

Positive earnings momentum continues

■ MSCI India 12-month fwd consensus earnings grew by 4.4%

Consensus earnings for MSCI India grew by 4.7% in the last 3 months vs. 5.4% in the previous 3 months. In this note, we have looked at earnings momentum (EM) for Sensex, MSCI India and specific stocks under our coverage. While Sensex EPS estimates have been revised down marginally due to 1QFY11 numbers, it is interesting to note that 12-month forward earnings momentum continues to improve. This may explain why markets in India are still resilient without a meaningful correction.

■ Consumer staples stock valuations may be stretched, in our view

Our earnings momentum analysis shows that consumer staples sector valuations are quite rich relative to the market as well as the sector's history. Industrials, IT and utilities showed improvement in earnings momentum. Telecoms, materials, consumer discretionary and financials saw declines in earnings momentum. Based on our stock-screen analysis, the following companies with good earnings momentum look inexpensive relative to historical averages: Tata Motors, Adani Power, ABNL, DB Realty and Hathway.

■ Remain positive on Indian stocks; Mar 2011 BSE Sensex target at 21,000

We believe that the combination of several positive factors such as a good monsoon, government policies, a better fiscal situation, lower inflation outlook, and earnings growth may provide the impetus for markets to move closer to our target. Our Sensex target is based on a 12-month forward PE of 16.7x and FY12E EPS of 1,240. Our key O/W sectors are infrastructure, power, real estate and oil & gas. Our preferred stocks are Bharti, DLF, GAIL, IndusInd Bank, Lanco, Phoenix Mills and Tata Chemicals.

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Table 1: Current UBS model portfolio sector weightings

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

Source: UBS estimates

This report has been prepared by UBS Securities India Private Ltd

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 16.

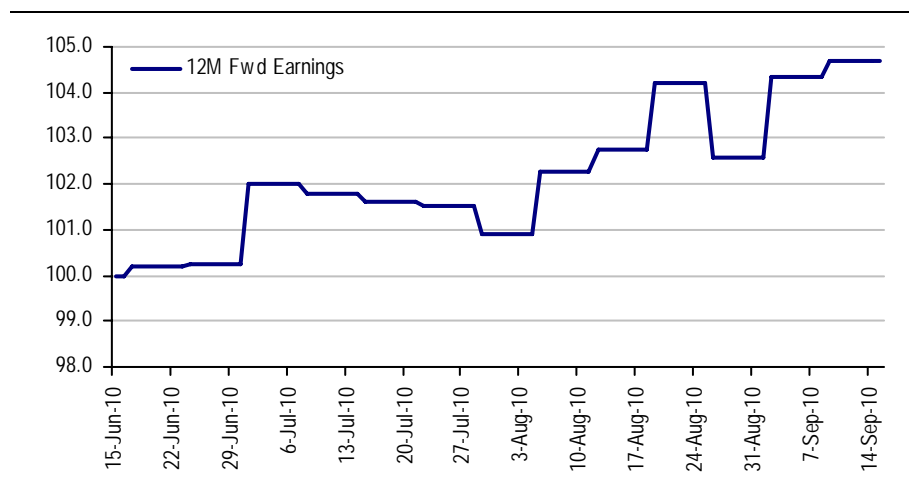
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MSCI India earnings momentum

MSCI India's earnings in the last three months (15 Jun-15 Sept) continue to improve as the forward 12-month earnings grew by 4.7% during the last three months as compared to 5.4% in the previous three months (15 Mar-15 Jun).

However, the last three months saw a lot of volatility during the earnings season as 1QFY11 earnings growth came in much below the expectations. Please see our note, *Margin pressure = Disappointing 1QFY11 dated 20 August 2010*, for more details. The earnings estimates did pick up post earnings season from 2 September 2010 onwards.

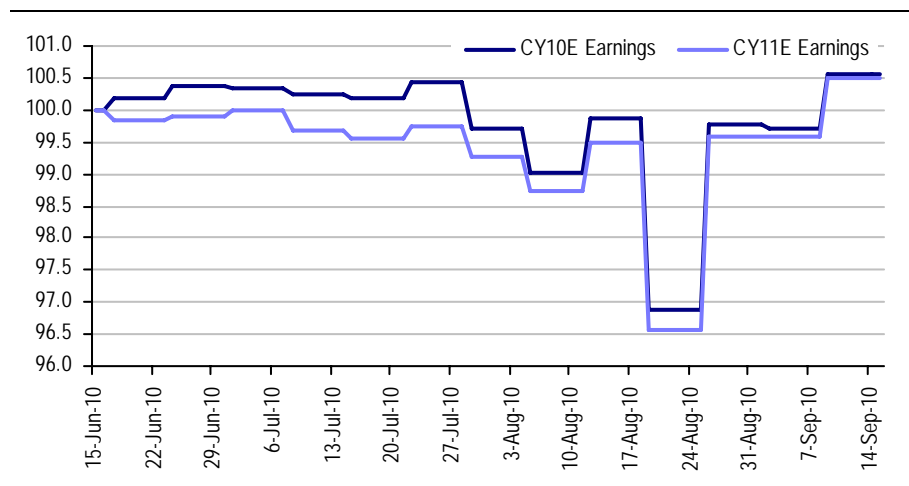
Chart 1: MSCI India 12-month Fwd earnings in the last 3 months



Source: IBES (DataStream)

At the underlying level, CY10E and CY11E estimates for MSCI India improved marginally towards the end of the earnings season.

