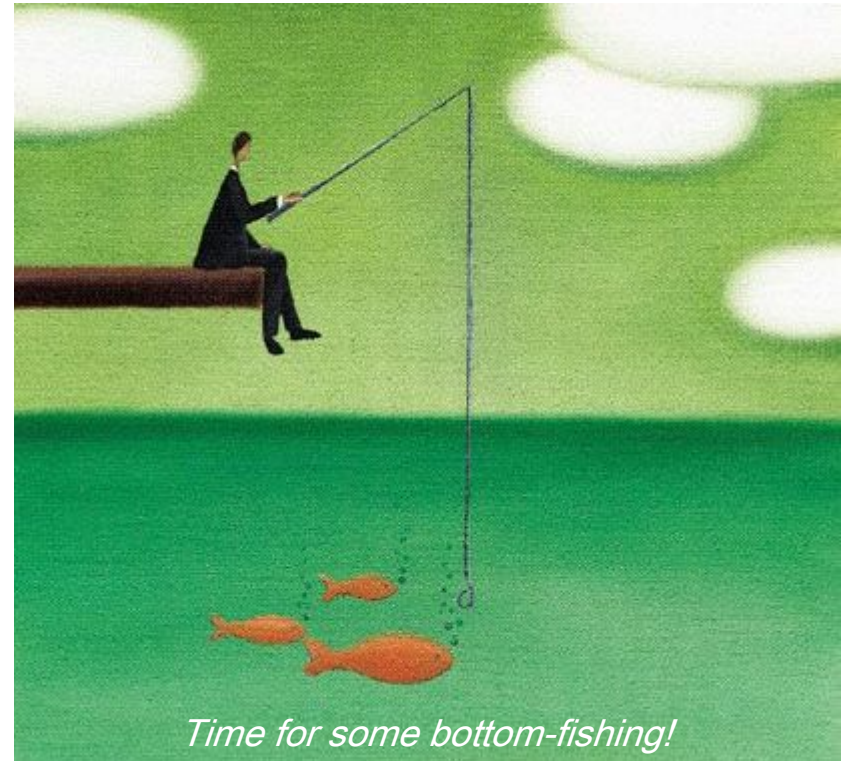


Market Outlook

Angling for gains



Time for some bottom-fishing!

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Value Buys



Auto

Maruti Suzuki

Banking

Union Bank of India

FMCG

K S Oils

IT

MindTree, Satyam Computer

Infrastructure

IVRCL Infra, L&T, Sujana Towers

Media & Entertainment

UTV Software

Metals

Hind Zinc, Rohit Ferro, Tata Steel

Oil & Gas

Cairn India

Packaging

Sintex Industries

Pharmaceuticals

Glenmark Pharma, Sun Pharma

Shipping

Mercator Lines

Attractive entry point as valuations head south



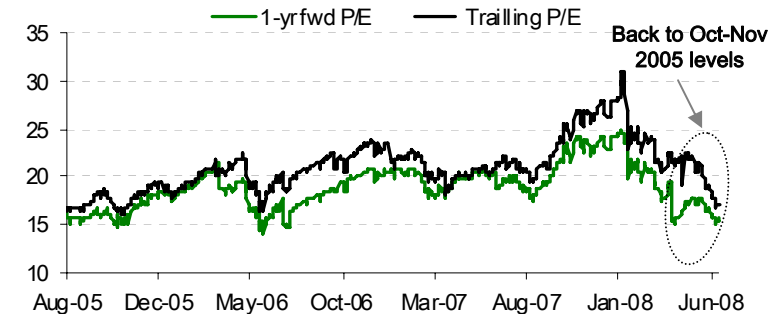
Turning back the clock on valuations

- Valuations are back to November 2005 levels on a one-year forward basis.
- Sensex currently trading at 17x trailing and 15.5x one-year forward. Sensex EPS expected to grow at 14–15% in FY09.
- Excessively deep correction in certain stocks or sectors offers a strong entry point for long-term investors.

Negative FII sentiment... but could it be overblown?

