June 21, 2011

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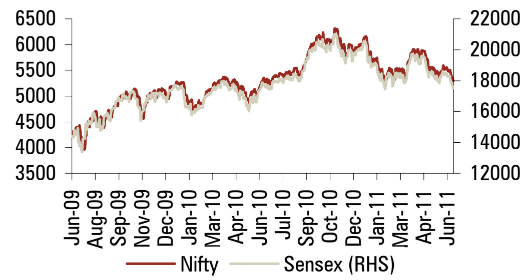
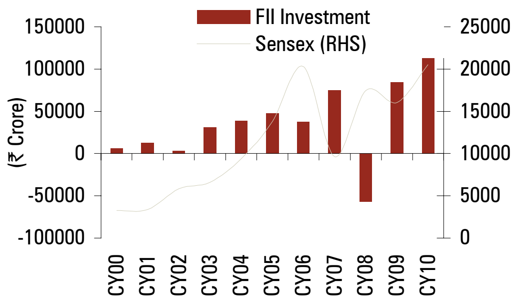
Index movement



FII flow



Index performance

(%)	3m	6m	12m	24m
BSE Sensex	-1.9	-12.0	-2.1	12.9
Nifty	-2.0	-11.6	-1.8	11.7
CNX Midcap	2.0	-10.4	-4.3	23.8
BSE 100	-1.4	-11.3	-3.0	13.3
BSE 200	-1.2	-11.4	-3.3	14.4

Portfolio investment philosophy…

- The arena of equity investments is like the menu card of a restaurant with a variety of products, suitable for different tastes and needs. Just as there is no one food that is best for everyone, there is no one investment that is best for all investors. The choice of investment options depends on the degree of risk an investor is comfortable with. In a disciplined investment approach, an investor chooses to optimise risk and return expectations by investing in the appropriate mix of available investment options across asset classes
- Thus, the portfolio investment approach is one of the effective ways of creating long-term stable wealth, the ultimate objective of investment into equity markets. Effective diversification through a basket of stocks helps to build stable wealth over a period of time as individual stocks have different life cycle processes
- Also, before constructing a portfolio an investor should go through a self appraisal so that one can finally decide the contours of the portfolio that needs to be built in order to deliver reasonable risk-adjusted returns

Test for self appraisal for an individual for equity portfolio creation:

- What are the returns expected over a time frame with the degree of risk tolerance?
- How much of the spare investment corpus should be committed so that the capital is not disturbed to meet other personal commitments?
- How does it depend on the risk tolerance and level of understanding of equities?
- How will one decide the mode of investments, whether into direct equity or the mutual fund route?
- If direct equities, then whether the portfolio should be concentrated or diversified?
- What should be the optimal allocation strategy between large caps and midcaps; at the same time, one should be cognizant of the fact that risk is attached to them?
- How should one devise a strategy for portfolio monitoring and effective churning

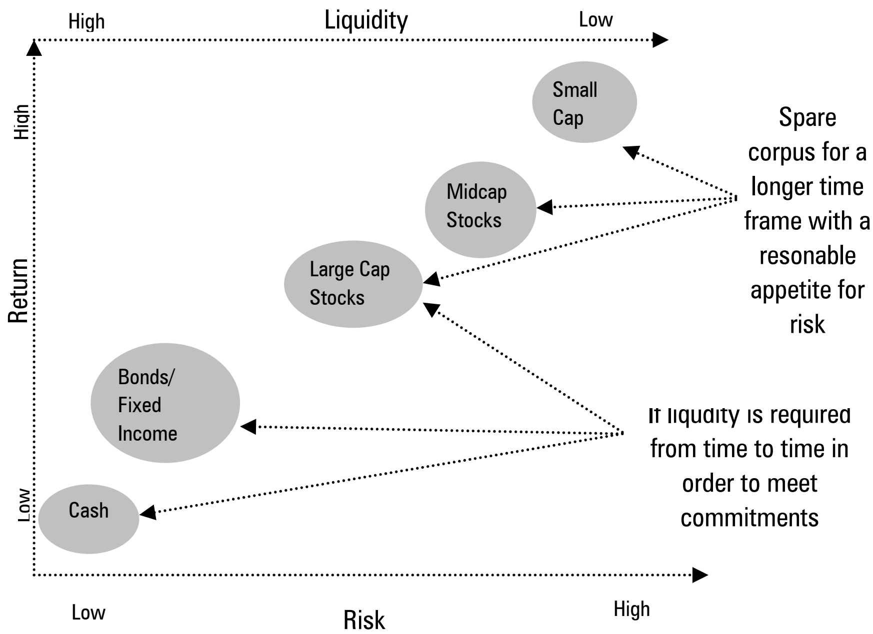
Hence, keeping the above tenets in mind, ICICIdirect.com is introducing a comprehensive equity indicative model portfolio. The model portfolio contains a well balanced taste of large cap and quality midcap stocks, which, in our view, have the ability to deliver superior returns over a three to five year time frame.

Approach towards portfolio creation

Risk tolerance and, hence, return expectations

Investors should very carefully decide his/her risk appetite and the returns expectations. The failure to asses the same can lead to a dismal portfolio performance as equities are characterised by relatively high volatility. Also, it is vital is to decide the commitment period for which the investor is ready to keep the capital deployed. The following exhibit is a robust matrix interweaving all significant attributes of portfolio creation i.e. return expectations, risk profile, liquidity needs and investment horizon.

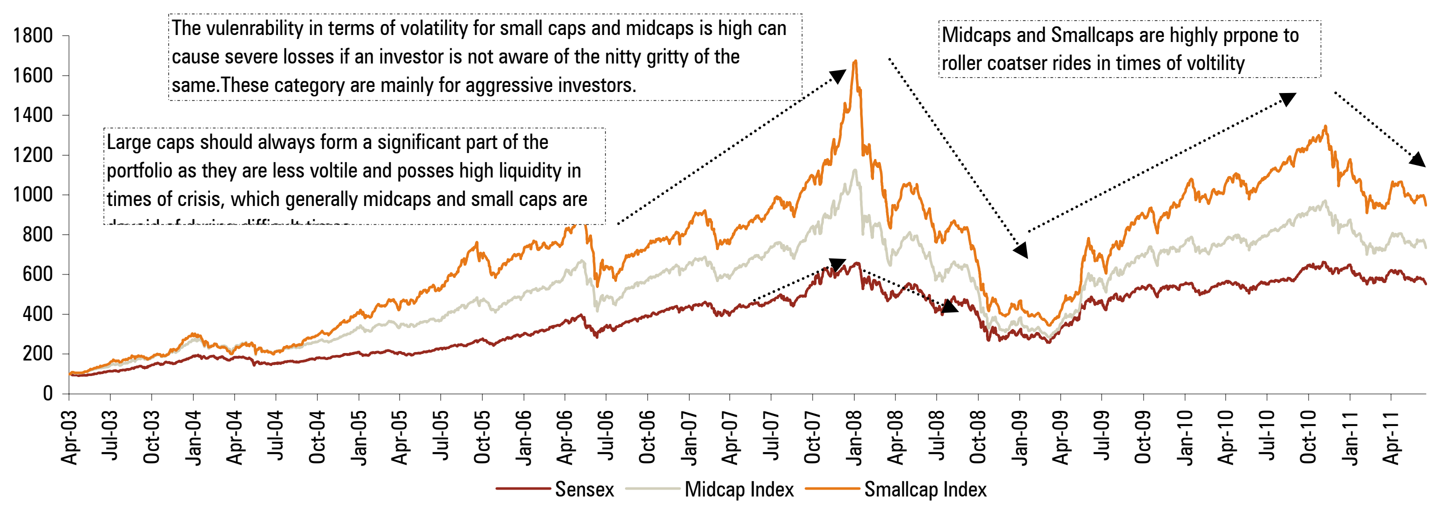
Factors influencing portfolio choice



Source: Company, ICICIdirect.com Research

Keeping in mind the attributes of the above matrix, we at ICICIdirect.com have built a direct equity indicative model portfolio as a guiding tool for investments in direct equities. The indicative model portfolio has been constructed on the premise that the clients understand the risks associated with investments in equity markets and are comfortable remaining invested in sound businesses over a long period of time.

Varied performance of large caps, midcaps, and small caps



Source: Company, ICICIdirect.com Research

The above exhibit reiterates our argument on the portfolio allocation stance between large caps and midcaps. Hence, keeping our varied investor interest in mind, we have selected 35 quality companies, segregated them into 20 large cap stocks and 15 midcap stocks. These stocks belong to the BSE 200 universe as they provide a better representation of steady, matured and emerging businesses. The constituents of the BSE 200 index have been screened based on the quality of the management and several business parameters to arrive at a core list of around 35 stocks, which fall in the I-direct coverage universe so that continuous monitoring can be maintained.

After stock selection, we have further taken our exercise forward to bifurcate the above stocks into the three following portfolios:

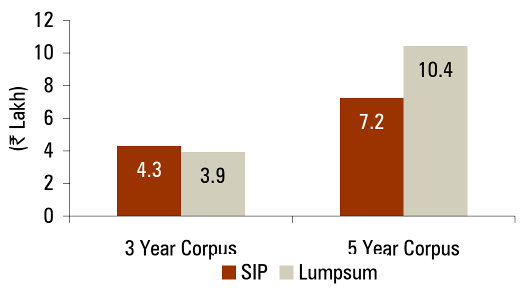
- Large cap portfolio (stable, consistent, low volatility)
- Midcap portfolio (high growth, relatively more volatile)
- Diversified portfolio (blend of large and midcap portfolio)

On the basis of risk tolerance, return expectation and time horizons, one can mimic any of the above three portfolios, which we believe will cater to investors of all kind.

Portfolio allocation: Bet on large caps for longevity and midcaps for alpha

A portfolio should always be allocated in an optimal form in terms of choosing the number of stocks from the large cap and the midcap space. The allocation ratio is again a function of the risk tolerance and return expectations of individual investors. If one is willing to take higher degree of risk given he understands the volatility that persists during difficult market conditions, then an overweight stance on midcaps does make sense. On the other hand, beginners or naïve investors should go overweight on large caps and be less dependent on midcaps as the former provides better safety of capital with a reasonable rate of return

SIP delivering more return in volatile periods



Mode of deployment: Timing is tricky, lump sum or SIP route is individual investor preference

- After deciding on the allocation in terms of exposure to large caps or midcaps, the next important attribute is to decide on the mode of deployment. In order to ascertain this, it is very vital that the investor has a knack to foresee whether the markets ahead will be trending or not. Then, the lump sum deployment strategy would yield better results. In case, the investors do not want to take directional bets but are willing to commit their capital in equities for a reasonable period of time, then the SIP route would be the most preferred route
- We have run an exercise so as to compare the results between lump sum vs. SIP deployment on three years, five years and 10 years. Results based on different time horizons are different. Hence, the mode of deployment depends totally on the risk appetite and understanding of the equity markets
- At this juncture, we would favour an SIP mode of deployment given the market conditions and volatility attached with it

The indicative model portfolio has been constructed using a balanced approach wherein the major part of the portfolio is concentrated on large cap stocks, managed conservatively and midcap stocks, relatively with higher risks. We advise that these stocks be invested for periods of three to five years. Thus, they will be able to ride through market volatility and in the end generate relatively superior returns adjusted for the risk attached to them.

Model portfolio

Name of the company	Model Portfolio		
	Largecap	Midcap	Diversified
Largecap Stocks			
Auto	**7**	**-**	**4.9**
Maruti Suzuki	3	-	2.1
Tata Motors	4	-	2.8
Bank	**24**	**-**	**16.8**
HDFC	8	-	5.6
HDFC Bank	8	-	5.6
SBI	8	-	5.6
Capital Goods	**8**	**-**	**5.6**
L & T	8		5.6
Cement	**3**	**-**	**2.1**
ACC	3	-	2.1
FMCG	**9**	**-**	**6.3**
Asian Paints	3	-	2.1
ITC	6	-	4.2
Metals	**12**	**-**	**8.4**
Coal India	6	-	4.2
Hindalco	3	-	2.1
Tata Steel	3	-	2.1
Oil and Gas	**13**	**-**	**9.1**
Gail India	3	-	2.1
ONGC	4	-	2.8
Reliance	6	-	4.2
Pharma	**4**	**-**	**2.8**
Lupin	4	-	2.8
Power	**3**	**-**	**2.1**
NTPC	3	-	2.1
IT	**14**	**-**	**9.8**
Infosys	6	-	4.2
TCS	8	-	5.6
Telecom	**3**	**-**	**2.1**
Bharti Airtel	3	-	2.1
Midcap Stocks			
Auto	**-**	**8**	**2.4**
Exide Ind.	-	8	2.4
Aviation	**-**	**6**	**1.8**
Jet Airways	-	6	1.8
Bank	**-**	**20**	**6.0**
Federal Bank	-	8	2.4
Oriental Bank of Comm	-	6	1.8
Yes Bank	-	6	1.8
Construction	**-**	**6**	**1.8**
JP Associate	-	6	1.8
FMCG	**-**	**6**	**1.8**
Dabur India	-	6	1.8
Oil and Gas	**-**	**6**	**1.8**
GSPL	-	6	1.8
Pharma	**-**	**14**	**4.2**
Biocon	-	6	1.8
Glenmark	-	8	2.4
Power	**-**	**8**	**2.4**
PTC	-	8	2.4
Realty	**-**	**6**	**1.8**
Oberoi	-	6	1.8
Retail	**-**	**6**	**1.8**
Shoppers Stop	-	6	1.8
IT	**-**	**6**	**1.8**
Mahindra Satyam	-	6	1.8
Media	**-**	**8**	**2.4**
Dish TV	-	8	2.4
Total	**100**	**100**	**100**

Sector and stock Outlook

Auto

- The domestic automotive industry has touched 17.0 million units in CY10 doubling in the last five years .We believe the India auto-story has just started and has all the makings of a China like J-curve growth even if it is a slightly milder one
- As per industry estimates population in the "Seekers, Strivers"* class (₹ 2-10 lakh income) would double in this decade. The rising disposable incomes in the hands of a demographically rich India would lead to a consumption outburst. We believe that among others, the automotive industry would be a key beneficiary of the same as penetration levels still remain relatively low at ~10 in 1000 people. The industry would enter a hyper growth phase as aspiration purchases of PVs would grow exponentially with rising affordability
- The real per capita incomes have multiplied ~1.8x in the last five years with average GDP growth of ~8.5%. World Bank even on a conservative basis has estimated the per capita income will multiply ~1.3-1.4x in CY15E even on a higher base from CY11 at an average GDP growth rate of ~8%
- We estimate the automotive industry would grow to ~27-28 million by CY15E (1.6x-1.7x from CY10). On the PV front specifically, we expect demand to jump multi-fold ~2.5x from present levels in CY10. In the CV segment, as per Daimler global estimates, one in every six CVs globally would be for Indian demand created by the mammoth infrastructure gap expected to be completed in the next decade. These pointers are reflective of the huge opportunity pie for of all players
- The rise in pricing power for OEMs is a significant change from the previous decades, which makes us believe that the industry is going to ride any intermittent challenges with ease and reap multi-fold rewards in coming years as the demand-pull would continue to grow stronger
- In OEMs, we prefer market leaders in the PV and CV space are as they are expected to be the biggest beneficiaries of the India-auto story on a four to five year time horizon. Also, OEMs that have a strong global portfolio provide geographical diversifications and are also our preference. On the ancillary side, we prefer companies that have strong market dominance to tap both the OEM and replacement market sales and enjoy strongest operating leverage

Aviation

- Air travel in India is the third largest in Asia with 54 million passenger round trips in FY11 while market penetration in India is 46/1000 people, which is the third lowest thereby leaving huge scope for growth in this region
- Strong growth in penetration of air travel is expected to be driven by sustained growth of per capita income and a favourable demographic trend
- Based on our long-term average GDP growth forecast of 8% and average population growth of 1.2%, we expect passenger traffic at the industry level to double from 54 million in FY11 to

101 million over the next period of five years, taking into account the long-term correlation of 1.4-1.9x between domestic passenger growth to GDP (ex-agriculture)

- On the other hand, total capacity is expected to increase at a modest rate of 11.5% per annum from ~387 aircraft to 654 aircraft in FY15E during the same period due to very high leverage of major players and domestic infrastructure bottlenecks
- Since capacity addition is likely to lag demand growth, we have a positive view on domestic industry yields over the longer term
- Foreign tourist arrivals to India are expected to grow at a CAGR of 10.7% over the next five years. With domestic airlines starting their international operations, there is immense scope to capture this segment of the market, which is currently dominated by global carriers
- Currently, the FDI policy is more liberal in other areas such as airport infrastructure, ground handling and MRO operations. It has been widely anticipated that the civil aviation ministry would review the aviation policy and at least permit foreign airline companies to invest into Indian scheduled carriers. Allowing foreign airline companies to invest into Indian scheduled carriers will bring in much needed capital as well as operational expertise to the Indian skies
- Allowing Indian carriers to import fuel (ATF) directly or lowering of taxes would be another major development that would help the sector to improve their profitability by at least 15-20% over the longer term

Banking and financial institutions

- In India, credit (₹ 39.5 trillion) forms 50% of GDP (nominal) as compared to western countries, which have close to 80-100% of GDP. Historically, credit grows at 2x to 2.5x of real GDP growth. Therefore, we expect credit growth of 17-19% YoY over the medium term expectation of real GDP growth of 8%.
- Infrastructure currently forms ~15.2% of non-food bank credit and ~36% of industry credit. As per the Planning Commission, infrastructure spending is slated to increase from ₹ 9.0 lakh crore in the Xth Five Year Plan to ₹ 20.5 lakh crore in the XIIth Five Year Plan and ₹ 41 lakh crore in the XIIth Five Year Plan, which will be main driver of credit in forthcoming years
- Profitability remains strong in the banking industry as net profits grew at 25% CAGR over FY00-10 weathering all interest rate and growth cycles. Hence, we expect the industry to generate 16-18% CAGR in PAT and expect this to continue in the next three to five years on a conservative basis
- RBI plans to increase banking cover from the current 99,840 villages to around 3,48,283 villages by FY13 as part of the financial inclusion drive. Although this remains a key business driver, going forward, banks are deterred by the high cost incurred in establishing the infrastructure to access these regions. We believe a shift in the banking industry may take place via new services, savings rate schemes, no frills accounts, etc. to make financial inclusion a success and profitable venture

- Margins (NIM) will be sustained at 2.8-3% in the long run as lag effect adjustments in lending and borrowing rates take care of annual margins
- We believe a major proportion of asset quality issues are behind us and we do not see it to pose a systemic risk ahead.

Cement

- Over the past five years, from FY06-11, the all-India cement demand has grown at a CAGR of 8.9%, which has been highly correlated with the GDP growth (cement demand in the country has grown at 1.2x the GDP growth in the last decade). Going ahead also, cement demand is expected to grow at a robust CAGR of ~9% in FY11-15E led by infrastructure spending, particularly in urban areas and independent housing
- The Indian cement industry is the second largest industry after China, with the total effective capacity of about 280 million tonnes (MT). Over FY06-11, ~118 million tonnes per annum (MTPA) of effective capacity has been added in the industry at a CAGR of ~11%. Going forward, ~80 MTPA of cement capacity will get commissioned from FY11-15E
- As a significant proportion (~55% of the total capacity of ~118 MTPA) was effectively added during the last two years and also demand took a slight breath and grew by ~4% YoY in FY11 due to a slowdown in construction activities and prolonged monsoon, capacity utilisation rate is expected to have bottomed out at ~77% in FY11. However, we expect the utilisation rate to improve, going forward, as the pace of capacity addition is expected to taper off in subsequent years coupled with robust demand expectation at CAGR of ~9% during FY11-15E. This would help in improving utilisation rates, going forward
- The long-term demand outlook for the industry continues to be bright given the high growth trajectory of the Indian economy. Strong demand from the housing and infrastructure sector, which consumes ~60% and ~30% of total cement produced in India, respectively, will be the main drivers of growth. We believe that demand for cement will be primarily driven by increasing focus on infrastructure investments where the planned spend between FY12-17E is over US$1 trillion. Higher spending on roads is likely to drive demand for cement from this segment, going forward
- According to Crisil, urban housing stock is expected to add 2 million units per year and is expected to grow at a CAGR of 2.6% during FY11-15. Rural housing stock is expected to add 4.3 million units per year and is expected to grow at a CAGR of 2.3% in FY11-15
- Despite the fact that the Indian cement industry added around 118 MTPA capacity in the last five years, the per capita consumption remains poor at 171 kg when compared to the world average and is almost six times lower than that of China. This indicates a tremendous scope for growth in the Indian cement industry in the long-term

Capital goods

- India's high savings rate will serve as the right catalyst to finance capital formation and high GDP rates. This, in turn, will lead to high investments as a percentage of GDP, which has been ranging from 35-37% for the past couple of years. However, we believe that it has further room to improve in order to get to the double digit GDP growth. The same can be inferred from the case of China where an investment rate of 48.8% (2010) is supported by a high savings rate of 54% (2010) and expansion of the manufacturing sector.
- The average share of manufacturing in GDP in the Xth Plan was at 15.7%. This average has decreased to 15.1% in the first four years of the XIth Plan. Hence, in order to register high GDP growth rates, the share of manufacturing has to rise. This will create incremental opportunities in the sector
- Expenditure on infrastructure to the tune of $500 billion and $1025 billion in the XIth and XIIth Plan will be a great opportunity to scale up for companies catering to the power sector and road sector as allocations to these segments are the highest. We estimate that ordering from the power segment alone will be to the tune of ₹ 10-12 trillion over FY13-FY17 across the generation (BTG and BOP) and T&D segment
- A radical change with respect to participation in infrastructure development is the rising share of private sector participation. The share of the private sector is expected to rise to 50% in the XIIth Plan from 25% in the Xth plan. These, we believe, will offer huge scale up opportunities for private engineering companies catering to the infra segment
- Coupled with the opportunity, the sector has and will witness a rise in competitive intensity. For instance, by FY13-FY14 the domestic capacity for manufacturing BTG equipments will rise from the current 20000 MW to 35000 MW as new private players are setting shop in the country to capitalise on the opportunity. Similarly, the T&D space is already witnessing stiff competition across categories such as transformers, transmission packages and other components leading to falling price realisations. However, going ahead, if a gradual pick-up in ordering of the envisaged expenditure in the XIth and XIIth Plan periods materialises, it will provide growth opportunities to all present in the sector. This reiterates the fact that infra spends will grow by 4.5x in the XIIth Plan as compared to that spend in Xth Plan
- For the next three to five years, we would be buyers into companies that have a diversified business model in terms of a presence across different verticals of the sector, a good mix of domestic & international businesses, better execution capability and technology back up and healthy balance sheet to capitalise on the opportunities that will come across in the next five years.

