

# Interim Budget 2009-10

## Much ado about nothing

- **Status Quo on policy and taxes:** Absolutely no new measures – neither tax nor non-tax – announced in the Interim Budget FY2009-10. The government sticks to constitutional propriety and tradition, leaving all tax and policy decisions to the future government.
- **Expenditure on pet schemes continues:** Allocation to the existing central government schemes such as NREGS, JNURM, RIDF, etc continued. This ensures no stoppage of work and payments to beneficiaries till a new government takes charge.
- **Deficit soars:** Fiscal deficit for FY09 projected at Rs3,265bn or 6.5% of GDP (Rs4,319bn or 8.6% of GDP including Off-Balance Sheet items). The numbers are staggering, but the risk of private-sector crowding out are limited, given the ample systemic liquidity and further monetary tools available with RBI.
- **Focus will revert to global cues, corporate developments and politics:** All hopes of any policy action are put to rest for at least another four months. The focus of the market will revert to global cues, corporate developments and, not in the least, politics.

# Highlights

- **No new measures:** In keeping with the tradition (if not Constitutional Law), the UPA government refrained from making any changes in taxes and expenditure plans. All changes effected before the budget have been taken into account in the estimates provided in the budget.
- **Focus on government's 'achievements' of past five years:** With no new announcements, the minister simply used the budget speech as a platform to enumerate the 'achievements' of the UPA government over the past five years. The period has been marked by a strong economic growth supported by strong global economic conditions and liberal fiscal policy. However, inflation was high and public debt has increased during this government's term.
- **Existing schemes continued:** In order to ensure continuity of work and payments to beneficiaries and vendors, allocation to most of the key UPA government schemes such as NREGS, JNURM, RIDF, etc. has been continued at the revised estimates.
- **Revenues sink, expenditure soars, deficit widen dramatically:** Total revenues for FY08-09 are expected to grow at 7.1% YoY (7% lower than estimated) and expenses are expected to grow by 27% YoY (20% higher than originally estimated). As a result, the reported fiscal deficit will rise to 6.5% of GDP. Actual deficit (incl Oil and other subsidies) will rise to 8.6% of GDP or Rs4,319bn.
- **Growth assumptions are incredulous:** In making its forecasts, the finance ministry has assumed nominal GDP to grow by 10.9% YoY in FY10. Assuming inflation at about 3% for the year, the real GDP growth assumption is nearly 8%. This is nearly impossible to achieve, given the dramatic global slowdown and poor expected performance of key sectors of the domestic economy.
- **Hint of possible measures if voted back to power:** Despite refraining from announcing any new measures, the minister did hint at higher government spending if voted back to power saying that Plan spending may need to be increased by 0.5-1.0% of GDP, given the slowdown.

# Fiscal Snapshot

Rs. Billion	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	YoY gr.	2009-10	YoY gr.
						Revised Est.		Budget Est.	
Revenue Receipts	2,639	3,009	3,475	4,344	5,251	5,622	7.1%	6,096	8.4%
<i>% of total receipts</i>	56.0%	59.5%	68.7%	74.5%	74.0%	62.4%		63.9%	
Tax Revenues (net to centre)	1,870	2,258	2,703	3,512	4,318	4,660	7.9%	4,976	6.8%
Non-Tax Revenues	769	751	772	832	933	962	3.1%	1,120	16.4%
Capital Receipts	2,075	2,049	1,587	1,490	1,843	3,388	83.8%	3,437	1.4%
<i>% of total receipts</i>	44.0%	40.5%	31.3%	25.5%	26.0%	37.6%		36.1%	
<b>Total Receipts</b>	<b>4,714</b>	<b>5,058</b>	<b>5,061</b>	<b>5,834</b>	<b>7,094</b>	<b>9,010</b>	<b>27.0%</b>	<b>9,532</b>	<b>5.8%</b>
Non-Plan Expenditures	3,491	3,684	3,655	4,135	5,018	6,180	23.1%	6,681	8.1%
<i>% of total exp.</i>	74.1%	72.8%	72.2%	70.9%	70.7%	68.6%		70.1%	
On Revenue Account	2,835	2,964	3,279	3,722	4,130	5,618	36.0%	5,997	6.8%
On Capital Account	656	720	376	413	889	562	-36.8%	683	21.6%
Plan Expenditure	1,223	1,374	1,406	1,699	2,075	2,830	36.3%	2,851	0.8%
<i>% of total exp.</i>	25.9%	27.2%	27.8%	29.1%	29.3%	31.4%		29.9%	
On Revenue Account	786	897	1,119	1,424	1,756	2,417	37.6%	2,483	2.8%
On Capital account	436	477	288	274	319	413	29.4%	368	-10.9%
<b>Total Expenditure</b>	<b>4,714</b>	<b>5,058</b>	<b>5,061</b>	<b>5,834</b>	<b>7,094</b>	<b>9,010</b>	<b>27.0%</b>	<b>9,532</b>	<b>5.8%</b>
Revenue Expenditure	3,621	3,861	4,398	5,146	5,886	8,034	36.5%	8,481	5.6%
Capital Expenditure	1,092	1,197	664	688	1,208	975	-19.3%	1,051	7.8%
<b>As per above statements</b>									
Revenue Deficit	983	852	923	802	635	2,413	280.0%	2,385	-1.1%
<i>% of GDP</i>	3.6%	2.7%	2.6%	2.0%	1.4%	4.4%		4.0%	
Fiscal Deficit	1,233	1,392	1,464	1,426	1,437	3,265	127.3%	3,328	1.9%
<i>% of GDP</i>	4.5%	4.5%	4.1%	3.7%	3.1%	6.5%		5.5%	
Primary Deficit	(8)	133	138	(77)	(283)	1,338		1,073	
<i>% of GDP</i>	0.0%	0.0%	0.0%	0.1%	-0.6%	-2.5%		-1.8%	
Off balance sheet items					695	1054		320	
Oil Bonds					370	659		170	
Others items					325	395		150	
<b>Fiscal Deficit (including off balance sheet)*</b>					<b>2,132</b>	<b>4,319</b>		<b>3,648</b>	
<i>% of GDP</i>					4.6%	8.6%		6.0%	

