

India Strategy: Dec-09 Results Review

- **Aggregates in line with estimates**

Sales up 25% (est 22%), EBITDA up 34% (est 31%), PAT up 26% (est 26%); Key sectors driving growth were Autos, Metals and FMCG. Banking PAT grew only 2%.

- **Sensex performance has been in line**

Sensex PAT aggregate is in line, with growth of 18% vs estimate of 22%. EBIDTA growth is 29% vs estimated 27%. ONGC was the key disappointment.

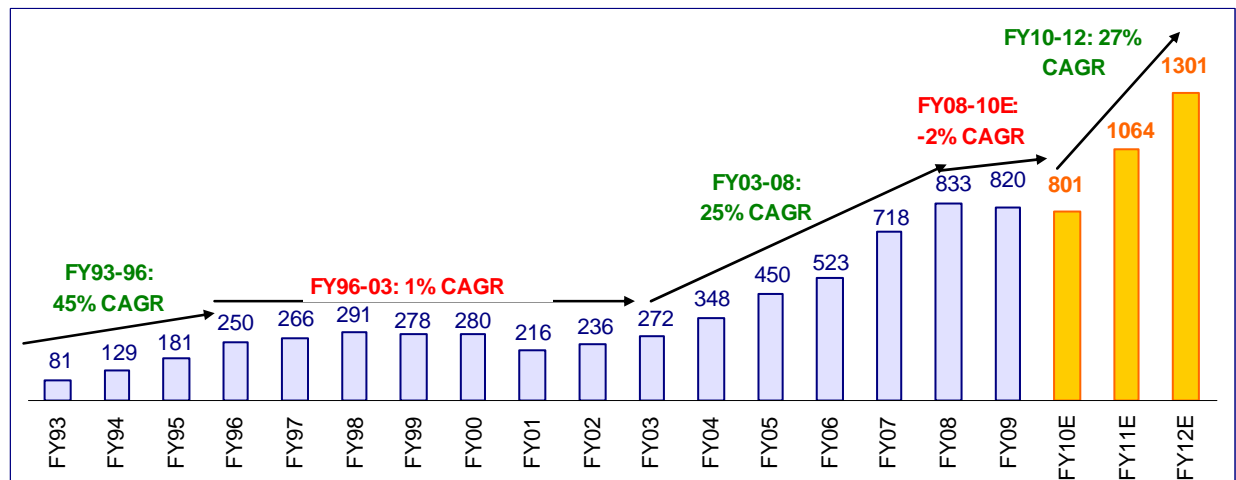
- **Breadth of earnings performance is positive**

47 companies in our Universe reported PAT higher than estimate while 41 reported below. On the EBIDTA, 42 companies reported above estimate while 31 were below.

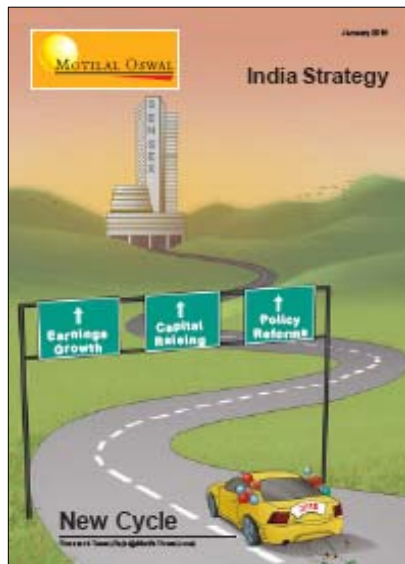
- **Several large caps outperform**

Maruti, Jaiprakash, TCS, Bharti, Bank of Baroda were among key stocks that reported better than estimate. Disappointments came from ONGC, SBI, L&T, HUL.

- **1% downgrade in FY11E Sensex EPS driven by Reliance and ONGC**



Also refer our Dec-09 Qtr Preview



Dec-09 Quarter Results Review

A) Aggregate performance in line with estimates

- 109 companies in our Universe have reported results for the Dec-2009 quarter. Sales are up 25% (vs est of 22%), EBIDTA up 34% (vs est 31%) and PAT up 26% (vs est 26%).
- 47 companies in our Universe reported PAT higher than estimate while 41 have reported below. On the EBIDTA front, 42 companies reported above estimate while 31 were below.

B) Sector performance: Telecom above estimates; Oil & Gas, Pharma, Utilities below estimates

- Autos, Telecom, Metals and Real Estate performed better than estimates.
- Sectors where PAT growth is disappointing include Oil & Gas (16% growth vs est 100%, led by ONGC & RMs), Pharma (entirely led by Dr Reddy's), and Utilities (2% growth vs est of 8%).

C) Sensex performance: ONGC drags down aggregates

- The aggregate performance of Sensex has been in line (29 Sensex companies have reported Dec-09 quarter results).
- Sensex PAT aggregate is in line, with growth of 18% vs estimate of 22%. EBIDTA growth is 29% vs estimated 27%. Sensex performance has been dragged down by ONGC's unexpectedly high write-off for dry wells. Excluding ONGC, Sensex PAT growth is 17% vs estimated 15%.
- 10 companies reported PAT above estimates while 10 reported below estimates.

D) Best and worst performing companies

- Several large-cap companies reported significantly better than our estimates: **Maruti** (222% PAT growth vs est of 171%), **Jaiprakash** (49% PAT growth vs est of 19%), **Grasim** (81% PAT growth vs est 69%), **TCS** (33% PAT growth vs est 21%) and **Bharti Airtel** (2% PAT growth vs 12% decline). Few others with strong performance are BoB, Idea, Asian Paints, Crompton, Shree Cements and Zee.
- Large-caps that reported below estimates were **ONGC, HUL, L&T, SBI, Dr Reddy's** and **Tata Power**. Other disappointments were from HCC, IVRCL, Tech Mahindra, UltraTech and Sintex.

Dec-09 Quarter Results Review

Key sectoral highlights

- **AUTOS:** Two-wheelers segment profits were in line with estimates. Outperformance of Maruti and Tata Motors was dragged down by M&M, leading to sector aggregate PAT in line. Maruti's margins expanded 240bps QoQ while M&M's margins fell 190bps.
- **BANKS:** Banking sector PAT performance was in line. Of the large banks, Canara Bank and Bank of Baroda outperformed significantly, whereas Bank of India and State Bank underperformed. Sequentially, core operating profits improved across banks as the contribution from NII increased and trading profits declined. Private banks continued to improve on their cost income ratios.
- **CEMENT:** Surprise volume growth of 9.4% YoY was offset by Rs15/bag QoQ price decline. Overall sector PAT performance was in line. Indian Cements and Ultratech underperformed estimates whereas Shree Cement and Grasim outperformed.
- **ENGINEERING:** Sector turnover growth at 5% was one of the lowest ever, and significantly below estimate of 19%. However, EBITDA and PAT were in line driven by superior margins led by lower commodity prices. Siemens hugely outperformed estimates followed by Crompton; L&T and Thermax underperformed.
- **FMCG:** Volume growth remained robust in 3QFY10; however, impact of carry-over pricing waned. Estimates were in line at all levels, Sales, EBITDA and PAT. Asian Paints, Colgate and Dabur outperformed estimates, while GSK Consumer, Britannia and HUL were the major underperformers.

Dec-09 Quarter Results Review

Key sectoral highlights (contd.)

- **INFRASTRUCTURE:** Execution hit most companies badly. Most players - HCC, NCC, IVRCL and Simplex - significantly underperformed estimates. Jaiprakash Associates has single-handedly pulled sector aggregates in line, with a massive 49% PAT growth vs estimate of 19%.
- **IT:** The sector showed early signs of broad-based growth and pick-up in discretionary demand. Infosys and TCS outperformed estimates, but aggregates were in line dragged down by Tech Mahindra and HCL Tech. Earnings upgrades were 7-8% for Infosys and TCS for FY11 and FY12.
- **METALS:** The steel pack (except Jindal Steel) outperformed profit estimates, led by SAIL, JSW Steel and Tata Steel. The non-ferrous pack (except Hindustan Zinc) underperformed, led by Nalco, Sterlite and Hindalco.
- **OIL & GAS:** Sector PAT was significantly below estimates due to (1) Huge dry well write-off by ONGC and (2) Significant under-recoveries of oil marketing companies, not yet compensated by the government of India. Reliance performance was in line led by higher GRMs that offset lower E&P profits.
- **PHARMA:** Dr Reddy's huge write off in its German operations dragged down sector aggregate PAT, which was other wise in line with estimates. Cadila, Piramal and Glenmark were significant outperformers.
- **TELECOM:** All leading players - Bharti, RCom, Idea - outperformed estimates with EBITDA margin dropping much less than expected. Bharti reported 2% PAT growth vs estimated 12% de-growth while Idea's PAT fell by only 23% vs estimated 75%.

MOSL Universe: Dec-09 Quarter Performance (Rs b)

QUARTERLY PERFORMANCE - MOSL UNIVERSE (RS B)													
SECTOR (NO OF COMPANIES)	SALES				EBITDA				NET PROFIT				
	DEC 2009	CHG. % QOQ	CHG. % YOY	VAR. OVER EXP. (%)	DEC 2009	CHG. % QOQ	CHG. % YOY	VAR. OVER EXP. (%)	DEC 2009	CHG. % QOQ	CHG. % YOY	VAR. OVER EXP. (%)	
Automobiles (5)	280	5.7	62.6	4.9	43	5.6	204.7	6.6	26	0.8	294.7	4.3	
Banking (22)	267	12.9	12.6	2.2	223	3.1	1.9	-2.6	121	7.4	2.2	0.7	
Cement (4)	64	0.3	12.7	2.5	18	-16.9	36.3	-4.4	10	-27.1	29.0	-0.9	
Engineering (5)	190	0.3	4.9	-11.8	30	25.0	23.0	2.6	21	22.6	20.9	1.8	
FMCG (11)	176	4.7	15.6	1.1	38	6.7	27.3	-0.9	26	8.3	27.2	1.2	
Infrastructure (5)	72	20.7	27.3	2.3	12	38.1	80.8	11.5	5	71.0	28.0	2.0	
IT (5)	245	1.9	5.6	2.2	65	3.1	10.3	6.2	50	4.7	10.3	4.5	
Media (5)	16	4.8	10.7	1.6	7	12.8	67.3	5.2	4	3.9	65.7	2.3	
Metals (8)	387	7.8	33.2	12.2	109	18.7	94.5	9.4	64	10.9	83.5	2.0	
Oil & Gas (11)	2,249	14.8	15.3	0.2	205	11.5	46.8	-31.8	98	-5.0	16.4	-41.9	
Pharma (10)	98	0.0	10.4	1.4	23	5.6	4.9	5.4	9	-41.5	-16.7	-29.1	
Real Estate (2)	28	23.9	50.9	27.1	10	-15.1	1.2	-2.2	6	4.3	-20.2	10.7	
Retail (2)	32	11.0	27.3	2.6	3	4.2	35.5	7.7	1	6.3	70.5	37.8	
Telecom (3)	182	-1.6	0.1	-1.2	65	-6.2	-6.5	5.4	36	6.0	-7.5	30.9	
Textiles (4)	27	2.0	11.5	-3.6	6	1.0	37.1	8.7	1	2.2	569.8	49.9	
Utilities (5)	175	-5.7	-6.2	-14.6	41	-1.4	4.9	-5.3	26	-3.9	1.8	-5.6	
Others (2)	20	6.9	4.8	-1.7	3	-0.2	2.4	-3.0	1	-20.5	0.8	-12.5	
MOSL Universe (109)	4,510	9.4	15.9	0.6	902	6.2	25.9	(8.3)	505	2.2	18.6	(10.6)	
MOSL Excl RMs (106)	3,215	7.1	24.9	2.7	891	5.3	34.1	2.7	494	(0.1)	25.9	(0.4)	
MOSL Excl RMs & ONGC (105)	3,062	7.4	25.0	2.9	800	5.3	30.1	2.5	463	4.5	26.1	3.5	
Sensex (29)	2,107	8.6	29.1	3.2	582	4.9	29.0	1.5	325	(0.6)	17.7	(3.5)	
Sensex Excl ONGC (28)	1,954	9.2	29.6	3.5	491	4.9	22.4	0.9	294	6.7	17.2	2.0	

Note: Tata Steel Standalone

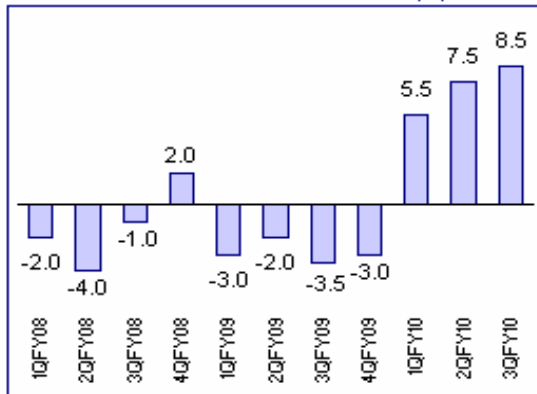
Source: MOSL

A Quarter Of The Consumer

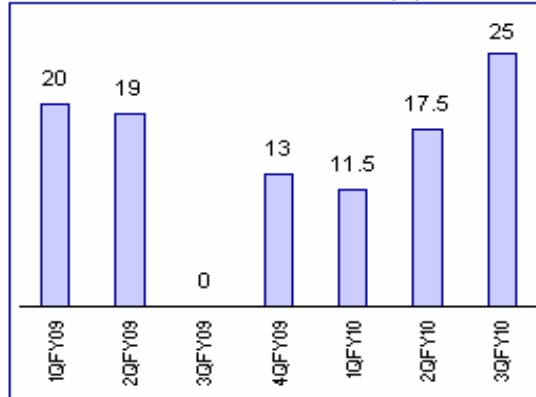
- All consumer facing sectors performed extremely well
 - FMCG, Auto, Telecom, Retail, Media

- Industrials saw a tough quarter
 - Engineering, Infrastructure, Cement

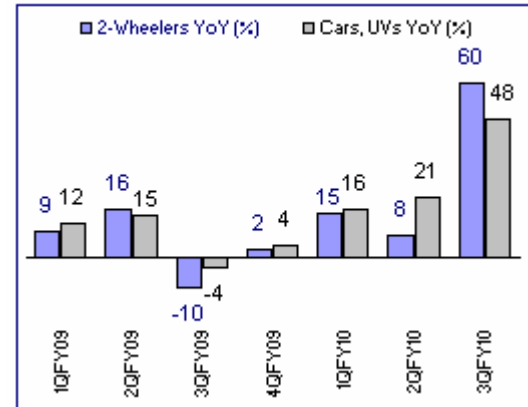
ITC - CIGARETTE VOLUME GROWTH (%)



ASIAN PAINTS VOLUME GROWTH (%)

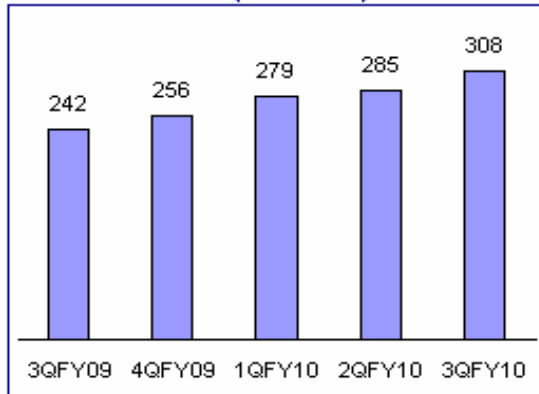


AUTO VOLUME GROWTH



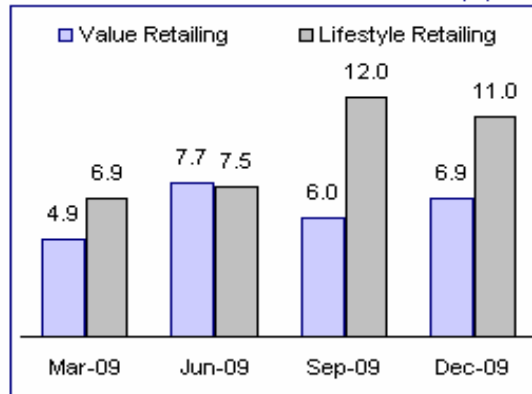
A Quarter Of The Consumer (contd.)

