

UBS Investment Research
India Daily Comment

24 January 2011

<http://www.ubs.com/investmentresearch>
Company Update

Dish TV, DSTV.BO	Nupur Agarwal	p.1
Q3 FY11: A strong quarter 12-month rating: Buy (Unchanged), FY11E Rs(1.32), FY12E Rs0.25, PT Rs77.00/US\$1.69, Mkt Cap Rs64.8bn/US\$1.42bn		
Bharat Heavy Elec., BHEL.BO	Pankaj Sharma	p.7
3QFY11 results: Margins expand 12-month rating: Buy (Unchanged), FY11E Rs126.43, FY12E Rs155.84, PT Rs2,950.00/US\$64.74, Mkt Cap Rs1,079bn/US\$23.7bn		
State Bank of India, SBI.BO	Vishal Goyal, CFA	p.13
Strong operating trends 12-month rating: Buy (Unchanged), FY11E Rs164.43=>Rs190.65, FY12E Rs219.28=>Rs213.99, PT Rs3,300.00/US\$144.59, Mkt Cap Rs1,649bn/US\$36.9bn		
Ashok Leyland, ASOK.BO	Sonal Gupta	p.21
Q3FY11 Results – below expectations 12-month rating (UR): Buy * (Unchanged) UR, FY11E Rs5.17, FY12E Rs7.03, PT Rs105.00/US\$6.90, Mkt Cap Rs79.0bn/US\$1.73bn		
Reliance Industries, RELI.BO	Prakash Joshi	p.27
Q3FY11: Upstream disappoints 12-month rating: Neutral (Unchanged), FY11E Rs66.98, FY12E Rs69.87, PT Rs1,150.00/US\$50.46, Mkt Cap Rs3,242bn/US\$71.0bn		
Tech Mahindra, TEML.BO	Diviya Nagarajan	p.34
Revenue miss, other income boosts profits 12-month rating: Neutral (Unchanged), FY11E Rs60.63, FY12E Rs67.49, PT Rs825.00/US\$18.06, Mkt Cap Rs85.5bn/US\$1.87bn		
Wipro, WIPR.BO	Diviya Nagarajan	p.39
Joint CEO structure dismantled 12-month rating: Sell (Unchanged), FY11E Rs22.08, FY12E Rs23.96, PT Rs400.00/US\$8.77, Mkt Cap Rs1,170bn/US\$36.9bn		
ITC, ITC.BO	Sunita Sachdev	p.45
Cigarette volumes are back 12-month rating: Buy (Unchanged), FY11E Rs6.12, FY12E Rs7.07, PT Rs220.00/US\$4.83, Mkt Cap Rs1,314bn/US\$28.8bn		
GCPL, GOCP.BO	Sunita Sachdev	p.52
Margins below expectations 12-month rating: Sell (Unchanged), FY11E Rs16.10, FY12E Rs18.58, PT Rs415.00/US\$9.11, Mkt Cap Rs130bn/US\$2.85bn		

Industry Update

Market Comment	Alex Chang	p.57
Asia Earnings Watch - Asian earnings—week of 24 January		

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN AT THE END OF THE NOTES

*Under review (UR) and/or exception to core rating bands (CBE) - see page : 122

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Banks

Vishal Goyal, CFA p.102

First Read: India Banking & Finance Sector - More room to foreign banks

Market Comment

**Suresh A Mahadevan, p.104
CFA**

India Market Strategy - Positive earnings momentum

UBS Investment Research

Dish TV India

Q3 FY11: A strong quarter

■ Revenue in-line, EBITDA ahead of UBS estimates

Dish TV Q3 FY11 standalone revenues grew 34% YoY to Rs3,732m in line with UBS-e of Rs3,776m. EBITDA grew 475% YoY to Rs667m, 4% ahead of UBS-e of Rs642m and 15% ahead of Bloomberg consensus estimates. The EBITDA margin expanded from 4.2% in Q3 FY10 to 17.9% (UBS-e 17.0%). Dish TV reported a net loss of Rs443m, in line with consensus estimates.

■ Strong subscriber growth in Q3 FY11

Dish TV added 1.1m gross subs in Q3 FY11 in line with UBS-e versus 770,000 subs in Q2 FY11 due to a strong festive season and lowered prices of entry-level packages (Rs990 cash-back offer). ARPU grew 2.2% QoQ to Rs142 (UBS-e Rs145). Content cost remained flat QoQ at 39%. Subscriber acquisition cost (SAC) increased 2.8% QoQ to Rs2,142/sub.

■ Key takeaways from conference call

1) Dish TV expects strong subs additions to continue in Q4 FY11 and FY12 led by a sports-heavy calendar (Cricket World Cup, IPL). 2) ARPU grew in Q3, mainly due to a favourable pack mix and price increases taken for 35-40% of subs base. Dish TV highlighted that 30-40% of these have converted to higher-priced subscription packs and the remaining are likely to switch in Q4. 3) The increase in interest costs is partly due to one-time charges paid for a letter of credit opened in Q3.

■ Valuation: maintain Buy with DCF-based price target of Rs77

The Dish TV stock price has declined 14% on an absolute basis and 8% relative to the BSE Sensex YTD 2011. We view any weakness in the stock price as an opportunity as Dish TV remains a play on India's fast-growing DTH subscriber base.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	7,381	10,850	14,348	19,568	24,033
EBIT (UBS)	(3,521)	(2,111)	(1,121)	535	1,631
Net Income (UBS)	(4,807)	(2,622)	(1,409)	262	1,413
EPS (UBS, Rs)	(5.08)	(2.47)	(1.32)	0.25	1.33
Net DPS (UBS, Rs)	0.00	0.00	0.00	0.00	0.00

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
EBIT margin %	-102.7	-19.5	-7.8	2.7	6.8
ROIC (EBIT) %	(131.3)	(41.3)	(15.5)	6.2	19.7
EV/EBITDA (core) x	-	40.9	27.2	15.4	11.6
PE (UBS) x	-	-16.5	-46.0	>100	45.9
Net dividend yield %	-	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs60.95 on 21 Jan 2011 18:32 SGT

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Global Equity Research

India

Entertainment

12-month rating **Buy**
Unchanged

12m price target **Rs77.00/US\$1.69**
Unchanged

Price **Rs60.95/US\$1.34**

RIC: DSTV.BO BBG: DITV IB

21 January 2011

Trading data (local/US\$)

52-wk range	Rs76.20-35.25/US\$1.68-0.76
Market cap.	Rs64.8bn/US\$1.42bn
Shares o/s	1,063m (ORD)
Free float	35%
Avg. daily volume ('000)	987
Avg. daily value (m)	Rs63.5

Balance sheet data 03/11E

Shareholders' equity	Rs2.36bn
P/BV (UBS)	27.5x
Net Cash (debt)	(Rs6.11bn)

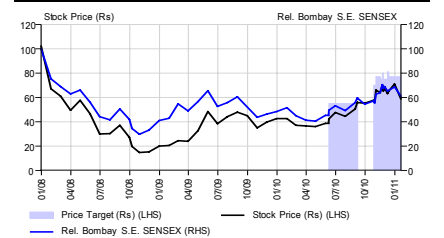
Forecast returns

Forecast price appreciation	+26.3%
Forecast dividend yield	0.0%
Forecast stock return	+26.3%
Market return assumption	13.0%
Forecast excess return	+13.3%

EPS (UBS, Rs)

	03/11E	03/10	03/13E
	UBS	Cons.	Actual
Q1	(0.59)	-	(0.65)
Q2	(0.42)	-	(0.53)
Q3	(0.42)	-	(0.72)
Q4E	0.02	-	(0.56)
03/11E	(1.32)	(1.27)	
03/12E	0.25	0.26	

Performance (Rs)



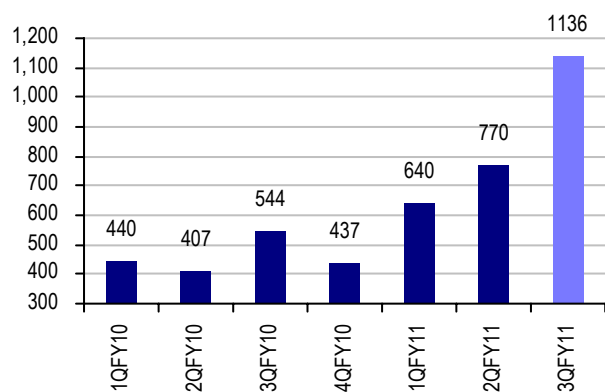
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Table 1: Dish TV standalone results summary

Rs m	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	% YoY	% QoQ	UBS-e Q3FY11E	% diff
Total revenue	2,467	2,575	2,775	3,031	3,043	3,261	3,732	34%	14.4%	3,776	-1.2%
Cost of goods and services	1,642	1,714	1,804	1,869	1,794	1,824	2,101	16.4%	15.2%		
- Programming and other cost	1,068	1,128	1,197	1,188	1,220	1,232	1,430	19.5%	16.1%		
- Other cost of goods & services	574	586	607	681	574	592	671	10.5%	13.3%		
Employees cost	101	98	96	110	123	130	134	40.0%	3.5%		
Administrative & other cost	110	123	130	187	134	152	148	13.3%	-2.8%		
Ad, sales & distribution expenses	468	408	628	516	670	658	682	8.6%	3.7%		
EBITDA	145	231	116	349	322	498	667	474.5%	33.9%	642	3.8%
EBITDA margin	5.9%	9.0%	4.2%	11.5%	10.6%	15.3%	17.9%			17.0%	
Net profit	(692)	(561)	(762)	(598)	(632)	(452)	(443)	41.9%	2.0%	(303)	-46.1%
Key operating metrics											
Gross subscribers (000)	5,512	5,919	6,463	6,900	7,500	8,300	9,436	46.0%	13.7%	9,403	0.4%
Gross subscriber addition (000)	440	407	544	437	640	770	1,136	108.8%	47.5%	1,103	3.0%
Net subscribers (000)	4,642	4,975	5,366	5,655	6,200	6,800	7,727	44.0%	13.6%	7,750	-0.3%
Net subscriber addition (000)	370	333	391	289	545	600	927	137.1%	54.5%	950	-2.4%
ARPU (Rs per month)	142	139	135	138	139	139	142	5.2%	2.2%	145	-2.1%
% growth	-2.7%	-2.1%	-2.9%	2.2%	0.7%	0.0%	2.2%			4.5%	

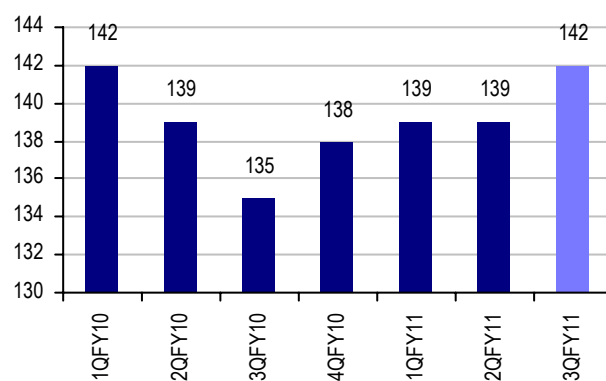
Source: Company data, UBS estimates

Chart 1: Gross subscriber adds picked up significantly (000)

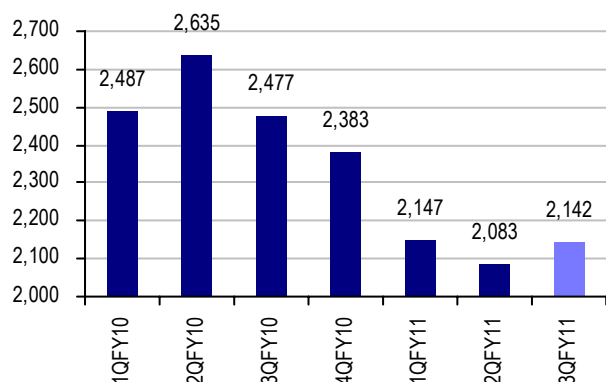


Source: Company data

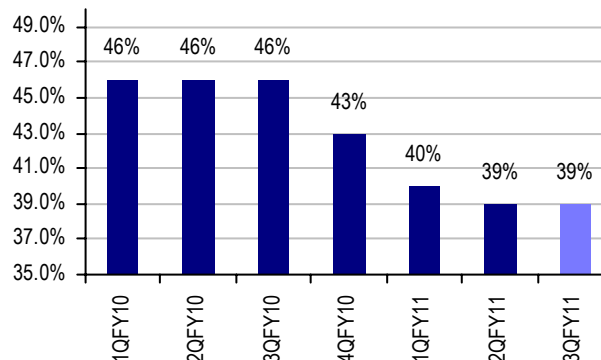
Chart 2: ARPU improved (Rs)



Source: Company data

Chart 3: Subscriber acquisition costs (Rs/sub)

Source: Company data

Chart 4: Content costs (% of revenue)

Source: Company data

Table 1: Changes in Dish TV monthly package prices

Rent per month	Rest of India Package			South India Package			
	Old	Effective 15Sep10	Now	Rent per month	Old	Effective 15Sep10	Now
Silver	Rs 125	Rs 135	Rs 135*	South Silver	Rs 125	Rs 125	Rs 125 (South Silver Cricket)
Silver Saver	Rs 150	Rs 150	Rs 160	South Silver Saver	Rs 150	Rs 160	Rs 160
Gold	Rs 210	Rs 225	Rs 225 (Gold Cricket pack)	South Gold	Rs 210	Rs 225	Rs 225
Gold Saver	Rs 270	Rs 270	Rs 270	South Gold Saver	Rs 270	Rs 270	Rs 270
Platinum	Rs 325	Rs 325	Rs 325	South Platinum	Rs 325	Rs 325	Rs 325

Note *: Silver pack is no longer available to new subscribers. Source: Company data

Dish TV India

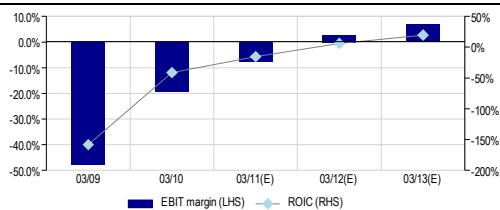
Income statement (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Revenues	527	1,916	4,128	7,381	10,850	14,348	32.2	19,568	36.4	24,033	22.8
Operating expenses (ex depn)	(1,404)	(3,622)	(6,212)	(8,614)	(9,733)	(11,778)	21.0	(14,971)	27.1	(18,001)	20.2
EBITDA (UBS)	(877)	(1,706)	(2,084)	(1,233)	1,117	2,570	130.1	4,597	78.9	6,032	31.2
Depreciation	(49)	(624)	(1,570)	(2,289)	(3,227)	(3,691)	14.4	(4,061)	10.0	(4,400)	8.3
Operating income (EBIT, UBS)	(926)	(2,329)	(3,654)	(3,521)	(2,111)	(1,121)	-46.9	535	-	1,631	204.9
Other income & associates	15	46	34	13	65	147	125.0	294	100.0	382	30.0
Net interest	(43)	(118)	(513)	(1,293)	(583)	(434)	-25.5	(538)	23.9	(407)	-24.3
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	(954)	(2,401)	(4,134)	(4,801)	(2,628)	(1,409)	-46.4	291	-	1,606	451.8
Tax	(2)	0	(7)	(6)	6	0	-	(29)	-	(193)	562.2
Profit after tax	(956)	(2,401)	(4,141)	(4,807)	(2,622)	(1,409)	-46.3	262	-	1,413	439.6
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	0	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	(956)	(2,401)	(4,141)	(4,807)	(2,622)	(1,409)	-46.3	262	-	1,413	439.6
Net Income (UBS)	(956)	(2,401)	(4,141)	(4,807)	(2,622)	(1,409)	-46.3	262	-	1,413	439.6
Tax rate (%)	0	0	0	0	0	0	-	10	-	12	20.0
Pre-abnormal tax rate (%)	0	0	0	0	0	0	-	10	-	12	20.0
Per share (Rs)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
EPS (local GAAP)	(1.34)	(5.61)	(9.67)	(5.08)	(2.47)	(1.32)	-46.3	0.25	-	1.33	439.6
EPS (UBS)	(1.34)	(5.61)	(9.67)	(5.08)	(2.47)	(1.32)	-46.3	0.25	-	1.33	439.6
Net DPS	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Cash EPS	(1.27)	(4.15)	(6.00)	(2.66)	0.57	2.15	277.1	4.07	89.4	5.47	34.5
BVPS	3.71	(1.33)	(11.00)	(6.84)	3.98	2.22	-44.3	2.47	11.1	3.79	53.9
Balance sheet (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Net tangible fixed assets	2,401	8,285	9,599	13,345	14,587	16,939	16.1	17,595	3.9	17,328	-1.5
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	(628)	(7,045)	(9,368)	(9,127)	(8,572)	(8,465)	-1.2	(8,796)	3.9	(9,599)	9.1
Other liabilities	0	0	0	0	0	0	-	0	-	0	-
Operating invested capital	1,772	1,240	231	4,218	6,015	8,474	40.9	8,799	3.8	7,729	-12.2
Investments	0	0	0	0	1,561	0	-	0	-	0	-
Total capital employed	1,772	1,240	231	4,218	7,576	8,474	11.8	8,799	3.8	7,729	-12.2
Shareholders' equity	1,587	(569)	(4,710)	(6,475)	3,768	2,360	-37.4	2,622	11.1	4,035	53.9
Minority interests	0	0	0	0	0	0	-	0	-	0	-
Total equity	1,587	(569)	(4,710)	(6,475)	3,768	2,360	-37.4	2,622	11.1	4,035	53.9
Net debt / (cash)	185	1,809	4,942	10,692	3,808	6,114	60.6	6,177	1.0	3,694	-40.2
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	1,772	1,240	231	4,218	7,576	8,474	11.8	8,799	3.8	7,729	-12.2
Cash flow (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Operating income (EBIT, UBS)	(926)	(2,329)	(3,654)	(3,521)	(2,111)	(1,121)	-46.9	535	-	1,631	204.9
Depreciation	49	624	1,570	2,289	3,227	3,691	14.4	4,061	10.0	4,400	8.3
Net change in working capital	293	3,826	2,781	(640)	1,117	(107)	-	331	-	803	142.5
Other (operating)	42	10	9	112	161	0	-	0	-	0	-
Operating cash flow (pre tax/interest)	(542)	2,131	706	(1,761)	2,395	2,463	2.8	4,927	100.1	6,834	38.7
Net interest received / (paid)	(6)	(86)	(469)	(737)	(878)	(434)	-50.5	(538)	23.9	(407)	-24.3
Dividends paid	0	0	0	0	0	0	-	0	-	0	-
Tax paid	(1)	(11)	(26)	(24)	(36)	0	-	0	-	0	-
Capital expenditure	(1,015)	(3,617)	(3,289)	(5,470)	(5,095)	(6,043)	18.6	(4,717)	-21.9	(4,133)	-12.4
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	857	79	9	(29)	(3,709)	1,708	-	294	-82.8	382	30.0
Share issues	619	0	0	3,109	12,845	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	(89)	(1,503)	(3,068)	(4,913)	5,521	(2,306)	-	(34)	-98.5	2,676	-
FX / non cash items	(14)	(120)	(65)	(838)	1,363	0	-	(29)	-	(193)	562.2
Balance sheet (inc)/dec in net debt	(103)	(1,624)	(3,132)	(5,751)	6,885	(2,306)	-	(63)	-97.3	2,483	-
Core EBITDA	(877)	(1,706)	(2,084)	(1,233)	1,117	2,570	130.1	4,597	78.9	6,032	31.2
Maintenance capital expenditure	(1,015)	(3,617)	(3,289)	(5,470)	(5,095)	(6,043)	18.6	(4,717)	-21.9	(4,133)	-12.4
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	(1,892)	(5,323)	(5,373)	(6,703)	(3,978)	(3,473)	-12.7	(121)	-96.5	1,898	-

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

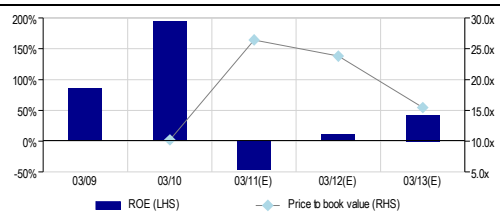
Company profile

Dish TV commenced operations in October 2003 and is the first and the largest DTH operator in India with 5.7m subscribers in FY10. It is part of Essel Group, a media conglomerate, and was formed after the demerger of Zee Entertainment's Direct Consumer Services business. Dish TV was listed in April 2007 and recently raised Rs4.16bn in the third and final tranche of a rights issue. It also received funding of US\$100m (Rs4.65bn) from US-based Apollo Management, through a GDR issue.

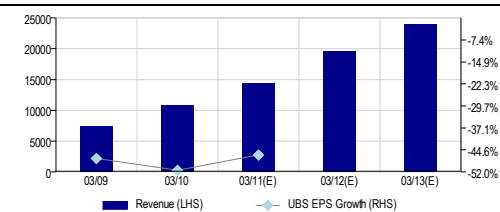
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
P/E (local GAAP)	-	NM	NM	NM	NM	45.9
P/E (UBS)	-	-6.0	-16.5	-46.0	>100	45.9
P/CEPS	-	NM	71.4	28.4	15.0	11.1
Net dividend yield (%)	-	0.0	0.0	0.0	0.0	0.0
P/BV	-	NM	10.2	27.5	24.7	16.1
EV/revenue (core)	-	3.5	4.2	4.9	3.6	2.9
EV/EBITDA (core)	-	-21.0	40.9	27.2	15.4	11.6
EV/EBIT (core)	-	NM	NM	NM	NM	NM
EV/OpFCF (core)	-	NM	NM	NM	NM	NM
EV/op. invested capital	-	NM	8.9	9.6	8.2	8.4

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	18,103	38,448	64,815	64,815	64,815
+ minority interests	0	0	0	0	0
+ average net debt (cash)	7,817	7,250	4,961	6,145	4,935
+ pension obligations and other	0	0	0	0	0
- non-core asset value	0	0	0	0	0
Core enterprise value	25,920	45,698	69,776	70,961	69,751

Growth (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue	100.6	78.8	47.0	32.2	36.4	22.8
EBITDA (UBS)	-	-40.8	-	130.1	78.9	31.2
EBIT (UBS)	-	-3.6	-40.1	-46.9	-	NM
EPS (UBS)	-	-47.5	-51.5	-46.3	-	NM
Cash EPS	-	-55.7	-	NM	89.4	34.5
Net DPS	-	-	-	-	-	-
BVPS	-	-37.8	-	-44.3	11.1	53.9

Margins (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBITDA / revenue	NM	NM	10.3	17.9	23.5	25.1
EBIT / revenue	-102.7	-47.7	-19.5	-7.8	2.7	6.8
Net profit (UBS) / revenue	NM	NM	NM	NM	1.3	5.9

Return on capital (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT ROIC (UBS)	NM	NM	NM	NM	6.2	19.7
ROIC post tax	-	-	NM	NM	5.6	17.4
Net ROE	-60.9	86.0	193.8	(46.0)	10.5	42.5

Coverage ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT / net interest	-	-	-	-	1.5	4.9
Dividend cover (UBS EPS)	-	-	-	-	-	-
Div. payout ratio (% UBS EPS)	-	-	-	-	-	-
Net debt / EBITDA	NM	NM	3.4	2.4	1.3	0.6

Efficiency ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue / op. invested capital	1.8	3.3	2.1	2.0	2.3	2.9
Revenue / fixed assets	0.5	0.6	0.8	0.9	1.1	1.4
Revenue / net working capital	NM	NM	NM	NM	NM	NM

Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	1.8	1.9	1.9	3.1	NM	1.2
Capex / revenue (%)	NM	NM	NM	NM	24.1	17.2
Capex / depreciation	2.9	2.4	1.6	1.6	1.2	0.9

Capital structure (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Net debt / total equity	NM	NM	NM	NM	NM	91.5
Net debt / (net debt + equity)	NM	NM	50.3	72.2	70.2	47.8
Net debt (core) / EV	-	30.2	15.9	7.1	8.7	7.1

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs60.95 on 21 Jan 2011 18:32 SGT Market cap(E) may include forecast share issues/buybacks.

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■ Dish TV India

Dish TV commenced operations in October 2003 and is the first and the largest DTH operator in India with 5.7m subscribers in FY10. It is part of Essel Group, a media conglomerate, and was formed after the demerger of Zee Entertainment's Direct Consumer Services business. Dish TV was listed in April 2007 and recently raised Rs4.16bn in the third and final tranche of a rights issue. It also received funding of US\$100m (Rs4.65bn) from US-based Apollo Management, through a GDR issue.

■ Statement of Risk

We believe the key risks for Dish TV are: 1) intense competition from other DTH operators as well as large multi-system operators that offer digital cable and 2) regulatory risks. We believe content costs could increase for Dish TV if broadcasters negotiate variable fee structure based on the number of subscribers. Dish TV is also exposed to currency risks as it imports set top boxes.

UBS Investment Research

Bharat Heavy Electricals Limited

3QFY11 results: Margins expand

■ 3Q FY11– Results were below UBS-e but ahead of consensus

In 3QFY11, revenues grew 19% y/y to Rs85.8bn (UBS-e Rs91.8bn). EBITDA margins expanded 150bps y/y to 23.1% (UBS-e of 23.8%, consensus at 20%) and PAT was up 25% y/y to Rs13.4bn (UBS-e Rs15bn, consensus at Rs12.9bn). The above numbers are adjusted for one-time change in accounting methodology in Q3. In 9mFY11, revenues are up 21% y/y to Rs236.7bn and recurring PAT grew 31% y/y to Rs31.5bn, with EBITDA margins of 19.4% (+210 bps y/y). At the end of 3QFY11, the order book stands at Rs1.58 trillion, 10% up vs. FY10 order book.

■ Change in accounting methodology boosts reported PAT by Rs600m

Reported revenues were higher by Rs4.44bn due to a change in accounting policy—the change was to remove mismatch in revenue recognition and creation of provision at the completion of trial operations. This was a one-time change with retrospective effect for ongoing projects. The corresponding impact on PBT/PAT was Rs880/600m for the quarter (which we treat as exceptional).

■ Margin expansion led by lower raw material costs

Raw material to sales ratio was at ~53% in Q3, compared to ~58% in FY10 and H1FY11. Management indicated that the reduction was led by operational efficiencies, better buying practices and lower material consumption in Q3. BHEL is also spending on R&D to reduce the imported content for supercritical boilers.

■ Valuation: Maintain Buy, PT of Rs2,950; top pick in capital goods space

We believe that with significant expansion in manufacturing capacity, BHEL may benefit from operating leverage. We base our price target of Rs2,950 on a DCF valuation. Our key assumptions are WACC of 11.9%, a medium-term growth rate of 15%, and long-term growth of 5%.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	250,782.10	332,940.62	414,366.36	492,170.72	565,278.56
EBIT (UBS)	43,310.43	61,548.48	82,088.81	98,042.60	112,210.25
Net Income (UBS)	34,540.59	47,473.21	61,891.81	76,285.52	91,002.51
EPS (UBS, Rs)	70.56	96.98	126.43	155.84	185.90
Net DPS (UBS, Rs)	26.00	29.09	18.97	23.38	27.89

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
EBIT margin %	17.7	18.5	19.8	19.9	19.9
ROIC (EBIT) %	98.5	138.4	132.0	132.3	116.3
EV/EBITDA (core) x	14.6	14.9	10.9	8.9	7.5
PE (UBS) x	21.8	22.6	17.4	14.1	11.9
Net dividend yield %	1.3	1.3	0.9	1.1	1.3

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs2,205.00 on 21 Jan 2011 15:32 SGT

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Global Equity Research

India

Industrial, Diversified

12-month rating **Buy**
Unchanged

12m price target **Rs2,950.00/US\$64.74**
Unchanged

Price **Rs2,205.00/US\$48.39**

RIC: BHEL.BO BBG: BHEL IB

21 January 2011

Trading data (local/US\$)

52-wk range	Rs2,666.45-2,100.05/US\$60.22-45.80
Market cap.	Rs1,079bn/US\$23.7bn
Shares o/s	490m (ORD)
Free float	32%
Avg. daily volume ('000)	77
Avg. daily value (m)	Rs178.9

Balance sheet data 03/11E

Shareholders' equity	Rs200bn
P/BV (UBS)	5.4x
Net Cash (debt)	Rs130bn

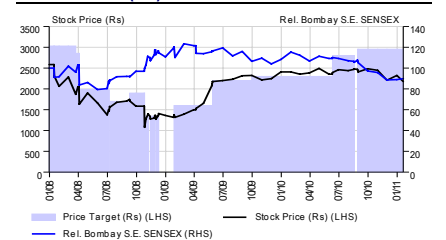
Forecast returns

Forecast price appreciation	+33.8%
Forecast dividend yield	1.1%
Forecast stock return	+34.9%
Market return assumption	13.0%
Forecast excess return	+21.9%

EPS (UBS, Rs)

	03/11E		03/10	
	From	To	Actual	
Q1	-	21.49	-	16.49
Q2	-	26.55	-	20.37
Q3E	-	30.77	-	25.21
Q4E	-	45.52	-	34.91
03/11E	-	126.43	126.43	
03/12E	-	155.84	155.84	

Performance (Rs)



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Results below UBS-e but ahead of consensus

In 3QFY11, operating income grew 19% YoY to Rs85.8bn (UBS-e Rs91.8bn). EBITDA margins expanded 150bps and the recurring PAT was up 25% YoY to Rs13.4bn (UBS-e of Rs15bn). The results are below UBS-e but ahead of consensus (PAT expectation of Rs12.9bn).

At the end of 3Q FY11, the order book stands at Rs1.58 trillion, 10% up vs. FY10 order book.

On 9mFY1, the operating income is up 21% YoY to Rs236.7bn and recurring PAT grew 31% YoY to Rs31.5bn.

Table 1: BHEL– 2Q FY11 Results

(Rs m)	Q3FY11	Q3FY10	% change	Q211A	% change	9M11	9mFY10	% change
Net Sales	85,793	72,292	19%	84,907	1%	236,710	196,283	21%
Consumption of raw materials	45,635	39,416	16%	49,641	-8%	133,369	112,801	18%
Staff Cost	12,796	12,269	4%	12,641	1%	38,814	34,096	14%
Others	7,526	4,990	51%	6,301	19%	18,716	15,530	21%
Total Expenditure	65,956	56,675	16%	68,583	-4%	190,899	162,427	18%
EBITDA	19,837	15,617	27%	16,324	22%	45,811	33,855	35%
Other Income	1,529	1,933	-21%	1,620	-6%	4,784	6,159	-22%
PBIDT	21,366	17,550	22%	17,944	19%	50,595	40,014	26%
Interest	145	69	110%	59	144%	242	157	54%
Depreciation	1,447	1,038	39%	1,341	8%	4,057	2,933	38%
Profit before Tax	19,775	16,443	20%	16,544	20%	46,296	36,924	25%
Tax	6,343	5,717	11%	5,121	24%	14,764	12,913	14%
Recurring PAT	13,432	10,726	25%	11,423	18%	31,532	24,011	31%
Extra-ordinary items	600	-		-		600	-	
PAT	14,032	10,726	31%	11,423	23%	32,132	24,011	34%
<i>Raw material cost/Sales</i>	<i>53.2%</i>	<i>54.5%</i>	<i>-1.3%</i>	<i>58.5%</i>	<i>-5.3%</i>	<i>56.3%</i>	<i>57.5%</i>	<i>-1.1%</i>
<i>Staff cost/Sales</i>	<i>14.9%</i>	<i>17.0%</i>	<i>-2.1%</i>	<i>14.9%</i>	<i>0.0%</i>	<i>16.4%</i>	<i>17.4%</i>	<i>-1.0%</i>
<i>Others/Sales</i>	<i>8.8%</i>	<i>6.9%</i>	<i>1.9%</i>	<i>7.4%</i>	<i>1.4%</i>	<i>7.9%</i>	<i>7.9%</i>	<i>0.0%</i>
<i>EBITDA Margin</i>	<i>23.1%</i>	<i>21.6%</i>	<i>1.5%</i>	<i>19.2%</i>	<i>3.9%</i>	<i>19.4%</i>	<i>17.2%</i>	<i>2.1%</i>
<i>Depreciation/Sales</i>	<i>1.7%</i>	<i>1.4%</i>	<i>0.3%</i>	<i>1.6%</i>	<i>0.1%</i>	<i>1.7%</i>	<i>1.5%</i>	<i>0.2%</i>
<i>PBT margin</i>	<i>23.0%</i>	<i>22.7%</i>	<i>0.3%</i>	<i>19.5%</i>	<i>3.6%</i>	<i>19.6%</i>	<i>18.8%</i>	<i>0.7%</i>
<i>PAT margin</i>	<i>15.7%</i>	<i>14.8%</i>	<i>0.8%</i>	<i>13.5%</i>	<i>2.2%</i>	<i>13.3%</i>	<i>12.2%</i>	<i>1.1%</i>
<i>Effective tax rate</i>	<i>32.1%</i>	<i>34.8%</i>	<i>-2.7%</i>	<i>31.0%</i>	<i>1.1%</i>	<i>31.9%</i>	<i>35.0%</i>	<i>-3.1%</i>

Source: Company, UBS estimates

We remain positive on the stock. We maintain BHEL as our top pick in the India Capital Goods space.

Con call highlights

Exceptional income of Rs600m due to accounting change: Reported revenues were higher by Rs4.44bn due to a change in accounting policy- the method of calculating percentage completion was modified to the remove mismatch in revenue recognition and creation of provision for contractual obligation (at 2.5% of contract revenues) on the completion of trial operations. This change would now ensure that only 2.5% of revenue is recognized on completion of trial operation with corresponding provision for contractual obligation. This was a one-time change with retrospective effect for ongoing projects. The corresponding impact on PBT/PAT was Rs880/600m for the quarter (which we treat as exceptional).

Order Inflow: In Q3 the total order inflow was of Rs122bn out of which 1) power segment contributed Rs79bn (3300 MW) and 2) Industrial segment contributed Rs27bn (including power orders of 680MW).

Raw material cost reduction: Mainly happened due to operational efficiencies, better buying practices and lower material consumption for this quarter.

R&D: The company is trying to reduce its imported contents for supercritical boilers and spending high amount in R&D for the same.

Staff cost: Company highlighted that staff cost for FY11 would be around 56bn.

NTPC bulk tendering: The company expects that NTPC will finalise the same within FY11.

Bharat Heavy Electricals Limited

Income statement (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Revenues	135,043.81	174,203.00	196,866.58	250,782.10	332,940.62	414,366.36	24.5	492,170.72	18.8	565,278.56	14.9
Operating expenses (ex depn)	(109,186.06)	(135,994.10)	(157,617.80)	(204,108.42)	(267,262.01)	(326,802.11)	22.3	(387,936.32)	18.7	(446,231.79)	15.0
EBITDA (UBS)	25,857.76	38,208.90	39,248.78	46,673.68	65,678.60	87,564.25	33.3	104,234.40	19.0	119,046.77	14.2
Depreciation	(2,459.30)	(2,729.70)	(2,972.00)	(3,363.25)	(4,130.13)	(5,475.44)	32.6	(6,191.80)	13.1	(6,836.52)	10.4
Operating income (EBIT, UBS)	23,398.45	35,479.20	36,276.78	43,310.43	61,548.48	82,088.81	33.4	98,042.60	19.4	112,210.25	14.5
Other income & associates	2,700.29	4,467.60	8,009.63	8,905.57	10,011.99	11,206.06	11.9	16,949.14	51.2	24,965.67	47.3
Net interest	(587.47)	(433.30)	(180.00)	(150.00)	0.00	0.00	-	0.00	-	0.00	-
Abnormal items (pre-tax)	35.20	(2,152.90)	17.00	(4,656.00)	0.00	0.00	-	0.00	-	0.00	-
Profit before tax	25,546.47	37,360.60	44,123.41	47,410.00	71,560.47	93,294.87	30.4	114,991.74	23.3	137,175.92	19.3
Tax	(8,851.91)	(13,213.70)	(15,593.00)	(17,525.42)	(24,087.25)	(31,403.05)	30.4	(38,706.22)	23.3	(46,173.42)	19.3
Profit after tax	16,694.56	24,146.90	28,530.41	29,884.59	47,473.21	61,891.81	30.4	76,285.52	23.3	91,002.51	19.3
Abnormal items (post-tax)	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Minorities / pref dividends	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Net income (local GAAP)	16,694.56	24,146.90	28,530.41	29,884.59	47,473.21	61,891.81	30.4	76,285.52	23.3	91,002.51	19.3
Net Income (UBS)	16,659.37	26,299.80	28,513.41	34,540.59	47,473.21	61,891.81	30.4	76,285.52	23.3	91,002.51	19.3
Tax rate (%)	34.65	35.37	35.34	36.97	33.66	33.66	0.0	33.66	0.0	33.66	0.0
Pre-abnormal tax rate (%)	34.70	33.44	35.35	33.66	33.66	33.66	0.0	33.66	0.0	33.66	0.0
Per share (Rs)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
EPS (local GAAP)	34.10	49.33	58.28	61.05	96.98	126.43	30.4	155.84	23.3	185.90	19.3
EPS (UBS)	34.03	53.73	58.25	70.56	96.98	126.43	30.4	155.84	23.3	185.90	19.3
Net DPS	7.25	12.25	22.00	26.00	29.09	18.97	-34.8	23.38	23.3	27.89	19.3
Cash EPS	39.06	59.30	64.32	77.43	105.42	137.62	30.5	168.49	22.4	199.87	18.6
BVPS	149.15	179.53	220.10	263.78	325.16	408.35	25.6	510.87	25.1	633.18	23.9
Balance sheet (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Net tangible fixed assets	11,668.48	12,912.80	16,392.90	26,273.90	39,449.90	43,974.46	11.5	47,782.65	8.7	48,946.13	2.4
Net intangible fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Net working capital (incl. other assets)	40,627.76	42,913.50	40,801.80	50,694.00	66,482.00	65,326.66	-1.7	88,851.25	36.0	114,026.90	28.3
Other liabilities	(15,122.74)	(25,222.40)	(32,443.90)	(49,756.00)	(44,180.00)	(46,682.03)	5.7	(51,093.45)	9.4	(55,627.13)	8.9
Operating invested capital	37,173.50	30,603.90	24,750.80	27,211.90	61,751.90	62,619.09	1.4	85,540.45	36.6	107,345.90	25.5
Investments	82.93	82.90	82.90	523.00	798.00	7,300.00	814.8	7,300.00	0.0	7,300.00	0.0
Total capital employed	37,256.43	30,686.80	24,833.70	27,734.90	62,549.90	69,919.09	11.8	92,840.45	32.8	114,645.90	23.5
Shareholders' equity	73,013.78	87,882.58	107,742.18	129,388.08	159,173.08	199,893.25	25.6	250,083.40	25.1	309,956.23	23.9
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Total equity	73,013.78	87,882.60	107,742.10	129,387.90	159,172.90	199,893.25	25.6	250,083.40	25.1	309,956.23	23.9
Net debt / (cash)	(35,757.35)	(57,195.80)	(82,908.40)	(101,653.00)	(96,623.00)	(129,974.16)	34.5	(157,242.95)	21.0	(195,310.33)	24.2
Other debt-deemed items	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Total capital employed	37,256.43	30,686.80	24,833.70	27,734.90	62,549.90	69,919.09	11.8	92,840.45	32.8	114,645.90	23.5
Cash flow (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Operating income (EBIT, UBS)	23,398.45	35,479.20	36,276.78	43,310.43	61,548.48	82,088.81	33.4	98,042.60	19.4	112,210.25	14.5
Depreciation	2,459.30	2,729.70	2,972.00	3,363.25	4,130.13	5,475.44	32.6	6,191.80	13.1	6,836.52	10.4
Net change in working capital	(1,575.58)	10,428.31	26,513.37	(4,910.08)	9,858.81	3,657.37	-62.9	(19,113.16)	-	(20,641.97)	8.0
Other (operating)	2,735.49	2,314.70	8,026.63	4,249.57	10,011.99	11,206.06	11.9	16,949.14	51.2	24,965.67	47.3
Operating cash flow (pre tax/interest)	27,017.67	50,951.91	73,788.78	46,013.17	85,549.40	102,427.68	19.7	102,070.38	-0.3	123,370.48	20.9
Net interest received / (paid)	(587.47)	(433.30)	(180.00)	(150.00)	0.00	0.00	-	0.00	-	0.00	-
Dividends paid	(4,046.77)	(6,924.90)	(12,279.85)	(14,512.55)	(16,239.40)	(21,171.64)	30.4	(26,095.37)	23.3	(31,129.68)	19.3
Tax paid	(8,851.91)	(13,213.70)	(15,593.00)	(17,525.42)	(24,087.25)	(31,403.05)	30.4	(38,706.22)	23.3	(46,173.42)	19.3
Capital expenditure	(2,607.06)	(3,887.17)	(7,974.60)	(10,419.70)	(11,000.00)	(10,000.00)	-9.1	(10,000.00)	0.0	(8,000.00)	-20.0
Net (acquisitions) / disposals	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Other	0.00	(.00)	0.00	0.00	0.00	0.00	-	(.00)	-	0.00	-
Share issues	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Cash flow (inc)/dec in net debt	10,924.45	26,492.84	37,761.32	3,405.50	34,222.75	39,852.98	16.5	27,268.79	-31.6	38,067.38	39.6
FX / non cash items	(1,575.90)	(5,054.39)	(12,048.72)	15,339.10	(39,252.75)	(6,501.82)	-83.4	0.00	-	(.00)	-
Balance sheet (inc)/dec in net debt	9,348.56	21,438.45	25,712.60	18,744.60	(5,030.00)	33,351.16	-	27,268.79	-18.2	38,067.38	39.6
Core EBITDA	25,857.76	38,208.90	39,248.78	46,673.68	65,678.60	87,564.25	33.3	104,234.40	19.0	119,046.77	14.2
Maintenance capital expenditure	(2,459.30)	(2,729.70)	(2,972.00)	(3,363.25)	(3,363.25)	(5,475.44)	62.8	(6,191.80)	13.1	(6,836.52)	10.4
Maintenance net working capital	(1,575.58)	10,428.31	26,513.37	(4,910.08)	9,858.81	3,657.37	-62.9	(19,113.16)	-	(20,641.97)	8.0
Operating free cash flow, pre-tax	21,822.88	45,907.51	62,790.15	38,400.35	72,174.17	85,746.17	18.8	78,929.44	-7.9	91,568.28	16.0

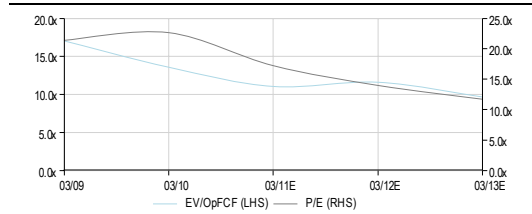
Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

Bharat Heavy Electricals Limited

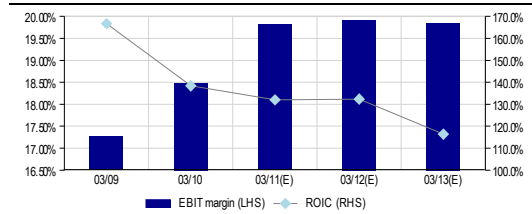
Company profile

Bharat Heavy Electricals (BHEL) focuses on the Indian power equipment business. Its main customers are National Thermal Power Corporation (NTPC) and state electricity boards that account for over 70% of revenue. BHEL also services the power transmission, captive power plant, industrial equipment, and the transport segments. It is 68%-owned by the Government of India.

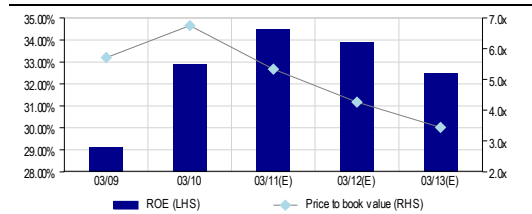
Value (EV/OpFCF & P/E)



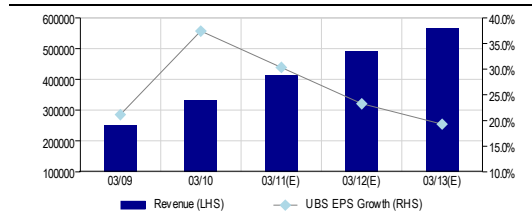
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
P/E (local GAAP)	23.0	24.7	22.6	17.4	14.1	11.9
P/E (UBS)	21.8	21.4	22.6	17.4	14.1	11.9
P/CEPS	19.4	19.5	20.8	16.0	13.1	11.0
Net dividend yield (%)	1.3	1.7	1.3	0.9	1.1	1.3
P/BV	5.5	5.7	6.8	5.4	4.3	3.5
EV/revenue (core)	2.8	2.6	2.9	2.3	1.9	1.6
EV/EBITDA (core)	14.6	14.0	14.9	10.9	8.9	7.5
EV/EBIT (core)	15.9	15.1	15.9	11.7	9.5	8.0
EV/OpFCF (core)	13.5	17.0	13.6	11.2	11.8	9.8
EV/op. invested capital	NM	NM	NM	NM	NM	9.3

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	738,169.0	1,074,955.	1,079,391.	1,079,391.	1,079,391.
+ minority interests	0.00	0.00	0.00	0.00	0.00
+ average net debt (cash)	(83,278.84)	(89,100.01)	(113,298.5)	(143,608.5)	(176,276.6)
+ pension obligations and other	0.00	0.00	0.00	0.00	0.00
- non-core asset value	(300.00)	(7,300.00)	(7,300.00)	(7,300.00)	(7,300.00)
Core enterprise value	654,590.2	978,555.0	958,792.9	928,483.0	895,814.9

Growth (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue	26.8	27.4	32.8	24.5	18.8	14.9
EBITDA (UBS)	28.8	18.9	40.7	33.3	19.0	14.2
EBIT (UBS)	30.8	19.4	42.1	33.4	19.4	14.5
EPS (UBS)	36.1	21.1	37.4	30.4	23.3	19.3
Cash EPS	32.6	20.4	36.1	30.5	22.4	18.6
Net DPS	59.7	18.2	11.9	-34.8	23.3	19.3
BVPS	21.0	19.8	23.3	25.6	25.1	23.9

Margins (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBITDA / revenue	19.4	18.6	19.7	21.1	21.2	21.1
EBIT / revenue	17.7	17.3	18.5	19.8	19.9	19.9
Net profit (UBS) / revenue	13.2	13.8	14.3	14.9	15.5	16.1

Return on capital (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT ROIC (UBS)	NM	NM	NM	NM	NM	NM
ROIC post tax	-	NM	NM	NM	NM	NM
Net ROE	26.8	29.1	32.9	34.5	33.9	32.5

Coverage ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT / net interest	NM	NM	-	-	-	-
Dividend cover (UBS EPS)	3.9	2.7	3.3	6.7	6.7	6.7
Div. payout ratio (% , UBS EPS)	27.6	36.8	30.0	15.0	15.0	15.0
Net debt / EBITDA	NM	NM	NM	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue / op. invested capital	5.5	9.7	7.5	6.7	6.6	5.9
Revenue / fixed assets	11.9	11.8	10.1	9.9	10.7	11.7
Revenue / net working capital	5.5	8.4	8.0	8.2	8.0	6.6

Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	1.2	0.9	1.2	1.0	0.8	0.8
Capex / revenue (%)	3.1	4.2	3.3	2.4	2.0	1.4
Capex / depreciation	1.9	3.1	2.7	1.8	1.6	1.2

Capital structure (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Net debt / total equity	(66.3)	(78.6)	(60.7)	(65.0)	(62.9)	(63.0)
Net debt / (net debt + equity)	NM	NM	NM	NM	NM	NM
Net debt (core) / EV	(10.7)	(12.7)	(9.1)	(11.8)	(15.5)	(19.7)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs2,205.00 on 21 Jan 2011 15:32 SGT Market cap(E) may include forecast share issues/buybacks.

