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India: balance sheet health check.

Crunch or cruise?

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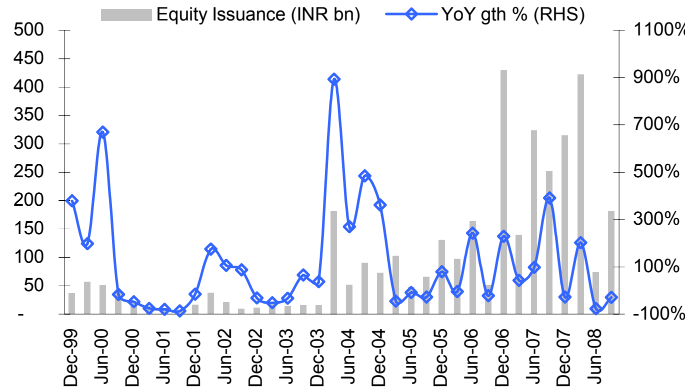
India's capital markets: are the liquidity taps running dry?

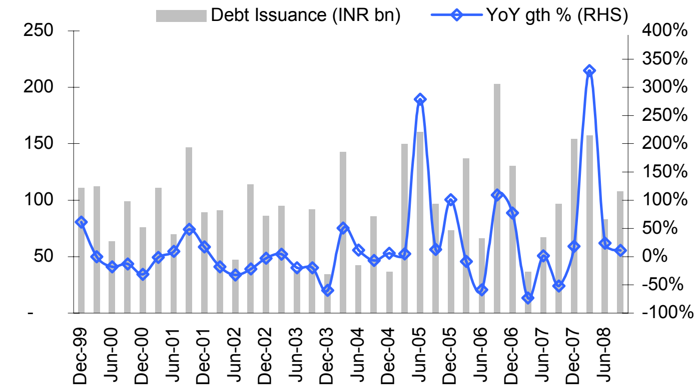
- India has gone down in sync with other markets in the recent global financial turmoil
  - The value of equity & debt issuances have fallen sharply in past two quarters.
- Banks getting increasingly cautious and prudent towards incremental lending
  - Our India banks analyst, Dipankar Choudhury points to the likelihood of rising NPLs. Gross NPL ratio is likely to move from 2.1% in FY08 to 2.4% in FY09e
- Credit crunch has affected even the blue chip corporates with real estate sector seemingly being the worst hit
- The increasing tightness in capital markets has prompted us to examine balance sheets and refinancing requirements for companies under coverage in India

India: equity issuance



Source: CMIE's Business Beacon

India: debt issuance



Source: CMIE's Business Beacon

India NPLs (for top banks under DB coverage)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Axis Bank	1.5%	1.3%	1.1%	0.8%	1.1%	1.4%
Bank of Baroda	7.7%	4.0%	2.5%	1.9%	1.6%	1.8%
Bank of India	5.5%	3.7%	2.5%	1.7%	1.5%	1.7%
HDFC Bank	1.7%	1.3%	1.3%	1.4%	1.5%	1.5%
HDFC Ltd	1.1%	1.0%	0.9%	0.8%	0.9%	0.9%
ICICI Bank	3.3%	1.4%	2.0%	3.2%	3.7%	3.9%
Kotak Mahindra Bank	0.4%	0.4%	1.8%	2.0%	2.2%	2.1%
Oriental Bank of Commerce	9.9%	6.3%	3.3%	2.3%	1.5%	1.4%
Punjab National Bank	6.0%	4.1%	3.5%	2.8%	2.2%	2.3%
SBI	5.3%	3.5%	2.7%	2.8%	2.7%	2.7%

Source: company data and DB estimates; Note that some of the banks are actually showing a decline in NPL ratio due to the reversal of NPL on account of farm loan waiver scheme announced by the Finance Minister in the Union budget in Feb '08

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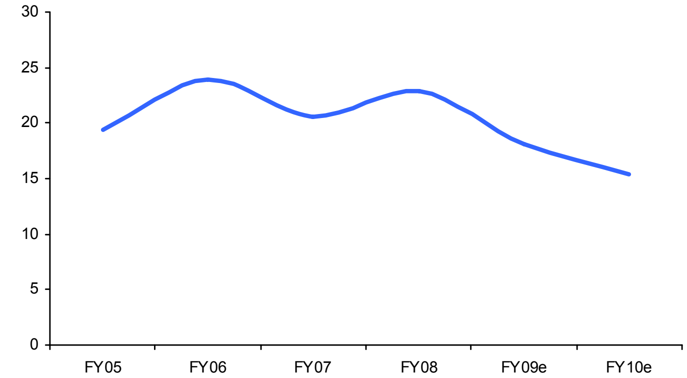
Country level aggregation: gearing and coverage provide comfort

- DB India universe reflects low net gearing level (~23%). A high ROE environment, capital efficient operations, delayed capex and record high commodity prices have kept gearing at a comfortable level
  - Despite overall comfortable gearing, we identify sectors/stocks which carry high degree of leverage risk
  - **Real Estate** and **Industrials** are key sectors with relatively higher degree of risk, while at a stock level we note **Unitech**, **Sobha, Purvankara**, **HPCL**, **Wockhardt**, **Lanco**, **L&T**, **Tata Motors**, and **Tata Power** having a high gearing ratio
  - Risk profile in metals and mining sector – where we saw international acquisitions at top of the market valuations – is high as high gearing levels have been taken to fund overseas acquisitions – where operations could be under severe stress, ie Tata Steel, which acquired Corus.
  - Risk profile for **Tata Motors** (which acquired Jaguar Land Rover) is similarly high

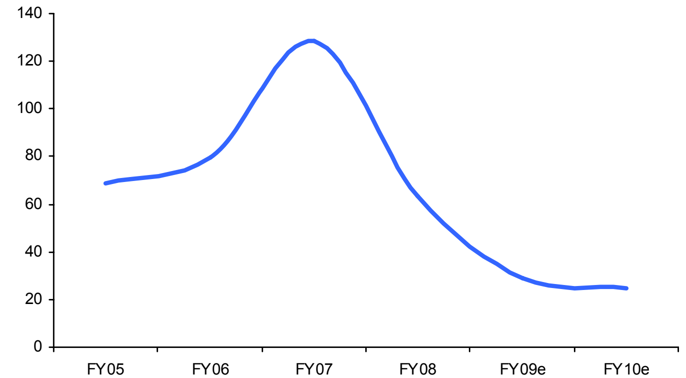
- The coverage ratios of DB India universe look equally comforting with EBITDA at 63x net interest in FY08. Although this is expected to fall, it will still remain high at ~25x+ in FY09-10e.
  - Across stocks, **Tata Motors, IRB, Wockhardt, Lanco,** and **Tata Power** look vulnerable on coverage ratios. These companies could be pressured into reassessing dividend payout, capex or even few asset sales/restructuring, if negative operating trends materially intensify or extend

India: net debt / equity (%)



Source: Company data, DB estimates

India: EBITDA/net interest (X)



Source: Company data, DB estimates

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Sector summary

India: sector view & outliers within sectors ("sector view" is a comment ONLY on the balance sheet / liquidity position)

Sector	Sector view	Strong companies	Stretched companies	DB comment
Financials				
Banks	Moderate	HDFC, SBI, HDFC Bank	Small cap private and PSU banks	Sector enjoys strong capital adequacy ratio going well into FY10e; some banks' overseas operations that are predominantly borrowings-dependent could face growth issues due to inadequate rollover
Real Estate	Weak	Indiabulls Real Estate	Unitech, Sobha, Purvankara	Mid cap players face significant risk; Only India bulls in net cash
Consumer Discretionary				
Auto	Strong	Hero Honda, Bajaj, Maruti	Mahindra & Mahindra	Most companies in net cash; M&M faces some refinancing risks
Media	Strong	Sun TV, ZEE, HT Media	na	An overall net cash sector
Consumer durables, apparels & retail	Moderate	Titan	Pantaloons	Pantaloons is the weak company with negative cash flows; however no immediate refinancing strain
Consumer Staples				
Food Products	Weak	Nestle India	Bajaj Hindustan, Shree Renuka, Balarampur Chini	Mid cap sugar stocks at highly geared and face significant redemption in till Mar '10; Nestle is is the only net cash company
Beverages & tobacco	Moderate	ITC	United Spirits	United Spirits at relatively high net debt level, but faces nil redemption till Mar '10
Household & personal products	Strong	Hindustan Unilever, Dabur	Marico	Sector heavyweights in net cash; Marico faces some concern
Energy	Strong	ONGC, Cairn India	HPCL, Relliance Petroleum	HPCL faces significant refinancing strain
Healthcare	Moderate	Sun Pharma, Biocon, Ranbaxy, Cipla	Wockhardt, Aurobindo Pharma	Highly geared sector with noticeable FCCB exposure too. Wockhardt clearly the most stretched; Ranabxy's liquidity has improved post cash infusion by Daiichi
Industrials				
Engineering & Construction	Weak	Voltas	Lanco, Larsen & Toubro, IRB	Highly levered with heavyweight L&T @ ~92% net gearing for FY08. Mid caps IVRCL and Lanco also face refinancing burden
Electrical Equipment	Strong	BHEL, ABB India	na	Comfortably placed with big caps in net cash; BHEL, ABB have negligible debt
Machinery	Weak	Thermax	Tata Motors, Ashok Leyland	TAMO needs to part-refinance US$3bn bridge loan maturing in Jun '09; Ashok Leyland's capex to be debt financed; Thermax is debt free
Information Technology	Strong	Infosys, HCL Tech, Patni	First source	Debt position is comfortable overall
Materials	Moderate	Ambuja, ACC, NALCO, Asian Paints, SAIL	na	Manageable debt levels with little refinancing requirements with the exception of Tata Steel which acquired Corus. NALCO and SAIL stand out as companies with attractive debt equity and interest coverage ratios
Telecom	Moderate	Bharti	Reliance Communications	Bharti likely to comfortably meet redemtion requirements buffered by strong cashflows; RCOM has strong cash flows but position on repayment is not clear
Utilities	Strong	GAIL	Tata Power	Net gearing currently strong, but likely to shift up by FY10e; Tata Power is the most stretched

Source: DB estimates

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Financials

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State-owned banks : loan growth to slow; strong capital adequacy

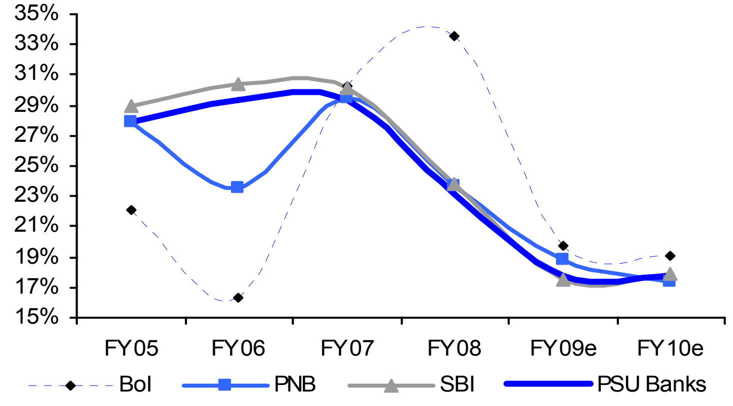
Loan Growth trends

- With tightness in macro economy and our expectation of lower GDP growth rate for FY09/10e, loan growth rates for most of the PSU banks should show a falling trend and is expected to sustain further into FY09/10e

Core Capital Adequacy

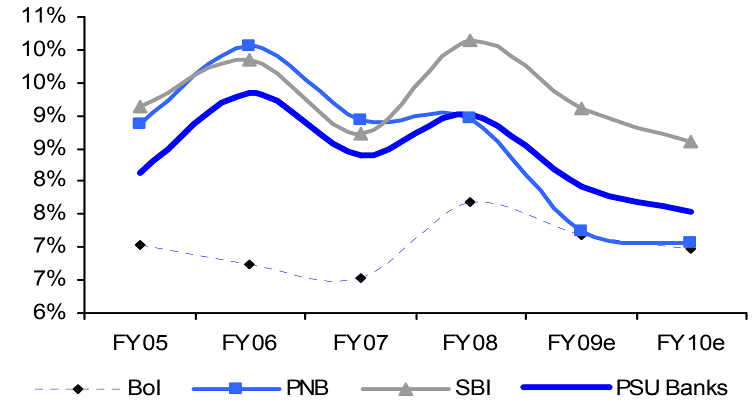
- Tier-1 of PSU banks remain well capitalized with core capital adequacy ratio for most of the banks under our coverage at comfortable levels. Heavyweights like **SBI** and **PNB** have core **CAR** even in excess of the required overall **CAR** with **Union Bank** and **BoI** having slightly lower CAR but still comfortable
- The banks should remain comfortably capitalized even with much tighter credit standards and a likelihood of higher risk weighting to be used for risk assets such as lending to real estate sector
- Few banks with core Tier I around 7% could face growth problems due to recapitalization delays

Loan growth trends (%)



Source: Company data, DB estimates

Core Capital Adequacy Ratio (%)



Source: Company data, DB estimates

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State-owned banks: BoI's CAR to get tight marginally

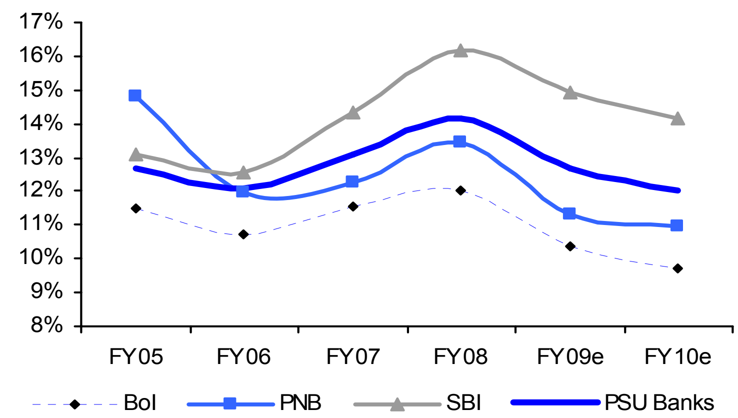
Capital Adequacy Ratio

- The overall CAR is also at comfortable level but expected to slip down in FY09/10e .
- **SBI** is again the most well capitalized PSU banks while **BoI** seems marginally at risk but has sufficient headroom in tier two capital.

Equity Multiples

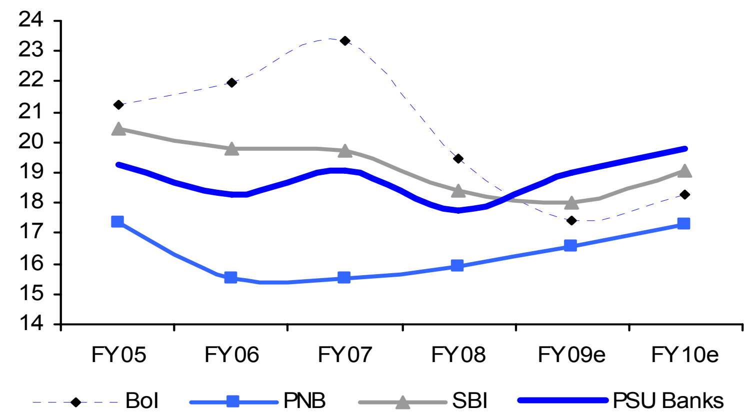
- Asset/Equity multiple for state owned banks have been mostly below 20x (the global average) implying that the banks are not as much leveraged as compared to the global peers. However, going forward we expect higher multiple but still less than 20x.
- Indian banks are required to put 24% of balance sheet in risk-free sovereign securities, and hence assets/equity looks artificially inflated - a higher number does not necessarily indicate a higher risk unlike globally
- Indian banks are currently required to keep ~30% of assets in low risk assets(with RBI or the GoI), despite which their leverage ratios are lower

Capital Adequacy Ratio (CAR, %)



Source: Company data, DB estimates

Equity Multiples (x)



Source: Company data, DB estimates

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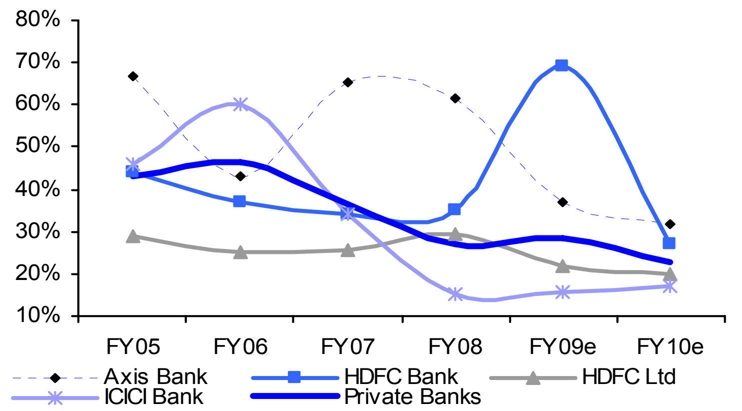
Private banks: strongly capitalized

Loan Growth trends

- Unlike PSU banks loan growth for most of the private banks under our coverage, remains above the sector trend. However, the growth is likely to stabilize into FY09/10e.
- Higher growth rates in FY08 were seen in **Axis Bank** and **Kotak Mahindra Bank**.
- The erstwhile aggressive **ICICI Bank** is likely to post lowest loan growth over FY08-10e as one-of-the- highest NPL ratio amongst its peers will likely force the bank to adopt conservatism while lending.

