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**Infosys Technologies:** Bad quarter but hope ahead

#### Updates

**Sun TV Network:** Sun18 distribution alliance brings two industry behemoths together

### News Round-up

- ▶ State owned oil firms IOC (IOCL IN), BPCL (BPCL IN) & HPCL (HPCL IN) will continue to coordinate while revising petrol prices every fortnight in the free pricing regime, which looks set to kick in as early as this week. *(TTOI)*
- ▶ The automobile industry is expected to do well in the years first quarter, ended June, but the growth in sales and profits may not be as good as in the previous four quarters, due to a higher base effect. *(BSTD)*
- ▶ With no operator getting a pan-India footprint for 3G because of high bids for spectrum, telecom czar Sunil Mittal slammed the auction design, saying it created an artificial scarcity. *(BSTD)*
- ▶ Tata Steel's (TATA IN) plans to sell Corus' Teeside Cat Products plant in the northeast of England suffered a setback today. The consortium they were in talks with pulled out of the deal, saying "Corus has appeared unwilling to engage on a constructive basis". *(BSTD)*
- ▶ Reliance Industries (RIL IN) is looking at yet another shale gas acquisition in North America. *(BSTD)* The transaction is said to be in line with RIL's recent acquisition of a 45% stake in Eagle Ford shale acreage of Pioneer Natural Resources. *(BSTD)*
- ▶ NTPC (NATP IN) has set the ball rolling to acquire coal mines or form joint ventures in Australia, Indonesia, Mozambique and South Africa. *(BSTD)*
- ▶ SAIL (SAIL IN) may launch its 20% share-sale plan by the third quarter of the current financial year. *(BSTD)*
- ▶ Essar Energy said its unit has agreed to buy Navbharat Power Private Ltd, a 2,250 mw coal-fuelled power plant being set up in Orissa. *(BSTD)*
- ▶ The board of Hotel Lelaventure (LELA IN) has approved the allotment of 10 mn equity shares on a preferential basis to a promoter group entity to keep any hostile takeover bids of rival companies at bay. *(BSTD)*
- ▶ Punj Lloyd (PUNJ IN), in JV with Spain's Technicas Reunidas, has bagged a USD 463 mn Gas Gathering Package contract. *(FNLE)*
- ▶ The real estate fund Indiareit owned by Ajay Piramal will buy a majority stake in the company owning the mall, SoBo Central, from Kishore Biyani's Future Group. Indiareit is likely to pay around USD 127.65mn to buy the mall. *(ECNT)*
- ▶ Jubilant Organosys (JOL IN) has decided to demerge its Agri and Performance Polymer business into a separate Company. *(THBL)*

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

### EQUITY MARKETS

India	Change %			
	13-Jul	1-day	1-mo	3-mo
Sensex	17,986	0.3	3.7	0.9
Nifty	5,401	0.3	3.9	1.5
<b>Global/Regional indices</b>				
Dow Jones	10,363	1.4	1.7	(6.8)
Nasdaq Composite	2,242	2.0	(0.1)	(10.5)
FTSE	5,271	2.0	1.3	(9.1)
Nikkie	9,799	2.7	(0.8)	(12.5)
Hang Seng	20,722	1.4	3.3	(6.3)
KOSPI	1,757	1.3	3.9	1.3
<b>Value traded – India</b>				
Cash (NSE+BSE)	182		170	174
Derivatives (NSE)	803		882	619
Deri. open interest	1,461		1,367	1,228

#### Forex/money market

	Change, basis points			
	13-Jul	1-day	1-mo	3-mo
Rs/US\$	46.8	0	29	230
10yr govt bond, %	7.6	2	1	(42)

#### Net investment (US\$m)

	12-Jul	MTD	CYTD
FIs	239	115	6,815
MFs	(29)	-	(282)

#### Top movers -3mo basis

Best performers	Change, %			
	13-Jul	1-day	1-mo	3-mo
HPCL IN Equity	482.3	1.2	33.3	56.5
IOCL IN Equity	393.5	0.4	13.1	38.7
BPCL IN Equity	700.8	1.6	24.4	38.0
AL IN Equity	69.9	0.2	10.9	25.3
MM IN Equity	632.1	(0.9)	2.8	24.5
<b>Worst performers</b>				
RNR IN Equity	44.4	0.7	(27.2)	(30.8)
ABAN IN Equity	879.4	1.9	32.7	(28.9)
TATA IN Equity	508.8	2.2	5.1	(26.5)
SESA IN Equity	358.0	0.6	1.2	(21.5)
PUNJ IN Equity	139.6	0.7	19.0	(20.9)

JULY 13, 2010

**RESULT**

Coverage view: **Attractive**

Price (Rs): **2,797**

Target price (Rs): **3,100**

BSE-30: **17,986**

**Bad quarter but hope ahead.** Infosys' 1QFY11 performance was lower than our estimates. While we are extremely positive on the demand environment and are not perturbed by wage-revision-induced cyclicality in margins, we are surprised with accelerating sequential decline in offshore pricing; in fact, offshore pricing has declined for seven consecutive quarters and is at a 10-year low. We retain our estimates and target price and give the company benefit of doubt on pricing (stable after 1Q).

#### Company data and valuation summary

Infosys Technologies

##### Stock data

52-week range (Rs) (high,low) 2,912-1,701

Market Cap. (Rs bn) 1,605.3

##### Shareholding pattern (%)

Promoters 16.0

FIs 55.0

MFs 4.0

##### Price performance (%)

	1M	3M	12M
Absolute	6.3	0.5	58.0
Rel. to BSE-30	0.9	(0.4)	17.7

##### Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	108.3	124.1	150.0
EPS growth (%)	5.7	14.5	20.9
P/E (X)	25.8	22.5	18.6
Sales (Rs bn)	227.4	276.0	334.0
Net profits (Rs bn)	62.2	71.2	86.1
EBITDA (Rs bn)	78.6	93.4	111.5
EV/EBITDA (X)	18.8	15.4	12.5
ROE (%)	30.1	28.0	28.0
Div. Yield (%)	0.9	1.2	1.5

#### 1QFY11 results below estimates; marginal volume miss and pricing decline the key factors

Infosys reported 4.8% sequential revenue growth to US\$1,358 mn, 0.7% lower than our expectation. Volumes grew 6.9% qoq. However, margin decline of 250 bps qoq surprised us negatively (our expectation was a decline of 150 bps). The entire deviation on margin performance can be explained by 110 bps decline in offshore mix and 4.1% decline in offshore pricing. Net income declined 5.2% qoq to Rs14.9 bn; net income was impacted by forex losses of Rs200 mn.

#### Not perturbed by revenue miss; companies not operating in a demand constrained environment

We are not too perturbed by revenue miss and broadly maintain our US\$ revenue growth estimate for FY2011E. We believe that the sector is not operating in a demand constrained environment; there are several bright spots to support this thesis including (1) large M&A integration deals that will continue to ramp up for the next three quarters, (2) high 'must-have' account wins. Infosys indicates that FY2010 was the best year on 'must-have' account wins, (3) improvement in discretionary spending and broad-based recovery and (4) significant reduction in deal closure times.

#### Margin decline—wage revision induced cyclicality is fine but pricing driven decline is not

Infosys' sequential margin decline of 230 bps is in line with historic trends. Margin decline in 1Q is typically led by compensation revision and visa charges which the company recoups subsequently through scale and absorption benefits (refer to Exhibit 1 on the next page) leading to a year-end decline of 30-50 bps. However, we are somewhat concerned with the trajectory of offshore pricing – declined qoq (in cc terms) for the seventh consecutive quarter; in fact offshore pricing is at a 10-year low. We elaborate our thoughts on pricing on the next page.

#### Maintain estimates, target price and BUY rating

Infosys is the best play on accelerated growth for offshore services. Our target price of Rs3,100 is based on the Gordon DDM model and implies 15% earnings growth for six-seven years (or 20% for four-five years), followed by 6% growth to perpetuity (long-term growth of IT services spending) using discount rate of 12%. We have taken long-term sustainable ROE assumption of 30% (core ROE of 80%+ currently, excluding excess cash on books).

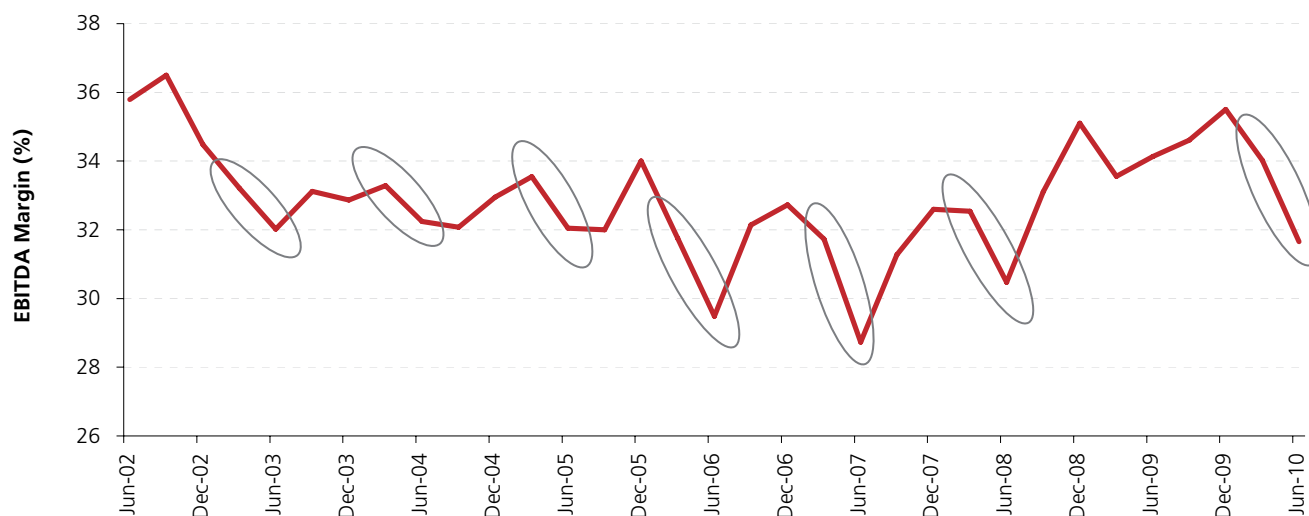
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Exhibit 1: Sequential drop in margins in 1Q is a historical trend



Source: Company, Kotak Institutional Equities

### Thoughts on pricing decline and increase in attrition rate

Infosys reported sequential decline in per capita offshore realization (in constant currency terms) for the seventh consecutive quarter (see Exhibit 2). More importantly

- ▶ Pricing decline has accelerated in the past two quarters. Infosys management has attributed the sequential decline in constant currency pricing over the past two quarters to the flow-through impact of pricing renegotiations done at the beginning of CY2010.
- ▶ Offshore realizations (in US\$ terms) are now at a 10-year low.
- ▶ Pricing decline has happened even as the % of employees in the 0-3 years experience band has come down over the past seven quarters from 49% to 41%. This implies a sharper-than-reported drop in like-on-like pricing, in our view.

Offshore pricing decline is at complete odds with commentary of peers and guidance by companies such as CTSI, TCS and Wipro. While we do not have a firm answer, we can think of the following possible reasons for decline

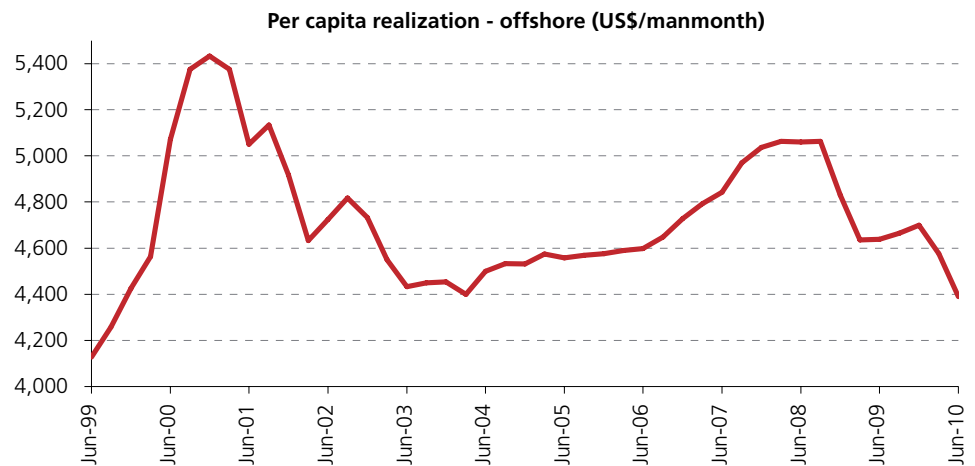
- ▶ Infosys is unable to sustain premium pricing in multi-vendor situations. The company could be settling for pricing concessions for volumes. We understand that Infosys had renegotiated pricing with one large client.
- ▶ During the downturn Infosys focused on pricing over volumes. That strategy may not have paid off; reflected in Infosys' underperformance on revenue growth relative to peers. Infosys may have decided to focus on volumes again.
- ▶ Change in customer and service mix.

