Macquarie Research
India Essentials

India Essentials

Tuesday, 28 July 2009

JPA reported strong numbers in its 1Q FY10 results boosted by strong cement and construction revenues. We maintain our Outperform on the stock and increase our target price to Rs269 from Rs153. Surprise on top line with PAT in line with estimates: Strong top-line growth of 80% YoY in 1Q FY10 was boosted by high cement and construction revenues.

Bank of India reported 1Q FY10 PAT of Rs5.8bn, up 4%YoY. NIM decline. Margins contracted 56bp QoQ to 2.42% for the quarter. The decline is mainly due to falling yields, even as the cost of funds decline was much less. As a result of the margin pressure, net interest income declined by 9% QoQ despite moderate growth in the loan book.

Bank of Baroda reported 1Q FY3/10 PAT of Rs6.9bn up 85% YoY. Outperform maintained. Margin pressure. The net interest margin for the bank was disappointing, declining by 50bp QoQ to 2.4%. The key driver was the falling asset yield; the bank cut its benchmark lending rate by 50bp in April. Going forward, management expects significant sequential margin expansion, with about 16% of deposits to reprice down in the next two quarters.

The company declared 1Q FY10 numbers slightly ahead of expectations. The order inflow has also surprised in the past four months. We raise our target price to Rs202 from Rs142, based on improving fundamentals in key geographies like the Middle East, while remaining Underperform on the stock. 1Q results slightly ahead of expectations: PAT growth was very strong at 30% YoY, vs our expectations of 18%, driven by 190bp YoY EBITDA margin expansion.

We visited Reliance Power (RPL: RPWR IN) to get an update on its projects. We summarise its current position and key initiatives that are underway. RPL has a strong pipeline of diversified power generation projects at various stages of approval. Based on its current project list, RPL would have an operational generation capacity of over 32,000MW by FY18, slightly below NTPC's (India's largest generator) current capacity.

Liquidity returns to Asia and global emerging markets. The latest fund flow numbers, for the week ending 22 July, show that liquidity returned to Asia ex Japan and global emerging markets with net weekly inflows of US$973.2m and US$1,084m, respectively. This reversed the recent net outflow trend of the past four weeks.

Our calculations of apparent demand for China (calculated from production plus net imports minus any reported stock change) indicate that Chinese metals demand growth continued to accelerate in June, with most commodities hitting a record-high level of apparent demand. Copper led the base metals higher on Monday, up 1.4% with the aid of positive US housing sales data.

Fresh Money Ideas

Company	Rec	Target px (lcy)	Closing (lcy)	Upside/Downside (%)
Ackruti City (AKCL IN)	UP	364.00	564.40	-36
Bharti Airtel (BHARTI IN)	OP	487.50	423.45	15
Bank of Baroda (BOB IN)	OP	515.00	417.75	23
Cairn India (CAIR IN)	UP	175.00	246.35	-29
Idea Cellular (IDEA IN)	UP	45.00	79.90	-44
Indian Oil (IOCL IN)	OP	685.00	516.35	33
ITC (ITC IN)	OP	240.00	238.70	1
Steel Authority of India (SAIL IN)	UP	120.00	175.45	-32
Sun Pharmaceuticals (SUNP IN)	OP	1,410.00	1,244.75	13
Tata Communications (TCOM IN)	UP	315.00	482.30	-35

OP = Outperform, UP = Underperform, N = Neutral
Source: Thomson Datastream, Macquarie Research estimates
Data as at 28/07/2009

INDIA

Jaiprakash Associates

28 July 2009

JPA IN **Outperform**

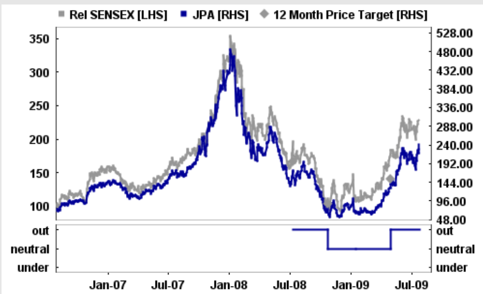
Stock price as of 27 Jul 09	Rs	240.40
12-month target	Rs	269.00
Upside/downside	%	+11.9
Valuation	Rs	269.00
- Sum of Parts		

GICS sector		capital goods
Market cap	Rs m	336,996
30-day avg turnover	US$m	93.7
Market cap	US$m	6,956
Number shares on issue	m	1,402

