



Q3FY08 Results Preview



Economy

- ✓ The Indian economy, which grew by 8.9% YoY in the July-Sep '07, is expected to grow by 8.3% during the Oct- Dec '07 quarter.
- ✓ Growth mainly driven by consistent performance of services and industry. Services grew by 10.2% and industry grew by 9.1% during July-Sep '07. During the Oct-Dec '07 , we expect services to sustain a similar growth and industrial growth to drop to 8.2%.
- ✓ The wholesale price inflation stood at about 4.3% during July- Sep '07. We expect the inflation rate to remain moderate at 3.4% during the Oct – Dec '07.
- ✓ Policy rates kept unchanged during Oct –Dec '07, Cash Reserve Ratio hiked to 7.5%.
- ✓ During July–Sep '07, exports recorded a growth of 18.52% and imports grew by 22.6% in US\$ terms. Exports and Imports have improved in the first two months of Q3 FY08. During Nov 07, exports and imports, in US\$ terms, increased by 26.8% and 29.3% respectively.
- ✓ Strong portfolio inflows coupled with weakening of US\$ led the Indian Rupee to appreciate to 39.5 during the end of Sep '07. The rupee appreciated further to 39.5 during Oct-Dec '07. We expect the rupee to be range about around 39.1 during the last quarter of current financial year.



Economy

- ✓ The 10-year yield (%) stood at 7.9% during Q3; we expect the yields to move in a narrow range during Q4FY08.
- ✓ India's external debt increased to US\$190.5bn in Sep '07 from US\$169.6bn in March '07.
- ✓ The current account deficit remained low at US \$ 5.5 billion during July- Sep '07.
- ✓ India's fiscal deficit declined to Rs 963bn, equivalent to 63.8% of annual target during Apr- Nov '07 corresponding to Rs 1082bn (72.8%) during the same period last year. Revenue receipts recorded a growth equivalent to 56.5% of annual target corresponding to 54.8% during the same period last year. The growing economy is on track to attain budgetary target of fiscal and revenue deficit.
- ✓ Considering the overall current economic scenario, we expect the economy to grow by 8.3 % during the third quarter and by 7.6% during the fourth quarter. The Indian economy is likely to attain a growth of around 8-8.3% GDP growth during this financial year.



Sector-wise summary table

Q3 FY08 projections

(Rs mn)	Net Sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
Aviation	29,590	21,007	40.9%	20,412	45.0%	2,528	845	199.2%	(1,819)	239.0%	855	216	296.3%	(94)	1008.1%
Banking	26,440	20,761	27.4%	23,466	12.7%	18,710	15,922	17.5%	18,278	2.4%	9,203	8,437	9.1%	9,791	-6.0%
Cement	90,219	77,728	16.1%	84,413	6.9%	29,568	24,268	21.8%	27,582	7.2%	18,425	15,663	17.6%	17,484	5.4%
FMCG	55,682	47,455	17.3%	49,622	12.2%	8,377	7,005	19.6%	6,801	23.2%	7,762	6,472	19.9%	5,668	36.9%
Hotels	1,947	1,595	22.1%	1,594	22.2%	915	781	17.2%	751	21.9%	585	513	14.0%	564	3.8%
IT	225,535	179,611	25.6%	210,815	7.0%	53,543	45,638	17.3%	47,768	12.1%	45,541	37,853	20.3%	42,052	8.3%
Logistics	5,240	4,637	13.0%	4,679	12.0%	706	503	40.4%	539	31.0%	469	415	12.8%	361	29.8%
Metals	263,712	232,439	13.5%	247,390	6.6%	82,182	75,890	8.3%	75,316	9.1%	50,734	45,736	10.9%	47,997	-5.4%
Pharma	27,640	22,706	21.7%	29,446	-6.1%	6,077	5,173	17.5%	6,689	-9.2%	4,597	3,688	24.7%	5,069	-9.3%
Power	79,620	62,257	27.9%	65,049	22.4%	14,275	10,883	31.2%	9,634	48.2%	10,577	7,918	33.6%	8,422	25.6%
Telecom	138,456	98,164	41.0%	124,802	10.9%	56,573	39,032	44.9%	51,843	9.1%	34,076	22,533	51.2%	31,388	8.6%
Textiles	28,284	22,919	23.4%	25,434	11.2%	4,593	4,179	9.9%	4,026	14.1%	1,601	1,562	2.5%	1,334	20.1%



Recommendation summary

Our universe: Projections

	Price (Rs)	FY08E						FY09E					
		EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE/ROA	RoE	EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE/ROA	RoE
Auto													
Ashok Leyland	52	3.3	15.6	9.8	3.3	17.7%	21.3%	3.5	14.8	9.0	2.9	15.3%	19.3%
Clutch Auto	125	13.6	9.2	5.7	2.2	16.8%	24.0%	20.4	6.1	4.2	1.6	20.4%	30.3%
Maruti Suzuki	997	60.6	16.5	6.2	3.4	31.6%	22.9%	69.1	14.4	5.1	2.8	29.6%	21.4%
Aviation													
Jet Airways	995	14.6	68.0	18.7	3.7	4.6%	5.5%	34.6	28.8	14.8	3.4	6.3%	11.7%
SpiceJet	93	0.0	NA	(18.8)	12.0	1.5%	0.5%	0.7	129.3	44.9	11.0	4.4%	8.5%
Banks													
Axis Bank	1,056	25.0	42.2	-	4.4	1.0%	14.9%	33.0	32.0	-	4.0	1.0%	13.1%
Federal Bank	345	34.7	9.9	-	1.7	0.9%	18.2%	51.0	6.8	-	1.4	1.1%	22.5%
GICHF	101	9.8	10.3	-	1.7	2.4%	14.6%	14.4	7.0	-	1.4	2.8%	16.7%
HDFC Bank	1,697	34.4	49.3	-	8.1	1.1%	17.5%	40.8	41.6	-	7.0	1.0%	18.0%
OBC	310	37.6	8.3	-	1.4	1.2%	17.9%	50.8	6.1	-	1.2	1.4%	20.7%
South Indian Bank	250	13.1	19.1	-	2.1	0.8%	13.1%	17.2	14.5	-	1.9	0.9%	13.4%
Cement													
ACC	1,006	75.1	13.4	8.4	4.5	37.8%	33.3%	74.7	13.5	8.1	3.5	30.5%	26.4%
Grasim	3,593	178.8	20.1	13.4	4.4	24.2%	23.9%	187.1	19.2	12.6	3.7	22.6%	21.0%
Gujarat Ambuja	143	7.2	19.8	10.9	5.0	30.9%	25.3%	6.4	22.5	11.7	4.3	23.6%	19.0%
India Cement	297	25.5	11.6	10.1	3.8	21.8%	32.7%	30.9	9.6	9.0	2.8	21.2%	28.7%
Madras Cement	4,331	425.8	10.2	6.3	4.4	42.3%	43.6%	527.4	8.2	4.9	2.9	37.0%	35.1%
NCL Industries	89	12.3	7.2	5.6	2.3	25.6%	32.0%	14.6	6.1	5.0	2.0	25.7%	32.2%
Shree Cement	1,354	137.5	9.8	5.7	5.2	38.7%	52.6%	168.3	8.0	4.4	3.2	40.3%	39.8%
Ultra Tech Cemco	977	78.7	12.4	7.8	4.6	35.9%	44.6%	80.7	12.1	7.3	3.5	30.9%	32.6%
FMCG													
Dabur India	121	3.9	31.4	25.3	18.0	54.1%	66.6%	4.5	26.9	21.9	13.1	49.2%	56.4%
Godrej Consumer	137	7.5	18.4	14.3	14.4	66.8%	78.3%	9.1	15.1	12.0	9.7	68.7%	64.4%
Hindustan Unilever	232	8.2	28.2	26.3	16.4	56.5%	58.0%	9.3	24.9	23.1	13.8	55.0%	55.4%
Marico Ltd.	80	2.8	28.7	18.6	13.0	31.7%	29.5%	3.5	23.0	15.2	9.4	35.3%	29.5%
Titan Industries	1,535	36.3	42.3	25.7	15.2	27.1%	41.5%	49.3	31.1	19.3	11.1	28.9%	41.1%
Hotels													
HLVL	73	3.2	23.0	6.9	2.2	8.2%	9.7%	3.3	22.1	7.0	2.0	8.1%	9.0%
Taj GVK	184	10.6	17.4	3.7	5.0	20.8%	23.4%	15.6	11.8	2.9	3.9	23.4%	33.3%



