kotak Institutional Equities

INDIA DAILY

July 19, 2010

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- Slippages were lower, restructured loans also declined qoq

Updates

Larsen & Toubro: Hyderabad Metro: Pitfalls plenty but PPP and growth mandates leave no choice

- Hyd. metro necessary for growth momentum? Potentially returns dilutive; may accelerate IDPL IPO
- Significant risks; managing environment is key to success in infra dev.; may not be L&T's forte
- Order makes it easier to achieve inflow guidance; expect strong execution growth of 25%+
- Retain BUY with a revised FY2012E-based TP of Rs2,100 (TP of Rs1,900 based on Sep11E earlier)

DB Corp: Flowing in cash—FY2010 annual report analysis

- Strong free cash flow of Rs1.8 bn in FY2010 likely to continue with major capex plan complete
- DBCL management reiterates 15-20% advertising growth for FY2010; circulation growth of 5-10%
- Newsprint price inflation under control; BJH investment only significant risk factor
- Retain ADD (TP of Rs275); upside exists even including peak investment in BJH market

EQUITY MARKETS

		Change %		
India	**16-Jul**	**1-day**	**1-mo**	**3-mo**
Sensex	17,956	0.3	2.2	3.2
Nifty	5,394	0.3	2.5	3.7
Global/Regional indices				
Dow Jones	10,098	(2.5)	(3.4)	(9.0)
Nasdaq Composite	2,179	(3.1)	(5.7)	(12.1)
FTSE	5,159	(1.0)	(1.8)	(9.9)
Nikkie	9,408	(2.9)	(5.9)	(13.8)
Hang Seng	20,008	(1.2)	(1.4)	(6.5)
KOSPI	1,730	(0.5)	1.1	1.5
Value traded – India				
Cash (NSE+BSE)	173		170	171
Derivatives (NSE)	624		932	758
Deri. open interest	1,543		1,457	1,245

Forex/money market

		Change, basis points		
	16-Jul	**1-day**	**1-mo**	**3-mo**
Rs/US$	46.8	17	22	245
10yr govt bond, %	7.6	1	5	(43)

Net investment (US$mn)

	15-Jul		**MTD**	**CYTD**
FIIs	120		1,651	8,351
MFs	(159)		(115)	(282)

Top movers -3mo basis

		Change, %		
Best performers	**16-Jul**	**1-day**	**1-mo**	**3-mo**
HPCL IN Equity	448.3	0.6	31.8	49.1
BJFIN IN Equity	415.7	(0.1)	2.9	35.9
IOCL IN Equity	378.2	1.0	13.1	34.7
BPCL IN Equity	661.1	0.7	26.7	32.4
AL IN Equity	70.6	(1.2)	12.7	30.2
Worst performers				
ABAN IN Equity	861.5	0.1	17.9	(27.6)
RNR IN Equity	45.3	(0.3)	(27.9)	(27.1)
SESA IN Equity	343.3	1.1	(3.0)	(25.3)
TATA IN Equity	508.8	(0.8)	7.4	(24.0)
ICEM IN Equity	108.0	0.2	(4.7)	(18.2)

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Canara Bank (CBK)

Banks/Financial Institutions

ADD

JULY 19, 2010

RESULT

Coverage view: Attractive

Price (Rs): 479

Target price (Rs): 580

BSE-30: 17,956

Impressive earnings; stable asset quality. Canara Bank reported impressive earnings of Rs10.1 bn (up 83% yoy) driven by healthy NII growth (34% yoy), higher than expected treasury profits and lower loan loss provisions. The bank also reported lower slippages, a trend the management expects to maintain in FY2011. Stable asset quality should result in lower loan loss provisions and lift RoEs to over 20%. We have revised earnings by 6% upwards in FY2011 and rolled our valuations to FY2012 with a target price of Rs580 (from Rs500 earlier).

Company data and valuation summary
Canara Bank

Stock data			
52-week range (Rs) (high,low)			499-250
Market Cap. (Rs bn)			196.4
Shareholding pattern (%)			
Promoters			73.2
FIIs			11.6
MFs			2.0
Price performance (%)	1M	3M	12M
Absolute	14.9	23.4	75.1
Rel. to BSE-30	12.5	19.6	43.8

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	73.7	82.2	98.3
EPS growth (%)	45.8	11.6	19.5
P/E (X)	6.5	5.8	4.9
NII (Rs bn)	56.8	72.9	87.2
Net profits (Rs bn)	30.2	33.7	40.3
BVPS	309.2	379.7	463.9
P/B (X)	1.5	1.3	1.0
ROE (%)	22.4	20.8	20.8
Div. Yield (%)	1.7	2.1	2.5

NIM at 3%, declining funding costs and higher investment yields; loans up 24%

Canara Bank's net interest income (NII) for 1QFY11 was Rs17.3 bn (up 34% yoy), 8% higher than estimates driven by lower funding costs and better investment yields. NIM improved further by 30 bps yoy to 3.0% in 1QFY11 (2.8% reported in 4QFY10). The bank reported loans at Rs1.74 tn (up 24% yoy) and deposits were Rs2.39 tn (up 23% yoy) as of June 2010. Large companies (driven by telecom) and retail borrowers (mainly housing) were primary drivers of credit growth. CASA deposits grew by 29% yoy and are 29% of deposits. We are factoring loan book growth at 22% CAGR in FY2010-12E and margins to decline by 10 bps 2.4% (KS calc) by FY2012.

Asset quality stable with provision coverage (including write-offs) at 78%

Gross NPLs and net NPLs were stable qoq at Rs25.5 bn (1.5%) and Rs17.3 bn (1.0%). Provision coverage (ex write-off) improved marginally to 32% compared to 30% in March 2010. Adjusting for technical write-offs, the overall provision coverage ratio for the bank was healthy at 78% for the quarter. The company continues to maintain a policy of writing-off stressed loans, allowing it a lower effective tax rate (1QFY10 was at 25% compared to FY2010 at 21%).

Slippages were lower, restructured loans also declined qoq

The bank reported lower slippages (with improvement coming in retail and agriculture sector) compared to the previous quarter at Rs3.9 bn (1% annualized). This has resulted in loan loss provisions during the quarter declining to Rs1.3 bn (31 bps) as against Rs5.8 bn in March 2010. Slippages have been quite volatile, resulting in sharp variances in earnings. We continue to remain conservative on our estimates for FY2011 at 2%. The quarter saw improvement in the outstanding restructured assets at Rs70 bn (4.1% of loans), which has declined by Rs5 bn from March 2010.

QUICK NUMBERS

- NII growth at 34%; NIMs touches 3%
- Earnings growth at 83% yoy
- Asset quality stable qoq with lower slippages
- Revising TP to Rs580 (from Rs500)

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Treasury profits and exchange revenues boost non interest income

Canara Bank’s non-interest revenues were at Rs7.3 bn (up 55% yoy) in 1QFY10 mainly due to strong treasury gains and exchange income. Treasury gains increased to Rs2.2 bn against Rs282 mn in 1QFY10. Core fee income growth was disappointing, declined 5% yoy, at Rs1.6 bn. Income from recoveries was higher during the quarter at Rs880 mn compared to Rs800 mn in June 2010. We are modeling a 14% CAGR in core fee income in FY2010-13.

Valuations are attractive at 1.1XFY2012E PBR; Retain ADD

We maintain our ratings on Canara Bank with an ADD and target price of Rs580 (from Rs500 earlier) rolling over to FY2012 financials and valuing the bank at 1.3 X FY2012 PBR. We are building in conservative earnings growth of 15% in FY2010-12E, as strong treasury income is unlikely to be repeated. Valuations are attractive for the bank at current levels of 1.1X FY2012 PBR delivering RoEs in the range of 19-20%. The quality of earnings has improved with margins reaching 3% levels and asset quality being fairly stable. However, our key concern remains the volatile earnings and slippages reported by the bank in the past. Our expectations for slippages remain conservative—we model a delinquency rate of 2% in FY2011E and loan loss provisions at 0.6% for FY2011-12.

