

BULLS & BEARS

INDIA VALUATIONS HANDBOOK

Highlights of Oct edition

- Nifty ended with 1.5% positive return in October to close at 8,066.
- Metals, Media, Cement and Auto top sectors to give positive return.
- Technology, PSU Banks and NBFCs top sectors to give negative return.

Summary

- ❑ **Indian equities:** Nifty ends with 1.5% positive return; Metals, Media, Cement and Auto top outperformers
 - Metals (+6.9%), Media (+5.0%), Cement (+4.9%) and Auto (+4.5%) were the top sectors to give positive return in October.
 - Technology (-2.7%), PSU Banks (-2.4%) and NBFCs (-2.1%) were the top sectors to give negative return in October.
- ❑ **Stock performance:** Breadth remains positive in Oct; 27 Nifty stocks outperform
 - Tata Motors (+29%), Hindalco (+19%), Vedanta (+18%), Tata Steel (+16%), Bajaj Auto (+10%) and Reliance Ind (+10%) were the top performers.
 - BOB (-13%), HCL Tech (-11%), Idea Cellular (-6%), M&M (-6%), Lupin (-5%) and Maruti (-5%) were the worst performers.
- ❑ **Sector valuations:** Metals, Cement and Auto outperform; cyclical at a discount
 - Metals trade at 0.8x PB—a 53% discount to its historical PB average. EV/EBIDTA is 6.5x—an 8% premium to its historical average.
 - Auto sector now trades at 15.2x PE—a 10% premium to its historical average. CVs would see growth normalizing post heavy demand witnessed during last one year till Sep-15 on back of safety regulation changes. In 2Ws, domestic demand momentum is likely to see some positive momentum on the back of festive season and increased demand for scooters.
- ❑ **Nifty-50 highlights:** Oil & Gas trades at a discount; outperforms in October
 - In Oil & Gas, all companies are trading at a discount on P/E basis; Reliance Industries' discount reached 30% due to outperformance in October. All PSU Banks now trade at a discount to their historic average on P/B basis.

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About the product

As the tagline suggests, **BULLS & BEARS** is a handbook on valuations in India. Every month it will cover:

- Valuations of Indian markets vis-à-vis global markets
- Current valuation of companies in various sectors
- Sectors that are currently valued at premium/discount to their historical long-period averages

Contents

- ❑ Indian equities: Nifty, sector performance and key valuation metrics
- ❑ Global equities: Performance and valuation snapshot
- ❑ Sensex: Global cyclical lead significant earnings cut
- ❑ Valuations of Nifty companies
- ❑ Valuations of mid-cap companies
- ❑ Sector highlights: Overview and sector valuations
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 - REAL ESTATE
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 - TECHNOLOGY
 - TELECOM
 - UTILITIES

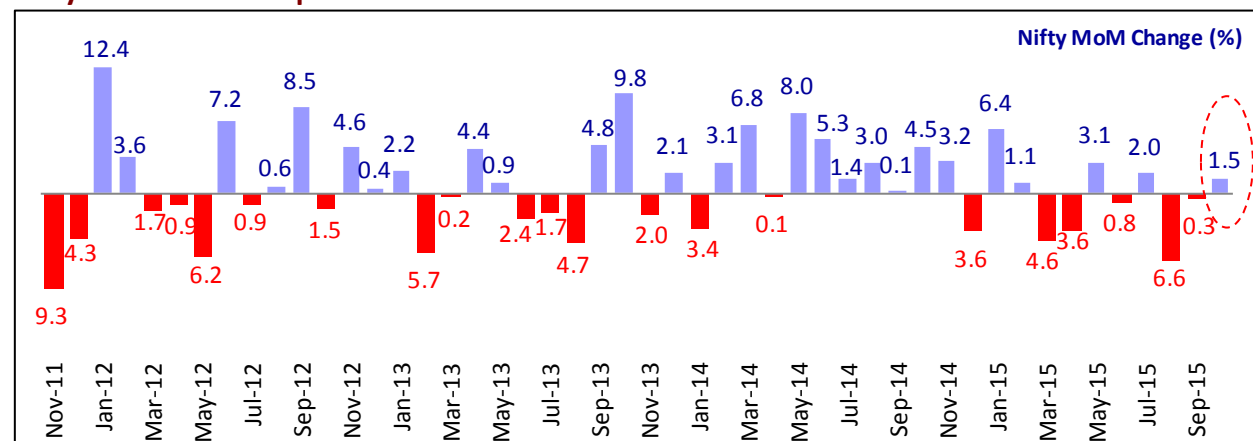
NOTES:

- Prices as on Oct 30, 2015
- **BULL icon:** 
Sectors trading at a premium to historical averages
- **BEAR icon:** 
Sectors trading at a discount to historical averages
- Valuations are on a 12-month forward basis unless otherwise mentioned
- Sector valuations are based on MOSL coverage companies
- Global equities data sourced from Bloomberg. Sensex valuations based on MOSL estimates

Indian equities: Nifty ends with 1.5% positive return; Metals, Media, Cement top outperformer

- Nifty ended with 1.5% positive return in October to close at 8,066; the gain was restricted owing to a decline in the market on all five trading days in the last week of the month.
- Metals was the top performer (6.9%) and posted positive return in October (after five consecutive months of negative return), followed by Media (+5%), Cement (+4.9%) and Auto (+4.5%).
- Technology (-2.7%), PSU Banks (-2.4%) and NBFCs (-2.1%) were the top sectors to give negative return in October.
- For CY15YTD, Nifty is down 2.6%; Healthcare (+23%) and Technology (+6.4%) are the top outperformers.

Nifty ends with 1.5% positive return in October



Sectoral performance—absolute and relative to Nifty (%)

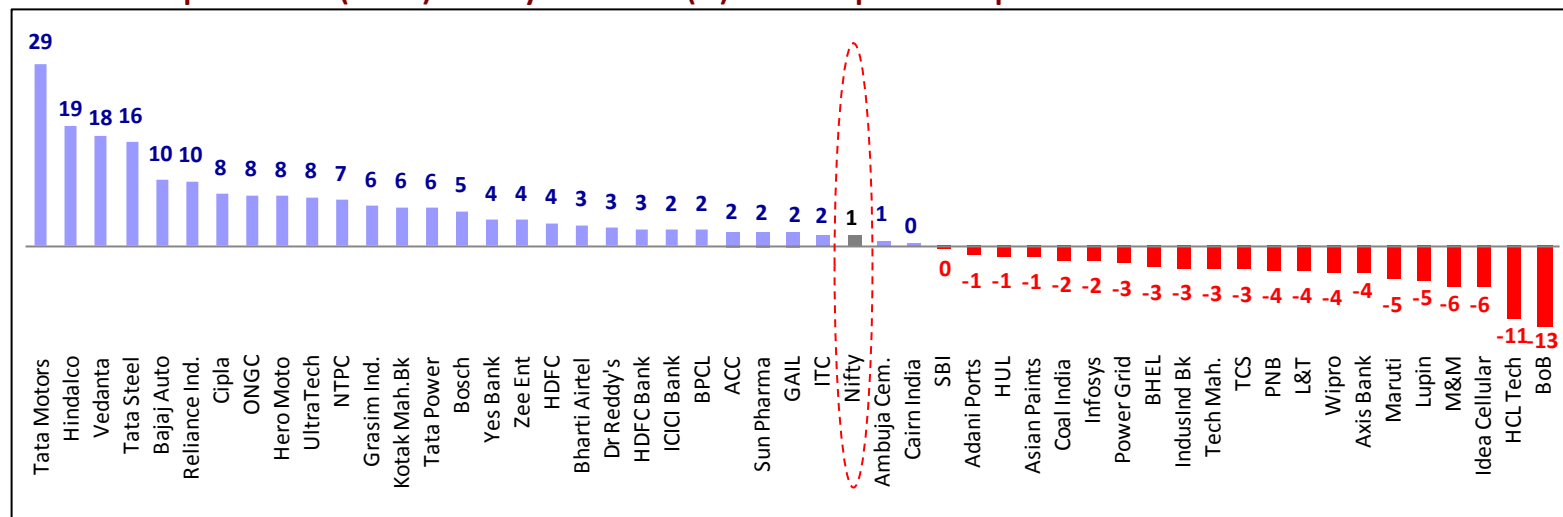
Sector	MoM Abs. Performance (%)											CY15 YTD Chg	Relative to Nifty MoM Performance (%)											CY15 YTD Chg
	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Jan-15		Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15			
Metal	-5	4	-10	4	-1	-4	-7	-14	-8	7	-32	-12	3	-6	7	-4	-3	-9	-8	-8	5	-29		
Media	1	-5	1	-13	4	1	11	-2	3	5	4	-5	-6	5	-9	1	1	9	5	3	3	6		
Cement	14	2	-7	-6	6	-2	4	-8	-3	5	3	8	1	-2	-2	3	-1	2	-1	-3	3	5		
Auto	7	0	-4	-5	4	-2	2	-7	-3	4	-2	1	-1	1	-1	1	-1	0	0	-2	3	0		
Oil	3	-5	-4	-1	5	2	0	-10	-2	4	-8	-4	-6	1	2	2	3	-2	-4	-2	3	-6		
Utilities	6	2	-6	-2	-1	-2	2	-11	0	4	-8	0	1	-2	2	-4	-2	0	-5	1	3	-6		
Banks - Pvt	9	1	-7	3	3	-1	2	-8	1	2	4	3	0	-2	7	0	0	0	-2	1	1	7		
CNX Midcap	4	0	-1	-2	4	-1	6	-5	-1	2	5	-2	-1	4	1	1	-1	4	2	0	0	8		
Healthcare	7	1	9	-6	4	-2	3	5	-1	2	23	0	0	14	-3	1	-1	1	12	-1	0	26		
Telecom	4	-4	11	-3	8	-1	0	-14	-3	1	-3	-2	-5	16	0	5	0	-2	-7	-3	0	-1		
Consumer	7	-1	-5	-2	3	-1	4	-4	0	1	1	0	-2	-1	2	0	0	2	2	0	0	4		
Cap Goods	11	4	-3	-4	2	4	3	-11	-6	-1	-3	4	3	2	-1	-1	5	1	-4	-6	-3	-1		
Real Estate	16	1	-9	-5	-2	-8	-2	-9	11	-2	-12	10	0	-4	-2	-5	-7	-4	-3	11	-3	-9		
NBFC	6	3	-3	-8	1	2	2	-10	4	-2	-6	0	2	2	-4	-2	3	0	-4	4	-4	-3		
Banks - PSU	-4	-5	-11	4	1	-8	5	-6	0	-2	-25	-11	-6	-7	7	-2	-7	3	0	0	-4	-23		
Technology	6	7	-5	-9	5	-4	6	1	4	-3	6	-1	6	0	-5	2	-3	4	7	4	-4	9		
Nifty Chg	6	1	-5	-4	3	-1	2	-7	0	1	-3													

Stock performance: Breadth remains positive in Oct; 27 Nifty stocks outperform

Nifty: Best and worst performers for Oct

- In Oct, 27 Nifty stocks outperformed the benchmark.
- Tata Motors (+29%), Hindalco (+19%), Vedanta (+18%), Tata Steel (+16%), Bajaj Auto (+10%) and Reliance Ind (+10%) were the top performers.

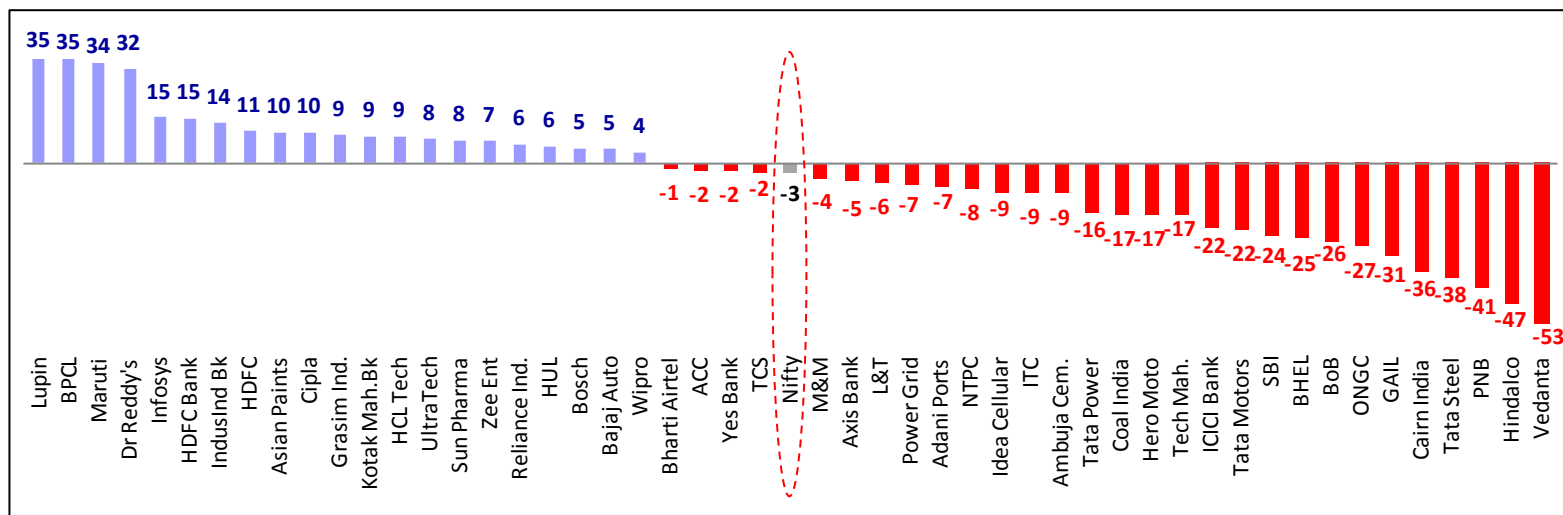
Best & worst performers (MoM) in Nifty for Oct-15 (%)—27 companies outperform the benchmark



CY15YTD: PSU Banks and Metal stocks worst performers

- Lupin, BPCL, Maruti, Dr Reddy's and Infosys were the best performers.
- Vedanta, Hindalco, PNB, Tata Steel, and Cairn India were the worst performers.

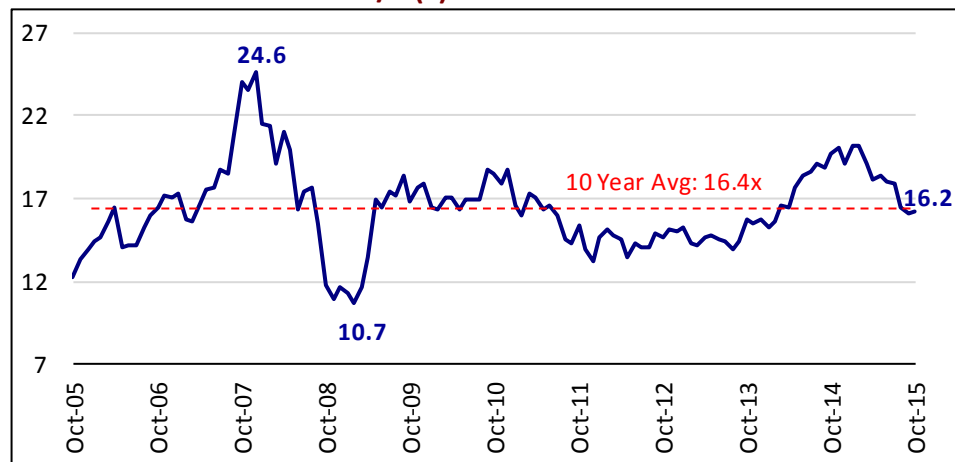
Best & worst performers in Nifty for CY15YTD (%)



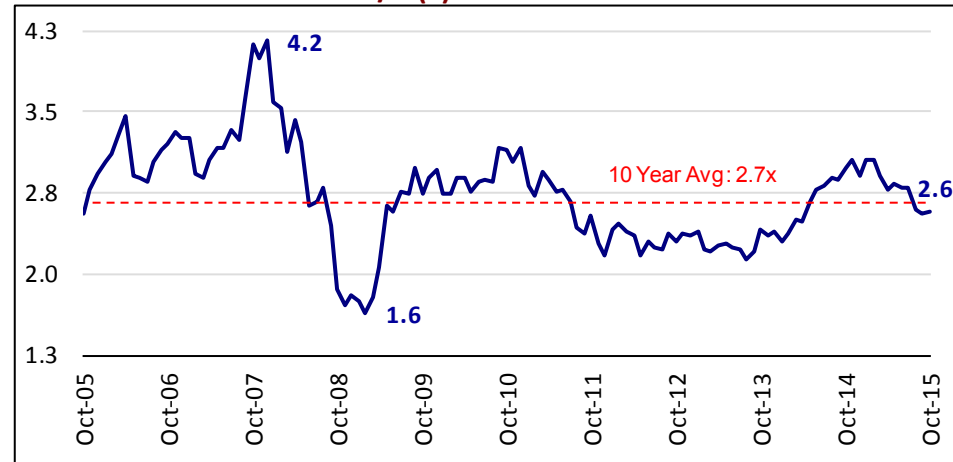
Indian equities: Valuations at long-term averages; at 2% discount

- Valuations of Indian equities remain attractive. The Sensex trades at 16.2x P/E, near its long-period average of 16.4x. Sensex P/B is also near its 10-year average of 2.7x and RoE at 16% is below the long-period average of 17.8%.
- Market cap-to-GDP ratio of 70% (FY16E GDP), below the long-period average of 76%.