Investment fundamentals

Year end 31 Mar		2008A	2009E	2010E	2011E
Total revenue	bn	42.0	58.1	79.9	103.1
EBITDA	bn	17.0	20.1	27.8	34.0
EBITDA growth	%	28.4	18.1	38.7	22.3
Adjusted profit	bn	6.1	7.6	13.4	15.7
EPS adj	Rs	5.17	6.51	11.40	13.38
EPS adj growth	%	-9.6	25.9	75.0	17.4
PE adj	x	46.5	36.9	21.1	18.0
Total DPS	Rs	1.41	1.42	1.00	1.00
Total div yield	%	0.6	0.6	0.4	0.4
ROA	%	7.9	7.2	8.0	7.5
ROE	%	15.4	14.5	21.8	21.2
EV/EBITDA	x	23.5	19.9	14.3	11.7
Net debt/equity	%	158.9	191.7	208.1	229.4
Price/book	x	5.7	5.1	4.2	3.5

JPA IN rel SENSEX performance, & rec history



Source: FactSet, Macquarie Research, July 2009
(all figures in INR unless noted)

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`Power´ful play on cement

Event

- JPA reported strong numbers in its 1Q FY10 results boosted by strong cement and construction revenues. We maintain our Outperform on the stock and increase our target price to Rs269 from Rs153.

Impact

- **Surprise on top line with PAT in line with estimates:** Strong top-line growth of 80% YoY in 1Q FY10 was boosted by high cement and construction revenues. However, PAT growth of 71% YoY was in line with our estimates.
  - ⇒ **Cement margins extremely strong:** Cement realisations were up to Rs3,951 per tonne (+20% QoQ), while the cement margin (EBIT/tonne) was up to Rs1,257 from Rs981 last quarter on higher prices in Central India. We expect further improvements in 2Q FY10 coupled with volume increases.
  - ⇒ **E&C business ramp-up ahead of expectations:** Construction revenues doubled in 1Q FY10 to Rs10.6bn, presenting upside to our projected Rs43bn estimate for FY10. The surprise has led by a ramp-up in the Kharcham Wangtoo and Taj expressway project.
- **JPA boosting cash through securitisation and sale of treasury stock**: In this quarter, JPA securitised its cashflows from the Vishnuprayag project, raising Rs17.5bn. Further, it sold off 25m treasury shares and raised Rs5bn in cash. There could be further such transactions involving other assets of JPA or more treasury stock sales. We view it positively as it reduces leverage on the balance sheet and finds funding for its new power projects.

Earnings and target price revision

- We are increasing our earnings estimate marginally by 2% for FY10, while decreasing it by 18% for FY11. However, we are raising our TP to Rs269 from Rs153 on higher valuations for its cement and E&C businesses.

Price catalyst

- 12-month price target: Rs269.00 based on a Sum of Parts methodology.
- Catalyst: Higher cement volumes in next 12 months.

Action and recommendation

- **Maintain Outperform with 12-month target price of Rs269:** We have increased our target price on higher valuations for the cement and E&C business, but it is still at a discount to peer valuations.
- **Upside remains with power valuations:** The company has proposed a merger of JP Power Ventures Limited (JPVL, 80.5% stake) with JP Hydro (63% stake) – with a merger ratio of 1 share of JPVL for 3 shares of JP Hydro. Post this, JPA's stake in JP Hydro would go up to 76.5%. Moreover, JPA has added new projects in the portfolio, which are in the very early stages. Finally, an IPO of Adani power and NHPC could lead to a re-rating in the power valuations.

INDIA

Bank of India

28 July 2009

BOI IN		Outperform
Stock price as of 27 Jul 09	Rs	332.80
12-month target	Rs	405.00
Upside/downside	%	+21.7
Valuation	Rs	405.00
- Gordon growth methodology		
GICS sector		banks
Market cap	Rs m	174,778
30-day avg turnover	US$m	2.4
Market cap	US$m	3,607
Number shares on issue	m	525.2

Investment fundamentals

Year end 31 Mar		2008A	2009E	2010E	2011E
Net interest inc	bn	42.3	55.0	67.0	79.2
Non interest inc	bn	21.2	30.5	28.9	34.0
Underlying profit	bn	37.0	54.6	60.5	73.2
PBT	bn	26.8	41.7	48.6	61.3
PBT Growth	%	75.1	55.3	16.5	26.2
Adjusted profit	bn	20.1	30.1	35.0	42.9
EPS adj	Rs	38.21	57.19	66.47	81.54
EPS adj growth	%	66.1	49.7	16.2	22.7
PE adj	x	8.7	5.8	5.0	4.1
Total DPS	Rs	3.99	4.30	5.50	6.50
Total div yield	%	1.2	1.3	1.7	2.0
ROA	%	1.3	1.5	1.4	1.5
ROE	%	27.6	29.5	26.5	25.7
Equity to assets	%	5.0	5.1	5.6	6.0
Price/book	x	2.0	1.5	1.2	0.9

BOI IN rel SENSEX performance, & rec history

Source: FactSet, Macquarie Research, July 2009
(all figures in INR unless noted)

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Earnings under stress but priced in

Event

- Bank of India reported 1Q FY10 PAT of Rs5.8bn, up 4%YoY.

