India equity valuation monitor

EQUITY STRATEGY

NOMURA
EQUITY RESEARCH

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October 12, 2011

Consensus earnings revisions & valuation changes for the 50 stocks in the Nifty Market Index

Consensus earnings downgrades continued over the past month

The largest downward revisions for FY12F Bloomberg consensus estimates over the past month were for RPWR (-13.1%) RCOM (-8.7%) and RELI (-5.2%). Meanwhile, upward revisions were mostly led by cement stocks JPA (+10.3%), ACEM (+1.2%) and GRASIM (+0.8%). P/E multiples were de-rated the most for LT, RCAPT and HMCL, while multiple expansions were the largest for DLFU, TTMT and INFO. Sensex FY12F consensus earnings were cut by 1.1% over the past month, which combined with a 1.84% decline in the index, took the earnings multiple from 13.2x to 12.8x.

Fig. 1: Multiple contraction, earnings upgrades and price performance laggards

Stock name	P/e multiple changes over 1 month	Stock name	Earnings changes over 1 month	Stock name	Price perf. over 1 month
LT IN	-18.0	JPA IN	10.3	LT IN	-18.2
RCAPT IN	-14.7	ACEM IN	1.2	HNDL IN	-15.2
HMCL IN	-13.1	GRASIM IN	0.8	RELI IN	-14.3
HNDL IN	-11.5	PWGR IN	0.7	RCAPT IN	-14.3
RELI IN	-11.4	SUNP IN	0.4	JSP IN	-12.1

Source: Bloomberg, Datastream, Nomura research

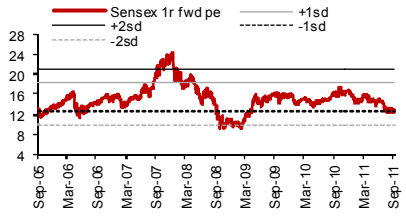
Note: Pricing as of 10 October, 2011

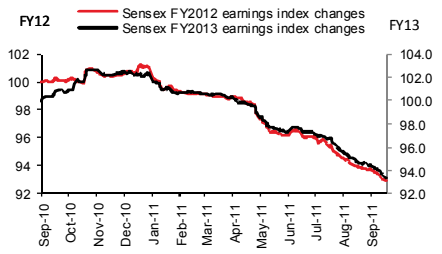
Fig. 2: Multiple expansion, earnings downgrades and price performance leaders

Stock name	P/e multiple changes over 1 month	Stock name	Earnings changes over 1 month	Stock name	Price perf. over 1 month
DLFU IN	15.4	RPWR IN	-13.1	DLFU IN	14.1
TTMT IN	13.1	RCOM IN	-8.7	INFO IN	13.9
INFO IN	12.7	RELI IN	-5.2	TTMT IN	11.6
ACC IN	7.7	MSIL IN	-3.7	ACC IN	10.0
JPA IN	6.8	STLT IN	-3.5	JPA IN	8.4

Source: Bloomberg, Datastream, Nomura research

Fig. 3: Sensex 1-year fwd P/E and FY12 earnings changes





Source: Bloomberg, Datastream, Nomura research

Rating: *See report end for details of Nomura's rating system.*

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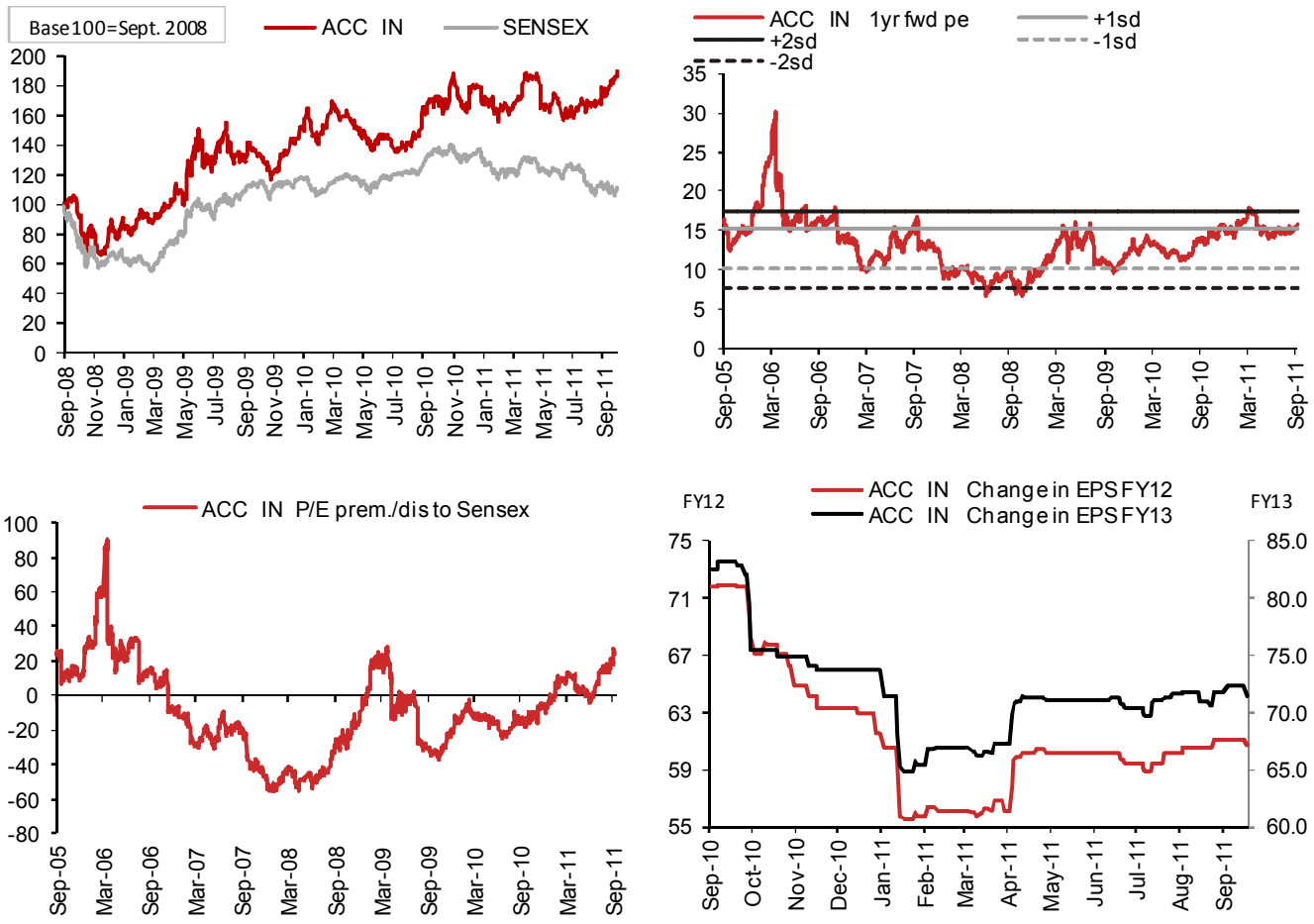
See Appendix A-1 for analyst certification and important disclosures. Analysts employed by non US affiliates are not registered or qualified as research analysts with FINRA in the US.

Nifty stock valuation charts

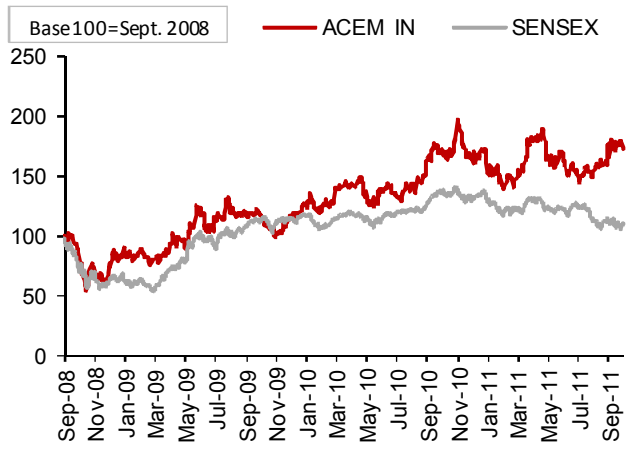
Fig. 4: ACC

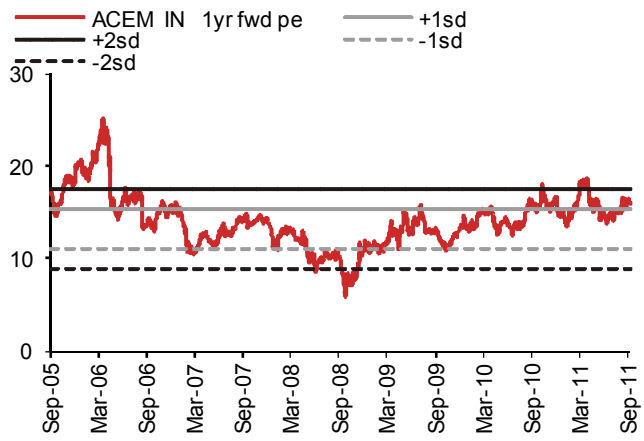


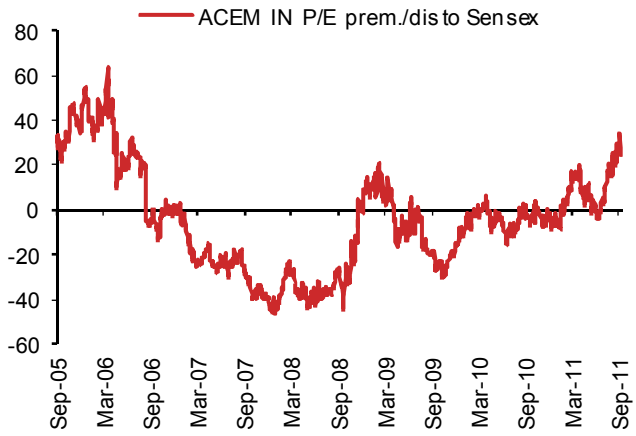
Source: Bloomberg, Datastream, Nomura research

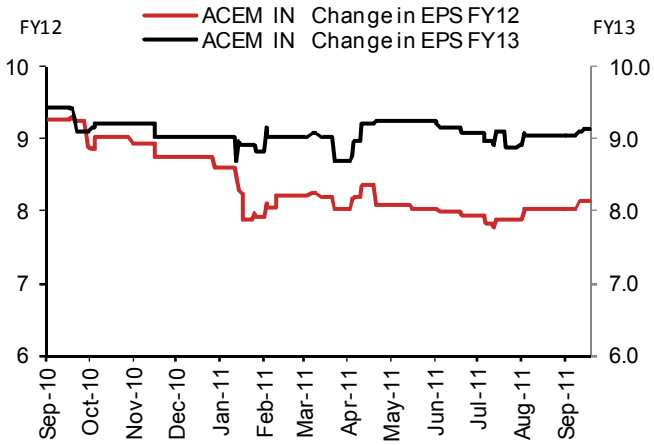
Note: Pricing as of 12 October, 2011.