FMCG

- The current size of the Indian FMCG sector (excluding food & beverages) is ~₹ 1,50,000 crore and is expected to reach ~₹ 4,00,000 crore by 2020. With the country's GDP expected to grow at 8% in the next five years and the real per capita GDP expected to grow by ~1.3x by CY15 from CY11; the FMCG sector is estimated to grow at 12-15% CAGR by FY15 (~1.5x the GDP growth)
- The key growth drivers of the industry are;
    - Rising discretionary spend of consumers led by the expected 1.3-1.4x growth in the real per capita GDP by CY15 from CY11
    - The 'young' population of the country, with ~50% of the population below 25 years and ~65% of population below 35 years, compared to the ageing population of developed nations
    - Increasing working population (including females), changing consumption habits of consumers who are moving up the ladder and shifting to packaged and convenience products suiting the evolving lifestyle
- The increase in the middle class population to ~40% by 2025 from only 5% in 2007 and rising urbanisation would be the drivers for exposure of consumers to a portfolio of modern products and brands and shift to branded & packaged products. Also, these would serve as a conduit for information and goods to their families that are still in rural India
- According to a McKinsey report, rural income growth is expected to be ~3.6% for 2005-25, higher from the 2.8% growth from 1985-2005. We believe this higher growth in recent years is visibly driving the rising rural consumption for consumer goods. The increase in rural demand for quality & branded products and concomitant increase in rural penetration by providing affordability in prices and required product portfolio to meet their needs will continue to drive the earnings from these fast growing and under penetrated markets
- In the FMCG space, categories such as hair care (₹ 7000 crore), skin care (₹ 3200 crore), men's grooming (₹ 2000 crore), deodorants (₹ 500 crore) and culinary (₹ 6600 crore) are expected to increase by more than 1.5x their current (FY09) market size until 2015. The largest category, food & beverages, is expected to grow by ~1.6x (₹ 11,49,700 crore) by 2014 over 2008 (₹ 7,29,200) and the per capita food consumption is expected to increase by 1.3x to ₹ 8193 in 2014. As these categories also have a lower penetration level at ~20-30%, we believe the companies present in these segments have a greater opportunity market, going ahead
- With the consumption story (rising income leading to higher consumption leading to higher economic growth and greater employment opportunities) for the country remaining positive, higher dividend yields from stocks and improving return ratios of the companies justify the premium valuation. However, we believe that companies that enjoy market leadership and pricing power are a safer haven compared to their peers

Infrastructure

- To sustain 9% GDP growth rate, the planning commission has focused on the lagged infrastructure investment. The planning commission expects investment in the infrastructure as % of GDP to increase to 7.55% and 9.95% in XI and XII Five year plan respectively from 5.08% in X Five year plan. This would translate in doubling of spending in the infrastructure from ₹ 9.0 lakh crore in X Five year to ₹ 20.5 lakh crore in XI Five year plan & ₹ 40.99 lakh crore in XII Five year plan providing plethora of opportunities in the sector
- Furthermore, given the limited resources at the government & nascent stage of the PPP model vis a vis other countries, share of private investment in infrastructure spending is expected to increase significantly to 36% in XI Five year plan & 50% in XII Five year plan from 24.9% in XI Five year plan.
- The Power and Road segments are expected to be major areas of spending in the XII Five year plan. The total planned capacity addition of 1,00,000 MW in XII plan along with transmission and distribution spending is expected to translate into opportunity of ~₹ 11,35,000 crore in the XII plan. In the road segment, as per NHAI data as on 31st March, 2011, ~28,800 km of road is expected to be awarded under NHDP over the next couple of years. This will translate into an opportunity of ₹ 2,88,000 crore (assuming average cost per km of ₹ 10 crore).
- We also see the government is making the efforts towards the policy reforms albeit at the slower place. The setting up of dedicated infrastructure debt fund to resolve funding issues, BK Chaturvedi committee recommendation and policy reforms in the road awarding are the major government recent initiatives. Going forward, as the government focus shift on expediting the reforms, we anticipate the pick up in the infrastructure opportunities, & execution

Metal and Mining

- Steel, being part of the core sector, the fortunes of the sector are closely linked with the GDP growth. With the average GDP expected to grow at ~8% over the next three to five years, the domestic demand for steel is expected to stay firm
- The per capita consumption of finished steel of India is relatively low at 47.8 kg as compared to China at 405.2 kg, Japan at 418.9 kg, the US at 192.9 kg and world average at 181.5 kg in 2009 providing headroom for demand to improve significantly from current levels
- Backed by huge investment anticipated in the infrastructure segment coupled with healthy demand from the key user industries such as automobile , capital goods and consumer durables the demand outlook remains favourable for a long term horizon. Over the next five years the construction relevant spending is expected to result in additional demand of steel of ~50-60 Mt.
- Due to improvement in the industrial growth demand for aluminium for next five years is expected to grow at a CAGR of ~9%. Higher investment in infrastructure along with strong demand from capital goods and automobiles will support continued growth in aluminium consumption

- The per capital consumption of aluminium currently is 1.1 kg as compared to the developed world like Germany, the US, Japan where the per capital consumption stands at 33.8 kg, 31.7 kg and 32.9 kg. This represents a strong growth in aluminium consumption in India
- Strong demand and higher cost of production of aluminium in China will lead to prices of aluminium remaining firm on LME, going forward. Despite inventory remaining at elevated levels, as most of this inventory is locked at LME (related to financing deals), this would lead to shortage in supply and pushing prices higher. Overall, we anticipate demand and prices for aluminium to remain firm over the next five years.

Oil & gas

- We expect that the incremental capacity additions in the Indian refining industry will cater to the rising demand from the domestic market and export markets. The capacity is expected to increase from 185.4 mmtpa in FY10 to 236.5 mmtpa in FY13.
- Based on Kirit Parikh Committee recommendations, petrol prices were fully deregulated on June 26, 2010. The government had also indicated deregulation in diesel prices which would be a step in the right direction.
- Under the proposed Aadhar Yojana, the government is planning to move towards direct transfer of subsidy for kerosene and LPG. Under this system of cash subsidy, the effective subsidy would decline because of better targeting. If the implementation of the Aadhar Yojana is successful the under recoveries for kerosene & LPG would reduce from the FY11 levels of ₹ 20144 crore & ₹ 19726 crore respectively.
- In the medium term, we believe that Brent crude oil prices, government policies and KG-D6 gas production would be the key drivers for in the oil & gas industry.
- Shale Gas is the next game changer in the global oil & gas industry. Shale Gas contributes 17% of the US natural gas production which is going to increase over the next decade which would reduce dependency on LNG. We expect the LNG prices to remain capped at the current levels.
- We expect the GRMs to stabilize at US$ 6-8 per barrel over the medium term horizon.
- We believe reforms by the Indian government on the pricing of petroleum products would create value for investors, going forward.

Pharma

- We expect major pharma players to clock ~15-18% kind of growth in the domestic formulations for at least four or five years down the line, driven by strong growth in chronic therapies
- Strong growth will also be driven by improvement in penetration of healthcare services from the current level of just 35% and also increase in healthcare coverage from the current level of just 10% of population.

- The government is determined to increase healthcare spend from the current 0.4% of GDP to ~2-3% in the next five years with increased private participation
- We see good traction coming from Pharmerging markets (BRIC nations ex India, Mexico, Turkey and South Korea) as these markets are expected to grow more or less at the same pace as India and with similar demographic and lifestyle changes
- We also expect strong growth in the advanced markets including US on account of impeding patent cliff and drying R&D pipeline. Drugs worth ~US$ 70 billion will loose exclusivity in the US in the next four or five years
- We expect companies with strong R&D set up and deep pockets to invest heavily in R&D for new molecules to be introduced via out-licensing or partnerships in the next eight to 10 years
- More MNCs will be inclined to make deals with Indian players on account of low cost base, high R&D capabilities, adherence to global regulatory norms and huge capacities.
- We believe the industry to consolidate going ahead on account of stricter regulatory norms as many small and medium players would be unable cope up with this and may willing to sale their stake or entire business.

Power

- In the XIth and XIIth Five Year Plans, we expect capacity addition to be ~ 47,000 MW and ~ 75,000 MW, respectively. So far, equipment worth 70,000 MW is already being ordered by utilities (state & centre & private)
- In terms of target vs. actual installed capacity percentage, this would imply 60% growth in the XIth Plan and 75% in the XIIth Plan. Historically, it was 47% and 51% in IXth and Xth Five Year Plan. In terms of private vs. PSUs capacity addition, we expect private players to add ~ 50% and 53% of incremental capacity in XIth and XIIth Five Plan, respectively
- We expect demand for power to grow at 1.1x GDP growth implying 8-9% growth till FY17 (assuming India's GDP grows at 7-8% till FY17). On account of capacity addition, we expect the base deficit to be sub 5% by FY17E from the current 8.4%
- The recent coal acquisition by private players can create near term balance sheet pressures. However, in the long run, it will enhance the fuel security of players acquiring such assets
- Funding will not be a constraint as the government through power sector lending institutions IIFCL, REC and PFC apart from banks will ensure adequate funding (for the debt portion). On the equity front, PE funding gives us confidence that funding at the project level will happen (no constraint for private developers). However, in the interim, consolidation may take place i.e. inefficient players may sell their stake to more established players
- We believe that merchant power rates will remain under pressure (below ₹ 4/kwhr). However, in the long run, it should align with incremental cost of production of power
- SEBs increasing their financial losses is a cause for worry. However, gradual actions (tariff hike) are being taken by certain

states (MP, Bihar). AT&C losses in India are at ~ 26-27%. In the next five years, reforms in the distribution space encouraged by the success of Bhiwandi, Mumbai, Kolkata circles (rather it should speed up) will open up opportunities for power players (PSUs and private)

- Companies (PSU or private) with regulated business models and execution capabilities backed by fuel security and having distribution franchises will be the key outperformers

Retail

- The Indian retail sector is on the cusp of aggressive growth in terms of space addition and revenue growth over the next four or five years. The Indian retail sector is expected to grow at a CAGR of 11.4% from $353 billion in FY10 to $543 billion in FY14E. The sector is undergoing a transition from unorganised retail to organised retail with organised retail expected to grow at a CAGR of 35.3% over FY10-FY14E to $67 billion while unorganised retail is expected to grow at a CAGR of 9.3%
- The current Indian demographic profile lends credence to the Indian consumption growth story. Favourable demographics like four fold increase in middle class population to 148 million and a 5% CAGR in household disposable income to ₹ 3,19,518 in 2010-2025E with increased urbanisation and ~28% of the population in median age group is expected to fuel discretionary spending, the share of which is expected to move up from 52% in 2005 to 70% in 2025
- To capitalise on the India consumption story, organised retailers space addition has picked up pace with most organised players announcing aggressive expansion plans.
- With respect to operating margins, the sector is likely to experience more stability and is less likely to be susceptible to sudden downsides due to efficient cost management strategies like revenue sharing with realtors, better inventory management owing to improved backend infrastructure, etc
- Organised retailers are expected to continue their profit growth momentum over the next three to four years backed by robust revenue growth and relatively more stable operating margins. However, companies with higher leverage are likely to witness some bottomline pressure due to higher interest costs
- Although in the near term, we may see a marginal slowdown in consumer demand in the current calendar year on the back of increasing interest rates, economic slowdown and rising food inflation, which could cut down discretionary spends, the longer term picture remains positive. The Indian organised retail sector is still at a nascent stage with a 5.7% share of the total Indian retail market compared to developed countries where organised retail penetration is to the extent of 60-80%. Countries like China, South Korea and Vietnam have organised retail share in the range of 18-23%. Driven by consumption growth, organised retail penetration in India is expected to double to 12.4% by 2014E
- On the government policy front related to organised retail in India, the key thing to watch out will be any news on opening up of the sector to FDI. While this issue has been under discussion for the past one year, it has gained momentum in the

recent past with various ministers lending support to this cause. We believe players in the food retail space will be key beneficiaries of this opening up of FDI investment as they will get the much needed investment in the back-end infrastructure

Real Estate

- The growth in the real GDP, changing income demographics, shortage of housing units and increased corporate spending supports long term outlook for the real estate sector.
- According to industry estimates, the number of households are expected to grow at a CAGR of 1.9% to 252 million units during CY11-CY15 driven by the population growth rate (1.4% during the same period) and sizeable increase in the working age population (the proportion of 20-59 yrs age group is expected to increase to 53% in CY15 from 50% in CY05).
- The Urban housing units to grow at a faster CAGR of 2.7% to 79 million units during CY11-CY15 as the Urbanisation is expected to 32.3% in CY21 from 27.8% in CY01.
- On the commercial real estate side, the anticipated healthy project pipeline in the key property market such as Mumbai (DTZ anticipates new supply of 40 mn sq ft over the next three years v/s annual absorption of 8-9 mn sq ft) & NCR region (DTZ anticipates new supply of ~30 Mn sq ft over the next three years v/s annual absorption of 8-9 mn sq ft) has kept stable pricing scenario. Nonetheless, delay in the project execution would restrict new supply. Furthermore, key development such as listing of REITS in the Indian market would provide capital appreciation opportunities to the developers as the cap rate are relatively higher in India vis a vis other countries.
- A lot of regulatory reforms are anticipated such as uniform stamp duty on the property, regulatory framework towards REIT listing and initiatives towards Real Estate Regulatory Bills (streamlining of development of clearance processes and protecting the interest of property purchaser), & transition towards IFRS would act as key catalyst for improved transparency & corporate governance. The improved transparency & corporate governance should bring investor's confidence back in the sector.

Technology

- Indian IT-BPO exports constitute a modest ~6% of the total worldwide spending on software products, IT & BPO services.
- IT sector revenues have grown from 1.2% as a proportion of national GDP in FY98 to 6.4% in FY11 and its share of total Indian exports (merchandise plus services) increased from <4% in FY98 to 26% in FY11
- The industry directly employs nearly 2.5 million people with indirect job creation estimated at 8.3 million
- In the long run IT budgets could grow 1.5-2% annually leading to a ~12-15% growth for the overall IT industry. This suggests exports of Indian IT industry could reach $165 billion in FY2020 from $59 billion in FY2011

- Tier-I players such as TCS & Infosys could be the key beneficiary of market share gains due to large client base and client diversification across geographies
- Revenue contribution from transformation, system integration and consulting services is on a rise for tier-I vendors. This could lead to improvement in portfolio pricing
- Operational headwinds such as wage inflation, high attrition & currency volatility continue to impact the industry, any material deterioration in economic health of the US & other developed nations could jeopardize revenue and earnings growth assumptions and creating downside risks

Telecom

- After flood of negative news and regulatory concerns since mid 2009, the regulatory environment has turned positive in the last 3 months for most of the incumbent players with the ongoing 2G probe. Companies with clean image and good management have seen expansion in multiples, while others have deteriorated further. Department of Telecom (DoT) would take a balanced approach in formulating the new telecom policy, thus benefiting the incumbents in the long run.
- Traffic on network of incumbent players expected to increase with reducing competitive pressures. TRAI data suggests that more than half the subscribers of new operators are inactive, resulting in reduced dual SIM phenomena and MoU cannibalization. This trend to get further pronounced in years ahead. Higher traffic growth for incumbents to lead revenue growth with stabilizing ARPM.
- Competitive intensity has started to soften which is reflected in declining rate of decline in KPIs. With imminent consolidation in the industry, we expect pricing to become more rational, thus aiding revenue and profitability growth.
- With only three to four 3G players in each circle 3G tariffs would not see 2G like price war and would remain profitable. 3G ARPU expected to be about 2-2.5x 2G ARPU. Introduction of under 100 USD 3G phones to lead to 18-20% of subscribers on 3G by 2016. Rising data consumption on 3G would ensure higher ARPU and profitability for telecom operators.
- Telecom industry adding about 20 million subscribers monthly with more than 55% addition in B and C circles indicating increasing usage in under-penetrated rural India. Rural penetration would fuel the next phase of growth.
- Industry is already passed peak capex cycle indicating improvement in return ratios going forward.

ACC (ACC)

₹ 938

Stock data

Market Cap	₹ 17625 crore
52 week High/low	₹ 1142/700
Equity Capital	₹ 187.9 crore
Face Value	₹ 10

Key ratios

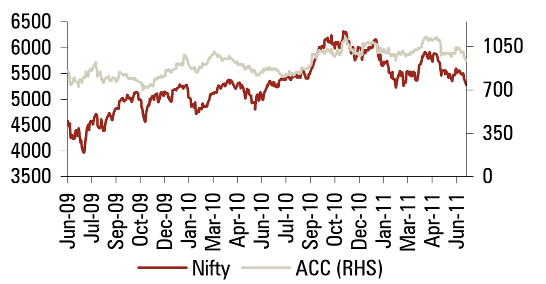
	CY07	CY08	CY09	CY10
EPS (₹)	65.3	61.9	83.3	59.6
PE (x)	12.2	14.5	11.3	15.7
EV/EBITDA (x)	8.5	9.5	6.6	9.9
P/BV (x)	4.2	3.6	3.0	2.7
RoNW (%)	34.6	24.6	26.2	17.4
RoCE (%)	36.2	26.6	32.0	16.7

Comparative return matrix

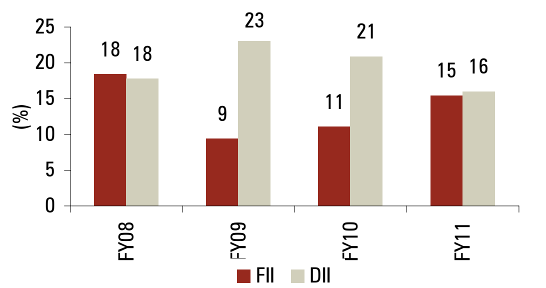
(%)	3m	6m	12m	24m
ACC	-8	-14	9	25
Ambuja Cement	-5	-11	6	39
Ultratech Cement	-9	-12	-2	41
Shree Cement	-9	-14	-16	43

Price as on 14 June 2011

Price movement



FII and DII holding pattern



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Diversified regional presence…

- **Second largest cement player**
  - ACC is the second largest cement manufacturer in India with installed capacity of 30 million tonnes per annum (MTPA) and ~ 11% market share. Recently, Switzerland based Holcim, hiked its stake in the company to 50.1%
  - A pan-India presence (~32% in south, ~20% in north and east each, ~15% in central and ~13% in west) cushions against any region specific pricing and demand pressure. The company has strong brand equity due to its long presence in the Indian markets
  - ACC has captive power capacity of ~336 MW, which meets ~80% of the total power requirement
  - The company has a strong balance sheet, with CY10 net cash of ~₹ 2200 crore and low debt equity ratio of ~0.1

- **Going ahead**
  - ACC has added ~7 MTPA of new capacity to reach ~30 MTPA in CY10. We expect the company to expand its capacity further to maintain its market share in future
  - On the back of stabilisation of new capacities with robust demand outlook for India (~9% CAGR during FY11-15E), the company's cement volume is expected to grow in line with the industry during the same period as against ~2% CAGR during FY07-11
  - The company's realisations are expected to remain firm on the back of improvement in utilisation rates and its strong brand equity. Also, its diversified regional presence cushions against any region specific pricing pressure
  - Increasing captive power consumption would help the company in saving power & fuel cost while high usage of domestic coal would partially offset the volatility in imported coal prices
  - The strong balance sheet provides enough room to expand in the future. With a low debt equity ratio, we feel the company would not find it difficult to go ahead with its expansion plans in future.

Valuation

Being a large player with strong brand equity, better return ratios and strong balance sheet, ACC has always traded at premium valuations to its peers except Ambuja. Also, during the previous cyclical upturn of FY06-08, it was trading above $180/tonne, ~80% premium to the replacement cost of $100/tonne that time. Currently, it is trading at $110/tonne at CY12E capacity which is ~15% discount to the current replacement cost of $130/tonne. We believe in the long-term potential of the stock, considering the robust scenario for the Indian cement industry.

Exhibit 1: Financial Performance

(₹ crore)	CY07	CY08	CY09	CY10	CAGR (%)
Net sales	6991	7309	8027	7717	3
EBITDA	1919	1733	2437	1554	-7
EBITDA Margins (%)	27.4	23.7	30.4	20.1	-
Net Profit	1439	1213	1564	1120	-8

Source: Company, ICICIdirect.com Research

Asian Paints (ASIPAI)

₹ 2948

Stock data	
Market Cap	₹ 28268 crore
52 week High/low	₹ 3230/2284
Equity Capital	₹ 95.9 crore
Face Value	₹ 10

Key ratio

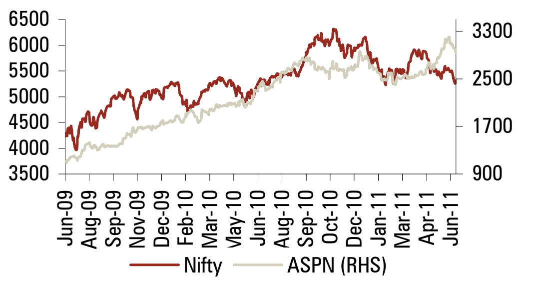
	FY08	FY09	FY10	FY11
EPS (₹)	42.7	41.5	87.1	87.9
PE (x)	75.3	71.1	33.8	33.5
EV/EBITDA (x)	51.1	42.3	23.1	21.6
P/BV (x)	30.4	24.5	16.5	12.9
RoNW (%)	59.4	46.6	70.1	57.6
RoCE (%)	58.9	43.9	68.9	54.5

Comparative return matrix

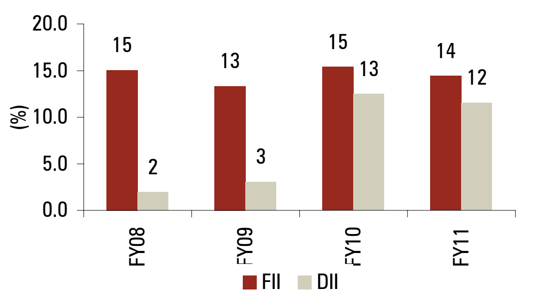
(%)	3m	6m	12m	24m
Asian Paints	19	12	28	165
Berger Paints	20	-2	38	142
Kansai Nerolac	11	-4	8	178
Shalimar Paints	119	108	56	176

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Defensive multiplier…

- **Sustainable volume growth**
  - In the last 10 years, Asian Paint's market capitalisation has increased 14x with average 2.4% dividend yield every year
  - Asian Paints is the largest paint company in India with more than 50% market share in decorative paints
  - In the last 10 years, the company has grown 2.3x to the real GDP of 8.5%. Revenues have grown 5x with ~20% CAGR and bottom-line growing @26% CAGR
  - With volume growth at ~15% CAGR in the last 10 years and 4.5% calibrated price hikes, the company has witnessed such high topline growth
  - Asian Paints has witnessed robust international business growth over the last five years by increasing its presence in various markets specifically in the Caribbean and Middle Eastern region
  - The company has continuously improved its margins over the years from 16.2% in FY02 to 18.1% in FY11. It also commands higher margins compared to its peers due to backward integration of its crude-based derivatives like PAN and Penta

- **Going ahead**
  - We believe it would continue to grow at 20%+ in the next three to five years as demand for decorative paints, specifically repainting, continues to increase in Tier-II and Tier-III cities
  - Considering the economy continues to grow at 8%, strong re-painting demand and the company's leadership position in decorative paints, we believe the company will continue to witness 13-15% volume growth in the next three to five years
  - The company has pricing power. Hence, it can pass on any cost inflations through sustained price hikes in the decorative segment. However, in industries paints, it does not command similar pricing power

Valuation

Asian Paints would continue to register robust volume growth and would maintain its leadership position by enjoying the maximum chunk of the increasing pie. With more than 40% consistent dividend payout over the last 10 years, the company has improved its RoEs from ~30% in FY02 to ~43% in FY11 and RoCEs from ~39% in FY02 to ~57% in FY11. Considering strong cash flows, higher returns ratios and lighter balance sheet, Asian Paints would command higher multiples compared to its peers.