Recommendation summary

	Price (Rs)	FY08E						FY09E					
		EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE	RoE	EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE	RoE
IT													
Allsec	145	5.0	29.0	8.9	1.4	4.0%	4.8%	15.1	9.6	3.9	1.3	13.6%	14.0%
HCL Tech	315	18.9	16.7	11.5	4.1	25.1%	24.8%	22.7	13.9	8.8	3.5	26.9%	25.2%
I-Flex	1,477	45.8	32.3	21.7	5.1	15.7%	15.8%	60.5	24.4	14.8	4.4	19.0%	17.9%
Infosys	1,695	81.1	20.9	16.5	6.4	35.0%	35.2%	94.7	17.9	13.1	4.9	30.9%	31.0%
KPIT Cummins	127	8.5	14.8	10.2	4.2	23.4%	28.4%	11.8	10.7	7.0	3.2	27.9%	29.9%
MicroTech	343	45.0	7.6	5.3	2.3	34.0%	30.7%	56.2	6.1	3.5	1.8	33.1%	28.8%
MindTree	513	27.6	18.6	13.2	4.0	17.1%	21.5%	31.2	16.5	10.5	3.3	16.9%	20.1%
Mphasis	290	14.0	20.7	12.6	5.4	29.2%	26.0%	19.3	15.0	9.3	4.3	31.1%	28.5%
Patni	320	32.5	9.8	5.7	1.7	16.3%	18.7%	29.2	10.9	4.6	1.5	14.7%	14.4%
R Systems	124	13.6	9.1	4.7	1.2	12.4%	13.6%	16.3	7.6	4.0	1.1	13.0%	14.2%
Sasken	350	15.3	22.9	11.1	2.3	8.1%	9.9%	23.5	14.9	7.3	2.1	14.8%	13.8%
Satyam	422	25.5	16.6	12.9	4.4	24.7%	26.3%	30.9	13.7	9.8	3.5	24.7%	25.5%
Subex	360	23.6	15.2	19.3	2.0	6.4%	12.9%	32.8	11.0	10.3	1.7	10.9%	15.6%
Tanla	764	31.4	24.3	16.6	6.2	30.0%	25.4%	42.1	18.1	11.6	4.8	32.2%	26.5%
TCS	1,005	52.5	19.1	15.1	9.0	47.1%	46.9%	61.2	16.4	11.9	6.4	41.6%	39.0%
Wipro	497	22.8	21.8	17.6	6.3	29.9%	29.0%	29.2	17.0	13.0	5.0	31.0%	29.3%
Zensar	190	29.2	6.5	4.2	1.5	28.5%	26.2%	42.4	4.5	2.8	1.2	34.5%	29.6%
Logistics													
AGL (CY)	904	44.1	20.5	14.6	3.7	20.2%	18.3%	62.7	14.4	10.4	3.0	23.2%	20.6%
GDL	196	7.1	22.9	20.7	2.8	12.0%	12.3%	-	-	-	-	-	-
Metals													
Cubex Tubings	111	14.9	7.4	6.0	1.8	28.0%	23.7%	19.0	5.8	4.6	1.4	24.3%	23.5%
Godawari Power	355	38.6	9.2	6.9	2.4	20.9%	26.3%	44.8	7.9	6.1	1.9	20.1%	23.8%
Hindalco (standalone)	220	18.7	11.7	6.4	1.6	17.0%	15.9%	20.1	10.9	7.0	1.4	15.2%	13.5%
JSW Steel (standalone)	1,335	98.8	13.5	9.8	2.3	17.4%	22.8%	94.2	14.2	10.6	2.0	12.0%	14.9%
Malco	905	59.3	15.3	13.4	4.6	25.9%	30.2%	41.9	21.6	20.1	4.0	12.4%	18.3%
Monnet Ispat	637	36.3	17.5	14.6	3.9	12.0%	25.0%	44.8	14.2	11.4	3.2	12.7%	24.6%
Nalco	516	26.9	19.1	11.7	3.7	26.4%	20.9%	23.5	22.0	13.4	3.4	20.4%	16.1%



Recommendation summary

	Price (Rs)	FY08E						FY09E					
		EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE	RoE	EPS (Rs)	P/E (x)	EV/EBIDTA (x)	P/BV (x)	RoCE	RoE
Metals													
SAIL	275	17.9	15.4	9.2	4.9	41.6%	36.6%	21.0	13.1	8.0	3.7	40.2%	32.4%
Sesa Goa	3,797	189.5	20.0	12.5	6.9	55.1%	39.4%	302.7	12.5	7.5	4.7	62.0%	44.4%
Tata Steel (consolidated)	931	117.2	7.9	5.7	2.3	15.9%	28.5%	123.5	7.5	5.3	2.2	16.5%	28.5%
Pharma													
Glenmark	600	22.2	27.0	20.9	12.8	36.9%	47.4%	26.5	22.6	17.4	8.2	34.0%	36.4%
Glaxo	1,035	44.4	23.3	18.0	6.0	32.0%	35.1%	52.2	19.8	15.7	5.3	32.8%	27.0%
Cipla	214	8.5	25.0	20.6	4.6	18.3%	18.5%	10.5	20.3	16.6	4.1	20.2%	20.0%
Lupin	612	42.4	14.4	11.5	4.4	20.9%	30.6%	46.7	13.1	10.3	3.5	18.9%	27.0%
Alembic	97	8.3	11.6	8.5	2.8	19.1%	23.9%	10.4	9.3	7.1	2.2	19.4%	23.5%
Indoco Remedies	341	41.3	8.2	5.7	1.5	20.1%	18.6%	53.4	6.4	4.5	1.3	21.9%	20.0%
Power													
BHEL	2,544	65.9	38.6	26.2	10.9	34.0%	34.0%	90.3	28.2	18.4	8.5	34.0%	34.0%
Siemens India	1,958	47.9	40.9	24.6	13.9	41.5%	41.6%	71.0	27.6	15.9	9.4	42.2%	42.2%
Finolex Cables	126	6.4	19.7	9.8	2.4	13.0%	15.9%	8.0	15.6	7.7	2.1	14.9%	17.8%
Telecom													
Bharti Airtel	967	32.7	29.6	16.2	11.4	38.6%	38.7%	47.1	20.5	11.5	6.7	42.9%	38.6%
Idea	136	4.1	33.1	15.7	7.7	24.8%	25.6%	6.6	20.6	11.2	5.7	31.9%	31.8%
RCOM	733	23.0	31.9	17.9	6.6	24.2%	20.7%	37.5	19.5	12.1	5.2	30.3%	26.5%
Textiles													
Abhishek Industries	39	2.5	15.7	7.6	1.3	8.0%	15.2%	3.2	12.2	6.2	1.1	9.5%	16.3%
Alok Industries	103	11.3	9.1	7.2	1.2	10.5%	18.3%	12.0	8.6	6.5	1.4	8.6%	16.5%
Celebrity Fashions	77	(4.4)	(17.5)	10.6	0.7	2.0%	-4.8%	-	-	-	-	-	-
Gokaldas Exports	265	16.2	16.3	10.7	1.8	10.5%	11.8%	21.7	12.2	8.7	1.6	12.2%	13.8%
Page Industries	475	26.4	18.0	12.1	4.2	40.6%	40.1%	34.9	13.6	8.9	3.1	33.8%	28.5%
Mahavir Spinning	181	32.3	5.6	5.2	0.6	10.6%	14.1%	-	-	-	-	-	-
Welspun India	107	9.2	11.7	7.6	1.2	8.9%	11.3%	14.3	7.5	4.7	1.0	10.3%	14.5%
Others													
TPL Plastech	77	6.2	12.6	7.4	4.1	24.2%	32.2%	8.5	9.2	5.4	3.0	27.6%	32.7%
Time Technoplast	990	32.2	30.7	17.7	5.6	18.1%	23.3%	48.2	20.5	13.2	4.6	19.1%	24.6%
Pyramid Saimira	484	24.8	21.1	16.1	7.0	16.5%	33.4%	46.0	10.5	7.4	2.4	28.6%	22.9%
Sadbhav Engineering	1,352	48.6	27.8	15.0	5.8	31.9%	27.7%	70.9	19.1	11.1	4.3	32.0%	26.5%
Northgate Tech	580	28.0	20.7	15.3	5.6	30.3%	30.5%	38.6	15.0	11.0	4.1	31.4%	31.6%