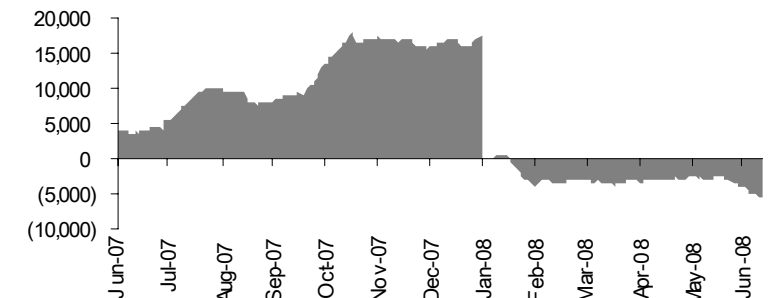
- Since January, global cues turned negative on the back of burgeoning inflation, increasing commodity prices, a weak dollar, high interest rates and global financial turmoil.
- India's strong growth story and healthy domestic demand initially lent resilience to its stock market performance.
- But since May 2008, FIIs have begun to offload equity in profitable markets like China and India as well.
- Net FII outflows from India totalled Rs 46.7bn in May and Rs 67bn since the beginning of June.

Sensex P/E



Source: Bloomberg

Cumulative net FII inflow



Source: Bloomberg

Sensex loses premium valuation



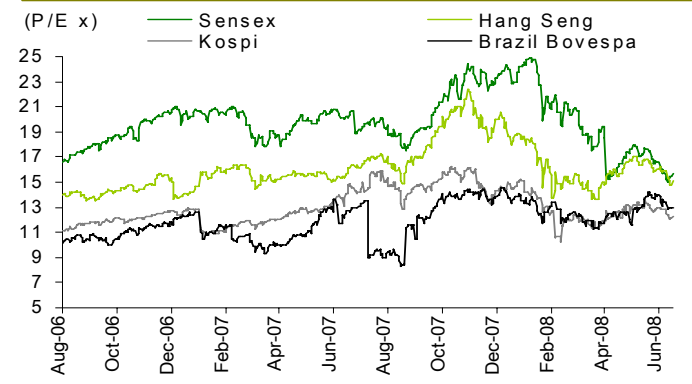
India is currently valued on par with other emerging Asian markets at 15.5x one-year forward.

Global indices performance

Index	3-mth	6-mth	1-year	ROE (%)	P/E'09 (x)
HANG SENG	4.1	(18.8)	14.3	13.4	15.3
KOSPI	9.2	(6.9)	2.7	12.8	12.3
TAIWAN TAIEX	0.9	(2.7)	0.8	15.7	13.1
KUALA LUMPUR COMP	5.1	(13.5)	(8.9)	13.9	13.2
STOCK EXCH OF THAI	(1.6)	(5.6)	5.6	16.4	10.8
BRAZIL BOVESPA STOCK	15.5	5.9	32.4	16.6	13.3
RUSSIAN RTS \$	16.5	0.6	30.4	19.6	10.1
SHANGHAI SE COMPOSITE	(28.6)	(39.7)	(21.5)	18.3	19.5
BSE SENSEX 30	(7.4)	(26.0)	4.9	17.7	14.9
NSE S&P CNX NIFTY	(8.2)	(26.1)	6.3	18.1	14.2

Source: Bloomberg

Market P/E



Source: Bloomberg

- ❑ Sensex premium vis-à-vis emerging markets eroded.
- ❑ India witnessed the highest FII inflows in CY07 at US\$ 17.4bn. So far in CY08, however, India has recorded a net FII outflow of US\$ 5.5bn.
- ❑ FII investment moving to commodity-driven countries like Brazil and Russia.

Prospects for a brighter H2CY08



- Latest US manufacturing and construction data suggests a stronger economic outlook for H2CY08.
- Statement by US Fed chairman Ben Bernanke regarding the likelihood of 'better economic conditions' in H2CY08 further brightens outlook.
- Improving global cues would revitalise FII sentiment towards emerging economies and lend some respite to Indian markets.
- In addition, a good monsoon could alleviate inflationary pressures on the Indian economy. Peaking off of inflation will arrest the upward interest rate movement and stimulate interest in equity as an investment class.
- Oil could play spoilsport however.

“Overall economic growth was quite slow but apparently positive in both the fourth quarter of 2007 and the first quarter of this year... We may see somewhat better economic conditions during the second half of 2008, reflecting the effects of monetary and fiscal stimulus, reduced drag from residential construction, further progress in the repair of financial and credit markets, and still solid demand from abroad.” – US Federal Reserve Chairman Ben Bernanke



There's no denying near-term concerns...

- ❑ Near-term concerns like inflationary pressure, hardening interest rates and a possible economic slowdown could overshadow attractive valuations.
- ❑ We remain cautious on interest rate sensitive sectors like Banking, Real Estate and Automobiles. We are also cautious on Oil & Gas and Cement.

...but rock-bottom valuations offer attractive bargain buys

- ❑ Concerns appear to be exacting a disproportionately high toll on valuations.
- ❑ We believe fundamentally strong stocks would bounce back once the market stabilises.
- ❑ It's time that investors revisited valuations and cast their nets back into the market in search of a bargain catch!

