MARKET OUTLOOK FOR 2010

Fullerton Securities

Domestic Economic Update

The year that was

- The Calendar Year 2009 started with shaken investor confidence on the backdrop of Lehman Brothers' bankruptcy with the benchmark Index BSE Sensex hovering in four digits.
- FIIs were feeling the heat and continued withdrawing money from global & emerging markets including India. Rising pessimism saw the Sensex going down all the way to 8,050 levels in the first week of March 09.
- Well co-ordinated efforts between Global finance leaders to pump in roughly US $5tn in special lending & spending programs had paid off with the global & Indian equity markets staging an unexpected recovery in 2009. The Indian Equity Benchmark BSE Sensex gave an absolutely spectacular comeback, doubling in a little more than 7 months. It is comfortably trading above 17,000 levels today.

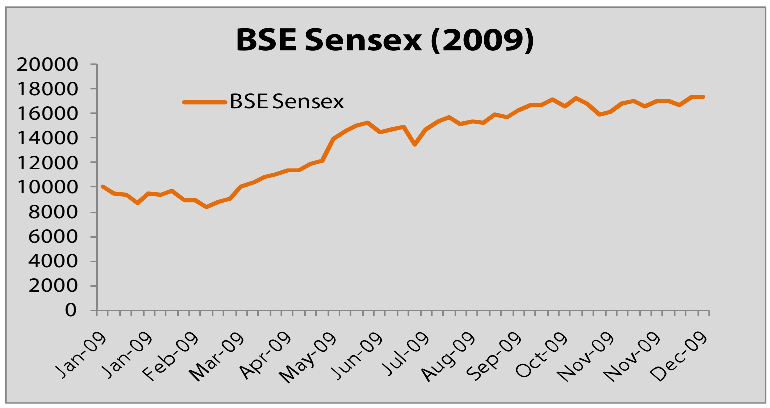
Market Statistics

Index	Dec-09	Dec-08	Gain %
BSE Sensex	17464	9,647	81%
NSE Nifty	5201	2,959	76%
BSE Midcap	6717	3,235	108%
BSE Smallcap	8357	3,683	127%
Nifty Junior	10382	4,555	128%
CNX Midcap	7432	3,735	99%

Capital Flows & Market Valuation

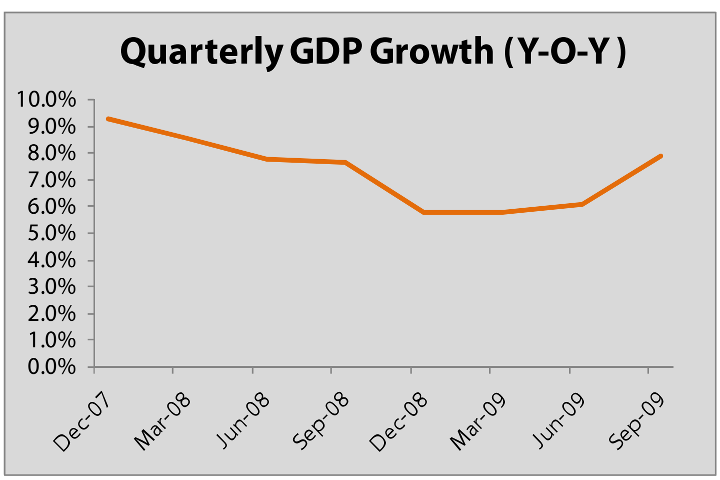
Capital Flows (Rs bn)	CY07	CY08	CY09
FII inflow	714	(53)	834
MF inflow	(1.8)	3.6	(3)
FDI Investment (US $bn)	15.8	33.0	23
Market Valuation	**Dec-07**	**Dec-08**	**Dec-09**
P/E	27.7	12.4	22.4
P/B	6.7	2.6	4.2
Dividend Yield	0.8	1.8	1.1

