



Axis * Bharti * BHEL * CESC * Cipla * GAIL * Hero Honda * ITC
Jindal Saw * M&M * Marico * RIL * Sun Pharma * Tech M * UBI

TOP BARGAINS

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Win Prize

Airtel Dial-a-Discount

Reliance
Factory Outlet

AXIS BANK
Prime Quality
Subprime Price

Share
Bazaar



Foreword

A model to follow in An Age of Turbulence!

We live in extraordinary times. After leveraging till January 2008 and averaging till October, market participants are still gauging what hit them hard. Former Fed chief Alan Greenspan, who authored the bestseller *An Age Of Turbulence*, is now accused of causing much of the turbulence by keeping interest rates too low for too long and failing to check the explosive growth of risky mortgage lending. He admits he was 'partially' wrong in opposing the regulation of derivatives.

After years of unmonitored growth, the world is finally having to pay for the huge pile up in leverage, its casual attitude towards risk management, asset froths due to cross-border carry trade flows and step up in weapons of mass destruction (*read derivatives*). In a matter of months, the world has gone from a state of profound optimism to that of deep pessimism. The outbreak of US Subprime crisis in August 2007 has had a cascading effect on the world economy. Carry trade, the main liquidity driver, continues to unwind and a global flight of capital is taking place. Risk aversion has reached historic levels and even while central banks are cutting rates, financial institutions are unwilling to lend, resulting in capital turning insufficient and costly.

After nearly five years of unprecedented rise, the Indian stock market hit a roadblock in January 2008 and the Nifty's then high of 6,350 has vanished from public memory. The tsunami of relentless selling has taken its toll on commerce. The cracks are now appearing in the profit cycle of companies. Volatility has risen sharply and it is fair to say that confidence is at an all time low. We are part of that world and theories like decoupling remain literature to be read at leisure.

History suggests that Indian bear markets last 3-4 years with up to 58% price corrections. In terms of price, we have already fallen below historical levels. Whether we will spend another 2-3 years from now in the bear zone is difficult to gauge at this point. The global economy is facing a recession and the extent of damage is such that healing could take a while. But having said that, unless one believes there is no tomorrow, economies will eventually find a way to resurface and markets will make the painful adjustment and move up again. On the brighter side, economic cycles are getting shorter.

Every dark cloud has a silver lining. There are positives to take away, even in bad times. During a slowdown, companies turn cost conscious and excesses are weeded out of the system. They get time to pause and take stock of their plans. A bear phase could often act as a healthy check and help cut down flab, which helps good companies emerge stronger. Another advantage of a bearish period is that it boosts a long term investor's return by giving the opportunity to buy future winners at yesteryear prices. **Even after the staggering fall since January 2008, Rs10 lakhs invested in Sensex companies in mid 2003 would have grown to approximately Rs30 lakhs today.** This simply re-emphasizes that equities have proved to be the best asset class in the long run.

"Most people get interested in stocks when everyone else is. The time to get interested is when no one else is." – **Warren Buffet**

"For those properly prepared in advance, a bear market in stocks is not a calamity but an opportunity" – **Sir John Templeton**

Foreword ...

Investors have in recent times paid the price for not being fearful when others were greedy. The reverse holds true now. The time has come to be greedy as others turn fearful. Investors with a 3-year horizon should see opportunity in these adverse times. That does not mean you rush to create wealth overnight. The best way to create wealth is to build a portfolio of fundamentally strong companies which will bounce back stronger in the years to come. When the dust settles and the world economy stabilizes, India will be among the first to race ahead.

With the Nifty down 60% from its peak and Diwali almost here, it's time to go shopping. The best bargains are now available at the equity shopping mall. But deep discounts need not necessarily mean value for money in the long term. Our research team has prepared a shopping guide for you called the India Infoline model portfolio (IMP).

Keeping in mind a 3-year horizon, we have built a model portfolio of 15 stocks with assigned weights. We believe IMP strikes the right mix as our chosen stocks are:

- 1) Companies that are adequately funded with low financial leverage and will therefore, not be severely affected by reversal in credit cycle
- 2) Businesses with reasonable earnings visibility even in this uncertain environment
- 3) Value buys that will be less damage prone to the high volatility in markets
- 4) Growth stories with an element of inelasticity in demand

The India story cannot be thought of without giving enough importance to rural themes. Rural India is not much susceptible to a slump in the stock market or property market. Three consecutive years of good monsoon, farm loan waiver and benefits accruing from the 'Bharat Nirman' and 'Rural Employment Guarantee' programs provide enough proof that demand will sustain even as the broader economy loses steam for some time. Some of these form a part of the IMP.

Attractive bargains often tempt people to spend more than they can afford. We advise you to resist such temptation and gradually add stocks to your portfolio. We are confident the IMP will strengthen your portfolio and outperform the benchmark (Sensex). Take your time to build a strong portfolio. After all, Rome wasn't built in day.

May this Diwali bring you 'Long Term' peace and prosperity.

Happy Investing!!!

*"I've found that when the market's going down and you buy funds wisely, at some point in the future you will be happy.
You won't get there by reading 'Now is the time to buy.' – Peter Lynch*

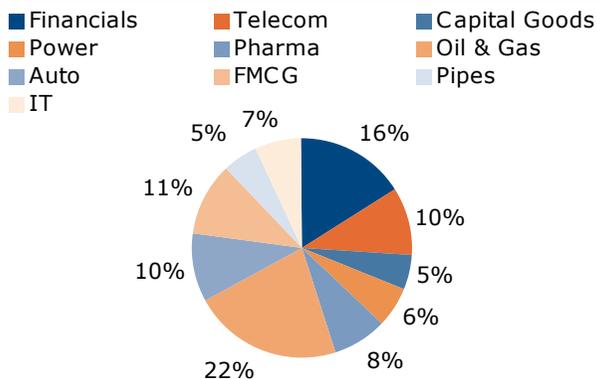
"Uncertainty actually is the friend of the buyer of long-term values" – Warren Buffet

India Infoline Model Portfolio (IMP)