Recommendation summary

Our universe: Projections

Rs mn	Recommendation	FY07			FY08E			FY09E		
		Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Auto										
Ashok Leyland	Accumulate	71,682.0	6,896.0	4,413.0	75,809.2	7,543.5	4,404.9	84,347.8	8,757.0	4,635.9
Clutch Auto	Buy	2,351.0	392.7	209.7	3,405.0	502.5	228.2	4,097.0	689.8	341.9
Maruti Udyog	Accumulate	146,538.8	19,903.8	15,619.8	171,343.6	22,882.0	17,499.3	201,897.1	26,832.0	19,982.3
Aviation										
Jet Airways	Buy	70,578.1	3,621.1	279.7	95,984.7	9,555.5	1,263.6	129,360.9	14,914.3	2,983.3
SpiceJet	Buy	6,404.4	(1,641.0)	(707.4)	12,706.9	(1,076.2)	9.6	21,026.7	423.2	172.2
Banks										
Axis Bank	Hold	15,670.0	13,625.2	6,589.5	23,239.8	18,684.1	8,887.9	32,611.8	24,182.6	11,763.9
Federal Bank	Hold	7,324.6	5,503.6	2,927.5	8,419.8	5,988.1	2,970.2	10,933.2	8,075.4	4,367.0
GICHF	Buy	787.3	681.4	500.1	850.6	734.8	528.8	1,190.4	1,064.0	772.9
HDFC Bank	Reduce	37,895.6	28,049.9	11,414.4	49,959.5	30,630.9	12,175.7	62,478.1	29,051.0	14,417.1
OBC	Accumulate	16,912.5	12,966.2	8,267.4	18,728.8	15,195.4	9,412.3	20,585.1	16,911.0	12,736.9
South Indian Bank	Buy	3,675.1	2,439.5	969.8	4,561.9	3,207.5	1,182.5	5,556.0	3,997.4	1,550.4
Cement										
ACC	Reduce	57,524.5	16,584.7	10,967.6	70,127.3	21,248.4	14,084.7	76,389.7	21,246.5	14,013.9
Grasim	Accumulate	86,756.9	24,093.5	15,358.1	95,193.4	26,847.1	16,398.0	113,371.6	28,081.2	17,159.5
Gujarat Ambuja	Accumulate	62,301.2	21,319.0	14,590.6	48,087.9	17,557.8	10,981.5	48,380.6	15,472.5	9,642.6
India Cement	Buy	22,561.9	7,352.4	4,727.0	25,256.9	9,110.9	6,632.8	31,737.5	10,240.8	8,056.1
Madras Cement	Buy	15,735.1	5,584.2	3,080.1	20,072.4	8,802.8	5,143.1	26,770.6	10,995.8	6,370.9
NCL Industries	Buy	1,482.9	440.5	276.6	2,460.0	870.9	445.2	3,988.0	1,250.1	526.9
Shree Cement	Buy	13,679.8	5,922.2	1,770.0	20,176.1	8,848.8	4,788.7	24,923.5	10,758.9	5,864.4
Ultra Tech Cemco	Accumulate	49,108.3	14,178.1	7,822.8	54,804.0	17,356.7	9,802.7	59,918.4	18,016.5	10,040.8
FMCG										
Hindustan Unilever	Reduce	120,893.8	16,480.6	15,396.7	137,261.7	19,296.0	18,150.5	155,176.0	21,992.5	20,555.7
Titan Industries	Buy	20,902.4	1,984.5	1,181.3	29,109.1	2,684.2	1,610.5	39,590.7	3,510.2	2,188.7
Dabur India	Reduce	22,337.3	3,497.4	2,830.4	26,067.7	4,149.4	3,321.6	29,984.3	4,790.6	3,884.2
Marico Ltd.	Buy	15,568.7	2,127.3	1,129.8	18,631.6	2,689.2	1,695.2	21,453.5	3,240.2	2,116.9
Godrej Consumer	Buy	9,517.1	1,796.9	1,440.4	11,272.7	2,293.4	1,762.8	12,993.0	2,748.1	2,186.7



Recommendation summary

Rs mn	Recommendation	FY07			FY08E			FY09E		
		Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Hotels										
HLVL	Hold	4,155.7	1,931.6	1,266.0	5,337.2	2,646.9	1,339.9	5,701.0	2,827.3	1,394.9
Taj GVK	Buy	2,427.6	1,148.2	650.2	2,636.6	1,249.3	662.0	3,608.4	1,737.6	975.7
IT										
Allsec	Accumulate	1,133.0	325.0	281.0	1,234.0	160.0	81.0	1,767.0	368.0	244.0
HCL Tech	Buy	60,336.0	13,371.0	13,551.0	74,723.0	16,921.0	14,424.0	93,339.0	21,159.0	17,153.0
I-Flex	Reduce	20,381.0	3,586.0	2,768.0	25,122.0	4,864.0	3,705.0	32,060.0	6,731.0	4,899.0
Infosys	Buy	138,931.0	43,911.0	38,561.0	167,507.0	52,479.0	46,506.0	205,410.0	63,058.0	54,310.0
KPIT	Buy	4,637.0	715.0	501.0	6,039.0	1,030.0	651.0	7,674.0	1,344.0	900.0
MicroTech	Buy	1,064.0	427.0	320.0	1,513.0	702.0	524.0	1,785.0	891.0	655.0
MindTree	Sell	5,904.0	1,096.0	901.0	7,394.0	1,265.0	1,043.0	9,450.0	1,592.0	1,178.0
Mphasis	Accumulate	17,606.0	3,075.0	1,801.0	24,544.0	4,679.0	2,922.0	32,033.0	6,145.0	4,015.0
Patni	Reduce	26,112.0	4,935.0	2,652.0	26,894.0	4,972.0	4,552.0	30,075.0	5,371.0	4,094.0
R System	Buy	2,039.0	224.0	78.0	2,487.0	248.0	185.0	2,944.0	307.0	223.0
Sasken	Reduce	4,751.0	741.0	427.0	5,661.0	841.0	435.0	7,033.0	1,215.0	670.0
Satyam	Accumulate	64,851.0	15,377.0	14,048.0	83,169.0	18,006.0	17,003.0	105,236.0	22,285.0	20,629.0
Subex	Accumulate	3,409.0	488.0	676.0	6,299.0	1,296.0	1,158.0	8,080.0	2,306.0	1,606.0
Tanla	Buy	2,218.0	1,105.0	928.0	4,487.0	2,052.0	1,583.0	6,086.0	2,783.0	2,105.0
TCS	Accumulate	186,334.0	50,630.0	41,317.0	229,762.0	61,779.0	51,400.0	282,018.0	76,183.0	59,891.0
Wipro	Accumulate	149,431.0	29,882.0	29,169.0	198,472.0	34,472.0	33,199.0	253,063.0	45,402.0	42,538.0
Zensar	Buy	6,058.6	813.4	572.0	8,018.2	943.5	702.5	10,017.5	1,257.5	1,019.5
Logistics										
GDL	Hold	1,609.8	810.4	773.6	1,893.4	1,031.5	836.3	-	-	-
AGLL	Accumulate	8,954.1	798.2	620.9	16,412.3	1,311.9	894.2	19,862.2	1,812.8	1,270.4
Metals										
Cubex Tubings	Buy	916.5	106.4	95.3	1,138.0	140.5	109.4	1,584.0	204.2	139.6
Godawari Power	Buy	4,431.9	793.5	522.1	8,277.9	1,697.1	1,088.4	10,289.7	1,931.0	1,261.8
Hindalco (standalone)	Accumulate	183,129.9	40,024.5	25,673.5	195,722.9	36,291.6	24,467.7	209,944.8	38,598.9	26,267.3
JSW Steel (standalone)	Reduce	85,944.4	27,250.2	12,513.9	100,441.5	28,857.9	17,288.5	111,785.4	29,612.6	17,501.4
Malco	Accumulate	4,029.6	1,550.2	1,353.6	5,084.9	1,410.4	1,335.0	5,273.4	913.1	942.1
Monnet Ispat	Accumulate	6,378.0	1,744.6	1,347.9	10,183.8	2,537.5	1,616.2	15,361.4	3,227.2	1,991.5