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■ **Bharat Heavy Electricals Limited**

Bharat Heavy Electricals (BHEL) focuses on the Indian power equipment business. Its main customers are National Thermal Power Corporation (NTPC) and state electricity boards that account for over 70% of revenue. BHEL also services the power transmission, captive power plant, industrial equipment, and the transport segments. It is 68%-owned by the Government of India.

■ **Statement of Risk**

The key risks for BHEL remain execution, delivery, raw material costs, and order inflows.

UBS Investment Research

State Bank of India

Strong operating trends

■ Results beats consensus but came below UBS-e

SBI reported net profit of Rs28.3bn (up 14% y/y) ahead of consensus Rs27bn and lower than UBS-e of Rs30.7bn. Net interest income grew 43% y/y to Rs90.5bn ahead of UBS-e. The beat came from strong NIM expansion of 18bp q/q to 3.6%. Strong CASA at 48.2% (up 400bp q/q) supported NIM improvement. Loan grew 22% y/y and 7% q/q).

■ NPL additions stayed above 2% (adjusted for Rs7bn)

The bank added gross NPL of Rs38bn (adjusted for Rs7bn adjustment) in the quarter though rate of addition reduced slightly, still it is above 2%. Gross NPA improving slightly to 3.2% (from 3.3% in Q2) and Net NPA to 1.6% (from 1.7% in Q2). Provision coverage also improved marginally to 64.1% from 62.8% in Q2

■ Fee income growth remained muted

Non interest income growth came -2% y/y and -17% q/q due to lower than expected core fee income growth, nil dividend income in Q3 and lower treasury income. Cost to income ratio improved to 45.3% from 47.5% in Q2 and 52% in Q3FY10.

■ Valuation: maintain Buy, Rs3,300 price target

We have largely maintained our estimates; however EPS for FY11 has increased by 16% as we have factored proposed rights issue in FY12 from earlier FY11. We maintain our rating and price target of Rs3,300, which is based on residual income method.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	328,567.69	396,275.82	485,402.37	554,851.84	645,334.03
Pre-tax profits	141,806.45	139,260.82	183,900.49	235,667.42	284,552.05
Net income	91,212.25	91,660.52	121,042.05	155,114.69	187,290.21
EPS (UBS, Rs)	143.67	144.37	190.65	213.99	258.37
Net DPS (UBS, Rs)	29.00	30.00	36.00	42.50	47.50

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
ROE %	17.1	14.8	17.1	17.1	16.5
P/Op x	6.1	6.2	6.2	6.0	5.1
P/BVPS x	1.6	1.8	2.2	1.8	1.6
PE (UBS) x	10.8	13.1	13.6	12.1	10.1
Net dividend yield %	1.8	1.6	1.4	1.6	1.8

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs2,597.95 on 21 Jan 2011 23:38 SGT

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Global Equity Research

India

Banks, Ex-S&L

12-month rating **Buy**
Unchanged

12m price target **Rs3,300.00/US\$144.59**
Unchanged

Price **Rs2,597.95/US\$116.20 (ADR)**

RIC: SBI.BO BBG: SBIN IB

24 January 2011

Trading data (local/US\$)

52-wk range	Rs3,434.90-1,893.60/US\$157.40-80.90
Market cap.	Rs1,649bn/US\$36.9bn
Shares o/s	635m (ORD)/317m (ADR)
ADR ratio	1 ADR:2 ORD
Free float	40%
Avg. daily volume ('000)	692/32
Avg. daily value (m)	Rs1,985.2/US\$4.1

Balance sheet data 03/11E

Common equity	Rs754bn
P/BVPS x	2.2
Tier one capital ratio	9.2%

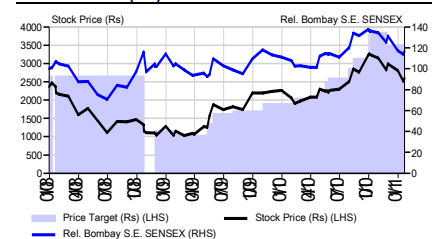
Forecast returns

Forecast price appreciation	+27.0%
Forecast dividend yield	1.6%
Forecast stock return	+28.6%
Market return assumption	13.0%
Forecast excess return	+15.6%

EPS (UBS, Rs)

	03/11E		Cons.	03/10 Actual
	From	To		
Q1	40.20	45.90	-	36.71
Q2	34.51	39.40	-	39.22
Q3	41.61	44.54	41.61	39.05
Q4E	48.11	60.81	48.11	29.40
03/11E	164.43	190.65	164.44	
03/12E	219.28	213.99	219.28	

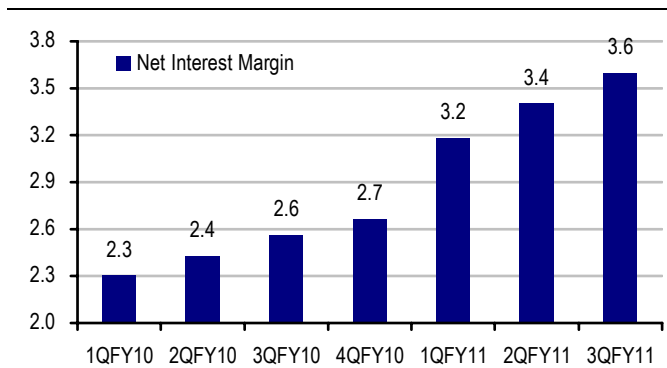
Performance (Rs)



Source: UBS

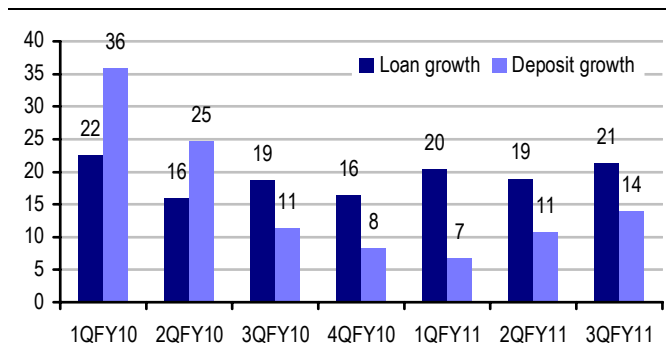
www.ubs.com/investmentresearch

Chart 1: NIM continues its strong run



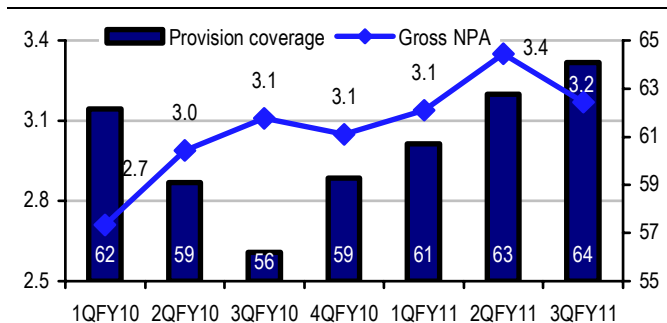
Source: Company data

Chart 2: Business growth has picked up momentum



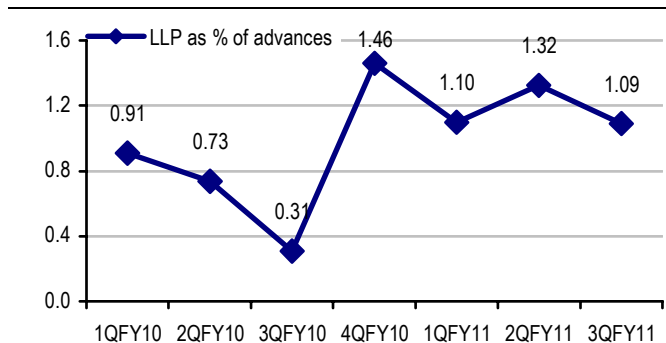
Source: Company data

Chart 3: Asset quality has stabilised



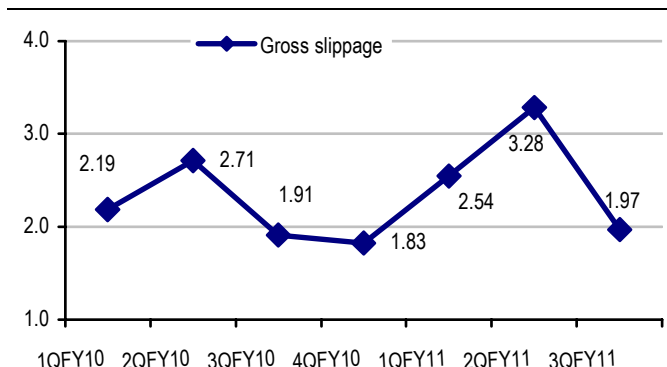
Source: Company data

Chart 4:.....has resulted in lower credit cost



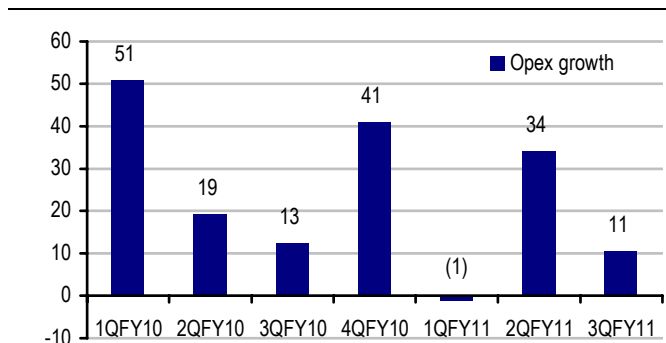
Source: Company data

Chart 5: Slippages have fallen in the quarter



Source: Company data

Chart 6: Opex growth



Source: Company data

Table 1: SBI quarterly earnings summary

	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	YoY growth (%)	QoQ growth (%)
Income earned	174,728	177,759	177,797	179,656	184,521	198,081	214,128	20	8
Income on advances	123,571	126,688	126,394	129,673	134,221	145,808	157,166	24	8
Income on investments	43,385	45,121	44,333	44,523	44,722	48,044	51,569	16	7
Interest on balance with RBI	7,771	5,949	7,070	5,459	5,578	4,230	5,394	(24)	28
Interest expense	124,479	121,671	114,634	112,442	111,484	116,932	123,630	8	6
Interest on deposits	114,358	111,560	104,454	102,971	100,803	104,300	107,819	3	3
Interest on borrowings	3,303	3,103	2,993	2,881	3,572	5,090	7,892	164	55
Other sundry interest	6,818	7,007	7,186	6,590	7,109	7,550	7,918	10	5
Nil adjt for invest. amortization	50,249	56,088	63,163	67,214	73,037	81,149	90,498	43	12
yoy growth (%)	4	3	10	39	45	45	43		
NIM	2.3	2.4	2.6	2.7	3.2	3.4	3.6		
Other income	35,688	35,251	33,657	45,085	36,900	40,052	33,139	(2)	(17)
Fees, commission	18,620	21,030	21,900	34,858	24,096	29,450	24,774	13	(16)
Inv. income	7,088	5,454	4,370	4,256	1,734	1,970	2,202	(50)	12
Forex income	4,704	5,237	4,036	1,895	5,025	3,090	4,080	1	32
Dividend	3,581	1,682	-	471	3,772	2,880	-		(100)
Other income excl. treasury	28,599	29,797	29,287	40,829	35,166	38,082	30,937	6	(19)
Total income	85,936	91,339	96,820	112,300	109,937	121,201	123,637	28	2
Operating expenses	49,198	42,990	50,639	60,361	48,593	57,631	55,992	11	(3)
Staff expenses	29,642	23,602	25,555	35,918	30,739	36,758	35,117	37	(4)
Other operating expenses	15,085	16,648	19,464	24,443	17,854	20,873	20,876	7	0
Pre-provision operating profit	36,739	48,350	46,181	51,939	61,344	63,570	67,645	46	6
Provisions and extr. Ord.	1,727	10,161	8,566	23,494	15,514	26,215	20,515	139	(22)
Loan loss provisions (incl. standard asset prov)	12,342	9,974	4,437	21,868	17,334	21,625	18,572	319	(14)
PBT	35,011	38,189	37,615	28,445	45,830	37,355	47,130	25	26
Less tax	11,708	13,289	12,825	9,779	16,688	12,342	18,849.1	47.0	52.7
Profit after tax	23,304	24,900	24,790	18,666	29,142	25,014	28,281	14	13
yoy growth (%)	42	10	0	(32)	25	0	14		

Source: Company data

Table 2: Other key data

	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	YoY growth (%)	QoQ growth (%)
Key balance sheet data (Rs bn)									
Advances gross	5,498	5,802	6,072	6,415	6,638	6,932	7,400	22	7
Advances net	5,429	5,722	5,989	6,319	6,532	6,807	7,267	21	7
Housing finance	575	623	673	712	747	793	824	22	4
Large corporates	673	-	684	-	956	931	1,058	55	14
Mid Corporates	1,190	-	1,261	1,337	1,319	1,449	1,493	18	3
SME	971	959	1,029	1,108	1,106	1,122	1,242	21	11
Retail to total advances (%)	20.8	20.8	21.1	21.0	21.0	21.0	-		(100)
Agriculture	551	590	611	637	639	695	712	17	2
Deposits	7,636	7,729	7,710	8,041	8,153	8,553	8,790	14	3
Low cost deposits (%)	38.5	41.0	42.9	43.1	43.6	44.1	48.2		
Yield management ratios (%)									
Cost of deposits	6.2	6.1	5.9	5.8	5.3	5.3	5.2		
Yield on advances	10.0	10.0	9.8	9.7	9.3	9.5	9.6		
Net interest margin			2.6	2.7	3.2	3.4	3.6		
Asset quality details									
Gross NPLs (Rs bn)	153	174	189	195	208	232	234	24	1
Gross NPLs (%)	2.7	3.0	3.1	3.1	3.1	3.4	3.2		
Net NPLs (Rs bn)	84	99	113	109	111	116	117	4	1
Net NPLs (%)	1.6	1.7	1.9	1.7	1.7	1.7	1.6		
Capital adequacy details (%)									
CAR (Basel II)	14.1	14.1	13.8	13.4	13.5	13.2	13.2		
Tier I	9.7	9.8	9.7	9.5	9.8	9.6	9.6		
Tier II	4.4	4.3	4.1	3.9	3.8	3.6	3.6		

Source: Company data

Table 3: Recent publications

	Recent Reports	Analyst
21-Jan	First Read: Korea Banks: Will the limit on spread be enacted?	Scott Lee
21-Jan	Hong Kong Financials: Rmb internationalisation: risks vs rewards	Stephen Andrews, CFA
21-Jan	China Banks: CBRC issues more bank/trust measures	Sarah Wu
20-Jan	Bank Tabungan Negara: A compelling mortgage franchise (Buy)	Joshua Tanja, CFA
20-Jan	First Read: Citic Bank: Positive profit alert (Neutral)	Sarah Wu
20-Jan	Kasikornbank: Another year of good performance (Buy)	Butsakon Khoosuwan
20-Jan	First Read: Citic Bank: 2011 GCC takeaways (Neutral)	Sarah Wu
20-Jan	Key Call: ICBC: 2011 GCC takeaways (Buy)	Sarah Wu
19-Jan	Asian Financials: Asian financials - when does good inflation turn into bad inflation?	Andy Brown, CFA
19-Jan	LIC Housing Finance: Margins surprise (Sell)	Ajitesh Nair
19-Jan	Siam Commercial Bank: Stronger growth platform (Buy)	Butsakon Khoosuwan
19-Jan	Taiwan Financial: Nan Shan Life: follow-up questions	Pandora Lee
19-Jan	First Read: CMB: 2011 GCC takeaways (Neutral)	Sarah Wu
19-Jan	First Read: BCOM: 2011 GCC takeaways (Neutral)	Sarah Wu
18-Jan	Busan Bank: Solid Q410 results despite lower earnings (Buy)	Scott Lee
18-Jan	Singapore Exchange: Q2 earnings in line with expectations (Buy)	Jaj Singh
17-Jan	First Read: India Banking & Finance Sector: RBI mandates standard asset provisioning	Ajitesh Nair
17-Jan	Power Finance: Spreads hold up; growth steady (Buy)	Ajitesh Nair
17-Jan	AXIS Bank: Strong show (Buy)	Vishal Goyal, CFA
17-Jan	First Read: GTJA International: 2011 GCC takeaways (Buy)	Noel Chan
14-Jan	Singapore Banks: Buyers in the face of property measures	Jaj Singh
13-Jan	China Minsheng Banking: Structure of capital raising disappointing (Neutral)	Sarah Wu
13-Jan	Chinatrust Financial Holding: Overhang removed; upgrade to Buy (Buy)	Pandora Lee
13-Jan	AMMB Holdings: NDR takeaway: upbeat outlook (Buy)	Khairul Rifaie
13-Jan	Malayan Banking: NDR takeaway: slightly positive on KimEng (Buy)	Khairul Rifaie
13-Jan	First Read: Korea Banks: View 25 bps rate hike as another catalyst	Scott Lee
13-Jan	First Read: Korea Banks: NPS will be allowed to buy more bank stocks - a catalyst	Scott Lee
12-Jan	Korea Banks: Q410 previews - solid with higher margins and improving asset quality	Scott Lee
12-Jan	Taiwan Financial: Nan Shan Life: Seemingly a good deal	Pandora Lee
12-Jan	First Read: Taiwan Financial: Nan Shan goes to Ruentex/Pou Chen JV?	Pandora Lee
11-Jan	India Banking & Finance Sector: Liquidity pangs	Ajitesh Nair
11-Jan	TISCO Financial Group: Record high ROE is hard to sustain (Buy)	Butsakon Khoosuwan
11-Jan	Taiwan Financial Sector: Q4 mostly down QOQ; 2010 mostly up YoY	Pandora Lee
10-Jan	China Banks: How will differentiated reserves impact the banks?	Sarah Wu
10-Jan	First Read: Fubon FHC: Fubon announced to privatize Fubon HK (Neutral)	Pandora Lee
10-Jan	Hong Kong and Singapore Banks: A tale of two cities: HK and Singapore	Stephen Andrews, CFA/Jaj Singh
6-Jan	Malayan Banking: The tiger broadens its ASEAN footprint (Buy)	Khairul Rifaie
6-Jan	Chongqing Rural Commercial Bank: Right place, right time; initiate with Buy (Buy)	Steve Ho
6-Jan	First Read: Yuanta FHC: More ammunition for M&As, but... (Buy)	Pandora Lee
6-Jan	First Read: Korea Banks: Troubled savings banks are hanging over	Scott Lee
5-Jan	Singapore Banks: Steeper yield curve	Jaj Singh
5-Jan	Taiwan Financial: Exposure to Powerchip	Pandora Lee
4-Jan	Taiwan Financial: NT dollar's relative strength implies higher hedging risk	Pandora Lee
3-Jan	Hong Kong Banks: IPO impact unwinds, loans & deposits fall	Stephen Andrews, CFA
3-Jan	First Read: Korea Banks: IBK and Hana are our 2011 top Buys	Scott Lee
15-Dec	Kasikornbank: Expanding Japanese customer base (Buy)	Butsakon Khoosuwan

Source: UBS

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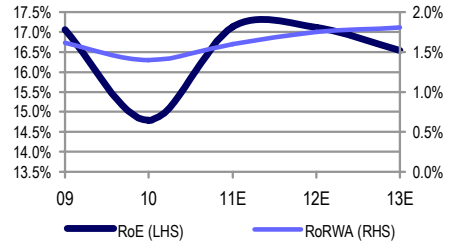
State Bank of India

Per share (Rs)	3/09	3/10	3/11E	3/12E	3/13E
EPS (stated)	143.67	144.37	190.65	213.99	258.37
EPS (UBS adjusted)	143.67	144.37	190.65	213.99	258.37
GOPS	271.04	304.13	418.01	430.81	511.13
DPS	29.00	30.00	36.00	42.50	47.50
BVPS (stated)	912.73	1,038.76	1,187.30	1,461.23	1,664.03
BVPS (adjusted)	798.09	862.35	987.58	1,296.26	1,486.46
Profit & Loss (Rsm)					
Net interest income	208,731.40	236,714.40	335,492.34	381,289.65	442,172.78
Other income	119,836.29	159,561.43	149,910.03	173,562.19	203,161.26
Total revenues	328,567.69	396,275.82	485,402.37	554,851.84	645,334.03
Expenses	(156,487.04)	(203,186.80)	(220,015.73)	(242,564.02)	(274,827.28)
Operating profit	172,080.65	193,089.02	265,386.63	312,287.82	370,506.75
Provisions and other items	(30,274.20)	(53,828.20)	(81,486.14)	(76,620.40)	(85,954.71)
Profit before tax	141,806.45	139,260.82	183,900.49	235,667.42	284,552.05
Pre-exceptional net income	91,212.25	91,660.52	121,042.05	155,114.69	187,290.21
Capital dynamics (Rsm)					
Risk-weighted assets	6,121,007.41	6,974,661.34	8,136,676.97	9,578,732.47	11,147,634.64
Tier one capital	538,461.17	659,105.50	748,408.58	1,025,770.38	1,069,332.20
Total capital	872,243.56	987,123.18	1,045,520.96	1,348,645.82	1,418,519.59
Tier one ratio	8.8%	9.5%	9.2%	10.7%	9.6%
Total capital ratio	14.3%	14.2%	12.8%	14.1%	12.7%
Net profit after tax	91,212.25	91,660.52	121,042.05	155,114.69	187,290.21
<i>Tier 1 requirement</i>					
Less: Working capital requirement					
Less: Dividends	20,891.87	22,282.47	26,738.97	36,041.71	40,281.91
Surplus capital generated					
Surplus capital generation ratio					
Balance sheet (Rsm)					
Assets	9,644,320.73	10,534,137.31	11,951,894.08	14,306,612.46	16,673,645.32
Customer loans	5,553,222.04	6,414,800.00	7,758,565.44	9,350,230.81	11,095,675.33
Customer deposits	7,420,731.28	8,041,162.27	9,327,748.23	11,193,297.88	13,208,091.49
Funds under management					
Loans : assets	57.6%	60.9%	64.9%	65.4%	66.5%
Deposits : assets	76.9%	76.3%	78.0%	78.2%	79.2%
Loans : deposits	74.8%	79.8%	83.2%	83.5%	84.0%
Shareholders funds : assets	6.01%	6.26%	6.31%	7.40%	7.23%
Asset quality (Rsm)					
Non-performing assets	157,140.00	195,350.50	249,350.50	302,775.87	376,511.65
Total risk reserves	61,620.00	86,648.80	121,130.63	183,046.77	252,265.17
NPLs : loans	2.83%	3.05%	3.21%	3.24%	3.39%
NPL coverage	39%	44%	49%	60%	67%
Provision charge : average loans	0.55%	0.87%	1.13%	0.88%	0.83%
Net NPLs : shareholders' funds	16.5%	16.5%	17.0%	11.3%	10.3%
Profitability					
Net interest margin (avg assets)	2.48%	2.35%	2.98%	2.90%	2.85%
Provisions : operating profit	17.6%	27.9%	30.7%	24.5%	23.2%
RoE	17.1%	14.8%	17.1%	17.1%	16.5%
RoAdjE					
RoRWA	1.62%	1.40%	1.60%	1.75%	1.81%
RoA	1.08%	0.91%	1.08%	1.18%	1.21%
Productivity					
Cost : income ratio	47.6%	51.3%	45.3%	43.7%	42.6%
Costs : average assets	1.9%	2.0%	2.0%	1.8%	1.8%
Compensation expense ratio	36.2%	39.8%	34.2%	32.2%	31.0%
Momentum					
Revenue growth	+27.4%	+20.6%	+22.5%	+14.3%	+16.3%
Operating profit growth	+30.5%	+12.2%	+37.4%	+17.7%	+18.6%
Net profit growth	+35.5%	+0.5%	+32.1%	+28.1%	+20.7%
Dividend growth	+14.3%	+3.4%	+20.0%	+18.1%	+11.8%
Value*					
UBS bank valuation					
Leveraged P/E					
Risk tendency P/E					
Merger P/E					
Market capitalisation (Rsm)	835,969.82	1,203,860.36	1,649,386.51	1,649,386.51	1,649,386.51
Conventional valuation					
Market cap./Revenues	2.5x	3.0x	3.4x	3.0x	2.6x
Market cap./Operating profit	4.9x	6.2x	6.2x	5.3x	4.5x
P/E (stated)	9.2x	13.1x	13.6x	12.1x	10.1x
P/E (UBS adjusted)	9.2x	13.1x	13.6x	12.1x	10.1x
Dividend yield (net)	2.20%	1.58%	1.39%	1.64%	1.83%
P/BV (stated)	1.4x	1.8x	2.2x	1.8x	1.6x
P/BV (adjusted)	1.7x	2.2x	2.6x	2.0x	1.7x

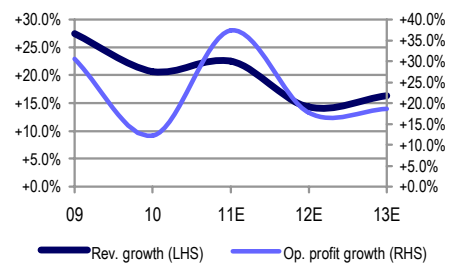
Source: UBS estimates, * Historical valuations are based on an 'average for the year' share price. Current & future valuations are based on a share price of Rs2,597.95 on 21/01/2011

State Bank of India (SBI) is a public sector bank with the government of India holding around 60% of the company. It has the largest network of branches (11,472) and ATMs (8,548) in India. SBI also owns 75-100% stakes in six banks that have significant regional focus. SBI and its associates/subsidiaries together have a deposit base of Rs94bn and advances of Rs64bn. In addition, SBI has several other subsidiaries, including SBI Life, SBI Mutual Fund Life, and SBI Cards.

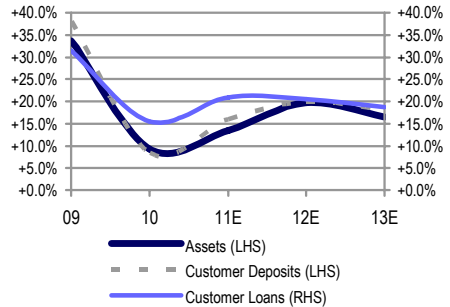
Profitability (RoE & RoRWA)



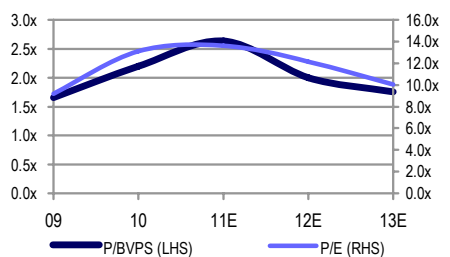
Momentum (Revenue & Operating profit growth)



Balance Sheet Growth



Value (P/Adj. BVPS & P/Adj. EPS)



■ State Bank of India

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■ Statement of Risk

Key risk to our call remains stronger than expected economy which could lead to lower NPA losses and therefore better than expected profitability. Favourable decisions by the government like stake dilution etc could also lead to near term price movement.

Q3FY11 Results – below expectations

■ **Sales: Rs 22.2bn (+23% YoY); EBITDA: Rs 1.66bn (-19% YoY)**

Sales were ahead of our expectation down only 18% qoq while volumes were down 25% qoq due to sharp 7% qoq jump in ASP. The sharp ASP increase also helped to reduce RM cost (as percentage of sales) by 40bps to 73.2%. However, EBITDA declined 46% qoq was 7% below UBS-e of Rs 1.77bn due to higher than expected staff cost and other expenses.

■ **Higher staff cost and interest cost key disappointments**

Staff cost increased sharply by 15% qoq (+40% YoY), while other expenses increased 35% YoY driven by ramp up at Pantnagar and launch of U-Truck platform. Interest cost increased 20% qoq to Rs 475mn driven by higher working capital requirement due to higher inventory. As a result PAT at Rs 434mn (-74% qoq, -59% YoY) was significantly below UBS-e of Rs 606mn.

■ **Revisit our estimates post conference call**

We note the potential downside risk to our estimates given lower than expected performance and deteriorating macro sentiment. We would look to revisit our estimates post the concall today at 1200 hrs IST on 24th January 2011. Dial-in details: India: +91 22 3065 0121; International Toll Free numbers USA: 1 866 746 2133; UK: 0 808 101 1573; Singapore: 800 101 2045; Hong Kong: 800 964 448.

■ **Valuation: Maintain Buy, PT Rs 105 (Under review)**

We derive our price target from a DCF-based methodology and explicitly forecast long-term valuation drivers using UBS's VCAM tool. We assume a 12% WACC. We add Rs3.40 on account of Leyland's stake in IndusInd Bank.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	60,291	72,844	109,041	138,006	161,410
EBIT (UBS)	2,961	5,618	9,541	12,495	14,925
Net Income (UBS)	1,900	4,237	6,872	9,356	11,300
EPS (UBS, Rs)	1.43	3.18	5.17	7.03	8.49
Net DPS (UBS, Rs)	1.00	1.50	1.50	1.50	1.50

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
EBIT margin %	7.4	7.7	8.7	9.1	9.2
ROIC (EBIT) %	25.0	11.1	18.1	22.3	24.8
EV/EBITDA (core) x	8.8	8.9	7.5	5.7	4.7
PE (UBS) x	16.8	12.7	11.5	8.4	7.0
Net dividend yield %	3.4	3.7	2.5	2.5	2.5

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs59.35 on 21 Jan 2011 23:38 SGT

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Global Equity Research

India

Automobile Manufacturers

12-month rating (UR) **Buy ***
Unchanged

12m price target (UR) **Rs105.00/US\$6.90**
Unchanged

Price **Rs59.35/US\$3.91 (ADR)**

RIC: ASOK.BO BBG: AL IB

23 January 2011

Trading data (local/US\$)

52-wk range	Rs80.30-46.40/US\$5.43-3.01
Market cap.	Rs79.0bn/US\$1.73bn
Shares o/s	1,330m (ORD)/443m (ADR)
ADR ratio	1 ADR:3 ORD
Free float	49%
Avg. daily volume ('000)	580/-
Avg. daily value (m)	Rs40.3/-

Balance sheet data 03/11E

Shareholders' equity	Rs40.3bn
P/BV (UBS)	2.0x
Net Cash (debt)	(Rs21.9bn)

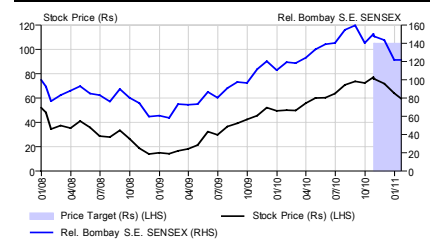
Forecast returns

Forecast price appreciation	+76.9%
Forecast dividend yield	2.5%
Forecast stock return	+79.4%
Market return assumption	13.0%
Forecast excess return	+66.4%

EPS (UBS, Rs)

	03/11E		03/10	
	From	To	Cons.	Actual
Q1E	-	0.92	-	0.06
Q2E	-	1.26	-	0.67
Q3E	-	0.78	0.79	0.79
Q4E	-	2.20	2.20	1.67
03/11E	-	5.17	5.17	
03/12E	-	7.03	7.03	

Performance (Rs)



Source: UBS

www.ubs.com/investmentresearch

Table 1: Ashok Leyland sales volumes

	Q3 FY11	Q2 FY11	Q3 FY10	QoQ	YoY
MDV passengers-Domestic	5180	5435	5062	-5%	2%
MDV passengers-Export	1494	1069	566	40%	164%
MDV Passenger Sales	6674	6504	5628	3%	19%
MDV Goods-Domestic	9605	16658	9414	-42%	2%
MDV Goods-Export	1979	1268	798	56%	148%
MDV Goods Sales	11584	17926	10212	-35%	13%
LCV-Domestic	139	147	252	-5%	-45%
LCV-Export	40	13	61	208%	-34%
LCV Sales	179	160	313	12%	-43%
Total Sales vol	18437	24590	16153	-25%	14%

Source: Company data

Table 2: Ashok Leyland P&L

(Rsmn)	Q3 FY11	Q2 FY11	Q3 FY10	QoQ	YoY
Net Sales	22,272	27,140	18,155	-18%	23%
Total Expenditure	20,612	24,077	16,093	-14%	28%
Increase/Decrease in stock in trade	- 1,494	- 925	- 2,636	62%	-43%
Raw materials	17,788	20,894	15,596	-15%	14%
Staff cost	2,439	2,115	1,736	15%	40%
Other expenditure	1,879	1,993	1,397	-6%	35%
Operating Profit	1,660	3,063	2,062	-46%	-19%
OperatingMargin (%)	7.5%	11.3%	11.4%	-380bps	-390bps
Interest	475	395	162	20%	193%
Depreciation	647	641	513	1%	26%
Other Income	17	48	20	-65%	-14%
Profit before Tax	555	2,075	1,407	-73%	-61%
Tax	122	405	351	-70%	-65%
Net Profit	434	1,671	1,056	-74%	-59%
Extra Ordinary	-	-	10		
Net Profit Reporteds	434	1,671	1,046	-74%	-59%

Source: Company data

Table 3: Ashok Leyland cost structure

As % of sales	Q3 FY09	Q4 FY09	Q1 FY10	Q2 FY10	Q3 FY10	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11
Raw materials	73.5%	72.6%	72.6%	70.2%	71.4%	73.2%	73.9%	73.6%	73.2%
Staff cost	12.2%	10.2%	15.8%	10.6%	9.6%	6.1%	8.6%	7.8%	11.0%
Other expenditure	5.9%	7.8%	10.2%	8.6%	7.7%	7.8%	7.5%	7.3%	8.4%

Source: Company data

Table 4: Per unit analysis

Rs.	Q3 FY09	Q4 FY09	Q1 FY10	Q2 FY10	Q3 FY10	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11
Net ASP	1,249,343	1,129,146	1,189,792	1,103,507	1,123,961	1,138,854	1,097,083	1,103,682	1,208,030
Raw material cost	918,356	819,249	864,092	774,935	802,321	833,470	810,485	812,082	883,748
Net contribution	330,987	309,897	325,699	328,572	321,640	305,384	286,599	291,600	324,282
EBITDA per vehicle	103,782	106,440	15,865	116,143	127,673	146,624	109,990	124,546	90,051

Source: Company data

Ashok Leyland

Income statement (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Revenues	52,826	72,159	77,983	60,291	72,844	109,041	49.7	138,006	26.6	161,410	17.0
Operating expenses (ex depn)	(47,377)	(65,041)	(69,727)	(55,546)	(65,185)	(96,847)	48.6	(122,327)	26.3	(142,664)	16.6
EBITDA (UBS)	5,448	7,119	8,256	4,745	7,659	12,194	59.2	15,679	28.6	18,746	19.6
Depreciation	(1,260)	(1,506)	(1,774)	(1,784)	(2,041)	(2,653)	30.0	(3,184)	20.0	(3,821)	20.0
Operating income (EBIT, UBS)	4,188	5,613	6,483	2,961	5,618	9,541	69.8	12,495	31.0	14,925	19.4
Other income & associates	741	720	662	727	848	650	-23.4	800	23.1	800	0.0
Net interest	(406)	(288)	(763)	(1,603)	(1,019)	(1,600)	57.1	(1,600)	0.0	(1,600)	0.0
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	4,523	6,045	6,381	2,084	5,448	8,591	57.7	11,695	36.1	14,125	20.8
Tax	(1,250)	(1,632)	(1,688)	(185)	(1,211)	(1,718)	41.9	(2,339)	36.1	(2,825)	20.8
Profit after tax	3,273	4,413	4,693	1,900	4,237	6,872	62.2	9,356	36.1	11,300	20.8
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	0	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	3,273	4,413	4,693	1,900	4,237	6,872	62.2	9,356	36.1	11,300	20.8
Net Income (UBS)	3,273	4,413	4,693	1,900	4,237	6,872	62.2	9,356	36.1	11,300	20.8
Tax rate (%)	28	27	26	9	22	20	-10.0	20	0.0	20	0.0
Pre-abnormal tax rate (%)	28	27	26	9	22	20	-10.0	20	0.0	20	0.0
Per share (Rs)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
EPS (local GAAP)	2.74	3.38	3.53	1.43	3.18	5.17	62.2	7.03	36.1	8.49	20.8
EPS (UBS)	2.74	3.38	3.53	1.43	3.18	5.17	62.2	7.03	36.1	8.49	20.8
Net DPS	1.31	1.50	1.50	1.00	1.50	1.50	0.0	1.50	0.0	1.50	0.0
Cash EPS	3.80	4.54	4.87	2.77	4.72	7.16	51.7	9.43	31.6	11.37	20.6
BVPS	11.56	14.31	16.15	26.11	27.58	30.30	9.9	35.61	17.5	42.38	19.0
Balance sheet (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Net tangible fixed assets	10,847	15,445	20,548	43,974	48,110	52,457	9.0	54,273	3.5	57,952	6.8
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	2,283	5,313	1,742	9,503	6,652	7,008	5.3	7,532	7.5	9,453	25.5
Other liabilities	(1,797)	(1,969)	(2,538)	(2,673)	(4,486)	(4,486)	0.0	(4,486)	0.0	(4,486)	0.0
Operating invested capital	11,333	18,789	19,752	50,804	50,276	54,978	9.4	57,319	4.3	62,918	9.8
Investments	3,682	2,211	6,099	2,636	3,262	7,262	122.6	11,262	55.1	11,262	0.0
Total capital employed	15,015	21,000	25,851	53,440	53,537	62,240	16.3	68,580	10.2	74,180	8.2
Shareholders' equity	14,125	18,946	21,490	34,739	36,688	40,314	9.9	47,375	17.5	56,379	19.0
Minority interests	0	0	0	0	0	0	-	0	-	0	-
Total equity	14,125	18,946	21,490	34,739	36,688	40,314	9.9	47,375	17.5	56,379	19.0
Net debt / (cash)	891	2,055	4,361	18,701	16,850	21,926	30.1	21,206	-3.3	17,800	-16.1
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	15,015	21,000	25,851	53,440	53,537	62,240	16.3	68,580	10.2	74,180	8.2
Cash flow (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Operating income (EBIT, UBS)	4,188	5,613	6,483	2,961	5,618	9,541	69.8	12,495	31.0	14,925	19.4
Depreciation	1,260	1,506	1,774	1,784	2,041	2,653	30.0	3,184	20.0	3,821	20.0
Net change in working capital	(261)	(2,859)	3,550	(7,886)	2,806	(356)	-	(525)	47.5	(1,920)	265.9
Other (operating)	861	549	683	853	893	650	-27.2	800	23.1	800	0.0
Operating cash flow (pre tax/interest)	6,049	4,809	12,489	(2,289)	11,358	12,488	9.9	15,954	27.8	17,625	10.5
Net interest received / (paid)	(406)	(288)	(763)	(1,603)	(1,019)	(1,600)	57.1	(1,600)	0.0	(1,600)	0.0
Dividends paid	(1,822)	(2,264)	(2,337)	(1,556)	(2,327)	(2,295)	-1.4	(2,295)	0.0	(2,295)	0.0
Tax paid	(1,250)	(1,632)	(1,688)	(185)	(1,211)	(1,718)	41.9	(2,339)	36.1	(2,825)	20.8
Capital expenditure	(1,925)	(5,778)	(6,140)	(24,799)	(6,285)	(7,000)	11.4	(5,000)	-28.6	(7,500)	50.0
Net (acquisitions) / disposals	0	1,471	0	3,463	0	0	-	0	-	0	-
Other	(649)	720	(3,226)	727	222	(3,350)	-	(3,200)	-4.5	800	-
Share issues	995	2,673	188	12,906	39	(951)	-	0	-	0	-
Cash flow (inc)/dec in net debt	250	(1,010)	(2,139)	(14,062)	(71)	(5,076)	7070.8	720	-	3,405	372.9
FX / non cash items	(303)	(154)	(167)	(277)	1,922	0	-100.0	0	-66.7	0	-
Balance sheet (inc)/dec in net debt	(53)	(1,164)	(2,307)	(14,339)	1,851	(5,076)	-	720	-	3,405	372.9
Core EBITDA	5,448	7,119	8,256	4,745	7,659	12,194	59.2	15,679	28.6	18,746	19.6
Maintenance capital expenditure	(1,260)	(1,506)	(1,774)	(1,784)	(2,041)	(2,653)	30.0	(3,184)	20.0	(3,821)	20.0
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	4,188	5,613	6,483	2,961	5,618	9,541	69.8	12,495	31.0	14,925	19.4

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating (UR)

Buy *

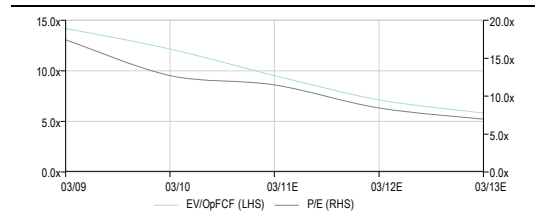
12m price target (UR)

Rs105.00

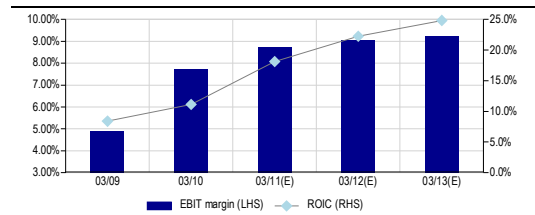
Company profile

Ashok Leyland is the second-largest player in the medium and heavy commercial vehicle (MHCV) segment in India. The company had a 23% market share in MHCVs in FY10. It has formed a joint venture with Nissan Motors for light commercial vehicles and a joint venture with John Deere for construction equipment. The majority shareholder is the Hinduja Group, with a 51% stake.

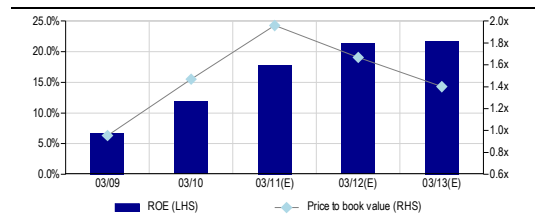
Value (EV/OpFCF & P/E)



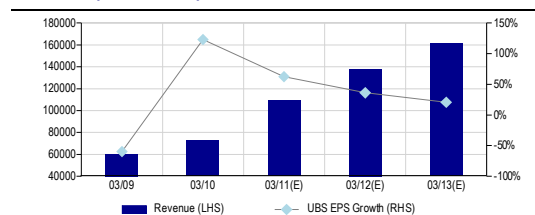
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
P/E (local GAAP)	17.7	17.5	12.7	11.5	8.4	7.0
P/E (UBS)	16.8	17.5	12.7	11.5	8.4	7.0
P/CEPS	11.4	9.0	8.6	8.3	6.3	5.2
Net dividend yield (%)	3.4	4.0	3.7	2.5	2.5	2.5
P/BV	3.3	1.0	1.5	2.0	1.7	1.4
EV/revenue (core)	0.9	0.7	0.9	0.8	0.6	0.5
EV/EBITDA (core)	8.8	8.9	8.9	7.5	5.7	4.7
EV/EBIT (core)	11.7	14.2	12.2	9.5	7.1	5.8
EV/OpFCF (core)	11.7	14.2	12.2	9.5	7.1	5.8
EV/op. invested capital	2.9	1.2	1.4	1.7	1.6	1.5

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	33,167	53,877	78,956	78,956	78,956
+ minority interests	0	0	0	0	0
+ average net debt (cash)	11,531	17,775	19,388	21,566	19,503
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(2,636)	(3,262)	(7,262)	(11,262)	(11,262)
Core enterprise value	42,062	68,390	91,082	89,260	87,197

Growth (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue	9.4	-22.7	20.8	49.7	26.6	17.0
EBITDA (UBS)	1.0	-42.5	61.4	59.2	28.6	19.6
EBIT (UBS)	-3.8	-54.3	89.7	69.8	31.0	19.4
EPS (UBS)	-11.1	-59.6	123.0	62.2	36.1	20.8
Cash EPS	-3.6	-43.1	70.4	51.7	31.6	20.6
Net DPS	0.0	-33.4	50.0	0.0	0.0	0.0
BVPS	27.7	61.7	5.6	9.9	17.5	19.0

Margins (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBITDA / revenue	9.9	7.9	10.5	11.2	11.4	11.6
EBIT / revenue	7.4	4.9	7.7	8.7	9.1	9.2
Net profit (UBS) / revenue	5.6	3.2	5.8	6.3	6.8	7.0

Return on capital (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT ROIC (UBS)	25.0	8.4	11.1	18.1	22.3	24.8
ROIC post tax	-	7.7	8.6	14.5	17.8	19.9
Net ROE	21.3	6.8	11.9	17.9	21.3	21.8

Coverage ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT / net interest	11.6	2.4	6.4	6.4	8.3	9.8
Dividend cover (UBS EPS)	2.1	1.4	2.1	3.4	4.7	5.7
Div. payout ratio (% , UBS EPS)	49.7	70.0	47.1	29.0	21.3	17.7
Net debt / EBITDA	0.9	3.9	2.2	1.8	1.4	0.9

Efficiency ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue / op. invested capital	3.4	1.7	1.4	2.1	2.5	2.7
Revenue / fixed assets	3.7	1.9	1.6	2.2	2.6	2.9
Revenue / net working capital	17.0	10.7	9.0	16.0	19.0	19.0

Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	1.0	1.0	1.0	1.0	1.0	1.0
Capex / revenue (%)	13.2	NM	8.6	6.4	3.6	4.6
Capex / depreciation	5.4	NM	3.1	2.6	1.6	2.0

Capital structure (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Net debt / total equity	26.6	53.8	45.9	54.4	44.8	31.6
Net debt / (net debt + equity)	21.0	35.0	31.5	35.2	30.9	24.0
Net debt (core) / EV	6.9	27.4	26.0	21.3	24.2	22.4

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs59.35 on 21 Jan 2011 23:38 SGT Market cap(E) may include forecast share issues/buybacks.