Impact

- **NIM decline**. Margins contracted 56bp QoQ to 2.42% for the quarter. The decline is mainly due to falling yields, even as the cost of funds decline was much less. As a result of the margin pressure, net interest income declined by 9% QoQ despite moderate growth in the loan book. Going forward, some benefit may accrue from deposit repricing, as the higher-cost deposits contracted in the October–December quarter reprice lower.
- **Healthy growth in CASA**. The bank showed healthy growth in current and savings account (CASA), up by ~6% QoQ, with the savings account up 4% QoQ. The CASA ratio increased by 100bp to 32%. Improvement in CASA should fold into better margins going forward.
- **Cautious on loan growth**. Loan growth slowed further, coming in at 20% YoY for the quarter (vs 26% in 4Q09, 31% in 3Q09), and we expect the caution to continue going forward. The key drivers of loan growth were 24% YoY growth in Agri loans and 21% growth in SME.
- Retail loan book on the other hand declined 13% YoY, as management tries to cut down on risk. The commercial mortgage portfolio is down 29% YoY and personal loans down 47% YoY. Instead, the bank is now focussing on residential mortgages, auto and educational loans.
- **Asset quality deteriorates.** Gross NPLs increased 13% QoQ, and we expect asset quality to decline further. We remain conservative in our NPL estimates and expect 3% of the outstanding loan book to become NPLs to FY11E. The bank has absorbed its floating provisions into Tier 2 capital, the accounting adjustment leading to a jump in its net NPLs (from 0.44% to 0.88%).

Earnings and target price revision

- No change.

Price catalyst

- 12-month price target: Rs405.00 based on a Gordon growth methodology.
- Catalyst: Lowering of funding costs in 2H FY3/10E.

Action and recommendation

- Despite earnings headwinds in the quarter, we expect the bank to meet our headline earnings estimate for the full year. At a 1.2x FY10E P/BV, the bank remains attractive. Retain Outperform.

INDIA

Bank of Baroda

28 July 2009

BOB IN		Outperform
Stock price as of 27 Jul 09	Rs	417.90
12-month target	Rs	515.00
Upside/downside	%	+23.2
Valuation	Rs	515.00
- Gordon Growth		
GICS sector		banks
Market cap	Rs m	152,227
30-day avg turnover	US$m	1.2
Market cap	US$m	3,142
Number shares on issue	m	364.3

Investment fundamentals

Year end 31 Mar		2008A	2009E	2010E	2011E
Net interest inc	bn	39.1	51.2	66.8	79.4
Non interest inc	bn	20.5	26.9	24.6	28.5
Underlying profit	bn	30.3	43.6	50.3	59.3
PBT	bn	22.1	32.7	41.6	50.0
PBT Growth	%	33.4	48.3	27.1	20.3
Adjusted profit	bn	14.4	21.6	27.1	32.7
EPS adj	Rs	39.27	59.04	74.18	89.43
EPS adj growth	%	39.9	50.3	25.6	20.6
PE adj	x	10.6	7.1	5.6	4.7
Total DPS	Rs	8.59	15.00	22.00	28.00
Total div yield	%	2.1	3.6	5.3	6.7
ROA	%	0.9	1.0	1.1	1.1
ROE	%	15.7	20.6	22.2	23.0
Equity to assets	%	5.4	4.8	4.7	4.7
Price/book	x	1.6	1.4	1.2	1.0

BOB IN rel SENSEX performance, & rec history

Source: FactSet, Macquarie Research, July 2009
(all figures in INR unless noted)

Margins soft, fees strong

Event

- Bank of Baroda reported 1Q FY3/10 PAT of Rs6.9bn up 85% YoY. Outperform maintained.

Impact

- **Margin pressure**. The net interest margin for the bank was disappointing, declining by 50bp QoQ to 2.4%. The key driver was the falling asset yield; the bank cut its benchmark lending rate by 50bp in April. Going forward, management expects significant sequential margin expansion, with about 16% of deposits to reprice down in the next two quarters. We will wait for more clarity on deposit repricing, however, to revisit our margin assumptions.
- **Loan growth healthy.** Loan growth was 28% YoY, partly driven by the 11% depreciation of the Indian rupee. However, even without the rupee effect, growth was a healthy 26% YoY, with the domestic book growing by 25% YoY. The growth was primarily driven by a 30% YoY gain in corporate lending, and it could remain the focus area as management tries to manage risk.
- **Fees remain resilient**. A key positive was the healthy growth in core fees, up 29% YoY. The bank continues to regard fees as a focus area, and we believe that, given the historical underexploitation of the fees franchise, there is still scope for strong growth in this revenue stream.
- **NPL coverage jumps**. The bank used large investment-provision write-backs of Rs3.6bn to further increase its NPL provisioning. As a result, provisioning coverage increased by 650bp QoQ to 81.7% – one of the highest levels in our coverage.
- Gross NPLs increased by 17bp QoQ to 1.44%, and we expect NPLs to rise further. The bank has restructured another Rs1.6bn of loans this quarter. Total restructured NPLs amount to 3.9% of the loan book.

