

# **INDIA DAILY**

June 24, 2010

## EQUITY MARKETS

	Change %							
India	23-Jun	1-day	1-mo	3-mo				
Sensex	17,756	0.0	7.8	1.7				
Nifty	5,323	0.1	7.7	1.9				
Global/Regional in	dices							
Dow Jones	10,298	0.0	2.3	(5.0)				
Nasdaq Composite	2,254	(0.3)	1.8	(6.0)				
FTSE	5,179	(1.3)	2.1	(8.8)				
Nikkie	9,934	0.1	1.8	(8.1)				
Hang Seng	20,797	(0.3)	5.7	(1.0)				
KOSPI	1,730	0.3	7.8	2.9				
Value traded – Ind	ia							
Cash (NSE+BSE)	160		166	175				
Derivatives (NSE)	1,103		1,207	823				
Deri. open interest	1,625		1,473	1,256				

### Forex/money market

	Change, basis points								
	23-Jun 1-day 1-mo 3-r								
Rs/US\$	46.2	(5)	(79)	75					
10yr govt bond, %	7.6	-	17	(29)					
Net investment (US\$mn)									
	22-Jun		MTD	CYTD					
FIIs	225		1,435	6,035					

	22-Jun	MTC	O CYTD
FIIs	225	1,435	6,035
MFs	(50)	104	(282)
			•

### Top movers -3mo basis

	Change, %								
Best performers	23-Jun	1-day	1-mo	3-mo					
IBULL IN Equity	141.4	3.0	(1.2)	33.9					
BJFIN IN Equity	418.2	0.2	(2.5)	31.2					
BJAUT IN Equity	2351.5	0.9	14.6	27.2					
TT IN Equity	1190.4	0.9	11.2	26.8					
UNTP IN Equity	193.9	(0.4)	19.5	24.7					
Worst performers									
ABAN IN Equity	741.3	(1.0)	5.8	(37.8)					
GRASIM IN Equity	1791.9	(0.1)	(25.2)	(37.2)					
PUNJ IN Equity	126.1	1.4	(3.7)	(29.0)					
EDSL IN Equity	540.9	3.8	11.5	(28.9)					
TATA IN Equity	497.6	0.7	(0.7)	(22.0)					

Kotak Institutional Equities Research kotak.research@kotak.com . Mumbai: +94-22-6634-1100

### Contents

### **Updates**

### Shree Renuka Sugars: Fair cut in consideration for Equipav

- Deal sweetened in-line with peer group stock price decline
- Swing in government policy is key for the near-term
- Maintain target price, need to see progress on execution before ascribing value

### Energy: How about trying this for deregulation?

- Rs2.8/liter and Rs5.4/liter cut in excise duty required at US\$75/bbl to 'free' prices
- Government can forgo revenues for 3-6 months depending on politics and inflation
- Government can make up for 'lost' revenues through stake sales
- Government can try a few bold measures; nothing ventured, nothing won

### Insurance: Select players drive growth in May 2010

- Divergent trends amongst private players
- Will the trend continue?
- Regulatory developments encouraging



MFs

Absolute

Rel. to BSE-30

Price performance (%)

### Shree Renuka Sugars (SHRS)

Sugar

**Fair cut in consideration for Equipav.** We find the 24% reduction in consideration for Equipav, SHRS' Brazilian acquisition, to US\$250 mn for 50% stake in line with stock price decline of peers. We find the nature of the consideration cut more positive with primary investment into Equipav cut by less than 10% while payment to existing shareholders cut to zero versus US\$55 mn earlier. We maintain our BUY rating with target price of Rs76 @ 6x FY2011E EV/EBITDA.

Company data and valuation summary	/	
Shree Renuka Sugars		
Stock data		Fo
52-week range (Rs) (high,low)	124-51	
Market Cap. (Rs bn)	45.5	
Shareholding pattern (%)		
Promoters	38.0	
Flls	21.7	

	Forecasts/Valuations	2010	2011E	2012E
24-51	EPS (Rs)	9.9	7.6	7.8
45.5	EPS growth (%)	196.4	(23.2)	3.1
	P/E (X)	6.9	8.9	8.7
38.0	Sales (Rs bn)	65.9	59.2	63.1
21.7	Net profits (Rs bn)	6.6	5.1	5.3
9.0	EBITDA (Rs bn)	11.2	9.0	9.1
12M	EV/EBITDA (X)	4.8	5.4	4.7
3.4	ROE (%)	32.0	18.1	15.7
(16.6)	Div. Yield (%)	0.6	0.5	0.5

### Deal sweetened in line with peer group stock price decline

1M

28.1

18.6

3M

(5.9)

(7.6)

SHRS has revised its agreement to acquire a controlling stake in Equipav by equity value by 24%. From the date of the earlier deal announcement (Feb 21, 2010), stock prices of key Brazilian sugar stocks have declined 8-26% while Indian stocks have corrected by 25-29%.

### Swing in government policy is key for the near term

We believe government policy changes will remain key for the sector over the next few months as (1) this year's crushing is over and (2) we shall see credible estimates for next year's production only by September 2010, (3) industry sources indicate that sugar traders are still continuing to import and (4) probability of government action has increased post increase in levy price and various press reports indicating that other measures are in the pipeline. We believe (1) a decline in levy quota from current 20% and (2) a re-imposition of import duties (if they happen) are key positives to monitor as they would add support to FY2011E sugar prices/profitability.

### Maintain target price, need to see progress on execution before ascribing value

We maintain our BUY rating with a target price of Rs76 based on 6x FY2011E EBITDA—a target multiple in line with Brazilian peers. We have factored in zero value for the recently acquired Brazilian entities (VDI and Equipav) as we believe these deals would be value-neutral given that cash break even costs in Brazil are 12-13 cents and 16-18 cents for overall break-even. With raw sugar prices in this range, we would like to see execution in terms of cost cutting, debt restructuring and improvement in EBITDA trend to ascribe any positive value to them. We expect the Equipav acquisition to break-even only post successful restructuring and capacity ramp-up to achieve an EBITDA upwards of US\$10/ton. Our calculation is based on an interest cost + depreciation assumption of US\$100 mn indicating an EBITDA of US\$8.3/ton to break even.

## BUY

JUNE 24, 2010 UPDATE Coverage view: Cautious Price (Rs): 68 Target price (Rs): 76 BSE-30: 17,756

Ajay Mathrani ajay.mathrani@kotak.com Mumbai: +91-22-6634-1376

Kotak Institutional Equities Research kotak.research@kotak.com Mumbai: +91-22-6634-1100

### Equipav price reduction of 24% seems fair relative to peer stock price decline

SHRS has announced a modified deal for Equipav which (1) reduces consideration by 24% to US\$250 mn versus earlier US\$329 mn for a similar stake (50.34% versus 50.79%), (2) deal structure is modified to US\$250 mn primary (invested in the company) from US\$55 mn secondary (paid to selling shareholders) and US\$274 mn primary earlier, (3) enterprise value declines by 6% to US\$1.1 bn with debt at levels similar to end-December 2009 level of US\$822 mn.

From Feb 21, 2010 (date when SHRS announced the earlier acquisition), stock prices of key Brazilian sugar stocks have declined 8-26% while Indian sugar stocks have corrected by 25-29%. We find the 24% reduction in deal price to be fair relative to peer group's stock price correction.



**Reduction in deal value in line with decline in stock prices of listed entities** Stock price change, listed Indian and Brazilian comparables

Source: Bloomberg

### Revisiting what the deal gives SHRS

- Annual crushing capacity of 10.5 mn tons across its two units with integrated cogeneration facilities (203 MW) in Sao Paulo state in Southeast Brazil. This will increase by 1.5 mn tons (to 12 mn tons) and 92 MW (to 295 MW) after capital expenditure post SHRS's investment.
- Cane cultivation on approx. 115,000 ha of land of which 2/3rd is farmed by the company.
- Post Equipav acquisition, SHRS will have raw sugar supply of approx. 50% of its annual requirement of 1.7 mn tons.

Units	Equipav	VDI	Total	Comments
mn tons	10.5	3.1	13.6	
%	85	85	85	Assumed
mn tons	8.9	2.6	11.6	
kg/ton	135	135	135	As per average recovery in Brazil
tons	1,204,875	355,725	1,560,600	
tons	722,925	213,435	936,360	Assumed
tons	481,950	142,290	624,240	Assumed
%	95	95	95	As per average yield in Brazil
ltr/ton ATR	583	583	583	As per average yield in Brazil
mn tons	0.7	0.2	0.9	
mn ltr	280.8	82.9	363.7	
	mn tons % mn tons kg/ton tons tons tons % ltr/ton ATR mn tons	mn tons         10.5           %         85           mn tons         8.9           kg/ton         135           tons         1,204,875           tons         722,925           tons         481,950           %         95           ltr/ton ATR         583           mn tons         0.7	mn tons         10.5         3.1           %         85         85           mn tons         8.9         2.6           kg/ton         135         135           tons         1,204,875         355,725           tons         722,925         213,435           tons         481,950         142,290           %         95         95           ltr/ton ATR         583         583           mn tons         0.7         0.2	mn tons         10.5         3.1         13.6           %         85         85         85           mn tons         8.9         2.6         11.6           kg/ton         135         135         135           tons         1,204,875         355,725         1,560,600           tons         722,925         213,435         936,360           tons         481,950         142,290         624,240           %         95         95         95           ltr/ton ATR         583         583         583           mn tons         0.7         0.2         0.9

Rough estimates indicate 0.7 mn ton of sugar production for Equipav Equipav, rough calculation of sugar and ethanol production

Source: Kotak Institutional Equities estimates

### We value SHRS at 6x EV/EBITDA, too early to ascribe value to Equipav

We maintain our BUY rating with a target price of Rs76 based on 6x FY2011E EBITDA in line with Brazilian peers. We have factored in zero value for the recently acquired Brazilian entities (VDI and Equipav) as we believe these deals would be value neutral given that cash break even costs in Brazil are 12-13 cents and 16-18 cents for overall break-even. With raw sugar prices in this range, we would like to see execution in terms of cost cutting, debt restructuring and improvement in EBITDA trend to ascribe any positive value to them.

Based on limited data on Equipav's financials, we would expect the acquisition to break even only post successful restructuring and capacity ramp-up to achieve an EBITDA upwards of US\$10/ton. Our calculation is based on an interest cost + depreciation assumption of US\$100 mn indicating an EBITDA of US\$8.3/ton to break even. If SHRS manages to get EBITDA in the range of US\$15/20 (requires raw sugar prices of at least 16-17 cents/pound) and totally restructured operations, we would expect a 16/28% return on investment.