Valuation summary



Company	CMP (Rs)	Mkt cap (Rs bn)	Jan low price (Rs)	Jan Low P/E (x)		Current P/E (x)		Target (Rs)	Appreciation (%)
				FY08 P/E	FY09E P/E	FY09E P/E	FY10E P/E		
Auto									
MARUTI SUZUKI	722	212.7	807	13.1	11.7	10.5	9.1	1,046	44.8
Banking									
UNION BANK OF INDIA	125	63.1	164	6	5.7	4.3	3.7	235	88
FMCG									
KS OILS	61	20.3	76	20.4	12.8	10.4	7.7	111	82
IT									
MINDTREE	457	17.3	334	12.6	10.3	14.2	11.7	517	13.1
SATYAM COMPUTER	480	321.8	354	14.3	11.5	15.9	13.6	550	14.6
Infrastructure									
IVRCL INFRA	373	49.8	418	26.5	20.9	18.6	13.3	522	39.9
LARSEN & TOUBRO	2,710	777.3	3,665	50.4	40.1	29.7	22.1	3,337	23.1
SUJANA TOWERS	94	3.5	175	17.7	12.2	6.4	4.5	202	114
Media & entertainment									
UTV SOFTWARE	774	26.3	652	28.5	22.1	26.2	16.2	1,068	38
Metals									
HINDUSTAN ZINC	590	241.3	555	5.3	5.6	6	6	846	43
ROHIT FERRO	147	6.5	69	4	1.4	4.3	3.9	216	47
TATA STEEL	841	600	671	6.1	5.2	6.3	6.8	977	16
Oil & gas									
CAIRN INDIA	285	540.1	184	115.1	12.4	19.1	7.5	314	10.1
Packaging									
SINTEX INDUSTRIES	418	57.1	441	22.6	17.8	16.9	10.8	587	40.4
Pharmaceuticals									
GLENMARK PHARMA	650	161.7	441	18.4	14.3	19.9	15.6	716	10.2
SUN PHARMA	1,472	304.9	941	13.1	10.2	15.9	17.2	1,664	13
Shipping									
MERCATOR LINES	114	25.6	114	8.7	6.2	6.2	4.9	160	40.3

Source: Religare Research



CMP: Rs 722

Target: Rs 1,046

BUY

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Investment rationale

- New product launches (Dzire, SX4, M800 LPG variants, Splash) expected to propel growth.
- Increasing raw material prices would put pressure on EBITDA margins, but would be mitigated to a large extent by a better product mix and price hikes.
- We expect a revenue CAGR of 18.3% over FY08-FY10 with an earnings CAGR of 14.3%.

Valuation

- Stock attractive at a P/E of 9x and EV/EBITDA of 5.4x on FY10E.
- Our target price of Rs 1,046 is based on 13x FY10E earnings considering growth prospects in export markets and dominant market share in India. Historically, the stock has traded between 12–17x.

Company data

Particulars

Market cap (Rs bn / US\$ bn)	212.7/5.3
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Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs bn)	179.4	214.0	251.0
Growth (%)	22.4	19.3	17.3
Adj net inc (Rs bn)	17.8	19.9	23.3
Growth (%)	14.0	11.6	17.0
FDEPS (Rs)	61.6	68.8	80.5
Growth (%)	14.0	11.6	17.0
P/E (x)	11.7	10.5	9.0
ROE (%)	23.2	21.2	20.5

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Maruti Suzuki	722	(2.3)	(19.3)	(27.8)
Sensex	15,250	(9.0)	(0.7)	(24.1)
BSE Auto	4,130	(13.2)	(9.0)	(28.1)



CMP: Rs 125

Target: Rs 235

BUY

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Investment rationale

- Business to grow in line with the industry. Several near-term risks to profitability persist for the banking sector including high interest rates, subdued credit growth, spiralling inflation and a likely deterioration in asset quality. Nonetheless, we expect UBI to record stable profits in FY09 and improved growth in FY10.
- Over the last 3-4 years, UBI has never traded below its ABV. However, following the correction in January 2008, the stock is currently trading at 0.8x FY09E ABV of Rs 155 – an attractive investment opportunity.

Valuation

- Our DDM-based target of Rs 235 assumes a risk free rate of 8%, sustainable ROE of 15% and growth rate of 11.5%.
- Even after raising assumptions of risk free rate and long-term risk premium by 25bps and 50bps respectively, the target for the stock (at Rs 187) still offers a 57% upside.