Earnings and target price revision

- No changes.

Price catalyst

- 12-month price target: Rs515.00 based on a Gordon Growth methodology.
- Catalyst: Continued strong growth in loans and fees in 2H FY3/10.

Action and recommendation

- Although margins were softer than expected, our headline profit estimates do not appear to be at risk. With the shares trading at 1.2x P/BV based on our FY3/10E, we continue to view the valuations as attractive. Maintain Outperform.

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INDIA

Punj Lloyd

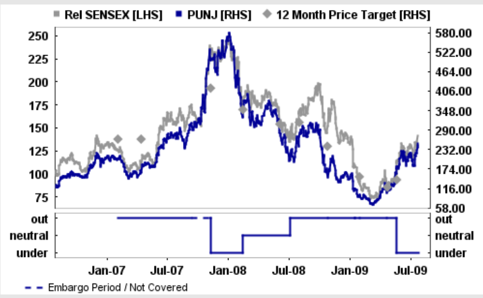
28 July 2009

PUNJ IN		Underperform
Stock price as of 27 Jul 09	Rs	243.35
12-month target	Rs	202.00
Upside/downside	%	-17.0
Valuation	Rs	202.00
- PER		
GICS sector		capital goods
Market cap	Rs m	73,864
30-day avg turnover	US$m	35.1
Market cap	US$m	1,525
Number shares on issue	m	303.5

Investment fundamentals

Year end 31 Mar		2008A	2009E	2010E	2011E
Total revenue	bn	77.5	119.1	129.4	142.9
EBITDA	bn	6.4	3.1	10.3	11.4
EBITDA growth	%	71.2	-51.7	234.6	10.5
Adjusted profit	bn	3.2	-2.3	3.8	4.4
EPS adj	Rs	10.64	-7.69	12.55	14.42
EPS adj growth	%	41.2	nmf	nmf	15.0
PE adj	x	22.9	nmf	19.4	16.9
Total DPS	Rs	0.54	0.53	0.58	0.66
Total div yield	%	0.2	0.2	0.2	0.3
ROA	%	7.3	1.4	6.9	6.8
ROE	%	16.1	-8.9	14.3	14.3
EV/EBITDA	x	15.1	31.3	9.4	8.5
Net debt/equity	%	33.2	108.7	102.9	90.3
Price/book	x	2.7	3.0	2.6	2.3

PUNJ IN rel SENSEX performance, & rec history



Source: FactSet, Macquarie Research, July 2009
(all figures in INR unless noted)

Valuations build in order inflow upside

Event

- The company declared 1Q FY10 numbers slightly ahead of expectations. The order inflow has also surprised in the past four months. We raise our target price to Rs202 from Rs142, based on improving fundamentals in key geographies like the Middle East, while remaining Underperform on the stock.

Impact

- **1Q results slightly ahead of expectations:** PAT growth was very strong at 30% YoY, vs our expectations of 18%, driven by 190bp YoY EBITDA margin expansion.
- **Strong revival in order inflow:** Order inflows came in extremely strong at Rs99.5bn for the quarter (+277% YoY), boosted by large infrastructure orders in Libya, Saudi Arabia and Singapore.
- **Revenue growth will not follow immediately due to long lead time:** Although we are building in strong 52% YoY growth in order inflows for FY10, it is not likely to lead to higher revenues for FY10 and FY11 given the long gestation nature of the new orders in the infra space, ranging from 40–75 months. These orders account for close to 50% of its order book. Another 10% of the order book is not progressing due to financial closure issues.
- **Margins to remain below Indian peers:** We expect PUNJ's EBITDA margins to remain in the 8% range, below its Indian peers' average of 10%.
  - ⇒ **Operates in more competitive markets:** PUNJ operates in highly competitive markets like Southeast Asia and the Middle East, and has been getting most of its new orders in those regions. Moreover, large orders bagged recently are in the lower-margin infra space.
  - ⇒ **Does not yet have fabrication capabilities:** On the process side, PUNJ does not yet have fabrication capabilities; thus, it would have to outsource its projects, thereby compromising on margins.

Earnings and target price revision

- We have increased our earnings estimates by 6% and 17% for FY10 and FY11, respectively, based on higher margins. We raise our TP to Rs202 from Rs142, as we have increased our target multiple to 15x FY10 earnings from 12x.

Price catalyst

- 12-month price target: Rs202.00 based on a PER methodology.
- Catalyst: Muted execution in the next few quarters.

Action and recommendation

- **Valuations rich based on moderate earnings growth and possible dilution:** We maintain our Underperform recommendation on the stock. We believe that longer lead time on the current order book would lead to consensus being disappointed on execution. The stock is fully valued at 19.4x FY10 and 16.9x FY11 earnings, with large dilution possible in the near term.

