



What to Buy/ Sell at ~20K?

LIQUIDITY DRIVEN RALLY STILL HAS CONTRA BETS

Markets have rallied ~24% from its lows of May driven by FIIs inflow of ~ \$11.5 bn since then, the largest quantum of investment India has seen in any 6 month period. And this is despite a net domestic outflow since then of ~\$ 4 bn. Yet 22 stocks in the Nifty have under performed in this period, with 12 stocks rising <10%. Suzlon and Hero Honda the only two Nifty stocks that have given negative returns in this period.

- ❑ **Reason for the underperformance:** Stocks with **high valuations relative to the sector** have shown underperformance such as Hero Honda, Maruti, ABB, Siemens, Infosys, RIL, GAIL, Cipla, Sun Pharma and Reliance Power. **Lack of earnings momentum** also played a significant role in dampening performance of ABB, Infosys, JP Associates, JSPL, Maruti, NTPC, Reliance Power, Siemens and Suzlon.
- ❑ **Out of the above, where the no of Broker Buy recommendations is more than Sells in Bloomberg are:** Infosys, RIL, GAIL, Sun Pharma, JP Associates and NTPC.

Two Buy Screeners: We have screened Nifty stocks based on the **absolute under performance** relative to the market and which are **ALSO trading below their sector valuations** for FY11E earnings. Note that some of these stocks may fundamentally lack earnings momentum, may have an event risk, or deserve due to their business model, to be below sector average valuations. Thus this is based purely on valuation/ performance criteria. Separately, we have also screened stocks from our **coverage universe which are absolute buy/ sells based on our target price** upsides being greater/ lower than 20%.

- ❑ **Nifty stocks that have under performed and trade lower than their sector average valuations:** Power Grid, Tata Power, JP Associates, BHEL, SAIL, Wipro, Sterlite, JSPL, HCL Tech.
- ❑ **ENAM-Covered Cos: Absolute buys with upside greater than 20%:** Nitesh Estates, HDIL, DB Realty, IBREL, Jaiprakash Power, Sterlite Tech, Persistent Systems, Grasim, IVRCL, JP Associates, Financial Tech and Oracle.
- ❑ **ENAM-Covered Cos: Absolute sells with downside greater than 20%:** ABB, Ranbaxy, Hindalco, Tata Steel, Bajaj Hindustan, Shree Renuka, DLF and Idea Cellular.

Various metrics for the above lists and our Coverage Universe is enclosed.

Note: Report price as of September 20, 2010

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Nifty Cos – Market under performers and low valuations relative to sector

Company name	Mcap (USDm)	Price			Tgt Pr (INR)	Upside (%)	PE (x)		PB (x)		ROE (%)	
		Current (INR)	Recent low 25-May-10	% chg from recent low			FY11e	FY12e	FY11e	FY12e	FY11e	FY12e
Power Grid	9,729	106	100	6	125	18	17	14	2.5	2.2	15	17
Tata Power	6,563	1,264	1,192	6	1,306	3	13	11	1.8	1.6	13	13
JP Associates	5,806	125	116	8	156	25	7	6	2.8	2.6	10	11
BHEL	26,141	2,441	2,251	8	2,700	11	22	18	6.5	5.1	33	32
SAIL	18,517	205	185	11	211	3	12	12	2.0	1.7	19	16
Wipro	22,563	421	377	12	443	5	19	17	4.2	3.5	24	22
Sterlite Inds	12,599	171	152	13	UR	-	12	9	1.0	0.9	9	11
Jindal Steel & Power	14,550	712	616	16	UR	-	17	11	4.5	3.2	30	35
HCL Tech	6,257	421	354	19	379	(10)	16	14	3.3	2.7	23	20

