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India Monthly Review

Retrospective – November 2010: Sens(Ex)ing Uncertainty?

Research
India

MORGAN STANLEY RESEARCH

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Retrospective – Sens(Ex)ing Uncertainty?

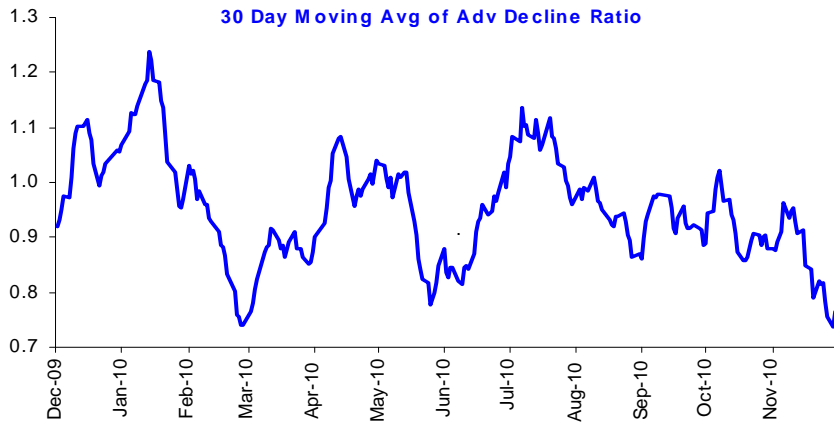
MSCI India underperformed the global indices for the second consecutive month in November. This is third occasion in 2010 (the other two being, July and October) when India has underperformed the MSCI EM. Despite the underperformance during the month, India's performance ranking rose 2 positions to 14th position. Year-to-date, India continues to outperform the MSCI EM and its India's performance ranking stood at the 12th position (out of 21 emerging markets).

The mid-cap and small cap indices touched a four and a half month low during the month and underperformed the BSE Sensex by a significant margin. Having said that, on a year-to-date basis they still continue to outperform the narrow market (BSE Sensex).

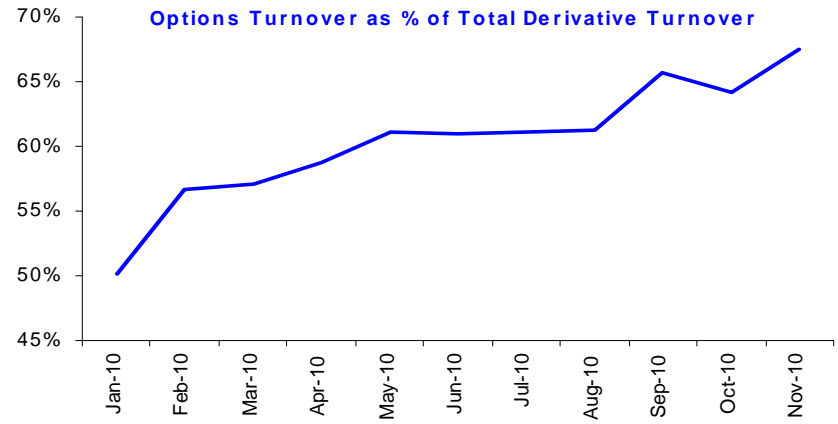
- Sector performance:** Consumer disc was the best sector for the month (for the first time in 12 months), while Telecom was the worst performing sector (for the 3rd instance). All sectors with the exception of Consumer disc, Healthcare and Technology, were down MoM (in INR). Year to date, Consumer Disc leads while Telecom lags. The same results hold for performance relative to their respective EM sectors. Sector rotation was moderate during the month with 5 sectors changing relative positions MoM.
 - Institutional flows:** FII inflows in the cash market remained positive for another month (9 times in 2010, so far). FIIs sold in the futures market for the third consecutive month. Domestic mutual funds turned marginal buyers for the first time in 15 months, so were domestic insurance companies, for the first time in 5 months. Year to date, FIIs have bought stock worth US\$29 bn in the cash market (a new record) – the FII inflows in the primary market are about US\$8 bn for the year. Domestic institutions have sold US\$4.8 bn (domestic insurance have bought US\$1.6bn and mutual funds have sold stock worth US\$6.3 bn) in 2010, thus far.
 - Equity market activity:** Market activity was mixed. Whilst volumes in the derivatives segment breached their previous high of Oct-10 by 4ppt, cash volumes fell 4% MoM. Intra-day volatility rose but inter-day volatility fell (to its five-year low). Average open interest was off highs. The again the put-call ratio rose MoM but breadth fell (to a 2-year low).
 - Currency:** The rupee depreciated 3.2% MoM against the USD while it depreciated 3.5% against the euro.
 - Valuations and Earnings Expectations:** MSCI India's valuations are off 32-month high and are trading at a 64% premium to the MSCI EM valuations. The consensus revised the F2012 Sensex earnings growth up by 0.7 ppt and F2011 expectations down by 0.3ppt. They expect earnings growth of 23.3% and 19.2% for F11 and F12, respectively. Four out of the 10 sectors saw positive earnings growth revision for F11 with industrials leading the pack.
 - Bond Market:** Short-term yields rose marginally (by 5bps) during the month, taking the cumulative rise to 295bp since May and further narrowing the yield curve to a 21-month low during the month. India's bond spreads with US treasuries are now off multi-year highs.
 - Corporate Activity:** Equity issuances saw some acceleration over the past 3-months and it was vice versa for debt issuances. Year to date (Jan-Oct), debt and equity issuances are at US\$44 bn and US\$24 bn, respectively.
 - Macro Indicators:** IIP growth saw another month of deceleration in September. The latest data seems to confirm that inflation has peaked out. Forex reserves were off their 25-month high. Credit growth remained unchanged during the month – at its 22-month high.
- Please see slide 3 for the four charts you don't want to miss during the month.*

Charts of The Month

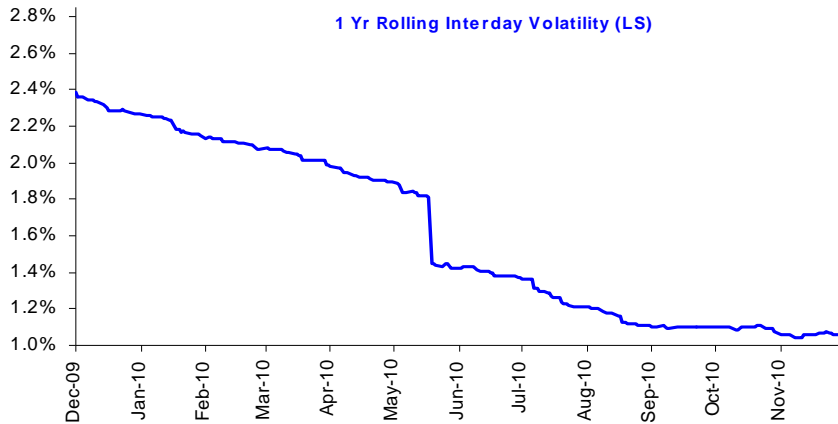
Breadth Slips to a 2-Year Low



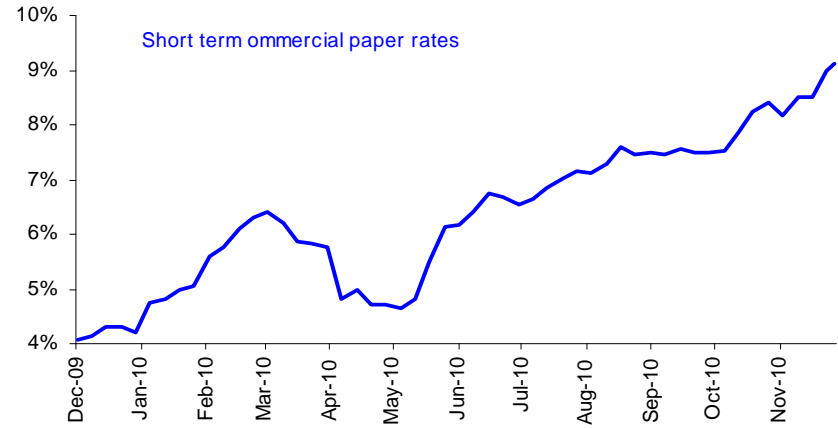
Options as % of Derivatives Turnover: At Record High



Inter-day Volatility at a 5-Year Low



3M Short Term Commercial Rates at a 20-month high



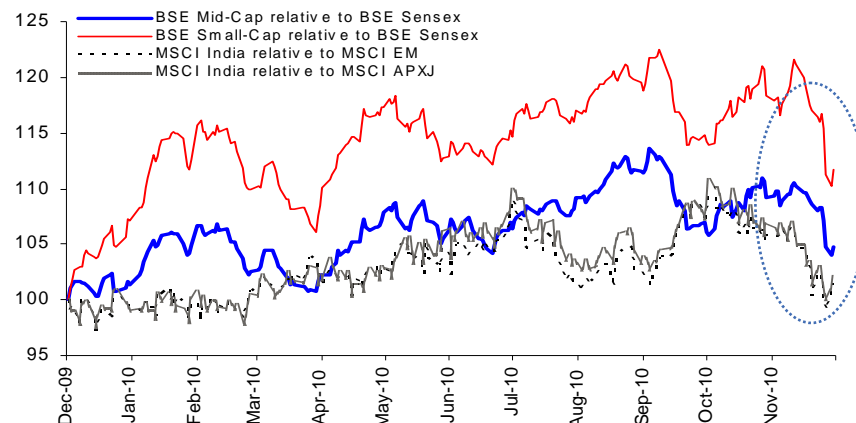
Source: FactSet, MSCI, Bloomberg, Morgan Stanley Research