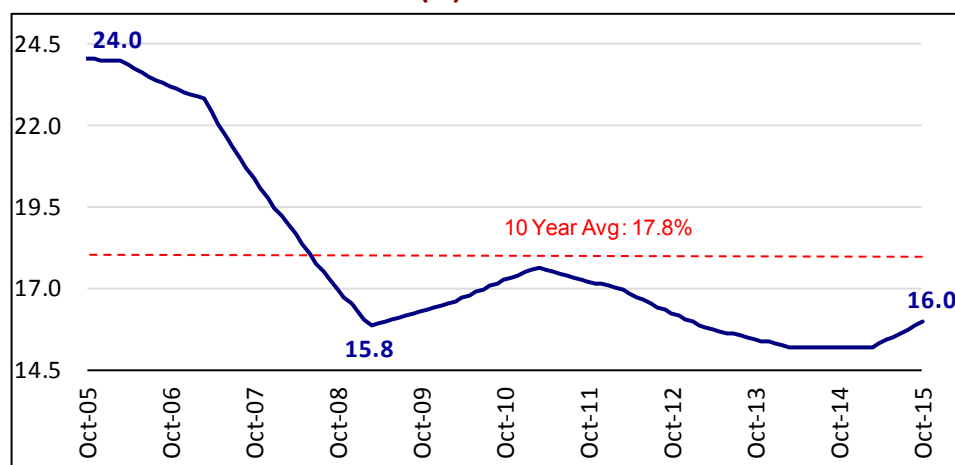
12-month forward Sensex P/E (x)



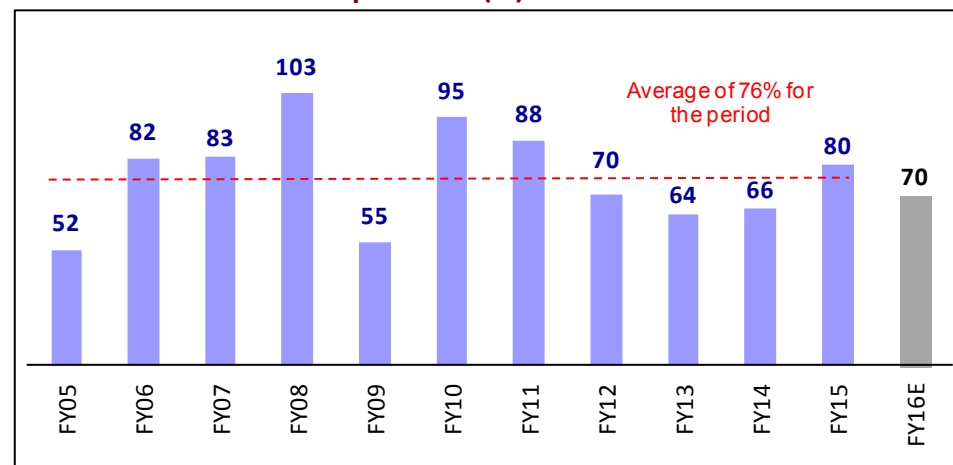
12-month forward Sensex P/B (x)



12-month forward Sensex RoE (%)



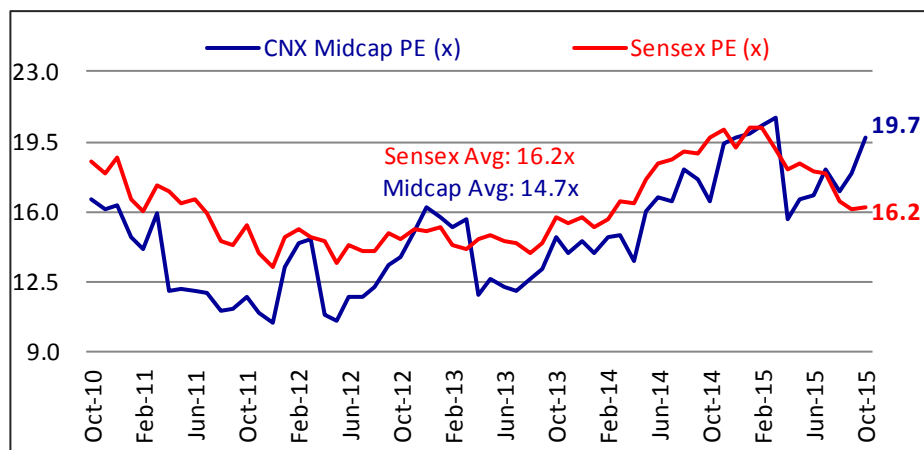
Trend in India's market cap-to-GDP (%)



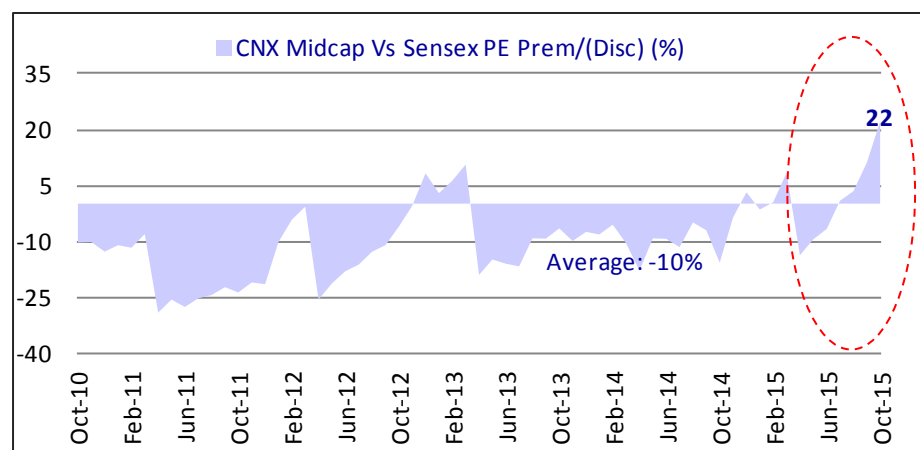
Indian equities: Mid-caps at a premium to Sensex; outperform in the last 12 months

- Mid-caps now trade at a premium to Sensex on P/E basis. In the last one year, CNX Midcap has delivered 11.8% positive return against 3.1% negative return of Nifty.
- During October, CNX Midcap delivered 2% positive return against Nifty's 1.5%.

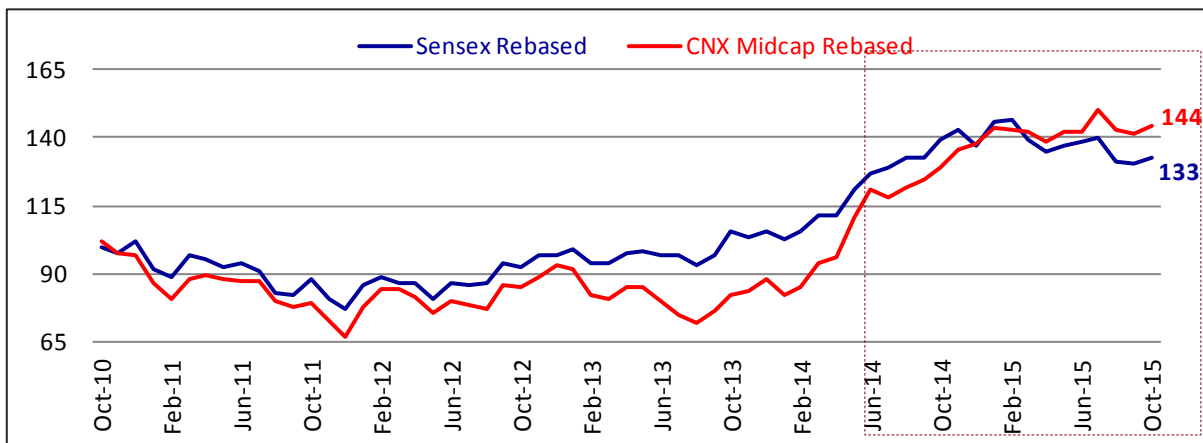
12-month forward P/E (x)



Mid-caps trading at a 22% premium to Sensex



Mid-caps have outperformed large caps in the past five years



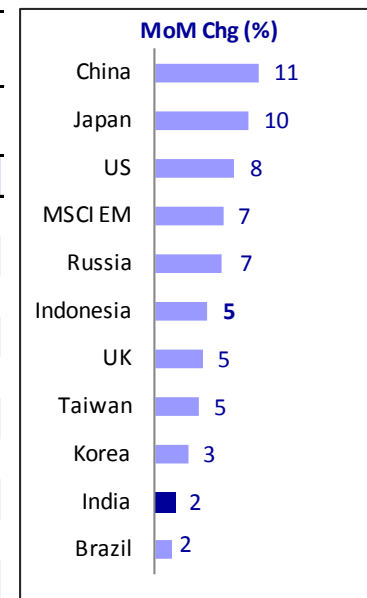
Source: MOSL, Bloomberg for CNX Midcap valuation.

Global equities: China, Japan and US the best performing markets in October

- For October 2015, China (+11%), Japan (+10%) and US (+10%) were the best performers among the key global markets in local currency terms.
- Indian equities are currently trading at 18.2x FY16E earnings—a premium to all other EMs.
- India's RoE continues to remain superior to most EMs—an important differentiator for valuation premium.

Sensex v/s other markets

	Index Value	Mkt Cap (USD T)	YTD Chg (%)		PE (x)		Prem / Disc to India PE (%)		PB (x)		RoE (%)	
			Local Currency	In USD	CY14 / FY15	CY15 / FY16	CY14 / FY15	CY15 / FY16	CY14 / FY15	CY15 / FY16	CY14 / FY15	CY15 / FY16
India	26,657	1.5	-3	-6	19.7	18.2			3.0	2.8	15.1	15.2
Japan	19,083	4.9	9	8	21.8	18.2	11	0	1.8	1.6	8.1	8.9
US	2,079	24.1	1	1	18.4	17.6	-7	-4	2.9	2.7	15.5	15.4
UK	6,361	3.6	-3	-4	21.3	15.8	8	-13	1.8	1.8	8.4	11.3
Indonesia	4,455	0.3	-15	-23	18.5	15.4	-6	-16	2.2	2.3	12.1	14.7
China	3,383	6.1	5	3	16.4	14.3	-17	-21	2.0	1.7	12.3	11.7
Korea	2,029	1.3	6	2	15.5	13.0	-21	-28	1.0	1.0	6.6	8.0
Taiwan	8,554	0.9	-8	-11	13.1	12.8	-34	-30	1.5	1.6	11.6	12.2
Brazil	45,869	0.5	-8	-37	20.1	12.6	2	-31	1.2	1.1	6.0	8.8
MSCI EM	848	6.9	-11	-11	11.4	12.2	-42	-33	1.3	1.4	11.4	11.2
Russia	3,975	0.5	31	15	8.2	5.4	-58	-70	0.7	0.6	8.7	10.2

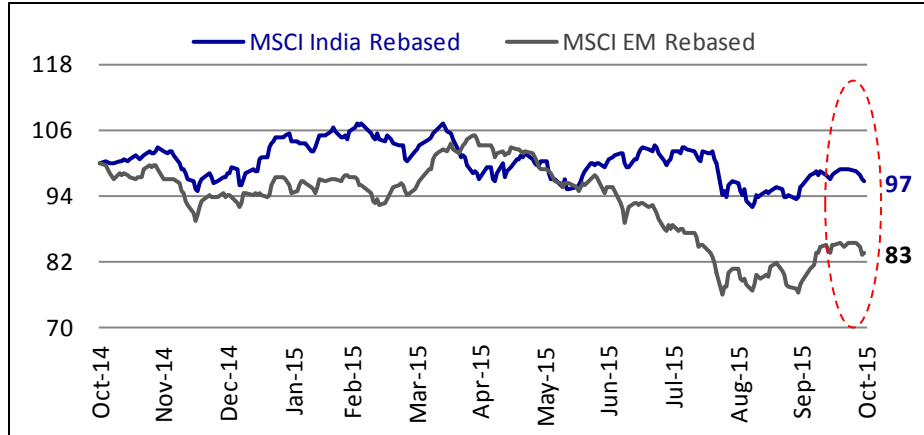


Source: Bloomberg/MOSL

Global equities: MSCI India outperforms other EMs in the last 12 months

- In the last 12 months, MSCI EM gave 17% negative return against 3% negative return for MSCI India. MSCI India P/E is at a premium of 81% to MSCI EM P/E—above its historical average premium of 43%.
- Indian markets now trade marginally below the long-period average; the UK, Korea and Brazil trade at a significant premium.

