



ENAM

**Sensex: 15168**

---

# India Strategy

---

**Riding through this Bear Rally**

**Nandan Chakraborty**

Head Research

nandan@enam.com

(+91 22 6754 7601)

**Sachchidanand Shukla**

Economist

sachins@enam.com

(+91 22 6754 7648)

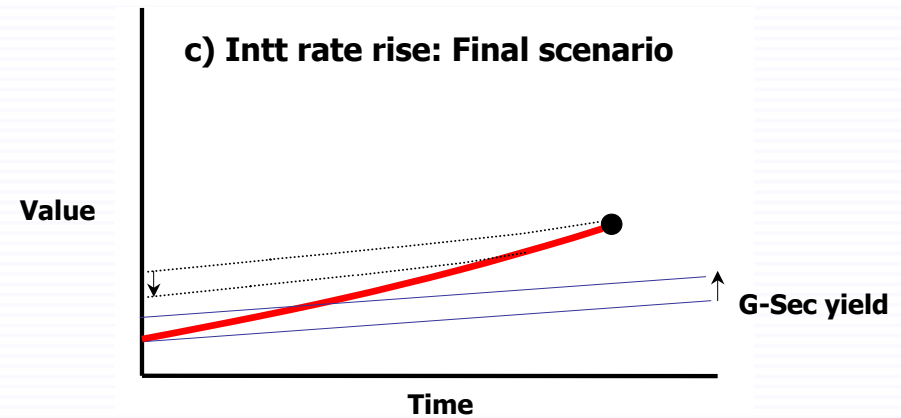
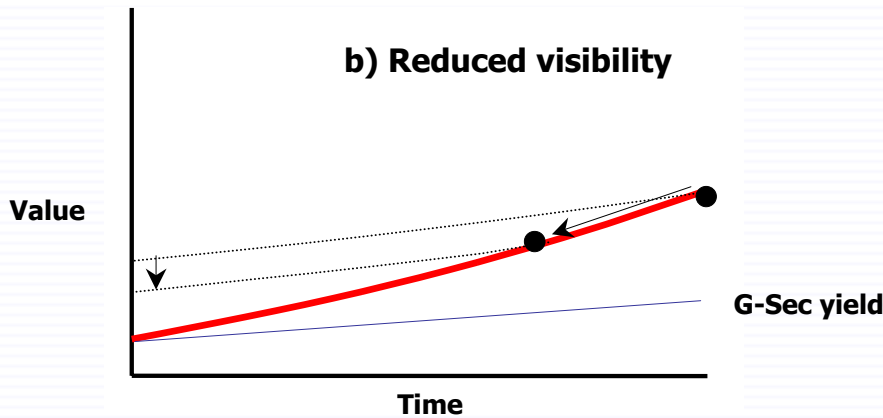
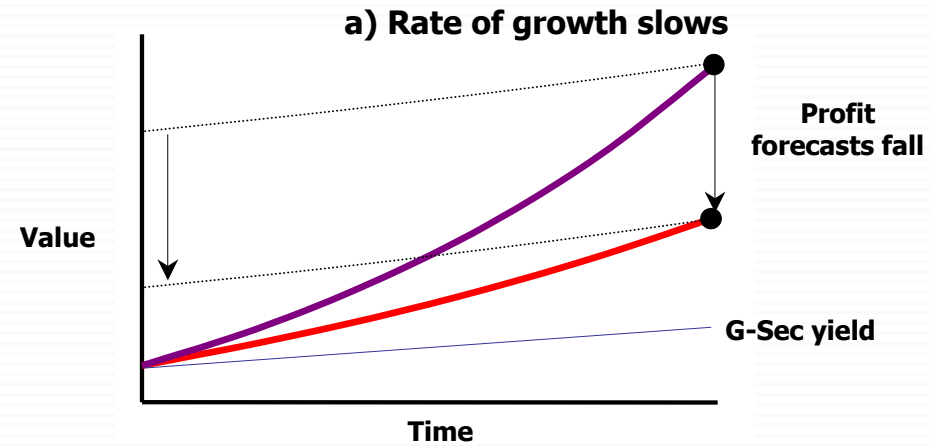
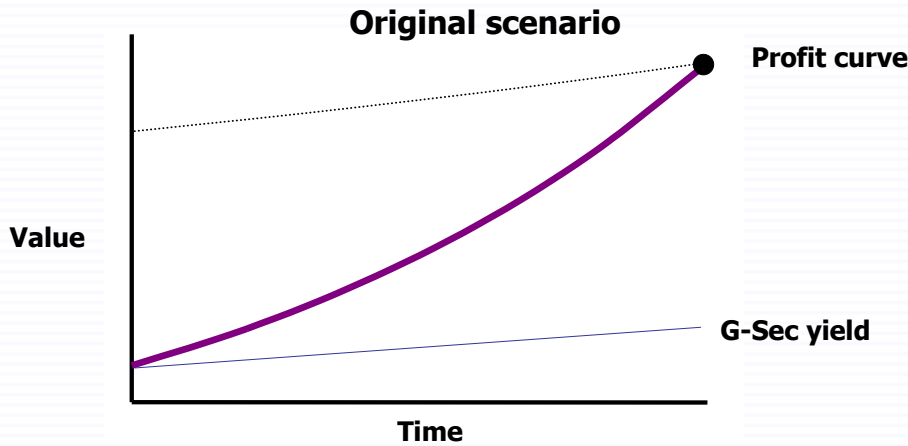
---

8 August, 2008

# Investment Summary

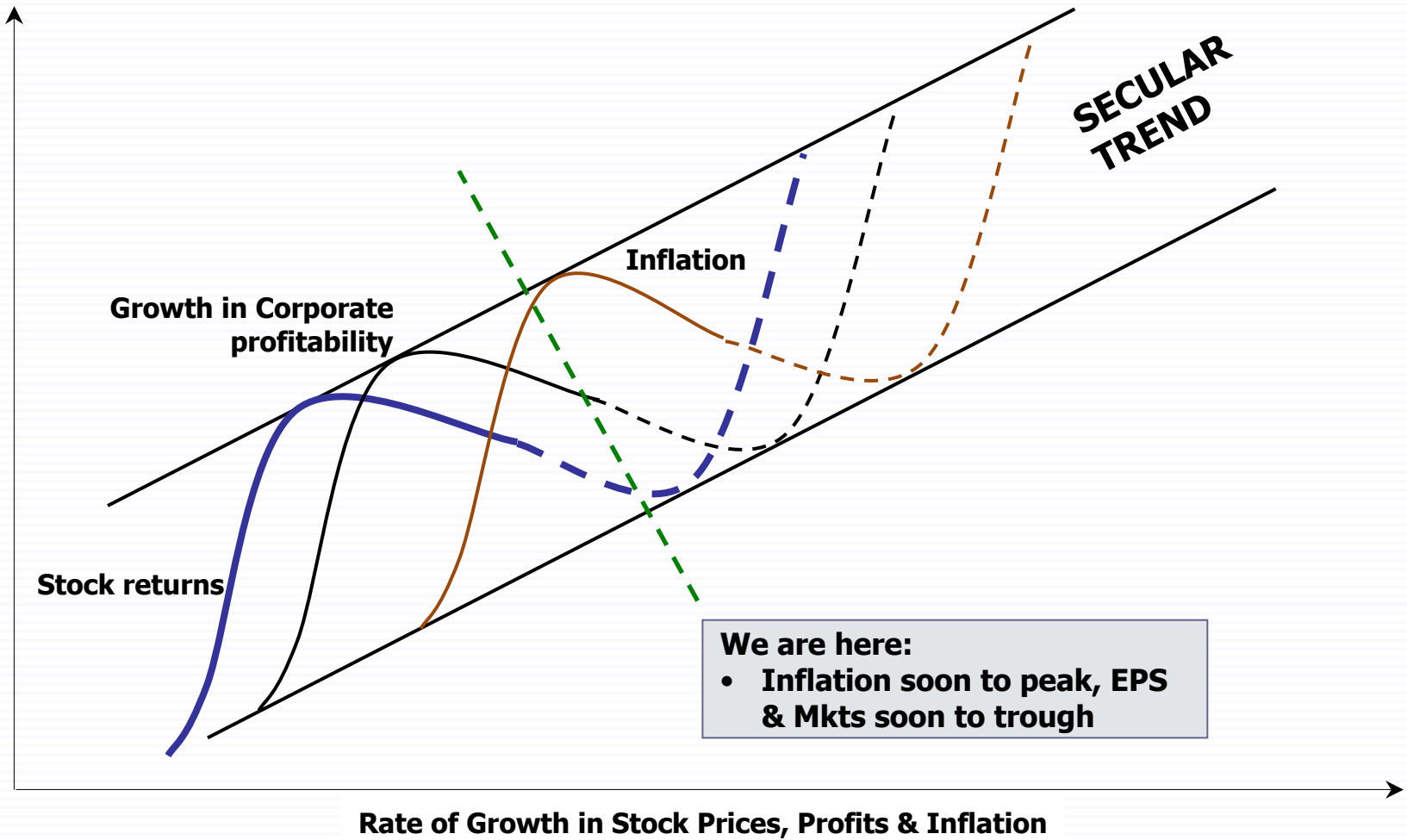
- **Markets have rebounded sharply on falling crude & UPA trust vote win that has unfettered the govt at last!**
- **This rally could sustain short term if crude continues to fall. However sustainability limited by high risk aversion.**
- **Sustained bull market will be driven by signs of EASING credit conditions in India & conviction on reform trajectory, which are not visible yet. Fears on slowdown, plus potential outliers eg Mid East war (hence also oil), Fannie/ Freddie crisis, make LT outlook uncertain.**
- **Thus, USE this Bear Rally to prune weaker/ toppy trading positions and grab stocks as they crack to make trading profits, while picking up blue chips for the core portfolio if Quality stocks\* also crack.**
- **Intrinsic Value: We have used a variety of methodologies as relevant for each sector/ stock, to determine what could be "intrinsic" value for each of the BSE 100 stocks that we cover.**
- **Given such undulating markets, this would help you decide, when to ENTER any of these stocks with some conviction, depending on how close to intrinsic value are various stocks, at any point.**

