

August 17, 2007

India Strategy Friday Flash

BSE-30: 14,358

India

Mirroring the global trend. Amidst rising concerns from losses in US sub-prime mortgages and resulting crunch in global liquidity scenario, Sensex lost 742 points (4.9%) closing at 14,358. Banking companies were the largest losers, contributing 210 points to the Sensex fall. FII's continued to remain net sellers withdrawing US\$119 mn from Indian equities. We expect the markets to move broadly in line with regional markets.

Market highlights for the week ending Thursday, August 16, 2007

- Largest gainers: Asian Paints (2%), Kalpataru Power Transmission (2%), Dredging corp. (1%)
- Largest losers: Corporation Bank (-16%), Max (-15%), Bank of Baroda (-15%)

Analysts

Sanjeev Prasad

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

Puneet Jain

Puneet.j@kotak.com
Mumbai: +91-22-6634-1255

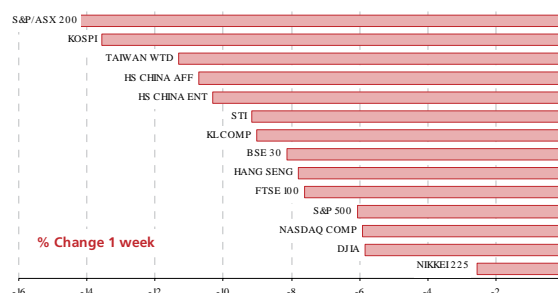
Bhavesh Shah

bhavesh.shah@kotak.com
Mumbai: +91-22-6634-1498

**Kotak Institutional Equities
Research**

Important disclosures appear at the back of this report.

Relative performance of Indian indices (% Change 1 Week)



Source: Company, Bloomberg

Flows in emerging markets

Flows in the cash markets

Date	Taiwan	Indonesia	Philippines	Thailand	India	Total
Investments in past week (US\$mn)						
7-Aug-07	(210)	170	(9)	(87)	(31)	(166)
8-Aug-07	89	36	(4)	(18)	47	150
9-Aug-07	329	(2)	(3)	(19)	95	400
10-Aug-07	(885)	11	(9)	(140)	(101)	(1,125)
13-Aug-07	(118)	229	(1)	-	(129)	(19)
Total	(796)	444	(26)	(263)	(119)	(760)

Our top recommendations

Exhibit 1: Kotak Institutional Equities, Top 10, 16 August, 2007

Companies	Sector	Rating	CMP	Mkt Cap	Target	EPS (Rs)			P/E (X)			EV/EBDITA (X)			Liquidity: 3mo
			(Rs)	(US\$ mn)	(Rs)	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	(Rs mn)
Larsen & Toubro	Industrials	OP	2,319	16,037	2,725	65.1	88.0	112.4	35.6	26.4	20.6	23.3	16.7	13.0	235
ICICI Bank	Banking	OP	832	22,267	1,000	34.6	35.0	51.3	24.1	23.8	16.2	—	—	—	1,983
ITC	Consumer Products	OP	158	14,309	225	7.2	8.3	9.6	21.9	19.0	16.5	13.8	11.8	9.9	1,066
Wipro	Technology	OP	469	16,462	560	19.7	23.1	29.2	23.8	20.3	16.1	18.5	15.7	11.5	672
Bharat Heavy Electricals	Industrials	IL	1,603	18,980	1,550	49.3	61.4	74.2	32.5	26.1	21.6	18.4	15.1	12.2	1,719
Bajaj Auto	Automobiles	OP	2,310	5,654	2,780	118.2	130.3	151.5	19.5	17.7	15.3	9.1	8.3	6.9	1,080
Reliance Energy	Utilities	IL	718	3,952	810	34.8	26.7	27.3	20.6	26.9	26.3	24.6	28.8	27.6	1,873
Maruti Udyog	Automobiles	OP	791	5,531	910	54.0	58.4	68.5	14.6	13.5	11.6	7.4	6.2	5.2	548
Punjab National Bank	Banking	OP	482	3,680	610	48.8	55.2	63.3	9.9	8.7	7.6	—	—	—	495
Mid Cap Basket															
Andhra Bank	Banking	OP	80	938	120	11.1	12.4	13.0	7.2	6.5	6.2	—	—	—	92
Kalpataru Power Transmission	Transmission	OP	1,523	976	1,650	60.2	77.4	91.8	25.3	19.7	16.6	15.7	12.5	10.2	45
Mahindra Gesco	Property	OP	501	509	920	8.9	11.3	47.5	56.6	44.2	10.5	34.4	28.0	9.1	307
Nagarjuna Construction Co.	Construction	OP	190	952	221	7.3	9.6	13.0	25.9	19.8	14.6	17.5	12.0	9.4	280
PSL	Pipes	OP	320	321	420	21.2	27.6	41.1	15.1	11.6	7.8	9.9	7.5	5.3	36
BSE-30			14,358												

Source: Company, Bloomberg, Kotak Institutional Equities.

Our model portfolio

Exhibit 2: Kotak Institutional Equities Model Portfolio

Company	16-Aug		Weightage (%)		Diff. (bps)
	Price (Rs)	Rating	BSE-30	KS reco.	
Bajaj Auto	2,291	—	1.6	2.6	100
Mahindra & Mahindra	688	—	1.4	2.4	100
Maruti Udyog	829	—	0.9	1.9	100
Tata Motors	663	—	1.6	0.6	(100)
Automobiles			5.5	7.5	200
Andhra Bank	85	OP	—	0.6	60
Punjab National Bank	512	OP	—	2.0	200
State Bank of India	1,650	IL	4.0	4.0	—
PSU Banking			4.0	6.6	260
HDFC	2,016	IL	5.0	—	(498)
HDFC Bank	1,155	IL	3.1	2.6	(50)
ICICI Bank	890	IL	9.8	11.8	200
Pvt Banking/Financing			17.9	14.4	(348)
ACC	1,001	U	1.1	—	(110)
Grasim Industries	2,920	IL	2.0	2.0	—
Ambuja Cements	128	IL	1.5	—	(152)
Cement			4.6	2.0	(262)
Hindustan Unilever	201	IL	2.2	—	(219)
ITC	164	OP	4.5	6.5	200
Consumers			6.7	6.5	(19)
Bharat Petroleum	318	OP	—	0.8	75
Hindustan Petroleum	253	OP	—	0.8	75
Oil & Natural Gas Corporation	867	OP	3.7	3.7	—
Reliance Industries	1,842	U	12.3	11.0	(134)
Reliance Petroleum	113	OP	—	0.5	50
Energy			16.0	16.7	66

Note:

(a) weightages are with respect to August 6, 2007 prices.

Source: BSE, Bloomberg, Kotak Institutional Equities.

Company	16-Aug		Weightage (%)		Diff. (bps)
	Price (Rs)	Rating	BSE-30	KS reco.	
ABB	1,119	OP	—	1.5	150
Bharat Heavy Electricals	1,733	IL	2.9	4.9	200
Larsen & Toubro	2,450	OP	6.3	8.3	200
Industrials			9.1	14.6	550
Hindalco Industries	156	—	1.5	—	(153)
Tata Steel	652	U	3.9	2.9	(100)
Metals			5.4	2.9	(253)
Cipla	188	—	0.9	—	(91)
Dr Reddy's Laboratories	638	—	0.8	—	(78)
Ranbaxy Laboratories	372	—	1.0	1.0	—
Pharmaceuticals			2.7	1.0	(170)
Infosys Technologies	1,936	OP	9.0	8.0	(100)
Satyam Computer Services	467	OP	2.9	2.9	—
TCS	1,147	IL	2.1	—	(214)
Wipro	478	OP	1.3	3.3	200
Technology			15.4	14.3	(114)
Bharti Airtel Limited	869	U	5.7	4.2	(150)
Reliance Communications	537	U	3.8	2.3	(150)
Telecom			9.5	6.5	(300)
NTPC	170	IL	2.0	2.0	—
Reliance Energy	758	IL	1.3	2.8	150
Utilities			3.3	4.8	150
Kalpataru Power Transmission	1,476	OP	—	0.6	60
Mahindra Gesco	536	OP	—	0.6	60
Nagarjuna Construction Co.	198	OP	—	0.6	60
PSL	339	OP	—	0.6	60
Infrastructure basket				2.4	240

Sensex valuation summary

Exhibit 3: Valuation summary of BSE-30 sectors, 16 August, 2007

	Mkt-cap. (US\$ mn)	EPS Growth (%)				PER (X)			EV/EBITDA (X)		Price/BV (X)		Div Yield (%)		RoE (%)	
		2006	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2007	2008E	2007	2008E	2007	2008E
Banking	65,159	13.3	14.2	23.7	23.9	25.5	20.6	16.6	—	—	4.2	2.6	0.9	1.1	16.5	12.7
Technology	77,841	28.6	44.4	21.5	23.0	26.0	21.4	17.4	19.4	15.5	8.7	6.8	1.0	1.5	33.5	31.9
Consumers	25,248	21.2	19.4	15.2	14.3	24.1	20.9	18.3	16.4	13.2	7.5	6.7	2.6	2.8	31.3	31.8
Pharmaceuticals	9,377	(15.1)	136.7	(17.3)	20.2	16.7	20.2	16.8	12.2	13.6	3.5	3.2	1.5	1.5	21.2	15.6
Metals	16,890	6.3	32.9	(3.5)	(14.9)	9.9	10.2	12.0	6.2	6.3	2.3	1.4	0.3	0.4	23.6	14.1
Automobiles	22,207	26.9	28.0	11.4	16.5	16.3	14.6	12.5	7.6	6.6	3.8	3.2	1.6	1.8	23.2	21.7
Energy	102,979	16.9	15.2	17.7	16.3	14.8	12.6	10.8	7.2	6.4	2.7	2.4	2.0	2.1	18.2	18.8
Industrials	35,713	57.2	56.3	30.0	24.9	34.1	26.2	21.0	20.5	15.8	8.8	6.8	0.6	0.7	25.9	26.1
Cement	15,624	27.7	89.5	21.3	8.6	14.6	12.0	11.1	8.6	6.7	3.9	3.0	1.3	1.6	26.5	25.0
Telecom	62,480	(107.4)	182.9	63.9	33.8	34.9	21.3	15.9	18.7	12.1	7.3	5.5	0.0	0.2	20.9	26.0
Utilities	38,205	17.0	16.1	8.4	6.9	20.3	18.8	17.5	11.1	13.1	2.6	2.4	1.8	2.1	13.0	13.0
BSE-30	471,722	20.5	32.8	19.5	17.4	20.5	17.2	14.6	11.1	9.6	4.2	3.3	1.2	1.4	20.4	19.2
BSE-30 ex-Energy	368,743	22.5	42.2	20.3	17.9	23.0	19.1	16.2	13.5	11.5	4.9	3.7	1.0	1.2	21.5	19.4
BSE-30 ex-Energy, Com.	336,229	24.7	40.6	23.3	21.9	25.4	20.6	16.9	15.3	12.8	5.3	4.1	1.0	1.3	20.9	19.8

Source: Company reports, Kotak Institutional Equities estimates.