WIRELESS TRAFFIC (B MINUTES)

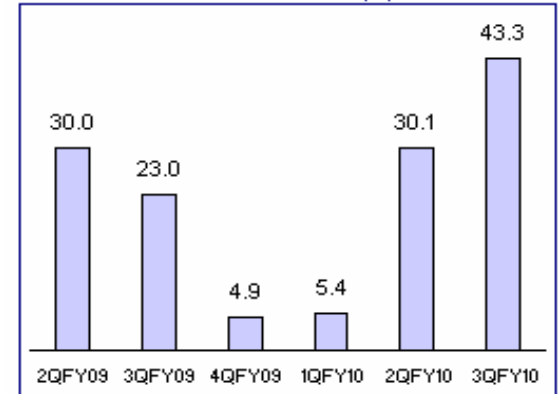


Aggregate of Bharti, RCom, Idea and TTML

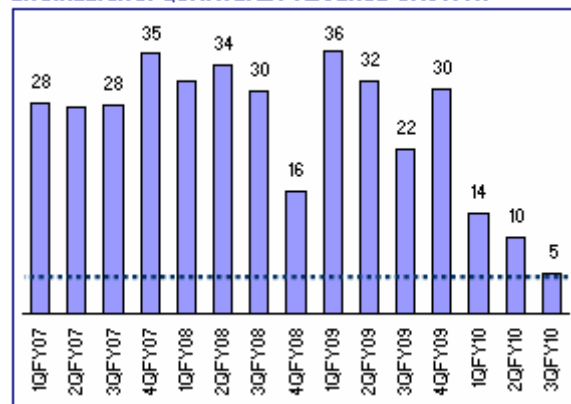
PANTALOON SUSTAINS 2Q MOMENTUM (%)



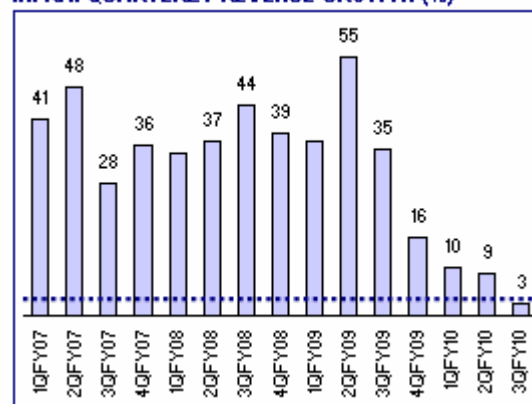
SUN TV AD REVENUE GROWTH (%)



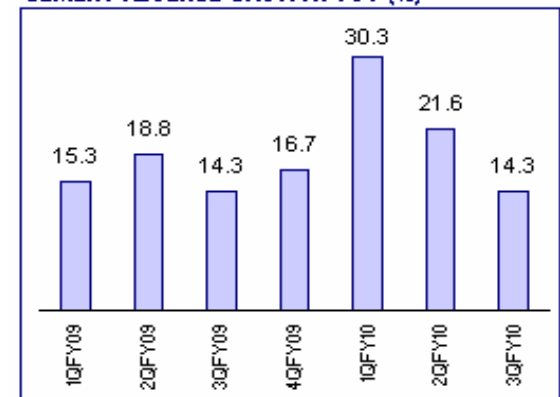
ENGINEERING: QUARTERLY REVENUE GROWTH



INFRA: QUARTERLY REVENUE GROWTH (%)

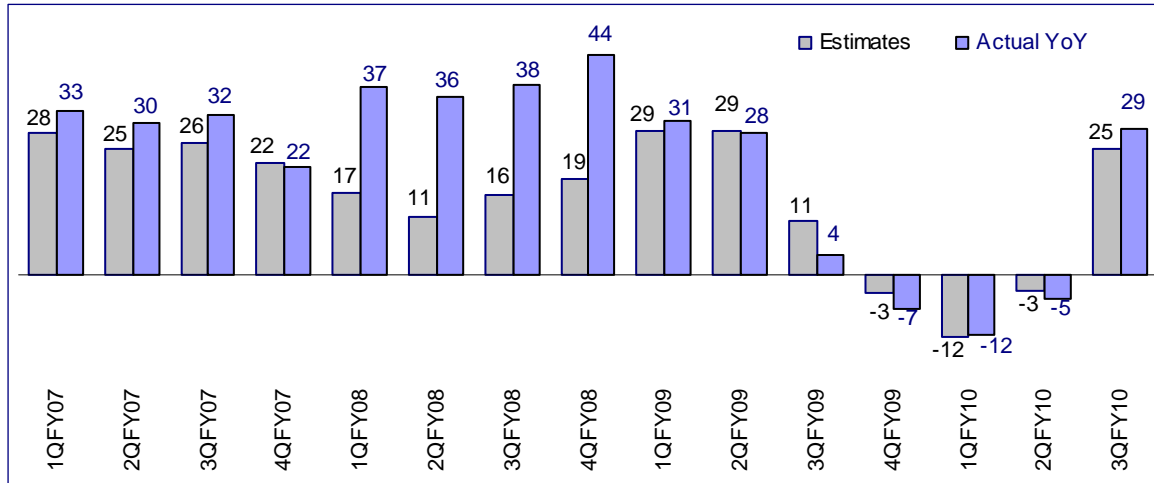


CEMENT REVENUE GROWTH YOY (%)



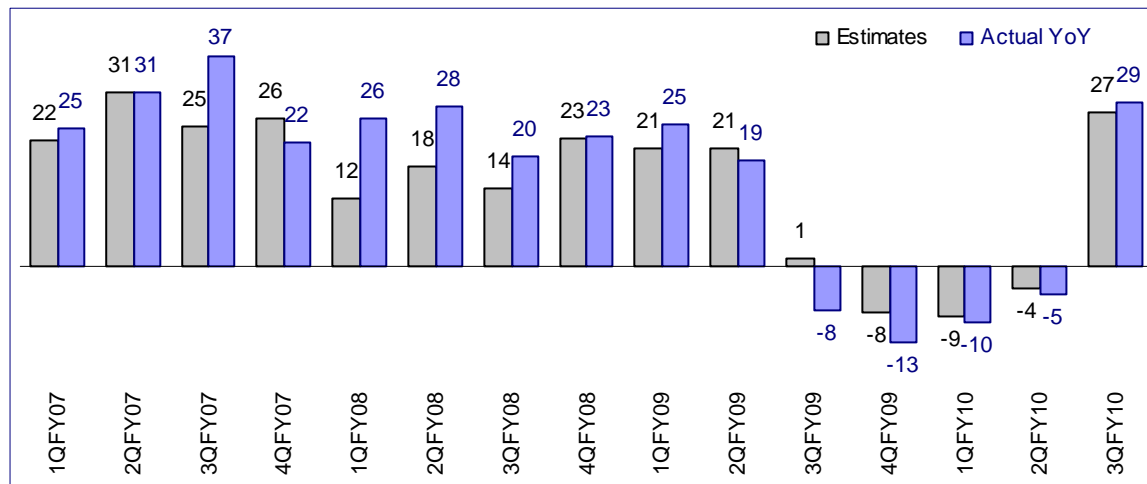
Sensex Performance: Actual v/s Estimates

TREND IN SENSEX SALES GROWTH (%): ACTUAL V/S ESTIMATES



3QFY10 sales growth has been in line with estimates. Sectors with strong growth were Autos, Global Commodities and Real Estate

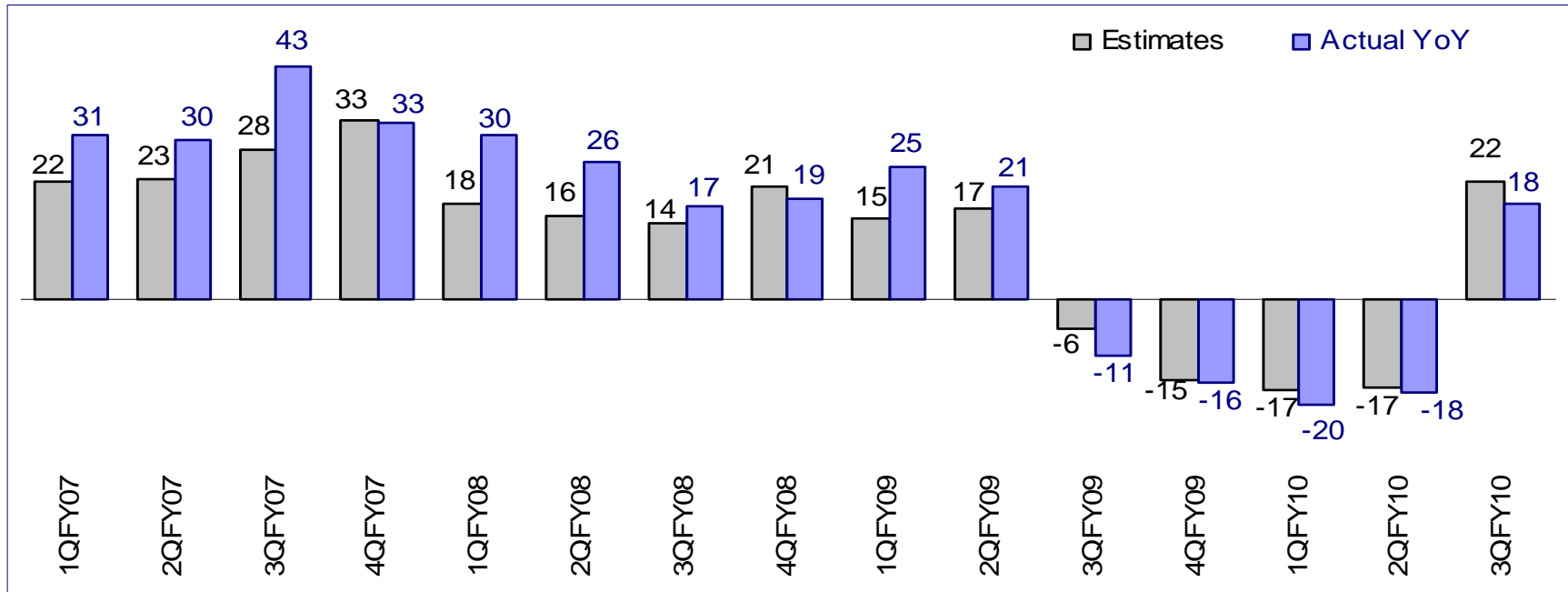
TREND IN SENSEX EBITDA GROWTH (%): ACTUAL V/S ESTIMATES



10 companies have surprised positively on EBITDA, 5 have disappointed. The disappointment was led by ONGC, L&T, SBI and HUL.

Sensex Performance: Actual v/s Estimates

TREND IN SENSEX PAT GROWTH (%): ACTUAL V/S ESTIMATES



3QFY10 performance was in line. On the PAT front, 10 companies beat estimates, while 10 lagged estimates. Companies that reported significantly better numbers than our estimates were Maruti, Jaiprakash, TCS, DLF, Grasim and Bharti.

Sensex Companies' Performance

QUARTERLY PERFORMANCE OF SENSEX STOCKS (RS B)												
COMPANY NAME	SALES				EBITDA				NET PROFIT			
	DEC	CHG.	CHG.	VAR. OVER	DEC	CHG.	CHG.	VAR. OVER	DEC	CHG.	CHG.	VAR. OVER
	2009	% QOQ	% YOY	EXP. (%)	2009	% QOQ	% YOY	EXP. (%)	2009	% QOQ	% YOY	EXP. (%)
Bharti Airtel	97.7	-0.7	1.4	0.8	39.1	-5.6	-0.9	7.0	22.1	-4.8	2.3	16.7
BHEL	71.0	7.2	17.9	-7.6	14.3	26.9	27.0	-1.8	11.1	29.3	29.0	2.6
DLF	20.3	15.7	48.2	34.4	8.4	-7.7	9.2	18.3	4.7	6.4	-30.2	26.9
Grasim Industries	30.5	2.3	14.8	4.8	9.9	-3.0	97.9	6.9	6.0	-11.6	80.8	6.9
HDFC	9.0	14.1	9.7	3.4	9.7	5.0	22.6	1.5	6.7	1.1	22.8	-1.0
HDFC Bank	22.2	13.7	12.4	-2.2	16.2	1.9	11.4	-10.2	8.2	19.1	31.6	-0.9
Hero Honda	38.1	-5.6	32.7	3.2	6.5	-10.6	58.2	0.3	5.4	-10.3	78.3	1.9
Hind. Unilever	45.7	7.1	4.4	-3.3	7.9	20.8	3.1	-10.9	6.0	19.9	-1.8	-11.3
Hindalco	54.7	11.4	33.0	13.1	8.0	29.5	3.3	-2.0	4.8	35.9	-11.1	-6.3
ICICI Bank	20.6	1.1	3.4	-2.0	23.7	-2.7	-14.5	-4.3	11.0	5.9	-13.4	2.2
Infosys	57.4	2.8	-0.8	2.8	20.4	5.4	0.3	11.9	15.8	2.8	0.1	7.4
ITC	45.8	5.4	18.7	2.3	17.1	7.4	23.9	0.4	11.4	13.3	26.7	3.9
Jaiprakash Associates	28.5	56.4	115.8	39.5	7.7	69.8	213.0	40.5	3.1	170.5	49.2	25.8
Larsen & Toubro	80.7	2.6	-6.1	-17.5	9.6	21.9	1.4	-7.8	6.1	10.4	-4.7	-17.8
Mahindra & Mahindra	44.8	0.3	56.3	2.5	6.9	-10.7	157.2	-3.7	4.2	-28.3	159.2	-10.6
Maruti Suzuki	75.0	4.2	60.3	0.8	11.3	23.8	222.3	20.5	6.9	20.6	221.6	18.6
NTPC	111.8	3.7	-0.8	-10.3	33.7	4.7	4.9	-0.9	20.4	3.0	0.3	-2.0
ONGC	153.1	1.6	23.1	-0.3	91.3	5.2	82.7	5.1	30.5	-40.0	23.4	-36.5
Reliance Comm	53.1	-6.9	-9.2	-7.8	18.1	-10.2	-22.9	-2.9	11.9	44.1	-19.7	52.8
Reliance Inds.	568.6	21.4	80.1	13.1	78.4	8.7	46.3	2.9	40.1	4.0	14.5	-3.0
Reliance Infrastructure	22.9	-13.7	-15.8	-25.2	2.4	-24.8	-24.6	2.6	2.8	-24.7	-1.5	-5.8
State Bank	63.2	12.6	9.7	-0.4	46.2	-4.5	3.0	-11.2	24.8	-0.4	0.0	-7.5
Sterlite Inds.	67.5	10.1	48.7	7.5	17.7	29.8	213.5	7.5	10.0	2.3	107.0	-14.0
Sun Pharma	10.2	-6.3	11.2	5.9	3.7	-4.9	-10.9	2.9	3.4	4.7	-17.1	-5.7
Tata Motors	89.3	12.7	89.4	14.4	11.5	8.1	1156.9	10.0	4.2	16.3	LP	8.0
Tata Power	15.3	-11.2	-14.0	-12.3	3.3	-21.9	27.1	-35.6	1.5	-19.3	51.2	-31.8
Tata Steel	63.7	12.0	32.8	10.6	23.1	20.2	56.3	4.3	11.8	30.2	98.2	7.9
TCS	76.5	2.9	5.1	2.5	22.7	6.4	16.7	7.9	18.0	10.7	32.9	9.5
Wipro	69.4	0.6	5.3	1.4	13.1	1.5	20.2	-0.9	12.0	2.8	19.2	-0.4
Sensex Universe	2,107	8.6	29.1	3.2	582	4.9	29.0	1.5	325	-0.6	17.7	-3.5
Sensex Excl ONGC	1,954	9.2	29.6	3.5	491	4.9	22.4	0.9	294	6.7	17.2	2.0

Note: Tata Steel Standalone; LP: Loss to Profit

Source: MOSL

Dec-09 Quarter Results: Large-cap best and worst

TOP 10 POSITIVE SURPRISES

Company	EBITDA				PAT			
	Actual (Rs m)	QoQ Chg (%)	YoY Chg (%)	Var. Over Exp. (%)	Actual (Rs m)	QoQ Chg (%)	YoY Chg (%)	Var. Over Exp. (%)
Idea Cellular	8,141	1	17	20	1,701	-23	-22	205
Asian Paints	3,181	-1	191	32	1,985	-4	233	36
Bank of Baroda	12,650	23	-11	12	8,325	31	18	27
DLF	8,433	-8	9	18	4,679	6	-30	27
Jaiprakash Associates	7,739	70	213	41	3,141	170	49	26
Maruti Suzuki	11,339	24	222	21	6,875	21	222	19
Bharti Airtel	39,112	-6	-1	7	22,099	-5	2	17
Crompton Greaves	2,036	-3	47	11	1,354	0	60	17
TCS	22,717	6	17	8	17,975	11	33	9
Infosys	20,380	5	0	12	15,830	3	0	7

TOP 10 NEGATIVE SURPRISES

Company	EBITDA				PAT			
	Actual (Rs m)	QoQ Chg (%)	YoY Chg (%)	Var. Over Exp. (%)	Actual (Rs m)	QoQ Chg (%)	YoY Chg (%)	Var. Over Exp. (%)
Dr Reddy's Labs	2,860	4	-32	6	-5,217	PL	PL	-246
ONGC	91,348	5	83	5	30,536	-40	23	-37
Tata Power	3,254	-22	27	-36	1,479	-19	51	-32
Bank of India	11,298	-6	-36	-17	4,055	25	-54	-31
Ultratech Cement	3,836	-18	-11	-18	1,960	-22	-18	-18
Larsen & Toubro	9,561	22	1	-8	6,103	10	-5	-18
Unitech	1,857	-38	-24	-45	1,760	-1	29	-17
Hind. Unilever	7,875	21	3	-11	5,990	20	-2	-11
Mahindra & Mahindra	6,855	-11	157	-4	4,243	-28	159	-11
State Bank	46,181	-4	3	-11	24,791	0	0	-8

Dec-09 Quarter Results: Mid-cap best and worst

TOP 5 POSITIVE SURPRISES

Company	EBITDA				PAT			
	Actual (Rs m)	QoQ Chg (%)	YoY Chg (%)	Var. Over Exp. (%)	Actual (Rs m)	QoQ Chg (%)	YoY Chg (%)	Var. Over Exp. (%)
Titan Industries	1,073	-1	49	22	784	1	86	61
Vardhman Textiles	1,380	2	48	27	478	-5	188	53
Colgate	1,212	10	33	12	1,164	30	50	32
Indian Bank	6,907	25	11	10	4,414	19	26	16
OBC	6,228	23	61	32	2,894	7	15	13

