Basis of Stock Selection – Portfolio

SELECTION CRITERIA

- *Selection from 50 Nifty stocks*
- *Calculated returns and beta on the past 3 year closing prices*
- *Percentage of Investment is allotted on the basis of the average returns for the past 3 years, risk, financials and industry prospects*
- *Portfolio returns and risk is calculated on conservative side taking the historical prices for the past 3 years*
- ***Portfolio risk is on the higher side being the stock market very volatile in the last 1 year***

DIVERSIFIED PORTFOLIO

S.No	Stocks	Industry	Cost Price as on 16 April,09
1.	Bharti Airtel	Telecom	694.25
2	HDFC BANK	Banking	1067.00
3	Hero Honda	Two wheelers	1080.65
4	Hindustan Unilever	FMCG	240.20
5	Larsen & Toubro	Engineering	860.00
6	Reliance Industries	Refinery	1773.55
7	State Bank of India	Banking	1284.50
8	Sun Pharma	Pharma	1244.85
9	Tata Power	Power	881.00

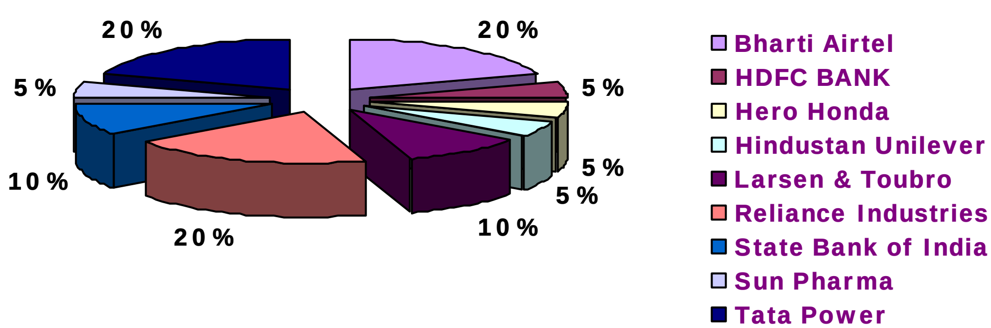
Minimum Investment
Rs 9126.00

Holding Period
Min – 1 year

Portfolio Returns
20.29%

Risk- 39.18%

% of Holdings in Portfolio



ABBREVIATIONS

Bharti Airtel Limited

NSE Code:	BHARTIARTL
CMP (as on 13/04/09)	663.30
Volume (Avg-3Y)	2338639.41
Market Cap	125891.27
P/E (TTM)	16.87
P/BV	6.24
Sector P/E	20.19
Returns % (3 Y)	27.11
Beta (3Y)	0.932

Profile

Bharti Airtel is the flagship company of Bharti group, which is into a diverse range of business with dominance in the telecommunication sector. The company is India's largest integrated private telecom service provider with 25% market share (as on December 2008) and presence in all the 23 circles.

Shareholding Pattern

Foreign	21.29%
Institutions	7.39%
Govt Holding	0.00%
Non-Promoter Corporate Holding	2.89%
Promoters	67.15%
Public & Others	**1.28%**

Financials

In Crores

Financials	Dec-08 (9M)	Mar-08	Mar-07
Sales	24997.5	25761.11	17851.6
PBT%		27.07	25.78
PAT%	22.68	24.23	22.59
Net worth		20181.73	11411.13

Telecommunication Industry

Highlights

- Fastest growing in the world and India is slated to become the second largest telecom market globally by 2010.
- India added 113.26 million new customers in 2008, the largest globally and in April 2008, India had already overtaken the US as the second largest wireless market.
- The country's cellular base witnessed close to 50 per cent growth in 2008, with an average 9.5 million customers added every month.
- According to the Telecom Regulatory Authority of India (TRAI), the total number of telephone connections (mobile as well as fixed) had touched 385 million as of December 2008, taking the telecom penetration to over 33 per cent.

Investments

- Vodafone Essar will invest US$ 6 billion over the next three years in a bid to increase its mobile subscriber base from 40 million at present to over 100 million.
- Tata Teleservices Limited will be investing additional US$ 6.74 million in Gujarat to set up 100 cell sites by August 2009.

Govt Initiatives

- 100 per cent foreign direct investment (FDI) is permitted through the automatic route in telecom equipment manufacturing.
- FDI ceiling in telecom services has been raised to 74 per cent

BACK

Key Points:

- ***The company is the only private mobile GSM Operator to have an all India footprint***
- Strong Brand and customer image
- First to market many successful and innovative products
- ***The Company's revenue increased by 38% to Rs 9633.4 cr in Q3FY09 as compared to the same quarter last year***
- ***Net Income rose to Rs 2159.3 cr from 1722.4 cr in the same quarter last year.***
- The company added 8.17 million subscribers in Q3FY09 as compared with the 5.31 added by its nearest rival Reliance Communications.
- The company is expanding the network to rural areas and international markets.

Risk Factors

Intense competition, regulatory changes and uncertain 3G bidding remains a concern.

