

12th November 2010

Large Cap	CMP	1 TRADING PICK FROM 3	CMP
Bharti Airtel	Rs.306	NIL	--
M&M (*)	Rs.774		
SBI	Rs.3,030		
Mid Cap	CMP	1 TRADING PICK FROM 3	CMP
Federal Bank (*)	Rs.439	NIL	--
BGR Energy (*)	Rs.770		
Tulip Telecom	Rs.179		

MOST Mutual

Franklin India Bluechip Fund *(Large Cap)*

HDFC Mid-Cap Opportunities Fund *(Mid Cap)*

Reliance Equity Opportunities *(Multi Cap)*

(*): New -entry

CMP: Current Market Price MBP: Maximum Buying Price

" Since Large & Mid Cap shares are available at reasonable valuation , we have not recommended any stock from Small Cap segment.

Bharti Airtel

CMP (Rs.)	306
MBP (Rs.)	345
Face Value	5
Equity Shares (Mn)	3798
52-Week Range (H/L)	376 / 230
M.Cap. (Rs b)	1,236.5

	FY10	FY11E	FY12E
EPS (Rs)	23.7	17.9	22.2
PE(x)	12.9	17.1	13.8

- Bharti Airtel Limited is India's largest integrated and the first private telecom services provider with a footprint in all the 23 telecom circles.

Recent Highlights:

- **Operating results below estimates:** Bharti reported 2QFY11 revenue of Rs152.2b (est of Rs153.4b), EBITDA of Rs51.2b (est of Rs53.7b), and net profit of Rs16.6b (est of Rs16.5b). Consolidated numbers are not comparable due to full quarter consolidation on African operations. Consolidated EBITDA was lower than estimates due to flat revenue and margin pressure in the India mobility business and lower margins in the Africa business. India and South East Asia margins were impacted by increased site rollout, higher diesel prices, and full quarter impact of wage increment taken from Jun-10. However, reported PAT was inline led by forex gain of Rs2.5b, although partially offset by higher tax rate
- **RPM stabilization in India and usage elasticity in Africa key positives:** While mobile traffic for India operations remained flat QoQ due to seasonality, RPM decline of only 1% QoQ to Rs0.44 was the lowest in past seven quarters. Mobile ARPU declined 19.8% YoY and 6.2% QoQ to Rs202 (vs estimate of Rs207). In Africa business, early signs of positive elasticity are encouraging as ARPU remained steady QoQ at US\$7.4 despite an 8% RPM decline (led by tariff cuts taken in 10/16 markets). Subscriber base increased by ~10% QoQ to 40.1m.

Valuation & View

- We are downgrading our EBITDA estimates by 2-3% and PAT estimates by ~2% to factor in lower margins. However, revenue and EBITDA growth in India operations is expected to rebound sharply driven by 1) normalization of traffic growth, 2) lower RPM decline, and 3) launch of 3G services. At CMP of Rs328, the stock trades at proportionate EV/EBITDA of 9x FY11E and 7x FY12E. Maintain **Buy** with a revised target of Rs410/sh based on 8.5x EV/EBITDA for India business and 7x EV/EBITDA for Africa business.

AUTOMOBILES

12th November 2010

M&M

CMP (Rs.)	774
MBP (Rs.)	795
Face Value	5
Equity Shares (Mn)	292.1
52-Week Range (H/L)	826 / 475
M.Cap. (Rs b)	452.3

	FY10	FY11E	FY12E
EPS (Rs)	35.7	44.1	49.7
PE(x)	21.7	17.6	15.6

- M&M is the market leader in UV and tractors, with market share of 50% and 40% respectively. Its tractor business is expected to benefit from the Government's thrust on the development of the rural economy. In the UV segment, it is expected to maintain its market share in even in the face of competition. It has also entered the LCV and three wheeler segment recently.