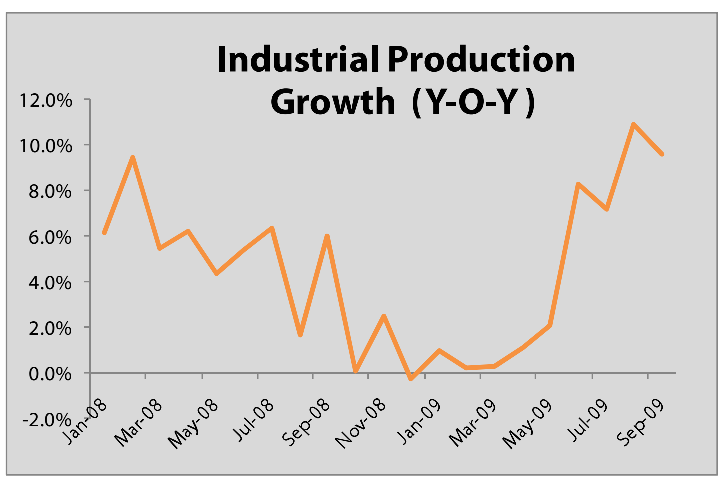
 # FDI figures for CY2009 is uptil October 2009



GDP: Surprises on Upside:

- Indian economy continues to be one of the fastest growing economies in the world. The economic recovery witnessed after the global meltdown last year has been sharper than anticipated. The growth in GDP for H2 FY2009 was barely 5.8% (y-o-y) compared to 7.8% in H1 FY2009. GDP growth increased to 6.1% during Q1 FY2010 and accelerated to 7.9% in Q2 FY2010.
- A similar pattern was observed in Industrial Growth. Industrial production growth for Q4 FY2009 was only 0.5%, which increased to 3.8% in Q1 FY2010 and accelerated to 9.2% in Q2 FY2010. This has increased confidence about the sound fundamentals of Indian Economy, which is expected to have a GDP growth of more than 8% for current financial year and more than 10% for the next couple of years.

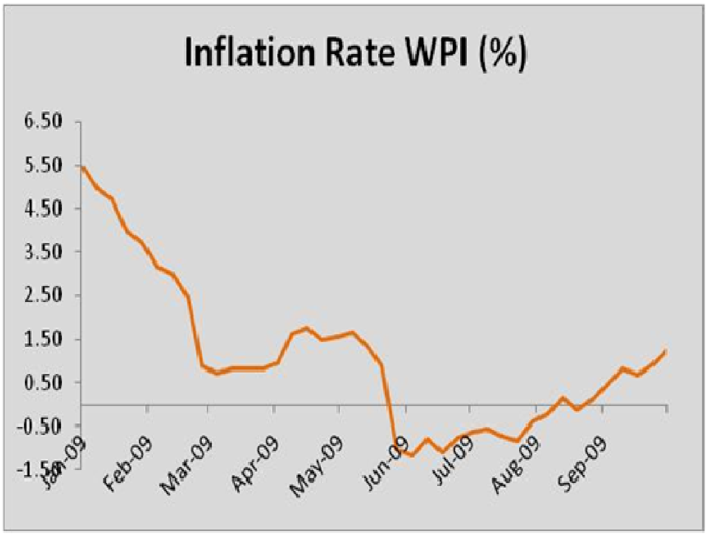


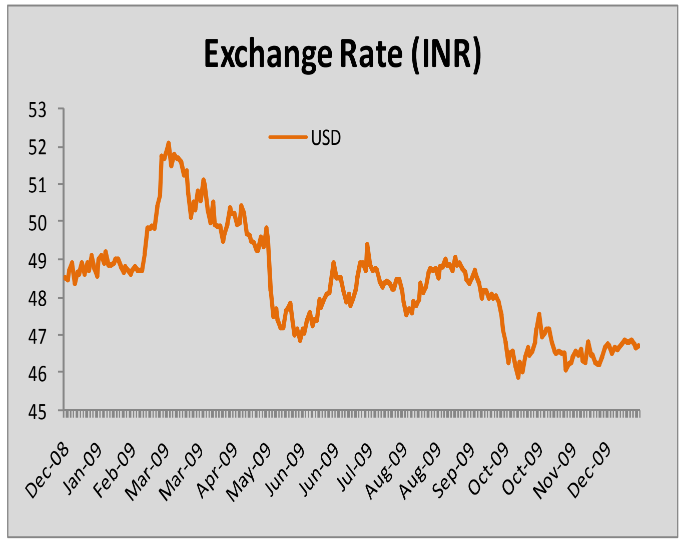


Compiled by: EPITOME GLOBAL SERVICES

Domestic Economic Update contd…

- Inflation in India exhibited downward trend during the first half of the CY2009. Wholesale Price Index (WPI) went down to -1.1% in mid June from 5.5% at the start of the year.
- The annual y-o-y inflation for the month of Nov 2009 have reached to a level of 4.8%, the major contributor to which is food inflation, which has reached to a level of 19.8% in Nov 2009. However, WPI inflation excluding food continued to be negative at -0.4% in Nov 2009, largely on account of lower Minerals, Oil, Iron and Steel Prices.
- On the back of rising inflation & fiscal concerns, the Government is expected to withdraw the stimulus gradually this year for the sectors where significant recovery is already evident. However, we expect the Government to continue with the fiscal sops for the sectors which are still affected, especially the exports related sectors.





