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News Round-up

- ▶ A consortium of 13 lenders, including State Bank of India (SBIN IN), ICICI Bank (ICICIB IN), IDBI Bank (IDBI IN), Bank of Baroda (BOB IN) and PNB (PNB IN), has taken a 23.37% stake in Kingfisher Airlines under a debt recast package. (BSTD)
- ▶ Cairn (CAIR IN) deal set to take longer on group of ministers (GoM) detour, group to look into royalty & cess, cabinet to consider its proposals thereafter. (ECNT)
- ▶ Sesa Goa (SESA IN) will come out with open offer by April 11 to acquire up to a 20% additional stake in Cairn India at INR 355 per share. The company's decision to go ahead with the open offer is subject to government approval. (FNLE)
- ▶ The ongoing spat between the telecom department & Idea (IDEA IN) is set to intensify. Telecom minister Kapil Sibal has accepted the recommendations of Additional Solicitor General Amarjit Singh Chandhiok to impose a USD 66.67mn penalty on Idea Cellular, & has cleared his department's move to slap this fine amount on the co. for holding more than 10% stake in 2 mobile cos. in six regions of the country, in violation of existing norms. (ECNT)
- ▶ ONGC (ONGC IN) will be outsourcing gas production activities at some of its marginally-filled and isolated wells in the Krishna-Godavari Basin to other companies on a production sharing basis. (BSTD)
- ▶ M&M (MM IN) is planning to foray into the premium car segment by bringing out a product from the Ssangyong stable. (BSTD)
- ▶ M&M (MM IN) to bring acquired Boeing unit to Bangalore. The company hopes this would boost orders and help improve the quality of aircraft parts it products. (BSTD)
- ▶ Maruti Suzuki (MSIL IN) announced on Wednesday the recall of 13,157 diesel models of the Swift (6,841 units), the Swift Dzire (4,505) and the Ritz (1811), to inspect and fix a possible defect in the 'connecting rod bolt' in the engine, which could cause it to stall. (THBL)
- ▶ The Asian Development Bank has lowered its growth forecast for India to 8.2% for the current financial year from the earlier projection of 8.7%. (BSTD)

Source: ECNT= Economic Times, BSTD = Business Standard, FNLE = Financial Express, THBL = Business Line.

EQUITY MARKETS

India	Change %			
	6-Apr	1-day	1-mo	3-mo
Sensex	19,612	(0.4)	7.6	(0.4)
Nifty	5,892	(0.3)	7.8	(0.2)
Global/Regional indices				
Dow Jones	12,427	0.3	2.8	6.4
Nasdaq Composite	2,800	0.3	2.0	3.6
FTSE	6,041	0.6	1.1	0.9
Nikkei	9,644	0.6	(8.2)	(8.5)
Hang Seng	24,265	(0.1)	4.1	2.4
KOSPI	2,121	(0.3)	7.1	1.7
Value traded – India				
Cash (NSE+BSE)	185		147	159
Derivatives (NSE)	1,035		1,048	1,025
Deri. open interest	1,246		1,255	1,259

Forex/money market

Change, basis points				
	6-Apr	1-day	1-mo	3-mo
Rs/US\$	44.2	(25)	(88)	(122)
10yr govt bond, %	8.0	1	6	(10)
Net investment (US\$m)				
	5-Apr		MTD	CYTD
FII	352		915	258
MFs	(32)		(60)	(282)

Top movers -3mo basis

Change, %				
Best performers	6-Apr	1-day	1-mo	3-mo
LICHF IN Equity	233.0	(2.3)	20.4	29.3
WLCO IN Equity	207.1	(0.2)	16.1	23.8
YES IN Equity	318.9	2.2	17.8	18.0
ACEM IN Equity	150.6	(0.9)	22.3	16.8
SHTF IN Equity	812.4	(0.2)	3.8	14.0
Worst performers				
IVRC IN Equity	89.6	1.9	22.7	(26.7)
UT IN Equity	45.4	6.3	27.9	(26.1)
RBXY IN Equity	461.3	(1.0)	3.5	(21.7)
RCOM IN Equity	110.9	(1.2)	23.4	(20.4)
UNSP IN Equity	1098.9	(0.3)	2.0	(19.5)

APRIL 07, 2011

NEW RELEASE

BSE-30: 19,612

March 2011 quarter earnings preview. We expect earnings of KIE universe to grow 16.6% yoy led by Automobiles, Banking, Energy and Industrials, while Pharmaceuticals and Telecom are likely to weigh down earnings. On an ex-Energy basis, we expect the earnings of KIE universe to grow 12.6% yoy. We expect earnings of BSE-30 Index to grow 17.6% yoy and 11.7% qoq. On an ex-Energy basis, we expect earnings of the BSE-30 Index to grow 12% yoy. We expect upstream oil companies to report a sharp yoy increase in revenues and net income due to (1) higher net crude price realizations and (2) higher APM gas prices.

Earnings of BSE-30 Index likely to grow by 17.6% yoy

Sector-wise earnings of Kotak coverage companies

	Sales growth (%)		EBITDAM (%)			PAT growth (%)	
	yoy	qoq	Mar-10	Dec-10	Mar-11 (E)	yoy	qoq
Automobiles	27.7	12.9	13.0	13.3	13.1	42.3	14.5
Banking	26.3	1.7	—	—	—	26.8	(0.4)
Cement	27.4	17.6	26.0	18.6	25.4	21.4	79.0
Construction	31.1	38.3	(1.9)	7.8	9.9	165.9	515.9
Consumers	17.1	(2.1)	19.4	19.6	19.3	19.3	(5.0)
Energy	65.4	55.5	15.0	13.0	10.6	27.7	35.9
Industrials	15.0	46.6	14.3	13.1	15.9	34.4	84.6
Infrastructure	28.2	14.3	31.3	35.7	34.9	(27.6)	(18.4)
Media	23.9	(2.5)	33.7	34.9	30.9	21.0	(1.5)
Metals & Mining	20.9	13.7	25.6	20.2	22.1	(6.0)	36.3
Others	14.3	6.5	17.4	17.8	14.6	(19.2)	(24.4)
Pharmaceuticals	3.9	(0.1)	25.7	17.9	20.4	(20.5)	16.5
Property	(9.9)	(12.3)	39.8	42.6	44.4	(6.6)	(4.2)
Sugar	(11.1)	(39.9)	17.9	15.0	18.4	(60.1)	(23.3)
Technology	29.9	4.8	26.5	24.9	24.9	19.7	3.0
Telecom	32.5	4.7	29.4	28.2	30.0	(48.9)	20.5
Utilities	11.3	7.5	23.0	25.9	26.0	12.4	1.1
Kotak coverage	39.6	29.4	17.2	15.7	14.5	16.6	19.2
Kotak coverage ex-Energy	21.2	11.2	18.8	17.6	18.4	12.6	13.5
BSE 30 Index	37.4	27.1	21.0	20.9	17.8	17.6	11.7
BSE 30 Index ex-Energy	22.3	12.7	19.4	18.7	18.8	12.0	13.8

Source: Company, Kotak Institutional Equities estimates

We expect yoy decline in profits for Pharmaceuticals and Telecom stocks

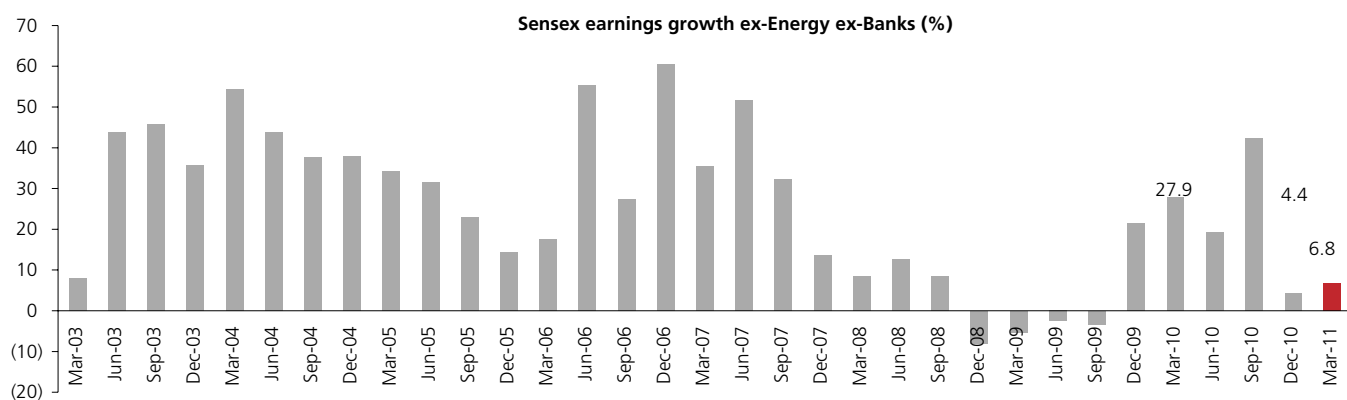
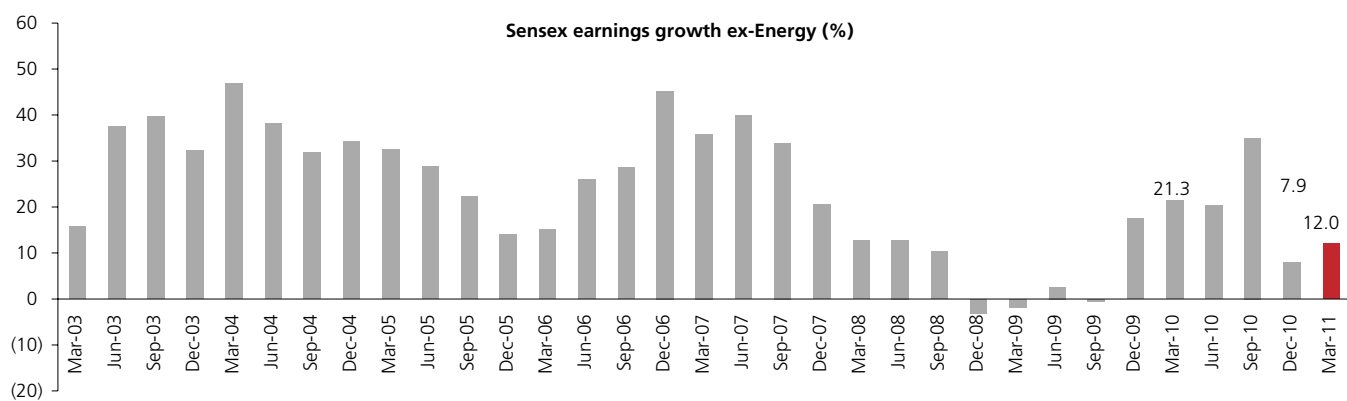
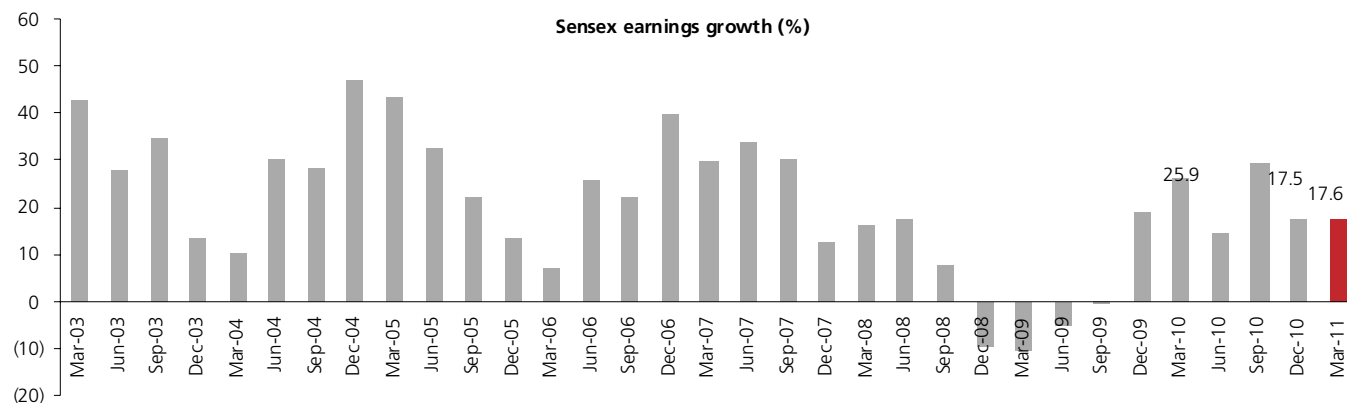
Sector-wise expectations for March 2011 quarter results

	Key points	Key points
Automobiles	We expect strong growth in earnings (34% yoy, 15% qoq) for the sector driven by robust volume growth. We expect EBITDA margins to remain flat qoq despite rise in input costs. Impact of sharp rise in raw material costs will partially impact companies, in our view, due to (1) fixed steel contracts until March 11, (2) 1-1.5% average price increase in January taken by most companies and (3) improvement in product mix for some companies, which could offset impact of rise in commodity costs, in our view.	Ashok Leyland, Tata Motors and Bharat Forge will be key stocks to monitor due to strong improvement in volumes sequentially.
Banking	Banking: NII growth to be impressive at 27% yoy (30% for public banks and 20% for private banks) while overall earnings will likely grow at 30% yoy. Private banks would grow by 37% yoy compared to 27% yoy for public sector banks. We expect overall NIMs to remain strong, even as we expect marginal qoq compression. Staff expenses on retirement benefits and the new regime on slippages (no manual interference) would be key items to look into in public sector banks.	NBFCs: We expect core earnings to grow 20-30%, primarily on the back of strong loan growth. However, NIMs will likely moderate and seasonal trend of expansion in margins of NBFCs in 4Q may not be visible this year. We expect NIMs to shrink in the current scenario given the delay in passing higher interest rates to customers; most NBFCs have raised their lending rates but not fully passed on the rise in borrowings costs. We do not expect any significant movement on asset quality performance during 4QFY11E.
Cement	Cement prices saw a sharp revival in 4QFY11 with average cement prices increasing by ~Rs25-30/bag over 3QFY11 prices. All regions have seen price increases although it has been relatively more moderate in South India and higher in North, Central and West India. A better pricing environment will result in a significant sequential improvement in profitability for our coverage universe.	Demand growth continues to be muted (4.6% YTD) although some sign of pick-up has been seen in February. Subdued volume growth along with high imported coal prices will partially offset the benefits of a better pricing environment.
Chemicals	Increase in global chemical prices qoq will be positive for the profitability of the chemical segment of IOCL and GAIL. However, decline in chemical margins qoq will impact the chemical segment for Reliance Industries.	
Consumers	We expect this quarter to be marked by pressure on gross margins due to input cost inflation in key raw materials. We forecast just 1% EBITDA growth in consumer staples despite 15% sales growth. Discretionary categories will likely outperform staples. We expect strong results from GSK Consumer, ITC, Nestle, Titan, United Spirits and weak results from Colgate, Dabur, HUL, Jyothy.	We expect 15% yoy sales growth in ITC's cigarette segment led by pricing; yoy volume growth will likely be 2%. We expect HUL to report sales growth of 15% yoy, driven by trade and consumer promotion-led volumes. HUL will likely post one of its lowest-ever EBITDA margins. Asian Paints will likely report sales growth of ~25% led by continued good demand conditions in Tier-II and Tier-III towns and pricing growth of 11%. We expect strong sales growth of 60% yoy for Jubilant Foodworks aided by Cricket World Cup.
Energy	Upstream oil: ONGC and OIL will likely report a sharp yoy increase in revenues and net income due to (1) higher net crude price realizations and (2) higher APM gas prices. We assume that upstream companies will bear 33.3% of the overall subsidy burden. GAIL will likely report a qoq increase in EBITDA due to higher PE prices, which will be partly mitigated by a higher subsidy burden.	Downstream oil: Performance of R&M companies will depend on the contributions from government and upstream companies. We estimate gross under-recoveries of Rs282 bn for the industry for 4QFY11E. We assume compensation of Rs218 bn from the government in 4QFY11. We estimate higher refining margins qoq.
Industrials	Industrials: Order inflows and commentary on investment scenarios would be the key to watch for. While execution is likely to be strong for bellwether stocks like L&T and BHEL, there could be risk on margins originating from higher commodity prices, competition as well as mix changes. We expect strong revenue growth in L&T led by a pick-up in execution of certain large orders in the backlog. A low base effect would also aid yoy growth, especially for companies such as ABB, Siemens etc. We are yet to witness strong positive traction in industrial capex activity. Continued competition in the domestic T&D sector would pressure segment margins. We expect Suzlon to report sales of 600-650 MW in this quarter but high interest and preciation will likely lead to a net loss.	Construction: Strong order backlog to drive revenue growth of IVRCL and Nagarjuna Construction. However, rising interest costs may impact profitability of these companies. Execution of large BOT projects in the backlog to drive revenues of Sadbhav Engineering. We expect some revival in execution in Punj Lloyd; however, the company continues to face execution issues in its large Libyan orders. Infrastructure: Pick-up in airport traffic and generation from operating power plants will likely boost revenue growth for GMR and GVK. However, net profit would continue to be adversely impacted by higher interest and depreciation costs. Pick-up in port volumes to drive revenue growth for MPSEZ - expect >50 MT of port volumes in FY2011E
Media	Television: We expect weak 4QFY11E across C&S TV segment given success of Indian cricket team in ICC CWC 2011 and shift of advertising dollars away from GECs as a consequence. Zee TV will be impacted by continued operating losses in its sports business, resulting in yoy EBITDA decline. Sun TV would be better placed on account of one-off gains from blockbuster movie 'Endhiran'. Dish TV is likely to report continued positive operating leverage (higher EBITDA margin) led by (1) strong volume growth (maturity of subscriber base over time) and (2) modest ARPU growth.	Print: We expect robust 4QFY11 across print media (barring HT Media and subsidiary HMVL) led by robust advertising growth supported by incremental advertising spends from ICC CWC 2011. Cost structure would remain under some pressure on account of yoy newsprint price inflation and higher cost of doing business across markets due to rising competition. Rising competitive intensity in core markets and expansion in new markets will pressure HT Media and HMVL with flat EBITDA performance, leaving limited scope for positive surprises in the near term.
Metals	Ferrous: We expect US\$70-100/ton qoq increase in steel realization for the March 2011 quarter. Steel prices have increased in the March quarter primarily on the back of cost-push factors, increase in scrap, coking coal and iron ore prices. This will reflect in US\$50-60/ ton increase in profitability sequentially.	Non-ferrous: Similar to 3QFY11, we expect a solid performance from non-ferrous companies. Performance will be driven by higher commodity prices. On an average, zinc, lead and aluminium prices have risen 3.5% qoq, 9% qoq and 7.1% qoq to US\$2,394/ton, US\$2,602/ton and US\$2,506/ton. We expect increase in power and fuel charges primarily on the back of higher coal costs.
Pharmaceuticals	Generics: We expect Ranbaxy to report sequential improvement in sales from the US due to a pick-up in sales of exclusivity sales of Aricept launched on Nov 25. We expect the Indian market growth rate to pick up for Cipla, Ranbaxy post the low growth reported in 2010.	CMO/CROs: We expect CMOs/CROs such as Dishman, Divis to report sequential improvement in sales growth in 4QFY11. However, yoy comparisons for Jubilant are meaningless due to a demerger of business. We expect EBITDA margin to pick up qoq for Dishman, Divis and Jubilant due to (1) high-margin contract from Astrazeneca supplies, (2) better product mix for Divis and (3) increase in selling prices for Jubilant.
Property	For 4QFY11E, we expect a varied growth trend depending on launches and sales in the preceding quarters of FY2011E. Overall, we expect real estate companies to have a subdued growth quarter due to (1) weak launches in the preceding quarters of FY2011E and (2) lower than expected execution.	Commercial sales/leasing and retail space leasing have bottomed out / seen a marginal uptick but with the impact of DTC still unclear, a significant uptick could be some time away. We expect (1) launches to show a healthy uptick but (2) steady-to-marginally higher end-user sales for the residential segment (excluding Mumbai) given that these launches have happened towards the end of the quarter.
Technology	We expect the Tier-I companies to report a 3.3-5.7% qoq US\$ revenue growth in the March 2011 quarter, with HCLT the likely growth leader. We expect growth to be primarily volume-led with modest pricing and cross-currency kickers. Among the Tier-IIs, we expect another quarter of strong revenue growth from Hexaware, while a weak quarter from MindTree is expected post the management's mid-quarter earnings warning.	We expect Infosys to guide for 18-20% US\$ revenue growth guidance for FY2012E; this implies a CQGR of 3.6-4.3%. We expect the company to build in conservatism in its margin assumptions given its planned investments in local hiring and consulting. EPS guidance may range from Rs132-137 assuming Rs45/US\$ and a margin decline guidance of 150-200 bps.
Telecom	We expect some, though not meaningful, deceleration in sequential volume growth for Bharti and Idea. Selective post-MNP pressure in the post-paid segment is likely to pressure RPM a tad, though not much; we build in 0.5-1.5% qoq RPM decline for the three players under our coverage. We estimate 3-6.3% sequential growth in wireless revenues for the three operators. MNP and 3G launch expenses will likely keep margins under check.	4QFY11E earnings reports will also yield initial indicators on (1) the impact of MNP on RPM; we expect the impact to be gradual and build in a modest 0.5-1.5% qoq decline in RPM and (2) 3G uptake.
Utilities	Merchant tariffs have shown signs of revival in 4QFY11 with the recovery being especially pronounced in South India in the run-up to state elections. Players with significant merchant sale in South India such as JSW Energy (from Vijaynagar pant) and Lanco Infratech (from Kondapalli II) likely to benefit from strong merchant rates in South India.	EPC business to drive revenue growth for Reliance Infrastructure as execution of power projects of Reliance Power gains momentum. Lanco will also likely see a pick-up in construction revenues as construction for new projects gathers pace.