TOP 5 NEGATIVE SURPRISES

Company	EBITDA				PAT			
	Actual (Rs m)	QoQ Chg (%)	YoY Chg (%)	Var. Over Exp. (%)	Actual (Rs m)	QoQ Chg (%)	YoY Chg (%)	Var. Over Exp. (%)
India Cements	1,165	-61	-35	-35	271	-80	-61	-55
Hindustan Construction	1,017	15	-4	-21	218	-22	-27	-31
Federal Bank	3,315	9	-14	-3	1,103	9	-46	-27
IVRCL Infra.	1,156	1	7	-12	458	-6	-2	-16
Divis Labs	659	-37	-39	-29	678	-20	-15	-9

Highest earnings upgrade/downgrade

TOP 10 EARNINGS UPGRADES

Company	EPS - Pre-3QFY09 (Rs)			EPS - Post-3QFY09 (Rs)			% Upgrade	
	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY11E	FY12E
Idea Cellular	2.1	1.4	2.4	2.7	1.7	2.9	24	20
Crompton Greaves	19.2	21.6	27.0	22.3	26.6	32.2	23	19
Tata Steel	-28.8	60.1	89.0	-26.6	73.6	94.1	22	6
Pantaloon Retail	9.2	13.0	16.6	9.9	14.3	18.8	10	13
Maruti Suzuki	78.6	87.5	104.9	85.2	95.2	113.0	9	8
Bank of Baroda	72.2	86.7	104.2	82.2	93.4	108.6	8	4
Infosys	105.7	113.9	136.0	109.7	122.5	147.2	8	8
IDFC	8.2	9.5	11.2	8.5	10.2	12.0	8	7
TCS	33.3	36.7	39.1	34.8	39.2	42.4	7	9
Bharti Airtel	22.9	22.3	24.1	24.0	23.5	25.8	5	7

TOP 10 EARNINGS DOWNGRADES

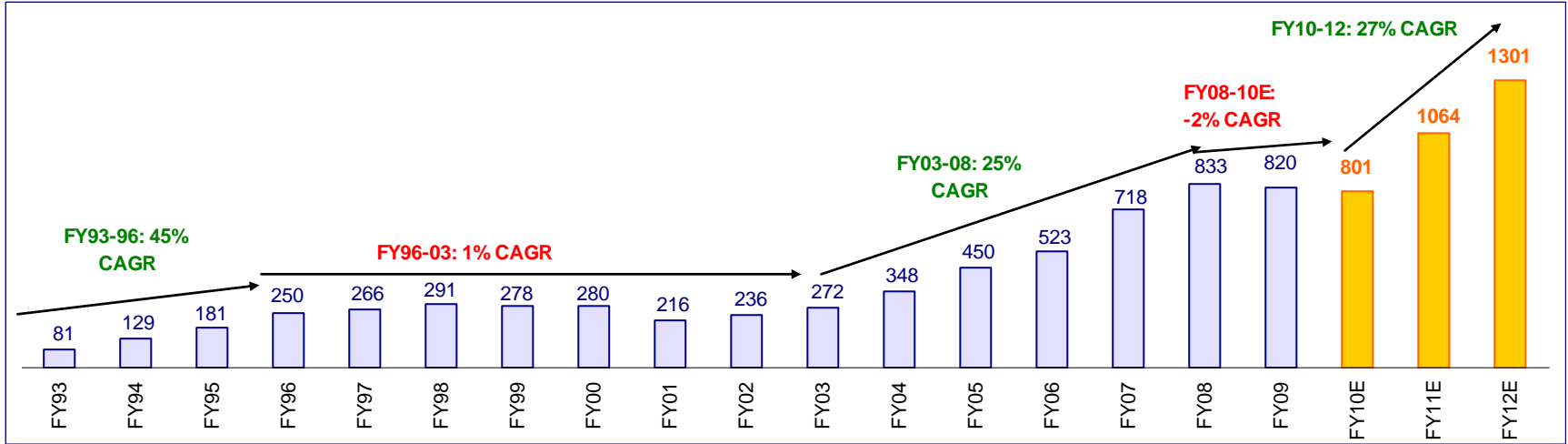
Company	EPS - Pre-3QFY09 (Rs)			EPS - Post-3QFY09 (Rs)			% Downgrade	
	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY11E	FY12E
India Cements	14.9	10.0	12.3	12.9	6.8	6.0	-32	-51
Simplex Infra.	33.2	43.6	51.9	26.4	35.3	47.4	-19	-9
State Bank	215.7	269.1	302.0	200.0	227.7	287.0	-15	-5
Tech Mahindra	64.6	72.4	75.9	49.1	64.7	71.4	-11	-6
Divis Labs	24.8	29.4	35.2	23.8	26.5	32.2	-10	-9
Jaiprakash Assoc	4.2	4.1	3.2	4.4	3.8	3.1	-8	-1
HCC	4.8	6.9	8.6	4.4	6.4	8.3	-8	-4
Hindustan Unilever	10.2	11.4	13.3	9.7	10.5	12.3	-7	-7
Reliance Inds.	57.4	81.6	97.5	53.4	75.8	91.9	-7	-6
Union Bank	40.8	52.5	60.4	40.8	49.0	58.2	-7	-4

Sensex companies' EPS upgrade/downgrade

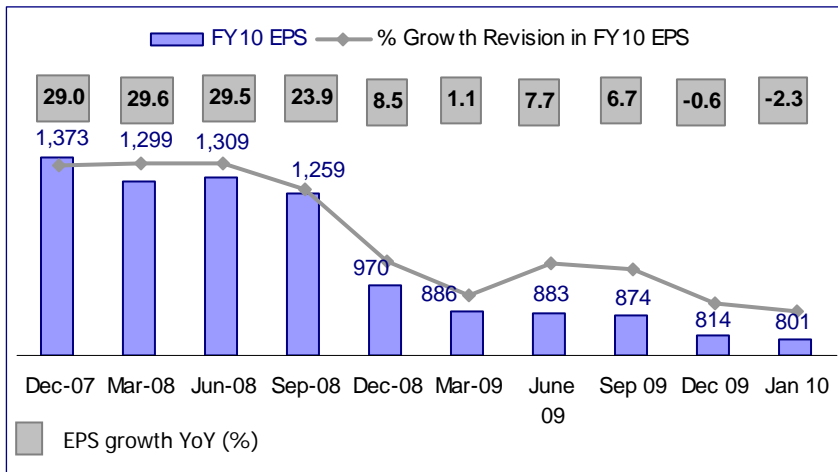
(Rs)	PRE-3QFY10 EPS			POST-3QFY10 EPS			EPS UPGRADE / DOWNGRADE (%)		
	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Tata Motors	-4.2	25.0	47.0	-3.1	25.8	48.2	26.8	3.2	2.6
Maruti Suzuki	78.6	87.5	104.9	85.2	95.2	113.0	8.4	8.8	7.8
Tata Steel	-28.8	60.1	89.0	-26.6	73.6	94.1	7.6	22.5	5.8
Jaiprakash Associates	4.2	4.1	3.2	4.4	3.8	3.1	5.4	-8.2	-1.1
Bharti Airtel	22.9	22.3	24.1	24.0	23.5	25.8	4.9	5.4	7.0
TCS	33.3	36.7	39.1	34.8	39.2	42.4	4.5	6.7	8.6
Reliance Comm	20.1	18.1	23.2	20.9	17.2	21.2	4.3	-4.6	-8.3
Hero Honda	105.4	121.1	136.9	109.9	122.0	139.4	4.3	0.8	1.8
Infosys	105.7	113.9	136.0	109.7	122.5	147.2	3.7	7.6	8.2
BHEL	86.7	114.7	152.9	89.7	114.2	151.8	3.5	-0.4	-0.7
ITC	10.5	12.3	14.4	10.8	12.8	15.0	2.7	3.7	4.3
Grasim Industries	334.7	269.5	308.4	337.1	265.4	305.9	0.7	-1.5	-0.8
Hindalco	3.3	8.2	14.0	3.3	6.8	12.7	0.6	-17.2	-9.7
Wipro	31.3	34.5	36.2	31.4	36.3	39.6	0.3	5.3	9.2
Mahindra & Mahindra	95.4	108.8	124.6	95.7	109.0	124.9	0.3	0.2	0.2
ACC	90.3	71.4	81.6	90.3	71.4	81.6	0.0	0.0	0.0
NTPC	10.5	11.4	13.0	10.5	11.4	13.0	0.0	0.0	0.0
HDFC	94.7	110.0	129.7	94.5	109.8	128.5	-0.3	-0.2	-0.9
ICICI Bank	37.7	48.8	61.3	37.5	50.5	62.2	-0.5	3.5	1.6
HDFC Bank	65.9	86.9	110.9	65.2	88.3	110.7	-1.2	1.7	-0.2
Sterlite Inds.	47.9	72.4	104.2	46.7	69.3	94.4	-2.5	-4.2	-9.4
Larsen & Toubro	57.3	67.1	85.8	55.5	70.0	88.2	-3.2	4.3	2.8
DLF	13.9	18.9	19.9	13.3	18.1	19.9	-3.9	-4.3	0.4
Hind. Unilever	10.2	11.4	13.3	9.7	10.5	12.3	-4.1	-7.1	-7.4
Sun Pharma	58.2	66.2	72.7	55.1	64.4	68.9	-5.3	-2.6	-5.2
Reliance Inds.	57.4	81.6	97.5	53.4	75.8	91.9	-7.0	-7.1	-5.7
State Bank	215.7	269.1	302.0	200.0	227.7	287.0	-7.3	-15.4	-5.0
Tata Power	67.0	98.3	121.9	60.8	96.7	119.1	-9.2	-1.7	-2.3
ONGC	100.5	118.3	133.3	90.9	113.3	129.8	-9.5	-4.2	-2.6
Reliance Infrastructure	54.8	62.5	69.1	45.0	56.3	68.8	-17.9	-10.0	-0.4
Sensex	814	1,076	1,308	801	1,064	1,301	-1.7	-1.1	-0.5

Sensex EPS Trend

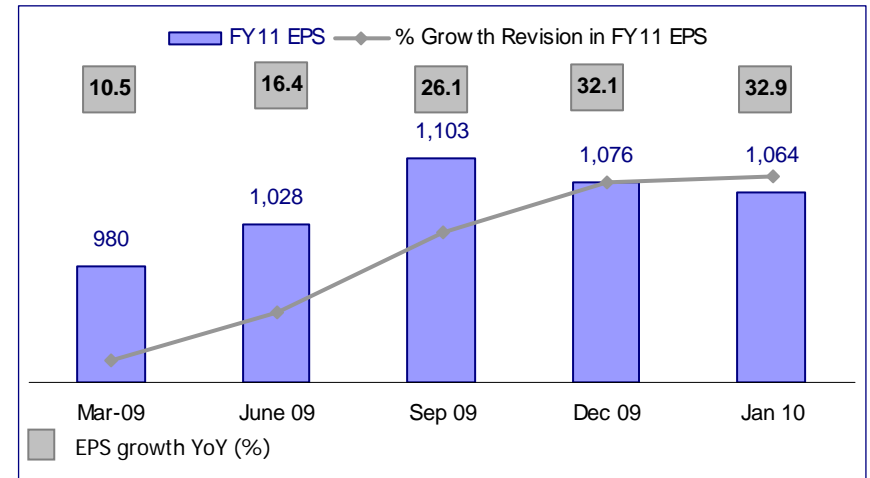
EARNINGS GROWTH REVIVAL FROM FY11 AFTER FY08-10 GROWTH HOLIDAY



TREND IN FY10E SENSEX EPS REVISION

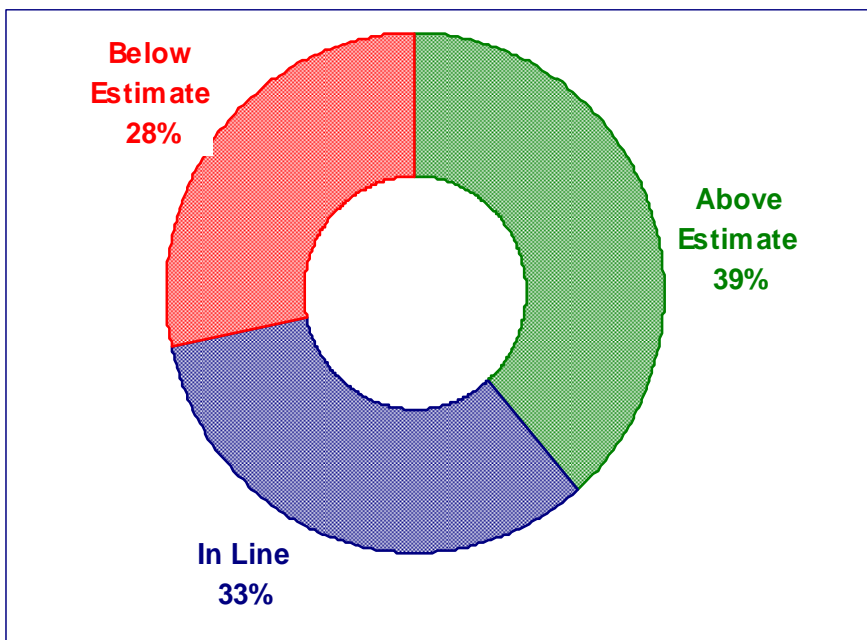


TREND IN FY11E SENSEX EPS REVISION

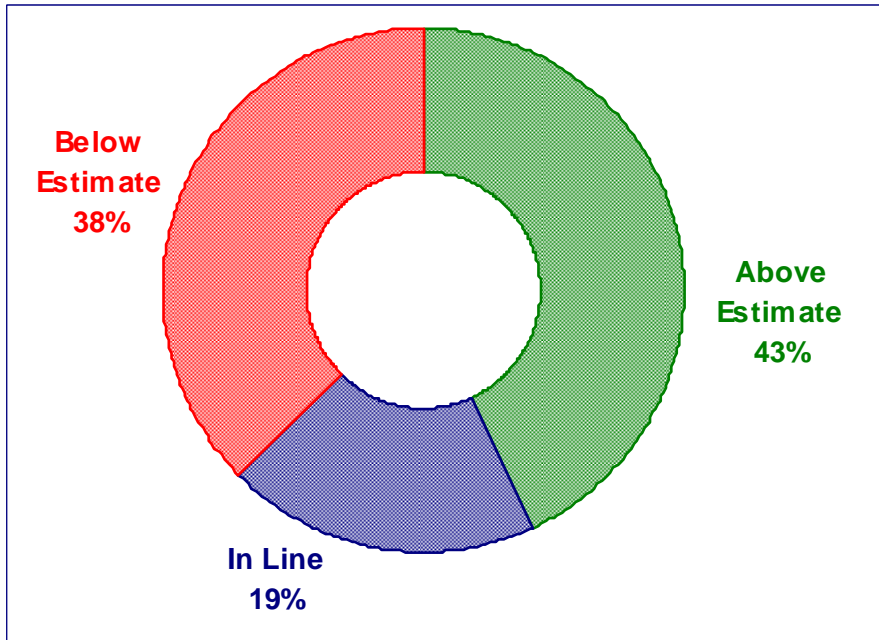


Dec-09 Quarter Results: Deviation from Est. (Companies)

EBITDA DEVIATION (109 COMPANIES)



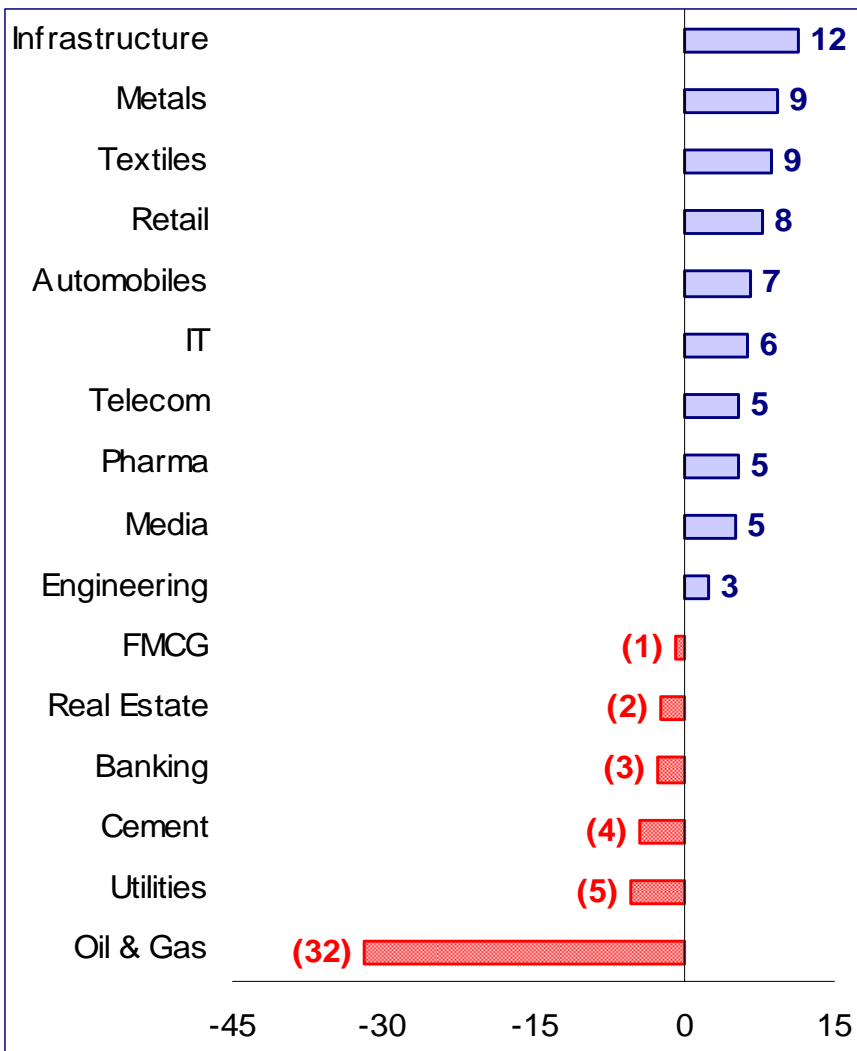
PAT DEVIATION (109 COMPANIES)



