

## Company Handbook

### J.P. Morgan Asia Pacific Equities India Conference 2008



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J.P. Morgan India Private Limited

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# India Market Strategy

## Capitulation

### Valuations: How relevant?

Battered by global credit market issues and fears of a prolonged slowdown, the Indian equity markets are now trading at historic trough levels even assuming zero growth in earnings over FY09E-10E. Markets are, however, likely to pick up in a sustained manner only after liquidity improves, for which we await cues from the credit market. It may be time to start shopping for value investors with a 12-18 month time frame, but momentum investors may have to wait a while.

### RBI begins monetary easing

In an attempt to revive sluggish growth and improve tight liquidity, the Central Bank has cut the CRR and the repo rate. With the incremental risks to inflation subsiding as commodity prices fall off, we expect more easing into CY2009.

### Special focus

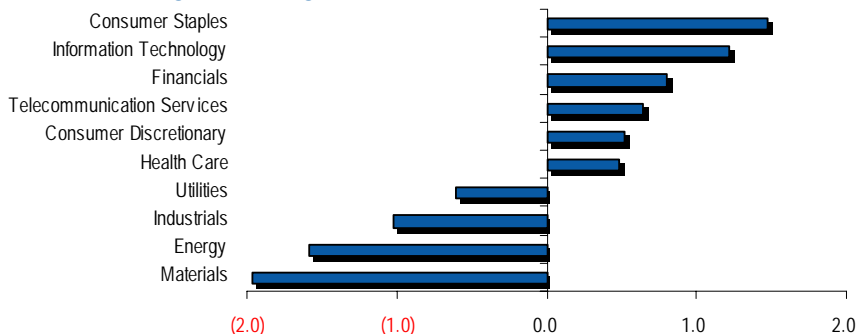
We stress tested the risks to Corporate India from a Balance Sheet perspective. For the large caps, the key risks emanate from a high proportion of FX liabilities and a potential sharp decline in operating performance (interest cover). Risks in relation to gearing levels and re-finance appear limited from a short-term perspective. Key sectors with higher degree of risk include Materials, Real Estate and Industrials.

### Portfolio stance

Key concerns for equity markets remain slowing global growth and credit market issues. We retain our bias for quality large cap names with low gearing levels. We are getting incrementally positive on downstream beneficiaries of lower commodity prices and monetary easing. We are adding **IOC, Maruti Suzuki, Reliance Infrastructure and Dr.Reddy's Lab** to our portfolio and dropping Ranbaxy and GSPL.

*This report was published on 27 October 2008.*

### Relative sector weights: J.P. Morgan vs. MSCI Index (%)



Source: Datastream, J.P. Morgan.

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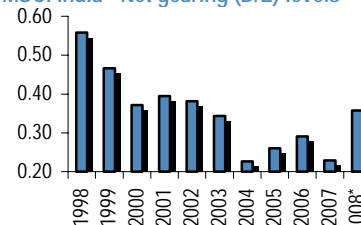
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### Emerging and Asian Equity Strategy

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### MSCI India - Net gearing (D/E) levels



Source: Datastream.

### J.P. Morgan India portfolio vs. MSCI India

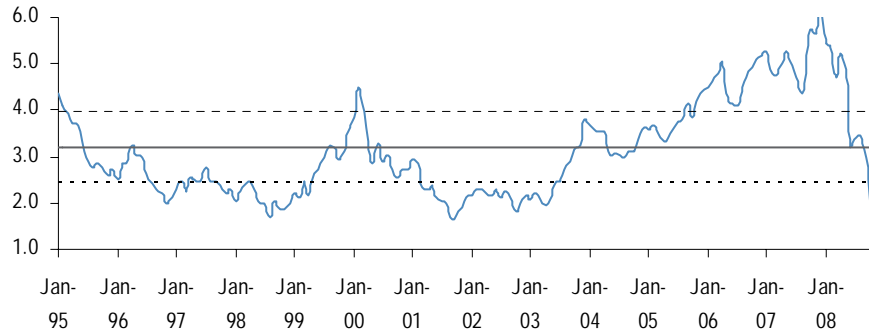
(%)	JPM Portfolio Return	MSCI India Return
Since inception (Dec 06)	(30.1)	(39.8)
2008 YTD	(53.9)	(60.5)
Last Month	(29.4)	(33.6)

Source: J.P. Morgan, Datastream. Priced as of 24 Oct.

### Global turmoil: Local pain

The crises in global financial markets and fears of a prolonged recession have taken a substantial toll on investor sentiment. Subsequent to the sell off, valuations have reached trough levels in relation to historic comparatives (about 10x forward earnings).

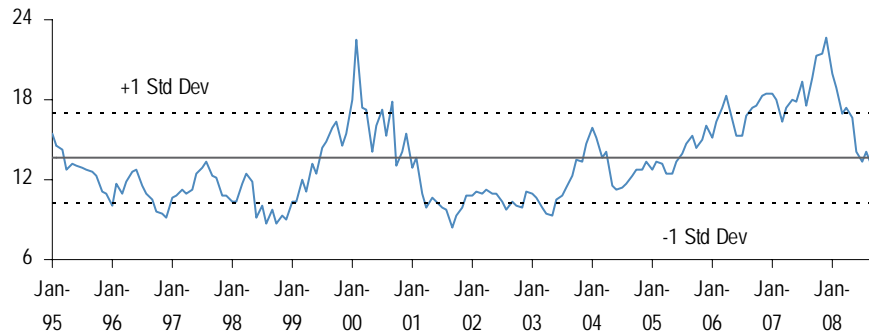
Figure 1: MSCI India price to book



Source: MSCI, IBES, Datastream.

Note: Pricing for all charts and tables are as on October 24, 2008.

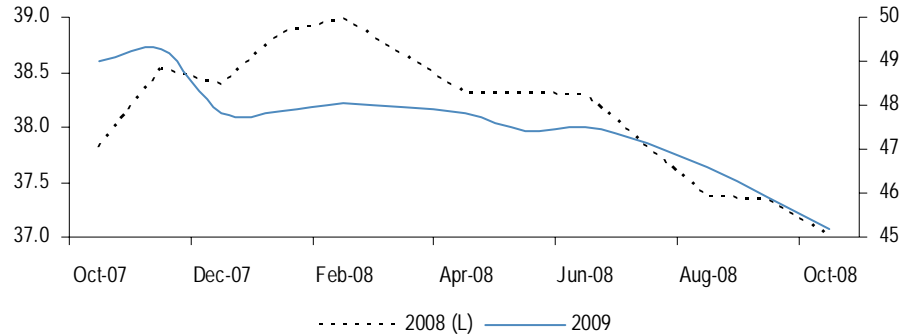
Figure 2: MSCI India 12 month forward PER



Source: MSCI, IBES, Datastream.

But the issue facing investors currently is a lack of liquidity and faith in current earnings estimates. We do concede that current earnings estimates appear rich in relation to the current economic environment and the impact it could have on both consumption and investment. The probability of further downgrades is substantial, particularly for FY10E estimates.

Figure 3: MSCI India EPS estimates



Source: MSCI, IBES, Datastream.

But even assuming that there is no earnings growth over FY09E-10E, the markets are currently trading at near trough level valuations.

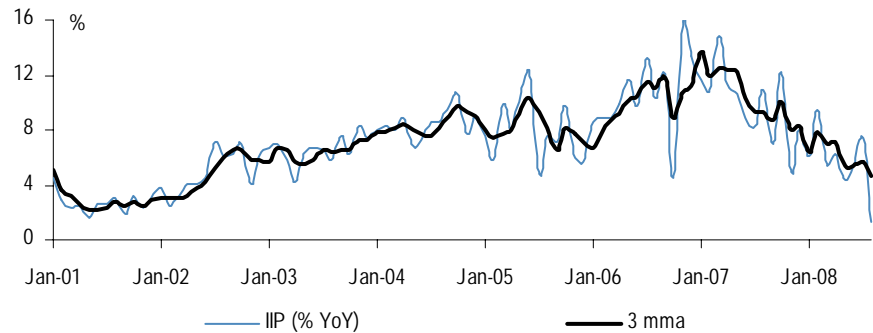
Table 1: Sensex—Sensitivity to earnings and valuations for Mar-09 Sensex values

EPS Integer	EPS CAGR - FY 08E-10E (%)				
	0	5	10	15	20
850	850	937	1,029	1,124	1,224
PE					
8	6,800	7,497	8,228	8,993	9,792
12	10,200	11,246	12,342	13,490	14,688
16	13,600	14,994	16,456	17,986	19,584
20	17,000	18,743	20,570	22,483	24,480

Source: J.P. Morgan.

**RBI: Reversal in monetary stance**

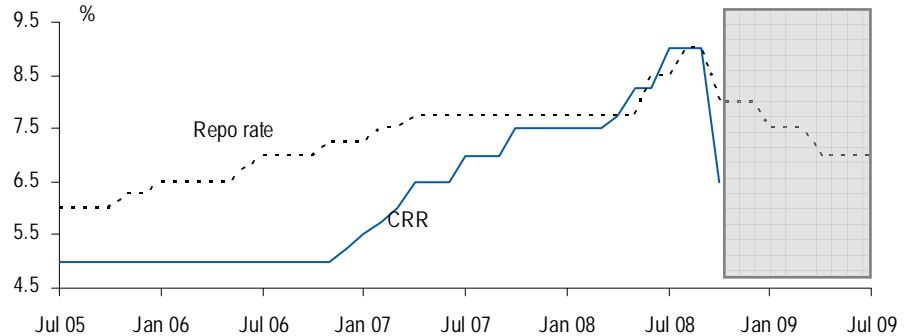
Figure 4: IIP trends



Source: J.P. Morgan Economics.

In an attempt to arrest slowing growth and improve liquidity, the Central Bank has reversed its stance on monetary policy and cut the CRR and the Repo rate and also provided greater flexibility on maintaining SLR and raising deposits overseas. The Ministry of Finance has also eased restrictions on raising capital overseas through External Commercial Borrowings (ECBs).

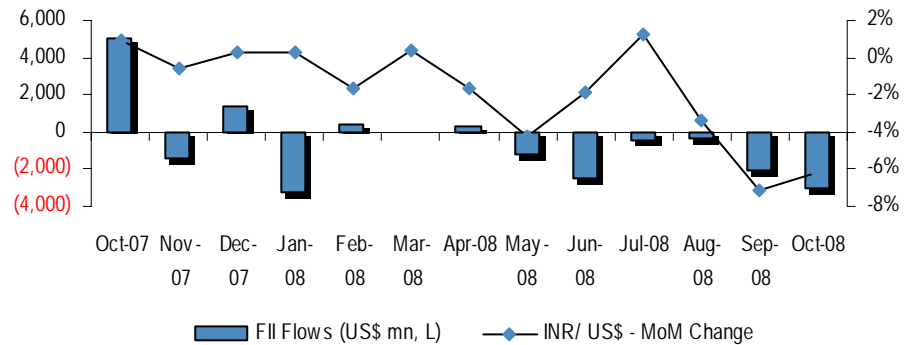
Figure 5: CRR and Repo rates



Source: J.P. Morgan Economics.  
Note: Shaded portion is J.P. Morgan expectation.

The above measures have helped cool overnight rates, but liquidity to corporates remains tight due to increased risk aversion and foreign portfolio outflows. The Governments spending program too is expected to accelerate into 2HFY2009 given the busy season and elections scheduled for 2Q CY 2009.

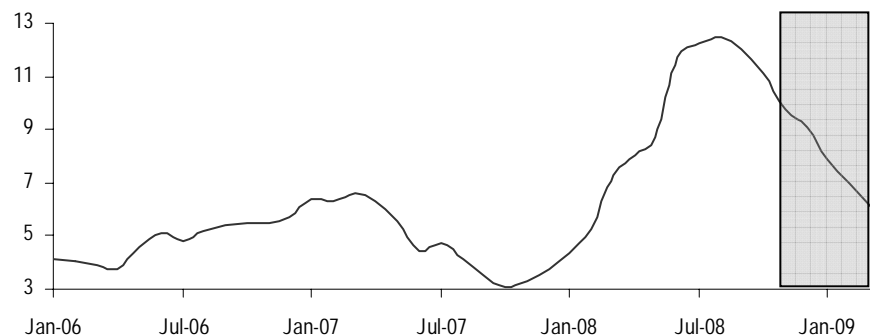
Figure 6: FII flows and INR



Source: J.P. Morgan, Datastream.

In this backdrop, J.P. Morgan expects further monetary easing into CY2009. Also the collapse in global commodity prices implies that the incremental threat to inflation is subsiding.

Figure 7: Inflation trajectory and J.P. Morgan's expectations



Source: J.P. Morgan economics.



**Outlook**

On balance, the key issue for the equity markets currently remains lack of liquidity and weak investor sentiment. We believe we are unlikely to see a reversal herein until the global environment improves (J.P. Morgan forecasts a recession among developed economies to last until 1Q CY2009).

We believe the first signs of an improvement will have to come from the credit markets and equity markets will follow subsequently. This thesis is also borne out of the fact that the markets are currently focusing on risks and have consequently punished companies with relative high debt levels (for details please refer to our note on Z scores dated October 15, 2008).

Consequently we believe the current crisis presents an opportunity for long term value investors to start buying into, but momentum investors may have to wait a while.

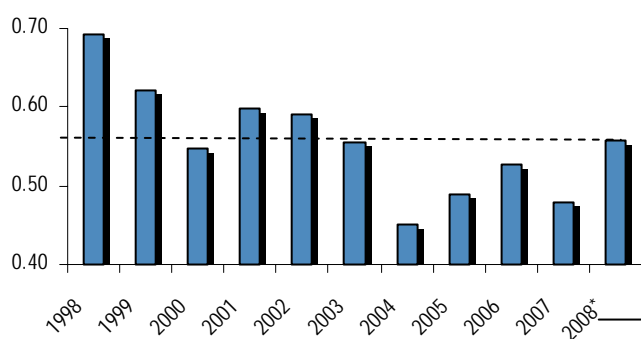
**Special focus: Corporate India—Balance sheet stress test**

In the backdrop of an uncertain and volatile environment, both for financial markets and economic / earnings growth, we analyzed the risks to Corporate India from a balance sheet perspective.

We looked at the risks emanating from high gearing levels, the requirement to re-finance debt, the impact of a depreciating currency on FX liabilities and the impact of a potential slowdown in earnings on interest coverage.

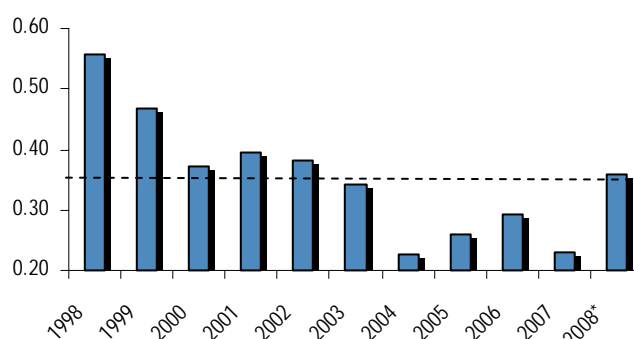
**Gearing levels**

Figure 8: MSCI India—Historic gearing levels (Gross)



Source: Datastream, J.P. Morgan calculations.

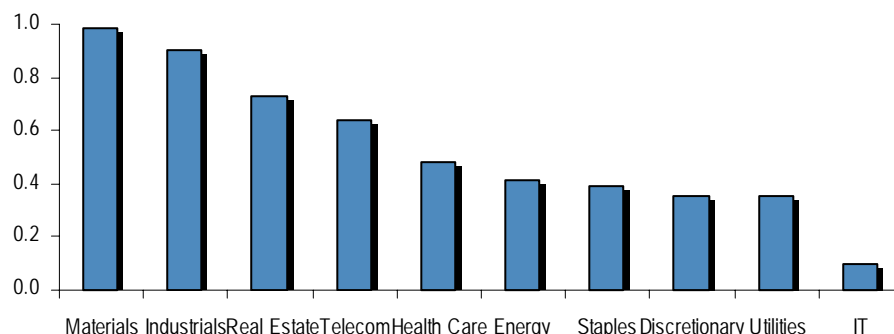
Figure 9: MSCI India—Historic gearing levels (Net)



Source: Datastream, J.P. Morgan calculations.

Overall gearing levels are on the rise as companies enter a capital intensive phase. But they remain manageable both in absolute terms and in relation to historic comparatives.

Figure 10: MSCI India—Sectoral gearing levels



Source: Datastream, J.P. Morgan calculations.

Sectors with relatively high level of gearing include Materials, Industrials, Real Estate and Telecom. Apart from the high gearing levels, the risk profile of debt in the case of the Materials sector is also higher as it has largely been utilized to finance overseas acquisitions, wherein operations could be under substantial stress in the event of a global recession. Also gearing levels in the Real Estate sector may likely be understated due to the utilization of mezzanine structures.

Table 2: MSCI India—Companies with relatively high gearing levels

Company	Sector	D/E
Essar Oil	Energy	4.1
Jaiprakash Associates	Indrials	3.1
United Spirits	Consumer Staples	2.5
Unitech	Real Estate	2.4
Jsw Steel	Materials	2.1
Jindal Steel & Power	Materials	2.0
Hindalco Industries	Materials	1.9
Ranbaxy Labs.	Health Care	1.6
Tata Steel	Materials	1.6
Indian Hotels	Consumer Discretionary	1.4
GMR Infrastructure	Indrials	1.4
Bharat Petroleum	Energy	1.2
Larsen & Toubro	Indrials	1.1
Tata Power	Utilities	1.1
Reliance Petroleum	Energy	1.0
Glenmark Pharmaceuticals	Health Care	0.8
Reliance Communications	Telecommunication Services	0.8
Ultratech Cement	Materials	0.7

Source: Capitaline, J.P. Morgan.

### Re-finance risks

Given the turmoil in the credit markets, we believe it is also necessary to look at re-financing / rollover risks over the immediate term (which we have defined at 18 months).

At the systemic level, debt to be re-financed over the next 18 months appears manageable at 13% of total borrowings. Sectors that appear to have relatively higher risk on this variable are Materials, Consumer Discretionary and Real Estate.

Table 3: MSCI India—Debt refinancing over the next 18 months

(Rs in billions)	Total Debt	To be refinanced over next 18 months		% Refinancing
		Domestic	Foreign	
Consumer Discretionary	75	9	4	17
Consumer Staples	61	3	4	11
Energy	906	19	57	8
Financials	0	0	0	
Health Care	84	0	1	1
Industrials	486	39	4	9
Information Technology	51	3	0	6
<b>Materials</b>	<b>1,274</b>	<b>248</b>	<b>5</b>	<b>20</b>
<b>Real Estate</b>	<b>212</b>	<b>34</b>	<b>0</b>	<b>16</b>
Telecommunication Services	354	16	25	12
Utilities	328	19	4	7
<b>Total</b>	<b>3,833</b>	<b>390</b>	<b>105</b>	<b>13</b>

Source: Capitaline, J.P. Morgan.

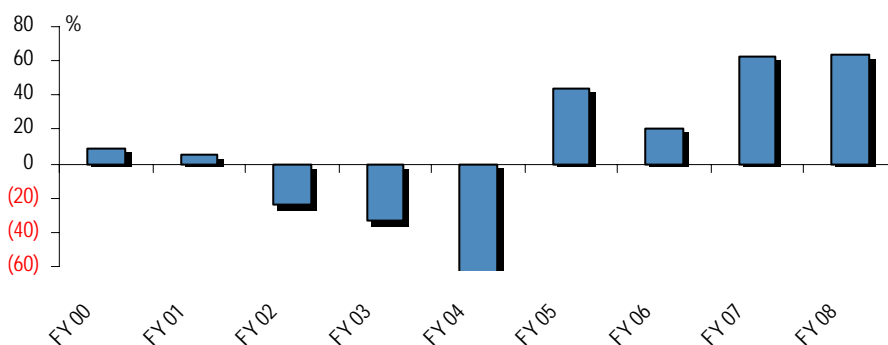
Table 4: MSCI India—Companies with higher re-finance requirement over next 18 months

Company	Sector	Debt maturing over next 18 months (RsB)	% of Total Debt
Hindalco Industries	Materials	154	48
Reliance Industries	Energy	62	12
Tata Steel	Materials	55	10
Bharti Airtel	Telecom	20	14
Reliance Com	Telecom	19	9
DLF	Real Estate	19	16
NTPC	Utilities	18	11
Larsen & Toubro	Industrials	17	14
Unitech	Real Estate	15	17
Bharat Petroleum	Energy	15	9
Jsw Steel	Materials	14	9
<b>Sterlite Inds.(India)</b>	<b>Materials</b>	<b>13</b>	<b>26</b>
Grasim Industries	Materials	7	13
Tata Power	Utilities	6	6
<b>Mahindra &amp; Mahindra</b>	<b>Consumer Discretionary</b>	<b>4</b>	<b>16</b>
United Spirits	Consumer Staples	4	7
Jaiprakash Associates	Industrials	4	3

Source: Capitaline, J.P. Morgan.

## Foreign currency risks

Figure 11: ECB as percentage of corporate borrowing



Source: RBI, J.P. Morgan.

Over the last 3 years, there has been a rising trend of Indian companies borrowing overseas. Currently about 37% of total borrowings for MSCI India companies are

denominated in foreign currency. Less than 8% of the total debt denominated in foreign currency comes up for re-finance over the next 18 months, implying that the rollover risk over the immediate term is manageable.

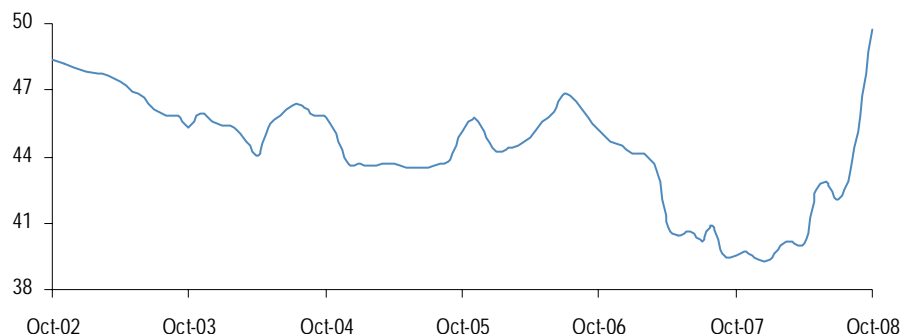
**Table 5: MSCI India—Companies with higher re-finance requirement for FX debt over the next 18 months**

Company	Sector	FX liability maturing over next 18 months (INR bn)
Reliance Industries	Energy	53
Reliance Communications	Telecommunication Services	19
Bharti Airtel	Telecommunication Services	6
Bharat Petroleum	Energy	4
Ambuja Cements	Materials	4
United Spirits	Consumer Staples	4
Jaiprakash Associates	Industrials	4
NTPC	Utilities	3
Mahindra & Mahindra	Consumer Discretionary	3
GMR Infrastructure	Industrials	3

Source: J.P. Morgan.

But the sharp depreciation in the INR (by nearly 24% over the last six months) implies that the cost of servicing this debt would go up substantially over the near term (under conservative accounting principles), irrespective of the structural trend in the INR expected.

**Figure 12: INR depreciation**



Source: Datastream.

**Table 6: MSCI India—Companies with substantial FX liabilities**

Company	Sector	FX liability (RsB)
Reliance Industries	Energy	431
Tata Steel	Materials	205
Reliance Communications	Telecommunication Services	132
Reliance Petroleum	Energy	108
United Spirits	Consumer Staples	58
Bharat Petroleum	Energy	53
NTPC	Utilities	51
Jsw Steel	Materials	47
Bharti Airtel	Telecommunication Services	39
Reliance Infrastructure	Utilities	38
Jaiprakash Associates	Industrials	29
Essar Oil	Energy	22
Larsen & Toubro	Industrials	20

Source: J.P. Morgan.

**Interest cover risk**

A challenging economic environment also implies risk to current growth forecasts. Consequently we have used trailing FY08 financials to test the interest coverage for companies. The inherent assumption herein being that should the environment deteriorate meaningfully, managements would defer new projects.

Table 7: MSCI India—Interest cover

	Interest Coverage
Industrials	8
Consumer Discretionary	9
Materials	9
Telecommunication Services	10
Utilities	11
Health Care	18
Energy	46
Consumer Staples	52
Information Technology	90
<b>Total</b>	<b>14</b>

Source: Datastream, J.P. Morgan.

Table 8: MSCI India—Companies with relatively low interest coverage ratios

Company	Sector	Interest coverage ratio
Aditya Birla Nuvo	Industrials	2
Reliance Ntrl.Resources	Utilities	2
Jaiprakash Associates	Industrials	4
Gmr Infrastructure	Industrials	4
Hindalco Industries	Materials	4
Indian Hotels	Consumer Discretionary	4
Reliance Infrastructure	Utilities	5
Tata Power	Utilities	5
Mahindra & Mahindra	Consumer Discretionary	5
Tata Steel	Materials	6
Jsw Steel	Materials	6
Tata Communications	Telecommunication Services	6
United Spirits	Consumer Staples	8
Larsen & Toubro	Industrials	8
Jindal Steel & Power	Materials	8
Ranbaxy Labs.	Health Care	10
Bharat Petroleum	Energy	10

Source: Datastream, J.P. Morgan.

Currently the street estimates a CAGR of 15% in earnings over FY08-10E. Unless earnings decline meaningfully, the systemic risk should be contained. But this could also imply delays / deferment of projects under implementation.

Key sectors at risk in terms of interest cover include materials and industrials. Earnings in the materials sector could face substantial compression as end product prices decline. Working capital could expand significantly with a corresponding decline in revenue recognition for the industrials sector if project implementation is delayed.

**Conclusion**

On balance we believe the key risk to Indian companies from a balance sheet perspective emanates from the higher proportion of FX liabilities in the backdrop of INR depreciation or in the event of a sharp decline in operating performance. Risks

in relation to gearing levels and re-finance appear limited from an 18 month perspective.

We must however caution that this analysis pertains largely to the large cap universe. Small and mid cap companies would be under substantially higher pressure in terms of both gearing levels and re-finance risks too.

Please also refer to our reports, Color of Money dated October 8, 2008 for an analysis of companies with outstanding FCCBs and Altman - Z score dated October 15, 2008 for an analysis of the financial stress levels of leading companies.

## Market Wrap: Global turmoil rules

Indian equities lost a substantial 35% (in US\$ terms) over the last month and marginally underperformed the peer group. Investor sentiment was crushed in the backdrop of the turmoil in global financials markets and increasing risks of a prolonged global slowdown.

Investor activity across segments remained weak. FIIs sold equities worth US\$ 3 billion over the month. Domestic mutual funds absorbed part of the pressure and bought equities aggregating US\$ 130 million.

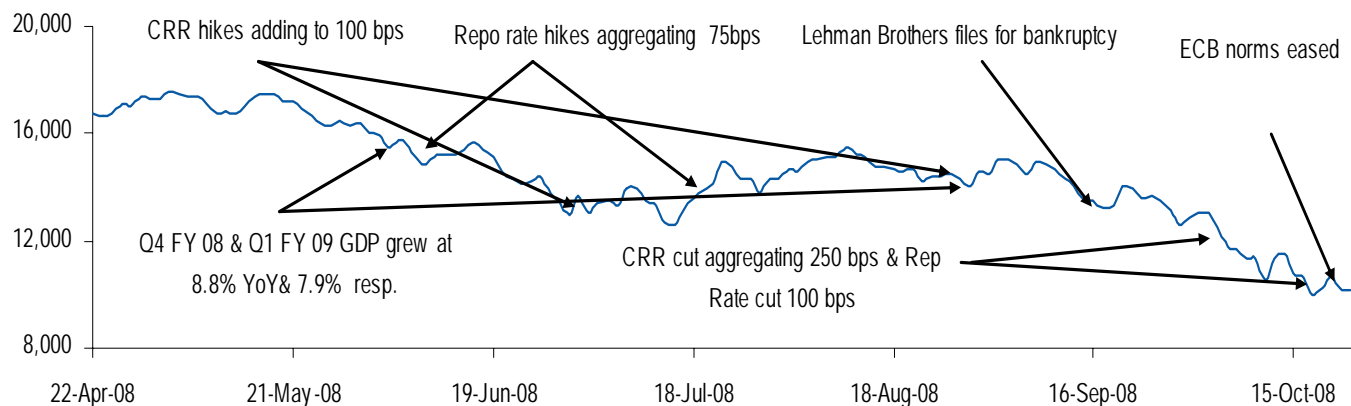
Global cyclicals and local interest rate sensitives bore the brunt of the sell down, though other sectors were not immune either.

Table 9: MSCI Index performance

(%)	1 mth	3mth	6 mth	12 mth
World	(28)	(35)	(41)	(46)
USA	(24)	(28)	(35)	(40)
Japan	(20)	(29)	(30)	(36)
Euro	(32)	(41)	(48)	(51)
Emerging Markets – US\$	(38)	(51)	(57)	(59)
<b>India - US\$</b>	<b>(35)</b>	<b>(46)</b>	<b>(55)</b>	<b>(60)</b>
<b>India</b>	<b>(30)</b>	<b>(36)</b>	<b>(45)</b>	<b>(50)</b>
Consumer Discretionary	(24)	(21)	(30)	(43)
Consumer Staples	(12)	(7)	(18)	(8)
Energy	(38)	(43)	(49)	(50)
Financials	(28)	(35)	(47)	(53)
Health Care	(19)	(24)	(20)	(7)
Industrials	(36)	(42)	(52)	(60)
IT	(18)	(22)	(29)	(35)
Materials	(49)	(57)	(67)	(70)
Telecom	(35)	(50)	(54)	(67)
Utilities	(29)	(32)	(42)	(47)

Source: MSCI, Datastream.

Figure 13: Macro events and Sensex



Source: Datastream, J.P. Morgan.

## Global factors

- US economy—Recession deepens.** Recently announced measures have failed to revive the credit markets and consumer confidence remains weak. Outlook on hiring and consumption have further deteriorated over the recent past. Our economics team expects the current recession in the US to last till 1Q - 09. J.P. Morgan forecasts a 75bps cut in the of Fed rate by the end of the year, taking the Fed rate to 0.75%.
- Euro area—Sharp moderation ahead.** Indicators of economic activity in the Euro area have deteriorated further over the recent past. Also policy support has been relatively limited compared to the USA and continued credit market woes pose a threat to growth outlook. Our economics team expects a recession over 2Q to 4Q 08.
- Japan—Into a shallow recession?** Post a GDP contraction over 2Q, second half of the year is also expected to remain weak with a contraction of 0.7 and 1.0 % yoy (saar) for 3Q and 4Q respectively.
- China—Policy support.** In the backdrop of a sharp slowdown in developed economies that could impact exports and easing inflation within the country, Chinese policy makers announced a slew of monetary and fiscal measures to support economic growth. Chinese growth is expected to moderate into 2H but should remain robust at an absolute level.

## Portfolio review

The Indian equity markets corrected sharply over the last month, in synch with the meltdown in global markets. The J.P. Morgan India model portfolio outperformed the benchmark by 430 bps. Outperformance was driven by the stance adopted earlier in the year in favour of defensive sectors and quality, large cap names with low gearing levels. YTD the portfolio continues to outperform the benchmark by a healthy margin.

Table 10: J.P. Morgan India portfolio performance

(%)	J.P. Morgan Portfolio Return	MSCI India Return
Since inception (Dec 06)	(30.1)	(39.8)
2008 YTD	(53.9)	(60.5)
Last Month	(29.4)	(33.6)

Source: J.P. Morgan, MSCI, Datastream.

## Portfolio: Key assumptions and stance

Over the immediate term we believe key issues that the equity markets need to grapple with remain a slowdown in global growth and credit market issues. Given risk aversion, we maintain our focus on quality large cap companies with low gearing / high cash levels.

The slowdown in global growth has resulted in a collapse in commodity prices. We have been underweight global commodities over the past and continue with this stance. We believe the sharp fall in commodity prices should support margin expansion for user downstream sectors with a lag of 1-2 quarters. These sectors include Autos, Cement, Consumer Staples and State Owned Oil Refining and Marketing companies. For details on investment opportunities based on this theme please refer to our report Moving Downstream dated October 21, 2008.

Consumption demand, particularly at the lower end, continues to be supported by tax cuts, wage hikes and agri commodity inflation. With the RBI expected to continue to ease monetary policy we believe there should be a more broad based revival by 2H CY2009.

A shift in monetary policy in favor of easing should typically imply better times for interest rate cyclicals. But we believe investors need to be selective in the current environment in terms of their exposure to financials as the stress in the system could precipitate late credit cycle issues.

We remain cautious on real estate. The continued lack of transaction volumes and tight liquidity has made it difficult to estimate prices for physical stock and hence stock values.

Investment demand has been moderating within a strong super cycle, given monetary tightening and political uncertainty. While monetary policy is beginning to ease we expect the reluctance to invest to continue until the elections are completed in 1H CY2009.

We remain comfortable with the long term growth prospects for the IT services sector. Over the near term we believe that sentiment for the sector will continue to be influenced by newsflow on the US economy and the trend in the INR. But structurally we believe the outsourcing model will continue to gain strength. Also key companies in the sector have substantial cash surpluses.

### Portfolio changes

We are adding to our model portfolio: a) IOC, given the sharp fall in global crude oil prices, which implies lower subsidy burden. b) Reliance Infrastructure, given compelling valuations. c) Maruti Suzuki, given the sharp fall in base metal prices and as monetary policy is turning more accommodative. c) Dr.Reddy's Lab, as drag on earnings owing to "Betapharm" is likely to ease and valuations remain attractive.



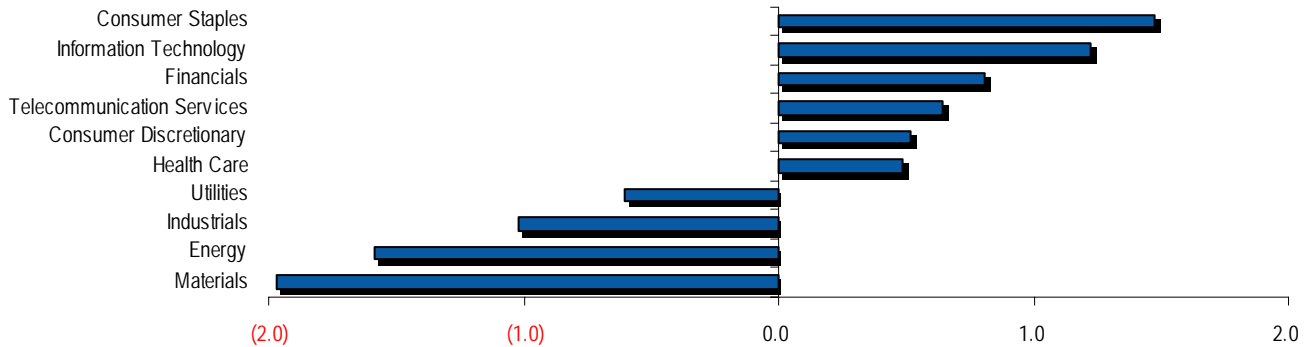
We are dropping from our model portfolio: a) Ranbaxy, subsequent to the completion of the open offer by Daichi; and b) GSPL: Short-term outlook is clouded by delays in gas supplies, and fall in crude prices has made naphtha competitive against spot LNG (this will curtail spot volumes). Govt. of Gujarat's directive on sharing 30% of PBT for social purposes is regressive and another overhang on the stock.

Table 11: J.P. Morgan India model portfolio

Ticker	Price 24-Oct	Rating	Change (%)		MSCI Wt	JPM Wt	Dev. (%)	PER (E)		DY (E) FY 08 (%)	ROE FY 08(%)
			1M	Ytd				FY 08	FY 09		
<b>Consumer Discretionary</b>	<b>151</b>		<b>(30)</b>	<b>(51)</b>	<b>3.4</b>	<b>4.0</b>	<b>0.5</b>	<b>8</b>	<b>7</b>	<b>1.8</b>	<b>23</b>
Mahindra & Mahindra	MAHM.BO	OW	(46)	(67)	0.8	0.8	0.0	5	4	4.2	28
Hero Honda Motors	HROH.BO	OW	(14)	4	1.1	2.0	0.8	15	12	3.3	38
Maruti Suzuki India	MRTI.BO	OW	(22)	(46)	0.7	1.2	0.5	9	9	0.9	25
<b>Consumer Staples</b>	<b>165</b>		<b>(18)</b>	<b>(19)</b>	<b>8.0</b>	<b>9.5</b>	<b>1.5</b>	<b>19</b>	<b>19</b>	<b>2.2</b>	<b>38</b>
Iitc	ITC.BO	OW	(17)	(24)	3.4	4.5	1.1	19	17	2.5	28
Hindustan Unilever	HLL.BO	N	(11)	5	3.9	5.0	1.1	28	23	4.4	85
<b>Energy</b>	<b>652</b>		<b>(46)</b>	<b>(62)</b>	<b>19.0</b>	<b>17.5</b>	<b>(1.6)</b>	<b>9</b>	<b>7</b>	<b>1.3</b>	<b>18</b>
Reliance Industries	RELI.BO	OW	(48)	(65)	13.1	12.0	(1.1)	10	9	1.7	33
Oil & Natural Gas	ONGC.BO	OW	(36)	(47)	3.6	3.5	(0.1)	6	6	6.1	29
Indian Oil	IOC.BO	N	(12)	(57)	0.0	2.0	2.0	6	7	5.0	23
<b>Financials</b>	<b>2,090</b>		<b>(34)</b>	<b>(66)</b>	<b>24.3</b>	<b>25.1</b>	<b>0.8</b>	<b>12</b>	<b>11</b>	<b>1.5</b>	<b>14</b>
Hdfc Bank	HDBK.BO	N	(22)	(44)	5.2	5.2	(0.0)	24	18	1.0	19
Housing Development Fin.	HDFC.BO	OW	(25)	(45)	6.5	8.8	2.3	18	18	1.7	31
Icici Bank	ICBK.BO	OW	(45)	(75)	4.7	6.0	1.4	8	8	3.9	13
Axis Bank	AXBK.BO	OW	(24)	(45)	2.1	1.5	(0.6)	18	13	1.7	21
State Bank Of India	SBI.BO	OW	(19)	(48)	1.5	2.5	1.0	9	9	1.7	15
Dlf	DLF.BO	OW	(45)	(81)	0.8	1.0	0.2	4	3	3.4	78
<b>Health care</b>	<b>401</b>		<b>(25)</b>	<b>(27)</b>	<b>4.5</b>	<b>5.0</b>	<b>0.5</b>	<b>15</b>	<b>13</b>	<b>1.0</b>	<b>24</b>
Dr.Reddy'S Laboratories	RANB.BO	OW	(13)	(39)	0.9	1.5	0.6	16	13	1.0	29
Sun Pharmaceuticals	SUN.BO	OW	(13)	5	1.6	3.5	1.9	26	16	0.8	29
<b>Industrials</b>	<b>555</b>		<b>(40)</b>	<b>(70)</b>	<b>8.6</b>	<b>7.6</b>	<b>(1.0)</b>	<b>12</b>	<b>12</b>	<b>1.3</b>	<b>20</b>
Bharat Heavy Els.	BHEL.BO	OW	(30)	(58)	2.5	3.0	0.5	19	16	1.2	30
Larsen & Toubro	LART.BO	OW	(37)	(63)	3.0	3.5	0.5	10	8	0.0	30
Punj Lloyd	PUJL.BO	OW	(47)	(73)	0.0	1.0	1.0	21	10	0.3	16
<b>Information Technology</b>	<b>307</b>		<b>(17)</b>	<b>(37)</b>	<b>17.6</b>	<b>18.8</b>	<b>1.2</b>	<b>12</b>	<b>10</b>	<b>1.4</b>	<b>30</b>
Infosys Technologies	INFY.BO	OW	(14)	(29)	11.2	12.9	1.7	16	12	1.6	37
Tata Consultancy Svs.	TCS.BO	OW	(28)	(55)	1.9	1.8	(0.1)	11	8	2.5	54
Satyam Computer Services	SATY.BO	OW	(11)	(36)	2.7	4.1	1.4	11	9	1.4	28
<b>Materials</b>	<b>250</b>		<b>(51)</b>	<b>(78)</b>	<b>6.0</b>	<b>4.0</b>	<b>(2.0)</b>	<b>3</b>	<b>3</b>	<b>2.6</b>	<b>29</b>
Grasim Industries	GRAS.BO	OW	(40)	(71)	0.7	2.0	1.3	4	4	3.0	33
Steel Authority Of India	SAIL.BO	OW	(44)	(74)	0.7	2.0	1.3	4	5	5.0	42
<b>Telecom Services</b>	<b>62</b>		<b>(42)</b>	<b>(73)</b>	<b>2.8</b>	<b>3.4</b>	<b>0.6</b>	<b>8</b>	<b>7</b>	<b>0.4</b>	<b>21</b>
Bharti Airtel	BRTI.BO	OW	(31)	(46)	0.0	3.4	3.4	16	12	0.0	36
<b>Utilities</b>	<b>409</b>		<b>(35)</b>	<b>(63)</b>	<b>5.8</b>	<b>5.2</b>	<b>(0.6)</b>	<b>11</b>	<b>9</b>	<b>1.9</b>	<b>13</b>
Tata Power	TTPW.BO	OW	(37)	(58)	1.0	1.0	0.0	18	13	1.2	10
NTPC	NATP.BO	N	(25)	(48)	2.1	3.0	0.9	15	13	3.0	14
Reliance Infrastructure	GSPT.BO	OW	(55)	(82)	0.8	1.2	0.4	8	8	0.0	9
<b>MSCI India</b>	<b>338</b>		<b>(35)</b>	<b>(61)</b>	<b>100.0</b>	<b>100.0</b>	<b>(0.0)</b>	<b>10</b>	<b>9</b>	<b>1.5</b>	<b>20</b>

Source: J.P. Morgan, Datastream.

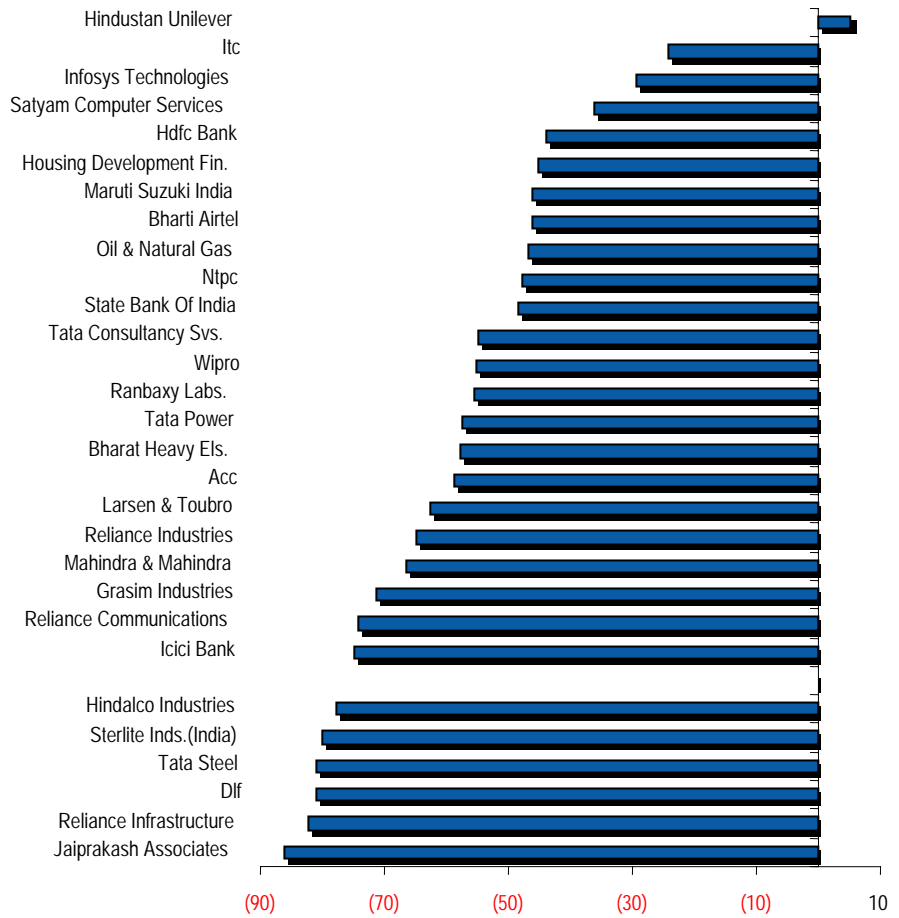
Figure 14: Relative sector weights—J.P. Morgan vs. MSCI Index (%)



Source: J.P. Morgan.

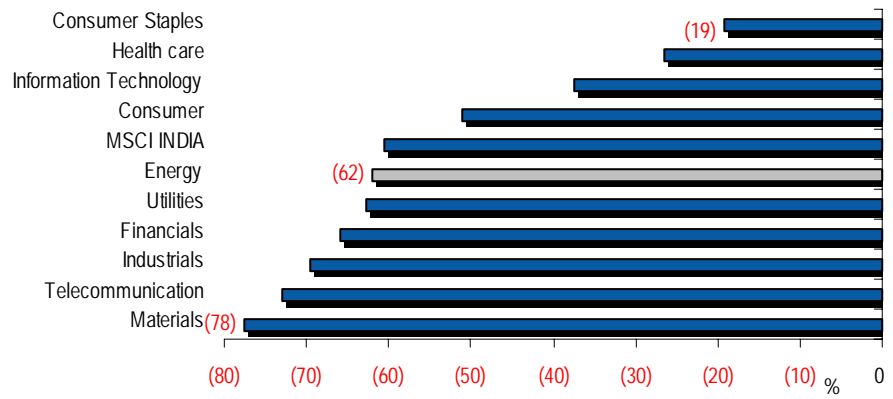
### Annexure 1: Performance highlights

Figure 15: Sensex companies and performance (YTD, %)



Source: Datastream.

Figure 16: Sectoral performance (YTD, %)



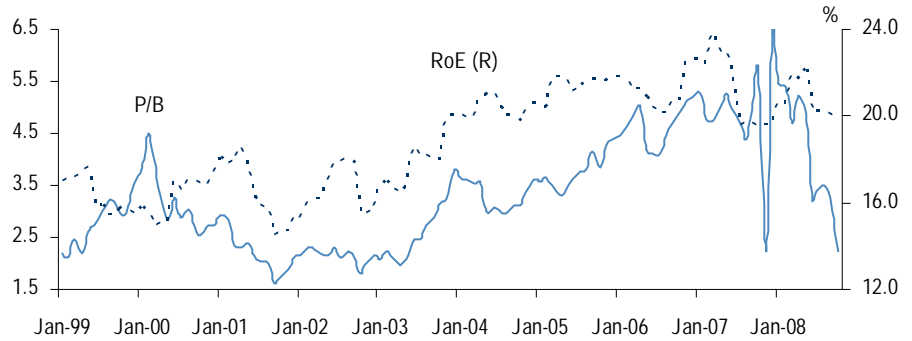
Source: MSCI, Datastream.

## Annexure 2: Valuations

Valuations have come off significantly over the last quarter.

ROEs are expected to remain under pressure given the muted trend in earnings expected, higher borrowing costs and as companies enter a capital intensive phase.

Figure 17: P/B and ROE

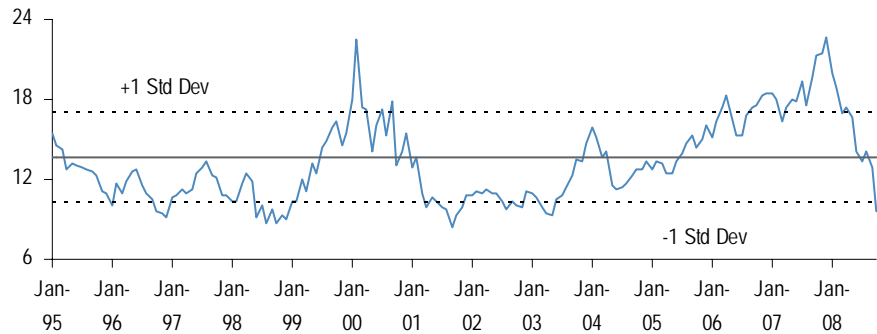


Source: MSCI, IBES, Datastream.

Forward PE multiples are at near historic lows.

Consensus estimates earnings growth momentum to decelerate from 21% in FY08 to a CAGR of 15% over FY08-10E. There could however be further downside to current estimates given the global environment.

Figure 18: 12 month forward P/E

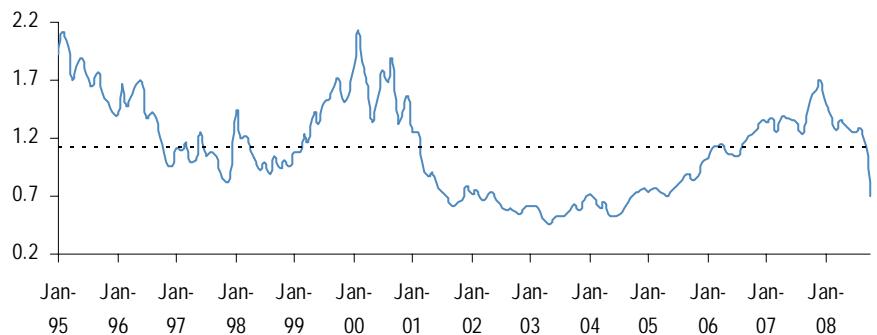


Source: MSCI, IBES, Datastream.

The de-rating of equities has resulted in a substantial improvement in the relative valuation of equities vs. debt.

But investor confidence remains low. A pull back is contingent on the credit markets stabilizing and an improvement in risk appetite.

Figure 19: 1 Year bond yield / earnings yield



Source: MSCI, IBES, Datastream.

## Annexure 3 - MSCI India valuations

Table 12: J.P. Morgan estimates and MSCI India valuations

	PE			Earnings Growth (%)			PB		
	FY 07	FY 08	FY 09 (E)	FY 07	FY 08	FY 09 (E)	FY 07	FY 08	FY 09 (E)
Consumer Discretionary	9.8	8.8	7.5	9.3	10.6	17.7	2.3	2.1	1.8
Consumer Staples	24.3	23.2	19.6	37.6	4.8	18.5	9.2	7.9	6.6
Energy	12.1	9.8	8.2	25.8	23.7	20.3	2.5	2.0	1.5
Financials	16.1	11.9	10.9	25.9	34.8	9.2	2.3	1.6	1.4
Health Care	16.3	17.6	13.8	122.0	(7.2)	27.8	3.8	2.6	2.1
Industrials	12.3	10.4	9.5	21.2	18.9	9.9	1.7	1.6	1.2
Information Technology	15.7	13.6	10.5	39.9	15.9	28.8	4.7	3.7	3.1
Materials	4.8	4.1	4.5	52.3	17.6	(9.0)	0.9	0.8	0.6
Telecommunication Services	14.0	8.7	7.2	245.6	60.9	21.9	1.8	1.5	1.2
Utilities	12.3	11.0	11.3	7.0	11.8	(3.2)	1.5	1.3	1.2
<b>MSCI India</b>	<b>12.9</b>	<b>10.6</b>	<b>9.5</b>	<b>33.2</b>	<b>21.1</b>	<b>12.4</b>	<b>2.4</b>	<b>1.9</b>	<b>1.6</b>

	RoE (%)			EV/ EBITDA			Div Yld (%)		
	FY 07	FY 08	FY 09 (E)	FY 07	FY 08	FY 09 (E)	FY 07	FY 08	FY 09 (E)
Consumer Discretionary	23.3	24.2	24.3	9.8	8.5	8.0	2.4	2.6	2.9
Consumer Staples	37.8	34.0	33.9	20.1	17.2	14.8	1.4	2.0	2.0
Energy	20.6	20.7	18.2	10.6	9.0	6.6	1.1	1.9	2.3
Financials	14.5	13.8	13.0	NA	NA	NA	1.0	1.3	1.8
Health Care	23.5	14.7	14.9	20.1	14.8	12.0	1.4	1.5	1.5
Industrials	13.6	15.3	13.1	18.0	15.1	14.3	2.7	3.1	3.4
Information Technology	30.0	27.5	29.0	15.2	12.8	10.0	2.6	2.7	3.5
Materials	18.0	18.8	14.1	6.5	4.8	4.5	3.0	3.7	3.6
Telecommunication Services	12.8	17.1	16.9	12.9	9.6	7.2	0.6	0.7	0.8
Utilities	11.8	11.7	10.6	15.3	12.7	10.2	1.6	1.6	1.9
<b>MSCI India</b>	<b>18.3</b>	<b>17.9</b>	<b>16.5</b>	<b>12.3</b>	<b>9.5</b>	<b>7.8</b>	<b>1.8</b>	<b>2.1</b>	<b>2.4</b>

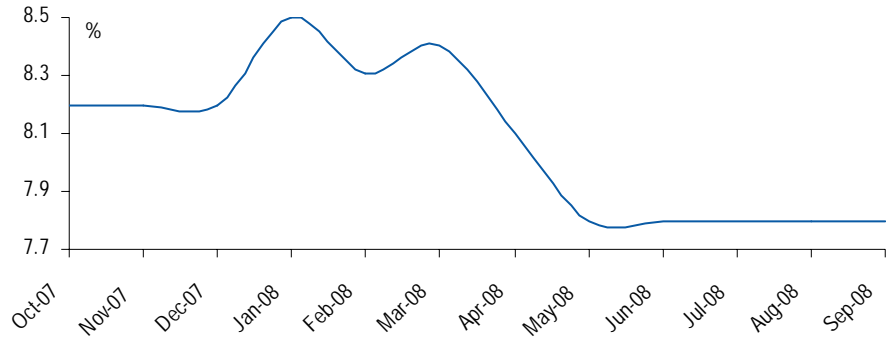
Source: MSCI, Datastream, J.P. Morgan calculations.

### Annexure 4: Key economics indicators

Consensus estimates for FY09E real GDP growth remain unchanged at 7.8%.

J.P. Morgan expects GDP growth to moderate more sharply to 7% over FY 09E and 6.8% over FY10E. Key pressure points are tight liquidity and a volatile global environment.

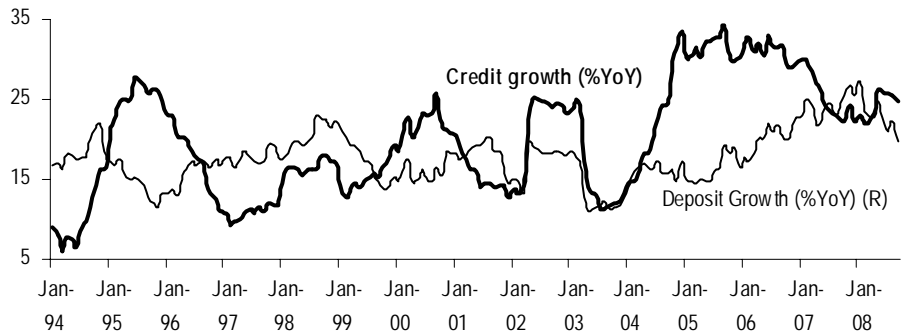
Figure 20: India—Consensus real GDP growth expectation (FY09E)



Source: Bloomberg.

Credit growth remains at elevated levels, while deposit growth has been cooling off into the busy season.

Figure 21: Commercial banks—Deposit and credit growth (%)

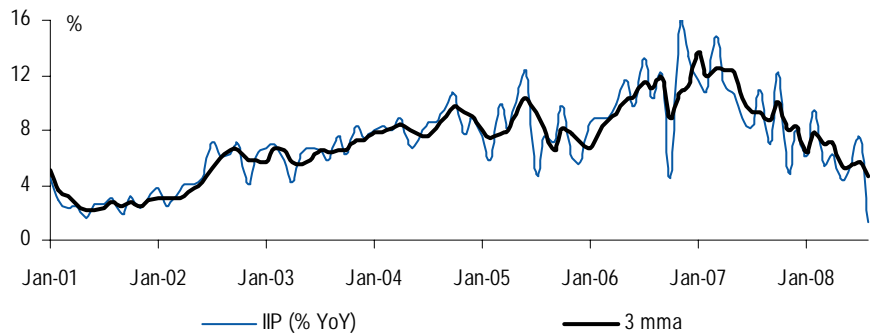


Source: J.P. Morgan Economics.

IIP for the month of August grew at a weaker-than-expected 1.3%.

The trend over the past two quarters suggests meaningful moderation in IIP.

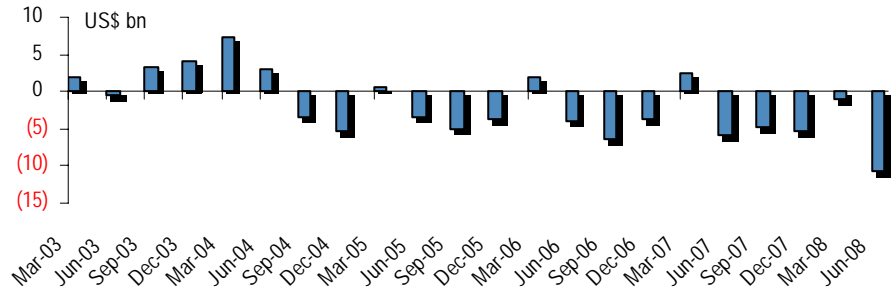
Figure 22: Industrial production (%Y/Y)



Source: J.P. Morgan Economics.

**Q1 FY 09 current account deficit of US\$ 10.7 billion was worse than expected.**

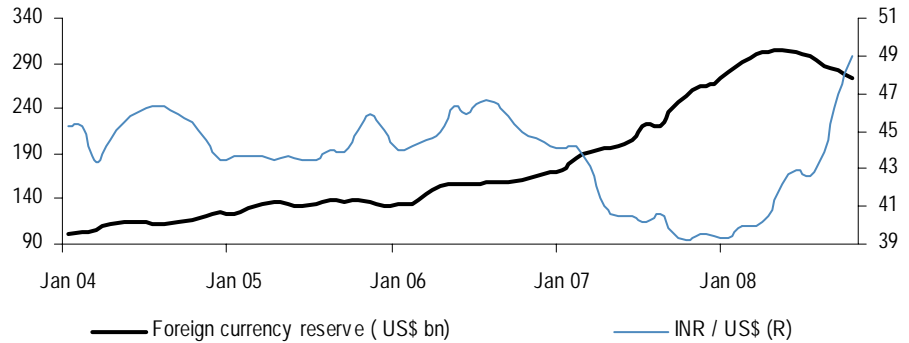
Figure 23: BoP—Current account



Source: J.P. Morgan Economics.

**The INR depreciated meaningfully against the US\$ and lost 5% over the month. This could be primarily attributed to capital outflows and the current account deficit remaining under pressure.**

Figure 24: Foreign currency reserves and exchange rate

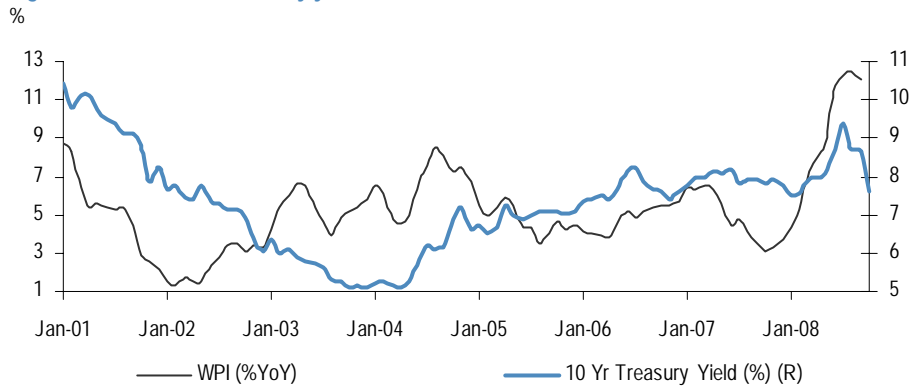


Source: J.P. Morgan Economics.

**WPI headline inflation eased marginally to 11.07%. Inflation is expected to remain at elevated levels till the end of 2008. The RBI expects inflation to moderate to 7.0% by March 09.**

**10-year treasury yields softened by a substantial 110bps to 7.6% over the month. The RBI has been attempting to improve tight liquidity conditions and has cut the CRR by 250 bps and the repo rate by 100 bps over the month.**

Figure 25: Inflation and treasury yield



Source: J.P. Morgan Economics.

## Annexure 5: J.P. Morgan India universe

Table 13: J.P. Morgan coverage universe

RIC	Name	Industry	JPM Rating	Price 24-Oct	EPS FY08	EPS FY09	PE FY 09	Div Yld (E) FY 09 (%)	RoE 09 (E) (%)
HROH.BO	Hero Honda	Autos & Auto Parts	OW	728	48.5	59.9	12.1	3.3	36
MAHM.BO	Mahindra & Mahindra	Autos & Auto Parts	OW	287	36.6	40.1	7.2	4.2	22
MRTI.BO	Maruti Suzuki India Ltd	Autos & Auto Parts	OW	534	59.9	56.0	9.5	0.9	23
ASOK.BO	Ashok Leyland	Autos & Auto Parts	N	18	3.4	3.5	5.0	8.7	21
TVSM.BO	TVS Motor Company Ltd	Autos & Auto Parts	UW	28	6.8	8.8	3.2	5.6	22
BOSH.BO	Bosch Limited	Autos & Auto Parts	OW	2971	195.0	240.1	12.4	1.0	23
ACC.BO	ACC Limited	Building Materials	N	423	68.5	62.3	6.8	5.2	21
GRAS.BO	Grasim Industries Ltd	Building Materials	OW	1053	266.9	254.5	4.1	3.0	23
GACM.BO	Ambuja Cements Limited	Building Materials	N	45	8.2	7.4	6.1	6.7	20
ULTC.BO	UltraTech Cement Ltd	Building Materials	OW	335	80.9	67.1	5.0	0.0	29
BINC.BO	Binani Cement Ltd	Building Materials	OW	33	7.2	10.2	3.2	6.1	43
GMRI.BO	GMR Infrastructure Ltd	Building Materials	OW	56	1.2	4.8	11.6	0.0	13
HLL.BO	Hindustan Unilever Limited	Consumer Goods	N	225	9.4	11.8	19.0	4.4	167
ITC.BO	ITC Limited	Consumer Goods	OW	159	8.2	9.3	17.1	2.5	27
TTTE.BO	Tata Tea Limited	Consumer Goods	OW	533	53.3	74.9	7.1	5.4	11
UNSP.BO	United Spirits Limited	Consumer Goods	N	747	26.0	40.5	18.4	1.1	16
DABU.BO	Dabur India Limited	Consumer Goods	N	72	3.8	4.3	16.5	0.0	53
BJHN.BO	Bajaj Hindusthan Ltd	Consumer Goods	UW	43	16.3	19.6	2.2	1.4	13
GOCP.BO	Godrej Consumer Products	Consumer Goods	N	99	7.5	7.2	13.8	4.5	47
COLG.BO	Colgate-Palmolive	Consumer Goods	N	380	17.3	20.4	18.6	4.3	124
NEST.BO	Nestlé India Limited	Consumer Goods	N	1445	59.3	70.6	NA	3.9	137
BOB.BO	Bank of Baroda	Financial Services	N	245	39.6	45.2	5.4	3.7	16
CNBK.BO	Canara Bank	Financial Services	UW	156	37.0	42.9	3.6	5.3	14
HDFC.BO	HDFC	Financial Services	OW	1573	90.7	85.1	18.5	1.7	20
HDBK.BO	HDFC Bank	Financial Services	N	973	40.8	47.6	20.4	1.0	13
ICBK.BO	ICICI Bank	Financial Services	OW	310	41.3	36.5	8.5	3.9	8
PNBK.BO	Punjab National Bank	Financial Services	OW	420	59.6	76.0	5.5	3.1	19
SBI.BO	State Bank of India	Financial Services	OW	1156	109.1	147.5	7.8	1.7	15
UNBK.BO	Union Bank of India	Financial Services	OW	123	23.2	28.9	4.3	4.5	22
YESB.BO	YES Bank Ltd	Financial Services	OW	65	6.9	10.7	NA	0.0	19
BOI.BO	Bank of India	Financial Services	N	228	30.5	40.8	5.6	2.4	24
ALBK.BO	Allahabad Bank	Financial Services	UW	48	18.5	17.9	2.7	7.3	15
DCBA.BO	Development Credit Bank	Financial Services	N	25	2.9	6.1	4.1	0.0	15
AXBK.BO	Axis Bank Ltd	Financial Services	OW	534	29.9	42.2	12.7	1.7	16
CIPL.BO	Cipla Limited	Healthcare	N	160	9.0	10.3	15.5	1.9	20
REDY.BO	Dr Reddy's Limited	Healthcare	OW	447	27.6	29.2	15.3	1.0	15
GLEN.BO	Glenmark Pharma Ltd	Healthcare	OW	324	21.8	30.9	10.5	0.5	40
RANB.BO	Ranbaxy Laboratories Ltd	Healthcare	N	189	18.9	27.8	6.8	5.3	12
SUN.BO	Sun Pharmaceutical	Healthcare	OW	1283	71.4	95.2	NA	0.8	33
BHEL.BO	BHEL	Machinery & Capital Goods	OW	1092	58.4	72.3	15.1	1.2	27
LART.BO	Larsen & Toubro	Machinery & Capital Goods	OW	779	38.6	50.0	15.6	0.0	25
GAMM.BO	Gammon India Ltd	Machinery & Capital Goods	N	86	11.9	18.6	4.6	0.0	13
HCNS.BO	HCC	Machinery & Capital Goods	OW	34	4.2	5.5	6.1	3.6	15
IVRC.BO	IVRCL Infrastructure Ltd	Machinery & Capital Goods	OW	67	14.2	19.5	3.5	1.5	15
JAIA.BO	Jaiprakash Associates Ltd	Machinery & Capital Goods	N	60	22.0	0.0	NA	0.0	0
NGCN.BO	Nagarjuna Construction	Machinery & Capital Goods	OW	43	7.4	9.4	4.6	6.2	17
PUJL.BO	Punj Lloyd Ltd	Machinery & Capital Goods	OW	150	10.6	15.4	9.7	0.4	14
SUZL.BO	Suzlon Energy Ltd	Machinery & Capital Goods	N	47	6.7	9.2	5.1	2.9	16
ABB.BO	ABB Ltd	Machinery & Capital Goods	N	489	28.9	37.5	13.0	0.7	32
CROM.BO	Crompton Greaves Limited	Machinery & Capital Goods	N	161	11.1	13.7	11.8	1.3	33
SIEM.BO	Siemens India	Machinery & Capital Goods	N	265	46.4	55.3	4.8	0.0	33
SUTV.BO	Sun TV Network Limited	Media & Entertainment	UW	160	41.2	57.6	2.8	3.8	26
NDTV.BO	New Delhi Television Ltd.	Media & Entertainment	UW	95	4.0	8.6	11.0	1.8	17
ZEE.BO	Zee Entertainment	Media & Entertainment	OW	124	8.4	10.4	12.0	2.0	15
HALC.BO	Hindalco Industries	Metals & Mining	N	43	21.4	14.3	3.0	3.0	14
NALU.BO	National Aluminium Co Ltd	Metals & Mining	UW	160	25.3	29.7	5.4	3.7	20
SAIL.BO	Steel Authority of India Ltd	Metals & Mining	OW	75	18.2	16.6	4.5	5.0	31
TISC.BO	Tata Steel Ltd	Metals & Mining	N	178	71.3	92.5	1.9	7.3	25
JIND.BO	Jindal SAW	Metals & Mining	OW	306	55.5	76.8	4.0	2.0	13
MHSM.NS	Maharashtra Seamless	Metals & Mining	OW	152	30.3	29.8	5.1	4.6	24
MNET.BO	Monnet Ispat &	Metals & Mining	OW	157	33.6	55.2	2.8	2.9	22



RIC	Name	Industry	JPM Rating	Price	EPS FY08	EPS FY09	PE FY 09	Div Yld (E) FY 09 (%)	RoE 09 (E) (%)
WGSR.BO	Welspun Gujarat	Metals & Mining	N	92	16.8	29.1	3.2	1.1	35
RELI.BO	Reliance Industries Ltd	Oil & Gas	OW	1016	133.9	115.9	8.8	1.7	23
RPET.BO	Reliance Petroleum Ltd	Oil & Gas	N	77	0.0	6.6	11.7	0.0	20
ONGC.BO	Oil and Natural Gas Corp	Oil & Gas	OW	660	92.9	154.1	4.3	6.1	35
CAIL.BO	Cairn India Limited	Oil & Gas	OW	121	3.0	21.2	5.7	0.0	12
BPCL.BO	BPCL	Oil & Gas	UW	281	73.0	15.8	17.8	4.6	5
CAIL.BO	Cairn India Limited	Oil & Gas	OW	121	3.0	21.2	5.7	0.0	12
HPCL.BO	HPCL	Oil & Gas	UW	190	67.3	19.7	9.6	6.8	6
IOC.BO	Indian Oil Corporation	Oil & Gas	N	342	95.1	38.2	8.9	5.0	10
PLNG.BO	Petronet LNG Ltd.	Oil & Gas	OW	37	6.3	6.3	5.9	4.7	27
DLF.BO	DLF Limited	Real Estate	OW	204	46.1	53.9	3.8	3.4	37
UNTE.BO	Unitech Ltd	Real Estate	OW	30	10.2	11.8	2.6	0.7	42
PART.BO	Pantaloon Retail (India) Ltd	Retailing	OW	203	5.5	10.3	19.8	0.8	9
SHOP.BO	Shopper's Stop Ltd	Retailing	OW	161	21.2	31.6	5.1	5.9	27
TITN.BO	Titan Industries Limited	Retailing	OW	900	36.1	48.2	NA	1.7	40
HCLI.BO	HCL Infosystems	Technology - Hardware	OW	82	17.6	19.5	4.2	6.5	27
MOSR.BO	Moser Baer	Technology - Hardware	N	68	(11.8)	(0.4)	(169.3)	0.0	(0)
HCLT.BO	HCL-Technologies	Technology - Software	N	138	16.0	21.1	6.5	8.7	26
HEXT.BO	Hexaware Technologies Ltd	Technology - Software	N	21	8.0	11.3	1.8	16.3	19
INFY.BO	Infosys Technologies	Technology - Software	OW	1249	78.6	100.7	12.4	1.6	35
KPIT.NS	KPIT Cummins	Technology - Software	UW	27	6.7	8.6	NA	4.2	22
MBFL.BO	Mphasis Ltd	Technology - Software	N	175	12.3	20.9	8.4	0.0	29
NIIT.BO	NIIT Ltd	Technology - Software	UW	28	4.6	6.3	4.4	3.6	23
NITT.BO	NIIT Technologies	Technology - Software	N	66	23.1	22.6	2.9	11.3	30
PTNI.BO	Patni Computer	Technology - Software	N	135	27.8	31.1	4.4	3.4	14
POLS.BO	Polaris Software	Technology - Software	UW	43	7.4	9.7	4.5	5.8	14
SATY.BO	Satyam Computers	Technology - Software	OW	287	25.2	33.8	8.5	1.4	27
TCS.BO	Tata Consultancy Services	Technology - Software	OW	490	51.3	57.6	8.5	2.5	38
WIPR.BO	Wipro Ltd.	Technology - Software	N	235	22.4	26.7	8.8	3.5	28
MAST.BO	Mastek Ltd	Technology - Software	OW	214	44.7	50.5	4.2	5.8	32
ADIS.BO	Allied Digital Services	Technology - Software	OW	292	27.2	46.6	6.3	0.6	36
BRTI.BO	Bharti Airtel Limited	Telecom Services	OW	534	35.3	47.9	NA	0.0	34
MTNL.BO	MTNL	Telecom Services	N	60	8.3	2.5	24.4	6.6	1
RLCM.BO	Reliance Comm Limited	Telecom Services	N	193	25.0	30.7	6.3	0.5	21
IDEA.BO	Idea Cellular Limited	Telecom Services	OW	37	4.0	4.2	8.7	0.0	27
CCRI.BO	Container Corp India Ltd	Transportation	OW	701	57.9	65.9	10.6	2.1	25
NTPC.BO	NTPC	Utilities	N	131	9.0	9.8	13.3	3.0	15
RLIN.BO	Reliance Infrastructure Ltd	Utilities	OW	381	50.0	61.9	6.2	0.0	9
TTPW.BO	Tata Power	Utilities	OW	625	47.8	79.8	7.8	1.2	23
GGAS.BO	Gujarat Gas Ltd	Utilities	OW	201	22.1	25.9	7.8	2.0	22
GSPT.BO	Gujarat State Petronet Ltd.	Utilities	OW	34	1.8	2.3	14.8	2.0	12
IGAS.BO	Indraprastha Gas	Utilities	N	98	12.5	14.1	7.0	4.6	31
GAIL.BO	GAIL	Utilities	UW	197	30.8	34.2	5.8	6.4	21
RPOL.BO	Reliance Power	Utilities	N	97	0.4	2.0	48.9	0.0	3

Source: Datastream, J.P. Morgan.





ABB

www.abb.co.in

**Company description**

ABB is a leading power and automation engineering company. It provides solutions for energy-efficient generation, transmission and distribution of electricity, and for increasing productivity in industrial, commercial and utility operations. ABB is largely a domestic power T&D play, where our investment outlook remains strong.

**Positive share price drivers**

(1) Increase in PGCIL and APDRP order volume. (2) Industrial capex continuing on track.

**Negative share price drivers**

(1) More severe-than-expected industrial slowdown. (2) Slowdown in domestic T&D ordering. (3) Slowdown in housing and commercial construction activities, which could impact the market for standard distribution products.

**Valuation and risks**

Our DCF-based, Mar-09 PT (stock was downgraded to Neutral and PT updated on Oct 26) of Rs585 implies CY09E P/E of 18.5x. Potential improvement in the investment climate and a positive impact of the reducing commodity prices on margins (not factored into our revised estimates, as companies might pass on some of the benefits to customers) are key catalysts, in our view. Key risk to our price target is a more severe-than-expected industrial slowdown.

Bloomberg: ABB IN; Reuters: ABB.BO

Rs in millions, year-end December

	CY07	CY08E	CY09E	CY10E
Sales	59,303	69,203	79,742	92,451
Net profit	4,917	5,756	6,726	7,844
EPS (Rs)	23.2	27.2	31.7	37.0
DPS (Rs)	2.2	3.1	3.3	3.3
Net sales growth (%)	39	17	15	16
Net profit growth (%)	44	17	17	17
EPS growth (%)	44	17	17	17
ROE (%)	35	31	28	26
P/E (x)	26.6	22.7	19.5	16.7
P/BV (x)	8.1	6.2	4.8	3.8
EV/EBITDA (x)	17.1	14.5	12.3	10.3

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

**Neutral**

Price: Rs617.45

**Price Target: Rs585****India****Electric Utilities****Shilpa Krishnan<sup>AC</sup>**

(91-22) 6639-3010

shilpa.x.krishnan@jpmorgan.com

J.P. Morgan India Private Limited

**Price performance**

Rs



Source: Bloomberg.

**Performance**

	1M	3M	12M
Absolute (%)	(24.1)	(28.5)	(54.0)
Relative (%)	2.3	(1.6)	(12.5)

Source: Bloomberg.

**Company data**

52-week range (Rs)	595-1,670
Mkt cap. (RsB)	130.8
Mkt cap. (US\$B)	2.7
Avg daily value (US\$MM)	9.1
Avg daily volume (MM)	0.54
Shares O/S (MM)	211.9
Date of price	22-Oct-08
Index: BSE Sensex	10,169.9
Free float (%)	47.9
Exchange rate	49.3

Source: Bloomberg.

## ABB: Summary of financials

### Profit and loss statement

Rs in millions, year-end December

	CY07	CY08E	CY09E	CY10E
Revenues	59,303	69,203	79,742	92,451
% change Y/Y	39	17	15	16
EBITDA	7,246	8,388	9,668	11,116
% change Y/Y	52	16	15	15
EBITDA margin (%)	12	12	12	12
EBIT	6,922	7,838	9,018	10,376
% change Y/Y	54	13	15	15
EBIT margin (%)	12	11	11	11
Other income	710	950	1,250	1,600
Net Interest	(68)	0	0	0
Earnings before tax	7,565	8,788	10,268	11,976
% change Y/Y	45	16	17	17
Tax	(2,648)	(3,032)	(3,542)	(4,132)
as % of EBT	45	15	17	17
Net income (adjusted)	4,917	5,756	6,726	7,844
% change Y/Y	44	17	17	17
Shares outstanding (MM)	212	212	212	212
EPS (adjusted)	23.2	27.2	31.7	37.0

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end December

	CY07	CY08E	CY09E	CY10E
Cash and cash equivalents	6,429	8,405	11,281	16,054
Accounts receivable	24,236	28,440	32,771	37,994
Inventories	4,887	5,486	6,212	7,194
Others	5,556	6,223	7,714	8,806
Current assets	41,107	48,554	57,978	70,047
Total Investments	705	705	705	705
Net fixed assets	4,579	5,519	6,369	7,129
Total assets	46,390	54,778	65,052	77,881
Liabilities				
Payables	22,703	25,406	29,275	33,941
Others	7,291	7,861	8,327	9,546
Total current liabilities	29,993	33,267	37,602	43,487
Total debt	6	95	95	95
Other liabilities	276	276	276	276
Total liabilities	30,275	33,638	37,974	43,858
Shareholders' equity	16,115	21,140	27,078	34,023
BVPS	76.0	99.8	127.8	160.6

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end December

	CY07	CY08E	CY09E	CY10E
EBIT	6,922	7,838	9,018	10,376
Depreciation & amortization	324	550	650	740
Change in working capital	1,255	2,417	3,066	4,174
Taxes	(2,648)	(3,032)	(3,542)	(4,132)
Others	(2,807)	(3,745)	(4,116)	(4,086)
Cash flow from operations	3,047	4,028	5,076	7,073
Capex	(1,368)	(1,491)	(1,500)	(1,500)
Free cash flow	1,679	2,537	3,576	5,573
Equity raised/ (repaid)	-	-	-	-
Debt raised/ (repaid)	(12)	(10)	89	-
Other	2	99	(89)	(1,897)
Dividends paid	(466)	(650)	(700)	(800)
Change in cash	1,203	1,977	2,876	2,876
Beginning cash	5,464	6,429	8,405	8,405
Ending cash	6,429	8,405	11,281	11,281
DPS	2.2	3.1	3.3	3.3

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end December

	CY07	CY08E	CY09E	CY10E
EBITDA margin	12	12	12	12
EBIT margin	12	11	11	11
Net profit margin	8	8	8	8
Sales growth	39	17	15	16
Net profit growth	44	17	17	17
EPS growth	44	17	17	17
Debt to total capital	0.1	0.0	0.4	0.3
Net debt to equity	0.1	0.0	0.4	0.4
Sales/assets	5.0	4.3	3.7	3.4
Assets/equity	1.0	1.0	1.0	1.0
ROE	33	35	31	28
ROCE	32	35	31	28

Source: Company, J.P. Morgan estimates.

## Akruti City

www.akruticity.com

### Company description

Akruti City is a leading real estate company in Mumbai with a track record of over 20 years. Since its inception in 1989, the company has developed nearly 5msf of building area, 97% of which was through the slum rehabilitation scheme (SRS). Akruti is now venturing into non-SRS development to diversify its business model, with its future project pipeline concentrated in Mumbai, Pune and Thane. It is also planning to develop three big townships in Panvel, Uran and Khalapur, each spread over 1,000 acres.

### Positives

(1) Strong presence in SRS projects provides Akruti access to prime land in Mumbai at a low cost. (2) It is undertaking large-size projects in JV with leading developers such as DLF, thereby mitigating execution risks. (3) Akruti has de-risked its business model through open plot developments (non-SRS projects) given that SRS projects are significantly exposed to regulatory risks. (4) Akruti is exploring alliances with private equity investors/developers for township projects to unlock capital and de-risk execution. (5) Its strong track record in slum rehabilitation projects makes it a leading contender for the Dharavi project.

### Negatives

(1) Execution is a key risk given the extensive scale up and long gestation nature of SRS projects. (2) Absorption risk especially for township projects in Navi Mumbai. (3) Geographical risk given the significant expansion plans in western India.

### Valuation

The stock is trading at 7.6x and 4.3x FY09 and FY10 consensus earnings estimates, respectively.

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Bloomberg: AKCL IN; Reuters: AKRU.BO

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	477	1,713	1,895	4,398
EBITDA	139	467	1,046	3,506
Net profit	138	622	777	2,978
EPS (Rs)	66.4	12.8	11.3	44.4
Sales growth (%)	63	259	11	132
Net profit growth (%)	57	351	25	283
ROE (%)	29	78	25	46
ROCE (%)	4	21	17	26
P/E (x)	9.3	48.2	54.2	13.8
P/B (x)	2.4	27.6	8.1	5.2

Source: Capitaline. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs613.6

### India

#### Property

#### Saurabh Kumar<sup>AC</sup>

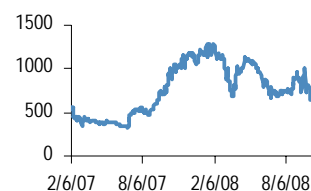
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-34.2	-15.1	-32.2
Relative (%)	-6.9	12.8	10.1

Source: Bloomberg.

### Company data

52-week range (Rs)	1,399 - 575
Mkt cap. (RsMM)	40,924
Mkt cap. (US\$MM)	829
Avg. daily volume (MM)	0.7
Avg daily value (US\$MM)	12.1
Shares O/S (MM)	67
Date of price	22-Oct-08
Index: BSE Sensex	10170
Exchange rate	49.3

Source: Bloomberg.

## Akruti City: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Revenues	477	1,713	1,895	4,398
% change Y/Y	63	259	11	132
EBITDA	139	467	1,046	3,506
% change Y/Y	115	237	124	235
EBITDA margin (%)	29	27	55	80
EBIT	68	419	984	3,437
% change Y/Y	91	515	135	249
EBIT margin (%)	14	24	52	78
Net financial income	82	242	(104)	(26)
Earnings before tax	150	661	879	3,411
% change Y/Y	55	342	33	288
Tax	(12)	(39)	(107)	(419)
as % of EBT	8	6	12	12
Net income (adjusted)	138	622	777	2,978
% change Y/Y	57	351	25	283
EPS (adjusted)	66.4	12.8	11.3	44.4
% change Y/Y	52	-81	-11	293

Source: Capitaline.

### Balance sheet

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Cash and cash equivalents	200	52	1,334	403
Accounts receivable	40	25	716	1,103
Inventories	1,218	1,042	1,584	4,245
Others	249	383	3,573	9,250
Current assets	1,707	1,501	7,207	15,001
Total Investments	75	198	2,749	2,278
Net fixed assets	751	859	894	1,147
Liabilities	455	473	660	1,662
Provisions	57	115	262	598
Total current liabilities	512	588	922	2,259
Total assets	2,022	1,969	9,928	16,167
Total debt	1,504	895	4,879	8,292
Other liabilities	0	6	3	26
Total liabilities	1,504	901	4,881	8,318
Shareholders' equity	518	1,068	5,046	7,849

Source: Company.

### Cash flow statement

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
EBIT	68	419	984	3,437
Depreciation & amortization	70	48	62	69
Changes in working capital	(117)	135	(4,090)	(7,387)
Taxes	(12)	(39)	(107)	(419)
Cash from operations	10	562	(3,152)	(4,300)
Net interest	82	242	(104)	(26)
Capex	(119)	(84)	(85)	(321)
Change in investments	(7)	(123)	(2,551)	470
Free cash flow	(34)	597	(5,892)	(4,177)
Equity raised/ repaid	-	-	3,363	-
Debt raised or repaid	216	(609)	3,984	3,413
Other				
Dividends paid	(40)	(72)	(100)	(167)
Beginning cash	63	200	52	1,334
Ending cash	200	52	1,334	403

Source: Company.

### Ratio analysis

%, year-end March

	FY05	FY06	FY07	FY08
EBITDA margin	29	27	55	80
EBIT margin	14	24	52	78
Net profit margin	29	36	41	68
Sales growth	63	259	11	132
Net profit growth	57	351	25	283
Net debt to total capital	65	43	36	49
Net debt to equity	252	79	70	101
Sales/assets	24	87	19	27
Assets/equity	390	184	197	206
ROE	29	78	25	46
ROCE	4	21	17	26

Source: Company.

## Allcargo Global Logistics Ltd.

www.allcargoglobal.com

### Company description

Allcargo Global Logistics (AGL), incorporated in 1993, is a multimodal transport operator (MTO) with a wide presence across India. AGL established a container freight station at JNPT, Mumbai, in 2003 to broaden its revenues and is further expanding its CFS network across India. The company also acquired Ecu Line NV (a global consolidator headquartered in Belgium) in June 2006.

### Positives

AGL has a well-entrenched relationship with shipping lines wherein it buys freight from them for its MTO services, while the shipping lines avail of AGL's CFS services. It is amongst the leading MTOs for the consolidation of less-than-containerload cargo. With capacity expansions through new inland depots in India, AGL will likely increase its market share in CFS/ICD operations. The acquisition of Belgium-based Ecu will likely aid in business sustainability as consolidation amongst port operators and shipping lines is leading to increased concentration of business, according to management.

### Negatives

Given AGL's exposure to foreign trade, the challenging near-term global environment, is likely to moderate growth, according to management. Rising employee expenses given the company's acquisitions over the past two years, especially the ECU Hold acquisition, and high exposure to the low margin MTO business, have led to margin contraction over the past several quarters.

### Valuation

The stock trades at 17x P/E CY08E and 13.9x P/E CY09E consensus EPS.

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Bloomberg: [AGLL.IN](#), Reuters: [ALGL.BO](#)

Rs in millions, year-end March

	FY05-S	FY06-C	CY06-C	CY07 -C
Sales	2,321	2,757	9,083	16,135
Net profit	249	495	604	765
EPS (Rs)	24.9	27.2	29.8	37.5
Sales growth (%)	55	19	229	78
Net profit growth (%)	323	99	22	27
EPS growth (%)	-79	9	10	26
Dividend yield (%)	0.2	0.6	0.7	0.7
ROE	89.1	49.4	21.8	17.7
P/E	28.6	26.2	23.9	19.0

Source: Company, Capitaline. Note: Share price and valuations are as of 22 October 2008. Note: S – Standalone C – consolidated

\*\*\* Year end changed to December from 2006 onwards; financials are on standalone basis till FY05 and are on consolidated basis from FY06 onwards.

