659**	**25,033**
YoY Change (%)	*38.1*	*47.6*	*43.6*	*71.9*	*26.2*	*16.8*	*25.2*	*17.8*	*51.0*	*21.2*
EBITDA	**1,823**	**2,011**	**2,253**	**2,537**	**1,988**	**1,749**	**2,189**	**2,513**	**8,624**	**8,440**
Margins (%)	*42.8*	*43.1*	*43.0*	*39.0*	*37.0*	*32.1*	*33.4*	*32.8*	*41.7*	*33.7*
Depreciation	358	688	1,875	1,867	900	890	880	874	4,788	3,544
Interest	39	85	127	246	240	230	220	213	497	903
Other Income	126	291	170	146	200	325	275	250	733	1,050
PBT before EO Exp	**1,552**	**1,530**	**420**	**569**	**1,048**	**954**	**1,364**	**1,677**	**4,072**	**5,043**
Extra-Ord Expense	0	0	0	0	0	0	0	0	389	0
PBT	**1,552**	**1,530**	**420**	**569**	**1,048**	**954**	**1,364**	**1,677**	**3,683**	**5,043**
Tax	383	468	70	158	314	286	409	503	1,079	1,513
Rate (%)	*24.7*	*30.6*	*16.7*	*27.8*	*30.0*	*30.0*	*30.0*	*30.0*	*29.3*	*30.0*
Reported PAT	**1,169**	**1,062**	**350**	**411**	**733**	**668**	**955**	**1,174**	**2,604**	**3,530**
Adj PAT	**1,169**	**1,062**	**350**	**411**	**733**	**668**	**955**	**1,174**	**2,879**	**3,530**
YoY Change (%)	*29.3*	*36.6*	*-66.4*	*920.0*	*-37.3*	*-37.1*	*172.6*	*185.7*	*81.3*	*22.6*
Margins (%)	*27.5*	*22.8*	*6.7*	*6.3*	*13.6*	*12.3*	*14.6*	*15.3*	*13.9*	*14.1*

E:MOSt Estimates; Quarterly results do not add up with full year results as it provides addl. depreciation and deferred tax at the end of year

Jinesh K Gandhi (Jinesh@MotilalOswal.com); Tel +91 22 39825416

UltraTech Cement

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	UTCEM IN
	REUTERS CODE
S&P CNX: 3,926	ULTC.BO

Equity Shares (m)	124.5
52-Week Range	1,165/510
1,6,12 Rel. Perf. (%)	1/-10/-28
M.Cap. (Rs b)	66.5
M.Cap. (US$ b)	1.5

3 July 2008

Buy

Previous Recommendation: Buy

Rs534

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	49,108	7,823	62.8	240.5	8.5	3.8	55.8	43.0	1.6	5.4
03/08A	55,092	10,076	80.9	28.8	6.6	2.5	45.2	40.6	1.5	4.7
03/09E	65,661	10,368	83.3	2.9	6.4	1.8	32.6	35.4	1.1	3.9
03/10E	70,448	10,681	85.8	3.0	6.2	1.4	25.7	32.1	1.0	3.5

- Net sales are expected to grow by 7% YoY to Rs14.6b, driven by 7% YoY (~1% QoQ) higher realizations to Rs3,161/ ton and strong growth in RMC business (~130% YoY). However, we expect a 3.6% decline in volumes to 4.31MT, impacted by ban on exports for part of the quarter.
- Realizations improvement is primarily on account of improvement of product and market mix. Ban on exports and lack of sufficient grinding capacity would lead to a decline in clinker sales by 60%. However, domestic dispatches are expected to grow by 5%.
- Higher realizations would dilute impact of cost push (in form of energy and freight cost), thereby resulting in 190bp decline in EBITDA margin at 29.9% and flat EBITDA at Rs4.36b. Higher depreciation and interest cost (on account of new capacity) would result in 11% decline in PAT to Rs2.3b.
- We are revising our earnings estimate downwards for FY09 by 2.6% to Rs86.1 and for FY10 by 3.3% to Rs86.7, due to higher energy and freight cost. At 6.4x FY09E EPS and 3.9x FY09E EV/EBITDA, valuations do not fully reflect improving operating performance and organic growth visibility at a low cost of expansion. Maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q*	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales (m ton)	4.47	3.62	4.37	4.82	4.31	3.90	5.30	5.90	17.28	19.41
YoY Change (%)	*0.4*	*0.4*	*-2.7*	*-4.6*	*-3.6*	*7.9*	*21.3*	*22.4*	*-2.3*	*12.4*
Realization (Rs/ton)	2,958	3,066	2,991	3,130	3,161	3,161	3,161	3,161	3,037	3,161
YoY Change (%)	*11.9*	*10.8*	*7.7*	*9.2*	*6.9*	*3.1*	*5.7*	*1.0*	*10.3*	*4.1*
QoQ Change (%)	*3.2*	*3.7*	*-2.4*	*4.6*	*1.0*	*0.0*	*0.0*	*0.0*		
Net Sales	**13,653**	**11,664**	**13,821**	**16,017**	**14,609**	**13,372**	**17,860**	**19,820**	**55,092**	**65,661**
YoY Change (%)	*15.7*	*16.1*	*9.7*	*9.3*	*7.0*	*14.6*	*29.2*	*23.7*	*12.2*	*19.2*
Total Expenditure	9,317	8,439	9,137	11,132	10,244	9,579	12,469	13,857	37,892	46,148
EBITDA	**4,335**	**3,226**	**4,685**	**4,885**	**4,365**	**3,794**	**5,392**	**5,962**	**17,201**	**19,513**
Margins (%)	*31.8*	*27.7*	*33.9*	*30.5*	*29.9*	*28.4*	*30.2*	*30.1*	*31.2*	*29.7*
Depreciation	559	581	583	650	830	870	920	929	2,372	3,549
Interest	202	188	174	193	280	310	330	340	757	1,260
Other Income	269	258	201	270	200	215	220	230	999	865
PBT after EO Expense	**3,844**	**2,716**	**4,129**	**4,312**	**3,455**	**2,829**	**4,362**	**4,923**	**15,070**	**15,568**
Tax	1,250	927	1,334	1,483	1,154	945	1,457	1,644	4,994	5,200
Rate (%)	*32.5*	*34.1*	*32.3*	*34.4*	*33.4*	*33.4*	*33.4*	*33.4*	*33.1*	*33.4*
Reported PAT	**2,594**	**1,789**	**2,795**	**2,829**	**2,301**	**1,884**	**2,905**	**3,279**	**10,076**	**10,368**
Adj PAT	**2,594**	**1,789**	**2,795**	**2,829**	**2,301**	**1,884**	**2,905**	**3,279**	**10,076**	**10,368**
YoY Change (%)	*23.0*	*40.3*	*31.5*	*22.2*	*-11.3*	*5.3*	*3.9*	*15.9*	*28.8*	*2.9*

E: MOSt Estimates; Quarterly results do not add up to full year results due to recasting

Jinesh K Gandhi (Jinesh@MotilalOswal.com); Tel +91 22 39825416

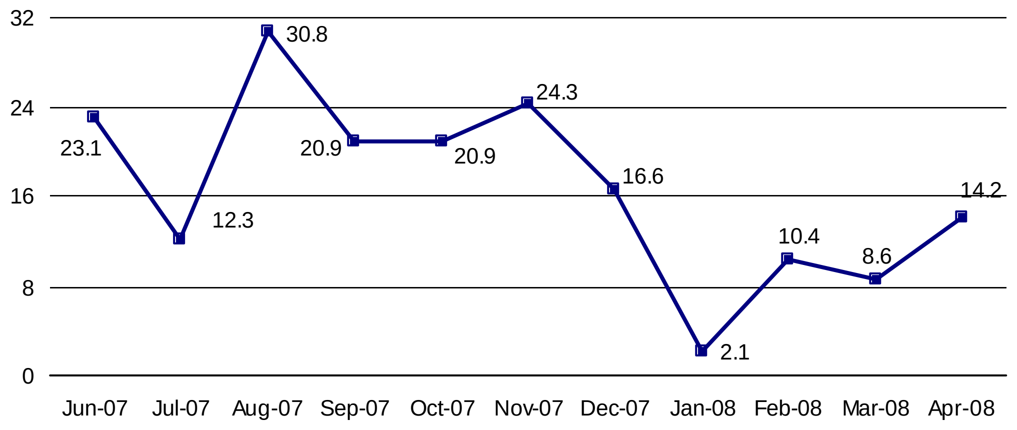
Engineering

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

Improving capital goods index; IIP growth remains moderate

IIP Index for April 2008 grew modestly by 7%, while growth in the capital goods index stood at 14.2% YoY. Cumulative growth for the period April 2007-March 2008 stands at 8.3% YoY for IIP, over the corresponding period of the pervious year. After posting strained performance during November 2007-January 2008, the capital goods index has witnessed improvement from 2.1% YoY growth in January 2008 to 14.2% in April 2008. This augurs well for the capital goods space when the EBITDA margins are likely to be under pressure.

CAPITAL GOODS INDEX (% CHG YOY)



Source: CMIE

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Engineering							
ABB	Neutral	17,371	24.0	2,102	28.3	1,415	31.1
Alstom Projects	Neutral	3,321	37.6	319	29.7	226	28.9
Bharat Electronics	Buy	4,842	19.7	387	-	515	95.8
BHEL	Neutral	38,850	20.1	3,115	0.2	2,828	20.0
Crompton Greaves	Neutral	10,726	19.7	1,148	9.9	706	10.7
Cummins India	Buy	6,779	25.0	915	23.7	715	11.7
Larsen & Toubro	Neutral	59,829	32.8	6,600	39.3	3,814	30.4
Siemens	Neutral	21,823	21.9	996	9.5	768	19.7
Suzlon Energy	Neutral	21,196	9.0	1,223	-12.5	-116	-
Thermax	UR	8,483	28.9	889	30.7	634	37.1
Sector Aggregate		**193,220**	**23.7**	**17,696**	**22.4**	**11,504**	**22.8**

UR = Under Review

Satyam Agarwal (Agarwals@MotilalOswal.com)Tel: +91 22 3982 5410/ Shridatta Bhandwaldar (Shridatta.Bhandwaldar@MotilalOswal.com)

Order book remains healthy

Order books for most capital goods companies have remained healthy, driven by increasing investments in the manufacturing sector, thrust on accelerated infrastructure development and continued investments in power generation, transmission and distribution. Order book for most of the companies like ABB, BHEL, L&T and Suzlon witnessed strong YoY growth rate as of March 2008. Order intake continued to remain strong on account of significant project awards from power utilities, SEBs and industrial capex, particularly in oil and gas, cement, metals etc. Except Crompton and Siemens, all the other players witnessed strong order book growth over March 2007-March 2008.

ORDER BACKLOG (RS B AND % YOY)

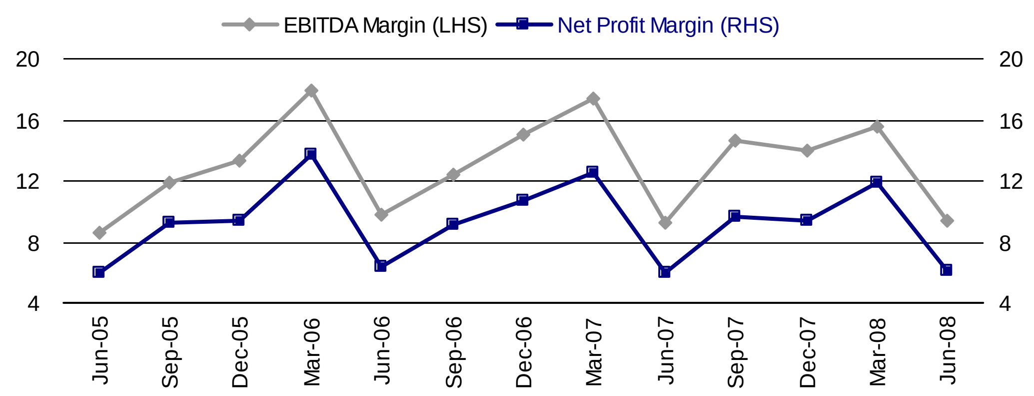
	MAR-08	MAR-07	GROWTH (%)	FY08 SALES	BOOK TO BILL (X)
ABB	62	43	45.1	59.3	1.0
BHEL	852	550	54.9	215.0	4.0
Crompton Greaves	51	48	6.3	71.8	0.7
L&T	527	369	42.8	255.6	2.1
Siemens	96	109	-11.9	77.3	1.2
Suzlon	183	95	92.6	136.8	1.3

Source: Company

EBITDA margins to witness pressure

Since FY04, EBITDA margins for the capital goods companies have witnessed improvement on the back of favorable demand-supply scenario, long-term supply contracts for raw materials, implementation of risk mitigation strategies, flexibly priced work contracts and cost-cutting programs. But the scenario is likely to change with sharp rise in the commodity, particularly steel prices during September 2007-April 2008. The steel prices in the international market have gone up by 71% YoY for HRC and CRC during May 2007-May 2008 (CIS export prices).

TREND IN EBITDA AND PAT MARGINS (%)

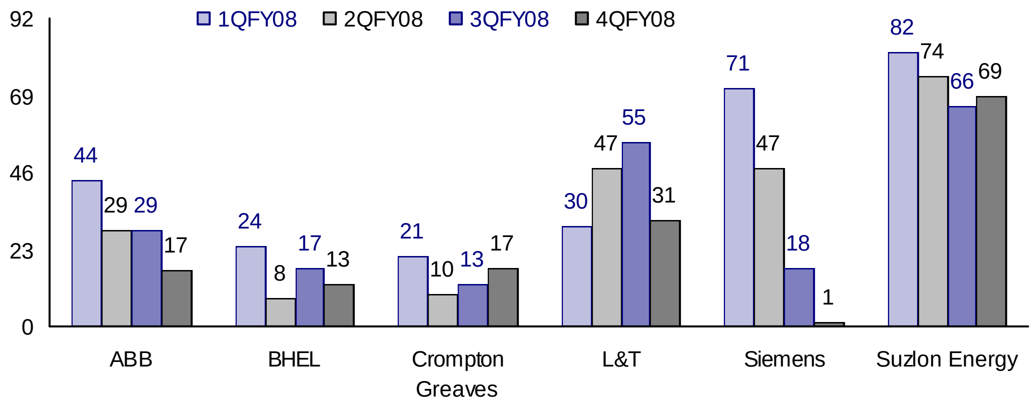


Source: Motilal Oswal Securities

Factors to watch for during 1QFY09

Delays in the project execution: While the order intake and order book position of the Indian capital goods companies continues to be healthy, execution is emerging as a key challenge. We believe the key constraints are: (1) availability of skilled manpower; (2) lack of reliable vendor base in terms of availability of critical components and poor quality of subcontractor base in India; (3) bureaucracy, which includes issues like delays in land acquisition, rehabilitation, environmental/forest clearances etc. and (4) poor infrastructure impacting efficiency of the entire system. Also, given the recent sharp increases in commodity prices, several companies have indicated that the process of re-negotiation with the customers has begun, which has also impacted project progress.

SLOWING REVENUE GROWTH, %YOY



Source: Company/Motilal Oswal Securities

For capital goods companies, we notice that execution constraints are more visible in projects business, rather than products. Also, companies across the chain (power generation, transmission and distribution) are witnessing a slowdown in terms of revenue growth.

EXECUTION CONSTRAINTS

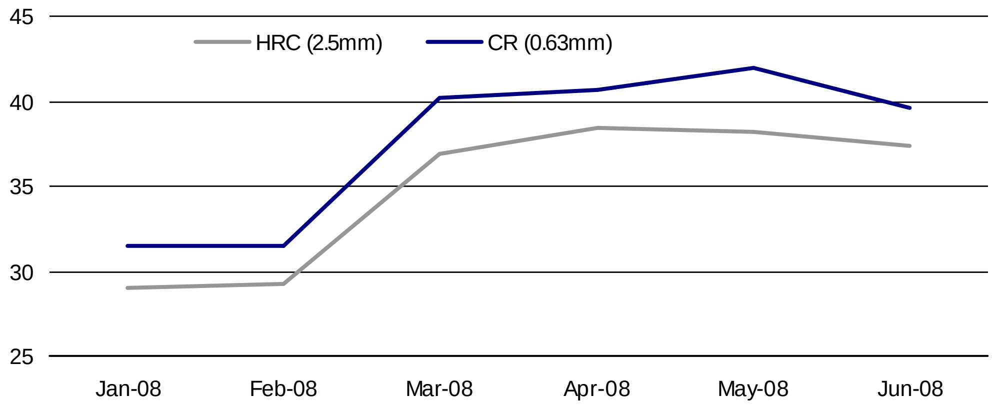
COMPANY	KEY FACTORS
ABB	Contribution from project division has increased to 55%+in CY07 from 54.3% in CY06 and 49.8% in CY05
BHEL	Bottlenecks in supply chain, especially forging /casting components and delays in BOP (largely due to lack of vendor base); client delays in terms of land acquisition, government clearances etc; availability of experienced manpower particularly at the sub-contractor level.
Crompton Greaves	Disruption in transformer factory during 2QFY08 due to fire, unpreparedness from the client side to take the deliveries during 3QFY08
Siemens	Large projects like Qatar(Rs36b), Sugen(Rs9b) and Mumbai Railways(Rs9b) form a large part of the order book of Rs96b. These projects have been facing execution delays due to poor subcontractor quality and delays by the clients
Suzlon	Supply chain problems, quality control issues(cracks in rotor blades in US), issues in terms of land acquisition and power cable thefts in Maharashtra, India

Source: Company/Motilal Oswal Securities

HRC and CRC prices in the international market have increased by ~60% during 1HCY08.

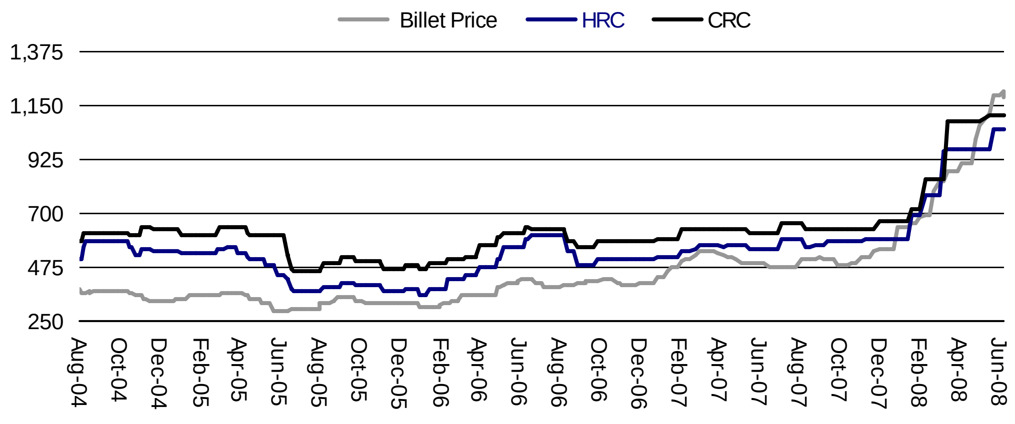
Input cost pressures: Rising commodity prices would be the single largest risk on the earnings of the capital goods companies during FY09. The extent of impact would be a function of five factors: (1) steel as a % of raw material cost, since it has witnessed an exponential price increase, (2) fixed price contracts in the order backlog, (3) procurement strategy (in terms of long term contracts with suppliers), (4) execution cycle (long/short), and (5) pricing power.

STEEL PRICES, DOMESTIC PRICES, MUMBAI (RS'000/TON)



Source: JPC/Mumbai Prices

STEEL PRICES - CIS EXPORT, BLACK SEA (US$/TON)



Source: Bloomberg

FIXED PRICE CONTRACTS, % ORDER BOOK

COMPANY	RM/SALES %	FIXED PRICE CONTRACTS/ ORDER BOOK %
ABB	74.0	NA
BHEL	47.6	~50
Crompton	70.0	NA
L&T	43.3	~65
Siemens	80.7	~50
Suzlon	58.0	~68

Source: Company/Motilal Oswal Securities

LIKELY IMPACT OF STEEL PRICE INCREASE

	STEEL (% RM)	LIKELY IMPACT
ABB	~15%	Limited impact from commodity price impact in product business given access to global supply chain and procurement network
BHEL	~70%	Cost escalations are available on most of the central utilities contracts, but large part of SEB and industry contracts are on fixed price basis. Direct steel procurements are 23% of raw material cost, and components import stands at 49%. BHEL enters into annual contracts for direct steel procurement. Component imports are on fixed price basis, thus insulating against commodity price increases.
Crompton	~25%	Ferrous and non ferrous materials contribute 25% each to total raw materials. The company enters into quarterly procurement contracts and thus increased commodity prices should impact from 2QFY08 onwards.
Suzlon	25-30%	Large part of the order book is on fixed price basis and thus exposes the company to steel price variations.
Siemens	NA	Likely to get impacted in project business. Booked losses of Rs2.3b on Sugen Power project and Mumbai Rail transport order during Mar 08 quarter. Management has indicated that Qatar project (Rs36b) is profitable, as the company has subcontracted large part on back-to-back basis.
L&T	~15%+	Incurred loss of Rs2b in commodity hedging during FY08. Fixed price contracts account for 65% of the order book. The management has indicated that it will maintain the margins despite input cost pressures.

Source: Company/Motilal Oswal Securities

We remain Neutral on the sector

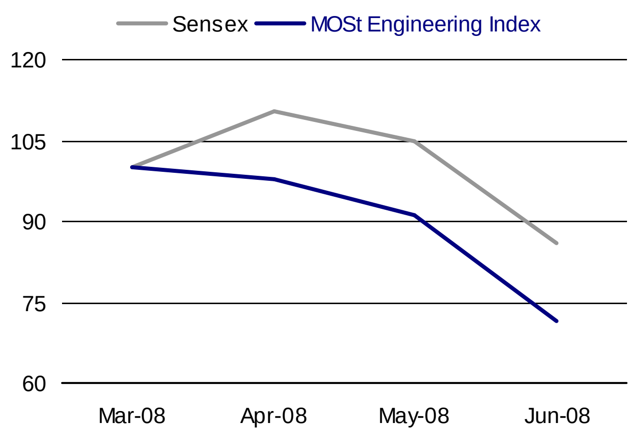
We remain Neutral on the capital goods sector. Earnings visibility is high for most of these companies, based on the current order-book-to-bill-ratio but the companies have to put in place robust risk mitigation techniques for managing the commodity prices and currency risks. Also, the key focus is now efficient execution and timely delivery. We expect EBITDA margin pressure to persist during 1HFY09, driven by increased commodity prices.

Stock performance and valuations

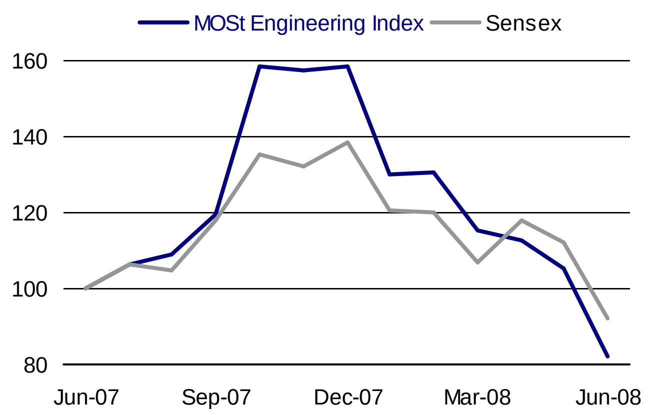
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Engineering						
ABB	-31	-30	-14	-19	-6	-10
Alstom Projects	-48	-60	-31	-48	-23	-39
Bharat Electron	-12	-48	6	-36	13	-27
BHEL	-20	-10	-3	2	5	11
Crompton Greaves	-14	-15	3	-4	11	5
Cummins India	-27	-34	-10	-23	-2	-14
Larsen & Toubro	-22	-1	-4	10	3	19
Siemens	-36	-45	-19	-34	-11	-25
Suzlon Energy	-34	-40	-17	-29	-9	-20
Thermax	-32	-28	-15	-16	-7	-7

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Engineering														
ABB	788	Neutral	23.2	31.2	41.3	34.0	25.3	19.0	21.9	16.0	11.5	34.7	34.4	33.7
Alstom Projects	321	Neutral	17.3	18.7	25.7	18.6	17.2	12.5	10.9	9.6	6.1	31.8	29.1	32.8
Bharat Electronics	999	Buy	95.9	110.2	138.5	10.4	9.1	7.2	5.7	4.3	2.7	27.5	26.2	26.5
BHEL	1,397	Neutral	56.6	73.5	95.6	24.7	19.0	14.6	16.7	11.7	8.7	28.0	28.9	29.9
Crompton Greaves	222	Neutral	10.6	12.6	16.6	21.0	17.6	13.3	16.9	15.3	12.0	38.6	32.8	32.9
Cummins India	228	Buy	16.4	20.4	25.5	13.9	11.2	8.9	9.6	7.5	5.7	28.8	29.5	30.2
Larsen & Toubro	2,234	Neutral	79.0	110.8	137.9	28.3	20.2	16.2	21.1	15.8	12.7	26.5	24.6	25.5
Siemens	384	Neutral	17.7	22.0	29.3	21.7	17.5	13.1	20.9	13.9	10.1	34.7	37.0	41.0
Suzlon Energy	179	Neutral	6.6	11.1	15.1	27.0	16.1	11.8	16.1	12.5	10.1	16.3	17.4	20.7
Thermax	374	UR	24.2	30.6	39.4	15.4	12.2	9.5	10.2	7.1	4.9	42.4	40.8	39.1
Sector Aggregate						**24.0**	**17.9**	**13.8**	**16.8**	**12.6**	**9.6**	**24.6**	**26.6**	**28.1**

UR = Under Review

ABB

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	ABB IN
	REUTERS CODE
S&P CNX: 3,926	ABB.BO

3 July 2008

Neutral

Previous Recommendation: Neutral Rs788

Equity Shares (m)	211.9
52-Week Range	1,670/711
1,6,12 Rel. Perf. (%)	-3/-12/-19
M.Cap. (Rs b)	167.0
M.Cap. (US$ b)	3.9

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	42,740	3,403	16.1	55.6	49.1	14.0	32.4	49.2	3.8	33.7
12/07A	59,303	4,908	23.2	44.2	34.0	10.2	34.7	53.3	2.7	21.9
12/08E	78,214	6,604	31.2	34.5	25.3	7.5	34.4	53.1	2.0	16.0
12/09E	103,041	8,761	41.3	32.7	19.1	5.6	33.7	52.1	1.5	11.5

- For 2QCY08, we expect revenues to grow 24% YoY to Rs17.4b, EBITDA by 28.3% YoY to Rs2.1b and net profit by 31.1% YoY to Rs1.4b.
- During 2QCY08 the company bagged several projects including large orders of Rs3b from JSW Energy for its Ratnagiri power plant. This order is for a range of power solutions including, electrical balance of plant, 400KV gas insulated switchgear (GIS) substation and generator transformers for the 4*300MW thermal power plant.
- EBITDA margin improved 150bp YoY during 1QCY08 to 11.3% (v/s 9.8% in 1QCY07). Sharp rise in the steel and copper prices could impact the EBITDA margins during the 2QCY08. Order book remains strong, but increasing share of projects in revenues could increase execution cycle. Order book at the end of 1QCY08 stands at Rs61.8b (+45.1%YoY) and order intake at Rs26.9b (+34.7%YoY).
- With increase in the average projects size the trend is likely to tilt revenue mix towards project business (long gestation) from product business (smaller gestation, relatively higher margin segment). Contribution from project division has increased to 55.0%+ in CY07, from 54.3% in CY06 and 49.8% in CY05.
- ABB recently completed its capex plan of US$100m and plan to invest another US$100m during CY08-CY09. The capex would be mainly on power and industrial transformers, HV/MV/LV switchgears, line protection devices, 765KV transformers and instrumentation devices etc. It plans to increase transformer capacity to 22,500MVA from current levels of 15,000MVA. Also, the company plans to manufacture 765KV equipment in India.
- We believe ABB's rich valuations already discount its buoyant growth prospects. It trades at 25.3x CY08E and 19.1x CY09E earnings. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	**13,124**	**14,009**	**13,775**	**18,394**	**15,353**	**17,371**	**18,872**	**26,618**	**59,303**	**78,214**
Change (%)	*63.5*	*43.8*	*28.7*	*29.0*	*17.0*	*24.0*	*37.0*	*44.7*	*38.8*	*31.9*
EBITDA	**1,282**	**1,638**	**1,724**	**2,602**	**1,728**	**2,102**	**2,397**	**3,572**	**7,246**	**9,798**
Change (%)	*84.6*	*60.6*	*55.9*	*33.7*	*34.8*	*28.3*	*39.0*	*37.3*	*52.0*	*35.2*
As % of Sales	*9.8*	*11.7*	*12.5*	*14.1*	*11.3*	*12.1*	*12.7*	*13.4*	*12.2*	*12.5*
Depreciation	86	77	79	82	83	100	105	131	324	419
Interest	10	23	16	20	28	17	15	20	68	80
Other Income	152	147	158	254	185	200	250	265	710	900
PBT	**1,337**	**1,686**	**1,787**	**2,755**	**1,801**	**2,185**	**2,527**	**3,686**	**7,565**	**10,199**
Tax	471	600	630	947	624	770	891	1,299	2,648	3,595
Effective Tax Rate (%)	*35.2*	*35.6*	*35.3*	*34.4*	*34.6*	*35.3*	*35.3*	*35.3*	*35.0*	*35.3*
Repoted PAT	**866**	**1,086**	**1,157**	**1,808**	**1,177**	**1,415**	**1,636**	**2,376**	**4,917**	**6,604**
Adj. PAT	**866**	**1,079**	**1,170**	**1,808**	**1,177**	**1,415**	**1,636**	**2,376**	**4,917**	**6,604**
Change (%)	*50.0*	*42.5*	*34.0*	*44.5*	*35.9*	*31.1*	*39.8*	*31.4*	*44.5*	*34.3*

E: MOSt Estimates

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Alstom Projects

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	ABBAP IN
	REUTERS CODE
S&P CNX: 3,926	ABBP.BO

Equity Shares (m)	67.0
52-Week Range	1,109/310
1,6,12 Rel.Perf. (%)	-19/-34/-48
M.Cap. (Rs b)	21.5
M.Cap. (US$ b)	0.5

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs321

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	12,215	1,093	16.3	132.2	19.7	6.5	34.4	44.5	1.5	15.4
3/08A	15,992	1,159	17.3	6.1	18.6	5.4	31.8	48.8	1.1	10.9
3/09E	19,652	1,254	18.7	8.2	17.2	4.6	29.1	44.8	0.9	9.6
3/10E	23,980	1,723	25.7	37.4	12.5	3.7	32.8	50.9	0.7	6.2

Consolidated Numbers

- For 1QFY09, we expect revenue to grow 37.6% YoY to Rs3.3b, EBITDA to grow 29.7% YoY to Rs319m and net profit to grow 28.9% YoY to Rs226m.
- During 4QFY08, the quarterly performance of Alstom Projects was impacted due to additional cost provisions of Rs642m on two specific projects. This we believe would be mainly due to sharp increase in raw material prices and inferior quality of subcontractors. We expect margin pressure to continue during 1QFY09 with EBITDA margin decline of 60bp YoY to 9.6%.
- The transport division is also poised for buoyant order intake with the Railways increasing focus on safety measures and also due to plans by various urban infrastructure bodies to set up metros in key cities.
- At CMP of Rs321, the stock trades at a P/E of 17.2x FY09E and 12.5x FY10E. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**2,413**	**3,981**	**3,968**	**5,109**	**3,321**	**4,829**	**4,885**	**6,618**	**15,471**	**19,652**
Change (%)	*7.9*	*48.7*	*33.3*	*18.6*	*37.6*	*21.3*	*23.1*	*29.5*	*26.7*	*27.0*
EBITDA	**246**	**323**	**414**	**-9**	**319**	**357**	**510**	**621**	**974**	**1,806**
Change (%)	*173.3*	*0.3*	*71.1*	*-101.7*	*29.7*	*10.4*	*23.1*	*-*	*-19.4*	*85.4*
As of % Sales	*10.2*	*8.1*	*10.4*	*-0.2*	*9.6*	*7.4*	*10.4*	*9.4*	*6.3*	*9.2*
Depreciation	55	54	60	68	67	70	71	67	237	275
Interest	0	1	0	0	0	0	1	1	1	2
Other Income	87	107	109	95	95	95	100	110	398	400
Extra-ordinary income	0	0	0	54	0	0	0	0	54	0
PBT	**278**	**375**	**463**	**72**	**347**	**382**	**538**	**662**	**1,188**	**1,929**
Tax	103	133	162	57	122	134	188	232	455	675
Effective Tax Rate (%)	*37.1*	*35.5*	*35.0*	*79.2*	*35.0*	*35.0*	*35.0*	*35.0*	*38.3*	*35.0*
Reported PAT	**175**	**242**	**301**	**15**	**226**	**248**	**349**	**431**	**733**	**1,254**
Adj PAT	**175**	**242**	**301**	**-39**	**226**	**248**	**349**	**431**	**904**	**1,254**
Change (%)	*50.9*	*-22.7*	*-0.7*	*-110.6*	*28.9*	*2.5*	*16.1*	*-*	*-19.2*	*38.7*

E: MOSt Estimates

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Bharat Electronics

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BHE IN
	REUTERS CODE
S&P CNX: 3,926	BAJE.BO

Equity Shares (m)	80.0
52-Week Range	2,180/950
1,6,12 Rel. Perf. (%)	4/-16/-36
M.Cap. (Rs b)	79.9
M.Cap. (US$ b)	1.8

3 July 2008

Buy

Previous Recommendation: Buy

Rs999

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	39,002	7,182	89.8	23.2	11.1	3.1	32.9	32.9	1.5	5.4
3/08A	40,693	7,438	93.0	6.8	10.4	2.5	27.5	27.5	1.4	5.7
3/09E	48,418	8,820	110.2	15.0	9.1	2.1	26.2	26.2	1.0	4.3
3/10E	59,476	11,082	138.5	25.6	7.2	1.7	26.5	26.5	1.0	4.3

- For 1QFY09, we expect Bharat Electronics to report revenue of Rs4.8b, up 19.7% YoY, EBITDA of Rs387m, and net profit of Rs515m, up 95.8% YoY.
- Management has guided for revenue of Rs100b in FY12, which is higher than earlier (April 2007) guidance of US$2b by FY12. It implies an impressive CAGR of 24.9% over FY08 gross revenues of Rs41.1b. Order book position at the end of FY08 stands at Rs94.5b, up from Rs91.3b in FY07, to be executable over a period of 2-3 years. The order book is close to 2.3x its FY08 revenue of Rs40.7b.
- BEL has signed MoUs with (1) Lockheed Martin to explore business opportunities for co-production of domestic aerospace and defense electronics needs; (2) Elbit Systems Electro Optics ELOP Ltd., Israel, for setting up a JV for development, production and marketing of Thermal Imaging Cameras and Forward Looking Infra Red (FLIRs) for the Indian and global markets; and (3) Northrop Grumman Corp. to explore business opportunities for co-production in current and future aerospace and defense needs of India and international markets of Northrop Grummans.
- Though these are currently enabling MoUs, we believe the company would be able to leverage its competitive positioning with the JV partners over a longer period due to the offset clause.
- We expect the company to post earnings CAGR of 22.1% from FY08-10E. At CMP of Rs999, the stock trades at a P/E of 9.1x FY09E and 7.2x FY10E. **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**4,044**	**7,089**	**6,622**	**22,937**	**4,842**	**8,231**	**8,231**	**27,114**	**40,693**	**48,418**
Change (%)	*-16.3*	*-15.0*	*-23.3*	*32.3*	*19.7*	*16.1*	*24.3*	*18.2*	*4.5*	*19.0*
EBITDA	**-46**	**1,534**	**1,269**	**6,986**	**387**	**1,465**	**1,564**	**8,046**	**9,742**	**11,462**
Change (%)	*-106.4*	*-17.8*	*-35.8*	*44.1*	*-*	*-4.5*	*23.3*	*15.2*	*3.5*	*17.7*
As of % Sales	*-1.1*	*21.6*	*19.2*	*30.5*	*8.0*	*17.8*	*19.0*	*29.7*	*23.9*	*23.7*
Depreciation	211	221	234	269	256	258	258	250	935	1,023
Interest	1	0	0	1	1	1	0	0	3	2
Other Income	656	497	647	522	650	558	704	620	2,303	2,532
Exceptional Items (Reported)	0	0	0	212	0	0	0	0	232	0
PBT	**398**	**1,809**	**1,681**	**7,450**	**780**	**1,764**	**2,009**	**8,417**	**11,338**	**12,970**
Tax	135	581	552	2,402	265	600	683	2,602	3,669	4,151
Effective Tax Rate (%)	*33.9*	*32.1*	*32.8*	*32.2*	*34.0*	*34.0*	*34.0*	*30.9*	*32.4*	*32.0*
Reported PAT	**263**	**1,228**	**1,130**	**5,048**	**515**	**1,164**	**1,326**	**5,815**	**7,670**	**8,820**
Change (%)	*-56.4*	*-17.2*	*-23.8*	*41.3*	*95.8*	*-5.2*	*17.4*	*15.2*	*7.4*	*15.0*
Adj PAT	**263**	**1,228**	**1,130**	**4,836**	**515**	**1,164**	**1,326**	**5,815**	**7,438**	**8,820**

E: MOSt Estimates

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BHEL

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BHEL IN
	REUTERS CODE
S&P CNX: 3,926	BHEL.BO

Equity Shares (m)	489.5
52-Week Range	2,925/1,325
1,6,12 Rel. Perf. (%)	8/-9/2
M.Cap. (Rs b)	683.9
M.Cap. (US$ b)	15.8

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs1,397

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	176,427	24,144	49.3	44.0	28.3	7.8	30.0	50.0	3.6	17.4
03/08A	198,042	27,705	56.6	14.7	24.7	6.2	28.0	48.1	3.3	16.7
03/09E	251,483	35,959	73.5	29.8	19.0	4.9	28.9	46.7	2.5	11.8
03/10E	316,575	46,822	95.6	30.2	14.6	3.9	29.9	47.8	1.9	8.7

- For 1QFY09, we expect revenue to grow 18.3% YoY to Rs42.2b, EBITDA to grow 8% YoY to Rs3.1b and net profit to grow by 20% YoY to Rs2.8b.
- The order book for the company stood at Rs852b as of March 2008, up 54.8% YoY while the order intake for FY08 was Rs516b. The current order backlog represents a book-to-bill ratio of 4x on its FY08 revenues of Rs214b.
- During 1QFY09, BHEL bagged orders worth more than Rs100b, including key order of 500MW at Korba West and two units of 500MW each at Marwa thermal power project worth Rs33.7b (3*500MW), Gas Turbine based Combined Cycle Power Plant of 1,371MW for Pragati III worth Rs35.9b, 153MW captive power plant for Bhatinda refinery worth Rs11.5b and Bokaro TPS of 500MW worth Rs18.4b for Damodar Valley Corporation(DVC)
- BHEL acquired Bharat Heavy Plate and Vessels (BHPV). Acquisition of BHPV, which will start manufacturing of 500tons/month of pressure parts from June 2008, increases BHEL's overall execution capacity by ~5% during FY09.
- Majority of orders (~72GW) for the XIth Plan has already been placed, while the remaining (~6GW) are expected to be placed during next two-three quarters. Going forward, we expect stagnation in expected order intake for BHEL, as order intake in FY09 is contingent on XIIth Plan projects taking off.
- BHEL has guided for gross revenues of Rs270b and order intake of ~Rs400b for FY09. At the CMP of Rs1,397, the stock trades at a P/E of 19x FY09E and 14.6x FY10E. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**35,696**	**39,654**	**55,289**	**84,339**	**42,228**	**49,289**	**66,789**	**109,649**	**214,977**	**267,955**
Change (%)	*23.6*	*8.2*	*17.4*	*11.3*	*18.3*	*24.3*	*20.8*	*30.0*	*14.1*	*24.6*
Sales	**32,339**	**39,654**	**49,641**	**72,020**	**38,850**	**45,346**	**61,446**	**100,877**	**193,654**	**246,519**
Change (%)	*21.7*	*18.7*	*14.4*	*4.1*	*20.1*	*14.4*	*23.8*	*40.1*	*12.3*	*27.3*
EBITDA	**3,107**	**6,952**	**9,976**	**13,633**	**3,115**	**7,360**	**13,012**	**23,784**	**33,667**	**47,271**
Change (%)	*-2.4*	*52.3*	*7.4*	*-14.1*	*0.2*	*5.9*	*30.4*	*74.5*	*2.3*	*40.4*
As a % Sales	*9.6*	*17.5*	*20.1*	*18.9*	*8.0*	*16.2*	*21.2*	*23.6*	*17.4*	*19.2*
Depreciation	689	694	762	827	852	895	939	1,000	2,972	3,685
Interest	22	193	98	42	120	180	190	235	354	725
Other Income	2,063	5,009	2,649	4,242	2,208	3,005	2,834	4,415	13,962	12,462
PBT	**4,460**	**11,074**	**11,765**	**17,005**	**4,351**	**9,291**	**14,716**	**26,964**	**44,303**	**55,322**
Tax	1,570	4,197	4,046	5,897	1,523	3,252	5,151	9,437	15,711	19,363
Effective Tax Rate (%)	*35.2*	*37.9*	*34.4*	*34.7*	*35.0*	*35.0*	*35.0*	*35.0*	*35.5*	*35.0*
Reported PAT	**2,890**	**6,877**	**7,719**	**11,108**	**2,828**	**6,039**	**9,566**	**17,527**	**28,593**	**35,959**
Change (%)	*22.1*	*91.0*	*15.6*	*-3.5*	*-2.1*	*-12.2*	*23.9*	*57.8*	*18.4*	*25.8*
Adj. PAT	**2,357**	**5,027**	**7,186**	**13,230**	**2,828**	**6,039**	**9,566**	**17,527**	**27,705**	**35,959**
Change (%)	*-0.4*	*39.6*	*7.6*	*15.0*	*20.0*	*20.1*	*33.1*	*32.5*	*14.7*	*29.8*

E: MOSt Estimates

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Crompton Greaves

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	CRG IN
	REUTERS CODE
S&P CNX: 3,926	CROM.BO

Equity Shares (m)	366.6
52-Week Range	454/195
1,6,12 Rel. Perf. (%)	13/-9/-4
M.Cap. (Rs b)	81.4
M.Cap. (US$ b)	1.9

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs222

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	33,676	2,417	6.6	0.6	33.7	12.3	32.6	38.6	2.4	24.1
3/08A	38,759	3,879	10.6	60.4	21.0	9.2	38.6	47.1	2.1	16.9
3/09E	46,365	4,620	12.6	19.1	17.6	7.2	32.8	40.8	1.8	15.3
3/10E	55,385	6,100	16.6	32.0	13.3	5.7	32.9	43.0	1.4	12.0

** Consolidated; pre-exceptionals*

- For 1QFY09, we expect Crompton to report standalone revenue of Rs10.7b, up 19.7% YoY, EBITDA of Rs1.1b, up 9.9% YoY, and net profit of Rs706m, up 10.7% YoY. As of Mar 2008, order book of Crompton (standalone) stood at Rs21.3b, down 7.5% YoY, and the order book for Pauwels and Ganz put together stands at Rs29.9b, up 19.9%YoY.
- Management has guided for revenue growth 20-22% revenue growth during FY09. For FY09 power is expected to grow at 25%YoY, Industrial is expected to grow at 18%YoY and the consumer is expected to grow at 15%YoY. Export of the company and international business is expected to grow at ~20% for FY09. The company expects the standalone EBITDA margins to come under pressure with 100-150bp decline during FY09 due to increased raw material prices, particularly steel and copper. The tax rate will increase to full corporate tax level by FY10. Demand in the international business could see slowdown due to slowing housing markets in the US and Europe.
- During FY08, the international subsidiary, Pauwels improved its EBITDA margins to ~9%. We could see further improvement in the EBITDA margins during FY09 for international subsidiaries — Pauwels, Ganz and Microsal.
- We expect Crompton to report consolidated revenues of Rs86b in FY09 (up 19.9% YoY) and Rs102.2b in FY09 (up 18.9% YoY). At CMP of Rs222, the stock trades at a P/E of 17.6x FY09E and 13.3x FY10E. **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**8,961**	**9,050**	**9,152**	**11,595**	**10,726**	**10,887**	**11,083**	**13,669**	**38,758**	**46,365**
Change (%)	*21.0*	*9.8*	*12.6*	*17.1*	*19.7*	*20.3*	*21.1*	*17.9*	*15.1*	*19.6*
EBITDA	**1,045**	**1,068**	**1,160**	**1,566**	**1,148**	**1,143**	**1,263**	**1,760**	**4,838**	**5,315**
Change (%)	*44.8*	*45.2*	*41.8*	*36.9*	*9.9*	*7.0*	*8.9*	*12.4*	*41.5*	*9.9*
As of % Sales (Adj)	*11.7*	*11.8*	*12.7*	*13.5*	*10.7*	*10.5*	*11.4*	*12.9*	*12.5*	*11.5*
Depreciation	105	113	115	74	112	116	121	156	407	506
Interest	66	60	72	74	55	52	54	58	271	219
Other Income	126	185	144	241	105	120	121	149	696	495
PBT	**1,000**	**1,080**	**1,117**	**1,659**	**1,086**	**1,095**	**1,209**	**1,695**	**4,856**	**5,085**
Tax	313	339	438	628	380	383	423	593	1,717	1,780
Effective Tax Rate (%)	*31.2*	*31.4*	*39.2*	*37.8*	*35.0*	*35.0*	*35.0*	*35.0*	*35.4*	*35.0*
Reported PAT	**688**	**742**	**679**	**1,031**	**706**	**712**	**786**	**1,102**	**3,139**	**3,305**
Adj PAT	**638**	**642**	**679**	**1,031**	**706**	**712**	**786**	**1,102**	**2,989**	**3,305**
Change (%)	*75.3*	*65.9*	*49.5*	*37.6*	*10.7*	*10.9*	*15.7*	*6.8*	*53.0*	*10.6*

E: MOSt Estimates

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Cummins India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	KKC IN
	REUTERS CODE
S&P CNX: 3,926	CUMM.BO

Equity Shares (m)	198.0
52-Week Range	463/225
1,6,12 Rel. Perf. (%)	-5/-8/-23
M.Cap. (Rs b)	46.0
M.Cap. (US$ b)	1.1

3 July 2008 **Buy**

Previous Recommendation: Buy Rs228

YEAR END	NET SALES* (RS M)	PAT * (RS M)	EPS* (RS)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	21,228	2,680	13.5	45.9			28.6	36.0		
03/08A	26,555	3,249	16.4	21.2	13.9	3.7	28.8	34.1	1.3	9.5
03/09E	32,605	4,035	20.4	24.2	11.2	3.0	29.5	36.3	1.1	7.4
03/10E	40,126	5,058	25.5	25.3	8.9	2.4	30.2	37.3	0.9	5.7

** Consolidated nos*

- Cummins is a zero debt company. It deploys its cashflow in two major areas: (1) dividend distribution (over 30% payout) and (2) capacity expansion.
- Recent and current capex programs include capacity expansion at Kothrud unit, new unit for low hp gensets at Pirangut and acquisition of 150 acres of land at Phaltan near Pune to set up a "Cummins Campus". This campus will house all Cummins group units including Cummins India, which will charge lease rental from other companies (not factored in our estimates).
- In FY09, Cummins will be merging its erstwhile 100% subsidiary Cummins Sales and Service w.e.f. 1 April 2008. Our numbers assume that quarterly results reporting will commence 2Q onward, with retrospective effect.
- The stock trades at a P/E of 13.9x FY08, 11.2x FY09E and 8.9x FY10E. Maintain **Buy** with a target of Rs383 (15x FY10E).

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**5,423**	**5,282**	**5,902**	**6,700**	**6,779**	**8,187**	**8,257**	**9,382**	**23,308**	**32,605**
Change (%)	*38.5*	*13.0*	*23.7*	*32.7*	*25.0*	*55.0*	*39.9*	*39.9*	*26.6*	*39.9*
Total Expenses	4,684	4,556	5,035	5,964	5,864	6,918	7,049	8,006	20,239	27,838
Reported EBITDA	**740**	**726**	**867**	**736**	**915**	**1,269**	**1,207**	**1,376**	**3,069**	**4,767**
Margin (%)	*13.6*	*13.7*	*14.7*	*11.0*	*13.5*	*15.5*	*14.6*	*14.7*	*13.2*	*14.6*
Operating Other Income *	108	106	118	127	136	164	165	188	466	652
EBITDA	**848**	**831**	**985**	**863**	**1,051**	**1,433**	**1,372**	**1,563**	**3,535**	**5,419**
Change (%)	*21.6*	*-5.5*	*21.1*	*-6.6*	*23.9*	*72.3*	*39.3*	*81.1*	*5.8*	*53.3*
EBITDA Margin (%)	*15.6*	*15.7*	*16.7*	*12.9*	*15.5*	*17.5*	*16.6*	*16.7*	*15.2*	*16.6*
Depreciation	76	77	86	90	95	110	120	124	330	449
Interest	2	1	0	4	0	0	0	0	7	0
Financial Income *	123	157	151	337	90	100	120	165	761	475
PBT	**894**	**911**	**1,049**	**1,106**	**1,046**	**1,423**	**1,372**	**1,604**	**3,960**	**5,445**
Tax	253	246	303	350	330	450	434	507	1,153	1,720
Tax/PBT (%)	*28.3*	*27.0*	*28.9*	*31.7*	*31.6*	*31.6*	*31.6*	*31.6*	*29.1*	*31.6*
Standalone PAT	**640**	**665**	**746**	**756**	**715**	**973**	**939**	**1,097**	**2,807**	**3,724**
Share of Associates									259	311
Consolidated PAT									**3,066**	**4,035**
Change (%)									*16.8*	*31.6*

E: MOSt Estimates; Classification of Other income into Operating and Financial for the quarters are estimates

*** Growth numbers not strictly comparable due to merger of Cummins Sales and Services w.e.f. 1 April 2008*

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Larsen & Toubro

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	LT IN
	REUTERS CODE
S&P CNX: 3,926	LART.BO

Equity Shares (m)	291.9
52-Week Range	4,670/2,100
1,6,12 Rel. Perf. (%)	-4/-9/10
M.Cap. (Rs b)	652.0
M.Cap. (US$ b)	15.1

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs2,234

YEAR END	NET SALES (RS M)	PAT * (RS M)	EPS* (RS)	EPS GR. (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	176,846	18,310	62.7	72.4	35.6	11.0	26.1	28.2	3.6	35.2
3/08A	252,255	23,048	79.0	22.2	28.3	6.6	26.5	29.2	2.6	21.1
3/09E	329,346	32,344	110.8	40.3	20.2	5.6	24.6	28.1	2.1	15.8
3/10E	412,590	40,242	137.9	24.4	16.2	4.7	25.5	28.8	1.7	12.7

** Consolidated; EPS is fully diluted*

- For 1QFY09, we expect revenue of Rs59.8b, up 32.8% YoY, EBITDA of Rs6.6b, up 39.3% YoY, and net profit of Rs3.8b, up 30.4% YoY.
- L&T's order backlog as at end of March 2007 stood at Rs526.8b, up 42.8% YoY against Rs368.8b in March 2007. The order book-to-bill ratio for the company for FY08 stands at 2.1x almost the same as that in FY07.
- Management has indicated robust outlook of 30-35% of order intake and revenue growth during FY09. Despite the input price pressures due to the increased commodity prices, management has given stable EBITDA margin guidance. L&T intends to do a capex of US$800m over next two years.
- During 1QFY09, L&T exited its ready mix concrete (RMC) business and HPL cogeneration power project. L&T sold its RMC business to Lafarge India for Rs14.8b. L&T decided to exit this business due to difficulty in operating this small business and lower control over the raw material, cement.
- Order book continued to remain healthy for L&T. It bagged several large orders including Rs35b integrated commercial projects at Seawoods (Mumbai), Rs20b real estate construction contract from Bombay Dyeing, a Rs6.4b substation from Abu Dhabi Water and Electricity Authority, Rs3.4b transmission line order from GIPCL and Rs15.6b order for first (2x 800MW) super critical steam turbine generator.
- At CMP of Rs2,234, the stock trades at a P/E of 20.2x FY09E and 16.2x FY10E. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**45,052**	**54,999**	**63,827**	**84,669**	**59,829**	**70,764**	**83,885**	**110,783**	**248,547**	**325,260**
Change (%)	*29.9*	*47.2*	*55.0*	*35.5*	*32.8*	*28.7*	*31.4*	*30.8*	*41.4*	*30.9*
EBITDA	**4,738**	**6,526**	**7,551**	**13,071**	**6,600**	**8,513**	**10,779**	**17,522**	**31,854**	**43,415**
Change (%)	*75.6*	*113.1*	*45.6*	*34.5*	*39.3*	*30.4*	*42.7*	*34.0*	*61.2*	*39.7*
As of % Sales	*10.2*	*11.6*	*11.7*	*14.9*	*10.8*	*11.8*	*12.7*	*15.4*	*12.5*	*13.0*
Depreciation	424	483	527	682	702	723	745	829	2,116	2,999
Interest	157	132	438	499	505	515	525	537	1,227	2,082
Other Income	1,608	-430	360	632	385	350	396	609	2,170	1,675
Reported PBT	**5,764**	**5,481**	**6,946**	**12,523**	**5,778**	**7,625**	**9,905**	**16,766**	**30,682**	**40,009**
Tax	1,995	2,001	2,128	3,696	1,965	2,592	3,368	5,700	9,821	13,625
Effective Tax Rate (%)	*34.6*	*36.5*	*30.6*	*29.5*	*34.0*	*34.0*	*34.0*	*34.0*	*32.0*	*34.1*
Reported Profit	**3,769**	**3,480**	**4,817**	**8,827**	**3,814**	**5,032**	**6,537**	**11,066**	**21,734**	**26,449**
Adjusted PAT	**2,924**	**3,836**	**5,148**	**9,132**	**3,814**	**5,032**	**6,537**	**11,066**	**21,040**	**26,449**
Change (%)	*59.0*	*109.5*	*49.7*	*30.3*	*30.4*	*31.2*	*27.0*	*21.2*	*52.0*	*25.7*

E: MOSt; All quarterly numbers are for standalone entity

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Siemens

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SIEM IN
	REUTERS CODE
S&P CNX: 3,926	SIEM.BO

Equity Shares (m)	337.2
52-Week Range	1,125/363
1,6,12 Rel. Perf. (%)	-11/-24/-34
M.Cap. (Rs b)	129.5
M.Cap. (US$ b)	3.0

3 July 2008

Neutral

Previous Recommendation: Neutral — Rs384

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
9/07A	77,660	5,369	15.9	35.1	24.1	4.1	40.1	69.1	0.8	8.1
9/08E	91,703	5,970	17.7	11.2	21.7	3.5	34.7	51.9	0.6	9.9
9/09E	114,925	7,411	22.0	24.1	17.5	3.0	37.0	55.9	0.5	6.5

**Consolidated*

- For 3QFY08, we expect Siemens to report revenue of Rs21.8b, up 21.9% YoY, EBIDTA of Rs1b (up 9.5% YoY), and net profit of Rs768m, up 19.7% YoY.
- During 2QFY08 Siemens made provisions of Rs2.3b on the Torrent Sugen power project / railways contracts. The Torrent order size for Siemens India for this project stood at Rs8.8b. Management indicated that 70% of the provisions pertain to poor subcontractor quality and execution, while 30% pertain to input cost increases. The management has indicated that Qatar orders (Rs38b received in November 2006) continue to be profitable, despite being on fixed price basis, as the company has subcontracted a significant part under a back to back arrangement.
- During FY07, the company spent Rs4.5b on new factory additions and upgradation of existing manufacturing facilities. Its new large transformer capacity at Kalwa became operational in FY07. Currently, total manufacturing capacity for transformers stands at 15,000 MVA per year.
- Siemens has set a target to double its revenues over the next three years, driven by growth in product and project business. The order book as of March 2008 stood at Rs95.7b (v/s Rs108.6b in March 2007), and order book-to-bill ratio now stands at 1x for FY08E revenues of Rs91.3b. The order book for Siemens is stagnant for last 4-6 quarters. FY07 order book includes the mega order of Rs38b from Qatar for substations.
- We expect Siemens to report standalone net profit of Rs6b during FY08 and Rs7.4b during FY09. At the CMP of Rs384/sh, the stock trades at a PER of 21.7x FY09E and 17.5x FY10E. We maintain **Neutral.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E SEPTEMBER	FY07				FY08				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Total Revenues	**16,331**	**21,352**	**17,902**	**22,055**	**19,195**	**21,546**	**21,823**	**29,139**	**77,660**	**91,703**
Change (%)	*89.9*	*88.4*	*71.1*	*47.1*	*17.5*	*0.9*	*21.9*	*32.1*	*71.1*	*18.1*
EBITDA	**1,234**	**1,677**	**910**	**3,575**	**1,548**	**152**	**996**	**3,226**	**7,415**	**5,922**
Change (%)	*56.1*	*38.2*	*14.8*	*187.3*	*25.4*	*-90.9*	*9.5*	*-9.8*	*85.2*	*-20.7*
As % of Revenues	*7.6*	*7.9*	*5.1*	*16.2*	*8.1*	*0.7*	*4.6*	*11.1*	*9.5*	*6.5*
Depreciation	103	109	121	160	151	149	150	141	492	591
Interest Income	126	105	123	90	131	54	125	141	443	450
Other Income	152	57	295	370	16	15	175	227	593	432
Extra-ordinary Items	0	0	259	524	1,246	0	0	0	783	1,246
PBT	**1,409**	**1,730**	**1,207**	**4,399**	**2,789**	**71**	**1,146**	**3,452**	**8,742**	**7,459**
Tax	426	650	389	1,313	819	55	378	1,197	2,777	2,448
Effective Tax Rate (%)	*30.2*	*37.5*	*32.2*	*29.8*	*29.4*	*76.6*	*33.0*	*34.7*	*31.8*	*32.8*
Reported PAT	**984**	**1,081**	**818**	**3,086**	**1,970**	**17**	**768**	**2,256**	**5,965**	**5,011**
Adjusted PAT	**984**	**1,081**	**642**	**1,960**	**1,090**	**17**	**768**	**2,329**	**4,671**	**4,204**
Change (%)	*78.4*	*-8.3*	*13.6*	*43.4*	*10.8*	*-98.5*	*19.7*	*18.8*	*27.6*	*-10.0*

E: MOSt Estimates; Nos are for standalone entity

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Suzlon Energy

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SUEL IN
	REUTERS CODE
S&P CNX: 3,926	SUZL.BO

Equity Shares (m)	1,550.9
52-Week Range	460/175
1,6,12 Rel. Perf. (%)	-13/-20/-29
M.Cap. (Rs b)	277.6
M.Cap. (US$ b)	6.4

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs179

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	79,857	8,641	6.0	19.6	36.0	7.5	27.6	21.0	4.3	26.3
3/08A	136,794	10,301	6.6	10.7	32.5	3.5	16.3	13.4	2.7	19.1
3/09E	201,355	17,206	11.1	67.0	19.5	3.1	17.4	13.0	2.1	14.5
3/10E	250,088	23,445	15.1	36.3	14.3	2.6	20.7	14.7	1.7	11.6

** Consolidated*

- For 1QFY09, we expect revenue of Rs21.2b, up 9% YoY, EBITDA of Rs1.2b, down 12.5% YoY, and adjusted net loss of Rs116m. We expect forex loss of Rs1.3b (included in interest cost) on the outstanding FCCB of Rs20b, since INR has depreciated by ~7% during the quarter.
- Order backlog as of March 2008 stood at Rs183b (3454MW, as against Rs183b in 4QFY07) comprising India 160MW, USA 1,910MW, Brazil 214MW, Europe 267MW, China 586MW and Australia 317MW.
- During 1QFY09, Edison mission elected not to purchase 150 units (315MW) WTG due for delivery in CY09 from Suzlon. This contract involved an option to EME to elect not to purchase the 150units (315MW) due for delivery in CY09. Thus the revised order book for FY08 stands at 3,139MW as against 3,454MW.
- Of the total capex of Rs30b on capacity expansion in India Rs16-18b will be spent in FY09. At the 3,000MW SEZ in Tamil Nadu, rotor blades and generator manufacturing is likely to be operational from July 2008, and will achieve optimum capacity utilization by March 2009. Forging unit is likely to be operational in phases beginning July-Aug 2008, and foundry unit will be operational by 3QFY09.
- We expect Suzlon to post net profit of Rs16.7b in FY09E and Rs23.4b in FY09E. At the CMP of Rs179, the stock trades at a P/E of 19.5x FY09E and 14.3x FY10E consolidated earnings. We maintain **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**19,446**	**36,413**	**31,698**	**49,238**	**21,196**	**49,267**	**49,512**	**81,380**	**136,794**	**201,355**
Change (%)	*-32.1*	*74.5*	*65.6*	*68.9*	*9.0*	*35.3*	*56.2*	*65.3*	*71.3*	*47.2*
EBITDA	**1,398**	**5,870**	**3,889**	**7,246**	**1,223**	**7,766**	**6,307**	**13,348**	**19,245**	**28,644**
Change (%)	*-48.4*	*63.0*	*52.7*	*46.3*	*-12.5*	*32.3*	*62.2*	*84.2*	*48.5*	*48.8*
As of % Sales	*7.2*	*16.1*	*12.3*	*14.7*	*5.8*	*15.8*	*12.7*	*16.4*	*14.1*	*14.2*
Depreciation	585	583	747	978	1,007	1,057	1,121	1,286	2,894	4,471
Interest *	1,079	1,387	1,565	1,290	2,669	1,703	2,077	2,402	5,320	8,850
Other Income	426	535	725	959	753	623	625	565	2,646	2,566
PBT	**161**	**4,434**	**2,302**	**5,938**	**-1,700**	**5,629**	**3,734**	**10,225**	**13,676**	**17,889**
Tax	-40	457	873	543	-204	844	560	1,473	1,993	2,674
Effective Tax Rate (%)	*(24.6)*	*10.3*	*37.9*	*9.1*	*12.0*	*15.0*	*15.0*	*14.4*	*14.6*	*14.9*
Reported PAT	**200**	**3,978**	**1,428**	**5,395**	**-1,496**	**4,785**	**3,174**	**8,752**	**11,683**	**15,215**
Change (%)	*-75.1*	*67.8*	*-17.3*	*50.3*	*-*	*20.3*	*122.2*	*62.2*	*35.1*	*30.2*
PAT (post Minority Interest)	**189**	**3,942**	**1,517**	**5,478**	**-1,366**	**4,845**	**3,324**	**9,153**	**11,813**	**15,956**
Adj. PAT (post Minority Int.)	**189**	**3,942**	**1,517**	**4,648**	**-116**	**4,845**	**3,324**	**9,153**	**10,301**	**17,206**

*E: MOSt Estimates; excluding share of profit from Repower; * Loss on FCCB included in the interest cost*

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Thermax

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	TMX IN
	REUTERS CODE
S&P CNX: 3,926	THMX.BO

Equity Shares (m)	119.2
52-Week Range (Rs)	968/331
1,6,12 Rel. Perf. (%)	7/-20/-16
M.Cap. (Rs b)	44.6
M.Cap. (US$ b)	1.0

3 July 2008

Under Review

Previous Recommendation: Buy Rs374

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	21,730	1,976	16.6	92.7	22.6	7.7	35.5	56.2	2.0	15.4
03/08A	32,029	2,885	24.2	46.0	15.0	5.8	42.4	63.3	1.2	9.9
03/09E	43,345	3,647	30.6	26.4	11.9	4.3	40.8	61.1	0.8	6.9
03/10E	55,640	4,697	39.4	28.8	9.2	3.2	39.1	58.8	0.5	4.7

** Consolidated*

- For 1QFY08, we expect revenue of Rs8.3b, up 26.1% YoY, EBITDA of Rs834m and net profit of Rs596m, up 28.8% YoY. The consolidated order backlog for the company stood at Rs26.3b as of March 2008.
- Thermax has also signed a technical knowhow, transfer and license agreement with Balcke-Durr GmbH, Germany. The license mainly encompasses manufacture of electrostatic precipitators (ESPs) - air pollution control equipment for power, industrial and utility segments up to 300MW.
- Thermax Ltd. recently signed a technical transfer License with Babcock & Wilcox Power Generation Group, Inc. (B&W PGG), USA agreement that grants it the right to engineer, manufacture and sell sub critical B&W Radiant utility boilers up to 800MW in India for next 15 years.
- We expect Thermax to report a consolidated net profit of Rs3.6b in FY09 and Rs4.7b in FY10. At the CMP of Rs374, the stock trades at a P/E of 11.9x FY09E and 9.2x FY10E consolidated earnings. **Under Review**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**6,581**	**7,701**	**8,454**	**9,221**	**8,483**	**10,289**	**11,718**	**12,855**	**32,042**	**43,345**
Change (%)	*104.0*	*59.7*	*53.7*	*14.6*	*28.9*	*33.6*	*38.6*	*39.4*	*49.9*	*35.3*
EBITDA	**680**	**1,011**	**1,049**	**1,270**	**889**	**1,277**	**1,501**	**1,414**	**4,096**	**5,081**
Change (%)	*77.9*	*33.3*	*38.1*	*43.2*	*30.7*	*26.4*	*43.1*	*11.3*	*68.6*	*24.1*
As of % Sales	*10.3*	*13.1*	*12.4*	*13.8*	*10.5*	*12.4*	*12.8*	*11.0*	*12.8*	*11.7*
Depreciation	50	54	53	61	62	68	71	77	218	278
Interest	4	2	3	4	2	2	2	4	13	10
Other Income	85	109	86	126	121	155	180	152	418	608
Extra-ordinary Items	98	0	0	21	0	0	0	0	21	0
PBT	**809**	**1,063**	**1,080**	**1,352**	**944**	**1,362**	**1,608**	**1,485**	**4,304**	**5,401**
Tax	249	371	330	546	312	449	531	539	1,496	1,831
Effective Tax Rate (%)	*30.8*	*34.9*	*30.5*	*40.4*	*33.0*	*33.0*	*33.0*	*36.3*	*34.8*	*33.9*
Reported PAT	**560**	**692**	**750**	**805**	**634**	**913**	**1,078**	**946**	**2,808**	**3,570**
Adj PAT	**462**	**692**	**750**	**784**	**634**	**913**	**1,078**	**946**	**2,787**	**3,570**
Change (%)	*67.9*	*18.9*	*35.3*	*19.6*	*36.8*	*31.9*	*43.6*	*20.5*	*44.2*	*28.1*

E: MOSt Estimates

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FMCG

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

We expect the FMCG sector to report a steady volume growth for 1QFY09. We expect decent increase in income levels of salaried middle class and agricultural community on account of Sixth Pay Commission, higher tax slabs, and increase in agri commodity prices. The volume growth has remained steady for most of the product segments despite a 13-year high inflation of more than 11%. Timely onset of monsoons and increase in support prices of crops hold promise for increase in rural demand.

Most of the products have witnessed sharp increase in input costs due to upswing in prices of major commodities like wheat, palm oil, milk, copra and crude oil based inputs. The quarter has seen price increases of 3-10% from companies like HUL, Asian Paints, Dabur, Colgate, Marico and ITC. FMCG companies have indicated further price hikes in the near term due to rising input costs. The companies have re-emphasized the need to increase advertising and product innovations to maintain excitement around the brands.

Although some softening of demand growth and down trading cannot be ruled out, absolute decline in volumes seems unlikely due to rising income levels. Pricing power and higher consumer switching costs will be the key to maintain growth and profit margins in the coming quarters. We continue to maintain our selective approach with preference for companies with high pricing power, high consumer switching costs and continuos innovation in niche segments. We believe packed foods, decorative paints, cigarettes, detergents, IMFL and skin care fall under these categories. We rate **ITC** and **United Spirits** as our preferred bets among large caps. **Nestle, Colgate** and **Godrej Consumer** are our top picks in the mid cap stream.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
FMCG							
Asian Paints	Buy	11,485	19.6	1,610	18.9	965	18.4
Britannia	Buy	6,550	13.5	525	17.7	463	18.1
Colgate	Buy	4,020	14.6	685	-0.6	677	9.4
Dabur	Neutral	5,485	14.5	895	13.0	724	16.3
Godrej Consumer	Buy	3,395	18.6	604	18.1	482	24.7
GSK Consumer	Buy	3,670	16.3	668	14.2	485	14.7
Hind. Unilever	Neutral	40,800	17.2	6,120	19.5	5,446	15.4
ITC	Buy	38,300	15.2	12,650	12.2	8,891	13.6
Marico	Buy	5,594	19.2	718	8.8	467	16.1
Nestle	Buy	10,240	22.1	2,109	24.5	1,333	28.6
Tata Tea	Neutral	10,900	7.0	1,890	13.1	1,011	168.3
United Spirits	Buy	9,450	23.4	2,125	24.0	1,175	31.2
Sector Aggregate		**149,889**	**16.5**	**30,599**	**15.4**	**22,120**	**19.5**

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Good monsoons and rising income levels - a positive

Monsoons have started on an encouraging note. As per the data released by the Indian Meteorological Department, the monsoon till 18 June 2008 has been excess/normal in 32 out of 36 meteorological sub-divisions as against 30 in the previous week and 31 in the same week last year. None of the sub-divisions are in the scanty category, which is a positive.

We expect farm incomes to increase strongly as wheat prices have been increased by 17.5% for this year' s crop, while paddy prices announced for current season are higher by 15%. We expect this to boost farm incomes as prices of certain key inputs like fertilizers and power are fixed. In addition, the implementation of Sixth Pay Commission and higher income tax slabs is expected to increase the disposable income in the hands of the salaried consumer. We believe rising income levels would support volume growth in the highly inflationary environment.

Input prices continue to move up

Raw materials of key FMCG products had been north bound in the last quarter. The impact has been particularly strong as the rupee has depreciated by 10-12% over last year. Wheat prices have remained firm, while copra prices have increased by 15% since March. Although price of palm oil has fallen from its high of 4,203 ringgit/ton, it is still trading 50% higher YoY. Similarly, other crude-based raw materials like LAB, soda ash and packaging have seen 10-25% increase in prices. Packaging cost accounts for 10% of the net sales for most of the FMCG companies and the prices have increased by 20% in the last one month. We believe this would have a negative impact on the small SKU (sachet) product categories, which have low scope to increase prices (coinage and customer loyalty at specific price points) where packing cost is higher than the product content. The only respite has been fall in sugar prices, which is due to increase in production.

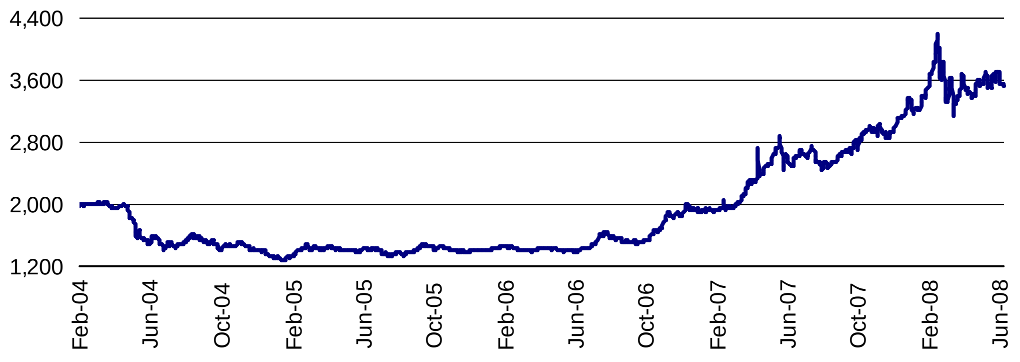
The increase in input costs has been linked to rising demand for scarce natural resources due to higher growth rate in BRIC countries. The input prices are unlikely to soften in the near term unless there is a sharp deceleration in demand growth.

IMPACT OF INPUT PRICE CHANGES

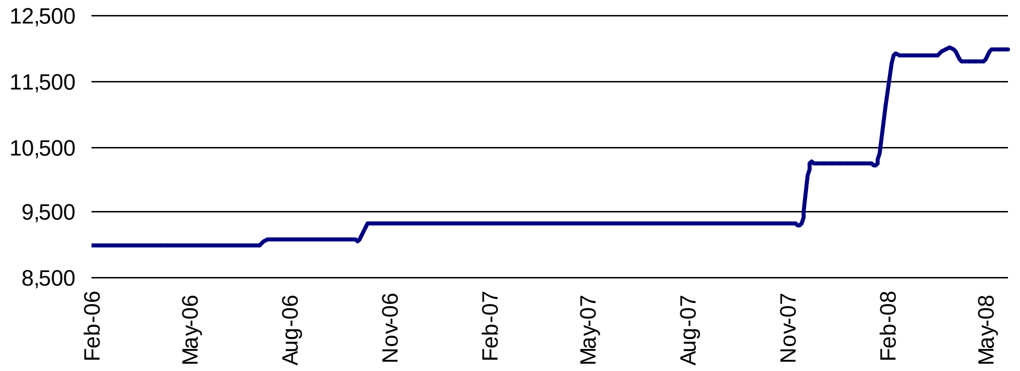
INPUT	PRICE TREND	IMPACT	COMPANIES
LAB	Up	Negative	HUL
Soda Ash	Up	Negative	HUL
Palm Oil	Up	Negative	HUL, Godrej Consumer
Sugar	Down	Positive	Nestle, GSK Consumer, ITC and Britannia
Wheat	Up	Negative	Nestle, ITC and Britannia
Milk	Up	Negative	Nestle, GSK Consumer
Copra	Up	Negative	Marico

Source: Motilal Oswal Securities

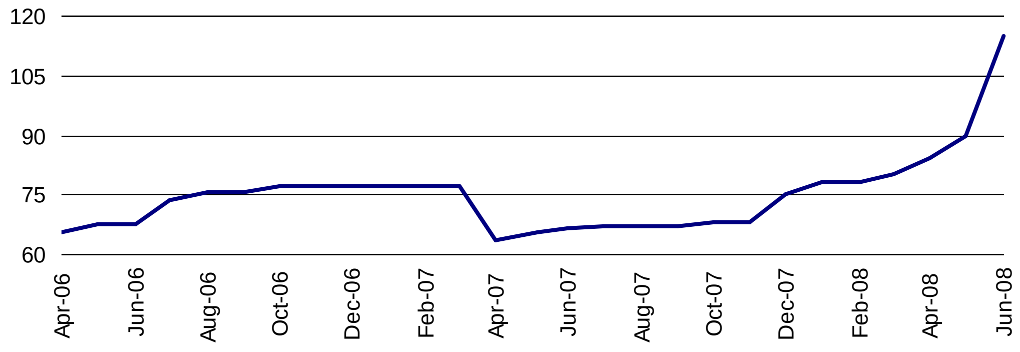
TREND IN PALM OIL PRICES (MALAYSIAN RINGGITS/'000 TON)



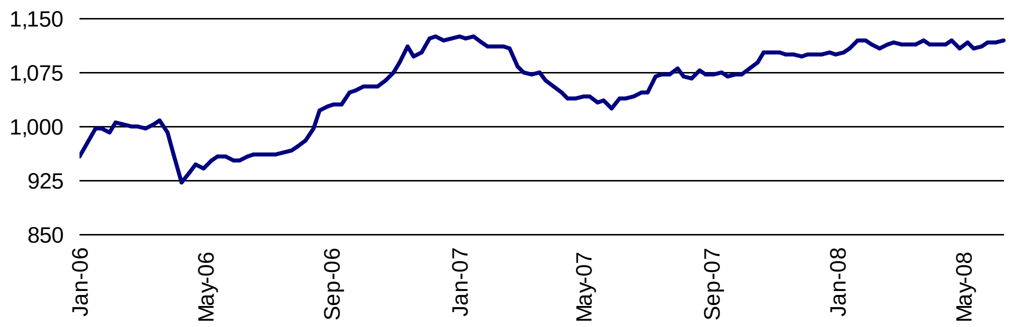
TREND IN SODA ASH PRICES (RS/TON)



TREND IN LAB PRICES (RS/KG)

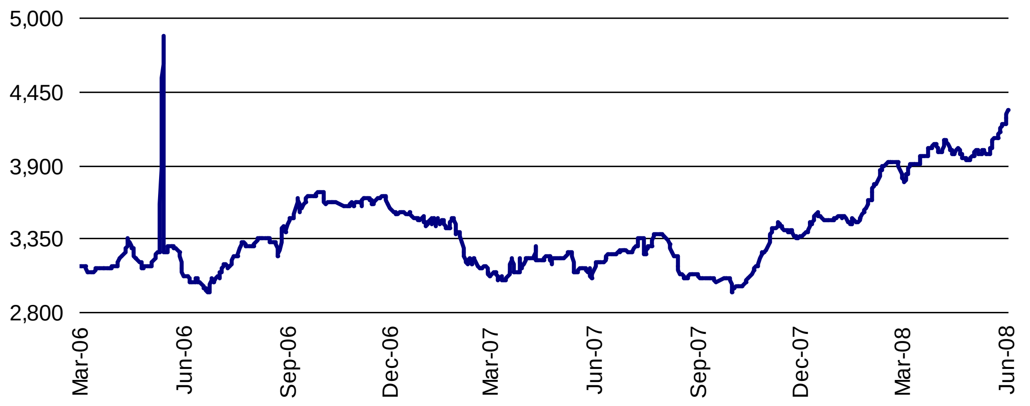


TREND IN WHEAT PRICES (RS/QUINTAL)

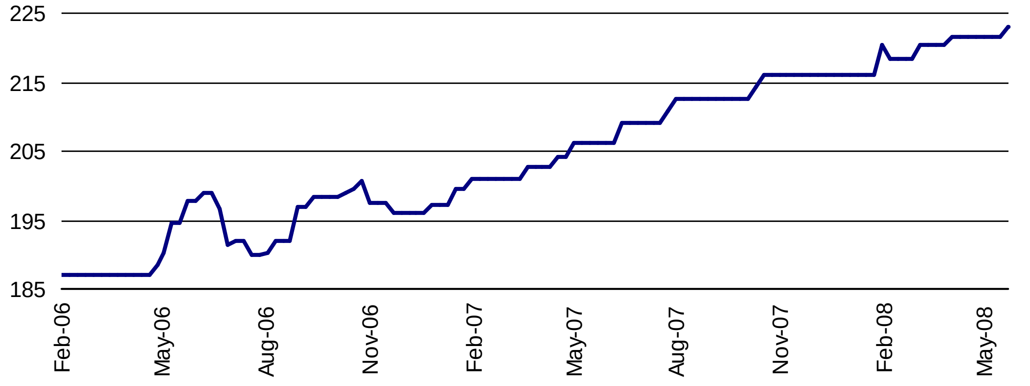


Source: Bloomberg

TREND IN COPRA PRICES (RS/QUINTAL)



MILK PRICE INDEX



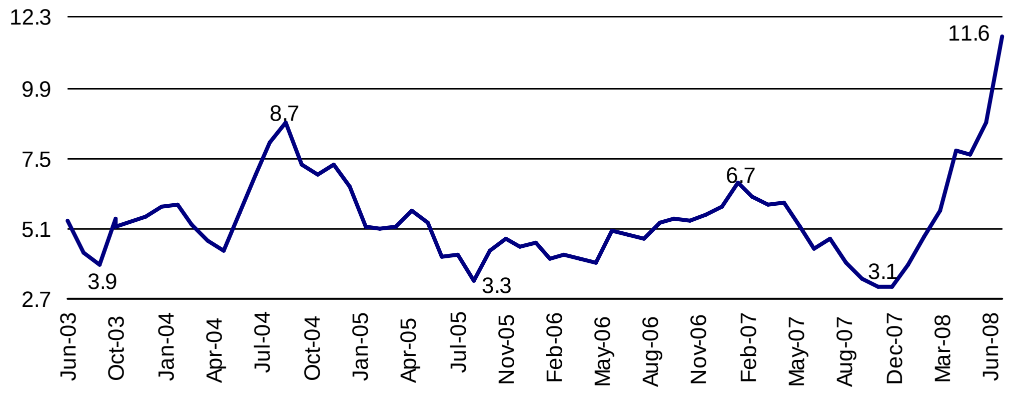
SUGAR PRICE TREND (RS/QUINTAL)

Source: Cris-Infac/ Motilal Oswal Securities

Cost pressures force players to increase prices

Recent increase in input prices has forced FMCG companies to take price hikes across product categories. HUL, Dabur, Asian Paints, Colgate and Marico have taken price increase of 3-12% in select product categories. Companies have resorted to pack size reduction (to pass on the cost push) in product categories where the potential for down trading is higher. Soap and detergents have seen one of the sharpest increases in prices with HUL increasing prices even in excess of 10% for certain brands of soaps and detergents. Dabur has increased prices of a few brands between 3-5%, while Marico has increased Parachute prices by 5%. Colgate has undertaken 3-4% price increase in select brands and SKUs. Asian Paints has increased prices by 3% from 1 June 2008, while ITC has undertaken price increase in Wills Filter, Classic and Gold Flake Kings brands.

INFLATION TREND (%)



Source: Company/Motilal Oswal Securities

RECENT PRICE INCREASES ACROSS PRODUCT SEGMENTS

CATEGORY	BRAND	BEFORE INCREASE		AFTER INCREASE		INCREASE
		NET WEIGHT	(RS)	NET WEIGHT	(RS)	(%)
Biscuits	Tiger	45	2	44	2	2.3
	Good Day Cashew	100	12	90	12	11.1
	Marie Gold	95	7	90	7	5.6
	50:50	75	7	71	7	5.6
	Maska Chaska	71	8	71	9	12.5
	Milk Bikis Cream	67	5	67	5.5	10.0
Detergent	Wheel Active Gold (gm)	650	20	600	20	8.3
	Surf Excel Blue (Kg)	750	66	750	72	9.1
	Rin Advanced Bar (gm)	250	11	250	12	9.1
		130	5	115	5	13.0
Toilet Soaps	Lux (gm)	75	16	75	17	6.3
	Rexona (gm)	4*125	52	4*125	56	7.7
	Liril (gm)	125	27	125	30	11.1
	Lifebuoy (gm)	4*115	48	4*115	52	8.3
Personal care	Fair & Lovely (gm)	30	33	30	35	6.1
	Clinic Shampoo (ml)	200	69	200	72	4.3
	Ponds Talc (gm)	300	84	300	93	10.7
	Pepsodent Whitening (gm)	175	48	150	45	9.4
	Close Up (gm)	40	10	35	10	14.3
	Colgate Dental Cream		52		54	

Source: Company/Motilal Oswal Securities

Volume growth remains steady; innovations hold the key

Our interaction with the industry players suggests that the spiraling prices have not impacted the demand growth so far. Some of the companies have indicated some slowdown in entry level brands as the lower section of consumers are the first one' s to get impacted by high inflation. Cigarette industry has seen strong consumer retention in plain cigarettes at high price points (60-75% retention at price point of Rs2 per stick) and the upgradation from non-filters to filters has also been encouraging. Micro cigarette consumers have moved from organized to unorganized sector products due to lower prices. IMFL has seen a steady volume growth of more than 12% with no signs of down trading.