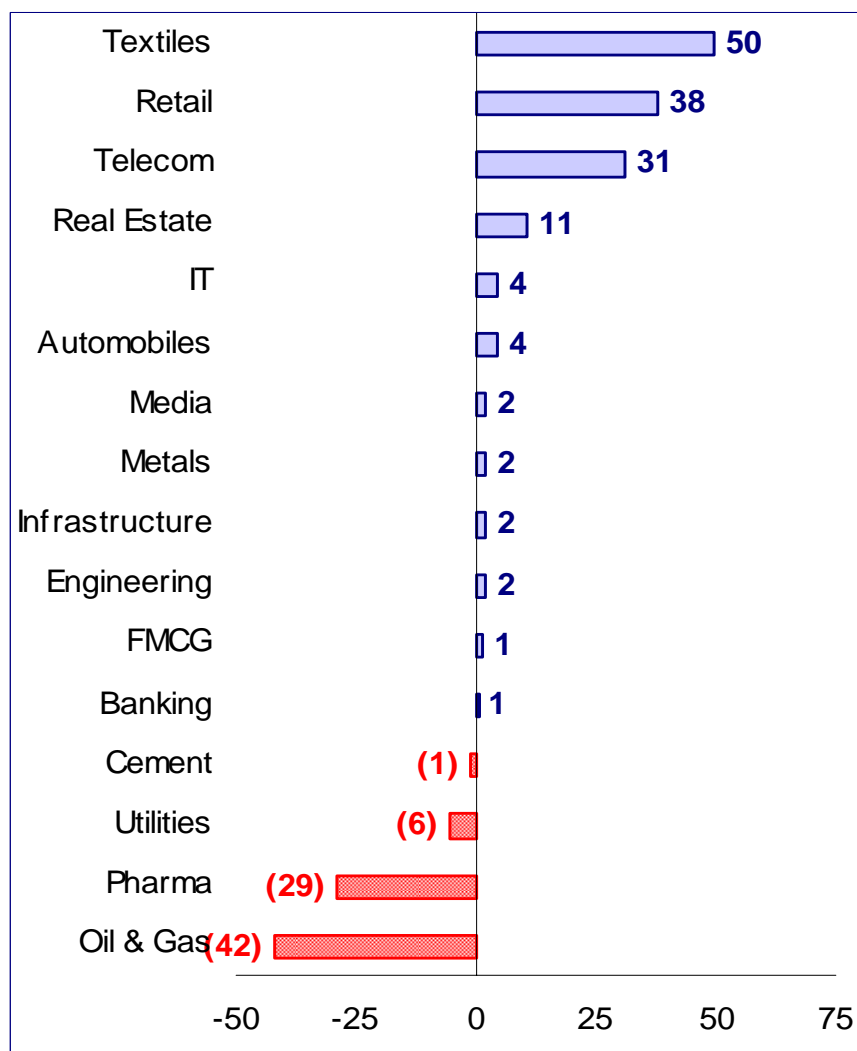
- On the EBITDA front, 42 companies reported above estimates while 31 reported below estimates.
- On the PAT front, 47 companies reported higher than estimates while 41 reported below estimates.

Dec-09 Quarter Results: Deviation from Est. (Sectors)

EBITDA DEVIATION (SECTORS) – VARIANCE (%)



PAT DEVIATION (SECTORS) – VARIANCE (%)



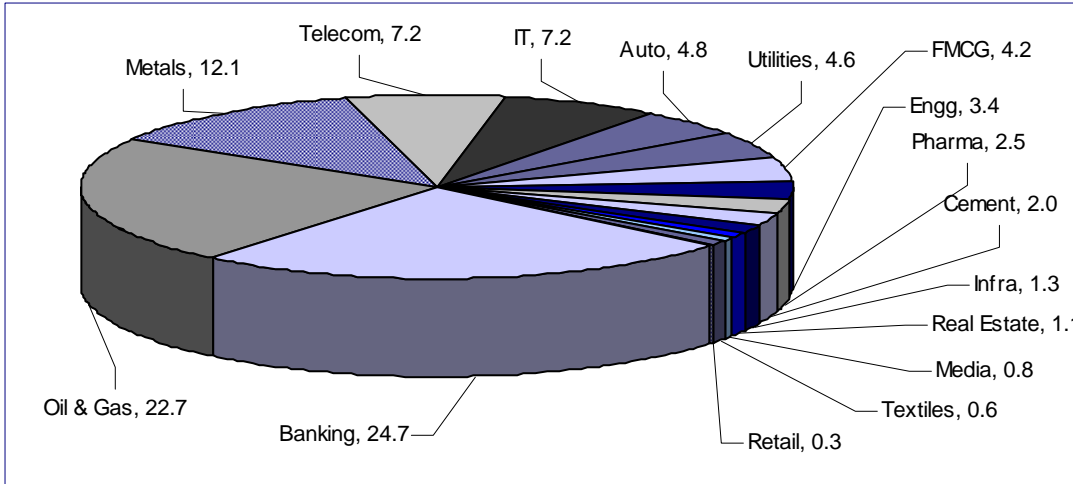
Comparison of Earnings Based on Growth Rates

- **Breadth of earnings positive; Several large-caps outperform.**
- 63% of the companies in MOSL Universe reported earnings growth of over 15% in 3QFY10, as against 36% in 3QFY09.
- Proportion of companies with negative earnings growth has decreased from 42% to 27% during this period.
- 63% of companies in MOSL Universe with Earnings contribution of 57% have reported earnings growth of 15%+.
- Another 9% of the MOSL Universe with earnings contribution of 28% have reported earnings growth of under 15%.
- 27% of the MOSL Universe with earnings contribution of 15% have reported earnings de-growth.

PAT GROWTH DISTRIBUTION OF MOSL UNIVERSE				
Quarter ending	PAT Growth (%)	Distribution of Companies (Ex RMs) (%)		
		>15%	>0-15%	<0%
Mar 05	33.9	59	13	28
June 05	26.4	65	19	15
Sep 05	20.5	73	13	13
Dec 05	9.3	72	10	18
Mar 06	4.7	59	15	26
June 06	33.9	71	13	16
Sep 06	36.9	76	12	12
Dec 06	55.2	79	11	11
Mar 07	36.4	73	11	17
June 07	34.0	75	11	14
Sep 07	25.1	71	15	14
Dec 07	15.4	67	12	21
Mar 08	24.3	57	19	24
June 08	25.6	53	24	23
Sep 08	19.7	48	26	26
Dec 08	-8.4	36	22	42
Mar 09	-16.2	41	18	41
June 09	-15.1	54	14	32
Sep 09	-11.2	51	14	35
Dec 09	25.9	63	9	27

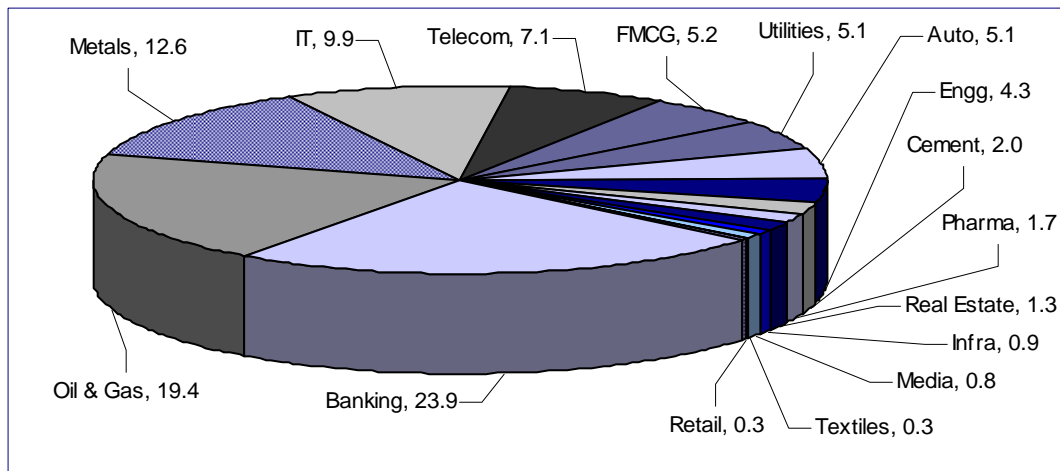
3QFY10 Results Review: Sectoral Contribution

SECTORAL CONTRIBUTION TO EBIDTA (%) – 3QFY10



Banking (25% contribution) and Oil & Gas (23% contribution) are the biggest contributors to EBIDTA earnings for 3QFY10.

SECTORAL CONTRIBUTION TO PAT (%) – 3QFY10



Banking (24% contribution) and Oil & Gas (19% contribution) are the biggest contributors to PAT earnings for 3QFY10.

Sep-09 Quarter Sector Margins: Actual v/s Estimates

QUARTERLY PERFORMANCE - EBITDA AND PAT MARGIN (%)								
SECTOR	EBDITA MARGIN				PAT MARGIN			
	ACTUAL	ACTUAL	EST.	ACTUAL	ACTUAL	ACTUAL	EST.	ACTUAL
	DEC 08	DEC 09	CHG	CHG	DEC 08	DEC 09	CHG	CHG
Automobiles	8.3	15.5	7.0	7.2	3.8	9.2	5.5	5.4
Banking	92.1	83.4	-4.6	-8.7	49.7	45.1	-3.9	-4.6
Cement	23.4	28.3	6.9	4.9	13.4	15.3	2.4	1.9
Engineering	13.7	16.0	0.1	2.4	9.8	11.3	0.0	1.5
FMOG	19.7	21.6	2.4	2.0	13.5	14.8	1.3	1.4
Infrastructure	11.7	16.7	3.5	4.9	6.2	6.3	0.1	0.0
IT	25.4	26.6	0.2	1.1	19.4	20.3	0.4	0.9
Media	28.5	43.1	13.1	14.6	17.0	25.4	8.3	8.4
Metals	19.3	28.1	9.6	8.9	12.0	16.5	6.2	4.5
Oil & Gas	7.1	9.1	6.2	2.0	4.3	4.4	3.2	0.0
Pharma	24.4	23.2	-2.1	-1.2	11.9	9.0	0.9	-2.9
Real Estate	54.8	36.7	-7.0	-18.0	43.5	23.0	-17.1	-20.5
Retail	9.0	9.6	0.1	0.6	3.0	4.0	0.0	1.0
Telecom	38.4	35.9	-4.8	-2.5	21.2	19.6	-6.4	-1.6
Textiles	17.2	21.2	1.6	4.0	0.9	5.3	2.5	4.4
Utilities	21.1	23.6	0.2	2.5	13.6	14.8	-0.3	1.2
Others	16.9	16.5	-0.2	-0.4	7.1	6.8	0.6	-0.3
MOSL Universe	18.4	20.0	3.5	1.6	10.9	11.2	1.7	0.3
MOSL Excl RMs	25.8	27.7	1.9	1.9	15.2	15.4	0.6	0.1
Sensex Universe	27.6	27.6	0.4	0.0	16.9	15.4	-0.4	-1.5

Note: Tata Steel Standalone Source: MOSL

MOSL Model Portfolio

SECTOR WEIGHT / PORTFOLIO PICKS	BSE-100	MOSL WEIGHT	WEIGHT RELATIVE TO BSE-100	EFFECTIVE SECTOR STANCE	SECTOR WEIGHT / PORTFOLIO PICKS	BSE-100	MOSL WEIGHT	WEIGHT RELATIVE TO BSE-100	EFFECTIVE SECTOR STANCE
Banks	21.5	23.0	1.5	Overweight	Auto	5.4	6.0	0.6	Overweight
PSU	5.8	10.0	4.2	Overweight	Mahindra & Mahindra	1.2	2	0.8	Buy
SBI	3.3	4	0.7	Buy	Hero Honda	0.9	2	1.1	Buy
Bank of Baroda	0.6	4	3.4	Buy	Maruti	1.1	2	0.9	Buy
PNB	0.7	2	1.3	Buy	Telecom	3.5	6.0	2.5	Overweight
Private	15.5	13.0	-2.5	Underweight	Bharti Airtel	2.3	4	1.7	Buy
ICICI Bank	5.2	5	-0.2	Buy	Idea Cellular	0.3	2	1.7	Buy
HDFC Bank	3.6	5	1.4	Buy	Pharmaceuticals	3.6	5.0	1.4	Overweight
Axis Bank	1.5	3	1.5	Buy	Cipla	0.9	3	2.1	Buy
Infrastructure & surrogate	14.0	15.0	1.0	Overweight	Sun Pharma	0.7	2	1.3	Buy
BHEL	2.3	4	1.7	Buy	FMCG	7.2	5.0	-2.2	Underweight
DLF	0.8	3	2.2	Buy	ITC	3.7	3.0	-0.7	Buy
Jaiprakash Associates	0.9	3	2.1	Buy	United Spirits	0.6	2.0	1.4	Buy
Larsen & Toubro	4.3	3	-1.3	Neutral	Utilities	6.6	4.0	-2.6	Underweight
UltraTech Cement	0.0	2	2.0	Buy	NTPC	1.5	2	0.5	Neutral
Oil & Gas	15.6	11.0	-4.6	Underweight	Jindal Steel & Power	1.5	2	0.5	Buy
Reliance Inds.	9.6	6	-3.6	Buy	Others	4.4	8.0	3.6	-
GAIL	1.1	3	1.9	Buy	GVK Power	0.0	1	1.0	Buy
BPCL	0.4	2	1.6	Buy	Piramal Healthcare	0.0	1	1.0	Buy
Information Technology	11.2	9.0	-2.2	Underweight	Nagarjuna Construction	0.0	1	1.0	Buy
Infosys Tech	6.8	5	-1.8	Neutral	Sintex Industries	0.0	1	1.0	Buy
TCS	2.4	2	-0.4	Buy	Birla Corp	0.0	1	1.0	Buy
HCL Tech	0.5	2	1.5	Buy	Deccan Chronicle	0.0	1	1.0	Buy
Metals	7.0	8.0	1.0	Overweight	Anant Raj Industries	0.0	1	1.0	Buy
Sterlite	1.6	4	2.4	Buy	Dewan Housing	0.0	1	1.0	Buy
Sesa Goa	0.7	2	1.3	Buy	Cash	0.0	0.0	0.00	
Tata Steel	2.0	2	0.0	Neutral	TOTAL	100.0	100.0		

Sector Snapshots

Auto: Divergent margin trend

Summary

- Volumes grew 36.7% YoY and 2.1% QoQ for the industry, with growth across all segments.
- Divergent margin trend, with overall 40bp QoQ improvement in EBITDA margins.
- Margins from peak in 2Q/3QFY10 are expected to moderate as RM cost hardens.
- Our estimates are upgraded by 0-9% to factor in for strong volume growth and increase in selling prices, with 8.8% upgrade in Maruti Suzuki, but 6.5% downgrade in M&M.
- Short term headwinds exist in form of excise duty cut rollback, increase in selling price (for RM & emission norm change) and hardening interest rates.
- **Top Picks:** M&M, Maruti and Hero Honda.