Canara Bank quarterly results
March fiscal year-ends, 1QFY10-1QFY11 (Rs mn)

	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	% change	1QFY11E	Actual Vs KS
Interest income	45,584	47,092	46,878	47,966	51,609	13.2	51,168	0.9
Interest on advances	34,247	35,053	34,710	35,454	37,936	10.8	38,908	(2.5)
Income from investments	10,857	11,367	11,755	11,801	13,194	21.5	11,905	10.8
Others	479	672	413	712	479	(0.1)	356	34.6
Interest expense	32,669	33,955	32,100	31,990	34,331	5.1	35,133	(2.3)
Net interest income	**12,915**	**13,137**	**14,777**	**15,976**	**17,278**	**33.8**	**16,035**	**7.8**
Non-int.income	**4,736**	**8,929**	**7,813**	**7,101**	**7,340**	**55.0**	**6,030**	**21.7**
Sale of invts.	282	4,358	2,950	1,140	2,240	695.5	1,036	116.1
fee income	1,721	1,555	1,840	2,130	1,638	(4.8)	1,979	-
Recoveries	791	719	1,060	1,490	880	11.3	830	-
Other income excl treasury	4,454	4,571	4,863	5,961	5,100	14.5	4,993	2.1
Total income	**17,651**	**22,066**	**22,590**	**23,077**	**24,618**	**39.5**	**22,065**	**11.6**
Op. expenses	7,987	7,875	7,891	8,772	9,785	22.5	8,439	15.9
Employee cost	5,331	4,621	4,754	4,981	6,612	24.0	5,384	22.8
Other cost	2,656	3,254	3,137	3,792	3,173	19.5	3,055	3.9
Profit pre provisions	9,663	14,191	14,699	14,305	14,834	53.5	13,626	8.9
Provisions and cont.	2,610	3,086	1,674	7,274	2,200	(15.7)	4,848	(54.6)
Investment depreciation	-	(324)	(3,026)	1,500	530	-	500	6.0
NPL provisions	2,160	2,430	3,710	5,780	1,310	(39.4)	3,853	(66.0)
PBT	**7,053**	**11,105**	**13,025**	**7,031**	**12,634**	**79.1**	**8,777**	**43.9**
Tax	1,500	2,000	2,500	2,000	2,500	66.7	2,194	13.9
Net profit	**5,553**	**9,105**	**10,525**	**5,031**	**10,134**	**82.5**	**6,583**	**53.9**
Tax rate (%)	21.3	18.0	19.2	28.4	19.8	-	25.0	-
PBT-invt gains+/-extra. item								
PBT-invt gains+ provisions - extra	**8,390**	**7,454**	**9,687**	**11,590**	**10,752**			
Key balance sheet items (Rs bn)								
Deposits	1,937	2,043	2,089	2,347	2,389	23.3		
CASA ratio (%)	27.8	28.7	30.0	29.1	29.0			
Advances	1,407	1,465	1,474	1,693	1,738	23.5		
Total retail loans	198	206	215	239	237	19.6		
Priority sector	502	530	549	593	576	14.7		
Agriculture advances	207	226	229	251	231	11.9		
SME	237	270	284	311	316	33.6		
Investments	593	644	697	691	714			
AFS (%)	35	21	23	21	19			
Yield management measures (%)								
Yield on advances	10.1	10.0	10.0	9.8	9.4			
Cost of deposits	6.5	6.5	6.3	6.1	5.7			
Cost of funds	6.0	6.0	5.8	5.7	5.3			
Net interest margin	2.7	2.7	2.7	2.8	3.0			
Asset quality details								
Gross NPLs (Rs bn)	24.6	23.5	26.2	25.9	25.5	3.5		
Gross NPL ratio (%)	1.7	1.6	1.8	1.5	1.5			
Net NPLs (Rs bn)	18.1	16.9	19.8	18.0	17.3	(4.6)		
Net NPL ratio (%)	1.3	1.2	1.3	1.1	1.0			
Provision Coverage (%)	26.4	27.8	24.5	30.5	32.2			
Restructured assets -Rs bn	51.9	53.5	56.3	75.8	70.0			
% of loans	3.8	3.8	3.8	5.1	4.1			
Capital adequacy details (%)								
CAR	13.6	14.5	14.4	13.4	12.4			
Tier I	8.1	9.0	9.2	8.5	8.1			

Note: Outstanding restructured assets for quarters prior to March 2010 represent only for special dispensation.

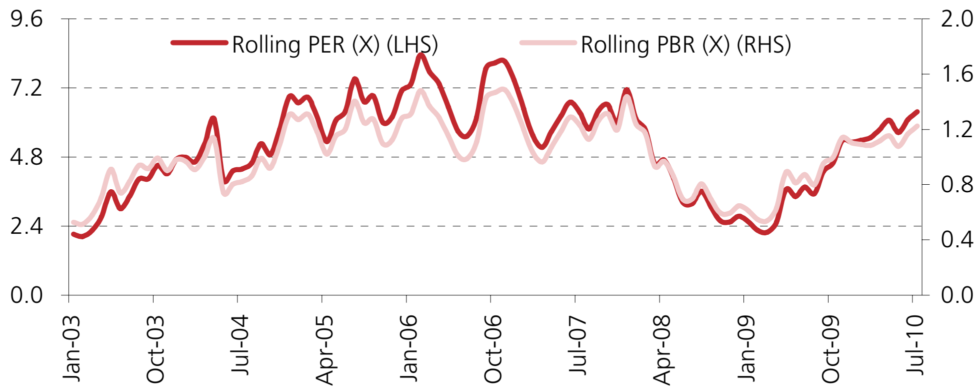
Source: Company, Kotak Institutional Equities

We assume a 10% increase in FY2010E earnings
Old and new estimates, March fiscal year-ends, 2011-2012E (Rs mn)

	Old estimates		New estimates		% change	
	2011E	2012E	2011E	2012E	2011E	2012E
Net interest income	69,251	84,923	72,876	87,187	5.2	2.7
Loan growth (%)	23.9	17.0	22.8	21.0		
NIM (%)	2.46	2.52	2.58	2.56		
Loan loss provisions	11,375	15,933	13,205	16,084	16.1	0.9
Other income	24,226	26,928	24,826	26,326	2.5	(2.2)
Fee income	8,261	9,417	8,551	9,919	3.5	5.3
Treasury income	3,500	4,000	3,500	2,500		
Operating expenses	35,937	40,049	35,937	40,304	-	0.6
Employee expenses	21,490	23,892	21,490	23,892	-	-
Depreciation on investments	-	-	1,200	1,000		
Amortization of investments	-	-	-	-		
PBT	42,252	51,956	44,946	53,711	6.4	3.4
Net profit	**31,689**	**38,967**	**33,709**	**40,283**	**6.4**	**3.4**
PBT-treasury	**38,752**	**47,956**	**41,446**	**51,211**	**7.0**	**6.8**
PBT-treasury + loan loss provisions	**50,127**	**63,889**	**54,651**	**67,295**	**9.0**	**5.3**

Source: Company, Kotak Institutional Equities estimates

Canara Bank- Rolling PER and PBR
January 2002-July 2010 (X)



Source: Kotak Institutional Equities

Canara Bank growth rates and key ratios
March fiscal year-ends, 2008-2013E (%)

	2008	2009	2010E	2011E	2012E	2013E
Growth rates (%)						
Net loan	8.9	28.9	22.5	22.8	21.0	20.9
Customer assets	6.9	27.7	22.2	22.5	20.8	20.7
Investments excld. CPs and debentures	15.2	18.0	21.5	13.9	24.0	24.0
Net fixed assets	1.9	0.4	125.6	(58.1)	4.1	3.9
Cash and bank balance	9.2	(6.8)	14.5	12.4	14.6	15.4
Total Asset	8.8	21.7	20.5	18.7	20.8	20.9
Deposits	8.2	21.3	25.6	19.9	22.0	21.9
Current	6.5	8.3	25.4	19.9	22.0	21.9
Savings	8.7	18.6	19.6	29.4	22.8	22.7
Fixed	8.3	23.8	27.5	17.0	21.8	21.6
Net interest income	(12.1)	33.4	20.4	28.3	19.6	13.5
Loan loss provisions	34.5	1.7	56.4	(6.2)	21.8	3.6
Total other income	52.7	0.1	23.7	(13.1)	6.0	12.9
Net fee income	57.0	(14.3)	18.0	18.0	16.0	16.0
Net capital gains	224.4	28.4	56.2	(59.9)	(28.6)	20.0
Net exchange gains	(11.2)	13.1	15.0	20.0	20.0	20.0
Operating expenses	8.8	9.8	6.1	10.5	12.2	12.2
Employee expenses	3.2	13.0	4.9	9.2	11.2	11.2
Key ratios (%)						
Yield on average earning assets	8.5	8.9	8.0	8.1	8.3	8.4
Yield on average loans	9.6	10.4	9.1	9.1	9.2	9.2
Yield on average investments	8.2	7.8	7.3	7.5	7.7	8.0
Average cost of funds	6.7	6.8	5.9	5.8	6.0	6.3
Interest on deposits	6.7	6.7	5.8	5.8	6.0	6.3
Difference	**1.8**	**2.1**	**2.1**	**2.3**	**2.2**	**2.1**
Net interest income/earning assets	2.1	2.5	2.4	2.6	2.6	2.4
Spreads on lending business	2.9	3.7	3.2	3.3	3.2	2.9
Spreads on lending business (incl. Fees)	3.6	4.2	3.7	3.7	3.6	3.3
New provisions/average net loans	0.9	0.7	0.9	0.7	0.7	0.6
Interest income/total income	60.5	67.1	66.5	74.6	76.8	76.9
Other income / total income	39.5	32.9	33.5	25.4	23.2	23.1
Fee income to total income	12.8	9.1	8.5	8.8	8.7	8.9
Fee income to advances	0.7	0.5	0.5	0.5	0.4	0.4
Fees income to PBT	39.1	24.8	19.0	19.0	18.5	18.2
Net trading income to PBT	10.6	5.9	27.7	5.1	2.8	3.2
Exchange inc./PBT	8.1	6.8	5.6	5.7	5.8	5.9
Operating expenses/total income	47.8	43.6	38.1	36.8	35.5	35.2
Operating expenses/assets	1.6	1.5	1.3	1.2	1.2	1.1
Operating profit /AWF	0.9	1.0	1.3	1.5	1.5	1.5
Tax rate	17.8	19.4	20.9	25.0	25.0	25.0
Dividend payout ratio	21.0	15.8	10.9	12.2	12.2	10.4
Share of deposits						
Current	8.6	7.7	7.7	7.7	7.7	7.7
Fixed	68.5	69.9	71.0	69.3	69.2	69.0
Savings	22.9	22.4	21.3	23.0	23.2	23.3
Loans-to-deposit ratio	69.6	74.0	72.2	73.9	73.3	72.7
Equity/assets (EoY)	5.8	5.6	5.6	5.6	5.6	5.5
Dupont analysis (%)						
Net interest income	2.0	2.4	2.3	2.5	2.5	2.4
Loan loss provisions	0.5	0.4	0.6	0.5	0.5	0.4
Net other income	1.3	1.2	1.2	0.9	0.8	0.7
Operating expenses	1.6	1.6	1.4	1.3	1.2	1.1
(1- tax rate)	82.2	80.6	79.1	75.0	75.0	75.0
ROA	0.9	1.0	1.2	1.2	1.2	1.1
Average assets/average equity	16.6	17.6	17.9	17.8	17.9	18.1
ROE	15.0	18.3	22.4	20.8	20.8	20.5