An expanding FD is likely to put stress on our Sovereign ratings

# Expenditure Budget

Rs. Billion	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	YoY gr.	2009-10	YoY gr.
<b>Revenue expenditure</b>								<b>Revised Est.</b>	<b>Budget Est.</b>
Interest payments	1,205	1,259	1,300	1,462	1,720	1,927	12.1%	2,255	17.0%
Defence	434	435	486	515	548	736	34.3%	869	18.0%
Subsidies	447	465	469	535	697	1,292	85.3%	1,009	-21.9%
Others	762.23	804.6	1006.11	1109.86	1164.67	1662.53	42.7%	1864.14	12.1%
<b>Total revenue non-plan expenditure</b>	<b>2,848</b>	<b>2,964</b>	<b>3,261</b>	<b>3,622</b>	<b>4,130</b>	<b>5,618</b>	<b>36.0%</b>	<b>5,997</b>	<b>6.8%</b>
<i>% of total expenditure</i>	<i>60.1%</i>	<i>58.6%</i>	<i>64.1%</i>	<i>62.3%</i>	<i>58.2%</i>	<i>62.4%</i>		<i>62.9%</i>	
<b>Capital expenditure</b>									
Defence	169	335	331	345	377	410	8.7%	548	33.7%
Other expenditures	510	385	57	123	512	152	-70.3%	135	-11.1%
<b>Total capital non-plan expenditure</b>	<b>679</b>	<b>720</b>	<b>388</b>	<b>467</b>	<b>889</b>	<b>562</b>	<b>-36.8%</b>	<b>683</b>	<b>21.6%</b>
<i>% of total expenditure</i>	<i>14.3%</i>	<i>14.2%</i>	<i>7.6%</i>	<i>8.0%</i>	<i>12.5%</i>	<i>6.2%</i>		<i>7.2%</i>	
<b>Total non-plan expenditure</b>	<b>3,527</b>	<b>3,684</b>	<b>3,649</b>	<b>4,089</b>	<b>5,018</b>	<b>6,180</b>	<b>23.1%</b>	<b>6,681</b>	<b>8.1%</b>
<i>% of total expenditure</i>	<i>74.4%</i>	<i>72.8%</i>	<i>71.7%</i>	<i>70.3%</i>	<i>70.7%</i>	<i>68.6%</i>		<i>70.1%</i>	
<b>Plan expenditure</b>									
<b>Revenue expenditure</b>									
Central plan	528	598	828	1,040	1,240	1,716	38.4%	1,763	2.7%
Central assistance to state and union territories	253	299	313	405	516	700	35.8%	720	2.8%
<b>Total revenue plan expenditure</b>	<b>781</b>	<b>897</b>	<b>1,142</b>	<b>1,446</b>	<b>1,756</b>	<b>2,417</b>	<b>37.6%</b>	<b>2,483</b>	<b>2.8%</b>
<i>% of total expenditure</i>	<i>16.5%</i>	<i>17.7%</i>	<i>22.4%</i>	<i>24.9%</i>	<i>24.8%</i>	<i>26.8%</i>		<i>26.1%</i>	
<b>Capital expenditure</b>									
Central plan	201	227	244	225	246	325	31.9%	321	-1.2%
Central assistance to state and union territories	233	250	52	57	73	88	20.9%	47	-46.7%
<b>Total capital plan expenditure</b>	<b>434</b>	<b>477</b>	<b>296</b>	<b>281</b>	<b>319</b>	<b>413</b>	<b>29.4%</b>	<b>368</b>	<b>-10.9%</b>
<i>% of total expenditure</i>	<i>9.2%</i>	<i>9.4%</i>	<i>5.8%</i>	<i>4.8%</i>	<i>4.5%</i>	<i>4.6%</i>		<i>3.9%</i>	
<b>Total plan expenditure</b>	<b>1,215</b>	<b>1,374</b>	<b>1,438</b>	<b>1,727</b>	<b>2,075</b>	<b>2,830</b>	<b>36.3%</b>	<b>2,851</b>	<b>0.8%</b>
<i>% of total expenditure</i>	<i>25.6%</i>	<i>27.2%</i>	<i>28.3%</i>	<i>29.7%</i>	<i>29.3%</i>	<i>31.4%</i>		<i>29.9%</i>	
<b>Total budget support for central plan</b>	<b>728</b>	<b>825</b>	<b>1,073</b>	<b>1,265</b>	<b>1,487</b>	<b>2,041</b>	<b>37.3%</b>	<b>2,085</b>	<b>2.1%</b>
<i>% of total expenditure</i>	<i>15.4%</i>	<i>16.3%</i>	<i>21.1%</i>	<i>21.8%</i>	<i>21.0%</i>	<i>22.7%</i>		<i>21.9%</i>	
<b>Total central assistance for state and plans</b>	<b>487</b>	<b>549</b>	<b>365</b>	<b>462</b>	<b>589</b>	<b>788</b>	<b>33.9%</b>	<b>767</b>	<b>-2.7%</b>
<i>% of total expenditure</i>	<i>10.3%</i>	<i>10.8%</i>	<i>7.2%</i>	<i>7.9%</i>	<i>8.3%</i>	<i>8.7%</i>		<i>8.0%</i>	
<b>Total expenditure</b>	<b>4,743</b>	<b>5,058</b>	<b>5,087</b>	<b>5,816</b>	<b>7,094</b>	<b>9,010</b>	<b>27.0%</b>	<b>9,532</b>	<b>5.8%</b>

Likely to remain high with expanding fiscal deficit

Lower crude and fertiliser prices to be a key positive

Defence spending likely to remain high

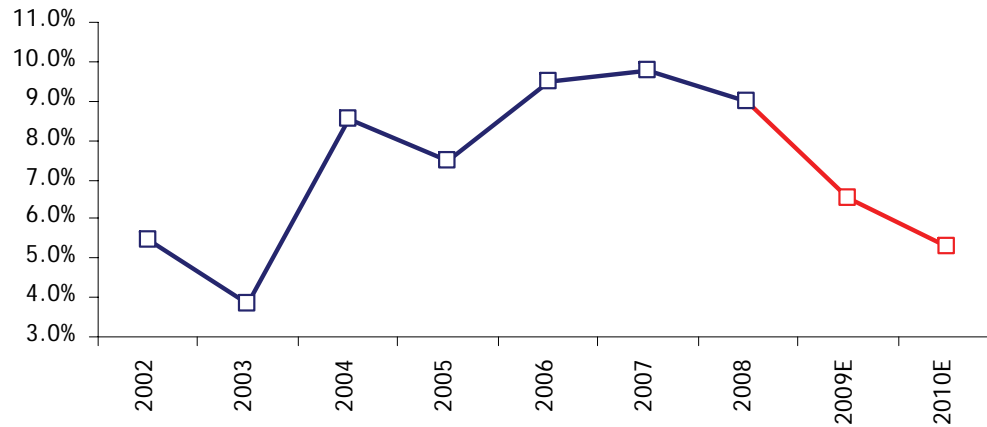
# Receipt Budget

Rs. Billion	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	YoY gr.	2009-10	YoY gr.
<b>Tax revenue</b>						<b>Revised Est.</b>		<b>Budget Est.</b>	
Gross tax revenue	2,543	3,060	3,701	4,678	5,854	6,279	7.3%	6,713	6.9%
Corporation tax	636	830	1,036	1,465	1,861	2,220	19.3%	2,442	10.0%
<i>% of total receipts</i>	13.4%	15.1%	20.4%	25.2%	26.2%	24.6%		25.6%	
Income tax	414	509	662	825	1,183	1,226	3.6%	1,354	10.4%
<i>% of total receipts</i>	8.7%	9.3%	13.0%	14.2%	16.7%	13.6%		14.2%	
Indirect tax	1,494	1,721	2,003	2,388	2,810	2,833	0.8%	2,917	3.0%
<i>% of total receipts</i>	31.5%	31.3%	39.4%	41.0%	39.6%	31.4%		30.6%	
Less surcharge*	16	16	16	15	18	18	0.0%	25	38.9%
Less states share	658	786	944	1,204	1,518	1,602	5.5%	1,712	6.9%
<i>% of total receipts</i>	13.9%	14.3%	18.6%	20.7%	21.4%	17.8%		18.0%	
<b>Net tax revenue</b>	<b>1,870</b>	<b>2,258</b>	<b>2,741</b>	<b>3,460</b>	<b>4,318</b>	<b>4,660</b>	<b>7.9%</b>	<b>4,976</b>	<b>6.8%</b>
<i>% of total receipts</i>	39.5%	41.0%	53.9%	59.5%	60.9%	51.7%		52.2%	
<b>Total nontax revenue</b>	<b>755</b>	<b>751</b>	<b>743</b>	<b>774</b>	<b>933</b>	<b>962</b>	<b>3.1%</b>	<b>1,120</b>	<b>16.4%</b>
<i>% of total receipts</i>	15.9%	13.6%	14.6%	13.3%	13.2%	10.7%		11.7%	
<b>Total revenue receipts</b>	<b>2,625</b>	<b>3,009</b>	<b>3,485</b>	<b>4,233</b>	<b>5,251</b>	<b>5,622</b>	<b>7.1%</b>	<b>6,096</b>	<b>8.4%</b>
<i>% of total receipts</i>	55.4%	54.7%	68.5%	72.8%	74.0%	62.4%	0	63.9%	
<b>Capital receipts</b>									
<b>Non debt receipts</b>	<b>646</b>	<b>616</b>	<b>117</b>	<b>60</b>	<b>406</b>	<b>123</b>	<b>-69.8%</b>	<b>108</b>	<b>-11.6%</b>
<i>% of total receipts</i>	13.6%	11.2%	2.3%	1.0%	5.7%	1.4%		1.1%	
<b>Debt receipts</b>	<b>1,466</b>	<b>1,878</b>	<b>1,485</b>	<b>1,525</b>	<b>1,437</b>	<b>3,265</b>	<b>127.3%</b>	<b>3,328</b>	<b>1.9%</b>
<i>% of total receipts</i>	30.9%	34.1%	29.2%	26.2%	20.3%	36.2%		34.9%	
<b>Total Capital receipts</b>	<b>2,112</b>	<b>2,493</b>	<b>1,602</b>	<b>1,585</b>	<b>1,843</b>	<b>3,388</b>	<b>83.8%</b>	<b>3,437</b>	<b>1.4%</b>
<i>% of total receipts</i>	44.6%	45.3%	31.5%	27.2%	26.0%	37.6%		36.1%	
<b>Total receipts**</b>	<b>4,737</b>	<b>5,502</b>	<b>5,087</b>	<b>5,818</b>	<b>7,094</b>	<b>9,010</b>	<b>27.0%</b>	<b>9,532</b>	<b>5.8%</b>

Revenues have dipped as tax collections are under pressure mainly due to a decline in the corporate profitability and reduction in indirect taxes.