Recommendation summary

Rs mn	Recommendation	FY07			FY08E			FY09E		
		Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT	Net Sales	EBIDTA	PAT
Metals										
Nalco	Reduce	60,431.5	36,377.7	23,866.3	52,733.8	24,864.6	17,359.7	51,156.5	22,053.0	15,113.7
SAIL	Accumulate	343,917.7	94,509.8	62,022.9	381,477.3	112,339.1	73,738.6	440,201.5	133,676.7	86,720.3
Sesa Goa	Accumulate	22,187.1	9,629.0	6,510.1	26,741.7	10,833.7	7,457.8	36,616.5	17,095.7	11,915.8
Tata Steel (consolidated)	Accumulate	175,520.1	69,732.6	42,222.0	1,253,816.4	207,412.4	101,827.2	1,299,727.6	220,847.0	107,313.4
Pharma										
Glenmark	Buy	11,892.0	4,262.9	3,100.6	18,159.6	8,016.7	5,950.6	22,163.6	9,534.3	7,118.5
Glaxo	Hold	15,529.2	4,759.6	3,617.3	15,657.2	4,851.4	3,756.8	17,455.2	5,566.5	4,423.1
Cipla	Reduce	35,619.9	8,115.0	6,680.3	40,331.0	8,056.2	6,641.0	47,178.6	10,019.2	8,193.7
Lupin	Buy	16,954.0	2,235.6	1,733.7	20,211.3	2,927.2	2,094.8	23,779.5	4,113.5	3,052.2
Alembic	Buy	7,006.6	1,158.5	706.8	9,796.7	1,848.0	1,155.4	11,537.8	2,209.0	1,435.4
Indoco Remedies	Buy	3,259.9	592.0	420.4	4,099.4	775.4	508.1	5,052.4	985.5	656.4
Power										
BHEL	Buy	172,375.3	32,283.0	24,147.0	225,962.3	44,055.8	34,308.5	302,170.7	61,080.1	44,193.7
Siemens India	Buy	93,786.1	8,163.2	6,928.6	120,089.4	11,870.3	8,075.7	150,928.6	17,548.2	11,961.6
Finolex Cables	Buy	10,329.8	1,197.8	689.9	13,706.8	1,655.8	974.5	16,444.8	2,035.6	1,230.9
Telecom										
Bharti Airtel	Buy	185,196.0	74,508.0	40,620.0	284,151.7	115,812.8	61,958.6	390,803.6	159,547.8	89,343.6
RCOM	Buy	144,683.0	57,206.0	31,632.0	211,364.0	88,139.0	48,497.0	297,743.0	128,923.0	79,175.0
Idea	Buy	44,129.0	15,102.0	5,033.0	70,134.0	24,071.0	10,834.0	96,047.0	33,801.0	17,385.0
Textiles										
Abhishek Industries	Reduce	8,166.6	1,794.1	409.4	9,890.3	1,962.4	481.7	12,222.2	2,282.1	622.0
Alok Industries	Buy	18,059.4	4,971.5	1,648.6	22,372.3	5,054.5	1,926.7	28,156.3	6,502.3	2,268.3
Celebrity Fashions	Buy	3,269.4	186.9	(48.5)	4,012.3	162.0	(78.4)	-	-	-
Gokaldas Exports	Reduce	9,998.1	1,249.3	702.8	11,426.1	1,038.8	557.8	13,493.8	1,280.5	745.3
Page Industries	Buy	1,399.2	282.1	172.5	1,904.6	425.5	294.0	2,533.9	569.8	388.8
Mahavir Spinning	Buy	20,864.9	3,858.5	1,717.0	25,329.8	4,699.9	1,868.4	-	-	-
Weslpun India	Accumulate	6,316.5	1,502.4	415.5	12,818.8	2,268.9	671.2	17,444.7	3,227.6	1,100.4
Others										
TPL Plastech	Buy	445.2	53.5	26.4	714.3	107.1	48.3	964.3	154.3	66.3
Time Technoplast	BUY	3,989.7	763.2	411.0	6,559.0	1233.4	674.3	8,525.7	1,634.8	1,008.5
Pyramid Saimira	Buy	1,643.2	194.1	134.3	5,978.7	955.1	649.5	10,368.3	2,120.8	1,674.8
Sadbhav Engineering	Buy	4,900.8	585.3	265.9	9,001.5	1153.6	607.4	12,573.3	1,632.3	929.3
Northgate Tech	Buy	2,945.8	597.3	570.4	4,918.1	1093.2	930.1	6,413.9	1,492.6	1,283.9



 **IL&FS INVESTSMART**

Sector-wise summary



Aviation

Sector highlights

- ✓ Industry growth momentum to sustain due to a booming economy and surging demand from the Indian middle class.
- ✓ Yields and occupancy levels have seen an upward trend since consolidation took place in the sector in Q1FY08.
- ✓ Since rise in fuel costs is being passed on to passengers by way of surcharge, the bottomline of aviation companies to improve

Company highlights

Jet Airways

- ✓ We expect sales to grow by 34% YoY to Rs25,865mn in Q3FY08E from Rs19,357mn in Q3FY07, mainly on account of new fleet induction and expansion on international routes.
- ✓ Net profit is expected to be Rs476mn from Rs400mn in Q3FY07.



Aviation

Company highlights

SpiceJet

- ✓ We expect sales to rise by 126% YoY to Rs3,725mn in Q3FY08E from Rs1,650mn in Q3FY07.
- ✓ Net profit is expected to be Rs380mn against a loss of Rs 185mn in Q3FY07.

Q3 FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
Jet Airways	25,865	19,357	33.6%	18,186	42.2%	2,327	1,404	65.7%	(1,008)	330.8%	476	400	18.8%	284	67.7%
SpiceJet	3,725	1,650	125.7%	2,226	67.3%	202	(559)	-136.1%	(811)	124.8%	380	(185)	-305.5%	(378)	200.5%



Banks - Lower C/D Ratio

Sector highlights

- ✓ Banks have reported a lower C/D ratio at 70.25% in Sep-Nov 2007, owing to a slowdown in retail and housing finance segments.
- ✓ NIMs of banks have fallen marginally due to lower CASA, falling credit growth, and increase in CRR Recoveries continue to remain strong and are expected to add to bottomline.

Company highlights

HDFC Bank

- ✓ Strong business growth increases NII QoQ; higher staff cost to result in lower operating profits. HDFC Bank continues to impress on other parameters.
- ✓ The bank trades at 8x FY08E BV and 7x FY09EBV; we believe the valuations are expensive and continue to maintain 'Reduce' on the stock.



Banks - Lower C/D Ratio

Federal Bank- Positive on growth but no room for Investment

- ✓ During H1FY08, the bank reported total business growth of 30%, deposit growth of 31.8%, and advances growth of 27.5%.
- ✓ Post the rights issue, bank's capital adequacy ratio is expected to improve to 23% approximately.

Oriental Bank of Commerce - Low MTM to boost the bottom-line

- ✓ The stock trades at 1.18x FY08EBV and 1x FY09EBV; we continue to maintain 'Accumulate' rating on the stock.
- ✓ OBC is expected to improve margins and improve its CASA base that stands at a low of 29%.

South Indian Bank

- ✓ We expect SIB to report strong NII growth owing to improvement in low-cost deposits and robust growth in advances.
- ✓ Augmentation of Tier-I capital will allow bank to maintain growth momentum. Expected to report 68% C/D ratio during FY08.
- ✓ At the CMP of Rs210, the stock trades at 1.7x FY08EBV and 1.6x FY09E BV; we continue to maintain 'BUY' on the stock as the bank is already in the process of opening branches in north – helping them build its CASA.



Banks - Lower C/D Ratio

AXIS Bank - Market Outperformer

- ✓ Axis bank expected to continue impressing on its business, NII, and operating performance. The bank has reported 31% and 54% growth in deposits and advances respectively, outperforming the industry during H1FY08.
- ✓ Axis bank has maintained NNPA at 0.55% during H1FY08; and further recoveries would boost asset quality.
- ✓ The stock trades at 4.05x FY08EBV and at 3.68x FY09E BV; we continue to maintain 'HOLD' on the stock as post preferential allotment and QIP, the bank's CAR has improved to 17.59% and is placed comfortably to grow at the same momentum.

GIC Housing Finance

- ✓ GICHF intends to open 20 branches in span of two years; the focus is to do business in Tier-II and Tier-III cities.
- ✓ PAT is likely to grow by 24% CAGR in FY07-09E. to Rs772.9mn in FY09E from Rs500mn in FY07. The stock trades at 1.36x FY08EBV and 1.1x FY09EBV. We maintain 'BUY' on the stock.



Banks - Lower C/D Ratio

Q3 FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
HDFC Bank	12,490	9,286	34.5%	11,627	7.4%	7,658	6,969	9.9%	8,267	-7.4%	3,224	2,956	9.1%	3,685	-12.5%
Axis Bank	5,810	4,158	39.7%	4,628	25.5%	4,671	3,586	30.3%	4,628	0.9%	2,141	1,845	16.0%	2,278	-6.0%
South Indian Bank	1,141	1,119	2.0%	906	25.9%	802	776	3.4%	678	18.2%	331	226	46.7%	357	-7.3%
Federal Bank	2,105	1,784	18.0%	2,063	2.0%	1,597	1,355	17.8%	1,766	-9.6%	952	838	13.5%	953	-0.2%
OBC	4,682	4,213	11.1%	3,995	17.2%	3,799	3,067	23.9%	2,722	39.5%	2,418	2,437	-0.7%	2,362	2.4%
GICHF	213	202	5.4%	246	-13.6%	184	170	7.9%	217	-15.2%	137	135	1.6%	156	-12.0%



Cement – Volumes pick up post monsoon; price remain flat QoQ

Sector highlights

- ✓ Cement dispatches grew by 6.4% YoY during Oct-Nov-2007. During Apr-Oct 2007, however, domestic cement consumption grew by 11% YoY, with the West (17%), North (12%) and South (11%) leading the way. Consumption growth was however lower in the Central (6%) and Eastern (4%) region. During the quarter, while cement prices increased by Rs4 per bag in the North and by Rs1 per bag in the South, they remained flat in the East. However, the Western and Central region witnessed a Rs2 and Rs3 per bag decline respectively.
- ✓ While all cement companies are expected to report robust growth on a YoY basis; on a QoQ basis, in view of flat cement prices and rising input cost (fuel and freight), profitability margins may come under pressure during the quarter.