Source: Company, Kotak Institutional Equities estimates

Canara Bank - P&L and balance sheet
March fiscal year-ends, 2008-2013E (Rs mn)

	2008	2009	2010E	2011E	2012E	2013E
Income statement						
Total interest income	142,007	171,191	187,519	228,470	281,903	345,318
Total interest expense	106,629	124,012	130,714	155,594	194,717	246,387
Net interest income	35,378	47,178	56,805	72,876	87,187	98,931
Loan loss provisions	8,850	9,000	14,080	13,205	16,084	16,670
Net interest income (after prov.)	26,528	38,178	42,725	59,671	71,103	82,261
Other income	23,072	23,104	28,579	24,826	26,326	29,709
Net fee income	7,453	6,388	7,246	8,551	9,919	11,506
Net capital gains	4,351	5,588	8,730	3,500	2,500	3,000
Net exchange gains	1,536	1,737	2,154	2,584	3,101	3,721
Operating expenses	27,913	30,652	32,525	35,937	40,304	45,230
Employee expenses	16,613	18,772	19,687	21,490	23,892	26,563
Depreciation on investments	2,334	4,074	(1,850)	1,200	1,000	1,000
Other Provisions	314	840	2,414	2,414	2,414	2,414
Pretax income	19,050	25,724	38,215	44,946	53,711	63,327
Tax provisions	3,400	5,000	8,000	11,236	13,428	15,832
Net Profit	15,650	20,724	30,215	33,709	40,283	47,496
% growth	10.1	32.4	45.8	11.6	19.5	17.9
Operating profit	25,232	29,137	43,565	54,651	67,295	76,997
% growth	(9.2)	15.5	49.5	25.4	23.1	14.4
Balance sheet						
Cash and bank balance	178,780	166,598	190,734	214,322	245,571	283,427
Cash	4,315	4,932	5,179	5,437	5,709	5,995
Balance with RBI	129,333	95,436	117,326	140,655	171,631	209,202
Net value of investments	498,116	577,770	697,444	791,238	976,087	1,205,160
Govt. and other securities	428,304	508,318	637,754	731,548	916,397	1,145,470
Shares	11,185	8,209	8,209	8,209	8,209	8,209
Debentures and bonds	27,122	21,971	21,971	21,971	21,971	21,971
Net loans and advances	1,072,380	1,382,194	1,693,350	2,079,484	2,515,948	3,040,714
Fixed assets	29,169	29,295	66,083	27,709	28,857	29,978
Other assets	26,842	40,603	30,000	30,000	30,000	30,000
Total assets	**1,805,287**	**2,196,459**	**2,647,612**	**3,142,752**	**3,796,463**	**4,589,279**
Deposits	1,540,724	1,868,925	2,346,510	2,813,094	3,432,627	4,184,047
Borrowings and bills payable	105,394	152,782	100,335	100,335	100,335	100,335
Other liabilities	54,164	52,673	52,673	52,673	52,673	52,673
Total liabilities	**1,700,282**	**2,074,380**	**2,499,518**	**2,966,102**	**3,585,635**	**4,337,056**
Paid-up capital	4,100	4,100	4,100	4,100	4,100	4,100
Reserves & surplus	100,905	117,978	143,993	172,550	206,727	248,123
Total shareholders' equity	**105,005**	**122,078**	**148,093**	**176,650**	**210,827**	**252,223**

Source: Company, Kotak Institutional Equities estimates

kotak Institutional Equities

Larsen & Toubro (LT)

Industrials

BUY

JULY 19, 2010

UPDATE

Coverage view: Attractive

Price (Rs): 1,871

Target price (Rs): 2,100

BSE-30: 17,956

Hyderabad Metro: Pitfalls plenty but PPP and growth mandates leave no choice.

The Hyderabad Metro (Rs121 bn) project would help L&T achieve FY2011E inflow guidance but poses challenges such as (1) near-term returns dilution and (2) risks from delays, local politics, slower-than-expected traffic and real estate monetization etc. Success in infrastructure development partly depends on managing the environment, which may not be L&T's forte. Growth targets and the government's PPP emphasis may not be leaving L&T with much choice. Retain BUY (TP: Rs2,100).

Company data and valuation summary

Larsen & Toubro

Stock data			
52-week range (Rs) (high,low)			1,898-1,371
Market Cap. (Rs bn)			1,124.2
Shareholding pattern (%)			
Promoters			0.0
FIIs			17.1
MFs			5.4
Price performance (%)	1M	3M	12M
Absolute	4.0	18.7	31.8
Rel. to BSE-30	1.8	15.0	8.2

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	58.1	71.2	90.4
EPS growth (%)	16.0	22.4	27.0
P/E (X)	32.2	26.3	20.7
Sales (Rs bn)	437.9	547.2	681.0
Net profits (Rs bn)	34.9	43.0	54.6
EBITDA (Rs bn)	66.8	79.9	98.8
EV/EBITDA (X)	19.3	16.2	13.0
ROE (%)	18.6	17.5	18.7
Div. Yield (%)	0.6	0.6	0.8

Hyderabad Metro: Fillip for growth but also possibly returns dilutive; may accelerate IDPL IPO

Hyderabad Metro, at Rs121 bn, is one of the largest orders ever won by L&T and would contribute towards inflow guidance of Rs870 bn. Taking such large development risks may be necessary based on (1) government's emphasis on PPP, (2) growing an already large base of order backlog/booking. It may be value accretive over the long term but in the near term, it would dilute RoCE (equity of at least Rs30-35 bn, about 15% of FY2010-end net worth of parent), stressing the balance sheet and making L&T dependant on external capital. Capital requirements for large projects may accelerate the IPO of IDPL, so as to reduce its dependence on parent balance sheet.

Significant risks; managing environment is key to success in infra dev.; may not be L&T's forte

Hyderabad Metro project expose the company to several risks such as (1) delays (tough to construct in urban centers, land acquisition issues), (2) local politics (need lot of local support in a relatively politicized environment), (3) real estate monetization (project is unlikely to be viable on just the toll revenues) and (4) long term traffic projections and growth trends. Success in the infrastructure and power (5,000 MW plan) development business partly depends on the ability to manage the environment (getting the necessary approvals in time, etc.). This may not be L&T's competence compared to entrenched business groups with strong alignment of promoter interest.

Order makes it easier to achieve inflow guidance; expect strong execution growth of 25%+

This large order certainly makes it easier for L&T to meet its order inflow guidance of about Rs870 bn in FY2011E. We have built in order inflows of Rs815 bn - 17% yoy growth versus management guidance of 25-30% growth. We expect strong FY11E and FY12E execution growth (25%+) based on (1) base effect, (2) large backlog (~Rs1 tn), (3) stronger capex outlook with visible pick up in product segments and (4) estimates consistent with slow execution pick-up in larger orders.

Retain BUY with a revised FY2012E-based TP of Rs2,100 (TP of Rs1,900 based on Sep11E earlier)

We revise our SOTP-based TP to Rs2,100 (from Rs1,900) led by a shift to FY2012E-based price (from Sept-11E). We retain our BUY rating based on (a) likely strong execution, (b) revival of capex activity, (c) scale-up of power, (d) value creation in subsidiaries and (e) capability enhancement with capex.

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Hyderabad metro - largest ever order for L&T but may be returns dilutive

L&T has recently emerged as the lowest bidder for the Hyderabad Metro rail project worth about Rs121 bn. This would be one of the largest orders ever won by L&T. L&T's bid of a viability gap funding of Rs14.6 bn (about 12% of the total project cost) was the lowest bids among the other bidders. The project, won on a DBFOT (Design, Build, Finance, Operate and Transfer) basis, involves the construction, operation and maintenance of three metro lines with a total length of 71.2 km, 66 stations. Apart from the ticket fares, the project would also give the company rights for real estate construction for an area of over 18.5 mn square feet.

The remaining project cost of Rs107 bn (adjusted for VGF) is likely to be funded through a debt equity structure of 70:30 implying a total equity requirement of about Rs32 bn. The company expects to achieve financial closure for the project in the next six months and expects to complete construction over the next four years.

