

Contents

New releases

Strategy: Foreign loans, local gains, deferred pains

Changes in Recommendation

Mphasis BFL: Is the street overestimating the revenue growth potential from HP?

Mahindra & Mahindra Finance: Valuations at peak, priced to perfection

Updates

Energy: Not out of energy yet

News Round-up

ADR/GDR's: AXSB up 2.64%, BD up 4.76%, CENT up 2.98%, CRG up 2.02%, DRRD up 3.81%, HDFCB up 4.38%, ICICIBC up 5.06%, INFO up 3.82%, LICHF up 2.60%, RIL up 3.07%, SBIN up 6.43%, STLT up 2.97%, UNSP up 4.60%.

- ▶ In what could lead to an overhaul of policy, the Union govt. is looking at a new sugar subsidy mechanism as part of its decontrol proposal. It plans to rope in state govt. for the purchase & distribution of sugar to below poverty line consumers at market prices. To compensate state govt.'s for the cost of buying sugar at market prices the Centre plans to levy a cess of INR 100 on the sale of every quintal of sugar. (BSTD)
- ▶ The Maharashtra Electricity Regulatory Commission has lifted a stay order on tariff order given to Reliance Infra (RELI IN), thereby allowing the co. to increase its electricity prices by an average 3 %. (BSTD)
- ▶ The Bombay Stock Exchange is likely to implement a call auction in the pre-open session from mid-October to reduce price volatility & better price discovery. (BSTD)
- ▶ Reliance Industries Ltd (RIL IN) plans to start a vacuum gasoil unit at its Jamnagar facility in India by the beginning of next week. (THBL)
- ▶ Kingfisher Airlines (KAIR IN) has been able to save over USD 21.25 mn by replacing expat pilots with Indians while the total non-fuel cost reduction has been as high as USD 113 mn. (THBL)
- ▶ HDIL (HDIL IN) has launched a share sale to qualified institutional investors to raise up to USD 250mn. The co. is selling shares for about INR 268.50 each. (BSTD)
- ▶ Scottish explorer Cairn Energy has rejected state run ONGC's claim to preemption right in the proposed sale of a majority stake in Cairn India to UK listed Vedanta Resources for USD 8.48bn. The company has sought the govt.'s approval for the deal. (TTOI)
- ▶ Vishal Retail's (VISH IN) board has approved the sale of its retail trading business to Chennai-based Shriram Group and the wholesale business, institutional sales and franchise operation to private equity company TPG Capital, the combined deal is estimated at USD 21.25 mn. (THBL)

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

EQUITY MARKETS

India	Change %			
	13-Sep	1-day	1-mo	3-mo
Sensex	19,208	2.2	5.7	10.8
Nifty	5,760	2.1	5.6	10.8
Global/Regional indices				
Dow Jones	10,544	0.8	2.3	3.5
Nasdaq Composite	2,286	1.9	5.2	1.9
FTSE	5,566	1.2	5.5	7.0
Nikkie	9,272	(0.5)	0.2	(6.2)
Hang Seng	21,658	1.9	2.8	8.0
KOSPI	1,820	0.0	4.2	7.6
Value traded – India				
Cash (NSE+BSE)	203		194	179
Derivatives (NSE)	1,492		949	882
Deri. open interest	1,975		1,702	1,367

Forex/money market

	Change, basis points			
	13-Sep	1-day	1-mo	3-mo
Rs/US\$	46.4	(7)	(37)	(9)
10yr govt bond, %	8.0	8	11	36
Net investment (US\$m)				
	9-Sep		MTD	CYTD
FIs	253		515	13,396
MFs	(62)		129	(282)

Top movers -3mo basis

Best performers	Change, %			
	13-Sep	1-day	1-mo	3-mo
BOI IN Equity	500.0	2.2	8.0	50.5
HPCL IN Equity	529.2	0.3	9.0	46.3
IDEA IN Equity	74.6	(2.8)	2.7	38.5
TCOM IN Equity	337.5	(0.1)	2.4	36.7
TTCH IN Equity	429.6	1.0	18.3	36.2
Worst performers				
RNR IN Equity	39.2	1.7	1.6	(35.7)
HH IN Equity	1727.7	(0.3)	(8.3)	(14.0)
CIPLA IN Equity	305.6	(0.3)	(2.7)	(10.0)
IVRC IN Equity	163.1	0.6	0.9	(9.9)
RCOM IN Equity	162.8	(0.5)	(3.2)	(9.1)

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NEW RELEASE

BSE-30: 19,208

Foreign loans, local gains, deferred pains. We highlight the risks to earnings of certain Indian companies from a potential steep depreciation in the value of the Indian Rupee. Several Indian companies have large FX exposure, which gives them a lower cost of borrowing and higher EPS but exposes them to a sharp depreciation in the Rupee. India's CAD has worsened considerably over the past few months; large capital inflows have supported the Indian Rupee.

India's BOP position is vulnerable without continued strong capital flows

We highlight the risks to India's BOP position from a slowdown in capital flows. India's trade balance and current account deficit (CAD) has worsened of late. We estimate a 3.3% CAD/GDP ratio at a crude oil price of US\$75/bbl. We build in robust capital flows of around US\$61 bn that should result in a largely neutral BOP position. However, we could see significant downward pressure on the Indian Rupee in case of (1) any sharp increase in crude oil price and (2) reversal of portfolio flows.

Indian companies have large foreign currency exposure; near-term repayment is manageable

We compute a maximum repayment of US\$22 bn in FY2011-12E and believe the amount is manageable from a perspective of both BOP and cash flows of Indian companies. We assume some of the loans may have already been paid down or extinguished (FCCBs). However, the large slippage in CAD over the past two years makes India quite vulnerable to external shocks. We note that the repayment amount is far higher in the FY2013-15E period at US\$44 bn although re-financing is an option in normal circumstances.

Risks exist to earnings from a sharp drop in the value of the Indian Rupee

We see risks to earnings and, more important, cash flows of a few Indian companies. However, we assume that companies may have hedged their forex positions and thus may be less vulnerable to a steep depreciation in the value of the Indian Rupee. Thus, it is difficult to quantify the impact of a sharp depreciation. Also, a few companies with large FC borrowings have a natural hedge of pricing in US Dollar terms; a weaker rupee will enhance revenues/ profits and offset the negative impact of higher borrowings/repayment in rupee terms.

Take reported earnings with a pinch of salt; cash flows more relevant

In case of an appreciation in the value of the Indian Rupee, we note that reported profits of Indian companies benefit from (1) lower borrowing costs of FC loans and (2) higher other income from reduction in loans. Finally, a few companies currently benefit from capitalization of any increase in FC loans due to a depreciation of the rupee.

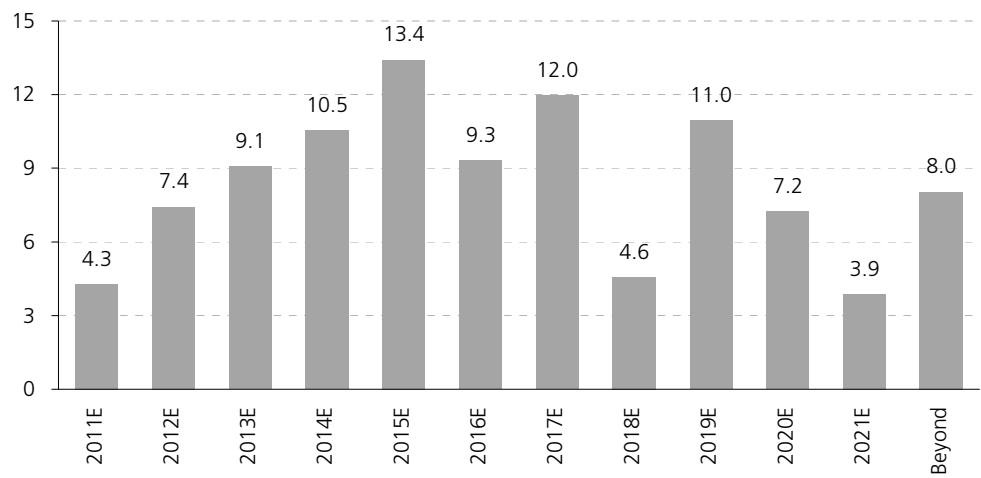
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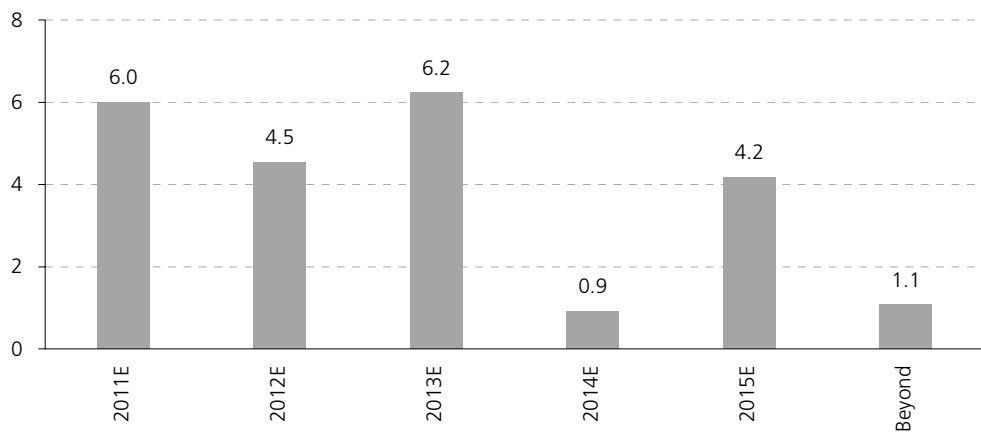
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US\$12 bn of ECBs are due for redemption in FY2011-12E
 Maturity profile of ECBs, March fiscal year-ends, 2011-21E (US\$ bn)



Source: RBI, Kotak Institutional Equities

US\$10.5 bn of FCCBs are due for redemption (unless converted) in FY2011-12E
 Maturity profile of the FCCBs, March fiscal year-ends, 2011-15E (US\$ bn)



Source: RBI, Kotak Institutional Equities

US\$66 bn of total ECB approvals available with Indian companies
Company-wise ECB issuances since April 2007 (US\$ mn)

Company	Amount (US\$ mn)
Reliance Industries Ltd.	5,853
National Aviation Company of India Ltd.	4,398
Reliance Communications Ltd.	2,746
Jet Airways (India) Ltd.	2,701
Coastal Gujarat Power Ltd.	1,728
Export-Import Bank of India	1,573
Reliance Petroleum Ltd.	1,275
Vedanta Aluminium Ltd.	1,007
Aircel Limited	1,000
Tata Teleservices Ltd.	955
Air India Charters Ltd.	877
Tata Steel Ltd.	875
Idea Cellular Ltd.	875
Shipping Corporation Of India Ltd.	835
Indian Oil Corporation. Ltd.	800
Petronet LNG Ltd.	769
Adani Power Ltd.	749
Vodafone Essar South Ltd.	723
Larsen & Toubro Limited	559
Indian Railway Finance Corporation Ltd.	550
Indian Airlines Limited	519
Delhi International Airport Pvt.Ltd.	500
Essar Oil Vadinar Ltd.	500
Infotel Broadband Services Pvt. Ltd.	500
Ispat Industries Ltd	500

Source: RBI, Kotak Institutional Equities

US\$11.5 bn of total FCCBs raised by Indian companies
Company-wise FCCB issuances since April 2007 (US\$ mn)

Company	Amount (US\$ mn)
Tata Steel Ltd.	1,875
Tata Motors Ltd.	865
Sesa Goa Limited	500
Sterlite Industries (I) Ltd.	500
Jaiprakash Associates Ltd.	400
Suzlon Energy Ltd.	351
JSW Steel Ltd.	325
Essar Oil Ltd.	300
GTL Infrastructure Ltd	300
Jaiprakash Power Ventures Ltd.	300
Sintex Industries Ltd.	300
The Tata Power Company Ltd.	300
Firstsource Solutions Limited	275
Cals Refineries Limited	250
Sterling Biotech Ltd.	250
Aban Offshore Ltd.	200
Larsen & Toubro Limited	200
Temptation Foods Ltd.	200
Subex Azure Limited	180
Amtek Auto Ltd.	175
Core Projects & Technologies Ltd.	155
Moser Bear India Ltd.	150
Rolta India Ltd.	150
Tulip IT Services Ltd	150
Welspun Gujarat Stahl Rohren Ltd.	150

Source: RBI, Kotak Institutional Equities

Exhibit 9: The average borrowing cost is quite low where companies have a high proportion of FC loans in total borrowings
FC borrowings of key Indian companies, March fiscal year-end, 2010 (Rs mn)

Company	FC loans	Total loans	Interest	Interest rate (%)
Bharat Forge	12,918	22,527	1,135	5.1
M&M standalone	13,522	28,802	1,569	4.5
Tata Motors standalone	41,619	166,259	9,935	6.7
Tata Motors consolidated	69,950	351,924	27,976	8.0
PFC (a)	27,590	671,080	48,370	8.1
REC	20,760	559,480	39,112	4.9
HDFC	22,053	965,653	72,131	8.0
IDFC	2,344	265,440	19,779	7.9
India Cements	4,266	21,327	1,426	6.9
JPA	50,854	352,711	12,864	4.7
Aban Offshore	88,374	141,641	10,208	6.6
Bharat Petroleum	75,297	221,952	10,877	5.0
Hindustan Petroleum	60,535	213,024	10,802	4.9
Indian Oil Corp.	144,851	445,662	23,057	5.1
Reliance Industries (b)	518,706	624,947	29,810	4.4
Dish TV India (c)	2,163	11,492	887	10.5
DB Corp. Ltd	1,869	3,207	396	9.0
Jagran Prakashan	856	1,214	55	4.2
HT Media Ltd	800	3,125	249	7.3
Hindalco	NA	239,987	17,439	6.7
Jindal Steel & Power	15,695	86,043	5,425	6.5
JSW Steel	70,749	161,730	13,673	8.4
Tata Steel	341,670	485,263	36,598	7.1
Havells (d)	11,575	12,278	1,253	9.9
Sintex (e)	11,897	26,303	731	3.0
Biocon	2,707	5,136	169	3.3
Cadila Healthcare	3,413	10,905	821	7.0
Dishman Pharma & chemicals	5,520	7,739	388	5.2
Dr Reddy's Laboratories	14,429	14,840	392	2.3
Glenmark Pharmaceuticals	1,354	18,694	1,640	8.3
Jubilant Organosys	15,280	22,590	1,505	5.8
Lupin	8,362	11,399	385	3.3
Ranbaxy Laboratories	20,475	36,295	710	1.8
Reliance Communications (a)	236,197	297,154	13,422	4.9
Idea Cellular (a)	17,485	78,593	6,814	8.1
TPWR	47,628	184,469	14,823	9.1
Suzlon Energy	42,390	126,679	11,950	8.2
GMR Infrastructure	20,805	193,106	17,482	8.6

Note:

(a) Excluding FX gains/losses.

