INDIA STRATEGY

Mid caps offering value

October 14, 2009

Current rally has been too fast, too soon

The current rally in equity markets during 2009 across the globe has been too fast, too soon. Rally for Indian equities since March 2009 had been even stronger than most other emerging markets (EMs) – MSCI India Index shot up ~105% over the past seven months, outperforming both global (~59%) and EM equities (~98%). The current rally has been 2-3 times faster than the sharpest of the previous up-cycles India witnessed post liberalisation.

Global liquidity unwinding, large supply of papers to temper markets

With emerging clarity over global recovery, and resurgence of inflation, policy-makers across countries are tilting towards 'exit strategies' from the overtly accommodative monetary policy. While such 'exits' can be interpreted as signs of strengthening at the macro level, they may also imply near-term negatives for several asset classes including equities that were so far benefitting significantly from the prevalence of strong liquidity.

In India, a large chunk of Qualified Institutional Placements (QIPs) and Initial Public Offerings (IPOs) have hit the market since April 2009, reaping benefits of the cycle upturn. Such trends are likely to persist with QIPs (expected to be at ~USD 8 bn till March 2010) and IPOs soaking liquidity and, thus, tempering markets. Disinvestment of PSUs can also be significant.

Near-term earnings to determine valuations

The current rally has pushed broad Indian indices up to ~18x 1-year forward P/E – a notch higher than their long-term history. India is now trading at a premium of ~30% to most other EMs. The current market upsurge, however, has largely been on expectations of a strong economic performance in FY11 – expansion in forward P/E has been the biggest market driver rather than any significant uptick seen already in the current EPS. This expansion, thus, implicitly reflects expectations of strong future earnings growth. Incrementally, market valuations are likely to hinge critically on the actual expansion in earnings over the next 2-3 quarters. Steady expansion in earnings could push valuations further up into the 20-24x zone. On the other hand, any disappointment in earnings over this period will definitely raise questions even on the current level of valuations.

Mid caps still offer value; bottom-up stock selection the key

We believe, India will continue to remain one of the preferred long-term investment destinations. While the broad market indices and most large caps are trading already in the 'fair to expensive' zone, investors will keep spotting value in some of the relatively less-known pockets. Growth phases typically reflect strong preference for mid-cap stocks. At the moment, however, large – cap stocks are at a significant premium compared with mid-caps, which should reduce with more definite signs of recovery over the next six months. Thus, a pro-active bottom-up stock selection can provide significant upside over the medium term.

We are overweight on BFSI, metals and materials, real estate, healthcare, and industrials, and underweight on IT, cement, consumer staples and discretionary.

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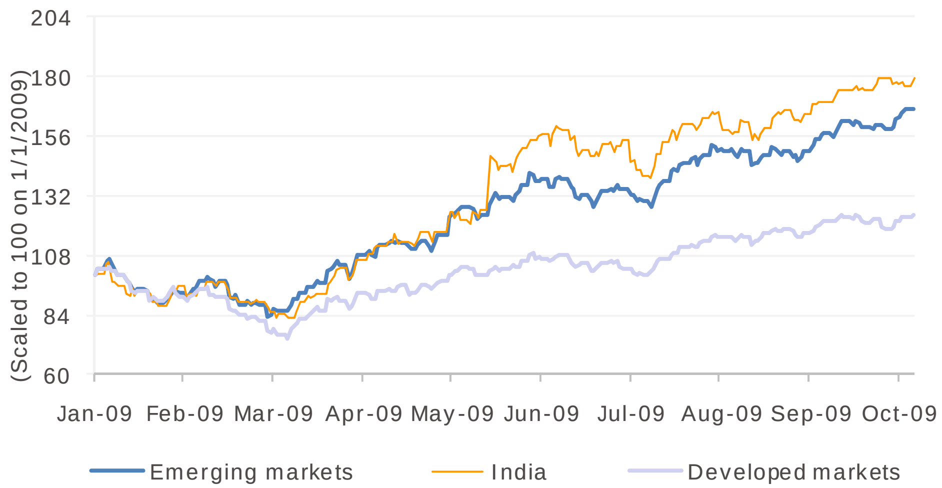
- **Current rally has been too fast, too soon**

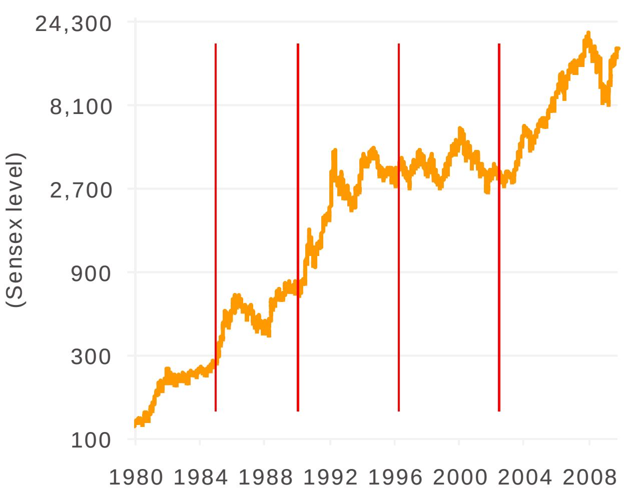
Strong rally in equity markets during 2009 across the globe is raising concerns over whether global equities are overheating. The current splash of liquidity across economies is believed to have fueled a rally ahead of fundamentals. Rally for Indian equities since March 2009 had been stronger than most other EMs – MSCI India Index shot up ~105% over the past seven months, outperforming both global (~59%) and EM (~98%) equities.