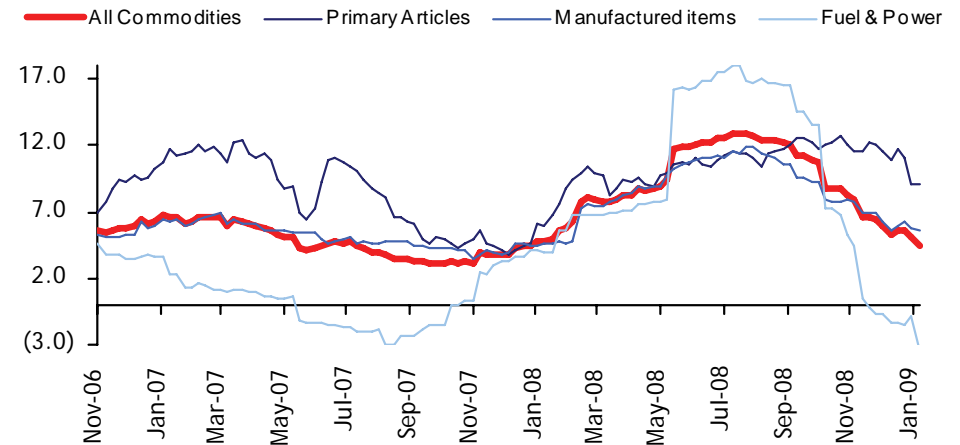
# Key economic metrics over UPA's tenure

## Real GDP growth YoY



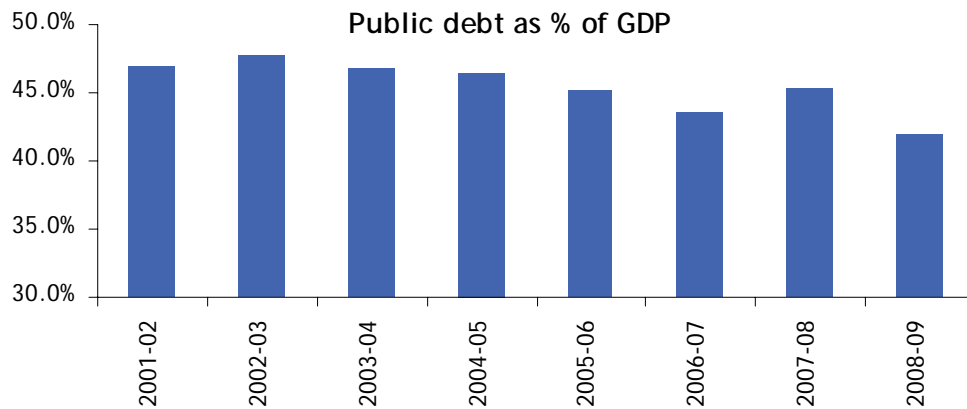
Source: PL Research

## Inflation trend



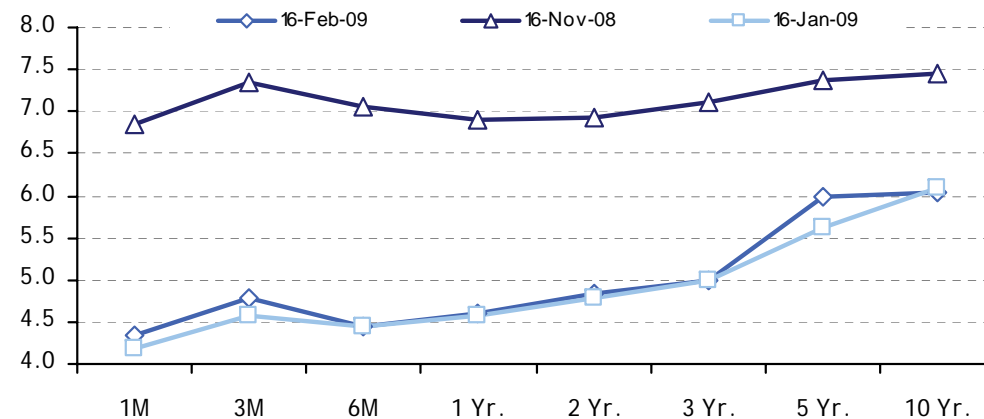
Source: MOSPI

## Public debt as % of GDP



Source: PL Research, Ministry of finance

## Interest rates yield curve

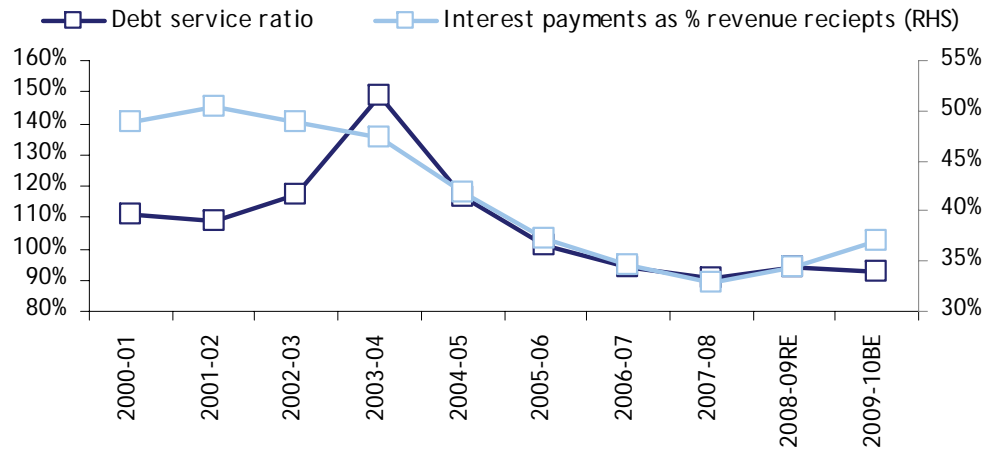


Source: Bloomberg, PL Research

For much of the government's tenure, economic growth has been exceptional, though it was accompanied by high inflation and high public debt. However, the growth in its final year is expected to be the lowest in its tenure.

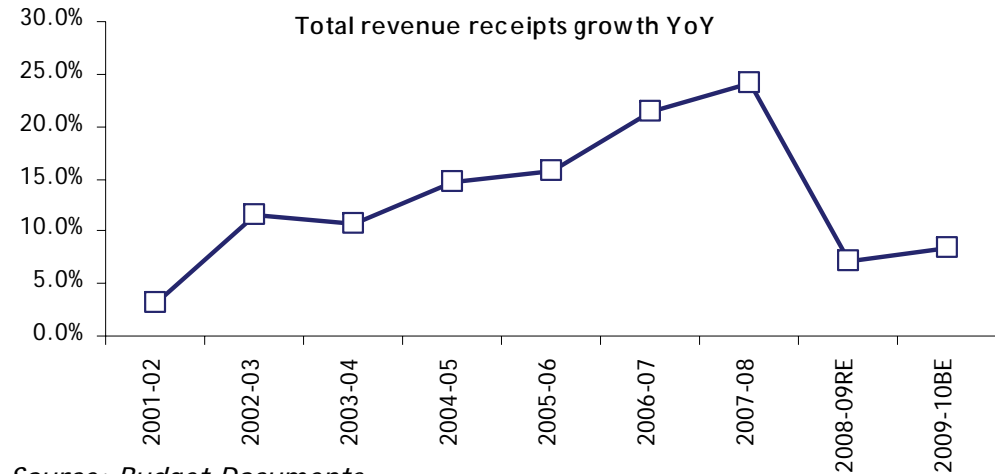
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## Trend in debt service ratio & interest payments