Source: ENAM Research, Bloomberg

ENAM Covered Cos – Target price upside > 20%

Company name	Mcap (USDm)	Price			Tgt Pr (INR)	Upside (%)	PE (x)		PB (x)		ROE (%)	
		Current (INR)	Recent low 25-May-10	% chg from recent low			FY11e	FY12e	FY11e	FY12e	FY11e	FY12e
Nitesh Estates	133	42	42	(0)	65	56	31	14	1.0	0.9	5	7
HDIL	2,278	280	205	37	435	55	15	10	1.2	1.1	9	11
DB Realty	2,408	452	392	15	667	47	22	6	3.0	2.0	15	41
Indiabulls Real Estate	1,606	183	146	25	249	36	69	30	0.6	0.6	1	2
Jaiprakash Power	3,022	66	62	6	89	35	79	20	2.9	2.1	4	12
Sterlite Tech	745	96	95	1	125	31	12	10	3.1	2.5	29	28
Persistent Systems	368	421	366	15	547	30	12	11	2.2	1.9	20	19
Grasim Inds	4,508	2,247	1,705	32	2,825	26	9	8	1.4	1.2	14	14
IVRCL Infra	933	160	144	11	200	25	13	10	2.1	1.9	12	13
JP Associates	5,806	125	116	8	156	25	7	6	2.8	2.6	10	11
Financial Technologies	1,418	1,406	1,236	14	1,748	24	36	32	3.0	2.8	8	9
Oracle Financials	4,055	2,209	2,056	7	2,685	22	18	16	3.5	2.9	22	19

Source: ENAM Research, Bloomberg

ENAM Covered Cos – Target price downside > 20%

Company name	Mcap (USDm)	Price			Tgt Pr (INR)	Upside (%)	PE (x)		PB (x)		ROE (%)	
		Current (INR)	Recent low 25-May-10	% chg from recent low			FY11e	FY12e	FY11e	FY12e	FY11e	FY12e
ABB	4,005	864	827	4	605	(30)	53	31	6.8	5.8	13	20
Ranbaxy Lab	4,899	532	405	31	383	(28)	17	19	4.0	3.4	26	19
Hindalco Inds	8,091	193	137	41	141	(27)	19	13	1.6	1.5	8	11
Tata Steel	12,170	617	471	31	451	(27)	13	14	1.4	1.3	12	10
Bajaj Hindustan	554	132	100	32	101	(24)	49	19	1.1	1.1	2	6
Shree Renuka	1,211	83	55	51	64	(22)	11	10	2.6	2.1	27	22
DLF	13,504	364	255	43	288	(21)	25	21	2.2	2.0	9	10
Idea Cellular	5,539	77	52	49	61	(20)	32	20	2.1	1.9	7	10