# Triple whammy: Rising uncertainty + rising interest rates and slowing growth



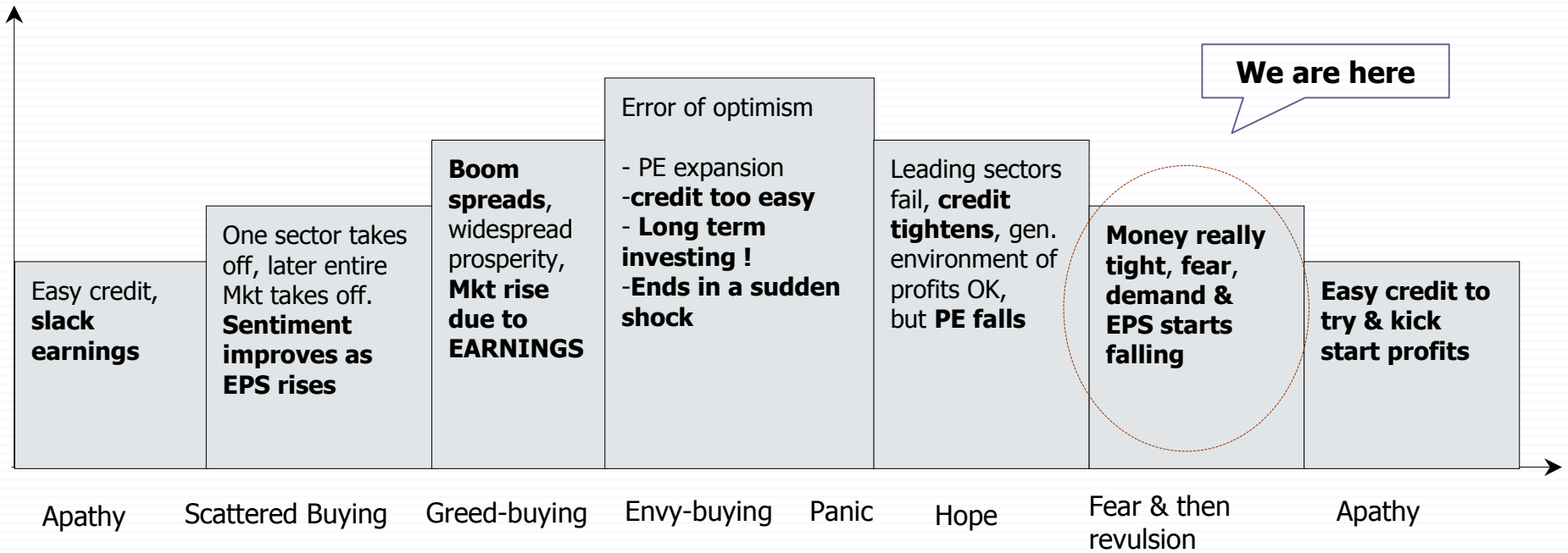
- a) Rate of growth slows
- b) Reduced visibility
- c) Hurdle rate of WACC - interest rate increases

# Market and Inflation cycle inversely correlated



**While most of price erosion behind us, wait till a Bull market emerges, triggered by easing interest rates. Sharp Bear Rallies until then**

# Where are we in the Market cycle?



**BEAR MARKET**

**BULL MARKET**

**BUBBLE MARKET**

**BEAR MARKET**

<b>Value</b>	<b>GARP/ Trading mkt</b>	<b>Momentum</b>	<b>Trading mkt in Bear Rallies</b>	<b>Value</b>
<ul style="list-style-type: none"> <li>Dividend Yield</li> <li>Price/ BV</li> <li>Replacement Cost</li> <li>Tobin's Q</li> </ul>	<ul style="list-style-type: none"> <li>Payback</li> <li>P/E</li> <li>EV/ EBITDA</li> <li>DCF</li> </ul>	<ul style="list-style-type: none"> <li>Reflexivity</li> <li>PE/G</li> <li>Option Value</li> </ul>	<ul style="list-style-type: none"> <li>Technical Charts</li> </ul>	<ul style="list-style-type: none"> <li>Dividend Yield</li> <li>Price/ BV</li> <li>Replacement Cost</li> <li>Tobin's Q</li> </ul>

# Table of contents

	Slide No.
➔ Fundamental factors	7
➔ LT Cushions	11
➔ Intrinsic valuation of BSE 100 stocks	16
➔ Database	20

---

# Fundamental factors

---

# India, India Inc. OK; Govt not !

## Households Steady

Gross Dom savings = \$340bn

- **Household Savings:** \$230bn
- **Unleveraged** (ref slide 14)
- **Wealth effect** (ref slide 14):
  - Property
  - Stocks
  - Gold

## India Inc Resilient (ref slide 13)

Corporates

- **Corporate profits** ~\$80bn
- **High RoE**
- **Competitiveness**
- **Low leverage**
- **Earnings slowing, but not at precipice unlike devlpd world**

## Govt Under stress

Fiscal Def = \$33bn

- **On B/S:**
  - **Agri-debt waiver:** \$17bn
  - **6th Pay Commission:** ~\$6.5bn
- **Off B/S**
  - **Oil bonds:** \$20-30bn
  - **Fertilizer bonds:** \$20bn
  - **Bonds to FCI:** \$12bn



## WAY OUT

Asset sales & Collections

- **3G spectrum auction**
- **KG Basin Gas**
- **Disinvestment of PSUs**
- **Land bank unlocking (ie land etc) Railways, LIC etc**
- **Higher Tax/ GDP collections**

**Fiscal deterioration is the biggest impediment to lower intt rates**



# What is weighing on the markets?

## Capital Flows to depend on:

- **P/E or LT visibility:**
  - **Politics/ reforms:** Having bought time, UPA govt may demonstrate agility in reforms:
    - ▶ **Banking:** : Removal of voting rights restriction from current 10% in pvt banks
    - ▶ Re-think on removal of FII limit on PSBs
    - ▶ **Insurance:** Foreign ownership to 49%
    - ▶ **Oil:** Subsidy targetting, price hikes
    - ▶ **Subsidy bill reduction by :**
      - ◆ Fertilizer & Food policy
      - ◆ Oil sector & price increases
      - ◆ New revenue streams:
      - ◆ 3G auctions
      - ◆ Land auctions
    - ▶ **Disinvestment of major PSUs**
  - **New Energy finds in India**
  - **Global liquidity abundance & Commodity downturn to favour India over other EMs**

- **Interest rate related factors:**
  - **Fisc deterioration to stress intt rates:**
    - ▶ NREGS+ Agri Debt waiver
    - ▶ IT breaks
    - ▶ 6<sup>th</sup> Pay Report implementation
    - ▶ Off b/s liabilities
  - **Oil:** Price moderation will abate fiscal concerns & pave way for benign intt rates
  - **Global Liquidity:** Petro dollars, Fx reserves & pension monies – may warrant high intt rates
  - **INR/USD:** INR to be propped up to fight inflation?
  - **Growth slowdown:** at some point, would warrant intt rate softening. **Intt rate easing will start ONLY when inflation eases (electoral imperative)**

# What can change?

## ➤ Asian currencies will need to realign:

- Export surplus nations (Asian economies + Oil exporters) have kept their currencies undervalued through massive sterilization & accumulated huge Fx reserves
- A weaker USD and high food prices increase import costs thus making **USD pegs of these countries unsustainable**

## ➤ INR:

- If Asian currencies (esp Yuan) jettison USD pegs, INR will move up
- India requires 1% of GDP pa incrementally over the next 5yrs from foreign savings to fund its \$500bn infra pipeline. This will require pro-investment policies reforms – positive for INR