(b) As per annual report, RIL's long-term foreign currency denominated debt is 83% of outstanding debt.

(c) Excluding FX gains/losses, average interest rate computed on ex-FCCB debt.

(d) FY2009 data as FY2010 annual report of these companies is not available yet.

(e) FCCB of Rs10.2 bn included in FC loans.

Source: Company data, Kotak Institutional Equities

SEPTEMBER 14, 2010

RESULT

Coverage view: **Attractive**

Price (Rs): **645**

Target price (Rs): **550**

BSE-30: **18,800**

Is the street overestimating the revenue growth potential from HP? Mphasis has already captured close to 26% of the addressable opportunity of HP's services portfolio—which is high, in our view. We find Mphasis valuations expensive even after assuming further market share gains. Further pricing decline, investments in building non-HP channel of business and wage inflation pose further risks to valuations. We downgrade Mphasis to SELL from REDUCE after the recent run up in the stock price.

Company data and valuation summary

Mphasis BFL

Stock data

52-week range (Rs) (high,low)	797-543
Market Cap. (Rs bn)	136.0

Shareholding pattern (%)

Promoters	60.6
FIs	18.3
MFs	4.5

Price performance (%)

	1M	3M	12M
Absolute	3.8	16.4	9.9
Rel. to BSE-30	1.0	3.2	(5.4)

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	43.6	50.3	45.6
EPS growth (%)	207.5	15.5	(9.3)
P/E (X)	14.8	12.8	14.1
Sales (Rs bn)	42.6	50.5	59.8
Net profits (Rs bn)	9.1	10.6	9.6
EBITDA (Rs bn)	11.3	12.7	12.8
EV/EBITDA (X)	11.9	10.2	9.7
ROE (%)	48.1	37.5	25.8
Div. Yield (%)	0.5	0.6	0.7

HP opportunity may not be as significant

Contrary to the Street, we believe Mphasis has already captured a fair share of HP's services portfolio. We expect only moderate market share gains from here. We would view HP's services revenues of US\$35 bn, relative Mphasis' current revenue base (~US\$1 bn), in the context of:

- ▶ HP derives 26% of its total services revenues (US\$35 bn for CY2009) from hardware and software maintenance and support services. These revenues pertain to annual maintenance charges, which is not a direct addressable opportunity for Mphasis.
- ▶ HP derives 25% of revenues from National Government/ Defense and State Government contacts. Increasing protectionism and aversion of Governments to use offshore resources may limit opportunities for Mphasis.
- ▶ Infrastructure Management Services (IMS) account for close to 44.1% of HP's services revenues. HP's core strength is in holistic infrastructure outsourcing, including using its balance sheet to take over client infrastructure. Unlike ADM work, IMS has a fair share of its revenues accruing from provisioning and maintaining client hardware. Hence, Mphasis would be unable to address a significant portion of IMS revenues.
- ▶ HP, in addition to Mphasis, also leverages offshore capabilities of its subsidiary, HP India. HP India has ~20K employees of which ~15K work for enterprise clients with the balance on R&D services for HP. HP India has strong capabilities in manufacturing, telecom, retail and CPG vertical. We understand that work on vertical and service-line capabilities is split between Mphasis and HP India. Mphasis works jointly with HP for BFSI and telecom clients, while HP India works in retail, CPG and manufacturing. This limits the opportunity size for Mphasis further

Looked at differently, HP already has close to 26-27% of its services headcount in India through Mphasis and HP India. This ratio is higher than Accenture and Cap Gemini and lower than IBM in India. HP's India headcount will grow to 35%, assuming ~20% growth for Mphasis + HP India and modest 5% growth for HP Services over the next two years, which is high, in our view.

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Margin risks underappreciated

We believe Mphasis' margins risks are underappreciated. The Street may celebrate the lack of margin headwinds for the next two quarters, but it needs to be cognizant of risks to margins from 12-24 month standpoint. Some of the risks are:

- ▶ **Build out of non-HP channel revenues.** Mphasis intends to aggressively expand the non-HP channel business. In our view, the management has realized that the low hanging business of HP has already been captured and growth from the HP channel could start decelerating. Build out of non-HP channel requires a reorganization of business (which is on horizontal lines), build up of sales and marketing teams and solutions and domain capabilities. The company indicates that it has started working on a new business roadmap and organization structure. Non-HP channel build out may have following implications (1) upfront investments in sales and marketing and (2) likely lower-than-peer prices to establish credibility as an independent solution provider.
- ▶ **Wage inflation.** We believe wage inflation may hover in 12-15% range for the next two years. Mphasis, unlike peers, has fewer levers to manage margins. In addition, high offshore centricity will drive higher-than-peer pressure on margins from compensation revision. Mphasis has instituted a variable compensation structure which is linked to revenue growth (25%) and earnings growth (75%), though the proportion of salary linked to this is not significant, in our view.
- ▶ **Hedging benefits may not last for long.** Credit to Mphasis for initiating hedging policy at the right time and implementing it consistently. This helped protect Re/US\$ rate at 46.4 for the past two quarters versus an average spot rate of 46. The benefits of these hedges may last for another 2-3 quarters. Margins may come under pressure once benefits of these hedges wear off; note that 1% appreciation of the Rupee against the US\$ impacts Mphasis' margins by 50-60 bps, higher than the 30-40 bps sensitivity of larger players. Sensitivity to RE/US\$ rate is higher on account of high offshore centricity of the business (67% revenues offshore in the July 2010 quarter).

Inexpensive valuations have to be viewed against the backdrop of likely earnings decline in FY2012E and downside risks to estimates

The inexpensive valuations of Mphasis have to be viewed against the backdrop of risks to revenue growth, margin and potential earnings decline. The stock is trading at 12.8X FY2011E and 14.1X FY2012E earnings. We retain our end-FY2012E DCF-based fair value of Rs550. We downgrade our rating to SELL from REDUCE earlier, noting significant downside from the current market price.

Exhibit 1: Estimation of addressable opportunity for Mphasis from the HP channel, US\$ mn

HP total revenues, CY2009	34,585
Less:	
Product support revenues	8,880
Consulting revenues	1,313
Non product support/ consulting public sector revenues	6,317
Hardware maintenance in large ITO deals - 50% of total private sector IT management revenues	5,602
Total non-addressable market	22,112
Addressable market (for Mphasis and HP India) (A)	12,473
Addressable market for Mphasis (assuming 60% of A) (B)	7,484
Addressable market in offshore dollars (30% of B)	2,245
Mphasis business from HP channel - July 2010 quarter annualized	578
Captured market share of addressable market (%)	26

Source: Gartner, Kotak Institutional Equities estimates

Exhibit 2: Break-up of HP IT services revenues by service line, CY2008-09, US\$ mn

Service-line	CY2008	CY2009	Addressable by Mphasis?	Comments
Hardware Maintenance & Support	7,670	6,841	No	Pertains to annual maintenance charges on HP's hardware sales, primarily onsite work
Of which, public sector	1,696	1,523		
Software Support	2,214	2,039	No	Pertains to annual maintenance charges on HP's software sales, primarily onsite work
Of which, public sector	490	454		
Total product support	9,884	8,880		
Of which, public sector	2,186	1,978		
Consulting	1,536	1,313	No	
Of which, public sector	366	318		
Development and Integration	7,251	6,215	Partially	Government projects not addressable
Of which, public sector	1,704	1,479		
IT Management	16,599	15,240	Partially	Hardware maintenance of large asset-takeover deals not addressable
Of which, public sector	4,276	4,037		
Process Management	3,314	2,937	Yes	India has not been a favored BPO destination of late; protectionism concerns and quality issues
Of which, public sector	879	801		
Total Professional Services	28,700	25,705		
Of which, public sector	7,225	6,635		
Grand total	38,584	34,585		
Of which, public sector	9,412	8,613		

Source: Gartner, Kotak Institutional Equities

Exhibit 3: Global/India services headcount of top Global SIs

	Global Services headcount	India services headcount	India as % of global
IBM	280,000	85,000	30.4
Accenture	190,000	42,000	22.1
HP	210,000	56,000	26.7
Cap Gemini	90,000	22,041	24.5

Source: Companies, Press Reports, Kotak Institutional Equities

Exhibit 4: Condensed consolidated financials for Mphasis, 2010-2013E, October fiscal year-ends (Rs mn)

	2010	2011E	2012E	2013E
Profit model				
Revenues	42,639	50,466	59,823	68,362
EBITDA	11,274	12,674	12,832	14,588
Depreciation (incl amortization of intangibles)	(2,022)	(1,769)	(2,190)	(2,431)
Other income	475	1,038	964	871
Pretax profits	9,727	11,944	11,606	13,028
Tax	(641)	(1,336)	(1,988)	(2,601)
Profit after tax	9,086	10,607	9,619	10,428
Diluted earnings per share (Rs)	43.6	50.3	45.6	49.5
Balance sheet				
Total equity	23,453	33,075	41,584	50,779
Total borrowings	33	—	—	—
Current liabilities	9,147	10,861	12,614	13,580
Total liabilities and equity	32,634	43,935	54,198	64,359
Cash	1,786	6,322	11,781	18,528
Other current assets	16,305	21,268	24,854	28,136
Goodwill	2,946	3,643	3,643	3,643
Tangible fixed assets	3,291	4,396	5,614	5,746
Investments	7,612	7,612	7,612	7,612
Deferred tax assets	694	694	694	694
Total assets	32,634	43,935	54,198	64,359
Free cash flow				
Operating cash flow, excl. working capital	9,896	11,902	11,064	12,007
Working capital changes	816	(3,249)	(1,833)	(2,316)
Capital expenditure	(1,500)	(2,874)	(3,407)	(2,563)
Investment changes/acquisition)	(253)	(698)	—	—
Free cash flow	8,959	5,081	5,824	7,127
Ratios (%)				
EBITDA margin	26.4	25.1	21.5	21.3
EBIT margin	21.7	21.6	17.8	17.8

Source: Company, Kotak Institutional Equities estimates

SEPTEMBER 14, 2010

CHANGE IN RECO.

Coverage view: **Attractive**

Price (Rs): **664**

Target price (Rs): **635**

BSE-30: **19,208**

Valuations at peak, priced to perfection. After a sharp rally over the past few months, we find Mahindra Finance's stock fully priced at current levels. Improvement in recoveries and buoyancy in rural income have driven strong earnings for past few quarters. Growth traction may continue, but rising interest rates will likely pressure margins. We believe that current (peak) valuations provide only a limited margin of safety for shareholders; downgrade to REDUCE (from BUY) with a price target of Rs635.

Company data and valuation summary

Mahindra & Mahindra Financial

Stock data		Forecasts/Valuations			
		2010	2011E	2012E	
52-week range (Rs) (high,low)	725-218	EPS (Rs)	35.9	46.4	56.2
Market Cap. (Rs bn)	63.8	EPS growth (%)	60.0	29.4	21.2
Shareholding pattern (%)		P/E (X)	18.5	14.3	11.8
Promoters	61.0	NII (Rs bn)	9.3	10.9	13.6
FII's	28.0	Net profits (Rs bn)	3.4	4.5	5.4
MFs	6.6	BVPS	177.2	210.6	249.6
Price performance (%)		P/B (X)	3.7	3.2	2.7
Absolute	1M 9.9 3M 43.3 12M 198.1	ROE (%)	21.5	23.5	23.8
Rel. to BSE-30	3.9 29.4 151.6	Div. Yield (%)	1.1	1.5	1.8

QUICK NUMBERS

- Stock has appreciated 3.2X since April 2009, currently trades at peak valuations

Valuations at peak

Mahindra Finance (MMFSL) is trading at its peak valuations - 12X PER and 2.7X PBR FY2012E for with 23% RoE and 23% EPS CAGR between FY2010 and FY2013E. MMFSL's business has been in a sweet spot ; good monsoon, strong traction in rural incomes due to non-farm activities have likely driven earnings over the past few quarters. The current valuations seem to extrapolate MMFSL's business performance, likely ignoring possible risks of margin contraction due to rising interest rates and other business risks for operating in rural India.

