October 21, 2011

Market data as on Oct 20, 2011

INDICES

		% chg (DoD)
BSE Sensex	16937	(0.9)
S&P CNX Nifty	5092	(0.9)
BSE 100	8823	(0.8)
BSE 200	2072	(0.8)

OVERSEAS MARKETS

		% chg (DoD)
Dow Jones	11542	0.3
Nasdaq Comp.	2599	(0.2)
S&P 500	1215	0.5
Hang Seng	17995	0.1
Nikkei	8676	(0.1)

ADVANCES/DECLINES (BSE)

Group	A	B	S
Advances	48	849	210
Declines	152	1,306	254
Unchanged	-	83	26

FII TURNOVER (BSE+NSE)* (Rs mn)

Bought	Sold	Net
17,760	17,590	170

NEW HIGHS AND LOWS (BSE)

Group	A	B	S
High	-	17	20
Low	4	93	50

CURRENCY

US$1 = Rs49.71

* FII turnover (BSE + NSE) as on October 19, 2011

ICICI Securities

I-Sec

India Update

Contents

Highlights

Sector/event	Impact
OIL&GAS: Cairn India – Q2FY12 results review	Cairn India's (CIL) Q2FY12 numbers are operationally lower than our expectations. Sales at Rs26.5bn are sub par expectations due to adjustments for royalty and profit petroleum. One-time payment of Rs13.6bn for historical royalty until Q1FY12 led to PAT of Rs7.6mn. Forex gain of Rs5.3bn boosted the numbers, adjusting for which profits would have been lower at Rs2.6bn. Operating costs were stable at US$2.5/bl, while discount to Brent was lower at 10.4% and tax rate was higher at 12%. Post closure of Cairn-Vedanta deal, the company is optimistic about clearances for other pending approvals – ramp up of oil production at Mangala field and start of production from Bhagyam field. We now expect the focus to shift back to operations, which have been robust over the past eight quarters. However, the stock seems to be factoring in most of the positives from production ramp up and high crude prices. We maintain our fair value for CIL at Rs316/share and reclassify the stock as ADD.

News Snippets

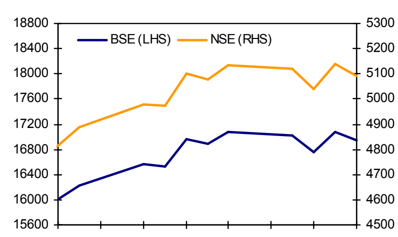
Economy

- The RBI has a tough task ahead on October 25, when it announces its monetary policy for H2FY12. On one side are industry bosses and consumers, who are hoping RBI does not signal more increases to their borrowing costs. On the other side are inflation hawks, who would still want to see tightening by RBI, irrespective of growth dynamics. (Business Standard)

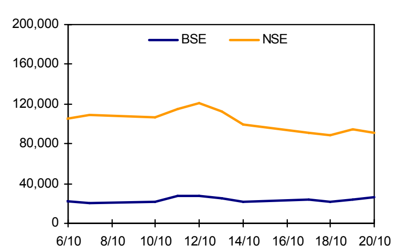
Sectoral

- Around 50% of the total investments in infrastructure during the 12th Plan is expected to come from the private sector, says an Ernst & Young report. Private sector participation in Indian infrastructure projects was around 25% in the 10th Plan period (2002-07), which increased to 36% in the 11th Plan (2007-12). (Business Standard)

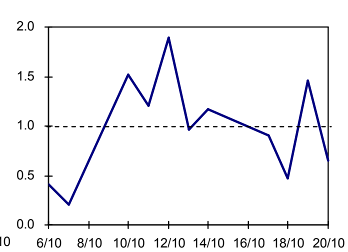
Market movement over last fortnight



Volumes in Rs mn (BSE and NSE)



Advances & Declines ratio (BSE)



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Cairn India (Add) OIL&GAS

Q2FY12 RESULTS REVIEW

Upside priced in Rs294

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Target price Rs316

Cairn India's (CIL) Q2FY12 numbers are operationally lower than our expectations. Sales at Rs26.5bn are sub par expectations due to adjustments for royalty and profit petroleum. One-time payment of Rs13.6bn for historical royalty until Q1FY12 led to PAT of Rs7.6mn. Forex gain of Rs5.3bn boosted the numbers, adjusting for which profits would have been lower at Rs2.6bn. Operating costs were stable at US$2.5/bl, while discount to Brent was lower at 10.4% and tax rate was higher at 12%. Post closure of Cairn-Vedanta deal, the company is optimistic about clearances for other pending approvals – ramp up of oil production at Mangala field and start of production from Bhagyam field. We now expect the focus to shift back to operations, which have been robust over the past eight quarters. However, the stock seems to be factoring in most of the positives from production ramp up and high crude prices. We maintain our fair value for CIL at Rs316/share and reclassify the stock as ADD.