Capex Plans

The Company plans $5bn as capex on mobile services and infrastructure in FY10. Of this, the company plans to spend nearly $2.5bn on mobile services and $2.5-$3bn on passive infrastructure. Additionally Bharti plans to spend nearly $3bn on its tower business currently operated by Bharti Infratel and Indus Towers. The company plans to spend on 3G and WiMAx, which will be funded through internal accruals.

Source: valuenotes.com

- Additionally, by 2010, the government targets:
  - 80 million rural connections
  - Mobile coverage of 90 per cent geographical area
  - Internet Protocol Television (IPTV) in 600 towns
  - Quadrupling manufacture
  - Two-fold increase in telecom equipment R&D from the current level of 15 per cent.

Future Prospects

With the rural India growth story unfolding, the telecom sector is likely to see tremendous growth in India's rural and semi-urban areas in the years to come.

1. By 2012, India is likely to have 20 crores rural telecom connections at a penetration rate of 25 per cent
2. According to a Frost & Sullivan industry analyst, by 2012, fixed line revenues are expected to touch US$ 12.2 billion while mobile revenues will reach US$ 39.8 billion in India.
3. In WiMax, India is slated to become the largest WiMAX market in the Asia-Pacific by 2013.

Source: IBEF

Investment Rationale

The company has shown an impressive growth over the years. The increase in the company revenues is attributable to the growth in the total customer base more specifically the number of mobile subscribers which has grown at a CAGR of 82% in the last five years.

The pan-India existence, along with brand equity and quality of services will help the company in maintaining its leadership position.

We recommend investing 20% of the investment in the company.

BACK

HDFC Bank

NSE Code:	HDFCBANK
CMP (as on 13/4/09)	1098.35
Volume (Avg-3Y)	826155.55
Market Cap	46651.43
P/E (TTM)	22.37
P/BV	4.03
Sector P/E	12.71
Returns % (3 Y)	15.14
Beta (3Y)	0.9540

Profile

HDFC Bank is India`s leading housing finance company which offers a wide range of services:

- Treasury
  - Foreign Exchange & derviatives
  - Money market securities
  - Equities
- Wholesale banking
  - Working Capital finance
  - Trade Services
  - Transactional Services
  - Cash Management
- Retail banking services.
  - Auto Loans
  - Personal Loans
  - Two Wheeler Loans

The bank also provides depository participant services for retail customers.

The Bank at present has an enviable network of over 684 branches spread over 316 cities across India. The bank also has a network of about over 1,695 networked ATMs across these cities

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Shareholding Pattern

Foreign	46.76%
Institutions	13.86%
Govt Holding	0.00%
Non-Promoter Corporate Holding	8.80%
Promoters	19.38%
Public & Others	**11.20%**

Banking Sector

Highlights:

The Indian banking industry is currently termed as strong, having weathered the global economic slowdown and showing good numbers with strong support flowing in from the Reserve Bank of India (RBI) measures.

- Aggregate deposits of banks, year-on-year expanded by 20.2 per cent (US$ 133.08 billion) on January 2, 2009 as compared with 24.0 per cent (US$ 127.49 billion) a year ago.
- Deposits of private sector banks increased at a CAGR of 26 per cent during fiscal year 2004–2008 as compared to the total CAGR growth of 20.5 per cent by all SCBs. Advances of private sector banks increased at a CAGR of 32 per cent against a CAGR of 30.1 per cent by all SCBs for the same period.
- The total asset base of the 77 scheduled commercial banks (SCBs) added up to 91.8 per cent of India's GDP (at current market prices) through the financial year 2008.
- According to RNCOS the Indian banking sector will grow at a healthy compound annual growth rate (CAGR) of around 23.3 per cent till 2011.
- HDFC Bank and Axis Bank continue to remain as leaders of the private sector banks

Source: Ibef

Financials

In crores

Financials	**Dec08(9M)**	**Mar-08**	**Mar-07**
Sales	12081.44	10115	68890.20
PBT%		22.54	23.79
PAT%	**13.36**	**15.72**	**16.56**
Networth		**11497.23**	**6433.15**

Key Points

- Superior Customer service against competitors
- Products have required accreditations
- Great brand image
- ***The company net interest income grew to Rs 4468.50 cr in third quarter of FY 2009 i.e. growth rate of 63.90% from the last quarter of FY 2008 on account of jump in advances and growth in deposits***
- Under the retail portfolio, the bank witnessed higher growth in business banking, personal loans, auto loans and credit cards
- During the quarter total deposits grew by merely 8.3% (q-o-q) growth in deposits mainly came from term deposits; saving and current deposits reduced 8.7% and 7.1%.
- Net Profits of the bank increased by 44.8% to Rs.621.8 Crore in Q3FY09 as compared to Rs.429.4 Crore in Q3FY08.