Key investment arguments:

- M&M has successfully ventured into various businesses, unrelated to its core business, thereby making it a diversified conglomerate as opposed to a mere auto space play. Value unlocking in these subsidiary / associate companies is a strong trigger for the stock.
- The management expects growth of 14-15% in the automobile and tractor industries, but it expects UV volumes to grow below industry estimates due to rising competition (Tata Aria, a facelift of the Innova) and an ageing of portfolio.

Recent Highlights:

- M&M standalone 2QFY11 results were above estimates with EBITDA margins of 15.8%. Higher other income boosted adjusted PAT to Rs7.27b. Net sales grew by 19% YoY to Rs53.1b, driven by volume growth of 20.1% YoY. But an adverse product mix (increasing share of three wheelers to 14.4% in 2QFY11 v/s 10.7% in 2QFY10 and the rising contribution of low cost Yuvraaj tractor) and significant decline in engine revenue led to a decline in realizations by 0.5% YoY (up ~0.8% QoQ), despite price increases in 1HFY11.
- The management indicated that all the supply constraints, which resulted in a loss of ~5,000 units in 2QFY11, had eased, driving volumes in 2HFY11. But it expects some cost push in 2HFY11 which would be off-set by a higher operating leverage.

Valuation and view:

- We are positive on M&M's prospects, driven by the dominance in its core business of UVs and tractors with favourable competitive dynamics, and strong volume growth momentum, coupled with cheap valuations.
- The stock trades at 12.7x FY11E consolidated EPS of Rs57.7 and 10.7x FY12E consolidated EPS of Rs68.3.

BANKING

12th November 2010

SBI

CMP (Rs.)	3,030
MBP (Rs.)	3,470
Face Value	10
Equity Shares (Mn)	634.8
52-Week Range (H/L)	3,515 / 1,863
M.Cap. (Rs b)	1,923.9

	FY10	FY11E	FY12E
EPS	184.8	200.5	281.7
P/E	16.4	15.1	10.8
ABV	1127	1288	1527
P/BV	2.7	2.4	2.0

- State Bank of India (SBI) is the largest commercial bank in India, with a balance sheet size of over Rs7t. The bank, along with associate banks, has a network of over 14,000 branches across India and controls over 18% of the banking business.
- SBI's 2QFY11 PAT was flat YoY at Rs25b (14% below our estimate). While NII grew 45% YoY (7% above our estimate), higher opex and provisions led to lower-than-expected profitability..

Recent Key Highlights:

- Margins improved sharply (positive surprise) by 25bp QoQ and 88bp YoY to 3.43% led by improved yield on loans (up 20bp QoQ) and stable cost of deposit (down 2bp QoQ). CASA ratio was up 28bp QoQ at 47.8%.
- 2QFY11 fee income growth was impressive at 40% YoY and 22% QoQ to Rs29.5b.
- Operating expenses increased 34% YoY and 19% QoQ. Cost to core income (ex.- trading profits) ratio increased to 48% from 45% in 1QFY11. SBI provided Rs3b towards increase in gratuity expenses (total liability of Rs22b, Rs14b provided so far) but it also reversed Rs1.8b being excess provision towards wage arrears (reversed Rs10.3b so far).
- GNPA in absolute terms increased 11% QoQ to Rs232b and NNPA increased 5% QoQ. PCR including technical write-off was 62.8%. Excluding the impact of SBIIn (Rs8.5b additions), GNPA in absolute terms increased 7% QoQ.
- The bank posted a loss of Rs9.7b of SBIIn to account for higher pension costs and higher NPA provisions to improve the coverage ratio to 70%. This led to 23% YoY drop in consolidated PAT.

Valuation and view:

- Adjusted for life insurance valuation, SBI trades at 1.9x FY12E Consol BV of Rs1,656 and 11.1x FY12E Consol EPS of Rs282. Standalone RoE will be 18.5% in FY12E. Given the sharp run-up over the past few days and below estimated earnings, the stock is likely to correct in the very near term. We see this as a buying opportunity and are bullish on core operating profitability. Maintain **Buy**.