Global Economic Update

- In 2009, the developed economies saw the massive economic stimulus given at the end of the 2008, working their way to help the respective economies recover from the unexpected economic slowdown in 2008. Economists are expecting the US, Euro, Britain and Japan to report economic growth for the last 3 months of calendar 2009.
- Organisation for Economic Co-operation and Development (OECD)'s, in its latest economic outlook in Nov 2009, has doubled its growth forecast for the leading developed economies in 2010 and has predicted a future acceleration in 2011, as China powers a global recovery. The 30-member organization is now forecasting growth of 2.5% next year for US (as against 0.9% in June), growth of 0.9% for the Euro region (as against negative growth earlier). It has raised the growth forecast for Japan to 1.8% from 0.7% and China to 10.2% for 2010.
- United States, the world's largest economy, has in the past few months, witnessed robust housing and retail sales data. The economy has even reported a 2.2% economic growth in Q3GDP after four consecutive quarters of contraction. However, the economy is witnessing the highest unemployment levels, which has breached the 10% mark in October this year. The US central Bank Federal Reserve has indicated in the recent FOMC meeting that it will keep interest rate low for an extended period of time, given the low consumer spending & high unemployment levels.
- Emerging economies also exhibited their strength with China leading the pack with 8.5% GDP growth. China's IP increased to 19.2% in Nov (y-o-y) following a 16% increase in the previous month.
- Towards the end of the year, the Dubai World debt standstill & the downgrades of sovereign debt ratings in Greece and Spain raised concerns about expanding debt crisis in the EU region and had temporarily led to risk aversion across the globe.

Key Sector Themes for 2010

We have broadly considered the **Consumption & Infrastructure** as two key **themes** for the purpose of sector identification for 2010. Within the consumption driven sectors, we believe that Automobiles will continue to benefit on higher domestic demand. The Banking & Financial Services Industry (BFSI) will exhibit strong growth on higher credit growth (which usually lags high industrial production growth, which we have witnessed recently). We further believe that FMCG companies will benefit on new product & market launches & higher margins from low food prices in H2 CY2010 (once the Government reins in food prices through imports, etc). We further expect the commercial real estate market activity to pick up from H2 CY2010, which would bring the sector back in favor (after being an underperformer for the 2009). The retail companies will also benefit on account of lower mall rentals and higher penetration of organized retail.

On the infrastructure front, we believe that roads & highways focused companies will be the prime beneficiary of the Government's thrust on spending on road building. Further high capacity addition expected in the power sector augurs well for the power ancillaries in 2010. In the Logistics industry, we believe that the demand for containerized railways will benefit the new players in that space.

Additionally, we believe that select investment themes like Computer based education; Hospital chains, Gas infrastructure (transmission) business, etc will prove to be strong business models attracting investor's attention in 2010.

Consumption Driven Sectors

Automobile Sector

- In the past six months, the Automobile sector has outperformed the broader indices mainly because of the stimulus packages given by the government. Automobile sales have registered double-digit growth in the last few months with the Passenger car segment growing at 21% from April – Nov 2009 and Utility vehicles & multipurpose vehicles segments growing at12.15% and 31.45% respectively during this period. The Commercial Vehicle segment has grown by 12.44%, while the two wheelers segment grew by a strong 17.63%.
- We expect the foreign joint ventures to ensure capacity building for local partners as overseas firms come with technical expertise. The capability to launch new models & variants at different price points and focus on after sales service would be important for the companies.
- The domestic demand will drive growth in this sector. The growth in Infrastructure will lead growth in Automobile sales. The key concerns would be higher interest rates, withdrawal of stimulus package and hike in car prices on higher input costs.

❖ **Stocks to watch out for**: Maruti Suzuki, Tata Motors, Hero Honda, Bajaj Auto, Exide Industries.