Exhibit 2: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	4404	5464	6681	7706	21
EBITDA	658	721	1368	1313	26
EBITDA Margins (%)	16.2	13.2	20.5	17.0	-
Net Profit	409	398	836	843	27

Source: Company, ICICIdirect.com Research

Stock data

Market Cap	₹ 147379 Crore
52 week High/low	₹ 388 / 265
Equity Capital	₹ 1898 Crore
Face Value	₹ 5

Key ratio

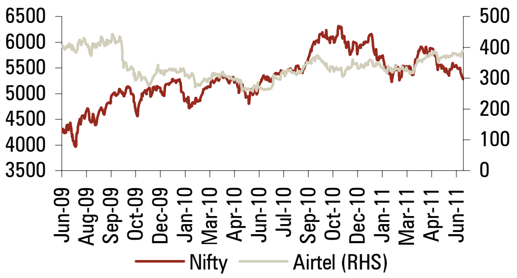
	FY08	FY09	FY10	FY11
EPS (₹)	17.7	22.3	24.0	15.9
PE (x)	22.0	17.4	16.2	24.4
EV/EBITDA (x)	13.3	10.2	9.1	10.0
P/BV (x)	6.8	4.9	3.6	3.0
RoNW (%)	30.9	27.9	22.0	12.4
RoCE (%)	23.7	24.0	19.7	9.3

Comparative return matrix

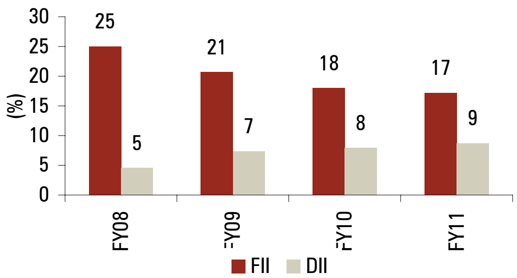
(%)	3m	6m	12m	24m
Bharti Airtel	22	16	47	-2
RCOM	-16	-31	-53	-71
Idea	30	19	47	-3
Tata Tele	15	-10	-23	-52

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Bharti Airtel (BHATE)

₹ 389

Strongest domestic player going global...

- **Leader in domestic market, tapping new geographies for growth**
  - Airtel is the largest telecom operator in India with revenue share of 31% and subscriber share of 20%. Revenue share has increased from 28% in 2008 to over 31% in 2011, even though operators per circle have increased from 7 to 13. This signifies the healthy subscriber quality and growing brand preference. With imminent consolidation in the industry, Airtel would further strengthen its dominance in the years to come.
  - With only 3-4 3G players per circle, competitive positioning would be similar to golden period of 2G. Airtel is expected to have 15-20% 3G subscribers and garner ~25% market share in 3G services with 2-2.5x 2G ARPU.
  - Airtel is present in 16 African countries which have combined penetration level of ~33%. Penetration in India also stood at similar levels in 2009 and has more than doubled in last two years. India-like hyper-intensive competition is unlikely in Africa. This may lead to revenue growing about 1.5x-2x in Africa

- **Going ahead**
  - Declining competitive intensity in domestic market to result in softening pace of KPI (Key performance indicators) deterioration. ARPU would stabilize in a couple of years with increasing 3G penetration. Data contribution expected to double from ~12% in next few years.
  - Increase in 3G penetration to ~15-20% to contribute to revenue and EBITDA growth; most of the fixed cost is already factored in.
  - Airtel would start generating ~₹ 20000 crore free cash flow year on year in a couple of year from now; enough to repay its entire debt of about ~₹ 53000 crore in next few years.
  - Revenue to grow fastest in the industry on back of African operations with penetration level of ~33% versus ~67% for India.

Valuation

Airtel has commanded a premium to its peers on account of industry dominance, clean image and good management, and has appreciated the most in the last 12 months. We believe the premium would further expand with healthy regulatory environment, uptick in 3G services, exponential growth and subsequent turnaround in African operations. We recommend the stock to be accumulated.

Exhibit 3: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	27025	36962	39615	59467	30
EBITDA	11372	15168	16027	19961	21
EBITDA Margins (%)	42.1	41.0	40.5	33.6	-
Net Profit	6701	8470	9102	6047	-3

Source: Company, ICICIdirect.com Research

Coal India (COALIN)

₹ 391

Stock data

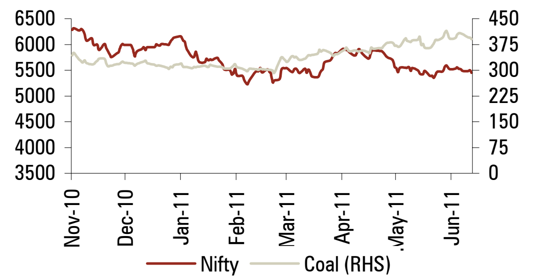
Market Cap	₹ 250114 crore
52 week High/low	₹ 422/287
Equity Capital	₹ 6316 crore
Face Value	₹ 10

Key ratio

	FY08*	FY09*	FY10*	FY11
EPS (₹)	6.8	6.4	15.6	17.2
PE (x)	NA	NA	NA	22.9
EV/EBITDA (x)	NA	NA	NA	13.6
P/BV (x)	NA	NA	NA	7.4
RoNW (%)	43.7	27.9	50.5	32.6
RoCE (%)	24.9	21.4	38.0	28.3

valuations not a comparable ground hence NA

Price movement



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Black Gold...

- **Size does matter**
  - Coal India (CIL) is the largest coal producing company in the world, based on raw coal production of 431.3 million tons in FY11.
  - As of April 1, 2010 the company has total reserves of ~18.9 billion tonnes comprising ~10.6 billion tonnes of proved reserve and 8.3 MT of probable reserves. CIL also has huge resources of ~64.2 billion tonnes, which constitutes 51.3 billion tonnes, 9.9 billion tonnes and ~3 billion tonnes measured, indicated and inferred resources, respectively
  - As of March 31, 2010, CIL operated 471 mines in 21 major coalfields across eight states in India. Out of the total mines operated, the number of open cast mines, underground mines and mixed mines remained 163, 273 and 35, respectively.

- **Going ahead**
  - Over the next few years there is massive capacity addition anticipated in the power sector, majority of which is expected in the Thermal segment. As the power capacities come on stream demand for coal is expected to increase considerably. On the similar lines CIL has plans to ramp up its capacity in order to cater to the incremental demand.
  - CIL is planning to set up 20 coal washeries, with a capacity of 111.1 mtpa (million tonnes per annum) over the next few years. Furthermore CIL is also planning to ramp up production from its existing washeries. As washed coal commands higher realisation, the average realisation of CIL is expected to improve. Going forward on the back of better product mix & higher realisation the margins are expected to expand from current levels.
  - The overall profitability of the company has doubled during the last 3 years from ~₹5200 crore to ~₹10800 crore registering a CAGR of 27 %(FY08 to FY11).

Valuation

CIL enjoys monopoly status in the domestic market and contributes ~80% of the country's total coal output. With the rising demand for coal in India the company is very well placed as the sole supplier of coal to industries like power, steel, cement, etc. Going forward the company is planning to increase its beneficiated coal capacity which would lead to margin expansion.

Exhibit 4: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	34608	40811	46684	50234	13.2
EBITDA	6258	2615	10453	11551	22.7
EBITDA Margins (%)	18%	6%	22%	23%	-
Net Profit	5243	2079	9622	10867	27.5

Source: Company, ICICIdirect.com Research

Stock data	
Market Cap	₹ 55940 crore
52 week High/low	₹ 535/410
Equity Capital	₹ 1268.5 crore
Face Value	₹ 10

Key ratio

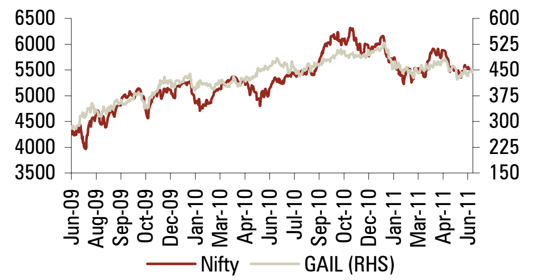
	FY08	FY09	FY10	FY11
EPS (₹)	22.0	22.3	26.1	31.7
PE (x)	12.1	12.7	17.7	14.2
EV/EBITDA (x)	7.7	7.0	9.7	9.6
P/BV (x)	2.7	2.0	2.9	2.8
RoNW (%)	21.9	19.5	20.0	20.6
RoCE (%)	17.2	15.9	16.7	16.3

Comparative return matrix

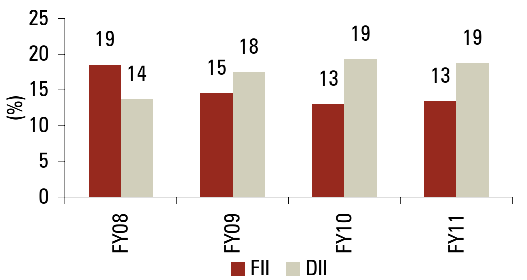
(%)	3m	6m	12m	24m
GSPL	-6	-21	-2	83
IGL	22	8	37	173
Petronet	19	9	79	107
GAIL	-4	-15	-9	52

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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GAIL (India) Ltd (GAIL)

₹ 431

Steady performer…

- **Strong expansion plans**
  - GAIL (India) Limited is India's flagship natural gas company, integrating all aspects of the natural gas value chain. This includes business segments like exploration & production, LPG production, petrochemicals, transmission, distribution and marketing of natural gas
  - GAIL owns ~8,000 km of natural gas pipelines with a capacity to carry 170 mmscmd across the country
  - The company had petrochemicals capacity of 4,50,000 TPA at the end of FY11 and has retail gas presence across 15 cities in India

- **Going ahead**
  - GAIL plans to add 6,000 km of pipelines and increase its gas transmission capacity to 300 mmscmd in the next three years. The company also plans to double its petrochemicals capacity to 9,00,000 TPA in the next few years. Going forward, the gas business will contribute towards major part of company's profitability. The petrochemical segment would follow in terms of profitability.
  - GAIL has formed a wholly subsidiary, GAIL Gas Ltd, to aggressively expand its operations in City Gas Distribution projects. It plans to cover ~ 50 cities by FY14.
  - GAIL also plans to diversify its revenue stream by adding ~550 MW of power plants by the end of FY14.

Valuation

Strong financials, a dominant position in transmission and relatively newer asset base provides good growth prospects for the company. GAIL is also expected to be the key beneficiary of the increase in demand for natural gas in India. With the current capital expenditure plans in place, GAIL offers a lot of safety and visibility of earnings growth to investors over the next few years.

Exhibit 5: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	18129	24063	25678	35106	25
EBITDA	4558	4463	5479	6620	13
EBITDA Margins (%)	25.1	18.5	21.3	18.9	-9
Net Profit	2783	2826	3314	4021	13

Source: Company, ICICIdirect.com Research

HDFC (HDFC)

₹630

Stock data

Market Cap	₹ 92271 crore
52 week High/low	₹ 861 /574
Equity Capital	₹ 293 crore
Face Value	₹ 2

Key ratio

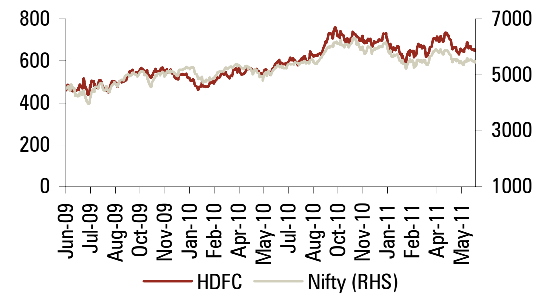
	FY08	FY09	FY10	FY11
Net Profit (₹Bn)	2436.3	2282.5	2826.5	3535.0
EPS (Rs)	13.0	16.0	20.0	24.0
Growth (%)	7.8	23.1	25.0	20.0
BV (₹)	84	92	106	118
P/E (x)	48.5	39.4	31.5	26.3
Price / Book (x)	7.5	6.8	5.9	5.3
GNPA (%)	0.8	0.8	0.8	0.8
NNPA (%)	0.2	0.1	0.25	0
RoNA (%)	2.7	2.6	2.6	3.0
RoE (%)	27.8	18.2	19.6	22.9

Comparative return matrix

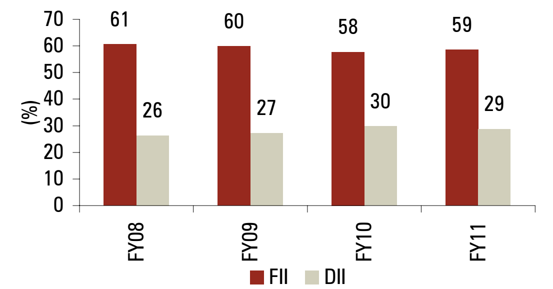
Company	3m	6m	12m	24m
Dewan Housing Fin.	-9.3	-22.5	-3.3	66.9
HDFC	-2.1	-5.5	13.3	42.0
GIC Housing Fin.	10.5	-8.2	13.0	12.6
LIC Housing Fin.	14.0	23.1	16.0	102.6

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Best play on Indian housing finance …

Consistent under all circumstances

- The largest housing finance company in the country with a loan portfolio of ₹ 1,17,100 crore as on FY11
- Apart from the core mortgage business, HDFC has evolved into a financial conglomerate, diversifying into other businesses through its subsidiaries viz., HDFC Standard Life Insurance (73%), HDFC Asset Management Company (60%), HDFC Bank (23.8%) and HDFC ERGO General Insurance Company (74%)
- Corporate and retail loans mix is 37% and 63% of total o/s book and loan portfolio for the company grew at the highest CAGR of 26% over the past decade
- The mortgage to GDP ratio is at around 8% - lowest among Asian peers providing enough opportunity to grow
- Management control under Deepak Parekh's leadership is an added positive to stay invested in this consistent performing company

Going ahead

- The loan book is estimated to grow at 18-20% CAGR on account of housing demand in India and rising affordability of consumers. It is expected to double its loan book every three to four years
- Total 95% of the mortgage business is sourced on its own or through affiliates while only 5% is through DSAs, thereby helping distribution and reducing costs, which will remain a strong business model for the future also
- Profitability rose at 22% CAGR in the past 10 years while NIM above 3.5% maintained for several years weathering various interest rate cycles are key strengths
- Commercial real estate loans of ₹ 433 billion generate higher yields giving cushion to NIM protection around 3.5%
- Zero NNPA and GNPA of just 0.77% provide cushion to asset quality as excess provision are held in the books to even take care of enhanced provision requirements from NHB

Valuation

HDFC has always traded at rich multiples of over 3.5x one year forward ABV because of its strong management and consistent return ratios with RoA of 2% plus and 18-20% RoE. Going forward, subsidiaries like HDFC Standard Life are expected to get listed leading to value unlocking for investors. We remain bullish on the stock.

Exhibit 6: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
NII	2900	3537	4066	4933	19
Other Income	153	48	232	384	36
PPP	2769	3269	3974	4797	20
Net Profit	2436	2283	2826	3535	13

Source: Company, ICICIdirect.com Research

Stock data

Market Cap	₹ 106955 crore
52 week High/low	₹ 2540 /1879
Equity Capital	₹ 465 crore
Face Value	₹ 10

Key ratio

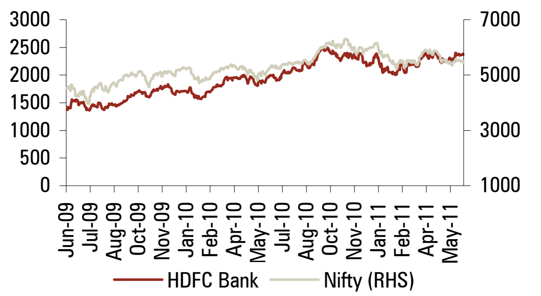
	FY08	FY09	FY10	FY11
Net Profit (₹ Cr)	1590.2	2244.9	2948.7	3926.4
EPS (₹)	44.9	52.8	64.4	84.4
Growth (%)	25.5	17.6	22.1	31.0
ABV (₹)	316.0	329.6	461.6	520.0
P/E (x)	51.2	43.6	35.7	27.2
Price / Book (x)	7.0	6.5	4.8	4.3
Price / ABV (x)	7.3	7.0	5.0	4.4
GNPA (%)	1.4	2.0	1.4	1.1
NNPA (%)	0.5	0.6	0.3	0.2
RoNA (%)	1.4	1.4	1.5	1.5
RoE (%)	17.7	17.2	16.3	16.4

Comparative return matrix

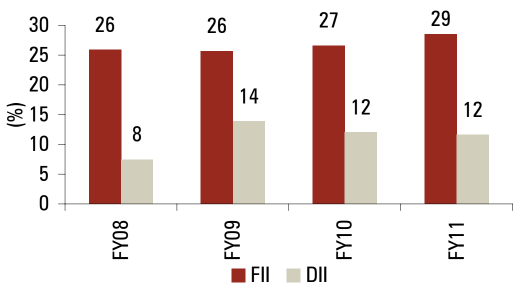
Company	3m	6m	12m	24m
Axis Bank	-4.5	-2.9	1.0	70.4
HDFC Bank	9.0	10.2	21.5	54.8
Indus Ind Bank	5.7	2.5	36.5	268.0
Yes Bank	6.5	-1.0	4.6	127.1

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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HDFC Bank (HDFBAN)

₹ 2300

Consistent delivery of quality...

- **Clean and steady - yet aggressive**
  - HDFC Bank is a pure value proposition providing healthy growth with low risk as there is a fine balance between balance sheet growth and profitability proven over the years
  - Market share of more than 4% (to gain more strength) in total business of scheduled commercial banks
  - The net profit of the bank grew at a sturdy 34% CAGR over FY01-11 (quarterly PAT grew 30%+ YoY consistently for the past 25 quarters). We expect the trend to continue
  - Constructed a pan-India unique distribution platform by leveraging on both organic and inorganic growth opportunities (like CBoP). It has a network of 1986 branches and 5471 ATMs, which enables it to maintain CASA at 50% on a consistent basis
  - The bank is a play on the inherent India growth and consumption story. It has a strong presence in non-metro regions with 70% of its branches located outside top nine cities. It has still been able to maintain high credit standards (FY11 NNPA at 0.2%)
  - Premium valuations are justified over the years on the back of consistent growth, healthy return ratios (RoE of 16%+, RoA of 1.4%+) and a strong management team. HDFC Bank remains our benchmark on all parameters among private players
- **Going ahead**
  - The business proposition will remain strong with a focus on the balanced growth approach. Revenue composition of 50:50 (retail: corporate) will provide stability
  - We see healthy business growth supporting NII @ 22-24% CAGR and PAT @ 30%+ CAGR in the coming period
  - Non interest income growth will continue to contribute ~30% to total net income in the coming period as well as contributing to the bank's RoA
  - Adequate capital (CRAR at 16% in FY11) and strong internal accruals will support the business momentum. The bank has comfortable asset liability management (maturity of 1.5 years), which helps protect margins
  - We expect the bank to double its asset size by FY15E from current levels and still maintain healthy asset quality. The credit cost will, thus, remain at comparatively low level of sub 1%

Valuation

The bank is expected to trade at premium valuations due to its ability to protect NIM, a fine mix of growth and profitability, best in class services offered and proven capabilities of the management. We, therefore, recommend HDFC Bank as one of our top picks in our model portfolio.

Exhibit 7: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
NII	5228	7421	8387	10543	26
Other Income	2283	3291	3808	4335	24
PPP	3765	5179	6430	7725	27
Net Profit	1590	2245	2949	3926	35

Source: Company, ICICIdirect.com Research

CBOP- Centurion Bank of Punjab

Research ICICI direct.com It's Advice, Not Adventure

Hindalco (HINDAL)

₹ 176

Capacity expansion to boost earnings...

- **Industry leader**
  - Hindalco is a leading producer of aluminium in India enjoying a 39% market share (excl exports). The company has backward integration, which makes it one of the lowest cost producers of aluminium in the world.
  - Hindalco has forward integration into value added products like flat rolled product (FRP) (market share of 53% in 2009) and aluminium extrusion (with a 20% market share in 2009).
  - The company has doubled its aluminium capacity in the last 10 years and it has plans to add ~0.82 million tonnes in coming 5 to 7 years, which will help it to garner higher market share.
  - The wholly owned subsidiary Novelis, is the largest producer of FRP in Europe and South America and the second largest in North America & Asia. It accounts for ~19% of worlds FRP production.
- **Going ahead**
  - Demand for aluminium in the last 5 years has registered a robust CAGR growth of ~10-12%, demand growth has stabilized at ~8-10% in 2010-11, and going forward consumption of aluminium for 2010-2015 is estimated to grow at a CAGR of ~9%.
  - In order to capture the growth opportunity the company has undertaken various brownfield and greenfield expansion plans, which will take total aluminium refining capacity to 1.32 million tonnes per annum (tpa), double the alumina capacity & achieve self-sufficiency in power.
  - The margins are expected to improve going forward, as improvement in LME prices will lead to better realizations whereas the cost is expected to remain stable, as all its brownfield and greenfield projects have complete backward integration.
  - Its overseas operations at Novelis is also expected to do well as it is undertaking a series of steps to streamline and optimise the manufacturing operations coupled with capcity expansion from 3 million tpa to 4 million tpa in next 5 years.

Valuation

Hindalco's business will grow notably as expanded capacities (overall) come on stream. Improved sales mix with higher focus on sale of value added products will lead to strong revenue growth. Revenue of Novelis is largely driven from its two segments, viz., cans and auto sector. Demand from can is repetitive in nature while the automobile sector is expected to post strong growth. Thus performance of Novelis is expected to be robust on the back of strong demand, technological edge and cost efficiency.