Equity Markets in November: India Underperforms EM For the 3rd Time in 2010

MSCI India: Underperforms Global Indices in November

	Current	1M	3M	6M	12M	YTD
MSCI India	520	-6.6%	10.2%	13.3%	14.9%	11.0%
MSCI EMF	1,076	-2.7%	10.9%	16.1%	12.9%	8.7%
MSCI EM Asia	441	-1.9%	11.7%	16.7%	14.7%	9.7%
MSCI Europe	91	-1.6%	4.1%	6.7%	9.1%	2.8%
MSCI ACWI	308	-2.4%	10.5%	11.3%	5.0%	3.0%
MSCI Asia Pacific	449	-2.2%	12.0%	18.0%	11.5%	7.7%
BSE Sensex	19,521	-2.6%	8.6%	15.2%	15.3%	11.8%
BSE 100 Index	10,281	-3.4%	6.8%	13.7%	15.3%	11.4%
BSE 200 Index	2,451	-3.6%	6.5%	13.9%	16.4%	12.4%
BSE 500 Index	7,722	-3.9%	5.9%	13.9%	17.3%	12.9%
BSE Midcap Index	7,764	-6.5%	2.2%	13.6%	21.0%	15.6%
BSE Smallcap Index	9,745	-8.0%	2.1%	14.0%	29.5%	16.6%
Dow Jones	11,006	-1.0%	9.9%	8.6%	6.4%	5.5%
Nasdaq	2,498	-0.4%	18.2%	10.7%	16.5%	10.1%
India's Rank In 21 EM countries		14	10	15	12	12

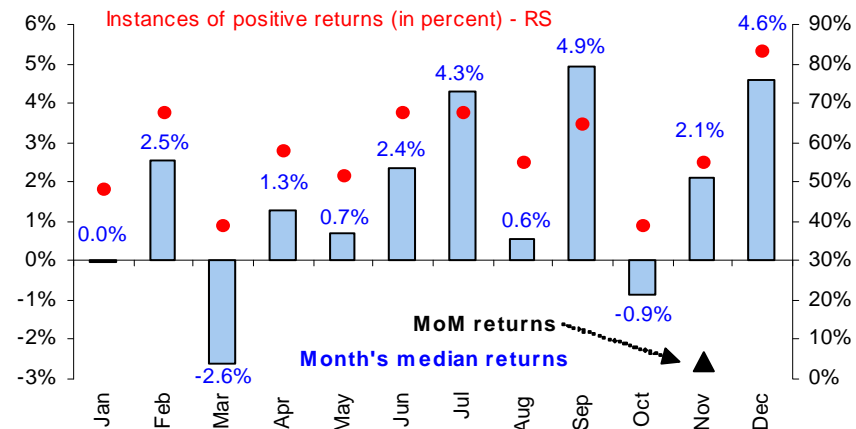
Small-cap & Mid-cap Indices: Underperform in November



BSE Sensex (Since 1979): Yearly Performance for November Positive for 22 out of 31 Occasions

						2007
						2005
	1989					1992
	2002	2010				1993
	1996	1984				1994
					1991	2009
	2000	1982				2004
					2003	1990
	1998	1987				1983
					1997	2006
	2008	1995				1980
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						2030

Monthly Median Sensex Returns: Below Historical Levels



Source: FactSet, MSCI, Bloomberg, Morgan Stanley Research

Sector Performance: Consumer Disc. – The Best; Telecoms – The Worst

Cons. Disc at the Top; Telecom at the Bottom

	Weights	Absolute Performance					Rank				
		1M	3M	6M	12M	YTD	1M	3M	6M	12M	YTD
MSCI India	100%	-3%	7%	12%	13%	9%					
Cons. Disc	5%	3%	14%	20%	30%	26%	1	2	4	2	1
Cons. Staples	6%	-1%	6%	22%	18%	23%	4	5	1	5	3
Energy	14%	-9%	3%	-3%	-5%	-6%	9	8	8	8	8
Financials	27%	-4%	8%	21%	21%	21%	6	4	2	4	4
Healthcare	4%	3%	20%	20%	32%	26%	2	1	3	1	2
Industrials	10%	-4%	6%	14%	15%	8%	5	6	6	6	6
Info. Tech	17%	2%	14%	18%	30%	19%	3	3	5	3	5
Materials	10%	-5%	5%	5%	0%	-6%	7	7	7	7	7
Telecom	1%	-27%	-16%	-9%	-19%	-21%	10	10	10	10	10
Utilities	5%	-8%	-3%	-8%	-10%	-14%	8	9	9	9	9

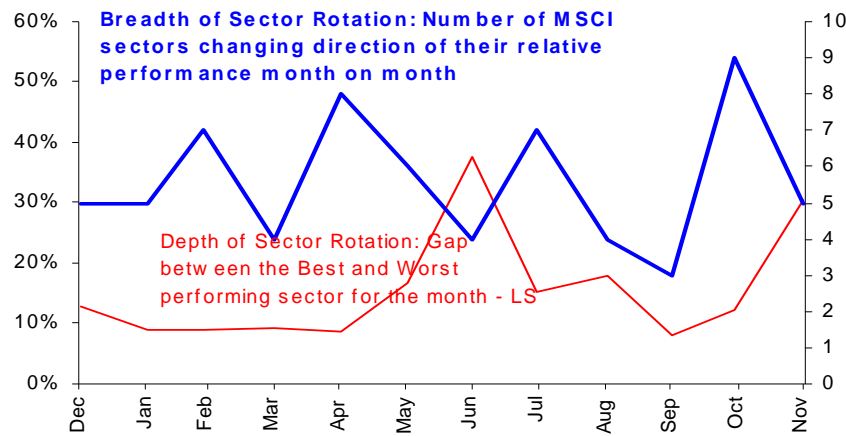
Relative to EM: Consumer Disc O/p, Telecom U/p

	Relative Performance					Rank				
	1M	3M	6M	12M	YTD	1M	3M	6M	12M	YTD
MSCI India	-4.4%	-1.1%	-2.9%	1.3%	1.7%					
Cons. Disc.	2.4%	-0.5%	-4.6%	-0.7%	3.1%	1	4	5	4	4
Cons. Staples	-0.9%	-1.3%	-0.7%	-6.6%	2.5%	3	5	4	6	5
Energy	-9.3%	-3.1%	-10.3%	-1.4%	-2.3%	9	6	8	5	6
Financials	-2.5%	0.8%	3.8%	9.7%	12.6%	4	3	2	2	2
Healthcare	1.5%	7.0%	2.0%	5.5%	5.7%	2	1	3	3	3
Industrials	-4.5%	-5.6%	-10.2%	-7.8%	-8.9%	6	9	7	7	7
Info. Tech.	-3.3%	2.1%	7.4%	16.0%	17.2%	5	2	1	1	1
Materials	-6.5%	-4.4%	-9.4%	-10.3%	-13.4%	7	8	6	8	8
Telecom	-26.6%	-17.8%	-16.7%	-23.3%	-25.3%	10	10	10	10	10
Utilities	-6.9%	-3.5%	-12.5%	-13.3%	-13.6%	8	7	9	9	9

Sector Performance Ranking Over Time

(in INR)	12M Performance											
	Nov-10	Oct-10	Sep-10	Aug-10	Jul-10	Jun-10	May-10	Apr-10	Mar-10	Feb-10	Jan-10	Dec-09
Cons Disc	1	4	7	5	6	2	3	6	6	3	6	7
Cons Staples	4	10	2	1	5	3	2	5	7	7	2	10
Energy	9	3	10	9	9	5	1	8	4	10	5	8
Financials	6	8	1	2	1	9	7	2	5	4	7	9
Healthcare	2	1	6	4	7	6	4	10	2	5	4	5
Industrials	5	5	5	3	4	4	8	4	8	6	8	3
Technology	3	6	3	7	3	8	5	3	10	2	3	1
Materials	7	7	4	6	2	10	10	7	1	1	10	2
Telecom	10	2	8	10	10	1	9	9	3	9	1	6
Utilities	8	9	9	8	8	7	6	1	9	8	9	4

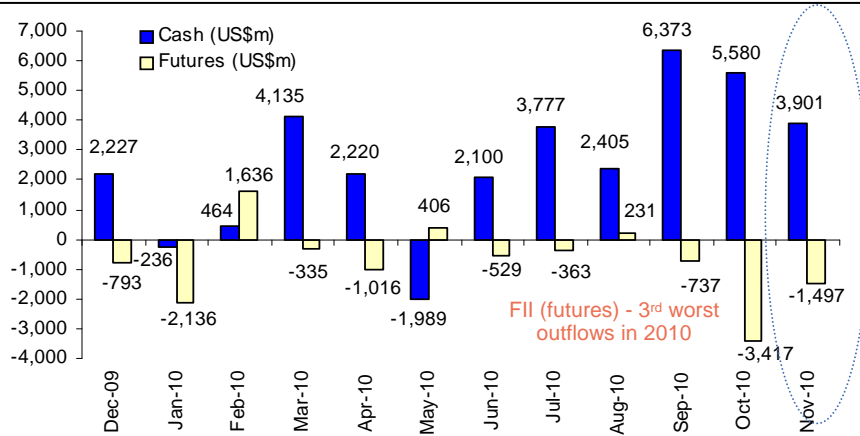
Sector Rotation Down MoM but Moderate



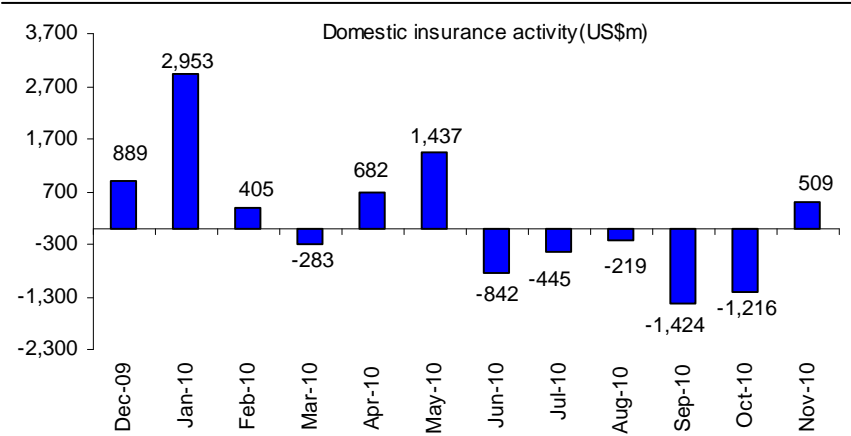
Source: FactSet, MSCI, Bloomberg, Morgan Stanley Research

