ENAM Securities
India Research

Sensex: 17,022
Nifty: 5,113

# India Strategy

## Global volatility in ST, but LT India best poised – time to rebuild Core portfolio !

### A tough climb for India in the immediate term …

### …BUT AMONG THE CLEAREST LONG TERM TRAJECTORIES

### … With Structural issues for all major economies, leading to global LIQUIDITY DELUGE


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# Investment Summary

- **US and Euro-zone to eventually money-print their way out of the woods:**
  - **Near term**, volatile global equities and **risk aversion with USD appreciation**
  - But their issues are long term compared to India. **Consequent liquidity flood to benefit India**

- **China too has consequent LT issues in re-jigging its economy:**
  - **Near term**, the recent significant correction in asset-markets may **pause interest rate hikes and Yuan rise**
  - However **structural problems remain**, and hence**:** a) Recapitalization of Banks may suck out monies in China eventually, b) **lid on Commodity prices** (though oil spill is initially braking fall in crude)

- **Near Term Vulnerability: Financing of Twin deficits, given rising risk aversion***
  - **Fisc:** Record borrowings of Rs 3.4 trn (5.5% of GDP) with under-budgeted subsidies make India's **dependence on external liquidity acute in FY11 (greater vulnerability vs FY 10 the worst this decade)**. And this is without recourse to MSS this time
  - **CAD:** If goes to >3% due to crude & fertiliser price rises, this may exacerbate pressure on INR & worsen non-food inflation
  - Thus, **India needs a net ~$30 bn inflow on the capital account** (assuming crude at $ 75/ bbl) to hedge against sudden liquidity shocks. Any USD appreciation/ liquidity suck-back to US would jeopardize this. However, given high Fx Reserves ($272 bn) and higher relative growth (8.3% for FY 11) etc, this is a **low probability** (though very **high impact**) event for India

- **India's 5 LT structural pillars getting formed:** The 3 J curves of **Consumption, Infra and Savings,** and **Reforms esp in Taxation** and **Subsidies. 2H FY 11 would also see Infra spend and Credit growth starting to broad-base earnings. Valuations at 14x FY 12 and 17x FY 11 with a nominal GDP growth trajectory of ~13% are not expensive**

- While ST is volatile, **India** to benefit in medium term from **Liquidity deluge, relative attractiveness, appreciating INR, falling commodity prices (incl reduced subsidy), and locally negative real interest rates**

*** This is just the reason why our Model Portfolio is not just yet positioned for the inevitable global liquidity deluge**

# Best Overweights and Buys

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**Given India's Growth thesis of Consumption+ Savings+ Infra, our bets have been grouped in these heads:**

- **Consumption**: **Bajaj Auto, Exide, Pantaloon**; **UW** over-valued **FMCG** and under-funded **Telecom**
- **Savings:** Credit growth pick up only by 2H FY 11, inflation to moderate, bond yields to come off= treasury gains: Still OW Pvt sr, but increased Pub Sr wtg vs negligible earlier this year: **Axis, PNB, OBC**
- **Infra**: With Govt spend to go up in 2H FY 11 and high industry capacity utilisation (~86%), Capex growth is rebounding: **Mundra** & **GVK** as key Asset Plays, and the **Power chain**: **BHEL, Crompton Greaves, JSW Energy, JPVL, PFC**. Inevitable global liquidity deluge to also substantially benefit Infra/ Engg/ Realty in medium term
- **Global linkages (large cap Outperformers)**: **RIL, TCS**. **NIL in Metals**. Be **cautious** of stocks which are Euro-linked (tho' ST technical rebound due), those unable to hedge against currencies, Infra cos yet to raise money for growth
- **Other Absolute Returns**: **Grasim, Oracle, Aurobindo, DB Realty**

| Sensex | FY10 | FY11e | FY12e |
|---|---|---|---|
| EPS (INR) | 807 | 996 | 1,176 |
| EPS growth (%) | 2 | 23 | 18 |
| PE (x) | 21.1 | 17.1 | 14.5 |

*Source: ENAM Research*

- **Key Sector Calls for CY 10 made in Jan 10 in Sector & Strategy reports that we <u>CONTINUE</u> with**:
  - **Urban Discretionary vs Infra/ Rural – "*The Year of the Urbanite*": OW Auto, UW Infra, Shift FMCG to Media/ Retail**
  - **Nil weightage in Metals: "*Accelerating global risks*"**
  - **Banking sector reports: <u>Jan</u>: Slow credit growth, UW Pub Sr; <u>Feb</u>: raised Pub Sr wtg due to valns, but still OW Pvt Sr**
  - **OilnGas: OW esp RIL, as crude fell**
  - **Merchant Power as a Secular theme, UW Telecom (do not bottom-fish).**

Subsequent Sections & Appendices cover **Earnings profile** of India Inc, **Model Portfolio** with Sectoral stances, and Key **stocks arguments** for the above

# Table of contents

# Global Overview

# Global Solvency issues will continue to haunt

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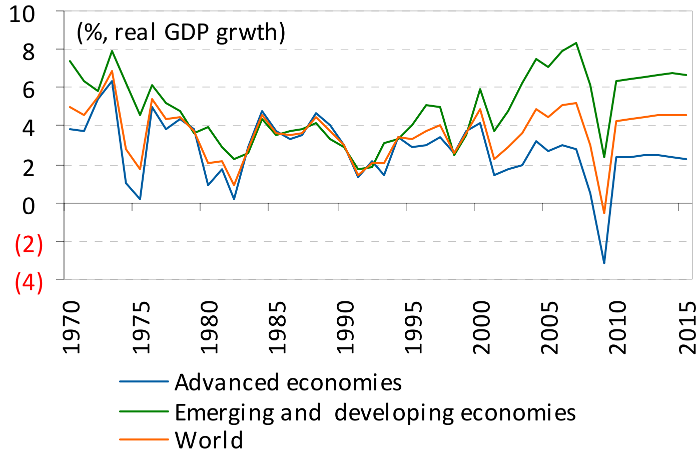
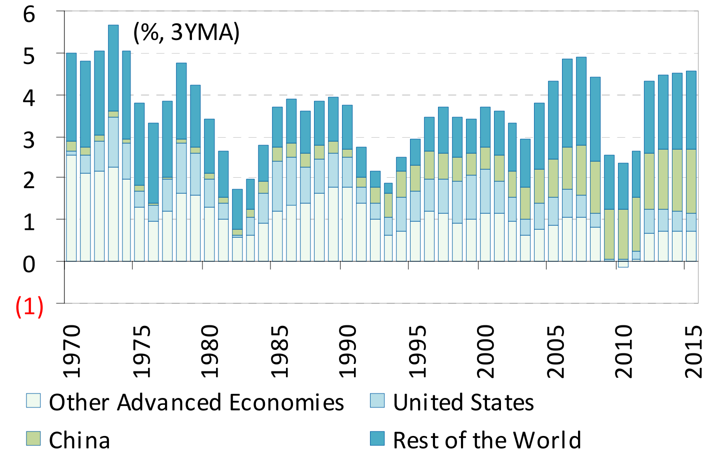
- **Asymmetric global growth recovery to continue:** OECD expects the world economy to recover (4.6% in CY 10 & 4.5% in CY 11) through a stabilization of growth in US and high growth in China & India

**EMs to grow faster …**




**… Raising their Contribution to Global GDP Growth**



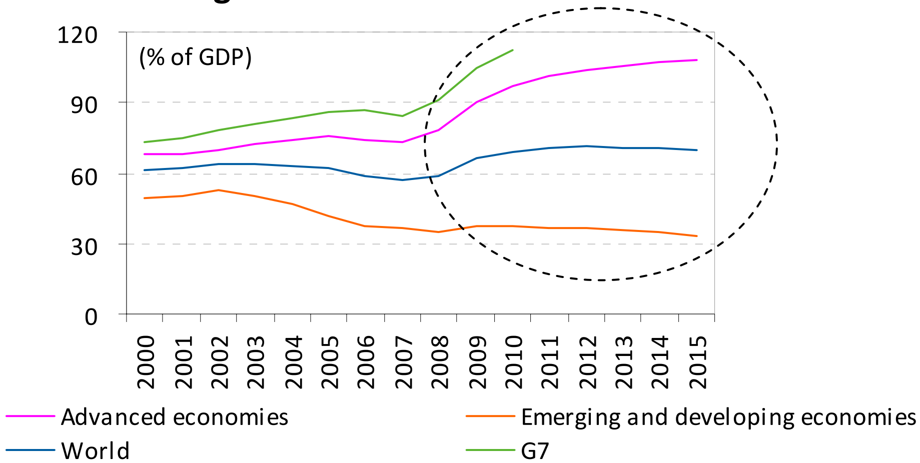

*Source: IMF & country databases, ENAM Research*

- **Developed world** will have to continue to print money to get out of the woods:
  - Hence globally **weak interest rates** to continue to **surge liquidity** & **reflation** is a distinct possibility
  - **Risk-aversion** would in the immediate term, appreciate the USD **and suck-back liquidity to the US markets** as the 2 other major liquidity sources, ie Euro-zone and Japan show weak growth
  - However, over the medium term, Asian currencies (incl INR) would **appreciate** and a greater US equity pie usually translates to greater diversification share towards India

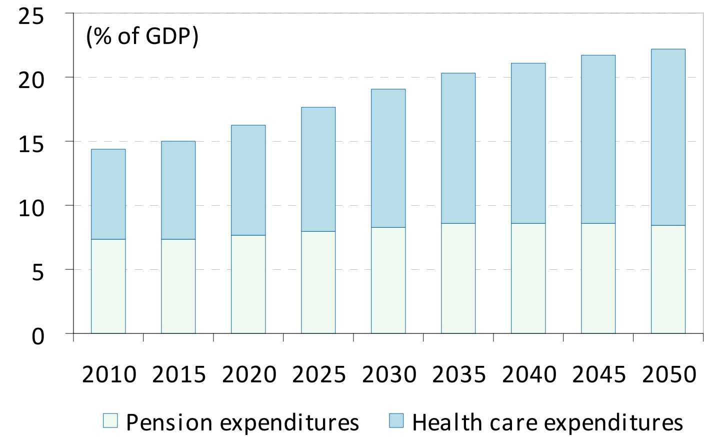
# Developed world has a structural problem at hand

- **Euro-zone:** Market fears of 'liquidity risks' have been taken care of by a bail out package but 'solvency issues', which have merely been postponed, are yet to be addressed structurally
  - **Euro-devaluation or a bail-out by stronger euro-countries incurs too high a social and political cost. Defaults have Contagion fears; and so does allowing such countries to leave the Euro & float their own currencies**
  - **However, the last is probably the least-cost option** for the world at large, as then the cost gets distributed, ie if policy makers bail out the lending institutions instead – which didn't happen early enough in the US case of 2008. And this means **money-printing and asset-reflation**

**Huge debt burden in dev world**




**Aging-Related burden in G-20 Advanced Economies**




*Source: IMF & country databases, ENAM Research*

**Each deflationary shock has watered down interest rate expectations. The resultant liquidity glut will flow eventually towards EMs such as India which have structural pillars of growth**

# China too has major LT concerns

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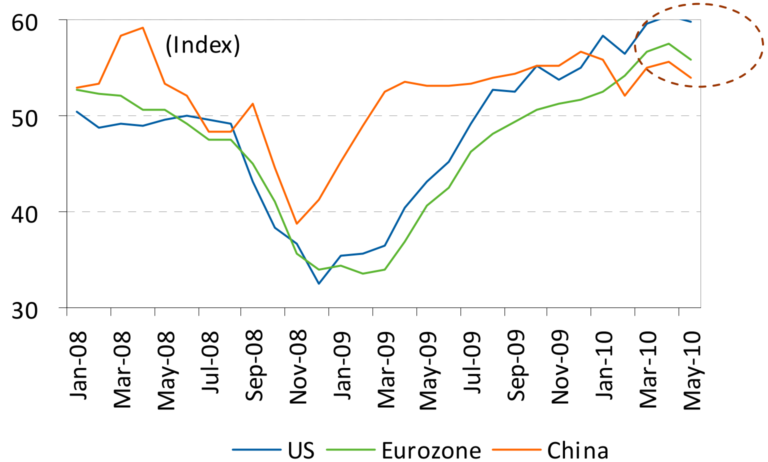
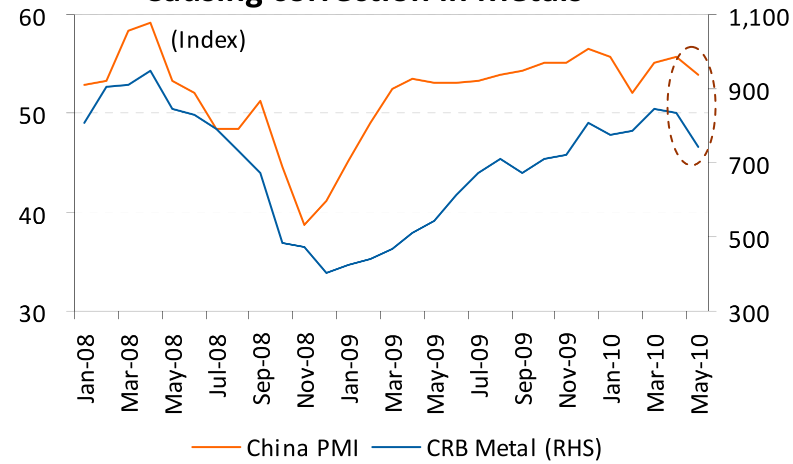
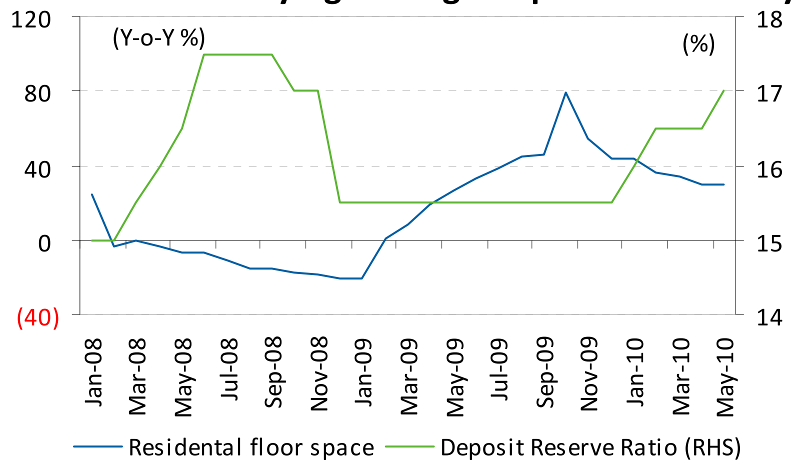
### Divergent demand trends: China vs US




### Causing correction in Metals




### Chinese monetary tightening has punctured Realty




*Source: Bloomberg, ENAM Research*

**Measures to control overheating would lead to a further fall in commodity prices and a delayed Yuan appreciation. To avoid a blow up, likely Recapitalization of Chinese financial systems thru huge issuances**

# India Macro

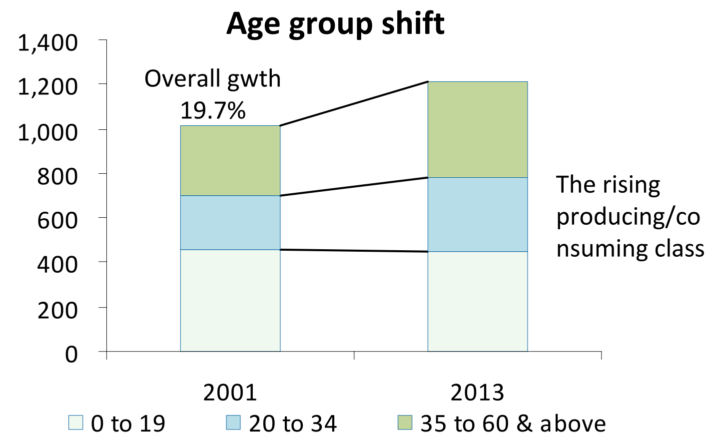
# The Five LT pillars of Indian growth – J curve

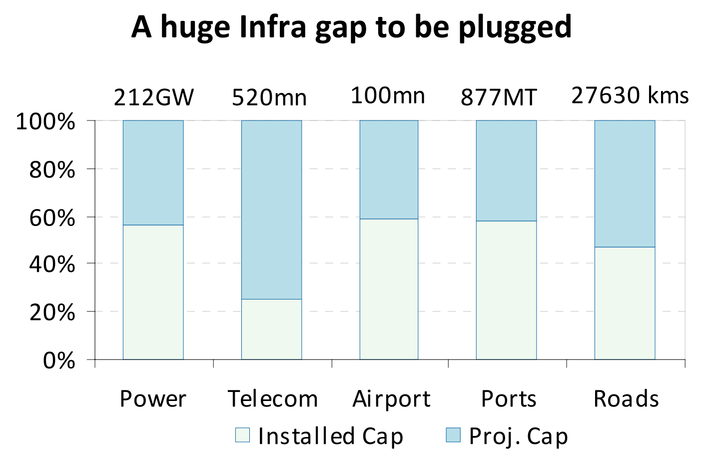
- **<u>Consumption J-Curve</u>:** India's already sizeable domestic consumption will take off in ~2012-15 as demographics result in the figure of 50:40 for dependency/ working pop, as it did for the US in the 80s & China in the 90s

- **<u>Infra & Capex*</u>:** India is putting up a **massive across-the board Core Infra** backbone with an overall investment of **>$50 bn pa. over the next five years**
  - **Power, Roads, ports, airports etc will be the key segments that will witness explosive growth**

- **<u>Savings</u>**: Favourable demographics, rising urbanization and higher income levels are likely to boost India's savings pool to **~$1.4 trn by 2020** (~today's GDP), of which **financial savings corpus is likely to be ~$580 bn** (Ref slide 49)
  - **This will form the bulwark of discretionary consumption and also fund infra creation**
  - **A bulk of India's savings come from households rather than corporates, making it a stable source of funds**

**Ref Slide 50 for GDP benefits from KG Basin Gas supply**




*Source: India Planning Commission, Bain & Company India*

**In sharp contrast to all major economies ie US, Japan, Eurozone and China, which have LT structural issues to be addressed, India's issues are more immediate term, with structural pillars in place**

# The LT pillars of Indian growth - Reforms

- **Tax reforms:** A big game-changer :
  - **GST**: The most important tax reform attempted in India. It would make India Inc more competitive by minimizing cascading effect of taxation, improving supply chain efficiencies and higher volume growth
    - Organized manufacturing to be the biggest beneficiary as prices come down
    - Services, middlemen (black economy) & SMEs to be hit as they get in the tax net & loopholes get plugged
  - **Direct Tax Code**: Simplicity and stability to the tax regime, plugging loop-holes etc, **buoying overall revenues**

**Revenues forgone: Direct tax code and GST could enable huge savings**

| (Rs bn) | 2008-09 | % of total taxes | 2009-10 | % of total taxes |
|---|---|---|---|---|
| Corporate tax | 669 | 11 | 795 | 13 |
| Income-tax | 375 | 6 | 409 | 6 |
| Excise | 1,282 | 21 | 1,707 | 27 |
| Customs | 2,257 | 37 | 2,490 | 39 |
| **Total** | **4,583** | **75** | **5,401** | **85** |

*Source: Ministry of Finance*

- **Subsidy reform:** The Unique Identification programme (UID) will structurally alter the expenditure of the govt, enabling it to target subsidies better and also plug leakages
  - Subsidies account for ~11% of total expenditure
  - This will cushion consumption and alleviate the problem of bond issuances for oil & fertilizer companies
  - Progress is being made on all fronts, slowly but surely, eg in fuel price hikes, fertilizer coupons, 3G auctions, divestments, FDI in key sectors, etc.

