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### News Roundup

- **Kingfisher Airlines** is holding exploratory talks with international carriers for diluting up to 25% stake. The move comes as the Centre is reportedly planning a policy change to allow foreign airlines to invest in domestic carriers with a cap of just below 26%. (ET)
- Mid-size IT solutions firm **Mastek** Ltd is in the process of closing down its business process outsourcing practice. Process outsourcing does not fit into Mastek's business model of driving non-linear growth (by increasing revenue realised per employee). (BL)
- With export orders drying up and global prices crashing, leading private dairies are planning to sharply cut back their milk procurement operations. The move may impact thousands of farmers, who rely on daily milk sales for meeting their liquid cash requirements. Big players contemplating 'milk holidays' or limiting purchases include the Chennai-based **Hatsun Agro Products** Ltd and **Schreiber Dynamix Dairies** Ltd at Baramati (Maharashtra). (BL)
- Food and beverage maker **PepsiCo India Holdings** Pvt. Ltd says it is working on an "affordable" nutritious food product that would help reduce malnutrition while strengthening the company's business in India's rural and semi-urban markets (at a ballpark figure in the range of Re1-2). (Mint)
- German software maker **SAP AG** said it is looking at possible acquisitions in India — its fastest growing market — while conceding that the local market had felt some impact of the global economic slowdown. SAP sold 46% more software licenses to firms in India in the third quarter ended September, from a year earlier. (Mint)
- **United Spirits** Ltd (USL), has entered into exclusive talks with the world's largest drinks company, Diageo, for a partnership, including a minority stake sale. (ET)
- **Asian Development Bank** (ADB) does not expect a full-blown financial crisis in India even as it forecasts a lower economic growth of between 6-7 per cent for 2009, lower than the 7.8 per cent expected this year. (BL)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line.

### EQUITY MARKETS

India	Change, %			
	14-Nov	1-day	1-mo	3-mo
Sensex	9,385	(1.6)	(5.9)	(36.3)
Nifty	2,810	(1.3)	(8.6)	(36.6)

Global/Regional indices				
Dow Jones	8,497	(3.8)	(4.0)	(27.1)
FTSE	4,233	1.5	4.2	(22.4)
Nikkie	8,561	1.2	(1.5)	(34.2)
Hang Seng	13,401	(1.0)	(7.9)	(36.7)
KOSPI	1,085	(0.3)	(8.1)	(31.0)

Value traded - India				
	Moving avg, Rs bn			
	14-Nov	1-mo	3-mo	
Cash (NSE+BSE)	144.1	139.2	155.3	
Derivatives (NSE)	414.8	472.8	476	
Deri. open interest	530.2	732	783	

#### Forex/money market

	Change, basis points			
	14-Nov	1-day	1-mo	3-mo
Rs/US\$	49.0	0	9	545
6mo fwd prem, %	0.7	(25)	71	24
10yr govt bond, %	7.5	(13)	(39)	(165)

#### Commodity market

	Change, %			
	14-Nov	1-day	1-mo	3-mo
Gold (US\$/OZ)	741.7	(0.1)	(5.3)	(5.8)
Silver (US\$/OZ)	9.7	1.4	3.0	(24.2)
Crude (US\$/BBL)	50.7	(0.5)	(25.1)	(54.2)

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

	12-Nov	MTD	CYTD
FIs	(153)	130	(12,628)
MFs	(12)	(116)	3,447

#### Top movers -3mo basis

Best performers	Change, %			
	14-Nov	1-day	1-mo	3-mo
Bank Of Baroda	277	(1.8)	(9.0)	8.6
Bank Of India	277	1.4	(7.6)	3.5
Punjab National Bar	471	1.4	(4.8)	1.0
Financial Techn (Ind	-	-	-	-
Bharat Petroleum C	314	0.3	(11.4)	(1.1)

#### Worst performers

Housing Developme	117	8.1	(6.5)	(65.0)
Suzlon Energy Limit	55	(4.3)	(36.8)	(77.4)
Bajaj Finserv Ltd	137	(2.6)	(13.5)	(74.1)
Unitech Limited	46	(6.9)	(42.6)	(73.0)
Tata Steel Limited	172	(7.1)	(30.6)	(72.1)

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**Economy**

Sector coverage view

N/A

**End of dollar drought likely with RBI's weekend measures for liquidity and credit**

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- **Dollar inflows likely to get a boost—rupee likely to move back to about 48.0/US\$ levels**
- **RBI measures also to help exporters get more credit**
- **Counter-cyclical prudential relaxations to help improve credit flows—positive for bank stocks**
- **We continue to expect RBI to cut repo, reverse repo rate, bank rate and CRR by 100 bps by mid-December**

In our view, the measures announced once again with markets closed over the weekend are likely to significantly ease both the rupee and dollar liquidity and get the credit markets back to normalcy. We expect the increase in spread on NRI deposits to substantially augment capital inflows from the trickle we have seen so far in FY2009. A 75 bps increase in spreads of FCNR(B) and NRE deposits can put an end to the dollar drought. Initially, the FCNR(B) inflows may outpace the NRE deposit inflows, but if the rupee starts appreciating, we could see strong NRE inflows as well. We also see the counter-cyclical prudential relaxations as significant step which could revive credit markets. We expect the structural measures announced on November 15, 2008 to be followed by further monetary policy easing by mid-December (see Economy note of November 14).

**Rupee likely to rebound to about 48/US\$ in the near term**

More and more measures seem to be the RBI's answer to counter the impact of global financial crisis on the Indian markets. We think this is the right way. The measures announced this week include those which are aimed at improving dollar liquidity and those which are aimed at rupee liquidity. The former would also have a favorable impact on rupee liquidity as it reduces pressure on central bank to make dollar selling interventions in the FX-markets. Considering the measures in totality, we expect the rupee/US dollar exchange rate to rebound to Rs48 in near term from previous close of 48.98. If NRI deposit flows are stronger than anticipated, a sub-48 level is likely.

**Measures aimed at augmenting NRI deposits can turn the tide**

A further widening of spreads on NRI Deposits is likely to have a significant impact on NRI deposits inflows and can bridge the dollar shortage substantially. The RBI raised the interest rate ceilings on Foreign Currency Non-Resident (Banks) [FCNR(B)] and Non-Resident (External) Rupee Accounts [NR(E)RA] deposits by 75 bps each as follows:

- Ceiling on [FCNR(B)] deposits raised to Libor/Swap rates plus 100 bps for the respective currency/ corresponding maturities from existing 25 bps.
- Ceiling on Non-Resident (External) Rupee Accounts [NR(E)RA] raised to Libor/Swap rates plus 175 basis points for US dollar of corresponding maturities from the existing 100 bps.

**Rolling over NRI deposits not an issue; we see large fresh flows**

We believe that fresh deposits may now come both in FCNR(B) and NR(E)RA schemes, even while some substitution may take place from the latter to the former, where a clean 1-ppt gain exists without any currency risk. In our assessment, a US\$3.5 bn or more of net inflow are likely during FY2009E in the NRI deposit schemes.

India had outstanding stock of US\$43.7 bn NRI deposits at end-March 2008 (see Exhibit 1), comprising mainly of FCNR(B) of US\$14.2 bn and NR(E)RA of US\$26.7 bn. US\$28.8 bn of these were of a residual maturity of 1-year or less (out of a US\$82.1 bn of total external debt with residual maturity of less than up to 1-year). FX-markets had fears whether these would put pressures on rupee exchange rate when redeemed. We had cautioned that the overly bearish view on the rupee in the market is misplaced and that the stock of NRI deposits could be rolled over, if necessary, by offering higher spreads.

The stock of NRI deposits has fallen by US\$3.3 bn in 1HFY09 to US\$40.3 bn [US\$13.4 bn FCNR(B) + US\$23.8 bn NR(E)RA], due mainly to sharp depreciation of rupee (by 14.6% against US\$ in 1HFY09) and not a rollover problem. In fact, there has been a net inflow of US\$787 mn of NRI deposits in 1HFY09 (see Exhibit 2). We now expect bulky fresh deposits in 2HFY09. Even FCNR(B) which has seen an outflow of US\$720 mn in 1HFY09 could see large accretion in 2HFY09 as a 1-ppt higher return is an attractive spread for arbitrage flows.

**Housing Finance Companies allowed but unlikely to access significant short-term foreign currency borrowings.** Housing finance companies (HFCs) registered with the National Housing Bank (NHB) and observing its prudential norms have been permitted to raise short-term foreign currency borrowings under the approval route as a temporary measure. We, however, believe that in the present conditions, HFCs may not be able to significantly access global markets given the risk aversion and perceived risks in India's real estate lending

**Buy-back/Pre-payment of Foreign Currency Convertible Bonds (FCCBs).** RBI would, through the approval route, allow Indian companies to prematurely buy back their FCCBs, if they are financed by (i) the company's foreign currency resources held in India or abroad and/or (ii) fresh external commercial borrowing (ECB). Extension of FCCBs will also be permitted at the current all-in cost for the relative maturity. FCCBs are instrument in debt market in which convertible bond is issued in a currency, which is different than issuer's domestic currency.

FCCBs issued by Indian corporate currently trading at a discount in the global markets. If these bonds are redeemed, they could considerably increase debt obligations for several firms, If, instead, the price of conversion is reset lower than current market price, we could see a severe dilution of promoter's equity. In our view, the buy-back has potential benefits for the Indian firms and their promoters. There are about 50 firms with Rs100 mn or more of FCCBs outstanding. As such, of these, firms which may potentially gain out of the policy change include Reliance Infrastructure, L&T, Tata Tele, Wockhardt, Ashok Leyland, Tata Motors and Zee as they have maturities falling due in CY2009. FCCB maturing in CY2009 are estimated at US\$1.2 bn.

#### **Measures aimed to improve export credit flow for exporters, banks**

Increasing the export credit refinance (ECR) limit to 50% from 15% of the outstanding rupee export credit eligible for refinance is expected to provide an additional liquidity of up to Rs220 bn over and above the existing Rs95 bn. Only a third of the ECR limits are utilized, but enhancement of limits should, nevertheless, at the margin, encourage banks to provide more export credit. Export credit outstanding is estimated at about Rs630 bn. RBI has also extended the period for first (concessional at a ceiling of 2.5-ppt below BPLR) slab of pre-shipment rupee export credit to 270 days from 180 days.

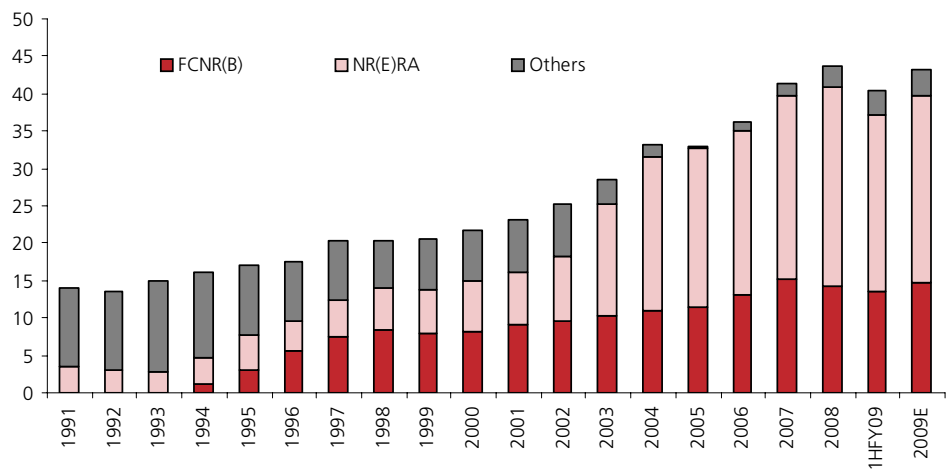
#### **Measures aimed at augmenting rupee liquidity**

In addition, RBI has taken several new measures aimed at directly improving rupee liquidity. In our view, the measures, relating to relaxations in provisioning and risk weights would have a significant impact in revising the lending activity. The new measures include:

- 1) **Special term repo facility extended till end of FY2009.** This has been introduced for the purpose of meeting the liquidity requirements of MFs and NBFCs, this will continue till end-March 2009.
- 2) **Counter-cyclical prudential measure on provisioning.** A dynamic provisioning approach to be adopted—the general provisioning requirements on all types of standard assets has been reduced to a uniform level of 0.40% (except that agricultural and SME sector lending will continue to attract provisioning of 0.25%). Earlier, in the cyclical upswing, provisioning against standard assets was raised to 1-2% for various assets.
- 3) **Risk weights lowered.** Risk weight on (a) commercial real estates, (b) non-deposit taking and systemically important NBFCs and (c) all unrated claims on corporate have been uniformly lowered to 100% from 150% for exposures >Rs100 mn.
- 4) **Rs30 bn immediate funds for micro and small enterprises.** Immediate allocations are to be made, in advance, from scheduled commercial banks for contribution against shortfalls in priority sector lending to the SIDBI and the NHB to the extent of Rs.20 bn and Rs10 bn, respectively.
- 5) **Use of special refinance encouraged for micro and small enterprises.** RBI is providing banks refinance up to 1.0% of their NDTL at the LAF repo rate for up to 90 days. RBI has now said that banks are encouraged to use this facility for the purpose of extending finance to micro and small enterprises.