Source: Kotak Institutional Equities estimates

We expect earnings of BSE-30 Index to grow by 17.6% yoy in 4QFY11E

Earnings growth of BSE-30 Index (%)



Source: Company, Kotak Institutional Equities estimates

APRIL 07, 2011

NEW RELEASE

BSE-30: 19,612

Reform or stagnate. The recent run-up in the market exposes it to (1) continued delay in critical reforms and (2) risks from a bad macro environment. Valuations at 15X FY2012E 'EPS' and 12.9X FY2013E 'EPS' are reasonable but not cheap. The market will likely disappoint without (1) critical reforms post five state elections (May 2011) and (2) steep correction in crude oil prices. We have made a few changes to our Model Portfolio to reduce risks and put in some cash proxies.

Bottom-up story has played out largely but macro concerns remain

We had previously highlighted the dichotomy between (1) a reasonable micro situation with reasonable visibility on GDP growth (8.1% for FY2012E) and earnings growth (18.4% for FY2012E for the BSE-30 Index) and (2) a bad macro environment arising from very high crude oil prices (weak fiscal and BOP positions) and limited reforms to arrest the ongoing deterioration in certain areas (rising energy deficit, power sector losses). It seems the market has taken cognizance of the former but is ignoring the latter.

Reforms are key for next leg of sustainable growth; settle for a sluggish market otherwise

The market appears to be factoring in reforms post five state elections (May 2011). We believe the government would need to deliver meaningful reforms for the market to perform hereon. The deregulation of energy prices and reforms in the power sector (distribution) are two critical areas, in our view. They have a large bearing on the government's finances, interest rates and inflation too. There are several other chronic problems, which are well documented and don't need further elucidation. Sustainable economic growth (not accompanied by high inflation) may be difficult without addressing structural impediments in the economy.

Modest upside, larger downside without reforms and/or divine intervention

We see a modest 5% upside to our FY2012E fair valuation of 20,500 for the BSE-30 Index but see larger downside if crude oil prices persist at current levels and the government fails to change its somewhat somnolent approach to economic matters. We don't think India has the luxury to bide its time forever and/or hope for external events to somehow turn favorable.

Valuations are reasonable but not cheap

The Indian market (BSE-30 Index) is currently trading at 15X FY2012E 'EPS' and 12.9X FY2013E 'EPS'. We see modest risks to earnings but derive comfort from the composition of the market's earnings; a large chunk (50%) of earnings comes from sectors whose earnings depend on global factors. We model FY2012E and FY2013E 'EPS' to grow 18.4% and 16.3%.

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Under-recovery will be difficult to manage at current levels of crude prices

Subsidy loss breakdown at various levels of crude oil price, March fiscal year-end, 2012E (Rs bn)

Dated Brent crude price (US\$/bbl)	80	85	90	95	100	105	110	115	120	125	130
LPG	229	266	304	342	380	418	456	493	531	569	607
Kerosene	188	203	219	235	251	266	282	298	313	329	345
Diesel	196	284	372	460	549	637	725	814	902	990	1,078
Auto fuels	196	284	372	460	549	637	725	814	902	990	1,078
Cooking fuels	416	470	523	577	630	684	738	791	845	898	952
Total subsidy loss	612	754	896	1,037	1,179	1,321	1,463	1,605	1,746	1,888	2,030
Share of upstream companies	194	241	288	336	383	430	477	525	572	619	666
Share of downstream companies	75	75	75	75	75	75	75	75	75	75	75
Required compensation from government	343	438	532	627	721	816	910	1,005	1,099	1,194	1,288

Source: Kotak Institutional Equities estimates

India's fiscal situation may deteriorate significantly at high crude oil prices

Major budgetary items of the central government, March fiscal year-ends, 2009A-2012E (Rs bn)

				2012E			Change (%)		
	2010A	2011BE	2011RE	2012BE	Oil @ 95	Oil @110	2011RE/ 2010A	2012BE/ 2011RE	2012E/ 2011RE
Receipts									
1. Revenue receipts (2 + 3)	5,728	6,822	7,838	7,899	7,845	7,865	37	1	0
2. Gross tax revenue (a + b)	6,245	7,467	7,869	9,324	9,243	9,271	26	18	17
2.a. Direct taxes	3,792	4,317	4,479	5,346	5,223	5,223	18	19	17
2.a.1. Corporation tax	2,447	3,013	2,964	3,600	3,482	3,482	21	21	18
2.a.2. Income tax	1,323	1,281	1,491	1,720	1,714	1,714	13	15	15
2.a.3. Other taxes	21	23	25	26	26	26	16	6	5
2.b. Indirect taxes	2,454	3,150	3,390	3,978	4,020	4,049	38	17	19
2.b.1. Customs duty	833	1,150	1,318	1,517	1,588	1,617	58	15	21
2.b.2. Excise duty	1,036	1,320	1,378	1,641	1,612	1,612	33	19	17
2.b.3. Service tax	584	680	694	820	820	820	19	18	18
2.c Transfers to States and UTs	1,680	2,126	2,232	2,680	2,653	2,661	33	20	19
2.d Net tax revenue	4,565	5,341	5,637	6,645	6,590	6,611	23	18	17
3. Non-tax revenue	1,163	1,481	2,201	1,254	1,254	1,254	89	(43)	(43)
4. Non-debt capital receipts (a + b)	332	451	317	550	550	550	(4)	73	73
4.a Recovery of loans	86	51	90	150	150	150	5	67	67
4.b Other receipts (Disinvestments)	246	400	227	400	400	400	(7)	76	76
5. Total receipts (1 + 4)	6,060	7,273	8,156	8,449	8,395	8,415	35	4	3
Expenditure									
6. Non-plan expenditure	7,211	7,361	8,216	8,162	8,761	9,040	14	(1)	7
6.a. Interest payments	2,131	2,487	2,408	2,680	2,680	2,680	13	11	11
6.b. Subsidies	1,414	1,162	1,642	1,436	1,994	2,273	16	(13)	22
6.b.1. Food	584	556	606	606	650	650	4	(0)	7
6.b.2. Fertilizer	613	500	550	500	650	650	(10)	(9)	18
6.b.3. Oil	150	31	384	236	601	880	157	(38)	57
6.b.3. Other subsidies	67	76	102	94	94	94	52	(8)	(8)
6.c. Others	3,667	2,327	4,166	4,046	4,086	4,086	14	(3)	(2)
7. Plan expenditure	3,034	3,731	3,950	4,415	4,415	4,415	30	12	12
8. Total expenditure (6 + 7)	10,245	11,087	12,166	12,577	13,176	13,455	19	3	8
Deficit									
Primary Deficit (PD)	2,054	1,327	1,602	1,448	2,101	2,360	(22)	(10)	31
Gross fiscal deficit (GFD)	4,185	3,814	4,010	4,128	4,781	5,040	(4)	3	19
Borrowings and other liabilities	4,510	4,571	4,475	4,171	4,714	4,929	(1)	(7)	5
Net market borrowing	3,984	3,450	3,354	3,430	3,973	4,188	(16)	2	18
Short Term borrowing (T-Bills)	(91)	—	100	150	150	150	(209)	50	50
GDP FY2005 base	65,388	69,347	78,779	89,809	89,809	89,809	20	14	14
PD/GDP (%)	3.1	1.9	2.0	1.6	2.3	2.6			
GFD/GDP (%)	6.4	5.5	5.1	4.6	5.3	5.6			

Notes:

(a) 2010A represents actual government financials for FY2010.

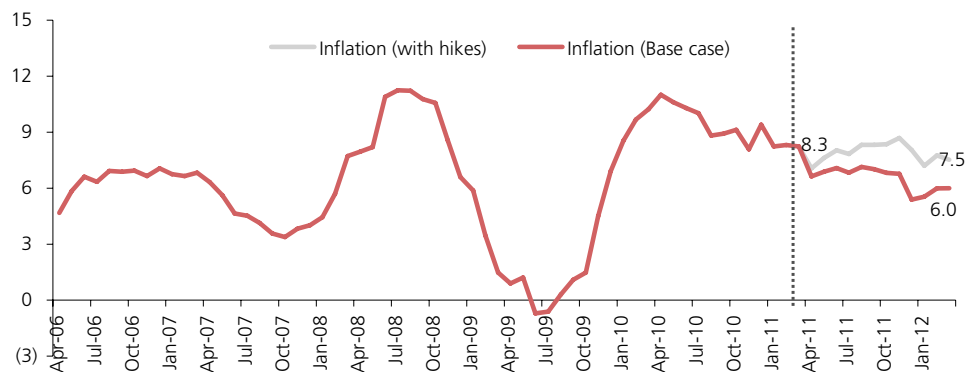
(b) 2011BE/2012BE represent FY2011/FY2012 budget estimates; 2011RE are FY2011 revised estimates.

(c) 2012E represents FY2012 KIE estimates. We do not assume any price increases in diesel, kerosene and LPG.

Source: MOF, Kotak Institutional Equities estimates

Inflation likely to remain above RBI's comfort zone

WPI inflation (yoy change), 2006-12E (%)



Notes:

(a) Assuming (1) Rs1/liter price increase at end of May 2011, August 2011, November 2011 and February 2012 in diesel, (2) Rs25/cylinder price increase at end of May 2011 and November 2011 in LPG and (3) Rs1/liter price increase at the end of May 2011 and November 2011 in kerosene.

Source: GOI, Kotak Institutional Equities estimates

BSE-30 Index is trading at 17.8X FY2011E and 15X FY2012E basis

Valuation summary of BSE-30 sectors, March fiscal year-ends, 2011-13E

	Mkt cap. (US\$ mn)	Adj. mkt cap. (US\$ mn)	EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Div. yield (%)		RoE (%)		
			2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2011E	2012E	2013E
Automobiles	55,260	34,573	86.3	8.1	16.0	13.5	12.5	10.8	9.3	8.5	7.2	4.4	3.4	2.6	1.0	1.0	32.4	27.0	24.6
Banking	116,220	86,909	25.4	26.1	21.4	21.6	17.1	14.1	—	—	—	3.0	2.6	2.3	1.1	1.3	13.8	15.4	16.2
Consumers	45,321	28,986	15.8	20.6	14.9	28.2	23.4	20.4	19.8	16.3	13.8	9.7	8.4	7.3	1.9	2.4	34.2	35.8	35.9
Diversified	4,943	2,719	188.8	11.6	(4.3)	19.5	17.5	18.3	13.2	11.5	11.1	2.2	2.0	1.9	—	—	11.4	11.5	10.1
Energy	128,186	50,293	25.3	14.7	11.2	12.6	11.0	9.9	6.2	5.1	4.3	1.8	1.7	1.5	2.6	2.4	14.7	15.1	15.1
Industrials	47,046	28,942	29.3	17.3	14.0	20.6	17.6	15.4	13.4	11.0	9.5	4.4	3.7	3.1	0.9	1.1	21.4	20.9	19.9
Metals	52,272	29,462	62.4	18.6	17.8	12.8	10.8	9.2	8.2	6.7	5.6	2.0	1.7	1.5	0.7	0.3	15.6	15.8	15.8
Pharmaceuticals	5,816	3,780	(10.4)	32.3	15.6	26.5	20.0	17.3	21.1	15.6	13.0	3.9	3.3	2.9	0.8	0.8	14.6	16.7	16.6
Property	10,513	2,628	(5.5)	37.3	62.7	27.3	19.9	12.2	16.3	13.5	8.5	1.5	1.4	1.3	1.1	1.8	5.4	7.1	10.6
Technology	122,512	58,872	18.1	23.2	15.9	25.9	21.0	18.1	18.8	14.8	12.4	7.2	5.9	4.9	1.5	1.5	27.7	28.0	27.0
Telecom	35,730	12,505	(41.8)	22.8	21.4	19.8	16.2	13.3	9.5	7.7	6.4	1.7	1.5	1.4	—	—	8.5	9.5	10.3
Utilities	47,291	14,571	0.0	17.7	16.3	17.8	15.1	13.0	15.1	12.1	10.4	2.0	1.8	1.7	1.7	1.9	11.0	11.9	12.7
BSE-30	671,111	354,242	22.4	18.4	16.3	17.8	15.0	12.9	10.3	8.6	7.4	2.8	2.5	2.2	1.4	1.5	16.0	16.6	16.8
BSE-30 ex-Energy	542,925	303,949	21.4	19.8	18.1	19.7	16.5	14.0	12.5	10.3	8.7	3.3	2.8	2.4	1.1	1.3	16.5	17.2	17.5
BSE-30 ex-Energy, Com.	490,652	274,487	16.3	20.0	18.2	21.0	17.5	14.8	13.7	11.3	9.6	3.5	3.1	2.6	1.2	1.4	16.7	17.5	17.9

Notes:

(a) EV/EBITDA excludes Banking sector.

Source: BSE, Kotak Institutional Equities estimates

We recommend large overweight positions in banking and technology
Kotak Institutional Equities Model Portfolio

Company	6-Apr	Rating	Weightage (%)		Diff.
	Price (Rs)		BSE-30	KS reco.	
Bajaj Auto	1,452	ADD	1.3	1.3	—
Hero Honda	1,682	REDUCE	1.1	—	(107)
Mahindra & Mahindra	727	BUY	2.3	2.8	50
Maruti Suzuki	1,298	BUY	1.2	1.2	—
Tata Motors	1,299	ADD	3.9	1.9	(200)
Automobiles			9.8	7.2	(257)
Bank of Baroda	960	BUY	—	1.5	150
Indian Bank	242	BUY	—	1.0	100
Punjab National Bank	1,198	BUY	—	1.5	150
State Bank of India	2,797	BUY	5.1	6.6	150
Union Bank	348	BUY	—	1.0	100
PSU Banking			5.1	11.6	650
HDFC	699	REDUCE	5.8	3.8	(200)
HDFC Bank	2,376	ADD	5.6	6.6	100
ICICI Bank	1,101	ADD	8.1	9.6	150
Pvt. Banking/Financing			19.4	19.9	50
Jaiprakash Associates	99	BUY	0.8	0.8	—
Cement			0.8	0.8	—
Hindustan Unilever	277	SELL	1.9	—	(193)
ITC	183	ADD	6.3	7.8	150
Consumers			8.2	7.8	(43)
Bharat Petroleum	603	ADD	—	1.0	100
Oil & Natural Gas Corporation	298	BUY	3.3	4.8	150
Reliance Industries	1,045	REDUCE	10.9	7.0	(392)
Energy			14.2	12.8	(142)
Bharat Heavy Electricals	2,198	REDUCE	2.4	—	(241)

Company	6-Apr	Rating	Weightage (%)		Diff.
	Price (Rs)		BSE-30	KS reco.	
Larsen & Toubro	1,656	REDUCE	5.8	4.3	(150)
Industrials/Construction			8.2	4.3	(391)
Coal India	366	BUY	—	1.0	100
Hindalco Industries	212	ADD	1.8	2.3	50
Jindal Steel and Power	714	REDUCE	1.9	—	(191)
Sterlite Industries	177	BUY	1.7	3.2	150
Tata Steel	634	BUY	2.9	3.9	100
Metals & Mining			8.3	10.4	209
Cipla	320	REDUCE	1.1	—	(107)
Pharmaceuticals			1.1	—	(107)
DLF	271	ADD	0.7	0.7	—
Real estate			0.7	0.7	—
Infosys Technologies	3,275	BUY	10.2	11.7	150
TCS	1,222	BUY	4.6	6.1	150
Wipro	466	ADD	1.8	3.3	150
Technology			16.6	21.1	450
Bharti Airtel	353	REDUCE	3.0	—	(300)
Reliance Communications	111	SELL	0.5	—	(53)
Telecom			3.5	—	(353)
NTPC	192	REDUCE	2.0	2.0	—
Reliance Infrastructure	694	BUY	0.7	—	(65)
Tata Power	1,303	ADD	1.4	1.4	—
Utilities			4.1	3.5	(65)
BSE-30			19,612	100.0	100.0

Notes:

(a) Weights are with respect to April 6, 2011 prices.