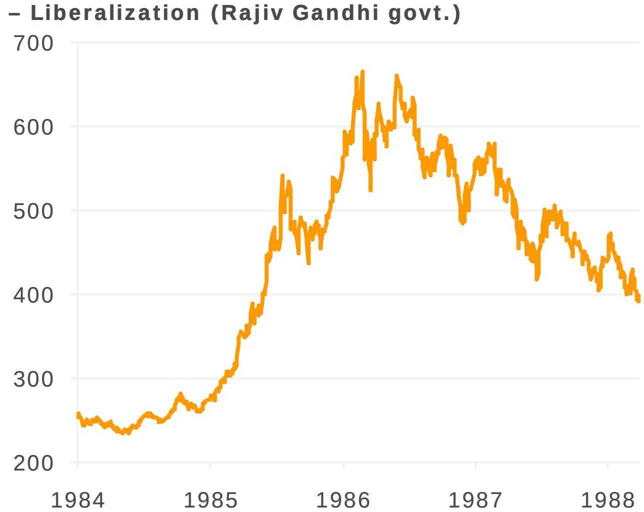
Source: Bloomberg

In India, speed of the current recovery has been markedly faster compared with all the five up-cycles during the post-liberalisation period. In all the up-cycles post 1992, market indices took at least 18-24 months to grow over 100%, much slower than ~7 months during the current rally. While the sharp turnaround in the economy and continuous improvement in business confidence have currently prompted investors to focus more on the positives, we believe, questions can actually arise in the near future on whether Indian equities have run up too much, too soon.

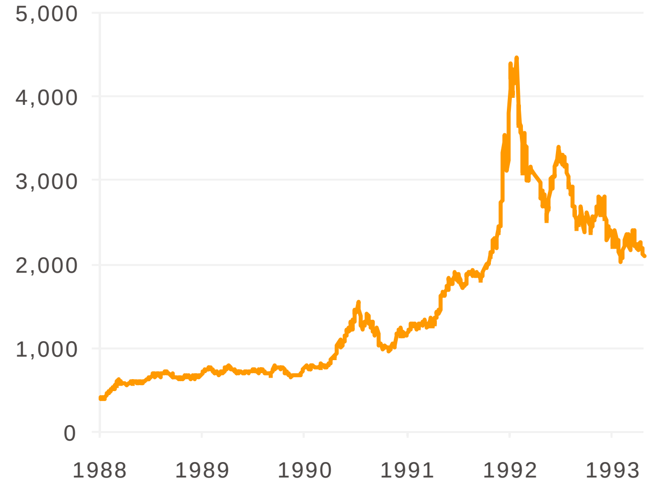
5 cycles of Indian stock market



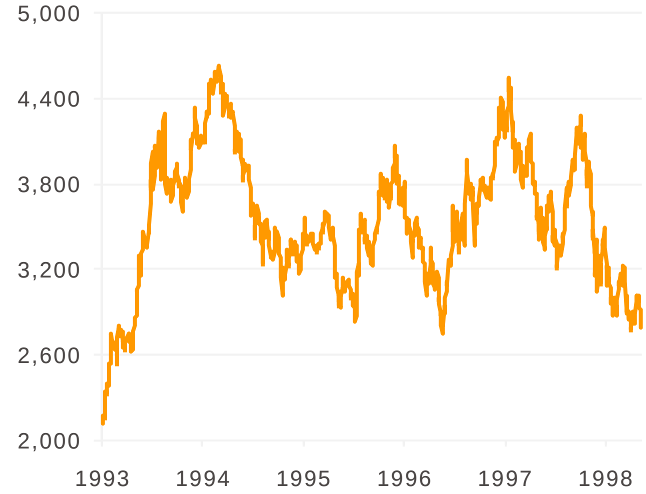
I – Liberalization (Rajiv Gandhi govt.)



II – Harshad Mehta scam

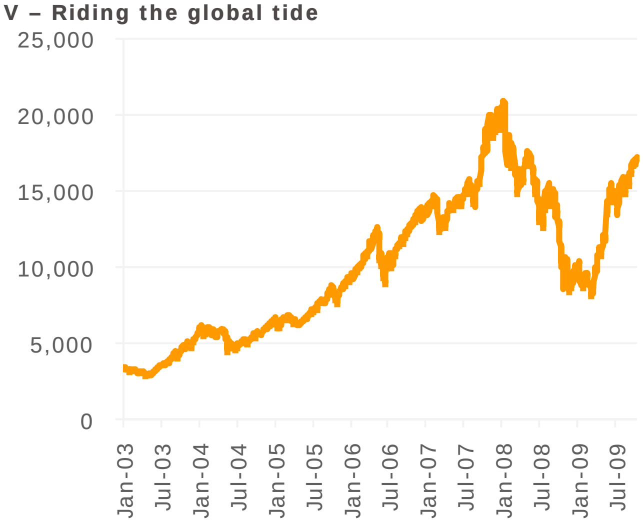


III – Run up to the Asian crisis



IV – Tech boom and bust

V – Riding the global tide



Source: Bloomberg

Note: Vertical axis measures BSE Sensex value; uses logarithmic scale in case of the first chart of the panel

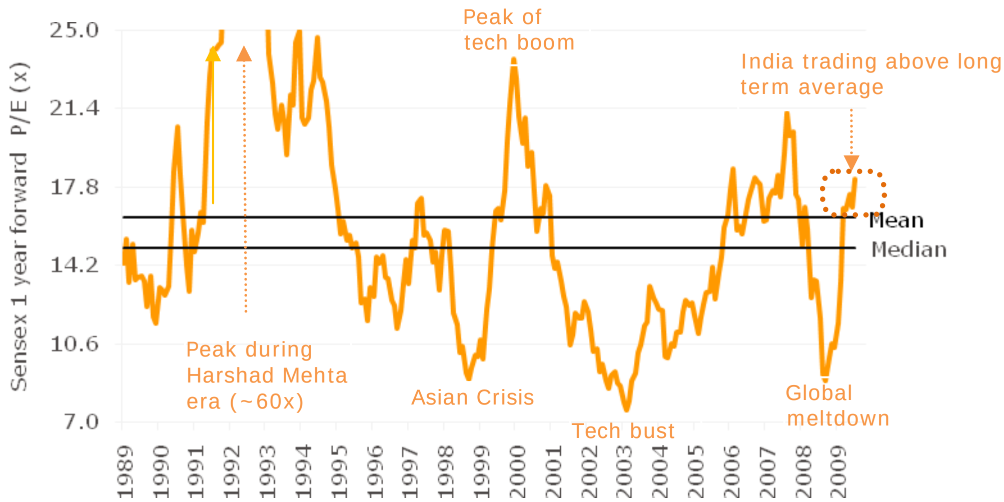
- **Markets, blue chips pricing in the 'India growth story'**

  The current market rally in India has pushed the valuation of broad market indices and most large caps at a level that is mostly pricing in positives seen in the real economy. Amidst the emerging economies, India is relatively more expensive – currently trading at a premium of ~30% over EMs.