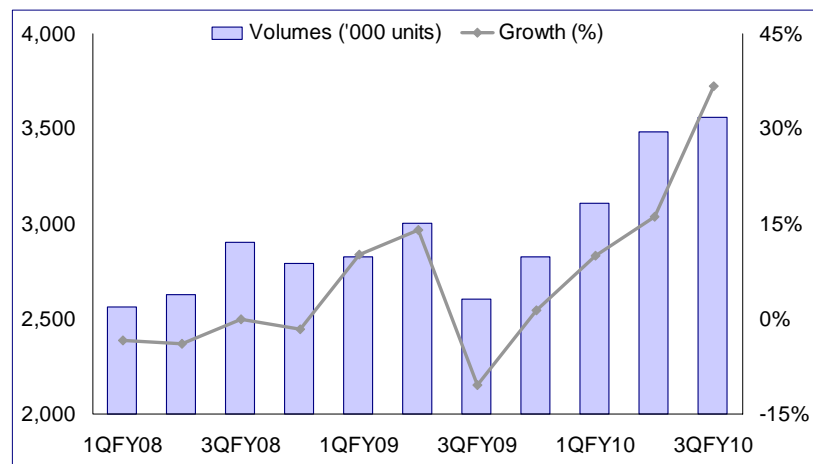
VERY STRONG OPERATING PERFORMANCE

	EBDITA (RS M)			EBITDA Margins (bp)			PAT (RS M)		
	Actual	YoY (%)	QoQ (%)	Actual	YoY	QoQ	Actual	YoY (%)	QoQ (%)
Bajaj Auto	7,235	136.6	13.7	22.0	740	-10	5,073	143.6	16.7
Hero Honda	6,483	58.2	-10.6	17.0	270	-90	5,358	78.3	-10.3
Maruti Suzuki	11,339	222.3	23.8	15.1	760	240	6,875	221.6	20.6
M&M	6,855	157.2	-10.7	15.2	600	-190	4,243	159.2	-28.3
Tata Motors	11,519	1156.9	8.1	12.8	1,090	-50	4,176	L to P	16.3
Aggregate	43,432	204.7	5.6	15.5	720	0	25,725	294.7	0.8

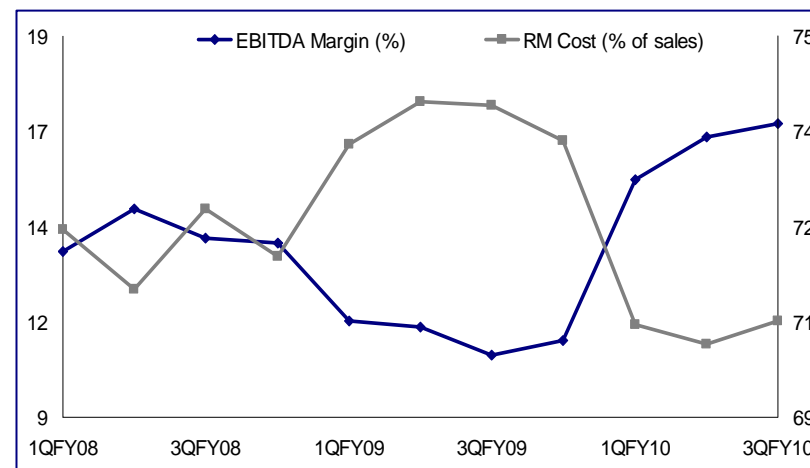
REVISED EPS ESTIMATES (RS)

	FY10E			FY11E			FY12E		
	New	Chg (%)	PE (x)	New	Chg (%)	PE (x)	New	Chg (%)	PE (x)
Bajaj Auto	117.0	0.7	15.2	132.3	-0.7	13.4	151.0	-0.4	11.7
Hero Honda	109.9	4.3	14.2	122.0	0.8	12.8	139.4	1.8	11.2
Maruti	85.2	8.4	16.0	95.2	8.8	14.2	113.0	7.7	12.0
M&M	89.5	-6.5	15.6	101.9	-6.5	14.6	125.7	0.7	11.8
Tata Motors	-3.1	26.8	31.6	25.8	3.2	27.7	48.2	2.6	14.9

VOLUME GROWTH REMAINED ROBUST



PEAK MARGINS IN 2Q/3QFY10



Banks: NIMs improve QoQ, Asset quality deteriorates

Summary

- NIM improved QoQ across all the banks backed by significant decline in cost of deposits and improving CD ratio (as loan growth picked up and proportion of bulk deposits continue to decline)
- For large banks (except for ICICI Bank), loans grew above industry growth of ~14% YoY. 7% QoQ growth for Union Bank and ~20% YTD for HDFC Bank is impressive. Axis Bank moderated loan growth in 9MFY10.
- Sequentially core operating profits improved across all the banks as contribution from NII increased and trading profits declined.
- While the GNPA increased ~10% QoQ for PSU bank, it declined ~3% QoQ to private banks. PNB and BoB has already recognized the debt relief scheme o/s amount as NPA whereas, other large PSU banks are yet to do so.
- Overall results were inline with our estimate. On the NII front, positive surprise came from BoB, Indian Bank, OBC and Yes Bank. While SBI, BOI and Federal surprised us negatively on PAT front; BoB, Indian, Andhra, OBC and Dena surprised us positively (led by strong core operating performance).

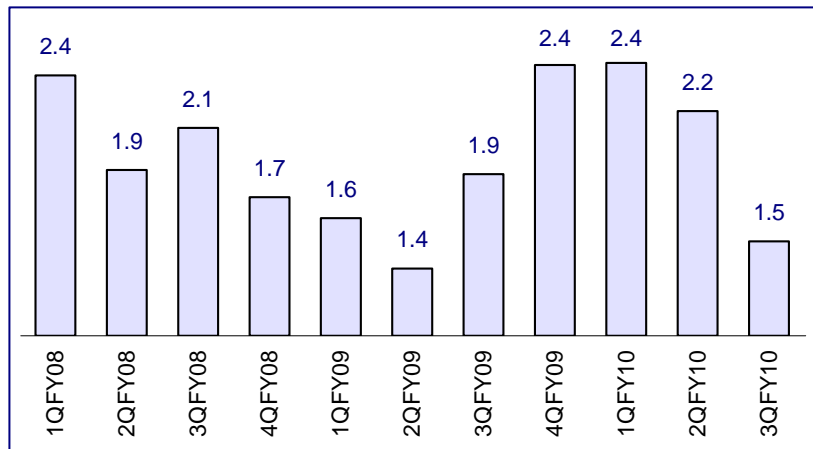
KEY PARAMETERS

% Growth	NII		Fee Income		PAT		Deposits		Loans		Gross NPA		NIM %		
	QoQ	YoY	QoQ	YoY	QoQ	YoY	QoQ	YoY	QoQ	YoY	QoQ	YoY	3QFY09	2QFY10	3QFY10
PSU banks															
SBI	12.6	9.7	-3.8	34.7	-0.4	0.0	-0.2	11.3	4.6	19.0	8.5	41.7	3.15	2.55	2.82
PNB	11.2	18.6	-1.5	-4.1	9.1	0.6	1.4	18.7	4.2	20.4	20.5	-3.3	3.85	3.64	3.84
Canara*	12.5	18.8	-1.3	9.1	15.6	50.0	2.3	19.5	0.7	14.3	11.6	4.1	2.75	2.66	2.71
BoB	15.3	9.5	10.3	26.9	31.3	17.5	3.7	27.6	4.9	23.5	15.5	17.6	3.30	2.63	2.95
BoI	6.1	-1.8	-3.8	-7.8	25.4	-53.5	3.7	20.0	4.5	15.3	6.8	89.2	3.40	2.57	2.60
UBol	23.3	-5.4	-1.6	31.6	5.7	-20.5	1.4	16.5	7.1	14.6	9.1	25.7	3.68	2.34	2.71
Private Bank															
ICICI Bk	1.1	3.4	2.5	5.6	5.9	-13.5	-0.1	-5.5	-6.1	-15.6	-4.2	-5.9	2.40	2.50	2.60
HDFC Bk	13.7	12.4	1.1	8.8	19.1	31.6	3.3	6.9	5.2	21.1	-2.6	3.3	4.30	4.20	4.30
Axis	17.3	45.1	12.3	28.6	23.4	31.0	-1.5	7.7	4.6	12.5	3.7	48.9	3.12	3.52	4.00

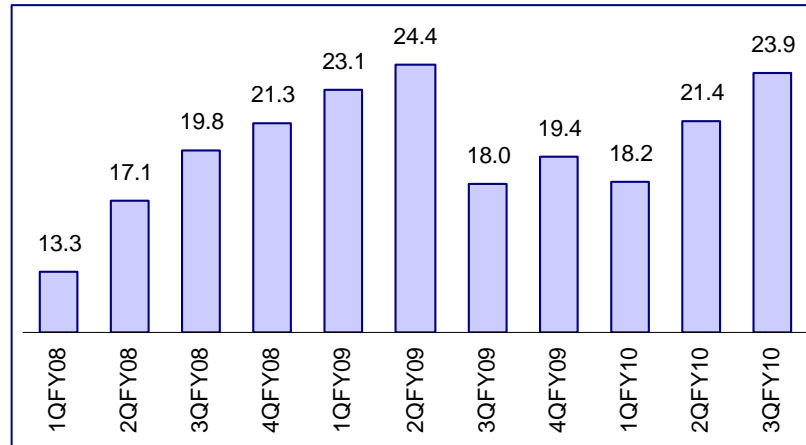
Note: Fee income is non-interest income (ex trading profits, recoveries and forex), * NIM on cumulative basis, rest on quarterly basis

Banks: Strong operating performance

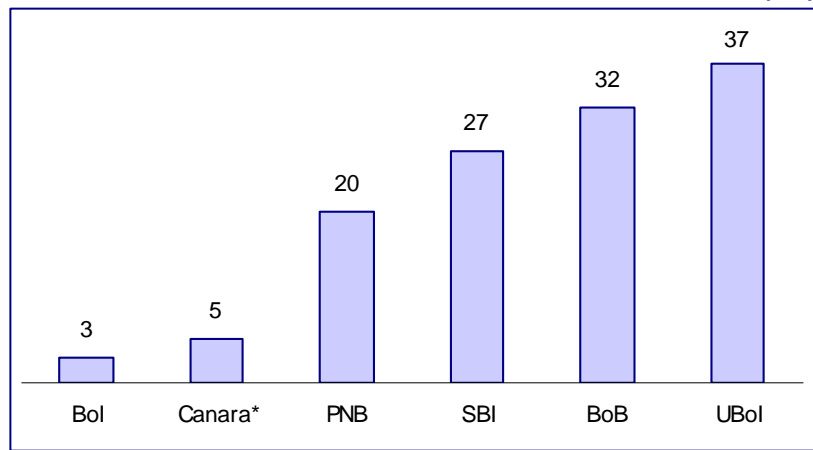
SHARP DROP IN CREDIT COST (%) FOR HDFC BANK



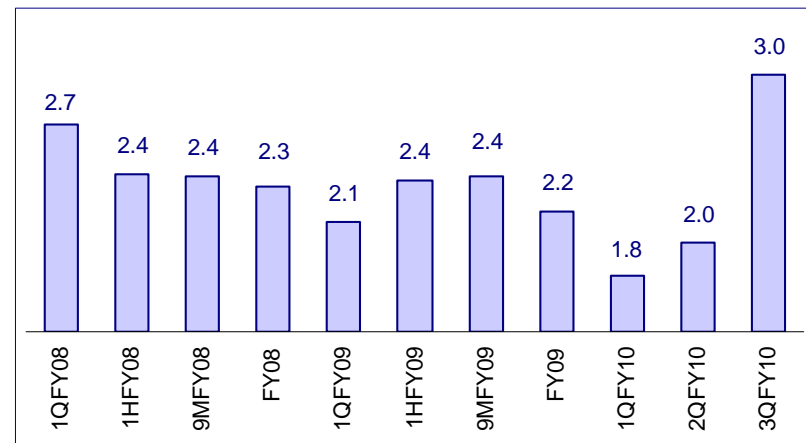
ICICI BANK - CORE OPERATING PROFITS CONTINUE TO IMPROVE LED BY OPEX CUT (RS B)



STRONG RISE IN MARGINS QOQ FOR LARGE PSU BANKS (BP)



OBC - STRONG IMPROVEMENT IN MARGINS



Cement: Severe price decline despite strong volumes

Summary

- Volume surprises positively with 9.4% YoY growth in 3QFY10 and 10.8% FY10YTD.
- Cement price decline was higher than estimated, with ~Rs15/bag QoQ. As a result, EBITDA/Ton declined 28.5% QoQ (flat QoQ) to Rs923/ton.
- Our EPS estimates have seen downgrade of 0-32%, with India Cement witnessing 32% downgrade in FY11 and Shree Cement witnessing 8% upgrade (due to lower depreciation). In 4QFY10, we factor in Rs5/bag higher prices QoQ; in FY11 Rs10/bag average lower.
- Volume growth is estimated to remain strong at 10-12%, with price recovery in 4QFY10. However, FY11 would witness high volatility in pricing.
- Top Picks:** ACC, UltraTech and Birla Corp

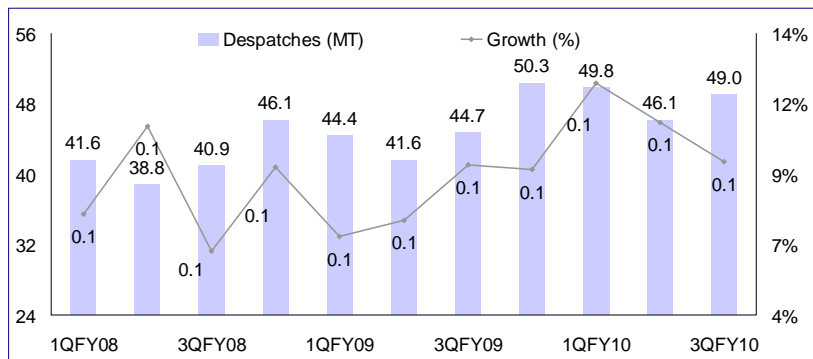
RS15/BAG PRICE DROP DRAGS DOWN EBITDA/TON

	Volumes (MT)			Realization (Rs/ton)			EBITDA (Rs/Ton)		
	Actual	YoY (%)	QoQ (%)	Actual	YoY (%)	QoQ (%)	Actual	YoY (%)	QoQ (%)
Grasim	4.8	17.3	4.2	3,404	0.1	-7.7	1,240	26.7	-14.9
UltraTech	5.0	10.2	21.2	3,277	-8.1	-11.5	761	-19.2	-32.6
India Cement	2.8	38.1	-1.1	3,028	-16.6	-11.9	422	-53.2	-60.4
Shree Cement	2.6	21.7	3.2	3,213	5.5	-6.8	1,195	18.5	-21.1
Aggregate	15.1	24.3	10.4	3,261	-5.1	-9.4	923	-3.6	-28.5

CHANGE IN EPS ESTIMATES (RS)

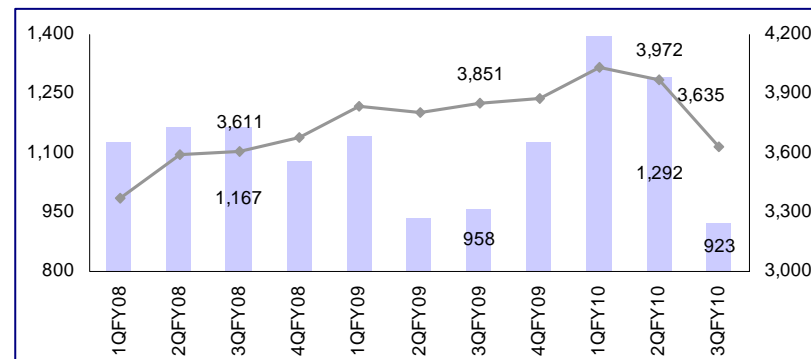
	FY10E			FY11E			FY11E		
	New	Chg (%)	P/E (x)	New	Chg (%)	P/E (x)	New	Chg (%)	P/E (x)
Grasim	337.1	0.7	7.9	265.4	-1.5	10.0	305.9	-0.8	8.7
UltraTech	91.1	-9.9	10.2	75.4	-9.0	12.6	99.4	-7.6	10.2
Birla Corp	69.2	-4.5	5.1	56.6	-5.9	6.3	54.7	-6.7	6.5
India Cement	12.9	-13.5	8.8	6.8	-31.9	16.7	8.1	-34.3	14.0
Shree Cement	267.4	2.5	7.5	210.4	8.2	9.5	235.6	13.6	8.5

TREND IN VOLUMES (INDUSTRY)



Volume growth remained strong at 9.4%, despite brief slowdown in Sep-Oct 2009

TREND IN REALIZATIONS AND EBITDA (AGGREGATE)



Realizations drop by Rs17/bag QoQ, translating into similar drop in EBITDA/Ton

Engineering: Revenues growth disappoints

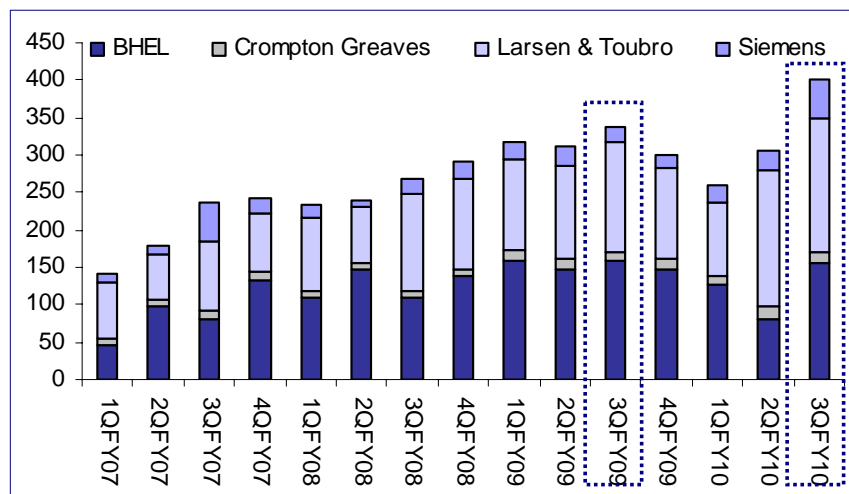
Summary

- Order intake stable; improvement for L&T driven by power sector BTG orders. Excl power segment, L&T's order book down 13% YoY. Also, industrial segment shows initial improvements.
- EBIDTA margin expansion for most companies on back of lower commodity prices. Margins improved especially for Crompton, Siemens, and BHEL.
- Revenue growth at 5.4% YoY, lowest in 23 quarters now. L&T revised revenue growth guidance to 10% YoY, vs 15% previously. Crompton continues to deliver better than estimates for another quarter.
- Top Picks: **BHEL, Crompton**

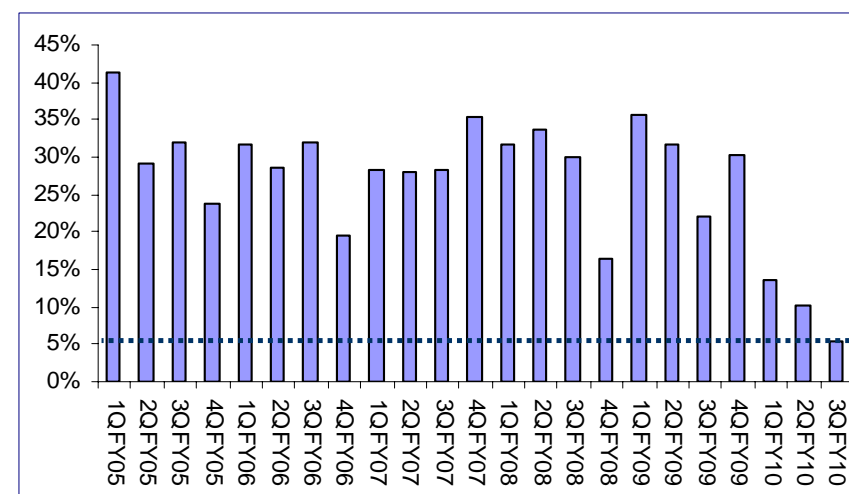
L&T DISAPPOINTS; SIEMENS, CROMPTON OUTPERFORM (RS M)

	Sales			EBITDA			Net Profit		
	Actual	YoY (%)	Var (%)	Actual	YoY (%)	Var (%)	Actual	YoY (%)	Var (%)
BHEL	71,003	17.9	-7.6	14,328	27.0	-1.8	11,095	29.0	2.6
Crompton	12,238	13.3	-2.0	2,036	46.9	10.5	1,354	59.8	16.6
L&T	80,714	-6.1	-17.5	9,561	1.4	-7.8	6,103	-4.7	-17.8
Siemens	18,666	13.8	-1.1	3,633	113.4	81.5	2,365	98.2	117.2
Thermax	7,483	-5.9	-20.6	894	-7.6	1.7	565	-21.8	-8.1

ORDER INTAKE (RS B): INITIAL IMPROVEMENTS



LOWEST REVENUE GROWTH IN 23 QTRS NOW (% YoY)



FMCG: Volume growth steady, higher ad spends curtail margin expansion

Summary

- Volume growth momentum continued in 3QFY10 as well, however value growth was muted for most companies as the impact of carryover pricing waned in 3QFY10.
- Companies remained cautious of near term volume growth due to high food inflation.
- HUL's volume growth increased to 5% (1% volume growth in 2QFY10); ITC's cigarette volume growth of ~8.5% came as a positive surprise.
- Our FMCG universe sales grew 16%; EBITDA grew 27% as increased in ad spends partly neutralized the gains from lower input costs.
- We continue to prefer players with niche presence in categories with low competitive intensity. **ITC, United Spirits** and **Nestle** are our preferred bets.