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Analyst

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* Under review; See pageError! Bookmark not defined.

■ Ashok Leyland

Ashok Leyland is the second-largest player in the medium and heavy commercial vehicle (MHCV) segment in India. The company had a 23% market share in MHCVs in FY10. It has formed a joint venture with Nissan Motors for light commercial vehicles and a joint venture with John Deere for construction equipment. The majority shareholder is the Hinduja Group, with a 51% stake.

■ Statement of Risk

We believe the cyclical nature of the commercial vehicle (CV) business is a key risk for Ashok Leyland as it derives most of its revenue from CV sales. While the company has stepped up efforts to reduce its dependence on this cyclical business, failure to execute presents a major risk in the event of an economic downturn. An unprecedented rise in raw material prices is another key risk.

UBS Investment Research

Reliance Industries

Q3FY11: Upstream disappoints

■ Q3FY11 results: below expectations

3QFY11 EBITDA at Rs95bn was higher by 2% QoQ, but 6% below UBSe of Rs101bn. PAT of Rs51bn was up 4% QoQ, boosted by higher other income which grew 10% QoQ. PAT below UBSe of Rs53bn. Lower numbers on lower volumes at the KG D6 fields.

■ Oil and gas contribution declines, partially offset by refining & petchem

Upstream EBIT was down 12% qoq to Rs15bn and is the key reason for the miss. Refining EBIT was up 11.1% QoQ – GRM at US\$9.0/bbl, was modestly higher than our estimates. Petrochemicals EBIT was up 10.6% QoQ on strong global margins led by the aromatics chain (PX and polyester). We expect modest improvement in refining and petchem margins going forward.

■ KG D6 volume decline confirmed by results, no guidance

Company says will try to resolve the gas volume issue, no guidance. However it did say that KGD6 volumes have declined from peak of 57mmcmd current levels of 43-45. We currently have 60mmcmd (52 from D6+8 from MA field). Every 10mmcmd decline will hit pretax earnings by c5%. No change to our numbers yet

■ Valuation: Maintain Neutral rating

We base our Rs1,150 price target on a sum-of-the-parts valuation. Currently the stock is trading at 8.0x FY12e EV/EBITDA and 14.1x FY12e PE. Despite our modestly positive view on refining and petchem, upstream will drag earnings down. Stock expensive vs peers, maintain Neutral.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	1,534,936	2,097,747	2,680,524	2,768,654	2,892,256
EBIT (UBS)	177,712	199,481	280,816	296,755	352,283
Net Income (UBS)	149,687	245,031	219,036	228,501	267,737
EPS (UBS, Rs)	54.44	82.28	66.98	69.87	81.87
Net DPS (UBS, Rs)	6.90	7.00	7.00	8.00	10.00

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
EBIT margin %	13.3	9.5	10.5	10.7	12.2
ROIC (EBIT) %	-	11.5	15.5	16.0	18.7
EV/EBITDA (core) x	10.3	12.1	8.9	8.0	6.6
PE (UBS) x	13.4	12.4	14.7	14.1	12.0
Net dividend yield %	1.0	0.7	0.7	0.8	1.0

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs986.50 on 21 Jan 2011 21:02 SGT

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Global Equity Research

India

Chemicals, Commodity

12-month rating **Neutral**
Unchanged

12m price target **Rs1,150.00/US\$50.46**
Unchanged

Price **Rs986.50/US\$43.22 (ADR)**

RIC: RELI.BO BBG: RIL IB

21 January 2011

Trading data (local/US\$)

52-wk range	Rs1,129.00-918.85/US\$50.76-39.07
Market cap.	Rs3,242bn/US\$71.0bn
Shares o/s	3,287m (ORD)/1,643m (ADR)
ADR ratio	1 ADR:2 ORD
Free float	55%
Avg. daily volume ('000)	867/-
Avg. daily value (m)	Rs907.0/-

Balance sheet data 03/11E

Shareholders' equity	Rs1,606bn
P/BV (UBS)	2.0x
Net Cash (debt)	(Rs393bn)

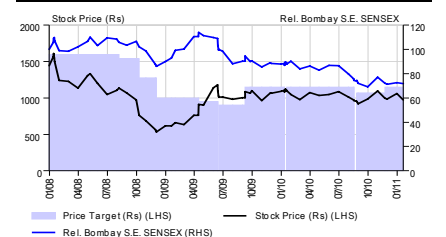
Forecast returns

Forecast price appreciation	+16.6%
Forecast dividend yield	0.8%
Forecast stock return	+17.4%
Market return assumption	13.0%
Forecast excess return	+4.4%

EPS (UBS, Rs)

	03/11E	03/10
	UBS	Cons. Actual
Q1	18.39	- 22.28
Q2E	18.39	- 22.28
Q3E	18.39	- 22.28
Q4E	18.39	- 22.28
03/11E	66.98	66.98
03/12E	69.87	69.87

Performance (Rs)



Source: UBS

www.ubs.com/investmentresearch

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Table 1: Income statement

(Rs m)	Q3FY10	Q2FY11	Q3FY11	YoY	QoQ
Gross Sales	588,480	599,620	623,990	6.0%	4.1%
Petchem	147,560	150,960	159,620	8.2%	5.7%
Refining	480,000	496,720	525,240	9.4%	5.7%
E&P	35,300	43,185	41,780	18.4%	-3.3%
Excise Duty	19,920	24,830	26,100		
Net Sales	568,560	574,790	597,890	5.2%	4.0%
Total Expenditure	490,120	480,830	502,440	2.5%	4.5%
PBIDT	78,440	93,960	95,450	21.7%	1.6%
Interest	5,500	5,420	5,490	-0.2%	1.3%
PBDT	72,940	88,540	89,960	23.3%	1.6%
Depreciation	27,950	33,770	33,590	20.2%	-0.5%
Other Income	5,080	6,720	7,410	45.9%	10.3%
PBT	50,070	61,490	63,780	27.4%	3.7%
Tax	6,990	10,260	10,420	49.1%	1.6%
Deferred Tax	3,000	2,000	2,000		
PAT	40,080	49,230	51,360	28.1%	4.3%
EPS (Rs)	12.26	15.05	15.69	28.0%	4.3%

Source: Company data

Table 2: Segment-wise results

(Rs m)	Q3FY10	Q2FY11	Q3FY11	YoY	QoQ
Revenues					
Petchem	147,560	150,960	159,620	8.2%	5.7%
Refining	480,000	496,720	525,240	9.4%	5.7%
Oil & Gas	35,300	43,030	41,780	18.4%	-2.9%
Others	950	1,550	1,800	89.5%	16.1%
Total	663,810	692,260	728,440	9.7%	5.2%
EBIT					
Petchem	20,550	21,970	24,290	18.2%	10.6%
Refining	13,790	21,920	24,360	76.6%	11.1%
Oil & Gas	14,770	17,060	15,040	1.8%	-11.8%
Others	110	80	90	-18.2%	12.5%
Total	49,220	61,030	63,780	29.6%	4.5%
Capital Employed					
Petchem	418,880	364,700	352,280	-15.9%	-3.4%
Refining	789,760	761,200	767,030	-2.9%	0.7%
Oil & Gas	521,160	537,680	559,590	7.4%	4.0%
Others	74,630	71,010	7,380	-90.1%	-89.6%
unallocated corporate	357,950	518,050	567,240	58.5%	9.5%
Total	2,162,380	2,252,640	2,253,520	4.2%	0.1%

Source: Company data

Table 3: Refinery throughput and GRMs- Strong margins

	Q4Y09	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11
Throughput	7.9	12.0	15.6	16.6	16.7	16.9	16.9	16.1
RIL-GRM	9.9	6.7	6.0	5.9	7.5	7.3	7.9	9.0
Reuters Sing Complex	3.7	4.1	3.1	1.9	4.9	3.7	4.2	5.5

Source: Company data

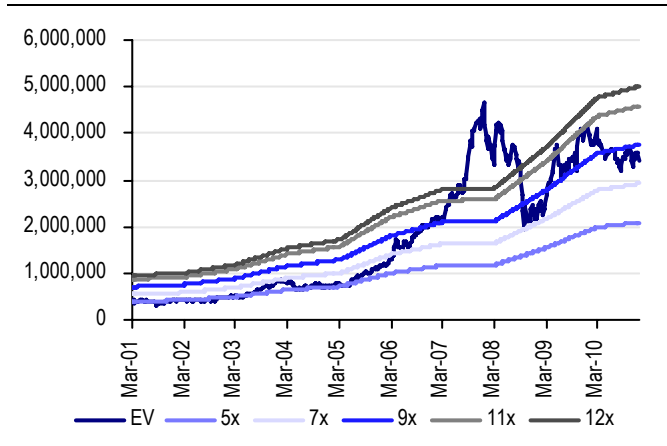
Table 4: Upstream production- clear declining trend

	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11
KGD6 Gas production (mmscm)	1,733	3,080	4,201	5,383	5,376	5,323	4,953
KGD6 Gas production (mmscmd)	19	34	47	60	60	59	55
KGD6 Oil production (000 mt)	99	123	115	171	304	279	294

Source: Company data

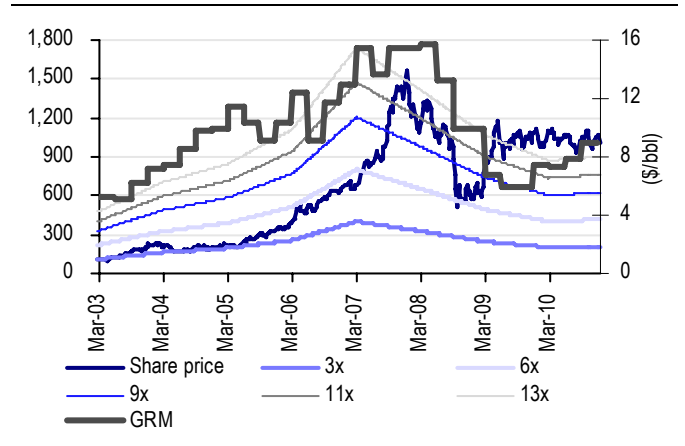
Valuation charts

Chart 1: EV/EBITDA band



Source: UBS

Chart 2: PE band



Source: UBS

Reliance Industries

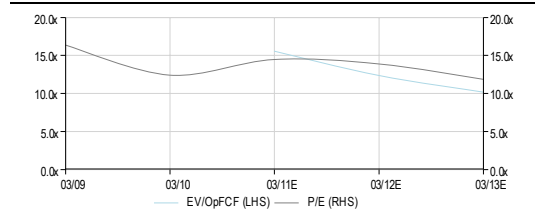
Income statement (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Revenues	833,425	1,123,473	1,315,758	1,534,936	2,097,747	2,680,524	27.8	2,768,654	3.3	2,892,256	4.5
Operating expenses (ex deprecn)	(690,434)	(923,011)	(1,082,700)	(1,300,714)	(1,788,808)	(2,283,109)	27.6	(2,346,567)	2.8	(2,410,290)	2.7
EBITDA (UBS)	142,991	200,462	233,059	234,222	308,939	397,416	28.6	422,087	6.2	481,966	14.2
Depreciation	(34,009)	(48,152)	(48,471)	(56,510)	(109,458)	(116,600)	6.5	(125,332)	7.5	(129,682)	3.5
Operating income (EBIT, UBS)	108,982	152,311	184,587	177,712	199,481	280,816	40.8	296,755	5.7	352,283	18.7
Other income & associates	6,829	4,783	56,288	19,142	107,913	19,700	-81.7	19,700	0.0	19,700	0.0
Net interest	(8,770)	(11,889)	(10,774)	(18,163)	(20,596)	(19,700)	-4.3	(19,700)	0.0	(15,000)	-23.9
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	107,041	145,205	230,101	178,691	286,799	280,816	-2.1	296,755	5.7	356,983	20.3
Tax	(16,347)	(25,766)	(35,519)	(29,188)	(42,563)	(61,779)	45.1	(68,254)	10.5	(89,246)	30.8
Profit after tax	90,693	119,439	194,583	149,503	244,236	219,036	-10.3	228,501	4.3	267,737	17.2
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	0	0	0	184	796	0	-	0	-	0	-
Net income (local GAAP)	90,693	119,439	194,583	149,687	245,031	219,036	-10.6	228,501	4.3	267,737	17.2
Net Income (UBS)	90,693	119,439	194,583	149,687	245,031	219,036	-10.6	228,501	4.3	267,737	17.2
Tax rate (%)	15	18	15	16	15	22	48.2	23	4.5	25	8.7
Pre-abnormal tax rate (%)	15	18	15	16	15	22	48.2	23	4.5	25	8.7
Per share (Rs)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
EPS (local GAAP)	32.55	41.08	66.94	54.44	82.28	66.98	-18.6	69.87	4.3	81.87	17.2
EPS (UBS)	32.55	41.08	66.94	54.44	82.28	66.98	-18.6	69.87	4.3	81.87	17.2
Net DPS	5.00	4.95	5.61	6.90	7.00	7.00	0.0	8.00	14.3	10.00	25.0
Cash EPS	44.75	57.64	83.62	75.00	119.04	102.63	-13.8	108.19	5.4	121.52	12.3
BVPS	178.77	229.60	280.20	385.33	429.03	488.72	13.9	549.29	12.4	619.56	12.8
Balance sheet (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Net tangible fixed assets	626,745	711,886	848,895	1,808,902	1,772,249	1,829,649	3.2	1,857,980	1.5	1,902,298	2.4
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	59,738	94,996	145,677	(28,680)	126,293	113,825	-9.9	111,360	-2.2	105,737	-5.0
Other liabilities	(49,708)	(69,820)	(78,725)	(95,477)	(106,752)	(106,752)	0.0	(106,752)	0.0	(106,752)	0.0
Operating invested capital	636,775	737,062	915,846	1,684,744	1,791,790	1,836,721	2.5	1,862,588	1.4	1,901,282	2.1
Investments	58,462	162,513	220,636	64,355	131,123	162,623	24.0	194,123	19.4	225,623	16.2
Total capital employed	695,237	899,575	1,136,482	1,749,099	1,922,912	1,999,344	4.0	2,056,711	2.9	2,126,905	3.4
Shareholders' equity	498,043	639,671	814,486	1,212,565	1,410,030	1,606,235	13.9	1,805,303	12.4	2,036,249	12.8
Minority interests	0	0	0	1,389	5,735	0	-	0	-	0	-
Total equity	498,043	639,671	814,486	1,213,954	1,415,765	1,606,235	13.5	1,805,303	12.4	2,036,249	12.8
Net debt / (cash)	197,195	259,904	321,996	535,145	507,147	393,109	-22.5	251,407	-36.0	90,656	-63.9
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	695,237	899,575	1,136,482	1,749,099	1,922,912	1,999,344	4.0	2,056,711	2.9	2,126,905	3.4
Cash flow (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Operating income (EBIT, UBS)	108,982	152,311	184,587	177,712	199,481	280,816	40.8	296,755	5.7	352,283	18.7
Depreciation	34,009	48,152	48,471	56,510	109,458	116,600	6.5	125,332	7.5	129,682	3.5
Net change in working capital	(32,188)	(13,075)	(31,071)	(57,725)	(59,381)	12,468	-	2,464	-80.2	5,623	128.2
Other (operating)	(11,063)	(14,429)	(20,577)	(6,558)	(33,527)	19,700	-	19,700	0.0	19,700	0.0
Operating cash flow (pre tax/interest)	99,740	172,959	181,410	169,938	216,031	429,584	98.9	444,251	3.4	507,289	14.2
Net interest received / (paid)	(8,770)	(11,889)	(10,774)	(18,163)	(20,596)	(19,700)	-4.3	(19,700)	0.0	(15,000)	-23.9
Dividends paid	(11,853)	(33,786)	(16,312)	(19,085)	(22,195)	(25,754)	16.0	(29,433)	14.3	(36,792)	25.0
Tax paid	(9,415)	(19,050)	(24,847)	(19,261)	(31,404)	(61,779)	96.7	(68,254)	10.5	(89,246)	30.8
Capital expenditure	(94,104)	(82,244)	(190,966)	(277,320)	(230,168)	(174,000)	-24.4	(153,663)	-11.7	(174,000)	13.2
Net (acquisitions) / disposals	(31,205)	(100,921)	(9,738)	33,663	26,447	(31,500)	-	(31,500)	0.0	(31,500)	0.0
Other	(11,788)	(21,651)	(12,294)	(25,319)	82,915	13,965	-83.2	19,700	41.1	19,700	0.0
Share issues	5	2,611	16,824	151,648	5,125	2,924	-43.0	0	-	0	-
Cash flow (inc)/dec in net debt	(67,285)	(92,038)	(112,314)	(13,298)	(71,394)	114,038	-	141,701	24.3	160,751	13.4
FX / non cash items	21,849	29,329	50,221	(199,851)	99,392	0	-100.0	0	-	0	-
Balance sheet (inc)/dec in net debt	(45,437)	(62,709)	(62,093)	(213,149)	27,998	114,038	307.3	141,701	24.3	160,751	13.4
Core EBITDA	142,991	200,462	233,059	234,222	308,939	397,416	28.6	422,087	6.2	481,966	14.2
Maintenance capital expenditure	(94,104)	(82,244)	(190,966)	(277,320)	(230,168)	(174,000)	-24.4	(153,663)	-11.7	(174,000)	13.2
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	48,887	118,219	42,092	(43,099)	78,772	223,416	183.6	268,424	20.1	307,966	14.7

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

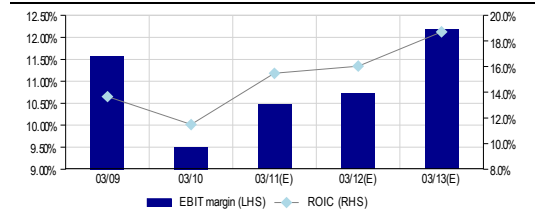
Company profile

Reliance Industries (RIL) is the largest integrated oil and gas company in India. Its three main businesses are exploration & production, refining and petrochemicals. Its two refineries in Jamnagar, Gujarat have among the highest complexity globally and a combined capacity of 1mbpd. The company's FY10 turnover was US\$46bn. It derives more than 50% of its revenue from exports.

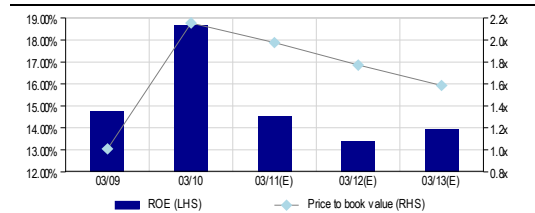
Value (EV/OpFCF & P/E)



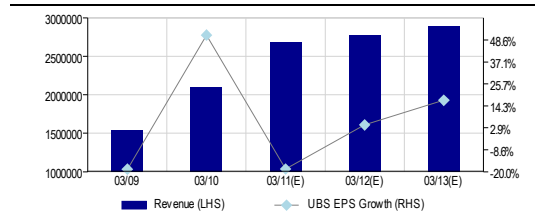
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
P/E (local GAAP)	13.4	16.4	12.4	14.7	14.1	12.0
P/E (UBS)	13.4	16.4	12.4	14.7	14.1	12.0
P/CEPS	9.8	11.9	8.6	9.6	9.1	8.1
Net dividend yield (%)	1.0	0.8	0.7	0.7	0.8	1.0
P/BV	2.5	2.3	2.4	2.0	1.8	1.6
EV/revenue (core)	1.8	1.9	1.8	1.3	1.2	1.1
EV/EBITDA (core)	10.3	12.7	12.1	8.9	8.0	6.6
EV/EBIT (core)	13.5	16.8	18.8	12.6	11.4	9.0
EV/OpFCF (core)	NM	NM	NM	15.8	12.6	10.4
EV/op. invested capital	-	2.3	2.2	1.9	1.8	1.7

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	2,619,742	3,356,845	3,242,221	3,242,221	3,242,221
+ minority interests	695	3,562	2,868	0	0
+ average net debt (cash)	428,571	521,146	450,128	322,258	171,032
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(64,355)	(131,123)	(162,623)	(194,123)	(225,623)
Core enterprise value	2,984,652	3,750,431	3,532,594	3,370,357	3,187,630

Growth (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue	23.7	16.7	36.7	27.8	3.3	4.5
EBITDA (UBS)	16.0	0.5	31.9	28.6	6.2	14.2
EBIT (UBS)	17.9	-3.7	12.2	40.8	5.7	18.7
EPS (UBS)	18.5	-18.7	51.1	-18.6	4.3	17.2
Cash EPS	16.3	-10.3	58.7	-13.8	5.4	12.3
Net DPS	16.5	23.0	1.5	0.0	14.3	25.0
BVPS	27.7	37.5	11.3	13.9	12.4	12.8

Margins (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBITDA / revenue	17.5	15.3	14.7	14.8	15.2	16.7
EBIT / revenue	13.3	11.6	9.5	10.5	10.7	12.2
Net profit (UBS) / revenue	11.6	9.8	11.7	8.2	8.3	9.3

Return on capital (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT ROIC (UBS)	-	13.7	11.5	15.5	16.0	18.7
ROIC post tax	-	11.4	9.8	12.1	12.4	14.0
Net ROE	20.8	14.8	18.7	14.5	13.4	13.9

Coverage ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT / net interest	13.4	10.8	14.9	15.3	16.1	24.8
Dividend cover (UBS EPS)	8.4	7.9	11.8	9.6	8.7	8.2
Div. payout ratio (% UBS EPS)	12.4	12.7	8.5	10.5	11.4	12.2
Net debt / EBITDA	1.6	2.3	1.6	1.0	0.6	0.2

Efficiency ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue / op. invested capital	-	1.2	1.2	1.5	1.5	1.5
Revenue / fixed assets	-	1.2	1.2	1.5	1.5	1.5
Revenue / net working capital	-	26.2	43.0	22.3	24.6	26.6

Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	0.4	NM	0.4	0.8	0.9	0.9
Capex / revenue (%)	12.5	18.1	11.0	6.5	5.6	6.0
Capex / depreciation	3.0	4.9	2.1	1.5	1.2	1.3

Capital structure (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Net debt / total equity	41.1	44.1	36.0	24.5	13.9	4.5
Net debt / (net debt + equity)	29.1	30.6	26.5	19.7	12.2	4.3
Net debt (core) / EV	13.2	14.4	13.9	12.7	9.6	5.4

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs986.50 on 21 Jan 2011 21:02 SGT Market cap(E) may include forecast share issues/buybacks.

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■ Reliance Industries

Reliance Industries (RIL) is the largest integrated oil and gas company in India. Its three main businesses are exploration & production, refining and petrochemicals. Its two refineries in Jamnagar, Gujarat have among the highest complexity globally and a combined capacity of 1mbpd. The company's FY10 turnover was US\$46bn. It derives more than 50% of its revenue from exports.

■ Statement of Risk

We believe gas volumes from KG-D6 are key drivers of the stock's performance. Refining and petrochemical margins are also major drivers of the company's earnings.

UBS Investment Research

First Read: Tech Mahindra

Revenue miss, other income boosts profits

■ Revenue lower than expected, but profit higher on other income

Tech Mahindra (TechM) reported 3QFY11 revenue of Rs12.1bn (down 21% QoQ). Dollar revenue was US\$269m, 8% below our estimate of US\$293mn. Excluding one-time pass through of US\$64mn in 2QFY11, dollar revenue was up 1.6% QoQ. Net income at Rs2.6bn was higher than our estimate of Rs1.9bn, due to high other income (Rs522mn vs. est. Rs63mn) and minority interest.

■ Operating margins revive after decline in 2Q

EBITDA margins stood at 20.6% in Q3FY11, 50bps higher than our estimate. Margins revived after two quarters of lacklustre performance, driven by 26% QoQ decline in cost of revenue, largely due to lack of pass through revenue as compared to 2Q FY11.

■ Income from Satyam led to higher than expected net income

Minority interest from Mahindra Satyam (Satyam) was higher than expected at Rs522mn, as the company accounted for 1H FY11 profit share from Satyam. The management expects minority interest to accrue with a one-quarter lag to Satyam's reported numbers since Satyam would continue to report numbers later than Tech Mahindra for the foreseeable future.

■ Valuation: maintain Neutral

TechM currently trades at a PE of 10.3x FY12 EPS estimates, a discount of 50% to Infosys. We believe this discount is due to the concerns due on potential stake sale by BT (TechM's top client) and Satyam's turnaround. We expect this to narrow as Satyam's profitability improves. We maintain Neutral with a DCF based PT.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	44,647	46,254	53,805	59,150	66,047
EBIT (UBS)	11,053	9,986	8,996	9,606	10,169
Net Income (UBS)	9,561	6,473	7,622	8,485	9,277
EPS (UBS, Rs)	78.59	52.92	60.63	67.49	73.79
Net DPS (UBS, Rs)	11.28	17.02	15.00	15.00	15.00

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
EBIT margin %	19.4	21.6	16.7	16.2	15.4
ROIC (EBIT) %	82.8	99.1	71.8	56.9	47.5
EV/EBITDA (core) x	-	6.3	6.4	5.8	5.2
PE (UBS) x	-	15.3	11.4	10.2	9.3
Net dividend yield %	-	2.1	2.2	2.2	2.2

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs689.30 on 21 Jan 2011 22:02 EST

Diviya Nagarajan

Analyst

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Global Equity Research

India

Diversified Technology Services

12-month rating **Neutral**
Unchanged

12m price target **Rs825.00/US\$18.06**
Unchanged

Price **Rs689.30/US\$15.09**

RIC: TEMPL.BO BBG: TECHM IB

21 January 2011

Trading data (local/US\$)

52-wk range	Rs1,135.35-621.60/US\$24.53-13.30
Market cap.	Rs85.5bn/US\$1.87bn
Shares o/s	124m (ORD)
Free float	12%
Avg. daily volume ('000)	42
Avg. daily value (m)	Rs29.5

Balance sheet data 03/11E

Shareholders' equity	Rs34.0bn
P/BV (UBS)	2.5x
Net Cash (debt)	(Rs10.7bn)

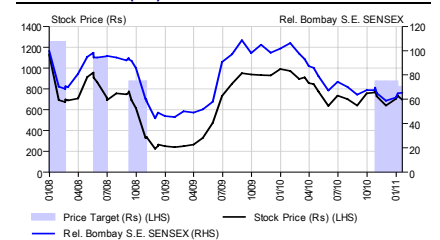
Forecast returns

Forecast price appreciation	+19.7%
Forecast dividend yield	2.2%
Forecast stock return	+21.9%
Market return assumption	13.0%
Forecast excess return	+8.9%

EPS (UBS, Rs)

	03/11E	03/10	Actual
Q1	11.71	-	11.50
Q2E	11.98	-	13.87
Q3E	15.37	-	14.18
Q4E	15.83	-	18.60
03/11E	60.63	60.63	
03/12E	67.49	67.49	

Performance (Rs)



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Tech Mahindra

Income statement (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Revenues	12,426	29,290	37,661	44,647	46,254	53,805	16.3	59,150	9.9	66,047	11.7
Operating expenses (ex depn)	(9,748)	(21,929)	(29,403)	(32,495)	(34,929)	(43,375)	24.2	(47,887)	10.4	(53,963)	12.7
EBITDA (UBS)	2,678	7,361	8,259	12,152	11,325	10,430	-7.9	11,263	8.0	12,084	7.3
Depreciation	(398)	(516)	(796)	(1,099)	(1,339)	(1,433)	7.1	(1,656)	15.5	(1,915)	15.6
Operating income (EBIT, UBS)	2,280	6,845	7,463	11,053	9,986	8,996	-9.9	9,606	6.8	10,169	5.9
Other income & associates	341	81	1,044	(288)	138	1,240	799.3	1,872	51.0	2,332	24.6
Net interest	0	(61)	(62)	(25)	(2,184)	(1,054)	-51.8	(1,085)	3.0	(844)	-22.2
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	2,621	6,865	8,445	10,740	7,940	9,182	15.6	10,393	13.2	11,657	12.2
Tax	(267)	(740)	(748)	(1,179)	(1,440)	(1,531)	6.3	(1,880)	22.8	(2,349)	25.0
Profit after tax	2,354	6,125	7,697	9,561	6,500	7,651	17.7	8,514	11.3	9,307	9.3
Abnormal items (post-tax)	0	(4,910)	(4,401)	583	0	0	-	0	-	0	-
Minorities / pref dividends	0	(1)	5	1	(28)	(29)	5.0	(29)	0.0	(30)	5.0
Net income (local GAAP)	2,354	1,214	3,301	10,144	6,473	7,622	17.8	8,485	11.3	9,277	9.3
Net Income (UBS)	2,354	6,124	7,702	9,561	6,473	7,622	17.8	8,485	11.3	9,277	9.3
Tax rate (%)	10	11	9	11	18	17	-8.0	18	8.5	20	11.4
Pre-abnormal tax rate (%)	10	11	9	11	17	18	7.1	22	20.9	25	13.6
Per share (Rs)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
EPS (local GAAP)	20.94	10.02	27.27	83.39	52.92	60.63	17.8	67.49	11.3	73.79	9.3
EPS (UBS)	20.94	50.58	63.64	78.59	52.92	60.63	14.6	67.49	11.3	73.79	9.3
Net DPS	10.54	2.50	5.52	11.28	17.02	15.00	-11.9	15.00	0.0	15.00	0.0
Cash EPS	24.48	54.84	70.22	87.63	63.86	72.03	12.8	80.66	12.0	89.02	10.4
BVPS	65.14	75.86	103.83	159.67	235.98	270.62	14.7	320.56	18.5	376.80	17.5
Balance sheet (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Net tangible fixed assets	2,898	4,421	5,996	6,520	9,251	11,017	19.1	12,861	16.7	14,946	16.2
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	2,385	3,403	5,378	3,296	8,770	9,469	8.0	10,005	5.7	10,766	7.6
Other liabilities	0	0	0	0	(7,677)	(5,758)	-25.0	(3,839)	-33.3	(1,919)	-50.0
Operating invested capital	5,283	7,824	11,374	9,816	10,344	14,729	42.4	19,027	29.2	23,792	25.0
Investments	1,505	979	633	4,346	30,145	30,145	0.0	30,145	0.0	30,145	0.0
Total capital employed	6,788	8,803	12,007	14,162	40,489	44,874	10.8	49,172	9.6	53,937	9.7
Shareholders' equity	7,548	9,185	12,572	19,432	28,865	34,023	17.9	40,301	18.5	47,371	17.5
Minority interests	0	116	111	112	139	168	20.8	197	17.3	227	15.4
Total equity	7,548	9,301	12,683	19,544	29,004	34,191	17.9	40,498	18.4	47,599	17.5
Net debt / (cash)	(760)	(498)	(676)	(5,382)	11,485	10,683	-7.0	8,675	-18.8	6,338	-26.9
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	6,788	8,803	12,007	14,162	40,489	44,874	10.8	49,172	9.6	53,937	9.7
Cash flow (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Operating income (EBIT, UBS)	2,280	6,845	7,463	11,053	9,986	8,996	-9.9	9,606	6.8	10,169	5.9
Depreciation	398	516	796	1,099	1,339	1,433	7.1	1,656	15.5	1,915	15.6
Net change in working capital	0	(1,434)	(1,556)	1,317	5,028	(3,013)	-	(2,639)	-12.4	(2,765)	4.8
Other (operating)	341	(10,513)	(6,859)	1,700	450	(7)	-	3,957	-	5,001	26.4
Operating cash flow (pre tax/interest)	3,019	(4,585)	(156)	15,169	16,803	7,411	-55.9	12,581	69.8	14,321	13.8
Net interest received / (paid)	0	(61)	(62)	(25)	(2,184)	(1,054)	-51.8	(1,085)	3.0	(844)	-22.2
Dividends paid	(1,185)	(303)	(668)	(1,352)	(1,041)	(1,999)	92.1	(2,206)	10.4	(2,206)	0.0
Tax paid	(267)	(324)	(999)	(1,902)	(1,840)	(1,429)	-22.4	(1,781)	24.7	(2,349)	31.9
Capital expenditure	(1,841)	(2,046)	(2,391)	(2,511)	(4,106)	(3,200)	-22.1	(3,500)	9.4	(4,000)	14.3
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	101	(10,079)	(2,489)	(2,634)	(26,783)	19	-	405	2031.8	1,174	189.9
Share issues	125	2,234	11	31	51	2,216	4245.4	0	-	0	-
Cash flow (inc)/dec in net debt	(389)	(9,918)	(3,653)	5,759	(19,610)	856	-	2,668	211.6	3,794	42.2
FX / non cash items	(137)	9,656	3,831	(1,053)	2,743	(54)	-	(660)	1113.2	(1,457)	121.0
Balance sheet (inc)/dec in net debt	(525)	(262)	178	4,706	(16,867)	802	-	2,009	150.5	2,336	16.3
Core EBITDA	2,678	7,361	8,259	12,152	11,325	10,430	-7.9	11,263	8.0	12,084	7.3
Maintenance capital expenditure	(397)	(515)	(598)	(628)	(1,027)	(800)	-22.1	(875)	9.4	(1,000)	14.3
Maintenance net working capital	(331)	(2,448)	(1,556)	1,317	5,028	(3,013)	-	(2,639)	-12.4	(2,765)	4.8
Operating free cash flow, pre-tax	1,950	4,398	6,105	12,841	15,327	6,617	-56.8	7,749	17.1	8,320	7.4

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

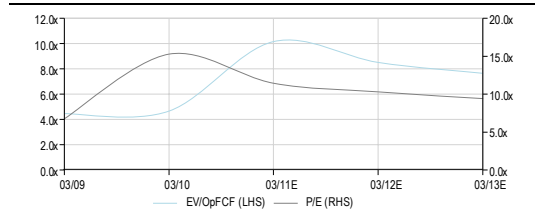
12-month rating **Neutral**

12m price target **Rs825.00**

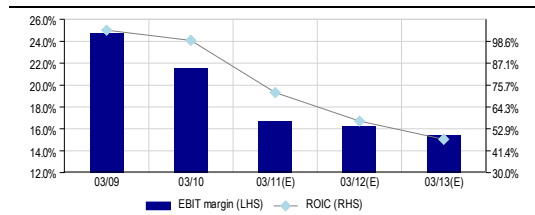
Company profile

Tech Mahindra (TechM) is an IT services company catering to the global telecommunications industry. It is joint venture between Mahindra Group and British Telecommunications. TechM's service offerings include application development and maintenance, business process outsourcing (BPO) and infrastructure management. TechM derives around 60% its revenue from Europe and BT is its largest client.

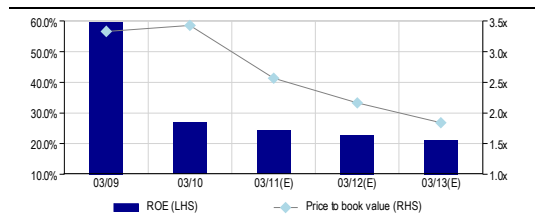
Value (EV/OpFCF & P/E)



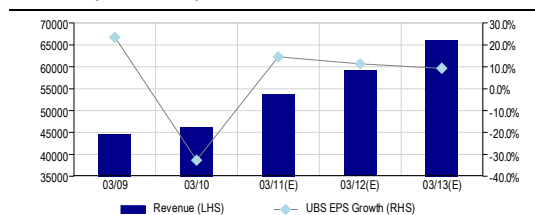
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
P/E (local GAAP)	-	6.9	16.3	11.8	10.6	9.7
P/E (UBS)	-	6.8	15.3	11.4	10.2	9.3
P/CEPS	-	6.1	12.7	9.6	8.5	7.7
Net dividend yield (%)	-	2.1	2.1	2.2	2.2	2.2
P/BV	-	3.3	3.4	2.5	2.2	1.8
EV/revenue (core)	-	1.3	1.5	1.2	1.1	1.0
EV/EBITDA (core)	-	4.7	6.3	6.4	5.8	5.2
EV/EBIT (core)	-	5.2	7.2	7.4	6.8	6.2
EV/OpFCF (core)	-	4.5	4.7	10.1	8.4	7.6
EV/op. invested capital	-	5.4	7.1	5.3	3.9	2.9

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	64,507	98,466	85,521	85,521	85,521
+ minority interests	112	139	168	197	227
+ average net debt (cash)	(3,029)	3,052	11,084	9,679	7,506
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(4,346)	(30,145)	(30,145)	(30,145)	(30,145)
Core enterprise value	57,244	71,512	66,628	65,252	63,110

Growth (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue	47.4	18.5	3.6	16.3	9.9	11.7
EBITDA (UBS)	73.2	47.1	-6.8	-7.9	8.0	7.3
EBIT (UBS)	81.0	48.1	-9.6	-9.9	6.8	5.9
EPS (UBS)	67.2	23.5	-32.7	14.6	11.3	9.3
Cash EPS	60.5	24.8	-27.1	12.8	12.0	10.4
Net DPS	46.1	104.4	50.8	-11.9	0.0	0.0
BVPS	33.4	53.8	47.8	14.7	18.5	17.5

Margins (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBITDA / revenue	22.0	27.2	24.5	19.4	19.0	18.3
EBIT / revenue	19.4	24.8	21.6	16.7	16.2	15.4
Net profit (UBS) / revenue	18.5	21.4	14.0	14.2	14.3	14.0

Return on capital (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT ROIC (UBS)	NM	NM	NM	71.8	56.9	47.5
ROIC post tax	-	NM	NM	58.7	44.4	35.6
Net ROE	51.8	59.8	26.8	24.2	22.8	21.2

Coverage ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT / net interest	-	NM	4.3	9.3	10.6	14.7
Dividend cover (UBS EPS)	8.9	7.0	3.1	4.0	4.5	4.9
Div. payout ratio (% , UBS EPS)	20.6	14.4	32.2	24.7	22.2	20.3
Net debt / EBITDA	NM	NM	1.0	1.0	0.8	0.5

Efficiency ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue / op. invested capital	3.9	4.2	4.6	4.3	3.5	3.1
Revenue / fixed assets	7.0	7.1	5.9	5.3	5.0	4.8
Revenue / net working capital	8.7	10.6	8.0	6.1	6.2	6.4

Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	1.0	1.2	1.5	0.7	0.8	0.8
Capex / revenue (%)	7.0	5.6	8.9	5.9	5.9	6.1
Capex / depreciation	3.0	2.3	3.1	2.2	2.1	2.1

Capital structure (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Net debt / total equity	(15.8)	(27.7)	39.8	31.4	21.5	13.4
Net debt / (net debt + equity)	(18.7)	(38.3)	28.5	23.9	17.7	11.8
Net debt (core) / EV	-	(5.3)	4.3	16.6	14.8	11.9

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs689.30 on 21 Jan 2011 22:02 EST Market cap(E) may include forecast share issues/buybacks.

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Analyst

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■ Tech Mahindra

Tech Mahindra (TechM) is an IT services company catering to the global telecommunications industry. It is joint venture between Mahindra Group and British Telecommunications. TechM's service offerings include application development and maintenance, business process outsourcing (BPO) and infrastructure management. TechM derives around 60% its revenue from Europe and BT is its largest client.

■ Statement of Risk

Tech Mahindra derives all of its revenues from the telecom vertical. Any slowdown in Telecom industry IT spend may adversely impact Tech Mahindra's revenues. Tech Mahindra derives about 75% of revenues from its top two clients, which exposes it to any adverse developments at the top clients. We believe that lack of expertise beyond telecoms may limit cross-selling opportunities for the company. Additional risks include currency risk, weakness in the global economy and salary inflation.

Joint CEO structure dismantled

■ TK Kurien to be new CEO of IT business effective February 2011

Wipro has decided to simplify the existing joint-CEO structure (created in early 2008) in a bid to increase focus on revenue growth. Mr. TK Kurien will take over as the CEO of the IT business and Executive Director of Wipro Limited effective 1 February 2011. Mr. Kurien currently heads Wipro's eco-energy business, and has led BPO and Global Strategic Programs in the IT business in the past.

■ IT services revenue in-line, but volumes low at 1.5% QoQ

Wipro posted IT services Q3 FY11 revenue of US\$1.34bn, in line with our estimates. Volumes grew 1.5% QoQ, lower than peers (Infosys: 3%, TCS: 5.7%). Operating margins in IT services remained flat at 22.2% versus our estimate of a 45bp increase. Consolidated revenue was flat QoQ at Rs78bn, 2.7% lower than our estimate. Total profit increased 2.6% QoQ to Rs13.2bn, 3% below our estimate.

■ Q4 FY11 guidance in line, Q4 revenue growth to be more in line with peers

Wipro has guided for Q4 FY11 IT services revenue of US\$1.38-1.41bn (up 3-5% QoQ). The Q4 FY11 guidance implies that Wipro should report revenue largely in line with peers (5-6% for TCS and Infosys) after several quarters of slower growth.

■ Valuation: maintain Sell

While Wipro seems to be catching up with peers in terms of revenue growth, the revenue differential to Cognizant (CTSH) has narrowed. On UBS estimates, CTSH will match Wipro in IT services revenue over the next two to three years. We believe Wipro will move to address this issue and expect key strategy changes from the new CEO to increase the focus on revenue growth. We maintain our Sell rating with a DCF-based price target.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	256,891	271,957	312,253	361,256	418,647
EBIT (UBS)	45,000	52,228	59,177	66,010	72,879
Net Income (UBS)	38,860	45,935	53,840	58,877	65,880
EPS (UBS, Rs)	15.93	18.91	22.08	23.96	26.60
Net DPS (UBS, Rs)	2.40	3.63	3.60	3.60	3.60

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
EBIT margin %	19.5	19.2	19.0	18.3	17.4
ROIC (EBIT) %	55.2	45.9	44.7	44.9	44.9
EV/EBITDA (core) x	16.3	12.1	16.0	13.4	11.6
PE (UBS) x	23.6	17.1	21.7	20.0	18.0
Net dividend yield %	1.5	1.1	0.8	0.8	0.8

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs478.00 on 20 Jan 2011 23:38 SGT

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Global Equity Research

India

Diversified Technology Services

12-month rating **Sell**
Unchanged

12m price target **Rs400.00/US\$8.77**
Unchanged

Price **Rs478.00/US\$15.09 (ADR)**

RIC: WIPR.BO BBG: WPRO IB

21 January 2011

Trading data (local/US\$)

52-wk range	Rs491.40-375.10/US\$24.50-11.82
Market cap.	Rs1,170bn/US\$36.9bn
Shares o/s	2,449m (ORD)/2,449m (ADR)
ADR ratio	1 ADR:1 ORD
Free float	15%
Avg. daily volume ('000)	183/10
Avg. daily value (m)	Rs82.5/US\$0.1

Balance sheet data 03/11E

Shareholders' equity	Rs248bn
P/BV (UBS)	4.7x
Net Cash (debt)	Rs106bn

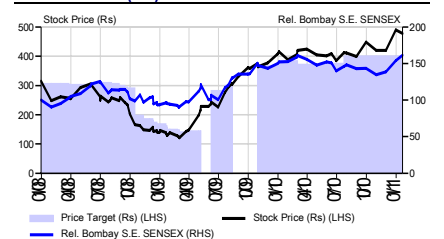
Forecast returns

Forecast price appreciation	-16.3%
Forecast dividend yield	0.8%
Forecast stock return	-15.5%
Market return assumption	13.0%
Forecast excess return	-28.5%

EPS (UBS, Rs)

	03/11E		03/10
	UBS	Cons.	Actual
Q1	5.42	-	4.14
Q2E	5.25	-	4.82
Q3E	5.58	-	4.95
Q4E	5.80	-	4.97
03/11E	22.08	22.08	
03/12E	23.96	23.96	

Performance (Rs)



Source: UBS

www.ubs.com/investmentresearch

Table 1: Vertical-wise performance

Revenue growth (QoQ)	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Financial services	0.8%	6.2%	4.7%	6.4%	5.7%	7.1%
Technology Media & Telecom	2.0%	4.6%	1.5%	3.6%	2.9%	3.5%
Manufacturing	3.8%	2.4%	1.4%	5.3%	3.6%	6.3%
Healthcare & Services	4.4%	13.6%	9.4%	-4.6%	9.5%	-4.0%
Retail and Transportation	3.2%	3.0%	2.8%	4.6%	10.0%	4.9%
Energy & Utilities	11.9%	11.7%	4.6%	-4.3%	6.9%	16.1%

Source: Company data

Table 2: Service lines performance

Revenue growth (QoQ)	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
ADM	5.3%	5.8%	1.6%	3.8%	4.7%	9.7%
Technology Infra services	1.7%	9.4%	4.9%	0.9%	6.2%	6.6%
Testing	2.3%	1.4%	5.3%	0.6%	5.7%	1.9%
PI	2.4%	1.8%	2.7%	9.7%	6.5%	2.5%
Product engineering	-12.5%	11.2%	3.5%	18.4%	17.0%	-2.5%
BPO	7.2%	6.8%	6.4%	-4.3%	2.6%	0.2%

Source: Company data

Table 3: Top client performance

(US\$)	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Top Client	28.8	29.3	29.1	34.9	36.9	40.3
QoQ growth (%)	7.1%	1.9%	-0.5%	19.8%	5.7%	9.2%
Top 2-5 client	91.6	92.4	93.3	96.3	99.3	103.5
QoQ growth (%)	0.8%	0.9%	0.9%	3.2%	3.1%	4.2%
Top 6-10 Clients	89.5	98.0	102.6	107.1	108.2	114.2
QoQ growth (%)	-5.8%	9.6%	4.7%	4.4%	1.0%	5.6%

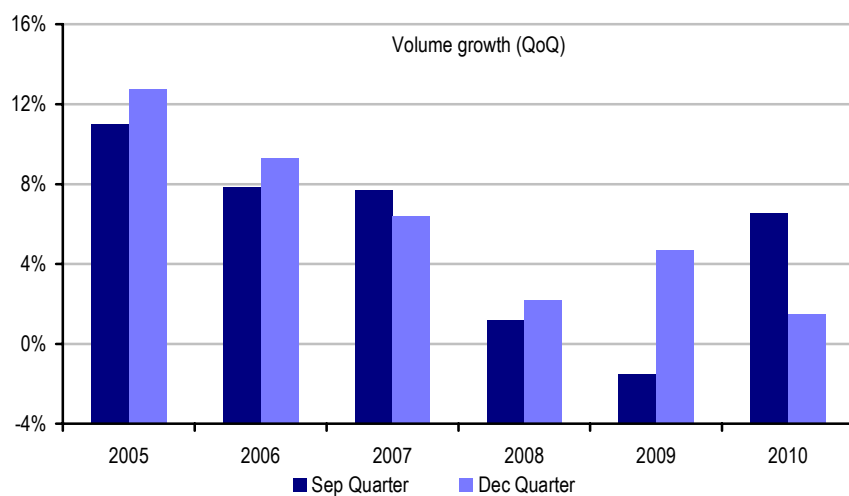
Source: Company data

Table 4: Dollar revenue growth

US\$ revenue growth (QoQ)	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Infosys	2.9%	6.8%	5.2%	4.8%	10.2%	5.9%
TCS	3.8%	6.3%	3.1%	6.4%	11.7%	7.0%
Wipro	3.1%	5.8%	3.5%	3.2%	5.7%	5.6%

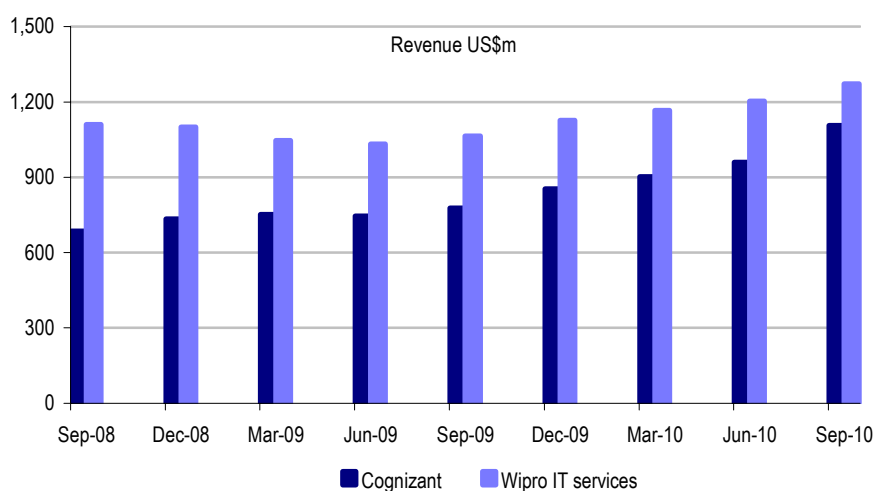
Source: Company data

Chart 1: Volumes buck the seasonal trend seen in the past



Source: Company data

Chart 2: Wipro's IT services revenue differential to Cognizant has narrowed



Note: Revenue for Wipro is only for IT services.