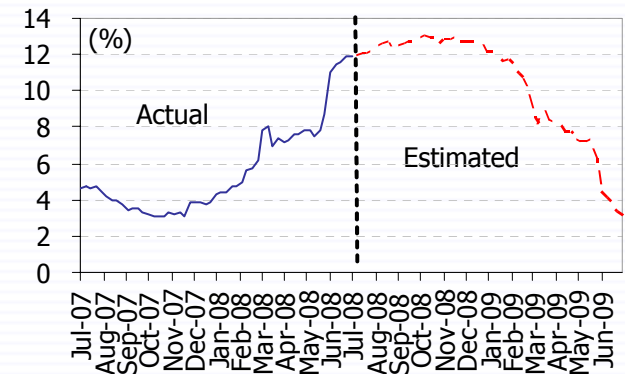
## ➤ Inflation outlook:

- While YoY inflation may inch up further, MoM increase could ease
- Inflation will likely reach a peak of ~13% by Oct before easing

## ➤ Electoral imperatives to abate interest rates in CY 09:

- ~2% slippage in GDP growth rate caused by high intt rates= potential output lost worth ~\$20bn & thousands of jobs lost!
- Rising intt rates & EMIs hurt electoral prospects. Thus, having exhausted most policy tools to fight inflation, **INR appreciation** will be the last arrow from the RBI/ GoI quiver

**It will be a while before inflation falls**



**HOPE: IF oil price moderates & investment-led GDP growth falters due to high intt rates, RBI could start cutting intt rates by early CY09 even as INR rises!**

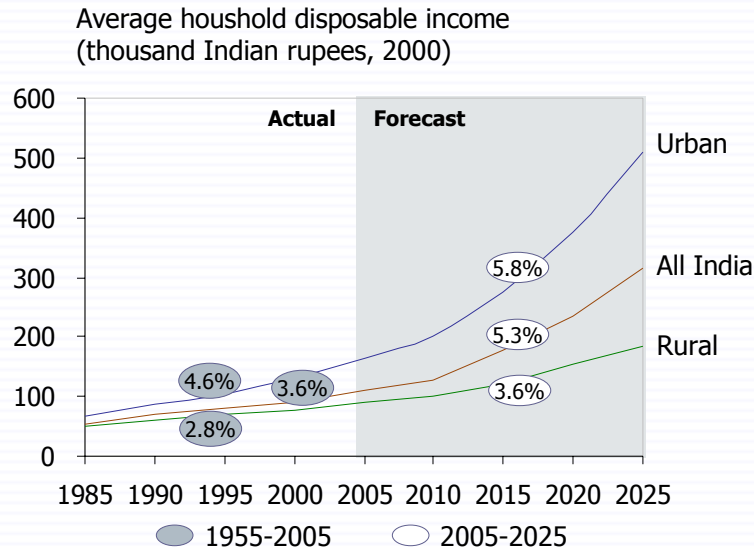
---

# LT Cushions

---

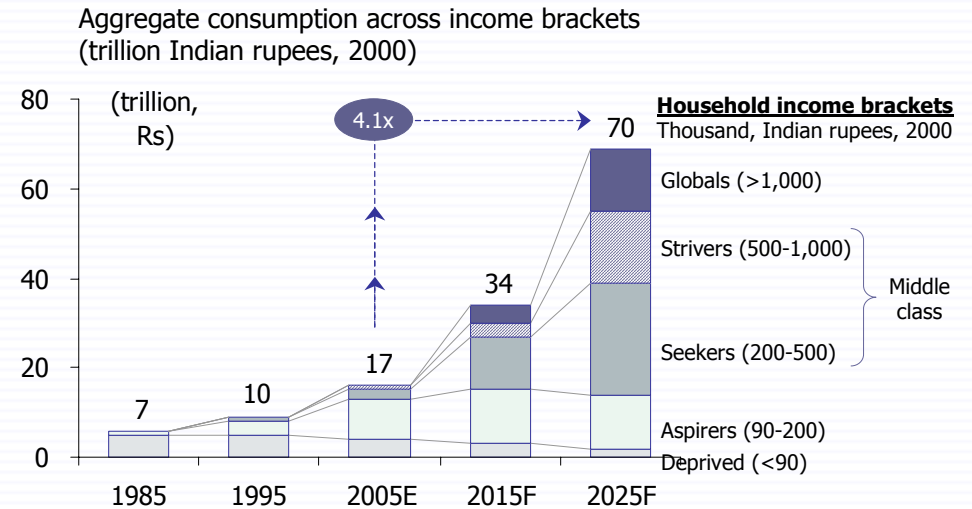
# Consumption set to explode

## India's household disposable income to TREBLE ..



Source: Bird of Gold, Mckinsey & Co

## Consumption to QUADRUPLE

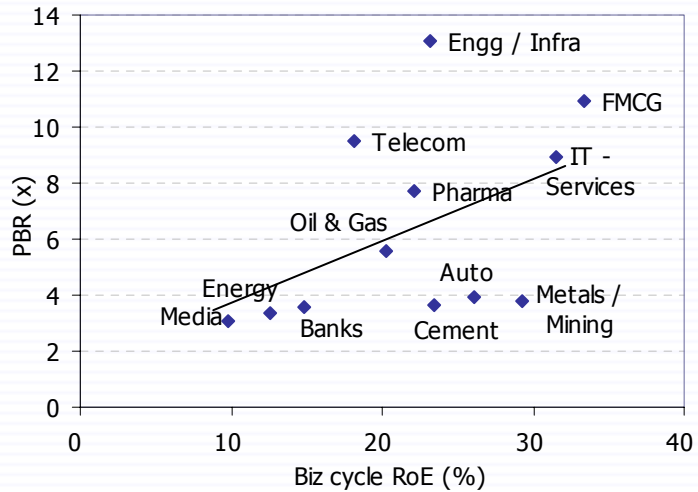


Note: Figures are rounded to the nearest integer and may not add up exactly to column totals

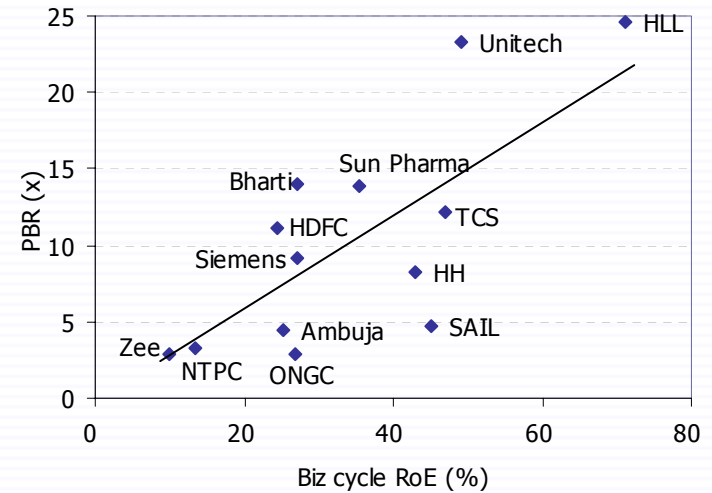
**According to Mckinsey, Income growth (80%) will be the biggest consumption driver for India, far outweighing population growth or change in savings behaviour**