### Potential investment return scenarios for SHRS Equipav, potential return scenarios (US\$ mn)

	<u>With va</u>	With value for tax losses				Excluding value for tax losses		
EBITDA per ton (US\$)	10	15	20	10	15	20		
EBITDA	120	180	240	120	180	240		
Interest + Depreciation	100	100	100	100	100	100		
Profit before tax	20	80	140	20	80	140		
Provision for tax	0	0	0	6	24	42		
Profit after tax	20	80	140	14	56	98		
Return on investment (%)	4.0	16.1	28.2	2.8	11.3	19.7		

### Source: Kotak Institutional Equities

### We value SHRS at Rs76/share

SHRS, EV/EBITDA based valuation, September fiscal year-ends (Rs mn)

	2011E
EBITDA	8,524
EV/EBITDA (X)	6.0
EV	51,143
Net debt	2,745
Equity value	48,398
Value per share (Rs)	72
Fully diluted no. of shares	670

Source: Kotak Institutional Equities estimates

### Brazilian peers trading in 4.5-6x EV/EBITDA range Comparative valuations, listed global peers

	23-Jun-10			Mkt Cap.	EV/I	BITDA	(X)		PER (X)		EV	/Sales	(X)
Company	Price (local)	Currency	Year-end	(US\$ mn)	LFY	FY1	FY2	LFY	FY1	FY2	LFY	FY1	FY2
Brazil													
Acucar Guarani	4.0	BRL	Mar	638	5.9	4.7	4.5	NM	10.0	14.1	1.4	1.3	1.2
Cosan	22.3	BRL	Mar	5,033	8.0	5.7	6.1	NM	11.5	15.5	0.9	0.8	0.7
Sao Martinho	14.6	BRL	Mar	917	10.7	6.7	5.9	NM	20.2	18.6	3.3	2.2	2.0
Average Brazil					8.2	5.7	5.5	NM	13.9	16.1	1.9	1.4	1.3
Europe													
Agrana	64.3	EUR	Feb	747	8.1	6.5	6.3	NM	14.2	12.3	0.7	0.6	0.6
Suedzucker	14.6	EUR	Feb	2,253	7.1	5.8	5.8	13.7	11.8	11.0	0.8	0.7	0.7
Tate & Lyle	4.7	GBP	Mar	1,453	20.6	6.6	6.7	111.9	1,095.6	1,004.3	0.8	0.8	0.8
Average Europe					11.9	6.3	6.2	62.8	373.9	342.5	0.8	0.7	0.7
Africa													
Illovo	28.3	ZAR	Mar	1,717	8.0	6.0	5.7	17.5	14.0	12.2	1.5	1.3	1.3
Tongaat Hulett	106.1	ZAR	Dec	1,450	7.3	7.0	6.1	3.8	15.8	13.6	1.6	1.5	1.3
Average Africa					7.6	6.5	5.9	10.7	14.9	12.9	1.5	1.4	1.3
Others													
CSR	1.8	AUD	Mar	3,062	7.9	5.8	5.9	NM	12.3	11.6	0.9	0.9	0.9
Khon Kaen Sugar	12.4	THB	Oct	593	16.8	12.4	10.1	21.4	21.5	17.0	2.3	2.2	1.8
Average Others					12.3	9.1	8.0	21.4	16.9	14.3	1.6	1.5	1.4

Source: Bloomberg

Operating assumptions SHRS, Key operating assumptions, September fiscal year-ends, 2008-11E

	2008	2009	2010E	2011E
Sugar segment				
Sugarcane crushed (mn tons)	4.6	3.5	4.0	5.0
Average recovery ratio (%)	11.4	10.7	10.8	11.0
Sugar produced ('000 tons)	524	378	430	555
Refined sugar ('000 tons)	68	637	1,057	1,249
Total sugar produced (lac tons)	592	1,015	1,487	1,804
Sugar sold ('000 tons)	480	802	1,620	1,750
Average realisation (Rs/kg)	13.4	21.7	28.4	25.7
Sugarcane cost (Rs/ton)	1,097	1,700	2,700	1,900
Raw sugar cost(US\$ c/lb)	11.3	15.2	19.3	19.0
Co-generation segment				
External sales (mn units)	154	231	389	585
Average realisation (Rs/unit)	6.5	6.5	4.8	4.5
Distillery segment				
Alchohol produced (mn ltrs)	47	78	112	126
Alchohol sold (mn ltrs)	51	65	116	128
Average realisation (Rs/ltr)	26.0	25.9	28.0	27.0

Source: Company, Kotak Institutional Equities estimates

### Summary financials

SHRS, Profit model, balance sheet, cash model, September fiscal year-ends, 2007-11E

	2007	2008	2009	2010E	2011E
Profit model					
Total income	9,506	21,143	28,160	62,610	57,935
EBITDA	1,320	2,526	4,656	10,829	8,524
Interest (expense)/income	(180)	(701)	(1,077)	(1,107)	(735)
Depreciation	(249)	(369)	(675)	(903)	(1,171)
Other income	176	152	64	167	118
Pretax profits	1,066	1,608	2,968	8,986	6,736
Tax	(236)	(427)	(720)	(2,690)	(2,046)
Profit after tax	830	1,181	2,248	6,296	4,690
Minority interest	_	(25)	(5)	(27)	(42)
Consolidated PAT	830	1,156	2,243	6,269	4,649
Diluted earnings per share (Rs)	1.7	2.2	3.3	9.5	7.1
Balance sheet					
Total equity	4,417	8,320	15,274	23,468	28,286
Deferred taxation liability	202	467	821	1,901	2,471
Minority interest	_	533	147	174	216
Total borrowings	6,470	8,595	13,427	8,484	5,484
Current liabilities	1,218	2,786	10,172	4,372	3,838
Total liabilities and equity	12,307	20,701	39,841	38,398	40,294
Cash	917	227	4,912	781	2,954
Other current assets	3,519	7,436	17,719	15,771	15,038
Net fixed assets	7,710	12,728	16,734	21,005	21,460
Investments	161	310	477	842	842
Total assets	12,307	20,701	39,841	38,398	40,294
Free cash flow					
Operating cash flow, excl. working capital	1,321	1,783	3,454	8,496	6,757
Working capital changes	(1,049)	(2,377)	(3,274)	(3,795)	238
Capital expenditure	(3,400)	(5,205)	(4,681)	(5,174)	(1,626)
Investment changes	(160)	(149)	(167)	(365)	_
Other income	27	30	15	167	118
Free cash flow	(3,262)	(5,917)	(4,652)	(670)	5,487
Ratios (%)					
EBITDA margin	13.9	11.9	16.5	17.3	14.7
Net debt/equity	120.2	101.3	53.8	31.1	8.9
Net debt/EBITDA	1.2	1.0	0.5	0.3	0.1
RoAE	21.8	17.2	18.0	32.0	18.1
RoACE	10.9	11.5	12.8	23.3	15.9
CRoCI	10.1	10.7	14.3	23.6	18.6

Source: Company, Kotak Institutional Equities estimates



How about trying this for deregulation? We suggest an alternative approach to deregulation of auto fuels in order to address this long-pending issue—(1) reduction in excise duties on diesel and gasoline in lieu of price increase and (2) divestment in one or more of the oil companies to make up for lower excise revenues. Our calculations suggest that the government can do this quite painlessly in the short term. It can let prices float after a few months, once political opposition and inflation concerns subside.

### Rs2.8/liter and Rs5.4/liter cut in excise duty required at US\$75/bbl to 'free' prices

Energy

India

We compute that the government will need to cut the excise duty on diesel and gasoline by Rs2.8/liter and Rs5.4/liter at US\$75/bbl (Dated Brent price) to enable oil companies to earn normal marketing margins (about Rs1.4/liter) without price increases. We use the average prices of the previous fortnight for our calculations (see Exhibit 1); average crude price was US\$74.8/bbl (Dated Brent) and exchange rate Rs46.7/US\$.

### Government can forgo revenues for 3-6 months depending on politics and inflation

We compute that the government will lose about Rs74 bn of revenues over three months and Rs295 bn over 12 months from the aforementioned reduction to excise duties. We note that the government will anyway have to pay a significant portion of the eventual under-recoveries to the downstream companies from the budget. Exhibit 2 gives our computation of under-recoveries at various levels of crude oil prices and the government's likely share of the same.

### Government can make up for 'lost' revenues through stake sales

As a second step, the government can sell stake in one or more of the six government-owned E&P and R&M companies to recoup its lost revenues. We compute that a 3% stake sale in ONGC at current prices (around Rs1,200) will fetch Rs74 bn; the required stake sale will be even lower as ONGC's market capitalization will increase sharply (we believe 30-40%) from full deregulation of auto fuels and full payment of under-recoveries on cooking fuels from the budget. We see a likely sharp re-rating of all the E&P and R&M companies due to steep increase in earnings under the aforementioned scenario (see Exhibit 3).

### Government can try a few bold measures; nothing ventured, nothing won

We believe the government can implement bold measures at current levels of crude oil prices—the gap between free-market prices and regulated retail prices are not very high currently. It can also try a combination of moderate price increases, excise duty cuts and stake sales. (1) Political opposition will likely be low for our suggested methodology and will subside over a period of time. Small periodic price increases in the future, if required, will go largely unnoticed. (2) Inflation will start declining over the next three months (see Exhibit 4); current high headline inflation of over 10% may prevent the government from raising prices. We also have a few radical suggestions for deregulation for cooking fuels also but we will keep those for a later date.

## CAUTIOUS

JUNE 23, 2010
UPDATE
BSE-30: <b>17,750</b>

### QUICK NUMBERS

- Cut in excise duty of Rs2.8/liter and Rs5.4/liter on diesel and gasoline in lieu of price increases for now
- Rs74 bn lower revenues for the government from lower excise duty for three months
- 3% stake sale in ONGC can fetch Rs74 bn

Sanjeev Prasad sanjeev.prasad@kotak.com Mumbai: +91-22-6634-1229

Gundeep Singh gundeep.singh@kotak.com Mumbai: +91-22-6634-1286

Tarun Lakhotia tarun.lakhotia@kotak.com Mumbai: +91-22-6634-1188

Kotak Institutional Equities Research kotak.research@kotak.com Mumbai: +91-22-6634-1100

### Lower excise duties of Rs74 bn can compensate for under-recoveries Computation of loss in revenue from revision in excise duties (Rs bn)

	Gasoline	Diesel	Total
Current under-recovery (Rs/l)	4.0	1.4	NA
Notional margins (Rs/I)	1.4	1.4	NA
Gross under-recovery (Rs/I)	5.4	2.8	NA
Consumption for three months (mn tons)	3.4	14.5	17.8
Current excise duty (Rs/I)	14.8	4.7	NA
Revised excise duty (Rs/I)	9.4	1.9	NA
Loss of revenues for government	24.5	49.2	73.7
Average crude oil price used for calculation (US\$/bbl)	74.8	74.8	74.8
Exchange rate (Rs/US\$)	46.7	46.7	46.7

Source: Kotak Institutional Equities estimates

Government will have to pay a significant portion of under-recoveries to OMCs Share of various participants of under-recoveries, March fiscal year-ends, 2007-2011E (Rs bn)

	2007	2008	2009	2010	2011E
Dated Brent crude oil price (US\$/bbl)	65	79	89	67	75
Gross under-recoveries	521	798	1,061	490	657
Share of upstream companies	205	257	329	144	197
Net under-recovery of R&M companies (BPCL, HPCL, IOCL)	48	161	(10)	56	51
Direct budgetary support	27	27	29	30	32
Payment by government (oil bonds/cash)	241	353	713	260	377

Source: Company, Kotak Institutional Equities estimates

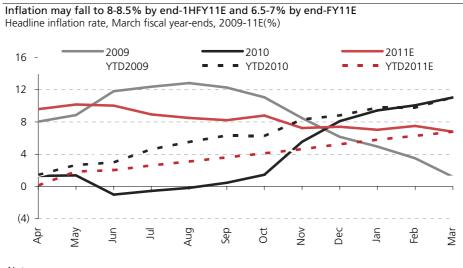
Earnings of downstream and upstream companies would jump significantly in a blue-sky scenario EPS estimates, March fiscal year-end, 2011E (Rs)

			Potential upside
	2011E	2011E (a)	(%)
Downstream companies			
BPCL	54	73	36
HPCL	45	68	53
IOCL	34	42	25
Upstream companies			
ONGC	122	166	36
Oil India	127	181	42
GAIL India	26	35	31

Note:

(a) Assuming full deregulation of prices of petroleum products.