Automobiles

Sr. No	Company	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	ROE %	Debt - Equity Ratio	CMP	P/E	P/B
1	Tata Motors	254,150	4.8	1.9	5.3	1.0	788	36.6	3.5
2	Maruti Suzuki	205,301	7.5	5.3	13.7	0.1	1,454	26.1	4.5
3	Hero Honda Motors	123,152	13.2	9.5	37.8	0.0	1,675	18.6	8.8
4	Bajaj Auto	84,396	10.8	7.2	37.9	0.8	1,669	21.2	12.9
5	Exide Industries	37,610	11.5	6.7	25.8	0.3	122	20.7	8.0

 # Standalone FY09 figures, P/E & P/B on TTM EPS & BVPS

Key Sector Themes for 2010

Banking & Financial Services Industry (BFSI)

- The credit growth has been sluggish at 10.5% for the year but it has shown signs of picking up since late November.
- We expect the banking companies' performance to start improving in the last quarter of FY2010 as credit growth improves and remain stable till Q1 FY2011 end. FY2011 is likely to see a trend reversal in interest rates on higher credit demand from the corporate sector for funding.
- The banking sector may witness some consolidation. Smaller size PSU banks with a strong branch network and better asset quality would be the potential target for the bigger banks.
- The key concern would be higher lending rates even before the credit growth picks up (on inflation concerns and drying of liquidity in the system), which will increase cost of funds putting pressure on spreads and asset quality.

❖ **Stocks to watch out for**: Punjab National Bank, IndusInd Bank, Dhanalakshmi Bank, Kotak Mahindra Bank, Axis Bank, Yes Bank, Union Bank.

Banking

Sr. No	Company	Interest Earned (Rs mn)	NIM %	NPA %	ROA %	ROE %	CMP	P/E	P/B
1	Punjab National Bank	192,722	3.2	0.2	1.4	25.8	950	8.3	2.3
2	Union Bank of India	118,894	2.7	0.3	1.3	27.2	269	6.5	1.9
3	Axis Bank	108,355	2.9	0.4	1.4	19.1	1,051	19.5	3.1
4	Kotak Mahindra Bank	30,652	5.3	2.4	1.0	7.5	846	75.4	7.7
5	IndusInd Bank	23,095	1.8	1.1	0.6	13.3	143	22.5	3.1
6	Yes Bank	20,033	2.6	0.3	1.6	20.7	268	20.2	4.9
7	Dhanalakshmi Bank	4,084	2.5	0.9	1.2	19.3	144	16.6	2.2

 # Standalone FY09 figures, P/E & P/B on TTM EPS & BVPS

FMCG Sector

- We believe that H2 CY2010 will be beneficial for the FMCG sector as food inflation would be under control unlike the current situation which currently is ~19%. A good monsoon would be a further trigger for this sector. According to the industry body FICCI, the sector is likely to post a growth of 12-15% in the coming year.
- FMCG companies have been clearly focused towards the rural market extending their rural distribution reach and have been very aggressive in terms of product & market expansion strategies
- The withdrawal of fiscal incentives is unlikely to impair FMCG growth with any anti-inflationary measures by the Government, leading to higher profitability margins for the sector.

❖ **Stocks to watch out for**: Marico Industries, HUL, ITC, Nestle India.

FMCG

Sr. No	Company	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	ROE %	Debt - Equity Ratio	CMP	P/E	P/B	Div Yield %
1	Hindustan Unilever	201,924	14.9	11.6	114.1	0.2	266	26.5	28.5	2.8
2	ITC	148,815	23.4	14.1	25.4	0.0	256	27.0	7.1	1.4
3	Nestle India	43,277	19.4	12.0	119.8	0.0	2,488	36.2	50.7	1.7
5	Marico Industries	19,175	13.8	9.2	54.3	1.0	102	28.2	16.8	0.7

 # Standalone FY09 figures, P/E & P/B on TTM EPS & BVPS

Fullerton Securities

Kev Sector Themes for 2010

Real Estate Sector

- Real estate stocks have witnessed a sharp rally since March 2009 on the back of capital raising and increased sales volume in the residential segment on account of the declining interest rates, shift to affordable segment by the developers and favorable demographic profile of the Indian consumer.
- RBI's reduction in provisioning requirements against real estate loans to 0.4% in November 2008 as well as reduced home loan interest rates by PSU banks to 8% for loans upto Rs 0.5mn and 9.5% for loans between Rs 0.5-2mn has helped revive the demand for real estate in the low-cost housing segment. We believe that affordable housing has huge market potential with 70% of the current population being rural & the wider acceptance of the nuclear family concept. The expected housing shortage will be about 26.5mn units by 2012.
- It is expected that the commercial real estate market, which has not relatively picked up, will exhibit positive surprises in the second half of the calendar year 2010 on the back of office space requirements resulting from hiring in the BFSI & IT / ITeS sectors.
- Additionally, with the revival in the retail sector, organized retailers have put their expansion plans back on track with the country's largest retailers — Future Group, Spencer's Retail and Shoppers Stop — announcing investments of at least Rs 600cr for 2010. The cumulative retail demand across India is estimated at 43msf by 2013, of which the demand in the top seven cities is expected to be nearly 34.6msf.