Source: ENAM Research, Bloomberg

ENAM Universe

Company name	Mcap (USDm)	Price			Tgt Pr. INR)	Upside (%)	PE (x)		PB (x)		ROE (%)	
		Current (INR)	Recent low 25-May-10	% chg from recent low			FY11e	FY12e	FY11e	FY12e	FY11e	FY12e
Nifty Index		5,980	4,807	24			19	16	2.9	2.5	16	16
ABB	4,005	864	827	4	605	(30)	53	31	6.8	5.8	13	20
ACC	4,192	1,020	832	23	828	(19)	17	16	2.9	2.6	18	18
Adani Enterprises	9,214	688	577	19	605	(12)	38	24	4.4	3.7	19	17
Aditya Birla Nuvo	2,017	895	706	27	UR	-	44	NA	1.4	NA	3	0
AIA Engg	847	411	382	7	435	6	18	13	3.5	2.8	21	24
Allcargo Global	474	166	161	3	188	13	13	11	1.8	1.5	13	13
Ambuja Cem	4,837	145	104	39	121	(16)	18	15	3.0	2.6	18	19
Ashok Leyland	2,218	76	56	36	64	(16)	18	15	2.5	2.3	15	16
Asian Paints	5,973	2,848	2,053	39	2,610	(8)	31	25	11.5	8.9	43	40
Aurobindo Pharma	1,394	1,094	846	29	1,268	16	11	9	2.3	2.0	26	27
Axis Bank	13,784	1,542	1,164	33	1,520	(1)	-	-	3.4	2.9	18	19
Bajaj Auto	9,237	1,459	993	47	1,500	3	17	15	10.6	7.7	71	60
Bajaj Hindustan	554	132	100	32	101	(24)	49	19	1.1	1.1	2	6
Balrampur Chini	521	92	76	21	90	(2)	31	11	2.0	1.8	7	18
Bank of Baroda	7,006	879	661	33	870	(1)	-	-	2.0	1.6	24	24
Bank of India	5,708	497	314	58	455	(8)	-	-	1.9	1.6	18	19
Bharat Electronics	3,173	1,813	1,679	8	1,785	(2)	17	15	2.9	2.5	18	18
Bharat Forge	1,843	362	249	45	370	2	24	15	4.0	3.2	20	24
Bharti Airtel	30,435	366	263	39	322	(12)	20	17	2.7	2.6	15	16
BHEL	26,141	2,441	2,251	8	2,700	11	22	18	6.5	5.1	33	32
Biocon	1,559	356	277	28	297	(17)	22	19	3.5	3.1	17	17
Bosch	4,329	6,302	4,932	28	5,932	(6)	26	21	4.9	4.0	21	22
BPCL	6,344	802	539	49	658	(18)	15	13	2.0	1.8	14	14
Britannia Inds	1,136	435	330	32	UR	-	64	38	16.5	13.6	27	40
Cadila Healthcare	2,811	627	602	4	585	(7)	21	17	6.1	4.8	33	31
Canara Bank	5,157	575	390	48	610	6	-	-	1.6	1.3	26	25
Century Textile	1,050	516	418	23	614	19	4	3	2.3	2.1	17	12
Chennai petro	824	253	240	6	262	4	7	8	1.0	0.9	16	12
Cipla	5,538	315	311	1	293	(7)	22	19	3.7	3.2	18	18
Colgate Palmolive	2,558	860	684	26	900	5	25	21	25.4	18.2	118	101
Container Corp	3,750	1,319	1,246	6	1,217	(8)	17	15	3.5	3.0	19	19
Corp Bank	2,219	707	484	46	670	(5)	-	-	1.5	1.3	22	22
Crompton Greaves	4,349	310	224	39	297	(4)	23	19	6.1	4.7	31	28
Cummins	3,250	750	538	39	780	4	23	19	7.9	6.5	36	36
Dabur	4,239	111	88	26	95	(15)	33	27	15.0	11.1	53	47
DB Corp	1,093	275	225	23	282	3	22	20	5.2	4.1	27	23
DB Realty	2,408	452	392	15	667	47	22	6	3.0	2.0	15	41
Dish TV	1,322	57	36	57	54	(5)	NA	177	1.2	1.0	(10)	2
Dishman Pharma	324	183	206	(11)	195	6	12	9	1.6	1.4	15	16
Divi's Lab	2,081	718	693	4	701	(2)	22	19	4.8	3.9	24	23
DLF	13,504	364	255	43	288	(21)	25	21	2.2	2.0	9	10
Dr Reddys Lab	5,434	1,469	1,250	17	1,349	(8)	23	20	4.7	3.8	23	22
Exide Inds	2,946	158	111	43	176	11	17	14	4.8	3.8	27	26
Financial Technologies	1,418	1,406	1,236	14	1,748	24	36	32	3.0	2.8	8	9
G E Shipping	1,046	314	275	14	358	14	8	5	0.8	0.7	11	14
GAIL	13,313	480	440	9	506	5	16	13	3.1	2.7	21	22
Gammon India	595	213	194	10	203	(5)	13	10	1.3	1.2	6	7
Gateway Distriparks	259	110	115	(4)	UR	-	13	10	1.5	1.4	11	14
GlaxoSmithKline Pharma	3,751	2,024	2,010	1	1,645	(19)	30	27	8.5	7.5	30	29
GMR Infra	5,008	59	54	8	63	7	46	55	2.6	2.5	6	5
Godrej Consumer	3,089	436	325	34	355	(19)	31	26	8.1	6.8	33	29
Grasim Inds	4,508	2,247	1,705	32	2,825	26	9	8	1.4	1.2	14	14
GSPL	1,348	110	88	25	NR	-	14	12	3.0	2.4	23	23
Gujarat Gas	1,130	403	271	49	NR	-	23	22	5.2	4.5	24	22
GVK Power & Infra	1,659	48	40	20	52	8	43	28	1.9	1.8	5	7
HCL Tech	6,257	421	354	19	379	(10)	16	14	3.3	2.7	23	20
HDFC	22,551	707	515	37	645	(9)	-	-	5.4	4.7	19	18
HDFC Bank	24,681	2,446	1,792	37	2,130	(13)	-	-	4.6	4.0	16	17
HDIL	2,278	280	205	37	435	55	15	10	1.2	1.1	9	11
Hero Honda	7,951	1,820	1,838	(1)	1,848	2	17	16	7.4	5.6	52	40
Hindalco Inds	8,091	193	137	41	141	(27)	19	13	1.6	1.5	8	11