Source: Company data

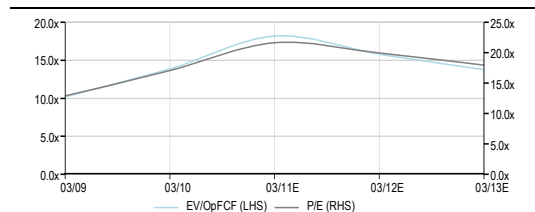
Income statement (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Revenues	106,108	149,431	197,428	256,891	271,957	312,253	14.8	361,256	15.7	418,647	15.9
Operating expenses (ex depn)	(80,706)	(115,333)	(158,223)	(204,943)	(211,898)	(245,106)	15.7	(283,686)	15.7	(331,952)	17.0
EBITDA (UBS)	25,401	34,098	39,205	51,948	60,059	67,147	11.8	77,570	15.5	86,695	11.8
Depreciation	(3,211)	(4,199)	(5,938)	(6,948)	(7,831)	(7,970)	1.8	(11,560)	45.0	(13,815)	19.5
Operating income (EBIT, UBS)	22,190	29,899	33,267	45,000	52,228	59,177	13.3	66,010	11.5	72,879	10.4
Other income & associates	70	304	704	(1,553)	(185)	764	-	852	11.5	931	9.3
Net interest	1,276	2,667	2,167	1,086	3,369	3,842	14.0	5,976	55.6	6,659	11.4
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	23,536	32,869	36,138	44,533	55,412	63,783	15.1	72,839	14.2	80,470	10.5
Tax	(3,265)	(4,423)	(3,873)	(6,035)	(9,293)	(9,419)	1.4	(13,317)	41.4	(13,919)	4.5
Profit after tax	20,271	28,447	32,265	38,498	46,119	54,365	17.9	59,521	9.5	66,551	11.8
Abnormal items (post-tax)	0	739	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	(1)	0	(24)	362	(184)	(524)	185.0	(644)	22.8	(670)	4.1
Net income (local GAAP)	20,269	29,186	32,241	38,860	45,935	53,840	17.2	58,877	9.4	65,880	11.9
Net Income (UBS)	20,269	28,447	32,241	38,860	45,935	53,840	17.2	58,877	9.4	65,880	11.9
Tax rate (%)	14	13	11	14	17	15	-12.0	18	23.8	17	-5.4
Pre-abnormal tax rate (%)	14	14	11	14	17	15	-11.8	19	23.8	18	-5.4
Per share (Rs)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
EPS (local GAAP)	8.59	12.15	13.27	15.93	18.91	22.08	17.7	23.96	8.5	26.60	11.0
EPS (UBS)	8.59	11.84	13.27	15.93	18.91	22.08	16.7	23.96	8.5	26.60	11.0
Net DPS	3.02	3.62	3.61	2.40	3.63	3.60	-0.8	3.60	0.0	3.60	0.0
Cash EPS	9.95	13.59	15.72	18.78	22.13	25.35	14.5	28.66	13.1	32.17	12.2
BVPS	33.30	41.85	53.35	61.51	83.91	101.78	21.3	122.36	20.2	144.45	18.1
Balance sheet (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Net tangible fixed assets	17,777	26,541	39,822	49,862	53,458	59,966	12.2	65,825	9.8	70,555	7.2
Net intangible fixed assets	8,335	15,369	51,436	67,106	57,813	58,444	1.1	58,444	0.0	58,444	0.0
Net working capital (incl. other assets)	12,543	6,459	(2,330)	(14,261)	13,644	21,289	56.0	30,346	42.5	40,915	34.8
Other liabilities	0	0	0	0	0	0	-	0	-	0	-
Operating invested capital	38,655	48,369	88,928	102,707	124,915	139,699	11.8	154,615	10.7	169,913	9.9
Investments	1,043	1,242	1,343	1,670	2,345	2,694	14.9	2,694	0.0	2,694	0.0
Total capital employed	39,698	49,611	90,271	104,377	127,260	142,393	11.9	157,309	10.5	172,607	9.7
Shareholders' equity	78,764	101,468	129,367	150,182	204,014	248,207	21.7	300,688	21.1	357,828	19.0
Minority interests	0	0	114	235	437	437	0.0	437	0.0	437	0.0
Total equity	78,764	101,468	129,481	150,417	204,451	248,644	21.6	301,125	21.1	358,265	19.0
Net debt / (cash)	(39,066)	(51,857)	(39,210)	(46,040)	(77,191)	(106,251)	37.6	(143,817)	35.4	(185,658)	29.1
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	39,698	49,611	90,271	104,377	127,260	142,393	11.9	157,309	10.5	172,607	9.7
Cash flow (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Operating income (EBIT, UBS)	22,190	29,899	33,267	45,000	52,228	59,177	13.3	66,010	11.5	72,879	10.4
Depreciation	3,211	4,199	5,938	6,948	7,831	7,970	1.8	11,560	45.0	13,815	19.5
Net change in working capital	1,869	(4,063)	(5,541)	(341)	(6,485)	(7,645)	17.9	(9,057)	18.5	(10,569)	16.7
Other (operating)	(3,756)	5,607	(4,843)	(9,934)	6,348	2,502	-60.6	497	-80.1	(23)	-
Operating cash flow (pre tax/interest)	23,515	35,642	28,821	41,673	59,922	62,004	3.5	69,011	11.3	76,103	10.3
Net interest received / (paid)	1,276	2,667	2,167	1,086	3,369	3,842	14.0	5,976	55.6	6,659	11.4
Dividends paid	(3,998)	(8,873)	(5,404)	(6,829)	(6,823)	(10,271)	50.5	(10,351)	0.8	(10,434)	0.8
Tax paid	(3,265)	(4,423)	(3,873)	(6,035)	(9,293)	(9,419)	1.4	(13,317)	41.4	(13,919)	4.5
Capital expenditure	(10,150)	(19,043)	(46,983)	(22,913)	(16,633)	(16,500)	-0.8	(17,500)	6.1	(18,000)	2.9
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	(7,081)	(1,291)	19,349	(5,953)	(17,423)	(16,478)	-5.4	6,185	-	6,920	11.9
Share issues	4,767	8,894	749	440	87	624	617.5	3,955	533.5	1,693	-57.2
Cash flow (inc)/dec in net debt	4,996	12,531	(5,854)	2,660	13,575	13,562	-0.1	43,750	222.6	48,761	11.5
FX / non cash items	6,006	261	(6,793)	4,170	17,576	15,498	-11.8	(6,185)	-	(6,920)	11.9
Balance sheet (inc)/dec in net debt	11,002	12,791	(12,647)	6,830	31,151	29,060	-6.7	37,566	29.3	41,841	11.4
Core EBITDA	25,401	34,098	39,205	51,948	60,059	67,147	11.8	77,570	15.5	86,695	11.8
Maintenance capital expenditure	(3,211)	(4,199)	(5,938)	(6,948)	(7,831)	(7,970)	1.8	(11,560)	45.0	(13,815)	19.5
Maintenance net working capital	1,869	(4,063)	(5,541)	(341)	(6,485)	0	-	0	-	0	-
Operating free cash flow, pre-tax	24,059	25,836	27,726	44,659	52,228	59,177	13.3	66,010	11.5	72,879	10.4

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

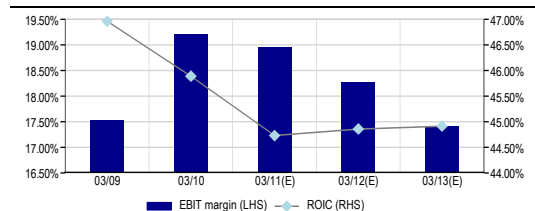
Company profile

Wipro is the third largest IT services company in India with IT services revenues of US\$4.4bn and around 110,000 employees in FY10. Its main verticals are telecoms, media and technology (26% of revenues), financial services (26% of revenues), and manufacturing (15% of revenues). Wipro has a diversified service offering in applications development and maintenance, testing, package implementation, infrastructure services, and BPO. Wipro derives 58% revenue from the US, 26% from Europe, and the rest from India and other emerging markets.

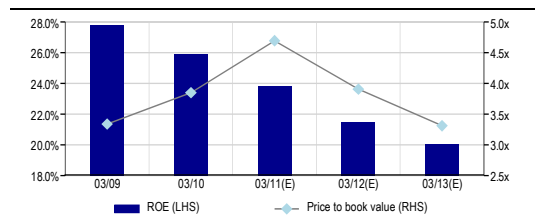
Value (EV/OpFCF & P/E)



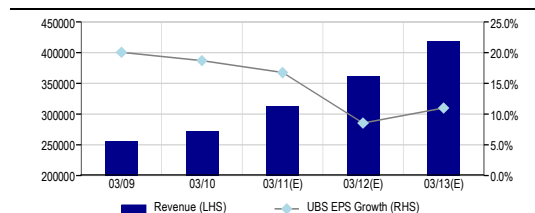
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
P/E (local GAAP)	23.5	12.9	17.2	21.7	20.0	18.0
P/E (UBS)	23.6	12.9	17.1	21.7	20.0	18.0
P/CEPS	20.2	10.9	14.6	18.9	16.7	14.9
Net dividend yield (%)	1.5	1.2	1.1	0.8	0.8	0.8
P/BV	6.3	3.3	3.8	4.7	3.9	3.3
EV/revenue (core)	3.5	1.8	2.7	3.4	2.9	2.4
EV/EBITDA (core)	16.3	8.8	12.1	16.0	13.4	11.6
EV/EBIT (core)	18.8	10.1	13.9	18.2	15.8	13.8
EV/OpFCF (core)	19.8	10.2	13.9	18.2	15.8	13.8
EV/op. invested capital	NM	4.7	6.4	8.1	7.1	6.2

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	499,102	788,225	1,170,412	1,170,412	1,170,412
+ minority interests	235	437	437	437	437
+ average net debt (cash)	(42,625)	(61,616)	(91,721)	(125,034)	(164,737)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(1,670)	(2,345)	(2,694)	(2,694)	(2,694)
Core enterprise value	455,042	724,701	1,076,434	1,043,121	1,003,418

Growth (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue	33.3	30.1	5.9	14.8	15.7	15.9
EBITDA (UBS)	26.2	32.5	15.6	11.8	15.5	11.8
EBIT (UBS)	26.0	35.3	16.1	13.3	11.5	10.4
EPS (UBS)	23.8	20.1	18.7	16.7	8.5	11.0
Cash EPS	24.2	19.5	17.9	14.5	13.1	12.2
Net DPS	-16.8	-33.5	51.3	-0.8	0.0	0.0
BVPS	26.2	15.3	36.4	21.3	20.2	18.1

Margins (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBITDA / revenue	22.4	20.2	22.1	21.5	21.5	20.7
EBIT / revenue	19.5	17.5	19.2	19.0	18.3	17.4
Net profit (UBS) / revenue	17.8	15.1	16.9	17.2	16.3	15.7

Return on capital (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT ROIC (UBS)	55.2	47.0	45.9	44.7	44.9	44.9
ROIC post tax	-	40.6	38.1	38.0	36.6	37.1
Net ROE	29.6	27.8	25.9	23.8	21.5	20.0

Coverage ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT / net interest	-	-	-	-	-	-
Dividend cover (UBS EPS)	3.6	6.6	5.2	6.1	6.7	7.4
Div. payout ratio (% UBS EPS)	36.4	15.1	19.2	16.3	15.0	13.5
Net debt / EBITDA	NM	NM	NM	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue / op. invested capital	2.9	2.7	2.4	2.4	2.5	2.6
Revenue / fixed assets	3.2	2.5	2.4	2.7	3.0	3.3
Revenue / net working capital	59.5	NM	NM	46.8	24.1	16.9

Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	0.9	1.0	1.0	1.0	1.0	1.0
Capex / revenue (%)	13.4	8.9	6.1	5.3	4.8	4.3
Capex / depreciation	4.6	3.3	2.1	2.1	1.5	1.3

Capital structure (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Net debt / total equity	(39.5)	(30.7)	(37.8)	(42.8)	(47.8)	(51.9)
Net debt / (net debt + equity)	(65.4)	(44.2)	(60.9)	(74.8)	(91.7)	NM
Net debt (core) / EV	(6.9)	(9.4)	(8.5)	(8.5)	(12.0)	(16.4)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs478.00 on 20 Jan 2011 23:38 SGT Market cap(E) may include forecast share issues/buybacks.

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■ Wipro Ltd.

Wipro is the third largest IT services company in India with IT services revenues of US\$4.4bn and around 110,000 employees in FY10. Its main verticals are telecoms, media and technology (26% of revenues), financial services (26% of revenues), and manufacturing (15% of revenues). Wipro has a diversified service offering in applications development and maintenance, testing, package implementation, infrastructure services, and BPO. Wipro derives 58% revenue from the US, 26% from Europe, and the rest from India and other emerging markets.

■ Statement of Risk

A sharp decline in IT Services spending could result in downward revision of our earnings estimates.

Cigarette volumes are back

■ Cigarette volumes +2-3%, Cigarette EBIT +17%

ITC's 3QFY11 Cigarette revenue grew 18% YoY (UBS estimate: 17%), with an underlying ~2-3% growth in volumes (UBS estimate: 2%) compared with flat volumes in Q2. Cigarette EBIT margin at 29.3% (UBS estimate: 29.8%) but higher revenue ensured overall EBIT at Rs15.3bn, in line with expectations. Overall EBITDA rose 18.7% and PAT rose 21.4%.

■ Cigarette business review

With no clarity on the graphics on packs, ITC had despatched higher stocks into the system pre-December 2010. The countrywide launch of micro filters has caused margin compression on a YoY basis. We expect positive volume growth into Q4FY11. We have built in a 7% excise duty increase in our model but believe that there is a possibility of no increase in tax as the goods and services tax (GST) is expected to be implemented in 2012.

■ Other businesses

The consumer staples business grew 24% demonstrating continued management focus; losses came in at Rs736m (UBS estimate: Rs640m). Hotels and agribusiness recorded a better business mix compared to UBS estimates, as Q3 is the seasonally strong quarter for hotels (due to tourist arrivals) and agribusiness (due to the leaf tobacco season; paperboard underperformed compared to UBS estimates).

■ Valuation: maintain Buy rating and price target of Rs220

We derive our price target from a DCF-based methodology, explicitly forecasting long-term valuation drivers using UBS's VCAM tool. We assume a WACC of 11%, an interim growth rate of 13.5%, and a terminal growth rate of 5%.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	153,881	181,532	209,606	240,148	275,368
EBIT (UBS)	43,091	54,891	61,292	73,555	86,403
Net Income (UBS)	32,635	40,848	46,800	54,061	63,267
EPS (UBS, Rs)	4.34	5.34	6.12	7.07	8.27
Net DPS (UBS, Rs)	1.84	2.25	2.57	3.00	3.50

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
EBIT margin %	29.7	30.2	29.2	30.6	31.4
ROIC (EBIT) %	55.6	63.2	63.1	56.1	59.3
EV/EBITDA (core) x	7.7	9.9	15.4	12.9	11.0
PE (UBS) x	20.8	21.6	28.1	24.3	20.8
Net dividend yield %	2.2	2.0	1.5	1.7	2.0

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs171.75 on 20 Jan 2011 23:38 SGT

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India

Tobacco

12-month rating **Buy**
Unchanged

12m price target **Rs220.00/US\$4.83**
Unchanged

Price **Rs171.75/US\$3.77 (ADR)**

RIC: ITC.BO BBG: ITC IB

21 January 2011

Trading data (local/US\$)

52-wk range	Rs179.90-116.03/US\$6.76-3.27
Market cap.	Rs1,314bn/US\$28.8bn
Shares o/s	7,650m (ORD)/7,650m (ADR)
ADR ratio	1 ADR:1 ORD
Free float	65%
Avg. daily volume ('000)	783/-
Avg. daily value (m)	Rs134.4/-

Balance sheet data 03/11E

Shareholders' equity	Rs178bn
P/BV (UBS)	7.4x
Net Cash (debt)	Rs42.3bn

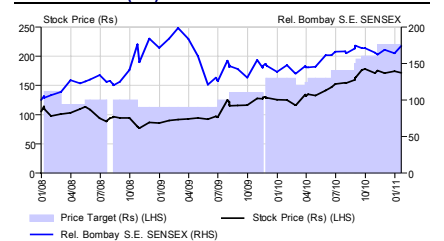
Forecast returns

Forecast price appreciation	+28.1%
Forecast dividend yield	1.5%
Forecast stock return	+29.6%
Market return assumption	13.0%
Forecast excess return	+16.6%

EPS (UBS, Rs)

	03/11E	03/10	Actual
Q1E	0.00	-	1.15
Q2E	0.00	-	1.32
Q3E	0.00	-	1.50
Q4E	0.00	-	1.34
03/11E	6.12	6.12	
03/12E	7.07	7.07	

Performance (Rs)



Source: UBS

www.ubs.com/investmentresearch

Table 1: Segmental revenues (Rs m)

Particulars	Q3FY10	Q3FY11	Gr%	Comments
Gross cigarette sales	44,225	52,363	18.4%	
Net cigarette sales	23,316	27,726	18.9%	Volumes up ~2-3% after flat volumes in Q2
Other FMCG	8,896	11,021	23.9%	Ahead of UBS-e, shows mgt. continued focus
Total FMCG	53,122	63,384	19.3%	
Hotels	2,477	3,033	22.5%	Strong growth due to increase in foreign travel
Agribusiness	9,052	10,667	17.9%	Seasonally strong quarter due to leaf tobacco business
Paperboards	8,118	9,167	12.9%	Slower growth than expected
Total sales	72,768	86,251	18.5%	

Source: Company data

Table 2: Segmental profits (Rs m)

Particulars	Q3FY10	Q3FY11	Gr%	Comments
Cigarettes	13,098	15,330	17.0%	Effected by worse product mix
Other FMCG	(860)	(736)	-14.4%	Losses continue as expected
Total FMCG	12,238	14,594	19.2%	
Hotels	763	886	16.1%	Better business mix than expected
Agribusiness	1,041	1,411	35.5%	Better mix due to leaf tobacco
Paperboards	2,014	1,914	-5.0%	Lower than expected
Total EBIT	16,056	18,805	17.1%	
Interest	109	230	111.2%	
Other unallocable expenses net of income	(1,063)	(1,738)	63.5%	
PBT	17,010	20,313	19.4%	In line

Source: Company data

Table 3: Margin trend (%)

Particulars	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11
Cigarettes	29.6%	27.7%	27.9%	30.3%	29.3%
Other FMCG	-9.7%	-7.0%	-8.9%	-6.3%	-6.7%
Total FMCG	23.0%	20.8%	21.4%	23.7%	23.0%
Hotels	30.8%	28.5%	17.1%	17.7%	29.2%
Agribusiness	11.5%	5.9%	9.1%	16.2%	13.2%
Paperboards	24.8%	20.2%	22.7%	25.6%	20.9%
Total EBIT Margin%	24.2%	20.6%	22.2%	25.5%	23.6%
PBT Margin %	25.7%	21.0%	22.3%	24.9%	25.5%

Source: Company data

Table 4: Financial table (Rs m)

Particulars	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11
Net Sales	45,319	50,538	48,166	50,612	54,535
Raw Material cost	18,223	21,785	17,911	17,911	17,911
Total expenditure	28,725	35,137	32,103	32,723	34,845
EBITDA	16,593	16,593	16,064	16,064	16,064
EBITDAM%	36.6%	30.5%	33.4%	35.3%	36.1%
PBT	17,010	15,048	15,701	18,300	20,313
Provision for tax	5,569	4,766	4,998	5,833	6,422
Tax rate	32.7%	31.7%	31.8%	31.9%	31.6%
Net profit before exceptional items	11,442	10,282	10,703	12,467	13,891

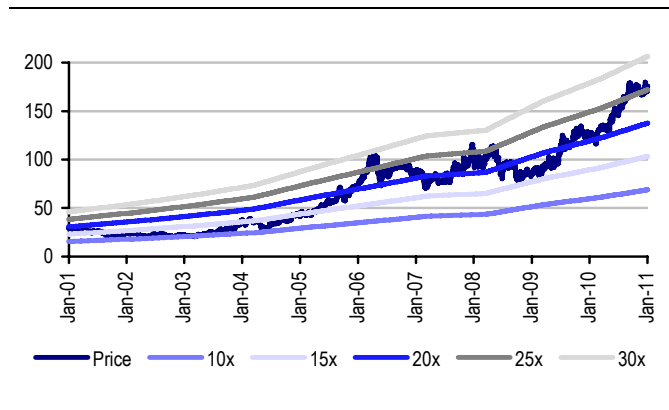
Source: Company data

Table 5: Consumer staples segment analysis

Consumer staples seg	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11
Revenues (Rs m)	7,233	8,368	7,594	8,653	8,896	11,253	10,056	10,577	11,021
Segmental loss (Rs m)	(1270)	(1173)	(998)	(850)	(860)	(787)	(893)	(669)	(736)
Revenue growth (%)	11.9%	13.3%	9.5%	14.0%	23.0%	34.5%	32.4%	22.2%	23.9%

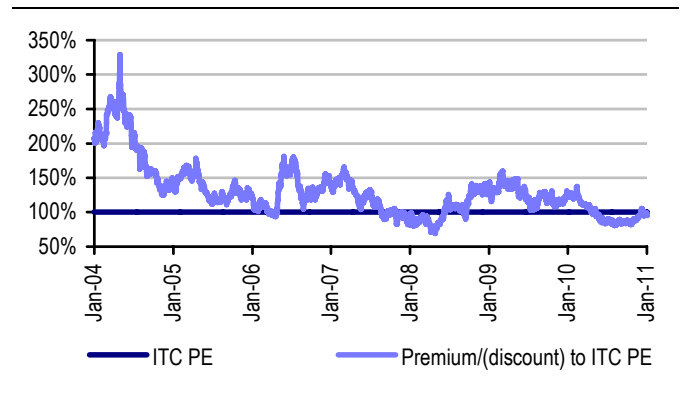
Source: Company data

Chart 1: ITC PE Band chart



Source: UBS estimates

Chart 2: HUL premium to ITC (%)



Source: UBS estimates

Income statement (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Revenues	97,905	123,693	139,475	153,881	181,532	209,606	15.5	240,148	14.6	275,368	14.7
Operating expenses (ex deprecn)	(64,607)	(84,101)	(95,369)	(105,296)	(120,554)	(141,313)	17.2	(158,543)	12.2	(180,110)	13.6
EBITDA (UBS)	33,299	39,592	44,106	48,585	60,978	68,293	12.0	81,605	19.5	95,258	16.7
Depreciation	(3,323)	(3,629)	(4,385)	(5,494)	(6,087)	(7,000)	15.0	(8,050)	15.0	(8,855)	10.0
Operating income (EBIT, UBS)	29,975	35,963	39,722	43,091	54,891	61,292	11.7	73,555	20.0	86,403	17.5
Other income & associates	2,861	3,337	6,109	5,349	6,034	6,637	10.0	7,434	12.0	8,326	12.0
Net interest	(119)	(33)	(46)	(183)	(534)	(300)	-43.8	(300)	0.0	(300)	0.0
Abnormal items (pre-tax)	(25)	0	(67)	(152)	(238)	0	-	0	-	0	-
Profit before tax	32,692	39,267	45,718	48,105	60,153	67,630	12.4	80,689	19.3	94,429	17.0
Tax	(9,888)	(12,267)	(14,518)	(15,622)	(19,543)	(20,830)	6.6	(26,627)	27.8	(31,162)	17.0
Profit after tax	22,804	27,000	31,200	32,483	40,610	46,800	15.2	54,061	15.5	63,267	17.0
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	0	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	22,804	27,000	31,200	32,483	40,610	46,800	15.2	54,061	15.5	63,267	17.0
Net Income (UBS)	22,828	27,000	31,267	32,635	40,848	46,800	14.6	54,061	15.5	63,267	17.0
Tax rate (%)	30	31	32	32	32	31	-5.2	33	7.1	33	0.0
Pre-abnormal tax rate (%)	30	31	32	32	32	31	-4.8	33	7.1	33	0.0
Per share (Rs)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
EPS (local GAAP)	3.03	3.59	4.15	4.32	5.31	6.12	15.2	7.07	15.5	8.27	17.0
EPS (UBS)	3.03	3.59	4.16	4.34	5.34	6.12	14.6	7.07	15.5	8.27	17.0
Net DPS	1.51	1.55	1.75	1.84	2.25	2.57	14.4	3.00	16.5	3.50	16.7
Cash EPS	3.48	4.07	4.74	5.07	6.14	7.03	14.6	8.12	15.4	9.43	16.1
BVPS	12.07	13.90	16.05	18.29	18.42	23.22	26.1	28.79	24.0	35.31	22.7
Balance sheet (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Net tangible fixed assets	44,051	56,109	72,957	84,860	91,514	102,514	12.0	112,464	9.7	121,608	8.1
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	4,033	10,591	14,717	15,565	(18,325)	18,571	-	28,654	54.3	28,529	-0.4
Other liabilities	0	0	0	0	0	0	-	0	-	0	-
Operating invested capital	48,084	66,700	87,673	100,425	73,189	121,085	65.4	141,118	16.5	150,137	6.4
Investments	9,346	9,346	9,346	9,191	14,186	14,186	0.0	14,186	0.0	14,186	0.0
Total capital employed	57,429	76,046	97,019	109,616	87,376	135,271	54.8	155,304	14.8	164,323	5.8
Shareholders' equity	90,615	104,371	120,577	137,351	140,644	177,612	26.3	220,220	24.0	270,124	22.7
Minority interests	0	0	0	0	0	0	-	0	-	0	-
Total equity	90,615	104,371	120,577	137,351	140,644	177,612	26.3	220,220	24.0	270,124	22.7
Net debt / (cash)	(33,186)	(28,325)	(23,558)	(27,735)	(53,268)	(42,341)	-20.5	(64,916)	53.3	(105,801)	63.0
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	57,429	76,046	97,019	109,616	87,376	135,271	54.8	155,304	14.8	164,323	5.8
Cash flow (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Operating income (EBIT, UBS)	29,975	35,963	39,722	43,091	54,891	61,292	11.7	73,555	20.0	86,403	17.5
Depreciation	3,323	3,629	4,385	5,494	6,087	7,000	15.0	8,050	15.0	8,855	10.0
Net change in working capital	(3,829)	(6,836)	(3,575)	(3,727)	3,213	727	-77.4	(1,706)	-	(1,783)	4.6
Other (operating)	(25)	0	(67)	(152)	(238)	0	-	0	-	0	-
Operating cash flow (pre tax/interest)	29,445	32,756	40,464	44,706	63,952	69,019	7.9	79,900	15.8	93,475	17.0
Net interest received / (paid)	(119)	(33)	(46)	(183)	(534)	(300)	-43.8	(300)	0.0	(300)	0.0
Dividends paid	(8,676)	(11,347)	(11,663)	(13,190)	(13,894)	(8,591)	-38.2	(9,831)	14.4	(11,454)	16.5
Tax paid	(9,725)	(13,925)	(14,524)	(15,636)	(19,543)	(20,830)	6.6	(26,627)	27.8	(31,162)	17.0
Capital expenditure	(6,006)	(15,687)	(21,232)	(17,397)	(12,741)	(18,000)	41.3	(18,000)	0.0	(18,000)	0.0
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	(1,647)	(2,408)	(2,997)	(1,140)	(1,591)	(1,955)	22.9	(10,000)	411.6	0	-100.0
Share issues	202	(1,581)	(1,804)	0	0	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	3,475	(12,224)	(11,802)	(2,840)	15,650	19,344	23.6	15,141	-21.7	32,559	115.0
FX / non cash items	2,206	7,364	7,035	7,017	9,883	(30,272)	-	7,434	-	8,326	12.0
Balance sheet (inc)/dec in net debt	5,681	(4,861)	(4,767)	4,177	25,533	(10,927)	-	22,575	-	40,885	81.1
Core EBITDA	33,299	39,592	44,106	48,585	60,978	68,293	12.0	81,605	19.5	95,258	16.7
Maintenance capital expenditure	(3,323)	(3,629)	(4,385)	(5,494)	(6,087)	(7,000)	15.0	(8,050)	15.0	(8,855)	10.0
Maintenance net working capital	(3,829)	(6,836)	(3,575)	(3,727)	3,213	727	-77.4	(1,706)	-	(1,783)	4.6
Operating free cash flow, pre-tax	26,147	29,127	36,146	39,364	58,103	62,019	6.7	71,849	15.9	84,620	17.8

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

Buy

12m price target

Rs220.00

Company profile

ITC is the leading cigarette manufacturer in India with a 67% share of the market by volume and 83% by value. ITC has identified tobacco and paperboard, hotels and agri-business as its core businesses for the future.

Valuation (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
P/E (local GAAP)	20.9	21.4	21.7	28.1	24.3	20.8
P/E (UBS)	20.8	21.3	21.6	28.1	24.3	20.8
P/CEPS	18.1	18.3	18.8	24.4	21.2	18.2
Net dividend yield (%)	2.2	2.0	2.0	1.5	1.7	2.0
P/BV	5.2	5.1	6.3	7.4	6.0	4.9
EV/revenue (core)	2.5	2.8	3.3	5.0	4.4	3.8
EV/EBITDA (core)	7.7	9.0	9.9	15.4	12.9	11.0
EV/EBIT (core)	8.6	10.1	11.0	17.1	14.3	12.1
EV/OpFCF (core)	10.3	11.1	10.4	16.9	14.6	12.4
EV/op. invested capital	4.8	4.6	7.0	NM	8.0	7.2

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	694,650	869,326	1,313,817	1,313,817	1,313,817
+ minority interests	0	0	0	0	0
+ average net debt (cash)	(250,068)	(250,068)	(250,068)	(250,068)	(250,068)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(9,191)	(14,186)	(14,186)	(14,186)	(14,186)
Core enterprise value	435,391	605,072	1,049,563	1,049,563	1,049,563

Growth (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue	19.1	10.3	18.0	15.5	14.6	14.7
EBITDA (UBS)	14.8	10.2	25.5	12.0	19.5	16.7
EBIT (UBS)	14.8	8.5	27.4	11.7	20.0	17.5
EPS (UBS)	15.4	4.4	23.1	14.6	15.5	17.0
Cash EPS	15.4	7.0	21.1	14.6	15.4	16.1
Net DPS	12.4	5.0	22.2	14.4	16.5	16.7
BVPS	14.5	13.9	0.7	26.1	24.0	22.7

Margins (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBITDA / revenue	33.2	31.6	33.6	32.6	34.0	34.6
EBIT / revenue	29.7	28.0	30.2	29.2	30.6	31.4
Net profit (UBS) / revenue	22.6	21.2	22.5	22.3	22.5	23.0

Return on capital (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT ROIC (UBS)	55.6	45.8	63.2	63.1	56.1	59.3
ROIC post tax	-	31.0	42.8	43.7	37.6	39.8
Net ROE	26.7	25.3	29.4	29.4	27.2	25.8

Coverage ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT / net interest	NM	NM	NM	NM	NM	NM
Dividend cover (UBS EPS)	2.2	2.4	2.4	2.4	2.4	2.4
Div. payout ratio (% UBS EPS)	44.9	42.4	42.1	42.1	42.4	42.3
Net debt / EBITDA	NM	NM	NM	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue / op. invested capital	1.9	1.6	2.1	2.2	1.8	1.9
Revenue / fixed assets	2.2	2.0	2.1	2.2	2.2	2.4
Revenue / net working capital	16.0	10.2	NM	NM	10.2	9.6

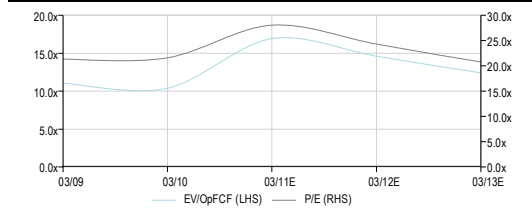
Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	0.8	0.9	1.1	1.0	1.0	1.0
Capex / revenue (%)	11.6	11.3	7.0	8.6	7.5	6.5
Capex / depreciation	3.4	3.2	2.1	2.6	2.2	2.0

Capital structure (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Net debt / total equity	(26.4)	(20.2)	(37.9)	(23.8)	(29.5)	(39.2)
Net debt / (net debt + equity)	(35.8)	(25.3)	(61.0)	(31.3)	(41.8)	(64.4)
Net debt (core) / EV	(83.6)	(57.4)	(41.3)	(23.8)	(23.8)	(23.8)

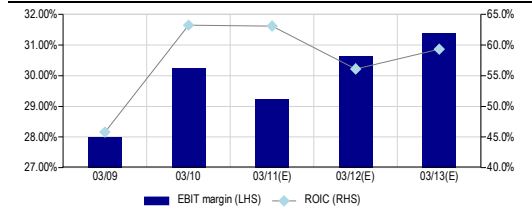
Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs171.75 on 20 Jan 2011 23:38 SGT Market cap(E) may include forecast share issues/buybacks.

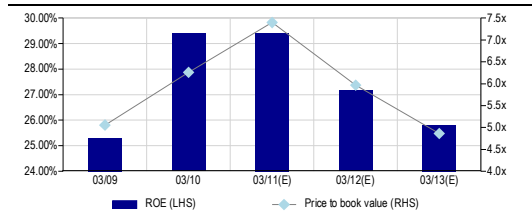
Value (EV/OpFCF & P/E)



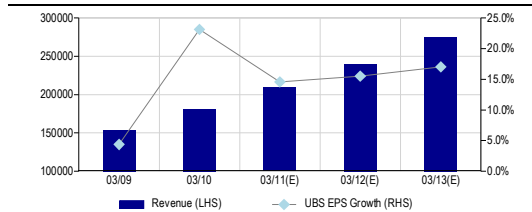
Profitability



ROE v Price to book value



Growth (UBS EPS)



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■ ITC

ITC is the leading cigarette manufacturer in India with a 67% share of the market by volume and 83% by value. ITC has identified tobacco and paperboard, hotels and agri-business as its core businesses for the future.

■ Statement of Risk

We believe higher excise duty is the key risk to ITC's earnings growth and valuation. A steady increase in excise duty would adversely affect the long-term growth trend and lead to lower purchases by smokers.

UBS Investment Research

Godrej Consumer Products

Margins below expectations

■ Q3 consolidated sales ahead, margins below expectations

GCPL reported Q3FY11 consolidated sales ahead of expectations at Rs.9.8bn (UBS-e: Rs.9.3bn, Cons.: Rs.9.1bn). EBITDA margin at 17.7% was lower than estimate (UBS-e: 18.2%, Cons.18.4%) due to higher advertising expense (10.8% of sales vs. our expectation of 10.4%) and lower other operational income. PAT (pre-exceptional) grew 45% YoY, declined 5% QoQ.

■ Domestic sales picking momentum, margins hurt by higher A&P, RM

GCPL standalone sales grew at 8% YoY, 7% QoQ (UBS-e: 6% YoY). Standalone EBITDA margins declined 290bps QoQ mainly due to 1) aggressive sales promotion and advertising (estimated at ~14.5% of sales vs. ~13.7% in Q2FY11) and 2) input costs pressure leading to 200bps QoQ increase in RM costs to 48.6% of sales. Overall, domestic sales (LFL) including GHPL increased 12% YoY, 4% QoQ. EBITDA margins were at 21.4% vs. 22% in Q2FY11.

■ Lacklustre international numbers

International sales were flat QoQ (below UBS-e) at Rs.3.4bn. Megasari sales were impacted by weak mosquito season. Keyline sales were down 14% YoY, 38% QoQ due to weak GBP and high base effect. Sales in Africa were impacted by slowing economy and local competition.

■ Valuation: Maintain Sell and price target of Rs.415

We continue to value GCPL on sum of parts basis. Company will hold the conference call on 24th Jan'11 at 2:00pm IST. Primary dial in: 022 3065 0115 / 022 6629 0315. We will review our numbers post the results conference call.

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	13,930	20,412	35,963	39,088	43,442
EBIT (UBS)	1,916	3,871	6,690	7,396	8,391
Net Income (UBS)	1,733	3,404	5,209	6,012	6,818
EPS (UBS, Rs)	6.74	11.04	16.10	18.58	21.07
Net DPS (UBS, Rs)	4.00	4.25	6.84	7.43	8.43

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
EBIT margin %	16.8	19.0	18.6	18.9	19.3
ROIC (EBIT) %	78.4	71.5	41.6	28.1	31.2
EV/EBITDA (core) x	16.6	13.5	18.5	17.3	14.9
PE (UBS) x	19.7	20.3	24.9	21.6	19.0
Net dividend yield %	3.4	1.9	1.7	1.9	2.1

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs401.05 on 21 Jan 2011 23:38 SGT

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Global Equity Research

India

Household Products, Non-Durable

12-month rating **Sell**
Unchanged

12m price target **Rs415.00/US\$9.11**
Unchanged

Price **Rs401.05/US\$8.80**

RIC: GOCP.BO BBG: GCPL IB

23 January 2011

Trading data (local/US\$)

52-wk range	Rs459.35-235.10/US\$10.01-5.10
Market cap.	Rs130bn/US\$2.85bn
Shares o/s	324m (ORD)
Free float	29%
Avg. daily volume ('000)	55
Avg. daily value (m)	Rs21.6

Balance sheet data 03/11E

Shareholders' equity	Rs18.2bn
P/BV (UBS)	7.1x
Net Cash (debt)	(Rs8.43bn)

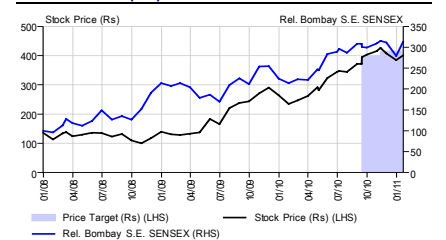
Forecast returns

Forecast price appreciation	+3.5%
Forecast dividend yield	1.5%
Forecast stock return	+5.0%
Market return assumption	13.0%
Forecast excess return	-8.0%

EPS (UBS, Rs)

	03/11E	03/10	03/13E
	UBS	Cons.	Actual
Q1E	2.73	-	2.71
Q2E	4.02	-	3.62
Q3E	4.16	4.16	2.76
Q4E	5.31	5.31	3.00
03/11E	16.10	16.10	
03/12E	18.58	18.58	

Performance (Rs)



www.ubs.com/investmentresearch

Table 1: Q3FY11 results highlights

Rs.mn	Q3FY11	Q2FY11	Q3FY10	YoY	QoQ	Comments
Soaps	1,942	2,127	1,833	6%	-9%	Helped by higher sales promotion activities
Hair Color	689	755	632	9%	-9%	
Total standalone sales	3,421	3,186	3,160	8%	7%	Above expectations
	-	-	-			
Godrej Household products Ltd.	3,029	3,004	1,209		1%	
Megasari-Indonesia	1,850	1,820	-		2%	Megasari impacted by weak mosquito season
International sales	3,354	3,338	808		0%	Slower growth in Africa, UK impacts sales
Total consolidated Sales	9804.0	9527.6	5175.7	89%	3%	
	-	-	-			
EBITDA	1,732	1,810	1,022	74%	-2%	
Margin	17.7%	19.0%	19.7%	-8%	-4%	
Domestic EBITDA	1,380	1,360	-		1%	
Margin	21.4%	22.0%	-		-60bps	Higher A&P, RM costs hurt margins
International EBITDA	352	450	-		-22%	
Margin	10.5%	13.5%	-		-300bps	Slower sales growth, stock write offs in Africa:Rs.30m
	-	-	-			
Net profit (pre-exceptional)	1,236.0	1,302.4	851.2	45%	-5%	
Margin	12.6%	13.7%	16.4%	-23%	-8%	
	-	-	-			
Net Profit	1,188	1,303	851	40%	-9%	
Margin	12.1%	13.7%	16.4%	-26%	-11%	

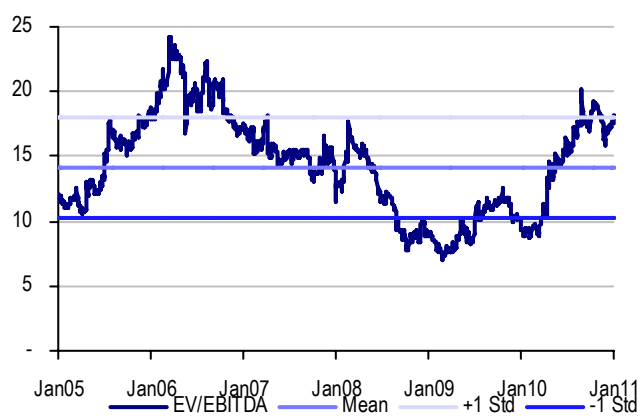
Source: Company data, UBS estimates

Chart 1: 1yr forward PE band chart



Source: UBS estimates

Chart 2: 1yr forward EV/EBITDA band chart



Source: UBS estimates

Godrej Consumer Products

Income statement (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Revenues	6,997	9,515	11,026	13,930	20,412	35,963	76.2	39,088	8.7	43,442	11.1
Operating expenses (ex depn)	(5,570)	(7,718)	(8,881)	(11,858)	(16,339)	(29,141)	78.4	(31,424)	7.8	(34,729)	10.5
EBITDA (UBS)	1,427	1,797	2,159	2,108	4,107	7,122	73.4	7,865	10.4	8,912	13.3
Depreciation	(115)	(142)	(182)	(192)	(236)	(432)	82.8	(469)	8.7	(521)	11.1
Operating income (EBIT, UBS)	1,312	1,655	1,977	1,916	3,871	6,690	72.8	7,396	10.5	8,391	13.5
Other income & associates	73	26	23	4	177	150	-15.1	150	0.0	150	0.0
Net interest	(65)	(96)	(126)	172	159	(211)	-	64	-	89	39.1
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	1,321	1,585	1,875	2,092	4,207	6,629	57.6	7,610	14.8	8,631	13.4
Tax	(108)	(195)	(283)	(360)	(803)	(1,420)	76.7	(1,598)	12.6	(1,812)	13.4
Profit after tax	1,213	1,390	1,592	1,733	3,404	5,209	53.0	6,012	15.4	6,818	13.4
Abnormal items (post-tax)	0	51	0	0	0	323	-	0	-	0	-
Minorities / pref dividends	0	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	1,213	1,440	1,592	1,733	3,404	5,532	62.5	6,012	8.7	6,818	13.4
Net Income (UBS)	1,213	1,390	1,592	1,733	3,404	5,209	53.0	6,012	15.4	6,818	13.4
Tax rate (%)	8	12	15	17	19	21	12.2	21	-2.0	21	0.0
Pre-abnormal tax rate (%)	8	12	15	17	19	21	12.2	21	-2.0	21	0.0
Per share (Rs)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
EPS (local GAAP)	5.37	6.38	7.05	6.74	11.04	17.10	54.8	18.58	8.7	21.07	13.4
EPS (UBS)	5.37	6.15	7.05	6.74	11.04	16.10	45.8	18.58	15.4	21.07	13.4
Net DPS	3.50	3.75	4.00	4.00	4.25	6.84	60.9	7.43	8.7	8.43	13.4
Cash EPS	5.88	6.78	7.86	7.49	11.81	17.43	47.6	20.03	14.9	22.68	13.2
BVPS	3.43	5.34	6.65	22.15	36.99	56.36	52.4	67.51	19.8	80.15	18.7
Balance sheet (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Net tangible fixed assets	656	1,489	1,895	1,847	2,172	4,262	96.2	4,575	7.3	4,922	7.6
Net intangible fixed assets	1,045	1,389	1,461	2,582	3,572	19,662	450.5	19,662	0.0	19,662	0.0
Net working capital (incl. other assets)	(402)	(299)	128	584	652	2,511	285.4	2,790	11.1	3,128	12.1
Other liabilities	(98)	(97)	(322)	(380)	(202)	(436)	115.9	(480)	10.2	(545)	13.4
Operating invested capital	1,201	2,481	3,161	4,633	6,194	25,999	319.7	26,547	2.1	27,167	2.3
Investments	10	0	0	75	670	670	0.0	670	0.0	670	0.0
Total capital employed	1,211	2,481	3,161	4,708	6,864	26,669	288.5	27,217	2.1	27,837	2.3
Shareholders' equity	787	1,220	1,716	5,715	9,547	18,238	91.0	21,845	19.8	25,936	18.7
Minority interests	0	0	0	0	0	0	-	0	-	0	-
Total equity	787	1,220	1,716	5,715	9,547	18,238	91.0	21,845	19.8	25,936	18.7
Net debt / (cash)	424	1,261	1,445	(1,008)	(2,683)	8,431	-	5,372	-36.3	1,901	-64.6
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	1,211	2,481	3,161	4,708	6,864	26,669	288.5	27,217	2.1	27,837	2.3
Cash flow (Rsm)	03/06	03/07	03/08	03/09	03/10	03/11E	% ch	03/12E	% ch	03/13E	% ch
Operating income (EBIT, UBS)	1,312	1,655	1,977	1,916	3,871	6,690	72.8	7,396	10.5	8,391	13.5
Depreciation	115	142	182	192	236	432	82.8	469	8.7	521	11.1
Net change in working capital	(88)	(368)	(278)	(353)	(133)	5,587	-	(758)	-	(1,004)	32.4
Other (operating)	195	(30)	24	37	235	2,110	798.4	523	-75.2	731	39.8
Operating cash flow (pre tax/interest)	1,534	1,399	1,905	1,792	4,209	14,819	252.1	7,630	-48.5	8,640	13.2
Net interest received / (paid)	(52)	(109)	(133)	84	129	(211)	-	64	-	89	39.1
Dividends paid	(780)	(842)	(841)	(1,002)	(873)	(2,213)	153.4	(2,405)	8.7	(2,727)	13.4
Tax paid	(108)	(195)	(283)	(360)	(803)	(1,420)	76.7	(1,598)	12.6	(1,812)	13.4
Capital expenditure	(1,128)	(648)	(445)	(746)	(719)	(782)	8.7	(869)	11.1	(962)	10.7
Net (acquisitions) / disposals	0	150	0	0	(73)	(26,830)	36595.6	0	-	0	-
Other	(859)	(112)	65	(1,412)	(115)	150	-	150	0.0	150	0.0
Share issues	(48)	0	0	3,795	0	5,310	-	0	-	0	-
Cash flow (inc)/dec in net debt	(1,440)	(357)	269	2,152	1,754	(11,176)	-	2,972	-	3,378	13.6
FX / non cash items	988	(481)	(453)	301	(78)	63	-	87	39.3	93	6.5
Balance sheet (inc)/dec in net debt	(452)	(837)	(184)	2,453	1,675	(11,114)	-	3,059	-	3,471	13.4
Core EBITDA	1,427	1,797	2,159	2,108	4,107	7,122	73.4	7,865	10.4	8,912	13.3
Maintenance capital expenditure	(115)	(142)	(182)	(192)	(236)	(432)	82.8	(469)	8.7	(521)	11.1
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	1,312	1,655	1,977	1,916	3,871	6,690	72.8	7,396	10.5	8,391	13.5

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

Sell

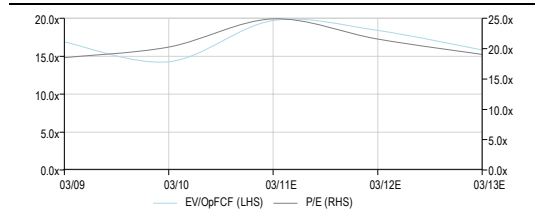
12m price target

Rs415.00

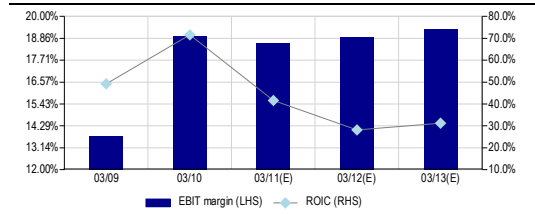
Company profile

Godrej Consumer Products (GCPL) focuses on home care, hair care and personal wash products in Asia, Africa and Latin America. In FY10, personal wash was its largest revenue contributor at 41%, while hair care and home care contributed 20% each. Following the GHPL and Megasari acquisitions, homecare contributed 9% of total revenue in Q1 FY11, while personal wash and hair care contributed 33% and 18%, respectively. GCPL's FY10 turnover was US\$443m, of which US\$365m was from domestic operations (including GHPL) and the remaining US\$79m from international operations.