Fig. 5: Ambuja Cement





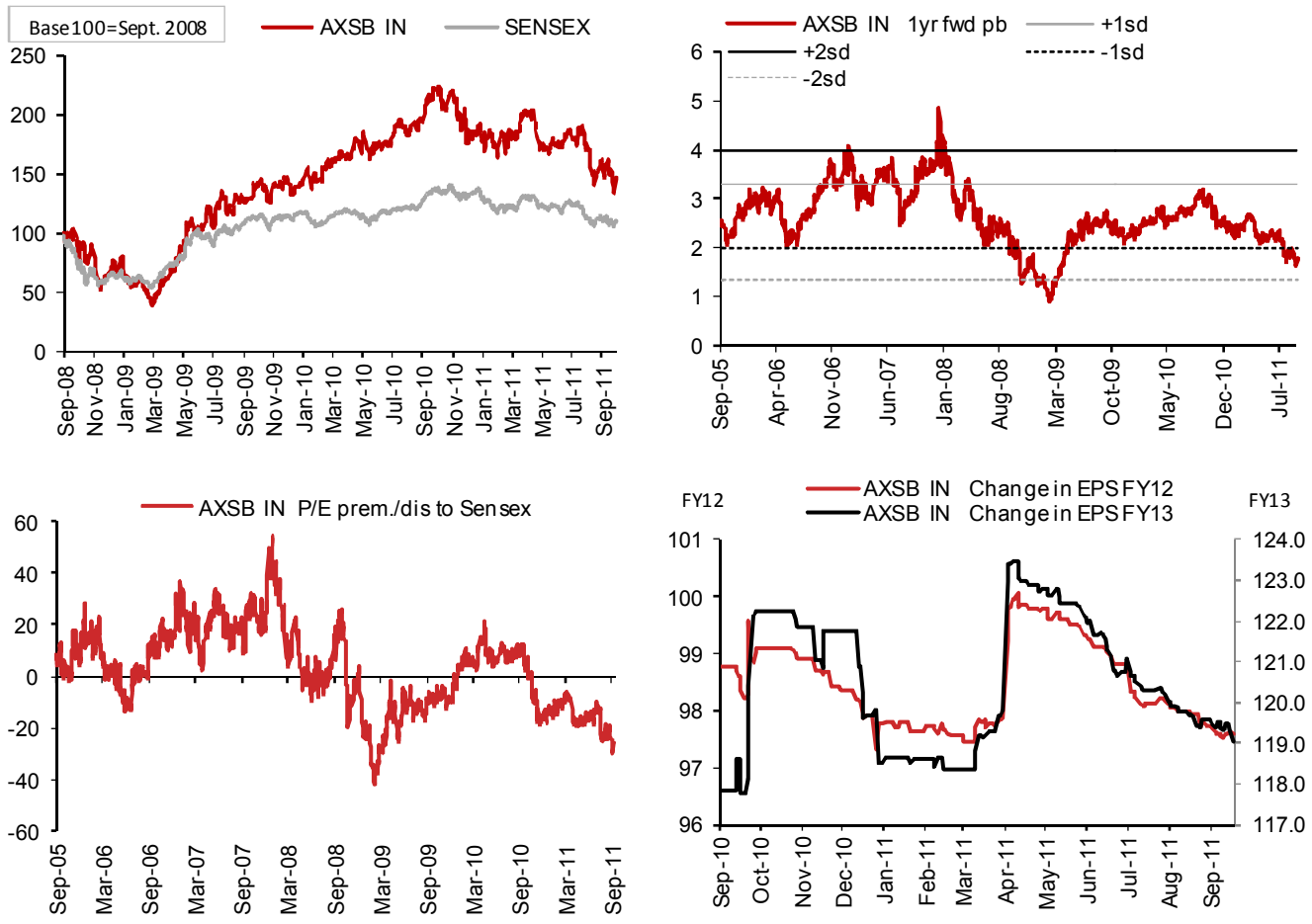




Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

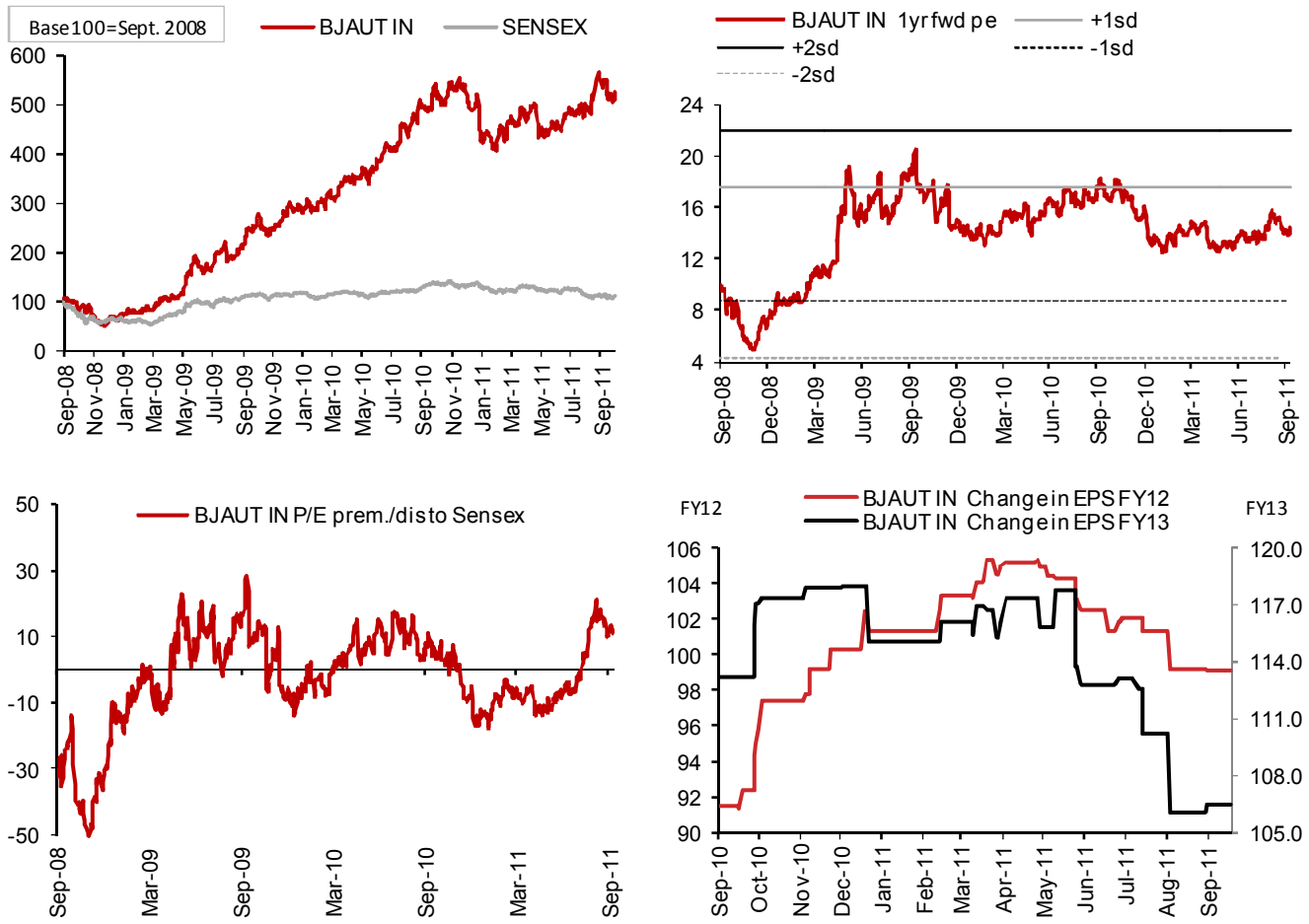
Fig. 6: Axis Bank



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

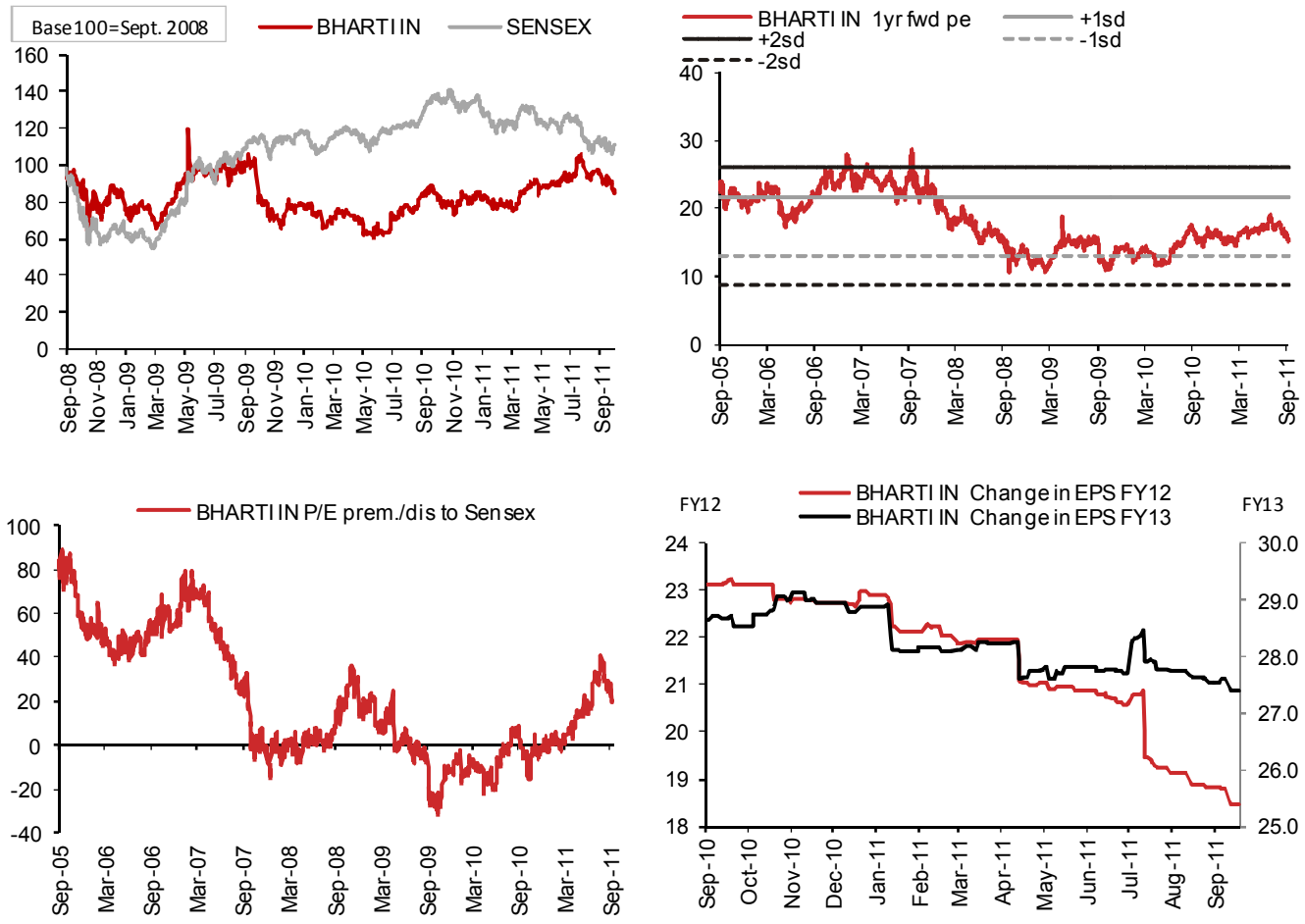
Fig. 7: Bajaj Auto



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

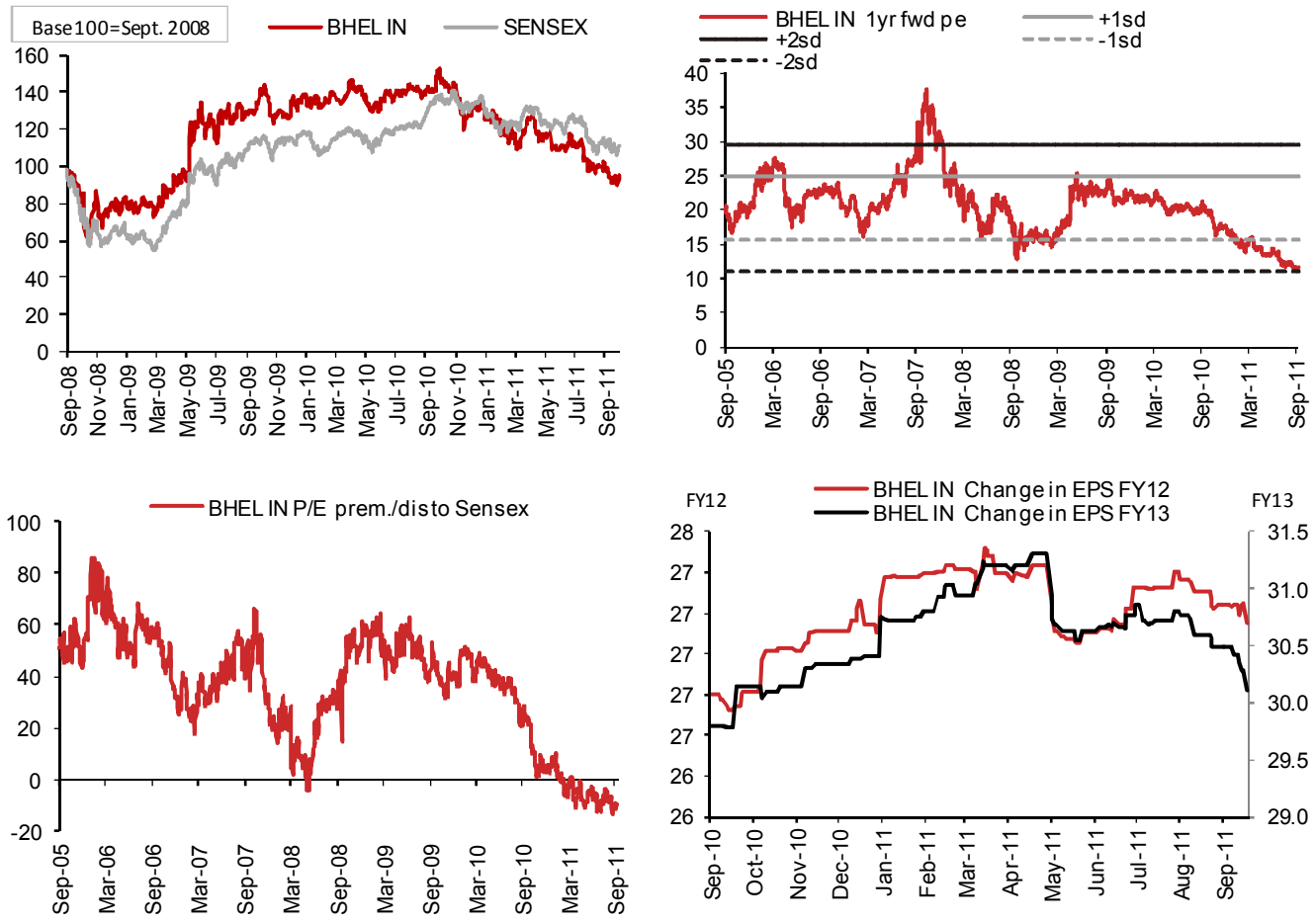
Fig. 8: Bharti Airtel



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

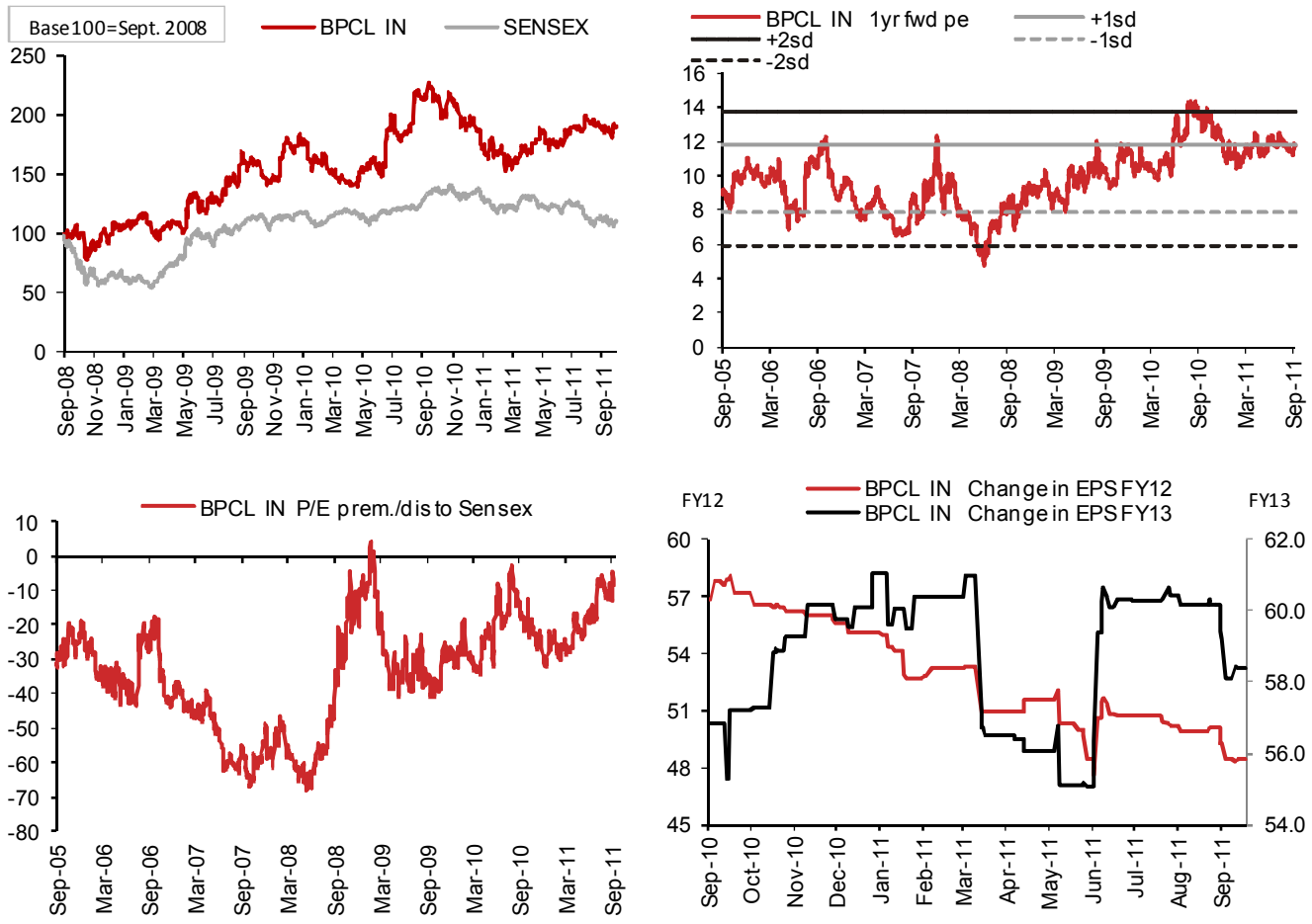
Fig. 9: BHEL



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

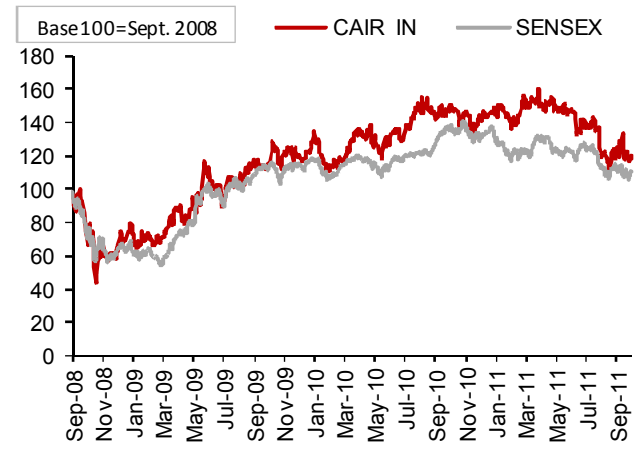
Fig. 10: BPCL

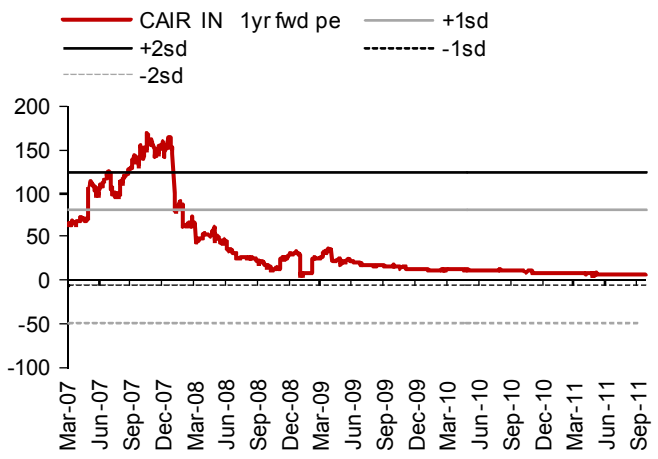


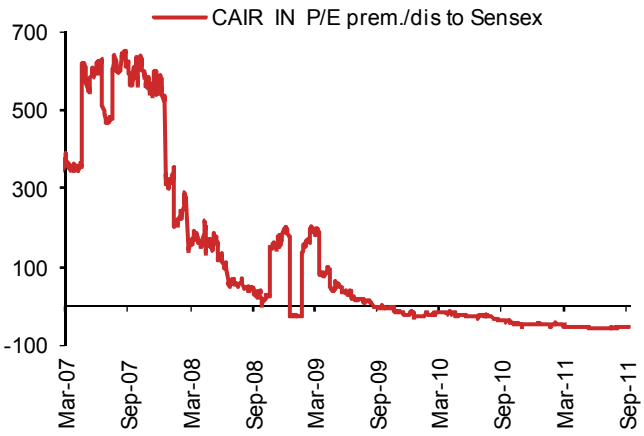
Source: Bloomberg, Datastream, Nomura research

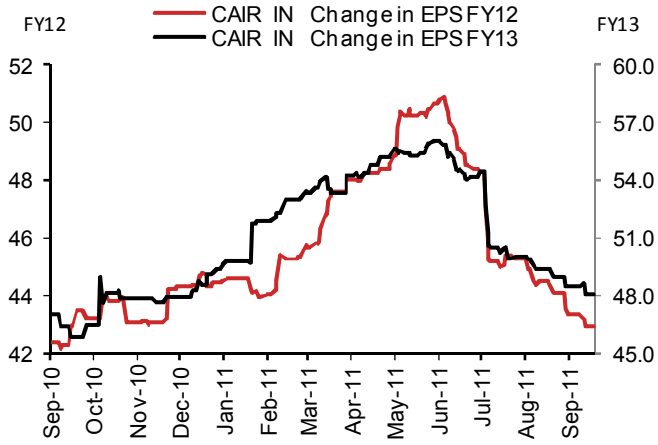
Note: Pricing as of 12 October, 2011.

Fig. 11: Cairn India



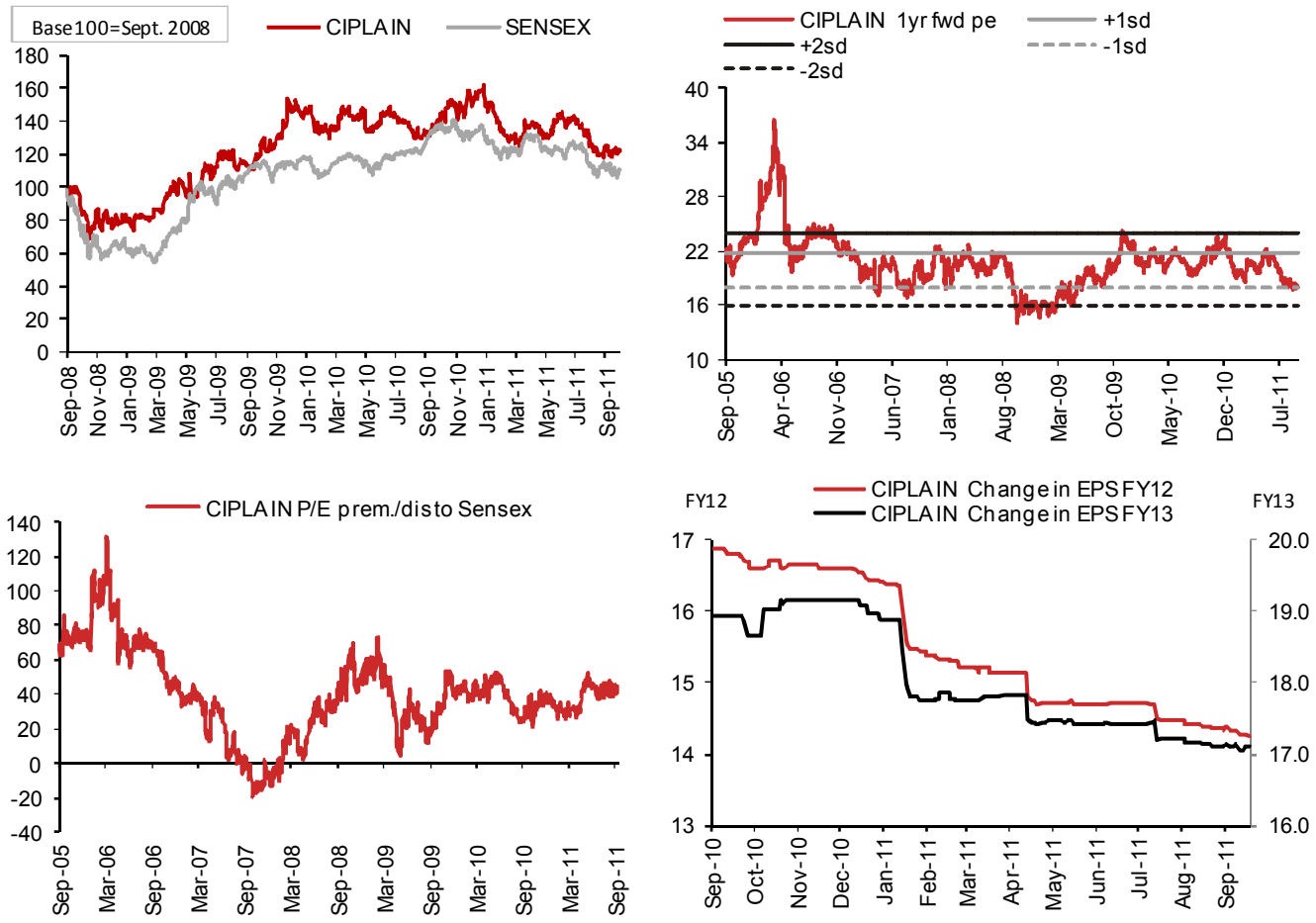






Source: Bloomberg, Datastream, Nomura research
Note: Pricing as of 12 October, 2011.