MMFSL's stock had a strong rally, downgrade to REDUCE

MMFSL has appreciated 3.2X (from Rs210) since April 2009 (when we upgraded our view on the stock to factor strong growth and margin expansion in a falling interest rate environment). We continue to believe that MMFSL remains a good play on rural finance but that current valuations appear expensive. We downgrade our rating to REDUCE from BUY after this strong rally with a target of Rs635 (Rs590 earlier).

Rising rate scenario: Margins under pressure

We expect MMFSL to report NIM (as per KS calculations) of 11.3% for FY2011 and FY2012E as compared to 11.4% in 1QFY10 and 12.3% in FY2010.

MMFSL has highlighted that its ALM position is almost matched. About 85-90% of its borrowings have a fixed rate as compared to 100% of its assets. Short-term borrowing rates in the system have moved up by 2.5-3% and long-term rates by 0.5-1%. The company has not yet increased lending rates on its incremental business, which will likely pressure margins.

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Loan growth strong – at its peak.

We expect MMFSL to report loan growth of 31% and 22% for FY2011E and FY2012E as compared to 3% in FY2009 and 22% in FY2010. The company reported 31% loan growth in 1QFY11, a positive trend since growth normally picks up for the company only in 2H.

Focus on growth, costs move up

We are modeling operating an expenses ratio of 32% for FY2011E as compared to 31% over the past two years. We find risk to our operating cost estimates as MMFSL has been lately investing more in growth. Notably, the cost to income ratio was 39% in 1QFY11 though this tends to be frontloaded during a financial year.

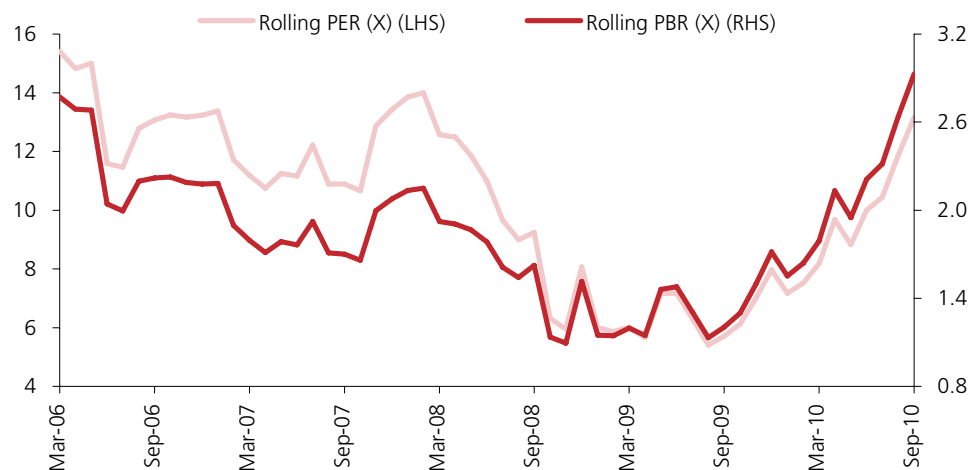
We factor better above average asset quality performance

We expect provision costs to be at about 2% of average assets – somewhat lower than the average ratio of 2.5% between FY2001 and FY2010. Notably, MMFSL's provision cost ratio had increased to 3.7-3.9% in FY2008 and FY2009; the average ratio was 2.2% if we exclude these two years.

Risk on our securitization income estimate

We expect MMFSL to sell down loan assets of Rs12 bn in FY2011E and Rs13.5 bn in FY2012E as compared to Rs10 bn each in the past two years—we expect securitization income to drive 15-20% of PBT. MMFSL sells down its loans at inexpensive rates (4-5%) as these assets qualified as 'priority sector' for banks. However, post the base-rate implementation, we are not clear if MMFSL will be able to sell down loans at such low rates. The base rate is not applicable for priority sector lending, however, it is not clear if banks can buy securitized loan assets at sub-base rates, thereby affecting MMFSL's margins.

Mahindra Finance- trading at peak valuations
Rolling 1-year forward PER and PBR (X)



Source: Kotak Institutional Equities estimates

Mahindra Finance, Key assumptions and ratios, March fiscal year-ends, 2008-2013E

	2008	2009	2010	2011E	2012E	2013E
Growth in key parameters (%)						
Total interest income	42	15	13	26	27	23
Total interest expense	41	12	(2)	42	32	23
Net interest income	44	17	22	17	24	23
Loan loss provisions	101	15	(22)	(13)	35	28
Total income	48	13	22	17	23	22
Operating expenses	29	6	22	20	19	19
Employee expenses	49	22	9	20	16	16
Net loans	13	3	22	31	22	23
Total assets	12	6	22	29	21	22
Total Borrowings	3	3	24	35	23	25
Shareholders fund	69	12	18	19	20	20
Asset management measures (%)						
Yield on average earning assets	17.8	19.0	18.9	18.7	18.9	18.9
Average cost of funds	9.1	9.9	8.6	9.4	9.6	9.5
Difference	8.7	9.1	10.3	9.3	9.3	9.4
Net interest income/earning assets	9.9	10.6	11.4	10.6	10.5	10.6
Spreads on lending business	8.7	9.1	10.3	9.3	9.3	9.4
Net interest income/EA (after prov)	7	7	9	9	9	9
Tax rate	35	34	34	33	33	33
Dividend payout ratio	25	25	21	21	21	21
Profitability measures (%)						
Interest income/total income	85	87	88	88	89	89
Other income / total income	15	13	12	12	11	11
Operating expenses/total income	33	30	30	31	30	30
Payout ratio	25	25	21	21	21	21
Equity/assets (EoY)	19	20	19	18	17	17
ROA decomposition - % of avg. assets						
Net interest income	9.9	10.6	11.3	10.5	10.5	10.6
Loan loss provisions	3.7	3.9	2.7	1.9	2.0	2.1
Net other income	1.7	1.5	1.6	1.5	1.3	1.3
Gains on securitization	1.6	1.4	1.3	1.1	1.0	0.9
Operating expenses	3.8	3.7	3.9	3.8	3.6	3.5
(1- tax rate)	65.1	65.9	66.1	67.4	67.4	67.4
ROA	2.7	3.0	4.2	4.3	4.2	4.2
Average assets/average equity	6.4	5.2	5.2	5.5	5.7	5.8
ROE	16.9	15.4	21.5	23.5	23.8	24.0

Source: Company, Kotak Institutional Equities estimates

Mahindra Finance, Income statement & balance sheet, March fiscal year-ends, 2008-2013E (Rs mn)

	2008	2009	2010	2011E	2012E	2013E
Income statement						
Total interest income	11,120	12,748	14,366	18,045	22,923	28,142
Total interest expense	4,560	5,099	5,017	7,109	9,363	11,517
Net interest income	6,560	7,649	9,349	10,936	13,560	16,625
Provisions and write/off	2,463	2,824	2,215	1,932	2,613	3,351
Other income	1,148	1,098	1,321	1,510	1,727	1,968
Gains on securitisation of loans	1,074	977	1,110	1,110	1,277	1,468
Operating expenses	2,525	2,667	3,250	3,903	4,661	5,553
Pretax income	2,720	3,256	5,205	6,612	8,012	9,688
Tax provisions	950	1,111	1,762	2,156	2,613	3,161
Net Profit	1,770	2,145	3,443	4,456	5,399	6,528
PBT - securitization income + provisioning expense	4,109	5,103	6,310	7,433	9,349	11,572
EPS (Rs)	21	22	36	46	56	68
BPS (Rs)	138	154	180	215	257	308
ABVPS (Rs)	131	147	177	211	250	296
Balance sheet						
Net loans	66,090	68,233	83,510	109,648	133,456	164,453
Total Investments	31	1,097	2,159	2,267	2,380	2,499
Cash & deposits	2,153	2,763	2,420	2,686	2,982	3,310
Loans and advances and other assets	383	186	335	38	38	38
Deferred tax assets	1,254	1,787	2,069	2,069	2,172	2,281
Net fixed assets	305	371	408	360	323	302
Capital work in progress	3	3	68	70	72	74
Total assets	70,218	74,440	90,969	117,139	141,423	172,957
Liabilities						
Total loans and bonds	50,682	51,406	59,784	84,541	106,206	134,272
Total Borrowings	50,682	52,130	64,577	87,417	107,644	134,272
Current liabilities	6,394	7,617	9,087	9,087	9,087	9,087
Total liabilities	57,075	59,747	73,664	96,504	116,731	143,359
Share capital	953	957	960	960	960	960
Reserves	12,190	13,735	16,326	19,675	23,732	28,639
Shareholders fund	13,143	14,692	17,286	20,635	24,692	29,599

Source: Company, Kotak Institutional Equities estimates

SEPTEMBER 14, 2010

UPDATE

BSE-30: 19,208

Not out of energy yet. We suggest investors stay invested in the government-owned energy companies despite their recent strong performance. We see potential upside (14-18%) to our fair valuation based on 9-10X FY2012E EPS. We believe diesel deregulation is critical for managing the subsidy issue and believe the current level of crude oil prices offers a good opportunity to implement deregulation. Key downside risk stems from a sharp rise in crude oil prices hampering the implementation of the deregulation process resulting in high under-recoveries.

What to do with OMCs now?

We would advise investors to stay invested in downstream companies as we see decent upside to our revised 12-month fair valuation (₹855 for BPCL, ₹625 for HPCL and ₹480 for IOCL) despite the recent run-up in stock prices. We compute our fair valuation by using 9-10X FY2012E EPS (8X earlier) as we believe the market will be ascribing a higher multiple to value these companies to reflect (1) a more conducive macro-environment to implement deregulation and (2) higher multiple being ascribed to the broad market in light of continued liquidity (BSE-30 is currently trading at 14.6X FY2012E EPS). We note that our earlier assumption of using 8X multiple to value these stocks implied no growth in earnings of the companies in perpetuity based on a cost of equity of 12.5%.

Diesel deregulation is critical, in our view

We believe diesel deregulation is critical to resolve the subsidy issue given that it is the largest product by volumes (60% of total sales of regulated products). We see the current macro-environment as reflected by (1) reasonable crude oil prices, (2) low level of under-recovery on diesel (₹0.2/liter at current prices), (3) low political opposition to deregulation given no elections in the near term and (4) government's pragmatic approach towards several policy issues as favorable to implement diesel deregulation in the near term. We note that deregulation of diesel prices will result in (1) significantly lower under-recoveries and (2) reduce the volatility in gross under-recoveries with crude oil prices.

Crude oil price at US\$77/bbl results in ₹0.2/liter under-recovery on diesel

We would not be too perturbed by the recent increase in crude oil prices to over US\$78/bbl as this has not resulted in higher under-recoveries on diesel. This can be explained by recent contraction in diesel cracks which has kept diesel prices in check despite the increase in crude oil prices. We note that under-recovery on diesel was ₹0.2/liter at crude oil price of US\$76.9 in week ended September 10, 2010.

FY2011E earnings will likely be strong; FY2012E will be better even on conservative assumptions

We estimate strong FY2011E earnings for downstream companies at ₹57 for BPCL, ₹52 for HPCL and ₹38 for IOCL. We expect FY2012E EPS of the downstream companies to increase significantly on the back of (1) lower gross under-recoveries in FY2012E versus FY2011E (see Exhibit 1, which gives our estimates of gross under-recoveries and the sharing between various entities), (2) lower net under-recoveries for the companies, and (3) likely higher refining margins. We note that we model a modest US\$0.7/bbl yoy improvement in refining margins in FY2012E; higher-than-expected refining margins could impact earnings significantly given high sensitivity (see Exhibit 2). We also assume lower market share for downstream companies for auto fuels as deregulation will likely see competition from private players.