Loan growth trends

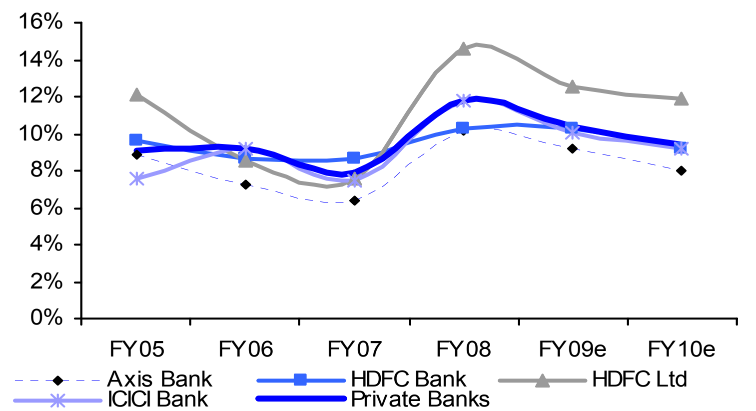


Source: Company data, DB estimates

Core Capital Adequacy Ratio

- Core capital adequacy ratio for all the private banks remain clearly at comfortable levels. **HDFC Bank** clearly stand out with core CAR >15%.
- Core CAR is expected to slide into FY09-10e for most of the private sector banks but still remain at comfortable levels

Core Capital Adequacy Ratio (%)



Source: Company data, DB estimates

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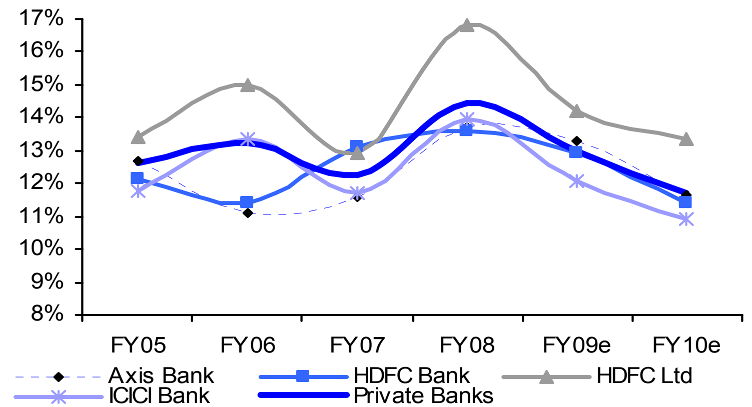
Private banks: ICICI Bank's CAR getting tighter

Capital Adequacy Ratio

- **HDFC Ltd** seem the most well-capitalised with CAR in excess of 15% in FY08. Other private banks are bunched in the tight band of 11-13%.
- With likelihood of tighter prudential norms CAR is expected to slide in FY09-10e for all the banks, but still remain above the norms. Specialized institutions i.e. **IDFC** and **HDFC Ltd**. Are again likely to maintain the highest CAR amongst the private banks.

Capital Adequacy Ratio (CAR, %)

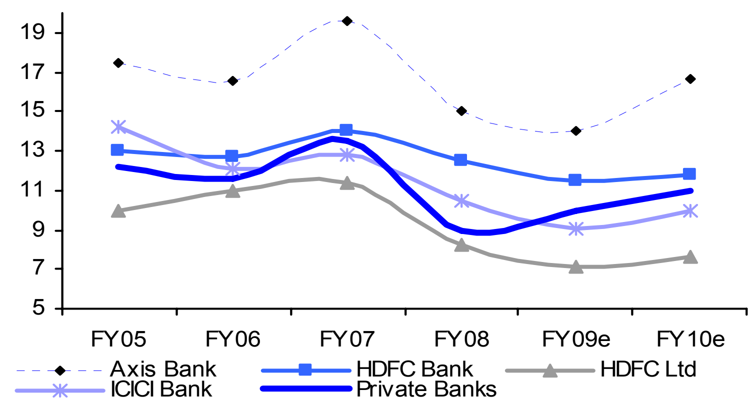


Source: Company data, DB estimates

Equity Multiples

- Asset/Equity multiple remain lower than global peers. **Kotak Mahindra Bank** and **HDFC** have the lowest multiple, while **Axis Bank, DCB** and **Yes Bank** have the highest multiple.
- Asset/Equity multiple is likely to move up in FY09-10e for most of the private banks.

Equity Multiples (x)



Source: Company data, DB estimates

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Real estate : burdened by leverage

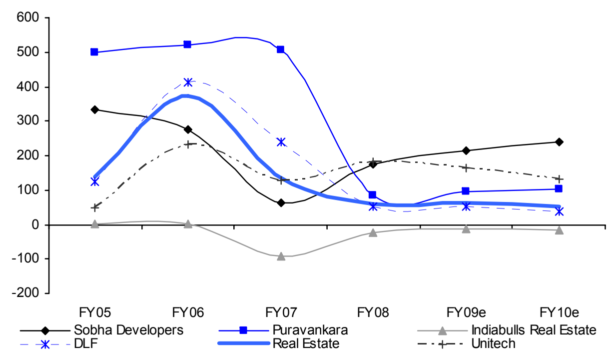
Gearing

- Real estate is amongst highly levered sectors with net gearing at ~60% for FY08 & FY09e while gross debt/EBITDA is at ~2x . Moreover a lot of this gross debt is repayable in next 6-12 months
- The mid cap stocks i.e. **Unitech**, **Sobha** and **Purvankara** face high leverage risk, especially in currently tight credit environment. For Unitech and Sobha the net gearing is in excess of 150%. The sector leader, **DLF** has lowered its net debt/equity from 239% in FY07 to a still high level of 51% in FY08, post its IPO.
- **Indiabulls real estate** provides highest comfort with net cash on its books, however it still has gross debt/EBITDA at 1x. **Sobha** and **Purvankara** face high debt coverage between 5x-7x.

Coverage

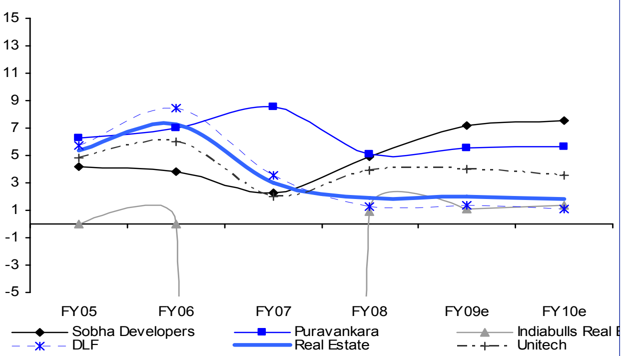
- Interest coverage seems moderately comfortable for **Indiabulls Real Estate** and **DLF**. Coverage is low for Unitech, **Purvankara** and **Sobha Developers**.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
DLF	1.2	0.8	1.9	5.3	4.9	5.9
Indiabulls Real Estate			(0.0)	7.3	5.9	5.0
Puravankara	1.1	0.9	0.8	1.3	1.2	1.2
Sobha Developers	1.6	1.7	2.9	1.4	0.9	0.9
Unitech	1.4	1.1	3.4	1.7	1.7	1.9
Real Estate	1.2	0.9	2.2	3.6	3.3	3.7

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates

* For the property sector we base 'EBITDA / net interest expense' on gross interest expense which includes capitalised interest (given a significant portion of interest cost is capitalised for developers)

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Real estate: near-term refinancing requirements abound

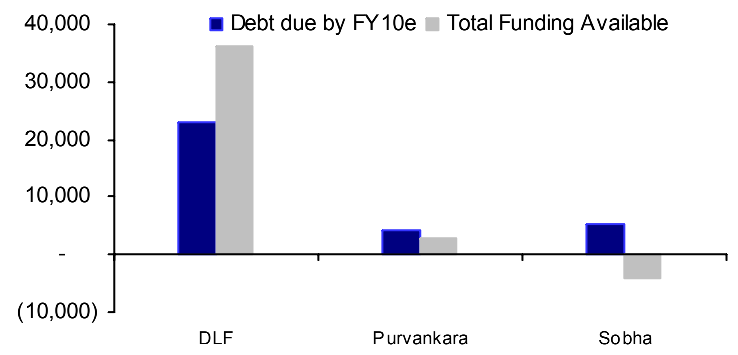
Refinancing

- Most of the stocks we have data for face refinancing pressure in near term
- **DLF** has significant repayments falling due in next six months but its funding available till Mar-09 seem to cover the refinancing requirements
- **Sobha** and **Purvankara** however, may not be able to sufficiently cover refinancing requirements of near term. **Purvankara** has lower fund available while **Sobha** is likely to be affected by negative cash flows
- **Unitech** gives no disclosure on its debt profile, while India bulls does not face refinancing pressure

Currency

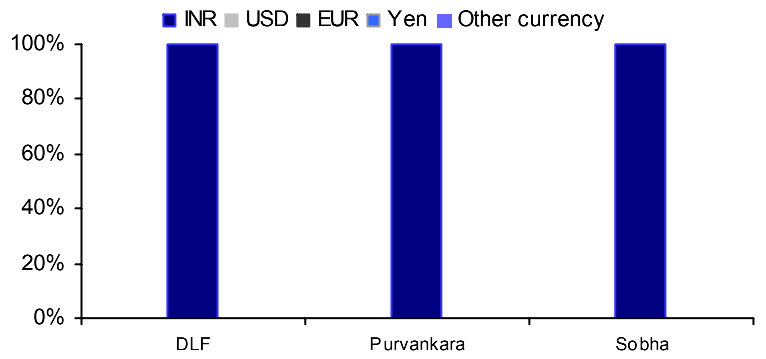
- For **DLF**, **Purvankara** and **Sobha** 100% of debts are denominated in INR

Refinancing requirements (reporting currency)



Source: Company data, DB estimates; Note that due to lack of data the debt due for DLF and Sobha Developers is for next six months, while for Purvankara it is for next 12 months

Gross debt by currency (last reported number)



Source: Company data, DB estimates

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Consumer Discretionary

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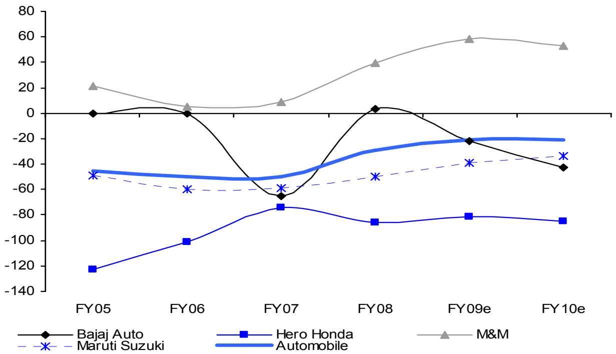
Auto : most companies in net cash; low refinancing risk

Gearing

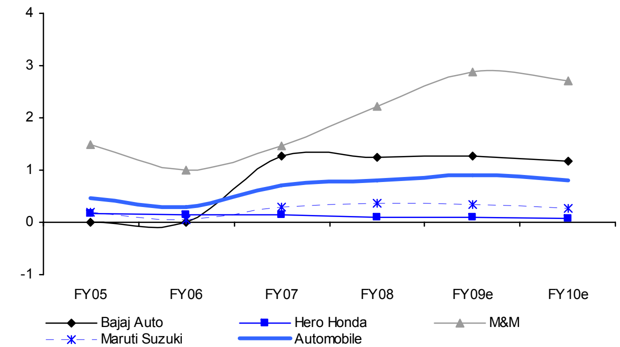
- Auto has limited exposure to leverage risk as large number of the companies are in a net cash position
- **M&M** is the only company with material net debt and its net debt/equity is expected to move further up. **Hero Honda, Bajaj**, and **Maruti** are net cash positive
- **M&M** has gross debt/EBITDA in excess of 2x on a sustained basis. **Hero Honda** and **Maruti** have minimal debt levels while capex is equal to or less than the operating cash flows

Net debt / equity (%)



Source: Company data, DB estimates. Data for M&M pertains to standalone financials.

Gross debt / EBITDA (X)



Source: Company data, DB estimates. Data for M&M pertains to standalone financials.

Coverage

- The interest coverage ratio is extremely strong across all the stocks. Even **M&M,** which seems most at risk amongst its peers, boasts of EBITDA/net interest coverage of ~20x in FY09e and 11x in FY10e which is extremely comforting in our view
- Significant stake in listed companies give M&M options to raise funds

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Bajaj Auto			238.9	208.8	211.3	228.7
Hero Honda	(1,109.1)	(222.6)	728.6	674.7	709.2	804.2
M&M	23.5	32.9	56.9	48.2	19.7	11.2
Maruti Suzuki	41.8	85.3	56.1	41.1	38.6	48.3
Automobiles & Components	51.9	96.8	88.3	66.4	46.5	37.2

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates. Data for M&M pertains to standalone financials.

Please note that we have classified the stocks based on the GICS sector classification. Hence, Tata Motors and Ashok Leyland are not included in the above list, since they are classified as Industrials under GICS classification and further sub-classified into Machinery. Please refer to the slides on Machinery for details on these stocks

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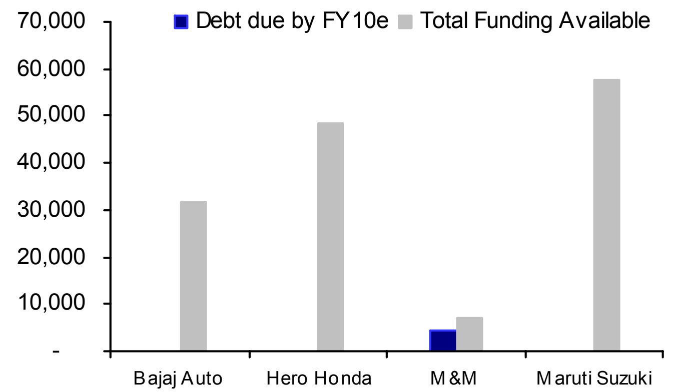
Auto : only M&M has refinancing needs

Refinancing

- Only **M&M** has refinancing requirement in near term
- Other auto companies are comfortably placed with no near term

Refinancing requirements (reporting currency)

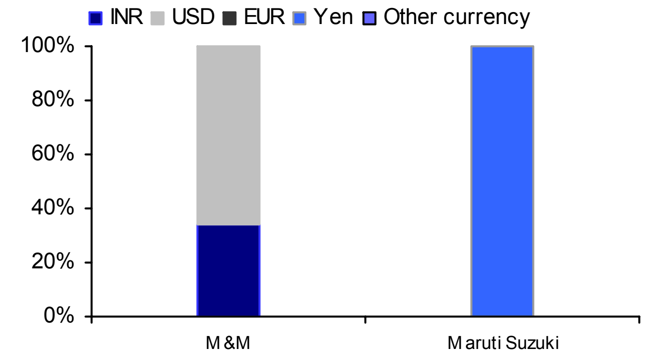


Source: Company data, DB estimates; Data for M&M is available till FY09e only and is based on standalone financials. M&M's funding numbers above include INR7bn due from compulsorily convertible bonds

Currency

- **Bajaj** and **Hero Honda** are debt free companies
- **Maruti's** debts are solely in JPY (later swapped to INR), which is guaranteed by Suzuki, Japan
- 66% of **M&M's** debts are in US$

Gross debt by currency **(last reported number)**



Source: Company data, DB estimates. Data for M&M pertains to standalone financials.

