MOSt 3x3

MOTILAL OSWAL

17th July 2010

Large Cap	CMP
GAIL	Rs.442
M&M	Rs.604
SBI	Rs.2,441

1 TRADING PICK FROM 3	CMP
SBI	2,441

Mid Cap	CMP
Tulip Tele	Rs.183
Prakash Industries	Rs.191
Dewan Housing	Rs.254

1 TRADING PICK FROM 3	CMP
NIL	----

MOSt Mutual

HDFC Top 200 (*) *(Large Cap)*

Sundaram BNP Paribas SMILE Fund(*) *(Mid Cap)*

Religare Contra Fund(*) *(Multi Cap)*

MOSt Options Strategy

Strategy: Nifty Bear Ratio Spread (*) *(Hedging)*

Strategy: UNITECH Bull Spread (*) *(Moderately Bullish)*

Strategy: SBI Bull Spread (*) *(Moderately Bullish)*

(*): New -entry   CMP: Current Market Price   MBP: Maximum Buying Price

" Since Largre & Mid Cap shares are available at reasonable valuation , we have not recommended any stock from Small Cap segment.

OIL & GAS

17th July 2010

GAIL

CMP (Rs.)	442
MBP (Rs.)	460
Face Value	10
Equity Shares (Mn)	1268.48
52-Week Range (H/L)	517/ 310
M.Cap. (Rs b)	560.34

	FY10	FY11E	FY12E
EPS (Rs)	24.8	30.6	34.5
P/E (x)	17.8	14.4	12.8

- GAIL is a major gas transmission, processing, distribution and marketing company in India,with interests in gas distribution, petrochemicals, LPG, and telecom. It owns ~7,000km of pipelines (including LPG transmission pipelines), 410KTA petchem capacity, 1.3m ton LPG /other hydrocarbons capacity and over 13,000 km of optical fiber cable network. GAIL is also involved in city gas distribution, E&P and power businesses through its joint ventures.

Recent Developments:

- GAIL, which operates the largest gas pipeline network in India, is investing 300 billion rupees ($6.6 billion) to lay new pipelines and augment capacity of existing pipelines to double its transmission capacity to 300 million cubic metres a day.
- Recently announced tariffs positive for GAIL : GAIL had applied for tariff determination of the HVJ-DVPL network to PNGRB. PNGRB has segregated the tariff into two parts 1) tariff for the existing network, and 2) tariff for a new expanded DVPL network.
- April 2010 tariff order by PNGRB: The tariff of the existing network was reduced by 3-4% to Rs25.46/mmbtu and the tariff for the new network is approved at Rs53.65/mmbtu. HVJ-DVPL tariff on a blended basis for FY12 is up by 45% leading to a 35%increase in overall tariff to Rs1,115/mscm v/s FY10 tariff of Rs826/mscm
- Petroleum & Natural Gas Regulatory Board (PNGRB) in April 2010 had approved the levelized tariff for GAIL's HVJ-DVPL network (for existing and upgradation) and RGTIL's East-West Pipelines. However, unlike prior practice of charging the single tariff (levelized) across the network (irrespective of distance), new regulations require charging of distance based tariffs (each zone of 300km).

Valuation & View:

- We value GAIL on SOTP basis at Rs515 (core business at 13x FY12E EPS, investment value of Rs49/share, and E&P value of Rs23/share). We believe there is further upside potential of at least Rs27/share from its CGD foray.

M&M

CMP (Rs.)	604
MBP (Rs.)	635
Face Value	5
Equity Shares (Mn)	578.43
52-Week Range (H/L)	648 / 353
M.Cap. (Rs b)	349.43

	FY10	FY11E	FY12E
EPS (Rs)	35.7	42.0	50.2
P/E (x)	16.9	14.4	12.0

- M&M is the market leader in UV and tractors, with market share of 50% and 40% respectively. Its tractor business is expected to benefit from the Government's thrust on the development of the rural economy. In the UV segment, it is expected to maintain its market share in even in the face of competition. It recently entered the LCV and three wheeler segment.

Key investment arguments:

- M&M has successfully ventured into various businesses, unrelated to its core business, thereby making it a diversified conglomerate as opposed to a mere auto space play. Value unlocking in these subsidiary / associate companies is a strong trigger for the stock.
- M&M is expected to retain its dominance in its core business of tractors and utility vehicles. With several growth drivers for the company over the next 3-4 years, coupled with cheap valuations, M&M remains one of our top bets in auto sector.