Key details of the Hyderabad Metro Rail Project

Project cost	Rs121.3 bn
Viability Gap Funding (VGF)	Rs14.6 bn, 12% of project cost
Maximum VGF permissable	Rs48.5 bn, 40% of project cost
Other bids	Transstroy - Rs22 bn (18% of project cost) Reliance Infra - Rs29.9 bn (25% of project cost)
Likely debt: equity	70:30
Key timelines	Financial closure within 6 months Construction period - about 4 years Concession period - 34 yeas
Othe pre-qualified cos. (Apart from L&T)	Lanco Infratech Ltd – OHL Concesiones (Spain) consortium Essar – Leighton (Australia) – Gayatri – VNR consortium GVK – Samsung C& T Corporation (South Korea) consortium GMR Infrastructure Ltd
Project details	Three lines of a total of 71.2 km - Miyapur-LB Nagar (28.9 km), - JBS-Falaknuma (14.8 km), - Nagole-Shilparamam (27.5 km) Standard gauge track (1435 mm) to allow sharper curves and gradients Speeds of 34 kmph on an average to 80 kmph max 66 stations - elevated stations at 1 km distance Expected traffic of about 1.6 mn pax per day by 2011 (as per old traffic study) and 2.7 mn by 2021

Source: Hyderabad Metro Rail website, News flows

Relatively light competition; Transstroy just finding feet and RInfra has hands full of metros already

We note that competition was not very severe for the project as officials cited that only three bidders (L&T, Reliance Infra and Transstroy) had submitted financial bids - although seven consortiums had pre-qualified for the project. L&T's bid of Rs14.6 bn VGF is versus Transstroy's bid of Rs22 bn VGF and Reliance's bid of a VGF of Rs30 bn (25% of project cost); maximum VGF allowed was upto 40% of the project cost (~Rs48.5 bn).

We highlight that Transstroy is a Hyderabad-based company probably run by a local entrepreneur. Transstroy has also been bidding for road projects of NHAI. The company has recently started bidding for such projects and was not very active till a few months ago. Reliance Infra on the other hand already has its hands full of metro-rail projects having bagged three large projects (two lines in Mumbai i.e. Versova-Ghatkopar and Mankhurd-Bandra-Charkop and one in Delhi i.e. Airport Express) and may not have been very keen to get another metro project unless it is an extremely good deal.

Maytas earlier bagged this project at a very large negative grant

We highlight that this project was earlier bagged by Maytas Infra on a negative grant basis – it had committed a large sum of Rs303 bn to the state government over the 34-year concession period. The project went for rebidding in July 2009 as Maytas failed to achieve financial closure for the project within the stipulated six-month period. Bidders in the previous round included Siemens, Nagarjuna construction (both had sought negative grant) and Reliance, Essar led consortia which had sought grants of Rs28 bn and Rs31 bn, respectively.

Metro project may dilute returns in the near term

We acknowledge that while Hyderabad Metro is one of the largest orders ever won by L&T, it comes at a cost of significant capital commitment - likely equity requirement of at least Rs30-35 bn. This is a significant amount of capital as it is equivalent to about 15% of total net worth of the parent company at FY2010-end. Returns on this capital would come only over a period of time, diluting the return ratios in the near term, making the company dependant on external capital or periodic dilution.

Growth imperative and government's PPP emphasis may not leave much choice

L&T may not be left with much choice but to bid for such large development opportunities driven by (1) imperative to grow core EPC business on an already large base of order backlog and order booking momentum (~ Rs700 bn order inflow during FY2010) and (2) government's emphasis on public private partnership for most of the infrastructure development projects. We wonder whether growing an already large base of order backlog/booking requires the company to take such large development risks. We see this in the context of plans to develop 5,000 MW of utility business as well.

However, a positive offshoot may be an accelerated timeline for IDPL IPO

Such large capital commitment for infrastructure development projects would strain the parent's balance sheet and make it dependant on external capital (periodic dilutions and significant leverage – similar to smaller construction contractors). This realization may accelerate plans to list L&T IDPL so that its dependence on parent balance sheet can be reduced. This may also help establish valuation benchmark for L&T IDPL, which may be ahead of current market estimates (our estimate of equity valuation is Rs77 bn for L&T IDPL).

Project may be value accretive but exposes the company to several risks

We believe the project may be value accretive considering (1) large EPC opportunity, (2) relatively less competition for winning the project, and (3) L&T's internal risk management system may have ensured adequate risk reward for L&T. However, large urban infrastructure development projects such as Hyderabad Metro expose the company to several risks such as:

(1) **Project execution delays** - tough to construct in urban centers, furthermore, several infrastructure projects face significant delays due to land acquisition issues,

(2) **Local politics** - a project of this magnitude would need lot of local support in a relatively politicized environment,

(3) **Real estate monetization risks** – the project is unlikely to be viable on just the toll revenues and real estate monetization would be key to ensure viability of the project and

(4) **Long-term traffic projections** and growth trends in the city - potential value of the projects would be quite sensitive to traffic levels.

Long-term success depends on managing environment; may not be L&T's forte

Success in infrastructure development business in our judgment depends on ability to manage the environment in terms of getting the necessary approvals etc. from government authorities. This may not be L&T's forte compared to entrenched business groups with strong alignment of promoter interest.

Hyderabad metro order makes it easier to achieve order inflow guidance

L&T has recently been declared as the lowest bidder for the Hyderabad metro rail project worth Rs121 bn. This large order certainly makes it easier for L&T to meet its order inflow guidance of about Rs870 bn in FY2011E. The management has guided for strong order inflow growth of 25% in FY2011E over and above the 35% growth recorded in FY2010. This implies order inflows to the tune of about Rs870 bn in FY2011E. L&T expects to have an order backlog of Rs1,300-1,400 bn by end-FY2011E. Apart from this large order, we believe that the inflow growth for L&T is likely to be supported strong order inflows from the power, hydrocarbon, roads and building segments. We have built in order inflows of Rs815 bn - 17% yoy growth versus management guidance of 25-30% growth.

Hyderabad metro would help meet Rs870 bn target including shortfall of Rs55 bn in any of the segments versus our estimates

Rough break up of sector-wise order inflows of L&T, March fiscal year-ends, 2008-11E

Segment	FY2008 (Rs bn)	FY2009 (Rs bn)	Announced in FY2010 (Rs bn)	FY2010A (Rs bn)	Announced in 1QFY11 (Rs bn)	FY2011E w/o Metro (Rs bn)
Process	**95**	**125**	**94**	**90**	**10**	**109**
Refineries	38	37	21		—	20
Petrochemicals	3	8	30		5	40
Minerals & metals	54	80	43		2	50
Oil & gas	**42**	**15**	**74**	**139**	**—**	**97**
Platforms	42	—	74		—	90
Pipelines	—	15	—		—	—
Power	**35**	**80**	**217**	**230**	**21**	**321**
BOP	5	7	45		11	65
EPC	—	—	103		—	125
Equipment	—	16	24		—	70
Electrification/ T&D	30	45	45		10	60
Infrastructure	**100**	**185**	**135**	**188**	**161**	**225**
Roads and bridges	3	43	15		15	85
Ports and airports	55	—	—		—	—
Railways	3	28	8		121	15
Industrial & commercial bldg.	33	92	92		14	100
Water	6	23	21		11	25
Others	**54**	**53**	**10**	**49**	**—**	**62**
Total	**326**	**458**	**530**	**696**	**192**	**815**

Could be driven by further orders for e.g. IOC for the Paradip refinery

Potential order for platforms from ONGC - several opportunities but competition persist

BoP for 3,500 MW of power plants - Koradi itself could be 1,980 MW

EPC order for about 3 GW of power plants

NTPC bulk tender and other power equipmentopportunities

Historical business - assuming normal growth

This may be Rs135 bn including Rs121 bn Hyderabad metro order and may easily help absorb shortfall elsewhere versus guidance and our estimates

Expect NHAI road orders of about 700-750 km - equivalent to 4-5 road projects;
3 orders likely to be announced soon (pending financial closure):
- Samaikhiali-Gandhidham - 56 km,
- Devihalli-Hassan - 73 km and
- Krishnagiri-walajhapet 148 km

Rs 63 bn order for process platform and 4 well platforms for ONGC's MHN project

Rs16 bn full-BoP order for 2X600 MW Malwa TPP and several other BoP package orders

Primarily led by commercial (~Rs33 bn) and residential (~28 bn) real estate orders

(1) Rs69 bn 3X 660 MW super-critical BTG units for Koradi TPP (MAHAGENCO)
(2) Rs20 bn for 2X 384 MW Vemagiri gas based power plant (GMR Infra)
(3) Rs14 bn Steam TG sets and Auxillary Package for 1,320 MW Rajpura TPP

Source: Company, Kotak Institutional Equities estimates

Apart from the Hyderabad Metro order of Rs121 bn, L&T has announced orders to the tune of about Rs70 bn in 1QFY11. Of these, about Rs48 bn worth of orders have been announced post the 4QFY10 results. This is versus order announcements of about Rs200 bn in the previous quarter. However, we highlight that order inflows were relatively sedate even in the first quarter of the previous year - announced orders of about Rs47 bn in 1QFY10. Furthermore, we note that the power BTG/ EPC and infrastructure - road segment orders tend to be lumpy in nature and a single order could significantly boost the backlog.