Nifty valuation summary

Exhibit 4: Valuation summary of Nifty sectors, 16 August, 2007

	Mkt-cap. (US\$ mn)	EPS Growth (%)				PER (X)			EV/EBITDA (X)			Price/BV (X)		Div Yield (%)		RoE (%)	
		2006	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2007E	2008E	2007E	2008E
Banking	67,537	11.6	13.2	22.3	22.8	23.5	19.2	15.6	—	—	—	3.9	2.5	1.0	1.1	16.6	13.0
Technology	81,465	28.3	46.8	19.3	22.9	25.1	21.0	17.1	18.5	15.1	11.9	8.1	6.4	1.1	1.5	32.2	30.6
Consumers	24,744	21.2	19.4	15.2	14.3	24.1	20.9	18.3	16.4	13.2	11.3	7.5	6.7	2.6	2.8	31.3	31.8
Metals	28,033	22.1	64.1	(11.7)	(14.9)	8.4	9.5	11.1	5.1	5.5	6.1	2.2	1.5	0.8	0.9	26.1	15.8
Automobiles	24,869	25.6	20.7	10.0	15.4	16.1	14.6	12.7	7.6	6.7	5.5	3.9	3.3	1.7	1.9	24.1	22.3
Energy	124,122	8.8	22.5	15.3	18.4	15.3	13.3	11.2	7.7	6.9	5.6	2.5	2.2	2.0	2.1	16.4	16.9
Industrials	53,521	64.0	46.7	36.0	30.1	37.9	27.9	21.4	22.9	17.0	12.9	10.0	7.6	0.5	0.6	26.3	27.4
Cement	15,312	27.7	89.5	21.3	8.6	14.6	12.0	11.1	8.6	6.7	6.0	3.9	3.0	1.3	1.6	26.5	25.0
Telecom	65,962	(53.9)	133.2	58.6	31.7	33.3	21.0	15.9	17.4	11.4	8.9	5.2	4.2	0.2	0.4	15.6	20.2
Utilities	7,866	39.1	(2.8)	8.1	18.7	25.9	24.0	20.2	14.5	15.5	15.2	2.0	1.9	0.8	1.1	7.9	7.8
Media	3,141	(34.6)	2.9	72.6	32.4	59.2	34.3	25.9	41.6	20.2	15.4	4.8	4.3	0.3	0.6	8.1	12.6
NIFTY	512,693	18.6	37.6	16.8	17.7	19.9	17.0	14.5	11.0	9.5	7.9	4.0	3.2	1.2	1.4	19.9	18.6
NIFTY ex-Energy	388,571	24.7	45.9	17.5	17.4	22.0	18.7	16.0	13.3	11.1	9.4	4.9	3.6	1.0	1.2	22.1	19.5
NIFTY ex-Energy ex Com	360,538	25.2	42.2	24.3	22.8	25.2	20.3	16.5	15.6	12.3	9.9	5.4	4.1	1.0	1.2	21.3	20.3

Note:

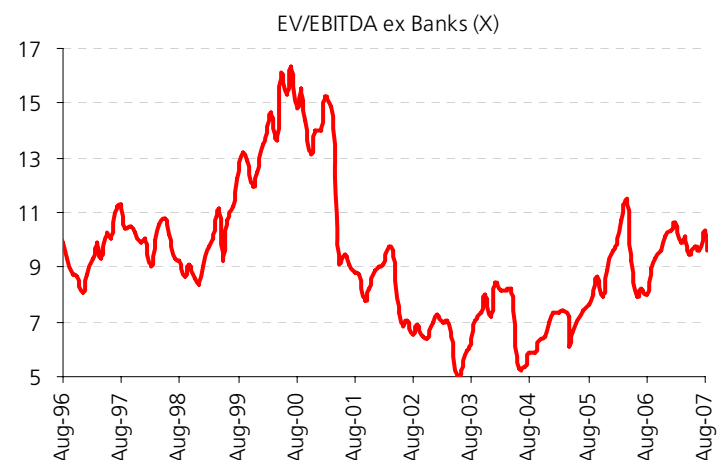
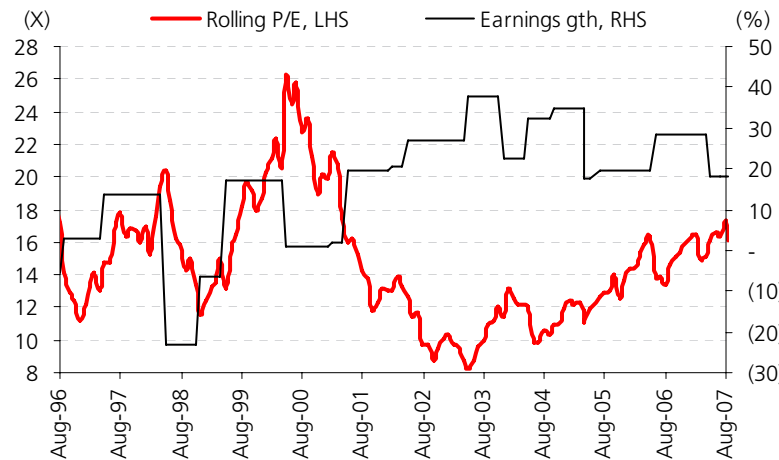
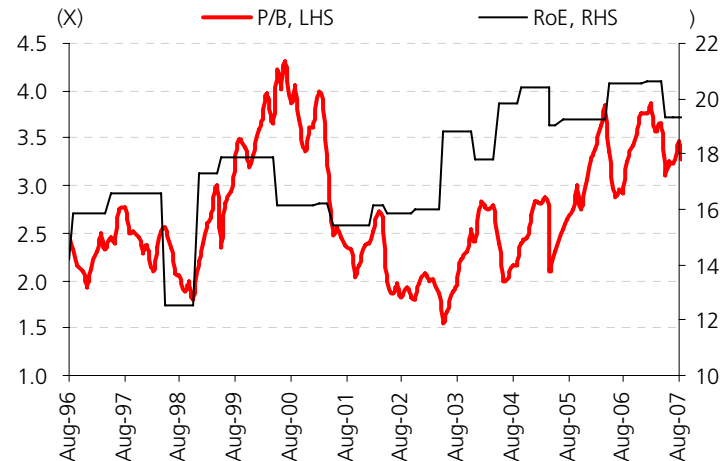
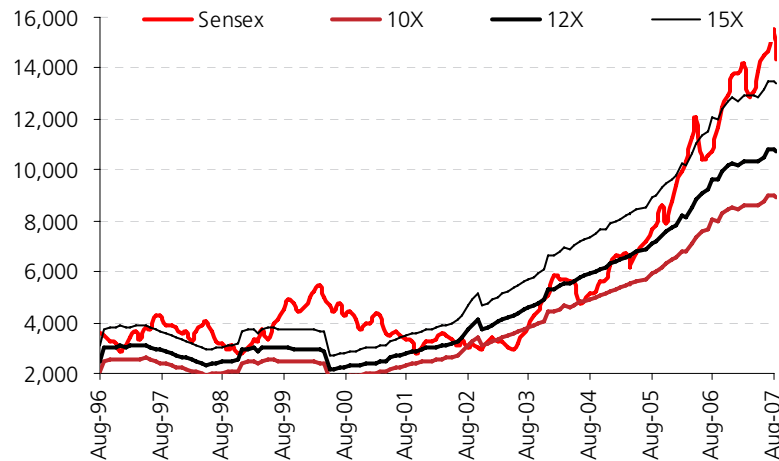
(a) Following companies are excluded: SAIL, Dabur and IPCL

Source: Company reports, Kotak Institutional Equities estimates.

BSE-Sensex key parameters

Exhibit 5: Key fundamental indicators of BSE Sensex

Sensex (BSE-30) P/B, EV/EBITDA and 12-month forward rolling P/E, April 1993 - current



Source: Bloomberg, Company reports, Kotak Institutional Equities.

Market performance

- Performance of benchmark indices
- Performance of global indices
- Pricing performance of Sensex sectors
- Top gainers and losers (Stocks under Kotak coverage)
- Price-to-Earnings ratio analysis
- EV-to-EBITDA ratio analysis
- Volume momentum analysis

Relative performance of Indian markets

Exhibit 6: Key performance of benchmark indices

(base 100 as of August 8, 2006)