BANKING

12th November 2010

Federal Bank

CMP (Rs.)	439
MBP (Rs.)	460
Face Value	10
Equity Shares (Mn)	171.0
52-Week Range (H/L)	501/223
M.Cap. (Rs b)	75.0

	FY10	FY11E	FY12E
EPS (Rs)	27.2	35.2	40.7
PE(x)	16.1	12.5	10.8

- Federal Bank is a mid-sized Kerala-based bank, with a balance sheet size of ~Rs441b (2QFY11). The bank has 719 branches and more than 761 ATMs. The bank caters to a large number of NRIs. NRI deposits constitute ~28% of its total retail deposits. The bank's operations were confined to Kerala until 1972, after which it expanded to all metropolitan centers.

Key investment arguments:

- A strong share of low cost deposits (29% CASA and NRI deposits) and a higher share of high yielding retail and SME loans will keep margins strong at ~4%. With a large balance sheet, capabilities and distribution strength in place, the bank's key focus is to improve risk management systems and processes to tackle NPA issues and have quality growth ahead.
- Lower slippages and higher upgrades and recovery could deliver a positive surprise in FY12E.CAR at ~17% is comfortable and improving leverage in coming years could substantially improve RoE.

Recent Highlights:

- Federal Bank's 2QFY11 net profit, which was in line with our expectations, grew 39% YoY to Rs1.4b. This was due to 33% YoY growth in NII, supported by higher margins (up 74bp YoY) despite muted loan growth. Loans grew 7% YoY and 2% QoQ to Rs276b and deposits grew 8% YoY and 3% QoQ to Rs361b in 2QFY2011.
- GNPA's in absolute terms increased 5% QoQ to Rs12b but NNPA declined 7% QoQ to Rs1.9b as the bank made higher provisions for NPA leading to improved PCR to 83% v/s 81% a quarter earlier

Valuation and view:

- Under the leadership of Srinivasan, the bank will focus on the retail and SME segments as prime growth drivers. But in the medium term, balance sheet growth will remain moderate until back-end processes improve.
- We estimate EPS of Rs35 in FY11 and Rs41 in FY12 amounting to EPS CAGR of 22% over FY10-12. The stock trades at FY12E P/E of 11.6x and P/BV of 1.4x.

ENGINEERING

12th November 2010

BGR Energy

CMP (Rs.)	770
MBP (Rs.)	795
Face Value	10
Equity Shares (Mn)	72.0
52-Week Range (H/L)	871 / 438
M.Cap. (Rs b)	277.1

	FY10	FY11E	FY12E
EPS (Rs)	28.0	41.0	53.2
PE(x)	27.5	18.8	14.5

- The Company was incorporated in 1985, as a joint venture between GEA Energietechnik GmbH, Germany and the Promoter, Mr. B. G. Raghupathy, to manufacture and sell On-line Condenser Tube Cleaning Systems. In 1993 Mr. B. G. Raghupathy and members of his family became the sole shareholders of the Company and began to expand the range of product and services range in the Power and Oil & Gas industries. On June 28, 2007 the Company name was changed from GEA Energy System (India) Limited, to BGR Energy Systems Limited.

Key Investment Arguments:

- Over the past 10 years, BGR has transformed itself into a full-fledged power plant EPC contractor, from being equipment manufacturer and BoP contractor.
- As the next stage of integration, the company will set up facilities to manufacture boilers and turbine-generators in technical and financial collaboration with Hitachi. BGR is the only company in India, after BHEL and L&T, to have integrated manufacturing for BTG.

Recent Highlights:

- BGR Energy recently received an order worth Rs21.68b for BoP works for a 2x 660MW super-critical project in Andhra Pradesh. This contract was awarded by Gayatri Projects (Andhra Pradesh) and Sembcorp (Singapore) consortium to BGR Energy.
- BGR had an order-book of Rs105b (at the end of 1QFY11), implying BTB of 2.6x TTM revenue. BGR is in an advanced stage of execution of two power projects, of 1,200MW in Rajasthan and 600MW in Tamil Nadu. BGR has booked Rs27b of revenue from the projects and the remaining Rs53b will be booked in FY11 and FY12. .