We expect rising focus on cost control initiatives as increasing prices beyond certain point might prove to be counter productive for the volume growth of select brands. We expect increased effort on brand building and launch of new innovations to maintain excitement around the brands. We believe companies which are strong in innovations will be best placed in this scenario.

NEW PRODUCT AND VARIANT LAUNCHES

COMPANY	CATEGORY	BRAND	VARIANT
HUL	Toilet Soaps	Lux	Lux Strawberry & Cream
			Lux Peach & Cream
Colgate	Toothpowder	Colgate Cibaca Lal Danth Manjan	
Nestle	Confectionary	Polo	ExtraStrong
		Kilkat	Chunky
			Mini
	Prepared Dishes	Maggi Cuppa Noodles	Masala Yo!
			Chilli Chow Yo!
		Maggi	Pichkoo Tomato Ketchup
GSK Consumer	Health Drink	Horlicks	Women Horlicks

Source: Company/Motilal Oswal Securities

Switching costs and premium brands critical; maintain selective approach

Pricing power and higher consumer switching costs will be the key to maintaining growth and profit margins in the coming quarters. We believe premium brands and product sales would remain intact and no down trading is likely at that end. This would be particularly true for products like detergents, IMFL, oral care, food and skin care where price points for down trading are significantly lower and change the consumer experience and product attributes. We believe companies which have strong consumer stickiness, high pricing power and higher proportion of sales of premium brands will be able to tide over the current situation much more effectively. Similarly, down trading will benefit brands which offer value for money proposition to the consumers.

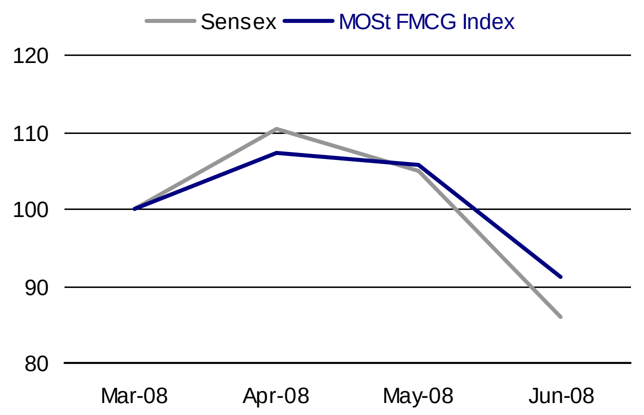
We continue to maintain selective approach with preference for companies with high pricing power, high consumer switching costs and continuous innovation in niche segments. We believe products like packed foods, decorative paints, cigarettes, detergents, IMFL and skin care fall under these categories. We rate ITC and United Spirits as our preferred bets among large caps. Nestle, Colgate and Godrej Consumer are our top picks in the mid-cap stream.

Stock performance and valuations

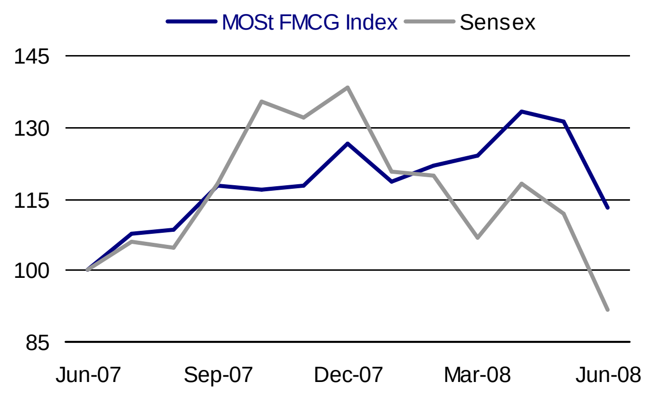
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
FMCG						
Asian Paints	-13	23	4	35	4	19
Britannia	3	-17	20	-5	20	-21
Colgate	-9	-3	8	8	8	-7
Dabur	-28	-27	-10	-15	-11	-31
Godrej Consumer	0	-8	18	4	17	-12
GSK	1	4	19	15	18	0
Hind. Unilever	-19	1	-2	12	-2	-3
ITC	-19	8	-1	20	-2	4
Marico Industries	-23	-3	-5	8	-6	-7
Nestle	7	41	25	53	24	37
Tata Tea	-17	-18	0	-6	0	-22
United Spirits	-32	-14	-15	-2	-15	-18

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
FMCG														
Asian Paints	1,026	Buy	43.5	50.7	62.0	23.6	20.2	16.6	15.1	12.7	10.5	41.7	37.1	34.4
Britannia	1,335	Buy	80.3	93.7	111.1	16.6	14.2	12.0	11.9	9.8	7.8	25.6	24.8	24.5
Colgate	369	Buy	17.1	20.0	23.4	21.6	18.5	15.8	20.7	17.6	14.8	102.7	125.2	125.6
Dabur	76	Neutral	3.9	4.6	5.5	19.5	16.6	13.7	15.5	13.0	10.8	54.1	48.7	46.0
Godrej Consumer	125	Buy	7.0	8.1	9.6	17.7	15.4	13.0	13.5	9.8	8.2	92.8	33.0	36.1
GSK Consumer	606	Buy	38.7	44.0	52.2	15.7	13.8	11.6	9.6	8.2	6.6	25.2	24.8	25.0
Hind. Unilever	196	Neutral	8.1	9.4	11.0	24.2	20.9	17.9	21.9	18.0	15.1	122.9	113.4	105.8
ITC	169	Buy	8.3	9.6	11.4	20.4	17.7	14.9	13.5	11.4	9.3	26.1	26.3	27.4
Marico	53	Buy	2.7	3.0	3.5	19.2	17.8	15.2	13.6	11.7	9.9	62.1	46.7	38.4
Nestle	1,615	Buy	44.7	59.6	75.9	36.1	27.1	21.3	22.2	17.6	13.8	73.7	87.7	86.5
Tata Tea	710	Neutral	46.9	67.9	76.6	15.1	10.4	9.3	5.5	4.4	3.7	8.1	10.9	11.3
United Spirits	1,077	Buy	39.7	56.0	77.6	27.1	19.2	13.9	18.4	15.4	12.1	34.9	32.2	31.1
Sector Aggregate						**22.5**	**18.8**	**15.7**	**15.5**	**13.0**	**10.7**	**34.3**	**34.4**	**35.1**

Asian Paints

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	APNT IN
	REUTERS CODE
S&P CNX: 3,926	ASPN.BO

Equity Shares (m)	95.9
52-Week Range	1,320/803
1,6,12 Rel. Perf. (%)	1/26/35
M.Cap. (Rs b)	98.4
M.Cap. (US$ b)	2.3

3 July 2008

Buy

Previous Recommendation: Buy Rs1,026

YEAR END	NET SALES (RS M)	ADJ. PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	36,700	2,864	29.9	30.1	34.3	12.6	36.8	49.2	2.7	20.6
3/08A	44,043	4,175	43.5	45.8	23.6	9.8	41.7	55.5	2.3	15.1
3/09E	52,668	4,867	50.7	16.6	20.2	7.5	37.1	53.6	1.9	12.7
3/10E	63,107	5,942	62.0	22.1	16.6	5.7	34.4	51.3	1.6	10.5

- We expect Asian Paints to register 19.6% growth in revenues to Rs11.5b in 1QFY09, while adjusted PAT is expected to grow by 18.4% to Rs965m. Strong material prices are expected to reduce EBIDTA margin by 10bp YoY to 14%.
- Domestic demand in both decorative and industrial paints continues to be robust. Middle East and Caribbean operations have reported double digit growth, while SE Asia continues to be a concern.
- Asian Paints has increased domestic paint prices by 3% from 1 June 2008. The price increase has been broad-based with both solvent and water based paints witnessing a price increase. Turpentine oil prices have increased by 25% while titanium dioxide prices have jumped 10% in the past three months. Management has indicated further increase in finished product prices unless input cost inflation recedes.
- Asian Paints is expected to gain from rising consumerism on one hand and huge infrastructure growth on the other. We expect demand for decorative paints to grow steadily in the coming year due to expected increase in disposable income of urban middle class, although temporary blip in growth cannot be ruled out.
- The stock is currently trading 20.2x FY09E earnings and 16.6x FY10E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**9,605**	**11,332**	**11,776**	**11,330**	**11,485**	**13,400**	**14,250**	**13,533**	**44,043**	**52,668**
Change (%)	*23.6*	*13.5*	*25.9*	*18.2*	*19.6*	*18.3*	*21.0*	*19.4*	*20.0*	*19.6*
Total Expenditure	8,251	9,516	9,921	9,773	9,875	11,285	11,975	11,679	37,461	44,814
EBITDA	**1,354**	**1,816**	**1,856**	**1,557**	**1,610**	**2,115**	**2,275**	**1,854**	**6,582**	**7,854**
Margin (%)	*14.1*	*16.0*	*15.8*	*13.7*	*14.0*	*15.8*	*16.0*	*13.7*	*14.9*	*14.9*
Change (%)	*30.8*	*35.3*	*50.3*	*33.1*	*18.9*	*16.5*	*22.6*	*19.1*	*37.7*	*19.3*
Interest	49	69	54	39	50	52	58	50	212	210
Depreciation	141	146	150	154	160	168	178	188	592	694
Other Income	89	265	132	134	95	275	134	134	620	638
Operational PBT	**1,252**	**1,866**	**1,783**	**1,497**	**1,495**	**2,170**	**2,173**	**1,750**	**6,399**	**7,588**
Non Recurring Income	4	-67	-1	-21	15	70	25	21	-84	131
PBT	**1,256**	**1,798**	**1,783**	**1,476**	**1,510**	**2,240**	**2,198**	**1,771**	**6,314**	**7,719**
Tax	422	597	537	477	510	700	720	574	2,034	2,504
Effective Tax Rate (%)	*33.6*	*33.2*	*30.1*	*32.3*	*33.8*	*31.3*	*32.8*	*32.4*	*32.2*	*32.4*
PAT	**834**	**1,202**	**1,246**	**999**	**1,000**	**1,540**	**1,478**	**1,197**	**4,281**	**5,215**
Minorrity Interest	15	63	58	54	20	70	60	67	189	217
Adjusted PAT	**815**	**1,206**	**1,189**	**966**	**965**	**1,400**	**1,393**	**1,109**	**4,176**	**4,867**
Change (%)	*34.8*	*45.1*	*66.9*	*57.2*	*18.4*	*16.1*	*17.2*	*14.8*	*45.7*	*16.6*

E: MOSt Estimates

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Britannia Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BRIT IN
	REUTERS CODE
S&P CNX: 3,926	BRIT.BO

Equity Shares (m)	23.9
52-Week Range	1,780/1,189
1,6,12 Rel. Perf. (%)	10/24/-5
M.Cap. (Rs b)	31.9
M.Cap. (US$ b)	0.7

3 July 2008

Buy

Previous Recommendation: Buy

Rs1,335

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	21,993	1,076	46.3	-24.3	28.8	5.2	18.0	18.2	1.3	22.4
03/08A	25,848	1,910	80.3	73.3	16.6	4.3	25.6	29.2	1.1	11.9
03/09E	29,490	2,239	93.7	16.7	14.2	3.5	24.8	28.4	0.9	9.8
03/10E	33,319	2,654	111.1	18.5	12.5	2.9	24.5	28.1	0.7	7.8

- We expect Britannia to report revenues of Rs6.5b in 1QFY09, a growth of 13.5% YoY. EBITDA margin is expected to increase by 30bp YoY to 8% in 1QFY09, as input cost pressures would be off-set by higher realizations and average price increase of 4-5% on the entire range. PBT will increase by 17.2% and PAT will grow by 18.1% YoY.
- Input costs continue to rule strong and we expect prices of wheat and vegetable oil to be higher by 15% and 12% respectively. Inflationary environment will keep the margins under check in the current year.
- Britannia achieved a volume growth of 7-8% in FY08. High inflation coupled with high penetration will result in decline in volume growth by 100bp. The key biscuit segments i.e glucose, mid priced and premium segment are expected to grow in tandem in contrast to high growth in the lower and premium segment in the recent past. .
- We are factoring in lower tonnage growth and higher wheat prices and increase in realizations in our estimates. We are revising our FY09 and FY10 EPS from Rs90.1 and Rs115.8 to Rs93.7 and Rs111.1 respectively. The stock is currently trading at 14.2x FY09E earnings, 12.5x FY10E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**5,769**	**6,588**	**6,564**	**6,928**	**6,550**	**7,575**	**7,525**	**7,840**	**25,848**	**29,490**
YoY Change (%)	*19.5*	*19.8*	*15.7*	*15.6*	*13.5*	*15.0*	*14.6*	*13.2*	*17.5*	*14.1*
Total Exp	5,323	5,902	5,976	6,342	6,025	6,875	6,825	7,162	23,563	26,887
EBITDA	**446**	**686**	**588**	**586**	**525**	**700**	**700**	**678**	**2,285**	**2,603**
Margins (%)	*7.7*	*10.4*	*9.0*	*8.5*	*8.0*	*9.2*	*9.3*	*8.7*	*8.8*	*8.8*
Depreciation	69	72	73	77	78	79	79	80	291	316
Interest	5	29	30	14	14	18	18	15	64	65
Other Income	108	58	63	106	130	80	85	132	342	427
PBT	**480**	**643**	**548**	**601**	**563**	**683**	**688**	**716**	**2,272**	**2,650**
Tax	88	127	60	78	100	90	110	111	353	411
Rate (%)	*18.3*	*19.8*	*10.9*	*13.0*	*17.8*	*13.2*	*16.0*	*15.5*	*15.5*	*15.5*
Adjusted PAT	**392**	**516**	**488**	**523**	**463**	**593**	**578**	**605**	**1,919**	**2,239**
YoY Change (%)	*20.2*	*116.8*	*142.8*	*42.9*	*18.1*	*14.9*	*18.4*	*15.7*	*77.8*	*16.7*
Extraordinary Expenses	-31	-31	-34	87	-16	-16	-16	-16	-9	-64
Reported PAT	**361**	**485**	**454**	**610**	**447**	**577**	**562**	**588**	**1,910**	**2,174**

E: MOSt Estimates

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Colgate Palmolive

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	CLGT IN
	REUTERS CODE
S&P CNX: 3,926	COLG.BO

Equity Shares (m)	136.0
52-Week Range (Rs)	521/345
1,6,12 Rel. Perf. (%)	8/20/8
M.Cap. (Rs b)	50.2
M.Cap. (US$ B)	1.2

3 July 2008

Buy

Previous Recommendation: Buy

Rs369

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	12,951	1,933	14.2	47.9	26.0	160.9	70.1	69.4	3.3	20.5
03/08A	14,734	2,327	17.1	20.4	21.6	25.1	102.7	101.2	3.2	21.7
03/09E	16,876	2,718	20.0	16.8	18.5	21.5	125.2	123.0	2.8	18.4
03/10E	19,156	3,181	23.4	17.0	15.8	18.4	125.6	123.8	2.4	15.7

- We expect Colgate to report a 14.6% YoY growth in sales in 1QFY09 at Rs4b. EBIDTA margin is expected to decline by 270bp to 17% in 1QFY09 mainly due to high base effect and renewed focus on advertising and brand building. Adjusted PAT is expected to increase by 11.2% to Rs677m in 1QFY09.

- We expect 9% volume growth in toothpaste segment and a similar volume growth in toothbrushes. Colgate has increased prices of select SKUs by 3-4% from beginning of June to ward off the rising costs of packaging materials and other inputs. Management has also indicated consumer down trading in lower end toothpaste brands.

- We expect the company to report 8-9% volume growth in toothpaste segment, which will enable the company to maintain its strong leadership position in the oral care industry. We expect the company to report 13-14% sales and 15% PAT growth in steady state basis. The stock trades at 18.5x FY09E and 15.8x FY10E earnings and at a divided yield of 4%. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**3,507**	**3,639**	**3,675**	**3,913**	**4,020**	**4,165**	**4,215**	**4,476**	**14,734**	**16,876**
YoY Change (%)	*13.3*	*13.7*	*14.0*	*14.0*	*14.6*	*14.5*	*14.7*	*14.4*	*13.8*	*14.5*
Total Exp	2,817	3,074	3,064	3,408	3,335	3,510	3,580	3,791	12,438	14,216
EBITDA	**689**	**564**	**611**	**506**	**685**	**655**	**635**	**686**	**2,296**	**2,661**
Margins (%)	*19.7*	*15.5*	*16.6*	*12.9*	*17.0*	*15.7*	*15.1*	*15.3*	*15.6*	*15.8*
Depreciation	44	49	51	55	52	52	53	53	198	210
Interest	3	6	2	3.6	1	2	1	2	14	6
Other Income	135	196	228	214	200	240	250	262	848	952
PBT	**777**	**705**	**787**	**662**	**832**	**841**	**831**	**893**	**2,931**	**3,397**
Tax	158	158	182	105	155	174	173	177	603	679
Rate (%)	*20.3*	*22.4*	*23.2*	*15.9*	*18.6*	*20.7*	*20.8*	*19.9*	*20.6*	*20.0*
Adjusted PAT	**619**	**547**	**605**	**556**	**677**	**667**	**658**	**715**	**2,327**	**2,718**
YoY Change (%)	*71.6*	*8.3*	*20.1*	*11.6*	*9.4*	*21.8*	*8.8*	*28.6*	*20.4*	*16.8*
Extraordinary Expenses	10	0	0	0	0	0	0	0	10	
Reported PAT	**609**	**547**	**605**	**556**	**677**	**667**	**658**	**715**	**2,337**	**2,718**
YoY Change (%)	*68.8*	*136.2*	*20.1*	*9.9*	*11.2*	*21.8*	*8.8*	*28.6*	*44.6*	*16.3*

E: MOSt Estimates

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Dabur India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	DABUR IN
	REUTERS CODE
S&P CNX: 3,926	DABU.BO

3 July 2008

Neutral

Previous Recommendation: Neutral Rs76

Equity Shares (m)	862.9
52-Week Range	134/72
1,6,12 Rel. Perf. (%)	-3/0/-15
M.Cap. (Rs b)	65.2
M.Cap. (US$ b)	1.5

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	20,431	2,782	3.2	23.9	23.4	13.6	58.0	51.4	3.2	18.7
03/08A	23,611	3,340	3.9	19.6	19.5	10.6	54.1	55.6	2.7	15.5
03/09E	27,333	3,938	4.6	18.0	16.6	8.1	48.7	51.8	2.3	13.0
03/10E	31,137	4,755	5.5	20.7	13.7	6.3	46.0	49.9	1.9	10.8

- Dabur is expected to report sales of Rs5.5b in 1QFY09, a growth of 14.5% YoY. EBITDA margin is expected to decline 20bp to 16.3% YoY in 1QFY09 due to increase in price of inputs and initial losses from retail venture. Adjusted PAT is expected to be Rs724m, a 16.3% growth YoY in 1QFY09.
- Food products and CHD (Consumer Health Division) are likely to report acceleration in growth while CCD (Consumer care division) growth is expected to be steady. The demand growth seems steady and the company has not witnessed any signs of demand slowdown or down trading so far.
- Dabur has increased prices of hair oil by 4-5%, shampoo by 7-8%, chawyanprash by 4% and Dabur Red toothpaste by 4%. The company plans to undertake national launch of Dazzel household cleaner in the coming quarter.
- H&B stores (Dabur's 100% retail subsidiary) has launched six New-U stores so far and plans to launch another six by the end of this fiscal. The consumer response has been mixed so far. The company is guiding for sales and loss of Rs400m and Rs170m in FY09. This venture is expected to break even by the fourth year.
- We believe wide product range and strong market shares in niche segments makes Dabur one of the best plays in the FMCG space. The stock is currently trading at 16.6x FY09E earnings and 13.7x FY10E earnings, which leaves little scope for further rerating. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**4,791**	**6,258**	**6,497**	**6,065**	**5,485**	**7,350**	**7,495**	**7,003**	**23,611**	**27,333**
YoY Change (%)	*22.3*	*12.9*	*14.7*	*14.3*	*14.5*	*17.5*	*15.4*	*15.5*	*15.6*	*15.8*
Total Exp	3,999	5,098	5,334	5,087	4,590	6,000	6,145	5,862	19,517	22,597
EBITDA	**792**	**1,160**	**1,163**	**978**	**895**	**1,350**	**1,350**	**1,141**	**4,093**	**4,736**
Margins (%)	*16.5*	*18.5*	*17.9*	*16.1*	*16.3*	*18.4*	*18.0*	*16.3*	*17.3*	*17.3*
Depreciation	102	98	105	117	110	112	114	116	421	452
Interest	47	42	44	35	36	38	35	30	168	139
Other Income	77	76	49	138	90	90	85	147	340	412
PBT	**721**	**1,096**	**1,064**	**964**	**839**	**1,290**	**1,286**	**1,141**	**3,844**	**4,556**
Tax	100	139	139	131	118	175	182	163	507	638
Rate (%)	*13.9*	*12.7*	*13.0*	*13.6*	*14.1*	*13.6*	*14.2*	*14.3*	*13.2*	*14.0*
Minority Interest	-1	-8	-20	29	-3	-6	-6	-5	-1	-20
Adjusted PAT	**622**	**966**	**945**	**804**	**724**	**1,121**	**1,110**	**983**	**3,339**	**3,938**
YoY Change (%)	*29.1*	*29.6*	*19.2*	*4.5*	*16.3*	*16.1*	*17.5*	*22.3*	*18.0*	*17.9*
Extraordinary Inc/(Exp)	0	0	0	8	0	0	0	0	10	0
Reported PAT	**622**	**966**	**945**	**796**	**724**	**1,121**	**1,110**	**983**	**3,329**	**3,938**

E: MOSt Estimates

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GlaxoSmithKline Consumer

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SKB IN
	REUTERS CODE
S&P CNX: 3,926	GLSM.BO

Equity Shares (m)	42.1
52-Week Range (Rs)	766/489
1,6,12 Rel. Perf. (%)	-1/23/15
M.Cap. (Rs b)	25.5
M.Cap. (US$ b)	0.6

3 July 2008

Buy

Previous Recommendation: Buy

Rs606

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	11,079	1,270	30.2	19.5	20.1	4.7	23.4	35.8	2.1	12.3
12/07A	12,778	1,626	38.7	28.1	15.7	3.9	25.2	38.6	1.7	9.6
12/08E	14,957	1,851	44.0	13.8	13.8	3.4	24.8	38.4	1.4	8.2
12/09E	16,918	2,196	52.2	18.6	11.6	2.9	25.0	38.0	1.2	6.6

- We expect GSK Consumer to register sales of Rs4.1b in 2QCY08 against Rs3.1b in 2QCY07, up 16.3% YoY. Volume growth is expected to be 8-9%. We expect 30bp decline in EBITDA margin at 18.2% in 2QCY08. GSK is expected to report PAT of Rs485m in 2QCY08 against Rs423m in 2QCY07, a growth of 14.7% YoY.
- GSK is reeling under sharp increase in prices of wheat, malt and milk. The company had increased its prices by 4% from January 2008. We expect another round of price increase shortly.
- GSK has launched Women's Horlicks and Active X, both niche products priced at a premium. While the initial response had been encouraging, current quarter will show the exact trend in the sustainable volume growth for the company. More new product launches are likely in the coming year.
- GSK is trying to shed its image of being known as the Horlicks company. It has launched two new products and a few more are likely. Success of these products can accelerate growth rates significantly. The stock trades at 13.8x CY08E and 11.6x CY09E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**3,265**	**3,156**	**3,516**	**2,841**	**4,106**	**3,670**	**4,050**	**3,131**	**12,778**	**14,957**
YoY Change (%)	*17.9*	*17.8*	*16.6*	*7.3*	*25.8*	*16.3*	*15.2*	*10.2*	*14.9*	*17.0*
Total Exp	2,641	2,571	2,839	2,484	3,309	3,002	3,281	2,757	10,535	12,349
EBITDA	**624**	**585**	**677**	**357**	**797**	**668**	**770**	**373**	**2,243**	**2,608**
Margins (%)	*19.1*	*18.5*	*19.3*	*12.6*	*19.4*	*18.2*	*19.0*	*11.9*	*17.6*	*17.4*
Depreciation	108	109	111	108	106	115	125	125	435	471
Interest	11	11	12	12	13	8	8	6	46	35
Other Income	139	166	209	175	186	190	195	156	689	727
PBT	**644**	**631**	**763**	**412**	**864**	**735**	**832**	**399**	**2,451**	**2,830**
Tax	221	208	258	137	298	250	291	139	824	978
Rate (%)	*34.3*	*33.0*	*33.8*	*33.3*	*34.0*	*34.0*	*35.0*	*34.9*	*33.6*	*34.6*
PAT	**423**	**423**	**505**	**275**	**566**	**485**	**540**	**260**	**1,626**	**1,851**
YoY Change (%)	*22.8*	*36.8*	*39.4*	*9.1*	*33.8*	*14.7*	*7.0*	*-5.5*	*28.4*	*13.8*

E: MOSt Estimates

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Godrej Consumer Products

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	GCPL IN
	REUTERS CODE
S&P CNX: 3,926	GOCP.BO

Equity Shares (m)	225.8
52-Week Range	158/94
1,6,12 Rel. Perf. (%)	12/27/4
M.Cap. (Rs b)	28.2
M.Cap. (US$ b)	0.7

3 July 2008

Buy

Previous Recommendation: Buy

Rs125

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	9,532	1,342	5.9	12.5	20.9	22.9	110.0	64.8	3.1	16.3
03/08A	11,026	1,592	7.0	18.6	17.6	16.3	92.8	89.9	2.6	13.4
03/09E	13,528	2,092	8.1	15.0	15.3	5.0	33.0	45.4	2.2	11.2
03/10E	15,493	2,488	9.6	18.9	12.9	4.6	36.1	49.0	1.9	9.5

**Equity capital for EPS calculation in FY09-10E is Rs258m (Post rights)*

- GCPL is expected to report revenue growth of 18.6% YoY to Rs3.4b in 1QFY09. EBITDA margin is expected to increase 20bp to 18.1% in 1QFY09 due to rising sales growth in high margin hair colors and acquisition of Kinky Group (PAT margin 30-35%). We expect the company to report PAT of Rs482m, a growth of 24.7% YoY in 1QFY09, partly aided by decline in interest burden post rights issue of the company.
- We expect soaps volumes to grow in low double digits led by gains from the re-launch of Cinthol. Hair color portfolio has reported sharp turnaround in 4QFY08 with 21% sales growth and management is confident of good performance in the coming quarters.
- Raw material prices in toilet soaps remain a key concern, as palm oil prices are up by 30% on YoY basis. High inflation is likely to result in down trading in a few FMCG categories, soaps being one of the most susceptible ones. GCPL has planned to refocus on mass market popular brand No 1, which will help accelerate growth rates.
- We expect GCPL to be a beneficiary of rising inflation and expected consumer down-trading, as most of its products across segments like hair color, soaps and toiletries are positioned as value for money products. The stock is currently trading at 15.3x FY09E and 12.9x FY10E consolidated earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**2,863**	**2,740**	**2,728**	**2,718**	**3,395**	**3,420**	**3,350**	**3,363**	**11,026**	**13,528**
YoY Change (%)	*20.5*	*18.2*	*14.6*	*12.1*	*18.6*	*19.5*	*22.3*	*23.3*	*36.2*	*22.7*
Total Exp	2,352	2,239	2,159	2,151	2,791	2,785	2,635	2,643	8,881	10,854
EBITDA	**511**	**501**	**568**	**567**	**604**	**635**	**715**	**720**	**2,145**	**2,674**
Margins (%)	*17.9*	*18.3*	*20.8*	*20.9*	*18.1*	*18.6*	*21.3*	*21.4*	*19.5*	*19.8*
Depreciation	44	46	48	43	46	48	52	58	182	204
Interest	35	32	29	34	1	1	2	2	129	6
Other Income	13	14	15	-1	16	18	21	22	40	77
PBT	**445**	**437**	**506**	**489**	**573**	**604**	**682**	**682**	**1,875**	**2,541**
Tax	59	67	76	81	91	110	117	131	283	449
Rate (%)	*13.1*	*15.2*	*15.0*	*16.6*	*15.9*	*18.2*	*17.2*	*19.2*	*15.1*	*17.7*
PAT	**386**	**371**	**430**	**408**	**482**	**494**	**565**	**551**	**1,592**	**2,092**
YoY Change (%)	*17.7*	*19.5*	*8.7*	*32.6*	*24.7*	*27.8*	*52.5*	*28.1*	*12.5*	*31.4*

E: MOSt Estimates

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Hindustan Unilever

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	HUVR IN
	REUTERS CODE
S&P CNX: 3,926	HLL.BO

Equity Shares (m)	2,177.5
52-Week Range	256/170
1,6,12 Rel. Perf. (%)	2/24/12
M.Cap. (Rs b)	427.8
M.Cap. (US$ b)	9.9

3 July 2008

Neutral

Previous Recommendation: Neutral Rs196

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	121,034	15,397	7.0	17.5	28.2	15.9	56.5	67.0	3.4	24.6
12/07A	137,178	17,691	8.1	14.9	24.2	29.7	122.9	144.7	3.0	21.9
12/08E	160,277	20,456	9.4	15.6	20.9	23.7	113.4	135.4	2.5	17.9
12/09E	180,442	23,907	11.0	16.9	17.9	18.9	105.8	127.2	2.2	15.1

- We expect HUL to report 17.2% YoY increase in sales for 2QCY08 to Rs40.8b. EBITDA margin is expected to increase 30bp to 15% in 2QCY08. Lower financial other income will result in 11% decline in other income. Adjusted PAT is expected to grow by 15.4% YoY.
- We expect strong growth in detergents and personal care. Toilet soaps will likely show some slowdown in volume growth. Branded packaged food and ice creams are expected to show another quarter of high double digit growth.
- HUL has been facing the brunt of input cost inflation as prices of LAB have increased 47%, while soda ash and palm oil prices have increased 17% and 10% respectively since February 2008. The company has increased toilet soaps prices by 6-12%, while detergents prices have increased in double digits. Personal care products like toothpaste, shampoo, talc and skin cream have witnessed 4-10% increase in prices. Steep price increase has been in Liril (11%), Lux (4*125gm SKU – 16%); Surf Excel Blue (9.1%), Wheel Powder (7%), Fair & Lovely (6%), Clinic shampoo (8%) and Ponds talc (10.7%).
- We believe rising input costs and consequent increase in prices can lower volume growth for the company. Sharp increase in prices has reduced the capacity to further increase the consumer prices, in the event of continued surge in input costs. Categories like toilet soaps, tea, low-end detergents can witness down trading in the coming quarters.
- We estimate EPS of Rs9.4 for CY08 and Rs11 for CY09. The stock is currently trading at 20.9x CY08E earnings and 17.9x CY09E earnings. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales (incl service inc)	**31,843**	**34,814**	**33,646**	**36,874**	**37,939**	**40,800**	**39,500**	**42,037**	**137,178**	**160,277**
YoY Change (%)	*13.8*	*12.9*	*9.7*	*16.8*	*19.1*	*17.2*	*17.4*	*14.0*	*13.3*	*16.8*
Total Expenditure	28,224	29,695	29,170	31,232	33,861	34,680	33,970	35,256	118,321	137,767
EBITDA	**3,620**	**5,120**	**4,476**	**5,642**	**4,078**	**6,120**	**5,530**	**6,781**	**18,857**	**22,510**
YoY Change (%)	*9.5*	*23.5*	*11.1*	*12.8*	*12.7*	*19.5*	*23.6*	*20.2*	*14.4*	*19.4*
Margins (%)	*11.4*	*14.7*	*13.3*	*15.3*	*10.7*	*15.0*	*14.0*	*16.1*	*13.7*	*14.0*
Depreciation	329	333	353	369	363	353	362	356	1,384	1,434
Interest	51	110	68	26	35	75	55	35	255	200
Other Income	908	1,063	1,059	1,597	1,009	950	900	1,485	4,627	4,344
PBT	**4,147**	**5,739**	**5,114**	**6,844**	**4,689**	**6,642**	**6,013**	**7,876**	**21,845**	**25,220**
Tax	809	1,020	1,021	1,305	905	1,196	1,173	1,491	4,155	4,764
Rate (%)	*19.5*	*17.8*	*20.0*	*19.1*	*19.0*	*18.0*	*19.5*	*18.9*	*19.0*	*18.9*
Adjusted PAT	**3,339**	**4,719**	**4,093**	**5,540**	**3,784**	**5,446**	**4,840**	**6,385**	**17,691**	**20,456**
YoY Change (%)	*13.6*	*24.4*	*6.9*	*14.6*	*13.3*	*15.4*	*18.3*	*15.3*	*14.9*	*15.6*
Extraordinary Inc/(Exp)	590	212	-12	775	25	0	0	0	1,564	25
Reported Profit	**3,929**	**4,931**	**4,081**	**6,314**	**3,810**	**5,446**	**4,840**	**6,385**	**19,255**	**20,481**
YoY Change (%)	*-11.3*	*29.6*	*-21.6*	*23.5*	*-3.0*	*10.5*	*18.6*	*1.1*	*3.8*	*6.4*

E: MOSt Estimates

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ITC

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	ITC IN
	REUTERS CODE
S&P CNX: 3,926	ITC.BO

Equity Shares (m)	3,762.2
52-Week Range	239/152
1,6,12 Rel. Perf. (%)	-5/15/20
M.Cap. (Rs b)	637.1
M.Cap. (US$ b)	14.8

3 July 2008

Buy

Previous Recommendation: Buy Rs169

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	123,693	27,000	7.2	18.4	23.6	6.1	25.9	35.5	4.8	15.1
03/08A	139,475	31,201	8.3	15.6	20.4	5.3	26.1	36.4	4.2	13.5
03/09E	163,684	35,941	9.6	15.2	17.7	4.7	26.3	36.8	3.6	11.4
03/10E	195,633	42,801	11.4	19.1	14.9	4.1	27.4	38.6	2.9	9.3

- We expect ITC to post 15.2% YoY growth in revenues in 1QFY09 to Rs38.3b. EBITDA margin is expected to decline by 90bp YoY to 33% in 1QFY09 due to initial losses in the personal care business. PAT is expected to increase 13.6% YoY to Rs8.9b.
- We expect 2% decline in sales (10% decline in volumes) from cigarette business, as the company has stopped selling non-filter cigarettes, which constituted est 18% of volumes in FY08. ITC has increased prices of Classic, Wills Filter and Gold Flake Kings by 10%, 5% and 8.5% respectively. The impact will be reflected in 2QFY09. Up-trading from plains to filters is already visible from second week of April. Micros consumers have shifted either to contraband products or bidis.
- Paper and paperboard will report sales growth of more than 20% with expansion in margins as 120,000TPA pulp mill has started commercial production. ITC has increased paperboard prices up to 5% during the quarter. 100,000TPA writing and printing paper unit will commence production in 2QFY09.
- Bingo and Sunfeast will enable the company to maintain strong growth momentum in food products. Personal care products are achieving internal benchmarks and the rollout continues. Hotels business will report low double digit growth due to gains from higher occupancy in the lean season, buoyed by the association with IPL.
- ITC has realigned its product strategy in agri business in line with its own requirements and lower focus on trading in lower margin products. The division is expected to report a steady double digit growth in the current quarter.
- The stock is currently trading at 17.7x FY09E earnings and 14.9x FY10E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**33,252**	**32,734**	**34,580**	**39,344**	**38,300**	**37,950**	**40,700**	**46,734**	**139,475**	**163,684**
YoY Change (%)	*16.7*	*13.4*	*11.0*	*13.5*	*15.2*	*15.9*	*17.7*	*18.8*	*12.8*	*17.4*
Total Exp	21,977	22,414	22,583	28,897	25,650	26,100	26,600	34,134	95,436	112,484
EBITDA	**11,276**	**10,320**	**11,997**	**10,447**	**12,650**	**11,850**	**14,100**	**12,600**	**44,039**	**51,200**
Margins (%)	*33.9*	*31.5*	*34.7*	*26.6*	*33.0*	*31.2*	*34.6*	*27.0*	*31.6*	*31.3*
Depreciation	1,010	1,062	1,097	1,215	1,250	1,260	1,280	1,324	4,385	5,114
Interest	-8	9	18	27	4	5	6	5	46	20
Other Income	1,016	2,083	1,374	1,637	1,350	1,600	1,650	1,649	6,109	6,249
PBT	**11,289**	**11,331**	**12,256**	**10,842**	**12,746**	**12,185**	**14,464**	**12,921**	**45,718**	**52,316**
Tax	3,461	3,623	3,948	3,485	3,855	3,650	4,820	4,050	14,517	16,375
Rate (%)	*30.7*	*32.0*	*32.2*	*32.1*	*30.2*	*30.0*	*33.3*	*31.3*	*31.8*	*31.3*
Reported PAT	**7,829**	**7,709**	**8,307**	**7,357**	**8,891**	**8,535**	**9,644**	**8,871**	**31,201**	**35,941**
YoY Change (%)	*20.0*	*13.4*	*15.8*	*13.1*	*13.6*	*10.7*	*16.1*	*20.6*	*20.8*	*15.2*
Adjusted PAT	**7,829**	**7,709**	**8,307**	**7,357**	**8,891**	**8,535**	**9,644**	**8,871**	**31,201**	**35,941**
YoY Change (%)	*20.0*	*13.4*	*15.8*	*13.1*	*13.6*	*10.7*	*16.1*	*20.6*	*15.6*	*15.2*

E: MOSt Estimates

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Marico

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	MRCO IN
	REUTERS CODE
S&P CNX: 3,926	MRCO.BO

Equity Shares (m)	609.0
52-Week Range	83/47
1,6,12 Rel. Perf. (%)	2/3/8
M.Cap. (Rs b)	32.2
M.Cap. (US$ b)	0.7

3 July 2008

Buy

Previous Recommendation: Buy

Rs53

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	15,569	1,129	1.9	6.9	27.5	16.7	58.7	39.2	2.2	16.1
03/08A	19,067	1,587	2.7	42.9	19.2	12.6	62.1	46.9	1.8	13.6
03/09E	22,984	1,833	3.0	8.3	17.8	8.2	46.7	48.2	1.4	11.7
03/10E	26,460	2,136	3.5	16.5	15.2	5.8	38.4	42.9	1.2	9.9

- We expect Marico to report sales of Rs5.6b in 1QFY09 against Rs4.7b in 1QFY08, a growth of 19.2%. EBITDA margin is expected to decline 130bp to 12.8% for 1QFY09 against 14.1% in 1QFY08. PAT is expected to be Rs467m in 1QFY09 as against Rs402m in 1QFY08, a growth of 16.1%.
- Parachute coconut oil sales volume are likely to be in high single digits, while Parachute advanced, hair and care and other hair oils are likely to report double digit volume growth. Saffola too is likely to maintain double digit volume growth. The management is guiding for a decline in volume growth for FY09 for most of the key brands.
- Marico has witnessed 20-25% increase in prices of all the raw materials, which includes both coconut and other edible oils. The company has increased parachute coconut oil prices by 5%, while other hair oils have witnessed 6-8% price increase. The current round of price increase is grossly insufficient as the copra prices have increased by more than 30% in the past one year. Management has not ruled out another round of price increase in the coming months.
- While growth rates in the key business of oils is likely to come down in the near term, prospects look encouraging over the long term due to success of new acquisitions in Egypt and turnaround of Kaya Skin care. The stock is currently trading at 17.8x FY09E earnings and 15.2x FY10E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**4,691**	**4,638**	**5,062**	**4,675**	**5,594**	**5,641**	**6,184**	**5,565**	**19,067**	**22,984**
YoY Change (%)	*25.8*	*22.7*	*23.7*	*17.8*	*19.2*	*21.6*	*22.2*	*19.0*	*22.5*	*20.5*
Total Exp	4,031	3,990	4,420	4,220	4,876	4,900	5,425	4,956	16,603	20,157
EBITDA	**660**	**648**	**643**	**456**	**718**	**741**	**759**	**609**	**2,464**	**2,827**
Margins (%)	*14.1*	*14.0*	*12.7*	*9.7*	*12.8*	*13.1*	*12.3*	*10.9*	*12.9*	*12.3*
Depreciation	58	64	66	79	70	72	75	75	309	292
Interest	71	65	68	73	65	50	50	35	277	200
Other Income	7	5	3	37	18	20	20	20	67	78
PBT	**539**	**523**	**511**	**341**	**601**	**639**	**654**	**518**	**1,945**	**2,412**
Tax	136	101	83	39	134	149	161	135	360	579
Rate (%)	*25.3*	*19.3*	*16.3*	*11.4*	*22.3*	*23.3*	*24.6*	*26.0*	*18.5*	*24.0*
Adjusted PAT	**402**	**423**	**428**	**302**	**467**	**490**	**493**	**383**	**1,586**	**1,833**
YoY Change (%)	*32.9*	*38.0*	*54.4*	*-2.4*	*16.1*	*16.0*	*15.3*	*27.0*	*60.4*	*15.6*
Exceptional Items	0	0	31	106					106	0
Reported PAT	**402**	**423**	**459**	**408**	**467**	**490**	**493**	**383**	**1,692**	**1,833**

E: MOSt Estimates

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Nestle India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	NEST IN
	REUTERS CODE
S&P CNX: 3,926	NEST.BO

Equity Shares (m)	96.4
52-Week Range	1,880/1,130
1,6,12 Rel. Perf. (%)	10/44/53
M.Cap. (Rs b)	155.7
M.Cap. (US$ b)	3.6

3 July 2008

Buy

Previous Recommendation: Buy Rs1,615

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	28,161	3,300	34.2	0.3	47.2	25.6	54.3	79.5	5.5	28.5
12/07A	35,044	4,313	44.7	30.7	36.1	26.6	73.7	110.0	4.4	22.2
12/08E	42,661	5,748	59.6	33.3	27.1	23.8	87.7	124.8	3.6	17.6
12/09E	51,197	7,320	75.9	27.3	21.3	18.4	86.5	123.2	3.0	13.8

** Excluding extraordinary items and provisions*

- Nestle is expected to report net sales growth of 22.1% YoY in 2QCY08. EBITDA margin at 20.6% is expected to increase marginally by 40bp YoY as price of key raw materials have increased. Adjusted PAT is expected to increase by 35.7% YoY to Rs1.29b.
- We expect broad-based growth rates across categories with noodles and chocolates leading the growth numbers. We expect rising raw material prices to be a key challenge in the current year as milk and wheat prices are strong.
- We expect Nestle to be among the best plays in the current inflationary environment as the middle and upper middle class is significant user of its products. So the demand growth is unlikely to slow down. In addition, the company has very strong brands with low availability of substitutes for down trading in categories like infant nutrition, coffee and dairy products, which contribute significantly to the profits.
- We expect Nestle to maintain momentum in the launch of high margin value added variants, which would enable the company to sustain double digit volume growth. We expect Nestle to be a major beneficiary of increase in disposable income of middle class. The stock trades at 27.1x CY08E and 21.3x CY09E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**8,631**	**8,389**	**9,067**	**8,957**	**10,909**	**10,240**	**10,960**	**10,581**	**35,044**	**42,661**
YoY Change (%)	*27.7*	*23.2*	*25.5*	*21.7*	*26.4*	*22.1*	*20.9*	*18.1*	*24.4*	*21.7*
Total Exp	6,843	6,694	7,152	7,380	8,419	8,131	8,604	8,730	28,081	33,883
EBITDA	**1,788**	**1,695**	**1,916**	**1,576**	**2,490**	**2,109**	**2,356**	**1,852**	**6,963**	**8,779**
Margins (%)	*20.7*	*20.2*	*21.1*	*17.6*	*22.8*	*20.6*	*21.5*	*17.5*	*19.9*	*20.6*
Depreciation	179	178	184	206	211	205	205	205	747	826
Interest	1.9	3.7	0.7	2.2	0.9	1.0	1.0	0.3	9	3
Other Income	70	32	57	97	63	40	60	100	254	262
PBT	**1,677**	**1,544**	**1,787**	**1,465**	**2,341**	**1,943**	**2,210**	**1,746**	**6,461**	**8,212**
Tax	563	507	597	481	640	610	685	528	2,148	2,464
Rate (%)	*33.6*	*32.8*	*33.4*	*32.8*	*27.3*	*31.4*	*31.0*	*30.3*	*33.2*	*30.0*
Adjusted PAT	**1,114**	**1,037**	**1,190**	**984**	**1,701**	**1,333**	**1,525**	**1,217**	**4,313**	**5,748**
YoY Change (%)	*52.1*	*39.8*	*36.5*	*24.1*	*52.7*	*28.6*	*28.2*	*23.7*	*31.9*	*33.3*
Extraordinary Inc/(Exp)	-30	-80	-29	-48	-100	-35	-40	-10	-175	-185
Reported PAT	**1,085**	**957**	**1,161**	**936**	**1,601**	**1,298**	**1,485**	**1,207**	**4,138**	**5,563**
YoY Change (%)	*22.4*	*30.1*	*39.8*	*50.0*	*47.6*	*35.7*	*28.0*	*28.9*	*31.3*	*34.4*

E: MOSt Estimates

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Tata Tea

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	TT IN
	REUTERS CODE
S&P CNX: 3,926	TTTE.BO

Equity Shares (m)	61.8
52-Week Range	1,014/586
1,6,12 Rel. Perf. (%)	4/9/-6
M.Cap. (Rs b)	43.9
M.Cap. (US$ b)	1.0

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs710

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	40,446	2,710	43.8	-7.2	16.2	1.9	12.5	11.7	2.0	11.4
3/08A	43,923	2,898	46.9	7.0	15.1	1.2	8.1	11.5	0.9	5.5
3/09E	47,857	4,202	67.9	45.0	10.4	1.1	10.9	16.4	0.7	4.4
3/10E	51,546	4,734	76.6	12.7	9.3	1.1	11.3	16.9	0.6	3.7

- We expect Tata Tea to report sales of Rs10.9b in 1QFY09, up 7% YoY. The sales growth will get a boost from double digit growth in domestic branded business and currency translation gains from Tetley and Eight O' Clock coffee.
- EBITDA margin is expected to increase by 90bp to 17.3% in 1QFY09 due to currency gains in overseas operations and steady margins in the domestic business. Tetley will also gain from small price increase in UK market after a gap of several years.
- Interest burden net of other income will decline from Rs846m in 1QFY08 to Rs190m in 1QFY09. Decline in interest cost will be the key factor in enabling 168% increase in adjusted PAT to Rs1.01b.
- Tata Tea is in a sweet spot as it is sitting on cash chest exceeding Rs30b, which it plans to use for acquisitions in the global beverage space. Tight liquidity conditions across the globe might enable the company to bag some good assets due to strong financials.
- Slow growth in overseas businesses has been the stumbling block. Although the management is taking corrective steps by selective acquisitions in specialty and herbal tea space and broadening the product range to include products like water and coffee, these will take time to pay off. The stock is currently trading at 10.4x FY09E earnings and 9.3x FY10E earnings. We maintain **Neutral** due to lack of growth visibility in the overseas operations.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q*	1Q	2Q	3Q	4Q		
Net Sales	**10,188**	**10,965**	**11,849**	**11,768**	**10,900**	**11,700**	**12,650**	**12,607**	**43,923**	**47,857**
YoY Change (%)	*27.5*	*12.6*	*6.5*	*1.5*	*7.0*	*6.7*	*6.8*	*7.1*	*8.6*	*9.0*
Total Exp	8,523	9,143	9,643	10,153	9,010	9,800	10,350	10,606	36,821	39,766
EBITDA	**1,672**	**1,582**	**2,112**	**1,615**	**1,890**	**1,900**	**2,300**	**2,001**	**7,102**	**8,091**
Margins (%)	*16.4*	*14.4*	*17.8*	*13.7*	*17.3*	*16.2*	*18.2*	*15.9*	*16.2*	*16.9*
Depreciation	258	240	227	235	269	279	298	308	916	1,154
Interest	946	660	504	118	460	535	660	495	2,214	2,150
Other Income	100	204	47	59	650	780	640	682	397	2,752
PBT	**567**	**886**	**1,427**	**1,322**	**1,811**	**1,866**	**1,982**	**1,880**	**4,369**	**7,539**
Tax	140	373	503	594	600	610	650	628	1,534	2,488
Rate (%)	*24.7*	*42.1*	*35.2*	*44.9*	*33.1*	*32.7*	*32.8*	*33.4*	*35.1*	*33.0*
PAT	**427**	**513**	**924**	**728**	**1,211**	**1,256**	**1,332**	**1,252**	**2,835**	**5,051**
YoY Change (%)	*-49.9*	*-57.8*	*81.8*	*158.8*	*183.5*	*145.0*	*44.1*	*72.0*	*7.9*	*78.2*
Minority Interest/ Share of Associate	-50	-51	-103	-46	-200	-190	-250	-210	63	-850
Adjusted PAT	**377**	**462**	**821**	**682**	**1,011**	**1,066**	**1,082**	**1,043**	**2,898**	**4,202**
YoY Change (%)	*-54.0*	*-63.7*	*96.6*	*237.4*	*168.3*	*131.0*	*31.7*	*52.9*	*7.0*	*45.0*
Extraordinary Gains	80	631	15,723	448	0	0	0	0	16,160	0
Reported PAT	**457**	**1,092**	**13,073**	**1,130**	**1,011**	**1,066**	**1,082**	**1,043**	**19,059**	**4,202**
YoY Change (%)	*-45*	*-44*	*1,016*	*123.7*	*121.3*	*-2.4*	*-91.7*	*-7.7*	*316.1*	*-78.0*

*E: MOSt Estimates; * 4QFY08 sales show adjustment for previous quarters due to sale of north India plantations*

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United Spirits

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	UNSP IN
	REUTERS CODE
S&P CNX: 3,926	UNSP.BO

Equity Shares (m)	107.9
52-Week Range	2,188/1,065
1,6,12 Rel. Perf. (%)	-12/-11/-2
M.Cap. (Rs b)	116.2
M.Cap. (US$ b)	2.7

3 July 2008

Buy

Previous Recommendation: Buy

Rs1,077

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	27,205	2,542	27.8	576.3	38.7	8.2	18.9	17.3	3.5	21.3
03/08A	45,965	3,547	39.7	42.8	27.1	11.6	34.9	31.5	3.1	15.5
03/09E	54,462	5,000	56.0	41.0	19.2	8.4	32.2	32.9	2.6	13.0
03/10E	61,290	6,927	77.6	38.6	13.9	6.2	31.1	36.3	2.1	10.1

** Excluding extraordinary items and provisions*

- We expect Untied Spirits to register 23.4% growth in topline to Rs9.4b in 1QFY09. The numbers are not comparable as 1QFY08 numbers have not factored in the sales of Shaw Wallace. EBIDTA margin is likely to improve by 10bp to 22.5% in 1QFY09. We expect adjusted PAT to increase to Rs1,175m in 1QFY09, a growth of 31%. Above estimates don' t include numbers of White & Mackay.
- Industry volume growth is sustaining at 11-12% and there is no let up in consumer up-trading. Prices of molasses and ENA have increased by 30% and 15% on YoY basis. In addition, the glass prices have moved up by 5-8%. Although molasses prices are likely to soften during the crushing season from October, the YoY prices are likely to remain 20-25% higher due to expected decline in sugar production.
- The management seems confident of sustaining the volume growth and profit margins on the back of favorable mix change and selective price increases. The company will benefit from Rs800/case price increase in Tamil Nadu in December 2007 and 3-4% price increase in Delhi in April. The overall price increase has been 2.5%-3% and more price increases are likely in the coming months.
- We expect volume growth to accelerate in the coming years due to rising disposable income of middle class and favorable regulatory changes. We believe United Spirits continues to be best bet in the liquor space in India. The stock is trading at 19.2x FY09E and 13.9x FY10E. We maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08*				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**7,657**	**7,526**	**8,890**	**7,590**	**9,450**	**9,300**	**11,050**	**9,337**	**31,663**	**39,137**
YoY Change (%)	*16.9*	*19.1*	*15.3*	*15.9*	*23.4*	*23.6*	*24.3*	*23.0*	*16.4*	*23.6*
Total Exp	5,943	5,925	7,182	6,237	7,325	7,340	8,950	7,690	25,359	31,305
EBITDA	**1,714**	**1,601**	**1,708**	**1,353**	**2,125**	**1,960**	**2,100**	**1,647**	**6,304**	**7,832**
Margins (%)	*22.4*	*21.3*	*19.2*	*17.8*	*22.5*	*21.1*	*19.0*	*17.6*	*19.9*	*20.0*
Depreciation	70	72	90	85	90	95	98	102	317	385
Interest	292	328	328	329	290	310	300	298	1,276	1,198
PBT from Operations	**1,352**	**1,201**	**1,290**	**939**	**1,745**	**1,555**	**1,702**	**1,247**	**4,711**	**6,249**
Other Income	49	42	96	107	90	80	140	326	294	636
PBT	**1,400**	**1,243**	**1,386**	**1,047**	**1,835**	**1,635**	**1,842**	**1,573**	**5,004**	**6,885**
Tax	505	389	505	396	660	510	670	572	1,794	2,412
Rate (%)	*36.0*	*31.3*	*36.4*	*37.8*	*36.0*	*31.2*	*36.4*	*36.4*	*35.8*	*35.0*
PAT	**896**	**854**	**882**	**651**	**1,175**	**1,125**	**1,172**	**1,000**	**3,211**	**4,472**
YoY Change (%)	*98.5*	*51.6*	*14.7*	*14.1*	*31.2*	*31.7*	*33.0*	*53.6*	*39*	*39.3*
Extraordinary Inc/(Exp)	-20	-52	0	0	0	0	0	0		0
Reported PAT	**876**	**802**	**882**	**651**	**1,175**	**1,125**	**1,172**	**1,000**	**3,211**	**4,472**

*E: MOSt Estimates; * FY08 numbers does not include benefits of Shaw Wallace merger*

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Information Technology

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

The key highlight of the quarter was a significant rupee depreciation versus major currencies; the rupee depreciated by an average ~4.85% v/s the US$, ~4.4% v/s the GBP and ~9% v/s the Euro respectively, in the quarter. This is contrary to consensus thereby lending double impetus to the sector. This would lead to positive margin surprises owing to the observation that 1% rupee movement impacts operating margins positively by ~40bp. With the rupee finishing at 43.105 against the US$ on 30 June , we are further revising our Rs/US$ assumption for FY09 to Rs41.50/US$ from Rs40.6/US$ assumed a month back, accordingly boosting earnings for FY09 (see valuation summary)

The sector also benefited from the government's policy — the Ministry of Finance announced extension of the software technology parks of India (STPI) scheme by 12 months affording tax relief to IT exporting companies for one additional year. This implies that the offshore export income of IT companies would become eligible to be taxed at the full rate of 30% (plus surcharges and levies) only after 1 April 2010 instead of from 1 April 2009.

Post a precarious FY08, FY09 had begun on a good note for the IT sector led by better than expected revenue guidance of 21% (US$) given by Infosys and 25% revenue guidance (in US$) given by Satyam Computers, followed by the sharper rupee depreciation of over 4.8% against major currencies and the STPI scheme extension. These tailwinds saw some re-rating of several of the large cap IT companies.

Underlying assumptions behind growth

We have assumed a muted revenue growth (in US$ terms) for frontline IT companies with a small guidance beat, primarily due to low volume growth assuming the pricing remains flat. Thus the key contributor to the growth in rupee terms is expected to be the over 4.7% average rupee depreciation against the US$. On the operating margins front,

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Information Technology							
HCL Technologies	Buy	20,458	5.2	5,266	9.0	3,012	-12.0
Infosys	Buy	48,034	5.8	15,421	4.3	13,015	4.2
MphasiS	Buy	6,937	5.5	1,169	13.2	674	-5.6
Patni Computer	Neutral	7,492	6.1	1,191	12.2	763	5.3
Satyam Computer	Buy	26,336	9.0	6,285	14.1	5,399	15.7
TCS	Buy	64,069	5.1	15,831	2.0	12,455	-0.8
Tech Mahindra	Neutral	10,847	6.2	2,256	1.4	1,769	-19.2
Wipro	Buy	41,262	8.9	12,767	13.9	9,824	12.2
Sector Aggregate		**225,436**	**6.5**	**60,185**	**7.2**	**46,911**	**3.0**

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the companies in our coverage are expected to benefit to the extent of about 180-200bps due to the forex rate movement, while some frontliners (Infosys, TCS) are expected to shed the margin gains due to wage hikes during the quarter.

Feeble signs of recovery in US economy and optimism for Indian IT vendors

Though the US financial crisis woes are yet to get out of woods, there are few signals of matters getting back on track.

- In the face of data emanating from the US in the past few months, it may well seem that the US economy has held up well and has avoided the hard landing that generally follows such stiff shocks (sub prime and credit crisis), thanks to the response of policy makers in the US - particularly the US Central Bank. The Federal Reserve (Fed), which has been relatively quick and decisive (gauging from the seven successive interest rate cuts in approximately seven months), cut interest rates for the first time in four years from a peak rate of 5.25% around September 2007 to 2% by early May 2008.

- **Economy grows faster than previously believed:** The US gross domestic product (GDP) grew at 0.9% annual rate in the first quarter, stronger than the initial 0.6% reading, which means the US economy is not in a recession yet (the most common definition of a recession is two consecutive quarters in which GDP growth is negative, although the official designation of an economic downturn is based on broader measures as determined by the NBER).

- **US BFSI clients have started floating RFIs:** We checked with a few frontline companies about the health of their BFSI clients. Although clients in the BFSI vertical who have been worst impacted on account of the sub prime crisis, have not yet begun IT spends to reflect normal business conditions, these clients have started floating more RFI and RFPs recently indicating: (a) their willingness to undergo held back IT spend; and (b) their confidence to improve things or compulsion to invest in IT to maintain competitiveness/further rationalize costs. Whatever be the reason, inclination to increase IT spend is a positive development for Indian IT sector.

- **Management changes effected:** Most major BFSI companies in the US which were impacted due to huge write-offs on account of the credit crisis have undergone changes in their top management, with changes across CEO, CFO, CXO and CIOs. With all these changes having already taken place and no significant pull back or IT spend cut being witnessed by any Indian or MNC IT vendors until date, we note this is a positive indication and that after all the worst could be behind us.

- **Pricing is stable:** Unlike 2001, the crisis year, which witnessed substantial impact on pricing, this time the indicators are that one should not aim for considerable increases in the bill rates as in FY08, but rather look for prices to remain stable overall. We note, even in the affected BFSI, pricing appears to be stable with an upward bias.

- **IT spend outside the US normal:** As expected, IT spend outside the US is normal — demand environment from Europe including continental Europe remains healthy, IT spend in APAC especially Australia and Middle East remains strong. These economies are today more open to off-shoring, than they were in the past.

What about hedging losses?

The change in direction of exchange rate movement portends that hedging strategies will go awry, leading to forex losses below the operating level. While Infosys and Satyam follow the MTM method of accounting for the losses, the other three follow the cash flow method.

As on 31 March 2008 the hedging positions of leading IT companies are:

Infosys

- Hedging position - US$760m (mix of vanilla options and forwards)
- Hedging policy – hedges net receivable for two quarters
- Remark – company is likely to end up with ~ US$700m hedges as of June 2008 end; in line with the company's hedging policy, with translation gains adjusting for currency losses, we expect a nominal loss (< US$5m) due to sharper rupee depreciation (quarter end rate of around ~ Rs43.10/US$)

TCS

- Hedging position – around US$3.3b (around 80% options and rest forwards) (over 90% against US$ rest in Euro and GBP)
- Hedging policy – achieve target rate for hedging with use of instruments approved by board
- Remark – We expect sizable losses (~US$10m) due to sharper rupee depreciation (quarter end rate of around ~ Rs43.10/US$)

Satyam

- Hedging position – hedges of US$1b reduced to US$750.
- Hedging policy - hedges 50% of its net receivables
- Remark – we believe the company is likely to end up with ~US$600m hedges as of June 2008 end; in line with company's hedging policy, with translation gains adjusting for currency losses, we expect a nominal loss (~US$6m) due to sharper rupee depreciation (quarter end rate of around ~Rs43.10/US$)

Wipro

- Hedging position - The outstanding hedges are about US$3.5 (mix of 65% / 35% of options and forwards) between Rs39.50-Rs43 a US$
- Hedging policy - hedges net inflows for next four quarters; hedging losses of ~US$20m
- Remark – we expect sizable losses due to sharper rupee depreciation (quarter end rate of around ~Rs43.1/US$)

HCL Technologies

- Hedging Position - total hedges of US$2.7b (all forwards) including US$2.5b in US dollar/rupee and the balance in Great Britain pounds (GBP), euro and other currencies
- Hedging policy - policy of covering net receivables for the next 10 quarters in dollar-rupee terms and about four quarters in GBP and euro
- Remark – we expect sizable losses (~US25m) for HCL as it has hedges of over US$2.7b which is ~ 1.5x its revenues, further all its hedges are through forward contracts. Hence we expect sizable forex losses due to sharper rupee depreciation (quarter end rate of around ~Rs43.1/US$)

We expect Infosys to be least impacted by forex losses, followed by Satyam, TCS, Wipro, and HCL Tech in that order.

On positive side, every 1% rupee depreciation results in to 30 to 40bp expansion in operating margins for frontline IT companies.

Wage hikes: During the current quarter wage hike is effective for Infosys, TCS, Tech Mahindra & Patni, while Satyam, HCL Tech have wage hikes in 2Q (September quarter) and Wipro spreads the hikes across the year. We expect the offshore wage hikes to be around 12-13% for the top five companies. We expect negative impact of wage hikes and visa costs to be around 250-300bp at the EBITDA level, offset to certain extent by over 4.7% rupee depreciation.

Valuation and view

Although the dust is yet to settle on the US credit crisis, which implies continued uncertainty on the IT spend outlook and thereby on the demand front for the Indian IT sector. We still believe frontline Indian IT companies could deliver between 20-30% growth in US$ terms for FY09 with rupee earnings at between 18-25%. Our presumption is based on the reassuring visibility given by the frontline companies for FY09 during our recent interactions. Apart from this we reckon offshoring would remain the most viable option for global companies particularly those impacted by credit crisis; to rationalize their IT costs and get efficiency gains by outsourcing to low-cost and high-value adding countries like India which dominate the offshoring (outsourcing to low cost countries) space with ~ 53%* market share (* *NASSCOM Strategic Review 2008*).

The key risks continue to be: (a) further significant worsening of the US economy hereafter, even after slowing down considerably in 1QCY08, which may lead to a cascading impact on the global economies; and (b) significant worsening of the credit crisis which is yet to bottom out. These two factors could lead to much slower global growth for corporations and hence their IT spends.

We continue to be positive on the IT sector and reiterate Buy on TCS, Infosys, Wipro, Satyam and HCL Tech with a 12-month perspective, based on the weakening rupee and tax relief for one more year to FY10 further helping the sector to deliver improved earnings.

We have revised our earnings estimates for FY09 and FY10 in view of raising our average Re/US$ rate assumption from Rs40.6 to Rs41.5 for FY09 and from 39.2 to Rs40.0 for FY10.

REVISED ESTIMATES

	OLD ESTIMATES			REVISED ESTIMATES		
EPS - RS	FY08A	FY09E	FY10E	FY08A	FY09E	FY10E
TCS	51.3	60.2	69.4	51.3	60.3	70.5
Growth YoY (%)	*23.1*	*17.4*	*15.3*	*23.1*	*17.6*	*16.9*
Infosys	81.3	97.3	113.0	81.3	101.7	117.1
Growth YoY (%)	*18.8*	*19.7*	*16.1*	*18.8*	*25.2*	*15.1*
Wipro	22.1	27.5	31.6	22.1	28.5	34.7
Growth YoY (%)	*12.0*	*24.4*	*14.9*	*12.0*	*29.0*	*21.9*
Satyam Comp	25.2	31.9	35.9	25.2	34.1	38.4
Growth YoY (%)	*17.7*	*26.4*	*12.5*	*17.7*	*35.0*	*12.7*
HCL Tech	19.0	24.2	27.9	19.5	24.7	27.6
Growth YoY (%)	*0.3*	*27.7*	*15.3*	*3.4*	*26.4*	*11.7*

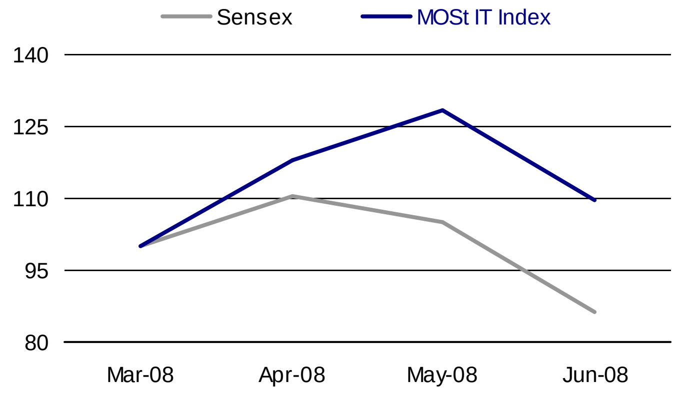
Source: Motilal Oswal Securities

Stock performance and valuations

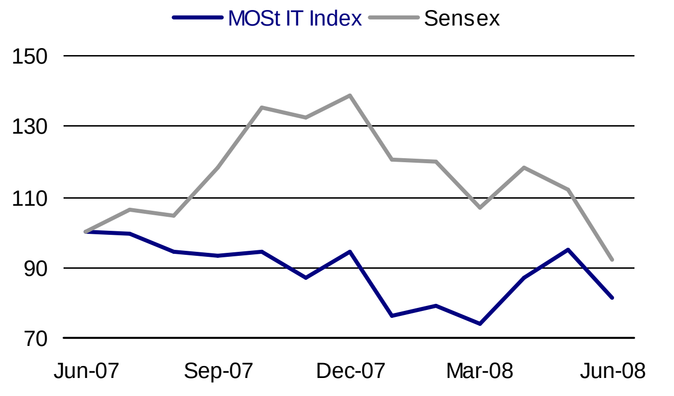
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Information Technology						
HCL Technologies	-6	-30	12	-18	-9	-11
Infosys	15	-10	32	1	12	9
MphasiS	-3	-40	15	-29	-6	-21
Patni Computer	-8	-58	9	-46	-11	-39
Satyam Computer	5	-4	23	7	2	15
TCS	-4	-24	14	-13	-7	-5
Tech Mahindra	-5	-52	13	-40	-8	-33
Wipro	-1	-17	16	-5	-4	2

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Information Technology														
HCL Technologies	236	Buy	17.9	23.8	26.5	13.2	9.9	8.9	8.0	6.3	5.2	21.2	25.0	25.3
Infosys	1,748	Buy	81.3	101.7	117.1	21.5	17.2	14.9	17.7	12.8	10.3	37.2	37.5	34.4
MphasiS	196	Buy	12.2	14.7	18.9	16.0	13.3	10.3	7.4	5.4	4.0	31.0	30.2	31.3
Patni Computer	219	Neutral	33.6	25.5	30.1	6.5	8.6	7.3	3.5	2.6	2.0	19.0	12.8	14.3
Satyam Computer	451	Buy	25.2	34.1	40.0	17.9	13.2	11.3	14.1	9.2	7.3	26.0	28.0	26.1
TCS	855	Buy	51.3	60.3	70.5	16.7	14.2	12.1	14.0	10.9	8.9	46.1	40.2	35.9
Tech Mahindra	692	Neutral	58.3	70.8	88.8	11.9	9.8	7.8	10.3	6.9	4.7	56.2	33.8	37.8
Wipro	430	Buy	22.1	28.5	34.7	19.4	15.1	12.4	14.7	10.5	8.0	27.9	28.7	27.8
Sector Aggregate						**18.1**	**14.5**	**12.2**	**14.1**	**10.3**	**8.2**	**30.1**	**29.4**	**27.6**

HCL Technologies

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	HCLT IN
	REUTERS CODE
S&P CNX: 3,926	HCLT.BO

Equity Shares (m)	663.7
52-Week Range	347/180
1,6,12 Rel. Perf. (%)	-2/12/-18
M.Cap. (Rs b)	156.7
M.Cap. (US$ b)	3.6

3 July 2008

Buy

Previous Recommendation: Buy

Rs236

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
6/07A	60,336	11,131	18.9	72.8	12.5	3.1	26.8	30.1	2.2	10.0
6/08E	75,164	10,028	17.9	-5.1	13.2	3.0	21.2	23.9	1.8	8.0
6/09E	97,503	13,808	23.8	32.7	9.9	2.5	25.0	28.6	1.3	6.3
6/10E	120,428	15,773	26.5	11.2	8.9	2.5	25.3	30.1	1.1	5.2

** After ESOP charges*

- We expect HCL Technologies revenue to grow by 5.2% QoQ at Rs20.5b.
- Consolidated EBITDA margins are likely to improve by 90bp due to ~5% rupee depreciation against the US$. Part salary hike due for next quarter
- HCLT has a forex forward cover of US$2.5b in US$ and ~US$200m in GBP, euros and other currencies, with almost nil exposure to options. We expect sizable forex losses both due to the quantum at seven times receivables and the nature of the cover (all forwards).
- Net profit is expected to decline by 12% QoQ (after ESOP charges) in rupee terms at Rs3b due to a higher expected forex losses.
- The stock trades at 13.2x FY08E and 9.9x FY09E earnings estimates (after ESOP charges).
- **Key risks:** US and IT spend slowdown; rupee appreciation.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E JUNE	FY07				FY08				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenues	**13,794**	**14,651**	**15,771**	**16,120**	**17,092**	**18,166**	**19,448**	**20,458**	**60,336**	**75,164**
Q-o-Q Change (%)	*10.0*	*6.2*	*7.6*	*2.2*	*6.0*	*6.3*	*7.1*	*5.2*	*37.5*	*24.6*
Direct Expenses	8,709	9,107	9,737	10,039	10,763	11,258	11,946	12,430	37,592	46,397
Sales, General & Admin. Exp.	2,098	2,303	2,366	2,607	2,689	3,023	3,172	3,309	9,374	12,193
Operating Profit	**3,265**	**3,588**	**4,086**	**3,843**	**3,999**	**4,369**	**4,829**	**5,266**	**13,370**	**16,574**
Margins (%)	*23.7*	*24.5*	*25.9*	*23.8*	*23.4*	*24.1*	*24.8*	*25.7*	*22.2*	*22.1*
Other Income	12	134	197	2,504	145	58	-271	-1,063	2,847	-1,131
Depreciation	556	623	659	693	686	723	773	864	2,531	3,046
PBT bef. Extra-ordinary	**2,721**	**3,099**	**3,624**	**5,654**	**3,458**	**3,704**	**3,785**	**3,338**	**13,686**	**12,396**
Provision for Tax	219	206	283	777	346	355	368	334	1,485	1,403
Rate (%)	*8.0*	*6.6*	*7.8*	*13.7*	*10.0*	*9.6*	*9.7*	*10.0*	*10.9*	*11.3*
Share of Income from Eq. Investees	4	-7	-3	-3	0	0	0	0	-9	0
Minority Interest	5	23	20	7	28	21	-7	-7	55	35
PAT bef. EO & ESOP Chrg.	**2,501**	**2,863**	**3,318**	**4,867**	**3,084**	**3,328**	**3,424**	**3,012**	**12,137**	**10,959**
Q-o-Q Change (%)	*7.3*	*14.5*	*15.9*	*46.7*	*-36.6*	*7.9*	*2.9*	*-12.0*	*57.0*	*-9.7*

E: MOSt Estimates

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Infosys

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	INFO IN
	REUTERS CODE
S&P CNX: 3,926	INFY.BO

Equity Shares (m)	571.8
52-Week Range	2,140/1,212
1,6,12 Rel. Perf. (%)	9/38/1
M.Cap. (Rs b)	999.4
M.Cap. (US$ b)	23.1

3 July 2008

Buy

Previous Recommendation: Buy

Rs1,748

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	138,930	37,250	68.4	53.3	25.5	8.8	42.3	46.4	6.6	20.9
3/08A	166,920	45,580	81.3	18.8	21.5	7.3	37.2	42.7	5.4	17.3
3/09E	213,280	58,317	101.7	25.2	17.2	5.8	37.5	44.3	4.0	12.4
3/10E	260,908	67,150	117.1	15.1	14.9	4.6	34.4	42.0	3.2	10.0

** 1:1 bonus in FY07, accordingly ratios are adjusted, PAT figures are adjusted PAT*

- We expect consolidated revenues to grow by 5.5% QoQ. Revenue growth in US dollar terms is expected to be 1.2% QoQ (guidance: 0.3% at the upper end), on the back of flat pricing and modest volume growth assumptions of 1.8%.
- EBITDA margins are expected to be marginally down by 40bp at 32.1% levels on account of wage hike costs, which is expected to be offset by a depreciated rupee.
- The company holds hedges worth ~US$760m with a mix of options and forwards as of 31st March 2008. We have factored in nominal losses due to currency movement during the quarter.
- Net profit growth in 1QFY09 is expected to be subdued with PAT growth of 4.2% at Rs13.01m.
- We believe the chances of Infosys revising its US$ guidance upward is remote, given the uncertainties prevailing globally. The rupee guidance could be upped to factor the ~5% rupee depreciation during the quarter, which would change the previous conservative assumption on rupee/US$ parity for FY09.
- The stock currently trades at 17.2x FY09E and 14.9x FY10E earning estimates.
- **Key issues:** US and IT spend slowdown; rupee appreciation.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**37,730**	**41,060**	**42,710**	**45,420**	**48,034**	**50,833**	**54,261**	**60,153**	**166,920**	**213,280**
Q-o-Q Change (%)	*0.0*	*8.8*	*4.0*	*6.3*	*5.8*	*5.8*	*6.7*	*10.9*	*20.1*	*27.8*
Direct Expenses	21,690	22,310	23,250	24,820	26,224	27,844	29,558	32,908	92,070	116,534
Sales, General & Admin. Exp.	5,200	5,910	5,540	5,820	6,388	6,659	7,000	7,760	22,470	27,807
Operating Profit	**10,840**	**12,840**	**13,920**	**14,780**	**15,421**	**16,330**	**17,703**	**19,485**	**52,380**	**68,939**
Margins (%)	*28.7*	*31.3*	*32.6*	*32.5*	*32.1*	*32.1*	*32.6*	*32.4*	*31.4*	*32.3*
Other Income	2,530	1,540	1,580	1,390	1,740	1,884	2,170	2,386	7,040	8,181
Depreciation	1,440	1,440	1,530	1,570	1,849	1,957	2,089	2,316	5,980	8,211
Provisions									2	
PBT bef. Extra-ordinary	**11,930**	**12,940**	**13,970**	**14,600**	**15,312**	**16,257**	**17,785**	**19,556**	**53,440**	**68,909**
Provision for Tax	1,650	1,940	2,160	2,110	2,297	2,487	2,757	3,051	7,860	10,591
Rate (%)	*13.8*	*15.0*	*15.5*	*14.5*	*15.0*	*15.3*	*15.5*	*15.6*	*14.7*	*15.4*
PAT	**10,280**	**11,000**	**11,810**	**12,490**	**13,015**	**13,769**	**15,028**	**16,505**	**45,580**	**58,317**
Extra-ordinary Items	510	0	500	0	0	0	0	0	1,010	0
PAT aft. Minority and EO	**10,790**	**11,000**	**12,310**	**12,490**	**13,015**	**13,769**	**15,028**	**16,505**	**46,590**	**58,317**
Q-o-Q Change (%)	*-5.7*	*1.9*	*11.9*	*1.5*	*4.2*	*5.8*	*9.1*	*9.8*	*20.8*	*25.2*

E: MOSt Estimates

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MphasiS

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	MPHL IN
	REUTERS CODE
S&P CNX: 3,926	MBFL.BO

Equity Shares (m)	164.1
52-Week Range	335/150
1,6,12 Rel. Perf. (%)	3/3/-29
M.Cap. (Rs b)	32.1
M.Cap. (US$ b)	0.7

3 July 2008

Buy

Previous Recommendation: Buy

Rs196

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	11,958	1,199	7.3	-21.5	26.8	4.3	21.2	23.5	2.5	14.8
3/08A	24,231	2,553	12.2	67.4	16.0	4.4	31.0	32.1	1.6	9.5
3/09E	30,311	3,074	14.7	20.4	13.3	3.6	30.2	33.8	1.2	7.1
3/10E	37,625	3,954	18.9	28.6	10.3	2.9	31.3	35.6	1.0	5.3

- We expect Mphasis to report revenue growth of 5.5% in 1QFY09.
- EBITDA margins are expected to improve slightly at around 16.9% in the quarter.
- In 1QFY09, we expect tax rate to increase to 10% levels versus negligible tax in 4QFY08.
- Net profit is expected to decline at -6% QoQ on higher tax rate and forex losses.
- The stock is currently trading at 13.3x FY09E and 10.3x FY10E earnings estimates. Maintain **Buy**.
- **Key issues:** Revenue growth through parent company EDS (now HP), margins, US and IT spend slowdown and integration.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08*				FY09E*				FY08	FY09E*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**5,316**	**6,017**	**6,323**	**6,576**	**6,937**	**7,354**	**7,758**	**8,262**	**24,231**	**30,311**
Q-o-Q Change (%)	*57.6*	*13.2*	*5.1*	*4.0*	*5.5*	*6.0*	*5.5*	*6.5*	*102.6*	*25.1*
Direct Expenses	3,713	4,290	4,616	4,862	5,030	5,295	5,644	5,949	17,480	21,917
Sales, General & Admin. Exp.	626	648	602	681	738	782	794	820	2,557	3,134
Operating Profit	**978**	**1,079**	**1,104**	**1,033**	**1,169**	**1,277**	**1,321**	**1,494**	**4,194**	**5,260**
Margins (%)	*18.4*	*17.9*	*17.5*	*15.7*	*16.9*	*17.4*	*17.0*	*18.1*	*17.3*	*17.4*
Other Income	-147	-15	-28	59	-21	29	-6	-31	-130	-31
Depreciation	305	340	374	382	399	430	458	487	1,402	1,774
PBT bef. Extra-ordinary	**526**	**724**	**702**	**710**	**749**	**875**	**856**	**975**	**2,661**	**3,455**
Provision for Tax	13	61	40	-5	75	96	94	117	109	382
Rate (%)	*2.4*	*8.4*	*5.6*	*-0.6*	*10.0*	*11.0*	*11.0*	*12.0*	*4.1*	*11.1*
PAT bef. Extra-ordinary	**513**	**663**	**663**	**714**	**674**	**779**	**762**	**858**	**2,552**	**3,072**
Q-o-Q Change (%)	*12.7*	*29.2*	*-0.1*	*7.8*	*-5.6*	*15.6*	*-2.2*	*12.6*	*112.9*	*20.4*

*E: MOSt Estimates; *Consolidated with EDS (I)*

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Patni Computer Systems

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	PATNI IN
	REUTERS CODE
S&P CNX: 3,926	PTNI.BO

Equity Shares (m)	138.9
52-Week Range	546/185
1,6,12 Rel. Perf. (%)	1/3/-46
M.Cap. (Rs b)	30.4
M.Cap. (US$ b)	0.7

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs219

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/07A	26,950	4,643	32.4	30.0	6.5	1.1	19.0	22.7	0.6	3.5
12/08E	30,601	3,565	24.6	-24.0	8.6	1.0	12.8	15.1	0.4	2.7
12/09E	35,686	4,470	29.2	18.3	7.3	1.0	14.3	16.9	0.4	2.4
12/10E	41,566	4,760	31.0	6.5	6.8	0.9	14.1	17.6	0.1	0.8

** Reflects adjusted PAT*

- We expect revenue to grow 6.1% QoQ in rupee terms in 2QCY08.
- EBITDA margins are expected to improve by 86bp at 15.9% compared with 15% during the last quarter.
- We expect net profit to increase by 5.3% QoQ at Rs763m
- The stock trades at 8.6x CY08E and 7.3x CY09E earnings estimates. We remain **Neutral** on the stock.
- **Key issues**: US and IT spend slowdown; rupee appreciation, margins, attrition rate.

QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenues	**6,724**	**6,628**	**6,736**	**6,862**	**7,061**	**7,492**	**7,848**	**8,199**	**26,950**	**30,601**
Q-o-Q Change (%)	*-1.2*	*-1.4*	*1.6*	*1.9*	*2.9*	*6.1*	*4.8*	*4.5*	*3.2*	*13.5*
Direct Expenses	4,204	4,303	4,470	4,594	4,843	5,060	5,265	5,401	17,570	20,568
Sales, General & Admin. Exp.	1,094	1,108	1,149	1,130	1,157	1,241	1,276	1,332	4,480	5,006
Operating Profit	**1,427**	**1,217**	**1,117**	**1,138**	**1,061**	**1,191**	**1,308**	**1,467**	**4,899**	**5,026**
Margins (%)	*21.2*	*18.4*	*16.6*	*16.6*	*15.0*	*15.9*	*16.7*	*17.9*	*18.2*	*16.4*
Other Income	268	635	441	295	59	10	143	146	1,638	359
Depreciation	234	252	262	257	279	292	298	303	1,004	1,173
PBT bef. Extra-ordinary	**1,460**	**1,600**	**1,296**	**1,176**	**842**	**908**	**1,153**	**1,310**	**5,533**	**4,213**
Provision for Tax	260	253	198	179	117	145	182	203	890	647
Rate (%)	*17.8*	*15.8*	*15.3*	*15.2*	*13.9*	*16.0*	*15.8*	*15.5*	*16.1*	*15.4*
Net Income aft. Extra-ordinary	**1,200**	**1,348**	**1,098**	**997**	**725**	**763**	**971**	**1,107**	**4,643**	**3,566**
Q-o-Q Change (%)	*5.8*	*12.3*	*-18.5*	*-9.2*	*-27.3*	*5.3*	*27.3*	*14.0*	*30.0*	*-23.2*

E: MOSt Estimates

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Satyam Computer

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SCS IN
	REUTERS CODE
S&P CNX: 3,926	SATY.BO

Equity Shares (m)	669.1
52-Week Range	544/305
1,6,12 Rel. Perf. (%)	8/41/7
M.Cap. (Rs b)	301.9
M.Cap. (US$ b)	7.0

3 July 2008

Buy

Previous Recommendation: Buy Rs451

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	64,851	14,047	21.5	41.7	21.0	5.1	27.9	30.3	4.1	17.1
3/08A	84,735	16,879	25.2	17.7	17.9	4.2	26.0	29.0	3.1	14.1
3/09E	113,304	23,108	34.1	35.1	13.2	3.3	28.0	32.2	2.1	9.2
3/10E	138,626	27,456	40.0	17.1	11.3	2.6	26.1	31.3	1.6	7.3

** PAT figures reflects adjusted PAT*

- We expect Satyam to report topline growth of 9% QoQ at Rs26.34b in 1QFY09. In dollar terms, we expect the figure to be 3.5% (guidance: 3-3.5%), in line with guidance, as business is expected to be muted in this quarter on account of credit crisis and the US economy slowing down. The volume growth is expected to be in line with topline growth on the back of flat pricing.
- EBITDA margins are expected to improve by 107bp to 23.9% on the back of 5% rupee depreciation in the quarter. Visa cost and BPO salary hikes will impact costs marginally this quarter.
- Net profit is expected to grow by 15.7 during the quarter at Rs5.4b
- The stock is currently trading at 13.2x FY09E and 11.3xFY10E earnings estimates. Maintain **Buy**.
- **Key risks:** US and IT spend slowdown; rupee appreciation.