Source: Kotak Institutional Equities estimates



### Note:

(a) Inflation is actual data till May, 2010 and Kotak Institutional Equities estimates thereafter.

Source: Government of India, Kotak Institutional Equities estimates



### Insurance

India

**Select players drive growth in May 2010.** Private insurance companies reported a 15% yoy growth in APE during May 2010; LIC was up 43% driving overall growth to 30% for the sector. A low base and somewhat better traction at the beginning of the year for select players has likely driven the growth – private players were up 22% YTD FY2011.

### Divergent trends amongst private players.

Select private players have reported high growth in APE – HDFC SL up 60% yoy, ICICI Pru Life up 46% yoy, Reliance Life up 30% yoy; but many players have reported declines as well – Bajaj Allianz, Birla SL and SBI Life down 7-9% and Max NY down 5%.

### Will the trend continue?

Improvement in traction in the early part of the year (which is normally sluggish) has likely driven high growth with select players. Private players are likely pushing pension products before the revised regulations are implemented (June 2010). While the YTD trend in APE collections appears strong, it is likely too early to extrapolate the trend for the entire year – typically, the first two months account for just 7-8% of the annual business of private players.

### Regulatory developments encouraging

We believe that the recent regulatory amendments by the Government to clarify its stand on the IRDA-SEBI row will increase confidence of insurance companies and distributors to focus on growth and hence augurs well for the sector. However, IRDA will continue to introduce regulations to make insurance more customer-friendly. Over time, the traction in markets (equity or retail debt) and the pace of regulatory changes will drive the growth in APE collections.

JUNE 24, 2010
JOINE 24, 2010
UPDATE
BSE-30: 17,756

### QUICK NUMBERS

- Private insurance companies reported 15% growth in APE
- HDFC SL up 60% yoy, ICICI Pru Life up 46%

Nischint Chawathe nischint.chawathe@kotak.com Mumbai: +91-22-6634-1545

Manish Karwa manish.karwa@kotak.com Mumbai: +91-22-6634-1350

Kotak Institutional Equities Research kotak.research@kotak.com Mumbai: +91-22-6634-1100

### Adjusted life insurance premium income collections (Rs mn)

			May-	10	-			YTD FY2011							
	Individual	yoy growth (%)	Group	yoy growth (%)	Total	yoy growth (%)	Individual	yoy growth (%)	Group	yoy growth (%)	Total	yoy growth (%)			
Bajaj Allianz	1,362	(9)	21	82	1,382	(8)	2,567	8	40	(51)	2,607	6			
Birla Sunlife	1,126	(8)	47	39	1,172	(7)	1,835	(0)	59	17	1,894	0			
HDFC Standard Life	1,967	57	34	1,290	2,000	60	3,141	59	76	246	3,217	61			
ICICI Prudential	2,834	47	175	23	3,009	46	5,499	93	211	19	5,711	89			
Max NY	1,088	(6)	13	960	1,101	(5)	2,292	(6)	20	605	2,312	(5)			
КМОМ	450	12	18	120	468	15	777	19	30	149	807	22			
Reliance Life	1,688	31	2	(82)	1,691	30	2,805	29	16	(55)	2,820	28			
MetLife	350	(27)	5	0	355	(26)	1,835	(0)	59	17	1,894	0			
SBI Life	1,432	(17)	264	99	1,695	(9)	2,325	(18)	342	(28)	2,667	(19)			
Tata AIG	563	(13)	9	98	571	(12)	1,179	9	12	43	1,191	9			
Private sector	15,268	14	606	69	15,873	15	27,524	23	848	(5)	28,371	22			
LIC	20,626	42	1,733	59	22,359	43	36,697	63	2,850	41	39,547	61			
Total	35,894	28	2,338	61	38,233	30	64,221	43	3,697	27	67,918	42			

Source: IRDA

### We value top seven insurance companies at about Rs940 bn

			Structural va	lue	
	Embedded value (Rs bn)	NBV (Rs bn)	Multiple (X)	Structural value (Rs bn)	Appraisal value (Rs bn)
Bajaj Allianz	51.9	4.9	19.1	93.1	145.1
Birla Sun Life	44.3	4.1	19.2	78.1	122.4
HDFC Standard Life	36.3	4.0	19.3	76.9	113.2
ICICI Prudential Life	88.4	8.0	18.7	150.2	238.6
Max Newyork Life	29.9	2.3	20.2	46.5	76.4
Reliance Life	32.7	4.8	18.0	86.3	119.0
SBI Life	39.4	5.4	17.1	91.7	131.2

Source: Kotak Institutional Equities estimates

Insurance business adds significant value to parent companies Value addition to parent's SOTP from insurance business (Rs/share of holding co.)

Insurance company	Parent/Holding company	Economic value assumed (%)	Fair value (based on FY2011E) (Rs/share)	% of parents market price (%)
Bajaj Allianz	Bajaj Finserv	38	343	75
Birla Sun Life	Aditya Birla Nuvo	74	717	91
HDFC Standard Life	HDFC Ltd	74	262	10
ICICI Bank	ICICI Bank	74	143	17
Max India	Max India	74	192	118
Reliance Life	Reliance Cap.	100	435	65
SBI Life	SBI Ltd	74	138	7

Source: Kotak Institutional Equities estimates

### Trend in market share for key players in individual premium, adjusted for single premium (%)

										١	TD private
	2004	2005	2006	2007	2008	2009	2010	Apr-10	May-10	YTD	players
Bajaj Allianz	1.2	2.9	6.4	7.8	10.7	8.0	5.8	4.3	3.8	4.0	9.3
Birla Sun Life	2.0	3.3	2.7	1.7	3.3	5.2	4.1	2.5	3.1	2.9	6.7
HDFC Standard Life	1.0	2.3	3.7	3.1	4.2	4.9	4.6	4.1	5.5	4.9	11.4
ICICI Prudential	4.8	8.7	10.1	9.9	12.7	10.9	9.3	9.4	7.9	8.6	20.0
Max NY	1.0	1.4	2.1	1.9	2.5	3.4	2.9	4.3	3.0	3.6	8.3
Reliance Life	0.2	0.2	0.4	1.7	3.6	6.3	5.7	3.9	4.7	4.4	10.2
SBI Life	0.4	0.7	1.5	3.1	5.0	6.1	7.2	3.2	4.0	3.6	8.4
Private sector	13.6	25.3	34.2	35.5	50.5	57.0	52.4	43.3	42.5	42.9	100.0
LIC	86.4	74.7	65.8	64.5	49.5	43.0	47.6	56.7	57.5	57.1	_

Source: IRDA

Growth in premium income individual business adjusted for single premium (%)

	2005	2006	2007	2008	2009	2010	Apr-10	May-10	YTD
Bajaj Allianz	182	199	136	79	(33)	(15)	37	(9)	8
Birla Sun Life	90	11	24	143	43	(8)	14	(8)	(0)
HDFC Standard Life	164	118	57	80	4	9	62	57	59
ICICI Prudential	114	57	87	68	(23)	(1)	187	47	93
КМОМ	103	82	43	88	24	(20)	30	12	19
Max NY	72	103	75	70	22	(0)	(5)	(6)	(6)
Reliance Life	21	160	813	168	59	6	26	31	29
SBI Life	87	206	290	111	9	38	(19)	(17)	(18)
Private sector	122	81	100	86	1	7	38	14	23
LIC	3	18	88	0	(22)	29	101	42	63
Total	19	34	92	31	(10)	17	68	28	43

Source: IRDA

### Market share in group business unadjusted (%)

	2005	2006	Jun-05	2008	2009	2010	Apr-10	May-10	YTD
Bajaj Allianz	0.2	0.5	0.5	1.3	1.6	2.1	1.4	0.9	1.1
Birla Sunlife	2.1	1.7	1.0	1.6	1.9	2.4	0.9	2.0	1.6
HDFC Standard Life	1.1	2.7	2.0	2.3	1.1	1.8	3.1	1.4	2.1
ICICI Prudential	2.5	5.7	6.3	8.7	8.2	4.1	2.7	7.5	5.7
Max NY	0.1	0.0	0.0	0.3	0.2	0.3	0.5	0.6	0.5
Reliance Life	0.1	0.2	0.9	2.9	1.0	1.9	1.0	0.1	0.4
SBI Life	7.2	7.8	5.7	7.3	11.5	9.2	5.8	11.3	9.3
Private sector	15.4	21.2	18.3	26.9	28.0	24.5	17.6	25.7	22.7
LIC	84.6	78.8	81.7	73.1	72.0	75.5	82.4	74.3	77.3

### Source: IRDA

### Likely price range based on fair value

Value addition to parents SOTP from insurance business (Rs per share of holding company)

Aditya Birla Nuvo Baja								Bajaj Fi	nserv				ICICI Bank								
	Margin (%)							Margin (%)								Margin (%)					
Multiple (X)	11.0	12.0	13.0	15.0	18.0	21.0	Multiple (X)	11.0	12.0	13.0	15.0	18.0	20.0	Multiple (X)	12.0	13.0	14.0	15.0	18.0	20.0	
17.2	607	639	670	733	828	923	17.1	290	305	320	350	396	426	16.7	122	127	133	139	156	168	
18.2	627	661	694	761	861	961	18.1	299	316	332	364	412	444	17.7	126	132	138	144	162	174	
19.2	648	683	718	788	894	1,000	19.1	309	326	343	377	428	462	18.7	130	136	143	149	168	181	
20.2	668	705	742	816	927	1,039	20.1	319	337	355	390	444	480	19.7	134	141	148	154	175	188	
22.2	708	749	790	871	994	1,116	22.1	339	358	378	417	476	515	21.7	142	150	157	165	187	202	
-							-														
	HDFC Ltd.						Max Ltd							Reliance Capital							

			Margi	n (%)						Margi	n (%)		
Multiple (X)	11.5	12.5	13.5	15.5	18.5	20.5	Multiple (X)	10.5	11.5	12.5	15.0	18.0	20.0
17.3	220	232	244	268	303	327	18.2	164	172	181	202	227	244
18.3	228	241	253	278	316	341	19.2	169	177	186	209	235	253
19.3	236	249	262	289	329	355	20.2	173	183	192	216	244	262
20.3	244	258	272	300	341	369	21.2	178	188	198	222	252	272
22.3	260	275	290	321	367	397	23.2	188	199	210	236	269	290

		ne ne	enance	Capita		
		Margin	ı (%)			
Multiple (X)	11.0	12.0	13.0	15.5	18.5	20.5
16.0	357	379	400	454	519	562
17.0	372	395	418	475	544	590
18.0	387	411	435	496	569	617
19.0	402	427	453	517	594	645
21.0	431	460	488	559	644	700

SBI	Ltd	

		Margi	n (%)			
Multiple (X)	9.0	10.0	11.0	14.0	17.0	20.0
15.1	111	119	126	150	173	196
16.1	115	124	132	157	181	206
17.1	120	129	138	164	190	216
18.1	125	134	143	171	199	227
20.1	134	144	155	185	216	247