Table 1: Valuations summary

		Y/E Mar	EPS (Rs)	P/E (x)	EV/E (x)		
Price (20/10/11) (Rs)	294	2010	6.7	43.8	56.9	M.Cap. (Rs bn)	559
52 wk Range (Rs)	367/252	2011	34.2	8.6	6.3	M.Cap (US$ bn)	11.2
Dividend yield FY12E (%)	4.3	2012E	48.8	6.0	3.7	Shares Out (mn)	1,902
BSE Sensex	16937	2013E	54.6	5.4	3.2	Free Float (%)	37.8

Source: Company data, I-Sec Research

- **Rajasthan performance in line.** Rajasthan production continues to be in keeping with expectations, as production from Mangala field stabilises at 125,000bpd. Technically, the company is capable of ramping this up to 175,000bpd over the next three-four months and is waiting for government's approvals for the same. Ramping up production from Bhagyam and Aishwarya fields would require submission of revised FDP (Field Development Plan), which may take long. Processing facilities for 175,000bpd are expected to be ready by March 2012. Processing and transportation facilities for 240,000bpd would be completed by end 2013.

- **Success in blocks other than Rajasthan encouraging.** The recent discovery in Sri Lanka has given a major boost to CIL's operations outside Rajasthan. The company would be drilling two more exploration wells in Sri Lanka by January 2012. Drilling of an exploration well in KG-ONN-2003 block in November 2011 in also in the offing. The success of these exploration activities would be critical for the company's long-term exploration activities outside Rajasthan.

- **Approval delays, oil price movements major risk.** CIL is waiting to ramp up its production, as approvals from government and its JV partners have been delayed. Now, that the deal overhang is behind us, the management sounded confident about getting these approvals and exit FY12 at a production rate of 175Kbpd. Any delay in approval beyond Q4FY12 would lead to downward revision in our FY12 and FY13 earnings. Additionally, any sharp correction in oil prices on the back of global economic slowdown could be negative for valuations.

Table 2: Q2FY12 results review

(Rs mn, year ending March 31)

	Q2FY12	Q2FY11	YoY (%)	Q1FY11	QoQ (%)
Net sales	**26,522**	**26,864**	***(1.3)***	**37,127**	***(28.6)***
Exploration expenditure	389	422	*(7.9)*	187	*107.6*
% of sales	*1.5*	*1.6*		*0.5*	
Other expenditure	5,482	5,358	*2.3*	5,387	*1.8*
% of sales	*20.7*	*19.9*		*14.5*	
EBITDA	**20,651**	**21,084**	***(2.1)***	**31,553**	*(34.6)*
EBITDA (%)	***77.9***	***78.5***		***85.0***	
Depreciation and amortisation	3,142	2,756	*14.0*	3,460	*(9.2)*
Interest	1,228	1,281	*(4.1)*	446	*175.4*
EBT	16,281	17,047	*(4.5)*	27,647	*(41.1)*
Other income (incl forex gains)	5,930	282	*2,002.9*	528	*1,023.4*
Exceptional item (as reported)	(13,552)	0	-	0	
PBT	8,659	17,329	***(50.0)***	28,175	***(69.3)***
Provision for tax	1,029	1,478	*(30.4)*	909	*13.2*
-effective tax rate	*11.9*	*8.5*		*3.2*	
PAT (reported)	7,630	15,851	***(51.9)***	27,266	***(72.0)***
PAT (adjusted)	16,403	15,851	***3.5***	27,266	***(39.8)***
NPM (%)	***28.8***	***59.0***		***73.4***	
EPS	**8.62**	**8.35**	***3.2***	**14.33**	***(39.8)***

Source: Company data, I-Sec Research

Details in our report '*Upside priced in*' dated October 20, 2011.

Bajaj Auto (Downgrade to Add) AUTO

Q2FY12 RESULTS REVIEW AND RECOMMENDATION CHANGE

Even better things to come **Rs1,626**

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Target price Rs1,806

Bajaj Auto (BAL) reported a strong Q2FY12 – revenues rose to ~Rs52.7bn (up 21% YoY) and PAT adjusting for ~Rs954mn MTM forex loss came in at ~Rs7.9mn (up 16% YoY) – higher than expectations. EBITDA margin improved 101bps sequentially, aided by rupee depreciation and better product mix in Q2FY12 vs Q1FY12. In the near term, the company could benefit from rupee depreciation and easing off of commodity prices (BAL has mostly quarterly contracts and benefit of lower commodity prices will be visible only Q3FY12 onwards). However, we are not taking any call on commodity prices or weakening rupee, and thus not changing our earnings. Over long term, we believe, launch of new Pulsar could provide a kicker to domestic growth in FY13, as domestic 2W volume growth at 9.1% YTD remains suppressed owing to Pulsar sales (rest of the brands grew 18.8%). We value BAL at Rs1,806/share (15x P/E on FY13E EPS). BAL remains our top pick in sector. ADD.