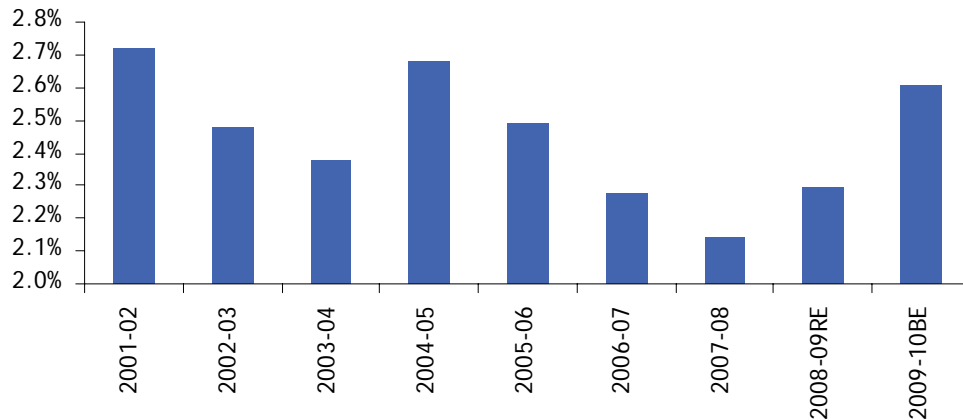
Source: Budget Documents

## Total revenue receipts growth YoY



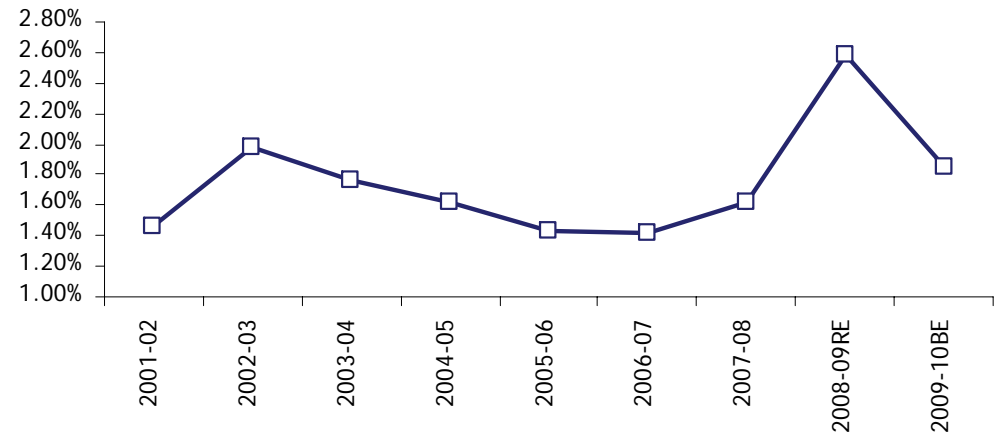
Source: Budget Documents

## Total defence exp as % of GDP



Source: Budget Documents

## Subsidies as % of GDP

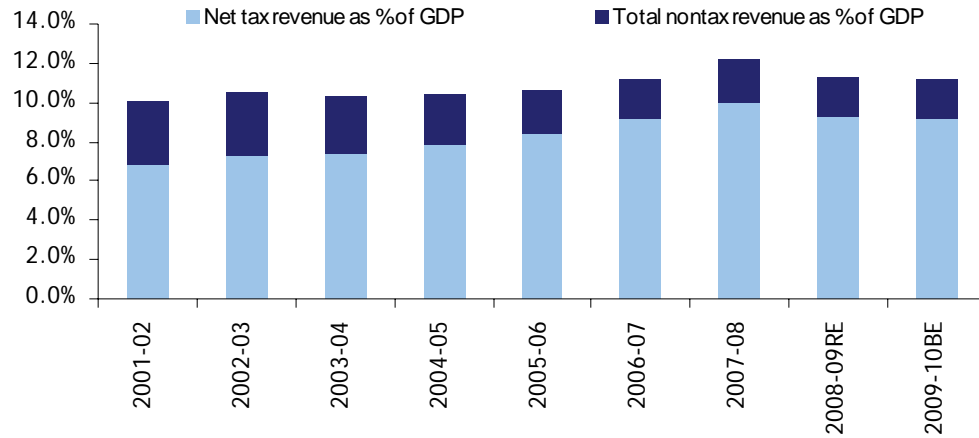


Source: Budget Documents

Interest costs were kept under control despite high interest rates. However, with the massive borrowing ahead, the incoming government has a tough act to replicate. The UPA can be faulted for neglecting defence spending in all but its final budget.

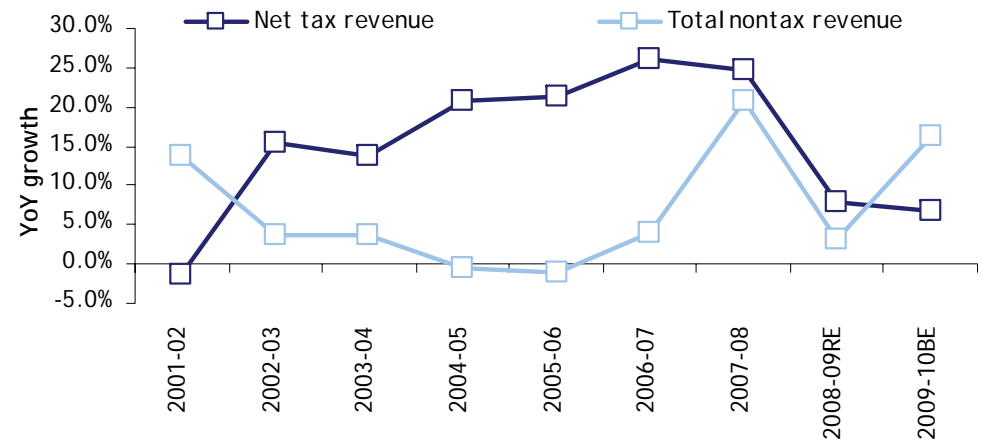
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## Trend in revenues as % of GDP