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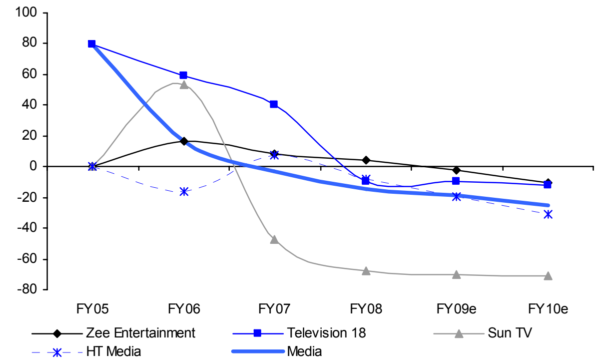
Media: already in net cash; likely to get stronger

Gearing

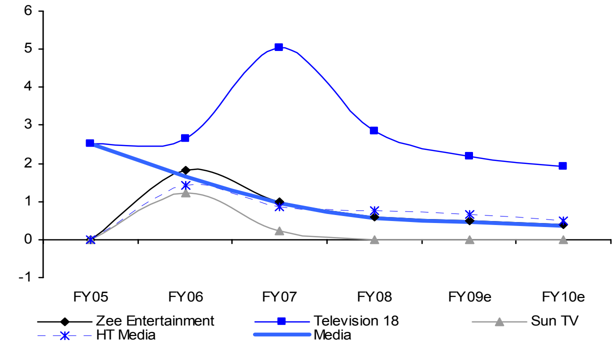
- Media sector too faces low leverage risk, with most of the stocks in net cash or low net debt levels.
- **Sun TV** seems least at risk with highest net cash level, little burden on EBITDA as debt is expected to be nil in FY09, FY10.
- **TV18** has highest gross debt/EBITDA but still at a manageable 3x in FY08 which should slide down to ~2x by FY10e.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage

- In terms of coverage, **TV18** has the lowest levels while **Sun TV** is not expected to pay any interest in FY09-10e. **HT media** and the sector leader **ZEE** too have very strong coverage ratio.

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
HT Media		8.7	13.4	12.6	18.7	25.4
Sun TV		29.6	57.3	137.9		
Television 18	6.2	5.8	2.6	2.8	3.7	4.1
Zee Entertainment		14.4	9.6	11.0	13.3	24.8
Media	6.2	12.7	12.0	13.2	17.7	25.6

Strong | Moderate | Low | Net Interest Income

Source: Company data, DB estimates

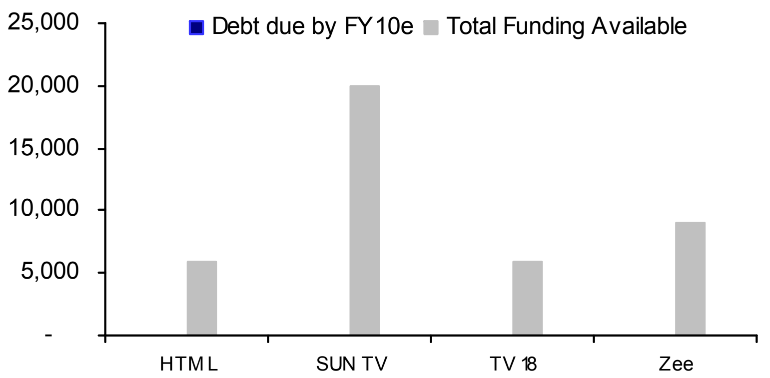
Abhay Laijawala, Abhishek Saraf (91) 22 6658 4205/4221 (abhay.laijawala@db.com, abhishek.saraf@db.com)

Media: no near-term refinancing

Refinancing

- None of the media stocks face refinancing risk till Mar ‘10

Refinancing requirements (reporting currency)

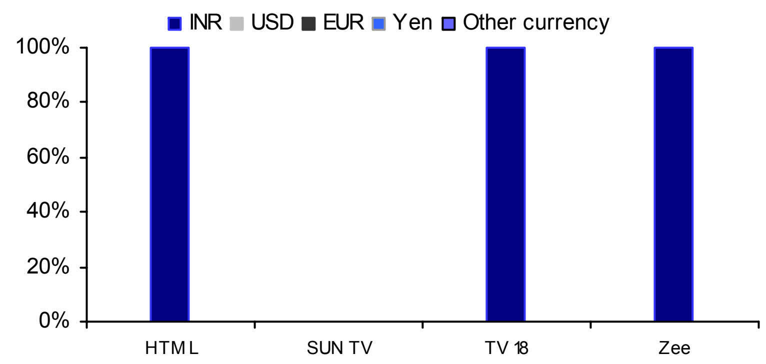


Source: Company data, DB estimates

Currency

- **SunTV** is a debt free company, while other companies have debt solely in INR

Gross debt by currency (last reported number)



Source: Company data, DB estimates

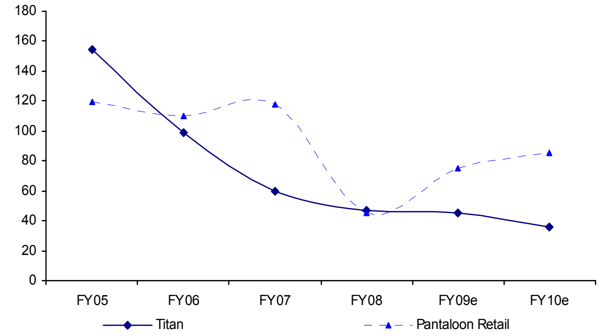
Abhay Laijawala, Abhishek Saraf (91) 22 6658 4205/4221 (abhay.laijawala@db.com, abhishek.saraf@db.com)

Consumer Durables, Apparel & Retail : Pantaloons is a bit stretched

Gearing

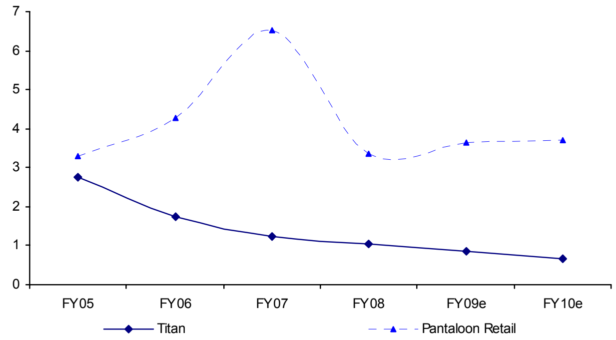
- Retail is the only segment in the consumer discretionary sector, with some elevated leverage risk.
- **Pantaloon**'s net debt/equity is expected to move up to 100% by FY10e while gross debt/EBITDA should move closer to 4x.
- The other stock under our coverage, **Titan** provides the counter balance but remains in net debt, however, buffered by a low gross debt multiple of <1x.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage

- Interest coverage is strong for **Titan** but slightly weaker for **Pantaloon** at 3.2x FY08 and 3.9x for FY09e.

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Titan	3.7	6.2	9.7	12.4	11.5	16.6
Pantaloon Retail	3.5	4.2	2.1	3.2	3.9	3.4

Strong | Moderate | Low | Net Interest Income

Source: Company data, DB estimates

Deutsche Bank

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Consumer Durables, Apparel & Retail : refinancing not a concern

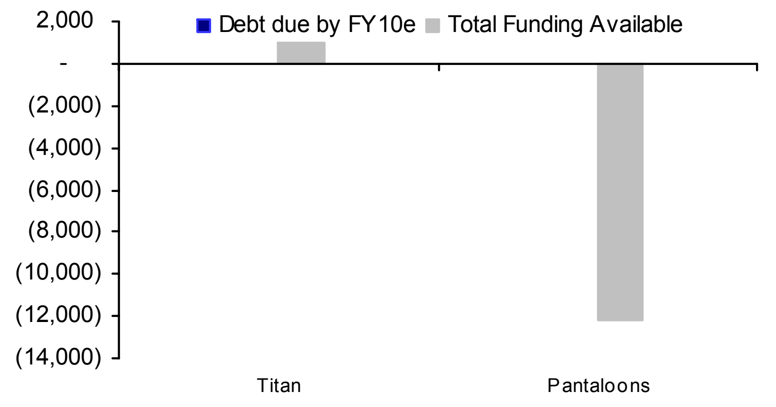
Refinancing

- None of the companies face refinancing in near term

Currency

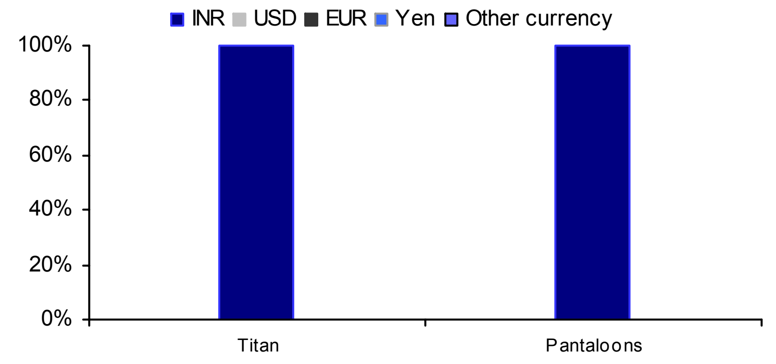
- All loans are denominated in INR

Refinancing requirements (reporting currency)



Source: Company data, DB estimates

Gross debt by currency (last reported number)



Source: Company data, DB estimates

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Consumer Staples

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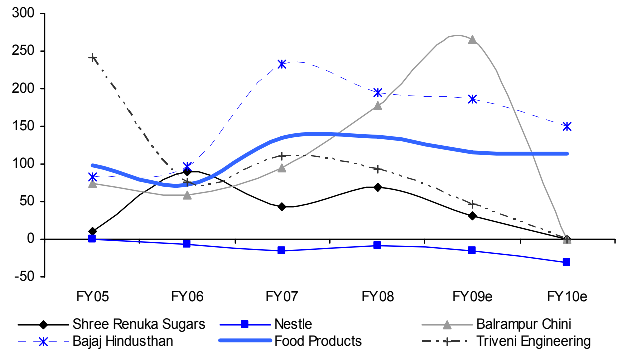
Food Products : sugar stocks sour the balance sheet

Gearing

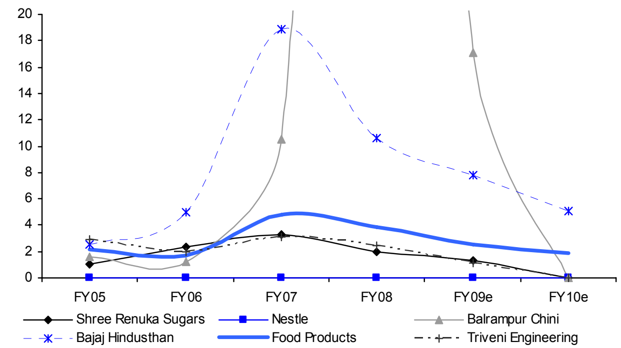
- Food products segment is overall at high gearing and lower coverage ratios but mainly driven by the mid/small cap sugar stocks under our coverage. The other stock **Nestle India** is however a net cash.
- **Bajaj Hindustan** has a significantly and consistently high net gearing >150%. However, stocks like **Shree Renuka, Balrampur** and **Triveni** will likely face higher redemption pressure as we see their debt levels getting liquidated to zero by FY10e.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage

- As is apparent **Nestle India** faces not much strain of interest payment on its P&L account, while **Balrampur Chini's** coverage ratio is meaningfully low at <1x implying a negative PBT.

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Bajaj Hindusthan	15.2	93.0	2.1	2.5	3.6	5.6
Balrampur Chini	12.7	13.3	1.2	0.1	0.6	
Nestle		2,459.0	1,221.6	815.2	1,005.5	1,233.1
Shree Renuka Sugars	5.7	8.5	9.1	9.9	15.0	
Triveni Engineering	5.6	10.0	2.8	4.7	9.7	
Food Products	9.0	21.1	4.7	4.8	6.8	14.8

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates

Deutsche Bank

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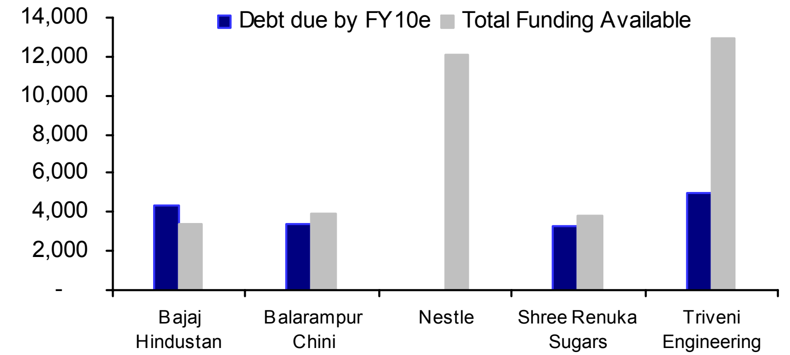
Food Products : sugar stocks face high refinancing requirements

Refinancing

- Sugar companies face high refinancing in near term
- **Bajaj Hindustan's** funding available is expected to fall short of the debt due by FY10e, **Balarampur Chini** and **Shree Renuka** are also stretched
- No refinancing pressure on **Nestle India** in near term

Refinancing requirements (reporting currency)

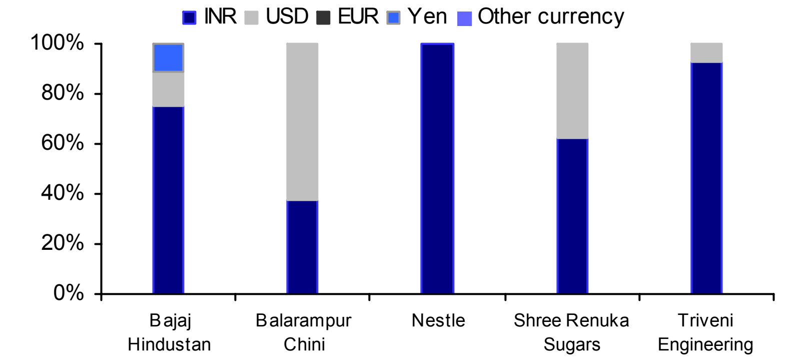


Source: Company data, DB estimates

Currency

- **Nestle's** debts are 100% in INR
- **Balarampur Chini's** has significant debt in US$ at 62%, while **Shree Renuka** has 38% of debts in US$
- **Bajaj Hindustan** has 12% exposure to JPY debts and 13% to US$ debts, rest are in INR
- **Triveni's** debts are mostly in INR (93%) and rest in US$

Gross debt by currency (last reported number)



Source: Company data, DB estimates

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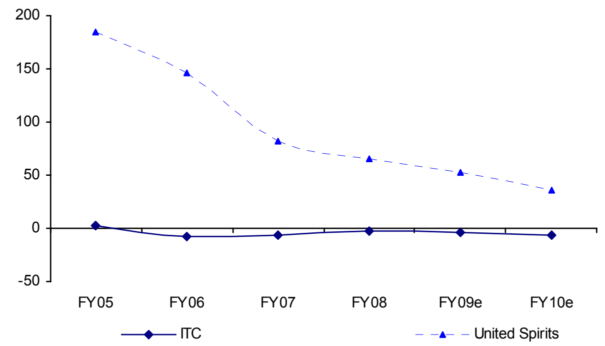
Beverages & Tobacco : ITC‘S balance sheet is as strong as it gets

Gearing

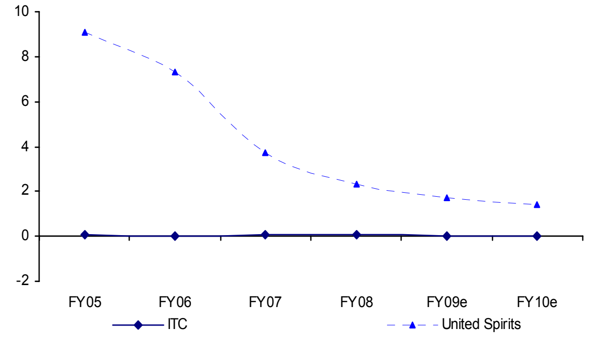
- The two stocks under coverage here have contrasting profiles with **ITC** virtually a debt free company, while **United Spirits** has meaningful level of debt on its books. Although the trend going forward for United Spirits is towards lower debt levels, net debt/equity is still expected to be >50% in FY09e.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage

- With very low level of interest payments, **ITC** has high coverage, while for **United Spirits** the coverage ratio is at a lower level.

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
ITC	65.8	278.9	1,206.2	955.3	780.8	
United Spirits	2.0	1.3	3.7	5.2	4.6	6.0

Strong | Moderate | Low | Net Interest Income

Source: Company data, DB estimates

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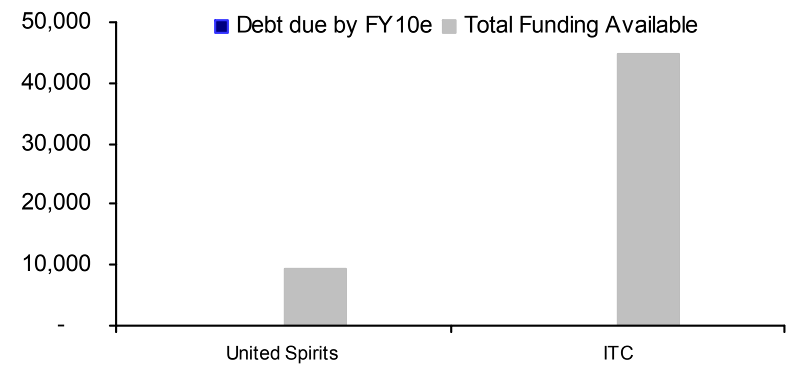
Beverages & Tobacco : no refinancing in near term

Refinancing

- Refinancing is not a concern here.

