



Sensex: 18,402

India Strategy

A lightly troubled world benefits India

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Investment Summary

- ❖ **Globe still mired in structural problems:**
 - ❑ With adverse demographics and huge deficits, it will take a while for the developed economies to tackle deflationary threats
 - ❑ Another bout of quantitative easing imminent, releasing liquidity towards EMs and maybe Oil
- ❖ **India fundamentals steady** with a nominal GDP growth trajectory of ~13%
 - ❑ India growth is not highly leveraged to that in G7 and not susceptible to withdrawal of stimulus unlike in the RoW
 - ❑ Growth largely domestic driven, but expected to become investment driven – inevitable, and while largely financed by domestic savings, is vulnerable to global capital flow volatility
 - ❑ Expected USD weakening and softer crude prices, may accelerate momentum into India despite rich valuations (18x FY11E and 15x FY12E), earnings deceleration in Q1 and rising local interest rates (still negative in real terms)
 - ❑ Other near term factors include: Success of PSU divestment program, progress in key reform milestones eg GST
- ❖ Hence, we recommend the following 2-tiered portfolio approach:
- ❖ **Core portfolio: Leaders in structural themes:**
 - ❑ **Consumption:** ITC, Bajaj Auto, HH, Maruti, Pantaloon, Bharti
 - ❑ **Infrastructure:** L&T, BHEL, Adani Ent, Mundra, PGCIL, Tata Power
 - ❑ **Investments:** HDFC Bk, SBI, PFC, PNB, BoB, HDFC, REC, IDFC
 - ❑ **Global:** TCS, Infy, Wipro, RIL, ONGC, OIL, GAIL, Sun Pharma
- ❖ **Price-based tactical stances would be:**
 - ❑ **Consumption:** BUY: TAMO, M&M, Bosch. SELL: HUL, Nestle, Asian Pts, Telecom cos
 - ❑ **Infrastructure:** BUY: JSW, JPVL, JPA, Grasim. SELL: Rel Infra, R Power, JSPL, NTPC, GMR, Cement Majors
 - ❑ **Investments:** BUY: ICICI, Axis, CanBank, Yes, DB Realty, HDIL. SELL: BoI, STFC, Realty majors
 - ❑ **Global-linked:** BUY: SAIL. SELL: Metal stocks, OMCs, Cipla, Ranbaxy

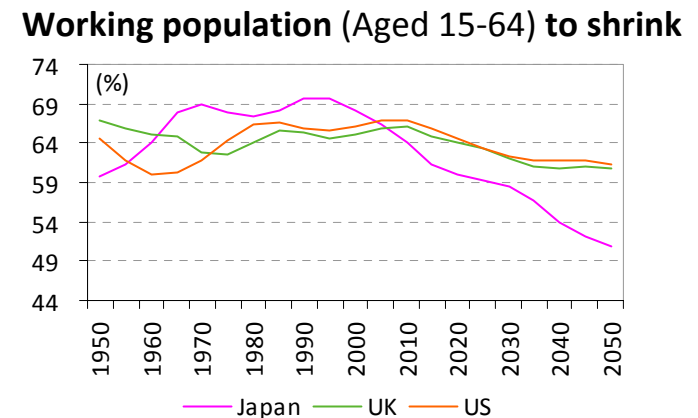
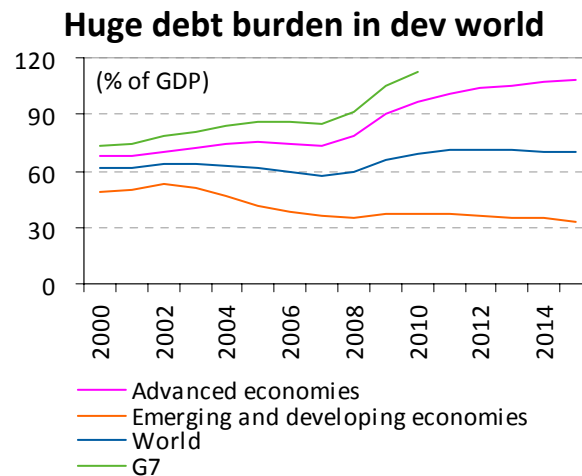
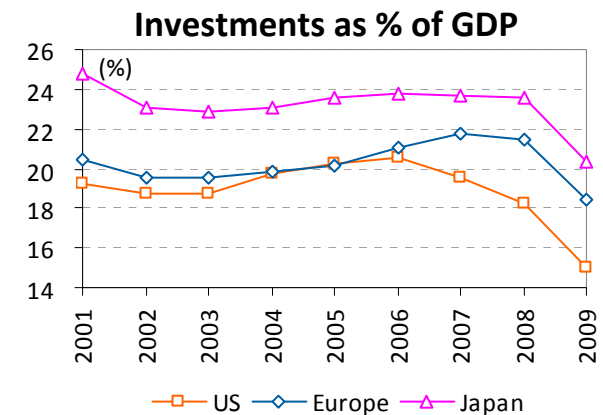
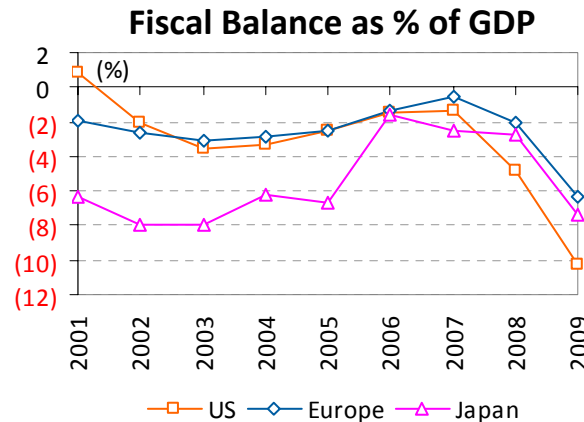
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A troubled world benefits India

The Developed world mired in structural problems

US/ EU/
Japan

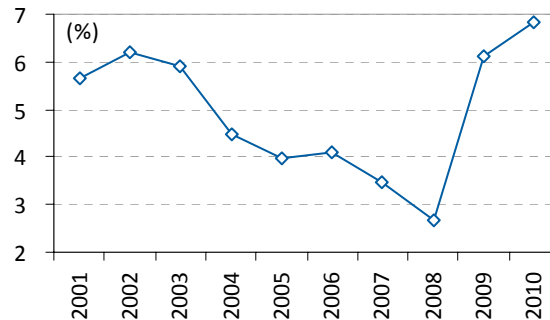


Poor demographics (median age ~42 years) and low growth will only exacerbate paucity of savings and investments in the developed world

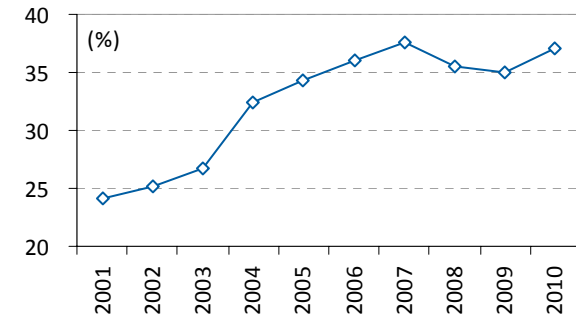
But demographics & growth dynamics favour India

India

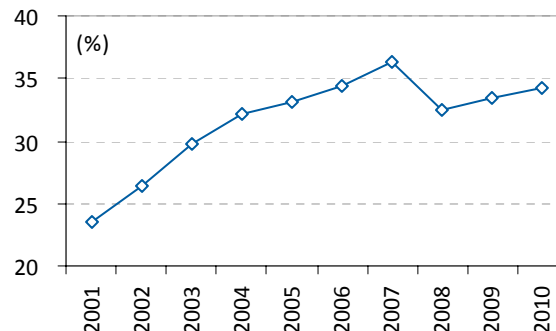
Deficit to shrink ~150 bps in FY11



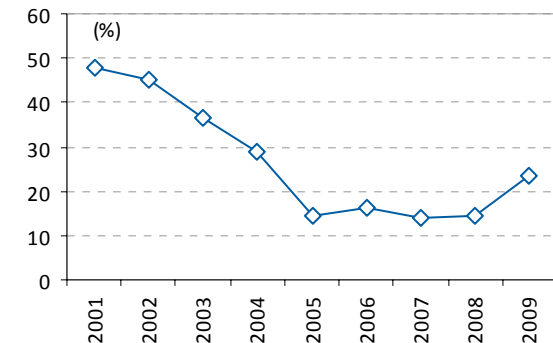
Investments to move higher



Financed by dom savings



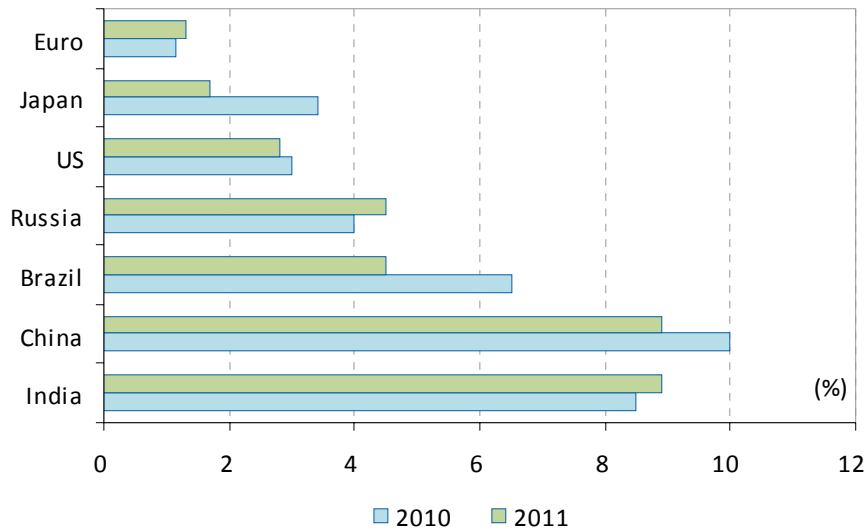
Low Corporate leverage*



India has one of the world's youngest populations – with 55% of the population being < 25 years of age. This is a boon for consumption (67% of GDP) and savings (~34% of GDP)

India: Now a Global Growth Engine

India is set to be one of the fastest growing economies



Source: Bloomberg

FY11 GDP growth to be higher at 8.6%

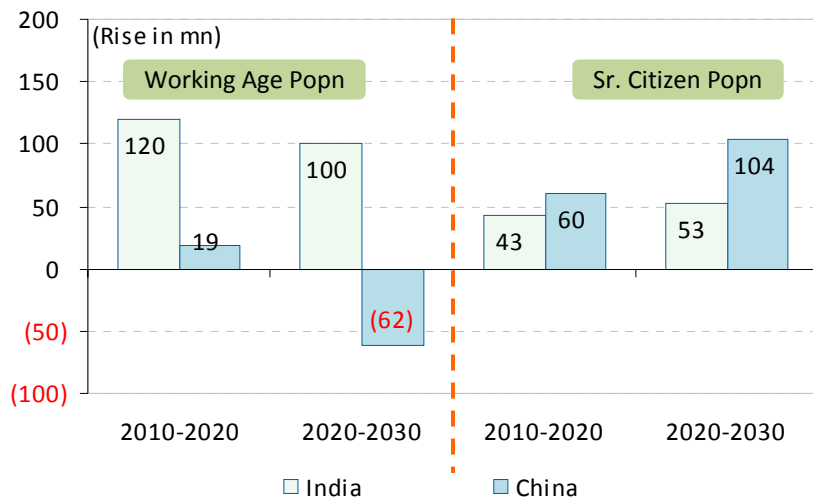
(%)	Weight	FY11E
Real GDP growth		8.6
- Agri growth	17.4	5.1
- Industry growth	19.6	9.4
- Services growth	63.0	9.3