Chart 2: CY2010E and 2011E MSCI India's earnings in the last three months

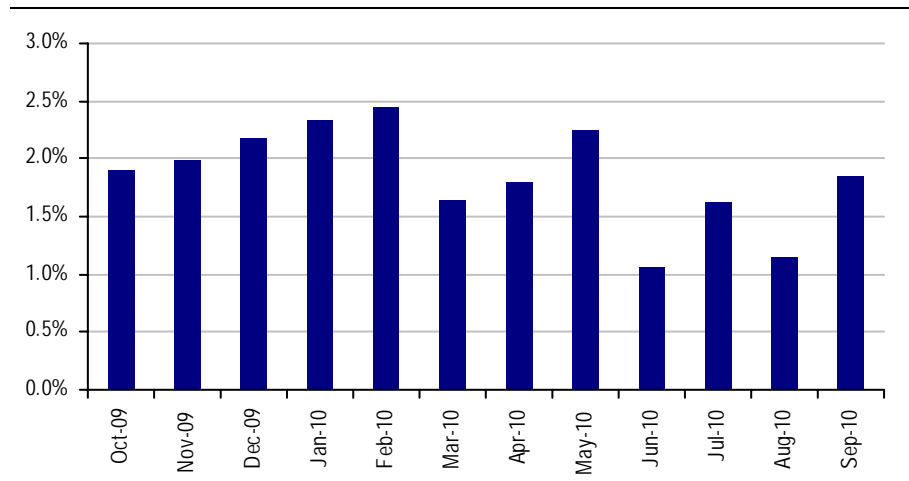


Source: IBES (DataStream)

Chart 3 shows one month (1M) earnings momentum over the last 12 months. As can be seen, the one-month momentum as on 15 September improved to 1.9% as compared to 1.1% in August 2010 and 1.6% in July 2010 (on a one-month basis).

The drop in August momentum was mainly inline due to poor earnings growth during the 1QFY11 quarter.

Chart 3: MSCI India one month earnings momentum – 12-month Fwd earnings in the last 12 months



Source: IBES (DataStream)

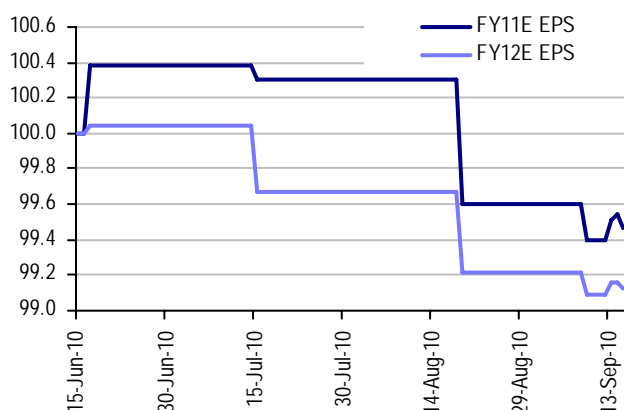
Sensex's FY11E and FY12E earnings

Chart 4 shows the earnings progression of FY11E and FY12E consensus earnings during the last three months. FY11E and FY12E earnings declined by 50bps and 90bps during this period factoring in poor earnings growth in 1QFY11.

FY11E and FY12E consensus EPS estimates have grown steadily over the last 12 months (chart 5). However, the estimates have declined by ~100bps from their peak on 14 July 2010. The current consensus for FY11E EPS is 1,060 down from its peak of 1,070 while the current consensus for FY12E EPS is 1,271 down from the peak of 1,283.

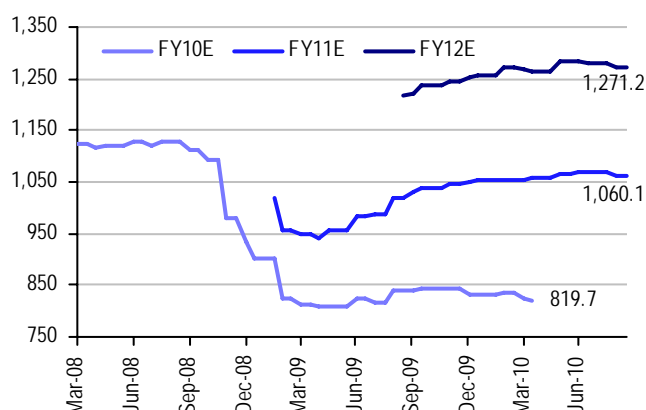
Based on UBS estimates, consensus seems to be aggressive on FY11E & FY12E EPS estimates. Our bottom-up Sensex earnings shows FY11E EPS of 1,038 vs. consensus of 1,060 while FY12E EPS UBS estimate is 1,240 vs. consensus of 1,271.

Chart 4: Sensex FY11E & FY12E EPS in the last 3 months



Source: IBES (DataStream)

Chart 5: Sensex FY10E, FY11E & FY12E EPS



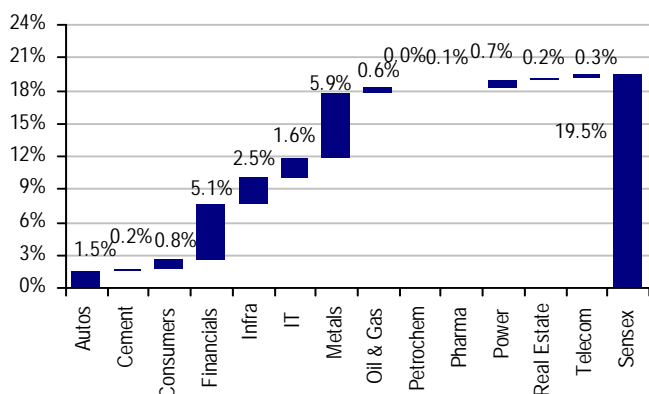
Source: IBES (DataStream)

Table 2: Sector wise Sensex FY11E and FY12E earnings estimates

	Earnings (UBS-e)		Earnings (IBES-e)		UBS-e (YoY, %)		IBES-e (YoY, %)	
	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Autos	81,925	94,285	79,217	93,585	41.6%	15.1%	36.9%	18.1%
Financials	167,748	209,120	174,248	215,688	28.5%	24.7%	14.2%	23.8%
Cement	7,863	9,160	7,185	7,572	-8.4%	16.5%	-16.3%	5.4%
Consumers	45,014	51,801	44,451	51,370	13.7%	15.1%	12.2%	15.6%
Infrastructure	69,256	89,531	64,702	80,480	21.2%	29.3%	13.2%	24.4%
IT Services	94,676	107,841	93,837	109,659	14.5%	13.9%	13.5%	16.9%
Metals	101,011	148,801	104,732	130,383	94.0%	47.3%	101.2%	24.5%
Oil & Gas	42,841	47,363	49,156	54,660	10.4%	10.6%	26.7%	11.2%
Petrochem	119,138	118,856	120,513	144,475	-11.6%	-0.2%	-10.6%	19.9%
Pharmaceuticals	7,575	8,660	7,611	8,788	18.0%	14.3%	18.6%	15.5%
Power	38,935	44,369	42,018	48,549	13.5%	14.0%	22.5%	15.5%
Real Estate	5,150	6,418	5,814	7,983	13.4%	24.6%	28.0%	37.3%
Telecom	28,934	31,552	33,834	38,914	-39.9%	9.1%	-29.7%	15.0%
Sensex	810,064	967,759	827,317	992,106	16.5%	19.5%	15.3%	19.9%
Sensex EPS	1,038	1,240	1,060	1,271	16.5%	19.5%	15.3%	19.9%