Refinancing requirements (reporting currency)

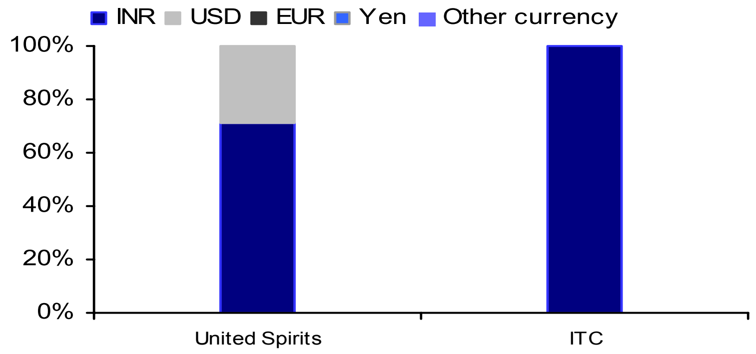


Source: Company data, DB estimates. Data for United Spirits pertains to standalone financials.

Currency

- While **ITC's** debts are 100% in INR, **United Spirit's** debts are 71% in GBP and 29% in US$.

Gross debt by currency (last reported number)



Source: Company data, DB estimates

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Household and Personal Products : comfortably placed

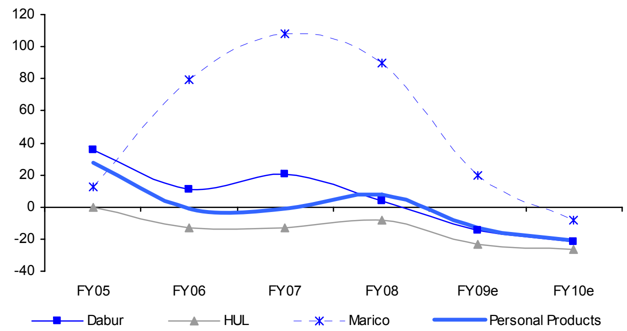
Gearing

- Household and personal product segment exhibits the lowest gearing within the consumer staples. All the stocks under this segment either have net cash or low net gearing with only **Marico** at high level of ~90% for FY08e.
- Gross debt/EBITDA is also below 1x for all the companies except **Marico**, where it is still manageable at ~1.5x for FY08e and expected to slip close to 1x by FY10e.
- **HUL** has the highest levels of net cash and extremely comfortable gross debt/EBITDA coverage.

Coverage

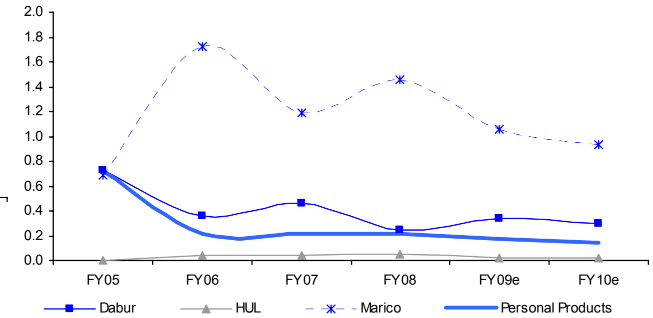
- All the stocks have consistently strong interest coverage ratio.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Dabur	16.7	17.6	22.9	24.2	29.8	36.8
HUL		75.2	153.5	74.0	432.4	665.5
Marico	44.2	28.6	10.2	8.9	8.6	10.8
Household & Personal Products	20.5	46.2	47.5	36.3	54.2	70.8

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates

Deutsche Bank

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Household and Personal Products : zero near- term refinancing

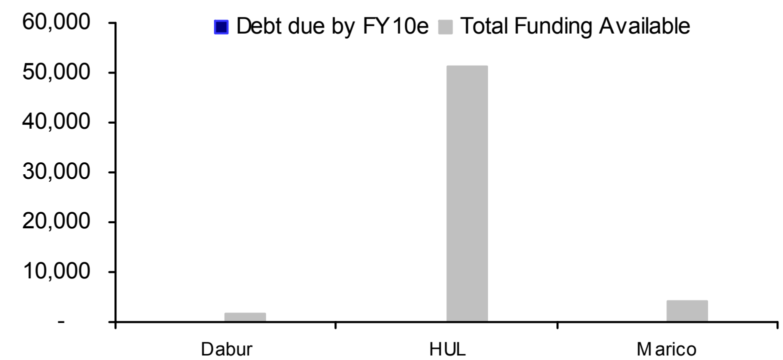
Refinancing

- Refinancing is not a concern here.

Currency

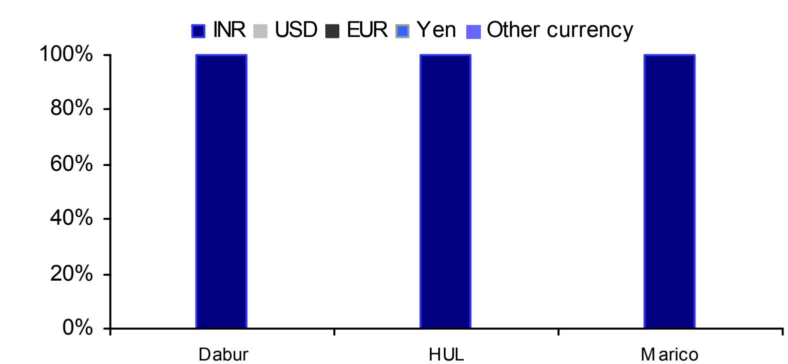
- No currency risk as all the loans are in INR

Refinancing requirements (reporting currency)



Source: Company data, DB estimates

Gross debt by currency (last reported number)



Source: Company data, DB estimates

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Energy

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Energy : ONGC in net cash; HPCL highly geared

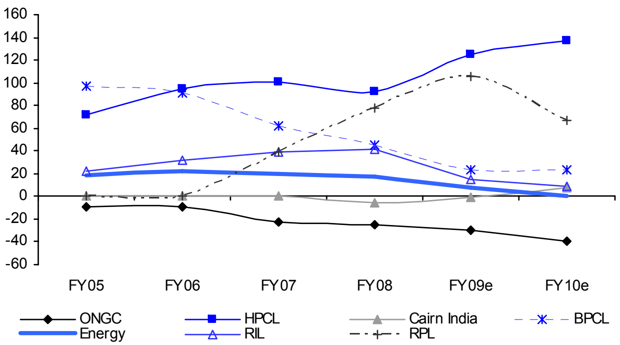
Gearing

- Energy sector in India overall has low net debt/equity at ~17% for FY08 which is expected to slip even further in FY10e.
- However, amongst stocks, **HPCL** and **RPL** have higher leverage. HPCL's net debt/equity is expected to remain in excess of 100%, but a good part of it is neutralized through the oil bonds.
- Upstream companies in general have a lower level of gearing, but this could come under stress in coming years as oil prices are expected to maintain a downwards bias. **ONGC** is in net cash while **Reliance Industries** has ~40% net debt/equity in FY08, but this should fall to ~10% by FY10e.
- Not surprisingly **HPCL** and **BPCL** reflect very high level of gross debt/EBITDA due in parts to lower profitability as well. For **HPCL** the ratio is expected to sustain above 10x. For **RIL** the ratio is at 2x while only **ONGC** has <1x coverage mainly due to lower debt levels.

Coverage

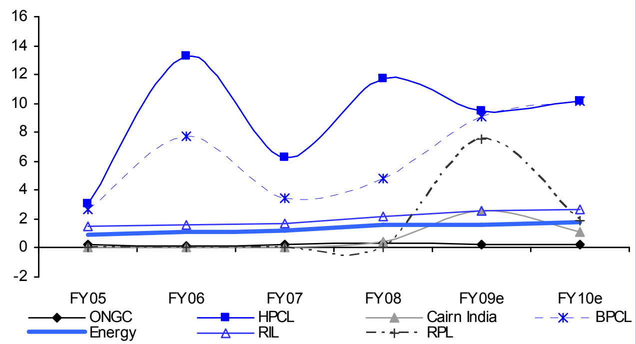
- Despite high net gearing and gross debt levels, the net interest coverage for OMCs stands at very comfortable level, due mainly to interest accrued on oil bonds. **ONGC** too has net interest income

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
BPCL	(33.8)	(18.1)	(30.2)	(8.2)	(30.0)	(27.9)
Cairn India				246.6	217.5	22.2
HPCL	(8.3)	(4.6)	(9.2)	(3.8)	79.0	15.2
ONGC	(15.6)	(11.9)	(7.8)	(9.1)	(12.6)	(10.8)
RIL	11.6	32.4	21.2	36.1	14.9	10.8
RPL					3.9	8.8
Energy	(44.2)	(19.6)	(15.5)	(14.9)	(36.9)	(95.8)

Strong   Moderate   Low   Net Interest Income

Source: Company data, DB estimates

Disclosure: Deutsche Bank AG and/or an affiliate(s) is acting as advisor and broker to ONGC videsh in relation to its proposed bid for Imperial Energy plc.

Deutsche Bank

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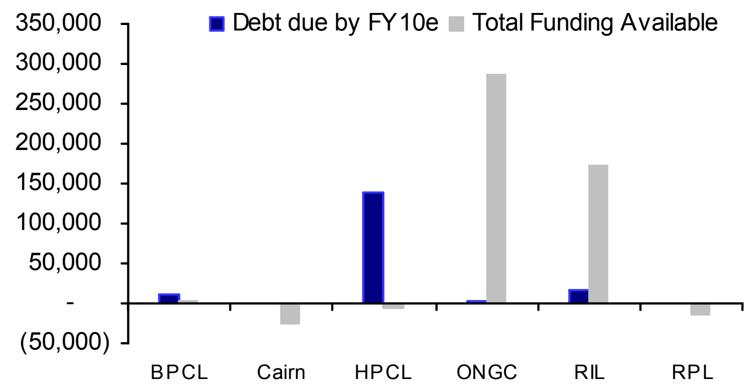
Energy : refinancing risk highest for HPCL

Refinancing

- **HPCL** faces significant refinancing risk with total funding available in negative
- **BPCL** too has refinancing needs till FY09e while funding is likely to fall short of the refinancing requirements.
- **RIL** and **ONGC's** available funding should comfortably cover the debt falling due in near term.

Refinancing requirements (reporting currency)

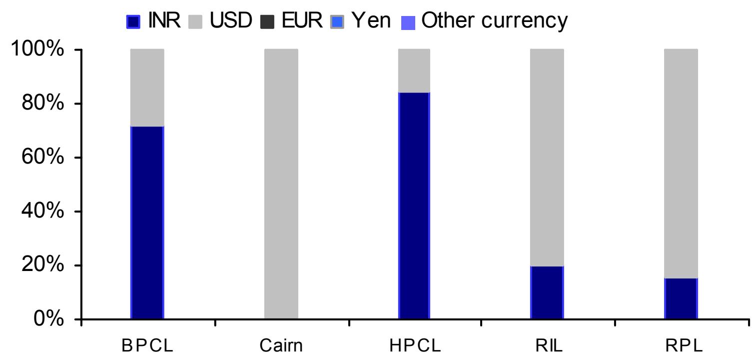


Source: Company data, DB estimates. Data for BPCL, HPCL and ONGC is available till FY09e only.

Currency

- **RIL**, **RPL** and **Cairn** have high % of US$ loans, while **HPCL** and **BPCL** have high % of INR loans.
- **ONGC's** debts are 68% in INR, details of other currency debt not available

Gross debt by currency (last reported number)



Source: Company data, DB estimates

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Healthcare

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Healthcare (A) : Wockhardt is at highest risk on all parameters

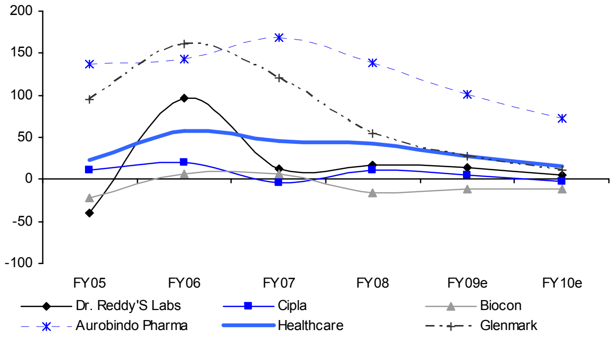
Gearing

- Healthcare is a high gearing sector relative to others. Moreover pharma stocks also have significant exposure to foreign debts and FCCBs, which pose a generic threat to the sector, given the currently low equity valuations.
- **Wockhardt** is one of the most risky stocks with highest net gearing of ~200% in FY08 and ~150% in FY09e. Moreover the company's FCCBs worth US$110mn pose refinancing risk as conversion seems highly unlikely. **Aurobindo Pharma** too has net gearing >100% and also a higher absolute level of gross debt at 4x-5x.
- **Sun Pharma** and **Biocon** boast of net cash while **DRL** and **Cipla** have low level of net debt/equity.

Coverage

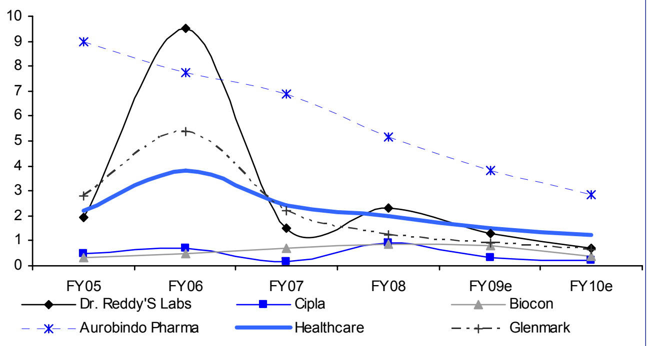
- High gearing notwithstanding, the interest coverage ratio remains comfortable for sector as a whole with **Wockhardt** likely to be under risk as earnings come under strain leading to further lower interest coverage. Note that part of this is due to zero coupon debts, which tend to lower the reported interest expense

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Aurobindo Pharma	2.3	2.6	6.7	8.1	12.3	16.2
Biocon	82.0	130.4	26.5	29.3	12.4	17.8
Cipla	55.3	59.5	99.0	54.8	50.2	79.0
Dr. Reddy'S Labs	13.5	5.1	10.9	8.8	10.1	16.6
Glenmark	9.1	9.3	11.1	12.7	19.5	22.9
Pharmaceuticals	16.1	10.4	13.1	12.3	12.1	14.2

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates

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Healthcare (B) : Wockhardt is at highest risk on all parameters

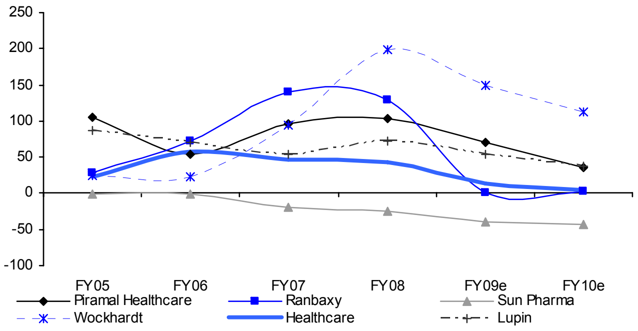
Gearing

- Healthcare is a high gearing sector relative to others. Moreover pharma stocks also have significant exposure to foreign debts and FCCBs, which pose a generic threat to the sector, given the currently low equity valuations.
- **Wockhardt** is one of the most risky stocks with highest net gearing of ~200% in FY08 and ~150% in FY09e. Moreover the company's FCCBs worth US$110mn pose refinancing risk as conversion seems highly unlikely. **Aurobindo Pharma** too has net gearing >100% and also a higher absolute level of gross debt at 4x-5x.
- **Sun Pharma** and **Biocon** boast of net cash while **DRL** and **Cipla** have low level of net debt/equity.