#### Exhibit 1: US\$3.5 bn net Inflows of NRI deposits likely in FY2009

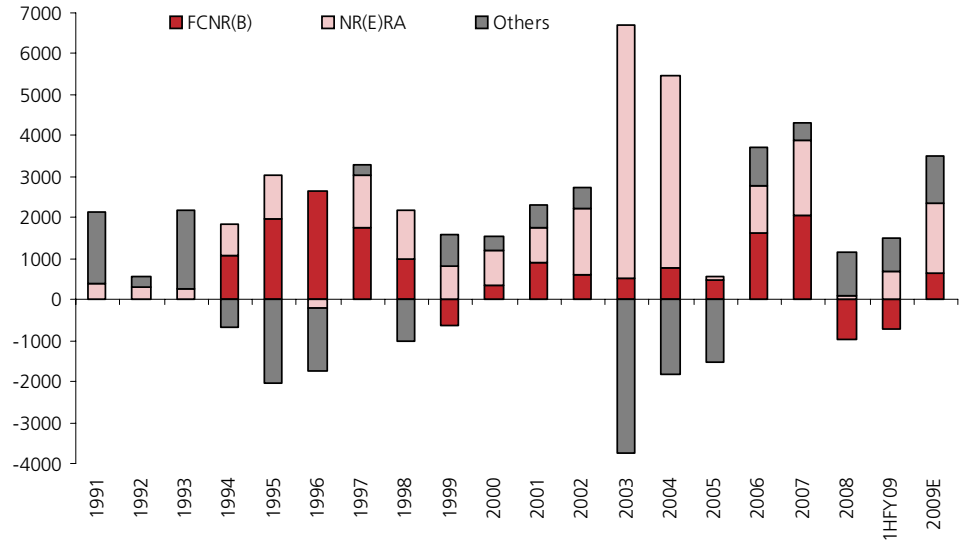
Stock of NRI deposits, March fiscal year-ends, 1991-2009E (US\$ bn)



Source: Reserve Bank of India

**Exhibit 2: US\$3.5 bn net Inflows of NRI deposits likely in FY2009**

Inflows (+) / Outflows (-) of NRI deposits, March fiscal year-ends, 1991-2009E (US\$ mn)



Source: Reserve Bank of India

**Energy****RELI.BO, Rs1147**

Rating	REDUCE
Sector coverage view	Neutral
Target Price (Rs)	1,325
52W High -Low (Rs)	3298 - 930
Market Cap (Rs bn)	1,574

**Financials**

March y/e	2008	2009E	2010E
Sales (Rs bn)	1,334	1,831	2,557
Net Profit (Rs bn)	142.5	150.9	236.9
EPS (Rs)	101.7	99.7	150.6
EPS gth	23.0	(2.0)	51.0
P/E (x)	11.3	11.5	7.6
EV/EBITDA (x)	7.5	6.3	3.5
Div yield (%)	1.0	1.2	1.7

**Shareholding, September 2008**

	% of		Over/(under)
	Pattern	Portfolio	weight
Promoters	37.6	-	-
FIs	21.1	9.1	1.3
MFs	2.7	6.4	(1.3)
UTI	-	-	(7.8)
LIC	5.4	10.8	3.1

**Reliance Industries : Government's stance on gas pricing may further complicate matters; reduce exposure**

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- **Outcome of ongoing gas disputes continues to be highly uncertain**
- **Chemical and refining businesses will likely stay under pressure for an extended period of time**
- **Reducing exposure to RIL and taking exposure to RIL's gas business through Niko may be a more prudent strategy**

The government's stance on the ongoing RIL-RNRL dispute may further vitiate the issue and may result in neutral-to-negative outcomes for RIL. The government has filed an affidavit with the Mumbai High Court stating that RIL cannot sell its gas below US\$4.2/mn BTU. This would suggest that the government will insist on computation of its share of profit petroleum, income tax and royalty at US\$4.2/mn BTU even if RIL is forced to sell gas at a lower price of US\$2.34/mn BTU in case the court rules in favor of NTPC and RNRL. We suggest RIL investors cut exposure to RIL stock and take exposure to RIL's E&P business through (1) Niko Resources, RIL's 10% partner in key E&P blocks including KG D-6 and MN D-4 and (2) Hardy oil, RIL's 10-15% partner in certain other blocks with modest-sized discoveries. Niko's stock price has fallen in line with other E&P stocks (50% from peak) although it derives the bulk of its value from gas, the price of which is also fixed. We retain our 12-month fair valuation of Rs1,325 (median of base-case and trough-case margins) for RIL stock but note that recent margins have slipped even below our trough-case assumptions.

**Likely weak earnings in case of chemicals, refining and gas dispute a potent mix**

We would recommend investors reduce position in RIL stock even at current depressed levels and take exposure to RIL's E&P segment through a combination of investment in Niko Resources and Hardy Oil for reasons discussed below. This would allow investors to participate in any future E&P discoveries but avoid exposure to RIL's global, cyclical businesses (chemicals and refining), which will likely remain under pressure for an extended period of time. We do not see any scope for a rebound in margins in the next two years.

- 1. Chemical margins continue to plummet but are still above CY2001-03 trough levels.** Chemical margins have collapsed over the past four weeks (down 40-50%, see Exhibit 1) reflecting very weak global demand. We note that current margins are about US\$150-175/ton lower than our FY2010E assumptions. Thus, the chemical segment's EBITDA may surprise negatively despite our already low EBITDA estimate of Rs63 bn against Rs98 bn in FY2008 and Rs76 bn in FY2009E. We will review our margin assumptions over the next few weeks. We do not rule out chemical margins staying at current levels until end-CY2010E given the large amount of new chemical capacity due in CY2009-10E and likely weak demand.
- 2. Refining margins continue to be very weak.** Refining margins continue to be very weak (see Exhibit 2) led by weak demand for petroleum products and excess capacity. We do not see scope for any significant improvement in refining margins (except for large-scale industry consolidation) given large amount of new refining capacity due in CY2009-10E, which will further exacerbate the large supply-demand imbalance. We see risks to our assumptions of RIL's refining margins of US\$12.5/bbl for FY2010E and US\$12.3/bbl for FY2011E (both including about US\$3/bbl for use of gas for internal heating) despite our margin assumptions being significantly below FY2008 and HFY09 margins.

We are also not sure about RIL being allowed to use gas for internal heating processes. This adds about US\$3/bbl to our underlying forecast of US\$9.5/bbl refining margin for FY2010E and US\$9/bbl for FY2011E. The gas utilization policy does not specify the use of gas for industrial use and places priority on fertilizers, power and city gas sectors. We compute RIL's consolidated EPS to decline to Rs120 from Rs150 in case RIL and RPET are unable to use gas for internal heating requirements.

- 3. Gas dispute continues to be messy and could continue for a long time.** We note that the ongoing dispute with NTPC and RNRL has already become quite messy and could prolong in case the losing party decides to go to the Supreme Court; the latter is highly probable, in our view. The government has recently filed an affidavit with the Mumbai High Court stating that RIL cannot sell gas below US\$4.2/mn BTU, which is the government-approved price for five years. It would be interesting to see how the government will respond in case RIL loses its court cases with both NTPC and RNRL. However, the government's stance suggests that it would use US\$4.2/mn BTU to compute royalty, income tax and its share of profit petroleum irrespective of the outcome of the case.

We compute an impact of Rs144/share on our valuation of RIL's E&P segment in case RIL has to sell gas to NTPC and RNRL at US\$2.34/mn BTU but compensate the government for its share of profit petroleum, income tax and royalty at US\$4.2/mn BTU. We do not see any impact on Niko even in this case as we believe Niko will continue to earn revenues and profits on the basis of the government-approved price and will not be a party to RIL's settlement (if any) with NTPC and RNRL.

### **Stock trading close to trough-case scenario but current margins below our trough-case assumptions**

We value RIL stock on the median of our base-case and trough-margin scenarios discussed below.

- 1. Base-case scenario valuation at Rs1,500.** Exhibit 3 gives our base-case valuation model and shows our SOTP valuation at Rs1,500. We assume chemical margins at around US\$500-600/ton (product prices less naphtha price) and refining margin at US\$12.5/bbl including US\$3/mn BTU benefit from use of gas instead of liquid fuels for a part of refinery heating requirement. We value the new E&P business based on DCF at Rs485/share and build in 35% higher production of gas versus announced reserves from the KG D-6 block.

We use 5X FY2010E EBITDA to value RIL's chemical and refining segments, which seems reasonable in light of our mid-cycle assumptions. We would also highlight that we model very low profitability for the chemical and refining segments in 2HFY09E to reflect current weak demand conditions, which will translate into weak volumes and very weak margins. We model FY2009E EBIT of chemical and refining segments at Rs53 bn and Rs78 bn compared to reported 1HFY09 EBIT of Rs35 bn and Rs58 bn.

- 2. Trough-margin scenario valuation at Rs1,150.** We use (1) US\$100/ton lower margin versus our base-case assumptions for the chemical segment and (2) US\$2/bbl lower refining margin versus our base-case assumption of US\$12.5/bbl for the refining segment in FY2010E. This would translate into moderately higher chemical margins versus those in FY2001-03 and underlying refining margin of US\$7.5/bbl. We value the retailing business at 1X book. Exhibit 4 gives our trough-margin case.

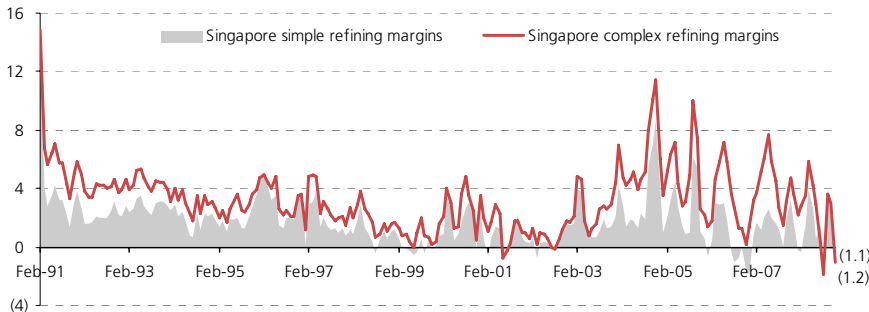
**Chemical margins have collapsed in recent weeks**

Asia chemical margins, calendar year-ends (US\$/ton)

	Annual average prices					Quarterly average					Monthly average					Recent			
	2004	2005	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	4Q08 vs. 3Q08 (%)	June	July	Aug	Sep	Oct	Oct 24	Oct 31	Nov 7	Nov 14
<b>Ethylene chain</b>																			
Ethylene – naphtha	515	389	549	441	379	458	401	359	129	(64)	429	481	359	239	129	111	43	41	25
HDPE – 1.015 x ethylene	28	147	88	171	247	208	237	252	372	47	220	135	276	346	372	442	445	335	335
LLDPE – 1.015 x ethylene	53	175	87	185	306	262	223	352	550	56	177	184	405	467	550	542	545	425	365
LDPE – 1.015 x ethylene	181	243	94	291	419	364	335	464	696	50	267	279	522	592	696	692	695	615	465
<b>HDPE – naphtha</b>	<b>556</b>	<b>548</b>	<b>655</b>	<b>629</b>	<b>645</b>	<b>687</b>	<b>660</b>	<b>632</b>	<b>510</b>	<b>(19)</b>	<b>673</b>	<b>640</b>	<b>656</b>	<b>601</b>	<b>510</b>	<b>561</b>	<b>493</b>	<b>381</b>	<b>365</b>
<b>LLDPE – naphtha</b>	<b>582</b>	<b>577</b>	<b>654</b>	<b>643</b>	<b>704</b>	<b>740</b>	<b>646</b>	<b>732</b>	<b>688</b>	<b>(6)</b>	<b>631</b>	<b>689</b>	<b>785</b>	<b>722</b>	<b>688</b>	<b>661</b>	<b>593</b>	<b>471</b>	<b>395</b>
<b>LDPE – naphtha</b>	<b>710</b>	<b>644</b>	<b>660</b>	<b>749</b>	<b>817</b>	<b>843</b>	<b>758</b>	<b>844</b>	<b>834</b>	<b>(1)</b>	<b>720</b>	<b>784</b>	<b>901</b>	<b>847</b>	<b>834</b>	<b>811</b>	<b>743</b>	<b>661</b>	<b>495</b>
<b>Propylene chain</b>																			
Propylene – naphtha	414	424	509	373	396	330	471	468	154	(67)	606	557	502	346	154	71	(7)	(19)	120
PP – 1.01 x propylene	142	154	125	244	257	265	192	264	403	52	164	291	252	250	403	450	482	372	211
<b>PP – naphtha</b>	<b>564</b>	<b>587</b>	<b>645</b>	<b>628</b>	<b>666</b>	<b>607</b>	<b>678</b>	<b>748</b>	<b>564</b>	<b>(25)</b>	<b>788</b>	<b>865</b>	<b>769</b>	<b>609</b>	<b>564</b>	<b>526</b>	<b>478</b>	<b>356</b>	<b>335</b>
<b>Styrene chain</b>																			
Benzene – naphtha	435	339	278	325	178	175	184	183	155	(15)	171	155	164	229	155	131	45	81	76
Styrene – 0.81 x benzene	142	131	139	163	128	136	114	133	126	(6)	106	88	142	171	126	197	135	143	144
– 0.29 x ethylene																			
Polystyrene – 0.98 styrene	124	125	90	132	149	90	107	173	377	118	144	164	180	174	377	442	478	362	202
PS – naphtha	786	670	649	730	595	561	560	630	700	11	596	600	630	659	700	801	683	601	435
<b>Vinyl chain</b>																			
EDC – (0.3 x ethylene)	186	99	11	85	46	35	24	73	58	(20)	18	38	85	96	58	49	21	17	2
PVC – 1.025 (0.235 x ethylene	258	281	249	294	406	349	435	428	421	(2)	405	414	483	388	421	496	437	390	404
+ 0.864 x EDC)																			
<b>PVC – naphtha</b>	<b>492</b>	<b>326</b>	<b>250</b>	<b>249</b>	<b>178</b>	<b>181</b>	<b>145</b>	<b>174</b>	<b>280</b>	<b>61</b>	<b>72</b>	<b>120</b>	<b>240</b>	<b>163</b>	<b>280</b>	<b>401</b>	<b>323</b>	<b>281</b>	<b>265</b>
<b>Polyester/intermediates</b>																			
PSF – 0.85 x PTA – 0.34 x MEG	157	247	240	324	362	333	278	385	633	64	217	355	361	441	633	723	—	—	—
PFY – 0.85 x PTA – 0.34 x MEG	398	398	391	541	606	651	553	584	698	20	502	615	586	551	698	788	—	—	—
PTA – 0.67 x PX	225	201	124	123	121	127	103	110	188	70	89	97	128	106	188	183	196	187	138
PX – naphtha	418	414	572	435	341	290	389	359	294	(18)	463	418	371	289	294	333	280	267	275
MEG – naphtha	564	384	270	419	91	308	59	(84)	58	(169)	(12)	(94)	(98)	(60)	58	84	93	134	138
MEG – 0.6 x ethylene	410	345	174	433	236	383	235	106	189	78	189	80	93	146	189	175	192	227	247

**Refining margins continue to remain weak**

Singapore refining margins (US\$/bbl)



Simple refining margins, March fiscal year-ends (US\$/bbl)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 YTD
1Q	(0.32)	1.29	0.51	0.30	1.05	1.69	3.02	2.52	2.25	2.40
2Q	(0.08)	2.47	0.45	0.07	1.20	3.13	2.78	(0.70)	0.99	1.71
3Q	0.14	1.74	1.06	1.44	1.57	6.46	2.22	(1.25)	2.32	1.16
4Q	1.86	0.21	(0.03)	2.98	2.88	2.08	1.09	1.25	0.25	
<b>Average</b>	<b>0.40</b>	<b>1.43</b>	<b>0.50</b>	<b>1.20</b>	<b>1.67</b>	<b>3.34</b>	<b>2.28</b>	<b>0.45</b>	<b>1.45</b>	<b>1.87</b>

Weekly margins				
Current	-1 Wk	-2 Wk	-3 Wk	-4 Wk
(0.04)	(2.45)	1.21	2.84	2.12

Singapore refining margins, March fiscal year-ends (US\$/bbl)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 YTD
Simple	0.40	1.43	0.50	1.20	1.67	3.34	2.28	0.45	1.45	1.87
Complex	0.43	1.86	1.34	0.79	1.24	4.57	4.93	3.45	4.05	2.35

Source: Bloomberg.