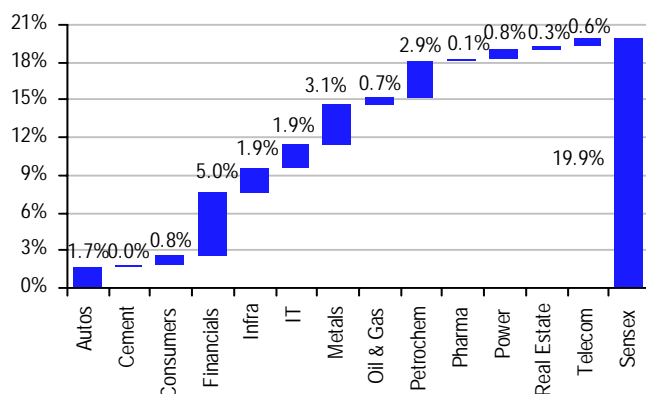
Source: UBS estimates, IBES (DataStream)

Chart 6: Sectors contribution to FY12E earnings growth (UBS-e), YoY



Source: UBS estimates

Chart 7: Sectors contribution to FY12E earnings growth (IBES-e), YoY

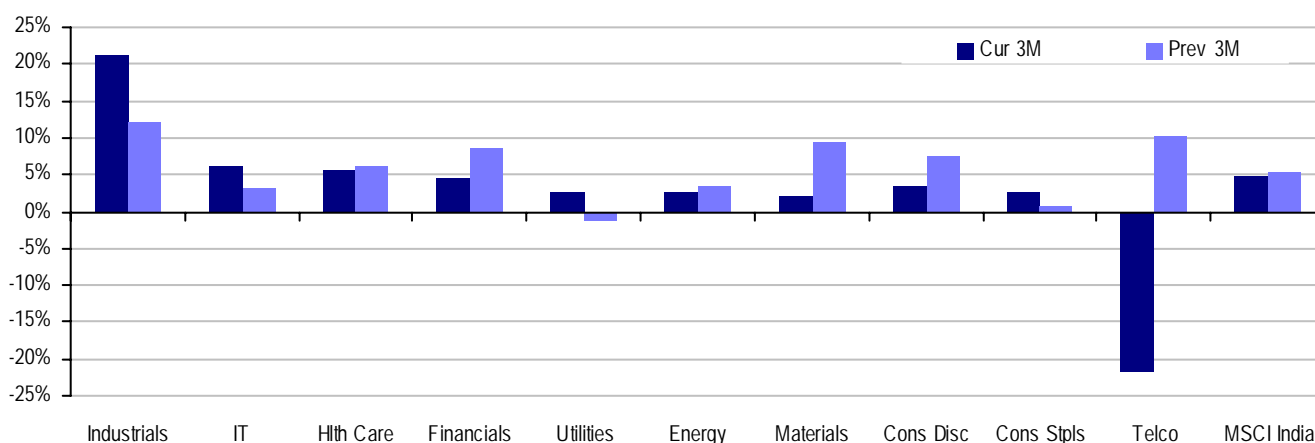


Source: IBES consensus (DataStream)

MSCI India sector indices earnings momentum

In terms of sectors, industrials, IT and utilities showed the maximum improvement in earnings estimates over the last three months, while earnings momentum declined significantly for telecom, materials, consumer discretionary and financials. The earnings momentum for energy sector declined marginally in the last three months, mainly due to downward revisions in Reliance Industries earnings estimates after disappointing 1QFY11 performance.

Chart 8: Three month (current vs. previous) earnings momentum – 12 month forward earnings



Source: IBES (DataStream)

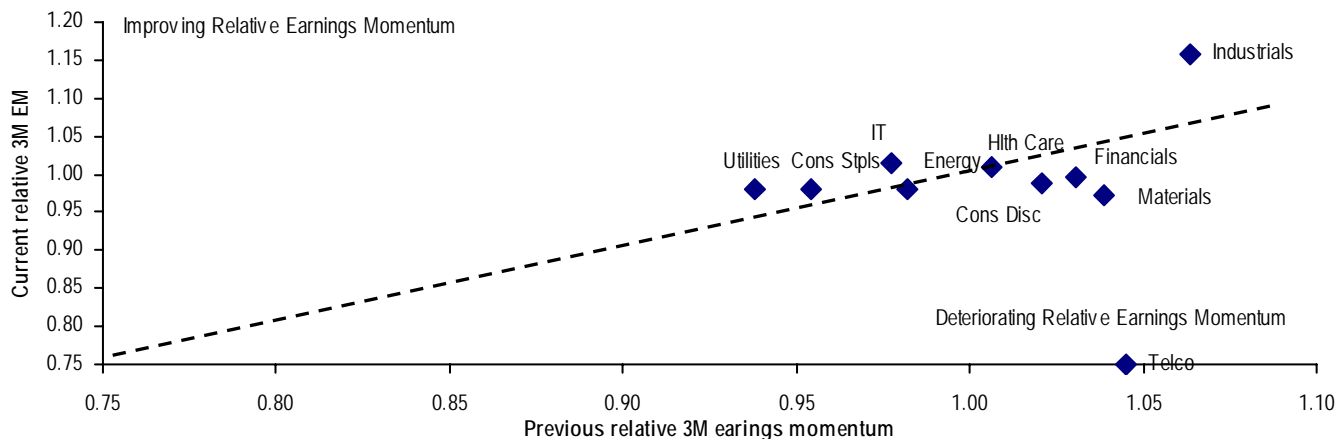
Table 3: Earnings and price momentum – MSCI India sectors