Exhibit 2: Infosys' offshore realization per man-month has declined qoq for the last 7 consecutive quarters

	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10
Per capita realization - offshore (US\$/manmonth)	5,064	4,830	4,635	4,638	4,664	4,699	4,575	4,389
<b>Constant currency change qoq (%)</b>	<b>1.8</b>	<b>(0.2)</b>	<b>(3.1)</b>	<b>(1.9)</b>	<b>(0.9)</b>	<b>(0.1)</b>	<b>(1.7)</b>	<b>(3.2)</b>

Source: Company, Kotak Institutional Equities

Exhibit 3: Infosys' offshore realization per man-month was the lowest in the past 10 years



Source: Company, Kotak Institutional Equities

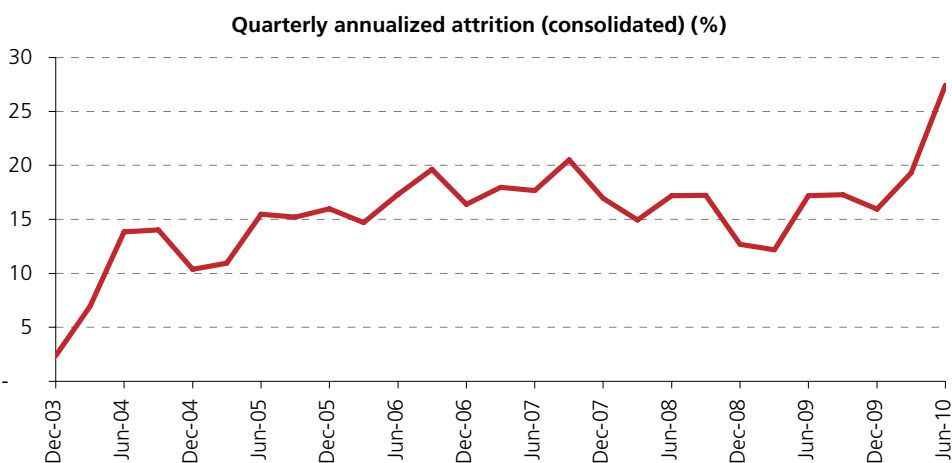
Exhibit 4: Comparison of revenue productivity of Infosys and Wipro

(US\$/man-month)	Dec-06	Dec-07	Dec-08	Dec-09	Mar-10	Jun-10
<b>Onsite</b>						
Infosys - onsite	11,452	12,295	11,649	12,107	12,038	12,174
Wipro - onsite	11,012	11,563	11,534	12,299	12,254	—
<b>Offshore</b>						
Infosys - offshore	4,727	5,036	4,830	4,699	4,575	4,389
Wipro - offshore	4,189	4,280	4,409	4,345	4,352	—
<b>Blended</b>						
Infosys - blended	6,924	7,306	6,864	6,824	6,719	6,613
Wipro - blended	6,614	7,297	7,826	7,857	7,784	—

Source: Companies, Kotak Institutional Equities

We also see the sharp increase in attrition rate at Infosys a worrisome sign, not just for the company, but for the industry as a whole. Quarterly annualized attrition for the consolidated entity (including BPO) increased to 27.4% in 1QFY11 from 19.3% in 4QFY10. Infosys management attributed the increase in attrition to (1) 'mad rush' for lateral hiring in the market as companies look to revamp their bench, (2) seasonality – attrition goes up in the June 2010 quarter on account of employees leaving for higher studies, and (3) opportunistic raise-seeking behavior among a set of employees.

Exhibit 5: Quarterly annualized attrition at a multi-year high



Source: Company, Kotak Institutional Equities estimates

While we expect the Tier-I companies to mitigate demand fulfillment challenges and margin headwinds arising out of increased attrition, other mid-sized companies may suffer. We like mid-sized companies on demand recovery potential but fear that the market has not fully discounted the potential of downside risks to margins.

### Business momentum unmistakable

Infosys' 1Q earnings report presents several indicators of the strong volume momentum for the Indian IT services industry (more for the Tier-I players, in our view) –

- ▶ Third consecutive quarter of robust sequential volume growth (6.9% consolidated, and 7.6% for IT services in 1QFY11),
- ▶ A good 4%pts increase in constant currency FY2011E revenue growth guidance (3%pts in US\$ terms to 19-21% from 16-18% earlier),
- ▶ Sustenance of growth reflected in the implied 2.9-3.9% revenue CQGR for 3Q-4QFY11E,
- ▶ Strong client metrics – number of US\$100 mn client relationships increased to 8 from 6 in the previous quarter, and
- ▶ Largely broad-based growth (except weakness in Telecom vertical, European geography, and package implementation service line).

We remain positive on the strength of demand environment, as reflected in our mid-20s US\$ revenue growth estimate for the Tier-I companies.

### Other details

- ▶ Infosys has revised EPS guidance to Rs112.2-116.7 from Rs107-111 earlier. Revised guidance is based on the assumption of operating margin decline of 150 bps; revised guidance is based on Re/US\$ rate of 46.45 for the rest of the year (~Rs46.2 for FY2011E). The company has upped its gross hiring guidance to 36,000 from 30,000 earlier.
- ▶ Infosys has guided for a strong 2QFY11E sequential revenue growth of 4.1% to 5.1%.
- ▶ Operating cash flow generation was one of the weakest in recent quarters. Receivables days increased to 56 from 53 and unbilled revenues to 15.4 days versus 12.7 in the previous quarter.

Exhibit 6: Infosys – change in FY2011E guidance

FY2011E	Revised		Earlier	
	Lower end	Upper end	Lower end	Upper end
Revenues (US\$ mn)	5,720	5,810	5,570	5,670
Growth yoy (%)	19.0	21.0	16.0	18.0
Revenues (Rs bn)	264	269	#	248
Growth yoy (%)	16.3	18.2	9.0	11.0
EPS (Rs)	112.2	116.7	106.8	111.3
Growth yoy (%)	2.9	7.1	(2.0)	2.1
EPADS (US\$)	2.42	2.52	2.40	2.50
Growth yoy (%)	5.9	9.6	4.3	8.6
Re/US\$ rate	46.45		44.5	

Source: Company, Kotak Institutional Equities

Exhibit 7: Infosys Interim Results (consolidated Indian GAAP)

Rs mn	1QFY10	4QFY10	1QFY11	% chg.		1QFY11E	% chg.	Comments
				qoq	yoy			
<b>Revenues</b>	<b>54,720</b>	<b>59,440</b>	<b>61,980</b>	<b>4.3</b>	<b>13.3</b>	<b>62,568</b>	<b>(0.9)</b>	Revenues of US\$1358 mn, below our estimate of US\$1,368 mn and ahead of the upper end of the company's guidance of US\$1,330-1,340 mn. Driven by volume growth of 6.9%; constant currency revenue growth was 6% qoq
Software Development Costs	(29,150)	(31,840)	(34,410)	8.1	18.0	(34,386)	<b>0.1</b>	
<b>Gross profit</b>	<b>25,570</b>	<b>27,600</b>	<b>27,570</b>	<b>(0.1)</b>	<b>7.8</b>	<b>28,182</b>	<b>(2.2)</b>	
Selling and marketing exp	(2,610)	(3,330)	(3,390)	1.8	29.9	(3,509)	<b>(3.4)</b>	
Administration exp	(4,280)	(4,050)	(4,560)	12.6	6.5	(4,323)	<b>5.5</b>	
Total SG&A Expenses	(6,890)	(7,380)	(7,950)	7.7	15.4	(7,832)	<b>1.5</b>	
<b>EBITDA</b>	<b>18,680</b>	<b>20,220</b>	<b>19,620</b>	<b>(3.0)</b>	<b>5.0</b>	<b>20,350</b>	<b>(3.6)</b>	EBITDA margins 80 bps lower than our expectations of 32.5%
Depreciation	(2,220)	(2,200)	(2,070)	(5.9)	(6.8)	(2,274)	<b>(9.0)</b>	
EBIT	16,460	18,020	17,550	(2.6)	6.6	18,076	<b>(2.9)</b>	
Interest	—	—	—	—	—	—	—	
Other Income	2,690	2,080	2,390	15	(11.2)	2,312	<b>3.4</b>	Forex losses of Rs200 mn
Provision for investments	—	—	—	—	—	—	—	
Profit Before Tax	19,150	20,100	19,940	(0.8)	4.1	20,388	<b>(2.2)</b>	
Provision for Tax	(3,880)	(4,410)	(5,060)	14.7	30.4	(5,058)	<b>0.0</b>	Effective tax rate of 25.4% higher than our expectation of 24.8%
<b>Net Profit</b>	<b>15,270</b>	<b>15,690</b>	<b>14,880</b>	<b>(5.2)</b>	<b>(2.6)</b>	<b>15,330</b>	<b>(2.9)</b>	
Minority Interest	—	—	—	—	—	—	—	
Extraordinaries	—	480	—	—	—	—	—	
<b>Net Profit- Reported</b>	<b>15,270</b>	<b>16,170</b>	<b>14,880</b>	<b>(8.0)</b>	<b>(2.6)</b>	<b>15,330</b>	<b>(2.9)</b>	
EPS (Rs/ share)	26.6	27.3	25.9	(5.2)	(2.6)	26.7	<b>(2.9)</b>	
No of shares outstanding (mn)	574.0	574.0	574.0			574.0		
<b>As % of revenues</b>								
Gross Profit Margin (%)	46.7	46.4	44.5			45.0		
Operating Margin	34.1	34.0	31.7			32.5		
EBIT Margin	30.1	30.3	28.3			28.9		
Selling Expenses	4.8	5.6	5.5			5.6		
Admin Expenses (%)	7.8	6.8	7.4			6.9		
SG&A Expenses (%)	12.6	12.4	12.8			12.5		
<b>Billing Rates (US\$/annum)</b>								
Onsite	140,612	144,450	146,086	1.1	3.9			
Offshore	55,654	54,904	52,672	(4.1)	(5.4)			
<b>Volumes growth</b>	(1.0)	7.2	7.2					
<b>Revenue Mix (%)</b>								
Onsite	51.1	48.7	50.0					
Offshore	48.9	51.3	50.0					
<b>Total Employees</b>	103,905	113,796	114,822	0.9	10.5			Total gross hiring for 1QFY2011 was 8,859, Gross hiring guidance for FY2011E raised to 36,000
<b>Guidance (consolidated)</b>								
	<b>2QFY2011E</b>		<b>FY2011E</b>					
	Lower end	Upper end	Lower end	Upper end				
Revenues (Rs bn)	65.63	66.26	264.4	268.9				FY2011E revenue growth guidance revised to 19-21% from 16-18% earlier, 2QFY11E qoq revenue growth guidance stands at 4.1-5.1%
Growth (%)	5.9	6.9	16.3	18.2				
Revenues (US\$ mn)	1413	1427	5,720	5,810				
Growth (%)	4.1	5.1	19.0	21.0				
EPS (a)	27.42	27.95	112.2	116.7				FY2011E EPS guidance revised to Rs112-117 from Rs107-111 earlier
Growth (%)	5.3	7.3	2.9	7.1				
Guidance based on Re/ US\$ rate of 46.45								

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Key changes to estimates, March fiscal year-ends, 2011E-2012E (Rs mn)

