MOTILAL OSWAL

5th Annual Global Investor Conference

August 3 - 5, 2009

CEO Track

Company/Keynote* presentations

Thematic presentations

Research Team

Rajat@MotilalOswal.com

Overview

Our 5th Annual Global Investor Conference had a unique feature, **CEO Track**. Over two days, 18 CEOs from some of India's biggest and fastest growing companies shared their vision, their strategies and their success stories.

The issues covered were informative, interesting, and in many cases, inspiring. We had a business patriarch sharing the story of his humble beginnings as a bicycle component manufacturer to India's largest motorcycle manufacturer. In another presentation, one of India's top businesswomen communicated a counter-intuitive yet clear strategy to double her bank's RoE in three years' time.

Through the series of presentations, several common themes and conclusions emerged:

- **India is an oasis of growth in the current global desert:** It may be debatable whether India is decoupled from the rest of the world. What is not, is that India's growth differential vis-a-vis the 'advanced' nations will keep widening. Thus, India will continue to attract global funds, both for direct and portfolio investment.

- **Some of India's weaknesses are now proving to be its strengths and also opportunities:** India's large population seems to fritter away the benefits of economic growth. But in times such as these, it offers a huge domestic consumption base which sustains growth. Also, in a graying world, young India is proving to be as a major asset. Our banking system may not be global (no capital account convertibility); yet it is well-regulated and is not in a financial crisis. India's weak physical infrastructure is now a major opportunity for the private sector.

- **Rural India holds the key to the sustainability of India's growth story:** Rural India contributes less than 17% to the country's GDP, but 70% of India lives in its villages. This dichotomy is being aggressively addressed, both by the government and the private sector. Thus, on the one hand we have rising allocations towards National Rural Employment Guarantee Scheme and rural infrastructure, while on the other, we have India's largest retailing company considering opening rural malls. The more the benefits of India's growth reach its villages, the higher the sustainability of growth.

In the following pages, we have captured the highlights of individual presentations. All put together, we believe our CEO Track offered deep insights into the **Next Trillion Dollar Opportunity called India.**

Research Team; Rajat@MotilalOswal.com; +91 98202 69614

Bharti Airtel

Mr Akhil Gupta
Dy Group CEO & Managing Director, Bharti Enterprises
Director, Bharti Airtel

Covering Analyst(s):
Shobhit Khare
+91 22 3982 5428
Shobhit.Khare@MotilalOswal.com

Key Takeaways

Rural market remains attractive

- Bharti remains sanguine about the rural markets and believes that economic growth in rural India would continue unabated.
- Rural India accounted for ~55% of wireless subscriber additions for Bharti in 4QFY09. This share is likely to expand going forward, as wireless penetration in rural India still remains significantly low at 15-16% as against ~35% for the overall Indian market.
- ARPU in rural markets remains attractive at ~2/3rd of the overall Indian market ARPU.

Low tariffs (high affordability) is the safety net against competition

- Bharti believes that very low tariffs prevailing in the Indian market are the biggest safety net for incumbents against increasing competition.
- Bharti's significant coverage advantage would ensure that incremental margins are in line with the current margin profile.
- Mr Gupta also emphasized on the secular demand growth in telecom services, which leads to stable industry outlook.

3G likely in late CY09/early CY10

- Bharti expects 3G spectrum auction/allocations in late CY09/early CY10.
- The company believes that wireless is the only viable option for India to improve broadband reach.
- WCDMA/HSPA is likely to be the preferred technology for providing broadband.

High tariffs, low penetration makes Africa an attractive market

- Mr Gupta believes that high tariffs and relatively low penetration in Africa makes it an attractive market for Bharti.
- Scope for cost and tariff reductions could trigger significant volume growth opportunity in the African markets.

HDFC Bank

CEO Track

Mr Aditya Puri
Managing Director
HDFC Bank

Covering Analyst(s):
Ajinkya Dhavale
+91 22 3982 5426
AjinkyaDhavale@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Business environment favorable for HDFC Bank

- Mr Puri remains optimistic about India's growth prospects. He believes that the worst is behind for the economy and the banking industry.
- In India, demand for banking services remains higher than supply, and this will continue to provide significant opportunities for banks.
- The overall business environment remains favorable for HDFC Bank.

Focus on retail assets and liabilities

- Post merger with CBoP, HDFC Bank is in much better shape to grow its retail liabilities.
- Customer segmentation, product diversification, effective utilization of technology, and immaculate execution would continue to remain the key success factors for the bank.
- The bank will stick to its strategy of growing its middle and upper middle income customer segments.

HDFC Bank will maintain above industry growth rates

- Industry loan growth is likely to be 18-20% in FY10 and HDFC Bank would maintain higher than industry growth.
- Retail loans and working capital demand would continue to drive loan growth for HDFC Bank. However, corporate loan growth is likely to be higher than the growth in retail loans considering the rundowns in the acquired CBoP loan book.