Source: Company, Kotak Institutional Equities estimates

Banking, metals and technology names dominate the Top-10 list
Kotak Institutional Equities Top-10 List

Companies	Sector	Rating	Mkt cap. (US\$ mn)	CMP (Rs)	Target (Rs)	EPS (Rs)			P/E (X)			EV/EBDITA (X)		
						2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E
Infosys Technologies	Technology	BUY	42,561	3,275	3,700	120.0	155.2	184.9	27.3	21.1	17.7	19.0	14.7	12.1
ICICI Bank	Banking	ADD	28,675	1,101	1,200	45.8	58.0	68.3	24.1	19.0	16.1	—	—	—
State Bank of India	Banking	BUY	40,208	2,797	3,300	175.2	225.2	272.1	16.0	12.4	10.3	—	—	—
Oil & Natural Gas Corporation	Energy	BUY	57,741	298	360	28.6	34.9	39.6	10.4	8.5	7.5	4.3	3.6	3.0
TCS	Technology	BUY	54,141	1,222	1,350	44.4	54.0	62.7	27.5	22.6	19.5	20.4	15.9	13.4
ITC	Consumers	ADD	31,629	183	200	6.5	8.0	9.1	28.1	23.0	20.1	18.7	15.2	13.0
Wipro	Technology	ADD	25,810	466	525	21.7	25.6	28.4	21.5	18.2	16.4	15.8	12.8	11.1
Tata Steel	Metals & Mining	BUY	14,553	634	710	64.4	69.7	87.5	9.8	9.1	7.3	7.0	6.1	5.0
Sterlite Industries	Metals & Mining	BUY	13,467	177	200	13.7	19.7	22.7	12.9	9.0	7.8	8.2	4.9	3.9
PSU bank basket														
Bank of Baroda	Banking	BUY	8,538	960	1,200	101.4	114.1	134.3	9.5	8.4	7.1	—	—	—
Indian Bank	Banking	BUY	2,353	242	320	37.9	43.5	53.3	6.4	5.6	4.5	—	—	—
Punjab National Bank	Banking	BUY	8,594	1,198	1,500	137.6	165.6	202.2	8.7	7.2	5.9	—	—	—
Union Bank	Banking	BUY	4,125	348	420	36.5	48.2	58.4	9.5	7.2	6.0	—	—	—
BSE-30					19,612									

Source: Kotak Institutional Equities estimates

APRIL 07, 2011

RESULT

Coverage view: **Cautious**

Price (Rs): **192**

Target price (Rs): **195**

BSE-30: 19,612

Another year of missed capex and capacity addition targets. NTPC reported provisional revenues of Rs145 bn (17% yoy, 8% qoq) and PAT of Rs25 bn (24% yoy, 6% qoq) for 4QFY11. NTPC commissioned 2,490 MW of power capacities against a target of 4,150 MW and incurred a capex of Rs128 bn against a guidance of Rs223 bn, signaling continued slippages in project execution. We retain our REDUCE rating with a target price of Rs195/share and will revisit our estimates post the detailed results.

Company data and valuation summary

NTPC

Stock data		Forecasts/Valuations			
52-week range (Rs) (high,low)	222-168	EPS (Rs)	2011	2012E	2013E
Market Cap. (Rs bn)	1,581.5	EPS growth (%)	(3.2)	17.6	12.8
Shareholding pattern (%)		P/E (X)	18.9	16.1	14.3
Promoters	84.5	Sales (Rs bn)	525.1	621.0	690.4
FIs	3.4	Net profits (Rs bn)	83.7	98.4	111.0
MFs	1.5	EBITDA (Rs bn)	132.9	160.4	190.6
Price performance (%)		EV/EBITDA (X)	14.1	12.7	11.6
Absolute	7.1	ROE (%)	12.6	13.7	14.2
Rel. to BSE-30	0.9	Div. Yield (%)	1.8	2.1	2.4
1M	3M	12M			

Earnings growth disappoint as capacities miss commissioning guidance

NTPC reported provisional revenues of Rs145 bn (17% yoy, 8% qoq) and PAT of Rs25 bn (24% yoy, 6% qoq) for 4QFY11. We note that reported profits for NTPC will likely include prior-period items such as re-imbursement of tax expense at the marginal tax rate, details of which are not available in the provisional result. NTPC's full year sales and PAT were Rs537 bn (16% yoy) and Rs88 bn (2% yoy). We highlight that even after adjusting for prior period items and one-offs, earnings growth has been disappointing as NTPC added just 2,490 MW in incremental capacity, of which only 1,610 MW was commercialized.

Capex and capacity additions continue to lag guidance

NTPC continues to fall considerably short of its capex guidance having incurred a capex of Rs128 bn (at standalone level) in FY2011 against a guidance of Rs223 bn, signaling slippages in execution of projects. Further, capacity addition of 2,490 MW (at group level) in FY2011 was significantly lower than the guidance of 4,150 MW. NTPC's consolidated capex for FY2011 was Rs163 bn. NTPC has guided for capacity addition of 4,320 MW and capex outlay of Rs267 bn (standalone) and Rs308 bn (consolidated) for FY2012E. Continued slippage in capex and commissioning of capacities reaffirms our cautious view on NTPC's project execution. Exhibit 3 highlights the status of capacities under construction while Exhibit 2 highlights the trend of actual versus planned capex outlays of NTPC (standalone).

Retain REDUCE with a target price of Rs195/share

We retain our REDUCE rating on NTPC with a target price of Rs195/share. In our view, at 2.1X FY2012E book value and 16X FY2012E EPS, NTPC is fairly valued and we see limited potential upside from current levels. NTPC's earnings growth is contingent upon commissioning of new capacities and given the continued slippages in execution (added just 60% of its FY2011E target), we believe that accentuated risk to earnings growth will likely keep stock performance muted in the near term.

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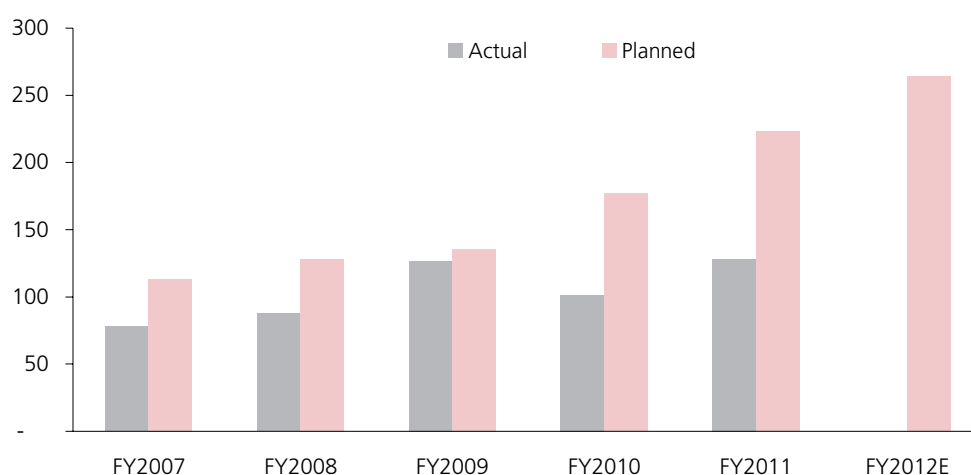
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Exhibit 1: Net profit (including extraordinary income) grew by a sedate 2% during the year
Key financial and operational information for NTPC, March fiscal year-ends (Rs mn)

	FY2010	FY2011	Growth (%)
Net sales	461,690	537,210	16.4
Net profit	87,282	88,262	1.1
Capex	101,372	128,176	26.4
Gross generation (bn units)	219	221	0.8
Coal-based stations			
PLF (%)	90.8	88.3	(2.8)
PAF (%)	91.4	91.6	0.2

Source: Kotak Institutional Equities, Company

Exhibit 2: NTPC incurred a capex of Rs128 bn in FY2011 against a plan of Rs223 bn
Planned and actual capital expenditure for NTPC, March fiscal year-ends, FY2007-12E (Rs bn)



Source: Kotak Institutional Equities, Company

Exhibit 3: NTPC plans to add 4,320 MW of capacity in FY2012
Plant-wise capacity addition target of NTPC (MW)

Projects/Units	Capacity	Expected COD	Cost (Rs bn)	Capex (Rs bn)				Remarks	
	(MW)			Up to Mar 2009	FY2010	Up to March 2010	(%)		
Projects commissioned in FY2011									
Jhajjar, Unit 1	500		78.9					COD	
Korba Stage III, Unit 7	500		24.5					COD	
NCTPP Stage II, Unit 6	490		51.4					COD	
Simhadri, Stage II, Unit 3&4	500		50.4					Commissioned	
Farakka, Stage III, Unit 6	500		25.7					COD	
Total FY2011	2,490								
Projects likely to commission in FY2012									
Simhadri, Stage II, Unit 3&4	500	Jun-11	50.4	15.5	14.3	29.8	59.1	Slipped into 2012E	
Jhajjar, Unit 2	500	Apr-11	78.9	23.7	22.7	46.4	58.8	TG erection commenced	
Jhajjar, Unit 3	500	Nov-11	78.9	23.7	22.7	46.4	58.8	TG erection commenced	
Sipat Stage I, Unit 1&2	1,320	Jan-12	83.2	60.0	7.5	67.5	81.1	Delay in TG and aux. equipment supplies	
Vallur TPP Stage I, Phase I	1,000	Feb-12	55.5	10.2	25.0	35.2	63.3	TG erection started for unit I	
Total FY2012	3,820								
Projects likely to commission in FY2013									
Sipat Stage I, Unit 3	660	Jan-11	83.2	60.0	7.5	67.5	81.1	TG box up completed	
Bongaigaon TPP	750	Apr-12	43.8	4.0	6.8	10.8	24.6	Slow progress on civil front	
Vindhyanchal STPP	1,000	Jul-12	59.2	2.9	4.3	7.2	12.2	Boiler erection commenced for 1 unit	
Mauda TPP	1,000	Nov-12	54.6	4.6	6.0	10.5	19.2	Boiler erection started for both the units. Management guidance for commissioning in FY2012E.	
Rihand STPP	1,000	Nov-12	62.3	2.9	3.1	6.0	9.6	Boiler erection commenced for 1 unit.	
Vallur TPP Stage I, Phase II	500	Jan-13	30.9	0.0	2.1	2.1	6.9	Boiler erection commenced	
Total FY2013	4,910								
Other projects under construction									
Barh STPP Stage II	1,320	Sep-13	73.4	4.9	4.7	9.6	13.1	Boiler erection commenced for both the units	
Barh STPP	1,980	Dec-13	86.9	13.2	33.4	46.6	53.6	Boiler erection started fro unit 3, still to be finalized for unit 1	
Nabinagar TPP	1,000	Feb-14	53.5	5.4				Land acquisition in progress.	
Muzaffarpur-II	390	FY2015							
Koldam (Hydro)	800	FY2016							
Tapovan (Hydro)	520	FY2016							
Total	6,010								
Grand total	17,230								

Notes:

(a) For Jhajjar, Sipat, NCTPP the project cost and capex figures are for the entire project

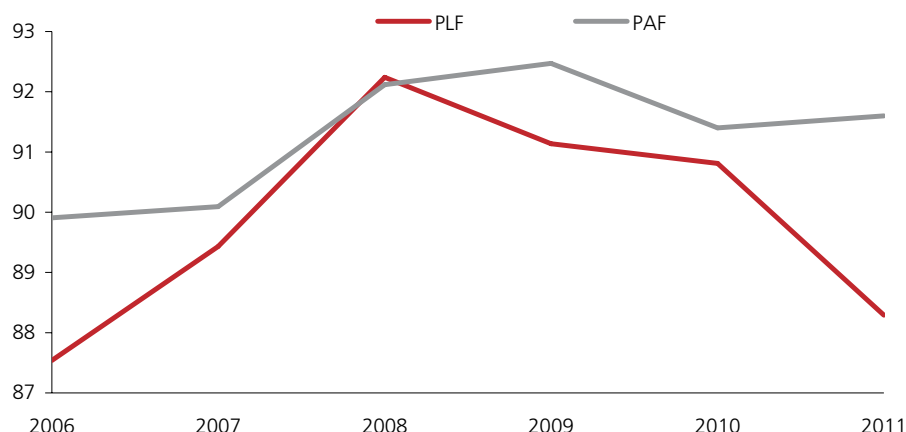
Source: Company, CEA, Kotak Institutional Equities estimates

Operations highlights for FY2010

We highlight some key operational details of NTPC for FY2011

- ▶ PLF of NTPC's coal plants declined from 90.81% in FY2010 to 88.29% in FY2011. We note that NTPC recorded a PLF lower than 90% for the first time in four years.
- ▶ Generation increased marginally by 0.8% yoy to 220 BU in FY2011 from 219 BU in FY2010.
- ▶ Availability of coal stations increased from 91.4% in FY2010 to 91.6% in FY2011.
- ▶ NTPC's gas station achieved a PLF of 71.77% (down from 78.38% achieved in FY2010)
- ▶ Total coal receipt for FY2011 was 137 mn tons as compared to 136 mn tons in FY2010. Out of this, 126.6 mn tons was domestic coal and balance 10.5 mn tons was imported.
- ▶ Total gas receipt decreased from 13.88 mcm/d in FY2010 to 13.77 mcm/d in FY2011..
- ▶ Jhajjar Unit 1 (500 MW) and Dadri Unit 6 (490 MW) achieved COD within CERC stipulated time line making them eligible for additional 0.5% RoE.

Exhibit 4: PLF went below 90% for the first time in four years
PLF and PAF trend of NTPC, March fiscal year-ends, 2006-11 (%)



Source: Kotak Institutional Equities, Company

Exhibit 5: NTPC: Profit model, balance sheet, cash model 2008-13E, March fiscal year-ends (Rs mn)

	2008	2009	2010	2011E	2012E	2013E
Profit model (Rs mn)						
Net sales	370,910	419,752	463,777	525,080	620,964	690,424
EBITDA	108,176	98,989	117,076	108,960	154,860	182,621
Other income	29,203	30,607	28,562	43,285	19,533	17,782
Interest	(10,678)	(13,396)	(11,080)	(12,304)	(18,500)	(21,915)
Depreciation	(21,385)	(23,645)	(26,501)	(24,829)	(31,272)	(37,605)
Pretax profits	105,316	92,555	108,057	115,112	124,621	140,883
Tax	(28,401)	(11,582)	(21,573)	(31,433)	(26,217)	(29,919)
Net profits	76,915	80,973	86,484	83,680	98,404	110,963
Extraordinary items	(2,752)	1,040	798	—	—	—
Earnings per share (Rs)	9.3	9.8	10.5	10.1	11.9	13.5
Balance sheet (Rs mn)						
Total equity	526,386	573,701	624,375	674,454	733,345	799,752
Deferred taxation liability	13,735	15,704	14,347	14,347	14,347	14,407
Total borrowings	274,460	346,223	378,581	451,888	574,075	705,089
Current liabilities	79,299	106,886	107,581	123,727	143,196	155,685
Total liabilities and equity	893,880	1,042,514	1,124,884	1,264,416	1,464,963	1,674,932
Cash	149,332	162,716	144,595	40,853	437	1,382
Current assets	106,156	146,537	163,562	185,697	216,625	238,150
Total fixed assets	485,720	593,426	668,656	876,166	1,087,655	1,317,154
Investments	152,672	139,835	148,071	161,701	160,247	118,247
Total assets	893,880	1,042,514	1,124,884	1,264,417	1,464,963	1,674,933
Free cash flow (Rs mn)						
Operating cash flow, excl. working capital	95,555	105,734	113,764	108,508	129,676	148,568
Working capital	(8,439)	(12,776)	(16,299)	(5,770)	(12,770)	(10,154)
Capital expenditure	(82,232)	(131,351)	(101,731)	(232,339)	(242,761)	(267,104)
Investments	8,271	12,837	(8,236)	(13,630)	1,454	42,000
Free cash flow	13,155	(25,556)	(12,502)	(143,230)	(124,401)	(86,690)

Source: Company, Kotak Institutional Equities estimates

APRIL 06, 2011

UPDATE

Coverage view: **Neutral**

Price (Rs): **351**

Target price (Rs): **NA**

BSE-30: **19,612**

A royal(ty) mess. We are surprised by the decision of the Cabinet Committee on Economic Affairs (CCEA) to refer the CNE-VED deal to a Group of Ministers (GoM). The CCEA is technically superior to a GoM and the ministries concerned had already studied the deal and given their inputs. VED has stated that it will proceed with the open offer as scheduled and Petronas has reportedly stated its intention to sell its 14.9% stake in the open market. We retain our RS on the stock and do not rule out further delays in the conclusion of the deal.