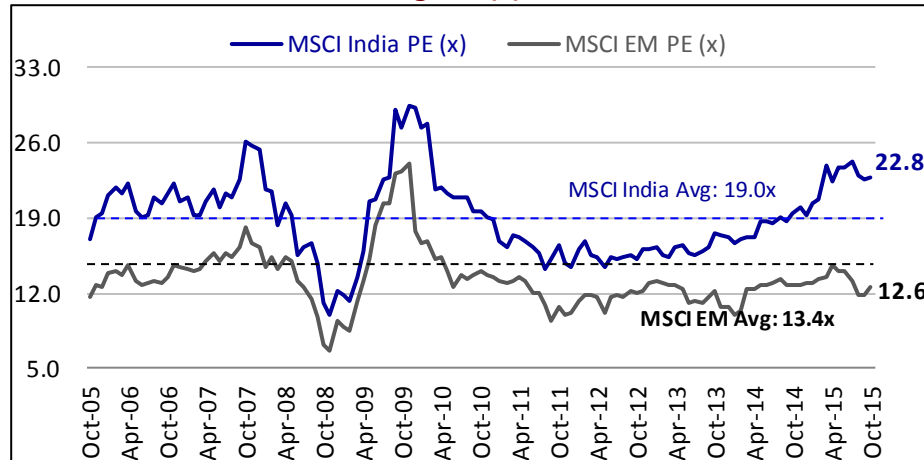
MSCI India outperforms MSCI EM in the last 12 months



Sensex v/s other markets—premium/discount to

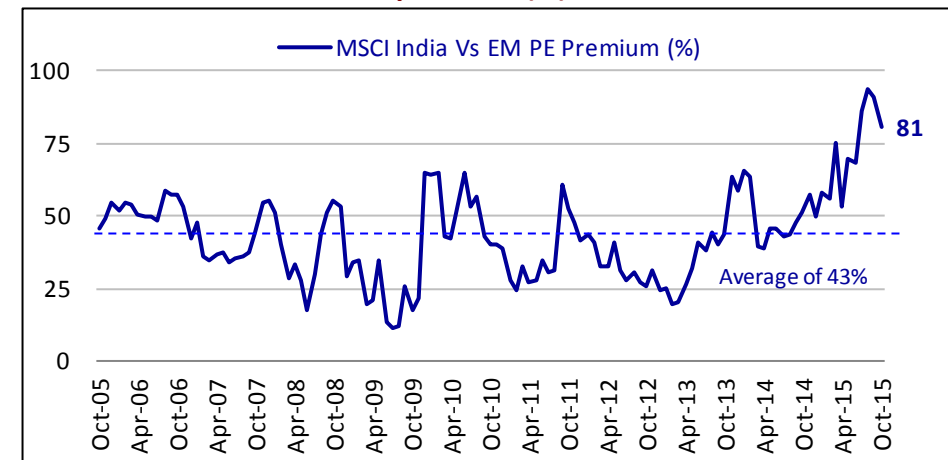
Country	PE (x) - 1 Year Forward		
	Current	LPA	Prem/Disc (%)
UK	15.8	12.0	31.3
Korea	13.0	11.0	18.2
Brazil	12.6	10.7	18.1
US	17.6	15.0	17.6
Indonesia	15.4	14.2	8.4
MSCI EM	12.2	11.4	6.7
India	16.2	16.4	-1.5
China	14.3	15.6	-8.1
Taiwan	12.8	14.8	-13.3
Russia	5.4	6.4	-14.8
Japan	18.2	22.3	-18.5

MSCI India v/s MSCI EM trailing P/E (x)



Source: Bloomberg

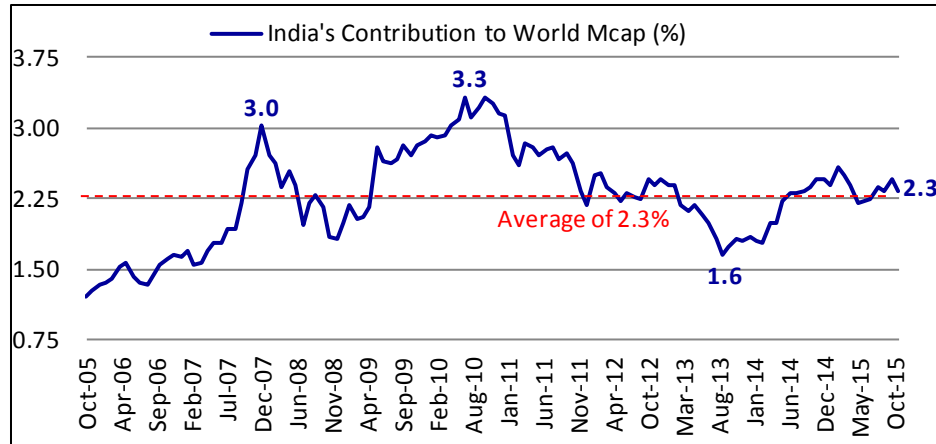
MSCI India v/s MSCI EM P/E premium (%)



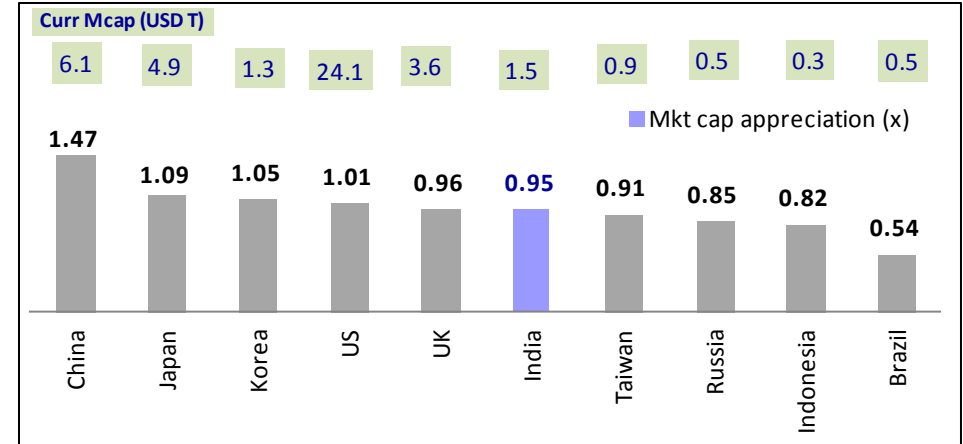
Global equities: India's share in the world market cap at its historical average of 2.3%

- India's share in the world market cap is at 2.3%—at its long-period average.
- In the last 12 months, world market cap increased by 1% (USD0.7t); however, India declined by 4.7% during the same period.

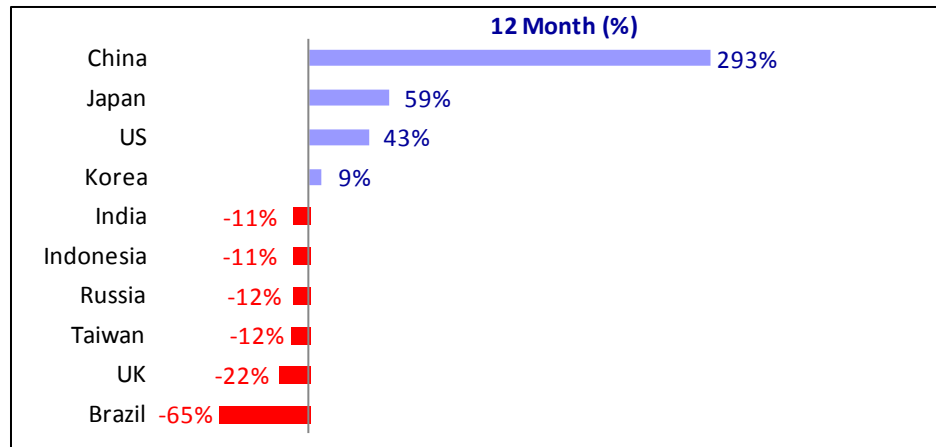
Trend in India's contribution to world market cap (%)



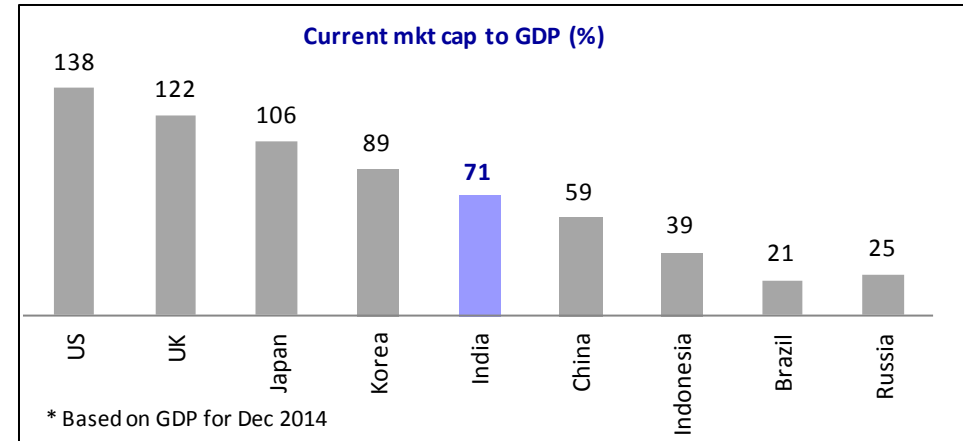
Market cap appreciation in the last 12 months (x)



Contribution to world market cap in the last 12 months



Global market cap-to-GDP (%)



Source: Bloomberg, World Bank

Sensex: Earnings downgrade continues, led by global cyclical

- Our bottom-up earnings estimates of Sensex constituents indicate Sensex EPS CAGR of 15% during FY15-17—significantly higher than 7% CAGR witnessed during FY08-15. FY16/FY17 EPS growth expected to see recovery, led by cyclicals.
- One-fourth of the Sensex constituents are expected to contribute two-thirds of FY16 Sensex EPS expansion. Key contributors to the expansion would be Reliance Industries, HDFC Bank, ICICI Bank, HDFC, SBI, ITC, Axis Bank and Infosys.
- Capital Goods (+21%), Autos (+17%), Oil & Gas (+15%) and Healthcare (+15%) are likely to report healthy PAT growth for FY16 in the Sensex universe. Metals and Telecom are expected to be the only sectors to report a de-growth in FY16.

SENSEX GROWTH & VALUATIONS

Sector	Weight (%)	Mcap (USD b)	PAT Growth (%) #			PE (x)			PB (x)			ROE (%)		
			FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E
Auto	10.8	71	-2	17	26	17.6	15.1	12.0	4.0	3.1	2.6	23	21	22
Banking & Financial	30.9	141	17	15	20	17.8	15.5	12.9	2.7	2.4	2.1	15	15	16
Capital Goods	5.7	28	-27	21	44	32.4	26.7	18.5	2.4	2.3	2.1	7	8	11
Consumer	10.4	68	9	8	10	33.0	30.7	27.9	12.8	11.6	10.7	39	38	38
Healthcare	9.9	66	26	15	39	40.6	35.3	25.4	7.5	6.4	5.3	18	18	21
Metals	1.6	11	-18	-61	80	7.8	20.1	11.2	0.6	0.6	0.6	7	3	5
Oil & Gas	9.2	86	-17	15	22	12.8	11.1	9.2	1.3	1.2	1.1	10	11	12
Technology	16.6	136	13	10	16	20.9	18.9	16.3	5.8	5.1	4.3	28	27	26
Telecom	2.1	21	87	-15	9	26.9	31.6	29.1	2.2	2.2	2.0	8	7	7
Utilities	2.9	48	-12	9	15	13.7	12.6	11.0	2.6	2.6	2.5	19	21	23
Sensex	100	675	2	8	22	19.7	18.2	15.0	3.0	2.8	2.5	15	15	16

for Sensex we have taken EPS Growth; Sensex numbers are free float adjusted.

Nifty: Oil & Gas trades at a discount; outperforms for in October

- In Oil & Gas, all companies are trading at a discount on P/E basis; Reliance Industries' discount reached 30% due to outperformance in October.
- All PSU Banks now trade at discount to their historical average on P/B basis. All Private Banks (except Axis and Yes Bank) are trading at a premium to their historical average on P/B basis.
- Bharti Airtel trades at a 7% premium to its long-period average on P/E basis, whereas Idea Cellular is at a 20% discount.

Name	Sector	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
		Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Bajaj Auto	Auto	16.8	14.0	20	4	-15	5.5	5.5	-1	112	102
Hero MotoCorp	Auto	15.2	15.8	-4	-6	-4	5.8	7.0	-17	123	154
Mahindra & Mahind Auto		16.1	13.6	19	0	-17	3.0	3.3	-10	15	19
Maruti Suzuki	Auto	21.0	16.1	30	30	-2	4.4	2.7	64	72	-1
Tata Motors	Auto	7.8	10.3	-24	-52	-38	1.5	2.6	-44	-43	-4
Axis Bank	Banks - Private	12.1	12.7	-5	-25	-23	2.0	2.1	-5	-22	-23
HDFC Bank	Banks - Private	19.9	21.1	-6	23	28	3.5	3.4	4	37	24
ICICI Bank	Banks - Private	11.6	17.2	-33	-28	5	1.9	1.9	3	-24	-31
IndusInd Bank	Banks - Private	19.3	16.3	18	19	-1	2.8	2.1	37	10	-24
Kotak Mahindra Ban	Banks - Private	29.7	21.4	38	83	30	3.5	2.8	25	35	2
Yes Bank	Banks - Private	11.0	13.4	-18	-32	-18	2.1	2.3	-11	-19	-14
Bank of Baroda	Banks - PSU	6.9	5.6	23	-57	-66	0.8	0.9	-3	-68	-69
Punjab National Ban	Banks - PSU	5.4	7.2	-25	-67	-56	0.5	1.1	-51	-79	-59
State Bank	Banks - PSU	8.1	9.6	-15	-50	-42	1.0	1.3	-24	-62	-53
HDFC	Banks - NBFC	27.1	24.2	12	67	47	5.4	4.8	14	111	74
BHEL	Capital Goods	15.8	21.1	-25	-2	28	1.3	4.0	-68	-49	48
Larsen & Toubro	Capital Goods	24.5	27.0	-9	51	64	2.8	4.1	-31	10	49
ACC	Cement	26.5	18.9	41	64	15	3.1	3.0	2	20	11
Ambuja Cements	Cement	24.3	18.5	31	50	12	2.2	2.9	-23	-13	6
Grasim Industries	Cement	13.5	9.2	47	-17	-44	1.3	1.4	-7	-50	-50
Ultratech Cement	Cement	24.7	16.5	50	53	0	3.5	3.0	16	34	8
Asian Paints	Consumer	41.2	27.1	52	154	65	12.9	9.3	38	399	241
Hind. Unilever	Consumer	40.4	29.6	36	150	80	55.8	29.8	88	2065	987
ITC	Consumer	24.5	21.6	14	51	31	7.3	7.1	3	183	158

Nifty: Consumer trades at a premium; Asian Paints at a significant premium to average

- Companies with significant premium to their averages: Hindalco (+63%), Lupin (+54%), Asian Paints (+52%), Ultratech (+50%), Grasim Inds (+47%) and ACC (+41%).
- Companies with a significant discount to their averages: Tata Steel (-37%), NTPC (-35%), Tata Power (-35%), Reliance Inds (-30%) and BHEL (-25%).

Name	Sector	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
		Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Cipla	Healthcare	26.3	23.6	12	62	43	4.1	3.7	9	57	36
Dr Reddy's Labs	Healthcare	22.6	20.2	12	39	23	4.7	3.5	34	83	28
Lupin	Healthcare	27.5	17.9	54	70	9	6.8	4.4	54	164	61
Sun Pharma	Healthcare	33.3	25.8	29	106	57	6.5	4.9	33	154	80
Zee Ent.	Media	28.5	23.2	23	76	41	7.9	4.7	70	207	71
Hindalco	Metals	15.6	9.6	63	-4	-42	0.8	1.7	-55	-70	-37
NMDC	Metals	13.7	16.2	-16	-15	-1	1.2	4.7	-75	-55	72
Tata Steel	Metals	22.8	36.1	-37	41	119	1.2	2.4	-51	-55	-12
Vedanta	Metals	9.9	8.5	16	-39	-48	0.8	2.5	-67	-68	-9
BPCL	Oil & Gas	10.0	11.5	-13	-38	-30	2.2	1.4	61	-15	-50
Cairn India	Oil & Gas	12.4	14.7	-16	-24	-11	0.5	1.1	-58	-82	-59
GAIL	Oil & Gas	13.0	13.2	-2	-20	-20	1.2	2.0	-40	-53	-26
ONGC	Oil & Gas	9.0	11.0	-18	-44	-33	1.0	1.9	-46	-60	-30
Reliance Inds.	Oil & Gas	9.3	13.3	-30	-42	-19	1.1	1.7	-36	-58	-38
HCL Technologies	Technology	15.4	14.4	8	-5	-13	3.9	3.3	19	53	20
Infosys	Technology	17.6	18.5	-5	9	13	3.9	5.0	-22	51	82
TCS	Technology	18.6	18.2	2	15	10	6.3	6.5	-3	145	139
Tech Mahindra	Technology	14.0	16.6	-16	-14	1	2.9	4.2	-31	14	55
Wipro	Technology	13.6	15.8	-14	-16	-4	2.9	3.7	-22	11	34
Bharti Airtel	Telecom	30.1	28.0	7	86	70	1.9	3.3	-41	-24	20
Idea Cellular	Telecom	19.8	24.7	-20	22	50	1.9	2.4	-21	-28	-14
Coal India	Utilities	12.3	13.7	-10	-24	-17	4.7	5.0	-6	83	84
NTPC	Utilities	10.4	16.1	-35	-36	-2	1.4	2.0	-33	-47	-26
Power Grid Corp.	Utilities	10.3	12.4	-17	-36	-25	1.4	1.7	-17	-44	-36
Tata Power	Utilities	13.6	21.0	-35	-16	28	1.1	2.1	-45	-56	-24
Sensex		16.2	16.4	-2			2.6	2.7	-6		

Mid-cap: Outperforms Nifty by 0.5% in October

- During Oct-15, CNX Midcap delivered 2% positive return against Nifty's positive 1.5%.
- Top mid-cap performers in Oct-15: Coromandel Intl (21%), Radico Khaitan (20%) and Kaveri Seeds (19%).

Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)		Price Chg (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	MoM	YTD
Coromandel Internatic	9.2	10.8	-15	-43	-34	2.0	2.4	-17	-22	-11	21	-39
Radico Khaitan	13.1	27.5	-52	-19	67	1.3	3.1	-57	-48	13	20	16
Kaveri Seed	11.8	10.9	8	-27	-34	3.3	3.2	3	26	15	19	-35
SRF	15.7	6.3	151	-3	-62	2.7	1.1	141	4	-59	17	51
Sobha	10.5	17.8	-41	-35	8	1.2	2.1	-46	-55	-22	17	-33
TTK Prestige	36.8	20.4	80	127	24	6.5	4.7	37	151	73	15	20
Century Ply.	17.5	7.6	132	8	-54	5.9	2.2	166	127	-20	12	10
Symphony	49.6	14.9	233	207	-9	21.0	5.5	281	715	101	12	6
Muthoot Finance	8.3	8.0	4	-49	-52	1.2	1.4	-15	-53	-48	11	-6
Sanofi India	28.9	23.4	24	79	42	5.6	4.1	37	117	49	11	26
Guj.St.Petronet	13.9	14.1	-2	-14	-14	1.7	1.9	-14	-35	-29	9	13
Voltas	21.6	20.4	6	33	24	3.7	4.1	-10	42	48	6	17
Ipca Labs.	25.3	16.3	56	56	-1	3.7	2.9	29	43	4	5	7
P I Inds.	26.0	9.3	180	60	-44	6.9	2.2	210	168	-19	5	29
Biocon	17.6	17.1	3	9	4	2.3	2.3	-1	-11	-16	2	7
H T Media	13.2	26.0	-49	-19	58	0.8	2.4	-66	-69	-13	2	-36
Crompton Greaves	22.3	31.2	-29	38	90	2.3	4.3	-46	-11	56	2	-7
India Cements	9.3	14.2	-35	-43	-14	0.6	1.1	-47	-76	-58	0	-8
Inox Leisure	20.5	28.4	-28	27	73	2.7	1.9	42	3	-31	0	26
Tata Elxsi	30.7	15.9	93	90	-3	13.4	5.0	167	421	84	-3	206
Va Tech Wabag	20.7	20.1	3	28	22	6.5	3.8	68	151	40	-4	-13
Jain Irrigation	10.8	25.9	-58	-33	57	1.1	2.8	-61	-57	4	-4	-12
Birla Corpn.	12.3	9.4	30	-24	-43	1.2	1.4	-15	-54	-49	-5	-3
Gateway Distriparks	20.6	15.0	38	27	-9	2.7	1.8	46	3	-34	-6	-5
Indian Bank	4.4	5.4	-18	-73	-67	0.4	0.8	-50	-83	-69	-8	-43
Monsanto India	28.8	22.4	29	78	36	10.0	5.1	96	288	86	-9	-17
Gujarat Pipavav	21.1	25.5	-17	30	55	3.2	2.7	17	24	0	-13	-22
Kitex Garments	22.6	7.6	198	40	-54	7.6	2.4	213	195	-11	-15	41
Federal Bank	10.7	8.7	23	-34	-47	1.1	1.0	4	-59	-63	-15	-28
DCB Bank	15.4	18.3	-16	-5	12	1.4	1.6	-17	-47	-40	-39	-28

Sector valuations: Metals, Cement, Auto outperform; cyclicals remain at a discount

- Metals trade at 0.8x PB—a 53% discount to its historical PB average. EV/EBIDTA valuations is at 6.5x—an 8% premium to its historical average. Metal sector was the best performer for the month (positive return of 6.9%).
- Auto sector now trades at 15.2x PE—a 10% premium to its historical average. CVs would see growth normalizing post heavy demand witnessed during last one year till Sep-15 on back of safety regulation changes. In 2Ws, domestic demand momentum is likely to see some positive momentum on the back of festive season and increased demand for scooters.
- Cement EV/EBITDA valuation is at 10.5x—a 38% premium to historical average. Demand woes continue on the back of macro recovery uncertainty. Pricing discipline in the south continued, while north has posted pricing uptick since mid-2QFY16 after severe underperformance.
- Technology now trades at 16.8x—at its historical average. The sector was the worst performer (2.7% negative return) in October. Aided by seasonality, 2QFY16 revenue growth has been strong across the board (except for HCLT) and margin saw benefits of INR depreciation. However, a seasonally weak 3Q, despite strength in order bookings, is in the offing.

Sector	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Auto	15.2	13.8	10.3	-6	-17	3.3	3.1	5.1	28	15
Banks - Private	15.9	15.8	1.0	-2	-5	2.5	2.1	16.9	-3	-22
Banks - PSU	6.6	7.4	-10.4	-59	-55	0.8	1.1	-31.7	-70	-59
NBFC	12.4	11.9	3.7	-23	-28	2.3	2.2	5.4	-11	-20
Capital Goods	26.4	23.8	11.1	63	42	3.1	4.4	-30.7	19	57
Cement	23.1	14.9	54.7	43	-9	2.6	2.4	7.0	1	-12
Consumer	33.8	27.0	25.0	109	67	11.3	9.2	23.5	340	245
Healthcare	27.2	20.5	32.6	68	26	5.8	4.1	40.1	125	54
Media	22.2	22.8	-2.4	37	37	4.9	4.2	17.3	90	53
Metals	20.2	12.2	65.9	25	-27	0.8	1.7	-53.2	-69	-40
Oil & Gas	9.4	11.6	-19.4	-42	-29	1.1	1.7	-31.9	-56	-39
Real Estate	16.8	23.9	-29.9	4	46	0.8	1.4	-46.2	-70	-49
Retail	38.9	32.9	18.3	140	100	7.7	8.1	-5.1	199	200
Technology	16.8	16.9	-0.8	4	4	4.3	4.9	-11.3	69	77
Telecom	25.8	24.6	4.8	59	52	1.6	2.4	-32.8	-36	-12
Utilities	10.2	15.1	-32.2	-37	-8	1.2	1.8	-32.2	-53	-34



Auto: Festive season to ring in cheer for PVs and scooters



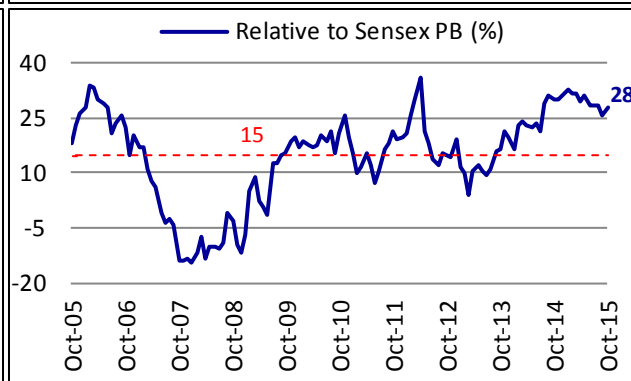
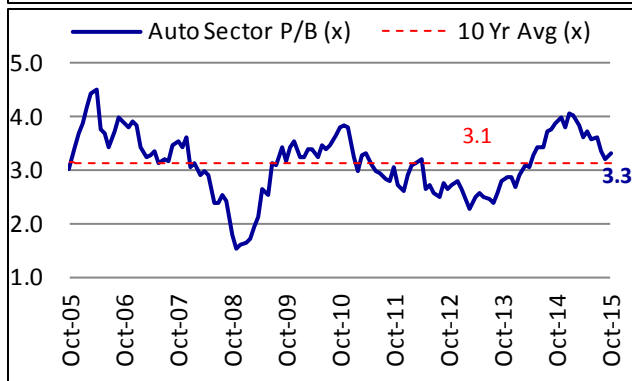
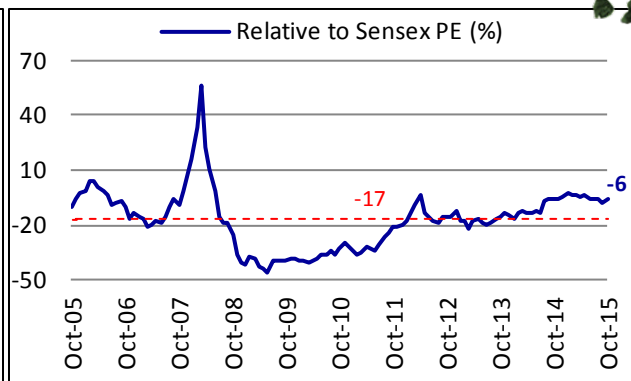
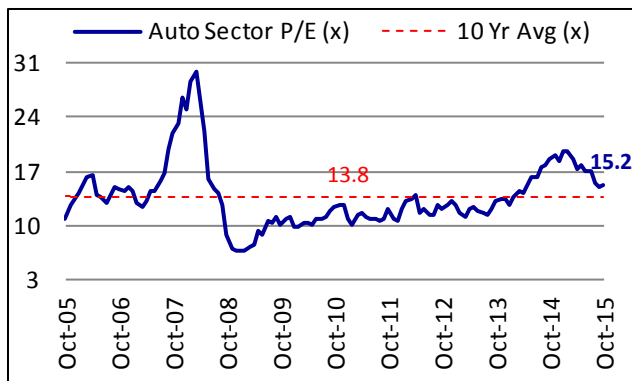
Auto sector trades at a 10% premium to its historical average P/E. Tata Motors trades at a 24% discount to its historical avg P/E.

CVs would see growth normalizing post heavy demand witnessed during last one year till Sep-15 on back of safety regulation changes.

In 2Ws, domestic demand momentum is likely to see some positive momentum on the back of festive season and increased demand for scooters. Demand momentum remains strong in PVs on the back of new launches and the upcoming festive season.

Sector Performance MoM

Auto +4.5%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Amara Raja Batt.	24.7	10.5	136	53	-36	5.4	2.5	113	109	-8
Ashok Leyland	15.3	14.8	3	-6	-10	3.8	2.8	38	47	0
Bajaj Auto	16.8	14.0	20	4	-15	5.5	5.5	-1	112	102
Bharat Forge	20.6	30.9	-33	27	88	4.5	3.8	17	74	40
Bosch	37.5	24.1	56	132	46	6.9	4.5	53	168	65
Eicher Motors	30.5	16.9	81	88	3	11.1	3.5	214	331	29
Exide Inds.	18.0	18.4	-2	12	12	2.7	3.3	-19	3	20
Hero Motocorp	15.2	15.8	-4	-6	-4	5.8	7.0	-17	123	154
M & M	16.1	13.6	19	0	-17	3.0	3.3	-10	15	19
Maruti Suzuki	21.0	16.1	30	30	-2	4.4	2.7	64	72	-1
Tata Motors	7.8	10.3	-24	-52	-38	1.5	2.6	-44	-43	-4
TVS Motor Co.	19.8	14.1	40	22	-14	5.4	2.1	158	109	-24

Private Banks: Steady growth outlook; at 17% premium to LPA

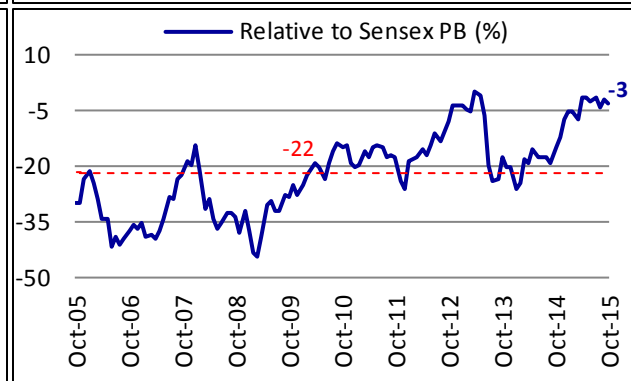
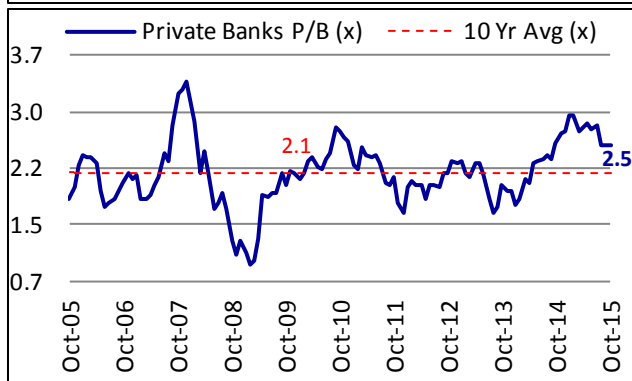
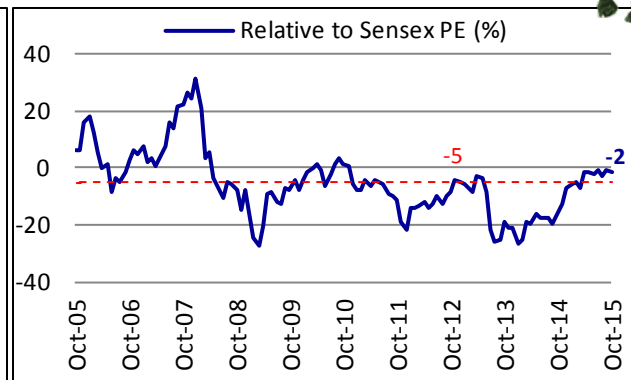
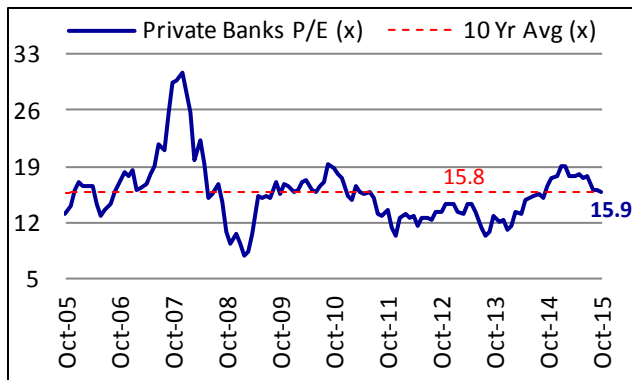


Private banks are trading at a 17% premium to historical average P/B and at a 3% discount to market P/B; this premium multiple is on the back of market share gains in loan, deposit and steady NIMs, leading to strong core operating performance and decadal-high return ratios.

Asset quality performance was a mixed bag during 2Q; however, it was better than the industry. We expect corporate loan growth to pick up in the second half of FY16, which should enable further traction in NII and fee growth.