Positive outlook on volumes and margins:

- The management expects 10-14% growth in Auto and Tractor industry, with the company growing at least in line with the industry. It expects stable margins as it would be passing on any cost push to the consumers to the extent it could.
- It has passed on cost push due to RM cost inflation in 4QFY10 and BS IV norm implementation through price increases in both tractors and UVs.

Valuation and view:

- We remain positive on M&M's prospects, driven by dominance in core business of UVs and tractors, coupled with cheap valuations.
- M&M continues to dominate its core business of UVs and tractors, with favourable competitive dynamics, and strong volume growth momentum.
- It would be one of the biggest beneficiaries of normal monsoon in auto industry.

SBI

CMP (Rs.)	2441
MBP (Rs.)	2500
Face Value	10
Equity Shares (Mn)	634.9
52-Week Range (H/L)	2,630 / 1595
M.Cap. (Rs b)	1549.8

	FY10	FY11E	FY12E
EPS (Rs)	184.8	226.0	285.4
P/E (x)	13.2	10.8	8.6
ABV	1168	1380	1606
P/ABV(X)	2.1	1.8	1.5

- State Bank of India (SBI) is the largest commercial bank in India, with a balance sheet size of over Rs7t. The bank, along with associate banks, has a network of over 14,000 branches across India and controls over 18% of the banking business.
- The government owns 57% of the bank, with FIIs owning 20% (maximum permissible is 20%).Over the last couple of years, SBI has been focusing on drawing significant synergies through an internal consolidation of its associate banks.

Recent Developments:

- SBI posted an unexpected 32% drop in reported quarterly profit in 4QFY10, hit by a jump in bad loan provisions. Key highlights are:
- Reported NII grew by 39% YoY and 6.4% QoQ. The NII stood at Rs. 67.2 bn against expectation of Rs. 64.6 bn.
- Other income declined 5% YoY but was up 34% QoQ.
- Operating Expenses were way above expectations at Rs. 60.4 bn (Rs. 48.7 bn expected) basically due to higher provisioning for employee cost.
- Gross NPAs of the bank rose to 3.1% at end-March from 2.9% in the year ago period. The provision coverage ratio stands at 59%. Provisions for bad loans jumped 69% to Rs 2187 crore (USD 485 million).
- The bank expects credit growth of 21-22% in this fiscal year, up from 17% last year.
- RBI has mandated a provision coverage ratio of 70% for all the banks by Sep 30, 2010 and SBI is seeking an extension of the deadline by two quarters.

Valuation and view:

- SBI would command valuation premium for its size and for being proxy to Indian economy. Considering the consolidated RoE of 16-18% over FY09-12. Our target price is Rs2,925

TELECOM

17th July 2010

Tulip Tele

CMP (Rs.)	183
MBP (Rs.)	200
Face Value	2
Equity Shares (Mn)	29
52-Week Range (H/L)	250 / 160
M.Cap. (Rs b)	26.51

	FY10	FY11E	FY12E
EPS (Rs)	17.0	21.5	29.2
P/E (x)	10.8	8.5	6.3

- Tulip is a leading player in the Indian enterprise data segment focused on providing connectivity to corporates, SMEs and government verticals. Tulip has an outstanding track record, having scaled up to a dominant ~30% market share in the largest and fastest growing VPN segment within five years.
- **Broad basing the business mix :**

  Tulip's 'one-stop-shop' approach has warranted adding capabilities like managed services, which fortify its data connectivity business, and downsizing the legacy low-margin network integration business. Recent fiber rollout for last mile should enable Tulip to tap highbandwidth connects, complementing its strong foothold in wireless. Fiber rollout allows capturing higher share of clients' requirement, increasing the addressable market by 5-6x.Initial traction has been strong with fiber contributing ~20% to data connectivity revenues v/s nil earlier.
- **Strong EBITDA traction to accelerate earnings; peak capex over**
- Continued growth in wireless connectivity and increased traction from fiber rollout shouldsupport 26-32% CAGR in revenue, EBITDA and earnings. EBITDA margin has expanded to~27% from 20-21% over FY07-09, led by increasing mix of data connectivity and should stabilize at 28-29%. Tulip's capex jumped 2.8x in FY09 to ~Rs7.4b as the company upgraded its VPN network and invested in fiber layout, SWAN projects and data centers. Capex intensity, which rose to 46% in FY09 from 16-20% over FY06-08, is expected to stay high at 28% in FY10 and then normalize at 12-17%.
- **Valuation & View:**

  We expect FY10 PAT growth to be ~6% due to higher depreciation and finance expenses.However, we expect it to accelerate to 27% CAGR over FY10-12 despite an increase in tax rates (partial sunset of exemptions). We maintain Buy with price target of Rs 250.