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		Current (INR)	Recent low 25-May-10	% chg from recent low			FY11e	FY12e	FY11e	FY12e	FY11e	FY12e
Hindustan Construction	851	64	51	26	60	(6)	22	16	2.5	2.3	7	10
Hindustan Dorr Oliver	215	136	110	24	160	17	14	11	3.5	2.7	27	28
Hindustan Unilever	13,978	293	227	29	238	(19)	31	27	26.5	21.4	82	88
Hindustan Zinc	10,072	1,090	922	18	1,284	18	11	9	2.1	1.7	21	22
HPCL	4,036	545	329	66	521	(4)	11	10	1.4	1.3	14	14
HT Media	772	150	143	5	133	(11)	20	18	3.8	3.7	19	21
ICICI Bank	28,331	1,128	798	41	1,080	(4)	-	-	2.3	2.1	9	9
Idea Cellular	5,539	77	52	49	61	(20)	32	20	2.1	1.9	7	10
IDFC	6,221	195	141	38	215	10	-	-	2.9	2.4	16	14
India Cement	805	120	108	11	110	(8)	28	15	1.1	1.0	4	7
Indiabulls Real Estate	1,606	183	146	25	249	36	69	30	0.6	0.6	1	2
Indian Oil	23,419	441	314	40	381	(14)	13	12	1.9	1.7	15	15
Indraprastha Gas	1,002	327	223	47	317	(3)	19	15	4.6	3.8	27	27
Infosys Tech	37,744	3,006	2,518	19	3,105	3	25	21	6.0	4.9	27	25
ING Vysya	905	344	295	16	380	11	-	-	1.7	1.5	13	15
IVRCL Infra	933	160	144	11	200	25	13	10	2.1	1.9	12	13
Jagran Prakashan	837	127	106	20	136	7	17	14	4.7	3.8	30	29
Jaiprakash Power	3,022	66	62	6	89	35	79	20	2.9	2.1	4	12
JP Associates	5,806	125	116	8	156	25	7	6	2.8	2.6	10	11
JSW Energy	4,746	132	112	18	148	12	18	9	3.8	2.9	23	37
JSW Steel	5,258	1,285	984	31	UR	-	31	27	1.9	1.7	7	7
Jubilant Organosys	1,206	347	330	5	406	17	11	9	2.0	1.6	21	21
Jyothy Lab	513	291	177	64	310	7	22	18	4.7	4.1	23	24
L & T	26,465	1,999	1,548	29	1,890	(5)	29	24	5.7	4.9	18	19
LIC Housing	2,770	1,334	875	52	1,260	(6)	-	-	3.0	2.5	22	23
Lupin	3,792	389	358	9	385	(1)	21	18	5.4	4.3	29	26
Madras Cement	612	118	98	19	116	(1)	13	10	1.6	1.4	13	15
Mah & Mah	8,710	688	508	35	UR	-	13	12	4.2	3.5	27	25
Manappuram Gen Fin	980	132	69	90	UR	-	18	11	5.3	3.7	33	38
Marico	1,695	126	101	26	135	7	26	21	8.5	6.4	37	35
Maruti Suzuki	8,840	1,398	1,196	17	1,322	(5)	18	15	2.9	2.5	18	18
Motherson Sumi	1,511	178	124	43	192	8	20	15	3.8	3.1	22	23
Mphasis	2,945	641	630	2	646	1	13	12	4.1	3.1	38	30
Mundra Port	7,433	848	642	32	820	(3)	28	26	7.6	6.3	23	20
Nagarjuna Construction	899	160	154	4	175	9	14	12	1.7	1.6	10	10
NALCO	5,802	412	392	5	380	(8)	16	12	2.2	1.9	15	18
Nestle	6,923	3,282	2,782	18	2,673	(19)	41	33	45.2	36.7	121	122
Nitesh Estates	133	42	42	(0)	65	56	31	14	1.0	0.9	5	7
NMDC	23,508	271	265	2	250	(8)	17	14	5.6	4.2	38	33
NTPC	36,965	205	191	7	198	(3)	19	18	2.5	2.3	14	13
Oil India	8,131	1,546	1,217	27	NR	-	13	12	2.4	2.1	20	19
ONGC	65,629	1,402	1,066	32	1,404	0	13	12	2.5	2.2	21	20
OnMobile Global	462	360	272	32	UR	-	29	21	2.6	2.3	9	12
Oracle Financials	4,055	2,209	2,056	7	2,685	22	18	16	3.5	2.9	22	19
Oriental Bank	2,525	461	307	50	460	(0)	-	-	1.4	1.2	18	20
Pantaloon Retail	2,280	500	361	39	543	9	25	19	3.1	2.7	10	12
Patel Engg	599	392	364	8	UR	-	10	NA	1.7	NA	15	0
Patni Computer	1,289	450	471	(4)	490	9	12	12	2.2	1.9	17	16
Peninsula Land	417	68	61	12	UR	-	10	14	1.3	1.2	14	9
Persistent Systems	368	421	366	15	547	30	12	11	2.2	1.9	20	19
Petronet LNG	1,807	110	79	40	93	(16)	15	12	2.9	2.5	20	23
Piramal Healthcare	2,340	512	495	3	UR	-	23	19	5.1	4.3	24	25
PNB	8,904	1,291	930	39	1,230	(5)	-	-	2.1	1.7	26	26
Power Finance	8,902	355	279	27	360	2	-	-	2.6	2.2	19	19
Power Grid	9,729	106	100	6	125	18	17	14	2.5	2.2	15	17
Punj Lloyd	876	121	126	(5)	130	8	17	13	1.2	1.1	8	9
Ranbaxy Lab	4,899	532	405	31	383	(28)	17	19	4.0	3.4	26	19
Redington	785	91	77	18	94	4	16	14	2.5	2.2	17	17
Reliance Capital	4,440	826	642	29	UR	-	-	-	2.5	2.4	6	7
Reliance Inds	74,426	1,040	987	5	1,181	14	16	13	2.1	1.9	14	15
Reliance Infra	5,826	1,087	1,029	6	1,225	13	13	11	1.7	1.6	9	9
Reliance Power	8,503	162	145	12	UR	-	39	59	2.5	2.4	7	4