Order inflow announcements made by L&T in FY2011e so far

Date	Customer	Sector	Order size (Rs bn)	Nature of Work
14-Jul-10	Hyderabad Metro Rail Project	Infrastructure	121	Hyderabad Metro Rail Project
14-Jul-10	Oin & Natural Gas Corp. (ONGC)	Oil & gas	4	Offshore rig refurbishment contract
30-Jun-10	Other customers	Others	1	Add on works for ongoing projects
30-Jun-10	Indian Oil Corp. Ltd	Infrastructure	2	Storm water drains, reservoir, pipeline and lift station
30-Jun-10	KPTCL, MSETCL	Power	2	220/66 kV substation at Bengaluru, Dhule and Bhableshwar
30-Jun-10	PAEW	Power		SCADA works for water transmission network
30-Jun-10	OETC	Power	8	132/33 kV substation and installation of overhead lines
30-Jun-10	TRANSCO	Power		2 orders for 3X132 kV substations
22-Jun-10	SEPCO-I	Power	2	Civil works for 2X660 MW Talwandi Sabo Power plant
22-Jun-10	GVK Power	Power	6	
18-Jun-10	Various clients	Infrastructure	1	Ongoing factory jobs
18-Jun-10		Infrastructure	13	Construction of residential towers and township
10-Jun-10	Coal India	Process	3	Coal Handling Plant at Northern Coalfield, Madhya Pradesh
10-Jun-10	Indiabulls Power Ltd	Power	3	Coal Handling Plants at Amravati and Nasik TPPs
10-Jun-10	Hindalco	Process	2	Aluminium Rolling Mill Complex at Hirakud, Orissa
14-May-10	National Highways Authority of India	Infrastructure	15	Six laning of Krishnagiri-Walajahpet Highway
11-May-10	Public Works Authority, Qatar	Infrastructure	9	Advanced waste water treatment & urban reuse
	Total large order booking in FY2011 so far		**192**	

Source: Company, Kotak Institutional Equities

Power equipment order book still short of full visibility; may be early days yet

Power sector orders have remained relatively slow so far. In order to operate at close to full capacity, L&T would require a power equipment order backlog of about 3-4X its capacity. L&T has an installed capacity of 4,000 MW and hence would require a backlog of about 12-16 GW. L&T has so far won orders to the tune of about 5,500 MW in FY2010 and 1,600 MW in FY2009. These orders include (1) 2X660 MW BTG order for Jaypee Nigrie project, (2) 3X660 MW BTG order for Koradi project from MAHAGENCO, (3) 2X384 MW order for Vemagiri gas-based power plant from GMR Group, (4) 2X660 MW order for L&T's own Rajpura project and (5) 2X800 MW turbine order for APPDCL's Krishnapatnam project.

Key power sector equipment/ EPC orders won by L&T so far

Project	State	Client	Configuration	Type of contract
Jaypee Nigrie	Madhya Pradesh	Jaypee Group	2X660 MW	BTG
Koradi	Maharashtra	MAHAGENCO	3X660 MW	EPC
Vemagiri	Andhra Pradesh	GMR Infra	2X384 MW	EPC
Rajpura	Punjab	Nabha Power	2X660 MW	EPC
Krishnapatnam	Andhra Pradesh	APPDCL	2X800 MW	Turbine generator
Total power equipment orders received so far			**6,988**	

Source: Company, News flows, Kotak Institutional Equities

However, these may be early days yet and we expect L&T to scale up its power equipment backlog. We highlight several large power sector orders in the offing. Furthermore, L&T is also planning on building a utilities business to the tune of about 5,000 MW, which would also help drive equipment inflows for the company.

Power sector - several large opportunities in the offing

The company has placed a bid for balance of plant works for the 3X660 MW Koradi power plant of MAHAGENCO – we highlight that L&T itself is executing the BTG portion of this power plant. Furthermore, the company is likely to participate in the retendering process of the NTPC 11X660 MW bulk tender for the boiler component (was disqualified from the turbine component which is not going for retendering due to sufficient bids). We expect L&T to win a few units from the NTPC bulk tender which is likely to drive the power inflow growth.

In addition to this, we highlight several large tenders which are likely to open in the near future including (1) 9X800 MW bulk tender from NTPC for BTG equipment, (2) BTG equipment for 10X660/ 8X800 MW for Jindal Power. However, we believe that these orders are unlikely to be finalized in this fiscal year and are likely to come in only in FY2012E.

List of upcoming opportunities in the power space

Project	State	Client	Configuration	Type of contract
Bids placed				
Bulk tender		NTPC	11X 660 MW	Boiler equipment
Koradi	Maharashtra	MAHAGENCO	3X 660 MW	BoP
Upcoming tenders				
Bulk tender		NTPC	9X 800 MW	BTG
Bulk tender		Jindal Power	10X 660 / 8X 800 MW	BTG
Wanakbori	Gujarat	GSECL	1X 800 MW	EPC
Salboni	West Bengal	JSW Energy	2X 800 MW	BTG

Source: CEA, Projects Today, News flows, Kotak Institutional Equities

Power offers large opportunity: lead over newcomers, scale and scope

We believe that the power segment offer of these upcoming vendors are product focused (either a significant opportunity for L&T in the next few years). We expect the additional generation capacity of about 100-110 GW in the XIIth plan. In the near future, the key large opportunities would be the NTPC bulk tender and several large private sector orders (Tata Power, Essar). Although several small vendors are setting up equipment manufacturing capacities, most of these are product focused (boiler or turbine) versus L&T which would be fully integrated player. That would remain an advantage for L&T over a period of time against some of the smaller vendors. These vendors are also at least two years away from starting their business. Even the recent NTPC bulk tender bids reflect relatively low competition versus expectations.

1QFY11E - Expect strong revenue growth in line with full-year assumptions

We expect the strong pick-up in execution seen in 4QFY10 to continue in this quarter as well (versus sedate 9MFY10 revenues). We expect L&T to report a revenue growth of 25.6% yoy in 1QFY11E to Rs93.2 bn from Rs74.1 bn in 1QFY10. This is in line with our full-year revenue growth expectation of 25.8% in FY2011E. The revenue growth would be led by base effects, pick-up in execution of existing large order backlog and pick-up in execution of the products segment of the company based on likely pick-up in capex activity. Margins are expected to contract slightly by about 70 bps as the commodity advantage reverses - part of commodity price rise in 4QFY10 would be offset by operating leverage and recent price fall. We expect the company to report a net profit of about Rs6.7 bn, up 15% yoy from Rs5.8 bn in 1QFY10.

Expect strong revenue growth in line with full-year assumptions; margins to contract slightly
L&T - key numbers - 1QFY11E results estimates (Rs mn)

	1QFY11E	1QFY10	4QFY10	%chg. 1QFY10	%chg. 4QFY10	FY2011E	FY2010	% chg.
Net sales	**93,176**	**74,083**	**135,851**	**25.8**	**(31.4)**	**465,882**	**370,348**	**25.8**
Expenses	(83,393)	(65,764)	(115,343)	26.8	(27.7)	(408,291)	(322,193)	26.7
EBITDA	**9,784**	**8,319**	**20,508**	**17.6**	**(52.3)**	**57,590**	**48,156**	**19.6**
Other income	2,528	2,228	3,298	13.5	(23.4)	10,110	9,103	11.1
PBDIT	**12,311**	**10,547**	**23,806**	**16.7**	**(48.3)**	**67,701**	**57,258**	**18.2**
Interest	(1,184)	(1,096)	(1,356)	8.0	(12.7)	(4,736)	(5,053)	(6.3)
Depreciation	(1,137)	(937)	(1,162)	21.4	(2.1)	(5,119)	(4,146)	23.5
PBT	**9,990**	**8,514**	**21,288**	**17.3**	**(53.1)**	**57,846**	**48,059**	**20.4**
Tax	(3,317)	(2,730)	(7,914)	21.5	(58.1)	(19,205)	(16,409)	17.0
Net profit	**6,673**	**5,783**	**13,374**	**15.4**	**(50.1)**	**38,641**	**31,650**	**22.1**
Extraordinary items	-	10,199	1,007	NA	(100.0)	-	12,105	NA
RPAT	6,673	15,982	14,381	(58.2)	(53.6)	38,641	43,755	(11.7)
Key ratios (%)								
EBITDA margin	**10.5**	**11.2**	**15.1**			**12.4**	**13.0**	
PBDIT margin	13.2	14.2	17.5			14.5	15.5	
PBT Margin	10.7	11.5	15.7			12.4	13.0	
PAT margin	7.2	7.8	9.8			8.3	6.6	
Tax rate	33.2	32.1	37.2			33.2	34.1	

Source: Company, Kotak Institutional Equities estimates

Marginally revise estimates and TP to Rs2,100; Retain BUY

We have marginally revised our standalone and consolidated earnings estimates for FY2011E and FY2012E. We have revised our SOTP-based target price to Rs2,100 from Rs1,900/share earlier led by shift to FY2012E-based target price from Sept-11E based earlier. Our target price of Rs2,100/share is comprised of (1) Rs1,710/share from the core construction business based on 21X FY2012E expected earnings, (2) Rs132/share from L&T's service subsidiaries, (3) Rs70/share from the manufacturing subsidiaries, (4) Rs108/share from the infrastructure SPVs and (5) Rs87/share from other subsidiaries and investments.