Sector Performance MoM

Private Banks +2.0%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Axis Bank	12.1	12.7	-5	-25	-23	2.0	2.1	-5	-22	-23
DCB Bank	15.4	18.3	-16	-5	12	1.4	1.6	-17	-47	-40
Federal Bank	10.7	8.7	23	-34	-47	1.1	1.0	4	-59	-63
HDFC Bank	19.9	21.1	-6	23	28	3.5	3.4	4	37	24
ICICI Bank	11.6	17.2	-33	-28	5	1.9	1.9	3	-24	-31
IndusInd Bank	19.3	16.3	18	19	-1	2.8	2.1	37	10	-24
J & K Bank	5.2	6.8	-23	-68	-59	0.6	1.0	-42	-78	-63
Kotak Mah. Bank	29.7	21.4	38	83	30	3.5	2.8	25	35	2
South Ind. Bank	7.2	6.5	10	-56	-60	0.7	0.9	-25	-73	-67
Yes Bank	11.0	13.4	-18	-32	-18	2.1	2.3	-11	-19	-14

PSU Banks: Asset quality performance remains the key monitorable

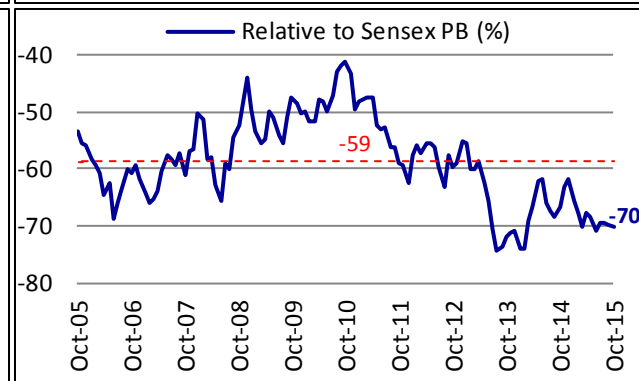
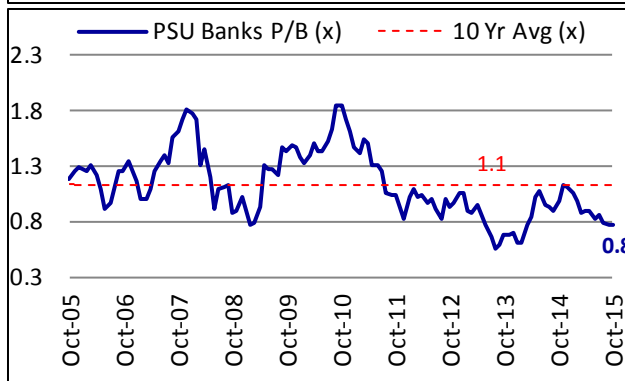
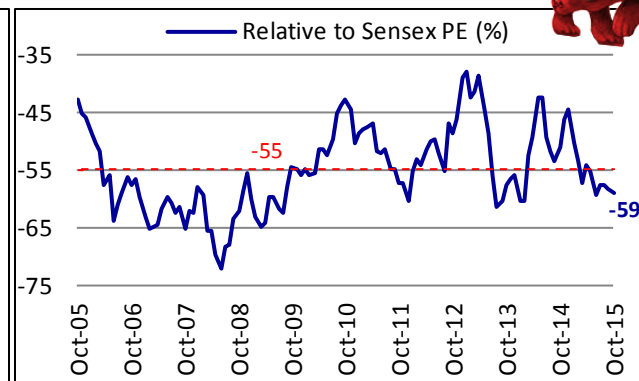
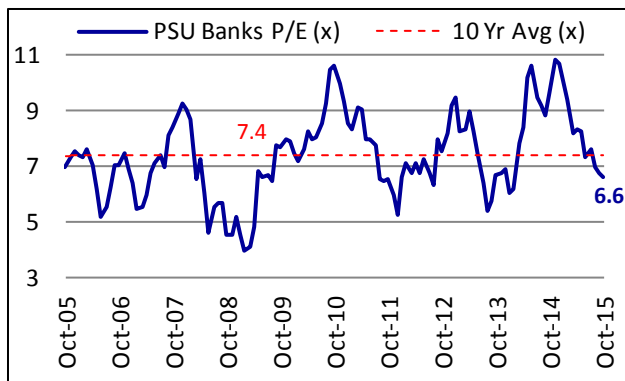


PSU Banks trade at a 32% discount to historical average P/B. The sector continued to underperform in October (2.4% negative return), led by negative news flow on large corporate stress and rescheduling under 5:25/SDR and mixed asset quality trends at large private banks. Hence, trend in fresh stress addition would be the key monitorable in the upcoming earnings season.

We continue to remain positive on select PSBs like SBIN, INBK, BOB and UNBK, which are better placed than peers.

Sector Performance MoM

PSU Banks -2.4%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Andhra Bank	3.2	6.0	-48	-81	-63	0.3	0.9	-60	-87	-69
Bank of Baroda	6.9	5.6	23	-57	-66	0.8	0.9	-3	-68	-69
Bank of India	5.5	7.5	-27	-66	-54	0.3	1.0	-69	-88	-63
Canara Bank	5.2	6.1	-14	-68	-63	0.5	0.9	-50	-82	-67
Corporation Bank	2.2	4.5	-51	-86	-73	0.3	0.6	-52	-89	-78
Dena Bank	3.8	5.2	-26	-76	-68	0.3	0.7	-53	-88	-75
IDBI Bank	4.9	7.8	-37	-70	-52	0.5	0.8	-34	-80	-71
Indian Bank	4.4	5.4	-18	-73	-67	0.4	0.8	-50	-83	-69
Oriental Bank	2.4	6.6	-64	-85	-60	0.3	0.7	-64	-90	-73
Punjab Natl. Bank	5.4	7.2	-25	-67	-56	0.5	1.1	-51	-79	-59
St Bk of India	8.1	9.6	-15	-50	-42	1.0	1.3	-24	-62	-53
Union Bank (I)	3.7	6.1	-39	-77	-63	0.5	1.0	-53	-82	-64

NBFC: Underperforms in October; 2QFY16 a mixed bag



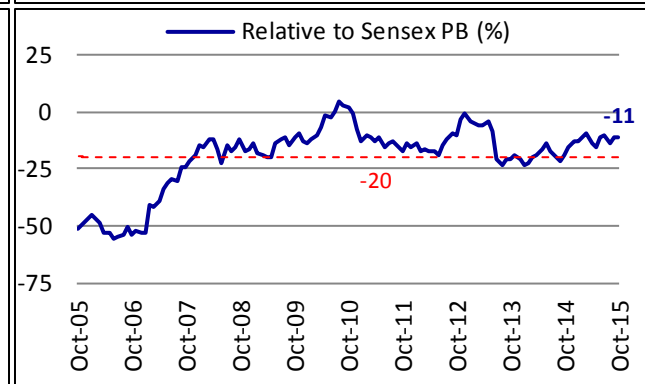
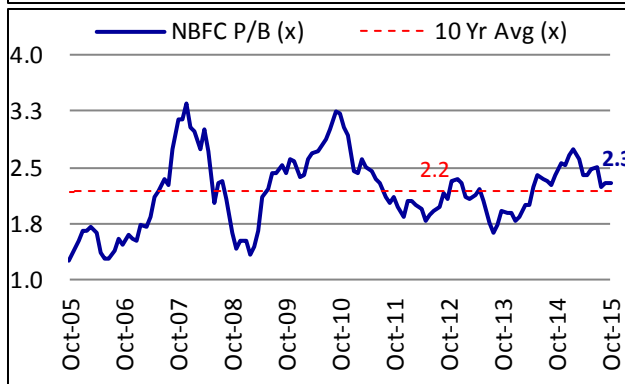
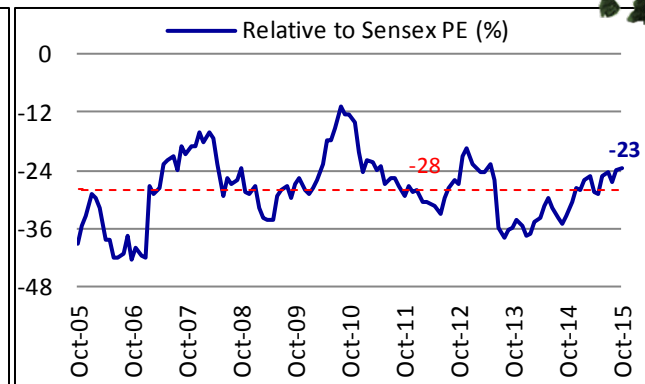
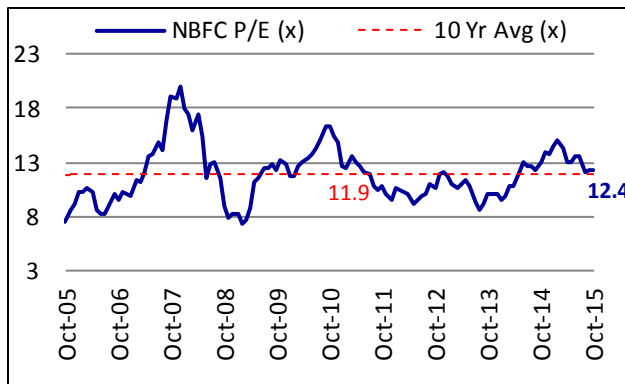
NBFC now trades at 2.3x P/B, near its historical average of 2.2x P/B.

Most HFCs reported good numbers for the quarter, with improving NIMs and stable asset quality. However, asset financing companies are facing some pain due to poor monsoon and prolonged weakness in the rural economy.

Infrastructure finance companies REC and PFC trade at a 40% discount to their average P/B. HDFC trades at a premium of 111% to market P/B.

Sector Performance MoM

NBFC -2.1%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Bajaj Finance	20.5	17.6	16	27	7	3.5	1.4	147	36	-48
Dewan Housing	7.5	6.6	14	-54	-60	1.2	1.1	3	-55	-59
GRUH Finance	32.6	16.6	97	101	1	9.6	4.6	111	273	67
H D F C	27.1	24.2	12	67	47	5.4	4.8	14	111	74
LIC Housing Fin.	12.4	8.4	47	-24	-49	2.4	1.6	51	-8	-42
M & M Financial	16.4	12.8	28	1	-22	2.0	2.0	-3	-24	-26
Muthoot Finance	8.3	8.0	4	-49	-52	1.2	1.4	-15	-53	-48
Power Fin.Corp.	4.2	8.0	-48	-74	-52	0.8	1.3	-40	-70	-53
Rural Elec.Corp.	3.5	6.1	-42	-78	-63	0.7	1.2	-40	-71	-55
Shriram Trans.	13.8	11.0	25	-15	-33	1.9	2.1	-7	-26	-25

Capital Goods: Attempts to revive investment cycle on; at a discount to P/B average



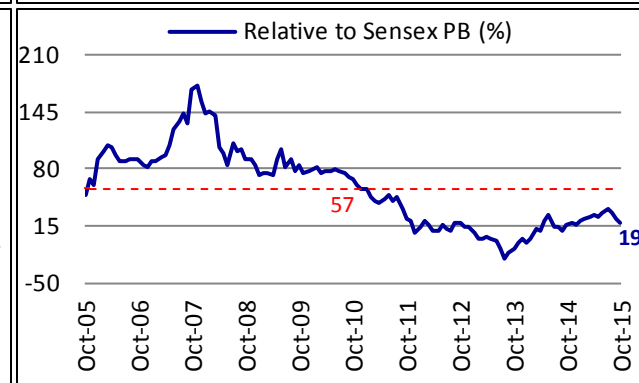
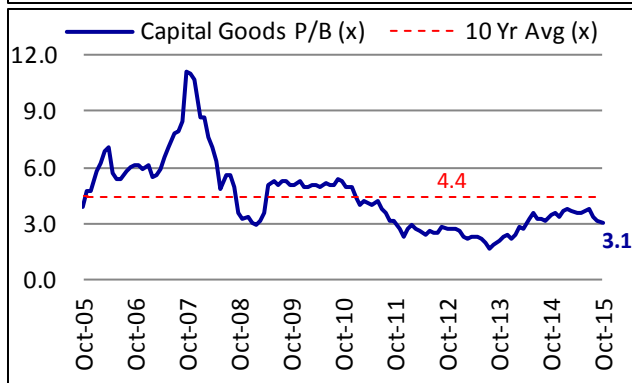
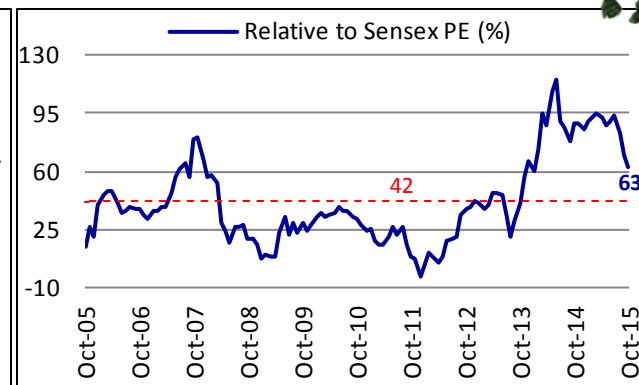
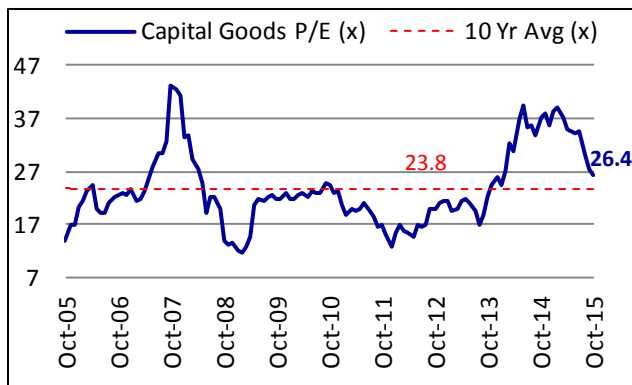
Capital Goods trades at a 31% discount to historical P/B average; however, it trades at an 11% premium to its historical P/E average.

Government allocations have increased toward Roads/Railways and Defense and attempts to kick-start investment cycle have provided a new ray of hope.

Larsen trades at a 31% discount to its long-period average on P/B basis.

Sector Performance MoM

Capital Goods -1.1%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
A B B	54.2	74.8	-27	235	355	8.1	7.4	10	215	169
B H E L	15.8	21.1	-25	-2	28	1.3	4.0	-68	-49	48
Crompton Greaves	22.3	31.2	-29	38	90	2.3	4.3	-46	-11	56
Cummins India	32.3	20.0	61	99	22	8.6	5.3	62	234	95
Havells India	23.4	21.2	10	44	29	6.8	5.1	32	163	87
Larsen & Toubro	24.5	27.0	-9	51	64	2.8	4.1	-31	10	49
Siemens	75.9	52.3	45	369	218	9.1	9.0	1	251	228
Solar Inds.	27.7	13.8	102	71	-16	5.8	2.8	106	127	4
Thermax	29.4	22.4	32	82	36	4.1	5.0	-18	58	82
Voltas	21.6	20.4	6	33	24	3.7	4.1	-10	42	48

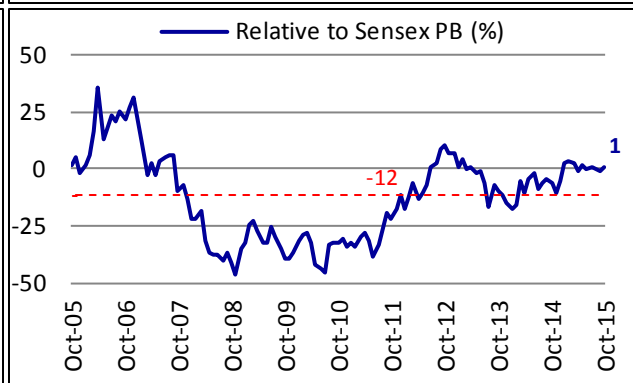
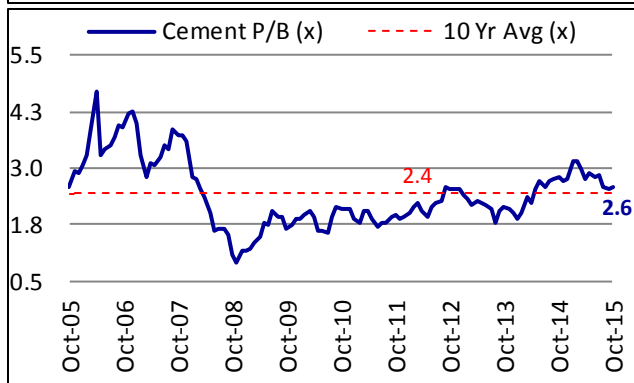
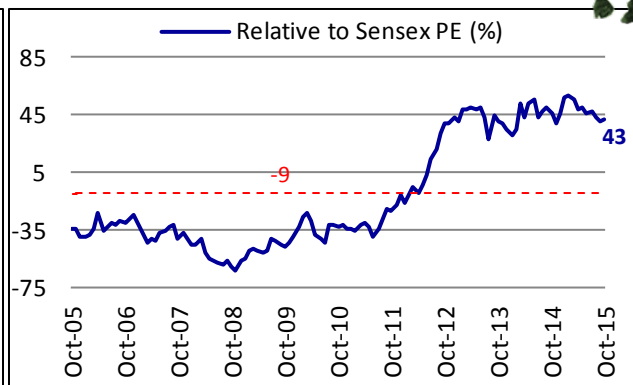
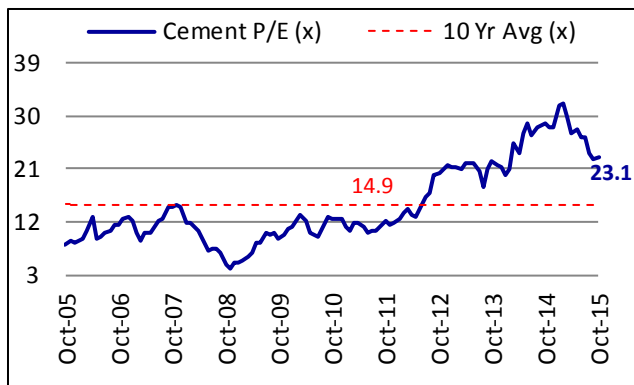
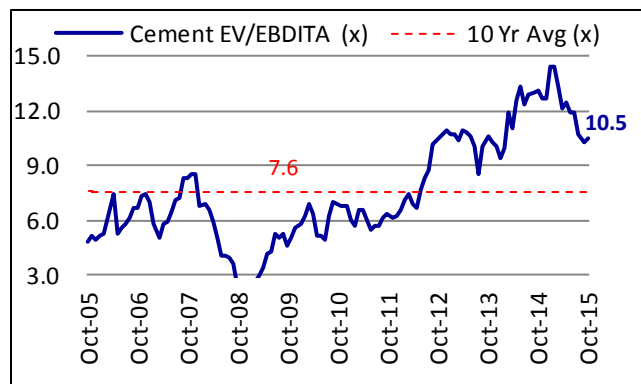


Cement: Strong pricing push in the north may add to demand woes

Cement EV/EBITDA valuation is at a 38% premium to historical average. Demand woes continue on the back of macro recovery uncertainty. Pricing discipline in south continued, while north has posted pricing uptick since mid-2QFY16 after severe underperformance.

