

December 28, 2007

India Strategy Friday Flash

BSE-30: 20,217

India

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**Kotak Institutional Equities
Research**

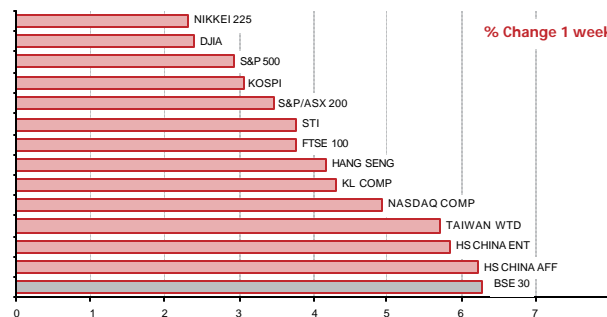
Important disclosures appear at the back of this report.

Ending on a cheerful note. During the last week of CY2007, Sensex gained 1,054 points (5.5%) closing at 20,217 backed by (1) positive global clues and (2) conclusion of Gujarat assembly elections. The rise was mainly led by Reliance Industries, ICICI Bank and Infosys. Crude surged 3.8% to close at US\$94.6/bbl. FII flows were negative with net outflow of US\$365 mn from Indian equities.

Market highlights for the week ending Thursday, December 27, 2007

- Largest gainers: Mahindra & Mahindra Financial Services (22%), VSNL (21%), Educomp Solutions (18%)
- Largest losers: Nicholas Piramal (-7%), Shree Cement (-7%), ACC (-6%)
- CYTD institutional investments: FII-US\$16.6 bn; MF-US\$1.2 bn

Performance of BSE-30 Index versus regional indices



Source: Bloomberg, SEBI.

Flows in the cash markets

Date	Taiwan	Indonesia	Philippines	Thailand	India	Total
Investments in past week (US\$ mn)						
18-Dec-07	(168)	(31)	(36)	(5)	(607)	(848)
19-Dec-07	10	(8)	(23)	(1)	(271)	(293)
20-Dec-07	67	—	(18)	(3)	(128)	(81)
24-Dec-07	134	—	—	—	42	175
26-Dec-07	46	10	2	—	600	659
Total	89	(29)	(74)	(9)	(365)	(388)

Our top recommendations

Exhibit 1: Kotak Institutional Equities, Top 10, 27 December, 2007

Companies	Sector	Rating	Mkt cap.	CMP	Target	EPS (Rs)			P/E (X)			EV/EBDITA (X)		
			(US\$ mn)	(Rs)	(Rs)	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E
ICICI Bank	Banking	ADD	34,848	1,242	1,200	34.6	35.7	47.3	35.9	34.8	26.3	—	—	—
Larsen & Toubro	Industrials	BUY	30,372	4,161	4,050	62.8	91.1	122.9	66.2	45.6	33.9	41.2	28.6	21.2
ITC	Consumer Products	BUY	19,301	203	225	7.2	8.3	9.6	28.2	24.4	21.2	18.0	15.5	13.0
Maruti Suzuki	Automobiles	BUY	7,292	995	1,200	54.0	75.3	88.9	18.4	13.2	11.2	10.8	7.8	6.5
Mahindra & Mahindra	Automobiles	BUY	5,420	828	875	37.4	44.1	44.5	22.1	18.8	18.6	14.9	13.5	12.5
Infosys Technologies	Technology	BUY	26,273	1,804	2,200	67.0	80.4	98.4	26.9	22.4	18.3	22.2	18.4	14.2
Suzlon Energy	Industrials	ADD	14,833	1,938	2,250	30.0	39.6	68.8	64.5	49.0	28.1	43.8	29.5	18.8
Hindalco Industries	Metals	BUY	6,989	211	210	19.6	17.5	15.9	10.7	12.1	13.2	7.8	7.3	7.4
Mid-cap. banking basket														
Andhra Bank	Banking	BUY	1,288	105	120	11.1	12.6	13.5	9.4	8.3	7.8	—	—	—
Corporation Bank	Banking	BUY	1,556	428	470	37.4	44.7	49.2	11.4	9.6	8.7	—	—	—
Federal Bank	Banking	ADD	872	321	330	34.2	40.2	33.0	9.4	8.0	9.7	—	—	—
J&K Bank	Banking	ADD	1,021	830	850	56.6	66.0	71.3	14.7	12.6	11.6	—	—	—
Union Bank	Banking	BUY	2,598	203	230	16.7	21.7	26.4	12.1	9.3	7.7	—	—	—
Mid-cap. infrastructure basket														
IVRCL	Construction	BUY	1,781	521	570	12.4	13.5	20.4	42.0	38.7	25.6	32.0	20.0	14.5
Kalpataru Power Transmission	Transmission	ADD	1,195	1,778	1,800	60.2	77.4	91.8	29.5	23.0	19.4	18.4	14.7	12.0
Maharashtra Seamless	Industrials	BUY	1,050	585	680	33.5	37.8	45.0	17.4	15.5	13.0	10.7	9.1	7.2
Nagarjuna Construction Co.	Construction	BUY	2,047	349	365	6.5	9.2	12.7	53.4	38.0	27.4	33.2	20.9	16.0
Sadbhav Engineering	Construction	BUY	437	1,314	1,385	23.7	43.9	69.5	55.5	30.0	18.9	30.6	17.0	10.4
BSE-30				20,217										

Source: Company, Bloomberg, Kotak Institutional Equities.

Our model portfolio

Exhibit 2: Kotak Institutional Equities Model Portfolio

Company	27-Dec		Weightage (%)		Diff. (bps)
	Price (Rs)	Rating	BSE-30	KS reco.	
Bajaj Auto	2,672	BUY	1.3	—	(134)
Mahindra & Mahindra	828	BUY	1.2	2.7	150
Maruti Suzuki	995	BUY	1.1	2.6	150
Tata Motors	737	BUY	1.4	1.4	—
Automobiles			5.1	6.7	166
Punjab National Bank	660	BUY	—	1.0	100
State Bank of India	2,383	ADD	4.3	3.3	(100)
PSU Banking			4.3	4.3	—
HDFC	2,904	REDUCE	5.6	4.1	(150)
HDFC Bank	1,745	REDUCE	3.6	—	(364)
ICICI Bank	1,242	ADD	10.5	12.0	150
Pvt Banking/Financing			19.7	16.1	(364)
ACC	1,003	SELL	0.9	—	(89.3)
Ambuja Cements	145	SELL	1.0	—	(100)
Grasim Industries	3,590	ADD	1.9	1.9	—
Cement			3.8	1.9	(190)
Hindustan Unilever	215	ADD	1.7	—	(171)
ITC	203	BUY	3.6	5.1	150
Consumers			5.4	5.1	(21)
HPCL	335	ADD	—	1.0	100
Oil & Natural Gas Corporation	1,241	REDUCE	4.0	3.0	(100)
Reliance Industries	2,894	RS	13.3	11.4	(195)
Energy			17.3	15.3	(195)
Bharat Heavy Electricals	2,557	ADD	3.3	3.3	—
Larsen & Toubro	4,161	BUY	8.2	9.7	150
Suzlon Energy	1,938	ADD	—	1.5	150
Industrials			11.5	14.5	300
Hindalco Industries	211	BUY	1.4	2.9	150
Jindal Steel & Power	14,404	ADD	—	1.0	100
Sterlite Industries	1,038	ADD	—	1.5	150
Tata Steel	906	REDUCE	3.8	2.3	(150)
Metals			5.2	7.7	250

Company	27-Dec		Weightage (%)		Diff. (bps)
	Price (Rs)	Rating	BSE-30	KS reco.	
Cipla	216	REDUCE	0.7	—	(74)
Dr Reddy's	719	BUY	—	1.0	100
Ranbaxy Laboratories	412	BUY	0.8	—	(78)
Pharmaceuticals			1.5	1.0	(53)
DLF	1,010	ADD	1.7	1.7	—
Housing Development & Infrastructure	986	BUY	—	1.0	100
Real estate			1.7	2.7	100
Infosys Technologies	1,804	BUY	6.1	7.6	150
Satyam Computer Services	451	BUY	2.0	2.5	50
TCS	1,100	ADD	1.9	1.9	—
Wipro	549	BUY	1.1	—	(108)
Technology			11.0	12.0	92
Bharti Airtel Limited	966	REDUCE	5.2	2.4	(275)
Reliance Communications	731	SELL	4.0	1.5	(250)
Telecom			9.2	3.9	(525)
NTPC	240	ADD	2.3	1.3	(100)
Reliance Energy	2,135	NR	2.1	—	(210)
Tata Power	1,355	ADD	—	1.5	150
Utilities			4.4	2.8	(160)
Andhra Bank	105	BUY	—	0.6	60
Corporation Bank	428	BUY	—	0.6	60
Federal Bank	321	ADD	—	0.6	60
J&K Bank	830	ADD	—	0.6	60
Union Bank	203	BUY	—	0.6	60
Banking basket			—	3.0	300
IVRCL	521	BUY	—	0.6	60
Kalpataru Power Transmission	1,778	ADD	—	0.6	60
Maharashtra Seamless	585	BUY	—	0.6	60
Nagarjuna Construction Co.	349	BUY	—	0.6	60
Sadbhav Engineering	1,314	BUY	—	0.6	60
Infrastructure basket			—	3.0	300
BSE-30	20,217		100.0	100.0	—

Note:

(a) Weightages are with respect to December 12, 2007 prices.

Source: BSE, Bloomberg, Kotak Institutional Equities.

Sensex valuation summary

Exhibit 3: Valuation summary of BSE-30 sectors, 27 December, 2007

	Mkt-cap. (US\$ mn)	EPS growth (%)				PER (X)			EV/EBITDA (X)		Price/BV (X)		Div Yield (%)		RoE (%)	
		2006	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2007	2008E	2007	2008E	2007	2008E
Automobiles	27,569	31.0	27.6	12.2	17.2	19.0	16.9	14.4	11.9	10.7	4.6	3.6	1.3	1.3	24.0	21.5
Banking	103,132	13.3	14.2	31.7	12.9	39.2	29.8	26.4	—	—	6.5	4.0	0.6	0.7	16.5	13.5
Consumers	31,357	21.2	19.8	14.9	15.3	29.1	25.3	21.9	19.9	16.0	9.1	8.3	2.2	2.8	31.2	33.0
Cement	18,740	27.7	89.5	21.5	10.6	17.0	14.0	12.7	9.9	7.8	4.5	3.5	1.1	1.4	26.5	25.1
Energy	159,428	16.9	21.9	23.6	18.0	21.0	17.0	14.4	10.4	9.1	3.9	3.3	1.3	1.4	18.5	19.6
Industrials	62,132	59.6	52.0	37.6	31.9	58.4	42.4	32.2	33.7	25.1	14.9	11.3	0.3	0.4	25.5	26.7
Metals	26,759	6.3	33.1	(0.6)	3.3	15.2	15.3	14.8	9.7	8.8	3.6	2.1	1.1	1.2	23.5	14.0
Pharmaceuticals	8,144	(26.3)	39.6	12.7	4.7	27.2	24.2	23.1	19.2	16.3	5.4	4.8	1.5	1.7	19.9	19.7
Property	38,325	121.6	913.2	309	30.7	77.8	19.0	14.5	55.1	15.1	38.1	7.5	—	0.6	49.0	39.5
Technology	81,477	28.6	44.4	20.9	21.8	26.5	21.9	18.0	19.7	16.0	8.9	6.9	1.0	1.4	33.5	31.7
Telecom	84,425	(107.4)	182.9	68.9	29.7	45.9	27.2	21.0	24.4	15.6	9.6	7.2	0.0	0.2	20.9	26.4
Utilities	62,523	17.0	16.1	11.4	9.2	32.4	29.0	26.6	17.2	17.4	4.2	3.9	1.1	1.3	12.9	13.3
BSE-30	704,011	20.7	36.0	29.9	18.5	29.0	22.3	18.8	15.8	12.7	6.0	4.6	0.9	1.1	20.7	20.4
BSE-30 ex-Energy	544,583	22.8	43.5	32.8	18.7	32.6	24.5	20.7	19.3	14.8	7.1	5.1	0.7	1.0	21.8	20.8
BSE-30 ex-Energy, Com.	499,084	25.2	42.2	38.0	20.7	36.0	26.1	21.6	22.0	16.3	7.7	5.6	0.7	0.9	21.3	21.5

Source: Company reports, Kotak Institutional Equities estimates.