Source: valuenotes.com

Risk Factors

- High Competition prevailing in the industry
- Lack of Infrastructure in rural areas could constrain investment

Investment Rationale

The bank is one of the most competitive banks in the private sector and is poised to increase its profitable growth in the long run. The company has witnessed growth in Net Interest Income (qoq) on account of increase in advances reflecting the merger effect with Centurion Bank of Punjab.

The strong brand image, excellent customer service, less exposure to international markets and very little exposure to sensitive sectors like real estate and capital markets, the bank is likely to weather the current crisis better than the peers.

Further the company will be leveraging the technology platforms and open scaleable systems to deliver more innovative products 7 services products to customers which will control the operating costs in the near future.

We recommend investing 5% of the investment in the company.

BACK

Hero Honda

NSE Code:	HEROHONDA
CMP (as on 13/4/09)	1058.80
Volume (Avg-3Y)	353610.90
Market Cap	21055.37
P/E (TTM)	17.87
P/BV	7.05
Sector P/E	19.33
Returns % (3 Y)	6.62
Beta (3Y)	0.95

Profile

Hero Honda Motors is a pioneer in India's motorcycle industry. The company has built two manufacturing facilities at Dharuhera and Gurgaon in Haryana. The vehicles are sold and serviced through a network of over 2,400 customer touch points, consisting of a mix of dealers, service centers and stockists across rural and urban India.

Shareholding Pattern

Foreign	27.13%
Institutions	9.57%
Govt Holding	0.00%
Non-Promoter Corporate Holding	0.59%
Promoter	54.96%
Public & Others	**7.76%**

Financials

In crores

Financials	Dec-08(9M)	Mar-08	Mar-07
Sales	9903	12038.53	11542.04
PBT%		13.65	12.59
PAT%	9.87	9.36	8.67
Net worth		2986.24	2470.06

Two Wheeler Industry

Highlights

- The industry is estimated to be a US$ 34 billion industry.
- The industry is growing at a pace of around 18% per annum for the last five years and is projected to be the third largest auto industry by 2030 and just behind to US & China
- Two wheeler segment enjoys 75% market share of automobile industry, followed by passenger vehicles with the 16% share of market. Three wheeler segment have merely 4% share in domestic market.
- In two-wheeler segment, motorcycles have the major share, Hero Honda has more than 50% share in two-wheeler segment, followed by Bajaj Auto.
- Two Wheelers registered minor growth of 1.85 % during April – December 2008. However, Two Wheelers sales recorded 15.43 percent fall in December 2008 over the same month last year.

Future Prospects

The Indian automobile market is expected to grow by 9%. Although the industry has faced the brunt of recession, the sales figures of December'08 are the true indicator of bang of global slow down. India with growing middle class, strong economy (although recession has hit the economy, but to be on positive side, will come over soon) and with trained workforce has a strong future of automobile industry. All the big foreign players are eyeing Indian market.

Key Points

- The company has maintained its undisputed leadership in the two wheeler segment
- ***During Q3'09 the company net sales increased by 5.03% q-o-q to Rs. 2881.27 cr despite a 4% reduction in volumes***. The increase was a result of improved net realizations achieved by the Company, driven by price hikes and a change in the product mix.
- ***The Company's volumes did not fall as badly as its peers because of the company's increased focus on the rural markets***. This strategy not only restricted the fall in volumes but also helped in increasing the overall market share to 43% as against ~40% in December 2007
- The company's innovative marketing capabilities and increased rural focus and launching of new models will help to achieve excellent sales in future
- With the govt announcing the stimulus packages to revive the economy and the interest rates and CENVAT declining by 1.5% and 4% respect the company will able to boost the sales and improve the margins

Risk Factors

- Increase in the prices of raw material such as steel and aluminium. However the prices which constitute around 75% of the raw material have fallen by around 50% due to which the margins improve.

Bajaj Auto is planning to roll out 6 new bikes in the year 2009. Hero Honda, Suzuki Motorcycle, Yamaha India, all is set to knock the Indian market with their new products.

Hero Honda continued its growth spree, logging 24% growth at 329,055 units (265,431 units) and claiming a market share of over 56%. Much of this growth has come from the company's new launches such as Passion Pro Power Start

Source: IBEF

Investment Rationale

The company is positive about maintaining its growth momentum during the current quarter, as inflation and interest rates on auto loans are coming down.

In the forthcoming quarters, with the softening of interest rates, the reduction in CENVAT, and several new models in the offing, the company expects volumes to ***grow by 10% in FY09 and by 7% in FY10***. The company's margins will improve on account of decline in prices of raw materials i.e. steel and aluminium by 50% and company will pass some of the benefit to the customers, thereby enhancing margins.

We recommend investing 5% of the investment in the company

Source: valuenotes.com

BACK

Hindustan Unilever

NSE Code:	HINDUNILVR
CMP (as on 13/04/09)	230
Volume (Avg-3Y)	2976242.34
Market Cap	50799.15
P/E (TTM)	24.17
P/BV	32.42
Sector P/E	21.85
Returns % (3 Y)	7.57
Beta (3Y)	0.444

Profile

Hindustan Unilever (HUL) is a fast moving consumer goods company in India.