Sr.No	Company	Sector	Weight (%)	Highlights
1	Axis Bank	Financials	9.0	Aggressive expansion; no compromise on profitability or asset quality
2	Bharti	Telecom	10.0	Market leader with high visibility; impressive return ratios
3	BHEL	Capital Goods	5.0	4.2x Order backlog/Sales; well funded for executing capex plans
4	CESC	Power	6.0	Capex on track; trading at 60% discount to peers
5	Cipla	Pharma	4.0	Continues to outperform guidance; benefits from INR depreciation
6	Gail	Oil and Gas	5.0	Increased gas supplies to drive core business of transmission
7	Hero Honda	Auto	5.0	Gaining market share; riding on rural growth
8	ITC	FMCG	6.0	Cigarettes unaffected by slowdown due to demand inelasticity
9	Jindal Saw	Pipes	5.0	High order book and margin improvement to drive earnings
10	M&M	Auto	5.0	Rural play: Tractor and Bolero growth to remain strong; trading below BV
11	Marico	FMCG	5.0	Highest growth among peers - trades at a discount; 25% sales from rural
12	Reliance Ind	Oil and Gas	17.0	Commencement of KG-D6 and RPL growth drivers
13	Sun Pharma	Pharma	4.0	Low risk business model in the industry; robust balance sheet
14	Tech Mahindra	IT	7.0	High revenue visibility vis-a-vis peers; best play in IT
15	Union Bank	Financials	7.0	Strong loan growth; ROE best amongst PSU banks

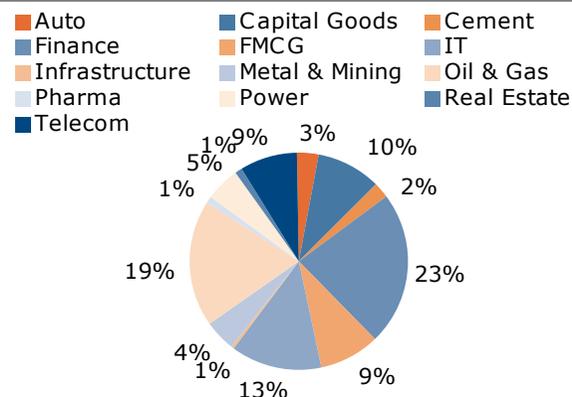
Source: India Infoline Research

Sector weightage in IMP



Source: India Infoline Research

Sector weightage in Sensex



Source: India Infoline Research

Growth-Valuation profile of IMP cos

Parameter	Average
Revenue Growth (%) FY08-10E	17.2
OP Growth (%) FY08-10E	19.5
PAT Growth (%) FY08-10E	18.9
ROE (%) FY10E	24.2
P/E (x) FY10E	8.8
P/BV (x) FY10E	2.1
EV/EBIDTA* (x) FY10E	6.6
Net Debt/Equity* (x) FY08	0.3

Source: India Infoline Research

* Ex-financials

Axis Bank

Stock data

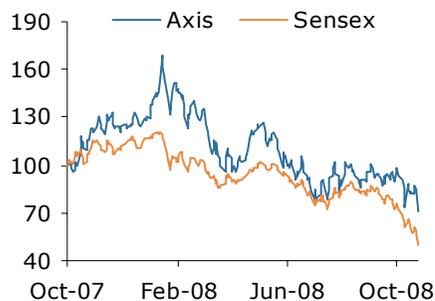
Sensex:	8,510
CMP (Rs):	535
18m Target Price (Rs):	660
Upside (%):	23.4
52 Week H/L (Rs):	1,291/474
Market Cap (Rs cr):	100,473
6m Avg Vol ('000 Nos):	5,059
No of o/s shares (mn):	1,878
FV (Rs):	10
BSE Code	532215
NSE Code	AXISBANK
Bloomberg Code	AXSB IN
Reuters Code	AXBK.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	42.4
Foreign	31.8
Indian Institutions	10.9
Public & Others	14.9

Share Price Trend



- Axis Bank is amongst the fastest growing banks in the country and has struck the right balance of aggressive expansion without compromise on profitability or asset quality.
- Axis Bank witnessed a CAGR of 56% in loans over the last three years, driven by a strong brand franchise, growing distribution network and differentiated product offerings.
- Its track record in managing asset quality has been significantly better than peers. The bank's gross NPL ratio stands at 0.91% and is amongst the lowest in the industry.
- SME and unsecured retail loans account for 25% of its loan book. With most SMEs being highly rated and fall in new credit card issuances, NPLs are likely to be at tolerable levels.
- Even while industry loan growth is expected to slip below 20% in the next year or two, we believe Axis would continue to grow at around 30%.
- The stock trades well below its peers. At 1.6x FY10E P/BV, it is available at a steep discount to HDFC Bank (P/BV 2.2x). At 2x FY10E P/BV, our target price is Rs660.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Operating Income	18,079	24,784	43,808	59,729	77,814
yoy growth (%)	57.6	37.1	76.8	36.3	30.3
Operating profit*	9,942	12,639	22,259	31,135	40,555
yoy growth (%)	75.8	27.1	76.1	39.9	30.3
PAT	4,852	6,590	10,710	14,174	18,916
yoy growth (%)	44.6	35.8	62.5	32.3	33.5
EPS (Rs)	17.4	23.4	29.9	39.6	52.9
P/E (x)	30.5	22.6	17.7	13.4	10.0
P/BV (x)	5.1	4.4	2.2	1.9	1.6
ROA (%)	1.1	1.1	1.2	1.1	1.1
ROE (%)	18.3	21.0	17.6	15.3	17.7
CAR (%)	11.1	11.6	13.7	11.3	9.9

Source: India Infoline Research; * Pre-provisioning; Stand-alone financials

Bharti Airtel Ltd

Stock data

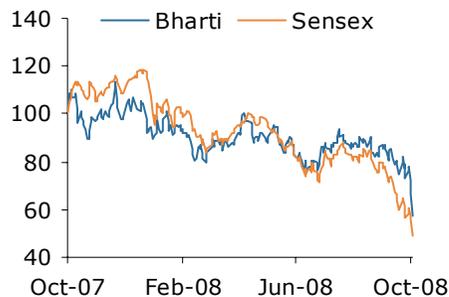
Sensex:	8,510
CMP (Rs):	565
18m Target Price (Rs):	733
Upside (%):	29.7
52 Week H/L (Rs):	1,063/484
Market Cap (Rs cr):	110,514
6m Avg Vol ('000 Nos):	5,034
No of o/s shares (mn):	1,956
FV (Rs):	10
BSE Code	532454
NSE Code	BHARTIARTL
Bloomberg Code	BHARTI IN
Reuters Code	BRTI.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	67.0
Foreign	22.6
Indian Institutions	6.1
Public & Others	4.3