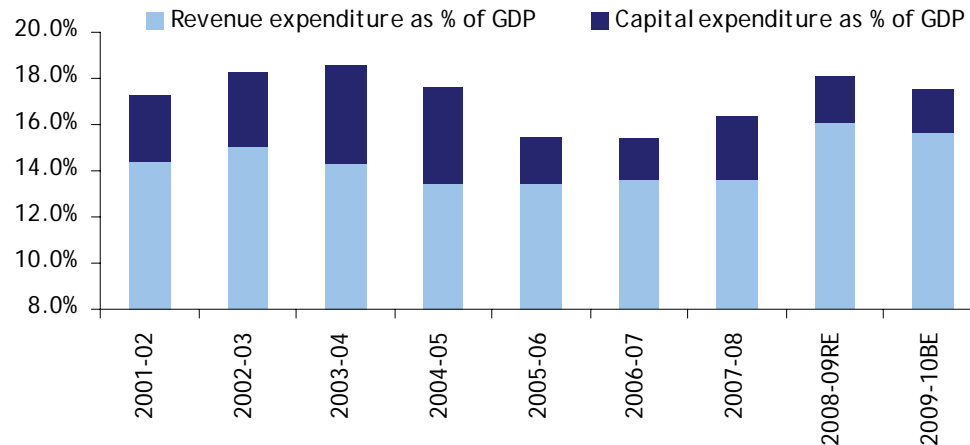
Source: Budget Documents

## Revenue growth YoY



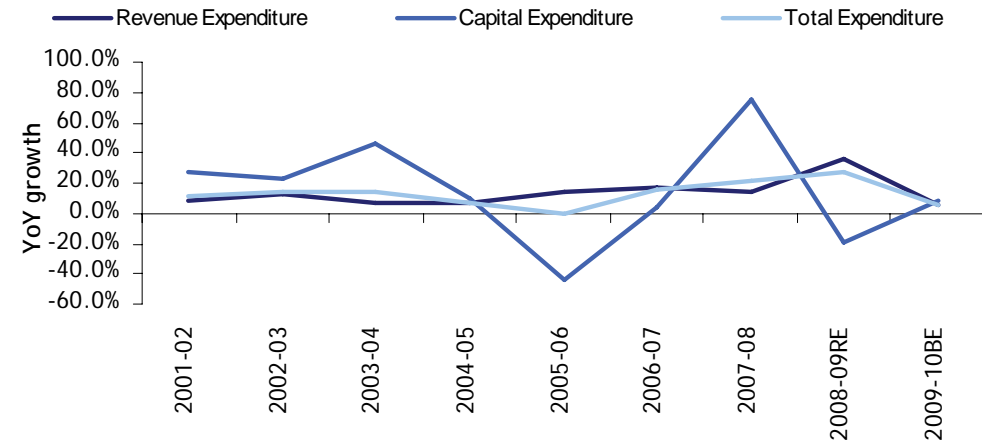
Source: Budget Documents

## Trend in expenditures as % of GDP



Source: Budget Documents

## Expenditure growth YoY



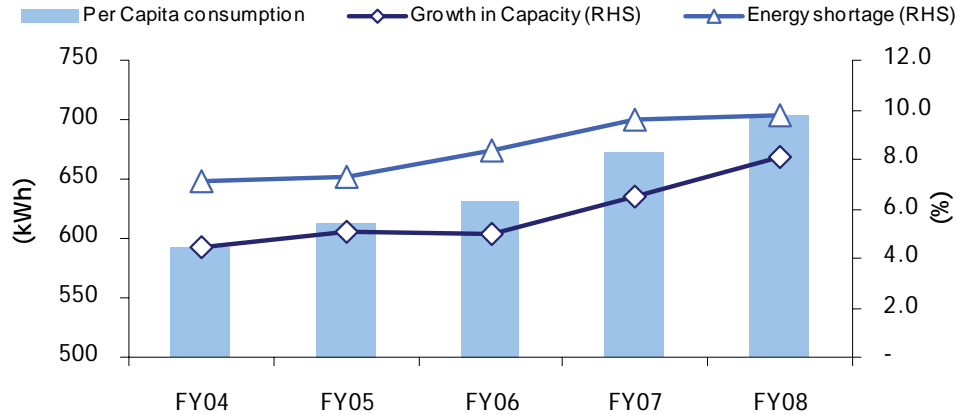
Source: Budget Documents

Tax revenues remained buoyant in all, but the government's final year and expenditure too was kept under control for most part. However, the score card on capital spending is poor, while revenue expenditure continued unabated.



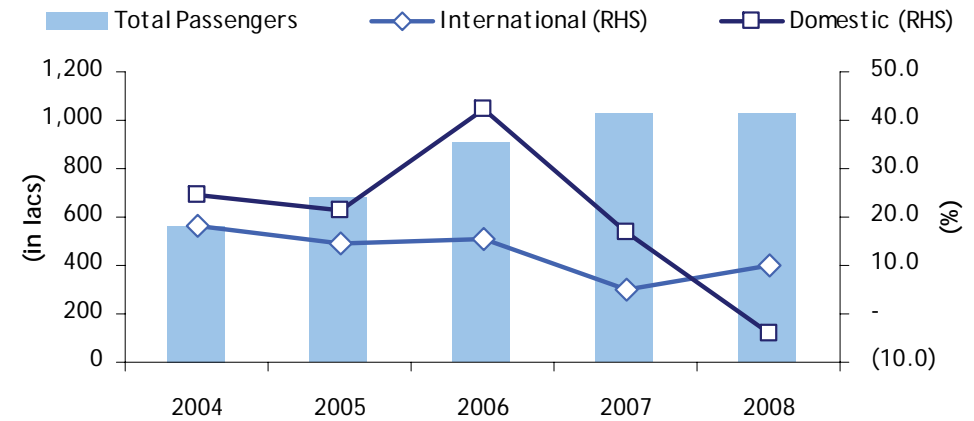
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## Power Generation Trend



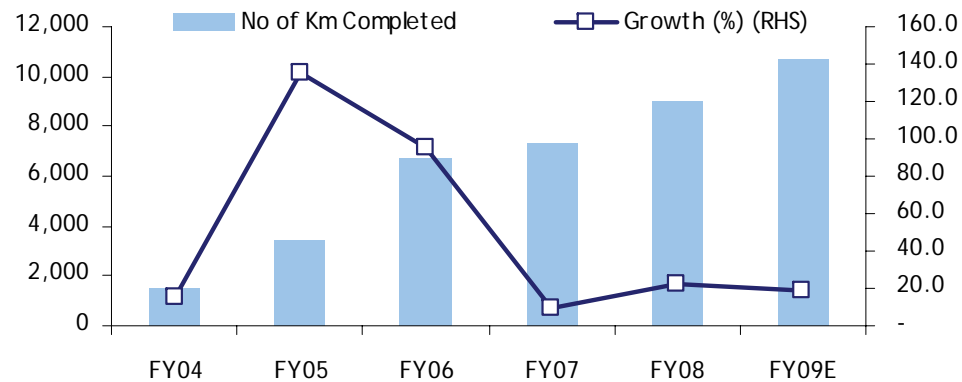
Source: CEA, PL Research

## Air Traffic Trend



Source: AAI, PL Research

## NHAI addition in road length



Source: NHAI, PL Research

Performance on key infrastructure indicators is poor. Power deficit increased almost every year. The highway building programme has faltered, air traffic trends are not encouraging and even increase irrigation cover remains unimpressive.

# Conclusion

- **Focus away from policy action:** It is clear that no further policy action is likely to come from the Union Government, given that this is the last sitting of the current Lok Sabha and the administration will get into the election mode in the next couple of weeks. The electoral code of conduct (which restricts the government from taking any decision that can potentially influence voters) will also be applicable in a few weeks.
- **Global cues, corporate developments and politics will drive markets:** We, thus expect the focus of the market to shift back to global cues, corporate developments and, not in the least, politics. Global cues are mixed at best, corporate news flow mostly negative and electoral politics remains intelligent guesswork at best. Thus, our view that markets will remain range bound (Sensex between 8500-11000) still stands.
- **Despite high fiscal deficit, interest rates will remain muted:** It is quite clear that containing the fiscal deficit is unlikely to be on the near-term priority of this or any future government. To the extent that this does not result in downgrading of the sovereign rating of India (affecting private sector more than the government), we agree with this policy. We believe that despite the high deficit and consequent government borrowing, interest rates are likely to remain muted throughout the year, given the low credit demand and ample firepower with the RBI to maintain easy systemic liquidity.
- **Still prefer interest-sensitive, consumer focused and infrastructure-related sectors:** Our preference for interest rate sensitive, consumer focused and infrastructure-related sectors remains unchanged. We continue to like Autos, Banks, Telecom, Consumer Staples, Power Equipments, Oil & Gas and Sugar.
- **Top Picks:** Maruti, BHEL, Hero Honda, HDFC Bank, Axis Bank, SBI, Bharti Airtel, BPCL, Sun Pharma, Renuka Sugars, Great Offshore, Zee News.