Company data and valuation summary

Cairn India

Stock data

52-week range (Rs) (high,low)	372-266
Market Cap. (Rs bn)	665.0

Shareholding pattern (%)

Promoters	62.3
FIs	10.8
MFs	1.6

Price performance (%)

	1M	3M	12M
Absolute	(0.2)	2.6	13.2
Rel. to BSE-30	(5.9)	5.6	3.6

Forecasts/Valuations	2011	2012E	2013E
EPS (Rs)	33.3	56.8	58.1
EPS growth (%)	501.7	70.3	2.3
P/E (X)	10.5	6.2	6.0
Sales (Rs bn)	112.0	188.8	219.8
Net profits (Rs bn)	63.2	107.7	110.2
EBITDA (Rs bn)	85.8	141.5	145.4
EV/EBITDA (X)	8.0	4.6	4.1
ROE (%)	17.1	25.2	22.7
Div. Yield (%)	0.0	4.3	5.7

QUICK NUMBERS

- CAIR stock is discounting US\$94/bbl crude oil price in perpetuity
- A US\$1/bbl change = ₹1 EPS impact for FY2012E

CCEA puts the ball in GoM's court, which will later pass it back to the CCEA

The key outcomes of the CCEA meeting were—(1) the pending issue of government approval has been referred to a group of ministers to be headed by the finance minister, (2) GoM will decide on the complex issues of royalty and cess, (3) the cabinet has no differences in opinion on the cost recoverability of royalty. We are not sure about the stumbling block given the reported unanimity in views. The oil ministry had laid down two options before the CCEA—(1) conditional approval to the deal and (2) approval to the deal with option of legal recourse on royalty and cess issues available to the parties concerned.

What happens to the open offer?

VED has stated the proposed open offer will go ahead as scheduled and would open on April 11, 2011 and lapse on April 30, 2011. We do not see a large subscription to the open offer in light of (1) current market price being close to the open offer, (2) unfavorable tax implications of tendering shares in open offer as opposed to selling in the open market and (3) pending government approval on the Cairn Vedanta deal, which might delay the final transfer.

We highlight that shares tendered in the open offer will be kept in an escrow account and the transaction will be complete only on the receipt of a government approval. Sesa Goa will have to pay interest on the consideration for the intervening period. If the government does not approve the transaction, the shares would be returned to the original shareholder. In the meantime, Petronas reportedly wants to sell its 14.9% stake in the open market.

Still a long way to go

We do not rule out significant delays in the conclusion of the deal. As per media reports, the matter will be taken up for discussion by the GoM only after the conclusion of the state elections in May 2011, which will again refer the matter back to CCEA. We note that VED is unlikely to go ahead with the deal in its current form if royalty is treated as a cost-recoverable item or CAIR has to bear royalty proportionate to its production from the key Rajasthan block.

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Stock price discounting US\$94/bbl of crude oil price in perpetuity
Crude price discounted at various levels of stock price of Cairn

Stock price (Rs/share)	Crude price discounted (US\$/bbl)
395	105
380	101
365	98
350	94
335	91
320	88
305	84
290	81
275	78
260	75
245	70

Note:

- (1) Crude price discounted from FY2012E in perpetuity.
- (2) Exchange rate assumption (FY2013E onwards) is Rs44/US\$.
- (3) Inflation assumption of 2% in crude prices from FY2015E onwards.

Source: Kotak Institutional Equities estimates

Cairn's fair valuation has moderate leverage to crude prices
Enterprise value sensitivity of Cairn to key variables (US\$ bn)

	Sensitivity of +1-year valuation		
	Enterprise value (US\$ bn)	Equity value (Rs/share)	Change from base case (%)
Crude prices (FY2014E and beyond)			
Dated Brent price (US\$115/bbl)	17.5	418	32
Dated Brent price (US\$105/bbl)	16.2	385	21
Dated Brent price (US\$95/bbl)	14.8	351	11
Dated Brent price (US\$85/bbl)	13.4	318	
Dated Brent price (US\$75/bbl)	12.0	284	(11)
Dated Brent price (US\$65/bbl)	10.7	253	(20)
Dated Brent price (US\$55/bbl)	9.3	217	(32)
Cess			
Cess (Rs2,575/ton)	13.4	318	
Cess (Rs927/ton)	14.1	337	6
Cess (Rs0/ton)	14.6	351	10

Note:

- (a) Inflation assumption of 2% in crude oil prices from FY2015E onwards.

Source: Kotak Institutional Equities estimates

Cairn's earnings are highly leveraged to crude prices

Earnings sensitivity of Cairn to key variables

	2011E			2012E			2013E		
	Downside	Base case	Upside	Downside	Base case	Upside	Downside	Base case	Upside
Average crude prices									
Crude price (US\$/bbl)	84.7	86.7	88.7	93.0	95.0	97.0	88.0	90.0	92.0
Net profits (Rs mn)	60,757	63,242	65,726	105,217	107,705	110,192	106,482	110,182	113,883
Earnings per share (Rs)	32.0	33.3	34.6	55.5	56.8	58.1	56.1	58.1	60.0
% upside/(downside)	(3.9)		3.9	(2.3)		2.3	(3.4)		3.4
Exchange rate									
Rs/US\$	44.6	45.6	46.6	44.5	45.5	46.5	43.0	44.0	45.0
Net profits (Rs mn)	61,246	63,242	65,237	105,137	107,705	110,273	106,934	110,182	113,431
Earnings per share (Rs)	32.3	33.3	34.4	55.4	56.8	58.1	56.4	58.1	59.8
% upside/(downside)	(3.2)		3.2	(2.4)		2.4	(2.9)		2.9

Source: Kotak Institutional Equities estimates

We value Cairn India stock at ₹318

EV and equity value of Cairn (US\$ mn)

	Now	+ 1-year	+ 2-years
RJ-ON-90/1	12,679	13,392	13,380
CB-OS-2	101	62	38
Ravva	252	221	191
Upside potential (KG-DWN-98/2)	100	112	125
Total	13,132	13,787	13,735
Net debt	608	536	(233)
Equity value	12,524	13,251	13,968
Equity shares (mn)	1,897	1,897	1,897
Equity value per share (Rs/share)	301	318	324

Source: Kotak Institutional Equities estimates

Profit model, balance sheet, cash model of Cairn, calendar year-ends, 2006-07, March fiscal year-ends, 2009-14E (₹ mn)

	2006	2007	2009 (a)	2010	2011E	2012E	2013E	2014E
Profit model (Rs mn)								
Net sales	18,417	16,561	25,156	22,627	112,013	188,766	219,809	204,244
EBITDA	7,633	6,817	9,098	9,874	84,383	139,890	142,848	114,187
Other income	1,100	1,324	5,510	4,077	1,417	1,644	2,590	4,044
Interest	(201)	(27)	(64)	(148)	(3,259)	(1,805)	(351)	—
Depreciation	(497)	(4,589)	(4,382)	(3,570)	(11,538)	(16,366)	(20,138)	(20,288)
Pretax profits	8,035	3,524	10,162	10,232	71,003	123,363	124,948	97,942
Extraordinary items	—	(2,120)	(283)	(69)	—	—	—	—
Tax	(2,273)	(740)	(1,221)	(739)	(5,798)	(14,653)	(14,391)	(11,353)
Deferred taxation	(22)	(764)	(623)	1,087	(1,963)	(1,005)	(376)	(329)
Net profits	5,740	(100)	8,035	10,511	63,242	107,705	110,182	86,260
Earnings per share (Rs)	3.3	(0.1)	4.3	5.5	33.3	56.8	58.1	45.5
Balance sheet (Rs mn)								
Total equity	292,804	294,358	328,023	338,683	390,094	451,961	505,218	515,281
Deferred tax liability	4,258	4,916	5,540	4,453	6,417	7,422	7,797	8,127
Total borrowings	5,122	3,124	43,564	34,007	42,007	9,007	—	—
Current liabilities	39,716	8,372	16,132	14,806	2,306	4,639	8,143	10,123
Total liabilities and equity	341,900	310,771	393,259	391,949	440,824	473,029	521,158	533,530
Cash	61,348	1,504	18,968	6,269	17,617	19,263	71,850	102,535
Current assets	6,470	19,029	53,712	17,465	25,298	34,760	38,588	36,669
Total fixed assets	17,609	25,157	62,660	92,904	28,146	27,856	27,761	24,109
Net producing properties	2,354	4,390	3,014	4,995	99,445	120,833	112,643	99,901
Investments	4	7,129	1,713	17,124	17,124	17,124	17,124	17,124
Goodwill	254,115	253,193	253,193	253,193	253,193	253,193	253,193	253,193
Deferred expenditure	—	370	—	—	—	—	—	—
Total assets	341,900	310,771	393,259	391,949	440,824	473,029	521,158	533,530
Free cash flow (Rs mn)								
Operating cash flow, excl. working capital	4,598	6,387	8,213	6,501	61,792	108,713	113,786	91,328
Working capital changes	34,256	(908)	1,213	(7,082)	(20,333)	(7,129)	(324)	3,899
Capital expenditure	(5,619)	(11,739)	(31,613)	(33,662)	(39,529)	(35,512)	(10,364)	(2,444)
Investments/Goodwill	(252,717)	(53,863)	(25,062)	25,194	—	—	—	—
Other income	1,100	1,298	1,518	2,360	1,417	1,644	2,590	4,044
Free cash flow	(218,382)	(58,824)	(45,730)	(6,689)	3,347	67,716	105,689	96,826
Key assumptions								
Gross production ('000 boe/d)	91.0	75.4	68.1	64.3	153.4	217.3	265.3	259.1
Net production ('000 boe/d)	25.1	19.4	17.8	21.0	89.3	132.2	167.9	165.8
Dated Brent (US\$/bbl)	65.3	70.3	87.4	67.0	86.7	95.0	90.0	85.0
Discount of Rajasthan crude to Dated Brent (US\$/bbl)	—	—	—	5.0	10.0	8.0	8.0	8.0

Note:

(a) 15 months period starting from January 1, 2008 to March 31, 2009.

Source: Company, Kotak Institutional Equities estimates

APRIL 6, 2011**UPDATE**BSE-30: **19,612**

Liquidity turnaround – unlikely to sustain. In the new fiscal year, liquidity swung sharply into positive territory with LAF on April 5, 2011 at ₹325 bn after being at (-) ₹1,060 bn on March 31, 2011. This was surprising but was mainly on account of transitory product adjustments factors and also heavy government expenditure. LAF has been in the negative mode consistently since June 2010 and the current surplus liquidity conditions are also unlikely to sustain too much into future. We expect LAF to dip once more into the negative zone in the next fortnight starting April 9 as the under-maintenance of CRR is reversed.

Liquidity conditions worsen on year-end funding pressures

Banking system liquidity tightened significantly last week, with LAF infusion by the RBI averaging ₹923 bn, higher than ₹689 bn in the previous week. On the last day of the fiscal, liquidity injection by the RBI through the LAF operations peaked at ₹1,060 bn. This deterioration in the systemic liquidity was a result of year-end funding pressures as banks sharply increased their cash balances with the RBI, even as aggressive spending by the government during the week (around ₹300-400 bn) helped to contain the liquidity deficit. During a fortnight, banks are required to maintain on an average 100% of the required CRR as cash balances with the RBI, with a minimum daily maintenance of 70%. As of March 31, banks cash balances with the RBI amounted to ₹4,030.71 bn, which is 123% of the required CRR for the fortnight March 26-April 8. In the absence of this excess CRR maintenance of ₹762.44 bn, liquidity deficit would have been more modest to the tune of ₹297.61 bn on March 31.

Liquidity in surplus mode this week on product adjustment

From ₹1,060.05 bn liquidity deficit last week, banking system liquidity swung sharply into the positive territory on the first bank working day of FY2012. Government spending alone could not have accounted for such a large swing in the liquidity position. In our view, the sharp swing in liquidity was due to banks possibly under-maintaining on the CRR requirement. Banks' cash balances with the RBI are likely to have dropped to around 85% of the required CRR on April 5, 2011 from 123% on March 31. This reduction in daily cash balances of banks would in itself release almost ₹1,300 bn into the system. This has contributed to systemic liquidity suddenly turning positive at ₹325 bn on April 5 and increasing further to ₹696 bn on Wednesday. In the remaining part of this fortnight, we expect banks to maintain around 85% of the required CRR as cash balances with the RBI, so as to bring down the average CRR maintenance for the fortnight as close to 100% from 114% as of April 3, 2011. Further, impact of government spending towards the end of the year would also get reflected in the LAF numbers this week. We expect liquidity to remain in the surplus mode for the remaining of this fortnight ending April 8.

Liquidity to return and sustain in a deficit mode beginning next fortnight

As the current surplus is a product adjustment phenomenon, we do not expect the liquidity surplus to persist. From April 9 a new fortnight begins and banks will have to increase their cash balances closer to the required CRR for the forthcoming fortnight (likely at around ₹3,300 bn from ₹3,268 bn this fortnight). This would result in a swing of ₹500-600 bn at the beginning of the new fortnight itself, and could see LAF balances dip once again towards (-) ₹200 bn. Further, Monday would also see an outflow of ₹120 bn for payment of Friday's G-sec auction. In this quarter, given the inflows and outflows from the system, and our expectations of government expenditures at the start of the new financial year (based on historical trends) and high growth in currency in circulation (due to seasonal factors as also upcoming state elections), we expect banking system liquidity to remain in the deficit mode, closer to 1% of NDTL zone.

QUICK NUMBERS

- **LAF balances swing from (-) ₹1,060 bn on March 31 to ₹325 bn on April 5**
- **Strong product adjustment for CRR maintenance purposes behind the sharp swing**
- **Positive liquidity environment unlikely to persist; LAF to return to around (-) ₹200 bn from next week**

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Transitory changes in product maintenance causing sharp swings in systemic liquidity
Cash balances details as maintained by the banks with RBI, March fiscal year-ends, (₹ bn)

	Date	Cash balances maintained by banks with RBI	As a % of Required CRR	Average cash balances maintained during the fortnight
D1	Sat, Mar 12	3,170	98	
D2	Sun, Mar 13	3,170	98	98
D3	Mon, Mar 14	3,517	109	102
D4	Tue, Mar 15	3,649	113	105
D5	Wed, Mar 16	3,309	102	104
D6	Thu, Mar 17	3,465	107	105
D7	Fri, Mar 18	3,397	105	105
D8	Sat, Mar 19	3,475	108	105
D9	Sun, Mar 20	3,475	108	105
D10	Mon, Mar 21	3,098	96	104
D11	Tue, Mar 22	2,977	92	103
D12	Wed, Mar 23	3,047	94	103
D13	Thu, Mar 24	3,013	93	102
D14	Fri, Mar 25	3,189	99	102
D1	Sat, Mar 26	3,271	100	
D2	Sun, Mar 27	3,271	100	100
D3	Mon, Mar 28	3,482	107	102
D4	Tue, Mar 29	3,586	110	104
D5	Wed, Mar 30	3,587	110	105
D6	Thu, Mar 31	4,031	123	108
D7	Fri, Apr 01	4,070	125	111
D8	Sat, Apr 02	4,110	126	112
D9	Sun, Apr 03	4,110	126	114

Source: RBI, Kotak Economic Research

Recent comfort on liquidity unlikely to persist with liquidity deficit likely moving close to 1% of NDTL
Net liquidity position end of the month, (₹ bn)

	Apr-11	May-11	Jun-11
LAF balances as on March 31, 2011 adjusted for product maintenance			
(298)			
INFLOWS			
i Coupons Gsec	113	157	79
ii Coupons SDL	31	39	32
iii Gsec redemption	15	120	—
iv SDL redemption	2	50	—
v T bill redemption	240	280	240
A. Total inflows (i to v)	401	645	351
OUTFLOWS			
vi Gsec issuances	360	480	360
vii SDL issuances (est.)	80	95	95
viii Taxes (est.)	300	400	700
ix T bill issuances	240	280	280
B. Total outflows (vi to ix)	980	1,255	1,435
C. Incremental cash flows (A-B)	(579)	(610)	(1,084)
D. Government expenditure (est.)	705	786	990
E. Decrease in currency in circulation (est.)	350	180	(120)
F. Estimated Net liquidity position (end month)	(522)	(525)	(500)

Source: RBI, CEIC, Kotak Economic Research

APRIL 06, 2011

UPDATE

BSE-30: 19,612

Remain selective. Launches, absorption and inventory levels have remained stable over the past two months despite funding getting tighter for developers and concerns on demand. Relatively, Gurgaon has been the strongest and Mumbai the weakest. We retain our stance of being selective. Our top picks are (1) Sobha (BUY, TP Rs380) – Bengaluru residential, (2) Oberoi (BUY, TP Rs305) – visible NAV and net cash, and (3) Phoenix (BUY, TP Rs300) – three mall openings in FY2012E are potential triggers.

Very few visible cracks as yet

Data up to February 2011 indicates that apart from financial market participants none of the other stakeholders (developers, financiers, customers) are worried about a demand slowdown. Developer launches have been higher mom, housing loans are up 15% yoy essentially in line with trend and sales have also been healthier mom.

- ▶ Fresh residential launches are up 50% mom (total for Mumbai, Gurgaon, Noida and Bengaluru) and sales are up 24% mom and 46% yoy.
- ▶ Gurgaon sales volumes are actually up 50% versus January 2011 and 132% yoy.
- ▶ Mumbai (highest worry market) has seen launches and sales dip marginally (likely due to lack of approvals) but we do not see any confirmation of a slowdown trend. Oberoi has launched Exquisite II as planned while HDIL has not launched any projects in 4QFY11.
- ▶ Pricing change has been in a narrow band with only Mumbai witnessing a 1% average decline. Anecdotally, we hear of developers keeping prices for new projects either flat or 5% lower than prevailing prices to enable volume off-take.
- ▶ Retail loan growth data from RBI also indicates growth remaining stable at around 15%.

Stocks have reacted positively as demand has held up and launches have been more than expected

Post a sharp 51% correction in the BSE Realty index over four months, stocks have bounced back 2-36% as (1) launches in the NCR region have been better than expected though still continue to lag company promises, (2) prices have 'soft-landed' against a worry that they could decline and there has been no indicator of developers willing or forced to undertake a significant price correction, (3) retail housing loans have continued to grow (15% yoy in February 2011), (4) demand has sustained (January-February 2011), and (5) there have been no debt restructurings or signals of big trouble.

Remain selective – BUY Sobha, Oberoi and Phoenix Mills

We continue to recommend a selective approach as (1) funding is still constrained and our discussion with companies and other sector participants leads us to believe that raising equity at the entity level remains a near-impossible task while raising debt has also become more difficult and effective borrowing costs have increased, (2) impact on developers and consequently prices could be felt with a lag, and (3) company-specific risks continue to remain high. Oberoi, Phoenix and Sobha are our top picks as we believe they are relatively insulated (Oberoi – net cash, Phoenix – retail, Sobha – Bengaluru residential) and have potential upside (Oberoi – NAV accretive land purchases, Phoenix – three mall openings in FY2012E and Sobha – launch of large projects in Bengaluru and Gurgaon).