Sector	Earnings change (3M)	Price Performance (3M)	Current Fwd PE	Long Term Fwd PE (5y)
Cons Disc	3.5%	6.5%	14.6x	14.4x
Cons Staples	2.6%	13.8%	25.4x	21.0x
Energy	2.5%	1.6%	12.3x	13.1x
Financials	4.4%	20.1%	19.5x	17.4x
Health Care	5.7%	3.0%	20.1x	19.9x
Industrials	21.2%	13.6%	17.2x	19.6x
IT	6.3%	9.4%	19.8x	19.1x
Materials	1.9%	15.3%	10.0x	9.9x
Telco	-21.6%	-2.7%	14.9x	15.8x
Utilities	2.7%	0.3%	16.3x	15.1x
MSCI India	4.7%	11.1%	16.1x	15.9x

Source: IBES (DataStream)

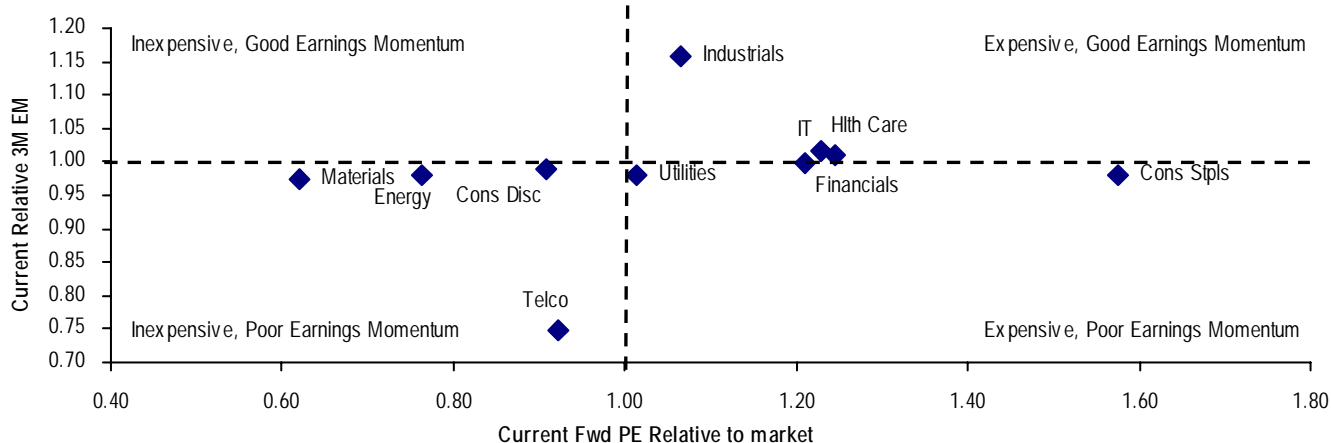
Below Charts 9, 10 and 11 shows the various trends of MSCI sector indices relative to market (MSCI India) or to their own respective sector parameters. Consumer staples stands out as expensive sector both relative to market and its long-term average.

Chart 9: Relative earnings momentum trend – current vs. previous



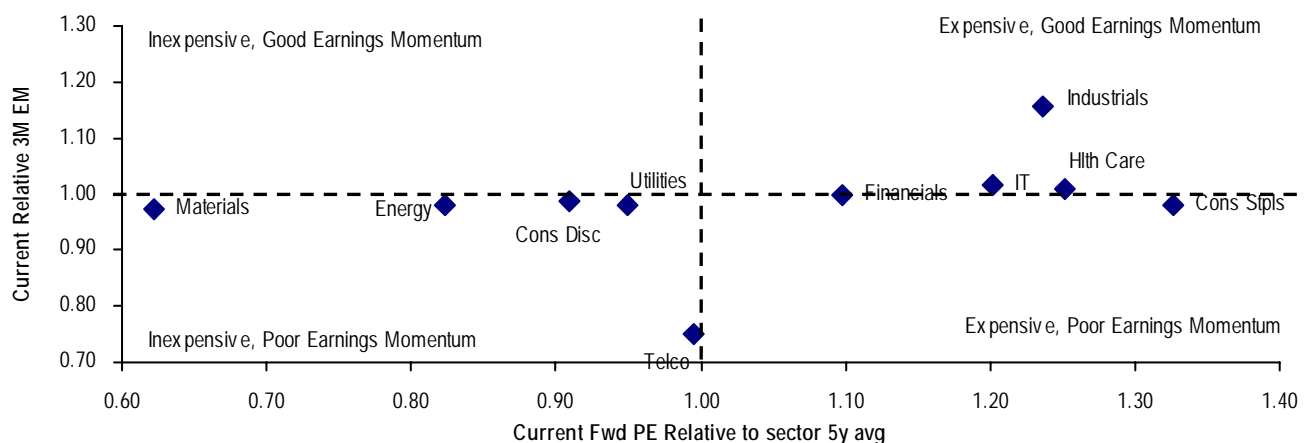
Source: IBES (DataStream), UBS; Note: Earnings momentum relative to MSCI India

Chart 10: Relative earnings trend compared to current fwd PE (relative to market)



Source: IBES (DataStream), UBS; Note: Earnings momentum relative to MSCI India

Chart 11: Relative earnings trend compared to current fwd PE (relative to respective sector's 5 year average PE)



Source: IBES (DataStream), UBS; Note: Earnings momentum relative to MSCI India

Stock Screen

We have looked at inexpensive and expensive stock in the UBS coverage universe and MSCI based on earnings momentum. For inexpensive stocks, we have looked at stocks with positive earnings (relative to market) and price momentum and cheaper than their historical long-term average. For expensive stocks, we have looked at stocks with negative earnings momentum (relative to market), positive price momentum and expensive than their historical long-term average.