## Not Covered

Price: Rs712.45

### India

#### Auto Parts

#### Aditya Makharia<sup>AC</sup>

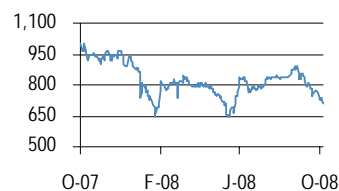
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aditya.s.makharia@jpmchase.com

J.P. Morgan India Pvt Ltd

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-14	-11	-26
Relative (%)	+15	+20	+25

Source: Bloomberg.

### Company data

52-week range (Rs)	610-1,050
Mkt cap. (RsMM)	15,952
Mkt cap. (US\$MM)	323
Avg daily value (US\$MM)	0.8
Avg daily volume (MM)	0.1
Shares O/S (MM)	22.3
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	19
Exchange rate	49.3

Source: Bloomberg.



## Allcargo Global Logistics Ltd.: Summary of financials

### Profit and loss statement

Rs in millions, year-end December\*\*\*

	FY05-S	FY06-C	CY06-C	CY07 -C
Revenues	2,321	2,757	9,083	16,135
% change y/y	55	19	229	78
EBITDA	375	628	927	1,393
% change y/y	166	68	48	50
EBITDA margin (%)	16	23	10	9
EBIT	296	565	848	1,226
% change y/y	233	91	50	45
EBIT margin (%)	13	20	9	8
Net financial income	-8	-23	-53	-124
Earnings before tax	288	542	796	1,103
% change y/y	269	88	47	39
Tax	-39	-47	-175	-238.5
as % of EBT	14	9	22	22
Net income	249	495	604	766
% change y/y	323	99	22	27
EPS	24.9	27.2	29.8	37.5
% change y/y	-79	9	10	26

Source: Company.

### Balance sheet

Rs in millions year-end December

	FY05-S	FY06-C	CY06-C	CY07 -C
Cash & cash equivalents	12	412	450	631
Accounts receivables	181	255	1,861	2,271
Inventories	-	-	-	-
Others	219	255	809	734
Current assets	412	922	3,120	3,637
Current liabilities	257	231	1,953	2,305
Provisions	61	128	73	145
Total current liabilities	318	359	2,026	2,450
Total investments	76	790	578	65
Net fixed assets	334	485	3,078	4,842
Misc. expenses	1	1	6	6
Total assets	505	1,839	4,756	6,099
Debt	99	225	776	1,263
Other liabilities	5	10	40	130
Total liabilities	105	236	816	1,393
Shareholders' equity	401	1,604	3,940	4,707
BVPS (Rs per share)	40	88	194	211

Source: Company.

### Cash flow statement

Rs in millions, year-end December

	FY05-S	FY06-C	CY06-C	CY07 -C
PBT	289	542	717	1103
Tax	-39	-47	-175	-239
Depreciation	78	62	79	252
Working capital changes	-88	-66	-447	130
Cash from operations	240	492	173	1247
Capex	-153	-213	-2672	-1691
Change in investment	-70	-714	212	513
Cash from investing	-222	-927	-2460	1178
Change in debt	-12	126	551	487
Change in equity	95	84	27	0
Change in reserves	-95	709	1851	-267
Dividend	-11	-83	-104	-108
Cash from financing	-23	836	2324	113
Inc/(Dec) in cash	-6	400	38	181
Opening cash	18	12	412	450
Ending cash	12	412	450	631

Source: Company.

### Ratio analysis

%, year-end December

	FY05-S	FY06-C	CY06-C	CY07 -C
EBITDA margin	16	23	10	9
EBIT margin	13	20	9	8
Net Profit margin	11	18	7	5
Sales growth	55	19	229	78
Net profit growth	323	99	22	27
Interest coverage (x)	38.5	24.4	16.2	9.9
Net debt to equity (x)	22	-12	8	13
Sales/assets	459	150	191	265
Assets/equity	126	115	121	130
ROE	89	49	22	18

Source: Company.

\*\*\* Year end changed to December from 2006 onwards; financials are on standalone basis till FY05 and are on consolidated basis from FY06 onwards

## Anant Raj Industries

www.anantraj.com

### Company description

Anant Raj Industries Limited (ARIL) is part of the Anant Raj Group, owned by Ashok Sarin, and was incorporated as a public company in 1985. ARIL's main businesses are real estate construction and development, ownership of hotels and multiplexes, and ceramic tile manufacturing. It has restructured itself to focus more on real estate development. The company has three decades of experience in the real estate business with a strong presence in the NCR. ARIL has developed 11.5million sq ft of residential, office, and shopping mall space.

### Positives

(1) Diversified mix of projects in NCR across residential buildings, commercial complexes, hospitality, entertainment and SEZs. (2) Strong presence in hospitality is a key positive given the significant potential due to the upcoming Commonwealth Games and tax benefits. (3) High quality land bank in the NCR.

### Negatives

(1) Execution risk given the extensive scale-up in development plans. (2) Restricting operations within the NCR region exposes the company to pricing risk in the region.

### Valuation

The stock is trading at 3x and 1.9x FY09 and FY10 consensus earnings estimates, respectively.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

Bloomberg: ARCP IN, Reuters: ANRA.BO

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	225	551	2,080	6,038
EBITDA	27	383	1,770	5,622
Net profit	3	281	1,255	4,363
EPS (Rs)	0.2	8.9	5.1	14.6
Sales growth (%)	-21	145	277	190
Net profit growth (%)	-55	9,936	347	248
ROE (%)	1	21	18	22
ROCE (%)	2	22	19	25
P/E (x)	396.0	6.7	11.7	4.1
P/BV (x)	5.2	0.7	1.2	0.6

Source: Company. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs59.4

### India

#### Property

Saurabh Kumar<sup>AC</sup>

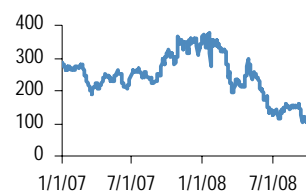
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J.P.Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-46.6	-52.1	-79.1
Relative (%)	-19.3	-24.2	-36.8

Source: Bloomberg.

### Company data

52-week range (Rs)	395 - 57.15
Mkt cap. (RsMM)	17,529
Mkt cap. (US\$MM)	355
Avg. daily volume (MM)	0.4
Avg. daily value (US\$MM)	0.9
Shares O/S (MM)	295
Date of price	22-Oct-08
Index: Sensex	10170
Free float (%)	29.6
Exchange rate	49.3

Source: Bloomberg.

## Anant Raj Industries: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Revenues	225	551	2,080	6,038
% change Y/Y	-21	145	277	190
EBITDA	27	383	1,770	5,622
% change Y/Y	-31	1304	362	218
EBITDA margin (%)	12	70	85	93
EBIT	7	355	1,692	5,540
% change Y/Y	-53	4,691	377	227
EBIT margin (%)	3%	64%	81%	92%
Net financial income	(4)	14	19	262
Earnings before tax	3	369	1,711	5,802
% change Y/Y	-58	11,079	364	239
Tax	(1)	(88)	(456)	(1,438)
as % of EBT	15	24	27	25
Net income (adjusted)	3	281	1,255	4,363
% change Y/Y	-55	9,936	347	248
EPS (adjusted)	0.2	8.9	5.1	14.6
% change Y/Y	-53	5,820	-43	188

Source: Company.

### Balance sheet

Rs in millions, year end March

	FY05	FY06	FY07	FY08
Cash and cash equivalents	14	31	626	6,048
Accounts receivable	69	98	118	3,098
Inventories	47	68	89	99
Others	31	50	3,014	4,501
Current assets	161	246	3,846	13,746
Total Investments	0	0	1,124	1,486
Net fixed assets	293	2,801	12,702	16,581
Liabilities	83	128	1,906	1,107
Provisions	3	65	769	1,350
Total current liabilities	85	193	2,675	2,457
Total assets	369	2,855	14,998	29,355
Total debt	139	385	3,403	580
Other liabilities	10	23	19	16
Total liabilities	149	408	3,422	596
Shareholders' equity	220	2,447	11,576	28,759

Source: Company.

### Cash flow statement

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
EBIT	7	355	1,692	5,540
Depreciation & amortization	20	29	78	82
Changes in working capital	57	40	(523)	(4,695)
Taxes	(1)	(88)	(456)	(1,438)
Cash from operations	83	335	791	(511)
Net interest	(4)	14	19	262
Capex	(141)	(2,525)	(9,989)	(3,957)
Change in investments	-	-	(1,124)	(362)
Free cash flow	(62)	(2,175)	(10,304)	(4,568)
Equity raised/ repaid	-	2,013	7,901	13,584
Debt raised or repaid	46	246	3,018	(2,823)
Dividends paid	-	(54)	(257)	(688)
Beginning cash	31	14	31	626
Ending cash	14	31	626	6,048

Source: Company.

### Ratio analysis

%, year-end March

	FY05	FY06	FY07	FY08
EBITDA margin	12	70	85	93
EBIT margin	3	64	81	92
Net profit margin	1	51	60	72
Sales growth	-21	145	277	190
Net profit growth	-55	9936	347	248
Net debt to total capital	34	12	19	-19
Net debt to equity	57	14	24	-19
Sales/assets	61	19	14	21
Assets/equity	168	117	130	102
ROE	1	21	18	22
ROCE	2	22	19	25

Source: Company.

## Apollo Tyres Ltd

www.apollotyres.com

### Company description

Apollo Tyres is India's second largest tyre manufacturer with a market share of over 20%. Post its acquisition of Dunlop South Africa, its revenues have crossed US\$1 billion, making it amongst the 15<sup>th</sup> largest global tyre manufacturer. The company is promoted by the Kanwar group with Michelin owning an 11% stake.

### Positives

The recent correction in rubber prices (prices are down over 40% from peak) will significantly improve profitability as natural rubber accounts for over 40% of sales, according to management. We expect economic activity to revive over FY10 as the business cycle picks up based on monetary easing, which would likely boost the demand for replacement tyres.

### Negatives

Near-term outlook for the industry is challenging as the expected slowdown in IIP will slow demand for tyres. While new truck sales are likely to slow over the near term (OEM sales account for 20% of sales), demand for the high margin replacement tyre segment (account for c.70%) is likely to moderate, given the likely slowing economic activity.

### Valuation

The stock trades at a P/E of 6.8x FY09E and 5.9x on FY09E consensus standalone EPS.

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Bloomberg: [APTY.IN](#), Reuters: [APLO.BO](#)

Rs in millions, year-end March

	FY05A	FY06A	FY07A	FY08A
Net sales	22,255	26,255	32,923	36,939
Net profit	676	722	1,134	2,138
EPS (Rs)	1.8	2.0	2.4	4.5
EPS Cons. (Rs)	1.8	2.0	2.5	5.4
DPS (Rs)	0.4	0.4	0.4	0.5
Net sales growth (%)	15.9	18.0	25.4	12.2
EPS growth (%)	-4.0	15.4	20.1	83.9
ROE (%)	11.7	12.3	11.6	17.8
BVPS (Rs)	15.0	16.5	21.1	25.2
P/E (x)	17.7	15.3	12.8	6.9
P/E Consolidated (X)	17.7	15.3	12.4	5.7

Source: Company. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs31.2

### India

#### Auto Parts

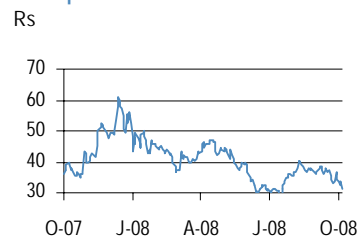
#### Aditya Makharia<sup>AC</sup>

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J.P. Morgan India Pvt Ltd

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-18	0	-20
Relative (%)	+9	+31	+29

Source: Bloomberg.

### Company data

52-week range (Rs)	29-61
Mkt cap. (RsMM)	15,818
Mkt cap. (US\$MM)	321
Avg daily value (US\$MM)	2.5
Avg daily volume (MM)	3.5
Shares O/S (MM)	504
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	61
Exchange rate	49.3

Source: Bloomberg.

## Apollo Tyres Ltd: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY05A	FY06A	FY07A	FY08A
Revenues	22,255	26,255	32,923	36,939
% change Y/Y	16	18	25	12
EBITDA	1,648	2,227	3,093	4,641
% change Y/Y	2	35	39	50
EBITDA margin (%)	7.4	8.5	9.4	12.6
Other income	198	12	30	36
Depreciation	568	729	742	878
EBIT	1,279	1,509	2,381	3,799
Interest charges	429	506	526	520
Earnings before tax	849	1,062	1,854	3,336
Tax	173	282	720	1,141
as % of EBT	20	27	39	34
Net income (pre exceptional)	676	722	1,134	2,138
% change Y/Y	-4	7	57	89
EPS (pre exceptional)	1.8	2.0	2.4	4.5
% change Y/Y	-4	15	20	84
EPS (consolidated)	1.8	2.0	2.5	5.4
% change Y/Y	-4	15	24	117

Source: Company.

### Balance sheet

Rs in millions, year-end March

	FY05A	FY06A	FY07A	FY08A
Cash and cash equivalents	1,104	2,314	1,720	2,659
Accounts receivable	1,565	1,751	2,031	1,551
Inventories	3,301	4,194	4,519	5,133
Others	1,465	1,846	2,076	1,915
Current assets	7,436	10,105	10,346	11,258
LT investments	545	5	2,581	3,027
Net fixed assets	8,345	9,186	10,313	10,654
<b>Total assets</b>	<b>16,325</b>	<b>19,296</b>	<b>23,241</b>	<b>24,939</b>
<b>Liabilities</b>	<b>16,325</b>	<b>19,296</b>	<b>23,241</b>	<b>24,939</b>
Payables	3,801	3,886	5,211	5,658
Others	288	520	764	931
Total current liabilities	4,090	4,407	5,976	6,589
Total debt	5,438	7,500	6,187	4,607
Other liabilities	1,034	1,052	1,291	1,412
Total liabilities	10,561	12,959	13,453	12,608
Shareholders' equity	5,764	6,338	9,787	12,332
BVPS (Rs per share)	14.9	15.0	16.5	21.1

Source: Company.

### Cash flow statement

Rs in millions, year-end March

	FY05A	FY06A	FY07A	FY08A
EBIT	1,080	1,498	2,351	3,763
Depreciation & amortization	568	729	742	878
Dec/(Inc) in working capital	(223)	(1,143)	693	583
Taxes	(88)	(263)	(482)	(1,020)
Cash flow from operations	1,338	821	3,305	4,205
Extra ordinary Items	13	59	1	56
Net capex	-1,773	-1,571	-1,869	-1,219
Net interest (paid)/ recd	-429	-506	-526	-520
Free cash flow	-852	-1,197	910	2,522
Income from investments	198	12	30	36
(Inc) / Dec in LT investment	97	540	-2,576	-446
Equity raised/ (repaid)	-432	-11	2,552	645
Debt raised/ (repaid)	1,224	2,062	-1,313	-1,581
Other				
Dividends paid	-195	-197	-197	-238
Cash generated during the year	41	1,209	-594	939
Beginning cash	1,064	1,104	2,314	1,720
Ending cash	1,104	2,314	1,720	2,659

Source: Company.

### Ratio analysis

%, year-end March

	FY05A	FY06A	FY07A	FY08A
EBITDA margin	7.4	8.5	9.4	12.6
Operating margin	5.7	5.7	7.2	10.3
Net profit margin	3.0	3.0	3.4	5.9
Sales growth	15.9	18.0	25.4	12.2
Net profit growth	-4.0	6.8	57.0	88.5
EPS growth	-4.0	15.4	20.1	83.9
EPS Cons. growth	-4.0	15.4	23.6	116.5
P/E	17.7	15.3	12.8	6.9
P/E consolidated	17.7	15.3	12.4	5.7
Cash P/E	9.6	7.9	7.7	5.0
EV/EBITDA	10.6	8.7	6.7	4.3
EV/Sales	0.8	0.7	0.6	0.5
Price to book value	2.1	1.9	1.5	1.2
Dividend yield	1.4	1.4	1.4	1.7
Interest coverage (x)	3.0	3.0	4.5	7.3
Net debt to equity (x)	0.9	1.2	0.6	0.4
ROE	11.7	12.3	11.6	17.8
ROCE	10.4	10.1	13.8	20.7

Source: Company.

## Ascendas India Trust

www.a-itrust.com

### Company description

Ascendas India Trust (AIT) is a Singapore business trust with REIT-like characteristics; it owns four IT parks in three key cities (Bangalore, Chennai, and Hyderabad) in India, comprising 4.6msf of income-producing properties, 1.5msf of planned developments over the next two years, as well as 24 acres designated as SEZ in Bangalore. It is externally managed by the Trustee-Manager (Ascendas Property Fund Trustee Pte Ltd), a wholly owned subsidiary of Ascendas (AIT's sponsor).

### Positive share price drivers

(1) Quality portfolio: AIT's portfolio continues to demonstrate strength given an overall 96% occupancy and decent rent growth. (2) Healthy balance sheet: AIT has a low gearing (1QFY09 debt/total assets) of 5% and has access to credit lines (S\$120 million), which places it in a strong position in the capital-constrained Indian property sector. (3) Inbuilt organic growth: AIT has three properties proposed for development covering 1.5msf of space; work on all three is expected to start soon. Moreover, master planning for the first phase of SEZ (0.55msf of a total of 2.7msf) has been completed.

### Negative share price drivers

(1) Adverse impact on AIT's assets post removal of tax benefits under the STP scheme. (2) Depreciation of Indian rupee against Singapore dollar. (3) Regulatory/fiscal policy changes relating to the trust's ability to make the estimated distribution.

### Valuation and risks

We have an Overweight rating with a Sept-09 SOTP-based price target of S\$0.85, which excludes value of the non-income producing SEZ development. Key risks to our estimates and price target are an adverse FX and lower-than-expected leasing in FY09. AIT, in our view, remains one of the best proxies for gaining office property exposure in India given strong management, resilient cash flows and what we believe is one of the best office property assets in India.

### Bloomberg: AIT SP; Reuters: AINT.SI

S\$ in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Revenue	102.7	127.9	121.7	147.6
Net property income	60.5	75.5	70.3	87.7
Distributable profit	45.8	54.1	50.2	66.6
EPU (S¢) adjusted	8.23	6.94	28.47	8.67
DPU (S¢)	6.09	7.18	6.64	8.79
BVPU (S\$)	1.08	1.09	1.36	1.36
DPU growth (%)	N.A.	17.9	(7.6)	32.4
P/E (x)	5.3	6.3	1.5	5.0
P/B (x)	0.4	0.4	0.3	0.3
Dividend yield (%)	14.0	16.5	15.3	20.2
Gearing (%)	4.2	8.9	9.1	6.8

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: S\$0.44

Price Target: S\$0.85

### Singapore

#### Property

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#### Christopher Gee<sup>AC</sup>

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J.P. Morgan Securities Singapore Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-21.6	-45.3	-68.9
Relative (%)	6.8	-8.3	-19.4

Source: Bloomberg.

### Company data

52-week range (S\$)	1.7 - 0.38
Mkt cap. (S\$MM)	328
Mkt cap. (US\$MM)	219
Avg. daily volume (MM)	1.7
Avg daily value (US\$MM)	0.01
Shares O/S (MM)	754
Date of price	22-Oct-08
Index (Straits Times)	1821
Free float (%)	60.3
Exchange rate	32.9

## Ascendas India Trust: Summary of financials

### Profit and loss statement

S\$ in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
Revenues	103	128	122	148
% change Y/Y	N.A.	25	(5)	21
EBIT	105	67	228	78
% change Y/Y	N.A.	(36)	239	(66)
EBIT margin (%)	103	53	187	53
Net interest	(7)	(1)	0	8
Earnings before tax	98	66	229	85
% change Y/Y	N.A.	(32)	244	(63)
Tax	(31)	(12)	(11)	(16)
as % of EBT	32	18	5	19
Net income (reported)	62	52	215	66
% change Y/Y	N.A.	(15)	311	(69)
Distributable income	46	54	50	67
% change Y/Y	N.A.	18	(7)	33
Shares outstanding (MM)	753	755	757	760
EPU (reported) (S¢)	8.23	6.94	28.47	8.67
% change Y/Y	N.A.	(16)	310	(70)
DPU (reported) (S¢)	6.09	7.18	6.64	8.79
% change Y/Y	N.A.	18	(8)	32

Source: Company, J.P. Morgan estimates.

### Cash flow statement

S\$ in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
Net income	62	52	215	66
Change in working capital	23	32	4	10
Taxes	31	(19)	(1)	5
Others	203	(106)	59	0
Cash flow from operations	320	(41)	278	81
Capex	(20)	(65)	(41)	(5)
Disposal/(purchase)	(90)	0	0	0
Net interest	3	0	0	0
Free cash flow	213	(106)	237	76
Equity raised/(repaid)	121	226	10	214
Debt raised/(repaid)	(210)	45	22	(27)
Other	(15)	(6)	(7)	(7)
Dividends paid	(46)	(54)	(50)	(67)
Beginning cash	48	112	216	427
Ending cash	112	216	427	617
DPU (reported) (S¢)	6.09	7.18	6.64	8.79

Source: Company, J.P. Morgan estimates.

### Balance sheet

S\$ in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
Cash and cash equivalents	63	104	211	189
Accounts receivable	27	25	25	25
Inventories	0	0	0	0
Others	29	10	9	14
Current assets	120	138	245	228
LT investments	745	1,032	957	1,170
Net fixed assets	31	31	31	31
Total assets	897	1,202	1,233	1,429
Liabilities				
Payables	96	102	101	111
Others	1	3	3	3
Total current liabilities	97	104	104	113
Long-term debt	40	85	107	80
Other liabilities	112	156	156	156
Total liabilities	249	345	366	349
Minorities	47	47	47	47
Shareholders' equity	809	819	1,033	1,033
BVPS (S\$)	1.08	1.09	1.36	1.36

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY08A	FY09E	FY10E	FY11E
EBIT margin	103	53	187	53
Operating margin	103	53	187	53
Net profit margin	60	41	177	45
SG&A/sales				
Sales growth	N.A.	25	(5)	21
Net profit growth	N.A.	(15)	311	(69)
EPS growth	N.A.	(16)	310	(70)
Interest coverage (x)	14	89	(561)	(10)
Net debt to total capital	(3)	(2)	(9)	(9)
Net debt to equity	(3)	(2)	(10)	(10)
Sales/assets	11	11	10	10
Assets/equity	111	147	119	138
ROE	8	6	5	6
ROCE	7	6	4	6

Source: Company, J.P. Morgan estimates.

## Ashok Leyland Ltd.

www.ashokleyland.com

### Company description

Ashok Leyland is the second largest commercial vehicle manufacturer in India. The company's product range includes vehicles for both goods and passenger applications. It is attempting to strengthen its presence in the light truck segment by forging a joint venture with Nissan for setting up a manufacturing facility in India.

### Positive share price drivers

We expect margins to expand over FY10-11 led by the sharp decline in input costs (base metals, crude oil). We expect demand to revive over FY10 as the business cycle picks up based on monetary easing. Demand could also get a temporary boost at end-FY10, ahead of the revised emission norms (to Euro IV) which will be implemented in April 2010.

### Negative share price drivers

The outlook over the near term is challenging against the backdrop of the slowdown in IIP and high inventory levels in the system. Ashok Leyland is in the midst of a substantial capex program, which will likely pressure gearing and return ratios in the near term.

### Valuation and risks

We maintain our Neutral rating with a Mar-09 price target of Rs23 (updated on Oct 23), based on a one-year forward P/E of 8x. Dividend yield of 5% should provide downside protection. Key risks to our investment thesis and price target are a sharp deterioration in the economy and further depreciation of the rupee, which could result in higher translation losses on outstanding ECB loans.

Bloomberg: AL.IN; Reuters: ASOK.BO

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Net sales	77,291	79,350	86,371	96,359
Net profit	4,487	3,172	3,905	4,477
EPS (Rs)	3.4	2.4	2.9	3.4
DPS (Rs)	1.5	1.1	1.2	1.4
Net sales growth (%)	7.8	2.7	8.8	11.6
EPS growth (%)	3.7	-29.3	23.1	14.6
ROE (%)	21.8	14.1	15.6	16.3
BVPS (Rs)	16.2	17.3	18.8	20.6
P/E (x)	6.1	8.6	7.0	6.1
EV/EBITDA (%)	4.6	6.2	5.8	5.3
Dividend yield (%)	7.3	5.2	5.7	6.6

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs.20.55

Price Target: Rs23

### India

#### Automobile Manufacture

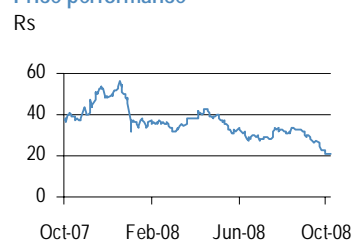
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J.P. Morgan India Pvt Ltd

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-31	-29	-50
Relative (%)	-5	+3	-3

Source: Bloomberg.

### Company data

52-week range (Rs)	20-55
Mkt cap. (RsMM)	27,388
Mkt cap. (US\$MM)	551
Avg daily value (US\$MM)	3.2
Avg daily volume (MM)	5.5
Shares O/S (MM)	1,330
Date of price	22-Oct-08
Index: BSE Sensex	10,170
Free float (%)	49
Exchange rate	49.3



## Ashok Leyland Ltd.: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
Revenues	77,291	79,350	86,371	96,359
% change Y/Y	8	3	9	12
EBITDA	7,931	7,221	8,603	9,983
% change Y/Y	13	-9	19	16
EBITDA Margin (%)	10.3	9.1	10.0	10.4
Depreciation	1,774	2,031	2,488	3,041
Other Income	406	503	546	644
Interest Expense	497	919	1,312	1,496
One off Income / (Exp)	207	77	0	0
Forex Gain / (Loss)	109	-400	0	0
Earnings before tax	6,381	4,451	5,349	6,091
Tax	1,688	1,202	1,444	1,614
as % of EBT	26.5	27.0	27.0	26.5
Net Income (Reported)	4,693	3,249	3,905	4,477
Net Income (Adjusted)	4,487	3,172	3,905	4,477
% change Y/Y	4.2	-29.3	23.1	14.6
<b>EPS (adjusted)</b>	<b>3.4</b>	<b>2.4</b>	<b>2.9</b>	<b>3.4</b>
% change Y/Y	4	-29	23	15
DPS (Rs per Share)	1.5	1.1	1.2	1.4
Dividend Payout (%)	45	45	40	40

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
Cash and C.E.	8,164	4,826	3,630	7,041
Accounts receivable	3,758	4,348	4,733	5,280
Inventories	12,239	13,479	13,725	15,312
Others	8,241	9,066	10,153	10,153
Current assets	32,403	31,718	32,241	37,786
LT investments	2,448	4,611	5,811	6,811
Net fixed assets	20,548	28,517	35,737	37,696
<b>Total assets</b>	<b>55,400</b>	<b>64,846</b>	<b>73,789</b>	<b>82,293</b>
<b>Liabilities</b>	<b>55,400</b>	<b>64,846</b>	<b>73,789</b>	<b>82,293</b>
Payables	17,351	17,174	18,694	20,856
Others	5,368	4,990	5,335	5,796
Total current liabilities	22,719	22,164	24,029	26,651
Deferred Tax	2,538	2,538	2,538	2,538
Debt	8,875	17,375	22,375	25,875
Total liabilities	34,133	42,077	48,942	55,064
Share Capital	1,330	1,330	1,330	1,330
Shareholders' equity	21,267	22,769	24,847	27,228
BVPS (Rs)	16.2	17.3	18.8	20.6

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
EBIT	6,157	5,190	6,115	6,942
Depreciation	1,774	2,031	2,488	3,041
Dec/(Inc) in W.Cap.	3,607	(2,941)	(11)	220
Taxes	(1,119)	(1,202)	(1,444)	(1,614)
Cash from operations	10,419	3,078	7,147	8,589
Extra ordinary Items	207	77	0	0
Net Capex	-6,876	-10,000	-9,708	-5,000
Net Interest (Paid)/ Recd	-497	-919	-1,312	-1,496
<b>Free cash flow</b>	<b>3,251</b>	<b>-7,764</b>	<b>-3,872</b>	<b>2,093</b>
Income from Investments	406	503	546	644
(Inc) / Dec in LT Investment	-237	-2,163	-1,200	-1,000
Equity raised/ (repaid)	6	0	0	0
Changes in Reserves	182	0	0	0
Debt raised/ (repaid)	2,471	8,500	5,000	3,500
Dividends paid	-2,264	-2,414	-1,670	-1,828
Cash generated in the year	3,815	-3,338	-1,196	3,410
Beginning cash	4,349	8,164	4,826	3,630
<b>Ending cash</b>	<b>8,164</b>	<b>4,826</b>	<b>3,630</b>	<b>7,041</b>

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY08A	FY09E	FY10E	FY11E
EBITDA margin	10.3	9.1	10.0	10.4
Net profit margin	6.1	4.1	4.5	4.6
Sales growth	8	3	9	12
Net profit growth	4	-29	23	15
EPS growth	4	-29	23	15
P/E (x)	6.1	8.6	7.0	6.1
Cash P/E (x)	4.2	5.2	4.3	3.6
EV/EBITDA (x)	4.6	6.2	5.8	5.3
EV/Sales (x)	0.5	0.6	0.6	0.6
Price to Book Value (x)	1.3	1.2	1.1	1.0
Dividend Yield(%)	7.3	5.2	5.7	6.6
Interest coverage (x)	12	6	5	5
Net debt to equity (x)	0.4	0.8	0.9	0.9
Sales/assets (x)	2.3	1.8	1.7	1.7
Assets/equity (x)	1.5	1.9	2.0	2.0
ROE (%)	21.8	14.1	15.6	16.3
ROCE (%)	19.9	13.3	13.3	13.6

Source: Company, J.P. Morgan estimates.

## Aurobindo Pharma

www.aurobindo.com

### Company description

Aurobindo, started in 1989, is a leading bulk player with FY06 revenues of Rs15 billion. The company's strategy to serve the world generic market is two-fold—on its own in the pure generic market and through a partner in the branded generic market. Cost competitiveness and scale are its core competitive advantages.

### Positives

According to management, strong product flow, increased ANDA filings and interesting product approvals should be the growth drivers for the company's US dollar-based revenues going forward on a smaller base.

### Negatives

Delays in getting critical approvals for the products and ANDA filings in the regulated markets could be a dampener for the revenue growth, according to management. A less-than-expected growth in the domestic business could also reduce revenue growth, according to management.

### Valuation

The stock is trading at consensus FY10 P/E of 3.5.

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**Bloomberg: ARBP IN Reuters: ARBN.BO**

Rs in millions, year-end March

	FY04	FY05	FY06	FY07
Net sales	13,151	15,612	21,045	24,134
EBITDA	1,078	1,539	2,934	3,247
Net profit	33	697	2,010	2,385
EPS (Rs)	0.6	13.1	37.7	44.4
Sales growth (%)	-9.8	18.7	34.8	14.7
Net profit growth (%)	-87.6	1,944.8	187.9	17.7
ROE (%)	0.5	9.3	23.6	23.7
ROCE (%)	2.7	4.2	7.5	7.6
P/E (x)	-	13.8	4.8	4.1

Source: Bloomberg, Capitaline. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs180

### India

### Pharma

**Pinakin Parekh, CFA<sup>AC</sup>**

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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-41	-35	-67
Relative (%)	-14	-7	-25

Source: Bloomberg

### Company data

52-week range (Rs)	600 - 174
Mkt cap. (RsMM)	9,680
Mkt cap. (US\$MM)	196
Avg daily volume (MM)	0.1
Avg daily value (US\$MM)	0.7
Shares O/S (MM)	54
Date of price	22-Oct-08
Index: Sensex	10170
Free float (%)	38.7
Exchange rate	49.3

Source: Bloomberg.

## Aurobindo Pharma: Summary of financials

### Profit and loss statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Revenues	13,151	15,612	21,045	24,134
% change Y/Y	-10	19	35	15
EBITDA	1,078	1,539	2,934	3,247
% change Y/Y	-51	43	91	11
EBITDA margin (%)	8	10	14	13
EBIT	431	818	1,937	2,243
% change Y/Y	-73	90	137	16
EBIT margin (%)	3	5	9	9
Net financial income	(264)	167	127	674
Earnings before tax	167	985	2,064	2,917
% change Y/Y	-89	489	110	41
Tax	(130)	(274)	(44)	(536)
as % of EBT	78	28	2	18
Net Income (adjusted)	33	697	2,010	2,385
% change Y/Y	-97	2,045	188	19
Shares outstanding	51	53	53	54
EPS (adjusted)	0.6	13.1	37.7	44.4
% change Y/Y	-88	1,945	188	18

### Balance sheet

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Cash and cash equivalents	594	2,019	5,825	2,826
Accounts receivable	4,533	5,822	6,261	6,650
Inventories	3,755	4,718	6,544	7,950
Others	1,305	1,997	2,719	3,165
Current assets	10,187	14,557	21,349	20,591
Total investments	2	3	3	604
Net fixed assets	11,108	12,335	13,713	15,149
Total assets	17,135	21,903	29,677	29,742
Liabilities				
Provisions	155	175	264	323
Total current liabilities	3,550	4,266	4,706	5,869
Total debt	10,340	13,731	20,781	18,470
Other liabilities	12	24	35	32
Total liabilities	10,353	13,755	20,817	18,502
Shareholders' equity	6,782	8,148	8,860	11,240
BVPS	133.6	153.0	166.1	209.1

Source: Company.

### Cash flow statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
EBIT	431	818	1,937	2,243
Depreciation	646.7	721.3	997.2	1,003.8
Changes in working capital	-225.8	1,536.8	1,824	632.7
Other	(20)	(2,801)	(4,264)	(2,825)
Cash from operations	832	275	495	1,055
Capex	2,743	1,948	2,376	2,439
Cash from financing	1,544	3,502	7,234	(1,855)
Taxes	(130)	(274)	(44)	(536)
Net Interest	(264)	167	127	674
Equity raised(repaid)	(142)	669	(1,298)	(4)
Debt raised(repaid)	2,109.6	3,390.4	7,050.7	-2,311.2
Dividends	25.4	81.2	133.4	175.7
Beginning cash and equivalents	374	138	1,421	2,990
Ending cash and equivalents	137	1,408	3,104	2,070

### Ratio analysis

%, year-end Mar	FY05	FY06	FY07	FY08
EBITDA margin	8	10	14	13
EBIT margin	3	5	9	9
Net profit margin	0	4	10	10
Sales growth	-10	19	35	15
Net profit growth	-97	2,045	188	19
EPS growth	-78	200	67	30
Net debt to total capital	57	53	50	53
Net debt to equity	144	144	169	139
Sales/assets	77	71	71	81
Assets/equity	253	269	335	265
ROE	0.5	9.3	23.6	23.7
ROCE	2.7	4.2	7.5	7.6

## Axis Bank

www.axisbank.com

### Company description

Axis Bank was the first of the new private banks to begin operations in 1994 as UTI Bank as it was promoted jointly by the UTI - I, LIC and GIC. It was listed in 1998 and currently has a market share of 2.3% in system deposits and loans. The bank has a network of more than 596 branches and over 2502 ATMs—one of the largest in the country. The bank offers a wide range of banking products and financial services to its customers and maintains a relatively lower retail concentration in its loan book versus peers.

### Positive share price drivers

Continued growth and profitability momentum, particularly CASA deposits and ROE expansion.

### Negative share price drivers

Worsening asset quality and increasing provisions; uncertainty on replacement of the chairman.

### Valuation and risks

Based on a normalized ROE of 20% we value the stock at 2.6x book based on the Gordon Growth model. Our Sept-09 price target for the stock is Rs810 implying a potential upside of 28%. The key risks to our price target are a prolonged economic slowdown and execution risk.

Bloomberg: AXSB IN, Reuters: AXBK.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Net profit	6,590	10,710	15,109	19,999
EPS (Rs)	23.4	29.9	42.2	55.9
EPS growth (%)	34.4	28.0	41.1	32.4
P/E (x)	27.0	21.1	14.9	11.3
BVPS (Rs)	120.5	245.1	278.4	323.3
P/B (x)	5.24	2.57	2.27	1.95
ROE (%)	21.0	17.6	16.1	18.6
Tier I ratio (%)	6.4	10.2	8.7	7.9
DPS (Rs)	5.3	7.0	9.0	11.0
Dividend Yield (%)	0.8	1.1	1.4	1.7

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs630.95

Price Target: Rs810.00

### India

#### Banks

Sachin Sheth<sup>AC</sup>

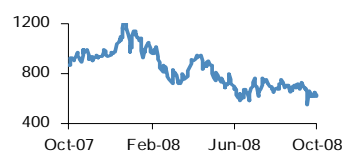
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J. P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-6.5	-5.7	-20.0
Relative (%)	16.9	16.5	17.6

Source: Bloomberg.

### Company data

52-week range (Rs)	503-1,292
Mkt cap. (RsMM)	218,903
Mkt cap. (US\$MM)	4,467
Avg daily value (US\$MM)	53.0
Avg daily volume (MM)	3.70
Shares O/S (MM)	358.9
Date of price	22-Oct-08
Index: Sensex	10,170
Free float (%)	55.9
Exchange rate	49

Source: Bloomberg, BSE.

## Axis Bank: Summary of financials

Rs in millions, year-end March

Income statement	FY07	FY08	FY09E	FY10E	Balance sheet/ gearing (%)	FY07	FY08	FY09E	FY10E
<b>Margins (% of earning assets)</b>	<b>2.48</b>	<b>2.92</b>	<b>2.95</b>	<b>2.92</b>	Loan/deposit	62.7	68.1	68.6	68.6
Earning assets/assets	96	97	97	97	Investment/assets	36.7	30.8	32.0	31.7
<b>NIM (as % of avg. Assets)</b>	<b>2.39</b>	<b>2.83</b>	<b>2.87</b>	<b>2.84</b>	Loan/assets	50.3	54.4	55.7	56.3
<b>Net interest income</b>	<b>14,683</b>	<b>25,854</b>	<b>36,642</b>	<b>47,365</b>	Customer deposits/liab.	84.1	86.9	87.1	87.5
<b>Total non-interest revenues</b>	<b>9,492</b>	<b>15,752</b>	<b>24,309</b>	<b>35,770</b>	<b>Asset quality/capital (%)</b>				
Fee income	8,244	13,678	21,508	32,129	Loan loss reserves/loans	0.41	0.41	0.62	0.77
FX/Trading gains	1,248	2,075	2,801	3,641	NPLs/loans	1.13	0.83	1.15	1.39
Other operating income	0	0	0	0	Loan loss reserves/NPLs	36.4	49.8	54.0	55.0
<b>Total operating revenues</b>	<b>24,176</b>	<b>41,606</b>	<b>60,951</b>	<b>83,136</b>	Growth in NPLs	10.8	18.1	90.2	57.3
Operating costs	(12,146)	(21,549)	(29,228)	(39,252)	Tier 1 ratio	6.42	10.17	8.74	7.93
<b>Operating profit</b>	<b>12,030</b>	<b>20,057</b>	<b>31,722</b>	<b>43,884</b>	Total CAR	11.57	13.73	11.59	10.75
Loan loss provisions	(1,961)	(4,975)	(8,829)	(13,417)	<b>Per share data</b>				
Other provisions	(107)	1,381	350	300	EPS (Rs)	23.4	29.9	42.2	55.9
Exceptionals	0	0	0	0	Dividend (Rs)	5.3	7.0	9.0	11.0
Disposals/ Other income	0	0	0	0	Payout ratio (%)	22.6	23.5	21.3	19.7
<b>Pre-tax profit</b>	<b>9,962</b>	<b>16,463</b>	<b>23,244</b>	<b>30,767</b>	NAV	120.5	245.1	278.4	323.3
Tax [rate]	(3,372)	(5,753)	(8,135)	(10,769)	Avg. shares issued (MM)	281.6	357.7	357.7	357.7
Minorities/preference dividends	0	0	0	0	<b>DuPont analysis (%)</b>				
<b>Attributable net income</b>	<b>6,590</b>	<b>10,710</b>	<b>15,109</b>	<b>19,999</b>	<b>NIR/avg. assets</b>	<b>2.39</b>	<b>2.83</b>	<b>2.87</b>	<b>2.84</b>
<b>Key balance sheet</b>					Non IR/total rev	39.3	37.9	39.9	43.0
Net customer loans	368,765	596,611	811,392	1,054,809	<b>Total rev/avg. assets</b>	<b>3.93</b>	<b>4.55</b>	<b>4.77</b>	<b>4.99</b>
Gross loans	370,288	599,075	816,471	1,062,946	Cost/income	50.2	51.8	48.0	47.2
Investments	268,972	337,051	467,197	593,350	Cost/assets	1.98	2.36	2.29	2.36
Other earning assets	69,183	125,042	135,241	171,759	<b>Operating ROAA</b>	<b>1.96</b>	<b>2.19</b>	<b>2.48</b>	<b>2.63</b>
<b>Average earning assets = (A)</b>	<b>592,429</b>	<b>884,805</b>	<b>1,240,039</b>	<b>1,623,482</b>	LLP/loans	-0.66	-1.03	-1.25	-1.43
Total assets	732,572	1,095,778	1,457,741	1,873,125	Loan/assets	48.4	53.0	55.4	56.4
Interbank funding	51,956	56,240	73,113	95,046	Other inclusive provisions	-0.02	0.15	0.03	0.02
Customer deposits	587,856	876,262	1,182,954	1,537,840	Tax	33.8	34.9	35.0	35.0
Other Interest Bearing Liabilities	0	0	0	0	MI	0.0	0.0	0.0	0.0
<b>Avg. interest bearing Liab. = (B)</b>	<b>560,328</b>	<b>820,811</b>	<b>1,137,431</b>	<b>1,502,726</b>	<b>ROAA</b>	<b>1.07</b>	<b>1.17</b>	<b>1.18</b>	<b>1.20</b>
<b>Average assets</b>	<b>614,942</b>	<b>914,175</b>	<b>1,276,760</b>	<b>1,665,433</b>	<b>RORWA</b>	<b>1.38</b>	<b>1.49</b>	<b>1.41</b>	<b>1.36</b>
Shareholders' equity	33,932	87,685	99,574	115,638	Equity/assets	5.09	6.65	7.33	6.46
Risk weighted assets	566,434	867,197	1,282,812	1,648,350	<b>ROE</b>	<b>21.04</b>	<b>17.61</b>	<b>16.14</b>	<b>18.59</b>
Average risk weighted assets	476,208	716,815	1,075,004	1,465,581					

Source: Company, J.P. Morgan estimates.

## Bajaj Finserv Limited

www.bajajfinserv.in

### Company description

Bajaj Finserv Ltd (BFL) is a financial services entity that was formed in Apr-07 post the demerger of Bajaj Auto Ltd into three distinct entities. BFL is a holding company, which has in its portfolio holdings of the insurance companies Bajaj Allianz Life Insurance, Bajaj Allianz General Insurance and Bajaj Allianz financial Distributors, as well as Bajaj Auto Finance, the consumer finance company.

### Positives

BFL has a tie-up with Allianz of Germany for its insurance business. Given the strong brand name of Allianz and Bajaj's widespread geographic reach, these companies are the second-largest private insurance companies in their respective segments (Life & General insurance) in India.

### Negatives

Allianz has a call option (at predetermined valuations) to increase its stake in the life insurance company from 26% to 74% by 2016 and in the general insurance company from 26% to 50%, subject to the liberalization of the insurance sector in India.

### Valuation

The stock trades at 47.6x on trailing EPS.

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Bloomberg: BJFIN IN, Reuters: BJFS.BO

Rs in millions, year-end March

	FY08
Total income (excl. income from associates)	620.8
Expenses	479.1
Profit before tax	224.3
Tax	833.3
Profit	(609)
Minority interest	(281.5)
Loss att. To consolidated group	(327.5)
EPS	(2.3)

Source: Company. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs.149.9

### India

#### Banks

#### Sachin Sheth<sup>AC</sup>

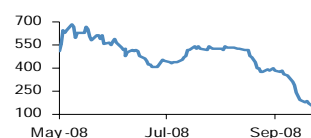
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J. P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-68.0	-71.6	NA
Relative (%)	-51.8	-53.5	NA

Source: Bloomberg.

### Company data

52-week range (Rs)	149.9-999
Mkt cap. (RsMM)	21,643
Mkt cap. (US\$MM)	442
Avg daily volume (MM)	0.08
Avg daily value (US\$MM)	0.67
Shares O/S (MM)	126.6
Date of price	22-Oct-08
Index: BSE Sensex	10,170
Free float (%)	51.3
Exchange rate	49

Source: Bloomberg, BSE.

## Bajaj Finserv Limited: Summary of financials

Rs in millions, year-end March

<u>Income statement</u>	<u>FY08</u>	<u>Balance sheet</u>	<u>FY08</u>
<b>Consolidated Profit &amp; Loss</b>			
Total Income (excl. income from associates)	621	Share capital	723
Expenses	479	Reserves	19,471
		<b>Total shareholder funds</b>	<b>20,194</b>
<b>Profit before tax</b>	<b>224</b>	Policyholders funds	109,542
Tax	833	Minority interest	3,369
		Loan funds	3,108
<b>Profit</b>	<b>(609)</b>	Deferred tax liabilities	0
Minority Interest	(282)	<b>Total liabilities</b>	<b>150,850</b>
		Investments	42,296
<b>Loss att. To consolidated group</b>	<b>(328)</b>	Policyholder investments	14,687
		Assets held to cover linked liab.	109,542
		Fixed assets	3,088
		<b>Net current assets</b>	<b>(19112)</b>
<b>Per share data</b>		<b>Total assets</b>	<b>150,850</b>
EPS (Rs)	(2.3)		
Nominal value per share (Rs)	5		

Source: Company.

## Bennett Coleman & Co. Limited

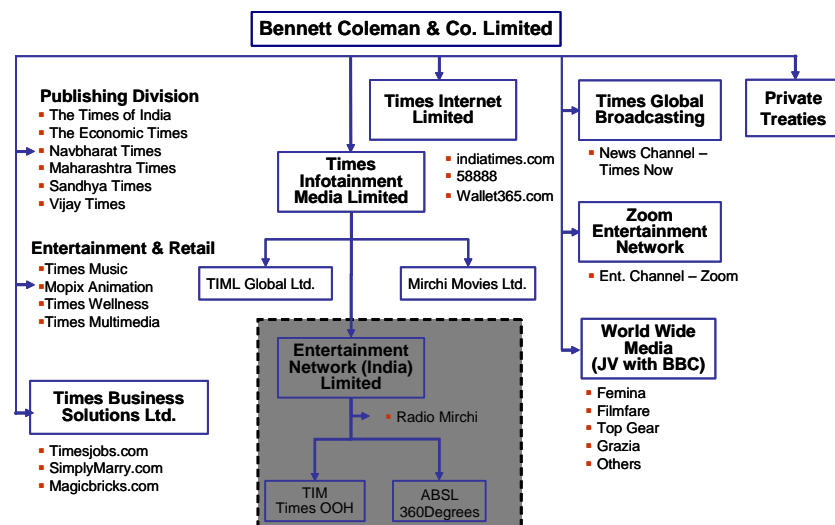
**Not Listed**

### Company description

Bennett Coleman & Company (BCCL) is the flagship company of the Times Group and is one of the largest media and entertainment companies in India. BCCL and its subsidiaries operate in various media-related market segments, including newspapers, private FM radio broadcasting, magazines, television and entertainment events. The publications of the Times Group include *The Times of India*, *The Economic Times*, *Navbharat Times*, *Maharashtra Times*, *Femina* and *Filmfare*.

BCCL is the largest print media company in India. The size of the Indian print advertising market is estimated to be about US\$2 billion, and the share of BCCL is estimated to be about 34% according to press reports (UTVi).

### Corporate structure



Source: ENIL.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

**India**

**Media**

**Latika Chopra, CFA<sup>AC</sup>**

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J.P.Morgan India Private Limited



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# Bharat Petroleum Corporation Limited

www.bharatpetroleum.com

## Company description

Bharat Petroleum Corporation Limited (BPCL) is among the three SOE refining & marketing (R&M) companies in India. It operates two major refineries—one in Mumbai (12.0 MMTPA) and another in Kochi (7.5 MMTPA). BPCL is the second-largest marketer of petroleum products with a market share of ~22% in petrol and diesel.

## Positive share price drivers

BPCL will be a beneficiary of a cool-off in commodity prices, in our view. With crude at US\$70/bbl and Rs/US\$ at Rs48, annualized subsidy losses on marketing of Rs744 billion (US\$17 billion) is ~67% lower than the peak subsidy losses in Jul-08. Also, with lower crude prices dependence on government aids for profitability is significantly lower. BPCL and its partners have made hydrocarbons discoveries in Assam and Brazil, and the results of appraisal drilling could be positive.

## Negative share price drivers

Although crude prices have come off sharply, the rupee depreciation has led to lower breakeven level of crude prices for R&M companies to make positive margins on transport fuels. We cannot rule out the possibility of a domestic fuel price cut if crude oil prices correct further. Also, a global slowdown could affect refining margins significantly.

## Valuation and risks

We maintain our Underweight rating on BPCL with a Mar-09 PT of Rs300 based on trailing dividend yield of 6%. BPCL is currently trading at 0.9x FY10E book. Although crude prices have corrected, the possibility of cut in fuel prices could cap upsides. Risks to our PT are further decrease in crude prices and no cut in domestic fuel prices.

Bloomberg: BPCL IN; Reuters: BPCL.BO

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Net sales	965,569	1,090,875	1,293,263	1,364,577
EBITDA	34,159	42,812	15,337	17,859
Net profit	18,055	26,407	5,722	6,740
EPS (Rs)	49.9	73.0	15.8	18.6
Sales growth (%)	28	13	19	6
Net profit growth (%)	519	46	-78	18
ROE (%)	18.6	23.7	4.7	5.5
ROCE (%)	13.0	15.3	2.3	2.8
P/E (x)	6.1	4.2	19.4	16.5
P/BV (x)	1.1	0.9	0.9	0.9

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Underweight

Price: Rs323

Price Target: Rs300

## India

### Natural Gas

#### Pradeep Mirchandani<sup>AC</sup>

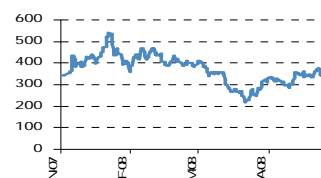
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J.P. Morgan India Private Limited

## Price performance

Rs



Source: Bloomberg.

## Performance

	1M	3M	12M
Absolute (%)	-4	11	-6
Relative (%)	23	39	37

Source: Bloomberg.

## Company data

52-wk range (Rs)	560 - 206
Mkt cap. (Rs MM)	116595
Mkt cap. (US\$ MM)	2,365
Avg. daily volume (MM)	0.99
Average daily value (US\$ MM)	6.79
Shares O/S (MM)	361.54
Date of Price	22-Oct
Index (BSE Sensex)	10,170
Free float (%)	36%
Exchange rate	49.3

Source: Bloomberg.

## Bharat Petroleum Corporation Limited: Summary of financials

Profit and Loss statement					Cash flow statement				
Rs in millions, year-end Mar	FY07	FY08	FY09E	FY10E		FY07	FY08	FY09E	FY10E
Revenues	965,569	1,090,875	1,293,263	1,364,577	EBIT	25,118	33,304	5,578	7,205
% change Y/Y	28%	13%	19%	6%	Depreciation & amortisation	9,041	9,507	9,758	10,654
EBITDA	34,159	42,812	15,337	17,859	Change in working capital	19,088	2,004	(9,470)	(122)
% change Y/Y	257%	25%	-64%	16%	Taxes	(9,169)	(13,124)	(2,844)	(3,350)
EBITDA Margin (%)	4%	4%	1%	1%	Others	(185)	-	-	-
EBIT	25,118	33,304	5,578	7,205	Cash flow from operations	43,894	31,692	3,023	14,387
% change Y/Y	1227%	33%	-83%	29%	Capex	(16,520)	(24,700)	(26,500)	(21,400)
EBIT Margin (%)	3%	3%	0%	1%	Change in investments	(44055)	95	0	0
Net financial income	2,559	6,465	3,039	2,946	Interest (other income)	2,559	6,465	3,039	2,946
Earnings before tax	27,677	39,769	8,617	10,151	Free cash flow	(14,123)	13,552	(20,438)	(4,067)
% change Y/Y	580%	44%	-78%	18%	Equity raised/ (repaid)	-	-	-	-
Tax	9,621	13,362	2,895	3,411	Debt raised/ (repaid)	24,556	(3,859)	26,605	10,329
as % of EBT	-35%	-34%	-34%	-34%	Dividends paid	(6,703)	(8,829)	(5,217)	(5,217)
Net Income (adjusted)	18,055	26,407	5,722	6,740	Beginning cash	4,921	8,640	9,504	10,454
% change Y/Y	519%	46%	-78%	18%	Ending cash	8,640	9,504	10,454	11,499
Shares Outstanding	362	362	362	362					
EPS (adjusted)	49.9	73.0	15.8	18.6					
% change Y/Y	519%	46%	-78%	18%					
Balance sheet					Ratio Analysis				
	FY07	FY08	FY09E	FY10E	%, year-end Mar	FY07	FY08	FY09E	FY10E
Cash and cash equivalents	8,640	9,504	10,454	11,499	EBITDA margin	3.5%	3.9%	1.2%	1.3%
Accounts receivable	15,187	14,943	17,716	18,693	EBIT margin	2.6%	3.1%	0.4%	0.5%
Inventories	86,613	89,661	106,296	112,157	Net profit margin	1.9%	2.4%	0.4%	0.5%
Others	25,898	25,898	25,898	25,898					
Current assets	136,338	140,006	160,364	168,247	Sales growth	27.8%	13.0%	18.6%	5.5%
Total Investments	82,949	82,854	82,854	82,854	Net profit growth	519.1%	46.3%	-78.3%	17.8%
Net fixed assets	118,334	133,526	150,268	161,014					
Liabilities	102,006	104,314	117,631	123,877	Interest coverage (x)	5.3	6.3	0.9	1.2
Provisions	10,761	13,262	9,882	10,353	Net debt to total capital	44%	40%	45%	47%
Total current liabilities	112,767	117,576	127,513	134,230	Net debt to equity	97%	79%	100%	106%
Total assets	224,854	238,811	265,973	277,886	Sales/assets	429%	457%	486%	491%
Total debt	108,292	104,433	131,039	141,368	Assets/equity	219%	198%	220%	227%
Other liabilities	13,826	14,065	14,116	14,177	ROE	18.6%	23.7%	4.7%	5.5%
Total liabilities	122,118	118,498	145,155	155,545	ROCE	13.0%	15.3%	2.3%	2.8%
Shareholders' equity	102,735	120,313	120,818	122,341					
BVPS	284.2	332.8	334.2	338.4					

Source: Company, J.P. Morgan estimates.

## Bharti Airtel

www.bhartiairtel.in

### Company description

Bharti Airtel is India's leading private sector integrated telecom service provider. The company provides GSM-based wireless services in all 23 telecom circles and broadband and telephone (B&T) services in 94 cities across India. Bharti's enterprise services business caters to carriers (wholesale long distance voice and data services) as well as corporations (end-customers). Bharti owns capacity on the SEA-ME-WE-4 submarine cable and also owns the Network i2i (Chennai-Singapore) cable system. Bharti is a partner in new sub-sea cable systems (Asia America Gateway, IMEWE, Unity) that are likely to come up over the next 1-2 years.

### Positive share price drivers

(1) Continued momentum in wireless subscriber growth: average monthly net-adds have been 2.7 million since July, implying an incremental market share of 30.0%. (2) Sustained increase in MOU/sub leading to lower-than-expected decline in average revenue per user (ARPU). (3) Increase in tower sharing ratio (i.e., occupancy levels).

### Negative share price drivers

(1) Launch of nationwide GSM services by RCOM; (2) implementation of mobile number portability (MNP) in the metros; (3) excessive bidding for 3G spectrum; (4) increase in spectrum usage fee; and (5) reduction in mobile termination rates by the TRAI.

### Valuation and risks

Our Jun-09 price target of Rs1,000 is DCF-based and includes Rs135 from the tower business. Bharti shares trade at an attractive 6.7x one-year forward EV/EBITDA. The downside risks are: (1) levy of one-time spectrum fee; (2) excessive bidding for 3G spectrum; and (3) excess competition post MNP implementation.

Bloomberg: BHARTI IN, Reuters: BRTI.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	185,196	270,249	384,482	485,082
EBITDA	74,499	113,715	156,595	194,065
Net profit	42,572	67,008	90,991	109,119
EPS (Rs)	22.43	35.31	47.94	57.49
DPS (Rs)	0.0	0.0	0.0	2.5
Sales growth (%)	59.4	45.9	42.3	26.2
EBITDA growth (%)	71.0	52.6	37.7	23.9
EPS growth (%)	88.2	57.4	35.8	19.9
ROE (%)	31.4	30.9	29.5	26.5
EV/EBITDA (x)	17.5	11.5	8.3	6.7
P/E (x)	29.7	18.9	13.9	11.6

Source: Company reports, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs666.25

Price Target: Rs1,000

### India

#### Wireless Services

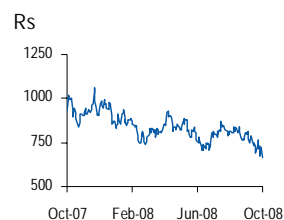
Manoj Singla<sup>AC</sup>

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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	(30.8)	(32.6)	(45.8)
Relative (%)	2.8	6.5	9.0

Source: Bloomberg.

### Company data

52-week range (Rs)	649-1,074
Mkt cap. (Rs B)	1,264
Mkt cap. (US\$B)	25.6
Avg daily value (US\$MM)	84.6
Avg daily volume (MM)	5.38
Shares O/S (MM)	1898
Date of price	22-Oct-08
Index: BSE Sensex	10,169.9
Free float (%)	31.7
Exchange rate	49.3

## Bharti Airtel: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Revenues	185,196	270,249	384,482	485,082
EBITDA	74,499	113,715	156,595	194,065
Depreciation and amortization	(25,208)	(37,260)	(45,876)	(60,620)
Operating profit	49,291	76,455	110,719	133,445
Net other income	1,008	2,422	2,000	2,100
Net Interest	(1,438)	(2,341)	(5,442)	(1,428)
PBT	48,860	76,537	107,277	134,118
Extraordinaries/prior period	0	0	0	0
Current tax	(5,330)	(8,414)	(12,154)	(19,619)
Deferred tax	(491)	36	(2,649)	(3,795)
Minority interest	(467)	(1,151)	(1,483)	(1,584)
Reported net income	42,572	67,008	90,991	109,119
Net income (adjusted)	42,572	67,008	90,991	109,119
Shares outstanding (MM)	1,896	1,898	1,898	1,898
Reported EPS (Rs)	22.45	35.31	47.94	57.49
Diluted EPS (Rs)	22.43	35.31	47.94	57.49
DPS (Rs)	0.0	0.0	0.0	2.5

Source: Company reports, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Cash	7,464	6,777	27,028	36,847
Short term investment	2,004	48,086	2,000	2,000
Accounts receivable	13,093	15,986	18,865	21,724
Others	23,945	44,311	56,785	67,758
Total current assets	46,504	115,159	104,678	128,328
Total current liabilities	95,710	134,787	166,048	188,061
Net working capital	(49,205)	(19,628)	(61,370)	(59,733)
Net fixed assets	210,604	313,407	425,573	502,483
Other long term assets	40,780	44,078	40,358	39,407
Total non-current assets	251,383	357,485	465,930	541,890
Total assets	202,178	337,857	404,560	482,158
Total debt	52,461	97,063	71,413	40,063
Other liabilities	12,363	15,195	15,074	18,869
Total liabilities	64,824	112,258	86,487	58,932
Shareholders' equity (incl. MI)	137,354	225,598	318,073	423,226
Total liabilities and equity	202,178	337,857	404,560	482,158
Net (debt)/cash	(42,993)	(42,200)	(42,386)	(1,217)
Book value per share	72.4	118.9	167.6	223.0

Source: Company reports, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Cash flow from operations	85,526	111,336	155,372	180,714
Capex	(89,271)	(135,111)	(157,092)	(136,580)
Cash flow from other investing	1,506	(20,462)	47,619	2,586
Cash flow from financing	7,054	43,550	(25,649)	(36,901)
Change in cash for year	4,814	(687)	20,251	9,819
Beginning cash	2,649	7,464	6,777	27,028
Closing cash	7,464	6,777	27,028	36,847

Source: Company reports, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08	FY09E	FY10E
EBITDA margin	40.2	42.1	40.7	40.0
FCF margin	(2.7)	(4.8)	1.2	9.9
ROE	31.4	30.9	29.5	26.5
ROCE	22.3	21.2	24.4	23.5
ROA	21.1	19.8	22.5	22.6
Effective Tax rate (%)	11.9	10.9	13.8	17.5
Capex to sales	48.2	50.0	40.9	28.2
Debt/capital	27.4	30.4	18.6	8.7
Net debt or (cash) to equity	30.9	19.0	13.5	0.3
Interest cover (X)	51.8	48.6	28.8	135.9

Source: Company reports, J.P. Morgan estimates.

## Bhushan Steel

www.bhushan-group.org

### Company description

Bhushan Steel is one of India's largest re-rollers of cold-rolled steel. The company has a dominant market share in cold-rolled and galvanized products among auto manufacturers. Its current production facilities are located at Khapoli in western India and Sahibabad near New Delhi. The company is also implementing a large integrated steel project in Orissa.

### Positives

Bhushan has completed Phase 1 of the Orissa project (which includes 0.68MT of sponge iron, 0.3MT of steel billets and a 110MW power plant) and is in the process of commissioning Phase 2 of the project (1.9MT of HR coil). The Orissa project will provide the company auto grade HR coils and also allow it to enter the long steel product market.

### Negatives

The key risks are a weak global economy and consequently weak steel demand and steel prices. We expect long steel demand in India and subsequently sponge iron demand to trend down over the next 12 months as demand from the construction sector weakens. The company currently does not have captive iron ore production, and thus costs are relatively high.

### Valuation

Based on consensus estimates, the stock is trading at a P/E of 5.1x FY09E and 3.6x FY10E.

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Bloomberg: BHUS IN, Reuters: BSSL.NS

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	26,363	27,162	38,068	41,523
EBITDA	3,643	3,157	6,053	7,782
Net profit	1,534	1,545	3,133	4,237
EPS (Rs)	37.9	37.4	73.8	99.8
Sales growth (%)	69.8	3.0	40.2	9.1
Net profit growth (%)	69.8	0.7	102.8	35.3
ROE (%)	23.2	19.1	29.8	29.8
ROCE (%)	11.2	6.0	10.7	9.6
P/E (x)	15.8	16.0	8.1	6.0
P/B (x)	3.3	2.8	2.1	1.6

Source: Company reports, Bloomberg. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs599.00

### India

#### Metals & Mining

**Pinakin Parekh, CFA<sup>AC</sup>**

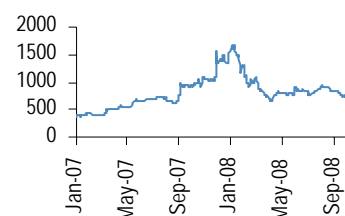
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-21	-29	-34
Relative (%)	6	-1	8

Source: Bloomberg.

### Company data

52-week range (Rs)	1,736 - 475
Mkt cap. (Rs MM)	25,441
Mkt cap. (US\$MM)	516
Avg. daily volume (MM)	0.1
Avg. daily value (US\$MM)	1.2
Shares O/S (MM)	42
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	28.8
Exchange rate	49.3

## Bhushan Steel: Summary of historical financials

### Profit and loss statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Revenues	26,363	27,162	38,068	41,523
% change Y/Y	70	3	40	9
EBITDA	3,643	3,157	6,053	7,782
% change Y/Y	48	-13	92	29
EBITDA Margin (%)	14	12	16	19
EBIT	1,995	1,500	3,964	5,668
% change Y/Y	39	-25	164	43
EBIT Margin (%)	8	6	10	14
Net financial income	(339)	97	(240)	(279)
Earnings before tax	1,657	1,597	3,724	5,389
% change Y/Y	59	-4	133	45
Tax	(123)	(52)	(591)	(1,152)
as % of EBT	7	3	16	21
Net Income (adjusted)	1,534	1,545	3,133	4,237
% change Y/Y	70	1	103	35
Shares Outstanding	40	41	42	42
EPS (adjusted)	37.9	37.4	73.8	99.8
% change Y/Y	70	-1	97	35

### Balance sheet

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Cash and cash equivalents	174	815	1,001	276
Accounts receivable	3,394	4,045	5,389	6,174
Inventories	5,817	4,748	7,563	11,296
Others	1,298	2,411	3,674	6,438
Current assets	10,683	12,019	17,628	24,184
Total Investments	190	192	209	585
Net fixed assets	14,327	23,153	36,156	63,270
Total assets	21,229	29,922	45,802	75,402
Liabilities				
Provisions	81	141	178	193
Total current liabilities	3,970	5,442	8,190	12,636
Total debt	13,175	20,362	32,420	57,181
Other liabilities	749	663	1,237	1,967
Total liabilities	13,923	21,025	33,657	59,149
Shareholders' equity	7,306	8,897	12,145	16,253
BVPS	180.5	215.6	286.0	382.7

### Cash flow statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
EBIT	1,995	1,500	3,964	5,668
Depreciation	1647.2	1657.6	2089.2	2114.1
Changes in working capital	1136.8	-1890.5	1412.6	70.9
Taxes	(2,447)	3,269	(3,935)	(3,468)
Cash from operations	2333	4535	3531	4386
Capex	5327	10484	15092	29228
Cash from financing	2691	5595	9639	19230
Taxes	(123)	(52)	(591)	(1152)
Net interest	(339)	97	(240)	(279)
Equity raised(repaid)	(114)	46	116	(129)
Debt raised(repaid)	3868.6	7187.1	12058	24761.6
Dividends	101.2	103.2	106.2	106.2
Beginning cash and equivalents	113	174	815	1001
Ending cash and equivalents	174	815	1001	276

### Ratio analysis

%, year-end Mar	FY05	FY06	FY07	FY08
EBITDA margin	14	12	16	19
EBIT margin	8	6	10	14
Net profit margin	6	6	8	10
Sales growth	70	3	40	9
Net profit growth	70	1	103	35
EPS Growth	69	-1	98	35
Net debt to total capital	61	65	69	75
Net debt to equity	178	220	259	350
Sales/assets	124	91	83	55
Assets/equity	291	336	377	464
ROE	23.2	19.1	29.8	29.8
ROCE	11.2	6.0	10.7	9.6

Source: Company reports.

## Binani Cement

www.binaniindustries.com

### Company description

Binani Cement is a north India-based cement company with a capacity of 6MT. The company has captive limestone and has recently been allotted lignite mines. It is also setting up a split grinding unit, which would allow it to sell cement further away from Rajasthan and Gujarat.

### Positive share price drivers

Binani Cement has recently commissioned its brownfield capacity expansion of 3MT. We believe the timely capacity addition would allow the company to partially offset the impact of lower prices.

### Negative share price drivers

Northern India is expected to see the largest capacity additions over the next two years, which could potentially lead to a surplus situation over the next two years. The company is dependent on imported coal, the prices of which have been rising over the past three months. Any large-scale imports from Pakistan could potentially lead to a fall in cement prices in the company's key Gujarat and Rajasthan markets.

### Valuation and risks

Our Mar-09 price target of Rs91 is based on 6x EV/EBITDA, a discount of 20%-25% to the target multiples used to value larger cement companies. Key risks to our price target include a sharper-than-expected decline in cement prices and continued increases in coal costs. Lack of clarity on the overseas investments could be a drag on the stock's performance.

Bloomberg: BINC IN; Reuters: BINC.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Net sales	9,787	16,156	15,924	15,688
EBITDA	3,338	3,597	3,049	2,645
Net Profit	1,758	1,817	1,440	1,143
EPS (Rs)	8.7	8.9	7.1	5.6
Net profit growth (%)	83.9	3.3	(20.7)	(20.7)
ROE (%)	48.9	37.4	23.8	16.6
P/E (x)	4.0	3.9	4.9	4.9
EV/EBITDA (x)	4.1	3.7	4.5	4.5
EV/tonne (US\$)	58	56	57	57

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs35.00

Price Target: Rs91.00

### India

### Cement

Pinakin Parekh, CFA<sup>AC</sup>

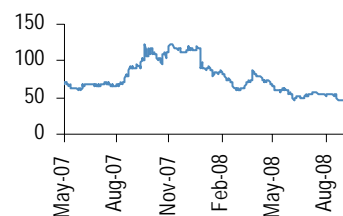
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-26	-30	-67
Relative (%)	1	-2	-25

Source: Bloomberg.

### Company data

52-week range (Rs)	137.95 - 29.65
Mkt cap. (Rs MM)	7109
Mkt cap. (US\$MM)	144
Avg. daily vol (MM)	0.1
Avg. daily val (US\$MM)	0.1
Shares O/S (MM)	203
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	35.1
Exchange rate	49.3

Source: Bloomberg.



## Binani Cement: Summary of financials

### Profit and loss statement

Rs in millions, year-end Mar	FY08A	FY09E	FY10E	FY11E
Revenues	9,787	16,156	15,924	15,688
% change Y/Y	44	65	-1	-1
EBITDA	3,338	3,597	3,049	2,645
% change Y/Y	46	8	-15	-13
EBITDA margin (%)	34	22	19	17
EBIT	2,782	3,009	2,451	2,037
% change Y/Y	51	8	-19	-17
EBIT margin (%)	28	19	15	13
Net interest	-333	-486	-450	-450
Earnings before tax	2,448	2,523	2,001	1,587
% change Y/Y	56	3	-21	-21
Tax	998	283	224	178
as % of EBT	28	28	28	28
Net income (pre exceptional)	1,758	1,817	1,440	1,143
% change Y/Y	84	3	-21	-21
Shares outstanding	203	203	203	203
EPS (pre exceptional)	9	9	7	6

### Balance sheet

Rs in millions, year-end Mar	FY08A	FY09E	FY10E	FY11E
Cash and cash equivalents	959	1,483	898	1,456
Accounts receivable	0	8	7	7
Inventories	2,174	2,693	2,654	2,615
Others	1,887	1,887	1,887	1,887
Current assets	5,021	6,071	5,446	5,965
LT investments	468	1,468	1,968	2,468
Net fixed assets	12,198	10,395	11,297	10,938
Total assets	17,686	17,933	18,711	19,371
Liabilities				
Payables	2,184	2,130	2,183	2,211
Others	-917	1,845	1,879	1,896
Total current liabilities	1,267	3,975	4,061	4,107
Long-term debt	7,705	7,700	7,500	7,500
Other liabilities	1,493	712	610	529
Total liabilities	14,641	17,933	18,711	19,371
Shareholders' equity	4,176	5,546	6,540	7,236
BVPS (Rs)	21	27	32	36

### Cash flow statement

Rs in millions, year-end Mar	FY08A	FY09E	FY10E	FY11E
Net income (pre exceptional)	1,758	1,817	1,440	1,143
Add: depreciation	557	588	598	608
Working capital movement	174	(863)	125	85
Operational cash flow	2,489	1,542	2,163	1,836
Capex	2,651	-1,215	1,500	250
Free cash flow	-162	2,756	663	1,586
Equity raised/(repaid)	0	0	0	0
Debt raised/(repaid)	795	-5	-200	0
Other	0	0	0	0
Dividends	-594	-447	-447	-447
Beginning cash	477	959	1,483	898
Ending cash	959	1,483	898	1,456
DPS (Rs)	3	2	2	2

### Ratio analysis

% , year-end Mar	FY08A	FY09E	FY10E	FY11E
EBITDA margin	34	22	19	17
Operating margin	28	19	15	13
Net profit margin	18	11	9	7
Sales growth	44	65	-1	-1
Net profit growth	84	3	-21	-21
Sales per share growth	44	65	-1	-1
EPS growth	84	3	-21	-21
Interest coverage (x)	7	6	5	4
Net debt to total capital	0.5	0.5	0.5	0.4
Net debt to equity	1.6	1.1	1.0	0.8
Sales/assets	0.6	0.9	0.9	0.8
EBIT margin	28	19	15	13
ROCE	25	23	18	15
ROE	49	37	24	17

Source: Company reports, J.P. Morgan estimates.

## Brigade Enterprises

www.brigadegroup.com

### Company description

Brigade Enterprises (Brigade) is a Bangalore-based residential developer with a track record of 20 years in real estate development. The company has developed 7msf of space till date with ~14msf under construction at present. It is one of the first companies to start mixed-use township development in Bangalore (Brigade Millenia), and it was also one of the first to develop commercial space in the city. Earlier, the company was focused on the Bangalore market but it is now expanding to other South Indian cities.

### Positive share price drivers

(1) High visibility: High project/valuation visibility with two key township projects, Brigade Gateway and Metropolis, being significantly mobilized. The company has already pre-sold a significant amount of residential space in both these projects. (2) Healthy balance sheet: Low balance sheet leverage and US\$180 million of debt completely tied up for construction financing from local institutions. (3) Strong background: Management has a strong operating track record of 20 years in the Bangalore market.

### Negative share price drivers

(1) Bangalore is a competitive market with major developers looking to scale up aggressively, and thus, exposing Brigade to competition risk. (2) Entry into commercial/hospitality development poses a risk as the company has historically been a residential developer. (3) Off-take risk, especially in Bangalore—given ~70% of the company's land bank is concentrated in the region. (4) Property prices have remained under pressure given low affordability levels (60% mortgage payment/monthly income ratio).

### Valuation and risks

We have a Neutral rating on the stock with Mar-09 price target of Rs151, based on a 50% discount to our FY09 NAV estimate. Despite a sound balance sheet, accommodative valuations and lower level of land inventory vs. peers, we expect operating conditions for Brigade to remain challenging given delays in leasing out commercial and retail assets and management's intention to hold the price line in residential projects at the expense of volumes. Key risks to the price target are: (1) property price slowdown beyond what is already factored in (~30%); and (2) execution risk.

Bloomberg: BRGD IN; Reuters: BRIG.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	3,992	4,891	5,974	10,896
Net profit	734	1,020	1,354	2,150
EPS (Rs)	6.5	9.1	12.1	19.2
Net sales growth (%)	104	23	22	82
Net profit growth (%)	69	43	33	59
P/E	9.0	6.5	4.9	3.1
ROCE (%)	33	15	8	11
Net debt/equity	149	-14	73	125
P/B	6.0	0.9	0.8	0.7
ROE (%)	65	19	14	18

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs59

Price Target: Rs151

### India

### Property

### Gunjan Prithyani<sup>AC</sup>

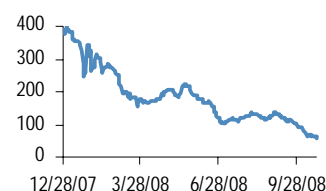
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-47.3	-45.5	NA
Relative (%)	-20.0	-17.6	NA

Source: Bloomberg.

### Company data

52-week range (Rs)	489.9 - 55.1
Mkt cap. (RsMM)	6,612
Mkt cap. (US\$MM)	134
Avg. daily volume (MM)	0.1
Avg daily value (US\$MM)	0.2
Shares O/S (MM)	112
Date of price	22-Oct-08
Index (BSE Sensex)	10170
Free float (%)	12
Exchange rate	49.3

Source: Bloomberg.

## Brigade Enterprises: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07A	FY08	FY09E	FY10E
Revenues	3,992	4,891	5,974	10,896
% change Y/Y	104	23	22	82
EBITDA	1,049	1,318	1,352	2,941
% change Y/Y	79	26	3	117
EBITDA margin (%)	26	27	23	27
EBIT	948	1,217	1,213	2,641
% change Y/Y	78	28	0	118
EBIT margin (%)	24	25	20	24
Net financial income	(17)	(37)	(70)	(245)
Earnings before tax	1,052	1,360	1,368	2,634
% change Y/Y	124	29	1	93
Tax	(338)	(344)	(19)	(488)
as % of EBT	32	25	1	19
Net income (adjusted)	734	1,020	1,354	2,150
% change Y/Y	69	43	33	59

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07A	FY08	FY09E	FY10E
Cash and bank balance	225	188	946	1,196
Accounts receivable	1,835	3,708	4,223	4,745
Inventories	2,259	3,023	3,256	3,683
Others	0.00	0.00	-	-
Current assets	4,319	6,920	8,424	9,623
Total investments	11	4,058	100	100
Net fixed assets	3,039	4,988	14,546	26,225
Liabilities	3,175	3,454	3,450	5,822
Provisions	356.26	607.56	607.56	607.56
Total current liabilities	3,531	4,062	4,057	6,430
Total assets	3,864	12,238	19,348	29,853
Total debt	2,402	2,975	8,775	17,175
Other liabilities				
Total liabilities	2,401	2,975	8,775	17,175
Shareholders' equity	1,463	9,264	10,573	12,678

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end march

	FY07A	FY08	FY09E	FY10E
EBIT	948	1,217	1,213	2,641
Depreciation & amortization	100	101	140	301
Change in working capital	(1,500)	(2,106)	(752)	1,424
Taxes	(2,770)	(344)	(19)	(488)
Others	-	185	230	243
Cash flow from operations	(3,221)	(947)	811	4,120
Capex	(509)	(2,040)	(9,698)	(11,980)
Change in investments	7	-	-	-
Interest	(17)	(37)	(70)	(245)
Free cash flow	(3,741)	(3,025)	(8,957)	(8,105)
Equity raised/ (repaid)	-	6,780	-	-
Debt raised/ (repaid)	1,377	573	5,800	8,400
Dividends paid	(84)	-	(45)	(45)
Beginning cash	196	225	188	946
Ending cash	225	188	946	1,196

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07A	FY08	FY09E	FY10E
EBITDA margin	26	27	23	27
EBIT margin	24	25	20	24
Net profit margin	18	21	23	20
Sales growth	104	23	22	82
EBITDA growth	79	26	3	117
Net profit growth	69	43	33	59
Interest coverage (x)	55.5	32.7	17.3	10.8
Net debt to total capital	56	-10	40	53
Net debt to equity	149	-14	73	125
Sales/assets	103	40	31	36
Assets/equity	264	132	183	235
ROE	65	19	14	18
ROCE	33	15	8	11

Source: Company, J.P. Morgan estimates.

## Cairn India Limited

www.cairnindia.com

### Company description

Cairn India Limited (Cairn) is an E&P company, which was incorporated in August 2006 to own and operate Cairn Energy PLC's oil and gas assets in India. It has a stake in two producing blocks (Ravva and CB-OS/2) and a large development field in Rajasthan, which is expected to start production from 2H CY09. Cairn has gross reserves of 4.6 billion boe, of which 80% (3.6 billion boe) are from the Rajasthan block.

### Positive share price drivers

The Rajasthan block is nearing its production target (2H CY09) and should generate US\$11.9 billion of operating cash flows between CY10-15E, with 175Kbpd of peak production expected (crude at 90/bbl). Cairn is the most leveraged Indian crude play, in our view, with no policy overhang of subsidy sharing unlike ONGC and is currently pricing in crude price at ~US\$50/bbl. Also, it has disclosed that it has 1 billion boe of possible reserve resources and further drilling could lead to possible E&P surprises.

### Negative share price drivers

Given a sharp global slowdown and significantly slowing commodity demand, Cairn appears to be most vulnerable to lower crude prices. Higher Cess (Rs2575/MT vs. Rs917/MT) and crude discount could affect valuations. Also, imposition of windfall tax (40% above US\$75/bbl) on private E&P companies could affect net realization and cash flows.

### Valuation and risks

Our Jun-09 PT of Rs160 is based on NPV valuation (13% WACC) and US\$60/bbl of LT crude price. Currently, the stock appears to be pricing in crude price at US\$50/bbl, much lower than the current level (US\$65/bbl) and the proposed government threshold of US\$75/bbl for implementation of windfall taxes. Key risks to our June-09 PT are sharply lower crude prices and unfavorable Cess ruling and execution delays.

Bloomberg: CAIR IN; Reuters: CAIL.BO

Rs in millions, year-end December

	CY07A	CY08E	CY09E	CY10E
Net sales	15,273	10,123	94,722	153,656
EBITDA	11,589	6,702	82,839	134,883
Net profit	5,041	399	66,549	114,750
EPS (Rs)	2.7	0.2	35.5	61.3
Net profit growth (%)	-2153.8	-92.1	16594.2	72.4
ROE (%)	1.6	0.1	18.8	26.5
ROCE (%)	2.8	1.1	18.9	28.8
P/E (x)	43.3	547.6	3.3	1.9
EV/EBITDA (x)	17.7	37.5	2.4	0.8

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 30 October 2008.

## Overweight

Price: Rs116.0

Price Target: Rs160.0

### India

#### Exploration and Production

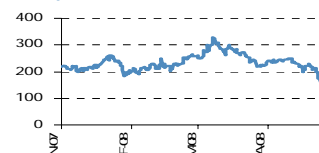
#### Pradeep Mirchandani<sup>AC</sup>

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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-30	-32	-17
Relative (%)	-3	-4	25

Source: Bloomberg

### Company data

52-wk range (Rs)	342.7 - 125
Mkt cap. (Rs MM)	292689.4
Mkt cap. (US\$ MM)	5,942
Avg. daily volume (MM)	4.94
Average daily value (US\$ MM)	22.03
Shares O/S (MM)	1,894.43
Date of Price	22-Oct
Index (BSE Sensex)	10,170
Free float (%)	23%
Exchange rate	49.3

Source: Bloomberg.

## Cairn India Limited: Summary of financials

Profit and Loss statement						Cash flow statement					
Rs in millions, year-end Dec	CY07A	CY08E	CY09E	CY10E	CY11E		CY07A	CY08E	CY09E	CY10E	CY11E
Revenues	10,123	15,273	10,123	94,722	153,656	EBIT	2,082	8,650	3,748	75,692	124,491
% change Y/Y	N/A	51%	-34%	836%	62%	Depreciation & amortisation	(2,077)	(2,135)	(1,954)	(6,147)	(9,392)
EBITDA	6,672	11,589	6,702	82,839	134,883	Change in working capital	(32,182)	985	(1,551)	(4,251)	(4,369)
% change Y/Y	N/A	74%	-42%	1136%	63%	Taxes	(388)	(1,016)	(1,583)	(7,468)	(12,788)
EBITDA Margin (%)	66%	76%	66%	87%	88%	Others	4,194	5,074	4,907	13,294	19,784
EBIT	2,082	8,650	3,748	75,692	124,491	Cash flow from operations	(28,371)	11,558	3,568	71,120	117,726
% change Y/Y	N/A	315%	-57%	1919%	64%	Capex	(15,337)	(46,265)	(48,138)	(13,918)	(13,918)
EBIT Margin (%)	21%	57%	37%	80%	81%	Change in investments	0	0	0	0	0
Net financial income	1,297	315	(1,767)	(1,675)	3,047	Interest (other income)	1,297	315	(1,767)	(1,675)	3,047
Others	(2,120)	0	0	0	0	Free cash flow	(42,412)	(34,393)	(46,337)	55,527	106,855
Earnings before tax	1,259	8,966	1,982	74,017	127,538	Equity raised/ (repaid)		25,346			
% change Y/Y	N/A	612%	-78%	3635%	72%	Debt raised/ (repaid)	(1,860)	876	44,000	(48,000)	-
Tax	(1,505)	(3,925)	(1,583)	(7,468)	(12,788)	Dividends paid	-	-	-	(9,366)	(13,112)
as % of EBT	119%	44%	80%	10%	10%	Beginning cash	61,348	13,318	6,688	3,751	4,413
Net Income (adjusted)	(245)	5,041	399	66,549	114,750	Ending cash	13,318	6,688	3,751	4,413	97,156
% change Y/Y	N/A	-2154%	-92%	16594%	72%						
Shares Outstanding	1873	1873	1873	1873	1873						
EPS (adjusted)	(0.1)	2.7	0.2	35.5	61.3						
% change Y/Y	N/A	-2154%	-92%	16594%	72%						
Balance sheet						Ratio Analysis					
	CY07A	CY08E	CY09E	CY10E	CY11E	%, year-end Mar	CY07A	CY08E	CY09E	CY10E	CY11E
Cash and cash equivalents	13,318	6,688	3,751	4,413	97,156	EBITDA margin	66%	76%	66%	87%	88%
Accounts receivable	1,349	2,161	1,468	8,295	14,797	EBIT margin	21%	57%	37%	80%	81%
Inventories	1,216	2,188	1,101	6,221	11,098	Net profit margin	-2%	33%	4%	70%	75%
Others	5,478	5,478	5,266	5,516	5,516	Sales growth	N/A	51%	-34%	836%	62%
Current assets	21,360	16,515	11,586	24,444	128,567	Net profit growth	N/A	-2154%	-92%	16594%	72%
Goodwill	253,193	253,193	253,193	253,193	253,193	Interest coverage (x)	N/A	N/A	N/A	N/A	N/A
Net fixed assets	30,771	77,737	124,521	129,792	135,318	Net debt to total capital	a	-1%	12%	-1%	-20%
Liabilities	3,921	3,782	1,468	5,184	9,248	Net debt to equity	-3%	-1%	14%	-1%	-20%
Provisions	4,451	4,451	3,221	7,451	10,398	Sales/assets	3%	5%	3%	24%	31%
Total current liabilities	8,372	8,233	4,689	12,635	19,646	Assets/equity	101%	105%	119%	103%	103%
Total assets	296,952	339,212	384,611	394,794	497,432	ROE	0.0%	1.6%	0.1%	18.8%	17.3%
Total debt	3,124	4,000	48,000	0	0	ROCE	0.7%	2.8%	1.1%	18.9%	18.9%
Other liabilities	(987)	11,140	12,140	13,140	14,140						
Total liabilities	2,137	15,140	60,140	13,140	14,140						
Shareholders' equity	294,815	324,072	324,471	381,654	483,292						
BVPS	157.4	173.0	173.2	203.8	258.0						

Source: Company, J.P. Morgan estimates

## Castrol India

www.Castrol.com

### Company description

Castrol India is a 71% subsidiary of BP Amoco. The company manufactures and markets a range of automotive and industrial lubricants under two brands, Castrol and BP, with leadership positions in most of the segments in which it operates. Castrol India has the largest manufacturing and marketing network amongst the independent lubricant companies in India.

### Positives

Declining crude and base oil prices (main raw material) is positive for Castrol due to the: (1) price inelastic nature of lubricants; (2) low competition intensity; and (3) brand power enjoyed by the company. Despite a lower volume growth outlook (~2%-3% Y/Y), management expects to improve top-line growth through better sales mix (higher sales to two-wheeler, passenger car segments), using technology to create different value propositions.