Table 1: Valuations summary

		Y/E Mar	EPS (Rs)	P/E (x)	EV/E (x)		
Price (20/10/11) (Rs)	1,626	2010	55.2	29.3	17.7	M.Cap. (Rs bn)	469
52 wk Range (Rs)	1,667/1,204	2011	119.4	13.6	13.0	M.Cap (US$ bn)	9.6
Dividend yield FY12E (%)	2.7	2012E	103.6	15.6	10.8	Shares Out (mn)	289.4
BSE Sensex	16937	2013E	120.4	13.5	9.0	Free Float (%)	49.9

Source: Company data, I-Sec Research

- **Robust Q2FY12 after adjusting for ~Rs954mn MTM forex loss.** Adjusted Q2FY12 PAT was at ~Rs7.9bn, led by ~Rs52.7bn in sales (up 10% QoQ and 21% YoY) and ~20.1% EBIDTA margin (lower 59bps YoY). There is a chance rupee depreciation accounted for ~Rs360mn of the above expectation EBITDA (to be confirmed), along with an improving product mix – *Pulsar* sales in domestic market increased 20%+ QoQ.

- **Future quarters could be still better.** EBITDA margin could have been still better, but for high other expenses, which were ~Rs562mn higher than the normal quarterly run-rate of ~Rs2.6bn (possibility of one-time items?). Moreover, if commodity prices continue to decline and rupee remains at these levels, the near-term profitability would remain high. However, we are not changing our earnings based on this, as we await further clarity from the management call on Oct 24, 2011.

- **Domestic growth could provide long-term trigger.** We expect BAL's export growth to remain at 30%+ through FY12-13, but the real trigger could come in the form of improved domestic growth (9.1% 2W-only YTD growth) with the launch of new *Pulsar*. We are factoring in 18% domestic volume growth in FY13 (4.5mn/5.4mn total volumes in FY12/13).

- **Top pick in sector.** We continue to prefer BAL to other companies in the sector owing to long-term triggers which may play out in FY13. Fundamentally, the company is stronger than what it was two years ago with less dependence on any one business. Our target price of ~Rs1,806 yields ~11% upside. On the basis of last closing price we recommend ADD.

Table 2: Q2FY12 results summary – Standalone

(Rs mn, year ending March 31)

	Q2FY12	Q2FY11	YoY (%)	Q1FY12	Q2FY12E
Volumes (nos)	1,164,137	1,000,570	16	1,092,815	1,164,137
Net realisation (Rs)	**45,246**	**43,393**	**4**	**41,973**	**44,172**
Sales	52,673	43,418	21	47,773	51,423
Raw material costs	37,616	30712	22	34,665	37,355
Employee costs	1,311	1142	15	1,389	1,361
Other expenses	3,173	2593	22	2,611	2,694
EBITDA	10,574	8972	18	9,108	10,012
Margin (%)	20.1	20.7		19.1	19.5
PBT (recurring)	10,722	9503	13	9,531	10,597
Extraordinary	(954)				
PAT (reported)	7,258	6821	6	7,111	7,630
PAT (adjusted)	7,910	6821	16	7,111	7,630

Source: Company data, I-Sec research

Details in our report ‘*Even better things to come*’ dated October 20, 2011.

Yes Bank (Buy) BANKING

Q2FY12 RESULTS REVIEW

Slow but steady march

Rs285

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Target price Rs381

Target price revision
Rs381 from Rs368

Yes Bank posted a better-than-expected earnings growth of 33.3% YoY in Q2FY12 (I-Sec: 20.6%) primarily led by a 63.4% YoY growth in other income. Balance sheet growth cooled off, as loans grew 12.7% YoY and 3.3% QoQ. Margins improved 10bps sequentially to 2.9%, resulting in a strong NII growth of 23.1% YoY. Other income rose 63.4% YoY on the back of opportunities in financial markets and advisory space. Provisioning was broadly on expected lines, as fresh slippages for Q2FY12 were contained at Rs150mn. Earnings growth stood at 33.3% YoY. YES Bank's calibration of growth will also preserve capital. We maintain Yes Bank as our top pick in the space and value it at 2.3x FY13E ABV or Rs381/share. Continued low CASA ratio and slip-ups in asset quality remain the key risks.