Worst is behind on NPA front; equity dilution unlikely in next 3 years

- Mr Puri believes that NPAs for HDFC Bank are near peak and upside from the current levels is very limited.
- HDFC Bank would not need equity capital for the next three years to manage its growth.
- The bank is not considering international expansion, as the domestic economy offers immense opportunities.

ONGC

CEO Track

Mr RS Sharma
Chairman & Managing Director
ONGC

Covering Analyst(s):
Harshad Borawake
+91 22 3982 5432
HarshadBorawake@MotilalOswal.com

Key Takeaways

- **Government considering rationalization of subsidy sharing:** Mr Sharma indicated that government intentions are towards rationalization of subsidy sharing. In 1QFY10 ONGC shared only towards auto fuel under recoveries. Mr Sharma pointed out that as indicated by the Finance Minister in his budget speech a new committee is likely to be set up soon to decide on subsidy and policy towards auto fuel pricing.
- **ONGC production maintained vis-a-vis decline in global fields:** ONGC's oil and gas production has been maintained as against non-OPEC production decline of 9.4% in the last 9 years (2000-2008). ONGC's investments in IOR/EOR and redevelopment projects for arresting production decline have been Rs300b. The cumulative production through IOR/EOR has been to the tune of ~48mmt.
- **Spudded first well in Kerala Konkan block:** ONGC on August 2 spudded (commenced drilling) the first deepwater well in the Kerala Konkan basin. It is using the deepwater rig hired from RIL at this well and drilling is expected to complete in 104 days. Post this well, the rig will be shifted to KG-DWN-98/2 block.
- **To adopt hub development for east coast discoveries:** ONGC will adopt hub development for its east coast discoveries (G-4-6, GS-29-1, G-4-5, KG-DWN-98/2, IB) in 3 phases. Production is likely to commence in 2012.
- **Investments in alternate energy sources imminent:** Current demand destruction is temporary and Mr Sharma expects demand to again ramp up in the long term as the global economy recovers. Further, over the long term, oil prices are likely to move up and hence it will be imperative to shift towards alternative energy sources (CBM, UCG, shale gas, gas hydrates).
- **US$50b investment in next 15-20 years required in Indian E&P:** Indian sedimentary basins are poorly explored and require technology & capital intensive accelerated exploration. Only 22% of the area is well explored and investment of US$50b will be necessary in next 15-20 years for increasing E&P activity in India, and which will also help in reducing dependence on imported oil.

Zee Entertainment Enterprises

CEO Track

Mr Punit Goenka
CEO
Zee Entertainment Enterprises

Covering Analyst(s):
Amnish Aggarwal
+91 22 3982 5404
AmnishAggarwal@MotilalOswal.com

Amit Purohit
+91 22 3982 5418
AmitPurohit@MotilalOswal.com

Key Takeaways

Television growing faster than print media

- Television is growing faster than print media, as advertisers focus on low cost verticals. Historically, TV advertising growth has been 2x growth of GDP growth.
- Television industry is expected to grow from Rs211b in 2007 to Rs341b by 2011E.
- In the last four years, 55 new channels have been launched across genres. Hindi GEC has witnessed the entry of four channels. Though this has put pressure on incumbents, it has also expanded Hindi GEC GRPs from 889 in September-October 2007 to 1,150 in June-July 2009.

Signs of improvement in advertising; Zee to be a key beneficiary

- Ad industry is showing some signs of improvement on a sequential basis. With mega sports events behind, Mr Goenka expects ad growth to improve in 2HFY10.
- Zee's content strategy in Hindi GEC has played out well. In fiction programming, it moved away from "kitchen politics" based soaps to issue-based serials (Saat Phere and Betiyaan) and in non-fiction, from foreign high-cost formats to homebred formats (Sa Re Ga Ma, Dance India Dance, etc).
- Mr Goenka indicated that Zee TV is well placed to take advantage of any improvement in the advertising scenario due to: (1) consistent improvement in GRPs despite big ticket events like IPL and T20 World Cup, (2) highest share (23 shows) in top-50 Hindi GEC, and (3) strong network of Zee group (17% network market share).

Share of subscription revenue to increase to 65-70% in three years

- Digitization is now a reality and would be driven by DTH subscription growth. Mr Goenka expects DTH subscriber to grow from the current 14m to 20m by FY10 and 35m in next 3 years. Zee has guided for DTH revenue growth of 45-50% in FY10.
- Over the next three years, the company indicated that its subscription revenue could reach 65-70% of total revenue, driven by digitization of distribution. Increase in subscription revenue would improve margins and profitability.

Focus on profitability and shareholder return

- Zee's strategy with focus on low-cost content v/s movies or high cost non-fiction content enables cost control. Its new programs are at lower cost than the ones getting replaced, which has also resulted in savings in programming cost.
- However, Mr Goenka indicated that from here on. no further significant cost savings are likely, as rising competition in broadcasting space will force Zee to increase its spend on programming.
- Zee would continue to focus on profitability and improving shareholder return.