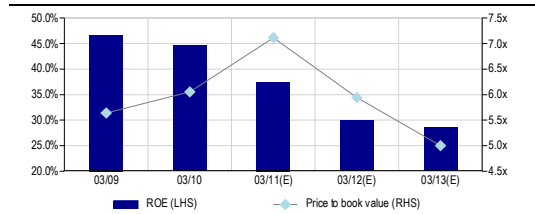
Value (EV/OpFCF & P/E)



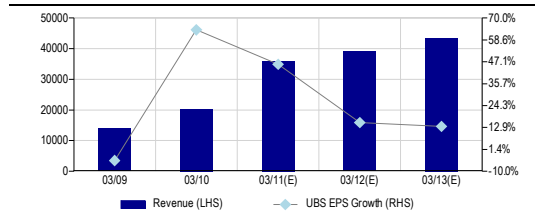
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
P/E (local GAAP)	19.6	18.5	20.3	23.5	21.6	19.0
P/E (UBS)	19.7	18.5	20.3	24.9	21.6	19.0
P/CEPS	17.8	16.7	19.0	23.0	20.0	17.7
Net dividend yield (%)	3.4	3.2	1.9	1.7	1.9	2.1
P/BV	22.9	5.6	6.1	7.1	5.9	5.0
EV/revenue (core)	3.0	2.3	2.7	3.7	3.5	3.1
EV/EBITDA (core)	16.6	15.4	13.5	18.5	17.3	14.9
EV/EBIT (core)	18.2	16.9	14.3	19.7	18.4	15.8
EV/OpFCF (core)	18.2	16.9	14.3	19.7	18.4	15.8
EV/op. invested capital	NM	8.3	NM	8.2	5.2	4.9

Enterprise value (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Average market cap	32,249	57,797	129,780	129,780	129,780
+ minority interests	0	0	0	0	0
+ average net debt (cash)	219	(1,845)	2,874	6,901	3,636
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(75)	(670)	(670)	(670)	(670)
Core enterprise value	32,393	55,282	131,984	136,011	132,746

Growth (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue	25.4	26.3	46.5	76.2	8.7	11.1
EBITDA (UBS)	20.4	-2.4	94.8	73.4	10.4	13.3
EBIT (UBS)	20.9	-3.1	102.0	72.8	10.5	13.5
EPS (UBS)	14.2	-4.4	63.8	45.8	15.4	13.4
Cash EPS	14.0	-4.6	57.6	47.6	14.9	13.2
Net DPS	7.5	0.0	6.3	60.9	8.7	13.4
BVPS	78.6	NM	67.0	52.4	19.8	18.7

Margins (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBITDA / revenue	18.4	15.1	20.1	19.8	20.1	20.5
EBIT / revenue	16.8	13.8	19.0	18.6	18.9	19.3
Net profit (UBS) / revenue	14.9	12.4	16.7	14.5	15.4	15.7

Return on capital (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT ROIC (UBS)	NM	49.2	71.5	41.6	28.1	31.2
ROIC post tax	-	40.7	57.8	32.7	22.2	24.7
Net ROE	135.3	46.6	44.6	37.5	30.0	28.5

Coverage ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
EBIT / net interest	-	-	-	NM	-	-
Dividend cover (UBS EPS)	1.6	1.7	2.6	2.4	2.5	2.5
Div. payout ratio (% , UBS EPS)	63.6	59.3	38.5	42.5	40.0	40.0
Net debt / EBITDA	0.2	NM	NM	1.2	0.7	0.2

Efficiency ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Revenue / op. invested capital	4.8	3.6	3.8	2.2	1.5	1.6
Revenue / fixed assets	4.0	3.6	4.0	2.4	1.6	1.8
Revenue / net working capital	NM	39.2	33.1	22.7	14.7	14.7

Investment ratios (x)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
OpFCF / EBIT	1.0	1.0	1.0	1.0	1.0	1.0
Capex / revenue (%)	6.7	5.4	3.5	2.2	2.2	2.2
Capex / depreciation	4.2	3.9	3.0	1.8	1.9	1.8

Capital structure (%)	5Yr Avg	03/09	03/10	03/11E	03/12E	03/13E
Net debt / total equity	21.1	(17.6)	(28.1)	46.2	24.6	7.3
Net debt / (net debt + equity)	17.4	(21.4)	(39.1)	31.6	19.7	6.8
Net debt (core) / EV	1.9	0.7	(3.3)	2.2	5.1	2.7

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs401.05 on 21 Jan 2011 23:38 SGT Market cap(E) may include forecast share issues/buybacks.

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■ Godrej Consumer Products

Godrej Consumer Products (GCPL) focuses on home care, hair care and personal wash products in Asia, Africa and Latin America. In FY10, personal wash was its largest revenue contributor at 41%, while hair care and home care contributed 20% each. Following the GHPL and Megasari acquisitions, homecare contributed 9% of total revenue in Q1 FY11, while personal wash and hair care contributed 33% and 18%, respectively. GCPL's FY10 turnover was US\$443m, of which US\$365m was from domestic operations (including GHPL) and the remaining US\$79m from international operations.

■ Statement of Risk

We think the key risks to GCPL's earnings and valuation include intensifying competition, increasing raw material costs and slowing economic growth. With GCPL's expansion in international markets, we believe, the company also has exposure to multiple country and currency risk.

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+852 2971 6139**Asian earnings—week of 24 January****■ Asia Earnings Watch—weekly preview of reporting season**

Our report highlights UBS versus consensus estimates across our coverage of 700 companies in 10 Asian markets. We preview earnings, and highlight high conviction ideas and beats or misses that we think could surprise the market or influence share prices.

■ Siliconware to disappoint on Q410 profit

We expect Siliconware (reports 26 January) to disappoint on Q4 profit—we are 19% below consensus and it remains among our least preferred stock in Asia tech. We think the company's low operating margin will mean it will have been impacted more than peers from NT\$ appreciation in Q410. KT Corp (28 January) remains a high conviction miss.

■ Results in the coming two weeks—our conviction lies mostly in misses

In Korea we expect EBIT for Samsung SDI and earnings for Hynix and SEMCO to miss. In Taiwan, we expect misses from Vanguard, Inotera, Nanya Tech, and MediaTek. In India, we expect Sun Pharma and IRB Infrastructure Development to beat and Sesa Goa to miss. We list our upcoming high conviction Beats and Misses on page 2.

High conviction Beats and Misses (Week of 24 & 31 January)

Beats							
Code	Name	Period	Date	Net profit			Conviction
				UBS-e	Cons.	% Diff	5=Hi, 1=Lo
SUN.BO	Sun Pharma.	Q3	31 Jan	5,326	4,486	19%	4
IRBI.BO	IRB Infra. Dev.	Q3	27 Jan	1,501	1,153	30%	3

Misses							
Code	Name	Period	Date	Net profit			Conviction
				UBS-e	Cons.	% Diff	5=Hi, 1=Lo
030200.KS	KT Corp.	Q4	28 Jan	174,794	220,612	-21%	4
2325.TW	Siliconware	Q4	26 Jan	860	1,058	-19%	4
5347.TWO	Vanguard	Q4	31 Jan	95	274	-66%	4
3474.TW	Inotera	Q4	24 Jan	-4,276	-936	-357%	4
2408.TW	Nanya Tech	Q4	24 Jan	-4,972	-389	-1179%	4
000660.KS	Hynix	Q4	27 Jan	332,405	652,000	-49%	4
2454.TW	MediaTek Inc.	Q4	31 Jan	4,582	5,260	-13%	4
009150.KS	SEMCO	Q4	24 Jan	80,852	107,682	-25%	3
SESA.BO	Sesa Goa	Q3	24 Jan	9,400	10,947	-14%	3
006400.KS	Samsung SDI	Q4	27 Jan	60,235	68,917	-13%	3

* Note – we use EBIT for Samsung SDI. Source: Bloomberg, UBS estimates

Beats and Misses – full listing by country (Week of 24 & 31 January)

India

Potential Beats

Company Name	Conviction Level	Reporting Period	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	% difference	Source	UBS-e EPS	Reporting Date	Analyst
GMR Infrastructure	1	Q311	412	-143	389%	Bloomberg	0.1	27/Jan/11	Sandip Bansal
IRB Infrastructure Developers	3	Q311	1,501	1,153	30%	Bloomberg	4.5	27/Jan/11	Sandip Bansal
Cairn India Limited	2	Q311	20,286	17,093	19%	Bloomberg	0	28/Jan/11	Prakash Joshi
Reliance Power	1	Q311	4,258	1,779	139%	Bloomberg	NA	29/Jan/11	Pankaj Sharma
GVK Power and Infrastructure	2	Q311	520	439	19%	Bloomberg	0.3	31/Jan/11	Sandip Bansal
Sun Pharmaceuticals Industries Limited	4	Q311	5,326	4,486	19%	Bloomberg	5.1	31/Jan/11	Sonal Gupta
Bharti Airtel Ltd.	1	Q311	17,728	16,178	10%	Bloomberg	5.4	2/Feb/11	Suresh A Mahadevan

Potential Misses

Company Name	Conviction Level1	Reporting Period	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	% difference	Source	UBS-e EPS	Reporting Date	Analyst
Sesa Goa	3	Q311	9,400	10,947	-14%	Bloomberg	7.7	24/Jan/11	Navin Gupta, CFA
JSW Steel	3	Q311	2,485	3,881	-36%	Bloomberg	12.4	27/Jan/11	Navin Gupta, CFA

Korea

Potential Beats

Company Name	Conviction Level	Reporting Period	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	% difference	Source	UBS-e EPS	Reporting Date	Analyst
Hyundai E&C	1	Q410	220,647	142,251	55.11%	Bloomberg	1979.7	26/Jan/11	Yong-Suk Son, CFA

Potential Misses

Company Name	Conviction Level	Reporting Period	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	% difference	Source	UBS-e EPS	Reporting Date	Analyst
GS Engineering & Construction	1	Q410	50,504	101,469	-50%	Bloomberg	990.3	24/Jan/11	Yong-Suk Son, CFA
Samsung Electro-Mechanics	3	Q410	80,852	107,682	-25%	Bloomberg	1041.9	25/Jan/11	Sean Kim
S-Oil	2	Q410	209,508	255,984	-18%	Bloomberg	1860.9	24/Jan/11	John Chung
LG Electronics	2	Q410	-622,619	-302,000	-106%	Bloomberg	NA	26/Jan/11	Sean Kim
Hynix Semiconductor	4	Q410	332,405	652,000	-49.02%	Bloomberg	436.5	27/Jan/11	Nicolas Gaudois
Samsung SDI (on EBIT basis)	3	Q410	60,235	68,917	-13%	Bloomberg	2257.7	27/Jan/11	Sean Kim
KT Corp.	4	Q410	174,794	220,612	-21%	Bloomberg	744.6	28/Jan/11	Josh Bae
GS Holdings	2	Q410	154,509	185,796	-16%	Bloomberg	1662.9	3/Feb/11	John Chung

Singapore

Potential Beats

Company Name	Conviction Level	Reporting Period	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	% difference	Source	UBS-e EPS	Reporting Date	Analyst
Keppel Land	2	FY10	663	437	52%	Bloomberg	NA	24/Jan/11	Michael Lim

Potential Misses

Company Name	Conviction Level	Reporting Period	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	% difference	Source	UBS-e EPS	Reporting Date	Analyst
Keppel Corporation	2	FY10	1,195	1,314	-9%	Bloomberg	NA	25/Jan/11	Cheryl Lee, CFA

Taiwan

Potential Beats

Company Name	Conviction Level	Reporting Period	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	% difference	Source	UBS-e EPS	Reporting Date	Analyst
AU Optronics	2	Q410	-2,382	-3,851	38.15%	Bloomberg	-0.3	27/Jan/11	Sean Kim

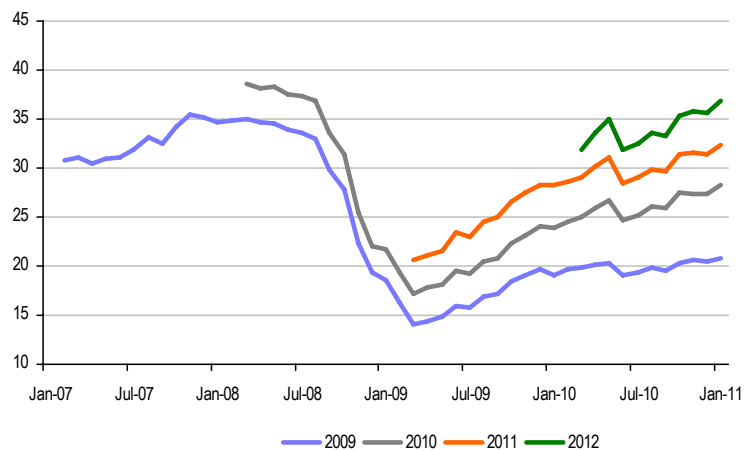
Potential Misses

Company Name	Conviction Level	Reporting Period	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	% difference	Source	UBS-e EPS	Reporting Date	Analyst
Inotera Memories	4	Q410	-4,276	-936	-357%	Bloomberg	-0.9	24/Jan/11	Nicolas Gaudois
Nanya Technology	4	Q410	-4,972	-389	-1179%	Bloomberg	-1.2	24/Jan/11	Nicolas Gaudois
Siliconware	4	Q410	860	1,058	-19%	Bloomberg	0.3	26/Jan/11	Jonah Cheng
Vanguard	4	Q410	94.6	274.3	-66%	Bloomberg	0.1	31/Jan/11	Samson Hung
MediaTek Inc.	4	Q410	4,582	5,260	-13%	Bloomberg	4.2	31/Jan/11	Jonah Cheng

Source: Bloomberg, UBS estimates

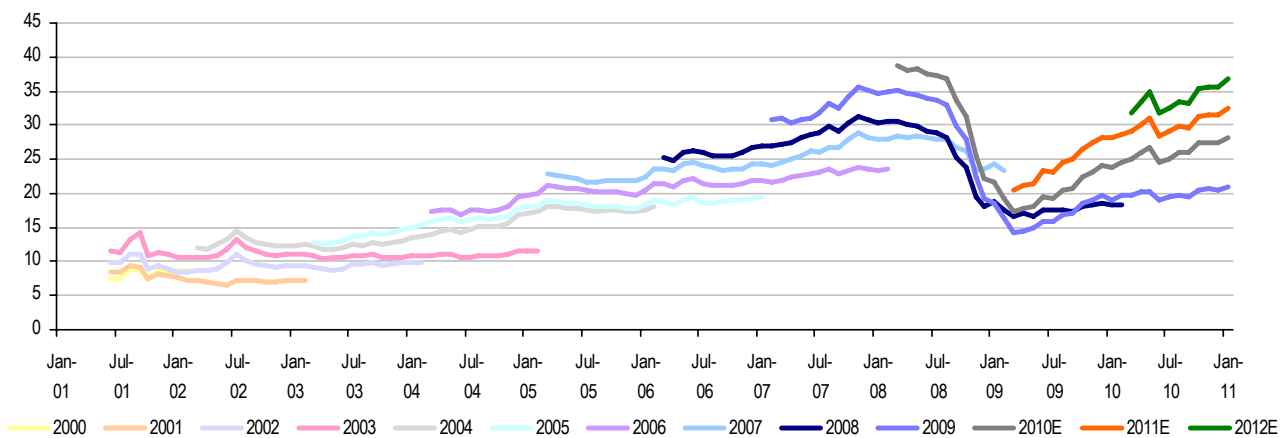
Earnings estimates revision for MSCI Asia ex-Japan Index

Chart 1: MSCI Asia ex-Japan Index Forecast EPS Levels



Source: IBES, Thomson Datastream

Chart 2: MSCI Asia ex-Japan Index Forecast EPS Levels



Source: IBES, Thomson Datastream

Results announcements, 24-30 January

Code	Name	Analyst	Rating	PT	Price	Upside / Downside	Reporting Period*	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	UBS vs IBES (%)
24 January										
ASPN.BO	Asian Paints	Sunita Sachdev	Buy	3500	2655.15	31.82	2011FQ3			
ICBK.BO	ICICI Bank	Vishal Goyal, CFA	Buy	1400	1013.65	38.11	2011FQ3			
IDEA.BO	Idea Cellular	Suresh A Mahadevan, CFA	Buy	105	69.3	51.52	2011FQ3	2027	1962	3.32
SESA.BO	Sesa Goa	Navin Gupta, CFA	Buy	400	322.1	24.19	2011FQ3	9400	10947	-14.13
UNBK.BO	Union Bank of India	Vishal Goyal, CFA	Sell (CBE)	360	314.95	14.30	2011FQ3	6027	5627	7.11
WGSR.BO	Welspun	Ruchi Vora	Buy	250	151.7	64.80	2011FQ3			
006360.KS	GS Engineering & Construction	Yong-Suk Son, CFA	Buy (CBE)	115000	127500	-9.80	2010FQ4	50504	101469	-50.23
009150.KS	Samsung Electro-Mechanics	Sean Kim	Buy	156000	124000	25.81	2010FQ4	80852	107682	-24.92
010950.KS	S-Oil	John Chung	Buy	110000	93600	17.52	2010FQ4	209508	255984	-18.16
PUBMe.KL	Public Bank	Khairul Rifaie	Buy	18.5	13.44	37.65	2010FQ4			
KLAN.SI	Keppel Land	Michael Lim	Buy	5.08	4.51	12.64	2010FQ4	663	437	51.55
PWLR.SI	Parkway Life Real Estate Investment Trust	Adrian Chua	Buy	1.89	1.77	6.78	2010FQ4			
3474.TW	Inotera Memories	Nicolas Gaudois	Sell	13	16.8	-22.62	2010FQ4	-4276	-936	356.95
2408.TW	Nanya Technology	Nicolas Gaudois	Sell	9.2	16.5	-44.24	2010FQ4	-4972	-389	1179.38
25 January										
REDY.BO	Dr Reddy's Laboratories	Sonal Gupta	Buy	2100	1664	26.20	2011FQ3	2929	2942	-0.44
GRAS.BO	Grasim Industries	Sandip Bansal	Buy	2770	2420	14.46	2011FQ3	4309	4498	-4.20
HROH.BO	Hero Honda Motors	Sonal Gupta	Buy	2250	1780	26.40	2011FQ3	5836	5638	3.51
HLL.BO	Hindustan Unilever	Sunita Sachdev	Buy	350	298.4	17.29	2011FQ3	6845	6441	6.28
IOC.BO	Indian Oil	Prakash Joshi	Neutral	430	310.35	38.55	2011FQ3			
PGRD.BO	Power Grid Corp of India	Pankaj Sharma	Buy	135	97.9	37.90	2011FQ3	6684	6280	6.44
STRL.BO	Sterlite Industries India	Navin Gupta, CFA	Buy (CBE)	225	177.6	26.69	2011FQ3			
ULTC.BO	Ultratech Cement	Sandip Bansal	Sell	1030	1027.45	0.25	2011FQ3	3226	3049	5.79

Data as of 19 January 2011. *If UBS does not have estimates for the period the company is reporting on, we use UBS estimates for the most appropriate time-frame. Source: Bloomberg, IBES, UBS estimates

Code	Name	Analyst	Rating	PT	Price	Upside / Downside	Reporting Period*	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	UBS vs IBES (%)
25 January										
UNPO.BO	United Phosphorus	Gautam Chhaochharia	Buy	230	152.9	50.43	2011FQ3	1020	1117	-8.67
001300.KS	Cheil Industries	Sean Kim	Neutral	98000	115000	-14.78	2010FQ4	66413	68184	-2.60
017670.KS	SK Telecom	Josh J. Bae	Buy	205000	168500	21.66	2010FQ4	384115	393706	-2.44
KPLM.SI	Keppel	Cheryl Lee, CFA	Buy	12.2	11.46	6.46	2010FQ4	1195	1314	-9.03
26 January										
3993.HK	China Molybdenum	Ghee Peh	Neutral	7.41	7.24	2.35	2010FH2	1144	1087	5.27
0010.HK	Hang Lung Group	Eric Wong	Buy	66.6	50.9	30.84	2010FH1			
0101.HK	Hang Lung Properties	Eric Wong	Buy	45.1	34.65	30.16	2010FH1			
000720.KS	Hyundai Engineering & Construction	Yong-Suk Son, CFA	Buy	82000	88300	-7.13	2010FQ4	220647	142251	55.11
066570.KS	LG Electronics	Sean Kim	Neutral	126000	120500	4.60	2010FQ4	-622619	-302000	-106
CRCT.SI	CapitaRetail China Trust	Michael Lim	Neutral	1.27	1.25	1.60	2010FQ4			
CDLT.SI	CDL Hospitality Trusts	Adrian Chua	Buy	2.37	2.1	12.86	2010FQ4			
STHL.SI	Starhill Global REIT	Michael Lim	Buy	0.73	0.645	13.18	2010FQ4			
2325.TW	Siliconware Precision Industries	Jonah Cheng	Sell	24	39.2	-38.78	2010FQ4	860	1058	-18.68
2303.TW	United Microelectronics	Jonah Cheng	Buy	18	17.65	1.98	2010FQ4	6426	5932	8.32
PTTE.BK	PTT Exploration & Production	Piyanan Panichkul	Neutral	180	163.5	10.09	2010FQ4			
SCC.BK	Siam Cement	Piyanan Panichkul	Buy	425	333	27.63	2010FQ4	6004	6075	-1.18
27 January										
ABAN.BO	Aban Offshore	Ruchi Patwari	Buy	1216	702.25	73.16	2011FQ3	1070	1027	4.24
CRBR.BO	Carborundum Universal	Gautam Chhaochharia	Buy	296	250	18.40	2011FQ3			
DLF.BO	DLF	Ashish Jagnani	Buy	400	255.05	56.83	2011FQ3			
GMRI.BO	GMR Infrastructure	Sandip Bansal	Sell	50	40.75	22.70	2011FQ3	412	-143	-389.02
HDBK.BO	HDFC Bank	Vishal Goyal, CFA	Neutral	2500	2061.95	21.24	2011FQ3	10349	10379	-0.29
HPCL.BO	Hindustan Petroleum	Prakash Joshi	Neutral	440	351.8	25.07	2011FQ3			
IRBI.BO	IRB Infrastructure Developers	Sandip Bansal	Sell	260	203.3	27.89	2011FQ3	1501	1153	30.18
JSTL.BO	JSW Steel	Navin Gupta, CFA	Buy	1300	1042	24.76	2011FQ3	2485	3881	-35.98

Data as of 19 January 2011. *If UBS does not have estimates for the period the company is reporting on, we use UBS estimates for the most appropriate time-frame. Source: Bloomberg, IBES, UBS estimates

Code	Name	Analyst	Rating	PT	Price	Upside / Downside	Reporting Period*	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	UBS vs IBES (%)
27 January										
LUPN.BO	Lupin	Sonal Gupta	Buy	540	461.65	16.97	2011FQ3	2167	2150	0.81
TTCH.BO	Tata Chemicals	Ajay Nandanwar	Buy (CBE)	500	376.9	32.66	2011FQ3	2192	2012	8.97
TISC.BO	Tata Steel	Navin Gupta, CFA	Buy	820	635.8	28.97	2011FQ3	14900	14396	3.50
086280.KS	Glovis	D.S. Kim	Buy	200000	162000	23.46	2010FQ4	71214	69087	3.08
000660.KS	Hynix Semiconductor	Nicolas Gaudois	Neutral	29500	28200	4.61	2010FQ4	332405	652000	-49.02
005380.KS	Hyundai Motor	Young Chang	Buy	240000	194000	23.71	2010FQ4	1385173	1382972	0.16
004020.KS	Hyundai Steel	Yong-Suk Son, CFA	Buy	150000	128500	16.73	2010FQ4	218207	239615	-8.93
003490.KS	Korean Air Lines	Eric Lin	Buy (CBE)	90000	75700	18.89	2010FQ4			
023530.KS	Lotte Shopping	D.S. Kim	Suspended	NA	432500	NA	2010FQ4	240011	246142	-2.49
010140.KS	Samsung Heavy Industries	Yong-Suk Son, CFA	Buy	42000	43950	-4.44	2010FQ4	265669	247469	7.35
006400.KS	Samsung SDI (on EBIT basis)	Sean Kim	Neutral	183000	165000	10.91	2010FQ4	60235	68917	-13.00
BMYS.KL	Bursa Malaysia	Khairul Rifaie	Sell (CBE)	6.4	8.75	-26.86	2010FQ4			
2409.TW	AU Optronics	Sean Kim	Buy	39	29.1	34.02	2010FQ4	-2382	-3851	-38.14
3034.TW	Novatek Microelectronics	Samson Hung	Buy	107	96.2	11.20	2010FQ4	1139	1051	8.34
3045.TW	Taiwan Mobile	Vey Sern Ling, CFA	Neutral	70	68.5	2.19	2010FQ4			
2330.TW	Taiwan Semiconductor Manufacturing	Jonah Cheng	Neutral	73.5	76.4	-3.80	2010FQ4	38583	38446	0.36
28 January										
600406.SS	NARI Technology Development	Patrick Dai	Buy	110	65.52	67.89	2010FQ4			
BOB.BO	Bank of Baroda	Vishal Goyal, CFA	Neutral	1000	820	21.95	2011FQ3			
CAIL.BO	Cairn India	Prakash Joshi	Neutral	375	340.7	10.07	2011FQ3	20286	17093	18.68
CHLA.BO	Cholamandalam Investment and Finance	Gautam Chhaochharia	Buy	252	180.25	39.81	2011FQ3			
HVEL.BO	Havells India	Ajay Nandanwar	Buy	465	363.05	28.08	2011FQ3			
ONGC.BO	Oil & Natural Gas	Prakash Joshi	Buy	1600	1126.75	42.00	2011FQ3	53551	55545	-3.59
SUTV.BO	Sun TV Network	Nupur Agarwal	Sell	500	502.7	-0.54	2011FQ3	1975	2024	-2.43
TITN.BO	Titan Industries	Sunita Sachdev	Suspended	NA	3446	NA	2011FQ3	1100	1103	-0.31

Data as of 19 January 2011. *If UBS does not have estimates for the period the company is reporting on, we use UBS estimates for the most appropriate time-frame. Source: Bloomberg, IBES, UBS estimates

Code	Name	Analyst	Rating	PT	Price	Upside / Downside	Reporting Period*	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	UBS vs IBES (%)
28 January										
000240.KS	Hankook Tire	D.S. Kim	Neutral	33000	30750	7.32	2010FQ4			
012630.KS	Hyundai Development	Yong-Suk Son, CFA	Neutral (CBE)	37000	38850	-4.76	2010FQ4	83544	62173	34.37
012330.KS	Hyundai Mobis	Young Chang	Buy	340000	294000	15.65	2010FQ4	574971	617522	-6.89
000270.KS	Kia Motors	Young Chang	Buy	65000	57900	12.26	2010FQ4	609760	659799	-7.58
030200.KS	KT	Josh J. Bae	Buy	57000	42950	32.71	2010FQ4	174794	220612	-20.77
051910.KS	LG Chem	Sean Kim	Buy	490000	403500	21.44	2010FQ4	495927	471006	5.29
005930.KS	Samsung Electronics	Nicolas Gaudois	Buy	1200000	982000	22.20	2010FQ4	2246297	3274526	-31.40
033630.KQ	SK Broadband	Josh J. Bae	Neutral	5600	5300	5.66	2010FQ4	6373	6614	-3.65
DSOM.KL	DiGi.Com	Josh J. Bae	Neutral	25	25.58	-2.27	2010FQ4	293	280	4.64
BIOS.SI	Biosensors International Group	Josh Chuah	Suspended	NA	1.15	NA	2011FQ3			
SIAL.SI	Singapore Airlines	Richard Wei, CFA	Buy	19.5	15.18	28.46	2011FQ3			
SMRT.SI	SMRT	Cheryl Lee, CFA	Neutral	2.26	2.08	8.65	2011FQ3			
2311.TW	Advanced Semiconductor Engineering	Jonah Cheng	Neutral	31	37.2	-16.67	2010FQ4	4546	4746	-4.22
29 January										
EIDP.BO	EID Parry (India)	Gautam Chhaochharia	Buy	338	225.15	50.10	2011FQ3			
GLEN.BO	Glenmark Pharmaceuticals	Sonal Gupta	Sell	370	317.2	16.65	2011FQ3	1115	1084	2.83
GESC.BO	Great Eastern Shipping	Ruchi Patwari	Sell	250	317.5	-21.26	2011FQ3			
MRTI.BO	Maruti Suzuki India	Sonal Gupta	Buy	1700	1255.25	35.43	2011FQ3	5640	5829	-3.24
RPOL.BO	Reliance Power	Pankaj Sharma	Sell	140	137.65	1.71	2011FQ3	4258	1779	139.38
UNTE.BO	Unitech	Ashish Jagnani	Buy	86	58.3	47.51	2011FQ3			
SPOS.SI	Singapore Post	Jaj Singh	Buy	1.27	1.18	7.63	2011FQ3			
30 January										
SUZL.BO	Suzlon Energy	Pankaj Sharma	Sell	50	51.25	-2.44	2011FQ3			

Data as of 19 January 2011. *If UBS does not have estimates for the period the company is reporting on, we use UBS estimates for the most appropriate time-frame. Source: Bloomberg, IBES, UBS estimates

24 January 2011

Asian Paints Ltd. (ASPN.BO) Buy, PT (Rs): 3,500

Q3 FY11 Results

We expect Asian Paints to register 24% revenue growth from a low base (seasonality-favouring growth rates) as Diwali (the festive season) was in the third quarter, not the second quarter as in the previous year. Growth would be driven primarily by higher volumes of 19-20%, because of selective price increases in the product basket. Raw material price pressure has increased, and we expect EBITDA growth to be muted, up 9% YoY, and also profit before tax of 9% YoY growth.

ICICI Bank (ICBK.BO) Buy, PT (Rs): 1,400

Q3 FY11 Results

We expect net profit of Rs13.8bn (up 25% YoY and 11% QoQ) in line with consensus. We forecast net interest income of Rs22.9bn, up 11% YoY. We expect net interest margin to dip 5bp to 2.5% (from 2.6% in Q2). We expect asset quality and credit cost to remain stable this quarter.

Idea Cellular (IDEA.BO) Buy, PT (Rs): 105

Q3 FY11 Results

We forecast consolidated revenue growth of 7% QoQ to Rs39.5bn, led by growth in minutes on the network given that Q3 is a seasonally strong quarter due to the festive season. We expect revenue per minute to remain stable at Rs0.38 in Q3 FY11, and minutes generated on the network to grow 6.2% QoQ. We expect its EBITDA margin to improve 30bp to 24.3% and net profit to increase 12.8% QoQ to Rs2.03bn.

India Chemicals, Specialty

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs9209
Consensus FY11 Adj Net Inc: Rs8987

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs38.4

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India Banks

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs51406
Consensus FY11 Adj Net Inc: Rs50761

UBS estimate Q311 DPS: Rs3.25
UBS estimate FY11 DPS: Rs13

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India Wireless Communications

UBS estimate Q311 Adj Net Inc: Rs2027
Consensus Q311 Adj Net Inc: Rs1961

UBS estimate FY11 Adj Net Inc: Rs6619
Consensus FY11 Adj Net Inc: Rs6552

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: NA

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Sesa Goa (SESA.BO)

Buy, PT (Rs): 400

Q3 FY11 Results

We expect Sesa Goa to report revenue of Rs20.3bn (up 9% YoY) based on our iron ore volume growth forecast of -26% YoY and realisation improvement of 43% YoY. We expect EBITDA of Rs10.7bn and an EBITDA margin of 53%. We expect net profit of Rs9.4bn (up 14% YoY). We expect iron ore realisation of Rs3,528/t and EBITDA/t of Rs2,139 (up 43% QoQ).

India Mining

UBS estimate Q311 Adj Net Inc: Rs9400
Consensus Q311 Adj Net Inc: Rs10946

UBS estimate FY11 Adj Net Inc: Rs37262
Consensus FY11 Adj Net Inc: Rs42844

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs5.6

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Union Bank (UNBK.BO)

Sell (CBE), PT (Rs): 360

Q3 FY11 Results

We forecast net profit of Rs6.1bn (up 14% YoY) and ahead of consensus of Rs5.7bn. We believe the bank might surprise the street on lower-than-expected credit costs, as it had provided for major slippage of restructured assets (agriculture) into NPA in the previous quarter. We expect loan growth of 27% YoY in the quarter with net interest margin slipping 17bp sequentially on account of the recent hike in deposit rates.

India Banks

UBS estimate Q311 Adj Net Inc: Rs6027
Consensus Q311 Adj Net Inc: Rs5627

UBS estimate FY11 Adj Net Inc: Rs24537
Consensus FY11 Adj Net Inc: Rs22233

UBS estimate Q311 DPS: Rs1.63
UBS estimate FY11 DPS: Rs6.5

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Welspun Corp (WGSR.BO)

Buy, PT (Rs): 250

Q3 FY11 Results

We expect the current production run rate to continue. We forecast the pipe EBITDA to be in the Rs10,000-11,000/mt range.

India Steel

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs6605
Consensus FY11 Adj Net Inc: Rs6605

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs2.25

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GS Engineering & Construction (006360.KS)

Buy, PT (Rs): 115,000

Q410 Results

We expect Q410 sales/operating profit/net profit of Won1,937bn/116bn/51bn, versus consensus of Won1,929bn/128bn/99bn. There could be upside risk to our net profit estimates given possible reversal of housing provisioning in Q4, which we have not factored into our Q4 estimates.

Korea

Heavy Construction

UBS estimate Q410 Adj Net Inc: Won50504
Consensus Q410 Adj Net Inc: Won101469

UBS estimate FY10 Adj Net Inc: Won369901
Consensus FY10 Adj Net Inc: Won400625

UBS estimate Q410 DPS: Won1000
UBS estimate FY10 DPS: Won1000

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Samsung Electro-Mechanics (009150.KS)

Buy, PT (Won): 156,000

Q410 results

We expect sales/OP/NP of Won1,789bn/175bn/81bn in Q410; this compares with consensus estimates of sales/OP/NP of Won1,832bn/183bn/108bn.

Korea

Electric Components & Equipment

UBS estimate Q410 Adj Net Inc: Won80852
Consensus Q410 Adj Net Inc: Won107682

UBS estimate FY10 Adj Net Inc: Won543452
Consensus FY10 Adj Net Inc: Won590491

UBS estimate Q410 DPS: Won250
UBS estimate FY10 DPS: Won250

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S-Oil (010950.KS)

Buy, PT (Won): 110,000

Q410 results

We believe S-Oil will deliver another quarter of strong earnings given: 1) potential inventory gains on a sharply rising crude oil price as the Brent price was up 18% in Q410; 2) stronger middle distillate crack spreads, which we estimate will raise complex refining margins 31% QoQ in Q410; and 3) stronger petrochemical spreads with the PX-naphtha spread up 66% from US\$280/ton in Q310 to US\$470/ton in Q410. S-Oil remains our most-preferred name in the Asia refining universe, given its high refining complexity, and more importantly, its new PX capacity, which is coming on stream in Q211, and which should drive earnings growth. We believe the PX-naphtha spread should remain strong in 2011, supported by stronger downstream PTA/polyester demand and limited new capacity in the market.

Korea

Oil Companies, Secondary

UBS estimate Q410 Adj Net Inc: Won209508
Consensus Q410 Adj Net Inc: Won255984

UBS estimate FY10 Adj Net Inc: Won607067
Consensus FY10 Adj Net Inc: Won622014

UBS estimate Q410 DPS: Won1350
UBS estimate FY10 DPS: Won1350

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Public Bank (PUBMe.KL)

Buy, PT (RM): 18.5

Q410 results

We forecast a 20% YoY rise in net profit to RM3,008m for FY10, driven by higher interest and non-interest income. We estimate net interest income will grow 14% YoY to RM4,612m given projected loan growth of 16% and stable margins. We expect non-interest income to grow 16% YoY to RM1,618m and Islamic banking income to grow 15% YoY to RM792m. We forecast loan loss provisions of RM623m (down 10% YoY).

Keppel Land (KLAN.SI)

Buy, PT (S\$): 5.08

Q410 Results

We expect Keppel Land to report net earnings of S\$663m which includes S\$394m gain from the sale of MBFC Phase 1. As management has a policy to distribute one-third of realised profits, we believe Keppel Land is likely to declare a 7¢ special dividend in addition to the 8¢ final dividend. Keppel Land and OUE are our key office picks.

Parkway Life REIT (PWL.R.SI)

Buy, PT (S\$): 1.89

Q410 Results

We expect Parkway Life REIT to declare a Q410 DPU of 2.4¢. We continue to like Parkway Life REIT for its attractive exposure to healthcare assets in the aging demographics of Singapore and Japan.

Malaysia

Banks, Ex-S&L

UBS estimate Q410 Adj Net Inc: NA
Consensus Q410 Adj Net Inc: NA

UBS estimate FY10 Adj Net Inc: RM3008
Consensus FY10 Adj Net Inc: RM2962

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: RM0.39

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Singapore

Real Estate

UBS estimate Q410 Adj Net Inc: S\$663
Consensus Q410 Adj Net Inc: S\$437

UBS estimate FY10 Adj Net Inc: S\$663
Consensus FY10 Adj Net Inc: S\$437

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: S\$0.15

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Singapore

Real Estate

UBS estimate Q410 Adj Net Inc: NA
Consensus Q410 Adj Net Inc: NA

UBS estimate FY10 Adj Net Inc: S\$51
Consensus FY10 Adj Net Inc: S\$54

UBS estimate Q410 DPS: S\$0.02
UBS estimate FY10 DPS: S\$0.09

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Inotera Memories (3474.TW)

Sell, PT (NT\$): 13.0

Q410 results

For Q410, we expect Inotera to report sales/OP/NP of NT\$8,523m/-3,936m/-4,275m. We forecast a 46.2% operating margin loss given the sharp ASP decline (-44% QoQ UBS estimate). We expect DRAM bit growth of 60% QoQ in Q4.

Taiwan Semiconductors

UBS estimate Q410 Adj Net Inc: NT\$(4276)
Consensus Q410 Adj Net Inc: NT\$(935)

UBS estimate FY10 Adj Net Inc: NT\$(10076)
Consensus FY10 Adj Net Inc: NT\$(6386)

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NA

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Nanya Technology (2408.TW)

Sell, PT (NT\$): 9.20

Q410 results

For Q410, we expect Nanya Tech to report sales/OP/NP of NT\$12,181m/-3,505m/-4,972m. We forecast a 28.8% operating loss margin given the sharp ASP decline (-44% QoQ UBS estimate). We expect DRAM bit growth of 55% QoQ in Q410.

Taiwan Semiconductors

UBS estimate Q410 Adj Net Inc: NT\$(4972)
Consensus Q410 Adj Net Inc: NT\$(388)

UBS estimate FY10 Adj Net Inc: NT\$(9665)
Consensus FY10 Adj Net Inc: NT\$(6347)

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NA

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25 January 2011

Dr. Reddy's Labs (REDY.BO) Buy, PT (Rs): 2,100

Q3 FY11 Results

We expect Q3 FY11 revenue to increase 8% YoY to Rs18,761m, helped by the 53% increase in the generics business. We expect EBIT to increase 20% to Rs2,992m, and a 16% EBIT margin. We expect Rs2,541m in PAT.

India Pharmaceuticals

UBS estimate Q311 Adj Net Inc: Rs2929
Consensus Q311 Adj Net Inc: Rs2941

UBS estimate FY11 Adj Net Inc: Rs10582
Consensus FY11 Adj Net Inc: Rs11241

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs15

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Grasim Industries (GRAS.BO) Buy, PT (Rs): 2,770

Q3 FY11 Results

We expect revenue to grow 5% YoY to Rs50.5bn led by better performance of the VSF segment. We forecast EBITDA of Rs10.8bn and a 21.5% margin, a decline of 740bp YoY, mainly on account of lower realisation in the cement segment. We expect the company to report Rs4.3bn in PAT, which represents a 43% YoY decline.

India Industrial Diversified

UBS estimate Q311 Adj Net Inc: Rs4309
Consensus Q311 Adj Net Inc: Rs4497

UBS estimate FY11 Adj Net Inc: Rs19529
Consensus FY11 Adj Net Inc: Rs20180

UBS estimate Q311 DPS: Rs8.38
UBS estimate FY11 DPS: Rs35.88

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Hero Honda Ltd. (HROH.BO) Buy, PT (Rs): 2,250

Q3 FY11 Results

We expect Q3 FY11 sales to increase 32% YoY to Rs50,698m, driven by a 28% YoY increase in volumes. We expect EBITDA to increase 6% YoY to Rs7,026m, as we expect an EBITDA margin of 14.0%, impacted by the increase in raw material costs. We expect PAT to increase 9% YoY to Rs5,836m.