	New		Old		Change (%)	
	2011E	2012E	2011E	2012E	2011E	2012E
<b>Revenues</b>	<b>275,997</b>	<b>334,021</b>	<b>273,224</b>	<b>328,425</b>	<b>1.0</b>	<b>1.7</b>
EBITDA	93,362	111,457	93,278	110,832	0.1	0.6
Depreciation	(9,176)	(10,408)	(9,476)	(10,603)	(3.2)	(1.8)
EBIT	84,186	101,049	83,802	100,229	0.5	0.8
<b>Net Profit</b>	<b>71,217</b>	<b>86,105</b>	<b>71,865</b>	<b>86,373</b>	<b>(0.9)</b>	<b>(0.3)</b>
<b>EPS (Rs/ share)</b>	<b>124.1</b>	<b>150.0</b>	<b>125.2</b>	<b>150.5</b>	<b>(0.9)</b>	<b>(0.3)</b>
<b>Revenues (US\$ mn)</b>	<b>6,001</b>	<b>7,261</b>	<b>6,068</b>	<b>7,257</b>	<b>(1.1)</b>	<b>0.1</b>
<b>Revenue growth (%)</b>	<b>25.0</b>	<b>21.0</b>	<b>26.4</b>	<b>19.6</b>		
<b>Volume Growth (%)</b>	<b>26.4</b>	<b>17.9</b>	<b>23.8</b>	<b>17.6</b>		
<b>Billing Rates (US\$/ manmonth)</b>						
Onsite	12,268	12,529	12,205	12,388	0.5	1.1
Offshore	4,442	4,580	4,680	4,773	(5.1)	(4.1)
<b>Margins (%)</b>						
EBITDA	33.8	33.4	34.1	33.7		
EBIT	30.5	30.3	30.7	30.5		
Rs/ US\$ rate	46.0	46.0	45.0	45.3	2.2	1.6

Source: Kotak Institutional Equities estimates



Exhibit 9: Profit model, balance sheet, cash model of Infosys Technologies, 2008-2012E, March fiscal year-ends (Rs mn)

	2008	2009	2010E	2011E	2012E
<b>Profit model</b>					
<b>Revenues</b>	<b>166,920</b>	<b>216,930</b>	<b>227,420</b>	<b>275,997</b>	<b>334,021</b>
Cost of sales	(92,070)	(117,650)	(120,710)	(147,701)	(179,710)
SG&A expenses	(22,470)	(27,330)	(28,100)	(34,933)	(42,854)
<b>EBITDA</b>	<b>52,380</b>	<b>71,950</b>	<b>78,610</b>	<b>93,362</b>	<b>111,457</b>
Depreciation	(5,980)	(7,610)	(9,050)	(9,176)	(10,408)
<b>EBIT</b>	<b>46,400</b>	<b>64,340</b>	<b>69,560</b>	<b>84,186</b>	<b>101,049</b>
Other income	7,040	4,730	9,430	10,226	12,515
<b>Pre-tax profits</b>	<b>53,440</b>	<b>69,070</b>	<b>78,990</b>	<b>94,412</b>	<b>113,564</b>
Provision for tax	(8,060)	(10,270)	(16,810)	(23,196)	(27,459)
<b>Recurring net income</b>	<b>45,380</b>	<b>58,800</b>	<b>62,180</b>	<b>71,217</b>	<b>86,105</b>
Extraordinaries	1,210	1,080	480	—	—
<b>Reported net income</b>	<b>46,590</b>	<b>59,880</b>	<b>62,660</b>	<b>71,217</b>	<b>86,105</b>
<b>EPS (Rs)</b>	<b>79.1</b>	<b>102.4</b>	<b>108.3</b>	<b>124.1</b>	<b>150.0</b>
<b>Balance Sheet</b>					
Shareholders funds	137,950	182,540	230,490	278,347	336,366
Deferred tax liability/(assets)	(1,190)	(1,260)	(2,000)	(2,000)	(2,000)
Borrowings	—	—	—	—	—
Minority interest	—	—	—	—	—
<b>Total liabilities</b>	<b>136,760</b>	<b>181,280</b>	<b>228,490</b>	<b>276,347</b>	<b>334,366</b>
Gross block	54,390	70,930	78,390	91,820	108,567
Accumulated depreciation	(19,860)	(24,160)	(28,930)	(38,106)	(48,514)
Net block	34,530	46,770	49,460	53,714	60,053
CWIP	13,240	6,770	4,090	4,090	4,090
Net fixed assets	47,770	53,540	53,550	57,804	64,143
Cash and bank balances	83,960	112,460	124,480	165,251	212,771
Net current assets excluding cash	5,030	15,280	50,460	53,292	57,451
<b>Total assets</b>	<b>136,760</b>	<b>181,280</b>	<b>228,490</b>	<b>276,347</b>	<b>334,366</b>
<b>Cashflow statement</b>					
Operating profit before working capital changes	52,380	71,950	78,610	93,362	111,457
Change in working capital/other adjustments	(8,590)	(3,390)	(250)	(2,832)	(4,159)
Capital expenditure	(14,940)	(13,270)	(6,750)	(13,430)	(16,747)
Taxes paid	(6,700)	(9,020)	(17,530)	(23,196)	(27,459)
<b>Free cash flow</b>	<b>22,150</b>	<b>46,270</b>	<b>54,080</b>	<b>53,905</b>	<b>63,091</b>

Source: Company, Kotak Institutional Equities estimates

## Exhibit 10: Infosys: Quarterly operating metrics

	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10
<b>Revenues (US\$ mn)</b>	<b>1,084</b>	<b>1,142</b>	<b>1,155</b>	<b>1,216</b>	<b>1,171</b>	<b>1,121</b>	<b>1,122</b>	<b>1,154</b>	<b>1,232</b>	<b>1,296</b>	<b>1,358</b>
Revenues (Rs mn)	42,710	45,420	48,540	54,180	57,860	56,350	54,720	55,850	57,410	59,440	61,980
Exchange rate (Re/US\$)	39.4	39.8	42.0	44.6	49.4	50.3	48.8	48.4	46.6	45.9	45.6
<b>Revenue by verticals (%)</b>											
Insurance, Banking and Financial services	36.8	33.9	34.5	33.4	34.9	33.0	33.0	33.5	34.6	34.8	36.1
Manufacturing	14.6	16.4	18.4	20.1	19.6	20.8	20.5	19.3	19.3	20.2	19.5
Retail	12.0	11.9	12.2	12.1	12.6	13.5	13.2	14.1	13.1	13.0	13.2
Telecom	21.1	22.5	19.7	19.0	16.7	16.7	16.9	16.2	16.2	15.3	14.1
Energy and Utilities	5.2	5.2	5.4	5.5	6.2	5.9	5.7	5.9	6.1	5.8	6.0
Transportation & Logistics	2.4	2.8	2.4	2.3	2.2	2.3	2.3	2.3	1.8	1.8	1.8
Services	6.0	5.5	5.5	5.1	5.4	5.0	4.9	5.0	5.1	4.9	4.8
Others	1.9	1.8	1.9	2.5	2.4	2.8	3.5	3.7	3.8	4.2	4.5
<b>Revenue by service offerings (%)</b>											
ADM	46.3	45.2	43.4	42.7	42.5	40.9	42.5	40.8	42.3	39.6	40.8
- Application development	21.5	21.8	21.4	20.6	20.8	19.2	19.3	18.1	17.8	16.8	16.9
- Application maintenance	24.8	23.4	22.0	22.1	21.7	21.7	23.2	22.7	24.5	22.8	23.9
Business Process Management	5.9	6.0	6.3	6.0	5.7	6.0	6.1	6.2	5.9	6.2	5.7
Consulting Services and Package Implementation	24.0	24.1	23.7	25.3	25.1	25.4	24.4	23.8	23.3	26.0	24.9
Infrastructure Management	4.5	4.6	5.7	5.9	6.5	7.0	6.6	7.8	7.1	7.2	6.9
Product Engineering Services	1.7	1.8	2.2	2.1	2.1	2.6	2.4	2.3	2.4	1.8	2.1
System Integration	2.7	3.0	3.1	3.5	4.0	3.7	3.8	4.4	4.1	4.5	4.2
Testing Services	7.4	7.2	7.4	7.0	6.5	6.3	6.2	6.2	6.5	6.6	7.3
Others	3.8	4.4	4.3	3.9	3.4	4.1	4.0	4.4	4.5	3.1	3.4
<b>Total services</b>	<b>96.3</b>	<b>96.3</b>	<b>96.1</b>	<b>96.4</b>	<b>95.8</b>	<b>96.0</b>	<b>96.0</b>	<b>95.9</b>	<b>96.1</b>	<b>95.0</b>	<b>95.3</b>
Product revenues	3.7	3.7	3.9	3.6	4.2	4.0	4.0	4.1	3.9	5.0	4.7
Total services	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Revenue by geography (%)</b>											
North America	62.3	60.7	62.6	61.5	64.5	64.6	64.7	65.9	66.6	66.1	67.3
Europe	28.6	29.3	27.3	28.1	25.5	24.3	24.7	23.2	21.9	22.5	20.3
India	1.2	1.3	1.3	1.3	1.2	1.6	0.9	1.2	1.2	1.4	1.7
ROW	7.9	8.7	8.8	9.1	8.8	9.5	9.7	9.7	10.3	10.0	10.7
<b>Revenue by project type (%)</b>											
Fixed price	34.9	35.4	35.2	36.2	38.4	40.5	40.7	40.4	40.6	41.9	41.1
Time and Material	65.1	64.6	64.8	63.8	61.6	59.5	59.3	59.6	59.4	58.1	58.9
<b>Client metrics</b>											
Top client contribution to revenues (%)	9.5	10.3	7.9	7.6	6.2	5.7	4.5	4.6	4.7	4.6	4.9
Top 5 client contribution to revenues (%)	21.6	22.0	19.9	18.6	17.3	17.2	16.3	16.5	17.6	15.8	15.4
Top 10 client contribution to revenues (%)	32.5	32.0	30.1	28.0	27.2	26.8	25.8	26.2	27.5	25.8	26.1
Number of active clients	530	538	567	586	583	579	569	571	568	575	590
New clients added in the period	47	40	49	40	30	37	27	35	32	47	38
Repeat business %	96.3	95.0	99.6	99.8	97.1	95.9	98.7	98.0	97.0	95.4	99.4
Million \$ clients	305	310	325	325	323	327	330	330	336	338	341
5 Million \$ clients	128	141	146	151	150	151	151	150	152	159	170
10 Million \$ clients	81	89	91	94	102	101	104	96	93	97	103
20 Million \$ clients	45	47	53	56	58	59	61	59	60	59	60
30 Million \$ clients	30	32	33	34	37	39	45	41	41	41	43
40 Million \$ clients	22	22	25	26	26	30	30	32	33	33	34
50 Million \$ clients	17	18	18	20	20	20	19	21	22	26	26
60 Million \$ clients	12	13	16	16	17	16	15	15	14	16	17
70 Million \$ clients	12	12	12	12	13	12	12	11	12	12	13
80 Million \$ clients	9	10	12	12	11	10	11	9	9	10	11
90 Million \$ clients	6	6	8	8	7	7	6	6	7	8	10
100 Million \$ clients	4	6	6	5	4	4	4	5	6	6	8
200 Million \$ clients	1	1	1	1	1	1	1	1	2	1	1
300 Million \$ clients		1	1	1	1	1	—	—	—	—	—
<b>Per-capita productivity (IT Services and Consulting) - Reported (US\$)</b>											
Onsite	147,540	147,466	147,497	148,444	139,784	137,033	140,612	142,438	145,290	144,452	146,086
Offshore	60,432	60,752	60,722	60,762	57,958	55,621	55,654	55,974	56,387	54,903	52,672
Blended	87,672	87,848	88,008	87,715	82,371	79,883	80,713	81,021	81,889	80,624	79,351
<b>Currency-wise revenues (%)</b>											
USD	68.3	67.0	68.4	70.4	72.5	73.4	72.3	73.2	73.9	73.5	74.8
GBP	14.5	17.1	16.5	13.3	11.0	9.8	10.0	9.7	8.4	8.7	6.8
Euro	5.8	6.6	7.0	7.2	6.7	7.7	7.8	7.3	6.6	6.2	6.0
AUD	4.2	4.6	4.9	4.4	4.2	4.8	5.1	5.9	6.3	5.9	5.7
<b>Utilization measures (IT Services and Consulting)</b>											
Including trainees	68.8	68.9	68.3	69.2	66.9	65.2	64.3	64.6	66.2	67.4	71.9
Excluding trainees	76.3	74.5	70.9	72.8	73.4	72.8	68.3	71.3	74.7	75.8	78.0
<b>Employee metrics</b>											
Total Employees (Consolidated)	88,601	91,187	94,379	100,306	103,078	104,850	103,905	105,453	109,882	113,796	114,822
S/W professionals (IT Services and Consulting)	68,419	69,569	71,481	77,313	79,890	81,219	80,613	82,533	87,578	89,947	90,926
Billable	61,328	64,422	66,534	67,447	70,189	70,794	72,605	72,935	73,754	76,828	79,125
Banking Product Group	2,053	2,053	2,076	2,093	2,283	2,349	2,664	2,800	4,345	4,730	5,029
Trainees	5,038	3,094	2,871	7,773	7,418	8,076	5,344	6,798	9,479	8,389	6,772
Support and sales	4,787	5,323	5,614	5,666	6,247	6,551	6,622	6,887	5,430	5,917	5,287
Infosys BPO	15,395	16,295	17,284	17,327	16,941	17,080	16,670	16,033	16,874	17,932	18,609
Gross additions	11,683	5,947	7,182	10,117	5,997	4,935	3,538	6,069	8,719	9,313	8,859
Net additions	8,100	2,586	3,192	5,927	2,772	1,772	(945)	1,548	4,429	3,914	1,026
Laterals hired	2,570	2,340	2,013	1,736	1,388	659	390	1,064	1,420	2,041	2,942
<b>LTM Attrition (Standalone)</b>	<b>13.7</b>	<b>13.4</b>	<b>13.6</b>	<b>12.8</b>	<b>11.8</b>	<b>11.1</b>	<b>11.1</b>	<b>10.9</b>	<b>11.6</b>	<b>13.4</b>	<b>15.8</b>
<b>Attrition quarterly annualized (Standalone)</b>	<b>16.2</b>	<b>15.0</b>	<b>17.2</b>	<b>17.2</b>	<b>12.7</b>	<b>12.2</b>	<b>17.2</b>	<b>17.3</b>	<b>15.9</b>	<b>19.3</b>	<b>27.4</b>