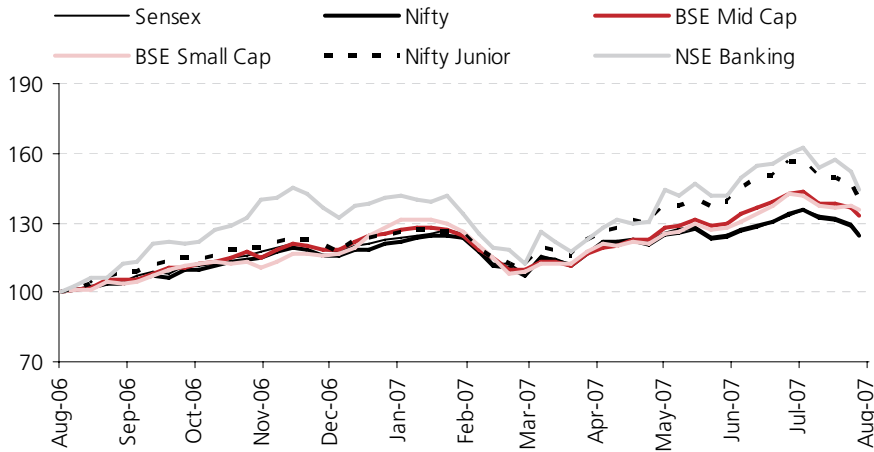


Exhibit 7: Weekly performance of the benchmark indices

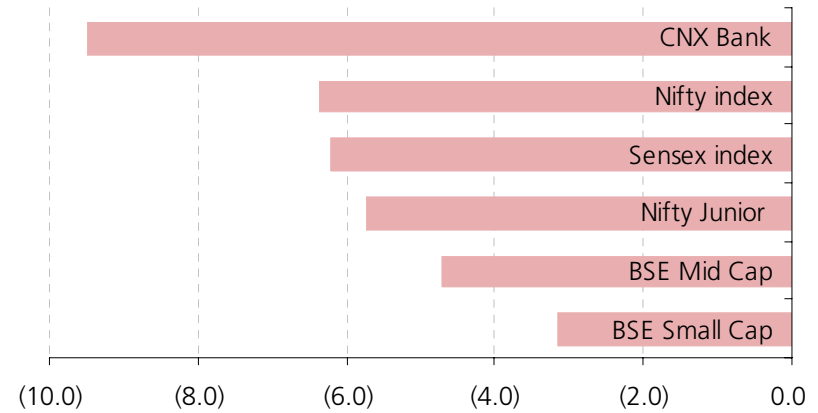


Exhibit 8: 1-month performance of the benchmark indices

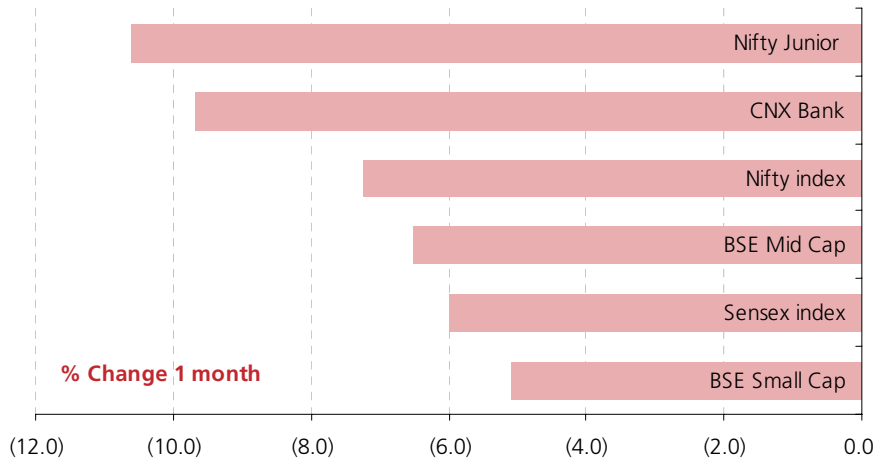
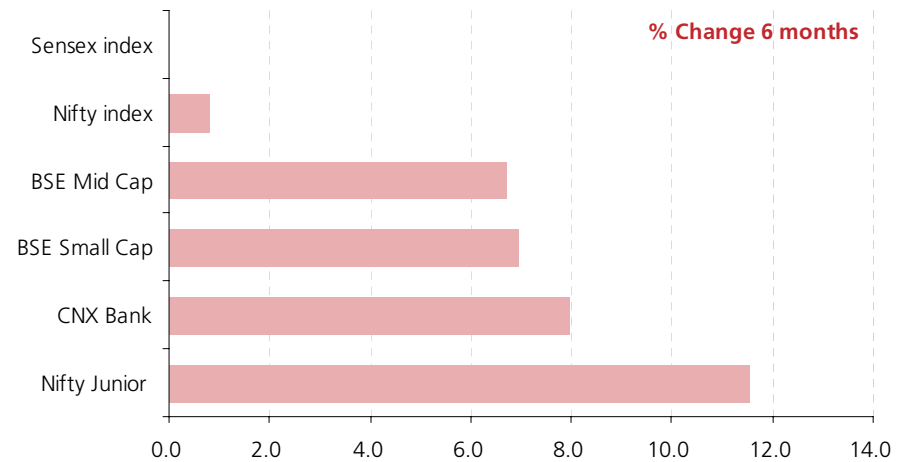


Exhibit 9: 6-month performance of the benchmark indices



Source: Bloomberg, Kotak Institutional Equities.

BSE-Sensex versus regional indices

Exhibit 10: Weekly performance

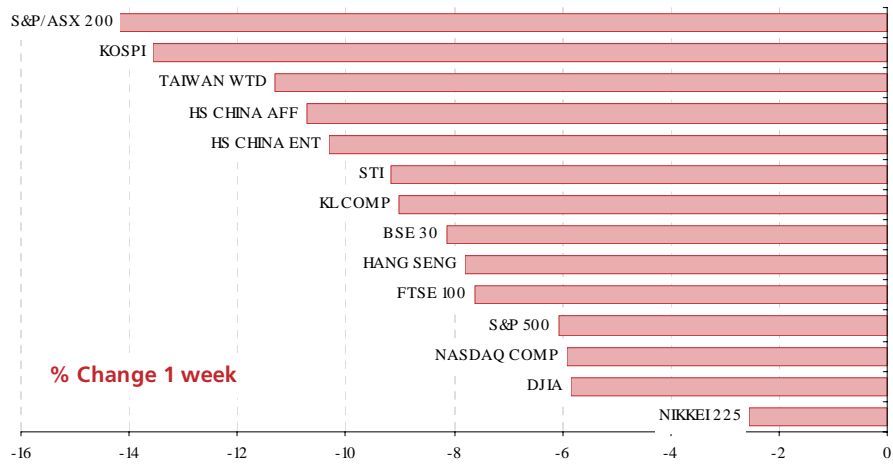


Exhibit 11: 3-month performance

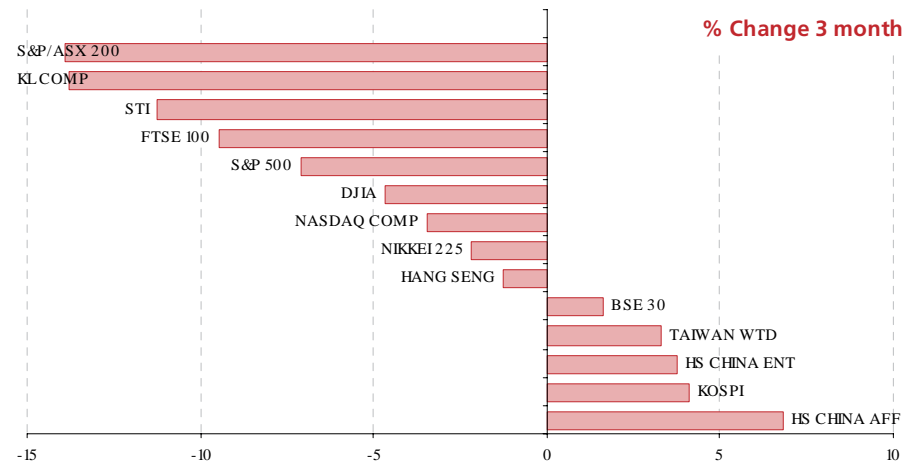


Exhibit 12: 6-month performance

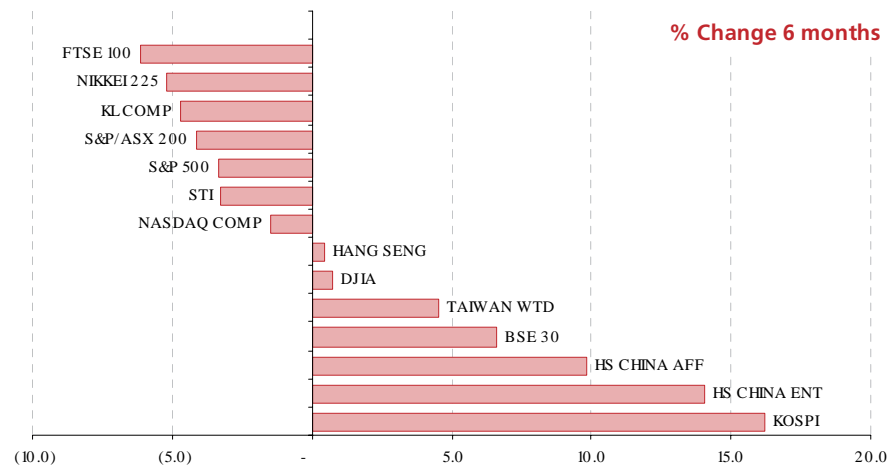
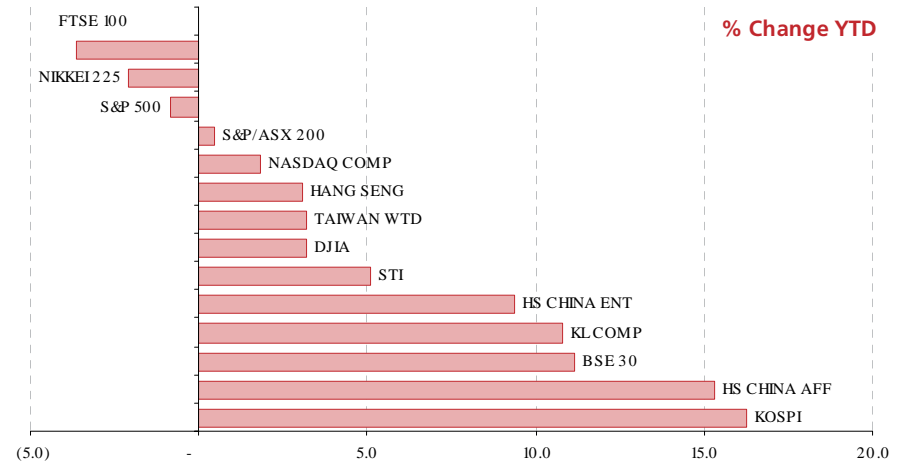


Exhibit 13: Year-to-date performance



NOTE:

(a) Returns are adjusted for the currency changes

Source: Bloomberg, BSE, Kotak Institutional Equities.