	Mkt Cap (USD bn)	PAT CAGR CY08-10E (%)	P/E CY08 (x)	CY09 (x)	CY10 (x)	P/B CY09 (x)	DY CY09 (%)	ROE CY09 (%)	P/O CY09 (%)
Developed markets		**41**	**27.6**	**17.7**	**14.0**	**1.6**	**2.6**	**8.9**	**45.7**
US	12,955	13	18.0	17.4	14.1	1.7	2.0	9.6	35.3
Europe	13,150	79	39.8	15.4	12.4	1.5	3.5	10.0	53.5
UK	2,799	161	81.6	14.4	11.9	1.7	3.8	11.8	54.7
Germany	1,373	58	30.6	16.5	12.3	1.4	3.2	8.2	52.6
Japan	3,501	NM	NM	38.2	20.0	1.1	1.8	3.0	70.3
Australia	1,210	80	46.5	17.4	14.4	1.9	3.8	10.9	66.7
Hong Kong	2,141	23	25.6	19.5	17.0	1.4	3.0	7.3	57.7
Singapore	415	1	15.1	17.1	14.7	1.5	3.4	9.0	58.2
Emerging markets		**28**	**21.0**	**15.9**	**12.7**	**1.8**	**2.2**	**11.6**	**35.1**
Taiwan	661	NM	NM	29.8	16.9	2.2	2.8	7.5	84.5
India	1,218	17	22.5	20.4	16.4	3.0	1.1	14.9	22.2
Malaysia	266	24	23.0	17.1	14.9	1.8	3.1	10.8	53.0
Philippines	80	19	20.7	16.8	14.6	2.2	3.2	13.1	54.2
China	2,840	24	21.2	16.5	13.7	2.2	2.3	13.4	38.0
Indonesia	204	8	16.9	16.3	14.3	3.3	2.6	20.3	41.8
Mexico	326	29	24.0	12.1	14.4	2.3	1.9	18.6	23.1
Brazil	1,214	9	15.4	16.3	12.9	2.0	2.6	12.3	42.6
Thailand	177	42	23.5	13.7	11.7	1.7	3.1	12.6	42.4
Korea	788	62	28.5	14.5	10.8	1.3	1.2	9.1	18.1
South Africa	378	29	17.6	13.8	10.5	2.0	2.9	14.4	40.4
Russia	312	19	12.6	11.0	8.8	1.1	1.3	10.2	14.5
MSCI India		**17**	**22.5**	**20.4**	**16.4**	**3.0**	**1.1**	**14.9**	**22.2**
Discretionary		22	23.9	20.6	16.1	4.0	1.2	19.5	24.9
Staples		26	33.8	25.3	21.4	6.9	2.1	27.2	52.1
Energy		23	18.7	16.1	12.4	2.6	1.1	16.3	17.7
Financials		12	25.4	24.6	20.3	2.7	1.0	11.1	24.7
Health Care		98	73.3	23.6	18.7	3.7	0.8	15.7	20.0
Industrials		92	96.5	36.8	26.3	5.0	0.8	13.6	28.0
IT		2	18.3	20.5	17.7	4.7	1.3	22.9	26.3
Materials		16	15.0	14.8	11.2	2.2	1.0	14.8	14.4
Telecom		-7	9.6	11.9	11.1	1.3	0.5	10.7	5.5
Utilities		14	22.4	18.8	17.2	2.5	1.3	13.0	24.7

Source: Bloomberg

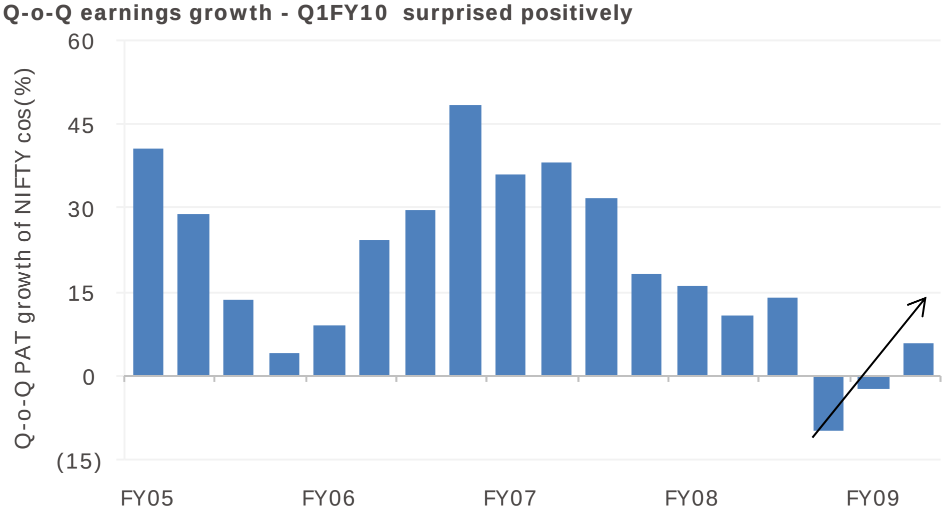
BSE Sensex is currently trading at a P/E of ~18x of 1-year forward earnings, as against its long-term average (16-17x); in fact, over one standard deviation above its 10-year average P/E. Hence, India is currently trading a notch higher than its long-term history.