**Govt has a clear Reforms roadmap, with PM, FM and Planning Commission working in close unison, and coalition management being taken care of by Ms Sonia Gandhi**

# India macro

- **Economy:** We expect **GDP growth of ~8.3%** in FY11 driven by domestic factors (Agri growth of 4.5%, Industry 8.5% & Services 9.7%) and a rebound in Savings and Investments due to the **shrinkage in Fiscal deficit**

- **Interest rates: Yield curve to flatten as Repo & Rev Repo rates move up while the 10 yr yields get capped ~8%. We expect the RBI to move cautiously and raise rates by only 75 bps** during the current fiscal :
  - **Short end rise**: The European sovereign crisis, the need to nurture consumption demand (R*ef slide 54*) and as Inflation & IIP growth moderates. Inflation to ease off in 2H FY 11 with lagged impact of a bumper rabi crop and base effect (Ref slide 55)
  - **Long end cap**: Huge requirement of domestic funding for the fisc (Rs 3.4 trn or 5.5% of GDP) & 3G spectrum auction bonanza of ~$20 bn (vs $8 bn) budgeted

- **Liquidity vulnerability:** India's budget borrowings are at a record high and higher oil prices widen the CAD chasm, making India vulnerable to a liquidity shock. **India needs a net ~$30 bn inflow on the capital account** to hedge against sudden liquidity shocks. **Worst case**, such shock could **shave off ~1-1.5% of GDP** (trend growth fell by 120 bps in FY10, the previous shock). **Fx Reserves of ~ $ 272 bn** can be drawn down to fight a temporary shock

- **INR: The INR has been a collateral damage of the ongoing sovereign default crisis**
  - **ST**: We expect the weakness in INR to continue largely due to the risk aversion led USD strength (vs the Euro)
  - **MT**: However, we expect INR to strengthen in H2FY11 on favourable fundamentals. Our estimate for INR is **43.7 avg** for FY11 (*Ref slide 52 for BoP*)

# Domestic liquidity concerns

### Govt borrowings already at a historic high, tho largely internally funded* !

| (USD bn) | FY11 | | FY10 | |
|---|---|---|---|---|
| | H1 | Full year | H1 | Full year |
| Gross borrowings | 65.2 | **104** | 62.2 | **88** |
| Redemptions | 18.4 | 25 | 7.1 | 12 |
| Net borrowings | 46.9 | **78** | 55.1 | **76** |
| Less: MSS redemption flows | 0.6 | **0.0** | 8.9 | **9** |
| Less: OMO buyback | - | - | 12.1 | **12** |
| Net draft from the GoI | 46.2 | **78** | 34.1 | **55** |

*Source: ENAM.* *** Ref Slide 53 for sensitivity of India Debt/ GDP to GDP growth & interest rates**

The 3G bonanza may lower the deficit by ~$10bn or 1% of GDP

Net draft higher by $23 bn vs FY10

Largely because of absence of MSS & OMO

### Investment financing gap of ~$30 bn

| | (%) |
|---|---|
| GDP growth | 8 |
| ICOR | 4 |
| Reqd invst rate | 32 |
| Pub sector | 0 |
| Household saving (physical) | 11 |
| **Pvt sector invst rate reqd** | **21** |
| Share of LT projects | 50 |
| LT fin required | 10.5 |
| External non bank fin (LT avg)% | 50 |
| LT non bank ext finance | 5.25 |
| ECBs | 1 |
| Pub equity issues | 1 |
| **Financing gap** | **3.25** |

*Source: CMIE; ENAM Research*

India will require ~3-25% of GDP ($30 bn) from external flows FDI & or portfolio flows

### Impact of crude oil on Fisc

| FY11 | Base case | Scenarios | |
|---|---|---|---|
| Oil @ USD | 75 | 80 | 85 |
| Import bill $ bn | 78 | 84 | 89 |
| Import bill (INR) | 3,530 | 3,765 | 4,001 |
| Impact on Fisc (bps) * | 29 | 59 | 88 |

*Source: ENAM; *: If not passed on as fuel price hikes*

**GoI likely to reap addl bonanza of $ 10 bn+ from 3G & WMA. But as subsidies are underprovided , without a pass-thru if crude avgs >$75/ bbl, subsidies could nullify this gain ! (*ref slide 51 for details*)**

# Infra demand may gather momentum H2 onwards

- Road and Power are expected to be the key drivers of PPP going forward
- PPP will rise substantially to USD 15-16 bn in FY12E offsetting some of the slowdown in Govt spending
- In the medium-term, given the headroom provided by the 3G spectrum bonanza, the govt can kick start Infra spending in H2FY11

**XIth Plan: Government v/s PPP**

| XI th Plan | FY08 | FY09 | FY10 | FY11 | FY12 |
|---|---|---|---|---|---|
| Overall USD bn | 26 | 30 | 35 | 38 | 45 |
| YoY Growth (%) | - | 12.9 | 15.7 | 9.3 | 19.1 |
| Government (USD bn) | 20 | 23 | 28 | 29 | 30 |
| YoY Growth (%) | - | 16.2 | 22.7 | 3.0 | 2.9 |
| PPP (USD bn) | 7 | 7 | 7 | 9 | 15 |
| YoY Growth (%) | - | 3.5 | (6.68) | 35.7 | 70.8 |
| PPP - Road (USD bn) | 3 | 3 | 2 | 5 | 11 |
| PPP - Power (USD bn) | 4 | 4 | 4 | 4 | 5 |

*Source: Planning Commission, ENAM Research*

**Allocation for Infra Schemes**

| Union Budget Numbers (USD bn) | FY08 | FY09 | FY10 | FY11 |
|---|---|---|---|---|
| NHDP | 2.4 | 2.9 | 3.5 | 4.0 |
| Bharat Nirman | 6.0 | 7.0 | 10.1 | 10.7 |
| JNNURM | 1.1 | 1.5 | 2.9 | 3.2 |
| **Total** | **9.5** | **11.4** | **16.5** | **17.9** |
| YoY Growth (%) | | 19.9 | 45.2 | 8.4 |

**PPP spending encouraged by debt funds through IIFCL & tax exemptions on Infra bonds, while govt infra spend growth curbed**

**Ref Slide 54 for change in profile of Investment vs Consumption demand**

*Source: Union Budget, ENAM Research*

**A course correction in the fisc with a help from the 3G bonanza and PPP growth of nearly 3x is likely to spur infra momentum going forward**

# Earnings Profile and Best Buys

# Earnings growth: More Broadbased growth in FY 11 and 12

| | Sales gwth (YoY%) | | | |
|---|---|---|---|---|
| **Nifty - Sectors** | **FY10** | **FY11e** | **FY12e** | |
| Auto | 34 | 17 | 14 | ▼ |
| BFSI | 17 | 9 | 15 | ▼ |
| Cement | 19 | 27 | 20 | ▲ |
| Engg | 5 | 18 | 22 | ▲ |
| FMCG | 12 | 13 | 14 | ▲ |
| Infrastructure | 1 | 9 | 10 | ▲ |
| IT - Services | 8 | 16 | 18 | ▲ |
| Metals/ Mining | (23) | 11 | 9 | ▲ |
| Oil & Gas | 4 | 17 | 4 | ▲ |
| Pharma | 1 | 11 | 13 | ▲ |
| Power Utilities | 16 | 17 | 21 | ▲ |
| Real Estate | (20) | 20 | 23 | ▲ |
| Telecom | 6 | 10 | 13 | ▲ |
| **Nifty Index** | **3** | **15** | **12** | ▲ |

| | PAT (YoY%) | | | |
|---|---|---|---|---|
| **Nifty - Sectors** | **FY10** | **FY11e** | **FY12e** | |
| Auto | 387 | 40 | 17 | ▼ |
| BFSI | 14 | 14 | 21 | ▲ |
| Cement | 49 | (5) | 22 | ▼ |
| Engg | (5) | 34 | 31 | ▲ |
| FMCG | 17 | 13 | 17 | ▲ |
| Infrastructure | 8 | 24 | 18 | ▲ |
| IT - Services | 19 | 13 | 12 | ▼ |
| Metals/ Mining | (33) | 45 | 13 | ▲ |
| Oil & Gas | 5 | 37 | 16 | ▲ |
| Pharma | 40 | 44 | 13 | ▼ |
| Power Utilities | 13 | 20 | 13 | ▲ |
| Real Estate | (56) | 29 | 36 | ▲ |
| Telecom | (4) | (8) | 19 | ▲ |
| **Nifty Index** | **6** | **23** | **17** | ▲ |

Note: For banking Sales = Net Income

*Source: Bloomberg, ENAM Research*

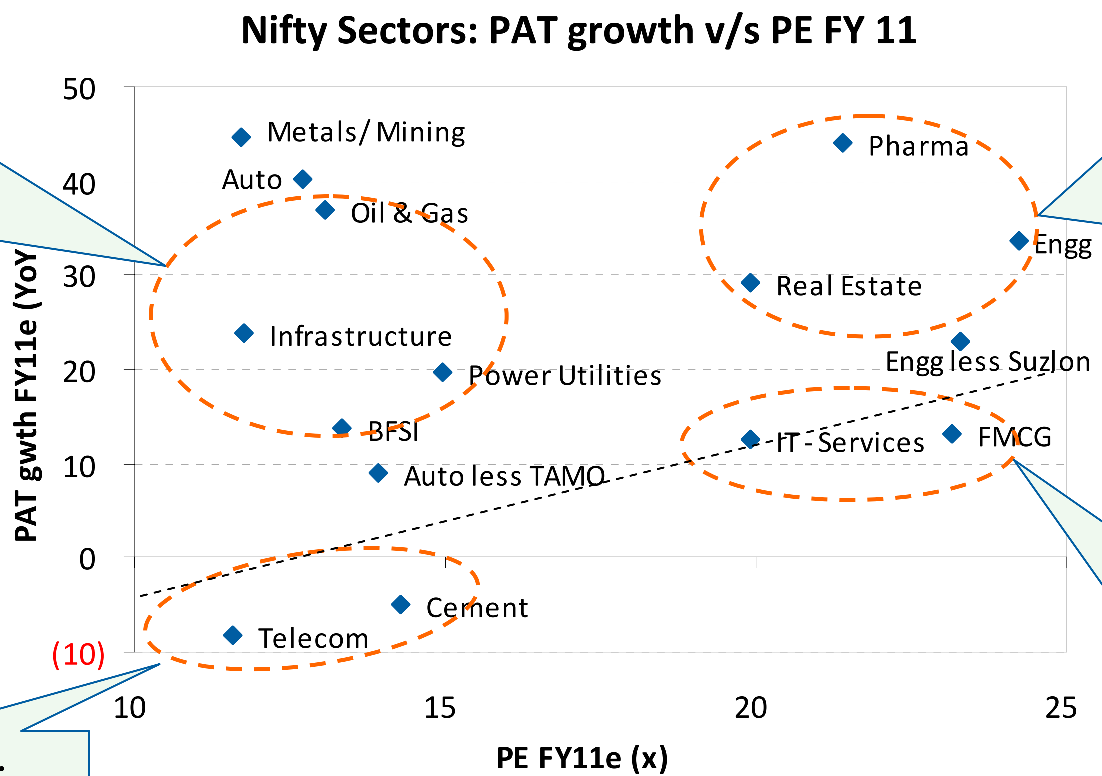
Refer slide 47 for Sectoral (& top 10 stock) Contribution to Sensex Profit and Profit growth for FY 11 and 12.

**Infra spend and Credit growth to start broad-basing earnings**

# Sectoral Valuations

**Low PE, High growth:**
- Auto still a near term defensive.
- Energy, BFSI, Infra as bulk of Core Portfolio.
- Metals: price plunge likely in volatile global envt

**High PE and growth:**
- Engg reflects Merchant Power growth.
- Pharma has 1-off near-term growth in Ranbaxy.
- Realty susceptible to near term liquidity vulnerability




**High PE, Low growth:**
IT not Underweighted yet due to strong USD appreciation likelihood in near term and defensive to liquidity shock vulnerability of India in near term

**Low PE, Ouch! growth:**
Too early to bottom-fish

*Source: ENAM Research*

# Best Overweights and Buys

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It's possible!

- **Consumption**: **Bajaj Auto, Exide, Pantaloon**; **UW** over-valued **FMCG** and under-funded **Telecom**
- **Savings: Axis, PNB, OBC**
- **Infra**: With Govt spend to go up in 2H FY 11 and high industry capacity utilisation (~86%), Capex growth is rebounding: **Mundra** & **GVK** as key Asset Plays, and the **Power chain**: **BHEL, Crompton Greaves, JSW Energy, JPVL, PFC**. Inevitable global liquidity deluge to also substantially benefit Infra/ Engg in medium term
- **Global linkages (large cap Outperformers)**: **RIL, TCS**. **NIL in Metals**. Be **cautious** of stocks which are Euro-linked (tho' ST technical rebound possible), those unable to hedge against currency moves, Infra cos yet to raise money for growth
- **Other Absolute Returns**: **Grasim, Oracle, Aurobindo, DB Realty**

| Sensex | FY10 | FY11e | FY12e |
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| EPS (INR) | 807 | 996 | 1,176 |
| EPS growth (%) | 2 | 23 | 18 |
| PE (x) | 21.1 | 17.1 | 14.5 |

*Source: ENAM Research*

Please see **Model Portfolio** with Sectoral stances in the Appendix

# Best Overweights and Buys

| Company | CMP (Rs) | Mkt Cap (USD bn) | Tgt Price (Rs) | Upside (%) |
|---|---|---|---|---|
| Reliance Industries Ltd | 1,031 | 72.3 | 1,170 | 13 |
| Tata Consultancy Services Ltd | 763 | 32.0 | 912 | 20 |
| Bharat Heavy Electricals Ltd | 2,343 | 24.6 | 2,700 | 15 |
| Axis Bank Ltd | 1,244 | 10.8 | 1,420 | 14 |
| Power Finance Corp Ltd | 291 | 7.2 | 337 | 16 |
| Bajaj Auto Ltd | 2,195 | 6.8 | 2,556 | 16 |
| Punjab National Bank Ltd | 1,005 | 6.8 | 1,176 | 17 |
| Mundra Port and Special Economic Zone Ltd | 685 | 5.9 | 820 | 20 |
| JSW Energy Ltd | 121 | 4.2 | 148 | 22 |
| Oracle Financial Sevices Software Ltd | 2,052 | 3.7 | 2,726 | 33 |
| Grasim Industries Ltd | 1,789 | 3.5 | 2,961 | 65 |
| Crompton Greaves Ltd | 249 | 3.4 | 290 | 16 |
| Jaiprakash Power Ventures Ltd | 64 | 2.9 | 89 | 39 |
| Exide Industries Ltd | 121 | 2.2 | 157 | 30 |
| DB Realty Ltd | 400 | 2.1 | 536 | 34 |
| Pantaloon Retail India Ltd | 421 | 1.8 | 551 | 31 |
| Oriental Bank of Commerce | 331 | 1.8 | 419 | 27 |
| GVK Power & Infrastructure Ltd | 43 | 1.5 | 52 | 20 |
| Aurobindo Pharma Ltd | 832 | 1.0 | 1,266 | 52 |

*Source: ENAM Research, Bloomberg*

# Best Overweights & Buys

# RIL

- **Cash generating Juggernaut in a distressed world**
  - Strong balance sheet and robust free cash flows (~**USD 6.5-7 bn pa**) provides room for organic/ **inorganic growth**
  - **Net debt: equity** to become **zero** by mid FY12
- **Overhang of gas dispute & politics gone: Growth focus**
  - Not just the RIL-RNRL gas dispute over in favor of RIL but also **scrapping of non compete** clause (except gas based power plants) to open up newer avenues for growth
  - Clarity on future growth drivers to emerge shortly
- **Refining Margins**
  - Premium over Singapore benchmark to widen due to use of own gas and return of heavy/ light differential (due to increased OPEC supply)
- **KG D6 gas ramp up by end of CY10**
  - KG D6 gas ramp up to 87-88 mmscmd by end of CY10 once GAIL's pipeline expansion is over

## SoTP Valuation

| SoTP Valuations | Value ($ bn) | Value (Rs/shr) | Valuation Methodology |
|---|---|---|---|
| **Refining & Marketing** | **22.4** | **344** | 7.5x FY12E EBITDA |
| **Petrochemicals** | **21.4** | **329** | 8.5x FY12E EBITDA |
| **E&P** | **29.6** | **454** | NPV with WACC at 10% |
| - KG-D6 (D1 & D3 Gas) | 12.6 | 193 | |
| - KG-D6 (MA Oil+Gas) | 2.6 | 40 | |
| - NEC25 (Gas) | 1.6 | 25 | |
| - CBM - Sohagpur (Gas) | 0.9 | 13 | |
| - PMT (Oil & Gas) | 1.5 | 23 | |
| - Marcellus Shale Gas | 2 | 31 | |
| - Exploration upside | 8.5 | 130 | 18 TCF reserves at USD 3/boe |
| **Haryana & Jamnagar SEZs** | **1** | **16** | At acquisition cost |
| **Retail** | **2** | **31** | DCF at 10% WACC; 5% terminal growth |
| **Business Valuation** | **76.5** | **1,173** | |
| Other investments/loans to affiliates | 1.6 | 25 | Book value |
| Net long term debt | (1.8) | (28) | As on FY11 end |
| **SOTP on diluted capital** | **76.3** | **1,170** | |
| Diluted eq. (mn shares) | | 2,961 | Excl. treasury stocks (309 mn) |

*Source: ENAM Research*

**Financial summary** **(CMP: Rs 1031)**

| Y/E March | Sales (Rs mn) | PAT (Rs mn) | Consensus EPS* (Rs.) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) | DPS (Rs) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 1,512,240 | 149,687 | - | 47.6 | (2) | - | 14.2 | 11.7 | - | 6.0 |
| 2010E | 2,037,400 | 158,980 | 51.4 | 48.6 | 2 | 21.2 | 12.0 | 10.9 | 12.1 | 7.0 |
| 2011E | 2,537,264 | 233,106 | 71.5 | 71.3 | 47 | 14.5 | 15.2 | 15.5 | 8.1 | 10.5 |
| 2012E | 2,648,390 | 288,129 | 84.9 | 88.1 | 24 | 11.7 | 16.5 | 18.2 | 6.3 | 12.5 |

*Source: Company, ENAM estimates; *Consensus broker estimates*

# TCS

ENAM It's possible!