Jindal Steel and Power

Mr Sushil Maroo
Dy Managing Director, Jindal Power
Director, Jindal Steel and Power

Covering Analyst(s):
Sanjay Jain
+91 22 3982 5412
SanjayJain@MotilalOswal.com

Key Takeaways

Rich mineral resources

- JSPL has rich mineral resources of coal and iron ore. Coal reserves of 2.5b tons have been allotted to company in the states of Orissa, Chhattisgarh, Madhya Pradesh and Jharkhand.
- Iron ore mines are located in Orissa, Jharkhand and Bolivia.

PAT growth of 54% in 9 years, strong pipeline of growth drivers

Revenues and PAT have increased at CAGR of 43% and 54%, respectively during 2000-2009. Strong pipeline of projects in power and steel will drive earnings growth in the coming decades. The company's 2020 vision envisages the following:

- Steel capacities will rise from 3mtpa to 20mtpa.
- Power (including captive) capacity will rise from 1,340MW to 15,000MW.
- Oil production from coal-to-liquid project will rise to 80,000bpd.

Jindal Power

- 1,000MW power plant is operating at full capacity. Cost of power generation is low due to proximity of captive coal mines. A 400KVA transmission line connects the site to the national grid. The project is highly profitable because of low cost of generation and is able to sell most of the power through short-term contracts under open access policy, directly to the end user, thereby earning the most lucrative rates.
- Jindal Power has already ordered equipment for the 2,400MW brownfield expansion, which is likely to be commissioned by 2012-2013.
- 4,500MW hydropower project is likely to be executed during 2014-2020.

Other takeaways

- JSPL has entered the Oil & Gas sector by acquiring five oil blocks in Georgia and one oil block in Rajasthan (NELP VII), which have been grouped under Jindal Petroleum. Except for one operational block in Georgia, all the other oil blocks are under exploration. Oil & Gas is likely to start contributing significantly to the bottomline in the next 5-10 years.
- Iron ore mining in Bolivia is likely to start in small way in FY10.

Union Bank of India

Mr MV Nair
Chairman & Managing Director
Union Bank of India

Covering Analyst(s):
Ajinkya Dhavale
+91 22 3982 5426
AjinkyaDhavale@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Vision 2012 clearly spelt out: Mr Nair highlighted Union Bank's Vision 2012 and indicated that the bank is making good progress towards achieving it:

a) to emerge as the largest nationalized bank, with a strong international presence (to cross the 3,000 branch mark in FY10, comparable to BoI/BoB; international centers in Shanghai, Abu Dhabi, Hong Kong, Sydney and Beijing);
b) to convert the bank into a financial supermarket (life insurance/asset management business to be launched soon);
c) to transform the bank's culture into "a customer comes first" philosophy;
d) to make the bank a young organization (average employee age to be brought down from 47 currently to 40 by FY12);
e) to emerge as the most trusted brand in the banking industry; and
f) to create shareholder value by sustaining RoA of 1.25% and RoE at 20%+.

IT taken up as a priority action: Based on internal workshops and survey, Union Bank has taken up IT as a priority action. In FY08, it achieved 100% CBS; in FY09, it has 100% MIS, lead management, call center, etc, and in FY10, it expects to have world-class CRM, including data warehousing and mining. The management remains confident that increasing use of technology would significantly reduce transaction operating costs.

Other growth initiatives

- Comprehensive re-branding campaign
- Delivery channel expansion: 196 new branches in FY09 (114 in FY08), 644 ATMs (377) and 70 call center seats (nil in FY08); to add 500 branches in FY10.
- Talent induction: 2,086 recruitments in FY09 (425 in FY08)
- Operation Nav Nirman, including initiatives on wholesale banking, HR and customer focus

Nav Nirman II for the next wave of client focus: This initiative is targeted at all categories of customers:

- **Large corporates:** 30% growth targeted, including thrust on fee-based income from trade finance, cash management, etc
- **MSMEs:** 30% growth targeted in current accounts and advances
- **Retail:** 23% growth targeted in deposits and 30% in advances; aggressive turnaround time for loan sanctions; several new products also planned

Bharat Petroleum Corporation

Mr Ashok Sinha
Chairman & Managing Director
Bharat Petroleum Corporation

Covering Analyst(s):
Harshad Borawake
+91 22 3982 5432
HarshadBorawake@MotilalOswal.com