# PL Coverage Universe (Ratings, Financials & Valuations)

	Rating	Price (Rs)	Shares O/s (mn)	Revenues (Rs bn)				EPS (Rs)				RoCE (%)	PER (x)		P/B (x)	P/S (x)
				FY08	FY09E	FY10E	FY11E	FY08	FY09E	FY10E	FY11E	FY10E	FY10E	FY11E	FY10E	FY10E
<b>Automobiles</b>																
Ashok Leyland	Reduce	16	1,330	77.3	59.7	63.0	72.0	3.6	1.5	1.7	1.9	8.4	8.9	8.0	0.9	0.3
Bajaj Auto	Acc	466	145	90.5	90.4	98.8	106.3	52.2	48.5	58.0	69.8	35.5	8.0	6.7	2.6	0.7
Hero Honda	Acc	934	200	103.3	118.8	133.7	147.5	48.5	60.7	75.3	87.0	41.8	12.4	10.7	4.0	1.4
M&M*	Acc	314	263	237.7	253.4	258.8	275.5	71.3	39.7	39.1	49.1	7.1	8.0	6.4	0.7	0.3
Maruti Suzuki	BUY	621	289	179.4	189.5	212.4	237.7	59.9	42.3	51.3	59.0	14.1	12.1	10.5	1.6	0.8
Tata Motors*	Reduce	136	390	356.5	395.4	473.4	484.7	39.9	17.2	11.2	14.4	4.3	12.2	9.5	0.5	0.1
<b>Auto Ancillary</b>																
Amtek India*	Acc	24	123	11.5	9.0	9.2	10.1	14.5	3.4	5.0	5.7	5.0	4.8	4.2	0.2	0.3
Bharat Forge	Reduce	81	223	22.0	21.9	27.5	33.4	9.0	10.0	12.1	15.4	11.3	6.7	5.3	1.0	0.7
Ceat	Reduce	36	34	23.3	24.3	25.5	28.2	20.0	(17.7)	7.0	11.6	7.1	5.2	3.1	0.3	0.0
Motherson Sumi	Reduce	67	352	19.8	22.3	24.0	25.9	4.5	4.1	4.2	4.7	15.7	16.0	14.3	4.3	1.0
Sona Koyo	Reduce	8	199	6.8	6.4	6.9	7.5	1.3	(1.7)	0.1	0.4	8.5	135.9	18.0	1.0	0.2
<b>Aviation</b>																
Jet Airways	Acc	159	86	102.5	120.1	128.7	144.1	-	-	-	-	-	-	-	0.5	0.1
<b>Capital Goods</b>																
ABB*	Reduce	417	212	59.3	69.0	79.6	93.7	23.2	25.2	29.4	35.3	26.3	14.2	11.8	3.3	1.1
Action Construction Equip	Reduce	12	90	4.1	4.4	3.5	4.0	4.0	2.6	2.1	2.6	11.9	5.7	4.6	0.6	0.3
Areva T&D*	Acc	192	239	20.2	26.4	33.7	41.4	9.1	10.3	12.8	15.9	25.7	15.0	12.1	4.6	1.4
BHEL	Acc	1,401	490	197.3	252.4	314.8	395.6	58.4	65.6	91.2	114.3	30.0	15.4	12.3	4.1	2.2
Crompton Greaves	Acc	132	367	68.3	85.5	97.0	110.5	11.2	13.7	15.6	18.2	20.8	8.5	7.2	2.2	0.5
Elecon Engineering	NR	32	93	8.3	11.0	13.9	16.7	7.2	8.2	10.2	12.5	20.4	3.2	2.6	0.8	0.2
EMCO	Reduce	31	59	9.4	10.0	11.2	13.0	11.0	8.2	9.4	11.4	12.0	3.3	2.7	0.4	0.2
Hindustan Dorr Oliver	Acc	30	36	3.1	4.6	6.7	8.1	5.9	8.6	12.8	13.9	20.8	2.3	2.1	0.5	0.2
Jyoti Structures	BUY	57	82	13.7	17.8	22.4	28.3	8.9	10.1	12.9	17.0	20.7	4.4	3.3	0.9	0.2
KEC International	Acc	145	49	28.1	35.1	40.6	47.2	34.9	23.6	36.0	43.1	14.0	4.0	3.4	1.0	0.2
KEI Industries	NR	10	61	8.7	9.7	9.0	9.8	7.1	(3.6)	(3.8)	(0.5)	3.1	(2.7)	(19.1)	0.4	0.1
Siemens**	Reduce	222	337	94.2	97.3	110.9	-	18.2	14.1	17.6	-	24.7	12.6	#DIV/0!	3.1	0.7
Sujana Towers#	NR	14	47	7.5	7.7	9.6	-	8.8	6.5	7.5	-	17.5	1.8	#DIV/0!	0.2	0.1
Suzlon Energy	Acc	45	1,548	136.8	186.0	173.5	199.9	7.6	8.2	6.6	7.7	7.8	6.7	5.8	0.8	0.4
Thermax	NR	157	119	34.8	37.6	43.5	50.9	24.4	25.7	28.8	34.7	31.8	5.5	4.5	1.6	0.4
Voltamp Transformers	NR	352	10	5.6	6.3	6.6	6.9	79.0	101.5	87.4	88.8	35.8	4.0	4.0	1.3	0.5
Voltas	Acc	43	331	32.0	40.1	48.4	58.0	5.3	7.0	8.0	9.6	27.8	5.3	4.5	1.5	0.3

\* Y/e Dec \*\* Y/e Sep # Y/e Jun

# ... (Contd.)

	Rating	Price (Rs)	Shares O/s (mn)	Revenues (Rs bn)				EPS (Rs)				RoCE (%) FY10E	PER (x)		P/B (x) FY10E	P/S (x) FY10E
				FY08	FY09E	FY10E	FY11E	FY08	FY09E	FY10E	FY11E		FY10E	FY11E		
<b>Cement</b>																
ACC*	Reduce	561	188	70.5	77.2	74.9	76.1	67.7	54.4	47.0	34.3	22.1	11.9	16.4	2.0	1.4
Ambuja Cement*	Sell	71	1,525	56.3	62.3	60.5	62.5	8.2	7.8	6.3	6.1	21.2	11.2	11.6	1.7	1.7
Grasim Industries	Acc	1,350	92	170.4	185.2	196.9	181.2	284.6	233.1	191.9	146.0	13.9	7.0	9.2	1.0	0.7
India Cement	Reduce	107	283	30.4	33.7	34.0	33.0	24.3	18.5	18.1	13.5	17.4	5.9	7.9	1.0	0.9
Shree Cement	Acc	550	35	21.1	25.5	23.1	23.5	87.4	143.8	75.4	102.0	17.0	7.3	5.4	1.4	0.8
Ultratech Cement	Acc	423	124	56.2	62.4	64.2	61.3	81.6	76.9	65.5	37.2	19.7	6.5	11.3	1.2	0.8
* Y/e Dec																
<b>Construction</b>																
Gammon India	Reduce	69	88	23.4	25.3	28.9	33.3	10.0	8.8	6.0	5.1	9.7	11.5	13.5	0.5	0.2
GMR	Acc	79	1,821	22.9	38.1	44.5	54.0	1.2	0.9	1.0	1.4	1.3	76.4	58.3	2.2	3.8
Hindustan Const.	Reduce	43	264	30.8	36.4	43.3	51.3	4.0	3.3	4.1	4.3	12.8	10.6	10.0	0.9	0.3
IVRCL	Acc	118	135	36.6	48.9	63.6	75.9	15.8	14.3	18.2	20.8	14.3	6.5	5.6	0.8	0.3
Larsen & Toubro	Reduce	666	585	248.5	331.4	411.7	480.4	74.3	59.4	46.2	52.0	20.6	14.4	12.8	2.8	1.2
Nagarjuna Const.	Acc	50	229	34.7	45.2	54.9	65.7	7.1	7.3	7.6	8.0	14.4	6.5	6.2	0.6	0.3
Patel Engineering	Reduce	142	60	18.6	24.0	29.5	34.4	25.5	24.6	22.3	19.4	14.9	6.3	7.3	0.7	0.4
Punj Lloyd	Reduce	92	321	77.5	115.5	135.1	149.3	11.8	3.1	10.3	10.6	14.2	8.9	8.7	0.8	0.3
<b>Fertilizers</b>																
Chambal Fertilizers	Acc	39	416	32.9	58.7	43.6	44.1	4.0	9.5	5.9	6.4	9.8	6.6	6.1	1.0	0.3
Deepak Fertilisers	Acc	56	88	11.3	14.8	13.5	14.2	12.7	16.9	13.4	15.6	9.8	4.2	3.6	0.5	0.3
Tata Chemicals	Acc	145	244	60.2	129.6	86.8	88.1	19.6	43.7	26.5	31.2	9.8	5.5	4.7	0.7	0.3
<b>Financial Services</b>																
Edelwiess	Reduce	273	75	10.9	9.1	9.4	10.2	39.6	24.6	25.4	28.5	7.5	10.7	9.6	0.9	2.3
India Infoline	Reduce	50	306	10.2	10.4	11.0	12.8	6.0	5.5	6.0	7.0	8.2	8.3	7.1	0.7	1.5
Motilal Oswal	Reduce	63	142	6.9	4.8	5.3	6.3	11.0	6.9	7.7	9.0	11.6	8.2	7.0	1.0	1.9
Reliance Capital	Reduce	398	246	49.2	60.9	63.3	69.3	41.0	41.6	40.0	50.3	1.3	10.0	7.9	1.2	1.6