Equity Market Flows: FIIs Remain Buyers; Domestic Institutions Turn Buyers

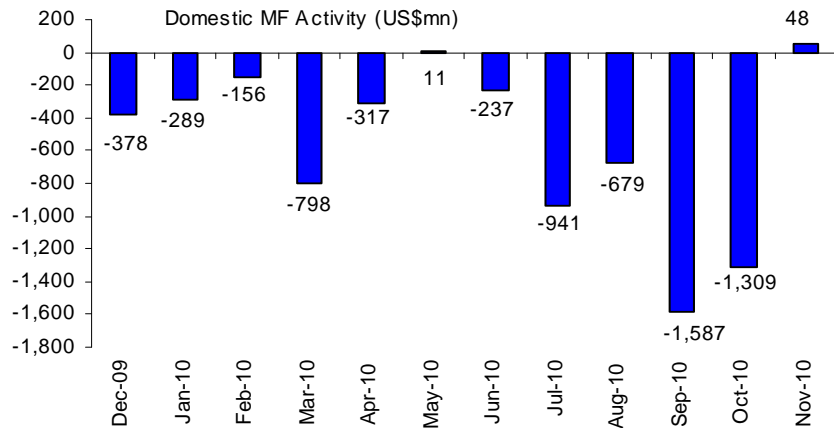
FII Equity Flows: Inflows Continue



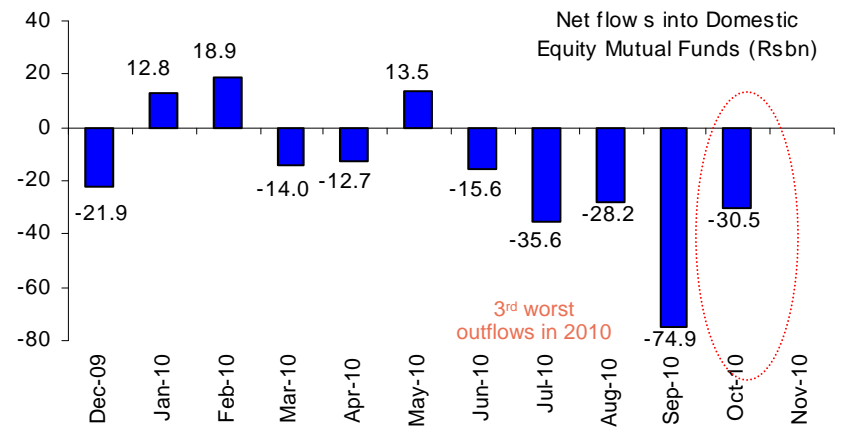
Insurance Companies: Turn Buyers After Selling for 5 Months



Domestic Mutual Funds: Turn Marginal Buyers for the First Time in 15 Months



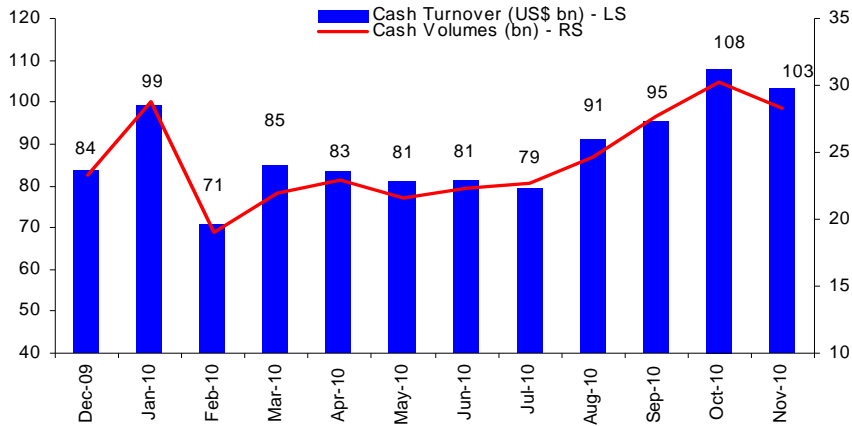
Domestic Equity Mutual Funds: Outflows Continue



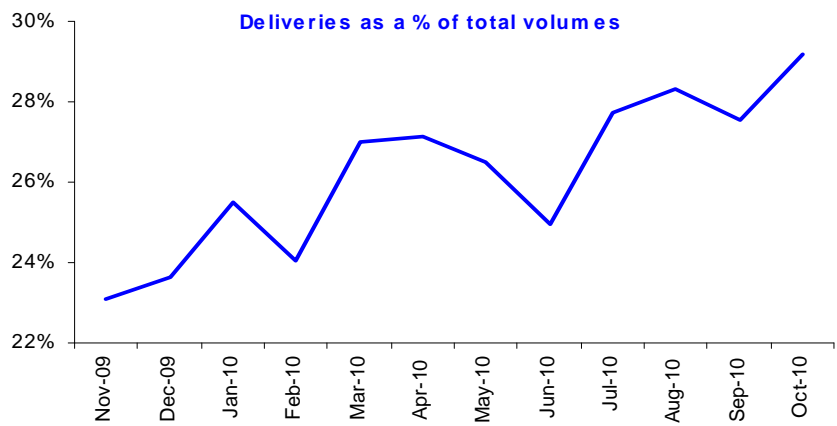
Sources: SEBI, BSE, AMFI, Morgan Stanley Research Please note the Insurance and Mutual fund data for the last two days of the month are yet to be reported; hence, provisional data has been used.

Trading Activity: Derivatives Volumes Make Another High

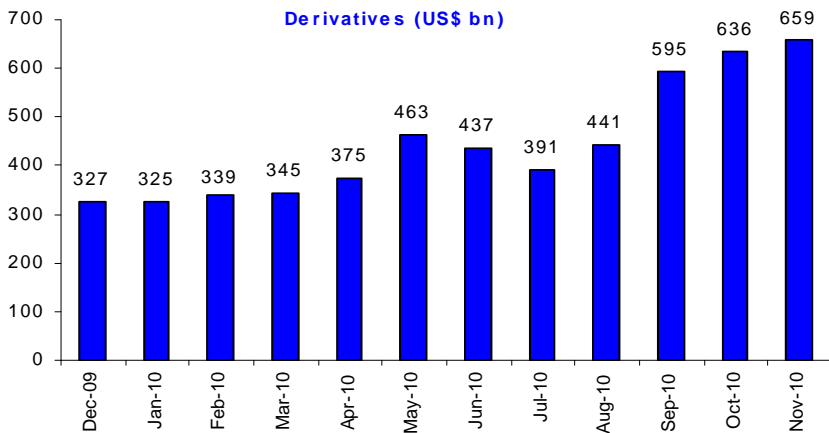
Cash Trading: Turnover and Volumes: Drop MoM



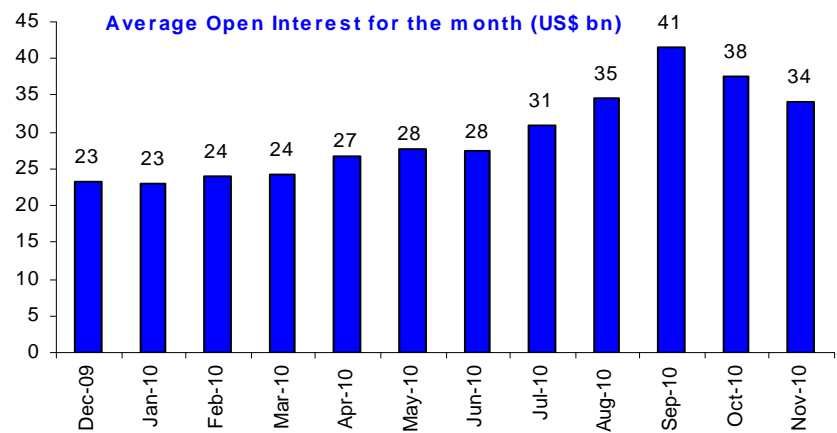
Shares Purchased for Delivery: Rise in October