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INDIA

Reliance Power

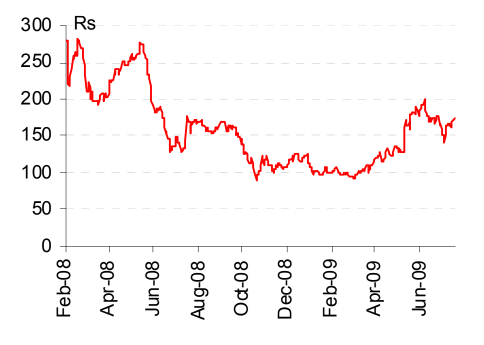
28 July 2009

Reliance Power – stock details

RPWR IN	Not rated
Stock price as of 27 Jul 09 (Rs)	173.05
GICS Sector	Power
Market Cap (Rs bn)	414.8
30 day average turnover (US$ m)	23.7
Market cap (US$m)	8604.9
Number shares on issue	2396.8

Source: Bloomberg, July 2009

RPWR IN – stock price chart



Source: Bloomberg, July 2009

RPWR IN – 32GW capacity coming up

Plants	Type	Capacity (MW)
Rosa Phase 1	Coal	600
Rosa Phase 2	Coal	600
Butibori GCPP	Coal	300
Sasan UMPP	Coal	3,960
Chitrangi	Coal	3,960
Tilaiya UMPP	Coal	3,960
K'patnam UMPP	Imported coal	4,000
Shahpur coal	Imported coal	1,200
Dadri gas	Gas	7,480
Shahpur gas	Gas	2,800
Urthing sobla	Hydro	400
Siyom	Hydro	1,000
Tato II	Hydro	700
Kalai II	Hydro	1,200
TOTAL		**32,160**

Source: Company data, July 2009

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Powering growth

Event

- We visited Reliance Power (RPL: RPWR IN) to get an update on its projects. We summarise its current position and key initiatives that are underway.

Impact

- RPL has a strong pipeline of diversified power generation projects at various stages of approval. Based on its current project list, RPL would have an operational generation capacity of over 32,000MW by FY18, slightly below NTPC's (India's largest generator) current capacity. This would make RPL one of India's premier power generation plays. It is estimated that the company's total investment is Rs1,200–1,400bn (US$25–29bn) in these projects.
  - ⇒ **Financial closures achieved:** Financial closures for Sasan UMPP, Rosa Phase II and Butibori power plants have been achieved.
  - ⇒ **New projects won:** RPL has been awarded the Tilaiya UMPP with captive coal mines and four hydro projects in Arunachal Pradesh.
  - ⇒ **Approvals received:** The company received approvals for mine development plans for Sasan and the use of surplus coal in captive mines.
  - ⇒ **Rosa Phase 1 commissioning could be ahead of schedule:** Key implementation milestones have been achieved for the project.
- **Group capabilities to mitigate project risk:** RPL has linkages with companies of the Reliance ADA group. Combined with Reliance Infrastructure (EPC contracts and distribution) and RNRL (fuel supply), RPL would have control over the entire electricity chain from setting up a generating unit to actual distribution. The financial strength of the parent could provide the necessary backing in utility projects with long gestations.
- **Tapping into India's power hunger:** India is one of the world's few countries with a power deficit; it is facing a shortfall of around 11% or 85bn units of electricity a year. With India's strong economic growth, we expect electricity demand to grow strongly; capacity addition of over 160GW is expected by 2017. This presents a significant opportunity for private players that 'get it right'.

Outlook

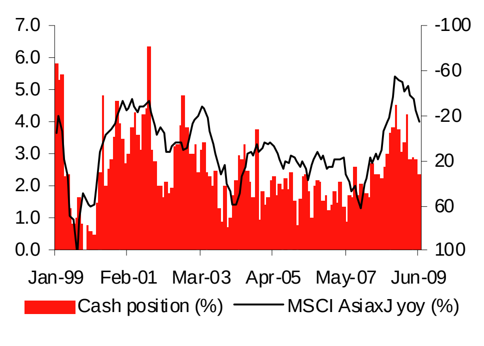
- **Execution risks:** With few major projects still being finalised, projects could be delayed or cancelled due to the large number of regulatory approvals required.
- **Operational risks:** Changes in regulations could impact tariffs; conflict of interest with group companies
- **Financial risks**: With high debt equity ratios, the financial risk multiplies for power projects with long gestation periods.