India Automobile Manufacturers

UBS estimate Q311 Adj Net Inc: Rs5836
Consensus Q311 Adj Net Inc: Rs5638

UBS estimate FY11 Adj Net Inc: Rs22068
Consensus FY11 Adj Net Inc: Rs21672

UBS estimate Q311 DPS: Rs11.05
UBS estimate FY11 DPS: Rs44.2

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Hindustan Unilever (HLL.BO)

Buy, PT (Rs): 350

Q3 FY11 Results

We expect Hindustan Unilever's volume sales to increase 12-13% YoY, and price corrections to result in 11% YoY revenue growth. We expect higher raw material cost pressure and RM/Sales to be higher than in the previous year, although lower ad/sales could result in flat margins YoY. We expect Rs49.9bn revenue, Rs8bn EBITDA (up 11%) and Rs6.9bn PAT (up 6%).

India

Household Products, Non-Durable

UBS estimate Q311 Adj Net Inc: Rs6845
Consensus Q311 Adj Net Inc: Rs6440

UBS estimate FY11 Adj Net Inc: Rs24508
Consensus FY11 Adj Net Inc: Rs22153

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs10.49

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Indian Oil Corp. (IOC.BO)

Neutral, PT (Rs): 430

Q3 FY11 Results

We expect IOC to report Rs715bn in revenue, up 1.6% YoY and down 7.5% QoQ. We expect a modest increment in refining margins on higher global gross refining margins, but earnings to decline QoQ because IOC received higher government subsidy for the half year ended September 2010 in Q2. We expect Rs53.4bn in EBITDA, down 23% QoQ and Rs31.5bn of net income. Our EPS estimate for the quarter is Rs13.0 compared with consensus estimate of Rs14.7.

India

Oil Companies, Major

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs82496
Consensus FY11 Adj Net Inc: Rs90397

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs13.59

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Power Grid Corporation of India (PGRD.BO)

Buy, PT (Rs): 135

Q3 FY11 Results

We forecast Q3 FY11 revenue of Rs21.4bn (up 40% YoY) and EBITDA of Rs15.4bn. On a reported basis, we expect profit after tax of Rs5.9bn (up 20% YoY).

India

Industrial Diversified

UBS estimate Q311 Adj Net Inc: Rs6684
Consensus Q311 Adj Net Inc: Rs6279

UBS estimate FY11 Adj Net Inc: Rs25707
Consensus FY11 Adj Net Inc: Rs25790

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs1.4

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UltraTech Cement (ULTC.BO)

Sell, PT (Rs): 1,030

Q3 FY11 Results

We expect revenue to increase 129% YoY to Rs38bn, due mainly to the inclusion of Grasim's cement business in Ultratech. We forecast EBITDA of Rs7.6bn, with a margin of 20%, a YoY fall of 320bp, led by lower realisations. We expect the company to report PAT of Rs3.2bn, which represents 65% YoY growth.

India

Building Materials

UBS estimate Q311 Adj Net Inc: Rs3226
Consensus Q311 Adj Net Inc: Rs3049

UBS estimate FY11 Adj Net Inc: Rs13508
Consensus FY11 Adj Net Inc: Rs14744

UBS estimate Q311 DPS: Rs1.07
UBS estimate FY11 DPS: Rs4.29

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United Phosphorus Limited (UNPO.BO)

Buy, PT (Rs): 230

Q3 FY11 Results

We expect weak Q3 FY11 results because of adverse weather conditions.

India

Chemicals, Specialty

UBS estimate Q311 Adj Net Inc: Rs1020
Consensus Q311 Adj Net Inc: Rs1116

UBS estimate FY11 Adj Net Inc: Rs7201
Consensus FY11 Adj Net Inc: Rs6588

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs2.3

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Cheil Industries (001300.KS)

Neutral, PT (Won): 98,000

Q410 Results

We expect sales/OP/NP of Won1,310bn/78bn/66bn. This compares with consensus estimates of Won1,312bn/91bn/68bn. We think Cheil Ind will come under pressure to cut prices on LCD materials, as panel makers incur losses in Q4. We expect fashion to offset the earnings decline to some extent given seasonality.

Korea

Electric Components & Equipment

UBS estimate Q410 Adj Net Inc: Won66413
Consensus Q410 Adj Net Inc: Won68183

UBS estimate FY10 Adj Net Inc: Won280413
Consensus FY10 Adj Net Inc: Won280281

UBS estimate Q410 DPS: Won750
UBS estimate FY10 DPS: Won750

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SK Telecom (017670.KS)

Buy, PT (Won): 205,000

Q410 results

The Won147bn non-operating gain from the SK C&C stake sale and the interconnection rate decision should positively impact SKT's earnings. But labour costs and depreciation are seasonally higher in Q4, and the competitive environment did not improve meaningfully. Our net profit forecast for Q410 is Won384bn, which is about 4% below Bloomberg consensus.

Korea

Wireless Communications

UBS estimate Q410 Adj Net Inc: Won384115
Consensus Q410 Adj Net Inc: Won393706

UBS estimate FY10 Adj Net Inc: Won1442451
Consensus FY10 Adj Net Inc: Won1468060

UBS estimate Q410 DPS: Won8400
UBS estimate FY10 DPS: Won9400

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Keppel Corporation (KPLM.SI)

Buy, PT (S\$): 12.20

Q410 results

We forecast net profit of S\$1,195m for 2010. As of M910, Keppel Corp had reported S\$1,016m in net profit. QoQ earnings are volatile and comparisons are not always meaningful as revenue recognition depends on projects achieving specific milestones.

Singapore

Industrial Diversified

UBS estimate Q410 Adj Net Inc: S\$1195
Consensus Q410 Adj Net Inc: S\$1313

UBS estimate FY10 Adj Net Inc: S\$1195
Consensus FY10 Adj Net Inc: S\$1313

UBS estimate Q410 DPS: S\$0.4
UBS estimate FY10 DPS: S\$0.4

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Other companies that will report results

Name	RIC	Reporting Period	Rating	Price Target	UBS-e Net Income Adj (reporting period)	Consensus Net Income Adj (reporting period)	UBS-e FY Net Income Adj	IBES FY Net Income Adj	UBS-e DPS (reporting period)	UBS-e FY DPS
Sterlite Industries	STRL.BO	Q311	Buy (CBE)	225	NA	NA	NA	Rs43422.71	NA	Rs1.38

Data as of 19 January 2010. *If UBS does not have estimates for the period the company is reporting on, we use UBS estimates for the most appropriate timeframe.

Source: Bloomberg, IBES, UBS estimates

26 January 2011

China Molybdenum (3993.HK) Neutral, PT (HK\$): 7.41

Q410 results

We forecast a net profit of Rmb1.14bn (EPS Rmb0.23) based on the molybdenum price assumption of US\$16.6/lb. Although the Chinese government will issue production and export quotas to domestic molybdenum producers, the spot price is largely unchanged and we believe the policy impact will be limited in the short term. Our global team recently lowered its 2011 molybdenum price forecast 7.5% to US\$18.5/lb.

Hyundai E&C (000720.KS) Buy, PT (Rs): 82,000

Q410 Results

We expect Q410 sales/operating profit/net profit of Won3,522bn/188bn/219bn, versus consensus of Won3,031bn/162bn/141bn. We expect Q410 results to miss our estimates as the cost ratio was higher than our expectation. We expect Hyundai E&C earnings to be robust in 2011 given strong overseas orders and limited domestic housing exposure.

LG Electronics (066570.KS) Neutral, PT (Won): 126,000

Q410 results

We forecast LGE to post Q410 sales of Won13,449bn (flat QoQ) and an operating loss of Won239bn (QoQ fall) due to ongoing losses from the mobile division and weak seasonality in the A/C unit. We believe a weak Q410 will not be big a surprise to the street as company guidance remained consistently low. We expect greater focus on Q111 guidance. We expect LGE to swing back to profit in Q111 given seasonality in appliance and A/C as well as narrowing losses at mobile because of volume growth in smart-phones.

China Mining

UBS estimate FY10 Adj Net Inc:	Rmb1144
Consensus FY10 Adj Net Inc:	Rmb1086

UBS estimate FY10 Adj Net Inc:	Rmb1144
Consensus FY10 Adj Net Inc:	Rmb1086

UBS estimate FY10 DPS:	Rmb0.08
UBS estimate FY10 DPS:	Rmb0.08

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Korea Heavy Construction

UBS estimate Q410 Adj Net Inc:	Won220647
Consensus Q410 Adj Net Inc:	Won142251

UBS estimate FY10 Adj Net Inc:	NA
Consensus FY10 Adj Net Inc:	Won599001

UBS estimate Q410 DPS:	Won700
UBS estimate FY10 DPS:	Won700

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Korea Consumer Electronics

UBS estimate Q410 Adj Net Inc:	Won-622619
Consensus Q410 Adj Net Inc:	Won-302000

UBS estimate FY10 Adj Net Inc:	Rs1185773
Consensus FY10 Adj Net Inc:	Won873597

UBS estimate Q410 DPS:	Won1250
UBS estimate FY10 DPS:	Won1250

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CapitaRetail China Trust (CRCT.SI)

Neutral, PT (S\$): 1.27

Q410 Results

We expect CRCT to report Q410 DPU of 2.05¢. We think CRCT is trading at an attractive yield of 6.6% 2011 (+399bp 10-year bond) but there are few near-term catalysts for the stock, in our view. We maintain our Neutral rating.

Singapore Real Estate

UBS estimate Q410 Adj Net Inc: NA
Consensus Q410 Adj Net Inc: NA

UBS estimate FY10 Adj Net Inc: S\$45
Consensus FY10 Adj Net Inc: S\$49

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: S\$0.08

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CDL Hospitality Trusts (CDLT.SI)

Buy, PT (S\$): 2.37

Q410 Results

We expect CDL HT to declare a Q410 DPU of 2.5¢. Though trading at 5.5% FY11 yield, which is lower than the 6.2% for the Singapore REIT universe, we believe CDL HT remains the best proxy exposure to Singapore's hospitality sector, which has had 12 consecutive months of record visitor arrivals (as of November).

Singapore Real Estate

UBS estimate Q410 Adj Net Inc: NA
Consensus Q410 Adj Net Inc: NA

UBS estimate FY10 Adj Net Inc: S\$90
Consensus FY10 Adj Net Inc: S\$112

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: S\$0.1

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Starhill Global REIT (STHL.SI)

Buy, PT (S\$): 0.73

Q410 Results

We expect Starhill to declare Q410 DPU of 1.03¢. We think Starhill REIT is attractively priced at 6.3% FY11E yield (+370bp 10-year bond) and expect 4.7% DPU growth in 2011.

Singapore Real Estate

UBS estimate Q410 Adj Net Inc: NA
Consensus Q410 Adj Net Inc: NA

UBS estimate FY10 Adj Net Inc: S\$73
Consensus FY10 Adj Net Inc: S\$73

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: S\$0.04

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PTT Exploration & Production (PTTE.BK)

Neutral, PT (Bt): 180

Q410 results

We expect PTTEP's pre-ex NP to increase 14% QoQ, mainly driven by a US\$11/bbl increase in the crude oil price in the quarter and lower expenses (equipment write-off from the Jaribu Challis field and an environmental impact study expense in Q310). On a YoY comparison, we expect net profit to increase 133% given the lack of expenses related to the Montara oil spill booked in Q409, a higher oil price (+US\$11/bbl) and volume growth from the MTJDA project. We expect PTTEP to continue to book revenue from its insurance claim this quarter.

Siam Cement (SCC.BK)

Buy, PT (Bt): 425

Q410 results

We forecast pre-ex net profit of Bt6.0bn for SCG in Q410, a 12% YoY increase and a 5% QoQ decline. Despite the widening in polyolefin spreads across all products in Q410, the maintenance shutdown at Rayong Olefins and less profit contribution from PTTCH could lead chemical earnings to decline slightly QoQ. The decline in domestic cement demand and price due to the floods in October-November could also contribute to weaker QoQ results in Q4. Siam Cement could book a Bt8.8bn investment gain from the divestment of PTTCH shares. We expect net DE to decline from 1.1x in Q310 to 0.7x as the company books a Bt35bn cash gain from the transaction.

Siliconware (2325.TW)

Sell, PT (NT\$): 24

Q410 results

SPII reported Q410 revenue of NT\$15.5bn, down 5% QoQ and 8% YoY. Full-year revenue of NT\$63.9bn was up 12% YoY. SPII's margin could be impacted by both the gold price hike and NT\$ appreciation in Q410 and into Q111. Outsourcing semiconductor assembly and testing (OSAT) companies generally are more vulnerable to NT\$ appreciation than foundry companies, given the OSAT companies' lower operating margin.

Thailand

Oil Companies, Secondary

UBS estimate Q410 Adj Net Inc: NA
Consensus Q410 Adj Net Inc: NA

UBS estimate FY10 Adj Net Inc: Bt39239
Consensus FY10 Adj Net Inc: Bt39629

UBS estimate Q410 DPS: Bt2
UBS estimate FY10 DPS: Bt3.75

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Thailand

Building Materials

UBS estimate Q410 Adj Net Inc: Bt6004
Consensus Q410 Adj Net Inc: Bt6075

UBS estimate FY10 Adj Net Inc: Bt26052
Consensus FY10 Adj Net Inc: Bt27285

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: Bt9.99

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Taiwan

Semiconductors

UBS estimate Q410 Adj Net Inc: NT\$860
Consensus Q410 Adj Net Inc: NT\$1057

UBS estimate FY10 Adj Net Inc: NT\$5373
Consensus FY10 Adj Net Inc: NT\$5528

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NT\$2.45

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UMC (2303.TW)

Buy, PT (NT\$): 18.0

Q410 results

UMC reported Q410 revenue of NT\$31.3bn, down 4% QoQ, and up 13% YoY, in line with previous guidance of slightly lower results QoQ. The capacity utilisation rate is still high, but revenue trended down, due mainly to seasonality and NT\$ appreciation. Full-year revenue reached NT\$120.4bn, up 36% YoY. Looking into Q111, we expect the utilisation rate to remain above the 90% level.

Taiwan Semiconductors

UBS estimate Q410 Adj Net Inc: NT\$6426
Consensus Q410 Adj Net Inc: NT\$5932

UBS estimate FY10 Adj Net Inc: NT\$23831
Consensus FY10 Adj Net Inc: NT\$22948

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NT\$0.48

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Other companies that will report results

Name	RIC	Reporting Period	Rating	Price Target	UBS-e Net Income Adj (reporting period)	Consensus Net Income Adj (reporting period)	UBS-e FY Net Income Adj	IBES FY Net Income Adj	UBS-e DPS (reporting period)	UBS-e FY DPS
Hang Lung Group	0010.HK	H111	Neutral	51.5	NA	NA	HK\$3631	HK\$3280	NA	HK\$0.79
Hang Lung Properties	0101.HK	H111	Sell	38.9	NA	NA	HK\$5878	HK\$7261	NA	HK\$0.7

Data as of 19 January 2010. *If UBS does not have estimates for the period the company is reporting on, we use UBS estimates for the most appropriate timeframe.

Source: Bloomberg, IBES, UBS estimates

27 January 2011

Aban Offshore (ABAN.BO)

Buy, PT (Rs): 1,216

Q3 FY11 Results

We expect Aban to report revenue of Rs9.9bn, up 19% QoQ and 17% YoY, in line with consensus. Except for Deep Venture all of the company's rigs were deployed in the quarter. We expect reported EBITDA to be Rs4.7bn, down 15% QoQ and 9% lower YoY, on a lower operating margin for the quarter. Rig rates have fallen to less than half their peaks thereby squeezing margins. We expect net income of Rs2.1bn in Q3 FY11. Our EPS estimate for the quarter is Rs48.5.

Carborundum Universal (CRBR.BO)

Buy, PT (Rs): 296

Q3 FY11 Results

We forecast Q3 PAT of Rs 350m (up 24% YoY, down 22% QoQ), led by higher revenue growth and lower margins.

DLF Limited (DLF.BO)

Buy, PT (Rs): 400

Q3 FY11 Results

We expect revenue to grow 21% YoY to Rs24,500m driven by higher price realization from last year; however we expect PAT to be flat YoY (but 14 % higher QoQ) at Rs4,776m, primarily due to higher interest expense due to its leverage even though the EBITDA margin is likely to be higher at 45% due to the high-value sales mix, partly driven by its recent plot sales. Overall, we believe the result may miss consensus; however, we expect a strong pick-up in leasing, project launches, and execution to be the key drivers of stronger performance in Q4. Additionally, we believe any initiatives on lowering leverage (through non-core asset sales, for example) would be positive for the stock.

India

Oil Drilling, Equipment & Services

UBS estimate Q311 Adj Net Inc: Rs1070
Consensus Q311 Adj Net Inc: Rs1026

UBS estimate FY11 Adj Net Inc: Rs4281
Consensus FY11 Adj Net Inc: Rs5193

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs4.57

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India

Industrial Diversified

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs1598
Consensus FY11 Adj Net Inc: Rs1447

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs2.57

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India

Real Estate

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs20599
Consensus FY11 Adj Net Inc: Rs21338

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs2

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GMR Infrastructure (GMRI.BO)**Sell, PT (Rs): 50****Q3 FY11 Results**

We forecast revenue to grow 38% YoY in Q3 FY11, led by higher operating capacity in the power and road segments. We expect an operating margin of 32% with a 40bp YoY decline. We expect YoY growth in PAT before minority interest of 8%, due to higher depreciation and interest costs.

HDFC Bank (HDBK.BO)**Neutral, PT (Rs): 2,500****Q3 FY11 Results**

We forecast the bank to report net profit of Rs10.8bn (up 31% YoY and 18% QoQ) slightly ahead of consensus at Rs10.4bn. We expect net interest income of Rs27bn up 22% YoY, driven by an 8bp sequential improvement in the net interest margin to 4.3% and credit growth of 35% YoY.

Hindustan Petroleum (HPCL.BO)**Neutral, PT (Rs): 440****Q3 FY11 Results**

We expect HPCL to report revenue of Rs 226bn, down 18% YoY and 26% QoQ. We expect a modest increment in refining margins on higher global gross refining margins, but expect earnings to decline QoQ because HPCL received higher government subsidies for the half year ended September 2010 in Q2. We expect EBITDA of Rs10bn and net income of Rs3.9bn. Our EPS estimate for the quarter is Rs11.4 versus consensus estimate of Rs18.8.

India**Industrial Diversified**

UBS estimate Q311 Adj Net Inc: Rs412
Consensus Q311 Adj Net Inc: Rs(142)

UBS estimate FY11 Adj Net Inc: Rs1628
Consensus FY11 Adj Net Inc: Rs1225

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: NA

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India**Banks**

UBS estimate Q311 Adj Net Inc: Rs10349
Consensus Q311 Adj Net Inc: Rs10378.65

UBS estimate FY11 Adj Net Inc: Rs38813
Consensus FY11 Adj Net Inc: Rs38997

UBS estimate Q311 DPS: Rs3.95
UBS estimate FY11 DPS: Rs15.8

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India**Oil Companies, Secondary**

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs9793
Consensus FY11 Adj Net Inc: Rs14306

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs11.53

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IRB Infrastructure Developers (IRBI.BO)**Sell, PT (Rs): 260****Q3 FY11 Results**

We forecast revenue to increase 113% YoY in Q2 FY11, led by higher execution in the construction business; and also strong traffic growth in the BOT road projects. We forecast the EBITDA margin to fall 19bp YoY to 33% as the contribution of the lower margin construction business increases. We forecast PAT to increase 64% YoY to Rs1.5bn.

JSW Steel (JSTL.BO)**Buy, PT (Rs): 1,300****Q3 FY11 Results**

We expect JSW steel to report revenue of Rs60.7bn, up 3% QoQ, based on 1% volume growth and a 1% realisation decline QoQ. We expect EBITDA to remain flat at Rs9.6bn, due mainly to higher raw material costs. We expect net profit to decline 15% QoQ due to higher interest costs. We expect blended realisation of Rs36,949/t and EBITDA/t of Rs5,860 (down 3% QoQ).

Lupin Limited (LUPN.BO)**Buy, PT (Rs): 540****Q3 FY11 Results**

We expect Q3 FY11 revenue to rise 15% YoY to Rs 14,433m, helped by the 19% increase in finished dosage revenue. We expect EBITDA to increase 17% YoY to Rs 2,889m as we expect the EBITDA margin to improve 40bp YoY to 20%. The EBITDA margin should benefit from declining net material costs over last year. We expect PAT to increase 40% YoY to Rs2,249m.

India**Transportation Services**

UBS estimate Q311 Adj Net Inc: Rs1501
Consensus Q311 Adj Net Inc: Rs1153

UBS estimate FY11 Adj Net Inc: Rs5468
Consensus FY11 Adj Net Inc: Rs4766

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs1.5

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India**Steel**

UBS estimate Q311 Adj Net Inc: Rs2485
Consensus Q311 Adj Net Inc: Rs3881

UBS estimate FY11 Adj Net Inc: Rs13078
Consensus FY11 Adj Net Inc: Rs17652

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs6.53

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India**Pharmaceuticals**

UBS estimate Q311 Adj Net Inc: Rs2167
Consensus Q311 Adj Net Inc: Rs2149

UBS estimate FY11 Adj Net Inc: Rs8668
Consensus FY11 Adj Net Inc: Rs8617

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs3

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Tata Chemcials (TTCH.BO)

Buy (CBE), PT (Rs): 500

Q3 FY11 Results

While Tata Chemicals has implemented soda ash price increases in India, Kenya, the UK, and the US, we expect them to become effective over 2011. We do not expect Q3 FY10 results to benefit from these higher prices, as the new price contracts will become effective over FY12. We will monitor news and company commentary on the stabilisation of the urea plant over the quarter.

India

Chemicals, Specialty

UBS estimate Q311 Adj Net Inc: Rs2192
Consensus Q311 Adj Net Inc: Rs2011

UBS estimate FY11 Adj Net Inc: NA
Consensus FY11 Adj Net Inc: Rs6404

UBS estimate Q311 DPS: Rs6.36
UBS estimate FY11 DPS: Rs12.73

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Tata Steel Ltd. (TISC.BO)

Buy, PT (Rs): 820

Q3 FY11 Results

We expect Tata Steel standalone to report revenue of Rs73.1bn, up 4% QoQ due to volume growth of 5% and a realisation decline of 2% QoQ. We expect EBITDA of Rs26.8bn and an EBITDA margin of 36.6%. We expect net profit of Rs14.9bn (up 4% QoQ) and blended realisation of Rs41,426/t and EBITDA/t of Rs15,309 (down 0.4% QoQ).

India

Steel

UBS estimate Q311 Adj Net Inc: Rs14900
Consensus Q311 Adj Net Inc: Rs14396

UBS estimate FY11 Adj Net Inc: Rs50865
Consensus FY11 Adj Net Inc: Rs62855

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs11.04

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Glovis (086280.KS)

Buy, PT (Won): 200,000

Q410 results

We expect Glovis's Q4 net profit to more than double YoY to Won71bn, in line with consensus estimate, driven by continued strong growth from its completely knocked down and pure car carrier businesses.

Korea

Industrial Services

UBS estimate Q410 Adj Net Inc: Won71214
Consensus Q410 Adj Net Inc: Won69087

UBS estimate FY10 Adj Net Inc: Won269499
Consensus FY10 Adj Net Inc: Won259377

UBS estimate Q410 DPS: Won700
UBS estimate FY10 DPS: Won700

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Hynix Semiconductor (000660.KS)

Neutral, PT (Won): 29,500

Q410 results

For Q410, we expect Hynix to report sales/OP/NP of Won2,633bn/397bn/332bn. We forecast a 15.1% operating profit margin (14.2% DRAM and 17.4% for NAND). We assume DRAM ASP declined 31% QoQ and bit shipment grew 15% QoQ in Q410.

Korea

Semiconductors

UBS estimate Q410 Adj Net Inc: Won332405
Consensus Q410 Adj Net Inc: Won652000

UBS estimate FY10 Adj Net Inc: Won2803769
Consensus FY10 Adj Net Inc: Won2911968

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NA

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Hyundai Motor (005380.KS)

Buy, PT (Won): 240,000

Q410 results

We think Hyundai Motor is likely to post an all-time high profit, given record-high quarterly retail sales volume (up 8% YoY, 3% QoQ) despite a slightly negative FX impact (average Won/US\$ rate strengthened 3% YoY and 4% QoQ to 1,132).

Korea

Automobile Manufacturers

UBS estimate Q410 Adj Net Inc: Won1385173
Consensus Q410 Adj Net Inc: Won1382972

UBS estimate FY10 Adj Net Inc: Won5184749
Consensus FY10 Adj Net Inc: Won4935581

UBS estimate Q410 DPS: Won1500
UBS estimate FY10 DPS: Won1500

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Hyundai Steel (004020.KS)

Buy, PT (Rs): 150,000

Q410 Results

We expect Q410 sales/operating profit/net profit of Won2952bn/289bn/218bn, versus consensus of Won2,931bn/269bn/236bn. We see upside risk to Q4 earnings given 1) long steel price hikes in Q4; and 2) increase in HRC sales volume.

Korea

Steel

UBS estimate Q410 Adj Net Inc: Won218207
Consensus Q410 Adj Net Inc: Won239614

UBS estimate FY10 Adj Net Inc: Won901744
Consensus FY10 Adj Net Inc: Won899992

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: Won500

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Korean Air (003490.KS)

Buy (CBE), PT (Won): 90,000

Q410 Results

Q410 results will likely miss consensus due to higher-than-expected staff bonus. Consensus has not yet factored in this.

Korea Airlines

UBS estimate Q410 Adj Net Inc: NA
Consensus Q410 Adj Net Inc: NA

UBS estimate FY10 Adj Net Inc: Won566307
Consensus FY10 Adj Net Inc: Won566307

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NA

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Samsung Heavy (010140.KS)

Buy, PT (Rs): 42,000

Q410 Results

We expect Q410 sales/operating profit/net profit of Won3,564bn/303bn/266bn, versus consensus of Won3,478bn/294bn/247bn. We expect the margin to remain as strong as in Q310 due to the product mix of higher priced ships. We expect a slow shipbuilding industry recovery, but a better offshore market in 2011, due to: 1) a rising oil price, 2) better operating environment, 3) attractive vessel prices; and 4) additional developments.

Korea Heavy Construction

UBS estimate Q410 Adj Net Inc: Won218207
Consensus Q410 Adj Net Inc: Won239614

UBS estimate FY10 Adj Net Inc: Won901744
Consensus FY10 Adj Net Inc: Won899992

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: Won500

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Samsung SDI (006400.KS)

Neutral, PT (Won): 183,000

Q410 results

We expect sales/OP/NP of Won1,226bn/78bn/122bn for Q410. This compares with consensus estimates of sales/OP/NP of Won1,256bn/75bn/102bn for the same period.

Korea Electric Components & Equipment

UBS estimate Q410 EBIT: Won60235
Consensus Q410 EBIT: Won68917

UBS estimate FY10 EBIT: Won322359
Consensus FY10 EBIT: Won314520

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NA

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Bursa Malaysia (BMYS.KL)

Sell (CBE), PT (RM): 6.40

Q410 results

We expect FY10 pre-exceptional net profit of RM124m (up 22% YoY) due to revenue of RM339m (up 14% YoY), driven mainly by higher securities-related income (up 16% YoY). We forecast derivatives-related income to grow 17% YoY to RM45m, while we expect its operating expenditure to increase 8% YoY to RM197m in FY10.

Malaysia Investment Services

UBS estimate Q410 Adj Net Inc: NA
Consensus Q410 Adj Net Inc: NA

UBS estimate FY10 Adj Net Inc: RM124
Consensus FY10 Adj Net Inc: RM128

UBS estimate Q410 DPS: RM0.03
UBS estimate FY10 DPS: RM0.12

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AU Optronics (2409.TW)

Buy, PT (NT\$): 39

Q410 results

We forecast AU Optronics will make a loss in Q411 and losses to narrow in Q111 and for it to turn profitable from Q211. We expect sales/OP/NP of NT\$116,297m/-2,173m/-2,382m for Q410. This compares with consensus estimates of sales/OP/NP of NT\$117,060m/-1,254m/-3,851m for the same period.

Taiwan Computers

UBS estimate Q410 Adj Net Inc: NT\$(2382)
Consensus Q410 Adj Net Inc: NT\$(3850)

UBS estimate FY10 Adj Net Inc: NT\$16365
Consensus FY10 Adj Net Inc: NT\$13510

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NA

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Novatek Microelectronics Corp. (3034.TW)

Buy, PT (NT\$): 107

Q410 results

Novatek reported December sales of NT\$3.02bn, down 2% MoM but up 25% YoY. After strong November sales, December sales dropped slightly due to year-end inventory adjustment at the customer end. Nevertheless, Q410 sales amounted to NT\$8.72bn, down 8% QoQ, which is better than company's guidance of a 10-15% QoQ fall. Novatek expects the Q410 gross margin to decline 100bp due to ASP pressure and NT\$ appreciation.

Taiwan Semiconductors

UBS estimate Q410 Adj Net Inc: NT\$1139
Consensus Q410 Adj Net Inc: NT\$1051

UBS estimate FY10 Adj Net Inc: NT\$4766
Consensus FY10 Adj Net Inc: NT\$4763

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NT\$4.89

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Taiwan Mobile (3045.TW)

Neutral, PT (NT\$): 70

Q410 results

Taiwan Mobile's Q410 preliminary results are in line with company guidance and full-year 2010 net profit of NT\$13.8bn is in line with UBS estimate (NT\$13.9bn). The EBITDA margin deteriorated in Q4 (a 2.9ppt QoQ contraction), due to strong sales of smartphones (fulfilment of iPhone 4 pre-orders) and data cards. We estimate TWM shareholders will receive a total of NT\$5.2/share over the next 12 months including NT\$1/share capital reduction.

Taiwan Wireless Communications

UBS estimate Q410 Adj Net Inc: NA
Consensus Q410 Adj Net Inc: NA

UBS estimate FY10 Adj Net Inc: NT\$14924
Consensus FY10 Adj Net Inc: NT\$15693

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NT\$5.03

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TSMC (2330.TW)

Neutral, PT (NT\$): 73.5

Q410 results

TSMC reported Q410 revenue of NT\$110.1bn, down 2% QoQ and up 20% YoY, in line with the company guidance of a 2-4% QoQ decline. The slight decline is due to slower seasonality and NT\$ appreciation, although the utilisation rate was at a peak. Full-year revenue reached NT\$418.4bn, up 42% YoY. Capacity could still remain into Q111, in our view.

Taiwan Semiconductors

UBS estimate Q410 Adj Net Inc: NT\$38583
Consensus Q410 Adj Net Inc: NT\$38445

UBS estimate FY10 Adj Net Inc: NT\$159468
Consensus FY10 Adj Net Inc: NT\$156337

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NT\$3

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Other companies that will report results

Name	RIC	Reporting Period	Rating	Price Target	UBS-e Net Income Adj (reporting period)	Consensus Net Income Adj (reporting period)	UBS-e FY Net Income Adj	IBES FY Net Income Adj	UBS-e DPS (reporting period)	UBS-e FY DPS
Lotte Shopping	023530.KS	Q410	Suspended	NA	Won240011	Won246141	Won827217	Won870945	NA	Won1250

Data as of 19 January 2010. *If UBS does not have estimates for the period the company is reporting on, we use UBS estimates for the most appropriate timeframe.

Source: Bloomberg, IBES, UBS estimates

28 January 2011**NARI Technology Development (600406.SS)****Buy, PT (Rmb): 110****Q410 results**

We expect strong revenue growth with the Rmb4.51bn in new contracts signed in 2010. The company has indicated that new signed contracts will be 70% higher and net profit 90% higher YoY in 2010, beating consensus estimates. We estimate net profit attributable to the parent company will be Rmb475m.

Union Bank (BOB.BO)**Buy, PT (Rs): 1,150****Q3 FY11 Results**

We expect net profit of Rs10.0bn (up 20% YoY and down 2% QoQ) in line with consensus. We forecast net interest income of Rs21.1bn, up 32% YoY. We expect the net interest margin to remain flat at 3.0% (Q2 level).

Cairn India Limited (CAIL.BO)**Neutral, PT (Rs): 375****Q3 FY11 Results**

We expect Cairn to report revenue of Rs 32bn, up 21% QoQ, an almost 7x YoY increase because of good progress in the ramp up at new fields. We have factored in a production increase of up to 120kbpd in FY11. We expect reported EBITDA of Rs28bn, up 33% QoQ, ahead of consensus estimate of Rs 20bn. We expect net income of Rs19.8bn in Q3 FY11, up 25% from the previous quarter and almost 7x the PAT in Q3 FY10. Our EPS estimate for the quarter is Rs10.4 versus consensus estimate of Rs7.9.

China**Electric Components & Equipment**

UBS estimate Q410 Adj Net Inc: NA
Consensus Q410 Adj Net Inc: NA

UBS estimate FY10 Adj Net Inc: NA
Consensus FY10 Adj Net Inc: NA

UBS estimate Q410 DPS: Rmb0.07
UBS estimate FY10 DPS: Rmb0.27

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India**Banks**

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs36734
Consensus FY11 Adj Net Inc: Rs37876

UBS estimate Q311 DPS: Rs3.77
UBS estimate FY11 DPS: Rs15.07

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India**Oil Companies, Secondary**

UBS estimate Q311 Adj Net Inc: Rs20286
Consensus Q311 Adj Net Inc: Rs17092

UBS estimate FY11 Adj Net Inc: Rs58195
Consensus FY11 Adj Net Inc: Rs50498

UBS estimate Q311 DPS: Rs1.53
UBS estimate FY11 DPS: Rs6.14

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Cholamandalam Investment & Finance (CHLA.BO)

Buy, PT (Rs): 252

Q3 FY11 Results

We forecast Q3 net profit of Rs 305m, up 388% YoY and 20% QoQ sequentially, driven by strong YoY interest income growth of 19% and stable margins.

India

Diversified Financial

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs1011
Consensus FY11 Adj Net Inc: Rs1011

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs1.14

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Havells India (HVEL.BO)

Buy, PT (Rs): 465

Q3 FY11 Results

We believe the consumption environment is robust and the company will have a strong December 2010 quarter. Additionally, we expect some progress in Sylvania's turnaround.

India

Electric Components & Equipment

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs2455
Consensus FY11 Adj Net Inc: Rs2625

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs1.01

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Oil & Natural Gas Corporation (ONGC.BO)

Buy, PT (Rs): 1,600

Q3 FY11 Results

We expect ONGC to report revenue of Rs202.9bn, up 10% QoQ and 31% YoY. We expect EBITDA of Rs 121bn, up 7% QoQ and net income of Rs 55bn, up 3% from the previous quarter. We estimate EPS of Rs 26.0. The company expects subsidy contribution of Rs42.2bn, up 21% YoY and 40% QoQ.

India

Oil Companies, Major

UBS estimate Q311 Adj Net Inc: Rs53551
Consensus Q311 Adj Net Inc: Rs55545

UBS estimate FY11 Adj Net Inc: Rs214203
Consensus FY11 Adj Net Inc: Rs242573

UBS estimate Q311 DPS: Rs12.52
UBS estimate FY11 DPS: Rs50.07

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Sun TV Limited (SUTV.BO)

Sell, PT (Rs): 500

Q3 FY11 Results

We forecast standalone revenue to grow 44% YoY to Rs5.7bn, led by increased A&P spend by corporates during the festive season and the success of the movie 'Endhiran', released in Q3. We expect its EBITDA margin to improve 90bp YoY to 80.0%. We estimate net profit will grow 35% YoY to Rs2.1bn.

India

Broadcasting

UBS estimate Q311 Adj Net Inc: Rs1975
Consensus Q311 Adj Net Inc: Rs2024

UBS estimate FY11 Adj Net Inc: Rs6216
Consensus FY11 Adj Net Inc: Rs7032

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs9.18

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Titan Industries (TITN.BO)

Suspended, PT (Rs): NA

Q3 FY11 Results

We expect Titan to benefit from improved sentiment during the festive season, with the jewellery business being primarily price driven (revenue up 31%) and the watch division's revenue growing 22%. We expect overall revenue to grow 29% YoY, and EBITDA to grow 72% on improved margins, as loss-making businesses turn around and the contribution from the optics business improve. We expect PAT of Rs1.1bn (Rs754m in Q3 FY10).

Hankook Tire (000240.KS)

Neutral, PT (Won): 33,000

Q410 results

We expect Q4 earnings to meaningfully improve QoQ (if we adjust for the bonus payment in Q4 and FX gains in Q3), in line with consensus, due to: 1) higher utilisation (100% versus 93% in Q3); 2) average 2% global price hikes; and 3) flat input costs QoQ (due to 4-5m of raw material inventory). However, we think earnings may have peaked in Q410, and expect them to deteriorate sequentially in H111, given rising input costs.

Hyundai Development (012630.KS)

Buy (CBE), PT (Rs): 37,000

Q410 Results

We expect Q410 sales/operating profit/net profit of Won 968bn/114bn/84bn, versus consensus of Won778bn/94bn/63bn. We see downside risk to our earnings estimate given weak presale market in Q410 and possible housing provisioning.

India

Retailers, Specialty

UBS estimate Q311 Adj Net Inc: Rs1100
Consensus Q311 Adj Net Inc: Rs1103

UBS estimate FY11 Adj Net Inc: Rs3729
Consensus FY11 Adj Net Inc: Rs3978

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs26.56

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Korea

Tires

UBS estimate Q410 Adj Net Inc: NA
Consensus Q410 Adj Net Inc: NA

UBS estimate FY10 Adj Net Inc: Won450528
Consensus FY10 Adj Net Inc: Won442733

UBS estimate Q410 DPS: Won450
UBS estimate FY10 DPS: Won450

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Korea

Heavy Construction

UBS estimate Q410 Adj Net Inc: Won83544
Consensus Q410 Adj Net Inc: Won62172

UBS estimate FY10 Adj Net Inc: Won185289
Consensus FY10 Adj Net Inc: Won162886

UBS estimate Q410 DPS: Won500
UBS estimate FY10 DPS: Won500

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Hyundai Mobis (012330.KS)

Buy, PT (Won): 340,000

Q410 results

We think Hyundai Mobis is likely to post an all-time high profit given record high production from Hyundai and Kia (up 15% YoY for Hyundai and 66% for Kia).

Korea

Auto Parts

UBS estimate Q410 Adj Net Inc: Won574971
Consensus Q410 Adj Net Inc: Won617521

UBS estimate FY10 Adj Net Inc: Won2406671
Consensus FY10 Adj Net Inc: Won2409852

UBS estimate Q410 DPS: Won1500
UBS estimate FY10 DPS: Won1500

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Kia Motors (000270.KS)

Buy, PT (Won): 65,000

Q410 results

We think Kia Motors is likely to post an all-time high profit given record-high quarterly retail sales volume (up 18% YoY, 1% QoQ) despite a slightly negative FX impact (average Won/US\$ rate strengthened 3% YoY and 4% QoQ to 1,132).

Korea

Automobile Manufacturers

UBS estimate Q410 Adj Net Inc: Won609760
Consensus Q410 Adj Net Inc: Won659799

UBS estimate FY10 Adj Net Inc: Won2232941
Consensus FY10 Adj Net Inc: Won2173117

UBS estimate Q410 DPS: Won400
UBS estimate FY10 DPS: Won400

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KT Corp. (030200.KS)

Buy, PT (Won): 57,000

Q410 results

We forecast Q410 operating profit of Won327bn and net profit of Won175bn for KT. We expect results to be well below consensus due to the interconnection rate decision and per-second billing for wireless voice introduced in December, seasonally higher depreciation, and increased labour costs in Q4 compared with Q3, in addition to continued refunds for flat rate fixed-line telephony tariff plans in Q4.

Korea

Fixed-Line Communications

UBS estimate Q410 Adj Net Inc: Won174794
Consensus Q410 Adj Net Inc: Won220611

UBS estimate FY10 Adj Net Inc: Won1241494
Consensus FY10 Adj Net Inc: Won1348718

UBS estimate Q410 DPS: Won2750
UBS estimate FY10 DPS: Won2750

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LG Chemical (051910.KS)

Buy, PT (Won): 490,000

Q410 Results

For Q410, we expect LG Chem to post Won4,966bn/713bn/496bn for sales/OP/NP. This compares with consensus estimates of Won5,061bn/619bn/471bn.

Korea

Chemicals, Commodity

UBS estimate Q410 Adj Net Inc: Won495927
Consensus Q410 Adj Net Inc: Won471005

UBS estimate FY10 Adj Net Inc: NA
Consensus FY10 Adj Net Inc: Won2189437

UBS estimate Q410 DPS: Won8393.47
UBS estimate FY10 DPS: Won8393.47

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Samsung Electronics (005930.KS)

Buy, PT (Won): 1,200,000

Q410 results

Samsung Electronics announced pre-release on 7 January. The company estimated Q410 consolidated revenue of Won40-42trn and consolidated EBIT of Won2.8-3.2trn. The median implies a 7.3% OM. We estimate Won40.6trn and Won3.0trn for Q410 sales and OP, respectively, with a 7.5% OPM. This compares with consensus estimates of Won41.5trn and Won3.4trn for Q410 sales and OP, respectively with an 8.1% OPM.

By division, we believe semis are likely to be in line with estimates. We estimate the blended DRAM ASP decline could have been worse than initial guidance of -25% QoQ in Q4 (UBS-estimate -30%). We estimate that DRAM OM probably declined towards 33.6% from 51.0% in Q3; and NAND OM was up from the 29.6% estimate in Q3 to 31.9% in Q4. We believe telecom could be a moderate miss. We estimate telecom revenue likely grew a high single-digit QoQ (UBS estimate +7%). We believe digital media's profitability was low again in Q4 (UBS estimate -2.1% vs. Q310 -1.6%). We attribute to this to heavy promotional activity and, to a lesser extent, the TV mix. We believe appliances remained loss-making. We believe LCD panels was in line with our expectations.

Korea

Semiconductors

UBS estimate Q410 Adj Net Inc: Won2246297
Consensus Q410 Adj Net Inc: Won3274525

UBS estimate FY10 Adj Net Inc: Won8262609
Consensus FY10 Adj Net Inc: Won15081279

UBS estimate Q410 DPS: Won7500
UBS estimate FY10 DPS: Won12500

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SK Broadband (033630.KQ)

Neutral, PT (Won): 5,600

Q410 results

SK Broadband's (SKBB) broadband net adds rose sharply in Q4, evident in the recently announced December subscriber numbers. This implies SKBB was more aggressive in subscriber acquisitions in Q4. We expect SKBB's Q4 revenue to increase but earnings are likely to be lower in the near term due to higher subscriber acquisition costs. We forecast reported net profit of Won6.4bn in Q410, which is in line with consensus.

Korea

Fixed-Line Communications

UBS estimate Q410 Adj Net Inc: Won6373
Consensus Q410 Adj Net Inc: Won6614

UBS estimate FY10 Adj Net Inc: Won-39659
Consensus FY10 Adj Net Inc: Won-52157

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NA

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Digi.com (DSOM.KL)

Neutral, PT (RM): 25

Q410 results

We forecast Digi's Q410 revenue to be RM1.36bn, flat on a quarterly basis but up 9% YoY, aided by 3G coverage expansion and continued strong growth in mobile broadband. We expect the margin to remain flat at 44%, in line with company full-year guidance. Our net profit forecast for Q410 is RM293m, and our full-year net profit forecast of RM1.14bn is in line with Bloomberg consensus. We forecast 100% payout in Q4 (RM0.38 DPS) and a total DPS of RM1.58 for 2010.

Malaysia

Wireless Communications

UBS estimate Q410 Adj Net Inc:	RM293
Consensus Q410 Adj Net Inc:	RM280
UBS estimate FY10 Adj Net Inc:	RM1139
Consensus FY10 Adj Net Inc:	RM1117
UBS estimate Q410 DPS:	RM0.38
UBS estimate FY10 DPS:	RM1.58

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Biosensors International Group (BIOS.SI)

Suspended, PT (S\$): NA

Q3 FY11 Results

Biosensors continued to execute its sales strategy well, ramping up production and distribution of its flagship BioMatrix drug eluting stent in its core markets, while expanding margins. Emerging clinical data continues to be supportive of its product's safety and efficacy and we expect this to lead to wider acceptance of the product.

Singapore

Advanced Medical Devices

UBS estimate Q311 Adj Net Inc:	NA
Consensus Q311 Adj Net Inc:	NA
UBS estimate FY11 Adj Net Inc:	US\$34
Consensus FY11 Adj Net Inc:	US\$36
UBS estimate Q311 DPS:	NA
UBS estimate FY11 DPS:	NA

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Singapore Airlines (SIAL.SI)

Buy, PT (S\$): 19.5

Q3 FY11 Results

Q3 FY11 results will likely be down YoY and miss consensus as suggested by the latest traffic data. December traffic was flat YoY as load factor was down 4ppt YoY. There will also be one-off provisions on anti-trust fines.

Singapore

Airlines

UBS estimate Q311 Adj Net Inc:	NA
Consensus Q311 Adj Net Inc:	NA
UBS estimate FY11 Adj Net Inc:	S\$1409
Consensus FY11 Adj Net Inc:	S\$1402
UBS estimate Q311 DPS:	NA
UBS estimate FY11 DPS:	S\$0.7

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SMRT Corporation Ltd (SMRT.SI)

Neutral, PT (S\$): 2.26

Q3 FY11 Results

We forecast net profit of S\$167m for FY11. As of Q211, SMRT had reported S\$84m in net profit.

Singapore Railroads

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: S\$167
Consensus FY11 Adj Net Inc: S\$162

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: S\$0.09

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ASE (2311.TW)

Neutral, PT (NT\$): 31

Q410 results

ASE reported Q410 revenue of NT\$32.6bn for its OSAT (outsourcing semiconductor assembly and testing) business, down 4% QoQ and up 24% YoY. The result is slightly worse than its guidance of flattish QoQ. Full-year OSAT business revenue reached NT\$125.7bn, up 47% YoY. Looking into Q111, although the revenue momentum could still be strong, earnings upside would be limited due to NT\$ appreciation.