QUARTERLY PERFORMANCE (INDIAN GAAP) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**18,302**	**20,317**	**21,956**	**24,160**	**26,336**	**27,781**	**28,809**	**30,378**	**84,735**	**113,304**
Q-o-Q Change (%)	*2.9*	*11.0*	*8.1*	*10.0*	*9.0*	*5.5*	*3.7*	*5.4*	*30.7*	*33.7*
Direct Expenses	11,062	13,028	13,806	14,699	15,706	17,223	17,776	18,590	52,595	69,294
Sales, General & Admin. Exp.	3,137	3,263	3,437	3,954	4,345	4,445	4,609	5,043	13,792	18,443
Operating Profit	**4,103**	**4,027**	**4,712**	**5,506**	**6,285**	**6,113**	**6,424**	**6,746**	**18,348**	**25,567**
Margins (%)	*22.4*	*19.8*	*21.5*	*22.8*	*23.9*	*22.0*	*22.3*	*22.2*	*21.7*	*22.6*
Other Income	632	1,105	705	230	468	938	944	995	2,672	3,345
Depreciation	387	391	423	435	500	528	547	577	1,636	2,153
Interest	33	42	81	46	46	49	50	53	202	198
PBT bef. Extra-ordinary	**4,315**	**4,700**	**4,913**	**5,255**	**6,206**	**6,475**	**6,770**	**7,110**	**19,182**	**26,561**
Provision for Tax	532	609	576	587	807	842	880	924	2,304	3,453
Rate (%)	*12.3*	*13.0*	*11.7*	*11.2*	*13.0*	*13.0*	*13.0*	*13.0*	*12.0*	*13.0*
PAT bef. Extra-ordinary	**3,783**	**4,091**	**4,336**	**4,668**	**5,399**	**5,633**	**5,890**	**6,186**	**16,879**	**23,108**
Q-o-Q Change (%)	*-3.9*	*8.1*	*6.0*	*7.7*	*15.7*	*4.3*	*4.6*	*5.0*	*20.2*	*36.9*

E: MOSt Estimates

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Tata Consultancy Services

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	TCS IN
	REUTERS CODE
S&P CNX: 3,926	TCS.BO

Equity Shares (m)	978.6
52-Week Range	1,200/730
1,6,12 Rel. Perf. (%)	5/20/-13
M.Cap. (Rs b)	836.6
M.Cap. (US$ b)	19.3

3 July 2008

Buy

Previous Recommendation: Buy

Rs855

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	186,334	41,316	41.7	39.6	20.5	9.3	54.5	58.8	4.4	16.1
3/08A	228,614	50,191	51.3	23.1	16.7	6.8	46.1	49.8	3.5	13.6
3/09E	285,397	59,028	60.3	17.6	14.2	5.1	40.2	44.9	2.7	10.4
3/10E	341,655	68,984	70.5	16.9	12.1	3.9	35.9	41.2	2.1	8.4

** 1:1 bonus in FY07, accordingly ratios are adjusted*

- We expect TCS to report Rs64.1b revenues a growth of 5.1% QoQ, with dollar revenue growth of 1.7% QoQ in 1QFY09. BFS growth will continue to be subdued.
- EBIDTA margins are expected to be around 24.7%, lower by around 76bp QoQ, due to wage hikes (~10% offshore and 4% onsite) and higher visa expenses. The decline in margins should be arrested due to rupee depreciation of ~5% v/s US$.
- TCS has forex hedges of about US$2.9b, of which ~80% are options. TCS will incur a huge forex loss on account of 5% rupee depreciation v/s the US$, but as the company adopts the cash flow accounting method, significant impact will be reflected in the balance sheet under OCI and a sizable loss will be included under the head, profit and loss.
- Wage hikes, visa and forex losses will result in muted net profit growth at 0.8% QoQ to Rs12.5b in 1QFY09.
- The stock trades at 14.2x FY09E and 12.1x FY10E earnings estimates. We maintain **Buy**.
- **Key risks:** US and IT spend slowdown, rupee appreciation.

QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**52,029**	**56,398**	**59,241**	**60,947**	**64,069**	**68,776**	**73,679**	**78,873**	**228,615**	**285,397**
Q-o-Q Change (%)	*1.1*	*8.4*	*5.0*	*2.9*	*5.1*	*7.3*	*7.1*	*7.0*	*22.7*	*24.8*
Direct Expenses	28,221	30,152	31,384	32,587	35,568	38,063	40,318	41,929	122,344	155,879
Sales, General & Admin. Exp.	10,543	11,426	12,068	12,836	12,670	13,532	14,460	15,479	46,873	56,140
Operating Profit	**13,265**	**14,820**	**15,789**	**15,524**	**15,831**	**17,181**	**18,901**	**21,465**	**59,398**	**73,379**
Margins (%)	*25.5*	*26.3*	*26.65*	*25.47*	*24.71*	*25.0*	*25.65*	*27.21*	*26.0*	*25.7*
Other Income	1,516	1,105	1,048	781	318	459	808	969	4,450	2,554
Depreciation	1,265	1,381	1,475	1,625	1,506	1,616	1,731	1,854	5,746	6,707
PBT bef. Extra-ordinary	**13,516**	**14,543**	**15,362**	**14,681**	**14,643**	**16,024**	**17,978**	**20,581**	**58,102**	**69,226**
Provision for Tax	1,523	2,037	1,947	1,988	2,050	2,211	2,499	2,861	7,494	9,621
Rate (%)	*11.3*	*14.0*	*12.7*	*13.5*	*14.0*	*13.8*	*13.9*	*13.9*	*12.9*	*13.9*
Minority Interest	138	38	107	134	138	142	146	151	416	577
Net Income bef. EO	**11,856**	**12,469**	**13,308**	**12,559**	**12,455**	**13,671**	**15,332**	**17,569**	**50,192**	**59,028**
Q-o-Q Change (%)	*5.9*	*5.2*	*6.7*	*-5.6*	*-0.8*	*9.8*	*12.2*	*14.6*	*23.1*	*17.6*
PAT aft Extra-ordinary	**12,149**	**12,469**	**13,308**	**12,559**	**12,455**	**13,671**	**15,332**	**17,569**	**50,192**	**59,028**

E: MOSt Estimates; Consolidated numbers that include Tata Infotech

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Tech Mahindra

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	TECHM IN
	REUTERS CODE
S&P CNX: 3,926	TEML.BO

Equity Shares (m)	121.3
52-Week Range (Rs)	1,550/615
1,6,12 Rel. Perf. (%)	2/-3/-40
M.Cap. (Rs b)	83.9
M.Cap. (US$ b)	1.9

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs692

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	29,290	6,124	46.4	105.2	14.9	9.1	66.7	65.5	2.8	11.3
3/08A	37,661	7,693	58.3	25.6	11.9	6.8	56.2	54.7	2.3	10.3
3/09E	48,963	9,334	70.8	21.3	9.8	3.3	33.8	33.6	1.5	6.9
3/10E	62,198	11,713	88.8	25.5	7.8	2.1	37.8	37.7	2.1	4.7

** Diluted EPS (before extra-ordinary item)*

- We expect Tech Mahindra to report 6.2% QoQ revenue growth in 1QFY09 in rupee terms.
- We expect EBITDA margins to decline by 100bp mainly due to wage hikes, partly made up by rupee depreciation.
- Net profit (before EO) is expected to decline 19% QoQ due to wage hike impact and higher forex losses compared with the last quarter.
- The stock trades at 9.8x FY09E and 7.8x FY10E consolidated (diluted) earnings estimates. Maintain **Neutral**.
- **Key issues:** BT deal ramp-up; currency appreciation; margins, clarity on upfront payment for potential large deal.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**8,763**	**8,976**	**9,704**	**10,218**	**10,847**	**11,663**	**12,719**	**13,734**	**37,661**	**48,963**
Q-o-Q Change (%)	*0.2*	*2.4*	*8.1*	*5.3*	*6.2*	*7.5*	*9.1*	*8.0*	*28.6*	*30.0*
Direct Cost	5,492	5,658	6,144	6,560	7,127	7,597	8,227	8,849	23,854	31,800
Other Operating Exps	1,338	1,346	1,431	1,434	1,464	1,574	1,654	1,710	5,549	6,402
Operating Profit	**1,934**	**1,972**	**2,129**	**2,224**	**2,256**	**2,492**	**2,839**	**3,175**	**8,259**	**10,761**
Margins (%)	*22.1*	*22.0*	*21.9*	*21.8*	*20.8*	*21.4*	*22.3*	*23.1*	*21.9*	*22.0*
Other Income	131	249	300	364	-50	275	300	300	1,044	825
Interest	15	26	16	5	2	0	0	0	62	2
Depreciation	168	193	206	229	239	268	293	316	796	1,115
Provisions									1	1
PBT bef. Extra-ordinary	**1,882**	**2,002**	**2,207**	**2,354**	**1,965**	**2,498**	**2,847**	**3,159**	**8,445**	**10,469**
Provision for Tax	183	187	213	165	197	262	313	363	748	1,135
Rate (%)	*9.7*	*9.3*	*9.7*	*7.0*	*10.0*	*10.5*	*11.0*	*11.5*	*8.9*	*10.8*
Minority Interest	3	0	0	0	0	0	0	0	3	0
Net Income bef. EO	**1,696**	**1,815**	**1,994**	**2,189**	**1,769**	**2,236**	**2,533**	**2,796**	**7,693**	**9,334**
Q-o-Q Change (%)	*-13.5*	*7.0*	*9.9*	*9.8*	*-19.2*	*26.4*	*13.3*	*10.4*	*25.7*	*21.3*
Extra-ordinary Items	0	2	0	-4,401	0	0	0	0	-4,399	0
Net Income aft. Extra-ordinary	**1,696**	**1,817**	**1,994**	**-2,212**	**1,769**	**2,236**	**2,533**	**2,796**	**3,294**	**9,334**
Q-o-Q Change (%)	*-151.6*	*7.2*	*9.7*	*-210.9*	*-180.0*	*26.4*	*13.3*	*10.4*	*171.9*	*183.3*

E: MOSt Estimates

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Wipro

3 July 2008

Buy

Previous Recommendation: Buy

Rs430

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	WPRO IN
	REUTERS CODE
S&P CNX: 3,926	WIPR.BO

Equity Shares (m)	1,459.5
52-Week Range	552/325
1,6,12 Rel.Perf.(%)	3/22/-5
M.Cap. (Rs b)	627.3
M.Cap. (US$ b)	14.5

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	149,431	28,447	19.7	38.8	21.8	6.2	32.4	36.0	3.9	16.9
3/08A	197,428	32,241	22.1	12.0	19.4	4.8	27.9	29.1	3.0	14.8
3/09E	260,341	41,852	28.5	29.0	15.1	3.9	28.7	30.1	2.2	10.5
3/10E	320,961	51,387	34.7	21.9	12.4	3.0	27.8	30.3	2.0	9.4

** Reflects adjusted PAT*

- We expect Wipro to report growth of 6.5% in Global IT business in rupee terms at Rs41.43b, with an underlying dollar growth of 3.6% QoQ (v/s a guidance of 2.8%).
- Consolidated EBITDA margins are expected to improve by 120bp due to a favourable exchange rate movement QoQ at Rs12.81b. Part salary hike is due next quarter
- We expect consolidated net profit to grow by 12.6% QoQ at Rs9.86b in the quarter.
- At CMP the stock is trading at 15.1x FY09E and 12.4x FY10E; maintain **Buy**
- **Key risks:** US and IT spend slowdown; rupee appreciation.

CONSOLIDATED QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E MARCH	FY08				FY09E*				FY08	FY09E
	1Q	2Q	3Q*	4Q*	1Q	2Q	3Q	4Q		
Global IT Services incl Spectramind	30,030	32,285	35,973	37,899	41,262	43,120	45,493	48,269	136,187	178,144
Other Businesses	11,802	14,996	16,388	18,055	18,976	19,442	20,889	22,888	61,241	82,196
Revenues	**41,832**	**47,281**	**52,361**	**55,954**	**60,238**	**62,562**	**66,383**	**71,158**	**197,428**	**260,341**
Q-o-Q Change (%) - Global IT	*-1.1*	*7.5*	*11.4*	*5.4*	*8.9*	*4.5*	*5.5*	*6.1*	*22.8*	*30.8*
Total Expenses	32,925	37,801	42,193	44,748	47,472	49,956	52,869	56,060	157,667	206,357
EBITDA	**8,907**	**9,480**	**10,168**	**11,206**	**12,767**	**12,606**	**13,514**	**15,097**	**39,761**	**53,983**
Margins (%)	*21.3*	*20.1*	*19.4*	*20.0*	*21.2*	*20.1*	*20.4*	*21.2*	*20.1*	*20.7*
Depreciation & Amortization	1,270	1,320	1,628	1,728	1,792	1,816	1,869	1,977	5,946	7,454
EBIT	**7,637**	**8,160**	**8,540**	**9,478**	**10,975**	**10,790**	**11,645**	**13,120**	**33,815**	**46,529**
Margins (%)	*18.3*	*17.3*	*16.3*	*16.9*	*18.2*	*17.2*	*17.5*	*18.4*	*17.1*	*17.9*
Other Income	220	745	814	287	231	536	444	500	2,066	1,712
PBT	**7,857**	**8,905**	**9,354**	**9,765**	**11,206**	**11,326**	**12,089**	**13,619**	**35,881**	**48,241**
Provision for Tax	839	865	1,074	1,095	1,468	1,529	1,668	1,961	3,873	6,627
Rate (%)	*10.7*	*9.7*	*11.5*	*11.2*	*13.1*	*13.5*	*13.8*	*14.4*	*10.8*	*13.7*
Net Income before EO*	**7,105**	**8,121**	**8,261**	**8,754**	**9,824**	**9,879**	**10,391**	**11,759**	**32,241**	**41,614**
Q-o-Q Change (%)	*-10.2*	*14.3*	*1.7*	*6.0*	*12.2*	*0.6*	*5.2*	*13.2*	*13.3*	*29.1*

*E: MOSt Estimates; * includes Infocrossing*

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Infrastructure

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

Challenging macro environment

During 1QFY09, we expect construction companies in our universe to report revenue growth of 31.5% YoY, EBIDTA 44.2% YoY and net profit 33.8% YoY. We expect EBIDTA margins for the companies to improve by 20bp to 10.2%, v/s 9.9% in 1QFY08. Order intake for infrastructure companies has been healthy except for companies focus on hydro and transportation. The order book-to-bill ratio remains comfortable at ~2.7x FY08E (including L&T) revenues. The key challenges remain — rising input costs and execution delays.

TREND IN ORDER BOOK (RS B)

	1QFY07	2QFY07	3QFY07	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	YOY (%)
Gammon	74,000	80,000	75,000	75,000	80,000	78,000	75,000	80,000	6.7
HCC	91,430	98,170	96,040	93,120	93,810	96,020	90,530	101,580	9.1
IVRCL	66,866	66,372	72,200	81,000	95,000	96,000	110,000	127,000	56.8
L&T	286,520	306,760	357,100	368,820	368,820	440,290	496,000	526,800	42.8
NCC	62,700	66,917	70,250	73,020	77,710	90,040	97,500	113,800	55.8
Patel	43,000	50,000	47,651	50,000	50,000	54,000	55,000	60,000	20.0
Simplex Infra.	45,900	52,000	42,960	53,200	70,000	70,770	89,000	100,000	88.0

Source: Companies/Motilal Oswal Securities

TREND IN REVENUE GROWTH (% YOY)

	FY07				FY08				FY09E	YOY
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	(%)
Gammon	5,539	4,830	4,607	6,207	6,495	4,699	5,227	7,277	8,378	29.0
HCC	5,806	4,257	5,407	8,476	7,306	5,487	7,530	10,550	8,938	22.6
IVRCL	4,266	3,644	5,223	9,923	6,773	6,885	9,749	13,217	9,150	35.1
L&T	34,689	37,361	41,184	62,482	45,052	54,999	63,827	84,669	59,829	32.8
NCC	6,517	6,517	6,998	8,679	7,622	6,772	7,795	12,541	10,061	32.0
Patel	2,900	1,979	2,184	3,962	3,301	2,358	2,622	4,664	4,014	21.6
Simplex Infra	3,520	3,563	4,257	5,770	5,818	5,711	7,040	8,461	8,145	40.0

Source: Companies/Motilal Oswal Securities

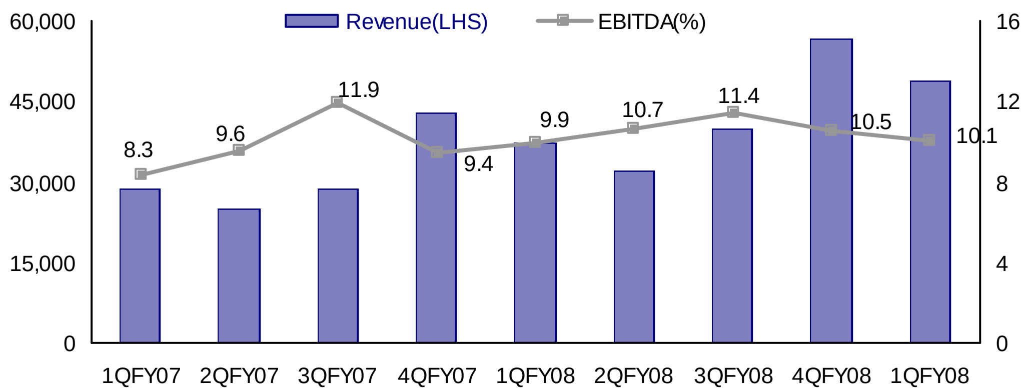
EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Infrastructure							
B.L.Kashyap	UR	4,508	49.0	577	64.0	382	37.6
Gammon India	Neutral	8,378	29.0	753	30.5	327	20.6
Hindustan Construction	Buy	8,938	22.6	1,057	33.7	236	66.0
IVRCL Infra.	Buy	9,150	35.1	869	44.8	472	24.4
Jaiprakash Associates	Buy	11,103	19.8	3,210	34.3	1,600	14.3
Nagarjuna Construction	Neutral	10,061	32.0	964	21.5	420	16.6
Patel Engg.	Buy	4,014	21.6	442	23.4	168	-36.3
Simplex Infra.	Buy	8,145	40.0	823	41.4	286	45.9
Sector Aggregate		**64,298**	**29.6**	**8,696**	**34.9**	**3,891**	**18.3**

UR = Under Review

Satyam Agarwal (Agarwals@MotilalOswal.com)Tel: +91 22 3982 5410/ Shridatta Bhandwaldar (Shridatta.Bhandwaldar@MotilalOswal.com)

REVENUE (RS M) AND EBITDA (%) TREND*



** Excluding L&T as the larger proportion distorts the numbers* *Source: Companies*

Healthy order book position to ensure revenue visibility over FY09-FY10

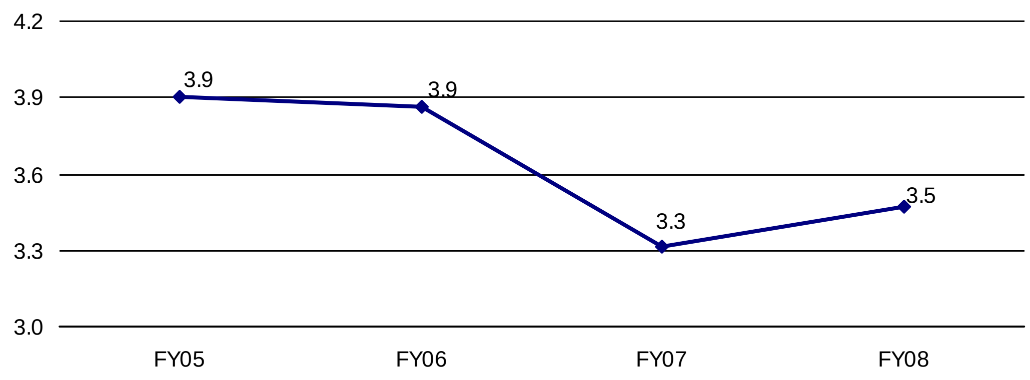
Order book for the construction companies as of March 2008 was up 39.3% YoY indicating healthy order intake during FY08. We have observed that the companies like Patel, Gammon and HCC, with higher exposure to transportation and hydro, have seen very slow order book growth during FY08. The order intake during FY07 has witnessed a mere 15% YoY growth in order book for construction companies versus 142% YoY increase in FY05 and 69% YoY increase in FY06.

TREND IN BOOK TO BILL RATIO (X)

	FY04	FY05	FY06	FY07	FY08
Gammon	2.7	4.3	3.8	4.1	3.2
Hind. Const.	3.8	3.6	4.9	3.9	3.3
IVRCL	2.1	3.7	4.1	3.0	3.5
Nagarjuna Const	2.0	3.0	2.9	2.5	3.3
Simplex Projects	5.5	4.5	3.4	3.0	3.7
Patel Engineering	4.6	5.2	4.9	4.6	3.4

(*) Calculated on FY08E Sales *Source: Motilal Oswal Securities*

BOOK TO BILL RATIO (X)



Source: Companies

We expect order intake for construction companies (particularly with higher exposure to transportation) to accelerate in FY09, driven by increased project award from the NHDP program, increased allocation towards irrigation (Andhra Pradesh government is planning to award projects up to Rs165b for FY09), power projects (through private participation), railways, real estate construction, metal and minerals, industrial capex etc.

Increased input prices to impact EBIDTA margin in1HFY09

Since FY06 construction companies have witnessed improvement in EBIDTA margins driven by favorable demand supply scenario and several projects entering into the revenue recognition stage.

During FY09, companies have guided for neutral to negative bias in the EBIDTA margins. The key challenges are higher commodity prices and increased staff costs. Most of the construction companies have fixed price contracts (~5%-20% of the order backlog) where the margins could be impacted due to higher commodity prices. These contracts are either in-house BOT projects or international contracts. Also, the variation clauses, most of the time, do not provide full cost escalation when the input raw material price increase is sharp. During 1HCY08, the 10mm TMT prices (domestic) have gone up 25%.

TREND IN EBIDTA (%)

QUARTER ENDED	MAR-06	JUN-06	SEP-06	DEC-06	MAR-07	JUN-07	SEP-07	DEC-07	MAR-08	JUN-08
Gammon	7.4	7.6	8.6	11.2	10.9	8.9	8.8	9.0	8.2	9.0
Hindustan Constr.	8.8	8.0	9.4	10.9	9.1	10.8	11.0	13.0	12.6	11.8
IVRCL	9.4	9.5	8.5	10.7	10.8	8.9	8.0	11.1	10.5	9.5
Larsen and Toubro	13.2	9.2	8.9	11.8	14.9	10.2	11.6	11.7	14.9	10.8
Nagarjuna Construction	8.3	8.4	9.5	11.5	8.4	10.4	11.6	11.7	8.7	9.6
Patel Engineering	8.9	11.0	15.5	19.2	11.5	10.9	17.8	17.9	11.5	11.0
Simplex Infra.	9.2	9.3	9.6	11.4	7.3	10.8	11.1	10.6	11.4	10.9

Source: Motilal Oswal Securities

Companies like NCC and Gammon are more vulnerable due commodity prices due to higher proportion of fixed price contracts. NCC and HCC have guided for EBITDA margin pressure during FY09.

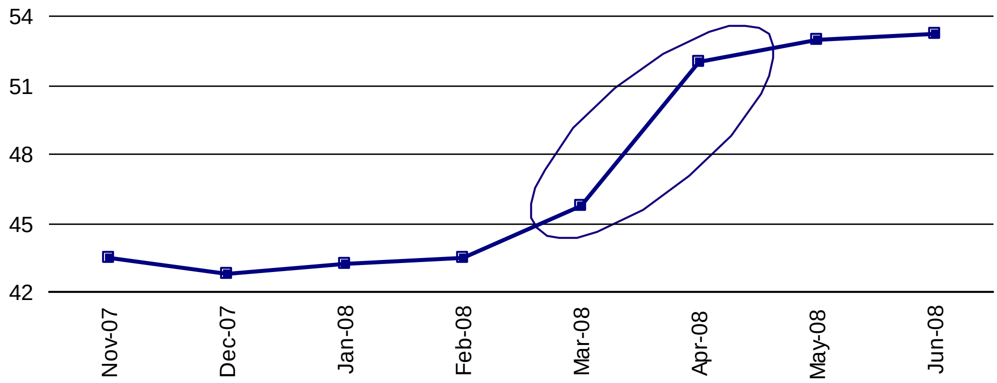
FIXED PRICE CONTRACTS, % ORDER BOOK

	VARIABLE PRICE (%)	FIXED PRICE (%)
Gammon India	82	18
HCC	95	5
IVRCL	93	7
L&T	35	65
Nagarjuna Construction	64	36
Patel Engineering	90	10
Simplex	81	19

Source: Company/Motilal Oswal Securities

The TMT bar prices have increased by 25% during Jan 08- June 08

STEEL PRICES - TMT BARS (10MM), '000/TON



Source: Company/Motilal Oswal Securities

Factors to watch out for

- **Run up to General elections could lead to political uncertainty impacting order intake:** During FY09, project awards could possibly be delayed, ahead of the forthcoming elections. Also, several key states such as Madhya Pradesh, Rajasthan, Andhra Pradesh etc. are set for general elections during the next 12-15 months. Elections generally result in business uncertainty, as the new governments tend to re-look at the existing regulatory framework, ongoing projects etc. and there could be delays in project awards.

ELECTION SCHEDULE

STATE	YEAR
Central Government	May-09
Jammu & Kashmir	Nov-08
Madhya Pradesh	Dec-08
Mizoram	Dec-08
Nct Delhi	Dec-08
Chhattisgarh	Dec-08
Rajasthan	Jan-09
Sikkim	May-09
Andhra Pradesh	May-09

Source: Company/Motilal Oswal Securities

Most construction companies, except Simplex, derive 35% of the order book from government projects (both Central and state). For Simplex, private sector accounts for 65% of the order book, and thus the dependence on government orders is limited.

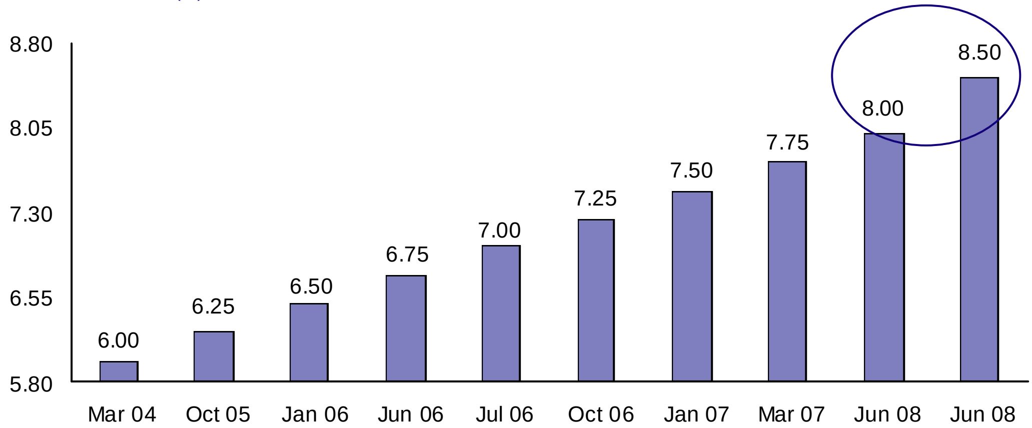
SECTORWISE ORDER BOOK MIX (%)

	PRIVATE	GOVERNMENT
Gammon	25-30	70-75
HCC	10-15	85-90
IVRCL	20-25	75-80
NCC	25-30	70-75
Patel	10-15	85-90
Simplex	65	35

Source: Company/Motilal Oswal Securities

- **Increasing interest rates will impact interest costs and project IRRs:** Falling interest rates can create additional incentive for the private players, by improving returns in PPP projects. At the same time it also helps on the demand side, as more projects become financially viable thus improving the demand scenario for construction companies. Continued high interest rates could potentially postpone some projects. The increase in the interest rates will also impact earnings due to increase in interest costs.

REPO RATE TREND (%), 100BP INCREASE YOY



Source: Company/Motilal Oswal Securities

- **Uncertain capital markets would impact business momentum for infrastructure companies:** Accelerated investments through public private partnerships (PPP) for physical infrastructure requires vibrant capital markets, which encourages value unlocking for existing assets and ease in financing for new projects. Current volatile capital markets could result in investors postponing investments as accessing capital for private players will become challenging. This will delay plans for several companies in segments like BOT, real estate etc. Also, companies in the construction space need to augment their net worth periodically to bid for large projects, and thus require robust capital markets.

Recent hikes in the repo rates will increase the cost of borrowing for the infrastructure companies during 1HFY09

FUND REQUIREMENTS FOR BOT PROJECTS (RS B)

	TOTAL PROJECT COST	TOTAL EQUITY COMMITMENT	EQUITY INVESTED (FY08E)	OUTSTANDING EQUITY COMMITMENT
Gammon	48.0	6.3	2.2	4.0
HCC	21.0	4.0	1.8	2.2
IVRCL	16.5	3.0	2.7	0.3
L&T	186.0	25-30	12.5	12.5-17.5
NCC	130.7	12.1	6.5	5.6
Patel	33.0	9.6	0.5	9.1
Simplex	0.5	0.1	0.1	0.0

Source: Company/Motilal Oswal Securities

FUND RAISING (SINCE FY06)

	MODE	AMOUNT (RS B)
Gammon	GDR	4.5
GIPL	IPO	2.7
Hindustan Construction	FCCB+GDR	8.9
IVRCL	FCCB+QIP	8.6
Larsen and Toubro	FCCB+GDR	20.0
Nagarjuna Construction	QIP+GDS	11.6
Patel Engineering	FPO	4.3
Simplex Infrastructure	QIP	4.1

Source: Motilal Oswal Securities

XIth Five Year Plan target: US$494b investment in infrastructure

In a report published by Panning Commission in October 2007, the investment in infrastructure sector is envisaged at US$494b, representing 7.53% of GDP (v/s 5.63% of GDP in the Xth Plan). The key sectors witnessing major allocation are Power, Roads, Telecom, Railways, Irrigation and Water Supply and Sanitation projects etc. This we believe offers a significant opportunity for construction companies as the construction component for these projects would be significant.

SECTOR-WISE PROJECTIONS OF INVESTMENT DURING THE ELEVENTH PLAN

SECTOR	2007-08	2008-09	2009-10	2010-11	2011-12	TOTAL	10TH PLAN
Electricity	742	928	1,16,541	1,46,914	1,860	6,165	2,919
Roads	514	543	587	679	795	3,118	1,449
Telecom	331	398	503	634	804	2,670	921
Railways	332	400	486	597	765	2,580	1,197
Irrigation	270	338	426	539	657	2,231	648
Water Supply and Sanitation	258	311	379	466	578	1,991	41
Ports	97	117	143	174	208	739	68
Airports	62	65	68	73	80	347	48
Storage	38	41	44	48	52	224	87
Gas	30	35	40	47	54	205	1,115
Total Investment	**2,674**	**3,176**	**2,677**	**3,257**	**5,853**	**20,272**	**8,492**
Total (US $ billion)	65	77	94	115	143	494	212
Investment as % of GDP	**6.0**	**6.5**	**7.2**	**8.1**	**9.2**	**7. 3**	**5.6**
GCF in infrastructure	2,063	2,586	3,186	3,874	4,659	5,713	
GCF in infrastr. as a % of GDP	**5.0**	**5.8**	**6.5**	**7.3**	**8.0**	**9.0**	

Source: Planning Commission

A large part of this funding arrangement would be met through the Central sector (Rs8t), while the share of private sector in overall funding has increased to 29.7% in XIth Five Year Plan v/s 16.7% in Xth Plan. This indicates that an increasing number of projects are being awarded on a PPP basis and will also facilitate faster project awards.

SECTOR-WISE PUBLIC AND PRIVATE INVESTMENT DURING 11TH PLAN (RS B)

	10TH PLAN			11TH PLAN			
	PRIVATE	PUBLIC	PRIVATE %	PRIVATE	CENTRAL	STATE	PRIVATE %
Electricity	918	2,000	31.5	1,625	2,183	2,357	26.4
Roads	70	1,379	4.8	1,125	1,131	862	36.1
Telecom	330	590	35.9	1,777	893	-	66.5
Railways	3	1,194	0.3	505	1,975	100	19.6
Water Supply and Sanitation	10	638	1.6	54	1,137	800	2.7
Ports	19	22	46.7	545	158	36	73.7
Airports	29	38	43.4	212	135	1	60.9
Storage	34	14	70.1	112	45	67	50.0
Gas	-	87	-	65	140	-	31.8
Irrigation	-	1,115	-	-	247	1,984	-
Total	**1,414**	**7,078**	**16.7**	**6,020**	**8,044**	**6,208**	**29.7**

Source: Planning Commission

We remain positive on the sector

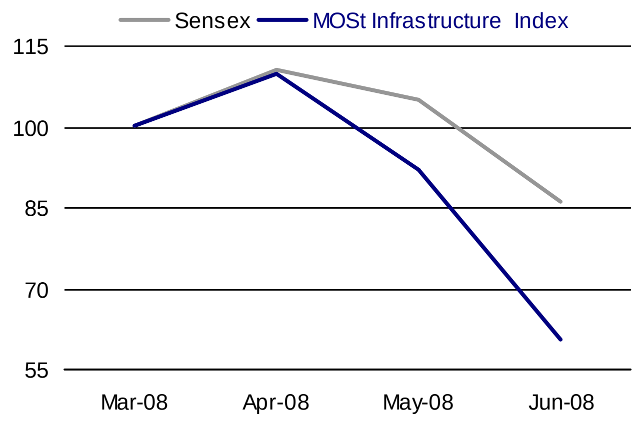
We remain positive on the construction sector, given the strong revenue visibility, growth opportunity in the target markets, possible value unlocking opportunity and recent valuation corrections. But in the medium term the sector is likely to witness several macro challenges given the concerns on the input costs and interest rate increase.

Stock performance and valuations

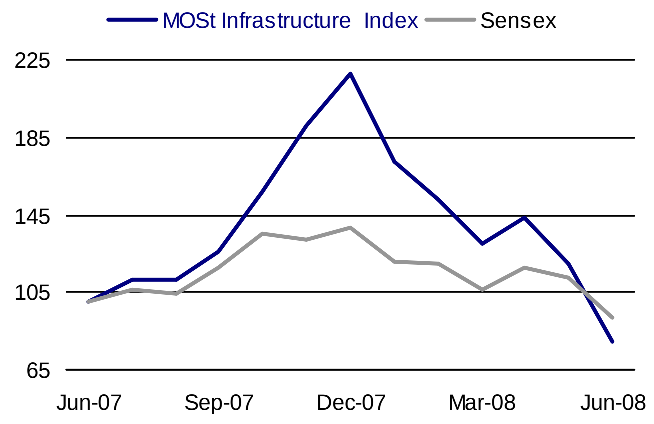
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Infrastructure						
Gammon India	-41	-47	-24	-36	-1	-21
GMR Infrastructure	-43	-47	-26	-36	-3	-21
B.L.Kashyap	-34	22	-17	34	6	49
Hindustan Construction	-41	-42	-23	-30	-1	-15
IVRCL	-25	-26	-7	-15	15	0
Jaiprakash Associates	-41	-11	-23	1	-1	16
Nagarjuna Construction	-38	-37	-21	-25	2	-10
Simplex Infra.	-33	-1	-16	10	6	25
Patel Engg.	-43	-26	-26	-14	-3	1

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Infrastructure														
B.L.Kashyap	1,037	UR	56.2	87.9	115.1	18.5	11.8	9.0	10.8	6.6	4.7	33.1	37.3	35.1
Gammon India	225	Neutral	10.6	14.0	16.9	21.3	16.0	13.3	10.8	8.9	7.4	7.6	9.2	10.0
GMR Infrastructure	81	Neutral	1.2	2.1	1.7	70.5	39.1	46.8	34.7	15.1	9.3	3.4	5.9	4.7
Hindustan Construction	77	Buy	2.5	3.9	6.3	30.5	19.5	12.2	10.2	7.4	5.7	7.4	8.8	10.8
IVRCL Infra.	292	Buy	16.2	20.4	28.6	18.0	14.3	10.2	13.2	9.4	6.6	14.6	16.5	19.8
Jaiprakash Associates	139	Buy	4.7	6.1	8.4	29.3	22.6	16.4	18.7	14.5	10.1	13.3	12.1	13.5
Nagarjuna Construction	124	Neutral	7.0	9.0	11.2	17.6	13.8	11.1	10.7	9.0	8.0	12.2	11.4	12.3
Patel Engg.	331	Buy	26.3	22.9	27.3	12.6	14.5	12.1	11.9	10.0	8.8	19.8	14.4	15.2
Simplex Infra.	379	Buy	16.4	31.7	50.6	23.1	12.0	7.5	10.4	6.5	4.6	12.9	15.1	19.8
Sector Aggregate						**29.2**	**21.1**	**16.5**	**17.3**	**11.6**	**8.2**	**9.7**	**10.8**	**12.0**

UR = Under Review

BL Kashyap

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	KASH IN
	REUTERS CODE
S&P CNX: 3,926	BLKS.BO

Equity Shares (m)	20.5
52-Week Range	2,300/785
1,6,12 Rel. Perf. (%)	-5/-13/34
M.Cap. (Rs b)	21.3
M.Cap. (US$ b)	0.5

3 July 2008

Under Review

Previous Recommendation: Neutral Rs1,037

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	8,081	543	27.1	97.4			20.6	25.3		
3/08A	15,427	1,154	56.2	107.4	18.5	5.3	33.1	37.6	1.3	10.8
3/09E	22,550	1,806	87.9	56.5	11.8	3.8	37.3	43.4	0.8	6.6
3/10E	29,507	2,365	115.1	30.9	9.0	2.7	35.1	41.2	0.6	4.7

- B L Kashyap' s FY09 performance will be driven by its healthy order backlog of over Rs30b, 2x FY08 sales.
- The company maintains that it does not take any risk of steel and cement on itself. Hence, we expect margins to be maintained around 12% levels.
- For 1QFY09, we expect sales growth of 49% YoY and PAT growth of 38% YoY.
- B L Kashyap has moved ahead aggressively on its real estate projects, under subsidiary Soul Space Projects. Against the earlier planned three projects, it now has over 14 projects on hand, with an estimated NAV of Rs9b. We believe that the true value here will be realized when the company divests stake to a financial / strategic partner.
- Adjusted for Soul Space valuation (Rs443 per share), B L Kashyap trades at an attractive P/E of 5x FY10E. Our rating and target price for the company is **Under Review**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Income	**3,026**	**3,723**	**4,058**	**4,621**	**4,508**	**5,547**	**5,931**	**6,563**	**15,427**	**22,550**
Change (%)	*84.6*	*118.1*	*71.8*	*94.7*	*49.0*	*49.0*	*46.2*	*42.0*	*90.9*	*46.2*
Total Expenses	2,674	3,283	3,585	4,044	3,931	4,909	5,220	5,602	13,585	19,661
EBITDA	**352**	**440**	**474**	**577**	**577**	**638**	**712**	**961**	**1,842**	**2,888**
Change (%)	*98.3*	*141.5*	*89.7*	*83.6*	*64.0*	*45.1*	*50.3*	*66.5*	*99.5*	*56.8*
EBITDA Margin (%)	*11.6*	*11.8*	*11.7*	*12.5*	*12.8*	*11.5*	*12.0*	*14.6*	*11.9*	*12.8*
Depreciation	31	38	42	45	50	55	65	81	156	251
Interest	34	35	42	50	36	55	53	62	161	207
Other Income	102	46	32	39	90	80	70	80	219	320
PBT	**389**	**413**	**421**	**521**	**581**	**607**	**663**	**898**	**1,744**	**2,751**
Tax	112	142	169	168	200	209	228	309	591	945
Tax/PBT (%)	*28.7*	*34.4*	*40.1*	*32.2*	*34.3*	*34.3*	*34.3*	*34.3*	*33.9*	*34.3*
PAT	**278**	**271**	**252**	**353**	**382**	**399**	**436**	**590**	**1,154**	**1,806**
Adjusted PAT	**278**	**271**	**252**	**353**	**382**	**399**	**436**	**590**	**1,154**	**1,806**
Change (%)	*167.3*	*154.9*	*63.8*	*83.7*	*37.6*	*47.2*	*72.8*	*67.1*	*107.4*	*56.5*
PAT Margin (%)	*9.2*	*7.3*	*6.2*	*7.6*	*8.5*	*7.2*	*7.3*	*9.0*	*7.5*	*8.0*

E: MOSt Estimates

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Gammon India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	GMON IN
	REUTERS CODE
S&P CNX: 3,926	GAMM.BO

Equity Shares (m)	86.7
52-Week Range	845/204
1,6,12 Rel. Perf. (%)	-26/-33/-36
M.Cap. (Rs b)	19.5
M.Cap. (US$ b)	0.5

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs225

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	18,647	957	10.8	12.5	20.7	1.7	8.3	11.6	1.2	12.0
3/08E	23,336	935	10.6	-2.3	21.2	1.6	7.6	10.7	1.0	10.7
3/09E	32,050	1,241	14.0	32.7	16.0	1.5	9.2	12.9	0.8	8.8
3/10E	40,900	1,493	16.9	20.4	13.3	1.3	10.0	13.8	0.7	7.4

- For 1QFY09, we expect Gammon to report revenue of Rs8.4b, up 29% YoY, EBIDTA of Rs753m, up 30.5% YoY, and net profit of Rs327m, up 20.6% YoY. During 4QFY08, Gammon made a forex loss pertaining to derivatives (instrument maturing in 2010, Swiss Francs) of Rs60m.
- Recently Gammon acquired two Italy-based firms in the power space. It acquired 50% stake in Sadelmi Spa (at Euro7.5m) and 75.1% stake in Franco Tosi Meccanica Spa (Euro40m) through its offshore stepdown subsidiaries. This all cash (~Rs3b) deal would be funded by debt in the step down subsidiary, raised on Gammon guarantee.
- Franco Tosi Meccanica is engaged in the manufacture of steam turbines for thermal and hydroelectric plants and has manufactured turbines up to 500MW of thermal and 350MW of hydro turbines. It has an order book of Euro200m. It is a loss making entity with revenues of Euro90m and loss of Euro42m.
- Sadelmi is engaged in BOP activities mainly for the power sector, and was previously the EPC arm of Brown Broveri (which was merged with ABB). It has an order book of Euro350m with marginal operating profits. The revenues for CY07 are at Euro120m.
- Order backlog for the company as of March 2008 stood at Rs80b, representing 3.2x FY08E revenue.
- At the CMP of Rs225, the stock trades at reported P/E of 16x FY09E and 13.3x FY10E. Maintain **Neutral.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**6,495**	**4,699**	**5,227**	**8,216**	**8,378**	**6,296**	**7,108**	**11,523**	**24,636**	**33,306**
Change (%)	*17.3*	*-2.7*	*13.5*	*32.4*	*29.0*	*34.0*	*36.0*	*40.3*	*17.8*	*35.2*
EBITDA	**577**	**412**	**468**	**676**	**753**	**539**	**650**	**967**	**2,133**	**2,908**
Change (%)	*82.1*	*-1.3*	*-9.2*	*24.9*	*30.5*	*30.7*	*38.8*	*43.1*	*23.9*	*36.4*
As of % Sales	*8.9*	*8.8*	*9.0*	*8.2*	*9.0*	*8.6*	*9.1*	*8.4*	*8.7*	*8.7*
Depreciation	108	113	114	126	135	138	140	148	462	561
Interest	35	38	48	201	120	110	115	124	322	469
Other Income	11	8	4	23	13	9	14	24	45	60
PBT	**444**	**269**	**310**	**371**	**511**	**300**	**408**	**719**	**1,394**	**1,938**
Tax	159	97	118	137	184	108	147	259	510	698
Effective Tax Rate (%)	*35.7*	*36.2*	*38.0*	*36.8*	*36.0*	*36.0*	*36.0*	*36.0*	*36.6*	*36.0*
Reported PAT	**285**	**171**	**192**	**235**	**327**	**192**	**261**	**460**	**883**	**1,241**
Adj PAT	**271**	**171**	**192**	**300**	**327**	**192**	**261**	**460**	**935**	**1,241**
Change (%)	*122.2*	*-12.8*	*-20.6*	*-18.2*	*20.6*	*12.1*	*35.9*	*53.2*	*-1.2*	*32.7*

E: MOSt Estimates

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GMR Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	GMRI IN
	REUTERS CODE
S&P CNX: 3,926	GMRI.BO

Equity Shares (m)	1,820.7
52-Week Range	269/77
1,6,12 Rel. Perf. (%)	-19/-32/-36
M.Cap. (Rs b)	148.0
M.Cap. (US$ b)	3.4

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs81

YEAR END	NET SALES* (RS M)	PAT* (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	16,967	1,744	1.1	-8.5	77.2	6.8	8.8	6.9	9.2	28.8
3/08A	22,948	2,101	1.2	9.5	70.5	2.4	3.4	3.2	8.5	32.4
3/09E	24,642	3,786	2.1	80.2	39.1	2.3	5.9	6.7	7.6	14.1
3/10E	40,953	3,161	1.7	-16.5	46.8	2.2	4.7	8.3	4.9	8.7

** Consolidated*

- GMR infrastructure announced acquisition of 50% stake in InterGen, NV, a US-based utility with total capacity of 12,766MW (4,680MW under development) for US$1.1b. During CY07, InterGen reported revenues of US$1.7b, EBIDTA of US$613m and net profit of ~US$105m
- Hyderabad airport (HIAL) was commissioned on 23 March 2008, and thus the project was operational for 8 days in FY08. HIAL reported revenues of Rs55m and EBIDTA of Rs10m pre-exceptional. Including Rs500m one-off charges, HIAL reported losses of Rs490m at EBIDTA level
- Financial closure for Delhi airport was achieved in December 2007. It received in-principal approval from various stakeholders to put in quasi-equity of Rs27.5b in the project, pending issues related to revenue sharing.
- Recently, Homeland Energy Group announced that an independent technical report for Phase-1of Eloff Mine project indicates that the measured and indicated resource stands at 452m tons and inferred resource at 58m tons v/s 100m tons of inferred resource reported in December 2007.
- We expect consolidated net profit for GMR Infrastructure to grow from Rs2.1b in FY08 to Rs3.6b in FY10, a CAGR of 30%. As at March 2008, GMR has invested Rs7.7b as equity in ongoing projects, while outstanding equity commitment stands at Rs3.4b. **Neutral.**

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07				FY08				FY07	FY08
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**4,093**	**3,125**	**3,554**	**6,196**	**4,766**	**3,953**	**5,350**	**8,853**	**16,967**	**22,948**
Change (%)	*53.50*	*41.3*	*62.0*	*0.0*	*16.45*	*26.5*	*50.5*	*42.9*		*35.2*
EBITDA	**1,281**	**1,250**	**1,526**	**1,380**	**1,386**	**1,557**	**1,499**	**1,517**	**5,436**	**5,985**
Change (%)	*10.14*	*9.6*	*39.6*	*0.0*	*8.19*	*24.6*	*-1.7*	*9.9*		*10.1*
As of % Sales	*31.3*	*40.0*	*42.9*	*22.3*	*29.1*	*39.4*	*28.0*	*17.1*	*32.0*	*26.1*
Depreciation	260	268	445	354	406	439	366	574	1,345	1,785
Interest	294	236	376	535	375	359	340	678	1,441	1,687
Other Income	17	46	121	-1	192	117	282	199	183	698
PBT	**744**	**792**	**826**	**490**	**796**	**875**	**1,076**	**464**	**2,833**	**3,210**
Tax	96	86	139	94	101	157	275	51	215	584
Effective Tax Rate (%)	*12.9*	*10.9*	*16.8*	*19.3*	*12.7*	*17.9*	*25.6*	*11.0*	*7.6*	*18.2*
Reported PAT	**648**	**706**	**688**	**395**	**695**	**719**	**800**	**413**	**2,618**	**2,627**
Adj PAT (before Ninority Int.)	**648**	**706**	**688**	**395**	**695**	**719**	**800**	**413**	**0**	**2,627**
Change (%)	*146.8*	*199.4*	*43.1*	*0.0*	*7.29*	*1.8*	*16.4*	*4.5*		
Minority Interest	181	170	155	210	231	223	160	-87	674	526
Adj PAT (after Minority Int.)	**467**	**536**	**533**	**185**	**464**	**496**	**641**	**500**	**1,944**	**2,101**

*E: MOSt Estimates; Quarterly numbers do not add up to the full year nos as company changed accounting policy for depreciation for GMR Energy from 3QFY07 onwards and adjusted figure for the past numbers are not available. * Adjusted PAT numbers are before minority interest.*

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Hindustan Construction

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	HCC IN
	REUTERS CODE
S&P CNX: 3,926	HCNS.BO

Equity Shares (m)	281.8
52-Week Range	279/68
1,6,12 Rel. Perf. (%)	-16/-34/-30
M.Cap. (Rs b)	21.6
M.Cap. (US$ b)	0.5

3 July 2008

Buy

Previous Recommendation: Buy Rs77

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	23,576	564	1.8	-39.9	42.6	2.2	5.7	6.6	1.4	15.4
3/08A	30,828	708	2.5	39.7	30.5	2.0	7.4	11.2	1.1	9.7
3/09E	39,108	1,105	3.9	56.0	19.5	1.4	8.8	11.3	0.9	7.4
3/10E	50,000	1,776	6.3	60.6	12.2	1.2	10.8	13.8	0.7	5.7

** Fully Diluted*

- For 1QFY09, we expect HCC to report revenue of Rs8.9b, up 22.6% YoY, EBIDTA of Rs1.1b and net profit of Rs236m, up 66% YoY. We expect HCC to incur loss of Rs23m on reported basis due to forex losses of Rs259m (included in other income) on the outstanding FCCB of Rs4b.
- HCC's order backlog at the end of March 2008 is Rs102b (3.3x FY08E revenue) and L1 projects worth Rs38b. As of March 2008, share of water supply and irrigation has increased to 21% in FY08 from 9% in FY07 while the share of transportation has declined to 32% in FY08 from 40% in FY07.
- Lavasa Corp. (63% subsidiary of HCC) has successfully completed launch of Phase 1 at Lavasa comprising apartments and villas with combined sales value of Rs4.9b. The sales per square foot has been in the range of Rs2,500-3,200.
- The state cabinet has approved a part of the cost escalations (increased cost from changes in project scope and design) of Rs1.6b, v/s claims of Rs2.3b for the Bandra-Worli sea link. As per the revised timeframe, phase 1 of the project comprising outbound carriageway (1st 4 lanes) will be completed by January 2009.
- Construction work on the Vikhroli IT park has already commenced (developable area of 1.95m sq.ft.) and it plans to offer offices for fit-outs by December 2008 and for occupation by March 2009. The revenue booking from the project would start from 1QFY09.
- During FY07-09E, we expect HCC to report a revenue CAGR of 27.4% and a net profit CAGR of 58.4%. At CMP of Rs77, HCC trades at a P/E of 19.5x FY09E and 12.2x FY10E.
- We recommend **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**7,290**	**5,487**	**7,500**	**10,550**	**8,938**	**6,678**	**9,863**	**13,630**	**30,828**	**39,108**
Change (%)	*25.6*	*28.9*	*38.7*	*24.5*	*22.6*	*21.7*	*31.5*	*29.2*	*28.7*	*26.9*
EBITDA	**791**	**601**	**968**	**1,306**	**1,057**	**741**	**1,250**	**1,638**	**3,666**	**4,685**
Change (%)	*71.5*	*52.3*	*45.9*	*48.9*	*33.7*	*23.2*	*29.0*	*25.5*	*53.0*	*27.8*
As of % Sales (Adj)	*10.8*	*11.0*	*13.0*	*12.6*	*11.8*	*11.1*	*12.7*	*12.0*	*12.0*	*12.0*
Depreciation	228	226	233	275	275	289	291	337	962	1,192
Interest	322	342	408	452	430	421	443	484	1,524	1,778
Other Income	315	106	54	-95	-259	0	0	0	380	-259
PBT	**556**	**140**	**381**	**483**	**93**	**31**	**516**	**817**	**1,560**	**1,456**
Tax	99	23	130	220	116	10	170	312	472	609
Effective Tax Rate (%)	*17.8*	*16.5*	*34.2*	*45.4*	*124.8*	*33.0*	*33.0*	*38.2*	*30.3*	*41.8*
Reported PAT	**457**	**117**	**251**	**264**	**-23**	**21**	**345**	**504**	**1,088**	**847**
Adj PAT	**142**	**10**	**197**	**359**	**236**	**21**	**345**	**504**	**708**	**1,106**
Change (%)	*-29.3*	*-75.3*	*36.9*	*124.2*	*66.0*	*99.7*	*75.7*	*40.6*	*29.5*	*56.3*

E: MOSt Estimates

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IVRCL Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	IVRC IN
	REUTERS CODE
S&P CNX: 3,926	IVRC.BO

Equity Shares (m)	129.7
52-Week Range	575/255
1,6,12 Rel. Perf. (%)	-9/-12/-15
M.Cap. (Rs b)	37.9
M.Cap. (US$ b)	0.9

3 July 2008

Buy

Previous Recommendation: Buy

Rs292

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	23,465	1,415	10.9	25.5	26.8	2.9	15.7	14.2	1.8	17.9
3/08A	36,646	2,052	16.2	48.8	18.0	2.5	14.6	15.0	1.3	13.2
3/09E	49,049	2,650	20.4	25.9	14.3	2.2	16.5	16.5	1.0	9.4
3/10E	68,308	3,713	28.6	40.1	10.2	1.9	19.8	19.2	0.8	7.4

- For 1QFY09, we expect IVRCL to report revenue of Rs9.1b, up 35.1% YoY and profit of Rs472m, up 24.4% YoY.
- The order backlog for the company stood at Rs127b as at end March 2008 while it is L1 in orders worth Rs15b. The current order represents a book-to-bill ratio of 3.5x its FY08 revenue of Rs34.6b. IVRCL's order book is up 58% YoY.
- Management has guided for revenue growth of 35-40% during FY09 and FY10. Capex for FY09 is likely to be lower at Rs75-80m versus Rs1.4b in FY08. Orders from new business areas (oil and gas) are likely to contribute meaningfully in FY09.
- (1) Increasing proportion of relatively higher margin buildings in the order book (increase over FY07-FY08 from 11% to 22%), (2) focused project selection as enough opportunities are available in the market to cherry pick and (3) decline in the low margin (~8%), roads segment in the order book (from 22% in FY07 to 8% in FY08) could aid EBITDA margin.
- For FY08-FY10, we expect IVRCL to report CAGR of 36.5% in revenue and 34.5% in net profit. At the CMP of Rs292, the stock trades at a P/E of 14.3x FY09E and 10.2x FY10E. We recommend **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**6,773**	**6,885**	**9,749**	**13,217**	**9,150**	**9,067**	**12,605**	**18,227**	**36,606**	**49,049**
Change (%)	*58.8*	*88.9*	*86.6*	*33.2*	*35.1*	*31.7*	*29.3*	*37.9*	*58.8*	*34.0*
EBITDA	**600**	**553**	**1,084**	**1,387**	**869**	**780**	**1,349**	**2,099**	**3,614**	**5,097**
Change (%)	*47.5*	*79.4*	*94.9*	*29.3*	*44.8*	*41.0*	*24.4*	*51.3*	*57.0*	*41.0*
As of % Sales	*8.9*	*8.0*	*11.1*	*10.5*	*9.5*	*8.6*	*10.7*	*11.5*	*9.9*	*10.4*
Depreciation	66	76	87	99	99	104	109	124	328	437
Interest	57	76	177	208	151	172	177	201	478	701
Other Income	10	16	8	11	10	15	12	12	45	49
PBT	**488**	**416**	**829**	**1,092**	**630**	**519**	**1,075**	**1,786**	**2,853**	**4,009**
Tax	108	64	218	359	157	156	376	670	749	1,359
Effective Tax Rate (%)	*22.2*	*15.3*	*26.3*	*32.9*	*25.0*	*30.0*	*35.0*	*37.5*	*26.2*	*33.9*
Reported PAT	**380**	**353**	**611**	**733**	**472**	**363**	**699**	**1,116**	**2,105**	**2,650**
Adj PAT	**380**	**353**	**558**	**733**	**472**	**363**	**699**	**1,116**	**2,052**	**2,650**
Change (%)	*45.4*	*127.0*	*105.7*	*0.1*	*24.4*	*3.0*	*25.2*	*52.3*	*45.1*	*29.1*

E: MOSt Estimates

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Jaiprakash Associates

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	JPA IN
	REUTERS CODE
S&P CNX: 3,926	JAIA.BO

Equity Shares (m)	1,291.8
52-Week Range	510/129
1,6,12 Rel. Perf. (%)	-15/-35/1
M.Cap. (Rs b)	179.0
M.Cap. (US$ b)	4.1

3 July 2008

Neutral

Previous Recommendation: Neutral Rs139

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	34,639	4,330	3.9	55.4	35.1	5.3	15.6	10.8	5.6	23.7
3/08A	39,850	6,100	4.7	19.5	29.3	2.9	13.3	11.4	5.1	18.7
3/09E	57,006	7,922	6.1	29.9	22.6	2.6	12.1	12.2	3.9	14.5
3/10E	83,762	10,891	8.4	37.5	16.4	1.9	13.5	14.1	2.7	10.1

** Fully Diluted*

- For 1QFY09, we expect Jaiprakash to report revenue of Rs11.1b, up 19.8% YoY, EBIDTA of Rs3.2b (up 34.3% YoY) and net profit of Rs1.6b, up 14.3% YoY.
- JPA has announced completion of the financial closure for Taj Expressway road development project. The company has raised Rs32b from ICICI Bank led consortium (including Rs12b announced in), comprising of debt of Rs29.5b and equity of Rs2.5b (for 1% stake in the project).
- JAL has received 1,050 acres at Noida (v/s 914 acres in March 2008) as part of its Taj Expressway project, while land for the entire project (6,250 acres) is to be awarded by September 2009. The company has also received land for expressway construction up to 80-100 km v/s. 70 km in March 2008 and lease agreement for entire 166 km is executed in favor of the company. Targeted completion for the Expressway is October 2010. Levelisation has been completed on 7.5 km of road (v/s 2.5-3 km as of March 2008)
- For phase 1 development at NOIDA, bookings have been received for 4.1msf v/s 2.6msf in March 2008, while customer advances have increased to Rs4.0-4.5b (v/s Rs3.0b in March 2008). Most of the incremental bookings have been for the mid-income segment, launched at Rs4,550-4,850/sq ft. In the premium category, rates have been increased to Rs6,400/sq.ft., up from Rs6,100/sq.ft. and plans to launch another phase of premium housing in July '08.
- We expect JAL to report net profit of Rs8b in FY09E (up 29.9% YoY) and Rs10.9b in FY10E (up 37.5% YoY). At the CMP of Rs139, Jaiprakash trades at a P/E of 22.6x FY09E and 16.4x FY10E. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**9,270**	**8,620**	**9,000**	**12,960**	**11,103**	**11,273**	**13,689**	**20,941**	**39,850**	**57,006**
Change (%)	*3.6*	*11.9*	*1.0*	*46.3*	*19.8*	*30.8*	*52.1*	*61.6*	*15.8*	*43.1*
EBITDA	**2,390**	**2,210**	**2,230**	**4,140**	**3,210**	**2,847**	**3,992**	**5,263**	**10,970**	**15,312**
Change (%)	*12.2*	*11.6*	*-3.5*	*57.4*	*34.3*	*28.8*	*79.0*	*27.1*	*21.3*	*39.6*
As of % Sales	*25.8*	*25.6*	*24.8*	*31.9*	*28.9*	*25.3*	*29.2*	*25.1*	*27.5*	*26.9*
Depreciation	450	460	510	610	675	715	825	958	2,030	3,173
Interest	790	840	790	970	950	875	900	930	3,390	3,655
Other Income	780	600	1,020	490	700	725	675	926	2,890	3,026
PBT	**1,930**	**1,510**	**1,950**	**3,050**	**2,285**	**1,982**	**2,942**	**4,300**	**8,440**	**11,509**
Tax	530	470	390	950	686	595	883	1,425	2,340	3,588
Effective Tax Rate (%)	*27.5*	*31.1*	*20.0*	*31.1*	*30.0*	*30.0*	*30.0*	*33.1*	*27.7*	*31.2*
Reported PAT	**1,400**	**1,040**	**1,560**	**2,100**	**1,600**	**1,387**	**2,059**	**2,875**	**6,100**	**7,922**
Adj PAT	**1,400**	**1,040**	**1,560**	**2,100**	**1,600**	**1,387**	**2,059**	**2,875**	**6,100**	**7,922**
Change (%)	*52.2*	*15.6*	*52.9*	*60.3*	*14.3*	*33.4*	*32.0*	*36.9*	*47.0*	*29.9*

E: MOSt Estimates; excluding Real Estate

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Nagarjuna Construction

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	NJCC IN
	REUTERS CODE
S&P CNX: 3,926	NGCN.BO

Equity Shares (m)	240.3
52-Week Range	373/107
1,6,12 Rel. Perf. (%)	-15/-30/-25
M.Cap. (Rs b)	29.8
M.Cap. (US$ b)	0.7

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs124

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	28,711	1,335	6.4	26.1	19.4	2.5	13.5	14.9	1.2	12.9
3/08A	34,729	1,620	7.0	9.5	17.7	1.8	12.2	12.7	1.1	10.4
3/09E	44,610	2,073	9.0	27.9	13.8	1.5	11.4	12.9	0.9	8.7
3/10E	56,022	2,582	11.2	24.6	11.1	1.3	12.3	13.4	0.8	7.9

- For 1QFY09, we expect NCC to report revenue of Rs10.1b, up 32% YoY, and net profit of Rs456m, up 26.5% YoY. EBITDA margins are likely to decline by 80bp to 9.6% in FY09 from 10.4% in FY08.
- NCC's order book stood at Rs114b, 3.3x its FY08 revenues of Rs34.7b. Order book composition: roads 15.3%, buildings 19.1%, water 15.9%, irrigation/HEP 7%, electricals 2.7%, power 0.9%, oil/gas 11.3%, metals 6.5% and international 21.3%. International orders mainly comprise transportation and realty projects in the Middle East. The share of oil and gas has increased significantly to 21.3% in 4QFY08 from 10.5% in 1QFY08. In-house BOT projects in transportation stand at Rs6b.
- Management guidance stands at Rs45b (+30% YoY) for standalone revenues, Rs50b (+37.4% YoY) for consolidated revenues, EBITDA margins at 10.5%, net margins at 4.75% (v/s 5.25-5.50% earlier).
- NCC consortium (NCC' s stake 25%) comprising Maytas (26%), Port Operator Company (11%) and SREI Finance (38%) has received the letter of intent from the government for the Machilipatnam port project in Andhra Pradesh. Management has signed the development agreement for the project and the financial closure is expected by December 2008. The project would be operational from 2011.The project entails 6,400 acres of land to be provided to the consortium by the government on a 99-year lease for development of the SEZ post port completion.
- At the CMP of Rs124, the stock trades at a P/E of 13.8x FY09E and 11.1x FY10E. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**7,622**	**6,772**	**7,795**	**12,541**	**10,061**	**9,480**	**10,289**	**14,779**	**34,729**	**44,610**
Change (%)	*16.9*	*3.9*	*11.4*	*44.5*	*32.0*	*40.0*	*32.0*	*17.8*	*21.0*	*28.4*
EBITDA	**794**	**848**	**862**	**1,094**	**964**	**936**	**1,156**	**1,512**	**3,598**	**4,568**
Change (%)	*44.3*	*37.3*	*7.5*	*50.4*	*21.5*	*10.3*	*34.0*	*38.2*	*33.4*	*27.0*
As of % Sales	*10.4*	*12.5*	*11.1*	*8.7*	*9.6*	*9.9*	*11.2*	*10.2*	*10.4*	*10.2*
Depreciation	104	117	123	138	142	146	151	170	482	608
Interest	145	233	167	174	200	210	221	271	719	902
Other Income	4	4	11	37	5	5	10	16	56	36
PBT	**548**	**502**	**583**	**819**	**627**	**585**	**795**	**1,087**	**2,452**	**3,093**
Tax	187	165	187	293	207	193	262	359	833	1,021
Effective Tax Rate (%)	*34.2*	*32.9*	*32.1*	*35.8*	*33.0*	*33.0*	*33.0*	*33.0*	*34.0*	*33.0*
Reported PAT	**360**	**337**	**396**	**526**	**420**	**392**	**532**	**728**	**1,620**	**2,073**
Adj PAT	**360**	**337**	**396**	**526**	**420**	**392**	**532**	**728**	**1,620**	**2,073**
Change (%)	*10.4*	*0.6*	*10.5*	*55.4*	*16.6*	*16.4*	*34.3*	*38.4*	*19.3*	*28.0*

E: MOSt Estimates

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Patel Engineering

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	PEC IN
	REUTERS CODE
S&P CNX: 3,926	PENG.BO

Equity Shares (m)	59.7
52-Week Range	1,070/286
1,6,12 Rel. Perf. (%)	-12/-31/-14
M.Cap. (Rs b)	19.8
M.Cap. (US$ b)	0.5

3 July 2008

Buy

Previous Recommendation: Buy

Rs331

YEAR END	NET SALES* (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	10,989	1,122	18.8	28.2	17.6	2.8	24.5	12.9	2.0	16.4
3/08A	13,300	1,508	26.3	39.9	12.6	2.5	19.8	11.9	1.7	11.9
3/09E	16,323	1,367	22.9	-12.9	14.5	2.2	14.4	12.7	1.5	10.0
3/10E	19,567	1,628	27.3	19.1	12.1	1.9	15.2	13.8	1.3	8.8

* Consolidated

- For 1QFY09, we expect Patel to report revenue of Rs4b, up 21.6% YoY and net profit of Rs192m, down 27.1% YoY due to our full tax rate assumptions. Patel Engineering continues to avail 80IA tax benefits.
- Order book as of end-March 2008 stood at Rs55b, representing a book to bill ratio of 3.3x its FY08 consolidated revenues. Order book composition stands as: hydro 56%, irrigation 21%, and transportation and others 23%.
- During phase I, it plans to develop ~11% of the total developable area, comprising of (1) 80,000sq ft development at Jogeshwari, Mumbai, has been completed and given for fit-outs (expected completion by Sept 08) and annual lease rental is expected at Rs100m pa (2) 1msf corporate park at Jogeshwari, Mumbai – construction expected to start from Sept 08 and completion period is 2.5yrs, (3) For Gachibowli (2.7msf) IT park, the excavation is under progress, SEZ approval has been applied for. The project is likely to be completed during next 2.5 years and would be developed through the joint development route, which entails that Patel brings in land as equity and the joint development partner will finance 100% of the construction cost and (4) Integrated township at Electronic City near Bangalore (12.1m sq.ft) has got formal SEZ approval.
- During FY08, borrowings increased to Rs8.5b (including contractee advances of Rs4.2b), up from Rs4.6b (including contractee advances of Rs1.4b) during FY07. This has resulted in 98%YoY increase in interest cost to Rs216m during FY08. The increase in borrowings during FY08 is largely due to increased working capital (largely inventory), as construction activities picked up on a large irrigation project during 4QFY08.
- At the CMP of Rs331, the stock trades at a reported P/E of 14.5x FY09E and 12.1x FY10E. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**3,301**	**2,358**	**2,622**	**5,020**	**4,014**	**2,905**	**3,259**	**6,335**	**13,300**	**16,512**
Change (%)	*13.8*	*19.1*	*20.1*	*26.7*	*21.6*	*23.2*	*24.3*	*26.2*	*20.5*	*24.2*
EBITDA	**358**	**420**	**469**	**829**	**442**	**496**	**595**	**1,096**	**2,077**	**2,630**
Change (%)	*12.6*	*36.5*	*12.1*	*81.9*	*23.4*	*18.2*	*26.8*	*32.2*	*37.4*	*26.6*
As of % Sales	*10.9*	*17.8*	*17.9*	*16.5*	*11.0*	*17.1*	*18.3*	*17.3*	*15.6*	*15.9*
Depreciation	66	70	72	120	123	126	128	33	327	410
Interest	27	28	30	132	117	123	129	124	216	492
Other Income	35	45	30	-61	35	45	30	-10	49	100
PBT	**300**	**367**	**398**	**517**	**237**	**293**	**368**	**930**	**1,582**	**1,828**
Tax	37	43	48	-21	45	97	121	357	106	620
Effective Tax Rate (%)	*12.2*	*11.6*	*12.0*	*(4.0)*	*19.0*	*33.0*	*33.0*	*38.3*	*6.7*	*33.9*
Reported PAT	**264**	**324**	**350**	**538**	**192**	**196**	**246**	**573**	**1,476**	**1,208**
Adj PAT	**264**	**324**	**350**	**538**	**192**	**196**	**246**	**573**	**1,476**	**1,208**
Change (%)	*32.1*	*29.6*	*20.1*	*58.4*	*-27.1*	*-39.6*	*-29.6*	*6.6*	*36.5*	*528.4*

E: MOSt Estimates

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Simplex Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SINF IN
	REUTERS CODE
S&P CNX: 3,926	SINF.BO

Equity Shares (m)	55.0
52-Week Range	774/330
1,6,12 Rel. Perf. (%)	-9/-8/10
M.Cap. (Rs b)	20.9
M.Cap. (US$ b)	0.5

3 July 2008

Buy

Previous Recommendation: Buy

Rs379

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	17,110	537	12.5	28.9	30.4	5.9	19.5	15.9	1.2	12.5
3/08A	28,121	1,021	18.6	49.2	20.4	2.6	12.9	17.9	0.7	7.7
3/09E	41,049	1,740	31.7	92.9	12.0	1.8	15.1	20.1	0.5	4.9
3/10E	55,266	2,783	50.6	60.0	7.5	1.5	19.8	23.5	0.4	3.5

- For 1QFY09, we expect revenue of Rs8.1b, up 40% YoY, and net profit of Rs286m, up 45.9% YoY.
- The order backlog for the company stands at ~Rs100b as at end of March 2008, up 88% YoY. The current order represents a book-to-bill ratio of 3.1x its FY08E revenue of Rs27b. Order book is represented by orders from the government:35%, private sector:35% and foreign orders:35%. The current order book is executable over next 2.5 years. The average order size has moved beyond Rs1b for the company and will possibly increase further going forward.
- Currently the company has achieved an execution level whereby it can execute about Rs2.5b worth of orders per month. It plans to take this level to Rs3.5b/month in FY09, thus improving project execution.
- During 4QFY08, the EBITDA margin were impacted due to (1) write-off of Rs110 from debtors (old claims) and (2) one time adjustment of Rs169m for visa payment. Adjusted EBITDA is at 11%.
- For FY08-FY10, we expect Simplex to report CAGR of 40.2% in revenue and 65% in net profit. At the CMP of Rs379, the stock trades at a P/E of 12x FY09E and 7.5x FY10E. We recommend **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Income	**5,818**	**5,711**	**7,040**	**9,552**	**8,145**	**8,110**	**10,912**	**13,883**	**28,121**	**41,049**
Change (%)	*65.3*	*60.3*	*65.4*	*65.5*	*40.0*	*42.0*	*55.0*	*45.3*	*64.4*	*46.0*
Total Expenses	5,236	5,139	6,334	8,737	7,323	7,258	9,711	12,365	25,446	36,657
EBITDA	**582**	**572**	**705**	**815**	**823**	**852**	**1,200**	**1,518**	**2,675**	**4,392**
Change (%)	*83.9*	*73.0*	*55.9*	*57.1*	*41.4*	*48.9*	*70.2*	*86.1*	*65.2*	*64.2*
As % of Sales	*10.8*	*11.1*	*10.6*	*9.6*	*10.9*	*11.5*	*11.9*	*11.7*	*10.4*	*11.5*
Other Income	44	63	41	98	65	80	95	104	246	344
Interest	247	251	296	214	240	265	310	355	1,007	1,170
Depreciation	127	142	167	206	215	225	231	264	643	935
PBT	**252**	**242**	**283**	**493**	**433**	**442**	**754**	**1,003**	**1,271**	**2,632**
As % of Sales	*4.3*	*4.2*	*4.0*	*5.2*	*5.3*	*5.4*	*6.9*	*7.2*	*4.5*	*6.4*
Change (%)	*109.1*	*143.0*	*28.4*	*89.1*	*71.7*	*82.4*	*166.2*	*103.5*	*81.1*	*107.2*
Tax	56	52	63	199	147	150	256	340	370	892
Tax/PBT	*22.2*	*21.5*	*22.3*	*40.3*	*33.9*	*33.9*	*33.9*	*33.9*	*29.1*	*33.9*
PAT	**196**	**190**	**220**	**295**	**286**	**292**	**499**	**663**	**901**	**1,740**
Adjusted PAT	**196**	**190**	**220**	**415**	**286**	**292**	**499**	**663**	**1,021**	**1,740**
As % of Sales	*3.4*	*3.3*	*3.1*	*3.1*	*3.5*	*3.6*	*4.6*	*4.8*	*3.2*	*4.2*
Change (%)	*88.1*	*169.1*	*27.4*	*119.0*	*45.9*	*53.6*	*126.3*	*125.3*	*90.1*	*93.1*

E: MOSt Estimates

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Media

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

Media sector witnessed an eventful quarter with the launch of Indian Premier League (IPL) and new channels. The impact of IPL was not only restricted to broadcasting companies but it was also visible in delayed release of films and reduced footfalls in multiplexes. Competitive intensity is increasing in all segments of the media, as most of the players are in the process of diversifying their revenue streams. ZEEL has announced its entry into film production under its subsidiary Zee Studio Entertainment.

Print media companies continued with their plans to expand their geographical presence despite a sharp surge in newsprint prices in the past few months. However, print media stocks have seen a sharp derating in the past couple of months due to a 30% increase in newsprint prices. We believe print stocks are attractive at current levels, given their strong free cash flow generating potential and expected ease off in newsprint prices post Olympics. We maintain our positive stance on print media segment with DCHL as our top pick. We maintain our neutral stance on the TV broadcasting industry with neutral rating on Sun TV and ZEEL.

TV broadcasting – IPL steals the show; new channels expand GEC GRP

IPL, a new format in the 20-20 cricket, has rewritten history in sports broadcasting. IPL was regarded as the best reality show in the history of Indian television with an average TRP of 4.5-5, which matches the highest TRP of hit soaps. T20 format was able to attract women audiences also and dominated the Top 10 show in week 17-22. Contrary to the belief that IPL would not be economically viable for a broadcaster, Sony Entertainment has been extremely overwhelmed by the response and is already in talks with the advertiser to sell the ad slots at 30-40% premium to the first season. Although the first round of success has gone in favor of IPL, advertising revenues for GEC channels is not likely to get impacted significantly in 1QFY09. However, if IPL is able to repeat its performance in the coming year, GEC revenues will get a big hit.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Media							
Deccan Chronicle	Buy	2,120	22.3	1,145	10.4	967	15.5
HT Media	Buy	3,100	13.4	620	11.6	403	18.0
Jagran Prakashan	Buy	2,195	19.7	406	-21.2	241	-30.6
Sun TV	Neutral	2,475	22.3	1,856	21.4	1,225	31.6
TV Today	Buy	585	13.6	126	5.9	93	16.7
Zee Entertainment	Neutral	4,830	23.3	1,130	-5.6	876	13.6
Sector Aggregate		**15,305**	**20.0**	**5,283**	**6.7**	**3,806**	**15.1**

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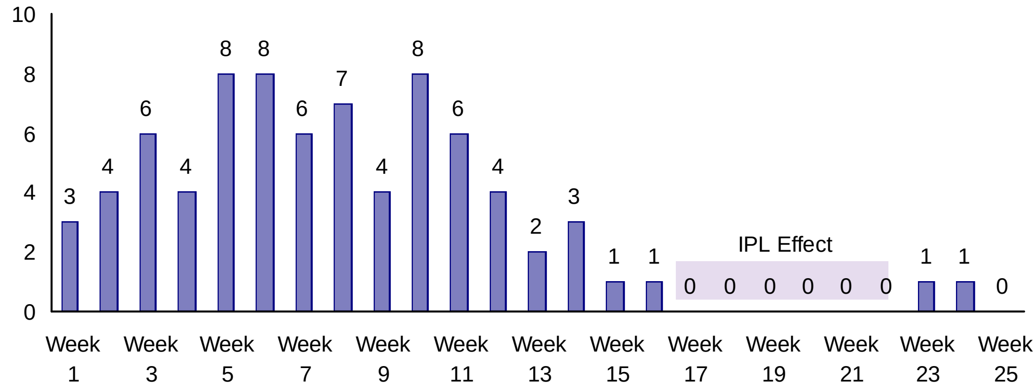
ZEE TV – NO OF PROGRAMS IN TOP 10



Source: www.Indiatimes.com

During the quarter, both NDTV Imagine and 9X continued to compete for the number 3 position, while UTV launched its business news channel UTVi. New GEC channels expected to be launched in 2QFY09 include Colors (TV18) and Turner group's GEC channel. Zee TV has announced demerger of its loss making GEC channel Zee Next, after incurring a loss of Rs500m in 1QFY09. The demerger of Zee Next indicates the rising competitive intensity and costs in the GEC space. The advertising market is yet to see the impact of this fragmentation in ratings as new channels have expanded the GEC GRP by 15-20%. The cost for the advertiser is rising as the money spent on achieving same GRP is going up. Further fragmentation in the GEC genre can result in a cap on the advertising rates and even a decline in advertising inventory utilization.

TV BROADCASTING – CHANNEL SHARE IN TOP 100 PROGRAMS BY TRP

SHARE IN TOP 100	APR 20-26	27APR-3 MAY	MAY 4-10	MAY 11-17	MAY 18-24	MAY 25-31	JUN 1-7	JUN 8-14	JUN 15-26
Star Plus	41	38	40	40	35	46	48	46	52
Zee TV	23	23	25	24	23	23	25	22	25
Sun TV	12	15	11	11	4	15	19	18	15
Sony							3	3	3
NDTV Imagine							2	1	3
DD1								2	
Neo Sports								7	
SET MAX	24	23	25	25	38	16	3	1	3

Source: www.Indiatimes.com

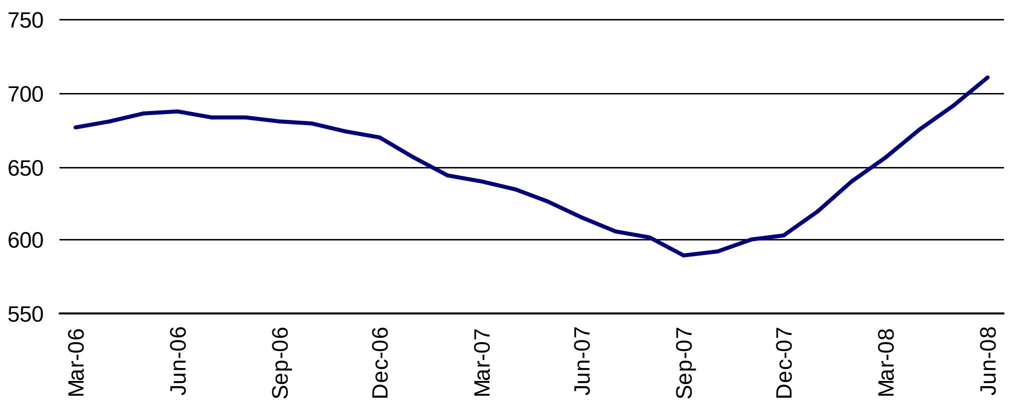
Sharp increase in newsprint prices to check margin expansion

Print media players continue to add new properties and territories. Deccan Chronicle launched its much awaited flagship daily *Deccan Chronicle* in the Bangalore market. DCHL also entered the financial daily segment with the launch of *Financial Chronicle* in Hyderabad, Chennai, Bangalore and Mumbai. HT Media expanded the presence of Hindustan in UP. However, the print segment is reeling under 30% increase in newsprint prices since the past six months on account of 1) closure of two mills in North America (end-CY07) resulting in consolidation of capacity, 2) shortage of waste newsprint for

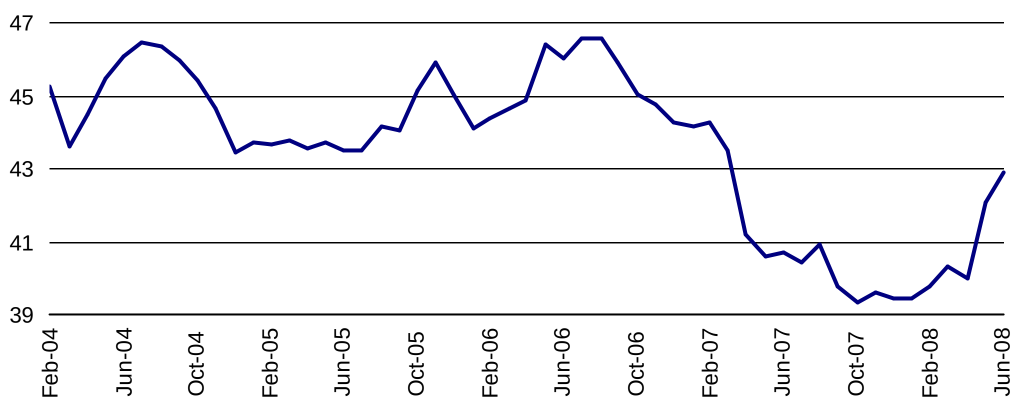
Chinese newsprint plants resulting in global price increase of US$35 per ton, 3) high prices of crude oil and wood and increase in newsprint demand in USA due to presidential elections, and 4) sharp depreciation in rupee in the past three months as against the earlier trend of appreciating rupee. Newsprint prices are likely to remain firm on the back of consolidation in capacities in North America, Beijing Olympics and rising crude prices. Print companies have significantly increased the newsprint inventories at US$650-700 levels and expect the prices to come off only after the completion of presidential elections in US and Beijing Olympics.

The sharp upsurge in newsprint prices is expected to impact the EBIDTA margins of the newspaper companies, as it is the single biggest raw material. The impact is expected to be more on English papers as the ratio of subscription revenues to the newsprint costs is hardly 20% as against Hindi, which recover 80% of costs from subscription price. Higher dependence on imports will act against the newspaper companies as they will get hit due to depreciation of rupee. DCHL, HT Media and Jagran Prakshan import 100%, 70% and 30% of their newsprint requirements respectively.