Nifty valuation summary

Exhibit 4: Valuation summary of Nifty sectors, 27 December 2007

	Mkt cap. (US\$ mn)	EPS growth (%)				PER (X)			EV/EBITDA (X)			Price/BV (X)		Div Yield (%)		RoE (%)	
		2006	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2007E	2008E	2007E	2008E
Automobiles	31,134	28.9	20.6	10.7	16.1	18.6	16.8	14.5	11.5	10.4	8.9	4.6	3.7	1.4	1.4	24.8	22.1
Banking	108,402	11.6	13.2	29.7	11.7	35.9	27.7	24.8	—	—	—	5.9	3.8	0.7	0.7	16.6	13.9
Consumers	31,355	21.2	19.8	14.9	15.3	29.1	25.3	21.9	19.9	16.0	13.7	9.1	8.3	2.2	2.8	31.2	33.0
Cement	18,739	27.7	89.5	21.5	10.6	17.0	14.0	12.7	9.9	7.8	6.8	4.5	3.5	1.1	1.4	26.5	25.1
Energy	202,837	8.8	28.8	18.4	19.3	22.7	19.2	16.1	11.3	10.3	8.5	3.8	3.3	1.3	1.3	16.7	17.4
Industrials	92,189	65.7	43.8	38.7	39.7	62.9	45.3	32.5	36.7	26.7	19.4	16.2	12.3	0.3	0.4	25.8	27.1
Metals	41,971	20.7	65.6	(6.3)	0.6	11.9	12.7	12.6	6.9	6.6	6.5	3.4	2.0	1.0	1.0	28.7	16.0
Media	3,492	(34.6)	11.2	52.0	41.7	58.0	38.2	26.9	43.7	21.6	16.1	5.3	4.8	0.5	0.6	9.1	12.6
Property	19,124	151.9	1,389.1	37.5	50.3	57.8	42.0	28.0	37.3	28.6	20.1	37.8	20.9	-	0.2	65.4	49.8
Telecom	92,686	(53.9)	133.2	61.1	28.6	44.6	27.7	21.5	23.2	15.1	11.7	7.0	5.6	0.2	0.5	15.6	20.2
Technology	87,083	28.3	46.8	19.0	21.6	25.6	21.5	17.7	18.9	15.6	12.3	8.3	6.6	1.1	1.5	32.3	30.9
Utilities	70,528	18.4	14.8	12.9	11.0	34.0	30.1	27.1	18.0	18.1	18.4	4.3	3.9	1.0	1.3	12.6	13.0
NIFTY	819,232	18.4	39.6	19.6	18.2	27.7	23.1	19.6	15.0	13.2	11.2	5.5	4.3	0.9	1.1	19.9	18.8
NIFTY ex-Energy	616,394	23.8	44.9	20.1	17.7	29.8	24.8	21.1	17.2	14.8	12.7	6.4	4.8	0.8	1.0	21.6	19.4
NIFTY ex-Energy ex Com	574,423	24.3	41.2	25.5	20.3	33.5	26.7	22.2	20.2	16.7	13.9	6.9	5.4	0.8	1.0	20.5	20.1

Note:

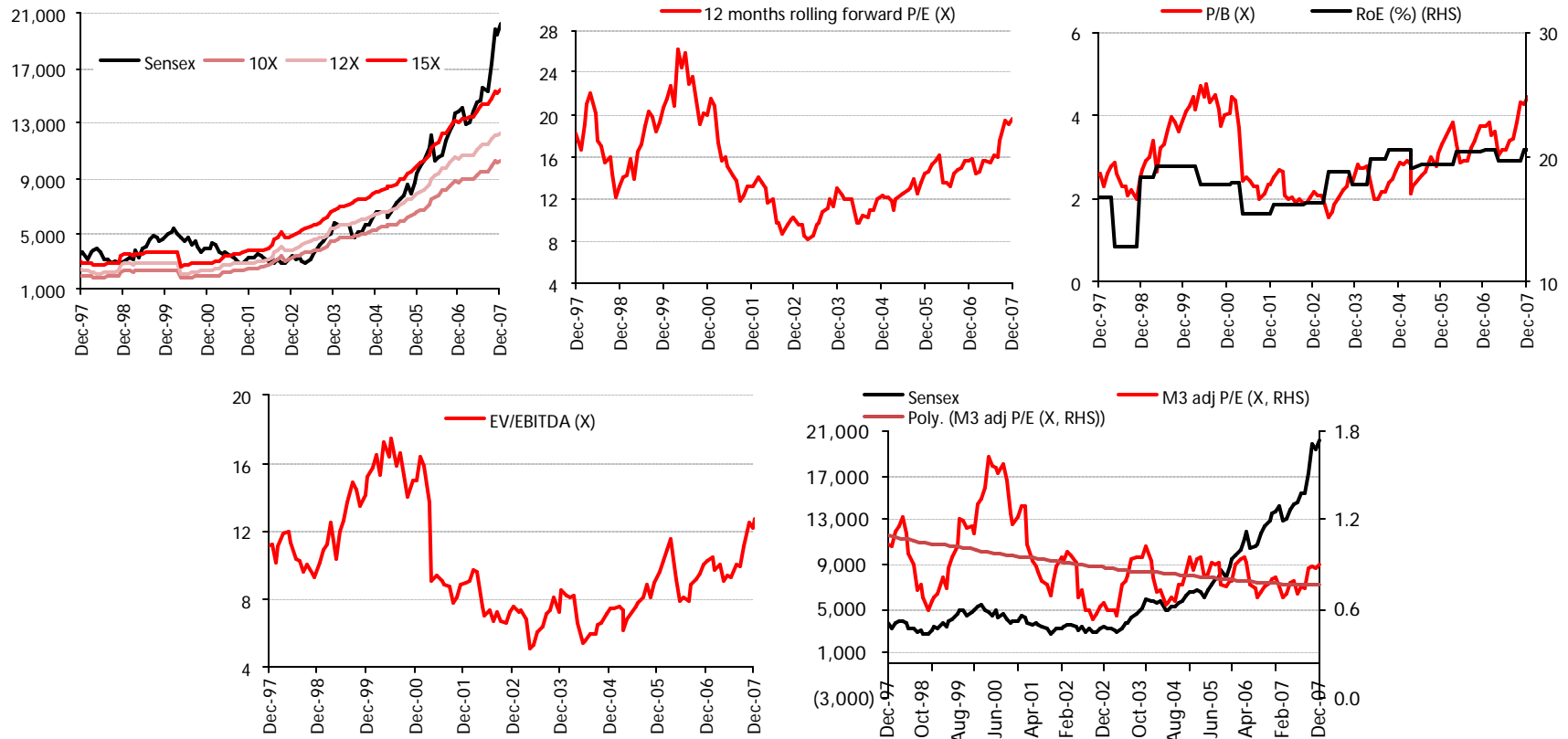
(a) Following companies are excluded: SAIL

Source: Company reports, Kotak Institutional Equities estimates.

BSE-Sensex key parameters

Exhibit 5: Key fundamental indicators of BSE Sensex

Sensex (BSE-30) P/B, EV/EBITDA and 12-month forward rolling P/E, December 1997 - current



Source: Bloomberg, Company reports, Kotak Institutional Equities.

Market performance

- Performance of benchmark indices
- Performance of global indices
- Pricing performance of Sensex sectors
- Top gainers and losers (Stocks under Kotak coverage)
- Price-to-Earnings ratio analysis
- EV-to-EBITDA ratio analysis
- Volume momentum analysis

Relative performance of Indian markets

Exhibit 6: Key performance of benchmark indices
(base 100 as of December 13, 2006)

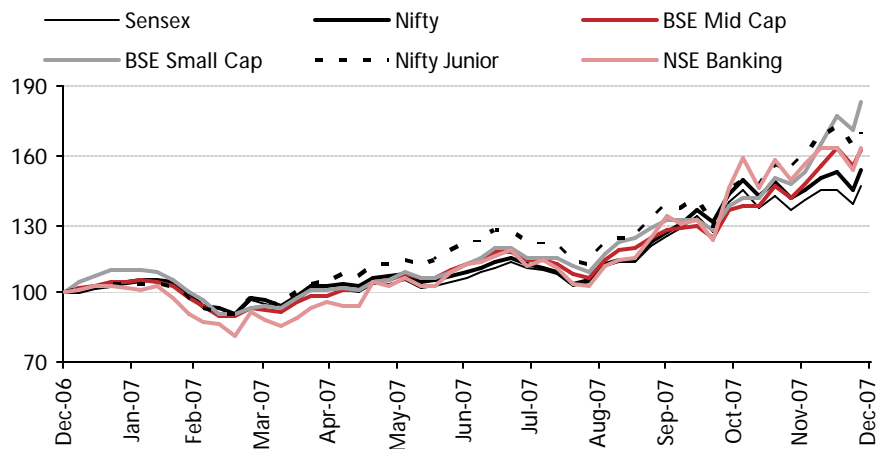


Exhibit 7: Weekly performance of the benchmark indices

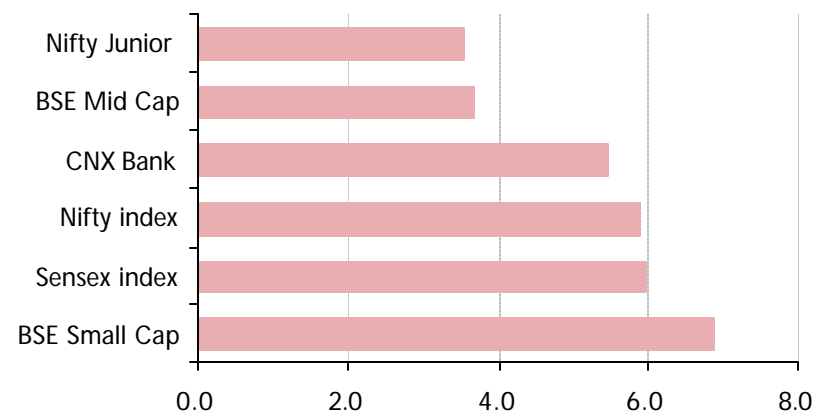


Exhibit 8: 1-month performance of the benchmark indices

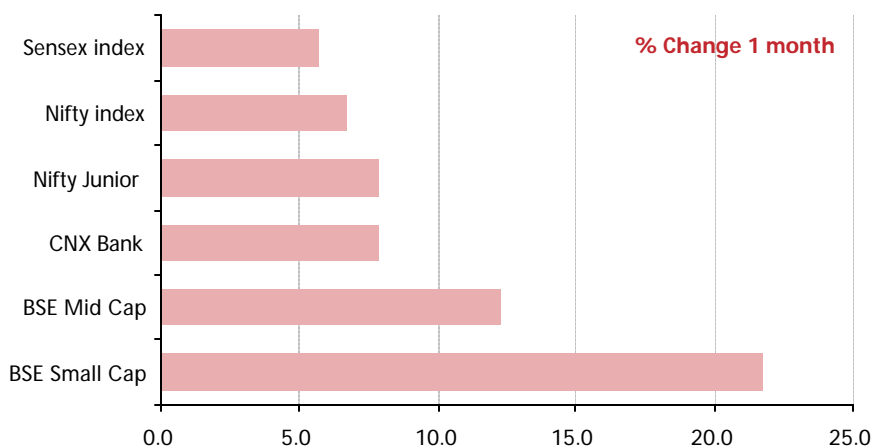
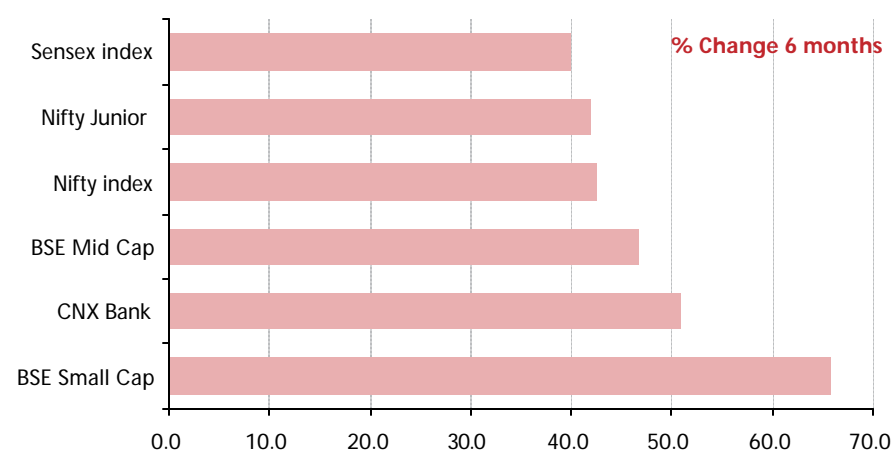


Exhibit 9: 6-month performance of the benchmark indices



Source: Bloomberg, Kotak Institutional Equities.