Complex refining margins, March fiscal year-ends (US\$/bbl)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 YTD
1Q	0.43	1.86	1.34	0.79	1.24	4.57	4.93	6.24	6.58	4.31
2Q	1.19	3.96	0.58	0.14	2.35	5.80	6.11	2.46	2.91	0.66
3Q	0.41	2.25	1.22	1.56	3.23	9.04	3.94	0.98	3.91	1.85
4Q	2.64	1.60	0.65	3.70	5.44	5.02	2.77	4.11	2.78	
<b>Average</b>	<b>1.17</b>	<b>2.42</b>	<b>0.95</b>	<b>1.55</b>	<b>3.06</b>	<b>6.10</b>	<b>4.44</b>	<b>3.45</b>	<b>4.05</b>	<b>2.35</b>

Weekly margins				
Current	-1 Wk	-2 Wk	-3 Wk	-4 Wk
(0.18)	(1.94)	1.99	3.74	3.97



**SOTP valuation of Reliance is Rs1,500 per share on FY2010E estimates**

Sum-of-the-parts valuation of Reliance Industries, FY2010E basis (Rs)

	Valuation base (Rs bn)		Multiple (X)		EV (Rs bn)	Value share (Rs)
	Other	EBITDA	Multiple	EV/EBITDA		
Chemicals		63		5.0	313	228
Refining & Marketing		104		5.0	519	378
Oil and gas—producing		33		3.0	100	73
Gas—developing (DCF-based) (a)	575	—	100%	—	575	418
Oil—KG-DWN-98/3 (b)	107	—	100%	—	107	78
Investments						
RPL (3.167 bn shares at Rs100)	317	—	100%	—	317	230
Others	27	—	100%	—	27	20
Loans & advances to affiliates less accounts payables to affiliates	46	—	100%	—	46	34
Retailing	40	—	1.5	—	60	44
SEZ development	75	—	80%	—	60	43
<b>Total</b>					<b>2,018</b>	<b>1,546</b>
PV of refining division's future sales tax incentives					2	2
<b>Total value</b>					<b>2,020</b>	<b>1,547</b>
Net debt					63	46
<b>Implied equity value</b>					<b>1,957</b>	<b>1,502</b>

Note:

- (a) We value the KG D-6 gas find on DCF and offshore Orissa (NEC-25) and CBM discoveries based on KG D-6's valuation.  
(b) 180 mn bbls of recoverable reserves based on gross OOIP of 0.5 bn bbls.  
(c) Net debt reflects a standalone (without RPL) scenario; however, we consolidate for RPL otherwise as it a 71% subsidiary.  
(d) We use 1.374 bn shares (excluding treasury shares) for per share computations.

Source: Kotak Institutional Equities estimates

**SOTP valuation of Reliance is around Rs1,150 per share assuming trough-margin scenario**

Sum-of-the-parts valuation of Reliance Industries, FY2010E basis (Rs)

	Valuation base (Rs bn)		Multiple (X)		EV (Rs bn)	Value share (Rs)
	Other	EBITDA	Multiple	EV/EBITDA		
Chemicals (a)		29		7.0	203	148
Refining & Marketing (b)		83		5.5	454	331
Oil and gas—producing		33		3.0	100	73
Gas—developing (DCF-based) (c)	377	—	100%	—	377	274
Oil—KG-DWN-98/3 (d)	92	—	100%	—	92	67
Investments						
RPL (3.167 bn shares at Rs100)	317	—	100%	—	317	230
Others	27	—	100%	—	27	20
Loans & advances to affiliates less accounts payables to affiliate:	46	—	100%	—	46	34
Retailing	40	—	1.0	—	40	29
SEZ development	75	—	50%	—	37	27
<b>Total</b>					<b>1,602</b>	<b>1,232</b>
PV of refining division's future sales tax incentives					2	2
<b>Total value</b>					<b>1,604</b>	<b>1,234</b>
Net debt					116	84
<b>Implied equity value</b>					<b>1,488</b>	<b>1,150</b>

Note:

- (a) We reduce chemical margins by US\$100/ton versus our base-case margins.  
(b) We reduce refining margin by US\$2/bbl versus our base-case assumption.  
(c) We value the KG D-6 gas find on DCF and offshore Orissa (NEC-25) and CBM discoveries based on KG D-6's valuation.  
(d) 180 mn bbls of recoverable reserves based on gross OOIP of 0.5 bn bbls.  
(e) Net debt reflects a standalone (without RPL) scenario; however, we consolidate for RPL otherwise as it a 71% subsidiary.  
(f) We use 1.374 bn shares (excluding treasury shares) for per share computations.

Source: Kotak Institutional Equities estimates

**Automobiles****TAMO.BO, Rs137**

Rating	SELL
Sector coverage view	Cautious
Target Price (Rs)	180
52W High -Low (Rs)	798 - 131
Market Cap (Rs bn)	86.6

**Financials**

March y/e	2008	2009E	2010E
Sales (Rs bn)	285.2	301.7	340.6
Net Profit (Rs bn)	20.3	17.2	12.6
EPS (Rs)	32.1	27.2	20.0
EPS gth	(31.6)	(15.3)	(26.4)
P/E (x)	4.3	5.0	6.8
EV/EBITDA (x)	3.6	5.3	5.9
Div yield (%)	6.7	10.2	10.2

**Shareholding, September 2008**

	% of Pattern Portfolio	Over/(under) weight
Promoters	33.3	-
FIs	29.8	0.6
MFs	1.3	0.1
UTI	-	(0.4)
LIC	11.5	1.1

## Tata Motors : JLR sales significantly underperform already weak European market; pension underfunding estimated at close to \$1 bn, reiterate SELL with TP of Rs180/share

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- **JLR sales down 36% yoy in EU countries on a combined basis**
- **We estimate JLR pension liability could be underfunded to the tune of US\$1 bn**
- **Reiterate SELL as long-term funding issues, operating performance and potential cash calls towards funding the pension liabilities weigh on the stock**

Jaguar Land Rover (JLR) sales were down 36% yoy in EU member countries based on recent ACEA data. US sales reported at the beginning of the month were down 45% yoy. We note that Europe and the US make up close to 75% of revenues at JLR. On a year-to-date basis, sales are down 19% yoy in Europe and 29% in US. The 37,000 unit yoy decline in US and EU sales when translated to production alone could translate to over US\$300 million yoy decline in earnings (excluding any impact of price cuts). We believe that the JLR pension liability could be underfunded to the extent of US\$1 bn based on the 28% decline in the MSCI EAFE index over the past twelve months—this could likely result in a significant cash call in Apr-2009 when the next actuarial valuation is due. We reiterate our SELL rating on the stock as long-term funding issues, operational performance along with potential cash call remain an overhang on the stock.

### Jaguar Land Rover sales down 36% yoy in EU, 19% on an year-to-date basis

Sales data from ACEA, the European automobile manufacturer's association, indicated a 36% yoy decline in auto sales at Jaguar LandRover for the month of October in the EU15 and EFTA countries. The overall market was down 15%. US results for Jaguar Land Rover came out earlier in the month and were down 45% yoy. US and Europe make up 75-80% of Jaguar Land Rover sales. On a year-to-date basis, sales are down 37,000 units yoy in both markets. At a contribution margin of US\$9,000-10,000 per unit, the yoy decline in earnings could be over US\$300 million just on the production decline. Every 1% decline in pricing would shave another US\$50 million from earnings.

### US\$1 billion pension underfunding could result in a significant cash call in April 2009

We estimate that Jaguar Land Rover's pension assets at close to US\$5 billion. The pension liability was underfunded to the tune of \$600 million as of the end of October 2007, which Ford funded as a part of the purchase consideration. On a yoy basis, the MSCI EAFE index is down 28% as of end- Oct '09. We estimate the pension liability to be underfunded to the tune of US\$1 billion at current stock market levels. Here, we have assumed 65% of the fund is invested in equities and the rest in debt securities. The fund trustees are expected to do a valuation of the fund in April 2009. We believe this could result in a cash call on Tata Motors.

### Business outlook remains weak

We expect the CV sector to slow down considerably given current industry conditions. High financing costs and unavailability of credit will likely hurt CV growth in 2HFY09. Our channel checks indicate that demand for goods movement is coming off resulting in lower freight rates and hence lower demand for CVs. In terms of passenger cars, we believe that growth will likely be sluggish on account of tight finance conditions. Moreover, Tata Motors would continue to be hurt by the lack of a strong product profile.

**Domestic M&HCV volumes could be at further risk; retain SELL rating and TP of Rs180/share**

MHCV volumes at Tata Motors are down 9% yoy on a year-to-date basis, while we are modeling close to a 3% decline volumes for FY2009E and a flat growth for FY2010E. We believe there is significant downside to consensus and our Rs27 and Rs20 per share earnings estimates. While the stock seems cheap at close to 7X our FY2010E estimates, we believe the earnings and balance sheet risks could make it a value trap. We retain our SOTP-based target price of Rs180/share—maintain our SELL rating on the stock.

**Tata Motors, SOTP-based valuation, FY2010E basis (Rs mn)**

	EBITDA Rs mn	Multiple (X)	Value Rs mn	Value per share Rs	Comments
Tata Motors standalone	24,704	5.0	123,522	196	Based on 5X FY2010E EBITDA
Less: Net debt			81,584	129	
<b>Total</b>				<b>66</b>	
Value of subsidiaries				105	
Embedded value of investments				9	Value of investments in Tata Steel at KIE target price of Rs285/share
<b>SOTP-based value</b>				<b>181</b>	
<b>Target price</b>				<b>180</b>	

Notes:

(1) We have valued the subsidiaries and the investments in Tata Steel after considering 20% holding company discount.

**Tata Motors, volume assumptions, March fiscal year ends 2006-10E**

Volumes (no of vehicles)	2006	2007	2008E	2009E	2010E
<b>M&amp;HCVs</b>	<b>136,871</b>	<b>184,997</b>	<b>179,400</b>	<b>174,581</b>	<b>175,216</b>
M&HCVs-domestic	128,610	172,842	166,037	161,886	161,886
M&HCVs-exports	8,261	12,155	13,363	12,695	13,330
<b>LCVs</b>	<b>108,151</b>	<b>149,241</b>	<b>173,434</b>	<b>194,461</b>	<b>213,907</b>
LCVs-domestic	86,226	125,744	147,334	165,751	182,326
LCVs-exports	21,925	23,497	26,100	28,710	31,581
<b>UVs</b>	<b>39,791</b>	<b>49,306</b>	<b>50,299</b>	<b>50,559</b>	<b>52,180</b>
UVs-domestic	37,910	47,892	47,700	47,700	48,893
UVs-exports	1,881	1,414	2,599	2,859	3,288
<b>Passenger vehicles</b>	<b>169,280</b>	<b>196,736</b>	<b>179,268</b>	<b>189,694</b>	<b>370,244</b>
Passenger vehicles-domestic	151,160	180,328	167,058	158,705	158,705
Passenger vehicles-exports	18,120	16,408	12,210	10,989	11,538
Small car	-	-	-	20,000	200,000
Total domestic sales	403,906	526,806	528,129	554,042	751,810
Total export sales	50,187	53,474	54,272	55,253	59,737
<b>Total vehicle sales</b>	<b>454,093</b>	<b>580,280</b>	<b>582,401</b>	<b>609,295</b>	<b>811,546</b>

Volume growth (yoy %)					
<b>M&amp;HCVs</b>	<b>1.2</b>	<b>35.2</b>	<b>(3.0)</b>	<b>(2.7)</b>	<b>0.4</b>
M&HCVs-domestic	(0.5)	34.4	(3.9)	(2.5)	-
M&HCVs-exports	39.3	47.1	9.9	(5.0)	5.0
<b>LCVs</b>	<b>45.7</b>	<b>38.0</b>	<b>16.2</b>	<b>12.1</b>	<b>10.0</b>
LCVs-domestic	41.9	45.8	17.2	12.5	10.0
LCVs-exports	62.7	7.2	11.1	10.0	10.0
<b>UVs</b>	<b>7.5</b>	<b>23.9</b>	<b>2.0</b>	<b>0.5</b>	<b>3.2</b>
UVs-domestic	10.7	26.3	(0.4)	-	2.5
UVs-exports	(32.4)	(24.8)	83.8	10.0	15.0
<b>Passenger vehicles</b>	<b>10.9</b>	<b>16.2</b>	<b>(8.9)</b>	<b>5.8</b>	<b>95.2</b>
Passenger vehicles-domestic	4.4	19.3	(7.4)	(5.0)	-
Passenger vehicles-exports	132.0	(9.4)	(25.6)	(10.0)	5.0
Small car					900
Total domestic sales	9.4	30.4	0.3	4.9	35.7
Total export sales	67.3	6.5	1.5	1.8	8.1
<b>Total vehicle sales</b>	<b>13.8</b>	<b>27.8</b>	<b>0.4</b>	<b>4.6</b>	<b>33.2</b>

Source: Company data, Kotak Institutional Equities estimates.