Table 4: MSCI India earnings momentum stock screen (Top 5)

Company Name	3M - EM	3M - PM	PE - Current	PE - Long Term
Inexpensive Stocks (relative to own history) - Positive earnings momentum, good price momentum				
Aditya Birla Nuvo	108.4%	11.3%	18.0x	37.9x
Tata Motors	71.4%	31.6%	9.6x	23.0x
Cairn	23.9%	7.4%	9.9x	46.9x
Ranbaxy	21.8%	16.6%	20.6x	23.9x
Kotak Bank	14.2%	24.2%	20.4x	20.8x
Expensive Stocks (relative to own history) - Negative earnings momentum, good price momentum				
Reliance Capital	-16.3%	8.6%	29.5x	24.1x
Maruti Suzuki India	-10.5%	0.4%	15.3x	14.1x
DLF	-5.6%	22.7%	21.0x	16.6x
Unitech	-5.5%	22.3%	18.4x	16.3x
JSW Steel	-2.8%	16.4%	11.3x	7.0x

Source: IBES (DataStream)

Table 5: UBS India coverage universe earnings momentum stock screen (Top 5)

Company Name	3M - EM	3M - PM	PE - Current	PE - Long Term
Inexpensive Stocks (relative to own history) - Positive earnings momentum, good price momentum				
Aditya Birla Nuvo	108.4%	11.3%	18.0x	37.9x
D B Realty	104.9%	12.9%	11.3x	19.6x
Tata Motors	71.4%	31.6%	9.6x	23.0x
Adani Power	66.8%	14.5%	15.4x	26.9x
Hathway Cable & Datacom	38.3%	18.0%	42.8x	46.3x
Expensive Stocks (relative to own history) - Negative earnings momentum, good price momentum				
Maruti Suzuki India	-10.5%	0.4%	15.3x	14.1x
Grasim Industries	-7.3%	22.5%	8.7x	8.4x
DLF	-5.6%	22.7%	21.0x	16.6x
Unitech	-5.5%	22.3%	18.4x	16.3x
JSW Steel	-2.8%	16.4%	11.3x	7.0x

Source: IBES (DataStream)

BSE Sensex target derivation

We use a two-stage forward PE target multiple model to derive our BSE Sensex target. The first stage is the growth phase where we expect earnings to grow 11.8%, ROE of 17.0% and COE of 12.1%. The growth phase is 20 years. The second stage is the terminal stage where we assume a long-term earnings growth rate of 5.0%, ROE of 11.0% and COE of 9.5%.

The contribution of the growth phase to our total target PE multiple is 5.4x. Our two-stage forward PE target multiple for the BSE Sensex is 16.7x (compared to our estimated long-term average forward PE multiple of 15x). Using our EPS forecast of Rs1,241 for FY12, we arrive at our FY11 BSE Sensex target of 21,000 (rounded).

Table 6: UBS India BSE Sensex FY11E target derivation

Long term and growth period assumptions		BSE Sensex FY11E target price derivation	
Stage 1: Growth period assumptions		BSE Sensex target P/E multiple	
Return on equity (ROE _g)	17.0%	Contribution of growth period on target P/E	5.4x
Growth period real GDP growth rate	7.0%	Contribution of terminal period on target P/E	11.4x
+ Growth period inflation forecast	4.5%		
= Assumed growth period earnings growth rate (G_g)	11.8%	= BSE Sensex target P/E multiple	16.7x
Growth period inflation forecast	4.5%		
+ Growth period real risk free rate forecast	2.6%	UBS estimate of FY12E EPS (Rs)	1,241
= Growth period nominal risk free rate (RF _g)	7.1%	BSE Sensex FY11E Target Price	20,780
+ Growth period equity risk premium	5.0%		
= Assumed growth period cost of equity (K_g)	12.1%	BSE Sensex FY11E Target Price (rounded)	21,000
Duration of growth period (years)	20.0		
Stage 2: Terminal period assumptions			
Return on equity (ROE _t)	11.0%		
Terminal period real GDP growth rate	2.9%		
+ Terminal period inflation forecast	2.0%		
= Assumed terminal period earnings growth rate (G_t)	5.0%		
Terminal period inflation forecast	2.0%		
+ Terminal period real risk free rate forecast	2.5%		
= Terminal period nominal risk free rate (RF _t)	4.5%		
+ Terminal period equity risk premium	5.0%		
= Assumed terminal period cost of equity (K_t)	9.5%		

Source: UBS estimates

Table 7: FY11E Sensex target sensitivity to growth phase assumptions

Sensitivity to growth phase earnings growth and ROE	Growth phase earnings growth rate (%)					
	11.3%	11.5%	11.8%	12.0%	12.3%	
16.0%	19,053	19,445	19,853	20,277	20,717	
16.5%	19,491	19,903	20,330	20,775	21,236	
Growth phase ROE (%)	17.0%	19,904	20,334	20,780	21,244	21,725
	17.5%	20,293	20,740	21,204	21,686	22,186
	18.0%	20,661	21,124	21,604	22,104	22,622

Source: UBS estimates

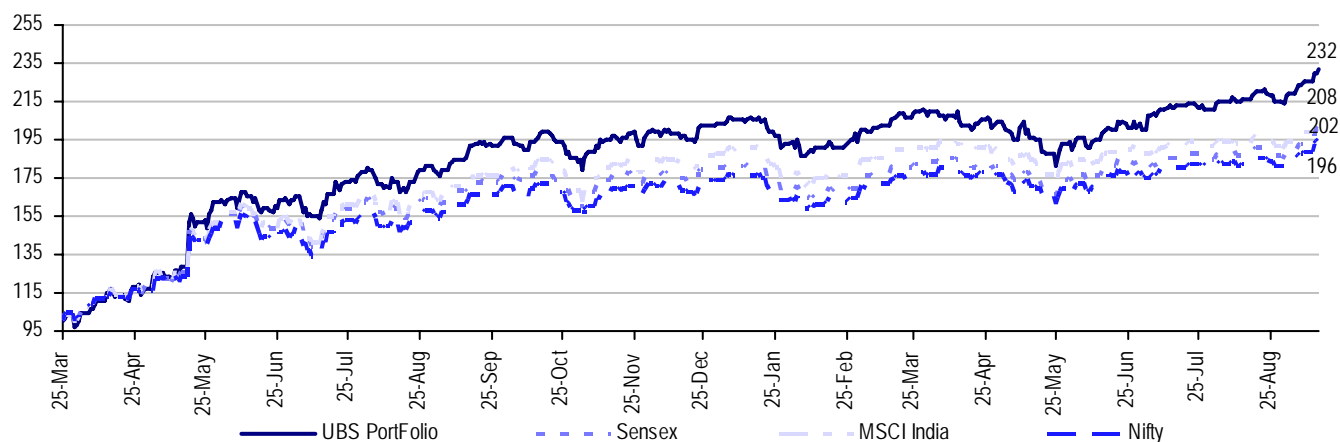
Table 8: FY11E Sensex target sensitivity to terminal phase assumptions

