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### News Round-up

- ▶ The govt., disturbed by poor response to its NTPC (NATP IN) share sale recently, is seeking a possible freeze on derivatives trading temporarily in shares of companies that are raising funds through FPOs to reduce volatility. *(ET)*
- ▶ Bhel (BHEL IN) announced on Wednesday it has bagged USD 107mn order for setting up a 330MW hydro-electric power project in Jammu & Kashmir. *(BL)*
- ▶ Hindalco Industries (HNDL IN) hopes to raise USD 1.06 bn worth of debt in the next two weeks to achieve financial closure for Utkal Alumina Refinery, a 1.5 mn tonne a year project in Orissa. *(BS)*
- ▶ DLF (DLFU IN) today said it planned to raise USD 217 mn through unsecured loans by the end of the month, while hinting that prices in the housing segment could witness an increase. *(BS)*
- ▶ ArcelorMittal will raise its stake in Uttam Galva (UTTM IN) to 33.7%, following a 4.9% promoter stake transfer by the end of this month. *(BS)*
- ▶ Fortis Healthcare (FORH IN) will raise USD 271 mn by issuing shares in domestic and international markets. *(BS)*
- ▶ Wipro (WPRO IN) today said it is scouting for acquisitions in the telecom, healthcare and energy utilities segment in the near future. *(BS)*
- ▶ HCC (HCC IN) said it has bagged three road projects worth USD 621 mn in West Bengal from the National Highways Authority of India (NHAI). *(FE)*
- ▶ Ranbaxy (RBXY IN) to launch two new drugs in Mexico. Olmesartan Medoxomil & Prasugrel are drugs developed by Daiichi Sankyo. *(FE)*
- ▶ L&T Infotech, the technology arm of L&T (LT IN) is scouting for acquisitions in the country and abroad to scale up its business operations. *(FE)*
- ▶ Elder Pharmaceuticals Ltd (ELDP IN) has marked its entry into the injectibles segment with a new manufacturing facility at Dehradun. *(BL)*
- ▶ NIIT Technologies (NITEC IN) has bagged a USD 49mn turnkey project from Border Security Force (BSF) to set up IT infrastructure for the paramilitary force. *(BL)*

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

### EQUITY MARKETS

India	Change %			
	10-Feb	1-day	1-mo	3-mo
Sensex	15,922	(0.7)	(9.2)	(3.2)
Nifty	4,757	(0.7)	(9.3)	(2.6)
<b>Global/Regional indices</b>				
Dow Jones	10,038	(0.2)	(5.5)	(2.0)
Nasdaq Composite	2,148	(0.1)	(7.3)	(0.1)
FTSE	5,132	0.4	(7.3)	(1.9)
Nikkie	9,964	0.3	(7.7)	0.9
Hang Seng	19,922	0.7	(11.1)	(12.0)
KOSPI	1,584	0.9	(6.5)	(0.7)
<b>Value traded - India</b>				
Cash (NSE+BSE)	184.6	209.7	96.0	
Derivatives (NSE)	812.4	484.8	810	
Deri. open interest	1,169.9	992	980	

### Forex/money market

	Change, basis points			
	10-Feb	1-day	1-mo	3-mo
Rs/US\$	46.4	(5)	102	5
10yr govt bond, %	7.8	8	11	47
<b>Net investment (US\$m)</b>				
	9-Feb		MTD	CYTD
FIs	(85)		(434)	(230)
MFs	56		(103)	(282)

### Top movers -3mo basis

Best performers	Change, %			
	10-Feb	1-day	1-mo	3-mo
ACEM IN Equity	103.9	(0.2)	(2.1)	22.2
MSEZ IN Equity	640.3	0.1	3.8	21.1
BJAUT IN Equity	1773.2	2.6	6.2	20.4
GRASIM IN Equity	2701.7	0.9	(3.9)	19.7
ACC IN Equity	869.9	0.2	(4.9)	18.8
<b>Worst performers</b>				
IBREL IN Equity	176.5	5.5	(24.7)	(27.4)
IBULL IN Equity	104.1	2.6	(27.2)	(24.1)
PUNJ IN Equity	171.6	(2.1)	(19.5)	(21.6)
DLFU IN Equity	301.7	(1.4)	(24.5)	(21.4)
IVRC IN Equity	314.1	0.7	(19.0)	(21.0)

FEBRUARY 11, 2010

**INITIATING COVERAGE**

Coverage view: **Attractive**

Price (Rs): **175**

Target price (Rs): **200**

BSE-30: **15922**

**Getting into the big league.** We initiate coverage on Dabur with a BUY rating and target price of Rs200 based on 26X FY2011E EPS. We estimate an EPS CAGR of 26% over FY2009-12E led by (1) new product launches in skincare, (2) likely ramp-up of brand innovations in FY2010-12E, (3) scaling-up of Uveda and Femcare brands and (4) likely mix improvement due to faster growth in skincare and shampoo.

### Company data and valuation summary

Dabur India

#### Stock data

52-week range (Rs) (high,low) 180-85

Market Cap. (Rs bn) 152

#### Shareholding pattern (%)

Promoters 70

FIs 13

MFs 2

#### Price performance (%)

Absolute 1M 3M 12M 6.7 8.1 92.9

Rel. to BSE-30 15.2 10.5 26.6

#### Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	5.8	7.3	8.9
EPS growth (%)	27.6	25.6	22.4
P/E (X)	30.2	24.0	19.7
Sales (Rs bn)	33.8	40.4	48.1
Net profits (Rs bn)	5.0	6.3	7.7
EBITDA (Rs bn)	6.4	7.8	9.3
EV/EBITDA (X)	23.9	19.5	16.3
ROE (%)	53.9	53.9	53.3
Div. Yield (%)	1.3	1.6	1.9

### We like Dabur for several reasons—expect 15% upside by March-2011E

We initiate coverage on Dabur with a BUY rating and target price of Rs200, implying a potential 15% upside. We estimate EPS CAGR of 26% over FY2009-12E. Our target multiple is based on a 20% premium to the last three-year average P/E of 22X. We believe Dabur deserves a premium to its historical multiple as (1) the company is entering a period of multi-year, predictable growth in skincare, shampoo and foods and (2) it is the only pure-play, listed personal care company with a strong presence across a range of personal care categories.

### Improving mix and modest operating leverage leads to likely 26% PAT CAGR over FY2009-12E

We model net sales CAGR of 20% during FY2009-12E. We expect the contribution of faster growing categories (international, skin care, shampoo and foods) to improve to 45% of sales in FY2012E from 41% in FY2010E. We expect modest operating leverage over FY2010-12E (fixed costs are ~20% of sales) and estimate 26% PAT CAGR over FY2009-12E.

### Categories to watch—skincare, shampoo, foods

We believe skincare, foods and shampoo hold immense potential for Dabur in the medium term. The differentiators are (1) ability to straddle the pyramid in skincare (Uveda—top end, Femcare—mid segment and Gulabari—mass market), (2) functionally differentiated herbal positioning in shampoo and (3) expansion of their fruit beverage range (hitherto restricted to fruit juices) to include fruit drinks (fruit flavored). Over FY2009-12E, we expect the skincare, shampoo and foods categories to post sales CAGR of 27%, 21% and 21%, respectively.

### Key risks—limited pricing power, confused diversification and North Indian skew in sales

The key worries/risks are (1) Dabur is not a market leader in many categories, (2) its focus appears diluted—no single category accounts for more than 20% of sales, (3) the company has limited pricing power, which makes it vulnerable to input cost inflation, (4) heavy dependence on North India (35% of sales) and (5) confused diversification strategy as evidenced by soaps and retail forays.

## Growth opportunity in most categories

Category	Potential growth	Market share	Comments
Baby oil and skin care			We assign high probability to the success of Gulabari extensions and Fem Care. While we are excited about initial success of Uveda, we are conservative about the medium-term growth due to Dabur's limited success in launching premium products
Consumer Health care			Small but profitable part of Dabur's portfolio. We model sales CAGR of 19% over the next two years driven by planned marketing efforts in urban areas and increased investments
Digestives and candies			Low growth category. Dabur sales have grown at CAGR of 7% over the last two years. Flagship brand Hajmola is synonymous with the category. We model sales CAGR of 11% over the next two years driven by the gains in distribution
Foods			We are bullish about the prospects of Burrst. The company has leadership position in the fruit juice segment and we expect it to replicate the same in fruit drinks (given that the focus is on driving in home consumption of fruit drinks)
Hair oil			Largest segment of Consumer Care Division. Primarily present in amla based hair oil. In our view, the recent entry in the high growth light hair oil market is a significant positive
Health supplements			Low growth category in the past. However, low penetration levels augur well for higher penetration-led growth
Home care			Small part of Dabur's sales mix. The segment has seen limited investments and advertising spends unlike the oral care portfolio of Balsara. We maintain conservative sales CAGR estimates of 9% between FY2010-12E
International Business			Stellar performance with sales CAGR of 32% (highest in the Dabur portfolio) over the last two years. We like Dabur's region specific product development and marketing approach and model sales CAGR of 22% over FY2010-12E
Shampoo			Presently a small player in the shampoo market. We are bullish on Dabur's prospects in this segment, given the low level of penetration and its niche herbal formulation positioning (which has no meaningful competition). We expect sales CAGR of 20% between FY2010-12E
Toothpaste			We believe that Dabur's launch of Babool gel variant at white toothpaste price point will act as a catalyst in gaining market share from other organised players. This coupled with low penetration levels augurs well for the company. We model sales CAGR of 15% between FY2010-12E
Toothpowder			The toothpowder portfolio has grown at a CAGR of 2% over the last two years. We model a sales decline of 4% CAGR over FY2010-12E as consumers continue to switch from toothpowder to toothpaste

## Note:

(a) The above moon chart may be assessed on a scale of 0 to 1, where 0 is the lowest score and 1 is the highest score



Denotes 0



Denotes 1

Source: Kotak Institutional Equities

## Profit model, balance sheet, cash model of Dabur India, March fiscal year-ends, 2007-2012E

	2007	2008	2009	2010E	2011E	2012E
<b>Profit model</b>						
Net revenues	20,431	23,611	28,054	33,808	40,433	48,091
<b>EBITDA</b>	<b>3,432</b>	<b>4,037</b>	<b>4,661</b>	<b>6,351</b>	<b>7,792</b>	<b>9,321</b>
Other income	255	339	468	505	605	764
Interest (expense)/income	(150)	(167)	(232)	(285)	(201)	(134)
Depreciation	(343)	(364)	(449)	(553)	(629)	(692)
<b>Pretax profits</b>	<b>3,195</b>	<b>3,844</b>	<b>4,448</b>	<b>6,018</b>	<b>7,566</b>	<b>9,260</b>
Tax	(373)	(507)	(540)	(1,022)	(1,286)	(1,573)
<b>Net income</b>	<b>2,822</b>	<b>3,338</b>	<b>3,908</b>	<b>4,995</b>	<b>6,281</b>	<b>7,686</b>
Earnings per share (Rs)	3.3	3.9	4.5	5.8	7.3	8.9
<b>Balance sheet</b>						
Total shareholder's equity	4,597	6,036	8,102	10,420	12,881	15,934
Total borrowings	1,599	992	2,276	1,868	968	668
Deferred tax liability	245	33	70	79	79	79
Minority interest	45	48	46	46	46	46
<b>Total liabilities and equity</b>	<b>6,486</b>	<b>7,108</b>	<b>10,493</b>	<b>12,413</b>	<b>13,974</b>	<b>16,728</b>
Net fixed assets	3,792	4,653	5,592	6,875	7,445	7,754
Investments	807	2,037	3,470	3,563	3,563	3,563
Cash	607	766	1,484	2,970	4,397	7,262
Net current assets	1,280	(347)	(53)	(994)	(1,432)	(1,851)
<b>Total assets</b>	<b>6,486</b>	<b>7,108</b>	<b>10,493</b>	<b>12,413</b>	<b>13,974</b>	<b>16,728</b>
<b>Free cash flow</b>						
Operating cash flow, excl. working capital	2,131	4,826	4,615	5,625	7,498	8,066
Working capital changes	(787)	221	(929)	(944)	(721)	(829)
Capital expenditure	495	1,225	1,289	1,500	1,200	1,000
<b>Free cash flow</b>	<b>1,839</b>	<b>6,272</b>	<b>4,974</b>	<b>6,182</b>	<b>7,978</b>	<b>8,237</b>
<b>Ratios</b>						
Net debt/equity (%)	21.6	3.7	9.8	cash	cash	cash
Net debt/EBITDA (X)	28.9	5.6	17.0	(17.4)	(44.0)	(70.7)
Return on equity (%)	61.1	62.8	55.3	53.9	53.9	53.3
Book value per share (Rs)	5.3	7.0	9.4	12.0	14.9	18.4
<b>ROCE (%)</b>	<b>54.1</b>	<b>59.0</b>	<b>53.2</b>	<b>55.0</b>	<b>58.9</b>	<b>61.2</b>