QUICK NUMBERS

- Residential launches up 50% mom (total for Mumbai, Gurgaon, Noida and Bengaluru)
- Gurgaon sales volumes up 132% yoy
- Housing loans up 15% yoy

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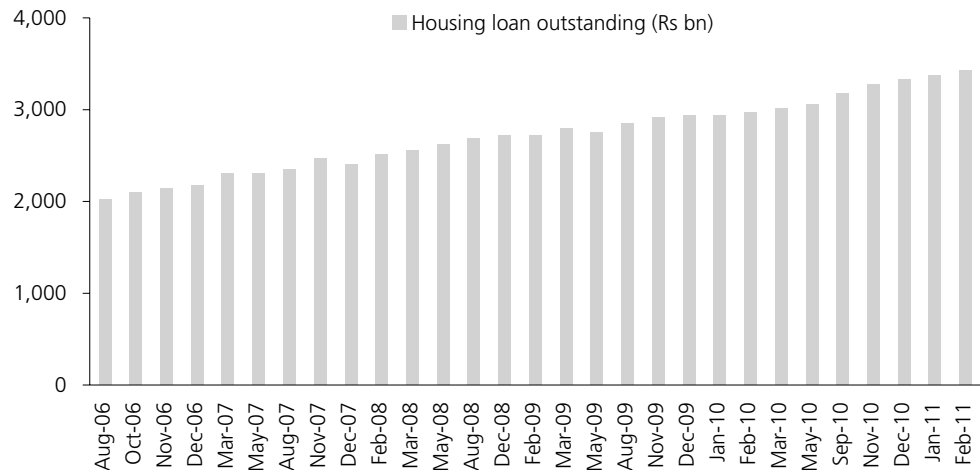
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Housing loan outstanding is up 15% yoy for February 2011

We do not see any weakness in outstanding retail housing loans. Housing loans are up 15% yoy in February 2011 which is similar to the growth trend of the previous few quarters and only 100 bps below the high growth rates achieved in August 2007.

Housing loan outstanding does not reflect any slowdown

Housing loan data, Aug 2006 – Feb 2011 (Rs bn)



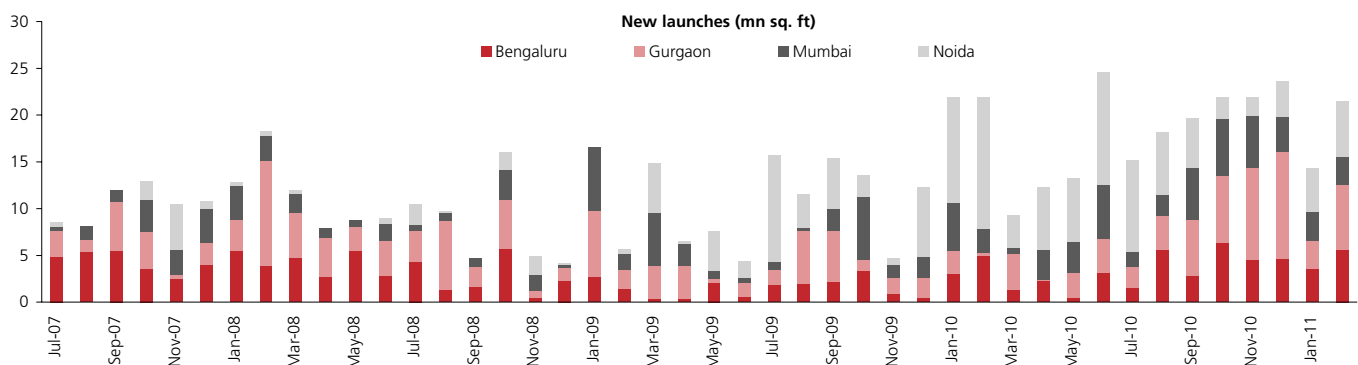
Source: RBI, Kotak Institutional Equities

Despite skepticism, absorption and launches have remained healthy

Total launches have increased to 21.5 mn sq. ft in February 2011, up 50% yoy. Mumbai was the only region where launches declined mom partly due to a slower pace of approvals. Anecdotally, with DLF, UT and PVKP launching projects in March 2011, it seems unlikely that data for March 2011 will show any significant downtick.

No letdown in new launches

New launches, Bengaluru, Gurgaon, Mumbai and Noida, July 2007 – Feb 2011 (mn sq. ft)

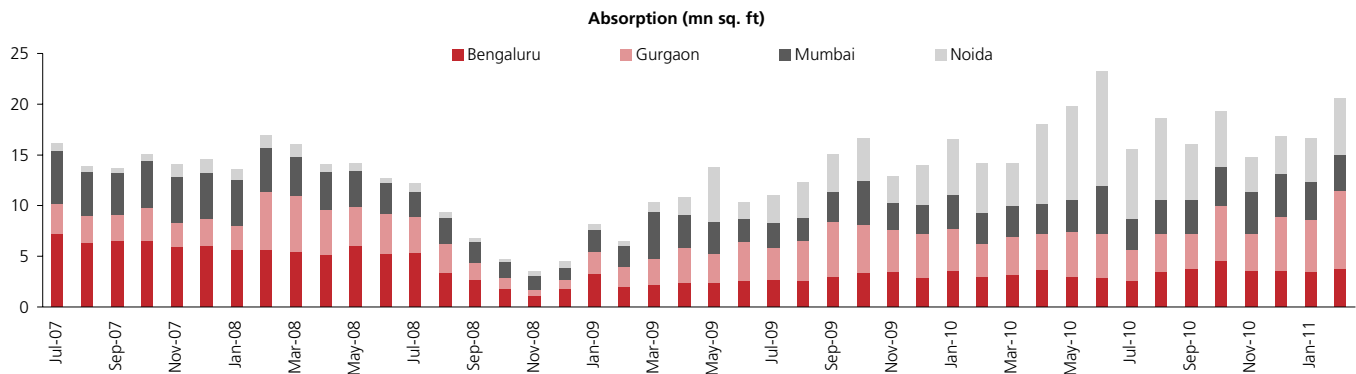


Source: Propequity, Kotak Institutional Equities

Total absorption of 20.6 mn sq. ft is the highest since June 2010. This has been led by NCR (Gurgaon + Noida) while Mumbai has seen a marginal softening.

Absorption remains robust despite market pessimism

Absorption, Bengaluru, Gurgaon, Mumbai and Noida, July 2007 – Feb 2011 (mn sq. ft)

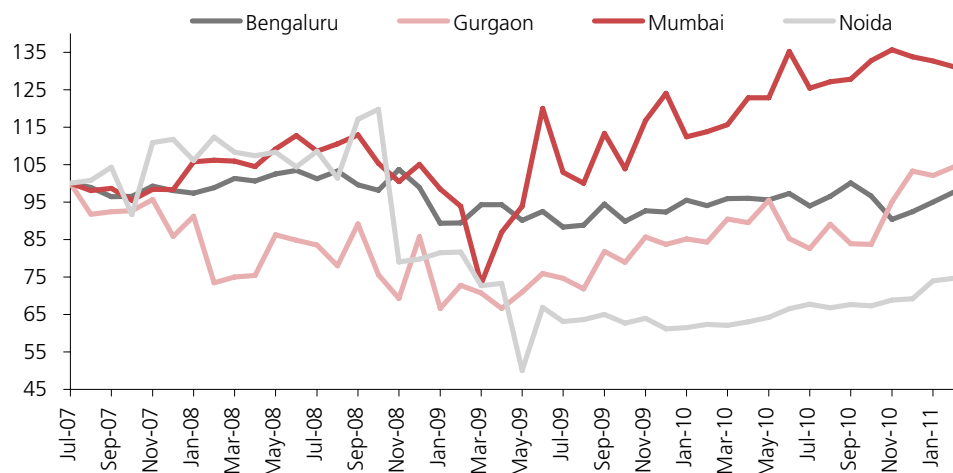


Source: Propequity, Kotak Institutional Equities

Prices have also essentially remained stable in CY2011E indicating that volume growth is not at the expense of prices.

Mumbai has seen the highest price rise

Price change relative to July 2007, Bengaluru, Gurgaon, Mumbai and Noida, July 2007 – Feb 2011



Source: Propequity, Kotak Institutional Equities

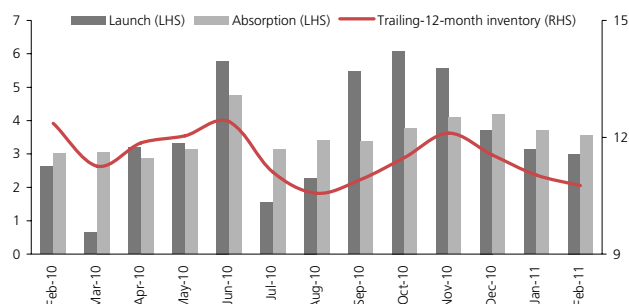
Region-wise analysis – Gurgaon the strongest, Mumbai the weakest

Gurgaon. After a weak January 2011, February 2011 has seen launches pick up back to October 2010 levels. While a certain proportion among this would be plots (DLF, Unitech and others), we still see this as an indication that developer confidence remains steady. Absorption at 7.7 mn sq. ft is the highest since September 2009. Our channel checks indicate that developers have been pricing projects aggressively with prices flat to 5% lower than current prevailing prices. Within our coverage universe, DLF has launched 3-4 mn sq. ft in Gurgaon and Mullanpur (Chandigarh) while Unitech has launched six projects across Gurgaon, Noida and Mohali.

Mumbai has been the weakest market for launch and absorption with new launches and absorption declining marginally. However, a part of the weak launches is explained by an uncertain regulatory environment (car park FSI, extra FSI in suburbs) and slower pace of approvals. Among our coverage universe, Oberoi has launched Exquisite II (1.3 mn sq. ft in Goregaon E) while HDIL has not launched any new project in 4QFY11E.

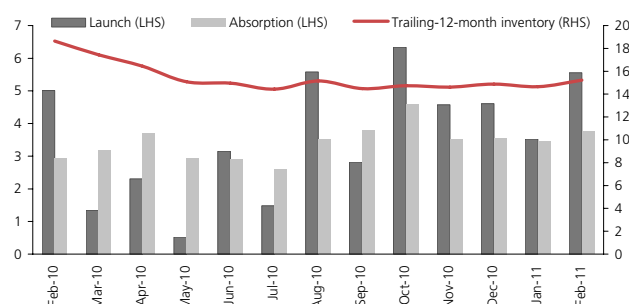
Bengaluru. While launches have picked up and absorption is resilient, we have not seen an uptick. Sobha and Puravankara, the two Bengaluru-centric stocks in our coverage universe, had not launched any projects until end-February 2011. Puravankara has launched one small project (227,000 sq. ft) in March 2011, towards the end of the quarter.

Mumbai: Launches, absorption and inventory months
Feb 2010 – Feb 2011 (mn sq. ft, months)



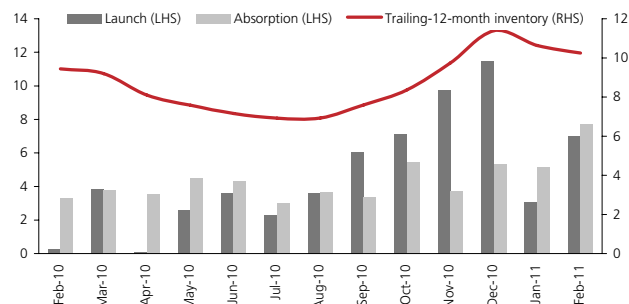
Source: Propequity, Kotak Institutional Equities

Bengaluru: Launches, absorption and inventory months
Feb 2010 – Feb 2011 (mn sq. ft, months)



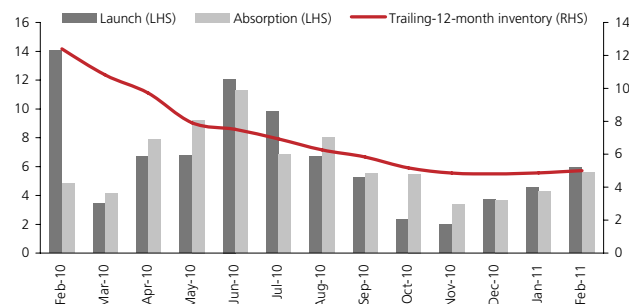
Source: Propequity, Kotak Institutional Equities

Gurgaon: Launches, absorption and inventory months
Feb 2010 – Feb 2011 (mn sq. ft, months)



Source: Propequity, Kotak Institutional Equities

Noida: Launches, absorption and inventory months
Feb 2010 – Feb 2011 (mn sq. ft, months)



Source: Propequity, Kotak Institutional Equities

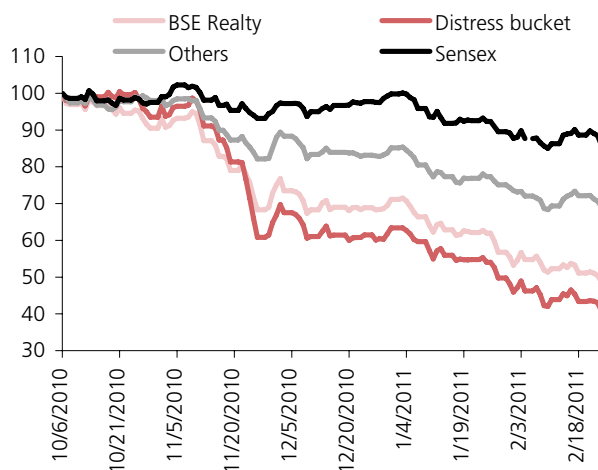
Stock prices have bounced back; we continue to recommend 'quality'

From its recent peak (October 6, 2010), the BSE Realty index lost 51% in a little more than four months due to multiple worries—(1) RBI steps on November 2, 2010 to increase cost and restrict flow of credit for residential real estate mortgages, (2) weaker-than-expected 2Q-3QFY11 results and launches raising concerns on demand in CY2011E, (3) regulatory overhaul and uncertainty in Mumbai, (4) the 2G telecom license issue impacting Unitech and DB Realty, and (5) Central Bureau of Investigation's (CBI) arrests following a probe into 'illegal gratification' and improper loan disbursements that seemed to involve some real estate developers.

Post that, stocks have bounced back 2-36% as (1) launches in the NCR region have been better than expected though still continue to lag company promises, (2) prices have 'soft-landed' versus a worry that they could decline and there has been no indicator of developers willing or forced to undertake a significant price correction, (3) retail housing loans have continued to grow (15% yoy in February 2011), (4) demand has sustained (January-February 2011), and (5) there have been no debt restructurings or signals of big trouble.

The meltdown ...

Relative performance, real estate stocks, 6 Oct 2010 – 24 Feb 2011



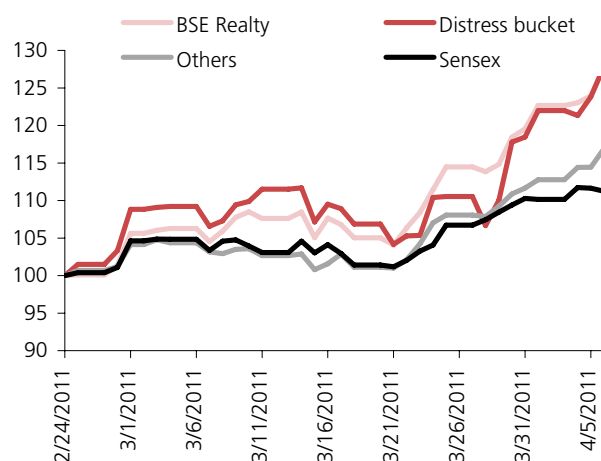
Note:

(1) Distress bucket consists of Unitech, HDIL, Indiabulls real estate and DB Realty

Source: Bloomberg, Kotak Institutional Equities

... and the bounce back

Relative performance, real estate stocks, 24 Feb 2011 – 6 April 2011



Note:

(1) Distress bucket consists of Unitech, HDIL, Indiabulls real estate and DB Realty

Source: Bloomberg, Kotak Institutional Equities

Most stocks have outperformed the Sensex over past one month

Absolute and relative price performance of real estate stocks

Company	Price (Rs/share)	Mcap. (Rs mn)	Absolute				Relative to SENSEX			
			1M	3M	6M	12M	1M	3M	6M	12M
Brigade	100	11,259	3.0	(10.6)	(32.3)	(30.5)	(3.1)	(7.7)	(27.7)	(39.9)
DB Realty	113	27,513	(3.9)	(43.3)	(72.6)	(75.0)	(10.0)	(40.5)	(68.0)	(84.3)
DLF	271	459,787	21.7	(2.5)	(31.0)	(17.6)	15.6	0.4	(26.5)	(26.9)
Godrej Properties	703	49,101	16.4	14.2	(5.9)		10.3	17.1	(1.3)	
HDIL	196	81,486	23.4	6.7	(31.0)	(35.0)	17.3	9.5	(26.5)	(44.3)
Indiabulls	139	55,972	25.2	8.4	(30.1)	(12.9)	19.1	11.2	(25.5)	(22.2)
Jaypee Infratech	65	90,767	9.6	(9.4)	(30.4)		3.6	(6.5)	(25.8)	
Mahindra Lifespaces	397	16,226	10.7	9.6	(17.1)	(11.5)	4.7	12.4	(12.5)	(20.8)
Oberoi Realty	250	82,009	0.8	(1.6)			(5.3)	1.2		
Phoenix Mills	205	29,664	18.2	(8.2)	(20.2)	8.5	12.1	(5.3)	(15.6)	(0.8)
Prestige	125	40,976	7.7	(21.3)			1.6	(18.5)		
Puravankara	110	23,573	5.1	-	(16.9)	2.8	(0.9)	2.8	(12.3)	(6.5)
Sobha developers	321	31,488	17.7	(0.7)	(18.3)	9.8	11.7	2.1	(13.7)	0.4
Suntech Realty	318	20,001	(9.7)	(39.9)	(53.2)	(45.9)	(15.8)	(37.0)	(48.6)	(55.2)
Unitech	45	118,555	24.2	(26.4)	(53.5)	(40.8)	18.2	(23.5)	(49.0)	(50.1)
BSE Realty	2,500		20.3	(7.9)	(37.8)	(27.5)	14.2	(5.0)	(33.2)	(36.8)
Benchmark (SENSEX)	19,612		6.1	(2.8)	(4.5)	9.3				

Source: Bloomberg, Kotak Institutional Equities

- We continue to recommend a selective approach as (1) funding is still constrained and our discussion with companies and other sector participants leads us to believe that raising equity at the entity level remains a near-impossible task while raising debt has also become more difficult and effective borrowing costs have increased, (2) Impact on developers and consequently prices could be felt with a lag, and (3) company-specific risks remains high. Our top three picks are (1) Oberoi (BUY, TP Rs305, +22% potential upside), (2) Phoenix (BUY, TP Rs300, +47% upside) and Sobha (BUY, TP Rs 380, +18% upside).
- We find Oberoi relatively better-placed in this environment as (1) Oberoi is the only debt-free developer operating in the lucrative Mumbai region and could actually take advantage of declining land prices by adding to its land bank, (2) NAV realization is relatively more front-loaded than peers, and (3) RoE in the mid-20s is again higher than peers.
- Phoenix is one of our top picks as we believe (1) reducing execution risk and revenue visibility as the three malls (Pune, Kurla, Bengaluru) get operational over FY2012E, and (2) potential residential launches (Bengaluru and Chennai over FY2012E) of at least 0.5 mn sq. ft could act as potential triggers. We retain our BUY recommendation with a target price of Rs300 at par with our March-2012E NAV.
- We find three positives for Sobha – (1) a Bengaluru-centric portfolio (which we believe is relatively the most insulated region), (2) almost 100% residential development portfolio, and (3) visibility of two critical project launches over 1QFY12E (Sobha City in Bengaluru and Gurgaon project).