Taiwan Semiconductors

UBS estimate Q410 Adj Net Inc: NT\$4546
Consensus Q410 Adj Net Inc: NT\$4746

UBS estimate FY10 Adj Net Inc: NT\$18014
Consensus FY10 Adj Net Inc: NT\$18177

UBS estimate Q410 DPS: NA
UBS estimate FY10 DPS: NT\$0.46

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29 January 2011

Glenmark Pharmaceuticals (GLEN.BO)

Sell, PT (Rs): 370

Q3 FY11 Results

We expect Q3 FY11 revenue to increase 22% YoY to Rs7,524m, helped by the 26% YoY revenue growth in the finished dosage segment. We expect EBITDA to increase 34% YoY to Rs1,887m and the EBITDA margin to increase 230bp to 25% in the quarter. We expect PAT to increase 19% to Rs1,120m.

India Pharmaceuticals

UBS estimate Q311 Adj Net Inc: Rs1115
Consensus Q311 Adj Net Inc: Rs1084

UBS estimate FY11 Adj Net Inc: Rs4913
Consensus FY11 Adj Net Inc: Rs4799

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: Rs0.5

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Maruti Suzuki India (MRTI.BO)

Buy, PT (Rs): 1,700

Q3 FY11 Results

We expect Q3 FY11 sales to increase 29% YoY to Rs 94,693m, driven by the 28% YoY increase in volumes. We expect EBITDA to decline 18% YoY to Rs9,315m, as we expect the EBITDA margin to decline 570bp YoY to 9.8%, as it will be affected by higher raw material costs. We expect PAT to fall 17% YoY to Rs5,715m.

India Automobile Manufacturers

UBS estimate Q311 Adj Net Inc: Rs5640
Consensus Q311 Adj Net Inc: Rs5829

UBS estimate FY11 Adj Net Inc: Rs23359
Consensus FY11 Adj Net Inc: Rs24090

UBS estimate Q311 DPS: Rs2.34
UBS estimate FY11 DPS: Rs9.37

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Reliance Power (RPOL.BO)

Sell, PT (Rs): 140

Q3 FY11 Results

We expect the company to report revenue of Rs2.7bn (a YoY comparison is not meaningful as there were no plants in operation last year). We forecast EBITDA of Rs1.3bn with a margin of 46%. We expect PAT of Rs3bn, up 123% YoY due to higher other income.

India Electric Utilities

UBS estimate Q311 Adj Net Inc: Rs4258
Consensus Q311 Adj Net Inc: Rs1778

UBS estimate FY11 Adj Net Inc: Rs12387
Consensus FY11 Adj Net Inc: Rs7324

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: NA

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Unitech (UNTE.BO)

Buy, PT (Rs): 86

Q3 FY11 Results

We expect revenue to fall 10% YoY to Rs7,000m due to the high-base effect from the previous year; while net income is likely to remain flat at Rs1,813m, due primarily to a higher EBITDA margin of 40% driven by a high value sales mix. We expect pre-sales data and cash flow (higher execution and pre-sales) to be the key drivers of the stock. Further, increasing clarity on the 2G spectrum licence issues investigations, suggesting limited liability will likely be a positive for the stock.

India

Real Estate

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs7769
Consensus FY11 Adj Net Inc: Rs9133

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: NA

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Singapore Post (SPOS.SI)

Buy, PT (S\$): 1.27

Q3 FY11 Results

We expect Singapore Post to report earnings of S\$42m for Q3 FY11 and declare a dividend of 1.25¢. While we do not expect significant growth, we believe it remains attractive on a generous dividend yield of 5.9%.

Singapore

Air Freight

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: S\$155
Consensus FY11 Adj Net Inc: S\$157

UBS estimate Q311 DPS: S\$0.01
UBS estimate FY11 DPS: S\$0.07

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Other companies that will report results

Name	RIC	Reporting Period	Rating	Price Target	UBS-e Net Income Adj (reporting period)	Consensus Net Income Adj (reporting period)	UBS-e FY Net Income Adj	IBES FY Net Income Adj	UBS-e DPS (reporting period)	UBS-e FY DPS
EID Parry (India)	EIDP.BO	Q311	Buy	338	NA	NA	Rs1235	NA	NA	NA
Great Eastern Shipping	GESC.BO	Q311	Sell	250	NA	NA	Rs3534	Rs5623	Rs0.58	Rs2.32

Data as of 19 January 2010. *If UBS does not have estimates for the period the company is reporting on, we use UBS estimates for the most appropriate timeframe.

Source: Bloomberg, IBES, UBS estimate

30 January 2011

Suzlon Energy (SUZL.BO) Sell, PT (Rs): 50

Q3 FY11 Results

We forecast revenue to increase 1% YoY to Rs57bn. We forecast an EBITDA margin of 6% in Q3 FY11, a YoY increase of 110bp. We forecast the company to report negative profit after tax of Rs242m, better than the loss of Rs2.3bn in Q3 FY10.

India Industrial Diversified

UBS estimate Q311 Adj Net Inc: NA
Consensus Q311 Adj Net Inc: NA

UBS estimate FY11 Adj Net Inc: Rs491
Consensus FY11 Adj Net Inc: Rs(3989)

UBS estimate Q311 DPS: NA
UBS estimate FY11 DPS: NA

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Results announcements, 31 January - 04 February

Code	Name	Analyst	Rating	PT	Price	Upside / Downside	Reporting Period*	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	UBS vs IBES (%)
31 January										
ASIA.O	AsiaInfo-Linkage	Jinjin Wang, CFA	Buy	30	18.18	65.02	2010FQ4	29	29	-0.46
SOHU.O	Sohu.com	Jinjin Wang, CFA	Neutral	78	70.35	10.87	2010FQ4	43	47	-7.19
BPCL.BO	Bharat Petroleum	Prakash Joshi	Sell	680	575	18.26	2011FQ3			
DABU.BO	Dabur India	Sunita Sachdev	Neutral	115	100	15.00	2011FQ3	1703	1590	7.09
GVKP.BO	GVK Power & Infrastructure	Sandip Bansal	Buy	55	34.7	58.50	2011FQ3	520	439	18.54
IDFC.BO	Infrastructure Development Finance	Ajitesh Nair	Neutral	180	158.8	13.35	2011FQ3			
JIND.BO	Jindal Saw	Ruchi Vora	Buy	305	217.95	39.94	2011FQ3			
NTPC.BO	NTPC	Pankaj Sharma	Neutral	230	188.5	22.02	2011FQ3			
SRTR.BO	Shriram Transport Finance	Ajitesh Nair	Buy	1000	744.85	34.26	2011FQ3	3317	3118	6.38
SUN.BO	Sun Pharmaceutical Industries	Sonal Gupta	Neutral	510	486.5	4.83	2011FQ3	5326	4486	18.73
EXCL.JK	XL Axiata	Sebastian Tobing, CFA	Buy	6700	5550	20.72	2010FQ4			
005830.KS	Dongbu Insurance	Justin Kim, CFA	Buy	60000	47350	26.72	2011FQ3			
001450.KS	Hyundai Marine & Fire Insurance	Justin Kim, CFA	Buy	35200	28450	23.73	2011FQ3			
015760.KS	Korea Electric Power	Ji Chung	Buy	40000	28400	40.85	2010FQ4			
000810.KS	Samsung Fire & Marine Insurance	Justin Kim, CFA	Buy	259000	225500	14.86	2011FQ3			
2454.TW	MediaTek	Jonah Cheng	Sell	300	398	-24.62	2010FQ4	4582	5260	-12.89
5347.TWO	Vanguard International Semiconductor	Samson Hung	Neutral	14.2	16.35	-13.15	2010FQ4	95	274	-65.51
1 February										
2357.TW	Asustek Computer	Arthur Hsieh	Neutral	258	263	-1.90	2010FQ4	3616	3516	2.86
3037.TW	Unimicron Technology	Samson Hung	Neutral (CBE)	51	58.9	-13.41	2010FQ4	1618	1767	-8.45
2 February										
MPEL.O	Melco Crown Entertainment	Grant Chum	Buy (CBE)	8.15	7.63	6.82	2010FQ4	-4	9	-146.48
BRTI.BO	Bharti Airtel	Suresh A Mahadevan, CFA	Buy	500	340	47.06	2011FQ3	17728	16178	9.58

Data as of 19 January 2011. *If UBS does not have estimates for the period the company is reporting on, we use UBS estimates for the most appropriate time-frame. Source: Bloomberg, IBES, UBS estimates

Code	Name	Analyst	Rating	PT	Price	Upside / Downside	Reporting Period*	UBS-e Adj Net Inc Current Per	Consensus Adj Net Inc Current Per	UBS vs IBES (%)
3 February										
ACC.BO	ACC	Sandip Bansal	Sell	960	1015.5	-5.47	2010FQ4	2244	2329	-3.65
ABUJ.BO	Ambuja Cements	Sandip Bansal	Sell	130	126.45	2.81	2010FQ4			
078930.KS	GS Holdings	John Chung	Buy	80000	75100	6.52	2010FQ4	154509	185796	-16.84
GLO.PS	Globe Telecom	Jody Santiago	Neutral	880	820	7.32	2010FQ4			
RLSE.SI	Raffles Education	Michael Lim	Buy	0.51	0.32	59.38	2011FQ2			
4 February										
EDSO.BO	Educomp Solutions	Diviya Nagarajan	Buy	775	492.5	57.36	2011FQ3	872	899	-3.03
000700.KS	Hanjin Shipping Holdings	Eric Lin	Sell	10133	17800	-43.07	2010FQ4			
035250.KS	Kangwon Land	D.S. Kim	Buy	35000	27100	29.15	2010FQ4	115845	110651	4.69
SMPH.PS	SM Prime Holdings	Caroline Kabigting	Neutral	13.3	10.4	27.88	2010FQ4			
SATS.SI	SATS	Jaj Singh	Buy	3.4	2.93	16.04	2011FQ3	62	57	7.94
TOP.BK	Thai Oil	Piyanan Panichkul	Buy	88	74	18.92	2010FQ4	3193	3087	3.42
5 February										
TAMO.BO	Tata Motors	Sonal Gupta	Buy	1500	1195.7	25.40	2011FQ3	21920	21604	1.00
011200.KS	Hyundai Merchant Marine	Eric Lin	Neutral (CBE)	36000	36300	-0.83	2010FQ4			

Data as of 19 January 2011. *If UBS does not have estimates for the period the company is reporting on, we use UBS estimates for the most appropriate time-frame. Source: Bloomberg, IBES, UBS estimates

We would like to thank Rohit Mathur and Amrit Panigrahy, employees of Cognizant Group, for their assistance in preparing this research report. Cognizant staff provides research support services to UBS.

Appendix 1: Beats and Misses Methodology

Beats and Misses compares UBS estimates against consensus for quarterly/half-yearly/yearly adjusted net income for companies reporting in the next two weeks. We screen a +/-10% variance in UBS estimates and consensus adjusted net income numbers. We also show UBS estimates for EPS.

We believe any positive surprises and disappointments could drive share prices.

The conviction level indicates analysts' confidence level on Beats and Misses—1 indicates least conviction while 5 indicates most conviction.

Methodology

Beats and Misses is based on **quarterly/half-yearly/yearly** Net Income Adjusted, and we screen a +/-10% variance in UBS's estimates and consensus adjusted net income numbers. We also show UBS estimates for EPS.

We use Bloomberg as the source for consensus estimates. Consensus is only valid if there are estimates from two brokers in addition to UBS.



■ **Statement of Risk**

Past performance is not necessarily an indication of future results. Forecasting earnings is difficult because it is affected by a wide range of economic, financial, accounting and regulatory trends, as well as changes in tax policy. Thus, we highlight downside risks to shares if they fail to meet our estimates.

While we have endeavoured to contact the companies and cross check with third-party vendors regarding the results release dates, the date may alter during the reporting season. We provide the latest dates in this report, however the actual announcements are subject to changes by corporate actions that are to be accommodated in our subsequent updates.

UBS Investment Research

First Read: India Banking & Finance Sector

More room to foreign banks

■ Discussion paper on foreign banks presence

RBI today issued a discussion paper on the presence of foreign banks in India which gives foreign banks an option to expand their presence through the wholly owned subsidiary (WOS) route after meeting certain criteria on capital, parent bank eligibility, priority sector norms and corporate governance. Foreign banks would have preferred the branch model which is more flexible than WOS model.

■ Branch licensing to be similar to Indian banks

WOS would get treatment similar to domestic banks in terms of branch expansion. It means that the WOS can open branches in Tier 3 to 6 centres and their applications for Tier 1 and Tier 2 centres would be treated on par with domestic banks. The issue of merger and acquisition by foreign banks would be reviewed at a later stage.

■ Stiffer competition on value added services

The increased presence of foreign banks would mean stiffer competition to Indian banks on value add service business and CASA deposits. Considering similar kind of product offerings by private banks and foreign banks, an expanded reach to foreign banks could mean intensified competition for private banks. However, foreign banks will also have to devise a cost-effective strategy to run a profitable business out of Tier 3 and Tier 6 towns.

21 January 2011

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■ **Statement of Risk**

We believe a sustained economic slowdown could impact the banking and finance sector on several fronts: lead to a slowdown in credit, increase NPL risk, impact fee income, and exert pressure on NIM.

Positive earnings momentum

■ Positive Sensex/Nifty earnings momentum may support the market

FY12 consensus (IBES) earnings estimates for Nifty and Sensex have improved by 1.8% and 1.9% respectively, in the last three months. However the Nifty and Sensex have been down by 4.8% & 4.4% in the last three months on concerns around inflation, higher crude oil prices, concerns on FY12 fiscal deficit, and slowing down of reforms in the wake of impending state elections.

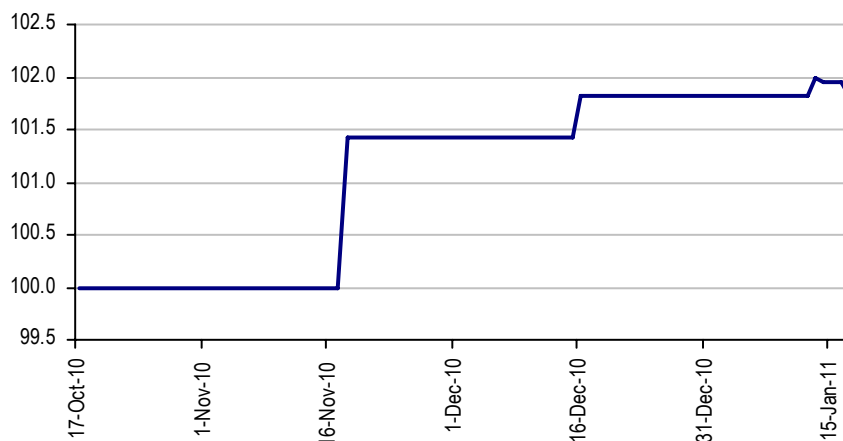
■ We factor in inflation concerns – Toning down Sensex target to 22,500

We are lowering our target P/E multiple to 15x for Sensex (from 16.7x) as we factor in higher inflation for our growth and terminal periods. Our March 2012 Sensex target has been revised lower to 22,500 (from 24,600 earlier). Since Nifty is a more broad-based index and has a better following among investors, we introduce a March 2012 Nifty target of 6,800 implying an upside of ~19%

■ 2011 – Year of opportunities & stock picking

With the Sensex and Nifty at levels of 19,000 & 5,700 respectively, we believe that 2011 is a year of bottom-up stock picking. We strongly recommend investors should use the volatility in the Indian stocks to pick up attractively priced growth stocks as we are very positive on India's economic growth and corporate earnings growth prospects in the next decade. India's economic growth will continue to attract flows and we believe the weightage of India in emerging market indices is likely to go up meaningfully in the coming years. Our O/W sectors (vs. Nifty) are Infrastructure, IT Services, Power, Telecom, and Real Estate. Our high conviction stock ideas are Hero Honda, ICICI Bank, Asian Paints, Mphasis, Idea Cellular, Coal India, Lanco Infratech, Power Grid, Tube Investments, and Jai Balaji.

Chart 1: FY12E Nifty's consensus earnings over the last 3 months



Source: IBES (DataStream); UBS

21 January 2011

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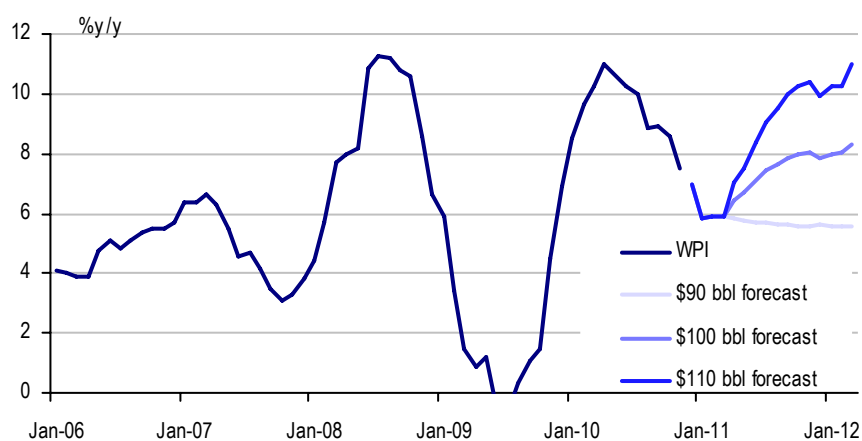
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Nifty has fallen 4.8% in the past three month on concerns about higher inflation, rising crude oil prices, and fiscal discipline going forward. Though we believe most of these concerns are warranted if oil prices sustain above US\$100 in FY12, the market at current seems to be pricing in all the concerns. We expect markets to remain volatile in the next few months till the concerns on inflation and oil price subside.

- Over the 12 month period, our India Economist, Philip Wyatt, expects inflation to follow a downward trend. WPI inflation is likely to slow down to 7.0% by FY11 end and remains at that level FY12 end.
- However, high oil prices presents risk to our thesis. The impact on FY12 WPI could range from 5.5% to 11% for oil averaging \$90-\$110. Our base case of 7% WPI by Mar-12 uses average global oil price inflation of c.12% (WTI to average c. \$97 bbl).

Chart 2: WPI under \$90, \$100, \$110 bbl oil assumptions



Source: CEIC, UBS estimates

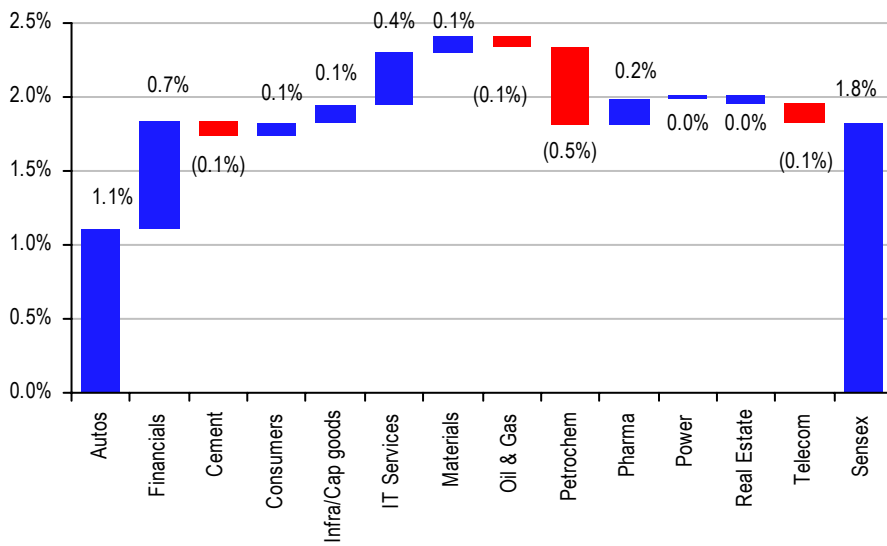
- On fiscal deficit, we believe that government's FY11 fiscal target of 5.5% of GDP seems attainable given windfall revenues from 3G and WMAX proceeds. However, the impact of high crude oil prices on FY12 fiscal deficit could be up to 1.2% of GDP if the oil prices average between \$100-\$110 and assuming there is no hike in diesel, kerosene and LPG prices

Please see our note, *2011- A year of opportunities*, published on 11 January 2011, for more details.

Meanwhile, Nifty consensus earnings estimates were revised up by 0.9% and 1.8% for FY11E and FY12E, respectively, in the past 3 months (17 Oct'10 – 17 Jan'11). The upward earnings revisions are mostly led by sectors such as Autos, financials, and IT services, while Telecom and petrochemicals sectors continue to drag the earnings downwards.

Our analysis shows that there has not been a consistent theme across sectors that have led to earnings revisions during the last three months. The upward revisions have been based on stock specific factors. For example, in Autos the majority of the upward revision is led by Tata Motors, while IT services it has been Tata Consultancy Services (TCS).

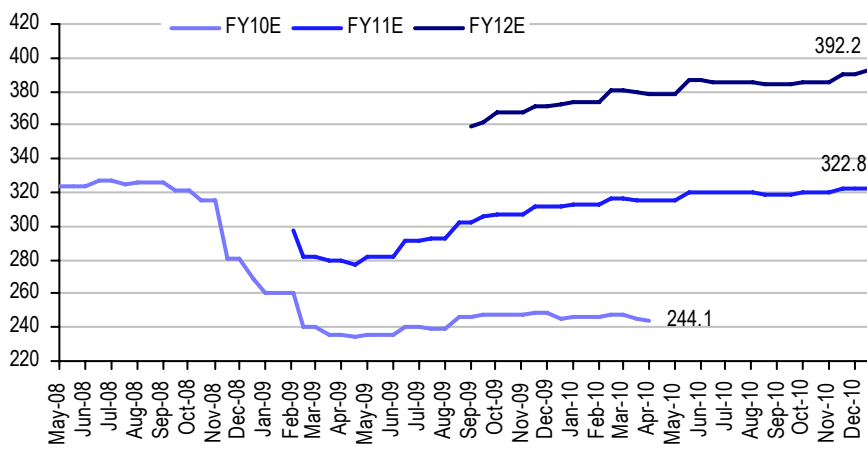
Chart 3: Sector contribution to Nifty FY12E 3M consensus earnings momentum



Source: IBES (DataStream); UBS

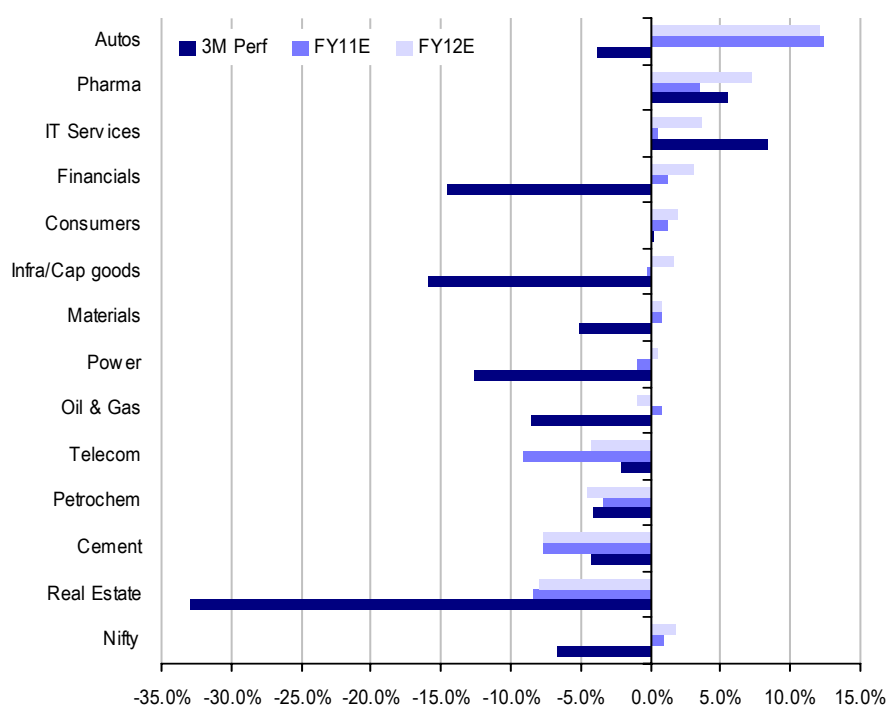
The consensus FY11E and FY12E Nifty EPS currently stand at 323 and 392. Over the last 12-18 months, the consensus Nifty earnings have been trending upwards (see Chart 4 for more details).

Chart 4: Nifty FY10E, FY11E and FY12E consensus earnings



Source: IBES (DataStream); UBS

Chart 5: Nifty's sector performance vs. earnings revision in the last 3 months



Source: IBES (DataStream); UBS

Table 1: Key consensus upgrades / downgrades

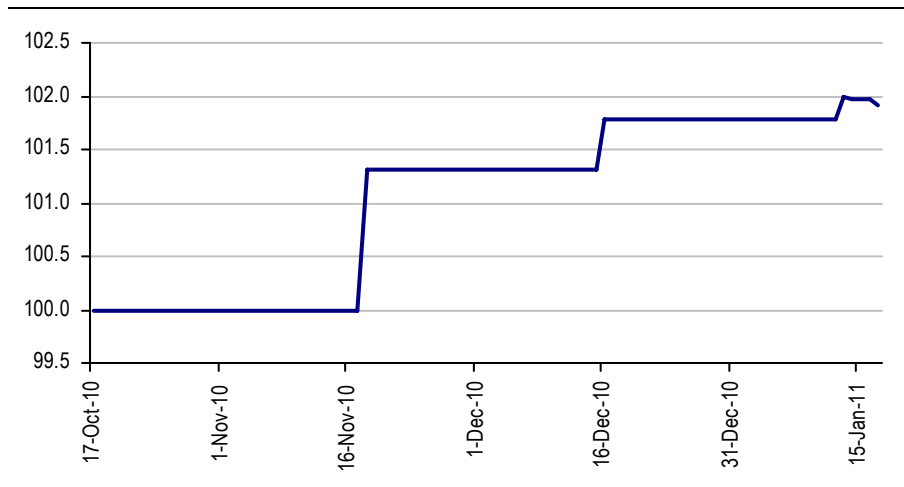
Sectors	Comments
Key consensus upgrades	
Autos	<ul style="list-style-type: none"> ▶ There were significant upgrades in Tata Motors (26.1% in FY12E) during the last three months due to the better visibility on the JLR margins. ▶ The earnings of Mahindra and Mahindra (4.9% in FY12E) have also been revised upwards on the back of better than expected volume growth in the tractor business. ▶ Maruti and Hero Honda have seen downward revision in their earnings mainly due to cost pressures
Financials	<ul style="list-style-type: none"> ▶ The financials sector FY12E earnings were revised upwards by 3.0%, led by SBI (6.5% in FY12E), PNB (5.9% in FY12E) and Kotak Mahindra Bank (3.7% in FY12E) on the back of robust financial performance in 1HFY11 due to stronger net interest income margins and credit growth
IT Services	<ul style="list-style-type: none"> ▶ The earnings revision in the IT sector was led by TCS (8.3% in FY12E) as the company continues to outperform its peers (Infosys, Wipro, HCL) both in revenue growth and EBITDA margins. ▶ Overall, the street is bullish on the sector given the improving outlook in the US economy. ▶ In the sector, Wipro was the only company to have witnessed earnings downgrades in FY12E.
Pharmaceuticals	<ul style="list-style-type: none"> ▶ Pharmaceuticals witnessed earnings upgrade of 3.4% in FY12E largely due to product approval and new product launches in the US market. ▶ The upward revision was led by Dr Reddy's (10.3% in FY12E), Ranbaxy (13.2% in FY12E), and Sun Pharma (10.7% in FY12E).
Key consensus downgrades	
Cement	<ul style="list-style-type: none"> ▶ The cement sector FY12E consensus earnings were revised down by 7.7% as the street has negative outlook on the sector given overcapacity issues and muted demand outlook
Petrochemicals	<ul style="list-style-type: none"> ▶ Reliance's upstream business has been showing declining gas production over the last 6-9 months. The downward revision is primarily the result of Street getting negative on the outlook of gas production
Telecom	<ul style="list-style-type: none"> ▶ The downward revision in the sector was led by RCom with 15% revision in company's FY12E earnings estimates. ▶ The street remains wary of the stock and is looking for operational turnaround before turning bullish. ▶ On the sector, the street remains cautious ahead of MNP launch in Jan 2011.
Real Estate	<ul style="list-style-type: none"> ▶ In the last three months, DLF consensus FY12E earnings witnessed a decline of 7.9%. ▶ Though UBS estimates were lower than consensus assuming more conservative pre-sales, we see the street is now lowering its pre-sales expectations as the company's launch pipe-lines has been weak over the last 3-6mths

Source: IBES (DataStream); UBS

Sensex FY11E and FY12E Earnings momentum

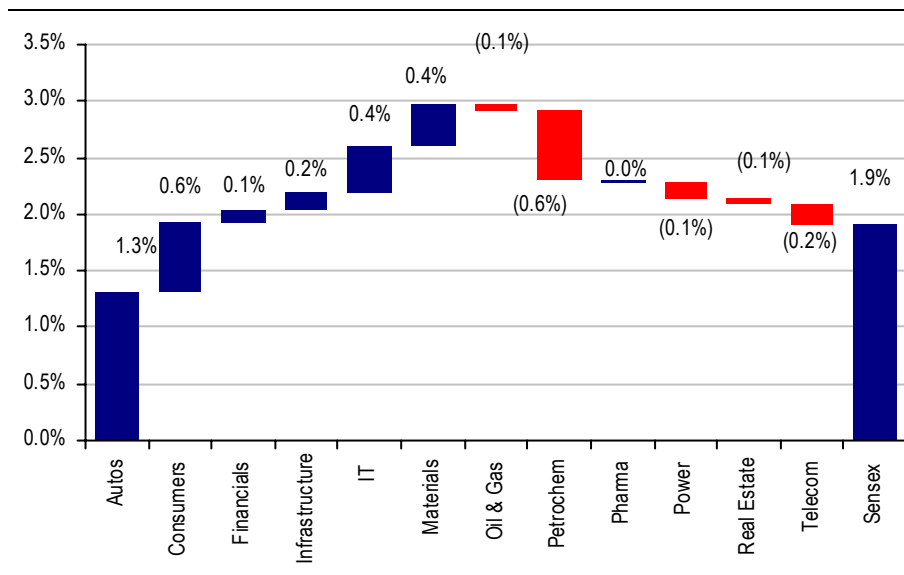
This section shows the earnings momentum for the Sensex companies. The trend in Sensex earnings is inline with Nifty earnings.

Chart 6: FY12E Sensex's consensus earnings over the last 3 months



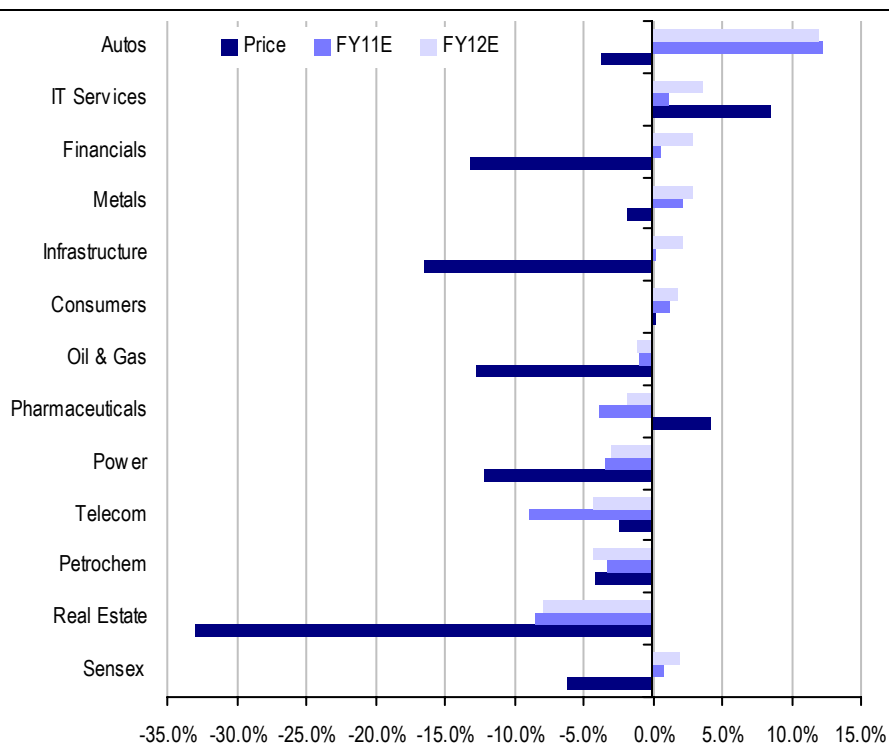
Source: IBES (DataStream); UBS

Chart 7: Sector contribution to Sensex FY12E 3M consensus earnings momentum



Source: IBES (DataStream); UBS

Chart 8: Sensex's sector performance vs. earnings revision in the last 3 months



Source: IBES (DataStream); UBS

Nifty Target Derivation

Given that significant proportions of investors benchmark their portfolio with Nifty, we introduce FY12 Nifty target in this note. Our Nifty target, like Sensex target, is based on our bottom up outlook on FY13 Nifty earnings and target P/E multiple for Nifty.

We derive our PE multiple for the Nifty from a two-stage forward PE target multiple model, assuming intrinsic value drivers such as ROE and earnings growth

Nifty – Earnings growth

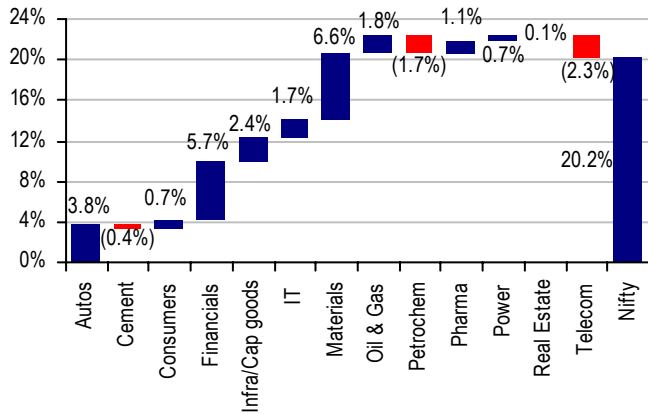
Our bottom-up analysis of Nifty constituents suggests that earnings are likely to grow by 20.2% in FY11E and FY12E and by 18.8% in FY13E compared with 18.3% growth in FY10. We expect earnings growth to be led by sectors such as autos, financials, materials, infrastructure, and IT services. The consensus for FY11E, FY12E, and FY13E earnings growth is 18.3%, 21.5%, and 19.0%, respectively.

Table 2: Sector wise Nifty FY11E, FY12E, and FY13E earnings estimates

	Earnings (UBS-e)			Earnings (IBES-e)			UBS-e (YoY, %)			IBES-e (YoY, %)		
	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Autos	93,825	104,604	119,036	102,255	118,231	135,062	47.4%	11.5%	13.8%	57.9%	15.6%	14.2%
Financials	217,262	277,362	330,883	226,579	284,955	354,958	26.2%	27.7%	19.3%	16.7%	25.8%	24.6%
Cement	11,982	14,137	17,249	13,254	13,780	15,278	-19.7%	18.0%	22.0%	-11.3%	4.0%	10.9%
Consumers	43,849	50,464	58,899	44,095	51,442	59,412	13.7%	15.1%	16.7%	14.1%	16.7%	15.5%
Infra/Cap goods	70,121	89,803	114,478	64,887	85,066	100,174	37.5%	28.1%	27.5%	-1.6%	31.1%	17.8%
IT Services	97,580	115,694	137,104	96,920	117,227	141,928	16.1%	18.6%	18.5%	15.0%	21.0%	21.1%
Materials	129,814	154,336	181,420	134,345	163,592	193,077	66.0%	18.9%	17.5%	101.7%	21.8%	18.0%
Oil & Gas	64,411	85,066	90,553	68,903	83,619	91,306	27.6%	32.1%	6.5%	36.2%	21.4%	9.2%
Petrochem	112,767	117,640	137,840	107,089	127,167	147,529	-10.6%	4.3%	17.2%	-15.1%	18.7%	16.0%
Pharmaceuticals	27,213	36,891	44,172	26,273	30,745	36,608	45.1%	35.6%	19.7%	70.3%	17.0%	19.1%
Power	45,095	50,151	58,081	44,914	52,405	61,684	13.0%	11.2%	15.8%	3.4%	16.7%	17.7%
Real Estate	4,401	5,485	6,707	4,603	6,339	8,410	13.4%	24.6%	22.3%	24.2%	37.7%	32.7%
Telecom	26,019	33,625	52,230	27,642	34,418	45,369	-41.0%	29.2%	55.3%	-37.8%	24.5%	31.8%
Nifty	944,338	1,135,258	1,348,652	961,759	1,168,986	1,390,795	20.2%	20.2%	18.8%	18.3%	21.5%	19.0%
Nifty (ex Oil & Gas)	879,927	1,050,192	1,258,099	892,856	1,085,368	1,299,489	19.7%	19.3%	19.8%	17.1%	21.6%	19.7%
Nifty (ex global commod.)	637,347	778,217	938,839	651,422	794,609	958,883	20.0%	22.1%	20.6%	14.3%	22.0%	20.7%
Nifty (Per Share)	316.9	380.9	452.5	322.7	392.2	466.7	20.2%	20.2%	18.8%	18.3%	21.5%	19.0%

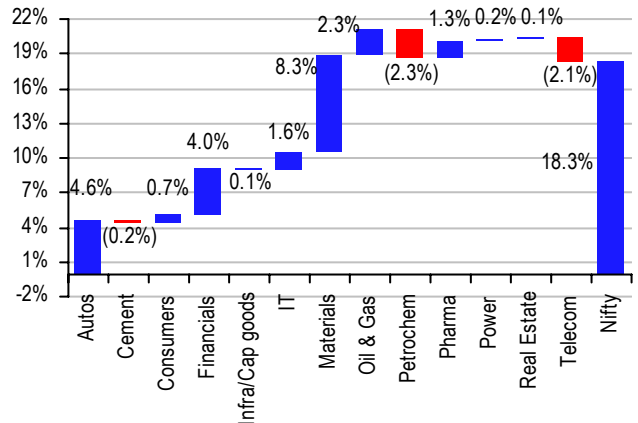
Source: IBES (DataStream); UBS estimates

Chart 9: Sector contribution to Nifty FY11E earnings growth (UBS-e), YoY



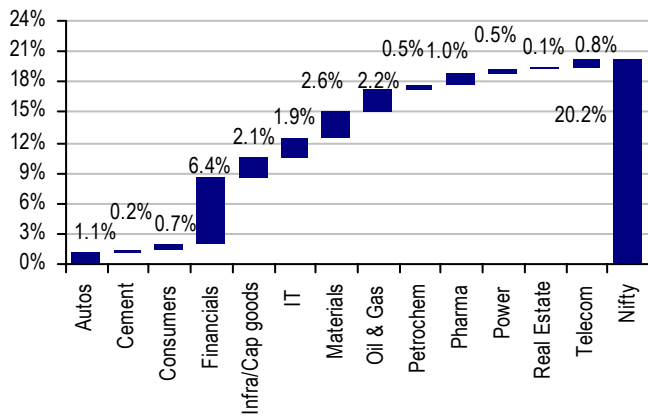
Source: UBS estimates

Chart 10: Sector contribution to Nifty FY11E earnings growth (IBES-e), YoY



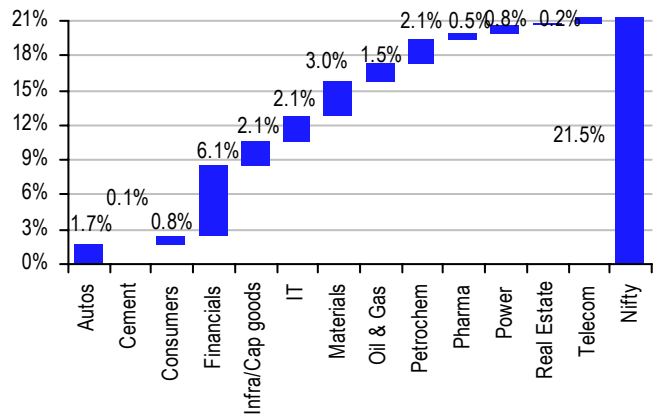
Source: IBES (DataStream); UBS

Chart 11: Sector contribution to Nifty FY12E earnings growth (UBS-e), YoY



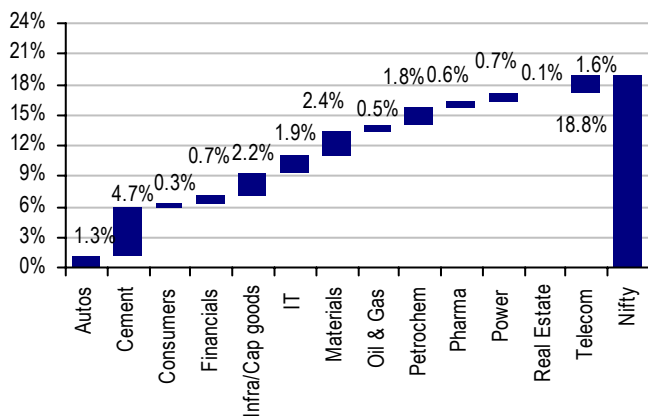
Source: UBS estimates

Chart 12: Sector contribution to Nifty FY12E earnings growth (IBES-e), YoY



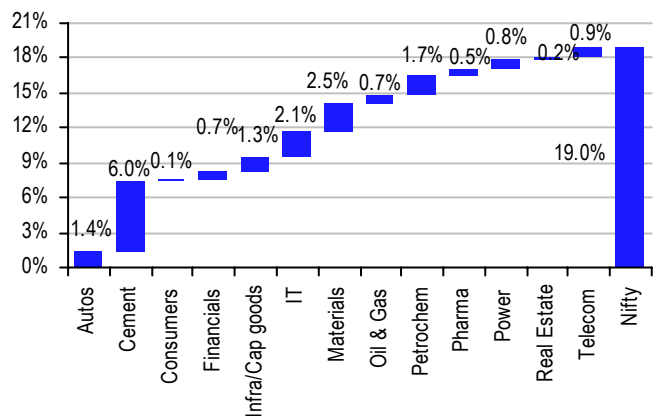
Source: IBES (DataStream); UBS

Chart 13: Sector contribution to Nifty FY13E earnings growth (UBS-e), YoY



Source: UBS estimates

Chart 14: Sector contribution to Nifty FY13E earnings growth (IBES-e), YoY



Source: IBES (DataStream); UBS

Nifty – Target PE multiple and target

We use a two-stage forward PE target multiple model to derive our Nifty target. The first stage is the growth phase where we expect earnings to grow by 12.4%, ROE of 17.0%, and COE of 12.6%. The growth phase is 20 years. The second stage is the terminal stage where we assume a long-term earnings growth rate of 5.0%, ROE of 11.0%, and COE of 10.0%.

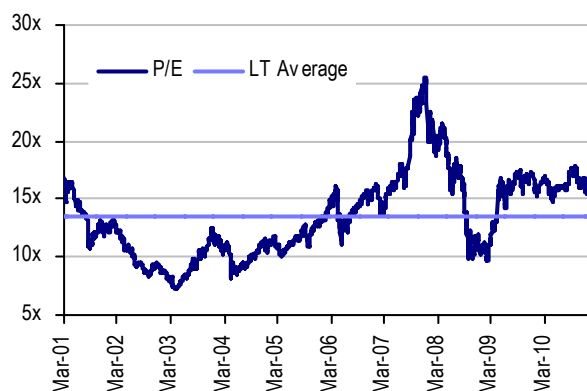
The contribution of the growth phase to our total target PE multiple is 4.7x. Our two-stage forward PE target multiple for the Nifty is 15x (compared with our estimated long-term average forward PE multiple of 13.5x). Using the UBS forecast EPS of 453 for FY13E; we arrive at our FY12E Nifty target of 6,800.

Table 3: Nifty FY12E target derivation

Long term and growth period assumptions		Nifty FY12E target price derivation	
Stage 1: Growth period assumptions		Nifty target P/E multiple	
Return on equity (ROE _g)	17.0%	Contribution of growth period on target P/E	4.7x
Growth period real GDP growth rate	7.0%	Contribution of terminal period on target P/E	10.3x
+ Growth period inflation forecast	5.0%		
= Assumed growth period earnings growth rate (G_g)	12.4%	= Nifty target P/E multiple	15.0x
Growth period inflation forecast	5.0%		
+ Growth period real risk free rate forecast	2.6%	UBS estimate of FY13E EPS (Rs)	453
= Growth period nominal risk free rate (RF _g)	7.7%	Nifty FY12E Target Price	6,802
+ Growth period equity risk premium	5.0%		
= Assumed growth period cost of equity (K_g)	12.6%	Nifty FY12E Target Price (rounded)	6,800
Duration of growth period (years)	20.0		
Stage 2: Terminal period assumptions			
Return on equity (ROE _t)	11.0%		
Terminal period real GDP growth rate	2.5%		
+ Terminal period inflation forecast	2.5%		
= Assumed terminal period earnings growth rate (G_t)	5.0%		
Terminal period inflation forecast	2.5%		
+ Terminal period real risk free rate forecast	2.5%		
= Terminal period nominal risk free rate (RF _t)	5.0%		
+ Terminal period equity risk premium	5.0%		
= Assumed terminal period cost of equity (K_t)	10.0%		

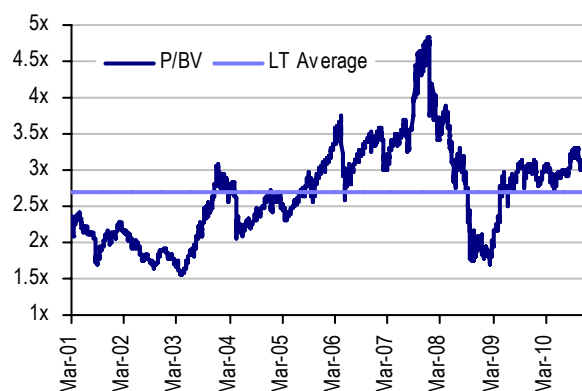
Source: UBS estimates

Chart 15: Nifty 12M Fwd P/E chart



Source: UBS estimates

Chart 16: Nifty 12M Fwd P/BV



Source: UBS estimates

Sensex Target Derivation

We revise down our FY12E BSE Sensex target to 22,500 from 24,600 earlier as we reduce our target PE multiple to 15.0x from 16.7x earlier. The target multiple reduces as we increase our inflation outlook for the growth period (5.0% vs. 4.5% earlier) and terminal period (2.5% vs. 2.0% earlier) factoring in the rising inflation scenario currently.