The company operates in various segments:

- Home and personal care division which includes soaps detergents, skin care, hair care, color cosmetics, deodorants, and toothpaste
- Integrated foods division comprising of beverages, foods, tea, coffee, and ice cream businesses
- New ventures like Pureit (water purifier)
- Project Shakti for self-help groups
- Ayush range of Ayurvedic products;
- Specialty exports of marine products, rice, castor and leather.

The company owns 35 consumer brands, like Lux, Lifebuoy, Vim, Surf, Rin, Wheel, Closeup, Brooke Bond, Bru, Clinic Plus, Fair & Lovely, Pond`s, Lakme, Sunsilk, Kwality Wall`s, Kissan and Knorr among others.

FMCG Sector

Highlights

- ***The Rs 85,000-crore Indian FMCG industry is expected to register a 15% healthy growth in the third quarter of 2008-09 despite the economic downturn.***
- Despite the economic slowdown the major reason for surge in sales is changing income demographics — newer buyers in small towns are opting for branded products. The price cuts have reduced differentials between premium and economy products, inducing consumers to spend.
- A combination of price hikes, higher advertising spends, more product launches, increased level of localised promotions and growth in rural markets will drive the sales of the companies
- The categories like detergents, soaps, shampoos, toothpaste and skin-care are likely to benefit most due to the dip in palm oil, LAB prices and packaging cos
- The government's recent decision to slash excise duty would benefit HUL, Colgate Palmolive and Nestle significantly since they have the highest excise duty outgo and stand to be key beneficiaries of the stimulus package.

Future Outlook

- There is a huge growth potential for all the FMCG companies as the per capita consumption of almost all products in the country is amongst the lowest in the world

Shareholding pattern

Foreign	15.15%
Institutions	15.10%
Govt Holding	0.00%
Non-Promoter Corporate Holding	1.98%
Promoter	52.07%
Public & Others	**15.71%**

Financials

In Crores

Financials	Dec -08	Dec-07
Sales	16345.19	14740.51
PBT%		15.79
PAT%	**12.86**	**13.06**
Net worth		**1438.57**

Key Points

- The company is the leader in the FMCG sector and market leader by capitalization
- ***The rural India to be key contributor to company revenues as it currently contributes 50% of company revenues***.
- The company has shown a growth rate of 10% in sales as on Dec 2008 against the past year on account of volume growth and price growth
- Softening of crude related commodity prices like palm oil, vegetable fat, caustic soda during the quarter and price hikes taken in earlier quarters has helped EBDITA margins to improve.
- Net profit margin declined on account of high base last year (exceptional gain of profit on sale of property) and lower interest income
- The demand or prospect could be increased further if these companies can change the consumer's mindset and offer new generation products.
- Quality, promotion and innovation of products, which can drive many sectors.

Investment Rationale

The company has registered a double digit growth rate for last two quarter on account of falling raw material prices, decreasing interest rate and falling inflation which will further help to secure more profit margins.

The Crude prices have dropped drastically over the last quarter, driving a sharp decrease in cost of key inputs for soaps, detergents and packing material.
The company is lowering its expenditure on packaging across its portfolio of food brands as part of a wider cost-cutting drive.

The company has pared down the colour palette used for printing across many products. The system has been used to reduce printed packaging costs for company’s products. The company is taking different steps to reduce the cost and increase the margin.

We recommend investing 5% of the investment in the company

Source: valuenotes.com

BACK

Larsen & Toubro

NSE Code:	LT
CMP (as on 13/4/09)	826.40
Volume (Avg-3Y)	1143613.091
Market Cap	48253.44
P/E (TTM)	19.55
P/BV	5.06
Sector P/E	17.86
Returns % (3 Y)	10.77
Beta (3Y)	1.090

Profile

Larsen & Toubro is one of the largest technology, engineering, construction and manufacturing companies in India. The company has formed a group consisting of 79 subsidiary companies, 22 associate companies and 14 joint ventures in the sectors of information technology:

- Financial products and services
- Engineering and project management
- Infrastructure development projects and services
- Manufacturing of industrial equipment,
- Machinery and products.

Shareholding Pattern

Foreign	18.06%
Institutions	37.37%
Govt Holding	0.00%
Non-Promoter Corporate Holding	5.23%
Promoter	0.00%
Public & Others	**39.34%**

Engineering & Capital Goods Industry

Highlights

- The Indian Engineering sector comprises of heavy engineering and light engineering sectors. Boilers & Turbines appear the most attractive segments from a size and growth perspective.
- Other key segments experiencing strong growth are Industry Machinery, Machine Tools, Boilers, Turbines (Steam/Hydro) and Electric Generators. Sectors contributing most are cement machinery, sugar machinery etc.
- BHEL, Hindustan Aeronautics Ltd (HAL), Cummins, Larson & Toubro Ltd, Crompton Greaves are major players and also have R & D hubs to leverage the business further.