NEWSPRINT PRICES (US$/TON)



RUPEE-DOLLAR RATE MOVEMENT (RS/US$)



Source: Bloomberg

DTH continues to foster digitization; CAS implementation to get delayed

DTH continues to lead the digitization of TV broadcasting space even as the rollout seems to be on the backburner due to political considerations. Players seem confident of improving addressability due to rising influence of DTH and voluntary digitization of cable networks.

Price wars are intensifying as both Dish TV and Tata Sky continue to offer attractive schemes to woo the customers under the DTH platform. DTH is currently adding more than 0.25m customers per month. Coming months will see the launch of services by Reliance Big TV. We expect the resultant competition to accelerate the industry growth rates significantly. We expect the DTH subscriber base to post a CAGR of 54% to 26m by FY12 from current levels of 4.5m. Rising competition and customer acquisition costs will result in prolonged losses for DTH players.

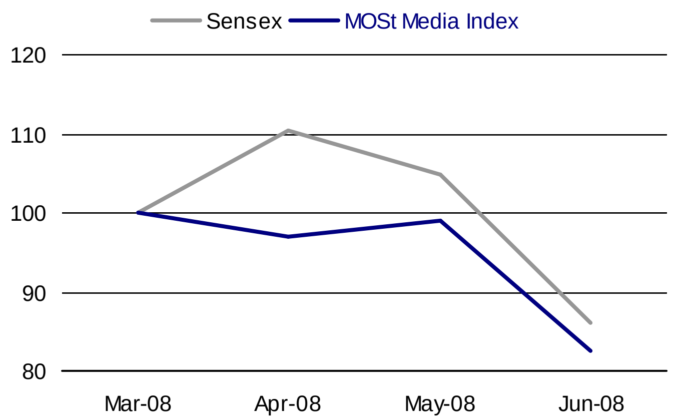
We maintain our positive view on the print media industry with **DCHL** as our top pick and **Buy** rating on both **HT Media** and **Jagran Prakshan**. We maintain our neutral stance on the TV broadcasting industry with **Neutral** rating on **Sun TV** and **ZEEL**.

Stock performance and valuations

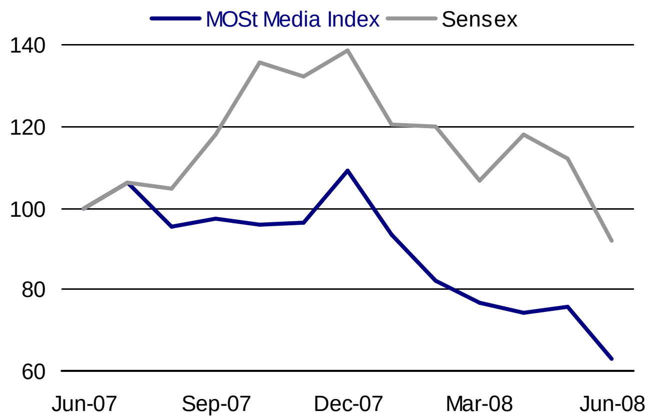
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Media						
Deccan Chronicle	-33	-57	-15	-45	-8	-14
HT Media	-36	-60	-19	-48	-11	-16
Jagran Prakashan	-28	-34	-10	-23	-3	9
Sun TV	-19	-41	-2	-30	5	2
T V Today	-15	-39	2	-27	10	4
Zee Entertainment	-24	-35	-7	-23	1	8

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Media														
Deccan Chronicle	102	Buy	11.0	13.5	17.2	9.2	7.5	5.9	4.8	3.9	2.8	25.7	25.3	25.8
HT Media	94	Buy	6.2	6.6	8.2	15.2	14.1	11.4	8.9	7.9	6.1	15.8	14.8	15.8
Jagran Prakashan	64	Buy	3.3	3.8	5.3	19.6	16.6	12.0	11.1	9.3	6.7	18.2	19.8	23.8
Sun TV	240	Neutral	9.5	13.3	16.3	25.4	18.0	14.7	13.3	10.2	8.0	24.8	27.6	27.0
TV Today	86	Buy	7.5	8.6	11.1	11.4	10.0	7.7	6.7	5.4	4.1	15.0	16.0	17.8
Zee Entertainment	191	Neutral	8.5	11.5	13.3	22.4	16.7	14.4	15.8	12.5	10.2	16.9	17.1	16.8
Sector Aggregate						**19.1**	**14.8**	**12.0**	**11.2**	**9.0**	**7.1**	**18.3**	**19.8**	**20.4**

Deccan Chronicle

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	DECH IN
	REUTERS CODE
S&P CNX: 3,926	DCHL.BO

Equity Shares (m)	244.0
52-Week Range	270/95
1,6,12 Rel. Perf. (%)	0/-24/-45
M.Cap. (Rs b)	24.8
M.Cap. (US$ b)	0.6

3 July 2008

Buy

Previous Recommendation: Buy

Rs102

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	5,528	1,614	6.8	105.0	15.0	2.9	19.5	18.5	4.9	10.5
03/08A	7,824	2,719	11.0	62.8	9.2	2.4	25.7	30.8	3.8	6.1
03/09E	9,710	3,343	13.5	22.9	7.5	1.9	25.3	29.6	3.0	5.5
03/10E	11,033	4,245	17.2	27.0	5.9	1.5	25.8	31.5	2.7	4.4

- We expect Deccan Chronicle to post a 22.3% YoY growth in revenue to Rs2.1b and PAT growth of 15.5%.
- Higher newsprint prices will impact EBIDTA margin. We expect a 58bp decline in margin to 54% from 59.8% in 1QFY08.
- The company has launched financial daily *Financial Chronicle* in Chennai, Bangalore, Hyderabad and Mumbai. It continues to maintain its leadership position in Hyderabad and has already emerged as the number 2 player in Bangalore.
- Recently, The New York Times - owner of the *International Herald Tribune* - has indicated interest in picking up 5% stake in Sieger Solutions. As per the agreement, New York Times will outsource management/development of its internet properties to DCHL
- The stock is trading at 7.5x FY09E and 5.9x FY10E earnings. We maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**1,734**	**1,878**	**2,162**	**2,051**	**2,120**	**2,200**	**2,600**	**2,790**	**7,824**	**9,710**
Change (%)	*58.1*	*25.8*	*47.7*	*39.0*	*22.3*	*17.2*	*20.3*	*36.1*	*41.5*	*24.1*
EBITDA	**1,037**	**1,178**	**1,413**	**1,232**	**1,145**	**1,188**	**1,430**	**1,583**	**4,860**	**5,346**
Change (%)	*173.2*	*54.0*	*99.5*	*68.6*	*10.4*	*0.9*	*1.2*	*28.5*	*88.1*	*10.0*
As of % Sales	*59.8*	*62.7*	*65.4*	*60.1*	*54.0*	*54.0*	*55.0*	*56.7*	*62.1*	*55.1*
Depreciation	71	66	71	72	60	67	77	76	280	280
Interest	130	174	213	251	110	80	90	120	768	400
Other Income	103	91	103	83	100	110	110	157	379	477
PBT	**939**	**1,029**	**1,231**	**992**	**1,075**	**1,151**	**1,373**	**1,545**	**4,191**	**5,144**
Tax	101	203	202	966	107	115	137	1,440	1,471	1,800
Effective Tax Rate (%)	*10.8*	*19.7*	*16.4*	*1.0*	*10.0*	*10.0*	*10.0*	*93.2*	*35.1*	*35.0*
Reported PAT	**838**	**826**	**1,029**	**26**	**967**	**1,036**	**1,236**	**105**	**2,719**	**3,343**
Adj PAT	**838**	**826**	**1,029**	**26**	**967**	**1,036**	**1,236**	**105**	**2,719**	**3,343**
Change (%)	*260.2*	*28.5*	*112.5*	*-89.6*	*15.5*	*25.4*	*20.0*	*294.4*	*68.5*	*22.9*

E: MOSt Estimates

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H T Media

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	HTML IN
	REUTERS CODE
S&P CNX: 3,926	HTML.BO

Equity Shares (m)	234.2
52-Week Range	266/92
1,6,12 Rel. Perf. (%)	-7/-27/-48
M.Cap. (Rs b)	21.9
M.Cap. (US$ b)	0.5

3 July 2008

Buy

Previous Recommendation: Buy Rs94

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	10,393	1,156	4.9	91.7	19.0	2.8	14.7	15.1	1.8	9.8
03/08A	11,862	1,445	6.2	25.3	15.2	2.4	15.8	15.7	1.5	8.2
03/09E	13,699	1,555	6.6	7.6	14.1	2.1	14.8	15.4	1.3	7.2
03/10E	15,600	1,921	8.2	23.6	11.4	1.8	15.8	17.4	1.1	5.6

- We expect HT Media to post a 13.4% increase in revenue to Rs3.1b and PAT growth of 18%.
- EBIDTA margin is expected to decline marginally from 20.3% in 1QFY08 to 20% in 1QFY09. HT Media will be able to maintain its margin in spite of high newsprint cost, as the company has maintained high inventory levels.
- HT Media has entered into a JV with German media group Hubert Burda to tap the growing media platform in India and Asia. Burda will outsource some of its print requirement to the JV.
- HT Media continues to expand the reach of its Hindi daily, *Hindustan* and business daily *Mint* inspite of rising newsprint prices.
- The stock is trading at 14.1x FY09E and 11.4x FY10E earnings. We maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**2,733**	**2,877**	**3,194**	**3,134**	**3,100**	**3,300**	**3,700**	**3,599**	**11,862**	**13,699**
Change (%)	*14.3*	*15.1*	*16.1*	*14.0*	*13.4*	*14.7*	*15.8*	*14.9*	*14.1*	*15.5*
EBITDA	**556**	**558**	**592**	**601**	**620**	**620**	**648**	**641**	**2,229**	**2,529**
Change (%)	*7.1*	*17.0*	*20.7*	*43.8*	*11.6*	*11.6*	*16.1*	*8.2*	*16.7*	*13.4*
As of % Sales	*20.3*	*19.4*	*18.5*	*19.2*	*20.0*	*18.8*	*17.5*	*17.8*	*18.8*	*18.5*
Depreciation	106	110	114	117	125	129	165	175	447	594
Interest	42	44	45	43	40	35	30	24	177	129
Other Income	103	18	87	123	105	30	94	125	407	354
PBT	**511**	**422**	**521**	**564**	**560**	**486**	**547**	**567**	**2,012**	**2,160**
Tax	169	97	153	148	157	117	164	167	567	605
Effective Tax Rate (%)	*33.1*	*23.0*	*29.3*	*26.3*	*28.0*	*24.0*	*30.0*	*29.5*	*28.2*	*28.0*
Reported PAT	**342**	**325**	**369**	**416**	**403**	**370**	**383**	**400**	**1,446**	**1,555**
Adj PAT	**342**	**325**	**369**	**416**	**403**	**370**	**383**	**400**	**1,446**	**1,555**
Change (%)	*10.6*	*20.7*	*9.8*	*73.6*	*18.0*	*8.2*	*17.8*	*8.4*	*25.4*	*7.6*

E: MOSt Estimates

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Jagran Prakashan

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	JAGP IN
	REUTERS CODE
S&P CNX: 3,926	JAGP.BO

Equity Shares (m)	301.2
52-Week Range	169/58
1,6,12 Rel. Perf. (%)	1/-24/-23
M.Cap. (Rs b)	19.2
M.Cap. (US$ b)	0.4

3 July 2008

Buy

Previous Recommendation: Buy

Rs64

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	5,982	762	2.5	100.4	25.2	3.8	14.9	18.4	3.2	16.1
03/08A	7,496	980	3.3	28.5	19.6	3.6	18.2	22.5	2.6	12.0
03/09E	9,414	1,152	3.8	17.6	16.6	3.4	19.8	24.7	2.2	10.4
03/10E	11,253	1,599	5.3	38.7	12.0	3.0	23.8	31.4	1.8	7.5

- Jagran Prakashan is expected to post a 19.7% YoY growth in revenue to Rs2.2b.
- EBIDTA margin is expected to decline from 28.1% in 1QFY08 to 18.5% in 1QFY09. Decline would largely be on account of rising newsprint prices.
- JPL has staggered the launch of new editions in FY09 due to sharp increase in newsprint prices and concerns on a likely slowdown in economy, which might impact the ad revenue growth.
- JPL will launch its Hindi business daily in JV with TV18 group in 2QFY08. This will mark its entry in the business news segment.
- PAT is expected to decline by 30.6% YoY to Rs241m due to lower EBITDA margin and higher base in 1QFY08.
- The stock is trading at 16.6x FY09E and 12x FY10E earnings. We maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**1,834**	**1,772**	**1,990**	**1,900**	**2,195**	**2,275**	**2,545**	**2,399**	**7,496**	**9,414**
Change (%)	*34.2*	*25.0*	*27.5*	*16.1*	*19.7*	*28.4*	*27.9*	*26.2*	*25.3*	*25.6*
EBITDA	**515**	**390**	**432**	**300**	**406**	**403**	**458**	**713**	**1,637**	**1,980**
Change (%)	*49.6*	*34.2*	*59.9*	*2.4*	*-21.2*	*3.2*	*6.0*	*137.5*	*36.6*	*65.2*
As of % Sales	*28.1*	*22.0*	*21.7*	*15.8*	*18.5*	*17.7*	*18.0*	*29.7*	*21.8*	*21.0*
Depreciation	70	83	89	94	93	97	100	109	336	399
Interest	20	14	14	11	15	15	12	26	60	68
Other Income	89	37	56	33	60	55	40	46	215	201
PBT	**513**	**330**	**385**	**228**	**358**	**346**	**386**	**623**	**1,457**	**1,713**
Tax	166	110	127	74	117	114	127	202	477	561
Effective Tax Rate (%)	*32.4*	*33.3*	*32.9*	*33.0*	*32.7*	*33.0*	*33.0*	*32.4*	*32.7*	*32.7*
Reported PAT	**347**	**220**	**258**	**155**	**241**	**232**	**259**	**421**	**980**	**1,152**
Adj PAT	**347**	**220**	**258**	**154**	**241**	**232**	**259**	**421**	**980**	**1,152**
Change (%)	*51.6*	*25.3*	*46.0*	*0.6*	*-30.6*	*5.4*	*0.1*	*172.8*	*33.3*	*17.6*

E: MOSt Estimates

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Sun TV Network

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SUNTV IN
	REUTERS CODE
S&P CNX: 3,926	SUTV.BO

Equity Shares (m)	394.0
52-Week Range	458/235
1,6,12 Rel. Perf. (%)	-13/-4/-30
M.Cap. (Rs b)	94.6
M.Cap. (US$ b)	2.2

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs240

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	6,788	2,688	6.8	29.9	35.2	3.9	22.1	41.0	13.1	18.4
3/08A	8,609	3,728	9.5	38.7	25.4	6.3	24.8	44.1	10.0	13.3
3/09E	10,665	5,243	13.3	40.7	18.0	5.0	27.6	44.5	7.7	10.2
3/10E	12,719	6,434	16.3	22.7	14.7	4.0	27.0	43.4	6.1	8.0

- We expect the company to post revenue of Rs2.47b, up 22.3% QoQ, EBITDA of Rs1.85b, up 21.4%, and PAT of Rs1.2b, up 31.6% YoY.
- Advertising growth continues to post a steady growth, while strong traction is expected in the DTH subscription revenues.
- Sun TV continues to remain an undisputed leader in South India with presence across all the four states. Its Tamil Kids channel Chutti TV has been a big hit and the company now plans to extend the same to other languages, which will further strengthen its position in the kids genre.
- The company is in the process of becoming a strong player in the FM radio space.
- The stock is trading at 18x FY09E and 14.7x FY10E earnings. We maintain **Neutral.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**2,023**	**1,945**	**2,178**	**2,465**	**2,475**	**2,475**	**2,645**	**3,051**	**8,611**	**10,646**
Change (%)	*126.3*	*105.8*	*91.0*	*-35.0*	*22.3*	*27.3*	*21.5*	*23.8*	*27.2*	*23.6*
EBITDA	**1,529**	**1,398**	**1,710**	**1,581**	**1,856**	**1,856**	**2,063**	**2,299**	**6,219**	**8,075**
Change (%)	*120.8*	*95.5*	*93.5*	*-37.4*	*21.4*	*32.8*	*20.6*	*45.4*	*29.1*	*29.8*
As of % Sales	*75.6*	*71.9*	*78.5*	*64.1*	*75.0*	*75.0*	*78.0*	*75.4*	*72.2*	*75.8*
Depreciation	243	248	262	377	180	185	190	286	1,130	841
Interest	5	15	25	11	0	0	0	0	56	0
Other Income	149	143	142	215	200	180	210	206	649	796
PBT	**1,431**	**1,278**	**1,565**	**1,408**	**1,876**	**1,851**	**2,083**	**2,219**	**5,682**	**8,030**
Tax	500	477	542	494	651	642	723	770	2,012	2,786
Effective Tax Rate (%)	*34.9*	*37.3*	*34.6*	*35.1*	*34.7*	*34.7*	*34.7*	*34.7*	*35.4*	*34.7*
Reported PAT	**931**	**802**	**1,023**	**915**	**1,225**	**1,209**	**1,360**	**1,449**	**3,670**	**5,243**
Adj PAT	**931**	**802**	**1,023**	**915**	**1,225**	**1,209**	**1,360**	**1,449**	**3,670**	**5,243**
Change (%)	*120.4*	*67.1*	*71.2*	*-23.1*	*31.6*	*50.8*	*33.0*	*58.5*	*36.5*	*42.9*

E: MOSt Estimates

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TV Today

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	TVTN IN
	REUTERS CODE
S&P CNX: 3,926	TVTO.BO

Equity Shares (m)	58.0
52-Week Range	200/73
1,6,12 Rel. Perf. (%)	4/-17/-27
M.Cap. (Rs b)	5.0
M.Cap. (US$ b)	0.1

3 July 2008

Buy

Previous Recommendation: Buy

Rs86

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	1,889	312	5.4	12.3	16.0	2.0	12.2	18.4	1.9	7.1
03/08A	2,311	437	7.5	40.1	11.4	1.7	15.0	22.4	1.5	5.5
03/09E	2,706	544	8.6	13.7	10.4	1.7	16.0	24.2	1.4	5.1
03/10E	3,092	708	11.1	30.1	8.0	1.4	17.8	26.9	1.1	3.4

** Excluding extraordinary items and provisions*

- We expect the company to post revenue of Rs585m, up 13.6% YoY, on the back of recent ad rate hike taken by the company.
- Aaj Tak is an undisputed leader in the Hindi news genre despite increasing competition in this genre. The company continues to focus on increasing the reach of *Headlines Today*, which would result in higher expenses on carriage fee.
- Aaj Tak has not lost its viewership share in spite of going pay in 4QFY08. Domestic subscription revenue would start paying off from 2QFY09. We expect subscription revenue to pay off in the long term.
- Merger of Radio Today awaits clearance from Information and Broadcasting ministry.
- We believe TV Today is a low risk investment with cash balance of Rs29/share. The stock is trading at 10.4x FY09E and 8x FY10E earnings. We maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**515**	**464**	**694**	**638**	**585**	**542**	**812**	**767**	**2,311**	**2,706**
Change (%)	*46.7*	*21.8*	*21.4*	*8.9*	*13.6*	*16.8*	*17.1*	*20.3*	*22.3*	*17.1*
EBITDA	**119**	**78**	**244**	**184**	**126**	**108**	**309**	**221**	**625**	**763**
Change (%)	*214.3*	*29.6*	*13.1*	*-9.7*	*5.9*	*38.3*	*26.6*	*19.6*	*20.8*	*47.4*
As of % Sales	*23.1*	*16.9*	*35.1*	*28.9*	*21.5*	*20.0*	*38.0*	*28.8*	*27.1*	*28.2*
Depreciation	39	40	40	41	42	42	42	47	160	173
Interest	0	0	0	0	0	0	0	0	1	1
Other Income	42	44	54	65	60	62	61	64	204	247
Extra-ordinary income	0	0	0	0	0	0	0	0	1	0
PBT	**121**	**82**	**257**	**208**	**143**	**128**	**327**	**238**	**667**	**836**
Tax	41	29	90	73	50	45	115	83	232	293
Effective Tax Rate (%)	*33.7*	*34.7*	*35.1*	*33.0*	*35.0*	*35.0*	*35.0*	*33.0*	*34.7*	*35.0*
Reported PAT	**80**	**54**	**167**	**135**	**93**	**83**	**213**	**154**	**436**	**544**
Adj PAT	**80**	**54**	**167**	**135**	**93**	**83**	**213**	**154**	**436**	**544**
Change (%)	*439.9*	*63.7*	*18.6*	*10.3*	*16.7*	*55.1*	*27.5*	*14.3*	*39.7*	*24.8*

E: MOSt Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) Tel: +91 22 39825404/Amit Purohit (AmitPurohit@MotilalOswal.com); Tel: 39825418

Zee Entertainment Enterprises

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	Z IN
	REUTERS CODE
S&P CNX: 3,926	ZEE.BO

Equity Shares (m)	434.0
52-Week Range	363/169
1,6,12 Rel. Perf. (%)	3/-5/-23
M.Cap. (Rs b)	82.9
M.Cap. (US$ b)	1.9

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs191

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	15,159	2,221	5.1	4.5	37.5	3.2	14.2	12.8	5.6	26.7
3/08A	18,344	3,717	8.5	67.4	22.4	2.9	16.9	19.1	4.7	15.9
3/09E	22,915	4,984	11.5	34.1	16.7	2.6	17.1	21.2	3.9	13.1
3/10E	27,418	5,788	13.3	16.1	14.4	2.2	16.8	21.6	3.1	10.5

- We expect the company to report 23.3% YoY growth in revenue on the back of higher subscription revenue. We expect advertising revenue to grow 18% YoY to Rs2.4b and subscription to grow 24% YoY to Rs2b. PAT is expected to grow 13.8% YoY to Rs876m, as loss in Zee Next will affect the profitability.
- Success of IPL has impacted all the major GEC channels including Zee TV. Although Zee TV has been able to maintain its GRPs, its share in the Top 10 list has declined due to no shows during the IPL season.
- Subscription revenue to post a strong growth on the back of increase in DTH subscriber base. The trend is likely to continue in the coming quarter with the entry of new players.
- GEC space is getting fragmented with new launches. New GEC channels by TV18 and Turner Group during 2QFY09 will further intensify competition in the Hindi GEC space. We believe increase in fragmentation will impact the advertising revenue and increase the carriage cost for the incumbent broadcasters.
- ZEEL plans to demerge Zee Next and has announced its entry into film production.
- We have revised our estimates to factor in demerger of Zee Next and next inflow on account of tax refund and forex loss. Our revised EPS stands at Rs11.5 (Rs10.7 earlier) for FY09E and Rs13.3 (Rs13.9 earlier) for FY10E. The stock is trading at 16.7x FY09E and 14.4x FY10E earnings. We maintain **Neutral**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Advertsing Revenue	2,044	2,195	2,638	2,466	2,420	2,875	3,325	2,872	9,343	11,492
Subscription Revenue	1,681	1,625	1,950	2,071	2,090	2,150	2,520	2,554	7,327	9,314
Other Sales and Services	191	167	594	723	320	525	645	619	1,675	2,109
Net Sales	**3,916**	**3,986**	**5,182**	**5,260**	**4,830**	**5,550**	**6,490**	**6,045**	**18,344**	**22,915**
Change (%)	*35.3*	*14.0*	*24.1*	*36.8*	*23.3*	*39.2*	*25.2*	*14.9*	*26.9*	*24.9*
EBITDA	**1,197**	**1,321**	**1,569**	**1,303**	**1,130**	**1,830**	**2,033**	**1,786**	**5,390**	**6,779**
Change (%)	*80.9*	*508.1*	*15.6*	*36.9*	*-5.6*	*38.5*	*29.6*	*37.1*	*66.9*	*25.8*
As of % Sales	*30.6*	*33.1*	*30.3*	*24.8*	*23.4*	*33.0*	*31.3*	*29.5*	*29.4*	*29.6*
Depreciation	67	55	47	54	55	55	47	96	222	253
Interest	118	85	167	184	195	185	210	229	555	819
Other Income	213	225	238	435	375	395	365	389	1,111	1,524
Provision for Investment Value				26					26	-
PBT	**1,225**	**1,405**	**1,592**	**1,475**	**1,255**	**1,985**	**2,141**	**1,850**	**5,698**	**7,231**
Tax	412	435	458	430	339	556	600	503	1,735	1,997
Effective Tax Rate (%)	*33.6*	*30.9*	*33.4*	*29.2*	*27.0*	*28.0*	*28.0*	*27.2*	*30.4*	*27.6*
Reported PAT	**813**	**971**	**1,135**	**1,044**	**916**	**1,429**	**1,542**	**1,347**	**3,963**	**5,234**
Minority Interest	41.9	45.6	38.0	119.9	40.0	65.0	70.0	75.0	245.0	250
PAT after Minority Interest	**771**	**925**	**1,097**	**924**	**876**	**1,364**	**1,472**	**1,272**	**3,718**	**4,984**
Change (%)	*46.6*	*316.5*	*25.3*	*53.1*	*13.6*	*47.4*	*34.2*	*37.6*	*66.4*	*34.0*

E: MOSt Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) Tel: +91 22 39825404/Amit Purohit (AmitPurohit@MotilalOswal.com); Tel: 39825418

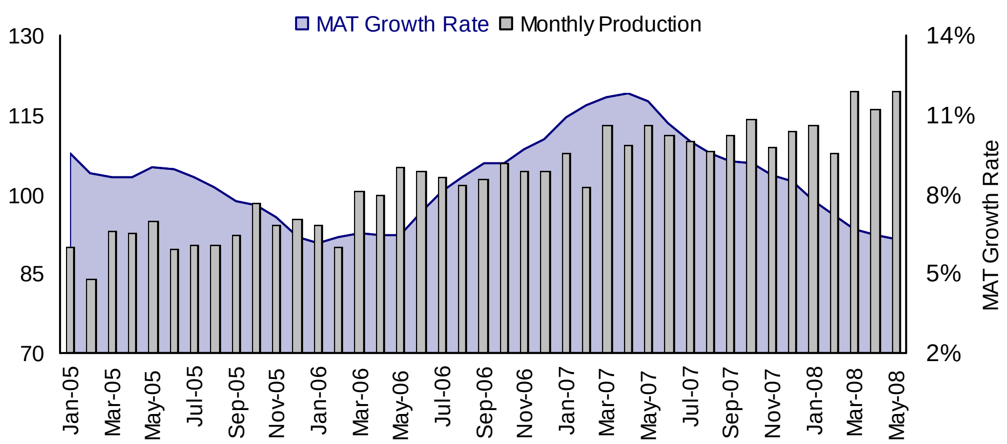
Metals

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

Growth in crude steel production continues to moderate

Global crude steel output increased 3.9% to 554m tons during January-May 2008, driven by 9.7% growth in China, 13.5% in India and 2.9% in the rest of the world (RoW). China's moving average total (MAT) growth rate has slowed from 21.5% in May 2007 to 11.2% in May 2008 due to slower capacity addition and closing of ~30m tons of inefficient capacity, while India's MAT growth rate has climbed steeply from 9.1% in May 2007 to 16% in May 2008. China is still the largest contributor to growth and accounted for 61% of the incremental crude steel production during January-May 2008.

GLOBAL CRUDE STEEL PRODUCTION GROWTH MODERATING (M TON)



Note: MAT =Moving Annual Total of crude steel production *Source:IISI*

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Metals							
Hindalco	Neutral	55,148	17.9	10,558	19.4	6,891	14.3
Hindustan Zinc	Buy	18,633	-5.4	11,696	-18.6	9,284	-21.7
Jindal Steel & Power	Buy	17,641	44.2	8,000	67.0	5,060	118.3
JSW Steel	Neutral	39,296	61.8	10,384	23.7	4,276	-2.1
Nalco	Neutral	13,676	17.4	6,591	6.9	4,628	3.6
Sterlite Inds.	Buy	60,856	-0.9	16,474	-23.6	10,009	-12.4
SAIL	Neutral	101,091	25.7	37,098	50.6	24,544	56.3
Tata Steel	Buy	380,055	22.0	57,947	18.2	25,755	27.3
Sector Aggregate		**686,397**	**20.8**	**158,748**	**15.2**	**90,448**	**18.4**

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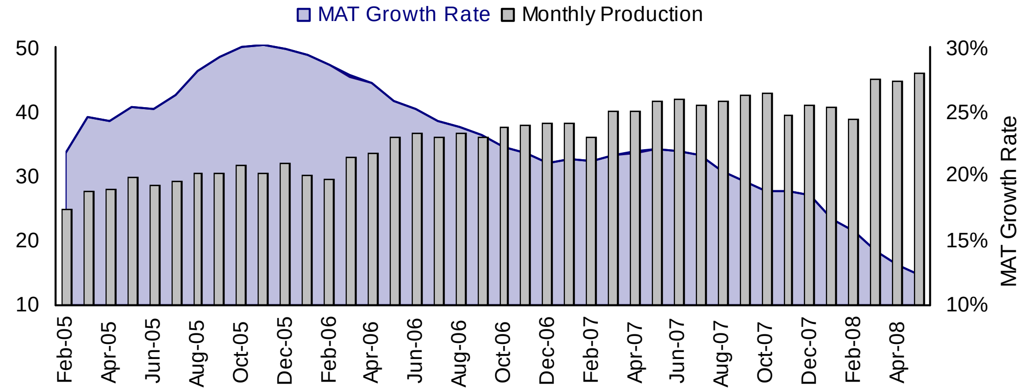
CHINA'S CRUDE STEEL PRODUCTION GROWTH DECLINING SHARPLY (M TON)



Source: IISI

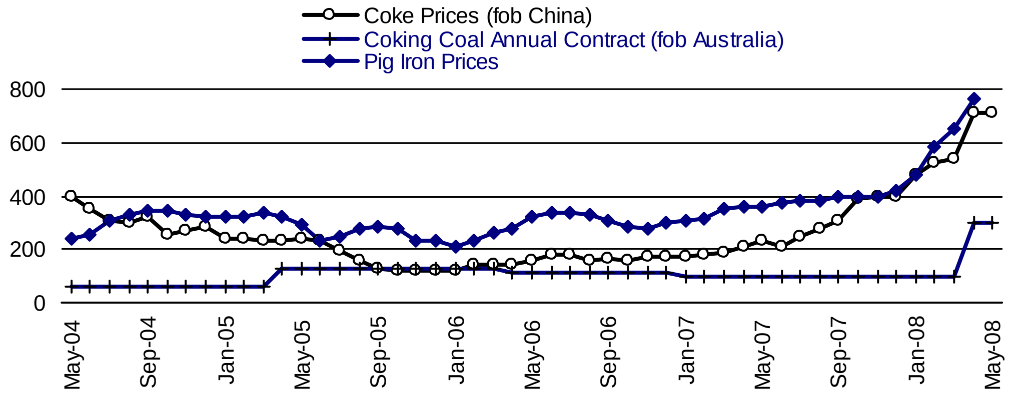
Policy changes and impact

Indian government withdrew export duty on flat rolled steel products from 15% on HR, 10% on CR and 5% galva to nil, while it increased the duty on long products from 10% to 15%. Also, export duty on iron ore has been changed from specific rates of Rs300/ton for 62% iron grade and Rs50/ton for lower grade to uniform ad-valorem rate of 15%.

In domestic markets, the flat products prices have moved up by 28-31% during December 2007 to first week of June 2008. However, long product prices have moved up steeper 45-50% during the same period. We now expect domestic prices of HRC to catch up in coming months as international prices of HRC and other steel products have nearly doubled to US$1200/ton during the same period.

JSW Steel, Tata Steel and SAIL will be key beneficiary of this trend. Benefits for JSW Steel are two-fold: (1) realization on flat products will increase by ~5% and (2) pressures on iron ore costs may ease a bit due to 15% ad valorem export duty and softening of spot prices in the international market. JSW Steel still pays 15% export duty on slabs. Sesa Goa's earnings will get negatively impacted due to the imposition of ad-valorem duty.

COKE PRICES CONTINUE TO PUSH PIG IRON PRICES (US$/TON)



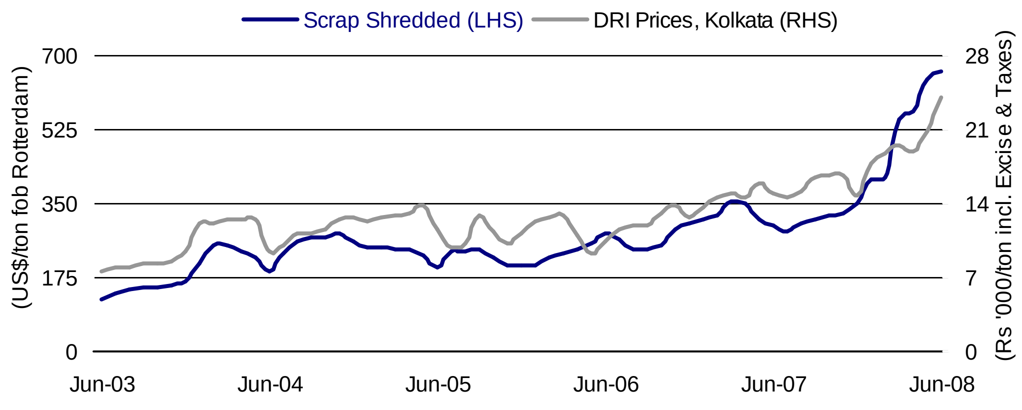
Source: IISI

Steel prices above US$1,200/ton for HRC; expected to remain strong

Globally, prices of steel products continue to trend upwards despite nearly doubling in short span of five months due to shortage of raw materials, while demand still remains strong (except a few geographies). Presently, the steel prices are very attractive for anybody in the world to produce more but shortage of coking coal and limited supply of steel scrap continues to restrict the production growth. Coking coal shortage can be judged from the fact that Xstrata is still asking for US$370/ton for coking supply to its 2008-09 annual contracts, while BHP-Billiton has already set the benchmark at US$300/ton more than a month ago.

Chinese exports of steel have started moving up in last two months and have reached 5.4m tons in May 2008. There are speculations that China may further increase export duty to discourage exports to avoid trade friction. We expect steel prices to remain very strong until August 2008, as China is extremely conscious of pollution and safety during Olympics. Thereafter, we expect HRC prices to peak out and settle above US$1000/ton by year end, which will ensure that even non-integrated steel producers are able to recover cost pressures in FY09.

SCRAP PRICES ARE DRIVING SPONGE IRON PRICES



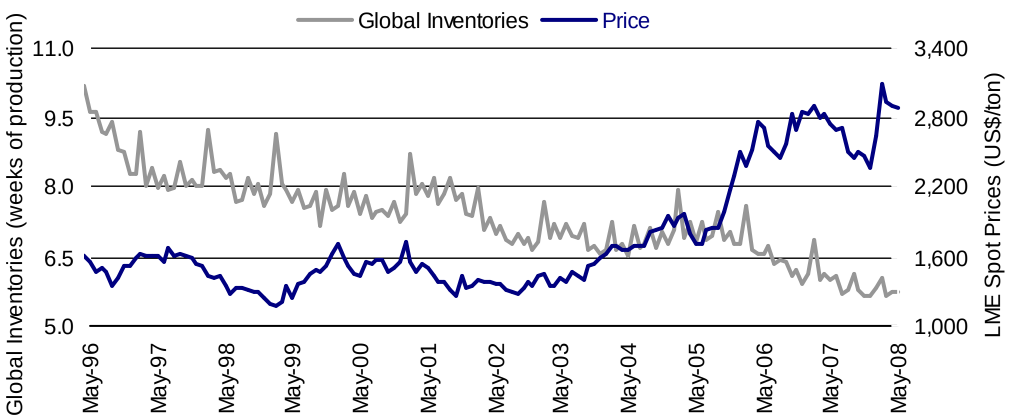
Source: IISI

We maintain our positive outlook on the sector and expect earnings of steel producers to grow. Removal of export duty augurs well for Indian steel stocks. We reiterate buy on our top picks - Tata Steel and Jindal steel and Power. JSW Steel is vulnerable due to absence of captive raw materials. SAIL's growth plan is significantly delayed and costs escalating due to delay in placing orders. SAIL incurred capex of meager Rs21b during FY08 and has given guidance of just Rs50b for FY09. Therefore, the capacity expansion to 23mtpa will be delayed well beyond 2010, in our view.

Non-ferrous metals

Long term outlook for aluminium has significantly improved: Aluminium prices on LME are expected to average US$3,000/ton during FY09. Recent hike in electricity rate in China will increase the cost of production of aluminium there. Rising energy costs will ensure that aluminium remains firm. Aluminum prices have increased 7% QoQ to US$2,991/ ton and 7% YoY. We have revised our aluminium assumption for Hindalco, Nalco and Sterlite changing our price assumption from US$2,750 to US$3,000/ton. We reiterate Buy on Sterlite due to its strong volume growth in both aluminium and zinc and a strong pipeline of projects in the energy business.

GLOBAL INVENTORIES



Source: IISI

AVERAGE METAL PRICES ON LME (US$/TON)

QUARTER	ZINC			ALUMINIUN			COPPER			LEAD			ALUMINA		
	AVG.	QOQ %	YOY %	AVG.	QOQ %	YOY %	AVG.	QOQ %	YOY %	AVG.	QOQ %	YOY %	AVG.	QOQ %	YOY %
1QFY09	2,157	-12	-41	2,991	8	7	8,317	7	10	2,348	-19	7	411	5	14
4QFY08	2,460	-8	-29	2,779	11	1	7,741	7	30	2,900	-10	66	391	14	21
3QFY08	2,664	-17	-36	2,500	-4	-8	7,259	-5	2	3,232	4	104	343	-1	43
2QFY08	3,221	-12	-4	2,610	-7	3	7,624	1	0	3,094	42	159	347	-4	2
1QFY08	3,679	7	14	2,802	2	4	7,578	27	6	2,184	25	95	360	12	-38
4QFY07	3,441	-17	52	2,748	1	12	5,975	-16	23	1,751	10	43	322	34	-47
3QFY07	4,142	23	152	2,726	8	32	7,096	-7	72	1,587	33	57	240	-29	-55
2QFY07	3,359	4	155	2,531	-6	37	7,628	7	115	1,194	7	37	340	-42	-21
1QFY07	3,239	43	152	2,684	10	50	7,158	47	123	1,119	-9	18	583	-4	34
4QFY06	2,267	38	71	2,447	18	29	4,862	18	55	1,224	21	31	607	15	46
3QFY06	1,642	25	45	2,071	12	14	4,130	17	39	1,011	16	9	530	23	32
2QFY06	1,316	2	32	1,849	3	8	3,544	10	27	869	-8	0	432	0	29
1QFY06	1,287	-3	23	1,795	-5	6	3,213	3	19	949	1	22	434	5	-5
4QFY05	1,327	17	22	1,891	4	13	3,127	5	16	937	1	15	415	3	-1
3QFY05	1,131	13	20	1,818	6	19	2,975	7	45	927	6	47	401	19	29
2QFY05	998	-4	19	1,718	2	21	2,788	3	58	872	12	71	336	-27	18
1QFY05	1,043	-4	32	1,690	1	22	2,698	0	63	777	-5	68	458	9	62

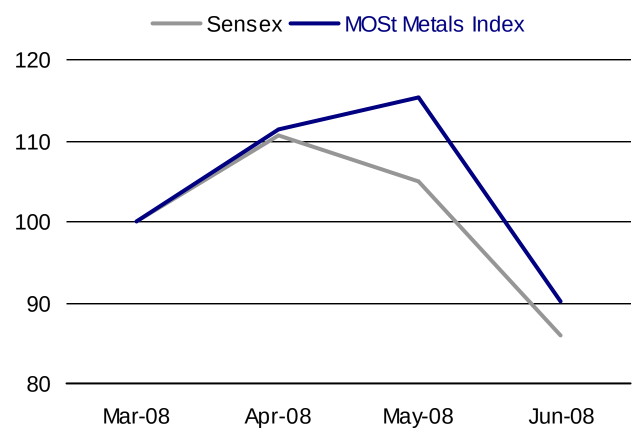
Source: Bloomberg & Motilaloswal Research

Stock performance and valuations

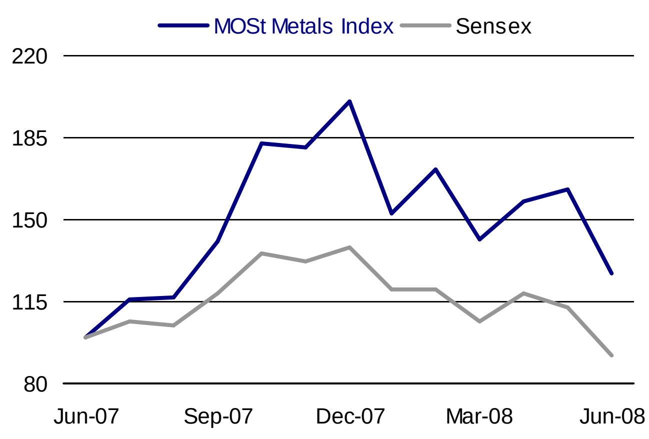
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Metals						
Hindalco	-21	-14	-3	-2	-7	-25
Hindustan Zinc	-10	-34	8	-22	4	-45
Jindal Steel & Power	-14	137	4	149	0	126
JSW Steel	-5	18	12	30	9	7
Nalco	-24	32	-7	43	-10	20
SAIL	-24	-2	-7	10	-11	-13
Sterlite Inds.	-8	9	9	20	5	-3
Tata Steel	0	24	17	35	14	12

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Metals														
Hindalco	136	Neutral	15.2	13.5	17.5	9.0	10.1	7.7	6.5	5.1	4.9	12.4	9.6	11.3
Hindustan Zinc	482	Buy	104.0	85.7	92.6	4.6	5.6	5.2	2.3	2.2	2.6	37.3	23.9	20.8
Jindal Steel & Power	1,679	Buy	85.2	183.3	304.0	19.7	9.2	5.5	13.4	6.7	4.1	35.8	43.9	42.4
JSW Steel	732	Neutral	81.6	98.0	165.5	9.0	7.5	4.4	6.7	5.3	3.9	20.8	20.2	24.8
Nalco	342	Neutral	25.6	31.5	45.8	13.4	10.8	7.5	8.7	6.7	3.8	18.8	19.8	23.3
SAIL	128	Neutral	20.3	22.3	23.5	6.3	5.7	5.4	3.2	2.9	3.0	36.6	30.3	25.4
Sterlite Inds.	658	Buy	62.6	61.4	56.0	10.5	10.7	11.7	4.1	3.9	6.1	19.8	16.5	13.0
Tata Steel	657	Buy	85.5	126.7	144.3	7.7	5.2	4.6	4.9	4.0	3.5	20.5	24.2	22.4
Sector Aggregate						**8.2**	**6.9**	**5.8**	**5.0**	**4.2**	**3.5**	**24.3**	**22.2**	**21.2**

Hindalco

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	HNDL IN
	REUTERS CODE
S&P CNX: 3,926	HALC.BO

Equity Shares (m)	1,306.8
52-Week Range	223/133
1,6,12 Rel. Perf. (%)	-8/-1/-2
M.Cap. (Rs b)	170.5
M.Cap. (US$ b)	3.9

3 July 2008

Neutral

Previous Recommendation: Neutral Rs136

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	199,548	28,006	24.2	77.5	5.4	1.2	22.8	18.8	0.9	4.1
3/08A	600,128	19,803	15.2	-37.3	8.6	1.1	12.4	7.4	0.7	6.4
3/09E	738,230	23,451	13.5	-11.2	9.7	0.9	9.6	8.4	0.6	5.8
3/10E	743,307	30,550	17.5	30.3	7.4	0.8	11.3	8.6	0.6	5.6

Consolidated

- For 1QFY09, we expect standalone PAT to increase 14.3% YoY to Rs6.9b on the back of 12% growth YoY in aluminium volumes and higher realizations driven by strong prices on the LME and rupee depreciation.

- The company announced 1:3 rights issue for raising Rs50b to replace part of US$3b bridge loans taken for the acquisition of Novelis. The pricing of issue will be decided later. Rs50b rights issue implies a price of Rs115/share and equity dilution of 33%.

- Aluminium prices on LME are expected to average US$3,000/ton during FY09. Recent hike in electricity rate in China will increase the cost of production of aluminium there. Rising energy costs will ensure that aluminium remains firm. We are positive on aluminum prices but are concerned for Novelis, which continues to suffer on account of fixed price contracts and demand slowdown in US. We expect EPS of Rs13.5 during FY09. The stock trades 9.7x FY09 P/E and 5.8x FY09 EV/EBITDA. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**46,779**	**49,597**	**45,317**	**50,102**	**55,148**	**59,903**	**60,727**	**66,624**	**191,795**	**242,403**
Change (YoY %)	*9.5*	*7.0*	*-2.7*	*5.5*	*17.9*	*20.8*	*34.0*	*33.0*	*4.7*	*26.4*
Total Expenditure	37,936	40,380	37,311	42,135	44,591	48,805	49,241	54,911	157,762	197,548
EBITDA	**8,843**	**9,217**	**8,006**	**7,967**	**10,558**	**11,098**	**11,486**	**11,713**	**34,033**	**44,855**
Change (YoY %)	*-5.3*	*-6.6*	*-23.4*	*-28.5*	*19.4*	*20.4*	*43.5*	*47.0*	*-16.6*	*31.8*
As % of Net Sales	*18.9*	*18.6*	*17.7*	*15.9*	*19.1*	*18.5*	*18.9*	*17.6*	*17.7*	*18.5*
Interest	562	632	622	988	1,013	1,038	1,063	1,088	2,804	4,202
Depreciation	1,428	1,446	1,460	1,516	1,500	1,500	1,500	1,500	5,850	6,000
Other Income	1,246	1,098	1,143	1,442	1,143	1,200	700	700	4,929	3,743
PBT (before EO Item)	**8,099**	**8,237**	**7,067**	**6,905**	**9,188**	**9,760**	**9,623**	**9,825**	**30,308**	**38,396**
Extra-ordinary Income	-	-	-	5,407	-	-	-	-	5,407.0	-
PBT (after EO Item)	**8,099**	**8,237**	**7,067**	**12,312**	**9,188**	**9,760**	**9,623**	**9,825**	**35,715**	**38,396**
Total Tax	2,070	1,809	1,640	1,542	2,297	2,440	2,406	2,456	7,061	9,599
% Tax	*25.6*	*22.0*	*23.2*	*22.3*	*25.0*	*25.0*	*25.0*	*25.0*	*19.8*	*25.0*
Reported PAT	**6,029**	**6,428**	**5,427**	**10,770**	**6,891**	**7,320**	**7,217**	**7,369**	**28,654**	**28,797**
Adjusted PAT	**6,029**	**6,428**	**5,427**	**5,363**	**6,891**	**7,320**	**7,217**	**7,369**	**24,316**	**28,797**
Change (YoY %)	*0.2*	*-1.0*	*-15.7*	*-30.4*	*14.3*	*13.9*	*33.0*	*37.4*	*-8.8*	*18.4*

E: MOSt Estimates

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Hindustan Zinc

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	HZ IN
	REUTERS CODE
S&P CNX: 3,926	HZNC.BO

Equity Shares (m)	422.5
52-Week Range	969/463
1,6,12 Rel. Perf. (%)	-5/-5/-22
M.Cap. (Rs b)	203.5
M.Cap. (US$ b)	4.7

3 July 2008

Buy

Previous Recommendation: Buy

Rs482

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	85,602	44,418	105.1	201.7	4.6	2.7	58.2	78.8	1.8	2.5
3/08A	78,780	43,960	104.0	-1.0	4.6	1.7	37.3	42.3	1.6	2.3
3/09E	74,095	36,219	85.7	-17.6	5.6	1.3	23.9	25.8	1.3	2.2
3/10E	78,810	39,125	92.6	8.0	5.2	1.1	20.8	21.4	0.7	1.2

Standalone

- For 1QFY09, we expect net sales to decrease 5.4% YoY to Rs18.6b due to lower zinc prices on the LME despite 36% YoY volume growth.
- EBITDA is expected to decline 18.6% YoY to Rs11.7b and margins to contract 1,010bp to 62.8% due to falling realizations.
- Profit after tax is likely to decrease 21.7% YoY to Rs9.3b.
- Production of refined zinc metal is expected to increase 36% YoY to 510k tons in FY09 due to full ramp up of the new 170ktpa smelter. Higher production of refined metal will correspondingly reduce sales volumes of zinc concentrate and improve product mix. We reiterate **Buy.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**19,700**	**19,840**	**16,580**	**22,660**	**18,633**	**18,481**	**16,335**	**20,646**	**78,780**	**74,095**
Change (YoY %)	*22.4*	*-18.7*	*-33.1*	*12.1*	*-5.4*	*-6.9*	*-1.5*	*-8.9*	*-8.0*	*-5.9*
Total Expenditure	5,340	5,650	6,140	7,850	6,937	7,115	6,952	9,386	24,980	30,390
EBITDA	**14,360**	**14,190**	**10,440**	**14,810**	**11,696**	**11,365**	**9,383**	**11,260**	**53,800**	**43,705**
Change (YoY %)	*15.4*	*-23.5*	*-45.3*	*5.8*	*-18.6*	*-19.9*	*-10.1*	*-24.0*	*-16.0*	*-18.8*
As % of Net Sales	*72.9*	*71.5*	*63.0*	*65.4*	*62.8*	*61.5*	*57.4*	*54.5*	*68.3*	*59.0*
Interest	70	60	60	50	63	63	63	63	240	250
Depreciation	450	490	540	740	639	695	766	1,050	2,220	3,150
Other Income	2,700	1,440	1,110	3,260	1,900	2,400	2,500	3,200	8,510	10,000
PBT	**16,540**	**15,080**	**10,950**	**17,280**	**12,895**	**13,008**	**11,054**	**13,348**	**59,850**	**50,305**
Total Tax	4,690	3,600	3,100	4,500	3,611	3,642	3,095	3,737	15,890	14,085
% Tax	*28.4*	*23.9*	*28.3*	*26.0*	*28.0*	*28.0*	*28.0*	*28.0*	*26.5*	*28.0*
Reported PAT	**11,850**	**11,480**	**7,850**	**12,780**	**9,284**	**9,366**	**7,959**	**9,610**	**43,960**	**36,219**
Adjusted PAT	**11,850**	**11,480**	**7,850**	**12,780**	**9,284**	**9,366**	**7,959**	**9,610**	**43,960**	**36,219**
Change (YoY %)	*35.6*	*-11.6*	*-41.2*	*36.7*	*-21.7*	*-18.4*	*1.4*	*-24.8*	*-1.0*	*-17.6*

E: MOSt Estimates

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Jindal Steel & Power

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	JSP IN
	REUTERS CODE
S&P CNX: 3,926	JNSP.BO

Equity Shares (m)	154.0
52-Week Range	3,356/695
1,6,12 Rel. Perf. (%)	-7/-13/149
M.Cap. (Rs b)	258.5
M.Cap. (US$ b)	6.0

3 July 2008

Buy

Previous Recommendation: Buy Rs1,679

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	35,198	7,028	45.6	22.6	36.8	14.2	38.7	18.6	8.3	20.9
3/08A	54,890	13,113	85.2	86.6	19.7	7.1	35.8	19.1	5.7	13.4
3/09E	97,611	28,224	183.3	115.2	9.2	4.0	43.9	29.6	3.2	6.7
3/10E	144,012	46,801	304.0	65.8	5.5	2.3	42.4	32.2	2.0	4.1

Consolidated

- For 1QFY09, we expect net sales to grow 44.2% YoY to Rs17.6b, driven by volume growth in steel business.
- EBITDA is likely to increase 67% YoY to Rs8b. Post-tax adjusted profit is likely to move up 118% YoY to Rs5.1b.
- Three modules of 250MW each of JPL's 1,000MW project has already started and remaining one module will be completed by July 2008. JSPL has further ordered 1,620MW captive power for its Raigarh and Orissa sites.
- We estimate an EPS of Rs183.3 for FY09 and Rs304 for FY10, factoring in strong steel prices and power tariff on merchant sales. Strong growth in steel business and JSPL's plans to grow its power business aggressively will continue to rerate the stock. Our SOTP valuation is Rs3,519. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**12,231**	**12,690**	**13,956**	**15,230**	**17,641**	**20,047**	**20,849**	**21,651**	**54,108**	**80,187**
Change (YoY %)	*83.6*	*60.7*	*38.2*	*44.5*	*44.2*	*58.0*	*49.4*	*42.2*	*53.7*	*48.2*
Total Expenditure	7,440	7,284	8,633	8,437	9,641	12,533	12,533	13,497	31,793	48,203
EBITDA	**4,792**	**5,407**	**5,324**	**6,793**	**8,000**	**7,514**	**8,316**	**8,154**	**22,315**	**31,984**
Change (YoY %)	*47.5*	*75.3*	*41.1*	*73.4*	*67.0*	*39.0*	*56.2*	*20.0*	*59.1*	*43.3*
As % of Net Sales	*39.2*	*42.6*	*38.1*	*44.6*	*45.4*	*37.5*	*39.9*	*37.7*	*41.2*	*39.9*
Interest	621	791	500	603	450	473	496	566	2,515	1,985
Depreciation	1,115	1,178	1,188	1,035	1,021	1,160	1,160	1,299	4,516	4,640
Other Income	96	29	118	248	41	55	69	110	491	275
PBT (before EO Item)	**3,152**	**3,467**	**3,754**	**5,402**	**6,571**	**5,936**	**6,728**	**6,398**	**15,775**	**25,634**
Extra-ordinary Income	250	-	-	(1,000)	-	-	-	-	(750)	-
PBT (after EO Item)	**3,402**	**3,467**	**3,754**	**4,402**	**6,571**	**5,936**	**6,728**	**6,398**	**15,025**	**25,634**
Total Tax	901	692	564	499	1,511	1,365	1,548	1,472	2,656	5,896
% Tax	*26.5*	*20.0*	*15.0*	*11.3*	*23.0*	*23.0*	*23.0*	*23.0*	*17.7*	*23.0*
Reported PAT	**2,501**	**2,775**	**3,191**	**3,903**	**5,060**	**4,571**	**5,181**	**4,926**	**12,370**	**19,738**
Adjusted PAT	**2,317**	**2,775**	**3,191**	**4,792**	**5,060**	**4,571**	**5,181**	**4,926**	**12,987**	**19,738**
Change (YoY %)	*51.4*	*76.5*	*68.0*	*136.3*	*118.3*	*64.7*	*62.4*	*2.8*	*84.8*	*52.0*

E: MOSt Estimates

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JSW Steel

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	JSTL IN
	REUTERS CODE
S&P CNX: 3,926	JSTL.BO

Equity Shares (m)	200.7
52-Week Range	1,390/506
1,6,12 Rel. Perf. (%)	-19/-10/30
M.Cap. (Rs b)	146.9
M.Cap. (US$ b)	3.4

3 July 2008

Neutral

Previous Recommendation: Neutral Rs732

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	85,944	12,340	61.5	108.7	11.9	2.3	19.7	21.0	1.9	5.9
3/08A	124,096	16,373	81.6	32.7	9.0	1.9	20.8	15.9	1.7	6.1
3/09E	215,269	19,666	98.0	20.1	7.5	1.5	20.2	16.0	1.3	5.1
3/10E	278,206	33,204	165.5	68.8	4.4	1.1	24.8	19.2	1.1	3.9

Consolidated

- We expect net sales to grow 61.8% YoY to Rs39.3b. We expect volume growth of 40.1% YoY, while realizations would grow 15.5% YoY.
- EBITDA is likely to grow 23.7% YoY to Rs10.4b. Margins would decline 820bp YoY to 26.4% due to mounting raw material cost pressures. PAT should decline 2.1% YoY to Rs4.3b.
- We have revised our EPS estimate to Rs98 for FY09 after factoring in higher steel prices and increased coal and iron ore costs. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08*	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales (tons)	677,500	772,500	817,500	906,500	949,000	953,739	1,423,217	1,527,957	3,174,000	4,853,913
Change (YoY %)	*24.8*	*17.8*	*18.8*	*15.6*	*40.1*	*23.5*	*74.1*	*68.6*	*18.8*	*52.9*
Realization (Rs per ton)	35,837	34,068	34,764	37,782	41,408	42,670	39,654	39,161	35,686	40,434
Change (YoY %)	*24.0*	*1.8*	*3.9*	*18.6*	*15.5*	*25.3*	*14.1*	*3.6*	*11.4*	*13.3*
Net Sales	**24,280**	**26,317**	**28,419**	**34,250**	**39,296**	**40,696**	**56,436**	**59,836**	**113,266**	**196,263**
Change (YoY %)	*54.7*	*19.9*	*23.5*	*37.1*	*61.8*	*54.6*	*98.6*	*74.7*	*32.3*	*73.3*
Total Expenditure	15,883	18,597	20,579	25,507	28,912	30,151	43,693	45,813	80,565	148,568
EBITDA	**8,397**	**7,720**	**7,841**	**8,743**	**10,384**	**10,545**	**12,743**	**14,023**	**32,701**	**47,695**
Change (YoY %)	*84.2*	*10.9*	*1.9*	*8.9*	*23.7*	*36.6*	*62.5*	*60.4*	*20.0*	*45.9*
As % of Net Sales	*34.6*	*29.3*	*27.6*	*25.5*	*26.4*	*25.9*	*22.6*	*23.4*	*28.9*	*24.3*
EBITDA (Rs per ton)	*12,394*	*9,993*	*9,591*	*9,645*	*10,942*	*11,056*	*8,954*	*9,178*	*10,303*	*9,826*
Interest	1,031	869	1,169	1,335	2,054	2,142	2,756	3,019	4,404	9,971
Depreciation	1,477	1,518	1,883	1,829	2,182	2,283	3,384	3,684	6,707	11,533
Other Income	237	1,257	356	325	230	230	230	230	2,174	921
PBT (before EO Item)	**6,126**	**6,589**	**5,145**	**5,904**	**6,378**	**6,350**	**6,833**	**7,550**	**23,763**	**27,111**
EO Items	606	1,125	3	-655	0	0	0	0	1,078	0
PBT (after EO Item)	**6,732**	**7,713**	**5,148**	**5,248**	**6,378**	**6,350**	**6,833**	**7,550**	**24,841**	**27,111**
Total Tax	1,854	1,995	1,338	2,372	2,032	2,022	2,187	2,430	7,559	8,670
% Tax	*27.5*	*25.9*	*26.0*	*45.2*	*31.9*	*31.8*	*32.0*	*32.2*	*30.4*	*32.0*
Reported PAT	**4,878**	**5,718**	**3,810**	**2,876**	**4,346**	**4,328**	**4,647**	**5,120**	**17,282**	**18,441**
Preference Dividend	70	70	70	70	70	70	70	70	279	279
Adjusted PAT	**4,369**	**4,815**	**3,738**	**3,165**	**4,276**	**4,258**	**4,577**	**5,050**	**16,253**	**18,162**
Change (YoY %)	*167.5*	*41.9*	*5.2*	*-15.9*	*-2.1*	*-11.6*	*22.5*	*59.5*	*31.7*	*11.7*

*E: MOSt Estimates; * We have excluded SISCOL' s financials from reported FY08Q4 stand-alone & have adjusted Rs1.39b misc exp. w/off for Q1 to Q4 of FY08*

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Nalco

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	NACL IN
	REUTERS CODE
S&P CNX: 3,926	NALU.BO

Equity Shares (m)	644.3
52-Week Range	566/238
1,6,12 Rel. Perf. (%)	-12/1/43
M.Cap. (Rs b)	220.2
M.Cap. (US$ b)	5.1

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs342

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	59,402	23,926	37.1	55.1	9.2	2.9	31.1	38.9	3.1	5.2
3/08A	49,884	16,483	25.6	-31.1	13.4	2.5	18.8	20.8	3.9	8.7
3/09E	61,225	20,316	31.5	23.3	10.8	2.1	19.8	24.1	3.2	6.7
3/10E	79,843	29,490	45.8	45.2	7.5	1.7	23.3	30.3	2.1	3.8

Standalone

- We expect net sales to increase 17.4% YoY to Rs13.7b on the back of a 14% YoY increase in alumina prices to US$411/ton and a 7% YoY increase in aluminum prices to US$2,991/ton on the LME.
- EBITDA is expected to increase 6.9% YoY to Rs6.6b primarily on account of strong metal prices. Profit after tax is likely to increase 3.6% YoY to Rs4.6b.
- We estimate an EPS of Rs31.5 for FY09 and Rs45.8 for FY10 factoring in higher aluminum prices on the LME of US$3,000/ton (against the earlier US$2,750/ton), owing to the improved outlook for the metal due to supply constraints.
- The stock trades at 10.8x FY09E EPS. Maintain **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**11,652**	**13,082**	**11,093**	**14,057**	**13,676**	**15,675**	**15,345**	**16,529**	**49,884**	**61,225**
Change (YoY %)	*-21.6*	*-9.3*	*-23.4*	*-10.3*	*17.4*	*19.8*	*38.3*	*17.6*	*-16.0*	*22.7*
Total Expenditure	5,488	7,397	6,693	8,030	7,085	8,300	7,826	8,879	27,607	32,089
EBITDA	**6,164**	**5,685**	**4,401**	**6,028**	**6,591**	**7,375**	**7,519**	**7,651**	**22,277**	**29,136**
Change (YoY %)	*-34.0*	*-35.0*	*-47.9*	*-31.5*	*6.9*	*29.7*	*70.9*	*26.9*	*-37.1*	*30.8*
As % of Net Sales	*52.9*	*43.5*	*39.7*	*42.9*	*48.2*	*47.1*	*49.0*	*46.3*	*44.7*	*47.6*
Interest	1	6	0	0	0	0	0	0	7	0
Depreciation	692	683	662	758	742	733	711	813	2,794	3,000
Other Income	1,310	1,644	1,380	1,350	1,187	1,187	1,187	1,187	5,683	4,746
PBT (before EO Item)	**6,782**	**6,639**	**5,118**	**6,620**	**7,035**	**7,829**	**7,995**	**8,024**	**25,159**	**30,882**
Extra-ordinary Income				-357	0	0	0	0	-357	0
PBT (after EO Item)	**6,782**	**6,639**	**5,118**	**6,263**	**7,035**	**7,829**	**7,995**	**8,024**	**24,802**	**30,882**
Total Tax	2,315	2,242	1,824	2,173	2,407	2,679	2,735	2,745	8,553	10,566
% Tax	*34.1*	*33.8*	*35.6*	*34.7*	*34.2*	*34.2*	*34.2*	*34.2*	*34.5*	*34.2*
Reported PAT	**4,467**	**4,397**	**3,294**	**4,091**	**4,628**	**5,150**	**5,260**	**5,279**	**16,249**	**20,316**
Adjusted PAT	**4,467**	**4,397**	**3,294**	**4,324**	**4,628**	**5,150**	**5,260**	**5,279**	**16,483**	**20,316**
Change (YoY %)	*-28.2*	*-26.1*	*-42.5*	*-26.8*	*3.6*	*17.1*	*59.7*	*22.1*	*-31.1*	*23.3*

E: MOSt Estimates

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Sterlite Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	STLT IN
	REUTERS CODE
S&P CNX: 3,926	STRL.BO

Equity Shares (m)	708.7
52-Week Range	1,140/503
1,6,12 Rel. Perf. (%)	-9/1/20
M.Cap. (Rs b)	466.4
M.Cap. (US$ b)	10.8

3 July 2008

Buy

Previous Recommendation: Buy

Rs658

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	243,868	45,005	80.6	34.1	8.2	3.7	45.9	48.8	1.5	3.8
3/08A	247,054	44,389	62.6	-22.2	10.5	2.1	19.8	22.9	1.3	4.1
3/09E	264,593	43,517	61.4	-2.0	10.7	1.8	16.5	17.1	1.1	3.9
3/10E	275,065	39,712	56.0	-8.7	11.7	1.5	13.0	13.8	0.8	3.4

Consolidated

- We expect net sales to decline 1% YoY to Rs60.9b due to fall in zinc prices on the LME and falling TcRc margins in the copper business.
- EBITDA is expected to decline 23.6% YoY and the margin would contract 800bp to 27.1%.
- Profit after tax is likely to decrease 12.4% YoY to Rs10b.
- The stock trades at an EV of 3.9x FY09E EBITDA. We estimate an EPS of Rs61.4 for FY09E, factoring in change in aluminum price assumption to US$3,000/ton (earlier US$2,750/ ton). Maintain **Buy.**

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**61,391**	**65,671**	**52,332**	**67,659**	**60,856**	**63,502**	**68,794**	**71,440**	**247,054**	**264,593**
Change (YoY %)	*33.4*	*-2.2*	*-23.2*	*8.2*	*-0.9*	*-3.3*	*31.5*	*5.6*	*1.3*	*7.1*
Total Expenditure	39,830	46,013	36,616	45,913	44,383	46,313	50,172	52,102	168,372	192,969
EBITDA	**21,561**	**19,658**	**15,717**	**21,746**	**16,474**	**17,190**	**18,622**	**19,338**	**78,682**	**71,624**
Change (YoY %)	*16.6*	*-23.6*	*-43.1*	*-4.3*	*-23.6*	*-12.6*	*18.5*	*-11.1*	*-16.8*	*-9.0*
As % of Net Sales	*35.1*	*29.9*	*30.0*	*32.1*	*27.1*	*27.1*	*27.1*	*27.1*	*31.8*	*27.1*
Interest	955	643	681	908	518	541	586	608	3,186	2,253
Depreciation	2,031	2,046	2,142	(269)	1,935	2,019	2,187	2,272	5,950	8,413
Other Income	3,501	3,233	3,009	5,918	4,537	4,734	5,129	5,326	15,661	19,726
PBT (before EO Item)	**22,076**	**20,202**	**15,904**	**27,024**	**18,557**	**19,364**	**20,978**	**21,785**	**85,206**	**80,684**
Extra-ordinary Exp.	-	-	-	(528)	-	-	-	-	(528)	-
PBT (after EO Item)	**22,076**	**20,202**	**15,904**	**26,496**	**18,557**	**19,364**	**20,978**	**21,785**	**84,678**	**80,684**
Total Tax	5,247	4,465	4,138	7,177	4,744	4,950	5,362	5,569	21,027	20,624
% Tax	*23.8*	*22.1*	*26.0*	*27.1*	*25.6*	*25.6*	*25.6*	*25.6*	*24.8*	*25.6*
Reported PAT	**16,829**	**15,737**	**11,766**	**19,319**	**13,814**	**14,414**	**15,615**	**16,216**	**63,651**	**60,060**
Minority Interest	5,400	4,911	3,213	6,135	3,805	3,970	4,301	4,466	19,659	16,542
Adjusted PAT	**11,429**	**10,826**	**8,553**	**13,569**	**10,009**	**10,444**	**11,314**	**11,750**	**44,389**	**43,517**
Change (YoY %)	*28.7*	*-7.1*	*-33.9*	*18.2*	*-12.4*	*-3.5*	*32.3*	*-13.4*	*-1.4*	*-2.0*

E: MOSt Estimates

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Steel Authority of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SAIL IN
	REUTERS CODE
S&P CNX: 3,926	SAIL.BO

Equity Shares (m)	4,130.4
52-Week Range	293/125
1,6,12 Rel. Perf. (%)	0/-17/10
M.Cap. (Rs b)	529.0
M.Cap. (US$ b)	12.2

3 July 2008

Neutral

Previous Recommendation: Neutral Rs128

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	343,331	62,135	15.0	54.5	8.5	3.1	36.2	42.7	1.4	5.0
3/08A	402,142	84,035	20.3	35.2	6.3	2.3	36.6	47.3	1.0	3.2
3/09E	493,068	92,116	22.3	9.6	5.7	1.7	30.3	40.5	0.8	2.9
3/10E	531,109	97,236	23.5	5.6	5.4	1.4	25.4	34.4	0.8	3.0

Standalone

- We expect net sales to grow 25.7% YoY to Rs101.1b, driven by 21.7% growth in average realization and 3.3% growth in sales volume.
- EBITDA margin is likely to expand 610bp YoY to 36.7%, driven largely by strong growth in volumes and higher realizations.
- Post-tax adjusted profit is likely to increase 56.3% YoY to Rs24.5b.
- We are disappointed by the capex of meager Rs21b during FY08 and guidance of just Rs50b for FY09. Also, management highlighted cost escalation and delay in placing orders for balance of Rs540b capex due to shortage of suppliers. The capacity expansion to 23mtpa will be delayed well beyond 2010 in our view.
- Topline growth of SAIL will be 22.6% in FY09 driven by higher realization. However, higher coking coal prices, employee costs, and freight costs will pull down bottom line growth to just 9.6%. Maintain **Neutral.**

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales (m tons)	2.53	3.00	3.01	3.80	2.61	3.10	3.11	3.93	12.34	12.75
Change (YoY %)	*2.4*	*1.8*	*-0.1*	*10.1*	*3.3*	*3.3*	*3.3*	*3.3*	*3.9*	*3.3*
Realization (Rs per ton)	31,777	30,545	31,672	35,468	38,672	38,672	38,672	38,672	32,588	38,672
Change (YoY %)	*14.4*	*5.4*	*11.8*	*17.8*	*21.7*	*26.6*	*22.1*	*9.0*	*12.8*	*18.7*
Net Sales	**80,395**	**91,635**	**95,333**	**134,779**	**101,091**	**119,871**	**120,270**	**151,836**	**402,142**	**493,068**
Change (%)	*17.2*	*7.3*	*11.7*	*29.8*	*25.7*	*30.8*	*26.2*	*12.7*	*17.2*	‘
EBITDA	**24,636**	**27,100**	**30,641**	**47,333**	**37,098**	**31,980**	**28,770**	**39,511**	**129,710**	**137,359**
Change (YoY %)	*38.4*	*16.1*	*16.8*	*58.2*	*50.6*	*18.0*	*-6.1*	*-16.5*	*33.3*	*5.9*
As % of Net Sales	*30.6*	*29.6*	*32.1*	*35.1*	*36.7*	*26.7*	*23.9*	*26.0*	*32.3*	*27.9*
EBITDA per ton	*9,738*	*9,033*	*10,180*	*12,456*	*14,192*	*10,317*	*9,251*	*10,063*	*10,511*	*10,773*
Interest	796	594	598	522	625	625	625	625	2,509	2,500
Depreciation	3,012	3,012	3,160	3,171	3,425	3,425	3,425	3,425	12,355	13,700
Other Income	3,069	3,043	3,143	3,774	4,084	4,395	4,505	5,216	13,029	18,200
PBT (before EO Inc.)	**23,897**	**26,537**	**30,027**	**47,414**	**37,132**	**32,325**	**29,225**	**40,677**	**127,875**	**139,359**
EO Income(exp)	-807	-807	-807	-10,764					-13,186	
PBT (after EO Inc.)	**23,090**	**25,730**	**29,219**	**36,650**	**37,132**	**32,325**	**29,225**	**40,677**	**114,689**	**139,359**
Total Tax	7,839	8,726	9,873	12,883	12,588	10,958	9,907	13,790	39,320	47,243
% Tax	*33.9*	*33.9*	*33.8*	*35.2*	*33.9*	*33.9*	*33.9*	*33.9*	*34.3*	*33.9*
Reported PAT	**15,251**	**17,004**	**19,347**	**23,768**	**24,544**	**21,367**	**19,318**	**26,888**	**75,369**	**92,116**
Adjusted PAT	**15,704**	**17,439**	**19,732**	**31,159**	**24,544**	**21,367**	**19,318**	**26,888**	**84,035**	**92,116**
Change (YoY %)	*54.7*	*22.5*	*23.6*	*63.6*	*56.3*	*22.5*	*-2.1*	*-13.7*	*41.5*	*9.6*

E: MOSt Estimates

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Tata Steel

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	TATA IN
	REUTERS CODE
S&P CNX: 3,926	TISC.BO

Equity Shares (m)	822.4
52-Week Range	970/471
1,6,12 Rel. Perf. (%)	-6/7/35
M.Cap. (Rs b)	540.7
M.Cap. (US$ b)	12.5

3 July 2008

Buy

Previous Recommendation: Buy

Rs657

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	251,197	42,786	70.2	3.1	9.4	2.6	27.9	31.8	1.5	5.1
3/08A	1,315,359	70,335	85.5	21.8	7.7	1.6	20.5	18.7	0.7	4.9
3/09E	1,690,213	104,221	126.7	48.2	5.2	1.3	24.2	20.4	0.5	4.0
3/10E	1,727,860	118,647	144.3	13.8	4.6	1.0	22.4	20.2	0.5	3.5

Consolidated

- We expect standalone net sales to increase 28.8% YoY to Rs54.1b, driven by 13.8% YoY growth in realizations and 10.5% YoY growth in volumes.
- We expect consolidated EPS to grow at a CAGR of 19% over FY08-10E, driven by overall volume growth in India.
- The outlook for Indian operations has improved due to removal of export duty on flat rolled products and recent statement by the steel minister that government will not intervene if steel price hikes are justified by cost increases. Non-integrated players like Ispat Industries are exposed to steep cost increases, which will justify higher price increases in domestic markets and drive the margins of Tata Steel's Indian operations on account of upstream integration into mining of raw materials.
- The stock trades at an EV/EBITDA of 4x FY09E and P/E of 5.2x FY09E. We reiterate **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
Standalone Financials	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales ('000 tons)	1,041	1,218	1,244	1,279	1,150	1,468	1,594	1,679	4,782	5,832
Change (YoY %)	*-6.6*	*2.9*	*0.7*	*1.5*	*10.5*	*20.5*	*28.1*	*31.3*	*-0.3*	*22.0*
Realization (Rs per ton)	36,665	35,280	35,201	39,157	41,716	42,087	40,810	40,600	36,598	41,663
Change (YoY %)	*17.8*	*11.4*	*9.2*	*11.4*	*13.8*	*19.3*	*15.9*	*3.7*	*12.3*	*13.8*
Net Sales	**41,976**	**47,851**	**49,739**	**57,367**	**54,086**	**67,911**	**71,144**	**76,083**	**196,933**	**269,223**
Change (YoY %)	*7.2*	*14.3*	*11.3*	*15.2*	*28.8*	*41.9*	*43.0*	*32.6*	*12.2*	*36.7*
EBITDA	**16,992**	**20,254**	**20,966**	**24,023**	**25,363**	**29,789**	**30,238**	**30,638**	**82,235**	**116,028**
Change (YoY %)	*7.5*	*18.8*	*17.5*	*26.2*	*49.3*	*47.1*	*44.2*	*27.5*	*17.9*	*41.1*
(% of Net Sales)	*40.5*	*42.3*	*42.2*	*41.9*	*46.9*	*43.9*	*42.5*	*40.3*	*41.8*	*43.1*
EBITDA (Rs/tss)	*15,110*	*15,138*	*14,941*	*16,323*	*19,320*	*18,145*	*17,002*	*16,373*	*15,481*	*18,489*
Interest	800	2,022	3,627	2,339	1,892	1,892	1,892	1,892	8,787	7,568
Depreciation	2,112	2,050	2,092	2,092	2,249	2,249	2,841	2,841	8,346	10,180
Other Income	1,461	943	670	275	370	370	370	370	3,350	1,480
PBT (before EO Inc.)	**15,541**	**17,126**	**15,918**	**19,868**	**21,592**	**26,018**	**25,875**	**26,275**	**68,452**	**99,760**
EO Income(exp)	3,484	340	-171	-1,442	-565	-565	-565	-565	2,211	-2,262
PBT (after EO Inc.)	**19,025**	**17,466**	**15,747**	**18,426**	**21,027**	**25,452**	**25,310**	**25,709**	**70,664**	**97,498**
Total Tax	6,804	5,558	5,061	6,371	7,076	8,563	8,515	8,650	23,793	32,804
% Tax	*35.8*	*31.8*	*32.1*	*34.6*	*33.7*	*33.6*	*33.6*	*33.6*	*33.7*	*33.6*
Reported PAT	**12,221**	**11,908**	**10,686**	**12,055**	**13,951**	**16,889**	**16,795**	**17,060**	**46,870**	**64,694**
Adjusted PAT	**9,983**	**11,676**	**10,802**	**12,999**	**14,322**	**17,257**	**17,163**	**17,428**	**45,404**	**66,195**
Change (YoY %)	*3.4*	*3.1*	*-1.5*	*15.0*	*43.5*	*47.8*	*58.9*	*34.1*	*5.0*	*45.8*
Consolidated Financials	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY08	FY09E
Net Sales	**311,546**	**324,249**	**318,985**	**360,579**	**380,055**	**432,916**	**436,149**	**441,093**	**1,315,359**	**1,690,213**
EBITDA	**49,043**	**47,227**	**39,428**	**52,313**	**57,947**	**56,997**	**53,447**	**53,851**	**188,011**	**222,243**
Adjusted PAT	**20,227**	**15,220**	**13,112**	**21,776**	**25,755**	**25,153**	**23,035**	**23,291**	**70,335**	**104,221**

E: MOSt Estimates; tss=ton of steel sales; Exchange rate assumed GBP=1.98 USD, USD=40.4 INR

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Oil & Gas

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

High oil prices continue to hurt downstream

YoY comparative (v/s 1QFY08)

- Brent up by 78% at US$122/bbl v/s US$68.7/bbl; Dubai crude up 80% at US$116/bbl v/s US$64.7/bbl
- Benchmark Singapore complex refining margins down 14%: US$8.1/bbl (v/s US$9.5/bbl in 1QFY08)
- Lower petrochemical spreads over naphtha
  Polymers: PE down 7%; PP down 10%
  Polyester intermediates: PTA down 28%; and MEG down 12%
  Integrated polyesters: POY down 18%; PSF down 28%

QoQ comparative (v/s 4QFY08)

- Brent up 27% from US$96.5/bbl; Dubai up 28% from US$91/bbl
- Singapore complex margins up 16% from US$7/bbl in 4QFY08
- Sequential downturn in petrochemical spreads (excluding PTA) over naphtha
  Polymers: PE down 6%; PP down 3%
  Mixed trend in polyester intermediates: PTA up 15; MEG down 37%
  Integrated polyesters: POY down 7%; PSF down 5%

Factors to watch for

- Key data to watch would be actual subsidy numbers. The government has announced freezing of upstream discount at Rs450b, oil marketing companies' burden at Rs200b and the rest to be shared by oil bonds. Given the pressure to control fiscal deficit, and the plan, we believe there remains a strong likelihood that the eventual sharing of fuel underrecoveries could be different from the announced plan.
- We have assumed issue of oil bonds in 1QFY09 to oil marketing companies (OMCs). Any deferment in the issue of the same to 2QFY09 by GoI, similar to last two years will impact our 1QFY09 estimates.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Oil & Gas							
BPCL	Neutral	391,841	64.2	-922	-	-3,727	-
Cairn India	Neutral	4,438	82.4	3,620	91.0	2,177	-
Chennai Petroleum	Buy	106,973	71.9	6,039	2.1	3,278	1.4
GAIL	Buy	49,681	17.0	12,056	16.1	7,512	9.6
HPCL	Neutral	387,364	77.0	-3,566	-	-6,406	-
Indraprastha Gas	Neutral	2,081	28.6	866	26.1	503	31.0
IOC	Neutral	840,629	59.0	13,463	-5.1	6,005	-59.1
MRPL	Sell	111,504	49.9	5,129	-17.1	2,666	-27.7
ONGC	Buy	179,621	31.2	101,573	28.2	56,973	23.6
Reliance Inds.	Buy	467,402	58.3	60,607	6.8	40,197	10.7
Sector Aggregate		**2,541,534**	**58.7**	**198,866**	**13.0**	**109,179**	**-1.9**

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Oil on the boil: crossed US$140/bbl during 1QFY09

1QFY09 highlights

- Brent up 78% YoY at US$122/bbl (v/s US$68.7/bbl in 1QFY08)
- Brent up by 27% QoQ (v/s US$96.5/bbl in 4QFY08)

Crude oil prices increased more than 25% QoQ and are showing no signs of respite, with Brent crossing US$140/bbl at the end of the quarter. Demand-supply situation continues to remain tight and OPEC's spare capacity fell below 2mmbbl/d in May 2008 (lowest since 3QFY06).

Higher crude prices have begun impacting the consumers of oil. They are leading to higher inflation, switching from SUVs to more efficient light vehicles, airlines cutting on destinations, etc. Also countries like India, China, Malaysia, etc, which witnessed large demand growth, primarily due to controlled fuel prices, have increased prices by 10-60% in the last few months.

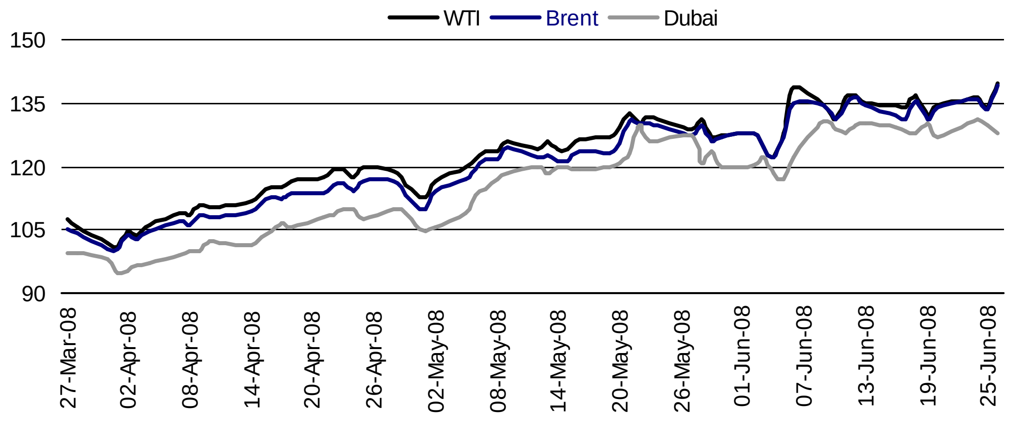
IEA has also cut its demand forecast for 2008 from 87.8mmbbl/d in January 2008 to 86.8mmbbl/d in June 2008 – 1mmbbl/d of downward revision. In its latest projections, IEA revised its demand forecast downward for 2008 to 86.8mmbbl/d (up 0.9% YoY from 86mmbbl in 2007).

In spite on consumers getting affected and likely slowdown in the demand, oil prices continue to move higher. Key likely factors leading to higher crude prices continue to be similar to the last two quarters – geo-political supply concerns, low surplus capacity, and increasing role of commodity markets in surging oil prices.

With marginal cost of production in non-OPEC areas reaching the levels of US$50-70/bbl, non-OPEC incremental production not able to meet incremental demand, and hurricane season hitting peak in the later half of the year, we believe that oil prices would remain at high levels in short to medium term.