Our target price for Oberoi is Rs305/share, in line with March 2012E NAV
NAV-based valuation, Oberoi, March fiscal year-ends (Rs bn)

	March '12 based NAV Growth rate in selling prices per annum			
	0%	3%	5%	10%
Gross real estate valuation (Rs bn)	70	76	81	93
Residential projects	35	39	43	52
Retail/commercial projects	32	33	35	38
Social projects	3	4	4	4
Hospitality project	4	4	4	4
Add: Net cash as on 31st March 2012	14	14	14	14
Add: Liquid investments	1	1	1	1
Add: Centaur advance	0	0	0	0
Add: Stake sale in JV	0	0	0	0
NAV (Rs bn)	89	96	100	113
Total no. of shares (mn)				330
NAV/share (Rs)				304
Target price/share @ par with end FY-2012E NAV (Rs/share)				305

Source: Company, Kotak Institutional Equities estimates

Our target price for Phoenix Mills is Rs300/share, in line with March 2012E NAV
NAV-based valuation, Phoenix Mills, March fiscal year-ends (Rs bn)

	March '12 based NAV Growth rate in selling prices			
	0%	3%	5%	10%
Valuation (Rs bn)	26.7	27.8	28.5	30.2
Add: (Net debt)/Net cash as on March 31,2012	0.3	0.3	0.3	0.3
Other investments	14.4	14.4	14.4	14.4
NAV (Rs bn)	41.5	42.5	43.2	45.0
Total no. of shares (mn)				145
NAV/share (Rs)				298
Target price @ par with end-FY2012E NAV (Rs/share)				300

Source: Company, Kotak Institutional Equities estimates

Our target price for Sobha is Rs380/share, in line with March 2012E NAV
NAV-based valuation, Sobha Developers, March fiscal year-ends (Rs bn)

	March '12 based NAV Growth rate in selling prices			
	0%	3%	5%	10%
Gross valuation (Rs bn)	17.0	31.0	41.8	75.2
Residential projects	22.3	28.5	32.9	45.2
Commercial projects	(2.8)	1.7	5.4	17.8
Retail projects	(2.6)	0.8	3.5	12.2
Less: Land cost to be paid	(2)	(2)	(2)	(2)
Less: Net debt	(10)	(10)	(10)	(10)
Add: Land sales / value	2.0	2.0	2.0	2.0
Add: Contractual business	5.0	5.0	5.0	5.0
NAV	12	26	37	71
Total no. of shares (mn)				98
NAV/share				379
Target price @ par with end-FY2012E NAV (Rs/share)				380

Source: Company, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

	6-Apr-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mm)	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	(Rs)	(%)	(US\$ mn)
Automobiles																													
Ashok Leyland	58	SELL	76,492	1,732	1,330	4.3	4.7	5.7	53.5	8.1	22.3	13.3	12.3	10.0	8.8	8.3	6.3	1.7	1.5	1.4	1.7	1.7	1.7	13.6	13.4	14.7	56	(2.6)	7.6
Bajaj Auto	1,452	ADD	420,093	9,511	289	90.3	100.0	111.6	43.8	10.8	11.5	16.1	14.5	13.0	15.3	14.4	13.1	9.1	6.4	4.7	1.7	1.7	1.7	68.5	50.6	40.7	1,500	3.3	21.0
Bharat Forge	365	ADD	86,663	1,962	237	12.9	19.1	24.1	1,349.9	48.2	26.3	28.3	19.1	15.1	12.0	9.2	7.7	3.6	3.0	2.5	—	—	—	8.1	14.5	16.4	395	8.2	3.8
Exide Industries	147	ADD	124,525	2,819	850	7.1	8.4	9.8	12.6	17.9	17.4	20.6	17.5	14.9	14.5	11.9	10.1	4.5	3.6	2.9	0.4	0.4	0.4	24.1	22.8	21.8	160	9.2	7.0
Hero Honda	1,682	REDUCE	335,955	7,606	200	97.8	109.8	126.9	(12.5)	12.3	15.5	17.2	15.3	13.3	12.0	10.2	8.3	7.0	5.3	4.1	1.8	1.8	1.8	45.0	39.5	35.2	1,485	(11.7)	22.4
Mahindra & Mahindra	727	BUY	446,933	10,118	615	42.8	47.7	53.8	22.1	11.6	12.8	17.0	15.2	13.5	13.0	11.5	9.9	4.1	3.4	2.9	1.3	1.4	1.5	27.6	24.5	23.0	800	10.1	35.8
Maruti Suzuki	1,298	BUY	374,861	8,487	289	78.4	91.8	104.7	(9.3)	17.0	14.1	16.5	14.1	12.4	10.9	9.0	7.1	2.7	2.3	1.9	0.4	0.5	0.6	17.4	17.3	16.8	1,460	12.5	13.1
Tata Motors	1,299	ADD	863,000	19,538	665	129.9	133.6	159.2	603.4	2.9	19.1	10.0	9.7	8.2	6.7	6.3	5.4	4.0	2.9	2.2	0.4	0.4	0.4	58.6	34.9	30.5	1,305	0.5	92.0
Automobiles																													
		Cautious	2,728,522	61,773					83.9	9.0	16.4	13.9	12.8	11.0	9.5	8.6	7.4	4.2	3.3	2.6	1.0	1.0	1.0	29.9	25.5	23.6			
Banks/Financial Institutions																													
Andhra Bank	156	BUY	82,166	1,860	526	24.1	26.4	30.6	12.0	9.5	15.9	6.5	5.9	5.1	—	—	—	1.4	1.2	1.0	3.6	3.9	4.6	24.4	21.4	21.2	180	15.3	3.9
Axis Bank	1,429	BUY	578,974	13,108	405	81.7	99.9	122.8	31.6	22.3	22.9	17.5	14.3	11.6	—	—	—	3.1	2.7	2.3	1.1	1.3	1.7	19.1	20.1	21.0	1,600	12.0	54.1
Bank of Baroda	960	BUY	377,131	8,538	393	101.4	114.1	134.3	21.2	12.5	17.7	9.5	8.4	7.1	—	—	—	1.9	1.6	1.4	1.9	2.1	2.5	24.1	21.2	21.1	1,200	25.0	9.6
Bank of India	483	ADD	264,521	5,989	547	49.7	62.7	68.5	50.1	26.1	9.2	9.7	7.7	7.1	—	—	—	1.7	1.4	1.2	2.2	2.7	3.0	19.0	20.0	18.9	560	15.9	10.4
Canara Bank	640	ADD	262,462	5,942	410	98.0	102.2	124.2	33.0	4.2	21.6	6.5	6.3	5.2	—	—	—	1.5	1.2	1.0	1.6	1.9	1.9	23.1	19.1	19.6	700	9.3	16.5
Corporation Bank	634	ADD	93,941	2,127	148	86.9	95.8	113.6	5.9	10.3	18.6	7.3	6.6	5.6	—	—	—	1.3	1.2	1.0	2.8	3.0	3.6	20.0	18.6	19.1	700	10.4	1.2
Federal Bank	415	BUY	70,919	1,606	171	34.3	44.5	52.4	26.3	29.7	17.8	12.1	9.3	7.9	—	—	—	1.4	1.3	1.1	1.5	2.0	2.3	11.9	14.0	14.7	450	8.5	4.5
HDFC	699	REDUCE	1,003,306	22,715	1,436	24.1	27.1	31.7	22.2	12.6	17.1	29.0	25.8	22.0	—	—	—	5.8	5.1	3.9	1.2	1.4	1.6	21.3	21.2	20.9	690	(1.3)	52.2
HDFC Bank	2,376	ADD	1,087,575	24,622	458	86.2	111.8	142.9	33.8	29.8	27.8	27.6	21.2	16.6	—	—	—	4.4	3.8	3.2	0.7	0.9	1.1	17.1	19.2	21.0	2,400	1.0	50.9
ICICI Bank	1,101	ADD	1,266,554	28,675	1,151	45.8	58.0	68.3	26.7	26.8	17.7	24.1	19.0	16.1	—	—	—	2.3	2.1	2.0	1.2	1.6	1.9	9.9	11.6	12.6	1,200	9.0	113.7
IDFC	165	ADD	248,051	5,616	1,506	9.1	10.9	14.1	8.3	19.5	29.5	18.1	15.2	11.7	—	—	—	2.3	1.9	1.7	1.0	1.3	1.6	15.0	13.9	15.5	175	6.3	28.9
India Infoline	79	BUY	25,719	582	327	7.4	8.0	9.4	(9.0)	8.1	17.4	10.6	9.8	8.4	—	—	—	1.5	1.2	1.1	3.7	2.2	2.6	13.2	13.8	14.1	100	27.2	2.6
Indian Bank	242	BUY	103,918	2,353	430	37.9	43.5	53.3	8.1	14.6	22.5	6.4	5.6	4.5	—	—	—	1.3	1.1	0.9	2.8	3.2	4.0	21.7	21.0	21.7	320	32.3	2.3
Indian Overseas Bank	155	BUY	95,765	2,168	619	15.8	21.9	29.5	21.6	38.9	34.7	9.8	7.1	5.2	—	—	—	1.2	1.0	0.9	2.5	2.7	3.0	11.6	13.8	16.4	180	16.4	3.2
IndusInd Bank	270	BUY	124,536	2,819	461	9.1	10.9	14.1	8.3	19.5	29.5	29.8	24.9	19.2	—	—	—	3.5	3.0	2.7	1.0	1.2	1.5	19.9	17.6	19.0	300	11.0	7.8
J&K Bank	885	ADD	42,906	971	48	123.5	136.6	154.0	16.9	10.6	12.8	7.2	6.5	5.7	—	—	—	1.2	1.1	1.0	2.9	3.2	3.6	18.5	17.8	17.6	850	(3.9)	0.8
LIC Housing Finance	233	ADD	110,663	2,505	475	19.5	21.5	26.2	40.0	10.0	22.2	11.9	10.8	8.9	—	—	—	2.7	2.3	1.9	1.8	2.0	2.4	24.8	22.9	23.5	240	3.0	50.4
Mahindra & Mahindra Financial	776	ADD	79,265	1,795	102	47.5	60.8	71.7	32.4	28.1	17.8	16.3	12.8	10.8	—	—	—	3.3	2.8	2.4	1.3	1.7	1.9	22.8	22.6	22.4	800	3.1	2.6
Oriental Bank of Commerce	391	ADD	113,947	2,580	292	52.0	58.7	66.0	14.9	12.7	12.5	7.5	6.7	5.9	—	—	—	1.1	1.0	0.9	2.7	3.0	3.4	15.7	14.6	14.8	450	15.2	6.0
PFC	257	REDUCE	295,206	6,683	1,148	24.1	28.2	33.0	17.5	17.0	16.8	10.7	9.1	7.8	—	—	—	1.9	1.7	1.5	1.9	2.2	2.6	19.3	19.5	19.6	300	16.6	4.1
Punjab National Bank	1,198	BUY	379,605	8,594	317	137.6	165.6	202.2	11.1	20.3	22.1	8.7	7.2	5.9	—	—	—	1.9	1.6	1.3	2.3	2.8	3.4	23.8	23.8	24.2	1,500	25.2	7.9
Reliance Capital	630	ADD	155,105	3,512	246	6.6	17.0	27.9	(49.8)	159.7	63.6	96.0	37.0	22.6	—	—	—	2.2	2.2	2.1	0.4	1.1	1.8	2.3	5.9	9.3	620	(1.6)	43.7
Rural Electrification Corp.	267	REDUCE	263,584	5,967	987	25.5	29.2	33.3	25.9	14.5	13.8	10.5	9.1	8.0	—	—	—	2.1	1.8	1.6	2.9	3.3	3.7	21.2	21.2	21.0	275	3.0	21.7
Shriram Transport	812	ADD	181,268	4,104	223	56.1	66.8	81.0	43.2	19.1	21.3	14.5	12.2	10.0	—	—	—	3.9	3.2	2.6	1.4	1.6	2.0	28.9	27.7	27.3	800	(1.5)	6.4
SKS Microfinance	525	REDUCE	39,557	896	75	24.2	36.5	62.3	(10.3)	50.9	70.8	21.7	14.4	8.4	—	—	—	2.1	1.8	1.5	—	—	—	12.6	13.5	19.5	700	33.3	5.6
State Bank of India	2,797	BUY	1,775,989	40,208	635	175.2	225.2	272.1	21.3	28.6	20.8	16.0	12.4	10.3	—	—	—	2.4	2.1	1.8	1.1	1.2	1.3	15.8	17.7	18.4	3,300	18.0	175.1
Union Bank	348	BUY	182,206	4,125	524	36.5	48.2	58.4	(11.0)	32.0	21.1	9.5	7.2	6.0	—	—	—	1.6	1.4	1.1	1.4	1.9	2.2	19.3	20.8	21.1	420	20.9	4.5
Yes Bank	319	BUY	108,303	2,452	340	21.4	26.4	33.1	42.4	23.5	25.4	14.9	12.1	9.6	—	—	—	2.9	2.4	2.0	0.7	0.8	1.0	21.3	21.7	22.4	370	16.0	21.4
Banks/Financial Institutions																													
		Attractive	9,413,141	213,112					24.4	21.3	20.7	14.9	12.3	10.2	—	—	—	2.4	2.1	1.8	1.4	1.6	1.9	16.2	17.1	17.7			
Cement																													
ACC	1,129	SELL	212,182	4,804	188	51.7	54.5	68.0	(37.9)	5.4	24.9	21.9	20.7	16.6	12.7	10.2	8.1	3.1	2.8	2.5	2.1	2.1	2.1	16.4	15.8	17.3	920	(18.5)	8.9
Ambuja Cements	151	SELL	229,194	5,189	1,522	7.9	7.9	8.7	(0.7)	(0.1)	9.4	18.9	19.0	17.3	11.6	10.4	9.3	2.9	2.7	2.5	1.4	1.5	1.6	16.8	15.0	14.9	108	(28.3)	6.4
Grasim Industries	2,549	ADD	233,686	5,291	92	224.3	261.1	327.0	(25.5)	16.4	25.3	11.4	9.8	7.8	6.6	5.0	4.2	1.6	1.4	1.2	1.3	1.3	1.3	15.4	15.7	17.0	2,600	2.0	5.6
India Cements	102	SELL	31,347	710	307	3.0	6.8	11.7	(70.5)	130.5	71.9	34.5	15.0	8.7	12.6	8.2	5.0	0.8	0.7	0.7	3.1	3.1	3.1	2.3	5.3	8.8	85	(16.7)	2.5
Shree Cement	1,965	REDUCE	68,445	1,550	35	84.0	161.7	185.0	(59.6)	92.6	14.5	23.4	12.2	10.6	8.0	4.6	3.6	3.4	2.8	2.3	0.5	0.5	0.5	15.2	25.0	23.6	1,680	(14.5)	0.7
UltraTech Cement	1,118	REDUCE	306,399	6,937	274	42.3	79.7	102.1	(52.1)	88.6	28.1	26.5	14.0	10.9	12.9	7.6	6.3	2.5	2.2	1.8	0.3	0.3	0.3	11.9	19.3	20.4	1,030	(7.9)	3.3
		Neutral	1,081,252	24,479					(24.7)	31.2	24.0	18.7	14.3	11.5	9.8	7.0	5.8	2.3	2.0	1.8	1.2	1.2	1.3	12.3</					