HIGHER AD SPENDS CURTAIL EBITDA MARGIN EXPANSION

	Expansion/Contraction in basis points		
	Gross Margin	Ad-spend	EBITDA Margin
Hind. Unilever	460	515	-20
ITC	-60	N.A	170
Asian Paints	750	N.A	1,140
United Spirits	450	-100	610
Colgate	130	410	285
Dabur*	560	330	260
Godrej Consumer	1,620	20	540
GSK Consumer	-150	870	-330
Marico*	780	260	200

* Consolidated

HUL DISAPPOINTS; COLGATE, ASIAN PAINTS SURPRISE (RS M)

	Net Sales			EBITDA			PAT		
	Actual	YoY (%)	* Var (%)	Actual	YoY (%)	* Var (%)	Actual	YoY (%)	* Var (%)
HUL	45,732	4	-3	7,875	3	-11	5,990	-2	-11
ITC	45,802	19	2	17,076	24	0	11,442	27	4
Asian Paints	16,200	23	13	3,181	191	32	1,985	232	36
United Spirits	13,468	31	2	2,212	108	4	968	217	5
Dabur	9,262	19	-3	1,773	38	0	1,378	27	0
Colgate	4,906	17	0	1,212	33	12	1,164	50	32
GSK Cons	4,181	25	1	368	-9	-37	337	3	-24
Marico	6,696	8	-6	988	25	6	622	22	2
Godrej Cons.	3,160	16	-2	622	60	-4	562	43	7

* Variance over estimate

VOLUME GROWTH REMAINS ROBUST (YOY, %)

	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Hindustan Unilever	2.3	-4.2	2.0	1.0	5.0
ITC (cigarette)	-3.5	-3.0	5.0	7.5	8.5
Asian Paints	2.0	13.0	11.5	17.5	25.0
United Spirits	19.0	24.0	17.0	11.1	12.3
Colgate (Toothpaste)	14.0	15.2	14.0	18.0	15.0
GSK Consumer	13.0	20.0	12.0	9.0	10.0
Marico					
Parachute	9.0	N.A	14.0	10.0	8.0
Hair Oil	14.0	N.A	9.0	17.0	10.0
Saffola	3.0	N.A	13.0	22.0	18.0
Godrej Consumer					
Soaps	19.0	34.0	15.0	~16	~11
Hair Color	7.0	13.0	14.0	~35	~11
Dabur	14.0	13.0	16.0	13.0	14.5

IT: Broad-based growth, discretionary pick-up & historical high margins

Summary

- Revenue and earnings surprise positively. Above expectation margin performance at Infosys and TCS, despite wage hikes at Infosys and rupee appreciation. Revenues ahead on broad-basing of growth and pickup in discretionary demand.
- US\$ revenue growth of 3.4-6.8% across top 4 IT companies, with Infosys showing the highest growth. Volume growth of 2.9-6.6% with TCS posting the highest volume growth at 6.6%.
- EBITDA margins improved by 90bp and 100bp at Infosys and TCS respectively and dipped by 180bp at HCL Tech. IT EBIT margins were flat at Wipro. Operating margins were at historical highs for Infosys and TCS.

IT: ACTUALS VS ESTIMATES

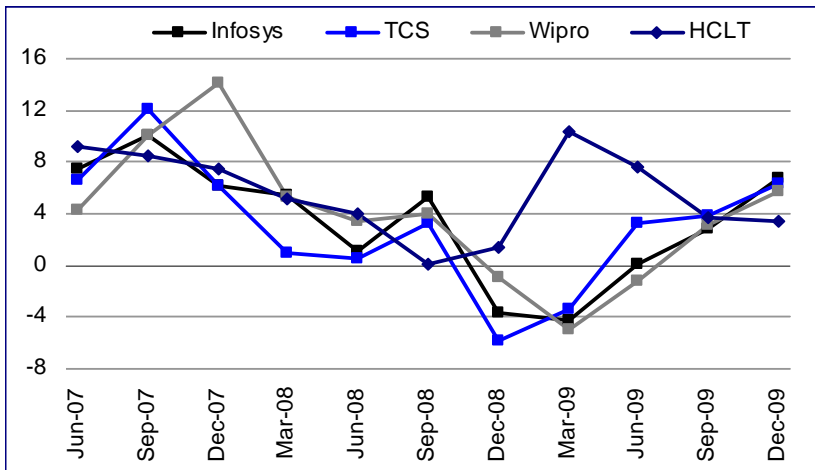
	US\$ Rev growth (%)		EBITDA margin (%)		PAT (Rs b)	
	Actual	Estimate	Actual	Estimate	Actual	Estimate
Infosys	6.8	3.7	35.5	32.6	15.8	14.7
TCS	6.3	3.9	29.7	28.2	18.0	16.4
Wipro	5.8	5.0	18.9	19.4	12.0	12.1
HCL Tech	3.4	2.3	20.3	20.7	2.7	2.9

3QFY10 QOQ GROWTH BREAK UP (%)

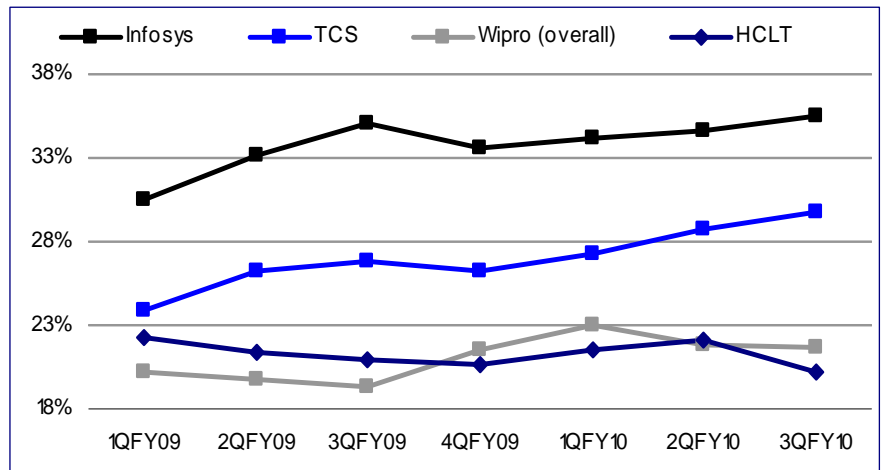
	Revenue	Volume	Realization
Infosys	6.8	5.3	1.4
TCS	6.3	6.6	-0.2
Wipro	5.8	4.7	1.1
HCL Tech	3.4	2.9	1.1

Note: Realization is in reported currency

US\$ REVENUE GROWTH ACCELERATES



HISTORICAL HIGH EBITDA MARGIN AT TCS & INFOSYS



IT: Outlook – Wipro & TCS more confident

Infosys: Conservative guidance, positive outlook

- 4QFY10 revenue growth of 1.5% at the top end of the guidance.
- We believe that Infosys' guidance is conservative considering the broad basing of growth and pick up in discretionary segments seen in 3Q.
- Return of large deals (US\$100-300m), increase in hiring targets (20,000 to 24,000 in FY10 and 15,000 freshers in FY11), coupled with improvement in demand in telecom and manufacturing indicate positive traction.

Wipro: Guidance above expectations, more realistic

- Expects revenue growth of 3%-5% in 4QFY10 (v/s 0-1.5% for Infosys).
- US\$ revenue of 1161-1183m.

TCS: Continuation of broad-based recovery

- Strong deal traction with 10 large deals won. 20 in pipeline.
- Continued hiring with ~11,500 people to be added in 4QFY10, including ~3000 laterals, after similar adds in 3QFY10.
- Broad-based growth with improvement in lagging verticals like telecom/manufacturing
- Pick-up in discretionary services like BI/package implementation.

INFOSYS GUIDANCE

	4QFY10	FY10-New	FY10-Old
INR Revenue (B)	56.8-57.2	224.7-225.2	219.6-220.6
Sequential Growth (%)	-1.1% to -0.3%	3.6% to 3.8%	1.2% to 1.7%
INR EPS	25.6-25.8	106.9-107.1	99.6-100
US\$ Revenue (M)	1,240-1,250	4,750-4,760	4,600-4,620
Sequential Growth (%)	0.6% to 1.46%	1.8% to 2.0%	-1.3% to -1%
US\$ EPS	0.56	2.3	2.09 - 2.1

HCL Tech: Early FY11 recovery indicated

- Positive on IMS demand after 14% QoQ and 25% QoQ and 7% QoQ growth in last 3 quarters
- Discretionary demand (EAS and Engg. services) to pick-up in 1QFY11, on back of manufacturing recovery.
- Strong deal flow seen in JFM quarter
- 100bp of margin declines to be recouped over next 2 quarters

Earnings Upgrades

- 5-7% for FY11 and 8-9% for FY12, across top-3 IT players on better volume growth and higher margin sustenance expectations.

Infrastructure: Execution impacted, margins stable

Summary

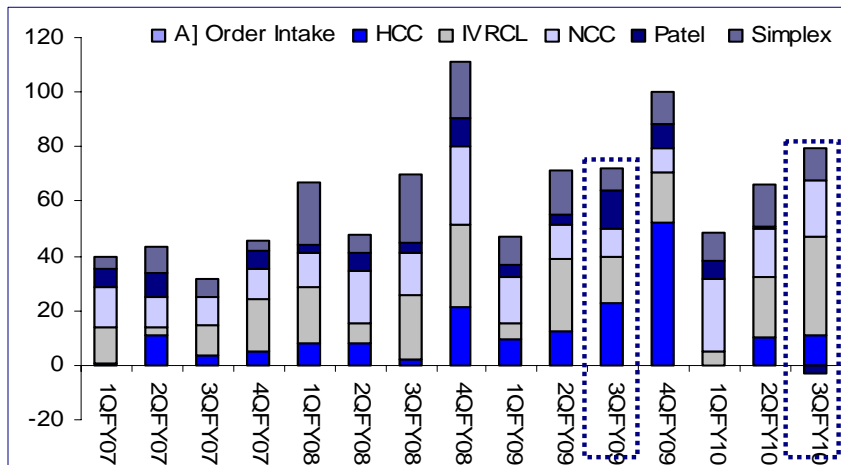
- Initial order intake improvement for most companies; plus robust L1 pipeline: NJCC Rs35b, IVRCL Rs45b, Patel Engg Rs30b, HCC Rs55b, etc
- EBIDTA margin expanded given lower commodity prices. Political issues in Andhra Pradesh impacted execution and working capital / debt, which increased for IVRCL, HCC and Patel Engg. Revenue growth was disappointing for the sector with IVRCL and Simplex even reporting decline in revenues.
- Despite poor execution, interest cost as % of revenues declined 83bp YoY; and stood at 3.6% in 3QFY10.
- Top Picks:** NCC, Simplex

LOW EXECUTION HITS MOST PLAYERS

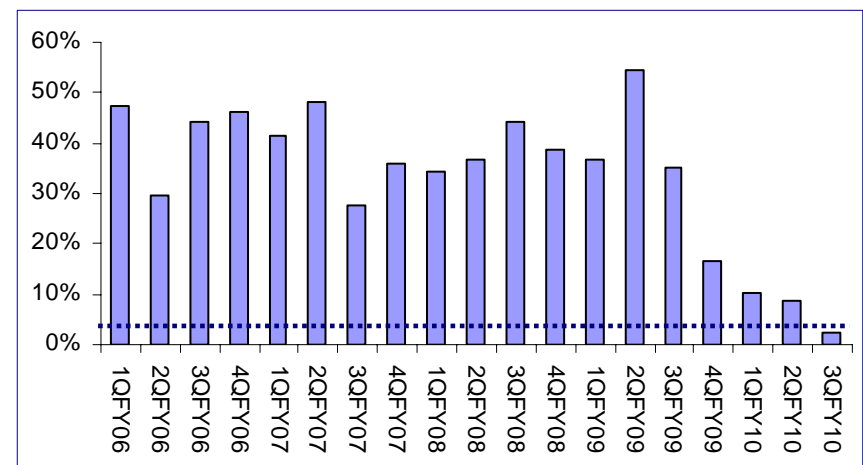
(RS M)

	Sales			EBITDA			Net Profit		
	Actual	YoY (%)	Var (%)	Actual	YoY (%)	Var (%)	Actual	YoY (%)	Var (%)
HCC	9,450	7.9	-10.7	1,017	-4.1	-21.3	218	-27.3	-30.6
IVRCL Infra.	11,840	-0.5	-13.8	1,156	6.5	-12.4	458	-1.5	-16.2
Jaiprakash	28,524	115.8	39.5	7,739	213.0	40.5	3,141	49.2	25.8
NCC	11,870	15.6	-2.3	1,181	31.4	-5.6	479	31.8	-11.1
Simplex	10,668	-16.0	-22.9	969	-16.2	-32.9	231	-23.7	-57.6

ORDER INTAKE (RS B): INITIAL SIGNS OF IMPROVEMENT



EXECUTION IMPACTED REVENUE GROWTH (% YoY)



Media: Advertising bounces back

Summary

- Advertising inventory utilization picked up across genres, ZEE Ent. reported 0.9% ad revenue growth.
- In 3QFY10, MOSL universe advertising revenue grew by 9.4% YoY and 1% QoQ.
- Regional players continue to out perform national as regional advertising revenue grew by 28.6% YoY and 2.7% QoQ v/s national ad revenue growth of 1.4% YOY and 0.1% QoQ.
- Print media companies posted a strong margin expansion due to lower newsprint cost. Raw material cost declined by 30% YoY.
- Top Pick:** Deccan Chronicle

MEDIA 3QFY10: SUN TV IS THE SOLE OUTPERFORMER (RS M)

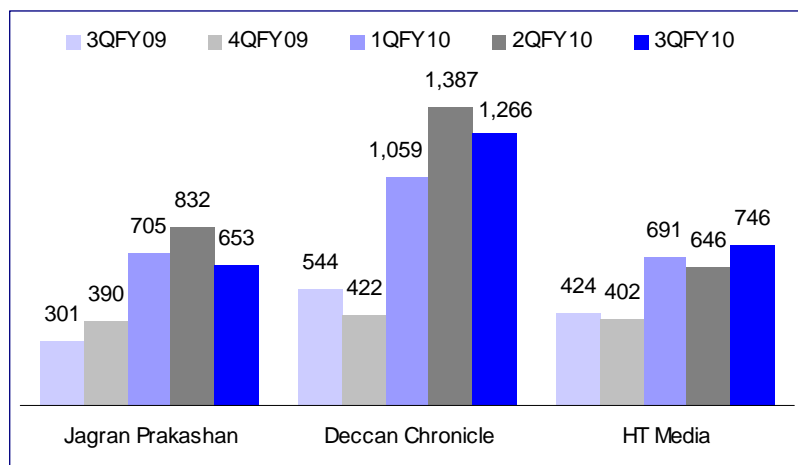
	Net Sales			EBITDA		
	Actual	Estimate	Var (%)	Actual	Estimate	Var (%)
Sun TV	3,951	3,410	15.9	3,125	2,643	18.2
ZEEL	5,309	5,750	(7.7)	1,573	1,630	(3.5)
Jagran Prakashan	2,269	2,376	(4.5)	653	689	(5.2)
Deccan Chronicle	2,334	2,350	(0.7)	1,266	1,340	(5.5)
HT Media	3,661	3,475	5.4	746	747	(0.1)