Source: ENAM Research

- India growth is not highly leveraged to that in G7
- Growth is not susceptible to withdrawal of stimulus unlike in the RoW where stimulus remains the key driver of growth
- Growth which is largely domestic driven is expected to become investment driven
- Investment is largely being financed by domestic savings

Driven by a 'demographic dividend' and internal consumption

120 mn to join the working age group



Source : NCAER, RBI, ENAM Research

A bulging middle class with buying power

Income class (Rs mn)	% to HH			
	01-02	04-05	09-10	14-15
<0.2	93.9	92.1	87.3	76.7
0.2 – 0.5	4.8	6.1	9.9	18.6
0.5 – 1.0	0.9	1.2	1.8	3
>1.0	0.4	0.7	1.0	1.7
Total	100	100	100	100

Source: RBI Docs, ENAM Research

- India has one of the world's youngest populations with a median age of 25 years with 63% of the population in the working age group 15- 64
- India will have a demographic profile similar to that of the US in the baby boomer era and China in the 90's. Hence India likely to witness a huge structural spurt in consumption growth

- By 2015, 63 mn households expected to have an income over USD 6,000 (USD 30,000 in PPP terms), a 3x growth from 05-06 levels
- This is expected to drive private consumption growth – projected to nearly double to USD 1.5 trillion by 2015

Inflation to become manageable

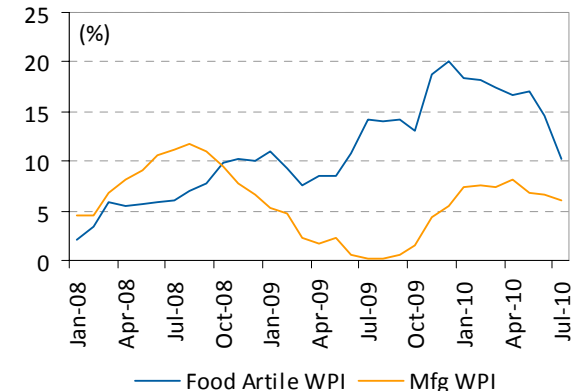
❖ Inflationary pressures peaking:

- ❑ **Food prices** have **come off** from a high of 21% in Dec 09 to ~9% currently due to the lagged effects of a bumper Rabi crop. Going forward, prospects of a good kharif output buoyed by Normal monsoon will further bring down food prices
- ❑ **Global commodity prices** too are **expected to have a softer bias** due to a growth scare in global economy. Thus, abating inflationary pressures
- ❑ **Yield curve has flattened** with the long end coming off by ~40 bps from the beginning of FY11 even as the short end has moved up by 75 bps. This indicates that **markets are expecting inflation to moderate**

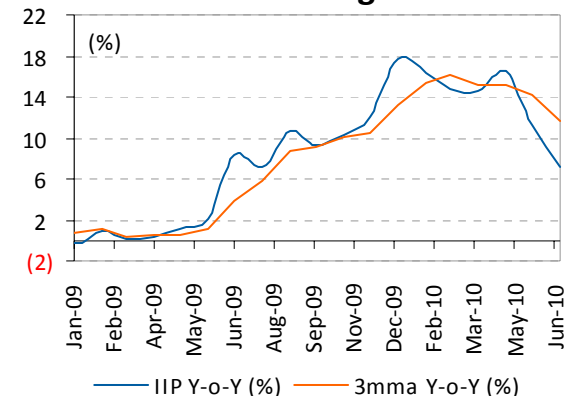
❖ RBI action: We think the **bulk of RBI tightening for the Fiscal FY11 is behind us** as the **policy rates have moved up by 75 bps during the fiscal** and 100 bps CYTD.

❖ As **inflation and IIP growth have begun to moderate** as expected (see charts), we do not expect the RBI to raise policy rates by more than 50 bps in the remainder of FY11

Inflation has begun to moderate



And so has IIP growth



Source: Bloomberg

As Inflation & IIP growth have begun to moderate and global growth is beginning to slow we do not expect RBI to tighten by more than 50 bps in the remainder of FY 11

Near Term: Factors affecting the market

Short term may be volatile but LT structurally positive

POSITIVE

- ❑ **Domestic growth: Trajectory of ~8 % +**
- ❑ **Low** exposure to G7 & Chinese economies
- ❑ Low susceptibility to withdrawal of Stimulus
 - ▶ d financed growth story
- ❑ **Fiscal correction**
 - ▶ Tax reforms – GST, DTC on the anvil (*Ref Appendix*)
 - ▶ Subsidy reform - Crude & Fertilizer
 - ▶ Divestment & 3Gspectrum bonanza
- ❑ **Structural pillars of growth**
 - ▶ Consumption
 - ▶ Infra
 - ▶ Savings
- ❑ **Technically not an overbought market**

Structurally positive trend lines

Vs

Global Risk appetite & shifting local goal posts

- ❑ **Global Growth question marks:**
 - ▶ US & Europe: Double dip & Sov default risk – turmoil in bonds & currencies
 - ▶ China: Hard landing – turmoil in commodities
- ❑ **Fall in risk appetite = EM outflows**
- ❑ **Not so cheap valuations& inflationary expectations**
- ❑ **Paper Supply:**
 - ▶ IPO glut across the EM space
 - ▶ A large domestic pipeline (*Ref Appendix*)
- ❑ **Change in “regulations” = ST resettlement**
 - ▶ Muted Insurance flow post Sep
 - ▶ Muted MF inflows
 - ▶ Upfront cash in IPOs & F&O for new listings

NEGATIVE

Global growth slowdown in H2: But double dip?

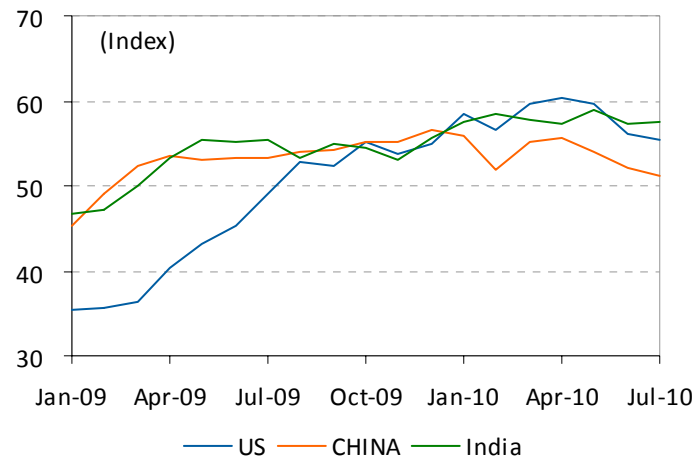
❖ Developed world growth slowing in H2:

- ❑ US Fed has hinted that it may take further action akin to Quantitative Easing if growth does not pick up
- ❑ Most lead indicators globally are **hinting at growth tapering off** or even hinting at deflationary expectations (*see charts below*)
- ❑ Such a slowdown could accentuate Risk aversion leading to USD appreciation and suck-back liquidity to the US markets as the 2 other major liquidity sources, ie Euro-zone and Japan show weak growth

❖ China trying to avoid hard landing:

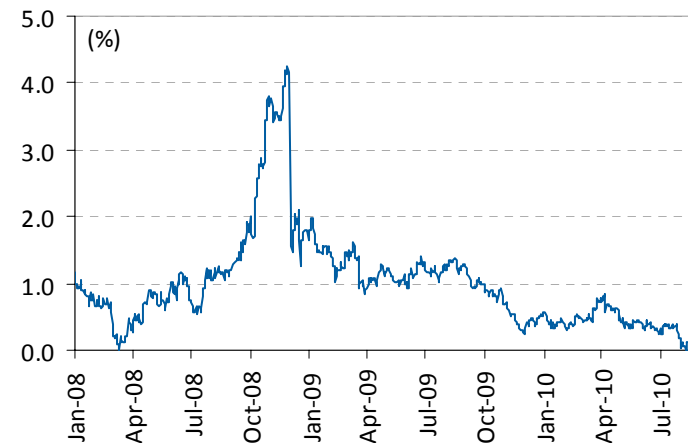
- ❑ A hard landing due to excessive tightening may accentuate global growth problems. But a pause in interest rate hikes and Yuan rise putting a lid on Commodity prices

A fall in PMIs raises fears of growth sustenance



Source: Bloomberg

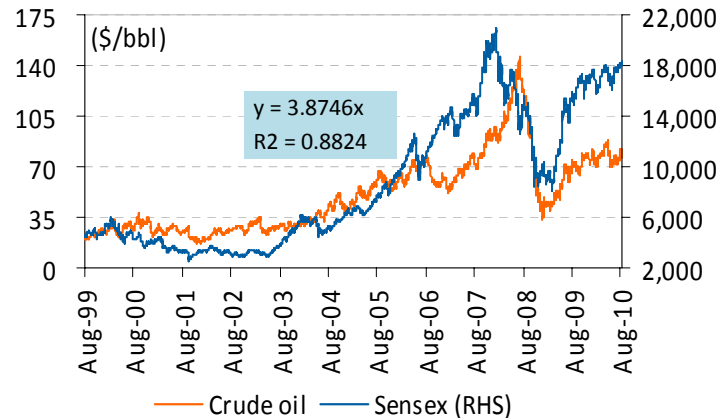
US TIPS hinting at a possible deflation



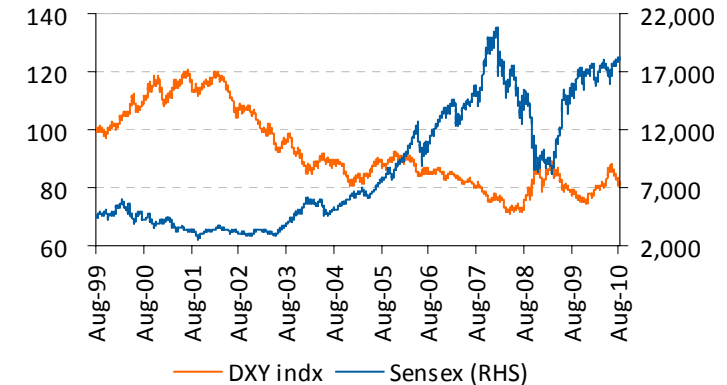
A double dip could catalyze risk aversion-led funds outflow from EMs

Indian markets highly correlated to USD & Crude

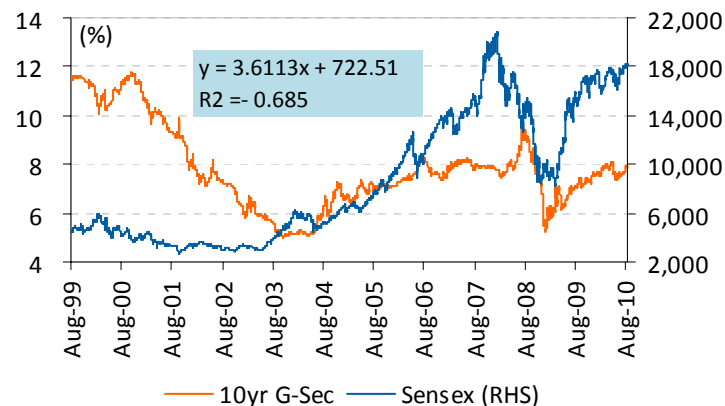
Market susceptible to any speculative liquidity-driven upsurge in Crude (correl at 88%) ...