Company highlights

- ✓ **ACC:** Topline expected to pick up in Q4CY07 post monsoons. However, flat realisations and rising cost of production to have a bearing on profitability margins.
- ✓ **Gujarat Ambuja:** During Q4CY07, despite pick up in volumes post monsoon, pressure on realisations (especially in the west) coupled with cost increase to have a bearing on profitability margins.



Cement - Volumes pick up post monsoon; price remain flat QoQ

Company highlights

- ✓ **Grasim:** Higher YoY cement, sponge iron and VSF prices to drive growth. However, performance of the chemical division is expected to be impacted due to lower caustic soda prices.
- ✓ **Madras Cements:** Margins to remain flat QoQ as a marginal increase in cement prices will offset the increase in cost of production .
- ✓ **India Cements:** Despite a marginal increase in cement prices QoQ, lower volumes and cost pressures to impact profitability.
- ✓ **Shree Cements:** Ramping up of capacities coupled with an increase in cement prices in the northern region will lead to a marginal improvement in margins .
- ✓ **Ultratech Cement:** Recovery in sales volumes post monsoon, coupled with firm cement prices to help improve profitability .
- ✓ **NCL Industries:** Historically, Q3 has been the best quarter for the company, to add to that during Q3 FY08 the newly expanded cement capacity to 6.3Lakhs TPA has become operational with about 70% utilization. Further, the board business is expected to witness better utilization this quarter and the Prefab business has started receiving small orders from DGS&D. Finally revenues from the energy business would help NCL better its margins.



Cement - Volumes pick up post monsoon; price remain flat QoQ

Q3 FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
ACC	17,421	16,199	7.5%	16,788	3.8%	4,525	4,685	-3.4%	4,486	0.9%	2,940	3,432	-14.3%	2,885	1.9%
Grasim	26,146	22,794	14.7%	25,196	3.8%	8,672	6,661	30.2%	8,054	7.7%	5,264	4,116	27.9%	4,998	5.3%
Gujarat Ambuja	14,522	13,291	9.3%	12,999	11.7%	4,771	4,791	-0.4%	4,332	10.2%	3,480	3,378	3.0%	3,133	11.1%
India Cement	6,868	4,724	45.4%	7,612	-9.8%	2,693	1,331	102.4%	3,074	-12.4%	1,885	798	136.2%	2,227	-15.4%
Madras Cement	5,196	3,910	32.9%	5,002	3.9%	2,216	1,279	73.3%	2,145	3.3%	1,245	681	82.8%	1,209	3.0%
NCL Industries	700	561	24.8%	418	67.5%	280	118	136.5%	182	53.9%	161	93	73.9%	108	48.5%
Shree Cement	5,175	3,645	42.0%	4,664	11.0%	2,240	1,601	39.9%	2,015	11.1%	1,077	1,041	3.5%	1,066	1.1%
Ultra Tech Cemco	14,192	12,605	12.6%	11,734	20.9%	4,172	3,802	9.7%	3,296	26.6%	2,373	2,125	11.7%	1,859	27.7%



FMCG - Steady growth to continue

Sector highlights

- ✓ FMCG sector is expected to grow in the range of 12%-15%. We expect to see heightened activity in the sector over the next two years on account of ITC's entry in personal care segment thereby challenging the market leader HUL.

Company highlights

- ✓ **ITC** is expected to register net sales growth of 14% and PAT growth of 13% in Q3FY08. We expect cigarette volumes to decline 2%-3% on yoy basis. On qoq basis however, they have started improving. Non-cigarette FMCG business is expected to post revenue growth of more than 50% buoyed by nationwide launch of Bingos. All food segment brands except Bingos are expected to achieve breakeven in FY08 itself.
- ✓ We expect **HUL** to post sales and profit growth of 13.5% and 17.9% respectively. With entry of ITC in soaps and shampoo category, HUL is likely to increase investment behind its brands through higher Advertising, which in turn will put further pressure on its operating margins.
- ✓ **Godrej Consumer** is likely to post sales and net profit growth of 17.2% and 17% respectively. The company is scouting for acquisitions abroad in hair color space and is expected to fund the same through a proposed rights issue of Rs4bn.



FMCG - Steady growth to continue

- ✓ **Titan Industries** is expected to record sales and net profit growth of 39.3% and 36.3% in Q3FY08. While watches division is expected to grow more on the back of improved realizations than on volume growth, Jewellery division revenue growth will be driven by Gold-Plus. We expect watch division margins to improve on the basis of better product mix while Jewellery division margins are expected to stay flat.
- ✓ We expect **Marico** to continue on its growth momentum in Q3FY08. Net sales and PAT is expected to grow by 19.7% and 50% respectively. Copra prices have remained stable with downward bias. Marico has acquired consumer division of South-African Company Enaleni for a consideration of Rs530mn in October 2007. The transaction was valued at 1x sales and 15x EBITDA.
- ✓ **Dabur** is expected to post growth of 16.7% and 17.4% in Net sales and PAT respectively in Q3FY08. Dabur plans to set up 160 Health and Beauty stores by 2010 entailing initial investment of Rs1.4bn with first store coming on stream in January 2008.

Q3 FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
Hindustan Unilever	35,822	31561	13.5%	30,660	16.8%	5,489	4,692	17.0%	4,029	36.2%	5,700	4834	17.9%	3,830	48.8%
Titan Industries	7,371	5291	39.3%	7,114	3.6%	760	562	35.3%	797	-4.6%	391	287	36.3%	475	-17.6%
Dabur India	5,937	5087	16.7%	5,641	5.2%	1,056	890	18.7%	973	8.5%	842	717	17.4%	792	6.3%
Marico	4,236	3538.8	19.7%	3,780	12.1%	514	407	26.4%	605	-15.1%	401	267	50.0%	261	53.4%
Godrej consumer	2,317	1976.7	17.2%	2,427	-4.5%	558	455	22.6%	397	40.6%	429	366	17.0%	310	38.2%



Hotels

Sector highlights

- ✓ In November 07, the ARRs increased by 14% YoY but there was a fall of 300 basis points in occupancy levels. On a net basis, the Revpars (Revenue Per Available Room) have increased by only 9.5% to Rs10,169 from Rs9,283. There seems to a pressure on occupancy levels as more rooms are commissioned across the board.
- ✓ New-York based, Hampshire Hotels plans to invest Rs 45 bn across major Indian metros by 2009.
- ✓ Golden Tulip Hospitality Group is expected to open six hotels in India in 2008, across the cities of Jaipur, Goa, Bangalore, Hyderabad and Vizag.
- ✓ The HHI Group of Hotels plans to invest Rs 2 bn to develop four- and five-star hotels in Goa, Hyderabad, Nagpur, Pune and Bhubaneshwar.

Company highlights

Hotel Leela

- ✓ We expect sales to grow by 33% YoY to Rs1,321mn in Q3FY08E from Rs990mn in Q3FY07, mainly on account of inventory addition of 105 rooms in Bangalore in Q4FY07.
- ✓ Net profit is expected to be Rs422mn from Rs356mn in Q3FY07.
- ✓ ARRs (average room rates) and occupancy levels at Bangalore have declined in the last one year.



Hotels

Taj GVK

- ✓ We expect sales to rise by 3.6% YoY to Rs626mn in Q3FY08E from Rs605mn in Q3FY07.
- ✓ Net profit is expected to be Rs163mn from Rs157mn in Q3FY07.
- ✓ Hyderabad has experienced cooling down in ARR's on account of supply in 3 star and 4Star category and we expect the trend to continue.