❖ **Stocks to watch out for**: Anant Raj Industries, HDIL, Indiabulls RE, DLF, Sobha Developers, Kolte Patil Developers.

Real Estate

Sr. No	Company	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	ROE %	Debt - Equity Ratio	CMP	P/E	P/B
1	DLF	100,354	59.7	45.0	21.3	0.6	399	40.7	3.0
2	HDIL	17,284	79.2	44.6	19.1	0.9	379	16.7	2.1
3	Sobha Developers	9,740	29.9	11.2	10.1	1.7	283	26.0	1.7
4	Anant Raj Industries	2,508	114.9	82.2	6.6	0.0	148	20.4	1.3
5	Kolte Patil Developers	1,763	44.0	24.8	6.7	0.2	64	17.8	0.7
6	Indbulls RealEstate	1,407	176.7	98.3	3.5	0.1	234	0.0	2.5

 # Consolidated FY09 figures, P/E & P/B on TTM EPS & BVPS

Retail Sector

- The Indian Retail Sector is a US$350bn industry and is likely to become a US$450bn by 2015. The share of retail trade in country's GDP is around 12% and likely to reach 22% by 2011.
- Lower penetration in India (~5%) as compared to other BRIC nations where there is ~ 20-25% penetration gives enough scope for India to grow. We believe that rapid urbanization, with improvement in consumer sentiment and favorable demographics, will drive the growth in this sector. Most of the retail players are focusing on smaller town and cities [Tier II and Tier III] as India is known for higher savings rate.
- The sector has been underperformer as compared to the broader indices and remains a value play as it would see improvement on the margins on lower mall rentals and improved supply chain management.

❖ **Stocks to watch out for:** Pantaloon Retail, Koutons Retail, Shoppers Stop.

Retail

Sr. No	Company	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	ROE %	Debt - Equity Ratio	CMP	P/E	P/B
1	Pantaloon Retail	66,614	10.2	2.1	6.8	1.2	425	59.1	3.2
5	Shoppers' Stop	14,001	3.6	(2.7)	0.0	0.7	381	0.0	5.7
6	Koutons Retail	10,467	21.5	7.6	20.5	1.4	349	12.7	2.5

 # Standalone FY09 figures, P/E & P/B on TTM EPS & BVPS

Key Sector Themes for 2010

Infrastructure Driven Sectors

Roads & Highways Sector

- India has the world's second largest road network, aggregating over 3.34mn kms. The road sector in the country would require an investment of US$ 80bn in the next 3-4 years of which US$ 45bn is anticipated from the private sector. The Government has launched the ambitious **National Highway Development Programme (NHDP)** involving a total investment of US$ 54.1bn up to 2012 with the **National Highway Authority of India (NHAI)** infusing US$ 4bn in the NHDP in 2008-09.

- The UPA government's re-election has provided five years of political stability to push vital reforms and boost the economic growth. In order to strengthen the Indian road network, Mr. Kamal Nath, the Minister for Road Transport and Highways has proposed to build 20kms a days or 7,000kms a year or 35,000kms in the next five years.

- The government has taken a number of steps to kick-start the **NHDP**, which had seen tardy progress over the last 18-24 months which include implementation of the BK Chaturvedi Committee recommendations (award of projects only on acquisition of 80% of land, removal of the clause restricting bidding only to top 5-6 bidders etc). This has increased bidding interest in the private sector and is likely to accelerate award of projects in the coming months.

- Further, NHAI is exploring two new initiatives for future growth of highway building in India. The first, Mega Road Projects, which seeks to award roads with lengths of up to 500km and project cost of US$1bn in a single package so as to enable the investor reap benefits of economies of scale and attract international developers. The second initiative is to develop Greenfield access-controlled expressways and new townships along the expressways.