Source: Company, Kotak Institutional Equities estimates

## Where does Dabur fit in our sector universe?

Valuation - KIE FMCG coverage

Company	Price (Rs)	Mcap (Rs mn)	TP (Rs)	Upside (%)	Rating	EPS growth (%)			P/E (X)		
						2010E	2011E	2012E	2010E	2011E	2012E
Asian Paints	1,980	189,883	2,100	6	BUY	88.8	14.5	14.0	27.2	23.7	20.8
Colgate-Palmolive	700	95,209	700	(0)	REDUCE	36.1	13.8	12.7	23.8	20.9	18.6
<b>Dabur India</b>	<b>175</b>	<b>152,723</b>	<b>200</b>	<b>14</b>	<b>BUY</b>	<b>27.6</b>	<b>25.6</b>	<b>22.4</b>	<b>30.3</b>	<b>24.1</b>	<b>19.7</b>
GlaxoSmithKline Consumer	1,423	59,839	1,500	5	ADD	23.6	27.0	14.6	25.7	20.2	17.7
Godrej Consumer Products	259	66,850	270	4	ADD	62.0	14.3	21.1	23.9	20.9	17.0
Hindustan Unilever	230	501,494	300	30	BUY	7.8	16.9	12.9	22.4	19.2	16.7
ITC	244	919,164	300	23	BUY	23.1	21.5	13.2	22.9	18.8	16.6
Jyothy Laboratories	171	12,424	200	17	ADD	75.4	24.4	18.6	17.7	14.2	12.0
Nestle India	2,750	265,163	3,000	9	ADD	31.8	20.6	16.5	35.6	29.5	25.4
Tata Tea	934	57,752	1,200	28	BUY	6.1	22.3	13.6	16.4	13.4	11.6
<b>KS universe</b>		<b>2,320,500</b>			<b>Attractive</b>	<b>23.7</b>	<b>19.4</b>	<b>14.3</b>	<b>24.0</b>	<b>20.1</b>	<b>17.6</b>

Source: Bloomberg, Kotak Institutional Equities estimates

FEBRUARY 10, 2010

NEW RELEASE

BSE-30: 15,922

**Reading the alphabet soup.** We initiate four long-short trades—(1) Long Tata Steel, Short Hindalco, (2) Long JPA, Short ACC, (3) Long ONGC, Short Cairn and (4) Long HDFC Bank, Short Axis Bank. We expect our recommended trades to deliver a gross relative return of 8-10% over the next three months.

### Trade #1: Long Tata Steel, Short Hindalco

We recommend buying Tata Steel stock as the stock has fallen 14% over the past 15 days without any real change in the fundamentals of the company. Steel prices are largely unchanged over this period. On the other hand, aluminum prices have corrected 10% over the past 30 days and we do not rule out further correction. Current global aluminum prices at US\$2,023/ton are well below our FY2011E assumption of US\$2,200/ton, which poses large downside risks to our FY2011E earnings estimates of Hindalco.

### Trade #2: Long JPA, Short ACC

We recommend a Long JPA, Short ACC trade to take advantage of (1) JPA's more attractive valuations relative to ACC's, (2) lower impact of likely decline in cement prices on earnings and fair valuation of JPA due to its diversified portfolio of assets versus ACC's reliance on cement only and (3) strong growth in cement volumes of JPA in the next two quarters that may provide a hedge against likely decline in cement prices; ACC's cement volumes will likely remain stable over the next two quarters.

### Trade #3: Long ONGC, Short Cairn India

We recommend a Long ONGC, Short Cairn trade to derive relative out-performance from (1) likely decline in crude oil prices in 2QCY10 from 1QCY10 levels, which would be a temporary negative for Cairn stock; second quarter of a calendar year is typically the weakest quarter for global oil demand, (2) potential negative impact of cess on crude oil on valuations of Cairn; the street may be gradually starting to factor this potential negative development and (3) possible positive developments for ONGC from partial deregulation of the oil sector.

### Trade #4: Long HDFC Bank, Short Axis Bank

We expect HDFC Bank (HDFCB) to outperform Axis Bank in the short term due to (1) likely strong growth in HDFC's loan book and strong 4QFY10E results, (2) HDFC's higher CASA ratio compared to Axis's that may result in higher margin and earnings growth in an environment of higher interest rates and (3) low concerns about HDFC Bank's loan book versus possible issues in Axis's larger corporate exposure.

**Alpha-Bet trades**

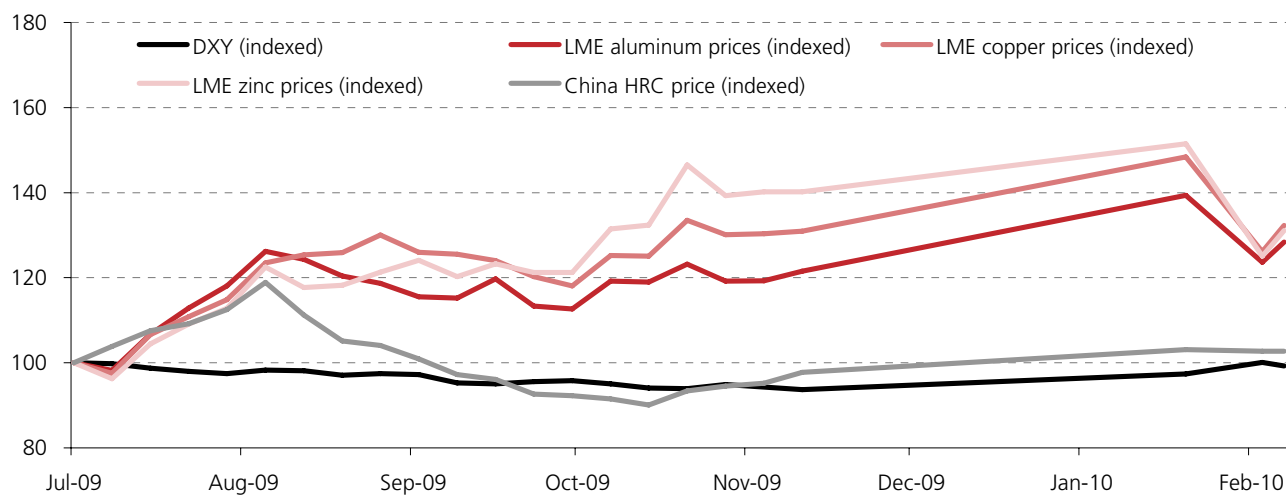
Statistics of trades, current price, initiation price, gross expected/actual return

	Stock	Current price (Rs)	Initiation price (Rs)	Return (%)
<b>Trade 1</b>				
Buy	Tata Steel		522	
Sell	Hindalco		137	
<b>Target return (%)</b>				<b>10.0</b>
<b>Trade 2</b>				
Buy	Jaiprakash Associates		128	
Sell	ACC		870	
<b>Target return (%)</b>				<b>10.0</b>
<b>Trade 3</b>				
Buy	Oil & Natural Gas Corp.		1,087	
Sell	Cairn India		260	
<b>Target return (%)</b>				<b>8.0</b>
<b>Trade 4</b>				
Buy	HDFC Bank		1,594	
Sell	Axis Bank		1,025	
<b>Target return (%)</b>				<b>8.0</b>

Source: Kotak Institutional Equities estimates

**Aluminum prices have declined significantly from peak levels**

Performance of Dollar index (DXY) with LME Aluminium, Copper, Zinc and China HRC prices over the last six months, Base 100 (X)



Source: Bloomberg, CHIS, Kotak Institutional Equities

We value Jaiprakash Associates at Rs170/share on FY2011E basis  
SOTP-based valuation of Jaiprakash Associates, March fiscal year-end, 2011E (Rs)

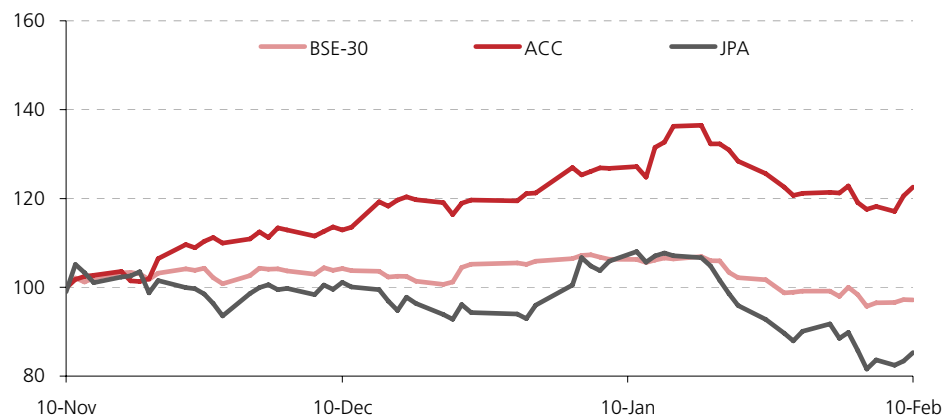
Business	Valuation base (Rs bn)		Multiple (X)		Valuation (c)	
	Other	EBITDA	Multiple	EV/EBITDA	(Rs bn)	(Rs/share)
Cement		14		7	99	52
Construction		19		7	136	72
Real estate (a)	98				98	52
Power (a)	125				125	66
Hotels		0.4		7	2.9	2
Net debt (b)					(139)	(74)
<b>Total</b>					<b>322</b>	<b>170</b>

Note:

- (a) We value the real estate business on NAV and the power business on DCF-equity.  
(b) Net debt excludes debt attributable to power business.  
(c) We use 1.89 bn shares (excluding treasury shares) for per share computations.

Source: Kotak Institutional Equities estimates

ACC has outperformed the BSE-30 Index and JPA stock despite lack of supporting triggers  
Performance of BSE-30, ACC and JPA stock over the last three months, Base 100 (X)



Source: Bloomberg, Kotak Institutional Equities

Cairn's fair valuation has moderate leverage to crude prices

Enterprise value sensitivity of Cairn to key variables (US\$ bn)

	Sensitivity of +1-year valuation		
	Enterprise value (US\$ bn)	Equity value (Rs/share)	Change from base case (%)
<b>Average crude price (FY2013 and beyond)</b>			
Dated Brent price (US\$110/bbl)	14.5	350	31
Dated Brent price (US\$100/bbl)	13.3	320	20
Dated Brent price (US\$90/bbl)	12.0	290	9
<b>Dated Brent price (US\$80/bbl)</b>	<b>11.0</b>	<b>266</b>	
Dated Brent price (US\$70/bbl)	9.7	236	(11)
Dated Brent price (US\$60/bbl)	8.6	209	(21)
Dated Brent price (US\$50/bbl)	7.5	183	(31)
<b>Cess</b>			
<b>Cess (Rs0/ton)</b>	<b>11.0</b>	<b>266</b>	
Cess (Rs927/ton)	10.5	255	(4)
Cess (Rs2,575/ton)	9.9	240	(10)

Source: Kotak Institutional Equities estimates

**Significant upside exists to our earnings estimate for ONGC**

Sensitivity of ONGC's EPS estimates, March fiscal year-ends, 2010E-11E (Rs)

<b>FY2010E</b>	
Base case (a)	90
<b>Assuming no subsidy burden due to cooking fuels</b>	<b>97</b>
<b>FY2011E</b>	
Base case (b)	108
<b>Assuming net crude price realization of US\$65/bbl</b>	<b>136</b>
<b>Assuming full deregulation of gas price at US\$4.2/mn BTU (Rs7.5/cu m)</b>	<b>126</b>

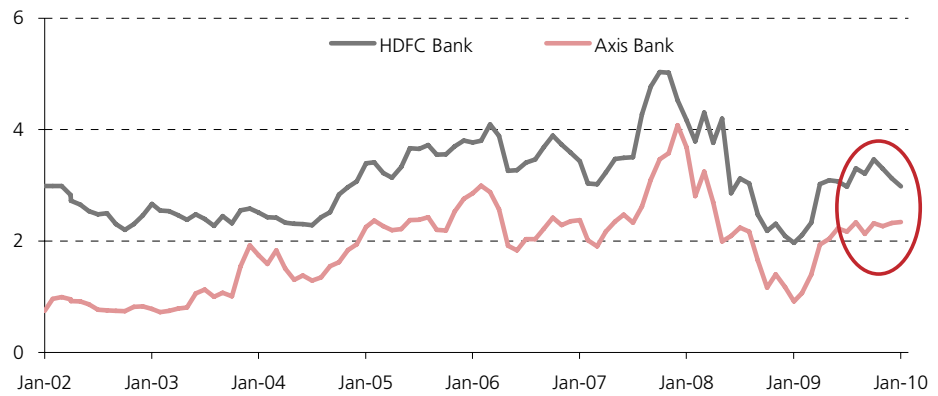
Note:

- (a) For FY2010E, we assume upstream companies to share 10% of cooking fuels subsidy loss.
- (b) For FY2011E, we assume net crude price realization of US\$52/bbl and natural gas price of Rs4/cu m.