Exhibit 8: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	60013	65963	60722	72078	6
EBITDA	6635	2970	9746	8433	8
EBITDA Margins (%)	11.1	17.2	20.7	20.9	-
Net Profit	2193	484	3925	2456	4

Source: Company, ICICIdirect.com Research

Stock data

Market Cap	₹ 33616 crore
52 week High/low	₹ 251/140
Equity Capital	₹ 191crore
Face Value	₹ 1

Key ratio

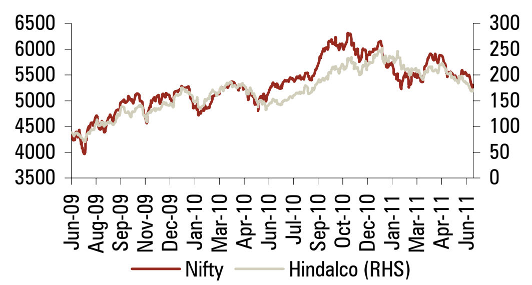
	FY08	FY09	FY10	FY11
EPS (₹)	11.5	2.5	20.5	12.8
PE (x)	15.3	69.2	8.5	13.6
EV/EBITDA (x)	14.7	16.2	14.9	13.6
P/BV (x)	1.9	2.1	1.6	1.2
RoNW (x)	12.7	3.1	18.2	8.5
RoCE (x)	8.7	1.3	14.2	9.1

Comparative return matrix

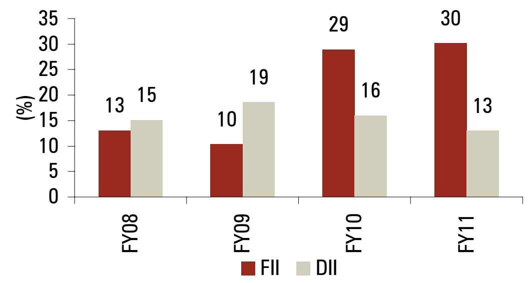
(%)	3m	6m	12m	24m
Hindalco	-15	-21	23	84
Nalco	-25	-5	-16	-2
Sterlite	2	-3	2	0
Hindustan zinc	4	12	37	113

Price as on 15 June 2011

Price movement



II and DII holding pattern



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Infosys Ltd (INFTEC)

₹ 2710

Stock data

Market Cap	₹ 156,685 crore
52 week High/low	₹ 3493 / 2660
Equity Capital	₹ 286 crore
Face Value	₹ 5

Key ratio

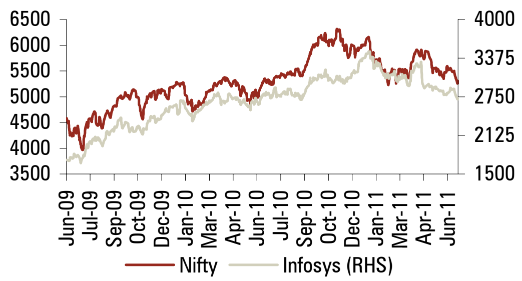
	FY08	FY09	FY10	FY11
EPS (₹)	81.4	104.6	109.5	119.5
PE (x)	33.3	25.9	24.7	22.7
EV/EBITDA (x)	26.4	19.2	17.6	15.4
P/BV (x)	11.8	8.9	7.0	6.1
RoNW (%)	33.8	32.8	22.9	21.6
RoCE (%)	38.7	37.9	30.2	31.0

Comparative return matrix

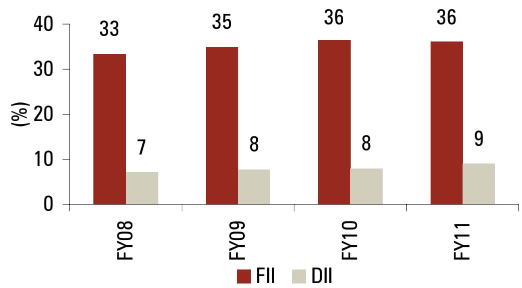
(%)	3m	6m	12m	24m
Infosys	-7	-18	-3	54
TCS	3	-5	40	189
Wipro	-31	-17	-3	76
HCL tech	2	2	19	140

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Negatives priced in ...

- **Expectations have likely tempered**
  - Infosys is the second largest IT company in India
  - Revenue and net profit have grown at a CAGR of 28.1% & 27.6% during FY04-FY11 period
  - FY12E initial US$ revenue growth guidance of 18-20% was ahead of consensus estimate
  - Clients in core verticals such as banking financial services & insurance (36% of FY11 revenues), retail (14.5%), & manufacturing (20%) continue to spend
  - Application development services grew 18.5% YoY & 4.3% QoQ in Q4FY11 and stood at 16.1% of revenues. Suggests momentum in discretionary spending
  - Utilisation including trainees stands at a modest 68.4%, lower compared to its two year historical average of 70.1%
  - With reorganisation complete we believe focus disruption would likely subside

- **Going ahead**
  - Total Indian IT exports could reach $165 billion in FY2020 from $59 billion in FY2011.
  - Infosys should be a key beneficiary of market share gains lead by brand value, scale efficiencies, client base in excess of 500 and client diversification across geographies
  - This should help the company to report robust US$ revenue growth during the same period
  - Pricing improvement led by cost-of-living allowances (COLA) adjustments & portfolio shift could help offset wage inflation
  - Infosys continues to enjoy industry leading operating margins

Valuation

Demand environment continues to be robust led by discretionary spending across verticals and service lines. Recent sharp correction in the stock price was driven by heightened street expectation and provides attractive entry points.

Exhibit 9: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	16692	21693	22742	27501	18
EBITDA	5238	7195	7852	8964	20
EBITDA Margins (%)	31.3	33.2	34.5	32.6	-
Net Profit	4659	5988	6219	6823	14

Source: Company, ICICIdirect.com Research

ITC (ITC)

₹ 187

Strong cash flows...

- **Sustainable revenue growth**
  - ITC is the largest cigarette and paperboard manufacturer and second largest hotel company in India with ~70% market share in cigarettes
  - With the FMCG industry likely triple by growing at ~13.0% CAGR by 2020 to ₹ 4.0 lakh crore (source: CII), we believe ITC would continue to grow at ~17% (grown 1.3x of industry in the last 10 years) with moderate volume growth and steady prices hikes
  - We have seen sharp excise duty hikes on cigarettes in the past that has not gone well to increase revenues for the government as price hikes have taken a toll on volumes. Hence, the government has gone soft on hikes. This would result in higher volume growth compared to the last two or three years
  - Cigarettes account for only 15% of the total tobacco consumption in India. With the low per capita consumption of 99 sticks per annum compared to other regional countries like Pakistan (~391), Nepal (~274) and developed countries like US (~1196), Japan (~2028). This presents a big opportunity for Indian companies. As ITC is the largest play would garner the biggest chunk of the pie
  - With 51.1% CAGR revenue growth in non-cigarette FMCG in the last five years, losses have reduced substantially (₹ 331.5 crore in FY11) after peaking to ₹ 484 crore in FY09
- **Going ahead**
  - With the GDP growing at 8% per annum and per capital income increasing to 1.3-1.4x in FY15 compared to FY11, volume growth in cigarettes would continue to grow at 3-5% while EBIT would grow at ~10-12% in the next five years
  - With rising disposable incomes and increasing penetration for branded food products (ITC largely present), the FMCG business would continue to register double digit growth and start contributing to EBITDA in the next two or three years. This would augur well for the company
  - Considering ITC's lower susceptibility to raw material prices, backward integration through agri-business and pricing power in cigarettes would continue to help it maintain such high margins

Valuation

The stock has got re-rated gradually over the years compared to its closest peer. With strong cash flows from the cigarette business, the company has increased its dividend payout from ~28% in FY02 to ~80% in FY11. With the expected break-even of the FMCG business, we believe the stock would continue to command a premium compared to its peers.

Exhibit 10: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	14659	16556	19136	22274	15
EBITDA	4568	5072	6324	7408	17
EBITDA Margins (%)	31.2	30.6	33.0	33.3	-
Net Profit	3158	3325	4168	5018	17

Source: Company, ICICIdirect.com Research

Stock data

Market Cap	₹ 144278 crore
52 week High/low	₹ 198/143
Equity Capital	₹ 773.8 crore
Face Value	₹ 1

Key ratio

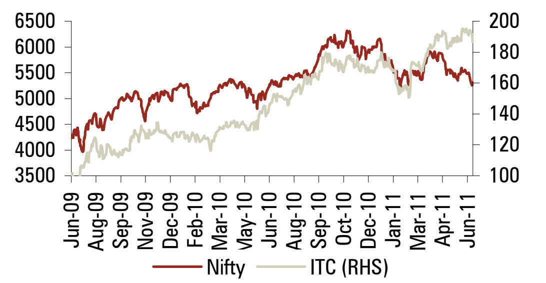
	FY08	FY09	FY10	FY11
EPS (₹)	4.1	4.3	5.4	6.5
PE (x)	45.1	43.4	34.6	28.8
EV/EBITDA (x)	31.4	28.1	22.5	19.1
P/BV (x)	11.7	10.3	10.0	8.8
RoNW (%)	26.0	23.7	28.8	30.5
RoCE (%)	32.4	31.3	38.7	40.1

Comparative return matrix

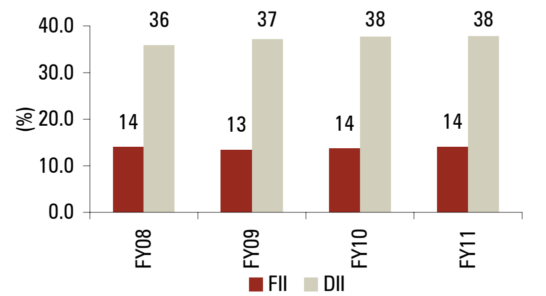
(%)	3m	6m	12m	24m
ITC	16	14	49	88
Godfrey Phillips	24	15	28	105
HUL	19	9	27	25
Nestle	12	11	37	121

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Stock data

Market Cap	₹ 104409 crore
52 week High/low	₹ 2212/1463
Equity Capital	₹ 122 crore
Face Value	₹ 2

Key ratio

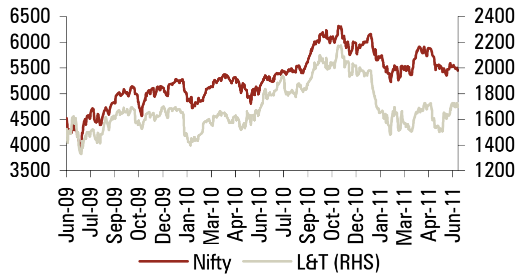
	FY08	FY09	FY10	FY11
EPS (₹)	75.6	59.5	73.8	65.3
PE (x)	22.7	28.8	23.2	26.3
EV/EBITDA (x)	39.4	30.3	24.7	18.8
P/BV (x)	11.2	8.4	5.8	4.9
RoNW (x)	27.5	24.1	21.2	19.0
RoCE (x)	24.9	22.0	15.0	14.0

Comparative return matrix

(%)	3m	6m	12m	24m
L&T	13	-14	0	11
BHEL	1	-17	-20	-10
ABB	15	9	-1	77
Siemens	1	12	21	10

Price as on 20 June 2011

Price movement



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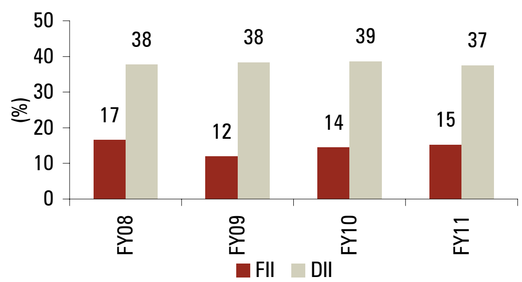

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Larsen & Toubro (LARTOU)

₹ 1660

The infra giant...

- **Proxy play on India Infrastructure story**
  - It is the most diversified engineering & infrastructure developer in the country with a presence across all segments of infrastructure i.e. power, roads, hydrocarbons & process industries
  - It is also planning to scale up in niche areas like defence, nuclear power and shipbuilding, which have the potential to add significantly to overall revenues in the next three to five years
  - L&T also has other subsidiaries that are present in IT (L&T Infotech) and financial services (L&T Capital and L&T Finance)
  - Over the last couple of years, L&T has added capacities to meet increasing volumes. For instance, the company had added 5000 MW of power equipment facility, the heavy engineering facility in Oman was commissioned in FY10 while it is still adding capacities mainly in the shipping & port and defence sector to meet future needs
  - With rising GDP growth over FY01-FY11, L&T has seen revenue and PAT scale up by 5.3x and 12.1x over the last decade
- **Going ahead**
  - Increasing participation from private sector players in the XIIth Plan (50%) and 4.5x increase in plan expenditure on the infrastructure sector in the XIIth Plan over the Xth Plan will provide humongous opportunities to L&T in terms of driving base business growth and scaling up new initiatives like power, shipping, nuclear power and defence
  - Rise in ordering activity in the power sector (expected ordering opportunity over FY12-FY17 at ₹ 10-12 trillion), road sector (7000 km of ordering over FY12-FY15), scaling up of orders in process industries will lead to a sizeable scale up in order backlog for L&T over the next three to five years
  - Revenue growth as percentage of GDP growth has averaged at 2.8x while order inflow growth as a percentage of GDP growth has averaged at 3.8x over FY06-FY11. If maintained/declines marginally, it will help L&T to reasonably grow its revenues at 20% CAGR over five years
  - Going ahead, we believe value unlocking by divesting stakes in its core subsidiaries like L&T Finance Holdings, L&T Infotech and L&T IDPL will lead to huge value creation for L&T's shareholders

Valuation

L&T is the best way to play the infrastructure story in the next five years. It has a diversified business model in terms of different verticals of the sector, good mix of domestic and international business, better execution capability & technology tie ups and healthy balance sheet to capitalise on opportunities that will come across in next five years.

Exhibit 11: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	24855	33926	37035	43905	21
EBITDA	2902	3857	5890	5885	27
EBITDA Margins (%)	11.7	11.4	15.9	13.4	-
Net Profit	2173	3482	4376	3958	22

Source: Company, ICICIdirect.com Research

Lupin (Lupin)

₹ 431

Stock data

Market Cap	₹ 19406 crore
52 week High/low	₹ 520/348
Equity Capital	₹ 89.2 crore
Face Value	₹ 2

Key ratio

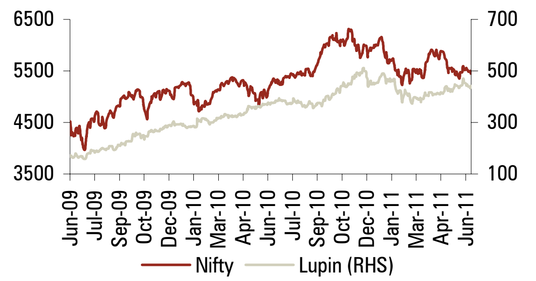
	FY08	FY09	FY10	FY11
EPS (₹)	9.9	12.1	15.3	19.3
PE (x)	43.3	35.6	28.2	22.3
EV/EBITDA (x)	42.7	29.3	20.5	16.7
P/BV (x)	13.8	12.5	7.5	5.8
RoNW (%)	31.9	35.6	27.3	26.5
RoCE (%)	22.2	23.6	22.4	22.7

Comparative return matrix

(%)	3m	6m	12m	24m
Lupin	12	-6	16	158
Cadila Healthcare	19	17	47	301
Sun Pharma	14	6	43	82
Ranbaxy Labs	16	-3	23	88

Price as on 14 June 2011

Price movement



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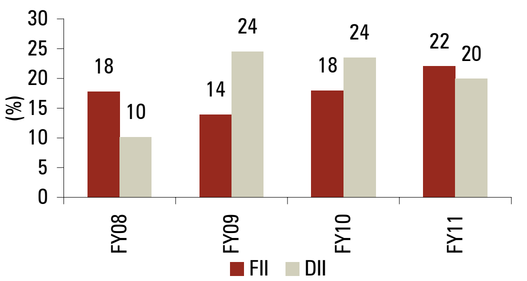

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Well positioned for overall growth...

- **Strong foothold in domestic & international formulations**
  - Lupin is one of the most consistent Pharma companies which has grown consistently for the last 23 quarters. It is the only Indian company to have presence in both branded and generic space in the US market.
  - In the domestic formulation market, Lupin is growing at ~16-17% annually. It has a strong presence in therapies like Cardiac, Anti-infectives and Anti-TB segments.
  - For US market, it has filed 148 ANDAs with the USFDA, received approval for 48 ANDAs and launched 30 products. 14 out of these 30 products enjoy highest market share.
  - Lupin is the 5th largest generic player in the US in terms of prescriptions. It also enjoys highest success rate among Indian players in US litigations for para IV launches.
  - Around 60 ANDAs were filed with Para IV certification, of which 15 have first to file status (four ANDAs solo exclusivity). Market size of these opportunities would be around US$ 30 billion.
  - It plans to launch 3-4 products in the high margin Oral Contraceptives space in the US and has pipeline of at least 20 products to be launched post approval in the next 3-4 years.
  - The company is one of the early entrants in the Japanese generic market, the second biggest market after US
- **Going ahead**
  - Launch of Oral Contraceptives along with a branded product Allernaze will improve the margins going ahead.
  - It is also planning to launch 2 FTFs i.e. generic Fortamet (anti-diabetic, annual sales US$88 million) and Ziprasidone (Anti-psycotic, share 180 days exclusivity, annual sales of US$1.2 billion)
  - Good overall growth, high return ratios and one of the best working capital management are hallmarks for Lupin.
  - It expects at least 50 bps improvements in EBITDA margins every fiscal on account of niche launches in the US and Japan and Chronic focus in Indian and emerging markets.
  - It will increase R&D spend in high margin Bio Similar space

Valuation

Lupin is growing in all major geographies to reduce its reliance on a particular geography. Taking into account the good show in a tough environment and robust product pipeline along with legacy strongholds such as a strong balance sheet, working capital efficiency and trustworthy management, we remain bullish on the stock.

Exhibit 12: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	2706	3776	4741	5696	28
EBITDA	436	649	979	1191	39
EBITDA Margins (%)	16.1	17.2	20.7	20.9	-
Net Profit	408	502	682	863	28

Source: Company, ICICIdirect.com Research

Maruti Suzuki India Ltd (MARUTI)

₹ 1160

Stock data

Market Cap	₹33382.4crore
52 week High/low	₹ 1585 / 1122
Equity Capital	₹144.5crore
Face Value	₹5

Key ratio

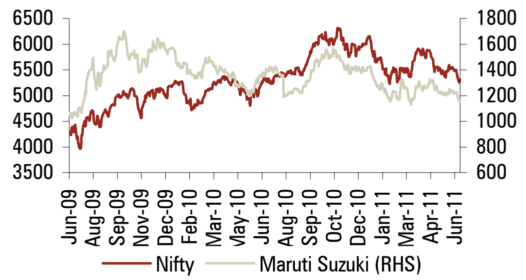
	FY08	FY09	FY10	FY11
EPS (₹)	59.9	42.2	86.4	79.0
PE (x)	19.3	27.4	13.4	14.6
EV/EBITDA (x)	10.8	16.5	8.7	8.5
P/BV (x)	4.0	12.8	7.6	5.9
RoNW (%)	22.7	13.7	23.6	17.8
RoCE (%)	30.5	18.4	31.7	23.9

Comparative return matrix

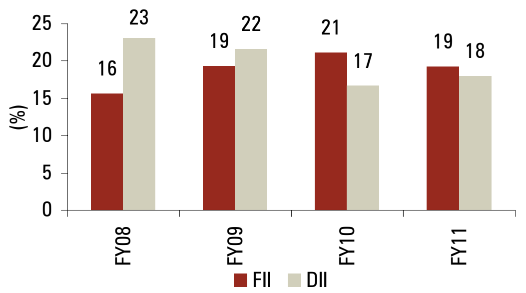
(%)	3m	6m	12m	24m
TML	-17	-31	16	172
MSIL	0	-18	-14	10
M&M	0	-15	2	73

Price as on 14 June 2011

Price movement



FII and DII holding pattern



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Leader of the car pack...

- **PV demand expected to rise exponentially**
  - Maruti Suzuki India Ltd(MSIL) is the leader in the domestic PV market with a dominant market share of ~44%
  - MSIL has been the face of the car industry for more than two decades with largest selling car brands like Maruti 800, Alto, Swift to name a few
  - MSIL is not only a strong company due to its product offerings and operations management but also importantly has a strong connect with the customer. It has enjoyed the highest customer satisfaction for the past decade that is reflecting in the strongest brand loyalty of customers at ~78%
  - MSIL has the most exhaustive sales (~600 cities) and service network(~1400 cities), which is more than double the nearest competitor
  - The Indian car market is heavily under penetrated at ~2% in comparison to China (~6%), US (~120%) & EU(~52%). We believe considering macro factors and Indian growth dynamics PV market would more than double till CY15 at ~4.5mn units.

- **Going ahead**
  - MSIL has pre-empted the industry growth undertaking strong capacity expansion to reach ~1.9 million units by FY13E, to ~3-4 million units by FY14E post likely greenfield expansion. This capacity expansion by the market leader augurs well for market share maintenance
  - Also the company has witnessed increasing market share in the A3 segment in spite of fierce competition from MNC players. Realization would improve going forward on back of richer product mix with higher Swift family sales.
  - We believe MSIL is past the major challenge of royalty restructuring and going forward would witness higher profitability growth. We believe MSIL's is currently in the historically lower range of EBITDA margin, which is expected to expand from here on back of richer product mix in domestic as well as export markets.

Valuation

We expect MSIL to retain its market leadership position in the PV space. MSIL at present has witnessed multiples contraction due to the overplaying of concerns. We believe these concerns are at best short term, and MSIL is a good pick to accumulate with long term horizon.

Exhibit 13: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	18773	20358	28959	36129	24
EBITDA	2700	1952	3928	3660	11
EBITDA Margins (%)	14.4	9.6	13.6	10.1	-
Net Profit	1731	1219	2498	2284	10

Source: Company, ICICIdirect.com Research

Stock data

Market Cap	₹ 144295 Crore
52 week High/low	₹ 222/165
Equity Capital	₹ 8245 Crore
Face Value	₹ 10

Key ratio

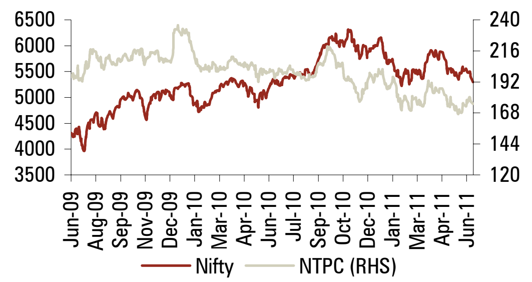
	FY08	FY09	FY10	FY11
EPS (₹)	9.1	12.6	10.6	11.0
PE (x)	19.3	14.0	16.5	15.9
EV/EBITDA (x)	14.6	13.7	13.8	12.1
P/BV (x)	2.1	2.3	2.3	2.1
RoNW (%)	13.7	18.5	14.0	13.4
RoCE (%)	18.5	15.3	12.4	12.6

Return matrix

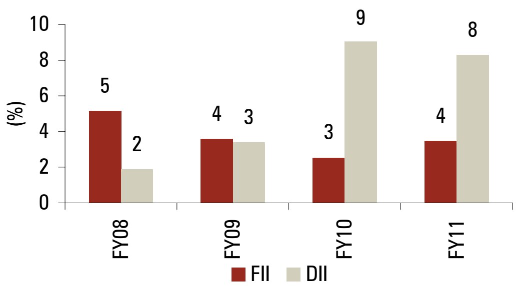
(%)	3m	6m	12m	24m
NTPC	1.1	-9.3	-12.9	-6.0
Neyveli Lignite	-1.5	-22.8	-37.0	-10.8
Tata Power	-1.3	-5.5	-7.6	1.4
Reliance Power	-7.2	-26.4	-35.7	-25.1
JSW Energy	-6.9	-23.9	-47.9	NA
Lanco Infratech	-23.9	-55.6	-60.1	-10.2
Adani Power	-2.6	-13.6	-13.7	NA

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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NTPC (NTPC)

₹ 175q

The elephant can dance...