Key Takeaways

- **Does not expect any subsidy burden in FY10:** Mr Sinha feels that in FY10, there is not likely to be any subsidy burden on OMCs (oil market companies) as indicated by the Government. In 1QFY10, as per the earlier announced policy, auto fuel subsidy burden was shared by upstream companies (ONGC, OIL and GAIL). Though the government did not share any burden in 1QFY10, BPCL expects it do so in subsequent quarters.
- **FY10 under recovery expected at Rs400b:** BPCL expects FY10 under recovery for all three OMCs (HPCL, BPCL, IOC) at Rs400b, based on the first four months of FY10, and assuming current oil price for rest of FY10. Under recovery for auto fuels is estimated at Rs100b and for cooking fuels at Rs300b. Current under recoveries are estimated at Rs2.5/ltr for petrol, Rs1.5/ltr for diesel, Rs16/ltr for PDS kerosene and Rs160/cyl in domestic LPG.
- **Capex plan update, Kochi expansion completed:** BPCL is currently upgrading its Mumbai and Kochi refinery to produce Euro III/IV auto fuels and is undertaking capacity expansion at Kochi. Completion of the key projects is expected by 4QFY10. Its planned capex is Rs12b at Mumbai and Rs40b in Kochi. Management updated that it has hooked up the expanded Kochi expansion of 40kbd on August 2.
- **BPCL to be almost self-sufficient in product requirement post Bina refinery:** Bina refinery with 120kbd capacity and Rs104b capex is on track for scheduled mechanical completion in December 2009. BPCL's current product shortage in Northern India will be taken care post Bina refinery commissioning.
- **Focus on asset turnover in retail business:** BPCL has the highest throughput per outlet at 205KL/month and company's focus is on continually improving its asset turnover in the retail business. Further, management indicated that it has achieved savings in inventory and working capital through its initiatives like shifting the payments from its dealers to online system, and online inventory management in key high volume retail outlets.
- **BPCL continues its E&P journey:** BPCL has 26 E&P blocks, of which only 9 are in India. Its block in Brazil has recorded a discovery and is likely to enter into appraisal and development phase soon. BPCL is also gearing up for participation in the forthcoming NELP round.

Dr Reddy's Laboratories

Mr G V Prasad
Vice Chairman & CEO
Dr Reddy's Laboratories

Covering Analyst(s):
Nimish Desai
+91 22 3982 5406
NimishDesai@MotilalOswal.com

Key Takeaways

- **Strategic prioritization in generic markets:** Dr Reddy's has recently initiated the process of realigning its presence internationally to focus on certain key geographies and has decided to gradually exit from some of the small/marginal markets. Focus markets for the future will be US, India, Russia & CIS, UK and Germany.
- **One/two low-competition product launches in the US every year:** Mr Prasad indicated 1-2 such opportunities every year for the next five years. Visible opportunities include potential launch of generic Arixtra and Prilosec OTC. These opportunities span across FY10/11. The company currently has a pipeline of 16 FTF, targeting innovator market size of US$9b.
- **Aims to become tier-I player in the US:** Dr Reddy's is currently among the tier-II players in the US and is aiming to upgrade itself to tier-I status (implying increase in annual revenues from ~US$400m to US$1b) over the next few years. New launches consisting of normal, low-competition and patent challenge products will help it to achieve this goal.
- **Restructuring of German operations:** Given the shift from branded generics to tender-based generics market, the company intends to restructure its Betapharm operations, including reduction in sales force (from 110 to 50) and shift of manufacturing to India.
- **Ramp-up in the biologics business:** Dr Reddy's is targeting to ramp up its biologics business in emerging markets in the short-to-medium term and in regulated markets in the long-term (possibly through partnerships).
- **To maintain traction in key emerging markets:** Dr Reddy's expects to sustain the growth traction in key emerging markets of Russia and CIS. Growth for its Indian formulations business, which has suffered in the past few quarters, is likely to revert to double digits post 1HFY10.
- **GSK tie-up to bring in long-term benefits:** The tie-up with GSK gives Dr Reddy's access to many emerging markets through GSK's distribution network, with very low incremental investments. The tie-up includes a basket of 100 products including normal and differentiated products. It may include biogenerics at a later date.
- **Guidance:** The company guided 10% topline growth and RoCE of mid-to-high teens for FY10 on a high base of FY09. By FY13, it targets revenues of US$3b (implying 21% CAGR over FY09-13) and 25% RoCE, led mainly by the above initiatives.

Pantaloon Retail

Mr Kishore Biyani
Managing Director, Pantaloon Retail
Group CEO, Future Group

Covering Analyst(s):
Amnish Aggarwal
+91 22 3982 5404
AmnishAggarwal@MotilalOswal.com

Amit Purohit
+91 22 3982 5418
AmitPurohit@MotilalOswal.com

Key Takeaways

Focus on Fashion, Foods and Home segments: Pantaloon has identified three major focus segments - Fashion, Foods and Home Products. Given the pick-up in housing activity, Mr Biyani is particularly optimistic about the Home segment, including bathrooms, kitchens, electronics, etc.

Planet Sports - a Rs10b opportunity: Under this latest format, Pantaloon plans to sell products related to several sports (cricket, golf, swimming, etc) including shoes and casual wear. Pantaloon has the necessary tie-ups with suppliers of such products. Planet Sports is seen as a Rs10b opportunity in the next three years.