### Source: Kotak Institutional Equities estimates

### Sensitivity on valuation of the insurance business Valuation of entire insurance business (Rs bn)

	Adi	itya Bir	la Nuvo	5				E	Bajaj Fi	nserv						ICICI B	ank			
			Margi	n (%)						Ma	rgin (%	6)					Margi	n (%)		
Multiple (X)	11.0	12.0	13.0	15.0	18.0	21.0	Multiple (X)	11.0	12.0	13.0	15.0	18.0	20.0	Multiple (X)	12.0	13.0	14.0	15.0	18.0	20.0
17.2	103	109	114	125	141	157	17.1	122	129	135	148	167	180	16.7	203	213	223	232	261	280
18.2	107	113	118	130	147	164	18.1	127	133	140	154	174	188	17.7	210	220	231	241	271	292
19.2	110	116	122	134	152	170	19.1	131	138	145	159	181	195	18.7	217	228	239	249	282	303
20.2	114	120	126	139	158	177	20.1	135	142	150	165	188	203	19.7	224	235	247	258	292	314
22.2	121	128	135	148	169	190	22.1	143	151	160	176	201	218	21.7	238	250	263	275	313	337

### HDFC Ltd.

			Marg	in (%)		
Multiple (X)	11.5	12.5	13.5	15.5	18.5	20.5
17.3	95	100	105	115	131	141
18.3	98	104	109	120	136	147
19.3	102	107	113	125	142	153
20.3	105	111	117	129	147	159
22.3	112	119	125	138	158	171

		Max I	.td			
			Marg	in (%)		
Multiple (X)	10.5	11.5	12.5	15.0	18.0	20.0
18.2	65	68	72	80	90	97
19.2	67	71	74	83	94	101
20.2	69	73	76	86	97	104
21.2	71	75	79	88	100	108
23.2	75	79	83	94	107	115

#### Margin (%) 13.0 15.5 Multiple (X) 11.0 12.0 104 16.0 109 98 124 \_ 17.0 102 130 108 114 \_ 106 112 136 18.0 119 19.0 110 117 124 141 \_ 133 21.0 118 126 153

Reliance Capital

18.5

142

149

156

162

176

20.5

154

161

169

176

191

### SBI Ltd

			Marg	in (%)		
Multiple (X)	9.0	10.0	11.0	14.0	17.0	20.0
15.1	106	113	120	143	165	187
16.1	110	118	126	149	173	196
17.1	114	123	131	156	181	206
18.1	119	128	137	163	190	216
20.1	128	137	147	177	206	236

### Source: Kotak Institutional Equities estimates

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

					0/5																						Target		
	23-Jun-10		Mkt	cap.	shares		EPS (Rs)		EP	S growth (S	6)		PER (X)			/EBITDA			rice/BV (X)			nd yield (			RoE (%)				ADVT-3r
ompany	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E 2	012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%) (	US\$ m
utomobiles																													
shok Leyland	63	ADD	83,875	1,816	1,330	2.8	3.9	5.0	84.5	37.5	29.7	22.3	16.2	12.5	13.3	10.2	8.6	2.1	2.0	1.8	2.4	1.6	1.6	11.1	12.7	15.0	60	(4.8)	9
ajaj Auto	2,351	ADD	340,216	7,366	145	117.5	159.9	173.2	159.8	36.1	8.3	20.0	14.7	13.6	12.6	10.1	9.2	10.7	6.8	4.8	0.9	0.9	0.9	66.6	54.8	39.8	2,330	(0.9)	11
lero Honda	2,039	SELL	407,168	8,815	200	111.8	121.5	135.7	74.1	8.7	11.7	18.2	16.8	15.0	11.8	11.1	9.5	11.3	7.7	5.7	1.5	1.6	1.8	59.1	56.6	43.8	1,800	(11.7)	23
Jahindra & Mahindra	631	BUY	364,912	7,900	578	34.9	40.7	48.7	132.5	16.5	19.7	18.1	15.5	13.0	11.9	10.1	8.4	4.5	3.6	2.9	1.5	1.5	1.6	30.0	25.8	24.6	680	7.8	28
Maruti Suzuki	1,407	ADD	406,724	8,805	289	86.4	94.1	104.2	104.9	8.9	10.8	16.3	15.0	13.5	8.9	8.2	7.1	3.4	2.8	2.3	0.4	0.5	0.5	23.3	20.6	18.9	1,400	(0.5)	19
Fata Motors	791	ADD	471,608	10,210	596	23.9	27.2	35.5	138.9	13.5	30.6	33.0	29.1	22.3	13.0	13.0	11.4	2.3	2.1	1.8	0.7	0.7	0.7	8.1	7.5	8.6	900	13.8	101
Automobiles		Cautious	2,074,504	44,912					118.1	17.3	15.7	20.4	17.4	15.0	11.7	10.6	9.2	4.1	3.3	2.8	1.0	1.0	1.1	19.9	19.2	18.4			
Banks/Financial Institutions																													
Andhra Bank	134	BUY	65,087	1,409	485	21.0	21.1	25.4	56.1	0.6	20.0	6.4	6.3	5.3	-	_	_	1.4	1.2	1.0	3.1	3.2	3.8	24.4	20.2	20.7	160	19.2	6
Axis Bank	1,249	ADD	506,267	10,961	405	62.1	77.4	98.5	22.7	24.7	27.3	20.1	16.2	12.7	-	_	_	3.2	2.7	2.3	1.0	1.2	1.5	18.9	18.1	19.9	1,360	8.9	52
Bank of Baroda	711	BUY	259,982	5,629	366	83.7	89.8	111.0	37.3	7.3	23.6	8.5	7.9	6.4	_	_	_	19	1.6	1.3	2.1	23	2.8	24.4	21.8	22.6	825	16.0	10
Bank of India	339	REDUCE	178,390	3,862	526	33.1	42.7	56.7	(42.1)	28.9	32.8	10.2	7.9	6.0	-	_	-	1.4	1.2	1.1	2.1	2.7	3.5	14.2	16.4	19.1	360	6.1	5
Canara Bank	423	ADD	173,287	3,752	410	73.7		93.6	45.8	4.5	21.4	5.7	5.5	4.5				1.4	1.1	0.9	1.9	2.4	2.8	23.0	19.6	20.1	500	18.3	6
		BUY			410		77.0		45.8				5.5	4.5			_	1.4	1.1	1.0	3.1	3.3	3.8	23.0	19.0	19.8	650	22.1	1
Corporation Bank	532		76,345	1,653		81.6		100.3		6.3	15.7	6.5	0.1		_	-	-												
Federal Bank	331	BUY	56,569	1,225	171	27.2	38.7	48.0	(7.2)	42.3	24.2	12.2	8.6	6.9	-	-	-	1.2	1.1	1.0	1.5	2.2	2.7	10.3	13.4	14.8	360	8.8	5
HDFC	2,994	ADD	859,507	18,608	287	98.4		143.7	22.7	20.1	21.5	30.4	25.3	20.8	_	_	-	5.7	5.0	4.4	1.2	1.4	1.7	20.0	21.0	22.4	3,200	6.9	40
HDFC Bank	1,999	BUY	914,914	19,808	458	64.4		110.4	22.1	30.6	31.2	31.0	23.8	18.1	-	_	-	4.3	3.7	3.2	0.6	0.8	1.0	16.1	16.7	19.1	2,200	10.1	32
ICICI Bank	900	REDUCE	1,003,847	21,733	1,115	36.1	46.5	58.0	6.9	28.9	24.7	24.9	19.3	15.5	-	-	-	2.0	1.8	1.7	1.3	1.7	2.1	8.1	9.8	11.5	980	8.8	96
IDFC	168	ADD	219,153	4,745	1,301	8.2	9.2	11.2	41.1	12.9	21.9	20.6	18.3	15.0	-	-	-	3.1	2.8	2.4	0.9	1.0	1.2	16.1	16.0	17.1	180	6.9	19
India Infoline	99	BUY	30,775	666	312	8.1	8.9	10.0	59.2	9.8	12.5	12.1	11.1	9.8	-	-	-	1.9	1.6	1.3	3.2	1.9	2.4	16.4	15.9	16.1	140	41.8	3
Indian Bank	227	BUY	97,536	2,112	430	35.1	35.5	43.8	25.5	1.1	23.6	6.5	6.4	5.2	-	-	-	1.5	1.2	1.0	2.7	2.7	3.3	24.0	20.3	21.2	280	23.4	4
Indian Overseas Bank	104	BUY	56,904	1,232	545	13.0	15.4	26.4	(46.7)	18.9	71.3	8.0	6.8	4.0	-	_	_	0.9	0.8	0.7	3.9	4.3	4.7	9.6	10.6	16.3	120	14.9	3
J&K Bank	801	BUY	38,850	841	48	105.7	112.3	140.6	25.1	6.3	25.2	7.6	7.1	5.7	_	_	_	1.4	1.2	1.1	2.7	2.9	3.7	17.3	16.9	18.5	850	6.1	C
IC Housing Finance	1,042	ADD	98,970	2.143	95	69.7	93.2	104.2	11.4	33.8	11.7	14.9	11.2	10.0	-	_	_	3.1	2.6	2.2	1.4	1.9	2.2	23.6	23.8	22.4	1,050	0.8	22