Source: Kotak Institutional Equities estimates

**HDFC Bank's premium over Axis Bank has declined of late**

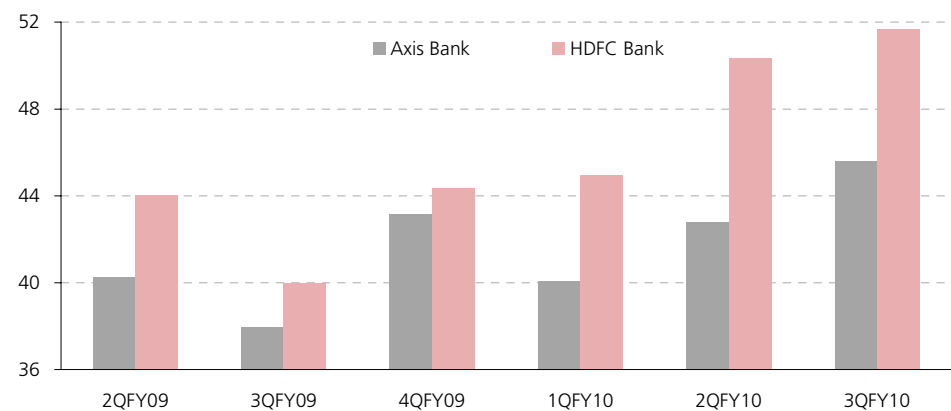
Rolling P/B of HDFC Bank and Axis Bank (X)



Source: Bloomberg, Kotak Institutional Equities estimates

**HDFC Bank's higher CASA ratio may present an advantage over Axis Bank in a rising interest-rate environment**

Quarterly CASA ratio for Axis Bank and HDFC Bank (%)



Source: Company, Kotak Institutional Equities



**FEBRUARY 10, 2010**
**CHANGE IN RECO.**

Coverage view: **Attractive**

Price (Rs): **1,594**

Target price (Rs): **1,800**

BSE-30: **15,922**

**Best bank stock in the current environment.** We believe that banks with strong retail and CASA deposit franchisees are best placed at times of rising rates. HDFC Bank has been the best bank in terms of CASA growth and asset quality over the past few quarters. We believe above-industry loan growth (20%+), 4%+ margins and lower provisioning should drive 30% PAT growth over the next 6-8 quarters. We upgrade our recommendation on HDFC Bank to BUY (from ADD earlier).

**Company data and valuation summary**

HDFC Bank

**Stock data**

52-week range (Rs) (high,low)	1,839-774
Market Cap. (Rs bn)	720.4

**Shareholding pattern (%)**

Promoters	19.3
FIs	47.0
MFs	4.6

**Price performance (%)**

	1M	3M	12M
Absolute	(7.1)	(6.5)	68.3
Rel. to BSE-30	2.0	(3.2)	2.0

**Forecasts/Valuations**

	2010	2011E	2012E
EPS (Rs)	64.8	84.4	107.7
EPS growth (%)	30.5	30.2	27.6
P/E (X)	24.6	18.9	14.8
NII (Rs bn)	85.1	102.6	121.4
Net profits (Rs bn)	29.3	38.1	48.7
BVPS	472.0	537.7	621.5
P/B (X)	3.4	3.0	2.6
ROE (%)	16.1	16.7	18.6
Div. Yield (%)	0.8	1.0	1.3

**Upgrade to BUY notwithstanding expensive valuations**

While valuations for stock remain expensive at 19XFY2011E PER and 3XFY2011E, we believe that likely strong earnings growth of 28-30% over the next couple of years coming from core operational earnings, improving asset quality and better than industry growth is likely to sustain these high valuations. The stock has underperformed by 3% over the past three months and outperformed marginally over the past month. Given the strong economic outlook, against the backdrop of high government deficit, we expect interest rate environment to remain challenging. HDFC Bank is one of the best banks to own in such an environment given its strong core liability franchise; upgrade our recommendation to BUY.

**Trades at a premium to peers supported by good operational performance**

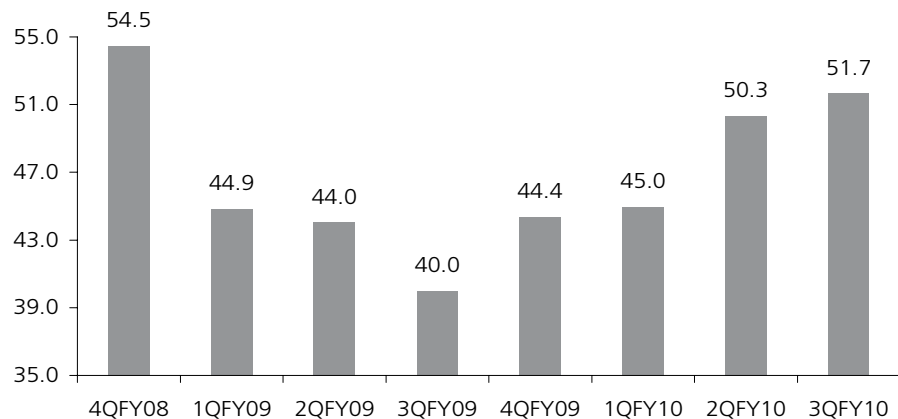
We are extremely impressed by HDFC Bank's recent operational performance—excelling on all key parameters. Margins improved sequentially by 10 bps to 4.3%, driven by strong traction in CASA deposits (up 38% yoy and CASA percentage now is 51%). We expect margins could further improve if interest rates rise as HDFC Bank's high CASA franchisee would ensure lower deposit costs. The pace of new NPL formation has peaked, which is likely to result in lower absolute NPLs (only bank to report absolute lower NPLs, both at gross and net level over last couple of quarters) and credit provisioning requirement going forward. The quality of earnings has improved vastly as earnings are being driven by core performance with negligible treasury contribution.

**Superior CASA franchise to ensure strong margins in a rising rate environment**

HDFC Bank has always had a strong edge in its strong CASA franchise. Over the past few quarters, CASA deposit growth has been spectacular for the bank; savings deposits grew by 41% yoy to Rs467 bn and current deposits grew by 34% yoy to Rs333 bn as of December 2009—this is the best in the industry. The reported CASA ratio has increased to 51%, while the core CASA ratio was at 49%, up from 40% last year. With interest rates set to rise, the power of the CASA franchisee is likely to be reflected in superior margins and a steady loan growth. We expect margins to improve by 20 bps in FY2011E over FY2010E (as per our model). This is despite a likely increase of 15 bps in deposit costs due to daily average working for savings deposits.

### CASA ratios have seen a sharp increase over the past few quarters

CASA % as proportion of deposits, March fiscal year-ends, 4QFY08 – 3QFY10 (%)



Source: Company, Kotak Institutional Equities

HDFC Bank has been gaining market share in CASA deposits  
YoY market share of CASA deposits growth, March fiscal year-ends,  
2QFY09-3QFY10E (%)

	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	Mkt Share gain (bps)
<b>Public banks</b>						
Andhra Bank	2.1	2.1	2.1	2.1	1.9	(21)
Bank of Baroda	7.6	7.5	7.7	7.6	7.7	53
Bank of India	5.8	5.4	5.7	5.4	5.6	2
Canara Bank	6.5	6.2	6.0	6.0	6.1	(74)
Corporation Bank	1.9	2.6	1.9	1.8	1.9	(0)
Indian Bank	2.7	2.5	2.5	2.5	2.6	(10)
IOB	3.3	3.4	3.3	3.4	3.1	(22)
OBC	2.9	2.5	2.7	2.6	2.6	(11)
PNB	9.1	9.1	9.3	9.1	8.8	(25)
State Bank of India	31.5	32.2	32.6	32.2	32.2	153
Union Bank	4.9	4.6	4.9	5.0	4.8	(3)
<b>Old private banks</b>						
Federal Bank	0.9	0.9	0.9	0.9	0.9	5
J&K Bank	1.4	1.4	1.3	1.2	1.3	(7)
<b>New private banks</b>						
Axis Bank	5.0	5.6	4.9	5.0	5.1	(12)
HDFC Bank	7.2	7.0	7.3	7.7	7.8	44
ICICI Bank	7.2	7.0	7.1	7.4	7.6	(73)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	

Source: Kotak Institutional Equities

HDFC Bank has been the fastest growing bank on CASA front  
CASA Deposits for past six quarters (Rs bn)

	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	YoY growth (%)
<b>Public banks</b>						
Andhra Bank	171	186	185	201	200	17
Bank of Baroda	609	671	697	750	795	31
Bank of India	463	486	513	530	571	23
Canara Bank	521	562	538	586	627	20
Corporation Bank	156	233	168	181	196	26
Indian Bank	217	226	227	248	264	22
IOB	266	303	295	337	319	20
OBC	235	224	241	255	271	15
PNB	729	818	839	889	901	24
State Bank of India	2,535	2,894	2,936	3,166	3,311	31
J&K Bank	115	126	114	120	138	21
<b>New private banks</b>						
Axis Bank	401	506	442	495	519	29
HDFC Bank	579	634	655	754	800	38
ICICI Bank	576	627	639	727	783	36
<b>Total</b>	<b>8039</b>	<b>8991</b>	<b>9010</b>	<b>9817</b>	<b>10272</b>	<b>28</b>

Source: Kotak Institutional Equities

### Management wants to grow faster than the industry

The management has highlighted its strategy of growing loans by 3-5%, higher than industry growth. In FY2010E, HDFC Bank is likely to grow its loans by about 20% and we expect 25% growth in FY2011E. The bank has been gaining market share in the secured retail products segment as most other banks had slowed down. Buyback of mortgages from HDFC will also drive incremental loan growth in this segment. Further, HDFC Bank has a limited presence in project lending and has largely focused on working capital-related business in the past. With a pick-up in economic activity, the management now finds sufficient opportunities to grow at a rapid pace on the low base for project-related activities as well. We believe the proportion of mortgages and project-related loans will increase over time although retail and working capital loans will continue to dominate its loan book.

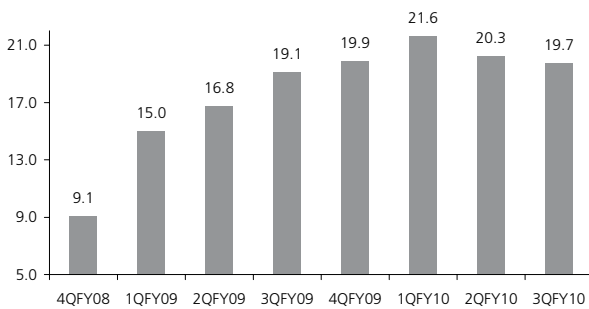
**NPLs have peaked—expect positive traction**

The bank has managed its asset quality in the best possible manner—keeping its net NPLs at 0.4%-0.6% and gross below 2%. Incremental delinquencies are already declining and absolute NPLs (both gross and net) are declining over the past couple of quarters. Delinquency rates have declined from 2.1% in 1HFY10 to 1.2% in 3QFY10. The total restructured assets for HDFC Bank were just at 0.4% of the loan book.

Declining delinquency rates would result in a much lower provisioning requirement over the next few quarters and this could support earnings significantly. Historically, the bank has been providing about 200 bps of loan loss provisioning, which we expect will decline now, also aided by the fact that loan book composition is changing towards more secure assets.