**Tata Motors, Profit model, balance sheet and cash flow model, March fiscal year-ends, 2006-2010E (Rs mn)**

	2006	2007	2008E	2009E	2010E
<b>Profit model (Rs mn)</b>					
Net sales	205,241	272,618	285,219	301,692	340,565
<b>EBITDA</b>	<b>23,822</b>	<b>30,191</b>	<b>28,191</b>	<b>24,953</b>	<b>24,704</b>
Other income	4,184	4,535	6,921	8,738	9,140
Interest	(2,264)	(3,131)	(2,824)	(5,797)	(8,160)
Depreciaiton	(5,209)	(5,863)	(6,523)	(8,259)	(9,873)
<b>Profit before tax</b>	<b>20,534</b>	<b>25,732</b>	<b>25,765</b>	<b>19,635</b>	<b>15,810</b>
Current tax	(3,824)	(4,825)	(1,460)	(1,178)	(1,028)
Deferred tax	(1,422)	(1,772)	(4,015)	(1,276)	(2,134)
<b>Net profit</b>	<b>15,289</b>	<b>19,135</b>	<b>20,289</b>	<b>17,180</b>	<b>12,648</b>
<b>Earnings per share (Rs)</b>	<b>39.2</b>	<b>47.0</b>	<b>32.1</b>	<b>27.2</b>	<b>20.0</b>
<b>Balance sheet (Rs mn)</b>					
Equity	55,371	68,698	78,395	149,204	151,512
Deferred tax liability	6,225	7,868	9,757	11,033	13,168
Total Borrowings	29,368	40,091	62,805	92,100	117,100
Current liabilities	69,419	77,280	106,566	114,792	121,918
<b>Total liabilities</b>	<b>160,383</b>	<b>193,937</b>	<b>257,524</b>	<b>367,130</b>	<b>403,698</b>
Net fixed assets	45,212	63,946	104,523	133,764	161,390
Investments	20,152	24,770	49,103	146,403	141,403
Cash	11,194	8,268	23,973	1,014	3,666
Other current assets	83,684	96,853	79,865	85,889	97,178
Miscellaneous expenditure	141	101	61	61	61
<b>Total assets</b>	<b>160,383</b>	<b>193,937</b>	<b>257,524</b>	<b>367,130</b>	<b>403,698</b>
<b>Free cash flow (Rs mn)</b>					
Operating cash flow excl. working capital	20,981	26,621	24,631	23,775	23,677
Working capital changes	(23,191)	(4,520)	37,114	2,201	(4,163)
Capital expenditure	(11,095)	(23,660)	(43,719)	(37,500)	(37,500)
<b>Free cash flow</b>	<b>(13,305)</b>	<b>(1,559)</b>	<b>18,026</b>	<b>(11,524)</b>	<b>(17,986)</b>
<b>Ratios</b>					
Debt/equity (X)	0.5	0.5	0.7	0.6	0.7
Net debt/equity (X)	0.2	0.3	0.1	0.3	0.5
RoAE (%)	28.3	27.7	24.7	13.8	7.8
<b>RoACE (%)</b>	<b>20.9</b>	<b>20.7</b>	<b>16.8</b>	<b>11.0</b>	<b>7.2</b>

Source: Company, Kotak Institutional Equities estimates.

**Industrials****SUZL.BO, Rs55**

Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	125
52W High -Low (Rs)	460 - 40
Market Cap (Rs bn)	85.5

**Financials**

March y/e	2008	2009E	2010E
Sales (Rs bn)	136.8	185.7	226.9
Net Profit (Rs bn)	10.3	11.2	16.4
EPS (Rs)	6.6	7.1	10.2
EPS <i>gth</i>	9.5	9.0	46.4
P/E (x)	8.3	7.6	5.2
EV/EBITDA (x)	5.1	7.4	5.8
Div yield (%)	1.8	1.8	1.8

**Shareholding, September 2008**

	% of Pattern Portfolio	Over/(under) weight
Promoters	65.8	-
FIs	21.0	0.7
MFs	2.7	0.5
UTI	-	(0.6)
LIC	-	(0.6)

**Suzlon Energy : Strong results from Repower, only marred by slight reduction in FY2010E growth to 30%-35% from 40-50% earlier**

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- **Results boosted by strong MW sales growth and operating leverage led margin expansion**
- **Maintain guidance for FY2009; however, growth guidance for FY2010E lowered marginally due to current slowdown**
- **Order backlog provides visibility till FY2010E; not counting the framework contracts that are 2.5X the confirmed orders**
- **Marginally reduce earnings estimates; maintain target price and BUY rating**

REpower reported 1HFY09 revenues of EUR534 mn (up 97.8 % yoy) from EUR270 mn for the same period last year driven by a 97.8% increase in installed capacity. The operating profit margin was at 5.1% (up 125 bps yoy) from 3.9% in 1HFY08 led by operating leverage. The management guided that although the big picture for the wind energy business continues to remain strong there would be a slowdown in FY2010E. They maintained their earnings and margin guidance for FY2009E and reduced their earnings growth guidance to 30-35% for FY2010E from 40-50%. The order backlog grew by 17.3% yoy from 1,223 MW at the end of 1HFY08 to 1,434.6 MW (about EUR1.6 bn) at the end of 1HFY09. This backlog provides a visibility till FY2010E beyond which there exist framework contracts including which order book would be at around EUR5.5 bn. The company has not faced any cancellations or deferrals in orders so far. With most of its client being cash-rich utilities which are relatively less affected by the current credit crunch, the company believes that the risk of potential cancellations in the future is also relatively low. We marginally lower our earnings estimates to Rs7.1 and Rs10.2 for FY2009E and FY2010E respectively. We maintain our target price of Rs125/share and BUY rating on the stock. Key downside risks for Suzlon arise from (1) execution hiccups, (2) inability to successfully resolve bade cracking issue, (3) margin pressures led by unfavorable currency and commodity price movement.

**Results boosted by strong MW sales growth and operating leverage led margin expansion**

In the half year ending September 30 2008, REpower reported revenues of EUR534 mn (up 97.8 % yoy) from EUR270 mn for the same period last year (Exhibit 1). The strong growth in revenues was driven by a similar increase in MW sales led by a 97.8% increase in installed capacity from 268 MW in 1HFY08 to 530 MW in 1HFY09. The operating profit reported in 1HFY09 was EUR27 mn (up 160.6% yoy) from EUR11 mn in 1HFY08 implying an operating profit margin of 5.1% (up 125 bps yoy). Operating profit margin expansion was mainly driven by (1) 275 bps yoy decrease in personnel cost as a percentage of sales and (2) 115 bps yoy decline in other expenses as a percentage of sales. The increase in material costs (265 bps yoy) was offset by the lower personnel cost and other expenses. Profit after tax for the half year grew by 188.5% to EUR14 mn in 1HFY09 from EUR5 mn in the previous year.

**Maintain guidance for FY2009; however marginally lowers the growth guidance for FY2010E led by credit issues**

The management has maintained its revenue guidance for FY2009E at EUR1.1 bn with EBIT margins of 5.5-6.5%. However, they expect a slowdown in growth in the next fiscal year (FY2010E) given the current global economic scenario and hence have reduced their revenue growth guidance to 30-35% from 40-50% earlier. This reduction is due to risk of potential project shifts from the customers in the next fiscal year. However the management believes that this slowdown would only be seen in the short term and the long-term growth potential for this industry continues to remain strong. Expected margin for FY2010E would remain stable or even expand from FY2009E levels.

**Order backlog provides visibility till FY2010; not counting the framework contracts that are 2.5X the confirmed orders**

Order backlog in terms of MW grew by 17.3% yoy from 1,223 MW at the end of September 2007 to 1,434.6 MW (about EUR1,600 mn) at the end of September 2008. This number includes only those orders with specific projects signed; beyond which includes framework contracts including which order book would be at around EUR5,500 mn (Exhibit 2). Hence the order backlog provides a stable pipeline of revenues with FY2009 fully covered by the firm orders and partly secures deliveries from 2012 to 2015.

**No cancellation and postponement in orders so far.** The management highlighted that there have been no cancellation/ postponement of orders from customers so far. They also believe that risk of these in the future is also relatively limited for REpower since the company focuses on "own and operate" type of clients (which mainly include utilities). These are mostly cash rich institutions which would face lesser problems raising capital in the current environment.

**Marginally reduce earnings estimates; maintain target price and BUY rating**

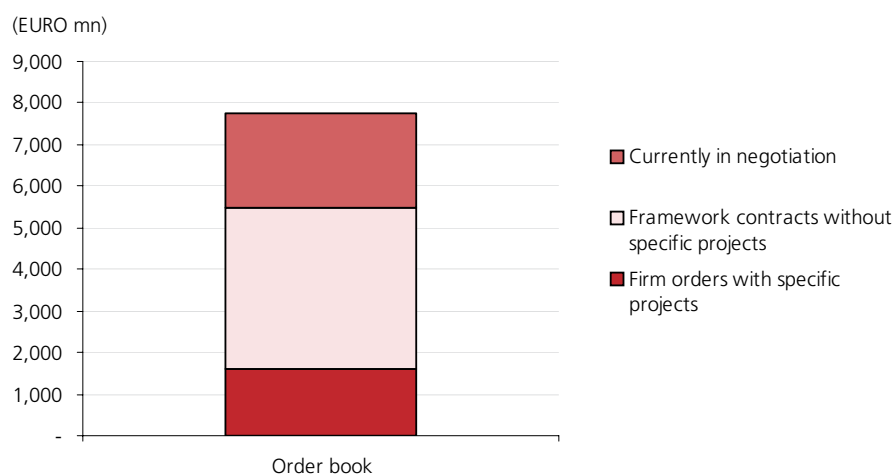
We marginally reduce our earnings estimates to Rs7.1 and Rs10.2 for FY2009E and FY2010E respectively from Rs7.2 and Rs10.5 earlier. The reduction in earnings is based on lower earnings growth assumption for REpower in FY2009E and slightly lower EBIT margins for FY2010E. We maintain our target price of Rs125/share and BUY rating on the stock.

Key downside risks for Suzlon arise from (1) hiccups in execution, (2) margin pressure related to commodity price fluctuation and unfavorable currency movement, (3) delays in implementation of large capacity expansion plans, across Suzlon, Hansen and Repower, (5) emergence of competitors, especially from low-cost manufacturing countries like China. Key upside risks arise from stronger-than-expected execution in FY2010E by Suzlon arising from return of customer confidence in its product quality based on potential successful resolution to existing blade cracking issue and significant expansion in vertically integrated capacity that creates opportunities for Suzlon to gain market share in a strong growth market.

**Exhibit 1. Repower 2QFY09 results key numbers (EUR mn)**

	yoy			qoq			6 months		
	2QFY09	2QFY08	% change	2QFY09	1QFY09	% change	1HFY09	1HFY08	% change
<b>Income from operations</b>	<b>293</b>	<b>108</b>	<b>172</b>	<b>293</b>	<b>242</b>	<b>21</b>	<b>534</b>	<b>270</b>	<b>98</b>
Expenditure	(278)	(106)	161	(278)	(229)	21	(507)	(260)	95
Raw material and other prod costs	(238)	(85)	180	(238)	(197)	21	(435)	(213)	104
Staff cost	(18)	(11)	65	(18)	(17)	5	(35)	(25)	39
Other operating expenses	(22)	(10)	110	(22)	(16)	40	(37)	(22)	70
<b>Operating profit</b>	<b>15</b>	<b>1</b>	<b>918</b>	<b>15</b>	<b>12</b>	<b>21</b>	<b>27</b>	<b>11</b>	<b>161</b>
Other income	2	(0)	(10,972)	2	2	(10)	3	0	1,574
<b>EBITDA</b>	<b>17</b>	<b>1</b>	<b>1,033</b>	<b>17</b>	<b>14</b>	<b>18</b>	<b>31</b>	<b>11</b>	<b>186</b>
Interest & finance charges	(1)	1	(254)	(1)	(1)	3	(2)	1	(263)
Depreciation	(3)	(1)	84	(3)	(2)	17	(5)	(3)	63
<b>PBT</b>	<b>13</b>	<b>1</b>	<b>1,672</b>	<b>13</b>	<b>11</b>	<b>19</b>	<b>24</b>	<b>9</b>	<b>164</b>
Tax	(5)	(1)	534	(5)	(5)	(10)	(10)	(4)	134
<b>PAT</b>	<b>8</b>	<b>0.02</b>	<b>39,289</b>	<b>8</b>	<b>6</b>	<b>44</b>	<b>14</b>	<b>5</b>	<b>189</b>
<b>Order backlog (MW)</b>							<b>1,435</b>	<b>1,223</b>	<b>17</b>
Order backlog (# of wind turbines)							683	609	12
Installed capacity (MW)							530	268	98
Number of employees							1,448	1,085	33
<b>Key ratios</b>									
Raw material cost/ sales	81.3	79.0		81.3	81.4		81.4	78.7	
Staff cost/ sales	6.1	10.1		6.1	7.1		6.5	9.3	
Other expenses/ sales	7.4	9.6		7.4	6.4		7.0	8.1	
<b>Operating margin</b>	<b>5.1</b>	<b>1.4</b>		<b>5.1</b>	<b>5.1</b>		<b>5.1</b>	<b>3.9</b>	
EBITDA margin	5.7	1.4		5.7	5.8		5.7	4.0	
EBIT margin	4.8	0.1		4.8	4.9		4.8	2.9	
Tax rate	34.7	97.1		34.7	45.9		39.9	45.0	
PAT margin	2.9	0.0		2.9	2.4		2.7	1.8	
PBT Margin	4.4	0.7		4.4	4.5		4.5	3.3	