Company data

Particulars

Market cap (Rs bn / US\$ bn)	63.1/1.5
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Financial snapshot

Particulars	FY08	FY09E	FY10E
NII (Rs bn)	30.9	34.1	39.6
Growth (%)	10.6	10.5	16.1
Adj PAT (Rs bn)	13.9	14.5	17.2
Growth (%)	64.1	4.8	18.0
FDEPS (Rs)	27.5	28.8	34.0
Growth (%)	64.1	4.8	18.0
P/ABV (x)	1.1	0.8	0.7
ROE (%)	22.1	16.9	18.6

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
UBI	125	(21.0)	(14.64)	(39.1)
Sensex	15,250	(9.0)	(0.7)	(24.1)
Bankex	7,056	(21.1)	(15.2)	(37.8)



CMP: Rs 61

Target: Rs 111

BUY

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Investment rationale

- Leading mustard oil player with 5% market share in the Rs 127bn domestic market and 25% share in the Rs 22bn branded segment. Scope for growth in India's branded market plus backward integration into palm plantations would drive performance.
- Branded mustard oil market growing at 20% annually; higher sales in this segment expected to boost operating margins. Also, trend of higher price realisations seen during FY08 to continue.
- We expect a revenue CAGR of 55% and PAT CAGR of 51% over FY08-FY10. Commercialisation of the recently-acquired Indonesian palm plantation in FY12 represents a significant upside risk.

Valuation

- Our DCF-based target price is Rs 111. At its peak, the stock quoted at 15.6x FY10E earnings. It is currently trading at 7.7x, reflecting a strong investment opportunity.

Company data

Particulars

Market cap (Rs bn / US\$ mn)	20.3/500.7
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Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs mn)	20,410.6	35,054.5	49,050.8
Growth (%)	87.7	71.7	39.9
Adj net inc (Rs mn)	1,227.0	2,086.3	2,813.2
Growth (%)	113.8	70.0	34.8
FDEPS (Rs)	3.7	5.9	7.9
Growth (%)	42.3	58.6	34.8
P/E (x)	16.5	10.4	7.7
ROE (%)	32.8	23.3	18.6

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
K S Oils	61	(17.7)	(13.7)	(37.6)
Sensex	15,250	(9.0)	(0.7)	(24.1)



CMP: Rs 457

Target: Rs 517

BUY

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Investment rationale

- MindTree is our preferred pick among mid-tier IT companies due to likelihood of higher-than-peer growth and reasonable valuations.
- Acquisition of Aztec Software to provide strong capabilities in testing and product development, which would boost revenue growth. Combined entity to offer entire product development range (from hardware to software) – a unique edge over other IT mid-caps.
- Rupee depreciation would allow the management to increase its FY09 guidance further. Our estimates do not include the merger impact of Aztec Software.

Valuation

- Stock currently trading at 14.2x and 11.7x expected FY09 and FY10 diluted earnings of Rs 32.6 and Rs 39.5 respectively. We maintain a positive stance on MindTree.

Company data

Particulars

Market cap (Rs bn / US\$ mn)	17.3/404.9
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Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs mn)	7,338.4	9,198.9	11,047.3
Growth (%)	24.3	25.4	20.1
Adj net inc (Rs mn)	1,015.0	1,274.9	1,545.6
Growth (%)	14.8	25.6	21.2
FDEPS (Rs)	26.6	32.6	39.5
Growth (%)	13.9	22.4	21.2
P/E (x)	17.2	14.2	11.7
ROE (%)	20.9	21.3	20.9

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
MindTree	457	0.9	34.6	(11.1)
Sensex	15,250	(9.0)	(0.7)	(24.1)
BSE IT	4,336	(2.9)	27.3	1.8



CMP: Rs 480

Target: Rs 550

BUY

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Investment rationale

- Slow volume growth expected in Q1FY09, but rupee depreciation of ~7% during the quarter would boost operating performance.
- Management likely to raise FY09 rupee guidance (based on ~Rs 40/US\$) by 4–5% to realign to current rate of ~Rs 43/US\$. Consensus and our estimates do not factor in complete benefit of rupee depreciation, leaving room for further upside.
- On the flip side, IT companies are banking on a revival in demand in H2CY08 which could pose a risk to the hitherto unbroken guidance record.

Valuation

- Stock currently trading at 15.9x and 13.6x FY09E and FY10E diluted earnings of Rs 30.8 and Rs 36.1 respectively.