Prakash Industries

CMP (Rs.)	191
MBP (Rs.)	225
Face Value	10
Equity Shares (Mn)	121.69
52-Week Range (H/L)	243 / 104
M.Cap. (Rs b)	23.82

	FY10	FY11E	FY12E
EPS (Rs)	21.6	23.6	39.6
P/E (x)	8.9	8.1	4.8

- Prakash industries Ltd, part of "Surya Roshni" group was started in the year 1980. Prakash Industries Limited is engaged in integrated steel and power operations involving production of sponge iron, mild steel billets, heave and medium structural, wire rod, and ferro alloys with generation of power
- Rs33b capex over five years: Prakash Industries will spend Rs33b over five years to nearly double its crude steel production, expand its sponge iron capacity to capitalize on iron ore integration and put up a 625MW power plant.
- Increasing integration for insulation from input price risks: company's steel making capacity will increase from 550,000tpa to 1mtpa by March 2012 and its sponge iron capacity will increase from 400,000tpa to 1mtpa. Consequently, its dependence on the purchase of raw material will fall.
- 625MW power plant to generate surplus power from FY12: The first unit of a 125MW unit of the planned 625MW project was ordered in CY09 and is expected to be commissioned by FY11. Thus, the power capacity will rise to 237MW. The company's surplus power will be available for merchant sale.
- Minerals - a strong base to build growth : Captive mines have reserves of 150m tons of coal and 85m tons of iron ore. Prakash Industries is extracting nearly 1mtpa of coal from the Chotia mine to feed its 100MW CPP and sponge iron kilns. The Madanpur coal block and Kawardha iron ore mines are expected to start production in mid- 2010 subject to getting statutory clearances.
- **Valuation & View:**

  Over FY09-12, we expect COMPANY'S EBITDA to grow at 39% CAGR to Rs7.9b due to rawmaterial integration. We expect PAT growth of 40% CAGR to Rs5.6b. Valuations are attractive and the business model is robust and our target price is Rs293 (30% upside) based on 5.5x FY12E EV/EBITDA. We initiate maintain **Buy.**

NBFC

17th July 2010

Dewan Housing

CMP (Rs.)	254
MBP (Rs.)	266
Face Value	10
Equity Shares (Mn)	82.03
52-Week Range (H/L)	265 / 118
M.Cap. (Rs b)	25.09

	FY10	FY11E	FY12E
EPS (Rs)	18.4	26.2	36.2
P/E (x)	13.8	9.7	7.0
ABV	95	118	150
P/ABV(X)	2.7	2.1	1.7

- Established in 1984, DHFL provides housing finance to individuals, co-operative societies, corporate bodies or their nominated employees, groups of persons, etc, and leases commercial and residential premises to reputed companies.

Recent Developments:

- Capitalizing on domain experience and niche presence: Given its rich domainexperience of over 25 years, large presence, strong customer relationships, and quick turnaround time, we believe that DHFL is sweetly poised to capture the opportunity presented by the growing demand for housing in rural and semi-urban regions. Being a niche player inthe housing finance business, with a focus on middle and low income customers in tier-II and tier-III cities, it enjoys higher yields and margins than peers. Its average incrementalticket size was Rs840,000 as on December 2009 compared with ~Rs1.4m for LIC Housing Finance.
- Efficient utilization of capital; strong growth to continue: DHFL has been one of the fastest growing housing finance companies in the last six years. Its loan book and disbursements registered a CAGR of 39% and 37%, respectively (well above peers) over FY04-09. In 1QFY10, DHFL raised Rs3b through equity dilution, taking its tier-I ratio to 20%. Post capital raising, growth rates have remained very strong and significantly higher than industry. In 9MFY10, loans and disbursements grew 55% and 78% YoY, respectively. On lower base and higher ticket size, we expect loan growth of 40% CAGR and disbursement growth of 37% CAGR over FY10-12.

Valuation & View:

- DHFL offers a strong combination of growth and value, with superior asset quality. We expect earnings CAGR of ~37% over FY10-12. RoA should improve from 1.6% in FY09 to 1.9%+ by FY12 and RoE from 21% in FY09 to ~25% by FY12.