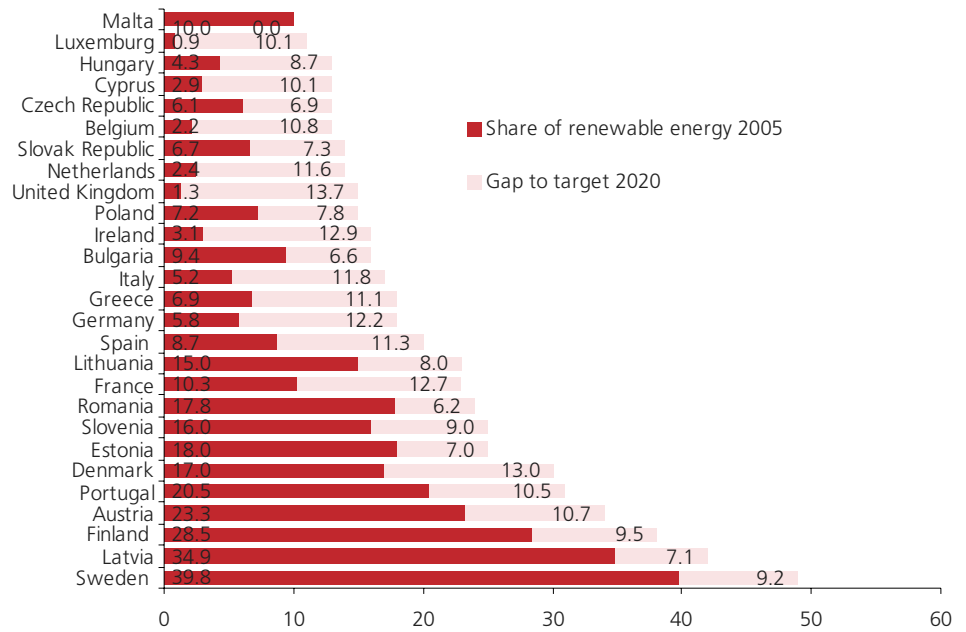
Source: Company

**Exhibit 2. Repower order book volume as on September 30, 2008 (EURO mn)**

Source: Company



**Exhibit 3. Individual country targets for renewable energy by 2020**



Source: RWE Innogy, Fact book - Renewable Energies, February 2008

**Exhibit 4. Comparison of wind power companies (Euro)**

Company	Price	Mcap	Sales	EPS			PER			EV/EBIDTA		
	(Euro)	(Mn Euro)	(Mn Euro)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E
<b>Vestas</b>	36.2	6,706	5,845	1.6	2.6	3.4	23.1	14.1	10.7	11.9	7.7	6.0
<b>Gamesa</b>	13.2	3,221	3,655	0.9	1.0	1.3	14.7	12.8	10.5	5.9	6.4	5.6
<b>Nordex</b>	11.9	793	1,090	0.7	0.7	0.8	16.0	16.7	15.2	11.7	7.6	5.4
<b>RePower</b>	111.3	1,001	1,075	2.4	4.7	1.7	45.8	23.5	63.9	28.1	11.0	15.2
<b>Suzlon</b>	<b>54.6</b>	<b>1,277</b>	<b>1,195</b>	<b>6.6</b>	<b>3.7</b>	<b>10.2</b>	<b>8.7</b>	<b>15.3</b>	<b>5.6</b>	<b>5.8</b>	<b>7.8</b>	<b>6.0</b>

Note: Suzlon's market price and EPS are in INR, while mkt cap and sales are converted into Euros

Source: Bloomberg, Kotak Institutional Equities estimates

## Utilities

## LAIN.BO, Rs145

Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	370
52W High -Low (Rs)	888 - 83
Market Cap (Rs bn)	32.3

## Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	32.4	56.7	77.7
Net Profit (Rs bn)	3.3	3.9	5.8
EPS (Rs)	14.8	17.5	26.0
EPS gth	88.0	21.3	56.5
P/E (x)	9.8	8.3	5.6
EV/EBITDA (x)	8.9	12.2	10.3
Div yield (%)	-	-	-

## Shareholding, September 2008

	% of		Over/(under)
	Pattern	Portfolio	weight
Promoters	73.6	-	-
FIs	10.3	0.1	(0.0)
MFs	1.9	0.1	(0.0)
UTI	-	-	(0.1)
LIC	2.2	0.1	(0.0)

## Lanco Infratech : Sale of biomass projects, management focus on getting large projects on line

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- **Sale of biomass-based projects—management to focus on larger projects**
- **We estimate LITL to have sufficient cash flows to finance the construction of 3,956 MW (3,210 MW attributable) project portfolio**
- **Cash support from construction—benefit of in-house model**
- **Retain BUY rating with revised target price of Rs370/share**

Lanco Infratech (LITL) has announced the sale of its stake in the two biomass-based power projects (cum. capacity 18 MW) in Andhra Pradesh. We believe the stake sale is strategic—to free up management bandwidth and focus on execution of the large projects currently under implementation. We estimate the value of the two power projects at Rs5/share in our fair value estimate of Rs370/share for LITL. While the stake sale will get ~Rs1 bn cash to LITL, we estimate LITL has sufficient cash flows from power projects to finance the equity portion of projects with a capacity of 3,956 MW (attributable capacity 3,210 MW) under construction. We will revisit our EPS estimates of Rs17.5 for FY2009E and Rs26 for FY2010E after getting the details of the exact consideration received for the sale. We retain our BUY rating with an SOTP-based target price of Rs370/share. Key risks to our estimates stem from (1) delay in commissioning of power projects, (2) lower margins in construction business, and (3) demand slowdown in property business on account of lower affordability.

## Sale of biomass-based projects—management to focus on larger projects

LITL has announced the sale of its two biomass-based projects—Clarion (12 MW) and Rithwik (6 MW) to Agri Gold Projects. We believe more than the cash realized on these projects, the stake sale will enable management to focus on the large projects currently under construction. In addition to the existing project portfolio, LITL has emerged as the sole bidder in the competitive bidding process for the development of a 1,320 MW coal-based power plant at Rajpura in Punjab. The two biomass-based projects were unable to run at high PLF due to inadequate availability of low-cost biomass. The ongoing tariff dispute also added to the variability of returns. Agri Gold already has biomass-based power project in Andhra Pradesh and has existing backward linkages with its forays into food processing, dairy etc.

LITL's stake of 97% and 89%, respectively, in the two projects together contributed Rs1.1 bn (Rs5/share) to our target price of Rs370/share. The transaction is to be effective from October 2008, will likely be completed at a value of ~Rs1-1.2 bn (including the value from sale of carbon credits), in line with our valuation estimate. In FY2008, while Clarion generated revenues of Rs320 mn and net profit of Rs49 mn, Rithwik generated revenues of Rs187 mn and net profit of Rs5 mn.

**We estimate LITL to have sufficient cash flows to finance the construction of 3,956 MW (3,210 MW attributable) project portfolio.** LITL has an equity investment commitment of Rs24 bn for the attributable capacity of 3,210 MW currently under construction. We estimate the cash in hand and the free cash flow generation from power projects to be sufficient to fund these projects. In addition, LITL will likely have cash flows from the Lanco Kondapalli extension project—if it gets natural gas from Reliance Industries. The 366 MW gas-based power project is being executed with 100% debt funding and therefore does not require any equity funding. Additional cash flows from EPC/ construction business will likely address any mismatches in timing of cash flows as well.

**Cash support from construction—benefit of in-house model.** We note the benefit of in-house projects as the construction business currently does not have a large working capital cycle and is generating free cash flows despite the sharp growth in revenues exhibited in the past. The net working capital for the construction business is negative indicating it is able to draw cash (or advances) from the SPVs executing these projects much faster than possible under third-party contracts. We estimate the construction (EPC) business of LITL to generate a cumulative net profit of Rs8.1 bn during FY2009-11E with net profits CAGR of 20%. The revenues and net profits of construction business have increased 10X and 12X during the last two years. The construction business currently has an order book of about US\$2.8 bn.

**Retain BUY rating with revised target price of Rs370/share.** Our SOTP-based value of Rs370/share includes—(1) DCF-equity of power project portfolio at Rs174/share, (2) construction business valued using DCF at Rs160/share implying an EV/EBITDA of 6X on FY2010E, (3) real estate project at 50% of NAV ~Rs30/share, (4) DCF-equity of BOT road projects at Rs5/share and (5) value from sale of carbon credits (Rs8/share).

**SOTP value of Rs370/share**

	Capacity (MW)		Est. CoD	Equity value (Rs mn)	Equity Inv.		Attributable value		
	Gross	Attributable			(Rs mn)	P/BV (X)	(%)	(Rs mn)	(Rs/share)
<b>Operating power plants</b>									
Lanco Kondapalli	368	217		6,940	3,400	2.0	59	6,020	
Aban Power	120	61		2,043	1,318	1.5	51	1,897	
Clarion Power	12	12		652	224	2.9	97	749	3
Rithwik Power	6	5		356	90	4.0	89	355	2
Lanco Electric Utility (Power trading)				279	212	1.3	100	553	
<b>Power plants under construction</b>									
Lanco Amarkantak	600	456	Jan 09/Oct 09	10,546	5,260	2.0	76	8,015	
Lanco Green	70	63	Mar-10	1,079	840	1.3	90	972	
Vamshi Hydro	10	9	Mar-09	231	139	1.7	91	211	
Vamshi Industrial	10	9	Mar-09	189	145	1.3	91	172	
Nagarjuna Power	1,200	888	Jan 10/April 10	13,188	9,600	1.4	74	9,759	
Lanco Energy - Teesta VI	500	370	Sep-12	8,353	5,900	1.4	74	6,181	
Anpara 'C'	1,200	1,200	Mar-11	9,557	8,800	1.1	100	9,557	
Lanco Kondapalli extn. (366 MW)			Dec-09						
<b>Power plants yet to achieve financial closure</b>									
Lanco Amarkantak extn.	660	502	Jan-11	7,569	5,280	1.4	76	5,753	
Lanco Hydro (Uttaranchal)	150	137	Mar-12	2,424	1,900	1.3	91	2,208	
Babandh, Orissa power project (2,640 MW)			2013/2014						
<b>Sub total</b>	<b>4,906</b>	<b>3,929</b>		<b>63,407</b>	<b>43,109</b>	<b>1.5</b>		<b>52,400</b>	<b>236</b>
Net equity funding requirement								(13,659)	(61)
<b>Power (A)</b>								<b>38,741</b>	<b>174</b>
<b>Construction (B)</b>								<b>35,475</b>	<b>160</b>
<b>Property development (C)</b>								<b>13,354</b>	<b>30</b>
<b>Road projects (D)</b>								<b>1,006</b>	<b>5</b>
<b>Carbon credits (E)</b>								<b>1,743</b>	<b>8</b>
<b>Grand total (A+B+C+D+E)</b>								<b>90,318</b>	<b>371</b>

Source: Kotak Institutional Equities estimates.

**Lanco Infratech: Profit model, balance sheet, cash model 2006-2011E, March fiscal year-ends (Rs mn)**

	2006	2007	2008	2009E	2010E	2011E
<b>Profit model (Rs mn)</b>						
Net sales	1,471	16,058	32,413	56,675	77,707	115,421
<b>EBITDA</b>	<b>167</b>	<b>4,198</b>	<b>6,993</b>	<b>9,359</b>	<b>16,470</b>	<b>29,153</b>
Other income	13	416	708	803	847	943
Interest	(36)	(829)	(920)	(1,524)	(3,996)	(9,119)
Depreciation	(19)	(656)	(776)	(1,852)	(2,971)	(6,162)
Pretax profits	125	3,130	6,005	6,786	10,350	14,814
Tax	(33)	(471)	(1,404)	(1,764)	(2,956)	(3,538)
Minority Interest	79	(778)	(1,304)	(1,125)	(1,616)	(2,304)
<b>Net profits</b>	<b>171</b>	<b>1,880</b>	<b>3,542</b>	<b>3,897</b>	<b>5,778</b>	<b>8,972</b>
Extraordinary items	(0)	(1)	245	—	—	—
<b>Earnings per share (Rs)</b>	<b>5.6</b>	<b>8.5</b>	<b>14.8</b>	<b>17.5</b>	<b>26.0</b>	<b>40.4</b>
<b>Balance sheet (Rs mn)</b>						
Total equity	954	15,105	18,333	22,230	28,008	36,980
Deferred taxation liability	31	92	173	81	337	2,759
Total borrowings	1,495	20,821	37,200	98,395	140,774	157,735
Current liabilities	1,581	11,424	27,038	34,235	40,622	49,347
Minority Interest	41	41	41	41	41	41
<b>Total liabilities and equity</b>	<b>4,101</b>	<b>47,482</b>	<b>82,785</b>	<b>154,983</b>	<b>209,782</b>	<b>246,863</b>
Cash	414	5,050	7,411	11,304	360	13,900
Current assets (excl cash)	2,264	12,013	30,379	36,237	49,264	65,452
Total fixed assets	409	24,390	38,029	106,958	159,675	167,027
Investments	1,015	6,029	6,966	482	482	482
Deferred Expenditure	0	0	0	1	1	1
<b>Total assets</b>	<b>4,101</b>	<b>47,482</b>	<b>82,785</b>	<b>154,983</b>	<b>209,782</b>	<b>246,863</b>
<b>Free cash flow (Rs mn)</b>						
Operating cash flow, excl. working capital	128	3,669	5,548	7,723	12,789	23,848
Working capital	(230)	95	(2,752)	1,338	(6,640)	(7,463)
Capital expenditure	(211)	(24,637)	(14,415)	(70,781)	(55,688)	(13,514)
Investments	(419)	(5,014)	(936)	6,483	—	—
<b>Free cash flow</b>	<b>(732)</b>	<b>(25,888)</b>	<b>(12,556)</b>	<b>(55,236)</b>	<b>(49,538)</b>	<b>2,871</b>

Source: Kotak Institutional Equities estimates.