Share Price Trend



- Mobile penetration in India is still a low 30%, relative to over 40% in China. Falling price of handsets and declining tariffs will result in continued increase in telecom penetration.
- Bharti Airtel is likely to witness robust 34.8% CAGR in wireless subscriber base over next two years; we expect mobile base at 112mn by FY10E.
- Telemedia business to consolidate company's presence through stable ARPU's and a projected subscriber base of ~3.3mn by March 2010.
- Indus Towers, a JV with Vodafone Essar and Idea Cellular, to aid in faster network rollout. Estimated enterprise value of Indus at US\$10.2bn.
- Bharti is well placed to bid aggressively in 3G auctions underpinned by its balance sheet strength; C&CE to be ~US\$1.2bn by FY10E.
- Leadership position in wireless business, impressive return ratios makes stock valuations attractive at 6.3x EV/EBIDTA and 9.6x P/E on FY10E earnings.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	116,641	184,202	270,122	364,954	448,356
yoy growth (%)	43.8	57.9	46.6	35.1	22.9
Operating profit	41,504	74,344	113,700	147,442	180,688
OPM (%)	35.6	40.4	42.1	40.4	40.3
PAT	20,279	40,621	63,954	90,041	114,735
yoy growth (%)	67.4	100.3	57.4	40.8	27.4
EPS (Rs)	10.6	21.1	32.7	46.0	58.7
P/E (x)	53.2	26.8	17.3	12.3	9.6
P/BV (x)	14.7	9.5	5.1	3.6	2.6
EV/EBITDA (x)	27.1	15.3	10.5	8.0	6.3
ROE (%)	27.5	35.4	29.4	29.3	27.2
ROCE (%)	22.5	30.4	26.1	28.2	27.6

Source: India Infoline Research

Bharat Heavy Electricals Ltd

Stock data

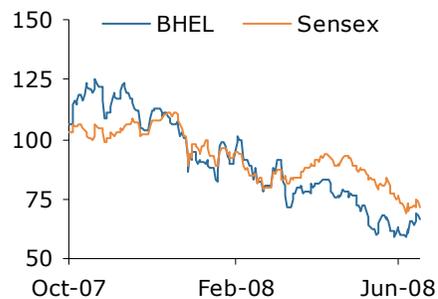
Sensex:	8,510
CMP (Rs):	1,072
18m Target Price (Rs):	1,390
Upside (%):	29.7
52 Week H/L (Rs):	2,925/984
Market Cap (Rs cr):	52,477
6m Avg Vol ('000 Nos):	1,471
No of o/s shares (mn):	490
FV (Rs):	10
BSE Code	500103
NSE Code	BHEL
Bloomberg Code	BHEL IN
Reuters Code	BHEL.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	67.7
Foreign	16.6
Indian Institutions	9.7
Public & Others	6.0

Share Price Trend



- BHEL has a healthy order backlog of Rs1,040bn (5.4x FY08 revenues), which provides high growth visibility till FY11. Order intake in FY09 YTD remains strong at Rs328bn.
- BHEL commands over 60% market share in domestic power equipments industry and has cumulatively installed more than 100GW of power capacity globally.
- The company enjoys government's preference in public power projects. Besides, appreciation in Chinese Yuan v/s INR helps BHEL achieve price parity with Chinese vendors.
- Strong balance sheet provides strength to undertake the Rs42bn capex planned during the 11th Plan. BHEL targets capacity of 15GW in FY10 and 20GW in FY12 from current 10GW.
- It also plans to augment its transformer production capacity and renew focus on overseas markets especially for oil & gas opportunities and power projects.
- The management is confident of recording a revenue CAGR of ~20% over FY09-12. Given the fairly strong guidance, a P/E of 11.1x FY10E EPS looks extremely attractive.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	132,893	171,431	192,636	256,016	339,546
yoy growth (%)	-	29.0	12.4	32.9	32.6
Operating profit	23,742	33,284	34,150	44,852	65,079
OPM (%)	17.9	19.4	17.7	17.5	19.2
PAT	16,792	24,147	28,594	32,958	48,587
yoy growth (%)	-	43.8	18.4	15.3	47.4
EPS (Rs)	34.3	49.3	61.6	67.3	99.3
P/E (x)	32.1	22.3	17.9	16.3	11.1
P/BV (x)	7.4	6.1	4.9	3.7	2.7
EV/EBITDA (x)	21.8	15.3	11.8	7.5	4.4
ROE (%)	23.0	27.5	26.5	25.3	29.2
ROCE (%)	23.6	28.8	27.8	27.5	28.3

Source: India Infoline Research

CESC Ltd

Stock data

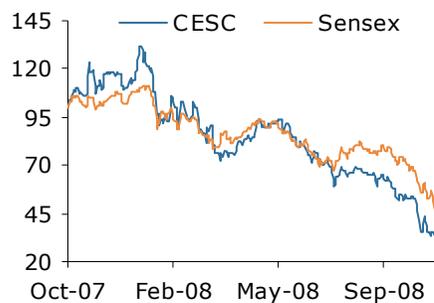
Sensex:	8,510
CMP (Rs):	175
18m Target Price (Rs):	230
Upside (%):	31.4
52 Week H/L (Rs):	715/165
Market Cap (Rs cr):	2,187
6m Avg Vol ('000 Nos):	220
No of o/s shares (mn):	125
FV (Rs):	10
BSE Code	500084
NSE Code	CESC
Bloomberg Code	CESC IN
Reuters Code	CESC.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	52.5
Foreign	23.7
Indian Institutions	13.7
Public & Others	10.2