**Absolute levels of gross NPLs are declining**

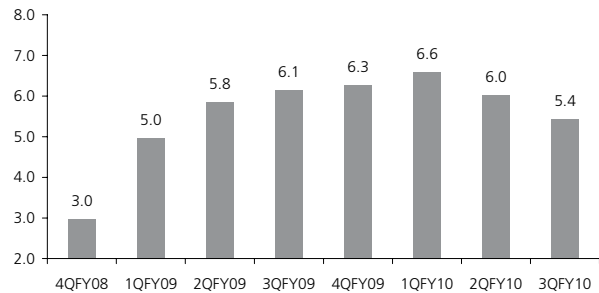
Gross NPLs, March fiscal year-ends, 4QFY08 – 3QFY10 (Rs bn)



Source: Company, Kotak Institutional Equities estimates

**Net NPLs are declining even faster**

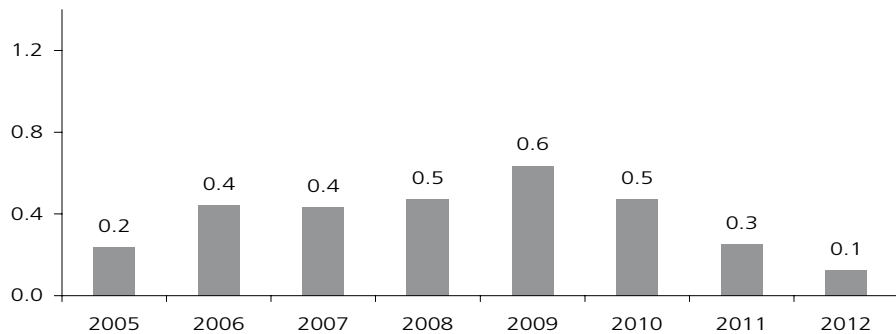
Net NPLs, March fiscal year-ends, 4QFY08 – 3QFY10 (Rs bn)



Source: Company, Kotak Institutional Equities estimates

**Net NPL trend is likely to be better than most other banks**

Net NPLs as proportion of loans, March fiscal year-ends, 2005-2012E (%)

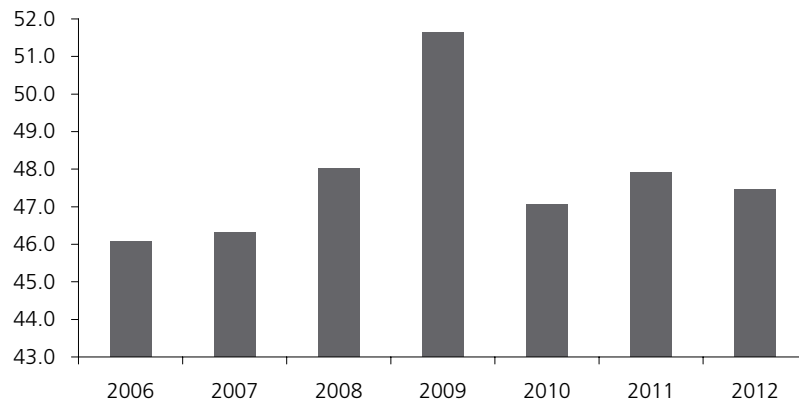


Source: Company, Kotak Institutional Equities

**Cost/income leverage is currently playing out**

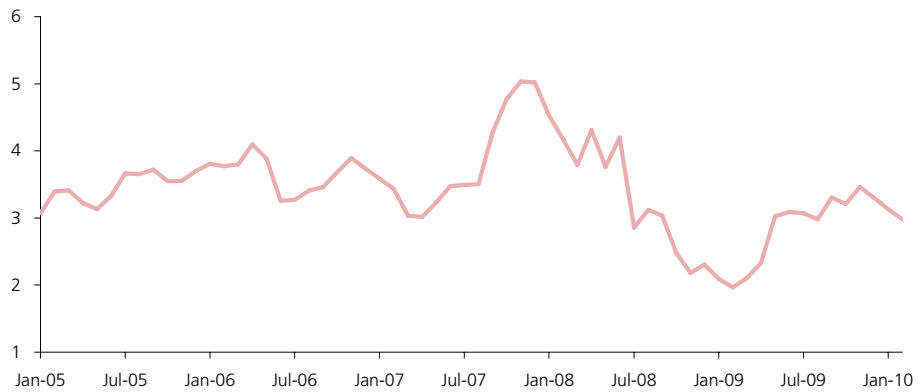
Post the CBoP merger, the management’s strategy of right sizing its operations and redeploying manpower more effectively appears to be paying dividends. Better efficiencies in other operations are also contributing to lower cost-income ratio over the past few quarters. Costs are likely to rise on the back of increasing wage and rental costs, however, we expect cost-income ratios to be maintained at near 47% as income growth is also likely to gather momentum. We expect this trend of better productivity gains to continue for the next few quarters and drive earnings growth for HDFC Bank.

**Operating efficiency has increased considerable post the CBoP merger**  
 Operational costs-to-average assets, March fiscal year-ends, 2006-2011E (%)



Source: Company, Kotak Institutional Equities

**HDFC Bank is trading near the lower end of its valuation band**  
 Rolling P/B (x) for HDFC Bank: Jan 2005 – Feb 2010



Source: Bloomberg, Kotak Institutional Equities

**HDFC Bank growth rates and key ratios**  
March fiscal year-ends, 2008-2012E (%)

	2008	2009	2010E	2011E	2012E
<b>Growth rates (%)</b>					
Net loan	35.1	55.9	22.2	24.8	22.1
Total Asset	46.0	37.6	14.0	16.2	15.2
Deposits	47.5	41.7	14.7	18.0	16.6
Current	45.2	(1.1)	26.7	7.3	10.8
Savings	33.5	73.3	(1.0)	22.9	18.9
Fixed	58.7	33.5	40.8	18.0	16.6
Net interest income	48.7	34.5	14.7	20.6	18.3
Loan loss provisions	41.2	42.0	24.1	(4.9)	(1.4)
Total other income	50.4	44.2	18.1	9.6	16.3
Net fee income	32.7	43.3	16.8	15.2	15.0
Net capital gains	(453.4)	58.2	4.6	(37.5)	40.0
Net exchange gains	48.7	111.4	(5.0)	12.0	14.0
Operating expenses	54.7	47.7	5.5	19.2	16.6
Employee expenses	67.5	72.0	6.2	25.9	19.3
<b>Key ratios (%)</b>					
Yield on average earning assets	9.7	10.8	8.8	9.0	9.2
Yield on average loans	12.6	15.0	11.5	11.2	11.2
Yield on average investments	7.9	7.4	6.2	6.3	6.3
Average cost of funds	5.2	6.7	4.9	4.8	4.9
Interest on deposits	5.2	6.6	4.7	4.6	4.7
<b>Difference</b>	<b>4.6</b>	<b>4.1</b>	<b>3.9</b>	<b>4.1</b>	<b>4.2</b>
Net interest income/earning assets	5.1	4.9	4.5	4.7	4.8
New provisions/average net loans	2.2	2.1	2.0	1.5	1.2
Interest income/total income	70.7	69.3	68.6	70.7	71.0
Fee income to total income	22.0	22.9	23.1	22.8	22.2
Operating expenses/total income	48.0	51.7	47.1	47.9	47.5
Tax rate	30.3	32.0	32.5	30.0	30.0
Share of deposits					
Current	28.5	19.9	22.0	20.0	19.0
Fixed	45.5	55.6	48.0	50.0	51.0
Savings	26.0	24.4	30.0	30.0	30.0
Loans-to-deposit ratio	62.9	69.2	73.7	77.9	81.6
Equity/assets (EoY)	8.6	8.2	10.2	10.0	10.1
<b>Dupont analysis (%)</b>					
Net interest income	4.7	4.7	4.3	4.5	4.6
Loan loss provisions	1.1	1.1	1.1	0.9	0.8
Net other income	2.0	2.1	2.0	1.9	1.9
Operating expenses	3.6	3.6	3.0	3.1	3.1
Invt. depreciation	0.0	0.0	0.0	0.0	0.0
(1- tax rate)	69.7	68.0	67.5	70.0	70.0
ROA	1.4	1.4	1.5	1.7	1.9
Average assets/average equity	12.5	11.9	10.8	9.9	10.0
ROE	17.7	16.9	16.1	16.7	18.6

Source: Company, Kotak Institutional Equities estimates

HDFC Bank P&L and balance sheet  
March fiscal year-ends, 2008-2012E (Rs mn)

	2008	2009	2010E	2011E	2012E
<b>Income statement (Rs mn)</b>					
<b>Total interest income</b>	<b>104,034</b>	<b>163,323</b>	<b>165,818</b>	<b>195,281</b>	<b>232,263</b>
Loans	69,667	121,368	125,854	152,226	188,073
Investments	31,604	40,080	38,766	42,287	43,330
Cash and deposits	2,762	1,876	1,199	768	861
<b>Total interest expense</b>	<b>48,871</b>	<b>89,111</b>	<b>80,710</b>	<b>92,665</b>	<b>110,876</b>
Deposits from customers	43,827	80,155	72,365	82,933	99,469
<b>Net interest income</b>	<b>55,163</b>	<b>74,212</b>	<b>85,108</b>	<b>102,616</b>	<b>121,387</b>
Loan loss provisions	12,160	17,263	21,418	20,363	20,088
<b>Net interest income (after prov.)</b>	<b>43,002</b>	<b>56,949</b>	<b>63,690</b>	<b>82,253</b>	<b>101,300</b>
Other income	22,825	32,906	38,878	42,621	49,585
Net fee income	17,145	24,573	28,692	33,052	38,024
Net capital gains	2,418	3,826	4,000	2,500	3,500
Net exchange gains	2,831	5,986	5,687	6,369	7,261
Operating expenses	37,456	55,328	58,358	69,583	81,137
Employee expenses	13,014	22,382	23,776	29,933	35,703
Depreciation on investments	2,884	—	—	—	—
Other Provisions	2,683	1,528	800	800	200
Pretax income	22,811	32,999	43,410	54,492	69,548
Tax provisions	6,909	10,549	14,108	16,347	20,864
<b>Net Profit</b>	<b>15,902</b>	<b>22,449</b>	<b>29,302</b>	<b>38,144</b>	<b>48,683</b>
% growth	39.3	41.2	30.5	30.2	27.6
<b>PBT+provision-treasury gains</b>	<b>35,229</b>	<b>47,964</b>	<b>61,629</b>	<b>73,154</b>	<b>86,335</b>
% growth	33.8	36.1	28.5	18.7	18.0
<b>Balance sheet (Rs mn)</b>					
Cash and bank balance	147,783	175,066	144,768	162,580	181,642
Cash	9,401	15,862	18,241	20,065	22,072
Balance with RBI	116,131	119,410	86,733	102,721	119,776
Balance with banks	9,949	9,051	9,051	9,051	9,051
Net value of investments	493,933	588,252	661,473	680,449	694,760
Govt. and other securities	316,656	521,566	594,787	613,763	628,075
Shares	345	397	397	397	397
Debentures and bonds	62,517	19,428	19,428	19,428	19,428
Net loans and advances	634,269	988,830	1,207,914	1,507,135	1,840,834
<b>Fixed assets</b>	<b>11,751</b>	<b>16,989</b>	<b>10,245</b>	<b>10,136</b>	<b>9,547</b>
Net leased assets	—	—	—	—	—
Net Owned assets	11,751	16,989	10,245	10,136	9,547
Other assets	44,027	63,568	64,987	66,547	68,263
<b>Total assets</b>	<b>1,331,764</b>	<b>1,832,706</b>	<b>2,089,386</b>	<b>2,426,847</b>	<b>2,795,046</b>
Deposits	1,007,686	1,428,116	1,638,550	1,933,937	2,254,765
Borrowings and bills payable	108,852	120,860	117,582	141,957	162,225
Other liabilities	100,256	133,204	119,884	107,895	97,106
<b>Total liabilities</b>	<b>1,216,794</b>	<b>1,682,180</b>	<b>1,876,017</b>	<b>2,183,789</b>	<b>2,514,097</b>
Paid-up capital	3,544	4,254	4,521	4,521	4,521
Reserves & surplus	111,428	146,219	208,849	238,537	276,429
<b>Total shareholders' equity</b>	<b>114,972</b>	<b>150,473</b>	<b>213,370</b>	<b>243,058</b>	<b>280,949</b>

Source: Company, Kotak Institutional Equities estimates

FEBRUARY 11, 2010

UPDATE

BSE-30: 15,922

**RBI's 'base rate' proposal likely to increase transparency and reduce return fluctuations.** RBI's draft circular on base rates for banks seeks to replace the prevailing BPLR system. We see a better credit pricing environment led by key recommendations, primarily (1) greater transparency in pricing of loans, (2) less leeway for banks to lend below their benchmark rates and (3) greater deregulation of interest rates. We believe this is likely to reduce fluctuations in the reported NIM of banks over a period of time.