QUICK NUMBERS

- 14-18% upside to fair valuation based on FY2012E estimates
- 34-59% upside in blue-sky scenario

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Downstream oil companies may bear low subsidy burden in FY2011-12E

Share of various participants of under-recoveries, March fiscal year-ends, 2007-12E (₹ bn)

	2007	2008	2009	2010	2011E	2012E
Dated Brent crude oil price (US\$/bbl)	65	79	89	67	75	75
Gross under-recoveries	521	798	1,061	490	540	395
Payment by government (direct budgetary support)	27	27	29	30	32	32
Payment by government (oil bonds/cash)	241	353	713	260	285	189
Share of BPCL	53	86	162	53	68	45
Share of HPCL	49	77	147	56	62	41
Share of IOCL	138	190	404	152	155	103
Receipt from upstream companies	205	257	329	144	169	121
Share of ONGC	170	220	282	116	140	100
Share of GAIL	15	14	18	13	11	8
Share of Oil India	20	23	29	15	18	13
Net under-recovery of OMCs	48	161	(10)	56	54	53

Source: Kotak Institutional Equities estimates

Earnings of downstream companies have high sensitivity to changes in refining margins

Change in earnings estimates (standalone), March fiscal year-ends, 2011-12E (₹ mn)

	2011E			2012E		
	BPCL	HPCL	IOCL	BPCL	HPCL	IOCL
Current EPS estimates	57.0	52.1	36.9	65.4	58.5	40.7
Refining margin lower by US\$1/bbl	42.6	40.7	31.9	51.1	46.3	35.5
Change (%)	(25)	(22)	(14)	(22)	(21)	(13)
Refining margin lower by US\$2/bbl	27.4	29.4	26.8	36.7	34.0	30.2
Change (%)	(52)	(44)	(28)	(44)	(42)	(26)

Source: Kotak Institutional Equities estimates

Earnings and target price revision

We have revised our FY2011-13E estimates for BPCL, HPCL and IOCL to reflect (1) information in FY2010 annual reports, (2) latest progress on the key projects and (3) other minor changes. Exhibit 3 gives the changes to our estimates. Exhibit 4 gives our computation of our 12-month target prices for the three companies. Finally, our blue-sky scenario of full deregulation (government compensates entire subsidy loss on cooking fuels) shows 34-59% upside to fair valuation from current levels (see Exhibit 5).

Revision in EPS estimates, March fiscal year-ends, 2011-14E (₹)

	2011E		2012E		2013E		2014E	
	Old EPS	New EPS	Old EPS	New EPS	Old EPS	New EPS	Old EPS	New EPS
BPCL	57	57	66	65	73	73	77	76
HPCL	54	52	59	59	64	65	60	63
IOCL	39	38	41	42	44	45	45	46

Source: Kotak Institutional Equities estimates

Fair valuation of OMCs (₹)

BPCL		HPCL		IOCL	
Profit after tax for FY2012E (Rs mn)	23,663	Profit after tax for FY2012E (Rs mn)	19,846	Profit after tax for FY2012E (Rs mn)	98,901
Less: income from investments valued separately (Rs mn)	1,319	Less: income from investment valued separately (Rs mn)	368	Less: income from investment valued separately (Rs mn)	9,749
Adjusted profit after tax for FY2012E (Rs mn)	22,344	Adjusted profit after tax for FY2012E (Rs mn)	19,477	Adjusted profit after tax for FY2012E (Rs mn)	89,152
Adjusted EPS for FY2012E	62	Adjusted EPS for FY2012E	57	Adjusted EPS for FY2012E	37
P/E multiple (X)	10	P/E multiple (X)	9	P/E multiple (X)	10
Fair value on P/E (without value of investments) (A)	618	Fair value on P/E (without value of investments) (A)	517	Fair value on P/E (without value of investments) (A)	367
Add: Value of investments (Rs mn)	85,666	Add: Value of investments (Rs mn)	36,795	Add: Value of investments (Rs mn)	271,618
<i>KRL treasury shares</i>	28,838	<i>MRPL (Rs50/share)</i>	14,858	<i>Oil and Natural Gas Corp.</i>	197,377
<i>Numaligarh</i>	13,606	<i>HPCL-Mittal Energy (Book value)</i>	12,265	<i>Chennai Petroleum Corp.</i>	19,239
<i>Indraprastha Gas</i>	8,316	<i>Oil India</i>	6,634	<i>Gas Authority of India</i>	13,477
<i>Oil India Ltd</i>	6,634	<i>Other unquoted investments</i>	3,039	<i>Oil India Ltd.</i>	13,268
<i>Petronet LNG</i>	6,600	Value of investments (B)	109	<i>IOC treasury shares (IBP Co.)</i>	14,841
<i>Other equity</i>	21,672	Total equity value (A) + (B)	626	<i>Petronet LNG Ltd.</i>	6,600
Value of investments (Rs) (B)	237			<i>Other equity</i>	6,815
Total equity value (A) + (B)	855			Value of investments (Rs) (B)	112
				Total equity value (A) + (B)	479
Current stock price	752	Current stock price	529	Current stock price	419
Potential upside (%)	14	Potential upside (%)	18	Potential upside (%)	14
KIE rating	ADD	KIE rating	BUY	KIE rating	ADD

Source: Kotak Institutional Equities estimates

Earnings and valuations of downstream companies would jump significantly in a blue-sky scenario

EPS estimates and fair valuation, March fiscal year-end, 2012E (₹)

	EPS (Rs)	P/E (X)	Value of investments (Rs)	Fair value (Rs)	Current stock price (Rs)	Upside (%)
BPCL	83	10	237	1,071	752	42
HPCL	81	9	109	840	529	59
IOCL	45	10	112	560	419	34

Note:

(a) EPS adjusted for other income from investments valued separately.

Source: Kotak Institutional Equities estimates

We retain our ADD rating on BPCL and IOCL with a revised target price of ₹855 (₹690 previously) and ₹480 (₹415 previously) based on 10X FY2012E EPS plus value of investments. We upgrade HPCL to BUY with a revised target price of ₹625 (₹535 previously) based on 9X FY2012E plus value of investments. We use a lower multiple for HPCL to reflect its higher risk to earnings from its higher leverage to deregulation of auto fuels versus BPCL and IOCL. We also note that our fair valuation for BPCL and IOCL has potential upside from their E&P portfolio.

Key assumptions behind earnings model

Exhibits 6-8 give our key assumptions behind the earnings model of BPCL, HPCL and IOCL. We discuss the same below.

BPCL earnings model assumptions, March fiscal year-ends, 2006-2014E

	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E
Rs/US\$	44.3	45.3	40.3	45.8	47.4	46.0	46.0	46.0	46.0
Weighted average duty on products (%)	8.0	6.7	6.6	3.3	2.6	5.9	5.9	5.9	5.9
Import tariff on crude (%)	5.1	5.1	5.2	0.9	0.4	5.2	5.2	5.2	5.2
Import 'tariff' on domestic crude (%)	2.6	2.6	2.6	0.5	0.2	2.6	2.6	2.6	2.6
Effective duty protection (%)	2.9	1.6	1.4	2.4	2.2	0.7	0.7	0.7	0.7
Refinery yield (US\$/bbl)	61.1	71.5	89.6	97.5	73.2	85.1	85.7	91.5	91.5
Cost of crude (US\$/bbl)									
-Imported	55.5	64.0	78.8	90.0	69.8	77.8	77.8	82.8	82.8
-Domestic	58.9	68.7	84.1	94.9	70.8	78.8	78.8	83.8	83.8
Landed cost of crude (US\$/bbl)	59.1	68.3	84.0	92.4	70.3	81.5	81.5	86.7	86.7
Net refining margin (US\$/bbl)	2.1	3.2	5.6	5.2	2.9	3.6	4.2	4.7	4.7
Crude throughput (mn tons)	17.2	19.8	20.9	20.0	20.4	22.3	22.3	22.3	22.3
-Imported	11.3	13.5	13.9	13.1	14.1	16.0	16.0	16.0	16.0
-Domestic	5.9	6.3	7.0	6.8	6.3	6.3	6.3	6.3	6.3
Production of main products	15.6	17.9	19.0	18.1	18.6	20.3	20.3	20.3	20.3
Production of other products	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Fuel and loss	1.2	1.3	1.4	1.3	1.2	1.3	1.3	1.3	1.3
Fuel and loss (%)	6.7	6.6	6.6	6.6	5.9	5.9	5.9	5.9	5.9
Sales volume (mn tons)	23.3	24.5	26.7	27.8	29.3	31.3	32.7	34.2	35.9
Marketing margins (Rs/ton)	(671)	(1,140)	(3,010)	(5,944)	511	(62)	1,664	1,644	1,643

Source: Company, Kotak Institutional Equities estimates

HPCL earnings model assumptions, March fiscal year-ends, 2006-2014E

	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E
Rs/US\$	44.3	45.3	40.3	45.8	47.4	46.0	46.0	46.0	46.0
Weighted average duty on products (%)	8.2	6.6	6.5	3.3	2.9	6.5	6.4	6.4	6.4
Import duty on crude	5.1	5.1	5.2	0.9	0.4	5.2	5.2	5.2	5.2
Import 'tariff' on domestic crude (%)	2.6	2.6	2.6	0.5	0.2	2.6	2.6	2.6	2.6
Effective duty protection (%)	3.1	1.4	1.3	2.4	2.5	1.3	1.3	1.3	1.3
Refinery yield (US\$/bbl)	63.3	73.1	89.8	96.0	73.3	85.9	86.5	92.4	92.4
Cost of crude (US\$/bbl)									
-Imported	56.7	64.8	78.1	89.9	70.1	78.1	78.1	83.1	83.1
-Domestic	57.5	69.3	84.5	95.2	71.0	79.0	79.0	84.0	84.0
Landed cost of crude	59.4	68.8	83.2	92.0	70.6	81.8	81.8	87.1	87.1
Net refining margin (US\$/bbl)	3.9	4.3	6.6	4.0	2.7	4.1	4.6	5.3	5.3
Crude throughput (mn tons)	14.0	16.7	16.8	15.8	15.8	16.5	17.9	19.3	19.3
-Imported	10.6	12.9	12.6	11.7	11.3	11.9	13.2	14.7	14.7
-Domestic	3.4	3.8	4.2	4.2	4.5	4.7	4.7	4.7	4.7
Production of main products	12.7	15.2	15.2	14.4	14.1	15.0	16.3	17.7	17.6
Production of other products	0.4	0.4	0.6	0.4	0.6	0.4	0.5	0.5	0.5
Fuel and loss	0.9	1.0	1.0	1.0	1.1	1.0	1.1	1.2	1.2
Fuel and loss (%)	6.3	6.0	6.0	6.1	7.2	6.1	6.1	6.1	6.1
Sales volume (mn tons)	20.1	23.4	26.2	27.0	27.7	28.6	29.8	31.2	32.7
Marketing margin (Rs/ton)	(463)	(710)	(2,345)	(5,021)	627	50	1,639	1,611	1,607

Source: Company, Kotak Institutional Equities estimates

IOC model assumptions, March fiscal year-ends, 2006-2014E

	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E
Rs/US\$	44.3	45.3	40.3	45.8	47.4	46.0	46.0	46.0	46.0
Weighted average duty on products (%)	8.2	6.7	6.5	3.7	2.6	5.9	5.9	5.9	5.9
Import duty on crude (%)	5.1	5.1	5.2	0.9	0.4	5.2	5.2	5.2	5.2
Effective 'import duty' on domestic crude (%)	2.6	2.6	2.6	0.5	0.2	2.6	2.6	2.6	2.6
Effective duty protection (%)	3.1	1.6	1.3	2.8	2.2	0.8	0.8	0.8	0.8
Refinery yield (US\$/bbl)	62.9	71.1	91.0	94.8	73.7	80.9	81.5	87.3	87.3
Cost of crude (US\$/bbl)									
Domestic - Northeast	52.9	61.8	74.8	87.3	67.6	71.6	71.6	76.6	76.6
- Gujarat	50.9	58.4	73.8	84.1	64.4	68.4	68.4	73.4	73.4
- Rest of India	58.5	67.2	82.2	92.9	69.2	73.2	73.2	78.2	78.2
Imported	56.7	65.2	80.3	91.3	69.7	73.7	73.7	78.7	78.7
Landed cost of crude (US\$/bbl)	58.0	66.9	82.8	91.1	69.2	76.0	76.1	81.3	81.3
Net refining margin (US\$/bbl)	4.8	4.2	8.2	3.6	4.5	4.9	5.4	6.0	6.0
Crude throughput (mn tons)	38.5	44.0	47.4	51.3	50.7	52.6	54.6	54.6	54.6
Domestic - Northeast	1.5	1.5	1.5	2.1	2.1	2.1	2.1	2.1	2.1
- Gujarat	5.9	5.9	5.9	6.0	5.8	5.8	5.8	5.8	5.8
- Rest of India	2.7	2.7	2.7	4.9	4.8	4.9	4.9	4.9	4.9
Imported	28.4	33.9	37.3	38.3	38.0	39.8	41.8	41.8	41.8
Other products	0.8	1.1	1.1	1.4	1.4	1.4	1.4	1.4	1.4
Fuel and loss	3.1	3.9	4.2	4.5	4.5	4.6	4.8	4.8	4.8
Production of main products	34.6	38.9	42.1	45.4	44.8	46.6	48.4	48.4	48.4
Fuel and loss (%)	8.1	8.9	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Sales volume (mn tons)	50.4	53.4	57.4	61.0	64.0	67.4	70.3	73.4	76.7
Marketing margin (Rs/ton)	26	(633)	(2,203)	(5,253)	874	341	1,792	1,776	1,775

Source: Company, Kotak Institutional Equities estimates

- ▶ **Refining margins.** We model refining margins for R&M companies to increase modestly in FY2011E and FY2012E. We expect refining margins to increase modestly from CY2011E given new refining capacity additions in CY2011-12E (2.2 mn b/d plus 1.2 mn b/d of additional OPEC NGL supply) will be in line with 3.1 mn b/d increase in global oil demand for the same period.
- ▶ **Compensation from government and discount from upstream companies.** For FY2011-13E, we assume the government will give sufficient compensation to restrict the amount of net under-recoveries at around ₹55 bn for the downstream oil companies.
- ▶ **Marketing margins.** We model marketing margins on diesel and gasoline at -₹593/ton and -₹2,133/ton in FY2011E and ₹1,700/ton and ₹1,900/ton in FY2012E compared to ₹1,113/ton and -₹3,929/ton in FY2010. We expect diesel prices to be deregulated by January 2011 with the easing of inflationary concerns. We assume losses on LPG and kerosene throughout our forecast period.
- ▶ **Marketing volumes.** We model lower annual volume growth of 8% for MS and 6% for HSD in FY2011-14E for the downstream R&M companies versus industry growth of 10% for MS and 8% for HSD, to factor in the loss of market share to private retailers following full deregulation of retail prices.
- ▶ **Exchange rate.** We assume ₹/US\$ exchange rate for FY2011-13E at ₹46/US\$.