Mahindra & Mahindra Financial	453	BUY	43,531	942	96	35.7	42.6	49.8	59.3	19.3	16.8	12.7	10.6	9.1	_	_	_	2.6	2.2	1.9	1.7	2.0	2.3	21.4	21.7	21.6	500	10.3	1
Driental Bank of Commerce	333	ADD	83,405	1,806	251	45.3	52.8	58.6	25.3	16.5	11.0	7.3	6.3	5.7	-	_	-	1.2	1.0	0.9	2.7	3.2	3.6	14.1	15.4	15.3	400	20.2	4
PFC	289	SELL	331,706	7,181	1 148	20.5	22.5	25.9	53.5	9.9	15.1	14.1	12.8	11.2	_	_	_	2.6	2.3	2.0	1.8	1.9	2.2	18.8	18.0	18.2	240	(17.0)	2
Punjab National Bank	1,050	BUY	331,146	7,169	315	123.8		156.5	26.3	3.4	22.2	8.5	8.2	6.7		-	_	2.0	1.7	1.4	2.1	2.4	3.0	26.4	22.7	23.3	1.150	9.5	7
Reliance Capital	763	ADD	187,746	4,065	246	123.8		14.1	(64.9)	17.0	(12.4)	55.3	47.2	53.9				2.7	2.6	2.6	0.9	0.8	0.7	5.0	5.7	4.8	875	14.7	35
							16.1								_	_	_	2.7	2.0	2.0		2.5	3.1	22.0	20.5	4.0	300	0.1	14
Rural Electrification Corp.	300	ADD	296,020	6,409	987	20.3	24.6	30.7	23.2	21.2	24.9	14.8	12.2	9.8	-	-	-				2.2								
Shriram Transport	598	ADD	133,460	2,889	223	39.2	49.1	62.4	30.1	25.4	27.2	15.3	12.2	9.6	-	-	-	3.6	3.1	2.6	2.0	2.5	3.1	28.4	26.1	27.8	600	0.3	4
SREI	81	NR	9,396	203	116	8.3	7.9	9.9	17.8	(4.8)	25.8	9.7	10.2	8.1	-	-	-	0.8	0.7	0.7	1.5	1.5	1.5	11.1	10.5	12.3	-	-	4
State Bank of India	2,350	BUY	1,491,683	32,294	635	144.4	178.1	223.0	0.5	23.4	25.2	16.3	13.2	10.5	-	-	-	2.3	2.0	1.8	1.7	1.8	1.9	14.8	16.1	17.8	2,700	14.9	98
Union Bank	315	BUY	158,910	3,440	505	41.1	45.8	57.3	20.2	11.5	25.0	7.7	6.9	5.5	-	-	-	1.8	1.5	1.2	1.7	2.1	2.7	26.2	23.7	24.3	380	20.8	4.
Banks/Financial Institutions		Attractive	7,703,387	166,776					14.4	17.4	24.2	15.5	13.2	10.6	-	-	-	2.4	2.1	1.8	1.5	1.7	2.1	15.5	16.0	17.4			
Cement																													
ACC	871	SELL	163,672	3,543	188	83.2	61.8	63.4	47.9	(25.7)	2.6	10.5	14.1	13.7	5.6	6.6	5.7	2.6	2.2	2.0	2.7	2.7	2.7	29.3	19.4	17.7	830	(4.7)	9
Ambuja Cements	121	SELL	183,522	3,973	1,522	8.0	7.9	8.1	11.4	(1.8)	2.6	15.1	15.3	14.9	8.4	8.7	7.9	2.6	2.3	2.1	1.6	1.8	1.8	19.3	16.7	15.3	98	(18.7)	6
Grasim Industries	1,792	ADD	164,295	3,557	92	301.0	240.1	282.0	26.1	(20.2)	17.5	6.0	7.5	6.4	3.8	3.9	3.0	1.3	1.1	1.0	1.9	1.9	1.9	22.9	16.4	16.7	2,150	20.0	9
India Cements	113	SELL	34,601	749	307	10.0	10.4	11.3	n/a	3.1	9.1	11.2	10.9	10.0	5.6	5.6	5.4	0.8	0.8	0.7	1.9	2.8	2.8	8.2	7.7	8.0	110	(2.4)	З.
Shree Cement	2,035	BUY	70,895	1,535	35	208.0	221.1	242.5	19.0	6.3	9.7	9.8	9.2	8.4	4.8	4.6	3.7	3.9	2.8	2.1	0.5	0.5	0.5	48.0	35.0	28.1	2,550	25.3	0
UltraTech Cement	956	SELL	118,988	2,576	124	88.2	67.1	77.2	12.0	(23.9)	15.0	10.8	14.2	12.4	5.6	6.4	5.2	2.2	1.9	1.7	0.9	0.9	0.9	26.6	16.8	16.7	940	(1.7)	2
Cement		Neutral	735,973	15,934					19.3	(15.5)	10.4	9.6	11.4	10.3	5.2	5.5	4.6	2.0	1.7	1.5	1.7	1.8	1.8	20.5	15.1	14.6			
Consumer products			,	,						()																			
Asian Paints	2,409	BUY	231,047	5,002	96	71.6	82.1	98.1	85.4	14.7	19.5	33.7	29.3	24.5	21.0	18.1	14.8	14.3	11.4	9.2	1.1	1.4	1.7	51.6	44.5	42.5	2,300	(4.5)	2
Colgate-Palmolive (India)	836	REDUCE	113,724	2,462	136	29.7	33.0	37.6	37.6	11.1	13.9	28.2	25.3	22.2	20.9	18.4	15.7	35.6	27.9	22.3	2.4	2.7	3.1	150.2	122.2	109.9	760	(9.1)	2
Dabur India	198	BUY	171,786	3,719	866	5.8	6.8	8.2	28.1	17.6	20.8	34.2	29.1	24.1	25.4	20.4	16.9	16.3		11.0	1.6	1.8	2.2	54.3	51.1	50.7	200	0.9	2
GlaxoSmithkline Consumer (a)	1,818	ADD	76,446	1,655	42	55.4	70.0	82.9	23.6	26.5	18.4	32.8	26.0	21.9	18.2	15.4	12.6	8.6	7.1	5.9	1.0	1.3	1.5	27.9	29.6	29.2	1,800	(1.0)	C
Godrej Consumer Products	350	NR	107,836	2,335	308	8.7	9.8	11.6	29.7	13.2	18.2	40.3	35.6	30.1	28.6	25.5	21.5	9.2	8.1	8.0	1.1	1.1	1.1	30.7	24.1	27.8	_	-	3
Hindustan Unilever	266	REDUCE	580,173	12,561	2,179	9.7	10.4	11.8	1.7	7.3	14.0	27.5	25.6	22.5	18.6	17.5	14.7	22.7	19.6	16.9	2.9	3.2	3.6	91.6	82.2	80.8	230	(13.6)	14
тс	303	BUY	1,141,324	24,709	3,769	10.8	12.4	14.5	24.4	15.4	16.9	28.1	24.4	20.8	17.3	15.3	12.8	8.0	6.9	5.9	3.3	1.8	2.0	29.9	32.2	32.1	315	4.0	22
lubilant Foodworks	306	REDUCE	19,861	430	65	5.5	7.7	9.7	340.6	39.3	25.3	55.3	39.7	31.7	29.9	20.9	14.8	16.9	11.8	8.6	-	-	-	46.6	35.1	31.5	290	(5.3)	14
lyothy Laboratories	273	ADD	19,833	429	73	11.0	12.9	15.3	99.6	17.0	18.3	24.8	21.2	17.9	19.1	14.5	11.9	4.9	4.2	3.6	1.7	1.3	1.7	18.6	20.2	20.5	230	(15.8)	
Vestle India (a)	2,899	REDUCE	279,528	6,052	96	74.4	87.0	105.5	27.0	17.0	21.3	39.0	33.3	27.5	25.7	22.8	19.6	48.1	38.2	30.2	1.7	2.1	2.5	136.0	127.8	122.7	3,000	3.5	ž
Fata Tea	1,190	BUY	73,614	1,594	62	66.2	73.5	83.7	23.4	11.1	13.8	18.0	16.2	14.2	11.5	9.4	8.4	1.5	1.4	1.3	1.8	2.0	2.3	10.9	11.4	12.0	1,250	5.0	3
Consumer products		Attractive	2,815,172	60,948					23.4	13.8	16.9	29.6	26.0	22.3	19.1	16.8	14.2	10.1	8.7	7.5	2.5	2.1	2.4	34.0	33.4	33.8			
Constructions																													
VRCL	184	BUY	49,210	1,065	267	7.8	10.3	12.4	(7.7)	32.4	19.7	23.6	17.8	14.9	12.4	10.1	8.6	2.4	2.2	1.9	0.2	0.2	0.2	10.9	12.8	13.5	215	16.7	8
Nagarjuna Construction Co.	189	BUY	48,379	1,047	257	7.1	11.5	14.3	6.1	61.1	24.1	26.4	16.4	13.2	12.7	9.6	7.9	2.2	2.0	1.7	0.8	1.1	1.1	9.3	12.5	13.9	210	11.4	3
Punj Lloyd	126	REDUCE	42,716	925	339	(12.9)	9.8	12.0	79.2	(175.4)	22.4	(9.7)	12.9	10.5	35.8	7.0	6.4	1.4	1.3	1.1	(0.1)	0.3	0.8	(15.8)	10.3	11.4	140	11.1	13
Sadbhav Engineering	1,210	BUY	18,151	393	15	43.1	62.0	84.0	(15.8)	43.9	35.5	28.1	19.5	14.4	15.9	10.2	8.4	4.4	2.9	2.5	0.3	0.5	0.5	13.3	14.1	17.4	1,450	19.8	C
Construction		Attractive	158,456	3,431					(96.9)	14,481	24.4	2,340.3	16.1	12.9	16.7	8.7	7.5	2.1	1.8	1.6	0.3	0.5	0.7	0.1	11.3	12.5			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