We arrive at a SOTP-based target price of Rs2,100/share for L&T
FY2012E-based Sum of The Parts (SOTP) valuation of Larsen and Toubro

	Earnings/Book (Rs mn)	FY2012E multiple (X)	Valuation basis	Stake (%)	Value (Rs bn)	Per share (Rs)
Core company valuation	**48,906**	**21.0**	**P/E**	**100**	**1,027**	**1,709**
Key subsidiaries - services	**17,328**				**79**	**132**
L&T Finance	13,639	1.8	P/B	100	24	40
L&T Infotech	3,689	15.0	P/E	100	55	92
Key subsidiaries - manufacturing	**2,336**				**42**	**70**
Tractor Engineers	126	15.0	P/E	100	2	3
Associate companies*	2,210	15.0	P/E	50	17	28
Power equipment JVwth MHI	N.A.		DCF	51	24	39
Infrastructure SPVs	**32,800**	**2.5**	**P/B**	**79**	**65**	**108**
Other subsidiaries	**17,347**	**3.0**	**P/B**	**100**	**52**	**87**
Total subsidiaries					**238**	**396**
Grand total					**1,265**	**2,105**

Source: Company, Kotak Institutional Equities estimates

We retain our BUY rating on the stock based on (1) strong execution in FY2011-12E (potential for 25%+ growth) with modest margin decline, (2) scale-up of power equipment and EPC that is both less cyclical and competitive (versus other segments), (3) revival in capex activity, (4) strong investments in capacity and capability enhancement that would open new growth areas such as power equipment, nuclear energy and defense, (5) value creation in subsidiaries and (6) strong balance sheet and cash flows that enable L&T to capture opportunities in various areas including infrastructure development and (6) upside of only about 12.5% to our FY2012E-based target price of Rs2,100/share.

The company has outperformed the market (SENSEX) by 16% in the past three months and 11% in the past 6 months.

Key risks originate from (1) continued order booking pressures led by the slowdown in capex in important segments such as Middle East, metals, real estate, petrochemicals etc leading to lower-than-expected earnings momentum going forward, and (2) likely pressure on working capital and margins with likely dominance of infrastructure orders.

DCF for target price implies reasonably strong assumptions

DCF implies reasonably strong assumptions for the target price. Key implied assumptions are: (1) long-term revenue CAGR of 13% during FY2010-31E (16.5% CAGR for next 10 years i.e. FY2010-21E and 10% CAGR for another ten years i.e. FY2021-31E), (2) EBIT margins of 11%, (3) long-term net working capital of about 60 days of sales and (4) capital expenditure of 9% of incremental revenues each year.

DCF implies 13% revenue CAGR for next twenty years at 11% EBIT margins and 60 days of working capital

DCF valuation for L&T Standalone, March fiscal year-ends, 2010-31E (Rs mn)

	2010E	20011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2021E	2031E	CAGR (%)
Revenues	**367**	**466**	**584**	**671**	**772**	**888**	**1,021**	**1,174**	**1,350**	**1,552**	**1,964**	**5,094**	**13.3**
Growth (%)	9.0	27.0	25.3	15.0	15.0	15.0	15.0	15.0	15.0	15.0	10.0	10.0	
EBIT (excl finl income)	44	53	67	74	85	98	112	129	148	171	216	560	
Growth (%)	21.7	20.3	27.2	9.7	15.0	15.0	15.0	15.0	15.0	15.0	10.0	10.0	
EBIT Margins	12.0	11.4	11.5	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	
EBIT*(1-tax rate)	**29**	**35**	**45**	**49**	**57**	**65**	**75**	**86**	**99**	**114**	**144**	**374**	**13.0**
Growth (%)	16.6	22.0	27.2	9.7	15.0	15.0	15.0	15.0	15.0	15.0	10.0	10.0	
Depreciation / Amortisation	4	5	6	6	6	6	7	7	8	8	10	20	
Change in Working Capital	15	(21)	(19)	(14)	(16)	(19)	(21)	(24)	(28)	(32)	(29)	(74)	
Capital Expenditure	(15)	(12)	(13)	(8)	(9)	(10)	(12)	(14)	(16)	(18)	(16)	(42)	
Free Cash Flows	**34**	**8**	**20**	**33**	**38**	**43**	**48**	**55**	**63**	**72**	**110**	**278**	**10.6**
Growth (%)	(261.1)	(75.5)	135.9	70.6	12.8	13.2	13.5	13.8	14.0	14.2	33.7	9.9	
Discounted cash flow	**34**	**8**	**18**	**28**	**28**	**28**	**28**	**29**	**29**	**30**	**36**	**28**	

WACC used	**12.5%**

Terminal value calculation	
Cash flow in terminal year	278
Long-term growth (%)	5.0%
Capitalisation rate	7.5%
Terminal value	3,896
Discount period (years)	19.5
Discount factor	10.1%
Discounted value	392

NPV calculation	
Free cash	639
Terminal value	392
Enterprise value	1,031
Net debt	9
Core company val'r	1,022
Shares o/s (mn)	601
NPV/share (Rs)	**1,701**

Source: Kotak Institutional Equities

Standalone balance sheet and income statement of L&T, March fiscal year-ends, 2007-12E (Rs mn)

	FY2007	FY2008	FY2009	FY2010E	FY2011E	FY2012E
Income statement						
Net operating revenues	**176,142**	**248,779**	**339,385**	**370,348**	**465,882**	**583,615**
Cost of goods sold	**(158,247)**	**(220,515)**	**(300,164)**	**(322,193)**	**(407,825)**	**(510,443)**
Construction materials	(36,510)	(56,103)	(75,100)	(74,781)	(94,071)	(117,844)
Sub contracts	(33,920)	(44,904)	(70,533)	(86,618)	(108,961)	(136,497)
Stores, spares and tools	(4,694)	(6,995)	(9,008)	(9,259)	(11,647)	(14,590)
Other mfg exp	(13,635)	(16,772)	(22,455)	(24,622)	(30,282)	(37,935)
S, G & A	(10,280)	(13,856)	(17,703)	(13,866)	(17,238)	(21,010)
Salaries & wages	(12,592)	(15,354)	(19,745)	(23,791)	(30,088)	(37,830)
EBIDTA	**17,895**	**28,264**	**39,222**	**48,156**	**58,056**	**73,172**
EBIDTA margin (%)	*10.2*	*11.4*	*11.56*	*13.0*	*12.5*	*12.5*
Other income	4,927	6,520	7,398	9,103	9,835	10,101
Interest	(930)	(1,227)	(4,156)	(5,053)	(4,736)	(4,211)
Depreciation	(1,715)	(2,022)	(3,073)	(4,146)	(5,119)	(5,849)
PBT	**20,191**	**31,534**	**39,404**	**48,059**	**58,037**	**73,213**
Tax	(6,019)	(9,821)	(12,312)	(16,409)	(19,268)	(24,307)
PAT	**14,172**	**21,714**	**27,092**	**31,650**	**38,768**	**48,906**
Extraordinaries	—	(8)	7,725	12,105	—	—
Reported PAT	14,172	21,706	34,817	43,755	38,768	48,906
EPS (Rs)	**50.0**	**37.1**	**46.3**	**52.7**	**64.2**	**81.0**
Balance sheet						
Equity capital	567	585	1,171	1,202	1,208	1,208
Reserves & surplus	56,839	94,707	123,180	182,706	216,595	255,608
Shareholders funds	**57,405**	**95,292**	**124,351**	**183,908**	**217,803**	**256,816**
Reval reserves	279	259	246	246	246	246
Secured loans	2,454	3,085	11,024	11,024	11,024	11,024
Unsecured loans	18,324	32,755	54,537	64,137	49,137	49,137
Total debt	**20,778**	**35,840**	**65,560**	**75,160**	**60,160**	**60,160**
Total sources of funds	**78,462**	**131,391**	**190,157**	**259,314**	**278,209**	**317,222**
Net Block	17,083	28,544	40,128	55,982	66,863	73,514
Capital WIP	4,357	6,990	10,410	5,000	600	600
Total fixed assets	**21,440**	**35,534**	**50,538**	**60,982**	**67,463**	**74,114**
Intangible assets	807	920	1,408	1,408	1,408	1,408
Investments	31,044	69,223	82,637	138,637	146,137	148,637
Net working capital (excl. cash)	**14,530**	**16,652**	**48,303**	**32,990**	**53,583**	**72,352**
Cash and bank balances	10,944	9,645	7,753	25,779	10,100	21,193
Total application of funds	**78,462**	**131,391**	**190,157**	**259,314**	**278,209**	**317,222**

Source: Company, Kotak Institutional Equities estimates

kotak Institutional Equities

DB Corp (DBCL)

Media

ADD

JULY 19, 2010

UPDATE

Coverage view: Neutral

Price (Rs): 234

Target price (Rs): 275

BSE-30: 17,956

Flowing in cash—FY2010 annual report analysis. Key takeaways from DBCL's FY2010 annual report—(1) strong free cash flows of Rs1.8 bn with (2) large capex completed in FY2009 and (3) forex gains due to rupee depreciation negated by higher provisioning in 4QFY10. Key takeaways from management meeting—(1) likely advertising revenue growth of 15-20% in FY2011E, (2) expansion in BJH but focus also on existing potential in core markets and (3) newsprint price inflation under control. Retain ADD; fair valuations even including peak investment in BJH market.