Share Price Trend



- CESC, the second largest private utility in India, continues to generate sizeable cash in its power business. The company offers good visibility with plans to expand the power generation capacity by ~5x from 975MW currently to 4,825MW by FY15.
- With land and fuel linkages tied-up and adequate cash on books, any major execution delay on the 850MW project is ruled out.
- CESC expects to start earning PLF incentives for its power business FY09 onwards, which will add ~Rs200-250mn pa to earnings.
- We believe concerns over Spencer Retail capex are overdone. This business is focusing on large format stores, improving product mix and cost control and is likely to achieve operating breakeven by FY10.
- The stock is trading at 0.4x FY10E P/BV on standalone basis, a deep 60% discount to industry average. Even without assigning any value to its retail venture, we see a 31.4% upside from current levels. Cash per share is Rs78; 44% of CMP.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	25,140	24,843	27,750	31,274	33,463
yoy growth (%)	8.0	(1.2)	11.7	12.7	7.0
Operating profit	5,974	5,739	5,780	7,442	8,404
OPM (%)	23.8	23.1	20.8	23.8	25.1
PAT	1,775	3,007	3,550	3,752	3,846
yoy growth (%)	21.0	69.4	18.1	5.7	2.5
EPS (Rs)	21.4	35.4	28.3	29.9	30.6
P/E (x)	8.2	4.9	6.2	5.8	5.7
P/BV (x)	0.4	0.4	0.5	0.5	0.4
EV/EBITDA (x)	5.0	4.5	5.0	5.1	4.5
ROE (%)	4.8	7.9	7.7	7.6	7.3
ROCE (%)	10.9	11.9	11.8	11.9	13.0

Source: India Infoline Research; Stand-alone financials

Cipla Ltd

Stock data

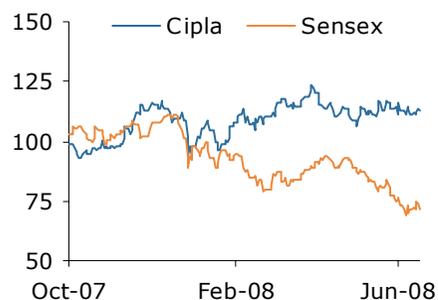
Sensex:	8,510
CMP (Rs):	161
18m Target Price (Rs):	194
Upside (%):	20.5
52 Week H/L (Rs):	244/146
Market Cap (Rs cr):	12,514
6m Avg Vol ('000 Nos):	1,375
No of o/s shares (mn):	777
FV (Rs):	10
BSE Code	500087
NSE Code	CIPLA
Bloomberg Code	CIPLA IN
Reuters Code	CIPL.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	39.4
Foreign	16.7
Indian Institutions	16.1
Public & Others	27.8

Share Price Trend



- Cipla continues to grow ahead of guidance in FY09 YTD with a marked improvement in its core business. In Q2 FY09, revenues grew by 23% yoy and profit by 44% with better OPM. Formulations grew by 48% yoy accompanied by a 17% increase in domestic growth.
- The company continues to do well in both, domestic market and exports. Its domestic business will be driven by cardiovascular, asthmatics and ARV segments.
- Cipla has entered into alliances in the US and procured regulatory approvals. It has entered into contracts with the Clinton Foundation and Sigma Pharmaceuticals of Australia. New contracts and agreements add to its export visibility.
- We expect a 170bps yoy expansion in OPM largely led by the sharp depreciation in INR. We believe, Rupee will depreciate further v/s the USD to Rs52-53 by end FY09E.
- We like this leader in the Indian pharma space (5% market share) at current levels. The company is expected to witness a PAT CAGR of 22.1% over FY08-10E and is trading at an attractive P/E of 11.9x FY10E EPS.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	29,677	35,703	42,268	50,673	56,457
yoy growth (%)	-	20.3	18.4	19.9	11.4
Operating profit	6,895	8,198	8,497	11,046	12,402
OPM (%)	23.2	23.0	20.1	21.8	22.0
PAT	6,076	6,680	7,005	8,950	10,445
yoy growth (%)	-	9.9	4.9	27.8	16.7
EPS (Rs)	8.1	8.6	9.0	11.5	13.4
P/E (x)	19.8	18.6	17.8	13.9	11.9
P/BV (x)	6.1	3.9	3.3	2.8	2.4
EV/EBITDA (x)	18.6	15.0	14.8	11.5	10.3
ROE (%)	30.6	20.6	18.7	20.6	19.9
ROCE (%)	24.8	19.9	17.7	19.2	18.7

Source: India Infoline Research

GAIL (India) Ltd

Stock data

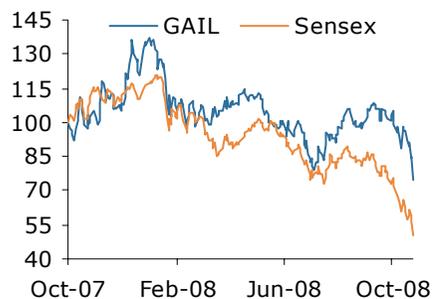
Sensex:	8,510
CMP (Rs):	194
18m Target Price (Rs):	287
Upside (%):	47.9
52 Week H/L (Rs):	370/165
Market Cap (Rs cr):	24,599
6m Avg Vol ('000 Nos):	915
No of o/s shares (mn):	1,268
FV (Rs):	10
BSE Code	532155
NSE Code	GAIL
Bloomberg Code	GAIL IN
Reuters Code	GAIL.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	57.3
Foreign	15.8
Indian Institutions	23.6
Public & Others	3.3

Share Price Trend



- As India's gas supplies increase via domestic production (KG-D6) and imported LNG (rise in capacities at Dahej & Hazira), GAIL's transmission business will see robust growth.
- Downsides to tariffs are limited with current tariffs near expected regulatory levels. Tax benefits on new pipelines to benefit GAIL as it plans to invest Rs180bn over next 3-4 years.
- GAIL has stakes in 29 E&P blocks. Any discoveries in these blocks will lead to increase in value for the company.
- GAIL plans to set up city gas projects in 20 cities over the next four years. This business could improve margins as seen with existing players like Indraprastha Gas and Gujarat Gas.
- GAIL's core business of natural gas transmission is expected to witness a CAGR of 22% in revenues. Overall we expect 15.5% CAGR in revenues and 15.8% in PAT during FY08-10E.
- We have a target price of Rs287 for the stock based on 8x P/E multiple for its core business and Rs57 per share for its E&P business and listed investments.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	144,595	160,472	180,082	210,904	240,301
yoy growth (%)	16.5	11.0	12.2	17.1	13.9
Operating profit	35,731	29,896	39,253	48,011	52,531
OPM (%)	24.7	18.6	21.8	22.8	21.9
PAT	23,852	20,391	25,797	32,249	34,880
yoy growth (%)	22.0	(14.5)	26.5	25.0	8.2
EPS (Rs)	18.8	16.1	20.3	25.4	27.5
P/E (x)	6.7	7.9	6.2	7.5	6.9
P/BV (x)	1.6	1.4	1.2	1.7	1.5
EV/EBITDA (x)	3.8	4.9	3.3	4.3	4.1
ROE (%)	23.9	17.9	19.8	22.3	21.7
ROCE (%)	29.2	23.2	27.4	29.9	29.5