MOSt 1x3

1 TRADING PICK FROM 3

17th July 2010

Large Cap

SBI	2,441

Mid Cap

NIL	NIL

MOSt 1x3

MOTILAL OSWAL

BANKING

17th July 2010

SBI

CMP	:	2,441
Stop Loss	:	2,374
Target	:	2,600

On Tuesday, it broke its June'10 of Rs.2417 with a decent volume and made a high of Rs.2479. On the weekly chart, it is still making "Higher Tops and Higher Bottoms". We feel, this trend will continue in the coming trading sessions also and the stock can test Rs.2600. Hence one can buy the stock with stop-loss of Rs.2374.

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MOTILAL OSWAL

MOSt Mutual

HDFC Top 200 (*) *(Large Cap)*

Sundaram BNP Paribas SMILE Fund(*) *(Mid Cap)*

Religare Contra Fund(*) *(Multi Cap)*

MOSt 3x3

MOTILAL OSWAL

HDFC Top 200 (Large Cap)

17th July 2010

At a Glance

Latest NAV (Gr):	Rs. 197.35 (July 15, 10)
Latest NAV (Div):	Rs. 46.65 (July 15, 10)
Fund Category:	Equity Diversified
Type:	Open Ended
Exit Load (%):	1% (< 365 days)
Inception Date:	11-Sep-96
Net Assets (Rs. Cr.):	8020.46 (31-Jun-10)

Fund Manager

Prashant Jain (Since 06/2003) & Anand Laddha (Since 04/2007)

Portfolio Attributes

Top 5 Holdings	25.19%
No. of Stocks	65
Exposure to Sensex	53.98%
Exposure to Nifty	62.93%
Portfolio PE Trailing	25.18
Expense Ratio	1.80 (31-Mar-10)

Dividends Declared

11-Mar-10	40%
6-Mar-09	30%
7-Feb-08	50%

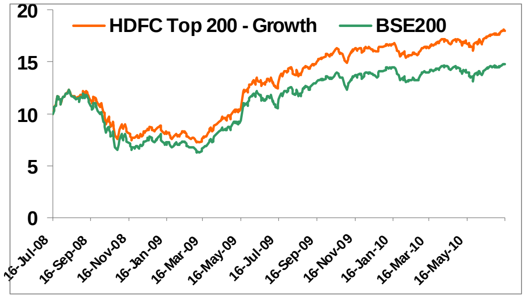
Scheme Objective

It aims to generate long term capital appreciation from a portfolio of equity and equity-linked instruments primarily drawn from the companies in BSE 200 index.

Scheme Analysis

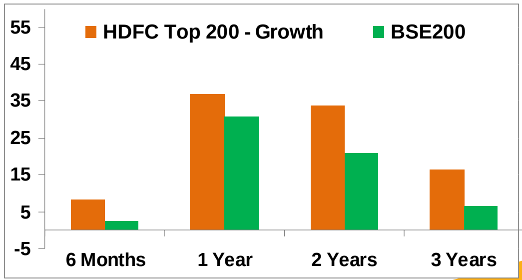
Since Jain took over in 2003, the fund has maintained a large cap allocation to this scheme. In its 13-year existence, it has proved itself with a long performance history. In 2009, it outperformed with 94.46% return vs category average of 84.4%. The fund sticks to its criteria of selecting stocks/ sectors - quality, fund understanding, growth prospects, valuation of businesses and composition of benchmark, BSE 200. The fund is bullish on Bank, Petroleum & Gas and Softwares. Its top holdings are SBI(6.60%), Infosys(5.65%), ONGC (4.73%), L&T (4.10%) and ICICI Bank(4.10%).

NAV Movement



Style Box Analysis

Comparative Performance



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MOTILAL OSWAL

Sundaram BNP Paribas SMILE Fund(Mid Cap)

17th July 2010

At a Glance

Latest NAV (Gr):	Rs. 33.44 (July 15, 10)
Latest NAV (Div):	Rs. 13.00 (July 15, 10)
Fund Category:	Equity Diversified
Entry Load (%):	Nil
Exit Load (%):	1% (< 365 days)
Inception Date:	15-Feb-05
Net Assets (Rs. Cr.):	735.53 (30-Jun-10)

Fund Manager

S Krishnakumar (Since Oct 2006)

Portfolio Attributes

Top 5 Holdings	21.41%
No. of Stocks	60
Exposure to BSE 200	55.14%
Exposure to CNX 500	70.51%
Portfolio PE Trailing	26.88
Expense Ratio	2.29 (31-Mar-10)