ASIA

Asia strategy

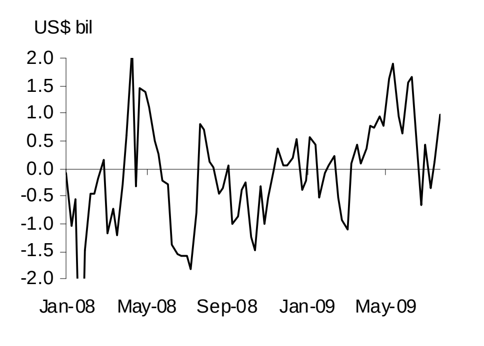
27 July 2009

Fund managers aggressively trim cash holdings



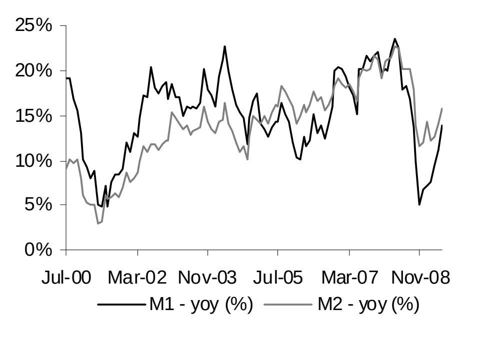
Source: MSCI, EPFR, Macquarie Research, July 2009

Net inflows - Asia ex Japan funds



Source: EPFR, Macquarie Research, July 2009

Money supply - Asia ex Japan



Source: CEIC, Macquarie Research, July 2009

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Fund flow tracker - When depositors become investors

Event

- **Liquidity returns to Asia and global emerging markets.** The latest fund flow numbers, for the week ending 22 July, show that liquidity returned to Asia ex Japan and global emerging markets with net weekly inflows of US$973.2m and US$1,084m, respectively. This reversed the recent net outflow trend of the past four weeks.
- **Greater China funds (China, HK + Taiwan), saw their biggest inflows since Dec-07 (US$213.3m)**. In other words, sentiment towards China remains very positive, with investors looking to achieve a broad and diversified exposure.

Outlook

- In our view, the market conditions continue to be driven by liquidity rather than fundamental factors. Importantly, foreign investors are not the only source of liquidity. Domestic sources are also playing an important role:
  - ⇒ **Depositors are switching from time deposits into demand deposits.**
    - o **Interest rate differentials between time and demand deposits narrowing.** With the opportunity cost of liquidity low, a greater proportion of funds are moving to liquid assets (ie, demand deposits). Unsurprisingly, M1 growth has been outpacing M2 growth in most economies across Asia.
  - ⇒ **Liquidity conditions are often a function of economic fundamentals.** But in the very near term, there is the obvious potential for more money to chase equities despite what we see as elevated valuations:
    - o **The yield gap between the earnings yield and the deposit rate expanded to an historical high.** Despite elevated valuations, the significant yield differential between equities and bank deposits could induce investors to continue to switch from bank deposits to equities.
    - o **Retail participation could rise further**. The low returns on alternative investments, such as bank deposits, as well as the strong market momentum, were two likely drivers of the increase in retail investor participation.
- These strong liquidity conditions are pushing Asian equities to stretched valuation levels, in our view. We think a strong recovery in global final demand is now priced in. While hard signs of demand recovery are absent (as they are at present), we would 'lean into' the current rally, progressively reducing beta as equity markets move further and further away from levels justified by economic fundamentals.

Tuesday 28 July 2009

LME cash price

	US ¢/lb	% Change day on day
Aluminium	81.8	0.7
Copper	253.8	1.4
Lead	78.3	0.1
Nickel	765.8	1.1
Tin	674.3	0.4
Zinc	76.4	1.0

Other prices

		% Change day on day
Gold ($/oz)	955.00	0.4
Silver ($/oz)	14.06	2.0
Platinum ($/oz)	1211.00	2.1
Palladium ($/oz)	261.00	1.2
Oil WTI	67.85	2.3
Cobalt (99.8%)	19.00	0.0
$US/€ exchange rate	1.42	0.0
US$/A$ exchange rate	0.82	0.6

LME/COMEX stocks

	Tonnes	Change
LME Aluminium	4,554,475	1,950
Nymex Aluminium	9,830	0
Nymex Al. Pieces	39,381	-78
LME Copper	277,425	3,475
Comex Copper	51,509	-174
Lead	95,650	150
Nickel	106,968	-24
Tin	18,210	-65
Zinc	360,400	7,650

Source: LME, Comex, Nymex, SHFE, Metal Bulletin, Reuters, LBMA, Macquarie Research

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Commodities Comment

Strong Chinese demand – with some stock building

Feature article

- Our calculations of apparent demand for China (calculated from production plus net imports minus any reported stock change) indicate that Chinese metals demand growth continued to accelerate in June, with most commodities hitting a record-high level of apparent demand.