Kotak Institutional Equities: Valuation summary of key Indian companies

	6-Apr-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo	
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	(Rs)	(%)	(US\$ mn)	
Consumer products																														
Asian Paints	2,550	REDUCE	244,567	5,537	96	82.0	96.3	113.7	14.7	17.4	18.1	31.1	26.5	22.4	20.5	17.1	14.0	12.1	9.9	7.5	1.4	1.6	1.1	44.7	42.0	38.6	2,600	2.0	6.0	
Colgate-Palmolive (India)	848	SELL	115,376	2,612	136	29.5	34.3	39.3	(5.2)	16.2	14.7	28.8	24.7	21.6	24.6	21.2	17.8	30.8	26.7	21.9	2.6	3.0	3.2	114.5	115.7	111.5	780	(8.1)	2.7	
Dabur India	100	ADD	173,293	3,923	1,731	3.2	3.8	4.3	11.2	17.0	14.4	31.1	26.5	23.2	22.8	18.9	16.1	12.7	9.9	7.9	1.1	1.3	1.5	48.9	42.3	38.1	110	9.9	3.8	
GlaxoSmithkline Consumer (a)	2,239	ADD	94,156	2,132	42	71.3	85.0	102.0	28.8	19.2	20.0	31.4	26.3	21.9	22.4	19.1	15.5	10.1	8.2	6.6	2.2	1.2	1.5	32.2	33.4	32.6	2,450	9.4	0.7	
Godrej Consumer Products	391	ADD	126,491	2,864	324	13.6	17.1	20.8	20.0	26.1	21.2	28.7	22.8	18.8	21.6	16.8	13.6	7.0	6.5	5.9	0.8	0.8	0.8	31.9	29.6	33.0	440	12.6	1.6	
Hindustan Unilever	277	SELL	604,764	13,692	2,182	9.8	11.3	12.8	4.1	15.4	13.3	28.2	24.5	21.6	23.5	20.0	17.2	20.4	17.7	15.4	2.9	3.3	3.8	77.2	77.5	76.4	255	(8.0)	14.4	
ITC	183	ADD	1,397,071	31,629	7,636	6.6	8.0	9.1	23.6	21.9	13.7	27.9	22.9	20.1	18.6	15.3	13.0	7.9	6.8	5.9	1.5	2.0	2.5	32.3	33.2	32.8	205	12.1	33.2	
Jubilant Foodworks	601	SELL	38,371	869	64	11.8	14.9	19.9	110.1	26.2	33.9	50.9	40.4	30.1	31.0	21.4	16.1	19.9	13.3	9.2	—	—	—	48.6	39.6	36.2	470	(21.8)	10.4	
Jyothy Laboratories	219	ADD	17,626	399	81	11.4	13.7	16.2	3.8	19.4	18.5	19.1	16.0	13.5	13.6	10.4	8.1	2.5	2.3	2.1	1.6	2.1	2.7	12.8	14.6	—	270	23.5	0.9	
Marico	138	ADD	84,578	1,915	612	5.1	5.7	6.6	14.0	12.9	15.0	27.3	24.2	21.0	20.1	16.6	14.2	9.3	7.1	5.6	0.6	0.7	0.8	39.8	33.6	30.0	145	4.8	2.4	
Nestle India (a)	3,702	REDUCE	356,936	8,081	96	86.8	101.0	123.8	16.7	16.4	22.6	42.6	36.6	29.9	28.4	23.9	19.7	41.7	35.5	30.0	1.3	2.0	2.4	116.5	104.7	108.7	3,000	(19.0)	3.1	
Tata Global Beverages	107	ADD	65,952	1,493	618	5.2	5.9	7.0	(14.0)	14.2	16.9	20.5	17.9	15.3	10.2	9.2	7.8	1.3	1.2	1.2	1.6	1.8	2.2	8.4	9.1	10.1	110	3.1	3.7	
Titan Industries	4,034	ADD	179,069	4,054	44	107.1	125.9	145.6	87.1	17.5	15.6	37.7	32.0	27.7	27.4	22.7	18.1	15.5	10.8	8.1	0.3	0.3	0.4	50.3	39.8	33.5	4,100	1.6	35.7	
United Spirits	1,099	ADD	138,015	3,125	126	29.9	40.3	53.5	9.5	34.8	32.7	36.8	27.3	20.6	16.5	14.5	12.6	3.3	3.0	2.7	0.2	0.2	0.4	9.5	11.6	13.7	1,300	18.3	10.8	
Consumer products		Cautious	3,636,266	82,324					17.4	19.5	16.1	30.0	25.1	21.6	20.6	17.2	14.5	9.0	7.8	6.7	1.6	2.0	2.2	30.1	31.1	31.2				
Constructions																														
IVRCL	90	BUY	23,924	542	267	7.0	8.9	12.6	(11.7)	28.1	40.7	12.8	10.0	7.1	7.9	6.7	5.4	1.2	1.1	0.9	0.4	0.4	0.4	9.6	11.2	13.9	125	39.5	9.3	
Nagarjuna Construction Co.	115	BUY	29,379	665	257	7.2	9.7	13.1	1.2	34.3	35.4	15.9	11.8	8.7	9.8	8.1	6.3	1.2	1.1	1.0	1.7	1.7	1.7	8.0	10.1	12.5	160	39.7	3.0	
Punj Lloyd	75	REDUCE	25,486	577	340	1.3	8.5	12.6	(137.2)	567.0	48.2	58.9	8.8	6.0	8.5	6.0	5.0	0.8	0.8	0.7	0.1	1.0	1.5	1.4	9.0	12.2	90	19.9	11.2	
Sadhav Engineering	129	BUY	19,418	440	150	6.2	8.7	10.0	20.2	41.0	14.4	20.9	14.9	13.0	11.3	9.1	8.2	3.7	3.6	3.3	4.6	4.6	4.6	17.8	23.9	25.2	175	35.2	0.5	
Construction		Attractive	98,206	2,223					48.4	78.7	37.8	19.3	10.8	7.9	9.0	7.0	5.7	1.2	1.1	1.0	1.6	1.8	1.9	6.4	10.4	12.9				
Energy																														
Aban Offshore	674	BUY	29,336	664	44	104.6	107.6	116.9	(1.9)	2.9	8.7	6.4	6.3	5.8	6.7	6.6	6.4	1.3	1.2	1.0	0.5	0.6	0.7	26.1	20.4	18.0	815	20.9	17.2	
Bharat Petroleum	603	ADD	218,009	4,936	362	51.9	46.5	65.7	(9.9)	(10.4)	41.2	11.6	13.0	9.2	9.0	9.6	7.0	1.4	1.3	1.2	2.7	2.5	3.6	12.2	10.1	13.2	655	8.6	9.5	
Cairn India	351	RS	664,984	15,055	1,897	33.3	56.8	58.1	501.7	70.3	2.3	10.5	6.2	6.0	8.2	4.7	4.2	1.7	1.4	1.3	—	4.3	5.7	17.1	25.2	22.7	—	—	20.7	
Castrol India (a)	452	SELL	111,845	2,532	247	19.8	20.5	21.1	28.7	3.2	3.1	22.8	22.1	21.4	14.4	14.2	13.8	21.7	20.1	19.2	3.3	3.5	3.8	100.5	94.4	91.5	370	(18.2)	0.7	
GAIL (India)	475	REDUCE	602,528	13,641	1,268	29.3	34.7	43.6	18.5	18.4	25.4	16.2	13.7	10.9	10.4	9.9	7.7	2.9	2.5	2.1	1.8	2.1	2.9	18.1	18.6	19.8	510	7.4	13.7	
GSPL	100	REDUCE	56,498	1,279	562	8.5	8.6	10.4	16.8	0.9	20.9	11.8	11.7	9.6	7.3	6.8	5.9	2.6	2.3	2.1	2.1	3.4	5.2	24.9	21.1	22.6	90	(10.4)	3.3	
Hindustan Petroleum	353	BUY	119,772	2,712	339	46.5	35.0	49.9	(9.9)	(24.8)	42.8	7.6	10.1	7.1	3.1	3.4	2.5	0.8	0.8	0.7	4.1	3.1	4.4	10.6	7.4	9.8	420	18.9	8.0	
Indian Oil Corporation	326	BUY	792,604	17,944	2,428	35.1	33.2	39.6	(28.5)	(5.4)	19.1	9.3	9.8	8.2	7.0	7.0	5.4	1.3	1.2	1.1	3.2	3.1	3.7	14.2	12.4	13.5	390	19.5	6.3	
Oil India	1,346	BUY	323,592	7,326	240	140.9	151.2	181.7	22.3	7.3	20.2	9.6	8.9	7.4	4.4	3.8	3.0	1.9	1.7	1.5	3.3	3.7	4.5	18.9	17.9	18.9	1,550	15.2	2.0	
Oil & Natural Gas Corporation	298	BUY	2,550,409	57,741	8,556	28.6	34.9	39.6	24.5	22.3	13.3	10.4	8.5	7.5	4.3	3.6	3.0	1.8	1.6	1.4	4.7	4.0	4.7	16.5	18.5	18.5	360	20.8	30.6	
Petronet LNG	126	SELL	94,238	2,134	750	8.1	8.9	8.6	49.3	10.9	(3.7)	15.6	14.1	14.6	9.4	8.9	9.0	3.1	2.7	2.3	2.0	2.4	2.4	20.4	19.3	16.1	100	(20.4)	5.4	
Reliance Industries	1,045	REDUCE	3,111,563	70,445	2,978	62.7	66.3	71.9	26.3	5.8	8.4	16.7	15.8	14.5	8.9	7.6	6.8	1.9	1.7	1.6	0.8	1.0	1.1	13.2	12.6	12.4	1,000	(4.3)	134.6	
Energy		Neutral	8,675,378	196,409					20.5	15.2	12.9	12.0	10.4	9.2	6.6	5.6	4.7	1.8	1.6	1.4	2.4	2.6	3.2	15.1	15.5	15.7				
Industrials																														
ABB	802	REDUCE	170,004	3,849	212	9.8	26.0	31.4	(41.6)	165.6	20.7	82.0	30.9	25.6	56.8	20.3	16.5	6.7	5.6	4.7	0.4	0.4	0.4	8.3	19.7	20.0	660	(17.7)	2.5	
BGR Energy Systems	528	REDUCE	38,027	861	72	40.9	46.4	46.0	46.3	13.4	(0.9)	12.9	11.4	11.5	8.0	6.9	6.5	4.1	3.2	2.6	1.6	1.8	1.7	36.0	31.6	25.2	600	13.6	6.2	
Bharat Electronics	1,794	REDUCE	143,544	3,250	80	101.3	124.9	145.8	5.4	23.2	16.8	17.7	14.4	12.3	10.1	7.6	6.3	2.8	2.5	2.1	1.4	1.4	1.4	17.0	18.3	18.5	1,875	4.5	1.1	
Bharat Heavy Electricals	2,198	REDUCE	1,076,087	24,362	490	115.5	140.1	156.2	31.4	21.3	11.5	19.0	15.7	14.1	13.1	10.4	8.9	5.3	4.3	3.5	1.1	1.4	1.5	31.3	30.2	27.1	2,400	9.2	40.6	
Crompton Greaves	288	BUY	184,784	4,183	642	14.4	16.2	18.9	12.0	12.5	16.5	20.0	17.8	15.3	12.4	10.4	8.7	5.6	4.4	3.6	0.7	0.7	0.8	31.9	27.8	25.8	310	7.6	7.4	
Larsen & Toubro	1,656	REDUCE	1,001,939	22,684	605	73.0	82.0	96.4	26.0	12.3	17.6	22.7	20.2	17.2	13.7	11.6	10.0	3.7	3.2	2.7	0.7	0.8	0.8	17.9	17.0	17.2	1,775	7.2	82.3	
Maharashtra Seamless	359	ADD	25,296	573	71	44.2	39.3	43.7	14.3	(10.9)	11.1	8.1	9.1	8.2	3.8	4.0	3.3	1.0	0.9	0.9	2.2	2.2	2.4	12.8	10.5	10.9	418	16.5	0.4	
Siemens	891	REDUCE	300,460	6,802	337	22.4	27.4	33.2	39.5	21.9	21.3	39.7	32.6	26.9	23.5	21.1	17.0	9.3	7.6	6.2	0.6	0.6	0.7	25.2	25.6	25.5	735	(17.5)	13.0	
Suzlon Energy	53	REDUCE	84,308	1,909	1,594	(3.7)	3.5	7.1	(40.3)	(196.0)	102.1	(14.4)	15.0	7.4	18.7	8.1	6.0	1.2	1.2	1.0	—	—	—	0.4	(8.6)	7.9	14.8	45	(14.9)	27.3
Thermax	670																													

Kotak Institutional Equities: Valuation summary of key Indian companies

	6-Apr-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target		
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	price	Upside	ADVT-3mo
																											(Rs)	(%)	(US\$ mn)
Media																													
DB Corp	254	BUY	46,177	1,045	182	12.6	14.0	17.0	18.8	10.8	21.6	20.1	18.2	14.9	11.8	10.8	8.9	5.8	5.0	4.4	1.6	2.4	3.1	31.8	29.7	31.2	325	27.9	0.3
DishTV	67	ADD	71,054	1,609	1,062	(1.6)	0.2	1.3	(33.2)	(109.5)	719.1	(40.6)	428.8	52.3	32.2	15.4	10.8	31.6	29.4	18.8	—	—	—	(56.0)	7.1	43.8	66	(1.3)	3.6
Eros International	151	BUY	13,957	316	93	12.6	16.6	20.9	30.1	32.5	25.3	12.0	9.0	7.2	8.3	6.6	4.8	2.0	1.6	1.3	—	—	—	24.7	19.8	20.1	200	32.9	0.6
Hindustan Media Ventures	144	BUY	10,581	240	73	7.9	10.0	13.0	220.4	27.5	29.7	18.4	14.4	11.1	14.4	11.7	9.7	2.5	2.1	1.8	5.2	6.9	9.7	23.7	16.4	18.3	200	38.7	0.6
HT Media	148	ADD	34,698	786	235	7.0	8.5	11.2	15.4	21.0	31.9	21.0	17.3	13.1	9.5	7.6	5.9	2.5	2.3	2.2	1.4	2.7	4.7	13.8	13.9	17.3	170	15.1	0.3
Jagran Prakashan	123	BUY	37,177	842	301	7.0	7.9	9.3	19.2	13.4	18.4	17.7	15.6	13.2	10.3	9.3	7.7	5.5	5.0	4.6	3.2	4.1	4.9	32.4	33.4	36.1	155	25.6	0.5
Sun TV Network	442	REDUCE	173,986	3,939	394	18.3	22.7	27.2	39.7	24.1	20.2	24.2	19.5	16.2	14.4	11.7	9.7	7.5	6.3	5.5	1.7	2.3	3.2	34.2	35.5	36.4	450	1.9	7.1
Zee Entertainment Enterprises	127	ADD	124,693	2,823	978	4.8	6.2	7.8	(9.7)	28.4	26.4	26.5	20.6	16.3	16.8	12.8	10.0	3.0	2.9	2.8	1.0	1.1	1.3	11.8	14.7	18.1	130	2.0	7.1
Media		Neutral	512,323	11,599					37.7	35.7	28.0	28.5	21.0	16.4	14.6	11.4	9.0	4.8	4.4	3.9	1.3	1.7	2.4	16.8	20.8	24.0			
Metals & Mining																													
Coal India	366	BUY	2,314,632	52,403	6,316	17.0	24.0	28.0	11.7	41.0	16.8	21.5	15.3	13.1	13.6	10.0	8.2	6.8	5.3	4.2	1.4	2.0	2.3	35.1	39.0	36.0	390	6.4	30.0
Hindalco Industries	212	ADD	406,534	9,204	1,914	16.2	16.9	18.6	(18.8)	4.3	9.8	13.1	12.6	11.4	7.6	7.8	7.5	1.7	1.5	1.3	0.6	0.6	0.6	13.6	12.7	12.4	250	17.7	51.6
Hindustan Zinc	137	BUY	580,726	13,148	4,225	10.5	13.1	14.6	9.7	24.9	11.6	13.1	10.5	9.4	8.1	5.2	4.0	2.5	2.0	1.7	0.4	0.4	0.4	22.0	22.3	20.3	160	16.4	6.0
Jindal Steel and Power	714	REDUCE	664,668	15,048	931	41.0	48.0	55.6	7.1	17.3	15.6	17.4	14.9	12.8	11.7	9.7	7.9	4.4	3.4	2.7	0.3	0.3	0.3	29.2	26.0	23.5	640	(10.3)	20.2
JSW Steel	997	REDUCE	247,452	5,602	248	67.1	99.2	110.9	(16.5)	47.9	11.8	14.9	10.0	9.0	8.6	5.8	5.2	1.4	1.1	1.0	0.9	1.0	1.0	11.6	12.1	11.3	1,000	0.3	48.9
National Aluminium Co.	98	SELL	252,183	5,709	2,577	4.6	5.1	6.2	50.5	12.0	20.2	21.4	19.1	15.9	12.0	10.3	8.2	2.3	2.1	1.9	1.3	1.3	1.3	10.9	11.3	12.5	76	(22.3)	1.8
Sesa Goa	326	REDUCE	289,820	6,561	890	53.2	60.6	57.2	79.9	13.9	(5.5)	6.1	5.4	5.7	3.8	6.2	6.1	2.1	1.6	1.2	1.1	1.1	1.2	36.4	34.0	23.7	275	(15.6)	25.5
Sterlite Industries	177	BUY	594,845	13,467	3,362	13.7	19.7	22.7	13.8	44.3	14.9	12.9	9.0	7.8	8.2	4.9	3.9	1.4	1.3	1.1	0.5	0.5	0.5	11.8	15.0	14.9	200	13.0	24.1
Tata Steel	634	BUY	642,827	14,553	1,013	64.4	69.7	87.5	(2,051.8)	8.2	25.6	9.8	9.1	7.3	7.0	6.1	5.0	1.8	1.6	1.3	1.2	—	—	22.4	18.4	19.5	710	11.9	99.3
Metals & Mining		Attractive	5,993,687	135,696					37.0	25.7	14.1	14.7	11.7	10.2	9.1	7.3	6.1	2.8	2.3	1.9	1.0	1.1	1.2	18.9	19.6	18.8			
Pharmaceutical																													
Apollo Hospitals	482	BUY	62,015	1,404	129	14.0	19.0	22.1	28.2	35.7	16.0	34.3	25.3	21.8	15.1	12.0	10.5	3.4	3.0	2.6	—	—	—	10.4	12.1	12.2	565	17.3	1.9
Biocon	361	BUY	72,150	1,633	200	18.9	22.7	25.9	27.7	20.0	13.8	19.0	15.9	13.9	11.1	9.6	8.0	3.5	2.9	2.5	—	—	—	19.9	20.4	19.7	445	23.4	4.3
Cipla	320	REDUCE	256,895	5,816	803	12.1	16.0	18.5	(11.9)	32.3	15.6	26.5	20.0	17.3	21.1	15.6	13.0	3.9	3.3	2.9	0.8	0.8	0.8	15.4	17.9	—	300	(6.2)	11.1
Cadila Healthcare	806	ADD	164,986	3,735	205	33.3	38.2	47.7	34.9	14.7	24.7	24.2	21.1	16.9	19.6	15.7	12.7	7.6	5.9	4.7	0.8	0.9	1.2	35.9	31.6	31.0	880	9.2	1.8
Dishman Pharma & chemicals	106	SELL	8,605	195	81	8.8	8.2	9.8	(39.2)	(6.4)	19.1	12.1	12.9	10.8	10.6	8.0	7.1	1.0	0.9	0.9	—	—	—	8.7	7.6	8.5	85	(19.7)	0.4
Divi's Laboratories	687	REDUCE	91,099	2,062	133	26.8	37.1	45.7	3.9	38.6	23.4	25.7	18.5	15.0	20.2	13.5	10.7	5.2	4.4	3.6	—	—	—	21.7	25.6	26.3	700	1.9	2.1
GlaxoSmithkline Pharmaceuticals (a)	2,130	REDUCE	180,409	4,084	85	68.3	79.5	90.4	15.5	16.4	13.8	31.2	26.8	23.5	21.0	17.8	15.3	9.3	8.5	7.7	—	—	—	31.0	33.0	34.4	2,000	(6.1)	1.9
Glenmark Pharmaceuticals	302	REDUCE	84,585	1,915	280	17.6	20.6	25.9	38.3	17.3	25.9	17.2	14.7	11.6	15.2	12.2	10.0	3.0	2.6	2.1	—	—	—	18.4	18.2	19.3	330	9.3	5.1
Jubilant Life Sciences	179	REDUCE	28,475	645	159	14.6	16.9	(0.6)	(45.1)	15.9	(103.4)	12.3	10.6	(314.8)	10.1	8.2	7.1	1.3	1.2	1.1	1.1	1.4	2.0	11.9	12.1	—	220	23.1	0.9
Lupin	406	ADD	180,481	4,086	445	17.6	22.4	25.8	15.0	26.9	15.3	23.0	18.1	15.7	19.0	14.8	12.5	5.6	4.5	3.7	0.9	1.1	1.1	27.3	28.0	—	465	14.6	9.4
Ranbaxy Laboratories	461	SELL	197,621	4,474	428	23.4	20.3	21.9	231.8	(13.3)	7.6	19.7	22.7	21.1	14.4	15.1	14.5	3.6	3.1	2.6	—	—	—	19.5	13.9	13.0	365	(20.9)	10.1
Sun Pharmaceuticals	444	ADD	459,703	10,408	1,036	17.4	19.7	24.1	33.4	13.1	22.6	25.5	22.5	18.4	21.3	17.5	13.9	4.8	4.0	3.3	0.6	0.6	0.6	21.0	19.9	20.5	480	8.1	11.5
Pharmaceuticals		Cautious	2,156,226	48,817					17.5	16.9	4.3	24.9	21.3	20.4	16.8	13.8	13.4	3.6	3.1	2.9	0.5	0.5	0.5	14.5	14.6	14.3			
Property																													
DLF	271	ADD	464,343	10,513	1,714	10.0	13.8	22.4	(5.5)	37.3	62.7	27.0	19.7	12.1	16.3	13.5	8.5	1.5	1.4	1.3	1.1	1.8	1.8	5.5	7.3	11.1	265	(2.2)	40.2
Housing Development & Infrastructure	196	ADD	86,591	1,960	441	23.0	28.4	34.2	44.0	23.9	20.1	8.6	6.9	5.7	9.5	5.8	4.1	0.9	0.8	0.7	—	—	—	11.8	12.5	13.1	180	(8.3)	27.4
Indiabulls Real Estate	139	RS	55,874	1,265	402	3.1	8.5	15.5	(865.5)	178.9	81.5	45.6	16.3	9.0	60.7	18.0	8.0	0.5	0.5	0.4	—	—	—	1.0	2.9	5.1	—	—	12.0
Mahindra Life Space Developer	397	BUY	16,216	367	41	21.0	29.7	35.0	9.8	41.1	18.0	18.9	13.4	11.3	16.0	9.4	7.2	1.6	1.4	1.3	1.0	1.1	1.3	8.8	11.4	12.2	435	9.5	0.4
Oberoi Realty	250	BUY	82,370	1,865	330	18.7	24.9	44.0	36.9	32.7	77.2	13.3	10.1	5.7	9.3	6.1	3.0	2.4	2.0	1.5	0.4	0.6	1.0	23.3	21.5	29.8	305	22.1	0.3
Phoenix Mills	205	BUY	29,664	672	145	6.1	7.6	11.6	48.6	24.2	51.4	33.3	26.8	17.7	24.8	19.1	13.3	1.8	1.8	1.6	0.7	1.0	1.0	5.7	6.7	9.6	300	46.5	0.5
Puravankara Projects	110	REDUCE	23,573	534	213	7.3	8.8	15.0	7.6	19.9	70.6	15.1	12.6	7.4	16.9	12.1	6.4	1.5	1.4	1.2	1.8	1.8	—	10.5	11.6	17.4	100	(9.5)	0.1
Sobha Developers	321	BUY	31,488	713	98	18.8	24.0	31.9	33.4	27.9	33.0	17.1	13.4	10.1	13.1	10.1	7.4	1.7	1.5	1.3	0.4	0.5	—	10.1	11.7	13.7	380	18.3	2.1
Unitech	45	RS	120,917	2,738	2,666	2.4	3.9	5.3	(21.3)	62.1	37.1	19.0	11.7	8.5	19.2	10.8	7.3	1.0	0.9	0.8	—	—	—	5.6	8.3	10.3	—	—	41.2
Property		Cautious	911,035	20,626					15.2	42.0	51.2	20.1	14.1	9.4	15.5	11.0	6.9	1.2	1.1	1.0	0.7	1.1	1.1	6.1	8.1	11.1			