Margins to improve due to higher private labeling and lower costs: In five years, Mr Biyani expects 40-50% of Pantaloon's sales to come from own brands, including 85-90% in fashion (75% currently), 30% in household and personal care products, 15-18% in electronics, and high share in home products. This will help expand margins. Further, due to lower competition, major costs are easing - lease rentals by 20% and incremental employee cost by 30%. The company is also tightening its other operating costs such as travel, packaging and supply chain costs.

Two new formats - KB Fair Price and Aadhar: KB Fair Price stores will be small-format food and grocery stores with 350 SKUs. Over the next three years, Pantaloon plans to have 1,200 outlets in three cities - Mumbai, Delhi and Bengaluru. Further, it has entered into a 70:30 JV with Godrej Group to set up Aadhar brand of rural malls. The first prototype outlet is in Shrirampur near Nashik. As these malls are planned in cropping areas, they will eventually become both procurement and selling hubs.

Equity funding requirement of Rs8b-10b; operating cash flow to fund growth beyond two years: Mr Biyani maintains his ambition of having 30msf of retail space. Incremental equity funding requirement is Rs8b-10b. Beyond two years, he expects operating cash flow to meet growth capex requirement. Subsidiaries like Future Brands and Future Logistics have arranged their own funding, and are no longer a drag on Pantaloon.

ICICI Bank

Ms Chanda Kochhar
Managing Director & CEO
ICICI Bank

Covering Analyst(s):
Ajinkya Dhavale
+91 22 3982 5426
AjinkyaDhavale@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Macro environment improving, crowding out fears exaggerated

- Ms Kochhar is optimistic about economic growth, as early signs of revival are visible, with improving IIP growth and rising loan proposals from the corporate sector.
- With 2/3rd of government borrowing getting over in 1HFY10 and given the excess liquidity in the system, fears of crowding out look exaggerated and interest rate might not spike significantly. She is confident of a pick-up in loan growth from 2HFY10.

Will continue to execute "4C" strategy

ICICI Bank's focus would continue to be **C**ASA, **C**apital conservation, **C**ost efficiency and improving **C**redit profile for profitable growth. The key enablers are:

- Expanding branch network (2,000 by FY10) and making branches focus points for customer acquisition and relationships
- Changing collection mechanism by in housing collections of few products and preventive collection focus
- Human resources transformation through retraining and redeployment of staff for new branch oriented responsibilities

Targets to double RoE over next 3 years

- With improving margins, pick-up in fees and continued efficiency, ICICI Bank is targeting to double its RoE to high teens over the next three years. FY10 RoE expansion would be driven by consolidation strategy and cost cutting, while the next two years' RoE expansion would be driven by loan growth and lower credit cost.
- The bank maintains its CASA ratio target of 33% by FY10. It maintains its strategy of preserving capital for the next growth phase. "Loan growth" remains the last priority for FY10.
- Housing loans, project finance and commercial banking would be the growth avenues in the mid-term. Risk aversion towards unsecured retail loans remains intact.

Margin expansion possible from 2HFY10

Downward re-pricing of bulk deposits, loan growth and further improvement in CASA ratio gives the management comfort about margin expansion possibilities.

NPAs look to be peaking out

ICICI Bank expects NPAs to peak out in the next quarter. Credit costs would decline, as unsecured retail loans run off significantly in the next two quarters. While the restructuring number would increase in 2QFY10, strong corporate health and improving domestic demand will keep ultimate credit losses manageable.

GVK Power and Infrastructure

Mr G V Sanjay Reddy
Vice Chairman
GVK Power and Infrastructure

Covering Analyst(s):
Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Nalin Bhatt
+91 22 3982 5429
NalinBhatt@MotilalOswal.com

Key Takeaways

Thrust on execution; key growth areas identified

- Mr Reddy highlighted the group's persistent track record in executing several projects including many firsts (first IPP project in India, first 6-lane road project, etc), and ability to finance the projects appropriately (100% debt funding for JP-II power project, 7-year moratorium loan for Mumbai airport, etc).
- Over the medium term, GVK wants to focus on power and roads as growth drivers. It has the right of first refusal over development of Navi Mumbai airport (in-built with Mumbai airport).
- The management indicated that it will go ahead with bidding in road sector projects now, but with desired level of profitability. The threshold return on equity expected is at least 16%.

Other initiatives

- **Cautious on E&P investments:** GVK's 76:24 JV with BHP Billiton has won seven deepwater blocks off the west and east coast of India. However, GVK does not wish to commit significant investments until the outcome of seismic surveys is positive. Initially, it may invest US$35-40m towards exploration.
- **Urban infrastructure:** GVK has acquired 3,000 acres of land for development of SEZ in Perambalur, Tamil Nadu.
- **Monetization of Mumbai airport real estate** (~20msf) should commence from early FY11.

Eyeing inorganic growth opportunities in power sector

- GVK plans to expand its project portfolio, particularly in the power sector through buyouts of projects stalled for want of funds.
- The management stated that it is already undertaking due-diligence for 2-3 such projects, with capacity of 600-1,200MW each.