Or fear-driven risk aversion leading to USD appreciation (80% correl)



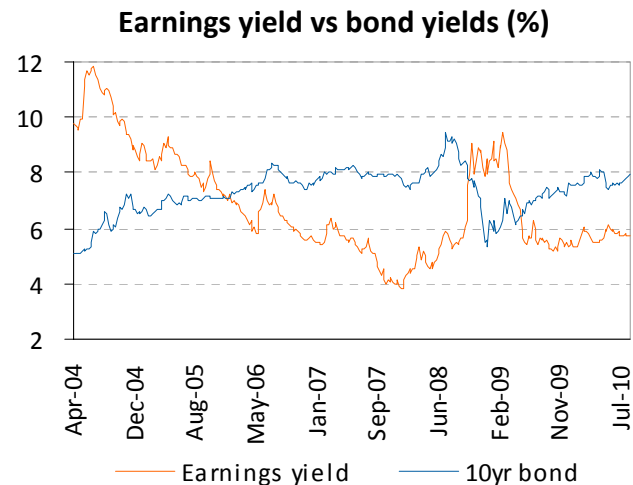
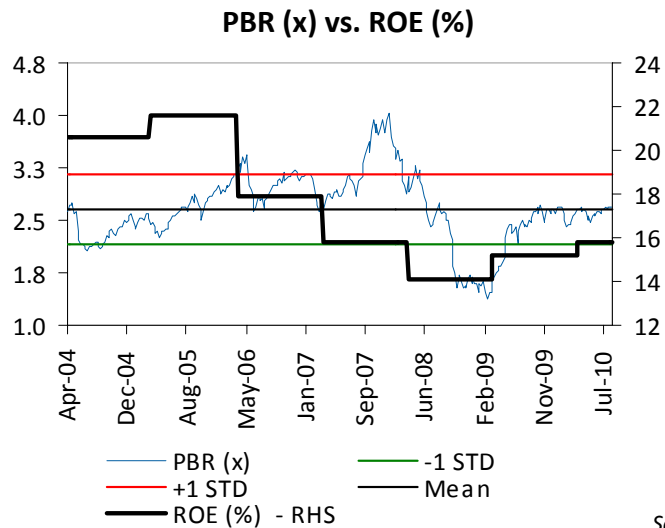
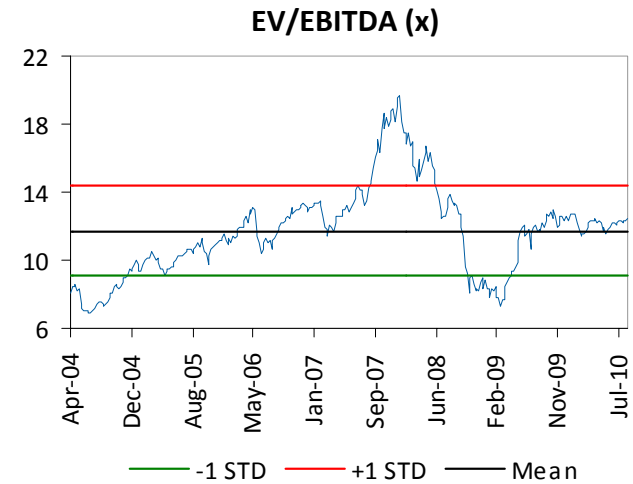
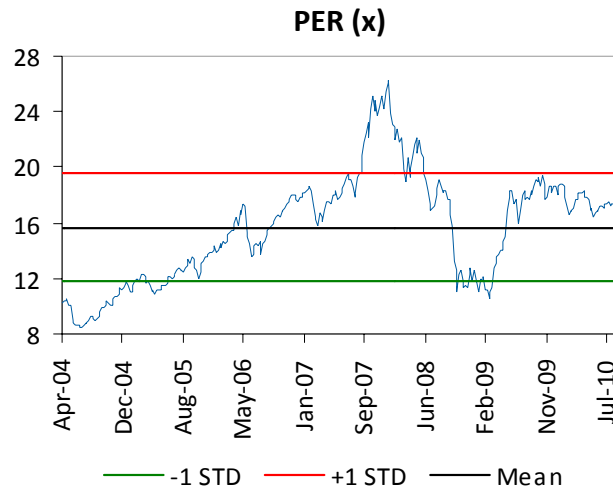
Intt rates correl high too at 68% – however rising rates reflect demand growth currently and offset cost-push



Source: Bloomberg; ENAM Research

Since India has had persistent twin deficits, markets have exhibited a very strong correlation to crude & USD as these affect India's B/S and P&L

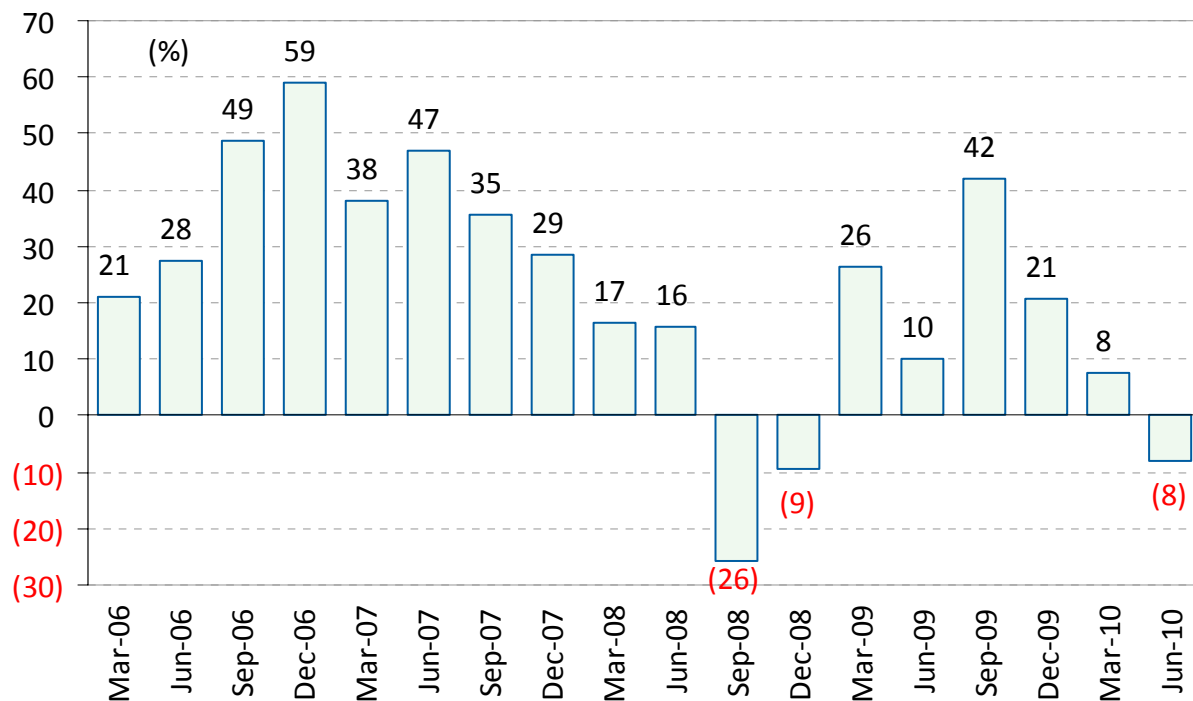
Valuations far from peaks



Source: Bloomberg; ENAM Research

Decelerating quarterly earnings trend

ENAM Universe*: Qtrly earnings growth: Deceleration



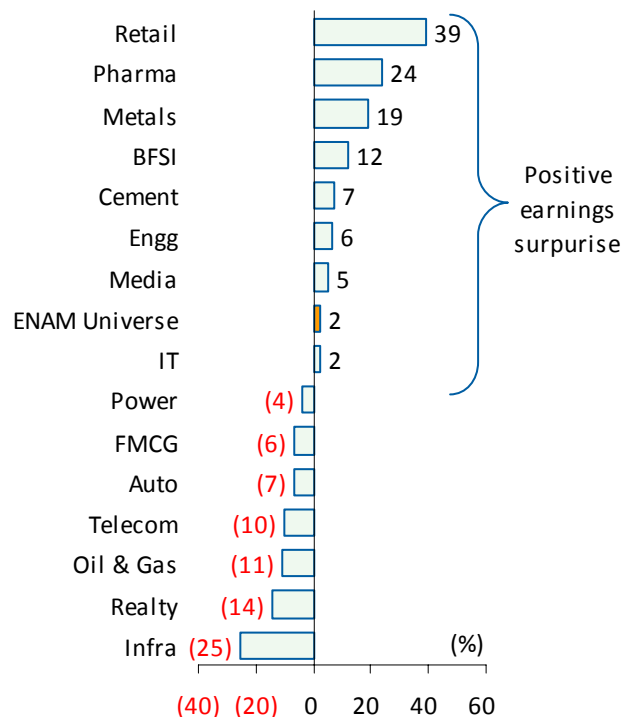
Index EPS

	FY10	FY11e	FY12e
Sensex	822	1,020	1,210
Nifty	269	326	386

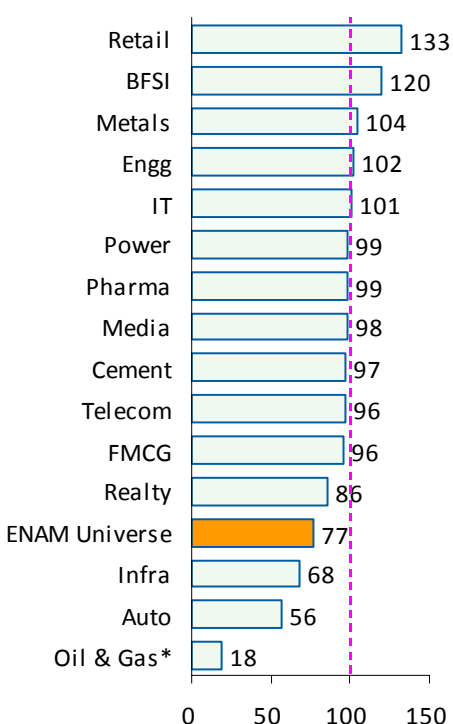
Source: ENAM Research; * based on 131 companies

Earnings Surprises this quarter: 2 ways of viewing it

Earning surprises vs Enam pre-qtr ests in Q1 FY 11



PAT Q1 FY11/ FY 11 (%) vs 3 yr avg of Q1/ FY



- ❖ **Consumption basket (FMCG, Auto):** Volumes surprised positively, but margins hit by competition & RM
- ❖ **Engg/ Infra:** Revenues disappointed but margins > expectations
- ❖ **Commodities** were hit in both volumes & margins
- ❖ **Banking:** Core income growth above expectations, and NIMs were high due to lower cost of funds; treasury incomes were low due to rising yields
- ❖ **In Oilngas,** RIL announced the delay in peak gas production while operational performance was in-line. Under-recoveries dampened OMCs