### Negatives

Lube oil volume growth would be limited given the growing sales of modern and efficient cars. Rupee depreciation and any increase in base oil refining margins could impact raw material costs.

### Valuation

The stock is trading at 17.4x FY07 EPS.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

Bloomberg: CSTR IN EQUITY, Reuters: CSTR.LBO

Rs in millions, year-end December

	FY04	FY05	FY06	FY07
Net sales	13,477	14,645	18,025	19,660
EBITDA	2,229	2,325	2,542	3,643
Net profit	1,275	1,468	1,545	2,184
EPS (Rs)	10.3	11.9	12.5	17.7
Sales growth (%)	11.6	8.7	23.1	9.1
Net profit growth (%)	-7.2	15.2	5.2	41.4
ROE (%)	36.0	39.1	38.3	51.5
ROCE (%)	55.3	56.4	58.1	81.7
P/E (x)	29.8	25.9	24.6	17.4

Source: Company. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs307.1

### India

#### Oil and Gas

#### Pradeep Mirchandani<sup>AC</sup>

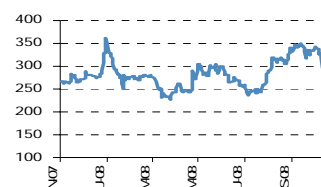
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-8	23	17
Relative (%)	19	51	59

Source: Bloomberg.

### Company data

52-wk range (Rs)	375.5 - 190
Mkt cap. (Rs MM)	37976.02
Mkt cap. (US\$ MM)	771
Avg. daily volume (MM)	0.07
Average daily value (US\$ MM)	0.47
Shares O/S (MM)	123.64
Date of Price	22-Oct
Index (BSE Sensex)	10,170
Free float (%)	29%
Exchange rate	49.3

Source: Bloomberg.

## Castrol India: Summary of financials

Profit and Loss statement					Cash flow statement				
Rs in millions, year-end Dec	FY04	FY05	FY06	FY07		FY04	FY05	FY06	FY07
Revenues	13,477	14,645	18,025	19,660	PBT	1,951	2,105	2,321	3,397
% change Y/Y	12%	9%	23%	9%	Depreciation	248.8	189.3	180.1	207.8
EBITDA	2,229	2,325	2,542	3,643	Changes in working Capital	23.7	-464.5	-506.2	1483.9
% change Y/Y	1%	4%	9%	43%	Other operating cashflows	(596)	(721)	(1,057)	(1,520)
EBITDA Margin (%)	17%	16%	14%	19%	Cash from Operations	1627	1109	938	3568
EBIT	1,980	2,135	2,362	3,435	Cash from Investing	(423)	195	760	131
% change Y/Y	-4%	8%	11%	45%	Cash from Financing	(1186)	(1202)	(1204)	(1413)
EBIT Margin (%)	15%	15%	13%	17%	Beginning cash and Equivalents	278	297	399	892
Net financial income	199	195	303	311	Ending cash and Equivalents	297	399	892	3179
Earnings before tax	1,951	2,105	2,321	3,397					
% change Y/Y	-4%	8%	10%	46%					
Tax	(677)	(637)	(776)	(1,213)					
as % of EBT	35%	30%	33%	36%					
Net Income (adjusted)	1,275	1,468	1,545	2,184					
% change Y/Y	-7%	15%	5%	41%					
Shares Outstanding	124	124	124	124					
EPS (adjusted)	10.3	11.9	12.5	17.7					
% change Y/Y	-7%	15%	5%	41%					
Balance sheet					Ratio Analysis				
	FY04	FY05	FY06	FY07	%, year-end Dec	FY04	FY05	FY06	FY07
Cash and cash equivalents	297	399	892	3,179	EBITDA margin	17%	16%	14%	19%
Accounts receivable	1,313	1,516	1,890	1,480	EBIT margin	15%	15%	13%	17%
Inventories	1,662	2,139	2,555	2,250	Net profit margin	9%	10%	9%	11%
Others	583	766	826	817					
Current assets	3,855	4,820	6,163	7,725	Sales growth	12%	9%	23%	9%
Total Investments	1,289	1,081	425	206	Net profit growth	-7%	15%	5%	41%
Net fixed assets	1,498	1,383	1,297	1,333					
Liabilities	1,970	2,398	2,704	3,418					
Provisions	860	839	915	1,698					
Total current liabilities	2,830	3,238	3,619	5,116	Net debt to total capital	-7%	-9%	-20%	-76%
Total assets	3,812	4,047	4,266	4,148	Net debt to equity	-7%	-10%	-21%	-73%
Total debt	37	28	28	28	Sales/assets	354%	362%	423%	474%
Other liabilities	174	119	61	(182)	Assets/equity	106%	104%	102%	96%
Total liabilities	211	146	89	(154)	ROE	36.0%	39.1%	38.3%	51.5%
Shareholders' equity	3,601	3,901	4,177	4,302	ROCE	55.3%	56.4%	58.1%	81.7%
BVPS	29.1	31.5	33.8	34.8					

Source: Company.

## Container Corporation of India Ltd.

www.concorindia.com

### Company description

Container Corporation of India Ltd. (Concor) is India's largest railway container transport operator with a market share in excess of 90%. It has a dominant network of 58 ICDs and over 150 rakes. The company relies on growth in India's foreign trade, as it derives 80% of its revenue from this segment.

### Positive share price drivers

Concor has a longstanding tie-up with shippers and has invested in port infrastructure, which gives it a head-start in the upcoming competition. The company enjoys pricing power and is likely to sustain its profitability, as it has recently passed on the 15% increase in haulage charges to end customers.

### Negative share price driver

Given the increasing macro headwinds—slowing IIP growth domestically and increasing the global growth uncertainty, which will likely affect foreign trade growth—container volumes growth is likely to moderate over FY09–10E.

### Valuation and risks

Our March 2009 price target of Rs910 is based on DCF. Our price target represents a one-year forward P/E of 13x on FY10E EPS. We believe that Concor's substantial free cash at Rs120 per share (15% of stock price) should provide downside protection. Risks to our investment thesis include slower-than-expected foreign trade growth given the global slowdown, and a sharp deterioration in the local economy.

Bloomberg: CCRI IN; Reuters: CCRI.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Net sales	30,373	33,473	38,631	42,495
Net profit	6,961	7,505	8,571	9,310
EPS (Rs)	53.6	57.9	65.9	71.6
DPS (Rs)	11	13	14	15
Net sales growth (%)	25	10	15	10
Net profit growth (%)	33	8	14	9
EPS growth (%)	33	8	14	9
ROE (%)	26.5	23.6	22.4	20.5
BVPS (Rs)	202	245	294	349
P/E (x)	13.5	12.5	11.0	10.1
EV/EBITDA (%)	9.4	8.8	7.3	6.2

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs723.1

Price Target: Rs910

### India

#### Logistics & Freight

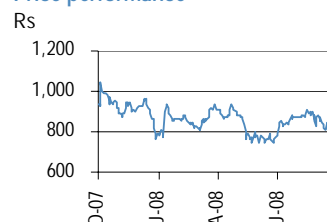
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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-18	-14	-27
Relative (%)	+10	+18	+23

Source: Bloomberg.

### Company data

52-week range (Rs)	693-1,044
Mkt cap. (RsMM)	94,003
Mkt cap. (US\$MM)	1,895
Avg daily value (US\$MM)	2.1
Avg daily volume (MM)	0.1
Shares O/S (MM)	130
Date of price	22-Oct -08
Index: BSE Sensex	10170
Free float (%)	37
Exchange rate	49.3

Source: Bloomberg.



## Container Corporation of India Ltd.: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Revenues	30,373	33,473	38,631	42,495
% change Y/Y	25	10	15	10
EBITDA	8,912	8,904	10,276	11,261
% change Y/Y	29	0	15	10
EBITDA margin (%)	29.3	26.6	26.6	26.5
Depreciation	936	1,063	1,197	1,374
Other income	846	1,645	1,840	1,973
Interest expense	0	0	0	0
Earnings before tax	8,822	9,485	10,918	11,860
Tax	1,862	1,980	2,348	2,550
as % of EBT	21.1	20.9	21.5	21.5
<b>Net income (adjusted)</b>	<b>6,961</b>	<b>7,505</b>	<b>8,571</b>	<b>9,310</b>
Change (%)	33	8	14	9
Prior period adjustments	77	17	-	-
Net income (reported)	7,038	7,522	8,571	9,310
Shares outstanding (MM)	65.0	65.0	130.0	130.0
<b>EPS (adjusted)</b>	<b>53.6</b>	<b>57.9</b>	<b>65.9</b>	<b>71.6</b>
% change Y/Y	33	8	14	9
DPS (Rs)	11	13	14	15
Div payout ratio (%)	21	22	22	21

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
<b>Net fixed assets</b>	<b>15,515</b>	<b>16,652</b>	<b>18,454</b>	<b>20,080</b>
Capital WIP	2,028	1,721	1,721	1,721
Trade investments	1,317	1,554	2,054	2,554
Cash	10,626	15,215	19,253	23,770
Accounts receivable	99	137	207	228
Inventories	46	48	52	57
Loans & Advances	2,849	3,621	3,921	4,416
Current assets	13,620	19,021	23,433	28,471
Payables	3,664	4,144	4,334	4,350
Others	905	1,227	1,209	1,240
Total current liabilities	4,569	5,371	5,543	5,591
<b>Net Current Assets</b>	<b>9,051</b>	<b>13,650</b>	<b>17,890</b>	<b>22,881</b>
<b>Total Assets</b>	<b>27,911</b>	<b>33,576</b>	<b>40,118</b>	<b>47,235</b>
Debt	-	-	-	-
Deferred Tax	1,613	1,737	1,910	2,102
Share Capital	650	650	1,300	1,300
Network	26,298	31,839	38,208	45,134
<b>Liabilities</b>	<b>27,911</b>	<b>33,576</b>	<b>40,118</b>	<b>47,235</b>
BVPS (Rs per share)	202	245	294	349

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
EBIT	7,976	7,840	9,079	9,887
Depreciation & amortization	936	1,063	1,197	1,374
Dec/(Inc) in working capital	(224)	(340)	(393)	(529)
Taxes	(1,687)	(1,856)	(2,174)	(2,359)
<b>Cash flow from operations</b>	<b>7,001</b>	<b>6,708</b>	<b>7,709</b>	<b>8,373</b>
Extra ordinary items	77	17	0	0
Net capex	-2,705	-1,892	-3,000	-3,000
(Pur)/Sale of Invest.	-23	-237	-500	-500
<b>Free cash flow</b>	<b>4,350</b>	<b>4,596</b>	<b>4,209</b>	<b>4,873</b>
Equity raised/ (repaid)	0	0	0	0
Debt raised/ (repaid)	0	0	0	0
Dividends paid	-1,334	-1,652	-1,937	-2,168
Net interest (paid)/ recd	846	1,645	1,840	1,973
<b>CF from financing activity</b>	<b>-488</b>	<b>-7</b>	<b>-98</b>	<b>-195</b>
Cash generated in the year	3,862	4,589	4,111	4,678
Beginning cash	6,763	10,626	15,215	19,327
<b>Ending cash</b>	<b>10,626</b>	<b>15,215</b>	<b>19,326</b>	<b>24,004</b>

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07A	FY08A	FY09E	FY10E
EBITDA margin	29.3	26.6	26.6	26.5
Sales growth	25	10	15	10
Net profit growth	33	8	14	9
EPS growth	33	8	14	9
Dividend payout	21	22	22	21
P/E (x)	13.5	12.5	11.0	10.1
Cash P/E (x)	11.8	10.9	9.6	8.8
EV/EBITDA (x)	9.4	8.8	7.3	6.2
EV/sales (x)	2.7	2.4	1.9	1.6
Price to book value (x)	3.6	3.0	2.5	2.1
Dividend yield	1.5	1.8	2.0	2.1
Debt to equity (x)	0.0	0.0	0.0	0.0
Net profit margin	22.9	22.4	22.2	21.9
Sales/assets (x)	1.1	1.0	1.0	0.9
Assets/equity (x)	1.1	1.1	1.0	1.0
ROE	26.5	23.6	22.4	20.5
ROCE	31.6	28.2	27.2	25.0
ROIC	46.1	42.7	43.6	42.2

Source: Company, J.P. Morgan estimates.

## Crompton Greaves

www.cglonline.com

### Company description

Crompton Greaves (CG) is part of the US\$3 billion Avantha Group. The company has grown inorganically in the power segment with the acquisition of Belgium based Pauwels in 2005, followed by Ganz and Microsol, and more recently Sonamatra, providing it key manufacturing and marketing bases in the European markets. Besides power systems, the company has two more business segments—industrial and consumer products—which constitute ~32% of its top line.

### Positive share price drivers

- (1) Current order flow momentum in the power segment is maintained.
- (2) Margin improvement and growth beyond management's guidance of flat margins and 20% Y/Y revenue growth for FY09. (3) CG benefiting from revival of APDRP and PGCIL orders.

### Negative share price drivers

- (1) Slowdown in demand for standard distribution products due to slowdown in housing in Europe. (2) Weak order flow in the industrial segment and weak growth in the consumer segment. (3) Euro depreciation against Indian rupee.

### Valuation and risks

Our Mar-09, DCF based PT of Rs220 (updated on Oct 23) implies a target FY10E P/E of 12.6x. Key risk stems from slowdown in European housing leading to reduction in demand for power distribution goods. Power distribution comprises 55% of its overseas business.

Bloomberg: CRG IN; Reuters: CROM.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	56,395	68,323	84,729	103,296
Net profit	2,818	4,067	5,073	6,407
EPS (Rs)	7.7	11.1	13.8	17.5
DPS (Rs)	1.3	1.9	2.1	2.6
Net sales growth (%)	36.7	21.2	24.0	21.9
Net profit growth (%)	(7.1)	44.3	24.7	26.3
EPS growth (%)	(7.1)	44.3	24.7	26.3
ROE (%)	32.1	35.8	33.4	32.0
P/E (x)	21.6	14.9	12.0	9.5
P/BV (x)	6.3	4.7	3.5	2.7
EV/EBITDA (x)	14.0	8.9	7.1	5.6

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs165.7

Price Target: Rs220

### India

### Engineering

Shilpa Krishnan<sup>AC</sup>

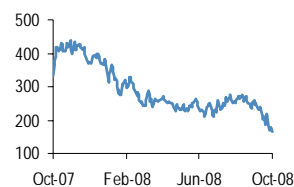
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	(34.6)	(27.3)	(48.8)
Relative (%)	(8.3)	(0.4)	(7.3)

Source: Bloomberg.

### Company data

52-week range (Rs)	163.1-454
Mkt cap. (RsB)	60.7
Mkt cap. (US\$B)	1.2
Avg daily value (US\$MM)	3.7
Avg daily volume (MM)	0.75
Shares O/S (MM)	366.6
Date of price	22-Oct-08
Index: BSE Sensex	10169.9
Free float (%)	59.4
Exchange rate	49.3

Source: Bloomberg.

## Crompton Greaves: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Revenues	56,395	68,323	84,729	103,296
% change Y/Y	37	21	24	22
EBITDA	4,827	7,439	9,331	11,507
% change Y/Y	49	54	25	23
EBITDA margin (%)	9	11	11	11
EBIT	3,873	6,176	7,929	10,032
% change Y/Y	56	59	28	27
EBIT margin (%)	7	9	9	10
Other income	1,053	677	688	743
Net interest	(566)	(701)	(595)	(648)
Earnings before tax	4,360	6,152	8,022	10,127
% change Y/Y	57	41	30	26
Tax	(1,494)	(2,054)	(2,912)	(3,676)
as % of EBT	34	33	36	36
Net income (adjusted)	2,818	4,067	5,073	6,407
% change Y/Y	30	44	25	26
Shares Outstanding	367	367	367	367
EPS (adjusted)	7.7	11.1	13.8	17.5

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Cash and cash equivalents	2,416	2,445	1,922	3,963
Accounts receivable	14,214	17,204	21,799	26,576
Inventories	9,156	10,664	13,688	16,688
Others	3,644	3,704	4,593	5,600
Current assets	29,429	34,016	42,003	52,828
Total Investments	645	645	934	934
Net fixed assets	10,873	12,444	13,042	13,633
Total assets	41,365	47,983	56,567	67,983
Liabilities				
Payables	11,662	12,229	15,165	18,488
Others	10,687	14,195	16,472	19,050
Total current liabilities	22,348	26,423	31,637	37,538
Total debt	9,045	8,420	7,420	7,420
Other liabilities	284	122	180	250
Total liabilities	31,676	34,965	39,237	45,207
Shareholders' equity	9,688	13,018	17,330	22,776
BVPS	26.4	35.5	47.3	62.1

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
EBIT	3,873	6,176	7,929	10,032
Depreciation & amortization	954	1,263	1,402	1,475
Change in working capital	(2,188)	(3,080)	(3,295)	(2,882)
Taxes	(1,494)	(2,054)	(2,912)	(3,676)
Others	1,052	694	709	768
Cash flow from operations	2,197	2,999	3,833	5,717
Capex	(1,135)	(2,500)	(2,000)	(2,066)
Free cash flow	1,062	499	1,833	3,651
Disposal/ (purchase)	(1,960)	-	-	-
Net Interest	(566)	(701)	(595)	(648)
Equity raised/ (repaid)	-	-	-	-
Debt raised/ (repaid)	4,823	(625)	(1,000)	-
Other	(2,515)	-	-	-
Dividends paid	(502)	(686)	(761)	(961)
Change in Cash	342	(1,513)	(523)	2,042
Beginning cash	2,073	2,416	2,445	1,922

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08	FY09E	FY10E
EBITDA margin	9	11	11	11
EBIT margin	7	9	9	10
Net profit margin	5	6	6	6
SG&A/sales	10	11	13	13
Sales growth	37	21	24	22
Net profit growth	(7.1)	44	25	26
EPS growth	-7	44	25	26
Interest coverage (x)	6.8	8.8	13.3	15.5
Net debt to total capital	35	26	21	10
Net debt to equity	68	44	30	14
Sales/assets	297	317	340	339
Assets/equity	196	166	144	134
ROE	32	36	33	32
ROCE	22	24	24	25
EBITDA margin	9	11	11	11

Source: Company, J.P. Morgan estimates.

# Dabur India Limited

www.dabur.com

## Company description

Dabur is a fast-moving consumer goods (FMCG) company with interests in healthcare, personal care and food products. The company, established over 100 years ago, has a strong presence in the *ayurvedic* segment. It operates in four business units—consumer care, consumer healthcare, international business and the foods business. Its international operations are primarily oriented in the Middle East, South-East Asia, Africa, the European Union and the US.

## Positive share price drivers

(1) Operating margins are expected to expand due to softening raw material prices. (2) Performance of international operations (particularly GCC, Egypt and African markets) remains strong. (3) New product launches over the next 6-9 months should support long-term earnings growth.

## Negative share price drivers

(1) Sales growth of fairly penetrated categories such as hair care and oral care could moderate. (2) Growing competition in the fruit juice space could impact the growth rates for the foods category. (3) Losses in retail operations could constrain margin growth.

## Valuation and risks

Our Mar-09 price target of Rs105 is based on a one-year forward P/E of 20x. The stock is trading at 18x FY09E and 16x FY10E earnings. Key risks to our price target are any sharp slowdown in consumer spending and price competition in the FMCG space.

Bloomberg: DABUR IN; Reuters: DABU.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Revenue	20,431	23,611	27,787	31,986
Net profit	2,766	3,339	3,765	4,339
EPS (Rs)	3.2	3.8	4.3	5.0
DPS (Rs)	1.4	1.5	2.0	2.5
Net sales growth (%)	10	15	18	15
Net profit growth (%)	22	21	13	15
EPS growth (%)	21	21	13	15
ROE (%)	57	61	53	49
ROCE (%)	53	59	56	53
BVPS (Rs)	5.5	7.1	9.2	11.3
P/E (x)	25.0	20.7	18.3	15.9
P/B (x)	14.4	11.2	8.7	7.0
EV/EBITDA (X)	19.3	15.8	14.2	12.1
Dividend yield (%)	1.8	1.9	2.5	3.1

Source: Company reports, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs79.5

Price Target: Rs105

## India

### Consumer

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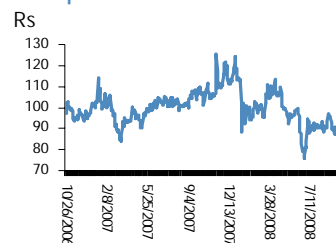
#### Latika Chopra, CFA

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J.P.Morgan India Private Limited

## Price performance



Source: Bloomberg.

## Performance

	1M	6M	12M
Absolute (%)	-13	-27	-24
Relative (%)	20	21	32

Source: Bloomberg.

## Company data

52-week range (Rs)	72 - 134
Mkt cap. (Rs MM)	68,768
Mkt cap. (US\$MM)	1,395
Avg daily value (US\$MM)	2.0
Avg daily volume (MM)	1.0
Shares O/S (MM)	865
Date of price	22-Oct-08
Index: BSE Sensex	10170
Exchange rate	49.3

Source: Bloomberg.

## Dabur India Limited: Summary of financials

Rs in millions, year-end March

### Profit and loss statement

### Cash flow statement

	FY07A	FY08	FY09E	FY10E		FY07A	FY08	FY09E	FY10E
Net sales	20,431	23,611	27,787	31,986	EBIT	3,280	4,012	4,491	5,212
% change Y/Y	19	16	18	15	Depreciation & amortization	343	364	380	407
EBITDA	3,623	4,376	4,871	5,619	Change in working capital	-633	239	-164	-50
% change Y/Y	21	21	11	15	Others	-738	-794	-726	-873
EBITDA margin (%)	18	19	18	18	Cash flow from operations	2,252	3,821	3,981	4,696
EBIT	3,280	4,012	4,491	5,212					
% change Y/Y	20	22	12	16	Capex	-513	-1,248	-600	-500
EBIT margin (%)	16	17	16	16	Free cash flow	1,739	2,573	3,381	4,196
Interest expense	154	168	119	119	Equity raised/ (repaid)	2	1	0	0
Other income	195	340	362	386	Debt raised/ (repaid)	396	-626	-1,080	-85
Earnings before tax	3,130	3,844	4,378	5,105	Other	-274	-1,124	-700	0
% change Y/Y	22	23	14	17	Dividends paid	-1,768	-665	-1,981	-2,476
Tax	373	507	613	766	Change in cash	95	159	-381	1,635
as % of EBT	12	13	14	15	Beginning cash	512	607	766	385
Net income	2,766	3,339	3,765	4,339	Ending cash	607	766	385	2,020
% change Y/Y	22	21	13	15	DPS	1.4	1.5	2.0	2.5
Shares outstanding (MM)	870	869	869	869					
EPS (adjusted)	3.2	3.8	4.3	5.0					
% change Y/Y	21	21	13	15					

### Balance sheet

### Ratio analysis

	FY07A	FY08	FY09E	FY10E	%	FY07A	FY08	FY09E	FY10E
Cash and cash equivalents	607	766	385	2,020	EBITDA margin	18	19	18	18
Accounts receivable	1,420	1,723	1,934	2,226	EBIT margin	16	17	16	16
Inventories	2,571	3,025	3,381	3,892	Net profit margin	14	14	14	14
Others	1,807	2,225	2,118	2,438					
Current assets	6,405	7,739	7,818	10,576					
Investments	807	2,037	2,737	2,737	Sales growth	10	15	18	15
Net fixed assets	3,792	4,653	4,873	4,965	Net profit growth	22	21	13	15
Total assets	11,216	14,808	15,808	18,658	EPS growth	21	21	13	15
Payables	3,624	4,580	4,982	5,735	Interest coverage (x)	21.3	23.9	37.7	43.8
Others	893	2,741	1,553	1,788	Net debt to total capital	0.1	0.1	0.1	0.0
Total current liabilities	4,518	7,321	6,536	7,523	Net debt to equity	0.2	0.1	0.1	0.0
Total Loans	1,599	992	992	992	Sales/assets	1.9	1.8	1.8	1.9
Other liabilities	304	320	320	320	ROE	57	61	53	49
Total liabilities	6,420	8,633	7,848	8,835	ROCE	53	59	56	53
Shareholders' equity	4,796	6,176	7,960	9,823					
BVPS	5.5	7.1	9.2	11.3					

Source: Company reports, J.P. Morgan estimates.

## Dalmia Cement

www.dalmiacement.com

### Company description

Dalmia Cement is a south India-based cement company with a presence in the sugar sector as well. The company has recently expanded capacity in both cement and sugar and is further expanding capacity in cement.

### Positives

The company is currently expanding cement capacity with greenfield expansions in southern India and has also acquired a minority stake in an eastern India cement company. Cement demand growth in south India has been among the strongest in the country.

### Negatives

With the Indian economy slowing down, we expect cement demand growth to also trend down. We expect cement prices to decline over the next two years. Coal costs (one of the key cost components for cement) are expected to remain at elevated levels for the industry compared to the historical trend levels.

### Valuation

There are no consensus estimates available for the company.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

Bloomberg: DCB IN, Reuters: DLMI.NS

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	4,494	5,714	9,826	14,676
EBITDA	541	787	2,345	4,062
Net profit	313	856	2,290	3,688
EPS (Rs)	30.2	17.9	48.0	42.8
Sales growth (%)	21.7	27.2	72.0	49.4
Net profit growth (%)	18.8	174.0	167.5	61.0
ROE (%)	8.8	21.7	38.6	38.3
ROCE (%)	4.5	5.1	12.4	14.1
P/E (x)	3.2	5.5	2.0	2.3
P/B (x)	0.3	1.1	0.6	0.7

Source: Company reports, Bloomberg. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs97.50

### India

### Cement

**Pinakin Parekh, CFA<sup>AC</sup>**

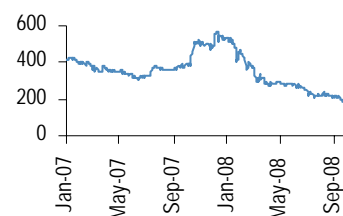
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-47	-55	-80
Relative (%)	-19	-27	-38

Source: Bloomberg.

### Company data

52-week range (Rs)	620-93.75
Mkt cap. (Rs MM)	7,892
Mkt cap. (US\$MM)	160
Avg. daily vol (MM)	0.0
Avg. daily val (US\$MM)	0.1
Shares O/S (MM)	81
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	66.9
Exchange rate	49.3

Source: Bloomberg.

## Dalmia Cement: Summary of financials

### Profit and loss statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Revenues	4,494	5,714	9,826	14,676
% change Y/Y	22	27	72	49
EBITDA	541	787	2,345	4,062
% change Y/Y	14	45	198	73
EBITDA Margin (%)	12	14	24	28
EBIT	339	507	1,795	3,198
% change Y/Y	27	50	254	78
EBIT Margin (%)	8	9	18	22
Net financial income	23	591	1,171	1,380
Earnings before tax	361	1,098	2,966	4,577
% change Y/Y	13	204	170	54
Tax	(49)	(242)	(676)	(890)
as % of EBT	14	22	23	19
Net Income (adjusted)	313	856	2,290	3,688
% change Y/Y	19	174	168	61
Shares outstanding	10	48	48	86
EPS (adjusted)	30.2	17.9	48.0	42.8
% change Y/Y	24	-41	168	-11

### Balance sheet

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Cash and cash equivalents	280	627	1,119	2,373
Accounts receivable	517	598	821	1,051
Inventories	1,928	1,917	1,975	4,916
Others	997	718	2,420	3,836
Current assets	3,722	3,859	6,335	12,176
Total Investments	806	1,708	3,729	4,812
Net fixed assets	6,190	8,663	13,947	18,901
Total assets	8,594	11,131	17,700	27,593
Liabilities				
Provisions	308	335	564	1,171
Total current liabilities	1,547	2,376	5,018	6,666
Total debt	4,988	6,832	10,146	15,833
Other liabilities	0	0	0	45
Total liabilities	4,988	6,832	10,146	15,878
Shareholders' equity	3,606	4,300	7,555	11,715
BVPS	348.5	89.8	158.3	135.9

### Cash flow statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
EBIT	339	507	1,795	3,198
Depreciation	203	279	551	864
Changes in working capital	(50)	(759)	(2,360)	1,522
Taxes	(538)	1,094	3,557	(4,250)
Cash from operations	(47)	1121	3542	1334
Capex	2716	2752	5835	5818
Cash from financing	2121	1576	3692	5201
Taxes	(49)	(242)	(676)	(890)
Net interest	23	591	1171	1380
Equity raised(repaid)	(217)	(162)	965	472
Debt raised(repaid)	2163.7	1843.4	3314.1	5687.5
Dividends	38.2	76.5	128.2	323.4
Beginning cash and equivalents	281	280	627	1119
Ending cash and equivalents	280	627	1119	2373

### Ratio analysis

%, year-end Mar	FY05	FY06	FY07	FY08
EBITDA margin	12	14	24	28
EBIT margin	8	9	18	22
Net profit margin	7	15	23	25
Sales growth	22	27	72	49
Net profit growth	19	174	168	61
EPS Growth	24	-41	168	-11
Net debt to total capital	55	56	51	49
Net debt to equity	131	144	119	115
Sales/assets	52	51	56	53
Assets/equity	238	259	234	236
ROE	8.8	21.7	38.6	38.3
ROCE	4.5	5.1	12.4	14.1

Source: Company reports.

## DLF Limited

www.dlf.in

### Company description

DLF is the largest private developer in India, with a development pipeline of 750msf. In the past, the company primarily focused on the NCR market, especially Gurgaon; it has been credited with the development of Gurgaon and the DLF City Township (3,000 acres). In the recent past, it successfully expanded to other metros/tier-1 cities as well. We rate the company's management as one of the best in India.

### Positive share price drivers

(1) We consider DLF a proxy for participation in Indian property given its execution scale, track record, and pan-India presence. (2) Mid-income and the retail portfolio have demonstrated good off-takes despite the macro economic slowdown. The office business continues to be stable. (3) Funding position remains reasonable (Net D/E of 0.6x) with only 13% (Rs19 billion) payable in next 12 months, and almost 95% of its land reserves have been paid for. (4) The growing lease asset portfolio (11msf by FY09E) provides a stable cash flow stream.

### Negative share price drivers

(1) Refinance risk in DLF's assets is likely to remain the key overhang. The company had O/S receivables of Rs34 billion from DAL in 1Q FY09 (up from Rs 19.3 billion in 4Q FY08). (2) Negative news flow on land acquisition for Bidadi and Dankuni (220msf) townships given political issues. (3) Macro economic slowdown, leading to lower-than-expected off-take and scale-up in the residential, office and retail businesses.

### Valuation and risks

We maintain our Overweight rating on the stock with a Mar-09 price target of Rs518, in line with our FY09 NAV estimate. Key risks to earnings and our price target are: (1) funding issues not being sorted out in DAL; (2) lower-than-expected scale-up in mid-income and the retail business; and (3) significant declines in property prices over and above those already factored in.

Bloomberg: DLFU IN; Reuters: DLF.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	26,374	144,375	164,559	198,624
Net profit	19,326	78,133	85,756	95,347
EPS (Rs)	11.3	45.8	50.3	55.9
Net sales growth (%)	129	447	14	21
Net profit growth (%)	908	304	10	11
P/E (x)	32.8	8.1	7.4	6.7
Adj Net D/E	267	50	48	49
P/B	17.8	3.2	2.3	1.8
ROE (%)	86	66	36	30

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs271.9

Price Target: Rs518

### India

#### Property

Saurabh Kumar<sup>AC</sup>

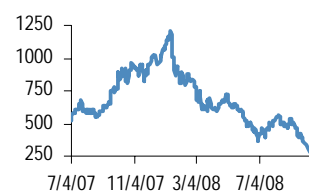
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J.P.Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-35.5	-40.1	-66.1
Relative (%)	-8.1	-12.2	-23.8

Source: Bloomberg.

### Company data

52-week range (Rs)	1,225 - 266.3
Mkt cap. (RsMM)	463544
Mkt cap. (US\$MM)	9395
Avg. daily volume (MM)	7.3
Avg daily value (US\$MM)	63.7
Shares O/S (MM)	1,705
Date of price	22-Oct-08
Index (BSE Sensex)	10170
Free float (%)	10
Exchange rate	49.3

Source: Bloomberg.



## DLF Limited: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Revenues	26,374	144,375	164,559	198,624
% change Y/Y	129	447	14	21
EBITDA	14,897	97,151	110,320	128,586
% change Y/Y	213	552	14	17
EBITDA margin (%)	56	67	67	65
EBIT	14,319	96,250	109,285	127,395
% change Y/Y	226	572	14	17
EBIT margin (%)	54	67	66	64
Net financial income	11,083	(636)	(2,089)	(3,568)
Earnings before tax	25,402	95,614	107,195	123,828
% change Y/Y	607	276	12	16
Tax	(6,052)	(17,391)	(21,439)	(28,480)
as % of EBT	24	18	20	23
Net income (adjusted)	19,326	78,133	85,756	95,347
% change Y/Y	908	304	10	11
Shares outstanding	1,705	1,705	1,705	1,705
EPS (adjusted)	11.3	45.8	50.3	55.9
% change Y/Y	908	304	10	11

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
EBIT	14,319	96,250	109,285	127,395
Depreciation & amortization	578	901	1,036	1,191
Change in working capital	(72,432)	(110,706)	(16,231)	(24,273)
Taxes	14,159	2,464	1,411	932
Others	(6,102)	(18,299)	(21,439)	(28,480)
Cash flow from operations	(49,477)	(29,390)	74,061	76,765
Capex	(24,733)	(69,153)	(80,236)	(97,009)
Change in investments	(5,435)	(10,000)	(5,000)	-
Interest	(3,076)	(3,100)	(3,500)	(4,500)
Free cash flow	(68,018)	(103,978)	(16,174)	(25,244)
Equity raised/ (repaid)	94,701	-	-	-
Debt raised/ (repaid)	58,007	23,444	15,000	40,000
Dividends paid	(18)	(7,979)	(10,358)	(13,465)
Beginning cash	1,950	4,155	21,421	6,335
Ending cash	4,155	21,421	6,335	593

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Cash and cash equivalents	4,155	21,421	6,335	593
Accounts receivable	15,057	76,106	89,938	107,919
Inventories	56,799	94,544	108,651	122,796
Others	52,332	73,929	96,579	119,229
Current assets	128,343	266,001	301,503	350,538
Total investments	2,107	9,102	16,935	21,935
Net fixed assets	41,851	100,031	181,303	279,503
Liabilities	33,124	42,639	76,848	107,201
Provisions	12,948	29,518	29,518	29,518
Total current liabilities	46,072	72,157	106,366	136,719
Total assets	135,165	323,907	414,306	536,188
Total debt	99,327	122,771	137,771	177,771
Other liabilities	197	359	359	359
Total liabilities	99,524	123,130	138,130	178,130
Shareholders' equity	35,641	200,778	276,176	358,059
BVPS	20.9	117.8	162.0	210.0

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07A	FY08A	FY09E	FY10E
EBITDA margin	56	67	67	65
EBIT margin	54	67	66	64
Net profit margin	73	54	52	48
Sales growth	129	447	14	21
Net profit growth	908	304	10	11
Interest coverage (x)	0.2	0.0	0.0	0.0
Net debt to total capital	0.7	0.6	0.3	0.3
Reported Net debt to equity	2.7	0.5	0.5	0.5
Sales/assets	0.2	0.4	0.4	0.4
Assets/equity	3.8	1.6	1.5	1.5
ROE	86	66	36	30
ROCE	24	35	24	21

Source: Company, J.P. Morgan estimates.

## Dr. Reddy's Limited

www.drreddys.com

### Company description

Dr Reddy's is a global, vertically integrated pharmaceutical company with a presence across the value chain, producing and delivering safe, innovative, and high quality finished dosage forms, active pharmaceutical ingredients and biological products.

### Positive share price drivers

Relative improvement in the German business as possibly the supply related issues with Salutas are sorted out. Biosimilars could be the next big growth driver for the company as it has a head start in this segment and has invested heavily but this would be contingent on its entry in the regulated markets.

### Negative share price drivers

Continued deterioration in the branded generic business in Germany after the change in the regulatory environment and the company not getting contracts from the AOK tenders business, which is slated to be announced in a month's time could affect the top-line growth. As with all Indian pharmaceutical companies, slower-than-expected domestic formulations growth over the next few years could impact revenues. A further delay in the setting up of Biosimilars' framework in regulated markets could add uncertainty, in our view.

### Valuation and risks

Our Sept-09 price target of Rs650 is based on the sum-of-the-parts with the base business valued at 17x FY10E core EPS and the Para IV and the NCE pipeline valued at Rs20 and Rs30, respectively. Key risks to our price target include continued deterioration in Germany, a sharp slowdown in branded generics, and large acquisitions.

Bloomberg: DRRD IN; Reuters: REDY.BO

Rs in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
Turnover	50,006	59,576	68,306	75,503
Net profit	4,655	4,921	5,953	7,010
EPS (Rs)	28	42	44	42
Recurring EPS	28	29	35	42
Turnover growth (%)	-23	19	15	11
Profit growth (%)	-50	6	21	18
Recurring EPS growth (%)	-50.1	5.7	21.0	17.8
ROE (%)	11	10	11	11
ROCE (%)	5	10	11	11
P/E (x)	17.4	16.4	13.6	11.5

Source: Company reports, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs480

Price Target: Rs650

### India

#### Pharma

#### Pinakin Parekh, CFA<sup>AC</sup>

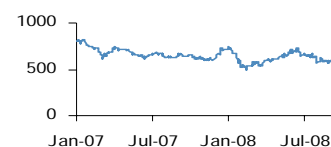
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Abs (%)	9.3	23.5	-22.9
Rel (%)	18.0	4.4	19.3

Source: Bloomberg.

### Company data

52-week range (Rs)	763 - 395
Mkt cap. (RsMM)	80,781
Mkt cap. (US\$MM)	1,638
Avg. daily volume (MM)	0.6
Average daily Val (US\$MM)	6.4
Shares O/S (MM)	168
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	73.5
Exchange rate	49.3

Source: Bloomberg.

## Dr Reddy's Limited: Summary of financials

## Profit and loss statement

Rs in millions, Y/E Mar	FY07A	FY08A	FY09E	FY10E	FY11E
Revenues	65,095	50,006	59,576	68,306	75,503
% change Y/Y	168.2	-23.2	19.1	14.7	10.5
Recurring operating profit	14,362	6,701	7,636	8,755	9,678
% change Y/Y	760.6	-53.3	14.0	14.7	10.5
Recurring OPM (%)	22	13	13	13	13
EBIT	11,021	2,507	5,804	6,833	7,665
% change Y/Y	782.3	-77.3	131.5	17.7	12.2
EBIT margin (%)	16.9	5.0	9.7	10.0	10.2
Net interest income (Exp)	1,055	328	353	168	(244)
Earnings before tax	10,503	3,436	5,801	7,015	8,259
% change Y/Y	-8,435.7	-67.3	68.8	20.9	17.7
Tax	1,177	(1,229)	870	1,052	1,239
as % of EBT	11.2	-35.8	15.0	15.0	15.0
Net income (reported)	9,323	4,655	4,921	5,953	7,010
% change Y/Y	504.2	-50.1	5.7	21.0	17.8
Shares outstanding	159	169	169	169	169
EPS recurring	55	28	29	35	42
% change Y/Y	450.3	-50.1	5.7	21.0	17.8

## Cash flow statement

Rs in millions, Y/E Mar	FY07A	FY08A	FY09E	FY10E	FY11E
EBIT	11,021	2,507	5,804	6,833	7,665
Change in working capital	-2,252	-2,237	2,086	-2,456	-341
Taxes	1,177	-1,229	870	1,052	1,239
Cash flow from operations	9,945	-959	8,760	5,430	8,563
Capex	-7,493	-7,643	-3,012	-3,000	-3,000
Change in other current assets	-456	-733	-171	0	0
Net Interest	1,055	328	353	168	-244
Free cash flow	3,051	-9,006	5,929	2,598	5,319
Equity raised/ (repaid)	10,726	1,570	-253	0	0
Debt raised/ (repaid)	-6,241	-5,212	-1,642	-3,300	-3,900
Dividends paid	-737	-737	-871	-871	-871
Investments	-93	1,076	-760	0	0
Change in DT Liability	728	-1,834	466	0	0
Change in minority	10	-10	10	0	0
Other	1,951	482	272	0	0

## Balance sheet

Rs in millions, Y/E Mar	FY07A	FY08A	FY09E	FY10E	FY11E
Cash and cash equivalents	18,603	12,175	17,171	16,939	17,850
Accounts receivable	7,519	6,823	8,851	10,149	11,218
Inventories	7,546	11,133	12,070	13,839	15,297
Others	3,096	3,829	4,000	4,000	4,000
Current assets	36,764	33,960	42,093	44,926	48,365
LT investments	1,316	240	1,000	1,000	1,000
Net fixed assets	47,132	50,581	51,761	52,838	53,825
Total assets	85,212	84,780	94,853	98,764	103,190
Liabilities					
Total current liabilities	14,713	17,500	22,961	23,571	25,757
Long term debt	21,541	14,679	12,900	9,600	5,700
Other liabilities	7379	5534	6010	6010	6010
Total liabilities	43633	37713	41871	39181	37467
Shareholders' equity	41578	47066	52982	59583	65722

## Ratio analysis

%, Y/E Mar	FY07A	FY08A	FY09E	FY10E	FY11E
Operating margin	22	13	13	13	13
Net profit margin	14	9	12	11	9
SG&A/sales	22	30	30	29	29
Sales per share growth	159.6	(27.7)	19.1	14.7	10.5
Sales growth	168.2	(23.2)	19.1	14.7	10.5
Net profit growth	450.3	-50.1	5.7	21.0	17.8
EPS growth	450.3	-50.1	5.7	21.0	17.8
Interest coverage (x)	13.6	20.4	21.6	52.1	-39.7
Net debt to equity	0.1	0.2	0.0	-0.1	-0.1
Sales/assets	76.4	59.0	62.8	69.2	73.2
Assets/equity	204.9	180.1	179.0	165.8	157.0
ROE	29%	11%	10%	11%	11%
ROCE	20%	5%	10%	11%	11%

Source: Company data, J.P. Morgan estimates.

## Essar Oil

www.essaroil.com

### Company description

Essar Oil is part of the Essar Group, which holds 89% stake in the company. The company operates a 10.5mmt refinery in Vadinar and plans to increase its refinery capacity from 10.5mmt to 34.0mmt in two phases (Train 1 involves optimization of existing facility to 16mmt by July10 and Train 2 is a brownfield expansion of an additional 18mmt by Dec-10).

### Positives

On completion of the expansion projects, the Vadinar refinery would be amongst the single largest refineries with 34mmt capacity. Its light and middle distillate yield would increase to 90%, and it will have ability to process 25 API grade crude. Nelson complexity index of the refinery would be 12.8. Essar has a 50% stake in Ratna E&P block, which has 2P reserves of 81MM BOE. It has ~1,274 retail outlets, which could be put to use if crude retailing becomes remunerative.

### Negatives

Global slowdown could affect refining margins significantly and hence margins for Essar Oil. The company would also need to invest US\$6 billion in its expansion (to 34mmt) with US\$4 billion of debt funding required, according to management. Essar has in principle approval and loan sanction for majority of loans but we cannot rule out funding constraints in the current credit environment.

### Valuation

Essar Oil reported a net loss in FY08 and hence valuation multiples would not be relevant.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

Bloomberg: ESOIL IN EQUITY, Reuters: ESRO.BO

Rs in millions or billions, year-end Mar

	FY05	FY06	FY07	FY08
Net sales	10,451	6,366	4,740	5,623
EBITDA	376	-663	-394	-355
Net profit	99	-937	-675	-412
EPS (Rs)	0.1	-0.8	-0.6	-0.3
Sales growth (%)	-97.9	-39.1	-25.5	18.6
ROE (%)	0.4	-3.8	-2.4	-1.2
ROCE (%)	0.4	-0.9	-0.4	-0.3
P/BV (x)	4.2	4.0	3.4	2.8

Source: CapitalLine, Company. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs84.0

### India

#### Oil and Gas

#### Pradeep Mirchandani<sup>AC</sup>

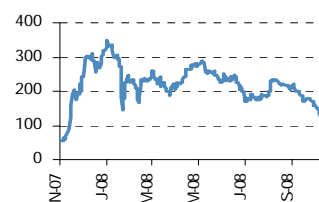
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pradeep.mirchandani@jpmorgan.com

J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-53	-53	66
Relative (%)	-26	-25	108

Source: Bloomberg.

### Company data

52-wk range (Rs)	360 - 49
Mkt cap. (Rs MM)	101231.6
Mkt cap. (US\$ MM)	2,055
Avg. daily volume (MM)	5.77
Average daily value (US\$ MM)	22.44
Shares O/S (MM)	1,201.56
Date of Price	22-Oct
Index (BSE Sensex)	10,170
Free float (%)	11%
Exchange rate	49.3

Source: Bloomberg.

## Essar Oil: Summary of financials

Profit and Loss statement					Cash flow statement				
Rs in millions, year-end Mar	FY05	FY06	FY07	FY08		FY05	FY06	FY07	FY08
Revenues	10,451	6,366	4,740	5,623	PBT	144	(921)	(546)	(441)
% change Y/Y	-98%	-39%	-26%	19%	Depreciation	62	47	45	25
EBITDA	376	-663	-394	-355	Changes in working Capital	250	177	(350)	(353)
% change Y/Y	-99%	-276%	-41%	-10%	Other operating cashflows	(189)	(486)	(87)	(219)
EBITDA Margin (%)	4%	-10%	-8%	-6%	Cash from Operations	267	(1183)	(937)	(987)
EBIT	314	(709)	(439)	(380)	Cash from Investing	(34009)	(23830)	(25301)	(17798)
% change Y/Y	-99%	-326%	-38%	-13%	Cash from Financing	36755	18357	27033	19127
EBIT Margin (%)	3%	-11%	-9%	-7%	Beginning cash and Equivalents	186	6993	5267	6469
Net financial income	845	415	(3)	84	Ending cash and Equivalents	6993	5267	6469	10890
Earnings before tax	144	(921)	(546)	(441)					
% change Y/Y	-99%	-741%	-41%	-19%					
Tax	(45)	(16)	(129)	29					
as % of EBT	31%	-2%	-24%	7%					
Net Income (adjusted)	99	(937)	(675)	(412)					
% change Y/Y	-99%	-1050%	-28%	-39%					
Shares Outstanding	1201	1201	1201	1201					
EPS (adjusted)	0.1	(0.8)	(0.6)	(0.3)					
% change Y/Y	N/A	N/A	N/A	N/A					
Balance sheet					Ratio Analysis				
	FY05	FY06	FY07	FY08	%, year-end Mar	FY05	FY06	FY07	FY08
Cash	6,993	5,267	6,469	10,890	EBITDA margin	4%	-10%	-8%	-6%
Accounts receivable	1,021	811	1,768	8,034	EBIT margin	3%	-11%	-9%	-7%
Inventories	1,346	365	34,180	48,897	Net profit margin	1%	-15%	-14%	-7%
Others	3,014	3,289	4,335	8,017					
Current assets	12,374	9,732	46,752	75,838	Sales growth	-98%	-39%	-26%	19%
Total Investments	730	230	64	0	Net profit growth	-99%	-1050%	-28%	-39%
Net fixed assets	77,994	88,629	112,421	142,890					
Liabilities	9,376	9,056	39,533	78,272	Net debt to total capital	58%	65%	69%	66%
Provisions	6,128	326	408	429	Net debt to equity	184%	231%	275%	258%
Total current liabilities	15,503	9,381	39,941	78,701	Sales/assets	14%	7%	4%	4%
Total assets	75,595	89,210	119,296	140,026	Assets/equity	314%	354%	398%	389%
Total debt	51,147	63,596	88,948	103,628	ROE	0.4%	-3.8%	-2.4%	-1.2%
Other liabilities	399	407	397	392	ROCE	0.4%	-0.9%	-0.4%	-0.3%
Total liabilities	51,546	64,003	89,345	104,019					
Shareholders' equity	24,048	25,207	29,951	36,007					
BVPS	20.0	21.0	24.9	30.0					

Source: Company.

## Financial Technologies

www.ftindia.com

### Company description

Financial Technologies is the flagship company of Financial Technologies group, which includes MCX (Multi-Commodity Exchange) the leading commodities trading exchange in India. It is a US\$1.84 billion global leader (as on March 31, 2008) that provides technology solutions and domain expertise for digital transactions and financial markets across all asset class including equity, commodities, currency and debt. Its recent action includes 1) launch of currency derivatives at MCX-SX, and 2) acquisition of UK based ACE group marking its foray into African and European markets.

### Positives

Any meaningful launches of innovative product or solutions and increase in commodity transactions.

### Negatives

Many of its businesses are leveraged to capital/commodity markets performance and execution risk.

### Valuation

The stock trades at 2.49x trailing EPS.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

**Bloomberg: FTECH IN, Reuters: FITE.BO**

Rs in millions, year-end March

	FY07	FY08
Total income	1,741	13,475
Operating profit	1,203	12,548
Net profit	1,006	9,613
Basic EPS (rep'd) (Rs)	22.5	214.2
ROE (%)	57.5	115.2
DPS	8	20
P/E (x)	26.3	2.76

Source: Company, Capitalline Plus, Bloomberg. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs590.90

### India

#### Banks

#### Sachin Sheth<sup>AC</sup>

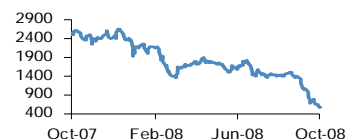
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J. P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-59.0	-64.6	-77.7
Relative (%)	-43.0	-45.9	-57.8

Source: Bloomberg.

### Company data

52-week range (Rs)	547-2,745
Mkt cap. (Rs)	25,738
Mkt cap. (US\$MM)	525
Avg daily volume (MM)	0.09
Avg daily value (US\$MM)	2.76
Shares O/S (MM)	45.9
Date of price	22-Oct-08
Index: BSE Sensex	10,170
Free float (%)	72.4
Exchange rate	49

Source: Bloomberg, BSE.

## Financial Technologies: Summary of financials

Rs in millions, year-end March

<u>Income statement</u>	<u>FY07</u>	<u>FY08</u>	<u>Balance sheet/gearing (%)</u>	<u>FY07</u>	<u>FY08</u>
Operating income	1,023	1,432	Debt-Equity ratio	1.24	0.50
<b>Total income</b>	<b>1,741</b>	<b>13,475</b>	Current ratio	1.89	3.12
			Net Assets/Net worth	3.19	1.27
Employee costs	261	434			
Miscellaneous expenses	28	72			
<b>Total expenses</b>	<b>555</b>	<b>927</b>			
			<u>Per share data</u>		
<b>Operating profit</b>	<b>1,203</b>	<b>12,548</b>	EPS (Rs)	22.5	214.2
<b>Pre-tax profit</b>	<b>1,185</b>	<b>12,415</b>	Dividend (Rs)	8	20
Tax	177	2,803			
<b>Attributable net income</b>	<b>1,006</b>	<b>9,613</b>			
			<u>Ratios</u>		
<u>Key balance sheet</u>			ROE (%)	57.5	115.2
Share capital	88	92	EV/EBITDA	69.11	5.9
Reserves	1,898	14,602			
<b>Total shareholder funds</b>	<b>1,987</b>	<b>14,694</b>			
Unsecured loans	4,344	3,995			
<b>Total liabilities</b>	<b>6,331</b>	<b>18,688</b>			
Net block	173	381			
Investments	4,144	13,743			
Net current assets	1,488	2,861			
<b>Total assets</b>	<b>6,331</b>	<b>18,688</b>			

Source: Company, Capitaline Plus.

## Future Capital Holdings

www.fch.in

### Company description

Future Capital Holdings Limited (FCH) is the financial services arm of the Future Group. FCH was incorporated in 2005 and is promoted by Pantaloon Retail. The company has three primary lines of business -- investment advisory services, retail financial services and wholesale credit. It has around US\$1.1 billion under advice with key funds under management being Indivision India partners (US\$425 million), Kshitij Venture Capital fund (US\$90 million), Horizon Realty fund (US\$350 million) and Indus Hotel Ventures fund (US\$200 million).

FCH launched 'Future Money' outlets in June 2007, retailing financial products and services. It has 145 points of presence across 30 cities in India, providing consumer credit, offering the Future Card (a credit cum loyalty card of the Future Group) and distributing life insurance and general insurance products.

### Positives

- (1) Experienced management team, which gives competitive advantage.
- (2) Synergy with Pantaloon Retail group and understanding of the evolving needs of the Indian consumer.
- (3) Mix of fee-based and risk-based earnings streams.

### Negatives

- (1) There is limited operating history in various businesses that the company is planning to venture into.
- (2) As entry barriers are low, competition in financial services is expected to increase significantly.

### Valuation

The stock trades at 110.6x on trailing EPS.

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Bloomberg: FCHL IN, Reuters: FCHL.BO

Rs in millions, year-end March

	FY07	FY08
Total income	390	993
Expenses	341	1,256
Profit / Loss before tax	49	(263)
Profit / Loss after tax	47	(282)
Profit / Loss available for appropriation	34	(254)
Surplus / Deficit	34	(272)

Source: Company. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs183.95

### India

#### Banks

#### Sachin Sheth<sup>AC</sup>

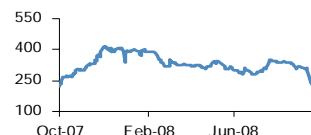
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J. P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-34.3	-48.1	NA
Relative (%)	-5.9	-18.5	NA

Source: Bloomberg.

### Company data

52-week range (Rs)	1,190-141
Mkt cap. (RsMM)	11,564
Mkt cap. (US\$MM)	231.3
Avg daily volume (MM)	0.13
Avg daily value (US\$MM)	1.07
Shares O/S (MM)	63.2
Date of price	22-Oct-08
Index: BSE Sensex	10,170
Free float (%)	24.6
Exchange rate	49

Source: Bloomberg, BSE.



## Future Capital Holdings: Summary of financials

Rs in millions, year-end March

Income statement	FY07	FY08	Balance sheet	FY07	FY08
<b>Consolidated profit &amp; Loss</b>					
Total income	390	993	Share capital	444.4	632.2
Expenses	341	1,256	Reserves	619	6,537
Profit / Loss before tax	49	(263)	<b>Total shareholder funds</b>	<b>1,064</b>	<b>7,169</b>
Tax	2.5	19.7	Minority interest	17.7	629.3
Profit / Loss after tax	47	(282)	Loan Funds	555	2,082
Profit / Loss available for appropriation	34	(254)	Deferred Tax Liabilities	0	2.6
Surplus / Deficit	34	(272)	<b>Total liabilities</b>	<b>1,636</b>	<b>9,883</b>
			Goodwill	75	453
<b>Per share data</b>			Investments	536	5,020
Basic EPS (Rs)	0.89	(5.38)	Deferred tax assets	7.7	0
Diluted EPS (Rs)	0.83	(5.34)	Fixed Assets	807	1,065
			<b>Net current assets</b>	<b>211</b>	<b>3,072</b>
			<b>Total assets</b>	<b>1,636</b>	<b>9,883</b>

Source: Company.

## Gammon India Ltd

www.gammonindia.com

### Company description

Gammon India Ltd (Gammon) is a leading civil engineering company, which constructs roads, ports, hydropower projects, water and irrigation projects and industrial/commercial structures. It also develops infrastructure projects via its 82.5% subsidiary, Gammon Infrastructure Projects Ltd (GIPL), which owns some port, road and power projects.

### Positive share price drivers

(1) Potential alleviation of concerns on execution and input cost pressure. (2) Improvement in sentiment for SMID-cap stocks. (3) Potential easing of liquidity pressure for Gammon's own working capital needs, as well as for its customers. (4) Improvement in the funding climate for GIPL's projects, and progress in execution.

### Negative share price drivers

(1) Near-term funding and liquidity constraints, resulting in execution slowdown and higher borrowing cost. (2) Funding constraints impacting GIPL's project progress.

### Valuation and risks

Gammon is trading at P/E of 3.1x FY10E earnings; after stripping out market's value of its holding in GIPL, it is even lower. We believe valuation for the mid-cap space in general, and Gammon in particular, is attractive, although near-term equity market sentiment for small companies with potential funding risks should remain weak.

Bloomberg: **GMON IN**; Reuters: **GAMM.BO**

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Net sales	18,517	23,449	33,773	43,576
Net profit	445	861	1,779	2,296
EPS (Rs)	5.0	9.7	20.1	25.9
DPS (Rs)	2.2	3.8	6.0	8.0
Net sales growth (%)	26	27	44	29
Net profit growth (%)	-51	94	106	29
EPS growth (%)	-51	-10	101	29
ROE (%)	4.3	7.3	14.0	16.3
EV/EBITDA (%)	5.9	4.5	2.9	2.2
P/B (x)	0.8	0.7	0.7	0.6
P/E (x)	20.3	10.5	5.1	3.9

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs101.85

### India

### Construction

**Shilpa Krishnan<sup>AC</sup>**

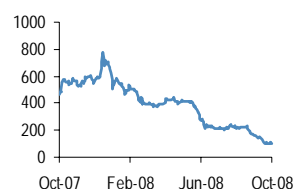
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	(36.8)	(50.3)	(77.5)
Relative (%)	(10.5)	(23.4)	(36.0)

Source: Bloomberg.

### Company data

52-week range (Rs)	94.55-845
Mkt cap. (Rs B)	8.8
Mkt cap. (US\$B)	0.2
Avg daily value (US\$MM)	1.2
Avg daily volume (MM)	0.31
Shares O/S (MM)	86.6
Date of price	22-Oct-08
Index: BSE Sensex	10,169.9
Free float (%)	63.2
Exchange rate	49.3

Source: Bloomberg.

## Gammon India Ltd: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Revenues	18,517	23,449	33,773	43,576
% change Y/Y	26	27	44	29
Gross margin (%)	67	73	70	70
EBITDA	1,725	2,246	3,497	4,555
% change Y/Y	-2	30	56	30
EBITDA margin (%)	9	10	10	10
EBIT	1,372	1,784	2,869	3,868
% change Y/Y	-9	30	61	35
EBIT margin (%)	7	8	8	9
Net interest	(58)	390	63	246
Earnings before tax	1,431	1,394	2,806	3,622
% change Y/Y	16	-3	101	29
Tax	447	510	1,027	1,326
as % of EBT	31	37	37	37
Net income (adjusted)	445	861	1,779	2,296
% change Y/Y	-51	94	106	29
Shares outstanding	88	88	88	88
EPS (adjusted)	5.0	10.0	20.1	25.9

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Cash and cash equivalents	959	959	959	2,800
Accounts receivable	5,290	6,103	8,790	11,342
Inventories	3,033	5,461	7,402	9,551
Others	5,521	3,276	4,690	6,033
Current assets	14,803	15,799	21,842	29,726
Total Investments	1,504	1,504	1,504	1,504
Net fixed assets	7,015	7,703	8,225	8,687
Total assets	23,322	25,006	31,571	39,918
Liabilities				
Payables	6,571	9,637	13,879	17,908
Others	1,155	1,155	1,155	1,155
Total current liabilities	7,726	10,792	15,034	19,063
Total debt	3,715	1,786	2,861	5,590
Other liabilities	378	378	378	378
Total liabilities	11,819	12,956	18,273	25,031
Shareholders' equity	11,503	12,050	13,298	14,886
BVPS	130.0	136.2	150.3	168.2

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
EBIT	1,372	1,784	2,869	3,868
Depreciation & amortization	352	462	628	688
Change in working capital	2,069	(1,800)	(2,014)	-
Taxes	(447)	(510)	(1,027)	(1,326)
Cash flow from operations	3,347	(65)	455	3,229
Capex incl change in CWIP	(1,650)	(1,150)	(1,150)	(1,000)
Disposal/ (purchase)	-	-	-	-
Net Interest	58	(390)	(63)	(246)
Free cash flow	1,755	(1,605)	(758)	1,984
Equity raised/ (repaid)	-	-	-	-
Debt raised/ (repaid)	(1,325)	2,009	(1,929)	1,074
Other	-	-	-	-
Dividends paid	(195)	(336)	(531)	(708)
Beginning cash	1,343	959	959	959
Ending cash	959	959	959	2,800
DPS	2.2	3.8	6.0	8.0

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08E	FY09E	FY10E
EBITDA margin	9	10	10	10
EBIT margin	7	8	8	9
Net profit margin	2	4	5	5
SG&A/sales	0	2	2	0
Sales per share growth	25	27	44	29
Sales growth	26	27	44	29
Net profit growth	-51	94	106	29
EPS growth	-51	-10	101	29
Interest coverage (x)	-23.6	4.6	45.5	15.7
Net debt to total capital	0.1	0.0	0.1	0.1
Net debt to equity	0.2	0.1	0.1	0.2
Sales/assets	0.8	0.9	1.1	1.1
Assets/equity	2.0	2.1	2.4	2.7
ROE	4.3	7.3	14.0	16.3
ROCE	4.4	7.7	13.2	14.6

Source: Company, J.P. Morgan estimates.

## Gitanjali Gems

www.gitanjaligroup.com

### Company description

Gitanjali Gems, established in 1986, is one of the largest integrated diamond and jewelry manufacturing companies in India. Its operations include cutting and polishing rough diamonds sourced from suppliers in international markets, mainly for export, and the manufacture and retail sales of diamond jewelry in India and international markets. Key export markets include the US, Europe, the Middle East, Japan, China, Hong Kong, and Thailand. In December 2006, the company acquired Samuels, which operates 97 stores in the US. In December 2007, the company expanded its portfolio by acquiring Rogers, which operates 46 stores in the US.

### Positive share price drivers

- (1) It is among the few gems and jewelry companies in India that have fully integrated operations. The company has a diversified and popular brand portfolio for diamond and gold jewelry with good retail penetration.
- (2) We expect the company's domestic earnings to be resilient given low share of the overall industry and good brand equity.

### Negative share price drivers

- (1) An economic slowdown in the US and international markets could impact sales growth for its US retail operations and exports.
- (2) Execution delay for the Hyderabad SEZ and declining rentals pose a risk to earnings contribution from SEZ operations.

### Valuation and risks

Our sum-of-the-parts-based Mar-09 price target is Rs360. Key risks are any significant decline in consumer spending and execution risk related to retail and SEZ operations.

Bloomberg: GITG IN; Reuters: GTGM.BO

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Net sales	34,674	48,232	57,880	69,163
Net profit	978	1,565	2,002	2,629
EPS (Rs)	16.6	16.0	18.6	24.5
DPS (Rs)	1.6	2.4	2.8	4.9
Net sales growth (%)	40	39	20	19
Net profit growth (%)	82	60	28	31
EPS growth (%)	30	-3	16	31
ROE (%)	12	10	8	9
ROCE (%)	9	9	9	12
BVPS (Rs)	148.2	232.3	255.1	273.9
P/E (x)	6.6	6.8	5.9	4.5
P/B (x)	0.7	0.5	0.4	0.4
EV/EBITDA (%)	11.3	6.1	5.0	4.5
Dividend yield (%)	1	2	3	4

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs109.5

Price Target: Rs360

### India

#### Retail

#### Vijay Chugh<sup>AC</sup>

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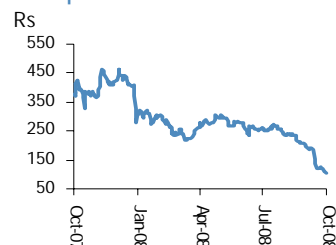
#### Latika Chopra, CFA

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J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	6M	12M
Absolute (%)	-47	-59	-69
Relative (%)	-27	-32	-46

Source: Bloomberg.

### Company data

52-week range (Rs)	104-490
Mkt cap. (RsMM)	11,771
Mkt cap. (US\$MM)	273
Avg daily value (US\$MM)	3.7
Avg daily volume (MM)	0.6
Shares O/S (MM)	108
Index: Sensex	10170
Exchange rate	49.3

Source: Bloomberg.

## Gitanjali Gems: Summary of financials

Rs in millions, year-end March

### Profit and loss statement

	FY07A	FY08E	FY09E	FY10E		FY07A	FY08E	FY09E	FY10E
Revenues	34,674	48,232	57,880	69,163	EBIT	1,709	2,539	3,155	4,190
% change Y/Y	40	39	20	19	Depreciation & amortization	70	154	246	323
EBITDA	1,780	2,693	3,401	4,513	Change in working capital	-3,002	-8,449	-3,089	-3,742
% change Y/Y	63	51	26	33	Taxes	-143	-293	-368	-678
EBITDA margin (%)	5	6	6	7	Others	-60	10	13	17
EBIT	1,709	2,539	3,155	4,190	Cash flow from operations	-1,426	-6,039	-42	110
% change Y/Y	61	49	24	33	Capex	-1,094	-390	-982	-968
EBIT margin (%)	5	5	5	6	Disposal/ (purchase)	-548	-1,600	-1,500	-1,000
Net interest	496	588	704	801	Others	322	0	0	0
Earnings before tax	1,213	1,951	2,451	3,389	Cash flow from investment	-1,320	-1,990	-2,482	-1,968
% change Y/Y	85	61	26	38	Equity raised/ (repaid)	243	12,624	3,120	0
Tax	143	293	368	678	Debt raised/ (repaid)	5,171	-3,793	1,000	0
as % of EBT	12	15	15	20	Interest & Others	-496	-588	-704	-801
MI/associate	92	94	81	82	Dividends paid	-110	-270	-345	-605
Net income (adjusted)	978	1,565	2,002	2,629	Cash flow from financing	4,808	7,973	3,070	-1,406
% change Y/Y	82	60	28	31	Beginning cash	4,113	6,175	6,118	6,664
EPS	17	16	19	24	Ending cash	6,175	6,118	6,664	3,401
EPS growth	30	-3	16	31					

### Balance sheet

	FY07A	FY08E	FY09E	FY10E	%	FY07A	FY08E	FY09E	FY10E
Cash and cash equivalents	6,175	6,118	6,664	3,401	EBITDA margin	5	6	6	7
Accounts receivable	15,185	20,064	21,010	23,486	EBIT margin	5	5	5	6
Inventories	7,797	12,026	16,523	20,114	Net profit margin	3	3	3	4
Others	2,687	2,170	2,605	2,767					
Current assets	31,844	40,379	46,802	49,768	Sales growth	40	39	20	19
Goodwill	403	403	403	403	Net profit growth	82	60	28	31
Investments	229	1,829	3,329	4,329	EPS growth	30	-3	16	31
Net fixed assets & capital WIP	1,206	1,442	2,178	2,823	Interest coverage (x)	3.4	3.3	3.3	4.2
Other	407	407	407	407	Net debt to total capital	44	17	15	23
Total assets	34,089	44,460	53,118	57,729	Net debt to equity	96	30	20	30
Payables	9,313	9,250	11,893	14,212	Sales/assets	1.4	1.4	1.4	1.6
Others	519	723	868	1,037	Assets/equity	2.8	1.5	1.5	1.4
Total current liabilities	9,832	9,973	12,761	15,249	ROE	12	10	8	9
Total loans	14,589	10,796	11,796	11,796	ROCE	9	9	9	12
Other liabilities	941	1,045	1,139	1,238					
Total liabilities	25,362	21,814	25,697	28,283					
Shareholders' equity	8,727	22,645	27,422	29,446					

Source: Company, J.P. Morgan estimates.

## Glenmark Pharma

www.glenmarkpharma.com

### Company description

Established in 1984, Glenmark Pharma has been a success story in the Novel Chemical Entity (NCE business) in the past few years as shown by the out-licensing deals. The company is also showing strong growth in the base generics business despite a late entry in the US market.

### Positive share price drivers

The company has the strongest NCE pipeline in the Indian pharma space with 13 molecules and 5 in the clinics and 4 in pre-clinics, having out-licensed 3 molecules to global major innovator pharma companies. Strong domestic business especially in the dermatological segments and the next growth spurt should come from LatAm and semi-regulated markets.

### Negative share price drivers

Delays in getting the remaining milestone payments for Oglemilast, and in finding an out-licensing partner for the Merck returned compound, Melogliptin could be a drag on the stock. Slower-than-expected growth in the domestic formulations business and delays in getting critical approvals in the US could also impact top-line growth over the next 2-3 years.

### Valuation and risks

We value Glenmark based on the sum-of-the-parts. We use price/earnings to value the base business and a probability adjusted discounted cash flow for the company's R&D pipeline. Our Sept-09 price target of Rs475 is based on core FY10P/E of 13x and R&D pipeline value of Rs105. We use a WACC of 12.4% for the DCF. We value the base business at 18x FY10E P/E and the R&D pipeline at Rs224/share. Key risks to our price target would be delays in the out-licensing of GRC8200 (Melogliptin), delay in the progress of the three pre-clinicals into Phase 1, slower growth in the US generics and CIS, Africa and Australasian markets and erosion of market share in the domestic market.

Bloomberg: GNP IN, Reuters: GLEN .BO

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Turnover	10,442	19,326	23,174	31,585
Net income (Adjusted)	3,093	6,321	8,037	10,086
EPS (Adjusted)	11.6	24.0	30.5	38.2
Profit growth (%)	257.8	104.4	27.1	25.5
EPS growth (%)	260.5	107.4	27.1	25.5
ROE (%)	57.3	57.4	42.3	36.5
ROCE (%)	25.4	34.0	32.6	33.2
PE (x)	22.49	22.49	22.49	22.49
EV/EBIDTA (x)	24.16	24.16	24.16	24.16

Source: Company reports, J.P. Morgan estimates. Note: Share price and valuations are as of 27 October 2008.

## Overweight

Price: Rs260

Price Target: Rs475

### India

### Pharma

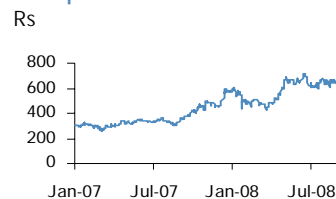
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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-55	-62	-39
Relative (%)	-20	-21	16

Source: Bloomberg.

### Company data

52-week range (Rs)	736 - 258.
Mkt cap. (Rs MM)	64,796
Mkt cap. (US\$MM)	1,299
Avg daily value (US\$MM)	0.6
Avg daily volume (MM)	6.4
Shares O/S (MM)	250
Date of price	27-Oct-08
Index: Sensex	8510
Free float (%)	47.8
Exchange rate	49.9

Source: Bloomberg.

## Glenmark Pharma: Summary of financials

### Profit and loss statement

Rs in millions, year-end Mar	FY07A	FY08A	FY09E	FY10E
Revenues	10,442	19,326	23,174	31,585
% change Y/Y	62.4	85.1	19.9	36.3
Gross margin (%)	73.27	75.58	73.30	72.49
EBITDA	4,263	8,005	10,187	12,655
% change Y/Y	210.7	87.8	27.2	24.2
EBITDA margin (%)	40.8	41.4	44.0	40.1
EBIT	3,840	7,289	9,392	11,740
% change Y/Y	237.0	89.8	28.9	25.0
EBIT margin (%)	36.8	37.7	40.5	37.2
Net interest	-384	-632	-410	-390
Earnings before tax	3,613	7,115	9,142	11,470
% change Y/Y	222.4	96.9	28.5	25.5
Tax	513	794	1,097	1,376
as % of EBT	14.2	11.2	12.0	12.0
Net income (Adjusted)	3,093	6,321	8,037	10,086
% change Y/Y	257.8	104.4	27.1	25.5
Shares outstanding	268	264	264	264
EPS (Adjusted)	11.6	24.0	30.5	38.2
% change Y/Y	260.5	107.4	27.1	25.5

### Balance sheet

Rs in millions, year-end Mar	FY07A	FY08A	FY09E	FY10E
Cash and cash equivalents	1,058	1,565	532	2,738
Accounts receivable	5,712	8,069	9,524	12,115
Inventories	2,697	4,007	4,444	6,057
Others	1,588	2,869	1,600	1,600
Current assets	11,054	16,510	16,100	22,510
LT investments	187	188	3,000	6,000
Net fixed assets	8,104	12,558	11,891	12,976
Total assets	19,346	29,256	30,991	41,486
Liabilities				
Total current liabilities	2395	3207	3181	4045
Long term debt	9367	9909	4000	4000
Other liabilities	720	960	996	1046
Total liabilities	12482	14077	8176	9091
Shareholders' equity	6864	15179	22814	32396
BVPS	25.6	57.6	86.5	122.8

Source: Company data, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end Mar	FY07A	FY08A	FY09E	FY10E
Net profit	3,093	6,321	8,037	10,086
Depreciation & amortization	1,165	2,056	2,850	3,765
Change in working capital	6,809	9,046	11,587	14,927
Cash flow from operations	11,067	17,423	22,475	28,778
Capex	-2,722	-5,171	-127	-2,000
Changes in other current assets	-471	-1,898	1,892	0
Free cash flow	7,874	10,354	24,239	26,778
Equity raised/ (repaid)	-51	2,195	201	0
Debt raised/ (repaid)	2,013	542	-5,909	0
Dividends paid	-109	-201	-402	-504
Investments	10	-1	-2,812	-3,000
Other	316	240	35	50
Net inc./ (dec. in cash)	10,052	13,130	15,352	23,323
Beginning cash	1,056	1,058	1,565	532
Ending cash	1,058	1,565	532	0
DPS	0.41	0.76	1.52	1.91

### Ratio analysis

%, year-end Mar	FY07A	FY08A	FY09E	FY10E
EBITDA margin	40.8	41.4	44.0	40.1
EBIT margin	36.8	37.7	40.5	37.2
Net profit margin	29.6	32.7	34.7	31.9
SG&A/sales	21.0	15.8	19.0	19.5
Sales per share growth	63.6	87.8	19.9	36.3
Sales growth	62.4	85.1	19.9	36.3
Net profit growth	257.8	104.4	27.1	25.5
EPS growth	260.5	107.4	27.1	25.5
Interest coverage (x)	-11.1	-12.7	-24.8	-32.4
Net debt to total capital	0.5	0.3	0.0	-0.1
Net debt to equity	1.2	0.5	0.0	-0.1
Sales/assets	54.0	66.1	74.8	76.1
Assets/equity	281.9	192.7	135.8	128.1
ROE	57.3	57.4	42.3	36.5
ROCE	25.4	34.0	32.6	33.2

## GMR Infrastructure

www.gmrgroup.co.in

### Company description

GMR Infrastructure (GMRI) is a developer of infrastructure projects across the airport, power, road, and SEZ sectors. Its portfolio includes three airports (Delhi, Hyderabad and Sabiha Gokcen, Turkey), airport-related real estate and SEZs (totaling 1,750 acres in Delhi and Hyderabad), three power projects aggregating c800MW, six road projects (both annuity and toll; 422km), and an upcoming SEZ in Tamil Nadu. In June 2008, GMRI acquired a 50% stake in Interger, a power utility with an operating capacity of 7,685MW.

### Positive share price drivers

(1) Uptick in air traffic growth and cargo volumes. (2) Levy of User development fee (UDF) for departing domestic passengers at Hyderabad airport and upward revision in user charges at the Delhi airport. (3) Key milestones in completion of Terminal 2 and 3 of DIAL being met as per schedule. (4) Progress in capital raising exercise for Delhi real estate development.

### Negative share price drivers

(1) Delay in execution at DIAL. (2) Continued loss of revenue stream from user charges. (3) High aviation fuel prices and lower air traffic. (4) Delay in unlocking of real estate value and unattractive land prices.

### Valuation and risks

We maintain our Overweight rating on GMRI. The stock is currently trading at 7.6 FY10E earnings, an attractive entry point, in our view. Key risks include lower-than-expected air traffic, non-aero revenue and real estate prices, and regulatory risks.

Bloomberg: GMRI IN; Reuters: GMRI.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	16,967	18,061	33,386	54,628
Net profit	1,744	2,245	8,700	15,384
EPS (Rs)	1.1	1.2	4.8	8.5
Net sales growth (%)	60.2	6.4	84.8	63.6
Net profit growth (%)	147.2	28.7	287.6	76.8
EPS growth (%)	97.5	17.0	287.6	76.8
ROE (%)	14.0	13.6	5.4	12.5
BVPS (Rs)	12.0	35.1	41.3	49.8
P/E (x)	60.8	51.9	13.4	7.6
P/B (x)	5.3	1.8	1.5	1.3
EV/EBITDA (x)	25.9	23.8	10.5	4.9

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs64

### India

#### Infrastructure

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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	(30.0)	(25.6)	(57.2)
Relative (%)	(3.6)	1.3	(15.8)

Source: Bloomberg.

### Company data

52-week range (Rs)	56-268.7
Mkt cap. (Rs B)	116.6
Mkt cap. (US\$B)	2.4
Avg daily value (US\$MM)	14.9
Avg daily volume (MM)	7.89
Shares O/S (MM)	1820.7
Date of price	22-Oct-08
Index: BSE Sensex	10,169.9
Exchange rate	49.3

Source: Bloomberg.



## GMR Infrastructure: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Revenues	16,967	18,061	33,386	54,628
% change Y/Y	60	6	85	64
Gross margin (%)	32	34	51	72
Operating profit	5,437	6,084	17,051	39,251
% change Y/Y	21	12	180	130
Operating profit margin (%)	32	34	51	72
EBIT inc OI	4,275	6,048	17,352	26,996
% change Y/Y	63	41	187	56
EBIT margin (%)	25	33	52	49
Net interest	1,441	2,032	3,730	5,259
Earnings before tax	2,833	4,015	13,622	21,737
% change Y/Y	167	42	239	60
Tax	415	870	1,956	1,880
as % of EBT	15	22	14	9
Net income (pre exceptional)	1,744	2,245	8,700	15,384
% change Y/Y	147	29	288	77
Shares outstanding	1,655	1,821	1,821	1,821
EPS (pre exceptionals)	1.1	1.2	4.8	8.5

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Cash and cash equivalents	13,000	53,125	60,731	72,770
Others	-1,300	1,306	1,979	444
Net Current assets	11,701	54,431	62,710	73,213
Investments	2625	2364	2471	2363
Net fixed assets	25,261	29,208	59,178	158,541
WIP	19,060	64,919	77,719	6,454
Total assets	58,646	150,922	202,078	240,572
Liabilities				
Total debt	37,057	81,607	119,702	140,813
Other liabilities	1,666	4,982	6,644	8,690
Total liabilities	38,723	86,589	126,346	149,503
Shareholders' equity	19,923	63,852	75,244	90,573
BVPS	12.0	35.1	41.3	49.8

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
EBIT	4,275	6,048	17,352	26,996
Depreciation & amortization	1,346	1,978	3,531	16,185
Change in working capital	1,328	(2,124)	(665)	1,543
Taxes	(415)	(870)	(1,956)	(1,880)
Others	(1,987)	(2,032)	(3,730)	(5,259)
Cash flow from operations	4,546	2,999	14,532	37,585
Capex	(15,840)	(51,785)	(46,300)	(44,284)
Disposal/ (purchase)	1,374	2,293	3,623	5,366
Net Interest	(1,441)	(2,032)	(3,730)	(5,259)
Free cash flow	(11,362)	(48,525)	(31,876)	(6,591)
Issue of share capital	9753	44142	5211	1991
Borrowings	7983	44550	38094	21111
Total	17736	88693	43305	23102
Beginning cash	15,638	33,373	122,066	165,371
Ending cash	33,373	122,066	165,371	188,473

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08	FY09E	FY10E
EBITDA margin	32	34	51	72
Net profit margin	5	6	6	6
SG&A/sales	39	39	38	38
Sales per share growth	60	6	85	64
Sales growth	60	6	85	64
Net profit growth	147	29	288	77
EPS growth	97	17	288	77
Net debt to total capital	41	19	29	28
Net debt to equity	121	45	78	75
Sales/assets	0.3	0.1	0.2	0.2
Assets/equity	2.9	2.4	2.7	2.7
ROE	14	14	5	13
ROCE	4	3	3	6

Source: Company, J.P. Morgan estimates.

## Godrej Consumer Products

www.godrejcp.com

### Company description

Godrej Consumer Products Ltd (GCPL) is a major player in the Indian FMCG market. It is a market leader in hair colors and liquid detergents, and is the second-largest player in the toilet soaps category. It currently has a 35% share in the hair color category and a 10% share in the toilet soaps category. With the acquisition of Keyline Brands (UK) and Rapidol (South Africa), it now owns several international brands in personal care.

### Positive share price drivers

(1) Significant deflation in prices for key raw materials such as palm oil and crude oil should drive margin expansion for the company over the next 3-4 quarters. (2) Ability to scale revenue up and improve profits in the international operations (Keyline Brands and Rapidol).

### Negative share price drivers

(1) Domestic sales of hair colors continued to lag industry growth and the company continues to lose market share given the rising competition in the fashion hair color segment from the likes of L'ORéal. (2) The recent foray of ITC in the soaps and shampoo category could result in increased brand spends for the company in order to maintain its market share.

### Valuation and risks

Our Mar-09 price target is Rs140 based on a one-year forward P/E multiple of 18x. The stock is currently trading at 15x FY09E and 13x FY10E earnings. Though the valuations have moderated, we believe the earnings growth outlook remains challenging for the company and hence we maintain our Neutral rating on the stock. Key risks to our price target are: increased competition; performance of its overseas operations; and any new acquisitions/alliances.

Reuters: GOCPL.BO, Bloomberg: GCPL IN

Rs in millions, Y/E March	FY07	FY08	FY09E	FY10E
Revenue	9,532	11,026	12,977	14,385
Net profit	1,362	1,688	1,850	2,070
EPS (Rs)	6.0	7.5	7.2	8.0
DPS (Rs)	3.7	4.1	4.5	5.0
Net sales growth (%)	36	16	18	11
Net profit growth (%)	13	24	10	12
EPS growth (%)	13	24	-4	12
ROE (%)	136	115	47	32
ROCE (%)	77	64	42	33
BVPS (Rs)	5.4	7.6	24.1	26.2
P/E (x)	17.8	14.4	15.0	13.4
P/BV (x)	19.9	14.1	4.5	4.1
EV/EBITDA (X)	15.9	13.0	10.5	9.3
Dividend yield (%)	3.5	3.8	4.2	4.7

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs107.3

Price Target: Rs140

India

Consumer

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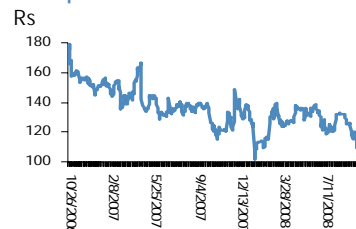
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J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	6M	12M
Absolute (%)	-11	-15	-9
Relative (%)	23	40	58

Source: Bloomberg.

### Company data

52-week range (Rs)	87-158
Mkt cap. (RsMM)	27,695
Mkt cap. (US\$MM)	562
Avg daily value (US\$MM)	0.3
Avg daily volume (MM)	.13
Shares O/S (MM)	258
Index: Sensex	10170
Exchange rate	49.3

## Godrej Consumer Products: Summary of financials

Rs in millions, year-end March

### Profit and loss statement

### Cash flow statement

	FY07	FY08	FY09E	FY10E		FY07	FY08	FY09E	FY10E
Revenue	9,532	11,026	12,977	14,385	EBIT	1,702	2,099	2,276	2,463
% change Y/Y	36	16	18	11	Depreciation & amortization	142	182	217	273
EBITDA	1,844	2,280	2,493	2,736	Change in working capital	-368	-278	408	230
% change Y/Y	23	24	9	10	Taxes	-248	-272	-406	-517
EBITDA margin (%)	19	21	19	19	Others	-24	-108	0	0
EBIT	1,702	2,099	2,276	2,463	Cash flow from operations	1,204	1,622	2,495	2,448
% change Y/Y	23	23	8	8					
EBIT margin (%)	18	19	18	17	Capex	-1,128	-648	-1,224	-375
Interest expense	135	148	131	93	Free cash flow	76	975	1,271	2,073
Other income/expense	39	20	111	217	Equity raised/ (repaid)	0	0	4,001	0
Earnings before tax	1,606	1,971	2,256	2,587	Debt raised/ (repaid)	1,001	135	-840	0
% change Y/Y	22	23	15	15	Other	-23	-318	-225	124
Tax	243	283	406	517	Dividends paid	-842	-841	-1,359	-1,510
as % of EBT	15	14	18	20	Change in cash	212	-49	2,848	688
Net income (adjusted)	1,362	1,688	1,850	2,070	Beginning cash	263	475	426	3,274
% change Y/Y	13%	24	10	12	Ending cash	475	426	3,274	3,962
Shares outstanding	226	226	258	258	DPS	3.7	4.1	4.5	5.0
EPS (adjusted)	6.0	7.5	7.2	8.0					
% change Y/Y	13	24	-4	12					

### Balance sheet

### Ratio analysis

	FY07	FY08	FY09E	FY10E	%	FY07	FY08	FY09E	FY10E
Cash and cash equivalents	475	426	3,274	3,962	EBITDA margin	19	21	19	19
Accounts receivables	483	510	711	709	EBIT margin	18	19	18	17
Inventories	1,352	1,916	1,821	1,940	Net profit margin	14	15	14	14
Others	465	668	647	717					
Current assets	2,775	3,519	6,453	7,327					
Investments	0	0	205	205	Sales growth	36	16	18	11
Net fixed assets	1,594	1,683	2,690	2,792	Net profit growth	13	24	10	12
Total assets	5,653	6,874	11,019	11,997	EPS growth	13	24	-4	12
Payables	2,520	2,904	3,382	3,782	Interest coverage (x)	12.6	14.2	17.4	26.5
Others	97	322	339	355	Net debt to total capital	0.4	0.4	-0.1	-0.3
Total current liabilities	2,617	3,227	3,720	4,138	Net debt to equity	0.8	0.9	-0.1	-0.4
Total loans	1,736	1,871	1,031	1,031	Sales/assets	1.7	1.6	1.2	1.2
Other liabilities	80	60	60	60	ROE	136	115	47	32
Total liabilities	4,433	5,158	4,812	5,229	ROCE	77	64	42	33
Shareholders' equity	1,220	1,716	6,208	6,767					
BVPS	5.4	7.6	24.1	26.2					

Source: Company reports and J.P. Morgan estimates.

## Grasim Industries Ltd

www.grasim.com

### Company description

Grasim a conglomerate with VSF and fibers, cement its key businesses. By virtue of its aggressive focus on both, organic as well as acquisitive growth, Grasim (together with its 54% subsidiary, UltraTech) is among India's largest cement company with consolidated capacity of 49MT at the end of FY09E with 25% market share. Grasim is also the only producer of Viscose Staple Fibre (VSF) in India.