# India Inc still holding out

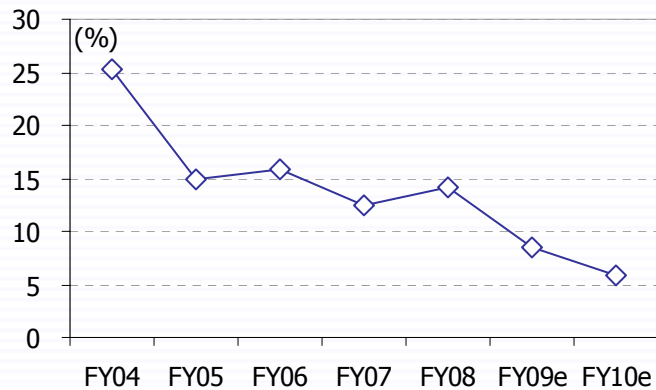
**RoEs high in most industries ...**



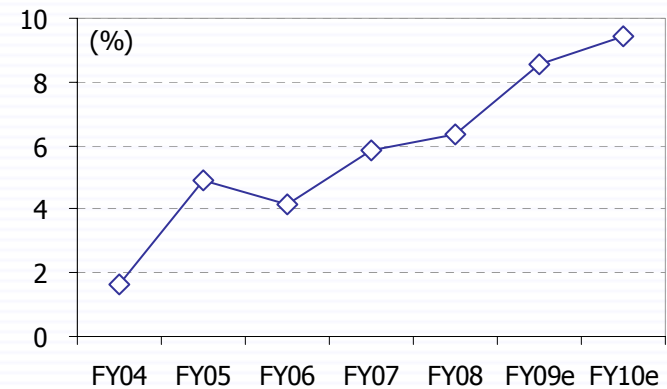
**... and for sector leaders**



**Leverage remains lower, limiting impact of high intt rates**

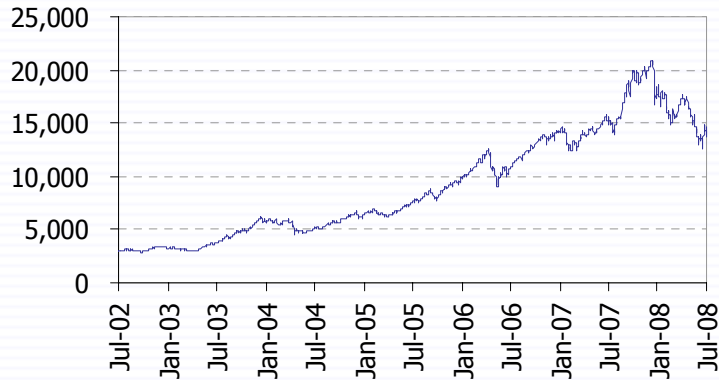


**Sizeable Cash & Bank bal/ Mcap**

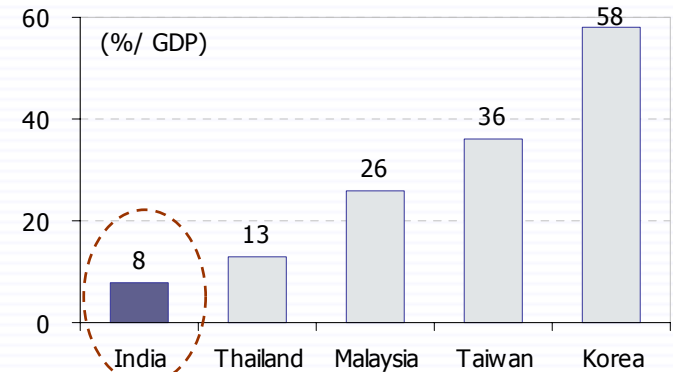


# Wealth effect still largely intact

**Sensex Market Cap: \$466bn gain**

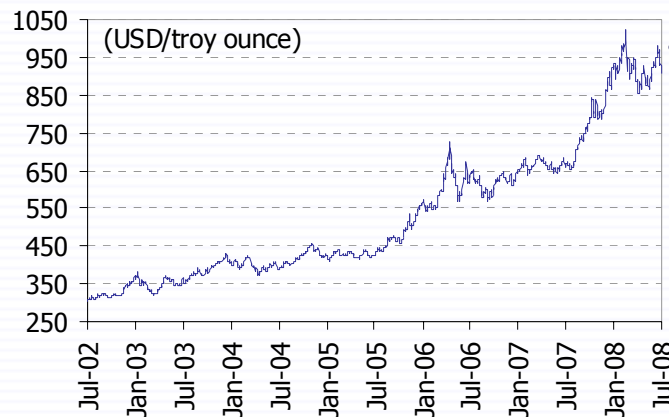


**Underleveraged consumers**



Source: ICICI Bank

**Gold: 15,000 tonnes = \$272bn gain**

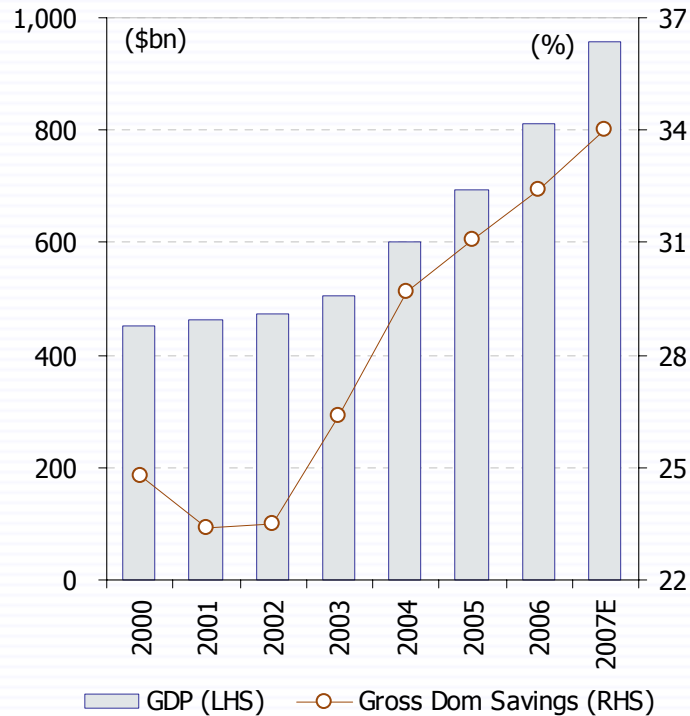


Source: Bloomberg

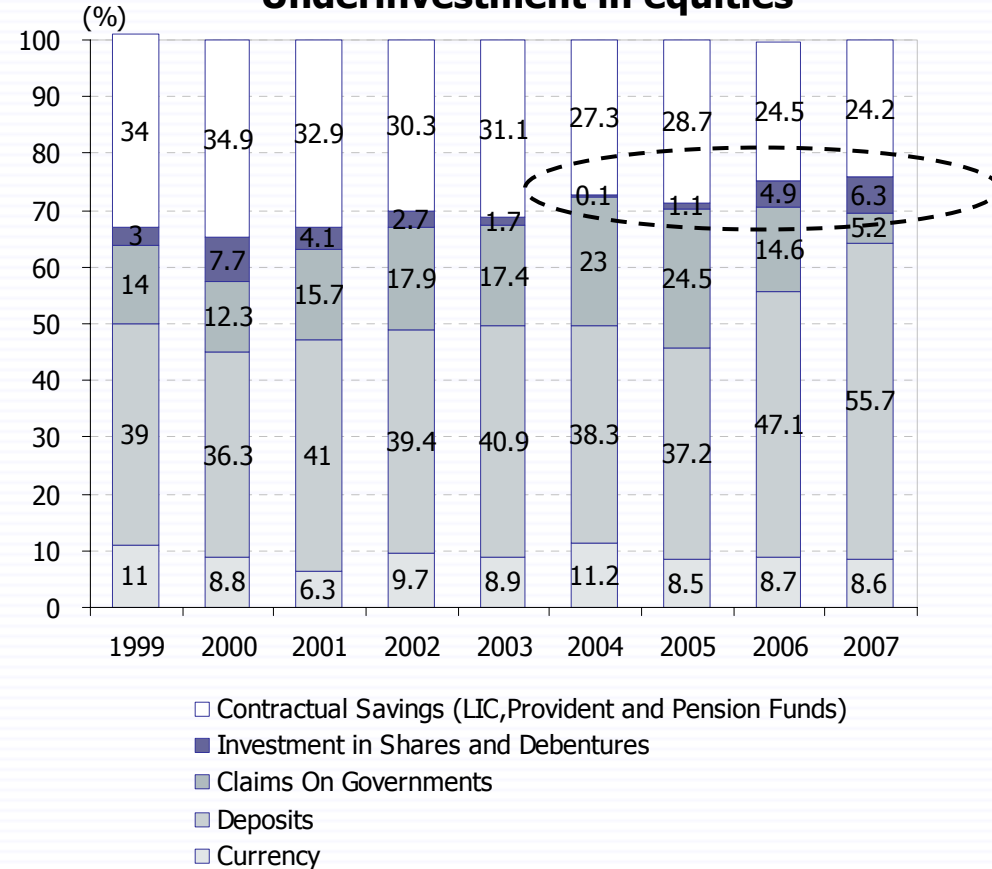
Indians buy an avg. 650 tonnes of gold p.a as jewellery & investments

# Massive under-ownership of equities

### Rising savings



### Underinvestment in equities



Source: RBI

**Financial savings ~18% of GDP or ~USD 180bn are skewed towards deposits. Domestic demand for equities could be \$10 – 20 bn p.a.**

# Intrinsic Valuation exercise

- We have used a variety of methodologies as relevant for each sector/ stock, to determine what could be “throw-away” valuations for each of the BSE 100 stocks that we cover
- This would help grab stocks with some conviction as they crack at different points to make trading profits, while picking up blue chips for the long term at any points where Quality also cracks.
- Thus initially, “trading” proportion of portfolio would be dominant, which would need to be SOLD at reasonable trading profits.
- At a point, “Quality” stocks could also crack. Hence by default, the proportion of portfolio automatically would get invested into LT bets and hence would become dominant