Data for both above charts are in Appendix

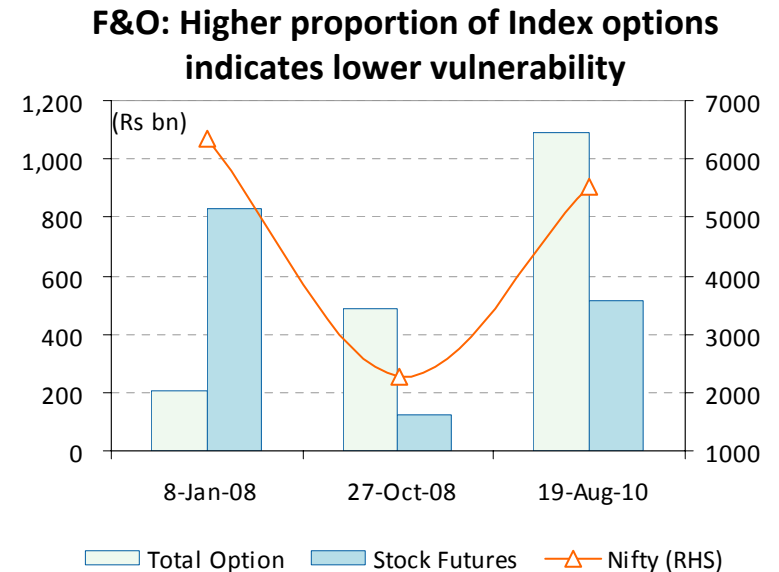
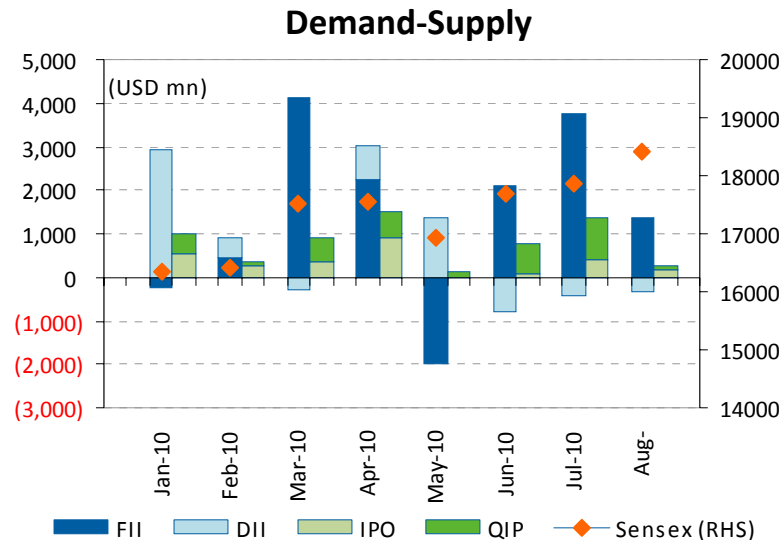
Source: ENAM Research

Bar crossing 100% indicates sector has achieved more than its Q1 3yr avg earnings and vice versa

*Excl OMCs earnings (major under-recoveries this year) for Oilngas, this would be ~66%

Achieving FY 11 ests will depend on oil-subsidy control and Infra taking off in H2 FY 11

Technicals of the market



- Market up-moves thus far have been contingent upon 1) FII inflows and 2) Domestic issuances being <\$2bn
- However, mega IPOs (>\$2-3bn) such as CIL are expected to hit the market around Oct and that could be the real test of markets

- In Jan 08, stock futures were at an all time high (implying higher leverage) and nearly 4x Index options, making the market very vulnerable
- The market now is being driven by Options, which are less risky as they are “fully funded” at time of buying/ selling. On the other hand, in Stock futures margins can fluctuate wildly and hence any sharp losses create huge market panic

Sentimental drivers of the market

Business confidence at a high

❖ Demand surge across the board

- ❑ **Auto:** Record sales of 9.3Lakh 2wheelers & 2Lakh passenger vehicles in July
- ❑ **Retail:** Same store sales growth for retailers >15%
- ❑ **Banking:** SBI Q1 results indicate huge pick up in core business

❖ India Inc: Large scale ambitions manifesting through FDI/ M&A

- ❑ **Bharti-Zain:** Largest ever telecom takeover by an Indian firm with Bharti buying out Kuwaiti Zain Telecom's African business for ~\$11 bn
- ❑ **Vedanta-Cairn:** If successful, this \$9.6 bn deal will be the 2nd largest acquisition by an Indian group
- ❑ **Abott-Nicholas:** Abott bought out Nicholas Piramal's pharma biz at \$3.7 bn
- ❑ **Essar Energy:** Raised \$1.9 bn by listing on LSE in May showcasing the group's confidence and global plans
- ❑ **RIL-Shale Gas:** RIL has bought stakes in 3 shale gas cos in US investing \$1.3bn

Government moves

- ❖ Oil prices: **Petrol fully deregulated.** Any move on diesel and other fuels will be a positive
- ❖ **3G Spectrum auctions yielded Rs 1.03 trn bonanza**
- ❖ **Land sales: Govt mulling unlocking land value of PSUs**
- ❖ Auction of Mining rights **could be a big positive**
- ❖ **Expected clarity on:**
 - ❑ Direct Tax Code: Esp on capital gains tax
 - ❑ Goods & Services Tax: Deadline of Apr 1, 2011

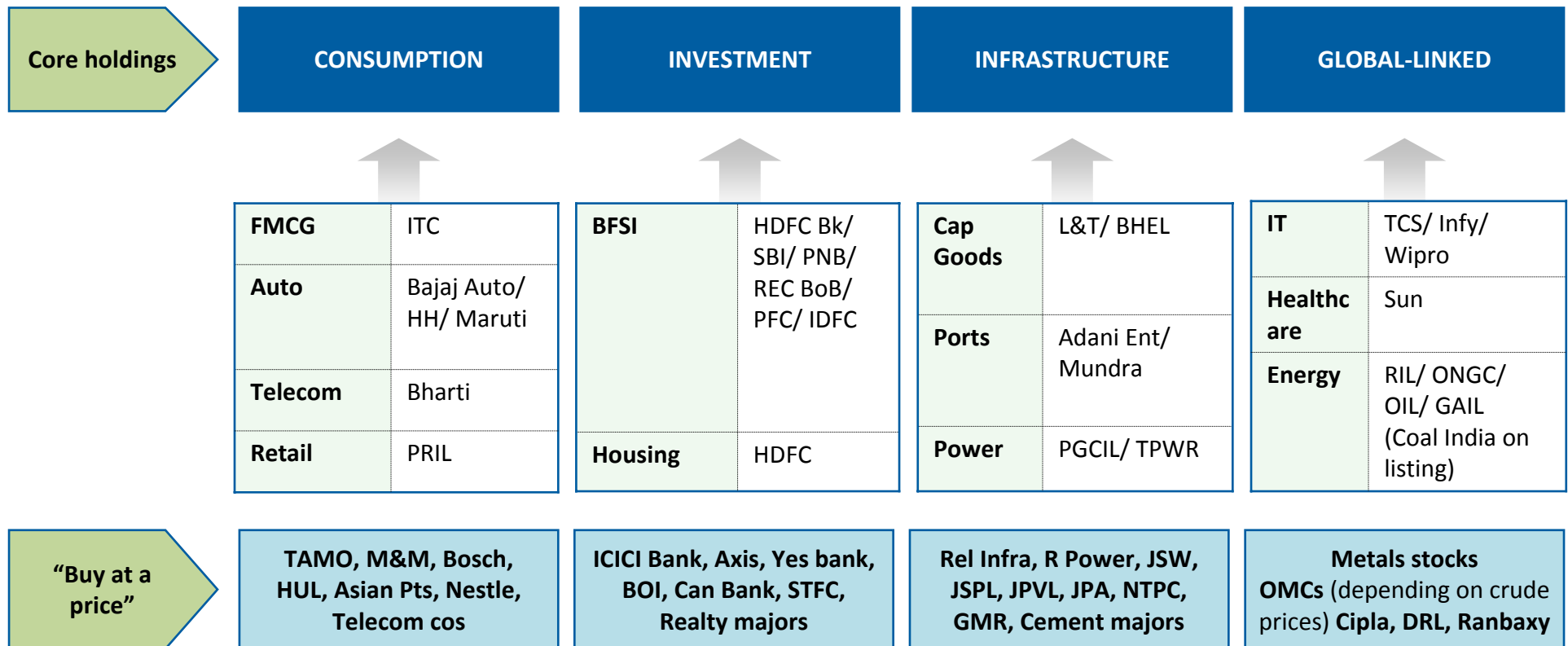
Regulatory action

- ❖ **Insurance:** ULIP guidelines now to be more stringent from Sep 1 and hence less profitable for Insurers. Thus flows to be impacted just as MF inflows got impacted after the commission & distribution norms were changed for them last year
- ❖ **IPO application changes:** Now applicants need to put in 100% margin upfront. This could affect FII flows as
 - ❑ FIIs run a Fx risk on refund
 - ❑ Funds may remain idle if issue is oversubscribed
- ❖ **Withdrawal of F&O on new listings:** Absence of F&O as a buffer for new listings could skew prices excessively on day of listing

Portfolio Construct

Portfolio: Core Holdings + Price-based

❖ Core and Price-based holdings* are segregated as follows:



Note: * Among Nifty Cos + others of mkt cap > \$4 bn + Select sector leaders that don't meet the 1st two criteria

Please also refer our "Best Buys & Switches" report of Aug 17th on absolute recommendations

Nifty-benchmarked ENAM Model Portfolio ...

Nifty-benchmarked Enam Model Portfolio

Portfolio Monthly update as of 20-Aug-10

Note: Nil-cash portfolio (except marginal IPO reservations); * RIL Capped at 10%; Cos highlighted in blue are non-Nifty stocks

Sector/ Company name	Mcap (USD m)	CMP (INR)	Weightages (%)		Target Pr. (INR)	Upside (%)	12-Jul-10 Price (INR)	12-Jul-10 Weights (%)	Wtg change 20-Aug vs. 12-July-10
			Nifty Current	ENAM 20-Aug-10					
Auto	46,909		5.9	8.0				7.0	▲
Tata Motors	12,040	1,015	2.2	2.0	1,082	7	788	1.5	▲
Maruti Suzuki	7,669	1,239	1.0	1.0	1,218	(2)	1,409	1.5	▼
Hero Honda	8,196	1,916	1.1	0.5	1,867	(3)	1,979	0.5	◀▶
Mah & Mah	7,659	618	1.6	1.5	658	7	638	0.0	▲
Bajaj Auto	8,662	2,795		1.0	2,793	(0)	2,409	1.5	▼
Exide	2,683	147		2.0	161	9	133	2.0	◀▶
Banks & Financial services	164,446		27.3	22.5				24.0	▼
State Bank	37,852	2,784	4.5	3.0	3,000	8	2,400	2.5	▲
ICICI Bank	23,766	995	6.9	3.0	1,080	9	890	3.5	▼
HDFC Bank	22,014	2,231	4.9	2.0	2,130	(5)	2,044	1.5	▲
HDFC	19,961	640	5.1	3.0	645	1	601	4.0	▼
Axis Bank	11,938	1,366	2.1	3.0	1,520	11	1,289	3.0	◀▶
PNB	8,059	1,193	1.0	2.0	1,230	3	1,054	2.5	▼
Kotak Mah Bank	6,748	862	1.0	0.0	-	-	760	0.0	◀▶
IDFC	5,870	188	1.3	1.5	215	15	185	1.0	▲
Reliance Capital	4,119	783	0.6	0.0	UR	-	773	0.0	◀▶
Power Finance	8,186	333		1.0	360	8	305	1.5	▼
BoB	6,479	831		1.0	870	5	715	1.5	▼
Canara Bank	4,631	527		2.0	610	16	474	0.0	▲
Yes Bank	2,436	332		1.0	380	14	285	1.0	◀▶
Oriental Bank	2,386	445		0.0	460	3	346	2.0	▼
Cement	17,176		2.0	4.0				3.0	▲
JP Associates	5,609	123	0.9	1.0	156	27	128	1.0	◀▶
Ambuja Cement	3,967	121	0.6	0.0	121	(0)	111	0.0	◀▶
ACC	3,495	869	0.5	0.0	828	(5)	826	0.0	◀▶
Grasim Inds	4,106	2,091		3.0	2,825	35	1,909	2.0	▲

Nifty-benchmarked ENAM Model Portfolio ...