Coverage

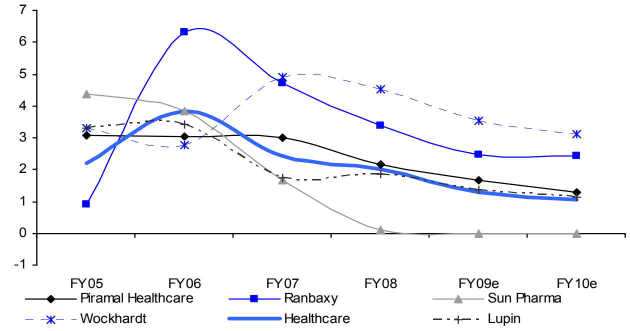
- High gearing notwithstanding, the interest coverage ratio remains comfortable for sector as a whole with **Wockhardt** likely to be under risk as earnings come under strain leading to further lower interest coverage. Note that part of this is due to zero coupon debts, which tend to lower the reported interest expense

Net debt / equity (%)



Source: Company data, DB estimates; Note that Ranbaxy's numbers would show remarkable improvement post cash infusion by Daiichi Sankyo, taking net debt/equity to ~1%

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Lupin	4.9	8.6	13.2	17.2	17.7	22.3
Piramal Healthcare	10.2	12.1	12.0	11.8	14.4	22.3
Ranbaxy	28.6	4.7	8.1	8.6	5.2	4.8
Sun Pharma						
Wockhardt	13.5	12.6	9.8	3.9	3.2	3.5
Pharmaceuticals	16.1	10.4	13.1	12.3	12.1	14.2

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates

Deutsche Bank

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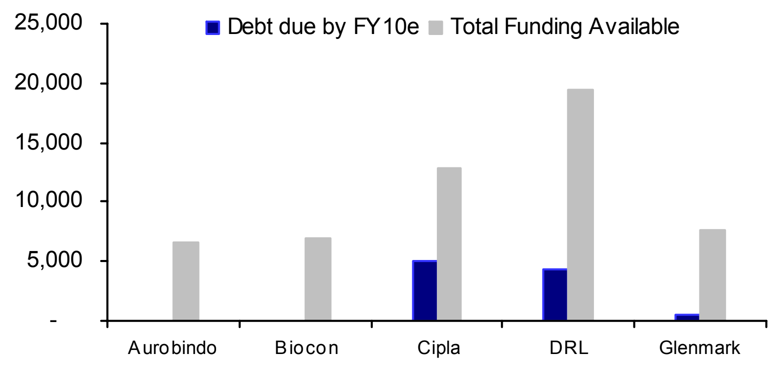
Healthcare (A) : refinancing requirements in many stocks

Refinancing

- Wockhardt has the highest refinancing risk with total funding available just managing to cover the debts due in near term
- DRL and Cipla have meaningful refinancing in near term, but should be able to adequately cover it with total funding available.
- Glenmark and Sun Pharma too have some debts falling due by FY10e

Refinancing requirements (reporting currency)

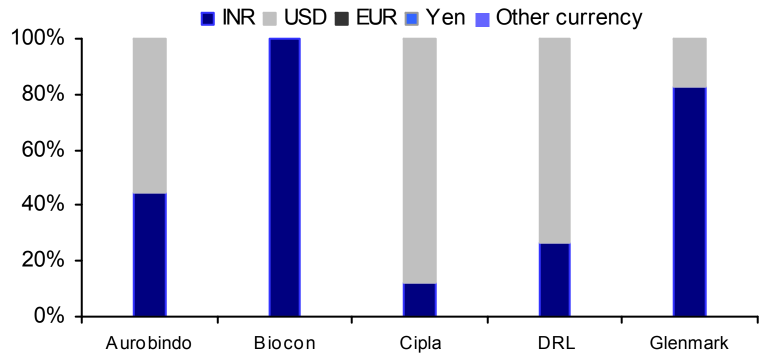


Source: Company data, DB estimates

Currency

- Most of the foreign currency loans are in US$, some could have exposure to EUR as well
- Cipla has highest relative exposure to US$ debts at 88% followed by DRL at 73%
- Wockhardt's foreign debt exposure is highest at 92% of which 69% is accounted by US$ and 23% by EUR

Gross debt by currency (DB estimates)



Source: Company data, DB estimates

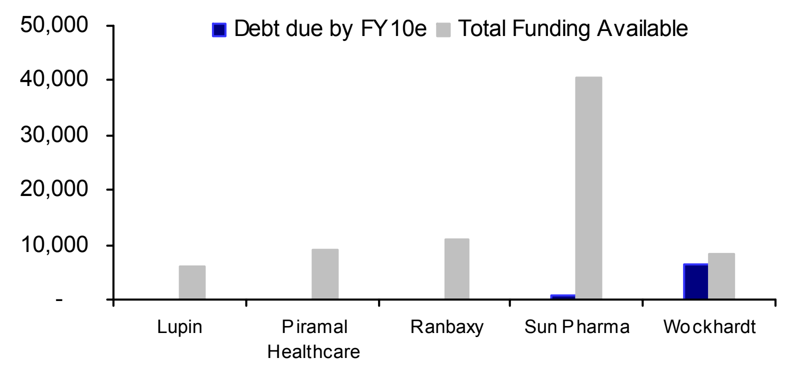
Abhay Laijawala, Abhishek Saraf (91) 22 6658 4205/4221 (abhay.laijawala@db.com, abhishek.saraf@db.com)

Healthcare (B) : refinancing requirements in many stocks

Refinancing

- **Wockhardt** has the highest refinancing risk with total funding available just managing to cover the debts due in near term
- **DRL** and **Cipla** have meaningful refinancing in near term, but should be able to adequately cover it with total funding available.
- **Glenmark** and **Sun Pharma** too have some debts falling due by FY10e

Refinancing requirements (reporting currency)

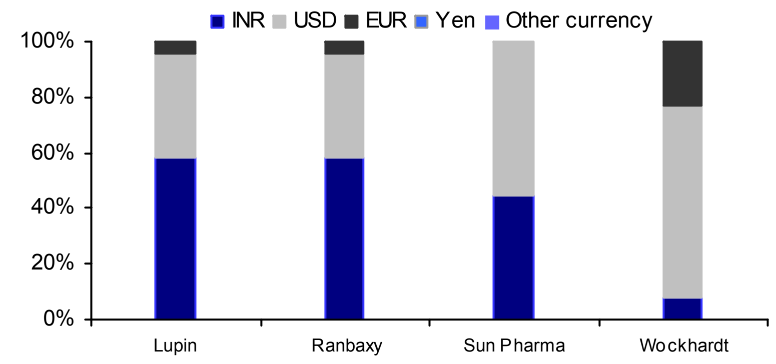


Source: Company data, DB estimates

Currency

- Most of the foreign currency loans are in US$, some could have exposure to EUR as well
- Cipla has highest relative exposure to US$ debts at 88% followed by DRL at 73%
- **Wockhardt's** foreign debt exposure is highest at 92% of which 69% is accounted by US$ and 23% by EUR

Gross debt by currency **(DB estimates)**



Source: Company data, DB estimates

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Industrials

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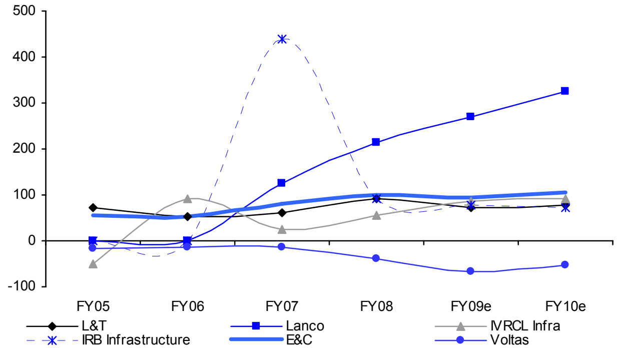
Engineering & Construction: one of the highly levered sectors

Gearing

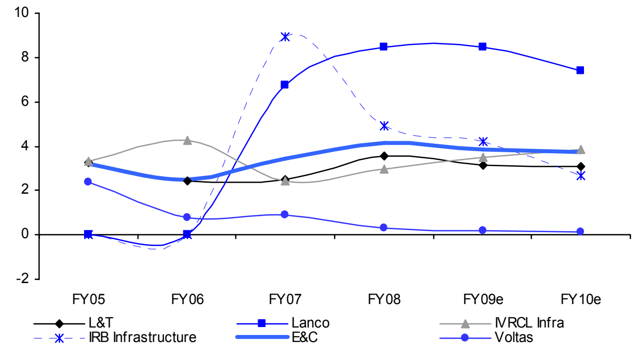
- E&C is one of the most levered sub-sectors within Industrials. All the stocks barring **Voltas** have high net debt/equity. Voltas is the only net cash company in this pack.
- **Lanco** has the highest net gearing at >200%, while gross debt stands at ~8x of EBITDA. Sector heavy weight **L&T** also has significant debt with 92% net gearing in FY08 and gross debt >3x of EBITDA.
- **IRB** also has gearing on the higher side while for **Voltas** gross debt coverage is <1x of EBITDA.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage

- Again, despite higher leverage and gross absolute debt, the sector still boasts of comfortable net interest coverage- driven likely by the lower interest cost on the debts contracted. **Voltas**, and **L&T** have high coverage while **Lanco** poses some concerns.

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
IRB Infrastructure			2.0	2.1	3.5	3.7
IVRCL Infra	3.5	6.3	7.5	7.6	3.4	2.5
Lanco			5.1	8.3	4.5	3.6
L&T	10.4	11.1	47.8	38.5	17.4	8.7
Voltas	12.0	17.3	13.0	28.2	31.7	24.7
Construction & Engineering	9.3	10.6	11.4	12.1	8.7	5.8

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates

Deutsche Bank

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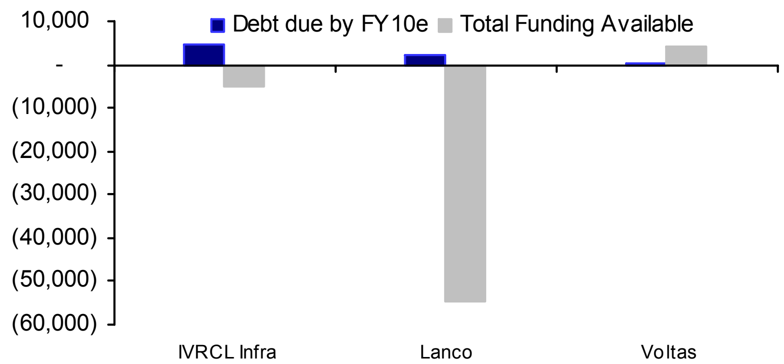
Engineering & Construction: IVRCL, Lanco face negative cash flows

Refinancing

- **Lanco**, **IVRCL** face refinancing risk compounded by likely negative cash flows
- **Voltas** has low refinancing which should be adequately covered by total funding

Refinancing requirements (reporting currency)

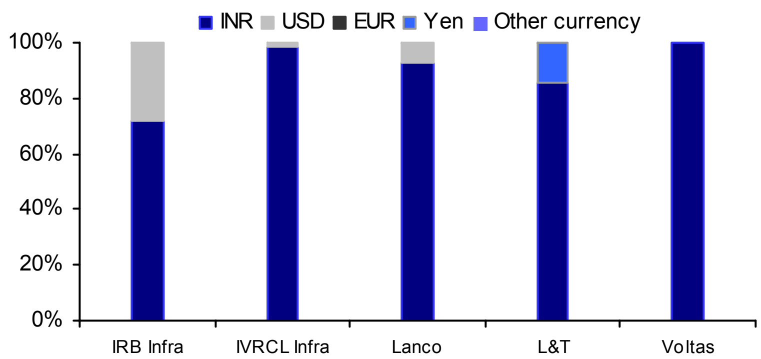


Source: Company data, DB estimates

Currency

- Most of the debt exposure is in INR with significant foreign debts being in **IRB** at 28% in US$.**Larsen and Toubro** has 14% of debts in JPY
- **Lanco** and **IVRCL** have less than 10% debts denominated in US$

Gross debt by currency (last reported number)



Source: Company data, DB estimates

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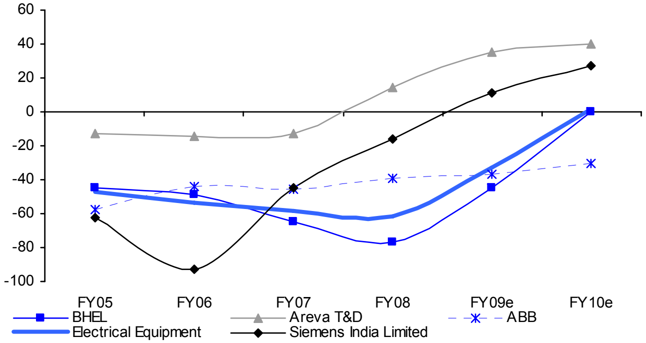
Electrical Equipment: sector leaders in net cash

Gearing

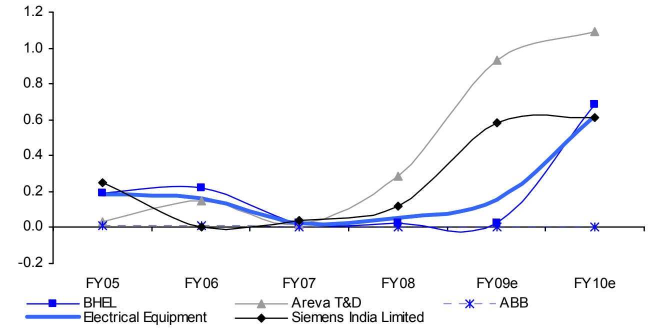
- Electrical equipment segment provides the counterweight to an otherwise highly geared Industrials sector.
- **BHEL** and **ABB India** are net cash companies while **Siemens India** will likely move from net cash to net debt in FY09e. **Areva T&D** has the highest net gearing but gross debt is still close to 1x EBITDA.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage

- With low gearing expectedly net interest cover is very strong with both **BHEL** and **Siemens** earning net interest income. The sub sector as a whole also boasts of net interest income.

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
ABB	157.9	47.9	657.3	106.4	55.4	101.3
Areva T&D	75.6	532.7	47.6	42.1	15.6	8.5
BHEL	21.2	(25.2)	(13.0)	(6.2)	(7.4)	(18.2)
Siemens India Limited	(14.6)	(15.8)	(14.0)	(21.3)	(21.9)	(29.1)
Electrical Equipment	41.8	(26.6)	(15.5)	(9.0)	(10.9)	(29.5)

Strong | Moderate | Low | Net Interest Income

Source: Company data, DB estimates

Deutsche Bank

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Electrical Equipment: Areva's negative cash flow is a concern

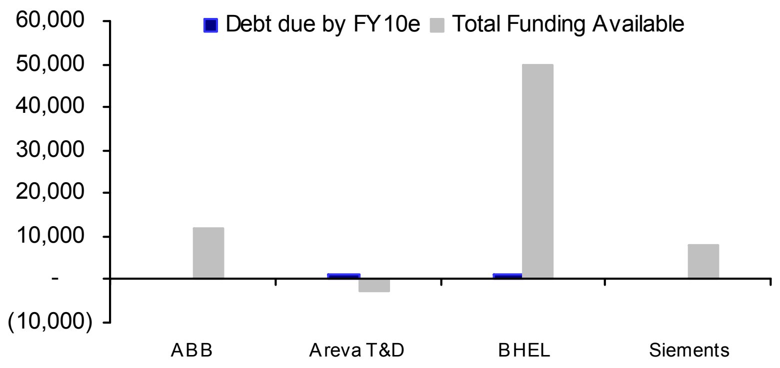
Refinancing

- Refinancing is not a concern with most of electrical equipment companies except **Areva T&D**
- **Areva's** refinancing needs are low, but negative cash flows are could be a concern

Currency

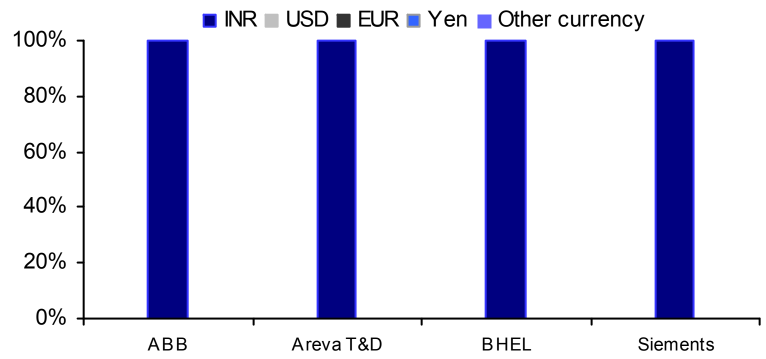
- All the debts in INR

Refinancing requirements (reporting currency)



Source: Company data, DB estimates

Gross debt by currency (last reported number)



Source: Company data, DB estimates

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Machinery : bumps ahead for Tata Motors

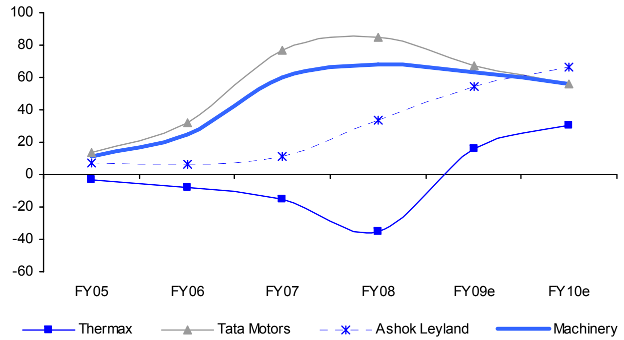
Gearing

- Machinery sub-segment of the Industrials sector also has high net debt/equity mainly driven by Tata Motors with net gearing of 85% in FY08. This will likely move down to 67% and 56% in FY09/10.
- Gross debt/EBITDA is likely to move up for **Tata Motors** by FY09e, however the falling commodity prices could be beneficial for operating cash flows.
- **Ashok Leyland** currently has moderate gearing at ~34% but this is expected to move upto 54% and 67% by FY09/10e. The company will most likely have to redeem the FCCBs of US$100mn in Apr-09.