Approval for sale of power on merchant basis likely by 2QFY10

Sale of 20% of power on merchant basis has not commenced from its Gautami power project (464MW) and JP Phase II project (220MW). The management indicated that the approval from Andhra Pradesh government is expected by 2QFY10, and is hopeful of beginning sale of merchant power from 3QFY10.

Hero Honda

Mr Brijmohan Munjal
Chairman
Hero Group

Covering Analyst(s):
Jinesh Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Key Takeaways

No concern on motorcycle demand

- Motorcycle demand would continue to be driven by bottom of the pyramid. Upgrade from bi-cycle to motorcycle would drive demand for entry level motorcycles. Cycle demand in India is about 3m per annum, which provides a strong base for motorcycle demand.
- Tata Nano is not a threat to motorcycles, as upgrade from motorcycle to car would be more than negated by the upgrade from bi-cycle to motorcycle. Further, motorcycles are better placed to cater to short-distance commuting and are the most economical with respect to fuel economy, cost of operations, maintenance cost, etc.
- Hero Honda is not concerned about competition (including Honda Motorcyles), as it feels that there is sufficient demand for all the players to survive. Its largest selling model 'Splendor' sells over 1m units per year, which is bigger than many markets.

Value-based focused organization

- Hero Honda, as an organization, is highly focused on two-wheelers and conducts business founded on values and ethics.
- It has developed and enjoys very strong relationships with all the stakeholders, including its JV partner, dealers and workers.

Planning additional capacity

- Driven by strong demand, which has already resulted in optimum capacity operation at its recently commissioned Haridwar, the company is planning to add further capacity (4th line) at Haridwar.

Focus on scooters specifically targeting women

- Hero Honda has launched scooters targeting the women segment, which is still at a nascent stage.
- It has opened 22 exclusive 'Just for Her' showrooms, catering exclusively to women and by women.

GMR Infrastructure

Mr G B S Raju
Chairman – Corporate & International Business,
GMR Infrastructure

Covering Analyst(s):
Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Nalin Bhatt
+91 22 3982 5429
NalinBhatt@MotilalOswal.com

Key Takeaways

Family constitution drafted to better manage corporate governance

- The management of GMR Infrastructure has proactively drafted the family constitution to define and align responsibilities of family members, so that the corporate governance standard is maintained at all times in future.
- Various businesses have been structured into separate verticals and the management has defined corporate structure for each of the businesses, which includes setting up of a strong and professional management team.
- Focus on leadership development with 150+ next generation leaders to be developed in 21 months.
- Focus on building a robust organization, strongly driven by values and beliefs (instituted GMR way of doing things).
- Group has evolved into a market leader by building on strong core competencies across the lifecycle of infrastructure projects viz. bidding, funding, execution, operations and management, etc.

Assets under operations in India at US$3.2b, under development US$8.4b

- GMR Infrastructure currently has operational project portfolio including 3 airports, 6 road projects (421 kms) and 3 operational power projects (808MW), of US$3.2b in India. This will increase to US$11.6b by 2012, as assets under development will enter the operations phase.
- The current project pipeline includes development of 4.5GW of power projects in India, coal mining (allotted mine blocks in India, acquired blocks in Indonesia, 33.5% stake in Homeland Energy), SEZs (3,300 acres in Tamil Nadu and 500 acres at Hyderabad airport), aerotropolis development (250 acres at Delhi airport and 1,000 acres at Hyderabad airport), road projects under development (210kms), etc.

Well placed to meet funding requirement for existing projects

- Current cash on books stands at Rs25b, which coupled with internal accruals over FY10-12, would be sufficient to meet equity funding requirement towards projects under development.

Wipro

CEO Track

Mr Girish S Paranjpe
Joint CEO, IT Business
Wipro

Covering Analyst(s):
Ashwin Mehta
+91 22 3982 5409
Ashwin.Mehta@MotilalOswal.com

Vihang Naik
+91 22 3982 5436
Vihang.Naik@MotilalOswal.com

Key Takeaways

Current industry scenario

- The IT services market is showing signs of stability, but one should not get carried away by it; growth will eventually come, but will be slower than earlier.
- Emerging market IT spend is catching up. For example, there is high momentum in India, led by sectors like telecom, infrastructure, BFSI and government spending.
- Even in developed markets, sectors less open earlier are now growing: utilities and healthcare.
- Other sectors are likely to resume IT spend in 2-3 quarters due to three factors: (1) Regulation (change in credit card rules, lending norms, etc), (2) Consolidation with other companies needing IT integration, and (3) Change in business environment entailing companies to build and develop new products and services.
- Expect strong, secular growth in BPO due to (1) lower level of penetration compared to IT services, and (2) Wipro's globalization - BPO centers in Philippines and Eastern Europe.