### Positive share price drivers

Grasim is one of the few companies with near-term volume growth as opposed to investing in building capacity as cement capacities (13MT) get commissioned in the next 3-6 months. This should also lead to strong free cash flow generation over FY10-11E, driven by higher volume as most of the capex would be completed by FY09E. Lower sulfur prices and coal costs should aid margin expansion over the next two quarters. We also expect the company to emerge as a possible player in the coming M&A phase given its expertise to pursue large acquisitions (L&T's cement unit acquired in 2004).

### Negative share price drivers

VSF demand outlook remains weak driven by global de-stocking and weaker end user demand (from the textile sector). We believe coal availability via linkages is going to reduce over the next few years forcing the company to buy higher priced imported/domestic coal.

We expect VSF margins to remain under pressure in FY09 due to slowing demand, higher costs and global de-stocking. However, we believe that VSF margin should recover in FY10 as demand picks up and destocking ends. Also, a sharp slowdown in demand could lead to lower capacity utilization and lower cement prices could impact cement earnings.

### Valuation and risks

Our Sept-09 price target of Rs1,900 (updated as of Oct 24) is based on the sum-of-the-parts (cement 6.5x FY10E EV/EBITDA; VSF 5. FY10E EV/EBITDA) valuation. Key risks to our price target include a larger-than-expected decline in cement prices driven by very sharp slow down in the economy in India in FY10E next two years combined with a non-recovery in the VSF business.

Reuters: GRASIM BO; Bloomberg GRASIM IN

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Net sales (RsMM)	157,243	169,048	173,097	182,707
Net profit (RsMM, post minority)	24,473	22,747	20,664	22,651
EPS (Rs)	267	248	225	247
Net sales growth (%)	17	8	2	6
EPS growth (%)	28	-7	-9	10
ROE (%)	31	22	17	16
ROCE (%)	30	22	19	19
P/E (x)	4.5	4.8	5.3	4.9
P/B (x)	1.2	1.0	0.8	0.7
EV/EBITDA (x)	3.4	3.9	3.2	2.9

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs1,164.50

Price Target: Rs1,900.00

### India

#### Cement

**Pinakin Parekh, CFA<sup>AC</sup>**

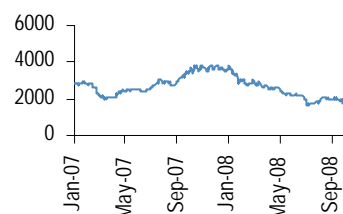
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-40	-34	-67
Relative (%)	-13	-6	-24

Source: Bloomberg.

### Company data

52-week range (Rs)	4,074 – 1,126.1
Mkt cap. (RsMM)	106755
Mkt cap. (US\$MM)	2164
Avg. daily vol (MM)	0.1
Avg. daily val (US\$MM)	4.5
Shares O/S (MM)	92
Date of price	22-Oct-08
Index: Sensex	10170
Free float (%)	93.9
Exchange rate	49.3

Source: Bloomberg.

## Grasim Industries Ltd: Summary of financials

## Profit and loss statement

## Cash flow statement

Rs in millions, year-end Mar	FY08E	FY09E	FY10E	FY11E	Rs in millions, year-end Mar	FY08E	FY09E	FY10E	FY11E
Revenues	157,243	169,048	173,097	182,707	Net income (pre exceptional)	30,095	26,558	24,458	26,753
% change Y/Y	17	8	2	6	Depreciation & amortisation	5,905	7,712	9,149	9,659
EBITDA	47,667	42,906	41,906	43,955	Change in working capital	1,992	-4,660	1,959	-3,289
% change Y/Y	27	-10	-2	5	Cash flow from operations	37,992	29,610	35,565	33,123
EBITDA Margin (%)	30	25	24	24	Net capex	-50,404	-23,291	-4,000	-18,680
EBIT	46,539	39,894	37,657	40,796	Free cash flow	-12,413	6,319	31,565	14,443
% change Y/Y	31	-14	-6	8	Equity raised/ (repaid)	-1,116	-1,465	-3,425	-5,757
EBIT Margin (%)	30	24	22	22	Debt raised/ (repaid)	7,040	-8,771	-9,000	0
Net Interest	1,827	2,825	2,510	2,360	Other	2,751	7,520	4,741	4,072
Earnings before tax	44,712	37,069	35,147	38,436	Dividends paid	-3,164	-3,346	-3,450	-3,555
% change Y/Y	33	-17	-5	9	Beginning cash	3,692	2,903	19,646	40,077
Tax	14,617	10,511	10,689	11,684	Ending cash	2,903	19,646	40,077	49,281
as % of EBT	33	28	30	30	DPS	30	32	33	34
Net income (pre exceptional)	30,095	26,558	24,458	26,753					
Minority Interest	4,595	3,811	3,793	4,102					
PAT (Post minority interest)	24,473	22,747	20,664	22,651					
EPS-consolidated (Rs)	267	248	225	247					
% change Y/Y	28	-7	-9	10					

## Balance sheet

## Ratio analysis

Rs in millions, year-end Mar	FY08	FY09E	FY10E	FY11E	%, year-end Mar	FY08	FY09E	FY10E	FY11E
Inventories	17,450	16,628	18,036	20,301	EBITDA margin	30	25	24	24
Debtors	10,185	10,738	10,963	11,579	Operating margin	30	25	24	24
Cash and bank balances	2,903	19,646	40,077	49,281	Net profit margin	19	16	14	15
Loans and advances	12,047	13,500	10,500	10,500	Sales growth	17	8	2	6
Total CA	42,585	60,513	79,576	91,660	EPS growth	28	-7	-9	10
LT investments	16,607	120	120	120	Interest coverage (x)	26.1	15.2	16.7	18.6
Net fixed assets	129,223	144,802	139,653	148,674	Net debt to total capital	25	12	-1	-4
Goodwill	19,913	16,824	16,824	16,824	Net debt to equity	51	21	-1	-7
Total assets	208,327	222,258	236,173	257,278	Sales/assets	75	76	73	71
Liabilities					Assets/equity	228	196	181	174
Provisions	0	3,557	3,649	3,741	ROE	31	22	17	16
Other current liabilities	36,783	29,750	30,250	29,750	ROCE	30	22	19	19
Total current liabilities	36,783	33,307	33,899	33,491					
Total debt	55,771	47,000	38,000	38,000					
Other liabilities	24,336	28,767	33,507	37,580					
Total liabilities	116,889	109,074	105,406	109,070					
Shareholders' equity	91,438	113,185	130,767	148,208					

Source: Company data and J.P. Morgan estimates.

## Gujarat Gas

www.gujaratgas.com

### Company description

Gujarat Gas (Ggas) is a city gas distribution company with distribution assets in and around Surat, Ankleshwar and Bharuch in Gujarat. The company sources gas from multiple suppliers including GAIL, Cairn and PMT fields and sells it primarily to retail industrial consumers through its pipeline infrastructure. Ggas is a 65% subsidiary of British Gas.

### Positive share price drivers

Gujarat Gas (Ggas), the largest city gas distributor in India, appears poised for rapid and sustainable EPS growth of 14% CAGR over CY07-CY09E with: (1) an evolved business model with low dependence on subsidized gas and large exposure to the high-margin industrial retail business; and (2) projected 15-18% volume growth over next two years. The possibility of new gas supply from RIL KG basin gas should be a major trigger for the stock. News flow on new customer tie-ups and roll-out to newly connected industrial clusters like Vapi should be a demand driver and should have a positive impact on the stock.

### Negative share price drivers

In the near term, lack of gas supply could affect volume growth over the next one to two quarters. Also, lack of any new long-term gas contracts (including RIL) could lead to lower volume growth or dependence on expensive LNG, which could hurt margins.

### Valuation and risks

We maintain our Overweight rating on Ggas with a Dec-08 DCF-based PT of Rs336. We expect 14% earnings CAGR over CY07-09E. Our DCF-based PT of Rs336 is based on 10.7% WACC and 3% terminal growth rate. At the current price, Ggas trades at 6.2x CY09E CEPS. Key risk to our investment thesis is regulatory interference in price setting.

Bloomberg: GGAS IN; Reuters: GGAS.BO

Rs in millions, year-end December

	CY07	CY08E	CY09E	CY10E
Net sales	12,446	12,433	14,655	16,511
EBITDA	2,133	2,362	2,795	3,075
Adjusted net profit	1,276	1,419	1,664	1,839
Adjusted EPS (Rs)	19.90	22.12	25.94	28.67
EBITDA growth (%)	43	11	18	10
Net profit growth (%)	75	-7	17	11
ROE (%)	29.2	22.0	21.6	20.1
ROCE (%)	33.4	29.8	29.5	27.0
P/E (x)	10.55	9.49	8.10	7.32
P/B (x)	2.29	1.92	1.61	1.36

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs210.3

Price Target: Rs336.0

### India

#### Natural Gas

Pradeep Mirchandani<sup>AC</sup>

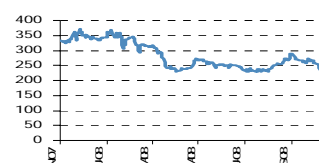
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-23	-9	-28
Relative (%)	5	19	14

Source: Bloomberg.

### Company data

52-wk range (Rs)	389.9 - 186
Mkt cap. (Rs MM)	13488.69
Mkt cap. (US\$ MM)	274
Avg. daily volume (MM)	0.02
Average daily value (US\$ MM)	0.11
Shares O/S (MM)	64.13
Date of Price	22-Oct
Index (BSE Sensex)	10,170
Free float (%)	35%
Exchange rate	49.3

Source: Bloomberg.

## Gujarat Gas: Summary of financials

Profit and Loss statement					Cash flow statement				
Rs in millions, year-end Dec	FY07A	FY08E	FY09E	FY10E		FY07A	FY08E	FY09E	FY10E
Revenues	12,446	12,433	14,655	16,511	EBIT	2303	2163	2533	2799
% change Y/Y	29%	0%	18%	13%	Depreciation & amortisation	384	440	524	605
EBITDA	2,133	2,362	2,795	3,075	Change in working capital	229	17	79	184
% change Y/Y	43%	11%	18%	10%	Taxes	(779)	(714)	(836)	(924)
EBITDA Margin (%)	17%	19%	19%	19%	Others				
EBIT	2,303	2,163	2,533	2,799	Cash flow from operations	2138	1906	2300	2664
% change Y/Y	73%	-6%	17%	10%	Capex	(891)	(1298)	(1419)	(1311)
EBIT Margin (%)	19%	17%	17%	17%	Change in investments	(951)	(150)	(300)	(1400)
Net financial income	174	241	263	328	Interest	(1)	0	0	0
Earnings before tax	2,302	2,163	2,533	2,799	Free cash flow	295	458	581	(47)
% change Y/Y	75%	-6%	17%	10%	Equity raised/ (repaid)	0	0	0	0
Tax	(766)	(727)	(851)	(940)	Debt raised/ (repaid)	(29)	0	0	0
as % of EBT	33%	34%	34%	34%	Dividends paid	(243)	(263)	(300)	(338)
Net Income (adjusted)	1,529	1,419	1,664	1,839	Beginning cash	161	176	358	626
% change Y/Y	75%	-7%	17%	11%	Ending cash	176	358	626	229
Adjusted Net Income	1276	1419	1664	1839					
Shares Outstanding	64.1	64.1	64.1	64.1					
EPS (adjusted)	19.9	22.1	25.9	28.7					
% change Y/Y	46%	11%	17%	11%					
Balance Sheet					Ratio Analysis				
	FY07A	FY08E	FY09E	FY10E	%, year-end Dec	FY07A	FY08E	FY09E	FY10E
Cash and cash equivalents	176	358	626	229	EBITDA margin	17%	19%	19%	19%
Accounts receivable	876	1,022	1,204	1,357	EBIT margin	19%	17%	17%	17%
Inventories	177	198	222	249	Net profit margin	12%	11%	11%	11%
Others	439	455	473	492	Sales growth	29%	0%	18%	13%
Current assets	1,667	2,034	2,526	2,326	Net profit growth	75%	-7%	17%	11%
Total Investments	2,350	2,500	2,800	4,200	Interest coverage (x)	2173.1	N/A	N/A	N/A
Net fixed assets	5,760	6,618	7,513	8,219	Net debt to total capital	0.0	0.0	-0.1	0.0
Liabilities	2,072	2,251	2,484	2,795	Net debt to equity	0.0	-0.1	-0.1	0.0
Provisions	240	263	300	338	Sales/assets	1.7	1.4	1.5	1.4
Total current liabilities	2,311	2,514	2,784	3,133	Assets/equity	1.3	1.2	1.2	1.2
Total assets	7,465	8,638	10,055	11,612	ROE	29.2%	22.0%	21.6%	20.1%
Total debt	0	0	0	0	ROCE	33.4%	29.8%	29.5%	27.0%
Other liabilities	1,590	1,612	1,669	1,729					
Total liabilities	1,590	1,612	1,669	1,729					
Shareholders' equity	5,875	7,026	8,385	9,883					
BVPS	91.6	109.6	130.8	154.1					

Source: Company, J.P. Morgan estimates.



# Gujarat State Petronet Limited

www.gujpetronet.com

## Company description

Gujarat State Petronet Limited (GSPL) owns and operates a 1,300km gas pipeline network in the western Indian state, Gujarat. It is the second-largest gas transmission network in India. It currently carries 18mmscmd of gas (c20% of India's gas supply) through its network.

## Positive share price drivers

Our Overweight rating on GSPL is based on: (1) visible volume-led growth—we expect 2.0x growth in gas volume over the next two years to drive a 37% earnings CAGR; (2) a de-risked business model—no commodity price/marketing exposure; and (3) the ownership of a unique and valuable asset in India's fast-growing gas market. With the start of Torrent and RIL gas volumes over the next two quarters, we expect transmission volumes to double by end-FY10.

## Negative share price drivers

Adverse regulatory decisions on pipeline tariffs are a risk for GSPL. However, we believe that this risk is somewhat mitigated as: (1) GSPL's tariff setting methodology is similar to the cost of service methodology (favoured by regulators); and (2) its tariffs are set after negotiations with large consumers/suppliers on commercial terms. We believe the biggest overhang on the stock is a 30% sharing of company's profit before tax with state government for social purposes, and recently, the company obtained board resolution for this.

## Valuation and risks

We have an Overweight rating on GSPL with a Mar-09 PT of Rs83. Our price target is based on DCF-based fair value of Rs83; we have used a WACC of 11% and a terminal growth rate of 3%. Key risks to our price target are regulatory interference in tariff-setting and the state government's directives on profit distribution.

Bloomberg: GUJS IN; Reuters: GSPT.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY10E
Net sales	4,179	5,409	7,106	7,106
EBITDA	3,645	4,839	6,506	6,472
Net profit	971	1,232	1,819	1,675
EPS (Rs)	1.79	2.27	3.35	3.09
Net profit growth (%)	9	27	48	-8
ROE (%)	10	12	16	13
P/E (x)	19.6	15.4	10.4	11.3
P/B (x)	1.8	1.7	1.5	1.4
EV/EBITDA (x)	8.1	6.8	5.1	4.5

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs34.8

Price Target: Rs83.0

## India

### Natural Gas

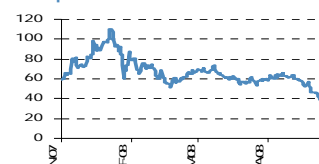
#### Pradeep Mirchandani<sup>AC</sup>

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J.P. Morgan India Private Limited

## Price performance



Source: Bloomberg.

## Performance

	1M	3M	12M
Absolute (%)	-36	-34	-36
Relative (%)	-7	-8	8

Source: Bloomberg.

## Company data

52-wk range (Rs)	114.45 - 31.15
Mkt cap. (Rs MM)	21076.21
Mkt cap. (US\$ MM)	428
Avg. daily volume (MM)	1.93
Average daily value (US\$ MM)	2.23
Shares O/S (MM)	562.03
Date of Price	22-Oct
Index (BSE Sensex)	10,170
Free float (%)	48%
Exchange rate	49.3

Source: Bloomberg.



## Gujarat State Petronet Limited: Summary of financials

Profit and Loss statement						Cash flow statement					
Rs in millions, year-end Mar	FY07	FY08	FY09E	FY10E	FY11E		FY07	FY08	FY09E	FY10E	FY11E
Revenues	3,176	4,179	5,409	7,106	7,106	EBIT	1,655	2,013	2,927	3,883	3,422
% change Y/Y	21%	32%	29%	31%	0%	Depreciation & amortisation	1,026	1,632	1,912	2,623	3,050
EBITDA	2,681	3,645	4,839	6,506	6,472	Change in working capital	(1,058)	568	(93)	439	(166)
% change Y/Y	38%	36%	33%	34%	-1%	Taxes	(70)	(410)	(95)	(140)	(258)
EBITDA Margin (%)	84%	87%	89%	92%	91%	Others	204	296	87	130	145
EBIT	1,655	2,013	2,927	3,883	3,422	Cash flow from operations	1,757	4,099	4,739	6,934	6,193
% change Y/Y	44%	22%	45%	33%	-12%	Capex	(4,401)	(6,665)	(6,612)	(5,000)	(500)
EBIT Margin (%)	52%	48%	54%	55%	48%	Change in investments	-	-	-	-	-
Net financial income	(282)	(521)	(1,063)	(1,130)	(887)	Interest	(457)	(815)	(1,120)	(1,230)	(1,030)
Earnings before tax	1,373	1,492	1,864	2,753	2,535	Free cash flow	(3,101)	(3,381)	(2,993)	704	4,663
% change Y/Y	75%	9%	25%	48%	-8%	Equity raised/ (repaid)	6	-	-	-	-
Tax	(479)	(520)	(632)	(933)	(859)	Debt raised/ (repaid)	2,852	2,362	4,000	500	(3,500)
as % of EBT	35%	35%	34%	34%	34%	Dividends paid	(311)	(318)	(433)	(639)	(588)
Net Income (adjusted)	894	971	1,232	1,819	1,675	Beginning cash	2,372	1,811	475	1,049	1,615
% change Y/Y	91%	9%	27%	48%	-8%	Ending cash	1,811	475	1,049	1,615	2,190
Shares Outstanding	543	543	543	543	543						
EPS (adjusted)	1.6	1.8	2.3	3.4	3.1						
% change Y/Y	58%	9%	27%	48%	-8%						
Balance sheet						Ratio Analysis					
	FY07	FY08	FY09E	FY10E	FY11E	%, year-end Mar	FY07	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	1,811	475	1,049	1,615	2,190	EBITDA margin	84%	87%	89%	92%	91%
Accounts receivable	349	229	296	389	370	EBIT margin	52%	48%	54%	55%	48%
Inventories	442	572	741	973	973	Net profit margin	28%	23%	23%	26%	24%
Others	1,335	1,461	1,623	1,809	1,973	Sales growth	21%	32%	29%	31%	0%
Current assets	3,937	2,737	3,710	4,786	5,507	Net profit growth	91%	9%	27%	48%	-8%
Total Investments	0	0	0	0	0	Interest coverage (x)	5.9	4.5	4.3	5.3	6.3
Net fixed assets	17,029	22,061	26,761	29,138	26,588	Net debt to total capital	0.4	0.5	0.5	0.5	0.3
Liabilities	1,260	1,754	2,289	3,017	3,019	Net debt to equity	0.7	1.0	1.3	1.1	0.7
Provisions	492	732	532	784	764	Sales/assets	0.2	0.2	0.2	0.2	0.3
Total current liabilities	1,751	2,487	2,822	3,801	3,783	Assets/equity	2.0	2.2	2.5	2.5	2.1
Total assets	19,214	22,312	27,649	30,123	28,312	ROE	10%	10%	12%	16%	13%
Total debt	8,638	11,000	15,000	15,500	12,000	ROCE	11%	11%	12%	14%	12%
Other liabilities	917	999	1,536	2,329	2,931						
Total liabilities	9,555	11,999	16,536	17,829	14,931						
Shareholders' equity	9,659	10,313	11,113	12,294	13,381						
BVPS	17.8	19.0	20.5	22.6	24.7						

Source: Company, J.P. Morgan estimates.

## GVK Power & Infrastructure Ltd

www.gvk.com

### Company description

GVK Power & Infrastructure Ltd (GVKP) is an infrastructure conglomerate with 900MW of operating power capacity (444MW is attributable), 37% stake in Mumbai International Airport, a road project (Jaipur-Kishengarh Expressway) and an upcoming SEZ in Tamil Nadu. The company also has 1300MW of power projects under construction.

### Positives

(1) Well-established IPP with an operating track record. (2) Developer of the airport in India's financial capital, Mumbai, with prime real estate of 205 acres. (3) Owner of J-K, one of India's busiest expressways. (4) The company has already acquired land for its 3,000-acre SEZ. (5) IPPs under construction are on track and 930MW have achieved financial closure.

### Negatives

(1) Gas availability remains a constraint for full utilization of power capacity. (2) Current slowdown in air traffic and potential regulatory disapproval of high user charges; execution delay for the new terminal is a risk for the airport business. (3) Potential funding constraints might impact the company's growth plans.

### Valuation

GVK is trading at P/E of 15.7x, based on FY08 reported earnings and 10.6x FY09E, based on consensus earnings. The high P/E, although in line with infrastructure development peers, is partly due to substantial value in property and other assets, which have not begun to contribute meaningfully to earnings.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

### Bloomberg: GVKP IN

Rs in millions, year-end March

	FY06	FY07	FY08
Net sales	1,570	3,986	4,700
EBITDA	653	2,027	1,873
Net profit	109	580	1,353
EPS (Rs)	4.6	22.0	0.9
Sales growth (%)	-	154	18
Net profit growth (%)	-	433	133
ROE (%)	4	9	9
EV/EBITDA (x)	29.3	9.5	10.3
P/E (x)	3.1	0.6	15.7
P/BV (x)	0.1	0.0	0.8

Source: Capitaline, Bloomberg. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs14.15

### India

#### Infrastructure, Electric Utilities

#### Shilpa Krishnan<sup>AC</sup>

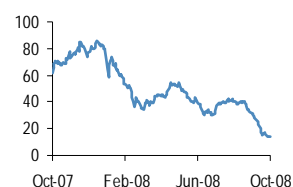
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	(53.7)	(57.1)	(76.6)
Relative (%)	(27.4)	(30.2)	(35.2)

Source: Bloomberg.

### Company data

52-week range (Rs)	11.2-93.5
Mkt cap. (RsB)	16.3
Mkt cap. (US\$B)	0.3
Avg daily value (US\$MM)	3.4
Avg daily volume (MM)	6.21
Shares O/S (MM)	1405.9
Date of price	22-Oct-08
Index: BSE Sensex	10169.9
Free float (%)	25.9
Exchange rate	49.3

Source: Bloomberg.

## GVK Power & Infrastructure: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY06	FY07	FY08
Revenues	1,570	3,986	4,700
% change Y/Y		154	18
EBITDA	653	2,027	1,873
% change Y/Y		211	-8
EBITDA margin (%)	42	51	40
EBIT	384	1,222	1,097
% change Y/Y		219	-10
EBIT margin (%)	24	31	23
Net financial income	(125)	(64)	597
Earnings before tax	259	1,157	1,694
% change Y/Y		348	46
Tax	(10)	(250)	(239)
as % of EBT	4	22	14
Net income (adjusted)	109	580	1,353
% change Y/Y		433	133
EPS (adjusted)	4.6	22.0	0.9
% change Y/Y		378	-96

Source: Company.

### Balance sheet

Rs in millions, year-end March

	FY06	FY07	FY08
Cash and cash equivalents	769	600	652
Accounts receivable	231	285	227
Inventories	0	0	0
Others	580	631	1,644
Current assets	1,580	1,516	2,523
Total Investments	7,092	8,212	13,501
Net fixed assets	0	0	0
Liabilities	0	0	0
Provisions	589	1,487	272
Total current liabilities	589	1,487	272
Total assets	8,083	8,241	15,752
Total debt	0	0	0
Other liabilities	2,745	1,259	(7,870)
Total liabilities	2,745	1,259	(7,870)
Shareholders' equity	5,339	6,982	23,621

Source: Company.

### Cash flow statement

Rs in millions, year-end March

	FY06	FY07	FY08
EBIT	384	1,222	1,097
Depreciation & amortization	269	806	776
Changes in working Capital		(92)	125
Taxes	(10)	(250)	(239)
Cash from Operations	643	1,685	1,759
Net Interest	(125)	(64)	597
Capex	-	-	-
Change in investments	(7,092)	(1,119)	(5,290)
Free cash Flow	(6,575)	502	(2,934)
Equity raised/ repaid	-	3,363	-
Debt raised or repaid	-	-	-
Other			
Dividends paid	-	(59)	-
Beginning cash	-	769	600
Ending Cash	769	600	652

Source: Company.

### Ratio analysis

%, year-end March

	FY06	FY07	FY08
EBITDA margin	42	51	40
EBIT margin	24	31	23
Net profit margin	7	15	29
Sales growth		154	18
Net profit growth		433	133
Net debt to total capital	-10	-7	-4
Net debt to equity	-14	-9	-3
Sales/assets	19	48	30
Assets/equity	151	118	67
ROE	4	9	9
ROCE	14	20	7

Source: Company.

## HCL Infosystems

www.hclinfosystems.in

### Company description

HCL offers information technology, office automation and communication technology (ICT) products and services. The company has a large ICT products and services network with a direct presence in over 350 locations across the country and a strong franchisee service network. It has recently entered the System Integration (SI) space —HCLI has focused on government and large Indian corporates for SI business. HCLI had won two large wins from BSNL each of size Rs5 billion and has won several mid-sized deals after that.

### Positive share price drivers

1) Increased wins from SI business, which typically has higher margins than PC business. HCLI plans to expand its SI offering to new verticals such as media, retail, health and travel. 2) Transfer of 50% of distribution network to Nokia has been completed and volume growth should trend inline with Nokia GSM mobile growth. So telecom and office automation business should grow in line with Nokia's India growth rate.

### Negative share price drivers

1) Lower PC market growth, especially in desktops, as HCLI derives considerable revenues from desktops. 2) Nokia market share in India should affect volume growth and sharp ASP drops could impact revenues. 3) Margin erosion in SI business due to higher competition.

### Valuation and risks

Our DCF-based Jun-09 fair value is Rs 125/share (also our PT) with 10-year revenue CAGR of 13% and long-term EBIT margins of 3%. Our long-term ROIC is at 19%. On a P/E basis, our price target assumes a 1-year trailing multiple of 7.5x and 1-year forward multiple of 6x. The key risks to our price target are lower growth in the PC market, market share loss for Nokia and rupee depreciation against US\$.

Bloomberg: HCLI IN; Reuters: HCLI.BO

Rs in millions, year-end June

	FY08	FY09E	FY10E	FY11E
Sales	126,100	131,384	152,684	175,349
Net profit	3,000	2,871	3,419	4,008
EPS (Rs)	17.6	16.8	20.0	23.4
FD EPS (Rs)	17.6	16.8	20.0	23.4
DPS (Rs)	8.0	8.0	8.0	8.0
Sales growth (%)	6.4	4.2	16.2	14.8
Net profit growth (%)	-5.0	-4.3	19.1	17.2
EPS growth (%)	-5.9	-4.5	19.1	17.2
ROE (%)	32.0	23.0	21.2	20.9
P/E (x)	4.7	4.9	4.1	3.5
FD P/E (x)	4.7	4.9	4.1	3.5

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 24 October 2008. PT updated on Oct 25.

## Overweight

Price: Rs82

Price Target: Rs125

### India

#### eBusiness/IT Services

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J.P. Morgan India Private Limited

### Price performance



Source: Datastream.

### Performance

	1M	3M	12M
Absolute (%)	-20.9	-36.9	-64.2
Relative (%)	24.5	7.1	-23.8

Source: Bloomberg.

### Company data

52-week range (Rs)	79-300
Mkt cap. (RsB)	13.83
Mkt cap. (US\$MM)	276.7
Avg daily value (US\$MM)	0.3
Avg daily volume (MM)	0.1
Shares O/S (MM)	169
Date of price	24-Oct-2008
Index: BSE Sensex	8,701
Free float (%)	39
Exchange rate	Rs50.0 /US\$

Source: Bloomberg.

## HCL Infosystems: Summary of financials

### Profit and loss statement

Rs in millions, year-end June

	FY08	FY09E	FY10E	FY11E
Revenue	126,100	131,384	152,684	175,349
% change Y/Y	6.4	4.2	16.2	14.8
Gross margin (%)	8.3	8.3	8.2	8.3
EBITDA	4413	4382	4909	5692
% change Y/Y	9.4	-0.7	12.0	16.0
EBITDA margin (%)	3.5	3.3	3.2	3.2
EBIT	4,227	4,182	4,684	5,446
% change Y/Y	8.8	-1.1	12.0	16.2
EBIT margin (%)	3.4	3.2	3.1	3.1
Other income	72	-19	200	200
Earnings before tax	4,299	4,163	4,884	5,646
% change Y/Y	0.3	-3.2	17.3	15.6
Tax	1,299	1,292	1,465	1,637
as % of EBT	30.2	31.0	30.0	29.0
Net income (reported)	3,000	2,871	3,419	4,008
% change Y/Y	-5.0	-4.3	19.1	17.2
Shares O/S (MM)	171	171	171	171
EPS (reported) (Rs)	17.6	16.8	20.0	23.4

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end June

	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	5,348	6,542	7,751	9,390
Accounts receivable	12,481	15,344	17,565	20,049
Inventories	0	0	0	0
Others	11,372	14,585	16,696	19,057
Current assets	29,201	36,472	42,012	48,496
LT investments	0	0	0	0
Net fixed assets	1,698	1,852	1,936	1,997
Total assets	30,899	38,324	43,948	50,493
Liabilities				
ST loans	0	0	0	0
Payables	17,125	19,685	22,532	25,710
Others	67	93	106	122
Total current liabilities	17,192	19,778	22,639	25,832
Long-term debt	3,545	3,786	3,786	3,786
Other liabilities	0	0	0	0
Total liabilities	20,737	23,564	26,425	29,618
Shareholders' equity	10,162	14,760	17,523	20,876
BVPS (Rs)	59.4	86.2	102.4	122.0

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end June

	FY08	FY09E	FY10E	FY11E
EBIT	4,227	4,182	4,684	5,446
Depreciation & amortization	186	201	224	247
Change in working capital	-1,910	-3,490	-1,471	-1,652
Taxes	1,299	1,292	1,465	1,637
Cash flow from operations	1,276	-419	2,172	2,603
Capex	-372	-355	-308	-308
Disposal/(purchase)	0	0	0	0
Cash flow from investing	-372	-355	-308	-308
Free cash flow	904	-774	1,864	2,295
Equity raised/(repaid)	-779	2,383	0	0
Debt raised/(repaid)	1,186	241	0	0
Other	0	0	0	0
Dividends	-656	-656	-656	-656
Beginning cash	4,692	5,348	6,542	7,751
Ending cash	5,347	6,542	7,751	9,390
DPS (Rs)	8.0	8.0	8.0	8.0

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end June

	FY08	FY09E	FY10E	FY11E
EBITDA margin	3.5	3.3	3.2	3.2
Operating margin	3.4	3.2	3.1	3.1
Net profit margin	2.4	2.2	2.2	2.3
SG&A/sales	5.0	5.2	5.2	5.2
Sales growth	6.4	4.2	16.2	14.8
Net profit growth	-5.0	-4.3	19.1	17.2
Sales per share growth	5.1	4.2	16.2	14.8
EPS growth	-5.0	-4.3	19.1	17.2
Interest coverage (x)	10.6	54.3	NM	NM
Net debt to total capital	NM	NM	NM	NM
Net debt to equity	NM	NM	NM	NM
Sales/assets	4.1	3.4	3.5	3.5
EBIT margin	3.4	3.2	3.1	3.1
ROCE	24.0	17.9	16.5	16.9
Assets/equity (x)	3.0	2.6	2.5	2.4
ROI	24.0	17.9	16.5	16.9
ROE	32.0	23.0	21.2	20.9

Source: Company, J.P. Morgan estimates.

# HCL Technologies

www.hcltech.com

## Company description

HCL Technologies (HCLT) is one of India's larger IT services vendor, with a strong presence in R&D services, infrastructure management and BPO. HCLT has several Fortune 500 names in its top clients. The company has 45,000+ employees working across many countries and serving 250+ clients and over 50 multi-service clients. HCL Technologies has good leverage to high growth services with 14% of its revenues coming from infrastructure management and 13% from BPO.

## Positive share price drivers

- 1) HCL Technologies is seeing ramp-ups from large deals. We expect these deals to drive growth over the next few years.
- 2) The company is seeing good traction across its core practice areas—infrastructure and software services. Further, management has a robust pipeline in these offerings.
- 3) Margins are also likely to remain stable.

## Negative share price drivers

- 1) Some of HCL Technologies' existing large customers, especially in BFSI segment are under pressure leading to lower ramp ups in the near-term.
- 2) High level of forex hedges are likely to result in hedging losses.
- 3) Axon acquisition is in the SAP space and could be under pressure as discretionary spend is cut in the US and UK.
- 4) Rupee appreciation and wage inflation.

## Valuation and risks

Our Jun-09 price target is Rs200, which assumes a one-year forward P/E multiple of 10x and trailing multiple of 9.5x. Our DCF-based Dec-08 fair value estimate is Rs 200/share based on assumptions of: 1) revenue CAGR of 10% over FY08-18E, 2) long-term EBIT margins of 17%, 3) long-term ROIC of 25% and 4) WACC of 16%. Key risks to our price target are a macro slowdown in IT spending environment, higher-than-expected wage hikes, and appreciation of the rupee against the US\$.

Bloomberg: HCLT IN, Reuters: HCLT.BO

Rs in millions, year-end June

	FY08	FY09E	FY10E	FY11E
Sales	76,401	93,760	101,752	119,674
Net profit	10,480	14,129	13,483	17,259
EPS (Rs)	15.8	21.1	19.9	25.1
FD EPS (Rs)	15.8	21.1	19.9	25.1
DPS (Rs)	9	12	12	12
Sales growth (%)	26.6	22.7	8.5	17.6
Net profit growth (%)	(19.0)	34.8	(4.6)	28.0
EPS growth (%)	(19.8)	33.6	(5.7)	26.5
ROE (%)	21.4	25.0	22.8	26.0
P/E (x)	8.7	6.5	6.9	5.5
FD P/E (x)	8.7	6.5	6.9	5.5

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 24 October 2008.

## Neutral

Price: Rs137.95

Price Target: Rs200

India

eBusiness/IT Services

Manoj Singla, CFA<sup>AC</sup>

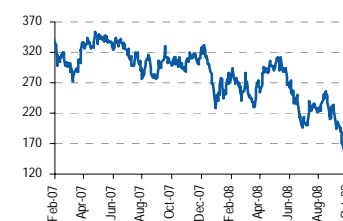
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J.P. Morgan India Private Limited

Price performance

Rs



Source: Datastream.

Performance

	1M	3M	12M
Absolute (%)	-41.0	-34.3	-53.8
Relative (%)	-7.2	11.6	-1.7

Source: Bloomberg.

Company data

52-week range (Rs)	133-336
Mkt cap. (RsB)	91.8
Mkt cap. (US\$MM)	1,837
Avg daily value (US\$MM)	5.0
Avg daily volume (MM)	1.0
Shares O/S (MM)	666
Date of price	24-Oct-08
Index: BSE Sensex	8701
Free float (%)	30
Exchange rate (Rs/US\$)	50.0

Source: Bloomberg.

## HCL Technologies: Summary of financials

### Profit and loss statement

Rs in millions, year-end June

	FY08	FY09E	FY10E	FY11E
Revenue	76,401	93,760	101,752	119,674
% change Y/Y	26.6	22.7	8.5	17.6
Gross margin (%)	33.7	34.0	33.5	33.4
EBITDA	16,179	19,946	21,686	25,039
% change Y/Y	26.8	23.3	8.7	15.5
EBITDA margin (%)	21.2	21.3	21.3	20.9
EBIT	13,143	16,292	17,759	20,783
% change Y/Y	28.5	24.0	9.0	17.0
EBIT margin (%)	17.2	17.4	17.5	17.4
Net interest	(1,372)	(270)	(1,805)	790
Earnings before tax	11,771	16,022	15,954	21,573
% change Y/Y	-18.8	36.1	-0.4	35.2
Tax	-1,273	-1,907	-2,471	-4,315
as % of EBT	-10.8	-11.9	-15.5	-20.0
Net income (reported)	10,480	14,129	13,483	17,259
% change Y/Y	-19.0	34.8	-4.6	28.0
Shares O/S (MM)	666	668	682	690
EPS (reported) (Rs)	15.8	21.1	19.9	25.1

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end June

	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	23,223	30,431	33,412	37,597
Accounts receivable	26,090	31,888	35,370	42,660
Inventories	0	0	0	0
Others	0	0	0	0
Current assets	49,313	62,319	68,781	80,256
LT investments	97	0	0	0
Net fixed assets	21,607	24,344	23,625	22,970
Total assets	75,796	92,165	97,820	108,640
Liabilities				
ST loans	0	0	0	0
Payables	20,893	26,459	27,833	29,633
Others	0	0	0	0
Total current liabilities	20,893	26,459	27,833	29,633
Long-term debt	0	0	0	0
Other liabilities	5,676	8,274	8,141	8,141
Total liabilities	26,569	34,733	35,973	37,773
Shareholders' equity	49,223	57,432	61,847	70,867
BVPS (Rs)	74.0	86.0	90.7	102.8

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end June

	FY08	FY09E	FY10E	FY11E
EBIT	13,143	16,292	17,759	20,783
Depreciation & amortization	3,033	3,656	3,926	4,255
Change in working capital	3,084	-232	-2,108	-5,490
Taxes	-1,273	-1,907	-2,471	-4,315
Cash flow from operations	16,718	17,559	15,302	16,024
Capex	-4,777	-6,393	-3,207	-3,600
Disposal/(purchase)	-2,260	-626	89	0
Net interest	(1,372)	(270)	(1,805)	790
Free cash flow	11,941	11,165	12,094	12,424
Equity raised/(repaid)	-9,109	2,124	-926	0
Debt raised/(repaid)	4,137	2,598	-133	0
Other	0	0	0	0
Dividends	-5,949	-8,050	-8,143	-8,239
Beginning cash	24,459	23,223	30,431	33,412
Ending cash	23,219	30,435	33,412	37,597
DPS (Rs)	9.0	12.0	12.0	12.0

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end June

	FY08	FY09E	FY10E	FY11E
EBITDA margin	21.2	21.3	21.3	20.9
Operating margin	17.2	17.4	17.5	17.4
Net profit margin	13.7	15.1	13.3	14.4
SG&A/sales	16.5	16.6	16.0	16.0
Sales growth	26.6	22.7	8.5	17.6
Net profit growth	-19.8	33.6	-5.7	26.5
Sales per share growth	26.3	22.4	6.3	16.2
EPS growth	-19.8	33.6	-5.7	26.5
Interest coverage (x)	NM	NM	NM	NM
Net debt to total capital	NM	NM	NM	NM
Net debt to equity	NM	NM	NM	NM
Sales/assets	100.8	101.7	104.0	110.2
EBIT margin	17.2	17.4	17.5	17.4
ROCE	20.7	23.7	21.5	22.5
Assets/equity (x)	1.5	1.6	1.6	1.5
ROI	29.9	34.1	31.9	33.5
ROE	21.4	25.0	22.8	26.0

Source: Company, J.P. Morgan estimates.

## HDFC

www.hdfc.com

### Company description

HDFC is among the market leaders and the pioneer of housing finance in India. It is also one of the most profitable financial institutions in the country. It has distribution strength in 243 outlets plus direct sales agents including its group company, HDFC Bank. It enjoys significant brand recall given its top quality management, and in addition has now diversified its interests into life and non-life insurance, asset management and real estate asset management.

### Positive share price drivers

(1) Rate cuts would help wholesale funded entities like HDFC. (2) The listing of insurance subsidiary potentially in the next 12 months.

### Negative share price drivers

(1) Slower growth due to affordability if real estate prices do not decline.  
(2) Slower life insurance premia growth.

### Valuation and risks

We value HDFC's stock on a sum-of-the-parts basis valuing the parent on a 4.0x book multiple based on a 24% normalized ROE arriving at a Sep-09 parent value of Rs1,969. In addition, we value its subsidiaries/associate company holdings at Rs931. This leads to our 12-month forward price target of Rs2,900. The key risks to our price target include continued tightness in money markets and interest rates and property prices remaining at elevated levels.

Bloomberg: HDFC IN; Reuters: HDFC.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Net profit	15,704	24,363	24,318	30,514
EPS (Rs)	62.5	90.7	85.1	106.1
EPS growth (%)	23.9	45.2	-6.2	24.7
P/E (x)	30.5	21.0	22.4	18.0
BVPS (Rs)	219.4	420.6	487.2	557.4
P/B (x)	8.7	4.5	3.9	3.4
ROE (%)	31.3	27.8	18.7	20.3
Tier I ratio (%)	7.6	14.6	12.4	11.3
DPS (Rs)	22.0	25.0	27.0	31.8
Dividend Yield (%)	1.2	1.3	1.4	1.7

Source: Company reports, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs1,905.05

Price Target: Rs2,900.00

### India

#### Banks

Sachin Sheth<sup>AC</sup>

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J. P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-15	-5.2	-23.2
Relative (%)	8.4	17.0	14.4

Source: Bloomberg.

### Company data

52-week range (Rs)	1,586-3,262
Mkt cap. (Rs MM)	509,538
Mkt cap. (US\$MM)	10,398
Avg daily value (US\$MM)	61.6
Avg daily volume (MM)	1.4
Shares O/S (MM)	284.2
Date of price	22-Oct-08
Index: Sensex	10,170
Free float (%)	85.2
Exchange rate	49

Source: Bloomberg, BSE.



## HDFC: Summary of financials

Rs in millions, year-end March

Income statement	FY07	FY08	FY09E	FY10E	Balance sheet/gearing (%)	FY07	FY08	FY09E	FY10E
Margins (% of earning assets)	3.14	3.78	3.74	3.75	Loan/deposit	552	655	751	851
Earning Assets/Assets (%)	99	100	101	101	Investment/assets	6	9	8	9
NIM (as % of avg. Assets)	3.12	3.79	3.78	3.78	Loan/assets	91	91	92	91
Net interest income	17,760	27,252	34,518	43,140	Customer deposits/liab.	18	16	14	12
					LT debt/liabilities	0	0	0	0
Total non-interest revenues	893	829	682	776	Asset quality/capital (%)				
Fee income	893	829	682	776	Loan loss reserves/Loans	0.7	0.6	0.6	0.5
FX/Trading gains	0	0	0	0	NPLs/loans	0.9	0.8	0.8	0.7
Other operating income	0	0	0	0	Loan loss reserves/NPLs	76.7	76.7	74.0	70.9
Total operating revenues	18,654	28,081	35,200	43,917	Growth in NPLs	19.6	14.9	0.0	0.0
Operating costs	(2,366)	(2,839)	(3,491)	(4,009)	Tier 1 Ratio	7.6	14.6	12.4	11.3
Operating profit	16,287	25,242	31,709	39,907	Total CAR	12.9	16.8	14.2	12.9
Loan loss provisions	(250)	(320)	(400)	(460)	Per share data				
Other provisions	3,641	8,813	2,940	3,529	EPS (Rs)	62.5	90.7	85.1	106.1
Exceptionals	0	0	0	0	Dividend (Rs)	22.00	25.00	27.05	31.82
Disposals/ Other income	0	0	0	0	Payout ratio (%)	35	29	32	30
Pre-tax profit	19,678	33,735	34,250	42,976	NAV	219.41	420.64	487.20	557.36
Tax [rate]	(3,974)	(9,373)	(9,933)	(12,463)	Avg. Shares issued (MM)	253.01	284.03	287.72	287.72
Minorities/preference dividends	0	0	0	0	DuPont analysis (%)				
Attributable net income	15,704	24,363	24,318	30,513	NIR/Avg. Assets	3.12	3.79	3.78	3.78
Key balance sheet					Non IR/Total Rev	4.8	3.0	1.9	1.8
Net customer loans	573,317	739,386	928,571	1,155,172	Total Rev/Avg. Assets	3.27	3.90	3.86	3.85
Gross loans	569,220	734,683	923,271	1,149,172	Cost/Income	12.69	10.11	9.92	9.13
Investments	37,893	70,617	86,084	113,825	Cost/Assets	0.42	0.39	0.38	0.35
Other earning assets	15,300	15,300	15,300	15,300	Operating ROAA	2.86	3.51	3.47	3.50
Average earning assets = (A)	565,478	721,506	922,627	1,151,475	LLP/Loans	-0.05	-0.05	-0.05	-0.04
Total assets	627,444	810,986	1,014,288	1,266,343	Loan/Assets	89.78	90.65	90.83	90.87
Interbank funding	0	0	0	0	Other inc:provs	0.64	1.23	0.32	0.31
Customer deposits	103,844	112,963	123,720	135,748	Tax	20.20	27.78	29.00	29.00
Other interest bearing liabilities	468,086	578,550	750,391	970,232	MI	0.00	0.00	0.00	0.00
Avg. interest bearing liab. = (B)	519,572	631,721	782,812	990,045	ROAA	2.76	3.39	2.66	2.68
Average assets	569,671	719,215	912,637	1,140,315	RORWA	2.60	3.15	2.50	2.39
Shareholders' equity	55,514	119,473	140,176	160,363	Equity/Assets	8.79	12.17	14.23	13.18
Risk weighted assets	730,447	818,311	1,129,874	1,418,609	ROE	31.35	27.84	18.73	20.31
Average risk weighted assets	604,168	774,379	974,093	1,274,242					

Source: Company reports, J.P. Morgan estimates.

## HDFC Bank

www.hdfcbank.com

### Company description

The bank was incorporated in Aug-94 by its promoter—HDFC Ltd—who currently holds a 23% stake. HDFC Bank is the second-largest private bank in India, with a market share of 2.7% and a balance sheet size of US\$30 billion. It is among the most profitable and high growth banks. It recently acquired Centurion Bank of Punjab (CBoP) after which its branch strength increased to 1,412 providing it with increased reach and an ability to leverage its brand, technology and products on these branches.

### Positive share price driver

Quicker-than-anticipated synergy extraction from the Centurion acquisition, continued strength in retail loan growth and fees.

### Negative share price driver

Higher-than-expected slippage in asset quality and higher provisions.

### Valuation and risks

HDBK trades at 2.26x FY10E book and our fair multiple is set at 2.95x book using the Gordon Growth model with a 21.4% normalized ROE. Our July-09 price target for the stock is Rs 1,150 implying a potential upside of 10%. The key risks to our price target include delayed branch approvals from RBI, and higher-than-expected expense growth.

## Neutral

Price: Rs1,048.60

Price Target: Rs1,150.00

### India

#### Banks

#### Sachin Sheth<sup>AC</sup>

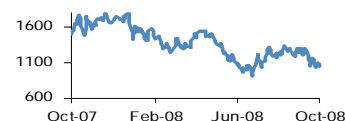
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J. P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-16.1	0.5	-20.7
Relative (%)	7.3	22.7	16.9

Source: Bloomberg.

### Company data

52-week range (Rs)	890-1,825
Mkt cap. (RsMM)	435,229
Mkt cap. (US\$MM)	8,882
Avg daily value (US\$MM)	39.2
Avg daily volume (MM)	1.62
Shares O/S (MM)	425.0
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	82.5
Exchange rate	49

Source: Bloomberg, BSE.

Bloomberg: HDFCB IN; Reuters: HDBK.BO

Rs in millions, year-end March

	FY07*	FY08*	FY09E	FY10E
Net profit	12,627	17,320	20,955	31,499
EPS (Rs)	34.2	40.8	47.6	69.2
EPS growth (%)	22.5	19.2	16.8	45.3
P/E (x)	30.6	25.7	22.0	15.2
BVPS (Rs)	183.8	318.9	407.2	464.9
P/B (x)	5.7	3.3	2.6	2.3
ROE (%)	19.3	16.2	13.1	15.9
Tier I ratio (%)	8.8	10.4	10.8	9.3
DPS (Rs)	7.2	9.1	10.1	11.5
Dividend Yield (%)	0.7	0.9	1.0	1.1

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

(\*) represent numbers for merged (HDBK & CBoP) entity.

## HDFC Bank: Summary of financials

Rs in millions, year-end March

Income statement	FY07*	FY08*	FY09E	FY10E	Balance sheet/gearing (%)	FY07*	FY08*	FY09E	FY10E
Margins (% of earning assets)	4.40	4.61	4.56	4.64	Loan/deposit	69	64	65	65
Earning Assets/Assets	95	95	96	97	Investment/assets	32	35	36	35
NIM (as % of avg. assets)	4.19	4.40	4.38	4.48	Loan/assets	52	49	51	51
Net interest income	40,381	59,354	80,410	106,618	Customer deposits/liab.	82	84	85	86
Total non-interest revenues	20,181	26,361	32,129	41,290	LT debt/liabilities	0	0	0	0
Fee income	17,796	22,489	28,063	36,411	Asset quality/capital (%)				
FX/Trading gains	2,385	3,872	4,066	4,879	Loan loss reserves/Loans	1.7	1.8	1.9	1.9
Other operating income	0	0	0	0	NPLs/loans	1.7	1.9	1.9	1.9
Total operating revenues	60,562	85,715	112,538	147,908	Loan loss reserves/NPLs	121.4	95.7	98.9	101.8
Operating costs	(31,266)	(46,220)	(60,771)	(75,549)	Growth in NPLs	91.7	55.0	35.0	30.0
Operating profit	29,296	39,495	51,767	72,360	Tier 1 Ratio	8.8	10.4	10.8	9.3
Loan loss provisions	(9,472)	(14,636)	(20,151)	(26,638)	Total CAR	12.8	13.5	14.1	12.7
Other provisions	(1,598)	129	(800)	600	Per share data				
Exceptionals	0	0	0	0	EPS (Rs)	34.2	40.8	47.6	69.2
Disposals/ Other income	0	0	0	0	Dividend (Rs)	7.2	9.1	10.1	11.5
Pre-tax profit	18,266	24,988	30,816	46,322	Payout ratio (%)	32	25	25	19
Tax [rate]	(5,599)	(7,668)	(9,861)	(14,823)	NAV	183.82	318.88	407.21	464.91
Minorities/preference dividends	0	0	0	0	Avg. Shares issued (MM)	424.59	424.59	455.17	455.17
Attributable net income	12,627	17,320	20,955	31,499	DuPont analysis (%)				
Key balance sheet					NIR/avg. assets	4.21	4.40	4.38	4.48
Net customer loans	575,353	788,339	1,046,537	1,380,280	Non IR/total rev	31.4	30.8	28.5	27.9
Gross loans	585,105	802,816	1,066,729	1,407,304	Total rev/avg. assets	6.13	6.36	6.13	6.21
Investments	351,798	564,939	745,568	948,705	Cost/income	47.91	53.92	54.00	51.08
Other earning assets	103,432	165,836	183,193	244,724	Cost/assets	2.94	3.43	3.31	3.17
Average earning assets = (A)	871,416	1,286,963	1,764,541	2,298,112	Operating ROAA	3.20	2.93	2.82	3.04
Total assets	1,097,184	1,599,862	2,071,459	2,690,676	LLP/loans	-2.09	-2.11	-2.16	-2.15
Interbank funding	(0)	0	(0)	0	Loan/assets	50.00	51.46	50.92	51.95
Customer deposits	831,617	1,229,283	1,598,068	2,125,430	Other inc:provs	-0.16	0.01	-0.04	0.03
Other interest bearing liabilities	70,289	88,360	101,614	116,856	Tax	30.36	30.69	32.00	32.00
Avg. interest bearing liab. = (B)	752,739	1,109,774	1,508,662	1,970,984	MI	0.00	0.00	0.00	0.00
Average assets	916,124	1,348,523	1,835,661	2,381,068	ROAA	1.39	1.28	1.14	1.32
Shareholders' equity	78,047	135,391	185,346	211,610	RORWA	1.71	1.62	1.43	1.62
Risk weighted assets	879,817	1,261,515	1,670,803	2,222,168	Equity/assets	7.12	7.41	8.74	8.34
Average risk weighted assets	741,073	1,070,666	1,466,159	1,946,486	ROE	19.3	16.2	13.1	15.9

Source: Company, J.P. Morgan estimates. (\*) represent numbers for the merged (HDBK &amp; CBoP) entity.

## Hindalco

www.hindalco.com

**Company description**

Hindalco is India's largest aluminum and copper producer. In aluminum, the company is fully integrated with production ranging from captive bauxite to an array of value added products; while in copper, the company is primarily into custom copper smelting. Hindalco is among the world's lowest cost aluminum producers. After its acquisition of Novelis last year, the company is one of the largest rolled producers of aluminum.

**Positive share price drivers**

The acquisition of Novelis last year helped Hindalco to evolve from being an upstream alumina and aluminum company with copper smelting operations to a predominantly downstream aluminum company. Hindalco is one of the lowest cost aluminum producers in the world driven by captive bauxite and captive coal (partial). The company via its majority stake in Aditya Birla Minerals Limited, a copper producer in Australia, also has partial security for its captive copper concentrate requirements for the copper smelter.

**Negative share price drivers**

A challenging LME is the key downside risk to our earnings estimates. LME aluminum inventories have increased by 0.3MT since Sept-08 or 25% on the LME. Our global metals team expects aluminum to trade US\$2,200 by the year end and an average US\$2,400 in 2009, a reduction of 11% from our previous assumption. Aluminum prices are expected to trade in the range of US\$2,200-3,000 with the average biased towards the low end of the range basis with significant excess supply in the market. Upstream aluminum is the key earnings (and cash flow) contributor and we believe every 1% decline in LME aluminum prices would reduce Hindalco's EPS estimate by 2.4%.

**Valuation and risks**

Our Sept-09 price target of Rs79 is based on the sum-of-the-parts methodology with different multiples for the segments. Downside risks to our price target are further deterioration in the LME environment, and lower Novelis profitability.

Bloomberg: HNDL.IN, Reuters: HNDL.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Net sales (RsMM)	600,128	718,921	647,593	676,018
Net profit (pre exceptional)	23,873	25,094	19,335	21,123
EPS (pre exceptional) (Rs)	21	14	11	12
Net sales growth (%)	211	20	-10	4
Net profit growth (%)	-11	5	-23	9
ROE (%)	17	12	8	8
ROCE (%)	11	9	7	7
P/E (x)	2.8	4.2	5.5	5.0
EV/EBITDA (x)	4.8	3.7	3.8	3.5

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

**Neutral**

Price: Rs60.45

**Price Target: Rs79.00****India****Metals & Mining****Pinakin Parekh, CFA<sup>AC</sup>**

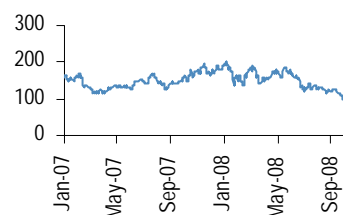
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J.P. Morgan India Private Limited

**Price performance**

Rs



Source: Bloomberg.

**Performance**

	1M	3M	12M
Absolute (%)	-45	-55	-63
Relative (%)	-18	-27	-20

Source: Bloomberg.

**Company data**

52-wk range (Rs)	217.65-59
Mkt cap. (RsMM)	105,956
Mkt cap. (US\$MM)	2,148
Avg. daily volume (MM)	4.5
Avg. daily value (US\$MM)	10.0
Shares O/S (MM)	1,753
Date of price	22-Oct-08
Index: Sensex	10170
Free float (%)	88.5
Exchange rate	49.3

Source: Bloomberg.

## Hindalco: Summary of financials

## Profit and loss statement

RsMM; year-end Mar	FY07A	FY08A	FY09E	FY10E	FY11E
Revenues	193,161	600,128	718,921	647,593	676,018
% change Y/Y	59	211	20	-10%	4
EBITDA	44,306	66,351	73,714	65,618	68,921
% change Y/Y	56	50	11	-11%	5
EBITDA margin (%)	23	11	10	10%	10
EBIT	36,513	41,840	46,637	38,768	40,471
% change Y/Y	78	15	11	-17%	4%
EBIT margin (%)	19	7	6	6%	6
Net interest	3,135	18,491	16,796	16,729	16,009
Earnings before tax	36,616	29,855	33,966	26,165	28,587
% change Y/Y	81	-18	14	-23%	9%
Tax	(9,586)	(3,617)	(8,873)	(6,830)	(7,464)
as % of EBT	26	12	26	26%	26
Net income (pre exceptional)	27,030	26,238	25,094	19,335	21,123
% change Y/Y	70	-3	-4	-23%	9
Shares outstanding	928	1,227	1,756	1,756	1,756
EPS (pre exceptional)	29	21	14	11	12
% change Y/Y	70	-27	-33	-23	9

## Cash flow statement

RsMM; year-end Mar	FY07A	FY08A	FY09E	FY10E	FY11E
Net Income (Pre Exceptional)	27,030	26,238	25,094	19,335	21,123
Depreciation & amortization	7,793	24,510	27,077	26,850	28,450
Change in working capital	(820)	4,424	(12,345)	11,494	(4,220)
Cash flow from operations	34,004	55,173	39,825	57,679	45,353
Net capex	(20,492)	(294,014)	(40,617)	(39,545)	(35,045)
Free cash flow	13,512	(238,842)	(792)	18,134	10,308
Equity raised/ (repaid)	9,337	21,729	40,393	6,446	4,175
Debt raised/ (repaid)	21,639	239,095	(77,170)	(11,250)	(9,000)
Dividends paid	(2,044)	(2,676)	(2,625)	(2,625)	(2,625)
Beginning cash	10,423	10,345	17,169	26,620	37,325
Ending cash	10,345	17,169	26,620	37,325	40,183
DPS	2.2	2.2	1.5	1.5	1.5

## Balance sheet

RsMM; year-end Mar	FY07A	FY08A	FY09E	FY10E	FY11E
Cash and cash equivalents	10,345	17,169	26,620	37,325	40,183
Accounts receivable	15,485	67,174	0	0	0
Inventories	48,123	111,109	0	0	0
Others	12,732	19,291	204,132	184,667	192,258
Current assets	86,685	214,742	230,752	221,992	232,441
Investments	78,784	138,932	93,716	93,716	93,716
Net fixed assets	92,363	356,466	374,585	377,781	372,125
Total assets	277,002	734,711	719,044	722,980	740,024
Liabilities					
Payables	28,943	108,661	0	0	0
Others	15,167	63,376	2,285	2,285	2,285
Total current liabilities	44,110	172,037	166,250	158,279	161,651
Total debt	84,429	323,524	246,354	235,104	226,104
Other liabilities	20,282	65,679	70,108	70,108	70,108
Total liabilities	148,822	561,240	482,712	463,492	457,863
Shareholders' equity	128,180	173,471	236,332	259,487	282,161
BVPS	138.2	141.4	134.6	147.8	160.7

## Ratio analysis

%, year-end Mar	FY07A	FY08A	FY09E	FY10E	FY11E
EBITDA margin	23	11	10	10	10
Operating margin	19	7	6	6	6
Net profit margin	14	4	3	3	3
Sales growth	59	211	20	-10	4
Net profit growth	70	-3	-4	-23	9
EPS growth	70	-27	-33	-23	
Interest coverage (x)	0.07	0.28	0.23	0.25	0.23
Net debt to total capital	27	42	31	27	25
Net debt to equity	58	177	93	76	66
Sales/assets	70	82	100	90	91
Assets/equity	216	424	304	279	262
ROE	24	17	12	8	8
ROCE	19	11	9	7	7

Source: Company reports and J.P. Morgan estimates.

# Hindustan Construction Company

www.hccindia.com

## Company description

Hindustan Construction Company (HCC) is a leading civil engineering company, which constructs roads, ports, hydropower projects, water and irrigation projects and industrial/commercial structures. The company also undertakes property development and has a 65% stake in Lavassa project, besides other properties in Vikhroli. HCC has an order backlog of Rs108 billion.

## Positive share price drivers

(1) Potential alleviation of concerns on execution and input cost pressure. (2) Improvement in sentiment for SMID-cap stocks. (3) Potential easing of liquidity pressure for HCC's own working capital needs, as well as for its customers. (4) Improvement in the funding climate for HCC's property projects, and progress in execution. (5) Completion of the Bandra-Worli Sea Link project.

## Negative share price drivers

(1) Near-term funding and liquidity constraints, resulting in execution slowdown and higher borrowing cost. (2) Funding constraints and weak sentiment impacting HCC's property sales and valuation.

## Valuation and risks

HCC is trading at a P/E of 6x FY10E earnings. However, property is not contributing to earnings; removing the property value from price, the P/E is even more attractive, in our view. We believe valuations for the mid-cap space in general, and HCC in particular, are attractive although near-term equity market sentiment for small companies with potential funding risks should remain weak.

Bloomberg: HCC IN; Reuters: HCNS.BO

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Net sales	23,576.2	30,825.2	39,524.6	49,526.6
Net profit	790.7	1,088.0	1,479.9	2,037.2
EPS (Rs)	3.1	4.2	5.3	7.3
Net sales growth (%)	16.5	30.7	28.2	25.3
Net profit growth (%)	(0.3)	37.6	36.0	37.7
EPS growth (%)	(0.3)	37.6	24.3	37.7
ROE (%)	9.1	11.4	13.9	16.9
ROCE (%)	5.7	9.8	11.9	14.1
P/E (x)	14.1	10.2	8.2	6.0
P/B (x)	1.2	1.1	1.1	0.9
EV/EBITDA (%)	11.9	7.6	6.0	5.1

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs43.35

### India

### Construction

Shilpa Krishnan<sup>AC</sup>

(91-22) 6639-3010

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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	(50.4)	(50.6)	(74.0)
Relative (%)	(24.0)	(23.7)	(32.5)

Source: Bloomberg.

### Company data

52-week range (Rs)	40.8-278.9
Mkt cap. (RsB)	11.1
Mkt cap. (US\$B)	0.2
Avg daily value (US\$MM)	5.7
Avg daily volume (MM)	3.24
Shares O/S (MM)	256.1
Date of price	22-Oct-08
Index: BSE Sensex	10,169.9
Free float (%)	47.9
Exchange rate	49.3

Source: Bloomberg.

## Hindustan Construction Company (standalone): Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Revenues	23,576	30,825	39,525	49,527
% change Y/Y	16	31	28	25
Gross Margin (%)	69	69	69	69
EBITDA	2,153	3,666	4,867	6,223
% change Y/Y	17	70	33	28
EBITDA margin (%)	9	12	12	13
EBIT	1,356	2,704	3,670	4,833
% change Y/Y	4	99	36	32
EBIT margin (%)	6	9	9	10
Net Interest	179	1,144	1,435	1,756
Earnings before tax	1,177	1,560	2,235	3,077
% change Y/Y	27	33	43	38
Tax	386	472	756	1,040
as % of EBT	33	30	34	34
Net income (adjusted)	791	1,088	1,480	2,037
% change Y/Y	0	38	36	38
Shares outstanding	256	256	280	280
EPS (adjusted)	3.1	4.2	5.3	7.3

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Cash and cash equivalents	2,084	2,644	2,644	2,644
Accounts receivable	5	45	9	11
Inventories	17,386	21,439	25,323	31,732
Others	3,587	2,974	3,682	4,608
Current assets	23,062	27,101	31,658	38,995
Total Investments	2,286	2,955	2,955	2,955
Net fixed assets	8,974	10,206	12,207	12,949
Total assets	34,323	40,262	46,820	54,899
Liabilities				
Payables	8,439	10,174	14,148	17,728
Others	477	466	535	616
Total current liabilities	8,916	10,640	14,683	18,344
Total debt	15,511	18,449	19,796	22,514
Other liabilities	855	1,133	1,133	1,133
Total liabilities	25,282	30,221	35,612	41,990
Shareholders' equity	9,041	10,041	11,208	12,909
BVPS	35.3	39.2	40.0	46.0

Source: Company, JPMorgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
EBIT	1,356	2,704	3,670	4,833
Depreciation & amortization	797	962	1,197	1,390
Change in working capital	(6,978)	(1,743)	(584)	(3,757)
Taxes	(386)	(472)	(756)	(1,040)
Cash flow from operations	(5,211)	1,451	3,528	1,425
Capex incl change in CWIP	(4,263)	(1,162)	(3,150)	(2,131)
Disposal/ (purchase)	53	-	-	-
Net Interest	(179)	(1,144)	(1,435)	(1,756)
Free cash flow	(9,601)	(856)	(1,057)	(2,461)
Equity raised/ (repaid)	(0)	(152)	(24)	-
Debt raised/ (repaid)	8,853	2,348	2,938	1,348
Other	(1,567)	(669)	-	-
Dividends paid	(310)	(310)	(337)	(337)
Beginning cash	10,111	2,084	2,644	2,644

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08E	FY09E	FY10E
EBITDA margin	9	12	12	13
EBIT margin	6	9	9	10
Net profit margin	3	4	4	4
SG&A/sales	4	5	5	0
Sales per share growth	16	31	17	25
Sales growth	16	31	28	25
Net profit growth	0	38	36	38
EPS growth	0	38	24	38
Interest coverage (x)	7.6	2.4	2.6	2.8
Net debt to total capital	0.4	0.4	0.4	0.4
Net debt to equity	1.5	1.6	1.5	1.5
Sales/assets	0.7	0.8	0.8	0.9
Assets/equity	3.8	4.0	4.2	4.3
ROE	9.1	11.4	13.9	16.9
ROCE	5.7	9.8	11.9	14.1

Source: Company, J.P. Morgan estimates.



# Hindustan Petroleum Corporation

www.hindustanpetroleum.com

## Company description

Hindustan Petroleum Corporation (HPCL) is among the three SOE refining and marketing (R&M) companies in India. It operates two major refineries—one in Mumbai (7.9 MMTPA) and other in Vishakapatnam (8.3 MMTPA)—and also has a ~17% stake in MRPL. HPCL is the third-largest marketer of petroleum products with a market share of ~18% in petrol and diesel.

## Positive share price drivers

HPCL will be a beneficiary of a cool-off in commodity prices, in our view. With crude at US\$70/bbl and Rs/US\$ at Rs48, annualized subsidy losses on marketing of Rs744 billion (US\$17 billion) is ~67% lower than the peak subsidy losses in Jul-08. With lower crude prices, dependence on government aids for profitability is significantly lower. HPCL is positively leveraged to lower crude prices than the other R&M companies.

## Negative share price drivers

Although crude prices have come off sharply, the rupee depreciation has led to lower breakeven level of crude prices for R&M companies to make positive margins on transport fuels. We do not rule out the possibility of a domestic fuel price cut if crude oil prices correct further. A global slowdown could affect refining margins significantly.

## Valuation and risks

We maintain our Underweight rating on HPCL with a Mar-09 PT of Rs210, based on trailing dividend yield of 8%. HPCL's stock is currently trading at 0.6 FY10E book. Although crude prices have corrected, the possibility of a cut in fuel prices could cap upsides. Risks to our PT are further decrease in crude prices and no cut in domestic fuel prices.

Reuters: HPCL.BO; Bloomberg: HPCL IN

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Net sales	939,123	1,039,270	1,181,597	1,206,682
EBITDA	26,856	36,986	14,694	17,924
Net profit	16,740	22,899	6,721	8,240
EPS (Rs)	49.2	67.3	19.7	24.2
Net profit growth (%)	270	37	-71	23
ROE (%)	18.4	22.2	6.0	7.2
ROCE (%)	10.4	14.0	2.7	3.8
P/E (x)	4.3	3.1	10.6	8.7
P/BV (x)	0.7	0.6	0.6	0.6

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Underweight

Price: Rs210

Price Target: Rs210

## India

### Natural Gas

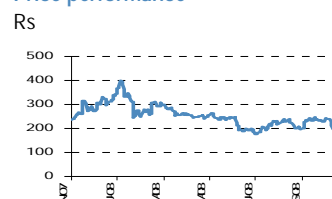
#### Pradeep Mirchandani<sup>AC</sup>

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J.P. Morgan India Private Limited

## Price performance



Source: Bloomberg.

## Performance

	1M	3M	12M
Absolute (%)	-10	-4	-8
Relative (%)	18	23	34

Source: Bloomberg.

## Company data

52-wk range (Rs)	405.9 - 164.25
Mkt cap. (Rs MM)	70993.15
Mkt cap. (US\$ MM)	1,441
Avg. daily volume (MM)	1.17
Average daily value (US\$ MM)	5.45
Shares O/S (MM)	338.63
Date of Price	22-Oct
Index (BSE Sensex)	10,170
Free float (%)	49%
Exchange rate	49.3

Source: Bloomberg.



## Hindustan Petroleum Corporation: Summary of financials

Profit and Loss statement					Cash flow statement				
Rs in millions, year-end Mar	FY07	FY08A	FY09E	FY10E		FY07	FY08A	FY09E	FY10E
Revenues	939,123	1,039,270	1,181,597	1,206,682	EBIT	19,074	28,890	5,815	8,790
% change Y/Y	25%	11%	14%	2%	Depreciation & amortisation	7,782	8,097	8,879	9,134
EBITDA	26,856	36,986	14,694	17,924	Change in working capital	17,481	11,484	(7,815)	850
% change Y/Y	169%	38%	-60%	22%	Taxes	(6,675)	(10,253)	(3,009)	(3,690)
EBITDA Margin (%)	3%	4%	1%	1%	Others	2,577	53	-	-
EBIT	19,074	28,890	5,815	8,790	Cash flow from operations	40,239	38,270	3,870	15,084
% change Y/Y	710%	51%	-80%	51%	Capex	(42,023)	(20,946)	(20,521)	(21,375)
EBIT Margin (%)	2%	3%	0%	1%	Change in investments	(28,980)	0	0	0
Net financial income	2,577	5,288	4,216	3,509	Interest (other income)	2,577	5,288	4,216	3,509
Earnings before tax	21,651	34,178	10,031	12,299	Free cash flow	(28,188)	22,613	(12,435)	(2,782)
% change Y/Y	480%	58%	-71%	23%	Equity raised/ (repaid)	(36)	-	-	-
Tax	4,911	11,279	3,310	4,059	Debt raised/ (repaid)	36,295	(14,868)	17,494	8,228
as % of EBT	-23%	-33%	-33%	-33%	Dividends paid	(7,372)	(7,681)	(4,993)	(5,377)
Net Income (adjusted)	16,740	22,899	6,721	8,240	Beginning cash	560	1,258	1,320	1,387
% change Y/Y	270%	37%	-71%	23%	Ending cash	1,258	1,320	1,387	1,456
Shares Outstanding	340	340	340	340					
EPS (adjusted)	49.2	67.3	19.7	24.2					
% change Y/Y	270%	37%	-71%	23%					
Balance sheet					Ratio Analysis				
	FY07	FY08A	FY09E	FY10E	%, year-end Mar	FY07	FY08A	FY09E	FY10E
Cash and cash equivalents	1,258	1,320	1,387	1,456	EBITDA margin	2.9%	3.6%	1.2%	1.5%
Accounts receivable	17,904	17,084	19,424	19,836	EBIT margin	2.0%	2.8%	0.5%	0.7%
Inventories	85,285	79,725	90,643	92,567	Net profit margin	1.8%	2.2%	0.6%	0.7%
Others	18,172	19,034	19,939	20,890					
Current assets	122,618	117,163	131,392	134,749	Sales growth	25.2%	10.7%	13.7%	2.1%
Total Investments	61,129	61,129	61,129	61,129	Net profit growth	270.3%	36.8%	-70.7%	22.6%
Net fixed assets	144,024	156,873	168,516	180,756					
Liabilities	94,238	95,566	104,028	107,111	Interest coverage (x)	4.2	5.1	1.0	1.4
Provisions	12,546	17,184	15,070	16,124	Net debt to total capital	49%	42%	46%	47%
Total current liabilities	106,783	112,750	119,099	123,236	Net debt to equity	114%	85%	99%	104%
Total assets	220,988	222,415	241,938	253,399	Sales/assets	425%	467%	488%	476%
Total debt	110,317	95,449	112,943	121,172	Assets/equity	231%	201%	215%	219%
Other liabilities	15,045	16,070	16,371	16,740	ROE	18.4%	22.2%	6.0%	7.2%
Total liabilities	125,362	111,519	129,314	137,912	ROCE	10.4%	14.0%	2.7%	3.8%
Shareholders' equity	95,626	110,896	112,624	115,487					
BVPS	280.8	325.7	330.8	339.2					

Source: Company, J.P. Morgan estimates.

# Hindustan Unilever Limited

www.hll.com

## Company description

Hindustan Unilever (HUL), India's largest consumer products company, has presence across key FMCG categories, such as detergents, soaps, shampoos, oral care, skin care, beverages, and foods. Unilever owns 51% of the company. HUL's extensive distribution network, coupled with its strong brand equity and high quality management, provide the company an edge over its competitors.

## Positive share price drivers

(1) Increased focus on premium products (skin care, foods) would help to maintain its brand equity and improve margins. (2) Gross margins would witness significant expansion given the commodity (palm oil and crude in particular) deflation. (3) Investments in scaling up the food and water business too are positive over the long term given the opportunity size.

## Negative share price drivers

(1) Intense competition from both domestic and international players in personal products category such as shampoos and skincare. (2) Challenging volume growth outlook for highly penetrated categories such as soaps and detergents.

## Valuation and risks

Our Mar-09 price target of Rs275 is based on 22x one year forward earnings and we believe this multiple fairly reflects the growth opportunities, brand profile and peer valuations. We maintain our Neutral rating on the stock. Key risks to our rating and price target are significant changes in the competitive landscape, and substantial changes in overall consumption trends.

Reuters: HLL.BO, Bloomberg: HUVR IN

Rs in millions; Y/E Mar	CY2007	CY2008E	FY09E (15M)	FY2010E	FY2011E
Net sales	137,178	160,327	213,588	200,079	226,970
Net profit	17,674	20,251	26,031	27,478	31,230
EPS (Rs)	8.1	9.3	12.0	12.6	14.3
ROE (%)	84.9	137.6	163.4	173.7	193.2
ROCE (%)	102.2	161.8	193.0	212.4	239.4
BVPS (Rs)	6.6	6.9	7.3	7.6	7.3
P/E (x)	31.0	27.1	26.3	20.0	17.6
P/B (x)	38.1	36.5	43.0	33.3	34.6
EV/EBITDA (%)	22.7	19.9	19.4	14.1	12.2
Dividend yield (%)	3.6	3.2	4.0	4.4	5.2

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs252

Price Target: Rs275

## India

### Consumer

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#### Latika Chopra, CFA

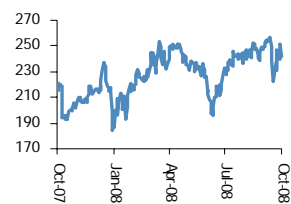
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J.P.Morgan India Private Limited

## Price performance

Rs



Source: Bloomberg.

## Performance

	1M	6M	12M
Absolute (%)	1	5	21
Relative (%)	39	74	110

Source: Bloomberg.

## Company data

52-week range (Rs)	169-266
Mkt cap. (RsMM)	548,856
Mkt cap. (US\$MM)	11,133
Avg daily value (US\$MM)	14.1
Avg daily volume (MM)	3.1
Date of price	22-Oct-08
Shares O/S (MM)	2178
Index: Sensex	10170
Exchange rate	49.3

Source: Bloomberg.

## Hindustan Unilever Limited: Summary of financials

## Profit and loss statement

Rs in millions, Y/E Mar	CY08E	FY09E (15M)	FY10E	FY11E
Revenues	160,327	213,588	200,079	226,970
% change Y/Y	17	NM	25	13
Gross margin (%)	47	48	50	50
EBITDA	26,706	34,269	37,384	42,814
% change Y/Y	14	NM	9	15
EBITDA margin (%)	17	16	19	19
EBIT	25,256	32,456	35,484	40,814
% change Y/Y	14	NM	9	15
EBIT margin (%)	16	15	18	18
Net Interest	255	319	255	255
Earnings before tax	25,001	32,137	35,229	40,559
% change Y/Y	14	NM	10	15
Tax	4,750	6,106	7,750	9,329
as % of EBT	19	19	22	23
Net income (adjusted)	20,251	26,031	27,478	31,230
% change Y/Y	15	NM	6	14
Shares outstanding	2177	2177	2177	2177
EPS (adjusted)	9.3	12.0	12.6	14.3
% change Y/Y	15	NM	6	14

## Cash flow statement

Rs in millions, Y/E Mar	CY08E	FY09E (15M)	FY10E	FY11E
EBIT	25,256	32,456	35,484	40,814
Depreciation	1,450	1,813	1,900	2,000
Change in WC	(551)	(551)	(1,888)	(5,612)
Taxes	(4,750)	(6,106)	(7,750)	(9,329)
Others				
Cash flow from operations	21,404	27,611	27,745	27,873
Capex	(1,145)	(1,145)	(1,501)	(1,500)
Disposal/ (purchase)	122	122	122	122
Net Interest	(255)	(319)	(255)	(255)
Free cash flow	20,127	26,270	26,111	26,240
Equity raised/ (repaid)	0	0	0	0
Debt raised/ (repaid)	0	0	0	0
Other	0	0	0	0
Dividends paid	(19,593)	(24,491)	(26,940)	(31,839)
Beginning cash	15,351	15,351	18,232	21,180
Ending cash	16,988	18,232	21,180	26,806
DPS	8.0	10.0	11.0	13.0

## Balance sheet

Rs in millions, Y/E Mar	CY08E	FY09E (15M)	FY10E	FY11E
Cash and cash equivalents	16,988	18,232	21,180	26,806
Accounts receivable	9,382	9,382	11,709	13,282
Inventories	22,884	22,884	29,124	33,016
Others	6,150	6,150	8,771	9,949
Current assets	55,404	56,649	70,783	83,053
Investments	943	943	821	699
Net fixed assets	16,776	16,414	16,015	15,515
Total assets	73,123	74,006	87,618	99,267
Liabilities				
Payables	42,299	42,299	49,806	56,484
Others	14,889	14,889	20,457	26,036
Total current liabilities	57,188	57,188	70,263	82,520
Total loans	885	885	885	885
Other liabilities	0	(0)	(1)	(1)
Total liabilities	58,073	58,073	71,148	83,405
Shareholders' equity	15,050	15,932	16,470	15,862
BVPS	6.9	7.3	7.6	7.3

## Ratio analysis

% , Y/E Mar	CY08E	FY09E (15M)	FY10E	FY11E
Operating Margin	15.6	15.0	17.6	17.8
EBITDA margin	16.7	16.0	18.7	18.9
EBIT margin	15.8	15.2	17.7	18.0
Net profit margin	12.6	12.2	13.7	13.8
SG&A/sales	14.9	16.8	16.0	15.8
Sales Per Share Growth	17	NM	25	6
Sales growth	17	NM	25	13
Net profit growth	15	NM	6	14
EPS growth	15	NM	6	14
Interest coverage (x)	NM	NM	NM	NM
Net debt to total capital	NM	NM	NM	NM
Net debt to equity	NM	NM	NM	NM
Sales/assets	2.2	2.9	2.3	2.3
Assets/equity	4.9	4.6	5.3	6.3
ROE	138	163	174	193
ROCE	162	193	212	239

Source: Company reports and J.P. Morgan estimates.

## Hirco Plc

www.hirco.com

### Company description

Hirco is a Hiranandani Group-sponsored investment vehicle, which was incorporated in the Isle of Man and listed on the AIM London; it aims to co-invest in FDI-compliant projects together with the Hiranandani Group. The company's investment policy is to have an IRR of at least 25% for its Mauritius subsidiary, net of all income, dividend taxes, and expenses. This structure allows investors to invest in the Indian real estate market in a tax-efficient manner and insulates them from the risks/returns associated with land acquisition and development approvals.

### Positive share price drivers

(1) Strong background of the sponsor: Hiranandani is a strong associate and is one of the leading real estate developers in India. This should help ensure low execution risks and future development opportunities. (2) Initial project sales remain healthy in the initial launches in Panvel and Chennai, both in terms of volumes sold and pricing achieved. (3) Attractive structure: Differentiated investment structure with a waterfall structure of payouts providing a combination of preferred returns and equity upside potential.

### Negative share price drivers

(1) Fund structure leading to low visibility at the project level. (2) Exchange rate risk. (3) Each project is large and a delay could materially affect valuations. (4) Liquidity problems in AIM.

### Valuation and risks

We maintain our Neutral rating on the stock with a Sep-09 price target of 284p, based on a 50% discount to our NAV estimate, which is primarily based on liquidity concerns in the AIM market. Key risks to our PT are: (1) property price slowdown in target markets; (2) execution risks; (3) low level of transparency given the fund structure; (4) taxation risks on account of review of the India Mauritius tax treaty; and (5) FX risk.

Bloomberg: HRCO LN; Reuters: HRCO.L

£ in millions, year-end September

	FY07	FY08E	FY09E	FY10E
EPS	107.1	106.3	79.6	82.4
BPS	614	753	857	964
NAV	NA	513.3	593.9	681.6
ROE (%)	23	18	12	11
P/B	0.1	0.1	0.1	0.1
Net debt/equity (%)	0	0	0	0

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: 71p

Price Target: 284p

### India

#### Property

Saurabh Kumar<sup>AC</sup>

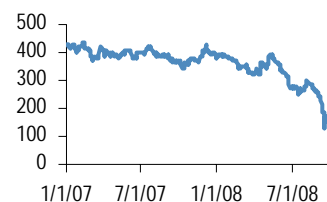
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J.P.Morgan India Private Limited

### Price performance

Pence



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-56.8	-72.5	-80.3
Relative (%)	-24.7	-29.0	-22.0

Source: Bloomberg.

### Company data

52-week range (pence)	434 - 66.5
Mkt cap. (EMM)	54
Mkt cap. (US\$MM)	89
Avg daily volume (MM)	0.4
Avg daily value (US\$MM)	0.3
Shares O/S (MM)	77
Date of price	22-Oct-08
Index: AIM All Share Index	471
Free float (%)	88.8
Exchange rate (Rs/£)	80.9

Source: Bloomberg.

## Hirco Plc: Summary of financials

### Profit and loss statement

£ in millions, year-end September

	FY07	FY08E	FY09E	FY10E
Net investment income	22.3	39.8	40.9	41.0
% change Y/Y	NA	79	3	0
Administrative expenses	(2.3)	(1.8)	(2.0)	(2.2)
Fair value gain on investments	87.2	68.3	40.7	43.6
Net profit from continuing operations	107.1	106.3	79.6	82.4
% change Y/Y	NA	-1	-25	4

Source: Company, J.P. Morgan estimates.

### Balance sheet

£ in millions, year-end September

	FY07	FY08E	FY09E	FY10E
Cash and cash equivalents	116.4	57.8	96.7	135.4
Investments	341.4	506.2	546.9	590.6
Others	12.3	12.3	12.3	12.3
<b>Total assets</b>	<b>470.1</b>	<b>576.3</b>	<b>655.9</b>	<b>738.3</b>
Liabilities	0.4	0.4	0.4	0.4
Total equity	469.7	575.9	655.5	737.9
<b>Total equity and liabilities</b>	<b>470.1</b>	<b>576.3</b>	<b>655.9</b>	<b>738.3</b>

Source: Company, J.P. Morgan estimates.

### Cash flow statement

£ in millions, year-end September

	FY07	FY08E	FY09E	FY10E
Profit before tax	107.1	106.3	79.6	82.4
Others	(11.9)	(68.3)	(40.7)	(43.6)
Cash generated from operations	95.2	38.0	38.9	38.8
Net cash used in investing activities	(254.2)	(96.6)		
Net cash generated from financing activities	479.1	-	-	-
Net increase in cash and cash equivalents	320	(59)	39	39

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end September

	FY07E	FY08E	FY09E	FY10E
PAT growth	NA	-1	-25	4
ROE	23	18	12	11
ROCE	23	18	12	11
EPS	107.1	106.3	79.6	82.4
BPS	613.7	752.6	856.6	964.2
NAV	NA	513.3	593.9	681.6
P/B	0.1	0.1	0.1	0.1

Source: Company, J.P. Morgan estimates.

## Housing Development and Infrastructure Ltd. (HDIL)

www.hdil.in

### Company description

HDIL is one of the leading real estate developers in the Mumbai Metropolitan Region (MMR) and is part of the Wadhawan Group, which has been involved in real estate development in Mumbai for almost three decades. HDIL has a development pipeline of 192msf, with 88msf under construction. Since incorporation in 1996, HDIL has delivered over 26 projects, covering 19.3msf of saleable area (including 12.7msf of land development).

### Positive share price drivers

(1) HDIL is a leader in the Slum Rehabilitation Scheme (SRS), having rehabilitated around 30,000 families to date, implying a market share of 40% in the business. (2) The Mumbai airport rehabilitation project appears to be on track, and potential upside looks likely given the innovative project structuring, which could result in area increases and likely tax exemption from peak tax to MAT. (3) HDIL has options like potential upside from the Vasai-Virar SEZ development (2,300 acres already acquired) and the upcoming tender for Dharavi redevelopment. (4) It has a de-risked business model given its portfolio with a diversified mix of SRS and open-plot developments.

### Negative share price drivers

We see the following possible negative drivers: (1) pricing pressure in the TDR market given liquidity pressure on peer group developers and higher FSI norms in Mumbai; (2) increased debt levels for the airport project land acquisition could strain HDIL's balance sheet; (3) regulatory and political risks associated with the Mumbai property market and the slum rehabilitation model, in particular; and (4) unrelated diversification into the oil and gas sector, where it has limited expertise.

### Valuation and risks

We maintain our OW and Mar-09 Rs545 PT, based on 15% discount to our FY09E NAV. Key risks are: (1) regulatory/political risks associated with slum rehabilitation projects; (2) slower-than-expected execution ramp-up; (3) non-availability of funds to sustain growth; and (4) lower-than-expected

Bloomberg: HDIL IN; Reuters: HDIL.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	12,042	23,804	34,426	48,978
Net profit	5,480	14,099	14,386	14,995
EPS (Rs)	25.5	51.1	52.2	54.4
Net sales growth (%)	177	98	45	42
Net profit growth (%)	367	157	2	4
P/E (x)	5.8	2.9	2.9	2.7
Net debt/equity	52	76	86	111
BPS	33.4	132.0	184.2	238.6
P/B	4.5	1.1	0.8	0.6
ROE (%)	122	65	33	26

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs148.9

Price Target: Rs545

### India

#### Property

Saurabh Kumar<sup>AC</sup>

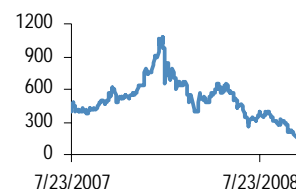
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J.P.Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-33.1	-58.6	-69.3
Relative (%)	-5.8	-30.7	-27.1

Source: Bloomberg.