Table 1: Valuations summary

		Y/E Mar	EPS (Rs)	P/E (x)	P/BV (x)		
Price (20/10/11) (Rs)	285	2010	14.1	20.1	3.1	M.Cap. (Rs bn)	98.9
52 wk Range (Rs)	379/236	2011	20.9	13.5	2.6	M.Cap (US$ bn)	2.0
Dividend yield FY12E (%)	1.8	2012E	26.6	10.6	2.1	Shares Out (mn)	347.1
BSE Sensex	16937	2013E	33.2	8.5	1.7	Free Float (%)	73.5

Source: Company data, I-Sec Research

- **Balance sheet growth moderates further, margins strong.** Loan growth remained muted at 12.7% YoY and 3.3% QoQ, as higher base rates led corporate customers opt for credit substitutes. Overall growth in customer assets (loans + credit substitutes) was strong at 27.4% YoY. Yield on advances improved 60bps sequentially to 12.2%, as loans re-priced to higher base rates. As a result, margins improved 10bps QoQ to 2.9% and resulted in a 23.1% YoY growth in NII. Going ahead we expect healthy margins to drive an NII CAGR of 65.6% over FY11-13E.

- **Surprises in other income, costs stable.** Other income grew 63.4% YoY on the back of all round performance: opportunities in NCDs and debt space resulted in a 191% YoY growth in financial markets; improved loan syndication led to a 59% YoY growth in financial advisory business and better cross-sell facilitated a 59% rise in business banking income. Better employee cost management resulted in a stable cost-to-income ratio of 37.1% despite the bank adding 50 branches in Q2FY12.

- **Asset quality well-managed, provisions remain adequate.** Gross NPAs increased marginally to 0.20% (Q1FY12: 0.17%). Restructured assets increased to 0.51% of gross advances in Q2FY12 (Q1FY12: 0.26%), as Rs885mn of MFI loans got restructured. Specific provision coverage ratio stands at 80.2%. We estimate annualized delinquencies to remain at 0.6% for FY12E and 0.7% for FY13E.

- **Earnings trajectory to remain buoyant, re-iterate Yes Bank as top pick.** We believe moderation in loan growth will lead to slower capital consumption (current tier 1 at 9.4%) as well as aid in improving CASA ratio. Hence, we expect margins to remain stable. We think the bank will continue to deliver 20%+ RoE over FY11-13E. At current valuation of 1.7x FY13E ABV and 8.5x FY13E EPS, the stock appears attractive. A stagnant CASA ratio and asset quality slip-ups are the key risks.

Table 2: Q2FY12 results review

(Rs mn, year ending March 31)

	Q2FY12	Q2FY11	% YoY	Q1FY12	% QoQ	YTDFY12	YTDFY11	% YoY
Interest income	14,387	9,538	50.8	13,995	2.8	28,382	16,930	67.6
Interest expense	10,530	6,406	64.4	10,454	0.7	20,984	11,177	87.7
Net interest income	**3,856**	**3,132**	**23.1**	**3,542**	**8.9**	**7,398**	**5,753**	**28.6**
Non-interest income	2,141	1,310	63.4	1,653	29.5	3,793	2,748	38.0
Total income	**5,997**	**4,442**	**35.0**	**5,195**	**15.4**	**11,192**	**8,501**	**31.7**
Staff cost	1,100	878	25.3	1,098	0.1	2,198	1,690	30.0
Other op expenses	1,038	750	38.4	846	22.8	1,884	1,508	25.0
Total op expenses	2,138	1,628	31.3	1,944	10.0	4,081	3,197	27.6
Pre-provisioning profit	**3,859**	**2,814**	**37.1**	**3,251**	**18.7**	**7,110**	**5,304**	**34.1**
Total Provisions	379	174	117.1	15	2,407.9	394	300	31.3
PBT	3,481	2,640	31.9	3,236	7.6	6,716	5,004	34.2
Tax	1,130	877	28.9	1,075	5.1	2,205	1,677	31.5
PAT	**2,350**	**1,763**	**33.3**	**2,161**	**8.8**	**4,511**	**3,326**	**35.6**
NIMs (%)	2.9	3.0		2.8		2.9	3.0	
CASA (%)	11.0	10.1		10.9		11.0	10.1	
CAR (%)	16.0	19.4		16.2		16.0	19.4	
Tier 1 (%)	9.4	11.0		9.6		9.4	11.0	
GNPAs (Rs mn)	688.3	677.3		559.6		688.3	677.3	
NNPAs (Rs mn)	136.4	171.6		26.7		136.4	171.6	
GNPAs (%)	0.2	0.2		0.2		0.2	0.2	
NNPAs (%)	0.0	0.1		0.0		0.0	0.1	
Provision coverage (%)	80.2	74.7		95.2		80.2	74.7	

Source: Company data, I-Sec Research

Details in our report '*Slow but steady march*' dated October 20, 2011.