- **Volume momentum:**
  - Strong deal closures and pipeline continues to improve volume visibility. Q4 saw **10 large deal closures** with one USD 500 mn deal and a couple of +USD 100 mn deals. Further, there are additional 10 deals in pipeline
  - **Higher employee additions** corroborates higher confidence on revenue visibility: Q4FY10 saw 16,851 gross adds (30,000 planned additions for FY11E)
  - Higher onsite %, strong Consulting growth (~20% QoQ in Q4FY10) and higher growth in emerging markets (>20% share)

- **Defence against Margin concerns:**
  - **Margin concerns** due to INR appreciation (**Euro exposure** at ~8%) & **salary hikes** (negative 2.5-3% in Q1FY11)
  - Defenses:
    - volume acceleration as **discretionary IT spend increases**
    - likely **pricing uptick** in the latter half of FY11E
    - **Diligenta's** transformation in addition to traditional levers (offshore % increase, G&A savings etc)
    - higher traction in **banking product** segment esp. its cloud computing initiative in the domestic markets
    - **scale efficiencies in GDCs**

**Financial summary** **(CMP: Rs 763)**

| Y/E March | Sales (Rs mn) | PAT (Rs mn) | Consensus EPS* (Rs.) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | EV/EBITDA (x) |
|---|---|---|---|---|---|---|---|---|
| 2009 | 278,129 | 51,740 | - | 26.4 | (1) | - | 36.2 | - |
| 2010 | 300,289 | 68,729 | 34.4 | 35.1 | 33 | 21.7 | 36.8 | 16.8 |
| 2011E | 348,821 | 75,487 | 39.0 | 38.6 | 10 | 19.8 | 33.6 | 14.1 |
| 2012E | 415,854 | 85,045 | 44.2 | 43.5 | 13 | 17.6 | 32.1 | 11.9 |

*Source: Company, ENAM estimates; *Consensus broker estimates*

# BHEL

- **Orders inflows could SURPRISE positively**
  - Order inflows for Power (~75%) have been at **16.5 GW** p.a. in last 2 yrs and **management has guided for flat FY11**
  - But our channel checks indicate potential **orders inflows of 19-23 GW**: NTPC/CPSU ~13 GW, JV ~3 GW, Pvt 7 GW
- **Cushion to sustain OPM of ~20% over FY11 & FY12**
  - ~50% of its order book has price variation clause and staff cost (15.3% of FY10 sales) would increase by ~10% p.a. v/s revenue growth of 25% p.a. leaving enough cushions to sustain its margins
- **BHEL ahead of the curve versus competition for indigenization of supercritical technology**
  - BHEL requires 3 to 5 sets of 660 MW to indigenize the technology, which it already has in its order book. Post indigenization, cost could be lower by ~15% and it would place BHEL at an advantageous position versus L&T – its key competitor
- **Margins likely to sustain at 16 to 18% in medium term**
  - The potential new entrants such as Bharat Forge, JSW,, etc would be much smaller v/s BHEL and would have to import critical parts from foreign JV partners vs BHEL's integrated domestic mfg
- **15% + order inflow growth in FY11 to enhance visibility beyond FY12, leading to P/E re-rating**

**Financial summary** **(CMP: Rs 2343)**

| Y/E March | Sales (Rs mn) | PAT (Rs mn) | Consensus EPS* (Rs.) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) |
|---|---|---|---|---|---|---|---|---|---|
| 2009 | 267,725 | 35,982 | - | 73.5 | 29 | - | 35.0 | 52.1 | - |
| 2010E | 328,659 | 42,892 | 88.2 | 87.6 | 19 | 26.7 | 33.8 | 49.9 | 17.4 |
| 2011E | 411,245 | 54,095 | 112.0 | 110.5 | 26 | 21.2 | 33.0 | 49.0 | 13.2 |
| 2012E | 496,010 | 66,186 | 135.8 | 135.2 | 22 | 17.3 | 31.3 | 46.7 | 10.4 |

*Source: Company, ENAM estimates; *Consensus broker estimates*

# Axis

ENAM
It's possible!

- **Continues to be a high growth story:** Strong historical performance with 50% CAGR in profits, 47% CAGR in NII and 55% CAGR in fee income over last 5 years has moved Axis into the league of big banks in India. We expect **Net profits, NII and fee income** to grow at CAGR of **23%, 21% and 18%** respectively over next two years.
- **Well diversified loan book growing higher than industry:** We expect it to **grow at 21% CAGR** during FY10-12E.
- **Healthy margins and high level of CASA:** NIMs expected to remain stable at ~3.50% backed by high CASA (**46.7% CASA** in Mar'10 was among the highest in industry)
- **Superior momentum in fee based income:** Non interest income contribution at ~40% of total net income (amongst the best in industry) likely to support higher return ratios.
- **Stable asset quality:** Superior risk management with ~75% of corporate assets rated 'A' and above. Strong asset quality with 89% coverage ratio (including written off loans), will reduce incremental provisioning requirements
- **Entry into newer business:** Recent purchase of 4% stake in **Max NY Life** and entry into new businesses like AMC, Pvt Equity, PD, and expansion of merchant banking activities, to add value going forward.

**Financial summary** **(CMP: Rs 1244)**

| Y/E Mar | PAT (Rs mn) | EPS (Rs mn) | change (%) | P/E (x) | BV (Rs) | Adj. BV (Rs) | P/BV (x) | P/Adj. BV (x) | RoE (%) | RoA (%) | Net NPA (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 18,154 | 51 | 70 | 25 | 285 | 279 | 4.4 | 4.5 | 19.1 | 1.4 | 0.4 |
| 2010 | 25,145 | 62 | 23 | 20 | 397 | 390 | 3.1 | 3.2 | 19.1 | 1.5 | 0.4 |
| 2011E | 31,314 | 77 | 25 | 16 | 460 | 451 | 2.7 | 2.8 | 18.0 | 1.6 | 0.4 |
| 2012E | 37,774 | 93 | 21 | 13 | 537 | 526 | 2.3 | 2.4 | 18.7 | 1.6 | 0.5 |

Source: Company, ENAM estimates

# Power Finance Corporation

- **High visibility and strong growth rates: Outstanding sanctions** are almost **1.7x balance sheet size**; this along with a strong government focus on the power sector will keep demand intact
- **Low asset quality risk:** With **84% of its loan book towards generation** projects and only 12% towards T&D, PFC is less prone to asset quality risks. Besides **primary security** such as charges on assets and irrevocable state government guarantee, an escrow payment mechanism ensures timely payments of loans and reduces risks
- **Applied for "Infrastructure Finance NBFC" status:** If granted to PFC, would **lower its overall cost of funds** and increase ability to take **higher exposure per borrower**. It may also be allowed to issue **tax free bonds**, which will help in reducing the overall cost of funds
- **Improvement in non-core income:** Plans to take **stake in power projects** and is also providing **consultancy services** which will aid fee income growth. PFC has plans to form a subsidiary which will focus on renewal energy, that will further diversify its presence into non-conventional energy sources
- **Capital raising plans:** PFC also intends to raise capital in the near term which is likely to be **book accretive** and **increase lending limits** per borrower/ group

**Financial summary** **(CMP: Rs 291)**

| Y/E Mar | PAT (Rs mn) | FDEPS (Rs. mn) | EPS chg (%) | P/E (x) | BV (Rs) | Adj. BV (Rs) | P/BV (x) | P/Adj. BV (x) | RoE (%) | RoA (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 19,697 | 17.2 | 63.9 | 17 | 100 | 100 | 2.9 | 2.9 | 18.9 | 3.2 |
| 2010 | 23,553 | 20.5 | 19.6 | 14 | 117 | 117 | 2.5 | 2.5 | 18.9 | 3.1 |
| 2011E | 26,800 | 23.3 | 13.8 | 12 | 137 | 137 | 2.1 | 2.1 | 18.4 | 2.9 |
| 2012E | 31,722 | 27.6 | 18.4 | 11 | 161 | 160 | 1.8 | 1.8 | 18.6 | 2.8 |

Source: Company, ENAM estimates

# Bajaj Auto

- **Strong vol. guidance of 4 mn units for FY11; focusing on dual brand strategy of Discover & Pulsar by 'variant-ing'**
  - Focusing on the **Exec. segment** through aggressive launches at various price points, and now has a **20% mkt share** (vs 9% in Q1FY10) driven by *Discover 100 cc* and *Pulsar 135 cc*
    - BAL has newly launched ***Discover** 150 cc* and is **targeting sales of 30k units p.m.** in FY11E. We believe the risk of cannibalization exists.
    - The profitability of the new product is likely to be healthy given the **high commonality in parts** with the Discover 100 cc (~90%).
    - Improvement of retail finance along with traction in urban demand augurs well for domestic volume growth
  - **Exports gain momentum** (30% of volumes and revenues): With key export markets picking up pace and newer products yet to be exported, we expect Bajaj's motorcycle **exports to grow by 20% from FY10-12E to 1 mn units**.
    - The co. has **hedged ~80% of its exports** at a price of Rs 47/$ for FY11E, which is likely to keep profits healthy
  - **3W biz remains strong:** Bajaj continues to be the leader in 3Ws (passenger) with ~50% mkt share. Opening of new permits, compulsory CNG conversion & strong exports (48% of total vols) are likely to drive vol. growth of 12% from FY10-12E

- **FY10-FY12E EPS CAGR of 14%:**
  - Strong volume growth and improving product mix are likely to offset increasing material costs, keeping **EBITDA margins buoyant at ~20%** going ahead. The **ramping up of production at Pantnagar** by 50% will also increase fiscal benefits for the co.
  - We have a **TP of Rs 2,556 based on 16x FY12E core EPS of Rs 150 + Rs 156 of cash per share**.

**Financial summary** **(CMP: Rs 2195)**

| Y/E March | Sales (Rs mn) | EBITDA (Rs mn) | PAT (Rs mn) | EPS (Rs) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) | DPS (Rs) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 87,790 | 11,463 | 8,616 | 59.6 | - | - | 53 | 38 | - | 22.0 |
| 2010 | 119,210 | 25,769 | 18,651 | 128.9 | 116 | | 81 | 69 | - | 40.0 |
| 2011E | 144,686 | 29,037 | 21,590 | 149.2 | 16 | 14.7 | 59 | 62 | 10.2 | 40.0 |
| 2012E | 161,882 | 31,494 | 24,195 | 167.2 | 12 | 13.1 | 46 | 54 | 8.8 | 40.0 |

*Source: Company, ENAM estimates*

# Punjab National Bank

- **Maintaining the Lead:** Consistently maintained its lead among the PSB peers in terms of CASA, margins and asset quality. It is the second largest bank by advances and plans to grow at above industry averages
- **Healthy margins:** The implementation of base rate could offset some pressure on margins which will also be supported by the **high CASA ratio (41% in Mar'10)** maintained by the bank
- **Core strengths to drive performance:** High growth rates, healthy CASA base, strong asset quality and a healthy provisioning policy (coverage ratio including written-off loans at 81%), will aid in delivering superior performance
- **High return ratios:** Expected to deliver one of the highest return ratios amongst peers with average **RoA of 1.5%** and **RoE of 25%** over the next two years
- **Retail emphasis:** PNB's retail focus (mortgages, small trading, education loans) would give them **pricing advantage**

**Financial summary** **(CMP: Rs 1005)**

| Y/E Mar | PAT (Rs mn) | FDEPS (Rs mn) | Change (%) | P/E (x) | BV (Rs) | Adj. BV (Rs) | P/BV (x) | P/Adj. BV (x) | RoE (%) | RoA (%) | Net NPA (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 30,909 | 98 | 51 | 10 | 417 | 411 | 2.4 | 2.4 | 25.8 | 1.4 | 0.2 |
| 2010 | 39,054 | 124 | 26 | 8 | 515 | 495 | 2.0 | 2.0 | 26.6 | 1.4 | 0.5 |
| 2011E | 46,738 | 148 | 20 | 7 | 636 | 617 | 1.6 | 1.6 | 25.8 | 1.5 | 0.4 |
| 2012E | 57,217 | 181 | 22 | 6 | 790 | 769 | 1.3 | 1.3 | 25.5 | 1.5 | 0.4 |

Source: Company, ENAM estimates

# Mundra Port

ENAM
It's possible!

- **The Opportunity**
  - Demand-Supply mismatch of port capacity – required at least additional 200 mn tpa v/s current demand of 800 mn tpa
  - Only 2 privately owned fully operational land lord ports - Mundra (75 mt capacity) and Pipavav (15 mt)
  - Need to set up 70 mt new capacity (i.e. size of Mundra port) every year to meet India's growing demand

- **Key competitive advantages of Mundra Port**
  - **Logistic advantage**: Closest port on the west coast to the northern hinterland that generates 55% of India's traffic
  - **Low revenue share**: Only 4% of revenue to be paid to GMB vs. new port that are required to share 15-25%.
  - **De-risking revenue stream**: Close to 50% of cargo traffic is reflective of annuity stream
  - **Low capex cost**: Natural draft (16mtrs) and a land lord port. Unregulated tariff unlike the 12 major ports

- **Valuation – SOTP = Port (Rs 630) + SEZ (Rs 190) i.e. Target Rs 820**
  - Port cargo volume to grow at **CAGR of 25%** for next 4-5 years. One among the few infrastructure plays in India generating **free cash flow and un-levered B/S** (Net D/E at 0.4x). Can aggressively bid for new port projects
  - At our target port valuation, the port trades at **20x cash EPS FY12E** with growth of over 25% CAGR
  - Further upside: We have **valued only 18,000 acres of SEZ**. Additional 14,000 acres is in various stage of acquisition and not included in our estimates

**Financial summary** **(CMP: Rs 685)**

| Y/E Mar | Sales (Rs mn) | PAT (Rs mn) | Consensus EPS* (Rs.) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) | DPS (Rs) | P/ BV (x) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 11,351 | 4,828 | - | 12.0 | 138 | - | 17.4 | 13.7 | - | 0.9 | - |
| 2010 | 13,925 | 6,708 | 17.5 | 16.6 | 39 | 41.2 | 20.5 | 14.1 | 22.0 | 1.2 | 5.6 |
| 2011E | 17,884 | 9,596 | 24.6 | 23.9 | 44 | 20.8 | 23.7 | 16.9 | 15.6 | 1.2 | 4.4 |
| 2012E | 20,267 | 10,107 | 37.2 | 25.1 | 5 | 19.8 | 20.3 | 15.6 | 14.9 | 1.2 | 3.7 |

*Source: Company, ENAM estimates; *Consensus broker estimates*

# JSW Energy

- **Front-loaded merchant capacities to capture optimal benefits of high merchant prices (expected Rs 5 till FY14)**
  - Merchant capacity of 1,460 MW (46% of total) & 1,760 MW (54% of total) by FY12 & FY14 resp
  - Capacities in high deficit states such as Maharashtra (~30% of India's deficit) and Karnataka gives it an location advantage
- **Despite high dependence on imported coal, profitability spread offers decent margin of safety**
  - 2 GW of Karnataka & Maharashtra to use imported coal (6.5 mn ton p.a), the balance 1.1 GW has captive lignite mines
  - 55% of the imported coal from LT contracts @$ 35/MT to $55/MT FOB & balance to be sourced from international spot mkt
  - Even considering spot coal @ USD 100/ MT, the FY12 fuel cost to be Rs 2.1 / kWh & total generation cost of Rs ~2.8 / kWh
- **Earnings are more sensitive to merchant prices than increase in coal prices.**
  - Even if the spot coal goes to USD 120/ton (current @ $ 90/ton), at Rs 5 merchant, JSW will report FY12 PAT of Rs 22 bn
  - Also, with cash profits of ~Rs 60 bn over the next 2 years, the company would be in the position to pay off the entire debt for its 1.76 GW of merchant capacity, thus reducing the cost by Rs 0.4 to to ~Rs 2.3/unit, which offers a decent margin of safety
- **With a target P/E of 10x on FY12 EPS of 14.8, our target price is Rs 148/sh.**
  - **P/E re-rating triggers:** a) additional mine acquisition; b) Visibility on Chhattisgarh, West Bengal and Rajasthan expansion - NOT considered in our valuations, which have excellent fuel resources (all 3 have captive coal / lignite mines). Even if we consider 100% sell on long-term PPA basis at Rs 3/unit our potential target would be Rs 173 / share

**Financial summary** **(CMP: Rs 121)**

| Y/E Mar | Sales (Rs bn) | PAT (Rs bn) | Consensus EPS* (Rs.) | EPS (Rs.) | P/E (x) | EV/EBITDA (x) | P/B (x) | RoE (%) | Net D/E (x) | BVPS (Rs) |
|---|---|---|---|---|---|---|---|---|---|---|
| FY10 | 23.4 | 7.5 | - | 4.5 | 26.6 | 18.8 | 3.6 | 21.2 | 0.8 | 34 |
| FY11E | 51.5 | 11.9 | 8.2 | 7.3 | 16.6 | 10.9 | 3.1 | 19.9 | 0.8 | 39 |
| FY12E | 94.3 | 24.3 | 12.0 | 14.8 | 8.1 | 5.4 | 2.4 | 33.5 | 0.6 | 50 |
| FY13E | 87.2 | 24.7 | 10.8 | 15.1 | 8.0 | 5.0 | 2.0 | 27.5 | 0.3 | 60 |

*Source: Company, ENAM estimates; *Consensus broker estimates*

# Oracle

- **Products business (65% revenue share in FY10):**
  - Traction in various products (FLEXCUBE, Mantas, Reveleus etc) accelerated in last 6 months with strong pipeline and improved decision making cycle
  - Stellar performance in Q4FY10: New rich and quality signings of USD 31 mn led to highest GPM % in past 3 years for product business, exhibiting higher confidence. Noteworthy factor is improvement in quality of deal signings: Q4 delivered strong signings across products with 5 Tier-1 banks signings (vs 4 Tier-1 bank signings in Q3FY10)
  - Q4FY10 saw higher traction even in its flagship product, FLEXCUBE. FLEXCUBE signings included Mashreq Bank (Dubai) and Bank of Jilin (China). Reveleus & Mantas continued to see good traction (PNC Bank, US expanded product suite)

- **Advantage technology and parentage:** Mature product portfolio backed by a well-defined roadmap, scaleable architecture, domain expertise, multi-delivery capabilities and integration ease. Oracle parentage provides "board room" access to key global banks, technology leadership and a well-nurtured eco-system . OFSS would thus be able to leverage on core-banking replacement cycle in the developed countries, while maintaining momentum in developing countries

- Higher growth in products business would **offer higher operating leverage to offset margin pressure from likely INR appreciation vs GBP and USD.**

- **Euro exposure at ~30% & unhedged: Current relative under-valuation already factors this in**

**Financial summary** **(CMP: Rs 2052)**

| Y/E Mar | Sales (Rs mn) | PAT (Rs mn) | Consensus EPS* (Rs.) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) |
|---|---|---|---|---|---|---|---|---|---|
| 2009 | 29,276 | 7,834 | - | 93.5 | 89 | - | 24.9 | 27.7 | - |
| 2010 | 28,740 | 7,737 | 101.0 | 92.2 | (1) | 22.3 | 19.8 | 22.9 | 14.6 |
| 2011E | 32,731 | 10,467 | 116.0 | 124.7 | 35 | 16.5 | 21.8 | 25.2 | 11.8 |
| 2012E | 36,940 | 11,438 | 124.0 | 136.3 | 9 | 15.1 | 19.4 | 24.6 | 9.8 |

*Source: Company, ENAM estimates; *Consensus broker estimates*

# Grasim

- **Grasim is trading at a more than 50% discount to Ultratech valuations, which we believe is not sustainable as IFRS is implemented from FY 12**