**Segmental breakup of LITL financials (Rs mn)**

	2007	2008	2009E	2010E	2011E	2012E
<b>Revenue flows</b>						
Power	10,990	17,501	23,393	31,663	55,736	75,983
Construction	5,417	15,745	29,697	39,153	50,462	62,127
Real estate	—	1,288	3,585	6,891	9,224	12,706
Less inter-segmental	(349)	(2,122)	—	—	—	—
<b>Total</b>	<b>16,058</b>	<b>32,413</b>	<b>56,675</b>	<b>77,707</b>	<b>115,421</b>	<b>150,817</b>
<b>EBITDA flows</b>						
Power	3,216	3,706	4,035	8,769	19,884	29,271
Construction	1,141	3,141	4,009	5,286	5,551	6,834
Real estate	(23)	352	1,315	2,415	3,717	5,321
Less inter-segmental	(52)	(318)	—	—	—	—
<b>Total</b>	<b>4,282</b>	<b>6,880</b>	<b>9,359</b>	<b>16,470</b>	<b>29,153</b>	<b>41,426</b>
<b>Attributable EBITDA</b>	<b>3,034</b>	<b>5,581</b>	<b>7,486</b>	<b>13,138</b>	<b>22,955</b>	<b>33,312</b>
<b>Net profit</b>						
Power	1,454	2,260	2,223	3,282	5,790	7,579
Minority interest	(579)	(940)	(710)	(1,127)	(1,636)	(1,537)
<b>Attributable PAT from Power</b>	<b>875</b>	<b>1,320</b>	<b>1,513</b>	<b>2,155</b>	<b>4,153</b>	<b>6,042</b>
Construction	732	2,002	2,140	2,945	3,071	3,877
Less inter-segmental	(52)	(318)	—	—	—	—
<b>Attributable PAT from Construction</b>	<b>679</b>	<b>1,683</b>	<b>2,140</b>	<b>2,945</b>	<b>3,071</b>	<b>3,877</b>
Real estate	(21)	250	801	1,430	2,118	3,016
Minority interest	6	(65)	(208)	(372)	(551)	(784)
<b>Attributable PAT from Real Estate</b>	<b>(16)</b>	<b>185</b>	<b>593</b>	<b>1,058</b>	<b>1,567</b>	<b>2,232</b>
<b>Attributable profit</b>	<b>1,539</b>	<b>3,188</b>	<b>4,246</b>	<b>6,158</b>	<b>8,792</b>	<b>12,151</b>
<b>EPS (Rs)</b>						
Power	3.9	5.9	6.8	9.7	18.7	27.2
Construction	3.1	7.6	9.6	13.2	13.8	17.4
Real estate	(0.1)	0.8	2.7	4.8	7.1	10.0
<b>Total</b>	<b>6.9</b>	<b>14.3</b>	<b>19.1</b>	<b>27.7</b>	<b>39.6</b>	<b>54.7</b>
EPS differential due to differential accounting for depreciation	1.5	0.5	(1.6)	(1.7)	0.8	4.4
<b>Reported EPS</b>	<b>8.5</b>	<b>14.8</b>	<b>17.5</b>	<b>26.0</b>	<b>40.4</b>	<b>59.1</b>
<b>Attributable net debt</b>						
<b>Total</b>	<b>10,258</b>	<b>34,447</b>	<b>72,299</b>	<b>112,077</b>	<b>126,583</b>	<b>123,133</b>

Note: The equity holdings have been consolidated under LITL from FY2007. We have assumed similar holding structure for past financials for the purpose of comparison.

Source: Company data, Kotak Institutional Equities estimates.

**Banking**

Sector coverage view

Attractive

Company	Rating	Price, Rs	
		14-Nov	Target
SBI	BUY	1,172	1,600
HDFC	ADD	1,559	2,200
HDFC Bank	BUY	1,009	1,350
ICICI Bank	ADD	396	450
Corp Bk	BUY	210	310
BoB	ADD	277	330
PNB	BUY	471	650
OBC	ADD	148	200
Canara Bk	REDUCE	188	220
LIC Housing	ADD	212	325
Axis Bank	REDUCE	493	750
IOB	BUY	80	130
Shriram Transf	ADD	205	305
SREI	BUY	48	100
MMFSL	SELL	190	190
Andhra	REDUCE	52	65
IDFC	ADD	65	85
PFC	ADD	106	140
Federal Bank	BUY	145	300
J&K Bank	ADD	320	500
India Infoline	ADD	48	70
Indian Bank	ADD	133	160
Union Bank	BUY	160	220
Central Bank c	SELL	38	55
Future Capital	BUY	179	440
Bank of India	BUY	277	370

**RBI's announces measures to increase credit flows; likely to boost near-term earnings of banks**

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- **RBI has reduced the risk weights and provisioning requirements for banks' lending to certain sectors**
- **Higher credit growth to boost near-term earnings**
- **Improved liquidity to key segments of economy may reduce systemic risks**
- **However, sustained high loan growth at the current juncture of the credit cycle increases risk of NPLs**
- **Our preferred picks: SBI, PNB, Union Bank, HDFC Bank and Federal Bank**

The Reserve Bank of India (RBI) has once again announced a series of measures over the weekend to enhance the banking sector credit flow. The key measures include reduction in risk weights and provisioning requirements for certain category of bank exposures (details provided later in the note). The commercial real estate, non-asset financing NBFC and SME sectors are expected to benefit by this announcement. In a separate notification issued on November 14, 2008, RBI also relaxed asset recognition norms for seven infrastructure projects, which will likely reduce the NPL provision burden for some banks. These measures are likely to be positive for near-term earnings of banks. The thrust on continued funding of NBFCs could be a positive for these companies and reduce their liquidity risk. The improved supply of credit to key segments of the economy is probably essential to maintain economic growth and reduce risk of defaults. However, sustained high credit growth will likely affect asset quality of the banking system over longer term. We believe that at current valuations SBI, PNB, Union Bank, BoI and BoB—amongst public banks—are attractive for investment while HDFC Bank and Federal Bank remain our top picks amongst private banks.

**Direct impact of RBI's measures on banks difficult to quantify**

The measures announced over the past two days (detailed below) are more focused on supporting higher credit growth in the economy and provide greater resources to the corporate sector. These measures will improve profitability for the banking sector though we are unable to quantify the impact on individual banks given the lack of information on their exposures and the intention of individual banks to pass on these benefits to its final customers.

**Key measures announced by RBI over the weekend**

1. Standard asset provisioning requirements for all types assets will stand reduced to a uniform level of 0.4% except in case of direct advances to agricultural and SME sector which shall continue to attract provisioning of 0.25%. The standard asset provisioning norms previously for commercial real estate sector, credit card receivables, capital market exposure and loans to NBFCs (non-deposit taking, non asset financing and systemically important) was 2%. While the standard asset provisioning norms for housing loans above Rs2 mn was 1%. These revised norms are only applicable on a prospective basis. Hence, the banks cannot benefit from this easing of norms on their existing loan portfolio.
2. RBI has also eased the risk weights on exposures to the commercial real estate sector, unrated corporates and unrated systemically important NBFCs to an uniform level of 100%. Under the earlier regime— exposure to commercial real estate carried a risk weight of 150%, exposure to unrated corporates beyond Rs500 mn carried a risk weight of 150%.

3. RBI to provide refinance of 1% of a bank's NDTL as of October 24, 2008 for a period of 90 days for funding loans to micro and small enterprises.
4. The pre-shipment credit period has been extended to 270 days from the current 180 days and banks will be provided refinance upto 50% of their export credit compared to 15% previously.
5. Seven projects have been specifically identified by RBI for 'special' regulatory treatment: (a) Nandi Economic Corridor enterprises Ltd. (Road Project and Township), (b) GVK Industries Ltd. (Gas-based Power Project – Phase –II), (c) Gautami Power Ltd. (Gas-based Power Project), (d) Konaseema Gas Power Ltd. (Gas-based Power Project), (e) New Tirupur Area Development Corporation (Development of Tirupur Area), (f) Vemagiri Power Generation Ltd. (Gas-based Power Project), (g) Delhi Gurgaon Super Connectivity Ltd. Banks have been allowed as an one-time measure to restructure their loans to these projects and reclassify them as regular assets even if they are currently recognized as NPLs in their books.
6. Interest rate ceiling on FCNR (B) and NRE deposits have been increased by a further 75 basis points to LIBOR plus 100 bps and LIBOR plus 175 bps. We note that since the liberalization in interest rate ceiling since September 2008, there has been a marked improvement in NRI deposit inflows. The foreign inflows on this account were US\$513 mn in September 2008 compared to an outflow of US\$428 mn in August 2008.

**RBI's recent measures boost near-term earnings of banks.** We view the spate of RBI announcements over the last two months as falling under two broad categories:

- 1) Measures to boost money supply in the economy:
  - a. Reduction in CRR, MSS bond redemption, etc;
  - b. Liberalization of foreign inflow into the economy likely easing external commercial borrowings (ECB), raising interest rate limits on NRI deposits, etc.
- 2) Measures to boost credit growth in the economy:
  - a. Reduction in statutory liquidity ratio (SLR) for banks—this measure is expected to encourage resource flow to the private sector from the government sector;
  - b. Reduction in benchmark interest rates to signal lower interest rates and boost credit demand;
  - c. Reduction in risk weights on certain categories of loans— will allow banks to support higher credit growth for a given level of capital;
  - d. Reduction in provisioning requirements for loans—will reduce the credit provision burden of banks and help them fund higher credit growth without impacting their profit and loss account;
  - e. Relaxation in NPL recognition norms—will help banks to reduce their credit provision burden and be supportive of higher credit growth;
  - f. Liberalization in refinance facility for loans to export sector

We believe that most of these measures are likely to be positive for banking sector's near term earnings.

### Limited impact on NBFCs under coverage

We believe that the current measures of RBI will signal higher flow of credit to NBFCs and create a positive sentiment. However, most NBFCs under coverage are asset financing companies (NBFCs that are financing physical assets which are supporting productive economic activity [AFC]) and may not be impacted by the change in regulations. RBI has reduced risk weights (100% from 150%) and provisioning on standard assets (0.4% from 2%) on NBFC- ND-SI (non-AFC) i.e. NBFCs with an asset base of over Rs1 bn, non-deposit accepting and non-asset financing. Thus, the cost of borrowings for NBFCs engaged in consumer finance and personal loans will likely reduce.

The risk weight under New Capital Adequacy Framework (Basel 2) for banks lending to unrated AFCs has been reduced to 100% from 150% in the past. Most NBFCs under coverage have credit ratings in high investment grade (AA and above) and may not be impacted.

### Housing finance companies: Access to foreign funds may be positive in the short term, increased bank participation in commercial real estate will affect in the long term

Housing finance companies will be allowed to raise short-term foreign currency borrowings with a prior approval. The detailed terms of this proposal (ceiling on interest rate, tenure etc.) are however not yet available. In case the terms are favorable, we believe that HDFC could be a key beneficiary.

RBI's revised regulations have reduced the regulatory cost for banks lending to commercial real estate and likely lead to higher credit growth to this segment. We would keenly watch the credit flow to commercial real estate as several leaders in the banking sector have in the recent weeks voiced concern over the elevated real estate prices. However, the negotiating power of housing finance companies (HFCs) in this segment will clearly reduce overtime as the banking sector gets more active. It would be imperative to note that the change in regulatory requirements for banks is significant. Risk weights for commercial real estate have been reduced to 100% from 150% and provisions on standard assets to 0.4% from 2%; thus the revised risk weights are below 150% currently required by HFCs, though a revision by NHB may not be ruled out in the near term.

#### Exhibit 1: RBI had steadily tightened norms for the banking sector in the past

Chronological actions of RBI on banking sector exposure to commercial real estate and other 'sensitive sectors'

	Jul-05	May-06	Sep-06	Jan-07	Nov-08
<b>Regulatory action of RBI</b>	Risk weight on commercial real estate loans enhanced to 125% from 100%	Provisions on standard assets against personal, loans against shares, residential loans > Rs2 mn hiked to 1% from 0.4%	Risk weight on commercial real estate and SEZ increased to 150% from 125%	Provisions on standard assets for personal, loans against equity, commercial real estate loans hiked to 2% from 1%	Provisions on standard assets for personal loans, capital market exposure, commercial real estate loans reduced to 0.4%, risk weights on these assets reduced to 100%

Source: RBI.



**Exhibit 2: RBI's regulatory actions had led to slowing down of credit growth to retail and real estate sector**

yoy growth in credit (%)

	Mar-03	Mar-04	Mar-05	Mar-06	Mar-07	May-08	Aug-08
Non-food bank credit	28.4	17.5	37.3	40.5	24.5	24.1	26.8
Agriculture	21.0	23.2	38.3	37.6	33.6	19.3	18.5
<b>Industry</b>	<b>28.8</b>	<b>5.0</b>	<b>37.5</b>	<b>28.6</b>	<b>25.9</b>	<b>26.9</b>	<b>30.6</b>
<b>Retail</b>	<b>27.7</b>	<b>28.4</b>	<b>24.6</b>	<b>44.4</b>	<b>28.8</b>	<b>15.9</b>	<b>17.4</b>
Housing	63.7	42.1	30.9	44.8	23.7	13.8	13.9
Consumer durables	2.9	14.6	9.8	(3.3)	4.2	(6.0)	(7.9)
Credit cards	NA	NA	NA	59.3	45.1	87.0	86.3
Education loans	NA	NA	NA	96.5	49.3	38.3	38.3
Real estate	NA	NA	138.5	100.6	69.9	31.9	46.3

Source: RBI.