Sector/ Company name	Mcap (USD m)	CMP (INR)	Weightages (%)		Target Pr. (INR)	Upside (%)	12-Jul-10 Price (INR)	12-Jul-10 Weights (%)	Wtg change 20-Aug vs. 12-July-10
			Nifty Current	ENAM 20-Aug-10					
Engineering & Infra	89,861		10.9	14.5				14.0	▲
BHEL	25,890	2,469	2.4	4.0	2,700	9	2,443	3.5	▲
Larsen & Toubro	24,145	1,869	6.1	3.5	1,890	1	1,826	3.0	▲
Reliance Infra	5,610	1,070	0.9	1.0	1,225	15	1,150	1.0	◀▶
Siemens	5,106	707	0.7	0.0	622	(12)	715	0.0	◀▶
ABB	3,510	773	0.5	0.0	605	(22)	865	0.0	◀▶
Suzlon Energy	1,847	49	0.3	0.0	53	7	59	0.0	◀▶
Mundra	6,881	802		1.0	820	2	740	1.5	▼
Adani Enterprises	8,412	642		1.0	605	(6)	534	1.0	◀▶
Crompton Greaves	3,920	285		1.0	297	4	260	1.5	▼
Cummins	3,000	707		1.5	780	10	600	1.0	▲
GVK Power & Infra	1,541	46		1.5	52	14	44	1.5	◀▶
FMCG, Media, Retail	49,149		7.0	7.0				8.5	▼
ITC	26,686	163	5.3	2.5	-	-	150	2.0	▲
Hindustan Unilever	12,555	269	1.7	0.0	238	(11)	262	0.0	◀▶
Asian Paints	5,681	2,767		0.0	2,610	(6)	2,366	1.0	▼
Pantaloon Retail	2,050	475		2.5	551	16	462	2.5	◀▶
Dish TV	1,138	50		1.0	54	8	46	1.0	◀▶
DB Corp	1,041	268		1.0	282	5	240	2.0	▼
IT - Services	103,040		12.9	11.0				11.0	◀▶
Infosys Tech	34,038	2,769	8.3	4.0	3,105	12	2,895	4.0	◀▶
Tata Consultancy	36,348	867	2.7	4.0	956	10	791	4.0	◀▶
Wipro	21,601	412	1.3	0.0	443	8	409	0.0	◀▶
HCL Tech	5,928	408	0.5	0.0	379	(7)	365	0.0	◀▶
Oracle Financial	3,736	2,079		2.0	2,685	29	2,246	2.0	◀▶
Financial Technologies	1,389	1,407		1.0	1,748	24	1,373	1.0	◀▶
Metals / Mining	45,796		5.7	1.0				0.0	▲
SAIL	16,945	192	0.7	1.0	211	10	196	0.0	▲
Sterlite Inds	11,506	160	1.6	0.0	UR	-	170	0.0	◀▶
Tata Steel	10,052	520	2.0	0.0	451	(13)	497	0.0	◀▶
Hindalco Inds	7,293	178	1.4	0.0	141	(21)	150	0.0	◀▶

Nifty-benchmarked ENAM Model Portfolio ...

Sector/ Company name	Mcap (USD m)	CMP (INR)	Weightages (%)		Target Pr. (INR)	Upside (%)	12-Jul-10 Price (INR)	12-Jul-10 Weights (%)	Wtg change 20-Aug vs. 12-July-10
			Nifty Current	ENAM 20-Aug-10					
Oil & Gas	158,956		15.8	14.0				16.5	▼
Reliance Inds *	69,233	988	10.3	8.0	1,181	20	1,056	10.0	▼
ONGC	57,634	1,258	2.6	4.0	1,404	12	1,277	4.0	◀▶
Cairn	13,965	344	0.9	0.0	-	-	312	0.5	▼
GAIL	12,720	468	1.3	2.0	506	8	465	2.0	◀▶
BPCL	5,404	698	0.6	0.0	658	(6)	690	0.0	◀▶
Pharmaceuticals	23,665		2.3	3.0				3.5	▼
Sun Pharma	7,873	1,785	0.8	0.5	1,720	(4)	1,742	0.5	◀▶
Cipla	5,338	310	1.0	0.0	293	(6)	336	0.0	◀▶
Ranbaxy Lab	4,439	493	0.5	0.0	383	(22)	461	0.0	◀▶
Lupin Ltd	3,540	1,855		0.5	1,925	4	1,902	0.5	◀▶
Jubilant Organosys	1,128	332		1.0	406	22	375	0.5	▲
Aurobindo Pharma	1,347	1,080		1.0	1,268	17	954	2.0	▼
Power Utilities	78,988		5.2	10.0				10.5	▼
NTPC	34,128	193	1.5	1.0	198	2	199	1.5	▼
Jindal Steel & Power	13,776	689	1.7	1.0	-	-	627	1.0	◀▶
Power Grid	9,298	103	0.4	2.0	126	22	101	2.0	◀▶
Reliance Power	7,890	154	0.3	0.0	UR	-	173	0.0	◀▶
Tata Power	6,554	1,289	1.3	1.0	1,306	1	1,318	1.0	◀▶
JSW Energy	4,343	124		2.0	148	20	124	2.0	◀▶
JPHydro	2,998	67		2.0	89	33	71	2.0	◀▶
Reserve for IPOs				1.0	0	-	0	1.0	◀▶
Real Estate	22,364		1.5	4.0				2.0	▲
DLF	12,095	333	0.8	0.0	UR	-	303	0.0	◀▶
Unitech	4,585	85	0.7	0.0	UR	-	78	0.0	◀▶
DB Realty	2,368	454		2.0	UR	-	377	1.0	▲
HDIL	2,304	293		1.0	UR	-	257	0.0	▲
Century Textiles	1,012	508		1.0	UR	-	459	1.0	◀▶

... Nifty-benchmarked ENAM Model Portfolio

Sector/ Company name	Mcap (USD m)	CMP (INR)	Weightages (%)		Target Pr. (INR)	Upside (%)	12-Jul-10 Price (INR)	12-Jul-10 Weights (%)	Wtg change 20-Aug vs. 12-July-10
			Nifty Current	ENAM 20-Aug-10					
Telecommunications	37,363		3.4	1.0				0.0	▲
Bharti Airtel	25,226	310	2.4	1.0	322	4	305	0.0	▲
Reliance Com	7,199	163	0.7	0.0	-	-	191	0.0	◀▶
Idea Cellular	4,937	70	0.3	0.0	61	(13)	70	0.0	◀▶
Nifty Index	837,711		100	100				100	
Nifty Index performance						From Inception 7-Jan	5.1		
ENAM Model Portfolio performance						From Inception 7-Jan	9.8		

Source: Bloomberg; ENAM Research

Sector-Relative weightages of Nifty components only (last row provides non-Nifty)

Sector	Weightages (%)			Wtg change 20-Aug vs. 12-July-10
	Nifty Current	ENAM 20 Aug 10	ENAM 12 July 10	
Auto	5.9	5.0	3.5	▲
Banks & Financial services	27.3	17.5	18.0	▼
Cement	2.0	1.0	1.0	◀▶
Engineering & Infra	10.9	8.5	7.5	▲
FMCG, Media, Retail	7.0	2.5	2.0	▲
IT - Services	12.9	8.0	8.0	◀▶
Metals / Mining	5.7	1.0	0.0	▲
Oil & Gas	15.8	14.0	16.5	▼
Pharmaceuticals	2.3	0.5	0.5	◀▶
Power Utilities	5.2	5.0	5.5	▼
Real Estate	1.5	0.0	0.0	◀▶
Telecommunications	3.4	1.0	0.0	▲
Non-Nifty stocks and Reserve for IPOs	-	36.0	37.5	▼
Total	100	100	100	

Source: Bloomberg; ENAM Research

Database

Note

- 1) * EPS & BV are for core business while target price includes value of investments
 - 2) ^ M&M FY10 numbers not comparable due to merger with PTL
 - 3) # For TechM, consolidated EPS including Satyam is Rs 82 for FY11E and Rs 81 for FY12E
 - 4) ** Telecom company valuations include tower valuations
 - 5) ### DB Realty NAV does not include Rs149/ share upside potential of the Bandra Project
- Source: ENAM estimates, Bloomberg

ENAM Valuations...

Sector/ Company name	Mcap (\$m)	CMP (INR)	Vol (Rs) FY12	Tgt Pr (INR)	Upside (%)	FDEPS (INR)			PE (x)			PB (x)			EV/Ebitda (x)			ROE (%)			Div Yield (%)		
						FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e
Autos						-	-	-	24	14	12	5.7	4.2	3.3	12	9	8	23	28	26	1.8	1.1	1.1
Ashok Leyland	1,987	70		64	(8)	3	4	5	25	16	14	2.5	2.3	2.1	14	11	9	10	15	16	2.2	2.2	2.2
Bajaj Auto	8,662	2,795		2,793	(0)	129	163	183	22	17	15	13.8	8.8	6.2	15	12	10	81	63	48	1.4	1.4	1.4
Bharat Forge	1,751	351		370	5	1	15	23	552	24	15	5.1	3.9	3.1	29	11	8	1	20	24	0.3	0.6	0.6
Bosch	4,006	5,958		5,932	(0)	156	246	307	38	24	19	5.5	4.6	3.8	23	15	12	15	21	22	0.5	0.5	0.5
Exide Inds	2,683	147	16	161	9	6	8	9	23	17	15	5.6	4.5	3.6	14	11	9	31	26	25	0.3	0.7	0.7
Hero Honda	8,196	1,916		1,867	(3)	112	110	115	17	17	17	11.1	7.7	5.8	13	13	11	61	52	40	5.7	1.6	1.6
Mah & Mah ^ *	7,659	618	159	658	7	32	39	43	14	12	11	4.6	3.8	3.2	13	11	10	29	27	25	1.5	1.6	1.6
Maruti Suzuki	7,669	1,239		1,218	(2)	86	76	91	14	16	14	3.1	2.6	2.2	8	8	7	24	17	18	0.3	0.3	0.3
Motherson Sumi	1,528	184		192	4	6	9	12	30	21	15	5.2	4.0	3.2	12	9	7	21	22	23	0.7	1.2	2.2
Tata Motors	12,040	1,015		1,082	7	7	92	114	151	11	9	6.9	3.9	2.7	11	6	5	6	48	38	1.5	0.8	0.8
TVS Motor	727	143		138	(3)	6	10	13	26	14	11	4.1	3.2	2.5	20	10	8	17	25	26	0.5	0.5	0.5
Banking & Fin Serv						Adj BV (INR)			16	13	11	2.9	2.4	2.1	-	-	-	15	16	17	1.1	1.1	1.3
Aditya Birla Nuvo	1,760	798		UR	-	631	652	NA	NA	39	NA	1.3	1.2	NA	-	-	-	(0)	3	0	NA	NA	NA
Axis Bank	11,938	1,366		1,520	11	389	450	525	22	18	15	3.5	3.0	2.6	-	-	-	19	18	19	0.9	0.9	1.0
Bank of Baroda	6,479	831		870	5	366	444	542	10	8	7	2.3	1.9	1.5	-	-	-	24	24	24	1.8	1.8	2.0
Bank of India	5,169	460		455	(1)	215	255	302	14	10	8	2.1	1.8	1.5	-	-	-	14	18	19	1.5	1.6	2.0
Canara Bank	4,631	527		610	16	276	349	436	7	6	5	1.9	1.5	1.2	-	-	-	27	26	25	1.9	2.3	2.8
Corp Bank	1,935	630		670	6	393	467	556	8	7	6	1.6	1.4	1.1	-	-	-	22	22	22	2.6	2.7	2.9
HDFC Bank	22,014	2,231		2,130	(5)	465	529	608	35	27	22	4.8	4.2	3.7	-	-	-	16	16	17	0.5	0.6	0.7
HDFC *	19,961	640	254	645	1	105	137	154	20	17	15	7.5	4.6	4.0	-	-	-	20	19	18	1.1	1.2	1.3
ICICI Bank *	23,766	995	321	1,080	9	441	472	505	19	17	14	2.1	1.9	1.8	-	-	-	8	9	9	1.2	1.2	1.3
IDFC *	5,870	188	32	215	15	53	73	86	20	16	14	4.2	2.8	2.3	-	-	-	16	16	14	0.8	0.8	0.8
ING Vysya	930	361		380	5	173	197	225	18	14	11	2.1	1.8	1.6	-	-	-	13	13	15	0.8	0.8	0.8
LIC Housing *	2,495	1,227	21	1,260	3	353	435	523	17	12	11	3.4	2.8	2.3	-	-	-	24	22	23	1.2	1.2	1.4
Manappuram Gen Fin	854	117		115	(2)	17	25	36	33	16	10	6.7	4.7	3.3	-	-	-	31	33	38	0.4	0.3	0.4
Oriental Bank	2,386	445		460	3	273	322	380	10	8	6	1.6	1.4	1.2	-	-	-	16	18	20	2.0	2.2	2.7
Power Finance	8,186	333		360	8	117	139	164	16	13	11	2.8	2.4	2.0	-	-	-	19	19	19	0.9	0.9	1.1
PNB	8,059	1,193		1,230	3	495	616	767	10	8	6	2.4	1.9	1.6	-	-	-	27	26	26	1.8	1.9	2.3
Reliance Capital *	4,119	783		UR	-	314	328	346	44	38	32	2.5	2.4	2.3	-	-	-	6	6	7	1.2	1.2	1.2
Rural Electrification	6,922	327		335	2	108	127	151	16	12	10	3.0	2.6	2.2	-	-	-	24	22	23	1.9	1.4	1.4
SBI *	37,852	2,784	748	3,000	8	929	1,077	1,289	14	12	9	2.4	2.1	1.7	-	-	-	15	16	18	1.1	1.1	1.2
Shriram Transport	3,715	769		760	(1)	165	209	263	20	14	11	4.7	3.7	2.9	-	-	-	28	29	29	0.9	1.3	1.7
Union Bank	3,926	363		385	6	162	206	257	9	7	6	2.2	1.8	1.4	-	-	-	26	26	25	1.5	1.7	1.9
Yes Bank	2,436	332		380	14	91	109	131	24	16	13	3.7	3.0	2.5	-	-	-	20	20	21	0.5	0.5	0.6