❖ **Stocks to watch out for**: IRB Infrastructure, IVRCL Infrastructure, Reliance Infrastructure, GMR Infrastructure, Sadbhav Engineering.

Roads & Highways

Sr. No	Company	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	ROE %	Debt - Equity Ratio	CMP	P/E	P/B
1	Reliance Infrastructure	127,244	16.6	9.9	7.8	0.5	1,161	21.6	1.7
2	IVRCL Infrastructure	50,741	10.5	4.7	7.9	0.7	388	23.3	2.1
3	GMR Infrastructure	44,762	24.3	6.2	3.6	1.3	69	150.5	3.8
4	Sadbhav Engineering	10,974	14.8	3.4	9.6	2.0	1,296	38.2	4.6
5	IRB Infrastructure Developers.	9,919	48.2	17.9	10.3	1.3	267	38.2	5.1

 # Consolidated FY09 figures, P/E & P/B on TTM EPS & BVPS

Key Sector Themes for 2010

Power Sector

- With a sound policy framework and regulations in place, power has been a key focus area within the infrastructure sector in terms of private investments. In the power sector, 18GW of generation capacity has already been added during the 11th Five Year Plan and the total capacity addition is likely to be ~62GW (as against the target of ~79GW) out of which 30GW of private capacity is under construction and another 17GW has achieved financial closure.

- The pace of capacity addition in the Eleventh Plan, albeit lower than the targeted capacity addition, has been higher historically, resulting in high growth and returns in the power and allied sectors.

- The allocation for the Accelerated Power Development and Reform Programme (APDRP) scheme, also has been increased to Rs 21bn, an increase of 160% over 2008-09. The macro story of the sector implies high growth, long-term visibility and sustainable returns. This, together with the demand-supply gap (~16% peak deficit), has been attracting investments into the power sector.

- With the high capacity addition expected & current inter-regional transmission at 20,750 MW expected to move up to be 37,150 MW by the end of the 11th Five Year Plan, the power equipment opportunity is estimated at Rs 4.25tn.

- In the power distribution segment, with the success of franchise model of Torrent Power, states like Uttar Pradesh, Madhya Pradesh, Haryana and Maharashtra have targeted to bid out more cities, to reduce AT&C losses and increase earnings for the respective state government entities.

❖ **Stocks to watch out for**: Tata Power, Torrent Power, CESC, Reliance Power, REC, PFC, Areva T&D, ICSA India, Crompton Greaves, BHEL, Siemens India, Thermax India, KEC International, BGR Energy Systems, Larsen & Toubro.

Power

Sr. No	Company	Industry Segment	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	ROE %	Debt - Equity Ratio	CMP	P/E	P/B
1	Tata Power	Power Utilities	175,833	20.6	6.4	11.5	1.2	1,478	38.1	3.7
2	Torrent Power	Power Utilities	43,252	19.0	9.4	13.2	1.1	314	33.2	4.6
3	CESC	Power Utilities	41,083	12.9	1.2	1.6	1.2	420	52.7	1.7
4	Reliance Power	Power Utilities	-	-	-	1.4	0.1	162	64.2	2.8
5	BHEL	Power T&D / Equipments	268,872	18.1	10.8	24.1	0.0	2,400	39.6	9.1
6	Larsen & Toubro	Power T&D / Equipments	403,712	14.6	7.0	21.3	1.2	1,678	35.6	6.4
7	Siemens	Power T&D / Equipments	96,798	9.7	5.1	24.6	0.0	644	38.2	7.8
8	Crompton Greaves	Power T&D / Equipments	88,192	11.7	6.2	36.0	0.5	414	22.6	8.4
9	KEC International	Power T&D / Equipments	34,285	10.3	3.4	20.9	1.1	595	36.5	5.3
10	Thermax	Power T&D / Equipments	32,719	14.0	8.6	33.0	0.0	619	26.8	7.4
11	Areva T&D	Power T&D / Equipments	26,411	15.0	8.0	35.6	0.5	280	33.1	9.3
12	BGR Energy Systems	Power T&D / Equipments	19,303	14.1	6.0	22.2	1.2	565	36.3	7.2
13	ICSA (India)	Power (IT)	11,004	24.1	13.7	31.2	0.6	187	5.9	1.5
14	Power Finance Corporation	Power Finance	65,774	97.9	30.0	19.0	4.6	269	16.2	2.7
15	Rural Electric Corporation	Power Finance	48,822	97.5	25.8	22.0	6.9	253	18.0	3.5