Future Plans

- The company is planning to foray into new construction segments including solar power and underground structure. ***The construction division project order is growing at 30%-35% year on year***. The current order book size is about Rs 360 billion, which will be executed in the next two years.
- The company signed a memorandum of understanding with the Tamil Nadu Industrial Development Corporation for commencing the new shipyard project at Kattupalli in Tamil Nadu under a joint venture arrangement with TIDCO.
- The heavy engineering division is in the process of setting up a precision manufacturing facility at Coimbatore in Tamil Nadu to serve the needs of aerospace, aviation, nuclear power and sub-systems for missiles.

Financials

In crores

Financials	Dec-08 (9M)	Mar-08	Mar-07
Sales	23498.92	25210.63	17938.29
PBT%		12.68	11.39
PAT%	10.70	8.74	7.97
Net worth		9529.18	5740.50

Key Points

- The company is the 47th biggest construction company in the world.
- The company has seven decades of a strong, customer focused approach and a continuous quest for world-class quality, which has enabled the company to attain and sustain leadership in all its major lines of business.
- ***The company has reported a robust growth of 34.85% in Q3 of FY 2009 i.e. sales of Rs 8721.14 cr and PAT margins of 17.65% against 7.54% against the corresponding period last year.***
- The Company's order backlog as on 31st December 2008 stood at Rs 688 billion.
- Out of the total order book position ~39% consists of infrastructure, 18% - power, 17% - Oil and Gas, 16% - process industries and 10% - others. Approximately 10% of the orders are from the Middle East countries.
- The company is looking to expand its geographical presence overseas.

Source: myiris.com

Investment Rationale

The strong order book gives the optimistic approach about the future growth of the company. Though the management is confident of maintaining its topline growth at 30%, the company expects to face significant headwinds on the margin and execution front going forward.

We recommend investing 10% of the investment in the company

BACK

Reliance Industries Limited

NSE Code:	RELIANCE
CMP (as on 13/4/09)	1773.55
Volume (Avg-3Y)	4093945.61
Market Cap	278444.56
P/E (TTM)	17.69
P/BV	2.91
Sector P/E	65.80
Returns % (3 Y)	28.49
Beta (3Y)	1.152

Profile

Reliance Industries (RIL) is the flagship company of the Reliance group. The company started with textiles and thereafter backward vertical integrated in polyester, fiber intermediates, plastics, petrochemicals, petroleum refining and oil and gas exploration and production.

The company's operations can be classified into three segments

- Petroleum refining and marketing business,
- Petrochemicals business
- Others (including crude oil and natural gas exploration and production business)

Shareholding pattern

Foreign	19.97%
Institutions	8.81%
Govt Holding	0.21%
Non-Promoter Corporate Holding	4.65%
Promoter	49.03%
Public & Others	**17.33%**

Refinery Sector

Highlights

- India is emerging as the global hub for oil refining as enjoys a competitive cost advantage, with capital costs lower by as much as 25 to 50 per cent over other Asian countries.
- The fifth largest country in the world in terms of refining capacity (up from 19th in 1995), with a share of 3 per cent of the global capacity, India is likely to boost its refining capacity by 45 per cent or 65.3 mtpa (million tonne per annum) over the next five years according to a Deutsche Bank report.
- According to the report, Indian companies plan to increase their refining capacity to 242 mtpa by 2011-12 from about 149 mtpa in 2007.

Future Plans

- Public sector undertaking Indian Oil Corporation Ltd (IOCL) plans to increase its refining capacity from 60.2 mtpa to 80 mtpa.
- Reliance Industries Ltd is constructing a new refinery in the Jamnagar SEZ with a capacity of 29 mtpa, which will be operational shortly.
- Nagarjuna Oil Corp is planning a new refinery at Cuddalore with a capacity of 6 mtpa to be operational by 2011 at an investment of US$ 1.05 billion.
- Essar Oil plans to more than triple the capacity at its refinery at Vadinar to 34 mtpa from the current 10.5 mtpa at an investment of US$ 6 billion.
- Hindustan Petroleum Corporation plans to invest US$ 2.5 billion in expanding its Visakhapatnam refinery capacity to 16 million tonnes.

Source: IBEF

Financials

In crores

Financials	Dec08(9M)	Mar-08	Mar-07
Sales	121698	139269.45	118353.71
PBT%		17.20	13.00
PAT%	9.95	14.54	10.69
Net worth		78894.94	61255.02

Key Points

- There is a dip in revenues and profits of the company in Q3 of FY 09 due to the drop in the prices of crude oil.
- The company has reported PAT of Rs 35.00 bn (down 10% YoY and 15% QoQ) and both the refining and petroleum segments performed better then the expected compared with its peers in a period of extremely volatile product and raw material pricing.

Recent Developments

- The company and Bharat petroleum, one of the world`s largest energy companies have signed a production sharing contract for the block KG-DWN-2005/2 with the government.
- The company has inked pact with 3 power companies of Rajasthan- Jaipur Discom, Ajmer Discom and Jodhpur Discom in order to sell solar energy.
- The company along with world famous Italian lifestyle brand Diesel, formed a 49:51% joint venture to launch the global brand in the country in 2009.