Sectoral performance

Exhibit 14: Market performance of Sensex sectors, 16 August, 2007

	Mkt cap	Change, %						Relative Change, %			
	(US\$ m)	1-Day	1-mo	3-mo	6-mo	1-Year	CYTD	1-Day	1-mo	6-mo	1-Year
Banking	65,159	(4.8)	(9.4)	4.1	6.2	48.3	6.6	(0.5)	(3.2)	6.2	16.9
Technology	77,841	(2.7)	(3.3)	(7.3)	(19.7)	6.3	(14.3)	1.5	2.5	(19.8)	(16.2)
Consumers	25,248	(3.2)	1.0	(2.0)	(7.2)	(13.5)	(9.8)	1.0	6.6	(7.3)	(31.9)
Pharmaceuticals	9,377	(3.1)	(4.9)	(9.3)	(18.3)	(17.5)	(19.9)	1.2	1.0	(18.3)	(35.0)
Metals	16,890	(9.1)	(17.8)	(2.3)	18.4	0.8	6.6	(4.6)	(11.1)	18.4	(20.6)
Automobiles	22,207	(3.6)	(8.7)	(8.7)	(21.5)	(10.5)	(20.4)	0.7	(2.6)	(21.5)	(29.5)
Energy	102,979	(4.7)	(5.8)	(0.7)	7.1	29.5	15.0	(0.4)	0.2	7.1	2.1
Industrials	35,713	(4.6)	(3.6)	28.7	35.6	62.7	48.5	(0.3)	2.2	35.5	28.2
Cement	15,624	(2.2)	(6.7)	9.1	(1.4)	18.6	(6.2)	2.0	(0.6)	(1.4)	(6.6)
Telecom	62,446	(6.2)	(10.8)	(3.0)	3.1	85.1	17.4	(1.8)	(4.5)	3.1	45.9
Utilities	38,205	(3.0)	7.7	9.9	19.5	35.0	24.6	1.3	12.9	19.5	6.4
Sensex sum	471,688	(4.3)	(6.0)	3.1	0.0	26.9	4.1				

Source: Kotak Institutional Equities.

Top gainers and losers

Exhibit 15: Top gainers and losers (stocks in Kotak Institutional Equities universe)

1-week performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Company	% Change	1 Corporation Bank	(15.9)
2 Asian Paints	2.1	2 Max	(15.0)
3 Kalpataru Power Transmission	1.5	3 Bank of Baroda	(13.3)
4 Dredging Corporation	1.0	4 Sun TV Network	(12.5)
5 Castrol India	0.5	5 Punj	(12.5)
6 Tata Motors	0.4	6 VSNL	(12.1)
7 Godrej Consumer Products	0.0	7 Oriental Bank of Commerce	(11.9)
8 Bajaj Auto	(0.0)	8 Tata Steel	(11.6)
9 Dr Reddy's Laboratories	(0.4)	9 Canara Bank	(11.1)
		10 State Bank of India	(10.8)

CYTD performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Divi's Laboratories	93.2	1 Vardhman	(49.4)
2 Jindal Steel and power	69.9	2 Mahindra Gesco	(42.8)
4 Larsen & Toubro	60.7	3 Rico Auto	(42.1)
5 GE Shipping	56.7	4 Hexaware Technologies	(39.9)
6 IDFC	53.9	5 TVS Motor Co	(36.8)
7 Kalpataru Power Transmission	53.8	6 Polaris Software Lab	(31.8)
8 KEC	50.3	7 iGate Global Solutions	(31.4)
9 Monnet Ispat	50.2	8 Hotel Leela	(29.7)
10 JSL	43.1	9 Mahindra & Mahindra	(27.3)

1- month performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 NTPC	8.5	1 Patni Computer Systems	(27.3)
2 Asian Paints	8.1	2 Hexaware Technologies	(26.0)
3 Sintex	5.8	3 Sun TV Network	(23.6)
4 Glaxo SmithKline Consumer	5.8	4 Polaris Software Lab	(20.7)
5 Ranbaxy Laboratories	4.4	5 Tata Tea	(20.6)
6 Nestle India	4.4	6 VSNL	(20.3)
7 EIH	4.0	7 Mahindra & Mahindra	(19.9)
8 Shriram Transport	3.2	8 Oriental Bank of Commerce	(19.6)
9 Bajaj Auto	2.4	9 Hindalco Industries	(19.4)
10 ITC	2.4	10 MTNL	(19.3)

1-year performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Divi's Laboratories	234.5	1 Vardhman	(54.6)
2 Jindal Steel and power	152.7	2 Rico Auto	(49.3)
3 HT Media	121.1	3 Mahindra Gesco	(37.7)
4 JSL	106.7	4 Novartis India	(30.9)
5 KEC	100.4	5 Hexaware Technologies	(26.4)
6 Larsen & Toubro	94.7	6 Cipla	(25.6)
7 Ipca Laboratories	93.8	7 Tata Tea	(20.9)
8 Bharti Airtel Ltd	93.5	8 Godrej Consumer Products	(19.0)
9 ABB	90.6	9 Hotel Leela	(18.9)

Source: Kotak Institutional Equities.

Price-to-Earnings ratio analysis

Exhibit 16 and 17: Companies trading at a premiums/discounts to the sector based on comparable companies covered by Kotak Institutional Equities

Premium to 1 year rolling forward P/E (%)		Discount to 1 year rolling forward P/E (%)	
Company	Premium to sector	Company	Discount to sector
Max	1,077.3	Monnet Ispat	79.4
i-flex solutions	207.9	LIC Housing Finance	67.5
Aditya Birla Nuvo	175.8	Dredging Corporation	66.9
GSPL	175.2	Andhra Bank	57.2
Reliance Industries	172.0	Canara Bank	50.1
HDFC	171.3	Corporation Bank	49.0
Divi's Laboratories	167.6	Bank of Baroda	48.8

Exhibit 19: Companies trading at lowest P/E in the Kotak universe

Lowest 1 year rolling forward P/E (X)	
Company	Lowest P/E
Vardhman	5.3
Monnet Ispat	6.1
Andhra Bank	6.3
Hindustan Petroleum	7.0
Bharat Petroleum	7.2
Indian Oil Corporation	7.3
Canara Bank	7.4
Corporation Bank	7.5
Bank of Baroda	7.6
Dredging Corporation	7.7
Oil & Natural Gas Corporation	7.8
Hindustan Zinc	8.1

Exhibit 20: Companies trading at highest P/E in the Kotak universe

Highest 1 year forward P/E (X)	
Company	Highest P/E
Max	320.0
Aditya Birla Nuvo	52.2
i-flex solutions	39.4
ABB	35.8
Siemens	31.9
Jet Airways	31.1
Zee Entertainment Enterprises	30.2
Divi's Laboratories	30.2
Sun TV Network	28.8
Apollo Hospital	26.7
Reliance Energy	26.6
HT Media	26.4

(a) Historical figures are generated since May 2000.

Source: Bloomberg, Kotak Institutional Equities

Exhibit 18: Companies trading at all-time high historical P/Es, indicating re-rating of the multiples by market

Company	% discount to historical high
Mphasis BFL	0.0
CESC	0.0
HDFC	0.0
NTPC	0.0
Sintex	0.0
Shriram Transport	0.0
Kalpataru Power Transmission	0.0
Axis Bank	0.4
MTNL	5.2
State Bank of India	6.8
Bharat Heavy Electricals	8.9
GE Shipping	9.3
Aditya Birla Nuvo	9.3
Monnet Ispat	9.9
Reliance Energy	10.1
ABB	10.2
Reliance Industries	10.5
Larsen & Toubro	12.4

Enterprise Value-to-EBITDA ratio analysis

Exhibit 21 and 22: Companies trading at a premium to the sector based on comparable companies covered by Kotak Institutional Equities. Analysis done on 1- year forward EV-EBITDA

Trading at premium to the sectors

Premium to 1 year rolling forward EV/EBITDA (%)

Company	Sector premium
Max	1,172.8
Reliance Energy	203.8
Castrol India	200.3
Petronet LNG	195.6
i-flex solutions	188.5

Trading at discount to sectors

Discount to 1 year rolling forward EV/EBITDA (%)

Company	Sector discount
Monnet Ispat	26.5
iGate Global Solutions	37.8
Polaris Software Lab	39.9
MTNL	46.4
Novartis India	46.5

Exhibit 23: Companies trading at highest EV/EBITDA amongst the Kotak coverage list

Highest 1 year rolling forward EV/EBITDA (X)

Company	Highest EV/EBITDA
Max	197.2
Reliance Energy	28.7
i-flex solutions	28.3
Aditya Birla Nuvo	25.3
EIH	24.3
Divi's Laboratories	23.1
ABB	21.1
Siemens	18.3

Exhibit 24: Companies trading at lowest EV/EBITDA amongst the Kotak coverage list

Lowest 1 year rolling forward EV/EBITDA (X)

Company	Lowest EV/EBITDA
Bharat Petroleum	3.8
Hindustan Petroleum	4.0
Indian Oil Corporation	4.2
Dredging Corporation	4.4
National Aluminium Co	4.5
Vardhman	4.9
TVS Motor Co	5.0
GAIL (India)	5.6

Source: Bloomberg, Kotak Institutional Equities

Technical indicators

Exhibit 25: Volume momentum analysis

Volume Positive Momentum (5-day volume v/s 30-day volume)

Company	5-day average volumes	Increase (%)	Price Change (1month basis %)
Dredging Corporation	170,535	368	7.1
Godrej Consumer Products	361,908	327	2.1
Asian Paints	21,444	150	8.1
Polaris Software Lab	595,525	122	(20.7)
EIH	130,317	81	4.0
Sintex	436,131	56	5.8
Tata Power	142,507	52	(11.5)

Volume Negative Momentum (5-day volume v/s 30-day volume)

Company	5-day average volumes	Decrease (%)	Price Change (1month basis %)
MICO	919	(82)	(3.3)
Bharat Electronics	7,284	(75)	(11.5)
GVKPIL	36,046	(74)	0.0
Nicholas Piramal	15,149	(73)	(11.0)
CESC	49,382	(72)	(11.6)
Divi's Laboratories	82,195	(72)	(11.9)
Cadila Healthcare	4,818	(68)	(8.6)

Date	Sensex	Avg daily value traded	Institutional participation in total turnover		Sensex Put-Call delivery	(X)
		(US\$ mn)	FII%	MF%	(%)	
Jan-07	14,090	2,847	16.5	4.9	50.3	1.64
Feb-07	12,938	3,092	21.3	4.9	53.2	1.58
Mar-07	13,072	2,612	20.5	4.5	50.7	1.00
Apr-07	13,872	2,776	18.0	4.7	49.2	1.12
May-07	14,544	3,420	16.3	4.5	49.8	1.38
Jun-07	14,650	3,327	17.6	3.9	49.9	1.44
Jul-07	14,986	4,309	18.6	4.4	49.8	1.38
Average of the first seven months	14,022	3,198	18.4	4.5	50.4	1.36
Aug-07	14,358	3,614	15.6	2.9	49.8	1.37

Source: Bloomberg, Kotak Institutional Equities.