BSE-Sensex versus regional indices

Exhibit 10: Weekly performance

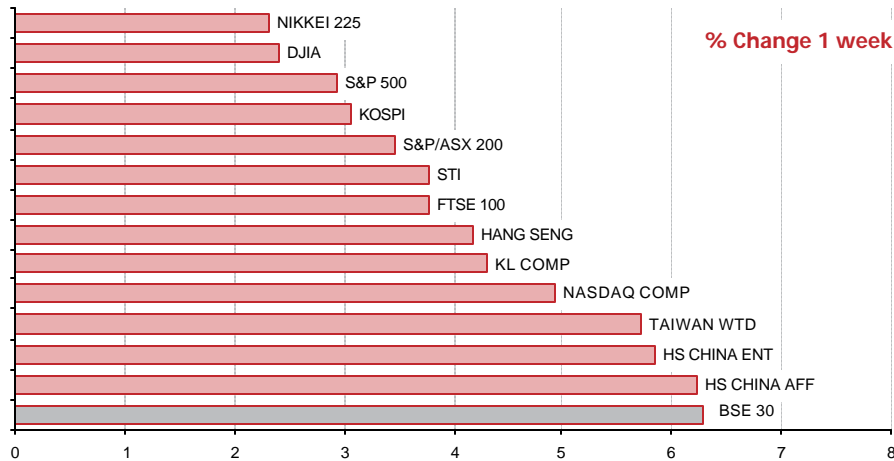


Exhibit 11: 3-month performance

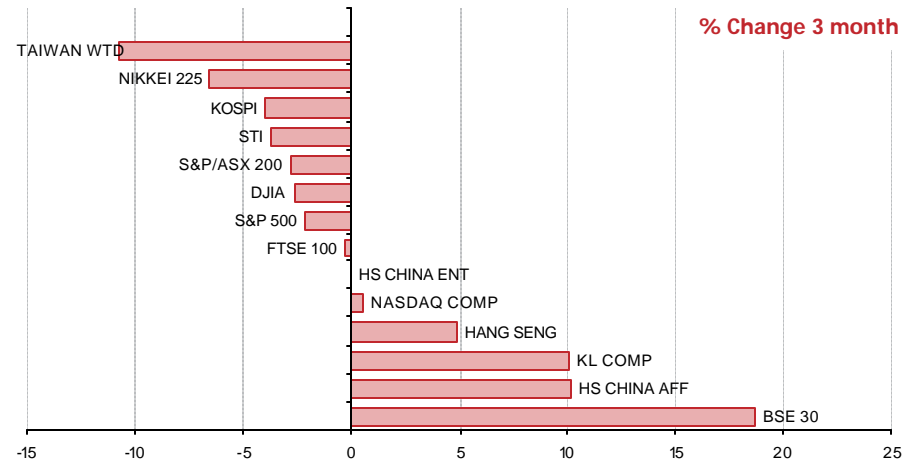


Exhibit 12: 6-month performance

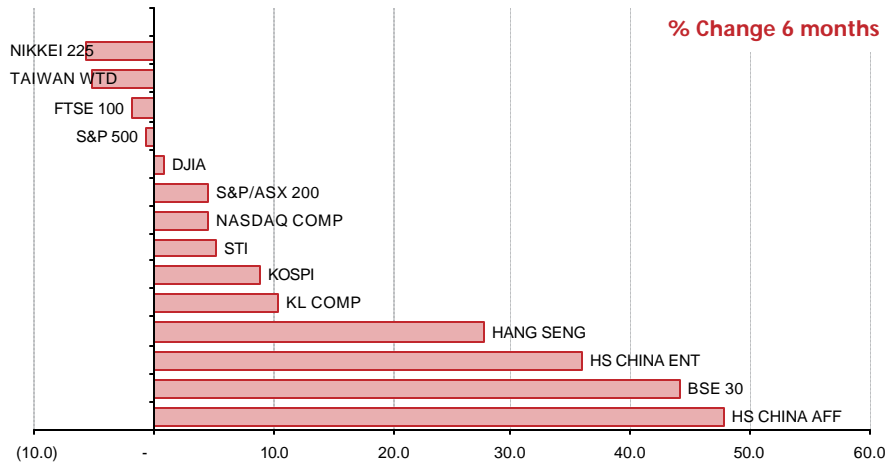
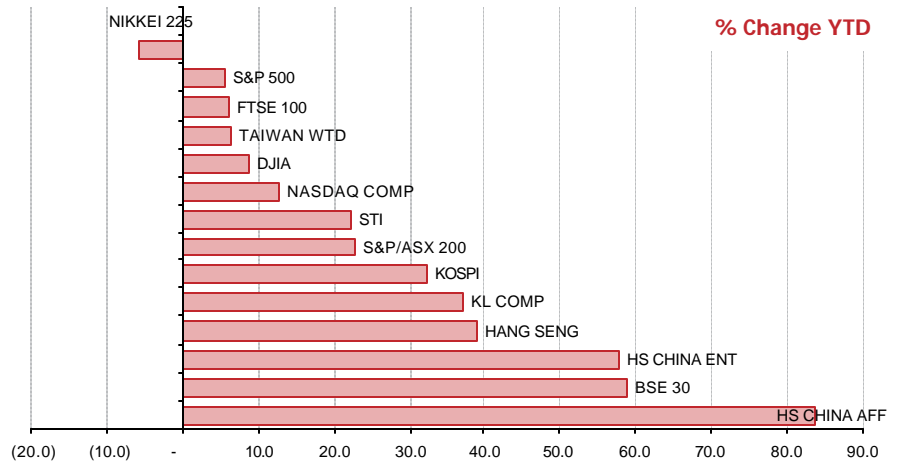


Exhibit 13: Year-to-date performance



Note:

(a) Returns are adjusted for the currency changes

Source: Bloomberg, BSE, Kotak Institutional Equities.

Sectoral performance

Exhibit 14: Market performance of Sensex sectors, 27 December, 2007

	Mkt cap.	Change (%)						Relative change (%)			
	(US\$ m)	1-Day	1-mo	3-mo	6-mo	1-Year	CYTD	1-Day	1-mo	6-mo	1-Year
Automobiles	27,569	(0.8)	5.5	3.2	19.9	(5.8)	(5.7)	(0.9)	(0.2)	(14.4)	(35.4)
Banking	103,132	0.9	7.3	21.6	49.9	64.0	64.1	0.7	1.5	7.0	12.4
Consumers	31,357	1.3	6.6	5.2	24.1	8.0	8.8	1.1	0.8	(11.4)	(26.0)
Cement	18,740	(0.5)	(5.2)	(2.6)	31.3	10.3	9.5	(0.6)	(10.3)	(6.3)	(24.4)
Energy	159,428	0.1	3.5	26.0	53.3	80.1	81.9	(0.0)	(2.1)	9.4	23.5
Industrials	62,132	(0.3)	(2.4)	34.9	83.6	148.4	150.5	(0.5)	(7.6)	31.0	70.3
Metals	26,759	1.3	7.8	28.9	56.2	77.5	77.6	1.2	2.0	11.5	21.7
Pharmaceuticals	11,207	(0.6)	12.8	9.9	11.2	(9.0)	(7.4)	(0.7)	6.7	(20.6)	(37.6)
Telecom	84,382	(1.7)	6.0	10.4	25.8	53.6	54.3	(1.8)	0.3	(10.2)	5.3
Technology	81,477	0.4	13.5	3.6	(1.9)	(12.6)	(12.7)	0.2	7.4	(30.0)	(40.1)
Utilities	62,523	0.4	5.5	33.0	79.9	96.9	98.3	0.3	(0.2)	28.4	35.0
Sensex sum	668,707	0.1	5.7	17.9	40.1	45.9	46.6				

Source: Bloomberg, Kotak Institutional Equities.

Top gainers and losers

Exhibit 15: Top gainers and losers (stocks in Kotak Institutional Equities universe)

1-week performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Mahindra & Mahindra Financi:	21.9	1 Nicholas Piramal	(6.9)
2 VSNL	21.1	2 Shree Cement	(6.6)
3 Educomp Solutions	18.3	3 ACC	(6.0)
4 Reliance Energy	18.1	4 Jet Airways	(5.3)
5 Lakshmi	16.9	5 JSL	(5.1)
6 India Infoline	16.4	6 Vardhman	(4.9)
7 Pantaloon Retail	15.9	7 Cadila Healthcare	(4.7)
8 National Aluminium Co.	15.9	8 Bajaj Auto	(4.4)
9 SREI	14.9	9 KEC	(4.2)
10 Wipro	13.6	10 ABB	(4.1)

CYTD performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Jindal Steel and Power	535.2	1 Hexaware Technologies	(59.1)
2 India Infoline	454.3	2 Vardhman	(41.0)
3 Welspun Gujarat Stahl Rohrer	377.6	3 Tech Mahindra	(32.0)
4 Educomp Solutions	367.4	4 Polaris Software Lab	(28.5)
5 SREI	350.4	5 i-flex solutions	(22.2)
6 Reliance Energy	310.7	6 Patni Computer Systems	(21.5)
7 ABG Shipyard	282.1	7 Aventis Pharma	(20.1)
8 Reliance Petroleum	248.8	8 Infosys Technologies	(19.5)
9 GMR Infrastructure	241.4	9 TVS Motor Co	(19.4)

1- month performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 LANCO	70.6	1 JSL	(9.8)
2 VSNL	38.1	2 ACC	(9.8)
3 Educomp Solutions	37.3	3 ABB	(5.6)
4 Shriram Transport	36.1	4 Shree Cement	(4.4)
5 Punjab Tractors	36.1	5 Kalpataru Power Transmission	(4.3)
6 Indian Oil Corporation	33.4	6 Bharat Heavy Electricals	(4.3)
7 Monnet Ispat	32.0	7 Grasim Industries	(4.1)
8 India Infoline	31.8	8 Hero Honda	(3.4)
9 JSW Steel	31.7	9 Hexaware Technologies	(3.0)
10 Sintex	31.4	10 Ambuja cements	(2.6)

1-year performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Jindal Steel and Power	567.1	1 Hexaware Technologies	(58.1)
2 India Infoline	448.0	2 Vardhman	(38.5)
3 Educomp Solutions	415.3	3 Tech Mahindra	(31.1)
4 Welspun Gujarat Stahl Rohrer	397.8	4 Polaris Software Lab	(25.1)
6 Reliance Energy	306.8	5 i-flex solutions	(22.1)
7 ABG Shipyard	267.3	6 Aventis Pharma	(21.6)
8 JSW Steel	247.7	7 Patni Computer Systems	(20.3)
9 Reliance Petroleum	246.9	8 Infosys Technologies	(19.9)
10 GMR Infrastructure	240.1	9 Tata Motors	(18.8)
11 Shriram Transport	216.1	10 TVS Motor Co	(17.9)

Source: Kotak Institutional Equities.

Fundamental & technical indicators

- **Price-to-Earnings ratio analysis**
- **EV-EBTDA ratio analysis**
- **Volume momentum analysis**

Price-to-Earnings ratio analysis

Exhibit 16 and 17: Companies trading at a premiums/discounts to the sector based on comparable companies covered by Kotak Institutional Equities

Premium to 1 year rolling forward P/E (%)

Company	Premium to sector
Reliance Energy	213.9
Jindal Steel and Power	199.4
VSNL	174.8
GSPL	172.8
Aditya Birla Nuvo	170.0
HDFC	165.3
Jet Airways	149.6

Discount to 1 year rolling forward P/E (%)

Company	Discount to sector
Monnet Ispat	74.9
Andhra Bank	63.2
Canara Bank	60.5
Maharashtra Seamless Corporation Bank	58.7
Dredging Corporation	58.5
Hexaware Technologies	55.3
	55.1

Exhibit 19: Companies trading at lowest P/E in the Kotak universe

Lowest 1 year rolling forward P/E (X)

Company	Lowest P/E
Andhra Bank	7.9
LIC Housing Finance	8.1
Hexaware Technologies	8.2
Corporation Bank	8.9
Ipca Laboratories	9.5
GE Shipping	9.9
Monnet Ispat	10.5
Patni Computer Systems	10.8
Oil & Natural Gas Corporation	11.1
Oriental Bank of Commerce	11.2
Polaris Software Lab	11.3

Exhibit 20: Companies trading at highest P/E in the Kotak universe

Highest 1 year forward P/E (X)

Company	Highest P/E
Aditya Birla Nuvo	71.1
Reliance Energy	59.2
Siemens	46.1
ABB	44.8
VSNL	40.3
Sun TV Network	35.8
Larsen & Toubro	35.7
HDFC	35.5
Tata Power	33.9
Bharat Heavy Electricals	32.9

Exhibit 18: Companies trading at all-time high historical P/Es, indicating re-rating of the multiples by market

Company	% discount to historical high
Asian Paints	0.0
Bank of Baroda	0.0
Dredging Corporation	0.0
Divi's Laboratories	0.0
GAIL (India)	0.0
GE Shipping	0.0
HDFC	0.0
Indian Oil Corporation	0.0
Punjab National Bank	0.0
Reliance Energy	0.0
Sun Pharmaceuticals	0.0
Tata Power	0.0
VSNL	0.0
IDFC	0.0
Punj	0.0
Nagarjuna Construction Co.	0.0

Note:

(a) Historical figures are generated since May 2000.