Latest news

- Copper led the base metals higher on Monday, up 1.4% with the aid of positive US housing sales data. Nickel and zinc were up 1.1% and 1.0%, respectively, while there were more modest gains for aluminium, tin and lead.
- US new home sales rose 11% MoM in June to an annualised rate of 384,000, the highest rate of sales since November 2008. Housing starts also rose 3.6% MoM. The stock of new homes for sale at the end of June was 281,000, or eight months of supply at the current rate of sales. June's rate of new home sales remained down 21.3% YoY.
- China Nonferrous Metal Mining Corp. (CNMC) plans to start building its 60ktpa Muliashi copper mine in Zambia in January of next year. Mine development was abandoned by the Luanshya Copper Mines (LCM) JV in December of last year. Subsequently, CNMC acquired an 85% share in LCM and pledged to invest $400m in mine development. Our copper supply forecast includes Muliashi production from the second half of 2012.
- Alpha Natural Resources said on Monday that its coal production in 2009 could fall 2–3mst below its previous guidance of 22mst, as coal sales dropped 41% YoY and 17% QoQ during 2Q09. However, it also said that it was keeping production options open as it looked to growing international demand for its coal. Alpha's metallurgical coal exports jumped 600kst in June over May as global demand started to pick up. Alpha's metallurgical coal shipments for 1H09 were down 41% YoY, with thermal sales down 23%.
- North American shipments of replacement car batteries in May rose 2.2% MoM but were down 5.3% YoY, according to Battery Council International. For the year through May, replacement battery shipments fell 1.94%. In contrast, new battery demand fell 14.6% MoM and 40% YoY in May and was down 39.3% YoY for the year through May.

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INDIA

Market performance

28 July 2009

Including the quarterly results calendar

Market performance

	Last	% chg 1D	% chg YTD
BSE Sensex	15,375	0.0	59.4
NSE NIFTY	4,572	0.1	54.5
CNX Mid-cap	5,840	1.2	56.3
S&P 500	979	0.3	8.4
NASDAQ	1,966	-0.4	24.7
FTSE 100	4,578	0.0	3.3
NIKKEI - 225	10,089	1.4	13.9

Source: Bloomberg, Macquarie Research, July 2009

Fixed income, currencies, commodities

	Last	% chg 1D	% chg YTD
10-year govt bond	7.1	0.4	41.4
Interbank rate	3.3	0.0	-50.0
US$1 = Rs	48.2	0.1	1.3
Gold (US$/oz)	955.4	0.4	8.3
Crude (US$/bbl)	69.9	0.3	67.4

Source: Bloomberg, Macquarie Research, July 2009

ADR/GDR (US$)

	Last price	% chg 1D	Prem/Disc
Tata Motors	10.1	6.6	30.2
MTNL	4.3	3.2	-1.6
Satyam	5.1	2.6	19.8
Dr Reddy	16.6	1.8	-2.0
Wipro	14.1	0.9	47.4
Cognizant Technologies	30.4	0.9	NA
Infosys	42.4	0.4	0.7
SBI (GDR)	71.5	-0.3	0.6
Reliance Industries (GDR)	81.8	-0.8	1.5
Rediff.com	2.8	-2.4	NA
Satyam Infoway	1.8	-3.2	NA
HDFC Bank	96.0	-4.2	7.6
ICICI Bank	31.6	-5.1	0.5
Ranbaxy (GDR)	5.6	-6.7	-1.6

Source: Bloomberg, Macquarie Research, July 2009

Daily net flows (US$m)

	Date	Last	MTD	YTD
Foreign funds equity (Net)	24/07/2009	21.8	1364.0	6896.9
Indian Mutual funds equity (Net)	23/07/2009	3.4	292.2	851.7
FII Net stock futures	24/07/2009	-6.5	1271.3	-1367.6
FII Net index futures	24/07/2009	-6.5	371.9	-1065.8

Source: Bloomberg, Macquarie Research, July 2009

Derivatives (open interest)

(US$)	Last	% chg 1D	% chg YTD
Stock futures (24/07)	5580.4	3.5	99.6
Index futures (24/07)	2882.6	4.5	43.4

Market turnover

	US$ m	% chg 1D
BSE turnover	1,395	-15.5
NSE turnover	3,979	-6.7

BSE (Top 5)

Top Gainers	Last price	% chg 1D
HLL	299.7	6.0
DLF	411.4	4.5
Tata Steel	458.8	3.7
ITC	238.9	2.9
BHEL	2260.8	2.3

BSE (Bottom 5)

Reliance	1940.7	-3.8
ONGC	1096.2	-2.6
HDFC Corp.	2356.7	-2.4
Ranbaxy	274.1	-2.2
Mahindra & Mahindra	816.6	-1.7