#### RBI seeks to alter the credit pricing environment.

RBI's draft guidelines on replacing the existing benchmark prime lending rate (BPLR) with the base rate system has suggested measures to improve the monetary transmission mechanism in the country and make credit pricing more transparent.. Key likely implications

- ▶ **Market rates to respond faster to monetary policy.** We believe the base rate concept would result in swifter changes in market interest rates and banks would be forced to review their interest rates quickly while lowering- and while increasing lending rates.
- ▶ **Reduce competitive pressures to grow balance sheet—positive for public banks.** We believe many banks resort to offering lower interest rates in order to grow their balance sheets at quarter/year ends. The base rate system would mean that banks will not be able to offer loans below their overall costs, which include deposit costs, negative carry on SLR and CRR, operating costs and credit costs and also targeted returns. Thus, the competitive pressures to increase balance sheets are likely to reduce and credit pricing, especially for top rated companies, is likely to be rational in the market place.
- ▶ **Private banks may see a sharper reduction in their base rate from their current PLR.** We believe private banks are likely to see a sharper reduction in the base rate from the current PLR as their PLRs are higher than public banks. In the medium term, this could result in private banks (primarily Axis and HDFC Bank) having lower base rates than many smaller public banks (mainly on account of their higher CASA ratios). However, these banks can charge a higher differential over their base rate thereby earning higher their targeted RoEs.
- ▶ **Await clarity from RBI / bankers.** The base rate system is likely to enhance transparency, however, we await more clarity on certain assumptions like (1) perception of credit quality may be different for various banks and could change arbitrarily at times—this could result in large pricing differences; banks do not have sufficient credit history to workout the optimum credit spreads in a scientific manner, (2) differentiating on many costs might be difficult, especially for public banks and their MIS systems might be tested for this, (3) the role of trading gains and fee income in order to achieve the targeted RoEs is not clear..

### Highlights of the draft guidelines

- (1) Banks to declare their base rates after factoring the base costs which are common to all categories of borrowers. This rate is expected to include the following elements: (a) interest rate on total deposit costs (b) adjustment for negative carry on CRR and SLR, (c) un-allocatable operating expenses and (d) target RoE.
- (2) The individual borrower rates are supposed to include the specific operating expenses, credit risk premium and premium to account for the tenure of the loans.
- (3) The new system of credit pricing would be applicable for all new loans and all loans that would come up for renewal. However, banks and borrowers are given the leeway to renegotiate their terms of agreement if they decide.
- (4) Interest rate regulations on loans less than Rs0.2 mn have also been proposed to be deregulated, wherein the ceiling currently is BPLR. RBI is likely to provide more clarity on export credit and few other priority sector loans where the rates are currently fixed.
- (5) Banks would need to review their base rates at least once a quarter and widely disseminate this information. The final proposals are expected to be issued after receiving feedback from market participants.



FEBRUARY 10, 2010

UPDATE

BSE-30: 15,922

**Auto tracker: Period under review—January 2010.** Passenger vehicle sales touched all-time highs at over 160,000 units for January. Maruti is operating close to its stretch capacity utilization of 115%. Ashok Leyland saw its volumes bounce back 36% from December and seems to be on track to do over 25,000 units in 4QFY10E. CV volumes are expected to hit close to peak levels in the quarter on pre-buy. 2-wheeler volumes were up 10% for the industry from December, in line with seasonal trends.

### Mahindra achieves a 7% share of scooter market in 10 months; plans expansion into motorcycles

2-wheeler sales increased 9% sequentially in January, in line with seasonal trends. Hero Honda's volumes were up 4% sequentially and came in slightly stronger than expected. Bajaj's domestic motorcycle volumes also grew at a stronger-than-expected 22% rate from December. HMSI volumes were stable at 110,000 units in January and the company seems to have started shipping its 110cc bikes to dealers. Mahindra Two-wheelers Ltd volumes crossed 10,000 units for the month and share is now at 7% levels. The company plans to expand its product portfolio to motorcycles. Hero Honda's motorcycle share declined 900 bps yoy and 310 bps sequentially while Bajaj gained 13% points of share yoy against some very easy comparisons.

### Domestic passenger car sales grew 27% mom as Maruti replenished low dealer inventory

Industry car sales grew 34% yoy. Volumes were up 27% mom, in line with past seasonal trends. Maruti saw its share decline 500 bps on a yoy and sequential basis as the company's domestic volumes grew 21%. Tata Motors saw strong sequential sales growth of 60% in the passenger car segment on the back of new products. Tata Motors gained 210 bps of share on a yoy basis, with bulk of the share gains coming from the mid-size segment, where the company launched the Manza.

### CV industry volumes grow 10% sequentially while Ashok Leyland sequential growth at 36%

Industry CV sales were up 10% from December and seems to be reflecting pre-buy demand. We expect CV volumes to pick up further in the seasonally strong 4Q and we could see volume run-rate touch the highs seen in FY2007-08. Tata Motors' CV market share declined to below 60% in January. In the LCV market, Tata Motors' market share is down to the 55% range from over 60% share in 1HFY10. New alternate products from the likes of Mahindra seem to be taking share away from the Ace and this trend could continue going forward.

### 3QFY10 earnings mixed with divergent trends on margins; volume-wise, all eyes are on the budget

We started to see raw material cost pressures building up on most companies and margins starting to trend down. Maruti, Hero Honda and Bajaj bucked the margin trend on the back of operating leverage, nevertheless, we expect commodity costs to bite deeper into margins depending on the timing of contracts. As a result, we continue to believe earnings growth in FY2011E would trail volume growth given margin pressures. On the subject of volume growth, all eyes are on the budget, with respect to excise duty rates. We believe a 2% point increase is largely expected. We don't expect to see difficulty in passing on the increase but this could impact demand at the margin. We remain selective and prefer Bajaj Auto over Hero Honda in the 2-wheeler universe. We see a lot more headwinds for Maruti—excise increase, competition, weak export markets and appreciating yen—and prefer M&M instead. We like CV manufacturers as we expect CV sales to remain strong on good industrial production trends, emission-related pre-buy and low penetration in the LCV space.

## Automobile Industry Summary: January 2010

	YOY			MOM			YTD		
	Jan-10	Jan-09	% chg yoy	Jan-10	Dec-09	% chg mom	FY2010	FY2009	% chg yoy
<b>Industry: domestic sales (units)</b>									
Scooters	139,016	96,017	44.8	139,016	127,597	8.9	1,157,916	960,976	20.5
Motorcycles	650,633	452,809	43.7	650,633	592,596	9.8	5,990,371	4,818,509	24.3
Mopeds	44,734	31,641	41.4	44,734	47,603	(6.0)	462,187	350,868	31.7
<b>Total two-wheelers</b>	<b>834,383</b>	<b>581,729</b>	<b>43.4</b>	<b>834,383</b>	<b>767,796</b>	<b>8.7</b>	<b>7,613,475</b>	<b>6,152,771</b>	<b>23.7</b>
<b>Three-wheelers</b>	<b>38,722</b>	<b>26,435</b>	<b>46.5</b>	<b>38,722</b>	<b>34,993</b>	<b>10.7</b>	<b>360,470</b>	<b>286,646</b>	<b>25.8</b>
M&HCVs	25,998	8,727	197.9	25,998	24,037	8.2	181,917	152,164	19.6
LCVs	27,449	14,427	90.3	27,449	24,577	11.7	224,087	160,133	39.9
<b>Total CVs</b>	<b>53,447</b>	<b>23,154</b>	<b>130.8</b>	<b>53,447</b>	<b>48,614</b>	<b>9.9</b>	<b>406,004</b>	<b>312,297</b>	<b>30.0</b>
Passenger cars	161,485	120,493	34.0	161,485	127,433	26.7	1,336,341	1,062,605	25.8
Utility vehicles	26,120	16,887	54.7	26,120	21,664	20.6	219,086	179,841	21.8
<b>Company: domestic sales (units)</b>									
Hero Honda: motorcycles	366,050	295,241	24.0	366,050	351,953	4.0	3,562,555	2,850,694	25.0
Bajaj Auto: motorcycles	179,212	66,207	170.7	179,212	146,262	22.5	1,411,259	1,093,007	29.1
Bajaj Auto: three-wheelers	15,001	11,625	29.0	15,001	14,228	5.4	146,529	109,457	33.9
TVS Motor: motorcycles	39,654	30,271	31.0	39,654	34,141	16.1	400,028	384,055	4.2
Maruti: passenger cars	80,952	66,819	21.2	80,952	70,741	14.4	703,518	572,104	23.0
Tata Motors: passenger cars	27,364	17,840	53.4	27,364	17,021	60.8	194,299	149,593	29.9
Tata Motors: M&HCVs	15,702	5,811	170.2	15,702	15,302	2.6	116,392	93,437	24.6
Tata Motors: LCVs	15,419	8,897	73.3	15,419	14,008	10.1	133,273	94,944	40.4
Ashok Leyland: M&HCVs	7,380	1,977	273.3	7,380	5,439	35.7	40,940	40,110	2.1
M&M: utility vehicles	14,425	9,748	48.0	14,425	11,872	21.5	123,579	81,814	51.0
<b>Domestic market shares (%)</b>									
Hero Honda: motorcycles	56.3	65.2	(8.9)	56.3	59.4	(3.1)	59.5	59.2	0.3
Bajaj Auto: motorcycles	27.5	14.6	12.9	27.5	24.7	2.9	23.6	22.7	0.9
Bajaj Auto: three-wheelers	38.7	44.0	(5.2)	38.7	40.7	(1.9)	40.6	38.2	2.5
TVS Motor: motorcycles	6.1	6.7	(0.6)	6.1	5.8	0.3	6.7	8.0	(1.3)
Maruti: passenger cars	50.1	55.5	(5.3)	50.1	55.5	(5.4)	52.6	53.8	(1.2)
Tata Motors: passenger cars	16.9	14.8	2.1	16.9	13.4	3.6	14.5	14.1	0.5
Tata Motors: M&HCVs	60.4	66.6	(6.2)	60.4	63.7	(3.3)	64.0	61.4	2.6
Tata Motors: LCVs	56.2	61.7	(5.5)	56.2	57.0	(0.8)	59.5	59.3	0.2
Ashok Leyland: M&HCVs	28.4	22.7	5.7	28.4	22.6	5.8	22.5	26.4	(3.9)
M&M: utility vehicles	55.2	57.7	(2.5)	55.2	54.8	0.4	56.4	45.5	10.9