Source: Company, Kotak Institutional Equities

JULY 14, 2010

UPDATE

BSE-30: 17,986

**Sun18 distribution alliance brings two industry behemoths together.** Network18 Group and Sun Network have announced a strategic partnership to create one of India's largest channel distribution entity/bouquets, Sun18. The alliance is (1) positive for IBN18/NewTV18 (though not in the near term), which had a fixed payment distribution deal with One Alliance previously, (2) marginally positive for Sun TV given the likely improved negotiating power versus C&S platforms/networks and (3) may be negative for existing distribution entities—Star-DEN, Zee-Turner and One Alliance.

**Sun18 alliance positive for both companies; details required to assign potential value**

Network18 Group (IBN18/NewTV18 being the broadcasting entity) and Sun Network, both leading broadcasters in India, have come together for a unique strategic partnership creating one of India's largest channel distribution entity/bouquet, Sun18. Sun18 will distribute 33 channels across all platforms/networks in India including 9 IBN18/NewTV18 news and entertainment channels, 20 Sun TV regional channels and 3 Disney kids channels (see Exhibit 1). In our view, the alliance is positive for both companies as it strengthens their bargaining power vis-à-vis C&S distribution platforms/networks but further details are required to assign potential benefits/value.

Sun18 will have a unique structure with two companies—Sun18 Media Services North and Sun18 Media Services South—separately controlled by Network18 Group and Sun Network. Sun18 North will be operated by Network18 Group and will manage the distribution of the entire bouquet of channels all over India except in South India; Sun18 North will be a 100%-owned subsidiary of IBN18/NewTV18, the broadcasting entity of the Network18 Group. Sun18 South will be operated by the Sun Network and will manage the distribution of the bouquet in South India; the ownership of Sun18 South is unclear. We highlight that Sun TV Network, the listed broadcaster, currently distributes its channels through Kal Comm, a Sun Network Group company.

**Network18 Group—positive but questions over prior deal with One Alliance remain**

In our view, Sun18 distribution alliance is positive for IBN18/NewTV18 (the broadcasting entity of the Network18 Group) given its previous deal with One Alliance for distribution of its Viacom18 entertainment bouquet was fixed payment deal (Rs2.7-3.0 bn over three years), which was not commensurate with the current leadership position of its channels. Sun18 distribution may not benefit (versus the prior deal with One Alliance) in the short term (potential subscription revenue of Rs0.9-1.0 bn in FY2011E; unchanged) since it will take some time to renegotiate payment terms with various C&S platforms/networks. However, IBN18/NewTV18 will likely start to benefit with a potentially significant pick-up in subscription revenues starting FY2012E.

The support of Sun TV and Disney channels will support its monetization efforts in urban markets of North India (significant migrant population) and English news and entertainment channels in South India. IBN18/NewTV18 may also find improved traction of its channels on DTH platforms in combination with the Sun TV channels. However, existing TRAI regulations prohibit discarding of existing channel bouquets though companies are free to create new bouquets; pick-up of the new bouquets may decide the potential synergy benefit with Sun TV channels, though we are confident of the same given the leadership positioning of IBN18/Sun TV channels.

However, certain questions over its prior deals with One Alliance (for distribution of its bouquet of Viacom18 entertainment channels) and Star-DEN (for distribution of its bouquet of news channels) remain since these deals ran through to end-FY2012E and end-2013E. The terms (legal, monetary) of the previous deals are not clear right now.

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### Sun TV—marginally positive given greater negotiating power

In our view, the Sun18 distribution alliance is positive for Sun TV (though clarity on ownership of Sun18 South would be helpful) given (1) higher negotiating power notably in urban markets of South India, notably with English news and entertainment channels of IBN18/NewTV18 and (2) improved monetization in urban market in rest of India where Sun TV channels find high viewership among the migrant population. We believe the positive impact will be limited to cable platforms/networks (the quantum may also be limited by niche viewership of English channels in South India and Sun TV channels in rest of India); Sun TV already has variable (per-subscriber) payment deals with all DTH operators.

### Incumbent distributors—potentially negative though not in near term

In our view, the creation of Sun18 may be potential negative for incumbent distribution companies such as Star-DEN, Zee-Turner and One Alliance. Though all these are pan-India players, they have limited exposure to the South Indian market, so impact on subscription revenues from the same will be likely limited. However, independent distribution for IBN18/NewTV18 bouquet of Hindi and English general entertainment channels may result in fragmentation of subscription revenues; we have previously highlighted the risks associated with the same (see our note “*Unfavorable risk-reward, in our view*” dated January 15, 2010). In our view, One Alliance may be impacted given the closure of a lucrative deal for Viacom18 bouquet of channels, inked when Colors was an emerging channel at terms that were likely quite favorable, in hindsight. However, as previously highlighted, the terms (legal, monetary) on which this deal was closed are not clear right now.

#### Sun18 channels and their a-la-carte cable rates (Rs/sub/month)

Network18	Rate	SunTV Network	Rate	Disney Network	Rate
MTV	7.49	Sun TV	12.40	Disney Channel	9.52
Nick	6.42	Gemini TV	10.30	Toon Disney	9.52
VH1	3.21	Udaya TV	11.50	Hungama TV	8.35
Colors	21.40	KTV	15.00	Disney XD	NA
CNBC TV18	9.10	Teja TV	5.30		
CNN-IBN	5.35	Udaya Movies	14.40		
CNBC-Awaaz	4.82	Sun Music	7.00		
IBN7	FTA	Gemini Music	7.00		
IBN Lokmat	FTA	Sun News	1.40		
		Gemini News	7.50		
		Udaya Varthegalu	7.35		
		Ushe TV	15.00		
		Navvulu TV (a)	17.00		
		Chintu TV (a)	1.60		
		Kushi TV (a)	1.50		
		Chutti TV (a)	13.37		
		Udaya II (a)	7.49		
		Adithya TV (a)	18.19		
		Surya TV	NA		
		Kiran TV	NA		

Source: TRAI April 2010 report, Kotak Institutional Equities

## June 2010: Earnings announcement calendar

Mon	Tue	Wed	Thu	Fri	Sat
<b>12-Jul</b>	<b>13-Jul</b>	<b>14-Jul</b>	<b>15-Jul</b>	<b>16-Jul</b>	<b>17-Jul</b>
CMC	Exide Industries	HDFC	Axis Bank	BASF India	Canara Bank
Moser-Baer	Hotel Leela	South Indian Bank	Castrol India	Chambal Fertilisers & Chemicals	Vardhman Textiles
Pfizer	Infosys		Colgate-Palmolive	Nava Bharat Ventures	Godrej Properties
Sintex Industries			LIC Housing Finance	Rallis India	
			Magma Finance	State Bank of Travancore	
			Polaris Software Lab	Supreme Industries	
			TCS	Zydus wellnus	
			Uflex		
			UTV Software Communications		
<b>19-Jul</b>	<b>20-Jul</b>	<b>21-Jul</b>	<b>22-Jul</b>	<b>23-Jul</b>	<b>24-Jul</b>
Aventis Pharma	Jindal Hotels	Alstom Projects	ACC	Allahabad Bank	Maruti Suzuki
Container Corp	United Spirits	Aries Agro	Ambuja Cements	Areva T&D	IOCL
Crompton Greaves	Zee Entertainment Enterprises	Century Plyboard	Bajaj Auto	BHEL	
HDFC Bank		Kotak Mahindra Bank	Bajaj Holdings & Investments	Biocon	
Jindal Saw		Rural Electrification Corp	Crisil	CESC	
Mindtree		Thermax	Dr Reddy Laboratories	Mahindra & Mahindra Financials	
PTC India		TVS Motor	IDBI Bank	Wipro	
Sesa Goa		Yes Bank	Power Finance		
			Thermax		
			Varun Industries		
<b>26-Jul</b>	<b>27-Jul</b>	<b>28-Jul</b>	<b>29-Jul</b>	<b>30-Jul</b>	<b>31-Jul</b>
Century Textiles	Ashok Leyland	Chennai Petroleum	Alok Industries	ABB	GVK Power & Infra
Dabur India	Asian Paints	Gujarat Mineral Development Corp.		Bharat Electronics	
GlaxosmithKline Pharma	Cadila Healthcare	Mahindra & Mahindra		BPCL	
Mahindra Holidays	Cairn India	Phoenix Mills		Indian Hotels	
Tech Mahindra	Godrej Industries	Sun Pharmaceuticals		PSL	
		Manglore Refinery and Petrochemicals			
		Titan Industries			
<b>2-Aug</b>	<b>3-Aug</b>	<b>4-Aug</b>	<b>5-Aug</b>	<b>6-Aug</b>	<b>7-Aug</b>
India Cements	Hindalco Industries				
Madras Cement					
<b>9-Aug</b>	<b>10-Aug</b>	<b>11-Aug</b>	<b>12-Aug</b>	<b>13-Aug</b>	<b>14-Aug</b>
			Ranbaxy Laboratories		