Valuation and view:

- We expect BGR to post earnings of 37% CAGR over FY10-12. But faster execution of EPC projects in hand and new large BoP projects can provide upside in FY12. We believe BGR is well placed in several EPC orders, which will ensure encouraging growth beyond FY12.
- Strong earnings growth, the likelihood of strong order inflows and success in some of breakthrough orders like NTPC bulk tenders will support valuations. The stock trades at 14x FY12E earnings.

Tulip Telecom

CMP (Rs.)	179
MBP (Rs.)	190
Face Value	2
Equity Shares (Mn)	145
52-Week Range (H/L)	214 / 158
M.Cap. (Rs b)	26.1

	FY10	FY11E	FY12E
EPS (Rs)	17.0	20.2	27.6
PE(x)	10.6	8.9	6.5

- Tulip is a leading player in the Indian enterprise data segment focused on providing connectivity to corporates, SMEs and government verticals. Tulip has an outstanding track record, having scaled up to a dominant ~30% market share in the largest and fastest growing VPN segment within five years.

Key investment arguments

- Tulip's 'one-stop-shop' approach has warranted adding capabilities like managed services, which fortify its data connectivity business, and downsizing the legacy lowmargin network integration business. Recent fiber rollout for last mile should enable Tulip to tap high bandwidth connects, complementing its strong foothold in wireless.

31% earning CAGR:

- While competition in the wireless data space is expected to increase, we believe that Tulip's fiber strategy (expects 70% of revenue from fiber in the next two years) would de-risk it from high competition from BWA winners like RIL. Almost 600 out of Tulip's ~1,600 clients are already using its services on fiber

Valuation and view:

- Tulip has been growing and gaining market share vs larger rivals like Bharti, BSNL, RCom and Tata Comm primarily due to
 1. niche business model
 2. higher uptime/service level, and
 3. Asset light strategy.

We expect 31% earnings CAGR over FY10-12E driven by 29% EBITDA CAGR. At CMP of Rs898, the stock trades at a FY12 P/E of 6x and EV/EBITDA of 3x; maintain Buy with a DCF-based target price of Rs. 250.



MOST Mutual

12th November 2010

MOST Mutual

Franklin India Bluechip Fund *(Large Cap)*

HDFC Mid-Cap Opportunities Fund *(Mid Cap)*

Reliance Equity Opportunities *(Multi Cap)*



Franklin India Bluechip Fund (Large-Cap)

12th November 2010

At a Glance

Latest NAV (Gr):	Rs. 228.42 (Nov 11, 10)
Latest NAV (Div):	Rs. 45.73 (Nov 11, 10)
Fund Category:	Equity Diversified
Type:	Open Ended
Exit Load (%):	1% (< 365 days)
Inception Date:	1-Dec-93
Net Assets (Rs. Cr.):	3292.19 (29-Oct-10)

Fund Manager

Anand Radhakrishnan (Since Apr 2007)

Portfolio Attributes

Top 5 Holdings	30.84%
No. of Stocks	39
Exposure to Sensex	52.68%
Exposure to Nifty	65.30%
Portfolio PE Trailing	27.24
Expense Ratio	1.85 (30-Sep-10)

Dividends Declared

22-Jan-10	35%
21-Jan-09	30%
9-Jan-08	70%

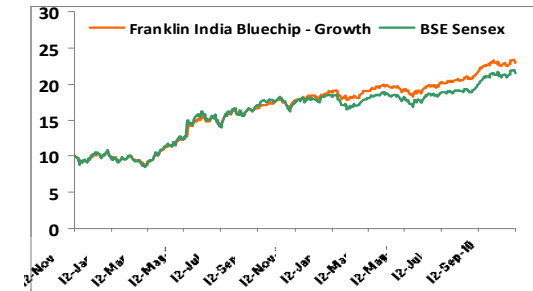
Scheme Objective

Scheme Objective: It aims to provide medium to long term capital appreciation by taking an aggressive /defensive postures depending on opportunities available at various points of time. It will invest in shares of quality companies and large sized companies.