Earnings momentum

Top upgrades and downgrades in 2008 estimates in the past month

- **Top changes in target prices in the past month**
- **Top changes in ratings in the past month**

Top upgrades/downgrades

Exhibit 26: Kotak Institutional Equities earning upgrades/downgrades in the past 1 month

FY2008 earnings upgrades (KIE) (1 month)

Company	% Change
1 IDEA	50.4
2 Dredging Corporation	47.7
3 Larsen & Toubro	20.0
4 Punj	19.7
5 Federal Bank	17.1
6 Cairn India	16.6
7 Shriram Transport	14.4
8 Reliance Industries	14.0
9 GAIL (India)	12.6
10 Mphasis BFL	12.2

FY2008 earnings downgrades (KIE) (1 month)

Company	% Change
1 Hindustan Petroleum	(32.2)
2 Mahindra Gesco	(30.4)
3 Gateway Distriparks	(20.0)
4 CESC	(19.7)
5 i-flex solutions	(18.2)
6 Canara Bank	(16.1)
7 Suzlon Energy	(12.8)
8 Siemens	(12.7)
9 Tech Mahindra	(10.2)
10 Sobha	(10.1)

Source: Kotak Institutional Equities, Bloomberg.

Changes in our target prices

Exhibit 28: Changes in target prices in the past 1 month

Upgrades in target prices (1 month)

	Company	% Change	New	Old
1	India Infoline	59.5	670	420
2	ABB	44.8	1,325	915
3	Punj	27.6	305	239
4	IDFC	26.3	120	95
5	Bharti Airtel Limited	25.0	750	600
6	Bharat Electronics	23.1	1,785	1,450
7	JSL	22.2	275	225
8	GE Shipping	19.6	335	280
9	Monnet Ispat	15.4	375	325
10	Nestle India	15.0	1,150	1,000
11	Colgate-Palmolive (India)	13.3	340	300
12	Shriram Transport	11.1	200	180
13	Kalpataru Power Transmissio	10.4	1,650	1,495
14	Container Corporation	10.2	2,425	2,200
15	HT Media	10.0	220	200
16	Dredging Corporation	8.7	625	575
17	Nagarjuna Construction Co.	8.3	221	204
18	Reliance Industries	8.2	1,650	1,525
19	GAIL (India)	7.7	350	325
20	CESC	7.3	425	396
21	NTPC	6.3	170	160

Downgrades in target prices (1 month)

	Company	% Change	New	Old
1	Canara Bank	(21.9)	250	320
2	Gateway Distriparks	(20.0)	180	225
3	Hindustan Petroleum	(12.0)	330	375
4	Suzlon Energy	(11.3)	1,450	1,635
5	Wipro	(8.2)	560	610
6	Mphasis BFL	(6.3)	300	320
7	Andhra Bank	(4.0)	120	125

Source:Kotak Institutional Equities.

Changes in our ratings

Exhibit 29: Changes in ratings in the past 1 month

Company name		Rating	
		Current	Previous
India Infoline	Downgraded	U	IL
Suzlon Energy	Downgraded	IL	OP
Reliance Energy	Downgraded	IL	OP
Canara Bank	Downgraded	IL	OP
Godrej Consumer Products	Upgraded	OP	IL
ICICI Bank	Upgraded	OP	IL
State Bank of India	Downgraded	IL	OP
Colgate-Palmolive (India)	Upgraded	IL	U

Source: Kotak Institutional Equities.

Flows

- **Trend in equity flows**
- **FII flows in other emerging markets**
- **IPO analysis**
- **Delivery position analysis**
- **Bulk deals of the week**

Trend in equity flows

Exhibit 31: Net investments by mutual funds and FII in the cash market (US\$ mn)

	FII	MF
CY 1999	1,537	0
CY 2000	1,462	(150)
CY 2001	2,807	(1,110)
CY 2002	751	(685)
CY 2003	6,658	118
CY2004	8,382	(217)
CY 2005	10,776	2,873
CY 2006	8,632	3,585
Jan	1,431	(229)
Feb	1,691	(55)
March	1,473	996
April	222	657
May	(1,829)	1,754
June	313	(341)
July	306	(18)
August	1,027	94
September	1,339	298
October	1,450	0
November	2,024	59
December	(814)	369
CY 2007	8,921	(114)
Jan	(698)	(297)
Feb	1,249	(61)
March	317	(365)
April	1,257	217
May	1,085	401
June	1,759	100
July	4,530	(199)
August	(576)	89

Exhibit 32: Net foreign flows in the Derivatives market (US\$ mn)

	Index Futures	Index Options	Stock Futures	Stock Options
CY2004	(91)	608	(796)	4
CY2005	(676)	2,199	(668)	(42)
CY 2006	345	3,950	(3,690)	(83)
Jan	424	268	(505)	(11)
Feb	(284)	438	(623)	(13)
Mar	209	342	(1,135)	26
Apr	(454)	229	(1,382)	(3)
May	211	165	754	2
June	562	(22)	891	(4)
July	128	226	468	(10)
August	(15)	346	(421)	(9)
Sep	(331)	322	(632)	(8)
Oct	850	674	(648)	(15)
November	(231)	662	(849)	(28)
December	(724)	300	391	(11)
CY2007	(841)	6,864	(4,314)	(93)
Jan	10	820	(571)	(25)
Feb	(937)	682	(313)	0
Mar	1,132	630	467	(8)
Apr	264	810	(111)	(15)
May	320	516	(1,246)	(10)
June	(1,025)	980	(568)	(16)
July	(821)	1,860	(1,649)	(4)
August	215	566	(322)	(16)

Source: Bloomberg, Kotak Institutional Equities

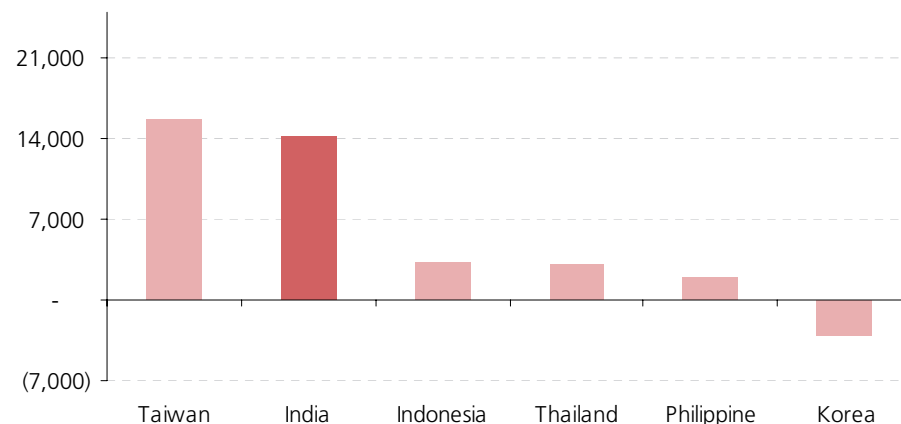
FII flows in other emerging markets

FII flows in the various countries (US\$ mn)

Flows in the cash markets

Date	Taiwan	Indonesia	Philippine	Thailand	India
17-Jul-07	56	11	(2)	5	232
18-Jul-07	(107)	17	(6)	(6)	303
19-Jul-07	(150)	37	(2)	(21)	217
20-Jul-07	359	53	1	2	300
23-Jul-07	(10)	20	14	73	269
24-Jul-07	522	17	(2)	62	315
25-Jul-07	(420)	(19)	(14)	10	(15)
26-Jul-07	169	(9)	97	4	61
27-Jul-07	(2,016)	(35)	(26)	(144)	(300)
30-Jul-07	(885)	(5)	(7)	-	(37)
31-Jul-07	(255)	25	(4)	(19)	106
1-Aug-07	(1,499)	(13)	25	(143)	(241)
2-Aug-07	(204)	9	(17)	(95)	(104)
3-Aug-07	125	9	7	(38)	48
6-Aug-07	(550)	9	(9)	(90)	(289)
7-Aug-07	(210)	170	(9)	(87)	(31)
8-Aug-07	89	36	(4)	(18)	47
9-Aug-07	329	(2)	(3)	(19)	95
10-Aug-07	(885)	11	(9)	(140)	(101)
13-Aug-07	(118)	229	(1)	-	(129)
Total	(5,662)	570	27	(664)	747

Net investments by FIIs in the cash market (US\$ mn) over last 1 year



Source: Bloomberg.