Future Plans

The company is building one of the largest integrated cracker and petrochemicals complex with a total capacity of 2 MMTPA at the SEZ in Jamnagar. The proposed facility will be built at a capital cost of USD 3 billion and is expected to go on stream by 2010-2011.

Source: valuenotes.com

Post Merger Effect

- Post merger Reliance Industries will issue 1 share for every 16 shares of RPL.
- Reliance Industries will issue 6.92 crore new shares thereby increasing the equity capital to 1643 crore.
- Consequently the promoter holding in RIL will reduce from 49% to 47%.
- The merger will be effective from 1st April 2008.
- ***The combined capacity post merger will be 1.24 million barrels per day***
- ***The Reliance will emerge as the world's 5th largest producer of the Polypropelene with the addition of 0.9 million tonnes of RPL.***

Investment Rationale

The refining and petrochemicals segments are expected to remain under pressure, driven by lower prices of petroleum products. The marketing of the processed crude oil from the 580,000-bopd refinery, which commenced operations under Reliance Petroleum Ltd. (RPL) in December 2008, is also a challenge for the company in these turbulent market conditions.

The production of natural gas from the KG-D6 block is expected to be commissioned by mid-February, which would significantly boost the top line of the E&P segment.

We recommend investing 20% of the investment in the company

BACK

State Bank of India

NSE Code:	SBIN
CMP (as on 13/4/09)	1217.90
Volume (Avg-3Y)	1663805.90
Market Cap	77322.04
P/E (TTM)	9.36
P/BV	1.58
Sector P/E	4.73
Returns % (3 Y)	15.28
Beta (3Y)	1.003

Profile

SBI is one of the largest commercial bank in India and provides diverse range of financial solutions & services:

- Merchant Banking
- Fund Management
- Factoring services
- Primary dealership in government securities, credit cards and insurance

The bank has a network of 66 offices/branches in 29 countries spread all across the world.

Shareholding pattern

Foreign	14.84%
Institutions	14.72%
Govt Holding	0.02%
Non-Promoter Corporate Holding	4.46%
Promoter	59.41%
Public & Others	**6.54%**

Banking Sector

Highlights

The Indian banking industry is currently termed as strong, having weathered the global economic slowdown and showing good numbers with strong support flowing in from the Reserve Bank of India (RBI) measures.

- On YOY basis the public sector banks, credit growth increased to 28.6 per cent in January 2009 from 19.8 per cent in January 2008
- At a time when corporate India has seen its net profits shrink by 24 per cent, banks have reported a 43.83 per cent net profit growth in the quarter ended December 2008.
- ***State Bank of India, Punjab National Bank, ICICI and HDFC reported 40 per cent plus growth in the net profits*** largely on account of higher-than-estimated treasury gain, higher net interest income, and lower loan loss provisioning.
- According to RNCOS, the Indian banking sector will grow at a healthy compound annual growth rate (CAGR) of around 23.3 per cent till 2011.
- Banking, financial services and insurance (BFSI), together account for 38 per cent of India's outsourcing industry (worth US$ 47.8 billion in 2007).
- SBI, Punjab National Bank, Bank of India and Union Bank are expected to lead among PSU Banks.
- Since December 2008, the government has announced series of measures to augment flow of credits to around US$ 2,66,274 to SMEs. To improve the flow of credit to industrial clusters
- SBI has decided to freeze rates on new home loans availed between February 2 and April 30, 2009 at 8%, for a period of one year.

Financials

Financials	Dec08(9M)	Mar-08	Mar-07
		In crores	
Sales	47396.04	48950.31	37242.33
PBT%		21.32	20.47
PAT%	13.46	13.75	12.19
Net worth		49032.66	31298.56

Key Points

- State Bank of India (SBI) is the largest commercial bank in India in terms of profits, assets, deposits, branches and employees
- SBI is the only bank in India to be ranked among the top 100 banks in the world and among the top 20 banks in Asia in the annual survey by The Banker
- ***The company has posted a strong 37% growth in net profits during the quarter due to the strong growth in the net interest income.***
- According to the sources the bank could get a record US$ 5.54 billion during December 2008, the highest amount collected by any bank in the country.

Future Plans

- The bank is planning to open 1,000 new branches across the country to cover 100,000 villages in the coming FY 2009-10.
- The bank had decided to rope in 300 new customers every year for each branch using initiatives.