...ENAM Valuations

Sector/ Company name	Mcap (\$m)	CMP (INR)	Vol (Rs) FY12	Tgt Pr (INR)	Upside (%)	FDEPS (INR)			PE (x)			PB (x)			EV/Ebitda (x)			ROE (%)			Div Yield (%)		
						FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e
Cement						-	-	-	11	12	11	2.5	2.0	1.8	6	7	6	22	16	16	1.6	1.5	1.7
ACC	3,495	869		828	(5)	84	59	65	10	15	13	2.8	2.5	2.3	6	8	7	30	18	18	3.1	2.8	3.2
Ambuja Cem	3,967	121		121	(0)	8	8	10	16	15	12	2.9	2.5	2.2	9	8	7	19	18	19	2.3	2.1	2.4
Grasim Inds *	4,106	2,091	256	2,825	35	311	224	235	6	8	8	1.2	1.0	0.9	4	6	6	20	12	11	1.5	0.7	0.8
India Cement	727	111		110	(0)	10	4	8	11	26	14	1.0	1.0	0.9	7	10	7	10	4	7	2.1	2.1	2.3
Madras Cement	542	106		116	9	15	9	11	7	12	9	1.6	1.5	1.3	6	7	6	25	13	15	2.2	2.0	1.8
Shree Cement	1,427	1,913		2,421	27	217	218	256	9	9	7	3.6	2.6	2.0	4	6	4	49	35	31	0.5	1.2	1.5
UltraTech Cem	5,562	948		987	4	88	63	73	11	15	13	2.5	2.8	2.3	13	8	7	27	25	20	0.7	0.7	0.8
Engineering						-	-	-	31	25	19	6.2	5.2	4.4	18	16	13	19	20	22	0.9	1.0	1.1
ABB	3,510	773		605	(22)	17	16	27	45	48	28	6.8	6.1	5.2	26	27	16	16	13	20	0.3	0.5	0.6
AIA Engg	722	358		435	22	18	23	31	20	16	12	3.6	3.0	2.5	12	9	7	20	21	24	0.7	0.8	0.9
Bharat Electronics	3,032	1,770		1,785	1	92	105	119	19	17	15	3.3	2.8	2.5	11	9	8	18	18	18	1.0	1.2	1.3
BHEL	25,890	2,469		2,700	9	95	111	135	26	22	18	8.4	6.6	5.2	17	14	11	36	33	32	1.1	1.2	1.3
Crompton Greaves	3,920	285		297	4	13	14	16	22	21	17	7.3	5.6	4.3	14	12	10	38	31	28	0.4	0.5	0.5
Cummins	3,000	707	24	780	10	22	31	38	31	22	18	9.0	7.5	6.2	24	17	14	30	36	36	2.0	2.2	2.5
Hindustan Dorr Oliver	225	146		160	10	8	9	13	19	16	11	4.7	3.7	2.9	11	9	7	28	27	28	0.6	0.8	0.9
L & T *	24,145	1,869	285	1,890	1	50	60	73	31	26	22	6.1	5.4	4.6	25	23	19	20	18	19	0.8	0.8	0.8
Siemens	5,106	707		622	(12)	16	24	28	44	30	25	8.6	7.1	5.9	21	17	14	21	26	26	0.8	1.0	1.1
Sterlite Tech	818	107		125	16	6	8	10	17	14	11	4.6	3.5	2.8	10	9	7	32	29	28	0.5	2.2	2.2
Suzlon Energy	1,847	49		53	7	(4)	(1)	4	NA	NA	11	1.2	1.1	1.0	11	11	7	(8)	(1)	9	NA	NA	NA
Thermax	1,955	766		700	(9)	22	29	39	35	26	20	8.4	6.8	5.5	20	16	11	25	29	31	0.7	0.9	1.2
Voltas	1,461	206		UR	-	10	10	11	21	21	19	6.4	5.2	4.3	14	13	12	34	27	25	0.8	0.9	0.9
FMCG						-	-	-	31	27	23	11.5	9.7	8.0	21	18	15	37	35	35	3.5	1.7	2.0
Asian Paints	5,681	2,767		2,610	(6)	79	93	113	35	30	24	14.7	11.2	8.7	21	18	15	49	43	40	1.0	1.2	1.4
Britannia Inds	1,044	2,040		UR	-	50	34	58	41	60	35	17.1	15.5	12.8	34	30	20	24	27	40	1.2	0.9	1.2
Colgate Palmolive	2,413	828		900	9	31	34	41	27	24	20	34.5	24.4	17.5	22	18	15	155	118	101	2.4	2.5	2.9
Dabur	3,836	206		190	(8)	6	7	8	36	31	25	19.1	13.9	10.3	28	23	19	57	53	47	1.0	1.2	1.3
Godrej Consumer	2,691	386		355	(8)	11	14	17	35	28	23	11.4	7.2	6.0	29	20	16	45	33	29	1.2	1.3	1.5
Hindustan Unilever	12,555	269		238	(11)	10	9	11	28	28	25	22.7	24.3	19.6	20	21	18	91	82	88	2.4	2.4	2.6
Jyothy Lab	481	279		310	11	10	13	16	28	21	17	5.2	4.5	3.9	22	17	13	20	23	24	1.4	1.6	1.8
Marico	1,683	128		135	5	4	5	6	33	27	21	11.7	8.6	6.5	22	18	15	43	37	35	0.5	0.6	0.7
Nestle	5,924	2,869		2,673	(7)	69	80	99	41	36	29	47.6	39.5	32.1	27	23	19	127	121	122	1.7	2.0	2.4
Tata Global Beverages	1,474	111		145	30	1	8	10	183	14	11	14.4	1.4	1.3	11	9	7	8	10	11	0.2	2.2	2.7

...ENAM Valuations

Sector/ Company name	Mcap (\$m)	CMP (INR)	Vol (Rs) FY12	Tgt Pr (INR)	Upside (%)	EDEPS (INR)			PE (x)			PB (x)			EV/Ebitda (x)			ROE (%)			Div Yield (%)		
						FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e
Infrastructure						-	-	-	31	19	15	3.4	2.6	2.4	21	15	13	8	10	12	0.6	0.7	0.8
Adani Enterprises	8,412	642		605	(6)	9	19	31	72	33	21	8.1	5.0	4.0	38	17	12	20	18	18	0.0	0.1	0.1
GMR Infra	5,265	63		63	(0)	0	1	1	142	50	59	2.7	2.8	2.7	23	16	12	2	6	5	NA	NA	NA
Gammon India *	590	216	92	203	(6)	7	9	12	18	13	10	1.4	1.3	1.2	8	7	6	5	6	7	0.5	0.5	0.5
GVK Power & Infra	1,541	46		52	14	1	1	2	46	41	26	1.9	1.8	1.7	24	19	17	5	5	7	0.8	0.8	0.8
Hindustan Construction	836	64	23	60	(7)	1	2	3	35	22	16	2.6	2.5	2.3	14	12	10	6	7	10	1.5	1.8	1.8
IVRCL Infra *	938	164	54	200	22	8	8	10	14	13	11	2.4	2.2	2.0	11	11	9	12	12	13	1.4	1.4	1.4
JP Associates	5,609	123	94	156	27	5	4	5	6	7	6	3.1	2.8	2.6	14	12	12	13	10	11	1.0	1.1	1.2
Mundra Port *	6,881	802	190	820	2	17	23	25	37	26	24	9.0	7.2	5.9	35	25	23	21	23	20	0.1	0.1	0.1
Nagarjuna Construction	908	165	36	175	6	8	9	10	17	15	13	1.9	1.8	1.6	11	11	10	10	10	10	1.1	1.1	1.1
Patel Engg *	601	402		UR	-	24	31	NA	13	10	NA	2.0	1.7	NA	9	7	NA	14	15	0	0.5	0.5	NA
Punj Lloyd	824	116		130	12	(13)	7	9	NA	16	12	1.3	1.2	1.1	21	7	7	(15)	8	9	0.5	0.5	0.5
Reliance Infra *	5,610	1,070	413	1,225	15	41	51	60	16	13	11	2.1	1.7	1.6	28	32	30	9	9	9	1.8	2.2	2.2
Simplex Infra	516	487		486	(0)	26	29	35	19	17	14	2.4	2.1	1.9	7	6	5	13	13	14	0.5	0.7	0.7
IT Services						-	-	-	23	20	18	5.9	4.9	4.0	17	14	12	26	25	22	1.0	1.5	1.0
Financial Technologies	1,389	1,407		1,748	24	37	39	44	38	36	32	3.2	3.0	2.8	47	34	28	9	8	9	0.6	0.6	0.6
HCL Tech	5,928	408		379	(7)	19	26	29	22	16	14	4.0	3.2	2.6	13	9	8	20	23	20	1.0	1.0	1.0
Infosys Tech	34,038	2,769		3,105	12	109	121	141	25	23	20	6.9	5.5	4.5	19	16	13	30	27	25	0.9	0.7	0.9
Mphasis	2,670	594		632	6	43	50	51	14	12	12	5.3	3.8	2.9	13	10	8	48	38	29	0.6	0.6	0.4
Oracle Financials	3,736	2,079		2,685	29	92	123	134	23	17	15	4.1	3.3	2.7	15	12	10	20	22	19	NA	NA	NA
Patni Computer	1,486	532		563	6	36	39	38	15	14	14	2.1	1.9	1.7	7	6	5	15	15	13	0.5	0.5	0.5
Persistent Systems	411	479		547	14	32	35	39	15	14	12	2.4	2.5	2.1	12	9	6	22	20	19	0.6	0.6	0.7
Redington	694	82		94	15	5	6	7	18	14	12	2.5	2.2	2.0	12	9	7	14	17	17	1.2	1.4	1.6
TCS	36,348	867		956	10	35	41	43	25	21	20	8.0	7.1	5.7	19	15	13	37	35	32	1.0	3.2	1.6
Tech Mahindra #	1,886	709		687	(3)	54	51	53	13	14	13	2.8	2.8	2.3	9	9	8	28	21	20	0.5	0.4	0.4
Wipro	21,601	412		443	8	19	22	25	22	19	17	5.1	4.1	3.4	19	16	13	27	24	22	1.3	0.8	0.8
Logistics						-	-	-	19	13	10	2.2	1.9	1.7	13	9	8	10	13	15	1.6	2.0	2.2
Allcargo Global *	480	172	21	188	9	9	11	13	18	14	11	2.2	1.8	1.6	10	9	7	14	13	13	2.9	3.5	4.1
Container Corp *	3,700	1,329	198	1,217	(8)	59	67	76	20	17	15	4.0	3.5	3.1	16	14	12	19	19	19	1.1	1.2	1.2
Gateway Distriparks *	252	109	6	147	35	7	8	11	14	13	10	1.6	1.5	1.4	11	9	7	11	11	14	2.8	3.2	3.2
G E Shipping	995	305		358	17	13	42	60	23	7	5	0.8	0.8	0.7	11	5	5	4	11	14	2.6	3.9	4.9
Media						-	-	-	42	30	22	5.3	4.6	3.9	19	13	11	13	15	17	0.9	0.9	0.9
DB Corp	1,041	268		282	5	10	12	14	27	22	19	6.8	5.0	4.0	14	13	12	38	27	23	NA	NA	NA
Dish TV	1,138	50		54	8	(2)	(2)	0	NA	NA	156	1.2	1.0	0.9	64	26	11	(22)	(10)	2	NA	NA	NA
HT Media	859	171		133	(22)	6	7	8	28	23	21	4.3	4.3	4.2	17	13	12	16	19	21	NA	NA	NA
Jagran Prakashan	774	120		136	13	6	7	9	21	16	14	5.4	4.4	3.6	13	10	8	29	30	29	1.7	1.7	1.7
Sun TV	4,085	484		470	(3)	13	17	20	37	29	25	9.9	8.0	6.5	17	12	11	28	31	29	1.5	0.9	1.0
Zee Ent	3,122	301		314	4	10	13	16	31	23	19	3.5	3.5	3.1	23	14	12	13	16	17	0.7	1.7	1.3