 # Consolidated FY09 figures, P/E & P/B on TTM EPS & BVPS

Fullerton Securities

Key Sector Themes for 2010

Logistics Sector

- India has a large freight market estimated at 3.1bn tonnes in volumes, which have been expanding at an 8% CAGR over the past three years in line with the rapid economic growth.
- We believe that containerized railways is a big opportunity as only 30% of the cargo is handled by the railways despite it being a cheaper, faster and more efficient mode of freight movement against roads.
- Since opening up of the container rail business to private players in 2005, 15 new players have joined the incumbent Container Corporation in this business. Over the next few years, we believe that these companies are eyeing to shift 5-6% of the ~3bn tonnes of the road freight market to the more economical and efficient rail route which will benefit the organized players.
- Slack international and domestic trade had impacted cargo movement in CY09 as also H1FY10. However, we expect volumes to pick up in H2 FY2010 and continue into FY2011 led by revival in trade, especially in the external trade segment.

❖ **Stocks to watch out for**: Allcargo Global Logisitcs, Gateway Distriparks, Arshiya International.

Logistics

Sr. No	Company	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	ROE %	Debt - Equity Ratio	CMP	P/E	P/B
1	Allcargo Global Logistics	23,141	9.8	5.3	22.2	0.4	193	17.2	2.9
2	Arshiya International	5,030	17.0	13.1	12.0	0.1	193	22.1	1.9
3	Gateway Distriparks	4,510	35.3	17.2	11.1	0.2	138	20.6	2.4

 # Consolidated FY09 figures, P/E & P/B on TTM EPS & BVPS

Other Investment Themes

Hospital Chains

- Healthcare Industry is a US$ 35bn industry in India, is expected to reach over US$ 75bn by 2012 and US$150bn by 2017, according to Technopak Advisors in their report – 'India Healthcare Trends 2008'.
- An estimated 1mn beds would be added by 2012 taking the total beds available in the country to over 2mn. The total investment needed to reach the optimum target of 1.85 beds per thousand is US$ 77.9bn, out of which about US$ 69.7bn is expected to come from the private sector.
- According to a latest report by McKinsey, driven by strong local demand, Indian healthcare market is expected to continue growing close to 10-12%. With average household consumption expected to increase by more than 7% p.a, the annual healthcare expenditure is projected to grow at 10% and also the number of insured is likely to jump from 100 to 220mn.
- In order to give boost to rural healthcare, allocation under National Rural Health Mission (NRHM) has been increased by Rs 21bn. More than 46 lakh Below Poverty Line (BPL) families in 18 states and Union Territories have been issued bio-metric smart cards. The Government proposes to bring all BPL families under this scheme.

❖ **Stocks to watch out for**: Apollo Hospitals, Fortis Healthcare.

Healthcare

Sr. No	Company	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	ROE %	Debt - Equity Ratio	CMP	P/E	P/B
1	Apollo Hospitals	16,142	15.1	5.3	6.0	0.4	710	44	2.9
2	Fortis Healthcare	6,419	17.3	2.5	1.9	0.6	139	145	2.6

 # Consolidated FY09 figures, P/E & P/B on TTM EPS & BVPS

Fullerton Securities

Key Sector Themes for 2010

Education Sector

- The Indian education sector size is estimated at US$ 21bn, which is slated to grow at a rate of 22% per annum. Although the growth is expected across segments, K-12 and higher education segments are expected to grow faster. Private sector players will benefit disproportionately as the size of the sector increases.
- The education sector currently faces a huge quality and supply gap at all levels viz. higher education, vocational and K-12 segments. While demand for quality education surges on demographics, supply remains constrained on account of limited Government budgets, lack of quality control and regulatory hurdles limiting private sector participation.
- The Government, under the Sarva Shiksha Abhiyan Programme, has announced a budget of Rs 15lakh per district per year, to be shared by the central and state governments in the ratio of 75:25 during the Tenth Five Year Plan and 50:50 thereafter.
- The number of educational institutions in the country has increased manifold with 480 universities and 22,000 colleges with 1.25crore students and 5 lakh teachers.
- Education has been given big boost in the Budget 2012 by increasing the overall spend by Rs20bn over 2009-10 with the provision for the scheme 'Mission in Education through ICT' substantially increased to Rs9bn.

❖ **Stocks to watch out for**: Educomp Solutions, Everonn Education, NIIT, Aptech, EdServ Softsystems.