Source: Bloomberg, Macquarie Research, July 2009

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1Q FY10 results calendar

Mon	Tue	Wed	Thurs	Fri	Sat	Sun
13 July	**14 July**	**15 July**	**16 July**	**17 July**	**18 July**	**19 July**
Axis Bank	Power Finance Corp	IDBI	Bajaj Auto	TCS	Gujarat NRE Coke	
	HDFC Bank		Larsen & Toubro	Crompton Greaves India	Petronet LNG	
			Zee Entertainment			
20 July	**21 July**	**22 July**	**23 July**	**24 July**	**25 July**	**26 July**
IDFC	Dr. Reddy's Laboratories	HDFC	ACC	Mahindra Lifespace Developers	Jaiprakash Associates	
JSW Steel	Ultratech Cements	BHEL	Maruti Suzuki India	Ranbaxy Laboratories	Tata Communications	
		India Cements	ONGC	GAIL		
		Wipro	ITC			
			Union Bank of India			
			Zee News			
27 July	**28 July**	**29 July**	**30 July**	**31 July**	**01 Aug**	**02 Aug**
Dabur	Bharat Petroleum Corporation	Hero Honda	Indian Oil Corporation	ABB India		
Titan Industries	Mundra Port & Special Economic Zone	Cairn India	State Bank of India	MTNL		
Ashok Leyland	GVK Power and Infrastructure	Punjab National Bank	Ansal Properties & Infrastructure	OnMobile Global		
Bank of India	GMR Infrastructure	Cipla	Indiabulls Real Estate	Aban Offshore		
Bank of Baroda	Grasim Industries	Akruti City	Nagarjuna Construction	ICSA		
Glaxosmithkline Pharmaceuticals	Kotak Mahindra Bank	Hindustan Petroleum Corporation	Raymond	National Aluminium Company		
Punj Lloyd	Hindustan Unilever	IVRCL		Reliance Capital		
Tata Motors	Provogue	Jindal Steel and Power		Suzlon Energy		
		NIIT		Syndicate Bank		
		Tata Steel		Unitech		
03 Aug	**04 Aug**	**05 Aug**	**06 Aug**	**07 Aug**	**08 Aug**	**09 Aug**
Rolta India						
10 Aug	**11 Aug**	**12 Aug**	**13 Aug**	**14 Aug**	**15 Aug**	**16 Aug**
17 Aug	**18 Aug**	**19 Aug**	**20 Aug**	**21 Aug**	**22 Aug**	**23 Aug**
24 Aug	**25 Aug**	**26 Aug**	**27 Aug**	**28 Aug**	**29 Aug**	**30 Aug**
31 Aug						

Source: Macquarie Research, July 2009

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie – Asia/Europe
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie First South - South Africa
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA
Outperform (Buy) – return >5% in excess of benchmark return (Russell 3000)
Neutral (Hold) – return within 5% of benchmark return (Russell 3000)
Underperform (Sell)– return >5% below benchmark return (Russell 3000)

Recommendations – 12 months
Note: Quant recommendations may differ from Fundamental Analyst recommendations

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
* Applicable to Australian/NZ/Canada stocks only

Financial definitions

All "Adjusted" data items have had the following adjustments made:
Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*
ROA = adjusted ebit / average total assets
ROA Banks/Insurance = adjusted net profit /average total assets
ROE = adjusted net profit / average shareholders funds
Gross cashflow = adjusted net profit + depreciation
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 30 June 2009

	AU/NZ	Asia	RSA	USA	CA	EUR
Outperform	40.38%	48.53%	40.00%	44.02%	57.42%	40.20%
Neutral	39.25%	17.08%	45.00%	37.45%	32.90%	39.21%
Underperform	20.38%	34.40%	15.00%	18.53%	9.68%	20.59%

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Sheila Schroeder (San Francisco)	(1 415) 835 1235
John Sim (Singapore)	(65) 6231 2888

Regional Heads of Sales cont'd

Angus Kent (Thailand)	(662) 694 7601
Michael Newman (Tokyo)	(813) 3512 7920
Charles Nelson (UK/Europe)	(44) 20 3037 4832
Rob Fabbro (UK/Europe)	(44) 20 3037 4865
Nick Ainsworth (Generalist)	(852) 3922 2010

Sales Trading

Adam Zaki (Asia)	(852) 3922 2002
Mike Keen (Europe)	(44) 20 3037 4905
Mona Lee (Hong Kong)	(852) 3922 2085
Brendan Rake (India)	(9122) 6653 3204
Stanley Dunda (Indonesia)	(6221) 515 1555
Mario Argyrides (Korea)	(822) 3705 8610

Sales Trading cont'd

Edward Robinson (London)	(44) 20 3037 4902
Thomas Chin (Malaysia)	(603) 2059 8888
Robert Risman (New York)	(1 212) 231 2555
Matthew Ryan (Singapore)	(65) 6231 2888
Isaac Huang (Taiwan)	(8862) 2734 7582
Jon Omori (Tokyo)	(813) 3512 7838

Alternative Strategies

Convertibles - Roland Sharman	(852) 3922 2095
Depository Receipts - Robert Ansell	(852)3922 2094
Derivatives - Wayne Edelist	(852) 3922 2134
Futures - Tim Smith	(852) 3922 2113
Structured Products - Andrew Terlich	(852) 3922 2013