...ENAM Valuations

Sector/ Company name	Mcap (\$m)	CMP (INR)	Vol (Rs) FY12	Tgt Pr (INR)	Upside (%)	FDEPS (INR)			PE (x)			PB (x)			EV/Ebitda (x)			ROE (%)			Div Yield (%)		
						FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e
Metals						-	-	-	18	12	11	2.4	1.9	1.6	9	7	6	13	15	15	1.1	1.2	1.4
Hindalco Inds *	7,293	178	16	141	(21)	10	9	14	16	17	12	1.6	1.5	1.3	7	7	6	10	8	11	0.9	0.9	1.4
Hindustan Zinc	10,152	1,122		1,284	14	96	101	128	12	11	9	2.6	2.1	1.7	7	7	4	25	21	22	0.6	0.7	0.7
JSW Steel	4,561	1,138		UR	-	62	42	48	18	27	24	2.0	1.7	1.5	9	9	9	13	7	7	1.0	1.0	1.0
NALCO	5,532	401		380	(5)	14	26	36	28	15	11	2.5	2.2	1.9	17	9	6	9	15	18	0.6	1.2	1.5
NMDC	21,874	258		250	(3)	9	16	19	30	16	14	7.3	5.3	4.0	20	10	8	27	38	33	1.0	1.0	1.0
SAIL	16,945	192		211	10	16	17	17	12	11	11	2.4	1.9	1.6	8	7	7	21	19	16	1.4	1.4	1.4
Sterlite Inds	11,506	160		UR	-	12	14	20	14	11	8	1.2	1.0	0.8	7	6	2	10	9	11	2.6	2.6	2.6
Tata Steel	10,052	520		451	(13)	(2)	48	44	NA	11	12	1.4	1.2	1.1	12	6	6	(1)	12	10	0.3	0.3	1.5
Oil & Gas						-	-	-	16	13	11	2.5	2.2	1.9	9	8	7	16	17	17	1.7	2.1	2.2
BPCL	5,404	698		658	(6)	43	54	60	16	13	12	1.9	1.8	1.6	18	12	10	12	14	14	2.0	2.3	2.6
Chennai petro	843	264		262	(1)	40	38	33	7	7	8	1.1	1.0	1.0	9	7	7	18	16	12	4.5	4.5	4.5
GAIL	12,720	468		506	8	25	30	37	19	16	13	3.5	3.1	2.6	13	10	8	20	21	22	1.6	1.9	2.1
Gujarat Gas	955	348		NR	-	14	17	18	26	20	19	5.4	4.5	3.9	16	12	12	22	24	22	2.3	1.1	1.7
GSPL	1,398	116		NR	-	7	8	10	16	15	12	3.8	3.2	2.6	8	7	6	27	23	23	0.9	1.0	1.3
HPCL	3,694	509		521	2	38	51	56	13	10	9	1.5	1.4	1.2	8	10	9	12	14	14	2.4	2.7	2.9
Indian Oil	20,398	392		381	(3)	44	34	37	9	11	11	1.8	1.7	1.5	9	9	8	22	15	15	3.3	4.3	4.3
Indraprastha Gas	962	321		317	(1)	15	17	21	21	18	15	5.4	4.5	3.7	12	10	8	29	27	27	1.4	1.6	1.7
Oil India	7,399	1,437		NR	-	109	122	130	13	12	11	2.5	2.2	1.9	7	6	6	23	20	19	2.4	2.5	2.6
ONGC	57,634	1,258		1,404	12	91	109	117	14	12	11	2.6	2.2	2.0	6	5	5	20	21	20	2.6	2.9	2.9
Petronet LNG	1,760	110		93	(15)	5	7	9	20	15	12	3.3	2.9	2.5	12	10	9	17	20	23	1.6	1.8	2.3
Reliance Inds	69,233	988		1,181	20	49	66	79	20	15	13	2.3	2.0	1.8	12	8	7	12	14	15	0.7	0.9	1.0
Tata Chemicals	2,060	395		409	3	26	28	32	15	14	12	1.9	1.7	1.5	8	7	6	13	13	13	2.3	2.5	2.8
Pharmaceuticals						-	-	-	30	20	17	4.9	4.1	3.4	18	14	12	17	21	20	0.7	0.8	1.0
Aurobindo Pharma	1,347	1,080		1,268	17	77	98	127	14	11	9	3.0	2.3	2.0	10	8	7	27	26	27	0.5	0.5	0.6
Biocon	1,503	351		297	(15)	15	16	19	24	21	19	3.9	3.4	3.0	15	12	11	18	17	17	1.0	1.1	1.3
Cadila Healthcare	2,732	623		585	(6)	37	31	37	17	20	17	5.1	6.1	4.8	17	14	12	35	33	31	1.2	1.1	1.3
Cipla	5,338	310		293	(6)	13	14	16	24	22	19	4.1	3.6	3.1	18	16	14	20	18	18	0.7	0.6	0.6
Dishman Pharma	356	206		195	(5)	12	16	19	18	13	11	2.1	1.8	1.6	12	9	7	13	15	16	0.5	0.6	0.7
Divi's Lab	2,112	746		701	(6)	26	32	38	29	23	19	6.1	4.9	4.0	23	19	15	24	24	23	0.3	0.4	0.5
Dr Reddys Lab	4,802	1,326		1,349	2	6	65	75	225	21	18	5.2	4.2	3.5	15	13	11	2	23	22	0.4	0.5	0.5
GlaxoSmithKline Pharm	3,657	2,016		1,645	(18)	60	67	75	34	30	27	9.5	8.5	7.5	24	21	18	30	30	29	1.5	1.7	1.9
Jubilant Organosys	1,128	332		406	22	25	32	41	13	10	8	2.4	1.9	1.5	10	9	7	23	21	21	NA	NA	NA
Lupin	3,540	1,855		1,925	4	74	92	107	25	20	17	6.4	5.0	4.1	18	15	13	30	28	26	0.8	0.9	1.0
Piramal Healthcare	2,211	494		UR	-	23	22	27	22	22	18	6.1	4.9	4.1	17	16	13	32	24	25	1.3	1.3	1.5
Ranbaxy Lab	4,439	493		383	(22)	7	31	28	70	16	18	4.7	3.7	3.2	25	12	12	7	26	19	NA	0.5	1.2
Sun Pharm	7,873	1,785		1,720	(4)	61	81	86	29	22	21	4.7	4.0	3.5	28	18	17	17	20	18	0.8	1.0	1.1

...ENAM Valuations

Sector/ Company name	Mcap (\$m)	CMP (INR)	Vol (Rs) FY12	Tgt Pr (INR)	Upside (%)	FDEPS (INR)			PE (x)			PB (x)			EV/Ebitda (x)			ROE (%)			Div Yield (%)		
						FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e	FY10	FY11e	FY12e
Power Utilities						-	-	-	19	18	15	2.9	2.6	2.3	14	14	11	15	14	16	1.2	1.4	1.6
JSW Energy	4,343	124		148	20	5	7	15	27	17	8	4.2	3.6	2.8	23	12	6	24	23	37	0.7	1.7	3.5
Jaiprakash Power	2,998	67		89	33	1	1	3	72	80	20	3.0	2.9	2.2	29	40	10	5	4	13	NA	NA	NA
NTPC	34,128	193		198	2	11	11	11	17	18	17	2.6	2.3	2.2	13	14	13	15	14	13	2.0	2.2	2.3
Power Grid	9,298	103		126	22	5	6	8	20	17	13	2.7	2.5	2.2	13	12	10	14	15	17	1.7	2.1	2.7
Reliance Power	7,890	154		UR	-	3	4	3	49	37	56	2.5	2.4	2.3	157	50	32	5	7	4	0.0	0.0	0.0
Tata Power *	6,554	1,289	156	1,306	1	75	86	98	15	13	12	2.1	1.9	1.6	11	10	9	14	13	13	0.9	0.9	0.9
Real Estate						-	-	-	27	23	14	2.0	1.8	1.6	23	18	11	7	7	11	0.1	0.0	0.0
Century Textile *	1,012	508	419	UR	-	46	36	28	4	4	3	2.7	2.3	2.1	8	10	10	26	17	12	1.3	1.3	1.3
DB Realty	2,368	454		UR	-	10	18	78	44	25	6	3.5	3.1	2.0	32	15	3	13	13	42	NA	NA	NA
DLF	12,095	333		UR	-	11	13	17	31	26	19	2.2	2.0	1.9	24	20	15	7	8	10	NA	NA	NA
HDIL	2,304	293		UR	-	14	18	25	21	16	12	1.6	1.4	1.3	18	12	9	10	9	12	NA	NA	NA
Indiabulls Real Estate	1,648	192		UR	-	(0)	3	6	NA	73	31	0.7	0.7	0.7	NA	51	43	(0)	1	2	NA	NA	NA
Nitesh Estates	141	45		NR	-	1	2	3	40	26	14	4.8	1.0	1.0	576	8	3	17	7	7	NA	NA	NA
Peninsula Land	411	69		UR	-	12	7	5	6	10	14	1.5	1.3	1.2	6	9	10	28	14	9	NA	NA	NA
Sobha Developers	812	387		UR	-	14	17	20	28	23	19	2.2	2.0	1.8	20	16	13	9	9	10	0.6	NA	NA
Unitech	4,585	85		UR	-	3	3	5	31	30	16	2.1	1.8	1.6	25	22	10	9	6	10	NA	NA	NA
Vascon Engineers	355	184		NR	-	6	11	21	31	17	9	2.5	2.2	1.7	19	10	4	10	13	22	NA	NA	NA
Retail						-	-	-	42	28	21	6.1	5.2	4.3	20	16	13	12	16	17	0.4	0.3	0.4
Pantaloon Retail *	2,050	475	167	551	16	10	16	22	30	20	14	3.3	3.0	2.6	14	12	10	8	10	13	0.2	0.2	0.3
Titan Inds	2,721	2,862		2,620	(8)	57	82	105	50	35	27	17.5	12.4	9.0	32	23	18	40	42	38	0.5	0.4	0.5
Sugar						-	-	-	23	15	10	2.0	1.7	1.5	10	8	7	9	12	14	1.3	1.1	0.9
Bajaj Hindustan	511	125		101	(19)	(2)	3	7	NA	47	18	1.0	1.1	1.0	10	10	8	(2)	2	6	0.6	0.5	0.5
Balrampur Chini	485	87		90	3	8	3	9	10	30	10	2.0	1.9	1.7	7	11	7	20	7	18	3.4	1.7	1.7
Shree Renuka	1,007	70		64	(9)	7	8	8	10	9	9	1.4	2.2	1.8	12	6	6	19	27	22	1.4	1.1	0.7
Telecom **						-	-	-	12	19	15	1.9	1.7	1.7	7	8	7	15	9	11	NA	NA	NA
Bharti Airtel	25,226	310		322	4	22	18	22	14	17	14	2.7	2.3	2.2	7	8	7	22	15	16	NA	NA	NA
Idea Cellular	4,937	70		61	(13)	3	2	4	27	29	18	2.0	1.9	1.7	9	8	6	7	7	10	NA	NA	NA
OnMobile Global	427	340		285	(16)	7	12	17	49	28	20	2.8	2.5	2.2	22	15	10	6	9	12	NA	NA	NA