Derivatives Volumes: Making New Highs



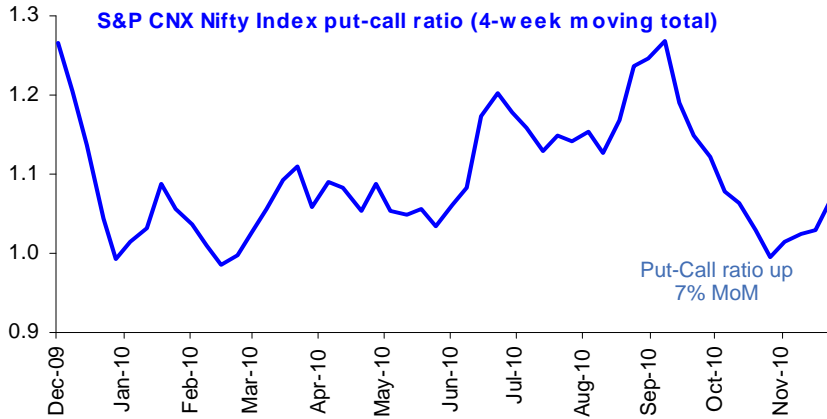
Average Open Interest: Falls 9% MoM



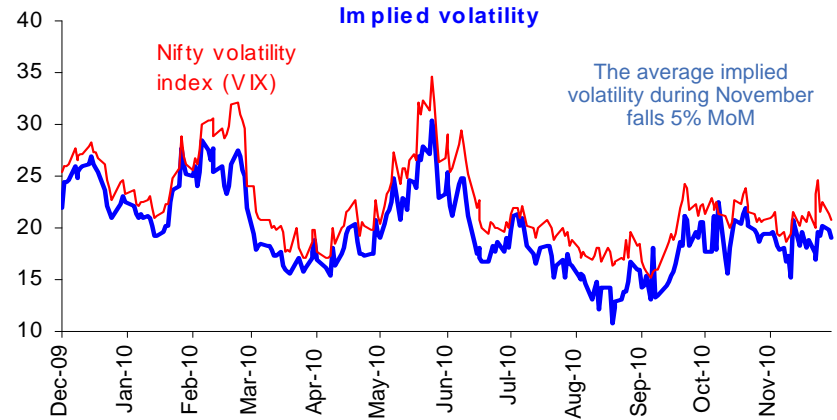
Source: NSE, BSE, Morgan Stanley Research

Breadth and Volatility: Breadth and Inter-day Volatility Fall

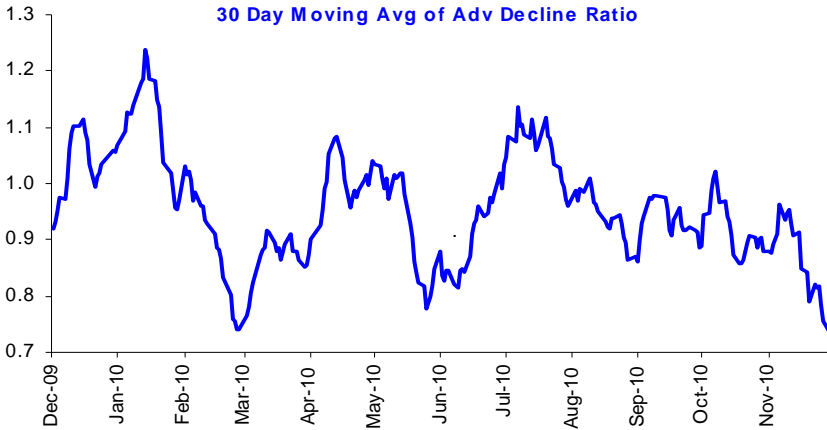
Put-Call Ratio: Up MoM



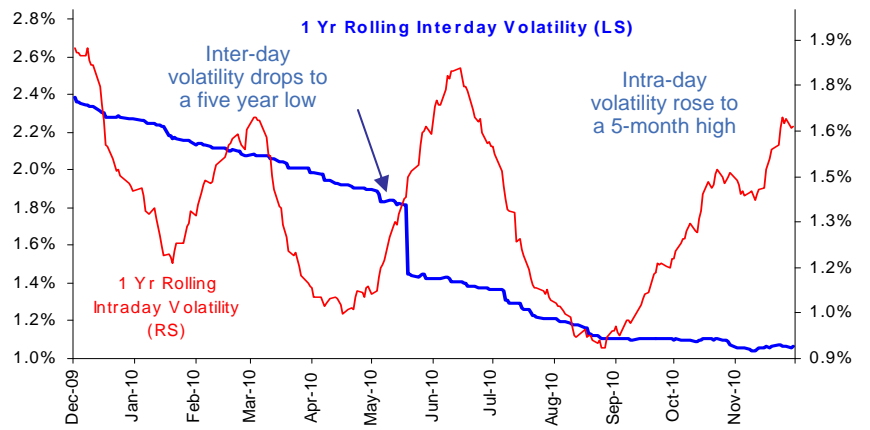
Implied Volatility: Falls Month on Month



Breadth: Falls MoM to a 2-Year Low



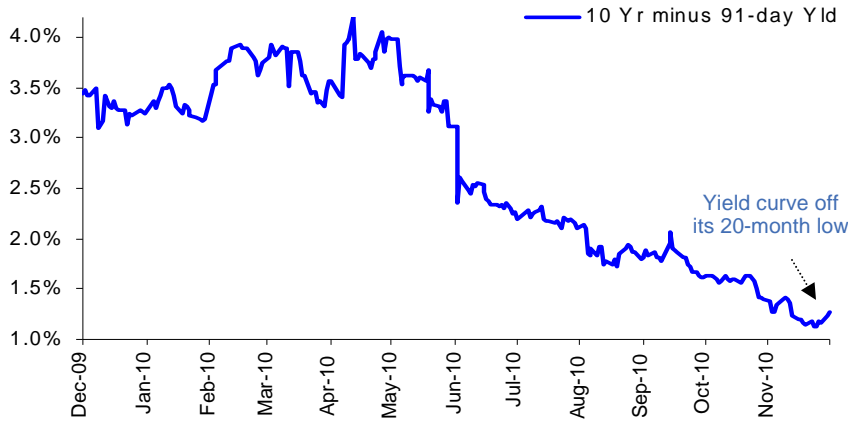
Volatility: Inter-day Falls, Intra-day Rose



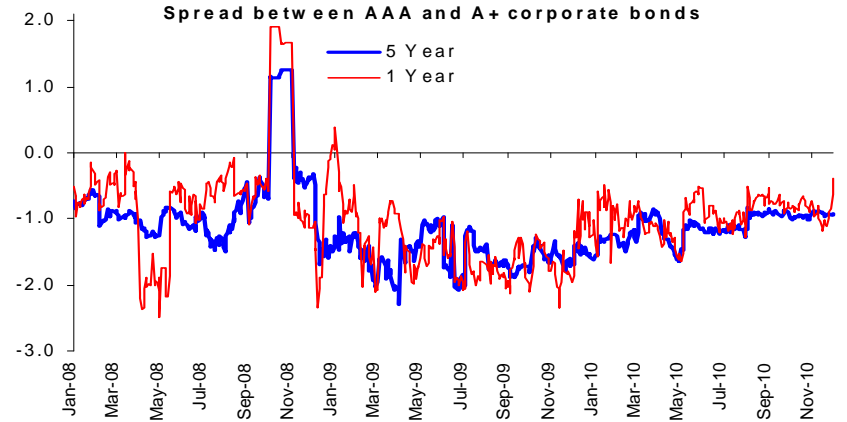
Source: ASA, Bloomberg, Morgan Stanley Research

Bond Market: Uptrend in 91-Day Continues; 10-Year Yield Off the Peak

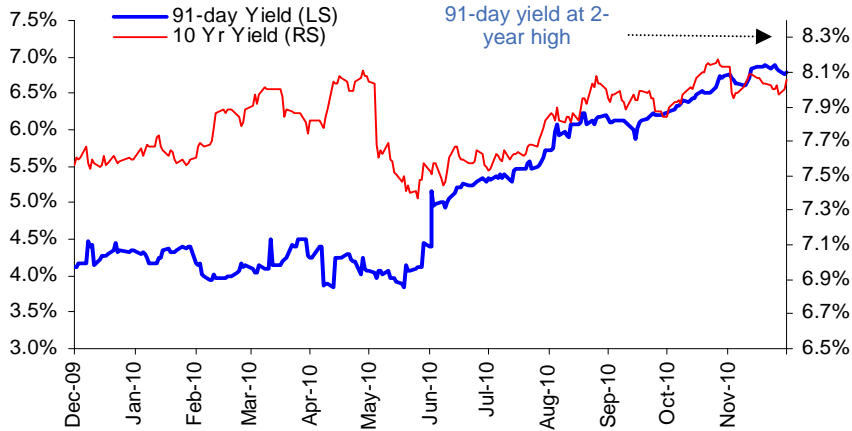
Yield Curve (10-year Minus 91-day Yields)