3Q AD REVENUE GROWTH (%)

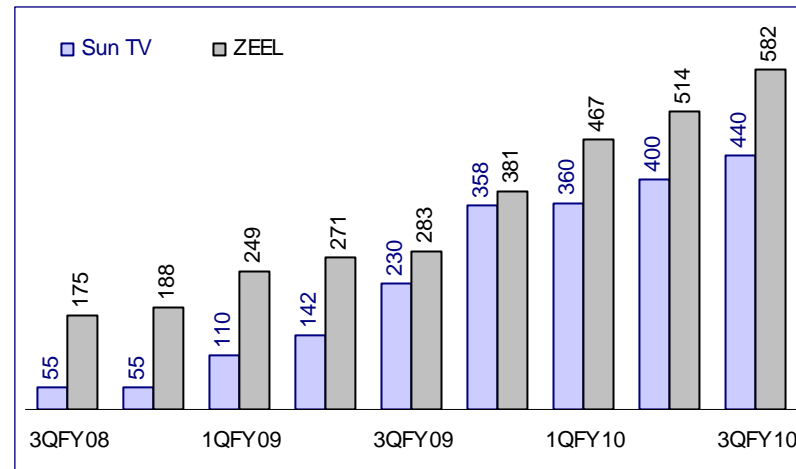
	YoY	QoQ
Sun TV	43.0	15.1
ZEEL	0.9	9.0
Jagran Prakashan	9.0	-13.6
Deccan Chronicle	9.0	-7.4
HT Media	3.0	1.0

Regional players out perform national

LOWER NEWSPRINT COST BOOST EBITDA (RS M)



TRACTION IN DTH REVENUE CONTINUES (RS M)



Metals: Steel margin up tick, Aluminium costs rising

Summary

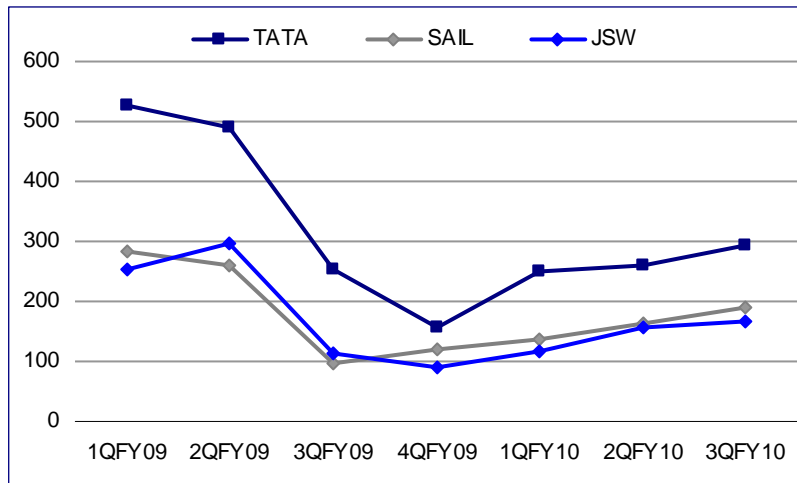
- Steel price realization increased marginally QoQ. Steel sales volumes grew very strongly in December though October and November sales were sluggish.
- Margins of steel producers are expanding on account of price improvement and raw material cost reduction.
- Revenues and margins of non-ferrous companies were boosted by stronger LME; however power and fuel costs continue to impact margins of Aluminium producers.
- Mid cap steel companies' performance was better QoQ on the back of higher volumes, increasing RM integration, better Ferro alloy prices.

3QFY10 PERFORMANCE SNAPSHOT

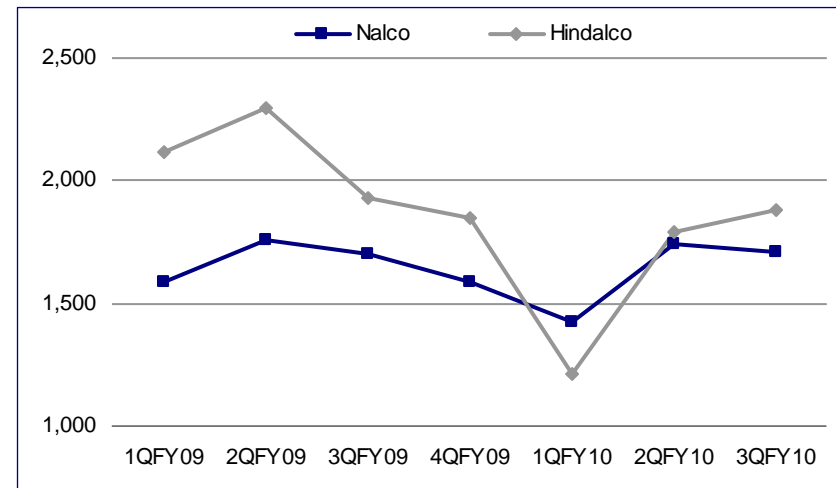
	Net Sales		EBITDA		Adj PAT	
	Rs b	YoY (%)	Rs b	YoY (%)	Rs b	YoY (%)
Tata Steel	63.7	33	23.1	56	11.8	98
JSW Steel	46.1	66	11.2	186	4.0	861
SAIL	100.4	13	25.8	128	16.8	99
JSPL	17.7	-1	6.2	-10	3.3	-14
Nalco	14.2	37	3.0	12	1.6	-29
Hindalco	54.7	33	8.0	3	4.8	-11
Sterlite	67.5	49	17.7	214	10.0	107

Note: Tata steel, JSPL and Hindalco results are standalone

STEEL: EBITDA PER TON IMPROVING (QoQ; USD/ton)



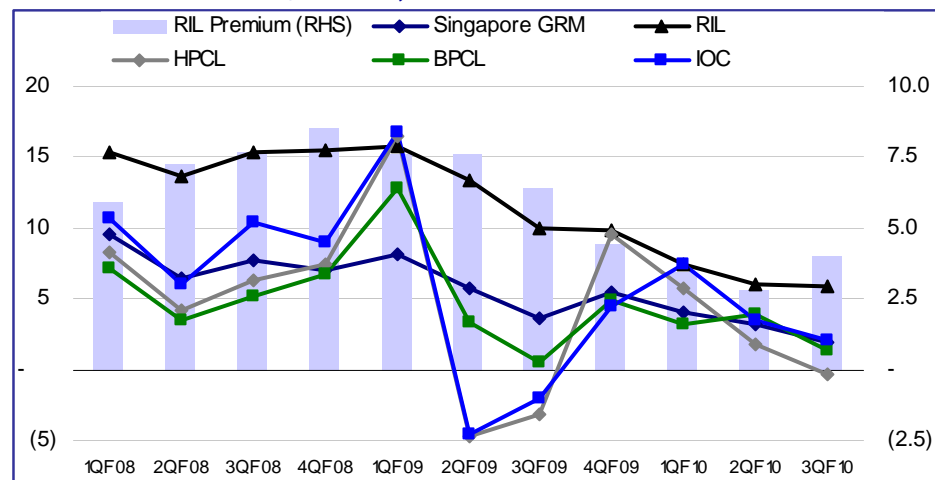
COST OF ALUMINIUM PRODUCTION RISING AGAIN (US\$ / TON)



Oil & Gas: GRM at 6-yr low; Eyes on policy decisions

- **GRM at 6-yr low:** Benchmark Singapore GRM at \$1.9/bbl was at 6 year low.
- **Petchem margins decline, volumes strong:** Petchem margins under pressure on QoQ basis as price naphtha was up 7% while polymer/polyester prices were down ~2%. 9mFY10 demand was up 23% for polymers and 17% for polyesters leading to ~100% utilization levels.
- **Non-operating items catch limelight:** GAIL's subsidy was provisional; expect Rs0.6b write-back in 4Q. ONGC's PAT was impacted by dry well write-off of Rs25b v/s avg. Rs7b in last 8 quarters.
- **RIL – GRM surprise; low profits in E&P:** QoQ jump in premium to \$4/bbl (vs. \$2.8 in 2Q); despite 9% drop in Light-Heavy differentials can be due to KG-D6 gas use and contribution from new high complexity refinery. Since KG-D6 started from April-09, E&P EBIT margin declined to 42% from 64% earlier led by higher D,D&A costs. Expect to increase as production ramps up.
- **PSU OMC's, subsidy ad-hoc:** Upstream shared 100% of auto fuel losses; however only partial sharing of domestic fuel losses by the government.
- **Shades of contribution from mega projects:** Contribution from RIL's KG-D6 and Cairn's Rajasthan block have begun and their share to increase significantly in future.
- **Near term triggers:** To watch out for Parikh committee recommendations and likely policy decisions and pending hike in APM gas price.

SINGAPORE GRM AT \$1.9/BBL; RIL PREMIUM A SURPRISE



3QFY10: ACTUAL VS ESTIMATE (RS M)

	EBITDA				PAT			
	Dec-09	Var	YoY	QoQ	Dec-09	Var	YOY	QoQ
Reliance Inds.	78,440	3%	46%	9%	40,080	-3%	14%	4%
ONGC	91,348	5%	83%	5%	30,536	-37%	23%	nm
GAIL	12,698	13%	377%	25%	8,601	17%	239%	21%
Cairn India	3,473	13%	266%	161%	2,910	272%	23%	55%
Indraprastha Gas	1,031	-5%	52%	3%	586	0%	53%	3%
GSPL	2,531	-8%	149%	4%	1,154	-6%	317%	5%
Pure Refiners - Inventory gains helped to report higher GRMs								
Chennai Petro	1,204	110%	nm	nm	1,769	nm	nm	15%
MRPL	2,890	79%	nm	nm	1,370	131%	nm	nm
OMC's - Lower than expected govt support; partially compensated by forex gains								
IOC	3,457	-95%	nm	nm	6,966	-83%	nm	145%
BPCL	6,228	-75%	nm	nm	3,791	-73%	nm	nm
HPCL	1,420	-94%	nm	nm	314	-98%	nm	nm

Oil & Gas: Mega projects contribution begins; non-operating items catch limelight

9MFY10: UPSTREAM SHARED 100% OF AUTO FUEL LOSSES; GOVT. PARTLY SHARES DOMESTIC LOSSES

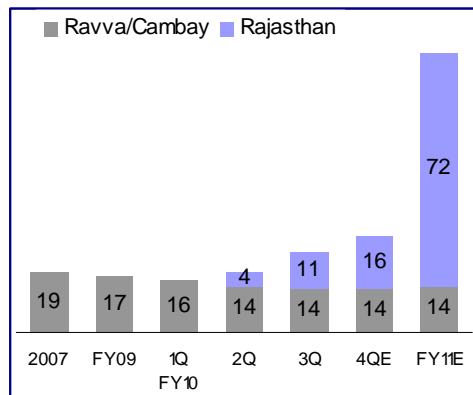
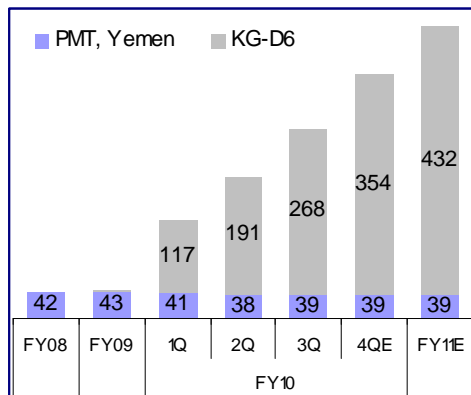
	FY07	FY08	FY09	1QFY10	2QFY10	3QFY10	9MFY10
Fx Rate (Rs/US\$)	45.2	40.3	46.0	48.8	48.5	46.6	48.0
Brent (US\$/bbl)	64.4	82.3	84.8	59.2	68.2	74.5	67.3
Gross Under recoveries (Rsb)							
Auto Fuels	208	426	575	6	34	44	84
Domestic Fuels	286	347	458	49	70	90	209
Total	494	773	1,033	54	104	134	293
Sharing (Rsb)							
Oil Bonds/Cash	241	353	713	-	-	120	120
Upstream	205	257	329	6	34	44	84
OMC's sharing	48	163	(9)	49	70	0	119
Total	494	773	1,033	54	104	164	323
Sharing (%)							
Oil Bonds	49	46	69	-	-	73	37
Upstream	42	33	32	10	33	27	26
OMC's sharing	10	21	(1)	90	67	0	37
Total	100	100	100	100	100	100	100

Govt. partly compensated for domestic fuel losses

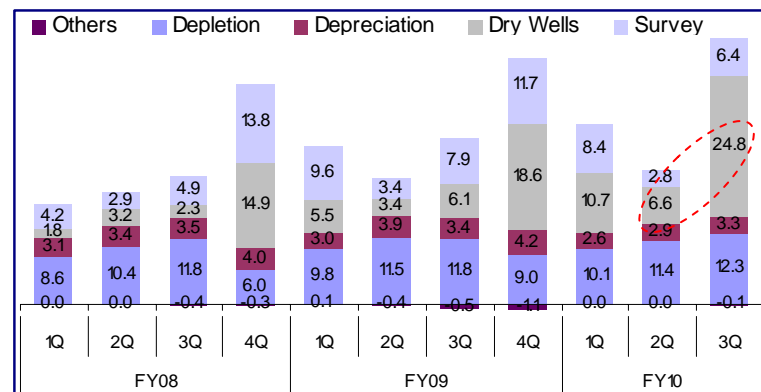
While, upstream shared 100% of auto fuel losses

We expect Govt. to compensate OMC's for first 9 months as well as 4QFY10 losses fully.

RIL'S KG-D6 & CAIRN'S RAJASTHAN RAMP-UP BEGINS



ONGC: DRY WELL WRITE-OFFS IMPACTS PAT



* Production in kboepd; net basis

Pharmaceuticals: In-line

Summary

- Topline growth above estimate or in-line except Cipla PHL & Divi's. India, US & emerging markets key growth drivers for generics. De-stocking continues to impact CRAMS revenues.
- Lupin, Cadila & Jubilant reported higher EBITDA while Glenmark, PHL & Divi's disappointed.
- Generics - Adj PAT (ex-DRL) in-line partly aided by licensing/technology income & lower taxes. DRL PAT impacted by Betapharma impairment write-offs.
- CRAMS – Adj PAT below estimate for Divi's & Jubilant (forex losses) while above est. for PHL (tax write-back).
- **Top Picks:** Cipla, Lupin, PHL & Divi's Labs

KEY PLAYERS – ESTIMATE VS ACTUALS

(RS M)

	EBITDA			Adj PAT		
	Actual	Estimate	Var (%)	Actual	Estimate	Var (%)
Ranbaxy	2,427	715	239	1,198	193	520
Lupin	2,464	1,864	32	1,606	1,550	4
Cadila	2,100	1,655	27	1,307	983	33
Jubilant	2,251	1,920	17	1,008	1,238	(19)
DRL	2,860	2,704	6	(5,217)	(1,509)	
GSK Pharma	1,888	1,775	6	1,410	1,415	(0)
Biocon	1,267	1,221	4	808	756	7
Sun Pharma	3,684	3,579	3	3,390	3,593	(6)
Cipla	4,039	3,996	1	2,890	2,973	(3)
Glenmark	1,534	1,665	(8)	941	840	12
PHL	1,774	1,946	(9)	1,362	1,196	14
Divis Labs	659	926	(29)	678	747	(9)

PHARMA 3QFY10 REVIEW - EARNINGS IMPACT

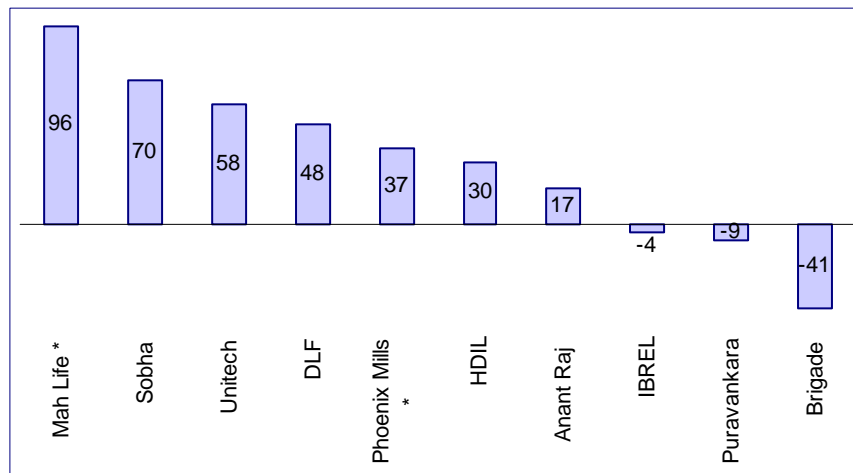
Company	EBITDA		Adj PAT		EPS Chg (%)		Reason for upgrade/downgrade
	vs. Est	Reason	vs. Est	Reason	FY11/CY10	FY12/CY11	
Biocon	In line	EBITDA in-line despite higher topline due to adverse product-mix	Above	Lower interest cost & taxes	8.4	7.7	Higher topline growth
Cadila	Above	Higher formulations exports	Above	Better operational performance	10.1	7.5	Better operational performance
Cipla	In line	Boosted by better product-mix	In line	Partly impacted by forex losses	1.7	1.2	NA
Divis Labs	Below	Lower sales & higher other exp	Below	Lower operational performance	-9.6	-8.5	Lower topline growth
DRL	In line	EBITDA in-line despite higher topline due to temporary slow-down in US	Below	Significantly higher impairment charges for Betapharm	5.0	2.3	Higher topline growth & higher OI
Glenmark	Below	Muted topline growth & adverse product-mix	Above	One-time licensing income & lower taxes	2.4	2.8	Higher topline growth
Jubilant	Above	Better product-mix & Op forex gains	Below	Forex losses	9.6	10.0	Better operational performance
Lupin	Above	Better product-mix	In line	Partly impacted by higher taxes	5.2	3.6	Better Op perf & lower interest costs
PHL	Below	Delayed recovery in GCC & CRAMS	Above	Tax-write back boosted PAT	-8.7	-7.0	Lower topline growth & higher interest costs
Sun Pharma	In line	EBITDA in-line despite higher topline due to higher RM & SGA exp	Below	Lower other income & higher tax	-2.6	-5.2	Lower other income & higher tax