Oil prices crossed US$140/bbl in 1QFY09

HIGH & RISING OIL PRICES (US$/BBL)



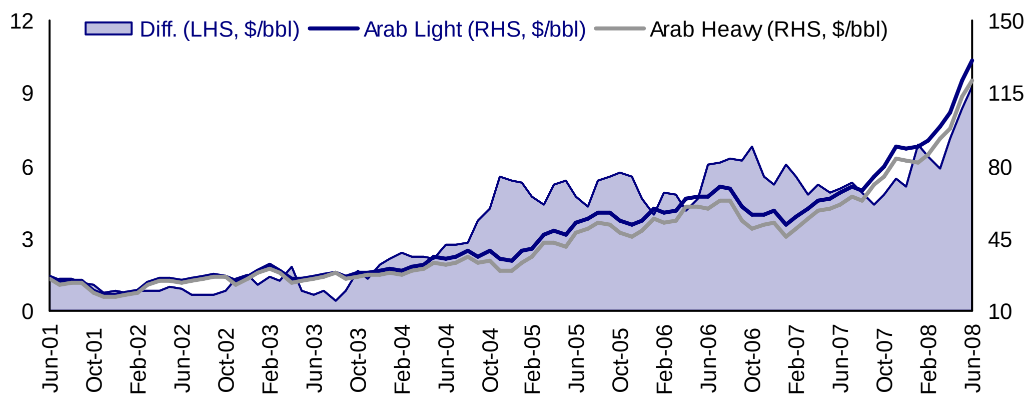
Source: Bloomberg/Motilal Oswal Securities

Light-heavy differential crossed US$9/bbl during the quarter

Arab light-heavy differential crossed US$9/bbl in June 2008, with average of US$8.3/bbl in 1QFY09. The differential increased 30% QoQ from US$6.3/bbl in 4QFY08 and increased significantly by 64% YoY from US$5.1/bbl in 1QFY08. With expected commissioning of nearly 1.2-1.5mmbbl/day of refining capacity over next 1-2 quarters, most of which is skewed towards processing heavies and sour (including RPL's refinery), we expect some moderation in differential in the coming quarters.

Light heavy differentials continued their uptrend during the quarter.

ARAB LIGHT – HEAVY DIFFERENTIALS (US$/BBL)

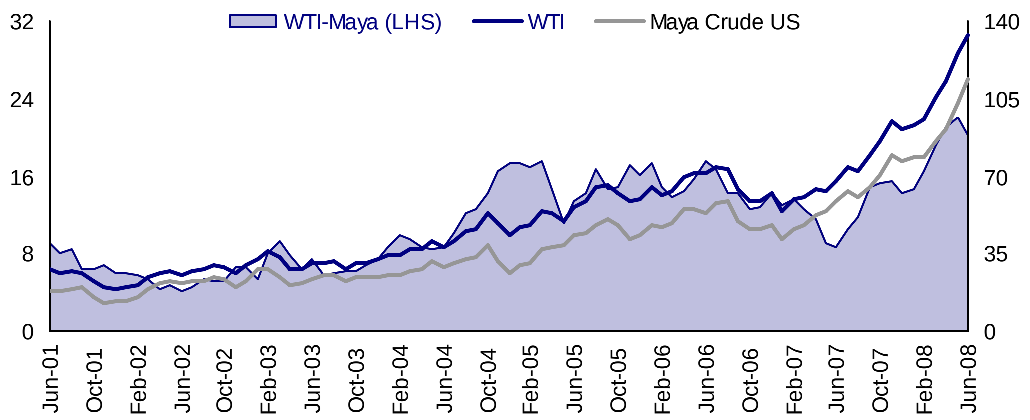


Source: Bloomberg/Motilal Oswal Securities

WTI-Maya (sweet-sour) spreads have continued their uptrend since July 2007

WTI-Maya spreads, have continued their upward trend. WTI-Maya spread increased significantly to US$21.1/bbl, up 25% QoQ (US$16.8/bbl in 4QFY08) and 116% YoY (from US$9.8/bbl in 1QFY08).

WTI - MAYA DIFFERENTIAL (US$/BBL)



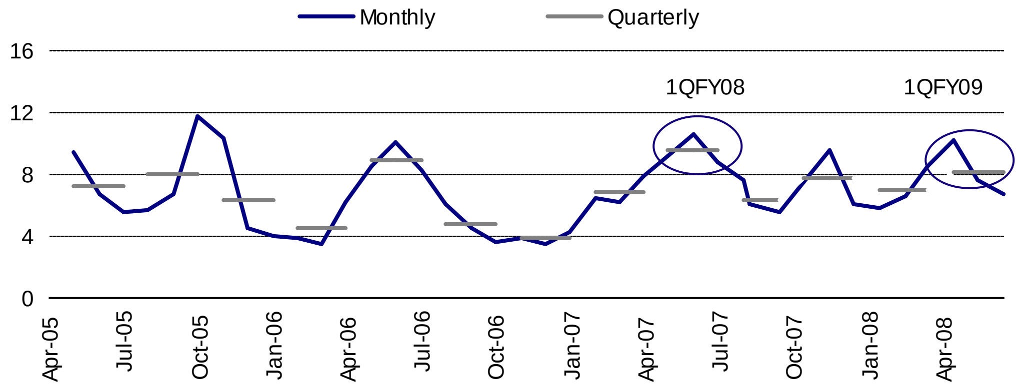
Source: Bloomberg/Motilal Oswal Securities

Refining margins: up QoQ, down YoY

1QFY09 highlights

- Benchmark Singapore complex refining margins at US$8.1/bbl were down 14% YoY (v/s US$9.5/bbl in 1QFY08)
- Up 16% QoQ (v/s US$7/bbl in 4QFY08)

SINGAPORE REFINING MARGINS (US$/BBL)



Source: Industry/Motilal Oswal Securities

April witnessed strong refining margins across all the regions in the world, led by some recovery in gasoline cracks and continuing strength in distillates. Singapore margins at US$10.1/bbl in April were helped by higher Jet/kerosene cracks.

Over the last two years, after reaching peak at the start of summer in May, the month on month margins have declined till September. This year, the trend seems to have begun a month earlier, primarily due to continuing weaker gasoline fundamentals. Average gasoline cracks in May were affected by the demand weakness in US coupled with increasing ethanol blending volumes. However, distillate spreads continued to remain high.

Singapore margins during the quarter were down 14% YoY but up 16% QoQ. Overall GRMs continue to remain significantly higher than historic averages of US$6.1/bbl for five years, US$3.8/bbl for 10 years and US$3.6/bbl for 15 years. With significant new capacity (1.2-1.5mmbbl/day) coming online over the next 2-3 quarters, we expect some moderation in refining margins in the coming quarters.

Despite fuel price hikes and duty cuts, under-recoveries continue to remain high

The government announced a series of measures to rein in rising fuel under-recoveries in June 2008. The announced measures included:

(a) retail price hike of Rs5/litre on petrol, Rs3/litre on diesel, and Rs50/cylinder on LPG; no hike in kerosene prices;

(b) customs duty reduction: 5% to nil on crude; 7.5% to 2.5% on petrol and diesel; 10% to 5% on other petroleum products;

(c) excise duty cut by Re1/litre on petrol and diesel.

With the central government elections expected to be held in 2009 and increasing inflation; we expect no further retail price hikes in the near term.

The government has estimated under-recoveries for FY09 at Rs2,450b. Based on our calculations, this number factors in average oil price of US$130/ bbl for FY09 and average rupee/US$ rate of 43. The price hikes would reduce under-recoveries for FY09 by ~Rs210b, and duty cuts by a further ~Rs220b as per government estimates. The government has indicated that the upstream share would be fixed at Rs450b for FY09 (Rs257b in FY08) and OMCs' share at Rs200b (Rs163b in FY08). Of the remaining shortfall of Rs1,370b, it has indicated oil bonds issuance of Rs946b, and would take a view on the remaining Rs424b shortfall during the year based on further reviews.

INDICATED UNDER-RECOVERIES AND SHARING MECHANISM

		FY09E
Brent Price	(US$/bbl)	130
Exchange Rate	(Rs/US$)	43.0
Total Under recoveries	**Rs b**	**2,450**
Measures		
Price Increase	Rs b	210
Duty Cuts	Rs b	220
Upstream Burden	Rs b	450
OMC Burden	Rs b	200
Total	**Rs b**	**1,080**
Shortfall	Rs b	1,370
Oil Bonds Announced	Rs b	946
Net Shortfall	Rs b	424
Upstream Burden	%	18

Source: Bloomberg/ PPAC/ Motilal Oswal Securities/GoI Estimates

We expect under-recoveries to be Rs1,355b in FY09 (up 75% YoY)

For our FY09 estimates, we assume average crude oil price of US$110/bbl and rupee/ US$ exchange rate of 41.5. We estimate fuel under-recoveries for FY09 at Rs1,355b (up 75% from Rs773b in FY08)

FUEL UNDER-RECOVERIES (POST GOI SUBSIDY)

(RS B)	FY07	FY08	FY09E
Petrol	20	73	111
Diesel	188	353	761
PDS Kerosene	179	191	333
Domestic LPG	107	156	150
Total	**494**	**773**	**1,355**

Source: PPAC/ Motilal Oswal Securities

Actual oil bonds likely to be lower for FY09

In our view, the GoI's estimate of average price of US$130/bbl for FY09 is a bit aggressive, and if average oil prices are lower, the balance shortfall would further reduce. At average oil price of US$110/bbl and rupee/US$ rate of 41.5, we estimate oil bonds issuance required would be Rs705b (Rs353b in FY08).

In our base case, we assume upstream discounts at Rs450b and downstream burden at Rs200b; in line with GoI's announced plan. The rest of the under-recoveries would be covered by oil bonds.

SUBSIDY SHARING

	FY07	1QFY08	FY08	1QFY09E	FY09E
Brent Oil Price (US$/bbl)	64.4	68.7	82.3	121.0	110.0
Under-recovery sharing (% Sharing)					
Oil Bonds	49	0	46	64	52
Upstream	42	33	33	21	33
OMC's sharing	10	67	21	15	15
Total	**100**	**100**	**100**	**100**	**100**
Under-recovery Sharing (Rs b)					
Oil Bonds	241	0	353	345	705
Upstream	205	43	257	113	450
OMC's Sharing	48	86	163	79	200
Total	**494**	**129**	**773**	**537**	**1,355**

Source: Industry/Motilal Oswal Securities

Our base case assumption implies lower burden on OMCs in percentage terms (15% in FY09 v/s 21% in FY08). However, in absolute terms, the burden would increase by 23% (Rs200b in FY09 v/s Rs163b in FY08).

Upstream discount burden on ONGC to increase 76%

With the overall subsidy burden on OMCs frozen at Rs450b, we expect upstream share to remain at 33% as a percentage of our estimated under-recoveries of Rs1,355b for FY09. We estimate that ONGC which shares ~86% of the upstream burden would see its discounts to OMCs increase by 76% to Rs387b for FY09.

SHARING BY UPSTREAM (RS B)

	FY07	FY08	FY09E	YOY CHG (%)
ONGC	170	220	387	76
OIL	20	23	39	68
GAIL	15	14	24	73
Total	**205**	**257**	**450**	**75**

Source: Industry/Motilal Oswal Securities

1QFY09 estimates contingent to issuance of oil bonds

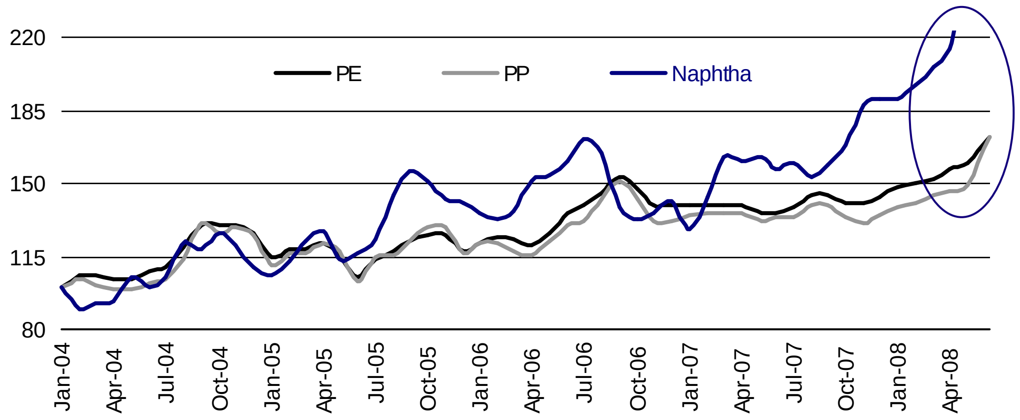
For the last two years GoI did not issue any oil bonds in the first quarter and had issued the oil bonds in the second quarter for both the first and second quarters. However, in our estimates, we have assumed that oil bonds would come in 1QFY09.

Petrochemicals: continued margin pressure leads to higher naphtha prices

Prices of key petrochemicals increased during the quarter, driven by increased crude oil prices. Naphtha increased 25% QoQ and 54% YoY in rupee terms; much ahead of product price increases. We would expect naphtha-based petchem margins to remain subdued, as the rise in naphtha cost has been much steeper than product prices. However, gas-based cracker would show improved margins in our view, as gas costs have only increased marginally by ~16% YoY post the increased PMT gas costs from 1 April 2008.

Product prices increased at the end of the quarter (June 2008) primarily due to significant outages (~12%) in petchem capacity in Asia, driven by operating rate cuts in China, Taiwan and Korea in view of rising feedstock and fuel costs.

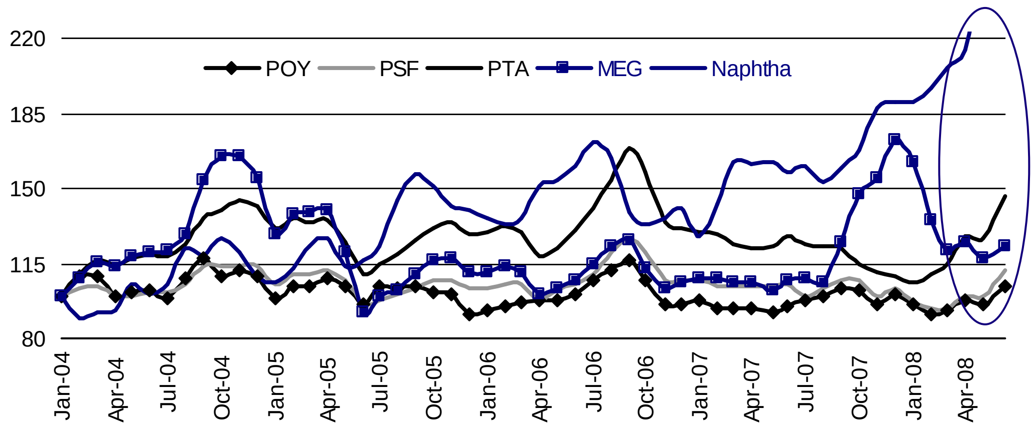
RELATIVE PRICES - NAPHTHA V/S POLYMERS



Source: Industry/ Motilal Oswal Securities

MEG prices, which were volatile and remained high in the last two quarters due to supply glitches, were largely subdued during the quarter, led by end of anti-freeze seasonal demand in US and slower demand among Chinese end-users.

RELATIVE PRICES - NAPHTHA V/S POLYESTER CHAIN

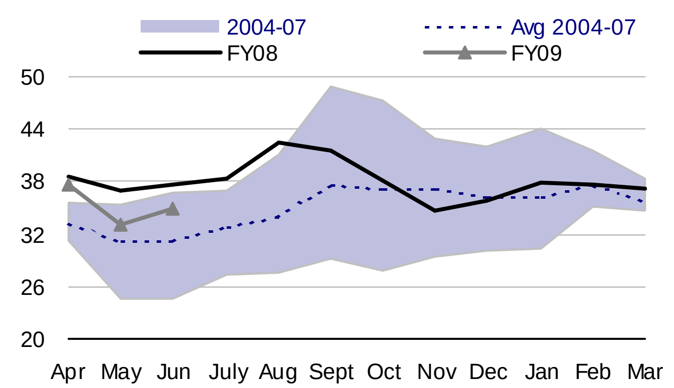


Source: Industry/ Motilal Oswal Securities

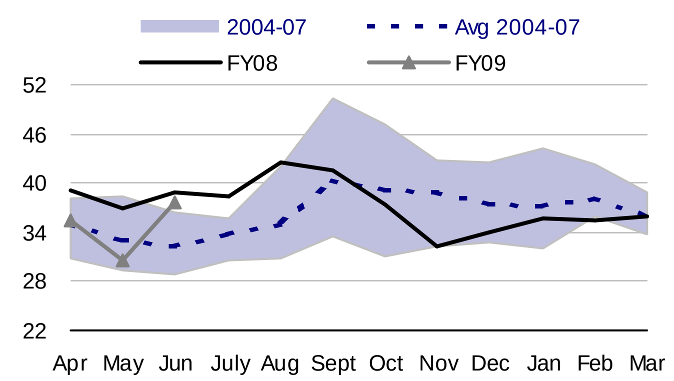
Key polymers witnessed 9-16% QoQ and 17-24% YoY jump in domestic prices. However, the prices of key feedstock, naphtha increased at significantly higher rate of 25% QoQ and 54% YoY. Hence, we expect polymer spreads to decrease on QoQ and YoY basis.

On the polyester front, domestic prices increased 6-9% QoQ (POY and PSF). On a YoY basis, the trend was mixed (POY up 6%; PSF down 1%). In polyester intermediates, MEG declined 13% QoQ, but increased 16% YoY. PTA was up 21% QoQ and 16% YoY.

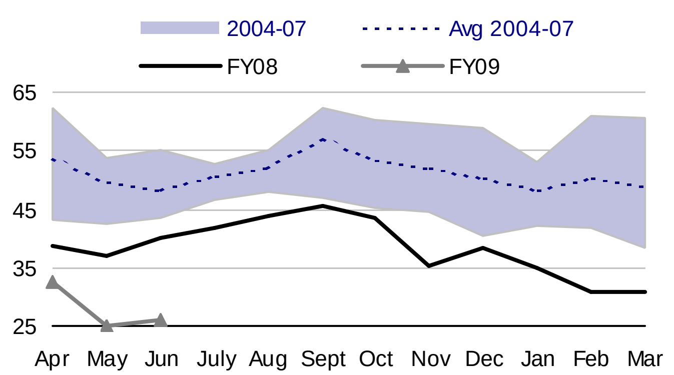
PE SPREAD OVER NAPHTHA (RS/KG)



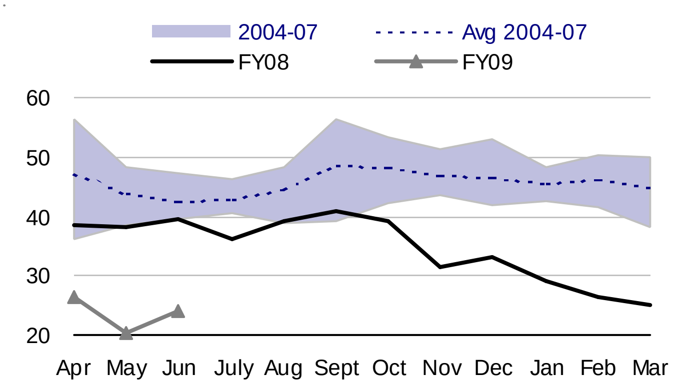
PP SPREAD OVER NAPHTHA (RS/KG)



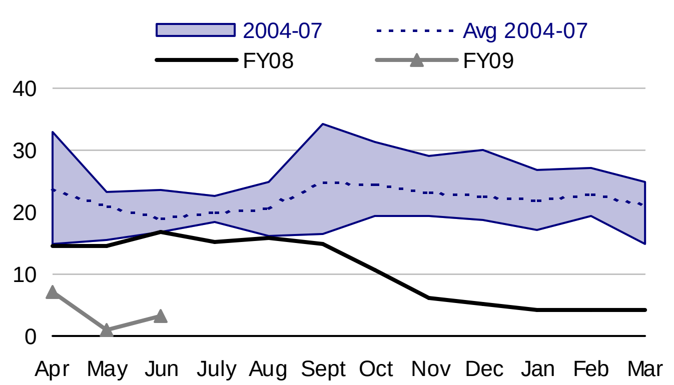
POY SPREAD OVER NAPHTHA (RS/KG)



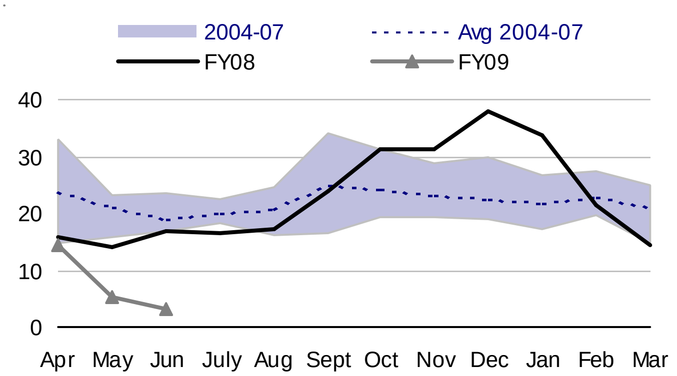
PSF SPREAD OVER NAPHTHA (RS/KG)



PTA SPREAD OVER NAPHTHA (RS/KG)



MEG SPREAD OVER NAPHTHA (RS/KG)



Source: Industry/ Motilal Oswal Securities

We expect integrated polyester chain margins to decrease 5-6% QoQ and 18-28% YoY due to continued run-up in feedstock costs.

KEY PRODUCT SPREADS OVER NAPHTHA (RS/KG)

	1QFY09	4QFY08	QOQ CH (%)	1QFY08	YOY CH (%)
PE	35.2	37.5	-6.2	37.7	-6.7
PP	34.5	35.6	-3.3	38.2	-9.9
PTA	17.5	15.1	15.2	24.1	-27.6
MEG	21.4	34.1	-37.3	24.4	-12.4
POY Integrated	36.4	38.9	-6.6	44.3	-17.9
PSF Integrated	32.0	33.5	-4.5	44.5	-28.1

**PE, PP, PTA and MEG spreads over naphtha, POY & PSF spreads over PTA-MEG adjusted for consumption norms*

Source: Industry/ Motilal Oswal Securities

Valuation and view

GAIL and RIL are our top picks in the oil & gas space. We remain positive on ONGC, given the recent price correction and large E&P potential; however, subsidy concerns remain. Though GoI has announced that the burden on OMCs would be limited to Rs200b; actual reported numbers of OMCs would continue to depend on actual subsidy sharing.

Gail: transmission volumes to grow 66%; maintain Buy

GAIL's volumes have already increased post PMT gas allocation. These would increase further in the following quarters, as expanded LNG re-gasification capacity comes online. The largest fillip to volumes, however, would come from RIL's gas. We expect GAIL's natural gas transmission volumes to increase by 66% to 136mmscmd over the next two years (CAGR of 29%) as compared to 5% CAGR over the last five years.

We believe there is little threat of further reduction in tariffs for GAIL. Its transmission tariffs for most of its network were reduced over the last two years. As GAIL is ramping up investments significantly to upgrade and expand its network, we do not expect any further tariff cuts in the near term.

GAIL's petrochemical capacity has increased by 32% post commissioning of 100kta HDPE expansion in 4QFY08. While we remain bearish on the polymer cycle and expect prices to decline from 2HFY09, volume growth would remain strong.

GAIL already operates city gas distribution (CGD) networks in several key cities through nine JVs, and has plans to expand to a further 230 cities. It has recently set up a 100% subsidiary for CGD and CNG corridor business, and we expect GAIL to bid aggressively for new cities after the recent issuance of CGD notifications.

It has stakes in 29 E&P blocks in India and overseas, and has encountered hydrocarbon finds in five of its blocks. We believe significant value could accrue to GAIL from these businesses.

We remain positive on GAIL largely due to increased gas transmission volumes. Subsidy sharing and likely petchem cycle downturn are key concerns. The stock trades at 9x FY09E EPS of Rs35.5 and 8.7x FY10E EPS of Rs37.1. Maintain **Buy**.

Reliance Industries: maintain Buy

As gas production from KG-D6 reaches initial peak levels by end-FY09/early-FY10, RIL would become the largest gas producer in India and E&P would become the key contributor to its bottomline. RIL has a large inventory of other high potential blocks, where it has reported exploration success. These would provide upsides over the longer term.

RIL has indicated that development work to begin gas production from 2HFY09 is on schedule. The key issue to watch, in our view, would be the ongoing litigation with RNRL. The Bombay High Court in its interim order has directed that no third party interest or right should be created till final decision. RIL is currently debarred from concluding gas-marketing agreements, though it is allowed to negotiate with customers. Court hearing commences on 22 July 2008. Our estimates build gas production from October 2008.

Complex refining margins continue to be high. We expect the trend of strong refining margins to continue over the medium term, though we expect some softening in the near term.

We expect some moderation in margins, as a large chunk of capacity (1.2-1.5mmbbls/day including RPL) gets commissioned over the coming quarters. High naphtha prices continue to put pressure on overall petchem margins.

We believe that organized retailing in India offers huge growth opportunity and RIL would be able to make the most of this opportunity. Its deep pockets would help sustain a relatively long gestation involved in building a pan-India retailing giant.

Near term upside could come from: (1) marketing tie-ups with potential gas buyers, (2) the updates on actual progress on KG-D6 field development and pipeline, (3) update on progress of RPL refinery completion, and (4) progress of the Retailing business. The stock currently trades at 18.4x FY09E and 8.4x FY10E EPS. We maintain **Buy**.

Cairn India: maintain Neutral

The long pending issue of pipeline cost inclusion in FDP has been approved. We were already factoring in this. The progress on Rajasthan development seems encouraging, with all key contracts awarded. We expect production to begin in July 2009, with peak plateau rate of 180kbpd. The company has already announced some of the upside in terms of higher reserve/contingent resources and production rates in Rajasthan block.

We believe Cairn' s valuation has significant potential upside from:

1) Rajasthan Block: (a) upside from current area under development, (b) adding new development area into development phase, (c) development of smaller fields, and
2) Other Exploration Assets: Cairn also has large exploration acreage of about 94,800sq km in 12 other blocks, including five as operator. The most promising of these is ONGC operated (Cairn 10%) deep-water block KG-DWN-98/2.

Maintain Buy on ONGC

ONGC is adopting multi-pronged efforts to sustain and increase its production and reserves. We expect its total production to increase at a significantly higher rate than its historical averages owing to its IOR/EOR initiatives, marginal field developments, joint ventures, and increasing contribution from ONGC Videsh.

ONGC has more than 50% of total NELP exploration acreage allotted. Of this, around 66% acreage is in high potential deep waters. As bulk of this acreage is yet to be explored, we believe there is huge potential for hydrocarbon discovery. With increased efforts towards E&P and higher capex plans, we expect the company to report more oil & gas finds, going forward.

To increase its exploration program, ONGC is targeting significantly higher domestic capex for the XIth Plan at Rs760b (60% higher than the domestic spend of Rs475b in the Xth Plan). Even the Xth Plan actual capex was 38% higher than the planned capex of Rs346b. The benefits of increased capex are already visible in reserve replacement ratio of over 1x in the last four years.

More than a year has elapsed since the Tariff Commission recommended 16% increase in ONGC's producer price. The decision is not yet implemented pending the issue of final notification. ONGC is also seeking 15-20% annual increase in APM pricing. Long delay in price revision is a big concern. We do not assume any immediate price hike and would await actual announcements. From FY10 onwards, we build moderate 5% gas price hike.

ONGC shares nearly 86% of upstream sharing of retail fuel under-recoveries. The recent government announcement of fixing the upstream sharing at Rs450b, prima facie is positive for ONGC. In our estimates, ONGC would be a net gainer if average oil prices for FY09 remain above US$100/bbl. However, given the size of the under-recoveries, the risk of upstream players being made to bear 1/3rd or even higher sharing remains.

Maintain Neutral on OMCs – BPCL, HPCL and IOC

With increasing oil prices, the gross under-recoveries of oil marketing companies continue to increase. Though the government has hiked retail fuel prices and reduced duties on crude and petroleum products, under-recoveries continue to balloon. GoI estimates underrecoveries at Rs2,450b for FY09. The price hikes would reduce under-recoveries for FY09 by ~Rs210b, and duty cuts by a further ~Rs220b as per GoI estimates. GoI has indicated that the upstream share would be fixed at Rs450b for FY09 (Rs257b in FY08) and OMCs' share at Rs200b (Rs163b in FY08). Of the remaining shortfall of Rs1,370b, it has indicated oil bonds issuance of Rs946b, and will take a view on the remaining Rs424b shortfall during the year based on further reviews.

Profitability of OMCs would continue to remain contingent on oil bonds issuance and oil prices. In our estimates for FY09, we assume average oil price of US$110/bbl and estimate total underrecoveries at Rs1,355b. However, even though in percentage terms, sharing by OMCs has declined to 15% from 21% in FY08; the burden in absolute terms would increase by 23% to Rs200b; thereby having a negative impact on OMCs. Also, with the liquidity crunch, interest cost burden on the OMCs is increasing rapidly.

OMCs are implementing several up-gradation projects for their capacity, which will enable them to: (1) produce higher share of middle distillates, (2) produce Euro-III/IV compliant fuels, and (3) to process larger share of sour/heavy crudes. Completion of these projects in time and within schedule would be margin accretive in our view.

There remains a large concern on the large and non-transparent under-recovery sharing mechanism. We maintain **Neutral** on state-owned OMCs.

Chennai Petro: maintain Buy

Chennai Petroleum (CPCL) has continued to report premium over the Singapore benchmark in recent quarters. We expect CPCL to report premium of ~US$0.5/bbl till 3QFY10, beyond which premiums would further increase by US$1-1.5/bbl, as its Rs19b auto fuel upgradation projects start coming online.

CPCL is also increasing capacity of one of its crude units from 3mmtpa to 4mmtpa, which will increase refining capacity by 9.5% to 11.5mmtpa (likely by May 2009). Post-completion, we expect refining throughput to increase by 7% in FY10.

The stock trades at attractive valuations of 4.6x FY09E EPS and an EV of 3.6x FY09E EBITDA. Peer MRPL, where like CPCL, there isn't much subsidy concern, trades at 8.3x FY09E EPS and an EV of 6.1x on FY09E EBITDA. We maintain **Buy.**

MRPL: maintain Sell

Despite recent large correction and continued strong refining fundamentals we believe MRPL's valuations continue to remain stretched compared to its peers. We maintain **Sell.**

Indraprastha Gas: maintain Neutral

Indraprastha Gas (IGL) has reported high EBITDA margins (40%+) and RoCE (38-45%) over the last three years. New regulations would limit both the network tariff as well as compression station tariff. The large cushion provided by 'out of regulation margins' on CNG dispensing and marketing would gradually decline, as the 3-year marketing exclusivity nears completion.

Though we do not expect any large cuts in selling prices in the near term (unless directed to reduce prices post ongoing MRTPC probe), we believe that IGL's ability to pass on price hikes would be limited. We expect EBITDA margins to decline from the current 43% to 30% by FY10, and would not be surprised if the decline is sharper.

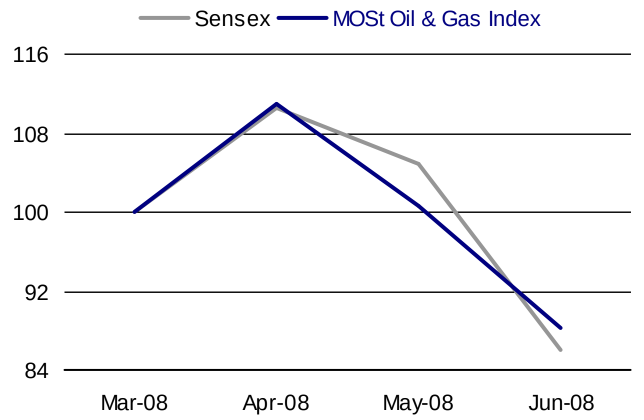
We expect CNG volumes to grow from the current 1.4mmscmd to 1.7mmscmd in FY10 (11% CAGR). Gas availability for CNG is not likely to be an issue. Distorted domestic LPG pricing restrains the growth of high potential PNG. The bulk segment could be a large growth area, but contingent upon long-term gas tie-up.

Stock performance and valuations

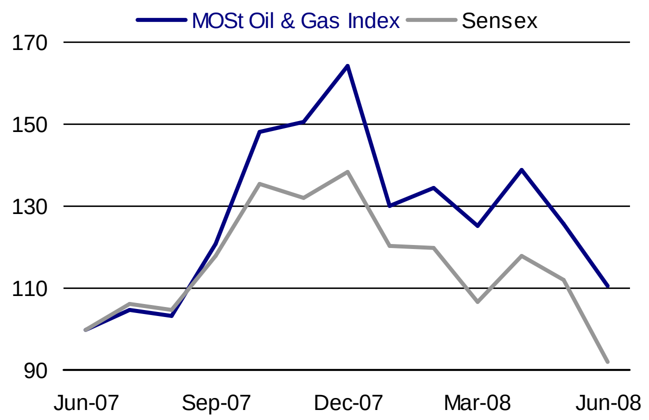
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Oil & Gas						
BPCL	-45	-34	-28	-22	-30	-44
Cairn India	13	75	30	87	28	65
Chennai Petroleum	-9	1	9	13	7	-9
GAIL	-26	4	-9	15	-11	-7
HPCL	-30	-32	-12	-20	-15	-42
Indraprastha Gas	-13	-14	4	-2	2	-25
IOC	-26	-25	-9	-13	-11	-36
MRPL	-46	8	-28	20	-30	-2
ONGC	-16	-3	2	8	0	-14
Reliance	-13	21	4	33	2	11

RELATIVE PERFORMACE - 3 MONTHS (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Oil & Gas														
BPCL	226	Neutral	52.7	23.2	74.7	4.3	9.7	3.0	4.9	7.8	3.4	14.8	6.6	19.6
Cairn India	258	Neutral	-0.1	2.6	8.7	-	99.6	29.8	66.5	39.1	16.1	-0.1	1.6	5.0
Chennai Petroleum	272	Buy	75.4	59.4	56.2	3.6	4.6	4.8	2.7	3.6	3.6	36.8	23.4	19.1
GAIL	321	Buy	30.8	35.5	37.1	10.4	9.0	8.7	6.9	5.6	5.3	19.9	20.2	18.7
HPCL	181	Neutral	21.4	-17.5	28.5	8.5	-10.4	6.4	8.3	5.4	5.3	7.2	-5.9	9.8
Indraprastha Gas	106	Neutral	12.5	11.4	9.8	8.5	9.3	10.8	4.6	4.6	4.8	33.4	25.1	19.6
IOC	341	Neutral	66.4	46.6	77.6	5.1	7.3	4.4	5.4	6.7	4.2	19.7	12.2	18.3
MRPL	45	Sell	7.3	5.4	5.9	6.2	8.3	7.6	5.1	6.1	6.6	38.9	22.8	21.2
ONGC	859	Buy	92.9	120.2	109.3	9.2	7.1	7.9	3.9	2.9	2.9	27.5	29.8	22.9
Reliance Inds.	2,071	Buy	105.0	112.6	246.1	19.7	18.4	8.4	14.2	13.1	6.4	21.5	18.5	28.5
Sector Aggregate						**12.4**	**11.4**	**7.6**	**7.4**	**6.8**	**4.9**	**18.9**	**17.2**	**21.2**

BPCL

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BPCL IN
	REUTERS CODE
S&P CNX: 3,926	BPCL.BO

3 July 2008

Neutral

Previous Recommendation: Neutral Rs226

Equity Shares (m)	361.5
52-Week Range (Rs)	560/206
1,6,12 Rel. Perf. (%)	-18/-23/-22
M.Cap. (Rs b)	81.7
M.Cap. (US$ b)	1.9

YEAR END *	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	984,192	19,546	59.3	299.3	3.8	0.7	18.4	14.6	0.1	2.9
03/08A	1,122,034	17,780	52.7	-11.2	4.3	0.6	14.8	10.0	0.2	4.9
03/09E	1,444,915	8,388	23.2	-56.0	9.7	0.6	6.6	4.4	0.1	7.8
03/10E	1,235,732	27,000	74.7	221.9	3.0	0.6	19.6	13.4	0.1	3.4

** Consolidated*

- We expect BPCL to report net loss of Rs3.7b v/s PAT of Rs1.9b in 1QFY08. The subsidy sharing mechanism would continue to be the key determinant of reported numbers.
- The government has indicated that upstream companies would bear Rs450b, the oil marketing companies (OMCs) would bear Rs200b, while the rest would be borne by oil bonds. We assume this scenario in our base case.
- For 1QFY09, we build in oil bonds of Rs82.8b v/s nil in 1QFY08 and upstream discounts of Rs27b v/s Rs9.6b in 1QFY08. During the last two years, the government issued oil bonds for both the first and the second quarters only in the second quarter. However, our 1QFY09 estimates include oil bonds.
- On the operational front, we expect throughput at 5mmt (in line with 4QFY08), v/s 5.2mmt in 1QFY08.
- The stock currently trades at 9.7x FY09E consolidated EPS of Rs23.2. Though refining fundamentals remain strong, large fuel under-recoveries and lack of transparency in the subsidy sharing mechanism are significant concerns. We maintain **Neutral.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**238,694**	**251,704**	**289,284**	**325,786**	**391,841**	**351,087**	**338,085**	**335,201**	**1,105,468**	**1,416,214**
Change (%)	*5.1*	*-5.1*	*19.5*	*35.0*	*64.2*	*39.5*	*16.9*	*2.9*	*13.3*	*28.1*
Raw Material Consumed	111,518	125,863	125,911	128,568	168,479	166,874	158,958	157,508	491,860	651,818
Staff Cost	2,800	2,825	2,798	4,550	3,500	3,535	3,570	3,924	12,973	14,530
Fininshed Goods Purchase	113,551	107,840	137,893	167,363	208,714	165,969	158,815	156,798	526,647	690,295
Other Exp (incl Stock Adj)	8,765	-473	18,311	16,705	12,071	11,031	10,559	10,463	43,308	44,124
EBITDA	**2,060**	**15,649**	**4,371**	**8,600**	**-922**	**3,679**	**6,183**	**6,508**	**30,680**	**15,447**
Change (%)	*nm*	*-8.7*	*-36.6*	*-32.5*	*nm*	*-76.5*	*41.4*	*-24.3*	*-10.2*	*-49.7*
% of Sales	*0.9*	*6.2*	*1.5*	*2.6*	*-0.2*	*1.0*	*1.8*	*1.9*	*2.8*	*1.1*
Depreciation	2,276	2,322	3,065	3,319	2,700	2,720	2,750	2,800	10,982	10,970
Interest	1,240	1,228	1,620	2,156	2,105	2,100	2,000	1,800	6,244	8,005
Other Income	4,060	3,652	1,904	1,343	2,000	2,800	2,300	2,900	10,959	10,000
PBT	**2,604**	**15,751**	**1,590**	**4,468**	**-3,727**	**1,659**	**3,733**	**4,808**	**24,413**	**6,472**
Tax	958	5,369	-44	3,884	0	357	803	1,034	10,167	2,194
Rate (%)	*36.8*	*34.1*	*-2.8*	*86.9*	*0.0*	*21.5*	*21.5*	*21.5*	*41.6*	*33.9*
Adj. PAT	**1,646**	**10,382**	**1,634**	**584**	**-3,727**	**1,302**	**2,930**	**3,773**	**14,246**	**4,278**
Change (%)	*nm*	*-17.5*	*-46.1*	*-91.3*	*nm*	*-87.5*	*79.3*	*546.1*	*-21.1*	*-70.0*
Exceptional Item	281		1,279		0		0		1,560	0
PAT	**1,927**	**10,382**	**2,913**	**584**	**-3,727**	**1,302**	**2,930**	**3,773**	**15,806**	**4,278**

E: MOSt Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) Tel: 39825432

Cairn India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	CAIR IN
	REUTERS CODE
S&P CNX: 3,926	CAIL.BO

Equity Shares (m)	1,778.4
52-Week Range	343/135
1,6,12 Rel. Perf. (%)	9/37/87
M.Cap. (Rs b)	458.2
M.Cap. (US$ b)	10.6

3 July 2008

Neutral

Previous Recommendation: Neutral — Rs258

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/07A	10,123	-245	-0.1	-		1.6	-0.1	1.1	43.8	66.5
12/08E	15,750	4,894	2.6	-1,974.8	99.6	1.5	1.6	2.4	30.6	39.1
12/09E	35,199	16,371	8.7	234.5	29.8	1.4	5.0	6.4	14.0	16.1
12/10E	84,915	52,687	27.9	221.8	9.2	1.4	15.1	17.1	5.5	6.1

**EPS based on diluted equity; Consolidated*

- We expect Cairn to report net sales of Rs4.4b (v/s Rs3.2b in 1QCY08); primarily due to increased oil realization and higher production. We estimate net profit at Rs2.2b (v/s Rs1.2b in 1QCY08).
- We expect gross oil and gas production to be 77kboepd (down 1% YoY and up 9% QoQ). QoQ increase would be led by likely increase in gas production from Cambay block and marginally higher production from its Ravva block.
- Net working interest production for Cairn is estimated at 19.7kboepd (down 1% YoY and up 9% QoQ). We expect average realization to increase significantly by 88% YoY and 30% QoQ to US$95/boe (v/s US$50.5/boe in 2QCY07 and US$73.3/boe in 1QCY08).
- We expect Cairn to report about Rs583m of forex gain (v/s reported loss of Rs19m in 1QCY08 and Rs1.4b in 2QCY07) on its balanced forex reserves.
- The stock currently trades at 9.2x CY10E earnings. We maintain **Neutral.**

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**2,364**	**2,433**	**2,658**	**2,667**	**3,158**	**4,438**	**4,260**	**3,893**	**10,123**	**15,749**
Change (%)					*33.6*	*82.4*	*60.3*	*46.0*		*55.6*
Inc/Dec in Stock	95	-157	0	-51	-33	0	0	0	-112	-33
Staff Cost	309	288	238	423	252	268	281	295	1,257	1,097
Operating Expenses	488	407	555	856	659	550	575	581	2,305	2,365
EBITDA	**1,472**	**1,895**	**1,865**	**1,439**	**2,280**	**3,620**	**3,403**	**3,017**	**6,672**	**12,320**
Change (%)					*54.9*	*91.0*	*82.5*	*109.6*		*84.7*
Exploration Write-off	474	741	720	577	175	500	1,200	1,411	2,512	3,286
Depreciation & Exploration Write-off	528	404	512	633	632	635	635	694	2,077	2,596
Interest	2	8	1	17	3	50	270	313	27	637
Other Income (Net)	362	351	343	268	218	300	380	385	1,324	1,283
Forex Fluctuations	-138	-1,406	-300	-276	-19	583	0	0	-2,120	564
Exceptional Items					156					156
PBT	**692**	**-312**	**674**	**205**	**1,824**	**3,318**	**1,678**	**983**	**1,259**	**7,803**
Tax	317	402	442	344	659	1,140	700	410	1,505	2,910
*Rate (%) **	*38.2*	*36.8*	*45.3*	*71.6*	*35.8*	*41.7*	*41.7*	*41.7*	*44.5*	*37.3*
PAT	**376**	**-714**	**232**	**-139**	**1,164**	**2,177**	**978**	**573**	**-245**	**4,893**

*E: MOSt Estimates; * excluding forex fluctuations*

Harshad Borawake (HarshadBorawake@MotilalOswal.com) Tel: 39825432

Chennai Petroleum Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	MRL IN
	REUTERS CODE
S&P CNX: 3,926	CHPC.BO

Equity Shares (m)	149.0
52-Week Range	490/183
1,6,12 Rel. Perf. (%)	1/0/13
M.Cap. (Rs b)	40.5
M.Cap. (US$ b)	0.9

3 July 2008

Buy

Previous Recommendation: Buy Rs272

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	246,533	5,653	37.9	16.1	7.2	1.5	23.0	20.1	0.3	5.2
03/08A	277,176	11,230	75.4	98.7	3.6	1.2	36.8	35.7	0.2	2.7
03/09E	330,327	8,850	59.4	-21.2	4.6	1.0	23.4	25.8	0.2	3.6
03/10E	315,714	8,376	56.2	-5.4	4.8	0.9	19.1	22.4	0.2	3.6

- We estimate CPCL's net profit at Rs3.3b v/s Rs3.2b in 1QFY08 and Rs3.4b in 4QFY08.
- We expect CPCL to report ~US$0.5-0.8/bbl premium to Singapore benchmark GRM of US$8.1/bbl for 1QCY09). CPCL had reported GRM of US$8.8/bbl in 1QFY08 and US$9.6/bbl in 4QFY08. CPCL's 4QFY08 GRM were boosted by ~US$1.5/bbl of inventory gains.
- We expect CPCL to report premium of ~US$0.5/bbl over the Singapore benchmark until its fuel upgradation project comes online (expected in 3QFY10), beyond which we expect premiums to expand further by US$1-1.5/bbl.
- On the operational front, we expect refinery throughput at 2.65mmt (v/s 2.7mmt in 4QFY08 and 2.6mmt in 1QFY08).
- The stock trades at attractive valuations of 4.6x FY09E EPS and an EV of 3.6x FY09E EBITDA. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**62,217**	**63,365**	**70,609**	**83,995**	**106,973**	**93,404**	**93,412**	**89,913**	**280,186**	**383,702**
Change (%)	*-3.8*	*-4.8*	*20.0*	*48.6*	*71.9*	*47.4*	*32.3*	*7.0*	*13.7*	*36.9*
Raw Materials (incl Stock Adj)	55,767	57,210	64,873	75,335	99,264	87,872	87,872	84,715	253,186	359,723
Employee Costs	303	384	290	450	385	393	401	419	1,427	1,598
Other Exp	233	1,483	1,335	1,405	1,286	1,145	1,145	1,102	4,456	4,679
EBITDA	**5,914**	**4,288**	**4,112**	**6,804**	**6,039**	**3,994**	**3,994**	**3,676**	**21,118**	**17,702**
% of Sales	*9.5*	*6.8*	*5.8*	*8.1*	*5.6*	*4.3*	*4.3*	*4.1*	*7.5*	*4.6*
Change (%)	*23.5*	*80.1*	*237.5*	*69.3*	*2.1*	*-6.9*	*-2.9*	*-46.0*	*70.2*	*-16.2*
Depreciation	637	616	603	660	680	694	708	713	2,516	2,794
Interest	460	561	409	518	523	528	533	516	1,948	2,101
Other Income	83	386	421	-327	130	140	170	160	562	600
PBT	**4,900**	**3,497**	**3,521**	**5,299**	**4,966**	**2,912**	**2,923**	**2,607**	**17,216**	**13,408**
Tax	1,668	1,194	1,264	1,860	1,688	990	993	886	5,987	4,557
Rate (%)	*34.0*	*34.2*	*35.9*	*35.1*	*34.0*	*34.0*	*34.0*	*34.0*	*34.8*	*34.0*
PAT	**3,232**	**2,303**	**2,256**	**3,439**	**3,278**	**1,922**	**1,929**	**1,721**	**11,230**	**8,850**
Change (%)	*26.9*	*136.8*	*826.6*	*81.9*	*1.4*	*-16.5*	*-14.5*	*-50.0*	*98.7*	*-21.2*

E: MOSt Estimates

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GAIL (India)

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	GAIL IN
	REUTERS CODE
S&P CNX: 3,926	GAIL.BO

Equity Shares (m)	845.7
52-Week Range	555/285
1,6,12 Rel. Perf. (%)	1/-5/-15
M.Cap. (Rs b)	271.5
M.Cap. (US$ b)	6.3

3 July 2008

Buy

Previous Recommendation: Buy

Rs321

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	160,472	20,468	24.2	-11.4	13.3	2.4	20.9	21.1	1.6	8.6
03/08A	180,082	26,015	30.8	27.1	10.4	2.1	19.9	24.9	1.5	6.9
03/09E	227,840	30,052	35.5	15.5	9.0	1.8	20.2	26.2	1.2	5.6
03/10E	315,280	31,339	37.1	4.3	8.7	1.6	18.7	24.5	0.8	5.3

- We expect GAIL to report PAT of Rs7.5b, up10% YoY and 4% QoQ (v/s Rs7.2b in 4QFY08 and Rs6.9b in 1QFY08).
- Though we expect PBT to increase 17% YoY to Rs11.4b; PAT is expected to grow 10% YoY, primarily due to lower tax rate of 29.3% in 1QFY08 v/s assumed 34% for 1QFY09.
- YoY profit growth would be primarily due to 14% increase in transmission volumes at ~90mmscmd (v/s 78.7mmscmd in 1QFY08); higher petchem prices, and higher LPG realization though moderated to some extent by increased subsidy burden. Higher transmission volumes would be primarily due to GoI's decision to divert all the PMT gas through GAIL from 1 April 2008.
- On QoQ basis, we expect transmission volumes to be up ~9.5% (v/s 82mmscmd in 4QFY08). However, gains in transmission business would be pulled down by higher subsidy burden. We estimate GAIL's subsidy burden at Rs6b (v/s Rs3.9b in 4QFY08 and Rs2.7b in 1QFY08).
- We remain positive on GAIL largely due to increased gas transmission volumes. Subsidy sharing and likely petchem cycle downturn are key concerns. The stock trades at 9x FY09E EPS of Rs35.5 and 8.7x FY10E EPS of Rs37.1. We maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**42,457**	**45,289**	**42,983**	**49,353**	**49,681**	**52,587**	**57,836**	**67,736**	**180,082**	**227,840**
Change (%)	*4.1*	*22.2*	*-1.8*	*27.1*	*17.0*	*16.1*	*34.6*	*37.2*	*12.2*	*26.5*
Finished Gds Purchase	23,529	25,398	24,190	28,890	28,318	29,975	32,966	39,964	102,007	131,224
Raw Materials Cons	4,314	4,503	4,725	3,607	4,968	5,259	6,362	8,128	17,148	24,717
Employee Costs	688	824	985	2,203	1,175	1,351	1,554	1,560	4,700	5,640
Other Exp (incl Stock Adj)	3,540	5,782	4,360	3,053	3,163	4,712	5,143	6,040	16,735	19,059
EBITDA	**10,387**	**8,783**	**8,723**	**11,600**	**12,056**	**11,290**	**11,810**	**12,043**	**39,492**	**47,200**
% of Net Sales	*24.5*	*19.4*	*20.3*	*23.5*	*24.3*	*21.5*	*20.4*	*17.8*	*21.9*	*20.7*
Change (%)	*10.3*	*49.1*	*0.9*	*92.6*	*16.1*	*28.5*	*35.4*	*3.8*	*31.8*	*19.5*
Depreciation	1,407	1,492	1,387	1,425	1,482	1,556	1,634	1,918	5,710	6,589
Interest	204	201	196	195	210	227	245	265	796	947
Other Income	913	1,806	1,848	997	1,000	1,800	1,800	1,200	5,564	5,800
PBT	**9,689**	**8,897**	**8,988**	**10,976**	**11,365**	**11,308**	**11,732**	**11,060**	**38,550**	**45,464**
Tax	2,837	3,171	2,775	3,752	3,853	3,833	3,977	3,749	12,535	15,412
Rate (%)	*29.3*	*35.6*	*30.9*	*34.2*	*33.9*	*33.9*	*33.9*	*33.9*	*32.5*	*33.9*
PAT	**6,852**	**5,725**	**6,213**	**7,224**	**7,512**	**7,474**	**7,755**	**7,311**	**26,015**	**30,052**
Change (%)	*15.7*	*27.7*	*-6.6*	*112.0*	*9.6*	*30.5*	*24.8*	*1.2*	*27.1*	*15.5*
Reported PAT	**6,852**	**5,725**	**6,213**	**7,224**	**7,512**	**7,474**	**7,755**	**7,311**	**26,015**	**30,052**

E: MOSt Estimates

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HPCL

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	HPCL IN
	REUTERS CODE
S&P CNX: 3,926	HPCL.BO

3 July 2008

Neutral

Previous Recommendation: Neutral Rs181

Equity Shares (m)	339.0
52-Week Range	406/165
1,6,12 Rel. Perf. (%)	-9/-19/-20
M.Cap. (Rs b)	61.5
M.Cap. (US$ b)	1.4

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	890,413	12,682	37.4	212.7	4.8	0.6	13.8	12.4	0.1	5.1
03/08A	1,047,038	7,263	21.4	-42.7	8.5	0.6	7.2	8.0	0.1	8.3
03/09E	1,397,783	-5,928	-17.5	-181.6	-10.4	0.6	-5.9	1.8	0.1	5.4
03/10E	1,163,807	9,672	28.5	-263.1	6.4	0.6	9.8	9.0	0.1	5.3

- We expect HPCL to report net loss of Rs6.4b (v/s loss of Rs869m in 1QFY08). The subsidy sharing mechanism would continue to be the key determinant of reported numbers.
- The government has indicated that upstream companies would bear Rs450b, the oil marketing companies (OMCs) would bear Rs200b, while the rest would be borne by oil bonds. We assume this scenario in our base case.
- For 1QFY09, we build in oil bonds of Rs72.3b v/s nil in 1QFY08 and upstream discounts of Rs23.6b v/s Rs9b in 1QFY08. During the last two years, the government issued oil bonds for both the first and the second quarters only in the second quarter. However, our 1QFY09 estimates include oil bonds.
- On the operational front, we expect refinery throughput at 4mmt (down 7% QoQ and up 3% YoY).
- The stock currently trades at -10.4x FY09E EPS of Rs-17.5 (loss in FY09). Though refining fundamentals remain strong, large fuel under-recoveries and lack of transparency in the subsidy sharing mechanism are significant concerns. We maintain **Neutral.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**218,817**	**242,344**	**271,170**	**314,706**	**387,364**	**347,228**	**333,417**	**329,774**	**1,047,038**	**1,397,783**
Change (%)	*6*	*-1*	*22*	*44.0*	*77.0*	*43*	*23*	*5*	*17.6*	*33.5*
Raw Material Consumed	78,157	90,004	100,611	111,475	129,979	127,286	120,778	119,426	380,247	497,470
Staff Cost	1,805	2,067	2,174	2,631	2,600	2,615	2,667	2,650	8,677	10,532
Fininshed Goods Purchase	128,882	150,771	150,430	191,977	245,499	205,212	196,366	193,872	622,059	840,949
Other Exp, Levies and Stock Adj	11,259	-13,673	16,474	6,455	12,851	11,520	11,023	10,883	20,515	46,277
EBITDA	**-1,285**	**13,176**	**1,481**	**2,169**	**-3,566**	**595**	**2,582**	**2,943**	**15,540**	**2,555**
% of Net Sales	*-0.6*	*5.4*	*0.5*	*0.7*	*-0.9*	*0.2*	*0.8*	*0.9*	*1.5*	*0.2*
Change (%)	*nm*	*-20*	*-24*	*-79*	*nm*	*nm*	*-80*	*99*	*-33.8*	*-83.6*
Depreciation	1,798	2,017	2,161	2,532	2,540	2,560	2,575	2,109	8,508	9,784
Interest	1,334	1,399	2,184	3,009	3,000	2,800	2,600	2,298	7,925	10,698
Other Income	3,351	2,808	2,645	3,177	2,700	3,000	3,200	3,100	11,980	12,000
PBT	**-1,066**	**12,568**	**-219**	**-196**	**-6,406**	**-1,765**	**607**	**1,635**	**11,087**	**-5,928**
Tax	-197	4,037	-61	45	0	0	0	0	3,824	0
Rate (%)	*nm*	*32*	*nm*	*nm*	*nm*	*nm*	*0*	*0*	*34.5*	*nm*
PAT	**-869**	**8,530**	**-157**	**-241**	**-6,406**	**-1,765**	**607**	**1,635**	**7,263**	**-5,928**
Change (%)	*nm*	*-30.2*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*-42.7*	*nm*
Extraordinary - Tax Prov Write Back	0	0	0	4,086	0	0	0	0	4,086	0
Reported PAT	**-869**	**8,530**	**-157**	**3,846**	**-6,406**	**-1,765**	**607**	**1,635**	**11,349**	**-5,928**

E: MOSt Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) Tel: 39825432

Indian Oil Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	IOC IN
	REUTERS CODE
S&P CNX: 3,926	IOC.BO

Equity Shares (m)	1,192.4
52-Week Range (Rs)	810/303
1,6,12 Rel. Perf. (%)	-4/-21/-13
M.Cap. (Rs b)	406.2
M.Cap. (US$ b)	9.4

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs341

YEAR END	NET SALES (RS B)	PAT (RS B)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	1,999.3	78.7	66.0	56.2	5.2	1.1	23.4	16.2	0.3	6.2
03/08A	2,279.5	79.1	66.4	0.6	5.1	0.9	19.7	18.1	0.3	5.4
03/09E	2,995.5	55.5	46.6	-29.8	7.3	0.9	12.2	12.6	0.2	6.7
03/10E	2,490.4	92.5	77.6	66.6	4.4	0.7	18.3	17.0	0.3	4.2

Adj. for extra-ordinary items; Consolidated

- We estimate IOC's PAT at Rs6b v/s Rs14.7b in 1QFY08 and a loss of Rs4.1b in 4QFY08. Rather than operating fundamentals, the subsidy sharing mechanism would continue to be the key determinant of reported numbers.
- The government has indicated that upstream companies would bear Rs450b, the oil marketing companies (OMCs) would bear Rs200b, while the rest would be borne by oil bonds. We assume this scenario in our base case.
- For 1QFY09, we build in oil bonds of Rs190b (v/s nil in 1QFY09) and upstream discounts of Rs62b (v/s Rs24b in 1QFY08). During the last two years, the government issued oil bonds for both the first and the second quarters only in the second quarter. However, our 1QFY09 estimates include oil bonds.
- On the operational front, we expect throughput at 12.3mmt, in line with 4QFY08 (v/s12mmt in 1QFY08).
- The stock currently trades at 7.3x FY09E consolidated EPS of Rs46.6. Though refining fundamentals remain strong, large fuel under-recoveries and lack of transparency in the subsidy sharing mechanism are significant concerns. We maintain **Neutral.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**528,620**	**561,487**	**640,585**	**718,999**	**840,629**	**761,516**	**731,082**	**723,132**	**2,449,691**	**3,056,359**
Change (%)	*9.0*	*-2.9*	*15.1*	*35.9*	*59.0*	*35.6*	*14.1*	*0.6*	*14.0*	*24.8*
Raw Material Consumed	230,738	224,399	262,522	295,832	391,449	348,815	329,595	325,601	1,013,492	1,395,460
Staff Cost	6,838	7,502	6,954	7,847	8,004	8,164	8,328	8,143	29,142	32,639
Fininshed Goods Purchase	253,246	269,770	301,254	379,189	395,201	354,249	338,980	334,674	1,203,459	1,423,104
Other Exp (incl Stock Adj)	23,611	8,603	40,180	29,909	32,512	29,143	27,886	27,532	102,304	117,073
EBITDA	**14,187**	**51,213**	**29,675**	**6,220**	**13,463**	**21,146**	**26,293**	**27,182**	**101,294**	**88,084**
% of Net Sales	*2.7*	*9.1*	*4.6*	*0.9*	*1.6*	*2.8*	*3.6*	*3.8*	*4.1*	*2.9*
Change (%)	*nm*	*31.4*	*17.7*	*-87.3*	*-5.1*	*-58.7*	*-11.4*	*337.0*	*1.0*	*-13.0*
Depreciation	6,748	6,765	6,663	6,922	7,100	7,175	7,195	7,253	27,097	28,723
Interest	3,374	3,335	3,880	4,923	4,900	4,800	4,500	4,415	15,512	18,615
Other Income	16,911	12,783	13,463	-1,070	7,500	8,500	9,000	8,601	42,086	33,601
PBT	**20,975**	**53,895**	**32,595**	**-6,695**	**8,963**	**17,671**	**23,598**	**24,115**	**100,771**	**74,347**
Tax	6,291	15,718	11,689	-2,553	2,958	5,831	7,787	7,958	31,145	24,535
Rate (%)	*30.0*	*29.2*	*35.9*	*nm*	*33.0*	*33.0*	*33.0*	*33.0*	*30.9*	*33.0*
PAT	**14,684**	**38,178**	**20,907**	**-4,143**	**6,005**	**11,839**	**15,811**	**16,157**	**69,626**	**49,813**
Change (%)	nm	32.4	16.7	nm	-59.1	-69.0	-24.4	nm	24.5	-28.5

E: MOSt Estimates

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Indraprastha Gas

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	IGL IN
	REUTERS CODE
S&P CNX: 3,926	IGAS.BO

Equity Shares (m)	140.0
52-Week Range	183/101
1,6,12 Rel. Perf. (%)	6/-4/-2
M.Cap. (Rs b)	14.8
M.Cap. (US$ b)	0.3

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs106

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	6,141	1,380	9.9	29.7	10.7	3.2	32.6	44.8	2.4	5.7
03/08A	7,060	1,745	12.5	26.4	8.5	2.6	33.4	46.8	2.0	4.6
03/09E	8,033	1,562	11.4	-8.7	9.3	2.2	25.6	36.3	1.7	4.6
03/10E	8,984	1,374	9.8	-13.7	10.8	2.0	19.6	28.1	1.5	4.8

- We expect IGL to report PAT of Rs503m (v/s Rs384m in 1QFY08 and Rs482m in 4QFY08) primarily due to higher gas volumes.
- We estimate EBITDA margin at 41.6% (v/s 41.8% in 4QFY08 and 42.5% in 1QFY08).
- IGL operates 166 CNG stations and CNG sales volumes continue to grow at 12-13%, led by regulatory as well as discretionary conversion.
- We expect 15% YoY growth in CNG volumes to 134mmscm and 27% YoY growth in PNG to 12.2mmscm.
- IGL has reported high EBITDA margins (40%+) and high RoCE (38-45%) over the last three years. The new PNGRB regulation would limit network tariff including compression charges (14% post-tax or 21.2% pre-tax RoCE). Though we do not expect any large cuts in selling prices in the near term, we believe IGL's ability to pass on the impending gas price hikes would be limited. We expect IGL's EBITDA margins to decline from the current 42.5% to 30% by FY10. We expect IGL's EPS to decline from Rs12.5 in FY08 to Rs11.4 in FY09.
- IGL trades at 9.3x FY09E EPS of Rs11.4. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**1,618**	**1,741**	**1,827**	**1,874**	**2,081**	**2,033**	**1,917**	**2,002**	**7,060**	**8,033**
Change (%)	*19.1*	*12.9*	*14.3*	*14.1*	*28.6*	*16.8*	*4.9*	*6.9*	*15.0*	*13.8*
Raw Material Consumed	693	746	780	810	940	959	978	1,097	3,029	3,975
Staff Cost	36	35	40	42	42	42	42	41	153	168
Other Exp (incl Stock Adj)	202	211	227	239	232	237	242	271	878	983
EBITDA	**687**	**750**	**780**	**783**	**866**	**795**	**655**	**592**	**3,000**	**2,908**
% of Net Sales	*42.5*	*43.1*	*42.7*	*41.8*	*41.6*	*39.1*	*34.1*	*29.6*	*42.5*	*36.2*
Change (%)	*27.0*	*16.2*	*19.4*	*10.0*	*26.1*	*5.9*	*-16.1*	*-24.3*	*17.6*	*-3.1*
Depreciation	156	158	161	151	160	175	210	232	626	777
Other Income	40	47	58	89	55	55	60	62	234	232
PBT	**571**	**639**	**678**	**721**	**761**	**675**	**505**	**423**	**2,609**	**2,363**
Tax	187	211	227	239	258	229	171	143	864	801
Rate (%)	*32.8*	*33.0*	*33.6*	*33.2*	*33.9*	*33.9*	*33.9*	*33.9*	*33.1*	*33.9*
PAT	**384**	**429**	**450**	**482**	**503**	**446**	**334**	**279**	**1,745**	**1,562**
Change (%)	*39.0*	*23.2*	*26.9*	*20.2*	*31.0*	*4.1*	*-25.9*	*-42.0*	*26.4*	*-10.5*

E: MOSt Estimates

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MRPL

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	MRPL IN
	REUTERS CODE
S&P CNX: 3,926	MRPL.BO

Equity Shares (m)	1,752.6
52-Week Range	149/40
1,6,12 Rel. Perf. (%)	-27/-33/20
M.Cap. (Rs b)	78.4
M.Cap. (US$ b)	1.8

3 July 2008

Sell

Previous Recommendation: Sell

Rs45

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	286,331	5,255	3.0	41.4	14.9	2.8	20.4	20.0	0.4	6.7
03/08A	327,179	12,722	7.3	142.1	6.2	2.1	38.9	25.5	0.3	5.1
03/09E	443,197	9,454	5.4	-25.7	8.3	1.7	22.8	17.7	0.3	6.1
03/10E	384,457	10,276	5.9	8.7	7.6	1.5	21.2	14.5	0.3	6.6

- We expect MRPL to report EBITDA of Rs5.1b (v/s Rs6.2b in 1QFY08 and Rs4.3b in 4QFY08).
- We estimate reported PAT at Rs2.7b, in line with 4QFY08 (v/s Rs3.7b in 1QFY08).
- Though we expect EBITDA to be up 19% QoQ, PAT is likely to remain flat over 4QFY08. This is primarily due to lower effective tax rate of 27% (including Rs490.3m due to provision for MAT liability) in 4QFY08 v/s the assumed 34% in 1QFY09.
- We expect lower throughput at 2.9mmt due to shutdown in April (v/s 3.16mmt in 1QFY08 and 3.15mmt in 4QFY08). We expect MRPL to report GRM of US$7.9/bbl (v/s US$8.3/bbl in 1QFY08 and US$5.6/bbl in 4QFY08).
- The stock trades at 8.3x FY09E EPS of Rs5.4 and EV of 6.1x FY09E EBITDA. We believe MRPL's valuations remain stretched compared with peers. We maintain **Sell.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**74,391**	**76,404**	**81,383**	**95,001**	**111,504**	**112,583**	**109,407**	**109,702**	**327,179**	**443,197**
Change (%)	*15*	*-5*	*11*	*40*	*50*	*47*	*34*	*15*	*14.3*	*35.5*
RM Consumed (incl. inv chg)	66,664	70,467	73,777	88,847	104,109	105,863	102,594	103,283	299,755	415,849
Staff Cost	143	354	253	496	330	347	353	403	1,246	1,433
Other Expenditure	1,400	1,084	1,872	1,352	1,937	1,769	1,691	1,695	5,708	7,092
EBITDA	**6,186**	**4,499**	**5,480**	**4,306**	**5,129**	**4,605**	**4,769**	**4,321**	**20,470**	**18,823**
% of Net Sales	*8.3*	*5.9*	*6.7*	*4.5*	*4.6*	*4.1*	*4.4*	*3.9*	*6.3*	*4.2*
Change (%)	*21*	*217*	*100*	*-26*	*-17*	*2*	*-13*	*0*	*35.6*	*-8.0*
Depreciation	938	947	948	946	975	994	1,014	1,087	3,778	4,071
Interest	398	358	362	358	320	326	333	304	1,476	1,284
Other Income	1,333	386	308	89	205	209	213	223	2,116	850
PBT	**6,183**	**3,580**	**4,479**	**3,090**	**4,039**	**3,493**	**3,635**	**3,152**	**17,332**	**22,038**
Tax	2,498	785	1,534	346	1,373	1,187	1,236	1,071	5,164	4,867
Prior Year Tax Adjustment				1,190				0	1,190	0
MAT Credit Entitlement Adjusted	0	-523	-522	-699	0	0	0	0	-1,744	0
Rate (%)	*40*	*22*	*34*	*11*	*34*	*34*	*34*	*34*	*29.8*	*22.1*
PAT	**3,686**	**3,317**	**3,466**	**2,254**	**2,666**	**2,306**	**2,399**	**2,081**	**12,722**	**9,452**
Change (%)	*70.7*	*3,470.9*	*192.6*	*23.9*	*-27.7*	*-30.5*	*-30.8*	*-7.7*	*142.1*	*-25.7*
Adj. PAT	**3,686**	**2,795**	**2,944**	**2,744**	**2,666**	**2,306**	**2,399**	**2,081**	**12,168**	**9,452**

E: MOSt Estimates

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ONGC

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	ONGC IN
	REUTERS CODE
S&P CNX: 3,926	ONGC.BO

Equity Shares (m)	2,138.9
52-Week Range (Rs)	1,387/770
1,6,12 Rel. Perf. (%)	20/1/8
M.Cap. (Rs b)	1,837.7
M.Cap. (US$ b)	42.4

3 July 2008

Buy

Previous Recommendation: Buy Rs859

YEAR END	NET SALES (RS B)	PAT (RS B)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	822.6	177.7	83.1	15.4	10.3	2.8	29.0	27.9	2.0	4.5
03/08A	967.8	198.7	92.9	11.8	9.2	2.4	27.5	27.0	1.6	3.9
03/09E	1,217.0	257.2	120.2	29.4	7.1	1.9	29.8	29.2	1.2	2.9
03/10E	1,138.0	233.8	109.3	-9.1	7.9	1.7	22.9	22.4	1.2	2.9

Consolidated

- We estimate ONGC's PAT at Rs57b (v/s Rs46.1b in 1QFY08 and Rs28.3b in 4QFY08). We expect EBITDA to be Rs101.6b (v/s Rs79.2b in 1QFY08 and Rs57.8b in 4QFY08).
- We expect oil production (excluding JV) at 6.3mmt (v/s 6.6mmt in 4QFY08) and gas production at 5.7bcm (excluding JV), in line with 4QFY08.
- Price of Bonny Light (benchmark crude for ONGC) increased 78% to US$126/bbl from US$71.2/bbl in 1QFY08 and 28% from US$99/bbl in 4QFY08.
- The government has indicated that the upstream discounts will be fixed at Rs450b for FY09. Of the total upstream sharing, ONGC shares ~86% of the burden. We build this scenario in our estimates. We factor in discounts of Rs96.7b (v/s Rs36.5b in 1QFY08 and Rs84.7b in 4QFY08) for 1QFY09.
- Implementation of revised gas prices as per the Tariff Commission recommendation remains pending, as notification is yet to be issued by the GoI. We do not build any price hikes for FY09 and from FY10 onwards, we build moderate gas price hikes of 5%.
- We assume average Brent price of US$110/bbl for FY09 and US$90/bbl for FY10. The stock trades at 7.1x FY09E consolidated EPS of Rs120.2. We maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS BILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**136.9**	**154.1**	**151.2**	**156.3**	**179.6**	**158.0**	**148.4**	**158.1**	**598.5**	**644.2**
Change (%)	*-6.3*	*9.6*	*-2.9*	*26.0*	*31.2*	*2.5*	*-1.8*	*1.2*	*5.7*	*7.6*
Raw Material and Purchases	13.6	16.1	16.4	24.7	19.4	17.1	16.0	17.1	70.8	69.6
Statutory Levies	29.0	32.0	32.3	33.8	35.2	30.7	28.7	31.3	127.1	125.9
Employee Costs	2.5	3.7	3.6	1.6	3.6	3.7	3.7	1.6	11.5	12.6
Other Exp (incl Stock Adj)	12.6	18.2	18.6	38.3	19.9	17.4	16.2	17.7	87.7	71.1
EBITDA	**79.2**	**84.2**	**80.3**	**57.8**	**101.6**	**89.2**	**83.7**	**90.5**	**301.5**	**365.0**
% of Net Sales	*57.9*	*54.6*	*53.1*	*37.0*	*56.5*	*56.4*	*56.4*	*57.2*	*50.4*	*56.7*
Change (%)	*-2.3*	*14.6*	*-9.8*	*7.5*	*28.2*	*6.0*	*4.2*	*56.7*	*1.4*	*21.1*
Depreciation	17.5	19.9	22.1	38.4	23.1	23.3	23.5	25.1	98.0	94.9
Interest	0.0	0.3	0.1	0.1	0.2	0.2	0.2	0.2	0.6	0.9
Other Income	8.4	12.1	8.6	20.3	8.0	12.0	8.1	7.1	49.5	35.2
PBT	**70.0**	**76.1**	**66.7**	**39.5**	**86.3**	**77.7**	**68.0**	**72.4**	**252.3**	**304.4**
Tax	23.9	25.1	23.1	13.3	29.3	26.4	23.1	24.6	85.3	103.5
Rate (%)	*34.2*	*33.0*	*34.6*	*33.6*	*34.0*	*34.0*	*34.0*	*34.0*	*33.8*	*34.0*
PAT	**46.1**	**51.0**	**43.7**	**26.3**	**57.0**	**51.3**	**44.9**	**47.8**	**167.0**	**200.9**
Change (%)	*11.9*	*13.8*	*-6.4*	*1.7*	*23.6*	*0.6*	*2.8*	*81.9*	*5.4*	*20.3*
Extraordinary Items	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	2.0	0.0
Adjusted PAT	**46.1**	**51.0**	**43.7**	**28.3**	**57.0**	**51.3**	**44.9**	**47.8**	**169.1**	**200.9**

E: MOSt Estimates

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Reliance Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	RIL IN
	REUTERS CODE
S&P CNX: 3,926	RELI.BO

Equity Shares (m)	1,453.4
52-Week Range	3,252/1,681
1,6,12 Rel. Perf. (%)	4/7/33
M.Cap. (Rs b)	3,010.0
M.Cap. (US$ b)	69.5

3 July 2008

Buy

Previous Recommendation: Buy

Rs2,071

YEAR END	NET SALES (RS B)	PAT (RS B)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	1,116.9	119.4	82.2	31.7	25.2	4.7	22.4	18.7	2.9	16.3
03/08A	1,334.4	152.6	105.0	27.8	19.7	3.6	21.5	17.5	2.5	14.2
03/09E	1,724.8	177.1	112.6	7.2	18.4	2.9	18.5	15.9	2.0	13.1
03/10E	2,222.4	389.3	246.1	118.7	8.4	2.3	28.5	24.8	1.5	6.3

FY10E includes RPL financials

- We expect RIL to report PAT of Rs40.2b (v/s Rs36.3b in 1QFY08 and Rs39.1b in 4QFY08).
- We expect RIL to report GRM of ~US$16.5/bbl, assuming a premium of US$8.4/bbl over Benchmark Singapore (v/s reported premium of US$5.9/bbl in 1QFY08 and US$8.5/bbl in 4QFY08). Singapore GRM at ~US$8.1/bbl is down 14% YoY (US$9.5/bbl in 1QFY08) and up 16% QoQ (US$7/bbl in 4QFY08).
- Prices increased 9-16% QoQ in the polymer chain and 6-9% QoQ in polyesters. Polyester intermediate, PTA prices increased 21% QoQ. MEG declined 13% QoQ. Though overall prices were up in 1QFY09, we expect continued pressure on overall petchem margins due to increase in naphtha price and ~16% increase in gas prices from April 2008.
- Apart from its core business, stock performance would continue to be influenced by news flow/updates in its E&P business, KG-D6 production startup and progress on RPL refinery and Reliance Retail.
- The stock trades at 18.4x FY09E and 8.4x FY10E EPS. We include RPL and revenues from its gas business only from FY10. We continue to remain positive primarily due to large potential upsides from E&P. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**295,240**	**320,430**	**345,900**	**372,860**	**467,402**	**428,653**	**413,069**	**415,652**	**1,334,430**	**1,724,775**
Change (%)	*13.6*	*6.6*	*22.7*	*35.8*	*58.3*	*33.8*	*19.4*	*11.5*	*19.5*	*29.3*
Raw Material Consumed	208,880	233,540	258,380	280,980	357,913	328,241	312,089	308,442	981,780	1,306,684
Staff Cost	4,960	4,710	5,770	5,760	5,818	5,876	5,935	4,795	21,200	22,423
Other Expenses	24,670	24,370	23,420	25,930	43,064	32,641	30,699	32,742	98,390	139,147
EBITDA	**56,730**	**57,810**	**58,330**	**60,190**	**60,607**	**61,895**	**64,346**	**69,672**	**233,060**	**256,521**
% of Net Sales	*19.2*	*18.0*	*16.9*	*16.1*	*13.0*	*14.4*	*15.6*	*16.8*	*17.5*	*14.9*
Change (%)	*22.4*	*14.2*	*12.6*	*16.4*	*6.8*	*7.1*	*10.3*	*15.8*	*16.3*	*10.1*
Depreciation	11,250	11,290	12,130	13,800	12,800	12,900	13,100	13,156	48,470	51,956
Interest	2,950	2,570	2,530	2,720	2,992	3,441	3,957	4,343	10,770	14,732
Other Income	1,970	1,680	2,410	2,890	3,010	3,943	5,126	5,626	8,950	17,705
PBT	**44,500**	**45,630**	**46,080**	**46,550**	**47,825**	**49,497**	**52,415**	**57,800**	**182,770**	**207,539**
Tax	8,200	7,260	7,260	7,430	7,628	7,425	7,600	8,056	30,150	30,709
Rate (%)	*18.4*	*15.9*	*15.8*	*16.0*	*16.0*	*15.0*	*14.5*	*13.9*	*16.5*	*14.8*
Adjusted PAT	**36,300**	**38,370**	**38,820**	**39,120**	**40,197**	**42,073**	**44,815**	**49,744**	**152,620**	**176,829**
Change (%)	*34.1*	*27.9*	*26.0*	*24.0*	*10.7*	*9.6*	*15.4*	*27.2*	*27.8*	*15.9*
Extra-ordinary Gains			41,970						41,970	0
Reported PAT	**36,300**	**38,370**	**80,790**	**39,120**	**40,197**	**42,073**	**44,815**	**49,744**	**194,580**	**176,829**

E: MOSt Estimates; including IPCL

Harshad Borawake (HarshadBorawake@motilaloswal.com) Tel: 39825432

Pharmaceuticals

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

Higher base effect and currency appreciation to drag down bottomline

MOSt Pharma universe sales growth for 1QFY09E is likely to be strong at 21% YoY, driven by strong performance of the Big-3 Indian pharma companies (~19% YoY growth) and other Indian pharma companies (~25.5% YoY growth), led mainly by commercialization of their product pipeline in regulated markets, traction in the CRAMS business and consolidation of acquired companies and the recent depreciation of INR v/s the US$ and Euro. MNC Pharma companies are expected to report only 5.7% growth, due to part-divestment of several of their businesses — the consumer healthcare business for Pfizer, fine chemicals business for GSK Pharma and lower sales of Rabipur and Soframycin for Aventis.

Overall EBITDA margins for MOSt Pharma universe are expected to improve by 117bp YoY, as the MNC companies report 167bp margin improvement over last year. EBITDA margins for the Big-3 generic companies are expected to improve by 60bp, while that for other Indian companies would witness an improvement of 161bp. Despite, higher topline growth, EBITDA improvement for exporter will not be significant due to the large amount of hedging done by these companies. Overall, we expect PAT for MOSt Pharma universe to decline by 11.9% YoY, with Big-3 Pharma companies reporting 45% decline due to 83% decline in Ranbaxy's PAT on account of large forex gains in 2QCY07. MNC Pharma is expected to report growth of 14.7% YoY and other Indian Pharma group is expected to report PAT growth of 6.5%.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

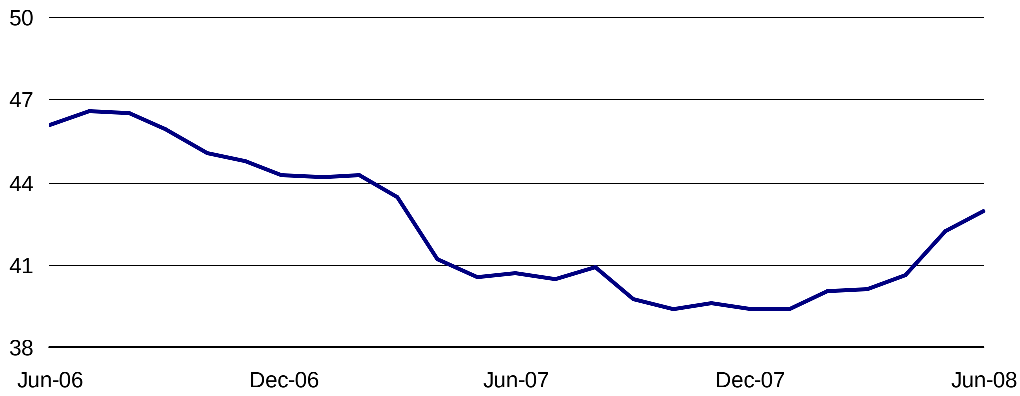
	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Pharmaceuticals							
Aventis Pharma	Buy	2,360	2.5	515	15.7	382	2.5
Biocon	Buy	2,916	7.6	816	6.7	568	7.2
Cadila Health	Buy	6,543	14.4	1,267	13.9	724	-2.0
Cipla	Neutral	10,560	17.1	2,010	25.1	1,570	31.1
Dishman Pharma	Buy	2,400	42.9	504	84.0	284	32.7
Divis Labs	Neutral	2,689	17.9	1,036	22.9	898	33.5
Dr Reddy's Labs	Buy	14,441	20.2	2,020	-5.2	1,080	-40.9
GSK Pharma	Buy	4,287	9.5	1,353	10.6	1,160	20.3
Jubiliant Organosys	Buy	7,381	36.7	1,381	45.0	591	-58.6
Lupin	Buy	7,759	34.8	1,400	70.5	1,049	87.7
Pfizer	Neutral	1,828	1.6	538	13.6	427	12.7
Piramal Healthcare	Buy	7,250	19.2	1,225	45.7	763	74.4
Ranbaxy Labs	Neutral	20,110	19.3	3,390	49.7	452	-82.8
Shasun Chemicals	Buy	2,278	16.7	223	144.7	-102	-
Sun Pharma	Buy	7,705	25.2	2,881	34.1	2,729	20.1
Wockhardt	Neutral	8,355	32.6	1,915	25.8	773	-11.1
Sector Aggregate		**108,862**	**21.0**	**22,474**	**28.3**	**13,347**	**-11.9**

Nimish Desai (Nimishdesai@MotilalOswal.com); Tel: +91 22 39825406

Significant rupee depreciation could lead to significant translation losses

With rupee depreciating by 7.1% QoQ, most pharma companies would face significant MTM translational losses. The companies with hedged positions would not have any impact as gains on receivables would be offset by mark-to-market losses on forward contracts. However, the companies with net forex liabilities would be witnessing significant translational losses on account of rupee depreciation.

RUPEE DEPRECIATION BY 7.1% QOQ



Source: Bloomberg

Patent expiries to drive generics growth in regulated markets

We expect US$45b-US$50b worth of products to go off patent in the US alone by 2010. At an average of 97% price discount, this is likely to result in a potential market worth US$1.5b for generics players over the next three years. Western Europe will witness patent expiries worth about US$6b in the same period. Many countries (for e.g. Japan) are likely to encourage generics to reduce their healthcare costs. All this will ensure that generic volumes continue to expand further.

US generic prices already at 97-99% discount; further declines insignificant

Prices for patent-expired products in the US are already at 97-99% discount to the innovator' s price. While we do not expect any significant improvement in the competitive landscape in the short-to-medium term, we believe that further price declines may not be very significant. Price deflation commenced in CY04 and we are already into the fourth year of successive price decline.

Low penetration to drive double-digit growth in many European markets

We believe generic penetration in several European markets is extremely low. Except for Germany and the UK, generic penetration in most of the regulated markets in Europe (France, Spain, Italy, Belgium) is in single digits. Japan, the second largest pharmaceutical market, also has generic penetration of a mere 5%. This implies that as more drugs go off patent in these markets and as respective governments enact favorable legislation, generic penetration in these markets is likely to improve significantly. The larger Indian generic players have already entered these markets (either via the inorganic route or via partnerships), which should augur well for these companies in the long term.