IPO analysis

Exhibit 33: Market performance since IPO/ Follow on offering

Name	Offer Shares	Price (Rs)	Value (Rs mn)	Date of Listing	Price		Performance (%)	
					Day 1	Latest	Day 1	Since Listing
VR Prime	142	550	7,783	16-Aug-07	418	418	(24)	(24)
OMAXE Ltd	178	310	5,517	09-Aug-07	349	312	13	1
Alpa Laboratories	95	68	646	06-Aug-07	55	49	(19)	(28)
Simplex projects	30	185	555	03-Aug-07	272	265	47	43
Everonn Systems	36	140	500	01-Aug-07	478	584	241	317
Allied Digital	45	190	859	25-Jul-07	331	295	74	55
Housing Development & Infra	297	500	14,850	24-Jul-07	558	506	12	1
Soice Communications	1,131	46	5,203	18-Jul-07	61	50	32	9
Roman Tarmat	29	175	508	09-Jul-07	319	223	82	27
DLF	1,750	525	91,875	05-Jul-07	570	584	9	11
Vishal Retail	40	270	1,082	04-Jul-07	752	653	179	142
Nitin Fire Protection	34	190	644	05-Jun-07	484	412	155	117
Insecticides Ind	32	115	369	30-May-07	110	69	(5)	(40)
MIC Electronics	51	150	765	30-May-07	336	385	124	157
Binani Cements	205	75	1,538	28-May-07	69	66	(8)	(12)
Hilton Metal Forging	55	70	382	24-May-07	68	38	(3)	(46)
Bhagwati Hotels	230	40	920	17-May-07	51	35	27	(12)
Fortis Healthcare	460	108	4,968	09-May-07	100	87	(7)	(20)
Advanta IndiaLtd	34	640	2,163	19-Apr-07	850	832	33	30
ICRA Ltd	26	330	852	13-Apr-07	798	963	142	192
Orbit Corp Ltd	91	110	1,001	12-Apr-07	128	442	16	302
Gremach Infrastructure	69	86	590	11-Apr-07	84	173	(2)	101
Astral Polytechn	30	115	342	20-Mar-07	105	115	(9)	
Abhishek Mills L	41	100	410	19-Mar-07	91	38	(9)	(62)
AMD Metplast Ltd	102	75	763	19-Mar-07	78	45	4	(40)
Jagjanani Textil	81	25	203	19-Mar-07	23	11	(7)	(56)
Lawreshwar Polym	87	16	139	19-Mar-07	14	9	(13)	(42)
Page Industries	28	360	1,009	16-Mar-07	282	403	(22)	12
Raj Television N	36	257	917	16-Mar-07	226	207	(12)	(19)
Euro Ceramics	56	165	928	09-Mar-07	119	140	(28)	(15)
Idea Cellular	2,833	75	21,250	09-Mar-07	86	115	14	53
Mudra Lifestyle	96	90	862	09-Mar-07	64	68	(29)	(24)
Vijayeshwari Textiles	90	100	900	09-Mar-07	69	63	(31)	(37)
Indus Fila Ltd	48	170	823	08-Mar-07	132	198	(22)	17
Broadcast Initiatives	86	120	1,026	07-Mar-07	69	58	(42)	(52)
Evinix Accessories	35	120	420	07-Mar-07	74	142	(39)	18
Mindtree Consulting	56	425	2,377	07-Mar-07	620	561	46	32
Oriental Trimex	100	48	480	07-Mar-07	29	18	(39)	(62)
Indian Bank	896	91	8,149	01-Mar-07	98	138	8	52
SMS Pharma	26	380	979	28-Feb-07	358	278	(6)	(27)
C&C Construction	43	291	1,242	26-Feb-07	240	201	(18)	(31)
Transwarranty Finance	60	52	312	26-Feb-07	47	30	(9)	(43)
Power Finance Corp	1,173	85	9,972	23-Feb-07	112	175	31	106
Firstsource Solutions	693	64	4,435	22-Feb-07	80	77	24	20
House of Pearl Fashions	60	550	3,292	15-Feb-07	469	274	(15)	(50)
Redington India	132	113	1,495	15-Feb-07	163	272	44	141
Cinemax India	89	155	1,383	14-Feb-07	152	131	(2)	(15)
Technocraft Industries	83	105	874	12-Feb-07	101	71	(4)	(32)
Pochiraju Industries	125	30	376	09-Feb-07	49	22	64	(26)

Source: Bloomberg and Kotak Institutional Equities.

Exhibit 34: Forthcoming IPO/Follow on offerings

Company	Type	Date
National Hydroelectric Power Corp.Ltd.	IPO	02/04/2007
Mundra Port & Special Economic Zone Ltd.	IPO	06/03/2007
Power Grid Corp.Of India Ltd.	IPO	17/04/2007
Kolte-Patil Developers Ltd.	IPO	05/02/2007
Maytas Infra Ltd.	IPO	27/07/2007
Jyothy Laboratories Ltd.	IPO	28/06/2007
Rns Infrastructure Ltd.	IPO	13/07/2007
Afcons Infrastructure Ltd.	IPO	26/04/2007
Bgr Energy Systems Ltd.	IPO	06/08/2007
Oswal Woollen Mills Ltd.	IPO	23/04/2007
Manaksia Ltd.	FPO	29/01/2007
Motilal Oswal Financial Services Ltd.	IPO	19/07/2007
Empee Distilleries Ltd.	IPO	24/05/2007
Ramsarup Lohh Udyog Ltd.	IPO	05/07/2007
Religare Enterprises Ltd.	IPO	02/07/2007
Consolidated Construction Consortium Ltd.	IPO	31/07/2007
Koutons Retail India Ltd.	IPO	16/04/2007
Dhanus Technologies Ltd.	IPO	28/06/2007
Gss America Infotech Ltd.	IPO	21/03/2007
Kaveri Seed Co.Ltd.	IPO	02/07/2007
Man Infraconstruction Ltd.	IPO	20/03/2007
Mbl Infrastructures Ltd.	IPO	05/10/2006
Uma Precision Ltd.	IPO	25/06/2007
Bang Overseas Ltd.	IPO	20/07/2007
Precision Pipes & Profiles Co.Ltd.	IPO	11/07/2007
Globus Spirits Ltd.	IPO	18/07/2007
Brahamputra Consortium Ltd.	IPO	26/07/2007
Indowind Energy Ltd.	IPO	23/05/2007
Essel Shyam Communication Ltd.	IPO	29/09/2006
M.S.Khurana Engineering Ltd.	IPO	30/03/2007
Midvalley Entertainment Ltd.	IPO	11/07/2007
Varun Industries Ltd.	IPO	28/06/2007
Veena Industries Ltd.	IPO	30/03/2007
Aries Agro Ltd.	IPO	04/04/2007
Niraj Cement Structurals Ltd.	IPO	02/08/2007
Renaissance Jewellery Ltd.	IPO	06/07/2007
Magnum Ventures Ltd.	IPO	09/07/2007
It People (India) Ltd.	FPO	09/07/2007
Kaushalya Infrastructure Development Corp.Ltd.	IPO	06/12/2006
Svec Constructions Ltd.	IPO	30/04/2007
Steel City Securities Ltd.	IPO	17/02/2006
Manjushree Extrusions Ltd.	FPO	08/08/2007
Barak Valley Cements Ltd.	IPO	03/08/2007
Svpcl Ltd.	IPO	27/04/2007
Supreme Infrastructure India Ltd.	IPO	26/07/2007
Burnpur Cement Ltd.	IPO	18/04/2007
Rathi Bars Ltd.	IPO	12/03/2007
Shaily Engineering Plastics Ltd.	FPO	22/12/2006
Aishwarya Telecom Ltd.	IPO	13/07/2007
Saamya Biotech (India) Ltd.	IPO	18/07/2007
Kamayani Patient Care (India) Ltd.	IPO	29/06/2007
Circuit Systems (India) Ltd.	IPO	29/06/2007

Source: Primedatabase.

Summary of bulk/block deals

Exhibit 35: Bulk/block deals for the week

Deal Date	Scrip Name	Action	Quantity	Price	Value		Exchange
					(Rs mn)		
10-Aug	United Brew	SELL	2,705,400	303	819		BSE
10-Aug	United Brew	BUY	2,702,500	303	818		BSE
10-Aug	Northgate Te	SELL	250,353	1,240	310		BSE
10-Aug	Northgate Te	BUY	165,000	1,240	205		BSE
10-Aug	Federal Bank	BUY	428,095	325	139		BSE
10-Aug	Northgate Te	BUY	85,353	1,240	106		BSE
10-Aug-07	Gemini Communication Limi	BUY	450,000	200	90		NSE
10-Aug	Dhanlak Bank	BUY	1,096,372	82	89		BSE
09-Aug-07	Icsa (India) Limited	BUY	47,471	1,805	86		NSE
09-Aug-07	Himachal Fut Comm Ltd	SELL	4,206,000	18	77		NSE
09-Aug-07	Gtl Infrastructure Limite	BUY	1,900,000	37	70		NSE
09-Aug-07	Nagarjuna Fert & Chem	SELL	2,620,428	25	65		NSE
09-Aug-07	Gtl Infrastructure Limite	SELL	1,690,489	36	61		NSE
09-Aug-07	Himachal Fut Comm Ltd	SELL	3,006,919	19	57		NSE
9-Aug	Him Futr Com	SELL	2,350,000	19	44		BSE
10-Aug	Bhagwati Ban	BUY	1,000,000	37	37		BSE
13-Aug	Mang Che Fer	BUY	1,000,000	34	34		BSE
9-Aug	Pioner Embro	SELL	217,478	150	33		BSE
13-Aug	Shah Alloy L	SELL	475,000	62	29		BSE
10-Aug	Sharyan Reso	SELL	100,000	235	23		BSE
10-Aug	Sujana Metal	SELL	602,942	35	21		BSE
10-Aug-07	Etc Networks Limited	SELL	143,000	98	14		NSE
13-Aug	Sujana Metal	SELL	395,555	35	14		BSE
9-Aug	Ion Exchange	BUY	75,000	175	13		BSE
10-Aug	Lokesh Mach	SELL	112,500	102	12		BSE
10-Aug-07	Lokesh Machines Limited	SELL	97,950	102	10		NSE
10-Aug-07	Etc Networks Limited	BUY	100,000	98	10		NSE
9-Aug	Etc Network	BUY	100,000	94	9		BSE
09-Aug-07	Etc Networks Limited	BUY	71,144	94	7		NSE
10-Aug-07	Ginni Filaments Ltd	SELL	384,000	11	4		NSE
9-Aug	Freshrop Fr	BUY	27,779	109	3		BSE
9-Aug	Pruden Pharm	SELL	80,000	27	2		BSE

Source: BSE and NSE website.

Delivery positions

Exhibit 36: Top increase/(decrease) in delivery percentage

Increase in delivery % (KIE universe)

Name	Delivery %	
	Previous week	Current week
Glaxosmithkline Pharmaceutic	38	73
Bharti Airtel Limited	21	54
Godrej Industries Ltd	61	93
Apollo Hospitals Enterprise	33	65
National Aluminium Co Ltd	26	57
Canara Bank	18	47
Tata Power Company Limited	43	72
Corporation Bank	33	59
Cadila Healthcare Ltd	67	93

Decrease in delivery % (KIE universe)

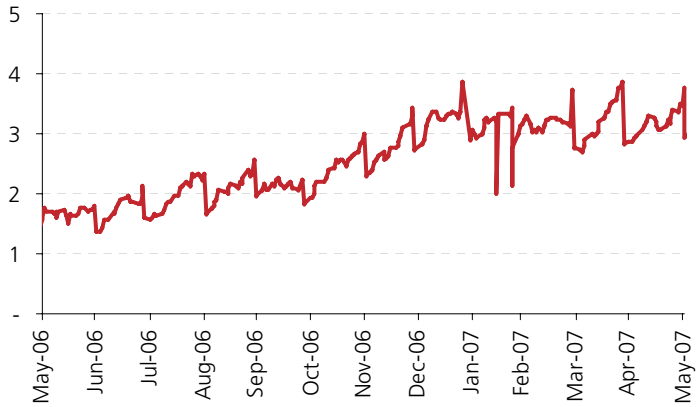
Name	Delivery %	
	Previous week	Current week
Asian Paints Ltd	93	55
Punj Lloyd Limited	38	-
Biocon Ltd	84	46
Indian Oil Corporation Ltd	96	70
Lupin Ltd	72	46
Aventis Pharma Ltd	95	74
Polaris Software Lab	32	12
Reliance Industries Limited	54	37
Wipro Ltd	75	58

Source: Bloomberg and Kotak Institutional Equities.