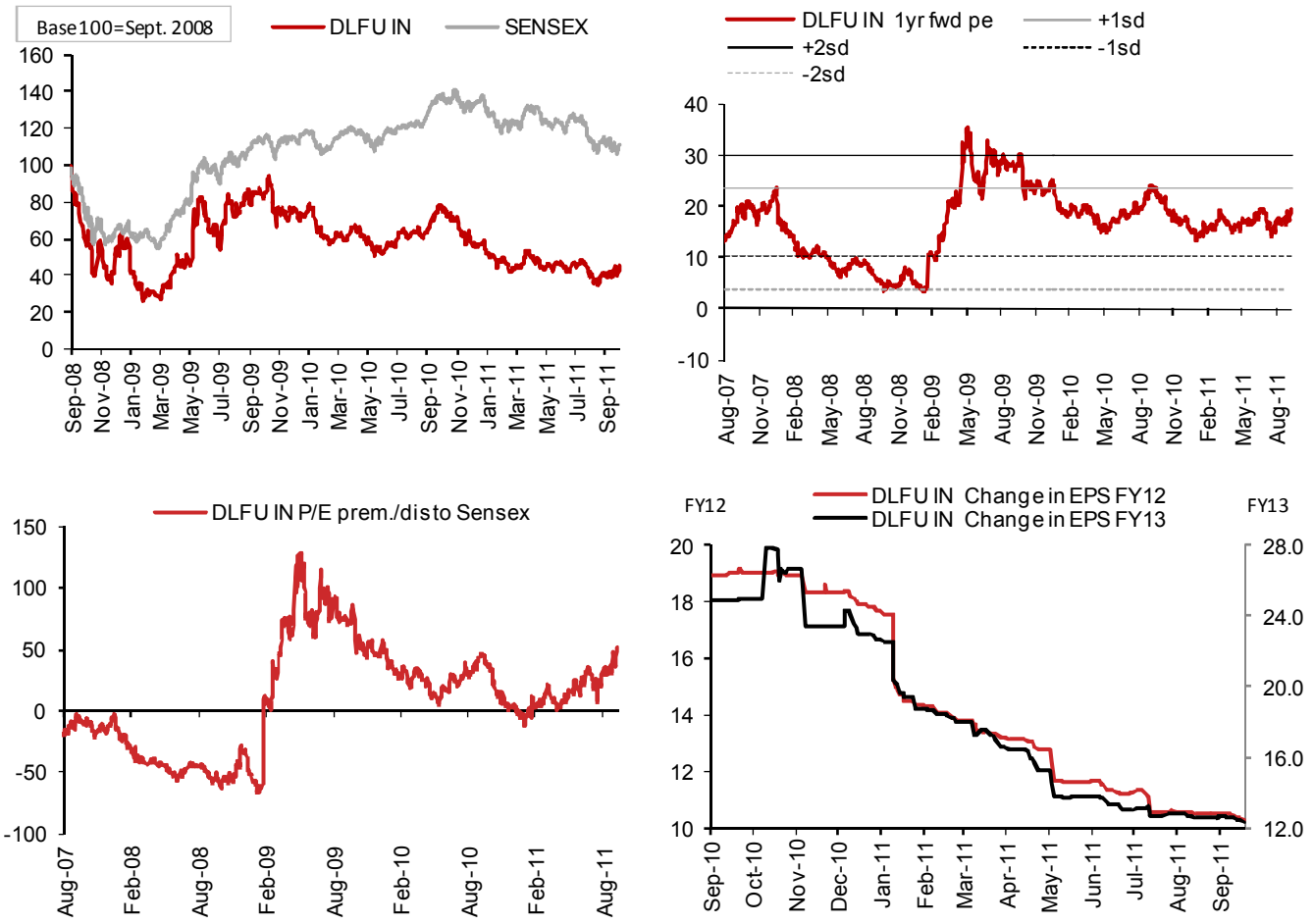
Fig. 12: Cipla



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

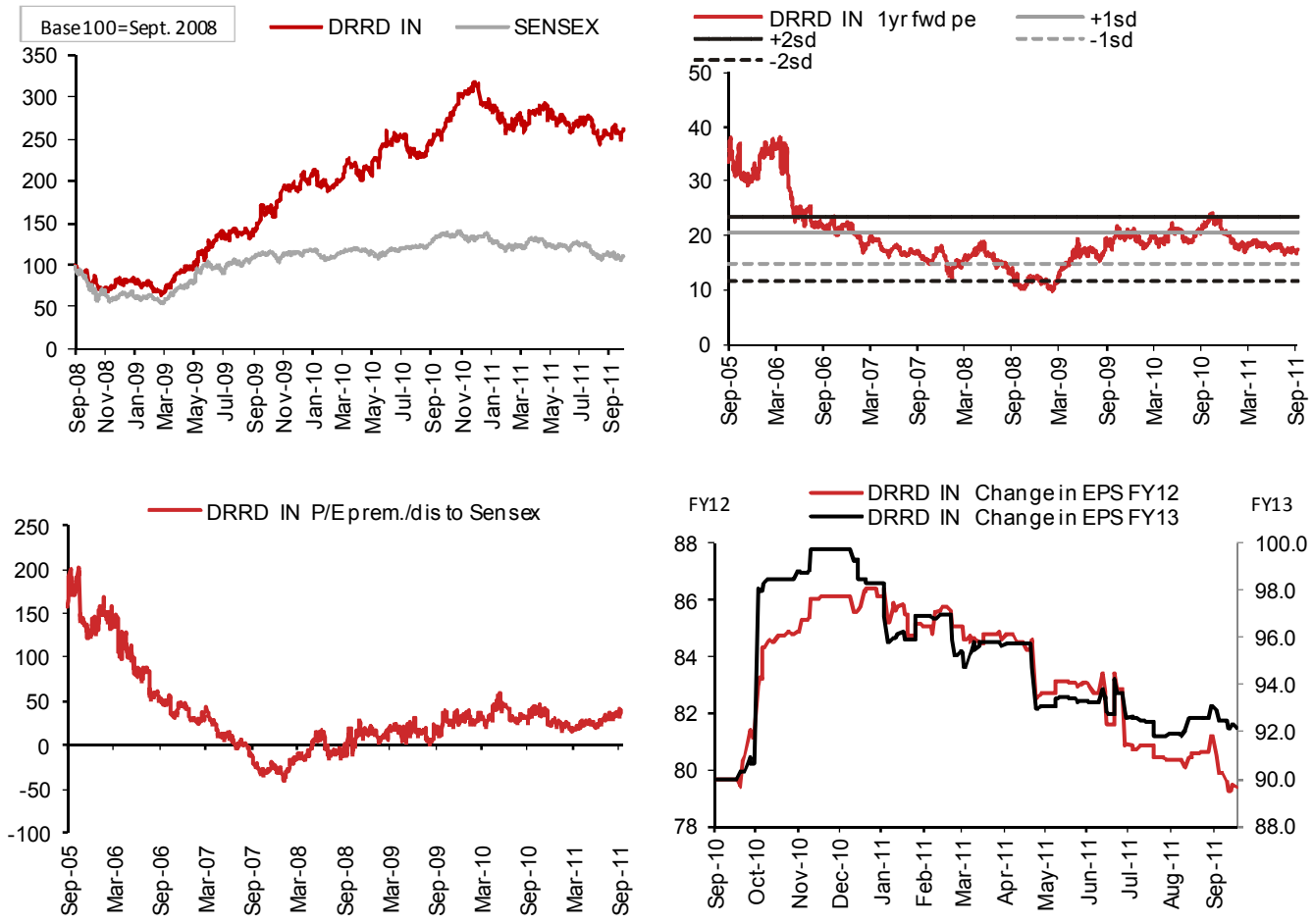
Fig. 13: DLF



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

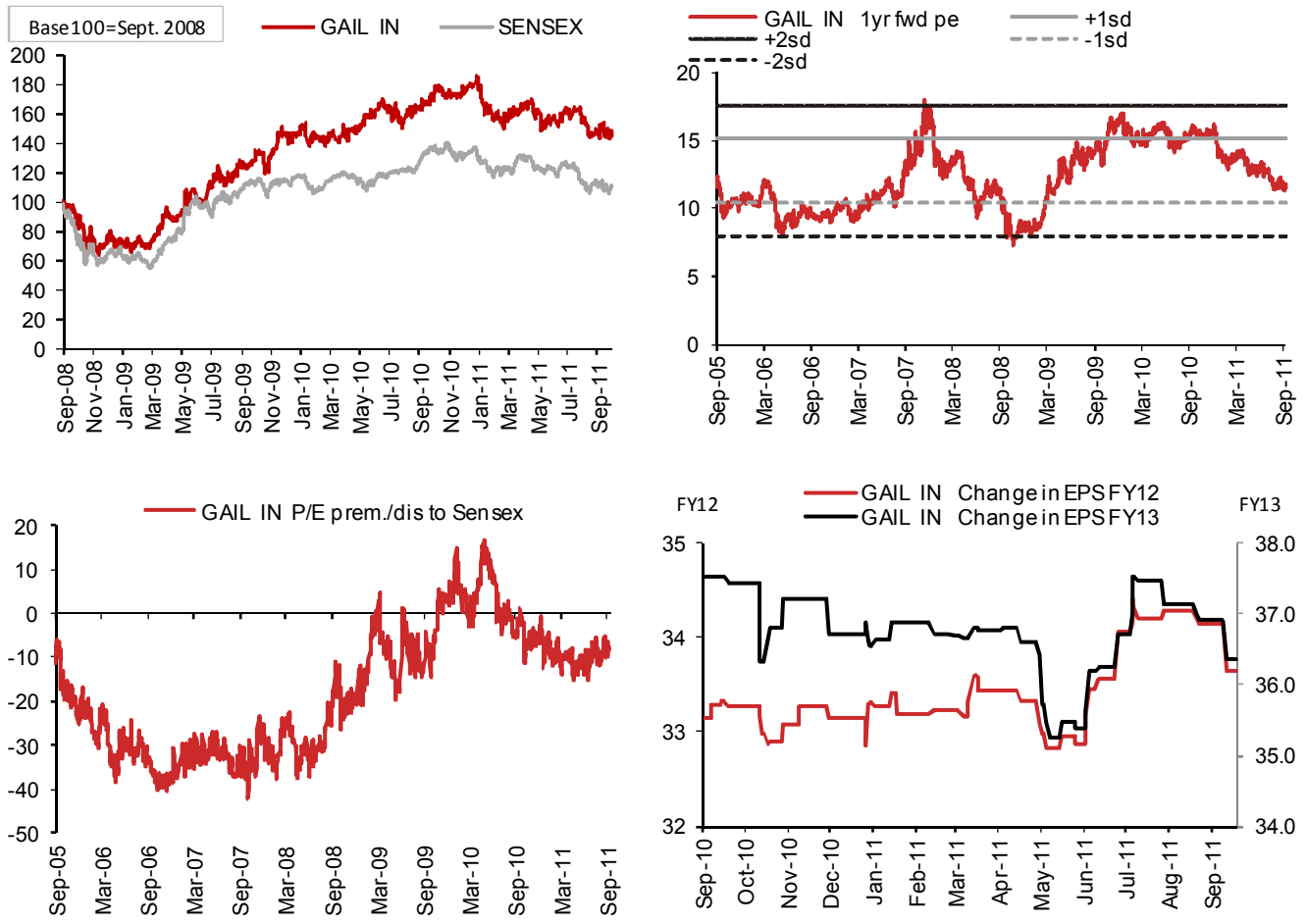
Fig. 14: Dr Reddy's Laboratories



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

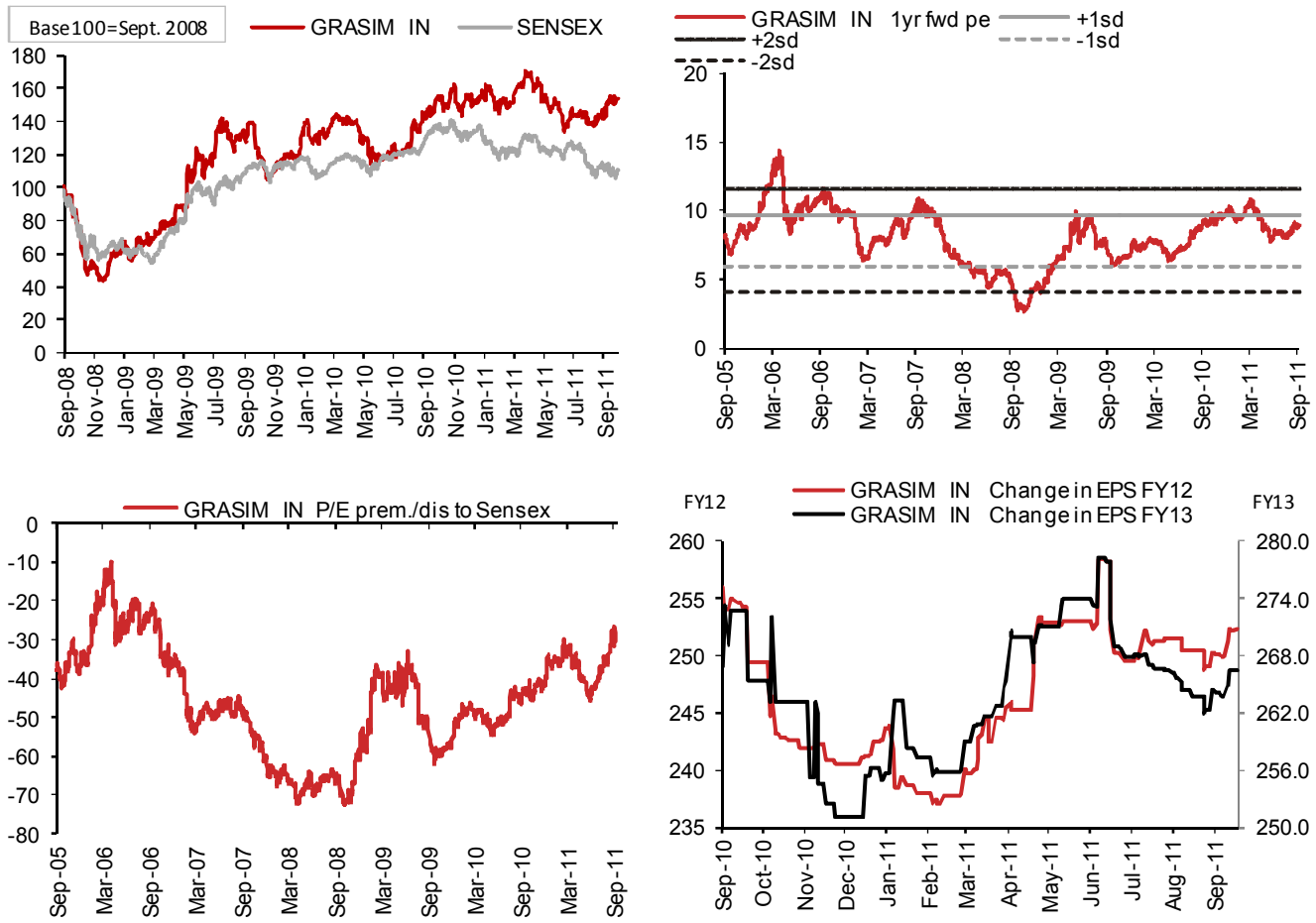
Fig. 15: GAIL



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

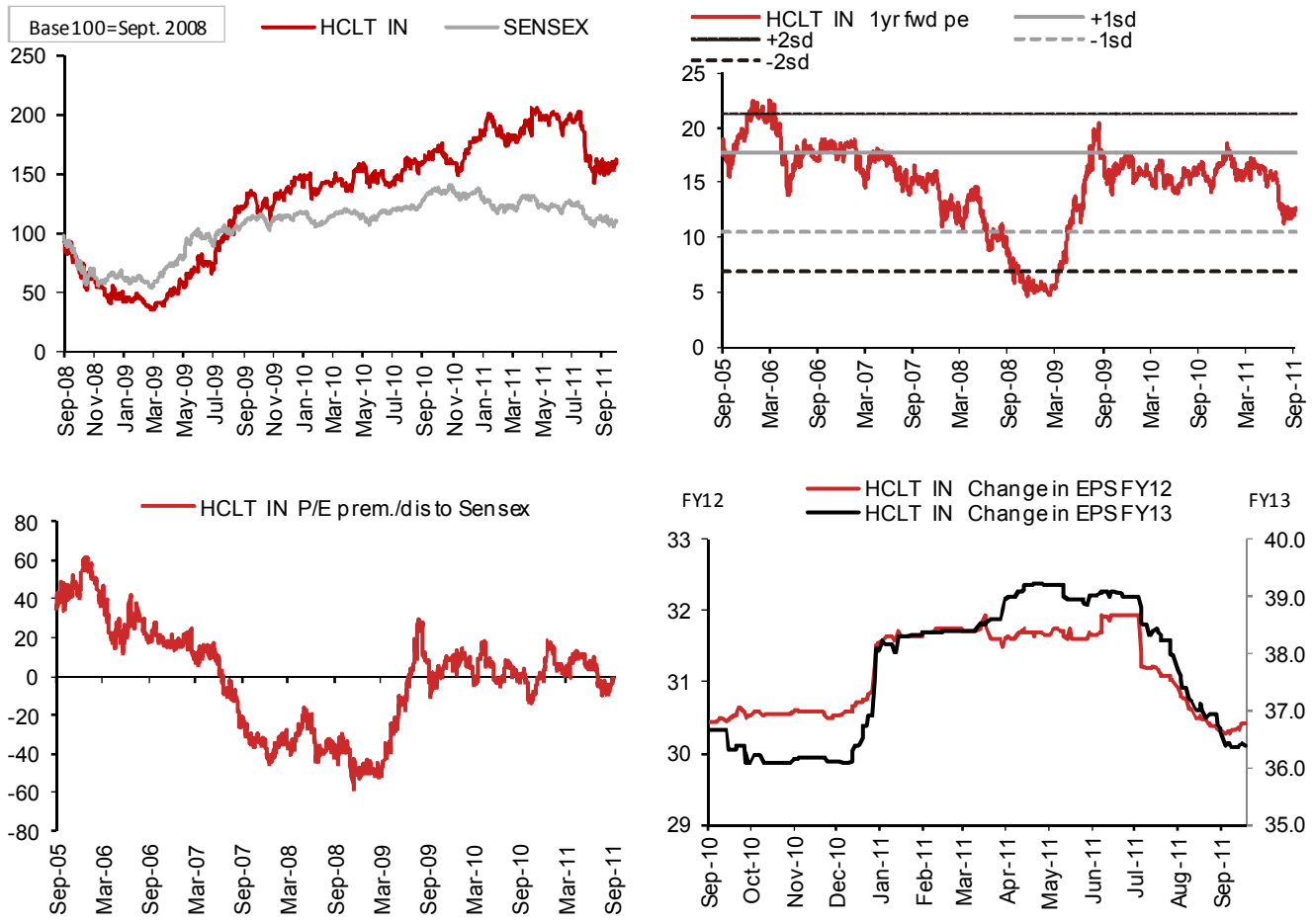
Fig. 16: Grasim Industries



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

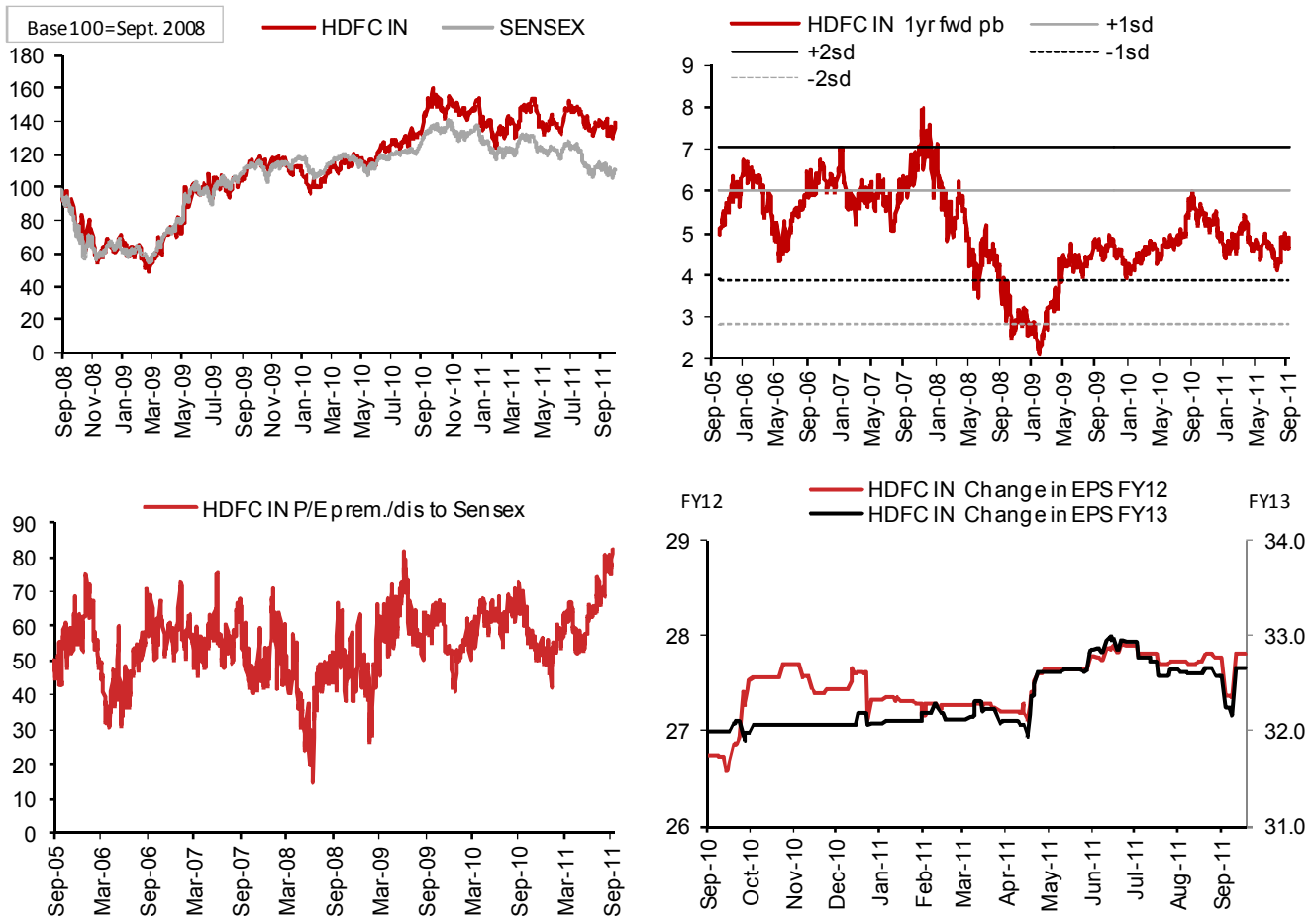
Fig. 17: HCL Tech



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

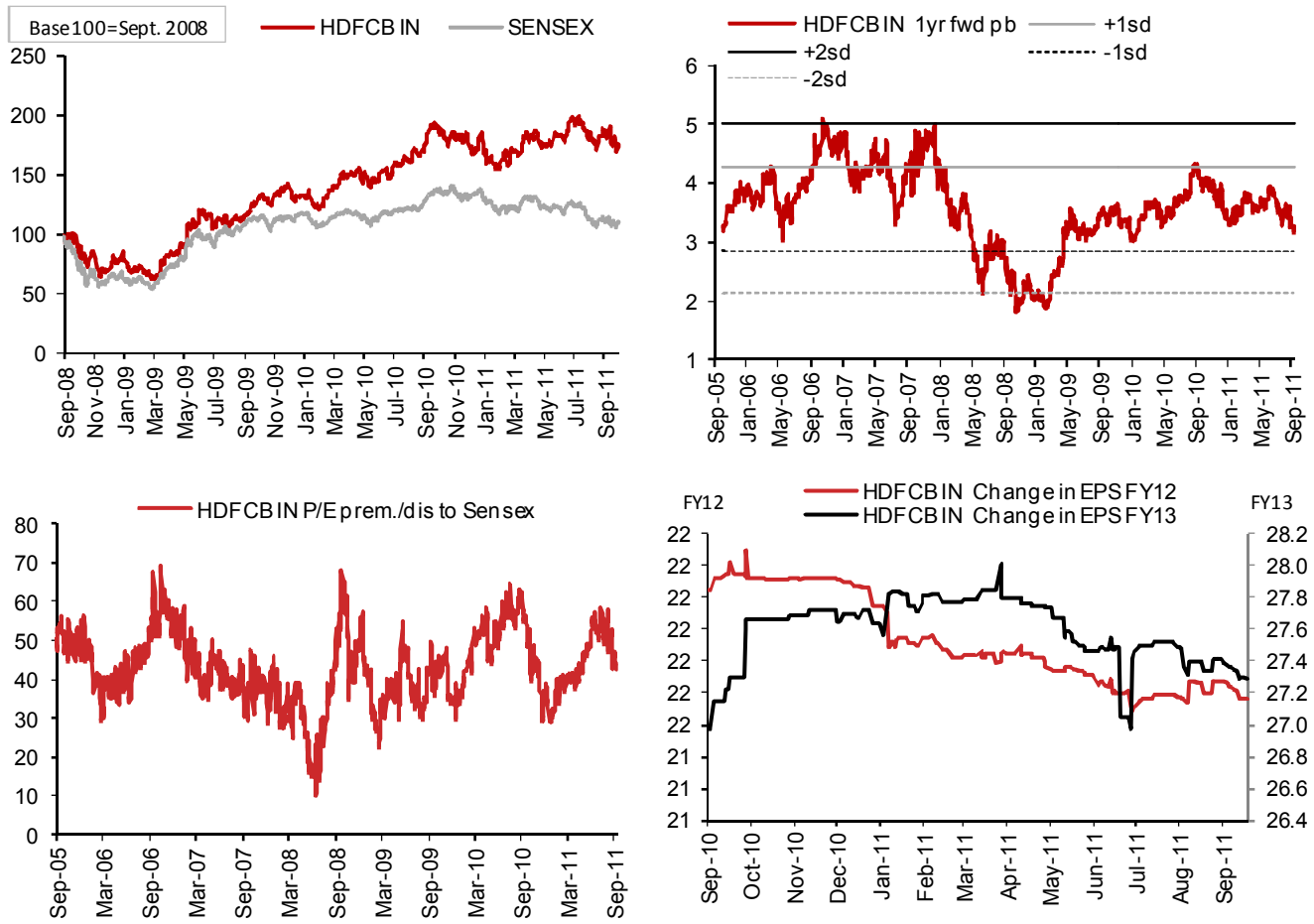
Fig. 18: HDFC



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

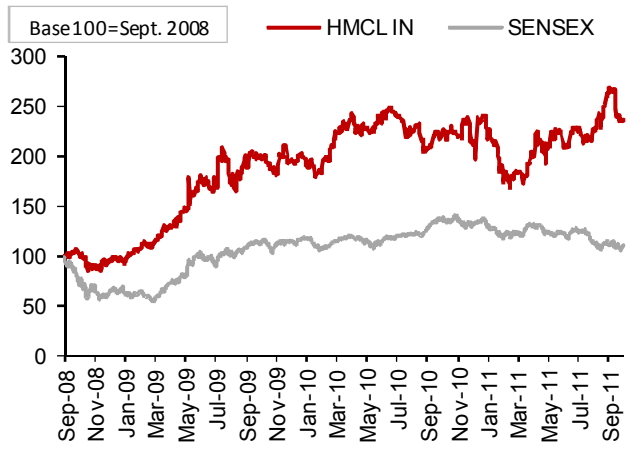
Fig. 19: HDFC Bank

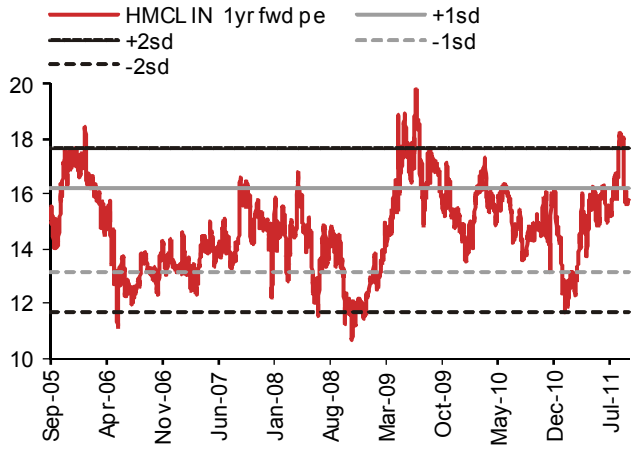


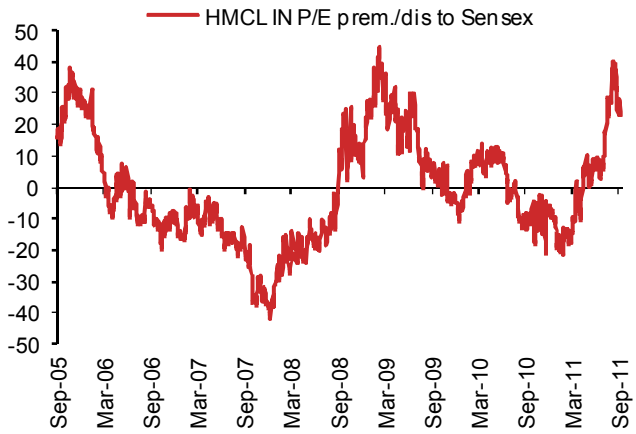
Source: Bloomberg, Datastream, Nomura research

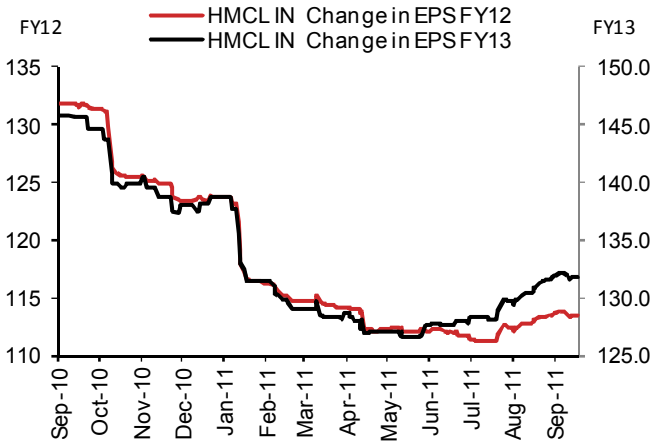
Note: Pricing as of 12 October, 2011.