Wipro's strategy

- Wipro is following a two-pronged strategy: (1) Restructure and streamline internal operations to become lean and fit, and (2) Prepare for the next version of growth.
- The second strategy includes several aspects such as:
  - Building consulting capability, including hiring in Europe
  - Globalizing for local delivery to clients (e.g. growth plans for its centers in Atlanta and China)
  - Sharing risks with clients by entering into multi-year fixed-price projects (share of FPPs in sales-mix has increased by 10 percentage points over last four quarters).
- Yet another thrust area is non-linearity. This has 4 quadrants:
  1. Automation and process excellence - shared tools
  2. Solutions and platforms (e.g. acquired company in US, which has a solution for loan origination)
  3. More value-added services (solutions)
  4. Sub-contracting (in the early stage).

On a scale of 10, Wipro rates itself at 2-3 in terms of achieving non-linearity, implying huge potential for the same.

Suzlon Energy

Mr Tulsi Tanti
Chairman & Managing Director
Suzlon Energy

Covering Analyst(s):
Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Shridatta Bhandwaldar
+91 22 3982 5417
Shridatta.Bhandwaldar@MotilalOswal.com

Key Takeaways

Long-term prospects intact for wind energy

- There exist near term pain due to project financing issues and industry overcapacity; however long-term prospects remain strong.
- During the last 3-5 years, the industry witnessed revenue growth of ~25%. However, a 10% de-growth is likely in FY10. Growth should improve post FY10. By 2013, the global cumulative capacity would reach 340GW from the current 120GW, a CAGR of 25-30%.
- US and China would be major markets going forward, with contribution of 10-12GW per annum, each.
- Globally, various governments are focusing on green energy for energy security, job creation and reduction in global warming. This sector is likely to witness total spending of US$163b by 2012 through various stimulus packages. Currently, wind energy contributes only 1.3% to the total energy generation.

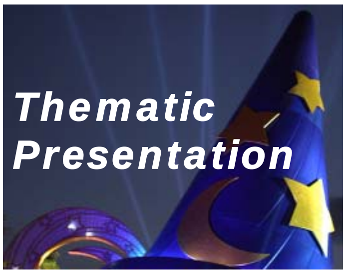
Pressures on realizations; increased market share for Suzlon group

- Wind turbine market has witnessed a complete shift and has now become a buyers' market from a sellers' market. Realizations have declined by ~10% during the last 2-3 quarters.
- The industry is experiencing overcapacity, with total capacity of 32GW (excl. China) as against likely demand of 26-27GW (excl. China) during FY10.
- Order intake during CY08 (excl. China) was 26GW with Suzlon group at 12%. Orders have declined to 4.3GW during January-July 2009. However, Suzlon group has increased its share to 21% of total; highest among all players.

Plans stake sell in Hansen; FY10 a year of consolidation

- Suzlon is in the process of selling partial or full stake in Hansen. The proceeds from the transaction would be used to reduce the current balance sheet leverage.
- Stake sale in Hansen will not create any supply chain disruptions for Suzlon since the Indian capacity of Hansen would be available for it. Also, gearbox is no longer a key suppply chain constraint.
- Post huge growth in the past few years, Suzlon would consolidate its operations during FY10. It is planning to: (1) reduce costs through waste reduction and efficiency improvements, and (2) improve balance sheet through working capital improvements, limited capex.

Capital markets in the NTD era



Mr Raamdeo Agrawal
Managing Director
Motilal Oswal Financial Services

Key Takeaways

India to add US$1 trillion dollar GDP in the next 5-7 years

It took India 61 years post Independence to reach US$1 trillion GDP in FY08. However, next trillion dollar (NTD) will only take the next 5-7 years, that too assuming a modest nominal GDP growth of 9%. This NTD era will open up opportunities in several sectors.

Strong correlation between savings rate and GDP growth

Hitherto, India's GDP growth has been led by rising rate of savings and capital formation rather than consumption. Domestic savings to GDP has risen from as low as 12% in the 1950s and 1960s to a high of 38% in FY08.

Falling interest rates a key driver of corporate profitability

Interest rates in India have seen a sustained decline since the regulated interest regime of the 1990s when G-Sec yields stood as high as 14%, which currently stand at ~7%. Lower interest rates has been a key driver of corporate profitabililty - for the corporate sector as a whole, interest/sales ratio has fallen from 6% in FY94 to 2.5% in FY09, leading to higher PAT margns. Corporate profit to GDP has risen from 1-3% in the 1990s to 6-6.5% in FY08-09 (18-year average of 3.3%).

New sectors could emerge as market favorites going forward

Between March 2000 and to-date, the sectors which have shown highest market cap appreciation include Real Estate (278x), Construction (276x), Securities/Broking (127x) and Utilities (60x). The NTD era could throw up a new set of sectors; perhaps, the current out-of-favor sectors like Pharma, FMCG, IT and Media could bounce back.