Source: India Infoline Research; Stand-alone financials

Hero Honda Motors Ltd

Stock data

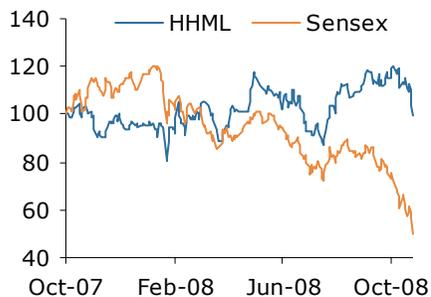
Sensex:	8,510
CMP (Rs):	700
18m Target Price (Rs):	913
Upside (%):	30.4
52 Week H/L (Rs):	895/561
Market Cap (Rs cr):	14,000
6m Avg Vol ('000 Nos):	207
No of o/s shares (mn):	200
FV (Rs):	2
BSE Code	500182
NSE Code	HEROHONDA
Bloomberg Code	HH IN
Reuters Code	HROH.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	55.0
Foreign	22.8
Indian Institutions	13.3
Public & Others	9.0

Share Price Trend



- HHML, the market leader in 2-wheelers, has gained market share (43.8% to 47.2% in 1-yr) driven by robust growth in rural demand and good performance by new product launches.
- Three consecutive months of 20%+ yoy growth in volumes in a scenario of price hikes and high interest rates, reflect HHML's pricing power and product portfolio strength.
- Easing of monetary policy and robust rural sales (40% of total in FY08 to 50% currently) improve volume outlook. Our foreword points at reasons for strong rural demand.
- HHML's dependence on financing has reduced significantly with only 15% of the vehicles sold on finance, which secures its growth in case of a reversal in credit cycle.
- We assume flat OPM for FY09 and FY10 to account for any loss in pricing power or slowdown in growth rate but with metal prices falling, HHML can surprise on margin front.
- HHML is a debt-free company and has a cash per share of Rs127 on its books. During FY08-10E, we forecast a 13% CAGR in revenues and 20.4% CAGR in profits.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	87,140	99,000	103,318	119,157	132,550
yoy growth (%)	17.4	13.6	4.4	15.3	11.2
Operating profit	13,645	11,730	13,494	15,610	17,629
OPM (%)	15.7	11.8	13.1	13.1	13.3
PAT	9,714	8,579	9,679	12,496	14,020
yoy growth (%)	21.3	(11.7)	12.8	29.1	12.2
EPS (Rs)	48.6	43.0	48.5	62.6	70.2
P/E (x)	14.4	16.3	14.4	11.2	10.0
P/BV (x)	7.0	5.7	4.7	3.7	3.0
EV/EBITDA (x)	10.3	12.0	10.4	8.7	7.2
ROE (%)	48.3	34.7	32.4	33.0	29.8
ROCE (%)	69.3	51.7	49.2	45.7	41.6

Source: India Infoline Research; Stand-alone financials

ITC Ltd

Stock data

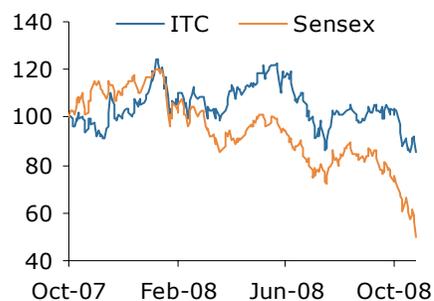
Sensex:	8,510
CMP (Rs):	149
18m Target Price (Rs):	193
Upside (%):	30
52 Week H/L (Rs):	239/132
Market Cap (Rs cr):	56,152
6m Avg Vol ('000 Nos):	6,297
No of o/s shares (mn):	3,769
FV (Re):	1
BSE Code	500875
NSE Code	ITC
Bloomberg Code	ITC IN
Reuters Code	ITC.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	-
Foreign	14.3
Indian Institutions	38.1
Public & Others	47.6

Share Price Trend



- ITC dominates the Indian cigarette industry with volume and value market share of 73% and 84% respectively. ITC accounts for almost 3/4th of the filter cigarettes market and will be the major beneficiary of the shift in demand from non-filter to filter cigarettes.
- Cigarettes segment has shown a strong resilience to the VAT impact. Cigarette demand is inelastic in nature and continues to be a cash cow for the company.
- The company aims to be the largest food company in India over the next five years. The outlook for hotels and the paper segment remains positive. FMCG-others segment is expected to turn profitable by FY10.
- With the entry into the personal care category, ITC is expected to become a tough competitor to Hindustan Unilever and Godrej Consumer.
- It is expected to witness a 15.8% and 13.6% CAGR in revenues and net profit respectively over FY08-10. Valuations at 13.9x FY10 P/E look attractive.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	97,905	121,643	139,475	159,743	186,870
yoy growth (%)	28.2	24.2	14.7	14.5	17.0
Operating profit	33,274	39,564	44,039	48,410	56,061
OPM (%)	34.0	32.5	31.6	30.3	30.0
PAT	22,804	27,000	31,201	34,567	40,260
yoy growth (%)	24.1	18.4	15.6	10.8	16.5
EPS (Rs)	6.0	7.2	8.3	9.2	10.7
P/E (x)	25.0	20.8	18.0	16.2	13.9
P/BV (x)	6.4	5.5	4.8	4.2	3.7
EV/EBITDA (x)	17.1	14.4	12.9	11.8	10.2
ROE (%)	24.7	25.9	25.9	25.1	25.7
ROCE (%)	35.7	36.9	37.3	36.2	36.9