Company data and valuation summary

DB Corp

Stock data			
52-week range (Rs) (high,low)			275-201
Market Cap. (Rs bn)			42.5
Shareholding pattern (%)			
Promoters			0.0
FIIs			0.0
MFs			0.0
Price performance (%)	**1M**	**3M**	**12M**
Absolute	(5.4)	(6.6)	0.0
Rel. to BSE-30	(7.4)	(9.5)	(17.9)

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	10.6	12.6	15.5
EPS growth (%)	286.5	18.4	23.2
P/E (X)	22.0	18.6	15.1
Sales (Rs bn)	10.5	12.1	14.0
Net profits (Rs bn)	1.8	2.3	2.8
EBITDA (Rs bn)	3.3	3.8	4.6
EV/EBITDA (X)	13.2	11.0	8.8
ROE (%)	40.3	31.6	32.9
Div. Yield (%)	0.9	1.3	1.7

FY2010 annual report analysis—robust growth, strong free cash flows likely to continue

- Exhibit 1 provides summary financials and the key takeaways from DBCL's FY2010 annual report. We believe the strong free cash flow performance of the company was the highlight of FY2010, which is likely to continue with (1) continued strong operating cash flows driven by robust advertising growth and (2) large capital expenditure already completed in FY2009-10. DBCL reports FCF of Rs10.4/share and trades at 22.5X FY2010 FCF.
- DBCL also declared dividend of Rs2/share in FY2010, implying a payout ratio of around 23%. The financial leverage has come down significantly in FY2010 with its IPO and strong free cash flow generation. We expect robust growth in dividends with (1) continued growth in free cash flows, (2) limited investment requirement including BJH expansion and (3) higher dividend payout as financial leverage comes down further.
- DBCL also managed it working capital requirements well during FY2010, a relatively challenging period for the media industry. DBCL's receivables position remained healthy at 66 debtor days. The raw material inventory has increased to 68 days of consumption, which is positive in light of availability of low-cost newsprint at end-FY2010.
- The large foreign currency debt exposure of around US$41.5 mn (un-hedged) may be a cause for concern in a depreciating rupee environment. However, we note that the foreign currency debt carries an average interest rate of around 4%.

Retain ADD; fair valuations even including peak investment in BJH market expansion

We retain our ADD rating with a 12-month DCF-based target price of Rs275 (Rs280 previously); our fine-tuned FY2011E and FY2012E EPS estimates of Rs12.6 (Rs12.9 previously) and Rs15.5 (Rs15.7) include FM radio merger (near-term EPS dilution) among other minor changes. The stock trades at 17X average FY2011E-12E EPS and 10X average FY2011E-12E EBITDA; the stock offers upside even after including peak investment in BJH market, which we discuss later in the report.

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Annual report analysis of DBCL, March fiscal year-ends, 2008-10 (Rs mn)

	2008	2009	2010	Comments
Income statement				
Advertising	6,338	6,955	7,699	
Subscription	1,824	2,009	2,118	
Other operating	344	525	689	FM radio business turning around well; EBITDA breakeven in 4QFY10
Total revenues	**8,506**	**9,490**	**10,505**	
Raw material	**(3,365)**	**(4,075)**	**(3,279)**	**Peak newsprint prices in FY2009, trough prices in FY2010**
Other operating	**(1,259)**	**(1,526)**	**(1,433)**	**Cost rationalization measures other than newsprint consumption**
Employees	(911)	(1,331)	(1,318)	
Overheads	(1,263)	(1,217)	(1,170)	Very high advertising expenses in FY2008 given expansion in Punjab
Total expenses	**(6,798)**	**(8,149)**	**(7,200)**	
EBITDA	**1,709**	**1,341**	**3,305**	
Interest (net)	(160)	(282)	(121)	Foreign exchange gains in FY2009, losses in FY2010
D&A expenses	(220)	(290)	(378)	Large capital expenditure in FY2009-10 already completed
Extraordinaries	8	—	—	
Taxation	(630)	(423)	(1,057)	
Reported PAT	**706**	**346**	**1,749**	
Minority interest	61	118	80	
Adjusted PAT	**759**	**464**	**1,828**	
EPS (Rs/share)	**4.5**	**2.8**	**10.6**	
Balance sheet				
Total equity	2,198	2,577	6,487	IPO of the company completed in 4QFY10
Deffered tax	346	393	609	Large capital expenditure plan in FY2009-10 led to tax benefits
Total debt	**3,436**	**5,631**	**3,207**	**Significant reduction in net debt with IPO and free cash flow**
Sundry creditors	1,144	1,292	1,238	
Other liabilities	570	897	835	
Current liabilities	1,714	2,189	2,073	
Total liabilities	**7,694**	**10,790**	**12,376**	
Cash equivalents	**808**	**452**	**1,951**	**IPO of the company completed in 4QFY10**
Inventory	671	711	722	
Sundry debtors	1,755	1,774	1,934	Increase in subdry debtors largely in line with revenues
Other assets	978	1,052	1,008	
Current assets	4,212	3,988	5,614	
Net fixed assets	3,385	3,763	5,861	Large capital expenditure in FY2009-10 already completed
Capital WIP	**238**	**2,708**	**614**	**Capital expenditure for BJH expansion in FY2011E-12E**
Investments	68	238	205	
Misc. expenditure	33	217	126	
Total assets	**7,936**	**10,914**	**12,420**	
Cash flow statement				
Pre-tax profits	1,320	782	2,806	
D&A expenses	220	290	378	
Interest (net)	268	296	245	
Extraordinaries	95	16	142	Large non-cash one-off provision by the company in 4QFY10
Tax paid	(345)	(357)	(1,013)	
Working capital changes	674	122	(174)	Working capital changes have been stable in the last 2 years
Operating cash flow	**2,232**	**1,149**	**2,384**	
Capital expenditure	**(1,081)**	**(2,966)**	**(603)**	**Large capex in FY2009-10 precludes another cycle for 3-4 years**
Sale of assets	2	12	7	
Free cash flow	**1,153**	**(1,805)**	**1,788**	
FCF (Rs/share)	**6.8**	**(10.7)**	**10.4**	**FCF and EPS similar as capex cycle is largely completed**

Source: Company data, Kotak Institutional Equities

Key takeaways from management meeting

- **Advertising revenues**. DBCL noted growing confidence of advertisers and continuation of robust traction in advertising revenues in FY2011E; notwithstanding any disruptive global or domestic event that threatens consumer or advertiser confidence, DBCL expects around 15-20% growth in advertising revenues in FY2011E; we model 15% growth in DBCL's advertising revenues for now. The double-digit advertising rate hike taken by the company is being slowly passed through to advertisers; advertising growth will likely be geared more towards volume than yields in the near term.

- **Advertiser categories**. DBCL noted that Education, Autos and surprisingly incremental spends from FMCG supported advertising growth in FY2010. With recovery visible in traditionally print-heavy sectors such as Real Estate, BFSI, Entertainment and Lifestyle and Retail, there is broad-basing of the recovery in advertising revenues and limited scope for any negative surprises. DBCL noted that though print was expensive from a CPT perspective, C&S TV fragmentation has made print relatively more effective in specific markets, thus increasing interest from FMCG as well.

- **Circulation revenues**. DBCL is focused on (1) expanding readership across its key markets and (2) achieving a dominant position vis-à-vis competition. Though price is not the only lever for readership expansion, it is a comfort factor and helps print find entry into the households. DBCL believes that this is the right time to develop the newspaper readership habit among the population, which can be monetized later as and when the advertising market matures. Thus, the company is planning to increase its circulation by 5-7% but blended cover price only by 2-3% in FY2011E.

- **Bihar-Jharkhand (BJH) expansion**. DBCL continues to bet on the BJH market (1) being under-served by existing players and (2) strong sustained advertising growth (around 25-30%) over the next 2-3 years. Exhibit 2 presents readership as a percentage of target population (who can read Hindi) across the Hindi states and their capital cities; Bihar certainly seems to have the potential for readership and advertising expansion but the ability to capture the potential versus strong incumbents is the key challenge; DBCL's execution of its market entry strategy has been excellent. Key drivers are lDBCL's skills in (1) creating the right product notably content (impact of local news; contemporary newspaper for entire family) and (2) market penetration.

State- and State-capital-wise readership penetration (%)

State	Readership (%)	State Capital	Readership (%)
Rajasthan (RJ)	38.2	Jaipur, RJ	70.4
Delhi	31.8	Dehradoon, UA	52.4
Gujarat (G)	30.8	Kanpur, UP	51.8
Uttaranchal (UA)	26.9	Ahmedabad, G	51.7
Haryana (H)	24.6	Ranchi, JH	48.2
Chhattisgarh (CG)	21.1	Bhopal, MP	46.5
Jharkhand, JH)	20.5	Chandigarh, PH	44.4
Punjab (P)	20.5	Lucknow, UP	43.6
Uttar Pradesh (UP)	20.4	Raipur, CG	41.8
Bihar	**17.7**	**Patna, Bihar**	**37.3**
Madhya Pradesh (MP)	16.9	Delhi, Delhi	31.8

Note:
(a) Delhi is largely an English print market.