Source: SIAM, Kotak Institutional Equities estimates

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

Company	10-Feb-10		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)		EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target				
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
<b>Automobiles</b>																														
Ashok Leyland	50	ADD	66,317	1,430	1,330	1.5	3.1	3.9	(57.8)	105.8	24.5	32.6	15.8	12.7	17.8	10.8	8.4	1.8	1.6	1.5	2.0	2.0	2.0	6.2	12.1	12.4	55	10.3	5.8	
Bajaj Auto	1,773	BUY	256,553	5,534	145	45.2	110.0	133.6	(13.4)	143.1	21.5	39.2	16.1	13.3	20.6	10.0	8.8	13.7	8.3	5.5	1.1	1.1	1.1	37.7	63.7	49.3	1,875	5.7	9.9	
Hero Honda	1,631	REDUCE	325,641	7,024	200	64.2	107.4	116.0	32.4	67.3	8.0	25.4	15.2	14.1	15.1	9.3	8.1	8.3	5.8	4.4	1.2	1.3	1.3	36.4	45.1	35.8	1,625	(0.3)	18.5	
Mahindra & Mahindra	958	ADD	282,466	6,093	295	30.0	64.5	73.8	(19.8)	114.8	14.4	31.9	14.9	13.0	22.5	9.7	8.7	5.4	3.6	2.8	1.0	1.0	1.0	17.4	30.0	24.2	1,250	30.4	25.0	
Maruti Suzuki	1,334	REDUCE	385,497	8,315	289	42.2	85.1	90.3	(29.6)	101.7	6.1	31.6	15.7	14.8	18.8	8.7	7.9	4.1	3.2	2.7	0.3	0.4	0.4	13.5	23.0	19.8	1,350	1.2	28.5	
Tata Motors	670	ADD	382,572	8,252	571	10.0	26.2	30.1	(78.2)	161.0	15.0	66.8	25.6	22.3	24.6	13.6	11.9	2.9	2.2	2.0	0.8	0.9	0.9	9.1	14.4	11.6	810	20.9	66.8	
<b>Automobiles</b>		<b>Cautious</b>	<b>1,699,046</b>	<b>36,649</b>					<b>(30.7)</b>	<b>114.4</b>	<b>13.1</b>	<b>36.4</b>	<b>17.0</b>	<b>15.0</b>	<b>20.1</b>	<b>10.5</b>	<b>9.2</b>	<b>4.5</b>	<b>3.4</b>	<b>2.8</b>	<b>0.9</b>	<b>1.0</b>	<b>1.0</b>	<b>12.4</b>	<b>20.2</b>	<b>18.8</b>				
<b>Banks/Financial Institutions</b>																														
Andhra Bank	100	BUY	48,718	1,051	485	13.5	19.4	14.7	13.5	44.1	(24.4)	7.5	5.2	6.8	—	—	—	1.3	1.1	1.0	4.5	3.9	2.9	18.9	23.5	15.3	125	24.4	3.3	
Axis Bank	1,025	ADD	389,374	8,399	380	50.6	63.3	74.5	56.9	25.1	17.7	20.3	16.2	13.8	—	—	—	3.8	2.4	2.1	0.9	1.2	1.5	19.1	18.4	17.5	1,160	13.2	43.3	
Bank of Baroda	557	BUY	203,709	4,394	366	60.9	75.0	77.2	55.1	23.1	2.9	9.1	7.4	7.2	—	—	—	1.8	1.5	1.3	1.6	2.0	2.0	21.4	22.0	19.1	650	16.6	10.7	
Bank of India	338	REDUCE	177,785	3,835	526	57.2	38.9	47.8	40.7	(32.0)	22.9	5.9	8.7	7.1	—	—	—	1.5	1.3	1.1	2.4	1.6	2.0	29.2	16.2	17.3	360	6.5	6.3	
Canara Bank	382	ADD	156,702	3,380	410	50.5	75.2	69.7	32.4	48.8	(7.3)	7.6	5.1	5.5	—	—	—	1.6	1.2	1.0	2.1	2.1	2.6	18.3	22.8	17.8	470	23.0	6.3	
Corporation Bank	435	BUY	62,453	1,347	143	62.3	71.1	65.0	21.5	14.1	(8.5)	7.0	6.1	6.7	—	—	—	1.3	1.1	1.0	2.9	3.3	3.0	19.6	19.3	15.5	540	24.0	0.6	
Federal Bank	251	BUY	42,981	927	171	29.3	30.6	38.0	(14.8)	4.5	24.1	8.6	8.2	6.6	—	—	—	1.0	0.9	0.8	2.0	2.1	2.6	12.1	11.5	13.0	340	35.3	3.5	
HDFC	2,380	ADD	677,091	14,605	284	80.2	98.5	115.4	(6.4)	22.7	17.2	29.7	24.2	20.6	—	—	—	5.2	4.7	4.1	1.3	1.4	1.7	18.2	19.7	20.3	2,700	13.4	44.2	
HDFC Bank	1,594	BUY	720,378	15,539	452	52.8	64.8	84.4	17.6	22.8	30.2	30.2	24.6	18.9	—	—	—	4.8	3.4	3.0	0.6	0.8	1.0	16.9	16.1	16.7	1,800	13.0	34.6	
ICIICI Bank	800	ADD	890,409	19,206	1,113	33.8	37.3	47.0	(15.4)	10.6	26.0	23.7	21.4	17.9	—	—	—	1.8	1.7	1.6	1.4	1.5	1.9	7.8	8.2	9.8	890	11.3	100.0	
IDFC	142	REDUCE	184,059	3,970	1,295	5.8	8.4	9.1	1.9	45.4	8.0	24.6	16.9	15.6	—	—	—	3.0	2.6	2.3	0.8	1.0	1.1	12.9	16.4	15.6	145	2.0	22.0	
India Infoline	115	BUY	35,763	771	312	5.1	7.7	9.2	(8.7)	50.4	19.2	22.5	14.9	12.5	—	—	—	2.9	2.4	1.9	2.2	2.9	1.9	11.9	17.6	18.7	170	48.2	6.5	
Indian Bank	172	BUY	73,770	1,591	430	28.0	34.2	34.7	24.1	22.4	1.4	6.1	5.0	4.9	—	—	—	1.3	1.1	0.9	2.9	3.4	3.5	22.9	23.3	20.0	230	34.0	3.2	
Indian Overseas Bank	90	BUY	49,141	1,060	545	24.3	22.7	13.3	10.3	(6.9)	(41.1)	3.7	4.0	6.8	—	—	—	0.8	0.7	0.6	5.8	4.2	4.6	22.1	16.1	8.6	150	66.3	3.3	
J&K Bank	622	BUY	30,169	651	48	84.5	105.5	112.3	13.8	24.8	6.4	7.4	5.9	5.5	—	—	—	1.3	1.1	1.0	2.7	3.4	3.6	16.7	18.1	16.9	700	12.5	0.8	
LIC Housing Finance	741	ADD	62,995	1,359	85	62.5	88.6	90.8	37.3	41.7	2.5	11.9	8.4	8.2	—	—	—	3.2	2.4	2.0	1.9	2.6	2.7	26.2	30.1	25.1	925	24.8	18.8	
Mahindra & Mahindra Financial	334	BUY	31,926	689	96	22.4	31.9	37.2	7.5	42.2	16.5	14.9	10.5	9.0	—	—	—	2.3	1.9	1.7	1.7	2.4	2.8	15.4	19.3	19.6	415	24.4	1.6	
Oriental Bank of Commerce	267	REDUCE	66,894	1,443	251	36.1	41.3	47.7	51.4	14.3	15.5	7.4	6.5	5.6	—	—	—	1.1	1.0	0.9	2.7	3.1	3.6	13.7	13.3	14.0	280	4.9	4.4	
PFC	248	SELL	284,532	6,137	1,148	13.3	19.7	21.4	17.4	47.7	8.6	18.6	12.6	11.6	—	—	—	2.6	2.3	2.0	1.6	2.0	2.2	18.9	18.4	17.6	210	(15.3)	4.5	
Punjab National Bank	871	BUY	274,644	5,924	315	98.0	116.3	129.1	50.9	18.7	10.9	8.9	7.5	6.7	—	—	—	2.1	1.7	1.4	2.3	2.7	3.0	25.8	25.2	23.2	1,020	17.1	8.9	
Reliance Capital	751	ADD	184,842	3,987	246	39.3	17.7	17.5	(5.6)	(55.1)	(1.1)	19.1	42.5	43.0	—	—	—	2.7	2.6	2.5	0.8	0.4	0.3	15.3	6.3	5.9	875	16.5	63.0	
Shriram Transport	484	ADD	112,123	2,419	232	30.1	36.6	48.3	56.7	21.6	32.0	16.1	13.2	10.0	—	—	—	5.0	2.9	2.5	0.9	2.3	3.0	29.6	26.5	25.1	500	3.3	2.9	
SREI	62	NR	7,181	155	116	7.0	8.3	7.9	(24.7)	17.8	(4.8)	8.8	7.5	7.8	—	—	—	0.7	0.6	0.6	1.6	1.9	1.9	12.8	11.1	10.5	115	86.2	3.5	
State Bank of India	1,912	BUY	1,213,796	26,182	635	143.7	154.8	174.4	34.8	7.7	12.7	13.3	12.4	11.0	—	—	—	2.1	1.9	1.6	1.5	1.6	1.7	17.1	15.9	15.8	2,400	25.5	122.9	
Union Bank	250	BUY	126,279	2,724	505	34.2	37.9	38.7	24.5	11.0	2.0	7.3	6.6	6.5	—	—	—	1.8	1.5	1.2	2.0	2.2	2.3	27.2	24.4	20.7	310	24.0	4.0	
<b>Banks/Financial Institutions</b>		<b>Attractive</b>	<b>6,305,493</b>	<b>136,011</b>					<b>27.0</b>	<b>15.3</b>	<b>10.8</b>	<b>14.5</b>	<b>12.6</b>	<b>11.3</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2.3</b>	<b>2.0</b>	<b>1.8</b>	<b>1.5</b>	<b>1.6</b>	<b>1.9</b>	<b>16.1</b>	<b>15.8</b>	<b>15.5</b>				
<b>Cement</b>																														
ACC	870	REDUCE	163,437	3,525	188	56.3	83.2	53.2	(12.2)	47.9	(36.1)	15.5	10.5	16.4	7.8	5.6	7.2	3.1	2.6	2.3	2.7	2.7	2.7	24.7	29.3	17.1	800	(8.0)	10.9	
Ambuja Cements	104	REDUCE	158,175	3,412	1,522	7.2	8.0	6.9	(5.0)	11.4	(13.5)	14.5	13.0	15.0	7.8	7.2	7.6	2.6	2.3	2.1	2.9	1.8	2.1	19.7	19.3	14.7	92	(11.5)	6.3	
Grasim Industries	2,702	REDUCE	247,719	5,343	92	238.6	297.3	289.2	(16.2)	24.6	(2.7)	11.3	9.1	9.3	6.5	4.8	4.7	2.1	1.8	1.5	1.2	1.2	1.3	21.1	21.4	17.6	2,500	(7.5)	10.7	
India Cements	120	REDUCE	33,835	730	282	17.8	13.7	12.4	n/a	(23.1)	(9.1)	6.7	8.8	9.6	4.9	5.2	5.4	0.9	0.8	0.8	1.5	1.8	2.7	14.8	10.5	9.0	100	(15.6)	5.7	
Shree Cement	1,963	BUY	68,399	1,475	35	174.8	267.3	228.9	93.8	52.9	(14.4)	11.2	7.3	8.6	7.4	4.5	4.1	5.7	3.2	2.4	0.5	0.5	0.5	65.7	56.1	31.8	2,400	22.2	0.9	
UltraTech Cement	985	REDUCE	122,598	2,644	124	78.8	90.1	64.5	(3.1)	14.3	(28.4)	12.5	10.9	15.3	7.3	6.0														