### Company data

52-week range (Rs)	1,113 - 89.5
Mkt cap. (RsMM)	41,117
Mkt cap. (US\$MM)	833
Avg. daily volume (MM)	7.9
Avg daily value (US\$MM)	38.2
Shares O/S (MM)	275
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	17.2
Exchange rate	49.3

Source: Bloomberg.

## Housing Development & Infrastructure Ltd. (HDIL): Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Revenues	12,042	23,804	34,426	48,978
% change Y/Y	177	98	45	42
EBITDA	6,614	16,914	22,840	27,256
% change Y/Y	394	156	35	19
EBITDA margin (%)	55	71	66	56
EBIT	6,606	16,899	22,818	27,227
% change Y/Y	395	156	35	19
EBIT margin (%)	55	71	66	56
Net financial income	(561)	(1,408)	(5,200)	(8,400)
Earnings before tax	6,251	16,021	17,760	18,981
% change Y/Y	365	156	11	7
Tax	(771)	(1,922)	(3,374)	(3,986)
as % of EBT	12	12	19	21
Net income (adjusted)	5,480	14,099	14,386	14,995
% change Y/Y	367	157	2	4

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
EBIT	6,606	16,899	22,818	27,227
Depreciation & amortization	8	15	22	29
Change in working capital	(7,378)	(53,462)	(30,179)	(44,381)
Taxes	(170)	(771)	(1,922)	(3,374)
Other Income	186	206	529	142
Cash flow from operations	(749)	(37,113)	(8,732)	(20,357)
Capex	(204)	(309)	(100)	(100)
Change in investments	490	337	-	-
Interest	(561)	(1,408)	(5,200)	(8,400)
Free cash flow	(952)	(37,422)	(8,832)	(20,457)
Equity raised/ (repaid)	-	14,250	-	-
Debt raised/ (repaid)	1,792	27,371	17,000	27,000
Dividends paid	-	(1,144)	(836)	(871)
Beginning cash	440	57	3,505	4,652
Ending cash	57	3,505	4,652	2,095

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Cash and bank balance	57	3,505	4,652	2,095
Debtors	3,113	566	850	1,190
Inventories	13,245	55,229	71,008	103,511
Loans and Advances	1,239	13,108	36,608	63,108
Current assets	17,653	72,408	113,117	169,904
Total Investments	1,578	1,915	1,915	1,915
Net fixed assets	277	687	774	945
Liabilities	7,918	5,763	15,146	30,109
Provisions	670	1,713	1,713	1,713
Total current liabilities	8,588	7,476	16,860	31,822
Total assets	19,509	75,010	115,806	172,763
Total debt	3,757	31,127	48,127	75,127
Total liabilities	12,354	38,619	65,002	106,965
Shareholders' equity	7,155	36,391	50,803	65,799

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07A	FY08A	FY09E	FY10E
EBITDA margin	55	71	66	56
EBIT margin	55	71	66	56
Net profit margin	46	59	42	31
Sales growth	177	98	45	42
EBITDA growth	394	156	35	19
Net profit growth	367	157	2	4
Interest coverage (x)	11.8	12.0	4.4	3.2
Debt to equity	53	86	95	114
Net debt to equity	52	76	86	111
Sales/assets	62	32	30	28
Assets/equity	273	206	228	263
ROE	122	65	33	26
ROCE	44	33	21	16

Source: Company, J.P. Morgan estimates.

## HT Media

www.htmedia.in

### Company description

HT Media Limited is one of India's foremost media companies, and home to two leading newspapers in the country in the English and Hindi languages—Hindustan Times (English daily) and Hindustan (Hindi daily). The company also has a business paper 'Mint' and its subsidiary HT Music and Entertainment Company Limited has four FM radio stations "Fever 104" in Delhi, Mumbai, Bengaluru and Kolkata. HT Media also has made a foray into the Internet space through its subsidiary Firefly e-Ventures Limited.

### Positives

1) New launches of local editions to raise its penetration and add to top-line growth. 2) The company says that the business paper 'Mint' continues to do well and extending this paper to new markets could be a significant contributor in medium term.

### Negatives

1) Slowing advertising revenue growth on account of weakening economic growth. 2) Higher promotional spends on new editions.

### Valuation

The stock is trading at 15x FY09E and 11x FY10E consensus earnings.

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Bloomberg: HTML IN, Reuters: HTML.BO

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Sales	6284	8242	10399	12058
Net profit	339	493	942	1007
EPS (Rs)	6.4	7.2	4.1	4.3
Sales growth (%)	51	31	26	16
Net profit growth (%)	NM	45	91	7
ROE (%)	8	7	12	12
P/E (x)	12.1	10.8	19.0	18.3

Source: Capitaline. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs77.8

### India

### Media

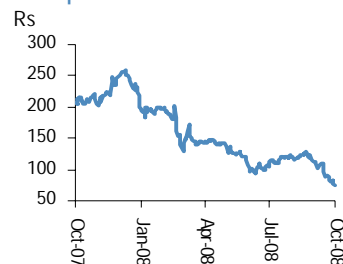
### Latika Chopra, CFA<sup>AC</sup>

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J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-33	-46	-61
Relative (%)	-8	-10	-33

Source: Bloomberg.

### Company data

52-week range (Rs)	60-266
Mkt cap. (RsMM)	18,229
Mkt cap. (US\$MM)	370
Avg daily volume (MM)	0.14
Avg daily value (US\$MM)	0.4
Date of price	22-Oct-08
Free float (%)	31
Shares O/S (MM)	234.3
Index: BSE Sensex	10170
Exchange rate	49.3

Source: Bloomberg.



## HT Media: Summary of financials

### Profit & loss statement

Rs in millions, Y/E Mar	FY05	FY06	FY07	FY08	Rs in millions, Y/E Mar	FY05	FY06	FY07	FY08
Revenue	6284	8242	10399	12058	EBIT	513	729	1620	1568
% change Y/Y	51	31	26	16	Depreciation & amortization	238	396	436	570
EBITDA	750.5	1125.6	2056	2137.6	Change in working capital	70	-235	-226	-131
% change Y/Y	NM	50	83	4	Others	-19	-378	-698	-889
EBITDA margin (%)	12	14	20	18	Cash flow from operations	802	513	1132	1118
EBIT	513	729	1620	1568	Capex	-1046	-1116	-870	-1205
% change Y/Y	Nm	42	122	-3	Disposal/ (purchase)	-566	538	-1884	-520
EBIT margin (%)	8	9	16	13	Others	-18	-2075	1768	278
Net interest	72	146	150	178	Cash flow in investing	-1630	-2653	-986	-1447
Earnings before tax	441	584	1470	1390	Equity raised/(repaid)	1000	2699	0	0
% change Y/Y	NM	32	152	-5	Debt raised/(repaid)	1	-12	-38	573
Tax	166	240	546	377	Other	-298	-95	-301	-179
as % of EBT	38	41	37	27	Dividends	0	-46	-66	-82
Net income	339	493	942	1007	Cash flow in financing	703	2545	-406	312
% change Y/Y	NM	45	91	7	Beginning cash	618	492	897	637
EPS (Rs)	6.4	7.2	4.1	4.3	Ending cash	492	897	637	620

### Balance sheet

Rs in millions, Y/E Mar	FY05	FY06	FY07	FY08	% , Y/E Mar	FY05	FY06	FY07	FY08
Cash and cash equivalents	492	2806	1104	774	EBITDA margin	12	14	20	18
Accounts receivable	935	1212	1485	1983	Operating margin	8	9	16	13
Inventories	785	1096	1032	1155	Net profit margin	5	6	9	8
Others	120	492	563	1287	Sales growth	51	31	26	16
Current assets	2332	5606	4185	5199	Net profit growth	NM	45	91	7
LT investments	922	407	2293	2656	Interest coverage (x)	7.1	5.0	10.8	8.8
Net fixed assets	4054	4776	5207	5829	Net debt to total capital	0.2	-0.1	0.1	0.1
Total assets	7177	10493	11411	13563	Net debt to equity	0.3	-0.2	0.1	0.2
Liabilities					Sales/assets	0.9	0.8	0.9	0.9
Payables	1305	1679	1908	2560	EBIT margin	8	9	16	13
Others	85	157	205	244	ROCE	9	8	17	15
Total current liabilities	1390	1836	2112	2804	Assets/equity (x)	1.8	1.5	1.5	1.6
Long-term debt	1716	1696	1658	2231	ROE	8	7	12	12
Other liabilities	0	46	0	1					
Total liabilities	3106	3578	3770	5035					
Shareholders' equity	4070	6916	7642	8529					

Source: Capitaline.

## ICICI Bank

www.icicibank.com

### Company description

ICICI Bank is the largest private sector bank in India in terms of loans, with 9.8% of the total market share as of June 2008. It enjoys a leading position in most retail loan segments and is one of India's premier banks reaping the benefits of scale plus a superior technology platform. The bank offers a wide range of banking products and financial services to corporate and retail customers. The bank has multiple subsidiaries including those in the areas of life and non-life insurance, investment banking, venture capital and asset management among others. The bank has a network of about 1,308 branches and 3,950 ATMs in India and a presence in 18 countries. Its equity shares are listed in India and its American Depository Receipts are listed on the New York Stock Exchange.

### Positive share price drivers

Macro: Lower oil prices, easing inflation and interest rates, higher consumer affordability, and banking and insurance sector reforms.

Micro: Increasing mix of low-cost deposits, superior core operating profit growth, and NPLs plateauing out. The listing of subsidiaries would also be a positive trigger.

### Negative share price drivers

Credit-cycle-related pressures, any slowdown in insurance premium growth, and continued tightness in US\$ liquidity.

### Valuation and risks

Our March 2010 price target of Rs833 (updated on 28 October 2008), based on sum-of-parts, factors in Rs445 for the parent bank at 1.2x adjusted book (knocking off entire subs investment) + Rs388/share for subs. The key risk to our price target is a worsening credit environment leading to slower growth and higher provisioning.

Bloomberg: ICICIB IN; Reuters: ICBK.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Net profit	31,100	41,581	39,161	51,312
EPS (Rs)	34.8	41.3	35.2	46.1
EPS growth (%)	11.3	18.9	-14.9	31.0
P/E (x)	11.4	9.6	9.0	6.9
BVPS (Rs)	270.4	417.5	440.7	473.8
P/B (x)	1.5	1.0	0.7	0.7
ROE (%)	13.4	11.7	8.2	10.1
Tier I ratio (%)	7.4	11.3	11.2	11.8
DPS (Rs)	10.0	11.0	12.0	13.0
Dividend yield (%)	2.5	2.8	3.0	3.3

Source: Company reports, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008, and our price target was updated on 28 October 2008.

## Overweight

Price: Rs396.70

Price Target: Rs833.00

### India

#### Banks

Sachin Sheth<sup>AC</sup>

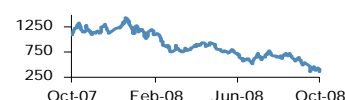
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J. P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-32.1	-33.1	-59.4
Relative (%)	-8.7	-10.9	-21.8

Source: Bloomberg.

### Company data

52-week range (Rs)	327-1,465
Mkt cap. (RsMM)	440,761
Mkt cap. (US\$MM)	8,995
Avg daily value (US\$MM)	132
Avg daily volume (MM)	10.4
Shares O/S (MM)	1,113
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	92
Exchange rate	49

## ICICI Bank: Summary of financials

Rs in millions, year-end March

Income statement	FY07	FY08	FY09E	FY10E
<b>Margins (% of earning assets)</b>	<b>2.01%</b>	<b>2.08%</b>	<b>2.23%</b>	<b>2.34%</b>
Earning Assets/Assets (%)	94%	95%	94%	94%
<b>NIM (as % of avg. assets)</b>	<b>1.89%</b>	<b>1.96%</b>	<b>2.11%</b>	<b>2.19%</b>
<b>Net interest income</b>	<b>56,370</b>	<b>73,041</b>	<b>85,052</b>	<b>92,992</b>
<b>Total non-interest revenues</b>	<b>57,260</b>	<b>78,140</b>	<b>84,739</b>	<b>99,560</b>
Fee income	50,820	77,038	83,362	97,935
FX/Trading gains	6,440	1,102	1,377	1,625
Other operating income	0	(0)	(0)	0
<b>Total operating revenues</b>	<b>113,630</b>	<b>151,181</b>	<b>169,791</b>	<b>192,553</b>
Operating costs	(65,030)	(79,720)	(71,673)	(78,715)
<b>Operating profit</b>	<b>48,600</b>	<b>71,461</b>	<b>98,118</b>	<b>113,837</b>
Loan loss provisions	(22,260)	(29,050)	(36,590)	(43,547)
Other provisions	10,140	8,150	(10,000)	0
Exceptionals	0	0	0	0
Disposals/ other income	0	0	0	0
<b>Pre-tax profit</b>	<b>36,480</b>	<b>50,561</b>	<b>51,528</b>	<b>70,290</b>
Tax [rate]	(5,380)	(8,980)	(12,367)	(18,978)
Minorities/preference dividends	0	0	0	0
<b>Attributable net income</b>	<b>31,100</b>	<b>41,581</b>	<b>39,161</b>	<b>51,312</b>
<b>Key balance sheet</b>				
Net customer loans	1,958,656	2,256,160	2,330,135	2,557,824
Gross loans	1,980,666	2,297,820	2,397,481	2,557,824
Investments	912,580	1,114,540	1,144,160	1,231,731
Other earning assets	362,493	371,697	300,746	328,046
<b>Average earning assets = (A)</b>	<b>2,804,101</b>	<b>3,519,898</b>	<b>3,813,222</b>	<b>3,979,994</b>
Total assets	3,446,572	3,997,950	4,077,909	4,404,142
Interbank funding	0	0	0	0
Customer deposits	2,305,102	2,444,310	2,566,526	2,771,848
Other interest bearing liabilities	706,600	863,990	762,187	807,453
<b>Avg. interest bearing liab. = (B)</b>	<b>2,523,876</b>	<b>3,160,001</b>	<b>3,318,506</b>	<b>3,454,006</b>
<b>Average assets</b>	<b>2,980,231</b>	<b>3,722,261</b>	<b>4,037,930</b>	<b>4,241,025</b>
Shareholders' equity	243,130	464,710	490,515	527,358
Risk weighted assets	2,899,930	3,367,550	3,628,204	3,774,277
Average risk weighted assets	2,492,933	3,133,740	3,497,877	3,701,241

Source: Company reports, J.P. Morgan estimates.

Balance sheet/gearing (%)	FY07	FY08	FY09E	FY10E
Loan/deposit	85	92	91	92
Investment/assets	26	28	28	28
Loan/assets	57	56	57	58
Customer deposits/liab.	72	69	72	71
LT debt/liabilities	0	0	0	0
<b>Asset quality/capital (%)</b>				
Loan loss reserves/Loans	1.1	1.8	2.8	2.8
NPLs/loans	2.1	3.4	4.8	4.8
Loan loss reserves/NPLs	52.2	53.9	58.8	58.8
Growth in NPLs	84.0	83.2	48.0	6.7
Tier 1 ratio	7.4	11.3	11.2	11.8
Total CAR	11.7	14.9	14.2	14.8
<b>Per share data</b>				
EPS (Rs)	34.8	41.3	35.2	46.1
Dividend (Rs)	10.02	11.03	12.00	13.00
Payout ratio (%)	29	30	34	28
NAV	270.44	417.53	440.71	473.82
Avg. shares issued (MM)	899.0	1113.0	1113.0	1113.0
<b>DuPont analysis (%)</b>				
<b>NIR/Avg. assets</b>	<b>1.89</b>	<b>1.96</b>	<b>2.11</b>	<b>2.19</b>
Non IR/total rev	50.4	51.7	49.9	51.7
<b>Total rev/avg. assets</b>	<b>3.81</b>	<b>4.06</b>	<b>4.20</b>	<b>4.54</b>
Cost/income	57.23	52.73	42.2	40.9
Cost/assets	2.18	2.14	1.77	1.86
<b>Operating ROAA</b>	<b>1.63</b>	<b>1.92</b>	<b>2.43</b>	<b>2.68</b>
LLP/loans	-1.29	-1.36	-1.56	-1.76
Loan/assets	57.96	57.47	58.1	58.4
Other inc:provs	0.34	0.22	-0.25	0.00
Tax	14.75	17.76	24.0	27.0
MI	0.00	0.00	0.00	0.00
<b>ROAA</b>	<b>1.04</b>	<b>1.12</b>	<b>0.97</b>	<b>1.21</b>
<b>RORWA</b>	<b>1.25</b>	<b>1.33</b>	<b>1.12</b>	<b>1.39</b>
Equity/assets	7.80	9.51	11.8	12.0
<b>ROE</b>	<b>13.37</b>	<b>11.75</b>	<b>8.20</b>	<b>10.1</b>

## ICICI Prudential Life Insurance Co.

www.iciciprulife.com

### Company description

ICICI Prudential Life Insurance Co is a joint venture between ICICI Bank and Prudential Plc (UK), with ICICI Bank holding a 74% stake and the remaining 26% held by Prudential PLC. ICICI Prudential was among the first private sector insurance companies to begin operations in December 2000 after receiving approval from Insurance Regulatory Development Authority (IRDA). It is India's second-largest life insurance company measured by premium written, behind the government-owned Life Insurance Corporation of India (LIC) and the largest among the private life insurers.

### Positive

Being the largest has its advantages in terms of higher repeat sales and quicker breakeven.

### Negatives

Loss of incremental market share in the recent past to other smaller private players—however, the company continues to maintain growth momentum.

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## Not Listed

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### India

### Banks

### Sachin Sheth<sup>AC</sup>

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J. P. Morgan India Private Limited

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### ICICI Prudential Life Insurance

Rs in millions, year-end March

	FY07	FY08
Net earned premiums	78,968	135,368
Expenses	20,607	37,599
Payout	74,473	139,844
Surplus / deficit	1,360	3,251

Source: Company.

## ICICI Prudential Life Insurance Co.: Summary of financials

Rs in millions, year-end March

<b>Income statement</b>	<b>FY07</b>	<b>FY08</b>	<b>Balance sheet</b>	<b>FY07</b>	<b>FY08</b>
<b>Technical account</b>			<b>Share capital</b>	<b>13,123</b>	<b>14,011</b>
Net earned premiums	78,968	135,368	Reserves	7,904	23,743
Income from investments	9,891	29,232	<b>Total shareholder funds</b>	<b>21,027</b>	<b>37,754</b>
Other income	7,582	16,095	Borrowings	0	0
<b>Total</b>	<b>96,440</b>	<b>180,694</b>	Policyholders funds	149,750	270,206
Expenses	20,607	37,599	<b>Total liabilities</b>	<b>172,926</b>	<b>313,338</b>
Payout	74,473	139,844	Investments	24,988	36,603
<b>Surplus / deficit</b>	<b>1,360</b>	<b>3,251</b>	Asset held to cover linked liab.	132,523	248,662
<b>Non-technical account</b>	<b>2007</b>	<b>2008</b>	Loans	40	38
Transfer from policyholder's account	346	21	Fixed assets	2,194	3,277
Income from investments	678	644	<b>Net current assets</b>	<b>(3,527)</b>	<b>(7,380)</b>
Provisions (excl. tax)	7,595	16,075	Debit balance in P&L account	16,017	29,968
Loss before tax	(6,917)	(15,431)	<b>Total assets</b>	<b>172,926</b>	<b>313,338</b>
Provision for tax	428	1,481			
<b>Profit / loss after tax</b>	<b>(6,489)</b>	<b>(13,951)</b>			

Source: Company.

## Idea Cellular

www.ideacellular.com

**Company description**

Idea Cellular (Idea) is India's only 'listed pure-play wireless operator' with a presence in 13 of the 23 telecom circles (service areas), after the recent launch in Mumbai and Bihar. Idea ranks #2 in its eight established (older) circles. The company expects to roll-out wireless operations in TN, Chennai and Orissa by early-2009. Consolidation of Spice would be completed in FY09 and the company would start services under the 'Idea' brand in Karnataka and Punjab.

**Positive share price drivers**

(1) Higher revenue growth led by higher subscriber additions and/or a slower rate of ARPU decline; Idea needs to bring down its Q/Q ARPU decline rate, after a rather disappointing 6% slide in 2Q FY09. (2) Launch of services in TN, Chennai, Orissa and consolidation of its position in Bihar, Mumbai and Spice circles should enable Idea to become a pan-India player.

**Negative share price drivers**

(1) Faster-than-expected decline in the average minutes of use (MOU) and ARPU. (2) Network roll-out by Aircel-Maxis and Reliance Communication (GSM) in Idea's service areas. (3) Implementation of mobile number portability (MNP). (4) Irrational bidding for 3G spectrum.

**Valuation and risks**

Following Idea's weak 2Q FY09 results, we expect consensus to revise down estimates. We are Overweight on Idea with a Jun-09, SOTP-based price target of Rs120. At 4.2x FY09E EV/EBITDA, Idea's shares appear attractively valued. Key downside risks are hike in spectrum fee, 3G auctions and MNP.

Bloomberg: IDEA IN; Reuters: IDEA.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	43,664	67,200	100,373	131,342
EBITDA	14,653	22,518	31,437	42,640
Net profit	5,022	10,423	11,170	14,992
Diluted EPS (Rs)	2.20	3.96	4.24	5.69
DPS (Rs)	-	-	-	-
Sales growth (%)	47.2	53.9	49.4	30.9
EBITDA growth (%)	37.5	53.7	39.6	35.6
EPS growth (%)	134.3	80.1	7.2	34.2
ROE (%)	23.0	28.9	23.3	23.4
EV/EBITDA (x)	12.1	8.0	5.7	4.2
P/E (x)	21.7	12.0	11.2	8.4

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

**Overweight**

Price: Rs47.55

Price Target: Rs120

**India****Wireless Services****Manoj Singla<sup>AC</sup>**

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J.P. Morgan India Private Limited

**Price performance**

Rs



Source: Bloomberg.

**Performance**

	1M	3M	12M
Absolute (%)	(41.9)	(50.4)	(67.7)
Relative (%)	(18.3)	(19.2)	(17.4)

Source: Bloomberg.

**Company data**

52-week range (Rs)	47.0-155
Mkt cap. (RsB)	147.4
Mkt cap. (US\$B)	2.99
Avg daily value (US\$MM)	11.0
Avg daily volume (MM)	6.69
Shares O/S (MM)	3,100.1
Date of price	22-Oct-08
Index: BSE Sensex	10169.9
Free float (%)	29.8
Exchange rate	49.3

## Idea Cellular: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Revenues	43,664	67,200	100,373	131,342
EBITDA	14,653	22,518	31,437	42,640
Depreciation & amortization	(6,718)	(8,768)	(13,487)	(18,072)
Operating profit (EBIT)	7,934	13,750	17,951	24,568
Net other income	209	175	200	210
Net finance cost	(3,051)	(2,776)	(6,268)	(7,699)
PBT	5,093	11,148	11,883	17,079
Extraordinaries/prior period	0	0	0	0
Current tax expense	(60)	(75)	(100)	(935)
Deferred tax (liability)/asset	(11)	(650)	(613)	(1,152)
Reported net income	5,022	10,423	11,170	14,992
Net income (adjusted)	5,022	10,423	11,170	14,992
Shares outstanding (MM)	2,593	2,635	2,635	2,635
Reported EPS (Rs)	1.94	3.96	4.24	5.69
Diluted EPS (adjusted)	2.20	3.96	4.24	5.69
DPS (Rs)	0.0	0.0	0.0	0.0

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Cash	18,199	10,534	3,210	4,388
Accounts receivable	1,525	1,906	2,157	2,402
Other current assets	4,936	7,924	8,117	7,727
Total current assets	24,660	20,364	13,484	14,517
Current liabilities & provisions	21,520	26,365	33,059	35,629
Net working capital	3,140	(6,001)	(19,575)	(21,112)
Net fixed assets incl. CWIP	49,323	89,271	133,400	160,855
Other long term assets	11,850	17,953	16,764	15,572
Total long term assets	61,173	107,224	150,164	176,427
Total assets	64,313	101,223	130,589	155,315
Total debt	42,505	65,154	82,736	91,318
Other liabilities	11	661	1,274	2,426
Total liabilities	42,516	65,815	84,010	93,744
Shareholders' equity	21,798	35,409	46,579	61,571
Total liability & equity	64,313	101,223	130,589	155,315
Net debt/(cash) [a]	24,306	54,620	79,526	86,930
Book value per share (Rs)	24.8	38.4	49.6	58.9

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Cash flow from operations	13,018	19,665	31,038	36,666
Capex (incl. entry fee)	(22,819)	(54,994)	(56,426)	(44,335)
Cash flow from other investing	63	1,828	481	266
Cash flow from financing	26,440	25,836	17,582	8,582
Change in cash for the year	16,702	(7,665)	(7,325)	1,179
Beginning cash	1,498	18,199	10,534	3,210
Closing cash	18,199	10,534	3,210	4,388

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08	FY09E	FY10E
EBITDA margin	33.6	33.5	31.3	32.5
FCF margin	(28.4)	(46.0)	(18.6)	(0.1)
ROE	23.1	28.9	23.3	23.4
ROC	12.2	12.8	13.1	14.1
ROA	7.8	10.3	8.6	9.7
Effective tax rate	1.4	6.5	6.0	12.2
Capex to sales	58.0	81.8	56.2	33.8
Debt/capital	66.1	64.8	64.0	59.7
Net debt or(cash) to equity	112	154	171	141
Net interest coverage (x)	4.4	4.9	4.7	5.4
EBITDA margin	33.6	33.5	31.3	32.5

Source: Company, J.P. Morgan estimates.

## Indiabulls Real Estate

www.indiabulls.com

### Company description

Indiabulls Financial Services Ltd (IBFSL) entered the real estate sector in 2004. It began operations as a brokerage company about four years ago and then diversified into real estate and consumer financing. In May 2006, IBFSL de-merged its entire real estate business, and a new company (IBREL) was incorporated. The company is focused on development and sale of residential properties in Tier-1 cities such as NCR, Mumbai and Chennai, and rental of commercial properties being developed in Mumbai.

### Positives

(1) IBREL has displayed its strength in raising equity (through various structures) and securing and executing capital-intensive projects with major regulatory hurdles. (2) The company has cash and cash equivalents of ~Rs140/share as of Jun-08. (3) Management believes the de-merging and listing of its power and retailing businesses will drive growth and shareholder value. (4) IBREL's land titles are reasonably clear, as they have been acquired at auctions.

### Negatives

(1) Execution risks given its limited track record. IBREL forayed into real estate in 2004 with its first project (office space in Mumbai), which is yet to be delivered. (2) Leasing of its Mumbai office projects given the near-term outlook of the financial intermediaries. (3) High free float of ~69% compared with its peers (10-25%).

### Valuation

The stock is trading at 15.4x and 7.6x FY09 and FY10 consensus earnings estimates, respectively.

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Bloomberg: IBREL IN, Reuters: INRL.BO

Rs in millions, year-end March

	FY07	FY08
Net sales	139	1,407
EBITDA	-4	-20
Net profit	140	1,319
EPS (Rs)	0.0	13.5
Sales growth (%)	NA	911
Net profit growth (%)	NA	843
ROE (%)	1	5
ROCE (%)	0	0
P/E (x)	3,991.7	8.9
P/B (x)	1.9	0.8

Source: Capitaline. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs119.75

### India

#### Property

Saurabh Kumar<sup>AC</sup>

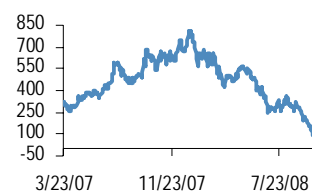
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J.P.Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-47.0	-61.4	-78.5
Relative (%)	-19.6	-33.5	-36.2

Source: Bloomberg.

### Company data

52-week range (Rs)	850 - 84.2
Mkt cap. (RsMM)	30,838
Mkt cap. (US\$MM)	625
Avg. daily volume (MM)	7.5
Avg daily value (US\$MM)	31.9
Shares O/S (MM)	258
Date of price	22-Oct-08
Index (BSE Sensex)	10170
Free float (%)	62.1
Exchange rate	49.3

Source: Bloomberg.



## Indiabulls Real Estate: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08
Revenues	139	1,407
% change Y/Y	NA	911
EBITDA	-4	-20
% change Y/Y	NA	348
EBITDA margin (%)	-3	-1
EBIT	(12)	(53)
% change Y/Y	NA	327
EBIT margin (%)	-9	-4
Net financial income	263	5,718
Earnings before tax	251	5,665
% change Y/Y	NA	2161
Tax	(120)	(1,598)
as % of EBT	48	28
Net income (adjusted)	140	1,319
% change Y/Y	NA	843
EPS (adjusted)	0.0	13.5
% change Y/Y	NA	44900

Source: Company.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08
Cash and cash equivalents	12,129	16,219
Accounts receivable	59	1,165
Inventories	1,993	11,441
Others	3,758	50,235
Current assets	17,939	79,060
Total Investments	5,944	675
Net fixed assets	249	2,459
Liabilities	4,636	20,132
Provisions	265	4,732
Total current liabilities	4,901	24,864
Total assets	19,231	57,329
Total debt	1,420	3,389
Other liabilities	3,425	14,255
Total liabilities	4,844	17,644
Shareholders' equity	14,387	39,685

Source: Company.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08
Beginning Cash	-	15,912
Operating Cash flow	(5,374)	(40,872)
Investing cash flow	12,798	1,360
Financing Cash flow	8,488	40,035
Change in cash	15,912	523
Ending Cash	15,912	16,435

Source: Company.

### Ratio analysis

%, year-end March

	FY07	FY08
EBITDA margin	-3	-1
EBIT margin	-9	-4
Net profit margin	101	94
Sales growth	NA	911
Net profit growth	NA	843
Net debt to total capital	-56	-22
Net debt to equity	-74	-32
Sales/assets	1	2
Assets/equity	134	144
ROE	1	5
ROCE	0	0

Source: Company.

## Ishaan Plc

www.ishaanrealestate.com

### Company description

Ishaan Real Estate Plc (Ishaan) is a property investment company, incorporated in the Isle of Man, with an initial life of 10 years. The company has co-invested with K Raheja Corp, a leading developer in India; it currently holds a 40% stake in nine development projects in or around the Indian cities Hyderabad, Mumbai, Bangalore and Pune, comprising a total built-up area of 22msf.

### Positive share price drivers

(1) K Raheja Corp., a leading developer in India, is a strong sponsor and majority co-investor in the asset portfolio (60% stake). (2) Its high-quality portfolio comprises formats that have been tried and tested by K Raheja Corp. (3) It has achieved significant progress in terms of pre-commitments—15% of office space and 20% of residential space has been pre-leased/sold. (4) The company has £23 million net cash at the parent company level, which remains undeployed in new projects.

### Negative share price drivers

(1) Lack of transparency in the structure of the holding company and potential conflict of interest. (2) Minority interest in the projects (40%), implying inadequate management control over these assets. (3) Taxation policy and exchange rate risks. (4) Each project is large and any delay could materially impact the company's performance.

### Valuation and risks

We maintain our Neutral rating with a Mar-09 price target of 60p, based on 50% discount to our FY09 NAV estimate of 115p. Key risks to our price target are: (1) property price slowdown; (2) execution risks; (3) low visibility given the fund structure; (4) taxation; and (5) exchange rate.

Bloomberg: ISH LN; Reuters: ISH.L

£ in millions, year-end March

	FY07	FY08	FY09E	FY10E
BPS	96.3	95.5	94.6	133.8
EPS	0.8	(0.9)	(0.9)	39.1
ROE (%)	1	-1	-1	29
NAV	NA	93.4	118.0	162.0
P/NAV	NA	0.4	0.3	0.2
P/Book	0.4	0.4	0.4	0.3

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: 40p

Price Target: 60p

### India

#### Property

Saurabh Kumar<sup>AC</sup>

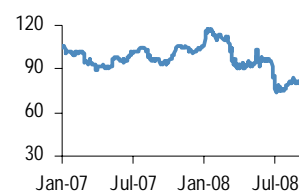
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J.P.Morgan India Private Limited

### Price performance

Pence



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-45.9	-46.7	-61.8
Relative (%)	-13.8	-3.2	-3.5

Source: Bloomberg

### Company data

52-week range (Pence)	119 - 38
Mkt cap. (EMM)	83
Mkt cap. (US\$MM)	135
Avg daily value (US\$MM)	0.3
Avg daily volume (MM)	0.1
Shares O/S (MM)	207
Date of price	22-Oct-08
Index: AIM All share Index	471
Free float (%)	96.7
Exchange rate (Rs/£)	80.9

Source: Bloomberg.

## Ishaan Plc: Summary of financials

### Profit and loss statement

£ in millions, year-end march

	FY07	FY08A	FY09E	FY10E
Total SPV Income	(0.0)	(0.6)	3.1	86.3
% change Y/Y	NA	NA	NA	26.5
Others	3.2	4.3	4.5	4.7
Management fees	(1.1)	(4.4)	(8.4)	(9.0)
Net income	1.7	(1.8)	(1.8)	81.0
% change Y/Y		-206%	0%	-4508%

Source: Company, J.P. Morgan estimates.

### Balance sheet

£ in millions, year-end march

	FY07	FY08A	FY09E	FY10E
Cash and cash equivalents	154.1	40.7	43.9	144.7
Investments	76.4	159.5	159.5	139.3
Others	8.6	20.6	20.6	20.6
<b>Total assets</b>	<b>240.1</b>	<b>229.2</b>	<b>232.3</b>	<b>313.0</b>
Liabilities	8.7	31.3	36.3	36.0
Trade and other payables	32.1	0.1	0.1	0.1
Shareholders' equity	199.3	197.8	195.9	276.9
<b>Total equity and liabilities</b>	<b>240.1</b>	<b>229.2</b>	<b>232.3</b>	<b>313.0</b>

Source: Company, J.P. Morgan estimates.

### Cash flow statement

£ in millions, year-end march

	FY07	FY08A	FY09E	FY10E
Net property investment	(44.5)	(103.2)	-	20.2
Net property income	(0.0)	(0.6)	3.1	86.3
Interest income	3.2	4.3	4.5	4.7
Fees'	(1.1)	(2.4)	(3.4)	(3.2)
Cash expenses	(0.4)	(1.1)	(1.1)	(1.1)
Dividends'	-	-	-	-
Others'	196.8	(10.3)	0.0	(6.1)
<b>Net change in cash</b>	<b>154.1</b>	<b>(113.4)</b>	<b>3.2</b>	<b>100.9</b>

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08A	FY09E	FY10E
PAT growth	NA	-206	0	-4508
ROE	1	-1	-1	29
ROCE	1	-1	-1	26
EPS	0.8	(0.9)	(0.9)	39.1
BPS	96.3	95.5	94.6	133.8
NAV	NA	93.4	118.0	162.0
P/NAV	NA	0.4	0.3	0.2

Source: Company, J.P. Morgan estimates.

## Ispat Industries

www.ispatind.com

### Company description

Ispat Industries Limited is one of India's leading integrated steel makers and the largest private sector producer of hot-rolled coil. The company is currently expanding steel capacity to 3.6MT from 3MT.

### Positives

The company is expanding capacity and also increasing vertical integration. The hot-rolled capacity is being increased by 0.6MT to 3.6MT. The company is setting up a 1MT coke oven plant, and a 4.5MT pellet plant.

### Negatives

According to management, as the company does not have a captive iron ore and coal mine, it is exposed to raw material cost escalation. Ispat is one of the highest cost producers of sponge and a small reduction in sponge iron prices could impact its profitability, according to management.

### Valuation

Based on consensus estimates, the stock is trading at a P/E of 4.1x FY09.

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Bloomberg: NDEN IN, Reuters: ISPT.NS

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	58,688	50,210	74,728	83,231
EBITDA	12,377	2,844	15,212	12,182
Net profit	6,959	-8,139	-103	308
EPS (Rs)	6.4	-2.1	0.0	0.1
Sales growth (%)	63.3	-14.4	48.8	11.4
Net profit growth (%)	1475.5	-217.0	-98.7	-400.1
ROE (%)	38.7	-38.4	-0.4	1.1
ROCE (%)	9.9	-3.1	8.3	5.4
P/E (x)	2.1	NA	NA	NA
P/BV (x)	0.7	2.5	2.6	2.4

Source: Company reports and Bloomberg. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs13.25

### India

### Metals & Mining

**Pinakin Parekh, CFA<sup>AC</sup>**

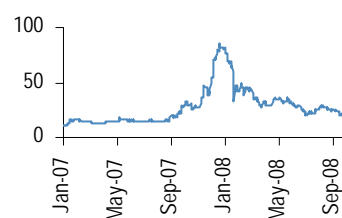
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-37	-41	-48
Relative (%)	-9	-13	-6

Source: Bloomberg.

### Company data

52-week range (Rs)	87.4-11.3
Mkt cap. (RsMM)	16,197
Mkt cap. (US\$MM)	328
Avg. daily volume (MM)	21.0
Avg. daily value (US\$MM)	10.3
Shares O/S (MM)	1,222
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	61.5
Exchange rate	49.3

Source: Bloomberg.

## Ispat Industries: Summary of financials

## Profit and loss statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Revenues	58,688	50,210	74,728	83,231
% change Y/Y	63	-14	49	11
EBITDA	12,377	2,844	15,212	12,182
% change Y/Y	204	-77	435	-20
EBITDA Margin (%)	21	6	20	15
EBIT	8,017	(2,871)	8,974	5,801
% change Y/Y	327	-136	-413	-35
EBIT Margin (%)	14	-6	12	7
Net financial income	937	(9,110)	(8,948)	(4,685)
Earnings before tax	8,954	(11,981)	27	1,116
% change Y/Y	1,391	-234	-100	4,113
Tax	(1,995)	3,842	(129)	(809)
as % of EBT	22	32	487	72
Net Income (adjusted)	6,959	(8,139)	(103)	308
% change Y/Y	1476%	-217%	-99%	-400
Shares Outstanding	1,087	3,838	5,688	5,261
EPS (adjusted)	6.4	(2.1)	(0.0)	0.1
% change Y/Y	1,832	-133	-99	-424

## Balance sheet

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Cash and cash equivalents	1,226	1,289	3,298	926
Accounts receivable	10,689	5,941	6,450	5,798
Inventories	6,290	9,856	10,562	13,684
Others	3,970	3,086	4,809	5,110
Current assets	22,175	20,172	25,119	25,517
Total Investments	16	18	20	24
Net fixed assets	75,420	99,660	102,988	97,623
Total assets	80,220	103,107	112,563	101,237
Liabilities				
Provisions	92	125	289	334
Total current liabilities	17,302	23,026	21,800	27,393
Total debt	58,322	82,611	83,155	72,250
Other liabilities	0	0	0	0
Total liabilities	58,322	82,611	83,155	72,250
Shareholders' equity	21,897	20,496	29,408	28,987
BVPS	20.2	5.3	5.2	5.5

Source: Company reports.

## Cash flow statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
EBIT	8,017	(2,871)	8,974	5,801
Depreciation	4,359.9	5714.3	6238.3	6381.2
Changes in working Capital	1,887.9	-6904.8	2440.3	-3123
Taxes	(5,547)	12,332	(3,069)	6,298
Cash from Operations	8,718	8,270	14,584	15,357
Capex	(2,254)	(2,135)	(3,199)	(2,040)
Cash from Financing	(6,450)	(6,230)	(9,572)	(15,809)
	(1,995)	3,842	(129)	(809)
Taxes	937	(9,110)	(8,948)	(4,685)
Net Interest	906	6,738	9,015	(729)
Equity raised(repaid)	-10,188	24,289	544	-10,905
Debt raised(repaid)	0	0	0	0
Dividends	-	-	-	-
	1,136	1,226	1,289	3,298
Beginning cash and equivalents	1,226	1,289	3,298	926
Ending cash and equivalents	8,017	(2,871)	8,974	5,801

## Ratio analysis

% , year-end Mar	FY05	FY06	FY07	FY08
EBITDA margin	21	6	20	15
EBIT margin	14	-6	12	7
Net profit margin	12	-16	0	0
Sales growth	63	-14	49	11
Net profit growth	1,476	-217	-99	-400
EPS Growth	1,832	-133	-99	-424
Net debt to total capital	71	79	71	70
Net debt to equity	261	397	272	246
Sales/assets	73	49	66	82
Assets/equity	366	503	383	349
ROE	38.7	-38.4	-0.4	1.1
ROCE	9.9	-3.1	8.3	5.4

## ITC Limited

www.itcportal.com

### Company description

ITC Limited (ITC) is the largest cigarette manufacturer in India with c70% market share, and is the biggest FMCG player in the country in terms of market capitalization. It has diversified into other areas such as hotels, paperboards and specialty papers, agri-business, packaged foods, branded apparel, and other FMCG products.

### Positive share price drivers

(1) Conversion from non-filter to filter cigarettes has been healthy in the range of 70-75% over the past two quarters and we expect this trend to continue going forward. Volume growth should revive to 4-5% during FY10 in our view. (2) Margin trends look healthy, and we expect EBIT growth of 13-15% during FY08-10. (3) Quantum of FMCG losses is likely to decline in the coming quarters as benefits of price hikes, declining raw material prices and efficiencies of scale kick in. (4) Capacity addition in the paper and hotel business should support revenue growth for these segments.

### Negative share price drivers

(1) Any additional taxes could result in a decline in margins as the ability to pass on prices is constrained. (2) Investments in the personal products business could be dilutive to earnings. (3) Hotel business could see a decline in occupancy considering weakening domestic and international economic growth.

### Valuation and risks

Our Mar-09 SOTP-based PT of Rs200 (updated on Oct 26) implies EV/EBITDA of 11x for the cigarette business, which is in line with global multiples adjusted for growth. We maintain our Overweight rating considering reasonable valuations compared to historical averages and its peers. The stock is currently trading at 18x FY09E and 16x FY10E earnings. Key risks to our rating and PT are any legislative changes, substantial slowdown in economic growth and any business diversification which is substantially dilutive of earnings.

Reuters: ITC.BO, Bloomberg: ITC IN

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Net sales	139,475	165,949	193,205	223,471
Net profit	31,201	35,223	40,747	47,076
EPS (Rs)	8.2	9.3	10.8	12.4
ROE (%)	26	25	25	25
ROCE (%)	40	39	39	39
BVPS (Rs)	31.9	37.2	43.3	50.6
P/E (x)	20.7	18.4	15.9	13.8
P/B (x)	5.4	4.6	3.9	3.4
EV/EBITDA (x)	13.3	11.7	10.0	8.6
Dividend yield	2.0	2.3	2.6	3.2

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs170.9

Price Target: Rs200

### India

### Consumer

### Vijay Chugh<sup>AC</sup>

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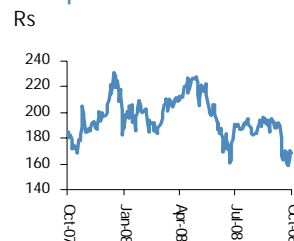
### Latika Chopra, CFA

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J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-12	-20	-4
Relative (%)	21	32	67

Source: Bloomberg.

### Company data

52-week range (Rs)	152-239
Mkt cap. (RsB)	644
Mkt cap. (US\$B)	13
Avg daily value (US\$MM)	27.5
Avg daily volume (MM)	7.0
Date of price	22-Oct-08
Shares O/S (MM)	3769
Index: BSE Sensex	10170
Exchange rate	49.3

Source: Bloomberg.

## ITC Limited: Summary of financials

## Profit and loss statement

## Cash flow statement

Rs in millions, Y/E Mar	FY08A	FY09E	FY10E	FY11E	Rs in millions, Y/E Mar	FY08A	FY09E	FY10E	FY11E
Net sales	139,475	165,949	193,205	223,471	EBIT	43,278	49,577	57,451	66,606
% change Y/Y	15	19	16	16	Depreciation & amortization	-4,385	-5,013	-5,794	-6,660
EBITDA	47,662	54,590	63,244	73,266	Change in working capital	-4,315	-11,342	-7,728	0
% change Y/Y	14	15	16	16	Taxes	-14,135	-16,576	-19,175	-22,153
EBITDA Margin (%)	34	33	33	33	Interest	-46	-41	-37	-34
EBIT	43,278	49,577	57,451	66,606	Others	6,832	12,291	14,096	15,976
% change Y/Y	13	15	16	16	Cash flow from operations	27,230	28,894	38,813	53,736
EBIT Margin (%)	31	30	30	30	Capex	-22,461	-16,023	-19,205	-19,269
Interest expense	-46	-41	-37	-34	Free cash flow	4,769	12,871	19,608	34,466
Other income/expense	2,486	2,264	2,509	2,656	Equity raised/ (repaid)	446	0	0	0
Earnings before tax	45,718	51,799	59,922	69,229	Debt raised/ (repaid)	136	0	0	0
% change Y/Y	16	13	16	16	Other	1,506	0	0	-9,073
Tax	(14,517)	(16,576)	(19,175)	(22,153)	Dividends paid	-11,590	-15,226	-17,410	-19,597
as % of EBT	-32	-32	-32	-32	Change in cash	-4,734	-2,355	2,198	5,796
Net Income (Adjusted)	31,201	35,223	40,747	47,076	Beginning cash	31,326	26,592	24,238	26,436
% change Y/Y	16	13	16	16	Ending cash	26,592	24,238	26,436	32,232
Shares Outstanding	3783	3785	3787	3789	DPS	3.5	4.0	4.5	5.5
EPS (Adjusted)	8.2	9.3	10.8	12.4					
% change Y/Y	15	13	16	15					

## Balance sheet

## Ratio analysis

Rs in millions, Y/E Mar	FY08A	FY09E	FY10E	FY11E	% , Y/E Mar	FY08A	FY09E	FY10E	FY11E
Cash and cash equivalents	26,592	24,238	26,436	32,232	EBITDA margin	34	33	33	33
Accounts receivable	7,369	13,196	15,851	18,917	EBIT margin	31	30	30	30
Inventories	40,505	52,219	61,092	71,156	Net profit margin	22	21	21	21
Others	16,616	16,616	16,616	16,616	SG&A/sales	15	21	22	23
Current assets	91,083	106,268	119,995	138,921					
Investments	8,456	8,456	8,456	8,456	Sales growth	15	19	16	16
Net fixed assets	72,957	83,966	97,377	109,987	Net profit growth	16	13	16	16
Total assets	172,495	198,690	225,828	257,364	EPS growth	15	13	16	15
Liabilities					Interest coverage (x)	NM	NM	NM	NM
Payables	27,397	33,595	37,396	41,452	Net debt to total capital	Net Cash	Net Cash	Net Cash	Net Cash
Others	16,926	16,926	16,926	16,926	Net debt to equity	Net Cash	Net Cash	Net Cash	Net Cash
Total current liabilities	44,323	50,521	54,322	58,378	Sales/assets	0.8	0.8	0.9	0.9
Total Loans	2,144	2,144	2,144	2,144	Assets/equity	3.3	3.4	3.6	3.9
Other liabilities	5,451	5,451	5,451	5,451	ROE	26	25	25	25
Total liabilities	51,918	58,116	61,917	65,973	ROCE	40	39	39	39
Shareholders' equity	120,577	140,574	163,911	191,391					
BVPS	31.9	37.2	43.3	50.6					

Source: Company and J.P. Morgan estimates.

## Jindal SAW

www.jindalsaw.com

### Company description

Jindal SAW is one of India's largest pipe manufacturing companies. Its product mix includes SAW pipes, seamless pipes and ductile iron pipes. Jindal SAW's pipe manufacturing business consists of longitudinal SAW (or LSAW, used in high-pressure oil and gas transportation), Helical/Spiral SAW (or HSAW, used in low-pressure oil, gas and water transportation), seamless (used in petroleum exploration, boiler and engineering) and ductile iron (or DI, used in water transportation, sewage and housing).

### Positive share price drivers

Jindal SAW's current order book at US\$1 billion provides strong revenue visibility. The company expects to execute these orders over the next 12 months. The company is in the process of increasing capacities across the various business segments. The capacity expansions are on track, with trial runs of the LSAW and HSAW mills expected to begin in late CY08.

### Negative share price drivers

While the company's pipe business remains in a steady state and order books remain strong, we believe investors would require visibility and status on Jindal ITF (the company's foray into infrastructure segment). We think the key areas to look out for are: 1) status of funding and debt tie-up, 2) technology tie-up and potential partnership agreements with other companies, and 3) order book status of the new segments.

### Valuation and risks

Our Sept-09 price target of Rs500 is based on 7.5x FY09E P/E. The key risks include sharp deterioration in saw pipe demand globally affecting earnings and revenues.

Bloomberg: JSAW IN, Reuters: JIND.BO

Rs in millions, year-end December

	FY07	FY08E	FY09E	FY10E
Net sales	70,157	43,092	49,194	48,705
Net profit ( Pre exceptional)	3,931	3,357	3,854	4,260
EPS ( Pre exceptional Rs)	73.3	57.3	65.8	72.7
Net sales growth (%)	82	-39	14	-1
Net profit growth (%)	132	-15	15	11
ROE (%)	21	12	12	12
ROCE (%)	25	15	16	15
P/E (x)	4.2	5.3	4.6	4.2
EV/EBITDA (x)	2.6	3.5	2.9	2.2

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs357.00

Price Target: Rs500.00

### India

#### Pipes

Pinakin Parekh, CFA<sup>AC</sup>

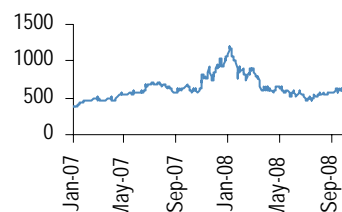
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-41	-28	-38
Relative (%)	-14	0	5

Source: Bloomberg.

### Company data

52-wk range (Rs)	341-1225
Mkt cap. (RsMM)	18,608
Mkt cap. (US\$MM)	377
Avg. daily vol (MM)	0.1
Average daily val (US\$MM)	1.7
Shares O/S (MM)	52
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	76.0
Exchange rate (Rs/US\$)	49.3

Source: Bloomberg.



## Jindal SAW: Summary of financials

### Profit and loss statement

Rs in millions, Y/E Dec	FY07	FY08E	FY09E	FY10E
Revenues	70,157	43,092	49,194	48,705
% change Y/Y	82	-39	14	-1
EBITDA	8,007	6,683	7,232	7,014
% change Y/Y	95	-17	8	-3
EBITDA margin (%)	11	16	15	14
EBIT	7,234	6,023	6,384	6,076
% change Y/Y	102	-17	6	-5
EBIT margin (%)	10	14	13	12
Net Interest	1,821	1,360	1,105	240
Earnings before tax	5,413	4,663	5,279	5,836
% change Y/Y	111	-14	13	11
Tax	-1,538	-1,306	-1,425	-1,576
as % of EBT	-28	-28	-27	-27
Net Income (Pre exceptional)	3,931	3,357	3,854	4,260
% change Y/Y	132	-15	15	11
Shares outstanding	54	59	59	59
EPS (Pre exceptional) (Rs)	73.3	57.3	65.8	72.7
% change Y/Y	119	-22	15	11

### Balance sheet

Rs in millions, Y/E Dec	FY07	FY08E	FY09E	FY10E
Inventories	11,843	12,987	13,478	13,344
Debtors	11,227	7,084	8,087	8,006
Cash and bank balances	6,586	7,407	5,639	9,603
Interest receivable accrued	0	0	0	0
Loans and advances	2,426	3,000	3,000	3,000
Investments	2,093	2,500	2,500	2,500
Net fixed assets	13,380	17,431	18,083	16,146
Total assets	47,555	50,409	50,787	52,599
Liabilities				
Sundry Creditors	9,043	6,397	7,372	7,324
Others	1,386	501	451	451
Total current liabilities	10,429	6,897	7,823	7,775
Total debt	9,476	13,000	9,000	7,000
Other liabilities	920	826	826	826
Total liabilities	20,826	20,723	17,649	15,601
Shareholders' equity	26,729	29,685	33,138	36,998
BVPS (Rs)	498	507	565	631

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, Y/E Dec	FY07	FY08E	FY09E	FY 10E
Net Income (Pre exceptional)	3,931	3,357	3,854	4,260
Add: Depreciation	773	659	848	938
Working capital movement	-3,277	-532	-569	167
Operational cash flow	1,428	3,485	4,133	5,365
Net capex	-5,335	-4,710	-1,500	1,000
Free cash flow	-3,908	-1,226	2,633	6,365
Equity raised/ (repaid)	3,445	0	0	0
Debt raised/ (repaid)	-4,323	3,524	-4,000	-2,000
Other	9,419	0	0	0
Dividends paid	-385	-401	-401	-401
Beginning cash	3,910	6,586	7,407	5,639
Ending cash	6,586	7,407	5,639	9,603
DPS (Rs)	7	6	6	6

### Ratio analysis

%, Y/E Dec	FY07	FY08E	FY09E	FY10E
EBITDA margin	11	16	15	14
Operating margin	10	14	13	12
Net profit margin	6	8	8	9
Sales growth	82	-39	14	-1
Net profit growth	132	-15	15	11
EPS growth	119	-22	15	11
Interest coverage (x)	4	5	7	29
Net debt to total capital	6	11	7	-5
Net debt to equity	11	19	10	-7
Sales/assets	148	85	97	93
Assets/equity (x)	178	170	153	142
ROE	21	12	12	12
ROCE	25	15	16	15

## JSW Steel Ltd.

www.jsw.in

### Company description

JSW Steel Ltd is one of India's largest steel producers and one of the leading producers of flat steel products. The company's strategy is built around four goals—to consolidate its position in the domestic steel industry, increase its focus on vertical integration, pursue value addition, and gradually expand its footprint outside India to leverage its core competency in low-cost steel production.

### Positives

JSW's steel plant in Bellary is situated in close proximity to India's iron ore reserves, which lowers the delivered cost of iron ore. The company is in the process of increasing capacity to 6.8MT. Increasing volumes should allow the company to reduce its overheads, as the entire expansion is at the existing plant. The company is currently expanding capacity at the existing plant to 10MM tonnes and is also in the process of starting production at its overseas mining assets of coking coal and iron ore.

### Negatives

We expect the steel environment to remain challenging over the next 12 months. We estimate steel prices will remain weak as a combination of lower demand and the impact of elevated Chinese steel exports. While JSW is in the process of increasing raw material integration, it could achieve only partial integration in iron ore and none in coking coal in the near term.

### Valuation

Based on consensus estimates, the stock is trading at a P/E of 2.6x FY09 and 1.9x FY10.

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Bloomberg: JSTL IN, Reuters: JSTL BO

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	63,520	62,071	85,550	113,911
EBITDA	19,373	16,880	26,674	33,543
Net profit	8,701	8,565	12,920	17,282
EPS (Rs)	41.7	36.8	54.5	67.0
Sales growth (%)	96.0	-2.3	37.8	33.2
Net profit growth (%)	64.6	-1.6	50.8	33.8
ROE (%)	37.4	22.8	26.0	26.1
ROCE (%)	23.8	16.6	23.8	21.4
P/E (x)	6.0	6.8	4.6	3.7
P/B (x)	1.7	1.3	1.1	0.8

Source: Company reports and Bloomberg. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs249.90

### India

#### Metals & Mining

#### Pinakin Parekh, CFA<sup>AC</sup>

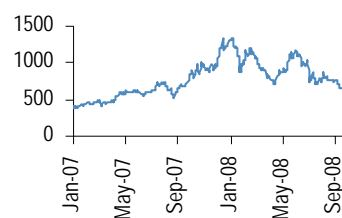
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-58	-66	-71
Relative (%)	-31	-38	-29

Source: Bloomberg.

### Company data

52-week range (Rs)	1,390-237
Mkt cap. (RsMM)	46,743
Mkt cap. (US\$MM)	948
Avg. daily vol (MM)	1.1
Avg. daily val (US\$MM)	12.7
Shares O/S (MM)	187
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	95.3
Exchange rate	49.3

Source: Bloomberg.

## JSW Steel Ltd.: Summary of financials

### Profit and loss statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Revenues	63,520	62,071	85,550	113,911
% change Y/Y	96	-2	38	33
EBITDA	19,373	16,880	26,674	33,543
% change Y/Y	106	-13	58	26
EBITDA margin (%)	30	27	31	29
EBIT	15,778	12,821	21,691	26,671
% change Y/Y	151	-19	69	23
EBIT Margin (%)	25	21	25	23
Net financial income	(1,052)	190	(2,543)	(1,833)
Earnings before tax	14,726	13,011	19,148	24,838
% change Y/Y	113	-12	47	30
Tax	(6,025)	(4,446)	(6,228)	(7,556)
as % of EBT	41	34	33	30
Net income (adjusted)	8,701	8,565	12,920	17,282
% change Y/Y	65	-2	51	34
Shares outstanding	209	233	237	258
EPS (adjusted)	41.7	36.8	54.5	67.0
% change Y/Y	1,211	-12	48	23

### Balance sheet

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Cash and cash equivalents	1,225	989	3,378	3,392
Accounts receivable	2,666	2,413	2,452	3,374
Inventories	7,434	9,242	10,114	15,492
Others	7,615	13,035	8,849	8,608
Current assets	18,940	25,679	24,792	30,865
Total Investments	2,296	851	1,929	9,235
Net fixed assets	64,257	83,799	101,920	165,679
Total assets	69,861	84,523	97,453	152,238
Liabilities				
Provisions	2,323	2,243	688	4,360
Total current liabilities	16,083	21,426	23,010	41,024
Total debt	38,364	40,961	41,730	75,465
Other liabilities	0	0	0	0
Total liabilities	38,364	40,961	41,730	75,465
Shareholders' equity	31,497	43,562	55,723	76,773
BVPS	151.0	187.0	235.3	297.8

### Cash flow statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
EBIT	15,778	12,821	21,691	26,671
Depreciation	3,595	4,058	4,982	6,872
Changes in working capital	-3,955	-3,789	-674	-11,713
Taxes	4,609	5,545	2,223	13,697
Cash from operations	20,027	18,636	28,223	35,527
Capex	15,393	23,601	23,103	70,631
Cash from financing	(15,946)	(2,650)	(3,844)	21,249
Taxes	(6,025)	(4,446)	(6,228)	(7,556)
Net interest	(1,052)	190	(2,543)	(1,833)
Equity raised(repaid)	7,804	3,500	(759)	3,768
Debt raised(repaid)	-9,506.2	25,964	769.8	33,735
Dividends	1,311.3	1,534.8	2,328.8	2,909.3
Beginning cash and equivalents	782	1,225	989	3,378
Ending cash and equivalents	1,225	989	3,378	3,392

### Ratio analysis

%, year-end Mar	FY05	FY06	FY07	FY08
EBITDA margin	30	27	31	29
EBIT margin	25	21	25	23
Net profit margin	14	14	15	15
Sales growth	96	-2	38	33
Net profit growth	65	-2	51	34
EPS growth	1,005	-14	48	22
Net debt to total capital	53	47	39	47
Net debt to equity	118	92	69	94
Sales/assets	91	73	88	75
Assets/equity	222	194	175	198
ROE	37.4	22.8	26.0	26.1
ROCE	23.8	16.6	23.8	21.4

Source: Company reports.

## Jubilant Organosys

www.jubl.net

### Company description

Incorporated in 1978 as VAM Organics, Jubilant is an integrated pharmaceutical player, with a presence from drug discovery services to custom research and manufacturing services for the manufacture of advance intermediates, fine chemicals and APIs and dosage forms.

### Positives

Strong performance in the core business—pyridines. It has diversified in other businesses such as Biosys and Chemsys to emerge as a complete value chain partner for global pharma companies.

### Negatives

Chemicals' business margins are vulnerable to molasses price movement as it comprises a major portion of raw materials and further erosions in the margins due to the commodity nature of the business in CRAMS.

### Valuation

The stock is trading at a FY10 forward P/E of 5.4x, based on Bloomberg consensus estimates.

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Bloomberg: JOL IN Reuters: JUBO.BO

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	11,678	14,979	18,089	24,884
EBITDA	2,038	2,288	2,611	4,531
Net profit	1,192	1,297	2,280	4,005
EPS (Rs)	2.6	14.6	14.8	14.8
Sales growth (%)	36.0	28.3	20.8	37.6
Net profit growth (%)	51	9	76	76
ROE (%)	33.4	19.5	26.3	37.0
ROCE (%)	22.0	14.6	9.7	13.6
P/E (x)	NA	NA	NA	NA

Source: Capitaline, Bloomberg. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs161

### India

### Pharma

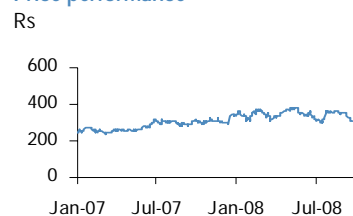
### Pinakin Parekh, CFA<sup>AC</sup>

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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-47	-54	-47
Relative (%)	-20	-26	-5

Source: Bloomberg.

### Company data

52-wk range (Rs)	400-158
Mkt cap. (RsMM)	23,863
Mkt cap. (US\$MM)	484
Avg. daily vol (MM)	0.1
Average daily val (US\$MM)	0.4
Shares O/S (MM)	148
Date of price	22-Oct-08
Index: Sensex	10170
Free float (%)	68.6
Exchange rate	49.3

Source: Bloomberg.

## Jubilant Organosys: Summary of financials

### Profit and loss statement

RsMM; year-end Mar	FY05	FY06	FY07	FY08
Revenues	11,678	14,979	18,089	24,884
% change Y/Y	36	28	21	38
EBITDA	2,038	2,288	2,611	4,531
% change Y/Y	40	12	14	74
EBITDA Margin (%)	17	15	14	18
EBIT	1,656	1,775	1,988	3,492
% change Y/Y	46	7	12	76
EBIT Margin (%)	14	12	11	14
Net financial income	(15)	(93)	965	1,070
Earnings before tax	1,641	1,682	2,953	4,561
% change Y/Y	70	2	76	54
Tax	(432)	(393)	(712)	(573)
as % of EBT	26	23	24	13%
Net Income (adjusted)	1,192	1,297	2,280	4,005
% change Y/Y	51	9	76	76
Shares Outstanding	458	89	154	270
EPS (adjusted)	2.6	14.6	14.8	14.8
% change Y/Y	9	462	1	0

### Cash flow statement

RsMM; year-end Mar	FY05	FY06	FY07	FY08
EBIT	1,656	1,775	1,988	3,492
Depreciation	381.4	513.4	622.9	1,039.1
Changes in working capital	-370.6	1001.7	-519.5	695.3
Other	(628)	(3,121)	5	(2,950)
Cash from operations	1,039	169	2,097	2,276
Capex	2,700	4,776	3,727	10,374
Cash from financing	1,494	4,558	10,036	2,167
Taxes	(432)	(393)	(712)	(573)
Net interest	(15)	(93)	965	1070
Equity raised(repaid)	1,755	1,916	(1,476)	(505)
Debt raised(repaid)	-491.2	3,501.5	9,305.8	4,558.4
Dividends	162	183.1	180	219.3
Beginning cash and equivalents	208	160	1082	130
Ending cash and equivalents	160	1,058	131	77

### Balance sheet

RsMM; year-end Mar	FY05	FY06	FY07	FY08
Cash and cash equivalents	376	1,390	8,749	5,238
Accounts receivable	1,765	2,479	2,948	4,258
Inventories	1,938	3,117	3,533	4,350
Others	1,220	1,963	2,425	3,553
Current assets	5,298	8,949	17,654	17,398
Total Investments	2	2	39	456
Net fixed assets	7,269	11,531	14,636	23,971
Total assets	8,814	15,628	25,761	33,860
Liabilities				
Provisions	730	1,152	2,330	2,961
Total current liabilities	2,953	3,844	5,248	6,680
Total debt	3,719	7,220	16,526	21,085
Other liabilities	50	151	174	214
Total liabilities	3,769	7,371	16,700	21,298
Shareholders' equity	5,045	8,257	9,061	12,561
BVPS	11.0	93.1	58.8	46.5

### Ratio analysis

%, year-end Mar	FY05	FY06	FY07	FY08
EBITDA margin	17	15	14	18
EBIT margin	14	12	11	14
Net profit margin	10	9	13	16
Sales growth	36	28	21	38
Net profit growth	51	9	76	76
EPS Growth	25	0	0	20
Net debt to total capital	38	37	30	47
Net debt to equity	66	71	86	126
Sales/assets	132	96	70	73
Assets/equity	175	189	284	270
ROE	33.4	19.5	26.3	37.0
ROCE	22.0	14.6	9.7	13.6

Source: Company data.

## Kotak Mahindra Bank

www.kotak.com

### Company description

Kotak Mahindra Bank came into existence post the conversion of Kotak Mahindra Finance Ltd, group's flagship company, into a bank in February 2003. The group has evolved into a complete financial solutions provider to its customers and has a presence in commercial and retail banking, investment banking, stock broking, life and non-life insurance and asset management through its subsidiaries and associate companies. The bank has a network of 191 branches as of Jun-08.

### Positives

- 1) Aggressive branch expansion plans to drive business growth, bank aims for 275 branches by Mar-09.
- 2) Continuous focus on increasing low cost mix and distribution of third party products.

### Negatives

- 1) Pressure on cost-income ratio and banking ROE given high growth plans.
- 2) High proportion of market-related income given the financial environment.

### Valuation

The stock trades at 2.4x FY10E consensus book value.

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Bloomberg: KMB IN, Reuters: KTKM.BO

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net profit	1,742	7,296	5,381	9,912
EPS (Rs)	5.8	23.6	16.89	29.47
BVPS	47.6	72.6	99.1	168.9
P/BV (x)	8.4	5.5	4.0	2.4
ROE (%)	12.6	20.6	19.6	22.3
Net profit growth (%)	NA	318.8	-26.2	84.2
EPS growth (%)	NA	306.9	-28.4	74.5
P/E (x)	69.1	17.0	23.7	13.6

Source: Company, Capitaline Plus. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs 400.90

### India

#### Banks

#### Sachin Sheth<sup>AC</sup>

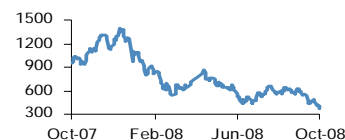
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J. P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-36.7	-35.0	-60.5
Relative (%)	-12.0	-0.6	-25.2

Source: Bloomberg.

### Company data

52-week range (Rs)	367-1,438
Mkt cap. (RsMM)	129,920
Mkt cap. (US\$MM)	2,651
Avg daily volume (MM)	2.3
Avg daily value (US\$MM)	27.4
Shares O/S (MM)	345.4
Date of price	22-Oct-08
Index: BSE Sensex	10,170
Free float (%)	34.7
Exchange rate	49

Source: Bloomberg, BSE.



## Lanco Infratech Limited

www.lancogroup.com

### Company description

Lanco is an emerging infrastructure conglomerate with interests in power, construction, EPC, and property development. Lanco has operational and under execution power plant portfolio of ~8,000MW. The company is involved in power, irrigation and water supply, transportation and civil construction projects with an outstanding order book of ~US\$2.8 billion. Lanco is present in all segments of real estate development with ~40MM sq ft of property under development.

### Positives

(1) The company has an operating capacity of 518MW and a project pipeline of 8GW to be implemented by FY13. Lanco's under construction portfolio of 4GW is progressing on track. (2) Lanco's US\$2.8 billion construction order book is mostly captive.

### Negatives

(1) Additional 4GW capacity under development could get delayed due to land acquisition issues. (2) Investor skepticism regarding arrangement of equity funding requirement of ~US\$1 billion. (3) Given the weak real estate sentiment, the company might have to postpone development projects, such as the one in Chennai

### Valuation

Lanco is trading at a P/E of 8.3x based on FY08 reported earnings and 6.9x FY09 based on consensus earnings. Valuations are in line with other infrastructure players which are also trading at 1-2x FY08 book value.

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Bloomberg: LANC IN, Reuters: LAIN.BO

Rs in millions, year-end March

	FY06	FY07	FY08
Net sales	1,471	16,283	32,738
EBITDA	167	4,198	6,915
Net profit	92	1,881	3,545
EPS (Rs)	3.0	8.6	16.1
Sales growth (%)	NM	1007	101
Net profit growth (%)	NM	188	88
ROE (%)	19	23	21
P/E (x)	45.2	15.7	8.3
P/BV (x)	4.3	2.0	1.6
EV/EBITDA (x)	NM	10.0	7.8

Source: Capitaline, Bloomberg. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs134.2

### India

#### Infrastructure, Electric Utilities

#### Shilpa Krishnan<sup>AC</sup>

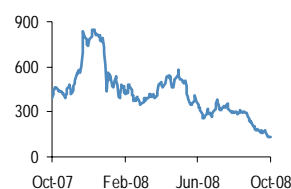
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	(40.7)	(58.8)	(66.0)
Relative (%)	(14.4)	(31.9)	(24.6)

Source: Bloomberg.

### Company data

52-week range (Rs)	120.8-888
Mkt cap. (Rs B)	27.7
Mkt cap. (US\$B)	0.6
Avg daily value (US\$MM)	10.1
Avg daily volume (MM)	1.86
Shares O/S (MM)	222.4
Date of price	22Oct08
Index: Sensex	10,169.9
Free float (%)	21.5
Exchange rate	49.3

Source: Bloomberg.



## Lanco Infratech Limited: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY06	FY07	FY08
Revenues	1,471	16,283	32,738
% change Y/Y	-	1,007	101
EBITDA	167	4,198	6,915
% change Y/Y	-	2409	65
EBITDA Margin (%)	11	26	21
EBIT	148	3,542	6,139
% change Y/Y	-	2287	73
EBIT Margin (%)	10	22	19
Net financial income	(23)	(402)	36
Earnings before tax	125	3,140	6,175
% change Y/Y	-	2412	97
Tax	(34)	(472)	(1,405)
as % of EBT	27	15	23
Net Income (adjusted)	92	1,881	3,545
% change Y/Y	-	1953	88
EPS (adjusted)	3.0	8.6	16.1
% change Y/Y	-	188	88

Source: Company.

### Balance sheet

Rs in millions, year-end March

	FY06	FY07	FY08
Cash and cash equivalents	414	5,051	7,411
Accounts receivable	381	2,694	7,241
Inventories	164	4,896	7,543
Others	1,720	4,533	15,595
Current assets	2,678	17,174	37,790
Total Investments	1,015	6,029	6,966
Net fixed assets	409	24,390	38,029
Liabilities	1,579	11,440	26,680
Provisions	2	94	358
Total current liabilities	1,581	11,534	27,038
Total assets	2,521	36,059	55,747
Total debt	1,398	17,099	31,653
Other liabilities	169	3,856	5,761
Total liabilities	1,566	20,954	37,414
Shareholders' equity	954	15,105	18,333
Cash and cash equivalents	414	5,051	7,411

Source: Company.

### Cash flow statement

Rs in millions, year-end March

	FY06	FY07	FY08
EBIT	148	3,542	6,139
Depreciation & amortization	19	656	776
Changes in working Capital		(454)	(511)
Taxes	(34)	(472)	(1,405)
Cash from Operations	134	3,272	4,999
Net Interest	(23)	(402)	36
Capex	(494)	(29,650)	(14,420)
Change in investments	(1,015)	(5,014)	(937)
Free cash Flow	(1,399)	(31,794)	(10,321)
Equity raised/ repaid	-	3,363	-
Debt raised or repaid	1,398	15,701	14,554
Other			
Dividends paid	-	-	-
Beginning cash	-	414	5,051

Source: Company.

### Ratio analysis

%, year-end March

	FY06	FY07	FY08
EBITDA margin	11	26	21
EBIT margin	10	22	19
Net profit margin	6	12	11
Sales growth		1,007	101
Net profit growth		1,953	88
Net debt to total capital	39	33	43
Net debt to equity	103	80	132
Sales/assets	58	45	59
Assets/equity	264	239	304
ROE	19	23	21
ROCE	13	21	15

Source: Company.

## Larsen & Toubro

www.larsentoubro.com

### Company description

Larsen & Toubro Limited (L&T) is a technology, engineering, construction and manufacturing company. Order flow remains strong at Rs125 billion. The present OB of Rs630 billion now provides visibility for ~90% of our FY10 revenue estimate.

### Positive share price drivers

(1) Order flows remain strong especially in the non-real estate E&C segment and the electrical segment. (2) Execution of existing OB remains strong.

### Negative share price drivers

(1) Slowdown in execution and order flows. (2) Increased vulnerability of property and real estate orders. (3) Higher-than-expected overhead costs in new business forays which do not generate returns in the near future.

### Valuation and risks

Our SOTP-based Mar-09 PT of Rs1,200 (updated on Oct 16) implies 17.85x FY10E P/E. Key risks to our PT include funding issues on new projects, execution delays in existing projects in certain sectors such as property, and higher-than-expected overhead costs of new business forays.

## Overweight

Price: Rs815.6

Price Target: Rs1,200

### India

### Engineering

Shilpa Krishnan<sup>AC</sup>

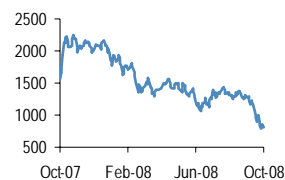
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	(36.4)	(36.5)	(47.4)
Relative (%)	(10.1)	(9.6)	(6.0)

Source: Bloomberg.

### Company data

52-week range (Rs)	784.3-2,335
Mkt cap. (Rs B)	477.0
Mkt cap. (US\$B)	9.7
Avg daily value (US\$MM)	106.4
Avg daily volume (MM)	4.26
Shares O/S (MM)	585.2
Date of price	22-Oct-08
Index: Sensex	10,169.9
Free float (%)	86.2
Exchange rate	49.3

Source: Bloomberg.

Bloomberg: LT IN; Reuters: LART.BO

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Net sales	205,129	293,504	384,410	507,942
Net profit	22,673	22,581	29,691	39,901
Consolidated EPS (Rs)	40.0	38.6	50.0	67.2
Net sales growth (%)	23.9	43.1	31.0	32.1
Net profit growth (%)	117.9	(0.4)	31.5	34.4
ROE (%)	35.7	24.2	21.9	22.5
EV/EBITDA (x)	32.5	25.3	17.6	13.3
P/E (x)	20.4	21.1	16.3	12.1
P/BV (x)	3.1	2.0	1.6	1.2

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Larsen & Toubro: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Revenues	205,129	293,504	384,410	507,942
% change Y/Y	24	43	31	32
EBITDA	26,110	35,875	49,286	64,964
% change Y/Y	59	37	37	32
EBITDA Margin (%)	13	12	13	13
EBIT	32,910	38,750	49,638	63,868
% change Y/Y	94	18	28	29
EBIT Margin (%)	16	13	13	13
Net Interest	1,584	2,031	3,971	4,878
Earnings before tax	31,326	36,719	45,667	58,990
% change Y/Y	108	17	24	29
Tax	(7,327)	(11,471)	(13,843)	(18,344)
as % of EBT	23	31	30	31
Net Income (pre exceptional)	22,673	22,581	29,691	39,901
% change Y/Y	118	0	31	34
Shares Outstanding	566.5	584.7	593.7	593.7
EPS (pre exceptional)	40.0	38.6	50.0	67.2
% change Y/Y	111	-4	29	34

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Cash and cash equivalents	17,180	15,608	23,004	37,400
Net Current assets	44,706	85,549	77,601	108,205
Investments	24786	55524	84182	94355
Gross Fixed assets	75,696	109,268	88,230	90,940
Acc. Depreciation	21,299	24,034	30,567	31,878
Net Block	54,397	85,234	57,662	59,062
Total assets	141,069	241,914	242,450	299,022
Liabilities				
Secured Loans	31090	65601	26923	32696
Unsecured Loans	33232	57558	60098	67894
Deferred Tax Liability	1074	1217	1099	1099
Share holder's Funds	75673	117537	155324	201152
Capital	567	585	594	594
Reserves and Surplus	75106	116953	154730	200558
BVPS	267	402	523	678

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
EBIT	32,910	38,750	49,638	63,868
Depreciation & amortization	3,463	5,118	5,596	5,862
Change in working capital	(12,391)	(40,843)	7,948	(30,604)
Taxes	(7,327)	(11,471)	(13,843)	(18,344)
Others	(3,219)	(6,408)	(5,167)	(10,175)
Cash flow from operations	13,435	(14,854)	44,172	10,607
Capex	(28,160)	(33,572)	21,038	(2,710)
Investments	(8,029)	(30,738)	(28,658)	(10,173)
Free cash flow	(22,754)	(79,164)	36,552	(2,276)
Equity raised/ (repaid)	17	18	9	0
Debt raised/ (repaid)	29,142	58,981	(36,257)	13,569
Dividends paid	2,615	18,593	8,087	5,926

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08	FY09E	FY10E
EBITDA margin	13	12	13	13
Net profit margin	11	8	8	8
Sales growth	24	43	31	32
Net profit growth	118	0	31	34
EPS growth	111	-4	29	34
Net debt to total capital	33	44	26	21
Net debt to equity	62	92	41	31
Sales/assets	1.5	1.2	1.6	1.7
Assets/equity	1.9	2.1	1.6	1.5
ROE	36	23	22	22
ROCE	19	12	11	13
EBITDA margin	13	12	13	13

Source: Company, J.P. Morgan estimates.

## Lupin Pharma

www.lupinpharmaceuticals.com

### Company description

Founded in 1968, by Dr. Desh Bandhu Gupta, a first generation entrepreneur Lupin is among the six top pharma companies in India. It is a global player in anti-TB, cephalosporin and certain CV products. Lupin has established a significant presence in the branded pediatric segment in US with its brand Suprax.

### Positives

Strong and stable domestic business focusing more on chronic segments like tuberculosis and other lifestyle segments. Growing export formulations business.

### Negatives

Delays in getting critical product approvals in US and other regulated markets. Slowdown in the domestic formulations business could affect revenue, as a significant proportion of revenue comes from the domestic business.

### Valuation

The stock is trading at consensus FY10E P/E of 11.50x.

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Bloomberg: LPC IN, Reuters: LUPN.BO

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	12,558	16,858	20,057	26,862
EBITDA	1,334	2,236	2,922	4,358
Net profit	918	1,730	3,086	4,083
EPS (Rs)	22.8	43.0	38.4	49.7
Sales growth (%)	1.0	34.2	19.0	33.9
Net profit growth (%)	5.8	88.4	78.4	32.3
ROE (%)	20.0	31.1	41.2	37.9
ROCE (%)	11.3	14.6	14.9	17.6
P/E (x)	29.0	15.4	17.3	13.3

Source: Company, Capitaline. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs664

### India

### Pharma

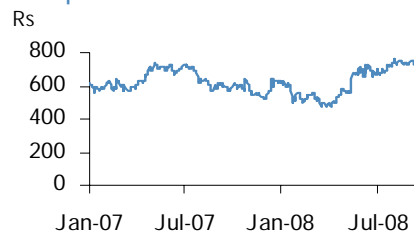
### Pinakin Parekh, CFA<sup>AC</sup>

(91-22) 6639-3018

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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-8	-9	16
Relative (%)	19	19	59

Source: Bloomberg.

### Company data

52-week range (Rs)	425-782
Mkt cap. (RsMM)	54,570
Mkt cap. (US\$MM)	1,106
Avg daily volume (MM)	0.2
Avg daily value (US\$MM)	3.0
Shares O/S (MM)	82
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	60.1
Exchange rate	49.3

Source: Bloomberg.

## Lupin Pharma: Summary of financials

## Profit and loss statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Revenues	12,558	16,858	20,057	26,862
% change Y/Y	1	34	19	34
EBITDA	1,334	2,236	2,922	4,358
% change Y/Y	-22	68	31	49
EBITDA margin (%)	11	13	15	16
EBIT	998	1,827	2,456	3,711
% change Y/Y	-29	83	34	51
EBIT margin (%)	8	11	12	14
Net financial income	(48)	428	1,618	1,691
Earnings before tax	950	2,255	4,075	5,402
% change Y/Y	-32	137	81	33
Tax	(27)	(521)	(988)	(1,318)
as % of EBT	3	23	24	24
Net income (adjusted)	918	1,730	3,086	4,083
% change Y/Y	6	88	78	32
Shares outstanding	40	40	80	82
EPS (adjusted) (Rs)	22.8	43.0	38.4	49.7
% change Y/Y	458	88	-11	30

## Balance sheet

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
Cash and cash equivalents	271	4,774	3,845	2,742
Accounts receivable	2,550	3,112	4,039	7,439
Inventories	2,615	3,429	4,298	7,893
Others	1,754	2,000	2,448	2,367
Current assets	7,189	13,315	14,629	20,441
Total Investments	26	28	28	58
Net fixed assets	6,327	6,718	7,971	12,997
Total assets	10,413	16,437	18,407	26,027
Liabilities				
Provisions	394	477	707	1,451
Total current liabilities	3,130	3,624	4,222	7,470
Total debt	4,572	9,249	8,648	12,029
Other liabilities	947	955	1,026	1,201
Total liabilities	5,519	10,204	9,674	13,230
Shareholders' equity	4,894	6,233	8,733	12,797
BVPS	121.7	155.0	108.6	155.9

Source: Company.

## Cash flow statement

Rs in millions, year-end Mar	FY05	FY06	FY07	FY08
EBIT	998	1,827	2,456	3,711
Depreciation	336.2	408.8	466.1	647.4
Changes in working capital	542.5	882.9	1197.6	3747.9
Other	(626)	(1,995)	(2,508)	(5,506)
Cash from operations	1251	1123	1612	2600
Capex	1281	800	1720	5674
Cash from financing	59	4011	(1131)	1008
Taxes	(27)	(521)	(988)	(1318)
Net interest	(48)	428	1618	1691
Equity raised(repaid)	(332)	(391)	(585)	(19)
Debt raised(repaid)	624	4676.9	-601.4	3381.2
Dividends	260.9	260.9	401.7	820.8
Beginning cash and equivalents	150	178	4558	3528
Ending cash and equivalents	178	4558	3528	2151

## Ratio analysis

%, year-end Mar	FY05	FY06	FY07	FY08
EBITDA margin	11	13	15	16
EBIT margin	8	11	12	14
Net profit margin	7	10	15	15
Sales growth	1	34	19	34
Net profit growth	6	88	78	32
EPS growth	0	0	-23	100
Net debt to total capital	41	27	26	36
Net debt to equity	88	72	55	73
Sales/assets	121	103	109	103
Assets/equity	213	264	211	203
ROE	20.0	31.1	41.2	37.9
ROCE	11.3	14.6	14.9	17.6

## Mahindra Lifespaces

www.mahindralifespaces.com

### Company description

Mahindra Lifespaces is among the leading real estate developers in the country promoted by the Mahindra Group. Apart from property development, Mahindra Lifespaces is developing its business model around Special Economic Zones (SEZ). It is developing two large SEZs in the northern, eastern and western parts of the country.

### Positives

Mahindra Lifespaces has a large land bank spread across various cities in India. The company is among the early entrants in the SEZ space and has gone through the learning curve ahead of others. It is building SEZs in partnership with various state governments. The partnership model is designed to help overcome political/regulatory hurdles that typically come up, as it relates to the otherwise cumbersome process of land acquisition.

### Negatives

Given that the company is pure play on SEZ, any change in SEZ policy framework will have an impact on it. Land acquisition for SEZ projects is a politically sensitive issue due to farmers' protests. All this can result in delays in land acquisition and approval. The government has approved a large number of SEZs over the last few years thereby resulting in increased competition.

### Valuation

The stock is trading at 9.8x and 5.4x FY09 and FY10 consensus earnings estimates, respectively.

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### Bloomberg: MLIFE IN

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	1,234	2,163	2,164	2,311
EBITDA	176	369	308	654
Net profit	4	180	179	584
EPS (Rs)	0.1	2.1	3.9	15.6
Sales growth (%)	72	75	0	7
Net profit growth (%)	-1,267	5,034	0	226
ROE (%)	0	10	4	7
ROCE (%)	5	10	5	6
P/E (x)	2,305	118	65	16
P/BV (x)	7.0	6.8	1.4	1.2

Source: Capitaline. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs253.5

### India

#### Property

#### Saurabh Kumar<sup>AC</sup>

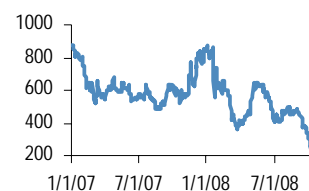
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J.P.India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-32.3	-40.4	-51.6
Relative (%)	-5.0	-12.5	-9.3

Source: Bloomberg.

### Company data

52-wk range (Rs)	907 - 210
Mkt cap. (RsMM)	10,345
Mkt cap. (US\$MM)	210
Avg. daily volume (MM)	0.1
Avg daily value (US\$MM)	0.4
Shares O/S (MM)	41
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	48.9
Exchange rate	49.3

Source: Bloomberg.

## Mahindra Lifespaces: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Revenues	1,234	2,163	2,164	2,311
% change Y/Y	72	75	0	7
EBITDA	176	369	308	654
% change Y/Y	-326	110	-16	112
EBITDA Margin (%)	14	17	14	28
EBIT	150	343	282	613
% change Y/Y	-245	128	-18	117
EBIT Margin (%)	12	16	13	27
Net financial income	(88)	(94)	(10)	314
Earnings before tax	62	249	272	927
% change Y/Y	426	302	9	240
Tax	(59)	(78)	(89)	(237)
as % of EBT	94	31	33	26
Net Income (adjusted)	4	180	179	584
% change Y/Y	-1,267	5,034	0	226
EPS (adjusted)	0.1	2.1	3.9	15.6
% change Y/Y	1,000	1,845	83	297

Source: Company.

### Balance sheet

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Cash and cash equivalents	278	197	1,505	461
Accounts receivable	179	216	228	447
Inventories	2,113	2,682	3,895	6,626
Others	1,404	1,256	1,342	1,711
Current assets	3,974	4,351	6,970	9,245
Total Investments	185	185	1,758	3,304
Net fixed assets	659	654	898	1,368
Liabilities	1,247	1,219	1,022	1,398
Provisions	171	317	367	586
Total current liabilities	1,418	1,536	1,389	1,984
Total assets	3,401	3,654	8,237	11,934
Total debt	1,663	1,808	481	2,855
Other liabilities	(31)	42	145	482
Total liabilities	1,632	1,850	626	3,337
Shareholders' equity	1,769	1,804	7,611	8,597

Source: Company.