Source: Bloomberg, Edelweiss research

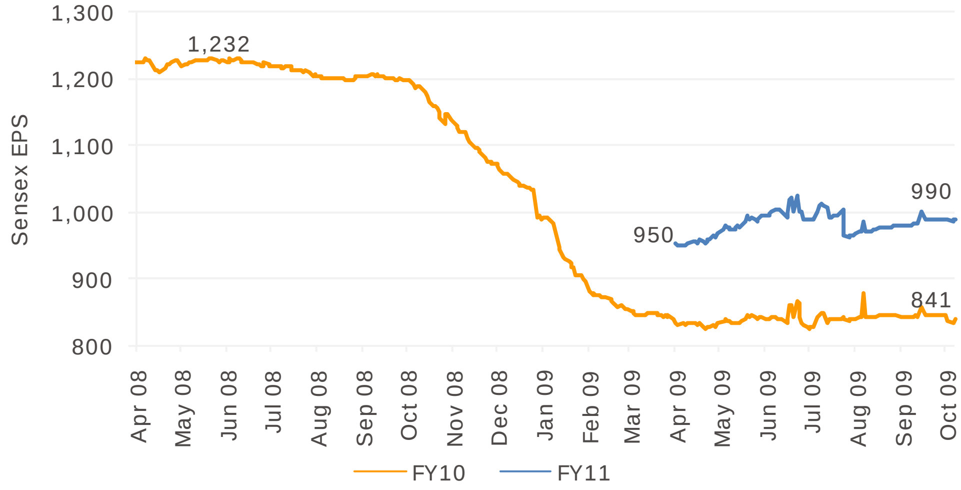
In India, incremental positive surprises from the non-agri sectors, particularly industry, have fueled near-term optimism. Growth in the index of industrial production (IIP), which was at sub-zero levels for a significant period of FY09, has staged a sharp recovery and is already in double digits. As regards to the equity markets, earning estimates have been upgraded continuously over the past six months. Reflecting upbeat sentiments of a recovery phase, equity markets have been promptly reacting to such news flows. One, however, needs to note that the strong positive influence this sequential improvement during H1FY10 had on the equity markets was largely for the markedly unfavourable reference period of H2FY09. Incrementally, markets will seek further upsides in earnings to sustain the momentum, which can actually be a challenge.

Q-o-Q earnings growth - Q1FY10 surprised positively



Source: CMIE, Edelweiss research

Sensex earnings - Revised up during FY10



Source: Bloomberg, Edelweiss research

The current market upsurge has been more on expectations of a strong economic performance in FY11 – expansion in forward P/E has been the biggest market driver rather than any significant uptick seen already in the current EPS. The expansion in the forward P/E, thus, implicitly reflects expectations of strong future earnings growth. Incrementally, market valuations are likely to hinge critically on the actual expansion in earnings over the next 2-3 quarters. Steady expansion in earnings along with stable expectations could push valuations further up into the 20-24x zone. On the other hand, any disappointment in earnings over this period will definitely raise questions even on the current level of valuations.

Valuations primary driver of current market rally

	% change during FY10		
Sector	Price	1 Yr forward P-E	1 -Yr forward rolling EPS
Real Estate	175	215.7	(12.8)
Materials	168	102.8	32.1
Industrials	119	103.3	8.0
Financials	122	73.6	27.6
Discretionary	118	102.0	7.7
IT	77	65.5	7.1
Utilities	54	38.7	11.0
Telecom	22	24.8	(2.1)
Healthcare	61	71.1	(5.9)
Energy	45	29.3	12.5
Staples	39	30.7	6.6
India	**74**	**53.1**	**13.7**

Growth in actual earnings will determine the course of valuation multiples

Source: Bloomberg, Edelweiss research

- **Large supply of papers to keep markets tempered**

The first three quarters of CY09 have seen a large number of companies going in for QIPs. FIIs have pumped in ~USD 12 bn in India in CY09 so far. Of this, ~USD 8 bn came via QIPs, IPOs and other primary market activities. The remaining entered via the secondary market. Market for QIPs is expected to remain strong over the near term. Companies are expected to raise ~USD 8 bn through QIPs over the next 6-8 months.

QIPs have been strong since April

Stock	Amount USD mn	% of MCap
DLF	831	10
Unitech	600	17
IB Real	571	29
HDIL	363	25
Unitech	349	18
IB Financial	206	16
Bajaj Hind	156	27
GVK Power	154	11
Educomp	130	8
Sobha Dev	114	27
Renuka Sugars	109	13
PTC	106	25
HCC	103	16
Emami	67	13
Dewan Housing	49	28
Network 18	44	19
Rei Agro	39	10

Likely to remain so till year-end

Stock	Amount USD mn	% of MCap
Essar Oil	2,151	55
Cairn India	1,075	10
GMR Infra	1,075	19
HDFC	860	5
Lanco	538	22
Anant Raj	430	48
Omaxe	387	84
Adani Enterprises	323	9
Pantaloon Retail	215	29
Gujarat NRE	215	33
Peninsula Land	161	32
Karur Vysya	108	25
Tech Mahindra	108	4
LIC housing	108	7
Karnataka Bank	108	31
BL Kashyap	97	48
Orbit corp	86	31

Source: Prime Database, Edelweiss research

This trend is expected to remain similar for divestments and IPOs as well, which, in turn, will continue to soak away liquidity from the secondary market. A large number of companies have already filed for issuances, reaping benefits of the positive turn in markets. Real estate IPOs itself will take out ~USD 3bn in the next three months.

Large quantum of IPOs in pipeline

Company name	Estimated amount (USD mn)
JSW Energy	645
DB Corp	215
Godrej Properties	129
Cox & Kings	108
Den Networks	108
Great Eastern Energy Corp. Ltd.	86
C.Mahendra Exports	65
BS Transcomm	48
MBL Infrastructures	27
Radiant Info Systems	27
Infinite Computer Solutions	16
Midvalley Entertainment	11
Birla Shloka Edutech	7

Source: Prime Database, Edelweiss research

On the other hand, the fiscal mismatch is increasing pressure on the government to resort to alternate sources of revenue generation, like divestments. The government has stated an indicative figure of ~USD 5 bn to be raised in each of the next five years through divestments; NHPC is the first PSU to get divested this fiscal, raising USD 1.25 bn for dilution of 14% equity stake. Other PSUs like BHEL (~USD 2 bn), HPCL (~USD 1 bn), and NTPC (~USD 1.3 bn) will also be looking to raise money through FPOs.