Coverage

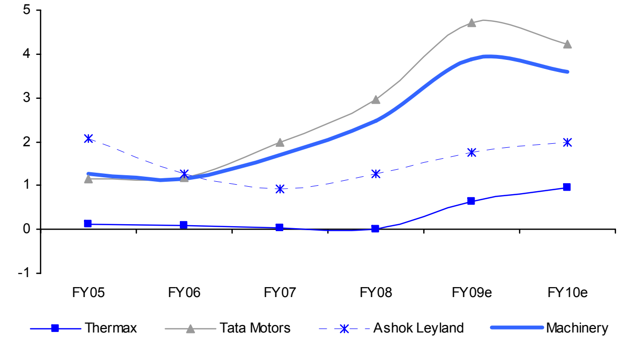
- **Tata Motors'** higher leverage and interest coverage skewed by the presence of vehicle financing business in the consolidated balance sheer
- **Tata Motors** has a low cushion for net interest expense leading the overall interest coverage down. **Thermax** has highest comfort in terms of debt and interest coverage.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Ashok Leyland	151.5	32.8	129.4	13.1	10.8	8.9
Tata Motors	13.8	11.6	9.1	5.3	3.2	3.1
Thermax	108.0	109.8	195.6	258.6	26.8	11.4
Machinery	16.5	13.5	11.3	6.3	4.0	3.7

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates

Deutsche Bank

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Machinery : Tata Motors faces high refinancing pressures

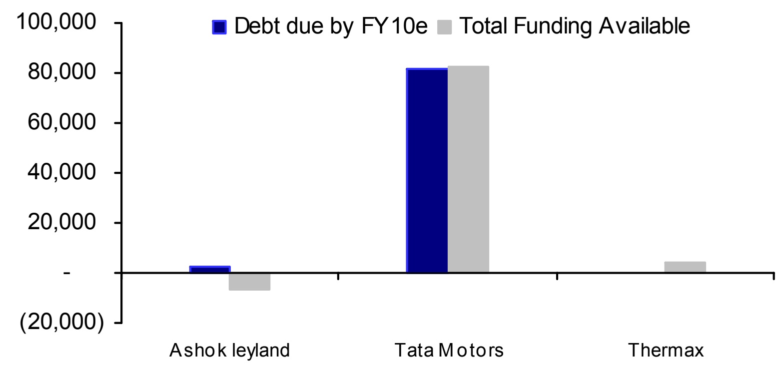
Refinancing

- **Tata Motors** faces significant refinancing risk. Total funding available just covers the debt due by FY10e.
- Further more, **Tata Motors** has taken a debt of US$ 3bn to fund it JLR acquisition. This debt is redeemable in June 09. Approx US$ 1bn has been financed through the recent rights issue. We have assumed that c$1bn debt will be rolled over and hence company will need to raise $1bn more to pay back the loan.
- **Ashok Leyland** too has some refinancing in near term, but could be stretched due to negative funding available

Currency

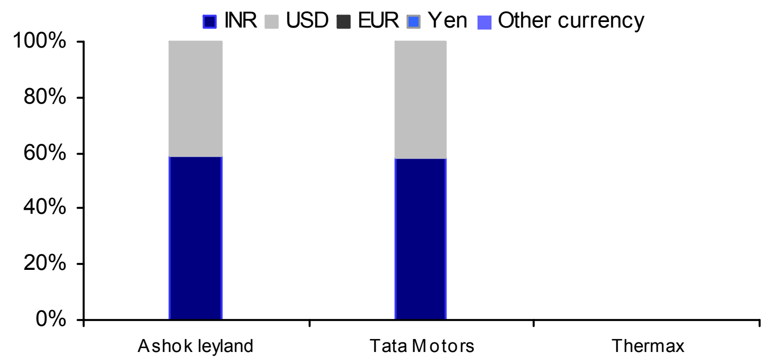
- **Thermax** is a debt free company
- For both **Tata Motors** and **Ashok Leyland** ~40% of debt in in US$ and the rest in INR

Refinancing requirements (reporting currency)



Source: Company data, DB estimates

Gross debt by currency (last reported number)



Source: Company data, DB estimates

Deutsche Bank

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Information Technology

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Information Technology (A) : net cash position

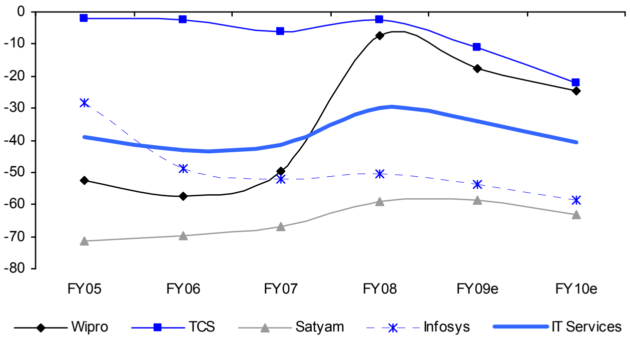
Gearing

- Debt is not a meaningful concern with IT companies as all the companies under our coverage are in net cash.
- Even on an absolute basis, amongst the big players only **Wipro** has meaningful debt on its books at ~1x EBITDA while **Infosys**, **HCL** and **Patni** are debt free companies. Gross debt on **TCS** and **Satyam** are less than 20% of the EBITDA, hence do not pose any refinancing threat to the companies. **Satyam** however needs to repay US$8mn worth of ECB in FY09, which it should easily be able to repay in our view.

Coverage

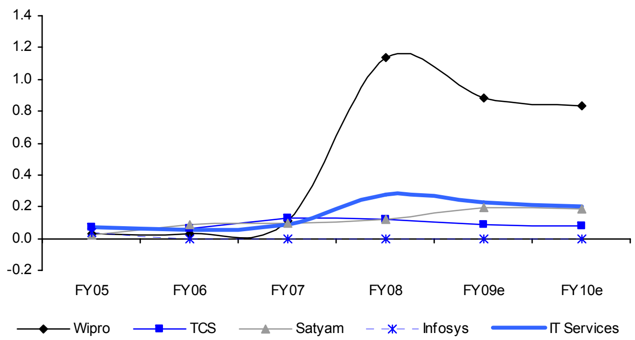
- With low debt levels and consequently low interest obligations the net interest coverage for all the stocks is extremely comfortable. **Infosys, HCL Tech, TCS** and **Patni** indeed have net interest income

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Infosys	(30.9)	(22.5)	(22.8)	(7.8)	(9.2)	(8.1)
Satyam	952.1	210.1	96.6	91.2	55.7	49.0
TCS	6,749.9	(162.9)	715.9	(49.4)	(69.3)	(33.0)
Wipro	365.5	726.0	274.3	23.3	24.2	44.8
Software & Services	(136.3)	(79.4)	(87.5)	(31.5)	(37.8)	(25.4)

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates

Deutsche Bank

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Information Technology (B) : net cash position

Gearing

- Debt is not a meaningful concern with IT companies as all the companies under our coverage are in net cash.
- Even on an absolute basis, amongst the big players only **Wipro** has meaningful debt on its books at ~1x EBITDA while **Infosys**, **HCL** and **Patni** are debt free companies. Gross debt on **TCS** and **Satyam** are less than 20% of the EBITDA, hence do not pose any refinancing threat to the companies. **Satyam** however needs to repay US$8mn worth of ECB in FY09, which it should easily be able to repay in our view.

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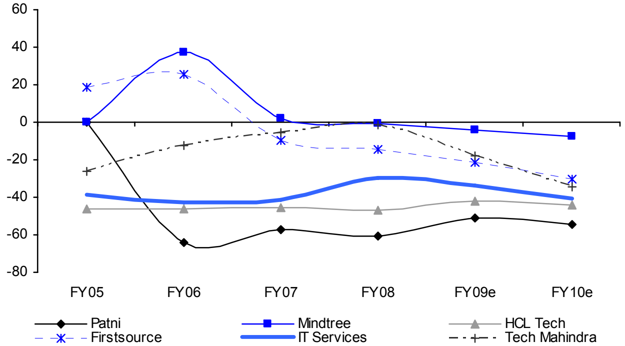
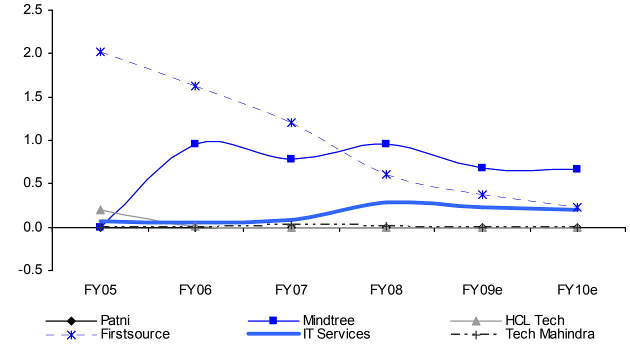


Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Firstsource	17.7	8.9	21.2	16.0	28.4	55.4
HCL Tech						
Mindtree		14.7	36.6	20.9	24.5	30.5
Patni		(21.7)	(9.2)	(7.0)	(5.3)	(6.4)
Tech Mahindra			120.8	133.2	288.3	702.0
Software & Services	(136.3)	(79.4)	(87.5)	(31.5)	(37.8)	(25.4)

Strong | Moderate | Low | Net Interest Income

Source: Company data, DB estimates

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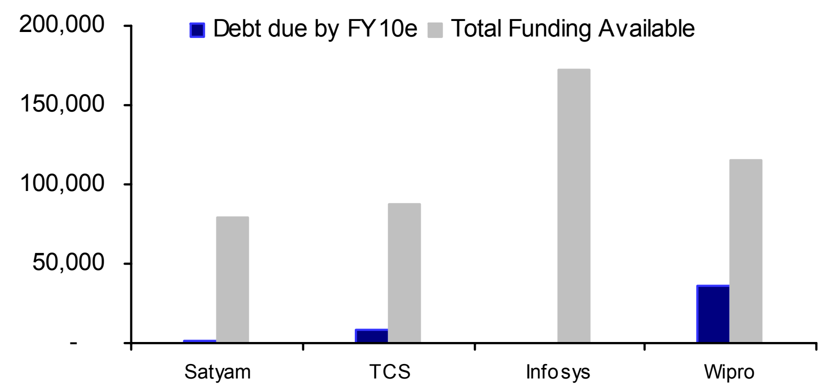
Information Technology (A) : we see no refinancing risk

Refinancing

- Only **Wipro**, **TCS** and **Satyam** have some refinancing requirements in near term, but these are not concerning due to high funding available
- None of the other stocks face refinancing in near term, while Infosys, **Patni** and **HCL tech** are debt free

Refinancing requirements (reporting currency)

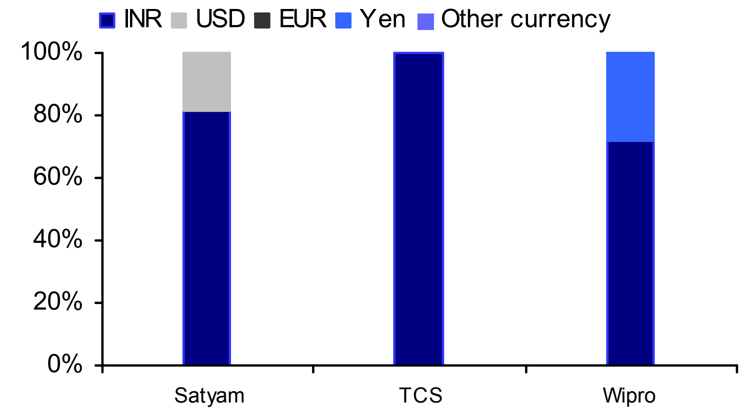


Source: Company data, DB estimates

Currency

- Only **Firstsource** has significant exposure to foreign debt (89% US% debts)
- Wipro and **Satyam** are other stocks with foreign debt with 28% of debt in JPY for **Wipro** and 19% of debts in US$ for **Satyam**

Gross debt by currency (last reported number)



Source: Company data, DB estimates

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Refinancing

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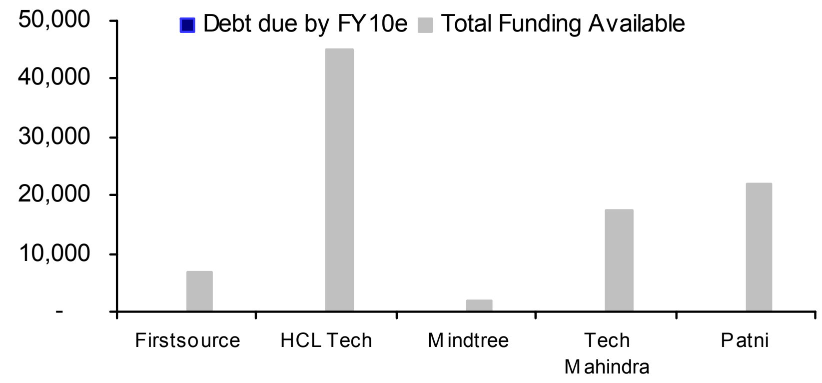
Refinancing requirements (reporting currency)



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Currency

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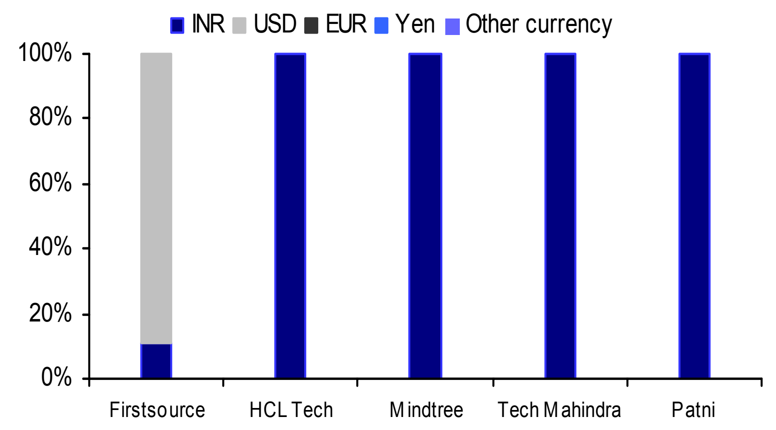

Source: Company data, DB estimates

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Materials

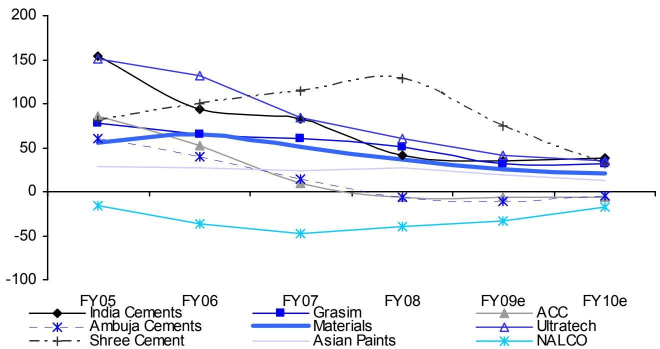
Abhay Laijawala, Abhishek Saraf (91) 22 6658 4205/4221 (abhay.laijawala@db.com, abhishek.saraf@db.com)

Materials: Ambuja and ACC have net cash

Gearing

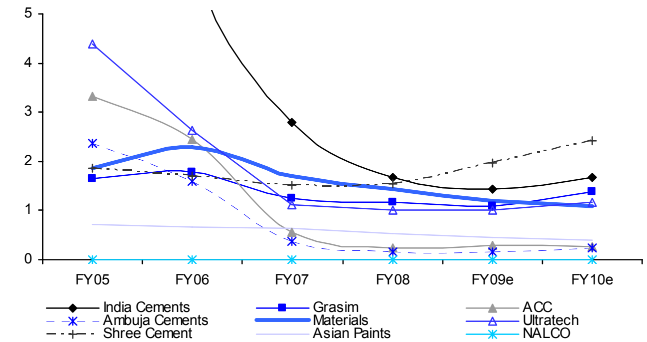
- Net debt/equity is at 33%, and expected to move to 21% in FY09/10e.
- **Ambuja cements** and **ACC** are in net cash. Grasim net gearing is likely to move lower in FY09/10e. **Shree Cements** had net gearing ~128% in FY08.
- Amongst metals **Nalco**, is a debt free company, thus is insulated from refinancing and liquidity risk.
- On an absolute level, gross debt/EBITDA remains within 0.5x for **ACC**, **Ambuja cements** and **Asian Paints**.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage

- Interest coverage is strong to moderate across the stocks in FY08 and likely to sustain in FY09/10e.