**Exhibit 3: Exposure of banks to commercial real estate**

As on March 2008

	Exposure to commercial real estate	Networth	As % of NW
	(Rs bn)	(Rs bn)	
Andhra Bank	7.2	32.5	22.2
BoB	40.3	94.5	42.6
Bol	51.9	88.3	58.7
Canara Bank	37.2	83.0	44.8
Corporation Bank	23.9	42.3	56.5
Indian Bank	26.7	46.0	58.1
IOB	36.7	47.5	77.3
OBC	26.2	57.8	45.4
PNB	59.9	107.8	55.6
SBI	119.6	490.3	24.4
Union Bank	24.0	56.2	42.7
Federal Bank	6.4	39.2	16.4
Axis Bank	59.1	87.7	67.4
HDFC Bank	59.0	115.0	51.3
ICICI Bank	137.3	464.7	29.6

Note:

Exposure includes both funded and non-funded sources.

Source: Companies.



Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	14-Nov-08 Price (Rs)	Rating	Mkt cap. (Rs mn)	O/S shares (mn)	EPS (Rs)		EPS growth (%)		PER (X)		EV/EBITDA (X)		Price/BV (X)		Dividend Yield (%)		RoE (%)		Target price (Rs)	Upside (%)	ADV-3mo (US\$ mn)										
					2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E				2010E									
Bharat Petroleum	314	REDUCE	102,772	2,097	328	41.3	30.4	42.8	(21.2)	(26.4)	41.0	7.6	10.3	7.3	3.7	4.3	3.2	0.8	0.8	0.6	1.4	1.0	1.4	11.8	7.9	10.1	370	180	6.7		
Cairn India	141	BUY	263,472	5,375	1,868	(0.1)	3.9	16.7	(105)	(3,332)	334	(1,183)	37	8.4	33.0	4.0	5.8	0.9	0.8	0.7	—	—	—	(0.1)	2.3	9.1	240	702	17.8		
Castrol India (a)	300	ADD	37,098	757	124	20.1	23.1	25.2	64.6	15.1	8.8	14.9	13.0	11.9	8.6	7.4	6.8	9.0	8.6	8.3	4.7	6.0	6.7	59.5	67.8	70.7	380	266	0.4		
GAIL (India)	200	REDUCE	253,632	5,174	2,668	20.4	27.5	27.9	21.0	35.1	1.4	9.8	7.3	7.2	4.9	4.3	5.4	1.8	1.5	1.3	3.3	4.0	4.0	18.1	21.4	18.5	240	200	14.4		
GSPL	30	BUY	16,602	339	563	1.8	2.7	3.7	10.1	47.6	37.7	16.4	11.1	8.0	6.0	5.8	4.2	1.3	1.2	1.1	1.7	2.5	3.4	8.8	11.5	14.2	60	103.4	2.3		
Hindustan Petroleum	219	REDUCE	74,108	1,512	339	35.3	26.0	33.6	(16.4)	(22.3)	29.0	6.5	8.4	6.5	6.5	6.1	3.6	0.6	0.5	1.4	1.1	1.4	9.6	6.8	8.0	270	235	5.7			
Indian Oil Corporation	368	REDUCE	433,754	8,849	1,179	61.3	32.4	53.8	31.0	(47.2)	66.0	38	7.9	6.2	38	7.9	6.2	1.0	0.9	0.8	1.5	1.7	4.1	17.4	8.1	12.1	450	223	3.6		
Oil & Natural Gas Corporation	693	BUY	1,482,249	30,238	2,139	92.7	129.8	141.7	9.1	40.0	9.2	7.5	5.3	4.9	2.6	2.0	1.7	1.5	1.2	1.1	4.6	5.8	6.5	19.6	24.0	22.3	1,125	623	47.0		
PetroleumLNG	37	ADD	27,975	571	750	6.3	6.0	7.1	—	(5.7)	18.7	5.9	6.2	5.3	4.0	5.4	4.2	1.5	1.2	1.0	4.0	4.0	4.0	26.7	20.6	20.3	60	60.9	1.2		
Reliance Industries	1,147	REDUCE	1,574,488	32,120	1,373	101.7	99.7	150.6	23.0	(2.0)	51.0	11.3	11.5	7.6	7.5	6.3	3.5	1.8	1.5	1.2	1.0	1.2	1.0	1.2	1.7	18.5	14.7	19.1	1,325	155	244.9
Reliance Petroleum	80	REDUCE	361,125	7,367	4,500	(1.1)	2.4	17.0	n/a	n/a	596.6	n/a	32.9	4.7	n/a	18.8	4.5	2.7	2.5	1.7	—	—	2.5	(3.5)	7.8	42.9	100	24.6	45.0		
<b>Energy</b>		<b>Neutral</b>	<b>4,627,274</b>		<b>94,396</b>				<b>11.5</b>	<b>17.2</b>	<b>43.1</b>	<b>9.9</b>	<b>8.4</b>	<b>5.9</b>	<b>5.0</b>	<b>4.6</b>	<b>3.4</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>	<b>2.3</b>	<b>2.7</b>	<b>3.4</b>	<b>14.6</b>	<b>14.4</b>	<b>17.9</b>					
<b>Industrials</b>																															
ABB	462	REDUCE	97,806	1,995	212	23.2	25.5	29.8	44.5	10.0	16.6	19.9	18.1	15.5	11.4	10.2	8.4	6.0	4.7	3.7	0.5	0.6	0.7	34.8	29.2	26.9	500	8.3	6.8		
BGR Energy Systems	166	ADD	11,984	244	72	12.1	17.6	23.2	(67.4)	45.3	31.9	13.7	9.4	7.2	9.0	6.3	5.6	2.5	2.1	1.7	1.2	1.7	2.3	31.4	24.2	26.0	275	65.2	0.6		
Bharat Electronics	658	ADD	52,608	1,073	80	102.0	105.5	111.8	11.2	3.4	6.0	6.4	6.2	5.9	2.2	1.6	1.3	1.6	1.3	1.1	3.1	3.8	3.8	27.7	23.1	20.8	950	44.5	0.9		
Bharat Heavy Electricals	1,281	BUY	626,830	12,787	490	58.4	72.2	98.0	22.9	23.7	35.6	21.9	17.7	13.1	11.4	8.9	6.7	5.8	4.7	3.7	1.2	1.2	1.6	29.2	29.2	31.5	1,475	15.2	76.1		
Larsen & Toubro	792	ADD	469,389	9,576	593	37.9	52.4	63.4	20.8	38.1	21.1	20.9	15.1	12.5	14.0	9.8	8.3	4.0	3.0	2.5	1.1	2.5	2.5	22.7	22.4	21.6	1,050	32.6	92.0		
Maharashtra Seamless	183	BUY	12,921	264	71	29.4	37.4	37.9	(23.5)	27.6	1.2	6.2	4.9	4.8	3.8	3.1	3.0	1.1	0.9	0.8	2.7	3.1	3.1	19.7	21.1	18.0	250	36.5	0.7		
Siemens	296	REDUCE	99,631	2,032	337	18.2	18.8	23.4	60.4	3.1	24.5	16.2	15.7	12.6	9.1	8.6	6.5	5.4	4.2	3.3	0.8	1.0	0.9	38.9	30.2	29.3	370	25.2	6.0		
Suzlon Energy	55	BUY	85,477	1,744	1,567	6.6	7.2	10.5	9.5	9.0	46.4	8.3	7.6	5.2	5.1	7.4	5.8	0.9	0.9	0.7	1.8	1.8	1.8	16.3	11.8	15.3	125	129.1	46.0		
<b>Industrials</b>		<b>Neutral</b>	<b>1,456,647</b>		<b>29,716</b>				<b>24.6</b>	<b>21.9</b>	<b>27.3</b>	<b>17.5</b>	<b>14.3</b>	<b>11.2</b>	<b>10.0</b>	<b>8.4</b>	<b>6.8</b>	<b>3.6</b>	<b>2.9</b>	<b>2.4</b>	<b>1.2</b>	<b>1.7</b>	<b>1.9</b>	<b>20.8</b>	<b>20.6</b>	<b>21.5</b>					
<b>Infrastructure</b>																															
IRB Infrastructure	76	BUY	25,243	515	332	3.4	5.8	12.5	150.9	68.9	116.3	22.2	13.1	6.1	9.3	9.3	4.5	1.5	1.3	1.1	—	—	—	10.7	10.9	19.6	145	90.9	0.5		
<b>Media</b>																															
DiETV	16	REDUCE	10,370	212	644	(9.6)	(7.8)	(4.2)	n/a	(19.1)	(45.7)	(1.7)	(2.1)	(3.8)	(6.7)	(3.6)	(14.8)	(2.3)	5.6	(4.8)	—	—	—	16.9	37.5	0.0	20	24.2	3.3		
HT Media	41	BUY	14,360	293	234	4.3	3.1	6.0	4.7	(28.8)	94.1	14.2	19.9	10.3	7.7	8.7	4.9	1.7	1.6	1.4	0.7	0.7	1.3	12.2	8.1	14.4	130	112.1	0.2		
Jagran Prakashan	49	BUY	14,682	300	301	3.3	3.2	4.6	30.5	(2.8)	45.2	15.0	15.4	10.6	8.1	8.5	6.0	2.7	2.6	2.4	4.1	3.9	4.7	18.7	17.2	23.2	84	72.3	0.2		
Sun TV Network	161	BUY	63,506	1,296	394	8.3	9.4	11.1	30.7	13.1	18.9	19.4	17.2	14.5	10.0	8.7	7.4	4.2	3.7	3.4	1.6	2.5	3.4	24.8	23.8	25.0	205	27.2	0.5		
Zee Entertainment Enterprises	110	BUY	47,822	976	434	8.9	9.7	12.0	62.6	9.1	24.0	12.4	11.4	9.2	9.2	7.6	6.1	1.6	1.4	1.3	1.8	2.2	2.8	14.2	13.8	15.3	205	85.9	5.9		
<b>Media</b>		<b>Attractive</b>	<b>150,740</b>		<b>3,075</b>				<b>24.0</b>	<b>(10.2)</b>	<b>87.3</b>	<b>30.2</b>	<b>33.7</b>	<b>18.0</b>	<b>12.0</b>	<b>10.5</b>	<b>7.4</b>	<b>2.8</b>	<b>2.2</b>	<b>2.2</b>	<b>1.7</b>	<b>2.2</b>	<b>2.2</b>	<b>9.2</b>	<b>6.7</b>	<b>12.0</b>					
<b>Metals</b>																															
Hindalco Industries	57	SELL	99,286	2,025	1,753	13.8	9.5	7.3	(10.0)	(30.9)	(23.8)	4.1	5.9	7.8	5.8	5.1	5.6	0.5	0.3	0.3	—	—	—	14.4	10.6	7.1	40	(29.4)	15.1		
National Aluminium Co.	176	BUY	113,495	2,315	644	25.3	20.4	21.2	(31.5)	(19.4)	3.9	7.0	8.6	8.3	2.9	3.7	2.9	1.2	1.1	1.0	3.4	3.4	3.4	18.3	13.3	12.7	230	306	4.1		
Jindal Steel and Power	779	BUY	119,920	2,446	154	101.8	87.5	77.7	123.0	(14.1)	(11.2)	7.6	8.9	10.0	6.7	6.1	6.5	2.8	2.1	1.7	0.6	0.8	0.9	43.8	27.2	19.1	1,250	60.5	20.1		
JSW Steel	275	ADD	51,033	1,041	186	92.0	103.1	146.8	35.7	12.0	42.4	3.0	2.7	1.9	3.3	3.8	2.7	0.5	0.4	0.4	6.7	6.7	6.7	21.2	18.1	21.0	1,040	278.6	10.8		
Hindustan Zinc	360	ADD	152,090	3,103	422	104.0	77.2	55.9	(1.0)	(25.8)	(27.6)	3.5	4.7	6.4	2.6	3.2	4.8	1.2	1.0	0.9	1.4	2.1	2.8	43.6	23.5	14.3	400	11.1	2.4		
Sesa Goa	79	ADD	61,798	1,261	787	18.9	22.0	13.3	145.9	16.3	(39.8)	4.1	3.6	5.9	2.8	2.2	3.3	2.2	1.5	1.4	4.5	8.9	8.9	67.7	50.5	24.4	100	27.4	22.9		
Steelite Industries	227	BUY	161,005	3,285	708	64.3	45.7	38.1	(22.6)	(28.9)	(16.7)	3.5	5.0	6.0	3.1	4.2	5.2	0.7	0.6	0.6	—	—	—	26.1	13.3	10.3	415	82.6	31.0		
Tata Steel	172	ADD	141,300	2,883	822	75.7	89.7	74.6	43.8	18.5	(16.9)	2.3	1.9	2.3	3.6	3.7	4.0	0.4	0.3	0.3	8.4	7.5	7.6	46.3	29.9	22.6	285	65.8	53.2		
<b>Metals</b>		<b>Cautious</b>	<b>899,928</b>		<b>18,359</b>				<b>13.2</b>	<b>(8.3)</b>	<b>(14.0)</b>	<b>3.8</b>	<b>4.1</b>	<b>4.8</b>	<b>3.8</b>	<b>4.0</b>	<b>4.3</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>8.4</b>	<b>7.5</b>	<b>7.6</b>	<b>46.3</b>	<b>29.9</b>	<b>22.6</b>					
<b>Pharmaceutical</b>																															
Biocon	108	BUY	21,530	439	200	23																									