Source: Bloomberg, Kotak Institutional Equities

Enterprise Value-to-EBITDA ratio analysis

Exhibit 21 and 22: Companies trading at a premium to the sector based on comparable companies covered by Kotak Institutional Equities. Analysis done on 1- year forward EV-EBITDA

Trading at premium to the sectors
Premium to 1 year rolling forward EV/EBITDA (%)

Company	Sector premium
Petronet LNG	187.9
GAIL (India)	181.8
Gateway Distriparks	176.8
i-flex solutions	161.4
Castrol India	150.7

Trading at discount to sectors
Discount to 1 year rolling forward EV/EBITDA (%)

Company	Sector discount
Patni Computer Systems	42.3
Bharat Electronics	42.9
Polaris Software Lab	45.0
Hindustan Zinc	53.7
Glaxo SmithKline Consumer	56.7

Exhibit 23: Companies trading at highest EV/EBITDA amongst the Kotak coverage list

Highest 1 year rolling forward EV/EBITDA (X)

Company	Highest EV/EBITDA
Reliance Energy	57.9
Divi's Laboratories	33.3
Aditya Birla Nuvo	29.7
ABB	27.0
Siemens	26.4
Larsen & Toubro	25.2
Tata Power	23.4
i-flex solutions	22.9

Exhibit 24: Companies trading at lowest EV/EBITDA amongst the Kotak coverage list

Lowest 1 year rolling forward EV/EBITDA (X)

Company	Lowest EV/EBITDA
Hexaware Technologies	4.5
Hindustan Zinc	4.5
Oil & Natural Gas Corporation	5.1
Lakshmi	5.6
Hindustan Petroleum	5.7
TVS Motor Co	6.2
Polaris Software Lab	6.4
Container Corporation	6.6

Source: Bloomberg, Kotak Institutional Equities

Technical indicators

Exhibit 25: Volume momentum analysis

Volume Positive Momentum (5-day volume v/s 30-day volume)

Company	5-day average volumes	Increase (%)	Price Change (%)	
				(1month basis %)
Colgate-Palmolive (India)	357,575	172		(1.9)
VSNL	550,717	85		38.1
MMFSL	62,384	59		26.8
Monnet Ispat	189,704	56		32.0
Tata Motors	258,303	54		2.8
Castrol India	58,085	44		13.1
Wipro	313,626	42		20.0

Volume Negative Momentum (5-day volume v/s 30-day volume)

Company	5-day average volumes	% decrease	Price Change (%)	
				(1month basis %)
Hero Honda	7,308		(79)	(3.4)
Welspun India	101,173		(77)	0.0
HCL Technologies	53,899		(77)	4.0
IDFC	1,494,588		(76)	4.8
HDFC	61,897		(75)	7.6
Bharat Electronics	3,929		(72)	9.5
Petronet LNG	1,120,216		(69)	8.8

Date	Sensex	Avg daily value traded (US\$ mn)	Institutional participation in total turnover		Sensex delivery (%)	Put-Call (X)
			FII%	MF%		
Apr-07	13,872	2,776	18.0	4.7	49.2	1.12
May-07	14,544	3,420	16.3	4.5	49.8	1.38
Jun-07	14,651	3,327	17.6	3.9	49.9	1.44
Jul-07	15,551	4,309	18.6	4.4	49.8	1.38
Aug-07	15,318	3,742	18.6	4.3	45.2	1.32
Sep-07	17,291	4,703	16.0	4.2	48.0	1.23
Oct-07	19,724	7,118	18.4	3.6	43.0	1.15
Nov-07	19,003	6,771	16.0	3.0	38.0	1.02
Dec-07	20,217	6,802	14.3	3.1	42.0	1.12

Source: Bloomberg, Kotak Institutional Equities.

Earnings momentum

- **Top upgrades and downgrades in 2008 estimates in the past month**
- **Top changes in target prices in the past month**
- **Top changes in ratings in the past month**

Top upgrades/downgrades

Exhibit 26: Kotak Institutional Equities earning upgrades/downgrades in the past 1 month

FY2008 earnings upgrades (KIE) (1 month)

	Company	% Change
1	Punj	8.5
2	Siemens	3.4

FY2008 earnings downgrades (KIE) (1 month)

	Company	% Change
1	Suzlon Energy	(4.5)

Source: Kotak Institutional Equities estimates.

Changes in our target prices

Exhibit 28: Changes in target prices in the past 1 month

Upgrades in target prices (1 month)

	Company	% Change	New	Old
1	SREI	84.6	240	130
2	GE Shipping	43.8	525	365
3	Tata Power	36.8	1,450	1,060
4	Hindustan Petroleum	33.3	400	300
5	Suzlon Energy	21.6	2,250	1,850
6	Bharat Petroleum	20.0	450	375
7	IDEA	9.1	120	110
8	Bharti Airtel Limited	1.9	790	775

Downgrades in target prices (1 month)

	Company	% Change	New	Old
1	Federal Bank	(19.5)	330	410

Source:Kotak Institutional Equities.

Changes in our ratings

Exhibit 29: Changes in ratings over the past 1 month

Company name		Rating	
		Current	Previous
J&K Bank	Downgraded	ADD	BUY
Federal Bank	Upgraded	ADD	REDUCE
Centurion Bank of Punjab	Downgraded	REDUCE	ADD
Indian Bank	Downgraded	SELL	REDUCE
SREI	Upgraded	BUY	ADD
Suzlon Energy	Upgraded	ADD	REDUCE
Indian Overseas Bank	Downgraded	ADD	BUY
GE Shipping	Upgraded	ADD	REDUCE
Ambuja Cements	Downgraded	SELL	REDUCE
Bharat Petroleum	Upgraded	ADD	REDUCE

Source: Kotak Institutional Equities.

Source: Kotak Institutional Equities.

Flows

- **Trend in equity flows**
- **FII flows in other emerging markets**
- **IPO analysis**
- **Bulk deals**
- **Delivery position analysis**

Trend in equity flows

Exhibit 31: Net investments by mutual funds and FII in the cash market (US\$ mn)

	FII	MF
CY 1999	1,537	0
CY 2000	1,462	(150)
CY 2001	2,807	(1,110)
CY 2002	751	(685)
CY 2003	6,658	118
CY2004	8,382	(217)
CY 2005	10,776	2,873
CY 2006	8,632	3,585
CY 2007	16,646	1,161
Jan	40	(298)
Feb	1,249	(61)
Mar	317	(365)
Apr	1,257	217
May	1,085	401
Jun	1,759	100
Jul	4,530	(218)
Aug	(1,861)	1,037
Sep	4,645	(187)
Oct	4,268	(439)
Nov	(1,140)	519
Dec	499	454

Exhibit 32: Net foreign flows in the Derivatives market (US\$ mn)

	Index Futures	Index Options	Stock Futures	Stock Options
CY2004	(91)	608	(796)	4
CY2005	(676)	2,199	(668)	(42)
CY 2006	345	3,950	(3,690)	(83)
CY2007	(772)	12,440	(11,603)	(170)
Jan	13	960	(632)	(27)
Feb	(937)	682	(313)	0
Mar	1,132	630	467	(8)
Apr	264	810	(111)	(15)
May	320	516	(1,246)	(10)
Jun	(1,025)	980	(568)	(16)
Jul	(821)	1,860	(1,649)	(4)
Aug	1,037	1,235	(303)	(15)
Sep	2,122	1,607	(1,291)	(1)
Oct	(1,761)	1,210	(2,080)	(38)
Nov	(755)	944	(2,330)	(24)
Dec	(362)	1,005	(1,546)	(12)

Source: Bloomberg, Kotak Institutional Equities

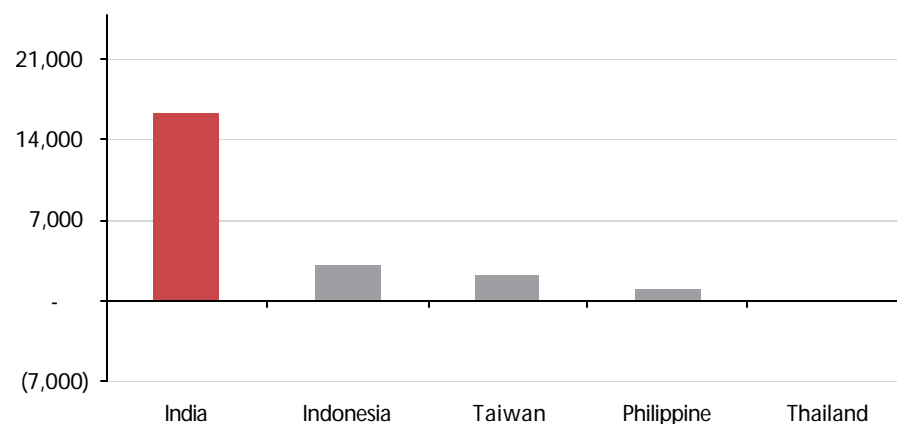
FII flows in other emerging markets

FII flows in the various countries (US\$ mn)

Flows in the cash markets

Date	Taiwan	Indonesia	Philippine	Thailand	India
28-Nov-07	(100)	49	(5)	(0)	(112)
29-Nov-07	298	(11)	22	(0)	(242)
30-Nov-07	374	(42)	-	1	367
3-Dec-07	(70)	15	(11)	(2)	28
4-Dec-07	(52)	(17)	(4)	(1)	5
5-Dec-07	32	(76)	(16)	-	268
6-Dec-07	526	54	4	1	204
7-Dec-07	534	40	5	0	1
10-Dec-07	(47)	5	(9)	-	75
11-Dec-07	133	18	(18)	(0)	171
12-Dec-07	(270)	14	(36)	(1)	15
13-Dec-07	(324)	9	(23)	(1)	268
14-Dec-07	(383)	(29)	(30)	(3)	101
17-Dec-07	(210)	4	(21)	(2)	(272)
18-Dec-07	(168)	(31)	(36)	(5)	(607)
19-Dec-07	10	(8)	(23)	(1)	(271)
20-Dec-07	67	-	(18)	(3)	(128)
24-Dec-07	134	-	-	-	42
25-Dec-07	45	-	-	1	-
26-Dec-07	46	10	2	1	600
Total	575	3	(218)	(14)	512

Net investments by FIIs in the cash market (US\$ mn) over last 1 year



Source: Bloomberg.

IPO analysis

Exhibit 33: Market performance since IPO/ Follow on offering

Name	Offer Shares	Price (Rs)	Value (Rs mn)	Date of Listing	Price		Performance (%)	
					Day 1	Latest	Day 1	Since Listing
Religare Enterprises	76	185	1,402	21-Nov-07	521	541	182	193
Dhanus Technologies	38	295	1,131	17-Oct-07	311	304	5	3
Koutons Retail	35	415	1,462	12-Oct-07	590	864	42	108
Power Grid Corp	5,739	52	29,845	05-Oct-07	100	142	92	173
Magnum Ventures	176	30	529	20-Sep-07	49	34	62	12
Indowind Energy	125	65	813	14-Sep-07	115	147	76	126
Motilal Oswal Financial	30	825	2,461	11-Sep-07	977	1,775	18	115
Puravankara Projects	215	400	8,587	30-Aug-07	362	425	(10)	6
KPR Mill	59	225	1,330	28-Aug-07	174	174	(23)	(23)
TakeSolutions	21	730	1,533	27-Aug-07	926	1,227	27	68
Central Bank of India	800	102	8,160	21-Aug-07	115	132	13	30
SEL manufacturing	41	90	372	21-Aug-07	142	114	58	26
Refex Refrigerants	38	65	247	20-Aug-07	62	204	(5)	214
Zylog Systems	36	350	1,260	17-Aug-07	431	428	23	22
IVR Prime	142	550	7,783	16-Aug-07	418	432	(24)	(22)
OMAXE Ltd	178	310	5,517	09-Aug-07	349	550	13	77
Alpa Laboratories	95	68	646	06-Aug-07	55	48	(19)	(30)
Simplex projects	30	185	555	03-Aug-07	272	413	47	123
Everonn Systems	36	140	500	01-Aug-07	478	1,011	241	622
Allied Digital	45	190	859	25-Jul-07	331	747	74	293
Housing Development & Infra	297	500	14,850	24-Jul-07	558	986	12	97
Soice Communications	1,131	46	5,203	18-Jul-07	61	63	32	36
Roman Tarmat	29	175	508	09-Jul-07	319	209	82	20
DLF	1,750	525	91,875	05-Jul-07	570	1,010	9	92
Vishal Retail	40	270	1,082	04-Jul-07	752	906	179	235
Nitin Fire Protection	34	190	644	05-Jun-07	484	547	155	188
Insecticides Ind	32	115	369	30-May-07	110	87	(5)	(24)
MIC Electronics	51	150	765	30-May-07	336	976	124	551
Binani Cements	205	75	1,538	28-May-07	69	113	(8)	51
Hilton Metal Forging	55	70	382	24-May-07	68	51	(3)	(27)
Bhagwati Hotels	230	40	920	17-May-07	51	85	27	114
Fortis Healthcare	460	108	4,968	09-May-07	100	102	(7)	(5)
Advanta IndiaLtd	34	640	2,163	19-Apr-07	850	1,133	33	77
ICRA Ltd	26	330	852	13-Apr-07	798	967	142	193
Orbit Corp Ltd	91	110	1,001	12-Apr-07	128	951	16	765
Gremach Infrastructure	69	86	590	11-Apr-07	84	352	(2)	309
Astral Polytechn	30	115	342	20-Mar-07	105	197	(9)	71
Abhishek Mills L	41	100	410	19-Mar-07	91	65	(9)	(35)
AMD Metplast Ltd	102	75	763	19-Mar-07	78	61	4	(19)
Jagjanani Textil	81	25	203	19-Mar-07	23	16	(7)	(38)
Lawreshwar Polym	87	16	139	19-Mar-07	14	13	(13)	(21)
Page Industries	28	360	1,009	16-Mar-07	282	453	(22)	26
Raj Television N	36	257	917	16-Mar-07	226	204	(12)	(20)
Euro Ceramics	56	165	928	09-Mar-07	119	236	(28)	43
Idea Cellular	2,833	75	21,250	09-Mar-07	86	136	14	81
Mudra Lifestyle	96	90	862	09-Mar-07	64	100	(29)	11
Vijayeshwari Textiles	90	100	900	09-Mar-07	69	56	(31)	(44)
Indus Fila Ltd	48	170	823	08-Mar-07	132	356	(22)	109

Source: Bloomberg and Kotak Institutional Equities.