Update on key projects

BPCL

- ▶ **Bina refinery.** BORL's Bina refinery will likely start production from October 2010. The cost of the 6 mtpa refinery is at ₹114 bn. BPCL's eventual shareholding in BORL will be 49% and Oman Refinery will hold 26%. The debt-equity ratio for the project cost will be 1.6:1. We note that BPCL has received shares and share warrants of BORL worth ₹17.49 bn in 1QFY11.
- ▶ **Capacity expansion and modernization project at Kochi.** The capacity expansion of Kochi refinery to 9.5 mtpa from 7.5 mtpa was completed in 2QFY10 and started commercial production from 1QFY11. A fuel-quality upgrade project will likely be completed in 2HFY11. The estimated cost of the project is ₹39.4 bn.
- ▶ **Fuels Quality Upgrade project at Mumbai refinery.** This project to upgrade the quality of MS and HSD to meet Euro-IV norms was completed and commissioned in January 2010. The total cost of the project was ₹3.9 bn.

HPCL

- ▶ **Green Fuels Emissions Control Projects.** HPCL's Mumbai refinery commenced production of BS-IV specification petrol in January 2010 and has enhanced its capability to produce Euro III diesel specifications. HPCL's Visakh refinery commissioned Euro III/IV MS production and started supplying Euro III MS by September 2009 and Euro IV MS by January 2010.
- ▶ **Bhatinda refinery.** HMEL's 9 mtpa Bhatinda refinery is expected to commission by 2QCY11; the physical progress on the refinery was 87.5% as of August 15, 2010. The estimated cost of the refinery is at ₹189 bn and the actual expenditure incurred till date is ₹119 bn. HPCL has 49% stake in the project.

IOCL

- ▶ **MS/HSD quality improvement projects.** IOCL has completed the quality improvement projects at Panipat, Mathura and Haldia refineries for the supply of BS-IV grade MS and HSD. The projects at other refineries are nearing completion.
- ▶ **Naphtha cracker at Panipat.** IOCL commissioned its naphtha cracker complex at Panipat at a cost of ₹144 bn in a period of 46 months. The cracker is designed to produce 857,000 tpa of ethylene using the naphtha produced by the refineries.
- ▶ **Capacity expansion at Haldia.** The refining capacity of Haldia refinery has been expanded to 7.5 mtpa from 6 mtpa in FY2010.
- ▶ **Capacity expansion at Panipat.** The refining capacity of Panipat refinery is scheduled to be expanded to 15 mtpa from 12 mtpa by October 2010 at an estimated cost of ₹10 bn.
- ▶ **Expansion of CPCL refinery.** CPCL (IOCL's 51.9% subsidiary) has completed the expansion of its CDU-III unit which has resulted in expansion of refining capacity to 10.5 mtpa from 9.5 mtpa.

Profit model, balance sheet, cash model of BPCL, March fiscal year-ends, 2007-2014E (₹ mn)

	2007	2008	2009	2010	2011E	2012E	2013E	2014E
Profit model (Rs mn)								
Net sales	965,569	1,102,081	1,340,734	1,202,170	1,347,607	1,404,572	1,546,005	1,604,712
EBITDA	35,362	28,472	27,507	32,635	43,152	47,424	51,116	52,289
Other income	7,332	13,954	15,087	22,402	14,648	12,914	11,205	9,445
Interest	(4,774)	(6,725)	(22,699)	(10,110)	(12,959)	(11,400)	(8,997)	(6,415)
Depreciation	(9,041)	(10,982)	(10,755)	(12,423)	(13,981)	(13,506)	(13,902)	(14,212)
Pretax profits	28,879	24,719	9,141	32,505	30,861	35,433	39,422	41,107
Extraordinary items	(68)	—	—	(8,290)	—	—	—	—
Tax	(9,286)	(9,059)	(5,103)	(11,317)	(7,882)	(11,029)	(12,188)	(13,072)
Deferred taxation	(268)	(1,108)	2,421	3,033	(2,369)	(741)	(908)	(583)
Adjusted net profits	18,100	15,806	6,324	20,830	20,610	23,663	26,327	27,452
Earnings per share (Rs)	50.1	43.7	17.5	57.6	57.0	65.4	72.8	75.9
Balance sheet (Rs mn)								
Total equity	102,735	116,768	121,281	130,867	143,566	158,145	174,367	191,281
Deferred taxation liability	13,826	14,814	12,392	8,593	10,962	11,703	12,610	13,194
Total borrowings	108,292	150,224	211,714	221,952	199,450	163,950	125,736	83,736
Current liabilities	112,767	145,803	128,313	171,312	162,579	165,977	175,006	178,915
Total liabilities and equity	337,620	427,608	473,701	532,724	516,556	499,775	487,719	467,126
Cash	8,640	9,616	4,416	3,424	3,561	4,041	4,130	3,762
Current assets	127,698	187,457	148,469	232,416	230,039	234,338	247,786	252,476
Goodwill	—	—	—	—	—	—	—	—
Total fixed assets	118,334	127,354	140,033	161,871	174,180	177,619	177,025	177,112
Investments	82,949	103,182	180,784	135,013	108,777	83,777	58,777	33,777
Total assets	337,621	427,608	473,701	532,724	516,556	499,775	487,719	467,126
Free cash flow (Rs mn)								
Operating cash flow, excl. working capital	29,920	22,988	19,717	22,972	22,311	24,995	29,931	32,802
Working capital	11,451	(25,161)	20,585	(48,542)	(7,799)	(901)	(4,420)	(779)
Capital expenditure	(17,908)	(20,665)	(23,323)	(33,698)	(26,289)	(16,944)	(13,308)	(14,298)
Investments	(45,481)	(21,684)	(82,456)	35,270	26,237	25,000	25,000	25,000
Other income	4,337	6,434	6,655	13,694	16,091	12,914	11,205	9,445
Free cash flow	(17,682)	(38,088)	(58,822)	(10,304)	30,551	45,063	48,408	52,170
Ratios (%)								
Debt/equity	105.4	128.7	174.6	169.6	138.9	103.7	72.1	43.8
Net debt/equity	97.0	120.4	170.9	167.0	136.4	101.1	69.7	41.8
RoAE	16.3	12.7	4.8	11.3	14.0	14.6	14.8	14.0
RoACE	10.9	7.3	7.2	7.9	8.2	9.1	10.0	10.6
Key assumptions (standalone until FY2005)								
Crude throughput (mn tons)	19.8	20.9	20.0	20.4	22.3	22.3	22.3	22.3
Effective tariff protection (%)	1.6	1.4	2.4	2.2	0.7	0.7	0.7	0.7
Net refining margin (US\$/bbl)	3.2	5.6	5.2	2.9	3.6	4.2	4.7	4.7
Sales volume (mn tons)	24.5	26.7	27.8	29.3	31.3	32.7	34.2	35.9
Marketing margin (Rs/ton)	(1,140)	(3,010)	(5,944)	511	(62)	1,664	1,644	1,643
Subsidy under-recoveries (Rs mn)	(10,400)	(33,354)	2,728	(12,375)	(12,479)	(11,679)	(11,822)	(11,732)

Source: Company, Kotak Institutional Equities estimates

Profit model, balance sheet, cash model of HPCL, March fiscal year-ends, 2007-2014E (₹ mn)

	2007	2008	2009	2010	2011E	2012E	2013E	2014E
Profit model (Rs mn)								
Net sales	889,959	1,043,130	1,249,348	1,073,004	1,258,432	1,307,445	1,442,175	1,497,873
EBITDA	24,036	15,757	28,707	32,469	45,131	50,197	56,292	58,754
Other income	6,845	11,980	9,057	16,462	7,923	7,679	5,964	4,230
Interest	(4,230)	(7,925)	(20,828)	(9,038)	(10,970)	(12,169)	(11,744)	(11,615)
Depreciation	(7,040)	(8,508)	(9,813)	(11,644)	(15,637)	(15,990)	(17,711)	(19,488)
Pretax profits	19,611	11,303	7,122	28,249	26,447	29,717	32,802	31,881
Extraordinary items	3,030	—	—	(6,999)	—	—	—	—
Tax	(6,625)	(1,799)	(2,416)	(5,616)	(5,271)	(8,075)	(6,538)	(8,331)
Deferred taxation	(365)	(2,025)	(343)	(2,046)	(3,514)	(1,796)	(4,358)	(2,259)
Prior period adjustment	61	3,870	1,387	(575)	—	—	—	—
Adjusted net profits	13,617	11,349	5,750	17,489	17,662	19,846	21,906	21,291
Earnings per share (Rs)	40.2	33.5	17.0	51.6	52.1	58.5	64.6	62.8
Balance sheet (Rs mn)								
Total equity	95,987	105,633	107,306	115,580	126,803	139,415	153,336	166,866
Deferred tax liability	14,209	15,960	16,034	18,080	21,594	23,390	27,748	30,008
Total borrowings	105,175	167,867	227,552	213,024	204,802	180,302	178,802	136,285
Current liabilities	101,195	124,337	117,558	165,551	142,027	149,717	162,125	165,447
Total liabilities and equity	316,566	413,797	468,450	512,234	495,227	492,825	522,011	498,605
Cash	868	2,940	6,083	2,432	3,297	3,588	3,735	4,136
Current assets	113,779	190,034	153,844	203,988	192,627	199,615	216,423	220,879
Total fixed assets	130,644	152,452	166,558	191,943	203,014	213,333	255,566	247,302
Investments	71,275	68,371	141,965	113,872	96,289	76,289	46,289	26,289
Total assets	316,566	413,796	468,450	512,234	495,227	492,825	522,012	498,605
Free cash flow (Rs mn)								
Operating cash flow, excl. working capital	23,966	(18,679)	(12,139)	28,120	25,574	29,123	36,444	38,683
Working capital changes	8,936	(6,504)	48,461	(6,530)	(13,127)	702	(4,400)	(1,134)
Capital expenditure	(38,510)	(31,638)	(19,275)	(36,180)	(23,393)	(25,479)	(58,376)	(11,100)
Investments	(31,704)	(1,851)	(70,386)	16,521	17,584	20,000	30,000	20,000
Other income	2,067	4,692	3,187	8,037	8,886	7,679	5,964	4,230
Free cash flow	(35,246)	(53,980)	(50,151)	9,968	15,525	32,026	9,631	50,680
Ratios (%)								
Debt/equity	95.4	138.1	184.5	159.4	138.0	110.7	98.7	69.2
Net debt/equity	94.7	135.6	179.6	157.6	135.8	108.5	96.7	67.1
RoAE	14.9	9.8	4.7	10.1	12.5	12.8	12.7	11.3
RoACE	8.6	5.0	5.3	6.8	7.1	8.0	8.5	8.4
Key assumptions								
Crude throughput (mn tons)	16.7	16.8	15.8	15.8	16.5	17.9	19.3	19.3
Effective tariff protection (%)	1.4	1.3	2.4	2.5	1.3	1.3	1.3	1.3
Net refining margin (US\$/bbl)	4.3	6.6	4.0	2.7	4.1	4.6	5.3	5.3
Sales volume (mn tons)	23.4	26.2	27.0	27.7	28.6	29.8	31.2	32.7
Marketing margin (Rs/ton)	(710)	(2,345)	(5,021)	627	50	1,639	1,611	1,607
Subsidy under-recoveries (Rs mn)	(7,685)	(31,191)	5,587	(12,297)	(12,205)	(12,101)	(12,198)	(12,081)

Source: Company, Kotak Institutional Equities estimates

Consolidated profit model, balance sheet, cash model of IOCL, March fiscal year-ends, 2007-2014E (₹ mn)