Source: onlineequitycalls.com

Investment Rationale

The company has witnessed a strong growth in its core fee income in last 3 quarters of FY 2009. This could be attributed to the strong credit growth coupled with better product offering to its clients due to technological advancement. The company is confident of maintaining this high growth momentum in its core fee income in the quarters to come

We recommend investing 10% of the investment in the company

BACK

Sun Pharma

NSE Code:	SUNPHARMA
CMP (as on 13/4/09)	1148.65
Volume (Avg-3Y)	234860.4272
Market Cap	23753.56
P/E (TTM)	21.82
P/BV	5.65
Sector P/E	18.32
Returns % (3 Y)	14.21
Beta (3 Y)	0.407

Profile

Sun Pharma is into specialty pharmaceuticals and active pharmaceutical ingredients. The company operates in select therapeutic segments like psychiatry, neurology, cardiology and gastroenterology.

Shareholding Pattern

Foreign	19.13%
Institutions	5.95%
Govt Holding	0.00%
Non-Promoter Corporate Holding	5.50%
Promoter	63.71%
Public & Others	**5.71%**

Financials

In crores

Financials	Dec-08(9M)	Mar-08	Mar-07
Sales	2692.28	3210.76	2302.75
PBT%		32.77	27.82
PAT%	31.22	31.58	27.31
Net worth		4207.62	2448.12

Pharmaceutical Industry

Highlights

- The Indian pharmaceuticals industry is growing at a compound annual growth rate (CAGR) of over 7 per cent
- According to the study titled 'Indian Pharmaceutical Off shoring Landscape' released in September 2008, the Indian pharmaceutical off shoring industry is slated to become a US$ 2.5 billion opportunity by 2012.
- The pharmaceutical translation market has also seen growth due to frequent clinical trials conducted in India by pharmaceutical companies; demand of around 160,000 translators likely by 2010
- The clinical trials industry in India is set to grow at a CAGR of 31 per cent to become a US$ 608 million industry by 2012
- Pharma contract manufacturing in India was US$ 590 million in the year 2007 and is expected to grow at a CAGR of 15 per cent and reach US$ 900 million by 2010.
- The cost of conducting research in India is about 20-30 per cent of the cost in the developed world.

Investments

- Dr Reddy's Laboratories was the most aggressive company, buying three companies in Europe and the US.
- ICICI Venture-controlled Ranbaxy Fine Chemicals (RFCL) has acquired the US-based specialty chemicals major, Mallinckrodt Baker, in a deal estimated at US$ 340 million.
- Cadila Healthcare Ltd (Zydus Cadila) has acquired Etna Biotech, a subsidiary of the Dutch biopharma company, Crucell. This is the sixth foreign acquisition by Zydus in the last five years including an acquisition in Spain and a 70 per cent stake in Simayla Pharmaceuticals of South Africa.

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Key Points

- The sales of the company have declined in Q3 of FY 2009 by 32% in Caraco, the US subsidiary. Caraco sales declined despite of launch of two at risk products US market, namely Protonix and Ethyol
- The margins has also declined i.e. 29.75% in Q3 of FY 2009 against 37.10% during the corresponding period last year

Future Plans

- The company has received final approval from USFDA for several abbreviated new drug applications (ANDA).

- ***The company has also received the approval for generic Aredia(R),*** pamidronate disodium for injection USP, generic Lopid (R), gemfibrozil tablets, USP, and generic Phenargan(R), promethazine hydrochloride tablets. ***These products will be manufactured at multiple facilities of Sun Pharma (together with its subsidiaries) in India and US, will reach market shortly.***

Source: valuenotes.com

- Indian drug firms acquired six overseas companies in April 2008, including the US$ 255 million acquisition of US-based Draxis Health Inc by Jubilant Organosys.
- Primal Healthcare (PHL) has acquired US-based pharmaceutical company Minrad International for US$ 40 million
- Sun Pharma through its 100% subsidiary has acquired Chattem chemicals from Elcat. Chattem is registered with US drug Enforcement Administration (DEA) as an importer of narcotic raw materials.

Source: IBEF

Future Prospects

The Indian pharmaceutical industry will see tremendous growth in the coming years as consumer spending on healthcare is increasing in India. Consumer spending on healthcare increased from 4 per cent of the Gross Domestic Product (GDP) in 1995 to 7 per cent in 2007. That number is expected to rise to 13 per cent of GDP by 2015.

India has the means to become a global pharmaceutical hub by exporting domestically produced generic products and positioning itself as an off-shoring destination for clinical and pre-clinical research and other support services

Investment Rationale

The company has visible growth profile, strong momentum in export formulations, robust pipeline for the US generics and a sustained growth in domestic formulations.

Strong R&D and lean cost structure will help the company in globalizing its business without affecting its high profitability and capital efficiency. The company focus in chronic segment and enduring relationship with specialists are the keys to drive sustainable growth in domestic business.

We recommend investing 5% of the investment in the company

BACK

Tata Power

NSE Code	TATAPOWER
CMP (as on 13/4/09)	904.65
Volume (Avg-3Y)	581904.85
Market Cap	20067.29
P/E (TTM)	32.50
P/BV	2.48
Sector P/E	16.68
Returns % (3 Y)	21.95
Beta (3Y)	0.999

Profile

Tata Power Company promoted by the Tata group, a pioneer in the Indian power sector. The fully integrated energy company offers turnkey solutions to the industry and other hi-tech segments. The company is into the generation, transmission and distribution of power to Maharashtra, Jharkhand, and Karnataka.