Exhibit 34: Forthcoming IPO/Follow on offerings

RELIANCE POWER LTD.	IPO
EMAAR MGF LAND LTD.	IPO
NATIONAL HYDROELECTRIC POWER CORP.LTD.	IPO
FUTURE CAPITAL HOLDINGS LTD.	IPO
ACME TELE POWER LTD.	IPO
RURAL ELECTRIFICATION CORP.LTD.	IPO
WOCKHARDT HOSPITALS LTD.	IPO
IRB INFRASTRUCTURE DEVELOPERS LTD.	IPO
ONMOBILE GLOBAL LTD.	IPO
GAMMON INFRASTRUCTURE PROJECTS LTD.	IPO
VASCON ENGINEERS LTD.	IPO
PRINCE FOUNDATIONS LTD.	IPO
RNS INFRASTRUCTURE LTD.	IPO
AUSTRAL COKE & PROJECTS LTD.	IPO
XENITIS INFOTECH LTD.	IPO
RAMSARUP LOHH UDYOG LTD.	IPO
TCG LIFESCIENCES LTD.	IPO
GOKUL REFOILS & SOLVENT LTD.	IPO
KNR CONSTRUCTIONS LTD.	IPO
PERSISTENT SYSTEMS LTD.	IPO
SURYA FOODS & AGRO LTD.	IPO
NEEL METAL PRODUCTS LTD.	IPO
TECPRO SYSTEMS LTD.	IPO
GSS AMERICA INFOTECH LTD.	IPO
MAN INFRACONSTRUCTION LTD.	IPO
RITHWIK PROJECTS LTD.	IPO
SHRIRAM EPC LTD.	IPO
TITAGARH WAGONS LTD.	IPO
YBRANT TECHNOLOGIES LTD.	IPO
ANU'S LABORATORIES LTD.	IPO
ARCHIDPLY INDUSTRIES LTD.	IPO
BANG OVERSEAS LTD.	IPO
JHAVERI FLEXO INDIA LTD.	FPO
NKG INFRASTRUCTURE LTD.	IPO
SEJAL ARCHITECTURAL GLASS LTD.	IPO
VIJAI INFRASTRUCTURE LTD.	IPO
J.KUMAR INFRAPROJECTS LTD.	IPO
V-GUARD INDUSTRIES LTD.	IPO
GLOBUS SPIRITS LTD.	IPO

Source: Primedatabase .

Bulk deals

Bulk/block deals during the week

Deal Date	Scrip Name	Action	Quantity	Price	Value (Rs mn)	Exchange
20-Dec	IFCI Ltd.	SELL	15,000,000	77.26	1158.90	NSE
20-Dec	IFCI LTD	SELL	4433540	77.27	342.58	BSE
20-Dec	IFCI LTD	SELL	4,165,875	78.01	324.98	BSE
24-Dec	BLUE DART EX	SELL	545000	564.56	307.69	BSE
24-Dec	MERCATOR LIN	BUY	2,193,372	118.4	259.70	BSE
24-Dec	MERCATOR LIN	SELL	2193372	118.4	259.70	BSE
24-Dec	Ceat Ltd	SELL	819,055	215	176.10	NSE
20-Dec	Jyothy Laboratories Limit	BUY	170000	781.55	132.86	NSE
26-Dec	Noida Toll Bridge Company	SELL	2,300,000	57.74	132.80	NSE
24-Dec	Alok Industries Limited	BUY	1000000	91.44	91.44	NSE
20-Dec	DCM SHRIR IN	SELL	625,417	125	78.18	BSE
24-Dec	Shrenuj & Co. Ltd-Depo	SELL	427305	59.13	25.27	NSE
24-Dec	SHRENUJ &COM	SELL	406,925	59.22	24.10	BSE
26-Dec	Micro Technologies (India	SELL	70507	280.31	19.76	NSE
20-Dec	DWAR SUGAR	BUY	121,000	104.08	12.59	BSE
26-Dec	Precision Wires India Ltd	SELL	74147	159.92	11.86	NSE
20-Dec	RPG LIFE SCI	SELL	104,081	101.91	10.61	BSE
20-Dec	Searle (India) Ltd	SELL	92460	102.11	9.44	NSE
20-Dec	STONE INDI L	SELL	58,246	155.93	9.08	BSE
24-Dec	STONE INDI L	SELL	53658	155.03	8.32	BSE
20-Dec	Dwarikesh Sugar Industrie	BUY	79,000	104.21	8.23	NSE

Source: BSE and NSE

Delivery positions

Exhibit 36: Top increase/(decrease) in delivery percentage

Increase in delivery % (KIE universe)

Name	Delivery %	
	Previous week	Current week
Gvk Power & Infrastructure	63	98
Biocon Ltd	36	70
Glaxosmithkline Consumer Hea	60	89
Punjab Tractors Limited	40	69
Abbott India Ltd	62	90
Motor Industries Co Limited	51	76
Shoppers' Stop Ltd	76	100
ZEE ENTERTAINMENT ENTERPRISE	39	62
Balaji Telefilms Ltd	48	70

Decrease in delivery % (KIE universe)

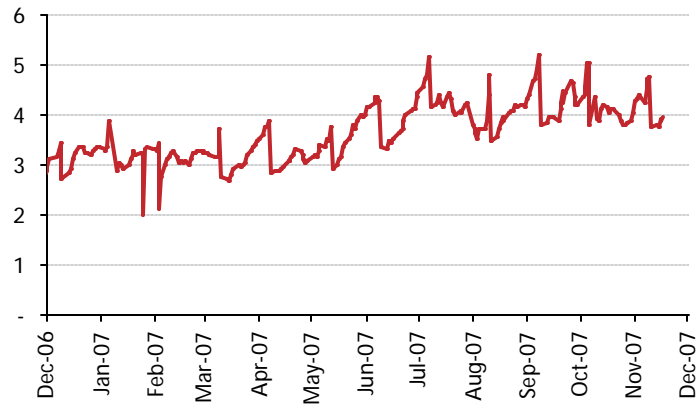
Name	Delivery %	
	Previous week	Current week
Bharat Electronics Limited	96	51
Punj Lloyd Limited	38	-
Godrej Consumer Products Ltd	74	42
Hexaware Technologies Ltd	74	45
EIH Limited	82	57
Ultratech Cement Ltd	85	60
Aventis Pharma Ltd	84	61
Wipro Ltd	64	44
Nagarjuna Construction Co	65	45

Source: Bloomberg and Kotak Institutional Equities.

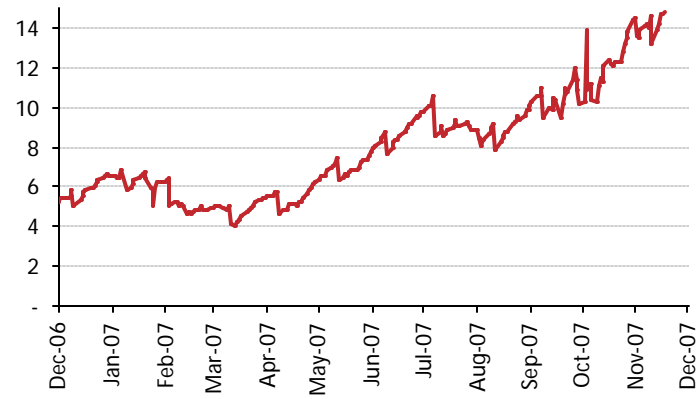
Open interest analysis

Exhibit 37: National Stock Exchange (US\$ bn)

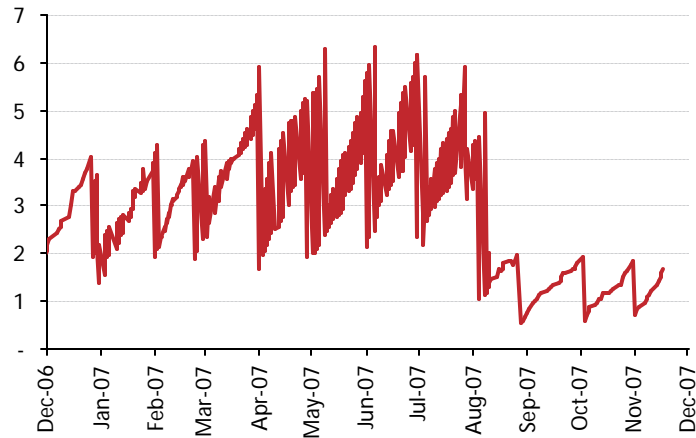
India Index futures open interest



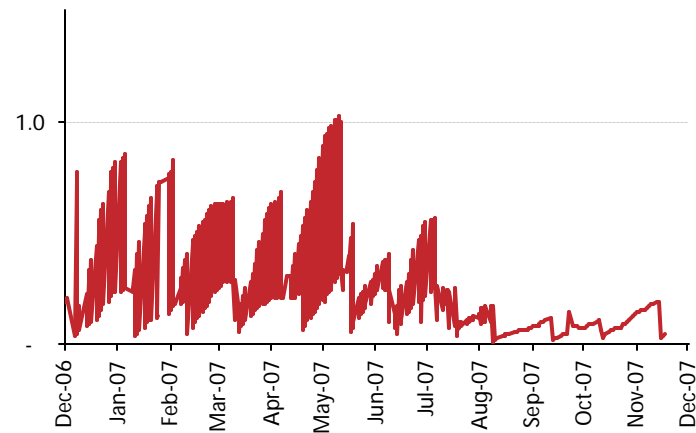
India stock futures open interest



India Index option open interest



India stock option open interest

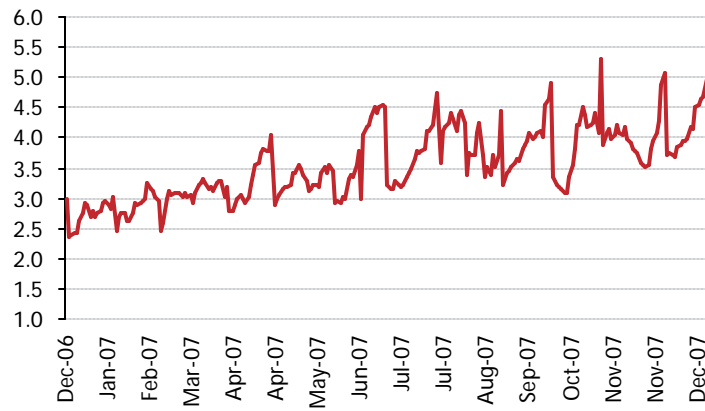


Source: Bloomberg and Kotak Institutional Equities.