### Cash flow statement

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
EBIT	150	343	282	613
Depreciation & amortization	25	25	26	42
Changes in working capital	(814)	(340)	(1,458)	(2,725)
Taxes	(59)	(78)	(89)	(237)
Cash from operations	(697)	(49)	(1,238)	(2,307)
Net interest	(88)	(94)	(10)	314
Capex	(228)	(8)	(265)	(461)
Change in investments	450	-	(1,573)	(1,546)
Free cash flow	(563)	(152)	(3,087)	(4,000)
Equity raised/ repaid	-	-	6,375	408
Debt raised or repaid	694	145	(1,327)	2,374
Other	-	-	-	-
Dividends paid	-	(31)	(63)	(102)
Beginning cash	306	278	197	1,505
Ending cash	278	197	1,505	461

Source: Company.

### Ratio analysis

%, year-end March

	FY05	FY06	FY07	FY08
EBITDA margin	14	17	14	28
EBIT margin	12	16	13	27
Net profit margin	0	8	8	25
Sales growth	72	75	0	7
Net profit growth	-1,267	5,034	0	226
Net debt to total capital	41	44	-12	20
Net debt to equity	78	89	-13	28
Sales/assets	36	59	26	19
Assets/equity	192	203	108	139
ROE	0	10	4	7
ROCE	5	10	5	6

Source: Company.

## Mahindra and Mahindra Ltd.

www.mahindra.com

### Company description

Mahindra & Mahindra (M&M) is the leading manufacturer of utility vehicles and tractors in India. Management is diversifying the company's product base to include heavy commercial vehicles by setting up a joint venture with International (NAVISTAR). M&M is also the holding company for the Mahindra Group's initiatives in high growth areas including IT services, real estate, financial services and auto parts.

### Positive share price drivers

We expect margins to expand over FY10-11E led by the sharp decline in input costs (base metals, crude oil). We expect demand to revive over FY10-11E as the business cycle picks up on the back of monetary easing.

### Negative share price drivers

M&M has announced a substantial capex program of Rs60 billion over FY09-11E for setting up new capacities and developing new products across vehicle segments. While this should result in longer term benefits, it will likely strain gearing and capital efficiency ratios over the medium term.

### Valuation and risks

We have an Overweight rating on the stock with a March 2009 price target of Rs450 (updated on Oct 31). The price target is based on a sum-of-the-parts valuation of the various businesses. We value the auto business at 10x FY09E. We value the investment holdings in key subsidiaries such as Tech Mahindra (IT services), at a 25% discount to current market prices. The key risks to our investment thesis are: A further deterioration in the economic environment and credit markets, given the substantial capital expenditure program being taken up and diminution in value of subsidiaries / associates.

Bloomberg: MM.IN, Reuters: MAHM.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY10E
Net sales	113,484	126,237	137,476	157,687
Net profit	8,761	7,520	8,794	9,531
EPS (Rs)	36.6	31.5	34.9	37.8
DPS (Rs)	11.8	10.0	11.0	12.0
Net sales growth (%)	14.2	11.2	8.9	14.7
EPS growth (%)	-3.8	-14.2	10.8	8.4
ROE (%)	20.1	15.4	16.0	15.5
BVPS (Rs)	182	204	217	243
P/E (x)	10.4	12.1	10.9	10.1
P/BV (x)	2.1	1.9	1.8	1.6

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs380.75

Price Target: Rs450

### India

### Automobile Manufacture

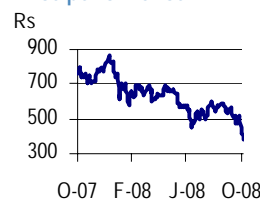
Bharat Iyer<sup>AC</sup>

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J.P. Morgan India Pvt Ltd

### Price performance



Source: Bloomberg.

	1M	3M	12M
Absolute (%)	-31	-30	-49
Relative (%)	-4	+1	0

Source: Bloomberg.

### Company data

52-week range (Rs)	380-865
Mkt cap. (RsMM)	90,631
Mkt cap. (US\$MM)	1,838
Avg daily value (US\$MM)	11.0
Avg daily volume (MM)	1.1
Shares O/S (MM)	239.1
Date of price	22 Oct 2008
Index: Sensex	10,170
Free float (%)	77
Exchange rate	49.3

Source: Bloomberg.



## Mahindra & Mahindra: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Revenues	113,484	126,237	137,476	157,687
% change Y/Y	14	11	9	15
EBITDA	11,894	10,931	13,272	15,851
% change Y/Y	3	-8	21	19
EBITDA Margin (%)	10.5	8.7	9.7	10.1
Depreciation	2,387	2,658	3,735	4,963
Other Income	2,303	3,103	3,316	3,468
Interest Expense	242	830	1,720	2,292
Earnings before tax	14,067	8,545	11,132	12,064
Tax	3,034	1,025	2,338	2,533
as % of EBT	21.6	12.0	21.0	21.0
Net Income (Reported)	11,033	7,520	8,794	9,531
Net Income (Adjusted)	8,761	7,520	8,794	9,531
% change Y/Y	-3	-14	17	8
<b>EPS (adjusted)</b>	<b>36.6</b>	<b>31.5</b>	<b>34.9</b>	<b>37.8</b>
% change Y/Y	-4	-14	11	8
Dividend Per Share (Rs)	11.8	10.0	11.0	12.0
Dividend Payout(%)	26	32	32	32

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
EBIT	9,507	6,273	9,536	10,887
Depreciation	2,387	2,658	3,735	4,963
Dec/(Inc) in W.Cap.	2,128	(723)	(1,508)	(1,720)
Taxes	(2,665)	0	(2,338)	(2,533)
Cashfrom operations	11,357	8,208	9,426	11,598
Extra ordinary items	2,581	0	0	0
Net capex	-7,284	-15,465	-20,465	-20,465
Net interest (Paid)/ Recd	-242	-830	-1,720	-2,292
Change in trade investment	-18,172	-3,000	-3,000	-3,000
<b>Free cash flow</b>	<b>-11,760</b>	<b>-11,087</b>	<b>-15,759</b>	<b>-14,159</b>
Income from investments	2,303	3,103	3,316	3,468
Changes in reserves	149	431	549	455
Debt raised/ (repaid)	9,511	7,000	10,000	10,500
Dividends paid	-3,247	-3,211	-2,749	-3,192
Cash generated in the year	-3,044	-3,765	-4,644	-2,927
Beginning cash	16,578	13,533	9,768	5,125
<b>Ending cash</b>	<b>13,533</b>	<b>9,768</b>	<b>5,125</b>	<b>2,198</b>

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Cash and C.E.	13,533	9,768	5,125	2,198
Accounts receivable	10,049	11,138	12,112	12,665
Inventories	10,841	12,468	13,537	15,525
Others	7,052	8,099	9,303	10,685
Current assets	41,475	41,474	40,076	41,073
Trade investments	37,230	40,230	43,230	46,230
Net fixed assets	23,609	36,416	53,145	68,646
Misc. expenses	135	135	135	135
<b>Total assets</b>	<b>102,449</b>	<b>118,255</b>	<b>136,586</b>	<b>156,084</b>
<b>Liabilities</b>	<b>102,449</b>	<b>118,255</b>	<b>136,586</b>	<b>156,084</b>
Payables	22,871	25,350	27,430	29,824
Others	9,639	9,739	9,839	9,939
Total current liabilities	32,510	35,089	37,269	39,763
Deferred Tax	567	1,593	1,593	1,593
Debt	25,871	32,871	42,871	53,371
Total liabilities	58,948	69,552	81,732	94,726
Shareholders' equity	43,501	48,702	54,854	61,358
BVPS (Rs)	182	204	217	243

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY08	FY09E	FY10E	FY11E
EBITDA margin	10.5	8.7	9.7	10.1
Net profit margin	9.7	6.0	6.4	6.0
Sales growth	14.2	11.2	8.9	14.7
Net profit growth	-3.3	-14.2	16.9	8.4
EPS growth	-3.8	-14.2	10.8	8.4
P/E (x)	10.4	12.1	10.9	10.1
Cash P/E (x)	8.2	8.9	7.7	6.6
EV/EBITDA (x)	9.8	11.3	10.5	9.4
EV/Sales (x)	1.1	1.0	1.1	1.0
Price to book value (x)	2.1	1.9	1.8	1.6
Dividend yield (%)	3.1	2.6	2.9	3.2
Net debt to equity (%)	59.5	67.5	78.2	87.0
Sales/assets (%)	162.3	151.8	138.4	135.6
Assets/equity (%)	160.8	170.8	181.1	189.6
ROE (%)	20.1	15.4	16.0	15.5
ROCE (%)	16.9	13.7	12.9	12.3

Source: Company, J.P. Morgan estimates.

## Man Industries (India) Ltd.

www.mangroup.com

### Company description

Man Industries (India) Ltd. is a leading manufacturer and exporter of large diameter carbon steel line pipes for various high-pressure transmission applications for gas, crude oil, petrochemical products, and potable water.

### Positives

Man Industries is one of the largest SAW pipe manufacturers with an installed capacity of 1MT and has presence in longitudinal and helical pipes. The company also does coating. It has accreditations with international energy companies, which allow the company to bid for overseas projects. Man has a strong order book and the outlook continues to remain robust, according to management.

### Negatives

According to the management any sharp reduction in oil prices can reduce the spending by energy companies, which can possibly slow down the order book growth.

### Valuation

Based on consensus estimates, the company currently trades at 2.8x FY09E and 2.7x FY10E.

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Bloomberg: MAN IN, Reuters: MIND NS

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	4,813	7,994	11,194	14,468
EBITDA	290	232	1,181	1,150
Net profit	183	350	553	712
EPS (Rs)	9.6	13.6	20.8	13.4
Sales growth (%)	20.1	66.1	40.0	29.2
Net profit growth (%)	-53.4	91.3	57.8	28.8
ROE (%)	21.3	19.1	19.0	21.2
ROCE (%)	11.3	1.9	18.7	14.1
P/E (x)	4.0	2.9	1.9	2.9
P/BV (x)	0.8	0.4	0.3	0.6

Source: Company, Bloomberg. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs39.00

### India

#### Metals & Mining

#### Pinakin Parekh, CFA<sup>AC</sup>

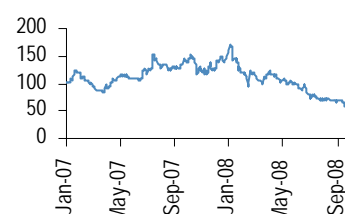
(91-22) 6639-3018

pinakin.m.parekh@jpmorgan.com

J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-29	-46	-68
Relative (%)	-2	-18	-25

Source: Bloomberg.

### Company data

52-week range (Rs)	35-178
Mkt cap. (RsMM)	2078
Mkt cap. (US\$MM)	42
Avg. daily volume (MM)	0.1
Avg. daily value (\$ MM)	0.2
Shares O/S (MM)	53
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	68.6
Exchange rate	49.3

Source: Bloomberg.

## Man Industries (India) Ltd.: Summary of financials

### Profit and loss statement

Rs in millions, Y/E March	FY05	FY06	FY07	FY08
Revenues	4,813	7,994	11,194	14,468
% change Y/Y	20	66	40	29
EBITDA	290	232	1,181	1,150
% change Y/Y	-54	-20	409	-3
EBITDA margin (%)	6	3	11	8
EBIT	222	76	1,012	868
% change Y/Y	-60	-66	1229	-14
EBIT margin (%)	5	1	9	6
Net financial income	68	437	(172)	219
Earnings before tax	289	513	840	1,087
% change Y/Y	-51	77	64	29
Tax	(106)	(163)	(287)	(375)
as % of EBT	37	32	34	34
Net income (adjusted)	183	350	553	712
% change Y/Y	-53	91	58	29
Shares outstanding	19	26	27	53
EPS (adjusted) (Rs)	9.6	13.6	20.8	13.4
% change Y/Y	-54	41	52	-36

### Cash flow statement

Rs in millions, Y/E March	FY05	FY06	FY07	FY08
EBIT	222	76	1,012	868
Depreciation	68	156	169	282
Changes in working capital	-364	185	802	-1933
Taxes	615	(1,100)	(3,095)	2,723
Cash from Operations	540	(684)	(1,113)	1940
Capex	1301	434	592	1272
Cash from Financing	958	2093	(229)	187
Taxes	(106)	(163)	(287)	(375)
Net Interest	68	437	(172)	219
Equity raised(repaid)	(39)	1,462	(227)	(119)
Debt raised(repaid)	1039.5	881.4	-37.2	622.6
Dividends	38	48	79.9	79.9
Beginning cash and equivalents	43	291	1567	146
Ending cash and equivalents	291	1567	146	1162

### Balance sheet

Rs in millions, Y/E March	FY05	FY06	FY07	FY08
Cash and cash equivalents	291	1,567	146	1,162
Accounts receivable	1,155	1,006	3,326	2,166
Inventories	631	1,154	1,797	2,783
Others	216	1,230	1,814	2,635
Current assets	2,293	4,957	7,083	8,746
Total Investments	3	3	12	334
Net fixed assets	2,187	2,465	2,887	3,878
Total assets	2,559	5,253	5,541	6,757
Liabilities				
Provisions	38	48	80	80
Total current liabilities	1,722	1,910	4,072	5,830
Total debt	1,628	2,510	2,472	3,095
Other liabilities	0	0	0	0
Total liabilities	1,628	2,510	2,472	3,095
Shareholders' equity	931	2,743	3,069	3,662
BVPS	49.0	106.6	115.2	68.7

### Ratio analysis

%, Y/E March	FY05	FY06	FY07	FY08
EBITDA margin	6	3	11	8
EBIT margin	5	1	9	6
Net profit margin	4	4	5	5
Sales growth	20	66	40	29
Net profit growth	-53	91	58	29
EPS growth	-54	42	52	-35
Net debt to total capital	52	18	42	29
Net debt to equity	144	34	76	53
Sales/assets	188	152	202	214
Assets/equity	275	191	181	185
ROE	21.3	19.1	19.0	21.2
ROCE	11.3	1.9	18.7	14.1

Source: Company.

## Marico Limited

www.maricoindia.com

### Company description

Marico is a leading manufacturer of coconut oil, kardi oil, sunflower oil and a range of hair care and skin care products. Marico markets well-known brands such as Parachute, Saffola, Sweekar, Hair & Care, Nihar, Shanti, Mediker, Revive, Kaya, Sundari and Aromatic. Marico is present in the skin care services segment through Kaya Skin Clinics and the Sundari range of spa skin care products (in the US and other countries).

### Positives

(1) Margins could benefit in medium term from declining commodity prices, according to management. (2) Expansion into developing markets like Egypt and Bangladesh would provide further growth avenues. Inorganic growth opportunities would continue to be an important focus area for the company. (3) Health and beauty services (Kaya Skin Clinic and Kaya Life) would be key earnings driver over the medium term given the strong growth potential in this category, according to management.

### Negatives

(1) Coconut oil (major contributor to the top line) is a mature category and could face lower growth rates in future. (2) Downtrading by consumers in a slowing economic environment could pose a risk to growth of premium hair oils and edible oils.

### Valuation

The stock is trading at 17x and 14x FY09E and FY10E consensus earnings estimates.

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Bloomberg: MRCO IN, Reuters: MRCO.BO

RsMM; Y/E March	FY05	FY06	FY07	FY08
Net sales	10,070	11,439	15,569	19,067
Net profit	682	893	1,192	1,586
EPS (Rs)	1.2	1.5	2.0	2.6
DPS (Rs)	0.5	0.6	0.7	0.9
Net sales growth (%)	13	14	36	22
Net profit growth (%)	15	31	34	33
EPS growth (%)	17	33	31	29
BVPS (Rs)	3.7	4.5	3.3	5.2
P/E (x)	46.3	34.7	26.4	20.5
P/BV (x)	14.3	11.8	16.4	10.3
EV/EBITDA (x)	37.2	23.9	16.3	14.3
Dividend yield (%)	1.0	1.2	1.2	1.6

Source: Company reports. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs53.4

### India

#### Consumer

#### Vijay Chugh<sup>AC</sup>

(91-22) 6639-3001

vijay.chugh@jpmorgan.com

#### Latika Chopra, CFA

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latika.chopra@jpmorgan.com

J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	6M	12M
Absolute (%)	-9	-25	-12
Relative (%)	25	23	52

Source: Bloomberg.

### Company data

52-week range (Rs)	47-85
Mkt cap. (RsMM)	32,521
Mkt cap. (US\$MM)	660
Avg daily volume (MM)	0.6
Avg daily value (US\$MM)	0.8
Shares O/S (MM)	609
Index: BSE Sensex	10170
Exchange rate	49.3

Source: Bloomberg.

## Marico Limited: Summary of financials

### Profit and loss statement

Rs in millions; Y/E March	FY05A	FY06A	FY07A	FY08A
Revenue	10,070	11,439	15,569	19,067
% change Y/Y	13	14	36	22
EBITDA	899	1,479	2,229	2,530
% change Y/Y	16	64	51	14
EBITDA margin (%)	9	13	14	13
EBIT	751	1,032	1,708	2,223
% change Y/Y	16	37	66	30
EBIT margin (%)	7	9	11	12
Interest expense	20	51	206	276
Earnings before tax	731	981	1,502	1,946
% change Y/Y	15	34	53	30
Tax	62	88	310	360
as % of EBT	8	9	21	18
MI/Associates	(13)	-	-	1
Net income (adjusted)	682	893	1,192	1,586
% change Y/Y	15	31	34	33
Shares outstanding	580	580	590	609
EPS (adjusted)	1.2	1.5	2.0	2.6
% change Y/Y	17	33	31	29

### Balance sheet

Rs in millions; Y/E March	FY05A	FY06A	FY07A	FY08A
Cash and cash equivalents	338	415	427	753
Accounts receivable	492	515	643	863
Inventories	1,197	1,323	2,215	2,605
Others	401	529	717	1,061
Current assets	2,427	2,782	4,001	5,281
Investments/Goodwill	145	204	1,602	1,824
Net fixed assets	1,459	3,813	1,654	2,573
Total assets	4,031	6,799	7,258	9,678
Payables	994	1,498	2,677	2,560
Others	151	206	147	392
Total current liabilities	1,144	1,704	2,824	2,952
Total Loans	657	2,397	2,510	3,579
Other liabilities	61	83	0	1
Total liabilities	1,862	4,184	5,334	6,532
Shareholders' equity	2,169	2,615	1,924	3,146
BVPS	3.7	4.5	3.3	5.2

Source: Company reports.

### Cash flow statement

Rs in millions; Y/E March	FY05A	FY06A	FY07A	FY08A
EBIT	10,070	11,439	15,569	19,067
Depreciation & amortisation	148	447	521	308
Change in working capital	-374	295	-68	-896
Taxes	-110	-108	-235	-305
Others	-9,323	-10,425	-13,903	-16,743
Cash flow from operations	411	1,648	1,884	1,431
Capex	-497	-2,845	-3,010	-1,312
Free cash flow	-86	-1,197	-1,126	118
Equity raised/ (repaid)	-7	1,739	1,454	0
Debt raised/ (repaid)	545	-65	113	1,070
Other	-129	-401	46	-549
Dividends paid	-325	0	-475	-325
Change in cash	-2	76	13	315
Beginning cash	340	338	415	427
Ending cash	338	415	427	742
DPS	0.5	0.6	0.7	0.9

### Ratio analysis

%	FY05A	FY06A	FY07A	FY08A
EBITDA margin	9	13	14	13
EBIT margin	7	9	11	12
Net profit margin	7	8	8	8
Sales growth	13	14	36	22
Net profit growth	15	31	34	33
EPS growth	17	33	31	29
Interest coverage (x)	37.6	20.4	8.3	8.0
Net debt to total capital	0.1	0.4	0.5	0.4
Net debt to equity	0.1	0.8	1.1	0.9
Sales/assets	2.5	1.7	2.1	2.0
ROE	34	37	53	63
ROCE	31	26	36	40

## Maruti Suzuki India Ltd.

www.marutisuzuki.com

### Company description

Maruti Suzuki India Limited, a subsidiary of Suzuki Motor Corporation of Japan, is India's largest passenger car company, accounting for over 50% of the domestic car market. Going forward, Suzuki will increasingly use India as an outsourcing base.

### Positive share price drivers

Margins are expected to expand over FY10-11E led by the sharp decline in input costs (base metals, crude oil). Demand is expected to revive over FY10-11E as consumption demand is likely to pick up based on monetary easing. Maruti is positioned to benefit, driven by new product launches over the next 12-15 months (the *A Star* and *Splash*). Also, Suzuki's plans to increase outsourcing from India should enable Maruti to broad base revenues. Exports are targeted to account for 15% of sales by FY11, driven by exports of the soon-to-be-launched compact *A Star*.

### Negative share price drivers

Competitive pressures are likely to build up over the medium term as global OEMs set up dedicated manufacturing capacities for small cars in India. Near-term outlook is uncertain given the slowing economic growth and a tight monetary environment. Margins are also being affected by rising input costs and depreciation of the rupee against the yen.

### Valuation and risks

We maintain our Overweight rating with a Mar-09 PT of Rs810. Our PT is based on 12x FY10E earnings, a 15% discount to the historical average. The discount is to factor in the buildup in competitive pressures from FY11E onwards. Returns will likely be back ended into FY10 as sales pick up. Substantial cash holdings, estimated at Rs160/share (about 25% of the current stock price, and c.50% of total the balance sheet size) should provide downside support to the stock in any potential market sell-down. Risks to our PT a sharp deterioration in the economy and a greater-than-expected buildup in competitive pressures.

Bloomberg: [MSIL.IN](#); Reuters: [MRTI.BO](#)

Rs in millions; Y/E March	FY08A	FY09E	FY10E	FY11E
Net sales	179,362	199,689	228,825	261,465
Net profit	17,308	16,186	19,515	22,305
EPS (Rs)	59.9	56.0	67.5	77.2
DPS (Rs)	5.0	5.0	5.4	5.8
Net sales growth (%)	22	11	15	14
EPS growth (%)	11	-6	21	14
ROE (%)	20.6	16.4	16.7	16.2
BVPS (Rs)	291	342	404	476
P/E (x)	10.8	11.6	9.6	8.4
P/BV (x)	2.2	1.9	1.6	1.4
EV/EBITDA (%)	6.3	6.6	4.9	3.8

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs648.7

Price Target: Rs810

### India

#### Automobile Manufacture

#### Bharat Iyer<sup>AC</sup>

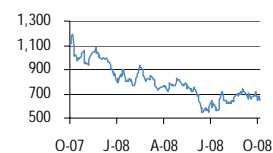
(91-22) 6639-3005

bharat.x.iyer@jpmchase.com

J.P. Morgan India Pvt Ltd

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-10	+5	-40
Relative (%)	+17	+35	+9

Source: Bloomberg.

### Company data

52-week range (Rs)	548-1,190
Mkt cap. (RsMM)	187,474
Mkt cap. (US\$MM)	3,803
Avg daily value (US\$MM)	28.8
Avg daily volume (MM)	2.1
Shares O/S (MM)	289
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	46
Exchange rate	49.3

Source: Bloomberg.

## Maruti Suzuki India Ltd.: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
Revenues	179,362	199,689	228,825	261,465
% change Y/Y	22	11	15	14
EBITDA	22,432	20,967	26,315	30,853
% change Y/Y	13	-7	26	17
EBITDA Margin (%)	12.5	10.5	11.5	11.8
EBIT	16,750	14,235	18,994	22,494
% change Y/Y	-3	-15	33	18
Interest Expense	596	833	878	923
Other Income	8,876	9,557	9,762	10,293
Earnings before tax	25,030	22,959	27,879	31,864
% change Y/Y	10	-8	21	14
Tax	7,722	6,773	8,364	9,559
as % of EBT	30.9	29.5	30.0	30.0
Net Income (Adjusted)	17,308	16,186	19,515	22,305
% change Y/Y	11	-6	21	14
Shares Outstanding	289	289	289	289
EPS (pre exceptional)	59.9	56.0	67.5	77.2
% change Y/Y	11	-6	21	14
Dividend Per Share	5.0	5.0	5.4	5.8
Div Payout Ratio (%)	8	9	8	7

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
Cash and cash equivalents	51,896	56,217	64,508	78,525
Accounts receivable	6,555	11,489	13,165	14,327
Inventories	10,380	13,130	13,792	15,760
Others	10,734	11,774	12,919	14,177
Current assets	79,565	92,610	104,385	122,789
LT investments	3,151	3,151	3,151	3,151
Net fixed assets	40,328	47,733	56,912	65,052
<b>Total assets</b>	<b>123,044</b>	<b>143,494</b>	<b>164,447</b>	<b>190,992</b>
<b>Liabilities</b>	<b>123,043</b>	<b>143,494</b>	<b>164,447</b>	<b>190,992</b>
Payables	24,492	29,573	31,829	36,980
Others	3,695	3,835	4,079	4,341
Total current liabilities	28,187	33,408	35,908	41,321
Total debt	9,001	9,501	10,001	10,501
Other liabilities	1,701	1,701	1,701	1,701
Total liabilities	38,889	44,610	47,610	53,523
Shareholder's equity	1,445	1,445	1,445	1,445
Shareholders' networth	84,154	98,883	116,837	137,469
BVPS (Rs per Share)	291	342	404	476

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
EBIT	16,750	14,235	18,994	22,494
Depreciation & amortisation	5,682	6,732	7,321	8,359
Dec/(Inc) in working capital	(1,981)	(3,503)	(983)	1,025
Taxes	-7,696	-6,773	-8,364	-9,559
Cash flow from operations	12,755	10,691	16,968	22,319
Net capex	-17,024	-14,137	-16,500	-16,500
Net interest (paid)/ recd	(596)	(833)	(878)	(923)
Free cash flow	-4,865	-4,278	-409	4,896
Income from investments	8,876	9,557	9,762	10,293
Change in networth	(248)	0	0	(0)
Debt raised/ (repaid)	2,693	500	500	500
Dividends paid	-1,445	-1,457	-1,561	-1,673
Cash generated	5,011	4,322	8,292	14,016
Beginning cash	46,885	51,896	56,217	64,508
<b>Ending cash</b>	<b>51,896</b>	<b>56,218</b>	<b>64,508</b>	<b>78,525</b>

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY08A	FY09E	FY10E	FY11E
EBITDA margin	12.5	10.5	11.5	11.8
Net profit margin	9.7	8.1	8.6	8.6
Sales growth	22	11	15	14
Net profit growth	11	(6)	21	14
EPS growth	11	-6	21	14
Div payout ratio	8	9	8	7
PE (x)	10.8	11.6	9.6	8.4
Cash PE (x)	8.2	8.2	7.0	6.1
EV/EBITDA (x)	6.3	6.6	4.9	3.8
EV/Sales (x)	0.8	0.7	0.6	0.4
Price to book value (x)	2.2	1.9	1.6	1.4
Dividend yield	0.8	0.8	0.8	0.9
Debt to equity (x)	0.1	0.1	0.1	0.1
ROE	20.6	16.4	16.7	16.2
ROCE	27.0	21.6	22.4	21.9

Source: Company, J.P. Morgan estimates.



## MindTree Ltd.

www.mindtree.com

### Company description

MindTree is a mid-sized Indian IT services company, founded in 1999. The company is structured into two business units that focus on software development (IT Services) and R&D services. The company has clients that range from Fortune 100 companies to enterprise software organizations. The company has also delivered industry-leading revenue growth of 45% over FY05-08, has a marquee client base, systems/processes that are ahead of its mid-cap peer group, higher offshore mix than peers, and attrition that is at the lower end of the industry range.

### Positive share price drivers

1) Continued business momentum driven by its differentiated client and industry vertical mix, which is reflected in the company US\$ revenue guidance of 24-29%; and 2) synergies from Aztecsoft acquisition and ability to mine Aztecsoft's clients for MindTree services.

### Negative share price drivers

1) Growing polarization towards large players given the weak macro environment; 2) further slowdown in global technology spending; and 3) risks related to smooth integration of recent acquisition—given Aztecsoft's checkered execution track record and the significant size of Aztecsoft compared to MindTree.

### Valuation and risks

We have a Jun-09 price target of Rs525 based on 11x one-year forward multiple and 12x one-year trailing multiple on June-09E EPS. With a 30% EPS CAGR over FY08-10E and FY08 P/E of 9x, the risk-reward ratio remains favorable, in our view. Our DCF-based June-09 fair value estimate is Rs450 per share. The downside risks to our price target include growing polarization towards large companies, salary inflation, a slowdown in technology spending, and rupee appreciation.

Bloomberg: MTCL IN; Reuters: MINT.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Sales	7,398	9,964	15,452	18,843
Net profit	1,033	1,005	1,811	2,259
EPS (Rs)	27.3	26.2	46.5	58.0
FD EPS (Rs)	27.3	26.2	46.5	58.0
DPS (Rs)	2.0	2.5	3.5	4.5
Sales growth (%)	25.3	34.7	55.1	22.0
Net profit growth (%)	14.7	-2.7	80.3	24.7
EPS growth (%)	-7.8	-4.0	77.4	24.7
ROE (%)	21.3	17.6	26.7	26.2
P/E (x)	8.9	9.3	5.3	4.2
FD P/E (x)	8.9	9.3	5.3	4.2

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 24 October 2008.

## Overweight

Price: Rs244.15

Price Target: Rs525

### India

#### eBusiness/IT Services

Manoj Singla, CFA<sup>AC</sup>

(91-22) 6639-3017

manoj.singla@jpmorgan.com

J.P. Morgan India Private Limited

### Price performance



Source: Datastream.

### Performance

	1M	3M	12M
Absolute (%)	-25.1	-32.3	-53.4
Relative (%)	17.9	15.0	-0.8

Source: Bloomberg.

### Company data

52-week range (Rs)	195-552
Mkt cap. (RsMM)	9,217
Mkt cap. (US\$MM)	184.4
Avg daily value (US\$MM)	0.6
Avg daily volume (MM)	0.07
Shares O/S (MM)	38
Date of price	24-Oct-08
Index: Sensex	8,701
Free float (%)	15
Exchange rate (Rs/US\$)	50.0

Source: Bloomberg.



## MindTree Ltd: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Revenue	7,398	9,964	15,452	18,843
% change Y/Y	25.3	34.7	55.1	22.0
Gross margin (%)	31.3	37.8	34.4	34.7
EBITDA	1254	2377	3168	3916
% change Y/Y	14.4	89.5	33.3	23.6
EBITDA margin (%)	16.9	23.9	20.5	20.8
EBIT	898	1,882	2,306	2,963
% change Y/Y	5.4	109.7	22.5	28.5
EBIT margin (%)	12.1	18.9	14.9	15.7
Net interest				
	220	(77)	(112)	(69)
Earnings before tax	1,118	1,146	2,104	2,804
% change Y/Y	24.9	2.5	83.5	33.3
Tax	85	142	252	505
as % of EBT	7.6	12.4	12.0	18.0
Net income (reported)	1,033	1,005	1,811	2,259
% change Y/Y	14.7	-2.7	80.3	24.7
Shares O/S (MM)	38	39	39	40
EPS (reported) (Rs)	27.3	26.2	46.5	58.0

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	1,942	3,737	4,456	5,609
Accounts receivable	1,722	2,437	3,810	4,745
Inventories	0	0	0	0
Others	993	1,290	2,017	2,512
Current assets	4,656	7,465	10,283	12,866
LT investments	260	0	-1,900	-1,900
Net fixed assets	2,590	2,491	3,728	3,376
Total assets	7,595	10,041	12,197	14,428
Liabilities				
ST loans	0	0	0	0
Payables	1,115	1,399	2,304	2,878
Others	0	0	0	0
Total current liabilities	1,115	1,399	2,304	2,878
Long-term debt	917	2,274	1,874	1,474
Other liabilities	223	272	272	272
Total liabilities	2,255	3,945	4,449	4,624
Shareholders' equity	5,340	6,096	7,748	9,804
BVPS (Rs)	140.8	156.4	198.8	245.2

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
EBIT	898	1,882	2,306	2,963
Depreciation & amortization	FY08A	FY09E	FY10E	952
Change in working capital	-459	-729	-1,196	-855
Taxes	85	142	252	505
Cash flow from operations	930	770	1,518	2,396
Capex	-2,246	-395	-2,100	-600
Disposal/(purchase)	930	770	1,518	2,396
Net interest				
	220	(77)	(112)	(69)
Free cash flow	-1,316	375	-582	1,796
Equity raised/(repaid)	41	-136	0	2
Debt raised/(repaid)	653	1,357	-400	-400
Other	47	49	-40	-40
Dividends	-89	-113	-160	-205
Beginning cash	2,908	1,942	3,737	4,456
Ending cash	1,942	3,737	4,456	5,609
DPS (Rs)	2.0	2.5	3.5	4.5

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY08	FY09E	FY10E	FY11E
EBITDA margin	16.9	23.9	20.5	20.8
Operating margin	12.1	18.9	14.9	15.7
Net profit margin	14.0	10.1	11.7	12.0
SG&A/sales	19.2	18.9	19.5	19.0
Sales growth	25.3	34.7	55.1	22.0
Net profit growth	14.7	-2.7	80.3	24.7
Sales per share growth	24.8	31.0	55.1	18.9
EPS growth	-7.8	-4.0	77.4	24.7
Interest coverage (x)	15.2	11.9	14.5	23.3
Net debt to total capital	n.m.	n.m.	n.m.	n.m.
Net debt to equity	n.m.	n.m.	n.m.	n.m.
Sales/assets	97.4	99.2	126.7	130.6
EBIT margin	12.1	18.9	14.9	15.7
ROCE	15.8	19.6	21.4	22.4
Assets/equity (x)	1.4	1.6	1.6	1.5
ROI	23.7	27.2	26.8	25.8
ROE	21.3	17.6	26.7	26.2

Source: Company, J.P. Morgan estimates.

## Monnet Ispat & Energy Limited

www.monnetgroup.com

### Company description

Monnet Ispat & Energy is the second-largest sponge-iron-based steel manufacturer in India. The company's principal activities include manufacturing and marketing sponge iron, steel, and ferro alloys. In addition, the company is engaged in mining of coal and power generation for captive consumption. Monnet Ispat is expanding its capacity across its product range, which is expected to be commissioned by Q4 FY09.

### Positive share price drivers

For long-term investors, we believe Monnet offers volume growth across sponge, steel and power. The company is among the lower-cost producers of sponge iron in India, driven by captive thermal coal mines. Monnet Ispat's captive coal mines offer investors option value of growth via both sponge/steel and power.

### Negative share price drivers

Near-term outlook for sponge iron and steel prices is negative. We believe that, given the tight credit and capital markets, financial closure of the power plants has become relatively more difficult, though the company remains confident of achieving financial closure soon.

### Valuation and risks

Our Sept-09 price target of Rs260 is based on 7x FY10E P/E (earlier 11.5x FY09E) and power project option value of Rs23. The key risk is a longer downturn in steel affecting sponge demand and prices.

## Overweight

Price: Rs158.95

Price Target: Rs260.00

### India

#### Metals & Mining

**Pinakin Parekh, CFA<sup>AC</sup>**

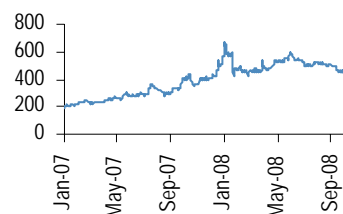
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pinakin.m.parekh@jpmorgan.com

J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-66	-69	-55
Relative (%)	-39	-42	-12

Source: Bloomberg.

### Company data

52-week range (Rs)	145-715
Mkt cap. (RsMM)	7,829
Mkt cap. (US\$MM)	159
Avg. daily volume (MM)	0.1
Avg. daily value (US\$MM)	1.0
Shares O/S (MM)	49
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	58.9
Exchange rate (Rs/US\$)	49.3

Source: Bloomberg.

Bloomberg: MISP IN, Reuters: MNET.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Net sales	11,591	12,314	14,789	18,377
Net profit ( Pre exceptional)	1,668	1,823	1,752	2,241
EPS ( Pre exceptional Rs)	32.2	35.2	33.8	43.3
Net sales growth (%)	82	6	20	24
Net profit growth (%)	24	9	-4	28
ROE (%)	20	16	13	15
ROCE (%)	13	13	13	14
P/E (x)	4.8	4.4	4.6	3.6
EV/EBITDA (x)	5.8	2.5	2.7	2.1

Source: Company data, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Monnet Ispat & Energy Limited: Summary of financials

### Profit and loss statement

Rs in millions; Y/E March	FY08	FY09E	FY10E	FY11E
Revenues	11,591	12,314	14,789	18,377
% change Y/Y	82	6	20	24
EBITDA	2,519	3,067	3,276	4,113
% change Y/Y	45	22	7	26
EBITDA margin (%)	22	25	22	22
EBIT	2,074	2,437	2,596	3,273
% change Y/Y	47	17	7	26
EBIT margin (%)	18	20	18	18
Net interest	416	480	700	700
Other income	520	380	350	300
Earnings before tax	2,178	2,337	2,246	2,873
% change Y/Y	31	7	-4	28
Tax	(510)	(514)	(494)	(632)
as % of EBT	-23	-22	-22	-22
Net income (pre exceptional)	1,668	1,823	1,752	2,241
% change Y/Y	24	9	-4	28
Shares outstanding (diluted)	52	52	52	52
EPS (pre exceptional)	32.2	35.2	33.8	43.3
% change Y/Y	24	9	-4	28

### Cash flow statement

Rs in millions; Y/E March	FY08	FY09E	FY10E	FY11E
Net income (pre exceptional)	1,668	1,823	1,752	2,241
Add: Depreciation	445	630	680	840
Working capital movement	(639)	686	(287)	(417)
Operational cash flow	1,474	3,139	2,144	2,664
Net capex	(3,856)	(3,252)	(1,000)	(2,000)
Free cash flow	(2,382)	(113)	1,144	664
Equity raised/ (repaid)	3,792	0	0	0
Debt raised/ (repaid)	1,223	(3,259)	2,000	0
Other				
Dividends paid	(283)	(266)	(266)	(266)
Beginning cash	2,897	3,741	1,733	2,611
Ending cash	3,741	1,733	2,611	3,009
DPS	4.5	4.5	4.5	4.5

### Balance sheet

Rs in millions; Y/E March	FY08	FY09E	FY10E	FY11E
Inventories	2,217	2,193	2,634	3,273
Debtors	1,051	843	1,013	1,259
Cash and bank balances	3,741	1,733	2,611	3,009
Interest receivable accrued	0	0	0	0
Loans and advances	3,151	1,150	1,150	1,150
Investments	1,010	1,000	3,000	3,000
Net fixed assets	14,000	16,622	16,942	18,102
Total assets	25,170	23,540	27,349	29,792
Liabilities				
Sundry Creditors	806	1,607	1,929	2,398
Others	1,211	866	866	866
Total current liabilities	2,018	2,472	2,795	3,263
Total debt	11,259	8,000	10,000	10,000
Other liabilities	1,007	625	625	625
Total liabilities	14,283	11,097	13,420	13,888
Shareholders' equity	10,886	12,443	13,929	15,904
BVPS	317.4	240.2	268.9	307.0

### Ratio analysis

%; Y/E March	FY08	FY09E	FY10E	FY11E
EBITDA margin	22	25	22	22
Operating margin	18	20	18	18
Net profit margin	14	15	12	12
Sales growth	82	6	20	24
Net profit growth	24	9	-4	28
EPS growth	24	9	-4	28
Interest coverage (x)	6	6	5	6
Net debt to total capital	0.3	0.3	0.3	0.2
Net debt to equity	0.7	0.5	0.5	0.4
Sales/assets	0.5	0.5	0.5	0.6
Assets/equity	2.3	1.9	2.0	1.9
ROE	20	16	13	15
ROCE	13	13	13	14

Source: Company, J.P. Morgan estimates.

## Oil and Natural Gas Corporation

www.ongcindia.com

### Company description

Oil and Natural Gas Corporation (ONGC) is India's largest E&P company with ~7.0 billion boes of oil and gas reserves. It accounts for >75% of India's current oil and gas production. The company, through its subsidiary, ONGC Videsh, has invested in overseas crude equity. It also has exposure to refining through its subsidiary, MRPL (Mangalore Refineries).

### Positive share price drivers

ONGC is among the least leveraged to crude prices among regional E&P companies, and hence, would be less affected by lower crude prices. We believe production upside exists from OVL (ONGC's overseas subsidiary). EOR/IOR programs on existing fields and development of marginal fields are helping arrest the decline in existing fields. Also, with lower crude prices, risk of higher subsidy share with the R&M companies eases; we believe the stock currently prices in >50% upstream subsidy share compared with 33% assumed in our base case.

### Negative share price drivers

Although ONGC's subsidy losses reduce as crude prices correct, lower crude impacts ONGC's crude realization significantly. Possibility of windfall tax could impact ONGC's profitability and cap upsides.

### Valuation and risks

We have an Overweight rating on ONGC with a Jun-09 PT of Rs970.0. Our PT is based on 3.0x one-year fwd EBITDA and US\$60/bbl of crude price. At the current price, ONGC's stock implies >50% upstream subsidy support and trades at <2.0x EV/EBITDA. A key risk to our price target is higher subsidy sharing and lower crude prices.

Bloomberg: [ONGC IN](#); Reuters: [ONGC.BO](#)

Rs in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
Net sales	1,018,349	1,247,097	1,224,767	1,253,617
EBITDA	404,730	531,016	520,338	533,786
Net profit	198,723	285,152	283,696	297,076
EPS (Rs)	92.9	133.3	132.6	138.9
DPS (Rs)	32.0	40.0	42.0	42.0
Net profit growth (%)	15.4	11.8	43.5	-0.5
ROE (%)	27.7	32.9	27.0	23.9
P/E (x)	7.0	4.9	4.9	4.7
P/BV (x)	1.8	1.4	1.2	1.0
Dividend yield (%)	5	6	6	6

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs650.0

Price Target: Rs970.0

### India

#### Natural Gas

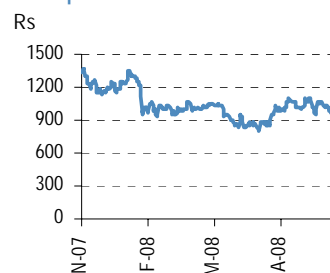
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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-28	-21	-31
Relative (%)	-1	7	12

Source: Bloomberg.

### Company data

52-wk range (Rs)	1386.9 - 751
Mkt cap. (Rs MM)	1628110
Mkt cap. (US\$ MM)	33,051
Avg. daily volume (MM)	2.42
Average daily value (US\$ MM)	48.88
Shares O/S (MM)	2,138.87
Date of Price	22-Oct
Index (BSE Sensex)	10,170
Free float (%)	18%
Exchange rate	49.3

Source: Bloomberg.

## Oil and Natural Gas Corporation: Summary of financials

Profit and Loss statement					Cash flow statement				
Rs in millions, year-end Mar	FY08	FY09E	FY10E	FY11E		FY08	FY09E	FY10E	FY11E
Revenues	1,018,349	1,247,097	1,224,767	1,253,617	EBIT	265,852	380,670	368,647	378,178
% change Y/Y	18%	22%	-2%	2%	Depreciation & amortisation	102,857	119,846	121,692	125,608
EBITDA	404,730	531,016	520,338	533,786	Change in working capital	15,289	5,864	7,819	6,186
% change Y/Y	18%	31%	-2%	3%	Taxes	(100,500)	(143,143)	(142,373)	(149,023)
EBITDA Margin (%)	40%	43%	42%	43%	Others	1,598	(421)	(421)	(421)
EBIT	265,852	380,670	368,647	378,178	Cash flow from operations	285,097	362,817	355,363	360,528
% change Y/Y	19%	43%	-3%	3%	Capex	(185,304)	(148,471)	(167,530)	(151,775)
EBIT Margin (%)	26%	31%	30%	30%	Change in investments	9746	(14700)	0	0
Net financial income	(43,358)	(53,097)	(62,788)	(73,408)	Interest (other income)	43,358	53,097	62,788	73,408
Earnings before tax	309,210	433,767	431,435	451,586	Free cash flow	152,897	252,743	250,621	282,161
% change Y/Y	11%	40%	-1%	5%	Equity raised/ (repaid)	-	-	-	-
Tax	(106,999)	(145,746)	(144,962)	(151,733)	Debt raised/ (repaid)	(3,019)	(5,247)	(0)	(0)
as % of EBT	35%	34%	34%	34%	Dividends paid	(78,025)	(97,532)	(102,408)	(102,408)
Net Income (adjusted)	198,723	285,152	283,696	297,076	Beginning cash	206,756	250,558	400,086	546,551
% change Y/Y	12%	43%	-1%	5%	Ending cash	250,558	400,086	546,551	724,436
Shares Outstanding	2139	2139	2139	2139					
EPS (adjusted)	92.9	133.3	132.6	138.9					
% change Y/Y	12%	43%	-1%	5%					
Balance sheet					Ratio Analysis				
	FY08	FY09E	FY10E	FY11E	%, year-end Mar	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	250,558	400,086	546,551	724,436	EBITDA margin	40%	43%	42%	43%
Accounts receivable	70,469	78,584	77,177	78,995	EBIT margin	26%	31%	30%	30%
Inventories	72,985	72,459	73,465	75,803	Net profit margin	20%	23%	23%	24%
Others	107,110	117,110	117,110	117,110	Sales growth	18%	22%	-2%	2%
Current assets	501,122	668,239	814,303	996,343	Net profit growth	12%	43%	-1%	5%
Total Investments	44,821	59,521	59,521	59,521	Interest coverage (x)	NM	NM	NM	NM
Net fixed assets	700,903	758,471	804,309	830,476	Net debt to total capital	-26%	-34%	-41%	-47%
Liabilities	167,214	172,664	172,800	177,952	Net debt to equity	-31%	-41%	-47%	-54%
Provisions	155,288	173,291	180,573	185,762	Sales/assets	110%	109%	92%	82%
Total current liabilities	322,502	345,955	353,373	363,714	Assets/equity	119%	119%	116%	114%
Total assets	924,345	1,140,276	1,324,761	1,522,627	ROE	27.7%	32.9%	27.0%	23.9%
Total debt	12,638	7,391	7,391	7,391	ROCE	36.3%	43.4%	34.8%	30.3%
Other liabilities	137,725	171,482	174,351	177,127					
Total liabilities	150,363	178,873	181,742	184,519					
Shareholders' equity	773,981	961,403	1,143,019	1,338,108					
BVPS	361.9	449.5	534.4	625.6					

Source: Company, J.P. Morgan estimates.

## Orbit Corporation

www.orbitcorp.com

### Company description

Orbit Corporation is a Mumbai-based real estate company with a primary focus on redevelopment of existing properties in the city. The company is diversifying the business through the development of open land plots including a mix of commercial and residential properties.

### Positives

(1) Niche player: Very few large developers operate in the redevelopment space due to complicated procedures and negotiations required for acquiring projects. (2) Only listed play on India's luxury residential market: Orbit's developments are focused on the super-luxury residential market in Mumbai—one of the most premium residential markets in India. (3) Access to prime land: Redevelopment is perhaps the only way a developer can acquire land in Mumbai. Orbit has mastered this concept and has already built up an impressive project portfolio. (4) Pre-booking in current projects provides earnings visibility in the near term and eases cash flow pressures.

### Negatives

(1) Redevelopment projects normally have a longer gestation period due to the nature of projects and the process involved. (2) Any modification in the development control regulation might adversely affect the company's future operations.

### Valuation

The stock is trading at 2x FY09 and 1x FY10 consensus earnings estimates, respectively.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

Bloomberg: ORB IN, Reuters: ORCP.BP

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	192	7	1,915	7,055
EBITDA	43	36	740	3,464
Net profit	40	1	573	2,358
EPS (Rs)	3.7	0.1	21.1	64.1
Sales growth (%)	NA	-96	26,497	268
Net profit growth (%)	40,100	-97	51,955	312
ROE (%)	49	0	38	66
ROCE (%)	18	3	32	51
P/E (x)	19.0	1,412.0	3.4	1.1
P/BV (x)	5.2	1.5	0.9	0.5

Source: Company reports. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs70.6

### India

#### Property

#### Saurabh Kumar<sup>AC</sup>

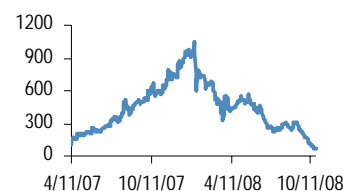
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J.P.Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-68.3	-70.4	-87.1
Relative (%)	-41.0	-42.5	-44.8

Source: Bloomberg.

### Company data

52-wk range (Rs)	1,080 - 68.5
Mkt cap. (RsMM)	2,559
Mkt cap. (US\$MM)	52
Avg. daily volume (MM)	0.4
Avg daily value (US\$MM)	1.8
Shares O/S (MM)	36
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	36.6
Exchange rate	49.3

Source: Bloomberg.

## Orbit Corporation: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Revenues	192	7	1,915	7,055
% change Y/Y	NA	-96	26,497	268
EBITDA	43	36	740	3,464
% change Y/Y	-43,500	-17	1,961	368
EBITDA Margin (%)	23	499	39	49
EBIT	43	34	732	3,447
% change Y/Y	-43,500	-21	2,046	371
EBIT Margin (%)	23	474	38	49
Net financial income	1	(32)	(83)	(514)
Earnings before tax	45	2	649	2,933
% change Y/Y	44,600	-95	28,113	352
Tax	(4)	(1)	(77)	(575)
as % of EBT	9	52	12	20
Net Income (adjusted)	40	1	573	2,358
% change Y/Y	40,100	-97	51,955	312
EPS (adjusted)	3.7	0.1	21.1	64.1
% change Y/Y	5,200	-99	42,020	204

Source: Company.

### Cash flow statement

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
EBIT	43	34	732	3,447
Depreciation & amortization	-	2	8	17
Changes in working capital	(305)	(1,034)	339	(7,271)
Taxes	(4)	(1)	(77)	(575)
Cash from operations	(265)	(999)	1,002	(4,382)
Net interest	1	(32)	(83)	(514)
Capex	0	(20)	(27)	(96)
Change in investments	(1)	-	-	(101)
Free cash flow	(264)	(1,051)	892	(5,093)
Equity raised/ repaid	95	835	475	1,001
Debt raised or repaid	220	323	322	4,384
Dividends paid	-	-	-	(200)
Beginning cash	0	51	155	1,832
Ending cash	51	155	1,832	1,841

Source: Company.

### Balance sheet

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Cash and cash equivalents	51	155	1,832	1,841
Accounts receivable	93	55	1,085	2,986
Inventories	168	1,205	1,673	4,123
Others	218	594	1,091	4,598
Current assets	529	2,009	5,680	13,548
Total Investments	1	1	1	102
Net fixed assets	5	23	43	121
Liabilities	108	448	2,703	2,713
Provisions	4	5	83	661
Total current liabilities	112	453	2,786	3,374
Total assets	423	1,580	2,937	10,397
Total debt	273	596	918	5,302
Other liabilities	(0)	(3)	(13)	(63)
Total liabilities	273	593	905	5,238
Shareholders' equity	151	987	2,032	5,159

Source: Company.

### Ratio analysis

%, year-end March

	FY05	FY06	FY07	FY08
EBITDA margin	23	499	39	49
EBIT margin	23	474	38	49
Net profit margin	21	15	30	33
Sales growth	NA	-96	26,497	268
Net profit growth	40,100	-97	51,955	312
Net debt to total capital	53	28	-31	33
Net debt to equity	148	45	-45	67
Sales/assets	45	0	65	68
Assets/equity	281	160	145	202
ROE	49	0	38	66
ROCE	18	3	32	51

Source: Company.

## Orchid Chemicals

www.orchidpharma.com

### Company description

Orchid Chemicals is predominantly a bulk actives manufacturer, but the company has started doing business in formulations. The management is working on the strategy of moving toward a richer product mix. Orchid Chemical also has several strategic marketing alliances in the regulated markets. The company has US FDA approved plants and has identified more than 100 products for launch in the regulated markets.

### Positives

Strong position in anti-infective in the regulated markets like US especially in Cephalosporin. The management believes that there could be upsides from the NCE out licensing with some of the major innovator pharmaceuticals companies such as the recently concluded Merck deal.

### Negatives

Delays in the launch of key products in regulated markets, IPR issues or delays in getting critical approvals, and more price erosion in the regulated markets.

### Valuation

The stock is trading at consensus FY10E P/E of 4.05.

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**Bloomberg: OCP IN, Reuters: ORCD.BO**

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	7,223	9,366	9,638	13,010
EBITDA	1,565	2,224	2,489	3,400
Net profit	221	573	786	1,753
EPS (Rs)	3.7	6.8	7.0	6.8
Sales growth (%)	6.3	29.7	2.9	35.0
Net profit growth (%)	-12	159	37	123
ROE (%)	5.1	9.3	12.5	30.5
ROCE (%)	7.0	8.3	8.3	11.2
P/E (x)	31.48	17.23	16.73	17.36

Source: Company, Capitaline. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs117

### India

### Pharma

**Pinakin Parekh, CFA<sup>AC</sup>**

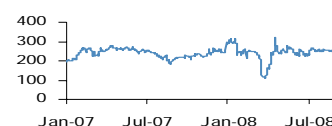
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-46	-54	-49
Relative (%)	-18	-26	-7

Source: Bloomberg.

### Company data

52-week range (Rs)	106-343
Mkt cap. (RsMM)	8288
Mkt cap. (US\$MM)	168
Avg daily volume (MM)	0.4
Avg daily value (US\$MM)	1.8
Shares O/S (MM)	70
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	35.7
Exchange rate	49.3

Source: Bloomberg.



## Orchid Chemicals: Summary of financials

## Profit and loss statement

Rs in millions, Y/E Mar	FY05	FY06	FY07	FY08
Revenues	7,223	9,366	9,638	13,010
% change Y/Y	6	30	3	35
EBITDA	1,565	2,224	2,489	3,400
% change Y/Y	8	42	12	37
EBITDA margin (%)	22	24	26	26
EBIT	927	1,365	1,638	2,393
% change Y/Y	7	47	20	46
EBIT margin (%)	13	15	17	18
Net financial income	(727)	(715)	(713)	(107)
Earnings before tax	200	650	926	2,286
% change Y/Y	-26	225	42	147
Tax	21	(77)	(140)	(532)
as % of EBT	-11	12	15	23
Net income (adjusted)	221	573	786	1,753
% change Y/Y	-12	159	37	123
Shares outstanding	59	84	112	259
EPS (adjusted) (Rs)	3.7	6.8	7.0	6.8
% change Y/Y	8	83	3	-4

## Cash flow statement

Rs in millions, Y/E Mar	FY05	FY06	FY07	FY08
EBIT	927	1,365	1,638	2,393
Depreciation	637.8	858.2	850.9	1006.8
Changes in working capital	593.7	1938.9	-1987.7	1232.6
Other	(1,182)	(4,133)	584	(2,468)
Cash from operations	976	30	1086	2164
Capex	2733	2343	4830	6023
Cash from financing	1703	1927	4838	2480
Taxes	21	(77)	(140)	(532)
Net interest	(727)	(715)	(713)	(107)
Equity raised(repaid)	281	2,578	(3,690)	45
Debt raised(repaid)	2343	397.9	6038.5	3217.3
Dividends (Rs)	136.5	220.9	294	293.7
Beginning cash and Equivalents	90	73	49	1056
Ending cash and equivalents	73	49	1056	163

## Balance sheet

Rs in millions, Y/E Mar	FY05	FY06	FY07	FY08
Cash and cash equivalents	257	163	1,189	310
Accounts receivable	2,070	3,486	3,832	5,379
Inventories	4,006	4,482	6,116	6,492
Others	670	949	1,188	1,052
Current assets	7,003	9,079	12,325	13,233
Total investments	1	1	1	8
Net fixed assets	11,121	12,606	16,585	21,601
Total assets	14,657	18,206	21,339	26,355
Liabilities				
Provisions	200	297	417	783
Total current liabilities	2,726	2,679	6,648	7,338
Total debt	10,052	10,450	16,488	19,705
Other liabilities	0	0	0	0
Total liabilities	10,052	10,450	16,488	19,705
Shareholders' equity	4,605	7,756	4,851	6,650
BVPS	77.9	92.4	43.4	25.7

## Ratio analysis

%, year-end Mar	FY05	FY06	FY07	FY08
EBITDA margin	22	24	26	26
EBIT margin	13	15	17	18
Net profit margin	3	6	8	13
Sales growth	6	30	3	35
Net profit growth	-12	159	37	123
EPS growth	0	-25	0	0
Net debt to total capital	67	57	72	74
Net debt to equity	213	133	315	292
Sales/assets	49	51	45	49
Assets/equity	318	235	440	396
ROE	5.1	9.3	12.5	30.5
ROCE	7.0	8.3	8.3	11.2

Source: Company.

## Pantaloon Retail (India) Ltd

www.pantaloon.com

### Company description

Pantaloon Retail (India) Ltd (Pantaloon) is a leading retailer in India based on space and revenue. It operates multi-format stores, which have a presence in the value and lifestyle retailing segments. Currently, the company operates 101 hypermarkets (Big Bazaars), 143 supermarkets (Food Bazaars), 42 department stores (Pantaloon), and eight seamless malls (Central). Pantaloon has also ventured into home retailing with the launch of Home Towns.

### Positive share price drivers

(1) Core business (retail) earnings are expected to grow at a healthy pace over the next two years, driven by scale and better absorption of overheads. (2) Lower rentals should support margin growth. (3) Value retailing formats such as Big Bazaar and Food Bazaar could benefit from consumer down-trading during the slowing economic environment.

### Negative share price drivers

(1) Rising competitive pressure, with the likes of Reliance Retail, Birla Group, and Bharti-Walmart expanding their presence rapidly in the retail arena. (2) Lifestyle retailing sales could slow given slowing consumer spending amid weakening economic growth. (3) The current credit crisis could impact expansion plans of both developers and retailers.

### Valuation and risks

We have an Overweight rating on the stock with a sum-of-the-parts-based, Dec-08 price target of Rs550. Key risks to our rating and price target are:

(1) slowdown in consumer spending; and (2) changes in legislation impacting the rollout of organized retailing.

Bloomberg: PF IN; Reuters: PART.BO

Rs in millions, Y/E June	FY07	FY08E	FY09E	FY10E
Net sales	34,686	57,297	90,048	123,977
Net profit	-296	823	1,763	2,956
EPS (Rs)	-2.1	5.5	10.3	17.2
DPS (Rs)	0.5	0.8	1.5	2.6
Revenue growth (%)	79	65	57	38
Net profit growth (%)	NM	NM	114	68
EPS growth (%)	NM	NM	88	68
ROE (%)	NM	6	9	11
ROCE (%)	4	7	9	10
BVPS (Rs)	86.5	97.1	155.3	169.6
P/E (x)	NM	40.8	21.7	13.0
EV/EBITDA (x)	37.7	16.2	10.0	8.0
Dividend yield (%)	0.2	0.4	0.7	1.2

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs223.3

Price Target: Rs550

### India

### Retail

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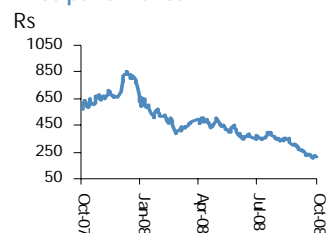
### Latika Chopra, CFA

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J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	6M	12M
Absolute (%)	-27	-55	-58
Relative (%)	1	-25	-28

Source: Bloomberg.

### Company data

52-week range (Rs)	194-875
Mkt cap. (RsMM)	38,303
Mkt cap. (US\$MM)	777
Avg daily value (US\$MM)	1.6
Avg daily volume (MM)	0.2
Shares O/S (MM)	172
Index: Sensex	10170
Exchange rate	49.3

Source: Bloomberg.



## Petronet LNG Limited

www.petronetlng.com

### Company description

Petronet LNG Limited (PLNG) owns and operates a 5mMTPA (18mmscmd) LNG terminal in Dahej on India's west coast. It gets a fixed rupee denominated re-gassification charge for receiving and regassification of LNG sourced from RasGas (Qatar); it has committed off-take agreements for LNG. PLNG is expanding its Dahej terminal and setting up a new terminal in Kochi.

### Positive share price drivers

PLNG is India's major and only listed LNG play. Optimal use of capacity and low-cost expansion should secure future cash flow, contingent on LNG supplies. We believe near-term earnings are being driven by high capacity utilization with spot/medium term contracts. Low-cost brownfield expansion in Dahej should give PLNG scale efficiencies ensuring competitiveness. A huge demand-supply gap in the domestic gas market should drive LNG demand in India.

### Negative share price drivers

PLNG has not tied up long-term gas supply for the entire capacity, and spot LNG would not be very competitive against domestic gas when supply increases. Also, any regulatory interference in setting of re-gassification tariffs would be a risk although current charges have been negotiated on commercial terms with off-takers.

### Valuation and risks

We are Overweight on the stock with a Sep-09 PT of Rs60; our PT is based on DCF fair value and factors in just 65% capacity utilization (11.5mmt of regas volumes vs. 17.5mmt of regas capacity). Currently, the stock is factoring in just ~50% capacity utilization (8.5mmt), in our view. Key risks are LNG sourcing and project delays.

Bloomberg: PLNG IN; Reuters: PLNG.BO

Rs in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
Net sales	65,553	72,179	141,518	199,201
EBITDA	8,661	8,419	10,041	9,210
Net profit	4,747	4,356	4,569	4,104
EPS (Rs)	6.33	5.81	6.09	5.47
Net profit growth (%)	52	-8	5	-10
ROE (%)	32.8	24.6	21.9	17.1
ROCE (%)	26.1	20.5	20.7	16.4
P/E (x)	6.42	6.99	6.67	7.42
P/B (x)	1.88	1.58	1.35	1.20

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008

## Overweight

Price: Rs40.6

Price Target: Rs60.0

### India

#### Natural Gas

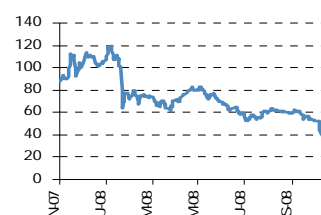
#### Pradeep Mirchandani<sup>AC</sup>

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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-27	-28	-44
Relative (%)	0	0	-2

Source: Bloomberg.

### Company data

52-wk range (Rs)	122 - 35.45
Mkt cap. (Rs MM)	30412.5
Mkt cap. (US\$ MM)	617
Avg. daily volume (MM)	1.42
Average daily value (US\$ MM)	1.63
Shares O/S (MM)	750.00
Date of Price	22-Oct
Index (BSE Sensex)	10,170
Free float (%)	35%
Exchange rate	49.3

Source: Bloomberg.

## Petronet LNG Limited: Summary of financials

Profit and Loss statement					Cash flow statement				
Rs in millions, year-end Dec	FY08A	FY09E	FY10E	FY11E		FY08A	FY09E	FY10E	FY11E
Revenues	65,553	72,179	141,518	199,201	EBIT	7,640	7,317	8,257	7,389
% change Y/Y	19%	10%	96%	41%	Depreciation & amortisation	1,022	1,101	1,785	1,821
EBITDA	8,661	8,419	10,041	9,210	Change in working capital	2,300	(2,779)	(1,552)	(771)
% change Y/Y	34%	-3%	19%	-8%	Taxes	(2,185)	(1,731)	(1,359)	(1,348)
EBITDA Margin (%)	13%	12%	7%	5%	Others	729	853	524	892
EBIT	7,640	7,317	8,257	7,389	Cash flow from operations	9,505	4,762	7,654	7,983
% change Y/Y	40%	-4%	13%	-11%	Capex	(6,042)	(6,700)	(3,500)	(10,000)
EBIT Margin (%)	12%	10%	6%	4%	Change in investments	(2,693)	957	1,477	(248)
Net financial income	(488)	(757)	(1,376)	(1,208)	Interest	(1,258)	(1,610)	(1,900)	(2,100)
Earnings before tax	7,152	6,561	6,880	6,181	Free cash flow	(489)	(2,591)	3,731	(4,366)
% change Y/Y	50%	-8%	5%	-10%	Equity raised/ (repaid)	-	-	-	1.0
Tax	(1,623)	(2,405)	(2,204)	(2,312)	Debt raised/ (repaid)	1,944	4,224	(2,000)	6,000
as % of EBT	23%	37%	32%	37%	Dividends paid	(1,316)	(1,274)	(1,336)	(1,200)
Net Income	4,747	4,356	4,569	4,104	Beginning cash	3,405	3,586	3,944	4,339
% change Y/Y	52%	-8%	5%	-10%	Ending cash	3,586	3,944	4,339	4,772
Shares Outstanding	750	750	750	750					
EPS	6.3	5.8	6.1	5.5					
% change Y/Y	52%	-8%	5%	-10%					
Balance sheet					Ratio Analysis				
	FY08A	FY09E	FY10E	FY11E	% , year-end Mar	FY08A	FY09E	FY10E	FY11E
Cash and cash equivalents	3,586	3,944	4,339	4,772	EBITDA margin	13%	12%	7%	5%
Accounts receivable	3,330	3,955	7,367	9,824	EBIT margin	12%	10%	6%	4%
Inventories	909	1,978	3,683	5,185	Net profit margin	7%	6%	3%	2%
Others	3,651	3,831	4,021	4,220					
Current assets	11,476	13,708	19,409	24,000	Sales growth	19%	10%	96%	41%
Total Investments	5,473	4,516	3,039	3,287	Net profit growth	52%	-8%	5%	-10%
Net fixed assets	26,293	31,892	33,608	41,787					
Liabilities	4,303	4,678	8,742	12,276	Interest coverage (x)	6.9	5.2	5.3	4.4
Provisions	4,285	3,005	2,696	2,549	Net debt to total capital	0.4	0.4	0.3	0.4
Total current liabilities	8,588	7,683	11,438	14,824	Net debt to equity	0.8	0.8	0.6	0.8
Total assets	34,654	42,433	44,618	54,250	Sales/assets	1.9	1.7	3.2	3.7
Total debt	15,776	20,000	18,000	24,000	Assets/equity	2.1	2.2	2.0	2.1
Other liabilities	2,692	3,165	4,118	4,846	ROE	32.8%	24.6%	21.9%	17.1%
Total liabilities	18,468	23,165	22,118	28,846	ROCE	26.1%	20.5%	20.7%	16.4%
Shareholders' equity	16,185	19,268	22,500	25,404					
BVPS	21.6	25.7	30.0	33.9					

Source: Company, J.P. Morgan estimates.

## Piramal Healthcare

www.npilpharma.com

### Company description

Piramal Healthcare is the fourth-largest domestic pharmaceutical company, with a very strong domestic field force. The company has established a decent contract manufacturing business and endeavors to be a partner of choice for the major global pharmaceuticals.

### Positives

Strong and stable domestic business. The company has a very strong domestic formulations business with some of the strong brands such as Bactrim, Phenergan and Stemetil. The company says there could be potential upsides in the future in-licensing deals, which could spur revenues in the next few years.

### Negatives

Large chunk of business (47%), which is CRAMS focused is contract based and volatile, and according to management a higher-than-expected slowdown in the domestic formulations business could negatively affect both the top line and bottom-line as this is a relatively higher margin business.

### Valuation

The stock is trading at consensus FY10E P/E of 4.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

Bloomberg: PIHC IN, Reuters: GLEN.BO

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	14,934	13,082	15,894	24,173
EBITDA	2,551	1,626	1,942	3,273
Net profit	1,997	1,641	1,242	2,283
EPS (Rs)	50.7	7.8	5.6	10.5
Sales growth (%)	1.9	-12.4	21.5	52.1
Net profit growth (%)	69	-18	-24	84
ROE (%)	41.0	20.9	11.8	21.0
ROCE (%)	23.8	9.8	8.2	13.9
P/E (x)	4.4	28.8	39.9	21.3

Source: Bloomberg, Capitaline. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs224

### India

### Pharma

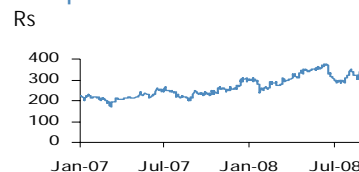
### Pinakin Parekh, CFA<sup>AC</sup>

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J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-32	-21	-5
Relative (%)	-5	7	37

Source: Bloomberg.

### Company data

52-week range (Rs)	205-388
Mkt cap. (RsMM)	46923
Mkt cap. (US\$MM)	951
Avg daily volume (MM)	0.2
Avg daily value (US\$MM)	1.4
Shares O/S (MM)	209
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	53.7
Exchange rate	49.3

Source: Bloomberg.

## Piramal Healthcare: Summary of financials

### Profit and loss statement

Rs in millions, Y/E Mar	FY05	FY06	FY07	FY08
Revenues	14,934	13,082	15,894	24,173
% change Y/Y	2	-12	21	52
EBITDA	2,551	1,626	1,942	3,273
% change Y/Y	8	-36	19	69
EBITDA margin (%)	17	12	12	14
EBIT	2,022	1,102	1,254	2,455
% change Y/Y	17	-46	14	96
EBIT margin (%)	14	8	8	10
Net financial income	19	1,005	228	216
Earnings before tax	2,041	2,107	1,482	2,671
% change Y/Y	40	3	-30	80
Tax	(39)	(463)	(237)	(388)
as % of EBT	2	22	16	15
Net income (adjusted)	1,997	1,641	1,242	2,283
% change Y/Y	69	-18	-24	84
Shares outstanding	39	210	221	217
EPS (adjusted) (Rs)	50.7	7.8	5.6	10.5
% change Y/Y	1186	-85	-28	87

### Cash flow statement

Rs in millions, Y/E Mar	FY05	FY06	FY07	FY08
EBIT	2,022	1,102	1,254	2,455
Depreciation	528.7	524.4	688.1	818.2
Changes in working Capital	404.4	-179.2	2344.4	-617.8
Other	(589)	126	(2,583)	(1,324)
Cash from Operations	2367	1573	1703	1332
Capex	2131	3664	2508	1166
Cash from Financing	(661)	699	14	(64)
Taxes	(39)	(463)	(237)	(388)
Net interest	19	1005	228	216
Equity raised(repaid)	(661)	2,970	(523)	(2,219)
Debt raised(repaid)	106.6	-565.6	3277.8	771.1
Dividends (Rs)	570.1	570.1	627.1	731.6
Beginning cash and equivalents	155	75	109	221
Ending cash and equivalents	75	109	221	341

### Balance sheet

Rs in millions, Y/E Mar	FY05	FY06	FY07	FY08
Cash and cash equivalents	155	953	506	551
Accounts receivable	1,460	2,429	3,673	4,457
Inventories	2,705	2,776	4,402	4,032
Others	1,336	1,601	1,912	2,654
Current assets	5,656	7,759	10,494	11,694
Total investments	37	287	287	653
Net fixed assets	7,278	10,418	12,238	12,585
Total assets	9,850	14,124	18,152	19,035
Liabilities				
Provisions	804	1,064	316	1,222
Total current liabilities	3,121	4,340	4,866	5,898
Total debt	3,680	3,114	6,392	7,163
Other liabilities	637	866	898	945
Total liabilities	4,317	3,981	7,290	8,109
Shareholders' equity	5,533	10,144	10,862	10,926
BVPS	140.4	48.2	49.2	50.4

### Ratio analysis

%, Y/E Mar	FY05	FY06	FY07	FY08
EBITDA margin	17	12	12	14
EBIT margin	14	8	8	10
Net profit margin	13	13	8	9
Sales growth	2	-12	21	52
Net profit growth	69	-18	-24	84
EPS growth	43	0	0	17
Net debt to total capital	36	15	32	35
Net debt to equity	64	21	54	61
Sales/assets	152	93	88	127
Assets/equity	178	139	167	174
ROE	41.0	20.9	11.8	21.0
ROCE	23.8	9.8	8.2	13.9

Source: Company.

# Punj Lloyd

www.punjilloyd.com

## Company description

Punj Lloyd is a global engineering and construction company with an order backlog of Rs217 billion in pipelines, tankages, infrastructure and process plants. Its operations are spread across regions in the Middle East, Caspian, Asia Pacific, South Asia and to a small extent in Africa and Europe. Along with subsidiaries Sembawang in Singapore and Simon Carves in the UK, the group offers a range of services in O&G, petrochemical and infrastructure sectors. Punj Lloyd plans to leverage its Pipavav facilities for offshore O&G projects in the medium term.

## Positive share price drivers

(1) Execution of Rs.217 billion order backlog is strong. (2) Completion of legacy orders in FY09. (3) Recovery of cost overruns from SABIC are reported before end FY09. (4) Higher-than-expected margins on procurement component of large orders.

## Negative share price drivers

(1) Slowdown in the Middle East and domestic O&G capex resulting in slowdown of pipeline order flows. (2) Losses on long-term legacy orders in progress. (3) Failure to recover cost overruns from SABIC and overhang persists beyond FY09.

## Valuation and risks

Punj Lloyd (DCF-based Mar-09 PT of Rs340) is trading at P/E of 7.8x FY10E earnings, and current OB provides earnings visibility through FY10. We believe valuation for the capital goods space in general and Punj in particular is attractive, although near-term equity market sentiment for capex plays remains weak. Key risks to our PT are slowdown in O&G capex and cost overruns on fixed price OB.

Bloomberg: PUNJ IN; Reuters: PUJL.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Net sales	51,265	77,529	108,488	131,624
Net profit	1,972	3,213	4,842	6,671
EPS (Rs)	7.5	10.6	15.4	21.3
DPS (Rs)	0.4	0.5	0.6	0.7
Net sales growth (%)	204.3	51.2	39.9	21.3
Net profit growth (%)	255.5	62.9	50.7	37.8
EPS growth (%)	255.3	40.3	45.9	37.8
ROE (%)	15.4	17.8	13.7	14.3
P/E (x)	22.1	15.8	10.8	7.8
P/BV (x)	3.4	1.8	1.2	1.1
EV/EBITDA (x)	28.0	15.6	11.6	9.3

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs167

Price Target: Rs340

### India

### Engineering

Shilpa Krishnan<sup>AC</sup>

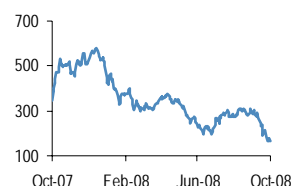
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	(41.4)	(28.3)	(49.9)
Relative (%)	(15.1)	(1.4)	(8.4)

Source: Bloomberg.

### Company data

52-week range (Rs)	160.2-589.1
Mkt cap. (Rs B)	52.0
Mkt cap. (US\$B)	1.1
Avg daily value (US\$MM)	33.5
Avg daily volume (MM)	6.20
Shares O/S (MM)	311.0
Date of price	22-Oct-08
Index: BSE Sensex	10,169.9
Free float (%)	54.1
Exchange rate	49.3

Source: Bloomberg.



## Punj Lloyd (Standalone): Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Revenues	29,713	49,915	73,970	90,893
% change Y/Y	76	68	48	23
EBITDA	3,678	6,618	8,906	11,082
% change Y/Y	93	80	35	24
EBITDA Margin (%)	12	13	12	12
EBIT	3,041	5,459	8,113	10,810
% change Y/Y	138	80	49	33
EBIT Margin (%)	10	11	11	12
Net Interest	(391)	(996)	(1,144)	(1,294)
Earnings before tax	2,649	4,835	6,969	9,516
% change Y/Y	219	83	44	37
Tax	(690)	(1,235)	(2,128)	(2,846)
as % of EBT	26	26	31	30
Net Income (adjusted)	1,972	3,213	4,842	6,671
% change Y/Y	256	63	51	38
Shares Outstanding	261	303	313	313
EPS (adjusted)	7.5	10.6	15.4	21.3

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
EBIT	3,041	5,459	8,113	10,810
Depreciation & amortization	1,062	1,462	1,691	1,942
Change in working capital	2,178	(10,650)	(5,232)	(3,393)
Taxes	(690)	(1,235)	(2,128)	(2,846)
Others	803	794	760	999
Cash flow from operations	6,393	(4,170)	3,203	7,512
Capex	(2,500)	(4,500)	(4,000)	(2,800)
Free cash flow	3,893	(8,670)	(797)	4,712
Interest Paid	(1,185)	(1,806)	(1,904)	(2,293)
Dividend Paid	(92)	(142)	(176)	(211)
Investments movement	(1,283)	(3,759)	(1,000)	(1,000)
Sale of Assets	(1,173)	-	-	-
Change in Debt	11,442	(920)	-	6,000
Change in Equity	0	8,180	11,190	(20)
Others	-	-	-	-
Beginning cash	1,106	10,027	6,898	14,211
Ending cash	10,027	6,898	14,211	21,399
DPS	0.4	0.5	0.6	0.7

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Cash and cash equivalents	10,027	6,898	14,211	21,399
Accounts receivable	12,234	20,901	27,762	32,600
Inventories	15,017	20,592	28,815	34,960
Others	4,972	7,429	10,446	12,673
Current assets	42,250	55,820	81,233	101,632
Total Investments	1,698	5,458	6,458	7,458
Net fixed assets	13,503	16,363	18,672	19,530
Total assets	57,452	77,640	106,363	128,620
Liabilities				
Payables	13,657	19,284	26,984	32,739
Others	11,773	12,195	17,362	21,425
Total current liabilities	25,430	31,479	44,346	54,164
Total debt	16,992	16,072	16,072	22,072
Other liabilities	2,240	2,657	2,636	2,615
Total liabilities	44,662	50,208	63,054	78,851
Shareholders' equity	12,789	27,433	43,309	49,769
BVPS	49	90	138	159

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08	FY09E	FY10E
Operating EBITDA margin	12	13	12	12
EBIT margin	10	11	11	12
Net profit margin	7	6	7	7
SG&A/sales				
Sales growth	76	68	48	23
Net profit growth	256	63	51	38
EPS growth	255	40	46	38
Interest coverage (x)	7.8	5.5	7.1	8.4
Net debt to total capital	0.1	0.1	0.0	0.0
Net debt to equity	0.5	0.3	0.0	0.0
Sales/assets	1.0	1.1	1.2	1.2
Assets/equity	2.4	1.6	1.4	1.5
ROE	15	18	14	14
ROCE	13	14	13	13

Source: Company, J.P. Morgan estimates.

## Punjab National Bank

www.pnbindia.com

### Company description

PNB is the second-largest state-owned bank in India, with a 4.8% market share in deposits and total assets of US\$39.8 billion as of Mar-08. It has 4,592 branches (including extension counters) across the country, with 40% of these concentrated in the north. The government holds a 58% stake in PNB, and the bank's FII ownership is 19.8%.

### Positive share price drivers

We believe PNB has a proactive management with focus on profitability, balance sheet capacity, superior core operating profit growth and improvement in margins.

### Negative share price drivers

Deterioration in asset quality, lowering of low-cost deposit mix, increase in operating expenses and slowing credit cycle leading to weaker margins and higher provisioning.

### Valuation and risks

We value PNB using the Gordon Growth Model. Our Sept-09 price target for the stock is Rs678. The key risks to our price target include deterioration in CASA mix leading to reduction in margins, deterioration in asset quality and higher-than-expected wage/technology expenses.

Bloomberg: PNB IN; Reuters: PNBK.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Net profit	15,400	18,778	23,964	29,000
EPS (Rs)	48.8	59.6	76.0	92.0
EPS growth (%)	7.0	21.9	27.6	21.0
P/E (x)	9.7	7.7	6.0	5.0
BVPS (Rs)	331.0	378.9	441.9	518.9
P/B (x)	1.4	1.2	1.0	0.9
ROE (%)	15.5	16.8	18.5	19.1
Tier I ratio (%)	8.9	8.6	8.4	8.4
DPS (Rs)	11.6	11.6	13.0	15.0
Dividend Yield (%)	2.5	2.5	2.8	3.2

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs472.15

Price Target: Rs678.00

### India

#### Banks

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J. P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-8.5	-0.43	-8.1
Relative (%)	25.1	38.5	56.5

Source: Bloomberg.

### Company data

52-week range (Rs)	330-721
Mkt cap. (RsMM)	148,841
Mkt cap. (US\$MM)	2,976
Avg daily value (US\$MM)	9.4
Avg daily volume (MM)	0.98
Shares O/S (MM)	411
Date of price	22-Oct-08
Index: BSE Sensex	10,170
Free float (%)	42
Exchange rate	49

Source: Bloomberg, BSE.

## Punjab National Bank: Summary of financials

Rs in millions, year-end March

Income statement	FY07	FY08	FY09E	FY10E	Balance sheet/gearing (%)	FY07	FY08	FY09E	FY10E
Margins (% of earning assets)	3.65%	3.51%	3.48%	3.46%	Loan/deposit	69.1	70.8	72.0	72.7
Earning Assets/Assets (%)	98%	98%	98%	98%	Investment/assets	27.8	27.9	27.0	26.6
NIM (as % of avg. assets)	3.58%	3.45%	3.41%	3.40%	Loan/assets	59.5	60.9	61.8	62.3
Net interest income	55,146	60,777	70,583	82,249	Customer deposits/liab.	92.0	91.7	91.6	91.4
Total non-interest revenues	13,575	15,790	18,224	21,034	LT debt/liabilities	0.0	0.0	0.0	0.0
Fee income	11,808	13,634	15,744	18,182	Asset quality/capital (%)				
FX/Trading gains	1,767	2,156	2,479	2,851	Loan loss reserves/loans	2.68	2.33	2.08	2.06
Other operating income	0	0	0	0	NPLs/loans	3.42	3.59	2.97	2.74
Total operating revenues	68,721	76,568	88,806	103,283	Loan loss reserves/NPLs	78.6	65.0	70.0	75.0
Operating costs	(33,263)	(38,290)	(42,251)	(46,682)	Growth in NPLs	8.0	25.7	-1.7	8.7
Operating profit	35,458	38,277	46,556	56,602	Tier 1 ratio	8.93	8.56	8.42	8.41
Loan loss provisions	(7,518)	(8,617)	(11,339)	(14,418)	Total CAR	12.29	11.92	11.8	11.8
Other provisions	(4,950)	(5)	550	1,100	Per share data				
Exceptionals	0	0	0	0	EPS (Rs)	48.8	59.6	76.0	92.0
Disposals/ Other income	0	0	0	0	Dividend (Rs)	11.6	11.6	13.0	15.0
Pre-tax profit	22,990	29,655	35,767	43,284	Payout ratio (%)	23.7	19.5	17.1	16.3
Tax [rate]	(7,590)	(10,877)	(11,803)	(14,284)	NAV	331.0	378.9	441.9	518.9
Minorities/preference dividends	0	0	0	0	Avg. shares issued (MM)	315.3	315.3	315.3	315.3
Attributable net income	15,400	18,778	23,964	29,000	DuPont analysis (%)				
Key balance sheet					NIR/avg. assets	3.58	3.45	3.41	3.40
Net customer loans	965,965	1,159,158	1,379,398	1,627,690	Non IR/total rev	19.8	20.6	20.5	20.4
Gross loans	992,616	1,186,859	1,408,732	1,661,856	Total rev/avg. assets	4.47	4.34	4.30	4.26
Investments	451,898	531,364	602,172	696,023	Cost/income	48.4	50.0	47.6	45.2
Other earning assets	149,955	148,954	175,380	206,300	Cost/assets	2.16	2.17	2.04	1.93
Average earning assets = (A)	1,510,997	1,730,823	2,026,730	2,375,232	Operating ROAA	2.30	2.17	2.25	2.34
Total assets	1,624,225	1,904,184	2,230,343	2,613,542	LLP/loans	-0.85	-0.79	-0.87	-0.94
Interbank funding	(0)	(0)	0	0	Loan/assets	57.5	61.8	62.8	63.4
Customer deposits	1,398,597	1,636,358	1,914,539	2,240,011	Other inc:provs	-0.32	0.00	0.03	0.05
Other interest bearing liabilities	56,437	70,546	84,655	101,586	Tax	33.0	36.7	33.0	33.0
Avg. interest bearing liab. = (B)	1,369,052	1,580,969	1,853,049	2,170,395	MI	0.0	0.0	0.0	0.0
Average assets	1,538,449	1,764,204	2,067,264	2,421,943	ROAA	1.00	1.06	1.16	1.20
Shareholders' equity	104,355	119,475	139,340	163,611	RORWA	1.53	1.51	1.61	1.65
Risk weighted assets	1,131,061	1,357,273	1,615,155	1,905,883	Equity/assets	6.44	6.34	6.26	6.25
Average risk weighted assets	1,009,145	1,244,167	1,486,214	1,760,519	ROE	15.55	16.78	18.5	19.1

Source: Company, J.P. Morgan estimates.

## Puravankara Projects

www.puravankara.com

### Company description

Puravankara Projects (Puravankara) is one of the leading real estate developers in South India, with the promoter group having a track record of more than 32 years in real estate development. Historically, the company has focused on Bangalore, but recently it ventured into other major South Indian cities. Puravankara's primary market is the middle income residential segment, where affordability dynamics are better than the higher income group.

### Positive share price drivers

(1) Low land costs coupled with clear land titles ensures a certain minimum locked in profitability. (2) Entry into mass housing could be significantly positive given the segment is largely underserved at present. (3) The joint venture with Keppel Land gives access to best practices and aids execution. (5) Puravankara has already sold >50% of the residential area under development (18.3msf) with over Rs15 billion yet to be recognized as revenue from projects under development. (4) The company's disclosure standards (quarterly audited balance sheet, etc) are the best among peers in our view.

### Negative share price drivers

(1) Bangalore is a competitive market with the presence of large developers such as Prestige, Sobha, RMZ, and DLF. (2) Execution risk—given the extensive scale-up in development plans. (3) off-take risk, especially in Bangalore—given the region accounts for ~65% of the company's land reserves.

### Valuation and risks

We maintain our Neutral rating on the stock with a Mar-09 price target of Rs161, based on a 50% discount to our FY09 NAV estimate. Key risks to our price target are: (1) property price slowdown beyond what is already factored in; and (2) execution risk.

Bloomberg: PVKP IN; Reuters: PPRO.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	4,169	5,658	7,929	13,009
Net profit	1,291	2,400	2,978	4,208
EPS (Rs)	6.0	11.2	14.0	19.7
Net sales growth (%)	49	36	40	64
Net profit growth (%)	68	86	24	41
P/E (x)	16.1	8.6	7.0	4.9
Net debt/equity	288	51	70	87
BPS	10.4	56.8	69.6	87.7
P/B	9.3	1.7	1.4	1.1
ROE (%)	58	20	20	22

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs97.1

Price Target: Rs161

India

Property

Saurabh Kumar<sup>AC</sup>

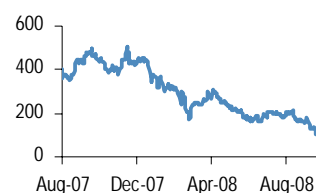
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J.P.Morgan India Private Limited

Price performance

Rs



Source: Bloomberg.