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Ambuja Cements	6.8	8.4	28.5	26.8	66.4	49.5
Asian Paints	34.5	40.5	27.4	31.0	34.7	42.0
ACC	6.9	9.1	31.2	80.1	(45.9)	(35.9)
Grasim	8.7	9.5	17.0	21.5	19.4	15.4
India Cements	1.0	1.7	4.9	9.8	8.7	6.7
NALCO	35.6			1,470.1		
Shree Cement	8.4	17.1	59.0	17.3	10.2	7.3
Ultratech	3.3	6.2	16.3	22.7	15.8	15.9
Materials	18.7	18.4	186.6	23.3	34.5	86.5

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates

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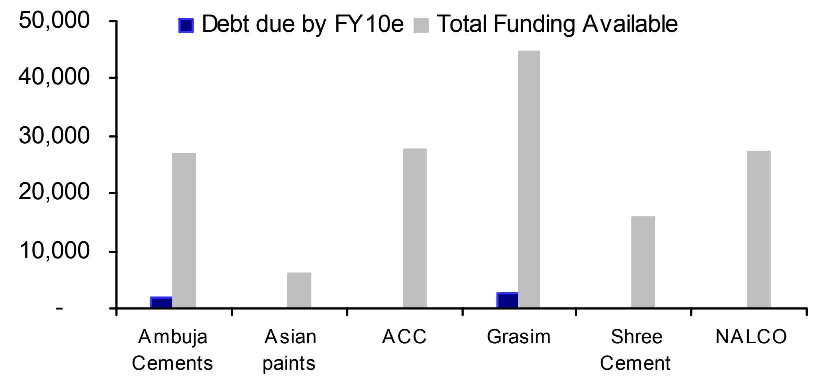
Materials: cement stocks have some refinancing requirements

Refinancing

- Refinancing is not a significant concern in near term. We expect only **Ambuja** and **Grasim** to face refinancing, but these should be easily covered by available funding

Refinancing requirements (reporting currency)

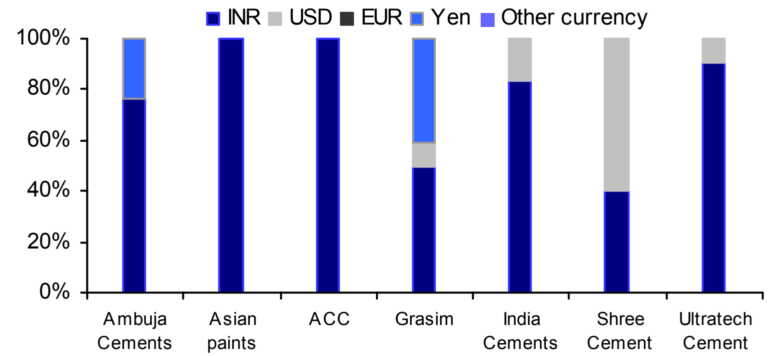


Source: Company data, DB estimates

Currency

- **Grasim** and **Ambuja** have significant debts in JPY at 41% and 24% respectively
- **Shree Cements** has 60% debts denominated in US$

Gross debt by currency (last reported number)



Source: Company data, DB estimates

Deutsche Bank

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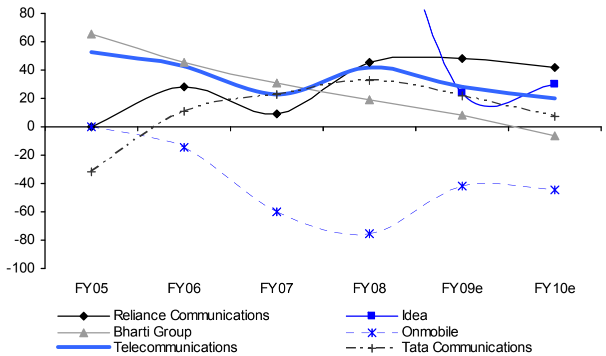
Telecommunication Services

Telecommunication : RCOM has high gearing levels

Gearing

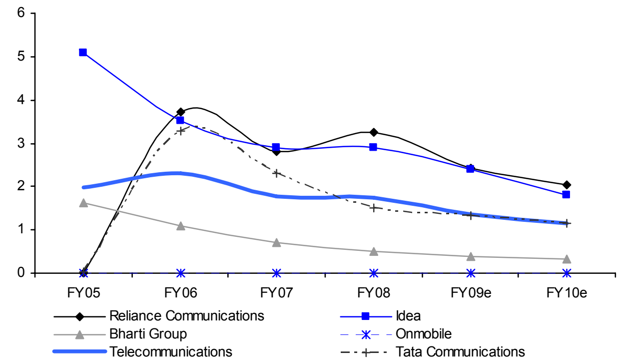
- **Idea Cellular's** net debt/equity will shift below from 170% (FY08) to just 23% (FY09e) due to equity infusion of TMI.
- We expect **Reliance Communications** to maintain ~40-45% level while **Bharti's** net debt is expected to gradually fall to net cash in FY10e.
- **Reliance Communications** has the highest gross debt/EBITDA level followed closely by **Idea Cellular**.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage

- Net interest coverage again remains comfortable

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
Onmobile			3,795.5	63.2	98.3	142.4
Bharti Group	9.7	14.7	19.4	26.3	33.1	43.8
Idea	2.6	3.3	4.4	4.9	5.7	6.7
Reliance Communications		8.7	8,617.7	(19.9)	42.0	114.6
Tata Communications	597.7	15.7	7.3	11.5	13.4	15.6
Telecommunication Services	7.2	9.1	18.1	36.8	21.4	27.8

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates

Deutsche Bank

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Telecommunication : TCOM‘s refinancing not adequately covered

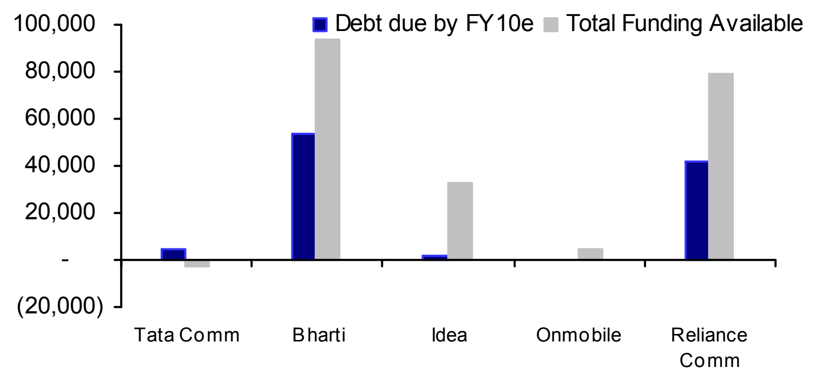
Refinancing

- **Idea** has a negative FCF. However if we include the recently concluded equity issuance to TMI, the company's funding available increases to INR33bn in comparison to debt repayable at INR 1.5bn. We believe that Idea is comfortably placed now.

Currency

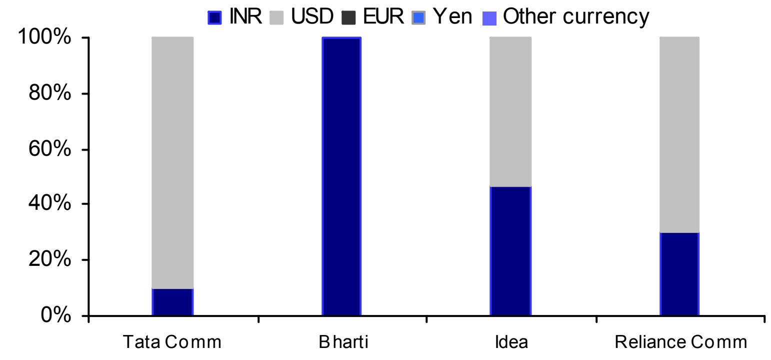
- **Tata Communications** debt is mainly denominated in USD$. However, almost half its business is earning $ revenues which acts as a natural hedge.
- **RCOM** has 70% debts in US$ while Ideas has 53% in US$

Refinancing requirements (reporting currency)



Source: Company data, DB estimates. Data for Tata Communications, Bharti and Reliance Communications are till FY09e only. Idea's funding numbers above include INR 73bn raised from equity issue during FY09e.

Gross debt by currency (last reported number)



Source: Company data, DB estimates

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Utilities

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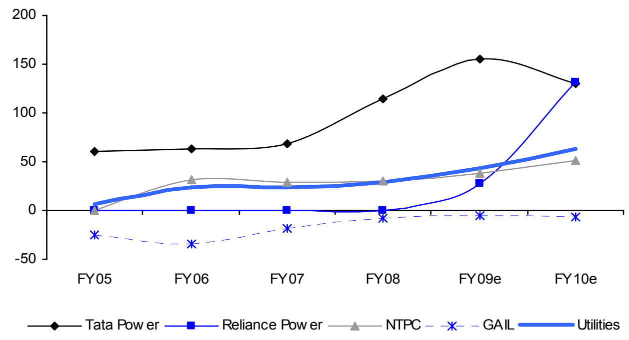
Utilities : low but rising gearing levels; Tata Power most geared

Gearing

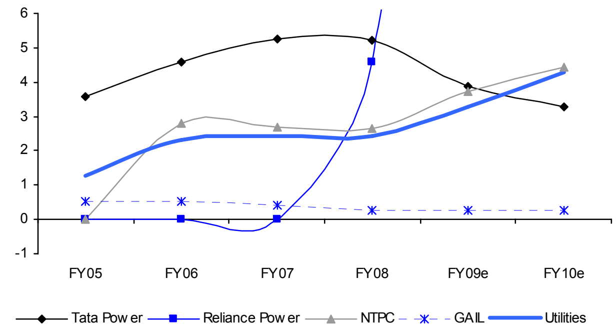
- Utilities has a lower overall net gearing for FY08 but this is likely to shift up to 63% by FY10e. **Tata Power** is the most geared company with gross debt at ~5x of EBITDA for FY08.
- The gas utility PSU **GAIL** has net cash and a <1x gross debt/EBITDA level. The other PSU, **NTPC** has a moderate net gearing of ~30%, but this is expected to move up to 51% by FY10e.

Net debt / equity (%)



Source: Company data, DB estimates

Gross debt / EBITDA (X)



Source: Company data, DB estimates

Coverage

- Net interest coverage is mixed in this sector with **Tata Power** having the lowest coverage ratios. **GAIL**, however is a net interest income earning company.

Coverage (EBITDA / net interest expense)

Company	FY05	FY06	FY07	FY08	FY09e	FY10e
GAIL	(16.8)	(10.6)	(6.8)	(12.8)	(18.0)	(20.0)
NTPC		15.0	9.9	10.3	8.1	6.8
Reliance Power			1.7	17.0	30.1	6.6
Tata Power	9.7	14.8	9.9	5.4	4.1	5.1
Utilities	(48.8)	46.6	20.3	15.0	9.1	8.1

Strong Moderate Low Net Interest Income

Source: Company data, DB estimates

Deutsche Bank

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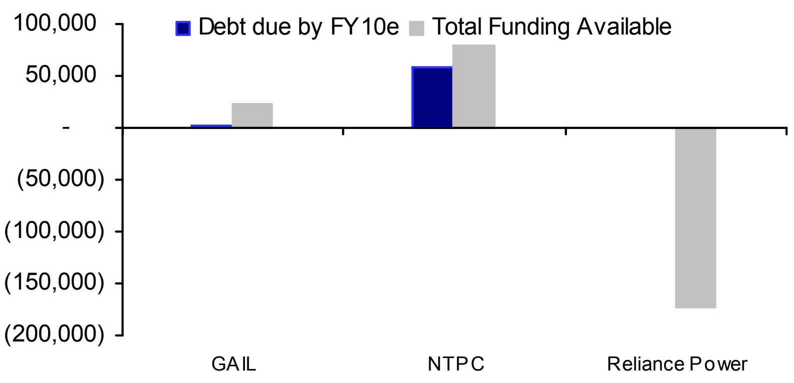
Utilities : NTPC faces highest redemption pressure

Refinancing

- **NTPC** has some refinancing requirements in near term with funds a bit stretched to cover the same

Refinancing requirements (reporting currency)

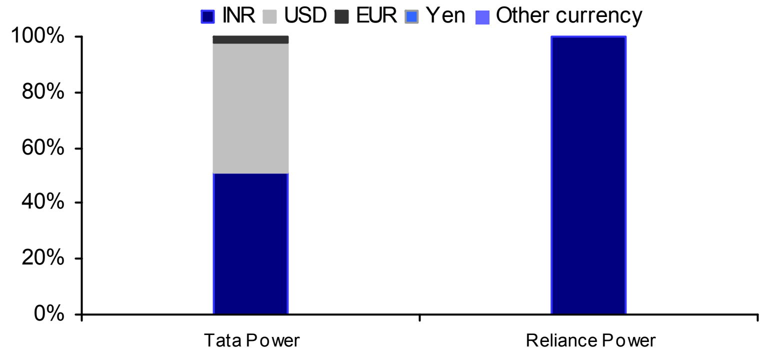


Source: Company data, DB estimates

Currency

- **Tata Power** has 47% debt denominated in US$

Gross debt by currency (last reported number)



Source: Company data, DB estimates

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Appendices

A quick note on definitions

- Net debt / equity is defined as net debt divided by (shareholders equity + minority interest)
  - There are limitations to the analysis as we are only looking at consolidated numbers (there could be issues at JCs/associates that we are not aware of)

- Net interest expense is taken from the P&L and hence does not capture capitalised interest EXCEPT in the case of the property sector where we have included capitalised interest because of its significance

For simplicity we have categorised EBITDA / net interest coverage as follows

  - >10x = strong
  - Less then 10X but greater than 5X = moderate
  - Below 5X = low
  - Note that India boasts of very high net interest coverage ratio, hence we have kept the classification bands at elevated levels to reflect better country specific categorisation. The classification is essentially subjective in nature
  - We admit that this categorisation has limitations given different companies/sectors have different cashflow profiles and face different risks

- To show refinancing risk, we have used debt due by Mar-2010, since most of the companies are March year end companies. “Debt due by FY10e” is from reported financial statements or our analysts’ discussion with the management, although in some cases we have had to make an estimate for 2009 payments

- “Funding Available” = cash and liquid investment + cashflow over the period (where cashflow is before change in debt)
  - We note that another memo component of funding available is the “committed but undrawn facilities”. However, very few Indian companies report this number, hence there is quite likely a risk that we may have understated the available funding figure for companies, and hence this presents a more conservative view of the corporate finances.
- Note that the classification of companies is based on GICS sector classification. Further, individual GICS sectors are broken down at sub-group or industry level too

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Rankings – funds available/debt due (based on FY08-10E data)

Company Name	Funds Available / Debt Due
Cairn	(122.5)
Lanco	(23.8)
Ashok leyland	(2.8)
Areva T&D	(2.5)
IVRCL Infra	(1.1)
Sobha	(0.8)
Tata Comm	(0.7)
HPCL	(0.0)
BPCL	0.3
Ultratech Cement	0.3
Purvankara	0.7
Bajaj Hindustan	0.8
Tata Motors	1.0
Balarampur Chini	1.2
Shree Renuka Sugars	1.2
Wockhardt	1.3
NTPC	1.4
DLF	1.6
M&M	1.7
Bharti	1.7
Reliance Comm	1.9
Cipla	2.5
Triveni Engineering	2.6
Wipro	3.1
DRL	4.5

Company Name	Funds Available / Debt Due
RIL	10.3
TCS	11.1
Glenmark	12.5
GAIL	12.6
Ambuja Cements	14.6
Tata Power	15.1
Grasim	17.8
Idea	21.6
Voltas	31.0
Satyam	45.4
Sun Pharma	51.0
BHEL	52.1
ONGC	96.2
Shree Cement	200.9
ACC	459.4
ABB	803.5
Siements	1,985.5
Asian paints	NA
Aurobindo	NA
Bajaj Auto	NA
Biocon	NA
Dabur	NA
Firstsource	NA
HCL Tech	NA
Hero Honda	NA

Company Name	Funds Available / Debt Due
HTML	NA
HUL	NA
Infosys	NA
ITC	NA
L&T	NA
Lupin	NA
Marico	NA
Maruti Suzuki	NA
Mindtree	NA
NALCO	NA
Nestle	NA
Onmobile	NA
Pantaloons	NA
Patni	NA
Piramal Healthcare	NA
Ranbaxy	NA
Reliance Power	NA
RPL	NA
SUN TV	NA
Tech Mahindra	NA
Thermax	NA
Titan	NA
TV 18	NA
United Spirits	NA
Zee	NA