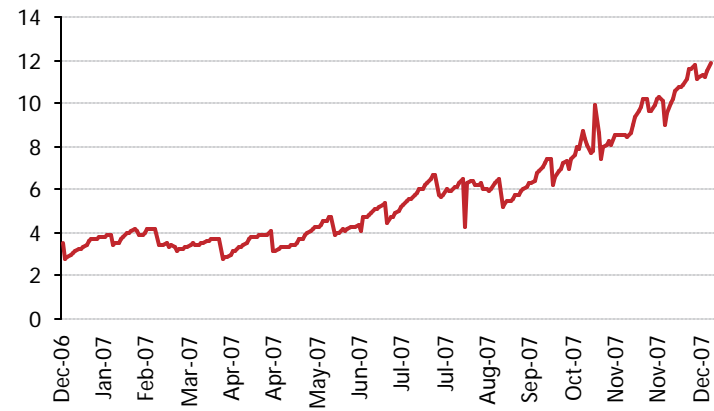
Open interest analysis

Exhibit 38: Open interest position movement for foreign institutional investors (US\$ bn)

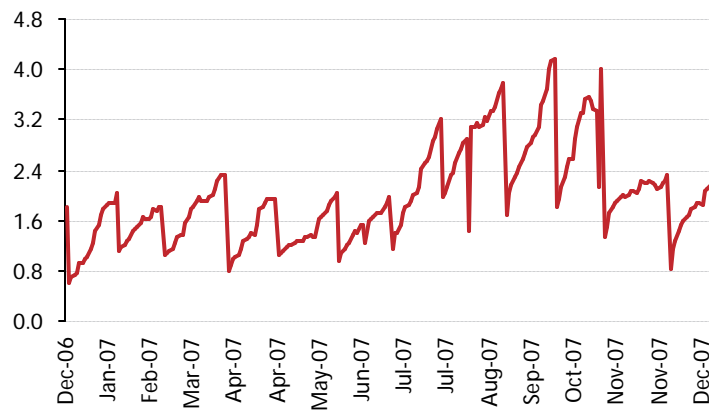
Index futures value of open interest



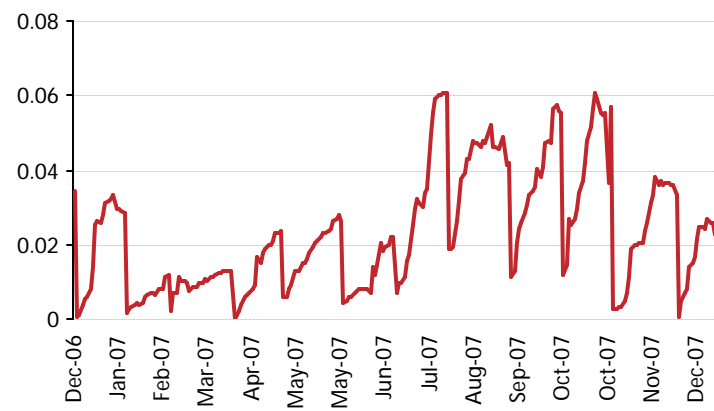
Stock futures value of open interest



Index options value of open interest



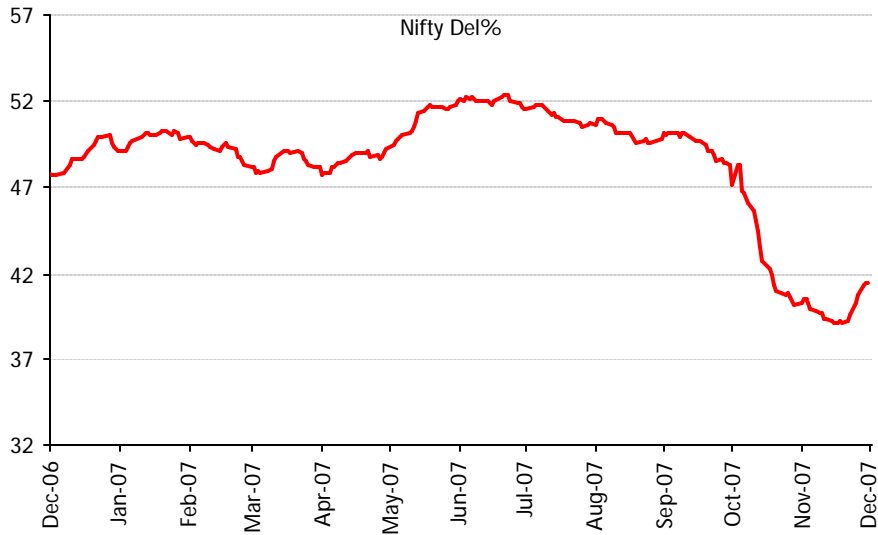
Stock options value of open interest



Source: Bloomberg and Kotak Institutional Equities.

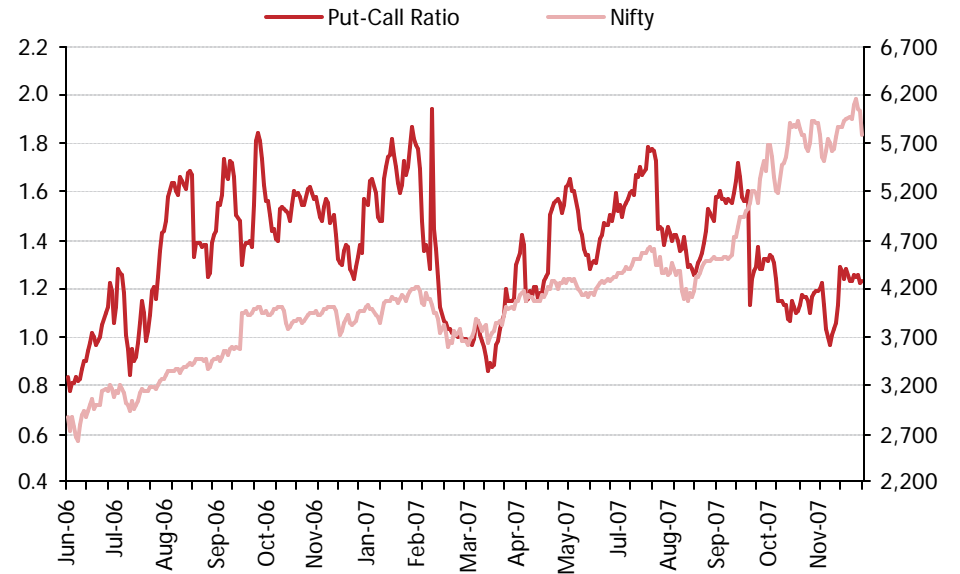
Market movement indicators

Exhibit 39: Aggregate delivery percentage



Source: Bloomberg and Kotak Institutional Equities.

Exhibit 40: Put call ratio versus Nifty



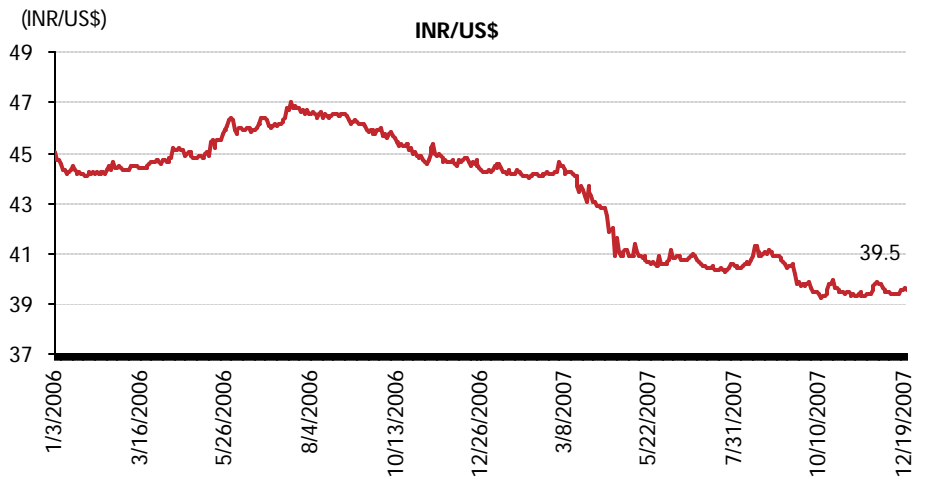
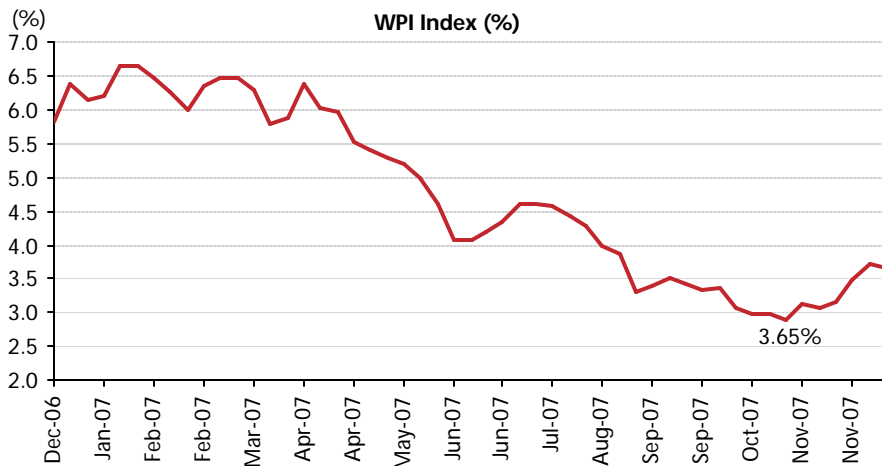
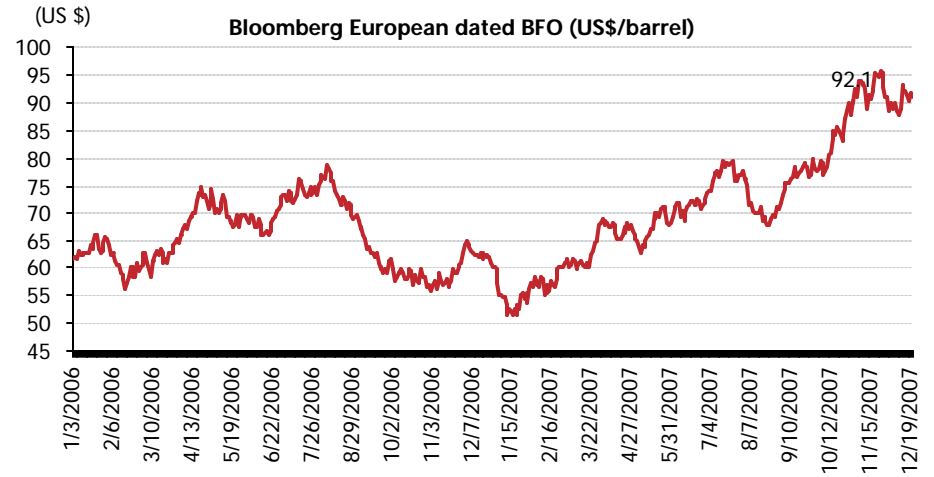
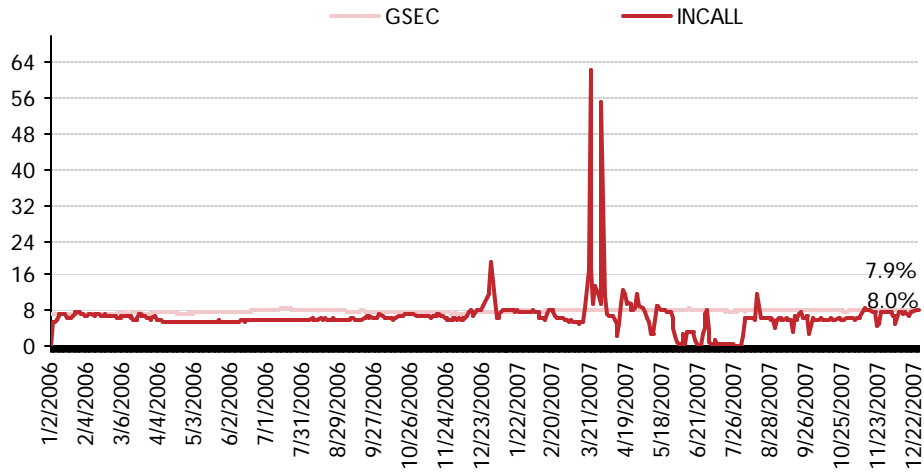
Put call is for Nifty open interest

Source: Bloomberg and Kotak Institutional Equities.

Economic indicators

Economic indicators

Exhibit 41: Key economic parameters



Source: Bloomberg and Kotak Institutional Equities.