Sector Performance MoM

Cement +4.9%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
ACC	26.5	18.9	41	64	15	3.1	3.0	2	20	11
Ambuja Cem.	24.3	18.5	31	50	12	2.2	2.9	-23	-13	6
Birla Corpn.	12.3	9.4	30	-24	-43	1.2	1.4	-15	-54	-49
Grasim Inds	13.5	9.2	47	-17	-44	1.3	1.4	-7	-50	-50
India Cements	9.3	14.2	-35	-43	-14	0.6	1.1	-47	-76	-58
Shree Cement	46.8	20.0	134	189	22	6.9	3.8	80	167	40
UltraTech Cem.	24.7	16.5	50	53	0	3.5	3.0	16	34	8



Consumer: Trades at 33.8x P/E; 25% premium to long-period average

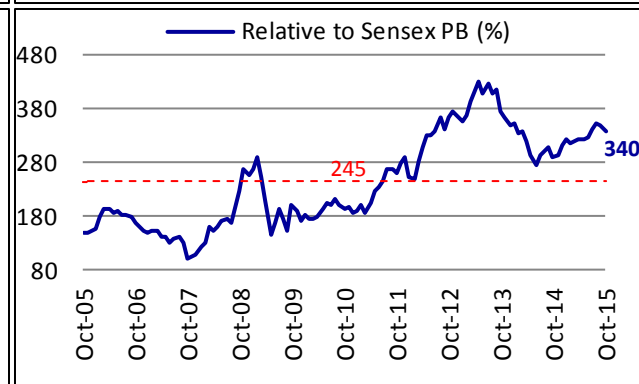
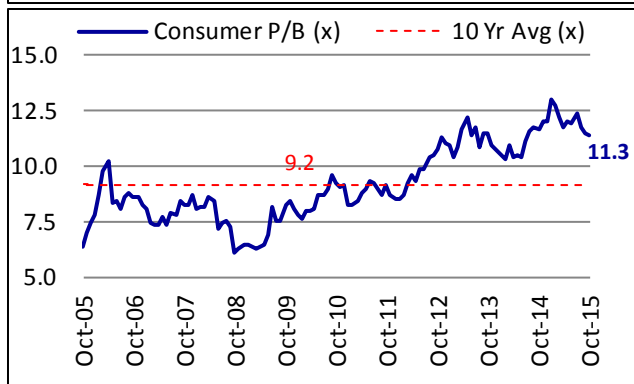
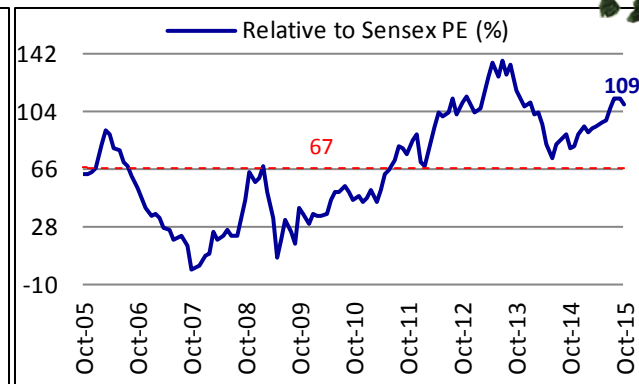
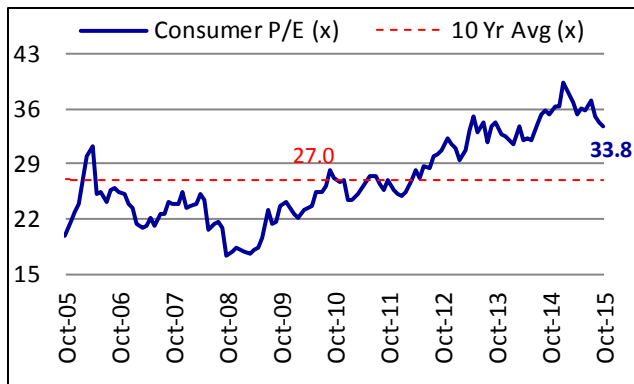
Consumer sector P/E continues to trade above its historical average (25% premium).

Companies with significant premium to their historical average P/E: Pidilite (78%), Britannia (65%), Emami (59%) and Asian Paints (52%).

Demand recovery seems delayed even as hopes for 2H FY16 recovery in consumption are alive. We see downside risks to FY16 and FY17 earnings. While valuations have corrected, they are still expensive.

Sector Performance MoM

Consumer +1.2%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Asian Paints	41.2	27.1	52	154	65	12.9	9.3	38	399	241
Britannia Inds.	40.2	24.4	65	149	48	18.5	9.5	95	617	247
Colgate-Palm.	39.1	28.2	39	142	72	28.9	26.1	11	1022	855
Dabur India	34.5	26.8	29	113	63	10.3	9.8	5	300	259
Emami	34.9	21.9	59	116	33	13.5	7.8	72	423	186
GlaxoSmith C H L	31.4	22.1	42	94	34	8.8	6.5	36	242	136
Godrej Consumer	32.7	25.1	30	102	53	7.3	10.5	-31	183	285
Hind. Unilever	40.4	29.6	36	150	80	55.8	29.8	88	2065	987
ITC	24.5	21.6	14	51	31	7.3	7.1	3	183	158
Jyothy Lab.	38.1	28.1	36	135	71	6.2	2.8	123	142	2
Marico	32.2	25.3	27	99	54	8.9	8.4	7	246	206
Nestle India	51.6	34.6	49	219	110	25.0	24.3	3	869	786
Pidilite Inds.	41.2	23.1	78	154	40	8.6	5.6	54	232	103
Radico Khaitan	13.1	27.5	-52	-19	67	1.3	3.1	-57	-48	13
United Spirits	75.9	53.7	41	369	226	11.2	5.9	90	334	115

Healthcare: Regulatory issues remain a big overhang



The Healthcare sector trades at a P/E of 27.2x—a 33% premium to its historical average.

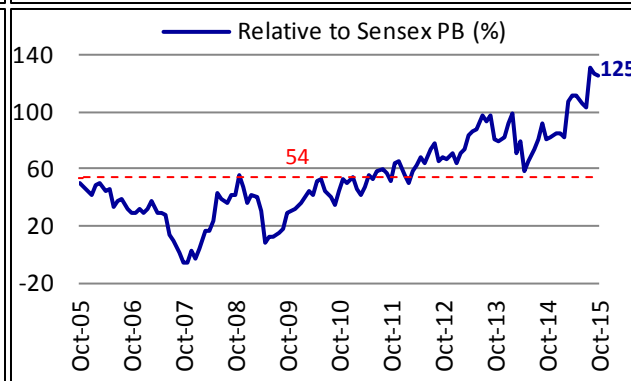
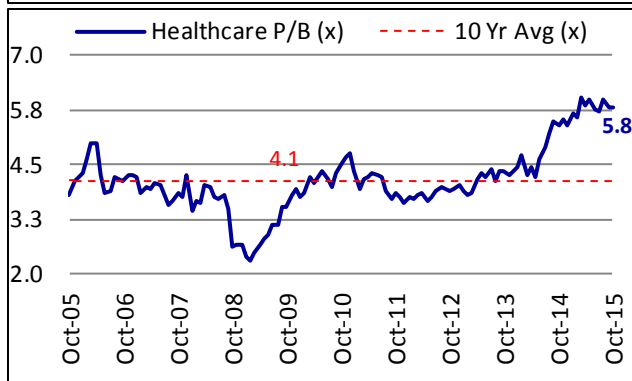
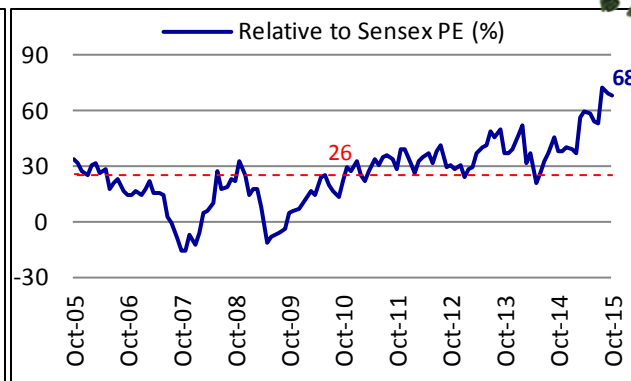
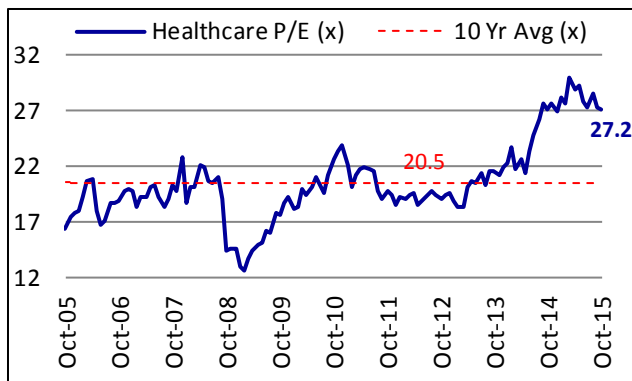
- Pending regulatory issues (US FDA) remain a big overhang on key stocks—SUNP, DRRD, CDH and IPCA.

The long-term outlook for the sector remains strong due to differentiated US pipeline and high growth in the domestic market.

Glenmark is the only stock that trades at a discount to historical average.

Sector Performance MoM

Healthcare +1.6%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Aurobindo Pharma	20.1	11.9	68	24	-27	5.7	2.5	131	120	-10
Biocon	17.6	17.1	3	9	4	2.3	2.3	-1	-11	-16
Cadila Health.	23.5	17.7	33	45	7	6.6	4.6	44	155	66
Cipla	26.3	23.6	12	62	43	4.1	3.7	9	57	36
Divi's Lab.	25.0	18.9	32	54	15	6.8	5.2	31	162	89
Dr Reddy's Labs	22.6	20.2	12	39	23	4.7	3.5	34	83	28
Glaxosmit Pharma	50.4	30.9	63	212	88	17.5	9.2	89	577	237
Glenmark Pharma.	26.3	32.0	-18	63	94	4.9	4.7	6	91	70
Ipca Labs.	25.3	16.3	56	56	-1	3.7	2.9	29	43	4
Lupin	27.5	17.9	54	70	9	6.8	4.4	54	164	61
Sanofi India	28.9	23.4	24	79	42	5.6	4.1	37	117	49
Sun Pharma.Inds.	33.3	25.8	29	106	57	6.5	4.9	33	154	80
Torrent Pharma.	21.2	12.9	64	31	-21	6.3	3.6	74	143	32

Media: Trades near its historical average P/E; riding a tailwind

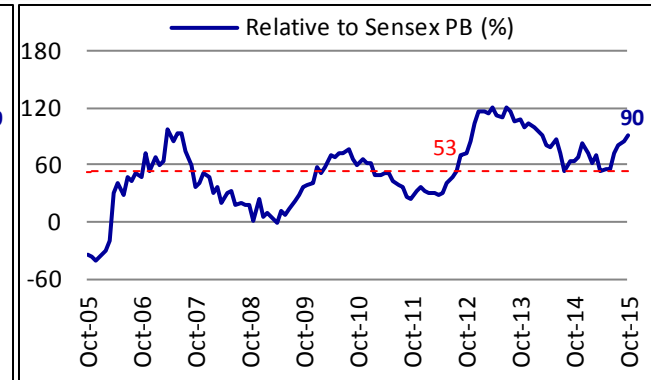
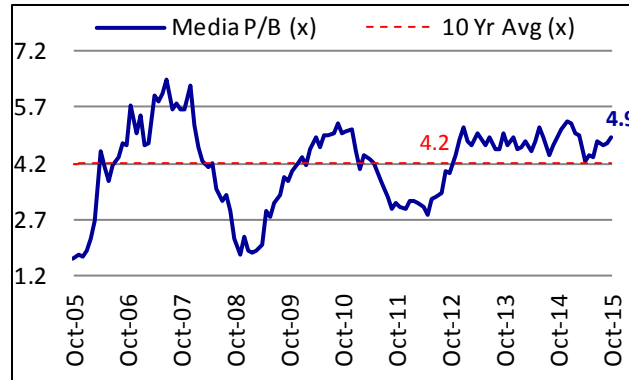
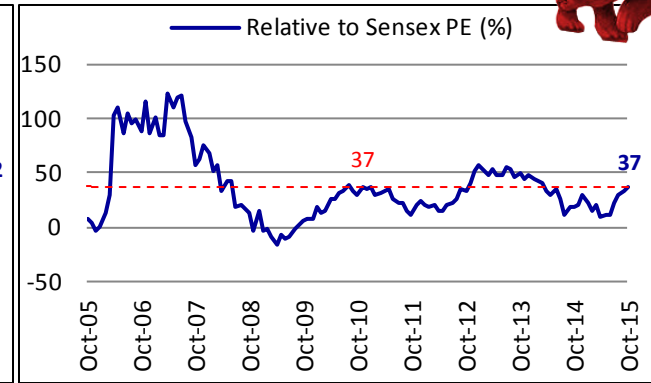
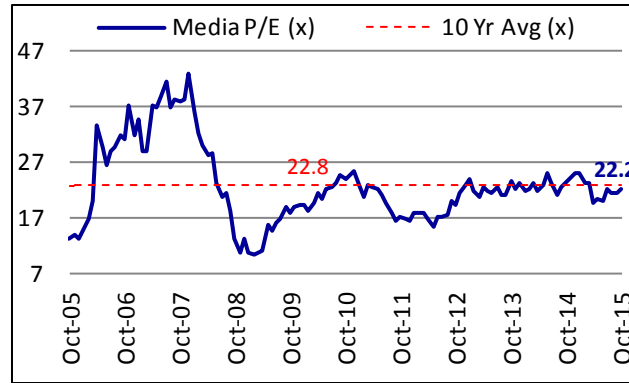


The Media sector now trades at one-year forward P/E of 22.2x—a 2.4% discount to its historical P/E average of 22.8x.

Digitization and ad growth revival remain the key themes in the sector. Subscriber-level ARPU improvement in Phase I/II markets and December 2015 digitization deadline for Phase III are key growth triggers on the subscription front. With expected improvement in economy and raw material price decline leading to gross margin expansion for consumer companies, we expect ad growth to accelerate in 2HFY16.