Source: BSE, Kotak Institutional Equities

**Kotak Institutional Equities: Valuation summary of key Indian companies**

Company	13-Jul-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price		Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E		
<b>Automobiles</b>																														
Ashok Leyland	70	ADD	92,921	1,986	1,330	2.8	4.1	5.5	84.5	46.1	34.3	24.8	16.9	12.6	14.4	10.4	8.6	2.4	2.2	1.9	2.1	1.4	1.4	11.1	13.4	16.2	65	(6.9)	10.0	
Bajaj Auto	2,401	ADD	347,378	7,426	145	117.5	166.0	182.9	159.8	41.3	10.1	20.4	14.5	13.1	12.8	9.8	8.6	10.8	6.6	4.6	0.8	0.8	0.8	66.6	56.3	41.0	2,500	4.1	10.7	
Bharat Forge	329	ADD	79,099	1,691	240	0.7	11.4	18.7	(92.0)	1,553.7	64.6	478.4	28.9	17.6	23.7	11.2	7.8	2.1	1.9	1.8	—	—	—	0.9	13.9	18.2	335	1.8	4.3	
Hero Honda	1,979	SELL	395,156	8,447	200	111.8	121.5	135.7	74.1	8.7	11.7	17.7	16.3	14.6	11.4	10.7	9.2	11.0	7.5	5.6	1.5	1.6	1.8	59.1	56.6	43.8	1,800	(9.0)	19.5	
Mahindra & Mahindra	632	BUY	365,606	7,815	578	34.9	40.7	48.7	132.5	16.6	19.7	18.1	15.5	13.0	12.0	10.1	8.5	4.5	3.6	2.9	1.5	1.5	1.5	30.0	25.9	24.7	680	7.6	26.6	
Maruti Suzuki	1,409	ADD	407,230	8,705	289	86.4	94.1	104.2	104.9	8.9	10.8	16.3	15.0	13.5	8.9	8.2	7.1	3.4	2.8	2.3	0.4	0.5	0.5	23.3	20.6	18.9	1,400	(0.6)	19.3	
Tata Motors	802	ADD	478,077	10,220	596	23.9	27.2	35.5	138.9	13.5	30.6	33.5	29.5	22.6	13.1	13.1	11.5	2.3	2.1	1.8	0.7	0.7	0.7	8.1	7.5	8.6	900	12.2	93.0	
<b>Automobiles</b>		<b>Cautious</b>	<b>2,165,468</b>	<b>46,291</b>					<b>109.8</b>	<b>21.0</b>	<b>17.4</b>	<b>21.2</b>	<b>17.5</b>	<b>14.9</b>	<b>12.0</b>	<b>10.5</b>	<b>9.0</b>	<b>3.9</b>	<b>3.3</b>	<b>2.7</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>18.6</b>	<b>18.6</b>	<b>18.1</b>				
<b>Banks/Financial Institutions</b>																														
Andhra Bank	138	BUY	66,930	1,431	485	21.0	21.1	25.4	56.1	0.6	20.0	6.6	6.5	5.4	—	—	—	1.4	1.2	1.0	3.0	3.1	3.7	24.4	20.2	20.7	160	15.9	4.9	
Axis Bank	1,300	ADD	526,605	11,257	405	62.1	77.4	98.5	22.7	24.7	27.3	20.9	16.8	13.2	—	—	—	3.3	2.8	2.4	0.9	1.2	1.5	18.9	18.1	19.9	1,360	4.6	48.4	
Bank of Baroda	714	BUY	261,096	5,581	366	83.7	93.2	114.7	37.3	11.4	23.0	8.5	7.7	6.2	—	—	—	1.9	1.6	1.3	2.1	2.3	2.9	24.4	22.6	23.2	825	15.5	10.5	
Bank of India	377	REDUCE	198,217	4,237	526	33.1	42.7	56.7	(42.1)	28.9	32.8	11.4	8.8	6.7	—	—	—	1.5	1.4	1.2	1.9	2.4	3.2	14.2	16.4	19.1	360	(4.5)	6.1	
Canara Bank	474	ADD	194,422	4,156	410	73.7	77.0	93.6	45.8	4.5	21.4	6.4	6.2	5.1	—	—	—	1.5	1.3	1.0	1.7	2.1	2.5	23.0	19.6	20.1	500	5.4	7.2	
Corporation Bank	534	BUY	76,610	1,638	143	81.6	86.7	100.3	31.1	6.3	15.7	6.5	6.2	5.3	—	—	—	1.3	1.1	1.0	3.1	3.3	3.8	21.9	19.9	19.8	650	21.7	1.1	
Federal Bank	360	BUY	61,521	1,315	171	27.2	38.7	48.0	(7.2)	42.3	24.2	13.2	9.3	7.5	—	—	—	1.3	1.2	1.0	1.4	2.0	2.5	10.3	13.4	14.8	360	0.1	6.0	
HDFC	3,064	ADD	879,791	18,807	287	98.4	116.9	140.8	22.7	18.8	20.4	31.1	26.2	21.8	—	—	—	5.8	5.1	4.5	1.2	1.3	1.6	20.0	20.7	22.0	3,200	4.4	37.5	
HDFC Bank	2,073	BUY	948,696	20,280	458	64.4	84.1	110.4	22.1	30.6	31.2	32.2	24.6	18.8	—	—	—	4.4	3.9	3.3	0.6	0.8	1.0	16.1	16.7	19.1	2,200	6.1	30.8	
ICICI Bank	899	REDUCE	1,002,787	21,436	1,115	36.1	47.5	58.4	6.9	31.7	22.9	24.9	18.9	15.4	—	—	—	1.9	1.8	1.7	1.3	1.7	2.1	8.0	10.0	11.5	980	9.0	87.8	
IDFC	190	ADD	276,434	5,909	1,459	8.2	9.2	11.3	41.1	13.3	22.8	23.2	20.5	16.7	—	—	—	3.9	2.6	2.1	0.7	0.9	1.1	16.1	15.2	14.5	205	8.2	23.0	
India Infoline	103	BUY	32,053	685	312	8.1	8.9	10.0	59.2	9.8	12.5	12.6	11.5	10.2	—	—	—	2.0	1.7	1.4	3.1	1.9	2.3	16.4	15.9	16.1	140	36.2	4.0	
Indian Bank	244	BUY	104,649	2,237	430	35.1	35.5	43.8	25.5	1.1	23.6	6.9	6.9	5.6	—	—	—	1.6	1.3	1.1	2.5	2.5	3.1	24.0	20.3	21.2	280	15.0	4.4	
Indian Overseas Bank	110	BUY	59,955	1,282	545	13.0	15.4	26.4	(46.7)	18.9	71.3	8.5	7.1	4.2	—	—	—	0.9	0.8	0.7	3.7	4.1	4.5	9.6	10.6	16.3	120	9.0	3.9	
J&K Bank	827	BUY	40,101	857	48	105.7	112.3	140.6	25.1	6.3	25.2	7.8	7.4	5.9	—	—	—	1.4	1.2	1.1	2.7	2.8	3.5	17.3	16.9	18.5	850	2.8	0.5	
UC Housing Finance	1,000	ADD	94,966	2,030	95	69.7	93.2	104.2	11.4	33.8	11.7	14.3	10.7	9.6	—	—	—	2.9	2.5	2.1	1.5	2.0	2.2	23.6	23.8	22.4	1,050	5.0	18.9	
Mahindra & Mahindra Financial	503	BUY	48,307	1,033	96	35.7	42.6	49.8	59.3	19.3	16.8	14.1	11.8	10.1	—	—	—	2.9	2.4	2.1	1.5	1.8	2.1	21.4	21.7	21.6	500	(0.6)	1.3	
Oriental Bank of Commerce	353	ADD	88,365	1,889	251	45.3	52.8	58.6	25.3	16.5	11.0	7.8	6.7	6.0	—	—	—	1.3	1.1	1.0	2.6	3.0	3.4	14.1	15.4	15.3	400	13.4	4.4	
PFC	315	REDUCE	361,892	7,736	1,148	20.5	22.5	25.9	53.5	9.9	15.1	15.4	14.0	12.2	—	—	—	2.8	2.5	2.2	1.6	1.8	2.1	18.8	18.0	18.2	240	(23.9)	2.9	
Punjab National Bank	1,054	BUY	332,250	7,102	315	123.8	138.8	169.6	26.3	12.1	22.2	8.5	7.6	6.2	—	—	—	2.0	1.7	1.4	2.1	2.6	3.2	26.4	24.5	24.7	1,150	9.1	8.2	
Reliance Capital	782	ADD	192,522	4,115	246	13.8	16.1	14.1	(64.9)	17.0	(12.4)	56.7	48.4	55.3	—	—	—	2.8	2.7	2.6	0.8	0.8	0.7	5.0	5.7	4.8	875	11.9	37.9	
Rural Electrification Corp.	292	ADD	288,466	6,166	987	20.3	24.6	30.7	23.2	21.2	24.9	14.4	11.9	9.5	—	—	—	2.6	2.3	2.0	2.2	2.5	3.2	22.0	20.5	22.2	300	2.7	14.2	
Shriram Transport	597	ADD	133,181	2,847	223	39.2	49.1	62.4	30.1	25.4	27.2	15.2	12.2	9.6	—	—	—	3.6	3.1	2.6	2.0	2.5	3.1	28.4	26.1	27.8	600	0.5	4.0	
SREI	87	NR	10,065	215	116	8.3	7.9	9.9	17.8	(4.8)	25.8	10.4	11.0	8.7	—	—	—	0.8	0.8	0.7	1.4	1.4	1.4	11.1	10.5	12.3	—	—	3.9	
State Bank of India	2,429	BUY	1,542,193	32,967	635	144.4	170.9	210.6	0.5	18.3	23.2	16.8	14.2	11.5	—	—	—	2.3	2.1	1.8	1.2	1.3	1.4	14.8	15.5	16.7	2,900	19.4	99.7	
Union Bank	312	BUY	157,445	3,366	505	41.1	45.8	57.3	20.2	11.5	25.0	7.6	6.8	5.4	—	—	—	1.8	1.5	1.2	1.8	2.2	2.7	26.2	23.7	24.3	380	21.9	4.2	
Yes Bank	288	BUY	97,705	2,089	340	15.0	17.9	22.7	46.7	18.9	27.0	19.2	16.1	12.7	—	—	—	3.2	2.7	2.3	0.5	0.6	0.8	20.3	18.1	19.4	335	16.5	19.7	
<b>Banks/Financial Institutions</b>		<b>Attractive</b>	<b>8,077,226</b>	<b>172,664</b>					<b>14.7</b>	<b>18.0</b>	<b>23.7</b>	<b>16.1</b>	<b>13.6</b>	<b>11.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2.5</b>	<b>2.2</b>	<b>1.9</b>	<b>1.4</b>	<b>1.6</b>	<b>1.9</b>	<b>15.5</b>	<b>16.0</b>	<b>17.1</b>				
<b>Cement</b>																														
ACC	820	SELL	154,024	3,293	188	83.2	61.8	63.4	47.9	(25.7)	2.6	9.8	13.3	12.9	5.3	6.2	5.4	2.4	2.1	1.9	2.9	2.9	2.9	29.3	19.4	17.7	830	1.2	7.8	
Ambuja Cements	111	SELL	168,451	3,601	1,522	8.0	7.9	8.1	11.4	(1.8)	2.6	13.8	14.1	13.7	7.7	8.0	7.2	2.4	2.1	1.9	1.7	1.9	1.9	19.3	16.7	15.3	98	(11.4)	5.4	
Grasim Industries	1,879	ADD	172,263	3,682	92	301.0	240.1	282.0	26.1	(20.2)	17.5	6.2	7.8	6.7	4.0	4.0	3.1	1.4	1.2	1.0	1.8	1.8	1.8	22.9	16.4	16.7	2,150	14.4	8.6	
India Cements	111	SELL	34,187	731	307	10.0	10.4</																							