**Grasim - SOTP valuation**

| Rs bn | Value to Grasim | Holding disc. | Net equity value | Rs/ share | Remark |
|---|---|---|---|---|---|
| Value of UltraTech | 178 | 27 | 152 | 1,653 | 60% stake, 15% holding disc |
| VSF & other biz | 105 | - | 105 | 1,149 | 5.5x FY12 EV/ EBITDA |
| VOI | 19 | 5 | 15 | 159 | 25% discount to mkt value |
| **Target price** | **-** | **-** | **328** | **2,961** | |

*Source: Company, ENAM Research*

- **Apart from 60% stake in Ultratech (India's largest cement company with 49 mn tonnes capacity), Grasim has global size VSF business with robust cash flows**
  - Current capacity of 330 ktpa, with 10% global market share, generates operating profits of Rs. 10 bn p.a.
  - Greenfield project of 80,000 tonnes will provide 25% volume growth
  - Steady VSF cash flows will support overall earnings negating temporary overcapacity situation in cement
- **Strong balance sheet with current net cash of more than Rs 25 bn** provides Grasim a strong footing

**Financial summary (Consolidated)** **(CMP: Rs 1789)**

| Y/E March | Sales (Rs bn) | PAT (Rs bn) | Consensus EPS* (Rs.) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) | P/BV (x) | DPS (Rs) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 173.7 | 22.0 | - | 240 | (13) | - | 19.2 | 23.4 | - | - | 34.5 |
| 2010E | 196.7 | 28.4 | 322 | 310 | 29 | 5.8 | 19.9 | 27.0 | 3.2 | 1.0 | 31.0 |
| 2011E | 218.7 | 21.8 | 261 | 237 | (23) | 7.5 | 12.6 | 21.8 | 3.5 | 0.9 | 15.5 |
| 2012E | 240.3 | 24.1 | 262 | 263 | 11 | 6.8 | 12.0 | 22.0 | 2.9 | 0.8 | 16.3 |

*Source: Company, ENAM estimates; *Consensus broker estimates*, Note: Financials are pre-merger of Samruddhi with UltraTech

# Crompton

- **Global T&D business (40% of sales & 24% of PBIT): Impact of EU slow down NOT so high as perceived**
  - Around 60% of sales is from Europe, of which 70-75% is sales to utilities that is largely related to their maintenance, reflecting lower risk towards current EU problems. The balance 40% of biz is largely from USA and S.E . Asian counties.
  - Wind transformers (20% of intn'l biz) were impacted by slowdown in FY10, is expected to bottom-out in FY11. Outlook for FY12 seems promising on the back of robust guidance from its key customers such as Vestas, GE, etc
  - Post the acquisition of Microsol & Power technology, CG has closed the product offering gap for Power automation and after sales services enabling it to undertake projects, which could catapult it into the big league

- **Indian T&D business (25% of sales & 36% of EBIT) to grow @ 20%+**
  - PGCIL expected to place orders worth Rs 650 bn over FY11-12 versus ~Rs 350 bn over FY09-10, which could drive 20%+ growth in orders & revenues. Additionally, CG has gained market share in high voltage 765kV category, despite Chinese & Korean competition
  - The threat from foreign competition is likely to decline with the new proposed norms that mandate 70% local manufacturing
  - Majority of PBIT expansion (630 bps in 2.5 yrs) is sustainable, as attributable to use of in-house technology & design changes

- **Industrial business (14% of sales & 21% of EBIT) to continue its momentum of ~20% growth reflected in H2 FY10**

- **Future Triggers:** Inorganic growth (ticket size $ 300-500 mn), especially in EU for technology, which could be easily financed from current cash of ~$ 150 mn and operating cash flow of ~$ 220 mn p.a.

**Financial summary (Consolidated)** **(CMP: Rs 249)**

| Y/E March | Sales (Rs mn) | Adj. PAT (Rs mn) | Consensus EPS* (Rs.) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) |
|---|---|---|---|---|---|---|---|---|---|
| 2009 | 87,373 | 5,562 | - | 8.7 | 43 | - | 35.5 | 40.3 | - |
| 2010 | 91,095 | 8,247 | 12.2 | 12.9 | 48 | 19.4 | 37.2 | 42.7 | 12.5 |
| 2011E | 98,449 | 8,717 | 14.0 | 13.6 | 6 | 18.3 | 29.0 | 38.4 | 11.1 |
| 2012E | 114,331 | 10,309 | 16.2 | 16.1 | 18 | 15.5 | 26.6 | 38.0 | 9.3 |

*Source: Company, ENAM estimates; *Consensus broker estimates*

# Jaiprakash Power Ventures…

ENAM
It's possible!

- **JP Power provides exponential growth in earnings with high margin of safety as operating cash flows to zoom 3-fold in 2 years & 9-fold in 5 years**
- **Low execution risk:** 700 MW of regulated hydro capacity operational (Baspa + Vishnu), 2,820 MW in advanced stages of construction (Karcham, 1000 MW, hydro, 20% merchant, COD April'11 + Bina, 500 MW, thermal, 40% merchant, COD Oct'11 + Nigrie, 1,320 MW, thermal with Captive block, 50% merchant, COD Oct'13) & 3,300 MW of regulated projects has key pre-requisites in place (Karchana + Bara)
- **Fuel Risk Abated:** Of the operational and under construction capacities, ~25% capacity is hydro, ~20% is based on captive coal block and the balance ~55% is from Coal India's linkage with a identifiable mines. The projects wherein fuel is Coal India, ~85% of the capacities are on PPAs with fuel pass-through. Additionally, the development of captive coal block is expected to be completed ~15 months prior to commissioning of the project (land acquired, clearances complete)
- **Profitability comes with high margin of safety:** For Regulated Projects core sustainable ROEs for Hydro projects are: Baspa 24%, Vishnu 29%, Karcham 26% and for thermal 25%+ (Karchana & Bara). For Karcham, Bina & Nigrie which have 20% or more in merchant capacities, their FY15 cash cost is low at Rs 1.5- 1.9/ kWh
- **Optimal Hydro:** Thermal mix @ 77:23 (FY13); PPA: Merchant mix @ 82:18 (FY13)

*continued*

# ...Jaipraksh Power Ventures

- We have **scaled down our merchant assumption to Rs 5 till FY14 and Rs 4** from thereon vs. Rs 6.5 till FY15 and Rs 4.5 thereafter. Accordingly, we have revised our earnings and target price to Rs 89 / sh from Rs 100
- **At CMP of Rs 64, market is not factoring in ~3.3 GW of Bara & Karchana projects which, are fully regulated with all the prerequisites in place, construction started and equipment orders placed for 1.98 GW of capacity**

**SOTP**

| Project name | 1st Full Year Operations | In full year operations PAT (Rs bn) | Target P/E (x) | SOTP/ Project |
|---|---|---|---|---|
| Baspa II | FY11 | 1.6 | 10 | 7 |
| Vishnuprayag | FY11 | 1.9 | 10 | 6 |
| Karcham (55%) | FY12 | 5.0 | 8 | 15 |
| Bina Ph I | FY13 | 4.2 | 10 | 15 |
| Nigrie | FY15 | 11.3 | 10 | 25 |
| Karchana Ph I | FY16 | 5.0 | 12 | 9 |
| Bara Ph I | FY15 | 8.5 | 12 | 17 |
| Transmission | FY11 | 0.4 | 12 | 2 |
| **Discount Rate** | | **20%** | | |
| **Value today (Rs/sh)** | | | | **89** |

*Source: Company, Enam Research*

**Financial summary #** **(CMP: Rs 64)**

| Y/E Mar | Sales (Rs bn) | PAT (Rs bn) | EPS (Rs.) | P/E (x) | P/B (x) | RoE (%) | EV/EBITDA (x) | Net D/E (x) | BVPS (Rs) |
|---|---|---|---|---|---|---|---|---|---|
| FY11E | 7 | 2 | 0.8 | 77.1 | 3.6 | 4.7 | 37.4 | 2.6 | 17.9 |
| FY12E | 30 | 7 | 3.5 | 18.5 | 2.6 | 15.8 | 10.1 | 2.3 | 24.7 |
| FY13E | 40 | 11 | 5.1 | 12.6 | 2.2 | 17.9 | 9.2 | 2.2 | 29.5 |
| FY14E | 58 | 20 | 8.9 | 7.2 | 1.7 | 26.3 | 7.1 | 2.0 | 38.5 |

*Source: Company, ENAM estimates; # Calculated on post merger equity base*

# Exide

ENAM
It's possible!

## Strong Auto replacement/ OEM sales to drive revenues

- A 3-4 year replacement cycle for auto batteries represents a large opportunity. The auto replacement segment (~35-40% of revenue) has been growing at 18-20% over the last few quarters. Exide has **>70% share** of the organized replacement mkt.
- The company has **>70% share in the OEM battery segment** (~20% of revenues) and has received single source contracts for various upcoming car launches. Car production in India is likely to increase from 2 mn units p.a. to 3.5 mn units by FY12E
- Industrial segment (~40% of revenues) growth slowed in FY10 to ~10-15% (vs. 20-30% historically) due to slower growth in telecom infrastructure (~20% of industrial sales). This segment is expected to recover in FY11E

## Increased use of recycled lead to reduce volatility in pricing and expand margins

- Increased use of recycled lead (lead is ~75% of RMC) from the current 45% to 70% over next three years is likely to a) lower availability of lead for the unorganized players (~45% mkt share); b) result in margin expansion as recycled lead is 8-10% cheaper than imported lead; and c) bring down the lead time to ~1-2 weeks and reduce the volatility in pricing
- In light of the tight demand supply situation in the auto mkt, Exide is expanding capacity by ~20% in FY11E (capex of Rs 3.5 bn).

## Superior quality of earnings – Biz ROE of ~25% and Core ROCE of ~75% by FY11E

- **Strong biz model:** a) high gross asset turns of ~3x (vs 1.2 in FY03); b) low Wcap needs as sales on cash & carry in the repl. mkt
- With rapid expansion of smelter ops, **the profits of subs is expected to improve going ahead (EPS of Rs 0.3/share in FY10**).
- We value the co. on a SOTP basis with a TP of Rs 157 (16x FY12E standalone EPS of Rs 9 + Rs 16/share of insurance biz)

**Financial summary** **(CMP: Rs 121)**

| Y/E Mar | Sales (Rs mn) | EBITDA (Rs mn) | PAT (Rs mn) | EPS (Rs.) | Change (YoY %) | Core P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) | DPS (Rs) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 33,930 | 5,448 | 2,819 | 3.5 | 12 | - | 24.8 | 32.7 | - | 0.2 |
| 2010E | 37,974 | 8,928 | 5,371 | 6.7 | 91 | 15.8 | 30.9 | 42.5 | 10.29 | 1.0 |
| 2011E | 44,903 | 10,244 | 6,310 | 7.4 | 11 | 14.3 | 25.3 | 37.4 | 9.5 | 1.0 |
| 2012E | 52,045 | 12,049 | 7,527 | 8.9 | 19 | 12.0 | 24.4 | 36.4 | 7.8 | 1.0 |

*Source: Company, ENAM estimates*

# DB Realty

## Investment argument

- **<u>Mumbai focused player with a sustained ability to acquire low cost, high quality, city centric land</u>**
- **Strong execution track record** (~15mn since inception)
- **High cash flow visibility** on a/c of ready-to-launch land parcels in the highly lucrative south Mumbai market
- **Cash reserves of ~Rs 10 bn allow the company to capitalize on the lucrative opportunities** expected in the Mumbai redevelopment space

## Group background

- Founded in 2007 by the Dynamix group (25 yrs exp.) & the Balwas group (95 yrs. exp)
- Promoters own 64% with the balance being held by investors

## Project portfolio totaling 61 mn sq. ft.

- 11 ongoing and 14 forthcoming/ upcoming projects totaling **~19.5 mn and ~41.5 mn sq. ft. respectively**
- **Recent launches in south & central Mumbai received good response with the company selling an avg. of ~120 flats thereby generating cash inflows of ~Rs 1 bn in April 2010**
- Several opportunities in prime locations in advanced stages of negotiation

## Valuations & Recommendations

- Mumbai focus land bank, strong land acquisition skills, and outsourced execution model makes DBR a compelling play on the Mumbai realty
- At CMP of Rs 400, the stock trades at a 23% discount to our NAV of Rs 536. Sector **Outperformer** rating and a price target of **Rs 536**.

## Portfolio synopsis

| Location wise break up | Area (mn sq ft) | % | NAV | Value/ share |
|---|---|---|---|---|
| South & central Mumbai | 6.3 | 54% | 70,954 | 292 |
| Western Suburbs | 27.1 | 29% | 37,942 | 156 |
| *Mira Road* | *17.9* | *12%* | *16,225* | *67* |
| Eastern suburbs | 1.0 | 0.3% | 385 | 2 |
| TDR | 17.9 | 10% | 12,448 | 51 |
| Pune | 8.9 | 7% | 8,568 | 35 |
| **Total** | **61** | **100%** | **130,296** | **536** |

| Segmental break up | Area (mn sq ft) | % | NAV | Value/ share |
|---|---|---|---|---|
| Residential | 40.65 | 79% | 102,907 | 423 |
| Commercial & retail | 2.51 | 11% | 14,942 | 61 |
| TDR | 17.88 | 10% | 12,448 | 51 |
| **Total** | **61** | **100%** | **130,296** | **536** |

| Key projects | Area (mn sq ft) | % | NAV | Value/ share |
|---|---|---|---|---|
| Orchid Turf View, Mahalaxmi | 1 | 21% | 27,285 | 112 |
| Orchid Acre, Mira road | 18 | 12% | 16,225 | 67 |
| Orchid Corporate Park, Andheri | 1 | 7% | 8,672 | 36 |
| Orchid Crown , Lower Parel | 1 | 9% | 11,138 | 46 |
| Orchid Hill Park- TDR, Goregaon | 6 | 5% | 6,316 | 26 |
| Orchid Heights, Mumbai Central | 1 | 5% | 6,616 | 27 |
| Orchid Views, Mumbai Central | 1 | 4% | 5,712 | 23 |
| Orchid Enclave, Mumbai Central | 1 | 4% | 5,161 | 21 |
| **Total** | **30** | **67%** | **87,125** | **358** |

*Source: Company, ENAM Research*

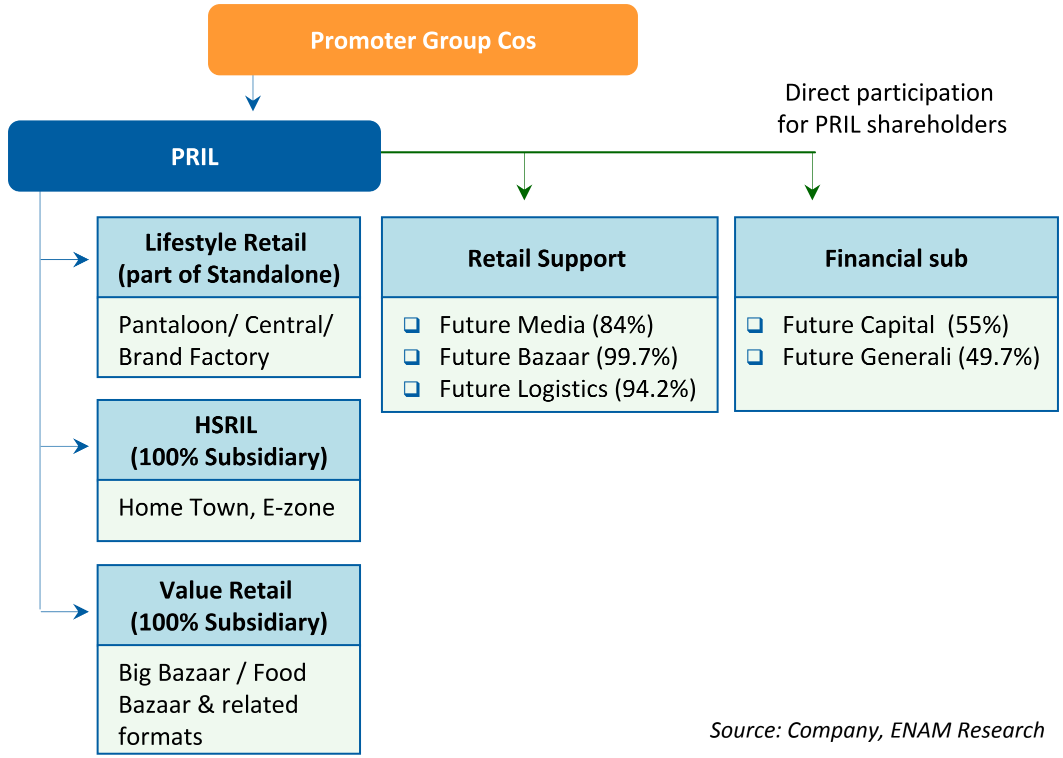
# Pantaloon…

- **Consumption rebounds: Same-store sales growth over 13% in lifestyle & value retailing, reflects up-tick in consumer sentiments**
- **Operating Cash flow sufficient to grow retail operations by 25% p.a.**
  - Base case of 2 mn sq. ft. rollout per year (18-20% revenue growth) with ~5% same store sales growth, will drive revenue growth of 20-25% over next 2-3 years. Annual operating cash flow of Rs 4.5 bn and proportionate debt, is adequate to fund current retail expansion.
  - Caveat: Launch of a new retail format or growth of subsidiaries, may require equity funding.
- **Focus on improving capital efficiency**
  - Gross margin to remain stable as increase in share of pvt labels to mitigate pressure from higher growth in value retail (60% of rev). Operating margin to remain in the 10% band as efficiencies could be used to provide value to consumers and hence maintain competitiveness
  - PRIL is rolling out backend mgt systems which will lead to lower inventory, higher order fulfilment rates & product availability at stores etc.
  - **Targets: Inventory/ sq. ft. at Rs 1500 i.e. lower by 15% & reduction in SKU's by 30-40%. Also reduce capex costs per sq ft by 20%.**
- **Lower interest burden to drive earnings growth of 55% CAGR: Tied up capex requirement (including working capital) through Rs 50 bn QIP and internal accruals. Thus lowering leverage from 1.3x in FY09 to 0.9x in FY10**

*continued*

# ...Pantaloon

- **Realignment of business to unlock value** 1) PRIL will divest its stake in non-retail subs – already done for 3 subs, 2) Drop down of value retail formats (Big Bazaar, Food Bazaar etc, ~70% of revenue) into a 100% sub to enable PRIL to aid expansion plans and strategic tie ups – Effective January 1, 2010, and 3) Provide direct access to financial services (insurance) – awaiting approvals
- Govt may open up FDI in multi brand retail to 51% – we believe this as a +ve as global hypermarket retailers are likely to directly partner with domestic retailers. Equity participation will come in a significant premium.
- **Valuations: Core retail (ex-subs/inv) is trading at 22x FY11E and 16x FY12E**