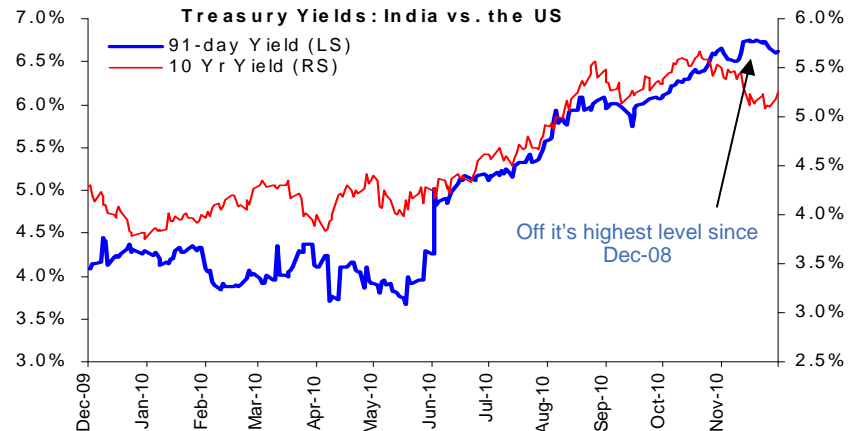
Corporate Bond Spreads



10-year and 91-day Yield



Treasury Yields: India vs. the US



Source: Bloomberg, SBI, Morgan Stanley Research

Currency Market: Sharp Depreciation in INR vs. USD

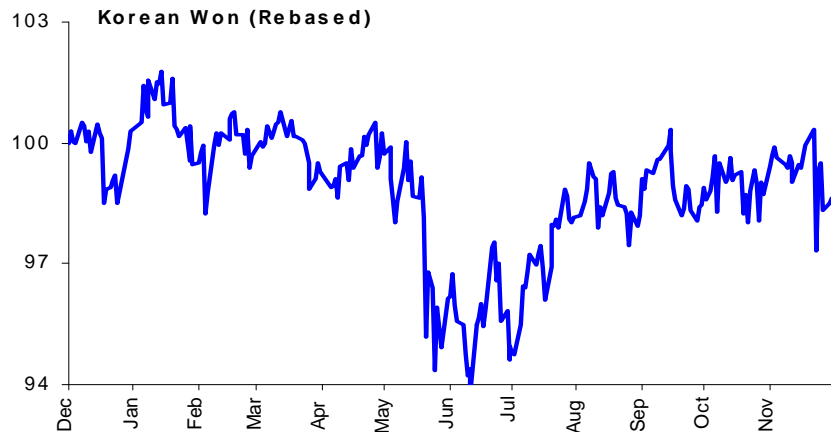
INR vs. USD



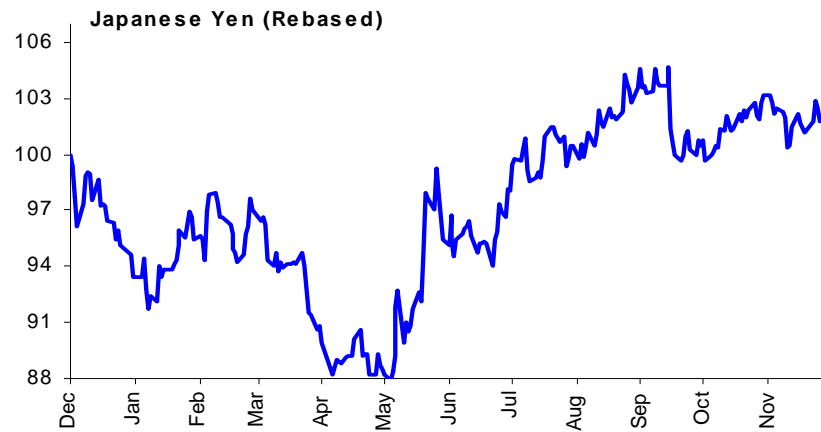
INR vs. Euro



INR vs. Korean Won



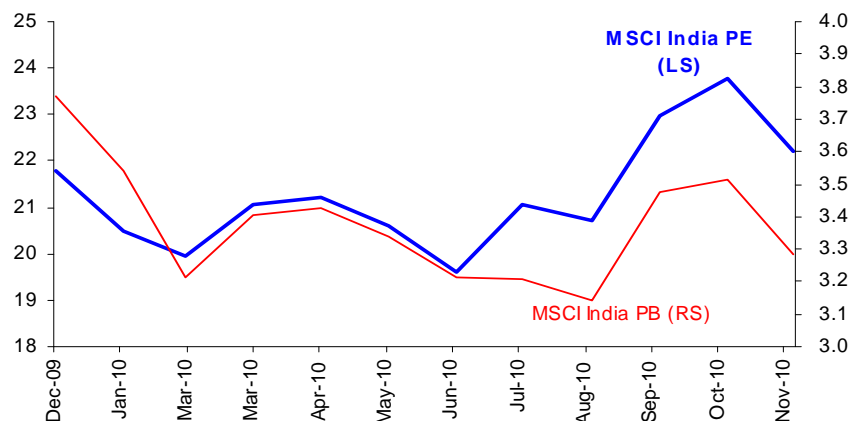
INR vs. Yen



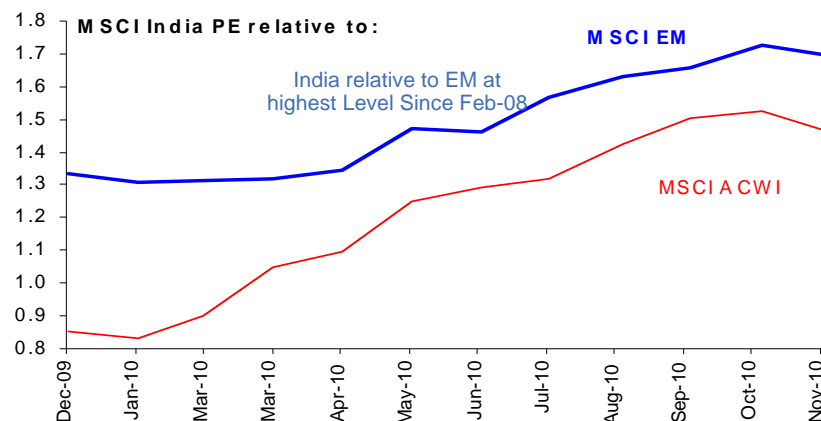
Source: Bloomberg, Morgan Stanley Research

Valuations & Earnings: Valuations Rise Further, Marginal Changes to Earnings

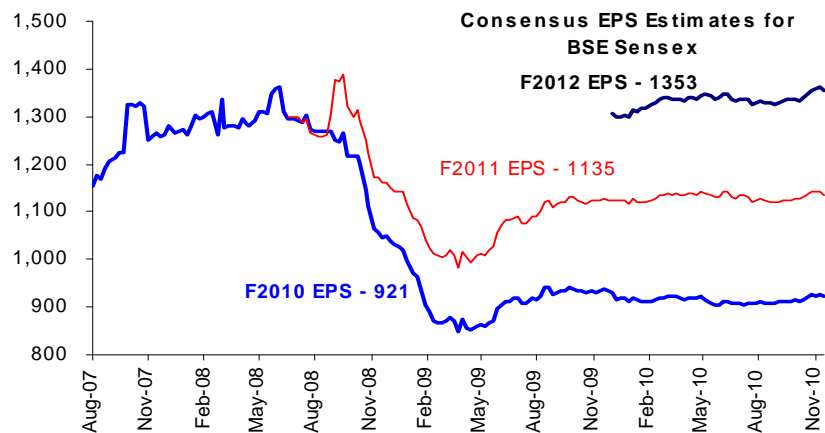
Absolute Valuations: MSCI India



Relative Valuations: India's PE Premium to EM and ACWI



Consensus Earnings Estimates: Marginal Changes



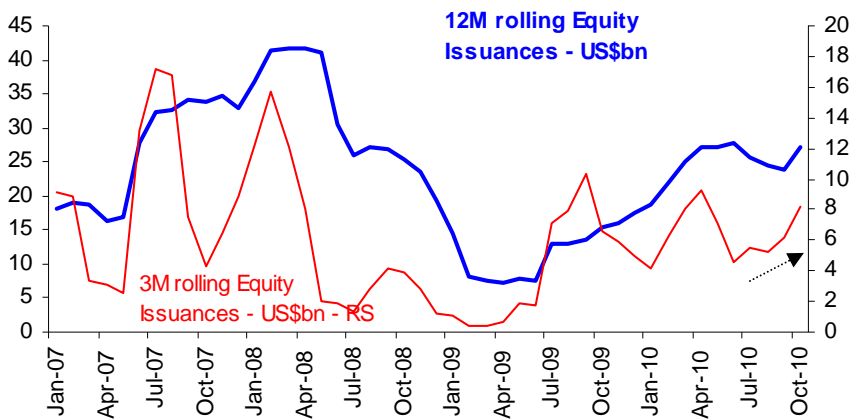
Earnings Estimates for MSCI India by Sector

MSCI India Constituents	EPS Earnings Growth		1M Earnings Revision	
	F11	F12	F11	F12
CD	15%	14%	-0.1%	0.1%
CS	12%	15%	0.4%	0.2%
Energy	25%	19%	-2.2%	-1.0%
Financials	24%	28%	1.2%	1.4%
Healthcare	39%	13%	-0.6%	-1.3%
Industrials	94%	33%	13.1%	1.8%
IT	19%	18%	-1.4%	0.5%
Materials	63%	23%	0.9%	0.0%
Telecoms	-54%	24%	-5.1%	1.7%
Utilities	9%	16%	-1.2%	-0.1%

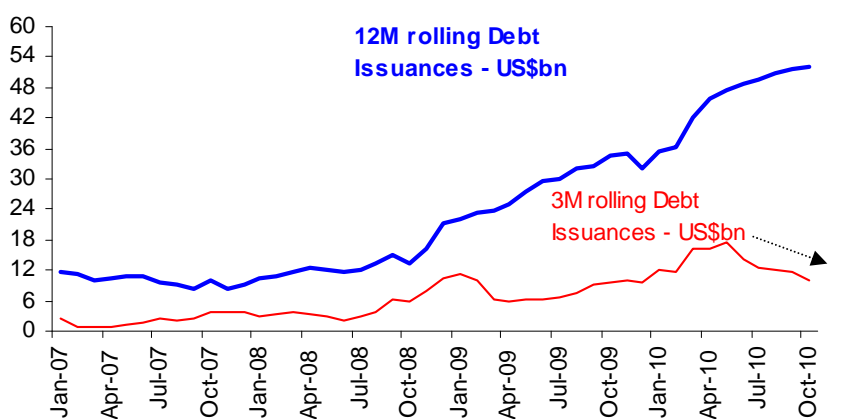
Source: FactSet, MSCI, IBES estimates, Morgan Stanley Research