Real Estate: low base impact, steady pick up in sales

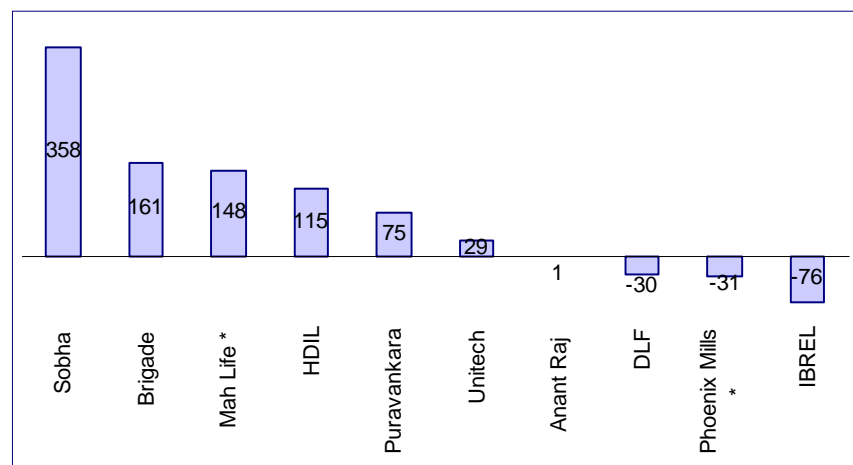
Summary

- During 3QFY10, key RE companies recorded a 30-40% YoY increase in revenues and around ~40% YoY increase in net profit. EBITDA margins continued to decline on a YoY basis. The improved performance was on account of (i) low base impact and (ii) steady pick up in residential sales.
- While the mid income residential vertical witnessed strong sales momentum since August 2009, the premium luxury vertical also started witnessing swift recovery from December 2009 onwards. Transaction also started picking up in the commercial office vertical. We expect the commercial and retail vertical to witness swift recovery over the next 3 months, led by the strong domestic economic revival and improvement in consumer sentiments.
- Though real estate companies achieved high sales volumes, the same was not fully reflected in the 3QFY10 results as most companies follow the percentage of completion method for revenue recognition (POCM) and for most of the newly launched projects (i) construction is in preliminary stages or (ii) construction has not yet commenced.
- Results were also buoyed by decrease in interest expenditure as most companies have recapitalized their balance sheets over the past few months by (i) raising funds through QIP issue, warrants issue, asset sales and (ii) debt restructuring.

KEY RE COMPANIES RECORDED 30-50% YOY INCREASE IN 3QFY10 REVENUES

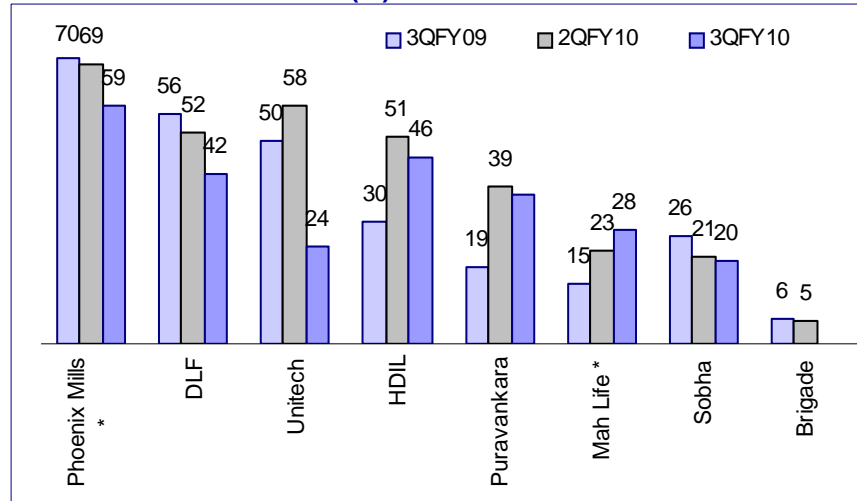


KEY RE COMPANIES RECORDED ~40% YOY INCREASE IN 3QFY10 PROFIT

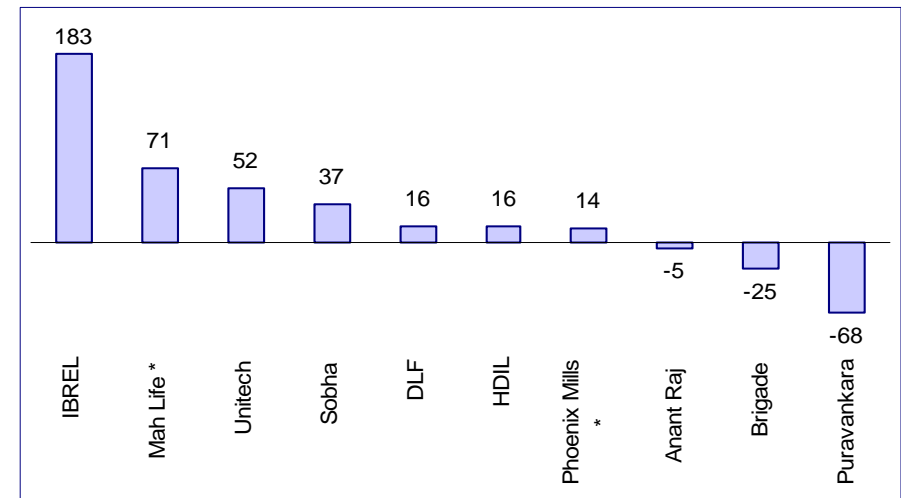


Real Estate: low base impact, steady pick up in sales

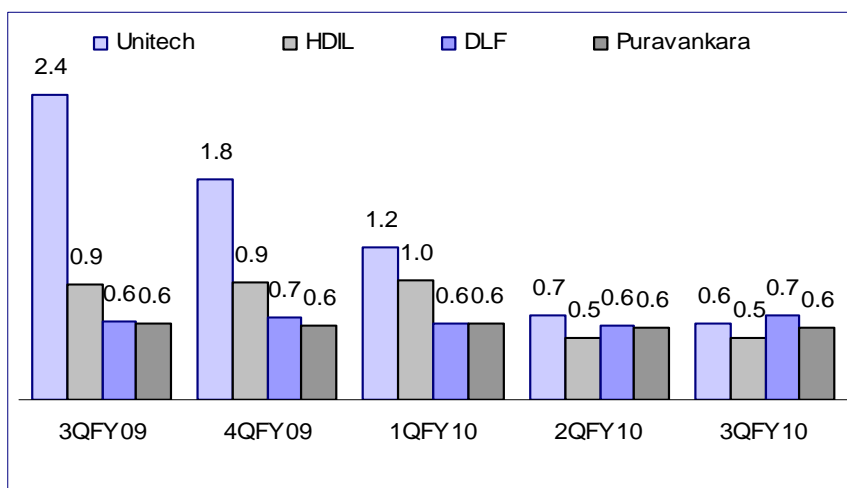
EBITDA MARGINS TREND (%)



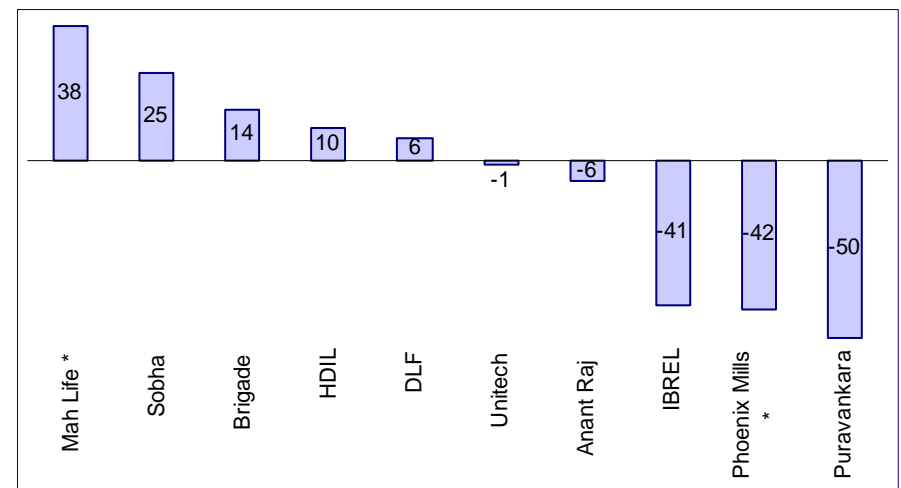
KEY RE COMPANIES REVENUE GREW ~25% QoQ IN 3QFY10



GROSS DEBT EQUITY IS DOWN TO ~0.6X VS ~1.2X IN 3QFY09



KEY RE COMPANIES' 3QFY10 PAT WAS FLAT ON A QOQ BASIS



Telecom: Positive surprise led by relatively resilient margins

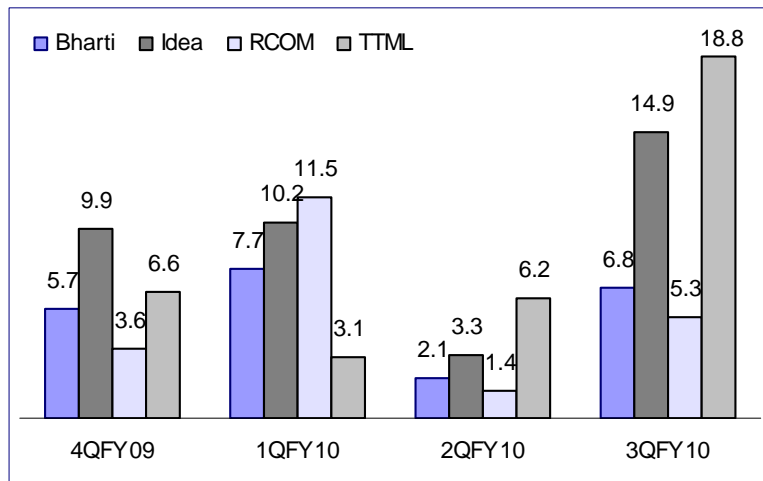
Summary

- Divergent traffic growth trends with Idea and TTML clocking 15-19% QoQ while Bharti/RCOM at 5-7%
- RPM declined ~8% QoQ for Bharti/Idea; 5% for RCOM
- Idea reported a QoQ revenue growth of 6% driven by robust traffic growth; wireless revenue was largely flat QoQ for Bharti and RCOM
- Enterprise business remained soft for Bharti and RCOM
- Consolidated EBITDA margin declined 130-200bp QoQ vs our expectation of 300-450 bp decline
- Earnings supported by forex gains and treasury income
- We have upgraded EBITDA by 2-4% for Bharti and 6-8% for Idea. Also upgraded rating on Idea to Buy.

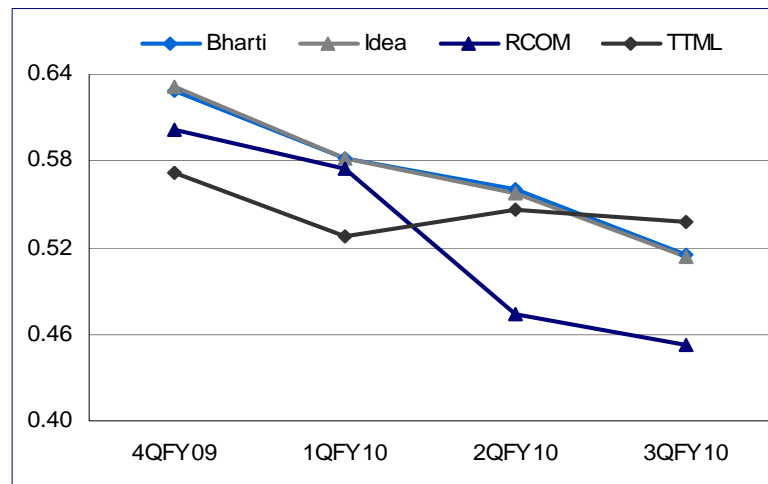
KEY FINANCIALS

	2QFY09	2QFY10	3QFY10	YoY %	QoQ %	3QFY10E	VS EST (%)
Revenue (Rs b)							
Bharti	90.2	98.5	97.7	1	-0.7	97.0	1
Idea	23.0	29.7	31.5	15	5.9	30.0	5
RCOM	56.4	57.0	53.1	-9	-6.9	57.6	-8
EBITDA (Rs b)							
Bharti	37.0	41.4	39.1	-1	-5.6	36.6	7
Idea	6.0	8.1	8.1	17	0.6	6.8	20
RCOM	23.0	20.2	18.1	-23	-10.2	18.7	-3
EBITDA Margin (%)							
Bharti	41.0	42.1	40.0	-93bp	-204bp	38bp	233bp
Idea	26.2	27.2	25.8	38bp	-137bp	23bp	328bp
RCOM	40.8	35.4	34.1	-607bp	-128bp	32bp	172bp
PAT (Rs m)							
Bharti	20.5	23.2	22.1	2	-4.8	18.9	17
Idea	1.4	2.2	1.7	-22	-22.8	0.6	205
RCOM	16.8	8.2	11.9	-20	44.1	7.8	53

QOQ WIRELESS TRAFFIC GROWTH (%)



WIRELESS RPM (RS)



Utilities: Below estimates due to lower merchant rates

Summary

- For 3QFY10, the net profit of companies under our universe were lower than estimates due to lower other income, merchant rates, etc.
- Earnings for Tata Power was impacted due to lower merchant sales from Trombay Unit 8 at 71MU and lower interest cost
- For Reliance Infrastructure, lower other income on account of lower cash surplus (debt repayment) impacted earnings.
- Top Picks:** Powergrid, Reliance Infrastructure

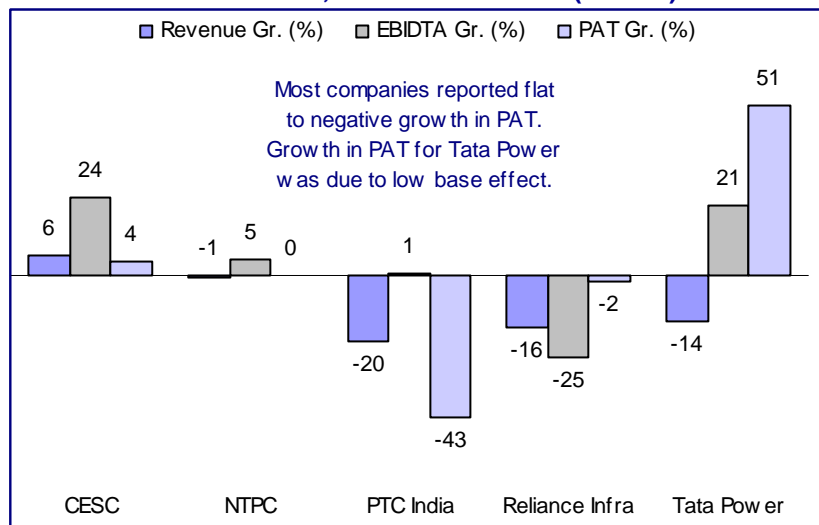
3QFY10 RESULTS WERE BELOW ESTIMATES (RS M)

	EBIDTA			PAT		
	Estimate	Actual	% Var	Estimate	Actual	% Var
CESC	2,141	1,880	-12.2	1,188	1,020	-14.1
NTPC	33,957	33,653	-0.9	20,855	20,446	-2.0
PTC India	98	103	5.1	264	158	-40.2
Reliance Infra	2,293	2,354	2.7	2,953	2,781	-5.8
Tata Power	5,050	3,254	-35.6	2,168	1,479	-31.8

MERCHANT REALIZATION (RS/UNIT)

	3QFY10	3QFY09
Adani Power	3.86	NA
Godavari Power and Ispat	5.2	6.9
Jindal Power	5.1	6.7
JSW Energy	4.5	7.87
Sarda Energy	4.6	3.8
Sterlite	4.8-5.0	NA
Tata Power		
- Trombay	5.0-6.0	
- Haldia	4.5-5.0	NA

ANALYSIS OF REVENUE, EBIDTA GROWTH (% YOY)



For information, please contact

Navin Agarwal, ACA, CFA

CEO - Institutional Equities

Tel: +91 22 39825450 Mobile: +91 98201 58913

Email: navin@motilaloswal.com

Bloomberg: navin100@bloomberg.net

Rajat Rajgarhia, ACA, MBA

Director - Research

Tel: +91 22 39825441 Mobile: +91 98202 69614

Email: rajat@motilaloswal.com

Bloomberg: rajatraj@bloomberg.net

Motilal Oswal Securities Limited

MEMBER OF BSE AND NSE

Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

BOARD: +91 22 39825500 DEALING: +91 22 22811800 FAX: +91 22 22885038

BLOOMBERG: mostsales@bloomberg.net WEBSITE: www.motilaloswal.com

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