Hexaware Technologies (Add) TECHNOLOGY

Q3CY11 RESULTS REVIEW AND EARNINGS REVISION

Margin surprise yet again **Rs89**

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Target price Rs95

Earnings revision

(%)	CY11E	CY12E
Sales	↑ 2.6	↓ 0.9
EBITDA	↑ 14.3	↑ 6.5
EPS	↑ 5.3	↑ 1.1

Target price revision

Rs95 from Rs91

Hexaware Technologies' (Hexaware) Q3CY11 results surprised the street yet again with a massive 340bps QoQ margin improvement to 18.7% owing to exchange rate benefit, SG&A leverage and realisation improvements despite headwinds of onsite wage inflation and adverse cross currency movement. The company is confident of further margin improvement driven by SG&A efficiencies, bulge mix, improvement in utilisations and offshore shift going forward. Dollar revenues grew 5.3% QoQ (constant currency 5.9% QoQ growth) to US$78.8mn driven by 9.2% volume growth, primarily offshore (300bps offshore shift). The company has guided for a healthy 4.1-4.7% QoQ growth in Q4CY11 taking CY11 revenue growth to 32%. Though the macro environment continues to remain uncertain, the management remains optimistic about CY12E growth prospects. We reclassify the stock to ADD from Buy with a target price of Rs95 based on 11x average CY12-13E EPS, as valuations at CY12E P/E of 10.8x and EV/E of 7.4x provide limited upside in our view. The stock has outperformed broad indices ~150% YoY.

Table 1: Valuations summary

		Y/E Dec	EPS (Rs)	P/E (x)	EV/E (x)		
Price (20/10/11) (Rs)	89	2010	2.2	38.8	22.8	M.Cap. (Rs bn)	26
52 wk Range (Rs)	94/38	2011	8.1	10.9	9.0	M.Cap (US$ mn)	531
Dividend yield CY11E (%)	4.0	2012E	8.1	10.8	7.4	Shares Out (mn)	293.1
BSE Sensex	16937	2013E	9.0	9.9	6.7	Free Float (%)	71.8

Source: Company data, I-Sec Research

- **Top-10 clients growing faster.** Hexaware has maintained focus on its top accounts given the huge penetration potential. Top clients' contribution to revenues increased to 52.5% in Q3CY11 (70bps QoQ/260bps YoY increase). The US$110mn deal won last year has reached the steady state, while the other large deals (including the US$177mn deal won last quarter) are still ramping up and will continue to fuel growth in the coming quarters. As regards CY12 budgets, 2-3 top clients have hinted to budget stagnation, whereas others have confirmed no drop in budgets which, as of now, sounds positive. However, clarity on CY12 will emerge only during Q1CY12.

- **Margin surprise in Q3CY11; and to continue.** Margins went up 340bps during the quarter driven by exchange benefit (105bps), realisation increase (155bps), SG&A leverage (135bps) and offshore shift (75bps), partially offset by onsite increments (75bps impact) and lower utilisation (50bps impact). The company hired 550 freshers in nine months CY11 and plans to hire ~200 more in Q4CY11, thereby utilising the bulge mix. Attrition went down significantly (330bps to 14.7%). We believe Hexaware has sufficient margin levers and margins can improve from current levels as well.

- **Raise CY11E and CY12E EBITDA by 14% and 6.5% respectively.** We factor in 20% and 15% US dollar revenue growth and average INR/USD of Rs45.7 and Rs45.0 in CY12E and CY13E respectively. Effective tax rate is likely to go up to 22% from the current level of 15% and hence limit CY12E EPS growth.

