

**India Market Strategy -----Maintain OVERWEIGHT****For beta, consider stocks geared up to secure funds from capital markets**

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- We strongly believe that Indian fundamental story in 2008 got derailed because highly geared and negative cash flow business groups could no longer raise money in capital markets.
- If this fact is changed over the coming months, and Indian companies succeed in raising US\$10-15 bn over the next few months, even if equity markets were to reverse later in the year on global factors or on domestic policy tightening, corporate fundamentals could be on the way for the market to be substantially higher in 2010.
- Many companies have started preparing plans for tapping capital markets with fresh equity issues in coming months. We count large cap fund raising plans of over US\$6 bn based on our newspaper reading over the last few days.
- Investors who are confident of the political outcome and global rally, and hence looking to add beta to the portfolio, should pick from the list of companies about to finish funding. Some of those who need money are likely to be quicker, more efficient and less valuation demanding than others. Those who succeed will have their long-term business fundamentals changed even if equity markets were to reverse again.

**Primary issuances: risks or an opportunity?**

It is generally assumed that if too many corporates issue equities to raise money in a roaring stock market, the market at some point would stop going up and might even come down. This argument is generally seen as valid with hindsight but it is never easy to forecast how much a rising market would be able to absorb in new shares before getting tired.

Whether the current rally in Indian market continues or not depends on global markets, election results and pre-budget expectations – all fairly unpredictable for local analysts. However, one must note the fundamental changes being brought about by markets' moves – if a large group of companies end up reducing their gearing by issuing equities in this market rise, prospects improve fundamentally for 2010.

This argument is valid both at macro and micro levels. For example, even if the equities were to plunge immediately, companies that have finished raising money have their prospects changed irreversibly already. Investors who are positive on the outcome of the wild card factors cited above should look for companies about to raise money.

**Figure 1: Capital raising plans of US\$6 bn reported over the last few weeks**

Company	BB code	Sector	Mkt cap (US\$ mn)	Likely amount	Source (newspaper)	Date	Comments
Aditya Birla Nuvo	ABNL IN	Diversified	1,074	300	Business Standard	4-May	Plans to raise fresh equity of about Rs1.5 bn mainly to finance the group's life insurance business
Bajaj Hindusthan	BJH IN	Sugar	248	300	Exchange filing	21-Apr	Shareholders authorised the board to issue securities in one or more tranches for up to Rs15 bn to reduce debt
GMR Infra	GMRI IN	Construction	4,379	600	Economic Times	4-May	Planning to raise up to Rs30 bn via private equity route
India Bulls Real Estate	IBREL IN	Real estate	725	600	Exchange filing	24-Apr	Board had approved a plan to raise Rs30 bn through QIP of securities
Jaiprakash Associates	JPA IN	Construction	3,593	800	Exchange filing	27-Apr	Has decided to raise Rs40 bn through the issue of NCDs for funding capex and long-term working capital.
Pantaloon Retail	PF IN	Retail	707	300	Exchange filing	13-Apr	To raise about Rs15 bn through a mix of preferential allotment of shares to promoters and PE funding
Power Grid	PWGR IN	Utilities	7,997	600	Economic Times	21-Apr	Plans to raise Rs90 bn in three tranches - Rs30 bn each in two bond issuances first of which is likely before September and Rs30 bn in fresh equity
Sobha Developers	SOBHA IN	Real estate	160	150	Exchange filing	4-May	Board has adopted a resolution to raise Rs7.5 bn capital
Suzlon	SUEL IN	Industrials	2,092	80	Economic Times	16-Apr	Negotiating to raise nearly US\$80 mn to increase its stake in REpower
Tata Motors	TTMT IN	Autos	2,401	750	Economic Times	28-Apr	Tata Motors plans to raise Rs37.5 bn by May to part finance the JLR acquisition
Tata Steel	TATA IN	Metals	4,047	1,000	CS report	30-Apr	CS analyst Neelkanth Mishra expects equity issuance by Tata Steel in line with capital raising by ArcelorMittal and US Steel
Tech Mahindra	TECHM IN	IT services	857	120	Exchange filing	17-Apr	Has allotted Non-Convertible Debentures (NCDs) aggregating Rs6 bn to help finance the Satyam acquisition
Unitech	UT IN	Real estate	2,214	325	Exchange filing	23-Apr	Completed. Has raised Rs16.2 bn at Rs38.50 per share through a QIP issue
IPOs in pipeline	Adani Power, NHPC, Oil India						

Source: Newspaper reports, NSE filings, Credit Suisse estimates.

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**Companies Mentioned** (Price as of 04 May 09)

Aditya Birla Nuvo Ltd (ABRL.BO, Rs556.00, NOT RATED)  
 Bajaj Hindusthan Limited (BJHN.BO, Rs82.05, NEUTRAL [V], TP Rs75.00)  
 Indiabulls Real Estate Limited (INRL.BO, Rs132.50, NEUTRAL [V], TP Rs110.00)  
 Jaiprakash Associates Ltd. (JAIA.BO, Rs147.00, NEUTRAL [V], TP Rs123.00)  
 Sobha Developers Ltd (SOBH.BO, Rs103.05, NEUTRAL [V], TP Rs75.00)  
 Suzlon Energy Ltd (SUZL.BO, Rs66.00, OUTPERFORM [V], TP Rs148.53)  
 Tata Motors Ltd. (TAMO.BO, Rs259.00, NEUTRAL [V], TP Rs152.87)  
 Tata Steel Ltd (TISC.BO, Rs264.15, OUTPERFORM [V], TP Rs290.00)  
 Tech Mahindra Limited (TEML.BO, Rs334.00, UNDERPERFORM [V], TP Rs300.00, MARKET WEIGHT)  
 Unitech Ltd (UNTE.BO, Rs48.80, NEUTRAL [V], TP Rs26.00)  
 GMR Infrastructure (GMRI IN, Rs116.6, NOT RATED)  
 Pantaloon Retail (PF IN, Rs216.4, NOT RATED)  
 Power Grid Corporation of India (PWGR IN, Rs94.05, NOT RATED)

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