Fig. 20: Hero Honda





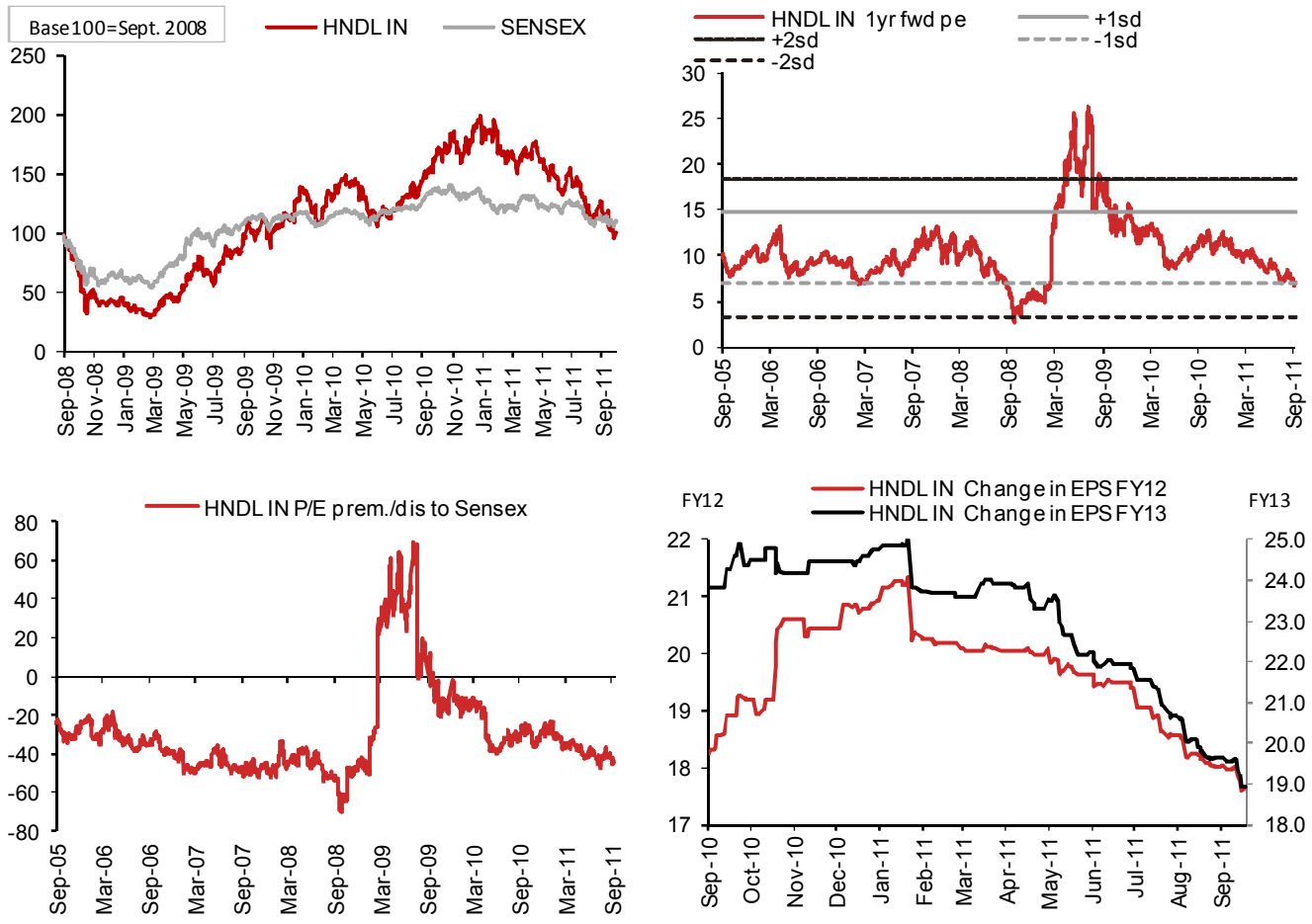




Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

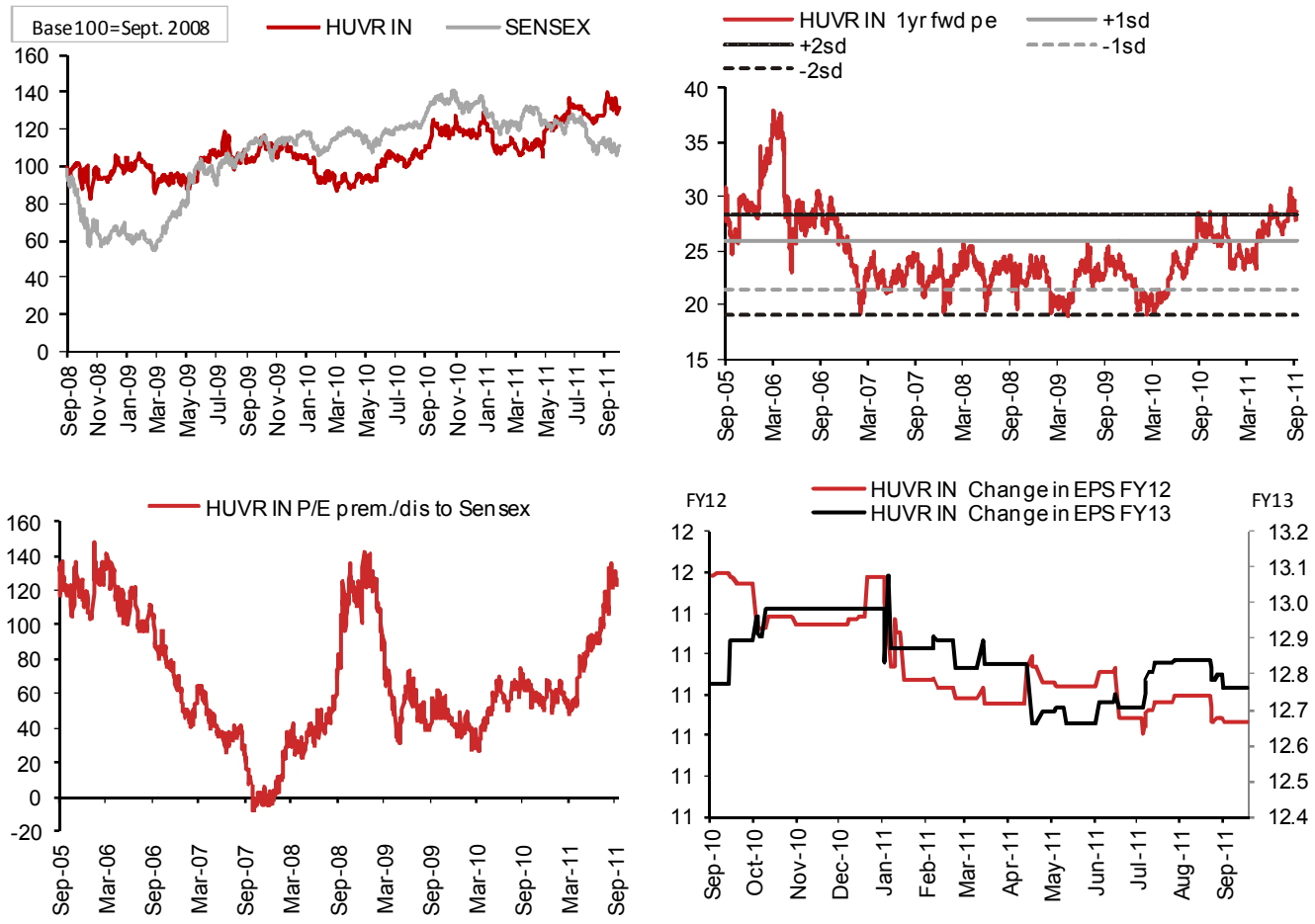
Fig. 21: Hindalco Industries



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

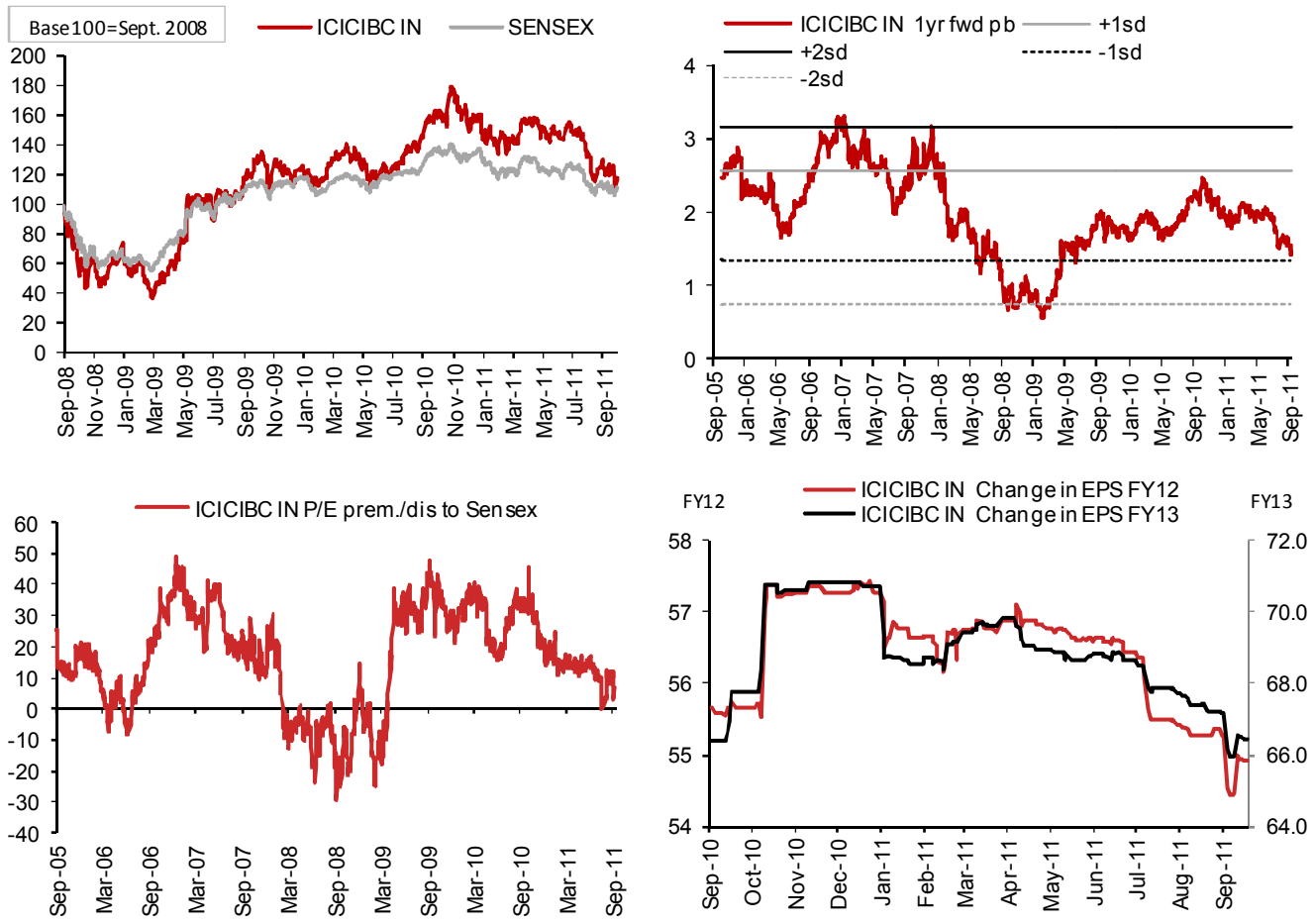
Fig. 22: Hindustan Unilever



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

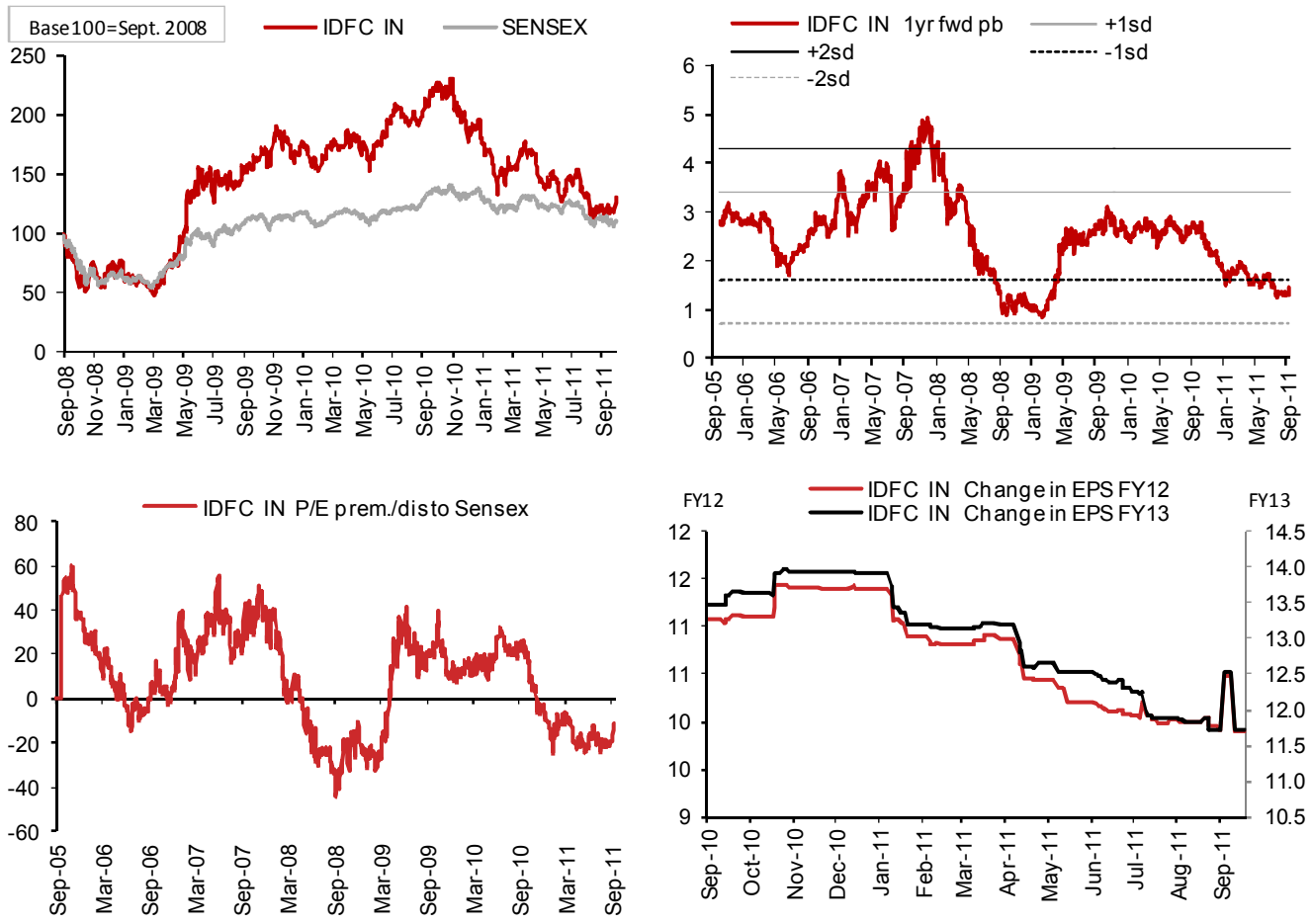
Fig. 23: ICICI Bank



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

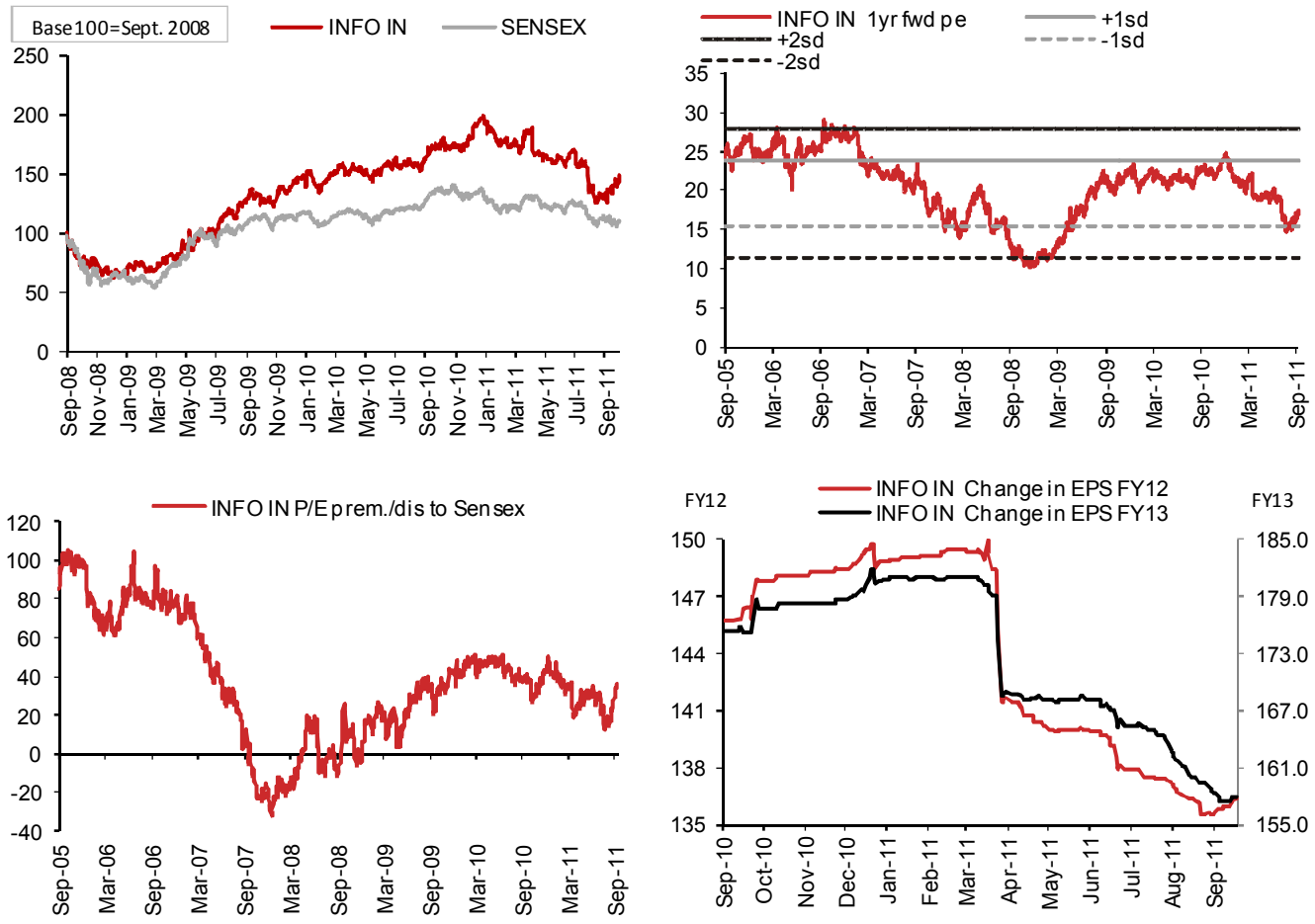
Fig. 24: IDFC



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

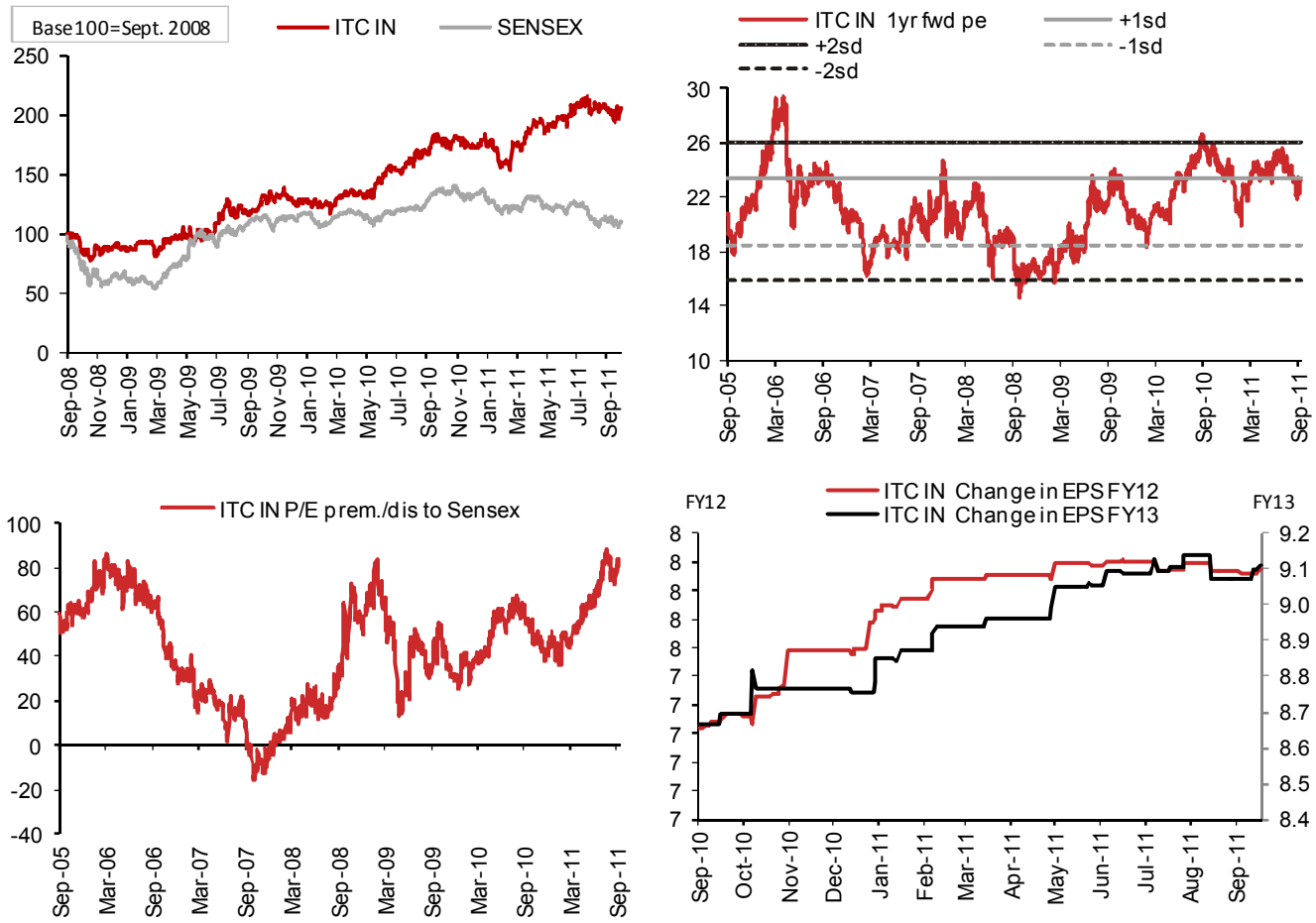
Fig. 25: Infosys Technologies



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

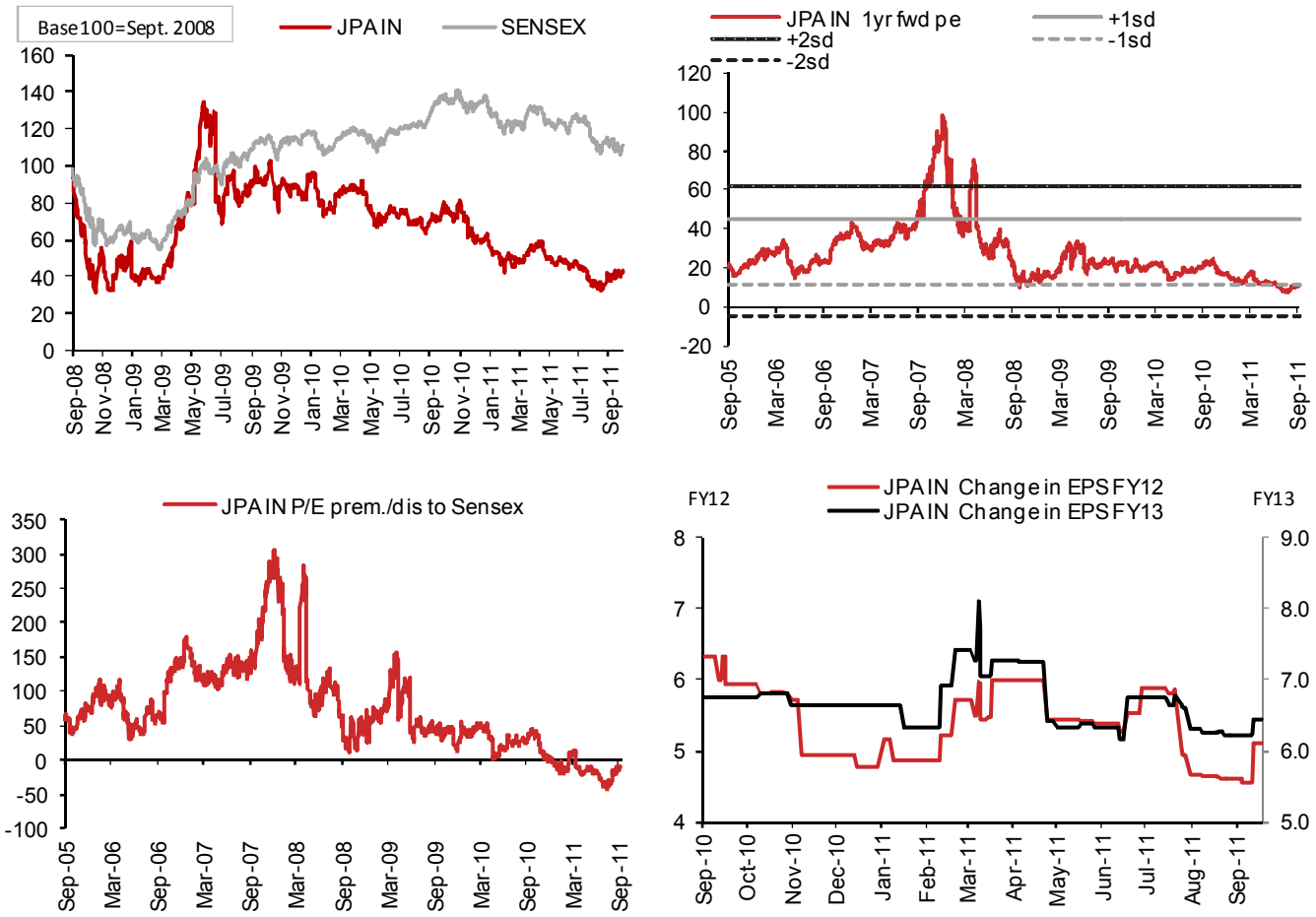
Fig. 26: ITC



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

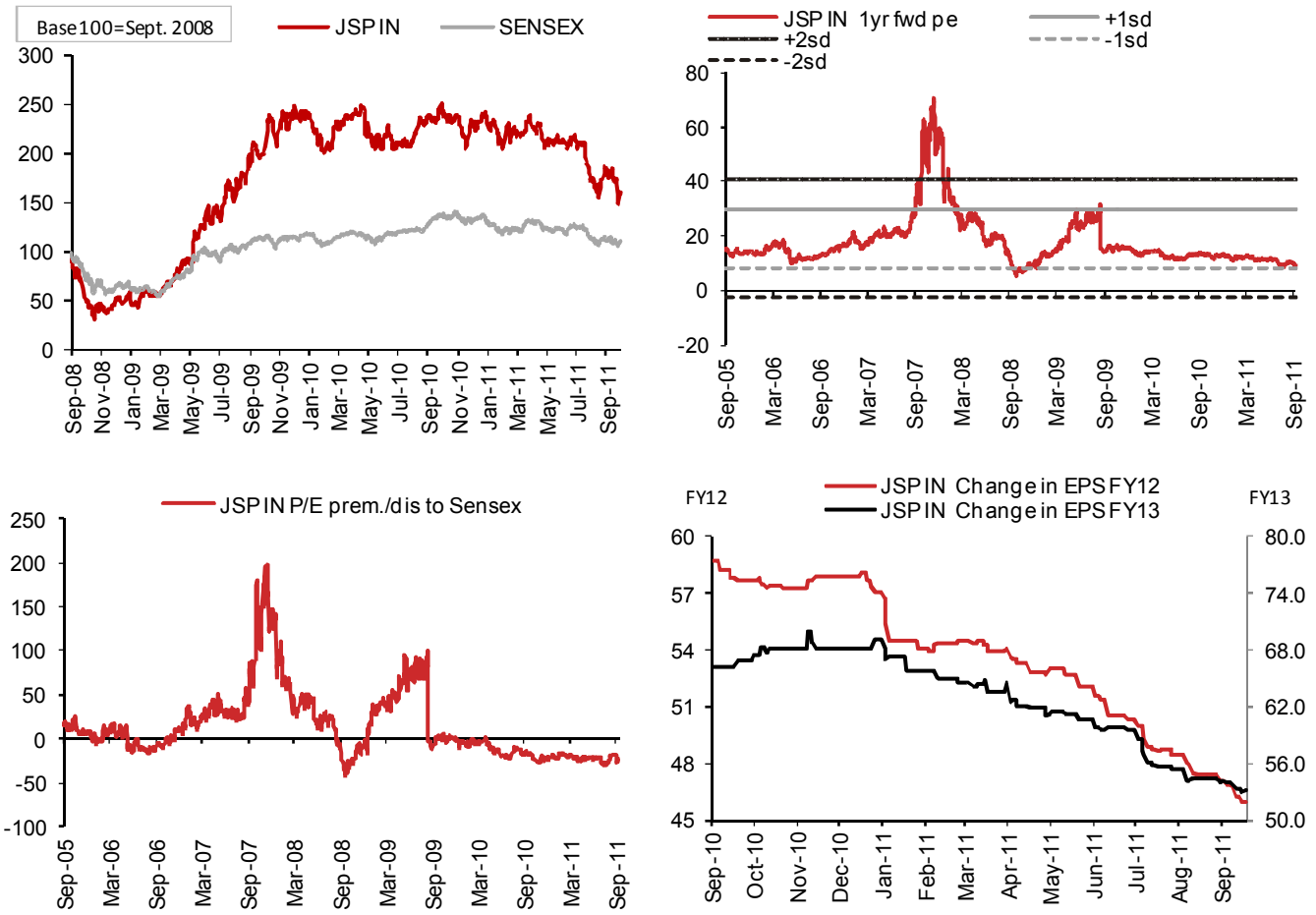
Fig. 27: Jaiprakash Associates