Corporate Activity: Pick-up In Equity Issuances, Debt Issuances Slows Down

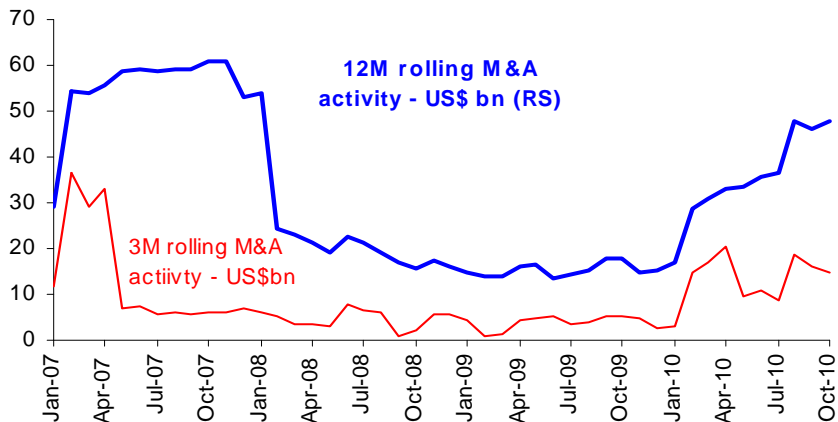
Equity Issuances (Oct): Trending Upwards



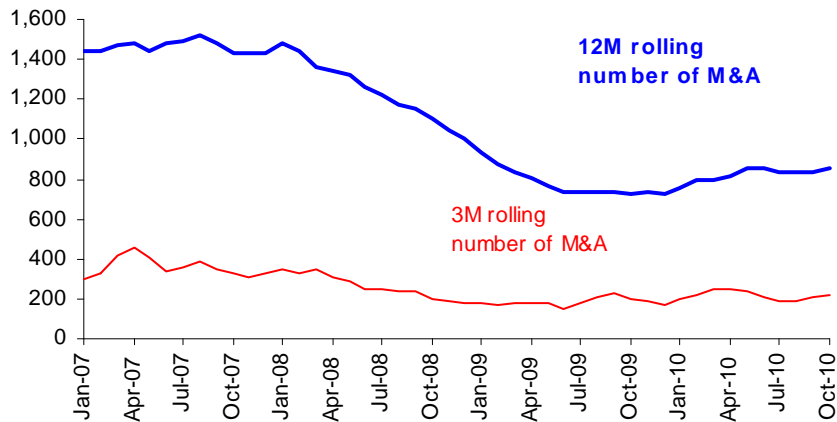
Debt Issuances (Oct): Trending Downwards



M&A Activity in Value (Oct): Not Significant Improvement



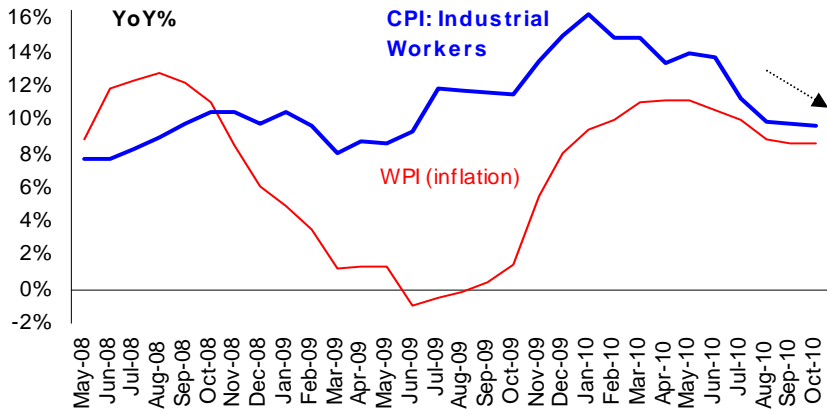
Number of M&A Transactions (Oct): Flat MoM



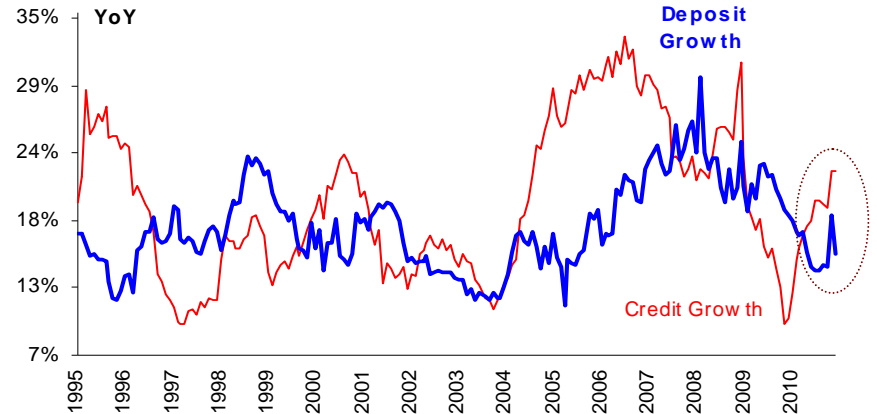
Source: CMIE, Morgan Stanley Research

Macro Indicators: Base Effect in Play

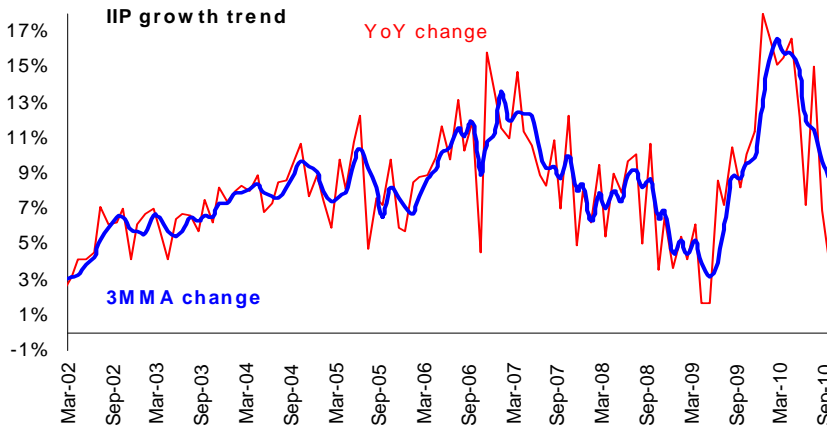
CPI and WPI : Moderation in Inflation Continues



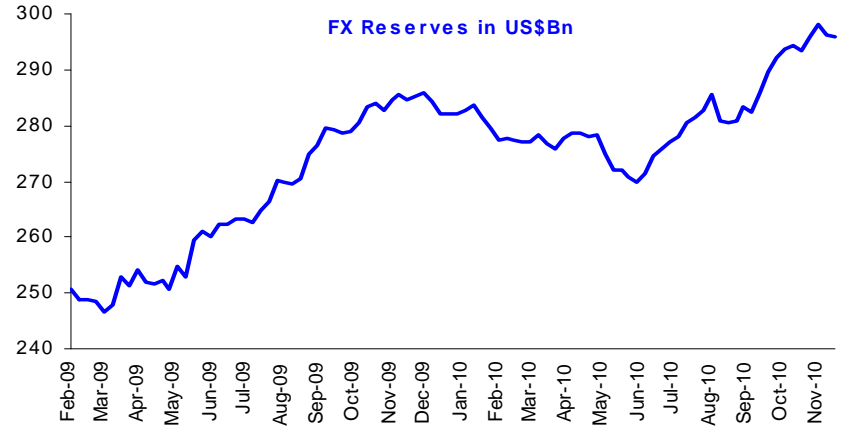
Slow Pace Recovery in Credit Growth Continues