KOTAK INSTITUTIONAL EQUITIES RESEARCH

	23-Jun-10		Mkt	ap.	O/S shares		EPS (Rs)		EP	S growth (%
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2010E	2011E	2012E	2010E	2011E
Energy										
Bharat Petroleum	559	RS	202,029	4,374	362	63.3	53.6	59.2	207.3	(15.3)
Cairn india	311	SELL	590,621	12,787	1,897	5.3	28.5	40.0	_	433
Castrol India (a)	436	REDUCE	107,728	2,332	247	15.4	19.6	20.6	44.6	27.0
GAIL (India)	476	ADD	603,796	13,072	1,268	24.8	26.4	37.1	11.7	6.8
GSPL	98	REDUCE	55,176	1,195	562	7.4	8.9	9.1	234.7	21.5
Hindustan Petroleum	359	RS	121,722	2,635	339	54.7	44.6	56.3	222.7	(18.6)
Indian Oil Corporation	348	RS	845,655	18,308	2,428	49.9	34.3	35.7	406.8	(31.3)
Oil India	1,299	BUY	312,242	6,760	240	115.1	127.0	140.6	-	10.3
Oil & Natural Gas Corporation	1,194	BUY	2,554,473	55,304	2,139	91.4	121.9	129.5	1.3	33.3
Petronet LNG	78	REDUCE	58,125	1,258	750	5.4	6.2	7.9	-	14.9
Reliance Industries	1,059	SELL	3,150,691	68,212	2,976	49.6	62.9	80.2	(1.8)	26.6
Energy		Cautious	8,602,257	186,236					33.5	19.3
Industrials										
ABB	873	REDUCE	184,954	4,004	212	16.7	23.3	37.2	(35.2)	39.2
BGR Energy Systems	745	BUY	53,658	1,162	72	16.0	28.0	39.7	32.2	74.6
Bharat Electronics	1,779	REDUCE	142,328	3,081	80	93.9	111.8	127.4	(9.6)	19.1
Bharat Heavy Electricals	2,435	ADD	1,191,785	25,802	490	92.0	115.8	136.2	44.1	25.8
Crompton Greaves	255	BUY	163,627	3,542	642	12.8	13.3	15.8	46.5	3.2
Larsen & Toubro	1 765	RUY	1 060 772	22 965	601	58.1	71.2	90.4	16.0	22.4