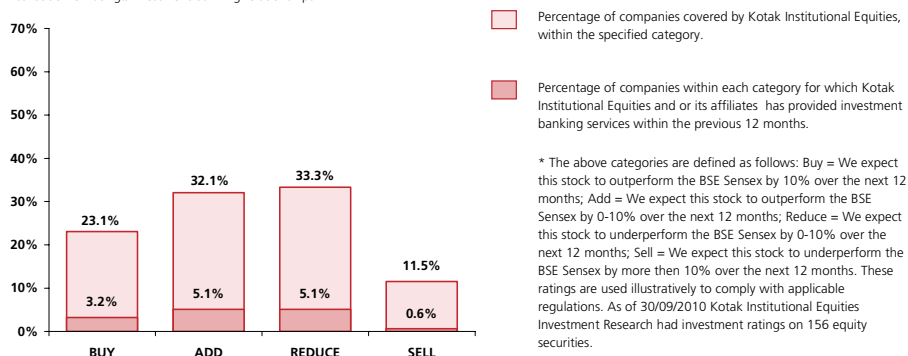
Kotak Institutional Equities: Valuation summary of key Indian companies

	6-Apr-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	(Rs)	(%)	(US\$ mn)
Sugar																													
Bajaj Hindustan	82	SELL	15,615	354	191	(7.9)	0.2	6.4	(343.6)	(102.5)	3,238.8	(10.4)	423.1	12.7	10.7	6.4	4.7	0.7	0.7	0.7	0.9	0.9	0.9	(7.1)	0.2	5.8	80	(2.0)	3.6
Balrampur Chini Mills	76	ADD	19,398	439	257	0.8	8.3	8.4	(89.9)	974.0	1.0	97.5	9.1	9.0	12.7	5.7	4.7	1.4	1.3	1.1	0.6	0.6	0.6	1.5	14.8	13.1	90	19.1	3.0
Shree Renuka Sugars	76	REDUCE	50,905	1,152	670	10.5	4.6	7.0	214.4	(56.2)	53.4	7.2	16.6	10.8	5.0	3.3	2.4	2.0	1.7	1.4	1.3	1.3	1.3	34.4	11.9	16.3	75	(1.3)	17.6
Sugar		Cautious	85,917	1,945					19.1	(8.3)	54.5	15.0	16.4	10.6	7.5	4.5	3.2	1.4	1.3	1.1	1.1	1.1	1.1	9.6	7.8	10.7			
Technology																													
HCL Technologies	492	REDUCE	346,649	7,848	705	22.8	29.6	34.1	30.3	29.4	15.3	21.5	16.6	14.4	13.1	10.3	8.8	4.4	3.8	3.2	1.5	1.6	1.6	21.7	24.5	24.4	440	(10.5)	12.5
Hexaware Technologies	70	BUY	20,443	463	291	3.0	5.7	6.5	(36.5)	90.9	14.4	23.7	12.4	10.8	18.2	9.0	7.3	2.1	1.9	1.7	2.1	1.8	2.1	9.4	16.1	16.3	68	(3.2)	4.5
Infosys Technologies	3,275	BUY	1,879,936	42,561	574	120.0	155.2	184.9	10.8	29.3	19.1	27.3	21.1	17.7	19.0	14.7	12.1	7.3	5.9	4.9	1.8	1.4	1.7	28.1	30.9	30.2	3,700	13.0	83.3
Mahindra Satyam	75	REDUCE	88,435	2,002	1,176	3.1	4.3	5.6	24.7	37.4	32.5	24.3	17.7	13.3	15.1	9.0	6.4	4.2	4.0	3.2	—	—	—	18.5	23.2	26.9	70	(6.9)	10.9
Mindtree	398	REDUCE	16,382	371	41	23.8	33.8	38.4	(54.5)	42.3	13.5	16.7	11.8	10.4	8.5	5.8	4.8	2.1	1.8	1.6	0.6	0.8	2.9	13.6	16.8	16.7	370	(7.0)	0.9
Mphasis BFL	442	SELL	93,213	2,110	211	51.8	37.3	38.1	18.8	(28.0)	2.2	8.5	11.9	11.6	7.3	8.7	7.5	2.8	2.3	2.0	0.9	1.0	1.1	38.6	21.6	18.6	420	(5.1)	11.5
Polaris Software Lab	209	SELL	20,812	471	100	19.5	19.5	21.5	26.8	0.3	9.8	10.7	10.7	9.7	8.7	7.3	6.6	2.0	1.8	1.6	1.8	1.9	2.0	20.5	17.7	17.0	175	(16.2)	5.0
TCS	1,222	BUY	2,391,405	54,141	1,957	44.4	54.0	62.7	26.4	21.6	16.1	27.5	22.6	19.5	20.4	15.9	13.4	9.4	7.7	6.3	1.5	1.8	2.1	37.4	37.2	35.6	1,350	10.5	49.4
Tech Mahindra	736	REDUCE	91,153	2,064	124	65.1	65.9	71.2	(0.1)	1.3	8.1	11.3	11.2	10.3	9.9	9.2	8.5	2.5	2.2	1.9	0.3	0.3	1.4	26.3	22.1	20.8	720	(2.1)	5.0
Wipro	466	ADD	1,140,024	25,810	2,447	21.7	25.6	28.4	15.2	17.7	11.2	21.5	18.2	16.4	15.8	12.8	11.1	4.8	3.9	3.3	0.9	1.2	1.3	24.4	23.7	22.0	525	12.7	16.8
Technology		Attractive	6,167,962	139,641					17.4	20.0	15.4	23.8	19.8	17.2	17.2	13.7	11.6	6.3	5.2	4.4	1.6	1.5	1.7	26.3	26.2	25.3			
Telecom																													
Bharti Airtel	353	REDUCE	1,341,692	30,376	3,798	17.1	21.3	24.9	(27.7)	24.6	16.7	20.7	16.6	14.2	9.8	7.7	6.5	2.8	2.4	2.0	—	—	—	14.3	15.3	15.4	305	(13.7)	33.0
IDEA	67	REDUCE	220,262	4,987	3,300	2.4	1.2	2.6	(11.2)	(48.9)	107.7	27.5	53.8	25.9	9.4	8.2	6.6	1.8	1.8	1.6	—	—	—	6.9	3.5	6.8	55	(17.6)	7.0
MTNL	50	SELL	31,563	715	630	(10.4)	(9.1)	(8.4)	(33.7)	(11.9)	(8.1)	(4.8)	(5.5)	(6.0)	(0.7)	(1.0)	(1.2)	0.3	0.3	0.3	—	—	—	(6.1)	(5.7)	(5.5)	35	(30.1)	1.2
Reliance Communications	111	SELL	236,496	5,354	2,133	6.9	7.9	11.3	(65.2)	15.0	43.6	16.2	14.0	9.8	8.5	7.7	6.4	0.5	0.5	0.5	—	—	—	3.3	3.7	5.1	90	(18.8)	31.0
Tata Communications	256	REDUCE	73,031	1,653	285	15.2	15.7	15.9	8.2	3.5	1.5	16.9	16.3	16.1	7.8	7.3	6.9	1.0	1.0	0.9	2.9	3.3	3.5	5.5	5.5	5.4	225	(12.2)	2.1
Telecom		Cautious	1,903,044	43,085					(38.9)	17.9	25.7	22.3	18.9	15.0	9.6	7.9	6.6	1.5	1.4	1.3	0.1	0.1	0.1	6.9	7.6	8.7			
Utilities																													
Adani Power	119	ADD	258,875	5,861	2,180	2.8	16.5	20.0	252.0	500.1	20.7	43.1	7.2	5.9	36.0	6.7	4.9	4.1	2.6	1.8	—	—	—	9.9	44.1	35.8	140	17.9	4.0
CESC	322	BUY	40,192	910	125	36.6	42.7	51.6	5.8	16.8	20.7	8.8	7.5	6.2	5.5	6.3	6.0	0.8	0.8	0.7	1.4	1.7	1.9	10.2	10.8	11.6	459	42.7	1.0
JSW Energy	84	REDUCE	138,170	3,128	1,640	5.2	10.3	7.9	14.2	97.6	(22.8)	16.2	8.2	10.6	13.7	5.8	5.6	2.5	1.9	1.6	—	—	—	16.3	26.0	16.3	82	(2.7)	2.1
Lanco Infratech	43	BUY	94,922	2,149	2,223	3.1	4.9	5.1	44.5	59.8	3.1	13.9	8.7	8.4	12.2	8.0	7.8	2.2	1.7	1.4	—	—	—	17.9	22.0	18.1	65	52.2	9.9
NHPC	26	BUY	319,204	7,227	12,301	1.5	1.7	2.1	(19.4)	15.6	20.0	17.4	15.0	12.5	12.8	10.1	8.5	1.2	1.1	1.1	1.5	1.8	2.2	7.1	7.8	8.9	28	7.9	3.7
NTPC	192	REDUCE	1,581,480	35,804	8,245	10.1	11.9	13.5	(3.2)	17.6	12.8	18.9	16.1	14.3	17.2	13.2	12.1	2.3	2.1	1.9	1.8	2.1	2.4	12.6	13.7	14.2	195	1.7	8.8
Reliance Infrastructure	694	BUY	185,745	4,205	267	60.8	70.8	84.0	(1.9)	16.3	18.7	11.4	9.8	8.3	8.7	6.6	5.0	0.8	0.7	0.7	1.3	1.5	1.6	9.1	10.7	12.8	1,030	48.3	49.9
Reliance Power	137	SELL	383,033	8,672	2,805	2.9	4.0	2.5	0.1	38.4	(36.7)	47.8	34.5	54.5	251.1	53.8	20.9	2.3	2.2	2.1	—	—	—	5.2	6.6	4.0	115	(15.8)	13.6
Tata Power	1,303	ADD	321,638	7,282	247	70.7	84.4	110.6	11.3	19.4	31.0	18.4	15.4	11.8	12.8	11.9	8.6	2.3	2.1	1.8	1.1	1.2	1.3	13.0	14.0	16.2	1,415	8.6	8.7
Utilities		Cautious	3,323,258	75,238					3.4	41.2	11.6	19.6	13.9	12.4	17.7	11.6	9.6	2.0	1.8	1.6	1.2	1.4	1.6	10.0	12.7	12.7			
Others																													
Havells India	387	ADD	48,294	1,093	125	23.2	28.9	32.0	278.2	24.5	10.7	16.7	13.4	12.1	11.1	8.9	7.7	7.0	4.7	3.5	0.6	0.7	0.8	52.1	42.4	33.3	425	9.8	2.1
Jaiprakash Associates	99	BUY	218,334	4,943	2,214	5.1	5.6	5.4	188.8	11.6	(4.3)	19.5	17.5	18.3	13.2	11.5	11.1	2.2	2.0	1.9	—	—	—	12.2	12.1	10.6	135	36.9	32.1
Jet Airways	489	BUY	42,237	956	86	15.7	38.7	70.8	(122.5)	146.7	82.9	31.2	12.6	6.9	8.2	7.2	5.9	2.3	1.9	1.5	—	—	—	7.5	16.4	24.4	650	32.9	18.0
Sintex	165	SELL	44,934	1,017	272	14.8	16.1	18.1	22.1	9.0	12.6	11.2	10.3	9.1	9.2	8.0	7.2	1.8	1.5	1.3	0.8	0.8	0.8	16.0	14.9	14.4	140	(15.3)	5.8
SpiceJet	46	BUY	18,619	422	403	4.3	4.6	6.3	69.4	7.0	36.9	10.7	10.0	7.3	7.3	10.2	7.2	4.8	3.2	2.3	—	—	—	766.4	38.6	36.3	65	40.7	4.3
Tata Chemicals	351	REDUCE	85,395	1,933	243	26.8	35.4	44.2	1.5	31.9	24.8	13.1	9.9	7.9	6.3	4.8	3.9	1.6	1.4	1.2	2.7	2.7	3.4	16.9	19.3	—	370	5.4	3.2
United Phosphorus	151	BUY	69,974	1,584	462	12.9	17.6	20.7	8.3	37.3	17.1	11.8	8.6	7.3	6.0	4.9	4.0	1.8	1.6	1.3	1.3	1.3	1.7	17.5	19.4	19.1	220	45.4	4.8
Others			527,787	11,949					133.0	26.1	17.4	15.7	12.4	10.6	9.9	8.7	7.9	2.2	1.9	1.6	0.7	0.8	0.9	13.8	15.0	15.2			
KS universe (b)			51,148,551	1,157,993					20.7	21.4	16.9	17.0	14.0	12.0	10.8	8.8	7.4	2.7	2.3	2.0	1.4	1.5	1.7	15.7	16.6	17.0			
KS universe (b) ex-Energy			42,473,173	961,584					20.7	23.4	18.1	18.6	15.1	12.8	12.8	10.1	8.5	3.0	2.6	2.2	1.1	1.3	1.5	15.9	17.0	17.4			
KS universe (d) ex-Energy & ex-Commodities			35,398,233	801,409					19.8	22.6	18.9	19.5	15.9	13.4	14.2	11.3	9.4	3.0	2.6	2.3	1.2	1.3	1.5	15.5	16.6	17.2			

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Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of September 30, 2010

Ratings and other definitions/identifiers

Definitions of ratings

BUY. We expect this stock to outperform the BSE Sensex by 10% over the next 12 months.

ADD. We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months.

REDUCE. We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months.

SELL. We expect this stock to underperform the BSE Sensex by more than 10% over the next 12 months.

Our target price are also on 12-month horizon basis.

Other definitions

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