Possible divestments of PSU holdings can also soak liquidity

Company name	Govt. holding (%)	Market cap (USD bn)	Networth (USD bn)
BSNL	~100	Not listed	18.8
Nuclear Power Corporation	~100	Not listed	4.7
Coal India	~100	Not listed	4.3
Rashtriya Ispat	~100	Not listed	2.4
Oil India	~100	Not listed	1.7
ONGC	74	45.5	16.6
NTPC	90	34.1	11.5
Indian Oil	79	14.6	9.3
SAIL	86	13.4	5.0
Power Grid	86	9.2	2.9
Power Finance	90	4.7	2.0
Neyveli Lignite	94	4.2	1.9
Nalco	87	3.8	1.9
Shipping Corporation	82	2.9	1.1

Source: Edelweiss research

- **Unwinding of global liquidity set to impact equities**

  Once there is greater clarity about recovery in the economy, policymakers across countries will have to design 'exit strategies' from the overtly accommodative monetary policy prevalent today. Central banks globally have been stating the possibility of tightening rates and withdrawal of excess liquidity, with visible signs of growth and/or resurgence of inflation. While only a few countries like Israel and Australia have adopted such an 'exit' so far, a far larger number of economies are set to follow them over the next six months with signs of inflationary pressures firming up. While such 'exits' can be interpreted as sign of strengthening at the macro level and are largely priced in, they could have knee-jerk negative implications for several asset classes including equities that were so far soaring on high liquidity.

- **Most other macro concerns already priced in**

  Apart from valuation concerns, strong supply pipeline of papers and possibilities of global liquidity unwinding, most other macro factors appear to be priced in by the market. Some such factors are as below:

  (a) Course of global economic recovery: Signs of improvement in global economy and financial markets are still mixed and still there is no certainty on the shape and pace of the global recovery. While EMs have picked up from their subdued levels of growth, industrial expansion remains sluggish in most of the developed countries. The current turnaround in their quarterly numbers is to a great extent driven just by a turn in the inventory cycle, which, following the phase of de-stocking since late CY08 led to an abrupt halt of production activities across countries. Sustainability of this growth, therefore, is a severe challenge globally, which completely relies on improvement of demand conditions further. Despite improvements in business confidence and risk appetite in general, lower-tier borrowers (e.g., SMEs, households) have continued to face the wrath of tight liquidity flows. In fact, bank loans to the private sector have continued to see contraction in the US, UK and Euro zone. Housing and real estate markets are still to see sustained recovery. Overall, while it is fair to say that global recovery has set in, the in-built caveat is the actual strength of this growth. Nevertheless, the uncertainty around the pace and course of global recovery seems to be priced in by the markets, unless we face any further major crisis in global financial system.

(b) India - Inflation, deficits, interest rates and sovereign ratings: The current scenario of rising inflation, though mostly supply-side, is likely to put pressures on RBI to revisit its strong accommodative monetary policy stance by Q4FY10. A possible hike in policy interest rates, coupled with high inflation expectation and large fiscal deficits, will exert further upward pressure on the domestic interest rate scenario. A generalized increase in interest rates, at the still nascent stage of recovery, can be a clear negative for the economy and the markets. However, this possibility seems to be largely priced in by most segments of the participants.

Fiscal deficit remains high, leading to a risk of excessive supply of papers into the market, sucking out a part of the liquidity. Moreover, India currently has a long-term sovereign rating of 'BBB minus' with concerns of a downgrade if the fiscal situation continues to worsen. While the current turnaround in the economy is likely to improve government finances by FY11 by boosting revenues and reducing further stimulus expenditure needs, no strong improvement in the government finances is expected in the next six months. The issue of fiscal deficits and concerns around sovereign ratings can stay as a nagging element for the markets over the remaining part of FY10; markets, however, seem to be ignoring this possibility altogether at the moment.

(c) Monsoon failure: The monsoon deficiency during the year has adversely impacted agriculture activities, as large part of the kharif (summer crop) cultivation is directly dependent on monsoon. This could result in a large dip in the quarterly agriculture GDP numbers during Q2-Q3 of FY10. However, the knock-on effect of agriculture on the industry can be relatively less in the current year on the back of the cushion of a strong rural income over the past 3-4 years (courtesy good monsoon, rising minimum support prices, NREGA spending, Pay Commission disbursements). With the clearly discernible core uptrend in the economy – particularly industry – we believe, markets will largely shrug off any such dip in agriculture income.

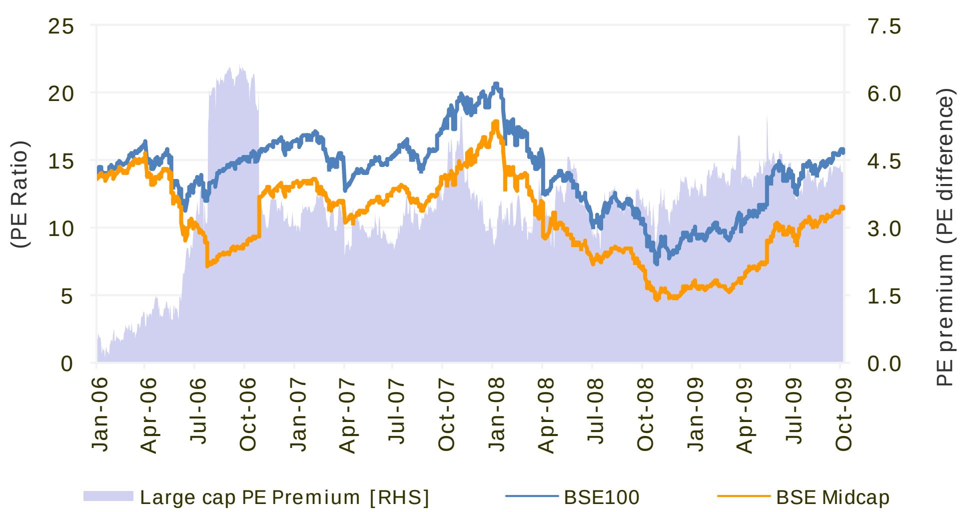
- India set for another long-term upswing; attractive long-term investment

Despite persistence of certain near-term concerns, we believe, India's long-term growth prospects are on a firm footing. India had been one of the most stable economies amidst the recent global turmoil. Its widely discussed strengths of a large domestic market and low export dependence clearly stood the test of time in 2008. Staying relatively unscratched by the nasty recession, the country has actually added another dimension of credibility as a long-term investment destination, with relatively lower downside risks from the global growth cycle.