Table 2: Q3CY11 results review

(Rs mn, year ending December 31)

	Q3CY11	Q2CY11	Q3CY11	% chg (QoQ)	% chg (YoY)	I-Sec estimates	% Variance
Net sales	**3,660**	**3,341**	**2,817**	9.5	29.9	**3,657**	0.1
Cost of revenues	2,262	2,117	1,874	6.8	20.7	2,306	(1.9)
SGA expenses	712	713	703	(0.1)	1.3	764	(6.9)
Total expenses	**2,974**	**2,830**	**2,577**	5.1	15.4	**3,070**	(3.1)
EBITDA	**686**	**511**	**240**	34.2	185.8	**587**	16.8
Depreciation	64	59	58	7.9	9.8	68	(5.9)
Forex gain/(loss)	38	163	(76)	NM	NM	(50)	NM
Other Income	122	104	71	18.3	72.4	104	18.3
Recurring pre-tax income	**783**	**718**	**177**	9.0	342.2	**573**	36.5
Taxation	136	116	16	16.9	NM	103	31.4
Recurring net income	**647**	**602**	**161**	7.5	NM	**470**	37.7
Extraordinary income/(expense)	0	0	260			0	
Reported net income	**647**	**602**	**420**	7.5	53.9	**470**	37.7
Ratios (%)							
EBITDA margins	18.7	15.3	8.5			16.1	
EBIT margins	17.0	13.5	6.5			14.2	
Recurring net profit margins	17.7	18.0	5.7			12.9	

NM-Not Meaningful, Source: Company data, I-Sec Research

Details in our report '*Margin surprise yet again*' dated October 20, 2011.

Sector update NBFCs: Housing Finance

NHB guidelines could change HFCs' dynamics

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Top picks

HDFC (Rs645 – Add)
Target price Rs725

LICHF (Rs218 – Buy)
Target price Rs264

The National Housing Bank (NHB) has scrapped with immediate effect the pre-payment penalty/levy being charged by HFCs in the following cases i) floating rate loans can be pre-paid using any source of income, ii) fixed rate loans can be pre-paid using only own sources. Own sources are defined as sources other than banks/NBFCs/HFC/other financial institutions. We do not expect this development to have a sharp earnings impact on HFCs as the pre-payment fees were not material and companies could cover this by increasing other fees. The more important impact will be on the competitive scenario in the housing finance market. We still favour the housing finance space and prefer LICHF over HDFC given the latter's expensive valuations.

- **Earnings impact will be negligible.** Fees from pre-payment comprised ~4-5% of other income and ~1% of PBT for HDFC in FY11. For LICHF, pre-payment fees form a negligible proportion of overall other income. The loss from their abolition can also be recouped if HFCs decide to increase the upfront processing fees *en masse*. Hence, we don't think the scrapping of pre-payment penalty will have any significant earnings impact on either of the HFCs.
- **Competitive scenario will become more intense.** The move by the NHB enables individual lenders to hold the market to ransom. *A la* SBI early 2009, any bank/HFC looking to get aggressive could undercut the prevailing pricing scenario with other players forced to follow suit. However, the process of switching a loan from one financier to another is cumbersome and such switching is unlikely to happen more than once or twice over the term of a typical loan or for a marginal price differential. Further, pre-payment levy is not yet waived off for banks, but RBI *could* follow suit.
- **Higher propensity to switch for HDFC's customers in our view.** For HDFC, ~85% of the individual loan book is floating. Some existing customers could currently be paying ~12.5-13% interest rate whereas new customers would be paying ~10.75-11.50%. Given the steep interest rate differential between the two customer segments, there could be a higher propensity among some existing customers to switch. However, given that a conditional pre-payment option exists and pre-payment penalty is waived after the third year in most products, we await greater visibility on how this will play out.
- **LICHF has lower proportion of floating book, interest differential.** As per our recent interaction with the LICHF management, some existing borrowers could be paying a lending rate of 11.5-12% at the upper end. Given the lower interest rate differential between existing and new customers (50-100bps) as well as a lower proportion of floating rate book (50% of individual portfolio), LICHF could see relatively lower switches in its book.

Table 1: Valuation summary

	Reco	CMP (Rs)	Target price (Rs)	P/E (x)		P/BV (x)		RoE (%)	
				FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
HDFC	ADD	645	725	16.0	13.3	5.1	4.0	21.2	22.3
LIC HF	BUY	218	264	8.9	8.2	2.0	1.7	24.7	24.5

*P/E & P/BV for HDFC are arrived at after stripping valuations of subsidiaries and associates from price; investments (at cost) in subsidiaries have been stripped from BV for calculating multiples, trading gains & dividends from subsidiaries from EPS
Source: I-Sec Research

Details in our report '*NHB guidelines could change HFCs' dynamics*' dated October 20, 2011.