Source: India Infoline Research

Jindal Saw Ltd

Stock data

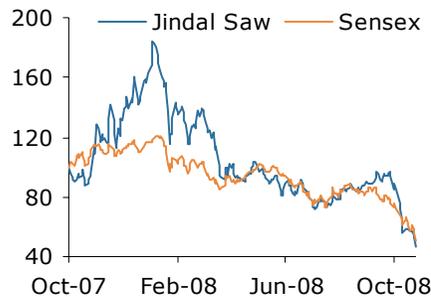
Sensex:	8,510
CMP (Rs):	339
18m Target Price (Rs):	478
Upside (%):	41.0
52 Week H/L (Rs):	1,221/270
Market Cap (Rs cr):	1,767
6m Avg Vol ('000 Nos):	5,059
No of o/s shares (mn):	52
FV (Rs):	10
BSE Code	500378
NSE Code	JINDALSAW
Bloomberg Code	JSAW IN
Reuters Code	JIND.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	43.8
Foreign	18.9
Indian Institutions	15.2
Public & Others	22.1

Share Price Trend



- JSL is the most diversified player in the Indian pipe segment, catering to oil & gas transportation and exploration, water transportation, and sewerage systems.
- JSL's current order book of Rs55bn (executable by July 2009) is 1.4x its CY08E sales, which exhibits strong visibility for its revenues and earnings.
- Globally, a total demand of 266,717kms of line pipes is expected to arise in next five years, of which, 47% would be from Middle East and Asia (60%+ of JSL's order book).
- Sale of low margin US business is expected to improve JSL's OPM, which is reflected from 20.3% CAGR CY07-CY09E in PAT as against 4.5% in sales (CY07 numbers annualized).
- JSL's new business foray (mainly infrastructure and transportation) to generate Rs4bn and Rs6bn revenues in CY08E and CY09E respectively with an OPM of ~14-15%.
- We expect JSL to become a debt-free company by end of current year aided by strong growth in operating cash flows.

Valuation Summary

Period to (Rs mn)	F9/05 (12)	F9/06 (12)	F12/07E (15)	F12/08E (12)	F12/09E (12)
Revenues	23,136	38,557	67,878	48,514	59,314
yoy growth (%)	113.8	66.7	76.0	(28.5)	22.3
Operating profit	2,672	4,099	8,128	6,452	8,482
OPM (%)	11.5	10.6	12.0	13.3	14.3
PAT	1,007	1,762	4,125	3,327	4,779
yoy growth (%)	79.1	75.0	134.1	(19.4)	43.7
EPS (Rs)*	21.4	36.4	64.5	54.2	77.9
P/E (x)	15.9	9.3	5.3	6.3	4.4
P/BV (x)	1.9	1.6	0.9	0.8	0.6
EV/EBITDA (x)*	8.6	5.8	2.7	3.2	2.0
ROE (%)	11.9	17.1	35.0	12.5	13.4
ROCE (%)	15.4	18.8	18.4	20.7	22.3

Source: India Infoline Research; *Annualised; Stand-alone financials

Mahindra & Mahindra Ltd

Stock data

Sensex:	8,510
CMP (Rs):	251
18m Target Price (Rs):	323
Upside (%):	28.7
52 Week H/L (Rs):	872/236
Market Cap (Rs cr):	6,646
6m Avg Vol ('000 Nos):	290
No of o/s shares (mn):	265
FV (Rs):	10
BSE Code	500520
NSE Code	M&M
Bloomberg Code	MM IN
Reuters Code	MAHM.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	26.5
Foreign	31.7
Indian Institutions	26.6
Public & Others	15.2

Share Price Trend



- M&M's leadership in tractor segment and robust UV brands (Bolero, Scorpio) will leverage upon emerging rural demand. Our foreword points at reasons for strong rural demand.
- UV segment to strengthen further with launch of Ingenio in H2 FY08, a mass market platform in 2009 and a high-end SUV in 2010.
- M&M's CV segment increased its market share by 1.8% in last 1-year in a declining demand market, indicating the strength of its products.
- Increased market share in 3-wheeler segment, launch of new Logan and synergies with Punjab tractors, further improves growth prospects for the company.
- Subsidiaries such as Tech Mahindra (one of the IMP stock), M&M Financial Services, Swaraj Engines, auto ancillary and hospitality companies are likely to deliver strong growth.
- Valuations are compelling with the stock trading below its consolidated book value. Further, M&M's standalone debt-equity is significantly lower at 0.4x.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	81,412	98,893	113,286	125,786	137,778
yoy growth (%)	23.5	21.5	14.6	11.0	9.5
Operating profit	8,600	10,788	11,231	11,950	13,172
OPM (%)	10.6	10.9	9.9	9.5	9.6
PAT	8,571	9,464	9,382	9,679	10,669
yoy growth (%)	21.3	10.4	(0.9)	3.2	10.2
EPS (Rs)	35.6	38.6	38.2	36.6	40.3
P/E (x)	8.1	7.4	7.5	7.9	7.1
P/BV (x)	2.4	2.0	1.6	1.5	1.3
EV/EBITDA (x)	8.2	6.8	7.8	9.1	6.8
ROE (%)	29.5	26.6	21.6	19.4	18.7
ROCE (%)	28.8	24.5	18.7	15.8	19.7

Source: India Infoline Research; Stand-alone financials

Marico Ltd

Stock data

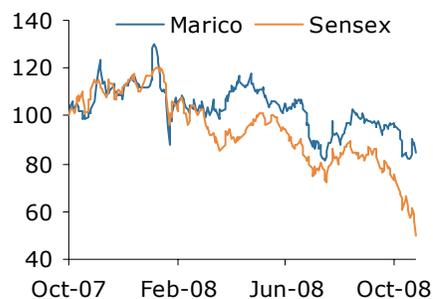
Sensex:	8,510
CMP (Rs):	50
18m Target Price (Rs):	64
Upside (%):	28.6
52 Week H/L (Rs):	85/47
Market Cap (Rs cr):	3,045
6m Avg Vol ('000 Nos):	552
No of o/s shares (mn):	609
FV (Re):	1
BSE Code	531642
NSE Code	MARICO
Bloomberg Code	MRCO IN
Reuters Code	MRCO.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	63.4
Foreign	16.8
Indian Institutions	10.5
Public & Others	9.2