# ...(Contd.)

	Rating	Price (Rs)	Shares O/s (mn)	Revenues (Rs bn)				EPS (Rs)				RoCE (%)	PER (x)		P/B (x)	P/S (x)
				FY08	FY09E	FY10E	FY11E	FY08	FY09E	FY10E	FY11E	FY10E	FY10E	FY11E	FY10E	FY10E
<b>Information Technology</b>																
Geometric	Sell	17	63	4.9	6.2	6.6	6.8	5.4	2.1	3.6	4.4	11.3	4.8	4.0	0.4	0.2
HCL Tech*	Reduce	111	679	76.4	110.6	132.5	-	16.6	19.2	20.4	-	19.1	5.4	#DIV/0!	1.2	0.7
Infosys	Acc	1,222	573	166.9	218.2	233.2	262.2	81.3	103.6	108.0	115.8	30.6	11.3	10.6	3.1	3.2
KPIT Cummins	NR	21	79	6.0	7.4	6.8	6.9	6.5	7.6	5.4	4.9	12.4	3.9	4.3	0.6	0.2
Rolta India*	Acc	93	163	10.7	14.8	16.2	-	11.0	10.7	16.1	-	14.2	5.8	#DIV/0!	1.2	1.0
Tanla Solutions	NR	37	100	4.6	7.3	8.9	11.9	16.7	22.6	26.1	31.5	23.6	1.4	1.2	0.3	0.5
Tata Elxsi	Reduce	87	31	4.0	4.3	4.7	-	17.0	15.1	18.1	-	27.5	4.8	#DIV/0!	1.6	0.6
TCS	Reduce	501	979	228.6	283.9	313.2	346.7	51.3	55.0	62.3	65.0	32.1	8.0	7.7	2.4	1.7
Tech Mahindra	Reduce	245	131	37.7	45.0	46.0	54.6	58.2	71.4	61.1	66.8	35.5	4.0	3.7	1.1	0.7
Wipro	Reduce	216	1,450	197.4	256.6	272.1	297.0	22.4	24.0	26.6	28.3	21.2	8.1	7.6	3.1	1.2
* Y/e Jun																
<b>Media</b>																
Entertainment Network	Reduce	130	48	4.1	4.6	5.6	5.2	(3.6)	(9.4)	(2.4)	6.9	(0.2)	(54.8)	18.8	1.7	1.4
HT Media	Reduce	58	234	12.0	13.2	14.5	15.9	4.3	3.4	5.0	5.5	9.8	11.6	10.5	1.3	1.0
Jagran Prakashan	Reduce	55	301	7.5	8.2	9.0	9.8	3.3	3.0	3.4	3.9	12.8	15.9	14.0	2.6	2.0
PVR	Acc	87	23	2.7	3.4	4.1	5.4	9.4	8.2	8.2	11.2	5.5	10.7	7.8	0.6	0.6
Saregama India	Reduce	58	15	1.4	1.2	1.4	1.6	5.5	9.9	6.4	7.5	8.0	9.1	7.8	0.7	0.7
Sun TV	Acc	175	394	8.7	10.6	12.8	14.9	8.3	11.0	12.0	13.1	19.1	14.6	13.4	3.0	6.5
TV Today	Reduce	63	59	2.3	2.7	2.9	3.2	7.5	5.3	6.0	6.9	11.4	10.6	9.2	1.1	1.4
TV-18	Reduce	73	120	4.0	4.9	5.9	6.8	0.5	(10.3)	(7.0)	(3.9)	(0.4)	(10.4)	(18.7)	2.6	1.8
UTV Software	Acc	238	34	4.3	7.2	11.6	13.2	23.2	16.4	14.8	21.1	3.1	16.1	11.3	0.5	1.1
Zee Entertainment	Reduce	118	434	18.4	21.8	24.5	27.2	8.9	8.5	9.9	12.1	16.4	12.0	9.7	1.4	2.3
Zee News	Acc	30	240	3.7	5.2	6.0	7.0	1.5	1.7	2.3	3.2	16.2	13.0	9.5	2.6	1.4
<b>Offshore &amp; Ship Building</b>																
ABG Shipyard	Acc	82	55	8.9	14.8	20.8	25.6	29.3	30.9	38.4	45.0	14.1	2.1	1.8	0.4	0.3
Bharati Shipyard	BUY	64	28	6.4	9.3	12.5	17.1	47.9	45.7	54.1	68.6	10.8	1.2	0.9	0.3	0.2
Aban Offshore	Reduce	431	38	20.2	32.4	39.2	44.0	24.5	198.0	244.3	346.6	7.9	1.8	1.2	0.8	0.5
Garware Offshore Services	Acc	63	24	1.1	1.7	2.3	2.8	11.1	18.9	24.4	26.9	12.6	2.6	2.3	0.5	0.9
Great Offshore	Acc	260	37	7.6	9.6	12.7	13.0	50.3	54.8	62.1	63.3	14.3	4.2	4.1	0.9	1.0
Mundra Port & SEZ	Acc	357	401	8.2	11.4	14.7	21.7	5.3	11.2	16.6	30.0	14.9	21.5	11.9	3.8	12.5

# ... (Contd.)

	Rating	Price (Rs)	Shares O/s (mn)	Revenues (Rs bn)				EPS (Rs)				RoCE (%) FY10E	PER (x)		P/B (x) FY10E	P/S (x) FY10E
				FY08	FY09E	FY10E	FY11E	FY08	FY09E	FY10E	FY11E		FY10E	FY11E		
<b>Oil &amp; Gas</b>																
GAIL	Reduce	207	1,268	180.1	229.5	249.5	294.6	20.5	21.0	21.9	24.7	19.4	9.5	8.4	25.9	1.1
Guj. State Petronet	Reduce	32	562	4.2	4.7	5.3	6.8	1.8	1.3	1.2	2.2	9.5	26.8	14.5	26.8	3.8
Gujarat Gas**	Acc	217	64	12.4	13.0	15.3	17.3	23.7	25.4	24.6	29.1	23.5	8.8	7.5	48.2	1.1
Indraprastha Gas	Reduce	105	140	7.1	8.4	9.5	10.4	12.5	13.0	14.4	15.0	35.8	7.3	7.0	21.1	1.7
ONGC (cons)	Acc	688	2,139	967.8	1,018.1	920.4	1.0	92.9	102.6	90.8	98.6	15.8	7.6	7.0	1.4	1.4
Petronet LNG	BUY	36	750	65.6	81.8	107.6	113.2	6.3	5.5	5.5	6.1	17.3	6.5	5.9	1.2	0.3
Reliance Inds.*	Acc	1,319	1,573	1,371.5	1,492.0	1,761.3	2,028.8	124.1	98.8	114.3	157.4	12.7	11.5	8.4	1.7	1.4
<i>* Equity increase assumed; warrants and IPCL merger</i>																
<i>** Y/e Dec</i>																
<b>Pharmaceuticals</b>																
Ankur Drugs	Acc	79	26	6.7	9.8	11.8	14.0	24.4	29.3	40.5	55.9	17.0	1.9	1.4	0.4	0.2
Cipla	Acc	190	778	42.0	52.4	61.7	73.8	9.0	9.6	11.9	14.3	17.9	16.0	13.3	3.0	2.8
Dishman Pharma	Acc	119	81	8.0	10.6	14.0	19.0	15.1	11.3	29.5	40.4	17.6	4.0	2.9	1.1	0.9
Glaxo Smithkline Pharma*	Acc	1,168	85	16.1	17.1	19.1	21.0	48.4	57.1	64.8	72.1	32.2	18.0	16.2	5.3	5.8
Lupin	BUY	627	88	27.1	36.9	50.2	63.4	46.4	52.1	73.6	95.1	22.3	8.5	6.6	2.3	1.5
Pfizer**	Acc	515	30	6.8	7.0	7.8	-	43.5	46.0	57.1	-	17.9	9.0	#DIV/0!	1.5	2.2
Ranbaxy*	Reduce	205	5	69.8	74.5	88.2	115.4	10.9	16.8	17.8	33.4	10.0	11.5	6.1	1.1	0.0
Sun Pharma Industries	Acc	1,055	207	33.6	42.2	39.4	39.4	71.8	89.1	60.1	75.2	17.8	17.5	14.0	2.8	5.2
<i>* Y/e Dec ** Y/e Nov</i>																
<b>Real Estate</b>																
Anantraj Inds	Acc	53	295	6.0	6.9	9.4	15.1	14.8	15.6	17.8	41.8	18.6	3.0	1.3	0.4	2.3
Peninsula Land	Acc	21	279	3.6	5.2	8.7	8.5	4.7	6.1	7.2	6.5	22.4	2.9	3.3	0.5	1.1
<b>Steel</b>																
Jindal Steel & Power	Acc	1,015	159	54.9	105.2	97.5	100.4	88.2	197.6	168.3	182.5	30.2	6.0	5.6	1.7	1.5
JSW Steel	Reduce	215	201	123.5	158.0	175.2	-	79.4	47.3	61.7	-	12.2	3.5	#DIV/0!	0.5	0.3
Monnet Ispat	Sell	149	57	11.6	13.2	13.2	17.6	29.4	37.6	29.9	39.0	11.2	5.0	3.8	0.5	0.6