Subscriber watch (September '11) TELECOM

MONTHLY UPDATE

Uninor drives higher subscriber additions

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- Net subscriber addition for new entrants increased to 6.5mn in September from 5.4mn in August. The increase was primarily driven by Uninor which added 1.9mn subscribers, highest by any telecom player this month. The new players' share in the total net addition across all players jumped to 27.9% in September, highest since February 2010.
- GSM players, excluding Reliance Communications (RCom) and Tata Teleservices (TTSL), added 6.5mn subscribers net in September against 5.4mn in the preceding month. Though subscriber addition has broken its six-month declining trend since February, it continues to be low – having declined 47% YoY.
- Net subscriber addition continued to be weak for all incumbents in September with only BSNL recording a marginal increase at 0.5mn from 0.4mn in August. Idea's net addition in September was at 1.7mn subscribers (August: 2.3mn), Bharti Airtel's at 0.9mn (August: 1.1mn) and Vodafone's at 0.8mn (August: 1.1mn)
- In terms of market share, Bharti Airtel maintained its leadership with 19.9% in September (August: 20.0%). Idea maintained its market share at 11.5% while Vodafone slightly lost market share at 16.7% (August: 16.8%).

Table 1: Net subscriber additions

(mn)

	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11
Aircel	1.1	1.1	0.9	0.6	0.6	0.6
BAL	2.4	2.5	2.1	1.5	1.1	0.9
RCom	2.5	2.5	2.1	1.5	1.3	1.3*
TTSL	1.3	0.4	0.2	(2.7)	0.3	0.3*
Loop	0.0	0.0	0.0	0.0	(0.0)	0.0
BSNL GSM	0.7	0.5	0.8	1.7	0.4	0.5
Idea	2.5	1.8	1.4	1.0	2.3	1.7
MTNL	0.0	0.0	0.0	0.1	(0.0)	0.0
Vodafone	2.4	2.4	2.1	1.5	1.1	0.8
Videocon	0.1	(0.2)	0.1	(0.1)	(0.6)	(0.1)
Etisalat	0.2	0.1	0.1	0.0	0.1	0.0
Uninor	1.5	1.1	0.9	1.1	0.3	1.9
S Tel	0.2	0.2	0.2	0.2	(0.1)	0.1
MTS	0.4	0.6	0.5	0.6	0.5	0.5*
Total	**15.3**	**13.0**	**11.4**	**7.0**	**7.4**	**8.6**

**September '11 numbers for RCom, TTSL and MTS have not been released yet
Source: COAI, AUSPI, I-Sec Research

Details in our report '*Uninor drives higher subscriber additions* dated Oct 20, '11.