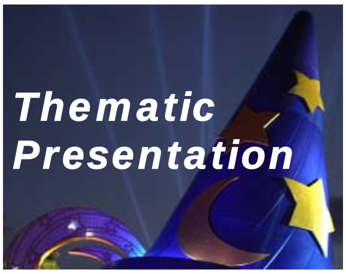
Other trends in the NTD era

- Billion dollar market cap companies are set to rise (there were 38 in March 2000; currently there are 140)
- Bounce back of the primary market, private equity and M&A deals which have taken a dip in CY08 and YTDCY09
- Rise in mutual fund AUMs as percentage of bank deposits given falling interest rates and rising risk appetite

India could rank among top 5 market cap countries in the world

Between 2003 and 2008, India improved its global market cap ranking by 8 notches from 17 to 9. With most of the advanced economies is a severe downturn, India could gain more ranks during the NTD era and end up among the top 5 market cap countries in the world. That would significantly improve India allocations by global fund managers, implying good times for the Indian equity markets.

Indian agrarian economy



Mr Narendra Murkumbi
Vice Chairman & Managing Director
Shree Renuka Sugars

Key Takeaways

Snapshot of Indian agrarian economy

- Contributes US$183b - 17% of India's GDP
- Provides livelihood to 71% of population
- Gross sown area - 193m hectares, 43% irrigated
- Vast but fragmented processing sector (rice mills, sugar mills, solvent extraction units, etc)

Limitations of Indian agriculture

- Small average land holding of 1.33 hectares, which limits investment, use of technology, and economies of scale
- India's productivity well below world levels; no increase in last 20-30 years
- Rainfall and irrigation are critical inputs
- Highest irrigated land in the world, but very low quantum of fresh water; water use is inefficient and wasteful
- Infrastructure for delivery of credit and other inputs is poor
- Post harvest management (including marketing and warehousing) is poor

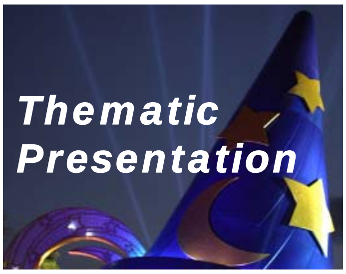
Rising income levels and inclusive growth will increase demand for food and fiber. Unless right steps are taken, food security would become a major concern.

Opportunities for business

The current weaknesses of Indian agriculture are the opportunities: (1) Water resources, (2) Agri inputs, (3) Agri infrastructure, (4) Primary processing, and (5) Agri finance.

- **Water resources:** India has a huge but ineffective irrigation infrastructure. So, sprinkler and micro irrigation are good opportunities, going by US history.
- **Agri inputs:** 30% of India's fertilizer consumption is imported. However, considering government's policy on subsidy, currently it makes more business sense to set up fertilizer projects abroad and import products into India. Genetically modified seeds are also an opportunity (70% of cotton crop is genetically modified; this has doubled productivity in 4 years).
- **Agri infrastructure:** Cold chain and warehousing offer opportunities as 6m tons of fruits and vegetables (30% of total) rot every year.
- **Primary processing:** Primary processing in India is less than 1% of total production. Fruit processing, sugar, poultry and vegetable oil hold potential.
- **Agri finance:** Though banks need to allocate 18% credit towards agriculture as priority sector lending, the credit does not effectively reach farmers due to high cost of delivery. An appropriate model (e.g. microfinance) may hold opportunities.

India in the global economy



Mr R Ravimohan
Managing Director & Region Head,
South & South East Asia, Standard & Poor's
Chairman, CRISIL

Key Takeaways

Global outlook

- Global economies can be categorized into two: (1) whose pace of growth will bounce back to pre-crisis levels; and (2) advanced economies which will struggle. Growth differentials between the two categories will widen.
- Investments and capital formation will be high in emerging markets. They will see flow of funds from advanced economies.
- Capital flows will become more important than trade flows. So, monetary policy makers and investors will have to consider the same in their decision-making.
- Global liquidity will create a permanent face-off between fundamentals and technicals across markets – currency, interest rates, equities, etc. (For instance, India's huge fiscal deficit should warrant higher interest rates. However, global inflows may not lead this to happen.) Also, asset bubbles could be created.

India in the global economy

- India is not decoupled from global economic performance; however, its growth differential vis-à-vis the advanced economies will continue to widen.
- Strong inflow of funds is likely leading to volatility in stock markets, interest rates and exchange rates.
- The government's FY09 stimulus package has worked and was well-timed. This has been an important driver of economic growth. However, private consumption has not picked up.
- Exports from India unlikely to pick up, dragging down GDP growth by 150bp.

FY10 pointers

- 1-1.5% increase in interest rates
- GDP growth – 6-6.5%
- WPI Inflation – 1.5-2%
- INR/USD – 47-47.5
- Fiscal deficit to GDP – 6.9-7%

Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021
Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com

Disclosure of Interest Statement

The MOSt group and its Directors own shares in the following companies covered in this report: Bharti Airtel and Hero Honda.

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

MOSt is engaged in providing investment-banking services in the following companies covered in this report: None