



## Research Notes - November 3, 2009

### **Buy ICICI Bank with TP Rs.1050**

- ◆ We recommend to buy ICICI Bank with a one year target price of Rs.1050.
- ◆ The bank has come out with strong performance for the second quarter FY10.
- ◆ Strong growth in low cost current and savings deposits during the quarter. Increase is Rs.9000 crore.
- ◆ Net interest margin (NIM) improved by 10 basis points quarter on quarter.
- ◆ Non performing liabilities (NPL) declined at the gross level. Fresh NPL also is declining.
- ◆ Operational cost declined by 20% quarter on quarter.
- ◆ Loans are expected to grow at 2% in FY10 and at 14% in FY11.
- ◆ The target price is at 1.6 multiple of FY11 estimated book value.

### **Buy Nagarjuna Construction; TP Rs.190 over 1 year**

- ◆ The stock is upgraded to buy on improved margin, solid order intake in Q2FY10 and lower interest cost.
- ◆ Profit margin improved to 10.2% on lower raw material cost.
- ◆ 30% growth in order intake year on year.
- ◆ Company has reduced high cost debts and this has lowered interest cost.
- ◆ The company is expected secure new orders in the highways and international segments and the order intake is likely to exceed the guidance of Rs.6300 crore.
- ◆ It is expected to lower the interest cost further and the EPS estimates for FY10 and FY11 have been hiked by 9.6% and 16% respectively.
- ◆ Company plans to set up 1320 MW coal based power plan. Equity issue could be expected for funding the project.
- ◆ Based on good prospects, the target price has been hiked from Rs.141 to Rs.190

### **Pare exposure in Reliance Communications; TP Rs.150**

- ◆ Reiterate sell call on Reliance Communication with a one year target price of Rs.150 as against the current price of Rs.175 range.
- ◆ Wireless revenue is lower by 16% quarter on quarter and profit declined despite lower depreciation and tax write - back

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