*Source: Company, ENAM Research*

**Financial summary (Standalone core retail)** **(CMP: Rs 421)**

| Y/E June | Sales (Rs mn) | PAT (Rs mn) | Consensus EPS* (Rs.) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoIC (%) | RoCE (%) | EV/EBITDA (x) | EV/S (x) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 63,417 | 1,442 | - | 7.6 | (5) | - | 20.1 | 11.9 | - | - |
| 2010E | 79,316 | 2,156 | 10.2 | 10.2 | 35 | 33.6 | 24.6 | 12.3 | 11.1 | 1.2 |
| 2011E | 97,466 | 3,323 | 15.2 | 15.7 | 54 | 21.8 | 27.0 | 13.9 | 9.4 | 1.0 |
| 2012E | 117,603 | 4,553 | 20.9 | 21.6 | 37 | 15.9 | 29.6 | 15.9 | 7.8 | 0.8 |

*Source: Company, ENAM estimates; *Consensus broker estimates*

**SOTP**

| Business | Rs/ share | Comments |
|---|---|---|
| PRIL Standalone | 470 | 20x FY12E earnings |
| FCH (55%) | 28 | Mcap Rs 11bn |
| Future Generali (49.7%) | 53 | Valued at Rs 11.8 bn |
| **PRIL Value** | **551** | |

*Source: Company, ENAM Research*

# Oriental Bank of Commerce

- **Business growth led by network expansion:** The bank aims for business growth of 25% in FY'11. It plans to open 175 new branches and recruit over 1,500 new staff
- **Targeting higher NIM:** Backed by improvement in CASA and reduction in sub-PLR lending, OBC is targeting an improved NIM of 2.5% by FY11 and 2.8% by FY12, which would also drive profitability
- **CASA to be a major thrust area:** It has launched a new campaign where in around 2 million accounts have been opened. Targeting to have 25-30% branches in un-banked areas where it can attract more CASA
- **Insurance JV to add value in longer term:** This business is generating traction and is likely to be an additional value driver over long term
- **Capital infusion to be a big positive:** The bank is expecting capital infusion of Rs 10 bn from the government which would improve its Tier I ratio and support the growth for the next few years
- High growth rates (above industry average), improving return ratios (1% RoA), strong NII growth and improved asset quality will aid in reporting strong operating performance

**Financial summary** **(CMP: Rs 331)**

| Y/E Mar | PAT (Rs mn) | FDEPS (Rs) | change (%) | P/E (x) | BV (Rs.) | Adj. BV (Rs.) | P/BV (x) | P/Adj. BV (x) | RoE (%) | RoA (%) | Net NPA (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 9,054 | 36 | 8 | 9.1 | 258 | 246 | 1.3 | 1.3 | 14.8 | 0.9 | 0.6 |
| 2010 | 11,346 | 45 | 25 | 7.3 | 292 | 273 | 1.1 | 1.2 | 16.5 | 0.9 | 0.9 |
| 2011E | 13,756 | 55 | 21 | 6.0 | 336 | 323 | 1.0 | 1.0 | 17.5 | 0.9 | 0.5 |
| 2012E | 17,682 | 71 | 29 | 4.7 | 395 | 381 | 0.8 | 0.9 | 19.3 | 1.0 | 0.4 |

Source: Company, ENAM Research

# GVK

- **Operational Asset basket of around Rs 170 bn spread across verticals - Airports, Roads, Power**
- **Cash flow generation** of ~Rs3 bn p.a. on a **rising trend**
- **Land monetisation around Mumbai airport, improving financial visibility of Bangalore airport** are the key medium-term triggers
- **Growth** plans of adding to road basket and increasing power capacity by 1,600 MW; has **breathing space of 1-2 years on fund requirements**, giving mgmt discretion on timing
- **SoTP** of Rs 52 implies valuation of 2.2x P/BV FY12E, which values the company's **existing asset basket**, with **no premium for strong growth potential** through incremental projects

**Target Valuation**

| Project | GVK's holding (%) | Share of DCF value (Rs mn) |
|---|---|---|
| **Airports** | | **48,587** |
| Mumbai Airport | 36 | 43,741 |
| Bangalore airport | | 4,846 |
| **Power** | | **24,473** |
| Jegurupadu - I | 100 | 4,410 |
| Jegurupadu - II | 100 | 6,046 |
| Gautami Power | 64 | 5,977 |
| Alaknanda Hydro-power | 100 | 3,435 |
| Goindwal Sahib | 99 | 4,605 |
| **Roads** | | **12,068** |
| Jaipur-Kishangarh | 100 | 12,068 |
| **Others** | | **2,217** |
| Equity investment in SEZ | | 2,000 |
| Standalone O&M | 100 | 217 |
| **Total** | | **87,345** |
| Net debt less equity reqd | | (4,875) |
| **Net value to GVK** | | **82,469** |
| **Rs/share for GVK** | | **52** |

*Source: Company, ENAM Research*

**Financial summary** **(CMP: Rs 43)**

| Y/E Mar | Sales (Rs mn) | PAT (Rs mn) | Consensus EPS* (Rs.) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) | DPS (Rs) | P/ BV (x) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 5,138 | 1,076 | - | 0.8 | (21) | - | 4.2 | 2.6 | - | 0.2 | - |
| 2010 | 17,866 | 1,559 | 1.1 | 1.0 | 29 | 44.0 | 4.8 | 4.8 | 22.9 | 0.4 | 2.0 |
| 2011E | 20,899 | 1,761 | 1.6 | 1.1 | 13 | 39.0 | 4.5 | 5.3 | 16.0 | 0.4 | 1.9 |
| 2012E | 22,164 | 2,717 | 2.4 | 1.7 | 54 | 25.3 | 6.7 | 5.9 | 15.1 | 0.4 | 1.8 |

*Source: Company, ENAM estimates; *Consensus broker estimates*

# Aurobindo

- **Aurobindo Pharma: Beneficiary of Big Pharma's Emerging Market/ Generics focus**: Bagged one of the **largest and most comprehensive supply deals with Pfizer in the industry** – includes orals and injectables for North America, EU, Australia, New Zealand and ROW. This deal lends **global acceptability to Aurobindo's manufacturing capability and product pipeline**, thus paving way for more such deals. We expect USD 200 mn revenues from supply arrangement with Pfizer by FY12E (18% of sales).

- **EBITDA margin to expand to 25% in FY12E from 23% in FY09 driven by:** Improving Product Mix – (Formulations to contribute 66% of sales in FY12E from 54% in FY10) and Improving Geographic Mix - Developed markets to account for 49% of sales in FY12E (33% in FY10)

- **Rising internal accruals allay balance sheet concerns:** D/E lowered to 1.1x (FY10 end) and likely to contract to 0.45x by FY12E end from 1.5x at the end of FY09. FCFs to be ~ Rs 3.6 bn in FY 11E. After its buy-back of FCCBs worth USD 63 mn at a discount, it has USD 255 mn (incl YTM) of FCCBs outstanding, of which USD 204 mn is "out of the money" – we expect internal accruals and borrowings to be sufficient to manage repayment of FCCB

- **Valuations**: Tgt price Rs 1266 based on 10xFY12E in view of **19% CAGR in sales, 28% CAGR in earnings** from FY10-FY12E and **improving ROCE – 23% in FY12E from 19% in FY10**

**Financial summary** **(CMP: Rs 832)**

| Y/E March | Sales (Rs mn) | PAT (Rs mn) | Consensus EPS* (Rs.) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) | DPS (Rs) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 30,773 | 2,513 | - | 43.1 | 44 | - | 18.7 | 12.3 | - | 4.5 |
| 2010E | 35,754 | 4,868 | 78.1 | 83.5 | 94 | 10.0 | 29.2 | 18.5 | 7.9 | 5.2 |
| 2011E | 41,215 | 5,725 | 98.4 | 98.2 | 18 | 8.5 | 26.0 | 18.3 | 6.6 | 5.4 |
| 2012E | 48,910 | 7,382 | 120.2 | 126.6 | 29 | 6.6 | 26.1 | 21.8 | 5.1 | 6.8 |

*Source: Company, ENAM estimates; *Consensus broker estimates*

# Appendix

# Nifty-benchmarked ENAM Model Portfolio …

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## Nifty-benchmarked Enam Model Portfolio

**Portfolio Monthly update as of 21-May-10: allocations UNCHANGED, while CMP and resultant Upside are as of date.**

Note: Nil-cash portfolio (except marginal IPO reservations); * RIL Capped at 10%; Cos highlighted in blue are non-Nifty stocks

| Sector/ Company name | Mcap (USD m) | CMP (INR) | Weightages (%) Nifty Current | Weightages (%) ENAM 21 May 10 | Target Pr. (INR) | Upside (%) | 16-Apr-10 Price (INR) | 16-Apr-10 Weights (%) | Wtg change 21-May vs. 16-Apr |
|---|---|---|---|---|---|---|---|---|---|
| **Auto** | **41,801** | | **5.8** | **8.5** | | | | **6.5** | ▲ |
| Tata Motors | 9,027 | 767 | 1.8 | 1.0 | 936 | 22 | 785 | 0.0 | ▲ |
| Hero Honda | 8,505 | 1,987 | 1.2 | 1.0 | 2,081 | 5 | 1,920 | 1.0 | ◄► |
| Maruti Suzuki | 8,030 | 1,297 | 1.2 | 2.0 | 1,551 | 20 | 1,351 | 1.0 | ▲ |
| Mah & Mah | 7,225 | 583 | 1.7 | 0.0 | 595 | 2 | 503 | 0.0 | ◄► |
| **Bajaj Auto** | 6,808 | 2,195 | | 2.5 | 2,556 | 16 | 2,051 | 2.5 | ◄► |
| **Exide** | 2,206 | 121 | | 2.0 | 157 | 30 | 120 | 2.0 | ◄► |
| **Banks & Financial services** | **133,554** | | **25.2** | **22.0** | | | | **20.5** | ▲ |
| State Bank | 31,113 | 2,287 | 4.0 | 3.0 | 2,260 | (1) | 2,047 | 3.0 | ◄► |
| ICICI Bank | 20,382 | 853 | 6.4 | 3.5 | U/R | - | 922 | 3.0 | ▲ |
| HDFC Bank | 18,731 | 1,906 | 4.5 | 1.5 | 1,810 | (5) | 1,957 | 0.0 | ▲ |
| HDFC | 16,977 | 2,737 | 4.7 | 4.0 | 3,020 | 10 | 2,678 | 4.0 | ◄► |
| Axis Bank | 10,850 | 1,244 | 2.1 | 2.5 | 1,420 | 14 | 1,150 | 2.5 | ◄► |
| PNB | 6,792 | 1,005 | 0.9 | 2.0 | 1,176 | 17 | 995 | 3.0 | ▼ |
| Kotak Mah Bank | 5,665 | 759 | 0.9 | 0.0 | - | - | 725 | 0.0 | ◄► |
| IDFC | 4,519 | 162 | 1.1 | 1.0 | 200 | 23 | 161 | 0.0 | ▲ |
| Reliance Capital | 3,541 | 673 | 0.5 | 0.0 | U/R | - | 751 | 0.0 | ◄► |
| **Power Finance** | 7,151 | 291 | | 1.5 | 337 | 16 | 260 | 1.5 | ◄► |
| **Yes Bank** | 2,156 | 296 | | 1.0 | 332 | 12 | 250 | 0.0 | ▲ |
| **Oriental Bank** | 1,775 | 331 | | 2.0 | 419 | 27 | 326 | 0.0 | ▲ |
| **Aditya Birla Nuvo** | 1,599 | 724 | | 0.0 | U/R | - | 835 | 1.0 | ▼ |
| **Bajaj Finserv** | 1,495 | 482 | | 0.0 | U/R | - | 309 | 1.0 | ▼ |
| **Max India** | 809 | 163 | | 0.0 | U/R | - | 185 | 1.5 | ▼ |

# …Nifty-benchmarked ENAM Model Portfolio

| Sector/ Company name | Mcap (USD m) | CMP (INR) | Weightages (%) Nifty Current | Weightages (%) ENAM 21 May 10 | Target Pr. (INR) | Upside (%) | 16-Apr-10 Price (INR) | 16-Apr-10 Weights (%) | Wtg change 21-May vs. 16-Apr |
|---|---|---|---|---|---|---|---|---|---|
| **Cement** | **16,200** | | **2.2** | **3.0** | | | | **3.0** | ◄► |
| JP Associates | 5,555 | 122 | 0.9 | 1.0 | - | - | 148 | 1.0 | ◄► |
| ACC | 3,390 | 842 | 0.6 | 0.0 | 828 | (2) | 933 | 0.0 | ◄► |
| Ambuja Cement | 3,739 | 114 | 0.6 | 0.0 | 121 | 6 | 118 | 0.0 | ◄► |
| **Grasim Inds** | 3,516 | 1,789 | | 2.0 | 2,961 | 65 | 2,793 | 2.0 | ◄► |
| **Engineering & Infra** | **74,880** | | **11.0** | **13.0** | | | | **10.5** | ▲ |
| BHEL | 24,583 | 2,343 | 2.5 | 3.0 | 2,700 | 15 | 2,493 | 3.0 | ◄► |
| Larsen & Toubro | 21,451 | 1,661 | 5.9 | 4.0 | 1,890 | 14 | 1,571 | 2.5 | ▲ |
| Siemens | 5,013 | 694 | 0.7 | 0.0 | 642 | (7) | 736 | 0.0 | ◄► |
| Reliance Infra | 5,773 | 1,100 | 1.0 | 1.0 | 1,225 | 11 | 1,116 | 1.0 | ◄► |
| ABB | 3,901 | 859 | 0.6 | 0.5 | U/R | - | 846 | 0.0 | ▲ |
| Suzlon Energy | 1,845 | 55 | 0.3 | 0.0 | U/R | - | 72 | 0.0 | ◄► |
| **Mundra** | 5,884 | 685 | | 1.0 | 820 | 20 | 749 | 1.0 | ◄► |
| **Crompton Greaves** | 3,424 | 249 | | 1.0 | 290 | 16 | 264 | 1.5 | ▼ |
| **GVK Power & Infra** | 1,471 | 43 | | 1.5 | 52 | 20 | 45 | 1.0 | ▲ |
| **Punj Lloyd Ltd** | 838 | 118 | | 0.0 | 130 | 10 | 168 | 0.0 | ◄► |
| **Sterlite Technologies** | 698 | 101 | | 1.0 | 120 | 19 | 88 | 0.5 | ▲ |
| **FMCG, Media, Retail** | **45,021** | | **6.8** | **10.0** | | | | **11.5** | ▼ |
| ITC | 23,310 | 285 | 5.0 | 3.0 | - | - | 269 | 3.0 | ◄► |
| Hindustan Unilever | 11,559 | 247 | 1.7 | 1.0 | 205 | (17) | 226 | 1.0 | ◄► |
| **Asian Paints** | 4,339 | 2,112 | | 1.0 | 2,400 | 14 | 2,053 | 1.5 | ▼ |
| **Pantaloon Retail** | 1,823 | 421 | | 2.0 | 551 | 31 | 414 | 3.0 | ▼ |
| **Tata Tea** | 1,445 | 1,091 | | 0.0 | 1,260 | 16 | 985 | 1.0 | ▼ |
| **DB Corp** | 916 | 235 | | 2.0 | 278 | 18 | 256 | 0.0 | ▲ |
| **Dish TV** | 880 | 39 | | 1.0 | U/R | - | 37 | 1.0 | ◄► |
| **Jagran Prakashan** | 748 | 116 | | 0.0 | 128 | 10 | 123 | 1.0 | ▼ |
| **IT - Services** | **94,993** | | **13.3** | **11.0** | | | | **11.0** | ◄► |
| Infosys Tech | 33,170 | 2,697 | 8.8 | 5.5 | 2,977 | 10 | 2,786 | 4.5 | ▲ |
| Tata Consultancy | 31,994 | 763 | 2.6 | 3.5 | 912 | 20 | 815 | 3.5 | ◄► |
| Wipro | 20,640 | 656 | 1.3 | 0.0 | 764 | 17 | 722 | 0.0 | ◄► |
| HCL Tech | 5,502 | 379 | 0.6 | 0.0 | 331 | (13) | 352 | 0.0 | ◄► |
| **Oracle Financial** | 3,688 | 2,052 | | 2.0 | 2,726 | 33 | 2,222 | 3.0 | ▼ |

# …Nifty-benchmarked ENAM Model Portfolio

| Sector/ Company name | Mcap (USD m) | CMP (INR) | Weightages (%) | | Target Pr. (INR) | Upside (%) | 16-Apr-10 Price (INR) | 16-Apr-10 Weights (%) | Wtg change 21-May vs. 16-Apr |
|---|---|---|---|---|---|---|---|---|---|
| | | | Nifty Current | ENAM 21 May 10 | | | | | |
| **Metals / Mining** | **44,901** | | **5.9** | **0.0** | | | | **0.0** | ◄► |
| SAIL | 17,957 | 203 | 0.8 | 0.0 | 211 | 4 | 228 | 0.0 | ◄► |
| Sterlite Inds | 11,716 | 651 | 1.8 | 0.0 | U/R | - | 838 | 0.0 | ◄► |
| Tata Steel | 9,238 | 486 | 2.0 | 0.0 | 420 | (14) | 694 | 0.0 | ◄► |
| Hindalco Inds | 5,990 | 146 | 1.3 | 0.0 | 141 | (3) | 175 | 0.0 | ◄► |
| **Oil & Gas** | **156,682** | | **17.2** | **16.0** | | | | **17.5** | ▼ |
| Reliance Inds * | 72,278 | 1,031 | 11.7 | 10.0 | 1,170 | 13 | 1,083 | 10.0 | ◄► |
| ONGC | 55,503 | 1,211 | 2.8 | 4.0 | 1,289 | 6 | 1,031 | 5.0 | ▼ |
| GAIL | 12,552 | 462 | 1.4 | 1.5 | 474 | 3 | 410 | 2.5 | ▼ |
| Cairn | 11,855 | 292 | 0.8 | 0.0 | 282 | (3) | 309 | 0.0 | ◄► |
| BPCL | 4,493 | 580 | 0.5 | 0.5 | 534 | (8) | 499 | 0.0 | ▲ |
| **Pharmaceuticals** | **25,026** | | **2.4** | **4.0** | | | | **5.5** | ▼ |
| Sun Pharma | 7,497 | 1,698 | 0.9 | 0.0 | 1,638 | (4) | 1,801 | 0.0 | ◄► |
| Cipla | 5,583 | 324 | 1.1 | 0.0 | 293 | (10) | 330 | 0.0 | ◄► |
| Ranbaxy Lab | 3,894 | 432 | 0.4 | 0.0 | 313 | (28) | 450 | 0.0 | ◄► |
| **Lupin Ltd** | 3,523 | 1,847 | | 2.0 | 1,925 | 4 | 1,660 | 2.5 | ▼ |
| **Piramal Healthcare Ltd** | 2,322 | 518 | | 0.0 | 510 | (2) | 483 | 1.0 | ▼ |
| **Jubilant Organosys** | 1,205 | 354 | | 0.5 | 406 | 15 | 328 | 0.5 | ◄► |
| **Aurobindo Pharma** | 1,003 | 832 | | 1.5 | 1,266 | 52 | 939 | 1.5 | ◄► |
| **Power Utilities** | **79,581** | | **5.6** | **10.5** | | | | **10.0** | ▲ |
| NTPC | 35,627 | 202 | 1.7 | 1.5 | 210 | 4 | 208 | 1.0 | ▲ |
| Jindal Steel & Power | 12,648 | 634 | 1.7 | 2.0 | - | - | 728 | 0.0 | ▲ |
| Power Grid | 9,530 | 106 | 0.4 | 2.0 | 130 | 23 | 108 | 2.0 | ◄► |
| Reliance Power | 8,301 | 162 | 0.4 | 0.0 | 170 | 5 | 157 | 0.0 | ◄► |
| Tata Power | 6,342 | 1,247 | 1.4 | 1.0 | 1,306 | 5 | 1,328 | 1.0 | ◄► |
| **JSW Energy** | 4,248 | 121 | | 2.0 | 148 | 22 | 120 | 2.0 | ◄► |
| **JPHydro** | 2,884 | 64 | | 1.0 | 89 | 39 | 73 | 2.0 | ▼ |
| **Reserve for IPOs** | | | | 1.0 | - | - | - | 2.0 | ▼ |