# Intrinsic valuations ... I

Company name	Mcap (USDm)	Price (INR)	Intrinsic Value	Comment
<b>Auto</b>				
Ashok Leyland Ltd	1,050	33	24	Based on 8x FY09E earnings, as highly interest rate sensitive
Bajaj Auto Ltd	1,898	552	440	Based on 8x FY09E earnings, due to bleak outlook for 3w which are high margin business
Bharat Forge Ltd	1,411	267	216	Based on 12x FY10E earnings (not including earnings from non-auto business)
Hero Honda Motors Ltd	3,899	822	638	Based on 10x FY10E earnings. Higher multiple than peers on account of higher profit growth
Mahindra & Mahindra Ltd	3,354	574	511	Based on 5x FY09E earnings + Rs 315 per share for investments (after 30% hold co discount). Trades at a discount to peers on account of low growth in tractors + expected slow off-take in UV volns
Maruti Suzuki India Ltd	4,667	680	621	Based on 10x FY09E earnings. Premium due to higher voln expected from H2FY09 onwards.
Tata Motors Ltd	4,064	443	372	Based on 7x FY09E earnings + Rs 135 per share towards investments and JLR. Core biz valn lower than peers as cars registering negative growth in FY09.
<b>Banks</b>				
Axis Bank Ltd	6,265	735	696	2.5x FY09E BV with 20%+ sustainable growth
Bank of Baroda	2,474	286	296	Around FY09 BV, with ROE of 16% for next two years
Bank of India	3,628	291	302	1.5x FY09 BV with ROE of 20%+ for next two years
HDFC Bank Ltd	12,926	1,280	1,236	3x FY09E BV, with visibility in earnings growth
Housing Development Finance Corp	16,974	2,513	2,273	Based on FY10 SOTP due to high earnings visibility, 15x FY10E earnings multiple for core business + Rs 683 as value of investments
ICICI Bank Ltd	18,979	729	870	1.5x FY09E Banking BV of Rs 360+ Rs 250 for insurance and Rs 80 for others
Indiabulls Financial Services Ltd	1,876	311	230	1.5x FY09E BV, High ROE of 20%, but negated by higher asset risk
Infrastructure Development Finance Co Ltd	3,152	102	126	2x FY09E BV + Rs 30 VOI, lower ROE for next two years
Power Finance Corp Ltd	3,856	141	120	Based on DCF with 14% discount rate, asset quality risk very low
Punjab National Bank Ltd	3,751	501	606	High franchisee value + 18% ROE, should quote at 1.5x FY09E BV
Reliance Capital Ltd	8,272	1,417	1,180	SOTP based worst case scenario of Rs 1180, discounting FY09
State Bank of India Ltd	22,964	1,522	1,617	Lower ROE of 15%, but strong franchisee value with high CASA: should command 20-30% premium to BV
Union Bank Of India	1,795	150	151	High ROE of above 20% so should command premium to BV, however, lower CASA base and higher MTM risk, may keep the valuations suppressed for some time
<b>Cement</b>				
Avg of EV/ GB since 2001 has been 0.6 to 3.5. We have taken 1.2 as the Base case ratio of this exercise to calculate the IV. This implied IV now translates to 60% of current replacement cost				
ACC Ltd	2,808	630	517	
Ambuja Cements Ltd	3,148	87	64	
Century Textile & Industries Ltd	1,187	537	476	
Grasim Industries Ltd	4,439	2,038	2,492	
India Cements Ltd	1,087	162	165	
<b>Energy</b>				
NTPC Ltd	36,147	184	147	~30MW of operational capacity valued at replacement cost of \$1bn/MW and zero net debt
Reliance Infrastructure Ltd	5,688	1,032	1,165	2x P/BV for existing assets + 20% holdco discount to Reliance Power + Land at mrkt value + cash on books + lower P/BV (1.5-2) on infra projects despite high IRR
Tata Power Co Ltd	5,560	1,059	988	Core generating business & distribution business earns 17-19% ROE, hence 2x P/BV for existing business, and an assumed correction of 25% correction in the mgmt guided coal price of \$70/ton

# Intrinsic valuations ... 2

Company name	Mcap (USDm)	Price (INR)	Intrinsic Value	Comment
<b>Engg / Infra</b>				
ABB Ltd/India	4,381	870	531	Sustainable RoE is 25%, at 17.5x CY08 P/E
Bharat Heavy Electricals Ltd	20,747	1,783	1,159	Sustainable RoE is 24%, at 17x FY09 P/E
Crompton Greaves Ltd	2,230	256	208	Sustainable RoE is 24%, at 14x FY09 P/E
GMR Infrastructure Ltd	4,401	102	83	Avg of (DCF of worst case of various projects (100)) and P/BV based on IRR of operational projects (65)
IVRCL Infrastructures & Projects Ltd	1,001	315	321	Sustainable RoE is 18%, FY09E P/E of 11x + BOT projects at 1.2x P/BV +IVR Prime at land value+ HDO at 8x FY09 P/E
Larsen & Toubro Ltd	19,683	2,834	1,918	Sustainable RoE is 21%, at 17x FY09 P/E + 10% discount to VoI
Punj Lloyd Ltd	2,078	288	221	Sustainable RoE is 18%, FY09 P/E of 12.5x + Investments at book value Rs 17/share
Siemens India Ltd	4,367	545	391	Sustainable RoE is 24%, at 17x FY09 P/E
Suzlon Energy Ltd	8,760	246	188	35% discount to global majors valuations i.e. 19x FY09 P/E
<b>FMCG</b>				
Asian Paints Ltd	2,826	1,240	1,094	DCF assumption - WACC 13% and Terminal Growth 5%
Hindustan Unilever LTD	12,532	242	252	DCF assumption - WACC 13% and Terminal Growth 5%
ITC Ltd	17,081	191	195	SOTP - FY09E P/E multiple (for cigarettes, paper, hotel, agri biz) and P/Sx (for FMCG biz.)
Nestle India Ltd	3,778	1,649	2,312	DCF assumption - WACC 13% and Terminal Growth 6% (presence in under penetrated categories)
Tata Tea Ltd	1,059	720	803	DCF assumption - WACC 13% and Terminal Growth 4% (presence in mature categories/mkts.)
<b>IT - Services</b>				
HCL Technologies Ltd	3,559	225	209	Sustainable RoE 18%, at 9x FY09 P/E. Should trade at a discount to Satyam given higher revenue dependence on BPO segment which is a comparatively lower NPM business
Infosys Technologies Ltd	22,851	1,680	1,416	Sustainable RoE 30%, at 14x FY09 P/E. Should command P/E premium backed by billing rates being higher by 10-15% v/s peers
Satyam Computer Services Ltd	6,540	409	325	Sustainable RoE 24%, at 10x FY09 P/E. High dependence on one business segment - Package Implementation and salary hikes are higher than peers every year
Tata Consultancy Services Ltd	19,597	843	686	Sustainable RoE 25%, at 12x FY09 P/E. Higher risk to margin sustenance as billing rates lower v/s Infy
Wipro Ltd	15,211	438	328	Sustainable RoE 25%, at 13x FY09 P/E. Organic growth lower v/s peers
<b>Media</b>				
Zee Entertainment Enterprises Ltd	2,114	205	178	Based on 20x FY09E earnings (Net of Zee Next Losses)
<b>Metals / Mining</b>				
Avg of EV/ GB since 2001 has been 0.7 to 3. We have taken 1.2 as the Base case ratio of this exercise to calculate the IV. This implied IV now translates to 70% of current replacement cost				
Hindalco Industries Ltd	4,219	145	211	Net working capital added (Copper biz)
Jindal Steel & Power Ltd	7,616	2,072	843	Plus Indian iron ore reserves (for sale) valued at minimal cost of extraction of USD 10/ tonne
JSW Steel Ltd	3,525	793	819	
National Aluminium Co Ltd	6,160	402	311	
Sesa GOA Ltd	3,286	176	138	EV equals to iron ore reserves (for sale) valued at minimal cost of extraction of USD 10/tonne
Steel Authority Of India Ltd	14,298	146	147	1.1 ratio taken as relatively older assets.
Sterlite Industries India Ltd	10,762	639	602	Net working capital added (Copper biz)
Tata Steel Ltd	11,307	651	704	Ratio 1 taken as oldest asset base.

# Intrinsic valuations ... 3

Company name	Mcap (USDm)	Price (INR)	Intrinsic Value	Comment
<b>Oil &amp; Gas</b>				
Aban Offshore Ltd	2,238	2,496	2,323	6x FY10 EBIDTA (high debt)
Bharat Petroleum Corp Ltd	2,732	318	356	Replacement cost for refining, nil value to marketing assets, investments at 80% of mkt value
Cairn India Ltd	10,486	233	186	EV/boe of USD 12 since free-pricing, for 2P reserves (724 mn boe)
Essar Oil Ltd	6,521	234	184	Replacement cost: EV/complexity bpd of USD 2,200 for expansion, discounted back 3 yrs at 12%
GAIL India Ltd	8,182	407	389	2x FY08 BV (20% ROE)+ investments at 80% of mkt price
Hindustan Petroleum Corp Ltd	1,850	230	331	Replacement cost for refining, nil value to marketing assets, investments at 80% of mkt value
Indian Oil Corp Ltd	12,243	432	554	Replacement cost for refining, nil value to marketing assets, investments at 80% of mkt value
Oil & Natural Gas Corp Ltd	54,088	1,064	1,038	EV/boe of USD 6 for 2P reserves (8.9 bn boe) since subsidy sharing unclear
Reliance Industries Ltd	77,751	2,250	1,690	Replacement cost for refining (USD 1,800/complexity bpd), petchem business (USD 1,800/MT), E&P (USD 5/boe as includes lower value Gas, for 5bn boe);Retail, SEZ at invested capital
Reliance Petroleum Ltd	17,588	164	137	Replacement cost: EV/complexity bpd of USD 2,200
<b>Pharmaceuticals</b>				
Cipla Ltd	4,333	235	159	Lower end of the PER band in the last three years
Divi's Laboratories Ltd	2,315	1,506	1,183	Premium over lower end of the PER band due to recent strong performance
Dr Reddys Laboratories Ltd	2,499	625	449	Lower end of the PER band in the last three years
Glenmark Pharmaceuticals Ltd	3,779	636	429	Lower end of the PER band for the base business, NCE R&D valuation only for currently outlicensed molecules (excludes GRC 8200)
Ranbaxy Laboratories Ltd	4,489	505	259	Lower end of the PER band in the last three years
Sun Pharmaceutical Industries Ltd	7,050	1,440	1,252	Lower end of the PER band in the last three years
<b>Real Estate</b>				
DLF Ltd	22,223	548	326	Estimated market value of land - unpaid cost - conversion cost - tax payable on sale of land
Housing Development & Infrastructure Ltd	2,535	498	445	Value of land bank at state ready reckoner rates; excludes any developer margin or airport project value
Indiabulls Real Estate Ltd	1,925	315	298	Cash + 45% stake in IPIT (listed REIT)+ land valued at cost
Unitech Ltd	6,786	176	98	Estimated market value of land - unpaid cost - conversion cost - tax payable on sale of land
<b>Telecommunications</b>				
Bharti Airtel Ltd	37,969	842	674	DCF assumption - WACC 12% and Terminal Growth 1% . Excluding Tower Cos. Traffic volumes expected to be better than peers
Idea Cellular Ltd	5,634	90	42	DCF assumption - WACC 10% and Terminal Growth 1% , Excluding Tower Cos. Higher debt v/s peers. Lower APRUs & MoU elasticity v/s industry leader
<b>Others</b>				
Aditya Birla Nuvo Ltd	3,017	1,336	1,448	Valuation to Insurance business at 50% of our estimated value
Mundra Port	5,530	581	455	DCF Valuation - Rs 320 for Port (WACC - 16%) + Rs 135 for SEZ (WACC - 13%)