Industrial Production (Sep): Deceleration Continues



Forex Reserves: Off 25 Month Highs



Source: RBI, CSO, CEIC, Morgan Stanley Research

Macro Indicators

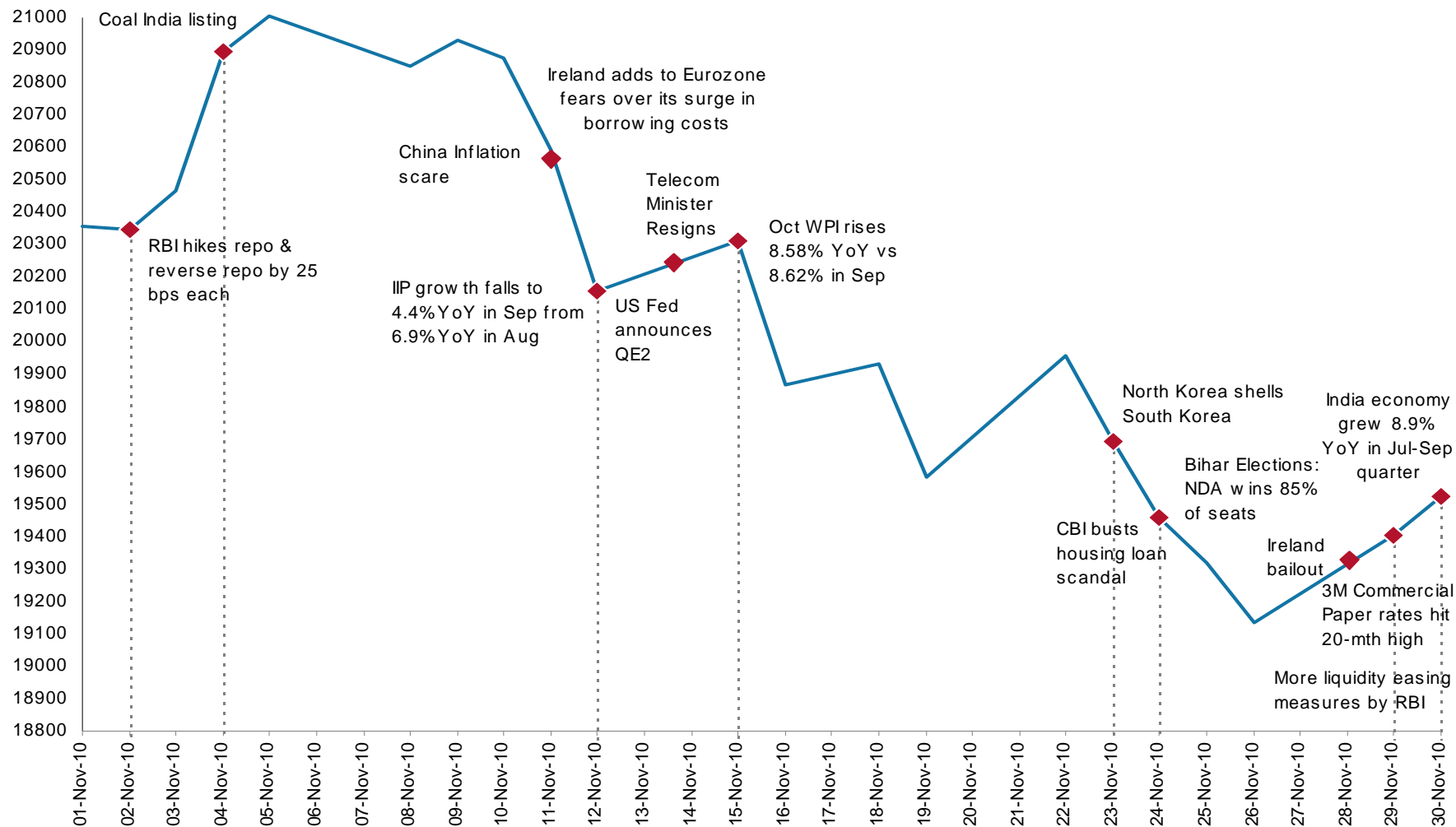
Latest Economic Indicators												
	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10
Trade Balance (US\$billion)	-11.7	-9.7	-10.3	-9.2	-10.4	-11.3	-10.6	-12.9	-13.0	-9.1	-9.7	NA
Exports (US\$billion)	16.5	15.6	15.7	20.2	16.9	16.1	17.7	16.2	16.6	18.0	18.0	NA
Exports (YoY)	23.5%	21.0%	31.6%	56.2%	35.4%	31.1%	30.4%	13.2%	22.5%	23.2%	21.3%	NA
Imports (US\$billion)	28.2	25.2	26.0	29.4	27.3	27.4	28.3	29.2	29.7	27.1	27.7	NA
Imports (YoY)	44.9%	38.5%	72.5%	77.1%	42.0%	37.1%	23.0%	34.3%	32.2%	26.1%	6.8%	NA
Foreign Direct Investment (US\$million)	1542	2042	1717	1208	2214	2213	1380	1785	1330	2118	NA	NA
Foreign Exchange Reserves (US\$billion)	282	280	277	276	278	271	276	283	281	290	296	NA
Net FII Flow s (US\$million)	2,227	(236)	464	4,135	2,220	(1,989)	2,100	3,777	2,405	6,373	5,580	3,901
Rs/US\$1 (period average)	46.63	45.87	46.33	45.50	44.53	45.89	46.56	46.84	46.57	46.00	44.41	44.92
M3 (YoY)	17.2%	17.0%	16.4%	16.4%	17.4%	14.5%	14.5%	14.7%	15.1%	14.7%	17.1%	15.9%
Bank Loans (Non-food credit, YoY)	12.7%	15.2%	16.1%	16.9%	18.0%	18.7%	20.3%	19.9%	19.8%	19.1%	22.0%	21.9%
Deposit Growth Rate (YoY)	18.4%	17.1%	16.8%	17.0%	15.4%	14.2%	13.9%	14.0%	14.4%	14.3%	18.5%	15.3%
Prime Lending Rate	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.8%	11.8%	12.3%	12.3%	12.5%	12.5%
One Year Deposit Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.8%	6.8%	7.0%	7.0%
364 day T-Bill Yield	4.5%	4.4%	5.2%	5.3%	5.2%	5.1%	5.2%	5.8%	6.4%	6.5%	6.7%	6.9%
91 day T-Bill Yield	4.3%	4.3%	4.0%	4.3%	4.2%	4.1%	5.1%	5.4%	6.1%	6.1%	6.5%	6.8%
10 yr Government Bond Yield	7.6%	7.6%	7.8%	7.9%	8.0%	7.6%	7.6%	7.6%	7.9%	7.9%	8.1%	8.0%
Industrial Production	18.0%	16.8%	15.1%	15.5%	16.6%	12.2%	7.2%	15.0%	6.9%	4.4%	NA	NA
Manufacturing(in %)	19.6%	17.9%	16.1%	16.4%	18.0%	12.9%	7.4%	16.4%	7.5%	4.5%	NA	NA
Consumer Goods	10.4%	0.4%	6.3%	9.3%	11.9%	7.2%	8.6%	7.4%	8.5%	5.2%	NA	NA
Basic Goods	8.4%	11.5%	8.5%	10.8%	9.1%	8.2%	3.3%	5.2%	3.6%	3.5%	NA	NA
Capital Goods	42.9%	57.9%	46.7%	36.0%	64.1%	37.2%	7.5%	65.0%	2.1%	-4.2%	NA	NA
Intermediate Goods	23.5%	22.2%	15.9%	13.5%	10.8%	11.0%	9.7%	9.3%	11.1%	10.3%	NA	NA
Consumer Price Index (YoY)	15.0%	16.2%	14.9%	14.9%	13.3%	13.9%	13.7%	11.3%	9.9%	9.8%	9.7%	NA
Wholesale Price Index (YoY)												
- All Commodities	8.1%	9.4%	10.1%	11.0%	11.2%	11.1%	10.6%	10.0%	8.8%	8.6%	8.6%	NA