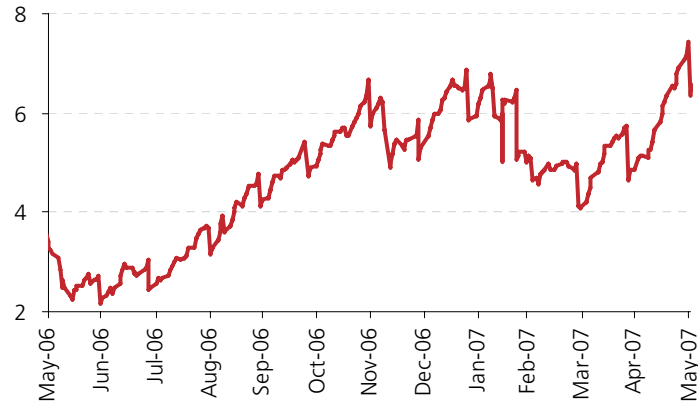
Open interest analysis

Exhibit 37: National Stock Exchange (US\$ bn)

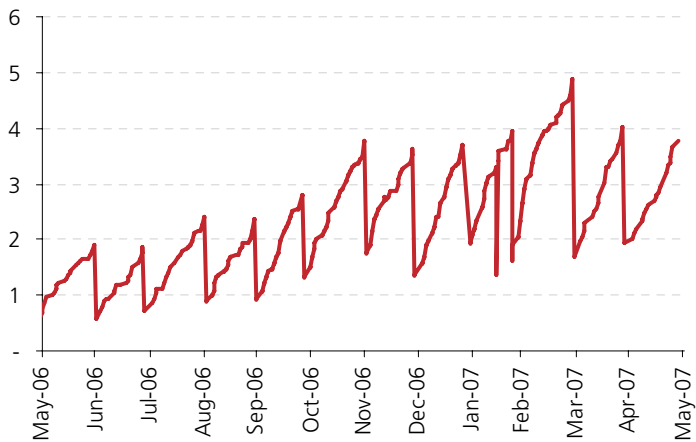
India Index futures open interest



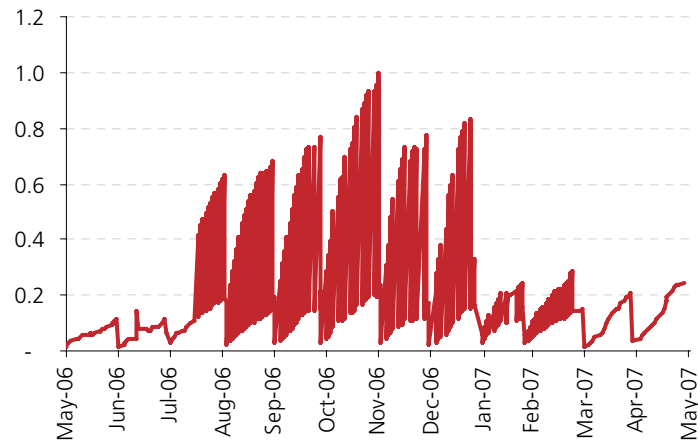
India stock futures open interest



India Index option open interest



India stock option open interest

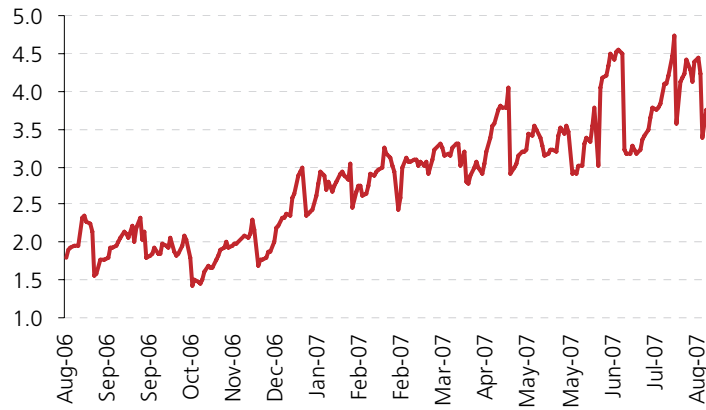


Source: Bloomberg and Kotak Institutional Equities.

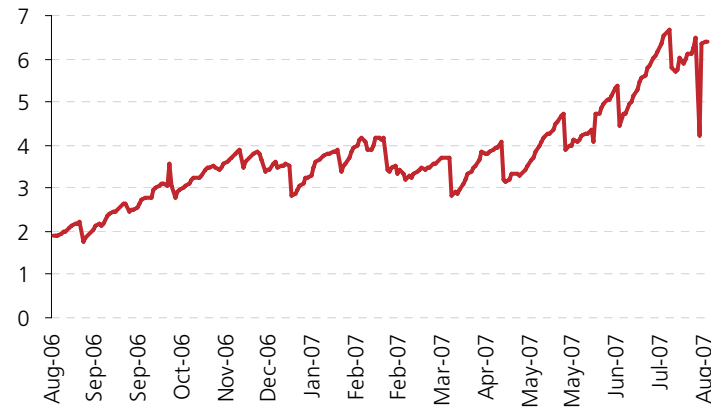
Open interest analysis

Exhibit 38: Open interest position movement for foreign institutional investors (US\$ bn)

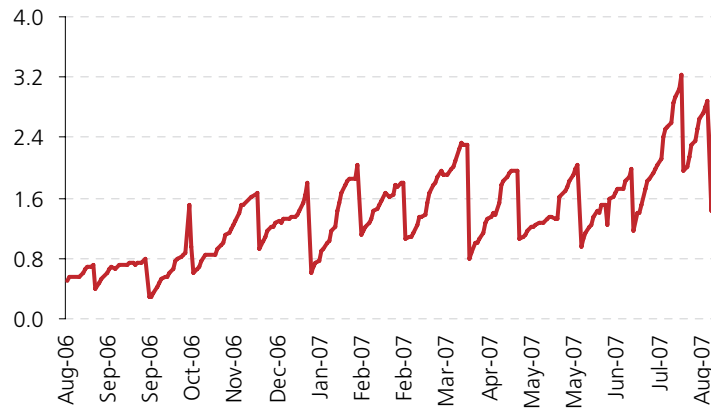
Index futures value of open interest



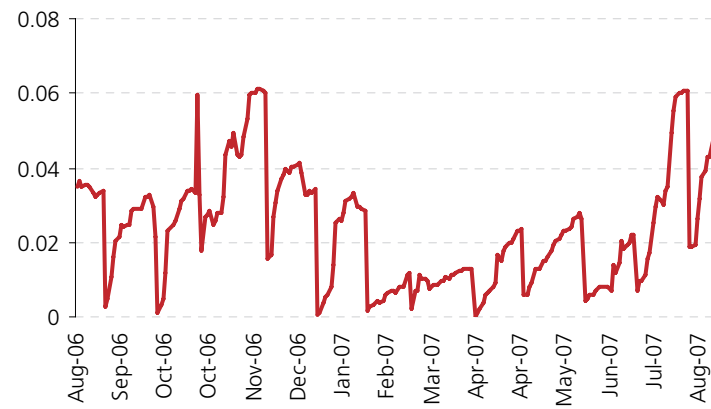
Stock futures value of open interest



Index options value of open interest



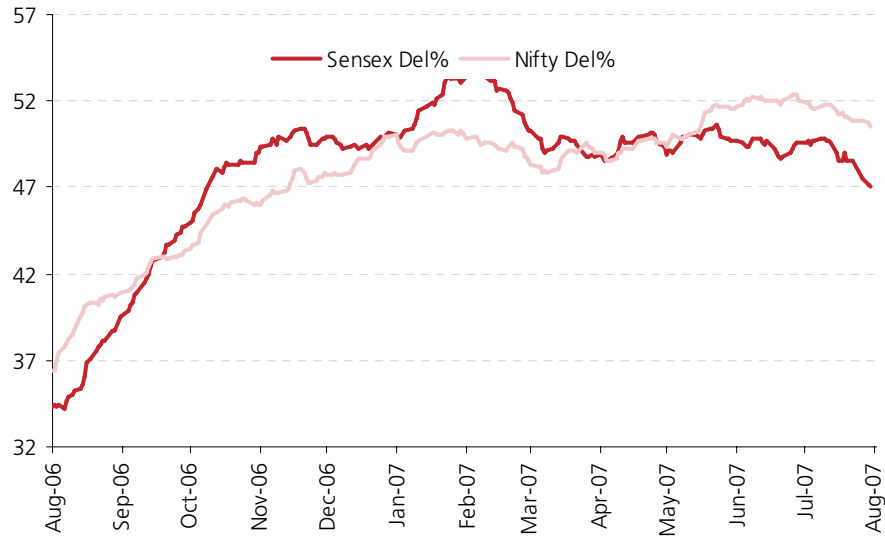
Stock options value of open interest



Source: Bloomberg and Kotak Institutional Equities.

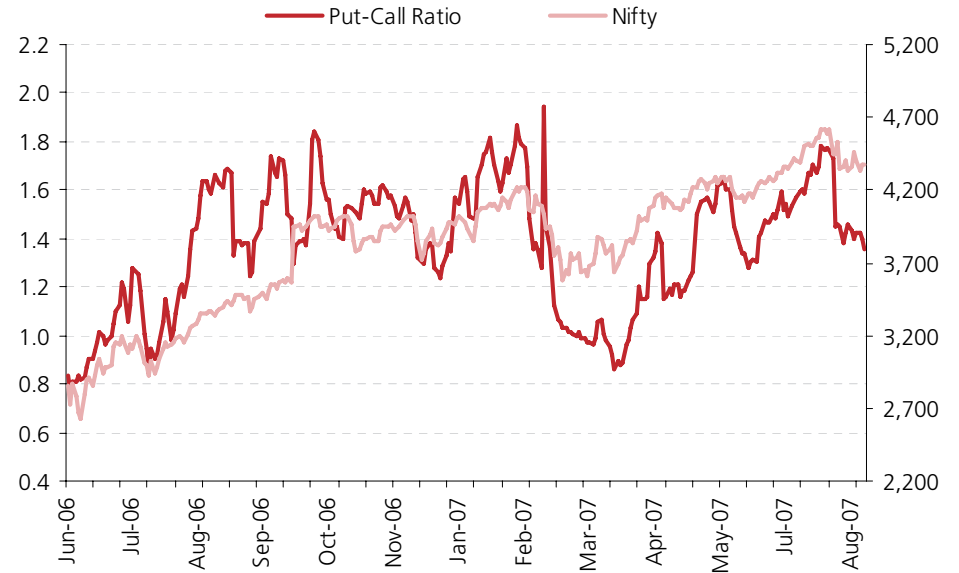
Market movement indicators

Exhibit 39: Aggregate delivery percentage



Source: Bloomberg and Kotak Institutional Equities.