Share Price Trend



- Marico's growth momentum has been driven by the rapid expansion of the domestic market for hair oils and edible oils. Parachute, company's flagship brand, dominates the coconut oil market with 48% market share.
- About 25% of company's turnover comes from the rural market, which has been growing at faster pace than the urban market.
- The international FMCG business accounts for 16% of revenues. With expected increase in margins, this business would start contributing meaningfully to earnings from FY11E. International acquisitions are also on the radar of the company.
- Kaya Skin Clinics has made a name for itself in the skin care segment. The number of clinics now stands at 77 with 67 in India and 10 in the Middle East. This venture will start contributing to net earnings from FY10E.
- The stock appears attractive being the best placed in the FMCG space – one of the highest growth rates (21% CAGR in PAT over FY08-10E) and trading at a discount to peers.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	11,439	15,569	19,067	23,834	27,885
yoy growth (%)	13.6	36.1	22.5	25.0	17.0
Operating profit	1,443	1,987	2,463	2,979	3,625
OPM (%)	12.6	12.8	12.9	12.5	13.0
PAT	869	989	1,586	1,835	2,314
yoy growth (%)	26.2	13.8	60.4	15.7	26.1
EPS (Rs)	1.5	1.9	2.8	3.0	3.8
P/E (x)	33.4	27.0	18.0	16.4	13.2
P/BV (x)	11.2	16.0	9.8	6.8	5.0
EV/EBITDA (x)	21.6	15.7	12.7	10.4	8.8
ROE (%)	33.2	58.7	53.7	41.2	37.1
ROCE (%)	20.6	35.3	33.0	33.9	34.0

Source: India Infoline Research

Reliance Industries Ltd

Stock data

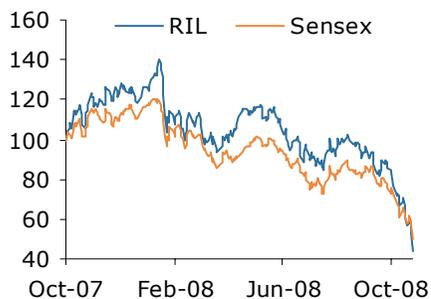
Sensex:	8,510
CMP (Rs):	1,077
18m Target Price (Rs):	1,695
Upside (%):	57.4
52 Week H/L (Rs):	3,252/930
Market Cap (Rs cr):	169,520
6m Avg Vol ('000 Nos):	5,059
No of o/s shares (mn):	1,574
FV (Rs):	10
BSE Code	500325
NSE Code	RELIANCE
Bloomberg Code	RIL IN
Reuters Code	RELI.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	44.8
Foreign	21.1
Indian Institutions	9.3
Public & Others	24.9

Share Price Trend



- E&P business to be the growth driver over the next couple of years. Refining & petchem business to post relatively better results in cyclical downturn driven by superior technology.
- Production of oil and gas from KG-D6 basin to gain traction by end of FY09. At 80mmcmd, KG-D6 will increase India's natural gas production by 80%.
- Apart from KG-D6, RIL has a portfolio of prolific E&P assets domestically and internationally. Any discoveries in these assets will only increase value of E&P business.
- Other businesses including city gas projects, SEZ and Reliance Retail to gain momentum over the next five years.
- RIL is setting up world's largest petrochem complex with a capacity of 2mn tons in Jamnagar. Its efficiency will be amongst best in world with refinery off-gases as feedstock.
- Increased contribution of E&P business will drive earnings CAGR of 32.5% between FY08-10E. Our SOTP target price for RIL is Rs1,695, of which 37.3% is for its E&P business.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	812,113	1,116,990	1,334,430	1,778,053	1,905,787
yoy growth (%)	23.0	37.5	19.5	33.2	7.2
Operating profit	142,991	200,525	233,059	273,143	383,181
OPM (%)	17.6	18.0	17.5	15.4	20.1
PAT	90,693	119,497	147,248	164,077	258,641
yoy growth (%)	19.8	31.8	23.2	11.4	57.6
EPS (Rs)	65.1	82.2	133.9	104.2	164.3
P/E (x)	16.5	13.1	8.0	10.3	6.5
P/BV (x)	3.0	2.4	1.9	1.8	1.4
EV/EBITDA (x)	14.6	11.6	9.7	8.7	5.7
ROE (%)	18.2	18.7	18.1	17.1	21.5
ROCE (%)	16.2	17.1	16.4	17.9	22.4

Source: India Infoline Research; Stand-alone financials

Sun Pharmaceutical Ltd

Stock data

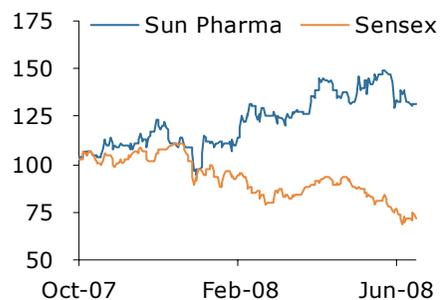
Sensex:	8,510
CMP (Rs):	1,176
18m Target Price (Rs):	1,380
Upside (%):	17.3
52 Week H/L (Rs):	1,558/890
Market Cap (Rs cr):	24,223
6m Avg Vol ('000 Nos):	1,061
No of o/s shares (mn):	206.0
FV (Rs):	10
BSE Code	524715
NSE Code	SUNPHARMA
Bloomberg Code	SUNP IN
Reuters Code	SUN.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	63.7
Foreign	20.5
Indian Institutions	4.7
Public & Others	11.1

Share Price Trend



- Sun Pharma is one of the fastest-growing companies in the domestic pharmaceutical market, growing at about 2x the industry rate.
- It has one of the low risk business models amongst the Indian peers with strong presence in CNS, pain management, ophthalmology, cardiovascular and respiratory segments.
- Having facilities approved by USFDA for controlled substances in regulated markets, Sun has an edge in the niche controlled substances market .
- Its merger with Taro would bring synergies given Taro's focused therapeutic portfolio and branded-generic experience in US and Europe. The combined entity would market close to 150 products with another 100 products awaiting approval.
- The high margin strong earnings growth, low risk revenue model and strong balance sheet makes it a good defensive bet. With no significant forex hedges, Sun will likely reap major benefits of the sharp depreciation of the Rupee against the USD.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	15,945	20,792	32,909	41,234	41,398
yoy growth (%)	-	30.4	58.3	25.3	0.4
Operating profit	4,895	6,711	15,511	19,867	15,625
OPM (%)	30.7	32.3	47.1	48.2	37.7
PAT	5,732	7,843	14,869	18,532	14,525
yoy growth (%)	-	36.8	89.6	24.6	(21.6)
EPS (Rs)	27.7	37.9	71.8	89.6	72.6
P/E (x)	42.3	30.9	16.3	13.1	16.1
P/BV (x)	13.0	8.8	4.9	3.7	3.2
EV/EBITDA (x)	22.6	32.8	14.7	11.9	13.8
ROE (%)	35.9	32.2	35.5	33.7	30.7
ROCE (%)	34.5	31.6	38.2	36.7	32.8