Company data

Particulars

Market cap (Rs bn / US\$ bn)	321.8/7.5
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Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs mn)	84,735	107,808	124,755
Growth (%)	30.7	27.2	15.7
Adj net inc (Rs mn)	16,914	20,888	24,515
Growth (%)	21.6	23.5	17.4
FDEPS (Rs)	24.7	30.8	36.1
Growth (%)	17.8	24.6	17.4
P/E (x)	19.4	15.9	13.6
ROE (%)	26.0	25.8	24.9

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Satyam	480	3.4	16.8	(11.1)
Sensex	15,250	(9.0)	(0.7)	(24.1)
BSE IT	4,336	(2.9)	27.3	1.8



CMP: Rs 373

Target: Rs 522

BUY

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Investment rationale

- Good revenue visibility for the next two years with a strong order backlog aggregating Rs 128bn (3.5x FY08 sales) and positioning as lowest bidder (L1) for projects worth Rs 14bn–15bn.
- Net sales expected to clock 38% CAGR over FY08-FY10 with stable EBITDA margins and PAT CAGR of 36%. Earnings projected to increase at 33% CAGR over the same period.

Valuation

- At the current price of Rs 373, IVRCL's core business (discounting other businesses at 50%) is trading at 12x one-year-forward earnings.
- Our DCF value for the core business stands at Rs 398 (which is 20x FY09E earnings), with other ventures valued at Rs 124. This gives us a combined target of Rs 522.

Company data

Particulars

Market cap (Rs bn / US\$ bn)	49.8/1.2
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Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs mn)	36,981.1	51,000.0	70,000.0
Growth (%)	57.6	37.9	37.3
Adj net inc (Rs mn)	2,104.8	2,756.4	3,864.7
Growth (%)	48.8	31.0	40.2
FDEPS (Rs)	15.8	20.0	28.1
Growth (%)	48.8	27.1	40.2
P/E (x)	23.7	18.6	13.3
ROE (%)	14.2	15.4	19.4

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
IVRCL	373	(11.5)	(4.7)	(28.1)
Sensex	15,250	(9.0)	(0.7)	(24.1)



CMP: Rs 2,710

Target: Rs 3,337

BUY

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Investment rationale

- Standalone business has posted robust net sales growth of 41% during FY08 led by the engineering and construction division, which grew 44% to Rs 189.5bn. The group's order backlog of Rs 527bn is 2.1x FY08 sales, with order inflows of Rs 420bn during FY08.
- Robust order intake would drive a standalone topline CAGR of 30% over FY08-FY10 along with a 30% earnings CAGR.

Valuation

- During FY08, L&T's core business traded at a high of 35x FY09E EPS. The stock has corrected significantly off its highs and is now trading at 21x FY09E.
- We value the core business at Rs 2,694 (22x FY10E EPS) with other businesses valued at Rs 643. Cumulatively, we arrive at a fair value of Rs 3,337.

Company data

Particulars

Market cap (Rs bn / US\$ bn) 777.3/18.5

Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs mn)	248,547.0	326,556.7	422,920.7
Growth (%)	41.4	31.4	29.5
Adj PAT (Rs mn)	21,734.2	26,192.8	35,119.7
Growth (%)	54.0	20.5	34.1
FDEPS (Rs)	75.8	91.3	122.5
Growth (%)	52.1	20.5	34.1
P/E (x)	35.8	29.7	22.1
ROE (%)	32.8	31.4	34.8

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
L&T	2,710	(8.5)	(6.8)	(35.1)
Sensex	15,250	(9.0)	(0.7)	(24.1)



CMP: Rs 94

Target: Rs 202

BUY

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Investment rationale

- Augmenting capacity at its Chennai plant by 100,000MT, taking total production to 228,000MT. Project funding fully tied up with operations on schedule to commence in September. The company expects to record a turnover of Rs 3bn from Chennai in FY09 and Rs 4bn in FY10.
- We expect the operating margin to be maintained at 15.5–16% owing to backward integration initiatives and entry into power transmission. Revenue and PAT estimated to grow at 31% and 44% CAGR respectively over FY08-FY10.

Valuation

- Currently trades at a P/E of 6.4x and 4.5x on FY09E and FY10E FDEPS. The stock has corrected significantly post-January and offers an attractive entry point for investment.