Further, results of May 2009 general elections served as a huge catalyst for Indian equities as long-term investors are now willing to pay premium for the political and policy stability for the next five years. The government also, with its early initiatives and stated commitment towards reforms and long-term sustainable growth, has induced significant optimism in long-term investors. Economic reforms, liberalization of financial and capital markets, particularly facilitating capital flows into the economy are expected to receive a fillip with a strong government in power at the Centre. The government is expected to facilitate capital availability by gradually bringing in deep-rooted reforms – by allowing higher FDI in certain sectors, deepening the corporate bond market and simplifying tax codes. Given India's high marginal efficiency of capital, revival of capital availability can be a strong growth driver. Developing infrastructure, both rural and urban, is another stated priority of the government. Priorities of containing deficits as well as building infrastructure to support sustained growth could eventually prompt divestment of PSUs, freer pricing of commodities like petroleum products, reduction of unscrupulous expenditure, steps towards better governance, effective execution of projects, appointment of technocrats for niche projects (eg., the UIN project) and achievement of the ultimate goal of 'inclusive growth' – by continued focus on enhancing income and employment opportunities in the rural sectors and lower strata of the society.

- ### Mid caps still offer value; bottom-up stock selection the key

In our view, the markets are now at an interesting juncture though there are a few concerns that can tamper sentiments occasionally over the near term. Valuation of the broad market indices and large caps are a notch higher than their long-term average. However, given India's growth outlook, long-term investment in Indian equities is likely to remain attractive. In such a scenario, investors will keep spotting value in some of the relatively less-known pockets. Growth phases typically reflect preference for mid caps. At the moment, however, large caps are at a large premium compared with mid caps. In fact, premium of the large-caps over the mid-caps, during the current recovery phase (since March 2009), has not reduced significantly. We believe this premium is set to reverse with more definite signs of recovery over the next six months. In that case, a pro-active bottom-up stock selection will provide significant upside over the medium term. Currently, the BSE 100 1-year forward P/E is at ~16x, while the BSE midcap 1-year forward P/E is at ~12x. We expect the premium of ~4 to reduce over the next two quarters.



Source: Bloomberg, Edelweiss research

- **Top picks**

Accordingly, our top-pick selection attaches considerable weightage to mid caps at this current juncture.

Large-caps — Medium-term

Company	CMP	P/E		P/B		ROE	
	INR	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Sesa Goa	341	11.0	8.3	3.7	3.1	33.6	37.5
Hindalco	135	12.5	8.3	1.3	1.2	10.7	14.6
Tata Steel	571	16.0	6.9	1.5	1.7	9.5	24.6
Reliance Infra	1,320	22.5	20.6	1.8	1.7	7.9	8.4
BHEL	2,498	29.3	22.3	7.6	NA	26.1	NA

Mid-caps — Medium-term

Company	CMP	P/E		P/B		ROE	
	INR	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Escorts	113	NM	NM	1.1	NA	NM	NM
Welspun-Gujarat	280	24.3	11.7	3.3	2.2	13.8	19.1
Shiv-Vani Oil & Gas	357	8.1	6.1	1.3	1.1	15.7	18.7
Everonn	444	29.8	13.7	3.2	2.2	10.6	15.9
Mahindra Holidays	344	33.2	19.6	13.8	4.9	41.5	25.2

Large-caps — Long-term

Company	CMP	P/E		P/B		ROE	
	INR	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
PNB	851	7.5	6.8	1.7	1.4	23.2	21.0
SBI	2,272	13.8	11.7	2.4	1.9	17.3	16.4
TCS	593	19.8	16.6	5.9	4.8	29.9	28.9
Lanco Infra	538	23.5	24.3	3.6	2.8	15.4	11.3
United Spirits	922	NM	16.6	3.9	2.3	NM	13.9

Mid-caps — Long-term

Company	CMP	P/E		P/B		ROE	
	INR	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Usha Martin	74	10.0	5.7	1.6	1.0	16.3	18.1
Anant Raj	140	19.9	11.6	1.2	1.1	6.2	9.6
Madhucon Proj	254	20.0	NA	1.7	NA	8.8	NA
Sadbhav Eng.	925	27.0	13.5	3.3	NA	12.2	NA
Koutons	374	14.5	8.9	2.7	NA	18.5	NA

NA: Not available NM: Not meaningful

Source: Bloomberg, Edelweiss research

Sector view

At the sector level, we are overweight on BFSI, metals and mining, real estate, healthcare, and industrials, and are underweight on IT, consumer staples and discretionary, and cement.