Scheme Analysis

It is the best place to play safe and get rewarded. The FM manages a compact portfolio with 39 stocks largely spread across Petroleum, Banks, IT and Telecom. The top 3 sectors comprise 44.78% of net assets. The top holding stocks are Bharti Airtel (7.22%), Infosys (6.94%) and Reliance Industries (6.16%). While in 2008, its large cap allocation protected it from downfall, it outperformed (84.49%) its benchmark (75.76%) in 2009. Since its inception, the fund has performed pretty well such as 179% (1999), 120%(2003) etc. Its 5-year annualised return is 22.72 % as on Nov 11, 2010.

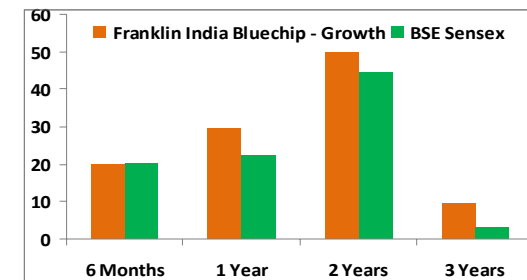
NAV Movement



Style Box Analysis



Comparative Performance





HDFC Mid-Cap Opportunities Fund (Mid-Cap)

12th November 2010

At a Glance

Latest NAV (Gr):	Rs. 17.22 (Nov 11, 10)
Latest NAV (Div):	Rs. 17.22 (Nov 11, 10)
Fund Category:	Equity Diversified
Entry Load (%):	Nil
Exit Load (%):	1% (< 365 days)
Inception Date:	25-Jun-07
Net Assets (Rs. Cr.):	1193.25 (29-Oct-10)

Fund Manager

Chirag Setalvad (Since June 2007)

Portfolio Attributes

Top 5 Holdings	19.83%
No. of Stocks	48
Exposure to BSE 200	44.54%
Exposure to CNX 500	76.73%
Portfolio PE Trailing	21.76
Expense Ratio (%)	1.99 (30-Sep-10)

Dividends Declared

-	-
-	-
-	-

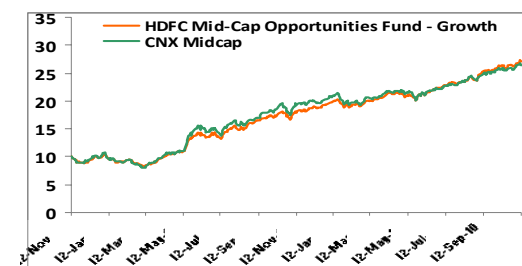
Scheme Objective

It aims to generate long-term capital appreciation from a portfolio that is substantially constituted of equity and equity related securities of Small and Mid-Cap companies.

Scheme Analysis

The Fund Manager maintains a well diversified portfolio, primarily on a buy and hold strategy at most times. Launched as Close-Ended Fund in 2007, it became an Open-Ended Scheme in June 2010. In such short period, it got bitten in 2008 meltdown but it bounced back with a decent performance in recent bull due to mid-cap exposure in 2009. It returned 94.4% against Sensex return of 81.03%. The Fund is bullish on Pharma (16.69%), Banks (13.08%) and Industrial Products (10.7%). The top holdings are IPCA Lab (5.19%), Exide (3.89%) and Carborundum Ltd (3.81%).

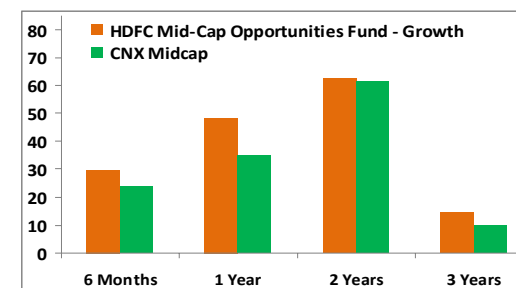
NAV Movement



Style Box Analysis



Comparative Performance



Reliance Equity Opportunities Fund (Multi-Cap)