Recent reports/updates

Analyst	Company/Sector	Date
Rohit Ahuja / Prolin Nandu	Cairn India: Upside priced in	Oct 20
Sanket / Vijit	Bajaj Auto: Even better things to come	Oct 20
Shashin/ Abhishek/ Digant	Yes Bank: Slow but steady march	Oct 20
Krupal / Kuldeep / Varun	Hexaware Technologies: Margin surprise yet again	Oct 20
Abhishek/ Shashin/ Digant	NBFCs: Housing Finance: NHB guidelines could …	Oct 20
Vikash / Satish	Subscriber watch (Sep '11): Uninor drives higher subscriber additions	Oct 20
Vikash / Satish	Dish TV: Seasonally weak quarter; management outlook positive	Oct 19
Rohit Ahuja / Prolin Nandu	Indraprastha Gas: Margin blip	Oct 19
Shashin/ Abhishek/ Digant	HDFC Bank: Outperformance continues	Oct 19
Krupal / Kuldeep / Varun	Infotech Enterprises: Better margins; valuation attractive	Oct 19
Sanket / Vijit Jain	Hero MotoCorp: Strong numbers, valuations expensive	Oct 19
Prakash /Vivek	Chambal Fertiliser: Near term headwinds, best bet for decontrol	Oct 19
Kuldeep / Krupal/ Varun	HCL Tech: The land grab	Oct 18
Rohit Ahuja / Prolin Nandu	Petronet LNG: Topping out	Oct 18
Abhijit / Neerav	Metals Results Preview: Muted quarter	Oct 18
Krupal / Kuldeep / Varun	MindTree: On the revival path	Oct 18
Kuldeep / Krupal/ Varun	TCS: Burden of expectations	Oct 18
Vikash / Satish	ZEEL: Worst yet to come in H2FY12	Oct 18
Abhishek/ Shashin/ Digant	HDFC: Standing tall	Oct 17
Rohit Ahuja / Prolin Nandu	Reliance Industries: Clearing clouds	Oct 17
Kuldeep / Krupal/ Varun	MphaisiS: Standing still	Oct 14
Chirag / Gagan	Pharma Results Preview	Oct 14
Vikash / Satish	Media Sector: Digitalisation timelines – Fools paradise	Oct 13
Sanket / Vijit	Auto Results Preview: Growth continues	Oct 13
Shashin/Abhishek/ Digant	Banking Results Preview: A tough quarter	Oct 13
Shaleen Silori	Real Estate Results Preview: Expect muted operational performance	Oct 13
Kuldeep / Krupal/ Varun	Infosys: Positive undercurrents; operationally in-line	Oct 12
Prakash / Vivek / Aniruddha	Power Quarterly Results Preview: Coal availability to impact ….	Oct 11
Rohit Ahuja / Prolin Nandu	Oil&Gas sector: Monthly update and Q2FY12 results preview	Oct 11
Abhishek/Shashin/Digant	NBFC: Loan against gold: Buy for absolute outperformance	Oct 10
Vikash / Satish	Telecom sector update: Known unknowns	Oct 7
Vikash / Satish	Telecom Quarterly Results Preview: Off-season	Oct 7
Vikash / Satish	Media Quarterly Results Preview: Festive breather	Oct 7
Abhijit / Neerav	Indian Steel Sector: No sign of recovery yet	Oct 5
Prakash / Vivek / Aniruddha	Power sector: SEBs - High losses, higher debt	Oct 5
Kuldeep / Krupal/ Varun	Tech Mahindra: *B*Ting a retreat	Oct 5
Kuldeep / Krupal/ Varun	Technology Quarterly Results Preview: Unlikely to be a catalyst	Oct 4
Krupal /Varun /Koushik	Cement Quarterly Results Preview: Bottomed out	Oct 4
Prakash /Vivek	GSFC: Best in class; available at a discount	Oct 4
Prakash / Vivek / Aniruddha	NTPC: Not for absolute returns	Oct 3
Rohit Ahuja / Prolin Nandu	Oil&Gas and Petrochemicals: Buy into the Gas story	Sept 28
Vikash / Satish	Page Industries: Galloping Jockey	Sept 28
Shaleen Silori	Real Estate Pulse (September '11): Downside persists	Sept 27
Abhijit / Neerav	JSW Steel: Supreme Court judgement deals a severe blow	Sept 27
Prakash /Aniruddha /Vivek	Thermax: Time before we call it a trough	Sept 22
Abhijit / Neerav	Sesa Goa: Wait out the uncertainty	Sept 22
Sanket / Vijit Jain	Hero MotoCorp: *Caveat emptor*	Sept 22
Sanket / Vijit Jain	Bajaj Auto: DEPB uncertainty put to rest	Sept 22
Prakash / /Vivek/Aniruddha	Tata Power: Mundra losses factored in price	Sept 21
Vikash / Satish	Subscriber watch (Aug '11): Subscriber additions slump to 5.4mn	Sept 21
Kuldeep / Krupal/ Varun	Infosys: Commentary more measured than peers'	Sept 20
Prakash / /Vivek/Aniruddha	Power Grid: Not immune from sectoral issues	Sept 16
Prakash / /Vivek/Aniruddha	Power Sector: Tariff hike: Good, persistence is the key	Sept 15
Kuldeep / Krupal/ Varun	Infosys: The Strategic Imperatives	Sept 13
Krupal/ Varun	Cement sector: Foundation for the next up-cycle	Sept 13
Vikash / Satish	Zee Entertainment: Sports, more investments = more losses	Sept 13
Rohit Ahuja / Prolin Nandu	Oil & Gas and Petrochemicals Monthly (September '11)	Sept 9
Kuldeep / Krupal/ Varun	TCS: BUYers into weakness	Sept 8
Rohit/Prolin	ONGC: Undemanding valuations	Sept 8
Abhijit / Neerav	Hindalco: Utkal Alumina in quicksand – Part II	Sept 7
Abhijit / Neerav	JSW Steel: Earnings visibility/risk-reward improves further	Sept 5

Results date reckoner

October 2011

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	**3**	**4**	**5**	**6**	**7**	**8**
9	**10**	**11**	**12** Infosys	**13**	**14** .	**15** RIL
16	**17** TCS, HDFC, MindTree, Zee Ent,	**18** Chambal Fertiliser, Hero MotoCorp, HCL Tech, Jindal Steel, Patni, Petronet LNG	**19** HDFC Bank, Infotech Ent, Dish TV, Hindustan Zinc, Indraprastha Gas	**20** Bajaj Auto, Cairn, GSFC, Yes Bank, UltraTech, Thermax, DB Corp, Hexaware, Info Edge	**21** RCF, JSW Steel, Godrej Properties, Idea Cellular, Texmaco, NIIT	**22** Axis Bank, Grasim, Jagran Prakashan, Power Grid
23	**24** Union Bank, Sterlite	**25** Dr. Reddy's, NTPC, Sesa Goa	**26** Muthoot Finance	**27**	**28**	**29** LIC Housing
30	**31** BPCL, Wipro, Usha Martin, Canara Bank					

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