Sector	View	Key positive	Risks
Metals and Mining	↑	Turnaround in non-ferrous prices	Policy uncertainty around import and excise duty
		Selective volume expansion plays	Rising input costs for non-integrated metal
		Most Indian players are integrated	
		India among lowest cost producers	
BFSI	↑	Steady credit, lower NPAs with economic	Focus on priority sector lending or further loan
		Improved capital market activities	Higher govt borrowing may keep pressure on yields
		Expectation of reforms in insurance and banking	
Real Estate	↑	Government encouraging low-cost housing	High-ticket demand may take some time to revive
		Improvement in job and income outlook	Housing loan disbursements improving but still low
		Imroved capital availability to real estate	
Healthcare	↑	Resilient demand	Risks from molecule failures and litigations
		High visibility of earnings	Valuations at premium to market
Industrials	↑	Push to infra spending with stronger govt. in place	Execution challenges
		Strong latent demand for infrastructure	Valuations at premium to market
Energy	↔	Possibility of free pricing reforms	Risk of higher under-recoveries given fiscal
		Rising crude oil prices	Lower demand due to higher pass-through of prices
		Increase in E&P activity	
		Strong cash flows and high visibility of earnings	
Utilities	↔	Push to infra spending with stronger govt. in place	Execution challenges
		Private spending to speed up the pace of expansion	Valuations at premium to market
		Fixed return on equity, so resilient cash flows	
Telecom	↔	Strong subscriber growth provides earnings	Higher rural growth, declining ARPUs
		Resilient consumption demand	Increasing competition
		Likely appreciation in INR	3G auctions may put strain on cash flows
IT	↓	Strong management	Possible US protectionism
		High cash in books and near zero leverage	Possible INR appreciation
		Likely improvement in IT spending with global	Billing pressures may continue
Staples	↓	High visibility of earnings & cash flows	Poor monsoon
		Relatively resilient consumption demand	Risk of down-trading
		Strong management in key players	High valuations
		High dividend yield	
Discretionary (Auto, Media, Retail)	↓	Benefit of excise duty cuts	Poor monsoon can hit rural demand
		Improvement in financing	Increasing competition
		Improvement in consumer confidence	Possibility of interest rates rising
Cement	↓	Better that expected demand largely from	Pressure on prices due to over capacity over next
		Input costs going down	Poor monsoon could impact rural demand
			Near term price increase unlikely

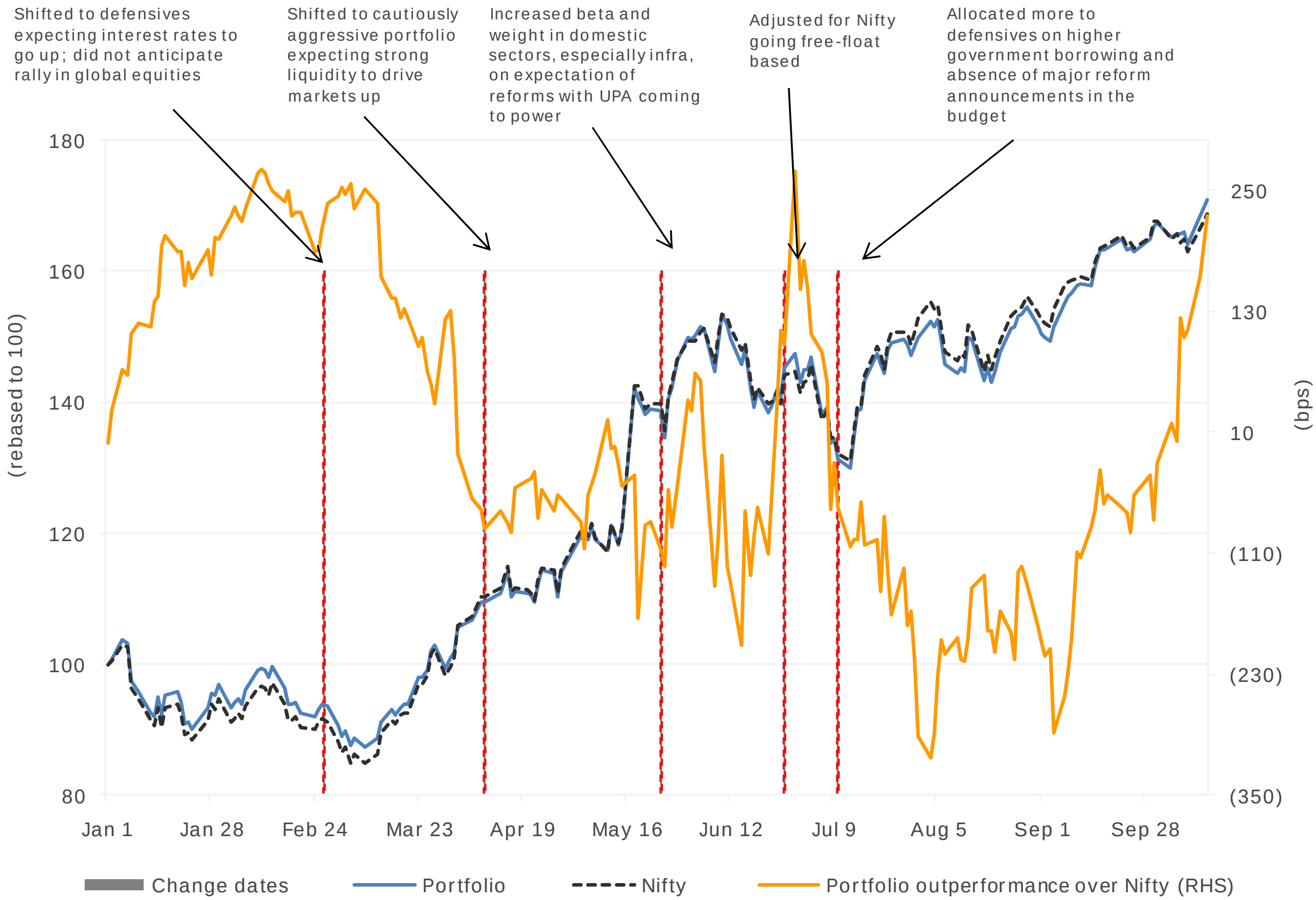
Source: Edelweiss research

Model portfolio

Presented below is our model portfolio for the next three months. Performance of the Edelweiss model portfolio vis-à-vis the Nifty since January 2009 is also given below. The Edelweiss model portfolio, on a point-to-point basis, has outperformed the Nifty by ~200bps during CY09.