## Kotak Institutional Equities: Valuation summary of key Indian companies

Company	13-Jul-10		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo	
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US\$ mn)	
<b>Consumer products</b>																														
Asian Paints	2,370	BUY	227,301	4,859	96	71.5	81.5	101.1	85.3	13.9	24.2	33.1	29.1	23.4	20.4	18.1	14.4	14.2	11.3	9.1	1.1	1.5	1.8	51.8	44.4	44.0	2,500	5.5	2.9	
Colgate-Palmolive (India)	850	REDUCE	115,573	2,471	136	29.7	33.0	37.6	37.6	11.1	13.9	28.6	25.8	22.6	21.2	18.7	15.9	36.2	28.3	22.7	2.4	2.6	3.0	150.2	122.2	109.9	760	(10.6)	2.2	
Dabur India	213	BUY	184,217	3,938	866	5.8	6.8	8.2	28.1	17.6	20.8	36.7	31.2	25.8	27.3	21.9	18.2	17.5	14.4	11.8	1.4	1.7	2.0	54.3	51.1	50.7	200	(5.9)	2.5	
GlaxoSmithKline Consumer (a)	1,798	ADD	75,603	1,616	42	55.4	70.0	82.9	23.6	26.5	18.4	32.5	25.7	21.7	17.9	15.2	12.4	8.5	7.0	5.8	1.0	1.3	1.5	27.9	29.6	29.2	1,800	0.1	0.6	
Godrej Consumer Products	349	NR	107,589	2,300	308	8.7	9.8	11.6	29.7	13.2	18.2	40.2	35.5	30.1	28.5	25.4	21.4	9.1	8.0	8.0	1.1	1.1	1.1	30.7	24.1	27.8	—	—	3.5	
Hindustan Unilever	260	REDUCE	566,224	12,104	2,179	9.7	10.4	11.8	1.7	7.3	14.0	26.8	25.0	22.0	18.1	17.0	14.3	22.2	19.1	16.5	2.9	3.3	3.7	91.6	82.2	80.8	230	(11.5)	12.7	
ITC	299	BUY	1,127,191	24,096	3,769	10.8	12.4	14.5	24.4	15.4	16.9	27.8	24.1	20.6	17.1	15.1	12.7	7.9	6.8	5.8	3.3	1.8	2.0	29.9	32.2	32.1	315	5.3	22.1	
Jubilant Foodworks	337	REDUCE	21,870	468	65	5.5	7.7	9.7	340.6	39.3	25.3	60.9	43.7	34.9	32.9	23.1	16.3	18.6	13.0	9.5	—	—	—	46.6	35.1	31.5	290	(14.0)	7.7	
Jyothy Laboratories	269	NR	19,503	417	73	11.0	12.9	15.3	99.6	17.0	18.3	24.4	20.8	17.6	18.8	14.2	11.7	4.8	4.1	3.5	1.7	1.3	1.7	18.6	20.2	20.5	—	—	1.3	
Nestle India (a)	2,985	REDUCE	287,806	6,152	96	74.4	87.0	105.5	27.0	17.0	21.3	40.1	34.3	28.3	26.5	23.5	20.2	49.5	39.3	31.1	1.6	2.0	2.4	136.0	127.8	122.7	3,000	0.5	2.3	
Tata Tea	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	
<b>Consumer products</b>																														
<b>Attractive</b>		<b>2,806,994</b>	<b>60,004</b>			<b>23.4</b>	<b>13.7</b>	<b>17.2</b>	<b>29.5</b>	<b>26.0</b>	<b>22.2</b>	<b>19.0</b>	<b>16.8</b>	<b>14.1</b>	<b>10.0</b>	<b>8.7</b>	<b>7.5</b>	<b>2.5</b>	<b>2.1</b>	<b>2.4</b>	<b>34.0</b>	<b>33.4</b>	<b>33.8</b>							
<b>Constructions</b>																														
IVRCL	192	BUY	51,186	1,094	267	7.8	10.3	12.4	(7.7)	32.4	19.7	24.5	18.5	15.5	12.8	10.5	8.9	2.5	2.2	2.0	0.2	0.2	0.2	10.9	12.8	13.5	215	12.2	7.0	
Nagarjuna Construction Co.	188	BUY	48,122	1,029	257	7.1	11.5	14.3	6.1	61.1	24.1	26.3	16.3	13.1	12.7	9.5	7.8	2.1	1.9	1.7	0.9	1.1	1.1	9.3	12.5	13.9	210	12.0	3.6	
Punj Lloyd	140	REDUCE	47,291	1,011	339	(12.9)	9.8	12.0	79.2	(175.4)	22.4	(10.8)	14.3	11.7	37.9	7.5	6.8	1.5	1.4	1.3	(0.1)	0.3	0.8	(15.8)	10.3	11.4	140	0.3	12.5	
Sadbhav Engineering	1,327	BUY	19,899	425	15	43.1	62.0	84.0	(15.8)	43.9	35.5	30.8	21.4	15.8	17.1	11.1	9.1	4.8	3.2	2.7	0.3	0.5	0.5	13.3	14.1	17.4	1,450	9.3	0.3	
<b>Construction</b>																														
<b>Attractive</b>		<b>166,498</b>	<b>3,559</b>			<b>(96.9)</b>	<b>14,481</b>	<b>24.4</b>	<b>2,459.1</b>	<b>16.9</b>	<b>13.6</b>	<b>17.3</b>	<b>9.0</b>	<b>7.8</b>	<b>2.2</b>	<b>1.9</b>	<b>1.7</b>	<b>0.3</b>	<b>0.5</b>	<b>0.6</b>	<b>0.1</b>	<b>11.3</b>	<b>12.5</b>							
<b>Energy</b>																														
Aban Offshore	879	ADD	38,253	818	43	94.5	172.3	103.6	(2.5)	82.3	(39.8)	9.3	5.1	8.5	8.5	6.3	6.8	1.7	0.9	0.9	0.4	0.4	0.5	21.7	20.8	11.1	900	2.3	50.2	
Bharat Petroleum	701	ADD	253,367	5,416	362	63.5	54.3	67.6	208	(14)	24.5	11	13	10.4	6.1	6.2	5.3	1.8	1.6	1.5	2.0	2.6	3.2	16.0	12.3	13.9	660	(5.8)	22.3	
Cairn india	316	SELL	599,726	12,820	1,897	5.3	28.5	40.0	24.3	433.4	40.5	59.2	11.1	7.9	46.3	7.6	5.4	1.7	1.5	1.4	—	—	—	4.7	3.0	14.6	18.1	250	(20.9)	17.4
Castrol India (a)	431	REDUCE	106,689	2,281	247	15.4	19.6	20.6	45	27	5.3	28	22	20.9	16.6	13.5	12.7	23.2	21.7	19.9	2.9	3.6	3.7	83.8	101.6	99.2	365	(15.4)	1.0	
GAIL (India)	467	ADD	592,253	12,660	1,268	24.8	26.2	38.8	11.7	5.8	48.0	18.9	17.8	12.0	10.6	11.0	8.6	3.3	2.9	2.5	1.6	1.8	2.7	17.4	16.3	21.1	495	6.0	17.3	
GSPL	102	REDUCE	57,342	1,226	562	7.4	8.9	9.1	235	22	1.3	14	11	11.3	7.1	6.0	5.4	3.4	2.7	2.4	1.0	2.2	3.6	27.3	26.3	22.5	80	(21.5)	4.2	
Hindustan Petroleum	482	ADD	163,488	3,495	339	54.7	45.0	62.0	222.7	(17.9)	38.0	8.8	10.7	7.8	3.3	3.8	3.0	1.2	1.1	1.0	2.5	2.9	4.0	13.9	10.3	13.0	500	3.7	27.5	
Indian Oil Corporation	394	ADD	955,398	20,423	2,428	49.9	34.0	37.4	407	(32)	10.0	8	12	10.5	5.3	6.3	5.2	1.7	1.6	1.5	3.3	2.6	2.9	22.7	13.8	14.0	410	4.2	16.6	
Oil India	1,374	BUY	330,336	7,061	240	115.1	130.7	152.0	13.8	13.5	16.3	11.9	10.5	9.0	5.1	4.1	3.3	2.2	2.0	1.7	2.5	3.2	3.6	16.7	17.8	18.2	1,440	4.8	7.3	
Oil & Natural Gas Corporation	1,277	BUY	2,731,680	58,394	2,139	91.4	124.9	141.1	1	37	12.9	14	10	9.1	5.1	4.2	3.5	2.1	1.8	1.6	2.6	3.3	3.8	14.6	17.9	18.0	1,450	13.5	36.8	
Petronet LNG	82	REDUCE	61,425	1,313	750	5.4	5.5	8.2	(22.0)	2.6	47.8	15.2	14.8	10.0	9.2	8.6	6.9	2.4	2.1	1.8	2.1	2.4	3.4	15.9	14.3	18.6	82	0.1	3.7	
Reliance Industries	1,074	SELL	3,197,117	68,344	2,976	49.6	62.9	80.2	(2)	27	27.5	22	17	13.4	10.9	8.2	6.9	2.2	2.0	1.8	1.4	1.7	2.1	11.4	13.2	15.3	985	(8.3)	119.0	
<b>Energy</b>																														
<b>Cautious</b>		<b>9,087,074</b>	<b>194,252</b>			<b>33.2</b>	<b>20.8</b>	<b>20.8</b>	<b>15.0</b>	<b>12.4</b>	<b>10.3</b>	<b>7.3</b>	<b>6.2</b>	<b>5.1</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>2.0</b>	<b>2.3</b>	<b>3.0</b>	<b>13.8</b>	<b>15.0</b>	<b>16.3</b>							
<b>Industrials</b>																														
ABB	870	REDUCE	184,392	3,942	212	16.7	23.3	37.2	(35.2)	39.2	59.8	52.0	37.3	23.4	29.8	22.0	13.6	7.6	6.5	5.2	0.2	0.4	0.4	15.6	18.8	24.7	840	(3.5)	6.6	
BGR Energy Systems	758	BUY	54,580	1,167	72	16.0	28.0	39.7	32.2	74.6	41.9	47.3	27.1	19.1	26.6	15.4	11.1	9.7	7.7	5.9	0.4	0.9	1.0	22.3	31.8	35.1	800	5.5	3.3	
Bharat Electronics	1,816	REDUCE	145,284	3,106	80	93.9	111.8	127.4	(9.6)	19.1	13.9	19.3	16.2	14.3	9.4	7.5	6.4	3.3	2.8	2.5	1.4	1.4	1.4	17.9	18.7	18.5	1,790	(1.4)	2.4	
Bharat Heavy Electricals	2,470	REDUCE	1,208,894	25,842	490	88.1	113.1	137.5	37.9	28.4	21.6	28.0	21.8	18.0	15.7	11.8	9.7	7.6	6.0	4.8	0.8	1.0	1.2	29.9	30.8	29.8	2,500	1.2	29.0	
Crompton Greaves	265	BUY	170,043	3,635	642	12.8	13.3	15.8	46.5	3.2	19.0	20.6	20.0	16.8	12.0	11.0	9.0	6.5	5.1	4.1	0.7	0.7	0.8	36.8	28.5	26.8	290	9.4	7.8	
Larsen & Toubro	1,839	BUY	1,105,124	23,624	601	58.1	71.2	90.4	16.0	22.4	27.0	31.6	25.8	20.3	16.8	14.2	11.7	4.9	4.1	3.5	0.6	0.7	0.8	18.6	17.5	18.7	1,900	3.3	53.4	
Maharashtra Seamless	388	BUY	27,344	585	71	40.2	43.6	49.8	12.1	8.5	14.2	9.6	8.9	7.8	5.1	4.4	3.5	1.7	1.5	1.3	1.6	2.0	2.6	19.3	17.9	17.7	450	16.1	0.4	
Siemens	731	REDUCE	246,616	5,272	337	25.0	29.6	34.3	55.2	18.6	16.0	29.3	24.7	21.3	17.3	14.2	12.0	7.2	5.9	4.9	0.7	0.8	0.9	27.3	26.3	25.1	635	(13.2)	6.8	
Suzlon Energy	62	REDUCE	98,023	2,095	1,594	(5.9)	0.3	5.3	(182.3)	(104.4)	1,931.8	(10.3)	237.1	11.7	17.4	9.0	5.8	0.9	0.9	0.9	—	—	—	0.3	(8.8)	0.4	7.5	70	13.8	27.2