Q3 FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
HVL	1,321	990	33.5%	1,001	31.9%	632	504	25.5%	473	33.6%	422	356	18.4%	402	5.0%
Taj GVK	626	605	3.6%	592	5.8%	283	277	2.1%	278	2.0%	163	157	4.1%	162	0.7%



Information Technology

Sector highlights

- ✓ Expectation of lower forex gains/losses as rupee remained flat during the quarter
- ✓ Lower number of working days to impact revenues and profitability
- ✓ Full impact of entry-level additions in Q2FY08 to be felt in Q3FY08
- ✓ Revenue growth likely to be volume-driven during the quarter

Company highlights

- ✓ **TCS:** A volume-driven 4.9% growth in revenues expected; EBITDA margins likely to be higher by 90bps on account of benefits accruing due to economies of scale; lower forex gains in Q3FY08 to impact net profits.
- ✓ **Infosys:** Volume-led growth; EBITDA margins likely to be higher by 100bps due to the absence one-time earn-out payments made in Q2FY08; expects net employee addition of around 6,500 as most entry-level employees that were to join in Q2FY08 would now join in Q3FY08.
- ✓ **I-Flex:** Higher product license fees to result in a 19.5% sequential increase in products revenues and a 13.6% increase in consolidated revenues; EBITDA margins to expand by 820bps on account of higher license fees; higher margins in the services business stemming from increased utilisation levels also to support growth in EBITDA margins.



Information Technology

Company highlights

- ✓ **Wipro:** Consolidation of Unza and Infocrossing for the full three months to lead to a sequential revenue growth of 11.4%; revenues of global IT business and Infotech business expected to increase sequentially by 11.9% and 7.8% respectively; EBIT margins likely to fall by 50 bps on account of (a) lower margins of Infocrossing and Unza, b) full impact of hikes in offshore salaries in Q3FY08 made in August 2007, and c) salary hikes in BPO business effective October 2007; absence of any tax write-backs to result in higher taxes in Q3FY08E, impacting net profits.
- ✓ **Satyam:** Volume-driven revenue growth; EBITDA margins to increase by 140bps due to benefits from economies of scale and completion of salary increases in Q2FY08; lower forex gain to result in only 3% sequential increase in net profits. .
- ✓ **HCL Tec:** Revenues expected to increase 5.8% sequentially; EBITDA margins to increase by 40bps on account of higher offshore revenues
- ✓ **Patni:** Expects muted revenue growth of 1% despite the full impact of Logan and Tarratec acquisitions; absence of any one-time cost in Q4CY07 to result in 120 bps expansion in EBITDA margins; lower forex gains to lead to a 17.5% sequential fall in net profits (forex gains of Rs 296 mn in Q3CY07).
- ✓ **Mphasis:** Higher traction from EDS expected to result in a 5.2% sequential increase in revenues; growth in BPO business, however, expected to remain sluggish; EBITDA margins to expand by 80bps; lower forex losses to result in an 18.2% sequential increase in net profits.



Information Technology

Company highlights

- ✓ **Sasken:** Higher royalty revenues to lead to a 10% sequential increase in products revenues; however, continued sluggishness in the services business to lead to 1.9% sequential decline in overall revenues; growth in the services business also to be impacted by the absence of a one-time revenue of Rs 105 mn in Q3FY08E booked by the company in Q2FY08; EBITDA margins to fall by 200 bps on account of lower margins in the services business; lower exchange gains in Q3FY08 to result in a 48% sequential fall in net profits (forex gain of Rs 70mn in Q2FY08).
- ✓ **Subex:** Conversion of order backlog of USD 67mn into revenues to lead to an 89.8% sequential increase in products revenues; company expected to turn EBITDA positive in Q3FY08 and post an EBITDA of Rs 495mn in that quarter; lower forex gains in Q3FY08 expected to impact net profits; the company, however, is expected to turn profitable and report net profits of Rs 354mn in Q3FY08 as against a loss of Rs 348mn in Q2FY08.
- ✓ **KPIT Cummins:** Volume growth to drive sequential revenue growth of 2.8%; EBITDA margins to expand by 150 bps due to higher offshore revenues and increasing utilisation levels.
- ✓ **R Systems:** Muted revenue growth of 3.5% expected in Q4CY07 due to lower number of billing days; EBITDA margins to expand by 120 bps supported by higher profit contribution from EcNet and benefits from economies of scale; lower other income to lead to a 3.8% sequential fall in net profits.



Information Technology

Company highlights

- ✓ **Allsec:** Volume growth to drive a 15.6% sequential growth in revenues; the company expected to turn EBITDA positive in Q3FY08 as against a loss in Q2FY08; this is on account of higher utilisation and absence of product development cost in Q3FY08.
- ✓ **Tanla:** Expected to report a 12.5% sequential increase in revenues on account of a 13.5% growth in aggregator business and a 10% growth in offshore development services; we do not expect any revenues from new geographies like USA in Q3FY08; EBITDA margins expected to remain flat in Q3FY08.
- ✓ **MindTree:** Volume growth to drive 3.6% sequential increase in revenues; EBITDA margins to expand by 110 bps as the company benefits from higher offshore revenues; lower forex gains to result in a 3.2% sequential fall in net profits.
- ✓ **Micro Tech:** Higher sales of security products and Lost Mobile Tracking Systems to lead to a 1% and a 15.1% sequential growth in revenues and profits respectively.
- ✓ **Zensar:** Expect subdued Q3FY08 on account of lower number of billing days, EBITDA margins to increase by 90bps on account of higher pricing and increased offshore revenues.



Information Technology

Q3 FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
TCS	59,168	48,605	21.7%	56,398	4.9%	16,118	13,753	17.2%	14,820	8.8%	12,977	11,047	17.5%	12,469	4.1%
Infosys	43,161	36,550	18.1%	41,060	5.1%	13,955	11,960	16.7%	12,840	8.7%	11,967	9,830	21.7%	11,000	8.8%
Wipro	52,692	39,636	32.9%	47,281	11.4%	8,730	7,849	11.2%	8,073	8.1%	8,511	7,450	14.2%	8,121	4.8%
Satyam	21,611	16,611	30.1%	20,317	6.4%	4,573	4,100	11.5%	4,027	13.6%	4,216	3,372	25.0%	4,092	3.0%
HCL Tech	18,078	14,651	23.4%	17,094	5.8%	3,924	3,241	21.1%	3,642	7.7%	3,352	2,863	17.1%	3,086	8.6%
Patni	6,806	6,805	0.0%	6,736	1.0%	1,199	1,477	-18.8%	1,102	8.8%	906	1,135	-20.2%	1,098	-17.5%
I-Flex	6,637	5,502	20.6%	5,840	13.6%	1,470	1,064	38.2%	820	79.3%	1,162	773	50.3%	640	81.6%
Mphasis	6,329	4,547	39.2%	6,017	5.2%	1,197	887	34.9%	1,091	9.7%	784	481	63.0%	663	18.3%
MindTree	1,885	NA	NA	1,819	3.6%	327	NA	NA	295	10.8%	262	NA	NA	271	-3.3%
Tanla	1,208	567	113.1%	1,073	12.6%	556	296	87.8%	493	12.7%	424	234	81.2%	366	15.8%
Subex	1,674	1,062	57.6%	1,030	62.5%	495	220	125.5%	(341)	245.2%	354	191	85.1%	(348)	201.7%
Sasken	1,405	1,310	7.3%	1,432	-1.9%	202	194	4.3%	235	-13.8%	75	119	-37.3%	143	-47.9%
KPIT	1,534	1,171	31.0%	1,492	2.8%	264	178	48.3%	235	12.3%	166	133	24.5%	141	17.4%
R Systems	663	560	18.5%	641	3.5%	87	34	156.5%	77	13.8%	65	(65)	-199.7%	67	-3.9%
Allsec	325	272	19.5%	281	15.7%	40	80	-49.4%	(8)	639.3%	20	70	-71.7%	(18)	211.3%
MicroTech	390	282	38.3%	386	1.0%	182	120	51.7%	166	9.6%	137	88	55.7%	119	15.1%
Zensar	1,968	1,480	33.0%	1,918	2.6%	223	185	20.6%	201	11.3%	165	132	24.5%	141	16.4%



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

Sector highlights

- ✓ The total container traffic handled at JNPT was 3.3mn TEUs for FY07 as against 2.66mn TEUs in FY06.
- ✓ Oversupply in both the CFS and ICD businesses has resulted in lower realizations per TEU in Mumbai, but Chennai has seen a sharp increase in throughput.

Company highlights

Gateway Distriparks:

- ✓ Net sales expected to grow at 55% including the Snowman cold chain business, to Rs641mn in Q3FY08E.
- ✓ Realizations per TEU at Mumbai CFS which had peaked last year continue to face pressure on account of tough competition.
- ✓ We expect net profits of Rs185mn in Q3FY08E as against Rs167mn in Q3FY07.

Allcargo Global Logistics

- ✓ On a consolidated basis we expect net sales of Rs4,599mn in Q4CY07.
- ✓ Net profits estimated at Rs284mn in Q4CY07.
- ✓ The company has begun operations at Chennai and Mundra CFSs which would drive growth in volumes.