Sensitivity to terminal phase earnings growth and ROE	20,780	Terminal phase earnings growth rate (%)				
		4.5%	4.7%	5.0%	5.2%	5.5%
	10.0%	19,514	19,573	19,639	19,712	19,794
	10.5%	19,999	20,111	20,236	20,376	20,532
Terminal phase ROE (%)	11.0%	20,440	20,601	20,780	20,980	21,204
	11.5%	20,842	21,048	21,277	21,531	21,817
	12.0%	21,211	21,458	21,732	22,037	22,380

Source: UBS estimates

UBS India Model portfolio

Chart 12: UBS India portfolio, BSE Sensex, Nifty and MSCI (India) performance since launch



Note: Buying and selling of stocks (related to stock addition/deletion in the portfolio) based on VWAP of next trading day; Note: Performance as on 15 September 2010; See note on page 15; Source: Bloomberg; UBS

Table 9: Model Portfolio valuation

Model Portfolio stock	UBS Rating	Model Portfolio Weight	Mkt Cap (US\$ mn)	Price (Rs)	Price Target (Rs)	Potential Upside	ROE FY11E	P/BV(x) FY11E	FY11E	FY12E	PE(x) FY12E
Bank of Baroda	Buy	6.0%	6,831	869	900	3.6%	20.4%	1.9	8.6	7.4	
Bharti Airtel	Buy	4.1%	29,199	356	400	12.3%	12.5%	2.7	21.9	20.5	
DLF	Buy	3.1%	12,538	341	400	17.4%	7.9%	2.2	28.1	22.5	
GAIL	Buy	7.8%	13,235	483	550	13.8%	18.8%	3.1	17.4	14.6	
Grasim	Buy	3.0%	4,352	2,199	2,300	4.6%	15.1%	1.2	8.1	7.8	
GVK	Buy	3.9%	1,659	49	55	13.1%	7.2%	1.8	24.8	18.4	
Hindalco	Buy	3.2%	7,828	190	200	5.5%	17.0%	1.6	9.1	7.0	
HLL	Buy	4.9%	13,065	277	320	15.4%	89.2%	22.0	24.7	21.7	
ICICI Bank	Buy	10.5%	26,442	1,099	1,100	0.1%	9.1%	2.2	24.6	18.5	
IndusInd	Buy	2.9%	2,134	241	250	3.7%	13.3%	3.1	22.3	16.4	
Infosys Technologies	Neutral	7.4%	37,698	3,050	2,960	-3.0%	24.9%	6.2	25.0	21.4	
Lanco	Buy	4.5%	3,535	68	105	54.4%	22.1%	3.5	15.7	11.0	
Larsen & Toubro	Buy	7.8%	24,903	1,916	2,150	12.2%	24.2%	6.1	25.3	19.0	
Mahindra & Mahindra	Buy	3.6%	8,447	676	750	10.9%	23.3%	3.5	15.2	12.9	
Phoenix Mills	Buy	2.0%	784	251	330	31.7%	5.4%	2.2	40.7	30.9	
PNB	Buy	5.9%	8,672	1,274	1,300	2.0%	21.8%	2.0	8.8	7.2	
Reliance Infrastructure	Buy	4.0%	5,637	1,066	1,325	24.3%	8.0%	1.3	16.7	16.1	
Sesa Goa	Buy	1.9%	5,794	323	410	27.0%	33.6%	2.2	6.6	6.1	
Sterlite	Buy	2.6%	12,606	174	225	29.5%	9.2%	0.9	10.0	7.6	
Tata Chemicals	Buy	3.0%	2,123	420	500	19.0%	17.0%	1.9	11.5	10.5	
Tata Motors	Buy	2.9%	12,605	1,024	1,200	17.2%	47.3%	4.5	9.4	8.4	
TCS	Neutral	5.0%	38,603	914	900	-1.5%	31.2%	6.8	21.8	20.0	

Note: Shares prices as of 15 September 2010; Source: UBS estimates

Appendix

Table 10: MSCI India three months earnings momentum – constituent stocks

Company Name	3M - EM	3M - PM	PE - Current	PE - Long Term
ABNL	108.4%	11.3%	18.0x	37.9x
Tata Motors	71.4%	31.6%	9.6x	23.0x
Cairn	23.9%	7.4%	9.9x	46.9x
REC	23.2%	22.1%	12.5x	8.8x
Ranbaxy	21.8%	16.6%	20.6x	23.9x
Bajaj Auto	19.3%	28.5%	16.8x	13.0x
Kotak Bank	14.2%	24.2%	20.4x	20.8x
Hindalco	13.8%	30.9%	10.8x	8.7x
HDFC	11.5%	17.0%	25.4x	17.9x
Adani Enter	11.5%	27.6%	17.6x	18.9x
L&T	10.8%	11.5%	23.9x	15.3x
ONGC	10.6%	21.3%	11.7x	7.8x
GAIL	10.4%	4.3%	15.4x	9.0x
BPCL	8.6%	43.5%	13.7x	7.6x
Ambuja	7.9%	18.1%	15.3x	13.0x
Tata Steel	7.8%	24.3%	8.6x	7.5x
TCS	7.8%	18.4%	21.1x	18.7x
Axis	7.7%	20.5%	17.1x	13.1x
Wipro	7.1%	4.1%	18.3x	37.3x
BHEL	7.1%	3.7%	19.7x	14.9x
Infosys	6.9%	10.2%	22.8x	29.3x
HCL	6.7%	10.4%	16.0x	18.3x
United Phos	6.6%	2.2%	11.2x	12.3x
Sun Pharma	6.5%	5.9%	22.1x	17.6x
ITC	6.3%	14.9%	24.8x	17.3x
Zee	6.2%	-1.7%	21.1x	30.5x
Tata Power	6.0%	1.0%	14.5x	13.4x
DR Reddy	5.9%	3.7%	20.8x	22.0x
Siemens	5.8%	5.1%	28.0x	20.0x
M&M	5.7%	7.3%	13.5x	10.7x
SBI	5.2%	29.6%	13.2x	7.3x
ICICI	5.0%	25.2%	21.3x	14.2x
RINFRA	5.0%	-9.4%	15.7x	15.5x
United Spirits	4.7%	28.2%	31.5x	26.9x
HDIL	4.7%	10.5%	10.0x	10.1x
HDFC Bk	4.2%	20.5%	25.0x	19.6x
IDFC	3.9%	22.9%	19.7x	17.3x
Sesa	3.4%	-8.8%	6.2x	7.3x
Piramal	3.4%	6.1%	18.1x	13.7x
ACC	3.3%	11.2%	13.2x	13.7x