Stocks	Mkt Cap (USD bn)	CMP (INR)	MP wt %	Nifty wt %	Rel wt bps	P/E FY10E	P/E FY11E	P/B FY10E	RoE FY10E	Div Yld FY10E	Beta 2yr
Metals & Materials			**9.3**	**8.2**	**116**						
JSPL	13.5	670	1.7	1.8	(8)	18.8	17.7	1.1	5.9	0.0	1.4
Sterlite	15.6	856	2.5	2.0	48	10.4	6.3	1.9	17.9	0.3	1.3
Sesa Goa	6.1	341	1.8	0.0	179	11.0	8.3	3.7	33.6	0.7	1.1
Tata Steel	11.0	571	2.1	2.4	(29)	16.0	6.9	1.5	9.5	1.8	1.4
Hindalco	5.0	135	1.3	1.0	22	12.5	8.3	1.3	10.7	0.7	1.3
BFSI			**24.5**	**23.8**	**71**						
ICICI Bank	22.2	921	7.6	7.3	33	25.6	21.1	2.1	8.2	1.3	1.5
SBI	31.3	2,272	6.6	4.1	241	13.8	11.7	2.4	17.3	0.2	1.0
PNB	5.8	851	2.9	0.8	213	7.5	6.8	1.7	23.2	2.5	1.0
Union Bank	2.7	250	1.8	0.0	178	7.2	6.0	1.6	22.3	2.0	1.0
LIC Housing Finance	1.7	803	2.0	0.0	196	12.0	10.3	2.3	19.2	1.7	1.2
Power Finance	5.9	236	1.5	0.0	152	14.9	13.3	2.1	13.8	1.3	0.9
Axis Bank	9.0	1,032	2.2	1.7	46	19.0	14.9	2.7	14.3	1.1	1.2
Real Estate			**2.7**	**2.0**	**71**						
DLF	15.9	432	1.7	1.1	57	31.0	23.6	2.9	9.2	0.0	1.4
Unitech	5.4	105	1.0	0.9	14	21.0	20.2	2.5	12.1	4.7	1.8
Anant Raj	0.9	140	0.6	0.0	59	19.9	17.0	1.2	6.0	3.5	1.0
Health Care			**4.3**	**2.2**	**206**						
Dr Reddy's	3.6	983	1.9	0.0	190	20.9	17.5	3.6	17.3	0.6	0.6
Lupin	2.4	1,260	1.3	0.0	131	17.9	15.2	5.2	28.8	1.0	0.7
Aurobindo Pharma	1.0	839	1.1	0.0	108	9.4	7.3	2.6	27.6	0.7	0.9
Industrials			**12.1**	**11.4**	**71**						
BHEL	26.5	2,498	3.5	2.8	67	29.3	22.3	7.6	26.1	0.8	1.0
IVRCL	1.2	412	1.7	0.0	166	21.6	17.2	2.9	13.3	0.3	1.6
JPA	7.7	252	1.7	0.0	166	42.9	64.1	4.9	11.5	0.4	1.5
Patel Engineering	0.6	489	0.8	0.0	77	16.3	13.5	2.5	15.6	0.4	1.3
IRB Infra	1.8	250	1.6	0.0	156	24.9	19.2	3.6	14.6	0.5	1.0
Simplex Infra	0.6	529	1.5	0.0	151	21.2	13.4	2.5	11.9	0.2	1.4
PSL	0.2	165	1.5	0.0	147	9.3	7.5	0.9	9.9	0.8	1.1
Energy			**17.1**	**17.1**	**0**						
RIL	77.8	2,184	10.5	11.5	(95)	17.1	13.9	2.5	14.8	0.7	1.1
ONGC	58.5	1,262	4.0	3.0	97	12.2	10.4	2.7	21.9	2.7	0.9
GAIL	10.4	377	2.5	1.2	134	14.3	13.4	2.6	18.4	1.9	0.7
Oil India	6.2	1,190	1.6	0.0	161	12.8	11.3	4.3	33.2	0.5	2.0
Shiv-vani	0.3	357	0.1	0.0	7	8.1	6.1	1.3	15.7	1.7	3.0
Utilities			**5.0**	**5.0**	**0**						
Tata Power	6.9	1,343	2.2	1.5	72	40.8	37.0	3.7	9.0	0.6	1.0
Reliance Infra	6.4	1,320	1.8	1.3	48	20.1	19.7	2.3	11.3	0.7	1.5
Lanco Infra	2.8	538	1.0	0.0	99	23.5	24.3	3.6	15.4	0.0	1.6
Telecom			**5.0**	**5.0**	**0**						
Bharti Airtel	28.0	340	3.5	3.0	53	12.6	11.5	3.3	25.8	0.6	0.8
RCOM	10.4	232	1.5	1.1	38	10.3	10.2	1.3	12.8	0.4	1.3
IT			**10.5**	**11.3**	**(79)**						
Infosys	28.0	2,256	6.8	7.6	(83)	21.7	18.8	5.8	26.6	1.2	0.7
TCS	25.2	593	3.1	2.0	116	19.8	16.6	5.9	29.9	1.3	1.6
Infotech	0.3	245	0.6	0.0	59	10.2	9.7	1.5	14.5	0.8	0.9
Consumer Staples			**6.1**	**6.9**	**(79)**						
ITC	21.2	259	4.9	4.7	18	25.0	21.7	6.1	24.5	1.7	0.6
Asian Paints	3.3	1,586	0.6	0.0	61	28.6	24.9	10.3	36.2	1.3	0.6
GCPL	1.5	264	0.6	0.0	59	23.1	22.4	10.3	44.3	2.5	0.5
Consumer Discretionary			**3.4**	**4.9**	**(154)**						
Hero Honda	7.1	1,644	1.1	1.0	7	18.6	16.6	6.5	34.9	1.3	0.6
Zee Entertainment	2.4	255	2.2	0.0	224	26.4	22.0	3.0	11.2	0.8	1.0
Cement			**0.0**	**2.3**	**(232)**						
Model Portfolio	**485**		**100**	**100**	**0**	**16.3**	**13.4**	**2.7**	**16.7**	**1.1**	**1.1**

Source: Bloomberg, Edelweiss research



Source: Bloomberg, Edelweiss research

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Recent Research

Date	Company	Title
12-Oct-09	**IIP**	Big push to IIP
08-Oct-09	**Indicator Release**	Slow march to the 1% mark
01-Oct-09	**External trade**	trade deficit expands; exports yet to gain strength
01-Oct-09	**Economy Release Calendar**	October