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

Q3 FY08 projections

(Rs m)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
AGL (CY)	4,599	4,224	8.9%	4,039	13.9%	459	325	41.2%	283	61.8%	284	248	14.4%	172	64.9%
GDL	641	414	55.0%	640	0.1%	247	178	38.8%	256	-3.2%	185	167	10.5%	189	-2.1%



Metals – Ferrous prices firm; non-ferrous prices impacted due to rupee appreciation, lower LME prices

Sector highlights

- ✓ During Q3FY08, average international HR coil prices remained flat. However, due to strong demand coupled with rising raw material prices (iron ore, coke), domestic steel prices increased by 2.7% QoQ
- ✓ LME aluminium prices continued its fall during Q3FY08 falling 2.7% QoQ during the quarter. This coupled with rupee appreciation has led to a further decline in domestic aluminium prices. Alumina prices, however, continued to recover during the quarter
- ✓ Copper prices fell 6.6% QoQ on the LME. This coupled with rupee appreciation, has impacted domestic copper prices by around 9% QoQ. Copper prices, though, are a pass through for copper smelters. However, with TC/RC margins remaining under pressure, operating margin of custom smelters are likely to be impacted during the quarter

Company highlights

- ✓ **Hindalco:** Decline in aluminium prices QoQ coupled with rupee appreciation to impact profitability of the aluminium division. However, volumes from phase 1 Hirakud expansion of 35,000 tonnes p.a. of aluminium will add to its revenues. Copper division profitability will be affected given the pressure on TC/RC margin.



Metals - Ferrous prices firm; non-ferrous prices impacted due to rupee appreciation, lower LME prices

Company highlights

- ✓ **Nalco:** Impact of lower aluminium price coupled with appreciating rupee to be partially offset by an improvement in alumina prices. However, margins to improve QoQ as power & fuel cost in Q2FY08 had escalated due to a disruption in the coal linkages for the company, which has since been restored.
- ✓ **SAIL:** Higher QoQ volumes coupled with lower contractual coking coal prices to drive growth during the quarter.
- ✓ **Tata Steel:** Lower contractual coking coal prices to drive growth during the quarter .
- ✓ **JSW Steel:** Despite higher production and improvement in product mix, profits to remain muted due to rising raw material costs (iron ore and coke). Further, QoQ profits to be lower as Q2FY08 included revenues from carbon credit.
- ✓ **Monnet Ispat and power:** Operationalisation of expanded capacity and firm sponge iron prices likely to drive topline growth. Margins to be impacted due to rising input costs.
- ✓ **Malco:** Lower aluminium prices, rupee appreciation and rising input costs to impact profitability.
- ✓ **Sesa Goa:** Strong QoQ growth expected as mining in Q2 was impacted by monsoon. YoY growth to be driven by higher coke and iron ore realisations.



Metals - Ferrous prices firm; non-ferrous prices impacted due to rupee appreciation, lower LME prices

Company highlights

- ✓ **Godawari Power & Ispat:** Firm sponge iron and billet prices to drive growth. Benefits of operationalisation of Phase-2 capacity expansions to further drive growth
- ✓ **Cubex Tubings:** During Q3 FY08, the cost of raw material, namely copper, has gone down by over 20%, which can affect the top line of the company. However, due to this more orders is expected by its power sector clients since they have been major beneficiary of the falling copper prices.

Q3 FY08 projections

(Rs m)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
Godawari Power	2,088	1,245	67.7%	1,769	18.0%	428	211	102.8%	361	18.5%	255	131	94.6%	214	18.9%
Hindalco (standalone)	50,122	46,562	7.6%	49,597	1.1%	9,229	10,453	-11.7%	9,217	0.1%	6,104	6,439	-5.2%	6,428	-5.0%
JSW Steel (standalone)	26,533	23,015	15.3%	23,831	11.3%	7,459	7,697	-3.1%	6,785	9.9%	3,825	3,622	5.6%	4,605	-16.9%
Malco	1,249	1,238	0.9%	1,242	0.6%	314	485	-35.3%	335	-6.2%	280	491	-42.9%	288	-2.6%
Monnet Ispat	2,893	1,802	60.5%	2,583	12.0%	593	547	8.4%	536	10.7%	420	432	-2.7%	368	14.3%
Nalco	13,863	14,486	-4.3%	13,082	6.0%	6,307	8,449	-25.3%	5,685	11.0%	4,569	5,726	-20.2%	4,397	3.9%
SAIL	96,341	85,371	12.9%	91,635	5.1%	28,046	24,316	15.3%	26,291	6.7%	18,142	14,712	23.3%	16,441	10.3%
Sesa Goa	8,022	5,879	36.5%	3,311	142.3%	3,610	2,783	29.7%	1,033	249.5%	2,506	1,949	28.6%	821	205.1%
Tata Steel (standalone)	49,675	44,700	11.1%	47,851	3.8%	21,195	17,836	18.8%	20,254	4.6%	11,976	10,638	12.6%	11,908	0.6%
Cubex Tubings	260	245	6.1%	259	0.5%	31	27	16.0%	27	16.0%	25	25	0.8%	25	0.4%



Pharma

Sector highlights

- ✓ Indian companies better placed to leverage acquisitions, given the possibility of shifting manufacturing back to India over a long term
- ✓ Companies that are vertically integrated, geographically diversified, wide product basket, robust balance sheet and having low of manufacturing would benefit in the longer term.
- ✓ Counter pricing pressure in regulated markets by de-risking / re-aligning businesses.
- ✓ Patent expiries would drive generics growth in regulated markets
- ✓ Consolidation in the generic space to gain scale; entry into new markets expected
- ✓ Low penetration level should drive double digit growth in many European markets
- ✓ Acquisitions and new product launches to boost topline
- ✓ Cost controls to positively impact margins



Pharma

Company highlights

- ✓ **Glenmark:** Increased US formulation exports likely to expand EBITDA margins by 140 bps due to launch of drugs such as Trileptal having 180 days shared exclusivity from October 2007 and benefits accruing from lower tax provisions. Key Risk- Suspension of NCE molecules in clinical trials and more than anticipated pricing pressure in the US market.
- ✓ **Lupin:** Topline growth of 25.9% YoY and EBITDA margins to expand by 243bps; lower tax provisioning at 18% of PBT (vis-à-vis 25% in Q3FY07) expected to boost PAT growth to 75.4% YoY.
- ✓ **Glaxo:** Topline would increase by 19.1% YOY due to full effect of launch of Carzec (Carvedilol) in Q3CY07 and growth of focus products. EBITDA margins to expand by 480bps YoY; this is likely to translate into a 22.3% YoY growth in profitability.
- ✓ **Cipla:** Q3FY08E revenues are expected to grow by 19.1% YoY to Rs10.5bn based on 15.4% growth in exports business. While formulation exports are expected to grow at 20% YoY, API exports are expected to grow at 3% YoY and domestic business is expected to grow by 12.5% YoY. Operating margin to decline by 390bps YoY on account of depreciating dollar and higher contribution of low margin AIDS business, resulting into a decline in PAT by 5% YoY.



Pharma

Company highlights

- ✓ **Indoco Remedies:** Topline would increase by 15.3% YOY to Rs916mn as a result of 18% growth in the domestic business, 69.1% growth in formulation exports and 20% growth in APIs. EBITDA margins to expand by 160bps YoY; resulting in a PAT growth of 21.2% YoY to Rs116.7mn.
- ✓ **Alembic:** Net sales is expected to grow at 50.4% YoY due to strong growth from the domestic market, launch of line extensions in the domestic markets and full effect of Dabur's non-oncology business. EBITDA margins would increase by 60bps YoY due to launch of Dabur's non-oncology products; higher tax provisioning at 18.5% of PBT; resulting in PAT growth of 24.3% YoY to Rs312mn.

Q3 FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
Glenmark	3,863	2,985	29.4%	3,749	3.0%	1,275	933	36.6%	1,184	7.7%	867	316	174.2%	751	15.4%
Glaxo	3,279	3,203	2.4%	4,208	-22.1%	811	814	-0.3%	1,366	-40.6%	588	682	-13.7%	1,091	-46.1%
Cipla	10,486	8,805	19.1%	10,984	-4.5%	2,097	2,193	-4.4%	2,240	-6.4%	1,751	1,844	-5.0%	1,906	-8.1%
Lupin	6,302	5,061	24.5%	6,590	-4.4%	1,197	759	57.7%	1,126	6.4%	962	499	92.8%	756	27.3%
Alembic	2,795	1,858	50.4%	3,071	-9.0%	520	334	55.5%	612	-15.1%	312	251	24.3%	456	-31.6%
Indoco Remedies	916	794	15.3%	844	8.5%	176	140	25.7%	161	9.6%	117	96	21.2%	109	7.5%



Power

Sector highlights

- ✓ Power equipment and Capital Goods companies are likely to report strong numbers for Q3FY08 in the backdrop of robust order inflow and buoyancy in the domestic market. We expect higher utilization of assets to impact margins positively.