Company data

Particulars

Market cap (Rs bn / US\$ mn) 3.5/83

Financial snapshot

Particulars	FY08E	FY09E	FY10E
Sales (Rs mn)	5,768.6	7,729.9	9,894.3
Growth (%)	31.3	34.0	28.0
Adj net inc (Rs mn)	464.6	677.2	961.8
Growth (%)	18.1	45.8	42.0
FDEPS (Rs)	9.9	14.4	20.5
Growth (%)	18.2	45.8	42.0
P/E (x)	9.5	6.4	4.5
ROE (%)	22.6	23.0	23.6

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Sujana Tower	94	(18.9)	(35.1)	(43.7)
Sensex	15,250	(9.0)	(0.7)	(24.1)



CMP: Rs 774

Target: Rs 1,068

BUY

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Investment rationale

- Media industry valued at Rs 513bn and expected to log an 18% CAGR over the next five years, with films growing at 13%, television at 22% and animation & gaming at 25% (CAGR). UTV is a vast media conglomerate with strong business verticals and ample funding to ride on the opportunities in the sector.
- Fund infusion of Rs 13bn through recently concluded deals with Disney and the increased promoter group stake would anchor the company's growth.
- UTV set to register a CAGR of 86% in revenue and 80% in PAT over FY08-FY10. Film business projected to grow at 47%, television at 40% and gaming at 140% CAGR.

Valuation

- We have an SOTP-based target price of Rs 1,068. At its peak, the stock traded at 23.7x FY10E earnings, while valuations are now at 16.2x – a significant discount to its previous high.

Company data

Particulars

Market cap (Rs bn / US\$ mn) 26.3/632.8

Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs mn)	4,374.8	7,874.6	15,127.4
Growth (%)	150.1	80.0	92.1
Adj net inc (Rs mn)	768.1	1,373.4	2,375.8
Growth (%)	22.8	100.7	61.8
FDEPS (Rs)	22.9	29.5	47.7
Growth (%)	13.2	28.8	61.8
P/E (x)	33.8	26.2	16.2
ROE (%)	33.9	14.8	14.2

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
UTV Software	774	(3.3)	(3.3)	(18.7)
Sensex	15,250	(9.0)	(0.7)	(24.1)



CMP: Rs 590

Target: Rs 846

BUY

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Investment rationale

- Commissioning of an 88,000tpa de-bottlenecking project ahead of schedule would provide volume growth for Hindustan Zinc, while production cost is set to decline due to captive feedstock links and increasing byproduct prices.
- Current valuations present an attractive entry point due to recent underperformance of the stock owing to a bearish outlook on zinc prices and limited liquidity (on account of low free float).

Valuation

- Currently trading at a P/E of 6x and EV/EBITDA of 4.5x on FY09E. We expect the company to generate cash per share of Rs 237 in FY09E and believe the worst has already been factored into the stock price.

Company data

Particulars

Market cap (Rs bn / US\$ bn) 241.3 / 6.0

Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs bn)	787.8	803.2	816.2
Growth (%)	(7.8)	2.0	1.6
Adj net inc (Rs bn)	416.2	417.4	417.1
Growth (%)	(6.3)	0.3	(0.1)
FDEPS (Rs)	98.5	98.8	98.7
Growth (%)	(6.3)	0.3	(0.1)
P/E (x)	5.7	6.0	6.0
ROE (%)	45.3	30.4	23.5

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Hind Zinc	590	(19.6)	2.3	(30.4)
Sensex	15,250	(9.0)	(0.7)	(24.1)
BSE Metal	15,186	(11.0)	2.3	(23.2)



CMP: Rs 147

Target: Rs 216

BUY

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Investment rationale

- Riding high on the ferro alloy super cycle, as a severe ferro chrome supply crunch in the world market has escalated prices of this metal to unprecedented levels. Rohit Ferro is thus witnessing a sharp increase in profit per tonne.
- Timely expansion coupled with increasing feedstock linkages would further bolster growth. Acquisition of an operational coal mine in Indonesia (60% economic interest in thermal coal reserve of 20mn tonnes and coking coal reserve of 5 mn tonnes) and arrangements with a chrome ore mine in Iran would provide substantial raw material links. Coal mine would meet input requirements of a 110MW captive power plant coming up by FY10, besides generating revenues from sale of coal in the open market.

Valuation

- Business valued at Rs 216 using an average of 5.5x P/E and 5x EV/EBITDA on FY10E, based on industry average multiples.

Company data

Particulars

Market cap (Rs mn / US\$ mn) 6,539 / 164

Financial snapshot

Particulars	FY08E	FY09E	FY10E
Sales (Rs mn)	5,727.7	12,000.0	13,500.0
Growth (%)	188.7	109.5	12.5
Adj PAT (Rs mn)	737.6	1,463.1	1,591.4
Growth (%)	279.0	98.4	8.8
FDEPS (Rs)	17.4	34.4	37.4
Growth (%)	207.6	98.2	8.8
P/E (x)	8.5	4.3	3.9
ROE (%)	46.4	55.5	39.2

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Rohit Ferro Tech	147	10.6	122.5	67.9
Sensex	15,250	(9.0)	(0.7)	(24.1)
BSE Metal	15,186	(11.0)	2.3	(23.2)



CMP: Rs 841

Target: Rs 977

BUY

Rahul Singhvi
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Investment rationale

- Steady uptrend in European spot steel prices coupled with strategic initiatives taken to secure feedstock linkages will sustain Tata Steel's growth momentum.
- With successful commissioning of the 2.5mtpa hot metal capacity, the company is on track to reach 7mtpa by FY09, providing volume growth in Indian operations.
- Further upside potential to estimates from our conservative projections for European steel prices and increasing synergy benefits plus ongoing cost reduction programmes at Corus.