Performance

	1M	3M	12M
Absolute (%)	-43.4	-48.5	-79.5
Relative (%)	-16.0	-20.6	-37.2

Source: Bloomberg.

Company data

52-week range (Rs)	535 - 80.05
Mkt cap. (RsM)	20,307
Mkt cap. (US\$M)	412
Avg. daily volume (MM)	0.1
Avg daily value (US\$M)	0.4
Shares O/S (MM)	213
Date of price	22-Oct-08
Index (BSE Sensex)	10170
Free float (%)	10.0
Exchange rate	49.3

Source: Bloomberg.

## Puravankara Projects: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Revenues	4,169	5,658	7,929	13,009
% change Y/Y	49	36	40	64
EBITDA	1,361	2,124	2,867	4,676
% change Y/Y	50	56	35	63
EBITDA margin (%)	33	38	36	36
EBIT	1,336	2,075	2,814	4,615
% change Y/Y	50	55	36	64
EBIT margin (%)	32	37	35	35
Net financial income	(12)	98	(14)	(34)
Earnings before tax	1,323	2,173	2,800	4,581
% change Y/Y	60	64	29	64
Tax	(172)	(67)	(280)	(916)
as % of EBT	13	3	10	20
Net income (adjusted)	1,291	2,400	2,978	4,208
% change Y/Y	68	86	24	41
Shares outstanding (MM)	213	213	213	213
EPS (adjusted)	6.0	11.2	14.0	19.7
% change Y/Y	68	86	24	41

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Cash and cash equivalents	374	350	549	432
Trade debtors	459	824	989	1,187
Inventories	3,146	5,039	11,921	26,923
Loans and advances	2,296	2,878	5,378	7,878
Current assets	6,275	9,090	18,837	36,419
Property held for development	7,008	12,920	15,132	17,088
Total Investments	371	887	1,345	1,887
Net fixed assets	389	497	543	582
Total current liabilities	5,053	4,733	9,965	20,626
Total assets	14,043	23,394	35,857	55,976
Total Debt	6,761	6,524	11,024	16,624
Other liabilities	11	10	10	10
Total liabilities	11,825	11,267	20,999	37,260
Shareholders' equity	2,218	12,127	14,858	18,716
BVPS	10.4	56.8	69.6	87.7

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
EBIT	1,336	2,075	2,814	4,615
Depreciation & amortization	25	49	53	61
Change in working capital	(6,044)	(9,366)	(6,527)	(8,994)
Taxes	(172)	(67)	(280)	(916)
Others	-	-	-	-
Cash flow from operations	(4,856)	(7,308)	(3,940)	(5,235)
Capex	(214)	(161)	(100)	(100)
Interest	(12)	98	(14)	(34)
Free cash flow	(5,070)	(7,469)	(4,040)	(5,335)
Equity raised/ (repaid)	7,970	-	-	-
Debt raised/ (repaid)	5,139	(237)	4,500	5,600
Dividends paid	-	(239)	(247)	(349)
Beginning cash	444	374	350	549
Ending cash	374	350	549	432

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07A	FY08A	FY09E	FY10E
EBITDA margin	33	38	36	36
EBIT margin	32	37	35	35
Net profit margin	31	42	38	32
Sales growth	49	36	40	64
Net profit growth	68	86	24	41
Debt to equity	3.0	0.5	0.7	0.9
Net debt to equity	2.9	0.5	0.7	0.9
Sales/assets	0.3	0.2	0.2	0.2
Assets/equity	6.3	1.9	2.4	3.0
ROE	58	20	20	22
ROCE	15	12	12	12

Source: Company, J.P. Morgan estimates.

## Ranbaxy Laboratories

www.ranbaxy.com

### Company description

Ranbaxy is one of India's best known pharmaceuticals company with both a very strong domestic formulations business and a robust regulated markets formulations export business. It pioneered the strategy of FTF fuelled growth in US markets with the best known Lipitor case.

### Positive share price drivers

The company has a very strong domestic formulations business with a current market share of more than 5%. Over the past few years the company has established a strong global presence especially in the emerging markets and that should continue to fuel growth in the next few years. The company also has a host of FTF lined up for the next few years, which should continue to drive US revenue growth.

### Negative share price drivers

Continued loss in the US revenues if the company loses the ongoing investigations by FDA. A slower-than-expected growth in the domestic formulations business could also affect both the top line and bottom line of the company as this is a relatively higher margins business. A delay in getting critical approval of the ANDAs of the potential FTFs could affect the top line as US revenue form around 25% of the total company sales.

### Valuation and risks

Our Sept-09 price target of Rs300 is based on a sum-of-the-parts method, where we value base business at Rs 247 and FTF at Rs53 per share. A key upside risk is a reversal of the import ban over the next few months, while downside risk include potential complete ban of Ranbaxy products in the US.

**Bloomberg: RBXY IN, Reuters: RANB BO**

Rs in millions, year-end December

	FY07	FY08E	FY09E	FY10E
Turnover	66,478	72,256	80,696	93,001
Net profit (Reported)	7,742	6,466	11,893	15,103
Net profit Ex FTF	4,784	6,242	7,560	8,934
EPS reported (Rs)	19.3	17.3	31.8	40.4
EPS ex FTF (Rs)	11.9	13.6	16.4	19.4
EPS growth % ex FTF	-5	14	21	18
ROE %	29	14	15	16
P/E (x)	14.7	9.8	5.1	3.7
EV/EBIDTA (x)	1.5	1.3	1.3	1.2

Source: Company, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs261

Price Target: Rs300

India

Pharma

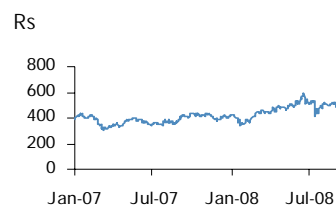
**Pinakin Parekh, CFA<sup>AC</sup>**

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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-26	-44	-38
Relative (%)	2	-16	5

Source: Bloomberg.

### Company data

52-week range (Rs)	236-660
Mkt cap. (RsMM)	96727
Mkt cap. (US\$MM)	1961
Avg daily value (US\$MM)	4.6
Avg daily volume (MM)	38.1
Shares O/S (MM)	374
Date of price	22-Oct-08
Index: Sensex	10170
Free float (%)	40.3
Exchange rate	49.3

Source: Bloomberg.

## Ranbaxy Laboratories: Summary of financials

Rs in millions, year-end December

### Profit and loss statement

	FY07	FY08E	FY09E	FY10E
Revenues	66,478	72,256	80,696	93,001
% change Y/Y	10.5	8.7	11.7	15.2
EBITDA	9,144	9,745	9,412	10,751
% change Y/Y	5.0	6.6	-3.4	14.2
EBITDA Margin (%)	13%	13%	13%	13%
EBIT	6,961	7,397	6,925	8,143
% change Y/Y	1.4	6.3	-6.4	17.6
EBIT margin (%)	10%	10%	10%	10%
Net interest	-1,193	81	2,200	2,700
Earnings before tax	9,983	7,928	9,575	11,293
% change Y/Y	53.3	-20.6	20.8	17.9
Tax	2,119	1,586	1,915	2,259
as % of EBT	21.2	20.0	20.0	20.0
Net income (Reported)	7,742	6,466	11,893	15,103
Net income (Ex FTF)	4,784	6,242	7,560	8,934
Shares outstanding	401	460	460	460
EPS (Reported) (Rs)	19.3	17.3	31.8	40.4
EPS (Ex FTF) (Rs)	11.9	13.6	16.4	19.4
% change Y/Y	49.5	-10.4	83.9	27.0

### Balance sheet

	FY07	FY08E	FY09E	FY10E
Cash and cash equivalents	4,379	21,544	35,638	42,717
Accounts receivable	14,931	15,749	16,065	17,705
Inventories	16,408	16,143	16,660	18,361
Loans and advances	7,426	7,000	7,000	7,000
Other current assets	1,616	1,200	1,200	1,200
Current assets	44,759	61,637	76,563	86,982
LT investments	2,403	5,903	5,903	5,903
Net fixed assets	45,619	44,698	44,710	46,602
Total assets	92,781	112,237	127,176	139,488
Liabilities				
Total current liabilities	21,327	14,747	14,244	15,055
Long term debt	41,416	28,656	20,000	20,000
Other liabilities	2,017	2,150	2,200	2,250
Total liabilities	64,760	45,553	36,444	37,305
Shareholders' equity	28,022	66,685	90,732	102,183
BVPS	69.9	145.0	197.2	222.1

Source: Company, J.P. Morgan estimates.

### Cash flow statement

	FY07	FY08E	FY09E	FY10E
Net profit reported	7,742	6,466	11,893	15,103
Net profit core	4,784	6,242	7,560	8,934
Depreciation & amortization	2,183	2,348	2,488	2,608
Change in working capital	673	137	-835	-2,530
Cash flow from operations	10,599	8,951	13,546	15,180
Capex	-5,268	-1,426	-2,500	-4,500
Change in other current assets	2,913	1,645	-1,000	0
Free cash flow	8,244	9,169	10,046	10,680
Equity raised/ (repaid)	-1,859	35,848	15,806	0
Debt raised/ (repaid)	1,860	-12,760	-8,656	0
Dividends paid	-3,711	-3,652	-3,652	-3,652
Investments	-2,041	-3,500	0	0
Other	-1,064	559	50	50
Net inc (dec) in cash	1,429	25,665	13,594	7,079
Beginning cash	2,951	4,379	21,544	35,638
Ending cash	4,379	21,544	35,638	42,717
DPS (Rs)	9.26	7.94	7.94	7.94

### Ratio analysis

%	FY07	FY08E	FY09E	FY10E
EBITDA margin	13	13	13	13
EBIT margin	10	10	10	10
Net profit margin on reported	7	9	10	11
SG&A/sales	14.7	14.8	13.1	12.3
Sales per share growth	8.9	(5.3)	11.7	15.2
Sales growth	10.5	8.7	11.7	15.2
Net profit growth reported	52	-16	84	27
EPS growth reported	49.5	-10.4	83.9	27.0
Interest coverage (x)	-7.7	120.8	4.3	4.0
Net debt to total capital	9.8	7.4	7.2	6.5
Net debt to equity	1.3	0.0	-0.2	-0.3
Sales/assets	71.6	64.4	63.5	66.7
Assets/equity	331.1	168.3	140.2	136.5
ROE	29	14	15	16
ROCE	16	19	21	23



# Reliance Communications

www.rcom.co.in

## Company description

Reliance Communications (RCOM) is an integrated telecom service provider with a pan-India footprint and a presence in wireless (CDMA and GSM), broadband (corporate and SME) and long-distance (global carrier) segments. RCOM came into being post the de-merger of the telecom business of erstwhile Reliance Industries (RIL) in January 2006, and was listed on March 6, 2006. RCOM stock is a constituent of the MSCI India portfolio (since May 2006).

## Positive share price drivers

(1) Sustained momentum in monthly wireless subscriber net additions (1.75MM) coupled with a recovery in wireless revenue growth. (2) Execution in the deployment of passive telecom infrastructure and build-up of 'external' occupancy/tenancy. (3) National GSM launch and subsequent market share gains. (4) Traction in the domestic enterprise data/services business.

## Negative share price drivers

(1) Sustained erosion in wireless pay-phone (PCO) revenues, leading to faster ARPU decline. (2) Delay in recovery of profitability/return ratios, which are depressed by high capex without commensurate revenue/EBITDA growth. (3) RCOM participating in 3G (WCDMA) spectrum auctions. (4) Increase in spectrum fee by the DoT.

## Valuation and risks

Our Jun-09 price target of Rs600 is based on the sum-of-the-parts method. RCOM shares are currently trading at an attractive 4.3x FY09E EV/EBITDA. However, there is downside risk to our EBITDA estimates, in light of weak 1Q FY09 results. The upside risk is higher-than-expected wireless revenue growth. The downside risks are a faster decline in wireless ARPU, delays in the GSM rollout and irrational bidding for 3G (WCDMA) spectrum.

Bloomberg: RCOM IN, Reuters: RLCM.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	144,683	190,678	255,106	320,057
EBITDA	57,211	81,991	111,450	136,675
Net profit	31,941	54,011	66,326	72,213
Diluted EPS (Rs)	14.80	25.03	30.74	33.47
DPS (Rs)	0.5	0.8	1.0	2.0
Sales growth (%)	34.3	31.8	33.8	25.5
EBITDA growth (%)	131.3	43.3	35.9	22.6
EPS growth (%)	523.8	69.1	22.8	8.9
ROE (%)	20.8	26.2	23.7	19.9
EV/EBITDA (x)	10.2	7.1	5.3	4.3
P/E (x)	15.9	9.4	7.7	7.0

Source: Company reports, Bloomberg, J. P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs235.45

Price Target: Rs600

## India

### Wireless Services

Manoj Singla<sup>AC</sup>

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manoj.singla@jpmorgan.com

J.P. Morgan India Private Limited

## Price performance



Source: Bloomberg.

## Performance

	1M	3M	12M
Absolute (%)	(44.3)	(61.6)	(74.8)
Relative (%)	(10.7)	(22.6)	(20.0)

Source: Bloomberg.

## Company data

52-week range (Rs)	214.2-844
Mkt cap. (Rs B)	486
Mkt cap. (US\$B)	9.85
Avg daily value (US\$MM)	71.7
Avg daily volume (MM)	9
Shares O/S (MM)	2,064
Date of price	22-Oct-08
Index: BSE Sensex	10,169.9
Free float (%)	33.2
Exchange rate	49.3

Source: Bloomberg.



## Reliance Communications: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Revenues	144,683	190,678	255,106	320,057
EBITDA	57,211	81,991	111,450	136,675
Depreciation and amortization	(24,653)	(28,053)	(38,467)	(51,770)
EBIT	32,558	53,938	72,983	84,905
Net Interest expense	(6)	3,997	414	(1,412)
PBT	32,552	57,935	73,397	83,492
Extraordinaries & one-offs	(302)	12,828	0	0
Current tax expense	(586)	(2,556)	(5,138)	(9,460)
Deferred tax (expense)/income	(25)	(280)	(734)	(559)
Reported net income	31,639	54,011	66,326	72,213
Adjusted net income	31,941	54,011	66,326	72,213

Shares outstanding (mn)	2,045	2,064	2,085	2,110
Basic EPS (Rs)	15.62	26.17	31.81	34.22
Fully diluted EPS (Rs)	14.80	25.03	30.74	33.47
DPS (Rs)	0.50	0.75	1.00	2.00
Dividend payout ratio (%)	3.2	2.9	3.1	5.8

Source: Company reports, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Cash & cash equivalents	137,504	115,981	64,912	35,853
Accounts receivable	18,316	27,224	29,777	35,194
Other current assets	40,808	69,951	73,974	77,439
Total Current assets	196,628	213,156	168,663	148,486
Current liabilities & provisions	161,482	241,686	221,954	232,360
Net working capital	35,145	(28,530)	(53,291)	(83,874)
Net fixed assets	310,535	486,928	569,889	652,311
Other long term assets	58,092	64,609	63,024	61,025
Total non-current assets	368,627	551,538	632,913	713,336
Total assets	403,772	523,007	579,621	629,461
Total debt	174,383	215,681	196,320	160,534
Other liabilities	82	24,311	26,245	28,064
Shareholders' equity	229,307	283,015	357,057	440,863
Total liabilities & equity	403,772	523,007	579,621	629,461
Net (debt) cash	(36,880)	(99,700)	(131,408)	(124,681)
Book value/share	112.2	137.1	171.2	208.9

Source: Company reports, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Cash flow from operations	86,204	132,909	80,418	127,326
Capex	(67,097)	(195,530)	(119,842)	(132,193)
Cash flow from other investing	(11,617)	(7,690)	0	0
Cash flow from financing	69,856	48,789	(11,645)	(24,193)
Change in cash for year	77,346	(21,523)	(51,069)	(29,059)
Beginning cash	60,158	137,504	115,981	64,912
Closing cash	137,504	115,981	64,912	35,853

Source: Company reports, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08	FY09E	FY10E
EBITDA margin	39.5	43.0	43.7	42.7
FCF margin	13.4	(47.1)	(15.6)	(1.1)
ROE	20.8	26.2	23.7	19.9
ROCE	9.8	11.4	13.4	13.6
ROA	7.8	10.3	11.4	11.5
Effective tax rate	1.9	4.0	8.0	12.0
Capex to sales	46.4	111.2	47.0	41.3
Debt/capital	43.2	41.2	33.9	25.5
Net debt (cash) to equity	16.1	35.2	36.8	28.3

Source: Company reports, J.P. Morgan estimates.

## Reliance Industries Limited

www.ril.com

### Company description

Reliance Industries Limited (RIL) is a conglomerate with interests in refining, petrochemicals and E&P. The company is now venturing into organized retailing and infrastructure development (SEZs). RIL is India's largest company by market cap, and is a dominant player in the domestic petrochemical market.

### Positive share price drivers

Our Overweight rating on RIL is based on: (1) strong operating cash flow of US\$8.8 billion from FY11E once KG basin gas starts; (2) its strong balance sheet, with net gearing projected to come down to <10%, which should help weather the slowdown in refining and petchem cycles; and (3) its improving business mix, with >50% EBITDA in FY11E being contributed by stable E&P cash flows. KG gas cash flows, even with lower gas realization, should be enough to meet its non-discretionary capex requirement. Moreover, with increased drilling activity over the next 12-15 months, there could be a possibility of reserves accretion in the E&P segment.

### Negative share price drivers

A longer and harsher global slowdown could affect RIL's refining and petchem margins significantly (we factor in 35% lower refining and petchem EBITDA compared with FY08). Also, a negative outcome from the ongoing court case with RNRL and NTPC could affect E&P gas realization and valuations.

### Valuation and risks

We have an Overweight rating on RIL with a Dec-09 price target of Rs1,750. Our price target is based on 10x consolidated FY11E EPS. We believe that with a 35% correction over the last one month, RIL is attractively valued at 7.5x FY11E consensus EPS, with the stock pricing in severe global recession and negative outcome of the court cases. Key risks are a prolonged severe global recession and negative outcome of the court cases.

Bloomberg: RIL IN; Reuters: RELI.BO

Rs in millions, year-end March

	FY08A	FY09E	FY10E	FY11E
Net sales	1,334,430	1,773,468	2,171,072	2,512,613
EBITDA	223,191	257,974	363,389	419,705
Net profit	152,613	168,839	225,093	275,937
EPS (Rs)	105.0	107.1	142.8	175.1
Net profit growth (%)	27.8	10.6	33.3	22.6
ROE (%)	26.5	20.5	21.0	21.6
ROCE (%)	17.9	16.7	20.2	21.3
P/E (x)	12.5	12.2	9.2	7.5
P/B (x)	2.9	2.1	1.8	1.5
EV/EBITDA (x)	10.6	9.4	6.6	5.6

Source: Company data, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs1,310.00

Price Target: Rs1,750.00

### India

#### Natural Gas

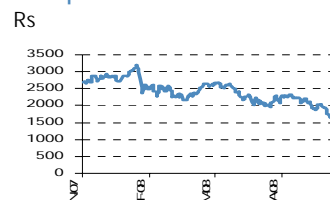
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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	39	50	46
Relative (%)	-11	-11	-4

Source: Bloomberg.

### Company data

52-week range (Rs)	3252-1281
Market cap (Rs B)	2030647
Market cap (US\$ B)	41208.0
Shrs outstanding (MM)	1453
Free Float (%)	49%
3 mth trading value (Inr mn)	3275
3 mth trading value (US\$)	66.5
3 mth trading volume (mn)	1.2
Exchange rate (Rs/US\$)	49
Date of Price	22-Oct

Source: Bloomberg.

## Reliance Industries Limited (consolidated): Summary of financials

Profit and Loss statement					Cash flow statement				
Rs in millions, year-end Mar	FY08	FY09E	FY10E	FY11E		FY08	FY09E	FY10E	FY11E
Revenues	1,334,430	1,773,468	2,171,072	2,512,613	EBIT	174719	206473	287425	339052
% change Y/Y	19%	33%	22%	16%	Depreciation & amortisation	48471	51501	75964	80652
EBITDA	223,191	257,974	363,389	419,705	Change in working capital	(43104)	5712	(26944)	(2367)
% change Y/Y	10%	16%	41%	15%	Taxes	(35519)	(30438)	(29629)	(32844)
EBITDA Margin (%)	17%	15%	17%	17%	Others	66156	9383	9685	12708
EBIT	174,719	206,473	287,425	339,052	Cash flow from operations	210725	242631	316501	397202
% change Y/Y	13%	18%	39%	18%	Capex	(233317)	(235104)	(213920)	(172400)
EBIT Margin (%)	13%	12%	13%	13%	Change in investments	(51339)	(60000)	0	0
Net financial income	55,383	(6,413)	(13,684)	(7,762)	Interest	(10774)	(15796)	(23370)	(20470)
Earnings before tax	230,102	200,060	273,741	331,290	Free cash flow	(84705)	(68269)	79211	204331
% change Y/Y	58%	-13%	37%	21%	Equity raised/ (repaid)	17154	189234	0	0
Tax	(35,519)	(30,438)	(30,484)	(34,562)	Debt raised/ (repaid)	136513	(116052)	(7828)	(74155)
as % of EBT	15%	15%	11%	10%	Dividends paid	0	0	0	0
Net Income (adjusted for min.)	152,613	168,839	225,093	275,937	Beginning cash	18449	67681	41375	79768
% change Y/Y	28%	11%	33%	23%	Ending cash	67681	41375	79768	162295
Shares Outstanding	1453	1576	1576	1576					
EPS (adjusted)	105.0	107.1	142.8	175.1					
% change Y/Y	22%	2%	33%	23%					
Balance sheet					Ratio Analysis				
	FY08	FY09E	FY10E	FY11E	%, year-end Mar	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	67,681	41,375	79,768	162,295	EBITDA margin	17%	15%	17%	17%
Accounts receivable	62,276	80,278	116,614	136,934	EBIT margin	13%	12%	13%	13%
Inventories	142,475	199,764	191,621	215,902	Net profit margin	11%	10%	10%	11%
Others	123,922	73,614	77,011	78,437					
Current assets	396,354	395,030	465,015	593,569	Sales growth	19%	33%	22%	16%
Total Investments	199,366	259,366	259,366	259,366	Net profit growth	28%	11%	33%	23%
Net fixed assets	904,880	1,088,484	1,226,440	1,318,188					
Liabilities	216,970	233,026	226,513	252,681	Interest coverage (x)	N/A	32.2	21.0	43.7
Provisions	105,973	120,611	140,976	163,311	Net debt to total capital	34%	22%	17%	6%
Total current liabilities	322,943	353,637	367,489	415,992	Net debt to equity	60%	32%	23%	8%
Total assets	1,177,657	1,389,243	1,583,331	1,755,130	Sales/assets	113%	128%	137%	143%
Total debt	469,190	353,138	345,310	271,155	Assets/equity	176%	142%	136%	126%
Other liabilities	13,515	13,515	13,515	13,515	ROE	26.5%	20.5%	21.0%	21.6%
Total liabilities	482,706	366,653	358,825	284,671	ROCE	17.9%	16.7%	20.2%	21.3%
Minority Interest	27424	42863	59496	75656					
Shareholders' equity	667,528	979,727	1,165,010	1,394,803					
BVPS	459.3	621.6	739.1	884.9					

Source: Company, J.P. Morgan estimates.

## Reliance Infrastructure

www.rinfra.com

### Company description

Reliance Infrastructure (RELI) is transforming itself into a full-fledged infrastructure conglomerate with expertise in project development and EPC. It has re-organized itself as a holding company, operating legacy businesses, along with focused subsidiaries for specific activities. The EPC business is being re-organized into wholly-owned Reliance Infraprojects, while Reliance Infraventures is the vehicle for its activities as an infrastructure developer in metros, roads, power transmission and real estate. This structure would facilitate independent capital structuring and value-unlocking at appropriate time, in our view. Reliance Power is a 45.0% associate for new power generation projects.

### Positive share price drivers

(1) CEA rulings in favor of Chinese equipment suppliers. (2) Clarity on ICD holdings and other investments in the balance sheet will improve investor confidence. (3) Execution milestones of road, metro and transmission projects are met as per schedule.

### Negative share price drivers

(1) Concerns about quality of Chinese equipment which is being used by RELI's EPC arm. (2) Significant project execution delays and fuel unavailability might impact our value for RPWR. (3) Prevalence of current weak sentiment for back-ended growth stories in the infrastructure sector space combined with execution delays.

### Valuation and risks

We see RELI as a deep value play and would use the current stock weakness to buy (SOTP-based Mar-09 PT of Rs1,200) the stock. Based on our Rs330 fair value for existing and established businesses of distribution and EPC, it appears the market is assuming no value for Infraventures and an unduly high haircut on the value of cash and RWPR on RELI's books. Key risks to our PT include severe execution disappointments in RPWR (a key value constituent) and severe strains in the ICD portfolio.

Bloomberg: RELI IN; Reuters: RLIN.BO

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Sales	68,489	83,462	97,458	139,781
Net profit	8,345	11,780	14,151	14,889
EPS (Rs)	36.5	50.0	61.9	56.5
Net profit growth (%)	NA	41.2	20.1	5.2
EPS growth (%)	NA	36.9	23.9	(8.8)
P/E (x)	13.0	9.5	7.6	8.4
EV/EBITDA (x)	28.0	31.6	28.0	13.2
P/BV (x)	1.1	0.7	0.7	0.5
EV/Sales	2.2	2.0	2.1	1.2

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs473.45

Price Target: Rs1,200

### India

#### Electric Utilities, Infrastructure

Shilpa Krishnan<sup>AC</sup>

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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	(44.0)	(46.4)	(64.0)
Relative (%)	(17.6)	(19.5)	(22.5)

Source: Bloomberg.

### Company data

52-week range (Rs)	470-2631.7
Mkt cap. (Rs B)	109.8
Mkt cap. (US\$B)	2.2
Avg daily value (US\$MM)	84.0
Avg daily volume (MM)	4.72
Shares O/S (MM)	232.0
Date of price	22-Oct-08
Index: BSE Sensex	10,169.9
Free float (%)	62.0
Exchange rate	49.3

Source: Bloomberg.

## Reliance Infrastructure: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Revenues	83,462	97,458	139,781	198,538
% change Y/Y	22	17	43	42
EBITDA	5,315	7,183	12,516	22,521
% change Y/Y	-3	35	74	80
EBITDA Margin (%)	6.4	7.4	9.0	11.3
Depreciation	3,074	3,520	3,969	6,047
EBIT	2,241	3,663	8,547	16,474
% change Y/Y	-9	63	133	93
EBIT Margin (%)	2.7	3.8	6.1	8.3
Other income	14,138	14,138	14,138	14,196
Interest	4,021	4,013	4,887	8,269
Earnings before tax	12,359	13,788	17,798	22,401
% change Y/Y	44	12	29	26
Tax	(958)	(1,785)	(4,504)	(7,757)
PATAMI & Associate adj.	11,780	14,151	14,889	17,574
% change Y/Y	41	20	5	18
EPS (adjusted)	50.0	61.9	56.5	66.7
% change Y/Y	37	24	-9	18
Shares Outstanding	235.6	228.5	263.5	263.5

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Equity share capital	2,356	2,285	2,635	2,635
Shareholder's equity	163,587	155,976	243,344	262,396
Minority Interest	513	513	513	513
Debt	59,036	88,085	107,368	113,214
Other liabilities	2,879	7,937	7,543	6,817
<b>Total Liabilities</b>	<b>226,015</b>	<b>252,511</b>	<b>358,767</b>	<b>382,940</b>
Net block	42,444	75,240	121,281	137,314
Capital work-in progress	7,674	5,974	6,272	6,586
Net current assets (ex-cash)	57,747	56,744	61,707	66,671
Investments	116,997	117,497	117,997	118,497
Cash & cash balance	1,154	-2,944	51,511	53,872
<b>Total Assets</b>	<b>226,015</b>	<b>252,511</b>	<b>358,767</b>	<b>382,940</b>
Cash & cash equivalents	95,960	102,125	160,876	167,536
Net-debt	57,882	91,029	55,858	59,342
BVPS	694	683	923	996

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
EBITDA	5,315	7,183	12,516	22,521
Net tax paid	(958)	(1,785)	(4,504)	(7,757)
Operating profit after tax	4,357	5,398	8,012	14,764
Change in working capital	(11,752)	1,002	(4,962)	(4,964)
Operating cash flow	(7,395)	6,400	3,050	9,799
Capital expenditure	(24,450)	(30,572)	(48,957)	(16,780)
Sale/ (Purchase) of investments	(15,379)	(17,056)	(6,642)	(18,969)
Investing cash flows	(39,829)	(47,628)	(55,599)	(35,749)
Financing cash flows	26,115	37,130	107,004	28,311
Net increase/(decrease) in cash	(21,109)	(4,098)	54,455	2,361
Opening cash balance	22,263	1,154	(2,944)	51,511
Closing cash balance	1,154	(2,944)	51,511	53,872

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY08	FY09E	FY10E	FY11E
EBITDA Margin	6.4	7.4	9.0	11.3
Net profit margin	14.1	14.5	10.7	8.9
Energy cost/sales	64	59	44	33
Sales growth	22	17	42	0
Net profit growth	41	20	18	0
EPS growth	37	24	18	0
Debt to equity	0.4	0.6	0.4	0.4
Net debt to equity	0.4	0.6	0.2	0.2
Sales/assets	0.4	0.4	0.4	0.5
Assets/equity	1.4	1.6	1.5	1.5
ROE	9.1	8.9	7.5	6.9
ROCE	3.2	3.7	5.6	8.2

Source: Company, J.P. Morgan estimates.

# Reliance Power

www.reliancepower.co.in

## Company description

Reliance Power Limited (RPL) is the vehicle for the Reliance-ADAG Group's power generation business. RPL has a well-diversified portfolio of 13 projects in various stages of development. With c28.2GW of potential capacity by 2016, RPL aspires to emerge as India's leading private generation utility and the second-largest after NTPC. Many of these projects have seen visible achievements in the recent past, such as the completion of land acquisition, environmental and other statutory clearances, financial closure, and award of contracts.

## Positive share price drivers

(1) Favorable resolution of RNRL's gas dispute with RIL. (2) Clarity on coal mine acquisition, development and extraction timelines. (3) CEA ruling in favor of Chinese equipment suppliers. (4) Settlement of coal procurement related issues for Chitrangi, land acquisition for Shahpur, etc.

## Negative share price drivers

(1) Concerns about quality of Chinese equipment. (2) Prevalence of current weak macro sentiment. (3) Project execution delays.

## Valuation and risks

We value RPL based on DCF for individual project SPVs (Mar-09 PT of Rs190). Key risks to our PT include: (a) delays in securing gas (37% of targeted capacity); (b) sustainability of premium valuation in bearish markets and in the event of execution delays (as land acquisition and environmental clearances are awaited for 8 projects); (c) higher-than-expected funding cost (vs. our estimate of 8.5%); (d) equipment supply delays (yet to be awarded); and (e) lower-than-expected merchant power tariffs (vs. our average Rs3.2/unit).

Bloomberg: RPWR IN; Reuters: RPOL.BO

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Net revenues	23	1,330	0	1,180
EBITDA	5	923	(3)	576
Adjusted PAT	2	854	4,774	3,233
EPS	0	0.4	2.0	1.3
% Net profit growth	NA	NM	459	-32
% EPS growth	NA	NA	459	-32
ROE (%)	NA	1	3	2
ROCE (%)	NA	NA	0	0
P/E	NA	315.2	56.4	83.3
P/B	NA	1.9	1.9	1.8

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs111.75

Price Target: Rs190

## India

### Electric Utilities

Shilpa Krishnan<sup>AC</sup>

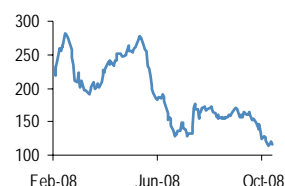
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J.P. Morgan India Private Limited

## Price performance

Rs



Source: Bloomberg.

## Performance

	1M	3M	12M
Absolute (%)	(28.5)	(19.5)	NA
Relative (%)	(2.2)	7.4	NA

Source: Bloomberg.

## Company data

52-week range (Rs)	108-374.9
Mkt cap. (Rs B)	269
Mkt cap. (US\$B)	6.6
Avg daily value (US\$MM)	11.6
Avg daily volume (MM)	3.6
Shares O/S (MM)	2396.8
Date of price	22-Oct-08
Index: BSE Sensex	10,169.9
Free float (%)	14
Exchange rate	49.3

Source: Bloomberg.

## Reliance Power: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Revenues	23	1,330	0	1,180
% change Y/Y	NA	5,803	NA	NA
EBITDA	5	923	-3	576
% change Y/Y	NA	16922	-100	NA
EBITDA margin (%)	24	NA	NA	49
EBIT	5	923	-3	504
% change Y/Y	NA	16922	-100	NA
EBIT margin (%)	24	NA	NA	43
Other income	0	0	7,236	4,493
Net Interest	0	0	0	0
Earnings before tax	5	923	7,233	4,996
% change Y/Y	NA	NA	684	-31
Tax	(4)	(68)	(2,459)	(1,674)
as % of EBT	70	7	34	34
Net income (adjusted)	2	854	4,774	3,233
% change Y/Y	NA	NA	459	-32
Minority interest	-	-	-	-
Retained profits	2	854	4,774	3,233

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
<b>Assets</b>				
Cash and cash equivalents	700	114,868	91,872	36,493
Net current assets	0	0	0	0
Investments	412	16,665	16,665	16,665
Gross Block	900	900	900	14,400
Accumulated Depreciation	0	0	0	-72
Net Block	900	900	900	14,328
Capital WIP	0	7,636	97,971	269,993
Total Fixed assets	900	8,536	98,871	284,321
Total Assets	2,012	140,069	207,409	337,479
<b>Liabilities</b>				
Total debt	0	0	62,566	189,493
Deferred Tax	-	-	-	(89)
Total liabilities	-	-	62,566	189,404
Shareholder's equity	2,012	140,069	144,843	148,076

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
EBITDA	0	923	(3)	576
Net tax paid	0	(68)	(2,459)	(1,674)
Operating profit after tax	0	854	(2,462)	(1,099)
Change in working capital	0	0	0	0
Operating cash flow	0	854	(2,462)	(1,099)
Capital expenditure	0	(7,636)	(90,336)	(185,522)
Investing cash flows	0	(7,636)	(90,336)	(185,522)
Interest expense	0	0	0	0
Investment in SPVs	0	121,427	(0)	0
Principal payment	0	0	62,566	126,749
Financing cash flows	0	121,427	69,801	131,241
Change in Cash	0	114,645	(22,996)	(55,379)

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08	FY09E	FY10E
EBITDA margin	24	NA	NA	49
EBIT margin	24	NA	NA	43
Net profit margin	7	NA	NA	274
Sales growth	NA	5,803	NA	NA
Net profit growth	NA	NA	459	-32
Debt to total capital	542	0	30	56
Net debt to equity	0	0	43	128
Sales/assets		0.9	0.0	0.3
Assets/equity		100.0	143.2	227.9
ROE		1	3	2

Source: Company, J.P. Morgan estimates.



## Satyam Computers

www.satyam.com

### Company description

Satyam Computers, one of the top five IT services companies in India, offers a comprehensive range of services including software development, system maintenance, packaged software integration and engineering design services. GE is Satyam's largest customer. Among its service offerings, Satyam in our view has one of the best package implementation practices among the Indian IT companies, and this has been one of the primary growth drivers over the past few years.

In US\$-terms, Satyam guided to revenue growth of 19-21% and EPS growth of 18-20% for FY09. Further, Satyam has headcount addition guidance of 8,000-10,000 people.

### Positive share price drivers

(1) Satyam should have sector-leading revenue growth in FY09, a commendable achievement. Satyam's strong revenue growth is leveraged to the package implementation space. (2) The turnaround in Satyam BPO and other subsidiaries. (3) Any large deal win announcements. (4) Further upgrades to EPS guidance given the sharp rupee depreciation in recent months.

### Negative share price drivers

(1) The package implementation space is more prone to discretionary spending cuts and Satyam could be affected more given the US slowdown. (2) The continued losses at subsidiaries eroding profits. (3) The appreciation of the rupee against the US\$.

### Valuation and risks

Our Jun-09 price target is Rs 475/share based on a combination of P/E multiples and DCF fair value. Our price target assumes a 1-year forward/trailing P/E multiple of 12x/14x, a 20% discount to our target multiples for Infosys. The risks to our price target are a macro slowdown in IT spending environment, appreciation of the rupee against the US\$ and continued losses at subsidiaries.

Bloomberg: SCS IN, Reuters: SATY.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Sales	84,735	115,568	136,542	164,425
Net profit	16,879	22,770	25,796	28,208
EPS (Rs)	25.2	33.8	38.2	41.8
FD EPS (Rs)	25.2	33.8	38.2	41.8
DPS (Rs)	4.0	4.0	7.0	7.0
Sales growth (%)	30.7	36.4	18.1	20.4
Net profit growth (%)	20.2	34.9	13.3	9.3
EPS growth (%)	18.2	33.9	13.0	9.3
ROE (%)	26.0	27.6	25.1	22.7
P/E (x)	11.4	8.5	7.5	6.9
FD P/E (x)	11.4	8.5	7.5	6.9

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 24 October 2008.

## Overweight

Price: Rs286.85

Price Target: Rs475

### India

#### eBusiness/IT Services

Manoj Singla, CFA<sup>AC</sup>

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J.P. Morgan India Private Limited

### Price performance



Source: Datastream.

### Performance

	1M	3M	12M
Absolute (%)	-14.2	-22.5	-37.8
Relative (%)	35.0	31.7	32.4

Source: Bloomberg.

### Company data

52-week range (Rs)	214-544
Mkt cap. (RsB)	194
Mkt cap. (US\$B)	3.9
Avg daily value (US\$MM)	41.9
Avg daily volume (MM)	5.2
Shares O/S (MM)	676
Date of price	24-Oct-08
Index: BSE Sensex	8,701
Free float (%)	85
Exchange rate (Rs/US\$)	Rs50.0 /US\$

Source: Bloomberg.



## Satyam Computers: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Revenue	84,735	115,568	136,542	164,425
% change Y/Y	30.7	36.4	18.1	20.4
Gross margin (%)	36.0	37.1	35.5	35.0
EBITDA	18348	26562	30123	35834
% change Y/Y	19.3	44.8	13.4	19.0
EBITDA margin (%)	21.7	23.0	22.1	21.8
EBIT	16,712	24,101	27,226	32,619
% change Y/Y	20.3	44.2	13.0	19.8
EBIT margin (%)	19.7	20.9	19.9	19.8
Other income	2,672	2,459	3,797	5,209
Earnings before tax	19,183	26,126	30,535	37,340
% change Y/Y	23.2	36.2	16.9	22.3
Tax	2,304	3,356	4,738	9,132
as % of EBT	12.0	12.8	15.5	24.5
Net income (reported)	16,879	22,770	25,796	28,208
% change Y/Y	20.2	34.9	13.3	9.3
Shares O/S (MM)	671	676	676	676
EPS (reported) (Rs)	25.2	33.8	38.2	41.8

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	45,024	58,223	74,370	91,123
Accounts receivable	23,703	30,611	35,991	43,814
Inventories	0	0	0	0
Others	6,645	8,867	10,426	12,692
Current assets	75,372	97,701	120,787	147,630
LT investments	872	1,163	1,163	1,163
Net fixed assets	12,794	19,709	20,842	22,327
Total assets	89,038	118,572	142,792	171,120
Liabilities				
ST loans	2,167	0	0	0
Payables	8,977	14,649	17,514	21,579
Others	5,502	6,207	7,298	8,885
Total current liabilities	16,646	20,856	24,812	30,464
Long-term debt	0	4,879	4,879	4,879
Other liabilities	0	0	0	0
Total liabilities	16,646	25,735	29,690	35,343
Shareholders' equity	72,392	92,838	113,102	135,777
BVPS (Rs)	108.0	137.4	167.4	201.0

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
EBIT	16,712	24,101	27,226	32,619
Depreciation & amortization	1,636	2,461	2,898	3,215
Change in working capital	-5,438	-2,754	-2,983	-4,438
Taxes	2,304	3,356	4,738	9,132
Cash flow from operations	13,077	22,477	25,711	26,985
Capex	-6,207	-9,376	-4,031	-4,700
Disposal/(purchase)	-435	-291	0	0
Cash flow from investing	-6,642	-9,667	-4,031	-4,700
Free cash flow	6,870	13,102	21,680	22,285
Equity raised/(repaid)	-509	19	0	0
Debt raised/(repaid)	688	2,712	0	0
Other	1,176	357	-804	-804
Dividends	-2,680	-2,700	-4,729	-4,729
Beginning cash	39,914	45,024	58,223	74,370
Ending cash	45,024	58,223	74,370	91,123
DPS (Rs)	4.0	4.0	7.0	7.0

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY08	FY09E	FY10E	FY11E
EBITDA margin	21.7	23.0	22.1	21.8
Operating margin	19.7	20.9	19.9	19.8
Net profit margin	19.9	19.7	18.9	17.2
SG&A/sales	16.2	16.2	15.6	15.1
Sales growth	30.7	36.4	18.1	20.4
Net profit growth	20.2	34.9	13.3	9.3
Sales per share growth	30.0	35.4	18.1	20.4
EPS growth	18.2	33.9	13.0	9.3
Interest coverage (x)	82.8	55.6	55.8	66.9
Net debt to total capital	NM	NM	NM	NM
Net debt to equity	NM	NM	NM	NM
Sales/assets	95.2	97.5	95.6	96.1
EBIT margin	19.7	20.9	19.9	19.8
ROCE	22.9	24.9	21.9	19.4
Assets/equity (x)	1.2	1.3	1.3	1.3
ROI	48.0	48.2	43.7	40.8
ROE	26.0	27.6	25.1	22.7

Source: Company, J.P. Morgan estimates.

## SBI Life Insurance

www.sbilife.co.in

### Company description

SBI Life is a JV between State Bank of India and Cardiff of France with SBI holding 74% stake and the remaining 26% held by Cardiff. SBI Life is the 3rd largest private life insurer in the Indian Life insurance with a market share of 8.4% (APE basis) in FY09YTD.

### Positives

SBI has gained significant market share in the recent past; its reliance on SBI Group's branches for outsourcing loans leads to lower commission and overhead costs and higher profits.

### Negative

Incentivised sales culture notch lower than private sector peers.

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## Not Listed

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### India

### Banks

**Sachin Sheth<sup>AC</sup>**

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J. P. Morgan India Private Limited

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### SBI Life Insurance

Rs in millions, year-end March

	FY07	FY08
Net earned premiums	29,234	56,112
Total income	31,886	62,167
Commission	1,960	3,654
Other operating expenses	3,224	4,870
Benefits paid	1,401	3,508
Surplus / deficit	-	815

Source: Company.

## SBI Life Insurance: Summary of financials

Rs in millions, year-end March

<b>Income statement</b>	<b>FY07</b>	<b>FY08</b>	<b>Balance sheet</b>	<b>FY07</b>	<b>FY08</b>
<b>Technical account</b>					
Net earned premiums	29,234	56,112	Share capital	5,000	10,000
Income from investments	2,196	5,032	Reserves	(94)	(67)
Other income	455	1,023	<b>Total shareholder funds</b>	<b>4,906</b>	<b>10,067</b>
<b>Total</b>	<b>31,886</b>	<b>62,167</b>	Borrowings	0	0
Commission	1,960	3,654	Policyholders funds	41,423	90,023
Other operating expenses	3,224	4,870	<b>Total liabilities</b>	<b>46,330</b>	<b>100,099</b>
Benefits paid	1,401	3,508	Investments	29,095	48,633
Surplus / deficit	-	815	Asset held to cover linked liab.	17,495	52,853
			Loans	0	0
<b>Non-technical account</b>	<b>2007</b>	<b>2008</b>	Fixed Assets	379	449
Amount tran. from policyholder's account	-	808	<b>Net current assets</b>	<b>(937)</b>	<b>(1,837)</b>
Income from investments	481	737	Debit balance in P&L account	297	0
Total income	481	1,545	<b>Total assets</b>	<b>46,330</b>	<b>100,099</b>
Provisions (excl. tax)	442	1,198			
Profit before tax	<b>38</b>	<b>348</b>			
Provision for tax	0.1	3.6			
<b>Profit / loss after tax</b>	<b>38</b>	<b>344</b>			

Source: Company.

## Shriram Transport Finance Co. Ltd

www.stfc.in

### Company description

Shriram Transport Finance Company Ltd. (STFL) was established in 1979 and has carved a niche for itself in the second-hand commercial vehicle (CV) finance market. The company has assets under management of Rs195 billion as of 31 March 2008 and employs nearly 10,000 people. The Gross NPA stood at 1.57% as of Mar-08.

### Positive

Dominant market share in a niche but significant business segment.

### Negatives

Economic slowdown could lead to high NPLs; also, potential threat of entry from banks, though this is likely more of a medium-term issue.

### Valuation

The stock trades at 8.1x FY10E consensus EPS.

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**Bloomberg: SHTF IN, Reuters: SRTR.BO**

Rs in millions, year-end March

	FY06	FY07	FY08
Net profit	1,416	1,904	3,898
EPS (Rs)	8.4	11.0	20.3
Book value	-	58.9	89.4
Operating income	8,945	14,116	24,933
Operating profit	-	4,557	8,375
ROE (%)	27.7	20.4	27.5
P/E (x)	25.4	19.3	10.5
P/B(x)	-	3.61	2.38

Source: Company, Capitaline, Bloomberg. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs213.25

### India

#### Banks

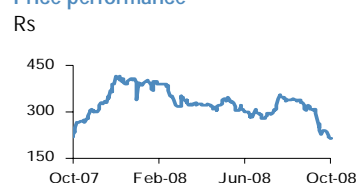
#### Sachin Sheth<sup>AC</sup>

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J. P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-32.8	-24.9	-3.5
Relative (%)	-6.7	14.9	82.7

Source: Bloomberg.

### Company data

52-week range (Rs)	199-472
Mkt cap. (Rs)	43,176
Mkt cap. (US\$MM)	881
Avg daily volume (MM)	0.13
Avg daily value (US\$MM)	0.82
Shares O/S (MM)	203.5
Date of price	22-Oct-08
Index: BSE Sensex	10,170
Free float (%)	50.7
Exchange rate (Rs/US\$)	49

Source: Bloomberg, BSE.

## Shriram Transport Finance Co. Ltd: Summary of financials

Rs in millions, year-end March

<b>Income statement</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>
Operating income	8,945	14,116	24,933
Total income	9,087	14,258	25,018
Finance charges	4,151	7,239	12,966
Provisions	814.8	1,665	2,317
Operating profit		4,557	8,375
PBT	2,162	2,892	6,058
Provision for tax	745	988	2,160
PAT	1,416	1,904	3,898

**Key balance sheet**

Net block	1,572	1,675	1,426
Investments	92	2,246	13,851
Net current assets	52,419*	94,901	1,511,09
Loans and advances		4,159	2,610
Miscellaneous exp.	4	1	0
<b>Total assets</b>	<b>54,087</b>	<b>98,823</b>	<b>1,66,386</b>

Secured loans	37,817	63,389	1,15,539
Unsecured loans	6,544	23,995	32,325
Deferred tax liability	1,337	866	359
Shareholders' equity	8,154	10,664	17,739
<b>Total liabilities</b>	<b>54,087</b>	<b>98,823</b>	<b>1,66,386</b>

Source: Company, Capitaline. \* Includes loans and advances.

<b>Balance sheet/gearing (%)</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>
Investment/assets	0	2	8.3
Customer deposits/liab.	n.a	n.a	n.a
Debt-equity ratio	5.7	7.0	8.3

**Asset quality/capital (%)**

Gross NPL /loans	1.3	2.1	1.57
Net NPL /loans	0.4	1.3	0.90
Total CAR	19.5	13.5	12.71

**Ratios (%)**

EPS (Rs)	8.4	11.0	20.3
Current ratio	4.56	3.94	3.78
Interest cover ratio	1.5	1.4	1.5
ROE	27.7	20.4	27.5

# Steel Authority of India Ltd

www.sail.co.in

## Company description

SAIL is India's largest steel producer and the seventeenth-largest globally. It is fully vertically integrated, with operations ranging from captive iron ore mining and captive coke production to production of finished steel products.

## Positive share price drivers

Captive iron ore, potential declines in contract coking coal prices for FY10 and, most importantly, a strong balance sheet (cash on the books is 28% of market cap) are key positives, allowing SAIL to continue to pursue brown field volume growth projects through the down cycle (projects would come on-stream over the next 2-4 years). We reiterate our relative Overweight rating on SAIL in the Indian metals space.

## Negative share price drivers

Given the weak steel demand and pricing outlook over the next 12-18 months and lower price of steel imports into India, we build in steel price declines for SAIL and lower sales volume growth in FY09-11E. We also assume a re-imposition of the 5% import levy on steel in FY10E. Dependence on third party coking coal is a key variable.

## Valuation and risks

Our Sept-09 price target of Rs135 is based on 4.5x FY10E EV/EBITDA. The key risks include continued weakness in steel prices and, more importantly, lower-priced steel imports flooding the domestic market, leading to a severe earnings decline across the Indian steel sector in a phase of its economic growth.

Bloomberg: SAIL IN; Reuters: SAIL.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Net sales	395,085	481,415	471,711	507,213
Net profit ( Pre exceptional)	75,368	68,699	64,859	69,913
EPS ( Pre exceptional) (Rs)	18.2	16.6	15.7	16.9
Net profit growth (%)	22	-9	-6	8
ROE (%)	38	27	21	20
ROCE (%)	47	35	29	27
P/E (x)	5.3	5.9	6.2	5.8
EV/EBITDA (x)	2.7	2.6	2.9	2.6
P/B	1.9	1.6	1.3	1.2

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs97.55

Price Target: Rs135.00

### India

#### Metals & Mining

**Pinakin Parekh, CFA<sup>AC</sup>**

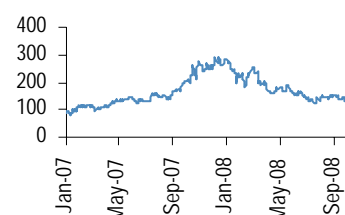
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-32	-27	-54
Relative (%)	-5	1	-12

Source: Bloomberg.

### Company data

52-wk range (Rs)	293 - 96.1
Mkt cap. (RsMM)	402921
Mkt cap. (US\$ MM)	8168
Avg. daily volume (MM)	10.8
Avg. daily value (US\$MM)	30.0
Shares O/S (MM)	4130
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	14.2
Exchange rate	49.3

Source: Bloomberg.

## Steel Authority of India: Summary of financials

### Profit and loss statement

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Revenues	395,085	481,415	471,711	507,213
% change Y/Y	16	22	-2	8
EBITDA	110,622	103,048	98,644	115,242
% change Y/Y	18	-7	-4	17
EBITDA margin (%)	28	21	21	23
EBIT	117,197	106,640	100,397	108,055
% change Y/Y	20	-9	-6	8
EBIT margin (%)	30	22	21	21
Net Interest	2,509	2,550	2,125	2,125
Earnings before tax	114,687	104,090	98,272	105,930
% change Y/Y	22	-9	-6	8
Tax	(39,320)	(35,391)	(33,412)	(36,016)
as % of EBT	34	34	34	34
Net income (Pre exceptional)	75,368	68,699	64,859	69,913
% change Y/Y	22	-9	-6	8
Shares outstanding	4,130	4,130	4,130	4,130
EPS (pre exceptional) (Rs)	18.2	16.6	15.7	16.9
% change Y/Y	22	-9	-6	8

### Cash flow statement

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Net income (Pre Ex)	75,368	68,699	64,859	69,913
Add: depreciation	12,355	13,408	14,248	17,188
Working capital movement	11,898	1,236	(65)	(1,007)
Operational cash flow	99,621	83,343	79,042	86,094
Net capex	(23,626)	(46,105)	(75,000)	(80,000)
Free cash flow	75,995	37,239	4,042	6,094
Equity raised/ (repaid)	970	(1,563)	0	0
Debt raised/ (repaid)	(11,353)	(452)	(5,000)	0
Dividends paid	(18,137)	(17,657)	(17,422)	(17,422)
Beginning cash	96,098	137,594	161,416	143,036
Ending cash	137,594	161,416	143,036	131,708
DPS (Rs)	3.8	3.8	3.7	3.7

### Balance sheet

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Inventories	68,572	72,542	77,541	83,378
Debtors	30,481	26,379	25,847	27,793
Cash and bank balances	137,594	161,416	143,036	131,708
Other Current Assets	2,731	855	855	855
Loans and advances	23,795	20,000	20,000	20,000
Investments	5,382	2,920	2,920	2,920
Net fixed assets	139,609	172,306	233,058	295,870
Total assets	408,164	456,417	503,257	562,523
Liabilities				
Sundry Creditors	29,816	38,554	38,192	39,967
Others	102,169	92,657	97,422	102,422
Total current liabilities	131,985	131,212	135,615	142,389
Total debt	30,452	30,000	25,000	25,000
Other liabilities	15,686	15,686	15,686	15,686
Total liabilities	178,123	176,898	176,301	183,075
Shareholders' equity	230,041	279,520	326,957	379,448
BVPS	55.7	67.7	79.2	91.9

### Ratio analysis

%, Y/E March	FY08E	FY09E	FY10E	FY11E
EBITDA margin	28	21	21	23
Operating margin	30	22	21	21
Net profit margin	19	14	14	14
Sales growth	16	22	-2	8
Net profit growth	22	-9	-6	8
EPS growth	22	-9	-6	8
Interest coverage (x)	44	40	46	54
Net debt to equity	-47	-47	-36	-28
Sales/assets	106	111	0	0
Assets/equity (x)	1.9	1.7	-	-
ROE	38	27	21	20
ROCE	47	35	29	27

Source: Company, J.P. Morgan estimates.

## Sun Pharma

www.sunpharma.com

### Company description

Started in 1983, Sun Pharma is India's leading pharmaceutical company, making specialty pharmaceuticals and active pharmaceutical ingredients. The company has used the strategy of internal growth and acquisitions to drive growth. Sun Pharma has been very successful in the selection of some very interesting products in the US generics market, which has fuelled its growth over the past years.

### Positive share price drivers

Sun Pharma is a lowest-cost player with focused management providing critical strategic direction and leadership. We also see a strong domestic business with the company focusing on more chronic and life style segments. The company also possesses an interesting and expanding generic pipeline for the US, with a smart product selection of the under-the-radar products has fuelled the revenue growth for the past few years

### Negative share price drivers

Delays in the launching of Effexor XR, which is currently under Citizen's petition, could be a damper for revenue growth. Delays in consummating the Taro deal would continue to be an overhang on the stock as well, and higher-than-expected slowdown in the domestic formulations business could affect revenue as more than 50% of the revenue comes from domestic business.

### Valuation and risks

Our Sept-09 price target of Rs1,650 is based on a sum-of-the-parts methodology. We value the company's base business at 20x FY10E P/E and value the FTF opportunities at Rs98/share. The key risks are slowdown in domestic sales, delay in closure of Taro, and/or a higher payment for Taro.

Bloomberg: SUNP IN, Reuters: SUN.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Turnover	27,170	32,176	40,367	47,103
Net income (Reported)	14,868	15,760	16,176	17,276
Recurring EPS (Rs)	46.9	56.7	78.1	83.4
Profit growth %	111.6	6.0	2.6	6.8
EPS growth %	34.5	21.0	37.8	6.8
ROE %	34	28	24	21
ROCE %	33	27	23	21
P/E (x)	17.8	16.8	16.4	15.3
EV/EBIDTA (x)	24.0	20.8	15.4	13.8

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs1,338

Price Target: Rs1,650

### India

### Pharma

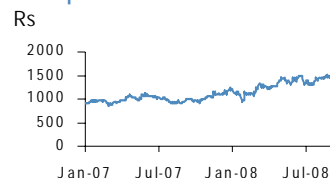
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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	5.8	4.1	35.3
Relative (%)	21.5	23.8	77.6

Source: Bloomberg.

### Company data

52-week range (Rs)	1,558-870
Mkt cap. (RsMM)	27,5781
Mkt cap. (US\$MM)	5,591
Avg daily value (US\$MM)	9.1
Avg daily volume (MM)	0.3
Shares O/S (MM)	206
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	72.3
Exchange rate	49.3

Source: Bloomberg.



## Sun Pharma: Summary of financials

### Profit and loss statement

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Revenues	27,170	32,176	40,367	47,103
% change Y/Y	31.0	18.4	25.5	16.7
EBITDA	9,116	11,733	15,137	16,722
% change Y/Y	36.6	28.7	29.0	10.5
EBITDA margin (%)	33.6	36.5	37.5	35.5
EBIT	14,542	14,891	14,229	15,479
% change Y/Y	148.1	2.4	-4.4	8.8
EBIT margin (%)	53.5	46.3	35.2	32.9
Net interest	-1,451	-1,900	-3,250	-3,250
Earnings before tax	15,993	17,291	17,829	19,079
% change Y/Y	93.0	8.1	3.1	7.0
Tax	485	692	713	763
as % of EBT	3.0	4.0	4.0	4.0
Net income (reported)	14,868	15,760	16,176	17,276
% change Y/Y	111.6	6.0	2.6	6.8
Shares outstanding	207	207	207	207
EPS (reported) (Rs)	46.9	56.7	78.1	83.4
Recurring EPS (Rs)	34.5	21.0	37.8	6.8
% change Y/Y				

### Balance sheet

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	13,382	15,669	27,055	28,057
Accounts receivable	14,177	10,211	10,506	12,260
Inventories	7,728	11,286	11,612	13,550
Others	5,081	2,500	2,500	2,500
Current assets	40,368	39,665	51,674	56,367
LT investments	6,565	6,565	6,565	6,565
Net fixed assets	12,770	24,556	24,438	34,230
Total assets	59,702	70,786	82,677	97,162
Liabilities				
Total current liabilities	6373	4851	3784	4210
Long term debt	1436	1500	1500	1500
Other liabilities	1978	2178	2378	2578
Total liabilities	9787	8529	7662	8288
Shareholders' equity	49915	62257	75015	88874
BVPS	241.0	300.6	362.2	429.1

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Net profit	14,868	15,760	16,176	17,276
Recurring net profit	9,704	11,738	16,176	17,276
Depreciation & amortization	969	1,075	909	1,243
Change in working capital	-5,808	-1,463	-190	-3,265
Cash flow from operations	10,029	15,371	16,895	15,254
Capex	-2,920	-12,861	-791	-11,034
Change in Other Current Asset	-1,764	2,930	-1,500	0
Free cash flow	5,346	5,441	14,604	4,219
Equity raised/ (repaid)	302	0	0	0
Debt raised/ (repaid)	-131	64	0	0
Dividends paid	-2,547	-3,417	-3,417	-3,417
Investments	-4022	0	0	0
Other	631	200	200	200
Net cash inc(dec)	-420	2,287	11,387	1,002
Beginning cash	13,802	13,382	15,669	27,055
Ending cash	13,382	15,669	27,055	28,057
DPS	11.72	15.00	15.00	15.00

### Ratio analysis

%, Y/E March	FY08	FY09E	FY10E	FY11E
EBITDA margin	33.6	36.5	37.5	35.5
EBIT margin	53.5	46.3	35.2	32.9
Net profit margin	54.7	49.0	40.1	36.7
SG&A/sales	29.8	25.0	24.0	25.5
Sales per share growth	27.5	18.4	25.5	16.7
Sales growth	31.0	18.4	25.5	16.7
Net profit growth	111.6	6.0	2.6	6.8
EPS growth	34.5	21.0	37.8	6.8
Interest coverage (x)	-6.3	-6.2	-4.7	-5.1
Net debt to total capital	-34.7	-31.4	-40.7	-35.6
Net debt to equity	-37.1	-33.3	-42.8	-37.3
Sales/assets	45.5	45.5	48.8	48.5
Assets/equity	119.6	113.7	110.2	109.3
ROE	34	28	24	21
ROCE	33	27	23	21

# Suzlon Energy

www.suzlon.com

## Company description

Suzlon Energy is a vertically integrated manufacturer of wind turbines. Around 40% of its revenue comes from India and the balance from the US, Europe, China and other diverse geographies. Suzlon holds 71.28% stake in Hansen Transmission (HSN LN), a gearbox manufacturer, and 88.76% stake in Repower (RPW GR), an established wind turbine manufacturer in Europe.

## Positive share price drivers

(1) Order flows and volume growth—important stock catalysts. (2) Sorting out quality issues, including the retrofit of cracked blades, and lower-than-expected performance of the early batch of S-88s. (3) Successful conclusion of the proposed rights issue—necessary to keep the leverage at a manageable level of 1:1.

## Negative share price drivers

(1) Continued decline in prices of conventional fuel dampens sentiment for wind energy related stocks. (2) Prolonged quality issues. (3) Funding and liquidity risks for the company's key customers.

## Valuation and risks

Suzlon is trading at 7.2x FY010E earnings, a steep discount to peers. The discount arises due to quality overhang, higher leverage and the fact that current OB does not provide as much visibility into FY10 compared with peers. As these issues get resolved, we expect the valuation multiple to close in with that of peers. We have a Mar-09, SOP-based PT of Rs230. Key risks to our PT include volume and margin disappointments and continued bearish equity market sentiment impacting equity risk premium factored into our target multiple.

**Bloomberg: SUEL IN; Reuters: SUZL.BO**

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	79,857	136,794	191,869	230,462
PAT	9,030	10,301	14,290	18,469
EPS (Rs)	6.0	6.7	9.2	11.9
Net sales growth (%)	107.9	71.3	40.3	20.1
Net profit growth (%)	18.9	14.1	38.7	29.2
EPS growth (%)	14.2	10.3	38.7	29.2
ROE (%)	22.7	14.0	10.1	10.1
P/E (x)	14.2	12.9	9.3	7.2
P/BV (x)	3.7	1.6	1.4	1.2
EV/EBITDA (x)	12.8	8.1	8.7	6.7

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Rs85.55

Price Target: Rs230

India

Engineering

Shilpa Krishnan<sup>AC</sup>

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J.P. Morgan India Private Limited

## Price performance



Source: Bloomberg.

## Performance

	1M	3M	12M
Absolute (%)	(55.4)	(55.6)	(72.1)
Relative (%)	(29.1)	(28.7)	(30.6)

Source: Bloomberg.

## Company data

52-week range (Rs)	81.5-460
Mkt cap. (Rs B)	128.2
Mkt cap. (US\$B)	2.6
Avg daily value (US\$MM)	36.3
Avg daily volume (MM)	10.11
Shares O/S (MM)	1498.3
Date of price	22-Oct-08
Index: BSE Sensex	10,169.9
Free float (%)	31.3
Exchange rate	49.3

Source: Bloomberg.

## Suzlon Energy: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Revenues	79,857	136,794	191,869	230,462
% change Y/Y	107.9	71.3	40.3	20.1
EBITDA	13,216	19,909	27,755	35,459
% change Y/Y	47.1	50.6	39.4	27.8
EBITDA Margin (%)	16.5	14.6	14.5	15.4
EBIT	11,498	17,015	23,367	29,608
% change Y/Y	39.1	48.0	37.3	26.7
EBIT Margin (%)	14.4	12.4	12.2	12.8
Net Interest	(1,798)	(3,324)	(6,149)	(9,546)
Earnings before tax	9,683	13,676	17,218	20,062
% change Y/Y	18.5	41.2	25.9	16.5
Tax	(1,035)	(1,993)	(2,651)	(3,150)
as % of EBT	10.7	14.6	15.4	15.7
Minority and others	382	130	304	2,217
Net Income (pre exceptional)	9,030	10,301	14,290	18,469
% change Y/Y	18.9	14.1	38.7	29.2
Shares Outstanding	1497	1548	1548	1548
EPS (pre exceptionals)	6.0	6.7	9.2	11.9

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Cash and cash equivalents	15,383	69,602	19,345	18,246
Other current assets	53,760	36,402	117,033	137,517
Current assets	69,143	106,004	136,378	155,763
Current Liabilities	38,338	73,055	95,040	111,550
Net Current Assets	30,804	32,949	41,338	44,213
Investments	156	31,418	79,036	79,036
Net fixed assets	40,732	56,877	92,662	97,151
Others	46,166	133,751	139,501	141,277
Total assets	86,898	190,628	232,163	238,428
Total debt	51,620	99,346	129,346	124,346
Other liabilities	1,056	10,269	10,573	12,790
Total liabilities	52,677	109,615	139,919	137,136
Shareholders' equity	34,221	81,013	92,855	106,337
BVPS	22.9	52.3	60.0	68.7

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
EBIT	11,498	17,015	23,367	29,608
Depreciation & amortization	1,718	2,894	4,388	5,851
Change in working capital	(7,931)	7,260	(8,392)	(2,875)
Taxes	(1,035)	(1,993)	(2,651)	(3,150)
Others	965	1,134	2,624	877
Cash flow from operations	5,216	26,310	19,336	30,311
Capex	(39,883)	(50,710)	(87,791)	(10,340)
Free cash flow	(34,667)	(24,400)	(68,455)	19,971
Net Interest	(2,763)	(5,969)	(9,355)	(11,082)
Equity raised/ (repaid)	996	47,838	0	0
Debt raised/ (repaid)	47,113	47,726	30,000	(5,000)
Other	(2,630)	(10,975)	(2,447)	(4,987)
Dividends paid	(1,674)	(1,763)	(2,143)	(2,770)
Beginning cash	5,515	15,383	69,602	19,345
Ending cash	15,383	69,602	19,345	18,246
DPS	1.1	1.1	1.4	1.8

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08	FY09E	FY10E
EBITDA margin	16.5	14.6	14.5	15.4
Net profit margin	11.3	7.5	7.4	8.0
Sales growth	107.9	71.3	40.3	20.1
Net profit growth	18.9	14.1	38.7	29.2
EPS growth	14.2	10.3	38.7	29.2
Interest coverage (x)	5.0	3.1	2.3	1.9
Net debt to equity	1.1	0.4	1.2	1.0
Sales/assets	0.9	0.7	0.8	1.0
Assets/equity	2.5	2.4	2.5	2.2
ROE	22.7	14.0	10.1	10.1
ROCE	10.5	5.7	6.4	8.0

Source: Company, J.P. Morgan estimates.

## Tata Chemicals

www.tatachemicals.com

### Company description

Tata Chemicals is part of the Tata group and is in the business of fertilizers and inorganic chemicals. It has a urea plant in Northern India and a phosphatic and complex fertilizer plant in Eastern India. Soda ash (capacity of 2.8MT including Brunner Mond's capacities) is its key inorganic chemical. The company is a dominant player in India's branded edible salt market. With the acquisition of General Chemicals (GCIP) (2.5MMT of soda ash capacity), Tata Chemicals has become the third-largest soda ash producer in the world.

### Positives

(1) Tata Chemicals, with the acquisition of GCIL, is the third-largest soda ash producer in the world, and it should be a beneficiary of higher soda ash prices. (2) The Brunner Mond acquisition gave Tata Chemicals ownership of natural soda ash resources in Kenya, which have significant cost advantages vis-à-vis synthetic soda ash. (3) High phosphoric acid prices are beneficial for its subsidiary IMACID, which has been reporting very high profitability.

### Negatives

Tata Chemicals' key inorganic chemical is soda ash (a commodity), which is exposed to the global soda ash cycle. Also GCIL's acquisition has increased the company's debt: equity to 1.3x.

### Valuation

Tata Chemicals, at a CMP of Rs170, trades at 4.1x FY07 EPS.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

Bloomberg: TTCH IN; Reuters: TTCH.BO

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Net sales	29,826	39,928	57,633	59,821
EBITDA	6,201	8,329	11,182	16,262
Net profit	3,406	4,283	5,080	9,644
EPS (Rs)	14.5	18.3	21.7	41.2
Sales growth (%)	18.2	33.9	44.3	3.8
Net profit growth (%)	54.4	25.8	18.6	89.8
ROE (%)	16.9	20.2	21.0	30.5
ROCE (%)	15.8	17.6	19.8	29.4
P/E (x)	11.68	9.29	7.83	4.13
P/B (x)	2.0	1.8	1.5	1.1

Source: Company. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs170.0

### India

### Chemicals

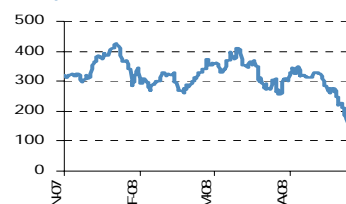
### Pradeep Mirchandani<sup>AC</sup>

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J.P. Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-38	-37	-45
Relative (%)	-10	-10	-3

Source: Bloomberg.

### Company data

52-wk range (Rs)	440.45 - 148.1
Mkt cap. (Rs MM)	39967.04
Mkt cap. (US\$ MM)	811
Avg. daily volume (MM)	0.90
Average daily value (US\$ MM)	5.08
Shares O/S (MM)	235.17
Date of Price	22-Oct
Index (BSE Sensex)	10,170
Free float (%)	77%
Exchange rate	49.3

Source: Bloomberg.

## Tata Chemicals: Summary of financials

Profit and Loss statement					Cash flow statement				
Rs in millions, year-end Mar	FY05	FY06	FY07	FY08		FY05	FY06	FY07	FY08
Revenues	29,826	39,928	57,633	59,821	PBT	4,529	6,007	7,481	11,759
% change Y/Y	18%	34%	44%	4%	Depreciation	1377	1840.4	2738.8	3138.3
					Other operating cashflows	197	(6,196)	(1,005)	(6,834)
EBITDA	6,201	8,329	11,182	16,262	Cash from Operations	6103	1651	9215	8063
% change Y/Y	17%	34%	34%	45%	Cash from Investing	(3004)	(7077)	(6536)	(33467)
EBITDA Margin (%)	21%	21%	19%	27%	Cash from Financing	3691	(1142)	(2300)	30306
EBIT	4,824	6,488	8,444	13,124					
% change Y/Y	25%	34%	30%	55%	Beginning cash and Equivalents	727	7733	1165	1866
EBIT Margin (%)	16%	16%	15%	22%	Ending cash and Equivalents	7517	1165	1545	6767
Net financial income	1,028	1,066	742	5,655					
Earnings before tax	4,529	6,007	7,481	11,759					
% change Y/Y	39%	33%	25%	57%					
Tax	(1,124)	(1,723)	(2,401)	(2,115)					
as % of EBT	25%	29%	32%	18%					
Net Income (adjusted)	3,406	4,283	5,080	9,644					
% change Y/Y	54%	26%	19%	90%					
Shares Outstanding	234	234	234	234					
EPS (adjusted)	14.5	18.3	21.7	41.2					
% change Y/Y	54%	26%	19%	90%					
Balance sheet					Ratio Analysis				
	FY05	FY06	FY07	FY08	%, year-end Mar	FY05	FY06	FY07	FY08
Cash and cash equivalents	7,517	1,165	1,545	6,767	EBITDA margin	21%	21%	19%	27%
Accounts receivable	4,404	7,655	9,665	11,999	EBIT margin	16%	16%	15%	22%
Inventories	4,886	6,983	6,352	9,302	Net profit margin	11%	11%	9%	16%
Others	2,831	2,727	2,582	6,215					
Current assets	19,639	18,530	20,143	34,283	Sales growth	18%	34%	44%	4%
					Net profit growth	54%	26%	19%	90%
Total Investments	9,387	5,475	7,753	4,174					
Net fixed assets	15,624	34,869	38,193	80,205	Net debt to total capital	16%	40%	36%	47%
Liabilities	4,811	8,595	11,082	19,336	Net debt to equity	29%	76%	66%	112%
Provisions	3,101	7,347	8,135	10,800	Sales/assets	81%	93%	123%	68%
Total current liabilities	7,912	15,942	19,217	30,135	Assets/equity	184%	191%	181%	237%
Total assets	36,738	42,932	46,871	88,526	ROE	16.9%	20.2%	21.0%	30.5%
					ROCE	15.8%	17.6%	19.8%	29.4%
Total debt	13,242	18,277	18,642	48,505					
Other liabilities	3,517	2,223	2,300	2,689					
Total liabilities	16,759	20,500	20,942	51,194					
Shareholders' equity	19,978	22,432	25,930	37,332					
BVPS	85.4	95.8	110.8	159.5					

Source: Company.

# Tata Communications

www.tatacommunications.com

## Company description

Tata Communications (TCOM, previously VSNL) is a leading provider of national and international long distance voice services to telecom carriers. The company also provides bandwidth and data services to Indian carriers and enterprises in the form of private leased circuits, internet leased lines and managed data services. In 2005, TCOM acquired Tyco Global Network (TGN), a global undersea cable network, and in 2006 it acquired Teleglobe, a leading wholesale carrier of global voice and data. TCOM owns capacity on five of the eight submarine cables landing in India.

## Positive share price drivers

(1) Higher growth in international bandwidth demand coupled with a slower rate of tariff decline could further boost the EBITDA generated from the highly profitable enterprise/carrier data business. (2) Increase in 'net' revenues from ILD/NLD voice business driven by faster growth in subscribers/usage and increase in carriage rates. (3) Higher revenues in international business. (4) De-merger and subsequent equity funding of retail BB business. (5) Unlocking of surplus land value.

## Negative share price drivers

(1) Further loss in NLD minutes and pricing pressure from key NLD customers (TTSL, VOD-Essar, IDEA), who all have obtained an NLD license recently. (2) Loss of IPLC customers to new entrants such as AT&T and BT. (3) Reduction in IPLC tariffs due to regulation of access and charges for cable capacity.

## Valuation and price target

Our Jun-09 price target of Rs400 is based on the sum-of-the-parts method. The upside risks are value unlocking through hive-off/funding of the retail broadband business, unlocking of surplus land value and re-rating of sub-sea cable assets driven by a potential listing of RCOM's FLAG. The downside risks are excess competition and adverse regulatory changes.

Bloomberg: TCOM IN; Reuters: TCOM.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	40,418	38,849	42,863	47,788
EBITDA	9,306	7,338	8,468	10,298
Net profit	4,854	3,135	3,467	4,547
Recurring EPS (Rs)	17.03	11.00	12.17	15.95
DPS (Rs)	4.5	4.5	4.5	6.0
Sales growth (%)	6.9	(3.9)	10.3	11.5
EBITDA growth (%)	6.3	(21.1)	15.4	21.6
EPS growth (%)	1.9	(35.4)	10.6	31.1
ROE (%)	7.5	4.8	5.1	6.5
P/E (x)	12.7	19.6	17.7	13.5
EV/EBITDA (x)	6.0	6.8	6.3	5.2

Source: Company reports, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs433.4

Price Target: Rs400

## India

### Wireline Services/Incumbents

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J.P. Morgan India Private Limited

## Price performance



Source: Bloomberg.

## Performance

	1M	3M	12M
Absolute (%)	(22.4)	(16.0)	(35.7)
Relative (%)	11.2	23.0	19.1

Source: Bloomberg.

## Company data

52-week range (Rs)	332-782
Mkt cap. (Rs B)	123
Mkt cap. (US\$B)	2.51
Avg daily value (US\$MM)	4.35
Avg daily volume (MM)	0.4
Shares O/S (MM)	285.0
Date of price	22-Oct-08
Index: BSE Sensex	10,169.9
Free float (%)	24.67
Exchange rate	49.3

Source: Bloomberg.

## Tata Communications (standalone): Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Revenues	40,418	38,849	42,863	47,788
EBITDA	9,306	7,338	8,468	10,298
Depreciation and amortization	(3,913)	(4,019)	(4,508)	(4,840)
Operating profit	5,393	3,319	3,959	5,458
Interest income & forex gains	94	524	525	537
Other Income	1964	1150	1000	1000
PBT	7,382	4,835	5,327	6,837
Extraordinaries/prior period	(256)	(117)	0	0
Current tax	(2,357)	(1,608)	(1,835)	(2,458)
Deferred tax (liability)/asset	(84)	(51)	(24)	167
Reported net profit	4,686	3,059	3,467	4,547
Adjusted net profit	4,854	3,135	3,467	4,547
Shares outstanding (MM)	285	285	285	285
EPS (Rs) (Reported)	16.4	10.7	12.2	16.0
Diluted adj. EPS (Rs)	17.0	11.0	12.2	16.0
DPS (Rs)	4.5	4.5	4.5	6.0
DPS payout ratio	27.4	41.9	37.0	37.6

Source: Company reports, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Cash and equivalents	10,299	9,904	9,203	10,322
Accounts receivable	9,552	9,047	9,395	9,819
Others	12,572	12,476	12,722	13,024
Total current assets	32,423	31,427	31,320	33,166
Total current liabilities	18,561	19,788	20,759	21,007
Net working capital	13,861	11,639	10,561	12,159
Net fixed assets (incl WIP)	34,452	38,546	41,879	42,753
Other long term assets	17,975	17,749	17,522	17,480
Total non-current assets	52,426	56,295	59,402	60,233
Total assets	66,288	67,934	69,963	72,392
Total debt	1,976	1,976	1,976	1,976
Other liabilities	717	768	792	624
Total liabilities	2,693	2,744	2,768	2,600
Shareholders' equity	63,595	65,190	67,195	69,792
Total liabilities and equity	66,288	67,934	69,963	72,392
Net (debt)/cash	8,322	7,928	7,227	8,346

Source: Company reports, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E
Cash flow from operations	5,531	7,282	6,852	7,203
Capex	(8,396)	(7,887)	(7,615)	(5,671)
Cash flow from other investing	1,380	1,674	1,525	1,537
Cash flow from financing	(468)	(1,464)	(1,462)	(1,950)
Change in cash for year	(1,953)	(395)	(701)	1,119
Beginning cash	12,252	10,299	9,904	9,203
Closing cash	10,299	9,904	9,203	10,322

Source: Company reports, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07	FY08E	FY09E	FY10E
EBITDA margin	23.0	18.9	19.8	21.5
FCF margin	(8.8)	0.5	(0.2)	4.6
ROE	7.5	4.8	5.1	6.5
ROC	7.3	4.3	4.9	6.6
ROA	7.3	4.6	5.0	6.4
Effective Tax rate	34.2	35.2	34.9	33.5
Capex to sales	22.8	20.3	17.8	11.9
Debt/capital	2.3	2.3	2.2	2.1
Net debt or (cash) to equity	(12.9)	(12.0)	(10.6)	(11.9)

Source: Company reports, J.P. Morgan estimates.

## Tata Consultancy Services

www.tcs.com

### Company description

Tata Consultancy Services (TCS) is Asia's largest IT services company, with revenues of over US\$5.5 billion in FY08. The company has 110,000+ employees with significant experience across vertical domains (including BFSI, manufacturing, and telecom) and technology platforms. TCS today serves 850+ clients. It has the widest portfolio of service offerings in the Indian IT space and its skill set straddles the entire IT services value chain—from pure IT outsourcing to traditional application development and maintenance to package implementation to consulting assignments to complex turnkey projects to BPO.

TCS has built global delivery centers (GDCs) in several locations, including Eastern Europe, Mexico and China. While revenue contribution from GDC remains less than 5%, we believe the GDC strategy offers the company a (1) differentiation from other offshore players, and (2) access to a wider talent pool.

### Positive share price drivers

(1) Beneficiary from the offshore market share gain within the IT services space, and (2) strength of TCS' broad-based model (large client ramp-ups).

### Negative share price drivers

(1) A further slowdown in the in global IT spending, and (2) appreciation of the rupee against the US\$ and the euro.

### Valuation and risks

Our Jun-09 price target of Rs850 is based on price-to-earnings multiples of 12x forward and 14x trailing EPS. These multiples are at a 15-20% discount to Infosys multiples. Our DCF-based June-09 fair value estimate is Rs780/share. A macro slowdown in IT spending environment and appreciation of the rupee against the US dollar are the key risks to our price target.

Bloomberg: TCS IN; Reuters: TCS.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Sales	228,614	277,244	317,788	368,751
Net profit	50,191	55,126	66,443	73,365
EPS (Rs)	51.3	56.3	67.9	75.0
FD EPS (Rs)	51.3	56.3	67.9	75.0
DPS (Rs)	16.4	11.7	8.8	8.8
Sales growth (%)	22.7	21.3	14.6	16.0
Net profit growth (%)	21.5	9.8	20.5	10.4
EPS growth (%)	21.5	9.8	20.5	10.4
ROE (%)	47.0	38.2	34.4	28.8
P/E (x)	16.1	14.7	12.2	11.0
FD P/E (x)	16.1	14.7	12.2	11.0

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 24 October 2008.

## Overweight

Price: Rs498.85

Price Target: Rs850

### India

#### eBusiness/IT Services

Manoj Singla, CFA<sup>AC</sup>

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manoj.singla@jpmorgan.com

J.P. Morgan India Private Limited

### Price performance



Source: Datastream.

### Performance

	1M	3M	12M
Absolute (%)	-30.0	-37.8	-52.4
Relative (%)	6.4	3.3	0.6

Source: Bloomberg.

### Company data

52-week range (Rs)	440-1,125
Mkt cap. (RsB)	488
Mkt cap. (US\$B)	9.77
Avg daily value (US\$MM)	28.7
Avg daily volume (MM)	1.8
Shares O/S (MM)	979
Date of price	24-Oct-2008
Index: Sensex	8,701
Free float (%)	24
Exchange rate (Rs/US\$)	50.0

Source: Bloomberg.



## Tata Consultancy Services: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Revenue	228,614	277,244	317,788	368,751
% change Y/Y	22.7	21.3	14.6	16.0
Gross margin (%)	44.8	44.2	43.6	43.6
EBITDA	57501	68723	79406	92464
% change Y/Y	16.7	19.5	15.5	16.4
EBITDA margin (%)	25.2	24.8	25.0	25.1
EBIT	53,651	65,406	75,091	87,170
% change Y/Y	15.5	21.9	14.8	16.1
EBIT margin (%)	23.5	23.6	23.6	23.6
Net interest	398	785	2,179	4,381
Earnings before tax	58,101	65,034	79,270	93,551
% change Y/Y	20.1	11.9	21.9	18.0
Tax	7,494	9,384	12,287	19,646
as % of EBT	12.9	14.4	15.5	21.0
Net income (reported)	50,191	55,126	66,443	73,365
% change Y/Y	21.5	9.8	20.5	10.4
Shares O/S (MM)	979	979	979	979
EPS (reported) (Rs)	51.3	56.3	67.9	75.0

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	10,352	30,706	65,549	106,083
Accounts receivable	53,898	63,934	73,159	85,198
Inventories	0	0	0	0
Others	31,077	34,512	39,492	45,991
Current assets	95,327	129,152	178,201	237,271
LT investments	26,503	28,296	30,296	32,296
Net fixed assets	30,215	42,333	52,019	60,724
Total assets	175,818	231,237	295,971	369,747
Liabilities				
ST loans	367	73	73	73
Payables	0	0	0	0
Others	41,787	56,046	62,924	71,923
Total current liabilities	42,154	56,119	62,997	71,996
Long-term debt	6,732	7,253	7,253	7,253
Other liabilities	812	905	905	905
Total liabilities	49,698	64,277	71,155	80,154
Shareholders' equity	126,120	166,960	224,816	289,594
BVPS (Rs)	126.5	168.0	227.2	293.3

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
EBIT	53,651	65,406	75,091	87,170
Depreciation & amortization	3,851	3,317	4,314	5,294
Change in working capital	-11,984	788	-7,327	-9,538
Taxes	7,494	9,384	12,287	19,646
Cash flow from operations	42,474	59,755	63,971	69,661
Capex	-11,152	-15,436	-14,000	-14,000
Disposal/(purchase)	-17,394	-9,475	-6,000	-6,000
Cash flow from investing	-28,546	-24,911	-20,000	-20,000
Free cash flow	31,321	44,319	49,971	55,661
Equity raised/(repaid)	-2	-3,042	0	0
Debt raised/(repaid)	473	228	0	0
Other	-308	-208	-540	-540
Dividends	-16,030	-11,467	-8,587	-8,587
Beginning cash	12,291	10,352	30,706	65,549
Ending cash	10,352	30,706	65,549	106,083
DPS (Rs)	16.4	11.7	8.8	8.8

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY08	FY09E	FY10E	FY11E
EBITDA margin	25.2	24.8	25.0	25.1
Operating margin	23.5	23.6	23.6	23.6
Net profit margin	22.0	19.9	20.9	19.9
SG&A/sales	21.3	20.6	20.0	20.0
Sales growth	22.7	21.3	14.6	16.0
Net profit growth	21.5	9.8	20.5	10.4
Sales per share growth	22.7	21.3	14.6	16.0
EPS growth	21.5	9.8	20.5	10.4
Interest coverage (x)	NM	NM	NM	NM
Net debt to total capital	NM	NM	NM	NM
Net debt to equity	NM	NM	NM	NM
Sales/assets	130.0	119.9	107.4	99.7
EBIT margin	23.5	23.6	23.6	23.6
ROCE	40.9	36.1	31.5	26.3
Assets/equity (x)	1.4	1.4	1.3	1.3
ROI	49.9	47.1	45.4	42.2
ROE	47.0	38.2	34.4	28.8

Source: Company, J.P. Morgan estimates.

## Tata Steel

www.tatasteel.com

### Company description

Tata Steel is among the top 10 steel producers with production capacities across India, Europe, and Singapore. The company has a presence in both long steel and flat steel products and via Corus (European subsidiary) has a presence in high value added steel products.

### Positive share price drivers

Tata Steel's India operations are among the lowest cost steel producers in the world, with captive iron ore and partial coking coal integration. The company is also adding capacity in India via brown field capacity expansion. Tata Steel's presence in value added products to an extent mitigates the expected weakness in steel pricing environment.

### Negative share price drivers

Expected steel downturn will likely impact Tata Steel in: 1) Earnings—Weak demand and pricing outlook could affect the company in both Europe and Asia (including India). 2) Tight credit markets—Affects the company's ability to refinance debt/raise new capital. While net debt- to-equity is at 1.1x FY09E levels, adjusted (for goodwill) net debt- to-equity stands at 1.9x FY09E. With Tata Steel focusing on increasing capacity in India (as mining acquisitions remain difficult/expensive), we believe the high level of gearing is a negative as the steel prices and demand outlook remain challenging (particularly in the long market in Europe).