Education

Sr. No	Company	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	ROE %	Debt - Equity Ratio	CMP	P/E	P/B
1	NIIT Ltd	11,486	11.7	2.8	7.3	0.6	72	18.9	2.5
2	Educomp Solutions	6,371	51.7	22.0	35.7	1.6	784	49.7	7.4
3	Aptech	2,739	25.5	15.6	20.8	0.1	201	18.2	3.7
4	Everonn Education	1,447	39.2	15.3	14.4	0.3	427	22.0	3.1
5	Edserv Soft Systems	85	60.6	43.7	17.6	0.0	262	39.1	9.0

 # Consolidated FY09 figures, P/E & P/B on TTM EPS & BVPS

Gas Infrastructure Business

- India has a total gas pipeline infrastructure of ~21,000 km, supplying ~120 mmscmd. As per Crisil Research, the existing infrastructure can support a transportation of ~142 mmscmd. Given the projected supply of ~240 mmscmd by FY12, the pipeline infrastructure is bound to receive a favorable policy environment, leading to investments as well as timely execution of the new pipeline projects.
- India's Natural Gas market has remained under penetrated due to non availability of gas even as the demand has been twice the supply. However, the situation is set to improve as the supply of the commodity is set to leap by more than 60% within a year.
- The supply scenario in India has improved significantly with the commissioning of Petronet LNG's expansion, RIL KG D6 supply and Hazira LNG expansion. Gas transmission companies are expected to be major beneficiaries of the increased transmission volumes.

❖ **Stocks to watch out for**: GSPL, GAIL.

Gas Infrastructure

Sr. No	Company	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	ROE %	Debt - Equity Ratio	CMP	P/E	P/B
1	GAIL (India)	246,594	20.7	11.1	19.1	0.3	433	20	3.6
2	GSPL	4,875	92.1	25.3	10.5	0.9	99	22	4.6

 # Consolidated FY09 figures, P/E & P/B on TTM EPS & BVPS

Fullerton Securities

Key Sector Themes for 2010

❖ **Some Other Stocks to watch out for in 2010:**

Bharti Airtel, Reliance Industries, Cairn India, Gujarat NRE Coke, Sesa Goa, Biocon, Lupin Laboratories, Lakshmi Energy, Jain Irrigation, Mphasis, Shree Renuka Sugars, Indian Hotels, Mahindra Satyam, JPAssociates, Zee Entertainment Enterprises.

Other Stocks To Watch in 2010

Sr. No	Company	Industry	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	ROE %	Debt - Equity Ratio	CMP	P/E	P/B
1	Reliance Industries	Oil & Gas	1,513,355	16.3	9.6	15.1	0.6	1,082	24.4	3.3
2	Bharti Airtel	Telecom	373,521	41.7	21.5	30.3	0.4	329	13.9	4.3
3	Sesa Goa	Mining	52,652	51.8	37.4	51.7	0.0	414	21.1	6.5
4	JP Associates	Cement & Construction	47,754	40.4	10.0	8.3	2.5	165	92.8	5.7
5	Lupin Laboratories	Pharma	37,761	19.5	13.3	37.2	0.9	1,413	21.9	7.4
6	Jain Irrigation	Agri Equipments	30,505	14.4	4.2	14.7	1.6	853	52.2	6.9
7	Indian Hotels	Hotels	26,861	23.0	0.1	0.1	1.3	104	0.0	2.4
8	Zee Entertainment	Media	21,773	32.5	24.0	16.2	0.2	268	29.5	3.4
9	Shree Renuka Sugars	Agriculture - Sugar	21,143	13.2	6.2	20.8	1.2	240	34.1	5.0
10	Mphasis	IT	19,065	21.6	15.5	39.2	0.0	706	16.3	6.3
11	Biocon	Pharma	16,087	23.5	14.8	16.2	0.3	291	21.4	3.9
12	Lakshmi Energy	Agriculture - Rice	16,018	20.4	10.1	22.8	0.9	169	11.4	1.9
13	Cairn India	Oil & Gas	14,327	61.2	49.1	1.8	0.1	300	61.0	1.7
14	Gujarat NRE Coke	Mining	8,871	27.9	11.1	8.7	0.8	91	16.3	2.9

 # Consolidated FY09 figures, P/E & P/B on TTM EPS & BVPS

Compiled by: EPITOME GLOBAL SERVICES