Valuation

- Available at a discount of 15% to European peers. Our target price of Rs 977 values the company at an average of 7x EV/EBITDA and 8x P/E on FY10E.

Company data

Particulars

Market cap (Rs bn / US\$ bn)	600.0/15.0
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Financial snapshot

Particulars	FY08E	FY09E	FY10E
Sales (Rs bn)	1,272.1	1,331.9	1,297.6
Growth (%)	404.5	4.7	(2.6)
Adj net inc (Rs bn)	80.5	94.5	101.0
Growth (%)	81.2	17.4	6.8
Adj EPS (Rs)	110.2	129.3	121.5
Growth (%)	43.8	17.4	(6.0)
P/E (x)	7.5	6.3	6.8
ROE (%)	44.2	35.9	28.6

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Tata Steel	841	(5.1)	17.6	(4.2)
Sensex	15,250	(9.0)	(0.7)	(24.1)
BSE Metal	15,186	(11.0)	2.3	(23.2)



CMP: Rs 285

Target: Rs 314

BUY

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Investment rationale

- Best placed in the oil and gas space where oil prices have spiralled to over US\$ 138/bbl. Plans to start production from oil-rich Rajasthan block from H2CY09 at a peak production rate of over 175,000bopd. Holds a total net reserve base of over 755mmboe.
- Favourable production sharing terms with the government (100% cost recovery, 7-year tax holiday and lower profit sharing) would augment the bottomline.
- Laying a pipeline from Mangala to Salaya at a cost of US\$ 800mn which has received government approval and is expected to be completed by H2CY09.

Valuation

- SOTP target of Rs 314 assumes long-term oil price of US\$ 90/bbl and WACC of 12%. At US\$ 110, US\$ 120 and US\$ 130, the target price comes to Rs 380, Rs 413 and Rs 446 respectively. Thus, we see a huge potential upside if prices remain buoyant and sustain till 2009 and thereafter.

Company data

Particulars

Market cap (Rs bn / US\$ bn) 540.1 / 12.9

Financial snapshot

Particulars	CY08E	CY09E	CY10E
Sales (Rs mn)	11,680.9	41,441.7	92,389.2
Growth (%)	15.4	254.8	122.9
Adj net inc (Rs mn)	2,864.9	26,550.4	67,788.4
Growth (%)	-	826.8	155.3
FDEPS (Rs)	1.6	14.9	38.1
Growth (%)	-	826.8	155.3
P/E (x)	178.1	19.1	7.5
ROE (%)	1.0	8.6	19.0

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Cairn India	285	(0.9)	24.8	26.4
Sensex	15,250	(9.0)	(0.7)	(24.1)
Oil and Gas	9,917	(12.2)	(4.2)	(23.6)



CMP: Rs 418

Target: Rs 587

BUY

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Investment rationale

- Capacity expansion to drive growth with prefabricated structure capacity being enhanced by 60% and custom moulding being doubled by FY09. Also holds a robust order book in monolithic construction at over Rs 14.5bn with a two-year execution period.
- Acquired four companies in FY08 to augment its custom moulding segment, which would strengthen its position in the US and Europe. Likely to acquire a couple of companies in FY09 as well.
- Consistent performer with growth of over 30% during the past decade at both the revenue and net profit levels; we expect this growth trend to continue.

Valuation

- DCF valuation returns a target of Rs 587 with a WACC of 13.4% and terminal growth of 3%. Historically, Sintex has traded at 16–25x one-year forward EPS. Our target reflects a P/E of 15.2x on FY10E.