Dividends Declared

26-Mar-10	30%
31-Jul-09	20%
7-Dec-07	60%

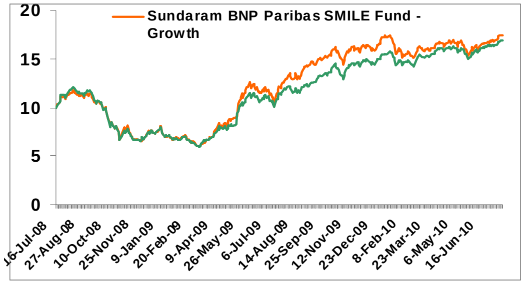
Scheme Objective

It aims to achieve capital appreciation by investing atleast 65% mainly in small and mid-cap stocks in a diversified manner and remaining in other equities (not excedding 35%). SMILE stands for Small and Medium Indian Leading Equities.

Scheme Analysis

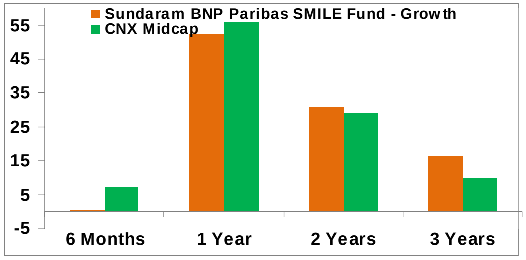
The Fund follows an aggressive approach towards mid- and small-cap stocks with a cushion of up to 35% in large-cap. The scheme has followed a vast diversification across 60 stocks. The top holding is of TVS Motors (5.85%). The FM is bullish on Auto (13.67%), Pharma (11.66%) and Banks (10.22%). Being heavy on Energy and Metals helped it to show good returns in 2009. It gave 120.44% vis-a-vis 84.4% by its category average in 2009. However, being largely inclined towards small & mid cap stocks, the fund fell -57.62% vs -55.51% (category avg). Ideal for investors having investment horizon of 3-5 years.

NAV Movement



Style Box Analysis

Comparative Performance



MOSt 3x3

MOTILAL OSWAL

Religare Contra Fund (Multi Cap)

17th July 2010

At a Glance

Latest NAV (Gr):	Rs. 15.96 (July 15, 10)
Latest NAV (Div):	Rs. 12.34 (July 15, 10)
Fund Category:	Equity Diversified
Entry Load (%):	Nil
Exit Load (%):	1% (< 365 days)
Inception Date:	11-Apr-07
Net Assets (Rs. Cr.):	80.52 (30-Apr-10)

Fund Manager

Vetri Subramaniam (Since Dec 2008)

Portfolio Attributes

Top 5 Holdings	27.04%
No. of Stocks	43
Exposure to Sensex	44.01%
Exposure to Nifty	50.38%
Portfolio PE Trailing	23.71
Expense Ratio	2.50 (31-Mar-10)

Dividends Declared

12-Mar-10	20%
7-Sep-09	12%
-	-

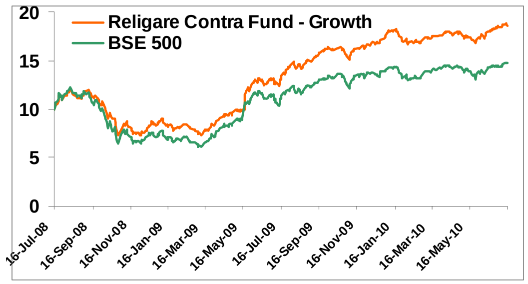
Scheme Objective

It aims to generate capital appreciation through contrarian investing. Contrarian investing involves picking 'neglected stocks' with strong asset values as well as focusing on high potential under owned sectors. The aim is to have a first mover advantage by investing into out of favour sectors /stocks.

Scheme Analysis

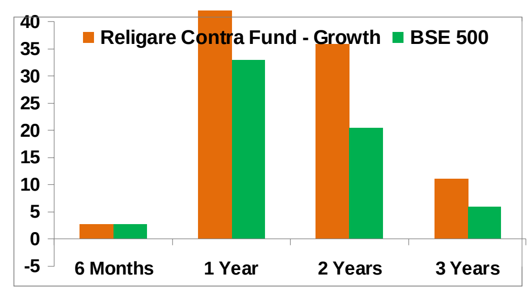
The Fund Manager invests in "fundamentally sound" companies, which are ignored by the herd so far and follows no bias towards any sector/stock. He follows the Top-Down and Bottom-Up analysis actively to select the sectors and stocks. The scheme has given an absolute return of 104.75% vis-à-vis category average of 84.40% in 2009. Its contrarian style helped in containing the losses in 2008. It gave (-)48.96% vs category average of (-)55.62%. The fund is quite active in shifting between sectors. From high exposure in Oil & Gas and IT in Mar 09, it shifted to Food & Beverages and Banks.