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

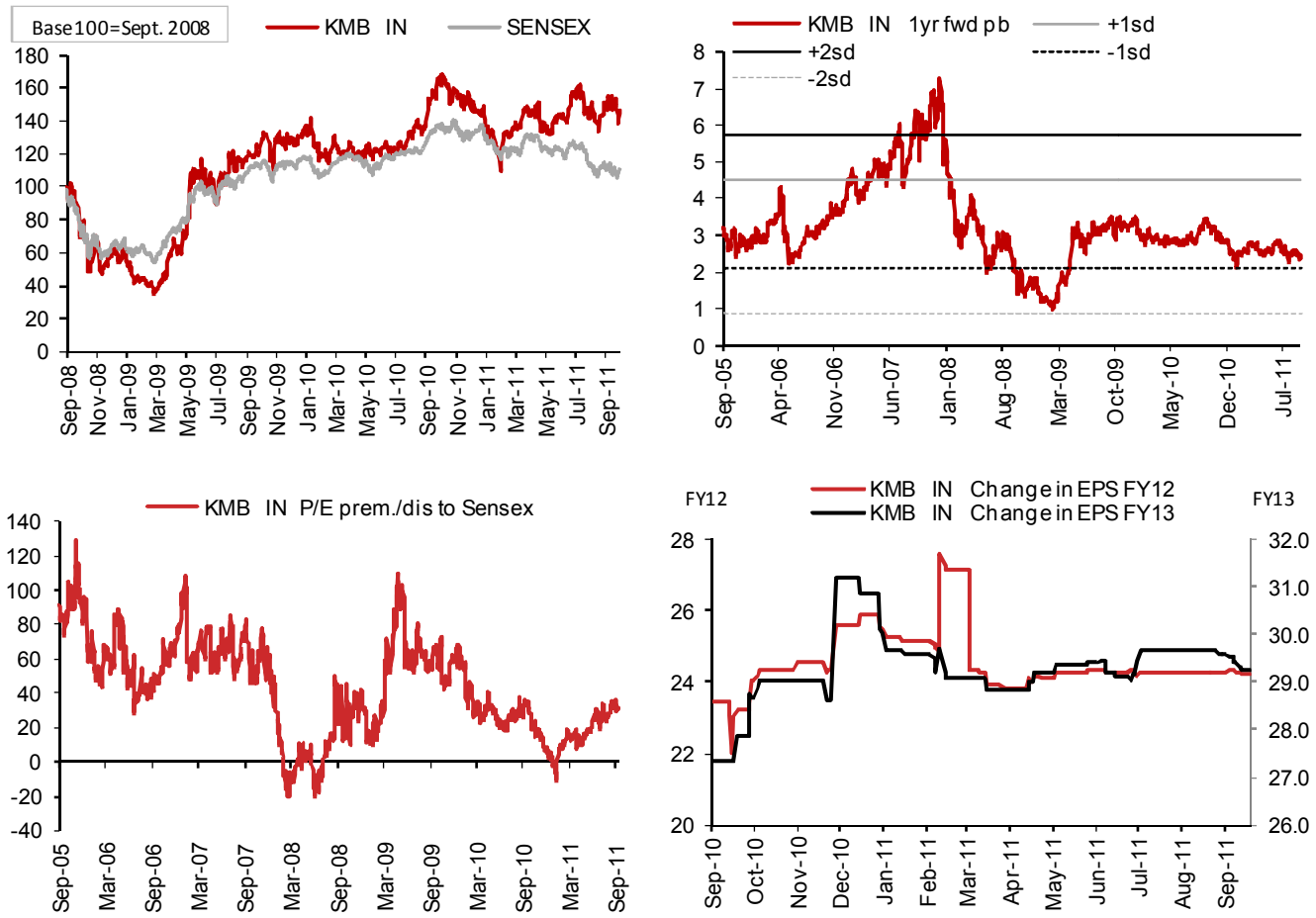
Fig. 28: Jindal Steel & Power



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

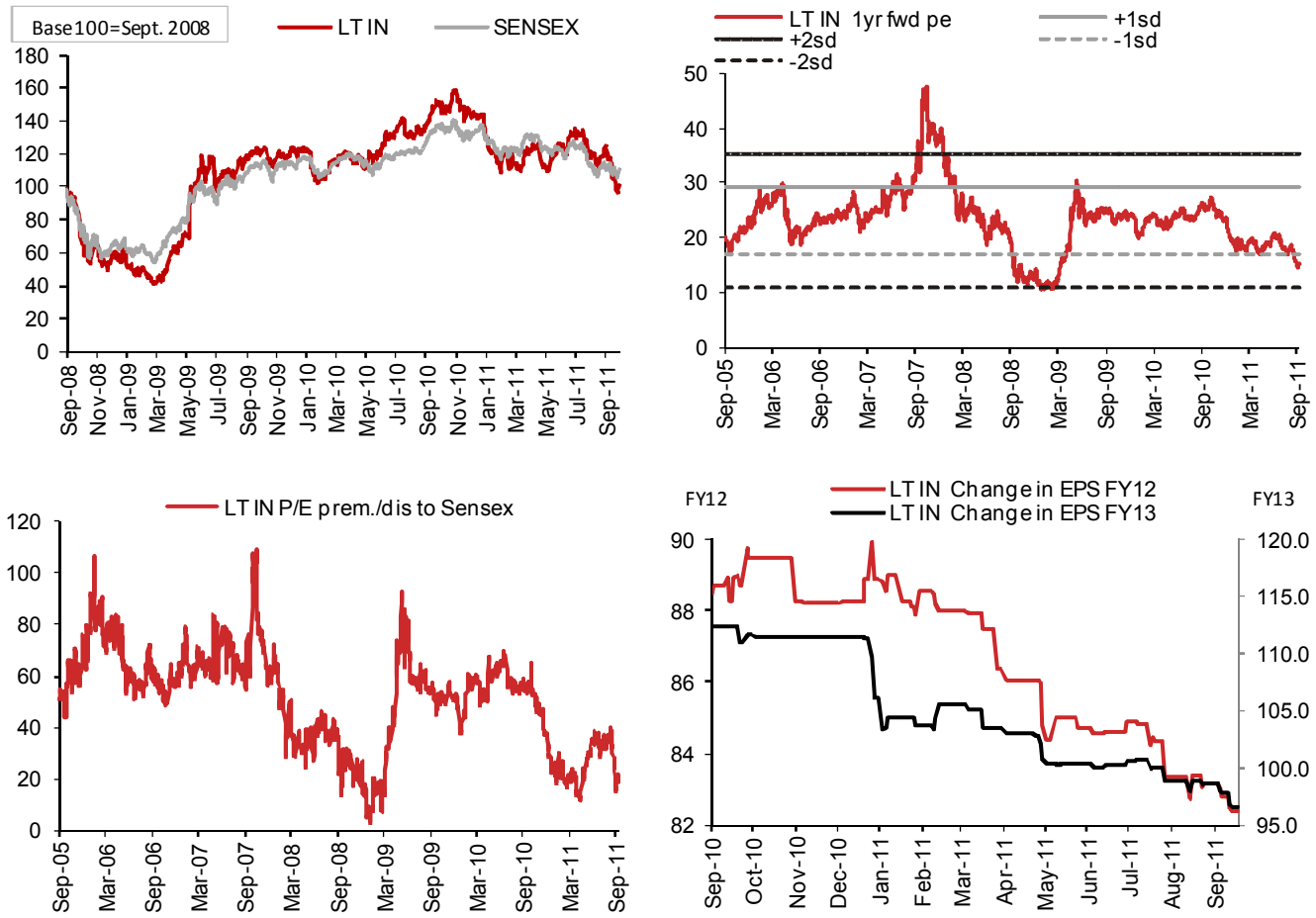
Fig. 29: Kotak Mahindra Bank



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

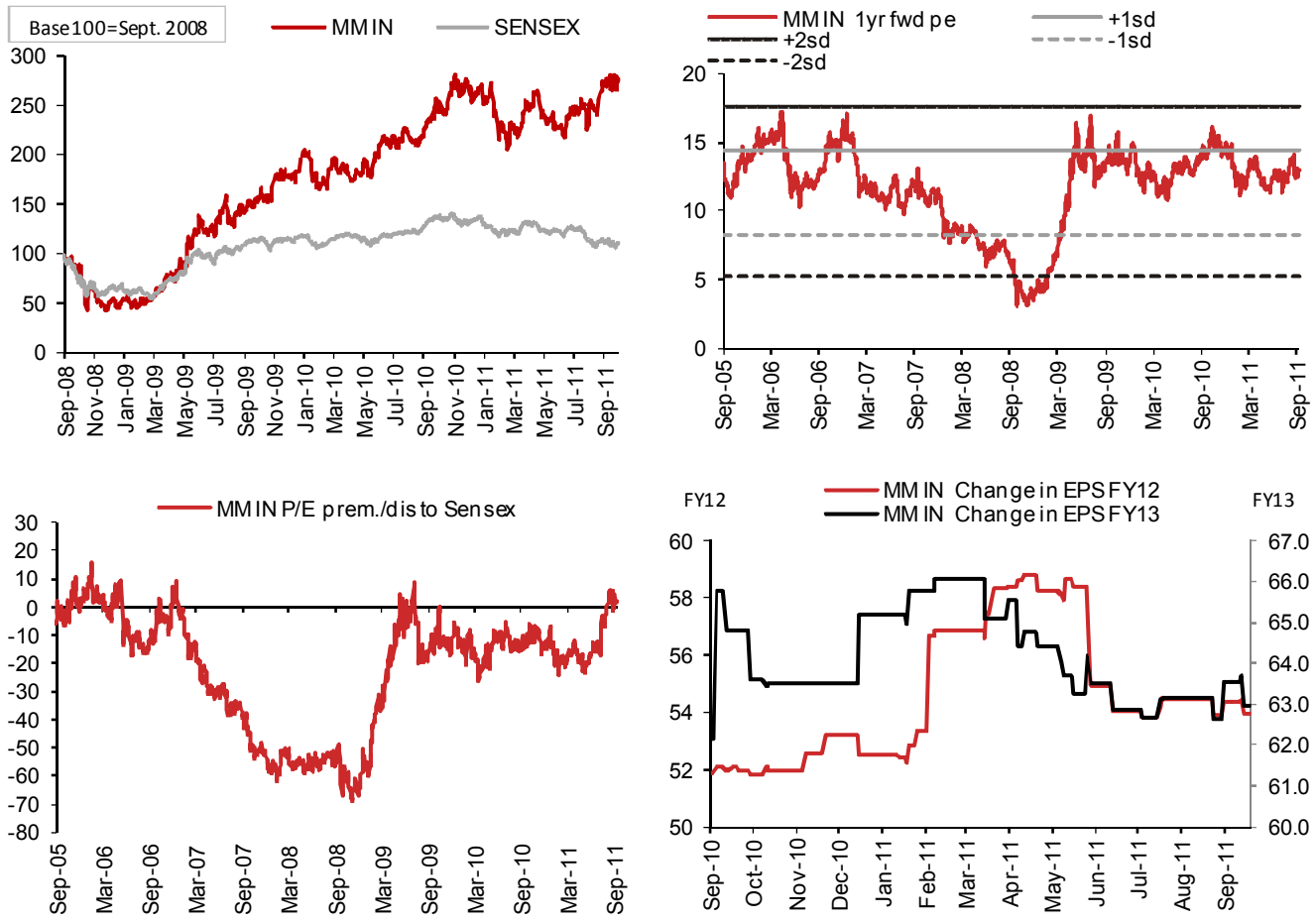
Fig. 30: Larsen & Toubro



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

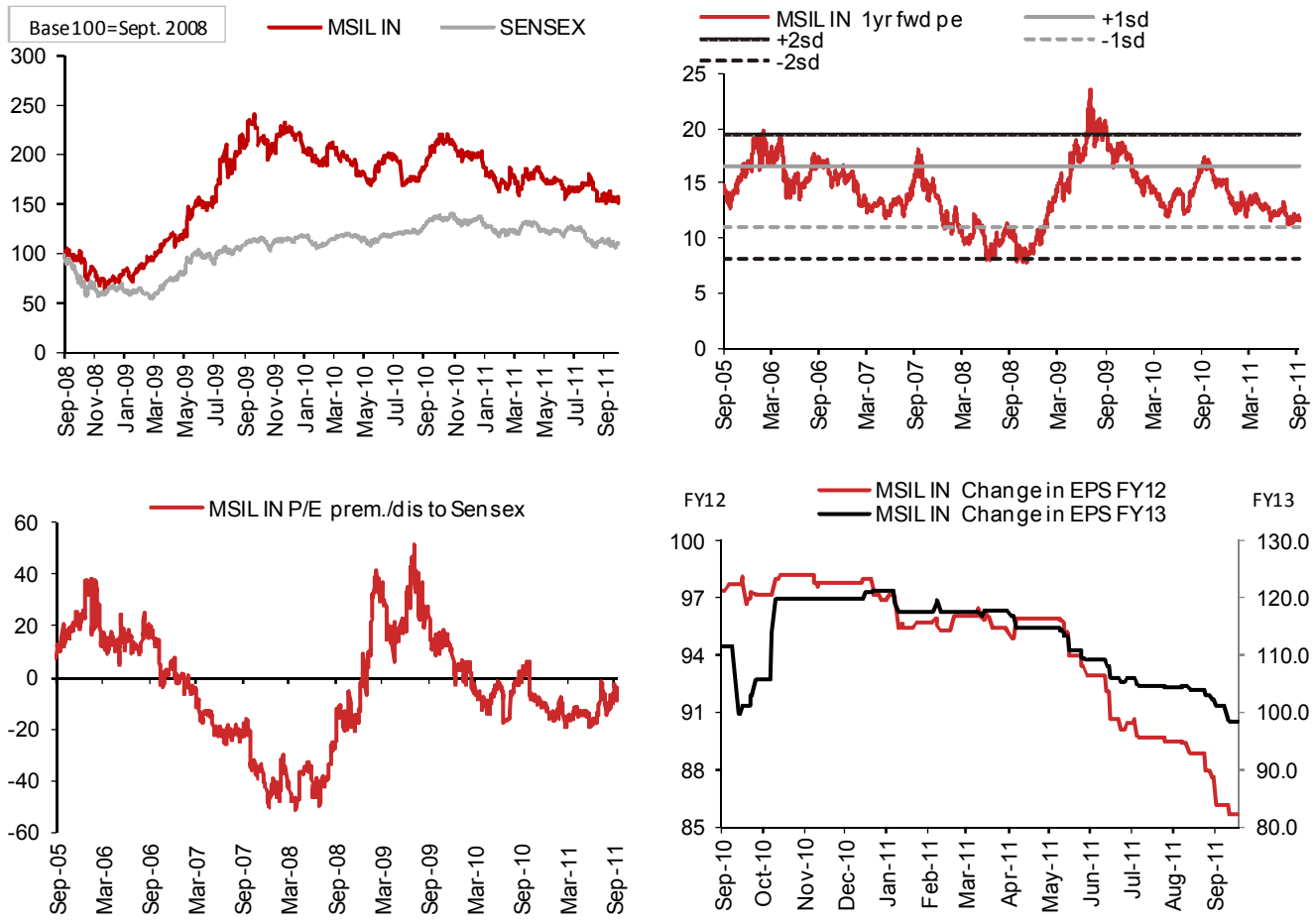
Fig. 31: Mahindra & Mahindra



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

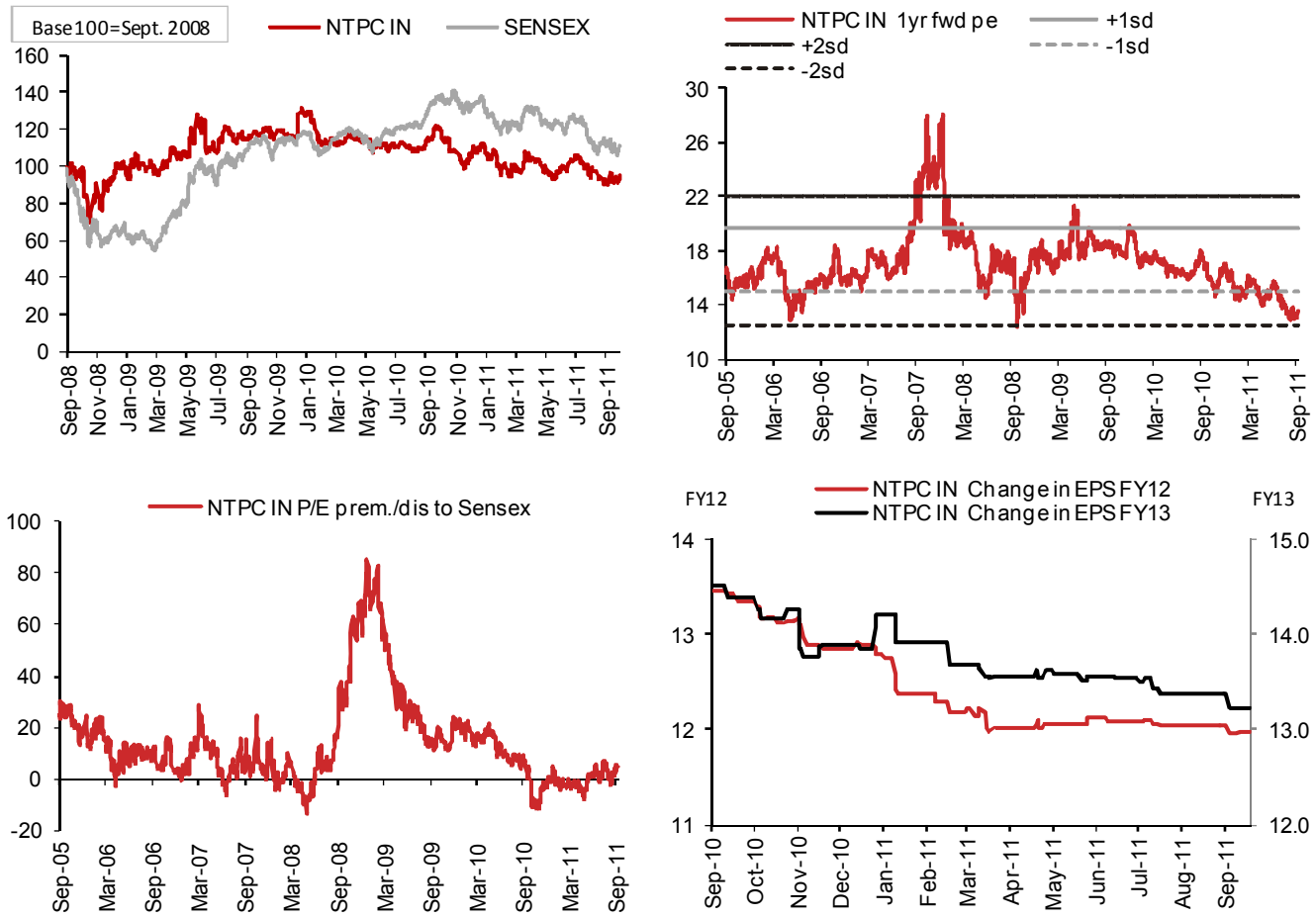
Fig. 32: Maruti Suzuki



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

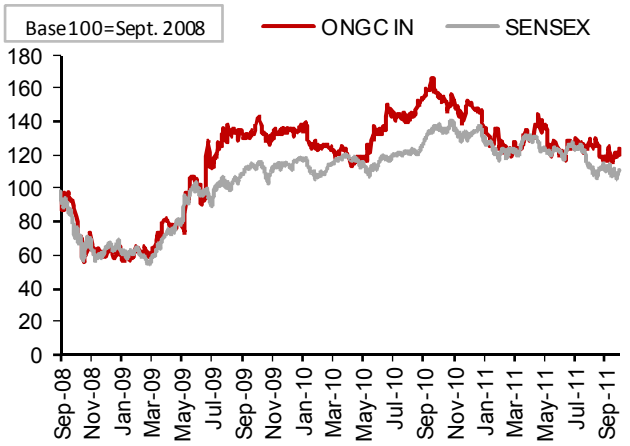
Fig. 33: NTPC

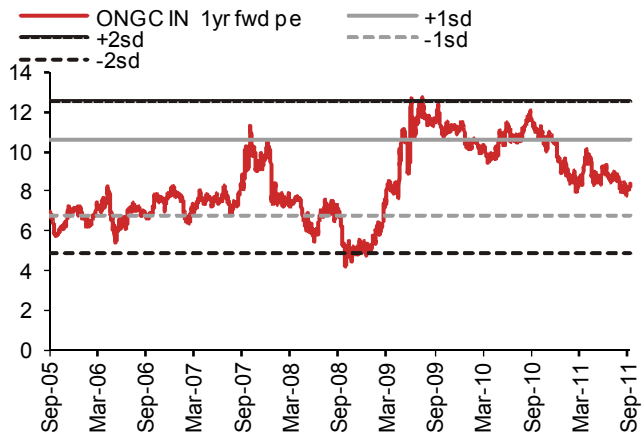


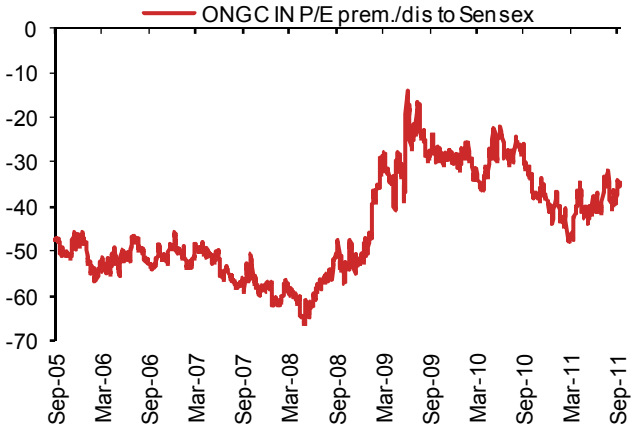
Source: Bloomberg, Datastream, Nomura research

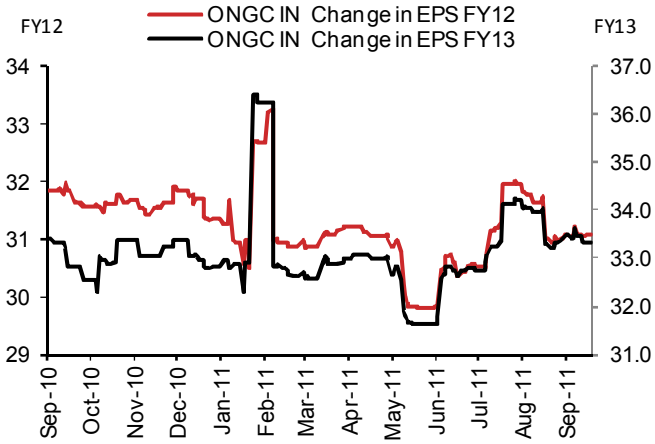
Note: Pricing as of 12 October, 2011.