Exhibit 40: Put call ratio versus Nifty



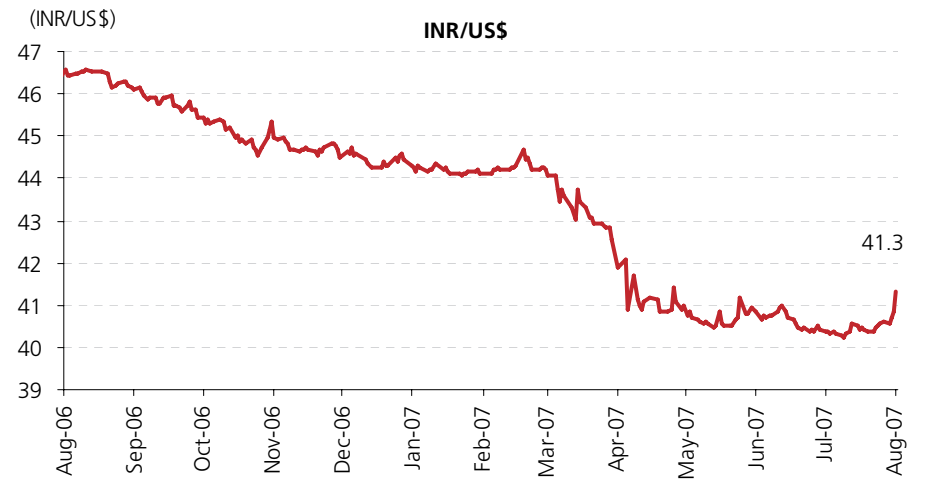
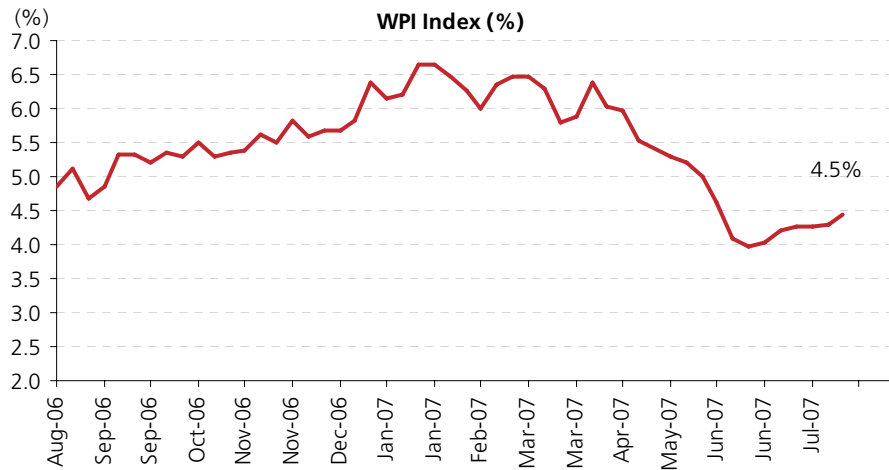
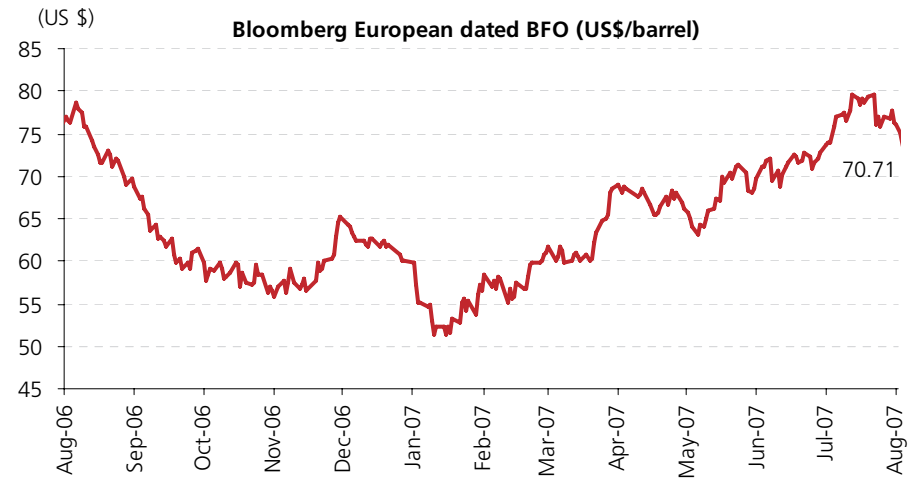
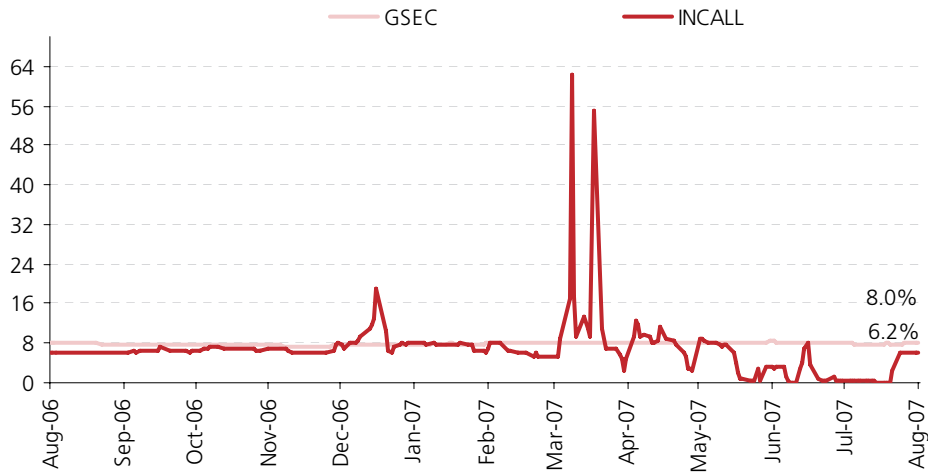
Put call is for Nifty open interest

Source: Bloomberg and Kotak Institutional Equities.

Economic indicators

Economic indicators

Exhibit 41: Key economic parameters



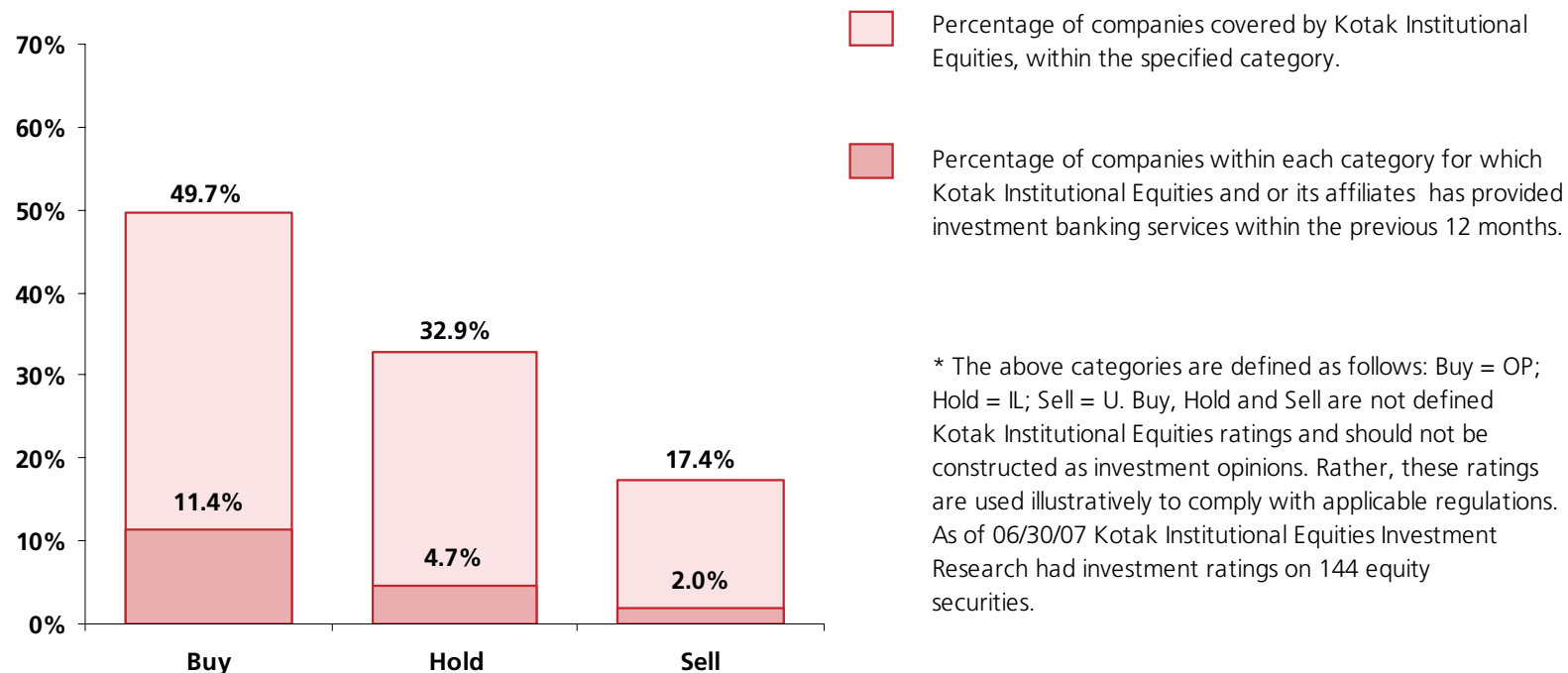
Source: Bloomberg and Kotak Institutional Equities.

Kotak valuation summary

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Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



* The above categories are defined as follows: Buy = OP; Hold = IL; Sell = U. Buy, Hold and Sell are not defined Kotak Institutional Equities ratings and should not be constructed as investment opinions. Rather, these ratings are used illustratively to comply with applicable regulations. As of 06/30/07 Kotak Institutional Equities Investment Research had investment ratings on 144 equity securities.

Source: Kotak Institutional Equities.

As of June 30, 2007

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Definitions of ratings

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