Sector Performance MoM

Media +5.0%

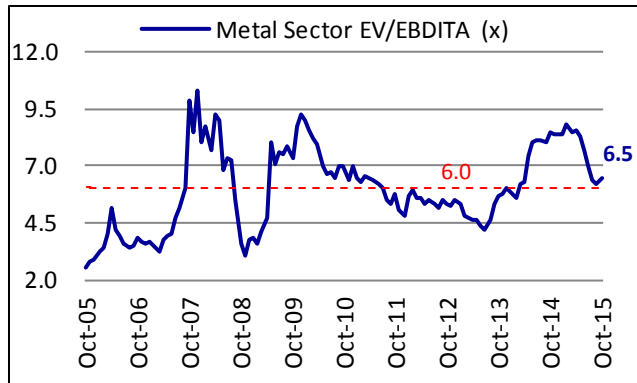


Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
H T Media	13.2	26.0	-49	-19	58	0.8	2.4	-66	-69	-13
Jagran Prakashan	14.3	18.8	-24	-12	14	3.1	3.9	-20	22	43
PVR	26.6	41.4	-36	64	152	4.1	2.7	52	58	-2
Sun TV Network	16.4	23.4	-30	1	42	4.1	5.5	-27	57	102
Zee Entertainmen	28.5	23.2	23	76	41	7.9	4.7	70	207	71

Metals: Pricing pressure continues; global oversupply hurting

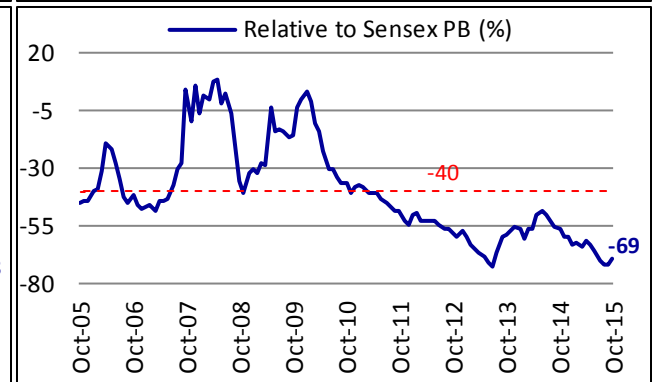
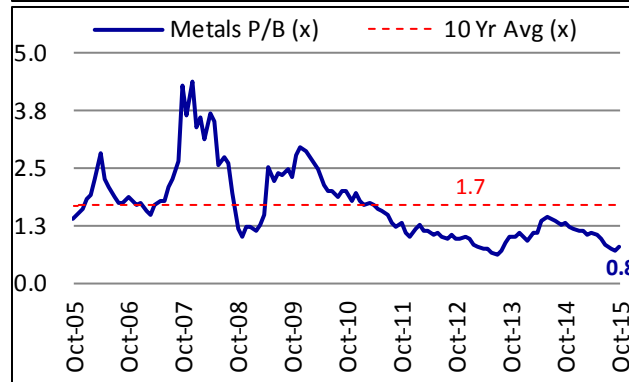
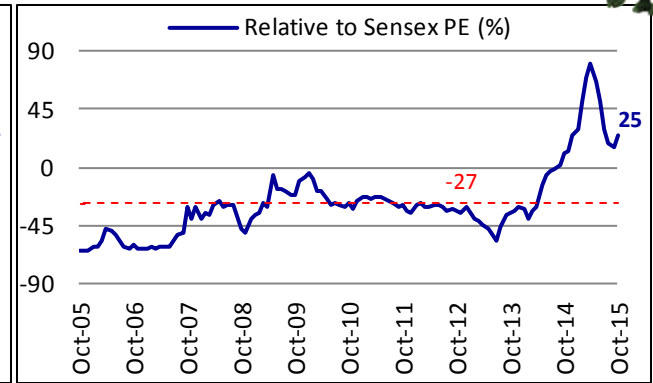
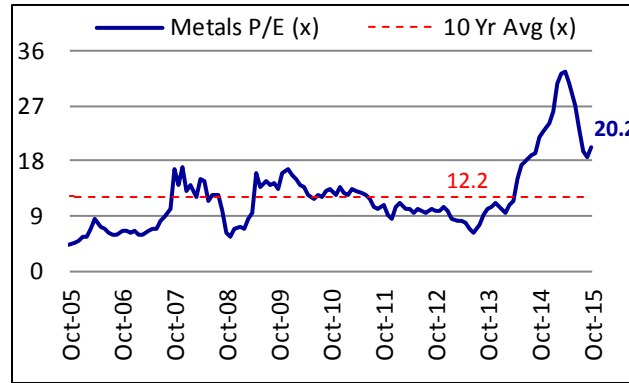


Metal prices remain under pressure amid slowing demand growth. Global oversupply of metals and rising exports from China are affecting Indian metal markets. Zinc (Glencore production cut) and Copper TcRc (on mine oversupply) have been the only bright spots.



Sector Performance MoM

Metals +6.9%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Hind.Zinc	10.2	7.8	31	-37	-52	1.3	1.8	-28	-49	-34
Hindalco Inds.	15.6	9.6	63	-4	-42	0.8	1.7	-55	-70	-37
Jindal Steel		12.9			-21	0.4	2.9	-85	-84	6
JSW Steel	23.6	12.4	90	46	-25	1.0	1.2	-13	-60	-56
Natl. Aluminium	12.4	17.1	-27	-23	4	0.7	1.6	-53	-71	-41
NMDC	13.7	16.2	-16	-15	-1	1.2	4.7	-75	-55	72
SAIL		11.8			-28	0.6	1.5	-61	-78	-46
Tata Steel	22.8	36.1	-37	41	119	1.2	2.4	-51	-55	-12
Vedanta	9.9	8.5	16	-39	-48	0.8	2.5	-67	-68	-9



Oil & Gas: Trades at 9.4x P/E; strong operational performance drives RIL outperformance

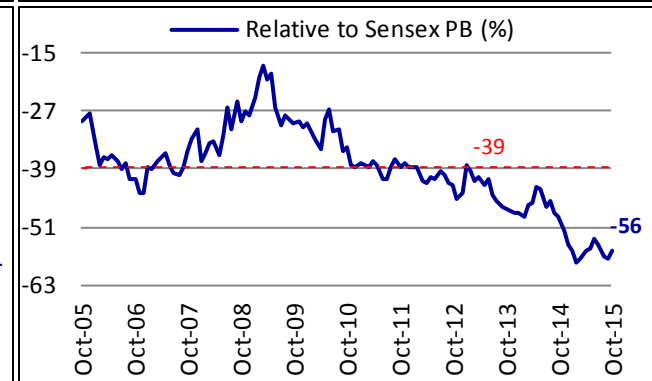
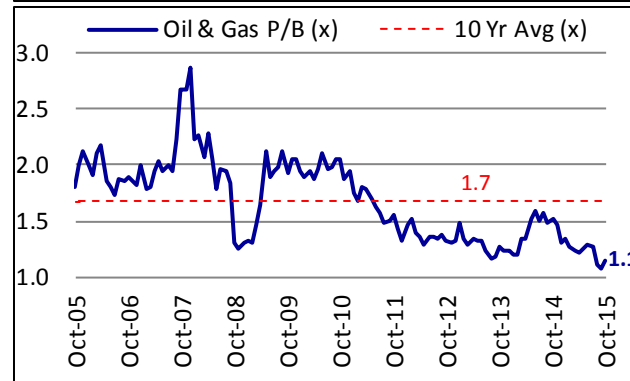
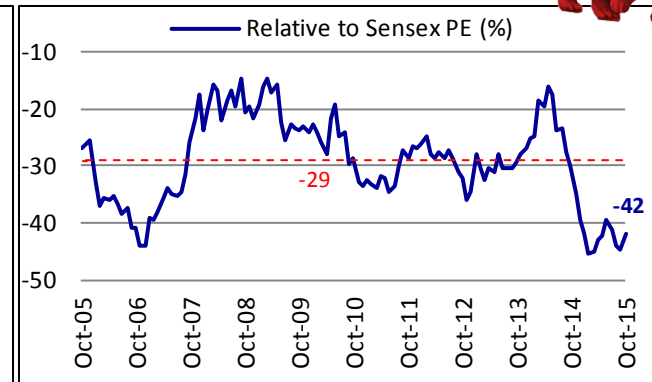
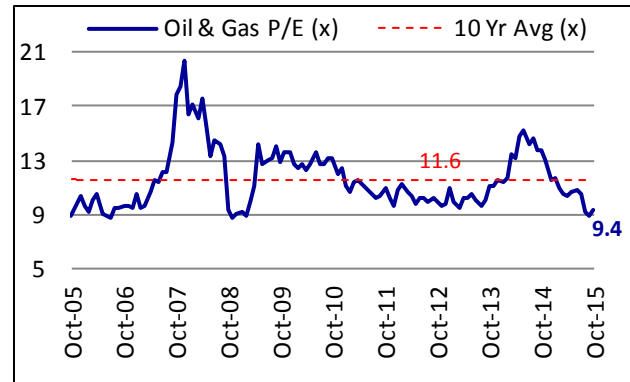
Oil & Gas trades at 1.1x P/B (a 32% discount to its historical average) and 9.4x P/E (19% discount to its historical average).

With crude stabilizing at ~USD50/bbl, ONGC/OINL bounced back; but valuations remain depressed given the subdued outlook.

RIL's 2QFY16 operating performance was meaningfully above expectations and more disclosures on telecom drove stock performance. In the backdrop of higher and predictable earnings, OMCs (HPCL, BPCL and IOCL) are available at attractive valuations.

Sector Performance MoM

Oil & Gas +4.3%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
B P C L	10.0	11.5	-13	-38	-30	2.2	1.4	61	-15	-50
C P C L	16.3	7.5	118	0	-55	1.7	1.0	69	-35	-64
Cairn India	12.4	14.7	-16	-24	-11	0.5	1.1	-58	-82	-59
GAIL (India)	13.0	13.2	-2	-20	-20	1.2	2.0	-40	-53	-26
Guj.St.Petronet	13.9	14.1	-2	-14	-14	1.7	1.9	-14	-35	-29
H P C L	7.3	9.3	-22	-55	-43	1.3	0.9	48	-49	-67
I O C L	6.8	10.2	-33	-58	-38	1.1	1.2	-5	-56	-56
Indraprastha Gas	13.8	11.5	20	-15	-30	2.5	2.8	-9	-1	2
M R P L	4.9	12.1	-60	-70	-26	1.3	2.0	-34	-50	-29
O N G C	9.0	11.0	-18	-44	-33	1.0	1.9	-46	-60	-30
Petronet LNG	15.2	12.4	22	-6	-24	2.2	2.4	-11	-16	-12
Reliance Inds.	9.3	13.3	-30	-42	-19	1.1	1.7	-36	-58	-38

Real Estate: Slowdown continues on fewer-than-expected launches



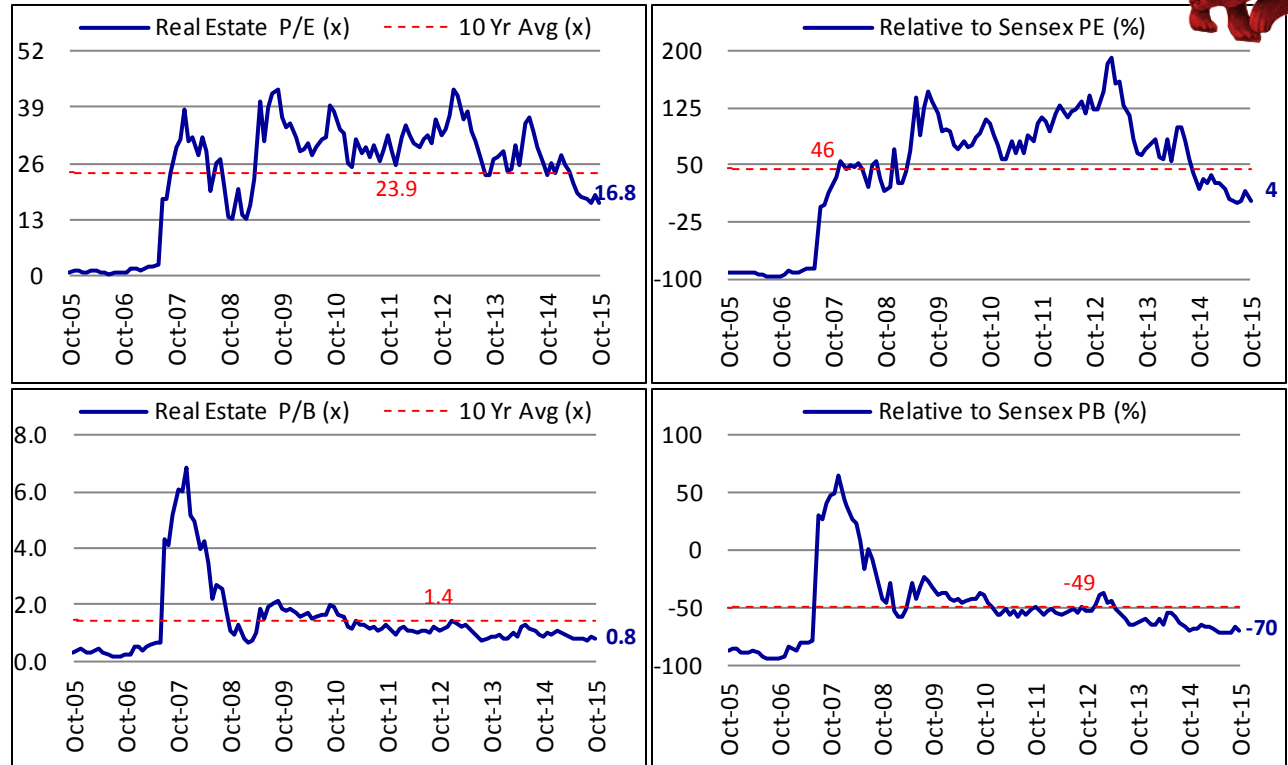
Real Estate trades at 0.8x P/B—a 70% discount to market P/B.

After outperforming in the September, the sector underperformed during October to give 1.8% negative return.

Pre-sales activity weakened further due to fewer launches (as many people consider the period inauspicious). Prices are expected to undergo time correction. Appetite for rightly priced products at the right place exists. Commercial demand is on the rise. Bangalore market continues to be the best performer among peers.

Sector Performance MoM

Real Estate -1.8%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Brigade Enterpr.	11.1	13.3	-16	-31	-19	1.1	1.0	13	-57	-64
DLF	21.9	37.2	-41	35	126	0.7	2.0	-64	-72	-26
Indbull.RealEst.	7.5	17.8	-58	-53	8	0.4	0.7	-50	-86	-73
Mahindra Life.	16.2	24.4	-34	0	49	1.2	1.7	-28	-52	-37
Sobha	10.5	17.8	-41	-35	8	1.2	2.1	-46	-55	-22
Phoenix Mills	19.1	51.0	-63	18	210	2.2	2.8	-20	-14	1

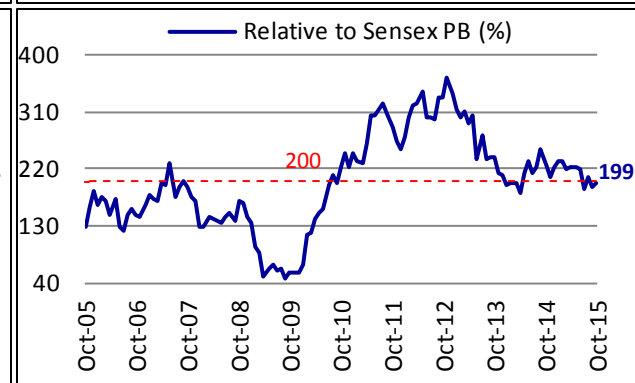
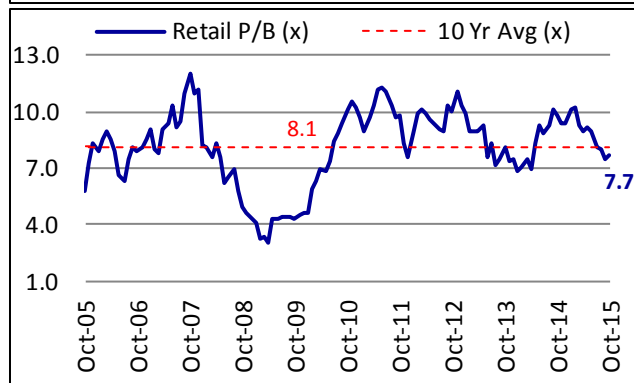
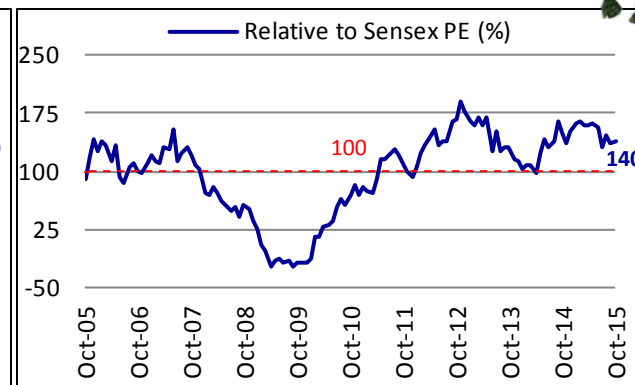
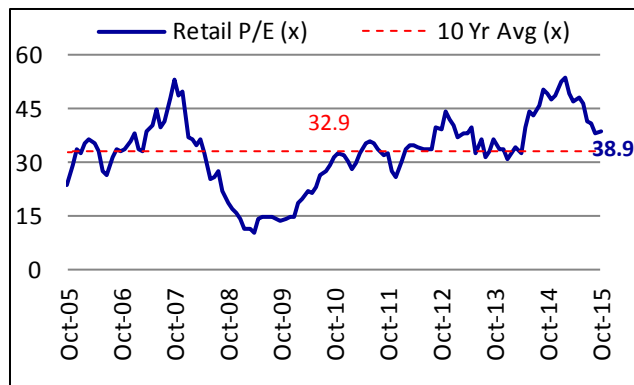
Retail: Trades above historical average; Titan at a 30% premium



The Retail sector trades at 38.9x P/E—a 18% premium to historical average; however, it is at a 5% discount on P/B basis.