Sensex – Earnings growth

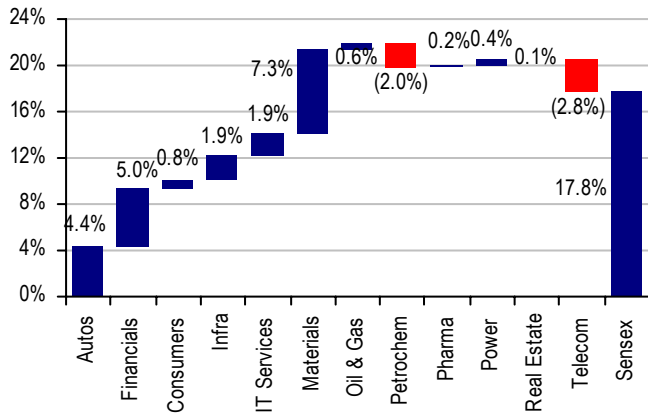
Our bottom-up analysis of Sensex constituents suggests that earnings are likely to grow by 17.8% and 18.7% in FY11E and FY12E, respectively. We expect earnings growth to be led by sectors such as autos, financials, materials, infrastructure, and IT services. The consensus for FY11E, FY12E, and FY13E earnings growth is 15.2%, 20.8%, and 19.4%, respectively.

Table 4: Sector wise Sensex FY11E, FY12E and FY13E earnings estimates

	Earnings (UBS-e)			Earnings (IBES-e)			UBS-e (YoY, %)			IBES-e (YoY, %)		
	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Autos	97,678	108,924	123,970	107,542	124,340	140,423	46.8%	11.5%	13.8%	59.1%	15.6%	12.9%
Financials	165,664	213,894	255,499	174,771	220,708	279,321	26.9%	29.1%	19.5%	14.5%	26.3%	26.6%
Consumers	45,014	51,801	60,458	45,243	52,779	60,955	13.7%	15.1%	16.7%	14.1%	16.7%	15.5%
Infrastructure	68,501	86,838	110,280	64,786	80,845	95,077	25.0%	26.8%	27.0%	-6.3%	24.8%	17.6%
IT Services	98,446	116,036	137,387	97,912	117,960	141,980	15.9%	17.9%	18.4%	14.7%	20.5%	20.4%
Materials	111,700	135,475	160,013	111,173	138,162	167,365	85.4%	21.3%	18.1%	132.4%	24.3%	21.1%
Oil & Gas	42,841	51,173	56,953	49,037	53,907	58,567	10.7%	19.5%	11.3%	26.4%	9.9%	8.6%
Petrochem	120,470	125,676	147,256	114,397	135,796	157,607	-10.6%	4.3%	17.2%	-15.1%	18.7%	16.1%
Pharmaceuticals	7,575	8,660	10,105	7,282	8,592	9,978	18.0%	14.3%	16.7%	3.5%	18.0%	16.1%
Power	39,715	45,174	50,028	40,565	47,042	52,778	8.5%	13.7%	10.7%	-0.1%	16.0%	12.2%
Real Estate	5,150	6,418	7,848	5,348	7,377	9,841	13.4%	24.6%	22.3%	23.3%	37.9%	33.4%
Telecom	28,321	36,593	56,829	30,060	37,420	49,372	-40.9%	29.2%	55.3%	-37.8%	24.5%	31.9%
Sensex	831,073	986,662	1,176,625	848,117	1,024,928	1,223,265	17.8%	18.7%	19.3%	15.2%	20.8%	19.4%
Sensex (ex Oil & Gas)	788,232	935,488	1,119,672	799,081	971,021	1,164,698	18.2%	18.7%	19.7%	14.6%	21.5%	19.9%
Sensex (ex global commod.)	556,062	674,338	812,403	573,510	697,063	839,726	17.8%	21.3%	20.5%	11.4%	21.5%	20.5%
Sensex EPS	1,050	1,246	1,486	1,071	1,295	1,545	17.8%	18.7%	19.3%	15.2%	20.8%	19.4%

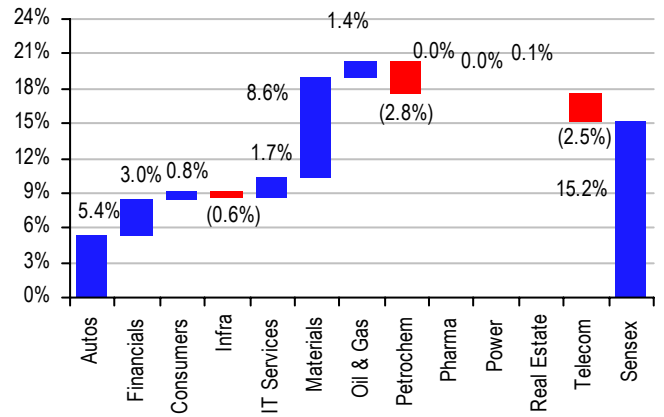
Source: IBES (DataStream); UBS estimates

Chart 17: Sector contribution to Sensex FY11E earnings growth (UBS-e), YoY



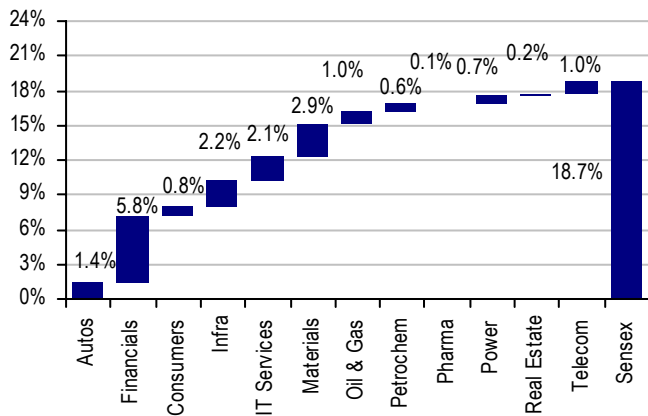
Source: UBS estimates

Chart 18: Sector contribution to Sensex FY11E earnings growth (IBES-e), YoY



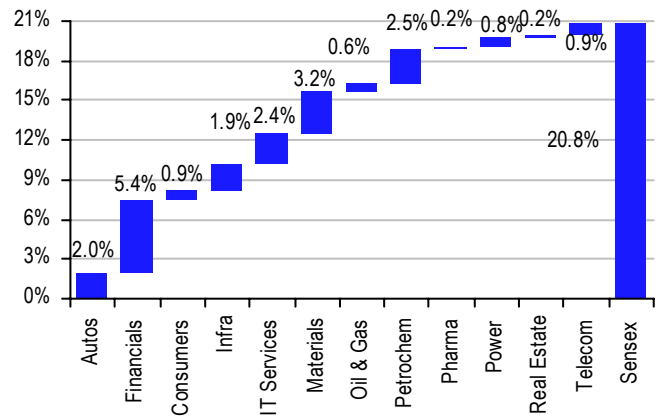
Source: IBES (DataStream); UBS

Chart 19: Sector contribution to Sensex FY12E earnings growth (UBS-e), YoY



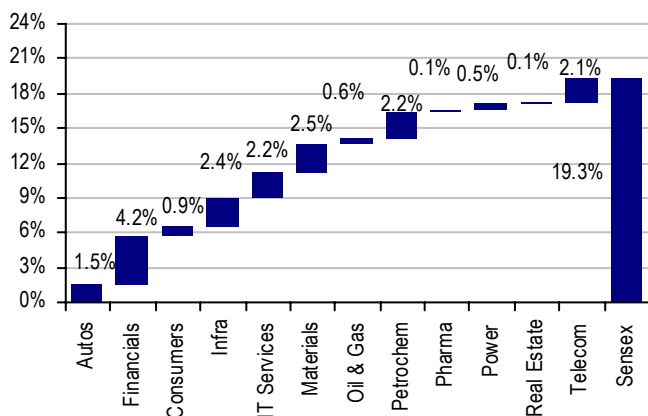
Source: UBS estimates

Chart 20: Sector contribution to Sensex FY12E earnings growth (IBES-e), YoY



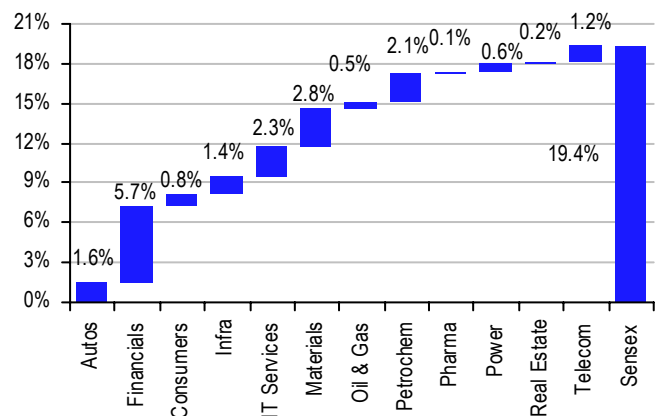
Source: IBES (DataStream); UBS

Chart 21: Sector contribution to Sensex FY13E earnings growth (UBS-e), YoY



Source: UBS estimates

Chart 22: Sector contribution to Sensex FY13E earnings growth (IBES-e), YoY



Source: IBES (DataStream); UBS

Sensex – Target PE multiple and target

We use a two-stage forward PE target multiple model to derive our Sensex target. The first stage is the growth phase where we expect earnings to grow by 12.4%, ROE of 17.0%, and COE of 12.6%. The growth phase is 20 years. The second stage is the terminal stage where we assume a long-term earnings growth rate of 5.0%, ROE of 11.0%, and COE of 10.0%.

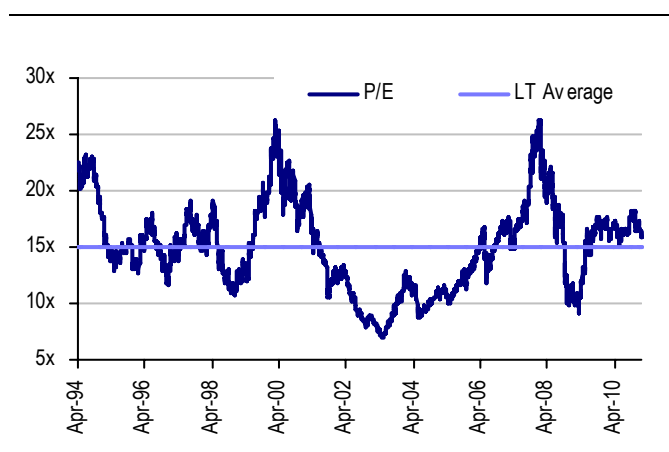
The contribution of the growth phase to our total target PE multiple is 4.7x. Our two-stage forward PE target multiple for the Sensex is 15x (compared with our estimated long-term average forward PE multiple of 15x). Using the UBS forecast EPS of 1,486 for FY13E; we arrive at our FY12E Nifty target of 22,500.

Table 5: BSE Sensex FY12E target derivation

Long term and growth period assumptions		BSE Sensex FY12E target price derivation	
Stage 1: Growth period assumptions		BSE Sensex target P/E multiple	
Return on equity (ROE _g)	17.0%	Contribution of growth period on target P/E	4.7x
Growth period real GDP growth rate	7.0%	Contribution of terminal period on target P/E	10.3x
+ Growth period inflation forecast	5.0%		
= Assumed growth period earnings growth rate (G_g)	12.4%	= BSE Sensex target P/E multiple	15.0x
Growth period inflation forecast	5.0%		
+ Growth period real risk free rate forecast	2.6%	UBS estimate of FY13E EPS (Rs)	1,486
= Growth period nominal risk free rate (RF _g)	7.7%	BSE Sensex FY12E Target Price	22,340
+ Growth period equity risk premium	5.0%		
= Assumed growth period cost of equity (K_g)	12.6%	BSE Sensex FY12E Target Price (rounded)	22,500
Duration of growth period (years)	20.0		
Stage 2: Terminal period assumptions			
Return on equity (ROE _t)	11.0%		
Terminal period real GDP growth rate	2.5%		
+ Terminal period inflation forecast	2.5%		
= Assumed terminal period earnings growth rate (G_t)	5.0%		
Terminal period inflation forecast	2.5%		
+ Terminal period real risk free rate forecast	2.5%		
= Terminal period nominal risk free rate (RF _t)	5.0%		
+ Terminal period equity risk premium	5.0%		
= Assumed terminal period cost of equity (K_t)	10.0%		

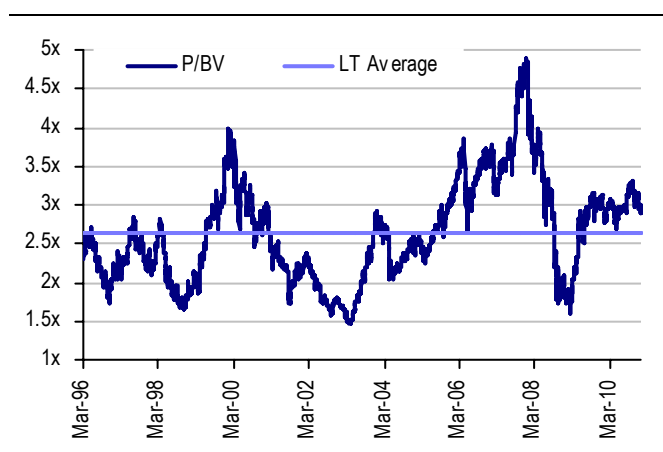
Source: UBS estimates

Chart 23: Sensex 12M Fwd P/E



Source: UBS estimates

Chart 24: Sensex 12M Fwd P/BV



Source: UBS estimates

UBS India Model Portfolio

Given that most investors follow Nifty, we are now benchmarking our portfolio to Nifty. The below tables summarises our model portfolio positions with respect to Nifty.

Table 6: Model portfolio sector weights vs. Nifty

Overweight	Neutral	Underweight
Infrastructure	Auto	Banks
IT Services	Materials	Cement
Power		Consumer staples
Real Estate		Oil and Gas
Telecom		Petrochemicals
		Pharmaceuticals

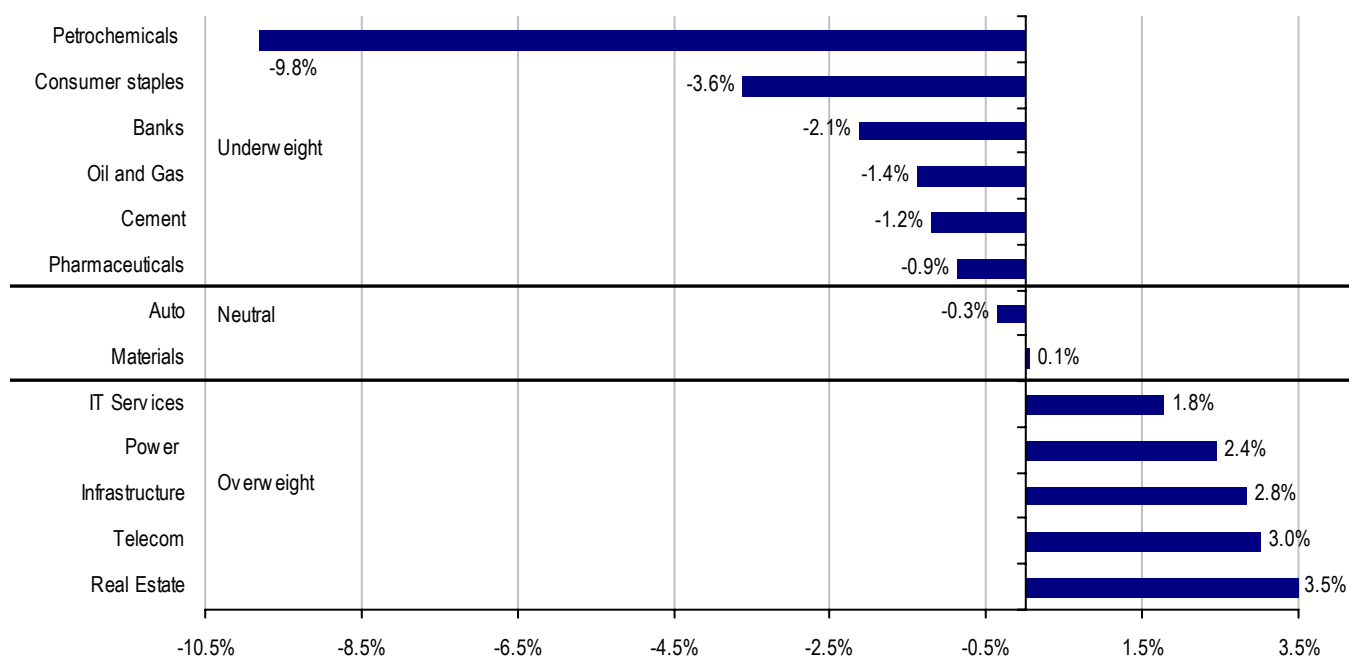
Source: Nifty and UBS Model Portfolio weightings as on 21 Jan 2011

Table 7: Model portfolio sector tilts vs. Nifty

Sector	Benchmark weight	Current UBS portfolio weights	Current tilts	Current weightings
Auto	7.4%	7.1%	-0.3%	Neutral
Banks	25.6%	23.5%	-2.1%	Underweight
Cement	1.2%	0.0%	-1.2%	Underweight
Consumer staples	7.1%	3.5%	-3.6%	Underweight
Infrastructure	8.7%	11.5%	2.8%	Overweight
IT Services	14.9%	16.7%	1.8%	Overweight
Materials	8.6%	8.7%	0.1%	Neutral
Oil and Gas	4.7%	3.3%	-1.4%	Underweight
Petrochemicals	9.8%	0.0%	-9.8%	Underweight
Pharmaceuticals	3.9%	3.0%	-0.9%	Underweight
Power	4.6%	7.0%	2.4%	Overweight
Real Estate	0.5%	4.0%	3.5%	Overweight
Telecom	3.0%	6.0%	3.0%	Overweight
Small and Mid caps	0.0%	5.7%		
Total Portfolio	100.0%	100.0%		

Source: Nifty and UBS Model Portfolio weightings as on 21 Jan 2011

Chart 25: UBS model portfolio sector tilts



Note Small and Mid cap companies weighed 5.7% as on 21 Jan 2011

Source: UBS

Table 8: Model portfolio stock weights vs. Nifty

Sector	Company	Nifty Weight (%)	Current UBS Weight(%)
Auto	M&M	2.0%	3.7%
	Hero Honda	1.0%	3.4%
Banks and FIs	SBI	3.9%	5.0%
	ICICI Bank	7.2%	10.3%
	Axis Bank	1.9%	3.0%
	Shriram Tran. Fin		2.6%
	REC		2.6%
Consumers	Asian Paints		3.5%
Infrastructure	GVK		2.3%
	Larsen & Toubro	5.2%	6.2%
	BHEL	2.1%	3.0%
IT Services	Infosys	9.2%	9.8%
	TCS	3.6%	4.3%
	Mphasis		2.6%
Materials	Sesa Goa	0.8%	2.5%
	Sterlite Industries	1.7%	2.5%
	Coal India		3.6%
	ONGC	2.2%	3.3%
Pharmaceuticals	Dr. Reddy's	1.2%	3.0%
Power	Lanco		3.9%
	Power Grid	0.8%	3.1%
	DLF	0.5%	2.0%
	Prestige Estates		2.0%
Telecom	Bharti Airtel	2.4%	4.0%
	Idea Cellular		2.1%
Small and Mid caps	Jai Balaji		1.7%
	Tube Investment		2.0%
	Jindal Saw		2.0%

Source: Nifty and UBS Model Portfolio weightings as on 21 Jan 2011

Table 9: Model Portfolio valuation comparison

Model Portfolio stock	UBS Rating	Model Portfolio Weight	Mkt Cap (US\$ mn)	Price (Rs)	Price Target (Rs)	Potential Upside	PE(x) FY12E	P/BV(x) FY12E	ROE FY12E	Earnings FY11-14 CAGR (%)
Asian Paints	Buy	3.5%	5,609	2,668	3,500	31.2%	22.8	9.4	45.6%	15.9%
AXIS Bank	Buy	3.0%	11,403	1,284	1,600	24.6%	13.2	2.4	19.6%	20.0%
Bharti Airtel	Buy	4.0%	28,010	337	500	48.5%	15.4	2.2	15.2%	34.3%
BHEL	Buy	3.0%	23,787	2,218	2,950	33.0%	14.2	4.3	33.9%	20.7%
Coal India	Buy	3.6%	43,451	314	400	27.4%	15.9	4.7	32.7%	15.2%
DLF	Buy	2.0%	9,427	252	400	58.5%	16.7	1.5	9.4%	14.6%
Dr. Reddy's	Buy	3.1%	6,098	1,652	2,100	27.1%	16.8	5.0	32.6%	21.1%
GVK	Buy	2.3%	1,190	34	55	59.9%	15.8	1.2	7.9%	52.2%
Hero Honda	Buy	3.4%	7,684	1,756	2,250	28.1%	13.3	5.8	49.4%	13.6%
ICICI Bank	Buy	10.2%	26,034	1,066	1,400	31.4%	17.4	2.0	11.9%	22.7%
Idea Cellular	Buy	2.1%	4,959	69	105	53.1%	34.3	1.8	5.3%	48.5%
Infosys	Neutral	9.9%	40,756	3,249	3,175	-2.3%	22.2	6.1	30.2%	19.2%
Jai Balaji	Buy	1.7%	274	196	450	129.1%	5.5	1.0	17.8%	62.3%
Jindal Saw	Buy	2.1%	1,313	217	305	40.6%	10.9	1.2	12.8%	31.2%
Lanco	Buy	3.9%	2,854	54	105	94.1%	9.6	2.2	25.6%	39.4%
Larsen & Toubro	Buy	6.2%	21,754	1,649	2,400	45.5%	17.1	4.4	28.7%	27.9%
Mphasis	Buy	2.6%	3,149	685	900	31.5%	12.4	3.5	31.6%	10.9%
Mahindra & Mahindra	Buy	3.6%	9,561	771	910	18.0%	15.6	3.2	22.6%	18.2%
ONGC	Buy	3.4%	51,793	1,105	1,600	44.8%	9.2	1.8	21.0%	10.3%
Power Grid	Buy	3.1%	9,094	99	135	36.9%	14.1	2.1	15.5%	13.0%
Prestige Estates	Buy	2.0%	1,040	145	220	52.1%	14.1	1.9	14.4%	31.2%
REC	Buy	2.6%	6,077	281	350	24.6%	9.9	1.9	20.7%	17.7%
SBI	Buy	4.9%	36,143	2,598	3,300	27.0%	11.8	1.8	16.0%	22.9%
Sesa Goa	Buy	2.5%	6,122	336	400	19.0%	7.6	1.9	27.6%	-3.0%
Shriram Tran. Fin	Buy	2.6%	3,552	722	1,000	38.4%	10.3	2.7	28.9%	22.8%
Sterlite Industries	Buy	2.6%	13,097	178	225	26.5%	7.8	0.8	11.4%	4.6%
TCS	Neutral	4.3%	52,007	1,213	1,250	3.1%	23.5	7.2	33.8%	18.0%
Tube Investment	Buy	2.0%	577	142	197	38.3%	12.9	2.4	19.8%	23.3%

Source: UBS estimates; Price as on 21 Jan 2011

Model portfolio performance

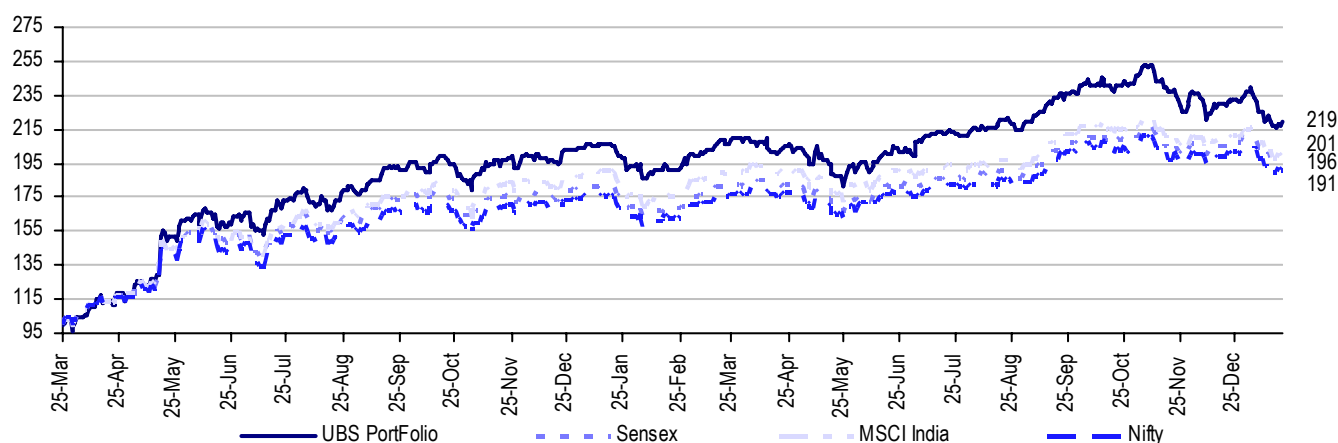
As at 20 January 2011, our portfolio had generated a return of 118.4%. This compares with the Sensex's 96.6%; Nifty's 90.9%; and MSCI India's 100.7%. The key sectors that have outperformed the Sensex are banks (101.2% excess return), IT services (97.2%), auto (59.6%), power (58.1%), and metals (49.9%), while telecom (-114.5%), real estate (-107.4%), oil & gas (-86.8%), petrochemicals (-82.4%), and pharmaceuticals (-58.6%) have underperformed

Table 10: UBS India portfolio performance since launch (26 March 2009)

	Return (%)	Relative performance
UBS model portfolio	118.4%	N/A
BSE Sensex	96.6%	21.8%
MSCI India	100.7%	17.8%
Nifty	90.9%	27.6%

Note: UBS model portfolio, Sensex & nifty Performance as of 21 Jan 2011; MSCI India perf as of 20 Jan 2011; See note on page 17; Source: Bloomberg, UBS estimates

Chart 26: Model portfolio performance since inception (26 March 2009)



Note: UBS model portfolio, Sensex & nifty Performance as of 21 Jan 2011; MSCI India perf as of 20 Jan 2011; See note on page 17; Source: Bloomberg, UBS estimates

The indicated performance returns of our model portfolio are based on capital appreciation, excluding dividends and transaction costs such as commissions, fees, margin interest, and other charges. Actual transactions adjusted for such transaction costs will result in reduced total returns. Prices of stocks in the performance calculations reflect closing prices. Since its inception on 26 March 2009, the UBS India model portfolio has contained 98 stocks, 70 of which have advanced while on the list while 28 have declined. A complete record of all the recommendations upon which this report is based is available from UBS Securities India Private Ltd. upon written request. Past performance is not an indication of future results

■ **Statement of Risk**

We believe the risks to our long-term estimates (for example, for corporate earnings) and macroeconomic variables (such as GDP growth rates and inflation) arise from any economic slowdown, weakening currency, global economic events, and government policy changes.

Required Disclosures

This package has been prepared by UBS Securities India Private Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

This package contains summaries of UBS research content. For a complete copy of the non-summarized version, please contact your UBS sales representative.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage[1]	IB Services[2]
Buy	Buy	49%	40%
Neutral	Hold/Neutral	42%	35%
Sell	Sell	8%	21%

UBS Short-Term Rating	Rating Category	Coverage[3]	IB Services[4]
Buy	Buy	less than 1%	14%
Sell	Sell	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 December 2010.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.

UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Aban Offshore	ABAN.BO	Buy	N/A	Rs711.80	20 Jan 2011
ASE ^{16b}	2311.TW	Neutral	N/A	NT\$37.20	20 Jan 2011
Ashok Leyland	ASOK.BO	Buy	N/A	Rs59.35	21 Jan 2011
Asian Paints Ltd.	ASPN.BO	Buy	N/A	Rs2,668.35	21 Jan 2011
AU Optronics ^{2, 4, 5, 16b}	2409.TW	Buy	N/A	NT\$29.10	20 Jan 2011
AXIS Bank	AXBK.BO	Buy	N/A	Rs1,284.40	21 Jan 2011
Bharat Heavy Electricals Limited	BHEL.BO	Buy	N/A	Rs2,217.50	21 Jan 2011
Bharti Airtel Ltd.	BRTI.BO	Buy	N/A	Rs336.60	21 Jan 2011
Bursa Malaysia ^{4, 20}	BMYS.KL	Sell (CBE)	N/A	RM8.75	19 Jan 2011
Cairn India Limited	CAIL.BO	Neutral	N/A	Rs342.30	20 Jan 2011
CapitaRetail China Trust	CRCT.SI	Neutral	N/A	S\$1.25	20 Jan 2011
Carborundum Universal	CRBR.BO	Buy	N/A	Rs252.95	20 Jan 2011
CDL Hospitality Trusts	CDLT.SI	Buy	N/A	S\$2.09	20 Jan 2011
Cheil Industries	001300.KS	Neutral	N/A	Won115,000	20 Jan 2011
China Molybdenum ^{16a}	3993.HK	Neutral	N/A	HK\$7.26	20 Jan 2011
Cholamandalam Investment & Finance	CHLA.BO	Buy	N/A	Rs180.70	20 Jan 2011
Coal India	COAL.BO	Buy	N/A	Rs313.95	21 Jan 2011
Digi.com	DSOM.KL	Neutral	N/A	RM25.58	19 Jan 2011
Dish TV India	DSTV.BO	Buy	N/A	Rs58.70	20 Jan 2011
DLF Limited	DLF.BO	Buy	N/A	Rs252.35	21 Jan 2011
Dr. Reddy's Labs ^{16b}	REDY.BO	Buy	N/A	Rs1,651.75	21 Jan 2011
Glenmark Pharmaceuticals ^{5, 13}	GLEN.BO	Sell	N/A	Rs317.10	20 Jan 2011
Glovis	086280.KS	Buy	N/A	Won162,000	20 Jan 2011
GMR Infrastructure	GMRI.BO	Sell	N/A	Rs40.95	20 Jan 2011
Godrej Consumer Products	GOCP.BO	Sell	N/A	Rs401.05	21 Jan 2011
Grasim Industries	GRAS.BO	Buy	N/A	Rs2,439.15	20 Jan 2011
GS Engineering & Construction ²⁰	006360.KS	Buy (CBE)	N/A	Won127,500	20 Jan 2011
GVK Power and Infrastructure ¹³	GVKP.BO	Buy	N/A	Rs34.40	21 Jan 2011
Hankook Tire	000240.KS	Neutral	N/A	Won30,750	20 Jan 2011
Havells India	HVEL.BO	Buy	N/A	Rs364.40	20 Jan 2011
HDFC Bank ^{16b}	HDBK.BO	Neutral	N/A	Rs2,118.00	20 Jan 2011
Hero Honda Ltd.	HROH.BO	Buy	N/A	Rs1,756.00	21 Jan 2011
Hindustan Petroleum	HPCL.BO	Neutral	N/A	Rs352.05	20 Jan 2011
Hindustan Unilever	HLL.BO	Buy	N/A	Rs299.65	20 Jan 2011
Hynix Semiconductor	000660.KS	Neutral	N/A	Won28,200	20 Jan 2011
Hyundai Development Co. ²⁰	012630.KS	Neutral (CBE)	N/A	Won38,850	20 Jan 2011
Hyundai E&C	000720.KS	Buy	N/A	Won88,300	20 Jan 2011
Hyundai Mobis	012330.KS	Buy	N/A	Won294,000	20 Jan 2011
Hyundai Motor ^{14, 23b, 23h, 23r}	005380.KS	Buy	N/A	Won194,000	20 Jan 2011

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Hyundai Steel	004020.KS	Buy	N/A	Won128,500	20 Jan 2011
ICICI Bank ^{5, 16b}	ICBK.BO	Buy	N/A	Rs1,065.85	21 Jan 2011
Idea Cellular	IDEA.BO	Buy	N/A	Rs68.60	21 Jan 2011
Indian Oil Corp. ^{1a, 5}	IOC.BO	Neutral	N/A	Rs313.20	20 Jan 2011
Infosys Technologies Ltd. ^{16b, 18a}	INFY.BO	Neutral	N/A	Rs3,248.75	21 Jan 2011
Inotera Memories	3474.TW	Sell	N/A	NT\$16.80	20 Jan 2011
IRB Infrastructure Developers	IRBI.BO	Sell	N/A	Rs203.35	20 Jan 2011
ITC	ITC.BO	Buy	N/A	Rs171.75	20 Jan 2011
Jai Balaji Industries ¹³	JAIB.BO	Buy	N/A	Rs196.40	21 Jan 2011
Jindal Saw	JIND.BO	Buy	N/A	Rs216.90	21 Jan 2011
JSW Steel ^{4, 5, 6}	JSTL.BO	Buy	N/A	Rs1,040.15	20 Jan 2011
Keppel Corporation ^{5, 16b}	KPLM.SI	Buy	N/A	S\$11.50	20 Jan 2011
Keppel Land ⁵	KLAN.SI	Buy	N/A	S\$4.52	20 Jan 2011
Kia Motors ^{23d, 23v}	000270.KS	Buy	N/A	Won57,900	20 Jan 2011
Korean Air ²⁰	003490.KS	Buy (CBE)	N/A	Won75,700	20 Jan 2011
KT Corp. ^{16b, 23t}	030200.KS	Buy	N/A	Won42,950	20 Jan 2011
L & T	LART.BO	Buy	N/A	Rs1,649.05	21 Jan 2011
Lanco Infratech ^{3a, 4}	LAIN.BO	Buy	N/A	Rs54.10	21 Jan 2011
LG Chemical ^{23i, 23o, 23y}	051910.KS	Buy	N/A	Won403,500	20 Jan 2011
LG Electronics ^{23k, 23p, 23q, 23u, 23x}	066570.KS	Neutral	N/A	Won120,500	20 Jan 2011
Lupin Limited	LUPN.BO	Buy	N/A	Rs463.60	20 Jan 2011
Mahindra & Mahindra	MAHM.BO	Buy	N/A	Rs771.05	21 Jan 2011
Maruti Suzuki India	MRTI.BO	Buy	N/A	Rs1,263.95	20 Jan 2011
Mphasis Limited	MBFL.BO	Buy	N/A	Rs684.65	21 Jan 2011
Nanya Technology	2408.TW	Sell	N/A	NT\$16.50	20 Jan 2011
NARI Technology Development	600406.SS	Buy	N/A	Rmb65.62	20 Jan 2011
Novatek Microelectronics Corp.	3034.TW	Buy	N/A	NT\$96.20	20 Jan 2011
Oil & Natural Gas Corporation	ONGC.BO	Buy	N/A	Rs1,105.05	21 Jan 2011
Overseas Union Enterprise ⁵	OVES.SI	Buy	N/A	S\$3.40	20 Jan 2011
Parkway Life REIT	PWLR.SI	Buy	N/A	S\$1.77	20 Jan 2011
Power Grid Corporation of India ⁵	PGRD.BO	Buy	N/A	Rs98.60	21 Jan 2011
Prestige Estates Projects ^{2, 4, 13}	PREG.BO	Buy	N/A	Rs144.65	21 Jan 2011
PTT Exploration & Production ^{16b}	PTTE.BK	Neutral	N/A	Bt163.00	20 Jan 2011
Public Bank	PUBMe.KL	Buy	N/A	RM13.44	19 Jan 2011
Reliance Industries ^{4, 6}	RELI.BO	Neutral	N/A	Rs969.75	20 Jan 2011
Reliance Power	RPOL.BO	Sell	N/A	Rs138.50	20 Jan 2011
Rural Electrification	RURL.BO	Buy	N/A	Rs280.85	21 Jan 2011
Samsung Electro-Mechanics ^{23e, 23f, 23g}	009150.KS	Buy	N/A	Won124,000	20 Jan 2011
Samsung Electronics ^{23a, 23i, 23m, 23s, 23w}	005930.KS	Buy	N/A	Won982,000	20 Jan 2011
Samsung Heavy Ind.	010140.KS	Buy	N/A	Won43,950	20 Jan 2011
Samsung SDI ^{23c, 23n}	006400.KS	Neutral	N/A	Won165,000	20 Jan 2011
Sesa Goa	SESA.BO	Buy	N/A	Rs336.20	21 Jan 2011
Shriram Transport Finance	SRTR.BO	Buy	N/A	Rs722.35	21 Jan 2011
Siam Cement ^{4, 5}	SCC.BK	Buy	N/A	Bt336.00	20 Jan 2011
Siliconware ^{16b}	2325.TW	Sell	N/A	NT\$39.20	20 Jan 2011

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Singapore Airlines ^{5, 16b}	SIAL.SI	Buy	N/A	S\$15.12	20 Jan 2011
Singapore Post ^{2, 4}	SPOS.SI	Buy	N/A	S\$1.18	20 Jan 2011
SK Broadband	033630.KQ	Neutral	N/A	Won5,300	20 Jan 2011
SK Telecom ^{4, 16b, 23j}	017670.KS	Buy	N/A	Won168,500	20 Jan 2011
SMRT Corporation Ltd	SMRT.SI	Neutral	N/A	S\$2.07	20 Jan 2011
S-Oil	010950.KS	Buy	N/A	Won93,600	20 Jan 2011
Starhill Global REIT	STHL.SI	Buy	N/A	S\$0.64	20 Jan 2011
State Bank of India ^{1a, 2, 4, 5}	SBI.BO	Buy	N/A	Rs2,597.95	21 Jan 2011
Sterlite Industries ^{1b, 5, 16b, 20}	STRL.BO	Buy (CBE)	N/A	Rs177.80	21 Jan 2011
Sun TV Limited	SUTV.BO	Sell	N/A	Rs502.95	20 Jan 2011
Suzlon Energy	SUZL.BO	Sell	N/A	Rs51.80	20 Jan 2011
Taiwan Mobile	3045.TW	Neutral	N/A	NT\$68.50	20 Jan 2011
Taiwan Semiconductor Manufacturing ^{16b}	2330.TW	Neutral	N/A	NT\$76.40	20 Jan 2011
Tata Chemicals ²⁰	TTCH.BO	Buy (CBE)	N/A	Rs376.85	20 Jan 2011
Tata Consultancy Services Ltd.	TCS.BO	Neutral	N/A	Rs1,212.60	21 Jan 2011
Tata Steel Ltd. ⁴	TISC.BO	Buy	N/A	Rs634.95	20 Jan 2011
Tech Mahindra ⁵	TEML.BO	Neutral	N/A	Rs694.50	20 Jan 2011
Tube Investments of India	TUBE.BO	Buy	N/A	Rs142.40	21 Jan 2011
UltraTech Cement	ULTC.BO	Sell	N/A	Rs1,032.70	20 Jan 2011
UMC ^{16b}	2303.TW	Buy	N/A	NT\$17.65	20 Jan 2011
Union Bank ^{2, 4, 20}	UNBK.BO	Sell (CBE)	N/A	Rs320.05	20 Jan 2011
Unitech ^{3b, 4, 5, 6}	UNTE.BO	Buy	N/A	Rs58.05	20 Jan 2011
United Phosphorus Limited	UNPO.BO	Buy	N/A	Rs152.45	20 Jan 2011
Welspun Corp	WGSR.BO	Buy	N/A	Rs151.80	20 Jan 2011
Wipro Ltd. ^{5, 16b, 18b}	WIPR.BO	Sell	N/A	Rs478.00	20 Jan 2011

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

- 1a. UBS is acting as manager/co-manager, underwriter, placement or sales agent in regard to an offering of securities of this company/entity or one of its affiliates.
- 1b. UBS Securities (India) Pvt. Ltd. is acting as manager/co-manager, underwriter, placement or sales agent in regard to an offering of securities of this company/entity or one of its affiliates.
2. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company/entity or one of its affiliates within the past 12 months.
- 3a. UBS AG, Australia Branch is acting as Financial Adviser to KordaMentha in relation to the sale of Griffin Coal Mining Company assets to Lanco Infratech Ltd and will be receiving a fee for acting in this capacity.
- 3b. UBS Securities (India) Pvt. Ltd. is acting as advisor to Unitech Limited on its announced proposed demerger.
4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
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6. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and investment banking services are being, or have been, provided.
13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).
14. UBS Limited acts as broker to this company.
- 16a. UBS Securities (Hong Kong) Limited is a market maker in the HK-listed securities of this company.
- 16b. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

- 18a. The U.S. equity strategist, a member of his team, or one of their household members has a long position in the ADRs of Infosys Technologies Ltd.
- 18b. The U.S. equity strategist, a member of his team, or one of their household members has a position in the ADRs of Wipro Ltd.
20. Because UBS believes this security presents significantly higher-than-normal risk, its rating is deemed Buy if the FSR exceeds the MRA by 10% (compared with 6% under the normal rating system).
- 23a. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,335,360 units of DAISHINSECURITIES ELW 0H48 (Samsung Electronics call warrants) as of 20 Jan 2011.
- 23b. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,343,180 units of DAISHINSECURITIES ELW 0H44 (Hyundai Motor call warrants) as of 20 Jan 2011.
- 23c. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,382,490 units of DAISHINSECURITIES ELW 0E56 (Samsung SDI call warrants) as of 20 Jan 2011.
- 23d. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,384,480 units of DAISHINSECURITIES ELW 0H43 (Kia Motors call warrants) as of 20 Jan 2011.
- 23e. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,390,000 units of DAISHINSECURITIES ELW 0H52 (Samsung Electro-Mechanics call warrants) as of 20 Jan 2011.
- 23f. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,396,580 units of DAISHINSECURITIES ELW 0E57 (Samsung Electro-Mechanics call warrants) as of 20 Jan 2011.
- 23g. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,397,700 units of DAISHINSECURITIES ELW 0H51 (Samsung Electro-Mechanics call warrants) as of 20 Jan 2011.
- 23h. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,398,000 units of DAISHINSECURITIES ELW 0H45 (Hyundai Motor call warrants) as of 20 Jan 2011.
- 23i. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,398,920 units of DAISHINSECURITIES ELW 0E59 (LG Chem call warrants) as of 20 Jan 2011.
- 23j. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,398,980 units of DAISHINSECURITIES ELW 0E58 (SK Telecom call warrants) as of 20 Jan 2011.
- 23k. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,399,990 units of DAISHINSECURITIES ELW 0E61 (LG Electronics call warrants) as of 20 Jan 2011.
- 23l. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,400,000 units of DAISHINSECURITIES ELW 0E55 (Samsung Electronics call warrants) as of 20 Jan 2011.
- 23m. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,400,000 units of DAISHINSECURITIES ELW 0H50 (Samsung Electronics call warrants) as of 20 Jan 2011.
- 23n. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,578,780 units of HANWHASECURITIES ELW 0370 (Samsung SDI call warrants) as of 20 Jan 2011.
- 23o. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,584,000 units of HANWHASECURITIES ELW 0375 (LG Chem call warrants) as of 20 Jan 2011.
- 23p. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,588,070 units of HANWHASECURITIES ELW 0378 (LG Electronics call warrants) as of 20 Jan 2011.
- 23q. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,599,400 units of DAISHINSECURITIES ELW 0E62 (LG Electronics call warrants) as of 20 Jan 2011.
- 23r. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,599,890 units of DAISHINSECURITIES ELW 0C15 (Hyundai Motor call warrants) as of 20 Jan 2011.
- 23s. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,599,900 units of DAISHINSECURITIES ELW 0H49 (Samsung Electronics call warrants) as of 20 Jan 2011.
- 23t. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,599,900 units of HANWHASECURITIES ELW 0373 (KT call warrants) as of 20 Jan 2011.
- 23u. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,599,990 units of HANWHASECURITIES ELW 0377 (LG Electronics call warrants) as of 20 Jan 2011.
- 23v. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,600,000 units of DAISHINSECURITIES ELW 0C14 (Kia Motors call warrants) as of 20 Jan 2011.
- 23w. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,600,000 units of DAISHINSECURITIES ELW 0C17 (Samsung Electronics call warrants) as of 20 Jan 2011.
- 23x. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,600,000 units of DAISHINSECURITIES ELW 0C18 (LG Electronics call warrants) as of 20 Jan 2011.
- 23y. UBS Securities Pte. Ltd., Seoul Branch is a liquidity provider for the equity-linked warrants of this company and beneficially owned 3,600,000 units of HANWHASECURITIES ELW 0374 (LG Chem call warrants) as of 20 Jan 2011.

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Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

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Additional Prices: Cognizant Technology Solutions Corp., US\$73.61 (20 Jan 2011); Infosys Technologies Ltd., Rs3,289.10 (20 Jan 2011); Tata Consultancy Services Ltd., Rs1,211.85 (20 Jan 2011); Source: UBS. All prices as of local market close.

Additional Prices: Bank of Baroda, Rs828.10 (20 Jan 2011); Bharti Airtel Ltd., Rs340.30 (20 Jan 2011); Biosensors International Group, S\$1.15 (20 Jan 2011); EID Parry (India), Rs225.15 (20 Jan 2011); Great Eastern Shipping, Rs316.45 (20 Jan 2011); GS Holdings, Won75,100 (20 Jan 2011); GVK Power and Infrastructure, Rs34.45 (20 Jan 2011); Hang Lung Group, HK\$51.00 (20 Jan 2011); Hang Lung Properties, HK\$34.70 (20 Jan 2011); Lotte Shopping, Won432,500 (20 Jan 2011); MediaTek Inc., NT\$398.00 (20 Jan 2011); Sterlite Industries, Rs180.55 (20 Jan 2011); Sun Pharmaceuticals Industries Limited, Rs487.40 (20 Jan 2011); Titan Industries, Rs3,479.45 (20 Jan 2011); Vanguard, NT\$16.35 (20 Jan 2011); Source: UBS. All prices as of local market close.

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