RoW markets offer an attractive opportunity with higher margins

The size of the semi-regulated markets is expected to increase from US$40b in 2005 to US$50b-US$60b by 2009. The opportunity spans more than 150 markets through Latin America, Asia, Eastern Europe and Australia. The current market share of Indian companies is merely about 6%, implying that there is substantial room for growth. Secondly, most of these markets are branded generic markets, thus, resulting in better margins compared with the US generic market (GPM of about 60-70% compared with about 40-50% for the US). Indian generic companies have already established reasonable presence in some of these markets (like Russia, Latam) while they are in the process of strengthening their presence in some of the other markets (like China, Australia, New Zealand).

Cost structures are being re-aligned/de-risked

To counter the pricing pressure in regulated markets, Indian generic companies have embarked on a cost control cum de-risking drive. Costs are being reduced by focusing on conducting in-house bioequivalence studies; controlling SG&A costs and adopting a pragmatic approach towards patent challenges (resulting in out-of-court settlements thus capping litigation costs and leading to confirmed upsides from the patent challenges). Ranbaxy is a typical example of this approach. Dr. Reddy's Labs has de-risked its fixed costs by resorting to external funding and partnering with private equity investors. Sun Pharma and Nicholas Piramal have de-merged their NCE/NDDS research.

Consolidation to gain further steam ahead, risks of extended payback remain

Intense price competition in the traditional generic market of the US and UK has forced most generic players to expand geographically and also focus on backward integration. This has led to a big consolidation wave in the global generic industry with large players such as Teva and Sandoz successfully polarizing the market in their favor (via big-ticket acquisitions). While acquisitions are imperative to gain scale, we believe that current valuations for generic assets are extremely demanding implying that inorganic growth for Indian players is likely to arise at the cost of extended paybacks of about 8-10 years.

Ranbaxy-Daiichi deal – first instance of innovator taking over large generic player

Ranbaxy's promoters have entered into an agreement with Daiichi Sankyo (Japan) for divesting their 34.8% equity stake at Rs737/share, valuing the company at US$8.4b. Daiichi is a Japan-based innovator pharma company, and currently has 21 NCEs in development with 9 in phase 3. This deal is the first instance of an innovator pharma company taking over a large generic company, resulting in a combination of complementary businesses (innovator and generics), emulating the Novartis-Sandoz business model. We believe that this deal would be a precedent to similar deals between innovator and generic companies. Our view is vindicated by Ranbaxy's management revelation of other large innovator companies' interest in acquiring Ranbaxy.

Which generic models will succeed?

In our opinion, the winning business model will include a combination of:

1. Vertical integration
2. Low cost of manufacture
3. Geographically diversified presence
4. Wide product basket with a pragmatic mix of FTF/niche and normal products and
5. Strong balance sheet.

The table below indicates the status of Indian players vis-à-vis each of the above parameters:

PARAMETER	PRE-REQUISITE	STATUS OF INDIAN PLAYERS
Vertical Integration	Complete integration from manufacturing of inter-mediates to formulations	Most Indian players are vertically integrated
Manufacturing locations	Access to low-cost manufacturing base like India	Most Indian players have a strong manufacturing base in India
Geographical Diversification	Right mix of regulated and semi-regulated markets	Ranbaxy & Cipla have a fairly diversified geographical portfolio
Product Basket	Wide product basket including various dosage forms with some niche products & FTFs	The top four generic Indian players have large product baskets. Other Indian companies in the process of widening their portfolios
Financial Health	Strong balance sheet to manage litigation risks, acquisitions etc.	Amongst the leading players only Sun Pharma has the balance sheet strength to fund large acquisitions without significantly diluting equity capital

Source: Motilal Oswal Securities

Sensitivity to US revenues likely to reduce in future for Ranbaxy and DRL

We believe that markets are currently discounting the 97-99% price erosion in the US generic markets despite the fact that sensitivity to US generic revenues is likely to decline (particularly for Ranbaxy and DRL) in the coming years, as initiatives in other markets (which enjoy better margins) start contributing to revenues and profits.

Outsourcing opportunity gaining traction

More MNCs are visiting India for CRAMS tie-ups. We believe that India offers a unique combination of skilled labor (at low costs), international regulatory compliance, IPR protection, presence across CRAMS value chain and good quality. Most of the CRAMS players are expecting a ramp-up in their contract manufacturing revenues.

Large pharmaceutical companies like Pfizer, Merck (USA), AstraZeneca etc., have undertaken a restructuring of their manufacturing operations and are likely to focus on outsourcing to reduce costs. We believe that India could be a significant beneficiary of the increased outsourcing.

Indian CRAMS players are also looking at acquisitions

Most of the Indian CRAMS players are looking at acquisitions to acquire more customer relationships and contracts as well as get access to critical technologies. Nicholas Piramal has already announced two acquisitions (Avecia and Pfizer' s UK unit at Morpeth) while Shasun has acquired Rhodia's custom manufacturing unit in the UK. Dishman Pharma has acquired Carbogen-AMCIS in Switzerland while Jubilant Organosys has acquired Hollister in the US.

Most of the acquired companies were divested by their existing owners (mostly large pharmaceutical/chemicals companies) as a part of their strategy of divesting non-core assets. It is pertinent to note that most of these companies had invested significant resources some years ago to establish their presence in the CRAMS space. Failure/withdrawal of some large molecules, intense generic competition and low R&D productivity (at the customer' s end) has adversely impacted most of the CRAMS players in Europe and USA over the past 3 years. This coupled with high fixed costs forced the owners to divest these assets, which have been purchased by Indian CRAMS players at very reasonable valuations (0.5-1x sales).

Topline growth is imperative for turnaround of acquired CRAMS companies

Although, Indian CRAMS players have acquired these assets at very reasonable valuations (0.5-1x sales), high fixed costs mandate that a turnaround is not feasible without topline growth. It is also important to note that most of these CRAMS assets were divested post restructuring (by their existing owners) implying that; there may not be significant room to cut costs further. Hence the challenge for Indian companies which acquire such players, will be to grow the topline by getting more manufacturing contracts.

New Pharma Policy: Uncertainty continues

The outlook on the New Pharmaceutical Policy continues to be uncertain as the government is yet to announce the final policy. We believe that there are still differences between the government and the pharmaceutical industry which need to be sorted out. Major differences concern the span and extent of price control on pharmaceutical products. Media reports suggest that the government is not fully satisfied with the price cuts implemented by the pharmaceutical industry in the generic-generics segment.

The new policy proposes to significantly increase the span of control by bringing in additional 354 drugs under price control. This could severely impact profitability of the domestic formulations business. Industry has taken strong objection to the proposed policy and we believe that the policy is unlikely to be implemented in the current form. Given strong opposition from industry, the government has formed a Group of Ministers (GoM), which would give final recommendations to the government regarding the new pharmaceutical policy. However, the uncertainty related to this will remain until the government finally notifies the new pharmaceutical policy.

It is important to note that these are only recommendations, pending announcement of the final new drug policy. These recommendations may or may not undergo a change in the final policy when the proposed policy is tabled in the Cabinet for approval.

Outlook

Generics

We believe that the worst is over for Indian generic companies and expect gradual improvement in their performance over the next two years. CY05-CY07 were the worst years for generics mainly due to:

- Increased competition due to aggressive filings from Indian companies and entry of new players
- Innovators have adopted an aggressive stance including price cuts (on branded products), introduction of authorized generics, patent de-listing, and defending IPRs vigorously.
- Twin impact of intense competition and very few new launches due to lesser number of patent expiries.
- **What has changed over CY05-CY07?**
  - We expect US$45b-US$50b worth of products to go off-patent in the US alone by 2010 – takes care of one of key impediments for generics
  - Pricing to remain intensely competitive due to entry of more players and government pressures – however, significant price deterioration unlikely as generic prices are already at 1-3% of innovator price
  - Expect more consolidation as generics gain scale and expand geographical reach
  - Indian generic companies have initiated cost-cutting measures (including R&D hive-off)
  - Generics and innovators adopting a more pragmatic stance on patent litigations leading to settlements and resulting in monetization of the Para-IV pipeline for some of these companies (especially Ranbaxy, Sun Pharma and DRL).
  - Governments worldwide trying to reduce healthcare costs – expect regulation to remain favorable

Our top picks in the generic space are **Dr Reddy's, Sun Pharma and Lupin**.

MNC Pharma

We remain favorably inclined toward MNC Pharma stocks in the long term. In our view, the current risk-reward equation is stacked in favor of MNC stocks. Leading Pharma MNCs are geared to gain from the opportunities arising in the stronger patent regime post 2005. We remain bullish on the long-term prospects of these companies. The potential upside from product patents would create 'option value' in these stocks over the longer term. It should be noted that some of the patented products may be launched by the parent through the 100% subsidiary route. However, we believe that most of the mass-market products (which need a large field force for promotion) are likely to be launched through the listed entities. **GSK Pharma** remains our top pick amongst the MNCs.

CRAMS

We also believe that the Indian contract-manufacturing segment will see strong double-digit secular growth (given India's advantages) with the financial impact visible from FY09 onwards. **Piramal Healthcare** remains our top pick amongst the CRAMS players.

TREND IN GROWTH / PROFITABILITY OF DIFFERENT SEGMENTS OF THE INDUSTRY (APRIL-JUNE 2008 QUARTER)

INQUIRE PHARMA UNIVERSE	YOY GROWTH (%)			EBITDA MARGIN (%)			NET PROFIT MARGIN (%)		
AGGREGATES	SALES	EBITDA	ADJ PAT	JUN-08	JUN-07	CHG (BPS)	JUN-08	JUN-07	CHG (BPS)
MNC Pharma (Aventis, GSK Pharma, Pfizer)	5.7	12.3	14.7	28.4	26.7	167	23.2	21.4	183
Indian Big-3 (Cipla, DRL, Ranbaxy) **	19.1	23.6	-45.2	16.4	15.8	60	6.9	14.9	-806
Other Indian Pharma	25.5	35.0	6.5	22.9	21.3	161	15.0	17.6	-267
Sector Aggregate	**21.0**	**28.3**	**-11.9**	**20.6**	**19.5**	**117**	**12.3**	**16.8**	**-458**

*** Ranked according to revenues*

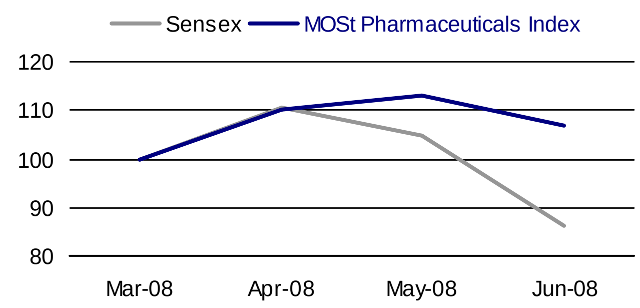
Source: Motilal Oswal Securities

Stock performance and valuations

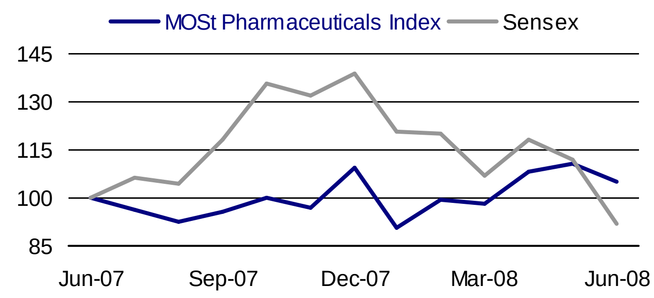
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Pharmaceuticals						
Aventis Pharma	-6	-51	11	-40	-11	-54
Biocon	-12	-16	5	-5	-17	-19
Cadila Health	22	-17	39	-5	17	-19
Cipla	-4	-1	14	11	-8	-4
Dishman Pharma	-4	-11	14	1	-8	-13
Divis Labs	4	6	22	17	0	3
Dr Reddy' s Labs	6	-2	23	10	1	-4
GSK Pharma	13	-10	30	2	9	-12
Jubiliant Organosys	-8	1	9	12	-13	-2
Lupin	44	-4	61	7	39	-7
Piramal Healthcare	-8	-2	9	9	-13	-5
Pfizer	-19	-33	-2	-21	-24	-35
Ranbaxy Labs	15	41	32	53	11	39
Shasun Chemicals	-17	-75	1	-64	-21	-78
Sun Pharma	8	34	26	46	4	32
Wockhardt	-35	-56	-18	-44	-40	-58

RELATIVE PERFORMACE - 3 MONTHS (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Pharmaceuticals														
Aventis Pharma	699	Buy	62.7	63.5	67.6	11.2	11.0	10.3	6.7	5.7	4.5	21.5	19.6	18.9
Biocon	380	Buy	22.5	27.5	31.6	16.9	13.8	12.0	12.1	9.4	7.5	15.3	16.3	16.4
Cadila Health	307	Buy	20.5	25.3	32.9	15.0	12.1	9.3	8.8	7.6	6.0	27.3	26.9	28.4
Cipla	212	Neutral	9.0	9.9	11.6	23.5	21.3	18.2	19.4	16.3	13.9	18.5	17.5	17.7
Dishman Pharma	281	Buy	15.0	17.8	21.6	18.8	15.7	13.0	18.9	12.6	10.2	32.8	29.7	28.0
Divis Labs	1,313	Neutral	54.8	71.2	84.7	24.0	18.4	15.5	20.5	15.7	12.2	50.2	43.8	37.6
Dr Reddy' s Labs	655	Buy	27.8	37.8	48.0	23.5	17.3	13.6	17.0	12.3	10.1	10.4	12.7	14.4
GSK Pharma	1,133	Buy	47.2	53.1	59.9	24.0	21.4	18.9	16.3	15.1	12.8	29.4	27.4	26.0
Jubiliant Organosys	310	Buy	22.3	21.9	28.3	13.9	14.2	10.9	11.1	7.7	6.2	37.8	27.9	28.4
Lupin	688	Buy	37.8	46.3	60.6	18.2	14.9	11.4	14.1	11.4	8.8	31.8	29.7	30.9
Pfizer	554	Neutral	42.2	47.8	52.4	13.1	11.6	10.6	6.9	5.0	4.0	18.5	15.3	15.3
Piramal Healthcare	300	Buy	17.4	21.1	25.7	17.2	14.2	11.7	12.7	9.8	8.0	32.5	30.6	28.5
Ranbaxy Labs	514	Neutral	19.4	16.6	22.7	26.6	30.9	22.6	25.0	17.1	16.0	27.8	21.1	25.1
Shasun Chemicals	37	Buy	3.3	4.9	5.8	11.2	7.6	6.3	29.7	5.7	5.4	6.8	9.4	10.7
Sun Pharma	1,379	Buy	71.8	55.0	67.5	19.2	25.1	20.4	15.0	18.8	14.8	36.8	19.7	20.5
Wockhardt	173	Neutral	29.0	27.9	33.7	6.0	6.2	5.2	7.2	5.8	5.1	28.5	22.1	22.2
Sector Aggregate						**18.8**	**18.2**	**14.8**	**15.4**	**12.7**	**10.6**	**25.0**	**21.0**	**21.9**

UR = Under Review

Aventis Pharma

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	HOEC IN
	REUTERS CODE
S&P CNX: 3,926	HOEC.BO

Equity Shares (m)	23.0
52-Week Range	1,495/680
1,6,12 Rel. Perf. (%)	10/-4/-40
M.Cap. (Rs b)	16.1
M.Cap. (US$ b)	0.4

3 July 2008

Buy

Previous Recommendation: Buy

Rs699

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	8,821	1,693	73.5	3.2	9.5	2.7	28.6	42.0	1.4	5.6
12/07A	8,735	1,444	62.7	-14.7	11.2	2.4	21.5	33.1	1.3	6.7
12/08E	9,087	1,462	63.5	1.3	11.0	2.2	19.6	29.7	1.2	5.7
12/09E	9,926	1,557	67.6	6.5	10.3	2.0	18.9	28.7	1.0	4.5

** Standalone results*

- Sales are expected to grow by only 2.5% YoY to Rs2.4b due to lower Rabipur revenues in the domestic market and muted export sales. The parent has commenced sourcing more products from APL and has identified it as a global sourcing base for some of its patent-expired products like paracetamol. This is likely to lead to better performance on the export front over the long term.
- EBITDA margins are likely to improve by 250bp to 21.8% due to higher contribution from strategic brands and lower staff cost.
- Impact of higher depreciation (up 11%) and lower other income (down 35%), would be diluted by lower tax provisioning (at 34.1% of PBT v/s 35.7% in 1QCY07). As a result PAT is expected to growth just by 2.5% to Rs380m.
- We believe that APL will be one of the key beneficiaries of the patent regime in the long term. The parent has a strong R&D pipeline with total of 125 products under development, of which 25 are in Phase-III. It plans to file 40 NDAs by CY10E. We continue to remain positive on APL's long-term prospects. However, we believe that, the stock price performance will remain muted till more clarity emerges on supply issues related to Rabipur and Soframycin. The stock is currently valued at 11x CY08E and 10.3x CY09E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**2,129**	**2,302**	**2,264**	**2,040**	**2,169**	**2,360**	**2,397**	**2,161**	**8,735**	**9,087**
YoY Change (%)	*6.2*	*3.3*	*-6.9*	*-6.2*	*1.9*	*2.5*	*5.9*	*5.9*	*328.2*	*4.0*
Total Expenditure	1,635	1,857	1,818	1,750	1,764	1,845	1,895	1,746	7,060	7,250
EBITDA	**494**	**445**	**446**	**290**	**405**	**515**	**502**	**415**	**1,675**	**1,837**
Margins (%)	*23.2*	*19.3*	*19.7*	*14.2*	*18.7*	*21.8*	*20.9*	*19.2*	*19.2*	*20.2*
Depreciation	45	47	47	46	51	52	52	50	185	205
Interest	0	0	2	0	0	0	0	0	2	0
Other Income	200	182	176	182	189	117	206	75	740	587
PBT	**649**	**580**	**573**	**426**	**543**	**580**	**655**	**441**	**2,228**	**2,219**
Tax	216	207	205	156	198	198	223	138	784	757
Effective tax Rate (%)	*33.3*	*35.7*	*35.8*	*36.6*	*36.5*	*34.1*	*34.1*	*31.2*	*35.2*	*34.1*
Reported PAT	**433**	**373**	**368**	**270**	**345**	**382**	**432**	**303**	**1,444**	**1,462**
Adj PAT	**433**	**373**	**368**	**270**	**345**	**382**	**432**	**303**	**1,444**	**1,462**
YoY Change (%)	*17.3*	*-15.0*	*-31.6*	*-22.2*	*-20.3*	*2.5*	*17.3*	*12.3*	*434.7*	*1.3*
Margins (%)	*20.3*	*16.2*	*16.3*	*13.2*	*15.9*	*16.2*	*18.0*	*14.0*	*16.5*	*16.1*

E: MOSt Estimates

Nimish Desai (Nimishdesai@MotilalOswal.com); Tel: +91 22 39825406

Biocon

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BIOS IN
	REUTERS CODE
S&P CNX: 3,926	BION.BO

3 July 2008

Buy

Previous Recommendation: Buy

Rs380

Equity Shares (m)	100.0
52-Week Range	663/345
1,6,12 Rel. Perf. (%)	0/-3/-5
M.Cap. (Rs b)	38.0
M.Cap. (US$ b)	0.9

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	9,863	2,002	20.0	15.1	19.0	3.6	18.7	17.0	4.0	13.7
03/08A	10,540	2,250	22.5	12.4	16.9	2.6	15.3	14.6	3.4	12.1
03/09E	18,089	2,754	27.5	22.4	13.8	2.3	16.3	16.6	2.1	9.4
03/10E	21,304	3,159	31.6	14.7	12.0	2.0	16.4	16.8	1.7	7.5

- Biocon's 1QFY09 sales are expected to grow by only 7.6% YoY to Rs2.9b mainly due to the divestment of the enzyme's business. Biocon had divested its enzymes business to Novozymes for US$115m. Since the sale is effective from 3QFY08, our estimates take into account the revenue impact of this divestment.

- EBITDA margins are likely to reduce by 20bp to 28%, as impact of higher R&D and promotional spend, is mitigated by improvement in business mix.

- Higher other income (at Rs80m v/s Rs10m in 1QFY08) would boost PAT to Rs568m, a growth of 7.2%.

- While some of Biocon's initiatives appear promising, as of now, visibility is poor. Biocon is currently valued at 13.8x FY09E and 12x FY10E earnings. Launch of bio-generics in regulated markets remains the key long-term trigger; however, clarity on the regulatory pathway is still awaited from the US FDA. In the interim, Biocon's initiatives in the insulin space are likely to be key growth drivers. Another re-rating trigger is the proposed listing of its contract research business over the next 12 months. We maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**2,710**	**2,790**	**2,370**	**2,670**	**2,916**	**4,862**	**4,911**	**5,401**	**10,540**	**18,089**
YoY Change (%)	*27.8*	*12.0*	*-4.0*	*-4.0*	*7.6*	*79.4*	*76.0*	*127.9*	*6.9*	*71.6*
Total Expenditure	1,945	1,985	1,779	1,840	2,099	4,003	3,891	4,115	7,550	14,108
EBITDA	**765**	**805**	**591**	**830**	**816**	**859**	**1,020**	**1,286**	**2,990**	**3,981**
Margins (%)	*28.2*	*28.8*	*24.9*	*31.1*	*28.0*	*17.7*	*20.8*	*23.8*	*28.4*	*22.0*
Depreciation	216.4	233.6	240.0	250.0	250.0	250.0	310.0	312.1	940.0	1,122.1
Interest	27.5	26.7	25.8	20.0	28.0	28.0	30.0	17.7	100.0	103.7
Other Income	9.9	19.2	210.9	120.0	80.0	80.0	50.0	39.4	360.0	249.4
PBT	**531**	**564**	**536**	**680**	**618**	**661**	**730**	**996**	**2,310**	**3,004**
Tax	15	38	18	60	35	37	41	67	130	180
Rate (%)	*2.8*	*6.7*	*3.3*	*8.8*	*5.6*	*5.6*	*5.6*	*6.8*	*5.6*	*6.0*
Minority Interest	-14	-14	-12	-30	15	15	20	20	-70	70
PAT	**530**	**540**	**530**	**650**	**568**	**608**	**669**	**909**	**2,250**	**2,754**
YoY Change (%)	*34.5*	*19.0*	*-5.3*	*7.1*	*7.2*	*14.8*	*23.9*	*71.3*	*12.0*	*22.4*
Margins (%)	*19.6*	*19.3*	*22.4*	*24.3*	*19.5*	*12.5*	*13.6*	*16.8*	*21.3*	*15.2*

E: MOSt Estimates

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Cadila Healthcare

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	CDH IN
	REUTERS CODE
S&P CNX: 3,926	CADI.BO

Equity Shares (m)	125.6
52-Week Range	378/203
1,6,12 Rel. Perf. (%)	25/34/-5
M.Cap. (Rs b)	38.6
M.Cap. (US$ b)	0.9

3 July 2008

Buy

Previous Recommendation: Buy

Rs307

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	18,288	2,343	18.7	43.5	16.5	4.5	29.9	24.1	2.3	11.9
03/08A	23,245	2,632	20.5	9.9	15.0	3.6	26.7	23.6	1.8	9.2
03/09E	27,287	3,177	25.3	23.3	12.1	3.0	26.9	21.2	1.5	8.0
03/10E	31,976	4,135	32.9	30.2	9.3	2.4	28.4	23.3	1.3	6.4

- Cadila's 1QFY09 revenue is expected to grow by 14.4% to Rs6.5b, driven by 43% growth in formulation exports and 12% growth in domestic business.
- EBITDA margins are expected to remain stable at 19.4%, mainly due to reduced sourcing of Pantoprazole intermediates by Nycomed (a high-margin product). This coupled with higher interest cost (up by 147%) and increased depreciation (up 9%) is likely to result in flat PAT growth to Rs724m.
- Teva and Sun Pharma have recently launched their generic versions of Protonix (Pantoprazole) in the US thus adversely impacting Nycomed's revenues. Cadila management has, in the past, indicated that this is likely to adversely impact the bottomline by about Rs170-200m on an annualized basis.
- Cadila is currently valued at 12.1x FY09E and 9.3x FY10E consolidated earnings. Higher growth in the international business, turnaround in French operations and commencement of supplies to Hospira coupled with a de-risked business model should augur well for the company. We maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Revenues	**5,722**	**6,097**	**5,794**	**5,632**	**6,543**	**6,805**	**7,006**	**6,933**	**23,245**	**27,287**
YoY Change (%)	*28.4*	*28.4*	*22.7*	*29.3*	*14.4*	*11.6*	*20.9*	*23.1*	*312.7*	*17.4*
Total Expenditure	4,610	4,780	4,759	4,498	5,277	5,393	5,735	5,638	18,647	22,043
EBITDA	**1,112**	**1,317**	**1,035**	**1,134**	**1,267**	**1,412**	**1,270**	**1,295**	**4,598**	**5,244**
Margins (%)	*19.4*	*21.6*	*17.9*	*20.1*	*19.4*	*20.7*	*18.1*	*18.7*	*19.8*	*19.2*
Depreciation	239	235	270	225	260	270	290	299	969	1,119
Interest	73	127	66	178	180	120	105	102	444	507
Other Income	94	0	2	22	25	35	30	30	118	120
PBT before EO Income	**894**	**955**	**701**	**753**	**852**	**1,057**	**905**	**924**	**3,303**	**3,738**
EO Exp/(Inc)	0	24	45	0	0	0	0	0	69	0
PBT after EO Income	**894**	**931**	**656**	**753**	**852**	**1,057**	**905**	**924**	**3,234**	**3,738**
Tax	121	114	177	201	128	158	136	139	613	561
Rate (%)	*13.5*	*12.2*	*27.0*	*26.7*	*15.0*	*15.0*	*15.0*	*15.0*	*19.0*	*15.0*
Minority Int/Adj on Consol	34	16	-37	32	0	0	0	0	45	0
Reported PAT	**739**	**801**	**516**	**520**	**724**	**898**	**770**	**785**	**2,576**	**3,177**
Adj PAT	**739**	**822**	**549**	**520**	**724**	**898**	**770**	**785**	**2,632**	**3,177**
YoY Change (%)	*26.5*	*16.6*	*12.4*	*33.7*	*-2.0*	*9.2*	*40.2*	*51.0*	*406.1*	*20.7*
Margins (%)	*12.9*	*13.5*	*9.5*	*9.2*	*11.1*	*13.2*	*11.0*	*11.3*	*11.3*	*11.6*

E: MOSt Estimates; Quarterly numbers don't add up to full year numbers due to restatement

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Cipla

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	CIPLA IN
	REUTERS CODE
S&P CNX: 3,926	CIPL.BO

3 July 2008

Neutral

Previous Recommendation: Neutral Rs212

Equity Shares (m)	777.3
52-Week Range (Rs)	234/160
1,6,12 Rel. Perf. (%)	18/34/11
M.Cap. (Rs b)	164.4
M.Cap. (US$ b)	3.8

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	35,706	6,766	8.7	7.3	24.3	5.1	21.0	23.9	4.6	20.1
03/08A	42,268	7,005	9.0	3.5	23.5	4.3	18.5	19.6	3.9	19.4
03/09E	48,791	7,703	9.9	9.9	21.3	3.7	17.5	18.6	3.4	16.3
03/10E	56,419	9,041	11.6	17.2	18.2	3.2	17.7	19.0	2.9	13.9

- Cipla's 1QFY09 revenues are expected to grow by only 17% YoY to Rs10.5b, mainly driven by 22% growth in exports and 13.5% growth in domestic markets. Growth in the finished dosage business is expected to be 25%, while API exports are expected to be 10%.

- EBITDA margins are expected to improve by 120bp to 19% mainly due to significantly lower base of 1QFY08. Further, lower tax rate (at 14% v/s 19% for 1QFY08) would boost PAT growth to 31% to Rs1.57b.

- Cipla has one of the strongest generic pipelines with tie-ups for 108 products for the US (across 10 partners). The company is spending significant amount (about Rs19b) in expanding manufacturing facilities in the FY05-09 period. While we remain positive on Cipla's business prospects in the long term, we believe that the stock is fairly valued at 21.3x FY09E and 18.2x FY10E EPS, we maintain our **Neutral** recommendation on the stock.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**9,018**	**10,984**	**11,045**	**11,221**	**10,560**	**12,220**	**12,920**	**13,091**	**42,268**	**48,791**
YoY Change (%)	*4.4*	*22.6*	*25.4*	*20.4*	*17.1*	*11.3*	*17.0*	*16.7*	*18.4*	*15.4*
Total Expenditure	7,411	8,744	8,422	9,194	8,550	9,618	10,074	10,459	33,772	38,701
EBITDA	**1,607**	**2,240**	**2,623**	**2,027**	**2,010**	**2,602**	**2,846**	**2,632**	**8,497**	**10,090**
Margins (%)	*17.8*	*20.4*	*23.7*	*18.1*	*19.0*	*21.3*	*22.0*	*20.1*	*20.1*	*20.7*
Depreciation	303	328	330	367	360	400	450	464	1,326	1,674
Interest	8	24	38	46	40	45	45	48	116	178
Other Income	185	418	242	407	215	200	250	55	1,252	720
Profit before Tax	**1,482**	**2,307**	**2,497**	**2,021**	**1,825**	**2,357**	**2,601**	**2,175**	**8,307**	**8,958**
Tax	284	401	390	227	256	330	364	304	1,302	1,254
Rate (%)	*19.2*	*17.4*	*15.6*	*11.2*	*14.0*	*14.0*	*14.0*	*14.0*	*15.7*	*14.0*
Reported PAT	**1,198**	**1,906**	**2,107**	**1,795**	**1,570**	**2,027**	**2,237**	**1,870**	**7,005**	**7,703**
YoY Change (%)	*-29.7*	*5.7*	*14.2*	*25.4*	*31.1*	*6.3*	*6.2*	*4.2*	*3.5*	*10.0*
Margins (%)	*13.3*	*17.4*	*19.1*	*16.0*	*14.9*	*16.6*	*17.3*	*14.3*	*16.6*	*15.8*

E: MOSt Estimates

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Dishman Pharma

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	DISH IN
	REUTERS CODE
S&P CNX: 3,926	DISH.BO

Equity Shares (m)	81.6
52-Week Range	427/256
1,6,12 Rel. Perf. (%)	8/5/1
M.Cap. (Rs b)	22.9
M.Cap. (US$ b)	0.5

3 July 2008

Buy

Previous Recommendation: Buy

Rs281

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	5,750	893	11.0	94.1	25.5	6.4	35.4	15.6	4.9	25.2
03/08A	8,031	1,215	15.0	36.1	18.8	4.8	32.8	15.9	3.6	18.9
03/09E	10,340	1,449	17.8	19.3	15.7	3.7	29.7	17.7	2.8	12.6
03/10E	12,163	1,757	21.6	21.3	13.0	2.9	28.0	18.6	2.4	10.2

- Dishman's 1QFY09 revenues are expected to grow by 43% YoY to Rs2.4b driven by healthy growth in both CRAMS and marketable molecules businesses.
- EBITDA margins are expected to improve by 470bp to 21% mainly due to significantly lower margins in 1QFY08 compared with normalized margins.
- Higher depreciation (up 34%) and interest cost (up 23%) coupled with lower other income (down 91%) and higher tax outgo (at 11% of PBT v/s 7% in 1QFY08) would restrict PAT growth to 33% to Rs284m.
- We believe that Dishman will be one of the key beneficiaries of the increased pharmaceutical outsourcing from India. Expansion of customer base (to reduce dependence on Solvay) and ability to offer the complete range of services across the CRAMS value chain should benefit the company in the long term. The stock is currently valued at 15.7x FY09E and 13x FY10E earnings. Maintain **Buy.**

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**1,680**	**1,866**	**2,066**	**2,419**	**2,400**	**2,450**	**2,550**	**2,940**	**8,031**	**10,340**
YoY Change (%)	*104.2*	*59.5*	*19.0*	*17.6*	*42.9*	*31.3*	*23.4*	*21.5*	*38.8*	*28.8*
Total Expenditure	1,406	1,461	1,667	1,968	1,896	1,930	1,975	2,216	6,502	8,017
EBITDA	**274**	**405**	**398**	**451**	**504**	**520**	**575**	**723**	**1,529**	**2,322**
Margins (%)	*16.3*	*21.7*	*19.3*	*18.6*	*21.0*	*21.2*	*22.5*	*24.6*	*19.0*	*22.5*
Depreciation	89	111	104	167	120	130	140	157	472	547
Interest	61	72	77	96	75	80	100	112	305	367
Other Income	107	91	125	154	10	80	50	80	477	220
PBT after EO Income	**230**	**314**	**342**	**342**	**319**	**390**	**385**	**534**	**1,228**	**1,628**
Tax	4	32	22	12	16	19	19	27	70	81
Deferred Tax	12	0	0	-69	19	23	23	32	-57	98
Rate (%)	*7.0*	*10.3*	*6.4*	*-16.7*	*11.0*	*11.0*	*11.0*	*11.0*	*1.1*	*11.0*
Reported PAT	**214**	**282**	**321**	**399**	**284**	**347**	**343**	**476**	**1,215**	**1,449**
YoY Change (%)	*15.7*	*67.8*	*31.3*	*20.0*	*32.7*	*23.3*	*6.9*	*19.3*	*30.8*	*19.3*
Margins (%)	*12.7*	*15.1*	*15.5*	*16.5*	*11.8*	*14.2*	*13.4*	*16.2*	*15.1*	*14.0*

E: MOSt Estimates

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Divi's Laboratories

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	DIVI IN
	REUTERS CODE
S&P CNX: 3,926	DIVI.BO

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs1,313

Equity Shares (m)	64.6
52-Week Range	1,930/990
1,6,12 Rel. Perf. (%)	3/5/17
M.Cap. (Rs b)	84.7
M.Cap. (US$ b)	2.0

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	7,244	1,919	29.7	172.1	44.2	15.6	43.5	40.0	11.9	35.0
03/08A	10,332	3,536	54.8	84.2	24.0	9.8	50.2	47.6	8.3	20.5
03/09E	12,742	4,594	71.2	29.9	18.4	6.9	43.8	43.8	6.5	15.7
03/10E	15,663	5,465	84.7	19.0	15.5	5.1	37.6	40.5	5.1	12.2

- Divi's 1QFY09 revenues are expected to grow by 18% YoY to Rs2.7b, led by continued momentum in both the generics and custom chemical synthesis (CCS) business. EBITDA margins are expected to improve by 160bp to 38.5%.

- 4QFY07 was the first quarter when Divi's recorded exponential growth taking the quarterly PAT run-rate to over Rs1b. The company is nearing optimum capacity utilization and hence growth in the coming quarters will be more moderate compared to the 100-200% growth recorded in previous quarters. We expect 1QFY09 PAT growth at 33.5% to Rs898m.

- We believe that Divi's will be one of the key beneficiaries of the increased pharmaceutical outsourcing from India. Established relationships with the top 20 innovator pharmaceutical companies should help the company to procure more outsourcing business as well as in spreading the business risk across customers. We believe that low cost of operations is a significant driver for Divi's profitability. The stock is currently valued at 18.4x FY09E and 15.5x FY10E earnings. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Op Revenue	**2,281**	**2,425**	**2,842**	**2,784**	**2,689**	**3,045**	**3,453**	**3,555**	**10,332**	**12,742**
YoY Change (%)	*41.8*	*50.3*	*90.0*	*10.2*	*17.9*	*25.6*	*21.5*	*27.7*	*42.6*	*23.3*
Total Expenditure	1,438	1,375	1,721	1,628	1,653	1,728	2,040	2,053	6,163	7,474
EBITDA	**843**	**1,050**	**1,121**	**1,156**	**1,036**	**1,317**	**1,413**	**1,502**	**4,169**	**5,268**
Margins (%)	*36.9*	*43.3*	*39.4*	*41.5*	*38.5*	*43.3*	*40.9*	*42.2*	*40.4*	*41.3*
Depreciation	86	78	91	102	90	95	100	110	357	395
Interest	34	32	18	18	20	25	25	20	102	90
Other Income	34	15	45	41	40	20	40	58	136	158
PBT	**757**	**956**	**1,057**	**1,077**	**966**	**1,217**	**1,328**	**1,429**	**3,847**	**4,940**
Tax	49	1	62	82	68	85	93	100	194	346
Deferred Tax	36	42	-11	51	0	0	0	0	118	0
Rate (%)	*11.1*	*4.5*	*4.8*	*12.4*	*7.0*	*7.0*	*7.0*	*7.0*	*8.1*	*7.0*
Adj PAT	**673**	**913**	**1,007**	**944**	**898**	**1,132**	**1,235**	**1,329**	**3,536**	**4,594**
YoY Change (%)	*151.6*	*191.7*	*207.5*	*-6.7*	*33.5*	*24.1*	*22.7*	*40.8*	*84.2*	*29.9*
Margins (%)	*29.5*	*37.6*	*35.4*	*33.9*	*33.4*	*37.2*	*35.8*	*37.4*	*34.2*	*36.1*

E: MOSt Estimates

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Dr Reddy's Laboratories

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	DR IN
	REUTERS CODE
S&P CNX: 3,926	REDY.BO

Equity Shares (m)	167.9
52-Week Range (Rs)	760/501
1,6,12 Rel. Perf. (%)	12/27/10
M.Cap. (Rs b)	109.9
M.Cap. (US$ b)	2.5

3 July 2008

Buy

Previous Recommendation: Buy

Rs655

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	65,095	9,323	55.5	521.1	11.8	2.6	22.4	14.3	1.8	8.0
03/08A	50,006	4,669	27.8	-49.9	23.5	2.4	10.4	4.8	2.3	17.0
03/09E	61,710	6,347	37.8	35.9	17.3	2.2	12.7	9.9	1.8	12.3
03/10E	69,916	8,064	48.0	27.1	13.6	2.0	14.4	11.6	1.6	10.1

- Dr Reddy's 1QFY09 sales are expected to grow by 20% YoY to Rs14.4b. Growth would be driven by 23% growth in branded formulations business and consolidation of recently acquired Dow's CRAMS facility in UK and BASF's US facility.

- Overall gross margins are expected to decline by 80bp to 50% for the quarter. Consequently, EBITDA margins are also likely to decline by 370bp to 14%. Further, net interest expense at Rs470m (on account of forex loss, v/s other income of Rs231m) and higher tax provisioning (at 15% of PBT v/s 9% in 1QFY08), would result in 41% decline in PAT to Rs1.08b.

- DRL is currently valued at 17.3x FY09E and 13.6x FY10E earnings (excl FTF upsides). We believe that stock price performance may remain muted until the company is able to demonstrate a significant improvement in its German operations. We maintain **Buy.**

GLOBAL QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**12,018**	**12,669**	**12,321**	**12,998**	**14,441**	**15,253**	**15,269**	**16,748**	**50,006**	**61,710**
YoY Change (%)	*-14.5*	*-36.8*	*-20.2*	*-16.5*	*20.2*	*20.4*	*23.9*	*28.9*	*-23.2*	*23.4*
EBITDA	**2,132**	**1,461**	**1,383**	**1,724**	**2,020**	**2,203**	**2,516**	**2,517**	**6,700**	**9,257**
Margins (%)	*17.7*	*11.5*	*11.2*	*13.3*	*14.0*	*14.4*	*16.5*	*15.0*	*13.4*	*15.0*
Depreciation & Amortization	351	410	2,740	693	280	300	320	340	4,194	1,240
Other Income	231	372	129	152	-470	-80	-75	75	884	-550
Profit before Tax	**2,012**	**1,423**	**-1,228**	**1,183**	**1,270**	**1,823**	**2,121**	**2,253**	**3,390**	**7,467**
Tax	181	-1,248	-380	168	191	273	318	338	-1,279	1,120
Rate (%)	*9.0*	*-87.7*	*30.9*	*14.2*	*15.0*	*15.0*	*15.0*	*15.0*	*-37.7*	*15.0*
Reported PAT	**1,831**	**2,671**	**-848**	**1,015**	**1,080**	**1,549**	**1,803**	**1,915**	**4,669**	**6,347**
Minority Interest	3	1	3	-16	0	0	0	0	-9	0
Adjusted PAT	**1,828**	**2,670**	**-851**	**1,031**	**1,080**	**1,549**	**1,803**	**1,915**	**4,678**	**6,347**
YoY Change (%)	*34.8*	*-4.6*	*-145.3*	*-68.3*	*-40.9*	*-42.0*	*-311.8*	*85.7*	*-49.6*	*35.7*
Margins (%)	*15.2*	*21.1*	*-6.9*	*7.9*	*7.5*	*10.2*	*11.8*	*11.4*	*9.4*	*10.3*

E: MOSt Estimates

Nimish Desai (Nimishdesai@MotilalOswal.com); Tel: +91 22 39825406

GlaxoSmithKline Pharmaceuticals

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	GLXO IN
	REUTERS CODE
S&P CNX: 3,926	GLAX.BO

3 July 2008 **Buy**

Previous Recommendation: Buy Rs1,133

Equity Shares (m)	84.7
52-Week Range (Rs)	1,279/800
1,6,12 Rel. Perf. (%)	21/46/2
M.Cap. (Rs b)	96.0
M.Cap. (US$ b)	2.2

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	15,384	3,617	42.7	18.1	26.5	8.0	30.3	46.4	5.5	17.7
12/07A	15,703	3,997	47.2	10.5	24.0	7.1	29.4	44.8	5.2	16.3
12/08E	16,488	4,495	53.1	12.4	21.4	5.8	27.4	41.4	4.8	15.1
12/09E	18,467	5,071	59.9	12.8	18.9	4.9	26.0	39.2	4.1	12.8

- GSK Pharma's 2QCY08 net sales are expected to grow at 9.5% to Rs4.2b, partly due to spillover of sales from 1QCY08. Priority Products portfolio is likely to grow in line with average industry growth of 10-12%.
- PAT is expected to record 20% growth to Rs1.1b partly boosted by higher other income to Rs428m.
- GSK is focused on strengthening its presence in lifestyle disease segment of CVS, CNS, diabetes etc. by in-licensing products and evaluating brand acquisitions in the domestic market.
- GSK Pharma is one of the best plays on the IPR regime with planned launches of 9 patented/exclusive products in CY08-09 period. Our estimates for CY08E take into account the additional marketing and promotional expenditure linked to launch of patented products and divestment of animal healthcare division. Valuations at 21.4x CY08E and 18.9x CY09E earnings do not fully reflect the strong parentage, cash-rich operations and the 'option value' created from product patent regime in the long term. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**4,203**	**3,915**	**4,193**	**3,392**	**4,215**	**4,287**	**4,287**	**3,699**	**15,703**	**16,488**
YoY Change (%)	*-1.2*	*-3.1*	*5.6*	*8.8*	*0.3*	*9.5*	*2.2*	*9.0*	*2.1*	*5.0*
Total Expenditure	2,753	2,692	2,826	2,460	2,780	2,934	2,933	2,578	10,731	11,243
EBITDA	**1,450**	**1,223**	**1,366**	**932**	**1,435**	**1,353**	**1,353**	**1,121**	**4,972**	**5,245**
Margins (%)	*34.5*	*31.2*	*32.6*	*27.5*	*34.1*	*31.6*	*31.6*	*30.3*	*31.7*	*31.8*
Depreciation	37	37	38	50	37	38	38	50	162	163
Other Income	272	312	339	385	428	436	436	445	1,307	1,745
PBT before EO Expense	**1,686**	**1,498**	**1,667**	**1,261**	**1,826**	**1,751**	**1,752**	**1,516**	**6,112**	**6,827**
Tax	563	502	555	374	622	592	592	519	1,993	2,315
Deferred Tax	10	32	22	59	-9	0	0	0	122	-9
Rate (%)	*34.0*	*35.6*	*34.6*	*34.3*	*33.6*	*33.8*	*33.8*	*34.2*	*34.6*	*33.8*
Adjusted PAT	**1,113**	**964**	**1,091**	**829**	**1,213**	**1,160**	**1,160**	**997**	**3,997**	**4,520**
YoY Change (%)	*7.6*	*5.9*	*10.1*	*21.6*	*8.9*	*20.3*	*6.3*	*20.3*	*10.5*	*13.1*
Margins (%)	*26.5*	*24.6*	*26.0*	*24.4*	*28.8*	*27.0*	*27.1*	*27.0*	*25.5*	*27.4*
Extra-Ord Expense	0	0	-1,399	20	0	0	0	0	-1,379	0
Reported PAT	**1,113**	**964**	**2,490**	**809**	**1,213**	**1,160**	**1,160**	**997**	**5,377**	**4,520**

E: MOSt Estimates

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Jubilant Organosys

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	JOL IN
	REUTERS CODE
S&P CNX: 3,926	JUBO.BO

Equity Shares (m)	144.0
52-Week Range	391/244
1,6,12 Rel. Perf. (%)	9/23/12
M.Cap. (Rs b)	44.6
M.Cap. (US$ b)	1.0

3 July 2008

Buy

Previous Recommendation: Buy

Rs310

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	18,097	2,280	12.4	44.0	25.1	4.9	26.4	15.4	2.9	16.4
03/08A	24,889	4,118	22.3	80.6	13.9	3.5	37.8	17.0	2.1	11.1
03/09E	33,833	4,039	21.9	-1.9	14.2	2.8	27.9	14.8	1.5	7.7
03/10E	40,411	5,221	28.3	29.3	10.9	2.2	28.4	16.8	1.2	6.2

- Jubilant's 1QFY09 sales are expected to grow by 37% to Rs7.4b, driven by robust growth in CRAMS business and consolidation of the Hollister acquisition, resulting in Pharma and Life Sciences business (PLSP) growing by 47% to Rs4.7b.
- EBIDTA margins are expected to improve by 110bp to 18.7%, reflecting higher contribution from the PLSP business.
- Despite better topline growth, higher depreciation (up 29%), interest cost (up 43%) and other expense of Rs300m (due to forex loss, v/s other income of Rs996m) would result in PAT decline of 58.6% to Rs591m.
- We expect 32% CAGR in fully diluted earnings over FY07-10E. Valuations of 14.2x FY09E and 10.9x FY10E earnings do not reflect the higher growth potential of the CRAMS business and upsides from acquisitions. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**5,400**	**6,183**	**6,416**	**6,890**	**7,381**	**8,233**	**8,571**	**9,648**	**24,889**	**33,833**
YoY Change (%)	*31.3*	*32.7*	*36.7*	*48.7*	*36.7*	*33.2*	*33.6*	*40.0*	*37.5*	*35.9*
Total Expenditure	4,448	5,050	5,121	5,633	6,000	6,500	6,950	7,644	20,252	27,094
EBITDA	**952**	**1,133**	**1,295**	**1,257**	**1,381**	**1,733**	**1,621**	**2,004**	**4,637**	**6,738**
Margins (%)	*17.6*	*18.3*	*20.2*	*18.2*	*18.7*	*21.0*	*18.9*	*20.8*	*18.6*	*19.9*
Depreciation	194	237	247	361	250	350	400	332	1,039	1,332
Interest	84	109	123	21	120	130	150	186	337	586
Other Income	996	385	231	-182	-300	0	0	300	1,430	0
PBT before EO Expense	**1,670**	**1,172**	**1,156**	**693**	**711**	**1,253**	**1,071**	**1,785**	**4,691**	**4,820**
Extra-Ord Expense	0	0	36	93	0	0	0	0	129	0
Tax	273	76	244	-20	114	200	171	286	573	771
Rate (%)	*16.3*	*6.5*	*21.8*	*-3.3*	*16.0*	*16.0*	*16.0*	*16.0*	*12.6*	*16.0*
PAT	**1,397**	**1,096**	**876**	**620**	**597**	**1,052**	**899**	**1,500**	**3,989**	**4,049**
Minority Interest	-32	-4	-7	27	6	7	8	-11	-16	10
Adjusted PAT	**1,429**	**1,100**	**911**	**689**	**591**	**1,045**	**892**	**1,510**	**4,118**	**4,039**
YoY Change (%)	*210.0*	*102.2*	*43.0*	*8.0*	*-58.6*	*-5.0*	*-2.1*	*119.1*	*80.6*	*-1.9*
Margins (%)	*26.5*	*17.8*	*14.2*	*10.0*	*8.0*	*12.7*	*10.4*	*15.7*	*16.5*	*11.9*

E: MOSt Estimates

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Lupin

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	LPC IN
	REUTERS CODE
S&P CNX: 3,926	LUPN.BO

3 July 2008

Buy

Previous Recommendation: Buy

Rs688

Equity Shares (m)	80.3
52-Week Range	755/430
1,6,12 Rel. Perf. (%)	16/48/7
M.Cap. (Rs b)	55.3
M.Cap. (US$ b)	1.3

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	20,057	2,327	26.4	23.0	26.1	6.3	31.1	20.1	3.0	20.6
03/08A	27,064	3,334	37.8	43.3	18.2	4.5	31.8	23.5	2.3	14.1
03/09E	32,881	4,084	46.3	22.5	14.9	3.6	29.7	23.4	1.9	11.4
03/10E	38,493	5,344	60.6	30.8	11.4	2.9	30.9	26.0	1.6	8.8

- Lupin's 1QFY09 revenues are expected to grow by 34.8% YoY to Rs7.76b, driven by continued momentum in domestic formulations business, as well as formulation exports (both regulated and unregulated markets). Topline growth is also likely to be boosted by consolidation of the Kyowa acquisition which is likely to contribute about Rs600m in revenues.
- Lupin received USFDA approval for Ramipril in June 2008, which it launched immediately upon approval while competitors entered a few days later. Our estimates factors in from contribution of Ramipril.
- EBITDA margins are expected to improve by 370bp YoY to 18%, reflection of improving market mix and contribution from Ramipril. Bottomline is expected to record 88% growth YoY to Rs1.05b.
- We expect 19% sales and 27% EPS CAGR in the FY08-10 period for Lupin. We expect 20+% RoCE for the next few years led by traction in regulated markets, steady contribution from domestic portfolio, lower capex requirement and incremental savings from tax-exempt zones. Valuations at 14.9x FY09E and 11.4x FY10E EPS appears attractive. Maintain **Buy** rating.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**5,757**	**6,590**	**7,213**	**7,504**	**7,759**	**8,628**	**7,945**	**8,550**	**27,064**	**32,881**
YoY Change (%)	*14.1*	*34.9*	*42.7*	*41.1*	*34.8*	*30.9*	*10.1*	*13.9*	*34.4*	*21.5*
Total Expenditure	4,936	5,464	5,998	6,307	6,359	7,026	6,800	7,352	22,705	27,536
EBITDA	**821**	**1,126**	**1,215**	**1,197**	**1,400**	**1,602**	**1,145**	**1,198**	**4,358**	**5,345**
Margins (%)	*14.3*	*17.1*	*16.8*	*16.0*	*18.0*	*18.6*	*14.4*	*14.0*	*16.1*	*16.3*
Depreciation	127	140	175	206	190	200	210	212	647	812
Interest	89	80	101	104	109	106	103	117	374	435
Other Income	159	188	1,389	328	210	220	250	327	2,065	1,007
PBT	**764**	**1,094**	**2,329**	**1,216**	**1,311**	**1,516**	**1,082**	**1,196**	**5,402**	**5,105**
Tax	206	338	520	255	262	303	216	239	1,318	1,021
Rate (%)	*26.9*	*30.9*	*22.3*	*20.9*	*20.0*	*20.0*	*20.0*	*20.0*	*24.4*	*20.0*
Reported PAT	**558**	**756**	**1,809**	**961**	**1,049**	**1,213**	**866**	**957**	**4,084**	**4,084**
Extra-Ordinary Exp/(Inc)	0	0	-748	0	0	0	0	0	-748	0
Recurring PAT	**559**	**756**	**1,060**	**959**	**1,049**	**1,213**	**866**	**957**	**3,334**	**4,084**
YoY Change (%)	*4.4*	*45.9*	*70.9*	*47.0*	*87.7*	*60.3*	*-18.3*	*-0.2*	*43.3*	*22.5*
Margins (%)	*9.7*	*11.5*	*14.7*	*12.8*	*13.5*	*14.1*	*10.9*	*11.2*	*12.3*	*12.4*

E: MOSt Estimates

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Pfizer

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	PFIZ IN
	REUTERS CODE
S&P CNX: 3,926	PFIZ.BO

Equity Shares (m)	29.8
52-Week Range	850/526
1,6,12 Rel. Perf. (%)	9/7/-21
M.Cap. (Rs b)	16.5
M.Cap. (US$ b)	0.4

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs554

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
11/07A	6,939	1,259	42.2	4.1	13.1	2.4	18.5	28.8	1.5	6.9
11/08E	6,907	1,426	47.8	13.3	11.6	1.8	15.3	23.6	1.2	5.0
11/09E	7,598	1,562	52.4	9.5	10.6	1.6	15.3	23.3	1.0	4.0

- Pfizer's revenues for 3QFY08 (year end November 2008) are expected to grow by 1.6% to Rs1.8b, reflecting the part-divestment of the consumer healthcare brands, Codeine short supply for Corex (a key product accounting for almost 20% of revenues) and sale/discontinuation of certain products like Protinex, Abdec and Pyridium. Margins are expected to improve by 310bp to 29.4%, driving 13% PAT growth to Rs427m.
- Pfizer recently announced the long-pending divestment of its consumer business to J&J. The company has sold the exclusive licenses relating to some of its consumer brands (Benadryl, Caladryl, Benylin and Listerine) and certain related assets for a total consideration of Rs2.14b. It has retained one of the key brands - Gelusil with revenues of about Rs500m - within the company. The consumer business generates annualized sales of about Rs1.1b with the divested brands contributing about Rs0.5-0.6b.
- While valuations at 11.6x FY08E and 10.6x FY09E (after adjusting for divestment of the consumer healthcare division in FY08E) do not adequately reflect Pfizer's business fundamentals, uncertainty still exists on the existence of the parent's 100% subsidiary and potential launch of patented products through this company. We maintain **Neutral rating.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E NOVEMBER	FY07				FY08				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Revenues	**1,603**	**1,703**	**1,800**	**1,834**	**1,544**	**1,689**	**1,828**	**1,846**	**6,939**	**6,907**
YoY Change (%)	*4.4*	*-1.5*	*-3.0*	*3.9*	*-3.6*	*-0.8*	*1.6*	*0.6*	*1.2*	*-0.5*
Total Expenditure	1,176	1,295	1,327	1,586	1,166	1,265	1,290	1,468	5,383	5,189
EBITDA	**427**	**408**	**474**	**248**	**379**	**423**	**538**	**377**	**1,556**	**1,718**
Margins (%)	*26.6*	*24.0*	*26.3*	*13.5*	*24.5*	*25.1*	*29.4*	*20.4*	*22.4*	*24.9*
Depreciation	27	30	23	15	22	24	35	57	96	139
Other Income	67	118	130	150	140	197	150	115	465	602
PBT before EO Items	**467**	**496**	**580**	**383**	**497**	**596**	**653**	**435**	**1,925**	**2,181**
EO Expense/(Income)	26	-2,711	96	26	-2,099	6	20	2	-2,563	-2,071
PBT after EO Items	**441**	**3,207**	**484**	**357**	**2,596**	**590**	**633**	**433**	**4,489**	**4,252**
Tax	158	629	176	149	667	210	220	0	1,112	1,097
Deferred Tax	0	0	0	0	0	0	0	87	0	87
Rate (%)	*35.9*	*19.6*	*36.3*	*41.7*	*25.7*	*35.7*	*34.7*	*20.0*	*24.8*	*27.9*
Reported PAT	**283**	**2,578**	**308**	**208**	**1,929**	**379**	**413**	**346**	**3,377**	**3,068**
YoY Change (%)	*14.1*	*618.2*	*9.8*	*22.3*	*582.3*	*-85.3*	*34.0*	*66.3*	*219.4*	*-9.2*
PAT adj. for Excep Items	**305**	**324**	**379**	**250**	**325**	**390**	**427**	**285**	**1,259**	**1,426**
YoY Change (%)	*5.2*	*11.6*	*17.2*	*9.6*	*6.4*	*20.1*	*12.7*	*13.6*	*4.1*	*13.3*
Margins (%)	*19.0*	*19.1*	*21.1*	*13.7*	*21.0*	*23.1*	*23.4*	*15.4*	*18.1*	*20.7*

E: MOSt Estimates; FY08 estimates adjusted for consumer healthcare divestment. Historic numbers include consumer healthcare

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Piramal Healthcare

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	PIHC IN
	REUTERS CODE
S&P CNX: 3,926	NICH.BO

Equity Shares (m)	209.0
52-Week Range	383/231
1,6,12 Rel. Perf. (%)	1/21/9
M.Cap. (Rs b)	62.6
M.Cap. (US$ b)	1.4

3 July 2008 — **Buy**

Previous Recommendation: Buy — Rs300

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	24,202	2,319	11.0	85.4	27.3	6.0	23.1	19.8	2.8	20.7
03/08A	28,728	3,643	17.4	58.9	17.2	5.2	32.5	24.9	2.4	12.7
03/09E	33,077	4,414	21.1	21.2	14.2	3.7	30.6	25.2	2.0	9.8
03/10E	37,666	5,361	25.7	21.5	11.7	3.0	28.5	24.7	1.7	8.0

- NPIL is expected to report revenue growth of 19% to Rs7.25b in 1QFY09, driven mainly by higher growth in CRAMS supplies from India.
- EBITDA margins are expected to expand by 310bp YoY to 16.9% driven by higher traction in India-based CRAMS revenues as well as savings in R&D cost (as NCE research operations have been de-merged).
- Higher tax provisioning is likely to partly temper down the impact of EBITDA margin expansion, resulting in PAT growth of 74% at Rs763m. Our estimates do not take into account the restructuring charges, which the company may record related to its UK operations.
- Increasing visibility in CRAMS, turnaround at Avecia, margin expansion from restructuring of UK operations and higher growth in the domestic portfolio, would act as catalysts for the stock. Valuations at 14.2x FY09E and 11.7x FY10E do not fully reflect these triggers. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**6,081**	**7,566**	**7,323**	**7,759**	**7,250**	**8,500**	**8,750**	**8,577**	**28,729**	**33,077**
YoY Change (%)	*16.4*	*15.6*	*12.8*	*20.3*	*19.2*	*12.3*	*19.5*	*10.5*	*16.2*	*15.1*
Total Expenditure	5,240	6,317	6,112	5,643	6,025	6,730	6,758	6,866	23,311	26,379
EBITDA	**841**	**1,249**	**1,212**	**2,116**	**1,225**	**1,770**	**1,993**	**1,711**	**5,418**	**6,698**
Margins (%)	*13.8*	*16.5*	*16.5*	*27.3*	*16.9*	*20.8*	*22.8*	*19.9*	*18.9*	*20.3*
Depreciation	249	263	269	166	250	300	350	420	947	1,320
Interest	111	111	122	119	120	120	130	143	463	513
Other Income	20	80	40	-80	55	62	78	-106	61	89
PBT before EO Expense	**500**	**955**	**861**	**1,752**	**910**	**1,412**	**1,591**	**1,042**	**4,068**	**4,954**
Extra-Ord Expense	3	27	56	253	0	0	0	0	339	0
PBT after EO Expense	**497**	**928**	**805**	**1,499**	**910**	**1,412**	**1,591**	**1,042**	**3,729**	**4,954**
Tax	18	127	79	153	80	125	141	109	377	455
Deferred Tax	45	-47	0	2	67	105	117	-223	0	65
Rate (%)	*12.7*	*8.6*	*9.8*	*10.3*	*16.1*	*16.3*	*16.2*	*-11.0*	*10.1*	*10.5*
PAT	**434**	**848**	**726**	**1,344**	**764**	**1,182**	**1,332**	**1,156**	**3,352**	**4,434**
Less: Minority Interest	0	0	-1	15	1	1	1	17	14	20
Reported PAT	**434**	**848**	**728**	**1,328**	**763**	**1,181**	**1,331**	**1,139**	**3,338**	**4,414**
Adj PAT	**437**	**872**	**778**	**1,555**	**763**	**1,181**	**1,331**	**1,139**	**3,643**	**4,414**
YoY Change (%)	*-18.8*	*33.3*	*40.5*	*153.1*	*74.4*	*35.4*	*71.1*	*-26.8*	*53.5*	*21.2*

E: MOSt Estimates; Quarterly numbers don' t add up to full year numbers due to restatement

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Ranbaxy Laboratories

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	RBXY IN
	REUTERS CODE
S&P CNX: 3,926	RANB.BO

Equity Shares (m)	372.7
52-Week Range (Rs)	614/300
1,6,12 Rel. Perf. (%)	15/57/53
M.Cap. (Rs b)	191.6
M.Cap. (US$ b)	4.4

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs514

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	61,377	5,103	12.8	135.8	40.3	7.5	19.9	11.4	3.7	25.9
12/07A	69,756	7,745	19.4	51.6	26.6	6.9	27.8	11.7	3.3	25.0
12/08E*	82,293	6,657	16.6	-14.0	30.9	6.1	21.1	15.1	2.7	17.1
12/09E*	94,282	9,089	22.7	36.5	22.6	5.3	25.1	14.8	2.4	16.0

** Excludes upsides from FTF products*

- Ranbaxy is expected to report 19.3% YoY growth in revenues to Rs20.1b in 2QCY08, driven by balanced growth in all key geographies. EBIDTA margins are expected to improve by 350bp to 16.9% due to higher traction in semi-regulated markets, which enjoy higher margins. However, translational forex losses of Rs2.2b would severely impact PAT, resulting in decline of 83% to Rs452m.
- Ranbaxy's promoters have entered into an agreement with Daiichi Sankyo (Japan) for divesting their 34.8% equity stake at Rs737/share, valuing the company at US$8.4b. Daiichi will subscribe to a preferential allotment of 10% and will also be making the mandatory open offer for additional 20% stake at the same price. At the open offer price, Ranbaxy will be valued at 37.7x CY08E and 33.1x CY09E core earnings.
- We believe that the current valuations of Ranbaxy are rich and captures the premium for the open offer price. Based on fundamentals, Ranbaxy's current valuations fairly discount CY09E core EPS (Rs22.2) and Rs105 DCF value of its FTF pipeline. Any synergies from the combination of the two companies would be visible only in the long-term. In the meantime, we continue to value Ranbaxy on core earnings coupled with DCF valuation for its FTF pipeline. Ranbaxy is valued at 30.9x CY08E and 22.6x CY09E core earnings. Our current DCF value for its FTF pipeline is Rs105/share resulting in our target price of Rs545/share. We maintain our **Neutral** rating.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Income	**15,821**	**16,853**	**17,746**	**19,007**	**16,986**	**20,110**	**21,280**	**23,917**	**69,427**	**82,293**
YoY Change (%)	*22.4*	*15.7*	*10.3*	*7.0*	*7.4*	*19.3*	*19.9*	*25.8*	*13.2*	*18.5*
EBITDA	**1,908**	**2,265**	**2,847**	**2,961**	**2,552**	**3,390**	**3,618**	**3,515**	**9,981**	**13,074**
Margins (%)	*12.1*	*13.4*	*16.0*	*15.6*	*15.0*	*16.9*	*17.0*	*14.7*	*14.4*	*15.9*
Depreciation	557	565	613	493	621	646	700	725	2,228	2,692
Interest	313	351	394	385	384	390	403	436	1,443	1,614
Other Income	604	2,051	543	196	-713	-1,760	1,220	856	3,394	-397
PBT before EO Expense	**1,642**	**3,400**	**2,383**	**2,279**	**834**	**594**	**3,734**	**3,210**	**9,704**	**8,372**
Extra-Ord Expense	0	0	-223	-44	-895	0	0	0	-267	-895
PBT after EO Expense	**1,642**	**3,400**	**2,606**	**2,323**	**1,729**	**594**	**3,734**	**3,210**	**9,971**	**9,267**
Tax	355	738	516	461	361	131	747	615	2,070	1,853
Rate (%)	*21.6*	*21.7*	*19.8*	*19.8*	*20.9*	*22.0*	*20.0*	*19.2*	*20.8*	*20.0*
Reported PAT	**1,287**	**2,662**	**2,090**	**1,862**	**1,368**	**463**	**2,987**	**2,595**	**7,901**	**7,413**
Minority Interest	11	27	0	0	0	11	10	19	38	40
Adj PAT after Minority Int.	**1,276**	**2,635**	**1,911**	**1,818**	**660**	**452**	**2,977**	**2,576**	**7,651**	**6,657**
YoY Change (%)	*78.7*	*117.6*	*21.7*	*-0.8*	*-48.3*	*-82.8*	*55.8*	*41.7*	*49.9*	*-13.0*
Margins (%)	*8.1*	*15.6*	*10.8*	*9.6*	*3.9*	*2.2*	*14.0*	*10.8*	*11.0*	*8.1*

E: MOSt Estimates

Nimish Desai (Nimishdesai@MotilalOswal.com); Tel: +91 22 39825406

Shasun Chemicals

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SSCD IN
	REUTERS CODE
S&P CNX: 3,926	SHAS.BO

3 July 2008

Buy

Previous Recommendation: Buy

Rs37

Equity Shares (m)	48.2
52-Week Range	151/33
1,6,12 Rel. Perf. (%)	-13/-23/-64
M.Cap. (Rs b)	1.8
M.Cap. (US$ m)	41.0

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	7,719	14	0.3	N.A.	-	0.8	0.7	3.1	0.5	12.7
03/08A	8,174	158	3.3	1,058.9	11.2	0.7	6.8	7.0	0.5	29.7
03/09E	9,494	234	4.9	48.1	7.6	0.7	9.4	9.2	0.5	5.7
03/10E	10,712	281	5.8	20.1	6.3	0.7	10.7	9.6	0.5	5.4

- Shasun is expected to report a 16.7% YoY growth in revenues to Rs2.3b in 1QFY09 despite higher base of last year.
- EBITDA margins are expected to improve by 510bp to 9.8% on a significantly low base of last year. However, higher interest costs (up 62%) coupled with forex loss of Rs200m (v/s other income of Rs76m in 1QFY08) is likely to result in net loss of Rs102m.
- Shasun's operations are likely to undergo a gradual transformation, led by higher revenues from CRAMS and commercialization of the company's generics pipeline. Although, the decline in Nizatidine supplies and forex losses are likely to negatively impact Shasun's stand-alone earnings for FY09E, we believe that its CRAMS initiatives (both in UK and India) can bring in long-term benefits. At 7.6x FY09E and 6.3x FY10E consolidated EPS, we believe valuations are attractive and already discount the de-growth in India operations. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**1,952**	**1,829**	**2,423**	**1,970**	**2,278**	**2,184**	**2,563**	**2,468**	**8,174**	**9,494**
YoY Change (%)	*31.4*	*-10.0*	*28.8*	*-15.4*	*16.7*	*19.4*	*5.8*	*25.3*	*5.8*	*16.1*
Total Expenditure	1,861	1,993	2,270	1,925	2,056	2,103	2,290	2,267	8,049	8,716
EBITDA	**91**	**-164**	**153**	**45**	**223**	**80**	**273**	**201**	**124**	**778**
Margins (%)	*4.7*	*-9.0*	*6.3*	*2.3*	*9.8*	*3.7*	*10.7*	*8.2*	*1.5*	*8.2*
Depreciation	79	79	84	72	85	90	100	113	313	388
Interest	31	36	48	28	50	50	50	53	142	203
Other Income	76	115	90	208	-200	50	80	140	488	70
PBT before EO Expense	**57**	**-164**	**111**	**153**	**-112**	**-10**	**203**	**176**	**157**	**257**
EO Exp	0	-55	-13	-20	0	0	0	0	-87	0
PBT	**57**	**-109**	**124**	**173**	**-112**	**-10**	**203**	**176**	**245**	**257**
Tax	9	11	9	-20	-10	-1	18	16	9	23
Deferred Tax	-1	-1	-4	-5	0	0	0	0	-10	0
Rate (%)	*14.7*		*4.3*	*-14.6*	*9.0*		*9.0*	*9.0*	*-0.6*	*9.0*
Adj. PAT	**49**	**-164**	**107**	**167**	**-102**	**-10**	**185**	**192**	**158**	**234**
YoY Change (%)	*-137.7*	*-1,224.0*	*271.7*	*37.6*	*-308.9*	*-94.2*	*73.4*	*15.0*	*1,058.9*	*48.1*
Margins (%)	*2.5*	*-9.0*	*4.4*	*8.5*	*-4.5*	*-0.4*	*7.2*	*7.8*	*1.9*	*2.5*

E: MOSt Estimates

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Sun Pharmaceuticals Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SUNP IN
	REUTERS CODE
S&P CNX: 3,926	SUN.BO

Equity Shares (m)	193.4
52-Week Range	1,515/886
1,6,12 Rel. Perf. (%)	14/57/46
M.Cap. (Rs b)	266.7
M.Cap. (US$ b)	6.2

3 July 2008

Buy

Previous Recommendation: Buy

Rs1,379

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/08A*	32,909	14,869	71.8	89.6	19.2	5.4	36.8	34.2	7.1	15.0
03/09E	32,471	11,383	55.0	-23.4	25.1	4.6	19.7	21.3	6.9	18.8
03/09E*	41,439	16,863	81.4	13.4						
03/10E	37,571	13,978	67.5	22.8	20.4	3.9	20.5	22.0	5.7	14.8
03/10E*	39,987	15,064	72.7	-10.7						

** Includes Para-IV upsides*

- Sun's 1QFY09 revenues are expected to grow by 25% YoY to Rs7.7b, driven by 28% YoY growth in international sales and 20% growth in domestic sales. Our estimates doesn't include upside from exclusivity-based supplies of Protonix and Ethyol. We estimate Protonix to gross revenues of US$131m and PAT of US$92m, whereas Ethyol will generate revenues of US$9m and PAT of US$5m.
- EBITDA margins are expected to improve by 250bp to 37.4% due to lower material and R&D expenses (due to de-merger of NCE Research). However, lower other income (by 32%) is likely to temper PAT growth by 20% to Rs2.7b.
- Sun has exercised the option to buy out Taro's controlling shareholders and has commenced a tender offer for the remaining shares at US$7.75/share.While the outcome of Sun's pursuit of Taro is yet uncertain, we have not factored this in our estimates.
- SPIL's ability to sustain high growth rates at superior margins even on a high base is a clear positive. With the domestic business progressing well and increasing traction on the US front (both in Caraco and from India), the possibility of a rapid scale-up over the next couple of years is high. While valuations at 25.1x FY09E and 20.4x FY10E EPS (excl. Para IV upsides) appear rich, they do not fully factor in the ramp-up in US and expected value unlocking by leveraging acquired companies (Taro, Able Labs & Valeant). Stock performance in the short-term may remain muted till further clarity on Taro acquisition emerges. Maintain **Buy.**

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Revenues	**6,153**	**6,465**	**7,902**	**12,389**	**7,705**	**8,105**	**8,212**	**8,449**	**32,909**	**32,471**
YoY Change (%)	*23.4*	*23.4*	*50.1*	*133.2*	*25.2*	*25.4*	*3.9*	*-31.8*	*58.3*	*-1.3*
EBITDA	**2,148**	**2,409**	**3,547**	**7,407**	**2,881**	**2,899**	**3,123**	**3,044**	**15,511**	**11,946**
Margins (%)	*34.9*	*37.3*	*44.9*	*59.8*	*37.4*	*35.8*	*38.0*	*36.0*	*47.1*	*36.8*
Depreciation	226	230	245	268	271	266	261	245	969	1,044
Net Other Income	606	111	179	556	410	427	444	462	1,451	1,743
PBT	**2,528**	**2,290**	**3,481**	**7,695**	**3,019**	**3,060**	**3,306**	**3,260**	**15,994**	**12,646**
Tax	98	1	116	270	121	122	132	-552	485	506
Rate (%)	*3.9*	*0.0*	*3.3*	*3.5*	*4.0*	*4.0*	*4.0*	*-16.9*	*3.0*	*4.0*
Profit after Tax	**2,430**	**2,289**	**3,365**	**7,425**	**2,899**	**2,937**	**3,174**	**3,813**	**15,509**	**12,140**
Share of Minority Partner	158	104	181	197	170	180	185	222	640	757
Adj Net Profit	**2,272**	**2,185**	**3,184**	**7,228**	**2,729**	**2,757**	**2,989**	**3,591**	**14,869**	**11,383**
YoY Change (%)	*28.6*	*17.2*	*60.1*	*240.8*	*20.1*	*26.2*	*-6.1*	*-50.3*	*92.1*	*-23.4*
Margins (%)	*36.9*	*33.8*	*40.3*	*58.3*	*35.4*	*34.0*	*36.4*	*42.5*	*45.2*	*35.1*

E: MOSt Estimates; Quaterly results have been recasted and hence do not tally with full year results

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Wockhardt

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	WOCK IN
	REUTERS CODE
S&P CNX: 3,926	WCKH.BO

Equity Shares (m)	109.4
52-Week Range	448/180
1,6,12 Rel. Perf. (%)	-20/-24/-44
M.Cap. (Rs b)	19.0
M.Cap. (US$ b)	0.4

3 July 2008

Neutral

Previous Recommendation: Neutral Rs173

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	17,290	2,558	21.4	-0.5	8.1	1.8	27.2	15.0	1.7	7.2
12/07A	26,531	3,459	29.0	35.3	6.0	1.4	28.5	15.3	1.7	7.2
12/08E	34,042	3,325	27.9	-3.9	6.2	1.2	22.1	15.0	1.3	5.8
12/09E	38,239	4,020	33.7	20.9	5.2	1.0	22.2	15.4	1.1	5.1

- Wockhardt's 2QCY08 revenues are expected to grow by 32.6% YoY to Rs8.4b, driven by higher growth in domestic business and consolidation of Negma & Morton Grove acquisition.

- EBITDA margins are expected to decline by 120bp to 22.9% on account of consolidation of Morton Grove acquisition. While the company has commenced capitalizing a part of its R&D expenses beginning 3QCY06, we continue to expense R&D costs fully. Higher interest costs (linked to acquisitions) will impact adjusted PAT, resulting in decline of 11% to Rs773m. Reported PAT growth is expected to be higher due to R&D capitalization.

- We believe that Wockhardt still has to display the ability to fully leverage its assets (particularly the biotech facilities) and scale up substantially in regulated markets, for a further re-rating in its valuation multiples. While valuations at 6.2x CY08E and 5.2x CY09E fully diluted earnings appear cheap, they do not take into account the proposed US$200m of equity dilution. Maintain **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E DECEMBER	CY07				CY08				CY07	CY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Gross Sales	**5,228**	**6,303**	**7,381**	**7,620**	**7,857**	**8,355**	**8,993**	**8,837**	**26,531**	**34,042**
YoY Change (%)	*48.7*	*52.7*	*68.6*	*44.7*	*50.3*	*32.6*	*21.8*	*16.0*	*53.4*	*28.3*
Total Expenditure	4,069	4,781	5,572	5,719	6,120	6,440	6,940	6,688	20,141	26,188
EBITDA	**1,159**	**1,522**	**1,809**	**1,901**	**1,737**	**1,915**	**2,053**	**2,149**	**6,390**	**7,854**
Margins (%)	*22.2*	*24.1*	*24.5*	*24.9*	*22.1*	*22.9*	*22.8*	*24.3*	*24.1*	*23.1*
Depreciation	181	172	196	236	241	280	285	310	785	1,116
Interest	129	85	268	492	565	570	400	403	974	1,938
Other Income	22	25	26	37	45	25	30	36	110	136
PBT before EO Items	**871**	**1,290**	**1,371**	**1,210**	**976**	**1,090**	**1,398**	**1,472**	**4,741**	**4,936**
EO Income	0	0	0	0	-279	0	0	0	0	-279
PBT after EO Items	**871**	**1,290**	**1,371**	**1,210**	**697**	**1,090**	**1,398**	**1,472**	**4,741**	**4,657**
Tax	208	266	288	155	205	170	310	293	917	978
Rate (%)	*23.9*	*20.6*	*21.0*	*12.8*	*29.4*	*15.6*	*22.2*	*19.9*	*19.3*	*21.0*
Minority Interest					17				33	
Reported PAT	**663**	**1,024**	**1,083**	**1,055**	**509**	**920**	**1,088**	**1,179**	**3,857**	**3,679**
R&D Capitalized	180	170	180	118	240	240	240	280	648	1,000
Adjusted PAT	**552**	**870**	**972**	**997**	**542**	**773**	**941**	**1,021**	**3,459**	**3,325**
YoY Change (%)	*1.8*	*37.2*	*53.0*	*29.2*	*-2.0*	*-11.1*	*-3.3*	*2.4*	*35.2*	*-3.9*
Margins (%)	*10.6*	*13.8*	*13.2*	*13.1*	*6.9*	*9.2*	*10.5*	*11.6*	*13.0*	*9.8*

E: MOSt Estimates; Quarterly numbers don't add up to annual numbers due to re-classification

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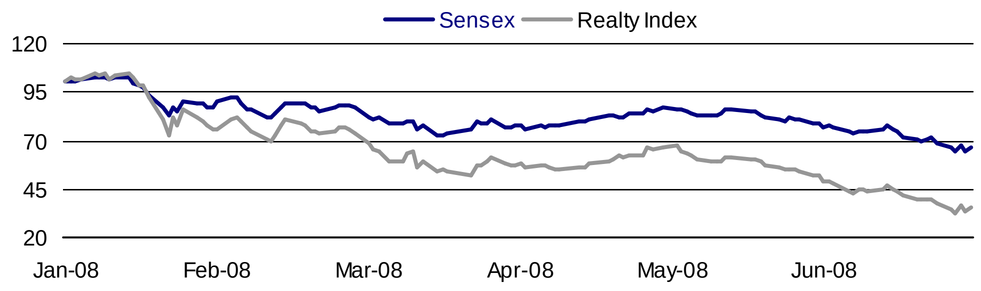
Real Estate

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

Real estate: Risk-reward favorable for long term investment

Over the last couple of months, real estate stocks have witnessed broad-based sell off, with stocks declining by between 50-70% from their respective one-year highs. As a result, most of the real estate (RE) stocks in our universe are currently trading at 15-60% discount to their one-year forward NAVs. Although NAV valuations appear attractive, we believe the RE stocks may continue to be under pressure due to several near term negative headwinds. This would imply continued underperformance for the RE stocks over the medium term. While hitherto a majority of the macro concerns were concentrated in the residential vertical, going forward we expect the commercial/retail vertical to witness increased headwind. However, we believe potential downside for quality large RE developers such as DLF is limited from these levels as it already quotes at 30.2% discount to NAV and the probable risk reward ratio is favorable for long term investors.

REALTY INDEX UNDERPERFORMING THE SENSEX SINCE JANUARY 2008



Source: Company/Motilal Oswal Securities

RE COMPANIES TRADE AT SIGNIFICANT DISCOUNT TO NAVS

COMPANY (RS M)	CMP (RS)	MKT CAP (RS M)	NAV (RS)	DISC TO NAV %
DLF	382	657,546	547	-30.2
Unitech	154	250,004	274	-43.9
Puravankara	167	35,651	457	-63.5
HDIL	366	78,423	1,068	-65.7
Mahindra Lifespaces	403	16,442	918	-56.1
IBREL	260	82,342	778	-66.6
Ganesh Housing	228	7,430	772	-70.5
Bombay Dyeing	512	20,746	1,457	-64.9

Source: Company/Motilal Oswal Securities

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Real Estate							
DLF	Buy	42,620	38.7	26,424	19.9	18,849	23.6
Unitech	Neutral	14,930	72.5	7,286	45.6	4,068	11.0
Sector Aggregate		**57,549**	**46.1**	**33,710**	**24.6**	**22,925**	**21.2**

Siddharth Bothra (SBothra@MotilalOswal.com)/Satyam Agarwal (AgarwalS@MotilalOswal.com)/ Mansi Trivedi (Mansi.Trivedi@MotilalOswal.com)

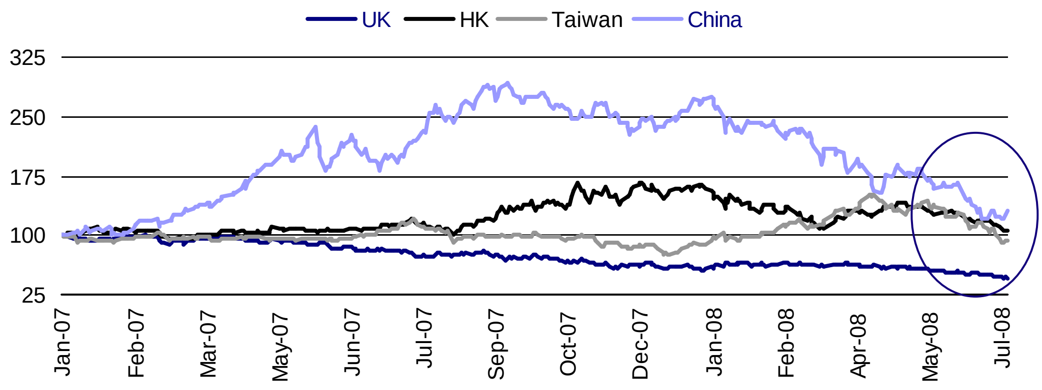
Residential vertical nearing tipping point

Feedback from key market participants in the real estate vertical suggests that the residential RE vertical may be close to saturation point, in the event transactions fail to rebound near term. The business model for the real estate residential market in India is likely to witness a significant shift, going forward. We expect the negative working capital 'self-financing' or 'pre-sale' model of the residential vertical to be under threat in the near future, as a result of: (1) entry of large organized real estate players; (2) evolved mortgage market; and (3) significant supply pipeline. Recent financing schemes from leading real estate companies such as Unitech and Puravankara, wherein EMIs are waived for buyers and instead borne by the developer until the project is completed, could increasingly gain traction. This measure would negatively impact companies that have high exposure towards the mass residential vertical. We believe the scenario of overall acute housing shortage in India remains and we expect demand to return once prices have corrected.

Lack of exit vehicles for commercial/retail: key concern

One of the reasons why the RE industry lacked maturity in India in the past was lack of institutional financing. We note much of the growth in the RE industry in the last four years was due to: (1) FDI inflows of >US$10b; and (2) fund raising from capital markets. However, the market is not appreciating/accepting the reality of how quickly the cycle has turned in the last three months and the beneficial influence of this on the growth plans of companies. With ongoing factors such as global liquidity inflow drying up and financial reform in the domestic RE industry currently slow to stagnant, the situation has come back to haunt us. Such a scenario retains the potential to scuttle/slow down medium term growth prospects of the RE industry significantly (huge supply pipeline exists), particularly impacting those entities with high exposure to capital intensive commercial projects.

WEAK PERFORMANCE ACROSS REIT INDICES



Source: Company/Motilal Oswal Securities

Our interaction with REIT/PE funds

Most foreign direct investments (FDI) in the RE industry via the venture capital or private equity (PE) route is taking place in the form of preferential/hybrid debt funding. The instruments are structured in a manner that promises a 15-18% assured return for the investors over a 3-4 year period. However, the entire structure is dependent on successful monetization of assets. In the current scenario, successful monetization is a key concern owing to lack of monetization avenues for RE companies.