Fig. 34: ONGC





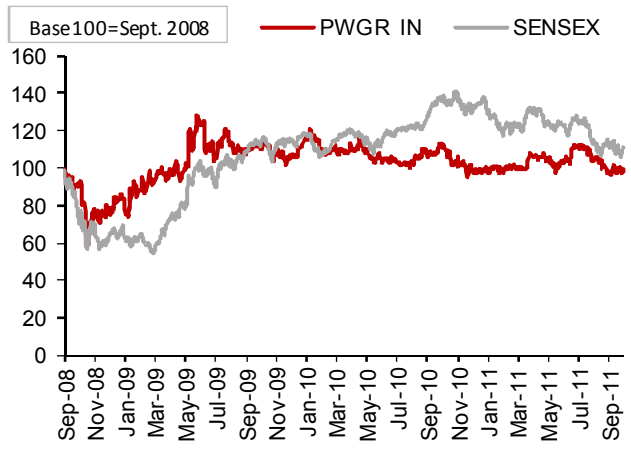


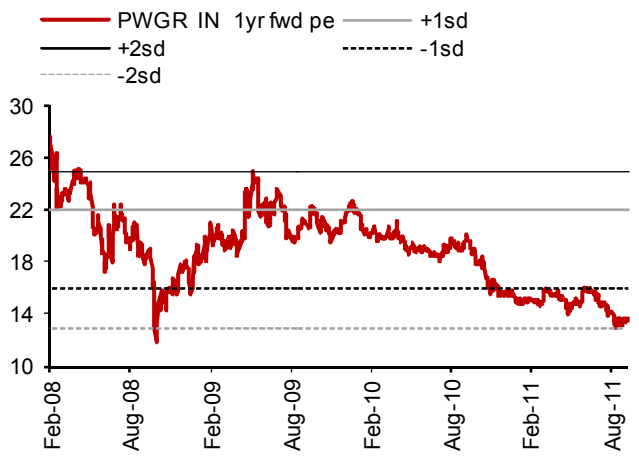


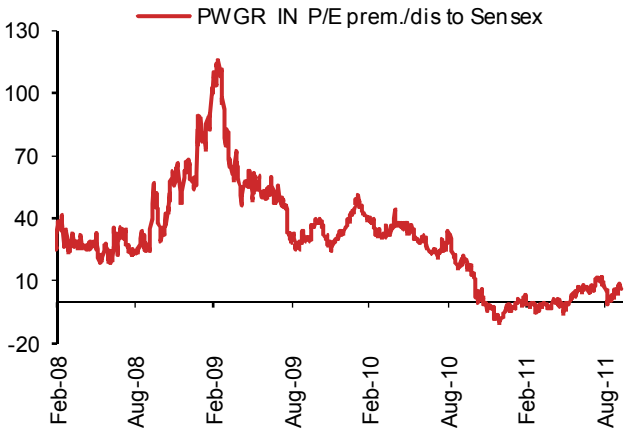
Source: Bloomberg, Datastream, Nomura research

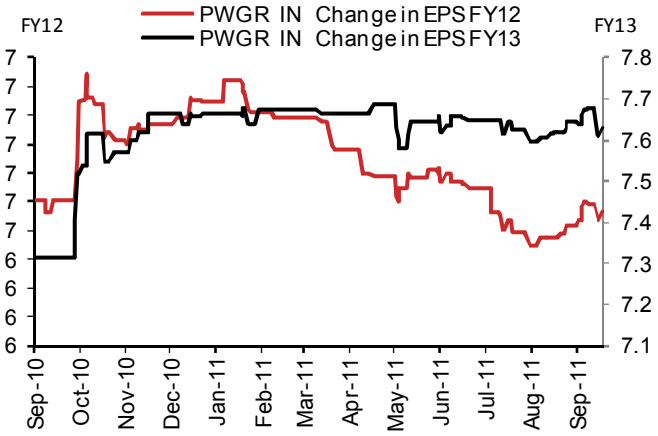
Note: Pricing as of 12 October, 2011.