Note: Price as on Aug 08, 2008

# Database

- 1) RSR (Rating rel to Sector) based on CMP: N = neutral, OP = outperformer, UP = underperformer, U/R = under review, N/R = not rated: All ratings 1 yr horizon
- 2) Definition of Sector neutral ratings (Mkt Cap wtd) used to determine above: Against each Sector heading row, in RSR column, this range is provided
- 3) The following RSRs may & will, differ from our latest released report as these upsides are as of today's closing prices

## Short Term view rel to Sensex (1 month) from HoR from current Sensex value of 15168

Sector-wise:					
Autos	N	Infrastructure	UW	Real Estate	UW
Banking	UW	IT Services	OW	Retail	OW
Cement	N	Media	OW	Telecom	N
Energy	N	Metals	UW	Transportation	OW
Engineering	UW	Petrochem, Oil & Gas	N		
FMCG	OW	Pharmaceuticals	OW		

Note: OW = overweight, UW = underweight, N = neutral

# ENAM Valuation

Company Name	Curr Price	Mcap (USDm)	Tgt Price	Upside (%)	Price perf (%)		RSR	FDEPS (INR)			PER (x)		BV (INR)		PBR (x)		ROE (%)		ROCE (%)	
					1w	1m		FY08	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e
<b>Autos</b>								<b>5-10</b>												
Apollo Tyres	34	407	36	6	15	7	N	4	4	5	8	7	31	35	1.1	1.0	14.3	14.9	12.5	12.8
Ashok Leyland	33	1,050	31	(7)	18	11	UP	4	3	4	11	9	17	19	1.9	1.7	18.2	20.5	13.7	14.2
Bajaj Auto	552	1,898	598	8	6	28	N	52	55	61	10	9	141	179	3.9	3.1	43.8	38.0	37.0	35.0
Bharat Forge	267	1,411	291	9	4	13	N	12	14	18	19	15	86	102	3.1	2.6	18.4	20.7	17.8	19.9
Bosch	3,802	2,896	3,694	(3)	2	1	UP	190	216	258	18	15	986	1,215	3.9	3.1	24.1	23.4	28.6	28.0
Hero Honda Motors	822	3,899	790	(4)	3	18	UP	48	56	64	12	11	184	226	4.5	3.6	33.7	31.2	40.7	37.5
Mahindra & Mahindra	574	3,354	634	10	10	11	OP	36	39	41	7	7	193	220	3.0	2.6	21.7	19.7	18.3	17.1
Maruti Suzuki India	680	4,667	711	5	21	19	N	64	62	67	9	8	347	407	2.0	1.7	19.5	17.7	24.8	22.8
Motherson Sumi System	79	664	98	25	4	7	OP	5	6	8	14	10	23	28	3.4	2.8	31.7	29.1	28.6	32.6
Tata Motors	443	4,064	494	11	11	18	OP	40	34	41	10	8	221	249	2.0	1.8	17.6	19.2	15.0	15.7
TVS Motor Co	33	185	27	(18)	4	20	UP	1	4	5	9	7	35	39	0.9	0.8	11.1	13.1	8.7	10.7
<b>Banking</b>								<b>15-25</b>												
<b>---RoA (x)---</b>																				
Axis Bank	735	6,265	795	8	8	21	UP	30	43	54	17	14	269	309	2.7	2.4	16.3	17.9	1.2	1.1
Bank of Baroda	286	2,474	340	19	4	32	N	39	46	54	6	5	288	331	1.0	0.9	16.4	17.1	0.9	0.9
Bank of India	291	3,628	370	27	1	21	OP	40	48	55	6	5	191	232	1.5	1.3	26.1	24.8	1.3	1.3
Canara Bank	216	2,104	230	7	10	29	UP	38	38	47	6	5	213	246	1.0	0.9	17.5	18.8	0.8	0.9
Corp Bank	276	940	350	27	2	2	OP	51	58	67	5	4	332	383	0.8	0.7	18.4	18.1	1.1	1.1
Federal Bank	223	906	250	12	9	29	UP	21	25	35	9	6	246	273	0.9	0.8	10.3	13.2	1.2	1.4
HDFC Bank	1,280	12,926	1,310	2	16	28	UP	45	53	68	24	19	399	449	3.2	2.8	13.6	15.5	1.4	1.4
Housing Development F	2,513	16,974	2,330	(7)	5	25	UP	86	88	110	28	23	469	530	5.4	4.7	19.8	22.0	2.7	2.7
ICICI Bank	729	18,979	1,050	44	14	23	OP	37	42	56	17	13	406	427	1.8	1.7	9.7	12.0	1.1	1.2
Indiabulls Financial Serv	311	1,876	413	33	5	32	OP	23	27	33	12	9	153	180	2.0	1.7	18.7	19.8	4.0	4.5
Infrastructure Developm	102	3,152	160	56	5	(6)	OP	6	7	8	16	13	48	53	2.2	1.9	14.4	15.6	2.7	2.6
ING Vysya Bank	230	560	335	46	5	12	OP	16	22	30	10	8	146	167	1.6	1.4	15.0	17.9	0.8	0.9
LIC Housing Finance	338	682	400	18	1	33	N	46	54	63	6	5	227	267	1.5	1.3	23.0	22.5	1.8	1.7
Oriental Bank Of Comm	171	1,018	190	11	6	27	UP	34	35	37	5	5	225	237	0.8	0.7	14.2	13.8	0.9	0.8
Power Finance Corp	141	3,856	175	24	4	26	N	11	14	17	10	8	95	107	1.5	1.3	15.2	16.6	2.7	2.5
Punjab National Bank	501	3,751	630	26	4	34	OP	65	78	91	6	5	384	453	1.3	1.1	20.8	20.7	1.1	1.1
Reliance Capital	1,417	8,272	1,744	23	6	33	N	41	44	49	32	29	283	322	5.0	4.4	16.7	16.2	8.3	5.2
Rural Electrification Cor	92	1,881	140	52	4	15	OP	11	14	15	7	6	74	85	1.2	1.1	18.6	18.1	2.5	2.4
Shriram Transport Finar	320	1,546	400	25	8	6	N	19	25	32	13	10	98	127	3.3	2.5	26.3	27.1	2.4	2.3
State Bank of India	1,522	22,964	1,800	18	1	26	N	142	150	176	10	9	954	1,069	1.6	1.4	14.6	15.2	0.9	0.9
Union Bank Of India	150	1,795	190	27	9	34	OP	27	30	35	5	4	126	154	1.2	1.0	24.4	23.3	1.1	1.1
Yes Bank	138	976	200	45	9	20	OP	7	9	13	15	11	53	65	2.6	2.1	19.0	21.5	1.4	1.3