NAV Movement



Style Box Analysis

Comparative Performance



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MOTILAL OSWAL

OPTIONS STRATEGY

17th July 2010

MOSt Options Strategy

Strategy: Nifty Bear Ratio Spread (*) *(Hedging)*

Strategy: UNITECH Bull Spread (*) *(Moderately Bullish)*

Strategy: SBI Bull Spread (*) *(Moderately Bullish)*

MOSt 3x3

MOTILAL OSWAL

OPTIONS STRATEGY

17th July 2010

Strategy: NIFTY

View : Hedging

Rationale : 1. Put Implied Volatility is higher than calls Implied Volatility indicating hedge creation..

2. On the downside we donot see Nifty going below 5200 substantially

Premium Outflow : Rs.100 (per spread)

Margin : Rs. 30,000.00 (Approx)

Strategy: Nifty Bear Ratio Spread

BUY/SELL	SCRIP	SERIES	OPTION	STRIKE PRICE	RECO PRICE
BUY	NIFTY	JUL	PE	5300	Rs.32
SELL-2	NIFTY	JUL	PE	5200	Rs.15

Pay Off on Expiry

BREAK EVEN POINT	MAXIMUM PROFIT	MAXIMUM LOSS
5102	Rs. 4900 at 5200	Unlimited below 5102

MOSt 3x3

MOTILAL OSWAL

OPTIONS STRATEGY

17th July 2010

Strategy: UNITECH

View : Moderately Bullish

Rationale : 1. Short Covering in futures.

2. the upside stock may not go far beyond the level of 90.

Premium Outflow : Rs. 4,000 (per spread)

Margin : Rs. 46,000 (Approx.)

Strategy: UNITECH Bull Spread

BUY/SELL	SCRIP	SERIES	OPTION	STRIKE PRICE	RECO PRICE
BUY	UNITECH	JUL	CA	85	Rs.1.5
SELL	UNITECH	JUL	CA	90	Rs. 0.5

Pay Off on Expiry

BBREAK EVEN POINT	MAXIMUM PROFIT	MAXIMUM LOSS
86	Rs. 16,000 ABOVE 90	Rs. 4,000 Below 85

Strategy: SBI

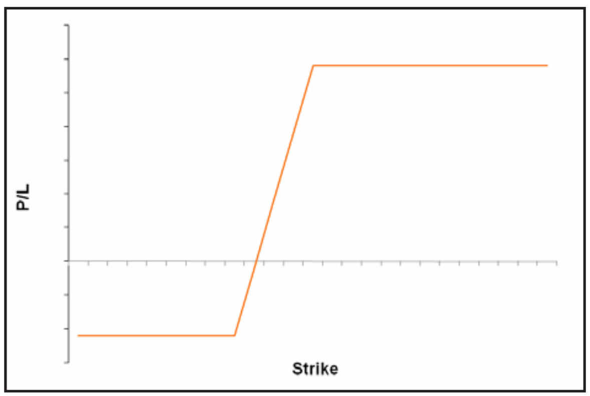
View : Moderately Bullish

Rationale : 1. Long Build up early on still hanging on.

2. Sustaining above the heaviest build up call creating head room for the upside.

Premium Outflow : Rs. 2,250 (per Spread)

Margin : Rs. 39,000 (Approx.)



Strategy: SBI Bull Spread

BUY/SELL	SCRIP	SERIES	OPTION	STRIKE PRICE	RECO PRICE
BUY	SBI	JUL	CA	2450	Rs. 32 - 34
SELL	SBI	JUL	CA	2550	Rs. 14 - 16

Pay Off on Expiry

BREAK EVEN POINT	MAXIMUM PROFIT	MAXIMUM LOSS
2468	Rs. 10, 250 Above 2550	Rs. 2,250 Below 2450

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17th July 2010

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The MOSt group and its Directors own shares in the following companies : Bharat Electronics, Bharti Airtel, Birla Corporation, GSK Pharma, Hero Honda, IOC, Marico, Oriental Bank, Siemens and State Bank.

MOSt has broking relationships with a few of the companies covered in this report.

MOSt is engaged in providing investment-banking services in the following companies covered in this report: Alok Industries and Sintex Industris.

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Motilal Oswal Securities Ltd.

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