Fig. 35: Power Grid Corporation





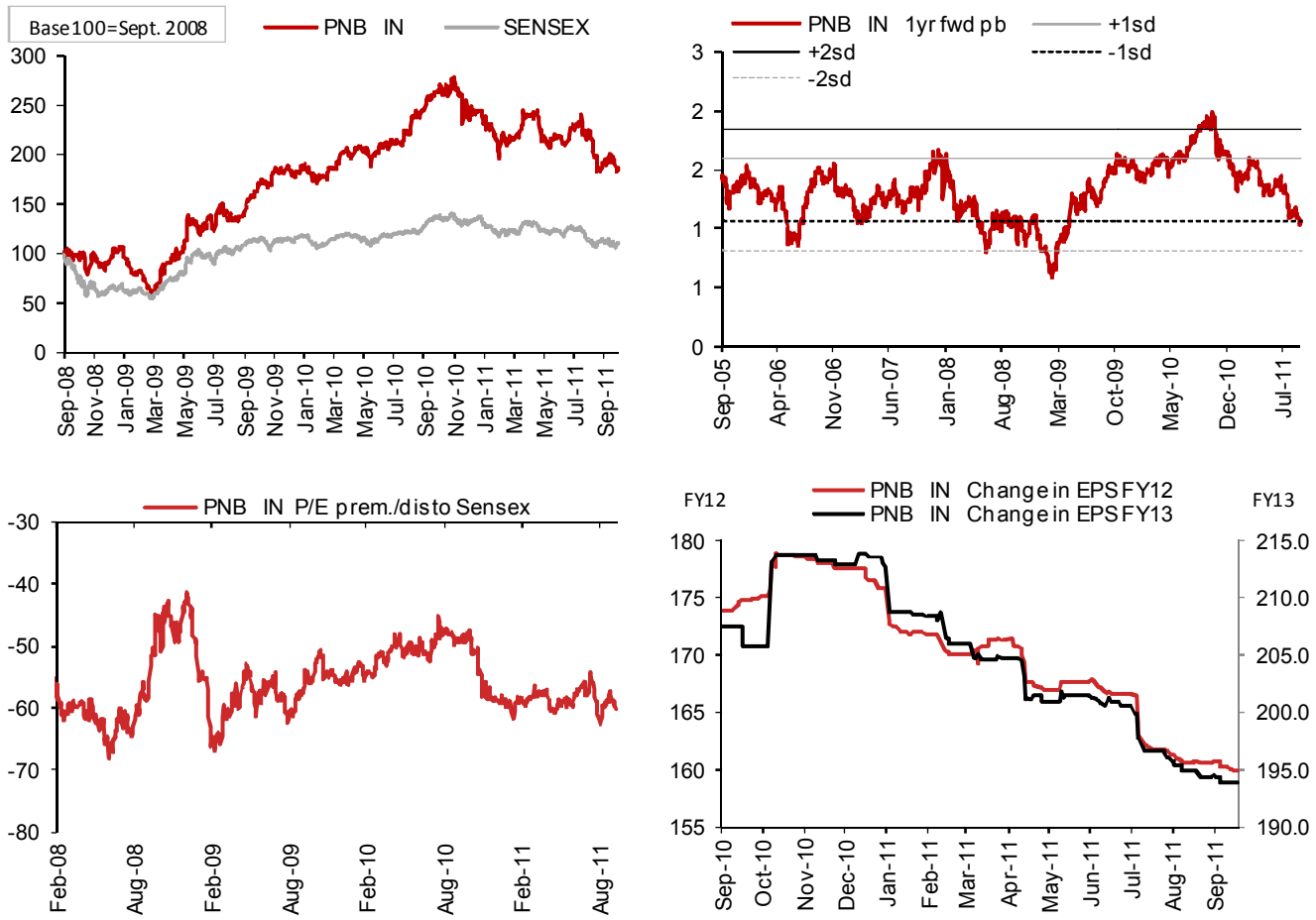




Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

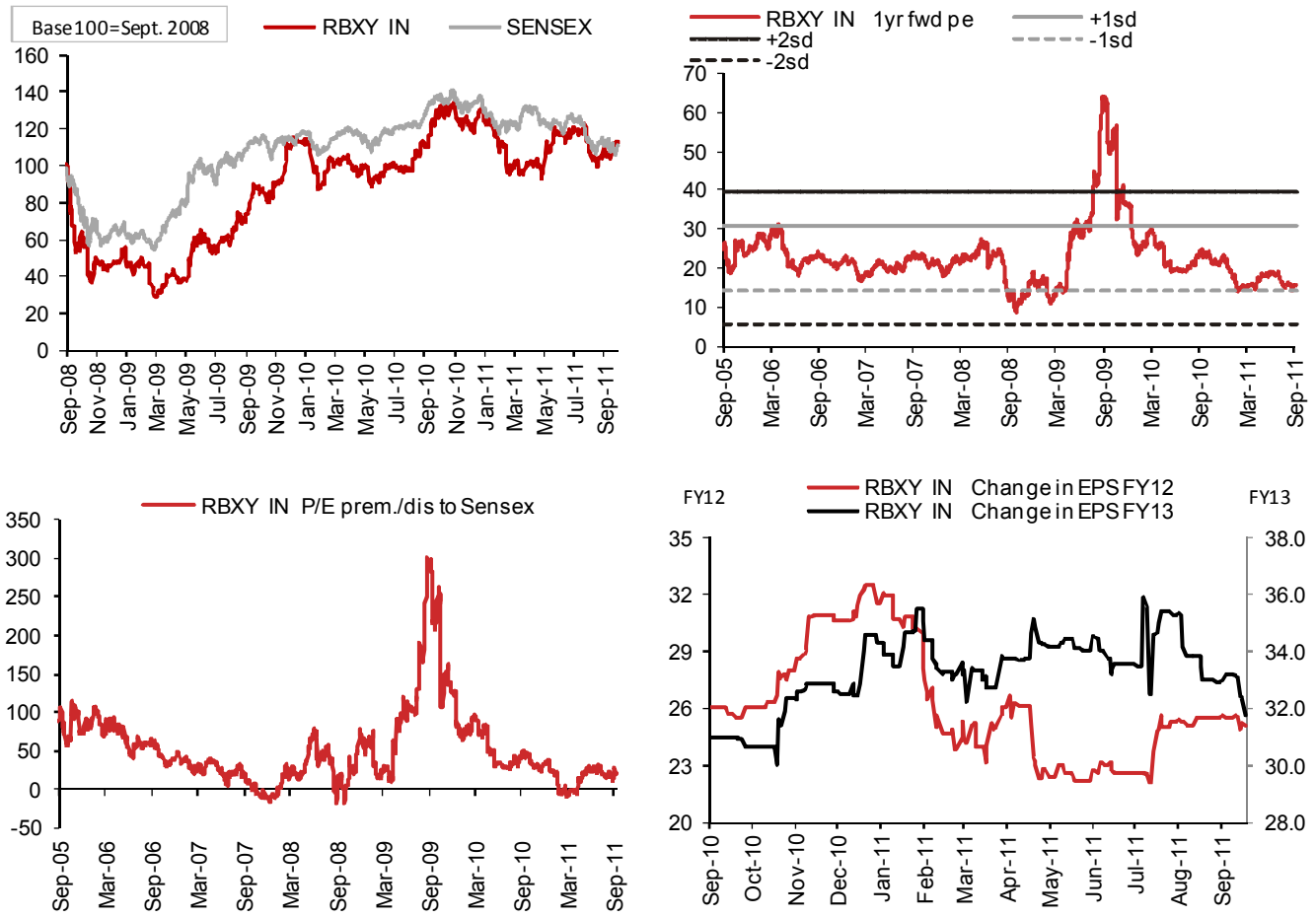
Fig. 36: Punjab National Bank



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

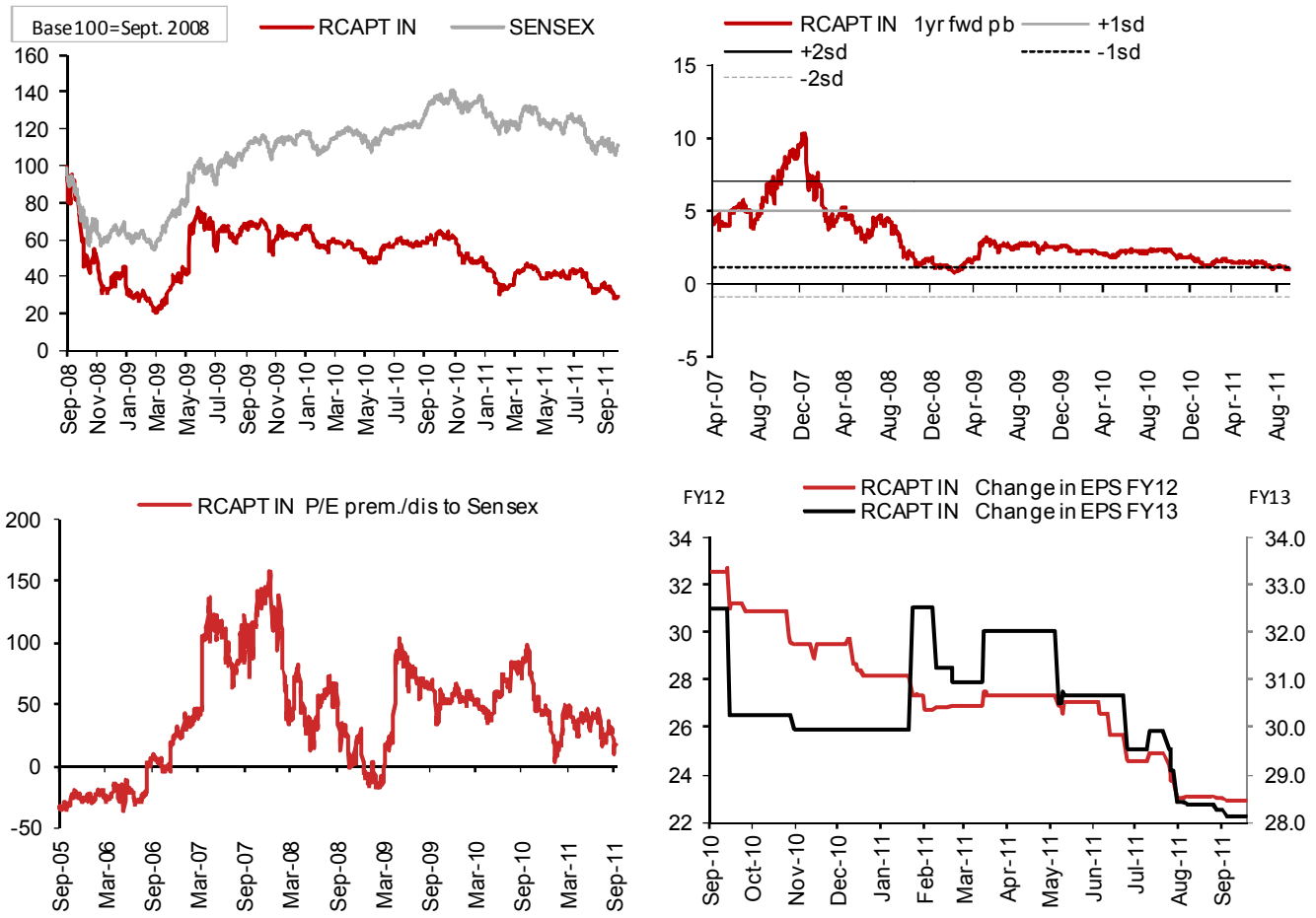
Fig. 37: Ranbaxy Laboratories



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

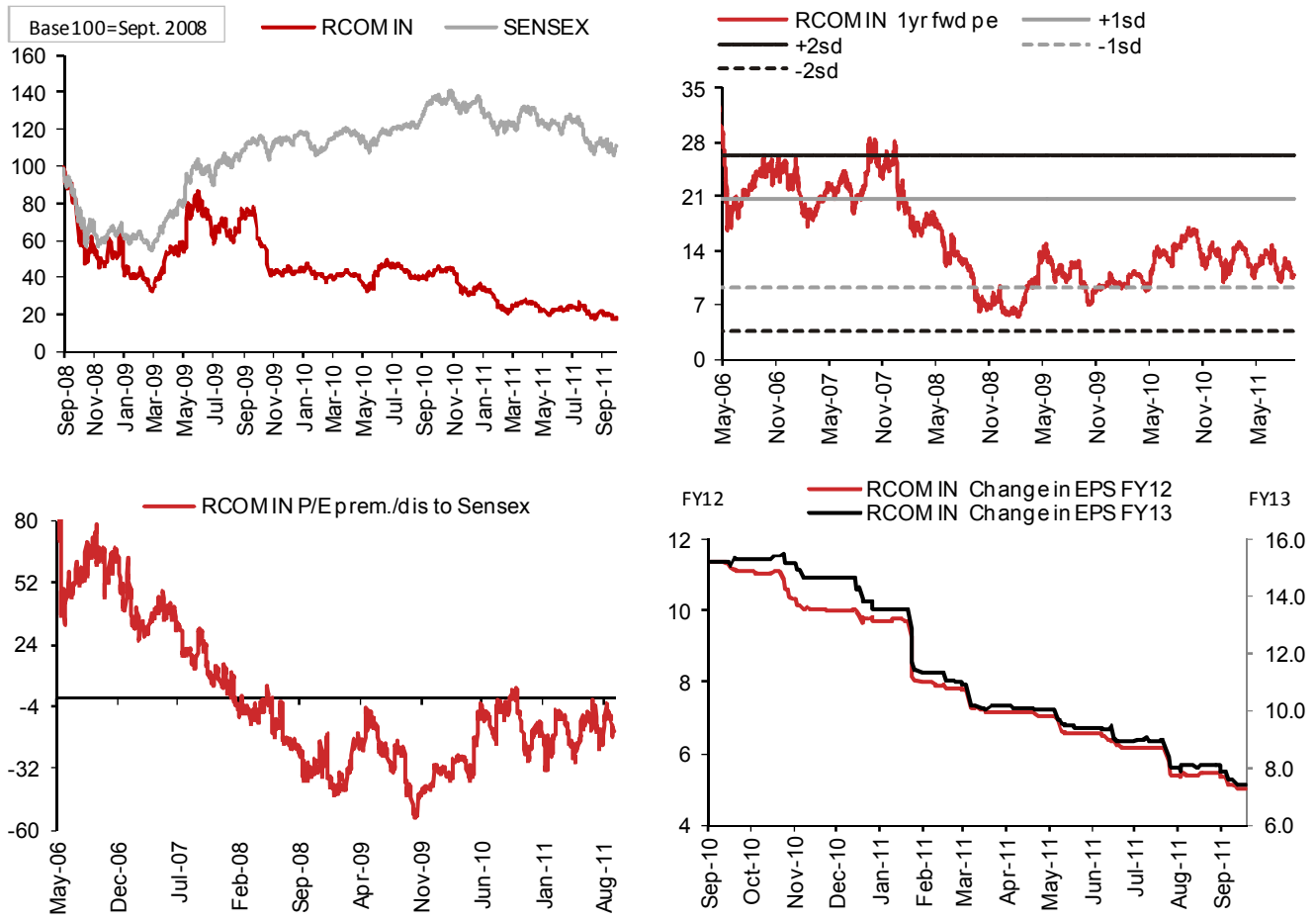
Fig. 38: Reliance Capital



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

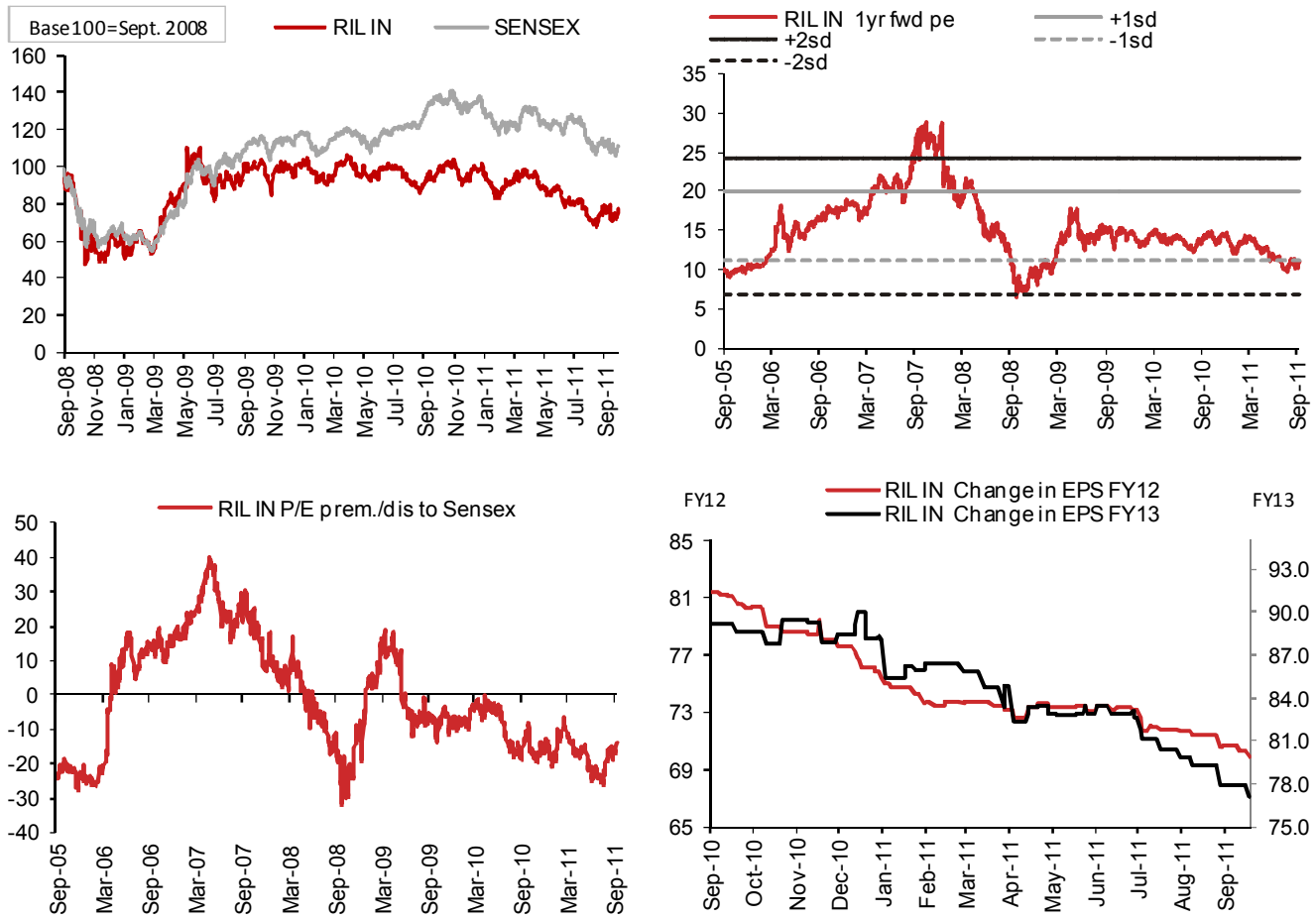
Fig. 39: Reliance Communication



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

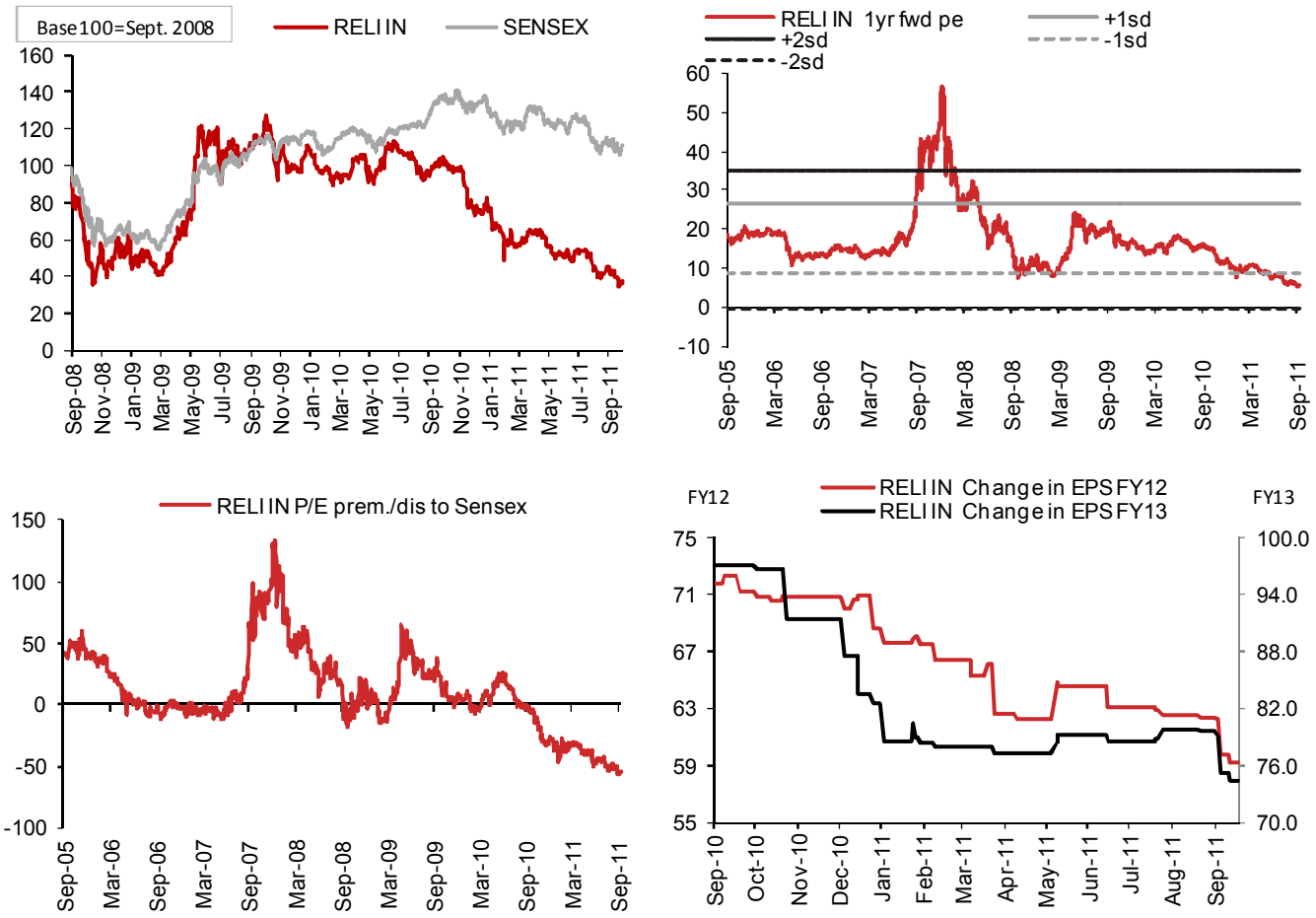
Fig. 40: Reliance Industries



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

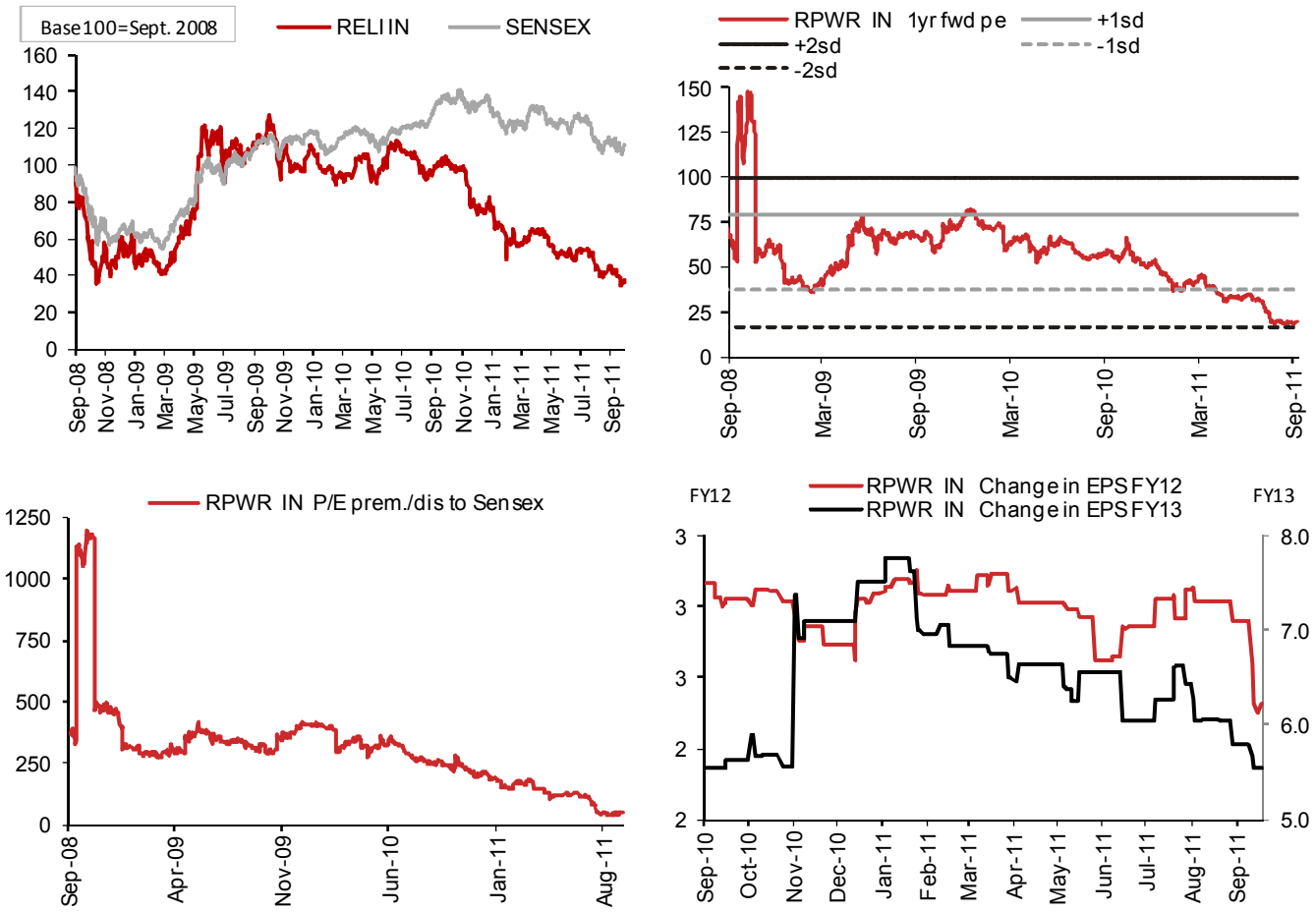
Fig. 41: Reliance Infrastructure



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

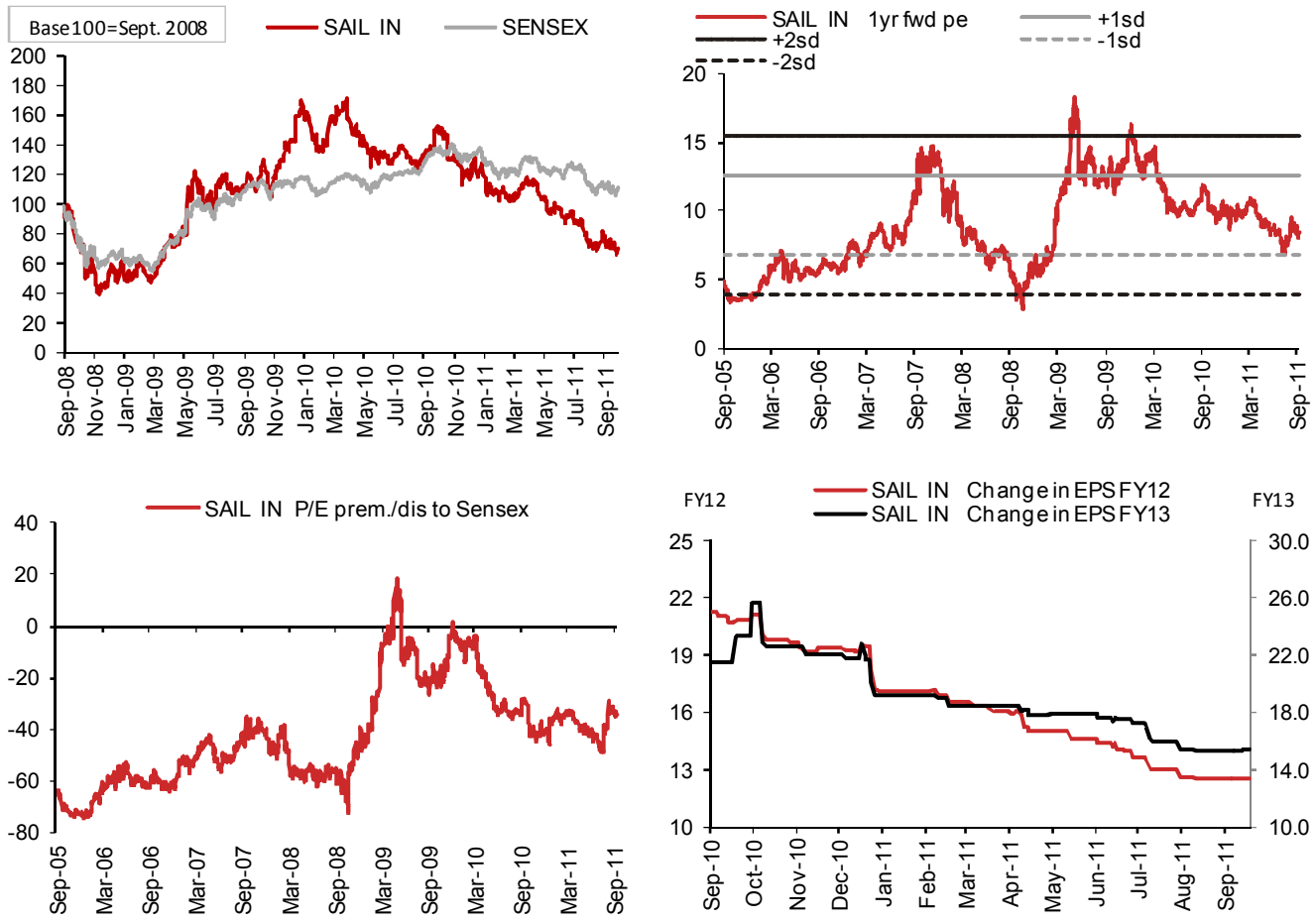
Fig. 42: Reliance Power



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

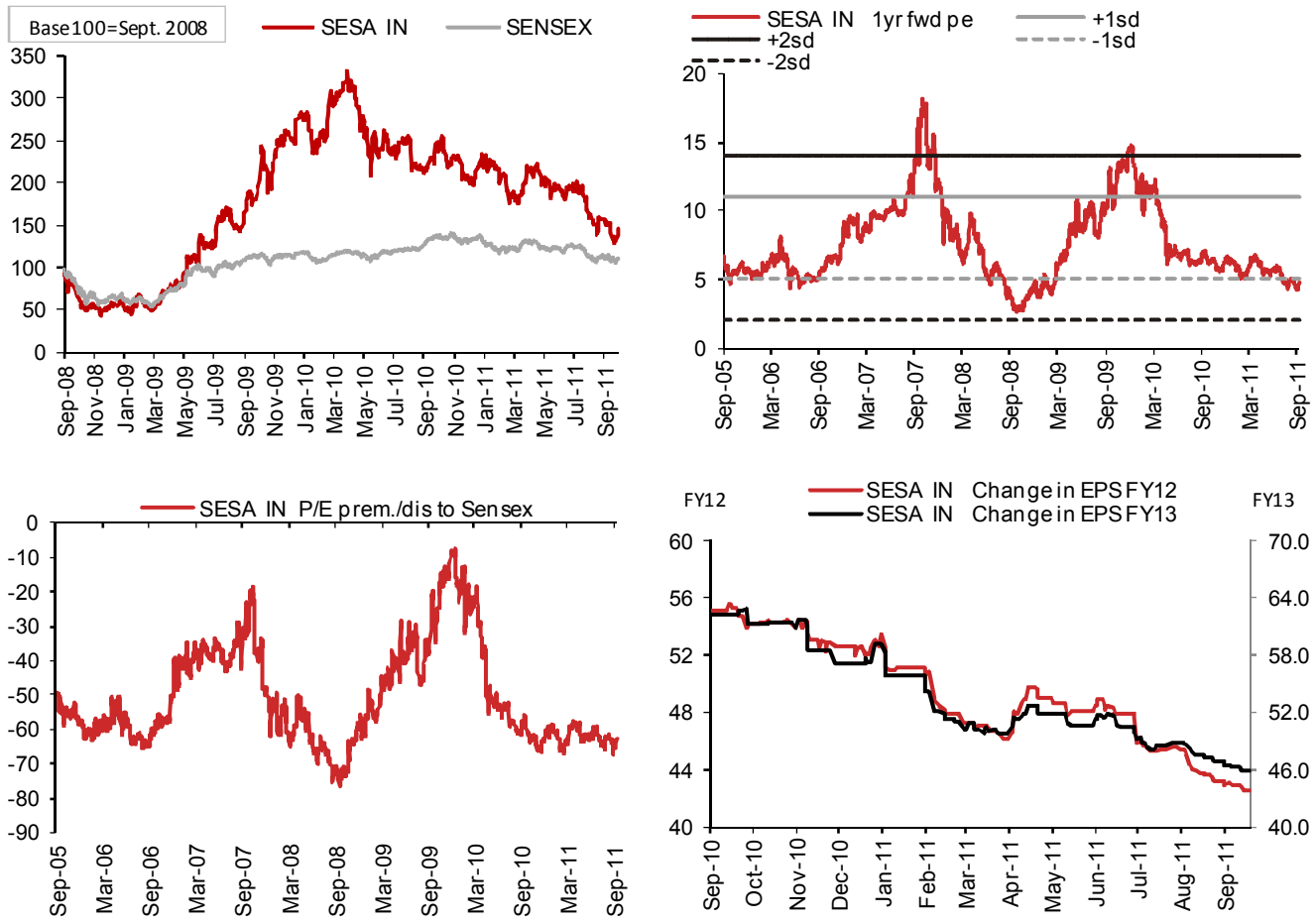
Fig. 43: SAIL



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

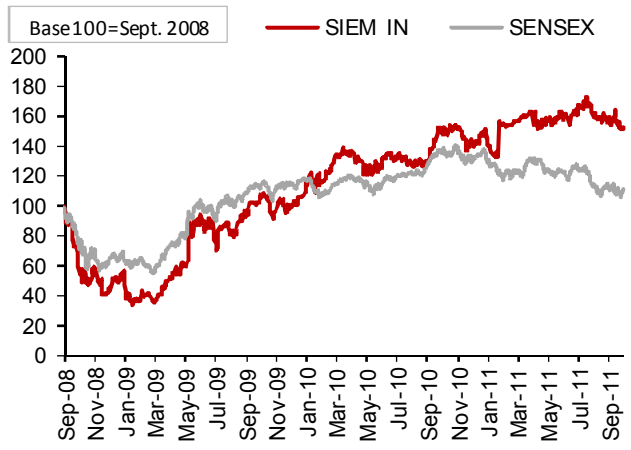
Fig. 44: Sesa Goa

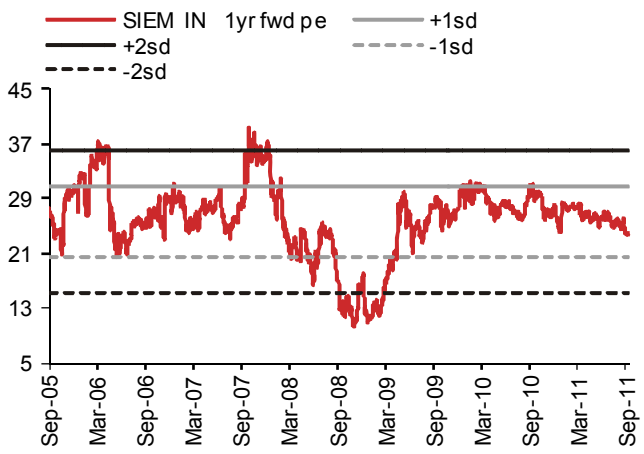


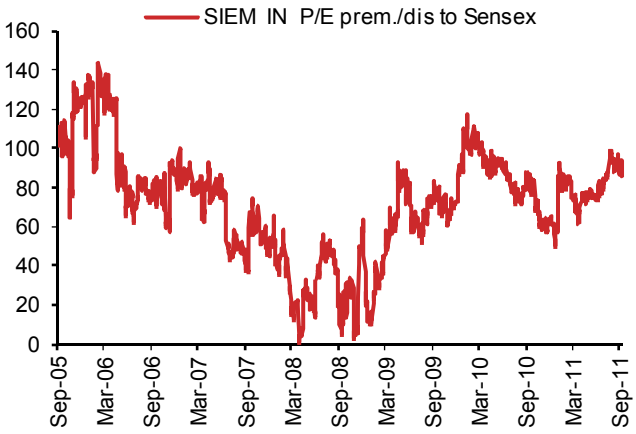
Source: Bloomberg, Datastream, Nomura research

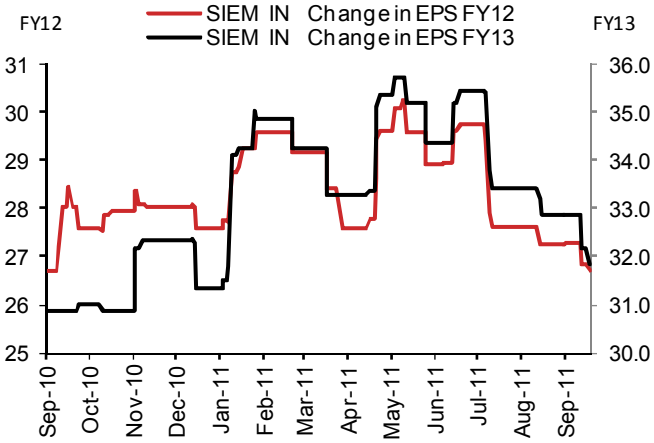
Note: Pricing as of 12 October, 2011.