These VC/PE funds have the first right on the rental stream of projects. Often, companies are also under obligation to provide exits within the stipulated time period (a case in point IBREL's recent Singapore REIT listing). Much of the so-called staying power of RE companies is on the back of FDI flow received in recent years. If monetization of the assets becomes difficult, it could have a severe impact on the RE industry.

Low liquidity to check oversupply

While the current tight liquidity scenario is a negative for a majority of the real estate players, weak funding availability could have medium term positives. This could result in delaying/negatively impacting the supply pipeline and correcting possible oversupply situations across verticals. In our opinion, while in the near term, the liquidity crunch and weak market sentiment, would negatively impact all real estate players to some extent, overall, we see these measures contributing to buoyant development of the Indian real estate sector over the medium and longer-term, by raising entry barriers and triggering industry consolidation.

High leverage a key risk

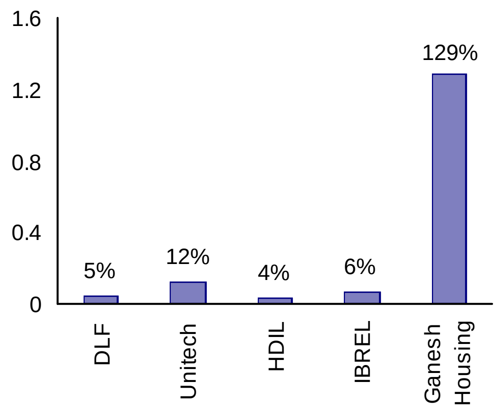
Most RE companies have huge commitments towards land cost outstanding and have considerable land payments to be made over the next few years, mainly attributable to long gestation projects. The outstanding land cost for Unitech stands at ~12% of its market cap, while for companies like DLF, HDIL and IBREL the outstanding land cost is less than 6% of their respective market capitalization. Unitech has a stretched financial position with net debt/equity (including land cost) of 2.8x. This is high compared with peers' average of <1x. Amongst our RE universe, IBREL and MLL stand out as financially strong net cash companies.

HIGH LEVERAGE A KEY RISK FOR THE RE INDUSTRY

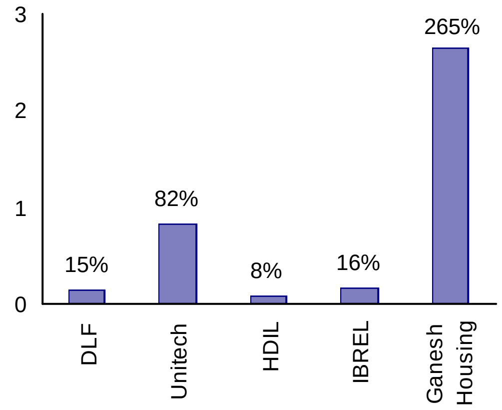
COMPANY	NET WORTH	NET DEBT	NET DEBT/ EQUITY (X)	LAND COST O/S	NET DEBT INCL. LAND COST O/S	NET DEBT/EQUITY (X) INCL.LAND COST O/S
DLF	205.8	103.2	0.5	31.0	134.2	0.7
Unitech	36.5	71.4	2.0	30.0	101.4	2.8
HDIL	36.4	27.6	0.8	2.8	30.4	0.8
MLL	8.1	-0.8	-0.1	0.0	-0.8	-0.1
IBREL	34.0	-38.3	-1.1	5.3	-33.0	-1.0
Ganesh Hsg	3.6	-0.5	-0.1	9.6	9.1	2.5
Bombay Dyeing	5.4	5.2	1.0	0.0	5.2	1.0

Source: Company/Motilal Oswal Securities

LAND COST OUTSTANDING AS % OF MKT CAP



LAND COST OUTSTANDING AS % OF NET WORTH



Source: Company/Motilal Oswal Securities

Slowdown in land transactions - precursor to decline RE prices

Most RE companies have been on a land aggregating mission over the past three years. This has led to record land transaction. Further, significant increase in land rates resulted in spiraling RE prices over this past 3-year period. However, the prevailing liquidity crunch in the RE industry has led to slowdown in the land auctions/transactions, which is evident from the poor response received at some major land auctions over the past 3/4 months.

LAND TRANSACTIONS CONTINUE TO REMAIN HIGH

BUYER	SELLER	LOCATION	CITY	ACRES	DEAL SIZE (RS M)	RS M/ACRE
IKG Associates	Fiat	Kurla	Mumbai	53	6,080	115
South City, Merlin Group	KMDA	Salt Lake	Kolkata	43	1,430	33
South City, Dhoot Developers	KMDA	Salt Lake	Kolkata	9	3,250	369
EMGF	KMC	EM Bypass	Kolkata	6	2,110	340
Reliance Retail	IDA	Vijaynagar	Indore	9	2,700	318
TCG Hiranandani	MMRDA	BKC	Mumbai	28,500sqm	10,400	-
Wadhwa Developers	MMRDA	BKC	Mumbai	16,500sqm	8,310	-
Ajay Piramal Group	MMRDA	BKC	Mumbai	7,050sqm	2,500	-
Ajay Piramal Group	MMRDA	BKC	Mumbai	7,050sqm	2,500	-
Jet Airways	MMRDA	BKC	Mumbai	28,000sqm	8,300	-
Ashford/Alok	Ceat	Bhandup	Mumbai	7	1,300	186
Nitish Estates	Sir John Trust	Boat Club	Chennai	9	6,000	667
Purvankara	APIIC	Hi Tech City	Hyderabad	30	6,300	210
BPTP	APIIC	Hi Tech City	Hyderabad	30	6,660	222
Peninsula	Rallis	Patancheru	Hyderabad	31	900	29
HDIL	-	Kalamassery	Kochi	70	1,500	21
DLF	BMRDA	Bidadi	Bangalore	9,178	70,000	8
DLF	TNIDC	Taramani	Chennai	26	6,780	261
DLF	DCM Shriram - Lohia	DCM Sriram, S. Marg	West Delhi	38	16,750	441
Unitech*	APIIC	Vizag	Vizag	1,750	33,280	19
HDIL	Bombay Oxygen	Mulund	Mumbai	10	2,000	200
HDIL	Kilburn	Bhandup	Mumbai	8	1,247	150
BPTP	Noida Dev Authority	Sector 94	Noida	95	50,060	527
IBREL	PAL - Peugeot	Kalyan-Dombivali	Mumbai	134	6,760	50
HDIL	IKG Associates	Kurla	Mumbai	53	19,000	358

To be paid over 10 years, based on a revenue based formula *Source: Company/Motilal Oswal Securities*

For instance, MMRDA's land auction at BKC in March 2008 received a poor response and the average rate for commercial plots was 39% lower compared with land rates in November 2007. The slowdown in land transactions is indicative of cooling land prices, which we believe is a precursor to RE price correction.

Land bank - quality more important than quantity

Most of the RE companies have large land banks with aggressive development plans spread over the next 7-10 years. However, due to the prevalent slowdown in the RE industry and tight liquidity scenario, companies may be forced to delay some of their development plans. Further, a majority of these planned developments are located in tier 2/ tier 3 cities, which are more susceptible to emerging macro challenges and concerns. The development profits are thereby likely to be affected as most large projects would turn NPV (net present value) positive beyond 4-5 years. Land bank aggregation was positively viewed over the last three years and has led to substantial NAV upgrades over the period. Thus, any delay in launches would severely impact the development profits and NAVs of most RE companies.

DEVELOPMENT PLANS OF KEY COMPANIES

DEVELOPMENT PLANS	APARTMENTS	VILLAS	PLOTS	INST PLOTS	COMMERCIAL	RETAIL	HOTELS	SEZS	TOTAL
DLF	268	44	109	70	141	106	-	-	738
Unitech	354	130	35	37	94	34	7	-	690
Puravankara	87	-	-	-	22	-	-	-	109
HDIL	89	-	-	-	14	20	-	-	123
Mahindra Lifespaces	6	-	-	-	-	-	-	45	51
Indiabulls Real Estate	70	-	-	-	11	14	-	55	150
Bombay Dyeing	-	-	-	-	8	-	-	-	8
Ganesh Housing	36	-	-	-	23	8	-	-	66
Total	**909**	**174**	**144**	**107**	**314**	**182**	**7**	**100**	**1,936**

Source: Company/Motilal Oswal Securities

DLF's overall launches to peak at 80.4msf in FY10

We have assumed aggressive launch plans for DLF and estimate the total launches across verticals to peak at 80.4msf in FY10. We estimate apartment launches to peak at 26.4msf in FY12. Launches in the commercial and retail vertical are estimated to peak in FY10 at 25.1msf and 15.8msf respectively. Any slower-than-expected launches is likely to affect our NAV estimate.

DLF'S TOTAL LAUNCH PLANS

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	TOTAL
Apartments	17.8	23.9	25.8	26.4	21.6	22.9	11.9	5.9	2.8	0.1			267.7
Villas	2.4	4.5	5.0	4.5	3.6	2.8	1.0	-	-	-	-	-	43.9
Plots	4.8	8.8	9.0	8.1	7.0	10.9	10.8	11.5	17.2	-	-	-	109.1
Inst Plots	2.2	2.2	2.5	2.5	0.5	-	-	-	-	-	-	-	70.0
Commercial	18.7	25.1	15.9	15.9	12.0	7.3	5.6	5.1	1.7	-	-	-	141.2
Retail	14.3	15.8	8.7	3.4	2.9	1.6	1.6	1.5	0.5	-	-	-	105.7
Total	**60.1**	**80.4**	**66.8**	**60.8**	**47.5**	**45.4**	**30.8**	**24.1**	**22.2**	**0.1**	**-**	**-**	**737.6**

Source: Company/Motilal Oswal Securities

Unitech's overall launches to peak at 69.5msf in FY11

We have assumed aggressive launch plans for Unitech and estimate the total launches across verticals to peak at 69.5msf in FY11. We estimate apartment launches to peak at 31.3msf in FY11 and commercial launches to peak at 12.6msf in FY12. Thus any delay in the company's launches is likely to affect our NAV estimate.

UNITECH'S TOTAL LAUNCH PLANS

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	TOTAL
Apartments	26.0	31.0	31.3	28.7	22.4	19.3	21.1	19.1	15.7	15.8	17.6	16.1	353.9
Villas	7.4	10.4	11.0	10.0	12.9	11.1	12.9	12.9	11.9	10.5	9.1	2.4	129.2
Plots	4.3	5.4	5.5	3.2	2.0	2.0	2.0	0.7	0.0	0.0	0.0	0.0	34.5
Institutional Plots	1.3	2.9	3.1	6.3	4.8	5.5	0.0	0.0	0.0	0.0	0.0	0.0	36.8
Commercial	6.7	11.2	12.2	12.6	12.1	10.4	7.4	7.1	3.4	1.4	0.0	0.0	94.2
Retail	3.9	5.3	4.9	5.1	4.1	3.6	2.6	2.5	0.5	0.0	0.0	0.0	34.1
Hotels	0.2	0.9	1.5	2.1	0.9	0.8	0.4	0.0	0.0	0.0	0.0	0.0	6.5
Total	**49.8**	**67.0**	**69.5**	**68.0**	**59.3**	**52.5**	**46.4**	**42.2**	**31.6**	**27.8**	**26.7**	**18.6**	**690.3**

Source: Company/Motilal Oswal Securities

Focus on companies with high visibility on monetization and execution

While in FY08 the focus was on the RE sector as a 'Theme' with all RE stocks moving in tandem, in FY09 the focus is likely to shift to company specific picks within the RE sector. We expect FY09 to be a year of consolidation for the RE industry, in which the industry leaders would get differentiated from peers. We believe, developers with staying power would utilize this consolidation phase to emerge stronger and position themselves in an advantageous manner to capitalize on the growth phase post consolidation.

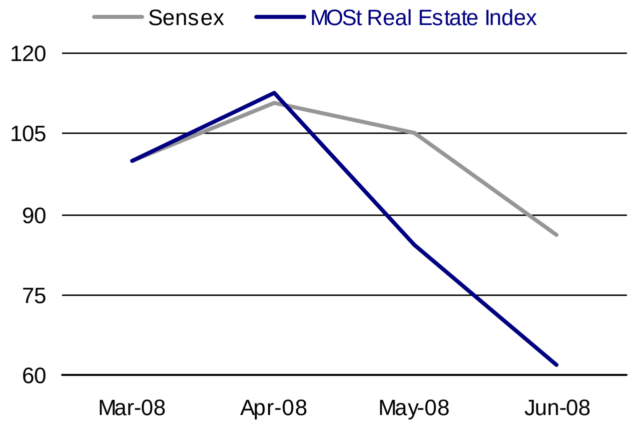
We recommend investors to focus on companies with high visibility on (1) monetization of assets over the next three to five years; (2) low leverage and robust financials; and (2) strong execution track record. Our top picks are DLF and IBREL in large caps and Bombay Dyeing and Mahindra Lifespaces in mid caps.

Stock performance and valuations

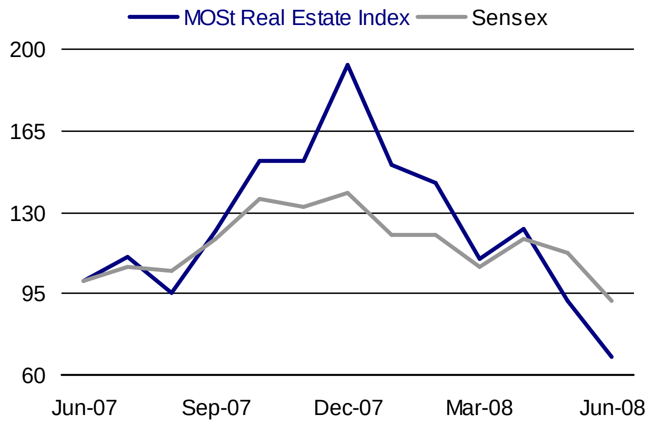
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Real Estate						
DLF	-39	-	-21	-	2	-
Unitech	-44	-43	-27	-31	-4	-

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Real Estate														
DLF	382	Buy	46.1	49.0	54.2	8.3	7.8	7.0	7.8	6.7	5.4	38.2	33.5	29.4
Unitech	154	Neutral	10.1	12.2	26.7	15.3	12.6	5.8	24.4	15.9	8.0	45.6	41.7	54.5
Sector Aggregate						**9.6**	**8.8**	**6.7**	**9.0**	**7.3**	**5.1**	**39.1**	**34.7**	**34.4**

DLF

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	DLFU IN
	REUTERS CODE
S&P CNX: 3,926	DLF.BO

Equity Shares (m)	1,722.0
52-Week Range	1,225/350
1,6,12 Rel. Perf. (%)	-16/-29/-
M.Cap. (Rs b)	657.5
M.Cap. (US$ b)	15.2

3 July 2008

Buy

Previous Recommendation: Buy

Rs382

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	26,344	19,339	12.6	-27.1	55.0	29.9	54.4	30.6	48.6	86.2
3/08A	142,287	78,558	46.1	264.5	15.1	5.8	38.2	42.5	9.1	13.2
3/09E	185,302	83,519	49.0	6.3	14.2	4.8	33.5	32.2	7.0	11.2
3/10E	202,391	92,415	54.2	10.7	12.8	3.8	29.4	32.9	6.1	9.4

- We expect DLF's revenue to increase 38.7% YoY to Rs42.6b and net profit to increase 23.6% YoY to Rs18.8b. We estimate EBITDA margins to decline by 970bp at 62% in 1QFY09, mainly owing to increased contribution from mid-income housing segment.
- During FY08, DLF forayed in the mid-income housing segment and launched projects in areas like Chennai, Kolkata, Gurgaon and Indore at 20-25% discount to prevailing market rates and has successfully sold ~9msf in FY08.
- DLF has signed management contracts with Hilton for seven new hotels with ~1,450 rooms. Construction is expected to commence on 25 hotels with 4,255 keys in FY09 and it aims to have 313 keys operational by FY09.
- DLF is on track to meet its aggressive delivery schedule of ~27msf of completed real estate assets across verticals in FY09 - residential: 9msf, office: 12msf, and retail: 6msf.
- We have revised our NAV estimate for DLF to Rs547/sh from Rs624/sh mainly to account for increase in cap rate assumption (1) commercial vertical, from 9% to 10% and (2) Retail Vertical, from 9% to 11%. We view DLF as one of the best managed RE companies in India with a very robust business model, however, we believe it is not insulated from the near term macro fundamental concerns and expect the stock to trade at ~10% discount to our NAV of Rs547/share. The stock currently trades at 30% discount to NAV and offers 29% upside to our target price of Rs492/share. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**30,738**	**32,499**	**35,984**	**43065**	**42620**	**44473**	**46326**	**51885**	**142,287**	**185,302**
Change (%)					*38.7*	*36.8*	*28.7*	*20.5*	*440.1*	*30.2*
Total Expenditure	8,699	9,863	10,970	15,236	16,195	16,682	17,095	18,990	44,768	68,962
EBITDA	**22,039**	**22,637**	**25,014**	**27,829**	**26,424**	**27,791**	**29,231**	**32,895**	**97,518**	**116,340**
Change (%)	-	-	-	-	*20*	*23*	*17*	*18*	*556*	*19*
As % of Sales	*71.7*	*69.7*	*69.5*	*64.6*	*62.0*	*62.5*	*63.1*	*63.4*	*68.5*	*62.8*
Depreciation	166	110	148	362	373	389	405	454	785	1,622
Interest	1,077	36	788	1,079	1,333	1,449	1,478	1,536	2,980	5,796
Other Income	472	993	528	658	175	210	219	272	2,652	877
PBT	**21,268**	**23,484**	**24,606**	**27,048**	**24,893**	**26,163**	**27,566**	**31,176**	**96,405**	**109,799**
Tax	6,024	3,301	3,218	4978	6044	6307	6307	7621	17,534	26,280
Effective Tax Rate (%)	*28.3*	*14.1*	*13.1*	*18.4*	*24.3*	*24.1*	*22.9*	*24.4*	*18.2*	*23.9*
Reported PAT	**15,244**	**20,182**	**21,389**	**22,070**	**18,849**	**19,856**	**21,259**	**23,555**	**78,871**	**83,519**
Change (%)					*23.6*	*-1.62*	*-0.6*	*6.73*	*307.3*	*6.3*
Profit/(Loss) of Assoc./ Min. int.			56.8	-301.0	0.0	0.0	0.0	0.0	-313.0	0.0
Adj. PAT	**15,244**	**20,182**	**21,450**	**21,769**	**18,849**	**19,856**	**21,259**	**23,555**	**78,558**	**83,519**

E: MOSt Estimates; Comparable quarterly numbers are not available, as 1QFY08 is the first quarter post listing

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Unitech

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	UT IN
	REUTERS CODE
S&P CNX: 3,926	UNTE.BO

Equity Shares (m)	1,623.4
52-Week Range	547/149
1,6,12 Rel. Perf. (%)	-12/-35/-31
M.Cap. (Rs b)	250.0
M.Cap. (US$ b)	5.8

3 July 2008

Neutral

Previous Recommendation: Under Review

Rs154

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	32,883	13,055	8.1	1,846.7	36.2	11.9	65.7	46.5	15.8	25.9
3/08A	41,404	16,692	10.2	27.3	28.5	13.0	45.6	23.8	13.2	24.4
3/09E	67,863	19,529	12.2	21.5	23.9	9.9	41.7	27.0	7.9	15.9
3/10E	135,930	42,921	26.7	118.2	10.9	6.0	54.5	48.4	3.8	8.0

- We expect Unitech to report revenue of Rs14.9b (up 72.5% YoY) and net profit of Rs4.1b (up 12.3% YoY) in 1QFY09. We expect EBITDA margin at 48.8% in 1QFY09, 903bp lower compared to 57.8% in 1QFY08.
- During 1QFY09, Lehman Brothers acquired a 50% stake in phase 1 (comprising 1msf) in Unitech's project at Western Expressway (Golibar) in Mumbai for Rs7.4b. As per the agreement, Lehman would also contribute proportionately to the construction cost for the project, going forward. The project is being developed by its 50:50 JV Shivalik Ventures, hence, post this stake sale Unitech's stake in the phase 1 of the Golibar project would be 25%.
- Further, Unitech's Mumbai JV is expected to announce several other projects, which are still in various stages of clearances and acquisition. This JV has the potential to increase its land bank in Mumbai to ~50msf which would result in value creation possibilities.
- Unitech has shifted its focus towards the affordable homes segment and launched projects starting at Rs3.5m (1,200/sf at Rs2,700/sf) in Greater Noida during 4QFY08. It has plans to launch similar projects in other markets.
- We have revised our NAV estimate for Unitech from Rs315/sh to Rs274/sh, mainly to account for increase in cap rate assumption: (1) commercial vertical, from 9% to 10.5%; and (2) retail vertical, from 9% to 11%. We have downgraded the stock to **Neutral** owing to its (1) high leverage (net debt equity 2x) and (2) uncertainity regarding its unrelated diversification into telecom.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**8,656**	**10,135**	**11,421**	**11,600**	**14,930**	**16,287**	**16,966**	**19,680**	**41,404**	**67,863**
Change (%)	*223.3*	*135.4*	*13.9*	*36.7*	*72.5*	*60.7*	*48.5*	*69.7*	*24.8*	*63.9*
Total Expenditure	3,651	5,064	4,077	6,782	7,644	8,046	8,456	9,840	19,114	33,986
EBITDA	**5,005**	**5,071**	**7,344**	**4,818**	**7,286**	**8,241**	**8,510**	**9,840**	**22,290**	**33,877**
Change (%)	*558.6*	*259.5*	*5.7*	*-5.5*	*45.6*	*62.5*	*15.9*	*104.3*	*9.7*	
As of % Sales	*57.8*	*50.0*	*64.3*	*41.5*	*48.8*	*50.6*	*50.2*	*50.0*	*53.8*	*49.9*
Depreciation	32	30	55	89	59	62	62	64	205	277
Interest	601	790	980	434	1,782	1,820	1,934	2,048	2,804	7,584
Other Income	341	508	230	115	145	166	180	201	1,397	679
Extra-ordinary income	-	-	-	255	0	0	0	0	255	0
PBT	**4,714**	**4,759**	**6,539**	**4,666**	**5,590**	**6,526**	**6,694**	**7,929**	**20,678**	**26,739**
Tax	1,044	660	1,307	973	1,514	1,802	2,019	1,875	3,986	7,197
Effective Tax Rate (%)	*22.1*	*13.9*	*20.0*	*20.9*	*27.1*	*27.6*	*30.2*	*23.6*	*19.3*	*27.0*
Reported PAT	**3,670**	**4,099**	**5,232**	**3,693**	**4,076**	**4,723**	**4,676**	**6,055**	**16,692**	**19,498**
Adj PAT	**3,670**	**4,099**	**5,232**	**3,603**	**4,076**	**4,723**	**4,676**	**6,055**	**16,619**	**19,498**
Change (%)	*396.0*	*296.3*	*15.7*	*0.9*	*11.0*	*15.2*	*-10.6*	*68.1*	*27.3*	*17.3*

E: MOSt Estimates

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Retailing

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

Organized retail continues to gain traction as more and more consumers prefer to buy bulk of their monthly requirements from large stores enticed by the attractive deals and superior ambience. However, the opposition from small retailers has intensified. The scales are delicately balanced with small retailers on one side and farming community on the other; particularly as we are approaching the general elections. The Indian Council for Research on International Economic Relations (ICREIR) report has indicated loss for small retailers in the short term, while consumers and farmers will be beneficiaries. Retailers are feeling the pain from increase in lease rentals, service tax, power tariff and manpower costs. We foresee early phase of consolidation in the retail sector as large groups try to achieve critical scale. Specialty formats are attracting heightened interest from both local and global players due to better brand recall. The future looks bright although short term costs pressures and challenges remain. We rate **Pantaloon Retail** as our top pick.

Inflationary environment to boost value retailing

Inflation at 11+% has reached a 13-year high. Intensive inflationary environment is likely to result in an increase in product prices across categories. Further, high interest rates could slow down the incremental demand for products, which depend upon consumer financing. Same store growth for most of the players during the quarter is likely to remain stable. Pantaloon has been witnessing a steady growth in same store for both value retailing (avg 14% for last four months) and lifestyle (avg 9% for last four months). To ward off the impact, value retailers and groceries have started offering new combo schemes to the consumer that aim at attracting a new class of consumers who have not been much glued to the modern retail formats. We expect such measures to increase same store sales in the value retailing format in the coming months.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Retailing							
Pantaloon Retail	Buy	16,860	65.4	1,153	103.2	375	440.3
Shopper' s Stop	Neutral	2,900	32.5	200	44.6	22	11.6
Titan Industries	Neutral	8,467	28.8	437	18.6	211	17.3
Sector Aggregate		**28,227**	**48.9**	**1,790**	**66.6**	**608**	**126.0**

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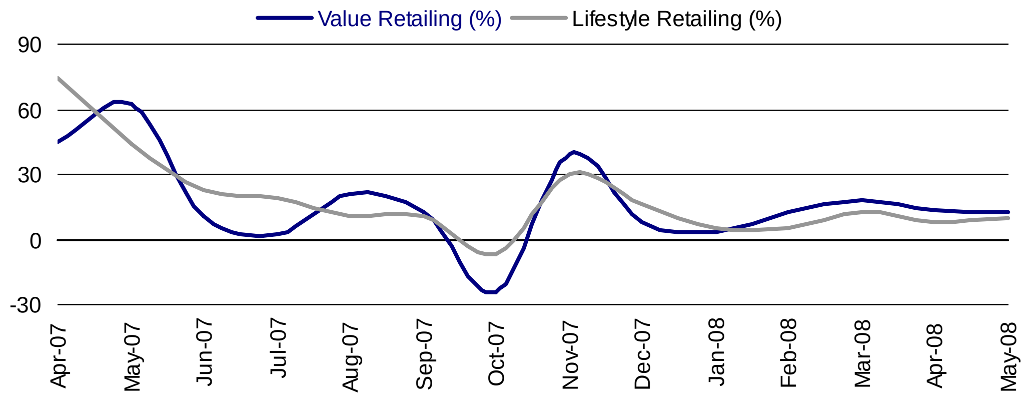
STORE GROWTH OF PANTALOON RETAIL



Source: Company/Motilal Oswal Securities

Easing real estate prices to enable faster roll out

Higher real estate prices had hampered the roll out of new stores. Higher real estate price also resulted in an increase in lease rental rates for the retail majors, thereby impacting the growth of the retail sector in the country. In addition, there were considerable time delays in the completion of various retail projects, especially in the shopping malls. Retail companies are of the view that the current real estate lease rentals are unsustainable. Some softening of lease rentals is already visible, which will prompt the retailers to start bookings of properties. Softening of lease rentals will improve the viability of doing business.

ICREIR report - a big positive for large retailers

Indian Council for Research on International Economic Relations (ICRIER) has submitted its report on the ‘ impact of big retail on neighborhood stores’ which was prepared on the behest of the government. The report has supported organized retail in the country. The report indicated that both consumers and farmers benefit from organized retailers — the low income consumers save more from purchases from organized retailers and farmers benefit as they have the option to sell directly to organized retailers. The report concluded that there has been no evidence of decline in the overall employment in the unorganized sector due to entry of large players. However, the report admitted that mom-and-pop stores, in the vicinity of big outlets, have seen a drop in their sales and profits. The impact on the mom and pop stores is visible in the initial phases and goes off over a period of time. According to the report, organized retail, which currently contributes around 4% of total retail sales is likely to gain strong traction and grow to 16% of retail sales by 2011-12.

Policy initiatives to remain on the backburner

We believe major policy initiatives regarding retail sector including FDI in retail will be put on the backburner, as we are approaching general elections. Large retailers like Reliance have also slowed down rollout of small format stores like Reliance Fresh, which we believe will continue in the coming year. Industry believes the model to penetrate the street corner stores would have to be defined in a novel manner so as to involve small shopkeeper in the process. This, we believe, would involve creating a mutually beneficial franchisee or partnership that would be beneficial to the small grocer. However, we expect the small formats to continue facing stiff opposition. We are of the firm view that the development of organized retail, agriculture, food processing, manufacturing and real estate is interlinked, which has significant spill over effect on the entire economy. We believe status quo will be maintained for major policy initiatives in the retail sector.

Specialty retail segment to see more action

Specialty retail segment is witnessing a lot of activity as many global giants are planning single brand retail outlets. Luxury goods, garments, personal accessories and watches are likely to see entry of players like LVMH. Even existing players like Titan, Rajesh Exports, Gitanjali Gems, Raymond's, Bata, Kuttons, Liberty and Samsung have huge expansion plans. Large retail groups like Reliance, Tata and Pantaloon have lined up large forays for specialty retail in durables, personal accessories, electronics etc targeting the premium end consumer with assured sales and service and right kind of ambience. Specialty stores are likely to be used for launch of premium products and brand repositioning strategies. The sharp increase in gold price is likely to impact the volume growth and industry demand, which might slow down the growth plans of branded jewellery retailers.

Rising operating costs amid lack of pricing power

The retail sector is reeling under all round cost escalation due to a combination of rising lease rentals and higher manpower and power costs. Severe competition impairs the ability of these players to increase gross margins. Real estate costs have been the major cost push factor due to

- 35-40% increase in lease rentals
- Imposition of service tax on lease rentals; full set off is not available
- Deposit costs for obtaining the lease has increased from an average of three months of rentals to six months of rentals.
- There is a delay of 9-12 months in getting the properties, even as other resource costs like manpower, logistics etc start impacting.

These cost factors are challenging the sector due to lack of free cash flow generating potential in the near term, huge working capital requirements and need for fast scale up in operations. Moreover, the retailers have limited pricing power and work on PAT margins as low as 3%. We expect rising retail focus on capital and inventory efficiencies in the back end and improvement in systems and processes.

Valuation and view

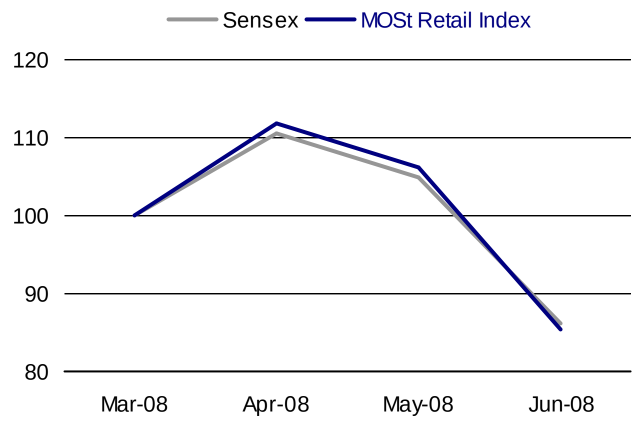
We believe the existing retailers will continue to grow topline and attract footfalls due to low penetration although same store sales growth can slow down in older stores. Rising competition and entry of new players will continue to offer bargains to consumers and retain the attraction of organized retail. EBIDTA margins are unlikely to expand due to rising lease rentals and higher manpower costs. We expect specialty stores to flourish due to committed customers and strong brand recall. We believe scale of operations and cost control initiatives would be the key to survival in the long term. We maintain a positive view on the sector with **Pantaloon Retail** as our top pick.

Stock performance and valuations

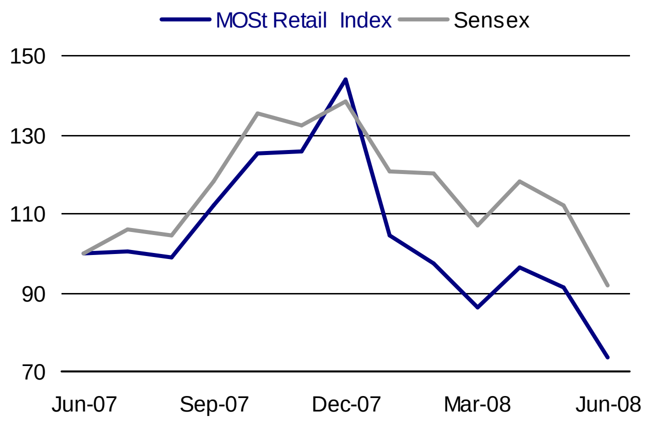
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Retailing						
Pantaloon Retail	-19	-31	-2	-20	-7	-4
Shopper's Stop	-27	-50	-10	-39	-15	-23
Titan Industries	0	-23	17	-11	12	5

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Retailing														
Pantaloon Retail	355	Buy	8.9	14.2	21.0	39.8	25.0	16.9	15.5	10.9	7.5	10.0	14.2	12.4
Shopper' s Stop	293	Neutral	0.8	2.9	9.9	384.8	102.5	29.7	19.1	12.5	8.3	-0.2	3.3	10.9
Titan Industries	1,035	Neutral	33.9	43.5	57.4	30.6	23.8	18.0	19.1	14.2	11.0	33.8	33.2	33.1
Sector Aggregate						**38.6**	**25.8**	**16.6**	**16.9**	**12.1**	**8.6**	**13.6**	**17.5**	**16.3**

Pantaloon Retail

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	PF IN
	REUTERS CODE
S&P CNX: 3,926	PART.BO

Equity Shares (m)	151.0
52-Week Range (Rs)	875/317
1,6,12 Rel. Perf. (%)	1/-22/-20
M.Cap. (Rs b)	53.6
M.Cap. (US$ b)	1.2

3 July 2008

Buy

Previous Recommendation: Buy

Rs355

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
06/07A	32,367	611	4.2	-11.2	85.3	5.4	5.6	7.4	1.9	32.1
06/08E	53,536	1,309	8.9	114.4	39.8	4.5	10.0	10.2	1.4	17.0
06/09E	80,324	2,138	14.2	59.0	25.0	4.0	14.2	13.1	0.9	12.0
06/10E	109,904	3,585	21.0	48.0	16.9	2.1	12.4	14.3	0.6	7.5

- Pantaloon' s revenue is expected to grow 65.5% YoY to Rs16.8b in 4QFY08 with both value and lifestyle retailing reporting encouraging growth. Home retailing will report maximum growth due to low base and fast expansion.
- EBITDA margin is expected to expand by 120bp to 6.8%. Margin expansion has been 150bp for 9MFY08. Adjusted PAT is estimated at Rs375m, a 440% YoY increase.
- Pantaloon is expected to end the year with 11msf of retail space. The company targets to increase the retail space to 16msf by FY09 and 24msf by FY10. The company added 5 Big Bazaars, 2 Centrals and 8 Food Bazaars in the past two months.
- The company is focusing on building brands by increasing its private label in its hypermarket. The company plans to have its private label in food, electronics, apparel and cosmetics. It has identified three brands for sale in other multibrand stores. These include Dreamline for Home products, John Miller for Shirts and Buffalo for Jeans.
- Pantaloon is expected to take a one-time hit of US$20m in valuation of closing stock. It is likely to provide the same in 4QFY08 results as an exceptional one time write-off.
- The stock is currently trading at 39.8x FY08E EPS and 25x FY09E EPS. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E JUNE	FY07				FY08				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**6,034**	**7,527**	**8,610**	**10,196**	**10,864**	**12,268**	**13,543**	**16,860**	**32,367**	**53,536**
YoY Change (%)	*65.4*	*59.5*	*89.1*	*77.3*	*80.1*	*63.0*	*57.3*	*65.4*	*73.3*	*65.4*
Total Exp	5,618	6,957	8,008	9,629	9,908	11,171	12,402	15,707	30,211	49,188
EBITDA	**415**	**570**	**603**	**568**	**956**	**1,096**	**1,141**	**1,153**	**2,156**	**4,347**
Margins (%)	*6.9*	*7.6*	*7.0*	*5.6*	*8.8*	*8.9*	*8.4*	*6.8*	*6.7*	*8.1*
Depreciation	67	82	93	126	153	204	223	221	369	801
Interest	125	207	229	337	352	418	429	421	898	1,619
Other Income	17	5	9	0	7	13	17	20	32	57
PBT	**241**	**286**	**290**	**105**	**459**	**487**	**506**	**531**	**921**	**1,983**
Tax	79	94	103	36	162	171	185	156	311	674
Rate (%)	*32.7*	*33.0*	*35.5*	*34.0*	*35.3*	*35.1*	*36.6*	*29.4*	*33.7*	*34.0*
Adjusted PAT	**162**	**191**	**187**	**69**	**297**	**317**	**321**	**375**	**611**	**1,309**
YoY Change (%)	*19.6*	*3.1*	*15.3*	*-56.2*	*82.9*	*65.3*	*71.5*	*440.3*	*-3.0*	*114.4*
Exceptional Income	224	249	0	117	0	0	0	0	589	0
Repoorted PAT	**386**	**440**	**187**	**187**	**297**	**317**	**321**	**375**	**1,200**	**1,309**

E: MOSt Estimates

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Shopper's Stop

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	SHOP IN
	REUTERS CODE
S&P CNX: 3,926	SHOP.BO

Equity Shares (m)	34.8
52-Week Range	629/280
1,6,12 Rel. Perf. (%)	-9/-10/-39
M.Cap. (Rs b)	10.2
M.Cap. (US$ b)	0.2

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs293

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	8,280	343	9.8	39.8	29.7	3.4	11.5	14.4	1.2	14.2
03/08A	11,037	-7	0.8	-92.3	384.8	3.4	-0.2	3.8	0.9	18.8
03/09E	14,751	99	2.9	275.6	102.5	3.4	3.3	8.3	0.8	12.3
03/10E	20,369	343	9.9	245.3	29.7	3.2	10.9	14.2	0.6	8.1

- Shopper' s Stop is expected to report revenues of Rs2.9b in 1QFY09, an increase of 32.5%, driven by low double digit same stores sales growth. EBITDA margin is expected at 6.9% for 1QFY09, an increase of 60bp. Adjusted PAT is estimated at Rs22m, an increase of 11.6% YoY.
- We expect the EBIDTA margin to improve during the current year due to double digit same store sales despite rising overheads due to higher staff costs, increased lease rentals and new store openings.
- Shopper's Stop is expected to raise Rs3-3.5b to fund the various expansion plans in the coming two to three years. The company plans to achieve economies of scale in another two to three years, which would increase the EBIDTA margin to 7-8%.
- The stock is currently trading at 102.5x FY09E EPS and 29.7x FY10E EPS. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**2,188**	**2,774**	**3,100**	**2,975**	**2,900**	**3,775**	**4,050**	**4,026**	**11,037**	**14,751**
YoY Change (%)	*27.2*	*37.8*	*29.3*	*38.4*	*32.5*	*36.1*	*30.6*	*35.3*	*33.3*	*33.6*
Total Exp	2,050	2,640	2,954	2,837	2,700	3,550	3,800	3,795	10,487	13,845
EBITDA	**138**	**134**	**146**	**137**	**200**	**225**	**250**	**230**	**550**	**905**
Margins (%)	*6.3*	*4.8*	*4.7*	*4.6*	*6.9*	*6.0*	*6.2*	*5.7*	*5.0*	*6.1*
Depreciation	93	115	113	117	121	127	135	150	435	533
Interest	12	17	13	32	35	35	36	38	74	144
Other Income	5	19	3	5	6	12	4	6	32	28
PBT	**38**	**20**	**22**	**-6**	**50**	**75**	**83**	**48**	**72**	**256**
Tax	19	19	21	20	28	48	55	26	79	157
Rate (%)	*48.6*	*96.9*	*95.4*	*-330.5*	*56.0*	*64.0*	*66.3*	*53.5*	*109.3*	*61.2*
PAT	**20**	**1**	**1**	**-26**	**22**	**27**	**28**	**22**	**-7**	**99**
YoY Change (%)	*-63.5*	*-99.2*	*-99.3*	*-138.1*	*11.6*	*4,326.2*	*2,592.3*	*-187.4*	*-102.0*	*-1,575.1*
Minority Interest Exceptionals	0	0	-7	-22	0	0	0	0	-33	0
Reported PAT	**20**	**1**	**8**	**-4**	**22**	**27**	**28**	**22**	**26**	**99**

E: MOSt Estimates

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Titan Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	TTAN IN
	REUTERS CODE
S&P CNX: 3,926	TITN.BO

Equity Shares (m)	42.3
52-Week Range	1,795/858
1,6,12 Rel. Perf. (%)	8/3/-11
M.Cap. (Rs b)	43.8
M.Cap. (US$ b)	1.0

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs1,035

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	20,902	1,158	26.5	21.0	39.0	13.4	35.4	29.7	2.2	21.9
03/08A	29,937	1,483	33.9	27.6	30.6	10.0	33.8	29.3	1.5	19.1
03/09E	38,921	1,930	43.5	28.5	23.8	7.5	33.2	36.1	1.2	14.2
03/10E	47,269	2,547	57.4	31.9	18.0	5.7	33.1	38.3	0.9	11.0

- We expect Titan to register a 28.8% growth in revenue to Rs8.5b in 1QFY09. EBIDTA margin is likely to dip by 20bp to 5.2% in 1QFY09 due to rising sales proportion of low margin jewellery business. Adjusted PAT is estimated to increase 17.3% to Rs211m.
- Gold prices have increased by 10% during 1QFY09 over 4QFY08 and 30% YoY. Rise in gold prices has resulted in some shift towards diamond studded jewellery. In addition, acceptance of organized retail brands has increased as the consumer is more conscious about the quality and purity as the prices are higher.
- Watches are expected to report low double digit sales growth. Precision engineering is expected to report high double digit growth in sales and profits during the current year.
- Titan has aggressive retail expansion plans across verticals. It plans to increase the Titan Eye+ stores from 10 to 60 in the current year. The company has plans to increase number of Tanishq stores from 104 to 134, while the Gold Plus stores would increase from 21 to 36. World of Titan would see an increase from 236 to 333 in the next 15 months. The retail expansion plan can hamper short term margin expansion, although it is a big long term positive.
- The stock is currently trading at 23.8x FY09E and 18x FY10E. Although we are positive on long term prospects, current stock price factors in the near term growth potential. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**6,575**	**7,114**	**8,024**	**8,225**	**8,467**	**9,413**	**10,458**	**10,583**	**29,937**	**38,921**
YoY Change (%)	*49.1*	*35.9*	*51.6*	*37.9*	*28.8*	*32.3*	*30.3*	*28.7*	*43.2*	*30.0*
Total Exp	6,206	6,318	7,523	7,487	8,030	8,554	9,833	9,349	27,533	35,766
EBITDA	**369**	**797**	**501**	**738**	**437**	**859**	**625**	**1,235**	**2,404**	**3,156**
Margins (%)	*5.6*	*11.2*	*6.2*	*9.0*	*5.2*	*9.1*	*6.0*	*11.7*	*8.0*	*8.1*
Depreciation	72	72	74	79	81	84	88	91	297	344
Interest	48	39	51	63	42	43	44	43	201	172
Other Income	5	4	5	4	7	9	12	13	18	41
PBT	**254**	**689**	**381**	**600**	**321**	**741**	**505**	**1,114**	**1,923**	**2,681**
Tax	74	199	72	95	110	201	147	293	440	751
Rate (%)	*29.1*	*28.9*	*19.0*	*15.8*	*34.3*	*27.1*	*29.1*	*26.3*	*22.9*	*28.0*
Adjusted PAT	**180**	**490**	**308**	**505**	**211**	**540**	**358**	**821**	**1,483**	**1,930**
YoY Change (%)	*158.5*	*43.1*	*4.2*	*6.2*	*17.3*	*10.3*	*16.1*	*62.7*	*25.3*	*30.2*
Extraordinary Income	-54	-27	0	100	0	0	0	0	20	100
Reported PAT	**126**	**463**	**308**	**605**	**211**	**540**	**358**	**821**	**1,503**	**1,830**

E: MOSt Estimates

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Telecom

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

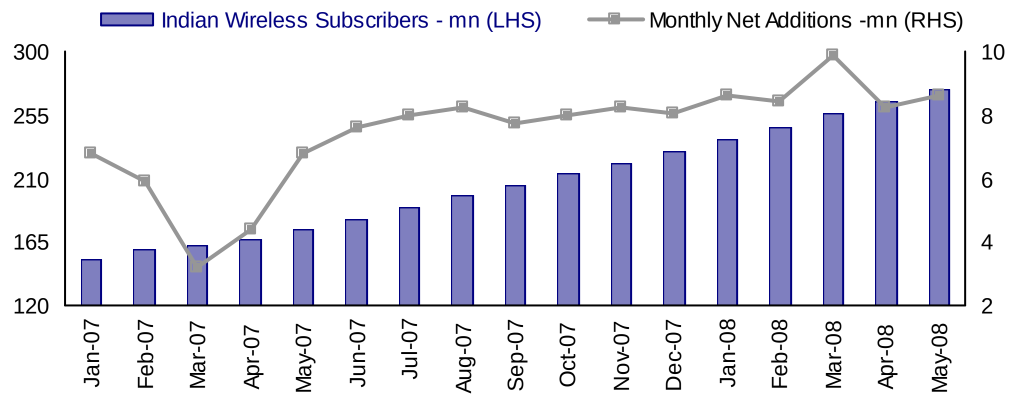
COMPANY NAME	PG.
Bharti Airtel	265
Idea Cellular	266
Reliance Communication	267

We expect robust 1QFY09 operating performance from the listed telecom majors - Bharti, RCOM, and Idea - with EBITDA growth of 6-8% QoQ and 37-43% YoY. However, earnings are likely to remain flat QoQ, dragged by higher finance costs (forex losses due to Re depreciation v/s US$).

Wireless margins for the quarter would be impacted negatively due to discontinuation of the 2% waiver on licence fee that was available to incumbent GSM operators (first two operators in each circle) during FY03-08. We expect MOU to remain stable to positive resulting in wireless ARPU decline of 3-4% QoQ. National long-distance segment is likely to remain under pressure due to recent tariff cuts but international long-distance segment should perform well given stronger US$.

Subscriber net additions remained strong during 1QFY09. We expect the industry to add ~25m subscribers in 1QFY09 v/s ~27m subscribers added in 4QFY08. QoQ decline primarily reflects higher base due to year-end adjustments in some operators, especially BSNL. Sustained subscriber momentum would support 11-14% quarterly average subscriber growth for Bharti, RCOM, and Idea.

WIRELESS SUBSCRIBER ADDITIONS REMAIN STRONG



Source: Industry/Motilal Oswal Securities

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Telecom							
Bharti Airtel	Buy	83,551	41.5	35,050	43.3	18,798	24.4
Idea Cellular	Buy	21,339	44.4	7,035	37.2	2,694	-12.7
Reliance Comm	Buy	57,915	34.6	25,098	38.3	15,238	25.0
Sector Aggregate		**162,805**	**39.3**	**67,182**	**40.7**	**36,731**	**20.8**

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RCOM, MTN discussions continue

1QFY09 witnessed high level of M&A activity and news flow involving all major wireless companies. Potential deal between Bharti and South African wireless major MTN fell through due to differences on the final structure of the combined entity. On May 26 2008 (two days after the Bharti-MTN talks were called-off), RCOM entered into 45 day exclusivity with MTN for a potential business combination. The talks are currently on-going with media reports suggesting that the transaction is likely to be structured as a reverse merger wherein ADAG would swap its shareholding (entire or majority of its ~66% stake) in RCOM for shares in MTN. The likely structure is similar to that proposed by MTN board to Bharti (which was rejected by Bharti). Post such a transaction, ADAG would emerge as the single largest shareholder in MTN with 30-35% stake. Since the deal is being structured as a reverse merger, we believe any control premium for RCOM shareholders is unlikely. However, an open offer for 20% shareholding of RCOM is likely. We believe that if the deal goes through, it would be a long-term positive given that it would create an integrated emerging market telco with significant scale. However, we do not foresee any significant synergy benefits in short-to-medium term. Except the likely open offer for RCOM minority shareholders, there is no major change likely in the capital structure (increase in financial leverage) that can result in EPS accretion.

As per our sensitivity analysis, the transaction would be EPS neutral for RCOM shareholders at a swap ratio of ~1.52 shares of RCOM per share of MTN. We would not expect any major valuation re-rating immediately post merger as investors are likely to focus on integration issues before assigning a premium for scale.

Idea tower stake placement: Higher benchmark for Indus valuation

Idea Cellular announced two key deals during the quarter, enabling the company to raise fresh capital and expand its footprint inorganically. On May 22 2008, Idea announced that Providence Equity Partners would invest US$640m in its wholly-owned subsidiary Aditya Birla Telecom Ltd (ABTL) for a 20% equity stake thus valuing ABTL at US$3.2b. ABTL has 16% stake in the three-way JV Indus Towers and also holds the licence for Bihar circle where Idea has already received start-up spectrum and is set for the commercial launch in 2QFY09. We believe the value of Bihar (licence fee paid Rs0.1b) in the context of total deal value is insignificant and the deal primarily reflects monetization and valuation benchmarking for Idea's 16% stake in Indus Towers. The deal is subject to regulatory approvals, including FIPB. The transaction values Indus Towers at ~US$20b and Idea's stake in Indus at ~US$3.2b or Rs52/sh of Idea.

In December 2007, Bharti Airtel had placed equity stake in its tower subsidiary Bharti Infratel (which has 42% stake in Indus and operates 20,000 own towers) for a valuation range of US$10-12.5b. Deducting US$4b (our valuation estimate) for Bharti Infratel's own tower portfolio, implied midpoint valuation for Indus in this deal was US$17.3b. Hence, the investment made by Providence is at ~15% premium to the midpoint valuation for Indus established in the Bharti Infratel deal.

This development is positive for Idea as 1) it provides Idea with an access to much needed growth capital for expansion into new circles. Idea currently operates in 11 out of 22 circles and has licence to operate in the balance 11 circles with start-up spectrum in 4 circles (Mumbai, Bihar, Tamil Nadu (incl Chennai and Orissa) and 2) it establishes a clear benchmark for Idea's 16% stake in Indus Towers and paves way for further monetization of the Indus shareholding. The embedded value of tower assets in wireless companies has off late been viewed with skepticism given relatively difficult capital market conditions.

Idea/Spice/TMI: 3-way deal neutral on EV/EBITDA for Idea though EPS-dilutive

On May 26 2008, Idea announced acquisition of Spice Group's 40.8% stake (at Rs77.3/share) in Spice Communications and a strategic partnership with Telekom Malaysia International. Idea will make a preferential allotment to Telekom Malaysia International (TMI) of 464.7m shares at a price of ~Rs157/sh (~55% premium to CMP) of Idea, representing 14.99% of Idea's equity capital post-dilution. Idea and TMI will make an open offer for 20% stake (equals free float, implying an acceptance ratio of 100% for minority shareholders of Spice). TMI's current ~39% stake and additional stake purchased through open offer would be swapped for equity in Idea at a swap ratio of 49 shares of Idea for every 100 shares of Spice. TMI's post-dilution stake in Idea would be capped at ~20%, suggesting that TMI is likely to buy ~15% of Spice minority shareholding through the open offer while the balance ~5% would likely be bought by Idea. The regulatory process including court approval for the merger is expected to be completed in six months.

The deal values Spice at 30.5x CY07A and 25.6x CY08E EV/EBITDA. On EV/Sales basis, the deal is valued at 7x CY07A and 5.9x CY08E Sales. While the headline valuations appear on the expensive side, the negative impact on Idea is offset by the ~55% premium paid by TMI over the current market price for ~15% stake in Idea. Modi group will get a valuation of ~US$630m for its 40.8% stake in Spice including a non-compete fee of $125m (Rs5.4b).

Post this deal, Idea will have a net cash infusion of ~US$1b (~Rs73b from preferential issue to TMI less ~Rs30b towards consideration for Spice shares). This deal combined with the ABTL equity placement to Providence would render Idea balance sheet virtually debt-free. Combined net debt of Spice and Idea currently stands at ~US$1.6b. Stronger balance sheet would support Idea's planned footprint expansion and capex in existing circles. Idea would be launching operations in four new circles over the next six months i.e. Mumbai, Bihar, Tamilnadu (incl. Chennai), and Orissa. As a result, Idea will have presence in 17 out of the 22 telecom circles in India (including the two Spice circles) v/s 11 currently. Given aggressive investment plans and likely fund requirement for potential 3G auction, Idea is unlikely to repay any of its long-term debt. We believe Idea can emerge as a strong pan-India wireless operator post this deal and note that there are no constraints on spectrum / funding risks for its expansion.

Post this deal, Idea's EV/EBITDA will increase by only ~0.3x without factoring in any synergy accruing due to the merger. However, our EPS estimates would decline by 12-14% due to equity dilution and losses in Spice. We believe that lower scale, limited access to funding, and high leverage have been key reasons for lower profitability of Spice and there is adequate scope of a turnaround when merged with a larger player like Idea. Spice has 8MHz spectrum in Punjab and 6.2MHz in Karnataka in the 900 MHz band, which would support lower capex intensity.

TMI would be able to secure ~20% stake in the merged entity, which is likely to scale-up to near pan-India presence with operations in 17 out of 22 circles post the merger (Idea - 11 circles; Spice - 2 circles; roll out in 4 circles where spectrum has been allocated to Idea). TMI would have one board seat but no management participation in Idea. TMI was recently demerged from Telekom Malaysia and was listed as a separate entity in April 2008. TMI had CY07 proforma revenue of ~US$3.1b, Adj EBITDA of US$1.3b, and proforma PAT of ~US$0.5b. Current market cap of TMI is ~US$8b and net debt is ~US$2.5b.

New entrants bracing up for a likely 4QFY09 launch

Our conversations with some of the new licencees suggest that these players are currently targeting a commercial launch by 4QFY09. In our view, these projects are still in a relatively early stage and do not pose any meaningful threat to leading incumbents - Bharti, RCOM, and Idea. We believe it would be difficult for a pan-India greenfield venture to be NAV accretive given already fragmented industry structure. Our interactions reaffirmed our view that there are significant challenges ahead for potential greenfield rollouts including lack of pan-India spectrum, competitive pressure, and uncertainty on financing etc. We continue to believe greenfield rollouts would be extremely challenging, if not unviable, at this stage of market penetration given incumbents' scale advantage. Any project delays due to funding, spectrum, execution issues would further weaken the investment case.

Regulatory environment has stabilized now

During the quarter, progress on some major regulatory changes was made. The department of telecom (DOT) has introduced an amendment to licence conditions to allow intra-circle roaming, which will likely address new entrants' coverage disadvantage. Intra-circle roaming would mean that subscribers would be able to access the network of operators other than its service provider in the same service area in case the region is not covered by the service operator. While this development would enable reduction in capex / opex intensity for the operators and let the incumbents with deeper network coverage get traffic from subscribers of other operators, it will also shorten the time-to-market for new competition and allow them to co-build and share the networks in an efficient manner. The amendment is positive for potential new entrants as it will help them circumvent the weakness of shallow network coverage. We believe intra-circle roaming would allow new operators

1) to partner each other in network build-out so as to reach optimum network utilization over a lower timeframe and 2) generate ability to access the incumbent' s network so that their subscribers are not disadvantaged by their shallow network coverage.

Recent media reports suggest that a cut in termination charges (currently at Rs0.3/min) is being mulled by the government so as to reduce the on-net tariff disadvantage of the wireless incumbents. There has been no fresh progress on implementation of Mobile Number Portability (MNP). Other issues put under consultation by the regulator TRAI during the quarter include Mobile Virtual Network Operator (MVNO) and Value-Added Services (VAS).

While most regulatory measures are aimed at reducing the various competitive disadvantages of new entrants, we note that they also highlight the challenges facing any new operator. In the event that these regulatory changes do not go through/get delayed, we foresee a very difficult environment for new players. We also note that with intra-circle roaming and reduction of termination charges in the pipeline, the regulatory structure would likely exhaust the hand-holding measures for new entrants while market environment remains extremely competitive.

FY10 valuations now pricing in only terminal growth; Buy

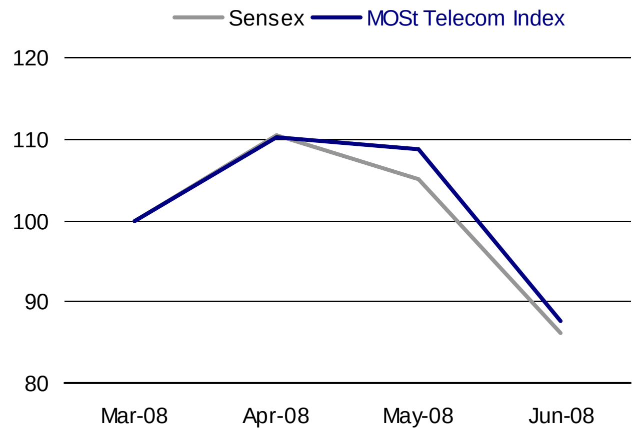
Momentum in subscriber additions continues to be strong, primarily driven by higher coverage and attractive tariffs. We believe last of the concerns on regulatory front have been digested by the market and expect strong near-term earnings momentum to shield against any further disappointments. News flow on international expansion/industry consolidation could be positive triggers while adverse regulatory environment and increase in competitive activity pose key risks. Valuations of majors at 8.8-9.3x FY09E EV/EBITDA and 6.4-7x FY10E EV/EBITDA are very attractive and pricing in only terminal growth beyond FY10 in our view. This implies that current valuations are pricing in tough regulatory environment and growth headwinds for incumbents resulting from entry of new competition. We believe regulatory and competitive landscape will be more benign than the no-growth valuations currently on offer. We maintain our positive sector outlook.

Stock performance and valuations

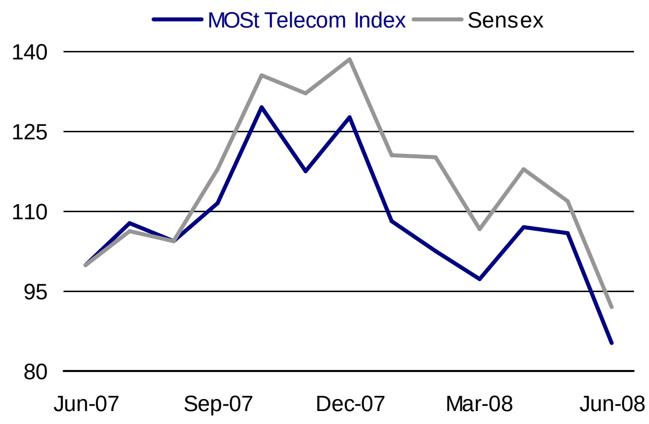
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Telecom						
Bharti Airtel	-14	-18	4	-7	4	4
Idea Cellular	-12	-30	6	-18	6	-7
Reliance Communication	-24	-27	-7	-16	-7	-5

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10	FY08E	FY09E	FY10	FY08E	FY09E	FY10
Telecommunication														
Bharti Airtel	709	Buy	35.4	47.2	57.0	20.1	15.0	12.4	12.2	8.9	7.0	36.9	34.1	31.4
Idea Cellular	87	Buy	4.0	4.8	6.6	22.0	18.1	13.2	12.7	9.3	7.0	30.2	30.4	32.0
Reliance Comm	390	Buy	26.9	30.8	38.6	14.5	12.7	10.1	10.9	8.8	6.4	22.7	20.6	21.9
Sector Aggregate						**17.9**	**14.4**	**11.6**	**11.8**	**8.9**	**6.8**	**25.8**	**25.5**	**25.3**

Bharti Airtel

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BHARTI IN
	REUTERS CODE
S&P CNX: 3,926	BRTI.BO

Equity Shares (m)	1,896.0
52-Week Range (Rs)	1,149/688
1,6,12 Rel. Perf. (%)	2/10/-7
M.Cap. (Rs b)	1,344.6
M.Cap. (US$ b)	31.1

3 July 2008

Buy

Previous Recommendation: Buy

Rs709

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	185,196	42,572	22.5	88.0	31.6	9.8	37.0	26.6	7.5	18.6
3/08A	270,250	67,011	35.4	57.4	20.1	6.0	36.9	27.3	5.1	12.2
3/09E	371,305	89,586	47.2	33.5	15.0	4.5	34.1	25.5	3.8	8.9
3/10E	451,580	108,216	57.0	20.8	12.4	3.5	31.4	23.7	3.1	7.0

- We expect revenue to grow 41.5% YoY and 6.9% QoQ, driven by healthy mobile subscriber additions.
- EBITDA margin is expected to expand QoQ by 30bp to 41.9%, mainly led by likely margin accretion from enhanced sharing in the tower segment. We expect an overall EBITDA growth of 43% YoY and 8% QoQ.
- Mobility revenues are expected to grow 8% QoQ, implying an ARPU decline of 2.5% QoQ to Rs348. EBITDA margin for mobile telephony business is expected to decline ~150bp QoQ to ~34% due to full quarter impact of separate accounting for the tower segment.
- Net profit is expected to grow 24% YoY and 1.5% QoQ to Rs18.8b. Earnings growth will remain subdued due to higher finance cost from forex losses on Re depreciation v/s US$, and relatively higher tax rate. We have modeled for Rs1.5b derivative loss due to forex fluctuation in 1QFY09 v/s a loss of 1.26b in 4QFY08.
- The stock is currently trading at 15x FY09E and 12.4x FY10E earnings. We expect Bharti to maintain its leadership in the mobility markets, while continuing to invest aggressively. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Revenue	**59,046**	**63,374**	**69,639**	**78,191**	**83,551**	**90,287**	**95,949**	**101,519**	**270,250**	**371,305**
YoY Growth (%)	*53.1*	*45.4*	*41.7*	*45.0*	*41.5*	*42.5*	*37.8*	*29.8*	*45.9*	*37.4*
QoQ Growth (%)	*9.5*	*7.3*	*9.9*	*12.3*	*6.9*	*8.1*	*6.3*	*5.8*		
Total Operating Expenses	34,580	36,277	40,005	45,674	48,501	52,536	54,858	57,453	156,535	213,348
EBITDA	**24,466**	**27,097**	**29,634**	**32,518**	**35,050**	**37,752**	**41,090**	**44,066**	**113,715**	**157,957**
Margin (%)	*41.4*	*42.8*	*42.6*	*41.6*	*41.9*	*41.8*	*42.8*	*43.4*	*42.1*	*42.5*
Net Finance Costs	-1,752	1,126	810	2,157	1,656	204	190	282	2,341	2,332
Non-Operating Income	801	563	586	473	521	521	521	521	2,424	2,083
Depreciation & Amortization	8,120	9,062	10,377	9,702	10,635	11,340	12,038	12,740	37,260	46,754
Profit before Tax	**18,901**	**17,472**	**19,032**	**21,132**	**23,281**	**26,728**	**29,381**	**31,564**	**76,536**	**110,954**
Income Tax Expense / (Income)	3,594	1,135	1,564	2,085	3,958	4,544	4,995	5,366	8,378	18,863
Profit / (Loss) to Min. Shareholders	191	197	244	518	525	603	663	713	1,150	2,505
Reported Net Profit / (Loss)	**15,116**	**16,139**	**17,224**	**18,529**	**18,798**	**21,580**	**23,723**	**25,485**	**67,008**	**89,586**
QoQ Growth (%)	*11.7*	*6.8*	*6.7*	*7.6*	*1.5*	*14.8*	*9.9*	*7.4*	*57.4*	*33.7*
Margin (%)	*25.6*	*25.5*	*24.7*	*23.7*	*22.5*	*23.9*	*24.7*	*25.1*	*24.8*	*24.1*

E: MOSt Estimates; Financials as per US GAAP

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Idea Cellular

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	IDEA IN
	REUTERS CODE
S&P CNX: 3,926	IDEA.BO

Equity Shares (m)	2,639.1
52-Week Range (Rs)	161/86
1,6,12 Rel. Perf. (%)	-1/1/-18
M.Cap. (Rs b)	230.1
M.Cap. (US$ b)	5.3

3 July 2008

Buy

Previous Recommendation: Buy

Rs87

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	43,664	5,032	2.2	137.6	39.2	5.9	25.2	11.7	5.9	17.5
3/08A	67,198	10,404	4.0	77.6	22.1	6.5	30.2	13.8	4.3	12.7
3/09E	96,973	12,706	4.8	21.7	18.1	4.8	30.4	14.6	3.1	9.3
3/10E	127,357	17,469	6.6	37.5	13.2	3.8	32.0	16.8	2.4	7.0

- We expect the revenues to grow 44% YoY and 8% QoQ, driven by sustained subscriber additions.
- We expect ARPU decline of ~5% in 1QFY09. MOU is expected to decline by ~2% QoQ to allow for normalization post the sharp 9% QoQ increase witnessed during 4QFY08.
- EBITDA margin is likely to decline by ~50bp to 33%. We expect an improving underlying margin trajectory due to continued paring of EBITDA losses in the "3 new circles" combined with increased overall network utilization. However, reported margin will take a one-time knock down due to discontinuation of the 2% waiver on licence fee that was available to incumbent GSM operators (first two operators in each circle) during FY03-08. Idea is an incumbent in 7 out of its existing 8 circles and increase in licence fee by ~2% of AGR in these circles would impact overall margins by 1.2-1.3%.
- Net profit growth is expected to remain muted with a decline of 13% YoY and 3% QoQ. YoY growth is impacted by higher base in corresponding quarter, which benefitted from upfront booking of revenues in the life-time plans, while QoQ decline would be led by higher tax rate, lower other income, likely forex losses due to Re depreciation v/s the US$.
- The stock is currently trading at 18.1x FY09E and 13.2x FY10E earnings respectively. Maintain **Buy.**

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Revenue	**14,773**	**15,622**	**17,081**	**19,724**	**21,339**	**23,222**	**25,281**	**27,131**	**67,198**	**96,973**
YoY Growth (%)	*64.1*	*54.7*	*48.8*	*50.7*	*44.4*	*48.6*	*48.0*	*37.6*	*53.9*	*44.3*
QoQ Growth (%)	*12.9*	*5.7*	*9.3*	*15.5*	*8.2*	*8.8*	*8.9*	*7.3*		
Total Operating Expenses	9,645	10,515	11,409	13,118	14,304	15,391	17,074	18,092	44,692	64,862
EBITDA	**5,128**	**5,107**	**5,672**	**6,606**	**7,035**	**7,831**	**8,207**	**9,038**	**22,506**	**32,111**
YoY Growth (%)	*69.8*	*43.9*	*53.1*	*51.4*	*37.2*	*53.3*	*44.7*	*36.8*	*53.8*	*42.7*
QoQ Growth (%)	*17.5*	*-0.4*	*11.1*	*16.5*	*6.5*	*11.3*	*4.8*	*10.1*		
Margin (%)	*34.7*	*32.7*	*33.2*	*33.5*	*33.0*	*33.7*	*32.5*	*33.3*	*33.5*	*33.1*
Net Finance Costs	143	641	782	1,206	1,250	1,271	1,318	1,356	2,783	5,195
Non-Operating Income	3	21	22	129	20	20	20	20	175	80
Depreciation & Amortization	1,887	2,007	2,277	2,597	2,778	3,007	3,308	3,628	8,768	12,720
Profit before Tax	**3,101**	**2,480**	**2,635**	**2,932**	**3,027**	**3,573**	**3,601**	**4,075**	**11,130**	**14,277**
Income Tax Expense / (Income)	16	277	268	165	333	393	396	448	726	1,570
Adjusted Net Profit / (Loss)	**3,085**	**2,203**	**2,368**	**2,767**	**2,694**	**3,180**	**3,205**	**3,626**	**10,404**	**12,706**
QoQ Growth (%)	*59.5*	*-28.6*	*7.5*	*16.9*	*-2.6*	*18.0*	*0.8*	*13.1*		

E: MOSt Estimates

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Reliance Communication

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	RCOM IN
	REUTERS CODE
S&P CNX: 3,926	RLCM.BO

Equity Shares (m)	2,045.0
52-Week Range (Rs)	844/381
1,6,12 Rel. Perf. (%)	-12/-11/-16
M.Cap. (Rs b)	796.5
M.Cap. (US$ b)	18.4

3 July 2008

Buy

Previous Recommendation: Buy

Rs390

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	144,684	4,813	15.6	563.6	24.9	3.9	19.9	11.1	5.6	14.2
3/08A	190,679	55,095	26.9	72.5	14.5	2.8	22.7	12.0	4.7	10.9
3/09E	265,488	62,891	30.8	14.1	12.7	2.4	20.6	11.1	3.7	8.8
3/10E	336,478	78,851	38.6	25.4	10.1	2.0	21.9	12.1	2.8	6.4

- We expect revenue to grow 35% YoY and 9% QoQ, driven by healthy growth across all the three segments. Global segment is expected to report strong numbers due to the impact of Re depreciation v/s US$ during the quarter.
- We expect wireless ARPU to decline by ~2% QoQ to Rs311. While RPM is expected to decline by ~2% QoQ, we expect the declining MOU trend to stablise.
- EBITDA margin is expected to decline by 30bp QoQ led by modest decline in wireless margins. We expect margins to be under pressure during FY09 due to impact of significant network expansion.
- Pre-minority interest net profit for the company is expected to grow by 25% YoY but decline 2.7% QoQ. The YoY growth reflects strong top line growth accompanied with EBITDA margin expansion, while QoQ growth will be adversely impacted by likely impact of 1) adverse currency movement and 2) higher tax rate. We are modeling for net finance charges of Rs220m in 1QFY09 v/s gain of Rs81m in 4QFY08. For FY09, we expect net finance expenses of Rs3.8b v/s gain of Rs4b in FY08.
- The stock is currently trading at 12.7x FY09E and 10.1x FY10E earnings respectively. Maintain **Buy.**

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Revenue	**43,037**	**45,785**	**48,742**	**53,114**	**57,915**	**62,383**	**68,969**	**76,221**	**190,679**	**265,488**
YoY Growth (%)	*32.4*	*29.8*	*29.8*	*34.9*	*34.6*	*36.3*	*41.5*	*43.5*	*31.8*	*39.2*
QoQ Growth (%)	*9.3*	*6.4*	*6.5*	*9.0*	*9.0*	*7.7*	*10.6*	*10.5*		
Total Operating Expenses	24,895	26,166	27,677	29,950	32,817	35,705	39,910	44,505	108,692	152,938
EBITDA	**18,142**	**19,618**	**21,065**	**23,164**	**25,098**	**26,678**	**29,058**	**31,717**	**81,987**	**112,551**
Margin (%)	*42.2*	*42.8*	*43.2*	*43.6*	*43.3*	*42.8*	*42.1*	*41.6*	*43.0*	*42.4*
Net Finance Costs	-1,274	-1,125	-1,518	-81	220	654	1,208	1,746	-3,998	3,827
Depreciation & Amortisation	6,192	6,754	7,252	7,856	8,493	9,165	10,699	12,742	28,054	41,099
Profit before Tax	**13,224**	**13,989**	**15,331**	**15,389**	**16,385**	**16,859**	**17,152**	**17,229**	**57,931**	**67,624**
Income Tax Expense / (Income)	1,031	698	1,379	-272	1,147	1,180	1,201	1,206	2,836	4,734
Adjusted Net Profit / (Loss)	**12,193**	**13,291**	**13,952**	**15,661**	**15,238**	**15,679**	**15,951**	**16,023**	**55,095**	**62,891**
QoQ Growth (%)	*19.3*	*9.0*	*5.0*	*12.3*	*-2.7*	*2.9*	*1.7*	*0.5*		
Margin (%)	*28.3*	*29.0*	*28.6*	*29.5*	*26.3*	*25.1*	*23.1*	*21.0*	*28.9*	*23.7*
Extraordinary Exp/Minority Interest	-15	245	223	629	612	630	641	644	1082	2526
Reported Net Profit / (Loss)	**12,208**	**13,046**	**13,729**	**15,032**	**14,626**	**15,049**	**15,310**	**15,379**	**54,013**	**60,365**

E: MOSt Estimates

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Textiles

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

Global supply side corrections evident

The global textile industry has been witnessing supply side corrections since January 2008, particularly in China, which controls 50% of the world exports. It is estimated that due to the new labor laws in China, introduced from January 2008, labor costs in China have increased by 20-25%. The sharp increase in labor cost, coupled with cost inflation across all key raw materials and fuel costs, have resulted in capacities closing down in China' s textile sector. Consequently, we believe China' s dominance in the global textile industry is likely to reduce, which would benefit other low cost textile producers such as India, Pakistan, Bangladesh etc. However, the process may take six months to a year to start manifesting in the profitability of Indian textile companies, as the global demand too is witnessing degrowth due to poor demand from USA, which alone accounts for 40-50% of trade demand.

Rupee depreciation - a key positive

The 7-8% rupee depreciation against the US dollar in the last few months and the corresponding appreciation in Chinese Yuan, in particular, is a positive for the Indian textile industry over the long term. However, in the near term, it has only reduced the huge losses that several textile companies were suffering prior to 1QFY09. Also, as most of the textile exporting companies had hedged themselves for the next 3-4 months, the impact of rupee depreciation would only be visible with a lag.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Textiles							
Alok Ind	Buy	6,560	56.6	1,561	53.7	495	73.7
Arvind Mills	Neutral	6,058	18.7	636	-11.8	-15	-39.3
Raymond	Neutral	3,131	49.7	379	-	118	52.2
Vardhman Textiles	Buy	5,963	13.0	728	-18.8	61	-81.2
Welspun Ind	Neutral	3,298	24.6	457	24.6	30	-67.7
Sector Aggregate		**25,010**	**29.5**	**3,760**	**27.1**	**689**	**-8.6**

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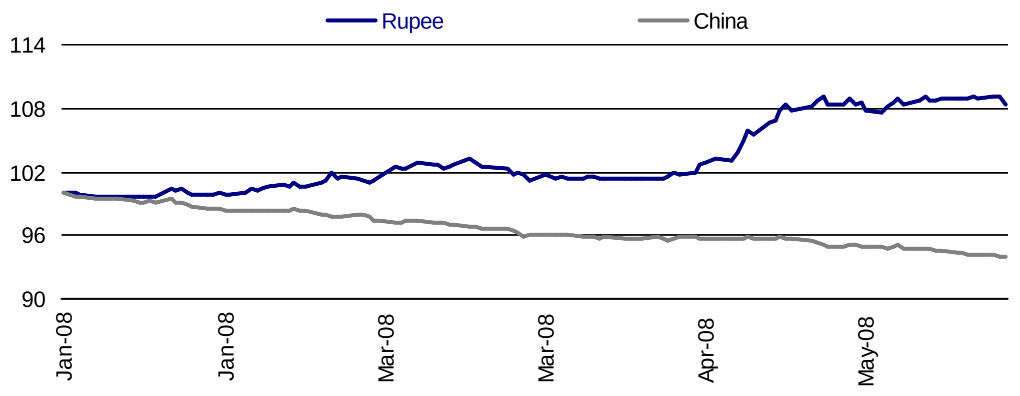
GLOBAL CURRENCIES AGAINST US$

PARTICULARS	2007 CHANGE V/S US$	JAN-MAY'08 CHANGE V/S US$	JUNE V/S JAN'06 CHANGE V/S US$
China	-4.4	13.2	116
US	-10.6	7.9	100
UK	-8.9	7.1	115
Euro	-0.5	14.1	131
Pakistan	-11.4	-4.9	90
Hong Kong	-10.9	7.8	99
Bangladesh	-11.2	4.0	95
Vietnam	-12.6	3.2	97

Source: Company/Motilal Oswal Securities

RELATIVE CURRENCY MOVEMENTS OF INDIAN RUPEE AND CHINESE YUAN



Source: Company/Motilal Oswal Securities

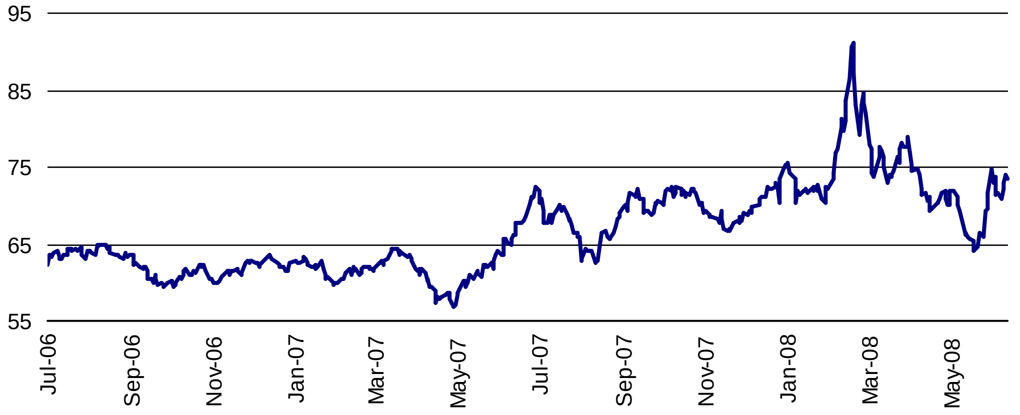
Cost pressures to keep margins under pressure near term

Most of the Indian textile companies are witnessing severe cost pressures, with regard to raw material, labor, fuel etc, which would keep margins for these companies under pressure in the near term.

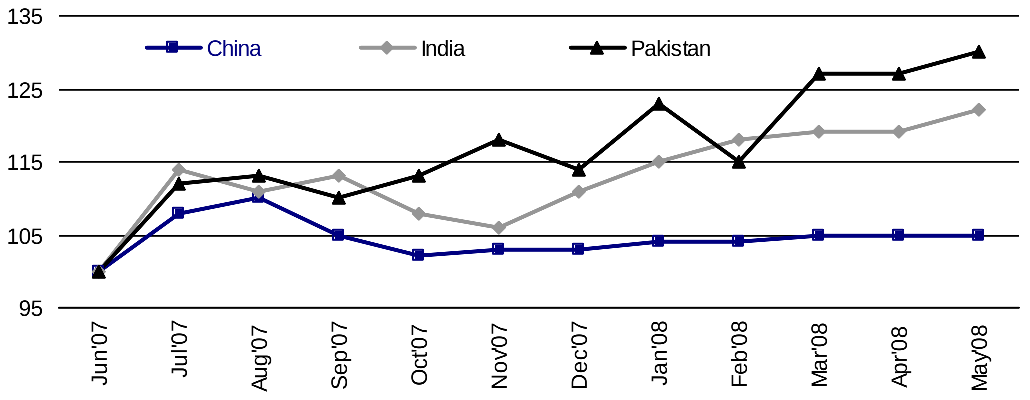
Cotton prices continue to trend high

Cotton prices internationally have rallied 40-45% YoY to over 80cents/pound despite record production in the domestic and international market. This is likely to have a major negative impact on the margins of the Indian companies in the near term as corresponding price increases usually happen with a lag.

COTTON PRICES CONTINUE TO BE VOLATILE (US CENTS/POUND)



COTTON COST INDEX: CHINA/ INDIA AND PAKISTAN



Source: Company/Motilal Oswal Securities

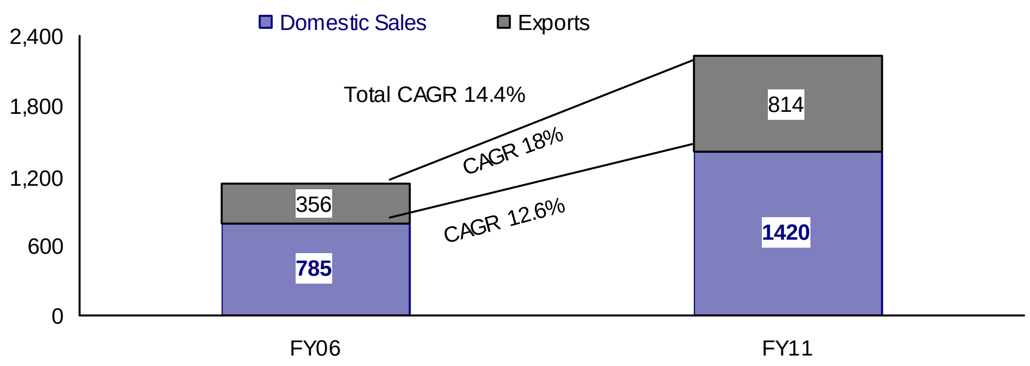
Textile players shift focus from exports to domestic markets

A clear trend seems to be emerging in the domestic textile industry, wherein players are shifting their focus from the export market to the domestic market. This shift in strategy has been driven by two key factors. Firstly, the export market has become less attractive due to the appreciating rupee, raw material and labor cost-push and the relative competitive advantage enjoyed by neighboring countries. Secondly, the domestic market has become extremely attractive on the back of rising per capita income and emergence of organized retail. This has resulted in large companies such as Arvind, Raymond, Alok etc trying to forward integrate into branding and retail.

Domestic RMG market to emerge as a big opportunity

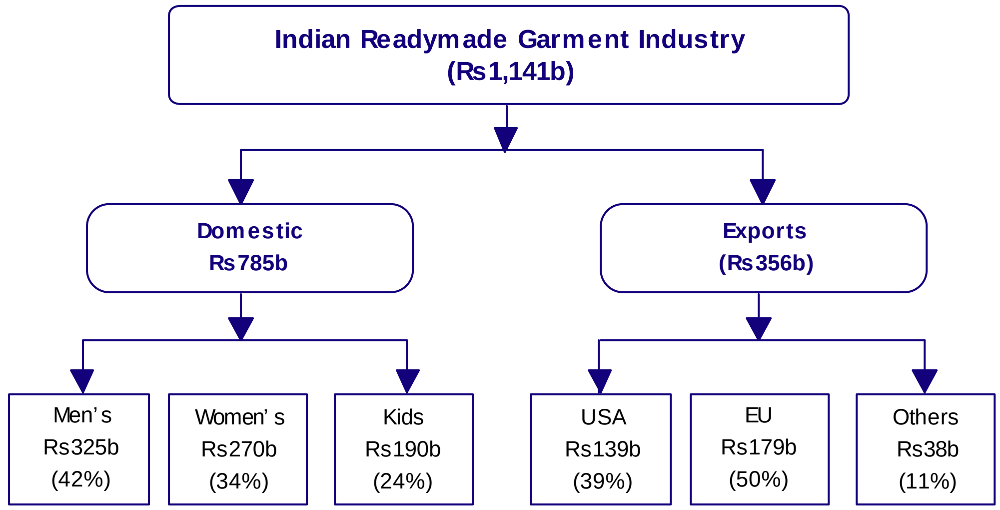
CRISIL estimates RMG market to grow at a CAGR of 14.4% to US$50.4b in FY11 from US$25.8b in FY06. It estimates the domestic RMG market to grow at a CAGR of 12.6% to US$32b in FY11 from US$17.7b in FY06. This growth will primarily be led by increasing income levels and a shift in consumption pattern from tailored to readymade garments. We believe with the consolidation of retail industry in India, the domestic RMG market would present a big opportunity for the Indian garment manufacturers.