# ENAM Valuation

Company Name	Curr Price	Mcap (USDm)	Tgt Price	Upside (%)	Price perf (%)		RSR	FDEPS (INR)			PER (x)		BV (INR)		PBR (x)		ROE (%)		ROCE (%)		
					1w	1m		FY08	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	
<b>Cement</b>																					
<b>35-55</b>																					
ACC	630	2,808	789	25	9	19	UP	65	65	66	10	10	262	302	2.4	2.1	27.1	23.4	34.9	31.0	
Ambuja Cements	87	3,148	101	16	5	17	UP	8	8	9	9	9	37	41	2.4	2.1	25.1	22.4	35.2	32.0	
Century Textile & Indust	537	1,187	909	69	9	9	OP	43	41	40	(1)	(3)	168	195	3.2	2.8	26.9	22.3	19.8	16.8	
Grasim Industries	2,038	4,439	3,323	63	11	22	OP	275	294	324	6	6	1,492	1,825	1.4	1.1	22.5	19.5	30.0	30.1	
India Cements	162	1,087	217	34	11	18	UP	25	20	21	8	8	109	128	1.5	1.3	20.3	18.0	21.0	20.5	
Jaiprakash Associates	184	5,119			8	16	U/R														
Madras Cements	2,696	762	3,948	46	3	3	N	343	354	440	8	6	1,110	1,499	2.4	1.8	37.1	33.7	26.3	29.9	
Prism Cement	38	271	57	49	12	10	N	8	8	10	5	4	28	37	1.4	1.0	34.4	31.9	39.0	31.5	
Shree Cement	645	534	1,617	151	9	20	OP	98	120	155	5	4	299	438	2.2	1.5	48.7	42.0	29.4	34.0	
Ultra Tech Cement	631	1,868	1,010	60	11	14	OP	81	84	89	8	7	294	375	2.1	1.7	32.8	26.5	33.3	32.6	
<b>Energy</b>																					
<b>5-10</b>																					
NTPC	184	36,147	188	2	4	14	UP	10	10	10	17	17	70	76	2.6	2.4	14.6	14.3	13.0	12.6	
Reliance Infrastructure	1,032	5,688	1,448	40	2	37	OP	29	33	47	31	22	468	507	2.2	2.0	7.3	9.7	7.6	9.6	
Tata Power Co	1,059	5,560	1,179	11	(5)	3	OP	31	89	116	10	8	475	585	2.2	1.8	22.1	21.9	19.5	20.5	
<b>Engineering</b>																					
<b>-10 to 5</b>																					
ABB/India	870	4,381	950	9	9	(1)	U/R														
AIA Engineering	1,465	655	1,500	2	10	17	N	71	98	122	15	12	427	544	3.4	2.7	25.7	25.0	35.3	34.7	
Areva T&D India Ltd	1,653	1,879			1	5	N/R	45	55	72	30	23	156	210	10.6	7.9	40.3	39.0	52.2	49.3	
Bharat Electronics	972	1,848	1,300	34	0	(5)	OP	103	110	130	9	7	475	568	2.0	1.7	25.1	24.9	36.9	36.6	
Bharat Heavy Electrical	1,783	20,747	1,295	(27)	2	19	UP	56	69	80	26	22	237	290	7.5	6.1	31.6	30.5	46.8	45.3	
Crompton Greaves	256	2,230	300	17	2	5	OP	11	14	19	18	14	48	65	5.3	4.0	34.6	33.6	36.5	40.7	
Cummins India	304	1,432	340	12	7	30	OP	16	19	23	16	13	75	91	4.0	3.4	28.2	27.7	41.1	40.4	
Kirloskar Oil Engines	88	406			(2)	7	N/R														
Larsen & Toubro	2,834	19,683	2,605	(8)	5	18	N	73	105	130	24	20	487	594	5.8	4.8	24.2	24.6	19.4	20.9	
Siemens India	545	4,367	540	(1)	(5)	19	N	16	23	27	23	20	72	95	7.5	5.8	36.7	32.3	53.9	47.6	
Suzlon Energy	246	8,760	285	16	3	25	OP	7	10	16	25	16	71	86	3.5	2.8	15.6	20.4	11.5	14.7	
Thermax	472	1,337	460	(3)	8	20	N	24	25	31	19	15	80	100	5.9	4.7	35.4	33.9	55.0	51.4	
Voltas	137	1,079			8	9	N/R	5	8	10	18	14	24	31	5.8	4.4	36.3	35.2	51.7	52.0	
<b>FMCG</b>																					
<b>0-10</b>																					
Asian Paints	1,240	2,826	1,200	(3)	3	21	UP	43	50	62	25	20	137	172	9.1	7.2	40.8	40.1	53.2	54.4	
Colgate Palmolive India	427	1,380	455	7	7	18	N	17	21	25	21	17	15	19	27.6	22.3	150.7	143.3	183.9	177.0	
Dabur India	90	1,850	101	12	(0)	11	OP	4	4	5	20	16	10	13	9.5	7.1	53.5	49.3	58.6	57.0	
Godrej Consumer Produ	131	808	120	(9)	9	7	UP	7	8	9	17	15	25	28	5.3	4.7	48.2	34.3	43.6	36.9	
Hindustan Unilever	242	12,532	260	7	3	15	N	8	11	11	21	22	10	11	24.8	22.3	138.5	107.5	164.5	131.3	
Jyothi	465	160	840	81	4	7	OP	30	49	63	9	7	255	301	1.8	1.5	20.8	22.5	24.4	26.5	
Marico	59	858	68	15	8	13	OP	3	3	4	19	15	8	10	7.9	5.7	49.9	43.7	38.9	43.4	
Nestle India	1,649	3,778	1,850	12	3	3	OP	43	57	71	29	23	60	84	27.3	19.6	110.4	98.0	160.1	140.2	
Tata Tea	720	1,059	820	14	(1)	1	OP	36	66	72	11	10	753	808	1.0	0.9	9.0	9.2	11.1	11.7	

# ENAM Valuation

Company Name	Curr Price	Mcap (USDm)	Tgt Price	Upside (%)	Price perf (%)		RSR	FDEPS (INR)			PER (x)		BV (INR)		PBR (x)		ROE (%)		ROCE (%)	
					1w	1m		FY08	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e
<b>Infrastructure</b>								<b>15-25</b>												
Gammon India	215	443	254	18	7	(5)	N	11	14	16	8	7	118	133	1.8	1.6	13.2	12.6	17.5	16.5
Hindustan Construction	100	611	113	13	10	14	UP	3	4	6	10	8	43	48	2.3	2.1	11.7	14.2	12.5	14.1
IVRCL Infrastructures & Nagarjuna Construction	315	1,001	411	30	5	5	OP	15	19	26	11	8	131	157	2.4	2.0	16.1	18.6	19.8	21.6
Patel Engineering	132	715	154	17	4	(3)	N	7	12	12	9	9	78	93	1.7	1.4	11.9	14.3	13.7	15.1
Punj Lloyd	440	624			11	34	U/R													
Punj Lloyd	288	2,078	345	20	2	31	N	9	16	22	17	12	107	129	2.7	2.2	17.5	19.9	19.8	21.8
<b>IT Services</b>								<b>0-5</b>												
HCL Technologies	225	3,559	256	14	8	(5)	OP	24	23	27	10	8	88	105	2.6	2.1	28.6	28.2	32.5	32.8
Infosys Technologies	1,680	22,851	1,921	14	2	(3)	OP	80	101	120	17	14	322	419	5.2	4.0	36.0	32.5	41.0	37.8
Satyam Computer Services	409	6,540	423	3	5	(13)	N	25	33	37	13	11	135	168	3.0	2.4	26.8	24.7	30.0	28.9
Tata Consultancy Services	843	19,597	857	2	0	2	N	51	57	68	15	12	167	211	5.1	4.0	38.7	35.8	44.1	42.2
Tech Mahindra	794	2,296	758	(5)	5	11	UP	59	76	90	10	9	161	238	4.9	3.3	61.6	48.8	69.9	56.4
Wipro	438	15,211	378	(14)	1	4	UP	22	25	29	17	15	108	131	4.1	3.3	25.7	24.3	26.9	26.2
<b>Media</b>								<b>0-10</b>												
Jagran Prakashan	68	486	72	6	4	8	N	3	3	4	20	17	19	21	3.6	3.3	18.7	20.5	25.1	27.6
Entertainment Network	305	345	346	13	3	(11)	OP	(4)	6	18	55	17	105	125	2.9	2.4	5.4	16.0	5.3	23.7
HT Media	120	668	120	0	9	16	N	4	5	6	25	20	38	39	3.2	3.1	13.3	15.6	16.7	21.2
New Delhi Television	370	550	361	(2)	(3)	(1)	UP	3	(2)	1	NA	129	35	38	10.5	9.8	(4.4)	3.1	(4.1)	5.7
Sun TV Network	250	2,342	235	(6)	5	(7)	UP	9	11	14	22	18	43	57	5.8	4.4	30.3	27.6	47.3	42.1
Zee Entertainment Enterprises	205	2,114	280	37	3	8	OP	9	11	13	19	16	92	105	2.2	2.0	12.8	13.2	17.3	18.2
<b>Metals</b>								<b>25-45</b>												
Hindalco Industries	145	4,219	195	35	3	(1)	N	11	20	24	7	6	136	157	1.1	0.9	16.1	16.6	16.6	17.4
Hindustan Zinc	593	5,955	828	40	1	17	N	93	89	112	4	3	358	458	1.7	1.3	27.9	27.5	39.9	39.3
Jindal Steel & Power	2,072	7,616	1,775	(14)	(2)	19	UP	81	164	184	13	11	406	584	5.1	3.5	49.6	37.1	39.3	32.7
JSW Steel	793	3,525	780	(2)	(0)	(5)	UP	80	89	120	9	7	509	615	1.6	1.3	18.9	21.4	21.7	23.0
National Aluminium Co	402	6,160	492	22	(5)	20	UP	25	34	47	10	7	166	203	2.4	2.0	22.6	25.3	33.9	38.0
Sesa Goa	176	3,286	213	21	1	19	UP	20	27	25	5	5	61	82	2.9	2.2	54.5	34.7	81.7	52.1
Steel Authority Of India	146	14,298	228	57	1	14	OP	23	22	24	5	4	73	92	2.0	1.6	34.1	28.9	55.4	46.0
Sterlite Industries India	639	10,762	1,115	74	1	1	OP	57	59	92	8	5	484	603	1.3	1.1	13.4	16.9	23.0	25.9
Tata Steel	651	11,307	785	21	(4)	(0)	UP	71	88	92	7	7	430	504	1.5	1.3	22.3	19.8	19.1	18.2