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		Current (INR)	Recent low 25-May-10	% chg from recent low			FY11e	FY12e	FY11e	FY12e	FY11e	FY12e
Rural Electrification	7,713	357	264	35	335	(6)	-	-	2.8	2.4	22	23
SAIL	18,517	205	185	11	211	3	12	12	2.0	1.7	19	16
SBI	43,174	3,108	2,136	46	3,000	(3)	-	-	2.4	2.0	16	18
Shree Cement	1,556	2,042	1,932	6	2,421	19	9	8	2.8	2.2	35	31
Shree Renuka	1,211	83	55	51	64	(22)	11	10	2.6	2.1	27	22
Shriram Transport	3,943	799	531	50	760	(5)	-	-	3.8	3.0	29	29
Siemens	5,610	761	668	14	622	(18)	32	27	7.6	6.3	26	26
Simplex Infra	519	480	452	6	486	1	17	14	2.1	1.8	13	14
Sobha Developers	818	381	283	35	401	5	15	10	1.9	1.6	13	18
Sterlite Inds	12,599	171	152	13	UR	-	12	9	1.0	0.9	9	11
Sterlite Tech	745	96	95	1	125	31	12	10	3.1	2.5	29	28
Sun Pharm	8,458	1,877	1,577	19	1,720	(8)	23	22	4.2	3.7	20	18
Sun TV	4,461	517	397	30	470	(9)	31	26	8.6	7.0	31	29
Suzlon Energy	2,160	57	58	(2)	53	(6)	NA	13	1.3	1.1	(1)	9
Tata Chemicals	2,318	416	289	44	409	(2)	15	13	1.8	1.6	13	13
Tata Global Beverages	1,684	124	104	20	145	17	16	13	1.5	1.4	10	11
Tata Motors	12,781	1,056	663	59	1,084	3	12	9	4.1	2.8	48	38
Tata Power	6,563	1,264	1,192	6	1,306	3	13	11	1.8	1.6	13	13
Tata Steel	12,170	617	471	31	451	(27)	13	14	1.4	1.3	12	10
TCS	38,992	911	685	33	956	5	22	21	7.4	6.0	35	32
Tech Mahindra	1,963	720	638	13	687	(5)	14	14	2.8	2.3	21	20
Thermax	2,090	802	673	19	700	(13)	27	21	7.1	5.7	29	31
Titan Inds	3,090	3,182	2,139	49	2,620	(18)	39	30	13.8	10.0	42	38
TVS Motor	792	76	45	70	79	4	15	11	3.5	2.7	26	27
UltraTech Cem	6,465	1,078	917	18	987	(8)	17	15	3.2	2.7	25	20
Union Bank	4,228	383	275	39	385	1	-	-	1.9	1.5	26	25
Unitech	4,849	88	66	34	84	(5)	24	17	1.8	1.6	8	10
Vascon Engineers	339	172	141	22	231	34	16	8	2.0	1.6	13	22
Voltas	1,711	236	160	48	UR	-	24	21	6.0	4.9	27	25
Wipro	22,563	421	377	12	443	5	19	17	4.2	3.5	24	22
Yes Bank	2,499	332	257	29	380	14	-	-	3.1	2.5	20	21
Zee Ent	3,077	290	276	5	314	8	22	19	3.4	3.0	16	17

Source: ENAM Research, Bloomberg

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