	2007	2008	2009	2010	2011E	2012E	2013E	2014E
Profit model (Rs mn)								
Net sales	2,149,428	2,444,378	3,041,265	2,660,338	3,381,393	3,548,521	3,943,119	4,118,991
EBITDA	110,451	120,872	61,445	146,723	185,618	198,800	208,499	211,691
Other income	27,451	43,748	45,155	68,588	28,367	30,999	32,384	31,482
Interest	(17,058)	(17,556)	(41,758)	(16,638)	(25,031)	(23,537)	(21,307)	(17,025)
Depreciation	(28,686)	(29,918)	(31,389)	(34,943)	(48,084)	(49,672)	(53,467)	(54,988)
Pretax profits	92,157	117,145	33,453	163,729	140,870	156,591	166,110	171,160
Extraordinary items	24,757	5,374	—	(14,995)	—	—	—	—
Tax	(25,834)	(38,293)	(13,316)	(47,193)	(36,198)	(46,134)	(51,533)	(54,967)
Deferred taxation	(8,040)	(473)	1,435	5,556	(10,596)	(5,882)	(3,644)	(2,751)
Net profits	82,729	83,430	25,523	108,238	94,076	104,575	110,932	113,442
Net profits after minority interests	62,702	74,517	27,437	116,128	91,967	101,841	108,455	111,657
Earnings per share (Rs)	26.3	31.2	11.5	47.9	37.9	41.9	44.7	46.0
Balance sheet (Rs mn)								
Total equity	378,117	450,449	470,654	547,804	595,318	662,317	733,375	806,018
Deferred tax liability	59,859	60,331	58,876	54,072	63,916	69,798	73,443	76,194
Total borrowings	290,215	382,818	465,250	497,522	515,547	434,357	366,075	302,333
Current liabilities	330,791	386,724	376,107	472,991	533,197	556,792	586,296	596,874
Total liabilities and equity	1,058,981	1,280,322	1,370,888	1,572,389	1,707,978	1,723,263	1,759,189	1,781,419
Cash	9,385	8,413	8,076	13,501	10,480	10,860	11,766	11,428
Current assets	437,178	599,256	473,965	648,895	765,039	791,634	849,302	867,445
Total fixed assets	415,014	460,307	565,545	690,165	717,275	730,585	707,937	712,363
Investments	197,403	212,345	323,301	219,828	215,184	190,184	190,184	190,184
Total assets	1,058,981	1,280,322	1,370,888	1,572,389	1,707,978	1,723,263	1,759,189	1,781,419
Free cash flow (Rs mn)								
Operating cash flow, excl. working capital	(44,660)	(107,263)	(345,677)	138,838	122,374	126,373	138,989	121,971
Working capital changes	2,237	(1,414)	76,881	(163,423)	(70,181)	1,475	(41,723)	13,579
Capital expenditure	(50,969)	(79,586)	(135,923)	(128,974)	(84,591)	(49,980)	(22,015)	(24,284)
Investments	99,768	92,665	299,410	147,320	2,914	25,015	14	849
Other Income	13,582	18,253	16,413	24,515	35,145	30,445	31,709	30,713
Free cash flow	19,958	(77,346)	(88,896)	18,276	5,661	133,328	106,974	142,829
Ratios (%)								
Debt/equity	66.3	74.9	87.9	82.7	78.2	59.3	45.4	34.3
Net debt/equity	64.1	73.3	86.3	80.4	76.6	57.8	43.9	33.0
RoAE	16.1	16.3	5.5	21.2	15.0	15.0	14.5	13.6
RoACE	11.2	11.4	5.1	12.4	9.7	10.3	10.7	10.6
Key assumptions (IOC standalone)								
Crude throughput (mn tons)	44.0	47.4	51.3	50.7	52.6	54.6	54.6	54.6
Effective tariff protection (%)	1.6	1.3	2.8	2.2	0.8	0.8	0.8	0.8
Net refining margin (US\$/bbl)	4.2	8.2	3.6	4.5	4.9	5.4	6.0	6.0
Sales volume (mn tons)	53.4	57.4	61.0	64.0	67.4	70.3	73.4	76.7
Marketing margin (Rs/ton)	(633)	(2,203)	(5,253)	874	341	1,792	1,776	1,775
Subsidy under-recoveries (Rs mn)	(21,900)	(97,738)	—	(31,588)	(29,636)	(29,516)	(28,959)	(28,311)

Source: Company, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	13-Sep-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	2010E	2011E	2012E
Automobiles																													
Ashok Leyland	73	ADD	96,845	2,087	1,330	2.8	4.3	5.9	84.5	52.3	37.5	25.8	16.9	12.3	14.8	11.1	8.8	2.4	2.2	1.9	2.1	1.4	1.4	10.9	13.5	16.7	78	7.1	7.0
Bajaj Auto	1,469	ADD	425,109	9,162	289	117.7	84.5	94.8	160.2	(28.2)	12.2	12.5	17.4	15.5	16.1	12.3	10.8	14.5	9.1	6.3	0.7	1.4	1.4	70.9	64.1	47.9	1,325	(9.8)	18.8
Bharat Forge	367	ADD	87,627	1,889	239	0.7	12.4	19.7	(92.0)	1,705.4	59.1	533.2	29.5	18.6	27.0	12.7	8.9	2.3	2.2	2.0	—	—	—	0.9	0.4	0.1	360	(1.8)	5.2
Hero Honda	1,728	SELL	345,022	7,436	200	111.8	115.3	130.1	74.1	3.1	12.8	15.5	15.0	13.3	9.8	9.8	8.2	9.6	6.7	5.0	1.7	1.8	2.0	59.1	52.5	42.8	1,800	4.2	20.9
Mahindra & Mahindra	665	BUY	395,899	8,532	595	33.9	44.1	51.7	125.8	30.1	17.3	19.6	15.1	12.9	12.9	10.8	9.1	4.9	3.9	3.2	1.4	1.4	1.5	30.0	29.0	27.3	760	14.3	24.0
Maruti Suzuki	1,328	REDUCE	383,835	8,272	289	86.4	77.6	88.3	104.9	(10.2)	13.9	15.4	17.1	15.0	8.3	8.7	7.5	3.2	2.7	2.3	0.5	0.4	0.5	23.3	17.3	16.7	1,200	(9.6)	20.2
Tata Motors	1,027	ADD	643,118	13,860	626	27.4	94.8	109.2	(182.5)	246.1	15.2	37.5	10.8	9.4	13.3	6.9	6.0	4.2	2.9	2.2	1.3	0.5	0.5	8.7	11.9	11.1	1,150	12.0	85.9
Automobiles																													
Cautious																													
			2,377,456	51,238					276.0	57.2	16.1	22.8	14.5	12.5	12.5	8.9	7.6	4.8	3.7	2.9	1.1	1.0	1.1	20.9	25.5	23.5			
Banks/Financial Institutions																													
Andhra Bank	166	BUY	80,462	1,734	485	21.6	22.9	26.7	60.1	6.4	16.4	7.7	7.2	6.2	—	—	—	1.8	1.5	1.3	3.0	3.2	3.7	26.0	23.1	22.7	180	8.5	5.4
Axis Bank	1,426	ADD	577,859	12,454	405	62.1	78.1	98.3	22.7	25.9	25.9	23.0	18.3	14.5	—	—	—	3.6	3.1	2.7	0.8	1.1	1.3	19.2	18.3	19.9	1,500	5.2	38.5
Bank of Baroda	868	BUY	317,241	6,837	366	83.7	95.1	115.7	37.3	13.7	21.7	10.4	9.1	7.5	—	—	—	2.3	1.9	1.6	1.7	2.0	2.4	24.4	23.0	23.3	950	9.5	8.1
Bank of India	500	REDUCE	262,957	5,667	526	33.1	49.9	58.1	(42.1)	50.9	16.4	15.1	10.0	8.6	—	—	—	2.1	1.8	1.5	1.4	2.1	2.5	14.2	19.0	19.2	460	(8.0)	10.2
Canara Bank	578	ADD	237,083	5,110	410	73.7	82.2	98.3	45.8	11.6	19.5	7.8	7.0	5.9	—	—	—	1.9	1.5	1.2	1.4	1.7	2.1	22.4	20.8	20.8	580	0.3	7.5
Corporation Bank	650	BUY	93,292	2,011	143	82.0	88.0	102.6	31.8	7.3	16.6	7.9	7.4	6.3	—	—	—	1.6	1.4	1.2	2.5	2.7	3.2	22.0	20.2	20.2	700	7.6	1.5
Federal Bank	371	ADD	63,376	1,366	171	27.2	36.4	49.0	(7.2)	34.1	34.4	13.6	10.2	7.6	—	—	—	1.4	1.2	1.1	1.3	1.8	2.4	10.3	12.6	15.2	360	(2.8)	5.6
HDFC	665	ADD	955,215	20,587	1,436	19.7	23.2	27.8	22.7	17.9	19.6	33.8	28.7	24.0	—	—	—	6.3	5.6	4.9	1.1	1.2	1.5	20.0	20.6	21.7	690	3.7	40.6
HDFC Bank	2,282	BUY	1,044,776	22,517	458	64.4	84.9	111.1	(22.1)	31.7	30.9	35.4	26.9	20.5	—	—	—	4.9	4.3	3.7	0.5	0.7	0.9	16.1	16.9	19.2	2,400	5.2	32.8
ICICI Bank	1,098	REDUCE	1,224,148	26,383	1,115	36.1	45.2	57.3	6.9	25.3	26.6	30.4	24.3	19.2	—	—	—	2.4	2.2	2.1	1.1	1.4	1.7	8.0	9.5	11.3	1,000	(8.9)	80.9
IDFC	191	ADD	278,764	6,008	1,458	8.4	9.4	11.2	44.9	12.4	18.7	22.8	20.3	17.1	—	—	—	4.0	2.6	2.2	0.7	0.9	1.2	16.6	15.5	14.3	205	7.2	24.3
India Infoline	101	BUY	31,507	679	312	8.1	7.2	8.7	59.2	(11.9)	21.6	12.4	14.1	11.6	—	—	—	2.0	1.7	1.4	3.1	1.5	2.0	16.4	12.9	14.4	130	28.6	4.8
Indian Bank	265	ADD	113,996	2,457	430	35.1	32.4	44.1	25.5	(7.7)	36.2	7.6	8.2	6.0	—	—	—	1.7	1.5	1.2	2.5	2.2	3.0	24.1	18.8	21.7	280	5.6	4.6
Indian Overseas Bank	141	BUY	76,871	1,657	545	13.0	16.7	24.8	(46.7)	29.0	48.4	10.9	8.4	5.7	—	—	—	1.2	1.1	0.9	2.5	2.7	3.0	9.6	11.6	15.4	160	13.4	5.1
J&K Bank	867	ADD	42,033	906	48	105.7	119.3	139.6	25.0	12.9	17.1	8.2	7.3	6.2	—	—	—	1.4	1.3	1.1	2.5	2.9	3.4	18.2	17.9	18.3	850	(1.9)	2.4
LIC Housing Finance	1,207	REDUCE	114,648	2,471	95	69.7	100.7	109.9	11.5	44.5	9.1	17.3	12.0	11.0	—	—	—	3.5	2.9	2.5	1.2	1.8	2.0	23.6	25.5	23.2	1,250	3.6	24.1
Mahindra & Mahindra Financial	664	BUY	63,773	1,374	96	35.9	46.4	56.2	60.0	29.4	21.2	18.5	14.3	11.8	—	—	—	3.7	3.2	2.7	1.1	1.5	1.8	21.5	23.5	23.8	590	(11.2)	2.4
Oriental Bank of Commerce	469	ADD	117,478	2,532	251	45.3	57.8	66.8	25.3	27.6	15.5	10.4	8.1	7.0	—	—	—	1.6	1.4	1.2	1.9	2.5	2.9	14.5	16.5	16.9	430	(8.3)	6.9
PFC	350	SELL	402,006	8,664	1,148	20.5	22.9	27.6	53.5	11.9	20.3	17.1	15.3	12.7	—	—	—	3.1	2.7	2.4	1.5	1.6	2.0	18.8	18.3	19.2	275	(21.5)	4.3
Punjab National Bank	1,246	BUY	392,851	8,467	315	123.9	133.4	163.3	26.4	7.7	22.4	10.1	9.3	7.6	—	—	—	2.4	2.0	1.7	1.8	2.2	2.7	26.2	23.2	23.7	1,300	4.3	8.8
Reliance Capital	778	NR	191,562	4,128	246	12.9	13.7	9.8	(67.3)	6.5	(28.6)	60.5	56.8	79.6	—	—	—	2.8	2.7	2.7	0.8	0.7	0.5	4.7	4.8	3.4	—	—	39.4
Rural Electrification Corp.	349	ADD	344,352	7,421	987	20.3	25.3	31.2	23.2	24.5	23.4	17.2	13.8	11.2	—	—	—	3.1	2.7	2.3	1.9	2.2	2.7	22.0	21.0	22.5	325	(6.8)	9.0
Shriram Transport	795	ADD	177,318	3,822	223	39.2	53.4	64.8	30.1	36.4	21.3	20.3	14.9	12.3	—	—	—	4.8	4.1	3.4	1.5	2.0	2.4	28.4	28.2	28.4	700	(11.9)	5.8
SREI	102	NR	11,827	255	116	8.3	7.9	9.9	17.8	(4.8)	25.8	12.3	12.9	10.2	—	—	—	1.0	0.9	0.9	1.2	1.2	1.2	11.1	10.5	12.3	—	—	4.8
State Bank of India	3,149	BUY	1,998,960	43,081	635	144.4	177.7	211.2	0.5	23.1	18.8	21.8	17.7	14.9	—	—	—	3.0	2.7	2.3	1.0	1.0	1.1	14.8	16.0	16.7	3,100	(1.5)	105.5
Union Bank	369	BUY	186,616	4,022	505	41.1	45.7	56.9	20.2	11.3	24.5	9.0	8.1	6.5	—	—	—	2.1	1.7	1.4	1.5	1.7	2.1	26.2	23.7	24.1	400	8.3	5.0
Yes Bank	331	BUY	112,294	2,420	340	15.0	17.7	22.5	46.7	18.2	26.6	22.0	18.6	14.7	—	—	—	3.6	3.1	2.6	0.4	0.5	0.7	20.3	18.0	19.3	350	5.9	19.1
Banks/Financial Institutions																													
Attractive																													
			9,513,267	205,027					14.8	20.1	22.2	18.9	15.7	12.9	—	—	—	2.9	2.6	2.2	1.2	1.4	1.6	15.5	16.2	17.2			
Cement																													
ACC	990	REDUCE	186,086	4,010	188	83.2	66.0	72.9	47.9	(20.7)	10.4	11.9	15.0	13.6	6.4	7.1	5.8	2.9	2.6	2.2	2.7	2.4	2.4	29.3	20.0	19.3	980	(1.1)	8.9
Ambuja Cements	139	SELL	212,143	4,572	1,522	8.0	8.4	8.9	11.4	5.3	5.1	17.4	16.5	15.7	9.7	9.1	7.9	3.0	2.7	2.4	1.3	1.5	1.5	19.3	17.8	16.5	108	(22.5)	5.7
Grasim Industries	2,154	ADD	197,482	4,256	92	301.0	242.3	292.5	26.1	(19.5)	20.7	7.2	8.9	7.4	4.4	4.6	3.5	1.6	1.4	1.2	1.5	1.6	1.6	22.9	16.5	17.2	2,500	16.1	6.5
India Cements	113	SELL	34,818	750	307	10.0	7.4	9.4	(43.5)	(26.5)	27.5	11.3	15.4	12.1	6.1	8.0	5.7	0.8	0.8	0.8	1.9	2.8	2.						