- **Largest utility with least risks**
  - NTPC is India's largest utility with 34194 MW capacity (82% coal based, rest gas based). The company has a market share of 20% of India's installed capacity as on March 31, 2011. NTPC has no exposure to merchant power
  - In terms of electricity generation, the company generated 220.4 billion units, thereby commanding a generation share of 30% (of thermal power production) and 25% (of total electricity generation)
  - The company enjoys a robust regulated business model with returns of 15.5% on core RoE
  - In the IXth Plan (FY98-FY02), the company added 4200 MW. In the Xth Plan (FY03 –07) capacity addition jumped by 1.7x to 7200 MW
  - Average cost of generation per unit has increased by 6% (CAGR) in the last two years while selling price/unit has increased by 4%
  - Since the company operates on a regulated business model, the ability to pass on increase in coal costs is 100%, which provides a good hedge against rising fuel costs
- **Going ahead**
  - In the 11th five year plan, we expect NTPC capacity addition to increase by 1.5x to10,600 MW, over 10th five year plan. In 12th five year plan, we expect the company to add 1.9x over current 5 year plan (~ 2000 MW) taking the total capacity to ~ 62500 MW.
  - Due to capacity ramp, the company would require ~ 226 MTPA of coal by FY17. In addition of fuel linkage by coal India (largest customer), the company is expected to operationalise captive mines and achieve coal production of 47 million tonne by FY17. The balance ~ 27 – 30 MT will be met by imported companies
  - On account of regulated nature of business and with capacity ramp up, we forsee steady earnings growth from this company. In addition, the company has signed 1,00,000 MW PPA with SEBs (protected of fuel pass through and ensuring regulated return) beyond FY17

Valuation

We believe the company is a defensive play (with reasonable valuation) in the power sector on account of the regulated nature of the business at the time when the sector is plagued by rising interest rates, declining merchant power rates, backing down by SEBs (on account of losses) and falling gas output from the KG D6 basin. Key risks (for the stock not to outperform) would be a delay in capacity addition, lesser coal availability for newly commissioned capacity and backing down by SEBs (leading to loss of revenues).

Exhibit 14: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	38635	44245	46323	54874	12
EBITDA	11735	12639	12420	14151	6
EBITDA Margins (%)	30.4	28.6	26.8	25.8	-
Net Profit	7470	10427	8728	9103	7

Source: Company, ICICIdirect.com Research

Oil and Natural Gas Corporation (ONGC)

₹ 255

Stock data	
Market Cap	₹ 230999 crore
52 week High/low	₹ 368/260
Equity Capital	₹ 4277.7 crore
Face Value	₹ 5

Key ratio

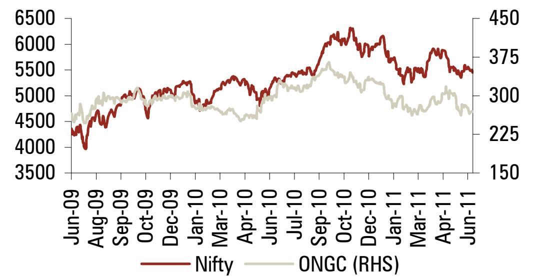
	FY08	FY09	FY10	FY11
EPS (₹)	23.5	23.1	22.7	26.3
PE (x)	9.0	12.1	13.2	10.3
EV/EBITDA (x)	5.7	4.5	6.6	4.8
P/BV (x)	2.7	1.8	2.3	2.0
RoNW (%)	22.7	13.3	20.0	19.9
RoCE (%)	22.9	20.3	17.8	24.1

Comparative return matrix

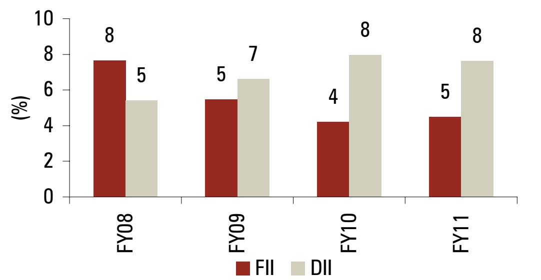
(%)	3m	6m	12m	24m
Cairn India	-11	-6	1	31
OIL India	0	-9	-1	N.A
ONGC	-5	-22	-14	2
RIL	-16	-21	-21	-17

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Government policy holds the key…

Leading PSU Oil & Gas company

- Oil and Natural Gas Corporation (ONGC) is India's leading Integrated Oil and Gas Company, having presence across the value chain. The company has presence across Exploration & Production (E&P), Refining , Petrochemical, Power, LNG & is also diversifying into new energy sources
- ONGC through its wholly owned subsidiary OVL, is operating in 14 countries across 33 projects
- In terms of capabilities, ONGC group produced 62 mtoe (million tons of oil equivalent in FY11, and has refining capacity of 12.5 mmtpa through its listed subsidiary MRPL
- The company has the highest share of hydrocarbon acreage in India. ONGC group 2P reserve and 3P reserve stands at 1426 mtoe and 1688 mtoe, respectively, as on FY11. In FY11, ONGC accreted 83.6 mtoe of ultimate reserves (3P) in domestic operated fields, which is the highest in last two decades

Going ahead

- Reforms by the Indian government in Oil & Gas sector would help in reducing the subsidy burden of upstream companies which was 38.75% in FY11. We expect the burden of upstream companies to be capped at 33.33% going forward.
- ONGC has aggressive investment plans in exploration and development activities over the next few years. As a part of its strategy the company plans to invest ~₹ 30.000 crore in FY12E & higher amount over the next few years in seismic, drilling and capital projects. This is expected to result in increased oil & gas production. Oil production is expected to increase to more than 28 mmt & natural gas production is expected to increase to more than 72 mmscmd in FY13.
- ONGC's strong balance sheet and healthy cash position which would provide sufficient cushion for funding future expansion.

Valuation

Any reforms in the pricing of sensitive petroleum products would reduce ONGC's subsidy burden and improve its profitability. We believe low valuations and further reforms in subsidy sharing mechanism would be triggers for the stock, going forward. Also, ONGC's large reserve base and new discoveries would create value for investors.

Exhibit 15: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	96782	104588	101754	117610	7
EBITDA	36586	36907	35436	51811	12
EBITDA Margins (%)	37.8	35.3	34.8	44.1	5
Net Profit	20076	19795	19404	22456	4

Source: Company, ICICIdirect.com Research

Reliance Industries (RELIND)

₹ 833

Stock data

Market Cap	₹ 294570 crore
52 week High/low	₹ 1125/885
Equity Capital	₹ 3273 crore
Face Value	₹ 10

Key ratio

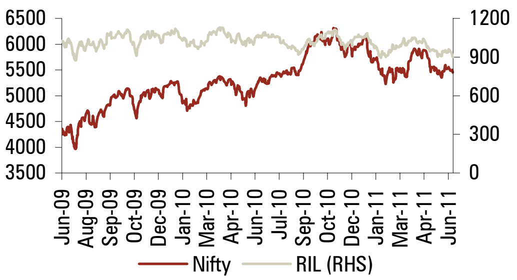
	FY08	FY09	FY10	FY11
EPS (₹)	67.3	54.1	53.4	64.8
PE (x)	13.4	16.6	16.9	13.9
EV/EBITDA (x)	16.8	12.4	12.0	9.4
P/BV (x)	3.9	2.1	2.3	2.0
RoNW (%)	25.5	14.5	18.7	13.1
RoCE (%)	17.1	9.7	13.2	11.0

Comparative return matrix

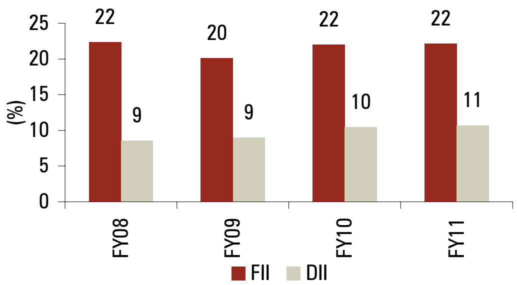
(%)	3m	6m	12m	24m
Cairn India	-11	-6	1	31
OIL India	0	-9	-1	N.A
ONGC	-5	-22	-14	2
RIL	-16	-21	-21	-17

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Leader in the pack...

- **Diversifying into new businesses**
  - Reliance Industries is India's largest private sector company operating in three key business segments: petrochemicals, refining, and oil & gas exploration and production.
  - Reliance has crude refining capacity of 62 MTPA in Jamnagar and is India's largest private petrochemicals player. The company made India's largest gas discovery in the KG-D6 field and is currently producing ~51 mmscmd of natural gas.
  - The company has recently bought stakes in shale gas blocks internationally to expand its operation in the exploration space. The company has bought stake controlling stake in Infotel Broadband to foray in telecom and broadband business. It has also ventured into financial space and bought 14.1% stake in EIH

- **Going ahead**
  - RIL would continue to invest in its traditional petrochemicals business along with new businesses. The refining & petrochemical segment which contributes ~ 70 % of EBIT in FY11 would continue to remain core part of Reliance business going forward.
  - RIL's strong cash flow from existing businesses would be invested into new businesses like broadband, retail & financial space over the next few years. However we believe that these businesses would take 3-5 years before they start contributing to its profitability.
  - Drilling of new wells in the KG basin is expected to increase production in FY14. Reliance would continue to invest in domestic fields with BP over the next few years. The gas production from the new Shale Gas JV's would commence from FY13E

Valuation

RIL valuations will be led by its traditional businesses, refining and petrochemicals. Global refining margin will likely be robust (RIL US$11/bl in FY13E) as product demand from Asia surges and European and the US stabilize. New discoveries in the KG basin, development of shale gas blocks and successful diversification in new business could provide upside to the stock, going forward. E&P will also chip in as key concerns have been addressed through the British Petroleum (BP) deal, indicating a strong bottom for its E&P valuations at US$24bn

Exhibit 16: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	137147	151224	203740	265811	25
EBITDA	22270	24217	30333	38072	20
EBITDA Margins (%)	16.2	16.0	14.9	14.3	-4
Net Profit	19568	14971	15897	19294	0

Source: Company, ICICIdirect.com Research

Stock data

Market Cap	₹ 138442 crore
52 week High/low	₹ 3515 /2120
Equity Capital	₹ 635 crore
Face Value	₹ 10

Key ratio

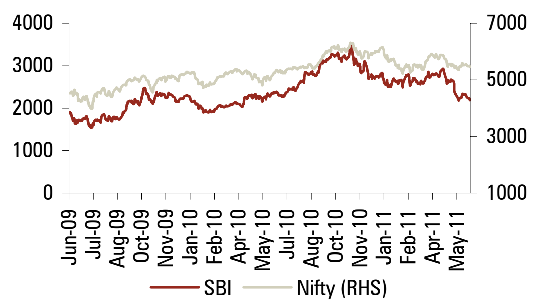
	FY08	FY09	FY10	FY11
Net Profit (₹Bn)	67.3	91.2	91.7	81.1
EPS (Rs)	106.6	143.7	144.4	127.7
Growth (%)	23.5	34.8	0.5	-11.5
ABV (₹)	693.3	795.8	886.3	831.0
P/E (x)	20.5	15.2	15.1	17.1
Price / Book (x)	3.3	2.9	2.5	2.2
Price / Adj Book (›	3.1	2.7	2.5	2.6
GNPA (%)	3.1	2.9	3.1	3.4
NNPA (%)	1.8	1.8	1.7	1.6
RoNA (%)	1.0	1.1	0.9	0.7
RoE (%)	16.8	17.1	14.8	12.5

Comparative return matrix

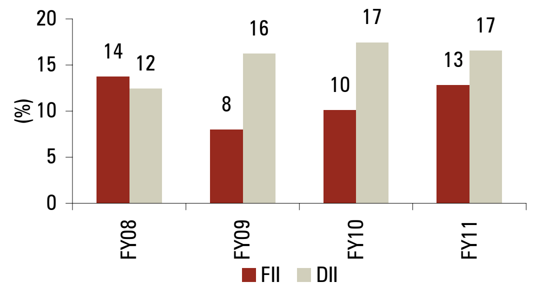
Company	3m	6m	12m	24m
BOB	-4.6	-1.7	18.8	104.1
BOI	-10.4	-4.6	23.7	32.5
PNB	-0.6	-9.6	4.0	77.1
SBI	-15.5	-17.1	-5.5	32.9

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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State Bank of India (STABAN)

₹ 2180

Stay with the leader...

- **Brand and size remain key strengths...**
  - SBI has the highest market share of 16.40% in domestic advances and 16.4% in deposits with its 14,000 branches. This provides a pricing edge and capability to change market dynamics also. Its B/S size stands at ₹ 10,000 billion and it has generated ₹ 80-90 billion profit annually
  - SBI aims to be among the top 50 global banks and is a proxy play in the Indian financial services space
  - It is present in all financial services including life insurance, capital markets, factoring, etc. which provides it an edge over other smaller players
  - The credit to GDP (nominal) ratio is 50% in India, offering enough space to grow. With the economy expected to grow at around 8% per annum in the next three to five years, credit demand is going to expand. Hence, enough opportunity exists
  - The bank is in the process of merging all the remaining five associate state banks, leading to growing market share and increasing scale of assets

- **Going ahead**
  - Benefiting from its scale on the borrowing cost side, SBI generates NIM of ~3% on a sustainable basis. We believe strong net interest income growth over the next few years will boost operating profits
  - Credit growth is in line with the industry at 17-18% for the next three years to lead to PAT CAGR of 15-18% during that period
  - The C/I ratio will be around 45-50% in future also
  - SBI maintains strong CASA (low cost deposits) of 47.5% on account of its over 14,000 liability franchises
  - Asset quality is slightly under pressure with net NPA of 1.63% and being the largest bank we see NNPA continuing at these levels

Valuation

SBI with its return ratios of 0.8-1% RoA and 14-16% RoE is expected to trade at a premium to other public sector banks due to its scale. All major subsidiaries including SBI Life are profitable. Associate banks expected to be merged over the next 12-24 months, have also generated RoA of 0.8-1%, which will keep consolidated return ratios healthy. There is a rights issue of ₹ 20,000 crore that is expected in H2FY11, which should further strengthen the bank with much needed capital. With strong economic growth, the financial services sector should outperform and SBI will be a significant contributor in the same.

Exhibit 17: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
NII	17021	20873	23671	32325	24
Other Income	8695	12691	14968	15823	22
PPP	13108	17915	18321	25178	24
Net Profit	6729	9121	9166	8109	6

Source: Company, ICICIdirect.com Research

Tata Motors (TELCO)

₹ 931

Diversified luxury at bargain price!

- **Strong domestic market /JLR global strength is an attractive play**
  - Tata Motors (TML) is one of the oldest and largest domestic automotive players in terms of financial size. It is the market leader in the CV space with ~ 60% market share and remains a strong domestic PV player
  - JLR witnessed a complete turnaround which has led consolidated profits spiralling ~29x post the acquisition in FY08.However still it constitutes less than 8% of global luxury car industry which stands at ~3.2mn units. The luxury car market OEM's are expected to add 1mn capacity by CY15E ~3x from CY10 levels.
  - On the demand side, if we try to size up the global luxury market, at present ~36 million affluent households (above $0.1 million in AuM*) and is expected to grow 1.33x from the present size led by Asia (ex-Japan) at 1.7x to 5.6 million households. These points reflect that even as the turnaround has happened, further possibilities for multiplier growth remain abound for JLR
  - On the domestic front, the infrastructure and capex pickup is a gross necessity. It is expected to witness an investment of ~$1 trillion in the XIIth Five Year Plan. We believe road freight would grow exponentially due to the laggard state of rail freight leading to higher CV sales growth on a longer term
  - TML remains a unique play in the auto segment, which has strong diversification benefits as its global presence helps revenues to remain less affected by any geographical/regional slowdown
- **Going ahead**
  - JLR is aggressively working on product development and would have the most refreshed portfolio in comparison to peers like BMW,Diamler with ~40 new product launches in next 3-4 years.
  - We believe JLR would focus on high value product segments and not try and match up on scale terms thus providing better margins and growth.
  - On the demand side we understand luxury market to be least sensitive to business cycles in automobiles providing belief in long term volume growth with rising affluent households driven by BRIC nations.
  - Domestically TML would gain from higher demand that would come through with the pick-up of the much needed capex cycle

Valuation

TML witnessed a turnaround in earnings. However, valuations in terms of multiples still remain docile and have not seen any re-rating till now. We believe this is on the cards as the strong domestic CV, PV segment presence along with a luxury play of JLR's calibre in the price inelastic segment provides a unique geographical, business diversification.

Exhibit 18: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	32361	70881	92519	123133	56
EBITDA	4023	2995	10407	17780	64
EBITDA Margins (%)	12.4	4.2	11.2	14.4	-
Net Profit	319	-2465	2517	9221	207

*Source: Company, ICICIdirect.com Research   *AuM- Asset under management*

Stock data

Market Cap	₹59822.6crore
52 week High/low	1382 / 742
Equity Capital	₹637.7crore
Face Value	₹10

Key ratio

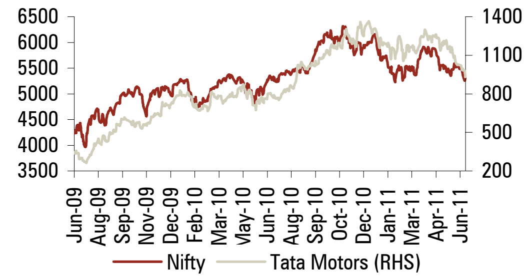
	FY08	FY09	FY10	FY11
EPS (₹)	56.2	-49.2	45.1	145.3
PE (x)	16.6	NA	20.7	6.4
EV/EBITDA (x)	20.5	34.8	9.6	5.1
P/BV (x)	4.1	8.2	6.5	2.9
RoNW (%)	23.9	5.3	25.0	44.0
RoCE (%)	21.3	3.0	18.3	32.0

Comparative return matrix

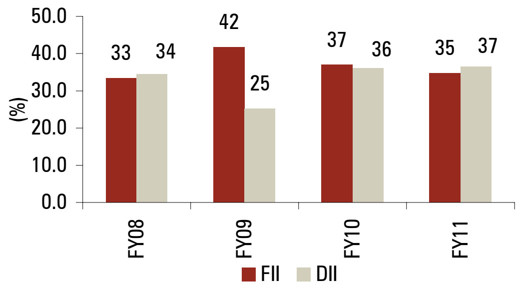
(%)	3m	6m	12m	24m
TML	-17	-31	16	172
MSIL	0	-18	-14	10
M&M	0	-15	2	73

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Tata Steel (TISCO)

₹ 561

Stock data

Market Cap	₹ 53823 crore
52 week High/low	₹ 737/450
Equity Capital	₹ 959 crore
Face Value	₹ 10

Key ratio

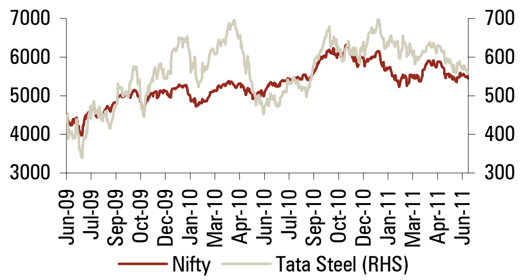
	FY08	FY09	FY10	FY11
EPS (₹)	177.0	67.8	NA	99.6
PE (x)	0.0	0.0	NA	0.0
EV/EBITDA (x)	4.9	4.6	11.3	6.1
P/BV (x)	1.1	1.4	1.8	1.4
RoNW (%)	35.9	17.4	-7.1	24.0
RoCE (%)	15.6	15.0	4.2	11.4

Comparative return matrix

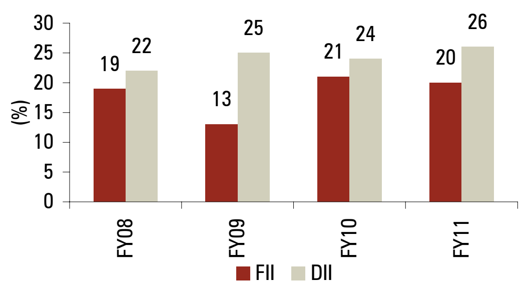
(%)	3m	6m	12m	24m
Tata Steel	-6	-16	18	36
SAIL	-14	-31	-32	-10
JSW Steel	-6	-29	-19	29
JSPL	-5	-8	-8	48

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Expansion to drive growth…

- **Has scale and global reach**
  - Along with being the 10th largest steel company in the world, Tata Steel is also the 2nd most geographically diversified steel producer having global presence in 50 markets.
  - The domestic operations are self-sufficient in iron ore requirement and ~60% self sufficient for its coking coal requirement. Raw material integration for the domestic operations gives the company a sustainable advantage to the company over its peers.
  - In terms of user industry Tata Steel's Indian operations caters to automobiles, construction, industries etc. Tata Steel Europe supplies steel to the construction, automotive, packaging segment while NatSteel Holdings & Tata Steel Thailand caters primarily to the construction industry.
- **Going ahead**
  - On the back of healthy demand growth in India, Tata Steel is increasing the domestic capacity by 2.9 Mtpa (Million tonnes per annum) which is expected to be operational by end of Q3FY12. Furthermore the overall product mix is expected to improve with the commencement of additional capacity. The access to captive raw materials is expected to keep costs in check.
  - So as to improve the competency of European operations the company is planning to under take investment of £400 million over the next five years to improve energy efficiencies & invest in premium products giving access to new markets.
  - In order to ensure raw material security for its global operations, Tata steel has formed joint ventures in Australia, Mozambique, etc. Over the long term this initiative is expected to augment group's overall raw material integration.

Valuation

Tata Steel's Indian operations has a robust business model, higher margin & domestic demand advantage. The upcoming new capacity is expected to add to revenue & profitability along with increasing the contribution from higher margin domestic business. The group's strategy to restructure long products business of European operations & target high value markets is expected to yield benefits in long run. Going forward this would help the company to have flexibility in its operations so as to focus on segments having higher growth rate & keep the costs under check.