## Kotak Institutional Equities: Valuation summary of key Indian companies

Company	13-Jul-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E			
<b>Infrastructure</b>																													
Container Corporation	1,422	REDUCE	184,812	3,951	130	61.1	74.3	85.9	0.3	21.7	15.6	23.3	19.1	16.5	16.5	13.5	11.3	4.3	3.7	3.2	1.0	1.2	1.4	19.6	20.6	20.5	1,250	(12.1)	1.8
GMR Infrastructure	62	ADD	226,071	4,833	3,667	0.4	0.2	0.1	(43.8)	(48.9)	(40.0)	143.1	280.0	466.3	24.6	15.9	14.9	2.1	1.8	1.8	—	—	—	2.4	1.2	0.7	65	5.4	6.0
GVK Power & Infrastructure	44	BUY	69,643	1,489	1,579	0.8	1.1	1.4	6.7	33.5	32.4	54.2	40.6	30.7	18.5	16.9	17.3	2.2	2.1	2.0	—	0.7	0.7	4.7	5.3	6.7	54	22.4	5.4
IRB Infrastructure	263	RS	87,262	1,865	332	9.7	12.6	12.1	83.8	29.2	(3.7)	27.0	20.9	21.7	12.9	11.5	10.7	3.8	2.9	2.3	—	—	—	15.6	15.7	11.9	—	—	4.3
Mundra Port and SEZ	759	REDUCE	306,168	6,545	403	15.1	24.1	35.7	40.8	59.5	48.4	50.3	31.5	21.2	32.2	20.7	14.8	8.4	6.5	4.8	—	—	—	18.5	23.2	26.1	725	(4.5)	6.3
<b>Infrastructure</b>		<b>Attractive</b>	<b>873,956</b>	<b>18,682</b>		<b>12.7</b>	<b>29.5</b>	<b>24.1</b>	<b>43.4</b>	<b>33.5</b>	<b>27.0</b>	<b>21.7</b>	<b>16.0</b>	<b>13.7</b>	<b>3.6</b>	<b>3.1</b>	<b>2.8</b>	<b>—</b>	<b>—</b>	<b>0.3</b>	<b>—</b>	<b>—</b>	<b>0.3</b>	<b>8.4</b>	<b>9.2</b>	<b>10.2</b>			
<b>Media</b>																													
DB Corp	241	ADD	43,712	934	181	10.6	12.9	15.7	276.4	21.0	22.3	22.7	18.7	15.3	12.5	10.4	8.2	6.3	5.0	4.2	0.8	1.7	2.5	38.2	29.6	29.9	280	16.3	0.3
DishTV	47	ADD	49,608	1,060	1,063	(2.5)	(1.2)	0.5	(62.6)	(49.9)	(141.4)	(19.0)	(37.9)	91.6	61.7	22.4	12.3	12.0	17.5	14.7	—	—	—	250.2	(37.4)	17.4	47	0.8	3.5
HT Media	152	NR	35,814	766	235	6.1	7.8	9.4	623.3	27.0	20.9	25.0	19.7	16.3	12.5	10.4	8.5	3.7	3.3	3.0	0.7	1.3	2.6	15.6	17.6	19.2	—	—	0.3
Jagran Prakashan	127	ADD	38,294	819	301	5.8	6.4	7.5	91.9	9.5	16.7	21.8	19.9	17.0	13.1	11.6	9.9	6.3	5.6	5.0	2.8	2.8	3.1	30.0	29.8	31.0	130	2.2	0.6
Sun TV Network	436	REDUCE	171,839	3,673	394	13.1	17.9	22.8	44.8	36.0	27.5	33.2	24.4	19.1	18.8	14.0	11.1	8.9	7.5	6.2	1.7	1.7	2.1	28.4	33.5	35.5	420	(3.7)	1.7
Zee Entertainment Enterprises	309	REDUCE	134,041	2,865	434	10.5	12.0	14.7	24.4	14.4	22.2	29.4	25.7	21.0	21.9	17.3	13.8	3.6	3.5	3.3	0.8	0.9	1.2	13.0	14.1	16.4	265	(14.2)	9.3
<b>Media</b>		<b>Neutral</b>	<b>473,307</b>	<b>10,118</b>					<b>185.0</b>	<b>40.2</b>	<b>36.2</b>	<b>38.9</b>	<b>27.8</b>	<b>20.4</b>	<b>18.8</b>	<b>14.3</b>	<b>11.1</b>	<b>3.7</b>	<b>5.2</b>	<b>4.7</b>	<b>1.2</b>	<b>1.4</b>	<b>1.8</b>	<b>14.6</b>	<b>18.7</b>	<b>22.8</b>			
<b>Metals</b>																													
Hindalco Industries	151	ADD	289,580	6,190	1,914	5.7	12.6	15.1	(64.5)	122.5	19.4	26.7	12.0	10.0	7.9	8.4	8.5	1.3	1.2	1.1	0.9	0.9	0.9	10.3	10.4	11.2	185	22.3	42.1
Hindustan Zinc	984	BUY	415,581	8,884	423	95.6	102.5	116.0	48.2	7.2	13.1	10.3	9.6	8.5	6.4	5.0	3.4	2.2	1.8	1.5	0.6	0.6	0.6	24.1	20.8	19.4	1,240	26.1	4.3
Jindal Steel and Power	633	SELL	587,556	12,560	928	38.5	48.7	50.8	17.2	26.5	4.3	16.5	13.0	12.5	10.3	8.3	7.8	5.1	3.7	2.8	0.2	0.2	0.2	37.3	33.0	25.7	575	(9.2)	30.3
JSW Steel	1,101	REDUCE	218,804	4,677	199	80.4	106.4	136.9	447.0	32.3	28.7	13.7	10.4	8.0	8.5	7.2	5.7	1.9	1.5	1.3	0.8	0.4	0.4	15.4	16.4	17.3	1,150	4.4	54.8
National Aluminium Co.	434	SELL	279,598	5,977	644	10.1	28.0	27.7	(49.0)	178.6	(1.2)	43.1	15.5	15.7	19.2	7.5	7.0	2.6	2.2	2.0	0.5	0.5	0.5	6.1	15.4	13.3	320	(26.3)	1.2
Sesa Goa	358	REDUCE	318,513	6,809	890	29.6	61.4	62.4	32.2	107.6	1.8	12.1	5.8	5.7	9.8	3.6	2.9	4.1	2.5	1.7	0.8	0.8	0.8	36.7	48.0	34.1	420	17.3	79.7
Sterilite Industries	171	ADD	573,835	12,267	3,362	12.0	14.2	19.2	2.8	18.3	35.1	14.2	12.0	8.9	12.1	10.4	6.8	1.6	1.4	1.2	0.5	0.5	0.5	12.9	12.2	14.5	210	23.0	49.7
Tata Steel	509	BUY	451,509	9,652	887	3.2	78.7	93.5	(97.1)	2,331.6	18.7	157.1	6.5	5.4	17.5	5.9	5.0	1.8	1.4	1.2	1.6	1.6	1.6	1.1	24.7	23.8	700	37.6	110.1
<b>Metals</b>		<b>Cautious</b>	<b>3,134,977</b>	<b>67,015</b>					<b>(28.9)</b>	<b>81.0</b>	<b>15.1</b>	<b>17.5</b>	<b>9.7</b>	<b>8.4</b>	<b>10.8</b>	<b>6.9</b>	<b>5.8</b>	<b>2.2</b>	<b>1.8</b>	<b>1.5</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>12.3</b>	<b>18.4</b>	<b>17.7</b>			
<b>Pharmaceutical</b>																													
Biocon	316	BUY	63,290	1,353	200	14.7	18.7	23.0	212.6	27.7	23.0	21.6	16.9	13.7	12.3	10.3	8.4	3.5	3.0	2.6	—	—	0.1	17.9	19.7	20.7	345	9.0	3.6
Cipla	336	REDUCE	269,460	5,760	803	13.5	12.8	15.6	35.9	(4.9)	21.9	24.9	26.2	21.5	18.4	17.3	14.5	4.6	4.0	3.5	0.7	0.7	0.7	19.9	16.3	17.4	280	(16.6)	9.9
Cadila Healthcare	654	REDUCE	133,906	2,862	205	24.7	29.6	34.9	66.9	20.0	17.6	26.5	22.1	18.8	17.0	14.3	12.5	8.3	6.4	5.1	0.8	0.9	1.1	36.1	32.8	30.3	535	(18.2)	1.6
Dishman Pharma & chemicals	215	BUY	17,462	373	81	14.4	17.2	28.8	(19.7)	19.4	67.0	14.9	12.5	7.5	10.7	8.9	6.3	2.2	1.9	1.5	—	—	—	15.5	16.3	22.7	300	39.7	0.6
Divi's Laboratories	768	ADD	101,472	2,169	132	25.8	34.3	43.9	(18.3)	33.3	27.9	29.8	22.4	17.5	22.3	16.4	12.6	6.8	5.5	4.5	—	—	—	24.8	27.2	28.4	800	4.2	3.2
Dr Reddy's Laboratories	1,455	REDUCE	246,454	5,268	169	48.1	66.7	70.8	48.3	38.8	6.1	30.3	21.8	20.6	16.7	12.6	11.7	6.5	5.2	4.2	0.5	0.5	0.6	22.2	26.3	22.6	1,150	(21.0)	15.2
GlaxoSmithkline Pharmaceuticals (a)	2,047	REDUCE	173,412	3,707	85	59.1	69.1	79.2	8.1	17.0	14.5	34.7	29.6	25.9	19.9	17.0	14.5	9.7	8.3	7.1	—	—	—	29.8	30.2	29.5	1,800	(12.1)	1.5
Glenmark Pharmaceuticals	278	NR	76,069	1,626	274	12.7	19.2	20.3	14.7	50.6	5.6	21.8	14.5	13.7	14.0	9.1	8.7	3.2	2.7	2.3	—	—	—	16.7	19.9	17.6	—	—	4.9
Jubilant Organosys	374	BUY	59,319	1,268	159	26.5	33.7	39.3	49.0	27.1	16.7	14.1	11.1	9.5	10.0	8.9	7.4	2.7	2.2	1.8	0.5	0.7	0.8	26.3	22.0	21.1	400	7.1	3.1
Lupin	1,880	ADD	166,500	3,559	89	76.9	104.1	122.5	27.8	35.3	17.6	24.4	18.0	15.3	20.9	15.1	11.9	7.2	5.4	4.1	0.7	0.8	0.8	36.6	34.4	30.7	1,920	2.1	6.9
Piramal Healthcare	511	REDUCE	106,883	2,285	209	23.4	13.4	11.0	35.5	(42.9)	(17.6)	21.9	38.3	46.5	16.1	6.6	5.0	6.3	1.2	1.0	1.1	1.2	0.7	32.1	141.2	16.6	490	(4.2)	32.2
Ranbaxy Laboratories	460	SELL	197,171	4,215	428	7.1	28.0	11.7	(128.4)	297.1	(58.3)	65.2	16.4	39.4	16.0	9.6	19.0	5.0	4.0	3.7	—	0.9	0.9	6.9	24.6	9.1	220	(52.2)	10.6
Sun Pharmaceuticals	1,742	REDUCE	360,731	7,711	207	65.2	67.7	77.6	(25.7)	3.8	14.6	26.7	25.7	22.4	20.2	18.2	15.3	4.3	3.8	3.4	0.8	0.8	0.8	17.8	16.2	16.2	1,560	(10.4)	8.4
<b>Pharmaceuticals</b>		<b>Attractive</b>	<b>1,972,129</b>	<b>42,158</b>					<b>44.7</b>	<b>27.3</b>	<b>5.9</b>	<b>27.4</b>	<b>21.5</b>	<b>20.3</b>	<b>17.1</b>	<b>13.2</b>	<b>12.4</b>	<b>5.2</b>	<b>3.7</b>	<b>3.2</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>18.9</b>	<b>17.3</b>	<b>15.6</b>			
<b>Property</b>																													
DLF	316	ADD	539,872	11,541	1,708	9.6	16.3	25.1	(64.0)	69.4	53.8	32.8	19.4	12.6	20.7	13.1	9.9	2.0	1.9	1.7	0.9	0.9	1.6	6.4	9.9	13.8	340	7.6	49.0
Indiabulls Real Estate	172	RS	69,072	1,477	401	1.6	4.0	8.0	109.7	151.7	101.7	108.5	43.1	21.4	(82)	40.3	10.5	0.8	0.8	0.8	—	—	—	0.8	1.8	3.5	285	65.6	20.7
Mahindra Life Space Developer	508	ADD	21,381	457	42	18.9	20.3	27.5	82.4	7.3	35.8	26.9	25.1	18.5	22.9	19.2	10.7	2.3	2.1	1.9	0.8	0.8	0.8	8.4	8.5	10.7</			



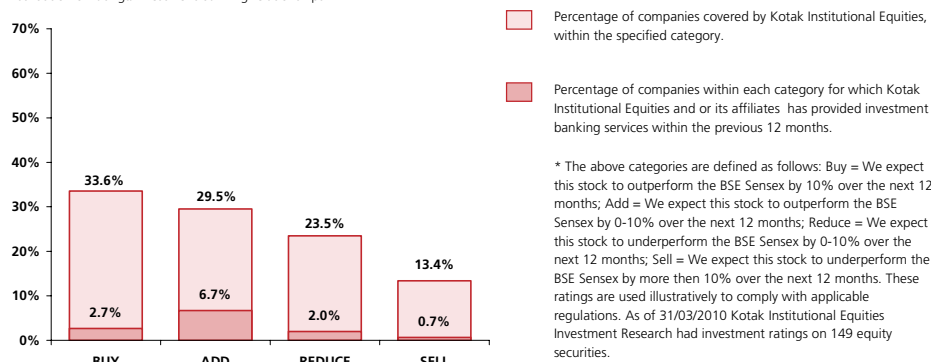
## Kotak Institutional Equities: Valuation summary of key Indian companies