Source: RBI, CSO, SEBI, CMIE, Morgan Stanley Research

Current Earnings Estimates for Morgan Stanley Universe

Sectors		Price	Trgt	52-Wk		EPS			Earnings	DPS	P/E	P/B	ROE	Div Yld	(US\$Mn)	3M ATV	Rel. Perf. (%)		
Company	Rating	11/30/2010	Price	High	Low	F09	F010E	F11E	11E / 09	F09	F010E	F09	F09	F09	Mkt Cap	3M	3M	12M	
Consumer Discretionary									56.2%				16.2%		64,010	166.7		1.7	21.1
Ashok Leyland Ltd.	Overw eight	72	83	82	46	1.4	3.2	4.6	79.3%	1.2	22.5	2.7	5.5%	1.6%	2,079	8.0	-10.3	19.2	
Bajaj Auto Ltd.	Equal-Weight	1,575	1,567	1,665	740	19.8	56.5	93.6	117.6%	12.9	27.9	24.4	30.6%	0.8%	9,934	5.6	6.3	74.1	
Bajaj Auto Ltd.	Equal-Weight	1,575	1,567	NM	NM	19.8	56.5	93.6	117.6%	12.9	27.9	24.4	30.6%	0.8%	9,934	5.6	6.3	74.1	
Bharat Forge	Underw eight	373	76	393	232	6.6	-3.3	4.6	-17.1%	1.0	NM	5.1	9.0%	0.3%	1,813	4.2	-1.7	22.5	
Exide Industries	Overw eight	161	193	180	102	3.6	6.3	7.5	NM	0.6	25.5	10.3	22.7%	0.4%	2,981	5.5	0.2	29.2	
Hero Honda Motor Ltd	Underw eight	1,973	1,581	2,075	1,440	64.2	111.7	112.9	32.6%	23.4	17.7	10.4	33.7%	1.2%	8,588	20.1	-1.4	-3.4	
Indian Hotels Company Ltd	Equal-Weight	92	94	118	85	0.3	-2.4	0.3	11.5%	1.4	NM	2.1	0.6%	1.5%	1,444	4.3	-17.9	-7.5	
Hotel Leelaventure Limited	Equal-Weight	43	45	59	40	1.7	0.5	1.3	-13.7%	0.5	84.8	0.8	3.3%	1.1%	356	1.8	-23.0	-5.8	
Hathway Cable and Datacom Ltd.	Overw eight	165	258	246	150	-0.6	-4.4	1.9	NM	0.0	NM	36.3	-12.3%	0.0%	514	0.8	-26.0	0.0	
Mahindra & Mahindra	Overw eight	766	800	826	475	25.0	40.8	51.2	42.9%	5.7	18.8	7.2	23.7%	0.7%	9,660	32.4	12.6	29.4	
Maruti Suzuki India Limited	Equal-Weight	1,424	1,471	1,648	1,171	43.2	90.8	90.7	44.9%	4.1	15.7	4.4	13.4%	0.3%	8,967	17.1	4.4	-21.0	
Pantaloon Retail	Overw eight	394	644	531	308	7.4	7.9	15.2	43.4%	0.7	49.7	3.3	6.2%	0.2%	1,820	3.7	-19.9	-2.1	
Sun TV	Overw eight	503	545	547	317	9.3	13.2	17.8	38.1%	4.7	38.1	11.6	21.6%	0.9%	4,317	3.0	-3.0	31.0	
Tata Motors	Overw eight	1,237	1,438	1,350	632	-56.1	18.9	132.5	NM	6.1	65.4	10.7	-48.5%	0.5%	15,383	88.9	13.0	62.3	
Titan Industries Ltd	Overw eight	3,699	3,832	4,244	1,263	48.1	59.5	98.8	43.3%	11.7	62.1	29.8	38.7%	0.3%	3,578	22.6	16.1	140.9	
TVS Motors	Equal-Weight	82	80	87	28	0.7	2.8	4.4	152.1%	0.4	28.9	4.8	4.1%	0.5%	849	6.0	6.2	148.4	
Zee Entertainment Enterprise Limited	Overw eight	145	172	163	121	4.2	4.6	7.1	29.1%	1.2	31.5	3.7	10.8%	0.8%	3,053	16.7	-7.3	-0.7	
Consumer Staples									15.9%				12.8%	1.5%	68,004	106.3		-5.2	-21.3
Bajaj Hindustan	Underw eight	106	109	243	98	-14.0	3.5	-16.3	NM	0.6	30.3	1.2	-16.5%	0.6%	409	4.6	-14.4	-57.6	
Balrampur Chini Mills	Overw eight	76	129	148	67	3.1	8.1	1.5	NM	0.5	9.3	1.9	7.8%	0.7%	426	4.6	-16.5	-49.8	
Colgate-Palmolive India	Equal-Weight	882	834	996	632	21.0	30.1	32.9	25.2%	17.5	29.3	60.4	143.6%	2.0%	2,612	4.1	-1.6	11.2	
Dabur India	Overw eight	94	116	112	73	2.3	2.9	3.4	22.3%	1.0	32.4	19.8	47.8%	1.1%	3,543	4.4	-17.7	2.5	
Godrej Consumer Products Limited	Equal-Weight	408	345	480	225	6.7	11.0	12.8	38.0%	4.0	37.0	18.3	30.2%	1.0%	2,741	2.6	1.0	22.0	
Hindustan Unilever	Underw eight	299	201	321	218	11.7	9.8	9.8	-8.6%	8.8	30.4	31.6	123.7%	2.9%	14,211	18.2	4.1	-9.1	
ITC Ltd.	Equal-Weight	171	160	185	112	4.3	5.3	6.3	20.5%	2.2	32.2	9.4	23.9%	1.3%	28,457	30.1	-3.2	17.5	
Marico Limited	Underw eight	129	106	153	96	3.1	4.8	4.6	22.3%	0.8	27.2	17.4	41.6%	0.6%	1,719	1.2	-5.5	8.4	
Nestle India	Overw eight	3,632	3,379	4,199	2,456	58.6	72.4	88.5	22.9%	49.7	50.2	74.0	119.3%	1.4%	7,631	0.9	9.3	24.1	
Shree Renuka Sugars Limited	Overw eight	86	109	124	52	2.1	3.5	7.5	89.0%	0.1	24.3	5.7	13.9%	0.1%	1,189	20.9	24.3	-33.6	
Tata Tea	Equal-Weight	113	105	139	87	4.9	5.9	5.8	9.1%	2.0	19.2	1.9	8.4%	1.8%	1,518	4.7	-13.5	8.8	
United Spirits Ltd	Overw eight	1,389	1,897	1,684	1,058	17.7	24.2	39.7	49.5%	2.8	57.4	5.2	6.6%	0.2%	3,549	10.1	-10.7	-4.7	
Energy									21.9%				11.4%	1.3%	192,883	292.9		-8.4	-27.1
Aban Offshore Ltd	Overw eight	696	1,050	1,538	637	134.6	78.3	168.2	12%	3.6	8.9	1.9	35.9%	0.5%	660	21.0	-16.2	-52.2	
Bharat Petroleum Corp.	Overw eight	676	918	815	489	17.5	45.2	64.6	92%	0.0	15.0	1.8	4.8%	0.0%	5,328	19.8	-18.2	-0.7	
Cairn India Ltd.	++	315	++	368	248	4.2	++	++	++	0.0	++	1.8	2.4%	0.0%	13,300	18.9	-12.7	-1.4	
Essar Oil	Underw eight	123	118	162	115	17.5	45.2	64.6	92%	0.0	2.7	4.1	-14.5%	0.0%	3,227	13.0	-7.6	-18.7	
GAIL (India)	Overw eight	491	547	520	383	22.2	24.8	29.1	14%	7.0	19.8	4.2	19.1%	1.4%	13,559	15.9	-2.1	1.4	
Hindustan Petroleum	Overw eight	412	567	555	293	17.0	38.4	43.0	59%	6.1	10.7	1.3	5.4%	1.5%	3,046	19.2	-27.8	1.5	
Indian Oil Corp	Overw eight	346	469	459	274	18.5	44.5	32.3	32%	9.1	7.8	0.9	4.9%	2.6%	18,315	11.9	-22.4	3.8	
Oil & Natural Gas Corp.	Overw eight	1,248	1,500	1,472	987	91.7	91.7	101.9	5%	32.2	13.6	2.9	21.3%	2.6%	58,181	32.2	-14.2	-9.7	
Oil India	Overw eight	1,376	1,750	1,635	1,061	101.0	108.6	114.5	6%	35.7	12.7	3.2	23.2%	2.6%	7,209	3.3	-12.7	-6.4	
Reliance Industries	Equal-Weight	987	1,118	1,187	841	47.7	49.6	63.7	16%	6.8	19.9	2.7	13.2%	0.7%	70,329	137.6	-1.1	-19.5	
Financials									15.9%				8.8%	0.0%	199,714	734.4		5.1	8.6
AXIS Bank	Equal-Weight	1,368	1,485	1,608	919	50.6	62.1	82.7	27.9%	11.7	22.0	4.8	17.8%	0.9%	12,078	48.8	-4.9	18.9	
Bank of Baroda	Overw eight	938	1,300	1,050	489	60.9	83.7	94.1	24.3%	10.5	11.2	2.7	17.3%	1.1%	7,470	9.5	7.3	55.4	
Bank of India	Overw eight	465	700	588	309	57.2	33.1	54.2	-2.7%	9.3	14.1	1.8	22.3%	2.0%	5,333	17.4	-3.1	5.2	
Canara Bank	Overw eight	739	920	844	345	50.5	73.7	85.1	29.8%	9.4	10.0	2.5	17.0%	1.3%	6,599	19.9	32.3	61.6	
Corporation Bank	Overw eight	711	985	815	405	62.2	81.6	94.4	23.2%	14.6	8.7	2.1	18.2%	2.1%	2,221	2.0	14.9	37.8	
DLF Limited	Overw eight	307	359	403	252	26.3	10.6	15.6	-23.0%	2.2	29.1	2.3	19.6%	0.7%	11,364	49.0	-6.3	-24.2	
HDFC Bank	Overw eight	2,289	2,550	2,518	1,550	52.8	64.4	87.2	28.5%	11.7	35.5	6.5	14.9%	0.5%	22,835	44.3	-1.2	12.0	
HDFC	Equal-Weight	689	670	780	460	16.0	19.6	22.9	19.5%	6.9	35.1	7.5	17.4%	1.0%	21,541	56.0	1.4	8.2	
ICICI Bank	Equal-Weight	1,144	1,100	1,277	773	33.8	36.1	46.4	17.2%	12.4	31.7	2.6	7.5%	1.1%	27,786	105.3	7.7	14.7	
IDBI	Underw eight	163	105	202	106	11.9	14.2	10.2	-7.4%	2.9	11.5	1.6	11.5%	1.8%	2,580	32.2	23.8	16.3	
IDFC	Equal-Weight	186	215	218	141	5.8	8.0	9.1	25.2%	1.4	23.4	3.9	12.1%	0.8%	5,280	29.2	-3.9	-2.7	
IndusInd Bank	Overw eight	291	345	307	121	4.2	8.5	12.7	74.1%	1.5	34.1	6.2	8.9%	0.5%	2,606	12.3	21.2	107.2	
Jaypee Infra	Equal-Weight	70	85	102	62	NA	4.0	7.0	NM	NM	17.7	NM	NM	NM	1,880	1.2	-18.6	NA	
Kotak Mahindra Bank	Underw eight	475	325	530	350	9.4	18.8	20.5	47.4%	0.4	25.3	5.0	10.0%	0.1%	7,214	16.7	5.7	5.2	
LIC Housing Finance	Overw eight	999	1,725	1,497	707	62.5	69.7	89.2	19.4%	15.2	14.3	3.8	23.8%	1.5%	2,068	58.7	-23.5	0.7	
Oriental Bank of Commerce	Overw eight	424	600	545	225	35.5	45.3	66.0	36.3%	8.5	9.4	1.4	12.0%	2.0%	2,314	8.9	-8.0	33.9	
Punjab National Bank	Overw eight	1,217	1,800	1,395	842	98.0	123.9	126.4	13.6%	20.0	9.8	2.6	21.1%	1.6%	8,360	10.9	-5.3	16.4	
IBREL	Overw eight	154	200	236	118	1.1	-0.4	2.7	52.1%	0.0	NM	0.7	0.5%	0.0%	1,343	24.3	-15.8	-35.3	
Reliance Capital	Equal-Weight	651	790	929	611	41.3	17.7	25.5	-21.4%	7.6	36.8	2.1	13.6%	1.2%	3,490	29.5	-21.0	-32.3	
Sobha Developers Ltd.	Overw eight	325	363	404	221	14.8	13.7	17.1	7.6%	1.2	23.8	2.2	9.9%	0.4%	696	2.3	-8.9	22.2	
State Bank of India	Overw eight	2,994	3,700	3,515	1,863														

News Flow and Market Performance



Source: Bloomberg, Economic Times, Business Standard, Morgan Stanley Research

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(as of November 30, 2010)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1121	40%	417	44%	37%
Equal-weight/Hold	1175	42%	410	43%	35%
Not-Rated/Hold	119	4%	26	3%	22%
Underweight/Sell	392	14%	105	11%	27%
Total	2,807		958		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

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Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Equal-weight (E or Equal) - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

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