Company Name	3M - EM	3M - PM	PE - Current	PE - Long Term
Jindal Steel & power	2.5%	8.6%	13.4x	9.8x
Cipla	2.3%	-7.9%	19.5x	21.7x
SAIL	1.7%	3.1%	10.6x	8.1x
NTPC	1.7%	3.1%	16.9x	17.1x
Hero Honda	0.9%	-13.5%	13.8x	12.9x
RIL	0.6%	-4.4%	13.5x	10.6x
Sterlite	-1.2%	0.8%	9.5x	7.3x
HUL	-1.2%	8.5%	25.1x	24.8x
Indiabulls	-1.9%	19.9%	27.1x	29.6x
JSW Steel	-2.8%	16.4%	11.3x	7.0x
Unitech	-5.5%	22.3%	18.4x	16.3x
DLF	-5.6%	22.7%	21.0x	16.6x
GMR	-7.4%	6.0%	68.2x	76.9x
Maruti	-10.5%	0.4%	15.3x	14.1x
Reliance Capital	-16.3%	8.6%	29.5x	24.1x
JaiPrakash	-24.5%	-1.5%	20.3x	21.1x
RCOM	-28.0%	-13.4%	14.8x	16.0x
Suzlon	-76.6%	-9.8%	69.8x	21.9x

Source: IBES (DataStream)

Table 11: UBS India coverage universe three months earnings momentum

Company Name	3M - EM	3M - PM	PE - Current	PE - Long Term
Aditya Birla Nuvo	108.4%	11.3%	18.0x	37.9x
D B Realty	104.9%	12.9%	11.3x	19.6x
Tata Motors	71.4%	31.6%	9.6x	23.0x
Adani Power	66.8%	14.5%	15.4x	26.9x
Hathway Cable & Datacom	38.3%	18.0%	42.8x	46.3x
Dish Tv India	29.8%	36.4%		
Indian Oil	27.2%	31.2%	11.1x	7.5x
Indusind Bank	24.6%	27.0%	18.7x	13.9x
Cairn India	23.9%	7.4%	9.9x	46.9x
Hindustan Petroleum	21.8%	58.8%	11.4x	7.3x
Ranbaxy Labs.	21.8%	16.6%	20.6x	23.9x
Bank Of India	20.6%	50.6%	8.3x	5.3x
Bajaj Auto	19.3%	28.5%	16.8x	13.0x
Asian Paints	18.5%	23.6%	27.5x	18.4x
Essar Oil	17.7%	2.7%	27.7x	28.7x
Bank Of Baroda	14.4%	19.6%	8.3x	5.2x
Hindalco Industries	13.8%	30.9%	10.8x	8.7x
Sun Tv Network	13.7%	22.3%	25.6x	25.8x
Jain Irrigation Systems	11.5%	11.0%	24.5x	18.2x
Housing Development Fin.	11.5%	17.0%	25.4x	17.9x
Adani Enterprises	11.5%	27.6%	17.6x	18.9x
Mundra Port And Sez.	11.2%	14.4%	29.3x	33.1x
NMDC	11.0%	-0.6%	13.8x	35.5x
Larsen & Toubro	10.8%	11.5%	23.9x	15.3x
Oil & Natural Gas	10.6%	21.3%	11.7x	7.8x
Gail (India)	10.4%	4.3%	15.4x	9.0x
Tata Chemicals	9.9%	33.7%	12.5x	8.4x
Punjab National Bank	9.0%	22.3%	8.2x	6.8x
Union Bank Of India	9.0%	20.1%	7.0x	5.6x
Bharat Petroleum	8.6%	43.5%	13.7x	7.6x
Nagarjuna Con.	8.1%	-13.9%	14.8x	15.8x
Ambuja Cements	7.9%	18.1%	15.3x	13.0x
Tata Steel	7.8%	24.3%	8.6x	7.5x
Tata Consultancy Svs.	7.8%	18.4%	21.1x	18.7x
Axis Bank	7.7%	20.5%	17.1x	13.1x
Nestle India	7.6%	7.6%	32.1x	24.0x
Wipro	7.1%	4.1%	18.3x	37.3x
Bharat Heavy Els.	7.1%	3.7%	19.7x	14.9x
Lupin	7.1%	-1.3%	17.8x	14.7x
Infosys Technologies	6.9%	10.2%	22.8x	29.3x