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

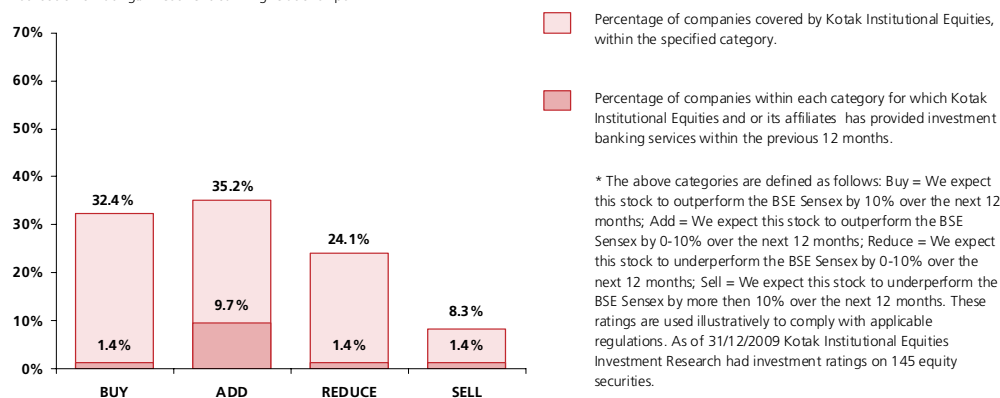
Company	10-Feb-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E				
<b>Energy</b>																														
Bharat Petroleum	573	RS	187,759	4,050	328	20.6	58.1	61.7	(50.1)	181.9	6.2	27.8	9.9	9.3	5.6	4.8	4.3	1.4	1.3	1.2	1.3	4.5	4.8	5.3	14.1	13.7	—	—	9.4	
Cairn India	260	REDUCE	492,849	10,631	1,897	4.3	6.0	20.9	—	41	245.8	61	43	12.4	42.4	33.8	9.8	1.5	1.4	1.4	—	—	7.7	2.5	3.4	11.5	265	2.0	16.9	
Castrol India (a)	663	ADD	82,010	1,769	124	21.3	33.2	40.4	20.8	55.7	21.7	31.1	20.0	16.4	18.0	12.1	9.9	18.3	16.2	13.1	2.3	3.6	3.9	61.2	85.8	88.3	625	(5.8)	1.2	
GAIL (India)	408	REDUCE	517,540	11,163	1,268	22.2	22.7	23.5	8.7	2.3	3.7	18.4	18.0	17.4	10.0	10.5	10.9	3.2	2.9	2.6	1.7	2.0	2.0	17.5	15.9	15.0	370	(9.3)	16.7	
GSPL	90	REDUCE	50,766	1,095	563	2.2	7.5	12.4	21.9	241.9	64.6	6.1	11.1	12.0	7.3	13.6	6.5	4.1	3.8	3.1	2.6	0.8	2.8	6.9	9.6	28.7	38.9	95	5.3	8.7
Hindustan Petroleum	349	RS	118,264	2,551	339	17.0	46.3	49.7	(49.3)	173.1	7.2	20.6	7.5	7.0	3.1	2.6	2.3	1.0	0.9	0.9	1.5	7.5	8.0	4.4	11.2	11.4	—	—	9.5	
Indian Oil Corporation	316	RS	749,217	16,161	2,372	9.8	33.0	32.1	(67.9)	235.4	(2.7)	32.1	9.6	9.8	8.6	5.9	5.0	1.6	1.4	1.2	1.2	2.1	2.0	4.8	15.3	13.1	—	—	6.3	
Oil India	1,167	ADD	265,131	5,719	227	10.1	110.5	111.7	—	9.2	1.1	11.5	10.6	10.4	5.3	3.8	3.2	2.6	1.8	1.6	2.5	3.2	3.4	20.1	16.3	15.6	1,150	(1.4)	—	
Oil & Natural Gas Corporation	1,087	ADD	2,324,970	50,150	2,139	90.8	90.1	107.8	(2.1)	(0.8)	19.7	12.0	12.1	10.1	4.5	4.3	3.6	1.9	1.8	1.6	2.9	3.3	4.0	16.6	14.4	15.8	1,200	10.4	24.5	
Petronet LNG	71	ADD	53,588	1,156	750	6.9	5.3	8.1	—	(22.7)	51.2	10.3	13.4	8.8	7.4	8.1	5.8	2.4	2.1	1.7	2.4	2.1	2.8	23.9	15.8	20.5	90	26.0	4.7	
Reliance Industries	985	SELL	2,873,537	61,983	2,917	50.6	48.0	68.7	(3.7)	(5.2)	43.3	19.5	20.5	14.3	13.0	9.9	7.2	2.1	1.8	1.6	0.7	0.7	0.9	13.6	10.6	13.3	950	(3.6)	159.8	
<b>Energy Cautious 7,715,631 166,429 (9.5) 20.9 26.9 17.2 14.2 11.3 7.9 6.7 5.4 2.0 1.7 1.6 1.6 2.0 2.8 11.4 12.2 14.2</b>																														
<b>Industrials</b>																														
ABB	790	REDUCE	167,387	3,611	212	25.8	21.6	30.4	11.3	(16.6)	41.3	30.6	36.6	25.9	18.1	20.6	14.7	7.9	6.7	5.5	0.3	0.4	0.4	29.2	19.8	23.3	720	(8.8)	6.2	
BGR Energy Systems	515	ADD	37,098	800	72	16.0	21.0	29.7	32.2	31.2	41.0	32.1	24.5	17.4	18.2	13.5	10.4	6.6	5.4	4.3	0.6	0.7	1.0	22.3	24.3	27.7	500	(3.0)	2.4	
Bharat Electronics	1,975	REDUCE	158,000	3,408	80	103.8	117.7	126.2	1.8	13.4	7.2	19.0	16.8	15.6	10.0	8.3	7.4	4.0	3.4	2.9	0.9	1.3	1.3	20.7	22.0	20.1	1,870	(5.3)	3.5	
Bharat Heavy Electricals	2,303	ADD	1,127,511	24,321	490	63.9	92.0	115.8	9.4	44.1	25.8	36.1	25.0	19.9	19.7	13.9	10.8	8.7	6.9	5.5	0.7	0.9	1.1	26.4	30.8	30.7	2,500	8.5	40.7	
Crompton Greaves	418	BUY	153,385	3,309	367	15.3	20.7	23.7	37.3	35.2	14.1	27.3	20.2	17.7	14.5	11.1	9.5	8.3	6.2	4.8	0.5	0.6	0.7	35.6	35.1	30.4	450	7.6	6.6	
Larsen & Toubro	1,436	BUY	863,137	18,618	601	50.1	53.7	64.5	32.1	7.2	20.2	28.7	26.7	22.3	18.7	14.9	12.7	5.7	3.9	3.3	0.7	0.8	0.8	21.7	17.4	16.3	1,700	18.4	61.4	
Maharashtra Seamless	358	BUY	25,225	544	71	35.9	40.2	41.1	22.2	12.0	2.3	10.0	8.9	8.7	5.7	4.6	4.2	1.9	1.6	1.4	1.5	1.7	2.1	20.3	19.2	16.9	400	11.8	1.3	
Siemens	639	REDUCE	215,513	4,649	337	14.2	16.1	24.6	(22.2)	13.5	52.7	45.1	39.7	26.0	22.0	19.1	15.2	9.5	7.8	6.4	0.5	0.8	0.8	23.3	21.6	27.0	635	(0.7)	8.2	
Suzlon Energy	73	REDUCE	122,433	2,641	1,679	7.2	(2.4)	2.6	9.9	(133.1)	(210.5)	10.1	(30.5)	27.6	7.4	12.6	8.2	1.2	1.1	1.0	—	—	0.3	11.5	(3.6)	3.8	80	9.7	78.4	
Voltas	163	BUY	53,877	1,162	331	6.9	9.4	10.3	29.8	36.2	9.0	23.6	17.3	15.9	12.9	9.4	8.3	6.7	5.3	4.3	1.0	1.6	1.7	33.0	34.1	29.8	185	13.6	5.4	
<b>Industrials Attractive 2,923,566 63,062 13.5 6.4 31.8 28.9 27.1 20.6 16.0 13.7 11.0 5.7 4.5 3.8 0.7 0.8 0.9 19.7 16.5 18.4</b>																														
<b>Infrastructure</b>																														
GMR Infrastructure	55	ADD	101,494	2,189	1,834	0.8	0.5	0.5	(33.5)	(35.2)	(4.0)	72.1	111.3	115.9	17.2	12.3	9.2	1.2	1.0	0.9	—	—	—	4.4	2.8	2.6	68	22.9	8.0	
GVK Power & Infrastructure	44	ADD	69,090	1,490	1,579	0.8	0.8	1.0	(20.6)	2.5	34.2	57.4	56.0	41.7	52.2	18.4	16.8	3.0	2.2	2.1	—	—	0.7	4.8	4.5	5.1	50	14.3	12.8	
IRB Infrastructure	255	ADD	84,836	1,830	332	5.3	10.6	13.5	54.3	101.2	27.0	48.2	24.0	18.9	23.9	12.2	10.9	4.6	3.6	2.8	0.5	—	—	10.1	17.0	16.6	200	(21.6)	6.7	
Mundra Port and SEZ	640	BUY	258,355	5,573	403	10.7	15.1	24.1	105.6	40.8	59.5	59.7	42.4	26.6	35.1	27.6	17.7	8.8	7.1	5.5	1.8	0.5	—	—	15.5	18.5	23.2	725	13.2	6.1
<b>Infrastructure Attractive 513,775 11,082 48.6 27.5 38.8 51.6 40.5 29.2 26.9 17.1 13.0 3.3 2.7 2.3 (0.2) — 0.1 6.5 6.6 8.0</b>																														
<b>Media</b>																														
DishTV	42	REDUCE	44,344	957	1,063	(6.6)	(2.5)	(1.1)	(31.9)	(61.6)	(57.6)	(6.3)	(16.5)	(39.0)	(40.1)	64.6	19.6	(7.1)	10.9	15.1	—	—	—	83.9	248.6	NA	38	(8.9)	6.5	
HT Media	146	NR	34,416	742	235	0.8	5.7	7.3	(80.5)	572.1	29.5	173.5	25.8	19.9	39.1	12.4	10.5	4.0	3.6	3.2	0.2	0.7	1.4	2.3	14.6	17.0	—	—	0.7	
Jagran Prakashan	128	ADD	38,565	832	301	3.0	5.9	6.6	(6.6)	92.8	13.2	42.1	21.8	19.3	24.0	13.2	11.3	6.9	6.3	5.7	1.6	2.7	3.1	16.7	30.1	31.1	130	1.5	0.7	
Sun TV Network	371	REDUCE	146,066	3,151	394	9.1	12.1	14.6	9.5	32.7	20.8	40.8	30.8	25.5	21.7	17.7	14.3	8.3	7.1	6.2	0.7	1.1	1.6	22.5	25.3	26.3	295	(20.4)	3.8	
Zee Entertainment Enterprises	262	REDUCE	113,730	2,453	434	8.4	10.3	12.7	(4.8)	22.2	22.9	31.0	25.4	20.7	21.5	18.5	14.5	3.3	3.0	2.7	0.8	1.0	1.2	11.8	12.6	14.1	235	(10.3)	6.5	
Zee News	59	NR	14,208	306	240	1.9	2.4	2.9	20.4	28.2	20.0	31.8	24.8	20.7	15.5	12.1	10.3	5.8	4.8	4.1	0.7	0.7	1.2	20.1	21.8	22.0	—	—	1.3	
<b>Media Neutral 391,328 8,441 (21.0) 141.4 42.0 92.4 38.3 27.0 28.4 17.9 13.8 6.2 4.8 4.4 0.7 1.0 1.4 6.7 12.5 16.3</b>																														
<b>Metals</b>																														
Hindalco Industries	137	ADD	260,899	5,628	1,911	2.8	5.4	14.6	(77.9)	95.0	170.5	49.3	25.3	9.3	14.6	8.7	6.6	1.4	0.8	0.7	—	—	—	9.6	6.5	9.4	160	17.2	43.7	
National Aluminium Co.	363	SELL	234,110	5,050	644	19.7	10.1	28.0	(22.0)	(49.0)	178.6	18.4	36.1	13.0	8.9	15.5	6.0	2.3	2.1	1.9	1.4	0.6	0.6	12.8	6.1	15.4	320	(11.9)	7.1	
Jindal Steel and Power	603	SELL	559,116	12,060	928	32.8	40.6	47.0	139.1	23.7	15.9	18.4	14.8	12.8	12.2	9.5	7.7	7.2	4.8	3.5	0.2	0.2	0.2	50.9	39.2	31.8	530	(12.0)	55.3	
JSW Steel	961	SELL	179,660	3,875	187	14.7	68.1	93.7	(83.2)	363.6	37.5	65.4	14.1	10.3	11.5	7.8	6.9	2.0	1.6	1.2	0.1	0.3	0.5	11.7	12.4	13.3	850	(11.5)	66.1	
Hindustan Zinc	1,042	BUY	440,173	9,495	423	64.6	93.5	105.4	(38.0)	44.8	12.8	16.1	11.1	9.9	12.6	7.3	5.3	3.0	2.3	1.9	0.4	0.5	0.5	20.2	23.5	21.3	1,400	34.4	16.8	
Sesa Goa	368	REDUCE	326,076	7,034	887	25.3	25.9	38.9	29.0	2.5	50.5	14.6	14.2	9.4	12.8	11.7	6.8	6.8	4.4	3.1	0.6	0.9	0.9	46.6	32.8	33.8	350	(4.8)	51.2	
Sterlite Industries	764	ADD	641,948	13,847	840	46.8	44.9	54.2	(25.8)	(4.0)	20.7	16.3	17.0	14.1	12.0	9.2	7.0	2.4	1.8	1.6	—	—	—	14.0	11.0	11.9	850	11.3	42.6	