Exhibit 19: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	131536	145686	101758	117150	-4
EBITDA	18567	18128	8043	15996	-5
EBITDA Margins (%)	14.1	12.4	7.9	13.7	-
Net Profit	12350	4951	-2009	8983	-10

Source: Company, ICICIdirect.com Research

Tata Consultancy Services (TCS)

₹ 1070

Stock data

Market Cap	₹ 215,020crore
52 week High/low	₹ 1247/725.5
Equity Capital	₹ 195.7 crore
Face Value	₹ 1

Key ratio

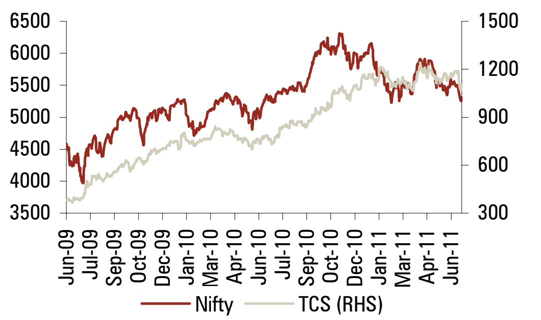
	FY08	FY09	FY10	FY11
EPS (₹)	26.0	26.4	35.1	44.4
PE (x)	41.2	40.5	30.5	24.1
EV/EBITDA (x)	34.4	28.3	23.4	18.2
P/BV (x)	11.2	8.5	6.7	5.8
RoNW (%)	41.7	33.2	37.4	35.7
RoCE (%)	41.1	39.6	42.2	41.6

Comparative return matrix

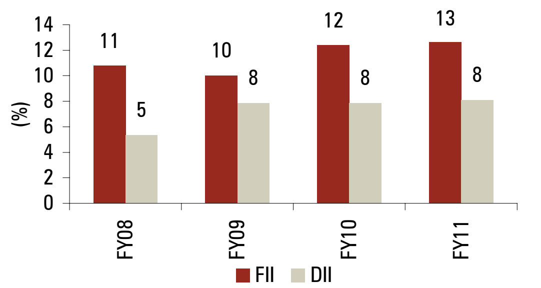
(%)	3m	6m	12m	24m
TCS	3	-5	40	189
Infosys	-7	-18	-3	54
Wipro	-31	-17	-3	76
HCL tech	2	2	19	140

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Ride the momentum…

- **Standing tall**
  - Largest Indian IT company both in terms of revenues (₹37,325 crore) and employee base (~200,000)
  - Revenue and net profit have grown at a CAGR of 25.3% & 26.3% during FY04-FY11 period
  - Clients in core verticals such as banking financial services & insurance (44% of FY11 revenues) and retail & distribution (11%) continue to spend
  - Demand environment and qualified deal pipeline continues to be robust as reflected from the initial FY12E employee hiring guidance of 60,000
  - Non-linear initiative such as iON (cloud based solution for small & medium business), platform BPO and financial products could help sustain revenue growth momentum & operating margins
  - At 83%, including trainees utilisation continues to be in the comfort zone
  - TCS appears cohesive, aggressive & reinvigorate unit the current CEO N Chandra who is just 48 years old while official retirement age at TCS is 65 years, which implies minimal churn/stable management at the top
- **Going ahead**
  - Expect industry leading US$ revenue growth during FY12E-FY14E period helped in part by volume growth, non-linear initiatives & scale benefits.
  - Pricing improvement led by portfolio shift could help offset wage inflation
  - TCS continues to operate at industry leading ROE's and ROCE's

Valuation

Demand environment continues to be robust led by discretionary spending across verticals and service lines. TCS was the key beneficiary of market and mind share gain post FY09 and continues to outperform its peers driven by scale and efficiency.

Exhibit 20: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	22863	27813	30028	37321	18
EBITDA	5950	7178	8679	11189	23
EBITDA Margins (%)	26.0	25.8	28.9	30.0	-
Net Profit	5082	5172	6873	8683	20

Source: Company, ICICIdirect.com Research

Biocon (Biocon)

₹ 340

Stock data

Market Cap	₹ 6888 crore
52 week High/low	₹ 472/301
Equity Capital	₹ 100 crore
Face Value	₹ 5

Key ratio

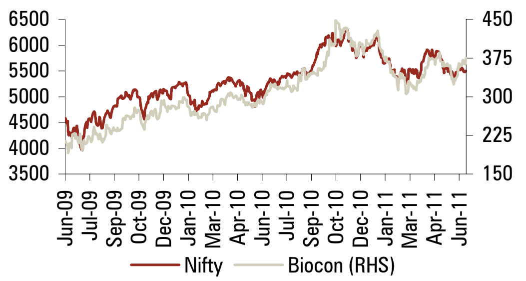
	FY08	FY09	FY10	FY11
EPS (₹)	21.8	12.0	14.7	18.4
PE (x)	15.6	28.2	23.2	18.5
EV/EBITDA (x)	11.5	22.6	15.2	11.5
P/BV (x)	2.3	4.5	3.9	3.3
RoNW (%)	30.8	6.2	16.7	18.0
RoCE (%)	13.8	13.2	15.6	19.2

Comparative return matrix

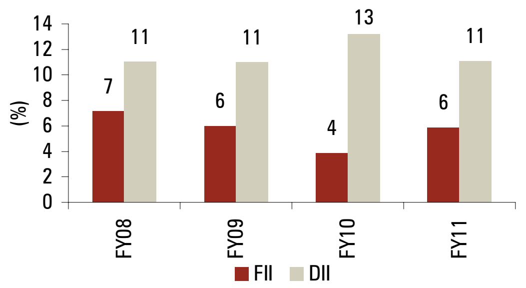
(%)	3m	6m	12m	24m
Biocon	4	-15	10	59
Glenmark Pharma	10	-13	11	35
Lupin	10	-4	15	157
Cadila Healthcare	22	15	42	298

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Leader by far in bio-tech space...

- **Focus on niche therapies through bio-technology**
  - Biocon is Asia's largest manufacturer of insulin and one of the leading manufacturers of Statins and immuno-suppressants
  - The company has a strong presence in the diabetology segment, which is the fastest growing therapeutic segment (growing ~25% per annum) in the domestic formulations market. It also has a presence in segments like oncology, nephrology and cardiology
  - It has R&D tie-ups with leading MNCs like Mylan, Amylin and BMS
  - Two of its novel drugs i.e. oral insulin (diabetic) and anti-CD5 MAb (Oncology) are in later stages clinical trails. It is planning to out-license oral insulin (IN105)
  - It has struck an out-licensing deal with Pfizer to launch four human insulin products in emerging and advanced markets post patent expiry. It has received US$100 million from Pfizer while another US$100 million will be received in due course
  - It has also struck a deal with US based Optimer to supply APIs, which will be used in diarrhoea drug Fidaxomicin, which is a patented product with a market size of ~$350 million. Biocon is the sole API supplier for Fidaxomicin.
- **Going ahead**
  - The deal with Pfizer (for four products) has opened up huge opportunities in the field of human insulin. While supply in the US will start post FY14, supplies to emerging markets and EU will start in FY12 and FY13, respectively
  - Revenues from Fidaxomicin are expected to start from H2FY12
  - Cash received from Pfizer (US$200 million) will strengthen the R&D capabilities and product launches will improve the margins
  - Divestment in Axicorp will affect the sales initially but will improve the overall margins, going ahead

Valuation

The Pfizer deal has vindicated Biocon's capabilities in biotechnology in general and the insulin space of diabetology in particular. Biosimilars normally get less price erosion post patent launch on account of their complex nature. Divesting the low margin business (Axicorp) is a good move for the company to concentrate more on its core bio-pharma business. We see good traction from its research services business also. The cash which it received from Pfizer will take care of incremental R&D expenses. We remain positive on the stock.

Exhibit 21: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	1108	1609	2368	2770	35
EBITDA	316	323	471	592	23
EBITDA Margins (%)	28.5	20.1	19.9	21.4	-
Net Profit	464	101	303	375	-7

Source: Company, ICICIdirect.com Research

Stock data

Market Cap	₹ 19896.2 crore
52 week High/low	₹ 120/87
Equity Capital	₹ 174.1 crore
Face Value	₹ 1

Key ratio

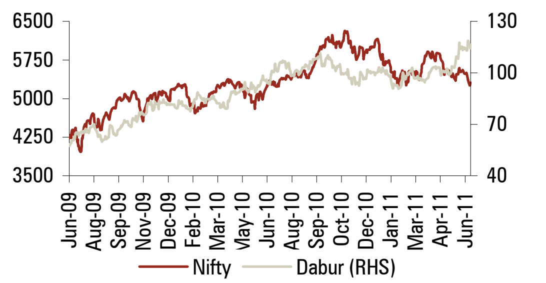
	FY08	FY09	FY10	FY11
EPS (₹)	1.9	2.3	2.9	3.3
PE (x)	59.5	50.8	39.5	34.9
EV/EBITDA (x)	49.3	42.8	31.8	25.2
P/BV (x)	16.0	12.1	10.6	14.3
RoNW (%)	60.8	54.4	57.0	48.9
RoCE (%)	56.6	51.7	56.0	41.1

Comparative return matrix

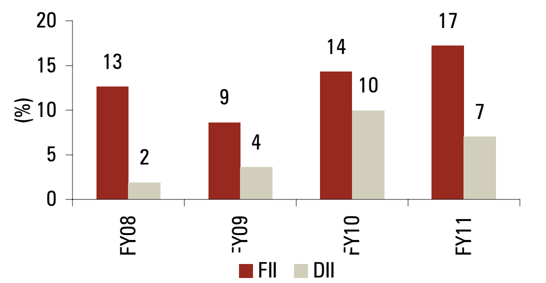
(%)	3m	6m	12m	24m
Dabur	23	18	25	102
Godrej Consumer	16	13	22	155
HUL	19	9	27	25
Marico	7	16	23	99

Price as on 20 June 2011

Price movement



FII & DII holding pattern



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Dabur (DABIND)

₹ 114

Strong position in high growth categories...

- **Diversified & high growth product portfolio**
  - Dabur India's market capitalisation has increased by almost 3.5x to ₹ 20,653 crore from FY05 to FY11 with the average dividend yield being ~4% (FY05-11)
  - It is the largest ayurvedic and natural healthcare company in the world, with ~85% of revenues generated from herbal business. However, the company's ambitions are not limited by this and it also has a dominant presence in personal & home care categories
  - Dabur enjoys a leadership position across its various segments. In foods, Real fruits juices (~52%*), Chyawanprash (~66%*), Hajmola (56%*) and branded honey enjoy a strong brand value. In personal care & homecare products, amla hair oil, Fem skin bleach and Odomos mosquito repellent cream (~69%*) also enjoy a dominant share of their respective categories. It also has a leading presence in the over the counter (OTC) healthcare industry (~₹ 13,000 crore industry growing at ~15% per annum) with a range of ~260 products
  - Dabur's presence in the lower penetrated and high growth categories such as oral care (42% rural penetration), skin cream (18% rural and 32% urban), health care and packaged foods provides it substantial headroom for growth led by the strong demographic and economic indicators of the country
- **Going ahead**
  - With the company's dominant position in high growth categories, revenue CAGR of ~19% and higher earnings CAGR of ~24% (FY05-11), we believe the company would continue to maintain its growth trajectory on the back of its large portfolio spanning multiple categories
  - Moreover, strong brand positioning & leadership position provides it the pricing power & ability to absorb the cost inflation
  - With the company extending its presence in the fast growing international markets (North Africa, Turkey and Middle East), we believe that, going ahead, the domestic inflation impact on revenues could be offset by international exposure. Also, the synergistic benefits from international acquisitions through cross selling opportunities would aid revenue growth

Valuation

With the company's ability to almost triple its revenues in the past seven years, increase its earnings almost four fold from FY05 to FY11, maintain strong cash flows, improve return ratios and a constant dividend payout of ~40%, we believe that the company's performance is the best among its peers in the industry.

Exhibit 22: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	2361	2805	3391	4077	20
EBITDA	404	466	624	788	25
EBITDA Margins (%)	17.1	16.6	18.4	19.3	-
Net Profit	334	391	500	569	19

Source: Company, ICICIdirect.com Research

* refers to market share by value as on 31st March, 2011

Dish TV (DISTHV)

₹ 79

Stock data

Market Cap	₹ 8364 Crore
52 week High/low	₹ 87 / 42
Equity Capital	₹ 106 Crore
Face Value	₹ 1

Key ratio

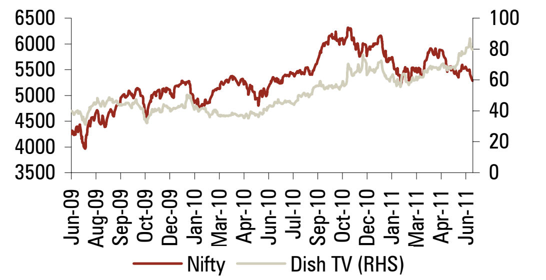
	FY08	FY09	FY10	FY11
EPS (₹)	-9.7	-7.0	-2.5	-1.8
PE (x)	NA	NA	NA	NA
EV/EBITDA (x)	-	-	85.2	40.8
P/BV (x)	86.0	17.0	5.6	5.6
RoNW (%)	-967.1	-138.1	-16.0	-11.6
RoCE (%)	-62.3	-23.5	-8.2	-4.7

Return matrix

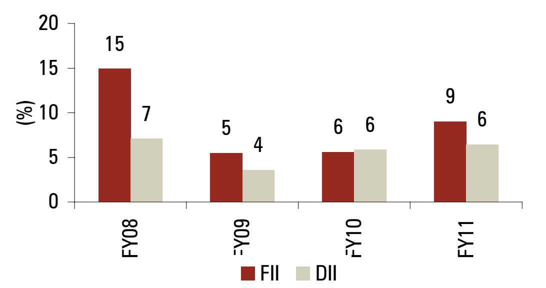
(%)	3m	6m	12m	24m
Dish TV	28	20	84	103

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Riding on digitisation wave...

- **Market leader with strong net adds share**
  - Dish TV is the largest DTH player with a market share of ~31% and net add share of ~29%
  - Majority of the cable and satellite household addition (86 million in 2008 to 95 million in 2009) were led by DTH, which added about 6 million subscriber homes in 2009. DTH is expected to drive the digital cable distribution industry, going forward, as well
  - The DTH industry will benefit the most from the government's decision to digitise cable distribution throughout India by December 31, 2013. The DTH industry expected to almost double in next two years from the current subscriber base of 33.9 million

- **Going ahead**
  - Dish TV's subscriber base of 10.5 million in FY11 is expected to more than double in the next three years
  - The recently launched HD channels have seen a good response. Share of HD is expected to increase from 7% of net adds currently resulting in higher ARPU and high operating leverage
  - The company is well capitalised to acquire its next 4.0 million subscribers and is expected to become cash flow positive by FY13E to fund further acquisitions
  - Topline growth would maintain a healthy pace on the back of high subscriber addition and ARPU expansion
  - EBITDA will grow rapidly on the back of high operating leverage due to fixed price contracts with broadcasters. EBITDA margin will more than double from current levels within the next two years
  - Dish TV would become PAT positive within the next fiscal

Valuation

Being the market leader in a booming industry the stock has fared well appreciating over 94% in the last 12 months. The company is well capitalised to fund the next phase of growth. The government's renewed thrust on digitisation and positive PAT would be next triggers. We recommend Dish TV as our top pick in the sector.

Exhibit 23: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	412	738	1085	1437	52
EBITDA	-209	-123	112	239	NA
EBITDA Margins (%)	-50.7	-16.7	10.3	16.6	-
Net Profit	-414	-481	-263	-190	NA

Source: Company, ICICIdirect.com Research

Exide Industries (EXIIND)

₹ 150

A charged up proxy for the India auto story...

- **Market leader in battery business**
  - Exide (EIL) is the largest battery supplier in the domestic market with capacity pipeline of ~3.5 crore units (1.7x FY11) by FY13-14E
  - The unmatched distribution network(~39,000 retail outlets) and strong brand loyalties are the pillars of its strong market share (~72% in the OEM space,~65% in the replacement market)
  - EIL is among the safest proxy calls on the India auto story, which we expect will multiply 1.7x by CY15. We expect battery sales to grow to ~3x of present by CY15 as stronger replacement demand would be reflected due to the strong auto growth(2x) since FY06. We believe this as higher proportion (~60%) will push start two-wheeler sales that would be up for replacement
  - EIL has strong backward integration through its in-house lead smelters, which provides it an edge over its peers in terms of overcoming unfavourable commodity cycles
  - One of the reasons we believe EIL would continue to grow its market share lies in the fact that it remains the preferred OEM supplier and first battery replacement constitutes a strong degree of loyalty towards the installed brand. Thus, we believe as the market keeps growing EIL would enjoy stronger market dominance
  - EIL is insulated from cyclicality in terms of OEM demand slowdown as it diverts its extra production to replacement sales (higher yield). On the other hand, it also keeps costs in check, which helps in margin and RoE growth
- **Going ahead**
  - EIL is expected to continue improving its sales mix with higher aftermarket to OEM sales ratio targeted at ~1.6 levels by FY14E
  - The company plans to increase its backward integration to ~65% levels in the coming years to further insulate itself from the impact of volatility in lead prices
  - EIL has initiated a strong capacity addition, which would provide it higher replacement sales possibilities. This would provide twin benefits by increasing market share and improving profitability
  - EIL has strong RoEs at~24-25%, which we expect will grow further due to healthy income growth

Valuation

The stock has always commanded a valuation premium in comparison to its competitors due to its dominant market share with higher than industry margins and return ratios. The backward integration also insulates EIL to a certain extent from commodity price vagaries. We recommend the stock be accumulated as the structural growth story of the automotive industry is expected to continue in the long-term.

Exhibit 24: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	2845	3393	3794	4576	17
EBITDA	469	545	889	901	24
EBITDA Margins (%)	16.5	16.1	23.4	19.7	-
Net Profit	250	284	537	633	36

Source: Company, ICICIdirect.com Research

Stock data

Market Cap	₹12707.5crore
52 week High/low	₹ 180 / 108
Equity Capital	₹85crore
Face Value	₹1

Key ratio

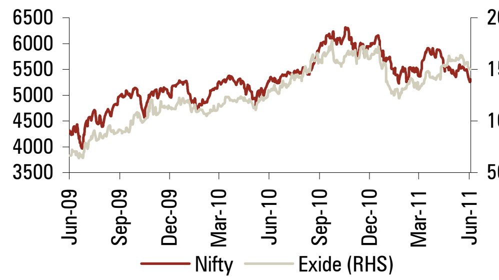
	FY08	FY09	FY10	FY11
EPS (₹)	3.1	3.6	6.3	7.8
PE (x)	47.9	42.2	23.7	19.1
EV/EBITDA (x)	27.9	23.9	14.4	14.1
P/BV (x)	11.7	9.6	5.8	4.7
RoNW (%)	29.5	25.0	31.0	26.9
RoCE (%)	34.2	32.4	41.7	32.4

Comparative return matrix

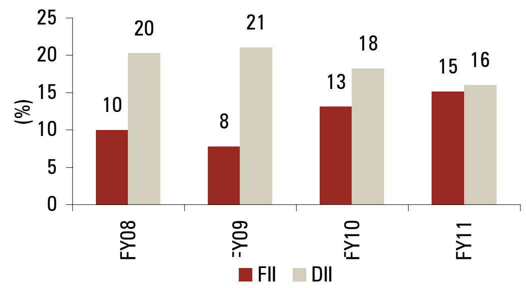
(%)	3m	6m	12m	24m
EIL	15	-6	17	125
ARBL	21	20	24	145
HBL	-14	-34	-46	-29

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Federal Bank (FEDBAN)

₹ 424

Stock data

Market Cap	₹ 7248 crore
52 week High/low	₹501 /302
Equity Capital	₹ 171 crore
Face Value	₹ 10

Key ratio

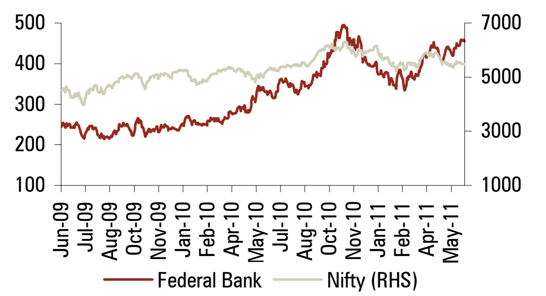
	FY08	FY09	FY10	FY11
Net Profit (₹ Cr)	368	500	465	587
EPS (₹)	21.5	29.3	27.2	34.3
Growth (%)	-25.1	36.0	-7.2	26.4
ABV (₹)	226.6	248.6	266.4	271.9
P/E (x)	19.7	14.5	15.6	12.4
Price / Book (x)	1.9	1.7	1.6	1.5
Price / Adj Book (›	1.9	1.7	1.6	1.6
GNPA (%)	2.5	2.6	3.0	3.6
NNPA (%)	0.2	0.3	0.5	0.6
RoNA (%)	1.3	1.4	1.1	1.5
RoE (%)	13.6	12.1	10.3	13.5

Comparative return matrix

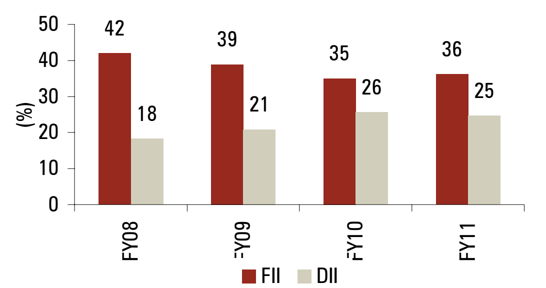
Company	3m	6m	12m	24m
City Union Bank	0.0	-3.9	31.2	120.5
Federal Bank	24.5	13.1	38.5	82.4
South Indian Bank	26.4	2.0	56.2	198.5
Syndicate Bank	3.8	-1.9	22.5	53.5

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Operational restructuring- next delta...

- **RoE expansion- A turnaround story**
  - Federal Bank is a turnaround story of optimum financial leverage bolstered by operational restructuring under way leading to improvement in RoE from 13.5% currently to over 17%
  - It is a leader among south based old private sector banks (across all parameters like branch network, NIM, efficiency and size) serving through 743 branches. The bank is shedding the regional tag and aiming at a pan-India presence
  - The bank is in the process of successfully implementing the business transformation roadmap suggested by the Boston Consultancy Group (BCG). This is expected to help the bank in cementing its position as a new generation private sector bank
  - One of the leanest cost structures among peers (CI ratio of 36%)

- **Going ahead**
  - The bank's credit disbursal policy and improving loan monitoring system will moderate asset quality concern ahead. We, therefore, see lower provisioning cost enabling healthy PAT growth
  - RoE deteriorated during FY10 (@10%) due to low business growth and unutilised funds raised through rights issue in FY08-09. Healthy business growth (above industry average) is expected to help the bank retain its position among top five private players in the country
  - The story will revolve around the leadership of CEO Shyam Srinivasan. This is expected to take the bank to the next level of high growth, which would improve the RoE
  - The kicker to the NII growth would come from healthy loan growth of 20% and controlled cost structure. PAT growth would remain healthy in the backdrop of restrained credit cost
  - NIM, which is healthy at 4%, is expected to stay within a range of 3.5-4% on account of low cost deposit franchise of 35-40% (CASA and NRI deposits) and asset growth focused towards SME and retail segment where margins are better

Valuation

We believe the bank's return ratios are set to improve (RoE of 17%+) supported by healthy business growth of 20-25% CAGR over the coming years. Management capability and higher capital adequacy ratio at 16.7% will be key triggers, going ahead.