### Valuation and risks

Our Sept-09 price target of Rs290 is based on a sum-of-the-parts methodology. A key upside risk, other than a V-shaped recovery in global steel demand, is the imposition of an import duty higher than 5% (our estimate) by the Indian government. The key downside risks are weak steel prices in Europe combined with weak demand leading to very low earnings at Corus.

Bloomberg: TATA IN, Reuters: TATA.BO

Rs in billions, year-end March

	FY08	FY09E	FY10E	FY11E
Net sales	1,315	1,627	1,507	1,502
EBITDA	180	191	175	178
Net profit ( Pre exceptional)	62	80	67	67
EPS ( Pre exceptional) (Rs)	71	92	77	78
Net sales growth (%)	649	24	-7	0
Net profit growth (%)	42	30	-17	1
ROE (%)	24	20	14	13
P/E (x)	3.4	2.7	3.2	3.2
EV/EBITDA (x)	3.7	3.7	4.0	4.0

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs245.05

Price Target: Rs290.00

### India

#### Metals & Mining

Pinakin Parekh, CFA<sup>AC</sup>

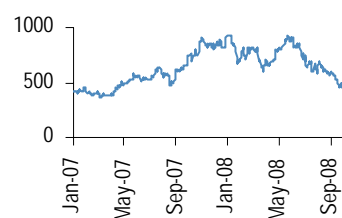
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-50	-61	-67
Relative (%)	-23	-33	-25

Source: Bloomberg.

### Company data

52-week range (Rs)	238-970
Mkt cap. (RsMM)	179,030
Mkt cap. (US\$MM)	3,629
Avg. daily volume (MM)	5.6
Avg. daily value (US\$MM)	58.1
Shares O/S (MM)	731
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	67.0
Exchange rate	49.3

Source: Bloomberg.

## Tata Steel: Summary of financials

## Profit and loss statement

Rs in billions; Y/E March	FY08	FY09E	FY10E	FY11E
Revenues	1,315	1,627	1,507	1,502
% change Y/Y	649	24	-7	0
EBITDA	180	191	175	178
% change Y/Y	158	6	-8	2
EBITDA margin (%)	14	12	12	12
EBIT	139	146	131	133
% change Y/Y	115.2	5.5	-10.2	1.2
EBIT margin (%)	11	9	9	9
Net interest	-36	-39	-40	-40
Earnings before tax	102	107	91	93
% change Y/Y	60	5	-15	2
Tax	40	27	24	26
as % of EBT	40	25	27	27
Net income (Pre Exceptional)	62	80	67	67
% change Y/Y	42	30	-17	1
Shares outstanding (Diluted)	869	869	869	869
EPS (pre exceptional) (Rs)	71	92	77	78
% change Y/Y	-5	30	-17	1

## Cash flow statement

Rs in billions; Y/E March	FY08	FY09E	FY10E	FY11E
Net income (Pre exceptional)	62	80	67	67
Add: depreciation	41	45	44	45
Working capital movement	(109)	(68)	8	(2)
Operational cash flow	(5)	57	118	111
Net capex	(319)	(84)	(89)	(109)
Free cash flow	(324)	(27)	29	3
Equity raised/ (repaid)	122	0	0	0
Debt raised/ (repaid)	251	20	(16)	0
Other	(116)	(15)	(14)	(14)
Dividends paid	(14)	(13)	(13)	(13)
Beginning cash	77	42	21	19
Ending cash	42	21	19	8
DPS (Rs)	13.0	13.0	13.0	13.0

## Balance sheet

Rs in billions; Y/E March	FY08	FY09E	FY10E	FY11E
Inventories	231	276	257	258
Debtors	187	214	193	193
Cash and bank balances	42	21	19	8
Loans and deposits	155	43	43	43
Net PPE	420	459	505	568
Other assets	214	327	327	327
Total assets	1,249	1,339	1,344	1,396
Liabilities				
Sundry creditors	257	288	257	255
Others	72	44	44	44
Total current liabilities	329	332	301	300
Total debt	500	520	505	505
Other liabilities	44	44	44	44
Total liabilities	873	897	849	848
Shareholders' equity	376	442	495	548
BVPS	433	509	569	631

## Ratio analysis

%; Y/E March	FY08	FY09E	FY10E	FY11E
EBITDA margin	14	12	12	12
Operating margin	11	9	9	9
Net profit margin	5	5	4	4
Sales growth	649	24	-7	0
Net profit growth	42	30	-17	1
EPS growth	-5	30	-17	1
Interest coverage (x)	5.0	4.9	4.4	4.5
Net debt to total capital	37	37	36	36
Net debt to equity	122	113	98	91
Sales/assets	105	122	112	108
Assets/equity (x)	3.3	3.0	2.7	2.5
ROE	24	20	14	13
ROCE	14	10	9	9

Source: Company, J.P. Morgan estimates.

## Tech Mahindra

www.techmahindra.com

### Company description

Tech Mahindra is a leading IT services player focused on the telecom space. The company was started as a JV between M&M and British Telecom in 1986. Tech Mahindra had US\$930 million in revenues in FY08. The company is mainly focused on the Telecom Service Provider (TSP) segment, with 90% of its revenues coming from fixed line and mobile operators. Tech Mahindra serves almost 100 clients in over 40 countries with 25,000+ employees.

### Positive share price drivers

(1) Strong revenue traction driven by growth in large clients—British Telecom and AT&T. Management continues to see a healthy pipeline especially as the BTGS deal ramps up and two other deals with BT (US\$350 million and US\$700 million) start ramping up in FY09.(2) The strong capability in the telecom operator segment.

### Negative share price drivers

(1) High client concentration—BT accounts for 60%+ of revenues and top five clients account for 80% of revenues. (2) Transactions which have cash payouts to win deals (like two US\$100 million+ payouts to BT to win two large deals). (3) Risk of departure of key management personnel post vesting of ESOPs in 2009.

### Valuation and risks

Our Jun-09 price target is based on DCF value of Rs 550/share. We expect TM to trade at valuations slightly below large players such as Satyam. While we expect TM's to deliver growth and margins similar to peers such as Satyam, TM suffers from single industry focus and client concentration risks. Hence, our price target implies a 1-year trailing P/E multiple of 8x and forward P/E multiple of 7x (40% discount to Satyam). The key risks to our thesis include single telecom vertical focus, high client concentration and industry wide risks (Rupee/US\$ appreciation and salary inflation).

Bloomberg: **TECHM IN**, Reuters: **TEML.BO**

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Sales	37,661	46,730	52,344	61,134
Net profit	7,434	8,773	9,356	10,009
EPS (Rs)	61.3	72.1	76.9	82.2
FD EPS (Rs)	61.3	72.1	76.9	82.2
DPS (Rs)	5.5	4.0	9.0	9.0
Sales growth (%)	28.6	24.1	12.0	16.8
Net profit growth (%)	21.4	18.0	6.7	7.0
EPS growth (%)	16.3	17.7	6.6	7.0
ROE (%)	67.6	51.4	36.7	29.5
P/E (x)	5.5	4.7	4.4	4.1
FD P/E (x)	5.5	4.7	4.4	4.1

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 24 October 2008.

## Overweight

Price: Rs 337.50

Price Target: Rs550

### India

#### eBusiness/IT Services

**Manoj Singla, CFA<sup>AC</sup>**

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J.P. Morgan India Private Limited

### Price performance



Source: Datastream.

### Performance

	1M	3M	12M
Absolute (%)	-48.1	-52.3	-73.1
Relative (%)	-18.3	-19.0	-42.7

Source: Bloomberg.

### Company data

52-week range (Rs)	320-1,300
Mkt cap. (RsB)	40.9
Mkt cap. (US\$MM)	818.6
Avg daily value (US\$MM)	3.2
Avg daily volume (MM)	0.20
Shares O/S (MM)	121
Date of price	24-Oct-2008
Index: Sensex	8,701
Free float (%)	12
Exchange rate (Rs/US\$)	50.0

Source: Bloomberg.

## Tech Mahindra: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Revenue	37,661	46,730	52,344	61,134
% change Y/Y	28.6	24.1	12.0	16.8
Gross margin (%)	34.5	36.9	36.0	34.9
EBITDA	7996	10963	11447	13050
% change Y/Y	8.5	37.1	4.4	14.0
EBITDA margin (%)	21.2	23.5	21.9	21.3
EBIT	7,200	9,856	10,087	11,430
% change Y/Y	5.1	36.9	2.3	13.3
EBIT margin (%)	19.1	21.1	19.3	18.7
Net interest	982	59	667	1,081
Earnings before tax	8,182	9,915	10,754	12,511
% change Y/Y	19.2	21.2	8.5	16.3
Tax	748	1,143	1,398	2,502
as % of EBT	9.1	11.5	13.0	20.0
Net income (reported)	7,434	8,773	9,356	10,009
% change Y/Y	21.4	18.0	6.7	7.0
Shares O/S (MM)	121	122	122	122
EPS (reported) (Rs)	61.3	72.1	76.9	82.2

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	1,609	9,029	15,730	23,076
Accounts receivable	10,965	11,934	13,490	15,991
Deferred tax	3,621	4,288	4,847	5,746
Others	0	0	0	0
Current assets	16,195	25,251	34,068	44,813
LT investments	0	0	0	0
Net fixed assets	5,996	7,139	7,779	8,160
Total assets	22,251	32,390	41,847	52,973
Liabilities				
Provisions	2,763	3,272	3,698	4,384
Payables	6,505	7,371	8,327	10,040
Others	0	0	0	0
Total current liabilities	9,268	10,643	12,025	14,424
Long-term debt	300	300	300	300
Other liabilities	0	0	0	0
Total liabilities	9,568	10,943	12,325	14,724
Shareholders' equity	12,683	21,447	29,522	38,249
BVPS (Rs)	104.5	176.2	242.6	314.3

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
EBIT	7,200	9,856	10,087	11,430
Depreciation & amortization	796	1,107	1,359	1,619
Change in working capital	-1,990	-261	-733	-1,001
Taxes	748	1,143	1,398	2,502
Cash flow from operations	6,240	9,619	9,983	10,627
Capex	-2,371	-2,250	-2,000	-2,000
Disposal/(purchase)	14	60	0	0
Cash flow from investing	-2,357	-2,190	-2,000	-2,000
Free cash flow	3,869	7,369	7,983	8,627
Equity raised/(repaid)	-3,270	561	0	0
Debt raised/(repaid)	130	0	0	0
Other	0	0	0	0
Dividends	-781	-570	-1,281	-1,281
Beginning cash	1,647	1,609	9,029	15,730
Ending cash	1,609	9,029	15,730	23,076
DPS (Rs)	5.5	4.0	9.0	9.0

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY08	FY09E	FY10E	FY11E
EBITDA margin	21.2	23.5	21.9	21.3
Operating margin	19.1	21.1	19.3	18.7
Net profit margin	19.7	18.8	17.9	16.4
SG&A/sales	14.7	13.1	13.0	13.0
Sales growth	28.6	24.1	12.0	16.8
Net profit growth	21.4	18.0	6.7	7.0
Sales per share growth	28.4	23.7	12.0	16.8
EPS growth	16.3	17.7	6.6	7.0
Interest coverage (x)	116.1	636.6	348.9	358.6
Net debt to total capital	9.2	NM	NM	NM
Net debt to equity	11.5	NM	NM	NM
Sales/assets	169.3	144.3	125.1	115.4
EBIT margin	19.1	21.1	19.3	18.7
ROCE	60.5	50.3	34.6	27.2
Assets/equity (x)	1.8	1.5	1.4	1.4
ROI	50.8	48.0	40.8	38.0
ROE	67.6	51.4	36.7	29.5

Source: Company, J.P. Morgan estimates.

## Television Eighteen India Ltd

www.network18online.com

### Company description

Television 18 is the market leader in the business news segment with prominent channels—CNBC TV18 and CNBC Awaaz. These channels are operated in partnership with NBC UNIVERSAL, one of the leading global media brand. WEB18, a division of the TV18 Group, is a leading player in the Internet space in India. It runs moneycontrol.com, which is India's most widely used financial, business and investor platform with more than 5 million users. Other key websites operated by the company are commoditiescontrol.com, ibnlive.com, easymf.com, poweryourtrade.com, indiaearnings.com, tech2.com, cricketnext.com and compareindia.com.

### Positives

(1) Business news channels (CNBC TV18 and CNBC Awaaz) continue to dominate the genre and have strong brand franchise. (2) Scaling up the operations of Web18 would add to long-term growth according to management.

### Negatives

(1) Losses from investments in new ventures could affect profits. (2) The company is involved in many ventures. (3) Slowing economic growth could affect advertising revenue growth across various mediums such as TV and Internet where the company has prominent exposures.

### Valuation

The stock is trading at 12x FY09E and 8x FY10E consensus earnings.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

Bloomberg: TLEI IN, Reuters: TVET.BO

Rs in millions, year-end March

	FY04	FY05	FY06	FY07
Sales	984	1,520	2,471	3,977
Net profit	330	374	322	52
EPS (Rs)	4.8	4.3	3.0	0.5
Sales growth (%)	83	54	63	61
Net profit growth (%)	182	13	-14	-84
ROE (%)	29	16	11	1
P/E (x)	18.8	20.8	30.2	187.7

Source: Capitaline. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs90.1

### India

#### Media

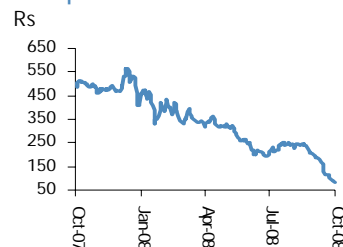
#### Latika Chopra, CFA<sup>AC</sup>

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J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	6M	12M
Absolute (%)	-56	-72	-81
Relative (%)	-40	-53	-67

Source: Bloomberg.

### Company data

52-week range (Rs)	87-600
Mkt cap. (RsMM)	10,812
Mkt cap. (US\$MM)	219
Avg daily volume (MM)	0.15
Avg daily value (US\$MM)	1.0
Date of price	22-Oct-08
Free float (%)	49
Shares O/S (MM)	120
Index: BSE Sensex	10170
Exchange rate	49.3

## Television Eighteen India Ltd: Summary of financials

### Profit & loss statement

Rs in millions, Y/E March	FY05	FY06	FY07	FY08
Revenue	984	1,520	2,471	3,977
% change Y/Y	83	54	63	61
EBITDA	480	765	752	1,159
% change Y/Y	153	59	-2	54
EBITDA margin (%)	49	50	30	29
EBIT	385	629	564	827
% change Y/Y	143	64	-10	47
EBIT margin (%)	39	41	23	21
Net interest	62	120	244	557
Earnings before tax	323	509	319	270
% change Y/Y	160	57	-37	-15
Tax	-7	126	-4	210
as % of EBT	-2	25	NM	NM
Net income	330	374	322	52
% change Y/Y	182	13	-14	-84
EPS (Rs)	4.8	4.3	3.0	0.5

### Balance sheet

Rs in millions, Y/E March	FY05	FY06	FY07	FY08
Cash and cash equivalents	71	446	1,847	1,729
Accounts receivable	587	972	1,635	1,984
Inventories	5	5	9	6
Others	296	789	1,125	1,531
Current assets	959	2,212	4,615	5,250
LT investments	766	1,788	1,964	7,104
Net fixed assets	742	987	1,202	2,909
Total assets	2,467	4,987	7,781	15,262
Payables	347	548	1,002	4,028
Others	29	72	119	442
Total current liabilities	376	621	1,121	4,470
Long-term debt	953	1,851	3,219	5,468
Other liabilities+Net deferred tax	7	126	474	464
Total liabilities	1,336	2,597	4,814	10,401
Shareholders' equity	1,131	2,389	2,967	4,861

Source: Capitaline.

### Cash flow

Rs in millions, Y/E March	FY05	FY06	FY07	FY08
EBIT	385	629	564	827
Depreciation & amortization	95	136	188	332
Change in working capital	-195	-524	-412	221
Taxes & others	-2	-21	12	-330
Cash flow from operations	283	219	352	1,049
Capex	-559	-348	-318	-799
Disposal/ (purchase)	-426	-6,040	-1,705	-5,081
Others	57	4,886	104	-984
Cash flow in investing	-928	-1,502	-1,919	-6,863
Equity raised/(repaid)	312	786	2,099	2,090
Debt raised/(repaid)	436	1,021	1,391	2,270
Other	-74	-131	-711	1,504
Dividends	-19	-19	189	-167
Cash flow in financing	656	1,658	2,968	5,696
Beginning cash	61	71	446	1,847
Ending cash	71	446	1,847	1,729

### Ratio analysis

%, Y/E March	FY05	FY06	FY07	FY08
EBITDA margin (%)	49	50	30	29
Operating margin (%)	39	41	23	21
Net profit margin (%)	34	25	13	1
Sales growth (%)	83	54	63	61
Net profit growth (%)	182	13	-14	-84
Interest coverage (x)	6.2	5.2	2.3	1.5
Net debt to total capital	0.4	0.3	0.2	0.4
Net debt to equity	0.8	0.6	0.5	0.8
Sales/assets	0.4	0.3	0.3	0.3
ROCE (%)	18	15	9	8
Assets/equity (x)	2.2	2.1	2.6	3.1
ROE (%)	29	16	11	1

## Titan Industries Limited

www.titanworld.com

### Company description

Titan Industries Limited (Titan) is India's leading watch and jewelry manufacturer and retailer. The company currently accounts for more than 60% share of the organized watch market. It was among the first companies in India to enter the organized jewelry retail segment with the launch of the *Tanishq* brand, and now has a more than 40% share of the organized jewelry market. Titan recently made a foray into eyewear retailing with 'Titan Eye+' stores.

### Positive share price drivers

(1) Store expansion and some exciting new launches in the watch category should help sustain good growth over the next one or two years. (2) Significant geographical expansion, with rising scale of Tanishq and Goldplus stores (addition of 40-50 stores p.a.), should support robust jewelry sales growth. (3) Eyewear business prospects look encouraging, and the company is looking to add 200 stores over the next three years. Margin and returns profile of the business is likely to improve as the company plans to achieve sales of 50% through its own brands.

### Negative share price drivers

(1) Volume growth for watches could moderate given the rising saturation levels in this category. (2) Competitive challenges are rising in the jewelry space.

### Valuation and risks

The stock is trading at 18x FY09E and 14x FY10E earnings. We maintain our Overweight rating on the stock with a March 2009 price target of Rs1,300. Our price target is based on one-year forward earnings multiple of 20x. The key risks to our price target include: (1) continued volatility in gold prices, which could affect jewelry demand; (2) significant changes in currency and interest rate expectations; and (3) substantial changes in overall economic growth.

Bloomberg: TTAN IN; Reuters: TITN.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Net sales	29,969	41,388	50,903	60,215
Net profit	1,603	2,256	2,914	3,851
EPS (Rs)	36.1	50.8	65.6	86.7
DPS (Rs)	8.0	12.0	15.0	16.8
Net sales growth (%)	43	38	23	18
Net profit growth (%)	24	41	29	32
EPS growth (%)	24	41	29	32
ROE (%)	41	43	42	44
ROCE (%)	34	44	46	50
BVPS (Rs)	100.4	135.2	174.9	223.2
P/E (x)	25.7	18.3	14.1	10.7
P/B (x)	9.2	6.9	5.3	4.2
EV/EBITDA (x)	17.3	11.8	9.3	7.1
Dividend yield (%)	0.9	1.3	1.6	1.8

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs927.7

Price Target: Rs1,300

### India

#### Retail

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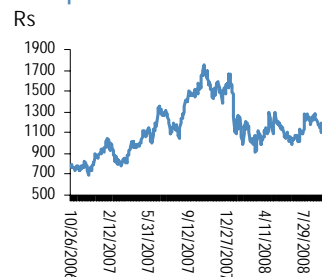
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J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	6M	12M
Absolute (%)	-21	-19	-39
Relative (%)	9	34	5

Source: Bloomberg.

### Company data

52-week range (Rs)	692-1795
Mkt cap. (RsMM)	41,180
Mkt cap. (US\$MM)	836
Avg daily value (US\$MM)	3.3
Avg daily volume (MM)	0.13
Shares O/S (MM)	44.4
Date of price	22-Oct-08
Index: BSE Sensex	10170
Exchange rate	49.3

Source: Bloomberg.



## Titan Industries Limited: Summary of financials

## Profit and loss statement

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Revenues	29,969	41,388	50,903	60,215
% change Y/Y	43	38	23	18
EBITDA	2,469	3,613	4,552	5,936
% change Y/Y	10	46	26	30
EBITDA margin (%)	8.2	8.7	8.9	9.9
EBIT	2,136	3,247	4,141	5,480
% change Y/Y	8	52	28	32
EBIT margin (%)	7	8	8	9
Net interest	197	157	149	132
Earnings before tax	1,939	3,090	3,991	5,348
% change Y/Y	9%	59%	29%	34%
Tax	446	834	1,078	1,497
as % of EBT	23	27	27	28
Net income (adjusted)	1,603	2,256	2,914	3,851
% change Y/Y	24	41	29	32
Shares outstanding (MM)	44	44	44	44
EPS (adjusted)	36.1	50.8	65.6	86.7
% change Y/Y	24	41	29	32

## Cash flow statement

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
EBIT	2,136	3,247	4,141	5,480
Depreciation & amortization	333	366	411	456
Change in working capital	-905	-1,172	-1,041	-1,349
Taxes	-626	-834	-1,078	-1,497
Others	127	0	0	0
Cash flow from operations	1,066	1,607	2,433	3,090
Capex	-487	-750	-750	-750
Disposal/ (purchase)	-206	0	0	0
Others	50	22	29	47
Cash flow from investment	-643	-728	-721	-703
Equity raised/ (repaid)	0	0	0	0
Debt raised/ (repaid)	79	0	0	0
Other	-266	-282	-346	-426
Dividends paid	-221	-610	-985	-1,457
Beginning cash	510	554	541	923
Ending cash	554	541	923	1,425

## Balance sheet

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	554	541	923	1,425
Accounts receivable	993	2,268	2,789	3,299
Inventories	10,440	9,525	11,715	14,188
Others	1,049	2,069	2,545	3,011
Current assets	13,035	14,403	17,972	21,923
Investments	23	23	23	23
Net fixed assets	2,877	3,261	3,599	3,893
Total assets	15,936	17,687	21,595	25,840
Liabilities				
Payables	8,375	8,504	10,460	12,373
Others	748	828	1,018	1,204
Total current liabilities	9,123	9,332	11,478	13,577
Total Loans	2,103	2,103	2,103	2,103
Other liabilities	252	252	252	252
Total liabilities	11,478	11,687	13,833	15,932
Shareholders' equity	4,458	6,000	7,762	9,908
BVPS	100.4	135.2	174.9	223.2

## Ratio analysis

% , Y/E March	FY08	FY09E	FY10E	FY11E
EBITDA margin	8	9	9	10
EBIT margin	7	8	8	9
Net profit margin	5	5	6	6
Sales growth	43	38	23	18
Net profit growth	24	41	29	32
EPS growth	24	41	29	32
Interest coverage (x)	10.3	18.2	23.2	30.7
Net debt to total capital	0.2	0.2	0.1	0.1
Net debt to equity	0.4	0.3	0.2	0.1
Sales/assets	1.9	2.3	2.4	2.3
Assets/equity	3.6	2.9	2.8	2.6
ROE	41	43	42	44
ROCE	34	44	46	50

Source: Company reports and J.P. Morgan estimates.

## Unitech Limited

www.unitechgroup.com

### Company description

Unitech (UT) is one of the largest real estate developers in the country with a track record of more than 30 years in real estate development. It has developed 1,200 acres of land in five townships, with 12mqft of real estate development in the past three years, and it has close to 55msqft of projects under development. Historically, the company has focused on the NCR, but recently it ventured successfully into Kolkata as well.

### Positive share price drivers

(1) UT is one of the biggest developers in India with land reserves of 680msf, largely spread across the NCR, Chennai, Hyderabad and Vizag. (2) Stake sale of the telecom business could help enhance its valuation and reduce gearing at the parent level. The company is already in talks for diluting its minority stake to a strategic partner. (3) The recent capital raising (US\$300 million and US\$175 million from private investors) has provided the much-needed capital. (4) UT in a JV with Rohan is looking to build a portfolio of ~50-60msf in Mumbai (including the Santa Cruz project). Of this, ~60% of the land has been acquired and substantially paid for.

### Negative share price drivers

(a) UT's high gearing level is a key area of concern (Net D/E is 1.9x; adjusted net D/E is 3x); (2) Approval risk—given the company is venturing into new markets. Unitech has already faced delays in procuring the requisite government approvals for new project launches in Hyderabad and Chennai. (3) Slow demand in residential market and funding constraints could lead to delay in new launches, thus, adversely impacting revenue/earnings growth.

### Valuation and risks

We maintain our Overweight rating on Unitech with our Mar-09 price target of Rs175, based on a 15% NAV discount. We believe concerns on UT's leverage position could start coming off progressively from the potential stake sale in the telecom business. Key risks to price target are: (1) execution risks, especially those relating to procuring approvals from government agencies; and (2) price decline in key geographies over and above those already modeled in.

**Bloomberg:** UT IN; **Reuters:** UNTE.

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Sales	32,883	41,152	49,137	64,183
Net profit	13,058	16,613	18,613	20,339
Net margin (%)	40	40	38	32
EPS (Rs)	8.0	10.2	11.5	12.5
Net sales growth (%)	255	25	19	31
Net profit growth (%)	1,444	27	12	9
P/E (x)	8.9	7.0	6.3	5.7
ROE (%)	29	15	12	11
ROCE (%)	44	20	16	16
Net debt/equity (%)	139	189	169	164
BPS	12.3	22.2	33.4	45.6
P/B	5.8	3.2	2.1	1.6

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs71.7

Price Target: Rs175

### India

#### Property

**Saurabh Kumar**<sup>AC</sup>

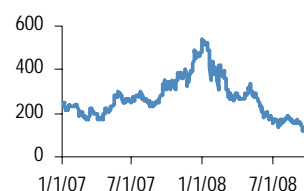
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-44.2	-54.3	-76.6
Relative (%)	-16.9	-26.5	-34.3

Source: Bloomberg.

### Company data

52-wk range (Rs)	546.8 - 71.1
Mkt cap. (RsMM)	116,224
Mkt cap. (US\$MM)	2,356
Avg. daily volume (MM)	9.4
Avg daily value (US\$MM)	26.0
Shares O/S (MM)	1621
Date of price	22-Oct-08
Index (BSE Sensex)	10170
Free float (%)	25
Exchange rate	49.3

Source: Bloomberg.

## Unitech Limited: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Revenues	32,883	41,152	49,137	64,183
% change Y/Y	255	25	19	31
EBITDA	20,018	22,038	24,560	31,298
% change Y/Y	1085	10	11	27
EBITDA margin (%)	61	54	50	49
EBIT	19,938	21,833	24,290	30,974
% change Y/Y	1165	10	11	28
EBIT Margin (%)	61	53	49	48
Net financial income	(2,020)	(1,155)	(2,949)	(3,968)
Earnings before tax	17,919	20,678	21,341	27,006
% change Y/Y	1190	15	3	27
Tax	(4,864)	(3,986)	(4,695)	(6,481)
as % of EBT	27	19	22	24
Net income (adjusted)	13,058	16,613	18,613	20,339
% change Y/Y	1453	27	12	9
Shares outstanding (MM)	1,623	1,623	1,623	1,623
EPS (adjusted)	8.0	10.2	11.5	12.5
% change Y/Y	1,444	27	12	9

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
EBIT	19,938	21,833	24,290	30,974
Depreciation & amortization	80	205	270	324
Change in working capital	(51,696)	(33,118)	(26,633)	(21,409)
Taxes	(4,864)	(3,986)	(4,695)	(6,481)
Others	779	2,716	3,243	958
Cash flow from operations	(35,762)	(12,350)	(3,525)	4,366
Capex	(3,341)	(22,964)	(13,930)	(26,930)
Change in investments	(2,021)	(8,614)	(1,500)	(1,500)
Interest	(3,020)	(2,804)	(4,225)	(5,112)
Free cash flow	(44,144)	(46,731)	(23,179)	(29,176)
Equity raised/ (repaid)	-	-	-	-
Debt raised/ (repaid)	29,356	45,718	10,000	27,000
Dividends paid	(185)	(406)	(405)	(446)
Beginning cash	3,899	10,227	14,083	3,883
Ending cash	10,227	14,083	3,883	1,262

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY07A	FY08A	FY09E	FY10E
Cash and cash equivalents	10,227	14,083	3,883	1,262
Accounts receivable	19,855	36,755	57,501	73,322
Inventories	86,995	136,076	153,922	193,943
Others	-	148.35	148.35	148.35
Current assets	117,077	187,062	215,455	268,675
Total Investments	4,548	14,165	12,280	13,780
Net fixed assets	8,148	31,442	45,101	71,707
Liabilities	49,551	82,562	94,521	128,954
Provisions	5,780	9,350	9,350	9,350
Total current liabilities	55,331	91,912	103,871	138,304
Total assets	75,569	141,883	170,091	216,985
Total debt	39,805	85,524	95,524	122,524
Other liabilities	15,820	20,354	20,354	20,354
Total liabilities	55,626	105,878	115,878	142,878
Shareholders' equity	19,944	36,005	54,213	74,106
BVPS	12.3	22.2	33.4	45.6

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY07A	FY08A	FY09E	FY10E
EBITDA margin	61	54	50	49
EBIT margin	61	53	49	48
Net profit margin	40	40	38	32
Sales growth	255	25	19	31
Net profit growth	1,444	27	12	9
Interest coverage (x)	6.6	7.8	5.7	6.1
Net debt to total capital	37	48	54	56
Net debt to equity	139	189	169	164
Sales/assets	0.4	0.3	0.3	0.3
Assets/equity	3.8	3.9	3.1	2.9
ROE	29	15	12	11
ROCE	44	20	16	16

Source: Company, J.P. Morgan estimates.

## United Spirits Limited

www.unitedspirits.in

### Company description

United Spirits (previously McDowell) is a leader in the Indian spirits market with an almost-monopoly status and market share of 60%. Whisky accounts for over 60% of the company's sales volume. Its other products include rum, brandy, vodka and wine. United Spirits acquired Whyte & Mackay, a scotch whisky distiller based in Scotland, last year.

### Positive share price drivers

(1) Strong brand franchise and a pan India presence in a highly regulated liquor industry are the key entry barriers. (2) Progressive liquor policy environment. (3) Rising contribution of high-margin categories such as vodka and wine.

### Negative share price drivers

(1) A challenging economic growth environment could result in down-trading in the whisky segment, impacting margins. (2) Over 65% of the company's domestic products are sold through government channels, where the retail price range is set by the state; this limits United Spirits' pricing power. (3) A significant increase in molasses and other raw material prices could result in margin pressure for the company. (4) Weak equity markets could delay the plans for treasury stock placement. In such a scenario, high leverage on account of the Whyte & Mackay acquisition could impact earnings growth.

### Valuation and risks

Given that the growth outlook still appears to be very challenging, we have a Neutral rating on the stock with a Mar-09 price target of Rs1,000. Our price target is based on FY10E P/E of 20x and EV/EBITDA of 10x. Key risks to our rating and price target are: (1) substantial changes in economic growth; and (2) raw material inflation trends.

Reuters: UNSP.BO; Bloomberg: UNSP IN

Rs in millions, year-end March

	FY07	FY08E	FY09E	FY10E	FY11E
Revenue	29,249	47,064	51,469	58,455	63,705
Net profit	2,040	3,266	3,481	5,545	7,542
EPS (Rs)	24.6	30.3	32.3	51.4	69.9
DPS (Rs)	2.3	5.0	8.3	10.4	15.6
Net sales growth (%)	36	61	9	14	9
Net profit growth (%)	NM	60	7	59	36
EPS growth (%)	NM	23	7	59	36
ROE (%)	18	18	14	17	18
ROCE (%)	19	19	14	15	17
BVPS (Rs)	165.2	218.0	242.0	359.0	413.3
P/E (x)	31.6	25.7	24.1	15.1	11.1
P/BV (x)	4.7	3.6	3.2	2.2	1.9
EV/EBITDA (X)	15.8	12.7	11.6	8.4	0.0
Dividend yield (%)	0.3	0.6	1.1	1.3	2.0

Source: Company reports, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Price: Rs777.9

Price Target: Rs1,000

India

Consumer

Vijay Chugh<sup>AC</sup>

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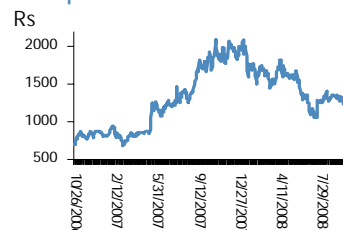
Latika Chopra, CFA

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J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	6M	12M
Absolute (%)	-41	-54	-55
Relative (%)	-19	-23	-22

Source: Bloomberg.

### Company data

52-week range (Rs)	610-2,190
Mkt cap. (Rs MM)	84,013
Mkt cap. (US\$MM)	1,715
Avg daily value (US\$MM)	9.5
Avg daily volume (MM)	0.3
Shares O/S (MM)	108
Date of price	22-Oct-08
Index: BSE Sensex	10170
Exchange rate	49.3

Source: Bloomberg.

## United Spirits Limited: Summary of financials

### Profit and loss statement

Rs in millions, Y/E Mar	FY07	FY08E	FY09E	FY10E	FY11E
Revenue	29,249	47,064	51,469	58,455	63,705
% change Y/Y					
	36	61	9	14	9
EBITDA	4,738	11,509	12,510	14,709	16,469
% change Y/Y	99	143	9	18	12
EBITDA Margin (%)	16	24	24	25	26
EBIT	4,400	10,429	11,399	13,569	15,299
% change Y/Y	126	137	9	19	13
EBIT Margin (%)	15	22	22	23	24
Interest expense	873	5,251	5,783	5,070	4,014
Earnings before tax	3,527	5,178	5,616	8,498	11,285
% change Y/Y	729	47	8	51	33
Tax	1,049	1,862	2,080	2,893	3,689
Associates	-438	-50	-55	-61	-54
Net Income	2,040	3,266	3,481	5,545	7,542
% change Y/Y	NM	60	7	59	36
Shares O/S (MM)	83	108	108	108	108
EPS (adjusted)	24.6	30.3	32.3	51.4	69.9
% change Y/Y	NM	23	7	59	36

### Balance sheet

Rs in millions, Y/E Mar	FY07	FY08E	FY09E	FY10E	FY11E
Cash	5,778	3,062	7,420	14,616	12,269
Accounts receivable	3,991	7,165	7,827	8,634	9,178
Inventories	3,553	12,385	12,967	13,479	13,389
Others	6,404	7,608	8,061	7,608	7,608
Current assets	19,726	30,220	36,275	44,338	42,444
Goodwill	11,324	45,828	45,828	45,828	45,828
Investments	1,248	1,248	1,248	1,248	1,248
Net fixed assets	5,190	21,010	20,400	19,760	19,089
Total assets	37,489	98,307	103,751	111,173	108,609
Liabilities					
Payables	9,288	13,400	14,594	15,832	16,542
Others	1,214	1,214	1,214	1,214	1,214
Total current liabilities	10,502	14,614	15,809	17,046	17,756
Total Loans	11,563	58,390	59,995	53,495	44,295
Other liabilities	1,731	1,781	1,836	1,896	1,960
Total liabilities	23,797	74,785	77,639	72,438	64,011
Shareholders' equity	13,692	23,521	26,111	38,736	44,597
BVPS	165.2	218.0	242.0	359.0	413.3

### Cash flow statement

Rs in millions, Y/E Mar	FY07	FY08E	FY09E	FY10E	FY11E
EBIT	4,400	10,429	11,399	13,569	15,299
Depreciation & amortization	338	1,080	1,110	1,140	1,170
Change in working capital	-1,860	-9,894	-503	371	257
Taxes	-623	-1,862	-2,080	-2,893	-3,689
Interest	873	5,251	5,783	5,070	4,014
Others	2,173	-6,530	-5,783	-5,070	-4,014
Cash flow from operations	5,301	-1,525	9,927	12,188	13,037
Capex	-403	-16,900	-500	-500	-500
Free cash flow	4,898	-18,425	9,427	11,688	12,537
Equity raised/ (repaid)	0	10,878	0	8,200	0
Debt raised/ (repaid)	-455	46,826	1,605	-6,500	-9,200
Other	-2,053	-41,459	-5,783	-5,070	-4,009
Dividends paid	-223	-535	-891	-1,121	-1,681
Change in cash	2,167	-2,715	4,357	7,197	-2,353
Beginning cash	3,611	5,777	3,063	7,420	14,617
Ending cash	5,777	3,063	7,420	14,617	12,264
DPS	2.3	5.0	8.3	10.4	15.6

### Ratio analysis

%/Y/E Mar	FY07	FY08E	FY09E	FY10E	FY11E
EBITDA margin	16	24	24	25	26
EBIT margin	15	22	22	23	24
Net profit margin	7	7	7	9	12
Sales growth	36	61	9	14	9
Net profit growth	NM	60	7	59	36
EPS growth	NM	23	7	59	36
Interest coverage (x)	5.0	2.0	2.0	2.7	3.8
Net debt to total capital	0.3	0.6	0.6	0.5	0.4
Net debt to equity	0.6	1.6	2.2	1.4	0.9
Sales/assets	1.1	0.6	0.6	0.6	0.7
Assets/equity	2.4	4.5	3.5	2.9	2.2
ROE	18	18	14	17	18
ROCE	19	19	14	15	17

Source: Company reports, J.P. Morgan estimates.

## UTV Software Communications

www.utvnet.com

### Company description

UTV is an integrated media and entertainment company with a wide presence across various verticals such as movies, TV content, gaming and broadcasting. Leveraging on the strength of its TV content and movie business, UTV re-entered the TV broadcasting space with the launch of five channels across youth (*Bindass*), movies (*Bindass Movies*, *UTV Movies*, *World Movies*) and business news (*UTVi*) genres. UTV forayed into the fast growing gaming segment through two key acquisitions—Indiagames (mobile gaming in India) and Ignition (international console gaming). Disney recently increased its stake in the company to 32.1%.

### Positives

(1) Performance of UTV's movies business has been encouraging and the company has a strong pipeline of movies up for release. (2) TV content would emerge as a significant contributor to earnings over the next 1-2 years, according to management. Aiming to be amongst the top two TV content houses in the country, UTV is significantly investing behind producing new shows across various genres. (3) Successful launch of three new games during FY10 could prove to be a significant contributor to earnings growth, according to management. (4) The company is well funded for expansion plans in the next 1-1.5 years, according to management.

### Negatives

(1) Broadcasting business has yet to breakeven and losses from this venture would impact margin growth in the near term, according to management. (2) Slowing economic growth could dampen box office collections for movies, gaming revenues and advertising revenue growth for broadcasting business.

### Valuation

The stock is trading at a P/E of 30x FY09E and 20x FY10E consensus earnings.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

Bloomberg: UTV IN, Reuters: UTVS.BO

Rs in millions, year-end March

	FY05	FY06	FY07	FY08
Sales	1,768	2,084	1,749	4,342
Net profit	146	101	463	577
EPS (Rs)	8.3	7.3	19.9	23.0
DPS (LC)	0.0	0.0	2.5	1.0
Sales growth (%)	81	18	-16	148
Net profit growth (%)	101	-31	359	24
EPS growth (%)	NM	-12	172	16
ROE (%)	11	8	26	13
P/E (x)	73.5	83.8	30.8	26.6

Source: Capitaline. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs611.9

### India

### Media

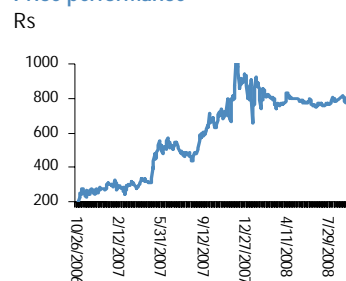
**Latika Chopra, CFA<sup>AC</sup>**

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J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	6M	12M
Absolute (%)	-21	-26	-2
Relative (%)	9	22	69

Source: Bloomberg.

### Company data

52-week range (Rs)	600-1,132
Mkt cap. (RsMM)	23,684
Mkt cap. (US\$MM)	480
Avg daily volume (MM)	0.13
Avg daily value (US\$MM)	2
Shares O/S (MM)	34.2
Index: BSE Sensex	10170
Exchange rate	49.3

Source: Bloomberg.

## UTV Software Communications: Summary of financials

### Profit and loss statement

Rs in millions, Y/E March	FY05	FY06	FY07	FY08
Revenue	1,768	2,084	1,749	4,342
% change Y/Y	81	18	-16	148
EBITDA	287	254	411	886
% change Y/Y	121	-12	62	116
EBITDA margin (%)	16	12	23	20
EBIT	234	207	379	847
% change Y/Y	102	-12	84	123
EBIT margin (%)	13	10	22	20
Net interest	21	40	73	183
Earnings before tax	213	167	307	664
% change Y/Y	139	-22	84	117
Tax	50	25	-164	-113
as % of EBT	24	15	NM	NM
Net income	146	101	463	577
% change Y/Y	101	-31	359	24
EPS (Rs)	8.3	7.3	19.9	23.0

### Cash flow statement

Rs in millions, Y/E March	FY05	FY06	FY07	FY08
EBIT	234	207	379	847
Depreciation & amortization	53	47	31	39
Change in working capital	-973	-1,216	-895	-4,094
Taxes & others	324	199	-139	901
Cash flow from operations	-361	-763	-623	-2,307
Capex	-52	-76	-245	-87
Disposal/ (purchase)	150	-35	295	247
Others	4	41	68	-1,573
Cash flow in investing	102	-70	118	-1,413
Equity raised/(repaid)	601	0	655	2,272
Debt raised/(repaid)	1	846	884	1,467
Other	-215	-87	-357	10
Dividends	0	0	-57	0
Cash flow in financing	387	759	1,124	3,749
Beginning cash	5	140	66	685
Ending cash	133	66	685	714
DPS	0.0	0.0	2.5	1.0

### Balance sheet

	FY05	FY06	FY07	FY08
Cash and cash equivalents	133	66	685	714
Accounts receivable	572	582	465	1,538
Inventories	473	783	1,637	4,056
Others	395	830	564	3,022
Current assets	1,572	2,260	3,350	9,330
LT investments	165	201	172	1
Net fixed assets	296	407	878	1,081
Total assets	2,033	2,868	4,399	10,413
Payables	440	484	976	2,337
Others	5	6	71	69
Total current liabilities	445	489	1,047	2,406
Long-term debt	184	1,015	1,637	2,697
Other liabilities+Net deferred tax	35	26	-61	738
Total liabilities	664	1,530	2,624	5,841
Shareholders' equity	1,369	1,338	1,776	4,572
BVPS (LC)	70	69	78	184

### Ratio analysis

	FY05	FY06	FY07	FY08
EBITDA margin	16	12	23	20
Operating margin	13	10	22	20
Net profit margin	8	5	26	13
Sales growth	81	18	-16	148
Net profit growth	101	-31	359	24
EPS growth	232	-12	172	16
Interest coverage (x)	11.1	5.2	5.2	4.6
Net debt to total capital	0.0	0.4	0.3	0.3
Net debt to equity	0.0	0.7	0.5	0.4
Sales/assets	0.9	0.7	0.4	0.4
ROCE	15	9	11	12
Assets/equity (x)	1.5	2.1	2.5	2.3
ROE	11	8	26	13

Source: Capitaline.



## Welspun Gujarat

www.welspunpipes.com

### Company description

Welspun Gujarat is one of India's largest Submerged Arc Welded pipe manufacturers based in Dahej and Anjar in the state of Gujarat. It manufactures Longitudinal Sub Merged Arc Welded (LSAW, used in high pressure oil and gas transportation), Helically Sub Merged Arc Welded (HSAW, used in low pressure oil, gas and water transportation) and ERW (low pressure, last link).

### Positive share price drivers

The company has multiple growth drivers and has reported the largest increase in order book for SAW pipes and the outlook remains robust. The plate mill at Anjar would make the company self-sufficient in plates and it would be a net seller in the market. The company is expanding capacity in both LSAW and HSAW in its India plants.

### Negative share price drivers

The key risks in our view are mainly, lesser-than-expected plate profits, slowdown in order book growth and any drastic reduction in oil and gas prices driven by slower economic growth that could have an adverse impact on energy capex, which in turn would reduce pipeline demand and affect Welspun's business.

### Valuation and risks

Our Jul-09 price target of Rs342 is based on a sum-of-the-parts methodology. The key upside risks are: 1) stronger-than-expected profits from the plate mill, and 2) larger and higher-margin order wins in the pipe segment. The key downside risks are: 1) an inability to pass on higher slab costs, 2) sharp increases in steel prices affecting the availability of raw materials for the pipes business, and 3) a sharp decline in energy prices leading to an order flow slowdown in the pipes segment.

Bloomberg: WGS IN, Reuters: WGSR BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Net sales	26,785	39,945	73,560	87,020
Net profit ( Pre exceptional)	1,425	3,409	5,458	7,652
EPS ( Pre exceptional) (Rs)	8.7	20.9	29.1	40.8
Net sales growth (%)	46	49	84	18
Net profit growth (%)	98	141	39	40
ROE (%)	19	27	30	31
ROCE (%)	16	19	23	29
P/E (x)	14.0	5.8	4.2	3.0
EV/EBITDA (x)	9.3	6.5	3.2	2.4

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Neutral

Rs121.45

Price Target: Rs342.00

India

Metals & Mining

Pinakin Parekh, CFA<sup>AC</sup>

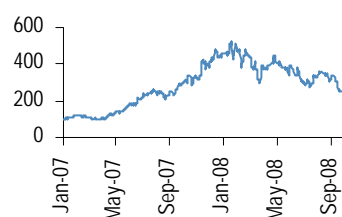
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J.P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-52	-61	-58
Relative (%)	-25	-34	-16

Source: Bloomberg.

### Company data

52-wk range (Rs)	106-539
Mkt cap. (RsMM)	22649
Mkt cap. (US\$MM)	459
Avg. daily volume (MM)	0.9
Avg. daily value (US\$MM)	4.8
Shares O/S (MM)	186
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	51.5
Exchange rate	49.3

Source: Bloomberg.



## Welspun Gujarat: Summary of financials

Rs in millions, year-end March

Profit and loss statement					Cash flow statement				
Rs in millions, Y/E March	FY07	FY08	FY09E	FY10E	Rs in millions, Y/E March	FY07	FY08	FY09E	FY10E
Revenues	26,785	39,945	73,560	87,020	Net income	1,425	3,409	5,458	7,652
% change Y/Y	46	49	84	18	Add: depreciation	476	609	1,632	1,752
EBITDA	3,332	6,477	11,611	15,332	Working capital movement	-1,320	-1,835	-2,168	-4,166
% change Y/Y	101	94	79	32	Operational cash flow	581	2,183	4,922	5,238
EBITDA margin (%)	12	16	16	18	Net capex	-6,812	-10,967	-5,787	-4,500
EBIT	2,856	5,868	9,979	13,580	Free cash flow	-6,231	-8,784	-865	738
% change Y/Y	119	105	70	36	Equity raised/ (repaid)	3,662	2,635	0	0
EBIT margin (%)	11	15	14	16	Debt raised/ (repaid)	3,714	13,533	-4,274	0
Net Interest	665	632	1,833	2,160	Other	0	0	0	0
Earnings before tax	2,190	5,237	8,146	11,420	Dividends paid	-164	-312	-214	-214
% change Y/Y	142	139	56	40	Beginning cash	3,067	3,434	2,703	6,762
Tax	-765	-1,827	-2,688	-3,769	Ending cash	3,434	2,703	6,762	6,486
as % of EBT	-35	-35	-33	-33	DPS	1	1	1	1
Net income (Pre exceptional)	1,425	3,409	5,458	7,652					
% change Y/Y	132	139	60	40					
Shares outstanding	165	163	188	188					
EPS (Pre exceptional) (Rs)	9	21	29	41					
% change Y/Y	98	141	39	40					
Balance sheet					Ratio analysis				
Rs in millions, Y/E March	FY07	FY08	FY09E	FY10E	%, Y/E March	FY07	FY08	FY09E	FY10E
Inventories	5,135	12,878	15,115	17,881	EBITDA margin	12	16	16	18
Debtors	5,849	7,259	12,092	15,497	Operating margin	11	15	14	16
Cash and bank balances	3,434	2,703	6,762	6,486	Net profit margin	5	9	7	9
Interest receivable accrued	0	88	0	0	Sales growth	46	49	84	18
Loans and advances	1,911	3,193	1,200	2,000	Net profit growth	98	141	39	40
Investments	256	6,817	300	300	EPS growth	98	141	39	40
Net fixed assets	16,449	26,808	30,962	33,710					
Total assets	33,034	59,746	66,432	75,874	Interest coverage (x)	5	10	6	7
Liabilities					Net debt to total capital	25	38	21	19
Sundry creditors	10,089	16,384	22,064	23,569	Net debt to equity	84	144	68	51
Others	469	1,581	714	1,214	Sales/assets	81	67	111	115
Total current liabilities	10,558	17,964	22,778	24,783	Assets/equity (x)	332	381	318	268
Total debt	11,741	25,274	21,000	21,000	ROE	19	27	30	31
Other liabilities	795	835	1,738	1,738	ROCE	16	19	23	29
Total liabilities	23,094	44,074	45,516	47,520					
Shareholders' equity	9,940	15,672	20,916	28,354					
BVPS	60	96	111	151					

Source: Company reports, J.P. Morgan estimates.

## Wipro

www.wipro.com

### Company description

Wipro is a conglomerate with revenues of US\$5 billion in FY08, whose businesses include IT services, infrastructure solutions, consumer care and lighting. Wipro's global IT business contributes 75+% of the company's revenue and 85+% of the EBIT. It has 60,000+ employees in IT services and 20,000+ employees in its BPO arm. Wipro serves over 650 clients with a diverse portfolio of service offerings in the IT space, including pure IT outsourcing, R&D outsourcing, traditional application development and maintenance, package implementation, consulting assignments and BPO.

Wipro has also made strategic acquisitions of over US\$200 million in the past one to two years. Wipro is using these companies to fill gaps in its current products/services portfolio and to enter new geographies.

### Positive share price drivers

(1) A continued demand for offshoring leading to over 20% revenue CAGR over FY08-10E. (2) An improvement in the pricing environment. (3) A better BPO performance.

### Negative share price drivers

(1) Margin pressure as acquisitions take time to deliver company-level margins. (2) High exposure to the technology and telecom domain, which could hurt Wipro in the slowdown. (3) Sector risks like rupee appreciation against US dollar and greater-than-expected salary inflation.

### Valuation and risks

Our Jun-09 price target of Rs325 is based on a combination of P/E multiples and DCF fair value. Our price target assumes a 1-year forward P/E multiple of 11x and trailing multiple of 13x. Our DCF-based Jun-09 fair value estimate is Rs 375/share and our price target implies a discount of 13% to this fair value. The risks to our price target include a macro tech spending slowdown, higher-than-expected wage inflation and rupee appreciation.

Bloomberg: WPRO IN, Reuters: WIPR.BO

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Sales	197,428	256,162	291,484	330,436
Net profit	32,631	36,169	42,289	45,583
EPS (Rs)	22.4	24.7	28.9	31.2
FD EPS (Rs)	22.4	24.7	28.9	31.2
DPS (Rs)	6.0	5.0	7.0	9.0
Sales growth (%)	32.1	29.7	13.8	13.4
Net profit growth (%)	11.2	10.8	16.9	7.8
EPS growth (%)	9.8	10.6	16.9	7.8
ROE (%)	28.3	26.4	26.7	24.3
P/E (x)	10.5	9.5	8.1	7.5
FD P/E (x)	10.5	9.5	8.1	7.5

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 24 October 2008.

## Neutral

Price: Rs235.10

Price Target: Rs325

### India

#### eBusiness/IT Services

Manoj Singla, CFA<sup>AC</sup>

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J.P. Morgan India Private Limited

### Price performance



Source: Datastream.

### Performance

	1M	3M	12M
Absolute (%)	-36.5	-42.3	-51.7
Relative (%)	-0.1	-2.1	2.9

Source: Bloomberg.

### Company data

52-week range (Rs)	221-552
Mkt cap. (RsB)	343
Mkt cap. (US\$B)	6.87
Avg daily value (US\$MM)	12.0
Avg daily volume (MM)	1.4
Shares O/S (MM)	1,460
Date of price	24-Oct-2008
Index: BSE Sensex	8,701
Free float (%)	18
Exchange rate (Rs/US\$)	50.0

Source: Bloomberg.

## Wipro: Summary of financials

### Profit and loss statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Revenue	197,428	256,162	291,484	330,436
% change Y/Y	32.1	29.7	13.8	13.4
Gross margin (%)	29.7	30.1	29.3	29.1
EBITDA	39,428	48,353	54,822	62,259
% change Y/Y	16.0	22.6	13.4	13.6
EBITDA margin (%)	20.0	18.9	18.8	18.8
EBIT	34,104	42,081	47,187	52,854
% change Y/Y	13.4	23.4	12.1	12.0
EBIT margin (%)	17.3	16.4	16.2	16.0
Other income	2,267	(67)	2,681	3,478
Earnings before tax	36,371	42,014	49,868	56,332
% change Y/Y	11.0	15.5	18.7	13.0
Tax	3,873	5,766	7,491	10,662
as % of EBT	10.6	13.7	15.0	18.9
Net income (reported)	32,631	36,169	42,289	45,583
% change Y/Y	11.2	10.8	16.9	7.8
Shares O/S (MM)	1461	1463	1463	1463
EPS (reported) (Rs)	22.4	24.7	28.9	31.2

Source: Company, J.P. Morgan estimates.

### Balance sheet

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	54,078	76,944	102,520	129,451
Accounts receivable	38,908	49,975	57,557	65,164
Inventories	7,172	8,774	10,106	11,441
Others	28,183	35,585	40,984	46,400
Current assets	128,341	171,278	211,167	252,456
LT investments	1,343	1,521	1,521	1,521
Net fixed assets	39,822	46,498	52,863	59,458
Total assets	223,299	284,053	330,307	378,191
Liabilities				
ST loans	0	0	0	0
Payables	0	0	0	0
Others	76,537	116,674	134,375	152,133
Total current liabilities	76,537	116,674	134,375	152,133
Long-term debt	14,522	15,893	15,893	15,893
Other liabilities	2,873	7,574	7,574	7,574
Total liabilities	93,932	140,141	157,842	175,600
Shareholders' equity	129,367	143,913	172,465	202,590
BVPS (Rs)	88.5	98.4	117.9	138.5

Source: Company, J.P. Morgan estimates.

### Cash flow statement

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
EBIT	34,104	42,081	47,187	52,854
Depreciation & amortization	5,324	6,272	7,635	9,405
Change in working capital	8,789	20,065	3,389	3,400
Taxes	3,873	5,766	7,491	10,662
Cash flow from operations	46,744	62,507	53,313	58,388
Capex	-18,605	-12,948	-14,000	-16,000
Disposal/(purchase)	-36,674	-11,141	0	0
Cash flow from investing	-55,278	-24,089	-14,000	-16,000
Free cash flow	28,139	49,559	39,313	42,388
Equity raised/(repaid)	5,503	-12,889	88	88
Debt raised/(repaid)	13,663	1,371	0	0
Other	1,640	4,568	-88	-88
Dividends	-10,254	-8,602	-13,737	-15,457
Beginning cash	52,060	54,078	76,944	102,520
Ending cash	54,078	76,944	102,520	129,451
DPS (Rs)	6.0	5.0	7.0	9.0

Source: Company, J.P. Morgan estimates.

### Ratio analysis

%, year-end March

	FY08	FY09E	FY10E	FY11E
EBITDA margin	20.0	18.9	18.8	18.8
Operating margin	17.3	16.4	16.2	16.0
Net profit margin	16.5	14.1	14.5	13.8
SG&A/sales	12.4	13.6	13.1	13.1
Sales growth	32.1	29.7	13.8	13.4
Net profit growth	11.2	10.8	16.9	7.8
Sales per share growth	31.9	29.6	13.8	13.4
EPS growth	9.8	10.6	16.9	7.8
Interest coverage (x)	NM	NM	NM	NM
Net debt to total capital	NM	NM	NM	NM
Net debt to equity	NM	NM	NM	NM
Sales/assets	88.4	90.2	88.2	87.4
EBIT margin	17.3	16.4	16.2	16.0
ROCE	24.8	23.1	22.4	20.6
Assets/equity (x)	1.7	2.0	1.9	1.9
ROI	35.2	32.2	34.5	34.8
ROE	28.3	26.4	26.7	24.3

Source: Company, J.P. Morgan estimates.

## Wockhardt

www.wockhardtin.com

### Company description

Wockhardt is a formulations and bulk drug manufacturer with operations in Europe, Latin America, US and India. It is one of few Indian companies with a biotech portfolio consisting of insulin, EPO and hepatitis B vaccine. Wockhardt has grown mainly through its acquisitions of CP Pharma in the UK and Esparma in Germany.

### Positives

Strong presence in the chronic segments and metabolic disorders space especially Diabetics, where Wosulin is the Flagship insulin for the company. The company indicates that significant upside in the in-licensing business, strong growth from the low base Latin America and other emerging markets should provide cushion to the revenue growth for the next few years.

### Negatives

The company has made heavy investments in the Biotech pipeline and there is a lack of clarity on the regulatory framework for Biosimilars in the regulated markets.

### Valuation

The stock is trading at consensus FY10E P/E of 4.0.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

Bloomberg: WPL IN, Reuters: WCKH.BO

Rs in millions, year-end December

	FY04	FY05	FY06	FY07
Net sales	13,477	14,645	18,025	19,660
EBITDA	2,002	2,100	2,198	3,294
Net profit	1,275	1,468	1,545	2,184
EPS (Rs)	13.8	13.7	13.8	14.4
Sales growth (%)	11.6	8.7	23.1	9.1
Net profit growth (%)	-7	15	5	41
ROE (%)	36.0	39.1	38.3	51.5
ROCE (%)	49.0	50.5	49.6	73.4
P/E (x)	10.3	10.4	10.3	9.8

Source: Bloomberg. Note: Share price and valuations are as 22 October 2008.

## Not Covered

Price: Rs142

### India

#### Pharmaceuticals

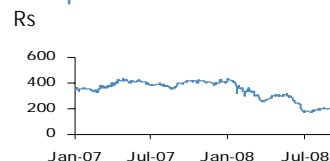
#### Pinakin Parekh<sup>AC</sup>

(91-22) 6639-3018

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J.P.Morgan India Private limited

### Price performance



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-20	-20	-66
Relative (%)	8	8	-24

Source: Bloomberg.

### Company data

52-week range (Rs)	135-448
Mkt cap. (RsMM)	15,540
Mkt cap. (US\$MM)	315
Avg daily volume (MM)	0.1
Avg daily value (US\$MM)	0.3
Shares O/S (MM)	109
Date of price	22-Oct-08
Index: BSE Sensex	10170
Free float (%)	26.4
Exchange rate	49.3

Source: Bloomberg.

## Wockhardt: Summary of financials

Rs in millions, year-end December

### Profit and loss statement

Rs in millions, Y/E Dec	FY04	FY05	FY06	FY07
Revenues	13,477	14,645	18,025	19,660
% change Y/Y	12	9	23	9
EBITDA	2,002	2,100	2,198	3,294
% change Y/Y	-1	5	5	50
EBITDA margin (%)	15	14	12	17
EBIT	1,753	1,910	2,018	3,086
% change Y/Y	-7	9	6	53
EBIT margin (%)	13	13	11	16
Net financial income	199	195	303	311
Earnings before tax	1,951	2,105	2,321	3,397
% change Y/Y	-4	8	10	46
Tax	(677)	(637)	(776)	(1,213)
as % of EBT	35	30	33	36
Net income (adjusted)	1,275	1,468	1,545	2,184
% change Y/Y	-7	15	5	41
Shares outstanding	92	107	112	151
EPS (adjusted) (Rs)	13.8	13.7	13.8	14.4
% change Y/Y	1	-1	0	5

### Balance sheet

Rs in millions, Y/E Dec	FY04	FY05	FY06	FY07
Cash and cash equivalents	297	399	892	3,179
Accounts receivable	1,313	1,516	1,890	1,480
Inventories	1,662	2,139	2,555	2,250
Others	583	766	826	817
Current assets	3,855	4,820	6,163	7,725
Total Investments	1,289	1,081	425	206
Net fixed assets	1,498	1,383	1,297	1,333
Total assets	3,638	3,929	4,205	4,330
Liabilities				
Provisions	860	839	915	1,698
Total current liabilities	2,830	3,238	3,619	5,116
Total debt	37	28	28	28
Other liabilities	0	0	(0)	0
Total liabilities	37	28	28	28
Shareholders' equity	3,601	3,901	4,177	4,302
BVPS	39.1	36.4	37.2	28.4

Source: Company.

### Cash flow statement

Rs in millions, Y/E Dec	FY04	FY05	FY06	FY07
EBIT	1,753	1,910	2,018	3,086
Depreciation	248.8	189.3	180.1	207.8
Changes in working capital	-98.9	272.7	408.4	-2212.9
Other	327	(620)	(1,060)	(169)
Cash from Operations	2230	1752	1546	913
Capex	36	75	94	244
Cash from Financing	4783	(1016)	(1639)	(349)
Taxes	(677)	(637)	(776)	(1213)
Net Interest	199	195	303	311
Equity raised(repaid)	(1,155)	(1,168)	(1,269)	(2,059)
Debt raised(repaid)	-4.8	-9.3	0	0
Dividends	1,020.1	1,020.1	1,112.8	1,731
Beginning cash and equivalents	1,474	6,691	6,461	5,192
Ending cash and equivalents	6,691	6,461	5,192	1,772

### Ratio analysis

%, Y/E Dec	FY04	FY05	FY06	FY07
EBITDA margin	15	14	12	17
EBIT margin	13	13	11	16
Net profit margin	9	10	9	11
Sales growth	12	9	23	9
Net profit growth	-7	15	5	41
EPS Growth	0	0	9	56
Net debt to total capital	-7	-9	-20	-76
Net debt to equity	-7	-10	-21	-73
Sales/assets	354	362	423	474
Assets/equity	106	104	102	96
ROE	36.0	39.1	38.3	51.5
ROCE	49.0	50.5	49.6	73.4

## YES Bank

www.yesbank.in

### Company description

YES Bank is the only bank to be granted a greenfield banking license in the past 10 years. It commenced operations in FY05. The bank was set up by two career bankers—Ashok Kapur and Rana Kapoor—majority shareholders. The bank completed its US\$75 million IPO in July 2005. Currently, the bank has 101 branches and a balance sheet size of US\$3.95 million.

### Positive share price drivers

Continued pace of balance sheet and profit growth maintaining profitability; M&A-related reforms expected by the new government and RBI in 2009.

### Negative share price drivers

Worsening asset quality or slowing growth is likely to impact the stock price adversely; also any significant attrition in top management could be perceived negatively.

### Valuation and risks

The stock trades at 0.95x FY10E book. We value it at 3.6x based on a 23% normalized ROE using the Gordon Growth Model. The key risks to our price target include a significant attrition of top management or a prolonged economic slowdown.

### Bloomberg: YES IN, Reuters: YES.BO

Rs in millions, year-end March

	FY07	FY08	FY09E	FY10E
Net profit	944	2,000	3,260	5,386
EPS (Rs)	3.4	6.9	10.7	17.1
EPS growth (%)	53.1	102.4	53.5	60.0
P/E (x)	22.7	11.2	7.3	4.6
BVPS (Rs)	28.1	44.6	64.8	81.8
P/B (x)	2.78	1.75	1.21	0.95
ROE (%)	13.9	19.0	19.4	23.3
Tier I ratio (%)	8.2	8.5	9.3	8.7
DPS (Rs)	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Company reports, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs78.05

Price Target: Rs260.00

### India

#### Banks

#### Sachin Sheth<sup>AC</sup>

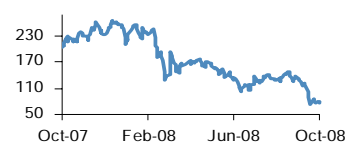
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J. P. Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	3M	12M
Absolute (%)	-40.2	-31.4	-57.0
Relative (%)	-16.8	-9.2	-19.4

Source: Bloomberg.

### Company data

52-week range (Rs)	69-278
Mkt cap. (Rs MM)	22,625
Mkt cap. (US\$MM)	462
Avg daily value (US\$MM)	4.1
Avg daily volume (MM)	1.6
Shares O/S (MM)	296.7
Date of price	22-Oct-08
Index: BSE Sensex	10,170
Free float (%)	69
Exchange rate	49

Source: Bloomberg, BSE.

## YES Bank: Summary of financials

Rs in millions, year-end March

Income statement	FY07	FY08	FY09E	FY10E	Balance sheet/gearing (%)	FY07	FY08	FY09E	FY10E
Margins (% of Earning Assets)	2.34	2.53	2.82	2.96	Loan/deposit	77	71	67	61
Earning Assets/Assets (%)	96	95	95	97	Investment/assets	28	30	32	35
NIM (as % of avg. Assets)	2.24	2.40	2.69	2.86	Loan/assets	57	56	56	53
Net interest income	1,714	3,367	5,933	9,970	Customer deposits/liab.	80	85	90	93
Total non-interest revenues	1,901	3,155	4,681	7,379	LT debt/liabilities	0	0	0	0
Fee income	1,570	2,026	3,383	5,431	Asset quality/capital (%)				
FX/Trading gains	330	1,129	1,298	1,947	Loan loss reserves/Loans	0.0	0.0	0.1	0.2
Other operating income	0	0	0	0	NPLs/loans	0.0	0.1	0.2	0.2
Total operating revenues	3,614	6,522	10,614	17,348	Loan loss reserves/NPLs	0.0	20.0	74.1	88.3
Operating costs	(1,935)	(3,412)	(5,692)	(9,032)	Growth in NPLs	NA	NA	161.9	99.6
Operating profit	1,679	3,111	4,921	8,316	Tier 1 ratio	8.2	8.5	9.3	8.7
Loan loss provisions	(254)	(186)	(184)	(283)	Total CAR	13.6	13.6	14.2	13.6
Other provisions	14	140	240	190	Per share data				
Exceptionals	0	0	0	0	EPS (Rs)	3.4	6.9	10.7	17.1
Disposals/ Other income	0	0	0	0	Dividend (Rs)	0.00	0.00	0.00	0.00
Pre-tax profit	1,439	3,065	4,978	8,224	Payout ratio (%)	0	0	0	0
Tax [rate]	(493)	(1,065)	(1,717)	(2,837)	NAV	28.11	44.59	64.76	81.82
Minorities/preference dividends	0	0	0	0	Avg. shares issued (MM)	280.00	295.79	315.79	315.79
Attributable net income	944	2,000	3,260	5,386	DuPont analysis (%)				
Key balance sheet					NIR/avg. assets	2.24	2.40	2.69	2.86
Net customer loans	62,897	94,300	151,290	227,296	Non IR/total rev	52.6	48.4	44.1	42.5
Gross loans	62,897	94,321	151,085	226,808	Total rev/avg. assets	4.73	4.64	4.81	4.97
Investments	30,731	50,940	87,974	148,767	Cost/Income	53.54	52.31	53.63	52.06
Other earning assets	12,928	13,937	22,564	37,231	Cost/assets	2.54	2.43	2.58	2.59
Average earning assets = (A)	73,143	132,877	210,410	337,214	Operating ROAA	2.20	2.22	2.23	2.38
Total assets	111,035	169,820	271,245	426,949	LLP/loans	-0.58	-0.24	-0.15	-0.15
Interbank funding	0	0	0	0	Loan/assets	56.97	55.98	55.64	54.12
Customer deposits	82,204	132,730	225,641	372,308	Other inclusive provision	0.02	0.10	0.11	0.05
Other interest bearing liabilities	13,459	9,860	6,902	6,902	Tax	34.27	34.74	34.50	34.50
Avg. interest bearing Liab. = (B)	65,207	119,127	187,567	305,876	MI	0.00	0.00	0.00	0.00
Average assets	76,331	140,428	220,533	349,097	ROAA	1.24	1.42	1.48	1.54
Shareholders' equity	7,871	13,190	20,450	25,837	RORWA	1.38	1.62	1.76	2.09
Risk weighted assets	95,983	151,408	219,542	296,382	Equity/assets	8.91	7.50	7.63	6.63
Average risk weighted assets	68,771	123,696	185,475	257,962	ROE	13.91	18.99	19.38	23.27

Source: Company reports, J.P. Morgan estimates.

## Zee Entertainment Enterprises

www.zeetelevision.com

### Company description

Zee Entertainment Enterprises is one of India's largest media and entertainment companies and is part of the Essel Group. It is the largest producer and aggregator of Hindi programming in the world, with an extensive library housing television content and movie titles. Zee's channels are widely distributed across many countries, and especially for South Asian audiences. Its well-known channels include Zee TV, Zee Cinema, Zee Sports, Zee Music and Zee Café.

### Positive share price drivers

(1) Strong pick-up in subscription revenue growth, driven by aggressive roll-out of DTH and digital cable services. (2) New program launches during the week-end and afternoon time band taking up the number of original programming hours, from 34 currently to 40 by FY09, for Zee TV would support advertising growth besides steady growth for other channels such as Zee Cinema and Ten Sports. (3) Lower losses from Zee Next and contribution from the movie business should add to earnings growth.

### Negative share price drivers

(1) Loss in viewership share of the flagship Zee TV channel could affect ad rate growth. (2) Ad spending could decrease as economic growth weakens. (3) Substantial investments in movie business could have an impact on margin growth.

### Valuation and risks

The stock is trading at 14x FY09E and 12x FY10E earnings. We maintain our Overweight rating on the stock with a Mar-09 price target of Rs190, based on 15x one-year forward earnings, implying a PEG of 0.8x. Key risks to our earnings and rating are: (1) significant losses in viewership on account of intense competition; (2) substantial changes in overall economic growth; and (c) any new investments that could be earnings dilutive.

Reuters: ZEE.BO; Bloomberg: Z IN

Rs in millions, year-end March

	FY08	FY09E	FY10E	FY11E
Net sales	18,354	23,090	26,714	30,189
Net profit	3,649	4,383	5,403	6,469
EPS (Rs)	8.4	10.1	12.4	14.9
DPS (Rs)	2.0	2.5	3.0	3.5
Net sales growth (%)	21	26	16	13
Net profit growth (%)	58	20	23	20
EPS growth (%)	53	20	23	20
ROE (%)	13	14	15	16
ROCE (%)	17	18	19	20
BVPS (Rs)	65.8	76.0	85.0	95.7
P/E (x)	17.3	14.4	11.7	9.7
P/B (x)	2.2	1.9	1.7	1.5
EV/EBITDA (x)	12.0	9.5	7.6	6.0
Dividend yield (%)	1.4	1.7	2.1	2.4

Source: Company, Bloomberg, J.P. Morgan estimates. Note: Share price and valuations are as of 22 October 2008.

## Overweight

Price: Rs144.8

Price Target: Rs190

### India

### Media

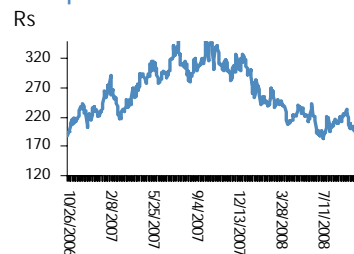
### Latika Chopra, CFA<sup>AC</sup>

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latika.chopra@jpmorgan.com

J.P.Morgan India Private Limited

### Price performance



Source: Bloomberg.

### Performance

	1M	6M	12M
Absolute (%)	-30	-31	-55
Relative (%)	-3	13	-21

Source: Bloomberg.

### Company data

52-week range (Rs)	126-350
Mkt cap. (Rs MM)	62,988
Mkt cap. (US\$MM)	1,285
Avg daily value (US\$MM)	7.4
Avg daily volume (MM)	1.5
Shares O/S (MM)	435
Index: BSE Sensex	10170
Exchange rate	49.3
Share price date	22 Oct. '08

Source: Bloomberg.



## Zee Entertainment Enterprises: Summary of financials

### Profit and loss statement

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Revenues	18,354	23,090	26,714	30,189
% change Y/Y	21	26	16	13
EBITDA	5,423	6,554	7,816	9,284
% change Y/Y	69	21	19	19
EBITDA Margin (%)	30	28	29	31
EBIT	5,191	6,301	7,500	8,922
% change Y/Y	72	21	19	19
EBIT Margin (%)	28	27	28	30
Net Interest & other income	412	332	1,001	1,251
Earnings before tax	5,603	6,632	8,501	10,173
% change Y/Y	66	18	28	20
Tax	1,627	2,056	2,805	3,357
as % of EBT	29	31	33	33
MI/Associate	(328)	(194)	(293)	(347)
Net Income	3,649	4,383	5,403	6,469
% change Y/Y	58	20	23	20
EPS	8	10	12	15
EPS growth	53	20	23	20

### Balance sheet

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	2,015	5,314	7,906	11,648
Accounts receivable	2,442	2,797	3,026	3,191
Inventories	32	42	46	51
Others	17,383	18,905	20,371	21,803
Current assets	21,871	27,058	31,350	36,693
Investments	2,152	2,152	2,152	2,152
Net fixed assets & Capital WIP	15,605	15,952	16,235	16,474
Other	243	243	243	243
Total assets	39,872	45,405	49,981	55,562
Payables	4,152	5,326	5,726	6,264
Others	2,127	1,109	1,109	1,109
Total current liabilities	6,279	6,436	6,835	7,373
Total Loans	3,866	4,566	4,566	4,566
Other liabilities	1,117	1,317	1,617	1,973
Total liabilities	11,261	12,318	13,018	13,912
Shareholders' equity	28,611	33,087	36,963	41,650

### Cash flow statement

Rs in millions, Y/E March	FY08	FY09E	FY10E	FY11E
EBIT	5,191	6,301	7,500	8,922
Depreciation	232	254	316	361
Change in working capital	-1,622	-1,731	-1,300	-1,063
Taxes	-1,151	-2,056	-2,805	-3,357
Others	360	1,146	275	303
Cash flow from operations	3,011	3,914	3,986	5,166
Capex	-1,019	-600	-600	-600
Disposal/ (purchase)	-628	0	0	0
Others	-8	931	1,137	1,359
Cash flow from investment	-1,654	331	537	759
Equity raised/ (repaid)	0	0	0	0
Debt raised/ (repaid)	641	700	0	0
Interest & Others	-537	-373	-404	-403
Dividends paid	-764	-1,273	-1,527	-1,782
Cash flow from financing	-660	-946	-1,931	-2,184
Beginning cash	955	1,652	4,951	7,543
Ending cash	1,652	4,951	7,543	11,285

### Ratio analysis

% , Y/E March	FY08	FY09E	FY10E	FY11E
EBITDA margin	30	28	29	31
EBIT margin	28	27	28	30
Net profit margin	20	19	20	21
Sales growth	21	26	16	13
Net profit growth	58	20	23	20
EPS growth	53	20	23	20
Net debt to total capital	6	Net cash	Net cash	Net cash
Net debt to equity	7	Net cash	Net cash	Net cash
Sales/assets	0.5	0.5	0.5	0.5
Assets/equity	1.4	1.4	1.4	1.3
ROE	13	14	15	16
ROCE	17	18	19	20

Source: Company reports and J.P. Morgan estimates.

## Zee News

www.zeenews.com

### Company description

Zee News offers a range of news and regional entertainment channels. It was de-merged from Zee Telefilms in 2006 and was listed in January 2007. It operates a bouquet of 11 channels, four of which are news channels and the rest are regional GEC channels. Zee Akaash News Private Limited, a subsidiary of the company (60% equity holding) operates *24 Ghanta*, a Bangla news channel. Zee News is the third largest Hindi News channel while Zee Marathi and Zee Bangla are the market leaders in their respective Marathi and Bengali general entertainment channel categories.

### Positives

According to management: (1) Underpenetrated regional advertising industry offers good growth prospects. (2) Improved ratings for key channels such as Zee News, Zee Kannada, Zee Business and Zee Telugu would support advertising revenues. (3) Subscription revenues would benefit from growing penetration of addressable distribution channels such as DTH and digital cable.

### Negatives

(1) Growing competition particularly with the recent launch of Star's entry in West Bengal and Maharashtra markets. (2) Losses for new channels (Tamil and Telugu) would impact margin growth in near term, according to management. (3) Advertising growth could slow given weakening economic environment.

### Valuation

The stock is trading at a P/E of 15x FY09E and 11x FY10E consensus earnings estimates.

**NOTE: THIS DOCUMENT IS BASED SOLELY ON PUBLICLY AVAILABLE INFORMATION. IT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. J.P. MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THIS STOCK.**

Bloomberg: ZEEN IN, Reuters: ZEEN.BO

Rs in millions, year-end March

	FY06	FY07	FY08
Sales	359	2,405	3,675
Net profit	14	77	373
EPS (Rs)	1.0	0.3	1.5
Sales growth (%)	NA	571	53
Net profit growth (%)	NA	438	384
EPS growth (%)	NA	-69	377
ROE (%)	1	4	18
P/E (x)	30.9	99.7	20.9

Source: Capitaline. Note: Share price and valuations are as of 22 October 2008.

## Not Covered

Price: Rs30.9

### India

#### Media

**Latika Chopra, CFA<sup>AC</sup>**

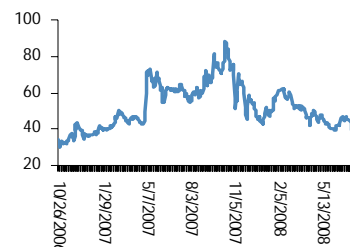
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latika.chopra@jpmorgan.com

J.P.Morgan India Private Limited

### Price performance

Rs



Source: Bloomberg.

### Performance

	1M	6M	12M
Absolute (%)	-32	-47	-44
Relative (%)	-6	-13	-3

Source: Bloomberg.

### Company data

52-week range (Rs)	29-93
Mkt cap. (RsMM)	7416
Mkt cap. (US\$MM)	150
Avg daily volume (MM)	1.3
Avg daily value (US\$MM)	1.4
Shares O/S (MM)	240
Date of price	22-Oct-08
Index: Sensex	10170
Exchange rate	49.3

Source: Bloomberg.

## Zee News: Summary of financials

### Profit and loss statement

Rs in millions, year-end March	FY06	FY07	FY08
Revenue	359	2,405	3,675
% change Y/Y	NA	571	53
EBITDA	44	208	692
% change Y/Y	NA	377	233
EBITDA margin (%)	12	9	19
EBIT	29	156	607
% change Y/Y	NA	444%	290
EBIT margin (%)	8	6	17
Net interest	123	51	5
Earnings before tax	16	104	601
% change Y/Y	NA	557	476
Tax	6	46	232
as % of EBT	36	NM	NM
Net income	14	77	373
% change Y/Y	NA	438	384
EPS (Rs)	1.0	0.3	1.5

### Balance sheet

Rs in millions, year-end March	FY06	FY07	FY08
Cash and cash equivalents	12	41	39
Accounts receivable	749	1,019	1,421
Inventories	196	486	770
Others	1,384	481	586
Current assets	2,340	2,027	2,816
LT investments	0	0	0
Net fixed assets	568	808	812
Total assets	2,908	2,835	3,628
Payables	577	887	948
Others	27	86	459
Total current liabilities	604	973	1,408
Long-term debt	551	13	117
Other liabilities+Net deferred tax	16	36	33
Total liabilities	1,171	1,022	1,557
Shareholders' equity	1,737	1,813	2,071
BVPS (LC)	109	8	9

Source: Capitaline.

### Cash flow statement

Rs in millions, year-end March	FY06	FY07	FY08
EBIT	29	156	607
Depreciation & amortization	15	52	85
Change in working capital	207	-563	-589
Taxes & others	-12	-150	-128
Cash flow from operations	239	-506	-25
Capex	-446	-300	-96
Disposal/ (purchase)	1	4	4
Others	-1,242	1,372	0
Cash flow in investing	-1,688	1,076	-92
Equity raised/(repaid)	257	0	0
Debt raised/(repaid)	1,201	-538	104
Other	2	-3	12
Dividends	0	0	0
Cash flow in financing	1,460	-541	115
Beginning cash	1	12	41
Ending cash	12	41	39

### Ratio analysis

%, year-end March	FY06	FY07	FY08
EBITDA margin	12	9	19
Operating margin	8	6	17
Net profit margin	4	3	10
Sales growth	NA	571	53
Net profit growth	NA	438	384
EPS growth	NA	-69	377
Interest coverage (x)	0.2	3.0	112.4
Net debt to total capital	0.2	0.0	0.0
Net debt to equity	0.3	0.0	0.0
Sales/assets	0.1	0.8	1.0
ROCE	1	9	28
Assets/equity (x)	1.7	1.6	1.8
ROE	1	4	18

**Companies Recommended in This Report (all prices in this report as of market close on 03 November 2008, unless otherwise indicated)**

ABB Ltd (ABB.BO/Rs560.90/Neutral), Ascendas India Trust (AINT.SI/\$0.53/Overweight), Ashok Leyland (ASOK.BO/Rs20.75/Neutral), Axis Bank Ltd (AXBK.BO/Rs602.30/Overweight), Axis Bank Ltd (AXBKq.L/\$11.60/Overweight), Bharat Petroleum Corporation (BPCL) (BPCL.BO/Rs303.05/Underweight), Bharti Airtel Limited (BRTI.BO/Rs687.65/Overweight), Binani Cement Ltd (BINC.BO/Rs32.00/Overweight), Brigade Enterprises (BRIG.BO/Rs45.10/Neutral), Cairn India Limited (CAIL.BO/Rs138.80/Overweight), Container Corporation of India Ltd (CCRI.BO/Rs636.00/Overweight), Crompton Greaves Limited (CROM.BO/Rs168.40/Neutral), Dabur India Limited (DABU.BO/Rs82.95/Neutral), DLF Limited (DLF.BO/Rs253.05/Overweight), Dr Reddy's Limited (REDY.BO/Rs403.30/Overweight), Gammon India Ltd (GAMM.BO/Rs78.35/Neutral), Gitanjali Gems (GTGM.BO/Rs81.70/Overweight), Glenmark Pharmaceuticals Ltd (GLEN.BO/Rs308.90/Overweight), GMR Infrastructure Ltd (GMRI.BO/Rs52.10/Overweight), Godrej Consumer Products Limited (GOCP.BO/Rs101.45/Neutral), Grasim Industries Ltd (GRAS.BO/Rs1,101.20/Overweight), Gujarat Gas Ltd (GGAS.BO/Rs207.00/Overweight), Gujarat State Petronet Ltd. (GSPT.BO/Rs28.95/Overweight), HCL Infosystems (HCLI.BO/Rs86.50/Overweight), HCL-Technologies (HCLT.BO/Rs174.45/Neutral), HDFC (Housing Development Finance Corporation) (HDFC.BO/Rs1,891.65/Overweight), HDFC Bank (HDBK.BO/Rs1,070.80/Neutral), HDFC Bank (HDB/\$68.81/Neutral), Hero Honda (HROH.BO/Rs725.40/Overweight), Hindalco Industries (HALC.BO/Rs63.50/Neutral), Hindustan Construction Company (HCNS.BO/Rs49.85/Overweight), Hindustan Petroleum Corporation (HPCL) (HPCL.BO/Rs208.40/Underweight), Hindustan Unilever Limited (HLL.BO/Rs237.80/Neutral), Hirco Plc (HRCO.L/99p/Neutral), ICICI Bank (ICBK.BO/Rs430.95/Overweight), ICICI Bank (IBN/\$18.14/Overweight), Idea Cellular Limited (IDEA.BO/Rs49.25/Overweight), Indian Oil Corporation (IOC.BO/Rs351.30/Neutral), Ishaan Real Estate Plc (ISH.L/32p [31-October-2008]/Neutral), ITC Limited (ITC.BO/Rs158.60/Overweight), Jindal SAW (JIND.BO/Rs402.35/Overweight), Larsen & Toubro (LART.BO/Rs892.25/Overweight), Mahindra & Mahindra (MAHM.BO/Rs384.05/Overweight), Maruti Suzuki India Ltd (MRTI.BO/Rs601.80/Overweight), MindTree Ltd. (MINT.BO/Rs269.15/Overweight), Monnet Ispat & Energy Limited (MNET.BO/Rs157.35/Overweight), NTPC (NTPC.BO/Rs151.20/Neutral), Oil and Natural Gas Corporation (ONGC.BO/Rs710.70/Overweight), Orbit Corporation (ORCP.BO/Rs70.70/Not Covered), Pantaloon Retail (India) Ltd (PART.BO/Rs228.40/Overweight), Petronet LNG Ltd. (PLNG.BO/Rs40.50/Overweight), Punj Lloyd Ltd (PUJL.BO/Rs194.60/Overweight), Punjab National Bank (PNBK.BO/Rs452.45/Overweight), Puravankara Projects Ltd (PPRO.BO/Rs50.05/Neutral), Ranbaxy Laboratories Ltd (RANB.BO/Rs190.35/Neutral), Reliance Communications Limited (RLCM.BO/Rs232.65/Neutral), Reliance Industries Ltd (RELI.BO/Rs1,437.05/Overweight), Reliance Infrastructure Ltd (RLIN.BO/Rs535.10/Overweight), Reliance Power (RPOL.BO/Rs108.70/Neutral), Satyam Computers (SATY.BO/Rs300.10/Overweight), State Bank of India (SBI.BO/Rs1,240.55/Overweight), State Bank of India (SBIq.L/\$50.92/Overweight), Steel Authority of India Ltd (SAIL.BO/Rs90.15/Overweight), Sun Pharmaceutical (SUN.BO/Rs1,106.25/Overweight), Suzlon Energy Ltd (SUZL.BO/Rs45.95/Neutral), Tata Communications Ltd (TATA.BO/Rs542.45/Neutral), Tata Consultancy Services (TCS.BO/Rs548.70/Overweight), Tata Power (TTPW.BO/Rs693.25/Overweight), Tata Steel Ltd (TISC.BO/Rs225.25/Neutral), Tech Mahindra Ltd. (TEML.BO/Rs336.75/Overweight), Titan Industries Limited (TITN.BO/Rs991.05/Overweight), Unitech Ltd (UNTE.BO/Rs49.00/Overweight), United Spirits Limited (UNSP.BO/Rs924.85/Neutral), Welspun Gujarat (WGSR.BO/Rs130.25/Neutral), Wipro Ltd. (WIPR.BO/Rs276.25/Neutral), YES Bank Ltd (YESB.BO/Rs77.65/Overweight), Zee Entertainment Enterprises (ZEE.BO/Rs152.20/Overweight)

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