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

Company	10-Feb-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)	Rating	(Rs mn)	(US\$ mn)		2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
<b>Retail</b>																														
Titan Industries	1,724	REDUCE	76,512	1,650	44	44.3	60.4	68.1	26.4	36.3	12.7	38.9	28.5	25.3	23.3	19.6	16.6	13.3	9.6	7.4	0.6	0.6	0.7	37.5	39.1	32.9	1,300	(24.6)	2.6	
<b>Retail</b>		<b>Neutral</b>	<b>76,512</b>	<b>1,650</b>					<b>26.4</b>	<b>36.3</b>	<b>12.7</b>	<b>38.9</b>	<b>28.5</b>	<b>25.3</b>	<b>23.3</b>	<b>19.6</b>	<b>16.6</b>	<b>13.3</b>	<b>9.6</b>	<b>7.4</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>37.5</b>	<b>39.1</b>	<b>32.9</b>	<b>1,300</b>	<b>(24.6)</b>	<b>2.6</b>	
<b>Sugar</b>																														
Bajaj Hindustan	170	SELL	32,502	701	191	(12.6)	(1.0)	23.7	—	(92.1)	(2,471.7)	(13.5)	(170.2)	7.2	38.6	11.9	5.7	2.7	1.6	1.2	0.3	0.3	0.4	(13.1)	(1.2)	19.3	150	(11.7)	23.6	
Balrampur Chini Mills	115	ADD	29,495	636	256	3.1	7.6	14.0	—	147.4	83.5	37.3	15.1	8.2	13.0	8.1	5.2	2.6	2.3	1.9	0.3	—	0.4	7.4	16.2	25.3	140	21.6	11.3	
Shree Renuka Sugars	175	BUY	58,691	1,266	335	4.3	6.9	29.7	23.9	60.4	329.7	40.7	25.4	5.9	25.2	14.3	3.9	6.7	3.6	2.0	0.1	0.5	0.2	17.2	18.4	43.1	260	48.4	20.2	
<b>Sugar</b>		<b>Attractive</b>	<b>120,688</b>	<b>2,603</b>					<b>(25.3)</b>	<b>2,436.2</b>	<b>342.9</b>	<b>750.6</b>	<b>29.6</b>	<b>6.7</b>	<b>23.4</b>	<b>11.5</b>	<b>4.7</b>	<b>3.7</b>	<b>2.4</b>	<b>1.7</b>	<b>0.2</b>	<b>0.4</b>	<b>0.3</b>	<b>0.5</b>	<b>8.2</b>	<b>25.1</b>				
<b>Technology</b>																														
HCL Technologies	348	REDUCE	241,930	5,218	695	17.5	17.8	25.1	14.5	1.7	41.2	19.9	19.6	13.9	11.1	9.9	8.6	4.2	3.8	3.1	2.0	1.1	1.1	20.9	20.6	24.7	350	0.5	10.5	
Hexaware Technologies	74	REDUCE	10,558	228	144	4.1	9.1	9.8	(46.4)	122.1	7.9	17.9	8.1	7.5	6.1	3.2	2.8	1.6	1.4	1.2	0.7	1.4	1.4	8.6	18.2	16.9	80	8.8	1.9	
Infosys Technologies	2,467	BUY	1,416,029	30,544	574	102.4	108.5	124.2	29.6	5.9	14.4	24.1	22.7	19.9	18.1	15.9	12.9	7.8	6.2	5.1	1.0	1.1	1.4	36.7	30.4	28.4	3,000	21.6	63.4	
Mphasis BFL	719	REDUCE	149,915	3,234	208	14.2	43.6	47.6	15.7	207.5	9.2	50.7	16.5	15.1	38.6	13.1	11.6	10.4	6.4	4.6	0.6	0.5	0.6	22.8	48.1	35.5	570	(20.7)	15.2	
Mindtree	566	BUY	23,280	502	41	13.2	49.4	55.1	(50.5)	273.2	11.6	42.7	11.4	10.3	7.3	9.2	6.5	4.2	3.1	2.4	0.3	0.4	1.0	5.5	31.1	26.3	825	45.8	1.9	
Patni Computer Systems	471	REDUCE	60,501	1,305	129	26.8	36.5	41.0	(19.3)	36.1	12.4	17.6	12.9	11.5	9.1	6.8	6.7	2.4	1.9	1.8	0.4	1.6	1.7	16.2	16.0	16.7	410	(12.9)	6.0	
Polaris Software Lab	157	SELL	15,486	334	99	13.2	15.6	16.1	77.3	18.3	3.7	11.9	10.1	9.7	5.2	4.9	4.8	2.0	1.7	1.5	1.8	1.9	2.0	18.2	18.5	16.7	160	2.0	7.0	
TCS	732	BUY	1,433,258	30,916	1,957	26.4	34.5	41.0	3.1	30.6	18.8	27.7	21.2	17.8	19.5	15.7	13.1	9.2	7.0	5.8	1.0	1.2	2.2	36.9	37.5	35.6	900	22.9	38.1	
Wipro	648	ADD	946,937	20,426	1,462	25.7	31.5	37.6	15.8	22.4	19.5	25.2	20.6	17.2	18.5	15.3	12.3	6.3	5.0	4.1	0.6	1.4	1.7	26.9	27.1	26.3	830	28.1	22.3	
<b>Technology</b>		<b>Attractive</b>	<b>4,297,893</b>	<b>92,707</b>					<b>15.3</b>	<b>22.3</b>	<b>17.9</b>	<b>25.3</b>	<b>20.7</b>	<b>17.5</b>	<b>17.7</b>	<b>14.6</b>	<b>12.1</b>	<b>7.1</b>	<b>5.6</b>	<b>4.6</b>	<b>0.9</b>	<b>1.2</b>	<b>1.7</b>	<b>28.1</b>	<b>27.2</b>	<b>26.5</b>				
<b>Telecom</b>																														
Bharti Airtel	315	REDUCE	1,197,194	25,824	3,797	22.3	23.8	20.6	26.4	6.6	(13.5)	14.1	13.2	15.3	8.4	7.7	8.0	3.8	3.0	2.5	0.6	0.9	1.3	31.4	25.3	18.0	300	(4.9)	55.1	
IDEA	57	REDUCE	178,006	3,840	3,104	2.9	2.5	1.2	(26.5)	(13.9)	(51.2)	19.8	23.0	47.0	7.6	7.3	7.8	1.3	1.2	1.2	—	—	—	10.4	5.5	2.8	50	(12.8)	8.4	
MTNL	72	SELL	45,549	983	630	2.4	(15.6)	(10.4)	(66.3)	(750.8)	(33.7)	30.1	(4.6)	(7.0)	(1.5)	0.3	0.3	0.4	0.4	0.4	1.4	—	—	—	1.2	(8.5)	(6.1)	50	(30.8)	3.5
Reliance Communications	169	SELL	347,787	7,502	2,064	31.6	18.5	13.4	19.4	(41.4)	(27.8)	5.3	9.1	12.6	6.7	7.9	8.3	0.8	0.8	0.7	0.5	—	—	18.9	8.9	6.0	150	(11.0)	26.2	
Tata Communications	303	REDUCE	86,227	1,860	285	13.6	14.0	15.2	24.0	3.2	8.2	22.3	21.6	20.0	9.7	8.8	8.1	1.3	1.2	1.2	1.7	2.1	2.5	5.4	5.2	5.5	400	32.2	3.0	
<b>Telecom</b>		<b>Cautious</b>	<b>1,854,763</b>	<b>40,008</b>					<b>16.6</b>	<b>(20.2)</b>	<b>(17.0)</b>	<b>11.0</b>	<b>13.8</b>	<b>16.6</b>	<b>7.7</b>	<b>8.0</b>	<b>8.2</b>	<b>1.7</b>	<b>1.6</b>	<b>1.4</b>	<b>0.6</b>	<b>0.7</b>	<b>0.9</b>	<b>15.8</b>	<b>11.3</b>	<b>8.7</b>				
<b>Transportation</b>																														
Container Corporation	1,244	ADD	161,643	3,487	130	60.9	63.9	76.6	5.5	5.0	19.9	20.4	19.5	16.2	14.8	13.5	11.1	4.3	3.7	3.2	1.1	1.2	1.4	22.8	20.4	21.0	1,250	0.5	1.9	
<b>Transportation</b>		<b>Cautious</b>	<b>161,643</b>	<b>3,487</b>					<b>5.5</b>	<b>5.0</b>	<b>19.9</b>	<b>20.4</b>	<b>19.5</b>	<b>16.2</b>	<b>14.8</b>	<b>13.5</b>	<b>11.1</b>	<b>4.3</b>	<b>3.7</b>	<b>3.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.4</b>	<b>21.0</b>	<b>19.0</b>	<b>19.5</b>				
<b>Utilities</b>																														
CESC	394	ADD	49,237	1,062	125	32.3	33.1	42.8	16.2	2.6	29.5	12.2	11.9	9.2	6.6	6.6	6.3	1.3	1.2	1.0	1.0	1.1	1.4	11.7	10.4	12.0	410	4.0	2.5	
Lanco Infratech	48	BUY	115,560	2,493	2,405	1.5	1.8	3.7	(1.9)	25.4	105.7	33.0	26.4	12.8	19.0	20.6	8.6	5.5	3.4	2.7	—	—	—	16.4	14.7	21.5	58	20.7	18.4	
Reliance Infrastructure	1,054	BUY	238,735	5,150	226	62.7	63.7	68.6	66.7	1.6	7.8	16.8	16.6	15.4	21.1	19.4	15.5	1.4	1.3	1.2	0.7	0.8	0.9	4.9	6.1	7.8	1,250	18.6	44.1	
Reliance Power	141	REDUCE	337,583	7,282	2,397	1.0	2.5	3.1	—	141.5	24.4	138.1	57.2	46.0	—	—	—	2.4	2.3	2.2	—	—	—	1.8	4.2	5.0	160	13.6	9.6	
Tata Power	1,275	ADD	314,738	6,789	247	50.2	57.9	71.9	57.5	15.3	24.3	25.4	22.0	17.7	12.0	13.6	12.4	3.2	2.5	2.2	0.8	0.9	1.1	12.0	12.6	13.2	1,485	16.5	13.2	
<b>Utilities</b>		<b>Attractive</b>	<b>2,709,069</b>	<b>58,435</b>					<b>15.7</b>	<b>15.8</b>	<b>16.3</b>	<b>23.3</b>	<b>20.2</b>	<b>17.3</b>	<b>17.6</b>	<b>16.7</b>	<b>14.2</b>	<b>2.6</b>	<b>2.3</b>	<b>2.1</b>	<b>1.3</b>	<b>1.5</b>	<b>1.6</b>	<b>11.0</b>	<b>11.5</b>	<b>12.3</b>				
<b>Others</b>																														
Aban Offshore	1,170	BUY	50,877	1,097	43	96.9	114.8	265.5	34	18.4	131.3	12.1	10.2	4.4	12.0	8.8	5.9	2.8	1.4	1.1	0.3	0.3	0.3	26.9	15.0	27.1	1,500	28.2	60.6	
Havells India	544	SELL	32,717	706	60	5.1	22.6	30.2	(81)	343.8	33.8	106.8	24.1	18.0	14.7	11.9	9.4	5.4	8.7	5.9	0.5	0.5	0.5	4.6	27.7	39.0	350	(35.6)	15.2	
Jai Prakash Associates	128	BUY	270,523	5,835	2,107	2.0	4.3	7.1	(40)	115.0	65.5	64.2	29.9	18.1	25.0	15.7	13.8	4.1	3.3	2.9	—	—	—	7.3	12.3	17.1	170	32.4	46.5	
Jindal Saw	198	ADD	58,196	1,255	294	12.4	26.5	19.3	(47)	113.8	(27.2)	16.0	7.5	10.3	9.8	5.4	5.9	2.0	1.5	1.3	0.4	0.5	0.4	11.3	19.8	13.0	235	18.8	16.8	
PSL	148	BUY	7,891	170	53	22.2	29.8	25.4	5	34.1	(14.8)	6.6	5.0	5.8	4.8	3.0	2.9	1.2	0.8	0.8	2.7	4.4	4.4	11.9	13.6	11.7	175	18.6	1.8	
Sintex	250	BUY	34,151	737	136	24.0	21.3	26.8	23	(11.4)	26.2	10.4	11.8	9.3	8.8	8.5	6.5	1.8	1.6	1.4	0.4	0.5	0.5	17.6	13.6	14.5	280	11.9	5.0	
Tata Chemicals	290	ADD	70,620	1,523	243	24.6	22.2	27.9	(33)	(16.5)	25.4	10.9	13.1	10.4	6.8	6.1	5.1	1.5	1.4	1.3	3.0	3.0	3.0	17.9	13.1	14.7	300	3.4	3.4	
Welspun Gujarat Stahl Rohren	242	REDUCE	49,765	1,073	205	17.3	25.1	23.0	(16)	44.9	(8.1)	14.0	9.7	10.5	8.2	5.3	5.5	2.8	1.7	1.5	1.0	0.8	0.9	17.7	20.6	14.8	245	1.2	10.7	

**Kotak Institutional Equities Research coverage universe**

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of December 31, 2009

**Ratings and other definitions/identifiers****Rating system**

Definitions of ratings

**BUY.** We expect this stock to outperform the BSE Sensex by 10% over the next 12 months.**ADD.** We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months.**REDUCE.** We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months.**SELL.** We expect this stock to underperform the BSE Sensex by more than 10% over the next 12 months.

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

## Other definitions

**Coverage view.** The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: Attractive (A), Neutral (N), Cautious (C).

## Other ratings/identifiers

**NR = Not Rated.** The investment rating and target price, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.**CS = Coverage Suspended.** Kotak Securities has suspended coverage of this company.**NC = Not Covered.** Kotak Securities does not cover this company.**RS = Rating Suspended.** Kotak Securities Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.**NA = Not Available or Not Applicable.** The information is not available for display or is not applicable.**NM = Not Meaningful.** The information is not meaningful and is therefore excluded.

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