Source: India Infoline Research

Tech Mahindra Ltd

Stock data

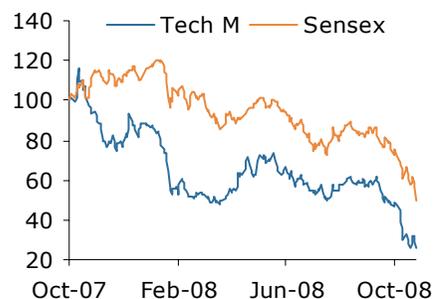
Sensex:	8,510
CMP (Rs):	313
18m Target Price (Rs):	469
Upside (%):	49.8
52 Week H/L (Rs):	1,255/299
Market Cap (Rs cr):	3,787
6m Avg Vol ('000 Nos):	203
No of o/s shares (mn):	121
FV (Rs):	10
BSE Code	532755
NSE Code	TECHM
Bloomberg Code	TECHM IN
Reuters Code	TEML.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	83.3
Foreign	1.8
Indian Institutions	3.6
Public & Others	11.3

Share Price Trend



- Tech Mahindra is India's eighth largest IT services company with strong domain expertise and execution experience in the telecom space.
- Company's high ~60% revenue concentration in BT (strategic relationship) and 0% BFSI exposure lend comfort in the current environment of increasing business uncertainty.
- Over the past 6-8 quarters, Tech Mahindra has won large deals worth more than US\$2bn from BT despite latter's rationalization of business to other offshore vendors.
- With an order book position of ~US\$3bn, Tech Mahindra carries the best revenue visibility in the sector. Peers are facing client-specific problems and fading business visibility.
- Strong operational performance in Q2 FY09 reaffirms our belief that Tech Mahindra would deliver superior revenue growth in FY10.
- In spite of better fundamentals, Tech Mahindra trades at deep discounted valuations of 4x FY10 P/E. It is our top pick in the IT sector with significant upside potential.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Revenues	12,427	29,290	37,661	47,403	54,435
yoy growth (%)	31.4	135.7	28.6	25.9	14.8
Operating profit	2,679	7,365	8,258	12,368	12,235
OPM (%)	21.6	25.1	21.9	26.1	22.5
PAT	2,354	6,125	7,701	10,285	10,327
yoy growth (%)	129.9	160.2	25.7	33.6	0.4
EPS (Rs)	22.6	50.5	63.4	78.9	79.2
P/E (x)	13.8	6.2	4.9	4.0	4.0
P/BV (x)	5.3	4.1	3.0	1.8	1.3
EV/EBITDA (x)	11.9	5.0	4.4	2.6	1.9
ROE (%)	42.7	79.3	70.1	58.2	37.8
ROCE (%)	47.6	88.9	36.6	67.7	42.3

Source: India Infoline Research

Union Bank of India

Stock data

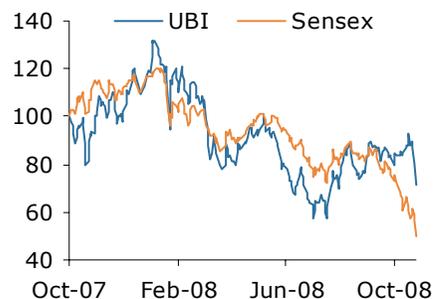
Sensex:	8,510
CMP (Rs):	121
18m Target Price (Rs):	177
Upside (%):	46.3
52 Week H/L (Rs):	234/96
Market Cap (Rs cr):	6,112
6m Avg Vol ('000 Nos):	631
No of o/s shares (mn):	505
FV (Rs):	10
BSE Code	532477
NSE Code	UNIONBANK
Bloomberg Code	UNBK IN
Reuters Code	UNBK.BO

Close price as on 27/10/08

Shareholding Pattern

September'08	(%)
Promoters	55.4
Foreign	19.3
Indian Institutions	11.9
Public & Others	13.4

Share Price Trend



- One of the most consistent performers amongst the PSU banks, UBI, registered a CAGR of 23% in its loan book during FY05-08, which would be maintained in years to come.
- After a bad phase in FY05-06, UBI has posted a resilient performance with stable NIMs at 2.6% and improvement in asset quality. With current CAR at 12.2% UBI is well capitalized.
- UBI's CASA ratio of 34.8% and deposit mobilization CAGR of 17.4% over FY03-08 is higher than most of the PSU banks.
- UBI's operational efficiency is superior with cost to income ratio at around 40% in comparison to the industry average of above 45%.
- In Q1 FY09, UBI's asset quality improved significantly with gross NPLs at Rs16.6bn down 11.5% qoq. With high provision coverage ratio of 93.1%, net NPLs have declined 77% qoq.
- With a ROE of 22.9% (amongst the highest in industry) and P/BV of 0.6x, we believe the stock is significantly undervalued.

Valuation Summary

Period to (Rs mn)	FY06 (12)	FY07 (12)	FY08 (12)	FY09E (12)	FY10E (12)
Operating Income	29,993	34,764	41,736	46,189	52,794
yoy growth (%)	6.0	15.9	20.1	10.7	14.3
Operating profit*	15,969	20,005	25,806	28,748	33,262
yoy growth (%)	12.3	25.3	29.0	11.4	15.7
PAT	6,752	8,448	13,873	14,165	17,536
yoy growth (%)	6.1	25.1	64.2	2.1	23.8
EPS (Rs)	13.4	16.7	27.5	28.0	34.7
P/E (x)	9.1	7.2	4.4	4.3	3.5
P/BV (x)	1.3	1.2	0.8	0.7	0.6
ROA (%)	0.8	0.9	1.2	1.1	1.1
ROE (%)	18.7	19.1	26.8	22.9	23.5
CAR (%)	11.4	12.8	12.5	11.6	11.6

Source: India Infoline Research; * Pre-provisioning