12th November 2010

At a Glance

Latest NAV (Gr):	Rs. 39.42 (Nov 11, 10)
Latest NAV (Div):	Rs. 27.84 (Nov 11, 10)
Fund Category:	Equity Diversified
Entry Load (%):	Nil
Exit Load (%):	1% (< 365 days)
Inception Date:	31-Mar-05
Net Assets (Rs. Cr.):	2792.43 (29-Oct-10)

Fund Manager

Sailesh Raj Bhan (Since March 2005)

Portfolio Attributes

Top 5 Holdings	19.99%
No. of Stocks	36
Exposure to Sensex	24.36%
Exposure to Nifty	29.44%
Portfolio PE Trailing	30.89
Expense Ratio	1.88 (30-Sep-10)

Dividends Declared

24-Jul-09	20%
19-Mar-08	15%
1-Feb-07	15%

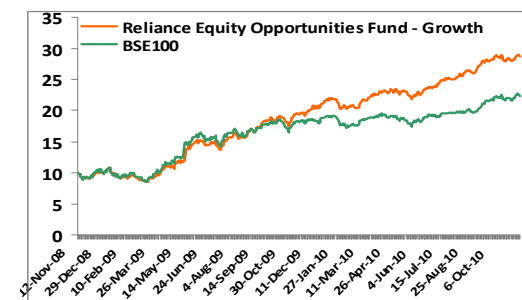
Scheme Objective

Scheme Objective: It aims to invest in stocks across those sectors and industries where India's strong inherent potential is increasingly becoming visible to the world, which are driving our economy and whose fundamental future growth is influenced by ongoing economic reforms, FDI inflows and infrastructural changes.

Scheme Analysis

The Fund Manager is bullish on India's growth story and have included stocks which have strong fundamental and future growth. The portfolio consists of major stocks such as Trent Ltd (4.52%), Aventis Pharma (4.32%), Divis Laboratories (3.87%) and TCS (3.65%). The Fund Manager is bullish on Pharma, Software and Retailing. In its inception year, it caught investors eye with its superb performance of 51.28% against category (34.93%). However, in 2007 & 2008, it performed badly. In 2009, the fund bounced back with hefty returns. It returned 108.75% vs category return

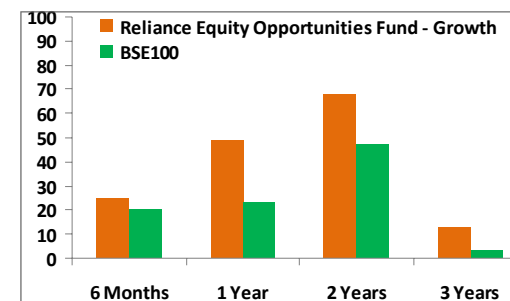
NAV Movement



Style Box Analysis



Comparative Performance



MOST Options Strategy

Strategy: Nifty Bear Spread (*) (*Hedging*)

Strategy: JP ASSOCIATES Bull Spread (*) (*Moderately Bullish*)

Strategy: IDFC BEAR SPREAD(*) (*Moderately Bullish*)

Strategy: Nifty Bear Spread

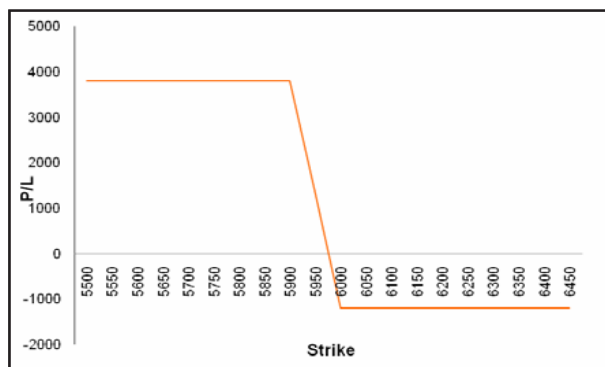
View : Hedging

Rationale :

1. Nifty futures witnessed long unwinding in Last week.
2. The Implied Volatility on Nifty Options have rise by over 5% this week indicating rising risk of downside.
3. Congestion in the Puts may not let the Nifty fall far beyond 5900 upon expiry.