Company highlights

- ✓ **BHEL:** The Company is likely to end this quarter with order book in excess of Rs800bn. We expect 22% revenue and 26% PAT growth during Q3FY08. The Company's expanded capacity (from 6000 MW to 10000 MW) to come on stream in the next quarter.
- ✓ **Siemens:** We expect Siemens to continue to report strong top line growth driven by power segment. Margin to expand by 150+bps from current level of 7.5%. We expect 44% revenue and 57% PAT growth during Q3FY08.
- ✓ **Finolex cable:** The Company has entered into an agreement with the Japan-based J-Power System to produce high voltage XLPE insulated power cables of up to 500 kv grade. We expect 22% revenue and 26% PAT growth during Q3FY08.



Power

Q3 FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
BHEL	52,944	43,397	22%	39,654	34%	11,601	9,292	24.8%	6,952	66.9%	8,675	6,677	29.9%	6,877	26.1%
Siemens India	23,590	16,331	44%	22,055	7%	2,250	1,231	82.8%	2,290	-1.7%	1,700	1,081	57.3%	1,277	33.1%
Finolex Cables	3,086	2,530	22%	3,341	-8%	424	360	17.7%	391	8.3%	203	161	25.8%	268	-24.4%



Telecom - Subscriber-driven growth the key driver

Sector highlights

- ✓ Acceleration in India's subscriber base, in excess of 8mn monthly additions, continues to drive growth.
- ✓ Geographical expansion will remain key driver for mobile subscriber growth.
- ✓ Consolidation in the telecom tower business.
- ✓ Uncertainty over spectrum allocation policy is a concern for the companies.
- ✓ Entry of new players could be negative for the industry.

Company highlights

Bharti Airtel

- ✓ Subscriber driven EPS growth story.
- ✓ Bharti continue to spearheads subscriber growth (25% plus market share in net subscriber addition) in the sector.
- ✓ Bharti's tower business subsidiary Bharti Infratel has 42% stake in Indus Tower (an independent tower company formed by Bharti Infratel, Vodafone and Idea Cellular).



Telecom- Subscriber-driven growth the key driver

Company highlights

Idea Cellular

- ✓ A lot depends on expanding in to new geographies successfully.
- ✓ Idea holds 16% stake in Indus Tower (an independent tower company formed by Bharti Infratel, Vodafone and Idea Cellular).
- ✓ A mid-sized company, but valuations are at par with larger peers.

Reliance Communication Ventures Ltd. (RCOM)

- ✓ Subscriber driven EPS growth story, similar to that of Bharti.
- ✓ GSM rollout under existing UASL license is positive for the company.
- ✓ Value unlocking possible through initial public offer of RTI (tower business) and listing of Flag Telecom.

Q3 FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
Bharti Airtel	70,560	49,129	43.6%	63,374	11.3%	29,750	20,055	48.3%	27,097	9.8%	17,617	12,151	45.0%	16,139	9.2%
Idea	17,178	11,482	49.6%	15,643	9.8%	5,674	3,706	53.1%	5,128	10.6%	2,636	1,138	131.7%	2,203	19.7%
RCOM	50,718	37,553	35.1%	45,785	10.8%	21,149	15,272	38.5%	19,618	7.8%	13,823	9,244	49.5%	13,046	6.0%



Textiles - Strong Rupee affect growth, margins

Sector highlights

- ✓ India's total apparel exports to the U.S. increased by 0.6% during Jan – Oct 2007; India's market share declined among the total U.S. apparel imports, from 4.5% (Jan-Oct 2006) to 4.4% (Jan-Oct 2007).
- ✓ Cotton apparel exports to the U.S. increased by 3.47% during Jan-July 2007.
- ✓ A strong rupee continues to affect overall apparel exports volumes to the US and has also impacted margins in the export business. However, some players have been able to mitigate the impact of the same by improving the client and product mix and improving product turnaround times.

Company highlights

- ✓ **Abhishek Ind:** Delay in ramping up utilization rates and lower margins to hit bottomline.
- ✓ **Alok Industries:** Completion of Phase II & III of expansions to drive strong revenue growth; higher margins would lead to higher profit growth.
- ✓ **Celebrity Fashions:** Rising margins due to improving product mix; current order bookings indicate better growth ahead.
- ✓ **Gokaldas Exports:** Selective order booking and impact of rupee to lead to lower bottomline growth.



Textiles- Strong Rupee affect growth, margins

Company highlights

- ✓ **Page Industries** : Focus in increasing market reach and new premium product introductions to drive growth.
- ✓ **Mahavir Spinning**: Moderate growth expected with increase in capacity utilizations of its fabric division, lower margins to affect bottomline
- ✓ **Vijayeswari Textiles** : Booking of orders delayed earlier and higher margins to lead to spurt in profit growth during the quarter.
- ✓ **Welspun India**: Rising utilization rates in home textile segment to drive strong topline growth, lower margins on account of a strong rupee to slow down bottomline growth.

Q3 FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Sep-07	Sep-06	Y-o-Y	Jun-07	Q-o-Q	Sep-07	Sep-06	Y-o-Y	Jun-07	Q-o-Q	Sep-07	Sep-06	Y-o-Y	Jun-07	Q-o-Q
Abhishek Ind	2,621	2,062	27.1%	2,788	-6.0%	328	387	-15.4%	347	-5.5%	69	204	-65.9%	76	-8.9%
Alok Ind	5,415	4,799	12.8%	4,648	16.5%	1,251	1,073	16.5%	1,086	15.2%	441	371	18.9%	430	2.5%
Celebrity Fashions	1,009	862	17.1%	882	14.5%	61	32	87.3%	44	37.4%	(2)	(15)	-	(20)	-
Gokaldas Exports	2,734	2,553	7.1%	2,499	9.4%	260	290	-10.5%	225	15.4%	145	178	-18.7%	113	28.8%
Page Industries	483	n.a.	n.a.	n.a.	n.a.	104	n.a.	n.a.	n.a.	n.a.	71	n.a.	n.a.	n.a.	n.a.
Mahavir Spinning	6,174	5,438	13.5%	5,661	9.1%	945	968	-2.4%	883	7.0%	411	516	-20.3%	374	9.9%
Vijayeswari Textiles	497	430	15.6%	211	135.4%	125	78	59.9%	62	102.0%	68	48	42.7%	31	119.5%
Welspun India	3,091	2,554	21.0%	2,938	5.2%	501	444	12.8%	468	7.0%	180	159	13.3%	168	7.3%



Others

Company highlights

- ✓ **Time Technoplast** : The Company completed fourth acquisition within a span of 18 months. Latest addition was Bahrain-based battery manufacturer Gulf Powerbeat WLL. We expect 10% revenue and 15% PAT growth on QoQ basis.
- ✓ **TPL Plastech**: The company is expected to perform well in line with the strong Industrial growth. We expect the operating margins to improve to 15% with operational synergies coming into play.

The additional capacity of 2000MT has been commissioned at Silvassa in this quarter taking the total capacity to 9500MT.

- ✓ **Northgate Tech**: Presence in a high-growth online advertisement industry.

Future depends on expanding in newer geography successfully.

- ✓ **Pyramid Saimira**: We expect sales to grow by 334% YoY to Rs1,615mn in Q3FY08E from Rs372mn in Q3FY07, mainly on account of inventory addition of about 450 screens YoY.

Net profit is expected to be Rs181mn from Rs52mn in Q3FY07.



Others

Company highlights

- ✓ **Sadbhav Engineering:** Rising order book to translate into strong YoY growth.

Q3 FY08 projections

(Rs mn)	Net sales					EBIDTA					PAT				
	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q	Dec-07	Dec-06	Y-o-Y	Sep-07	Q-o-Q
Northgate Tech	1,403	820	71.3%	1,305	7.5%	253	177	42.8%	221	14.4%	217	150	45.2%	202	7.6%
Pyramid Saimira	1,615	372	334.0%	1,442	12.0%	258	(30)	-	203	27.1%	181	52	251.9%	151	19.9%
Sadbhav Engg.	2,600	1,511	72.0%	1,018	155.4%	302	173	74.6%	123	145.9%	175	98	78.1%	55	215.3%
Time Technoplast	1,789	-	-	1,626	10%	407	-	-	362	12.5%	209	182	-	182	14.9%
TPL Plastech	178	101	76.4%	151	1780%	27	13	105.4%	22	20.8%	13	6	134.2%	11	27.1%



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