					o/s	- )																				Target		
	23-Jun-10		Mkt		shares		PS (Rs)		PS growth			PER (X)			/EBITDA	()		rice/BV (	,		nd yield			RoE (%)			·	DVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2010E	2011E 201	2E 2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%) (U	JS\$ mn)
Energy	550	RS	202.020	4,374	362	63.3	53.6 59	2 2073	(15.3)	10.4	88	40.4	9.4	5.1	5.1	4.6	1.4	1.3	1.2	2.5	3.2	3.5	15.9	12.2	12.3			9.9
Bharat Petroleum Cairn india	559 311	SELL	202,029 590,621	4,374	1,897	5.3	28.5 40		(15.3) 433	40.5	58	10.4	9.4 7.8	45.6	7.5	5.3	1.4	1.5	1.3	2.5	5.2	4.8	3.0	14.6	18.1	250	(19.7)	19.2
Castrol India (a)	436	REDUCE	107,728	2,332	247	15.4	19.6 20		27.0	40.5	28.3	22.3	21.1	16.8	13.6	12.8	23.4	21.9	20.1	2.9	3.6	3.7	83.8	101.6	99.2	365	(15.7)	1.3
GAIL (India)	430	ADD	603,796	13,072	1,268	24.8	26.4 37		6.8	40.5	19.2	18.0	12.8	10.8	11.1	9.1	3.3	3.0	2.5	1.6	1.8	2.5	17.4	16.5	20.2	485	1.9	17.9
GSPL	98	REDUCE	55,176	1,195	562	7.4	8.9 9		21.5	1.3	13.3	11.0	10.8	6.9	5.8	5.2	3.2	2.6	2.3	1.0	2.3	3.7	27.3	26.3	22.5	80	(18.5)	4.0
Hindustan Petroleum	359	RS	121,722	2,635	339	54.7	44.6 56		(18.6)	26.4	6.6	8.1	6.4	2.5	2.9	2.3	0.9	0.8	0.8	3.3	3.9	4.9	13.9	10.1	11.7	_		8.3
Indian Oil Corporation	348	RS	845,655	18,308	2,428	49.9	34.3 35		(31.3)	4.2	7.0	10.2	9.8	4.8	5.7	4.8	1.5	1.4	1.3	3.7	3.0	3.1	22.7	13.9	13.3	_	_	6.8
Oil India	1,299	BUY	312,242	6,760	240	115.1	127.0 140		10.3	10.7	11.3	10.2	9.2	4.7	3.9	3.3	2.1	1.9	1.7	2.6	3.0	3.3	16.7	17.3	17.0	1,350	4.0	3.3
Oil & Natural Gas Corporation	1,194	BUY	2,554,473	55,304	2,139	91.4	121.9 129	5 1.3	33.3	6.2	13.1	9.8	9.2	4.7	4.0	3.4	1.9	1.7	1.5	2.8	3.5	3.6	14.6	17.5	16.7	1,375	15.1	29.7
Petronet LNG	78	REDUCE	58,125	1,258	750	5.4	6.2 7	9 —	14.9	28.0	14.4	12.5	9.8	9.1	7.5	6.6	2.3	2.0	1.7	2.3	2.6	3.5	15.9	15.9	17.6	82	5.8	4.2
Reliance Industries	1,059	SELL	3,150,691	68,212	2,976	49.6	62.9 80	2 (1.8)	26.6	27.5	21.3	16.8	13.2	10.7	8.1	6.8	2.1	1.9	1.7	1.4	1.8	2.2	11.4	13.2	15.3	985	(7.0)	124.1
Energy		Cautious	8,602,257	186,236				33.5	19.3	17.1	14.3	12.0	10.2	7.0	5.9	5.0	2.0	1.8	1.6	2.1	2.4	3.0	13.8	14.9	15.7			
Industrials																												
ABB	873	REDUCE	184,954	4,004	212	16.7	23.3 37		39.2	59.8	52.2	37.5	23.4	29.9	22.1	13.7	7.6	6.5	5.2	0.2	0.4	0.4	15.6	18.8	24.7	840	(3.8)	7.4
BGR Energy Systems	745	BUY	53,658	1,162	72	16.0	28.0 39		74.6	41.9	46.5	26.6	18.8	26.1	15.1	11.0	9.5	7.6	5.8	0.4	0.9	1.1	22.3	31.8	35.1	800	7.3	2.7
Bharat Electronics	1,779	REDUCE	142,328	3,081	80	93.9	111.8 127		19.1	13.9	18.9	15.9	14.0	9.1	7.3	6.2	3.2	2.8	2.4	1.4	1.4	1.4	17.9	18.7	18.5	1,790	0.6	3.0
Bharat Heavy Electricals	2,435	ADD	1,191,785	25,802	490	92.0	115.8 136		25.8	17.7	26.5	21.0	17.9	14.8	11.5	9.4	7.3	5.8	4.7	0.8	1.0	1.2	30.8	30.7	28.9	2,500	2.7	32.1
Crompton Greaves	255	BUY	163,627	3,542	642	12.8	13.3 15		3.2	19.0	19.9	19.2	16.2	11.5	10.5	8.7	6.2	4.9	3.9	0.7	0.7	0.8	36.8	28.5	26.8	290	13.7	8.4
Larsen & Toubro	1,765	BUY	1,060,772	22,965	601	58.1	71.2 90		22.4	27.0	30.4	24.8	19.5	16.3	13.7	11.3	4.7	4.0	3.4	0.6	0.7	0.8	18.6	17.5	18.7	1,900	7.6	55.9
Maharashtra Seamless	387	BUY	27,327	592	71	40.2	43.6 49		8.5	14.2	9.6	8.9	7.8	5.1	4.4	3.5	1.7	1.5	1.3	1.6	2.0	2.6	19.3 27.3	17.9	17.7	450	16.1	0.6
Siemens	739	REDUCE	249,262	5,396	337	25.0	29.6 34		18.6	16.0	29.6	25.0	21.5	17.5	14.3 8.7	12.1 5.7	7.3 0.8	6.0 0.9	4.9 0.8	0.7	0.8	0.9	(8.8)	26.3 0.4	25.1 7.5	635 70	(14.1) 21.5	7.5 28.3
Suzion Energy Thermax	58 722	REDUCE BUY	91,807	1,988 1.862	1,594 119	(5.9) 21.7	0.3 5		(104.4) 35.4	1,931.8 27.7	(9.7) 33.2	222.0	10.9 19.2	16.9	13.7	10.8	7.9	6.5	5.3	0.5	1.2	1.5	(8.8)	29.1	30.5	750	3.9	28.3
		REDUCE	85,991	1,862		21.7	29.4 3/		35.4			24.5	19.2	11.0	9.7	8.3	6.2	5.1	4.2	1.5	1.2	1.5	38.3	31.3	28.8	200	(1.0)	4.4
Voltas Industrials	202	Attractive	66,825 3,318,336	71,841	331	10.9	11.5 12	57.4 3.7	33.5	12.1 27.4	18.6 30.6	22.9	18.0	15.3	12.1	9.7	5.0	4.2	3.5	0.7	0.9	1.0	16.2	18.4	19.7	200	(1.0)	4.4
Infrastructure		Attractive	3,310,330	71,041				3.7	33.5	27.4	50.0	22.5	18.0	13.5	12.1	5.7	5.0	4.2	5.5	0.7	0.5	1.0	10.2	10.4	15.7			
Container Corporation	1,313	REDUCE	170,618	3.694	130	61.1	74.3 85	9 0.3	21.7	15.6	21.5	17.7	15.3	15.1	12.3	10.3	3.9	3.4	2.9	1.1	1.3	1.5	19.6	20.6	20.5	1,250	(4.8)	1.6
GMR Infrastructure	57	ADD	207,736	4,497	3,667	0.4	0.2 0		(48.9)	(40.0)	131.5	257.3	428.5	23.3	15.0	14.1	2.0	1.7	1.7	-	-	-	2.4	1.2	0.7	65	14.7	6.0
GVK Power & Infrastructure	44	BUY	68,696	1,487	1,579	0.8		4 6.7	33.5	32.4	53.5	40.0	30.2	18.3	16.8	17.2	2.2	2.1	2.0	-	0.7	0.7	4.7	5.3	6.7	54	24.1	6.1
IRB Infrastructure	272	RS	90,453	1,958	332	9.7	12.6 12	1 83.8	29.2	(3.7)	28.0	21.7	22.5	13.2	11.8	11.0	3.9	3.0	2.4	-	-	-	15.6	15.7	11.9	-	-	4.9
Mundra Port and SEZ	724	REDUCE	292,127	6,324	403	15.1	24.1 35	7 40.8	59.5	48.4	48.0	30.1	20.3	30.9	19.8	14.1	8.0	6.2	4.6	-	_	_	18.5	23.2	26.1	725	0.1	13.3
Infrastructure		Attractive	829,629	17,961				12.7	29.5	24.1	41.2	31.8	25.6	20.8	15.3	13.2	3.5	2.9	2.6	-	-	0.4	8.4	9.2	10.2			
Media																												
DB Corp	242	ADD	43,948	951	181	10.6	12.9 15		21.0	22.3	22.8	18.8	15.4	12.6	10.4	8.2	6.3	5.0	4.3	0.8	1.7	2.5	38.2	29.6	29.9	280	15.6	0.4
DishTV	45	ADD	47,906	1,037	1,063	(2.5)		6 (61.6)	(52.4)	(146.5)	(17.9)	(37.5)	80.7	69.4	22.4	12.1	11.7	17.1	14.1	-	-	-	248.6	(37.1)	19.1	45	(0.1)	3.3
HT Media	150	NR	35,180	762	235	6.1		4 623.3	27.0	20.9	24.5	19.3	16.0	12.3	10.2	8.4	3.6	3.2	2.9	0.7	1.3	2.7	15.6	17.6	19.2	_	-	0.3
Jagran Prakashan	126	ADD	37,978	822	301	5.8	6.4 7		9.5	16.7	21.6	19.7	16.9	13.0	11.5	9.8	6.2	5.6	5.0	2.8	2.8	3.2	30.0	29.8	31.0	130	3.1	0.7
Sun TV Network	405	REDUCE	159,543	3,454	394 434	13.1	17.9 22 12.0 14		36.0 14.4	27.5	30.8	22.6	17.8	17.5 21.0	13.0 16.6	10.3 13.2	8.2 3.5	7.0	5.7 3.2	1.9 0.8	1.9 1.0	2.2	28.4 13.0	33.5 14.1	35.5 16.4	420 265	3.7 (10.6)	1.7 9.4
Zee Entertainment Enterprises Media	297	Neutral	128,703	2,786 9.813	434	10.5	12.0 14	/ 24.4	41.2	22.2 36.3	28.2 37.5	24.7 26.6	20.2 19.5	18.0	13.7	10.7	5.4	5.0	4.5	1.2	1.4	1.2	14.5	18.8	22.9	205	(10.6)	9.4
Metals		Neutrai	453,257	9,813				183.3	41.2	30.3	37.5	20.0	19.5	10.0	13.7	10.7	5.4	5.0	4.5	1.2	1.4	1.0	14.5	10.0	22.9			
Hindalco Industries	152	ADD	290,920	6,298	1,914	5.7	12.5 14	7 (64.5)	119.8	18.2	26.8	12.2	10.3	7.9	8.5	8.7	1.3	1.2	1.1	0.9	0.9	0.9	10.3	10.2	11.0	190	25.0	42.4
Hindustan Zinc	995	BUY	420,546	9 105	423	95.6	117.5 133		22.8	13.4	10.4	8.5	7.5	6.3	4.4	2.9	2.2	1.8	1.4	0.6	0.6	0.6	24.2	23.5	21.4	1,400	40.7	4.4
Jindal Steel and Power	662	SELL	613,816	13,289	928	38.5	48.7 50		26.5	4.3	17.2	13.6	13.0	10.8	8.7	8.2	5.4	3.8	3.0	0.2	0.2	0.2	37.3	33.0	25.7	575	(13.1)	33.2
JSW Steel	1,067	REDUCE	212,018	4,590	199	80.4	106.4 136		32.3	28.7	13.3	10.0	7.8	8.3	7.0	5.6	1.8	1.5	1.2	0.8	0.4	0.4	15.4	16.4	17.3	1,150	7.8	55.6
National Aluminium Co.	437	SELL	281,628	6,097	644	10.1	28.0 27		178.6	(1.2)	43.4	15.6	15.8	19.3	7.6	7.0	2.6	2.2	2.0	0.5	0.5	0.5	6.1	15.4	13.3	320	(26.8)	1.6
Sesa Goa	375	REDUCE	333,861	7,228	890	29.6	61.4 62		107.6	1.8	12.7	6.1	6.0	10.3	3.8	3.1	4.3	2.6	1.8	0.8	0.8	0.8	36.7	48.0	34.1	420	11.9	81.3
Sterlite Industries	176	ADD	147,997	3,204	840	48.1	67.6 83	3 21.9	40.6	23.2	3.7	2.6	2.1	4.1	3.4	2.5	0.4	0.4	0.3	2.0	2.0	2.0	13.0	14.4	15.4	875	396.9	50.0
Tata Steel	498	BUY	441,571	9,560	887	3.2	78.7 93	5 (97.1)	2,331.6	18.7	153.7	6.3	5.3	17.3	5.8	4.9	1.7	1.4	1.1	1.6	1.6	1.6	1.1	24.7	23.8	700	40.7	110.3
Metals		Cautious	2,742,356	59,371				(28.9)	89.5	13.6	15.3	8.1	7.1	9.5	5.9	5.0	1.9	1.5	1.3	0.8	0.8	0.8	12.4	19.2	18.0			
Pharmaceutical																												
Biocon	322	BUY	64,370	1,394	200	14.7	18.3 22		24.8	22.7	22.0	17.6	14.3	12.5	10.5	8.6	3.6	3.1	2.6	-	-	0.1	17.9	19.3	20.3	345	7.2	4.1
Cipla	339	REDUCE	272,271	5,895	803	13.5	12.8 15		(4.9)	21.9	25.1	26.4	21.7	18.6	17.5	14.7	4.6	4.1	3.5	0.7	0.7	0.7	19.9	16.3	17.4	280	(17.4)	11.4
Cadila Healthcare	669 223	REDUCE	136,997 18,105	2,966	205	24.7	29.6 34 17.2 28	5 00.5	20.0	17.6 67.0	27.1	22.6	19.2	17.4	14.6 9.1	12.7 6.5	8.5 2.3	6.5 2.0	5.2 1.6	0.7	0.9	1.0	36.1 15.5	32.8 16.3	30.3 22.7	535 300	(20.0) 34.8	1.4
Dishman Pharma & chemicals Divi's Laboratories	223	ADD	18,105	2 218	132	14.4	34.3 43		19.4	67.0 27.9	15.4 30.1	12.9	17.7	22.5	9.1	12.7	2.3	2.0	4.5	_	_	_	24.8	27.2	22.7	300	34.8	3.6
Dr Reddy's Laboratories	1.451	REDUCE	245.827	5.322	169	48.1	66.7 70		38.8	61	30.1	22.0	20.5	16.7	12.6	11.7	6.5	5.2	4.2	0.5	0.5	0.6	24.8	26.3	22.6	1,150	(20.8)	14.9
GlaxoSmithkline Pharmaceuticals (a)	2,120	REDUCE	179,532	3,887	85	59.1	69.1 79		17.0	14.5	35.9	30.7	26.8	20.7	17.7	15.1	10.1	8.6	7.3	-	-	-	29.8	30.2	29.5	1,800	(15.1)	1.7
Glenmark Pharmaceuticals	279	NR	76,398	1,654	274	12.7	17.4 19	2 14.3	37.4	10.2	22.0	16.0	14.5	13.2	9.5	9.1	3.3	2.8	2.3	-	-	-	16.8	18.5	-	_	_	5.9
Jubilant Organosys	348	BUY	55,333	1,198	159	26.5	33.7 39		27.1	16.7	13.1	10.3	8.9	9.6	8.5	7.0	2.5	2.0	1.7	0.6	0.7	0.9	26.3	22.0	21.1	400	14.8	2.5
Lupin	1,893	ADD	167,705	3,631	89	76.9	104.1 122		35.3	17.6	24.6	18.2	15.5	21.0	15.2	12.0	7.2	5.4	4.1	0.7	0.8	0.8	36.6	34.4	30.7	1,920	1.4	6.7
Piramal Healthcare	491	REDUCE	102,556	2,220	209	23.4	13.4 11		(42.9)	(17.6)	21.0	36.7	44.6	15.5	5.8	4.0	6.1	1.1	0.9	1.1	1.2	0.7	32.1	141.2	16.6	490	(0.1)	31.7
Ranbaxy Laboratories Sun Pharmaceuticals	458 1,799	SELL REDUCE	196,143 372,661	4,246 8,068	428 207	7.1	28.0 11 67.7 77	(120.4)	297.1 3.8	(58.3) 14.6	64.9 27.6	16.3 26.6	39.2 23.2	15.9 20.9	9.5 18.9	19.0 15.9	5.0 4.5	3.9 4.0	3.7 3.5	0.8	0.9	0.9	6.9 17.8	24.6 16.2	9.1 16.2	220 1,560	(51.9) (13.3)	11.4 9.0
Sun Pharmaceuticais Pharmaceuticals	1,799	Attractive	372,661 1,990,335	8,068 43,090	207	05.2	07.7 77	6 (25.7) 44.6	26.6	14.6 6.1	27.6	26.6 21.9	23.2 20.6	20.9 17.2	13.4	15.9	4.5 5.2	4.0 3.8	3.5 3.2	0.8	0.8	0.8	17.8	16.2 17.3	15.2 15.6	1,500	(13.3)	9.0
			.,	-5,050					20.0	0.1	20.0	25	20.0					5.0	5.2	0.5	0.0	0.0						