Premium Inflow : ₹ 1200 (per spread)

Margin : ₹20,000.00 (Approx)



Strategy

BUY/SELL	SCRIP	SERIES	OPTION	STRIKE PRICE	RECO PRICE
BUY	NIFTY	NOV	PE	6000	₹59.5
SELL	NIFTY	NOV	PE	5900	₹35.5

Pay Off on Expiry

BREAK EVEN POINT	MAXIMUM PROFIT	MAXIMUM LOSS
5974	₹ 3800 below 5900	₹1200 above 6000

Strategy: JP ASSOCIATES Bull Spread

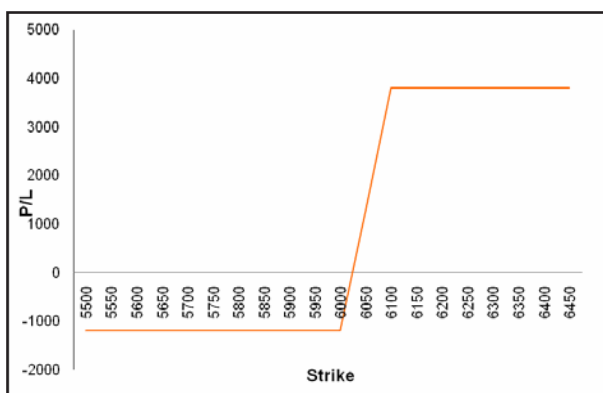
View : Moderately Bullish

Rationale : 1. Longs created thru the week in Futures.
2. On the higher side the Stock may halt around 140 advocated by congestion in Calls.

Premium Outflow : ₹ 4,400.00 (per spread)

Margin : ₹ 30,000.00 (Approx)

Strategy



BUY/SELL	SCRIP	SERIES	OPTION	STRIKE PRICE	RECO PRICE
BUY	JP ASSOCIATES	NOV	CA	130	₹ 3.5
SELL	JP ASSOCIATES	NOV	CA	140	₹1.3

Pay Off on Expiry

BREAK EVEN POINT	MAXIMUM PROFIT	MAXIMUM LOSS
132.2	₹ 15600.0 Above 140	₹ 4400.0 below 130

Strategy: IDFC BEAR SPREAD

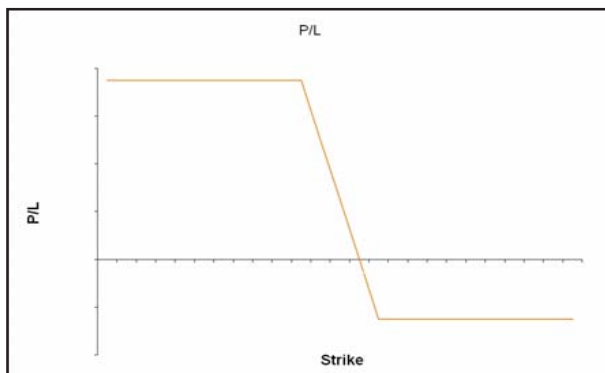
View : Moderately Bearish

Rationale : 1. Fresh Shorts seen on The Futures
2. Heavy writing in 200-210 Calls indicating the recent fall may sustain.

Premium Outflow : ₹ .6,600.00 (per spread)

Margin : ₹ 42,000.00 (Approx)

Strategy



BUY/SELL	SCRIP	SERIES	OPTION	STRIKE PRICE	RECO PRICE
BUY	IDFC	NOV	PA	190	₹5.0
SELL	IDFC	NOV	PA	180	₹1.7

Pay Off on Expiry

BREAK EVEN POINT	MAXIMUM PROFIT	MAXIMUM LOSS
186.7	₹13400.BELOW.180	₹ 6600 ABOVE 190



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12th November 2010

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MOST is engaged in providing investment-banking services in the following companies covered in this report: Alok Industries and Sintex Industris.

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