# ENAM Valuation

Company Name	Curr Price	Mcap (USDm)	Tgt Price	Upside (%)	Price perf (%)		RSR	FDEPS (INR)			PER (x)		BV (INR)		PBR (x)		ROE (%)		ROCE (%)	
					1w	1m		FY08	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e
<b>Petrochem, Oil &amp; Gas</b>								<b>10-15</b>												
Aban Offshore	2,496	2,238	4,350	74	(1)	(4)	N/R	33	405	452	6	6	298	646	8.4	3.9	181.3	95.8	19.3	21.0
Cairn India	233	10,486	220	(6)	(3)	(1)	UP	3	13	44	17	5	45	78	5.2	3.0	33.0	70.9	33.8	72.9
Chennai petro	302	1,067	419	39	(3)	10	N	75	109	72	3	4	318	372	0.9	0.8	39.3	20.9	44.7	27.7
Essar Oil	234	6,521	256	10	18	33	N	(0)	5	7	45	34	78	85	3.0	2.7	6.8	8.5	8.0	8.7
GAIL India	407	8,182	548	35	5	24	OP	29	35	40	12	10	175	201	2.3	2.0	21.6	21.1	27.3	25.9
Indraprastha Gas	114	381	170	49	4	4	OP	12	15	17	8	7	50	60	2.3	1.9	32.4	31.5	48.8	47.8
Oil & Natural Gas Corp	1,064	54,088	977	(8)	7	22	UP	93	110	109	10	10	436	499	2.4	2.1	27.3	23.3	34.8	29.3
Petronet LNG	62	1,102	60	(3)	1	10	UP	6	7	8	9	8	26	32	2.4	1.9	27.6	26.7	25.3	25.2
Reliance Industries	2,250	77,751	2,780	24	(2)	14	OP	97	111	178	20	13	769	946	2.9	2.4	16.6	20.8	16.2	22.3
Reliance Petroleum	164	17,588	208	26	(3)	0	OP	0	8	22	21	7	38	57	4.4	2.9	22.9	46.5	13.4	31.8
<b>Pharmaceuticals</b>								<b>5-15</b>												
Biocon	381	904	393	3	(1)	(1)	UP	22	21	28	18	14	165	188	2.3	2.0	13.7	15.9	12.9	15.0
Cadila Healthcare	336	1,004	360	7	9	9	N	21	24	29	14	12	103	126	3.3	2.7	25.1	25.0	19.9	21.4
Cipla/India	235	4,333	187	(20)	7	13	UP	9	11	12	19	17	56	65	4.2	3.6	20.3	19.2	20.8	19.9
Dishman Pharmaceutica	313	601	400	28	5	9	OP	12	16	22	19	14	87	107	3.6	2.9	19.5	22.9	14.1	16.4
Divi's Laboratories	1,506	2,315	1,887	25	7	12	OP	55	74	94	20	16	200	283	7.5	5.3	44.5	39.0	46.6	41.8
Dr Reddys Laboratories	625	2,499	677	8	7	(3)	N	28	37	48	17	13	305	348	2.1	1.8	13.0	14.6	11.7	13.4
GlaxoSmithKline Pharma	1,137	2,289	1,122	(1)	2	(4)	UP	47	52	56	17	16	186	211	6.1	5.4	29.7	28.2	45.4	43.5
Glenmark Pharmaceutic	636	3,779	762	20	1	6	OP	23	30	40	21	16	90	127	7.1	5.0	40.3	37.0	39.6	39.7
Jubilant Organosys	358	1,254	444	24	(1)	14	OP	17	23	29	16	12	148	175	2.4	2.0	16.3	18.1	14.2	15.5
Lupin	729	1,422	873	20	(2)	6	OP	37	47	55	16	13	234	280	3.1	2.6	22.4	21.2	22.1	22.2
Pramal Healthcare	339	1,686	438	29	6	18	OP	18	21	24	16	14	67	85	5.1	4.0	35.6	32.2	28.1	28.3
Ranbaxy Laboratories	505	4,489			(1)	(4)	U/R													
Sun Pharmaceutical Ind	1,440	7,050	1,645	14	(1)	10	N	72	89	83	15	16	276	349	5.2	4.1	37.9	26.5	34.1	24.9
<b>Real Estate</b>								<b>-25-0</b>												
Indiabulls Real Estate	315	1,925	368	17	8	18	OP	15	16	30	20	10	204	234	1.5	1.3	8.4	13.9	11.8	19.3
DLF	548	22,223	383	(30)	5	28	UP	46	47	53	12	10	170	223	3.2	2.5	32.0	27.1	28.9	27.5
Housing Development &	498	2,535	710	43	9	19	OP	66	52	132	10	4	222	337	2.2	1.5	26.4	47.3	21.4	34.8
Peninsula Land	78	515	80	3	13	15	OP	5	13	27	6	3	45	72	1.7	1.1	34.6	46.5	38.3	55.5
Sobha Developers	285	493	240	(16)	10	17	N	31	33	32	9	9	172	204	1.7	1.4	21.2	17.3	11.9	11.4
Unitech	176	6,786	116	(34)	4	9	UP	10	11	12	16	15	34	46	5.2	3.9	39.2	29.6	22.0	20.0



# ENAM Valuation

Company Name	Curr Price	Mcap (USDm)	Tgt Price	Upside (%)	Price perf (%)		RSR	FDEPS (INR)			PER (x)		BV (INR)		PBR (x)		ROE (%)		ROCE (%)		
					1w	1m		FY08	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	FY09e	FY10e	
<b>Retail</b>																					
<b>20-30</b>																					
Pantaloon Retail India	397	1,461	610	54	13	6	OP	9	13	19	18	12	155	170	2.6	2.3	10.4	11.9	12.5	13.8	
Titan Industries	1,279	1,349	1,140	(11)	9	24	UP	32	42	53	30	24	129	168	9.9	7.6	37.1	35.7	35.9	38.4	
Vishal Retail	392	209	520	33	1	(18)	OP	18	24	34	17	11	144	230	2.7	1.7	17.7	19.0	16.6	17.6	
<b>Telecom</b>																					
<b>0-5</b>																					
Bharti Airtel	842	37,969	821	(2)	3	18	UP	35	46	55	14	12	166	223	5.1	3.8	32.2	28.4	31.4	31.1	
IDEA	90	5,634	94	5	1	5	N	4	5	6	13	10	19	19	4.8	4.8	28.6	30.6	18.6	19.3	
<b>Transportation</b>																					
<b>10-20</b>																					
Allcargo Global Logistic	841	447	960	14	1	7	N	38	49	56	17	15	274	385	3.1	2.2	20.1	17.8	26.7	25.5	
Container Corp Of India	847	2,617	1,040	23	1	12	OP	56	69	86	12	10	295	365	2.9	2.3	25.7	25.9	32.7	33.6	
Gateway Distriparks	96	264	97	1	6	34	UP	6	7	10	14	9	63	69	1.5	1.4	11.3	15.7	14.4	17.4	
<b>Others</b>																					
Aditya Birla Nuvo Ltd	1,336	3,017	1,767	32	(0)	16	NA	13	7	20	203	67	340	360	3.9	3.7	1.9	5.7	7.3	11.0	
Great Eastern Shipping	416	1,505	500	20	(1)	14	NA	63	72	70	4	5	346	423	1.2	1.0	23.3	18.2	18.6	16.0	
Jet Airways India	480	984	400	(17)	(4)	32	NA				(3)	(6)	406	355	1.2	1.4	(35.6)	(20.5)	(10.2)	(3.8)	
Mundra Port and Special	581	5,530	455	(22)	1	26	NA	5	13	25	46	23	75	93	7.8	6.2	17.8	30.1	16.2	24.2	

Note: PE is adjusted for VOI wherever applicable, Suzlon FDEPS does not include RE Power nos

IT Cos :Kindly note that the extension of 10A/10B tax benefit by one year has been incorporated in the FY10 estimates.

Source: ENAM estimates, Bloomberg

---

# Thank You

---

This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Nothing in this document should be construed as investment or financial advice, and nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. The intent of this document is not in recommendatory nature

Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors

Enam Securities Private Limited has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval

Enam securities Private Limited, its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document

This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of ENAM Securities Private Limited. The views expressed are those of analyst and the Company may or may not subscribe to all the views expressed therein

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

**Copyright in this document vests exclusively with ENAM Securities Private Limited.**