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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

					O/S																						Target		
	23-Jun-10		Mkt		shares		EPS (Rs)			growth (%			PER (X)			/EBITDA	<u> </u>		rice/BV ()	<u> </u>		nd yield	<u> </u>		RoE (%)		<u> </u>		ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US\$ mn)
Property									()																				
DLF	292 155	ADD RS	498,448 62,010	10,791 1,342	1,708 401	9.6 1.6	16.3 4.0	25.1 8.0	(64.0) 109.7	69.4 151.7	53.8 101.7	30.3 97.4	17.9 38.7	11.6 19.2	19.5 (60)	12.4 30.3	9.3 7.8	1.9 0.7	1.7 0.7	1.5 0.7	1.0	1.0	1.7	6.4 0.8	9.9 1.8	13.8 3.5	340 285	16.5 84.4	56.4 22.2
Indiabulls Real Estate Mahindra Life Space Developer	453	ADD	19,061	413	401	18.9	20.3	27.5	82.4	7.3	35.8	24.0	22.4	16.5	20.1	16.6	9.1	2.0	1.9	1.7	0.9	0.9	0.9	8.4	8.5	10.7	540	19.1	1.6
Phoenix Mills	209	BUY	30,244	655	145	5.1	77	8.7	2.5	51.0	13.5	41.0	27.2	23.9	31.6	20.3	16.9	1.9	1.5	1.7	0.5	0.5	1.0	4.8	7.0	7.5	260	24.5	1.0
Puravankara Projects	104	REDUCE	22,271	482	213	6.4	8.2	8.1	(5.2)	28.4	(2.0)	16.3	12.7	12.9	20.6	13.9	13.7	1.6	1.0	1.3	1.9	1.9	1.9	10.0	11.9	10.7	110	5.4	0.7
Sobha	283	ADD	27,703	600	98	14.4	17.5	24.7	(4.8)	21.1	41.6	19.6	16.2	11.4	14.9	11.9	7.3	1.6	1.5	1.3	0.7	1.4	1.4	9.8	9.4	12.2	325	15.0	2.3
Unitech	76	SELL	198,829	4,305	2,616	3.4	4.3	5.6	(54.2)	26.3	30.2	22.5	17.8	13.7	20.2	13.8	8.7	1.9	1.6	1.5	_	_	2.0	9.7	9.4	11.1	72	(5.3)	59.0
Property		Cautious	858,566	18,588					(52.9)	57.8	46.6	29.8	18.9	12.9	20.2	13.1	9.3	1.6	1.5	1.4	0.7	0.7	1.6	5.5	8.0	10.8			
Retail																													
Titan Industries	2,209	ADD	98,047	2,123	44	62.7	76.1	96.2	41.5	21.3	26.5	35.2	29.0	23.0	25.0	19.6	15.3	12.4	9.3	7.0	0.5	0.5	0.6	40.7	36.6	34.8	2,400	8.7	4.0
Retail		Neutral	98,047	2,123					41.5	21.3	26.5	35.2	29.0	23.0	25.0	19.6	15.3	12.4	9.3	7.0	0.5	0.5	0.6	35.2	32.0	30.5			
Sugar											(																	(	
Bajaj Hindustan	112	SELL	21,470	465	191	9.7	9.9	8.9	-	2.2	(10.4)	11.5	11.3	12.6	6.9	5.7	5.4	0.9	0.8	0.8	0.6	0.6	0.6	8.1	7.5	6.3	99	(11.8)	7.6
Balrampur Chini Mills	80	ADD	20,476	443	257	3.7	10.4	7.0	-	183.7	(32.7)	21.7	7.7	11.4	9.3	5.3	5.7	1.5	1.3	1.2	0.6	0.6	0.6	7.0	18.1	11.0	92	15.4	7.2
Shree Renuka Sugars	68	BUY	45,546	986	670	9.9	7.6	7.8	196.4	(23.2)	3.1	6.9	8.9	8.7	4.7	5.3	4.6	1.8	1.5	1.3	0.6	0.5	0.5	32.0	18.1	15.7	76	11.8	17.4
Sugar Technology		Cautious	87,493	1,894					96.1	2.5	(9.4)	9.3	9.0	10.0	6.1	5.5	5.1	1.4	1.2	1.1	0.6	0.6	0.6	14.9	13.3	10.8			
HCL Technologies	373	REDUCE	257,198	5,568	690	17.8	25.1	28.5	2.0	40.6	13.6	20.9	14.9	13.1	10.6	9.1	7.5	4.0	3.4	2.8	1.1	1.1	1.6	20.8	24.9	23.3	370	(0.7)	8.9
Hexaware Technologies	77	REDUCE	11,097	240	144	9.3	5.1	9.4	127.7	(45.4)	84.0	8.3	15.1	8.2	4.1	8.4	4.5	1.3	1.2	1.1	1.3	1.3	1.3	17.8	8.4	14.0	72	(6.8)	2.8
Infosys Technologies	2,798	BUY	1,605,909	34,767	574	108.3	125.2	150.5	5.7	15.6	20.2	25.8	22.3	18.6	18.8	15.4	12.5	7.0	5.8	4.8	0.9	1.2	1.5	30.1	28.2	28.0	3,100	10.8	70.3
Mphasis BFL	568	REDUCE	118,516	2,566	208	43.6	49.0	45.6	207.5	12.5	(7.0)	13.0	11.6	12.5	10.4	9.2	8.4	5.1	3.6	2.9	0.6	0.7	0.8	48.1	36.4	25.8	550	(3.2)	9.7
Mindtree	562	REDUCE	23,144	501	41	52.2	38.9	51.6	294.3	(25.5)	32.6	10.8	14.5	10.9	9.2	8.9	6.3	3.5	2.8	2.3	0.4	0.7	0.9	35.2	21.4	23.1	550	(2.2)	2.7
Patni Computer Systems	522	REDUCE	69,504	1,505	133	36.6	42.3	38.6	36.4	15.6	(8.7)	14.3	12.3	13.5	7.5	6.6	5.8	1.9	1.8	1.7	1.4	1.6	1.5	18.2	15.8	12.8	450	(13.8)	6.2
Polaris Software Lab	181	SELL	18,071	391	100	15.4	19.1	18.6	16.9	24.3	(2.7)	11.8	9.5	9.7	5.9	7.5	6.5	2.1	1.8	1.6	1.9	2.0	2.2	18.6	20.1	17.0	180	(0.7)	3.4
TCS	786	BUY	1,538,946	33,318	1,957	35.1	41.1	46.3	32.8	16.9	12.8	22.4	19.1	17.0	17.2	14.0	11.6	7.3	6.1	5.1	2.5	2.1	2.4	37.6	34.8	32.8	900	14.5	33.0
Wipro	405	ADD	990,533	21,445	2,447	18.9	21.9	25.0	22.1	16.2	14.4	21.5	18.5	16.2	16.2	13.3	11.0	5.1	4.1	3.4	0.9	1.1	1.3	26.5	24.6	23.2	465	14.9	16.0
Technology		Attractive	4,632,917	100,301					22.9	16.7	14.2	22.2	19.0	16.6	16.1	13.4	11.1	5.9	4.9	4.1	1.5	1.5	1.7	26.7	25.8	24.6			
Telecom																													
Bharti Airtel	264	REDUCE	1,002,756	21,709	3,798	24.0	21.4	24.2	7.5	(10.8)	13.2	11.0	12.3	10.9	6.2	5.8	5.0	2.3	1.9	1.7	1.1	1.5	1.9	24.1	17.0	16.5	290	9.8	46.7
IDEA	55	REDUCE	182,149	3,943	3,300	2.7	1.3	2.3	(5.8)	(51.7)	71.9	20.2	41.8	24.3	7.3	7.3	5.9	1.6	1.5	1.5	-	-	-	7.2	3.8	6.3	50	(9.4)	9.3
MTNL	65	SELL	40,635	880	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(4.1)	(6.2)	(7.1)	(0.4)	(0.5)	(0.7)	0.4	0.4	0.4	_	_	_	(8.5)	(6.1)	(5.7)	50	(22.5)	2.5
Reliance Communications	188	SELL	400,167	8,664	2,133	22.1	14.1	18.2	(30.2)	(36.2)	29.1	8.5	13.3	10.3	7.6	8.4	6.3	1.0	1.0	0.9	0.4	-	-	11.7	7.4	8.9	140	(25.4)	33.6
Tata Communications	255	REDUCE	72,661	1,573	285	14.0	15.2	15.7	3.2	8.2	3.5	18.2	16.8	16.3	7.5	6.9	6.5	1.0	1.0	1.0	2.5	2.9	3.3	5.2	5.5	5.5	225	(11.7)	1.4
Telecom		Cautious	1,698,368	36,769					(15.1)	(19.8)	20.7	11.9	14.8	12.3	7.0	6.9	5.6	1.5	1.4	1.3	0.9	1.0	1.3	12.7	9.3	10.2			
Utilities	422	100	264.070	5 704	2 400		4.0	16.1		5344	225.2	455.4	24.0	7.4	434.5	46.7	6.4	4.0		2.6					47.0	42.0	430	7.0	2.6
Adani Power	122 383	ADD ADD	264,870	5,734	2,180	0.8	4.9 42.2	16.4 45.7	9.3	524.1 19.6	235.3 8.4	155.1 10.9	24.8 9.1	7.4	121.5	16.7 6.3	6.1 7.1	4.8	4.1	2.6 0.9	_	1.4	-	4.4	17.8	43.0 11.4	130 439	7.0 14.8	3.6 2.0
CESC Lanco Infratech			47,788	1,035	125	35.2						34.5			6.9			4.7	1.0 3.8		1.2	1.4	1.5		20.6	21.0			
	68	BUY	162,819	3,525	2,405	2.0	3.6	4.5	35.1	82.2	26.4		18.9	15.0	20.4	8.7	8.4			3.1	-	-		15.8			70	3.4	10.2
NTPC Reliance Infrastructure	197 1.186	REDUCE ADD	1,622,295 291,692	35,122 6,315	8,245 246	10.6 61.8	12.4	14.7 80.3	7.8 (1.5)	16.8 1.6	18.9 28.0	18.6 19.2	15.9 18.9	13.4 14.8	14.5 20.4	12.3 19.6	10.3 13.4	2.5	2.3	2.1	2.0	2.4	2.8	14.2 6.3	15.3 7.3	16.6 10.1	200	1.7 (7.2)	12.1 45.6
Reliance Power	1,160	SELL	402,415	8,712	240	2.5	3.1	5.1	(1.5)	24.4	66.1	68.1	54.8	33.0	20.4	19.6	13.4	2.8	2.7	2.5	0.7	0.8	0.9	4.2	5.0	7.8	1,100	(23.8)	45.6
Tata Power	1,321	BUY	326,081	7,060	2,397	60.2	76.1	95.3	20.1	24.4	25.2	21.9	17.4	13.9	13.8	11.7	10.1	2.8	2.7	2.5	0.9	11	1.1	12.9	13.6	15.2	1,500	(23.8)	10.2
Utilities	1,521	Attractive	3,117,959	67,503	247	00.2	70.1	55.5	15.3	25.2	36.3	23.3	18.6	13.5	19.2	14.6	10.1	2.5	2.2	2.0	1.2	1.4	1.7	12.5	12.4	15.0	1,500	13.5	10.5
Others		Attractive	5,117,555	07,505					15.5	25.2	50.5	23.5	10.0	15.7	15.2	14.0	10.5	2.5	2.5	2.1	1.2		1.7	10.0	12.4	15.0			
Aban Offshore	741	ADD	32,244	698	43	94.5	172.3	103.6	(2.5)	82.3	(39.8)	7.8	4.3	7.2	8.2	6.0	6.5	1.4	0.8	0.8	0.5	0.5	0.5	21.7	20.8	11.1	900	21.4	45.8
Havells India	635	SELL	38,192	827	60	5.3	31.6	45.0	3.7	497.9	42.6	120.1	20.1	14.1	16.7	10.3	8.4	10.5	6.9	4.7	0.4	0.4	0.4	6.6	41.6	39.7	480	(24.4)	10.1
Jaiprakash Associates	131	BUY	278,450	6,028	2,129	1.5	5.9	7.9	(27.2)	305.4	34.4	89.8	22.2	16.5	22.2	14.1	10.3	3.3	2.9	2.5	-	-	-	4.1	13.9	16.3	183	39.9	35.9
Jindal Saw	198	ADD	58,344	1,263	294	27.5	19.3	17.9	121.9	(29.8)	(7.2)	7.2	10.3	11.1	5.2	5.9	5.7	1.5	1.3	1.2	0.5	0.4	0.4	20.5	12.9	11.1	243	22.5	6.4
PSL	125	BUY	6,691	145	53	22.9	25.4	28.2	3.3	10.6	11.0	5.5	4.9	4.4	3.1	2.6	2.8	0.7	0.7	0.6	5.2	5.2	5.6	12.6	11.7	12.0	175	39.8	0.6
Sintex	306	BUY	41,815	905	136	24.1	29.8	34.3	0.5	23.5	15.1	12.7	10.3	8.9	9.3	7.1	5.9	1.9	1.6	1.4	0.4	0.4	0.4	15.1	15.6	15.2	380	24.0	3.9
Tata Chemicals	320	ADD	77,960	1,688	243	28.6	30.1	35.9	7.4	5.1	19.3	11.2	10.7	8.9	6.4	5.8	4.9	1.7	1.5	1.3	2.8	2.8	2.8	17.2	17.3	17.9	340	6.1	3.2
Welspun Gujarat Stahl Rohren	240	REDUCE	49,323	1,068	205	25.1	23.0	24.4	44.9	(8.1)	5.8	9.6	10.4	9.8	5.3	5.4	4.8	1.7	1.4	1.3	0.8	0.9	0.9	20.6	14.8	13.5	245	2.1	9.4
United Phosphorus	194	BUY	89,692	1,942	463	11.9	15.6	19.0	18.8	30.2	22.1	16.2	12.5	10.2	9.3	7.8	6.3	2.6	2.2	1.9	0.8	1.0	1.0	17.7	19.0	19.5	250	29.0	8.2
Others			672,711	14,564					21.0	42.1	11.0	18.2	12.8	11.6	10.6	8.6	7.4	2.3	1.9	1.7	0.6	0.7	0.7	12.7	14.9	14.4			
KS universe (b)			42,589,722	922,055					13.2	22.8	19.6	18.3	14.9	12.5	11.1	9.1	7.6	2.7	2.4	2.1	1.4	1.5	1.8	14.9	16.0	16.7			
KS universe (b) ex-Energy			33,987,465	735,819					7.5	24.0	20.4	19.7	15.9	13.2	13.5	10.8	9.0	3.0	2.6	2.2	1.2	1.3	1.5	15.3	16.4	17.0			
KS universe (d) ex-Energy & ex-Co	1141		30,509,136	660,514					14.0	18.1	22.1	20.7	17.6	14.4	15.2	12.7	10.4	3.2	2.8	2.4	1.3	1.3	1.6	15.5	15.9	17.0			

Note: (1) For banks we have used adjusted book values.

 (1) Fut balacs we have used adjusted ubox values.

 (2) 2010 means calendar year 2009, similarly for 2011 and 2012 for these particular companies.

 (3) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.

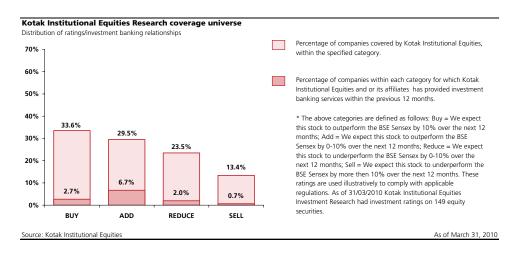
 (4) Rupee-US Dollar exchange rate (Rs/US\$)=

 46,19

Source: Company, Bloomberg, Kotak Institutional Equities estimates

17

"Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Sanjeev Prasad, Ajay Mathrani, Nischint Chawathe."



### **Ratings and other definitions/identifiers**

#### 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, Neutral, Cautious.

### 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.

### Corporate Office

Kotak Securities Ltd. Bakhtawar, 1st Floor 229, Nariman Point Mumbai 400 021, India Tel: +91-22-6634-1100

### **Overseas Offices**

Kotak Mahindra (UK) Ltd 6th Floor, Portsoken House 155-157 The Minories London EC 3N 1 LS Tel: +44-20-7977-6900 / 6940 Kotak Mahindra Inc 50 Main Street, Suite No.310 Westchester Financial Centre White Plains, New York 10606 Tel:+1-914-997-6120

### Copyright 2010 Kotak Institutional Equities (Kotak Securities Limited). All rights reserved.

- 1. Note that the research analysts contributing to this report may not be registered/qualified as research analysts with FINRA; and
- 2. Such research analysts may not be associated persons of Kotak Mahindra Inc and therefore, may not be subject to NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Kotak Securities Limited and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We along with our affiliates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationships with a significant percentage of the companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. Investors should assume that Kotak Securities Limited and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may participate in the solicitation of such business. Our research professionals are paid in part based on the profitability of Kotak Securities Limited, which include earnings from investment banking and other business. Kotak Securities or derivatives of any companies that the analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, Kotak Securities Limited generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of Kotak Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. Kotak Securities Limited does not provide tax advises to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment.

Certain transactions -including those involving futures, options, and other derivatives as well as non-investment-grade securities - give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavor to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. For the purpose of calculating whether Kotak Securities Limited and its affiliates holds beneficially owns or controls, including the right to vote for directors, 1% of more of the equity shares of the subject issuer of a research report, the holdings does not include accounts managed by Kotak Mahindra Mutual Fund. Kotak Securities Limited and its non US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies affectively assume currency risk. In addition options involve risks and are not suitable for all investors. Please ensure that you have read and understood the current derivatives risk disclosure document before entering into any derivative transactions.

This report has not been prepared by Kotak Mahindra Inc. (KMInc). However KMInc has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. Any reference to Kotak Securities Limited shall also be deemed to mean and include Kotak Mahindra Inc.