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	13-Sep-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
	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	(Rs)	(%)	(US\$ mn)
Consumer products																													
Asian Paints	2,798	ADD	268,360	5,784	96	71.5	89.0	107.1	85.3	24.4	20.4	39.1	31.5	26.1	24.2	19.6	16.1	16.7	13.0	10.4	1.0	1.3	1.6	51.8	47.9	45.4	3,000	7.2	7.4
Colgate-Palmolive (India)	825	REDUCE	112,194	2,418	136	31.1	34.5	39.6	44.2	10.9	14.6	26.5	23.9	20.9	21.7	17.7	15.1	34.4	29.3	25.1	2.4	3.1	3.6	156.1	132.3	129.4	830	0.6	2.1
Dabur India	108	REDUCE	93,776	2,021	866	5.8	6.8	8.2	28.1	17.6	20.8	18.7	15.9	13.1	13.8	10.9	8.9	7.3	6.0	2.8	3.3	4.0	54.3	51.1	50.7	210	94.0	5.2	
GlaxoSmithkline Consumer (a)	1,803	ADD	75,826	1,634	42	55.4	68.6	81.3	23.6	23.9	18.6	32.6	26.3	22.2	18.0	15.6	12.7	8.5	7.0	5.9	1.0	1.2	1.5	27.9	29.0	28.7	2,000	10.9	0.5
Godrej Consumer Products	401	ADD	129,792	2,797	324	11.3	13.5	18.0	69.5	18.9	33.4	35.4	29.8	22.3	28.1	21.2	15.9	13.5	7.3	6.6	1.0	0.8	0.8	44.6	31.9	31.1	420	4.7	1.5
Hindustan Unilever	279	REDUCE	609,018	13,125	2,182	9.4	10.2	12.0	(0.9)	8.4	17.5	29.6	27.3	23.3	20.3	19.5	15.9	23.6	20.4	17.6	2.7	3.0	3.5	71.1	80.2	81.3	250	(10.4)	11.2
ITC	163	BUY	1,248,569	26,909	7,651	5.3	6.3	7.3	22.6	18.2	15.8	30.7	26.0	22.5	18.7	16.3	13.8	8.4	7.1	6.1	3.1	1.7	1.8	29.2	31.1	30.5	165	1.1	22.1
Jubilant Foodworks	536	REDUCE	34,217	737	64	5.5	9.7	12.1	340.6	75.7	24.6	96.7	55.0	44.2	51.4	31.2	21.9	29.1	19.0	13.3	—	—	—	46.6	41.8	35.4	370	(31.0)	16.0
Jyothy Laboratories	304	NR	22,090	476	73	11.0	12.9	15.3	99.6	17.0	18.3	27.6	23.6	19.9	21.4	16.3	13.4	5.4	4.6	4.0	1.5	1.2	1.5	18.6	20.2	20.5	—	—	1.0
Marico	124	ADD	75,304	1,623	609	4.5	5.4	6.4	33.8	19.6	20.4	27.6	23.1	19.2	18.1	15.4	12.7	12.2	8.7	6.5	0.8	0.9	1.1	50.8	43.9	38.8	140	13.2	2.1
Nestle India (a)	3,183	REDUCE	306,862	6,613	96	74.4	86.6	104.8	27.0	16.4	20.9	42.8	36.7	30.4	28.3	24.6	20.9	52.8	42.1	33.5	1.5	1.9	2.3	136.0	127.5	122.9	3,000	(5.7)	3.1
Tata Global Beverages	126	ADD	77,887	1,679	618	6.6	7.4	8.4	23.4	11.1	13.8	19.0	17.1	15.1	12.1	9.8	8.8	1.6	1.5	1.4	1.7	1.9	2.2	10.9	11.4	12.0	125	(0.8)	4.3
Consumer products																													
Attractive 3,053,895 65,817 24.2 16.6 17.9 31.1 26.7 22.6 20.0 17.4 14.5 10.5 8.8 7.6 2.3 2.0 2.2 33.9 32.9 33.4																													
Constructions																													
IVRCL	163	BUY	43,549	939	267	7.9	9.1	11.6	(6.7)	15.0	27.9	20.6	18.0	14.0	10.5	9.9	7.8	2.2	1.9	1.7	0.2	0.2	0.2	11.0	11.3	12.9	205	25.7	6.6
Nagarjuna Construction Co.	163	BUY	41,939	904	257	7.1	9.2	11.8	6.1	29.6	27.8	22.9	17.7	13.8	11.4	9.8	8.2	1.9	1.7	1.6	0.8	1.2	1.2	9.3	10.2	11.9	210	28.5	3.4
Punj Lloyd	113	REDUCE	38,175	823	339	(12.9)	9.8	12.0	79.2	(175.4)	22.4	(8.7)	11.5	9.4	33.8	6.6	6.0	1.3	1.1	1.0	(0.1)	0.4	0.9	(15.8)	10.3	11.4	140	24.3	10.4
Sadbhav Engineering	1,531	BUY	22,961	495	15	42.8	61.8	87.2	(16.3)	44.3	41.0	35.7	24.8	17.6	19.5	13.0	10.0	5.7	3.7	3.1	0.2	0.4	0.4	15.8	15.1	17.8	1,750	14.3	0.4
Construction																													
Attractive 146,624 3,160 (91.1) 4,528 27.2 751.3 16.2 12.8 15.4 8.7 7.4 1.9 1.7 1.5 0.3 0.6 0.7 0.3 10.4 11.9																													
Energy																													
Aban Offshore	830	ADD	36,083	778	43	94.5	154.1	139.3	(2.5)	63.0	(9.6)	8.8	5.4	6.0	8.3	6.7	6.5	1.6	1.5	1.3	0.4	0.4	0.5	21.7	33.1	22.9	935	12.7	44.0
Bharat Petroleum	752	ADD	271,987	5,862	362	58.6	57.0	65.4	230	(3)	14.8	13	13	11.5	7.1	6.8	6.3	2.0	1.8	1.6	1.9	2.5	2.9	14.9	13.3	13.8	855	13.7	36.7
Cairn India	327	RS	620,405	13,371	1,897	5.5	20.5	36.6	29.0	270.1	78.3	59.0	15.9	8.9	46.5	9.6	5.8	1.8	1.6	1.5	—	—	4.6	3.1	10.7	17.2	—	—	28.2
Castrol India (a)	528	REDUCE	130,477	2,812	247	15.4	20.7	21.2	45	34	2.4	34	26	24.9	20.5	15.9	15.3	28.3	26.6	25.2	2.4	3.1	3.2	83.8	107.4	103.7	380	(28.0)	1.9
GAIL (India)	471	BUY	597,200	12,871	1,268	24.8	27.2	40.2	11.7	10.1	47.4	19.0	17.3	11.7	10.7	10.7	8.6	3.3	2.9	2.5	1.6	1.8	2.7	17.4	17.0	21.6	550	16.8	16.1
GSPL	112	SELL	62,826	1,354	562	7.4	7.2	8.0	235	(3)	12.1	15	16	13.9	7.7	7.5	6.3	3.7	3.1	2.7	0.9	1.6	2.9	27.3	21.4	20.8	83	(25.7)	4.9
Hindustan Petroleum	529	BUY	179,387	3,866	339	51.6	52.1	58.5	204.2	1.0	12.4	10.3	10.2	9.0	3.7	3.4	3.1	1.3	1.2	1.1	2.3	3.1	3.5	13.1	11.9	12.1	625	18.1	44.4
Indian Oil Corporation	419	ADD	1,016,825	21,914	2,428	49.1	37.9	41.9	399	(23)	10.7	9	11	10.0	6.1	6.3	5.5	1.9	1.7	1.5	3.1	2.7	3.0	22.4	15.3	15.4	480	14.6	19.9
Oil India	1,582	BUY	380,279	8,196	240	115.1	133.6	153.4	13.8	16.1	14.8	13.7	11.8	10.3	6.1	4.8	4.0	2.6	2.3	2.0	2.1	2.8	3.2	16.7	18.1	18.3	1,550	(2.0)	7.2
Oil & Natural Gas Corporation	1,382	BUY	2,956,690	63,722	2,139	90.3	116.4	136.7	(1)	29	17.5	15	12	10.1	5.4	4.7	4.1	2.2	2.0	1.8	2.4	3.0	3.5	14.4	16.8	17.7	1,500	8.5	33.7
Petronet LNG	111	SELL	83,438	1,798	750	5.4	6.5	7.9	(22.0)	20.5	21.8	20.6	17.1	14.0	11.8	10.0	8.8	3.3	2.8	2.5	1.6	1.8	2.5	15.9	16.7	17.6	88	(20.9)	8.0
Reliance Industries	993	REDUCE	2,953,680	63,657	2,976	49.6	57.7	74.4	(2)	16	28.9	20	17	13.3	10.1	8.1	6.6	2.0	1.8	1.6	0.7	0.8	1.0	11.4	12.1	13.9	1,015	2.3	111.7
Energy																													
Cautious 9,289,277 200,200 36.6 16.1 23.9 15.5 13.4 10.8 7.6 6.4 5.4 2.1 1.9 1.7 1.7 2.0 2.6 13.7 14.3 15.8																													
Industrials																													
ABB	783	REDUCE	165,988	3,577	212	16.7	18.3	33.1	(35.2)	9.3	80.7	46.8	42.8	23.7	26.8	24.5	13.6	6.8	6.1	4.9	0.3	0.4	0.4	15.6	15.0	23.0	725	(7.4)	4.7
BGR Energy Systems	838	BUY	60,322	1,300	72	16.0	28.0	39.7	32.2	74.6	41.9	52.3	29.9	21.1	29.3	17.1	12.2	10.7	8.6	6.5	0.4	0.8	0.9	22.3	31.8	35.1	950	13.4	4.4
Bharat Electronics	1,778	REDUCE	142,264	3,066	80	96.1	105.9	120.3	(7.4)	10.2	13.6	18.5	16.8	14.8	8.7	7.6	6.4	3.2	2.8	2.4	1.1	1.4	1.4	17.5	17.7	17.6	1,800	1.2	2.4
Bharat Heavy Electricals	2,494	REDUCE	1,220,716	26,309	490	87.9	114.3	135.5	37.7	30.0	18.5	28.4	21.8	18.4	15.9	12.3	10.2	7.7	6.1	4.9	0.8	1.0	1.2	29.8	31.1	29.3	2,600	4.3	23.9
Crompton Greaves	310	BUY	198,769	4,284	642	12.8	14.0	16.3	46.5	9.0	16.6	24.1	22.1	19.0	14.0	12.4	10.4	7.9	6.1	4.8	0.4	0.6	0.7	37.9	31.1	28.2	320	3.3	7.9
Larsen & Toubro	1,905	ADD	1,146,890	24,717	602	57.9	71.7	89.0	15.6	23.8	24.1	32.9	26.6	21.4	18.3	14.4	12.1	5.1	4.3	3.6	0.7	0.6	0.7	18.6	17.7	18.5	2,075	9.0	49.3
Maharashtra Seamless	379	BUY	26,763	577	71	40.2	43.6	49.8	12.1	8.5	14.2	9.4	8.7	7.6	5.0	4.3	3.4	1.7	1.4	1.3	1.6	2.1	2.6	19.3	17.9	17.7	450	18.6	0.4
Siemens	722	REDUCE	243,278	5,243	337	25.2	27.0	31.9	56.4	7.3	18.0	28.7	26.7	22.6	17.4	15.8	13.1	7.1	5.9	4.9	0.7	0.7	0.9	27.6	24.2	23.8	635	(12.0)	6.1
Suzlon Energy	51	REDUCE	81,280	1,752	1,594	(6.2)	(0.8)	3.3	(185.4)	(86.8)	(504.1)	(8.3)	(62.8)	15.6	14.0	11.7	7.8	1.2	1.1	1.1	—	—	0.4	(11.4)	(1.8)	6.9	55	7.8	20.9
Thermax	796	ADD	94,843	2,044	119	21.7	29.5	39.7	(10.4)	35.9	34.4	36.6	26.9	20.0	19.0	14.8	11.0	8.8	7.2	5.8	0.6	1.1	1.4	25.0	29.5	32.2	865	8.7	1.3
Volta	225	REDUCE																											