Source: Company data, DB estimates

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Rankings – net debt/equity (based on FY09E data)

Company Name	Net Debt/ Equity
LANCO	269%
BALRAMPUR CHINI	266%
SOBHA DEVELOPERS	214%
BAJAJ HINDUSTHAN	185%
UNITECH	163%
TATA POWER	156%
WOCKHARDT	149%
HPCL	125%
RELIANCE PETROLEUM LTD	106%
AUROBINDO PHARMACEUTICALS	101%
PURAVANKARA PROJECTS	94%
IVRCL INFRA	87%
IRB INFRASTRUCTURE DEVELOPERS	78%
PANTALOON RETAIL INDIA LTD	75%
SHREE CEMENT	75%
LARSEN & TOUBRO LIMITED	73%
Piramal Healthcare	71%
TATA ENGINEERING & LOCOMOTIVE	67%
MAHINDRA & MAHINDRA LIMITED	58%
ASHOK LEYLAND LTD	54%
LUPIN	54%
UNITED SPIRITS LIMITED	53%
DLF	51%
RELIANCE COMMUNICATIONS	48%
TRIVENI ENGINEERING	47%
TITAN INDUSTRIES LTD	46%
ULTRATECH CEMENT	41%
INDIAN OIL CORPORATION LTD	40%
NTPC LIMITED	38%
AREVA T&D	35%
INDIA CEMENTS	35%
GRASIM INDUSTRIES LIMITED	32%
SHREE RENUKA SUGARS LTD.	30%

Company Name	Net Debt/ Equity
RELIANCE POWER LIMITED	28%
GLENMARK PHARMA	28%
BPCL	24%
IDEA CELLULAR LIMITED	23%
TATA COMMUNICATIONS	21%
MARICO LIMITED	20%
ASIAN PAINTS LTD	19%
THERMAX	16%
RELIANCE INDUSTRIES	15%
DR. REDDY'S LABS	15%
Siemens India Limited	11%
BHARTI GROUP	8%
CIPLA	5%
RANBAXY LABORATORIES	1%
CAIRN INDIA	0%
ZEE ENTERTAINMENT ENTERPRISE	-2%
ITC LTD	-4%
MINDTREE LTD.	-4%
ASSOCIATED CEMENT COS LTD	-6%
GAIL	-6%
TELEVISION EIGHTEEN	-10%
AMBUJA CEMENTS LTD	-10%
TATA CONSULTANCY SVS LTD	-11%
BIOCON	-12%
INDIABULLS REAL ESTATE	-14%
DABUR INDIA LIMITED	-14%
NESTLE INDIA LIMITED	-15%
WIPRO LTD	-18%
TECH MAHINDRA LIMITED	-18%
HT MEDIA LTD	-19%
FIRSTSOURCE SOLUTIONS LTD	-21%
BAJAJ AUTO LIMITED	-22%
HUL	-23%

Company Name	Net Debt/ Equity
ONGC	-30%
NALCO	-33%
ABB LTD INDIA	-36%
SUN PHARMACEUTICALS INDUSTRIES	-39%
MARUTI SUZUKI LIMITED	-39%
ONMOBILE	-42%
HCL TECHNOLOGIES LTD	-42%
BHARAT HEAVY ELECTRICALS	-45%
PATNI	-51%
INFOSYS TECHNOLOGIES-DEMAT	-54%
SATYAM COMPUTER SERVICES	-59%
VOLTAS	-67%
SUN TV NETWORK LIMITED	-70%
HERO HONDA LIMITED	-82%
AXIS BANK	NA
BANK OF BARODA	NA
BANK OF INDIA	NA
CANARA BANK	NA
DCB	NA
EDELWEISS CAPITAL LTD	NA
HDFC BANK LIMITED	NA
HDFC LTD	NA
ICICI BANK LTD	NA
IDFC	NA
INDIA INFOLINE LTD	NA
KARNATAKA BANK LIMITED	NA
KOTAK MAHINDRA	NA
ORIENTAL BANK OF COMMERCE	NA
PUNJAB NATIONAL BANK	NA
RELIANCE CAPITAL	NA
STATE BANK OF INDIA	NA
UNION BANK OF INDIA	NA
YES BANK	NA

Source: Deutsche Bank estimates

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Rankings – EBITDA/net interest expense (based on FY09E data)

Company Name	EBITDA / Net Interest Exp
BALRAMPUR CHINI	0.6
SOBHA DEVELOPERS	3.0
WOCKHARDT	3.2
TATA ENGINEERING & LOCOMOTIVE	3.2
IVRCL INFRA	3.4
IRB INFRASTRUCTURE DEVELOPERS	3.5
BAJAJ HINDUSTHAN	3.6
TELEVISION EIGHTEEN	3.7
PANTALOON RETAIL INDIA LTD	3.9
RELIANCE PETROLEUM LTD	3.9
TATA POWER	4.1
LANCO	4.5
UNITED SPIRITS LIMITED	4.6
RANBAXY LABORATORIES	5.2
IDEA CELLULAR LIMITED	5.7
NTPC LIMITED	8.1
MARICO LIMITED	8.6
INDIA CEMENTS	8.7
TRIVENI ENGINEERING	9.7
DR. REDDY'S LABS	10.1
SHREE CEMENT	10.2
ASHOK LEYLAND LTD	10.8
TITAN INDUSTRIES LTD	11.5
UNITECH	11.6
AUROBINDO PHARMACEUTICALS	12.3
BIOCON	12.4
ZEE ENTERTAINMENT ENTERPRISE	13.3
TATA COMMUNICATIONS	13.4
INDIABULLS REAL ESTATE	13.7
Piramal Healthcare	14.4
RELIANCE INDUSTRIES	14.9
SHREE RENUKA SUGARS LTD.	15.0
AREVA T&D	15.6

Company Name	EBITDA / Net Interest Exp
ULTRATECH CEMENT	15.8
LARSEN & TOUBRO LIMITED	17.4
LUPIN	17.7
HT MEDIA LTD	18.7
GRASIM INDUSTRIES LIMITED	19.4
GLENMARK PHARMA	19.5
MAHINDRA & MAHINDRA LIMITED	19.7
WIPRO LTD	24.2
MINDTREE LTD.	24.5
THERMAX	26.8
FIRSTSOURCE SOLUTIONS LTD	28.4
DABUR INDIA LIMITED	29.8
RELIANCE POWER LIMITED	30.1
VOLTAS	31.7
BHARTI GROUP	33.1
DLF	33.4
PURAVANKARA PROJECTS	34.6
ASIAN PAINTS LTD	34.7
MARUTI SUZUKI LIMITED	38.6
RELIANCE COMMUNICATIONS	42.0
CIPLA	50.2
INDIAN OIL CORPORATION LTD	53.7
ABB LTD INDIA	55.4
SATYAM COMPUTER SERVICES	55.7
AMBUJA CEMENTS LTD	66.4
HPCL	79.0
ONMOBILE	98.3
BAJAJ AUTO LIMITED	211.3
CAIRN INDIA	217.5
TECH MAHINDRA LIMITED	288.3
HUL	432.4
HERO HONDA LIMITED	709.2
ITC LTD	780.8

Company Name	EBITDA / Net Interest Exp
NESTLE INDIA LIMITED	1005.5
PATNI	-5.3
BHARAT HEAVY ELECTRICALS	-7.4
INFOSYS TECHNOLOGIES-DEMAT	-9.2
ONGC	-12.6
GAIL	-18.0
Siemens India Limited	-21.9
BPCL	-30.0
ASSOCIATED CEMENT COS LTD	-45.9
TATA CONSULTANCY SVS LTD	-69.3
AXIS BANK	NA
BANK OF BARODA	NA
BANK OF INDIA	NA
CANARA BANK	NA
DCB	NA
EDELWEISS CAPITAL LTD	NA
HCL TECHNOLOGIES LTD	NA
HDFC BANK LIMITED	NA
HDFC LTD	NA
ICICI BANK LTD	NA
IDFC	NA
INDIA INFOLINE LTD	NA
KARNATAKA BANK LIMITED	NA
KOTAK MAHINDRA	NA
NALCO	NA
ORIENTAL BANK OF COMMERCE	NA
PUNJAB NATIONAL BANK	NA
RELIANCE CAPITAL	NA
STATE BANK OF INDIA	NA
SUN PHARMACEUTICALS INDUSTRIES	NA
SUN TV NETWORK LIMITED	NA
UNION BANK OF INDIA	NA
YES BANK	NA

Source: Deutsche Bank estimates

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Appendix – companies mentioned list

Company Name	R1 Ticker	Price	Reco
ABB LTD INDIA	ABB.BO	543	Buy
ASSOCIATED CEMENT COS LTD	ACC.BO	498	Hold
AMBUJA CEMENTS LTD	ABUJ.BO	62	Hold
ASHOK LEYLAND LTD	ASOK.BO	17	Buy
ASIAN PAINTS LTD	ASPN.BO	958	Buy
AUROBINDO PHARMACEUTICALS	ARBN.BO	135	Buy
AREVA T&D	AREV.BO	182	Sell
AXIS BANK	AXBK.BO	609	Buy
BHARTI GROUP	BRTI.BO	712	Hold
BHARAT HEAVY ELECTRICALS	BHEL.BO	1516	Hold
BIOCON	BION.BO	120	Hold
BAJAJ AUTO LIMITED	BAJA.NS	426	Buy
BAJAJ HINDUSTHAN	BJHN.BO	53	Hold
BANK OF BARODA	BOB.BO	298	Hold
BANK OF INDIA	BOI.BO	283	Buy
BPCL	BPCL.BO	320	Hold
BALRAMPUR CHINI	BACH.BO	46	Sell
CAIRN INDIA	CAIL.BO	159	Buy
CANARA BANK	CNBK.BO	199	Hold
CIPLA	CIPL.BO	199	Buy
DABUR INDIA LIMITED	DABU.BO	90	Hold
DCB	DCBA.BO	28	Sell
DLF	DLF.BO	299	Hold
DR. REDDY'S LABS	REDY.BO	415	Buy
EDELWEISS CAPITAL LTD	EDEL.BO	354	Hold
FIRSTSOURCE SOLUTIONS LTD	FISO.BO	19	Buy
GAIL	GAIL.BO	216	Hold
GLENMARK PHARMA	GLEN.BO	336	Buy
GRASIM INDUSTRIES LIMITED	GRAS.BO	1100	Buy
HCL TECHNOLOGIES LTD	HCLT.BO	170	Hold
HDFC LTD	HDFC.BO	1777	Buy
HDFC BANK LIMITED	HDBK.BO	1101	Buy
HERO HONDA LIMITED	HROH.BO	756	Hold
HPCL	HPCL.BO	214	Buy

Company Name	R1 Ticker	Price	Reco
HT MEDIA LTD	HTML.BO	69	Buy
HUL	HLL.BO	252	Hold
INDIABULLS REAL ESTATE	INRL.BO	154	Buy
INDIA CEMENTS	ICMN.BO	90	Hold
ICICI BANK LTD	ICBK.BO	472	Buy
IDEA CELLULAR LIMITED	IDEA.BO	52	Buy
IDFC	IDFC.BO	70	Buy
INDIA INFOLINE LTD	IIFL.BO	60	Hold
INFOSYS TECHNOLOGIES-DEMAT	INFY.BO	1339	Buy
INDIAN OIL CORPORATION LTD	IOC.BO	369	Hold
IRB INFRASTRUCTURE DEVELOPERS	IRBI.BO	84	Hold
ITC LTD	ITC.BO	172	Buy
IVRCL INFRA	IVRC.BO	152	Hold
KARNATAKA BANK LIMITED	KBNK.BO	96	Sell
KOTAK MAHINDRA	KTKM.BO	436	Hold
LANCO	LAIN.BO	183	Sell
LUPIN	LUPN.BO	690	Buy
LARSEN & TOUBRO LIMITED	LART.BO	923	Sell
MAHINDRA & MAHINDRA LIMITED	MAHM.BO	390	Buy
MARICO LIMITED	MRCO.BO	54	Buy
MARUTI SUZUKI LIMITED	MRTI.BO	595	Buy
MINDTREE LTD.	MINT.BO	255	Sell
NALCO	NALU.BO	185	Hold
NTPC LIMITED	NTPC.BO	163	Sell
NESTLE INDIA LIMITED	NEST.BO	1395	Buy
ORIENTAL BANK OF COMMERCE	ORBC.BO	154	Sell
ONGC	ONGC.BO	805	Buy
ONMOBILE	ONMO.BO	214	Buy
PATNI	PTNI.BO	139	Buy
PANTALOON RETAIL INDIA LTD	PART.BO	267	Buy
Piramal Healthcare	PIRA.BO	224	Buy
PUNJAB NATIONAL BANK	PNBK.BO	502	Buy
PURAVANKARA PROJECTS	PPRO.BO	58	Sell
RANBAXY LABORATORIES	RANB.BO	232	Hold

Company Name	R1 Ticker	Price	Reco
RELIANCE CAPITAL	RLCP.BO	701	Buy
RELIANCE COMMUNICATIONS	RLCM.BO	235	Hold
RELIANCE INDUSTRIES	RELI.BO	1303	Buy
RELIANCE PETROLEUM LTD	RPET.BO	89	Hold
RELIANCE POWER LIMITED	RPOL.BO	123	Sell
STATE BANK OF INDIA	SBI.BO	1301	Buy
SATYAM COMPUTER SERVICES	SATY.BO	297	Hold
SHREE RENUKA SUGARS LTD.	SRES.BO	67	Buy
Siemens India Limited	SIEM.BO	323	Sell
SOBHA DEVELOPERS	SOBH.BO	112	Sell
SHREE CEMENT	SHCM.BO	453	Buy
Steel Authority of India Ltd	SAIL.BO	88	Buy
SUN PHARMACEUTICALS INDUSTRIES	SUN.BO	1240	Buy
SUN TV NETWORK LIMITED	SUTV.BO	161	Buy
TATA COMMUNICATIONS	TATA.BO	485	Buy
TATA CONSULTANCY SVS LTD	TCS.BO	546	Buy
Tata Steel	TISC.BO	214	Buy
TECH MAHINDRA LIMITED	TEML.BO	335	Buy
TELEVISION EIGHTEEN	TVET.BO	82	Buy
THERMAX	THMX.BO	319	Sell
TATA POWER	TTPW.BO	808	Sell
TRIVENI ENGINEERING	TREI.BO	45	Sell
TITAN INDUSTRIES LTD	TITN.BO	937	Buy
TATA ENGINEERING & LOCOMOTIVE	TAMO.BO	171	Buy
UNION BANK OF INDIA	UNBK.BO	157	Sell
UNITED SPIRITS LIMITED	UNSP.BO	819	Buy
UNITECH	UNTE.BO	57	Sell
ULTRATECH CEMENT	ULTC.BO	350	Hold
VOLTAS	VOLT.BO	78	Sell
WOCKHARDT	WCKH.BO	108	Hold
WIPRO LTD	WIPR.BO	269	Buy
YES BANK	YESB.BO	84	Sell
ZEE ENTERTAINMENT ENTERPRISE	ZEE.BO	145	Buy

Source: Deutsche Bank, Bloomberg; Prices as of 10th Nov '08 closing

Deutsche Bank

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Appendix 1

Important Disclosures
Additional Information Available upon Request

For disclosures pertaining to recommendations or estimates made on a security mentioned in this research, please see the most recently published company report or visit our global disclosure look-up page on our website at http://gm.db.com.

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Analyst Certification

The views expressed I this report accurately reflect the personal views of the undersigned lead analyst about the subject issuers and the securities of those issuers. In addition, the undersigned lead analyst has not and will not receive any compensation for providing a specific recommendation or view in this report. Abhay Laijawala.

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➢Equity Rating Key

Buy: Based on a current 12-month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12 months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.

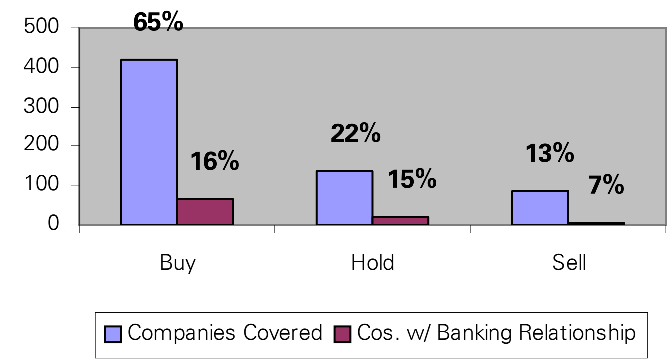
2. Ratings definitions prior to 27 January, 2007 were:

Buy: Expected total return (including dividends) of 10% or more over a 12-month period

Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period

Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

➢Equity Rating Dispersion and Banking Relationships



Asia-Pacific Universe

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