# …Nifty-benchmarked ENAM Model Portfolio

| Sector/ Company name | Mcap (USD m) | CMP (INR) | Weightages (%) Nifty Current | Weightages (%) ENAM 21 May 10 | Target Pr. (INR) | Upside (%) | 16-Apr-10 Price (INR) | 16-Apr-10 Weights (%) | Wtg change 21-May vs. 16-Apr |
|---|---|---|---|---|---|---|---|---|---|
| **Real Estate** | **16,820** | | **1.3** | **2.0** | | | | **2.5** | ▼ |
| DLF | 10,101 | 278 | 0.7 | 0.0 | 354 | 27 | 330 | 0.0 | ◀▶ |
| Unitech | 3,739 | 72 | 0.6 | 0.0 | 85 | 19 | 81 | 0.0 | ◀▶ |
| **DB Realty** | 2,085 | 400 | | 1.0 | 536 | 34 | 453 | 1.0 | ◀▶ |
| **Century Textiles** | 894 | 449 | | 0.5 | 660 | 47 | 536 | 0.5 | ◀▶ |
| **Reserve for IPOs** | | | | 0.5 | - | - | - | 1.0 | ▼ |
| **Telecommunications** | **33,486** | | **3.3** | **0.0** | | | | **1.5** | ▼ |
| Bharti Airtel | 22,261 | 274 | 2.3 | 0.0 | 289 | 6 | 304 | 1.5 | ▼ |
| Reliance Com | 7,275 | 164 | 0.7 | 0.0 | - | - | 169 | 0.0 | ◀▶ |
| Idea Cellular | 3,950 | 56 | 0.3 | 0.0 | 50 | (10) | 67 | 0.0 | ◀▶ |
| **Nifty Index** | **762,945** | | **100** | **100** | | | | **100** | |
| **Nifty Index performance** | | **From 21-May** | **4** | **From Inception 7-Jan** | **(3)** | | | | |
| **ENAM Model Portfolio performance** | | **From 21-May** | **3** | **From Inception 7-Jan** | **2** | | | | |

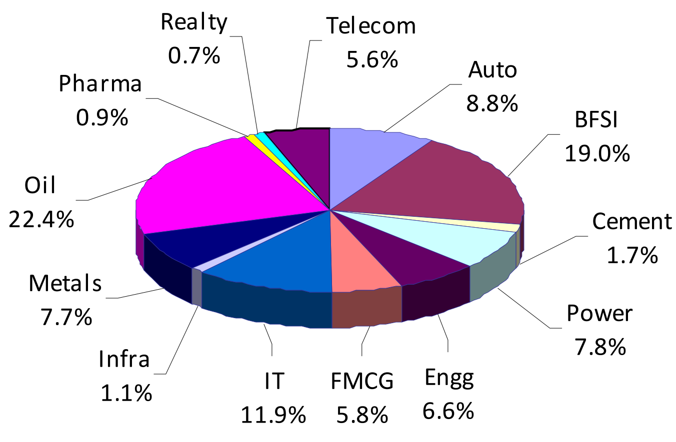
## Sector-Relative weightages of Nifty components only (last row provides non-Nifty component)

| Sector | Weightages (%) Nifty Current | Weightages (%) ENAM 21 May 10 | Weightages (%) ENAM 16 Apr 10 | Wtg chg 21-May vs. 16-Apr |
|---|---|---|---|---|
| Auto | 5.6 | 4.0 | 2.0 | ▲ |
| Banks & Financial services | 25.3 | 17.5 | 15.5 | ▲ |
| Cement | 2.2 | 1.0 | 1.0 | ◀▶ |
| Engineering & Infra | 10.9 | 8.5 | 6.5 | ▲ |
| FMCG, Media, Retail | 6.7 | 4.0 | 4.0 | ◀▶ |
| IT - Services | 13.3 | 9.0 | 8.0 | ▲ |
| Metals / Mining | 6.1 | 0.0 | 0.0 | ◀▶ |
| Oil & Gas | 17.2 | 16.0 | 17.5 | ▼ |
| Pharmaceuticals | 2.4 | 0.0 | 0.0 | ◀▶ |
| Power Utilities | 5.7 | 6.5 | 4.0 | ▲ |
| Real Estate | 1.4 | 0.0 | 0.0 | ◀▶ |
| Telecommunications | 3.1 | 0.0 | 1.5 | ▼ |
| **Non-Nifty stocks and Reserve for IPOs** | **-** | **33.5** | **40.0** | ▼ |
| **Total** | **100** | **100** | **100** | |

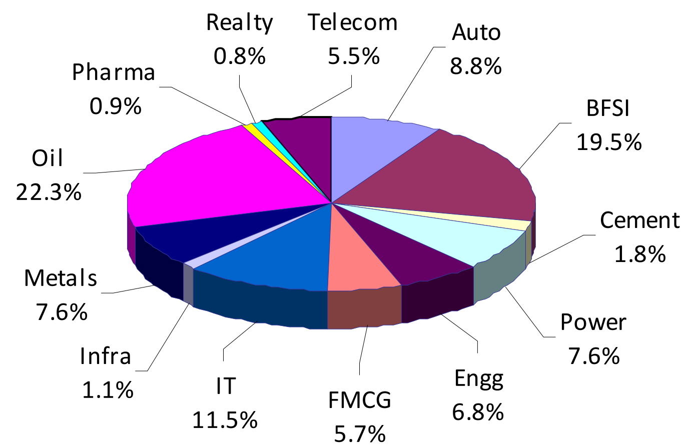
*Source: Bloomberg; ENAM Research*

# Sectoral contribution to Sensex profits

### PAT contribution FY11e




### PAT contribution FY12e




### Top 10 Contribute 62% of PAT

| Company name | FY11e (%) |
|---|---|
| Reliance Inds | 16.5 |
| Infosys | 7.6 |
| ICICI Bank | 6.1 |
| ONGC | 6.0 |
| State Bank | 5.5 |
| ITC | 4.3 |
| Bharti Airtel | 4.2 |
| Larsen & Toubro | 4.1 |
| HDFC Bank | 3.8 |
| HDFC | 3.7 |

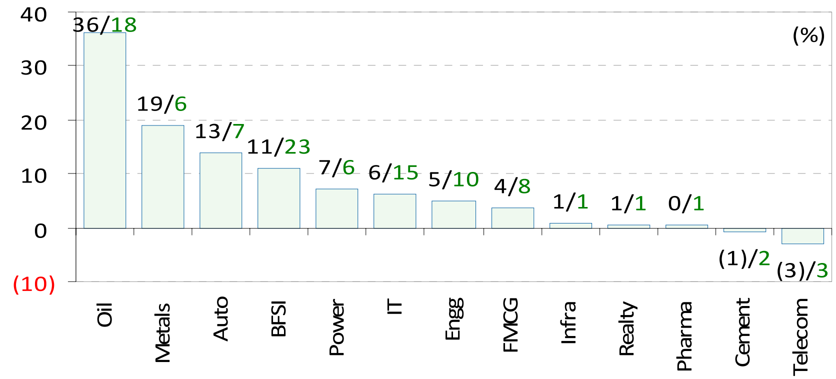
### Top 10 Contribute 62% of PAT

| Company name | FY12e (%) |
|---|---|
| Reliance Inds | 17.2 |
| Infosys | 7.5 |
| ICICI Bank | 6.3 |
| State Bank | 5.7 |
| ONGC | 5.1 |
| ITC | 4.4 |
| Larsen & Toubro | 4.3 |
| Bharti Airtel | 4.0 |
| HDFC Bank | 3.8 |
| Tata Motors | 3.7 |

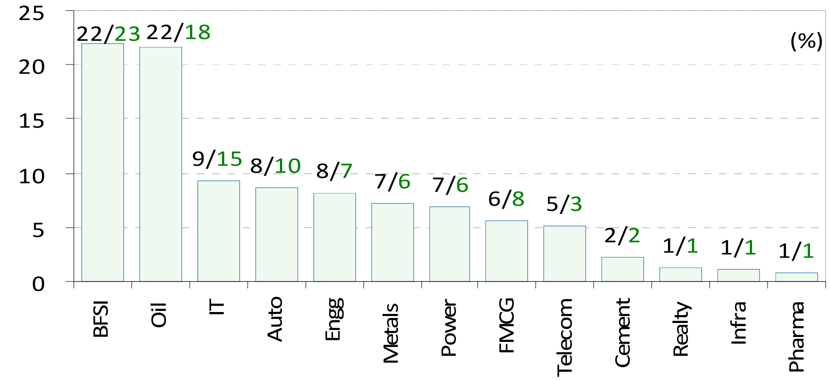
*Source: ENAM Research*

# Sectoral contribution to Sensex earnings growth

### PAT contribution to earnings growth* FY11e




### PAT contribution to earnings growth* FY12e




*** Nos in black are growth nos, whereas green after the slash indicates index weights. While there is no direct relation, it provides a perspective of where growth is vs its weightage, eg Oil with 18% weightage contributes a third of the earnings growth vs high-weightage low-contribution sectors like IT/ Engg/ FMCG**

### Top 10 Contribute 89% of PAT earnings growth

| Company name | FY11e (%) |
|---|---|
| Reliance Inds | 31.2 |
| Tata Steel | 18.3 |
| Tata Motors | 11.5 |
| ONGC | 4.9 |
| Jindal Steel & Power | 4.8 |
| ICICI Bank | 4.4 |
| Infosys | 4.1 |
| HDFC Bank | 3.7 |
| ITC | 3.4 |
| BHEL | 2.5 |

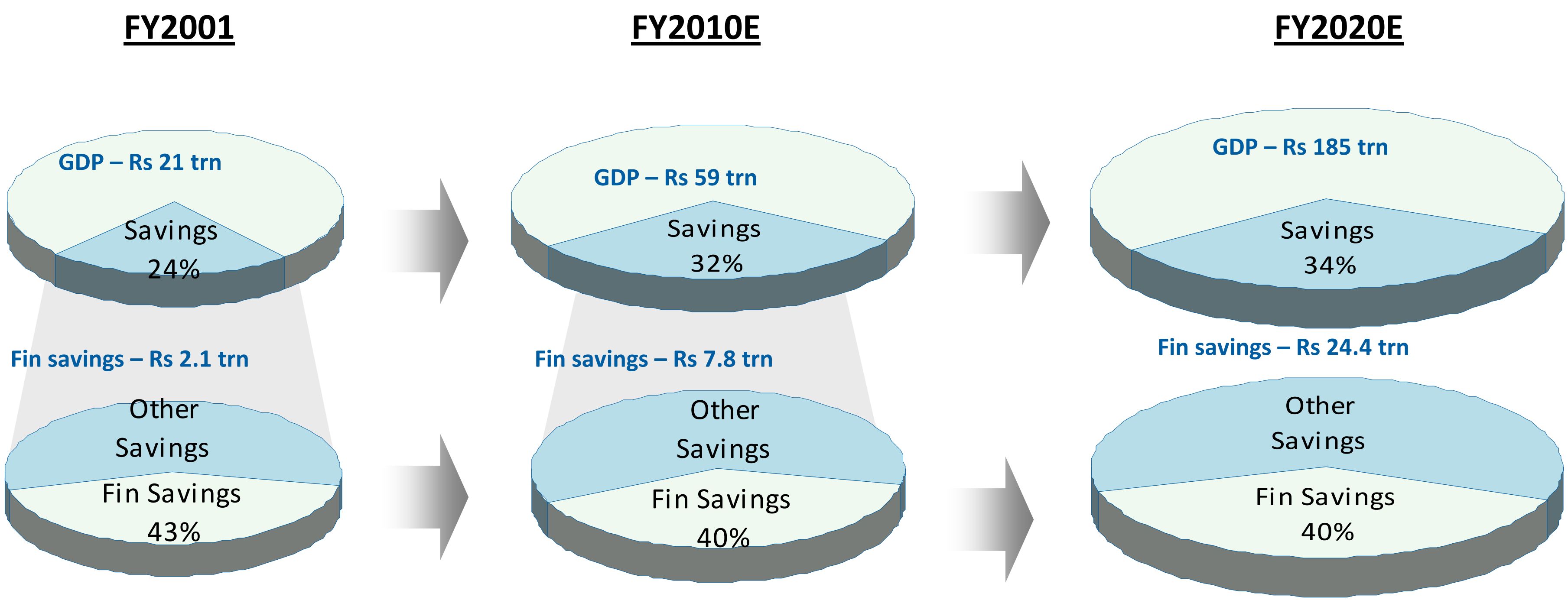
### Top 10 Contribute 73% of PAT earnings growth

| Company name | FY12e (%) |
|---|---|
| Reliance Inds | 21.5 |
| ICICI Bank | 7.9 |
| State Bank | 6.9 |
| Infosys | 6.8 |
| Sterlite | 6.4 |
| Tata Motors | 5.3 |
| Larsen & Toubro | 5.1 |
| ITC | 4.7 |
| Hindalco | 4.5 |
| Jindal Steel & Power | 4.0 |

*Source: ENAM Research*

# India savings J-curve

- **Indian Insurance Industry is likely to be boosted by a strong savings rate of more than 30%**



# New gas supply could addl ~2% to GDP..

**Gas supply to potentially add ~USD 48bn to the GDP by FY12**

=

**Savings of ~USD 42bn** = **Government subsidy: ~USD 9bn** + **Households savings: ~USD 4bn** + **Rest of economy: ~ USD 29bn**

**Incremental gas supply of ~156 mmscd to replace ~51MMT of crude oil**

**Fertilizer**: ~USD3.9bn
**CGD**: ~USD 4.7bn

**Cooking gas savings**: Switch from LPG to PNG
**Auto fuels savings:** Switch to CNG

**Power:** PLF to improve **Refinery:** Fuel saving ~USD5bn
**Fertilizer**: Profitability
Other beneficiaries include steel/petchem etc

| | Crude @ | | |
|---|---|---|---|
| | 110 | 130 | 150 |
| Additional gas (mmscmd) | 156 | 156 | 156 |
| Wellhead gas price(USD/mmbtu) | 4.8 | 4.8 | 4.8 |
| Equivalent liquid fuel prices (USD/ | 21.3 | 25.1 | 29.0 |
| Savings (USD/mmbtu) | 16.4 | 20.3 | 24.2 |
| **Potential savings (USD bn)** | **34** | **42** | **50** |

+

**New gas to generate Op. cash flows ~USD 6bn**

Players in the Gas Value Chain: ~USD9bn

=

Upstream : ~USD 6bn

+

Midstream : ~USD 2bn

+

Downstream: ~USD 1bn

*Source: ENAM Research*

# India's Fisc: Course correction

ENAM
It's possible!

## GoI accounts

| (Rs bn) | FY10E | FY11E |
|---|---|---|
| **a. Gross Tax Revenue** | **6,331** | **7,467** |
| % to GDP | **10** | **11** |
| Corporation tax | 2,551 | 3,013 |
| Income tax | 1,250 | 1,206 |
| Excise duty | 1,020 | 1,320 |
| Customs duty | 845 | 1,150 |
| Service tax | 580 | 680 |
| Other tax revenues | 86 | 98 |
| **b. (-) Devolvement to States &** | **1,648** | **2,090** |
| **c. Net tax revenues (a-b)** | **4,651** | **5,341** |
| **d. Non tax revenues** | **1,122** | **1,481** |
| **e. Net revenue receipts (c+d)** | **5,773** | **6,822** |
| **f. Non-debt capital receipts** | **302** | **451** |
| Recovery of loans | 43 | 51 |
| Divestment | 260 | 400 |
| **g. TOTAL REVENUES (e+f)** | **6,075** | **7,273** |
| **h. Revenue expenditure** | **6,419** | **6,436** |
| Interest | 2,195 | 2,487 |
| Defense | 884 | 873 |
| Subsidies | 1,310 | 1,162 |
| Pensions | 422 | 428 |
| Grants to States | 466 | 460 |
| Admin and social services | 1,141 | 1,025 |
| **Plan expenditure** | 2,644 | 3,151 |
| **i. Capital expenditure** | **1,152** | **1,500** |
| **l. TOTAL EXPENDITURE (h+i)=(j+k)** | **10,215** | **11,087** |
| **Deficit trends** | | |
| **m. Fiscal deficit (l-g)** | **4,140** | **3,814** |
| % to GDP | *6.7* | 5.5 |

- Estimates are conservative. Some upside possible

- 3G+WMA spectrum surprise ~$20bn vs ~$8bn budgeted
- But divestment no may be lower than ~$9bn assumed if risk aversion continues

- Slippages likely

- No provision for Oil subsidies. Food & fertilizer subsidies underprovided

- Best case, if oil prices ~$70/bbl with 3G+ Divestment, Fiscal deficit can go down to 4.8%
- Base case: 5.3%
- Worst case: 5.8%

## Subsidies: Underprovided in the budget

| (USD bn) | Actuals* 2008-09 | Revised 2009-10 | Budget 2010-11 |
|---|---|---|---|
| **Food** | **9.5** | **12** | **13** |
| **Total Fertilizer** | **16.7** | **11.3** | **11.4** |
| - Indigenous Urea | 4 | 3.0 | 4 |
| - Imported Urea | 2.2 | 0.8 | 1.3 |
| - Decontrolled fertilizer | 10.6 | 7.4 | 6.5 |
| **Petroleum Subsidy** | **0.6** | **3.2** | **0.7** |
| **Others** | **1.3** | **1.3** | **1.6** |
| **Total-Subsidies** | **28** | **28** | **27** |

FY10 subsidy higher by ~$3bn

FY10 subsidy already higher by $2.5bn

* *Actuals of 2008-09 are provisional.*

# External Sector

- INR likely to depreciate in H1 due to soverign issues in Europe & consequent rise in USD
- However in H2 INR will recover on favourable fundamentals:
  - **Growth**: Baseline growth seen settling ~8% and relative growth differential vs US remains intact
  - Pro-reform policies will be +ive for capital flows
  - **Capital flows to more than offset CAD** :
    - A favourable base and global demand up tick will boost export growth
    - Crude oil price outlook remains muted thereby reducing pressure on India's CAD despite a rise in non-oil imports
  - **Risks:** Risk aversion,**Yuan revaluation**

| External Sector | FY10E | FY11E |
|---|---|---|
| Exports (US$ bn) | 176 | 199 |
| Imports (US$ bn) | 278 | 323 |
| Trade Bal (US$ bn) | (102) | (124) |
| As a % of GDP) | (6) | (6) |
| Invisibles, net (US$ bn) | 86 | 95 |
| Software | 42 | 44 |
| Remittances | 38 | 45 |
| Current A/c Bal (US$ bn) | (16) | (29) |
| Current A/c Bal as % of GDP | (1.3) | (2.0) |
| Capital Account | | |
| FDI (US$ bn) | 15 | 19 |
| Portfolio Invst (US$ bn) | 15 | 9 |
| Capital Inflows - % of GDP | 2 | 2 |
| Loans | 12 | 15 |
| Banking capital | 8 | 10 |
| Of which NRI | 5.0 | 2.5 |
| Rupee debt service | (0.5) | (0.5) |
| Other capital | 5 | 4 |
| Capital account | 48 | 59 |
| Overall balance | 50 | 60 |
| Forex Res excl. Gold (US$ bn) | 272 | 292 |
| Months of Imports | 11 | 12 |

Assumed a 14% growth in exports & 16% in imports as global growth recovers& base effect

- Trade bal. will widen a tad due to rise in crude & higher non –oil imports despite KG Gas substitution
- Crude price assumed at $75 (vs $70 in '10)

Software earnings & remittances to rise

FDI flows expected to mirror global recovery but FII flows may decline

Fx Reserves build up in FY11 as capital flows l back to normal

# India Debt to GDP - Manageable !

ENAM
It's possible!