Titan trades at a 30% premium to its historical average P/E; the company reported weak 2QFY16 even after adjusting for base GHS redemption.

The overall demand environment continuous to be soft as sentiments are yet to pick up on the ground. Jewelry demand is expected to pick up with festive season; QSR demand trends seem to have bottomed out and same-store growth is showing some recovery.



Sector Performance MoM

Retail +9.1%

Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Jubilant Food	48.6	58.6	-17	200	257	11.0	13.9	-21	327	407
Shoppers Stop	45.0	58.9	-24	178	258	3.8	4.9	-23	47	80
Titan Inds.	36.1	27.7	30	123	69	7.8	9.2	-16	202	237

Technology: Trades at a P/E of 16.8x—near its historical average of 16.9x



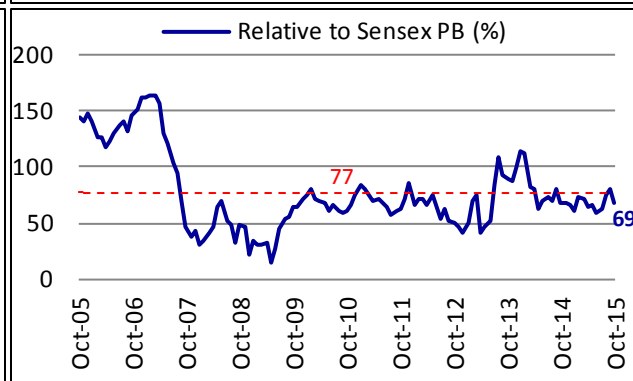
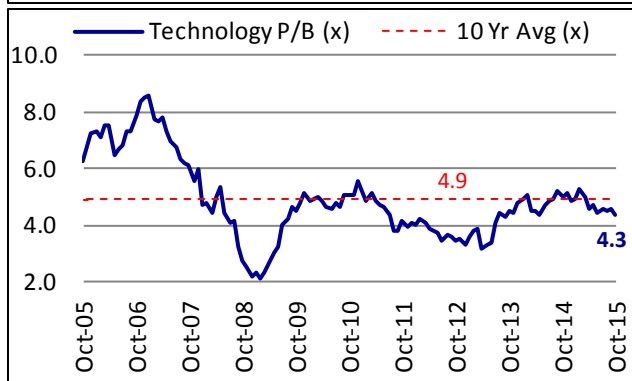
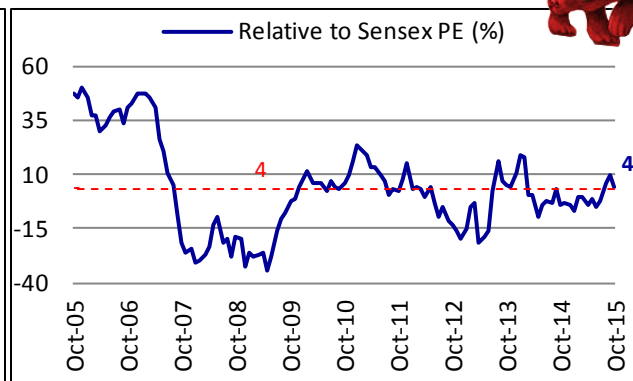
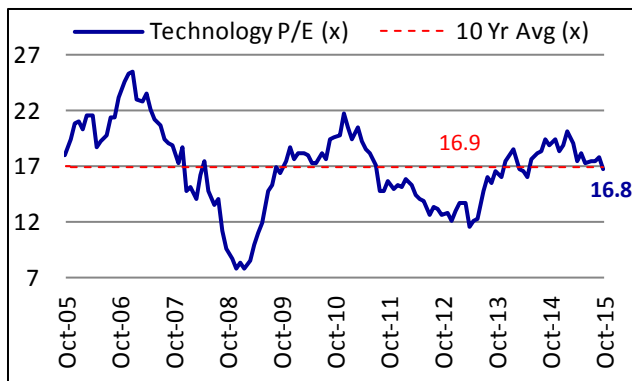
Technology sector now trades at 16.8x—near its historical average. The sector was the worst performer in October (2.7% negative return).

Aided by seasonality, 2QFY16 revenue growth has been strong across the board (except for HCLT) and margin saw benefits of INR depreciation. However, a seasonally weak 3Q, despite strength in order bookings, is in the offing.

TCS is trading at a 2% premium to its historical P/E average; Infosys, Wipro, Tech Mahindra and Mphasis are trading at a discount to their historical averages.

Sector Performance MoM

Technology -2.7%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
HCL Technologies	15.4	14.4	8	-5	-13	3.9	3.3	19	53	20
Infosys	17.6	18.5	-5	9	13	3.9	5.0	-22	51	82
Mphasis	14.8	15.7	-6	-9	-4	1.8	3.5	-48	-29	30
TCS	18.6	18.2	2	15	10	6.3	6.5	-3	145	139
Tech Mahindra	14.0	16.6	-16	-14	1	2.9	4.2	-31	14	55
Wipro	13.6	15.8	-14	-16	-4	2.9	3.7	-22	11	34

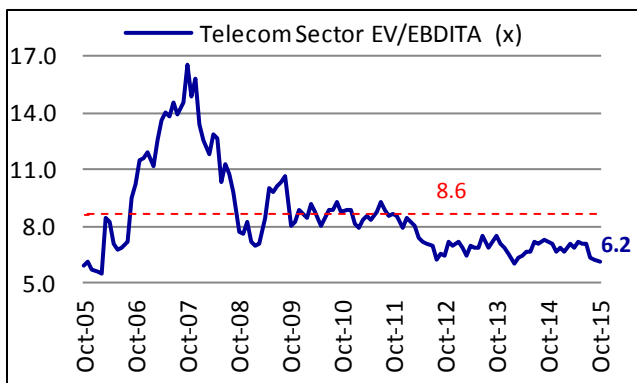
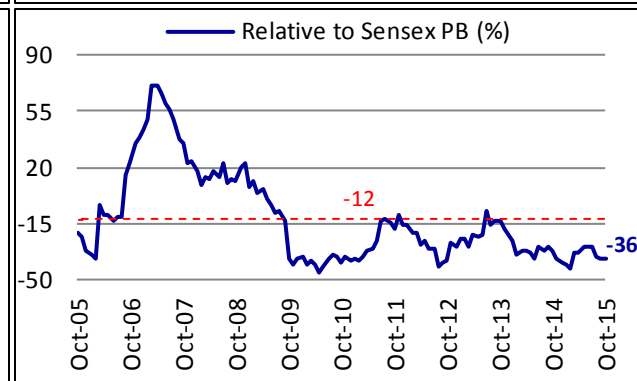
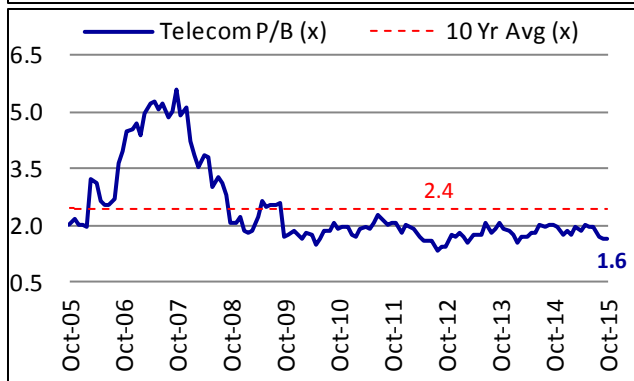
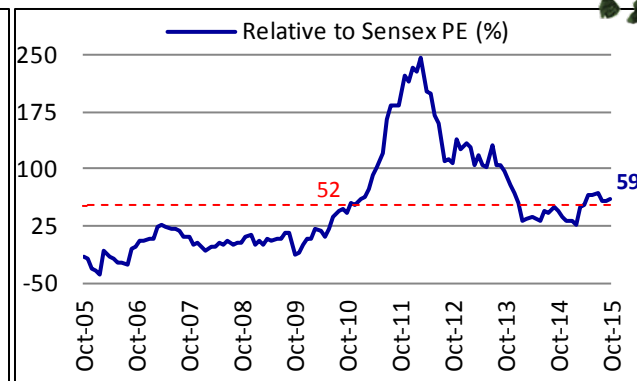
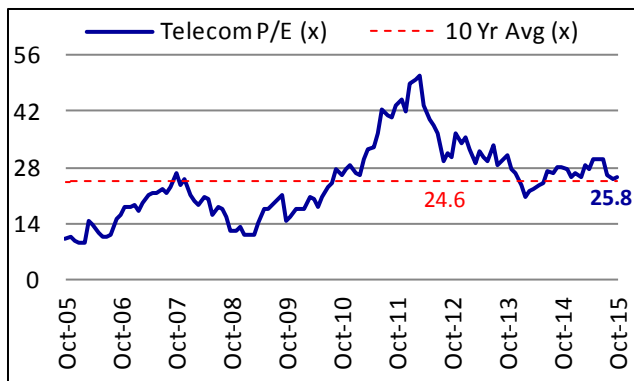


Telecom: Trades at a 28% discount to EV/EBITDA; watch out for data competition

On EV/EBITDA basis, the sector trades at 6.2x—a 28% discount to historical avg.

With spectrum sharing/trading now allowed, most regulatory uncertainties are behind the sector; a few that remain include decision on 1) M&A and 2) Net-neutrality. Operators' data network rollout plan is the key to watch out for—given the upcoming 4G launch of various operators, including Reliance JIO.

Bharti Airtel trades at a 7% premium to its long-period average on P/E basis; Idea Cellular and Rcom are at a discount.



Sector Performance MoM

Telecom +1.3%

Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Bharti Airtel	30.1	28.0	7	86	70	1.9	3.3	-41	-24	20
Idea Cellular	19.8	24.7	-20	22	50	1.9	2.4	-21	-28	-14
Rel. Comm.	20.5	26.9	-24	27	63	0.6	1.4	-61	-79	-48

Utilities: Trades at a 32% discount to P/B; will the FRP work this time?



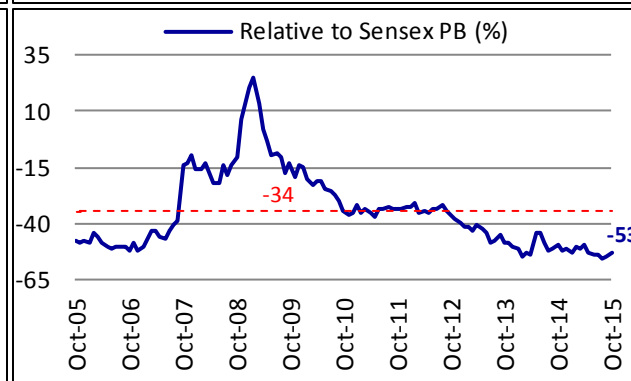
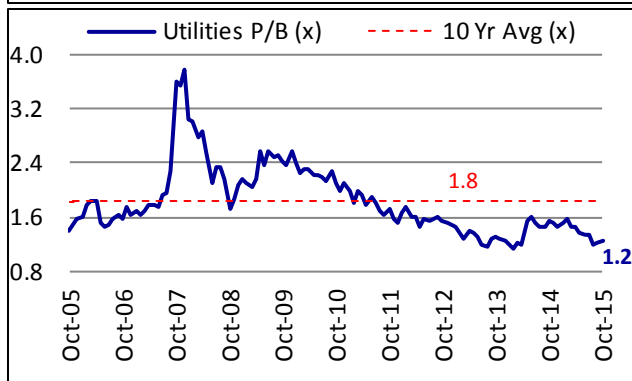
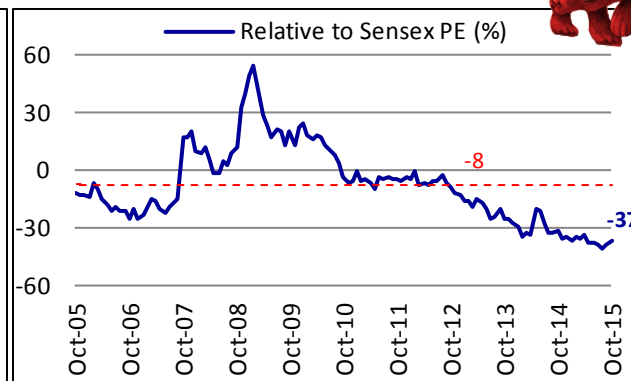
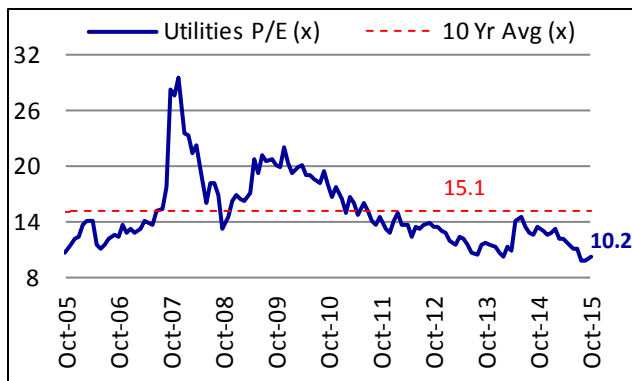
Utilities trade at 1.2x P/B—a 32% discount to its historical average and 53% discount to market.

The Ministry of Power (MoP) is working on a second FRP for ailing DISCOMs, which is likely to provide near-term breather.

MoP has also announced gas auction from Oct-15 to Mar-16—with participation from ~8GW of gas capacity.

Sector Performance MoM

Utilities +4.1%



Company	PE (x)			Relative to Sensex P/E (%)		PB (x)			Relative to Sensex P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
CESC	9.8	9.7	1	-40	-41	0.9	1.2	-20	-64	-57
Coal India	12.3	13.7	-10	-24	-17	4.7	5.0	-6	83	84
NTPC	10.4	16.1	-35	-36	-2	1.4	2.0	-33	-47	-26
Power Grid Corpn	10.3	12.4	-17	-36	-25	1.4	1.7	-17	-44	-36
PTC India	5.6	15.4	-64	-65	-6	0.7	1.2	-43	-73	-56
Reliance Infra.	7.0	16.1	-56	-57	-2	0.4	1.2	-62	-83	-56
Tata Power Co.	13.6	21.0	-35	-16	28	1.1	2.1	-45	-56	-24

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