Company	13-Jul-10 Price (Rs)	Rating	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price Upside ADVT-3mo (Rs) (%) (US\$ mn)		
			(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E
<b>Retail</b>																													
Titan Industries	2,628	ADD	116,635	2,493	44	62.7	76.1	96.2	41.5	21.3	26.5	41.9	34.5	27.3	29.7	23.3	18.2	14.8	11.0	8.3	0.4	0.5	0.5	40.7	36.6	34.8	2,400	(8.7)	4.3
<b>Retail</b>		<b>Neutral</b>	<b>116,635</b>	<b>2,493</b>					<b>41.5</b>	<b>21.3</b>	<b>26.5</b>	<b>41.9</b>	<b>34.5</b>	<b>27.3</b>	<b>29.7</b>	<b>23.3</b>	<b>18.2</b>	<b>14.8</b>	<b>11.0</b>	<b>8.3</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>35.2</b>	<b>32.0</b>	<b>30.5</b>			
<b>Sugar</b>																													
Bajaj Hindustan	120	SELL	23,020	492	191	9.7	9.9	8.9	201.1	2.2	(10.4)	12.4	12.1	13.5	7.1	5.9	5.6	1.0	0.9	0.8	0.6	0.6	0.6	8.1	7.5	6.3	99	(17.7)	6.7
Balrampur Chini Mills	86	ADD	21,965	470	257	3.7	10.4	7.0	(51.9)	183.7	(32.7)	23.3	8.2	12.2	9.7	5.6	6.1	1.6	1.4	1.3	0.5	0.5	0.5	7.0	18.1	11.0	92	7.5	6.4
Shree Renuka Sugars	71	BUY	47,723	1,020	670	9.9	7.6	7.8	196.4	(23.2)	3.1	7.2	9.4	9.1	4.9	5.6	4.8	1.9	1.6	1.3	0.6	0.5	0.5	32.0	18.1	15.7	76	6.7	15.3
<b>Sugar</b>		<b>Cautious</b>	<b>92,709</b>	<b>1,982</b>					<b>96.1</b>	<b>2.5</b>	<b>(9.4)</b>	<b>9.8</b>	<b>9.6</b>	<b>10.6</b>	<b>6.3</b>	<b>5.7</b>	<b>5.3</b>	<b>1.5</b>	<b>1.3</b>	<b>1.1</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>14.9</b>	<b>13.3</b>	<b>10.8</b>			
<b>Technology</b>																													
HCL Technologies	361	REDUCE	248,987	5,323	690	17.8	25.1	28.5	2.0	40.6	13.6	20.2	14.4	12.7	10.3	8.8	7.3	3.9	3.2	2.7	1.1	1.1	1.7	20.8	24.9	23.3	370	2.5	13.1
Hexaware Technologies	87	REDUCE	12,462	266	144	9.3	5.1	9.4	127.7	(45.4)	84.0	9.3	17.0	9.2	4.8	9.8	5.4	1.5	1.4	1.2	1.2	1.2	1.2	17.8	8.4	14.0	72	(17.0)	3.2
Infosys Technologies	2,797	BUY	1,605,335	34,317	574	108.3	124.1	150.0	5.7	14.5	20.9	25.8	22.5	18.6	18.8	15.4	12.5	7.0	5.8	4.8	0.9	1.2	1.5	30.1	28.0	28.0	3,100	10.8	68.6
Mphasis BFL	625	REDUCE	130,275	2,785	208	43.6	49.0	45.6	207.5	12.5	(7.0)	14.3	12.7	13.7	11.4	10.2	9.3	5.6	4.0	3.2	0.6	0.6	0.7	48.1	36.4	25.8	550	(12.0)	9.3
Mindtree	576	REDUCE	23,699	507	41	52.2	38.9	51.6	294.3	(25.5)	32.6	11.0	14.8	11.2	9.5	9.1	6.5	3.5	2.9	2.3	0.4	0.7	0.9	35.2	21.4	23.1	550	(4.5)	2.3
Patni Computer Systems	514	REDUCE	68,439	1,463	133	36.6	42.3	38.6	36.4	15.6	(8.7)	14.1	12.2	13.3	7.3	6.4	5.6	1.9	1.8	1.6	1.4	1.6	1.5	18.2	15.8	12.8	450	(12.4)	6.3
Polaris Software Lab	208	SELL	20,728	443	100	15.4	19.1	18.6	16.9	24.3	(2.7)	13.5	10.9	11.2	7.1	8.8	7.6	2.4	2.0	1.8	1.7	1.8	1.9	18.6	20.1	17.0	180	(13.4)	4.3
TCS	775	BUY	1,516,145	32,410	1,957	35.1	41.1	46.3	32.8	16.9	12.8	22.1	18.9	16.7	17.0	13.8	11.4	7.2	6.0	5.0	2.6	2.1	2.4	37.6	34.8	32.8	900	16.2	30.3
Wipro	404	ADD	988,331	21,127	2,447	18.9	21.9	25.0	22.1	16.2	14.4	21.4	18.4	16.1	16.2	13.3	11.0	5.0	4.1	3.4	0.9	1.1	1.3	26.5	24.6	23.2	465	15.1	15.6
<b>Technology</b>		<b>Attractive</b>	<b>4,614,399</b>	<b>98,641</b>					<b>22.9</b>	<b>16.4</b>	<b>14.4</b>	<b>22.1</b>	<b>19.0</b>	<b>16.6</b>	<b>16.0</b>	<b>13.3</b>	<b>11.0</b>	<b>5.9</b>	<b>4.9</b>	<b>4.1</b>	<b>1.5</b>	<b>1.5</b>	<b>1.7</b>	<b>26.7</b>	<b>25.8</b>	<b>24.6</b>			
<b>Telecom</b>																													
Bharti Airtel	300	REDUCE	1,138,710	24,342	3,798	24.0	21.4	24.2	7.5	(10.8)	13.2	12.5	14.0	12.4	7.0	6.7	5.7	2.6	2.2	1.9	1.0	1.3	1.7	24.1	17.0	16.5	290	(3.3)	50.6
IDEA	66	REDUCE	217,787	4,656	3,300	2.7	1.3	2.3	(5.8)	(51.7)	71.9	24.1	50.0	29.1	8.3	8.3	6.8	1.9	1.8	1.7	—	—	—	7.2	3.8	6.3	50	(24.2)	10.7
MTNL	65	SELL	41,045	877	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(4.2)	(6.3)	(7.1)	(0.5)	(0.6)	(0.8)	0.4	0.4	0.4	—	—	—	(8.5)	(6.1)	(5.7)	50	(23.3)	2.7
Reliance Communications	189	SELL	402,833	8,611	2,133	22.1	14.1	18.2	(30.2)	(36.2)	29.1	8.6	13.4	10.4	7.6	8.5	6.4	1.0	1.0	0.9	0.4	—	—	11.7	7.4	8.9	175	(7.4)	41.2
Tata Communications	281	REDUCE	80,099	1,712	285	14.0	15.2	15.7	3.2	8.2	3.5	20.1	18.5	17.9	8.2	7.6	7.2	1.1	1.1	1.1	2.3	2.7	3.0	5.2	5.5	5.5	225	(19.9)	1.5
<b>Telecom</b>		<b>Cautious</b>	<b>1,880,474</b>	<b>40,198</b>					<b>(15.1)</b>	<b>(19.8)</b>	<b>20.7</b>	<b>13.2</b>	<b>16.4</b>	<b>13.6</b>	<b>7.7</b>	<b>7.6</b>	<b>6.2</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>	<b>12.7</b>	<b>9.3</b>	<b>10.2</b>			
<b>Utilities</b>																													
Adani Power	123	ADD	268,467	5,739	2,180	0.8	4.9	16.4	-	524.1	235.3	157.2	25.2	7.5	122.8	16.9	6.1	4.9	4.1	2.7	—	—	—	4.4	17.8	43.0	130	5.6	3.0
CESC	420	ADD	52,448	1,121	125	35.2	42.2	45.7	9.3	19.6	8.4	11.9	10.0	9.2	7.5	6.7	7.5	1.2	1.1	1.0	1.1	1.3	1.4	11.1	11.7	11.4	439	4.6	2.0
Lanco Infratech	68	BUY	164,622	3,519	2,405	2.0	3.6	4.5	35.1	82.2	26.4	34.9	19.1	15.1	20.5	8.7	8.5	4.8	3.8	3.1	—	—	—	15.8	20.6	21.0	70	2.3	8.9
NTPC	200	REDUCE	1,645,382	35,173	8,245	10.6	12.4	14.7	7.8	16.8	18.9	18.9	16.1	13.6	14.6	12.4	10.4	2.6	2.4	2.2	2.0	2.3	2.8	14.2	15.3	16.6	200	0.2	10.6
Reliance Infrastructure	1,149	ADD	282,810	6,046	246	61.8	62.7	80.3	(1.5)	1.6	28.0	18.6	18.3	14.3	19.9	19.1	13.1	1.5	1.4	1.3	0.7	0.8	0.9	6.3	7.3	10.1	1,100	(4.3)	48.5
Reliance Power	174	SELL	417,994	8,935	2,397	2.9	3.1	5.4	179.7	7.4	76.4	61.1	56.9	32.3	98.7	33.9	2.9	2.8	2.5	—	—	—	—	4.8	5.0	8.2	135	(22.6)	22.8
Tata Power	1,326	ADD	327,191	6,994	247	60.2	69.2	88.5	20.1	15.0	27.8	22.0	19.1	15.0	13.8	12.5	10.7	2.5	2.3	2.0	0.9	1.1	1.1	12.9	12.5	14.3	1,420	7.1	10.5
<b>Utilities</b>		<b>Attractive</b>	<b>3,158,915</b>	<b>67,527</b>					<b>16.1</b>	<b>23.0</b>	<b>37.2</b>	<b>23.5</b>	<b>19.1</b>	<b>13.9</b>	<b>19.5</b>	<b>14.8</b>	<b>11.0</b>	<b>2.6</b>	<b>2.3</b>	<b>2.1</b>	<b>1.2</b>	<b>1.4</b>	<b>1.7</b>	<b>10.9</b>	<b>12.2</b>	<b>15.0</b>			
<b>Others</b>																													
Havells India	631	SELL	37,951	811	60	5.3	31.6	45.0	3.7	497.9	42.6	119.4	20.0	14.0	16.6	10.2	8.3	10.4	6.9	4.7	—	—	—	6.6	41.6	39.7	480	(23.9)	7.0
Jaiprakash Associates	130	BUY	277,386	5,930	2,129	1.5	5.9	7.9	(27.2)	305.4	34.4	89.5	22.1	16.4	22.2	14.1	10.3	3.2	2.9	2.5	—	—	—	4.1	13.9	16.3	183	40.4	33.8
Jindal Saw	207	ADD	60,991	1,304	294	27.5	19.3	17.9	121.9	(29.8)	(7.2)	7.5	10.7	11.6	5.4	6.2	5.9	1.6	1.3	1.2	—	—	—	20.5	12.9	11.1	243	17.2	4.8
PSL	139	BUY	7,439	159	53	22.9	25.4	28.2	3.3	10.6	11.0	6.1	5.5	4.9	3.4	2.8	3.0	0.8	0.7	0.7	4.7	4.7	5.0	12.6	11.7	12.0	175	25.8	0.6
Sintex	333	BUY	45,392	970	136	24.1	28.3	33.3	0.5	17.4	17.5	13.8	11.7	10.0	11.6	7.8	6.6	2.1	1.8	1.5	—	—	—	15.5	15.3	15.2	380	14.3	3.5
Tata Chemicals	329	ADD	80,028	1,711	243	26.4	32.4	37.3	(27.1)	22.6	15.1	12.4	10.1	8.8	6.7	5.6	4.8	1.7	1.5	1.3	2.7	2.7	2.7	16.0	18.4	18.3	360	9.5	3.1
Welspun Corp	248	REDUCE	50,936	1,089	205	25.1	23.0	24.4	44.9	(8.1)	5.8	9.9	10.8	10.2	5.4	5.6	4.9	1.7	1.5	1.3	0.8	0.8	0.9	20.6	14.8	13.5	245	(1.2)	6.3
United Phosphorus	179	BUY	82,960	1,773	463	11.9	15.6	19.0	18.8	30.2	22.1	15.0	11.5	9.4	8.7	7.2	5.8	2.4	2.1	1.7	0.8	1.1	1.1	17.7	19.0	19.5	250	39.4	9.6
<b>Others</b>			<b>643,083</b>	<b>13,747</b>					<b>11.6</b>	<b>39.7</b>	<b>19.5</b>	<b>20.0</b>	<b>14.3</b>	<b>12.0</b>	<b>11.4</b>	<b>9.1</b>	<b>7.6</b>	<b>2.4</b>	<b>2.1</b>	<b>1.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>12.0</b>					

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As of March 31, 2010

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