**Scenarios: Debt/GDP of central govt**

| | | Nominal GDP growth (%) | | | | |
|---|---|---|---|---|---|---|
| | | **8** | **9** | **10** | **12** | **14** |
| Interest rate (%) | **6.5** | 67 | 64 | 61 | 56 | 50 |
| | **7.0** | 68 | 65 | 62 | 57 | 52 |
| | **8.0** | 72 | 68 | 65 | 60 | 54 |
| | **9.0** | 75 | 72 | 68 | 62 | 57 |

*Source: Crisil, ENAM Research*

Chg in D = PD/ GDP + (i-g) * D
Where, D= Debt/ Nominal GDP ; PD= primary deficit (deficit –int )
i = nominal int rate ; g = nominal GDP growth

**Debt dynamics of the central government**

| (%) | FY93-97 | FY98-03 | FY04-08 | FY10 |
|---|---|---|---|---|
| Average cost of govt debt | 9.4 | 9.6 | 7.1 | 8 |
| Nominal GDP growth | 16.3 | 10.1 | 14.5 | 14.9 |
| Actual primary deficit/GDP | 1.4 | 1.3 | 1 | 3.2 |
| Internal debt/GDP | 54 - 49 | 51 - 64 | 63 - 61 | 60 |

*Source: RBI, Crisil, ENAM Research*

**India's debt is domestic and Nominal GDP growth > nominal interest rates on govt borrowings, hence Debt/ GDP will remain manageable**

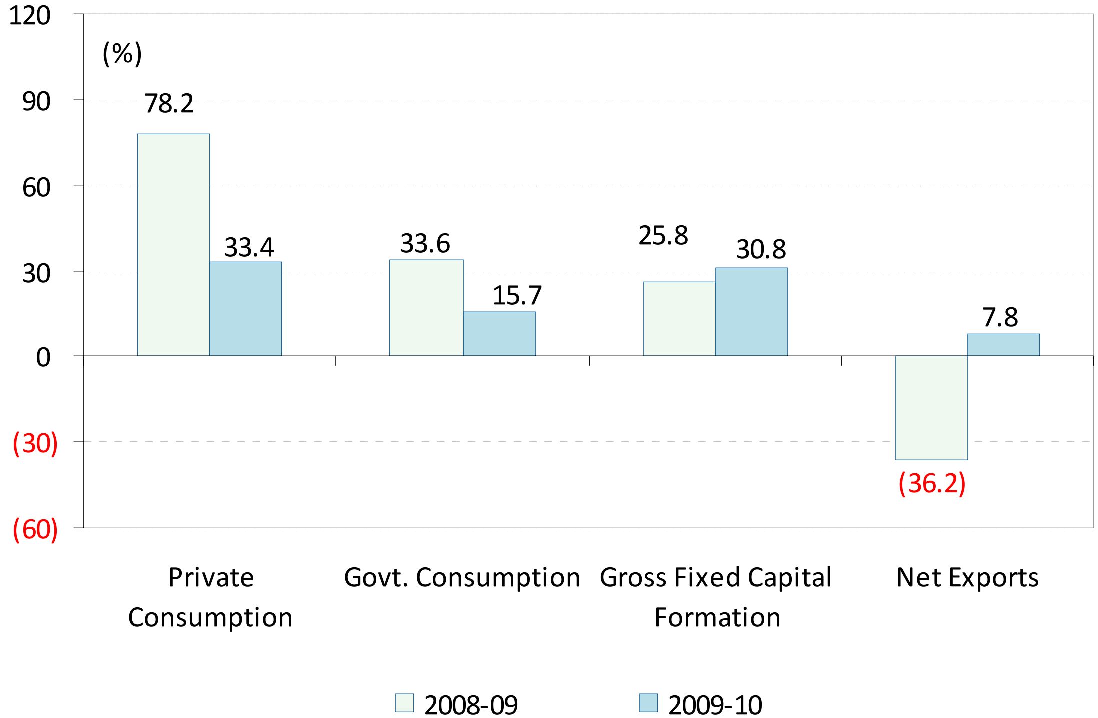
# Domestic growth strong, but still needs nurturing

ENAM
It's possible!

**Credit growth: Yet to show broad-based pick up**

| (% yoy) | Feb-09 | Feb-10 |
|---|---|---|
| **Non-food credit growth** | **19.6** | **15.9** |
| 1. Agriculture | **21.2** | **24.4** |
| 2. Industry | **28.1** | **20.1** |
| 3. Retail Loans | **6.6** | **4.7** |
| - Housing | 6.4 | 8.3 |
| - Advances against Fixed Deposits | 6.8 | 1.6 |
| - Credit Card Outstanding | 7.9 | (28.3) |
| - Education | 33.8 | 31.2 |
| - Consumer Durables | (22.6) | (1.3) |
| 4. Services | **18.7** | **15** |
| **5 Real Estate Loans** | **58.8** | **0.9** |
| 6 Loans to NBFcs | **37** | **25.8** |

**Investment demand should take the slack from Pvt demand in FY 11**

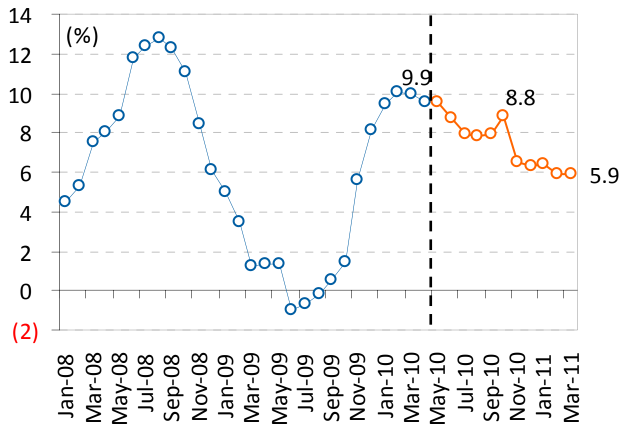



**With an uncertain economic backdrop in the Eurozone and US, interest rates in India will have to rise in a calibrated fashion so as to engineer an investment-led growth switchover**

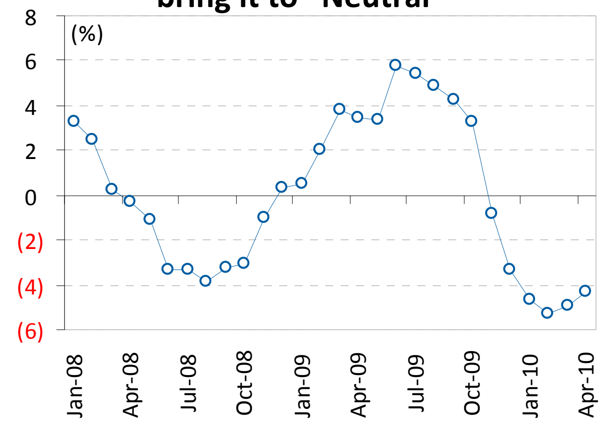
# Supply side Inflation peaking…

ENAM
It's possible!

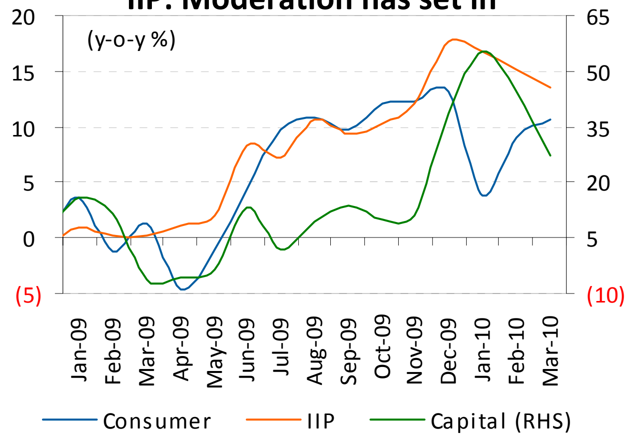
WPI: Peaked in Apr




Negative real rates: RBI to tighten ~75 bps in FY11 to bring it to "Neutral"




IIP: Moderation has set in




*Source: RBI, CMIE, ENAM Research*

**Despite higher core inflation, demand pull (excess liquidity) and higher global commodity prices we expect the RBI to raise interest rates cautiously**

# Database

**Note**

**1)** * EPS & BV are for core business while target price includes value of investments (VoI)

**2)** ^ M&M FY10 numbers not comparable due to merger with PTL

**3)** ## For TechM, consolidated EPS including Satyam is Rs 82 for FY11E and Rs 81 for FY12E

**4)** Telecom company valuations include tower valuations

**5)** DB Realty NAV does not include Rs149/ share upside potential of the Bandra Project

Source: ENAM estimates, Bloomberg

# ENAM Valuations

| Company Name | CMP (INR) | Mcap ($bn) | Vol FY12 (INR) | TP (INR) | Upside (%) | FDEPS (INR) FY10e | FY11e | FY12e | PER (x) FY10e | FY11e | FY12e | ROE (%) FY10e | FY11e | FY12e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Autos** | | | | | | - | - | - | **19** | **14** | **12** | **28** | **29** | **27** |
| Ashok Leyland | 64 | 1.8 | | 57 | (11) | 3 | 4 | 5 | 23 | 16 | 13 | 11 | 14 | 16 |
| Bajaj Auto | 2,195 | 6.8 | 0 | 2,556 | 16 | 129 | 149 | 167 | 17 | 15 | 13 | 81 | 59 | 46 |
| Bharat Forge | 269 | 1.3 | | 299 | 11 | 1 | 13 | 23 | 423 | 21 | 11 | 1 | 16 | 23 |
| Bosch | 4,962 | 3.3 | 0 | 5,520 | 11 | 188 | 244 | 281 | 26 | 20 | 18 | 18 | 19 | 19 |
| Exide Inds | 121 | 2.2 | | 157 | 30 | 7 | 7 | 9 | 18 | 16 | NA | 31 | 25 | 24 |
| Hero Honda | 1,987 | 8.5 | 0 | 2,081 | 5 | 112 | 119 | 129 | 18 | 17 | 15 | 61 | 55 | 42 |
| Mah & Mah ^ * | 583 | 7.2 | 155 | 595 | 2 | 33 | 38 | 43 | 13 | 11 | 10 | 30 | 26 | 24 |
| Maruti Suzuki | 1,297 | 8.0 | 0 | 1,551 | 20 | 86 | 93 | 103 | 15 | 14 | 13 | 24 | 21 | 19 |
| Motherson Sumi | 141 | 1.2 | | 172 | 22 | 6 | 9 | 11 | 23 | 16 | 12 | 23 | 24 | 23 |
| Tata Motors | 767 | 9.0 | 0 | 936 | 22 | 22 | 64 | 83 | 34 | 12 | 9 | 18 | 36 | 32 |
| TVS Motor | 101 | 0.5 | | 127 | 25 | 6 | 10 | 13 | 18 | 10 | 8 | 17 | 26 | 27 |
| **Banks & Fin Serv (PE = PB)** | | | | | | | **------Adj BV (INR)------** | | **2.4** | **2.1** | **1.8** | **16** | **16** | **17** |
| Aditya Birla Nuvo | 724 | 1.6 | | UR | - | 631 | 652 | NA | 1.1 | 1.1 | NA | (0) | 3 | NA |
| Axis Bank | 1,244 | 10.8 | 0 | 1,420 | 14 | 390 | 451 | 526 | 3.2 | 2.8 | 2.4 | 19 | 18 | 19 |
| Bank of Baroda | 738 | 5.8 | | 800 | 8 | 367 | 444 | 540 | 2.0 | 1.7 | 1.4 | 24 | 23 | 23 |
| Bank of India | 333 | 3.7 | 0 | 326 | (2) | 221 | 252 | 296 | 1.5 | 1.3 | 1.1 | 14 | 15 | 17 |
| Canara Bank | 416 | 3.7 | | 483 | 16 | 277 | 350 | 439 | 1.5 | 1.2 | 0.9 | 27 | 24 | 24 |
| Corp Bank | 536 | 1.6 | 0 | 608 | 13 | 394 | 468 | 558 | 1.4 | 1.1 | 1.0 | 22 | 21 | 21 |
| HDFC Bank | 1,906 | 18.7 | | 1,810 | (5) | 465 | 527 | 603 | 4.1 | 3.6 | 3.2 | 16 | 16 | 17 |
| HDFC * | 2,737 | 17.0 | 1,216 | 3,020 | 10 | 353 | 414 | 489 | 4.3 | 3.7 | 3.1 | 18 | 16 | 17 |
| ICICI Bank * | 853 | 20.4 | 402 | UR | - | 444 | 339 | 365 | 1.0 | 1.3 | 1.2 | 8 | 9 | 10 |
| IDFC * | 162 | 4.5 | 42 | 200 | 23 | 41 | 48 | 56 | 2.9 | 2.5 | 2.1 | 16 | 17 | 17 |
| ING Vysya | 315 | 0.8 | | 364 | 16 | 173 | 198 | 227 | 1.8 | 1.6 | 1.4 | 13 | 13 | 15 |
| LIC Housing * | 966 | 2.0 | 29 | 1,050 | 9 | 349 | 425 | 509 | 2.7 | 2.2 | 1.8 | 24 | 22 | 22 |
| Manappuram Gen Fin | 69 | 0.5 | | 93 | 35 | 18 | 23 | 31 | 3.9 | 3.0 | 2.2 | 28 | 30 | 32 |
| Oriental Bank | 331 | 1.8 | 0 | 419 | 27 | 273 | 323 | 381 | 1.2 | 1.0 | 0.9 | 16 | 17 | 19 |
| Power Finance | 291 | 7.2 | | 337 | 16 | 117 | 137 | 160 | 2.5 | 2.1 | 1.8 | 19 | 18 | 19 |
| PNB | 1,005 | 6.8 | 0 | 1,176 | 17 | 495 | 617 | 769 | 2.0 | 1.6 | 1.3 | 27 | 26 | 25 |
| Reliance Capital | 673 | 3.5 | | UR | - | 314 | 328 | 346 | 2.1 | 2.1 | 1.9 | 6 | 6 | 7 |
| Rural Electrification | 278 | 5.9 | 0 | 307 | 11 | 108 | 125 | 146 | 2.6 | 2.2 | 1.9 | 24 | 21 | 21 |
| SBI * | 2,287 | 31.1 | 640 | 2,260 | (1) | 820 | 931 | 1,049 | 2.0 | 1.8 | 1.6 | 15 | 14 | 15 |
| Shriram Transport | 579 | 2.8 | 0 | 630 | 9 | 164 | 202 | 251 | 3.5 | 2.9 | 2.3 | 29 | 26 | 26 |
| Union Bank | 316 | 3.4 | | 307 | (3) | 162 | 204 | 253 | 1.9 | 1.5 | 1.2 | 26 | 25 | 24 |
| Yes Bank | 296 | 2.2 | 0 | 332 | 12 | 90 | 107 | 128 | 3.3 | 2.8 | 2.3 | 20 | 18 | 20 |

# ENAM Valuations

| Company Name | CMP (INR) | Mcap ($bn) | Vol FY12 (INR) | TP (INR) | Upside (%) | FDEPS (INR) FY10e | FDEPS (INR) FY11e | FDEPS (INR) FY12e | PER (x) FY10e | PER (x) FY11e | PER (x) FY12e | ROE (%) FY10e | ROE (%) FY11e | ROE (%) FY12e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cement** | | | | | | - | - | - | **11** | **11** | **9** | **23** | **17** | **17** |
| ACC | 842 | 3.4 | | 828 | (2) | 84 | 60 | 65 | 10 | 14 | 13 | 30 | 18 | 18 |
| Ambuja Cem | 114 | 3.7 | 0 | 121 | 6 | 8 | 8 | 10 | 15 | 14 | 12 | 19 | 18 | 19 |
| Grasim Inds * | 1,789 | 3.5 | 213 | 2,961 | 65 | 310 | 237 | 263 | 5 | 7 | 6 | 20 | 13 | 12 |
| India Cement | 110 | 0.7 | 0 | 145 | 32 | 10 | 10 | 13 | 11 | 11 | 8 | 10 | 8 | 10 |
| Madras Cement | 103 | 0.5 | | 161 | 56 | 15 | 12 | 16 | 7 | 9 | 6 | 26 | 17 | 20 |
| Shree Cement | 2,007 | 1.5 | 0 | 2,421 | 21 | 217 | 218 | 256 | 9 | 9 | 8 | 49 | 35 | 31 |
| UltraTech Cem | 945 | 5.6 | | 1,078 | 14 | 88 | 67 | 87 | 11 | 14 | 11 | 27 | 26 | 23 |
| **Engineering** | | | | | | - | - | - | **29** | **23** | **18** | **20** | **21** | **22** |
| ABB | 859 | 3.9 | | UR | - | 17 | 22 | 30 | 50 | 40 | 29 | 16 | 18 | 21 |
| AIA Engg | 403 | 0.8 | 0 | 435 | 8 | 18 | 23 | 31 | 22 | 18 | 13 | 20 | 21 | 24 |
| Bharat Electronics | 1,707 | 2.9 | | 1,785 | 5 | 92 | 105 | 119 | 18 | 16 | 14 | 18 | 18 | 18 |
| BHEL | 2,343 | 24.6 | 0 | 2,700 | 15 | 88 | 111 | 135 | 27 | 21 | 17 | 34 | 33 | 31 |
| Crompton Greaves | 249 | 3.4 | | 290 | 16 | 13 | 14 | 16 | 19 | 18 | 15 | 37 | 29 | 27 |
| Cummins | 554 | 2.3 | 0 | 640 | 16 | 24 | 30 | 36 | 23 | 19 | 16 | 29 | 30 | 29 |
| Hindustan Dorr Oliver | 119 | 0.2 | | 160 | 34 | 7 | 9 | 12 | 16 | 13 | 10 | 26 | 26 | 27 |
| L & T * | 1,661 | 21.5 | 289 | 1,890 | 14 | 53 | 59 | 73 | 26 | 23 | 19 | 21 | 18 | 19 |
| Siemens | 694 | 5.0 | | 642 | (7) | 16 | 24 | 29 | 44 | 28 | 24 | 21 | 27 | 26 |
| Sterlite Tech | 101 | 0.7 | 0 | 120 | 19 | 6 | 7 | 9 | 17 | 14 | 11 | 32 | 29 | 29 |
| Suzlon Energy | 55 | 1.8 | | UR | - | (4) | (0) | 5 | NA | NA | 11 | (7) | (1) | 7 |
| Thermax | 687 | 1.8 | 0 | 660 | (4) | 22 | 29 | 37 | 32 | 24 | 19 | 25 | 29 | 30 |
| Voltas | 185 | 1.3 | | 166 | (10) | 10 | 10 | 11 | 19 | 19 | 17 | 34 | 27 | 25 |
| **FMCG** | | | | | | - | - | - | **28** | **25** | **21** | **45** | **42** | **42** |
| Asian Paints | 2,112 | 4.3 | | 2,400 | 14 | 80 | 89 | 108 | 26 | 24 | 20 | 50 | 41 | 39 |
| Britannia Inds | 1,722 | 0.9 | 0 | UR | - | 60 | 82 | 113 | 29 | 21 | 15 | 19 | 24 | 28 |
| Colgate Palmolive | 803 | 2.3 | | 800 | (0) | 31 | 32 | 38 | 26 | 25 | 21 | 156 | 115 | 102 |
| Dabur | 187 | 3.5 | 0 | 191 | 2 | 6 | 7 | 8 | 32 | 28 | 23 | 52 | 45 | 43 |
| Godrej Consumer | 333 | 2.2 | | 298 | (11) | 11 | 12 | 14 | 30 | 27 | 23 | 53 | 48 | 46 |
| Hindustan Unilever | 247 | 11.6 | 0 | 205 | (17) | 10 | 10 | 11 | 25 | 24 | 22 | 91 | 77 | 74 |
| Jyothy Lab | 222 | 0.3 | | 225 | 1 | 10 | 12 | 15 | 22 | 18 | 15 | 20 | 21 | 23 |
| Marico | 111 | 1.4 | 0 | 120 | 8 | 4 | 5 | 6 | 28 | 23 | 19 | 44 | 39 | 35 |
| Nestle | 2,828 | 5.8 | | 2,673 | (5) | 69 | 81 | 99 | 41 | 35 | 29 | 127 | 124 | 130 |
| Tata Tea | 1,091 | 1.4 | 0 | 1,260 | 16 | 61 | 82 | 97 | 18 | 13 | 11 | 8 | 10 | 11 |