Exhibit 25: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
NII	868	1315	1411	1747	26
Other Income	395	516	531	517	9
PPP	794	1260	1265	1427	22
Net Profit	368	500	465	587	17

Source: Company, ICICIdirect.com Research

Glenmark Pharma (GLEPHA)

₹ 298

Stock data

Market Cap	₹ 8307 crore
52 week High/low	₹ 390/241
Equity Capital	₹ 27 crore
Face Value	₹ 1

Key ratio

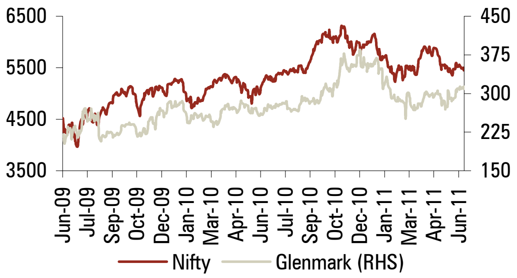
	FY08	FY09	FY10	FY11
EPS (₹)	25.4	7.7	12.2	16.9
PE (x)	11.7	39.0	24.3	17.6
EV/EBITDA (x)	10.3	22.1	15.8	16.7
P/BV (x)	4.9	4.7	3.4	4.0
RoNW (%)	41.6	19.4	14.1	22.5
RoCE (%)	34.2	16.4	14.8	16.7

Comparative return matrix

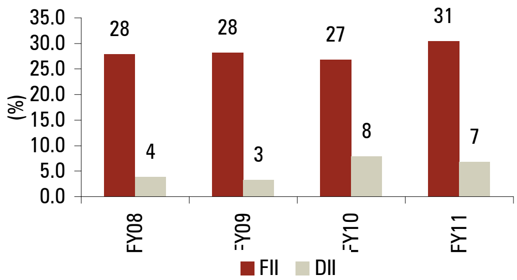
(%)	3M	6M	12M	24M
Glenmark Pharma	10	-13	11	35
Sun Pharma	10	8	39	81
Cadila Healthcare	22	15	42	298
Lupin	10	-4	15	157

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Focus on niche to drive growth...

- **Leading player in domestic dermatology segment**
  - The domestic formulations are growing at ~15-16% per year. It is a leading player in the high margin domestic dermatology segment and enjoys ~8% market share
  - Beside dermatology, it is also improving its market share in segments like respiratory (market share: ~2.9%) and cardiac (market share ~2.4%).
  - In the US, Glenmark follows specific strategy of identifying niche products with limited competition despite lower market size. It markets 67 products in the US and another 41 ANDA are pending for USFDA approval. Of these 41 ANDAs, it filed 14 ANDAs with Para IV certification
  - Glenmark is the only Indian generic player to have received approvals for high margin oral contraceptives in the US market and has already launched four products
  - Glenmark is one of the few domestic pharma companies with a strong research pipeline. In a span of six to seven years, it has spent around US$140 million and received ~ US$200 million from the R&D pipeline
  - Currently, the pipeline consists of eight molecules (four new chemical entities or NCEs and four new biological entities or NBEs), which are under in stages of development
  - The company has entered into an agreement with Sanofi to out-license an NBE named GBR 500 for inflammatory diseases. Sanofi will develop and commercialise this molecule
- **Going ahead**
  - Glenmark will re-focus on R&D and try to milk the pipeline of eight products especially the NBEs as it is the only Indian company to have struck a deal for an NBE
  - It plans to launch two FTF products i.e. Malarone (anti-malarial) and Cutivate (dermatology), which will kick-start the process of launches and settlements of many high margin FTFs
  - The debt equity ratio is expected to come down significantly on account of rekindling of the R&D pipeline and monetisation of the US portfolio including FTFs

Valuation

Glenmark is building a niche pipeline for the US market. We believe recently launched products and FTFs (to start from FY12) will drive growth in sales. It is also building a healthy pipeline for the domestic market. The recent deal with Sanofi for out-licensing biological molecule augurs well as it will generate steady cash flows for debt reduction besides milking the R&D pipeline. We remain positive on the stock.

Exhibit 26: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	1977	2093	2501	2949	14
EBITDA	802	455	620	597	-9
EBITDA Margins (%)	40.6	21.7	24.8	20.2	-
Net Profit	631	192	324	458	-10

Source: Company, ICICIdirect.com Research

Gujarat State Petronet Ltd (GSPL)

₹ 94

Stock data

Market Cap	₹ 5455 crore
52 week High/low	₹ 128/88
Equity Capital	₹ 562.5 crore
Face Value	₹ 10

Key ratio

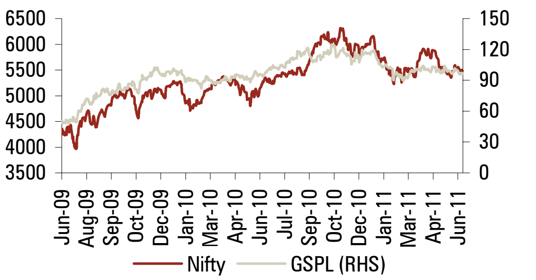
	FY08	FY09	FY10	FY11
EPS (₹)	1.8	2.2	7.4	9.0
PE (x)	54.6	44.2	13.2	10.8
EV/EBITDA (x)	17.6	15.6	7.1	7.2
P/BV (x)	4.8	4.5	3.5	2.7
RoNW (%)	9.0	10.0	26.0	25.0
RoCE (%)	10.0	11.0	25.0	24.0

Comparative return matrix

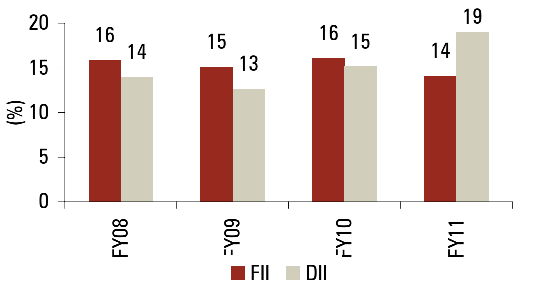
(%)	3m	6m	12m	24m
GSPL	-6	-21	-2	83
IGL	22	8	37	173
Petronet	19	9	79	107
GAIL	-4	-15	-9	52

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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The growth engine...

- **The leader in Gujarat**
  - Gujarat State Petronet Ltd (GSPL), a GSPC group company, is a pure gas transmission company, with a current pipeline network of ~1900 km spread across Gujarat
  - GSPL's gas transmission volumes stood at 35.6 mmscmd in FY11
  - Authorisation and tariff fixation of existing network is in progress by Petroleum and Natural Gas Regulatory Board (PNGRB)
  - GSPL (52% stake) through a consortium has recently received authorisation to implement Mehsana-Bhatinda, Bhatinda-Jammu-Srinagar and Mallavaram-Bhilwara pipeline projects. The company intends to incur a capex of ₹ 12,200 crore on these pipelines over the next three years and believes it would yield an equity IRR of 15% on these projects

- **Going ahead**
  - The management intends to increase the volumes from 35.6 mmscmd in FY11 to 45 mmscmd over the next two years. This would add to the revenue and profitability of the company over a long run.
  - GSPC Gas (GSPL holds ~40% stake in the company) intends to come out with an IPO in H2FY12E/ H1FY13E. GSPC reported PAT of ₹ 148 crore in FY11. We believe the IPO would unlock value for GSPL, going forward.
  - The company would spend ~₹ 600-700 crore over the next two years to expand their existing network in Gujarat. The current pipeline network is around 1900 km, which will be increased to 2400 km in the next five years
  - In FY08-11, net sales, EBITDA and net profit have grown at 36%, 39% and 72% CAGR, respectively. GSPL also has healthy return ratios with RoE and RoCE at ~25% and 24%, respectively. The company also enjoys a healthy EBITDA in excess of 90%

Valuation

We believe that steady growth in volumes and profitability, an extensive pipeline network in Gujarat and ambitious expansion plans in and outside the state bolster our bullish view on the stock. A new pipeline would also add value to the stock, going forward.

Exhibit 27: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	418	488	1001	1047	36
EBITDA	364	425	941	969	39
EBITDA Margins (%)	87.2	87.2	94.1	92.6	2
Net Profit	100	123	414	506	72

Source: Company, ICICIdirect.com Research

Jet Airways (JETAIR)

₹ 423

Best placed to capture growth…

- **Size does matter**
  - Jet Airways is India's largest private sector airline with a domestic market share of 26.1% in FY11
  - The company strengthened its position in the aviation sector by acquiring Air Sahara (rechristened as JetLite in April 2007
  - Currently, JAL operates 116 aircraft (Jet: 97, JetLite: 19) (Owned: 40, Leased: 76), which flies to more than 61 destinations in India and abroad. JetLite operates predominantly on domestic routes
  - With an average fleet age of 5.1 years, Jet Airways has one of the youngest aircraft fleet comprising Airbus A330-200, Boeing 737-700/800/900, Boeing 777-300 ER and ATR 72-500
  - It has been rated the best on time performer among all other scheduled domestic airlines with an on-time performance of 94.9%
  - It operates at better margins (FY11: 10.8%) vs. peer group companies (FY11: 2.0%) due to its presence in the high margin international segment (i.e. 55% of topline) and better cost control management
- **Going ahead**
  - With its differentiated product offerings (Jet, JetKonnect and JetLite), the company is well placed to capture the demand from both LCC and FCC segment in India and abroad, thereby maintaining its market share over the longer term. Therefore, we see healthy revenue growth of ~16.5% p.a. over the longer term
  - By adopting an asset-light strategy (i.e. sale and leaseback transactions of owned aircraft), selling of non-core assets (BKC land parcel) and limited capex, it is well positioned to reduce its debt burden at comfortable level over the longer term

Valuations

We believe the company should command a premium over its peer group on account of its presence across all matrices, its best services and focused management team. The stock is currently trading near 52 week low levels due to the concern on rising jet fuel prices. This, in turn, resulted from the recent disruption in production of sweet crude in Libya. With demand continuing to remain healthy, we believe any potential fall in oil prices will improve the company's profitability significantly. The stock is currently available at 1.1x FY11 EV/sales (i.e. at a 25% discount to its comparable peer matrix). We, therefore, recommend Jet Airways as one of our top picks in our model portfolio.

Exhibit 28: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	10246	13078	11876	14529	12
EBITDA	-163	-859	1062	1576	NA
EBITDA Margins (%)	-1.6	-6.6	8.9	10.8	NA
Net Profit	-654	-961	-420	-86	NA

Source: Company, ICICIdirect.com Research

Stock data

Market Cap	₹ 3638 crore
52 week High/low	₹ 926.4/392
Equity Capital	₹ 86.6 crore
Face Value	₹ 10

Key ratio

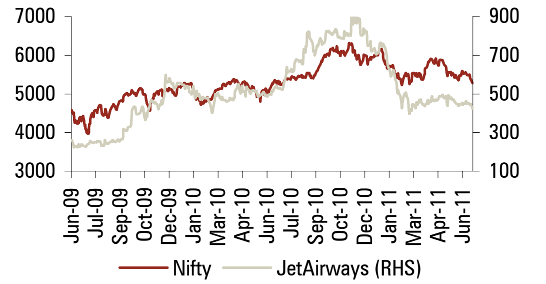
	FY08	FY09	FY10	FY11
EPS (₹)	-75.7	-111.4	-48.7	-10.0
PE (x)	NA	NA	NA	NA
EV/Sales (x)	1.5	1.4	1.4	1.1
EV/EBITDA (x)	NA	NA	16.1	10.5
P/BV (x)	1.2	0.7	2.4	2.2
RoNW (%)	-20.5	-30.3	-21.4	-5.1
RoCE (%)	-7.8	-10.0	0.5	4.0

Comparative return matrix

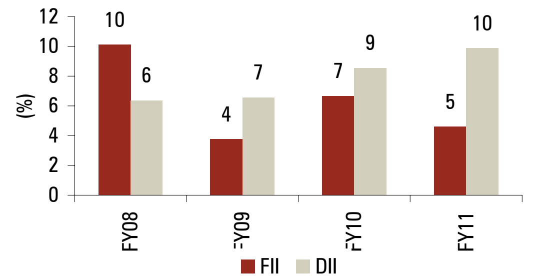
(%)	3m	6m	12m	24m
Jet Airways	-3	-28	-19	90
Kingfisher	-7	-34	-20	-25
SpiceJet	-23	-60	-51	47

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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JP Associates (JAIASS)

₹ 79

Integrated Infrastructure play...

- **Infrastructure conglomerate with presence across verticals**
  - JAL is a diversified infrastructure conglomerate with presence across cement, power, real estate and EPC verticals
  - JAL has emerged as the leading cement player by expanding its capacity to currently ~26 MTPA in FY11, significantly expanding its market share from 4.4% in FY05 to 7.6% in FY11
  - JPVL (JAL subsidiary) is the largest private hydropower player
  - JAL is also executing a 165 km six lane Yamuna Expressway. Along the expressway, it has also got real estate development of 530 million sq ft providing significant monetisation opportunities
  - JAL has strong construction capabilities especially in hydropower projects. The company enjoyed 54% share in the Xth Five Year Plan hydropower projects
- **Going ahead**
  - JAL expects to increase its cement capacity to 35.9 MT. Such a massive capacity addition would increase its market share from ~7.6% currently to ~10% over the next four or five years
  - JAL is aggressively adding capacity in its power division and is expected to add another ~5800 MW by FY15E, which should lead over 10x growth in JPVL earnings.
  - JAL has so far monetised its Yamuna Expressway land parcel very well. It has sold the land bank worth ~₹ 9200 crore (~31 million sq ft till December 2010) and has already collected ₹ 4136 crore. We believe the collection from existing pre-sales and new pre-sales would significantly improve Jaypee Infratech's free cash flow over the next few years
  - In the construction division, JAL enjoys significant construction opportunities from its in-house power and real estate projects (power projects plans of 13720 MW and real estate development plans of 695 million sq ft)

Valuation

At the CMP, the stock is trading at 22.2x FY11 earning estimates and 1.7x FY11 P/BV. With the significant expansion in the power, cement and real estate development, we expect JAL's earnings to grow exponentially over the next five years. Furthermore, JAL is the only player that provides exposure in infrastructure across the value chain (material, developers and EPC capabilities).

Exhibit 29: Financial Performance

₹ crore	FY08	FY09	FY10	FY11	CAGR(%)
Net sales	3984.8	5792.6	10088.9	12966.5	48.2
EBITDA	1096.9	1704.5	2311.4	2888.7	38.1
EBITDA margin (%)	27.5	29.4	22.9	22.3	
Net profit	597.2	892.7	893.9	755.2	8.1

Source: Company Quarterly Presentation, ICICIdirect.com Research

Stock data

Market Capitalisation	₹ 16785 crore
52 week H/L (₹)	141 / 70
Equity capital	₹ 425.3 crore
Face value	₹ 2

Key ratio

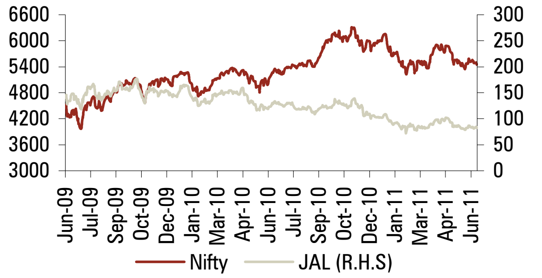
	FY08	FY09	FY10	FY11
EPS (₹)	2.8	4.2	4.2	3.6
PE (x)	29.5	18.8	18.8	22.2
P/BV(x)	3.8	2.5	2.0	1.7
EV/EBITDA (x)	22.0	15.8	13.3	10.8
RoCE (%)	8.4	8.6	8.0	8.0
RoNW (%)	16.3	15.9	11.7	12.7

Comparative return matrix

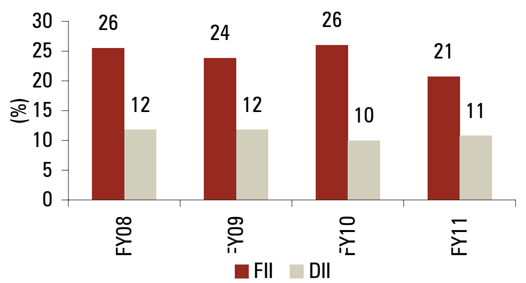
Stock return (%)	3m	6m	12m	24m
Jaiprakash Associate	-4	-23	-39	-41
ACC	-8	-14	9	25
Ambuja	-5	-11	6	39

Price as on 20June 2011

Price movement



FII and DII holding pattern



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Mahindra Satyam (SATCOM)

₹ 83

Resurrection strategy payoff likely ...

- **Revenues and EBIT margins stabilise**
  - Subsequent to its takeover of Mahindra Satyam and having faced several headwinds during the initial 12-18 months, the new management has laid the foundation for rebuilding the company
  - Two of the three year transformation strategy has elapsed wherein the management arrested revenue decline and employee attrition. Further, it increased its efforts to improve customer confidence
  - In Q4FY11, the company reported a sequential revenue growth of 7.5%, one of the highest in the industry and EBIT margins of 9.7% vs. 2.5% in Q2FY11
  - The company has settled most of the legal issues
  - Merger with Tech Mahindra could be a positive trigger
  - The company plans to add ~17,000 employees in the next three years. This suggests demand traction

- **Going ahead**
  - Expect revenues to grow in-line with industry average (~18% YoY) helped in part by volume growth
  - Business mix improvement and cost rationalisation led by flattening of the employee pyramid could aid EBIT margin improvement, going forward
  - The company is likely to file US GAAP numbers by October-November 2011. This could be a positive development
  - Indian GAAP financials have been reinstated. Revenue and net profit have stabilised
  - Improvement in revenue and operating performance would be a key trigger for valuation re-rating

Valuation

The demand environment continues to be robust led by discretionary spending across verticals and service lines. Mahindra Satyam continues to add new clients. We believe the restructuring exercise is on track and could yield meaningful results from here. From a valuation perspective, the company is available at 1.9x sales vs. ~6x for Tier I IT companies.

Exhibit 30: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	8474	8813	5481	5145	-15
EBITDA	1835	302	457	455	-37
EBITDA Margins (%)	21.6	3.4	8.3	8.8	-
Net Profit	1688	-8177	-125	-147	-144

Source: Company, ICICIdirect.com Research

Stock data

Market Cap	₹ 9.754 crore
52 week High/low	114 / 54
Equity Capital	₹ 235.3 crore
Face Value	2

Key ratio

	FY08	FY09	FY10	FY11
EPS (₹)	24.7	-121.5	-1.1	-1.3
PE (x)	NM	NM	NM	NM
EV/EBITDA (x)	NM	4.5	14.6	17.7
P/BV (x)	NM	3.3	2.2	3.4
RoNW (%)	NM	NM	NM	NM
RoCE (%)	NM	11.8	9.8	2.6

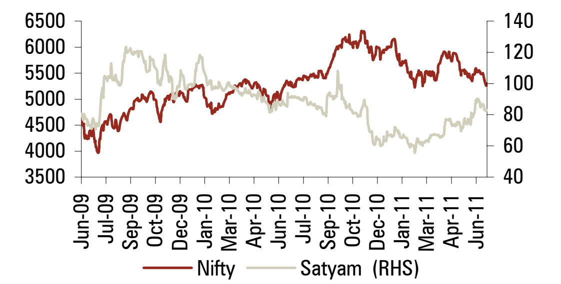
NM- Not Meaningful

Comparative return matrix

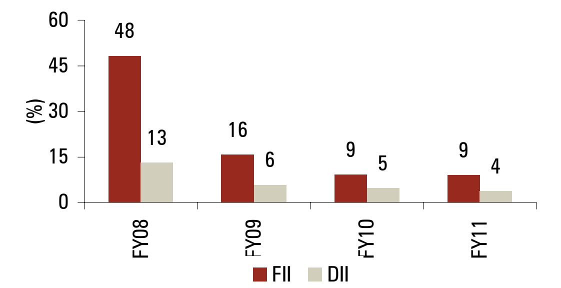
	3m	6m	12m	24m
Mahindra Satyam	23	20	-4	7
Tech Mahindra	-5	-3	-7	-11
HCL Tech	2	2	19	140
Patni Comp	-28	-33	-39	36

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Oberoi Realty (OBEREA)

₹ 236

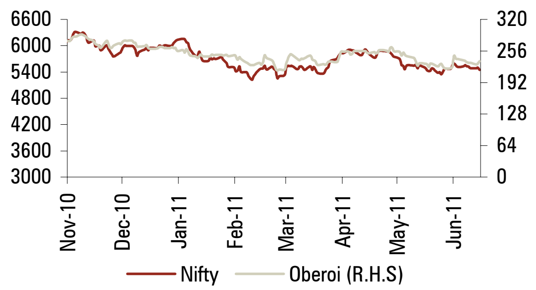
Stock data	
Market Capitalisation	₹ 7754 crore
52 week H/L	₹306 / 211
Equity capital	₹ 328.2 crore
Face value	₹10

Key ratio

	FY08	FY09	FY10	FY11
EPS (₹)	9.0	7.7	13.9	15.8
PE (x)	26.1	30.6	16.9	14.9
P/BV(x)	6.3	5.3	4.1	2.3
EV/EBITDA (x)	30.3	30.5	15.7	10.9
RoCE (%)	19.6	17.0	27.6	21.2
RoNW (%)	29.7	20.0	28.5	20.1

**ratios are calculated on post IPO fully diluted equity base*

Price movement



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Pristine balance sheet …

- **Established brand name in Mumbai, a key market**
  - Oberoi Realty (Oberoi) is an established brand name in the Mumbai real estate market with almost entire land bank (~92% of land bank) of 20.25 million sq ft in Mumbai, a key property market
  - Oberoi is one of the very few companies in the sector that has excellent corporate governance, transparency and disclosures, lending us the comfort in one of key aspect for the investment.
  - We also like Oberoi's strong financial position, a key differentiator compared to its peers. As on FY11, Oberoi has a debt-free balance sheet with cash balance of ~₹ 1400 crore. Furthermore, Oberoi is one of the very few companies in the sector, which enjoys positive operating cash flow (₹ 200 crore in FY11).
  - Oberoi has accumulated the land bank historically at a lower rate in the key Mumbai property market. This is evident from the fact that the majority of the land bank was bought till 2005 and only one project at Worli has been added in 2009. The low cost land bank coupled with higher realisation enables it to enjoy significant margin & return ratio.
- **Going Ahead**
  - Oberoi is expected to launch Oberoi Exquisite III (1.8 mn sq feet), Mulund Phase I (1.6 mn sq feet), Worli (1.5 mn sq feet) and Mulund Phase II (1.6 mn sq feet) over the next two years. With all requisite approvals in place and a debt-free balance sheet, we should not see any problem in execution or delays in projects for Oberoi (a key differentiator from its peers) enabling it to grow faster than its peers.
  - Additionally, the rental income will receive boost with long term stable cash flow with leasing out of Commerz I and II and Oberoi Mall price escalation. Oberoi currently has rental income based portfolio of ~1.6 million sq feet, which is expected to increase to ~6 million sq feet over the next couple of years. Moreover, key development such as REIT listing would enable it to enjoy better capital value in future.

Valuation

At the CMP, the stock is trading at 2.3x FY11 P/BV. Oberoi with a strong launch pipeline, excellent corporate governance and comfortable debt free balance sheet position and strong return ratios is set to command a premium over its peers.