# ... (Contd.)

	Rating	Price (Rs)	Shares O/s (mn)	Revenues (Rs bn)				EPS (Rs)				RoCE (%)	PER (x)		P/B (x)	P/S (x)
				FY08	FY09E	FY10E	FY11E	FY08	FY09E	FY10E	FY11E	FY10E	FY10E	FY11E	FY10E	FY10E
<b>Sugar</b>																
Bajaj Hindusthan	Reduce	53	141	17.8	21.1	25.5	28.9	0.1	(3.2)	3.1	12.9	8.4	17.2	4.1	0.5	0.4
Balrampur Chini	Reduce	57	256	13.9	14.9	15.7	18.5	(2.5)	3.1	4.5	5.4	8.3	12.6	10.5	1.3	1.0
Shree Renuka Sugars	BUY	84	297	9.5	21.1	26.7	31.5	26.7	4.6	5.9	10.3	15.6	14.3	8.2	1.6	1.2
<i>All Cos. Y/e Sep</i>																
<b>Telecom</b>																
Bharti Airtel	Acc	638	1,926	270.1	371.5	453.9	510.1	33.2	44.3	52.5	58.3	24.2	12.1	10.9	3.0	3.3
Idea Cellular*	Reduce	49	3,269	67.4	102.7	142.5	166.3	4.0	2.5	2.8	4.1	3.3	17.7	12.0	1.0	1.6
Reliance Comm.	Acc	171	2,064	190.7	229.9	295.5	334.3	26.2	28.1	29.6	31.5	9.5	5.8	5.4	0.9	1.5
Tulip Telecom	Acc	349	29	12.2	16.5	19.8	21.2	64.5	75.5	87.6	108.1	19.1	4.0	3.2	1.2	0.6
<i>* Consolidated with Spice Comm</i>																
<b>Others</b>																
Bhagwati Banquets & Hotels	Acc	23	10	0.6	0.7	2.2	2.7	2.4	4.5	12.3	15.0	18.9	1.9	1.5	0.4	0.3
Bombay Rayon Fashions	BUY	104	69	10.9	16.7	27.0	-	17.9	26.6	56.8	-	21.0	1.8	#DIV/0!	0.6	0.4
Country Club	Acc	10	81	3.1	4.1	5.2	7.1	7.8	10.4	11.3	15.4	12.8	0.9	0.6	0.0	0.2
Ess Dee Aluminium	Acc	132	31	3.2	4.3	6.6	8.1	24.0	22.4	48.9	59.9	26.0	2.7	2.2	1.2	0.9
FAG Bearings India*	Acc	269	17	6.4	7.8	9.7	11.3	47.6	53.0	67.6	76.6	24.0	4.0	3.5	0.9	0.6
Indage Vinters	Acc	68	15	2.5	4.1	6.9	8.7	18.1	(26.5)	3.8	34.1	2.3	17.7	2.0	0.2	0.2
Kansai Nerolac Paints	Reduce	400	27	14.0	14.4	15.7	17.4	44.2	38.0	42.9	48.3	11.3	9.3	8.3	1.5	0.7
Parekh Aluminex	Acc	55	15	3.0	4.2	5.5	6.4	16.9	22.8	34.2	42.6	15.5	1.6	1.3	0.3	0.2
Phillips Carbon Black	Sell	32	28	10.3	11.8	12.1	12.7	31.6	(5.9)	13.4	20.7	8.2	2.4	1.5	0.3	0.1
<i>* Y/e Dec</i>																

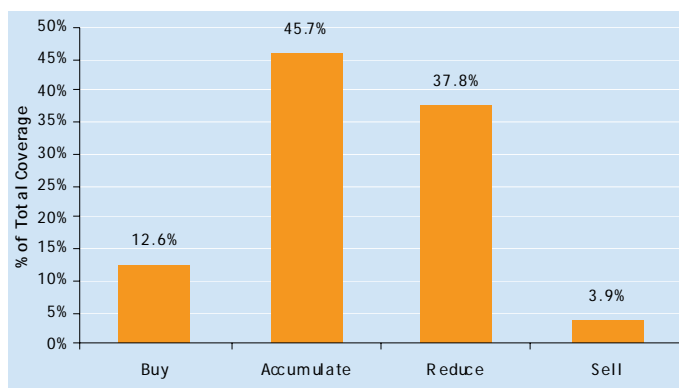
# ... (Contd.)

	Rating	Price (Rs)	Shares O/s (mn)	ABV (Rs)			EPS (Rs)			RoE (%)			P/ABV (x)		PER (x)	
				FY09E	FY10E	FY11E	FY09E	FY10E	FY11E	FY09E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
<b>Banks</b>																
Axis Bank	BUY	419	358	273.5	308.5	368.5	47.2	55.0	70.5	17.9	17.9	19.6	1.4	1.1	7.6	5.9
Bank of Baroda	BUY	237	366	281.7	319.3	366.4	50.3	60.4	74.9	15.6	16.5	17.7	0.7	0.6	3.9	3.2
Bank of India	Acc	238	526	206.1	254.9	322.7	57.6	64.0	72.0	25.3	22.6	20.8	0.9	0.7	3.7	3.3
HDFC Bank	Acc	915	425	350.3	442.9	517.1	52.3	67.2	88.6	16.7	17.1	18.2	2.1	1.8	13.6	10.3
ICICI Bank *	BUY	409	1,113	343.4	365.1	394.6	35.4	40.9	51.9	8.2	9.0	10.7	1.1	1.0	10.0	7.9
Punjab National Bank	BUY	391	315	395.9	465.1	546.5	92.1	108.0	128.3	21.5	21.1	20.9	0.8	0.7	3.6	3.0
State Bank of India *	BUY	1,136	631	748.5	815.9	908.6	134.2	149.8	160.3	16.0	15.7	14.9	1.4	1.3	7.6	7.1
Union Bank of India	BUY	141	505	135.7	154.2	190.2	33.4	36.9	41.1	20.9	19.5	18.4	0.9	0.7	3.8	3.4
Yes Bank	NR	58	296	44.4	52.2	59.9	6.8	8.7	8.5	19.0	17.7	14.8	1.1	1.0	6.7	6.8
<b>Financial Institutions</b>																
HDFC	Acc	1,498	287	468.9	529.2	602.0	76.0	86.3	103.9	17.2	17.3	18.4	2.8	2.5	17.4	14.4
IDFC	Acc	56	1,294	45.5	50.4	66.0	6.4	7.1	7.6	14.0	14.1	11.5	1.1	0.8	7.8	7.3



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### Rating Distribution of Research Coverage



### PL's Recommendation Nomenclature

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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