Fig. 45: Siemens





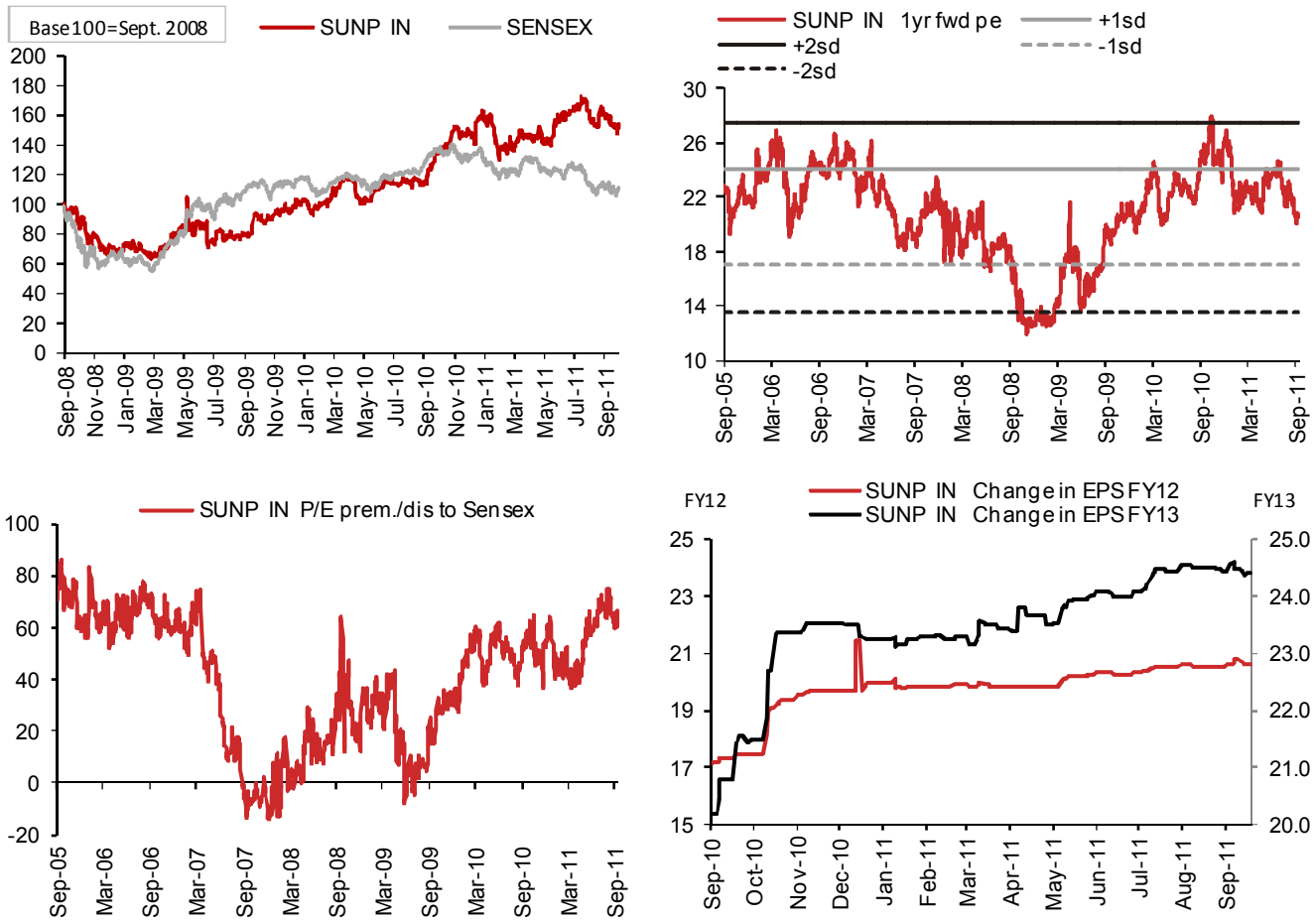




Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

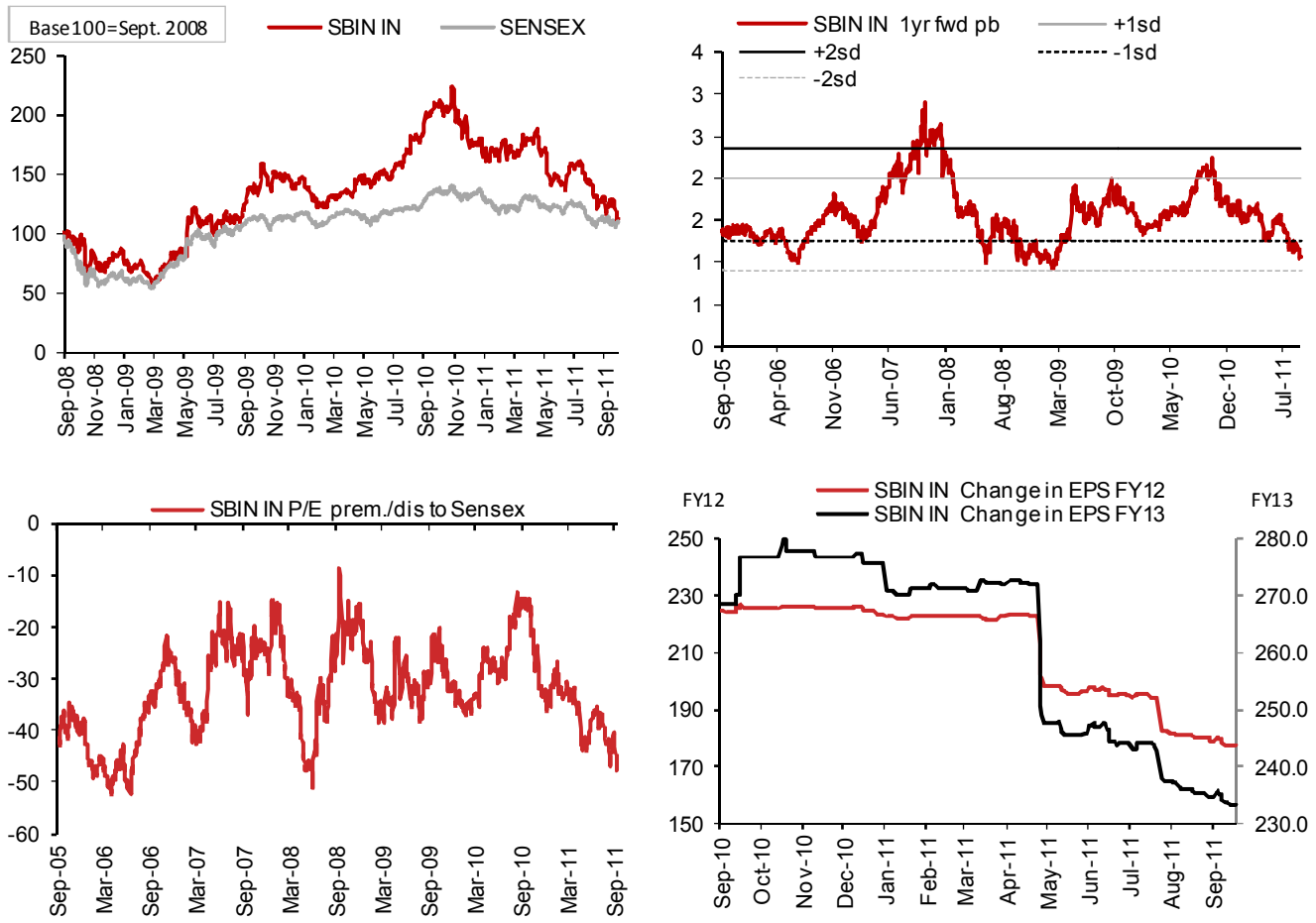
Fig. 46: Sun Pharma



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

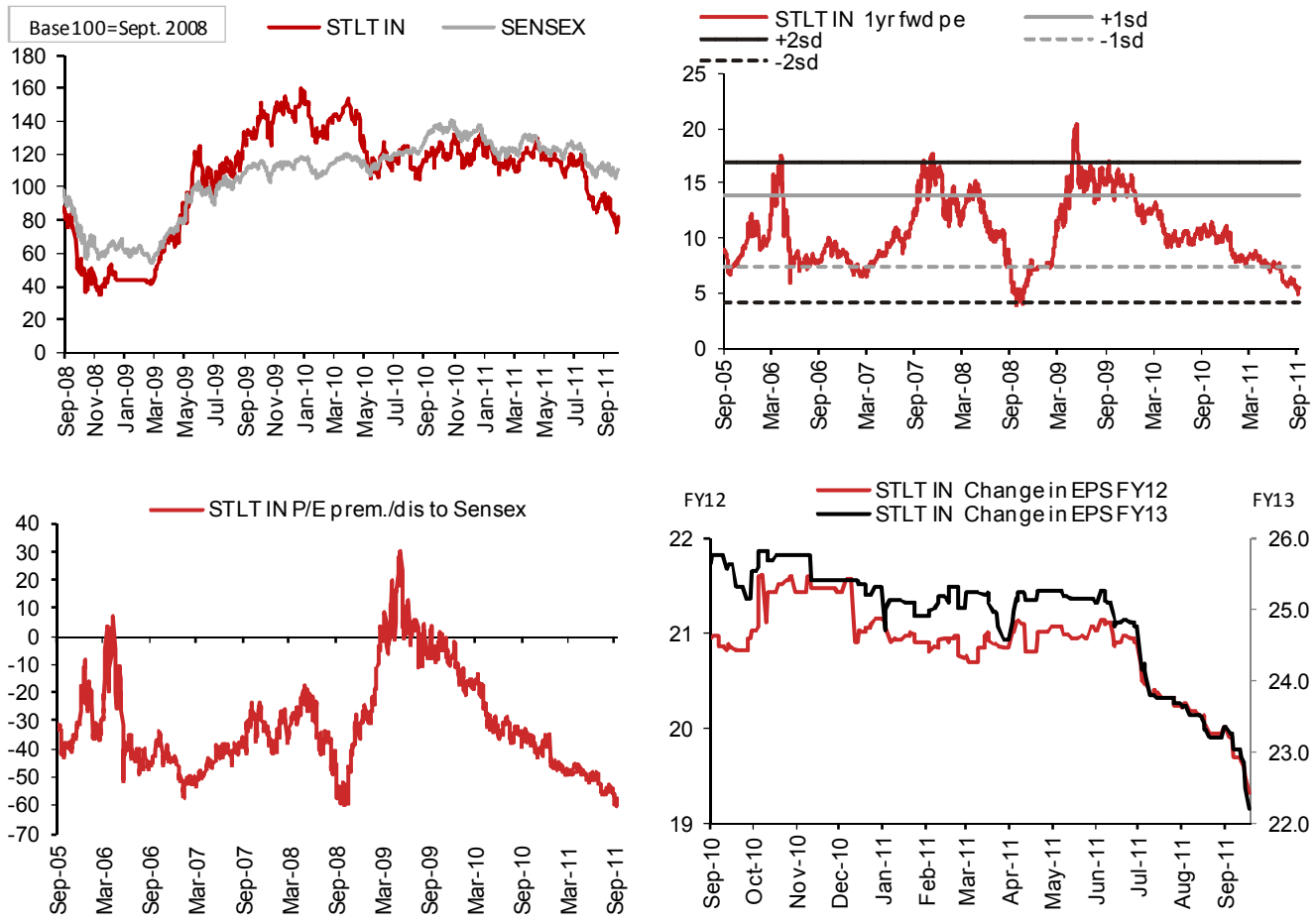
Fig. 47: State Bank of India



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

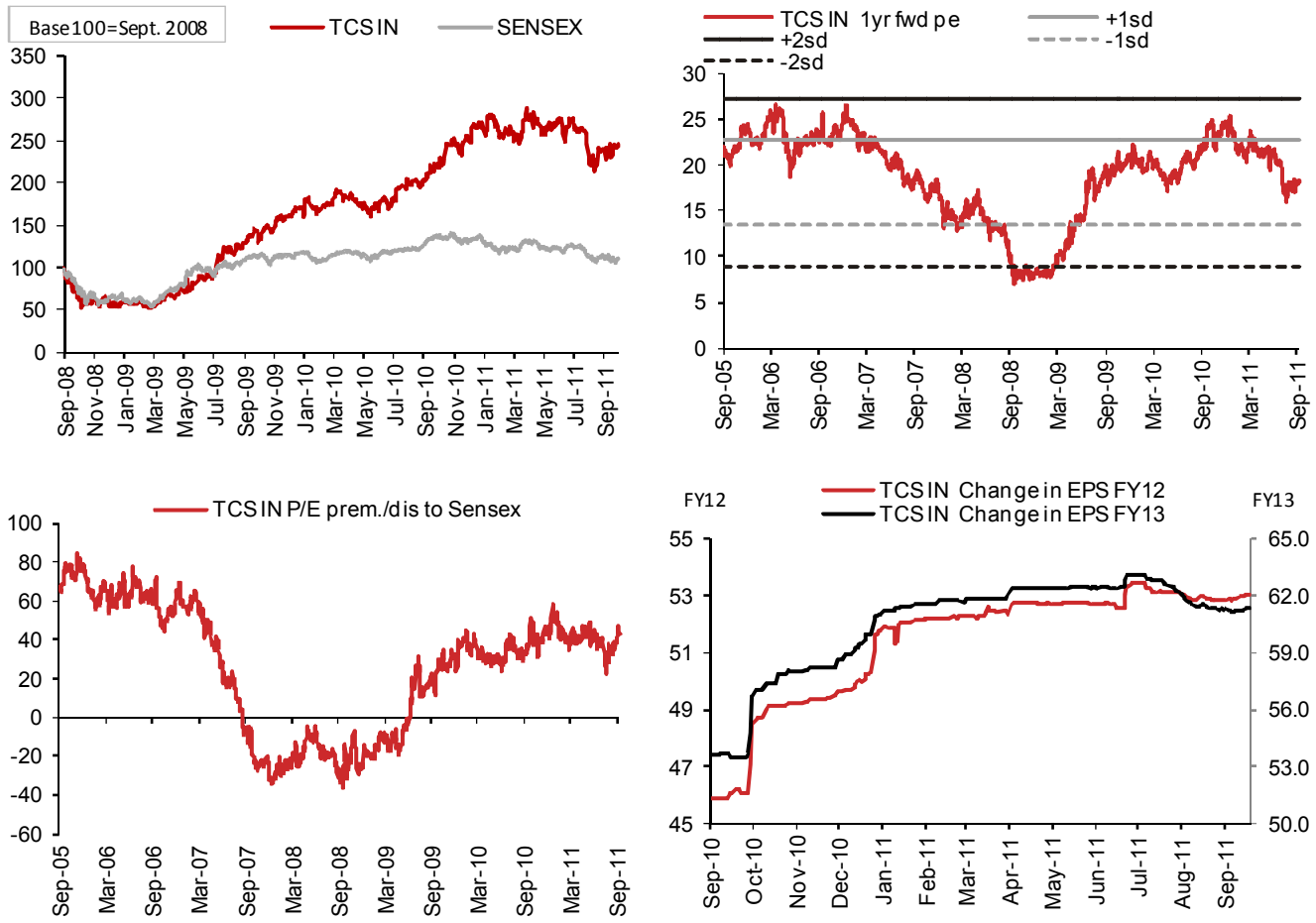
Fig. 48: Sterlite Industries



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

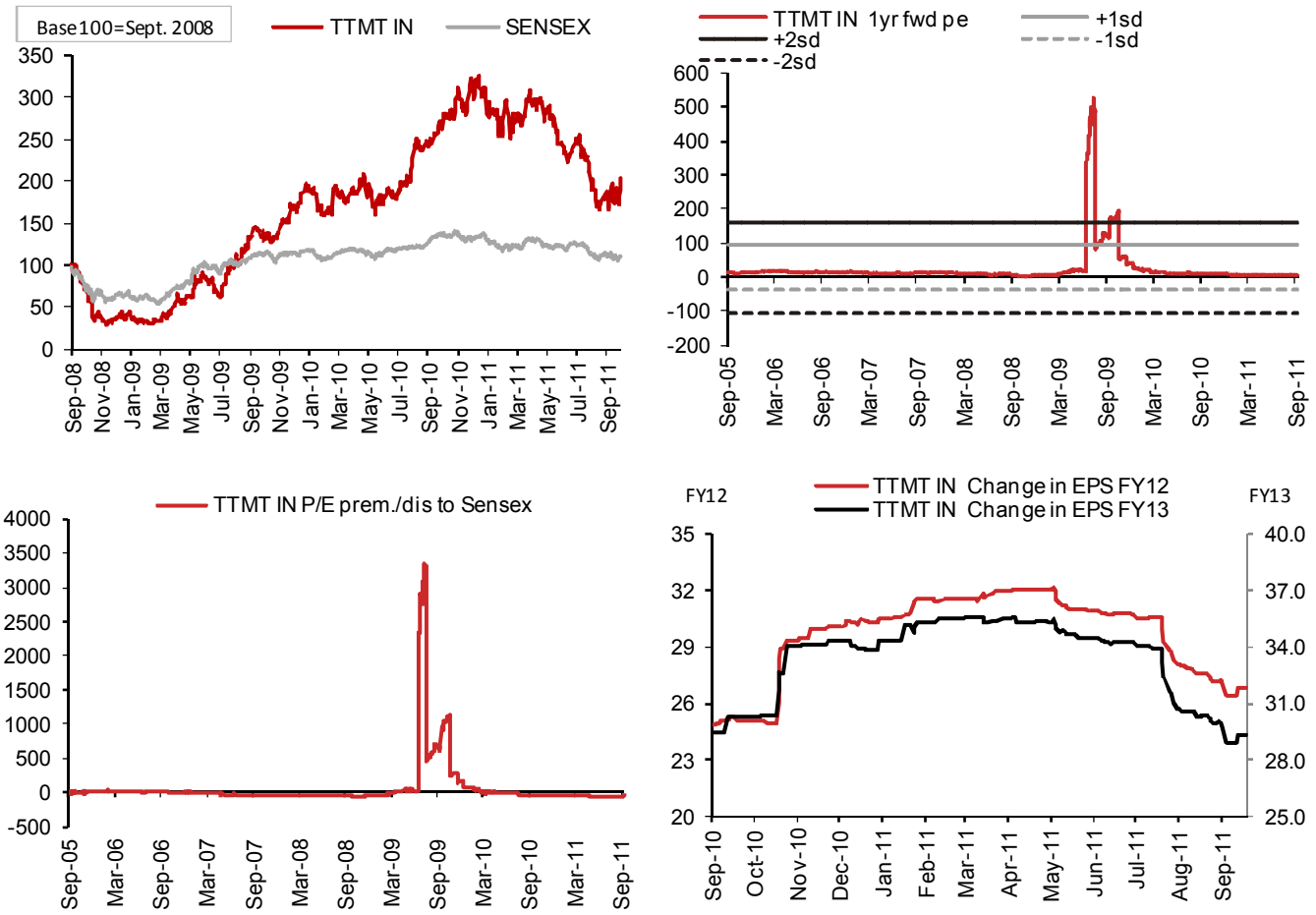
Fig. 49: Tata Consultancy Services



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

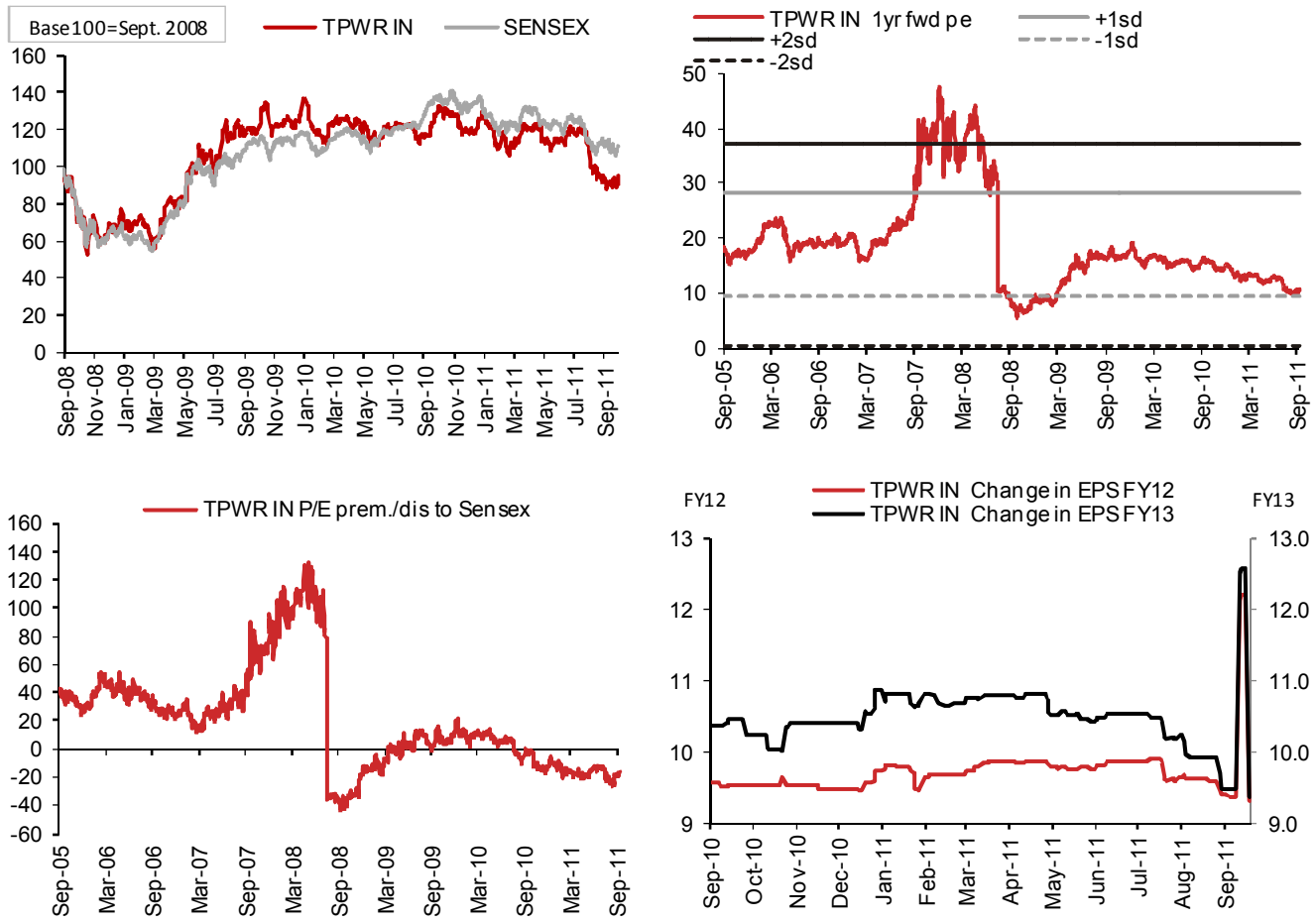
Fig. 50: Tata Motors



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

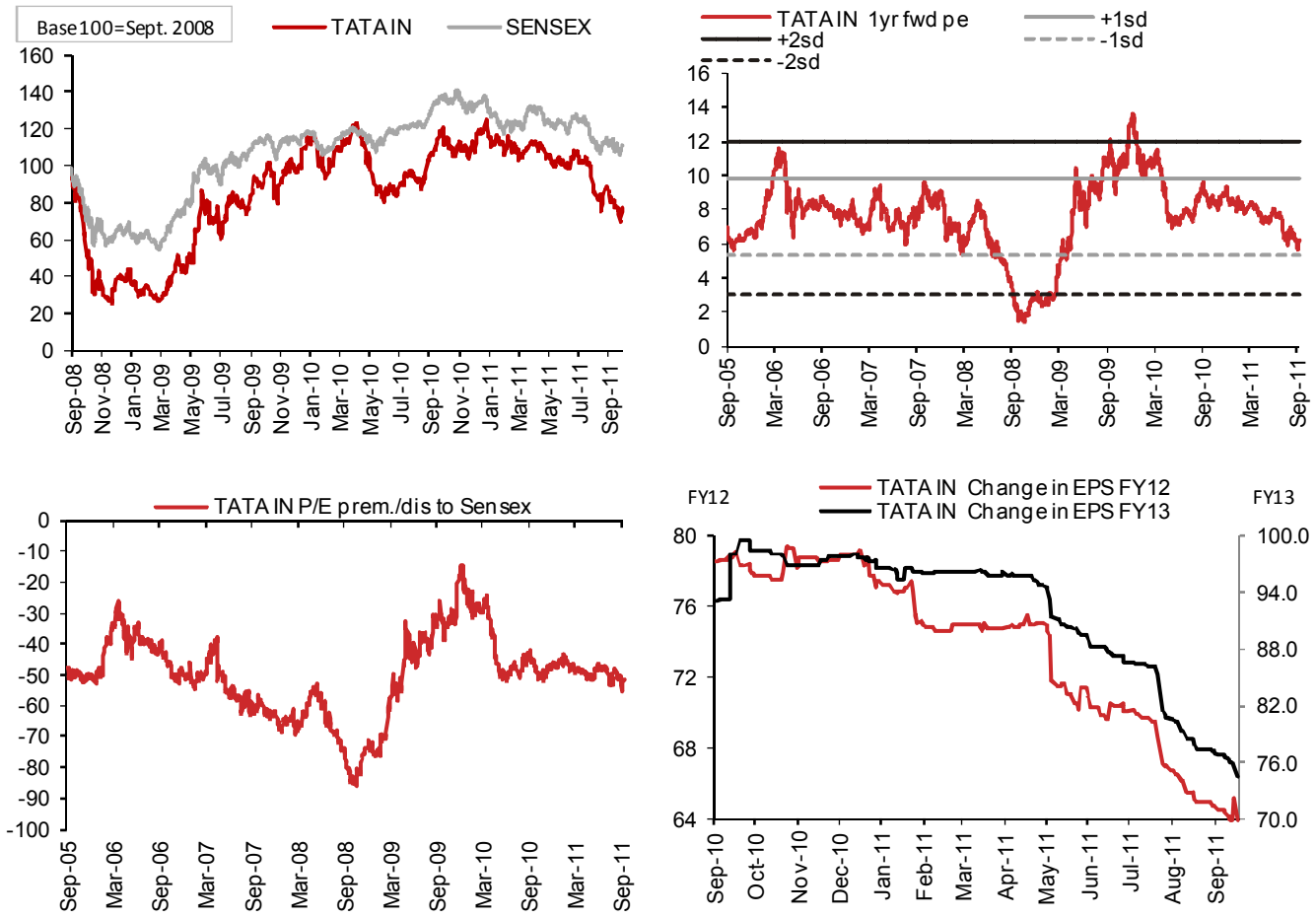
Fig. 51: Tata Power



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

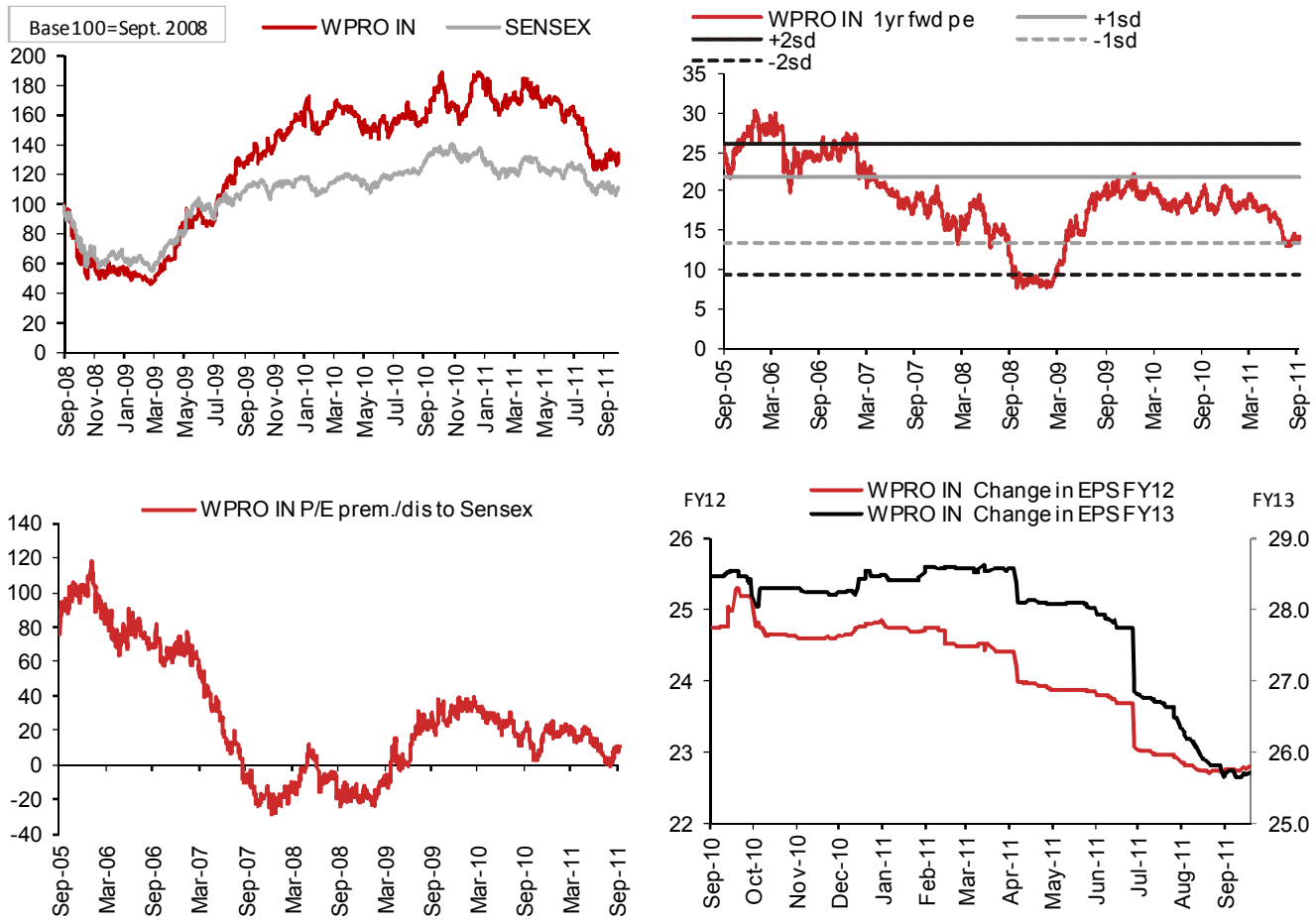
Fig. 52: Tata Steel



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

Fig. 53: Wipro



Source: Bloomberg, Datastream, Nomura research

Note: Pricing as of 12 October, 2011.

Appendix A-1

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We, Sanjay Kadam, Prabhat Awasthi and Nipun Prem, hereby certify (1) that the views expressed in this Research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of our compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

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STOCKS

A rating of '**Buy**', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of '**Neutral**', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of '**Suspended**', indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including, but not limited to, when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the company.
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Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published from 30 October 2008 and in Japan from 6 January 2009

STOCKS

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A '**Buy**' recommendation indicates that potential upside is 15% or more. A '**Neutral**' recommendation indicates that potential upside is less than 15% or downside is less than 5%. A '**Reduce**' recommendation indicates that potential downside is 5% or more. A rating of '**Suspended**'

indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company. Securities and/or companies that are labelled as '**Not rated**' or shown as '**No rating**' are not in regular research coverage of the Nomura entity identified in the top banner. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies.

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Explanation of Nomura's equity research rating system in Japan published prior to 6 January 2009 (and ratings in Europe, Middle East and Africa, US and Latin America published prior to 27 October 2008)

STOCKS
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Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published prior to 30 October 2008

STOCKS
Stock recommendations are based on absolute valuation upside (downside), which is defined as (Fair Value - Current Price)/Current Price, subject to limited management discretion. In most cases, the Fair Value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as Discounted Cash Flow or Multiple analysis etc. However, if the analyst doesn't think the market will revalue the stock over the specified time horizon due to a lack of events or catalysts, then the fair value may differ from the intrinsic fair value. In most cases, therefore, our recommendation is an assessment of the difference between current market price and our estimate of current intrinsic fair value. Recommendations are set with a 6-12 month horizon unless specified otherwise. Accordingly, within this horizon, price volatility may cause the actual upside or downside based on the prevailing market price to differ from the upside or downside implied by the recommendation.
A '**Strong buy**' recommendation indicates that upside is more than 20%. A '**Buy**' recommendation indicates that upside is between 10% and 20%. A '**Neutral**' recommendation indicates that upside or downside is less than 10%. A '**Reduce**' recommendation indicates that downside is between 10% and 20%. A '**Sell**' recommendation indicates that downside is more than 20%.

SECTORS
A '**Bullish**' rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation. A '**Neutral**' rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation. A '**Bearish**' rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

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A Target Price, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

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