The company supplies power to central and western railways, Mumbai port, refineries, textile mills, fertilizer factories, BARC, municipal corporation water pumping plants, and other continuous processes industries. The company is also engaged in the design and development of defense systems, such as multi rocket launcher systems and fire control computers. The company has an installed generation capacity of approximately 2,300 megawatts.

Shareholding Pattern

Foreign	19.29%
Institutions	28.51%
Govt Holding	0.07%
Non-Promoter Corporate Holding	0.97%
Promoter	33.26%
Public & Others	**17.92%**

Power Sector

Highlights

- India's total installed capacity of electricity generation has expanded from 105,045.96 MW at the end of 2001–02 to 145,554.97 MW at the end of September 2008. India ranks sixth globally in terms of total electricity generation
- Thermal power plants account for a 64.6 per cent of the total installed capacity, producing 92,892.64 MW of electricity. Within this group, coal, gas and oil-based thermal power plants account for 53.3 per cent, 10.5 per cent and 0.9 per cent, respectively
- Hydel power plants with an installed capacity of 36,347.76 MW, accounting for 24.7 per cent of the total installed electricity generation capacity.
- The government targets providing electricity for all by 2012. Under the Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY), the Ministry of Power plans to electrify 120,000 villages in the current Five Year Plan (2007–12). Rural Electrification Corporation (REC) is the nodal agency for the implementation of RGGVY
- The government has revised its target of power capacity addition to 90,000 MW in the 11th Five-Year-Plan (2007–12), up by 11,423 MW from the earlier estimate of 78,577 MW to sustain the growth momentum of the economy.

Investments

- The Power Grid Corporation of India Ltd (PGCIL) is planning to invest US$ 1.45 billion for the development of a transmission system associated with the 4,000-MW Sasan Ultra Mega Power Project (UMPP) in Madhya Pradesh.

Financials

In crores

Financials	Dec08(9M)	Mar-08	Mar-07
Sales	5761.88	5937.36	4725.92
PBT%		16.32	12.39
PAT%	9.85	14.65	14.74
Net worth		8037.92	6033.11

Key Points

- ***During the quarter ended December 31, 2008, the company revenues stood at Rs 1776.8 cr, an increase of 25% as compared to Rs 1419.40 cr in the corresponding period last year. PAT for the quarter stood at Rs 115.08 cr as against Rs 197.28 cr in the corresponding period last year***
- The margins declined to 6.48% from 13.90% during the quarter primarily on account of higher fuel cost.
- During the quarter, the Company signed a Memorandum of Understanding (MoU) with Government of Gujarat to explore the possibility of setting up a 5 MW Geothermal Power plant in phase-I, at a suitable location in Gujarat.
- The company signed a joint venture agreement with Indian Oil Corporation for establishing a coal-based power plant in Orissa.
- During FY10, the company will add about 240 MW of generation capacity comprising of 120 MW at Jamshedpur (1QFY10) and 120 MW at Jojobera (3QFY10).

Source: indianstocknews.com

- India's largest power utility, National Thermal Power Corporation (NTPC) would be investing up to US$ 36 billion by 2012 to transform itself into an integrated regional energy player and have an installed capacity of over 50,000 MW.
- Reliance Energy Limited plans to invest US$ 12.50 billion over the next five years to add 15,000 MW of power generation capacity.

Govt Initatives

- Allowing foreign equity participation up to 100 per cent in the power sector under the automatic route.
- Providing income tax holiday for a block of 10 years in the first 15 years of operation and waiver of capital goods' import duties on mega power projects (above 1,000 MW generation capacities).

Source: IBEF

Investment Rationale

The company scores high on the yard sticks of business model and execution capability which offers growth and value.

The company is expanding its power generation capacity from 2,474 mw, to about 12,861 mw by FY 2013, translating into a CAGR of 40 per cent.

The ongoing expansions, presence in the transmission and distribution segments and the coal operations will bring significant visibility to future earnings growth of the company.

We recommend investing 20% of the investment in the company

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ABBREVATIONS **BACK**

CMP	**Current Market Price**
CAGR	Compounded Annual Growth Rate
Cr	Crores
Capex	Capital Expenditure
EBDITA	Earnings before Depreciation, Interest & taxes
E&P	Engineering & Procurement
FY	Financial year
HUL	Hindustan Unilever
Market Cap	Market Capitalization
MW	Mega Watt
MTPA	Millions Tonnes per annum
P/E	Price to earnings Ratio
P/B	Price to Book Value Ratio
PBT	Profit before Tax
PAT	Profit after tax
PSU	Public sector Undertaking
Q	Quarter
q-o-q	Quarter on Quarter
R&D	Research & Expenditure
TTM	Trading Trailing Market
SCB	Scheduled Commerical Banks
SEZ	Special economic zones
SMEs	Small Medium Enterprises
y-o-y	Year on Year