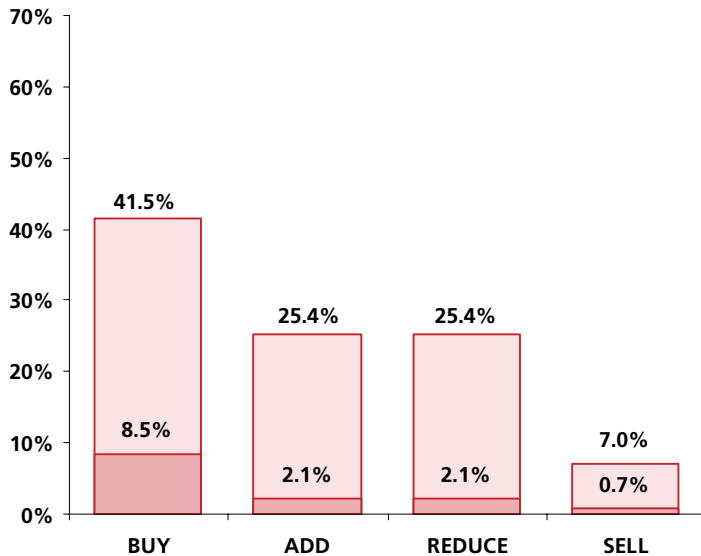
**Kotak Institutional Equities: Valuation Summary of Key Indian Companies**

Company	14-Nov-08 Price (Rs)	Rating	Mkt cap. (Rs mn)	O/S shares (mn)	EPS (Rs)		EPS growth (%)		PER (X)		EV/EBITDA (X)		Price/BV (X)		Dividend yield (%)		RoE (%)		Target Upside (%)	ADVT-3mo (US\$ mn)														
					2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E			2010E													
<b>Property</b>		Cautious	585,495	11,944			199.3	(7.7)	5.0	4.8	5.2	4.9	5.4	5.4	4.6	1.5	1.2	1.0	2.1	3.0	3.7	32.1	23.2	20.4										
<b>Retail</b>																																		
Pantaloon Retail	230	BUY	39,549	807	172	8.0	12.1	18.4	93.1	50.4	52.2	28.6	19.0	12.5	11.0	7.6	6.2	2.3	1.5	1.3	0.2	0.3	0.4	8.5	9.1	10.8	37.0	60.9	1.6					
Titan Industries	863	BUY	38,295	781	44	35.1	49.8	56.6	55.2	42.1	13.6	24.6	17.3	15.2	16.7	10.8	9.1	8.1	5.8	4.5	0.9	1.1	1.3	37.7	39.3	33.2	1,280	48.4	2.6					
Vibha Retail	72	ADD	1,602	33	22	1.602	1.49	20.6	37.2	(17.6)	38.4	4.0	4.8	3.5	5.1	4.5	3.3	0.6	0.5	0.5	—	—	—	20.2	11.5	14.0	125	74.8	0.1					
<b>Retail</b>			<b>79,445</b>	<b>1,621</b>					<b>318</b>	<b>43.6</b>	<b>32.7</b>	<b>24.7</b>	<b>17.2</b>	<b>12.9</b>	<b>11.8</b>	<b>8.0</b>	<b>6.5</b>	<b>3.2</b>	<b>2.2</b>	<b>1.9</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>13.2</b>	<b>12.8</b>	<b>14.7</b>								
<b>Technology</b>																																		
HCL Technologies	150	REDUCE	104,493	2,132	695	15.3	20.6	21.7	(19.0)	35.0	4.1	9.8	7.3	6.9	5.1	3.6	3.3	2.1	1.6	1.5	5.3	5.3	21.4	23.8	22.7	200	33.0	3.6						
Hexaware Technologies	20	SELL	2,843	58	142	7.7	2.9	3.8	(13.7)	62.4	32.1	2.6	6.9	5.3	(0.3)	0.9	0.5	0.4	0.4	0.4	4.5	8.0	8.0	15.1	5.8	7.4	25	25.0	0.2					
Infosys Technologies	1,213	BUY	696,377	14,206	574	79.1	100.8	108.8	18.0	27.5	7.9	15.3	12.0	11.2	11.7	8.8	7.7	5.0	3.9	3.1	2.7	2.0	2.2	36.1	36.4	30.9	1,600	31.9	69.7					
Mphasis BFL	171	REDUCE	35,558	725	208	12.2	22.3	23.4	67.6	18.7	5.0	13.9	7.7	7.3	8.3	4.9	4.0	3.1	0.4	1.9	2.1	2.3	2.6	23.6	34.6	28.4	190	11.4	1.4					
Mindtree	250	BUY	6,508	133	26	26.7	30.7	39.6	12.3	14.7	29.0	9.3	8.1	6.3	5.5	3.1	2.7	1.2	1.0	0.8	1.6	—	—	—	17.2	17.8	14.0	160	26.6	1.2				
Patni Computer Systems	126	SELL	16,257	332	129	33.2	26.3	30.8	29.2	(20.8)	16.9	3.8	4.8	4.1	0.6	0.7	(0.3)	0.6	0.5	0.5	1.7	2.1	2.4	19.2	14.1	12.0	160	26.6	1.2					
Polaris Software Lab	43	SELL	4,227	86	98	7.4	12.8	11.6	(27.6)	71.6	(9.6)	5.8	3.4	3.7	4.1	11.7	17.8	14.1	4.1	4.1	11.7	17.8	14.1	7.0	62.8	1.4	2.0	34.5	24.5					
Satyam Computer Services	261	BUY	178,279	3,637	682	25.2	33.7	35.5	17.7	33.3	5.3	10.4	7.4	8.4	8.2	6.7	6.1	4.2	3.3	2.7	3.6	4.7	4.7	47.0	39.3	35.6	650	52.0	34.1					
TCS	531	REDUCE	519,495	10,598	979	51.3	56.4	63.0	21.5	10.0	11.6	10.4	9.4	8.4	8.4	2.3	1.5	3.0	1.7	1.1	1.8	2.0	2.1	70.7	58.0	40.9	700	134.9	2.9					
Tech Mahindra	298	BUY	37,130	757	125	59.1	76.4	85.0	25.7	29.4	11.2	5.0	3.9	3.5	4.4	2.3	1.5	3.0	1.7	1.1	1.8	2.0	2.1	70.7	58.0	40.9	700	134.9	2.9					
Wipro	241	ADD	349,885	7,138	1,450	22.2	26.0	28.7	12.6	17.0	10.4	10.9	9.3	8.4	8.6	6.2	5.3	2.7	2.2	1.9	2.6	3.2	3.6	27.9	26.3	24.3	360	49.2	11.8					
<b>Technology</b>			<b>1,951,051</b>	<b>39,801</b>					<b>16.1</b>	<b>21.0</b>	<b>9.2</b>	<b>11.3</b>	<b>9.3</b>	<b>8.5</b>	<b>8.4</b>	<b>6.2</b>	<b>5.4</b>	<b>3.3</b>	<b>2.6</b>	<b>2.2</b>	<b>2.9</b>	<b>3.1</b>	<b>3.6</b>	<b>29.4</b>	<b>28.3</b>	<b>25.6</b>								
<b>Telecom</b>																																		
Bharti Airtel Ltd	648	BUY	1,228,890	25,069	1,898	35.3	45.3	55.1	65.0	28.3	21.7	18.3	14.3	11.7	11.2	8.4	6.5	5.4	3.9	2.9	—	0.6	0.9	39.1	31.9	28.5	800	23.6	87.6					
IDEA	49	REDUCE	156,096	3,225	3,236	3.9	3.3	3.4	78.5	(17.6)	5.7	12.4	15.0	14.2	9.5	5.9	5.2	4.5	1.1	1.0	—	—	—	36.4	12.0	8.0	70	43.3	10.4					
MTNL	72	REDUCE	45,203	922	630	7.1	5.1	5.5	(11.0)	(28.4)	7.6	10.0	14.0	13.0	1.6	2.3	2.1	0.4	0.4	0.4	5.6	8.4	8.4	3.5	2.2	2.4	80	11.5	1.9					
Reliance Communications	219	SELL	451,711	9,215	2,064	26.1	26.3	33.1	84.3	0.5	25.8	8.4	8.3	6.6	7.2	7.1	5.7	1.6	1.3	1.1	0.3	—	—	16.8	18.3	18.7	265	21.1	57.0					
Tata Communications	490	REDUCE	139,693	2,850	285	10.9	13.6	14.0	(56.3)	24.0	3.2	44.8	36.1	35.0	18.6	15.4	14.0	2.1	2.0	2.0	0.9	1.0	1.3	4.4	5.4	5.2	400	(18.4)	4.0					
<b>Telecom</b>			<b>2,023,592</b>	<b>41,281</b>					<b>65.7</b>	<b>16.3</b>	<b>21.0</b>	<b>14.0</b>	<b>12.0</b>	<b>10.0</b>	<b>9.6</b>	<b>7.9</b>	<b>6.2</b>	<b>2.7</b>	<b>2.0</b>	<b>1.7</b>	<b>0.4</b>	<b>0.7</b>	<b>1.8</b>	<b>1.9</b>	<b>1.6</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>	<b>10.0</b>	<b>10.3</b>	<b>9.0</b>	<b>1,230</b>	<b>64.7</b>	<b>18.5</b>
<b>Transportation</b>																																		
Container Corporation	629	REDUCE	81,744	1,668	130	57.7	69.4	74.2	7.8	20.3	6.8	10.9	9.1	8.5	7.0	5.6	4.9	2.6	2.1	1.8	2.0	2.4	2.5	25.8	25.6	22.8	800	27.2	1.5					
<b>Transportation</b>			<b>81,744</b>	<b>1,668</b>					<b>7.8</b>	<b>20.3</b>	<b>6.8</b>	<b>10.9</b>	<b>9.1</b>	<b>8.5</b>	<b>7.0</b>	<b>5.6</b>	<b>4.9</b>	<b>2.6</b>	<b>2.1</b>	<b>1.8</b>	<b>2.0</b>	<b>2.4</b>	<b>2.5</b>	<b>23.5</b>	<b>23.3</b>	<b>21.0</b>								
<b>Utilities</b>																																		
CECS	227	BUY	28,335	578	125	27.8	31.9	36.9	(23.3)	14.9	15.8	8.2	7.1	6.1	4.2	3.9	5.1	0.9	0.8	0.7	1.8	2.0	2.3	12.5	11.7	11.9	450	98.4	1.5					
Lanco InfraTech	145	BUY	32,256	658	222	14.8	17.5	26.0	75.2	18.2	48.3	9.8	8.3	5.6	8.9	12.2	10.3	1.8	1.5	1.2	—	—	—	19.7	19.2	23.0	370	155.0	8.4					
NTPC	149	REDUCE	1,231,460	25,122	8,245	9.3	9.0	9.7	7.9	(3.2)	7.9	16.0	16.5	15.3	11.1	12.0	11.6	2.3	2.1	1.9	2.3	2.3	2.4	14.9	13.2	13.1	160	7.1	30.9					
Reliance Infrastructure	512	BUY	118,261	2,413	231	37.6	53.6	56.8	13.9	42.6	6.0	13.6	9.6	9.0	20.2	16.3	16.2	0.7	0.7	1.2	1.4	1.6	4.3	6.2	6.6	1,250	144.1	74.2						
Reliance Power	109	REDUCE	261,251	5,330	2,397	0.4	2.1	2.6	—	443.9	25.2	286.6	52.7	42.1	—	—	—	—	—	—	—	—	—	1.2	3.5	4.3	180	65.1	22.5					
Tata Power	747	BUY	173,970	3,549	233	29.7	38.1	39.9	11.6	28.5	4.6	25.2	19.6	18.7	18.6	16.8	17.7	2.3	1.8	1.6	1.2	1.3	1.3	10.0	10.3	9.0	1,230	64.7	18.5					
<b>Utilities</b>			<b>1,845,533</b>	<b>37,649</b>					<b>12.1</b>	<b>8.4</b>	<b>9.9</b>	<b>18.4</b>	<b>17.0</b>	<b>15.5</b>	<b>12.9</b>	<b>14.5</b>	<b>15.3</b>	<b>1.9</b>	<b>1.7</b>	<b>1.6</b>	<b>1.8</b>	<b>1.8</b>	<b>1.9</b>	<b>10.4</b>	<b>10.3</b>	<b>10.4</b>								
<b>Others</b>																																		
Aban Offshore	870	BUY	33,644	686	39	72.3	211.1	456.6	(1,066)	192.1	116.3	12.0	4.1	1.9	12.4	6.7	3.8	3.8	1.6	0.9	0.4	1.1	1.7	51.7	49.3	53.1	1,700	95.4	18.8					
Educomp Solutions	2,426	BUY	46,146	941	19	35.2	63.9	108.1	114	81.7	69.2	69.0	38.0	22.4	36.6	15.7	9.8	15.0	6.3	5.1	0.1	0.2	0.4	33.5	23.3	24.3	2,550	5.1	32.0					
Havells India	165	BUY	9,992	204	61	26.6	19.7	34.5	40	(25.9)	75.1	6.2	8.4	4.8	5.9	5.9	4.1	1.5	1.2	0.9	1.4	1.9	2.5	33.7	16.5	22.2	365	121.1	0.4					
Jaiprakash Associates	73	BUY	87,137	1,778	1,188	4.9	7.3	11.0	7	49.5	50.9	15.0	10.0	6.6	11.0	8.5	8.0	1.8	1.5	1.2	0.0	0.0	0.0	15.4	16.1	20.5	205	179.5	44.1					
Jindal Saw	332	BUY	20,331	415	61	66.6	86.9	82.9	(43)	30.6	(4.7)	5.0	3.8	4.0	3.9	2.2	1.9	0.7																

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As of September 30, 2008

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