# ENAM Valuations

| Company Name | CMP (INR) | Mcap ($bn) | Vol FY12 (INR) | TP (INR) | Upside (%) | FDEPS (INR) FY10e | FDEPS (INR) FY11e | FDEPS (INR) FY12e | PER (x) FY10e | PER (x) FY11e | PER (x) FY12e | ROE (%) FY10e | ROE (%) FY11e | ROE (%) FY12e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Infrastructure** | | | | | | - | - | - | **33** | **20** | **18** | **6** | **10** | **9** |
| Gammon India * | 201 | 0.5 | 92 | 203 | 1 | 7 | 9 | 12 | 15 | 12 | 9 | 5 | 6 | 7 |
| GMR Infra | 58 | 4.8 | 0 | 63 | 9 | 0 | 1 | 1 | 129 | 45 | 54 | 2 | 6 | 5 |
| GVK Power & Infra | 43 | 1.5 | | 52 | 20 | 1 | 1 | 2 | 44 | 39 | 25 | 5 | 5 | 7 |
| Hindustan Construction * | 118 | 0.8 | 40 | 115 | (2) | 2 | 4 | 5 | 33 | 20 | 15 | 6 | 7 | 10 |
| IVRCL Infra * | 177 | 1.0 | 54 | 200 | 13 | 8 | 8 | 10 | 16 | 15 | 12 | 11 | 12 | 13 |
| Mundra Port * | 685 | 5.9 | 190 | 820 | 20 | 17 | 24 | 25 | 30 | 21 | 20 | 21 | 24 | 20 |
| Nagarjuna Construction * | 187 | 1.0 | 36 | 170 | (9) | 7 | 8 | 10 | 21 | 18 | 16 | 9 | 9 | 10 |
| Punj Lloyd | 118 | 0.8 | | 130 | 10 | (13) | 7 | 9 | NA | 16 | 13 | (15) | 8 | 9 |
| Reliance Infra * | 1,100 | 5.8 | 413 | 1,225 | 11 | 51 | 53 | 63 | 13 | 13 | 11 | 9 | 9 | 9 |
| Simplex Infra | 492 | 0.5 | | 486 | (1) | 26 | 29 | 35 | 19 | 17 | 14 | 13 | 13 | 14 |
| **IT Services** | | | | | | - | - | - | **22** | **19** | **17** | **29** | **26** | **24** |
| Financial Technologies | 1,334 | 1.3 | | 1,963 | 47 | 38 | 39 | 44 | 35 | 34 | 31 | 9 | 8 | 9 |
| HCL Tech | 379 | 5.5 | 0 | 331 | (13) | 19 | 24 | 25 | 20 | 16 | 15 | 21 | 22 | 19 |
| Infosys Tech | 2,697 | 33.2 | | 2,977 | 10 | 109 | 122 | 142 | 25 | 22 | 19 | 30 | 27 | 25 |
| Mphasis | 578 | 2.6 | 0 | 632 | 9 | 43 | 51 | 53 | 13 | 11 | 11 | 48 | 39 | 29 |
| Oracle Financials | 2,052 | 3.7 | | 2,726 | 33 | 92 | 125 | 136 | 22 | 16 | 15 | 20 | 22 | 19 |
| Patni Computer | 577 | 1.6 | 0 | 600 | 4 | 36 | 38 | 38 | 16 | 15 | 15 | 15 | 15 | 13 |
| Redington | 420 | 0.7 | | 460 | 10 | 24 | 28 | 33 | 18 | 15 | 13 | 14 | 14 | 15 |
| TCS | 763 | 32.0 | 0 | 912 | 20 | 35 | 39 | 43 | 22 | 20 | 18 | 37 | 34 | 32 |
| Tech Mahindra ## | 715 | 1.9 | | 812 | 14 | 54 | 59 | 55 | 13 | 12 | 13 | 29 | 24 | 19 |
| Wipro | 656 | 20.6 | 0 | 764 | 17 | 31 | 36 | 38 | 21 | 18 | 17 | 26 | 24 | 21 |
| **Logistics** | | | | | | - | - | - | **15** | **12** | **10** | **14** | **16** | **17** |
| Allcargo Global * | 164 | 0.5 | 25 | 180 | 10 | 9 | 11 | 13 | 17 | 13 | 11 | 14 | 13 | 13 |
| Container Corp * | 1,312 | 3.7 | 198 | 1,244 | (5) | 59 | 68 | 78 | 19 | 17 | 14 | 19 | 19 | 19 |
| Gateway Distriparks * | 119 | 0.3 | 9 | 155 | 31 | 7 | 9 | 11 | 16 | 13 | 10 | 11 | 12 | 15 |
| G E Shipping | 303 | 1.0 | 0 | UR | - | 36 | 55 | 72 | 8 | 5 | 4 | 10 | 14 | 16 |
| **Media** | | | | | | - | - | - | **37** | **26** | **19** | **14** | **16** | **19** |
| DB Corp | 235 | 0.9 | | 278 | 18 | 10 | 12 | 14 | 23 | 20 | 17 | 38 | 26 | 24 |
| Dish TV | 39 | 0.9 | 0 | UR | - | (2) | (1) | 2 | NA | NA | 21 | (22) | (5) | 10 |
| HT Media | 152 | 0.8 | | 133 | (12) | 6 | 7 | 8 | 25 | 20 | 18 | 16 | 19 | 21 |
| Jagran Prakashan | 116 | 0.7 | 0 | 128 | 10 | 6 | 7 | 8 | 20 | 16 | 14 | 29 | 29 | 28 |
| Sun TV | 403 | 3.4 | | 457 | 14 | 13 | 16 | 19 | 30 | 25 | 21 | 27 | 27 | 27 |
| Zee Ent | 291 | 3.0 | 0 | 290 | (0) | 10 | 12 | 14 | 30 | 24 | 20 | 13 | 15 | 16 |

# ENAM Valuations

| Company Name | CMP (INR) | Mcap ($bn) | Vol FY12 (INR) | TP (INR) | Upside (%) | FDEPS (INR) FY10e | FDEPS (INR) FY11e | FDEPS (INR) FY12e | PER (x) FY10e | PER (x) FY11e | PER (x) FY12e | ROE (%) FY10e | ROE (%) FY11e | ROE (%) FY12e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Metals** | | | | | | - | - | - | **17** | **13** | **11** | **14** | **16** | **16** |
| Hindalco Inds * | 146 | 6.0 | 14 | 141 | (3) | 10 | 9 | 14 | 13 | 14 | 9 | 10 | 8 | 11 |
| Hindustan Zinc | 972 | 8.8 | 0 | 1,284 | 32 | 96 | 101 | 128 | 10 | 10 | 8 | 25 | 21 | 22 |
| JSW Steel | 1,070 | 4.3 | | UR | - | 62 | 42 | 48 | 17 | 25 | 23 | 13 | 7 | 7 |
| NALCO | 424 | 5.9 | 0 | 380 | (10) | 14 | 26 | 36 | 30 | 16 | 12 | 9 | 15 | 18 |
| NMDC | 274 | 23.2 | | 250 | (9) | 13 | 16 | 19 | 21 | 17 | 14 | 41 | 38 | 33 |
| SAIL | 203 | 18.0 | 0 | 211 | 4 | 16 | 17 | 17 | 13 | 12 | 12 | 21 | 19 | 16 |
| Sesa Goa | 382 | 7.0 | | 378 | (1) | 25 | 43 | 53 | 15 | 9 | 7 | 32 | 34 | 31 |
| Sterlite Inds | 651 | 11.7 | 0 | UR | - | 47 | 54 | 78 | 14 | 12 | 8 | 10 | 9 | 12 |
| Tata Steel | 486 | 9.2 | | 420 | (14) | (2) | 41 | 33 | NA | 12 | 15 | (1) | 10 | 8 |
| **Oil & Gas** | | | | | | - | - | - | **17** | **13** | **11** | **15** | **17** | **18** |
| BPCL | 580 | 4.5 | | 534 | (8) | 36 | 46 | 47 | 16 | 12 | 12 | 10 | 13 | 12 |
| Cairn | 292 | 11.9 | 0 | 282 | (3) | 5 | 20 | 35 | 54 | 15 | 8 | 13 | 41 | 53 |
| Chennai petro | 253 | 0.8 | | 262 | 4 | 40 | 38 | 33 | 6 | 7 | 8 | 18 | 16 | 12 |
| GAIL | 462 | 12.6 | 0 | 474 | 3 | 25 | 30 | 34 | 19 | 15 | 14 | 20 | 21 | 21 |
| HPCL | 364 | 2.6 | | 377 | 4 | 29 | 27 | 23 | 12 | 13 | 16 | 9 | 8 | 7 |
| Indian Oil | 352 | 18.3 | 0 | 346 | (2) | 31 | 29 | 28 | 12 | 12 | 12 | 16 | 14 | 13 |
| Indraprastha Gas | 237 | 0.7 | | 317 | 34 | 16 | 18 | 21 | 15 | 13 | 11 | 29 | 28 | 28 |
| ONGC | 1,211 | 55.5 | 0 | 1,289 | 6 | 91 | 108 | 109 | 13 | 11 | 11 | 20 | 21 | 18 |
| Petronet LNG | 84 | 1.3 | | 93 | 11 | 5 | 7 | 9 | 16 | 12 | 9 | 17 | 20 | 23 |
| Reliance Inds | 1,031 | 72.3 | 0 | 1,170 | 13 | 49 | 71 | 88 | 21 | 14 | 12 | 12 | 15 | 16 |
| Tata Chemicals | 315 | 1.6 | | 357 | 13 | 26 | 28 | 30 | 12 | 11 | 10 | 12 | 12 | 12 |
| **Pharmaceuticals** | | | | | | - | - | - | **29** | **20** | **17** | **18** | **22** | **22** |
| Aurobindo Pharma | 832 | 1.0 | | 1,266 | 52 | 83 | 98 | 127 | 10 | 8 | 7 | 29 | 26 | 26 |
| Biocon | 293 | 1.3 | 0 | 310 | 6 | 15 | 17 | 19 | 20 | 17 | 15 | 18 | 18 | 18 |
| Cadila Healthcare | 606 | 2.7 | | 570 | (6) | 25 | 30 | 36 | 24 | 20 | 17 | 37 | 34 | 32 |
| Cipla | 324 | 5.6 | 0 | 293 | (10) | 13 | 14 | 16 | 26 | 23 | 20 | 20 | 18 | 18 |
| Dishman Pharma | 197 | 0.3 | | 208 | 6 | 12 | 17 | 21 | 17 | 12 | 9 | 13 | 16 | 17 |
| Divi's Lab | 745 | 2.1 | 0 | 701 | (6) | 25 | 33 | 39 | 29 | 22 | 19 | 24 | 25 | 24 |
| Dr Reddys Lab | 1,395 | 5.0 | | 1,312 | (6) | 6 | 65 | 73 | 237 | 21 | 19 | 2 | 23 | 21 |
| GlaxoSmithKline Pharma | 2,079 | 3.8 | 0 | 1,695 | (18) | 60 | 69 | 77 | 35 | 30 | 27 | 30 | 31 | 30 |
| Jubilant Organosys | 354 | 1.2 | | 406 | 15 | 29 | 32 | 41 | 12 | 11 | 9 | 26 | 21 | 21 |
| Lupin | 1,847 | 3.5 | 0 | 1,925 | 4 | 74 | 92 | 107 | 25 | 20 | 17 | 31 | 29 | 27 |
| Piramal Healthcare | 518 | 2.3 | | 510 | (2) | 23 | 26 | 32 | 23 | 20 | 16 | 32 | 29 | 29 |
| Ranbaxy Lab | 432 | 3.9 | 0 | 313 | (28) | 7 | 22 | 24 | 61 | 19 | 18 | 7 | 20 | 18 |
| Sun Pharm | 1,698 | 7.5 | | 1,638 | (4) | 61 | 78 | 91 | 28 | 22 | 19 | 17 | 19 | 19 |

# ENAM Valuations

| Company Name | CMP (INR) | Mcap ($bn) | Vol FY12 (INR) | TP (INR) | Upside (%) | FDEPS (INR) FY10e | FDEPS (INR) FY11e | FDEPS (INR) FY12e | PER (x) FY10e | PER (x) FY11e | PER (x) FY12e | ROE (%) FY10e | ROE (%) FY11e | ROE (%) FY12e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Power Utilities** | | | | | | **-** | **-** | **-** | **20** | **17** | **14** | **13** | **14** | **15** |
| JSW Energy | 121 | 4.2 | | 148 | 22 | 5 | 7 | 15 | 27 | 17 | 8 | 21 | 20 | 33 |
| Jaiprakash Power | 64 | 2.9 | 0 | 89 | 39 | 1 | 1 | 3 | 69 | 77 | 20 | 5 | 4 | 13 |
| NTPC * | 202 | 35.6 | 15 | 210 | 4 | 11 | 12 | 14 | 17 | 15 | 14 | 15 | 15 | 15 |
| Power Grid | 106 | 9.5 | 0 | 130 | 23 | 5 | 6 | 7 | 21 | 18 | 15 | 14 | 15 | 16 |
| Reliance Power | 162 | 8.3 | | UR | - | 3 | 4 | 3 | 51 | 39 | 58 | 5 | 7 | 4 |
| Tata Power * | 1,247 | 6.3 | 248 | 1,306 | 5 | 75 | 86 | 99 | 13 | 12 | 10 | 14 | 13 | 13 |
| **Real Estate** | | | | | | **-** | **-** | **-** | **23** | **18** | **12** | **8** | **8** | **11** |
| Century Textile * | 449 | 0.9 | 419 | 660 | 47 | 46 | 38 | 30 | 3 | 2 | 1 | 26 | 18 | 13 |
| DB Realty | 400 | 2.1 | 0 | 536 | 34 | 10 | 20 | 78 | 39 | 20 | 5 | 13 | 14 | 41 |
| DLF | 278 | 10.1 | | 354 | 27 | 11 | 13 | 17 | 26 | 22 | 16 | 7 | 8 | 10 |
| HDIL | 231 | 1.8 | 0 | 333 | 44 | 15 | 19 | 26 | 15 | 12 | 9 | 10 | 9 | 11 |
| Indiabulls Real Estate | 160 | 1.4 | | 219 | 37 | (0) | 3 | 4 | NA | 48 | 40 | (0) | 1 | 1 |
| Peninsula Land | 68 | 0.4 | 0 | 96 | 41 | 12 | 7 | 4 | 6 | 9 | 16 | 28 | 14 | 8 |
| Sobha Developers | 286 | 0.6 | | 347 | 22 | 14 | 16 | 17 | 21 | 18 | 17 | 9 | 9 | 9 |
| Unitech | 72 | 3.7 | 0 | 85 | 19 | 3 | 4 | 6 | 25 | 16 | 11 | 9 | 10 | 12 |
| **Retail** | | | | | | **-** | **-** | **-** | **36** | **25** | **19** | **14** | **16** | **18** |
| Pantaloon Retail * | 421 | 1.8 | 78 | 551 | 31 | 10 | 16 | 22 | 34 | 22 | 16 | 8 | 10 | 13 |
| Titan Inds | 2,214 | 2.1 | 0 | 2,012 | (9) | 57 | 75 | 91 | 39 | 30 | 24 | 39 | 38 | 35 |
| **Sugar** | | | | | | **-** | **-** | **-** | **20** | **18** | **12** | **10** | **9** | **12** |
| Bajaj Hindustan | 109 | 0.4 | | 101 | (7) | (2) | 3 | 7 | NA | 41 | 16 | (2) | 2 | 6 |
| Balrampur Chini | 80 | 0.4 | 0 | 90 | 13 | 8 | 3 | 9 | 9 | 27 | 9 | 20 | 7 | 18 |
| Shree Renuka | 62 | 0.9 | | UR | - | 7 | 5 | 5 | 9 | 13 | 12 | 19 | 19 | 16 |
| **Telecom** | | | | | | **-** | **-** | **-** | **12** | **12** | **10** | **20** | **17** | **18** |
| Bharti Airtel | 274 | 22.3 | | 289 | 6 | 24 | 25 | 28 | 11 | 11 | 10 | 24 | 19 | 19 |
| Idea Cellular | 56 | 4.0 | 0 | 50 | (10) | 3 | 3 | 4 | 21 | 18 | 13 | 7 | 9 | 11 |
| OnMobile Global | 286 | 0.4 | | UR | - | 7 | 12 | 20 | 40 | 24 | 14 | 6 | 9 | 14 |

**Note**

**1)** * EPS & BV are for core business while target price includes value of investments (VoI)

**2)** ^ M&M FY10 numbers not comparable due to merger with PTL

**3)** ## For TechM, consolidated EPS including Satyam is Rs 82 for FY11E and Rs 81 for FY12E

**4)** Telecom company valuations include tower valuations

**5)** DB Realty NAV does not include Rs149/ share upside potential of the Bandra Project

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