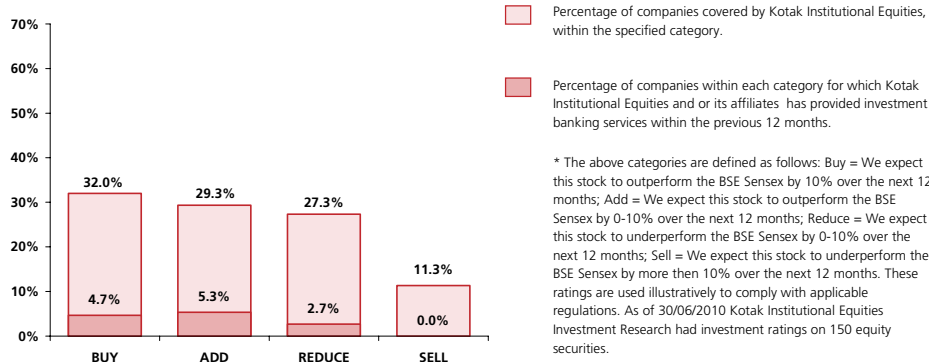
Kotak Institutional Equities: Valuation summary of key Indian companies

Company	13-Sep-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	(Rs)	(%)	(US\$ mn)
Infrastructure																													
Container Corporation	1,300	REDUCE	168,968	3,642	130	61.1	74.3	85.9	0.3	21.7	15.6	21.3	17.5	15.1	15.0	12.2	10.2	3.9	3.3	2.9	1.1	1.3	1.5	19.6	20.6	20.5	1,250	(3.8)	1.8
GMR Infrastructure	59	ADD	217,086	4,679	3,667	0.4	0.2	0.1	(43.8)	(48.9)	(40.0)	137.4	268.9	447.8	23.9	15.5	14.5	2.1	1.8	1.8	—	—	—	2.4	1.2	0.7	65	9.8	6.8
GVK Power & Infrastructure	50	BUY	79,039	1,703	1,579	0.8	1.1	1.4	6.7	33.5	32.4	61.5	46.1	34.8	20.2	18.2	18.6	2.5	2.4	2.3	—	0.6	0.6	4.7	5.3	6.7	54	7.9	6.4
IRB Infrastructure	287	RS	95,305	2,054	332	9.7	12.6	12.1	83.8	29.2	(3.7)	29.5	22.8	23.7	13.8	12.2	11.3	4.1	3.2	2.5	—	—	—	15.6	15.7	11.9	—	—	12.5
Mundra Port and SEZ	801	REDUCE	323,074	6,963	403	16.7	21.9	34.1	55.7	31.0	56.1	48.0	36.6	23.5	35.8	23.4	16.9	9.1	7.7	6.0	(0.5)	—	—	20.8	22.9	28.9	750	(6.3)	5.8
Infrastructure		Attractive	883,473	19,040					16.3	21.2	26.0	42.5	35.1	27.8	22.2	16.4	14.2	3.7	3.2	2.9	—	—	0.3	8.7	9.1	10.3			
Media																													
DB Corp	272	BUY	49,338	1,063	182	10.6	13.0	15.7	286.5	22.4	21.0	25.5	20.9	17.2	14.2	11.8	9.7	7.6	6.1	5.4	0.7	1.1	1.5	40.3	32.6	33.2	290	6.8	0.4
DishTV	56	ADD	59,869	1,290	1,063	(2.5)	(1.8)	0.1	(62.0)	(28.8)	(107.4)	(22.6)	(31.7)	430.4	73.7	29.4	15.5	14.6	27.0	25.4	—	—	—	249.3	(59.7)	6.1	47	(16.5)	3.7
HT Media	166	NR	39,092	843	235	6.1	7.7	9.2	623.3	25.9	19.8	27.2	21.6	18.1	13.7	11.4	9.5	4.0	3.6	3.3	0.6	1.2	2.4	15.6	17.5	18.9	—	—	0.4
Jagran Prakashan	137	BUY	41,152	887	301	5.8	6.6	7.7	92.0	13.4	17.0	23.4	20.6	17.6	14.1	11.9	10.2	6.7	6.1	5.6	2.6	2.9	3.7	30.0	31.1	33.3	145	6.1	1.7
Sun TV Network	509	REDUCE	200,429	4,320	394	13.1	18.0	22.5	44.8	36.9	25.2	38.7	28.3	22.6	22.0	16.3	13.2	10.3	8.7	7.2	1.5	1.5	1.8	28.4	33.7	35.1	420	(17.4)	2.8
Zee Entertainment Enterprises	295	REDUCE	128,149	2,762	435	10.6	11.8	14.4	25.0	12.0	21.5	27.9	24.9	20.5	20.7	16.5	13.2	3.5	3.3	3.2	0.8	1.0	1.2	13.1	13.8	16.0	270	(8.4)	8.3
Media		Neutral	518,030	11,164					185.4	36.0	37.0	42.7	31.4	22.9	20.5	15.7	12.4	6.3	5.8	5.2	1.1	1.2	1.6	14.7	18.4	22.8			
Metals																													
Hindalco Industries	191	ADD	365,660	7,881	1,914	5.7	13.6	15.5	(64.5)	139.5	14.2	33.7	14.1	12.3	8.3	8.2	8.5	1.6	1.5	1.3	0.7	0.7	0.7	10.3	11.1	11.5	200	4.7	31.7
Hindustan Zinc	1,103	BUY	466,222	10,048	423	95.6	102.5	116.0	48.2	7.2	13.1	11.5	10.8	9.5	7.5	6.0	4.2	2.5	2.0	1.7	0.5	0.5	0.5	24.1	20.8	19.4	1,240	12.4	4.0
Jindal Steel and Power	718	REDUCE	668,347	14,404	931	38.4	50.9	56.0	17.3	32.7	9.9	18.7	14.1	12.8	12.9	9.3	7.8	5.9	4.1	3.1	0.2	0.3	0.3	37.8	34.9	28.0	625	(12.9)	22.8
JSW Steel	1,238	REDUCE	312,377	6,732	252	80.4	68.5	108.5	481.1	(14.8)	58.5	15.4	18.1	11.4	11.3	9.6	6.4	2.9	1.8	1.3	0.6	0.7	0.8	16.0	12.0	13.3	1,075	(13.2)	38.5
National Aluminium Co.	406	SELL	261,847	5,643	644	12.6	14.3	17.3	(34.9)	13.3	20.5	32.2	28.4	23.6	15.4	12.7	10.4	2.5	2.4	2.2	0.6	1.2	1.2	8.1	8.6	9.8	260	(36.0)	1.6
Sesa Goa	323	REDUCE	287,507	6,196	890	29.6	58.6	46.3	23.5	98.4	(21.0)	10.9	5.5	7.0	9.0	3.8	3.7	3.6	2.2	1.7	1.1	1.1	1.1	35.8	41.5	23.7	340	5.2	52.3
Sterlite Industries	166	ADD	559,548	12,059	3,362	12.0	14.2	19.3	2.8	18.4	35.5	13.8	11.7	8.6	8.9	7.8	4.8	1.5	1.4	1.2	0.6	0.6	0.6	12.9	12.2	14.6	200	20.2	35.1
Tata Steel	602	REDUCE	550,018	11,854	914	(3.6)	63.4	65.5	(103.6)	(1,880.2)	3.4	(169.0)	11.5	9.2	11.1	6.1	5.8	2.4	1.9	1.6	1.3	1.3	—	(1.5)	22.0	18.7	550	(8.6)	90.8
Metals		Cautious	3,471,525	74,817					(30.6)	72.5	11.3	19.9	11.5	10.4	10.1	7.3	6.1	2.4	2.0	1.7	0.7	0.8	0.6	12.3	17.1	15.9			
Pharmaceutical																													
Biocon	344	BUY	68,750	1,482	200	14.8	17.8	22.0	216.4	19.8	23.7	23.2	19.3	15.6	13.4	11.2	9.3	3.8	3.3	2.8	—	—	—	17.9	18.8	20.0	400	16.4	5.1
Cipla	306	REDUCE	245,333	5,287	803	13.7	14.0	16.6	38.1	1.9	19.2	22.3	21.9	18.4	16.0	14.7	12.5	4.2	3.6	3.1	0.7	0.8	0.8	21.1	17.6	18.2	295	(3.5)	8.7
Cadila Healthcare	613	REDUCE	125,583	2,707	205	24.7	33.2	37.7	66.9	34.2	13.7	24.8	18.5	16.3	16.2	12.4	11.0	7.7	5.8	4.5	0.8	1.1	1.2	36.0	35.8	31.3	580	(5.4)	1.5
Dishman Pharma & chemicals	196	ADD	15,925	343	81	14.4	17.8	22.8	(19.7)	23.7	28.0	13.6	11.0	8.6	10.1	8.2	6.4	2.0	1.7	1.4	—	—	—	15.5	16.8	18.3	230	17.5	0.7
Divi's Laboratories	768	REDUCE	100,284	2,161	131	26.1	34.0	44.9	(18.2)	30.4	32.1	29.5	22.6	17.1	21.8	16.7	12.0	6.6	5.5	4.4	—	—	—	24.7	26.4	28.5	800	4.2	2.6
Dr Reddy's Laboratories	1,449	REDUCE	245,412	5,289	169	48.1	66.7	70.8	48.3	38.8	6.1	30.1	21.7	20.5	16.6	12.6	11.7	6.5	5.1	4.2	0.5	0.5	0.6	22.2	26.3	22.6	1,150	(20.6)	15.5
GlaxoSmithkline Pharmaceuticals (a)	1,954	REDUCE	165,497	3,567	85	59.1	69.7	79.2	8.1	18.0	13.5	33.1	28.0	24.7	18.9	16.0	13.8	9.3	7.9	6.7	—	—	—	29.8	30.4	29.4	1,880	(3.8)	1.6
Glenmark Pharmaceuticals	289	NR	79,166	1,706	274	12.7	19.2	20.3	14.7	50.6	5.6	22.7	15.1	14.3	14.5	9.4	9.0	3.4	2.8	2.4	—	—	—	16.7	19.9	17.6	—	—	4.5
Jubilant Organosys	361	BUY	57,278	1,234	159	26.5	31.8	38.9	49.0	19.8	22.4	13.6	11.3	9.3	9.8	8.8	7.1	2.6	2.1	1.8	0.5	0.7	0.8	26.3	21.7	21.1	400	10.9	2.4
Lupin	375	ADD	165,923	3,576	442	15.4	19.8	25.5	27.9	28.7	28.7	24.3	18.9	14.7	20.8	15.1	11.9	7.1	6.7	5.9	3.5	3.9	4.1	36.6	37.2	43.6	400	6.6	7.2
Piramal Healthcare	528	REDUCE	110,328	2,378	209	22.4	13.3	9.5	29.7	(40.4)	(28.9)	23.6	39.6	55.6	17.0	7.9	6.5	6.5	1.2	1.0	1.0	1.1	0.7	30.7	140.7	16.5	490	(7.2)	27.2
Ranbaxy Laboratories	508	SELL	217,456	4,687	428	7.1	27.0	11.6	(128.4)	282.7	(57.0)	71.8	18.8	43.6	17.5	10.7	20.5	5.5	4.0	3.7	—	0.8	0.8	6.9	22.6	8.3	255	(49.8)	10.1
Sun Pharmaceuticals	1,755	REDUCE	363,392	7,832	207	65.2	90.4	87.4	(25.7)	38.6	(3.3)	26.9	19.4	20.1	20.3	14.1	13.7	4.4	3.7	3.2	0.8	0.8	0.8	17.8	21.0	17.3	1,835	4.6	6.8
Pharmaceuticals		Attractive	1,960,327	42,248					45.5	33.7	3.2	27.1	20.3	19.6	16.9	12.6	12.0	5.2	3.7	3.2	0.7	0.9	0.9	19.0	18.2	16.1			
Property																													
DLF	333	ADD	568,655	12,255	1,708	10.7	16.3	25.1	(60.0)	53.1	53.8	31.2	20.4	13.3	21.4	13.7	10.3	2.1	2.0	1.8	0.9	0.9	1.5	7.1	9.9	13.8	340	2.1	41.1
Housing Development & Infrastructure	283	ADD	109,084	2,351	385	12.4	14.2	16.7	(41.2)	14.2	17.9	22.9	20.0	17.0	11.2	12.7	8.4	1.5	1.4	1.3	1.0	1.8	1.8	10.0	9.3	9.9	318	12.2	32.1
Indiabulls Real Estate	183	RS	73,425	1,582	401	0.3	2.5	7.4	(62.7)	777.3	195.3	642.6	73.3	24.8	(29.0)	(310.1)	13.2	0.8	0.8	0.8	—	—	—	0.1	1.1	3.2	285		

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Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of June 30, 2010

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