Company Name	3M - EM	3M - PM	PE - Current	PE - Long Term
Dabur India	6.8%	14.8%	28.6x	20.3x
Reliance Power	6.8%	-9.9%	55.6x	66.6x
HCL Technologies	6.7%	10.4%	16.0x	18.3x
United Phosphorus	6.6%	2.2%	11.2x	12.3x
Sun Pharmaceuticals	6.5%	5.9%	22.1x	17.6x
Phoenix Mills	6.5%	16.0%	29.2x	19.1x
ITC	6.3%	14.9%	24.8x	17.3x
Zee Entertainment Ents.	6.2%	-1.7%	21.1x	30.5x
Tata Power	6.0%	1.0%	14.5x	13.4x
Dr Reddys Laboratories	5.9%	3.7%	20.8x	22.0x
Idea Cellular	5.8%	36.3%	34.0x	23.8x
Mahindra & Mahindra	5.7%	7.3%	13.5x	10.7x
IRB Infr.Developers	5.5%	0.4%	18.4x	15.1x
State Bank Of India	5.2%	29.6%	13.2x	7.3x
ICICI Bank	5.0%	25.2%	21.3x	14.2x
Reliance Infrastructure	5.0%	-9.4%	15.7x	15.5x
National Aluminium	4.7%	-5.7%	19.6x	10.6x
United Spirits	4.7%	28.2%	31.5x	26.9x
HDIL	4.7%	10.5%	10.0x	10.1x
Glenmark Pharmaceuticals	4.6%	6.5%	15.4x	14.1x
HDFC Bank	4.2%	20.5%	25.0x	19.6x
IDFC	3.9%	22.9%	19.7x	0.0x
IVRCL Ift. & Prjs.	3.5%	-13.0%	13.9x	16.7x
Sesa Goa	3.4%	-8.8%	6.2x	7.3x
Piramal Healthcare	3.4%	6.1%	18.1x	13.7x
ACC	3.3%	11.2%	13.2x	13.7x
Power Grid Corp.Of India	2.6%	4.1%	19.2x	20.1x
Cipla	2.3%	-7.9%	19.5x	21.7x
ABB	2.1%	-7.2%	28.9x	22.0x
Steel Authority Of India	1.7%	3.1%	10.6x	8.1x
NTPC	1.7%	3.1%	16.9x	17.1x
Pantaloon Ret.(India)	1.4%	15.2%	32.3x	34.3x
Great Eastern Shipping	1.2%	4.0%	5.6x	4.3x
Godrej Properties	1.0%	37.9%	30.1x	24.8x
Hero Honda Motors	0.9%	-13.5%	13.8x	12.9x
Reliance Industries	0.6%	-4.4%	13.5x	10.6x
Lanco Infratech	-0.6%	-1.6%	14.8x	12.5x
Sterlite Inds.(India)	-1.2%	0.8%	9.5x	7.3x
Hindustan Unilever	-1.2%	8.5%	25.1x	24.8x
Indiabulls Real Estate	-1.9%	19.9%	27.1x	29.6x
Educomp Solutions	-2.8%	9.3%	15.1x	31.4x
Jsw Steel	-2.8%	16.4%	11.3x	7.0x

Company Name	3M - EM	3M - PM	PE - Current	PE - Long Term
GVK Power & Infr.	-3.4%	12.4%	28.1x	28.3x
Bharti Airtel	-4.6%	33.8%	16.6x	25.0x
Unitech	-5.5%	22.3%	18.4x	16.3x
DLF	-5.6%	22.7%	21.0x	16.6x
Grasim Industries	-7.3%	22.5%	8.7x	8.4x
Gmr Infrastructure	-7.4%	6.0%	68.2x	76.9x
Maruti Suzuki India	-10.5%	0.4%	15.3x	14.1x
India Cements	-16.8%	-2.7%	14.8x	8.8x
Aban Offshore	-25.7%	16.7%	5.5x	11.4x
Reliance Communications	-28.0%	-13.4%	14.8x	16.0x
Punj Lloyd	-37.4%	-8.2%	13.3x	16.5x
Suzlon Energy	-76.6%	-9.8%	69.8x	21.9x

Source: IBES (DataStream)

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Buy	Buy	54%	41%
Neutral	Hold/Neutral	37%	32%
Sell	Sell	9%	24%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	22%
Sell	Sell	less than 1%	0%

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

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

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

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

Source: UBS. Rating allocations are as of 30 June 2010.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
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Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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UBS Securities India Private Ltd: Suresh A Mahadevan, CFA; Varun Ahuja, CFA.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Adani Power ⁴	ADAN.BO	Buy	N/A	Rs140.65	15 Sep 2010
Aditya Birla Nuvo	ABRL.BO	Buy	N/A	Rs860.75	15 Sep 2010
Bank of Baroda	BOB.BO	Buy	N/A	Rs868.60	15 Sep 2010
Bharti Airtel Ltd.	BRTI.BO	Buy	N/A	Rs356.15	15 Sep 2010
DB Realty	DBRL.BO	Buy	N/A	Rs442.25	15 Sep 2010
DLF Limited	DLF.BO	Buy	N/A	Rs340.65	15 Sep 2010
GAIL (India) Ltd.	GAIL.BO	Buy	N/A	Rs483.30	15 Sep 2010
Grasim Industries	GRAS.BO	Buy	N/A	Rs2,198.90	15 Sep 2010
GVK Power and Infrastructure	GVKP.BO	Buy	N/A	Rs48.65	15 Sep 2010
Hathway Cable & Datacom ^{2, 4, 5}	HAWY.BO	Buy	N/A	Rs217.75	15 Sep 2010
Hindalco Industries ^{2, 4, 20}	HALC.BO	Buy (CBE)	N/A	Rs189.50	15 Sep 2010
Hindustan Unilever	HLL.BO	Buy	N/A	Rs277.40	15 Sep 2010
ICICI Bank ¹⁶	ICBK.BO	Buy	N/A	Rs1,098.80	15 Sep 2010
IndusInd Bank ^{1a, 5}	INBK.BO	Buy	N/A	Rs241.10	15 Sep 2010
Infosys Technologies Ltd. ^{16, 18}	INFY.BO	Neutral	N/A	Rs3,050.15	15 Sep 2010
L & T	LART.BO	Buy	N/A	Rs1,916.15	15 Sep 2010
Lanco Infratech ⁴	LAIN.BO	Buy	N/A	Rs68.00	15 Sep 2010
Mahindra & Mahindra	MAHM.BO	Buy	N/A	Rs676.40	15 Sep 2010
Phoenix Mills	PHOE.BO	Buy	N/A	Rs250.60	15 Sep 2010
Punjab National Bank	PNBK.BO	Buy	N/A	Rs1,274.05	15 Sep 2010
Reliance Infrastructure	RLIN.BO	Buy	N/A	Rs1,066.30	15 Sep 2010
Sesa Goa	SESA.BO	Buy	N/A	Rs322.95	15 Sep 2010
Sterlite Industries ^{1b, 5, 16, 20}	STRL.BO	Buy (CBE)	N/A	Rs173.70	15 Sep 2010
Tata Chemicals ²⁰	TTCH.BO	Buy (CBE)	N/A	Rs420.20	15 Sep 2010
Tata Consultancy Services Ltd.	TCS.BO	Neutral	N/A	Rs913.60	15 Sep 2010
Tata Motors Ltd. ¹⁶	TAMO.BO	Buy	N/A	Rs1,024.30	15 Sep 2010

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

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

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