RMG MARKET: AN OUTLOOK (RS B)



Source: CRISIL

OVERVIEW OF INDIAN RMG MARKET



Source: CRISIL

Summary

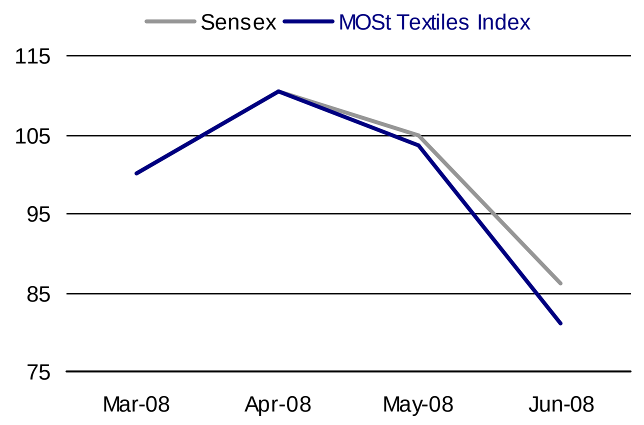
Most of the textile companies have expanded and modernized their capacities to achieve critical size. Consequently, due to their modern plants and global capacities, they have also managed to attract large international institutional buyers with whom they now have established strategic relationships. This has allowed them to move their business from being a transitional-based model to a strategic vendor-based relationship model. At the same time, their financials are extremely healthy, as they have resorted to substantial withdrawals from the subsidized TUF scheme. Further, there is no immediate concern of large dilutions, as most companies have already completed a substantial portion of their capex plans. We maintain our **Neutral** rating on Arvind, Gokaldas, Welspun, Raymond and Himatsingka Seide. We remain bullish on Vardhman Textiles and Alok Textiles.

Stock performance and valuations

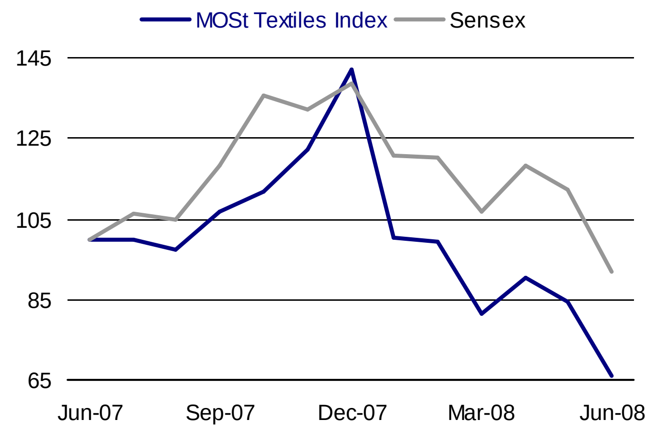
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Textiles						
Alok Ind	-34	-38	-17	-26	-12	1
Arvind	-26	-37	-9	-25	-3	2
Raymond	-25	-32	-8	-20	-3	7
Vardhman Textiles	-11	-44	7	-33	12	-5
Welspun Ind	-17	-43	1	-31	6	-3

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Textiles														
Alok Ind	37	Buy	8.4	10.0	12.4	4.4	3.7	3.0	8.0	7.8	6.7	15.2	13.1	14.1
Arvind Mills	28	Neutral	1.3	1.6	4.0	21.8	18.1	7.2	8.5	7.9	6.2	1.5	1.7	4.1
Raymond	210	Neutral	10.6	20.9	24.2	19.8	10.0	8.7	7.8	4.3	3.9	4.5	8.6	9.4
Vardhman Textiles	92	Buy	21.2	16.4	25.9	4.3	5.6	3.6	8.7	7.7	6.1	10.6	7.7	11.2
Welspun Ind	37	Neutral	3.4	3.3	9.3	10.9	11.2	4.0	9.4	7.6	6.0	4.2	4.0	10.8
Sector Aggregate						**8.6**	**7.1**	**4.8**	**8.4**	**7.1**	**6.0**	**6.2**	**6.9**	**9.3**

Alok Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	ALOK IN
	REUTERS CODE
S&P CNX: 3,926	ALOK.BO

Equity Shares	208.9
52-Week Range	108/33
1,6,12 Rel.Per. (%)	-22/-29/-26
M.Cap (Rs. b)	7.7
M.Cap (US$ b)	0.2

3 July 2008

Buy

Previous Recommendation: Neutral

Rs37

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	18,290	1,419	8.3	32.7	4.4	0.6	17.1	6.6	1.7	7.6
3/08A	21,593	1,674	8.4	18.0	4.4	0.6	15.2	5.7	1.9	7.9
3/09E	27,334	2,083	10.0	24.4	3.7	0.5	13.1	7.2	1.9	7.8
3/10E	35,220	2,711	12.4	30.2	3.0	0.4	14.1	8.3	1.6	6.7

*Fully Diluted EPS

- For 1QFY09, we expect Alok to post revenue of Rs6.5b, up 56.6% YoY, aided by higher capacities across all textile segments.
- EBITDA margin is likely to decline 40bp to 23.8% due to pressure from higher raw materials costs.
- In FY08, Alok announced several new initiatives, which include foray into real estate business and increased focus on the retail business.
- The management has drawn up restructuring plans, which include creating dedicated verticals for the textile and retail businesses.
- The company has ambitious expansion plans for its domestic retail business, which entails introducing international brands in India and opening ~500 H&A retail outlets over the next three years. Post restructuring, we expect Alok to emerge as a large retail play.
- Alok is trading at attractive valuations of 3.7x FY09E EPS of Rs10 and 3x FY10E EPS of Rs12.4. We believe the real estate vertical could lead to value creation of ~Rs36/share.We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**4,189**	**4,648**	**5,508**	**7,248**	**6,560**	**6,833**	**7,107**	**6,833**	**21,593**	**27,334**
Change (%)	*17.1*	*11.4*	*14.8*	*26.3*	*56.6*	*47.0*	*29.0*	*-5.7*	*18.1*	*26.6*
Total Expenditure	3,173	3,562	4,160	5,444	4,999	5,193	5,401	5,251	16,340	20,844
EBITDA	**1,016**	**1,086**	**1,348**	**1,804**	**1,561**	**1,640**	**1,706**	**1,582**	**5,253**	**6,489**
Change (%)	*26.0*	*12.3*	*25.6*	*36.6*	*53.7*	*51.0*	*26.6*	*-12.3*	*26.0*	*23.5*
As % of Sales	*24.2*	*23.4*	*24.5*	*24.9*	*23.8*	*24.0*	*24.0*	*23.2*	*24.3*	*23.7*
Depreciation	358	364	434	457	476	497	517	579	1,613	2,069
Interest	270	283	295	365	382	397	353	338	1,213	1,470
Other Income	2	139	89	-109	46	48	50	56	185	200
Non Recurring Income	396	0	0	0	0	0	0	0	331	0
PBT	**785**	**579**	**707**	**873**	**749**	**795**	**886**	**721**	**2,944**	**3,151**
Tax	235	149	219	336	254	269	300	244	939	1,068
Effective Tax Rate (%)	*30.0*	*29.0*	*32.5*	*38.5*	*33.9*	*33.9*	*33.9*	*33.9*	*31.9*	*33.9*
Repoted PAT	**550**	**430**	**488**	**537**	**495**	**525**	**585**	**476**	**2,005**	**2,083**
Change (%)	*104.3*	*31.8*	*31.7*	*-31.7*	*-10.0*	*22.2*	*20.0*	*-11.4*	*41.3*	*3.9*
Adj. PAT	**285**	**430**	**488**	**646**	**495**	**525**	**585**	**476**	**1,674**	**2,083**
Change (%)	*5.9*	*31.8*	*31.7*	*42.8*	*73.7*	*22.2*	*20.0*	*-26.3*	*18.0*	*24.4*

E: MOSt Estimates

Siddharth Bothra (Sbothra@MotilalOswal.com); Tel: +91 22 39825407

Arvind Mills

STOCK INFO. BSE Sensex: 13,094	BLOOMBERG ARVND IN
S&P CNX: 3,926	REUTERS CODE ARMI.BO

Equity Shares (m)	218.9
52-Week Range (Rs)	94/27
1,6,12 Rel.Per. (%)	-18/-32/-25
M.Cap (Rs b)	6.2
M.Cap (US$ b)	0.1

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs28

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	18,449	1,196	0.8	-6.0	33.9	0.4	1.1	8.2	1.3	7.9
3/08A	22,713	274	1.3	55.6	21.8	0.3	1.5	4.4	1.1	8.4
3/09E	26,337	344	1.6	25.8	18.1	0.3	1.7	4.9	0.9	7.9
3/10E	33,260	866	4.0	151.5	7.2	0.3	4.1	6.5	0.7	6.1

- For 1QFY09, we expect Arvind to record revenue growth of 18.7% YoY to Rs6b, primarily driven by higher garment sales. However, 1QFY09 results are not comparable on a YoY basis, as the result for the quarter under consideration includes revenues from the merged Arvind Brands.
- EBITDA margin is likely to decline 363bp YoY to 10.5% v/s 14.1% in 1QFY08. EBITDA margin is likely to remain under pressure due to increasing raw material prices and rising energy costs.
- We estimate Arvind to report loss of Rs15m in 1QFY09 v/s reported profit of Rs58m in 1QFY08.
- During 1QFY09, the denim scenario improved in the international markets. However, the domestic market continues to be plagued by a huge overcapacity situation. We do not expect domestic demand-supply equilibrium in the denim sector to emerge in the near-to-medium term. Hence, we expect pressure on denim margins.
- We expect Arvind to record brand/retail sales of Rs3.8b in FY08 (~180 stores in FY08; to increase to ~250 in FY09). It owns brands such as Newport, Excalibur, Flying Machine, Ruf and Tuf, reatil hypermarket chain ' Megamart' and has perpetual licensee agreement with international apparel brands such as Arrow, Tommy Hilfiger, Diesel, Polo and Cherokee.
- Arvind is currently working on restructuring plans, which could include relocating a part of its commodity grade denim capacity to other countries and increasing its focus on branded apparel and garment manufacturing.
- The stock is trading at 18.1x FY09E EPS of Rs1.6 and 7.2x FY10E EPS of Rs4. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**5,103**	**5,637**	**5,368**	**6,584**	**6,058**	**6,321**	**6,584**	**7,374**	**22,713**	**26,337**
Change (%)	*21.3*	*14.3*	*19.9*	*36.3*	*18.7*	*12.1*	*22.6*	*12.0*	*23.1*	*16.0*
Total Expenditure	4,382	4,854	4,750	5,876	5,422	5,594	5,814	6,431	19,838	23,260
EBITDA	**721**	**783**	**619**	**708**	**636**	**727**	**770**	**944**	**2,875**	**3,078**
Change (%)	*-13.3*	*-6.4*	*-12.8*	*5.3*	*-11.8*	*-7.2*	*24.5*	*33.3*	*-5.8*	*7.0*
As % of Sales	*14.1*	*13.9*	*11.5*	*10.8*	*10.5*	*11.5*	*11.7*	*12.8*	*12.7*	*11.7*
Depreciation	355	351	352	309	307	334	334	360	1,366	1,335
Interest	438	337	268	353	384	399	368	384	1,314	1,535
Other Income	52	17	73	67	44	44	44	44	165	175
Non Recurring Expense	83	0	-8	-55	0	0	0	0	63	0
PBT	**63**	**112**	**63**	**58**	**-11**	**38**	**112**	**243**	**296**	**383**
Tax	5	7	6	5	4	4	11	19	23	38
Effective Tax Rate (%)	*5.0*	*5.0*	*5.0*	*8.2*	*-34.7*	*10.1*	*10.3*	*7.9*	*7.6*	*10.0*
Reported PAT	**58**	**105**	**57**	**54**	**-15**	**34**	**100**	**224**	**274**	**344**
Adj. PAT	**-24**	**105**	**65**	**109**	**-15**	**34**	**100**	**224**	**337**	**344**
Change (%)	*-123.9*	*121.5*	*427.8*	*174.7*	*-39.3*	*-67.7*	*54.8*	*106.8*	*91.4*	*2.3*

*E: MOSt Estimates, * Restated Quarterly Numbers*

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Raymond

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	RW IN
	REUTERS CODE
S&P CNX: 3,926	RYMD.BO

Equity Shares	61.4
52-Week Range	474/200
1,6,12 Rel.Per. (%)	7/-17/-20
M.Cap (Rs. b)	12.9
M.Cap (US$ b)	0.3

3 July 2008

Neutral

Previous Recommendation: Neutral Rs210

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	20,407	949	15.5	-27.4	13.6	0.9	10.5	8.4	0.8	6.9
3/08A	22,830	649	10.6	-31.6	19.8	0.9	4.5	8.0	0.8	8.8
3/09E	25,367	1,285	20.9	98.1	10.0	0.9	8.6	10.8	0.7	4.9
3/10E	28,394	1,486	24.2	15.6	8.7	0.8	9.4	11.4	0.6	4.5

** Consolidated*

- We expect Raymond to report standalone revenue of Rs3.1b in 1QY09 v/s standalone revenue of Rs2.1b in 1QFY08.
- EBITDA for 1QFY09 is likely to be around Rs379m v/s standalone EBITDA of Rs-40m in 1QFY08.
- Raymond' s denim JV is facing cost pressures at its international plants in the US and Romania and is operating at low utilization rates of 70-75%.
- Raymond expects to aggressively roll out 40-50 flagship stores in FY08. We feel these stores are unlikely to breakeven in the medium term due to high rentals. Management has given guidance for its branded apparel business to register per annum growth rates of 20-25% over the next two to three years.
- We expect Raymond Apparel and Color Plus to post revenues of Rs745m and Color Plus to post revenues of Rs410m.
- The stock is trading at 10x FY09E consolidated EPS of Rs20.9 and 8.7x FY10E EPS of Rs24.2. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**2,091**	**3,455**	**3,321**	**4,358**	**3,131**	**3,757**	**3,913**	**4,853**	**13,225**	**15,654**
Change (%)	*-25.5*	*na*	*na*	*na*	*49.7*	*8.7*	*17.9*	*11.4*	*3.0*	*18.4*
Total Expenditure	2,132	3,185	3,128	3,943	2,752	3,245	3,346	4,198	12,388	13,541
EBITDA	**-40**	**270**	**193**	**415**	**379**	**512**	**567**	**655**	**837**	**2,113**
Change (%)	*-117.8*	*na*	*na*	*na*	*-1,037.7*	*89.6*	*194.8*	*58.0*	*-50.9*	*152.5*
As % of Sales	*-1.9*	*7.8*	*5.8*	*9.5*	*12.1*	*13.6*	*14.5*	*13.5*	*6.3*	*13.5*
Depreciation	172	216	212	211	224	233	243	272	811	973
Interest	74	97	86	-1	70	76	90	96	255	332
Other Income	348	372	237	92	80	99	91	110	1,049	381
Extra-ordinary Income	-21	-6	-5	-8	0	0	0	0	-39	0
PBT	**62**	**329**	**132**	**297**	**165**	**301**	**326**	**397**	**820**	**1,189**
Tax	5	22	39	27	47	57	65	80	93	250
Effective Tax Rate (%)	*8.1*	*28.0*	*31.0*	*9.1*	*28.7*	*19.1*	*19.9*	*20.1*	*11.3*	*21.0*
Reported PAT	**57**	**307**	**94**	**270**	**118**	**244**	**261**	**317**	**727**	**939**
Adj. PAT after MI	**77**	**313**	**99**	**277**	**118**	**244**	**261**	**317**	**767**	**939**
Change (%)	*-38.6*	*na*	*na*	*na*	*52.2*	*-22.1*	*164.4*	*14.2*	*-42.6*	*22.5*

E: MOSt Estimates

Siddharth Bothra (Sbothra@MotilalOswal.com); Tel: +91 22 39825407

Vardhman Textiles

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	VTEX IN
	REUTERS CODE
S&P CNX: 3,926	MHSP.BO

Equity Shares (m)	57.8
52-Week Range (Rs)	192/89
1,6,12 Rel.Per. (%)	2/-12/-33
M.Cap (Rs. b)	5.3
M.Cap (US$ b)	0.1

3 July 2008

Buy

Previous Recommendation: Buy

Rs92

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	20,876	1,717	29.7	-12.5	3.1	0.5	16.6	9.3	1.0	5.7
3/08A	22,947	1,225	21.2	-28.6	4.3	0.4	10.6	6.0	1.3	8.7
3/09E	29,817	949	16.4	-22.5	5.6	0.4	7.7	5.4	1.1	7.7
3/10E	35,243	1,498	25.9	57.7	3.6	0.4	11.2	7.0	0.9	6.1

Vardhman Textiles has issued a bonus of 1:2

- For 1QFY09, Vardhman is likely to report revenue growth of 13% YoY to Rs5.9b. We expect EBITDA margin to decline 480bp to 12.2% v/s 17% in 1QFY08, primarily due to higher cotton prices.
- Adjusted PAT is likely to register 81% YoY decline to Rs61m v/s Rs323m in 1QFY08, further impacted by higher depreciation and interest cost.
- The company is currently implementing an ambitious Rs16b capex plan, which would double its fabric capacity and increase spinning capacity by nearly 50%.
- During 4QFY08, its 100% subsidiary, Vardhman Threads sold its sewing thread business and spinning unit to a 65:35 JV company christened Vardhman Yarn and Threads Ltd (VYTL) for Rs2.6b.
- We expect sales and earnings to witness CAGR of 24% and 10.5% respectively over FY08- FY10E.
- The stock is trading at 5.6x FY09E EPS of Rs16.4 and 3.6x FY10E EPS of Rs25.9. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**5,276**	**5,661**	**6,119**	**5,795**	**5,963**	**6,858**	**7,454**	**9,541**	**22,947**	**29,817**
Change (%)	*10.9*	*7.1*	*12.5*	*7.3*	*13.0*	*21.1*	*21.8*	*64.7*	*9.9*	*29.9*
Total Expenditure	4,380	4,778	5,218	5,025	5,236	5,925	6,351	8,105	19,401	25,617
EBITDA	**896**	**883**	**901**	**770**	**728**	**933**	**1,103**	**1,436**	**3,546**	**4,199**
Change (%)	*7.2*	*-3.7*	*-7.0*	*0.2*	*-18.8*	*5.6*	*22.5*	*86.6*	*1.6*	*18.4*
As % of Sales	*17.0*	*15.6*	*14.7*	*13.3*	*12.2*	*13.6*	*14.8*	*15.1*	*15.5*	*14.1*
Depreciation	346	354	375	470	471	481	511	541	1,546	2,003
Interest	165	131	125	218	246	295	332	357	639	1,230
Other Income	72	116	94	156	69	74	77	81	329	300
PBT	**457**	**514**	**494**	**237**	**80**	**230**	**337**	**619**	**1,690**	**1,266**
Tax	134	140	94	97	19	57	79	161	464	316
Effective Tax Rate (%)	*23.7*	*25.1*	*24.2*	*40.8*	*23.8*	*24.7*	*23.5*	*26.1*	*27.5*	*25.0*
Reported PAT	**323**	**374**	**401**	**140**	**61**	**173**	**258**	**458**	**1,225**	**949**
Adj. PAT	**323**	**374**	**401**	**140**	**61**	**173**	**258**	**458**	**1,225**	**949**
Change (%)	*-13.8*	*-11.6*	*-22.2*	*-62.0*	*-81.2*	*-53.6*	*-35.7*	*226.7*	*-28.6*	*-22.5*

E: MOSt Estimates

Siddharth Bothra (Sbothra@MotilalOswal.com); Tel: +91 22 39825407

Welspun India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	WLSP IN
	REUTERS CODE
S&P CNX: 3,926	WLSP.BO

Equity Shares	76.8
52-Week Range	115/33
1,6,12 Rel.Per. (%)	-3/-28/-31
M.Cap (Rs b)	2.9
M.Cap (US$ b)	0.1

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs37

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	9,736	521	6.8	25.3	5.5	0.5	8.8	5.4	1.5	9.3
3/08A	12,409	263	3.4	-50	10.9	0.5	4.2	4.1	1.2	9.4
3/09E	13,742	255	3.3	-3.1	11.2	0.4	4.0	5.1	1.2	7.6
3/10E	15,009	717	9.3	181.5	4.0	0.4	10.8	7.7	1.1	6.0

- For 1QFY09, we expect Welspun to post revenue growth of 24.6% YoY to Rs3.3b.
- EBITDA margin is likely to be at 13.9%, as a result of higher raw material cost.
- PAT is likely to drop 67.7% YoY, leading to profit of Rs30m in 1QFY09. During the quarter, utilization rates for the bed linen plant improved to ~75%.
- During 3QFY08, Welspun acquired a 76% stake in bath rug major Sorema of Portugal at an EV of Rs600m. Sorema is a leading player in bath rugs and shower curtains around the world, with an estimated turnover of Rs570m.
- The margins in the bed linen segment are likely to remain under pressure due to over capacity in the domestic market and high raw material cost.
- We expect Welspun's revenues and earnings to witness 15.5% and 11.2% CAGR (FY08-FY10E) respectively. Welspun is trading at a P/E of 11.2x FY09E EPS of Rs3.3 and 4x FY10E EPS of Rs9.3. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**2,647**	**2,938**	**2,992**	**3,832**	**3,298**	**3,298**	**3,435**	**3,710**	**12,409**	**13,742**
Change (%)	*33.1*	*6.3*	*17.1*	*54.3*	*24.6*	*12.3*	*14.8*	*-3.2*	*27.5*	*10.7*
Total Expenditure	2,281	2,470	2,540	3,430	2,841	2,781	2,906	3,124	10,721	11,653
EBITDA	**367**	**468**	**452**	**402**	**457**	**517**	**529**	**586**	**1,688**	**2,089**
Change (%)	*-11.2*	*10.8*	*1.7*	*14.3*	*24.6*	*10.4*	*17.1*	*45.8*	*10.9*	*26.3*
As % of Sales	*13.8*	*15.9*	*15.1*	*10.5*	*13.9*	*15.7*	*15.4*	*15.8*	*13.6*	*15.2*
Depreciation	195	207	220	225	231	252	263	305	847	1,050
Interest	155	157	178	186	188	203	173	188	677	750
Other Income	124	148	-6	-20	24	24	24	24	247	95
Extra-ordinary Income	0	0	4	0	0	0	0	0	4	0
PBT	**141**	**252**	**51**	**-29**	**62**	**86**	**118**	**118**	**415**	**384**
Tax	48	84	20	0	32	32	32	32	152	129
Effective Tax Rate (%)	*33.9*	*33.9*	*39.3*	*0.4*	*52.0*	*37.5*	*27.4*	*27.3*	*36.6*	*33.6*
Repoted PAT	**92**	**168**	**31**	**-28**	**30**	**54**	**86**	**86**	**263**	**255**
Adj. PAT	**92**	**168**	**27**	**-28**	**30**	**54**	**86**	**86**	**259**	**255**
Change (%)	*-44.4*	*76.1*	*-82.9*	*-127.6*	*-67.7*	*-68.0*	*213.4*	*-401.1*	*-50.2*	*-3.1*

E: MOSt Estimates

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Utilities

BSE Sensex: 13,094 S&P CNX: 3,926 3 July 2008

For 1QFY09, we expect utilities to report revenue growth of 18.3% YoY, largely due to increase in short term traffic on account of higher fuel cost. EBIDTA for the companies is expected to grow 12% YoY, while we expect net profit for the companies to grow at 10.3% YoY.

Capacity addition as per schedule; deficit continues to rise

The capacity addition for YTM May 2008 stood at 435MW v/s target capacity addition of 645MW - a shortfall of 210MW. Also, the generation for the period till May 2008 stood at 120Bus (target of 124Bus) - an achievement of 97%. The base load deficit (all-India) for first two months of FY09 stood at 10.8%, while peak load deficit stood at 14.4%. The base load deficit in the Western region, however, stood at 17.3% and peak load deficit was recorded at 25.7%.

POWER DEMAND SUPPLY SCENARIO

DEFICIT SCENARIO	BASE DEFICIT (%)			PEAK DEFICIT (%)		
	APR-08	MAY-08	APRIL-MAY 2008	APR-08	MAY-08	APRIL-MAY 2008
Northern Region	13.9	8.1	11.0	16.6	10.1	11.9
Western Region	20.3	14.2	17.3	26.3	21.0	25.7
Southern Region	4.0	3.1	3.5	6.4	8.5	8.5
Eastern Region	6.9	6.0	6.5	3.3	5.0	5.0
North Eastern Region	21.9	13.5	17.7	30.6	21.5	22.1
All India	**12.9**	**8.7**	**10.8**	**16.3**	**12.9**	**14.4**

Source: CEA

The rising base and peak load deficit is expected to drive prices of short term trading of power. This will benefit captives with surplus power.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.08	CHG. (%)	JUN.08	CHG. (%)	JUN.08	CHG. (%)
Utilities							
CESC	Neutral	7,568	5.5	1,400	7.7	739	6.1
NTPC	Neutral	108,380	20.8	30,346	12.6	19,760	12.0
PTC India	Buy	13,429	15.9	66	14.6	173	45.1
Reliance Infrastructure	UR	17,864	10.0	2,099	458.4	2,089	55.8
Tata Power	Buy	19,800	31.0	3,168	9.1	1,843	0.6
Sector Aggregate		**167,041**	**19.5**	**37,080**	**17.4**	**24,605**	**13.7**

UR = Under Review

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Commencement of energy exchange

Indian Energy Exchange (IEX), India' s first electricity bourse commenced operations on June 27, 2008. IEX received bids for total 13.2Mwh units with an average trading price range of Rs6.5/unit to Rs8.0/unit for the different hours of the market. Current operations at the exchange would be for only the day ahead power (single day trade), with settlement by actual delivery. The exchange will take 100% margin on the bid and therefore there is no payment risk. The change in regulation for open access from capacity booking to use-based booking will facilitate the power exchange working. Volumes traded through the power exchange will receive second priority for access to transmission corridor, post long term contracts, but before merchant power / bilateral trading operations.

This, we believe, would be the preferred mechanism for trading of short term power surplus and bringing more balance in the system. The knowledge on availability of power, likely source, and availability of the transmission corridor will address short term aberration in the system over a period of time.

Open access on transmission: Focus on non-discriminatory access

The Central Electricity Regulatory Commission (CERC) has finalized the new Open Access Regulations for the Inter-State Transmission, 2008 - effective from April 1, 2008. The new open access regulations on power transmission permit non-discriminatory access to inter state transmission based on schedule basis (released by regional load dispatch centre) and then allocation of the lines. The approach is useful as compared to the earlier method of allocation of lines in advance by the bidder and then subsequent un-utilization or sub-utilization of the same. The new regulation will enable to tap all the excess power from various sources like captive, merchant capacity, etc.

The framework will not only facilitate traditional bilateral transaction (negotiated directly or through electricity traders), but also cater to collective transactions discovered in a power exchange through competitive bidding by sellers and buyers.

Valuation and view

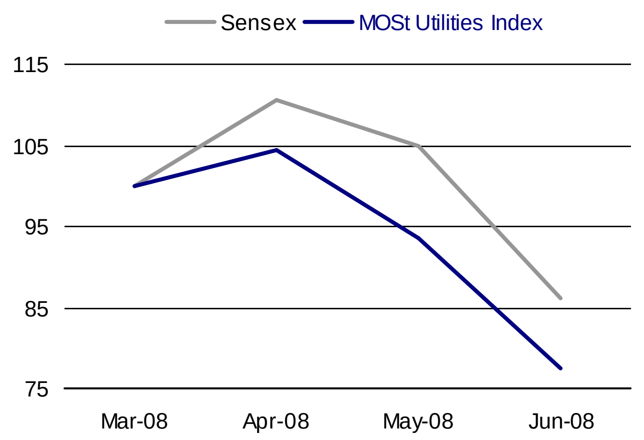
For 1QFY09, we expect utilities to report a steady performance in terms of revenues and profitability. The slower pace of reforms, under achievement of the target capacity addition and attracting private sector investments in generation and privatization of distribution represent key challenges for the Indian power sector. However, the reforms are on track, albeit at a slower rate, which is reflected in UMPP projects, various initiatives by the government to ensure the fuel linkages, etc. We remain positive on the sector.

Stock performance and valuations

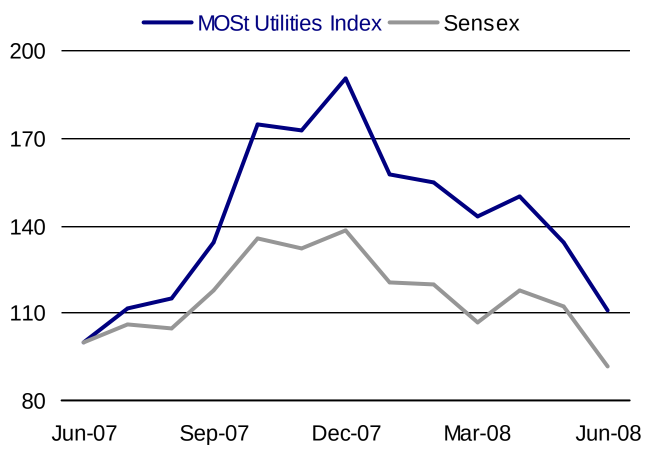
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Utilities						
CESC	-7	1	11	13	15	-9
NTPC	-21	0	-4	12	1	-10
PTC India	-26	3	-9	14	-4	-7
Reliance Infrastructure	-39	17	-22	29	-17	8
Tata Power	-13	51	4	62	9	41

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	3.07.08		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Utilities														
CESC	380	Neutral	25.4	27.5	30.3	15.0	13.8	12.5	9.6	9.8	9.0	11.9	11.5	11.4
NTPC	153	Neutral	9.2	10.0	10.6	16.6	15.2	14.4	10.6	10.0	9.4	14.3	14.7	14.2
PTC India	68	Buy	2.1	3.9	4.3	31.8	17.5	15.9	55.4	23.0	19.2	5.6	5.8	6.2
Reliance Infrastructure	722	UR	28.5	32.0	41.2	25.3	22.5	17.5	28.5	11.3	5.6	11.4	11.4	11.4
Tata Power	1,007	Buy	32.2	67.9	96.0	31.2	14.8	10.5	26.5	22.2	16.3	7.6	8.0	9.0
Sector Aggregate						**18.7**	**15.9**	**14.0**	**12.4**	**11.0**	**9.8**	**12.1**	**12.0**	**12.5**

UR = Under Review

CESC

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	CESC IN
	REUTERS CODE
S&P CNX: 3,926	CESC.BO

Equity Shares (m)	124.9
52-Week Range	715/320
1,6,12 Rel. Perf.(%)	0/-8/13
M.Cap. (Rs b)	47.5
M.Cap. (US$ b)	1.1

3 July 2008

Neutral

Previous Recommendation: Neutral Rs380

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS* GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	24,843	2,257	28.2	30.9	13.5	1.9	13.5	12.2	2.3	10.1
03/08E	27,716	3,169	25.4	-10.1	15.0	1.9	11.9	10.9	2.0	9.6
03/09E	29,678	3,437	27.5	8.5	13.8	1.7	11.5	10.8	2.2	9.8
03/10E	31,395	3,789	30.3	10.2	12.5	1.5	11.4	10.5	2.3	9.0

** Excl Spencers; fully diluted*

- For 1QFY09, we expect CESC to post revenue of Rs7.6b and net profit of Rs739m, up 6.1% YoY.
- CESC is working on 1) 250MW Budge Budge Expansion (expected completion September 2009) and 2) 600MW Haldia power project (coal linkage received, 70% of land acquired, project completion by FY11). Further, recent coal mine allocation (110m ton reserves) can support 1,000MW in Jharkhand to be commissioned by FY12. Thus, CESC' s effective power capacity by end FY12 should stand at 2,825MW v/s 975MW currently.
- Spencer plans to expand its retail space from 1.2msf currently to 4.5msf by March 2010. The company has already tied up for 1.5msf to be commissioned in the coming 12-15 months.
- We expect CESC to report a net profit of Rs3.4b in FY09 (up 8.5% YoY) and Rs3.8b in FY10 (up 10.2% YoY), excluding Spencer. The stock trades at a P/E of 13.8x FY09E and 12.5x FY10E. **Neutral.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**7,170**	**7,300**	**6,760**	**6,380**	**7,568**	**8,013**	**7,271**	**6,826**	**27,770**	**29,678**
Change (%)	*6.4*	*8.1*	*14.0*	*16.6*	*5.5*	*9.8*	*7.6*	*7.0*	*11.6*	*6.9*
EBITDA	**1,300**	**1,410**	**1,550**	**1,260**	**1,400**	**1,563**	**1,709**	**1,935**	**5,560**	**6,606**
Change (%)	*-4.4*	*0.7*	*24.0*	*7.7*	*7.7*	*10.8*	*10.2*	*53.5*	*7.3*	*18.8*
As of % Sales	*18.1*	*19.3*	*22.9*	*19.7*	*18.5*	*19.5*	*23.5*	*28.3*	*20.0*	*22.3*
Depreciation	410	400	430	400	420	450	475	490	1,640	1,835
Interest	390	340	330	310	450	480	540	619	1,370	2,089
Other Income	290	260	270	420	310	330	365	357	1,210	1,362
Extraordinary Income/(Expense)	140	120	0	0	0	0	0	0	0	0
PBT	**930**	**1,050**	**1,060**	**970**	**840**	**963**	**1,059**	**1,183**	**3,760**	**4,044**
Tax	110	120	130	110	101	125	148	232	470	607
Effective Tax Rate (%)	*11.8*	*11.4*	*12.3*	*11.3*	*12.0*	*13.0*	*14.0*	*19.7*	*12.5*	*15.0*
Reported PAT	**820**	**930**	**930**	**860**	**739**	**837**	**910**	**950**	**3,290**	**3,437**
Adjusted PAT	**697**	**820**	**930**	**860**	**739**	**837**	**910**	**950**	**3,290**	**3,437**
Change (%)	*26.7*	*34.8*	*52.5*	*41.0*	*6.1*	*2.1*	*-2.1*	*10.5*	*37.1*	*4.5*

E: MOSt Estimates, Standalone Numbers (excl Spencers Retail)

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National Thermal Power Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	NTPC IN
	REUTERS CODE
S&P CNX: 3,926	NTPC.BO

Equity Shares (m)	8,245.5
52-Week Range	291/149
1,6,12 Rel. Perf. (%)	13/-9/12
M.Cap. (Rs b)	1,257.8
M.Cap. (US$ b)	29.0

3 July 2008

Neutral

Previous Recommendation: Neutral

Rs153

YEAR END*	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	326,317	65,681	8.0	23.6	19.2	2.6	13.9	21.2	3.7	10.3
03/08A	386,350	75,688	9.2	12.8	17.2	2.3	14.3	22.2	3.3	9.2
03/09E	433,520	82,483	10.0	12.9	15.2	2.1	14.7	20.7	3.0	8.7
03/10E	506,099	87,196	10.6	5.7	14.4	2.0	14.2	19.3	2.8	8.1

** Pre Exceptional Earnings*

- We expect NTPC to report revenue of Rs108.4b (up 20.8% YoY) and net profit of Rs19.8b (up 12% YoY) in 1QFY09.
- Power capacity as of March 2008 stood at 29,144MW, up from 27,404MW in March 2007, an addition of 1,770MW. In April 2008, NPTC also commissioned 250MW of Bhilai JV, taking its total capacity to 29,394MW.
- For the Eleventh Plan, NTPC plans to add 22,430MW (1,990MW already operational). Of this, capacity under construction stands at 16,680MW, while 3,760MW are yet to be awarded. The targeted capacity is expected to be ramped up as: FY08 - 1,990MW, FY09 - 2,820MW, FY10 - 3,600MW, FY11- 6,620MW and FY12- 7,400MW.
- NTPC has obtained environmental clearance for Pakri Barwadih mine and has also recently received approval of mining plan from Ministry of Coal. The government has also issued the notification for the land acquisition and the company is in the process of appointing a mine developer-cum-operator (MDO) for the same. Coal production is estimated at 2.34m tons in FY10, 6.17m tons in FY11, 13.98m tons in FY12 and 47m tons by FY17.
- We expect NTPC to report net profit of Rs82.5b in FY09 and Rs87.2b in FY10. The share trades at a P/E of 15.2x FY09E and 14.4x FY10E. Maintain **Neutral.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**89,697**	**80,169**	**93,308**	**107,436**	**108,380**	**86,704**	**106,212**	**132,223**	**386,350**	**433,520**
Change (%)	*25.4*	*17.7*	*14.5*	*21.3*	*20.8*	*8.2*	*13.8*	*23.1*	*18.4*	*12.2*
EBITDA	**26,945**	**27,490**	**29,691**	**28,222**	**30,346**	**29,479**	**33,988**	**35,296**	**114,131**	**129,109**
Change (%)	*35.0*	*49.3*	*31.4*	*20.6*	*12.6*	*7.2*	*14.5*	*25.1*	*13.1*	*13.1*
As of % Sales	*30.0*	*34.3*	*31.8*	*26.3*	*28.0*	*34.0*	*32.0*	*26.7*	*29.5*	*29.8*
Depreciation	4,914	5,134	5,266	6,071	6,339	6,623	6,793	7,274	22,060	27,029
Interest	278	4,964	4,665	8,074	6,050	6,025	6,065	6,076	18,581	24,216
Other Income	7,181	7,323	7,624	7,439	7,540	7,469	7,815	7,289	30,020	30,113
PBT	**28,934**	**24,715**	**27,384**	**21,516**	**25,497**	**24,301**	**28,945**	**29,234**	**103,510**	**107,977**
Tax	5,235	5,460	9,585	8,121	5,737	5,832	6,947	6,978	28,811	25,494
Effective Tax Rate (%)	*18.1*	*22.1*	*35.0*	*37.7*	*22.5*	*24.0*	*24.0*	*23.9*	*27.8*	*23.6*
Reported PAT	**23,699**	**19,255**	**17,799**	**13,395**	**19,760**	**18,469**	**21,998**	**22,256**	**74,699**	**82,483**
Adj. PAT (Pre Exceptional)	**17,648**	**16,269**	**19,898**	**21,766**	**19,760**	**18,469**	**21,998**	**22,256**	**75,688**	**82,483**
Change (%)	*15.2*	*12.9*	*14.3*	*17.4*	*12.0*	*13.5*	*10.6*	*2.3*	*15.2*	*9.0*

E: MOSt Estimates

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PTC India

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	PWTC IN
	REUTERS CODE
S&P CNX: 3,926	PTCI.BO

Equity Shares (m)	227.4
52-Week Range	202/63
1,6,12 Rel. Perf.(%)	-3/-27/14
M.Cap. (Rs b)	15.5
M.Cap. (US$ b)	0.4

3 July 2008

Buy

Previous Recommendation: Buy

Rs68

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	36,307	353	2.3	-13.7	29.2	3.9	13.8	17.7	0.3	34.8
03/08A	39,062	505	2.1	-8.2	31.8	1.0	5.6	6.7	0.3	61.7
03/09E	55,808	885	3.9	81.2	17.5	1.0	5.8	7.6	0.1	23.0
03/10E	81,042	978	4.3	10.5	15.9	1.0	6.2	8.1	0.1	19.2

** Pre-exceptional*

- For 1QFY09, we expect PTC to report revenue of Rs13.4b, up 15.9% YoY, and net profit of Rs173m, up 45.1% YoY. EBITDA is estimated at Rs66m, up 14.6% YoY, with increasing contribution from medium term and long term contracts.
- As of March 2008, the company has signed power purchase agreements (PPA) for 10,500MW (30-35% of projects have achieved financial closure) and MoUs for 28,469MW of power capacity on a long term basis. PTC has also entered into back-to-back power sale agreement for 6,750MW.
- PTC Financial Services (PFS) currently has net worth of Rs3b and has already made initial investments in Indian Energy Exchange (26% stake, Rs65m), 100MW wind power project (37% stake, Rs540m) and 10MW biomass project.
- **Recent developments:** 1) Indian Energy Exchange (IEX, 26% stake by PTC at Rs650m) commenced operation from May 2008 for day ahead trading in power, 2) Athena Ventures (20% stake by PTC) is working on project portfolio of 8,370MW (consisting of 3,000MW hydro projects and 5,370MW of thermal projects), 3) PFS has also invested in 100MW wind power (37% stake at Rs540m) and 10MW biomass projects, and 4) formed a 50:50 JV with Asian Infratech (Co-promoted by Athena Venture, etc) to explore opportunities in coal blocks acquisition in Indonesia.
- We expect PTC to report net profit of Rs885m in FY09 (up 81.2% YoY) and Rs978m in FY10 (up 10.5% YoY). The stock trades at a P/E of 17.5x FY09E and 15.9x FY10E. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Power Traded (MUs)	2,481	4,110	2,075	1,223	2,769	4,845	3,876	2,353	9,889	13,844
Sales	**11,586**	**14,672**	**7,338**	**5,466**	**13,429**	**21,804**	**11,629**	**8,946**	**39,062**	**55,808**
Change (%)	*11.2*	*11.6*	*-9.1*	*-9.3*	*15.9*	*48.6*	*58.5*	*63.7*	*3.7*	*42.9*
EBITDA	**58**	**103**	**16**	**28**	**66**	**111**	**97**	**68**	**205**	**343**
Change (%)	*-34.0*	*8.3*	*-80.2*	*-47.3*	*14.6*	*7.8*	*494.5*	*145.1*	*-35.5*	*67.0*
As of % Sales	*0.5*	*0.7*	*0.2*	*0.5*	*0.5*	*0.5*	*0.8*	*0.8*	*0.5*	*0.6*
Depreciation	7	8	7	7	8	9	9	7	29	33
Interest	3	6	6	1	3	6	5	5	17	19
Other Income	97	64	75	194	150	175	250	269	429	844
Extraordinary Income/(Expense)	0	0	0	-3	0	0	0	0	-3	0
PBT	**144**	**154**	**77**	**215**	**206**	**272**	**333**	**325**	**591**	**1,135**
Tax	25	39	15	23	33	54	67	96	102	250
Effective Tax Rate (%)	*17.4*	*25.3*	*19.9*	*10.6*	*16.0*	*20.0*	*20.0*	*29.5*	*17.3*	*22.0*
Reported PAT	**119**	**115**	**62**	**193**	**173**	**217**	**266**	**229**	**488**	**885**
Adjusted PAT	**119**	**115**	**62**	**193**	**173**	**217**	**266**	**229**	**488**	**885**
Change (%)	*-0.8*	*33.3*	*-28.1*	*230.2*	*45.1*	*88.6*	*330.3*	*19.0*	*38.7*	*81.2*

E: MOSt Estimates

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Reliance Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	RELE IN
	REUTERS CODE
S&P CNX: 3,926	RLEN.BO

Equity Shares (m)	279.4
52-Week Range	2,632/589
1,6,12 Rel. Perf. (%)	-18/-36/29
M.Cap. (Rs b)	201.6
M.Cap. (US$ b)	4.7

3 July 2008

Under Review

Previous Recommendation: Under Review Rs722

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	56,930	8,015	28.7	3.5	25.2	1.9	10.2	8.7	2.6	31.2
3/08A	63,132	7,959	28.5	-0.7	25.3	1.9	11.4	9.8	2.2	28.5
3/09E	70,896	8,950	32.0	12.4	22.5	1.1	11.4	9.8	1.4	11.3
3/10E	85,933	11,503	41.2	28.5	17.5	1.0	11.4	9.8	0.7	5.6

** Consolidated, Fully Diluted*

- For 1QFY09, we expect Reliance Energy to report a revenue of Rs17.9b and a net profit of Rs2.1b, up 55.8% YoY.
- Reliance Infra Ventures currently has portfolio of 9 projects, comprising 5 Road projects in TN (project cost Rs31.6b), 2 Metro Rail projects in Mumbai and Delhi (project cost Rs49b), Township project at Hyderabad (25msf, project cost Rs70b) and SEZ at DAKC, Navi Mumbai (45 acres, project cost Rs7.5b). RIVs equity commitment towards these projects stands at Rs14.6b (excl two real estate projects), of which ~Rs1b has been invested.
- The current order book of EPC division stands at Rs206.5b, comprising 2,400MW EPC power projects, BOP, rural electrification, etc. Recently, the company was awarded EPC contract for Sasan Ultra mega power project by Reliance Power valued at Rs128b. This will be further augmented by EPC contracts for ~30,000MW of project portfolio for Reliance Power.
- Reliance Infrastructure will emerge as the parent company for existing business of Mumbai generation / distribution, IPPs and Delhi Distribution, plus stakes in various SPVs like a) Reliance Infra Ventures, 100% stake (for undertaking Roads, Metros, SEZ and Real Estate development), b) Reliance Power, 45% stake (power generation), c) Reliance Infra Projects, 100% stake (EPC projects), d) Reliance Power Transmission, 100% stake (transmission projects), and e) Reliance Energy Trading, 100% stake (power trading).
- We expect RIL to report net profit of Rs9b in FY09 (up 12.4% YoY) and Rs11.5b in FY10 (up 28.5% YoY). The stock trades at a P/E of 22.5x FY09E and 17.5x FY10E. The stock is **Under Review**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**16,240**	**15,417**	**15,055**	**16,419**	**17,864**	**17,730**	**17,690**	**17,612**	**63,132**	**70,896**
Change (%)	*40.6*	*9.5*	*-1.8*	*1.7*	*10.0*	*15.0*	*17.5*	*7.3*	*10.9*	*12.3*
EBITDA	**376**	**1,813**	**741**	**2,023**	**2,099**	**2,216**	**2,255**	**2,439**	**4,954**	**9,010**
Change (%)	*-71.8*	*2.1*	*-10.4*	*238.3*	*458.4*	*22.2*	*204.3*	*20.5*	*3.1*	*81.9*
As of % Sales	*2.3*	*11.8*	*4.9*	*12.3*	*11.8*	*12.5*	*12.8*	*13.9*	*7.8*	*12.7*
Depreciation	581	556	566	526	650	700	770	773	2,229	2,893
Interest	693	854	854	686	580	630	710	886	3,088	2,806
Other Income	3,599	2,582	3,479	2,220	1,560	1,800	2,300	2,593	11,880	8,253
PBT	**2,701**	**2,985**	**2,800**	**3,031**	**2,429**	**2,686**	**3,075**	**3,373**	**11,517**	**11,563**
Tax (incl contingencies)	485	484	-216	-83	340	416	448	530	671	1,734
Effective Tax Rate (%)	*18.0*	*16.2*	*-7.7*	*-2.7*	*14.0*	*15.5*	*14.6*	*15.7*	*5.8*	*15.0*
Reported PAT	**2,216**	**2,501**	**3,016**	**3,114**	**2,089**	**2,270**	**2,627**	**2,843**	**10,846**	**9,829**
PAT (Pre Exceptionals)	**1,341**	**1,599**	**1,505**	**3,514**	**2,089**	**2,270**	**2,627**	**2,843**	**7,959**	**9,829**
Change (%)	*25.5*	*34.2*	*50.1*	*31.2*	*55.8*	*41.9*	*74.6*	*-19.1*	*7.7*	*23.5*

E: MOSt Estimates; Quarterly numbers are on standalone basis

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Tata Power

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	TPWR IN
	REUTERS CODE
S&P CNX: 3,926	TTPW.BO

Equity Shares (m)	232.9
52-Week Range	1,641/645
1,6,12 Rel. Perf.(%)	-2/-2/62
M.Cap. (Rs b)	234.4
M.Cap. (US$ b)	5.4

3 July 2008

Buy

Previous Recommendation: Buy Rs1,007

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	47,153	5,744	27.0	26.2	37.3	3.7	9.5	4.8	4.7	30.3
03/08A	59,159	6,851	32.2	19.3	31.2	3.1	7.6	6.4	4.3	27.1
03/09E	59,675	14,442	67.9	110.8	14.8	2.9	8.0	7.3	4.2	21.9
03/10E	64,835	22,348	96.0	41.3	10.5	2.4	9.0	8.6	3.9	16.6

** Consolidated including share of profit from Bumi Resources, Pre Exceptionals, Fully Diluted*

- For 1QFY09, we expect Tata power to report revenue of Rs19.8b (up 31% YoY), EBIDTA of Rs3.2b (up 9.1% YoY) and net profit of Rs1.8b (up 0.6% YoY).

- **Update on project progress:** 1) Financial closure for the Mundra power project is achieved and equipment order for the entire project has been placed. Also, significant land for the project is acquired by the company and civil construction work on project has commenced, 2) the company has entered into long term contract for three ships for the import of coal for Mundra, coastal Maharashtra project, etc and has also taken option to acquire four ships, 3) financial closure for the Maithon power project is achieved and equipment orders have been placed, 4) 250MW Trombay unit is likely to be commissioned by October 2008, and 5) 90MW Phase 1 Haldia power project commissioned in 1QFY09. The management indicated that total capacity addition expected in FY09 is ~600MW, comprising Haldia (120MW), Trombay (250MW), Wind (100MW), and Jojobera (120MW).

- We expect Tata power to report consolidated net profit of Rs14.4b for FY09 and Rs22.3b in FY10. The stock trades at a P/E of 14.8x FY09E and 10.5x FY10E. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Operating Income	**15,115**	**13,506**	**14,194**	**16,345**	**19,800**	**13,911**	**14,762**	**11,203**	**59,159**	**59,675**
Change (%)	*9.8*	*12.5*	*18.2*	*39.5*	*31.0*	*3.0*	*4.0*	*-31.5*	*19.8*	*0.9*
EBITDA	**2,903**	**2,614**	**2,682**	**1,426**	**3,168**	**2,713**	**2,805**	**2,747**	**9,624**	**11,432**
Change (%)	*12.5*	*4.7*	*27.2*	*-37.7*	*9.1*	*3.8*	*4.6*	*92.7*	*1.6*	*18.8*
As of % Sales	*19.2*	*19.4*	*18.9*	*8.7*	*16.0*	*19.5*	*19.0*	*24.5*	*16.3*	*19.2*
Depreciation	714	709	705	777	805	825	900	906	2,905	3,436
Interest	594	414	386	282	490	475	525	499	1,676	1,989
Other Income	685	1,404	368	2,202	375	425	475	531	4,658	1,806
PBT	**2,279**	**2,895**	**1,960**	**2,568**	**2,248**	**1,838**	**1,855**	**1,874**	**9,701**	**7,814**
Tax	377	320	-13	318	405	349	371	444	1,002	1,569
Effective Tax Rate (%)	*16.5*	*11.1*	*-0.7*	*12.4*	*18.0*	*19.0*	*20.0*	*23.7*	*10.3*	*20.1*
Reported PAT	**1,902**	**2,574**	**1,973**	**2,250**	**1,843**	**1,488**	**1,484**	**1,430**	**8,699**	**6,245**
Adjusted PAT	**1,832**	**1,634**	**1,496**	**-23**	**1,843**	**1,488**	**1,484**	**1,430**	**4,940**	**6,245**
Change (%)	*62.2*	*-2.8*	*24.2*	*-103.6*	*0.6*	*-8.9*	*-0.8*	*N.A.*	*6.1*	*26.4*

E: MOSt Estimates

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Ashapura Minechem

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	ASMN IN
	REUTERS CODE
S&P CNX: 3,926	ASHM.BO

Equity shares (m)	78.9
52-Week Range	445/111
1, 6, 12 Rel. Perf. (%)	-29/-38/-27
M. Cap. (Rs b)	8.9
M. Cap. (US$ b)	0.2

3 July 2008

Buy

Previous Recommendation: Neutral

Rs112

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	12,724	1,302	16.6	37.0			47.4	45.4		
03/08A	17,387	1,619	20.5	23.3	5.5	1.6	33.8	39.0	0.5	3.9
03/09E	26,027	3,377	42.8	108.6	2.6	1.0	47.7	59.0	0.3	1.8
03/10E	34,609	4,748	60.2	40.6	1.9	0.7	43.8	54.4	0.2	0.9

Consolidated

- Ashapura is well-placed to benefit from buoyant demand for bauxite from alumina refineries in coastal China. However, in the near term, it is adversely affected by company-specific factors such as (1) lower realization on bauxite due to higher moisture content, and (2) withholding of export permits by Gujarat state authorities, due to issues such as royalties.
- The company issued a notification to the stock exchanges stating that its bauxite volumes in 1Q and 2QFY09 will be adversely affected because of the export permits issue.
- We have lowered our FY09E bauxite volume assumption from 10m tonnes to 7m tonnes. We have also lowered our contribution to US$11 per tonne (US$12 earlier), to factor in higher freight cost following recent hike in Indian diesel prices. As a result, we have downgraded our FY09E EPS by 17%.
- We have also lowered FY10E bauxite volume from 12m tonnes to 10m tonnes, and contribution to US$12 per tonne (US$13 earlier). We have lowered our FY10E EPS by 6%.
- The stock trades at an attractive P/E of 2.6x and EV/EBITDA of 1.8x FY09E. Our SOTP target price of Rs281 offers 151% upside from current levels. **Buy.**

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Income	**4,270**	**4,459**	**4,115**	**4,543**	**4,685**	**4,945**	**7,287**	**9,109**	**17,387**	**26,027**
Change (%)	*-7.5*	*77.6*	*90.8*	*31.9*	*9.7*	*10.9*	*77.1*	*100.5*	*36.6*	*49.7*
Total Expenses	3,688	3,753	3,588	4,140	4,029	4,228	6,194	7,778	15,169	21,741
EBITDA	**581**	**706**	**527**	**403**	**656**	**717**	**1,093**	**1,331**	**2,218**	**4,286**
Change (%)	*18.4*	*118.1*	*-1.8*	*-38.2*	*12.8*	*1.5*	*107.3*	*230.1*	*10.7*	*93.3*
EBITDA Margin (%)	*13.6*	*15.8*	*12.8*	*8.9*	*14.0*	*14.5*	*15.0*	*14.6*	*12.8*	*16.5*
Depreciation	21	12	18	40	43	43	43	43	91	173
Interest	32	37	35	27	35	37	55	68	131	196
Other Income	9	19	45	25	25	25	20	27	97	97
PBT	**538**	**676**	**519**	**360**	**602**	**662**	**1,015**	**1,246**	**2,093**	**4,014**
Tax	154	142	77	104	109	120	183	225	477	637
Tax/PBT (%)	*28.6*	*20.0*	*16.0*	*29.0*	*18.1*	*18.1*	*18.1*	*18.1*	*22.8*	*15.9*
Consolidated PAT	**384**	**534**	**442**	**256**	**493**	**542**	**831**	**1,021**	**1,619**	**3,377**
Adjusted PAT	**384**	**534**	**442**	**256**	**493**	**542**	**831**	**1,021**	**1,619**	**3,377**
Change (%)	*10.2*	*149.4*	*32.2*	*-36.9*	*28.6*	*1.4*	*88.3*	*299.1*	*24.3*	*108.6*
PAT Margin (%)	*9.0*	*12.0*	*10.7*	*5.6*	*10.5*	*11.0*	*11.4*	*11.2*	*9.3*	*13.0*

E: MOSt Estimates

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Blue Star

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BLSTR IN
	REUTERS CODE
S&P CNX: 3,926	BLUS.BO

Equity shares (m)	89.9
52-Week Range	548/234
1, 6, 12 Rel. Perf. (%)	0/3/55
M. Cap. (Rs b)	30.9
M. Cap. (US$ b)	0.7

3 July 2008

Buy

Previous Recommendation: Buy

Rs344

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	16,013	712	7.9	45.6			36.9	36.1		
03/08A	22,330	1,468	16.3	106.2	21.1	11.7	73.1	58.4	1.4	13.3
03/09E	30,340	2,163	24.0	47.4	14.3	8.0	66.7	83.5	1.0	9.3
03/10E	39,442	2,935	32.6	35.7	10.5	5.6	62.6	83.0	0.8	6.8

- Blue Star's total order book at the beginning of 1QFY09 was Rs11.3b, up 50% YoY. This includes MEP orders worth Rs0.9b through its acquisition of Naseer Electricals. Even adjusted for this, order book growth is robust at 38% YoY.
- For FY09E and FY10E, we also factor in contribution from electrical contracting business. We expect it to contribute Rs1.2b in FY09E and Rs1.6b in FY10E. In 1QFY09E, we expect share of electrical contracting to be Rs310m. Accordingly, we expect total sales in 1QFY09E to be up 43% YoY to Rs6.6b.
- Rising commodity prices have offset Blue Star' s various initiatives to steadily improve EBITDA margin. We expect high metal prices to impact 1QFY09 EBITDA margin and factor in 20bp YoY drop to 8%.
- Factoring in normal increase in depreciation and interest cost, we expect PAT of Rs307m, up 38% YoY.
- Our EPS for FY09E stands upgraded by 1% to Rs24 and for FY10E up 3% to Rs32.6. The stock trades at a P/E of 14.3x FY09E and 10.5x FY10E. We maintain **Buy** with a target of Rs653 (20x FY10E), 90% upside.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Operating Income	**4,623**	**5,478**	**5,149**	**7,081**	**6,597**	**7,760**	**7,312**	**9,911**	**22,330**	**31,580**
Change (%)	*48.0*	*45.7*	*39.1*	*30.4*	*42.7*	*41.7*	*42.0*	*40.0*	*39.5*	*41.4*
Total Expenses	4,243	4,794	4,592	6,357	6,091	6,873	6,492	8,762	19,985	28,218
EBITDA	**379**	**684**	**557**	**725**	**506**	**886**	**820**	**1,150**	**2,345**	**3,362**
Change (%)	*139.4*	*108.4*	*134.3*	*63.0*	*33.4*	*29.6*	*47.2*	*58.7*	*100.6*	*43.4*
EBITDA Margin (%)	*8.2*	*12.5*	*10.8*	*10.2*	*8.0*	*11.9*	*11.7*	*12.0*	*10.5*	*11.1*
Depreciation	50	52	55	62	65	70	70	76	220	281
Interest	22	16	16	22	14	14	14	14	76	54
Other Income	1	8	1	7	5	5	5	5	17	20
Extraordinary Inc/ (Exp)	0	0	0	353	0	0	0	0	353	0
PBT	**308**	**624**	**487**	**1,001**	**432**	**808**	**742**	**1,064**	**2,420**	**3,046**
Tax	85	164	133	297	125	234	215	309	679	883
Tax/PBT (%)	*27.5*	*26.3*	*27.3*	*29.7*	*29.0*	*29.0*	*29.0*	*29.0*	*28.1*	*29.0*
Reported PAT	**223**	**460**	**354**	**704**	**307**	**574**	**527**	**756**	**1,741**	**2,163**
Adjusted PAT	**223**	**460**	**354**	**430**	**307**	**574**	**527**	**756**	**1,423**	**2,163**
Change (%)	*205.8*	*149.8*	*208.2*	*26.7*	*37.5*	*24.8*	*48.6*	*75.6*	*99.9*	*47.4*
PAT Margin (%)	*4.8*	*8.4*	*6.9*	*6.1*	*4.9*	*7.7*	*7.5*	*7.9*	*6.4*	*7.1*

E: MOSt Estimates

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Bombay Rayon

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	BRFL IN
	REUTERS CODE
S&P CNX: 3,926	BRFL.BO

Equity shares (m)	63.0
52-Week Range	418/185
1, 6, 12 Rel. Perf. (%)	-2/13/22
M. Cap. (Rs b)	17.8
M. Cap. (US$ b)	0.4

3 July 2008

Buy

Previous Recommendation: Buy

Rs283

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	4,894	544	8.6	133.8			17.1	15.3		
03/08A	9,261	1,121	16.2	87.8	17.4	2.7	20.2	15.8	2.7	11.9
03/09E	15,644	1,817	26.3	62.2	10.8	2.2	22.7	16.2	2.1	9.2
03/10E	24,098	2,995	43.3	64.8	6.5	1.7	29.4	20.0	1.4	5.5

- In 1QFY09, Bombay Rayon entered into a €33m deal to acquire the Italian GURU brand of clothing and accessories. BRFL claims GURU is a €80-90m brand, with a PAT margin of 15-20%. Bombay Rayon now straddles a significant part of the fashion value chain – low-cost manufacturing in India to high-visibility branding in Europe.
- Without factoring in the GURU acquisition, we expect Bombay Rayon to clock FY08-10E EPS CAGR of 63%, driven by -
  - acquisition of Leela Scottish Lace in August 2007 (15m garments per annum),
  - acquisition of LNJ Apparels in October 2007 (1.8m trousers per annum) and Maryan Apparel in March 2008 (2.4m garments)
  - mega expansion plan in Maharashtra, to be commissioned by mid-FY09 (30m garments and 180m meters fabric per annum).
- In 1QFY09, we expect a strong 69% YoY growth in sales, 98% growth in EBITDA and 90% growth in PAT. For full year FY09, we expect over 69% growth in standalone sales and 62% growth in PAT.
- We value standalone Bombay Rayon at Rs520 (12x FY10E), Leela Lace at Rs68 (12x FY10E) and LNJ Apparels at Rs11 (based on DCF). Our 18-month target of Rs599 offers 112% upside from current levels. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Income	**2,013**	**2,246**	**2,388**	**2,615**	**3,399**	**3,790**	**4,029**	**4,426**	**9,261**	**15,644**
Change (%)	*147.8*	*117.5*	*81.4*	*50.9*	*68.9*	*68.7*	*68.8*	*69.2*	*89.2*	*68.9*
Total Expenses	1,617	1,754	1,858	1,917	2,614	2,888	3,166	3,322	7,146	11,991
EBITDA	**396**	**492**	**529**	**698**	**785**	**902**	**863**	**1,104**	**2,115**	**3,653**
Change (%)	*158.1*	*146.8*	*92.7*	*138.5*	*98.3*	*83.2*	*63.1*	*58.1*	*130.0*	*72.7*
EBITDA Margin (%)	*19.7*	*21.9*	*22.2*	*26.7*	*23.1*	*23.8*	*21.4*	*24.9*	*22.8*	*23.4*
Depreciation	65	66	76	112	90	100	213	213	319	616
Interest	54	67	77	61	111	124	132	145	258	511
Other Income	40	16	16	-23	16	16	18	20	49	70
Extraordinary Inc/ (Exp)	0	78	50	0	0	0	0	0	128	0
PBT	**317**	**454**	**442**	**503**	**599**	**694**	**537**	**766**	**1,716**	**2,596**
Tax	97	147	96	165	180	208	161	230	505	779
Tax/PBT (%)	*30.4*	*32.4*	*21.8*	*32.7*	*30.0*	*30.0*	*30.0*	*30.0*	*29.4*	*30.0*
PAT	**221**	**307**	**346**	**338**	**420**	**486**	**376**	**536**	**1,211**	**1,817**
Adjusted PAT	**221**	**251**	**310**	**338**	**420**	**486**	**376**	**536**	**1,121**	**1,817**
Change (%)	*174.6*	*127.0*	*125.6*	*57.0*	*90.3*	*93.2*	*21.0*	*58.5*	*106.0*	*62.2*
PAT Margin (%)	*11.0*	*11.2*	*13.0*	*12.9*	*12.3*	*12.8*	*9.3*	*12.1*	*12.1*	*11.6*

E: MOSt Estimates

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Everest Kanto Cylinders

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	EKCL IN
	REUTERS CODE
S&P CNX: 3,926	EKCL.BO

Equity shares (m)	101.2
52-Week Range	385/188
1, 6, 12 Rel. Perf. (%)	1/5/27
M. Cap. (Rs b)	26.1
M. Cap. (US$ b)	0.6

3 July 2008

Buy

Previous Recommendation: Buy

Rs258

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	4,251	718	7.4	95.5			31.7	34.4		
03/08A	5,287	1,064	10.5	43.1	24.5	5.4	27.2	24.0	5.4	18.7
03/09E	9,125	1,488	14.1	33.8	18.3	3.6	24.2	23.0	3.4	12.0
03/10E	13,284	2,242	21.2	50.6	12.2	2.9	26.6	26.5	2.3	7.9

- Everest Kanto Cylinders (EKCL) is timely expanding capacities to ride the booming global demand for CNG cylinders. It recently commissioned its China unit with a capacity of 200,000 cylinders. Further, its expansion at Gandhidham (billet-piercing technology and jumbo cylinders) is expected to start commercial production by 3QFY09. Also, plate-based cylinders unit in Kandla SEZ is scheduled to commence in 2QFY10.
- In March 2008, Everest Kanto acquired CP Industries, the pressure vessels (or jumbo cylinders) division of Reunion Industries of US. With this acquisition, EKCL has established its presence across major markets such as India, China, Dubai and USA.
- The demand environment for cylinders continues to be strong. EKCL expects India and China to be the key markets driving growth, eg it expects the number of gas stations in China to increase from 300 at present to about 3,000 in the next few years. Overall, it expects revenue CAGR of 45-50% for the next 3-5 years.
- For 1QFY09, we expect consolidated sales of Rs1.9b, up 73% YoY, EBITDA margin of 28% (blend of EKC's 29-30% and CPI's 20-25%) and PAT of Rs309m, up 39% YoY.
- The stock is trading at 18.3x FY09E and 12.2x FY10E consolidated earnings. We believe Everest Kanto's high growth with healthy RoE will sustain rich valuation. We maintain **Buy** with a target of Rs424 (20x FY10E).

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Income	**1,113**	**1,277**	**1,255**	**1,642**	**1,921**	**2,204**	**2,166**	**2,833**	**5,287**	**9,125**
Change (%)	*39.9*	*27.6*	*12.3*	*22.9*	*72.6*	*72.6*	*72.6*	*72.6*	*24.4*	*72.6*
Total Expenses	805	881	796	1,280	1,383	1,587	1,560	2,040	3,761	0
EBITDA	**309**	**397**	**460**	**362**	**538**	**617**	**606**	**793**	**1,527**	**2,554**
Change (%)	*39.6*	*50.8*	*44.4*	*5.7*	*74.2*	*55.6*	*32.0*	*119.0*	*33.4*	*67.3*
EBITDA Margin (%)	*27.7*	*31.0*	*36.6*	*22.1*	*28.0*	*28.0*	*28.0*	*28.0*	*28.9*	*28.0*
Depreciation	43	49	83	39	100	110	120	146	215	476
Interest	16	26	29	0	65	70	75	77	71	287
Other Income	9	19	25	12	10	10	15	15	66	50
Extraordinary inc/ (exp)	0	12	3	-36	0	0	0	0	-21	0
PBT	**259**	**353**	**375**	**299**	**383**	**447**	**426**	**585**	**1,285**	**1,841**
Tax	36	69	80	57	73	86	82	112	243	353
Tax/PBT (%)	*14.0*	*19.6*	*21.4*	*19.1*	*19.2*	*19.2*	*19.2*	*19.2*	*18.9*	*19.2*
PAT	**223**	**284**	**294**	**242**	**309**	**361**	**345**	**473**	**1,043**	**1,488**
Adjusted PAT	**223**	**272**	**292**	**278**	**309**	**361**	**345**	**473**	**1,064**	**1,488**
Change (%)	*94.0*	*99.6*	*43.2*	*5.7*	*39.0*	*33.1*	*18.2*	*70.1*	*48.3*	*39.9*
PAT Margin (%)	*20.0*	*21.3*	*23.2*	*16.9*	*16.1*	*16.4*	*15.9*	*16.7*	*20.1*	*16.3*

E: MOSt Estimates

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Great Offshore

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	GOFF IN
	REUTERS CODE
S&P CNX: 3,926	GOFS.BO

Equity Shares (m)	38.1
52-Week Range	1,150/466
1, 6 Rel. Perf. (%)	-12/-18/-33
M. Cap. (Rs b)	18.0
M. Cap. (US$ b)	0.4

3 July 2008

Under Review

Previous Recommendation: Under Review Rs472

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	5,822	1,452	38.1	49.6			23.5	14.1		
03/08A	7,459	1,409	37.0	-3.0	12.8	2.4	27.3	10.0	3.6	8.7
03/09E	8,756	3,008	72.1	95.1	6.6	1.5	25.0	14.4	3.0	5.4
03/10E	11,046	3,286	78.7	9.2	6.0	1.3	22.0	15.8	2.1	3.8

- We expect FY09 to be significantly better than FY08 due to (1) full year's working of drill barge, *Badrinath* (which was under dry dock for almost the whole of 1HFY08), and (2) full-year's working of MSV *Malaviya Thirty-Six*, (3) commissioning of HLCV (heavy load carrier vessel), *Malaviya Thirty-Three*, and (4) overall buoyancy in OSV day-rates and utilization.
- Our numbers capture the above by way of 57% growth in FY09 EBITDA on the back of just 17.4% growth in consolidated revenue, implying margin expansion. (Note: Quarterly numbers are not comparable as we monitor consolidated numbers whereas the company declares only standalone numbers for quarters.)
- During the quarter, Great Offshore announced a change in its overseas acquisition plans. It now plans to acquire only one ultra deepwater, semi-submersible rig, instead of the earlier planned two. Other details are still not public.
- The stock trades at a P/E of 6.6x FY09E and 6x FY10E. Our target price and rating remains under review, as we await details on the acquisition which, we believe, will have a major impact on earnings and the balance sheet.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY08 (STANDALONE)				FY09E (CONSOLIDATED)				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	CONS.	CONS.
Operating Income	**1,450**	**1,523**	**1,940**	**1,850**	**1,958**	**2,056**	**2,350**	**2,392**	**7,459**	**8,756**
Change (%)	*29.2*	*19.9*	*30.8*	*23.9*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*28.1*	*17.4*
Total Expenses	810	801	928	1,120	862	906	1,035	1,053	4,335	3,856
EBITDA	**640**	**722**	**1,012**	**730**	**1,095**	**1,151**	**1,315**	**1,338**	**3,124**	**4,899**
Change (%)	*10.5*	*15.7*	*40.2*	*7.2*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*18.9*	*56.8*
EBITDA Margin (%)	*44.1*	*47.4*	*52.2*	*39.5*	*56.0*	*56.0*	*56.0*	*56.0*	*41.9*	*56.0*
Depreciation	236	231	263	255	280	310	330	351	986	1,271
Interest	136	145	211	163	100	125	150	179	684	554
Other Income	83	90	58	20	95	120	135	125	215	475
Extraordinary Inc/ (Exp)	207	83	18	180	0	0	0	0	520	0
PBT	**557**	**519**	**615**	**512**	**810**	**836**	**970**	**933**	**2,190**	**3,549**
Tax	-4	23	64	88	83	86	100	96	173	366
Tax/PBT (%)	*-0.8*	*4.4*	*10.4*	*17.2*	*10.3*	*10.3*	*10.3*	*10.3*	*7.9*	*10.3*
Reported PAT	**562**	**496**	**551**	**424**	**727**	**750**	**870**	**837**	**2,016**	**3,184**
Adjusted PAT *	**355**	**413**	**533**	**156**	**727**	**750**	**870**	**662**	**1,409**	**3,008**
Change (%)	*1.0*	*6.4*	*41.8*	*-47.8*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*-3.0*	*113.6*
PAT Margin (%)	*24.4*	*27.1*	*27.4*	*8.4*	*37.1*	*36.5*	*37.0*	*27.7*	*18.9*	*34.4*

*E: MOSt Estimates; # Standalone * Adjusted PAT is net of extraordinary items and preference dividend (including dividend tax)*

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Greaves Cotton

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	GRV IN
	REUTERS CODE
S&P CNX: 3,926	GRVL.BO

Equity shares (m)	48.8
52-Week Range	466/165
1, 6, 12 Rel. Perf. (%)	-8/-24/-37
M. Cap. (Rs b)	8.3
M. Cap. (US$ b)	0.2

3 July 2008

Buy

Previous Recommendation: Buy

Rs170

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
06/07A	10,867	1,216	24.9	63.3	6.8	2.8	48.0	47.7	0.6	4.8
06/08E	12,227	1,083	22.2	-11.0	7.4	2.3	33.8	40.2	0.6	4.6
06/09E	15,777	1,356	27.8	25.3	6.1	1.8	33.0	49.1	0.4	3.2
06/10E	19,160	1,755	35.9	29.4	4.7	1.5	34.2	49.9	0.3	2.3

- We expect Greaves to report 22% YoY growth in 4QFY08 net sales. This is led by (1) higher auto engine sales due to 8% YoY growth in 3-wheeler production and (2) 69% growth in infrastructure equipment sales.
- EBITDA margin is expected to improve by 160bp YoY to 12.6% on account of higher auto engine volumes compared to last year. This translates into PBT growth of 30% YoY. However, expected PAT of Rs228m is down 33% YoY, primarily on account of higher tax outgo (in 4QFY07, the company had claimed MAT credit for the full year).
- Greaves has lined up a new range of engines and infrastructure equipment. It has also expanded capacities for most of its products. We expect the full benefit of this to be felt from FY09.
- The stock is currently trading at 6.1x FY09E EPS of Rs27.8. We maintain **Buy** with a target of Rs333 (12x FY09E).

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E JUNE	FY07				FY08				FY07#	FY08E#
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales*	**2,488**	**2,835**	**2,856**	**2,482**	**2,723**	**3,001**	**2,995**	**3,026**	**10,867**	**12,227**
Change (%)	*30.9*	*36.6*	*35.0*	*10.7*	*9.5*	*5.9*	*4.9*	*21.9*	*30.2*	*12.5*
Total Expenses	2,093	2,361	2,377	2,208	2,374	2,571	2,556	2,645	9,237	10,563
EBITDA	**395**	**474**	**478**	**273**	**350**	**429**	**439**	**380**	**1,630**	**1,664**
Change (%)	*33.5*	*39.8*	*54.0*	*-14.9*	*-11.5*	*-9.4*	*-8.2*	*39.1*	*22.1*	*2.1*
EBITDA Margin (%)	*15.9*	*16.7*	*16.8*	*11.0*	*12.8*	*14.3*	*14.7*	*12.6*	*15.0*	*13.6*
Depreciation	37	39	42	42	50	51	54	73	176	239
Interest	32	51	41	32	55	49	33	53	187	195
Other Income	21	28	26	58	25	21	32	80	174	163
PBT	**348**	**412**	**421**	**257**	**270**	**350**	**420**	**335**	**1,440**	**1,429**
Tax	102	114	82	-84	32	56	116	107	224	310
Tax/PBT (%)	*29.4*	*27.6*	*19.5*	*-32.6*	*11.8*	*15.9*	*27.5*	*31.9*	*15.6*	*21.7*
Reported PAT	**246**	**298**	**339**	**341**	**238**	**295**	**305**	**228**	**1,216**	**1,119**
Adjusted PAT	**246**	**298**	**339**	**341**	**238**	**295**	**269**	**228**	**1,216**	**1,083**
Change (%)	*66.4*	*66.3*	*59.3*	*53.1*	*-3.1*	*-1.1*	*-20.8*	*-33.1*	*63.3*	*-11.0*
PAT Margin (%)	*9.9*	*10.5*	*11.9*	*13.7*	*8.7*	*9.8*	*9.0*	*7.5*	*11.2*	*8.9*

*E: MOSt Estimates; * - net of estimated excise; # Consolidated*

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TajGVK Hotels

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	TAJG IN
	REUTERS CODE
S&P CNX: 3,926	TAJG.BO

Equity shares (m)	62.7
52-Week Range	205/95
1, 6, 12 Rel. Perf. (%)	-12/-12/-27
M. Cap. (Rs b)	6.2
M. Cap. (US$ b)	0.1

3 July 2008

Buy

Previous Recommendation: Buy

Rs98

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	2,429	644	10.3	39.7	9.6	3.2	37.3	41.2	2.7	5.8
03/08A	2,574	705	11.2	9.5	8.7	2.6	32.6	37.7	2.7	5.6
03/09E	3,297	876	14.0	24.3	7.0	2.1	32.5	39.4	2.1	4.3
03/10E	3,855	1,016	16.2	15.9	6.1	1.7	30.5	39.3	1.8	3.6

- TajGVK Hotels is the market leader among the Hyderabad hoteliers. It operates three 5-star hotels in Hyderabad with 526 rooms out of 1,500 rooms in the city. It also operates one 5-star hotel in Chandigarh with 152 rooms out of 325 rooms in the city.
- The April-June quarter is one of the weaker quarters for the hotel industry. However, we expect the occupancy rates to remain higher at 75% in 1QFY09 as against 73% in 1QFY08 on account of Indian Premier League (IPL) cricket matches, which were held at Hyderabad and Chandigarh during the quarter. We have factored in a marginal improvement in ARRs to Rs7,800 in 1QFY09 from Rs7,200 in 1QFY08 on account of shift to rupee tariff in October 2007.
- The new 215-room Chennai hotel property, which was expected to be operational in May 2008, has been delayed to July 2008 due to pending government approvals.
- The stock trades at a P/E of 8.7x FY08, 7x FY09E and 6.1x FY10E. We believe valuation is extremely attractive, considering (1) TajGVK's predominantly owned properties, (2) 20% EPS CAGR through FY10E, (3) 30%+ RoE, and (4) 30-35% dividend payout. Our target price is Rs209, based on average of P/E (Rs207 at 13x FY10E), DCF (Rs214) and EV/Room basis (Rs206). The stock offers 113% upside from current levels. We maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY08				FY09E				FY08	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4Q		
Net Sales	**565**	**591**	**705**	**713**	**633**	**720**	**952**	**991**	**2,576**	**3,297**
Change (%)	*-7.3*	*4.5*	*21.6*	*5.3*	*12.0*	*21.8*	*35.2*	*39.0*	*6.0*	*28.0*
Total Expenses	306	315	377	358	341	382	495	489	1,355	1,707
EBITDA	**259**	**277**	**328**	**355**	**293**	**339**	**457**	**502**	**1,221**	**1,590**
Change (%)	*-8.7*	*4.0*	*21.9*	*5.8*	*-8.7*	*4.0*	*21.9*	*5.8*	*7.0*	*30.2*
EBITDA Margin (%)	*45.9*	*46.8*	*46.5*	*49.8*	*46.2*	*47.0*	*48.0*	*50.6*	*47.4*	*48.2*
Depreciation	30	27	29	38	34	50	55	61	124	199
Interest	7	7	7	8	9	13	13	17	28	51
Other Income	7	3	4	3	2	2	2	2	16	9
PBT	**229**	**246**	**295**	**312**	**252**	**278**	**391**	**426**	**1,084**	**1,348**
Tax	78	86	103	113	89	98	136	148	378	472
Tax/PBT (%)	*34.1*	*34.9*	*34.9*	*36.0*	*35.4*	*35.2*	*34.9*	*34.8*	*34.9*	*35.0*
Reported PAT	**151**	**160**	**192**	**200**	**163**	**180**	**255**	**278**	**706**	**876**
Adjusted PAT	**151**	**160**	**192**	**200**	**163**	**180**	**255**	**278**	**706**	**876**
Change (%)	*-1.4*	*8.1*	*26.7*	*6.3*	*8.2*	*12.7*	*32.6*	*39.1*	*9.7*	*24.1*
PAT Margin (%)	*26.7*	*27.1*	*27.3*	*28.0*	*25.8*	*25.0*	*26.8*	*28.1*	*27.4*	*26.6*

E: MOSt Estimates

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United Phosphorus

STOCK INFO.	BLOOMBERG
BSE Sensex: 13,094	UNTP IN
	REUTERS CODE
S&P CNX: 3,926	UNPO.BO

Equity Shares (m)	211.7
52-Week Range (Rs)	425/228
1,6,12 Rel. Perf. (%)	-3/7/-4
M.Cap. (Rs b)	56.6
M.Cap. (US$ b)	1.3

3 July 2008

Buy

Previous Recommendation: Buy

Rs267

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	24,710	2,884	14.3	33.9	18.6	3.4	20.8	13.9	2.8	11.6
03/08A	37,617	3,954	15.4	7.6	17.3	2.7	22.0	16.6	1.6	7.9
03/09E	43,075	5,865	22.9	48.3	11.7	2.1	24.8	22.1	1.3	5.7
03/10E	48,825	7,447	29.1	27.0	9.2	1.7	24.9	24.8	1.0	4.3

Excluding Advanta & Cerexagri

- United Phosphorus (UPL) is expected to report 13.5% YoY growth in consolidated revenue to Rs9.6b, driven primarily by 16% growth in domestic business and 13% growth in international business.
- EBITDA margin is expected to improve 190bp to 22%, benefiting from restructuring of Cerexagri. Further, lower depreciation (by 18%) on account of write-off of intangible assests against reserves and lower interest (by 14%) will boost PAT growth by 60% to Rs1.17b. However, after accounting for Rs49m of share of profit from Advanta, reported PAT grew 65% to Rs1.22b.
- Raw material supply and cost continues to be a key challenge for the management. Globally, prices of key raw materials (chemicals) have been increasing due to increase in petro prices and erratic supply from China (20-25% of its requirement is sourced from China).
- The improvement in financial performance driven by synergies of integration with Cereagri and deployment of funds in business (as it would impact EPS and return ratios in the interim) would act as catalyst for the stock performance. Valuations at 11.7x FY09E EPS (fully diluted) and 5.7x FY09E EV/EBITDA do not reflect growth potential (both organic and inorganic) for the company. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY08*				FY09E				FY08*	FY09E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Revenues	**8,450**	**8,867**	**8,094**	**12,206**	**9,594**	**10,058**	**9,182**	**14,240**	**37,617**	**43,075**
YoY Change (%)	*75.9*	*71.5*	*67.2*	*23.3*	*13.5*	*13.4*	*13.4*	*16.7*	*52.2*	*14.5*
Total Expenditure	6,754	7,123	6,628	9,745	7,483	7,896	7,254	10,794	30,250	33,427
EBITDA	**1,697**	**1,743**	**1,466**	**2,461**	**2,111**	**2,162**	**1,928**	**3,446**	**7,367**	**9,648**
Margins (%)	*20.1*	*19.7*	*18.1*	*20.2*	*22.0*	*21.5*	*21.0*	*24.2*	*19.6*	*22.4*
Depreciation	505	503	487	28	415	405	405	401	1,522	1,626
Interest	320	331	294	743	275	260	250	211	1,688	996
PBT before EO Expense	**872**	**910**	**685**	**1,689**	**1,421**	**1,497**	**1,273**	**2,834**	**4,156**	**7,026**
Extra-Ord Expense	0	0	0	1,144	0	0	0	0	1,144	0
PBT after EO Expense	**872**	**910**	**685**	**545**	**1,421**	**1,497**	**1,273**	**2,834**	**3,013**	**7,026**
Tax	139	10	22	-10	185	135	357	167	161	1,124
Deferred Tax	0	102	179	-18	64	60	51	86	263	281
Rate (%)	*15.9*	*12.3*	*29.4*	*-5.2*	*17.5*	*13.0*	*32.0*	*8.9*	*14.1*	*20.0*
Reported PAT	**733**	**798**	**484**	**574**	**1,172**	**1,303**	**866**	**2,581**	**2,589**	**5,621**
Income from Associate Co	4	85	2	131	49	100	10	85	222	245
Adjusted PAT	**738**	**883**	**485**	**1,848**	**1,221**	**1,403**	**876**	**2,666**	**3,954**	**5,865**
YoY Change (%)	*36.5*	*34.6*	*36.1*	*38.4*	*65.5*	*58.9*	*80.4*	*44.3*	*37.1*	*48.3*
Margins (%)	*8.7*	*10.0*	*6.0*	*15.1*	*12.7*	*13.9*	*9.5*	*18.7*	*10.5*	*13.6*

*E: MOSt Estimates; *Excludes Cerexagri' s restructuring cost*

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Disclosure of Interest Statement

The MOSt group and its Directors own shares in the following companies covered in this report: Aventis Pharma, Bharat Electronics, Bharti Airtel, Birla Corporation, GSK Pharma, Hero Honda, IOC, Marico, Pfizer, Ranbaxy Labs., Siemens, State Bank, Tata Motors and Tata Steel.

MOSt has broking relationships with a few of the companies covered in this report.

MOSt is engaged in providing investment-banking services in the following companies covered in this report: Alok Industries, Great Offshore and Karnataka Bank