Company data

Particulars

Market cap (Rs bn / US\$ bn) 57.1 / 1.4

Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs mn)	22,742.3	37,157.6	50,361.0
Growth (%)	95.2	63.4	35.5
Adj net inc (Rs mn)	2,321.8	3,794.6	5,907.7
Growth (%)	73.9	63.4	55.7
FDEPS (Rs)	19.5	24.8	38.6
Growth (%)	60.5	26.7	55.7
P/E (x)	21.4	16.9	10.8
ROE (%)	15.2	14.7	17.9

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Sintex Ind.	418	(7.1)	17.6	(20.2)
Sensex	15,250	(9.0)	(0.7)	(24.1)



CMP: Rs 650

Target: Rs 716

BUY

Alok Dalal
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Investment rationale

- A leading Indian company to focus on and unlock value from NCE research. Maturing R&D pipeline of eight NCEs and five NBEs, which we have valued at Rs 220/share.
- Enjoys a wide geographical spread in conjunction with a strong product pipeline for the US and RoW markets. Employing the inorganic route to gain scale in Europe. We have valued the generic business at Rs 496/share.

Valuation

- Strong earnings growth expected as the generic business gains scale. Will continue to benefit from progressive monetising of its R&D pipeline. We have an SOTP-based target price of Rs 716 for the stock.

Company data

Particulars

Market cap (Rs bn / US\$ bn)	161.7/3.8
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Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs mn)	19,783.4	27,013.4	36,403.4
Growth (%)	58.1	36.5	34.8
Adj net inc (Rs mn)	6,312.7	8,612.2	11,006.4
Growth (%)	103.6	36.4	27.8
FDEPS (Rs)	23.9	32.7	41.7
Growth (%)	103.6	36.4	27.8
P/E (x)	27.2	19.9	15.6
ROE (%)	63.4	49.9	41.0

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Glenmark	650	3.1	40.6	32.8
Sensex	15,250	(9.0)	(0.7)	(24.1)
BSE HC	4,494	4.0	17.6	4.3



CMP: Rs 1,472

Target: Rs 1,664

BUY

Alok Dalal
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Investment rationale

- With over 90 ANDAs pending approval and potential 180-day exclusivities, Sun Pharma has a rich pipeline of products for the US market and is expected to record windfall gains over 2008–11. It is already reaping rich dividends from Pantoprazole exclusivity.
- Has emerged as the fastest growing company in the domestic formulations market with a CAGR of 30% over FY05-FY08, through a focus on difficult-to-manufacture products in niche therapeutics. Well placed to witness a CAGR of 20% in this space over FY08-FY10. Sun is growing strongly in less regulated markets as well.

Valuation

- Valuations attractive at 15.9x FY09E earnings. Our estimates do not factor in potential from the launch of generic 'Effexor XR' in FY09, a US\$ 2.4bn opportunity.

Company data

Particulars

Market cap (Rs bn / US\$ bn)	304.9/7.2
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Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs mn)	33,565.4	45,536.8	46,773.7
Growth (%)	57.4	35.7	2.7
Adj net inc (Rs mn)	15,524.3	19,895.6	18,597.5
Growth (%)	82.0	28.2	(6.5)
FDEPS (Rs)	71.9	92.5	85.7
Growth (%)	86.8	28.7	(7.4)
P/E (x)	20.5	15.9	17.2
ROE (%)	45.2	40.3	28.4

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Sun Pharma	1,472	8.9	13.6	29.4
Sensex	15,250	(9.0)	(0.7)	(24.1)
BSE HC	4,494	4.0	17.6	4.3



CMP: Rs 114

Target: Rs 160

BUY

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Investment rationale

- On an expansion spree – fleet size doubled over last two years to 29 vessels with firm plans to ramp up to 33 vessels by December 2010. Also, an oil drilling jack up rig, scheduled for delivery in Q1FY09, has already been contracted for 3 years.
- Augmented fleet amid favourable day rate conditions to drive revenue and margins. Revenues expected to log 22.3% CAGR over FY08-FY10, with earnings CAGR of 28.6% and ROE of 30%.

Valuation

- Attractively priced at P/E of 4.9x and P/BV of 1.1x on FY10E.
- Our valuation of Rs 160 is based on 1.2x current NAV. At our target price, the stock would trade at a P/E of 6.9x and P/BV of 1.6x, which is reasonable given the expanded fleet and strong earnings growth.

Company data

Particulars

Market cap (Rs bn / US\$ mn)	25.6/595.4
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Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs mn)	14,548.7	17,728.8	21,766.2
Growth (%)	29.6	21.9	22.8
Adj net inc (Rs mn)	3,276.6	4,331.7	5,422.0
Growth (%)	143.0	32.2	25.2
FDEPS (Rs)	13.9	18.4	23.1
Growth (%)	95.7	32.2	25.2
P/E (x)	8.2	6.2	4.9
ROE (%)	36.5	31.6	29.9

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Mercator Lines	114	8.0	36.1	(19.1)
Sensex	15,250	(9.0)	(0.7)	(24.1)



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THANK YOU