Kotak valuation summary

Valuation summary

Kotak Institutional Equities Universe

Company	27-Dec-07		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	ADVT-3mo																															
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007E	2008E	2009E	2007	2008E	2009E	2007E	2008E	2009E	(Rs)	Upside (%)	US\$ mn																														
Automobiles																																																											
Bajaj Auto	2,672	BUY	270,408	6,860	101	127.2	114.5	151.9	14.5	(10.0)	32.7	21.0	23.3	17.6	14.5	15.6	12.2	4.8	4.4	3.8	1.5	1.5	1.5	23.7	18.8	22.3	2,750	2.9	16.8																														
Maruti Suzuki	995	BUY	287,439	7,292	289	54.0	75.3	88.9	31.4	39.3	18.0	18.4	13.2	11.2	10.8	7.8	6.5	4.1	3.1	2.4	0.5	0.5	0.5	24.9	26.8	24.3	1,200	20.7	5.8																														
Mahindra & Mahindra	828	BUY	213,630	5,420	258	37.4	44.1	44.5	42.4	17.7	1.0	22.1	18.8	18.6	14.9	13.5	12.5	6.0	3.8	3.4	1.3	1.2	1.2	32.4	25.6	20.0	875	5.7	19.8																														
Tata Motors	737	BUY	315,277	7,998	428	47.0	45.7	53.2	20.0	(2.9)	16.5	15.7	16.1	13.8	10.0	9.8	8.6	4.1	3.1	2.9	1.8	1.8	1.8	27.7	23.4	22.8	915	24.2	27.6																														
Automobiles																																																											
Attractive		1,086,755		27,569		27.6			12.2			17.2			19.0			16.9			14.4			11.9			10.7			9.1			4.6			3.6			3.0			1.3			1.3			1.3			24.0			23.5			20.9		
Banks/Financial Institutions																																																											
Andhra Bank	105	BUY	50,755	1,288	485	11.1	12.6	13.5	10.8	13.2	7.3	9.4	8.3	7.8	—	—	—	1.7	1.5	1.4	3.6	4.1	4.4	17.8	18.2	17.6	120	14.7	4.0																														
Axis Bank	960	ADD	316,996	8,042	330	23.4	32.3	41.3	34.4	38.2	27.8	41.0	29.7	23.2	—	—	—	10.6	3.7	3.2	0.5	0.7	0.9	21.0	17.6	15.7	850	(11.4)	3.4																														
Bank of Baroda	431	ADD	157,542	3,997	366	28.1	35.3	38.9	24.1	25.6	10.2	15.3	12.2	11.1	—	—	—	2.0	1.9	1.7	1.6	1.8	2.0	12.4	14.5	14.7	375	(13.0)	9.8																														
Canara Bank	302	SELL	124,005	3,146	410	34.7	30.5	37.4	5.8	(11.9)	22.6	8.7	9.9	8.1	—	—	—	1.8	1.5	1.3	2.3	2.1	2.3	16.3	11.9	13.6	250	(17.3)	4.2																														
Corporation Bank	428	BUY	61,326	1,556	143	37.4	44.7	49.2	20.6	19.7	9.9	11.4	9.6	8.7	—	—	—	1.6	1.5	1.3	2.1	2.5	2.9	15.0	16.3	16.3	470	9.9	1.6																														
Centurion Bank of Punjab	56	REDUCE	94,669	2,402	1,686	0.8	1.0	1.5	35.6	22.0	43.5	66.4	54.4	37.9	—	—	—	8.3	5.3	4.6	—	—	—	11.5	9.9	12.8	45	(19.9)	10.8																														
Federal Bank	321	ADD	34,391	872	107	34.2	40.2	33.0	30.0	17.6	(18.0)	9.4	8.0	9.7	—	—	—	2.5	0.9	0.8	1.0	2.5	3.3	21.2	15.5	13.5	330	2.8	3.3																														
HDFC	2,904	REDUCE	832,780	21,127	287	62.1	79.0	82.9	23.6	27.3	4.9	46.8	36.8	35.0	—	—	—	15.0	6.8	6.1	0.7	1.0	1.0	31.3	25.5	18.4	2,200	(24.3)	71.0																														
HDFC Bank	1,745	REDUCE	604,890	15,345	347	35.7	47.4	60.5	28.5	32.7	27.5	48.8	36.8	28.9	—	—	—	9.4	5.1	4.5	0.4	0.5	0.7	19.5	17.9	16.9	1,300	(25.5)	26.5																														
ICICI Bank	1,242	ADD	1,373,652	34,848	1,106	34.6	35.7	47.3	5.6	3.3	32.3	35.9	34.8	26.3	—	—	—	5.6	2.7	2.7	0.7	0.6	1.0	13.4	10.4	10.7	1,200	(3.4)	112.8																														
IDFC	219	SELL	282,855	7,176	1,291	4.4	5.4	7.4	25.8	23.2	37.6	50.2	40.8	29.6	—	—	—	9.7	5.1	4.6	0.4	0.6	1.0	17.9	16.4	16.3	145	(33.8)	64.6																														
India Infoline	1,693	ADD	90,952	2,307	54	15.1	26.8	50.1	39.3	77.5	87.5	112.3	63.3	33.8	64.6	28.3	15.9	28.0	16.9	6.7	0.2	—	—	29.1	33.3	35.3	1,300	(23.2)	14.5																														
Indian Bank	197	SELL	84,729	2,149	430	16.8	24.1	25.3	148.1	43.1	5.2	11.7	8.2	7.8	—	—	—	2.8	2.3	1.9	1.5	3.1	3.2	25.8	27.5	24.7	145	(26.5)	5.5																														
Indian Overseas Bank	176	ADD	95,640	2,426	545	18.5	22.2	23.2	28.7	19.8	4.8	9.5	7.9	7.6	—	—	—	2.4	2.1	1.7	2.0	2.6	2.8	28.1	28.0	24.6	150	(14.6)	2.2																														
J&K Bank	830	ADD	40,231	1,021	48	56.6	66.0	71.3	55.2	16.6	8.1	14.7	12.6	11.6	—	—	—	2.2	2.0	1.7	1.4	1.6	1.7	14.4	15.0	14.5	850	2.5	0.4																														
LIC Housing Finance	363	ADD	30,828	782	85	32.8	41.9	46.1	33.9	27.7	9.8	11.0	8.6	7.9	—	—	—	2.5	1.7	1.5	2.2	2.2	3.0	—	—	—	345	(4.9)	14.4																														
Mahindra & Mahindra Financial	324	ADD	27,178	689	84	15.7	18.9	24.0	25.5	20.0	27.5	20.6	17.2	13.5	—	—	—	3.7	3.3	2.8	1.3	1.5	1.9	18.1	19.0	21.0	265	(18.1)	1.1																														
Oriental Bank of Commerce	267	REDUCE	66,831	1,695	251	33.0	32.4	34.0	2.9	(1.6)	5.0	8.1	8.2	7.8	—	—	—	1.4	1.3	1.1	1.8	1.7	1.8	10.9	9.9	10.0	240	(10.0)	3.6																														
PFC	254	SELL	291,073	7,384	1,148	11.1	12.4	15.9	9.5	12.2	28.3	22.9	20.4	15.9	—	—	—	3.0	2.8	2.4	0.9	0.7	0.9	12.6	13.9	15.8	150	(40.9)	18.3																														
Punjab National Bank	660	BUY	208,005	5,277	315	48.8	56.7	57.9	7.0	16.0	2.2	13.5	11.6	11.4	—	—	—	2.3	2.0	1.6	2.0	1.1	1.1	15.5	16.0	14.3	620	(6.0)	13.6																														
SREI	237	BUY	25,844	656	109	7.3	10.3	7.5	63.6	41.2	(26.8)	32.6	23.1	31.6	—	—	—	5.7	4.8	2.2	0.4	0.8	1.2	18.1	21.8	17.2	240	1.3	3.9																														
State Bank of India	2,383	ADD	1,254,012	31,813	526	86.3	114.7	107.5	3.1	32.9	(6.3)	27.6	20.8	22.2	—	—	—	4.7	4.2	3.6	0.6	0.7	0.7	15.4	18.7	16.0	2,000	(16.1)	109.1																														
Union Bank	203	BUY	102,413	2,598	505	16.7	21.7	26.4	14.8	29.9	21.6	12.1	9.3	7.7	—	—	—	2.0	1.7	1.5	1.7	2.4	2.9	19.2	21.3	21.9	230	13.4	8.2																														
Banks/Financial Institutions																																																											
Attractive		6,251,598		158,595		17.1			26.5			15.4			28.2			22.3			19.3			—			—			—			4.7			3.3			2.9			0.8			0.9			1.1			16.7			14.7			14.8		
Cement																																																											
ACC	1,003	SELL	189,291	4,802	189	56.7	72.7	77.2	93.7	28.2	6.2	17.7	13.8	13.0	10.6	8.3	7.5	5.5	4.0	3.3	1.7	1.7	1.7	39.7	37.2	30.5	900	(10.3)	22.0																														
Ambuja Cements	145	SELL	220,242	5,587	1,517	8.5	9.2	10.3	72.9	8.1	12.0	17.0	15.7	14.0	12.3	9.8	8.4	5.7	4.4	3.6	1.2	1.8	1.0	44.5	33.1	29.5	130	(10.5)	12.8																														
Grasim Industries	3,590	ADD	329,167	8,351	92	214.6	271.8	305.3	98.9	26.7	12.3	16.7	13.2	11.8	8.7	6.8	5.9	3.7	2.9	2.2	0.8	0.9	0.9	24.5	24.3	21.4	3,400	(5.3)	12.1																														
India Cements	306	REDUCE	79,739	2,023	260	26.1	31.7	30.3	n/a	21.3	(4.5)	11.7	9.7	10.1	13.1	7.8	6.4	3.7	2.8	2.3	—	0.6	0.7	31.4	33.6	25.0	270	(11.8)	17.1																														
Shree Cement	1,340	ADD	46,696	1,185	35	45.2	118.0	138.4	(5.9)	161.0	17.2	29.6	11.4	9.7	8.8	5.9	4.9	10.4	5.8	3.8	0.4	0.5	0.6	38.6	65.1	47.4	1,600	19.4	0.6																														
UltraTech Cement	983	SELL	122,367	3,104	124	63.3	73.0	81.2	255.1	15.2	11.3	15.5	13.5	12.1	9.3	8.0	7.3	5.3	3.9	3.0	0.7	0.8	0.8	55.8	41.8	33.3	850	(13.5)	3.2																														
Cement																																																											
Cautious		987,502		25,052		116.2			26.5			9.4			16.9			13.3			12.2			10.0			7.7			6.7			4.6			3.6			2.8			1.0			1.2			1.1			27.5			26.7			22.9		
Consumer Products																																																											
Asian Paints	1,088	ADD	104,327	2,647	96	28.1	38.3	44.3	22.0	36.1	15.8	38.7	28.4	24.5	22.6	17.1	14.4	13.6	10.8	8.7	1.2	1.4	1.6	39.5	43.5	40.2	1,000	(8.1)	1.9																														
Colgate-Palmolive (India)	403	BUY	54,758	1,389	136	14.6	16.8	19.2	32.6	14.9	14.1	27.5	23.9	21.0	20.0	18.1	15.5	19.5	29.3	25.0	2.4	3.1	3.6	72.2	98.0	129.1	455	13.0	3.6																														
GlaxoSmithKline Consumer (a)	704	ADD	29,616	751	42	30.2	40.9	47.4	18.5	35.5	15.8	23.3	17.2	14.9	12.0	9.2	7.6	5.2	4.4	3.8	1.4	1.9	2.2	24.9	28.9	28.1	720	2.2	0.3																														
Godrej Consumer Products	131	ADD	29,676	753	226	5.9	7.5	8.3	12.5	25.7	11.6	22.1	17.6	15.8	16.8	13.4	11.8	22.8	13.7	9.9	2.9	3.0	3.0	133.7	102.0	75.3	140	6.5	0.5																														
Hindustan Unilever	215	ADD	475,229	12,056	2,207	7.																																																					