Exhibit 31: Financial Performance

₹ crore	FY08	FY09	FY10	FY11	CAGR(%)
Net Sales	511.2	425.4	783.6	996.0	24.9
EBITDA	257.5	247.4	467.2	577.0	30.9
EBITDA Margin (%)	50.4	58.2	59.6	57.9	
Reported PAT	295.2	252.3	457.6	517.2	20.6

Source: Company , ICICIdirect.com Research

Oriental Bank of Commerce (ORIBAN)

₹ 313

Stock data

Market Cap	₹ 7843 crore
52 week High/low	₹ 546 /302
Equity Capital	₹ 291 crore
Face Value	₹ 10

Key ratio

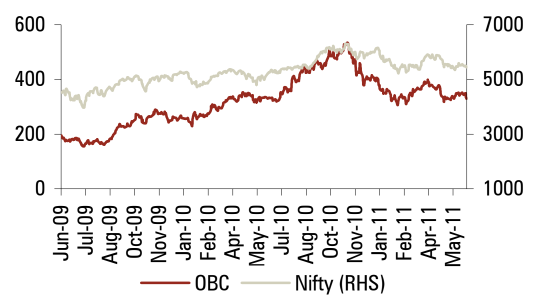
	FY08	FY09	FY10	FY11
Net Profit (₹ cr)	841.0	890.4	1134.7	1502.9
EPS (₹)	33.6	35.5	45.3	51.5
Growth (%)	1.7	5.9	27.4	13.7
ABV (₹)	209.0	239.9	263.3	317.6
P/E (x)	9.3	8.8	6.9	6.1
Price / Book (x)	1.5	1.3	1.2	1.0
Price / Adj Book (›	1.5	1.3	1.2	1.0
GNPA%	2.3	1.5	1.7	2.0
NNPA%	1.0	0.6	0.9	1.0
RoNA (%)	1.0	0.9	0.9	1.0
RoE (%)	14.8	13.5	14.5	17.9

Comparative return matrix

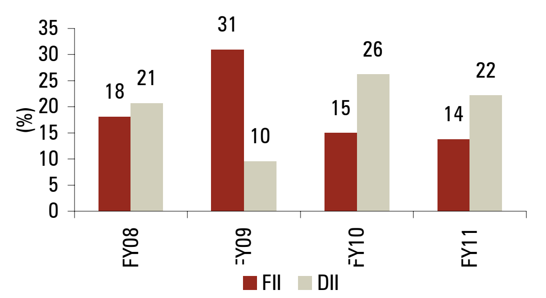
Company	3m	6m	12m	24m
IDBI	-3.8	-15.5	12.1	27.6
IOB	0.1	1.1	45.7	77.0
OBC	-7.5	-16.0	1.9	85.4
Union Bank	-5.2	-1.2	4.7	38.3

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Gaining strength from consolidation…

- **Story so far…**
  - OBC is a mid-sized PSB with government stake of 58%, network of 1633 branches with a strong presence in North India and Maharashtra
  - Total business size of ₹ 2,35,893 crore with a market share of 2.4% in advances and 2.5% in deposits
  - The bank expanded its business mix at a CAGR of 25% over FY06-10 before slowing down growth in FY11 to control its asset quality. During the consolidation phase, the bank has shored up its margins above 3% and improved its RoA above 1% in FY11
  - The worst seems to be over for the bank's asset quality as it has shifted ~97% of its loans to system based NPA recognition, leading to increased GNPA and provisioning
  - It is one of the few PSBs, which had minimum impact of one-off provisions due to retired employees on its P&L as ad-hoc provisions were in place depicting management foresight

- **Going ahead**
  - We expect a pick-up in business growth (in line with the industry) in the coming years post consolidation. The bank doubled its balance sheet size over FY05-09 growing at a CAGR of 20%. If we peg the average business growth at average industry growth rate of ~19% CAGR over the next cycle i.e. FY09-13E, we estimate the bank will double its balance sheet size to approximately ₹ 2,25,000 crore by FY13E
  - NIM will be stable at ~3% for the bank as it is growing its exposure to small and micro enterprises
  - We anticipate incremental slippages will slow down and asset quality will be maintained with GNPA of 2% and NNPA of 0.9% in the coming years
  - Strong recovery post legacy issues will help improvement in return ratios, RoA at 1% & RoE at 18-20% on a consistent basis

Valuation

OBC has a favourable risk reward ratio as it is available at an attractive 1x FY11 ABV. We believe that, going forward, a pick up in business growth and maintained margins would lead to stronger core business performance. With a slowdown in incremental slippages, lower credit costs would boost the bottomline. This would lead to a long term RoA of ~1% and RoE of ~18%. Hence, we recommend the stock as a top pick among peers.

Exhibit 32: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
NII	1682	1996	2907	4178	35
Other Income	617	1071	1200	960	16
PPP	1219	1670	2422	3245	39
Net Profit	353	890	1135	1503	62

Source: Company, ICICIdirect.com Research

PTC India (POWTRA)

₹ 73

Stock data

Market Cap	₹ 2345 crore
52 week High/low	₹ 145 /75
Equity Capital	₹ 29 crore
Face Value	₹ 10

Key ratio

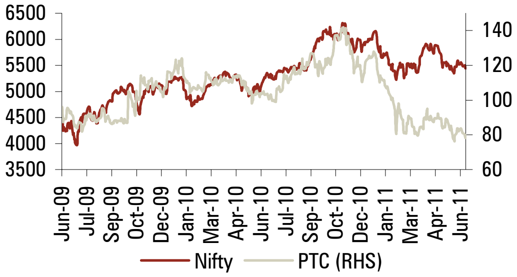
	FY08	FY09	FY10	FY11
EPS (₹)	2.9	4.0	3.3	4.7
PE (x)	27.3	20.1	24.2	17.0
EV/EBITDA (x)	75.7	63.0	26.7	13.4
P/BV (x)	3.9	1.2	1.1	1.1
RoNW (%)	4.6	7.0	5.4	6.1
RoCE (%)	7	7.7	7.9	8.4

Comparative return matrix

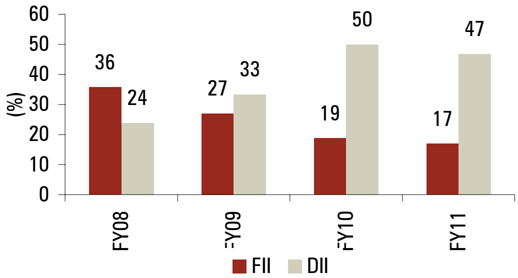
(%)	3M	6M	12M	24M
PTC India	-2	-33	-24	-18
NTPC	1	-10	-12	-21
TATA Power	2	-6	-2	4
Lanco Infra	-16	-50	-54	-20

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Robust Operationally…

- **Scaling up the trading business via leadership status**
  - PTC India is promoted by NTPC, PowerGrid, PFC and NHPC with the primary objective of trading power, facilitating development of power projects & power market and promoting a power trading exchange
  - PTC is the largest player in the short-term power trading market and maintains market share in excess of 35%. The short-term market constitutes 12-13% of the overall electricity generated
  - PTC has tied up for power tolling arrangements (PTA), which should play a crucial role in driving the future growth. Under the arrangement, PTC will purchase coal and route it to the power plant for generation in return for a fixed consideration. The power generated will then be owned by PTC, which it will offer for sale
  - The trading volumes for PTC have grown 2.5x over FY08-FY11. Trading margins have also improved to ~4 paisa in FY09 to over 5 paisa in FY11

Going ahead

- Going ahead, we believe there will be a marked change in the mix of volumes traded as significant quantum of long term PPA (PTC as of now FY11 has signed 15220 MW worth of PPAs) will get traded as the tied power projects get commissioned from FY12 onwards with trading margins of at least at 5 paisa per unit
- Going ahead, we expect volumes to increase to at a higher rate as we expect electricity demand to grow by 1.1x of GDP growth and accelerated capacity addition over FY12-FY17.
- We expect the share of long-term PPA to rise by 11% in FY11 to over 40-45% till FY15-FY16, given long-term PPAs that are signed by the company will get commissioned. This will provide good visibility over revenue growth and stability in trading margins. We expect it to be at 5-5.5 paisa per unit over next couple of years
- Also, commissioning of projects where PTC has participated in the equity capital will also enhance the valuation of its strategic investments on its balance sheet

Valuation

Macro headwinds have put pressure on the performance of the power sector and PTC. Despite attractive valuations and robust balance sheet, PTC is trading P/BV 1.1x on FY11. Also, huge cash balance (₹ 650 crore or ₹ 22 per share as on FY11) and strategic investment in various power assets provide huge cushion to the valuations at current levels. Though the stock can languish in the medium-term, it can be bought on a staggered basis as we believe the stock is a potential compounder from a three to five year perspective.

Exhibit 33: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	3906	6533	7772	9064	32
EBITDA	16	25	65	139.3	107
EBITDA Margins (%)	0.4	0.4	0.8	1.5	-
Net Profit	49	91	94	139	42

Source: Company, ICICIdirect.com Research

Shoppers Stop Ltd (SHOSTO)

₹ 427

Stock data	
Market Cap	₹ 3513 crore
52 week High/low	₹ 478/234
Equity Capital	₹ 41.10 crore
Face Value	₹ 5

Key ratio

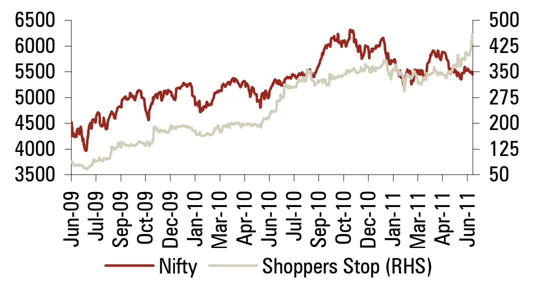
	FY08	FY09	FY10	FY11
EPS (₹)	0.8	-18.3	10.3	5.2
PE (x)	562.7	NA	41.6	81.7
EV/EBITDA (x)	30.6	90.7	16.0	11.3
P/BV (x)	5.3	6.8	5.3	6.4
RoNW (%)	-0.2	NA	14.3	7.2
RoCE (%)	2.5	NA	13.8	11.3

Comparative return matrix

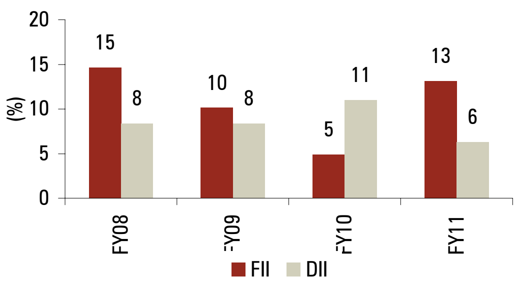
(%)	3m	6m	12m	24m
Shoppers Stop	28.0	17.9	82.9	454.0
Pantaloon Retail	17.6	(21.9)	(29.4)	(5.7)
Titan	33.5	35.6	110.3	290.8
Trent	18.4	18.7	18.6	110.5
Vishal	(7.0)	(4.6)	(51.1)	(55.3)

Price as on 20 June 2011

Price movement



FII and DII holding pattern



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Space addition to be the key revenue driver…

- **Taking one step at a time…**
  - Shoppers Stop Ltd (SSL), a domestic retailer present across various formats from departmental stores, speciality stores (stationery, cosmetics, home furnishing and parenting products) to hypermarkets operates through a network of 123 stores having a total operational retail space of 3.4 million sq. ft
  - SSL has grown ~6x from 21 stores in FY06 to 123 stores in FY11. In terms of space covered, SSL has grown from 0.95 million sq ft in FY06 to 3.4 million sq ft in FY11
  - Due to a revival in the economy, SSL has witnessed an uptick in the like to like (LTL) sales growth from the second half of FY10. Going forward, we expect growth from space addition as well as improving LTL sales growth
- **Going ahead**
  - The Indian retail sector is expected to grow from \$353 billion to \$543 billion by 2014 (CAGR – 11%). The organised retail pie is expected to grow at a much faster pace of 34% CAGR to \$67 billion by 2014. SSL enjoys 2.5% share of the organised retail pie. Going forward, even if we assume a slippage in the market share due to entry of new players, SSL should be able to maintain ~25-30% revenue growth on the back of the growing retail pie
  - Over the next two years alone, SSL plans to add ~50% of the current retail space to capitalise on the increasing domestic consumption
  - Incremental revenue from newly added stores and healthy LTL sales growth from existing stores will aid strong revenue growth
  - Due to a shift in business model from bought out merchandise to consignment/revenue sharing, SSL should be able to bring down inventory and, hence, reduce the working capital requirement
  - We believe a turnaround of HyperCity, strategic business policies (shift in merchandising model, revenue sharing with realtors) and revival of specialty stores should aid EBITDA margin expansion
  - SSL has consistently managed a debt/equity of =/<0.5. Going forward, even if the business does not generate adequate cash flows to fund expansion, SSL will be in a comfortable position to leverage and fund its growth

Valuation

The robust space addition plans, improved operational efficiency and focus on profitable growth augur well for SSL. We remain positive on the long-term prospects of SSL bearing in mind healthy balance sheet, experienced management and niche positioning of the brand.

Exhibit 34: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
Net sales	1146	1351	1517	2324	27
EBITDA	55	19	106	131	34
EBITDA Margins (%)	4.8	1.4	7.0	5.6	-
Net Profit	3	-64	36	43	153

Source: Company, ICICIdirect.com Research

Yes Bank (YESBAN)

₹ 291

Stock data

Market Cap	₹ 10090 crore
52 week High/low	₹ 382 /234
Equity Capital	₹ 347 crore
Face Value	₹ 10

Key ratio

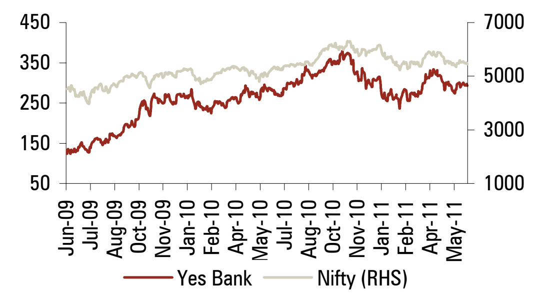
	FY08	FY09	FY10	FY11
Net Profit (₹ Cr)	200.0	305.7	477.7	727.1
EPS (₹)	6.8	10.3	14.1	20.9
Growth (%)	100.7	52.2	36.6	48.9
ABV (₹)	44.3	53.3	90.6	109.0
P/E (x)	43.0	28.2	20.7	13.9
Price / Book (x)	6.6	5.4	3.2	2.7
Price / Adj Book (x	6.6	5.5	3.2	2.7
GNPA (%)	0.1	0.7	0.3	0.3
NNPA (%)	0.1	0.3	0.1	0.0
RoNA (%)	1.4	1.5	1.6	1.5
RoE (%)	19.0	20.8	20.3	20.9

Comparative return matrix

Company	3m	6m	12m	24m
Axis Bank	-4.5	-2.9	1.0	70.4
HDFC Bank	9.0	10.2	21.5	54.8
Indus Ind Bank	5.7	2.5	36.5	268.0
Yes Bank	6.5	-1.0	4.6	127.1

Price as on 20 June 2011

Price movement



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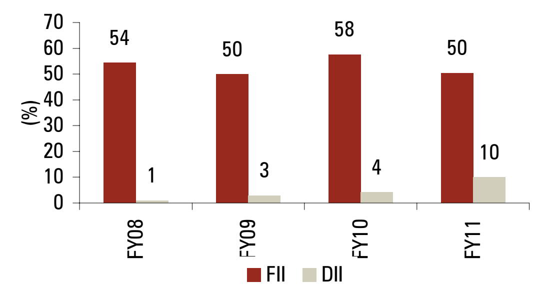

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Version 2.0: retail growth phase...

- **Attaining scale with wholesale banking to venture into retail...**
  - Yes Bank is a new generation private sector bank with core domain of wholesale banking, now foraying into retail banking
  - The bank has undertaken aggressive business growth of 72% CAGR over FY06-11 to scale up its business size to ₹ 80302 crore from ₹ 1424 crore in FY05
  - Profitability robust as NII grew 71% CAGR boosting PAT by 67% CAGR during the past five years. Indeed the wholesale version growth was healthy (negligible NNPA) and wealthy. The next phase (retail focused growth) would lead to business mix grow by 2x current size by FY15E.
  - Healthy NIM maintained in the range of 2.9-3.0% in FY08-11 despite a low CASA ratio of ~10% shows pricing power enjoyed by the bank
  - Higher contribution of non-interest income to total income (over 30%), as compared to other banks, cushions bottomline growth and enables it to maintain higher RoA
  - No asset quality concerns unlike its PSB peers implying lower credit costs
  - The bank has consistently been recognised as the fastest growing mid-sized bank along with CMD Rana Kapoor who is considered as Indian business leader by Businessworld magazine

- **Going ahead: growth proposition**
  - Yes Bank aims to grow its business at 36% CAGR over FY10-15E while increasing its retail presence (retail book aimed at 40% of total loan mix). This looks achievable with the bank planning to grow its branch network from current 214 to 750. This will enable it to strengthen its liability franchise (CASA), thus boosting margins
  - With the bank gaining on scale we expect the business to grow at (1.5-2x industry growth rate from current 3x). This will support 40% NII and 40-45%PAT CAGR in the coming period.

Valuation

Yes Bank has consistently delivered superior return ratios with RoA above 1.5% and RoE above 20% for the past three years despite incurring equity dilution every year. We expect robust business growth and healthy margins to continue, leading to return ratios being maintained with RoA above 1.3% and RoE over 20% going ahead.

Exhibit 35: Financial Performance

(₹ crore)	FY08	FY09	FY10	FY11	CAGR (%)
NII	337	511	788	1247	55
Other Income	355	437	576	623	21
PPP	350	530	863	1190	50
Net Profit	200	306	478	727	54

Source: Company, ICICIdirect.com Research

Large cap portfolio

- Stable and quality large cap stocks managed conservatively with a minimum three year perspective
- Universe: CNX Nifty 50 index
- Benchmark: CNX Nifty index
- No. of stocks: 20
- Single stock limit: 10%, sector limit 40%
- Buy and hold investment approach with low turnover ratio
- No cash exposure

Midcap portfolio

- Growth oriented business with the potential to outgrow its peers
- Bottom up stock picking approach with an investment horizon of three to five years
- Universe: CNX Midcap index
- Benchmark: CNX Midcap Index
- No. of stocks: 15
- Single stock limit: 5%; Sector limit 20%
- Downside protection through trying to exit the stock if it is down by more than 40% from the recommendation price

Portfolio Review & Risk Parameters

- ICICIdirect has built a direct equity indicative model portfolio as a guiding tool for investments in direct equities to suit aggressive investors with risk appetite for direct equities. An investor can choose to mirror the indicative model portfolio with an objective of adopting a disciplined investment approach in equities or deviate from it in line with the individual return expectations and risk taking abilities.
- The indicative model portfolio has been constructed on the premise that the client understands the risks associated with investments in equity markets and is comfortable being invested in sound businesses over a long period of time and stays invested for at least 3-5 years in a business provided business fundamentals do not change.
- The indicative model portfolio has been constructed using a balanced approach wherein the major part of the portfolio is attributed to large cap stocks, managed conservatively and midcap stocks, relatively with higher risks. These stocks are advised to be invested for a period of 3-5 years, which will able to ride through market volatility and in the end generate relatively superior returns adjusted for the risk attached to them.

FAQ

Have a Question…	…we have a solution
Can I invest in FPOs of the stocks mentioned in the portfolio?	Investing in FPOs is not denied but these are one-offs. Investment in equities should be a continuous process. Hence, SIPs in these stocks can be considered. One has to ensure that the overall weightage of individual stocks and sectors in the portfolio needs to be maintained as recommended.
How should I trade in the short-term?	Portfolio creation is for long term investments (three to five years). Hence, a clear demarcation between short-term and long-term funds is needed. One should remain invested in the portfolio despite short-term market volatilities For a shorter tenure, various other products like technical, derivative calls, Pick of the week, etc. should be used for trading
How should I use other recommendations like Pick of the Week or other buy calls and yet have a portfolio?	A model portfolio is a distinct product and stocks entered under the same have a different investment horizon and risk-return parameters. Whereas individual stock recommendations like Pick of the Week, daily calls, etc. are short-term recommendations having a stop loss also. Both funds need to be separated and allocations made accordingly You can continue to hold a stock, which is in the portfolio even if the target has been achieved or profit booking recommendation is given in some other independent product like company updates, Pick of the Week, etc In case, the portfolio stock is also a Pick of the Week or part of any other buy call, additional allocation to the same can be made. However, the same should not be mixed with the long-term portfolio holding. For the additional amount allocated based on other products, action as recommended for the same needs to be adhered to on exits also.
Should I hold cash as part of my investments?	The portfolio is formed taking into consideration the equity allocation only. One may consider holding cash or any other asset class depending upon the overall investible corpus. Once the decision on the amount of investment in equity market is made, one can enter the stock according to the allocation recommended in the portfolio
ICICIdirect.com has a Hold or Sell rating on XYZ stock. Should I exit that stock from the portfolio also?	Research is a continuous activity and based on near or medium term concerns or positives, a stock may become 'Hold' 'Sell' or 'Buy' from a rating perspective. Hence, as the portfolio horizon is much longer, the stay invested approach has to be used. If there is an exit or entry in a portfolio, the same will be intimated via portfolio document to be released at an appropriate frequency
If the research report target price for XYZ is achieved, should I exit the stock completely from my portfolio?	The answer remains the same as for the previous question. The medium target prices should not change the investment view of a longer term portfolio stock
I have regular inflows, should I wait and invest lump sum?	Timing the market is neither possible nor advisable. However, an individual can invest in lump sum, depending on the risk appetite, in the suggested portfolio. The portfolio is built and monitored on a continuous basis. In case of regular inflows, you may allocate the same to the portfolio on a continuous/systematic basis without bothering to time the market
When should I rebalance my portfolio?	The portfolio should be reviewed and rebalanced periodically. Our model portfolio will review and rebalance the portfolios every quarter depending on market development. Therefore, it will automatically take care of the rebalancing. However, in case of sharp market movements, portfolio review/rebalance can be undertaken even before the end of the quarter
I have some existing stocks. What should I do with them?	Existing stock holdings should be reviewed with respect to the objective with which the investments have been made initially. One can continue to hold them if the conviction in these stocks still remains. In case, it is the same as portfolio stock then you can allocate that to model portfolio directly
How long should I buy and keep the stock in the portfolio?	The portfolio, as mentioned, is distributed in two categories of large cap and midcap stocks. Investment advice is given considering the best possible option available Investors may enter or exit at various points of time as per their own liquidity and risk parameters. Hence, providing exit purely from a profit booking perspective is not the portfolio approach and we will always remain fully invested. Portfolio exits may be carried out on extreme changes in fundamentals or index constituent changes. The investment approach and horizon to take profits will depend on the individual investor as we would remain invested to achieve maximum profits
Should I wait for a correction in stocks to enter?	It may not be possible to enter the stock at the exact bottom. Hence, a continuous approach via SIP in these stocks or a strategy to accumulate at every dip in the markets may be adopted to enter these stocks

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