Note

- 1) * EPS & BV are for core business while target price includes value of investments
- 2) ^ M&M FY10 numbers not comparable due to merger with PTL
- 3) # For TechM, consolidated EPS including Satyam is Rs 82 for FY11E and Rs 81 for FY12E
- 4) ** Telecom company valuations include tower valuations

Source: ENAM estimates, Bloomberg

Appendix

Capital flows to more than offset CAD, propping INR

- ❖ INR under pressure lately due to :
 - ❑ High correlation with CBOE VIX ie global risk appetite
 - ❑ Rising trade deficit in part due to higher crude prices
- ❖ However we expect INR to appreciate in H2 on fundamentals:
 - ❑ **Growth:** Baseline growth of 8%+ and relative growth differential vs US remains intact
 - ❑ Clarity on reforms eg GST, DTC etc will be +ive for capital flows
 - ❑ **Capital flows to more than offset CAD :**
 - ▶ Crude oil price outlook remains muted thereby reducing pressure on India's CAD despite a rise in non-oil imports

External Sector	FY10E	FY11E
Exports (US\$ bn)	185	208
Imports (US\$ bn)	303	348
Trade Bal (US\$ bn)	(118)	(139)
As a % of GDP)	(9.0)	(8.8)
Invisibles, net (US\$ bn)	90	97
Software	42	44
Remittances	38	43
% of GDP	6.9	6.2
Current A/c Bal (US\$ bn)	(28)	(42)
Current A/c Balance as % of GDP	(2.2)	(2.7)
Capital Account		
FDI (US\$ bn)	19	21
Portfolio Invst (US\$ bn)	23	10
Loans	12	15
Banking capital	12	12
Of which NRI	5	2.5
Rupee debt service	(0.5)	(0.5)
Other capital	(12)	3.5
Capital account	53	63
Overall balance	25	21
Forex Res excl. Gold (US\$ bn)	289	311
Months of Imports	11	11

Source: ENAM Research

Assumed a 13% growth in exports 15% in imports as global growth recovers

- ❑ Trade bal. will widen a tad due to rise in crude & higher non –oil imports despite KG Gas substitution
- ❑ Crude price assumed at \$75

Software earnings & remittances to rise

FDI flows expected to rise in line with global flows but FII flows may normalize

Fx Reserves build up in FY11 as capital flows back to normal

Expect INR to strengthen on the back of higher growth and unveiling of key reforms that will attract higher capital flows. Expect INR to end FY11 at ~ 44 to the USD

Fiscal deficit shrinking due to one offs

Fiscal deficit to see a 1.1% correction in FY11

(Rs bn)	FY10RE	FY11E ENAM
a) Gross Tax Revenue	6,331	7,649
% to GDP	10	11
- Corporation tax	2,551	3,137
- Income tax	1,250	1,238
- Excise duty	1,020	1,346
- Customs duty	845	1,183
- Service tax	580	680
- Other tax revenues	86	65
b) (-) Devolvement to States &	1,648	2,100
c) Net tax revenues (a-b)	4,651	5,549
d) Non tax revenues	1,122	2,191
of which 3G+WMA		1,060
e) Net revenue receipts (c+d)	5,773	7,740
f) Non-debt capital receipts	302	451
- Recovery of loans	43	51
- Divestment	260	400
g) TOTAL REVENUES (e+f)	6,075	8,191
% to GDP	10	12

continued ..

(Rs bn)	FY10RE	FY11E ENAM
EXPENDITURE		
h) Revenue non plan expenditure	6,419	7,201
Interest	2,195	2,487
Defense	884	873
Subsidies	1,310	1,588
of which: food	560	655
- fertilisers	530	610
- crude	149	283
- others		40
Pensions	422	428
Grants to States	466	460
Admin and social services	1,141	1,365
i) Non Plan Cap expenditure	644	920
Defense	478	600
Loans	94	10
non plan cap outlay	72	310
j) Non Plan exp on rev & cap a/c	7,063	8,121
k) Plan expenditure on rev & cap a/c	3,151	3,731
- Revenue	2,644	3,151
- Capital	507	580
l) TOTAL EXPENDITURE (i)=(k)	10,215	11,852
% of GDP	17	17
m) Fiscal deficit (l-g)	4,140	3,661
% to GDP	6.7	5.2

Source: GoI, ENAM Research

We believe Fiscal deficit could be lowered to ~5.2% in FY11 largely due to a combination of one-off revenue kickers & expenditure cuts

Forthcoming IPO & QIP pipeline

Forthcoming IPO issues sector-wise	Approx issue amt (Rs bn)
Power Utilities	154
Realty	111
Oil & Gas	31
Misc	8
Pharma	6
Metals	6
Media	4
BFSI	3
Telecom	2
Infra	2
Engg	2
Auto, IT Services, Textiles	4
Total	331

Forthcoming QIP's sector-wise	Approx issue amt (Rs bn)
Infra	66
Misc	39
Realty	38
Power Utilities	30
Telecom	27
BFSI	19
Pharma	16
FMCG	9
Media	7
Logistics	7
IT-Services	6
Metals	5
Textiles	4
Oil & Gas & Paper	3
Total	274

Source: Prime database

Of the aggregate “announced” pipeline of Rs 600 bn, we expect only ~50% to actually come to the market, PLUS PSU disinvestments...implying a <\$ 10 bn pipeline. In the context of \$1.2 trn mkt cap, \$ 20 bn FII inflows & \$20 bn DII inflows, we believe, this will be absorbed

Tax & expenditure - Reforms

❖ Tax reforms: A big game-changer :

- ❑ **GST:** Though there are question marks over meeting the Apr 1, 2011 implementation deadline GST is the most important tax reform attempted in India. It would make India Inc more competitive by minimizing cascading effect of taxation, improving supply chain efficiencies and higher volume growth
 - ▶ Organized manufacturing to be the biggest beneficiary as prices come down
 - ▶ Services, middlemen (black economy) & SMEs to be hit as they get in the tax net & loopholes get plugged
- ❑ **Direct Tax Code:** Simplicity and stability to the tax regime, plugging loop-holes etc, **buoying overall revenues**
Revenues forgone: Direct tax code and GST could enable huge savings

(Rs bn)	2008-09	% of total taxes	2009-10	% of total taxes
Corporate tax	669	11	795	13
Income-tax	375	6	409	6
Excise	1,282	21	1,707	27
Customs	2,257	37	2,490	39
Total	4,583	75	5,401	85

Source: Ministry of Finance

❖ Subsidy reform: The Unique Identification programme (UID) will structurally alter the expenditure of the govt, enabling it to target subsidies better and also plug leakages

- ❑ Subsidies account for ~11% of total expenditure
- ❑ This will cushion consumption and alleviate the problem of bond issuances for oil & fertilizer companies
- ❑ Progress is being made on all fronts, slowly but surely, eg in fuel price hikes, fertilizer coupons, 3G auctions, divestments, FDI in key sectors, etc.

Earnings Surprises in Q1 FY 11

Sector name	Sales (Rs bn)		Variance (%)	EBITDA Margin (%)		Variance (%)	PAT (Rs bn)		Variance (%)
	Jun-10e	Jun-10a		Jun-10e	Jun-10a		Jun-10e	Jun-10a	
Auto	323	319	(1)	13	13	(2)	28	26	(7)
BFSI	385	405	5	-	-	-	120	134	12
Cement	129	138	6	27	26	(1)	16	17	7
Engg	242	230	(5)	12	13	9	19	20	6
FMCG	176	174	(1)	22	21	(7)	26	25	(6)
Infra	145	138	(5)	15	15	(4)	10	8	(25)
IT	266	271	2	25	25	(1)	52	53	2
Media	23	24	3	35	36	3	4	4	5
Metals	328	325	(1)	28	31	11	58	69	19
Oil & Gas	926	867	(6)	24	23	(3)	109	97	(11)
Pharma	123	127	3	22	24	9	19	24	24
Power	202	205	1	32	30	(5)	32	31	(4)
Realty	45	45	(1)	35	36	2	9	8	(14)
Retail	14	13	(9)	7	9	32	1	1	39
Telecom	138	159	15	35	33	(5)	21	19	(10)
ENAM Universe	3,466	3,437	(1)	20	20	(0)	523	535	2

Source: ENAM Research; Note: Tata Motor Numbers are Standalone

Q1 FY11/ Full year %age Vs last 3 yrs avg of Q1/ FY

Sector name	Sales qtr runrate (%)		EBITDA qtr runrate (%)		PAT qtr runrate (%)	
	Jun-10	Avg 3yr	Jun-10	Avg 3yr	Jun-10	Avg 3yr
Auto	25	22	26	24	18	32
BFSI	23	22	-	-	24	20
Cement	25	26	28	27	27	28
Engg	19	19	16	15	16	16
FMCG	24	24	22	23	23	23
Infra	21	22	20	22	16	24
IT	23	23	22	22	22	22
Logistics	22	23	21	26	21	29
Media	24	18	23	20	23	24
Metals	24	25	24	25	25	24
Oil & Gas	24	24	13	26	5	27
Pharma	24	23	23	22	26	26
Power	25	24	24	25	23	23
Realty	23	26	25	28	24	27
Retail	21	21	21	18	20	15
Telecom	21	23	21	24	24	25
ENAM Universe	24	23	20	24	18	24

Source: ENAM Research

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