Valuation summary

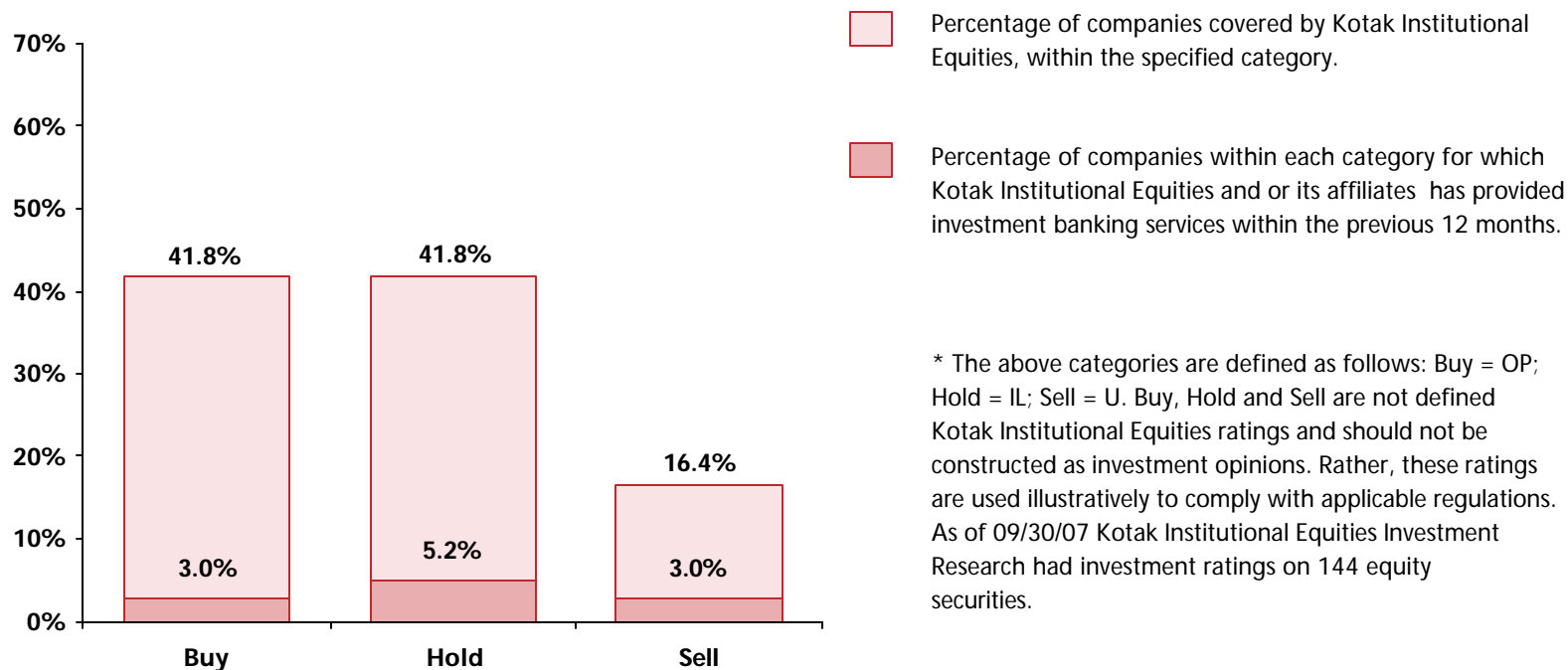
Kotak Institutional Equities Universe

Company	27-Dec-07		Mkt cap.		O/S Shares	EPS (Rs)			EPS Growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend Yield (%)			RoE (%)			Target		ADVT-3mo			
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	Price	Upside	(%)
Pipes																																
Jindal Saw	1,031	BUY	57,742	1,465	56	73.2	63.0	105.1	138.0	(14.0)	67.0	14.1	16.4	9.8	7.2	8.5	5.4	2.1	1.9	1.6	0.6	0.6	0.6	20.1	13.0	18.4	835	(19.0)	4.9			
PSL	513	BUY	21,223	538	41	20.2	26.4	43.5	16.7	30.4	64.7	25.4	19.5	11.8	13.9	10.8	7.2	6.0	3.0	2.7	0.9	1.1	1.3	10.7	11.7	15.3	460	(10.4)	1.0			
Welspun Gujarat Stahl Rohren	442	REDUCE	82,642	2,097	187	10.6	20.2	22.8	48.7	90.7	13.3	41.8	21.9	19.4	28.1	15.9	10.4	11.3	4.6	4.0	0.4	0.5	0.9	22.0	28.2	22.9	285	(35.6)	23.0			
Pipes			161,606	4,100					105.0	30.9	52.7	21.0	20.7	13.5	13.4	11.9	7.7	4.3	3.1	2.5	0.5	0.6	0.9	15.8	14.9	18.3						
Retail																																
Pantaloon Retail	771	REDUCE	113,211	2,872	147	6.1	10.5	15.0	26.7	73.1	42.7	127.4	73.6	51.6	49.4	34.5	24.9	10.9	9.9	8.8	0.5	0.5	0.6	10.7	13.2	16.3	425	(44.9)	3.3			
Rajesh Exports	872	BUY	42,270	1,072	48	27.4	46.0	65.4	47.2	67.8	42.3	31.8	19.0	13.3	8.3	2.2	1.4	13.7	3.6	2.9	0.2	0.3	0.3	32.9	19.0	21.5	1,410	61.6	11.0			
Retail			155,481	3,944					45.4	98.1	42.5	81.8	41.3	29.0	30.0	17.5	13.3	11.5	6.7	5.6	0.4	0.4	0.5	14.1	16.3	19.4						
Technology																																
HCL Technologies	318	ADD	221,219	5,612	695	18.9	18.8	22.4	65.7	(0.1)	19.1	16.9	16.9	14.2	15.5	13.1	10.6	4.1	4.0	3.5	2.5	2.5	28.5	25.3	26.4	330	3.7	10.8				
Hexaware Technologies	82	SELL	11,598	294	142	8.9	8.1	10.4	16.1	(9.3)	29.7	9.2	10.1	7.8	6.2	5.4	3.6	1.5	1.4	1.2	2.0	2.0	22.8	14.6	16.8	90	10.3	0.6				
I-flex solutions	1,514	SELL	126,136	3,200	83	33.2	34.4	50.2	15.9	3.4	46.2	45.6	44.1	30.1	33.2	30.3	20.6	5.6	5.2	4.6	-	0.7	0.8	15.3	12.2	16.1	1,400	(7.6)	2.2			
iGate Global Solutions	397	NR	12,570	319	32	15.7	23.8	29.3	101.5	51.7	23.2	25.3	16.7	13.5	13.5	9.5	7.2	4.1	3.4	2.7	0.6	0.7	17.2	22.0	22.5	-	-	0.9				
Infosys Technologies	1,804	BUY	1,035,668	26,273	574	67.0	80.4	98.4	48.7	20.0	22.4	26.9	22.4	18.3	22.2	18.4	14.2	9.1	6.9	5.4	0.7	0.9	1.1	40.7	35.1	33.0	2,200	21.9	95.7			
Mphasis BFL	300	REDUCE	62,568	1,587	208	7.3	13.8	18.7	(21.5)	88.8	35.4	41.1	21.8	16.1	30.0	13.4	9.8	6.2	0.9	4.2	0.8	1.2	1.3	14.4	25.9	28.7	300	(0.0)	0.7			
Mindtree	499	ADD	19,251	488	39	22.8	24.5	32.4	23.3	7.6	32.2	21.9	20.4	15.4	17.3	15.7	11.3	4.4	3.6	3.0	0.2	0.5	0.7	31.9	20.1	21.7	530	6.3	1.4			
Patni Computer Systems	328	SELL	45,585	1,156	139	25.7	31.5	29.9	19.2	22.5	(5.2)	12.8	10.4	11.0	6.8	5.8	5.5	2.0	1.9	1.7	0.6	1.0	0.9	12.5	19.7	16.3	360	9.8	6.1			
Polaris Software Lab	124	SELL	12,150	308	98	10.3	9.1	11.6	359.1	(12.0)	28.0	12.0	13.7	10.7	6.8	7.5	5.6	2.0	1.8	1.6	1.4	1.4	17.7	14.0	15.9	110	(11.0)	2.9				
Satyam Computer Services	451	BUY	302,889	7,684	671	21.4	25.4	31.1	41.7	18.3	22.5	21.0	17.8	14.5	17.2	13.9	10.5	5.3	4.3	3.5	1.7	2.2	2.7	27.9	26.5	26.4	550	21.8	37.6			
TCS	1,100	ADD	1,076,667	27,314	979	42.2	51.8	61.3	43.3	22.6	18.5	26.1	21.3	17.9	20.9	17.2	13.8	12.0	9.3	7.3	1.0	1.9	2.2	55.8	49.3	45.5	1,225	11.3	40.9			
Tech Mahindra	1,136	REDUCE	138,473	3,513	122	47.0	60.6	85.9	124.3	29.0	41.9	24.2	18.8	13.2	18.7	15.2	9.7	15.5	8.4	5.1	0.3	0.4	0.4	81.3	62.2	51.4	1,300	14.4	5.0			
Wipro	549	BUY	796,485	20,206	1,450	19.8	22.7	28.6	39.3	14.7	25.8	27.7	24.2	19.2	21.9	19.4	14.3	7.8	6.3	5.1	1.0	1.2	1.5	31.7	29.0	29.4	570	3.8	15.7			
Technology			3,861,259	97,955					48.4	19.8	25.2	25.4	21.2	17.3	20.3	16.9	13.0	7.7	6.2	5.0	1.0	1.4	1.7	30.3	29.4	28.8						
Telecom																																
Bharti Airtel Ltd	966	REDUCE	1,832,041	46,476	1,896	21.4	34.6	45.7	100.3	61.8	32.0	45.1	27.9	21.1	25.2	16.3	11.8	15.7	10.0	6.9	-	0.2	0.4	42.4	43.8	38.6	790	(18.2)	110.3			
IDEA	136	SELL	357,120	9,060	2,635	2.2	4.3	5.5	146.3	95.2	28.2	62.1	31.8	24.8	26.1	17.3	12.8	10.0	7.6	5.8	0.7	-	-	21.5	27.1	26.6	120	(11.5)	26.0			
MTNL	183	SELL	115,511	2,930	630	7.2	7.9	8.8	8.1	9.9	11.7	25.6	23.3	20.8	10.3	8.6	8.1	1.0	1.0	0.9	3.3	8.9	4.3	3.4	2.7	3.9	135	(26.4)	19.5			
Reliance Communications	731	SELL	1,494,208	37,906	2,045	14.2	25.3	32.1	554.4	78.2	27.1	51.5	28.9	22.7	26.6	17.4	12.9	6.5	5.3	4.3	0.1	0.1	0.2	17.8	16.6	22.1	550	(24.7)	173.3			
VSNL	738	REDUCE	210,373	5,337	285	17.2	15.9	19.1	(7.8)	(7.2)	19.7	43.0	46.3	38.7	18.0	19.9	17.0	3.3	3.1	2.9	0.6	0.6	0.7	7.4	6.6	7.5	550	(25.5)	16.0			
Telecom			4,009,252	101,709					134.0	65.9	28.6	46.5	28.0	21.8	24.5	16.6	12.4	7.2	5.7	4.6	0.2	0.4	0.4	15.4	20.5	21.2						
Textiles																																
Vardhman	162	ADD	10,225	259	63	29.5	22.7	31.6	3.9	(22.9)	39.0	5.5	7.1	5.1	6.1	7.1	5.1	0.7	0.6	0.5	2.2	2.0	2.8	14.1	8.9	11.2	220	35.5	0.2			
Transmission Towers																																
JSL	269	ADD	22,321	566	83	6.6	10.7	13.1	81.2	61.1	23.0	40.7	25.3	20.5	18.7	13.4	11.2	8.8	6.6	5.1	0.2	0.2	0.2	29.8	30.0	28.0	275	2.1	1.0			
Kalpataru Power Transmission	1,778	ADD	47,102	1,195	26	60.2	77.4	91.8	67.6	28.7	18.6	29.5	23.0	19.4	18.4	14.7	12.0	7.1	5.6	4.5	0.4	0.6	0.6	38.8	27.6	25.9	1,800	1.3	1.1			
KEC	843	BUY	31,959	811	38	27.3	37.4	48.9	92.4	36.9	30.8	30.8	22.5	17.2	13.6	11.1	9.3	11.3	7.8	5.5	0.2	0.4	0.4	43.5	40.4	37.0	835	(0.9)	1.3			
Transmission			101,382	2,572					115.0	37.0	23.5	31.9	23.3	18.9	16.5	13.0	10.8	8.5	6.4	4.9	0.3	0.4	0.4	43.5	40.4	37.0						
Transportation																																
Container Corporation	1,850	REDUCE	120,251	3,051	65	106.3	126.6	143.7	31.9	19.1	13.5	17.4	14.6	12.9	12.0	10.0	8.8	4.5	3.6	2.9	1.0	1.1	1.2	29.1	27.5	25.2	2,200	18.9	4.2			
Gateway Distriparks	143	ADD	16,447	417	115	6.8	6.8	9.0	8.7	(0.4)	33.2	21.0	21.1	15.8	17.2	15.4	11.4	2.6	2.4	2.2	1.2	1.2	1.6	13.0	11.8	14.4	180	26.1	4.0			
GE Shipping	556	ADD	84,639	2,147	152	59.6	85.9	46.6	(3.9)	44.1	(45.8)	9.3	6.5	11.9	9.0	7.7	9.1	2.7	2.0	1.8	2.1	2.3	2.1	32.7	35.7	15.9	525	(5.6)	9.1			
Jet Airways	970	REDUCE	83,710	2,124	86	(0.2)	6.4	62.4	-	-	-	-	-	-	31.5	12.8	6.3	3.0	3.6	3.0	0.1	0.1	1.3	(0.1)	2.2	21.3	800	(20.3)	3.8			
Transportation			305,047	7,739					(15.9)	35.2	1.0	18.2	13.5	13.3	13.8	10.2	7.7	3.3	2.9	2.5	1.0	1.2	1.5	18.1	21.5	18.6						

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Source: Kotak Institutional Equities.

As of September 30, 2007

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New rating system

Definitions of ratings

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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

Old rating system

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IL = In-Line. We expect this stock to perform in line with the BSE Sensex over the next 12 months.

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