Source: IRS Round1 2010 survey, Kotak Institutional Equities

- Exhibit 3 presents our estimates of financial performance of DBCL in the BJH market; we highlight that these are first-cut estimates prone to changes and thus, not captured in our core DBCL financials for now (focus on existing core markets). Key assumptions behind our base case scenario are (1) readership expansion and continued economic growth resulting in advertising market expansion in BJH and (2) DBCL achieving at least a strong second position in the BJH market within 3-4 years; we model peak investment of around Rs2.4-2.5 bn in the BJH market. In our view, the potential for readership and advertising expansion exists but execution against strong incumbents will be the key challenge, given that they have enough time (DBCL launches Bihar in FY2012E) to close gaps in their portfolio and capture the potential themselves.

Estimation of operating financials of DBCL in the BJH market (Rs bn)

	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Key assumptions										
Print advertising growth (%)		15.0	15.0	15.0	10.0	5.0	—	5.0	5.0	5.0
differential (%)		*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*2.5*	*2.5*	*2.5*	*2.5*
Hindi advertising growth (%)		20.0	20.0	20.0	15.0	10.0	2.5	7.5	7.5	7.5
differential (%)		*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*2.5*	*2.5*	*2.5*	*2.5*
Bihar/Jharkhand advertising growth (%)		**25.0**	**25.0**	**25.0**	**20.0**	**15.0**	**5.0**	**10.0**	**10.0**	**10.0**
Bihar/Jharkhand advertising revenue	**3.0**	**3.8**	**4.7**	**5.9**	**7.0**	**8.1**	**8.5**	**9.3**	**10.3**	**11.3**
DBCL market share (%)	**—**	**3.0**	**7.0**	**12.0**	**18.0**	**20.0**	**21.0**	**22.0**	**23.0**	**24.0**
DBCL advertising revenues	**—**	**0.1**	**0.3**	**0.7**	**1.3**	**1.6**	**1.8**	**2.1**	**2.4**	**2.7**
DBCL circulation (mn)	**0.10**	**0.40**	**0.60**	**0.65**	**0.69**	**0.71**	**0.74**	**0.76**	**0.78**	**0.80**
Net cover price (Rs/copy)	1.0	1.0	1.0	1.2	1.4	1.6	1.8	2.0	2.0	2.0
DBCL circulation revenues	**0.0**	**0.1**	**0.2**	**0.3**	**0.3**	**0.4**	**0.5**	**0.5**	**0.6**	**0.6**
DBCL reader-per-copy (RPC; X)		5.0	5.5	6.0	6.5	6.4	6.3	6.2	6.1	6.0
DBCL readership (mn)		**0.5**	**2.2**	**3.6**	**4.2**	**4.4**	**4.5**	**4.6**	**4.6**	**4.7**
HMVL readership (mn)	5.8	IRS R1 2010 survey								
JAGP readership (mn)	3.4	IRS R1 2010 survey								
Other's readership (mn)	1.8	IRS R1 2010 survey								
DBCL BJH financials										
Total revenues	**0.0**	**0.3**	**0.5**	**1.0**	**1.6**	**2.0**	**2.3**	**2.6**	**2.9**	**3.3**
Total expenditure	**(0.2)**	**(0.7)**	**(1.1)**	**(1.3)**	**(1.4)**	**(1.7)**	**(1.9)**	**(2.1)**	**(2.3)**	**(2.6)**
--Raw material costs	(0.1)	(0.3)	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)	(0.8)	(0.9)	(1.0)
--Employee expenses	(0.0)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)	(0.5)	(0.6)	(0.7)
--Overhead expenses	(0.1)	(0.3)	(0.4)	(0.5)	(0.5)	(0.6)	(0.7)	(0.8)	(0.8)	(0.9)
EBITDA	**(0.2)**	**(0.5)**	**(0.6)**	**(0.3)**	**0.2**	**0.4**	**0.4**	**0.5**	**0.6**	**0.7**
margin (%)	***(538.9)***	***(191.2)***	***(102.7)***	***(30.5)***	***10.1***	***18.1***	***17.8***	***19.5***	***20.8***	***22.4***
Capex	**(0.3)**	**(0.4)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**

Source: Kotak Institutional Equities estimates

- **Expansion in core markets—key focus area.** DBCL noted potential of Rs1 bn advertising revenues in BJH market in 3-4 years; this compares with advertising revenue potential of Rs10.4-12.3 bn in core markets by FY2012E-13E (8-10% higher than BJH). The potential increase in advertising revenue from existing markets (Rs3-5 bn) is more than BJH and thus, DBCL is firmly focused on expansion (readership, market share) notably in Gujarat and CPH (Chandigarh, Punjab and Haryana). Our exhibit below presents a summary of market potential and advertising across key Hindi markets; the advertising market in Gujarat and CPH is below-potential as local players have kept advertising rates low. DBCL will launch new editions in smaller centers to target the lead position in these markets, which will provide it better leverage with advertisers.

- In our view, DBCL has a robust well-diversified business model with a presence across multiple states (leadership position in four key print geographies; <35% revenue and EBITDA from any geography). Additionally, the company has built an enviable base of over 300,000 local advertisers (actively managed) that contribute 60% of its advertising revenues and remaining 40% from national advertisers, which it is looking to scale up. Exhibits 4-5 present DBCL's valuation; the BJH expansion, seen in context of the limited risk (5-15% of EBITDA and value), helps DBCL add another growing market to its portfolio where the potential reward may be worth the risk incurred. We see good upside (10-12%) in DBCL, even after taking into account peak BJH investment.

Valuation of DBCL adjusted for peak investment (Rs)

Peak investment	Rs0.0 bn	Rs2.0 bn	Rs2.5 bn	Rs3.0 bn
Target price	275	275	275	275
Peak investment (Rs bn)		2.0	2.5	3.0
Number of shares (mn)	181.5	181.5	181.5	181.5
Peak investment		**11.0**	**13.8**	**16.5**
Adjusted TP	**275**	**264**	**261**	**258**
Current market price	234	234	234	234
Upside (%)	**17.5**	**12.8**	**11.6**	**10.5**

Note:
(a) Base case assumes value-neutral BJH expansion.

Source: Company data, Kotak Institutional Equities estimates

Valuation of print media companies, March fiscal year-ends, 2010-13E

		EBITDA (Rs bn)			
	Mcap (Rs bn)	2010	2011E	2012E	2013E
DBCL	**42.5**	**3.3**	**3.8**	**4.6**	**5.5**
JAGP	37.3	2.8	3.2	3.7	4.7
HTML	36.4	2.8	3.3	3.9	4.9
DBCL (adjusted)	**42.5**	**3.3**	**3.6**	**4.1**	**5.0**

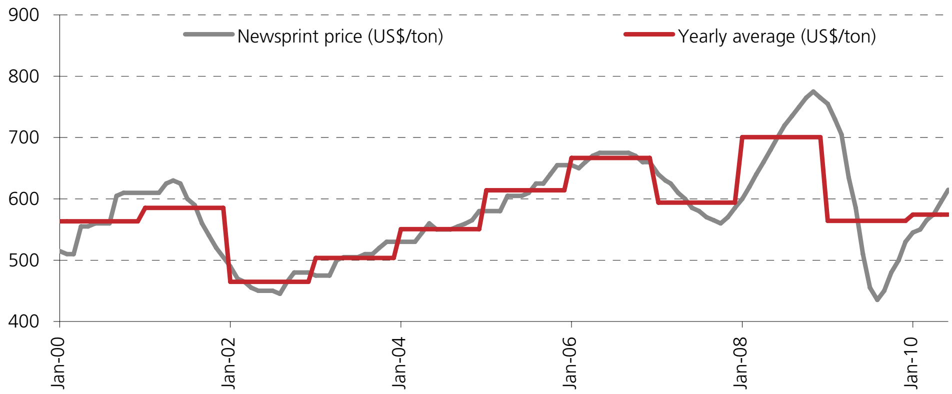
		EV/EBITDA (X)			
	EV (Rs bn)	2010	2011E	2012E	2013E
DBCL	**43.5**	**13.2**	**11.4**	**9.4**	**7.9**
JAGP	36.0	12.7	11.3	9.8	7.7
HTML	36.1	12.9	10.8	9.3	7.4
DBCL (adjusted)	**43.5**	**13.2**	**12.0**	**10.5**	**8.7**

Note:
(a) Adjusted for operating losses on account of BJH expansion.

Source: Company data, Kotak Institutional Equities estimates

- Newsprint prices. DBCL noted average blended newsprint prices of around US$550/ton in 1HFY11. The newsprint cycle is on an upswing with a pick-up in demand (see Exhibit 6); DBCL expects blended average newsprint prices at around US$575-600/ton in 2HFY11E. We model blended average newsprint prices of US$575/ton in FY2011E and US$605/ton in FY2012E. DBCL also noted that the extreme prices in the recent past (US$900/ton at in FY2009 dropping to US$450/ton at a time in FY2010) are likely behind us with US$600/ton a good average blended price for both newsprint producers' (mills) as well as consumers' (DBCL and other print players) profitability.

Historical newsprint price, US East Coast, 2000-2010 (US$/ton)



Source: PPPC, Pulp and Paper Weekly, Kotak Institutional Equities

- **Radio operations.** DBCL FM radio business, MyFM, achieved EBITDA breakeven in 4QFY10 and continues to scale up well. DBCL expects around 20-25% revenue CAGR from the business in FY2011E-12E with robust expansion in EBITDA given a relatively stable cost structure. DBCL has merged the radio business with itself effective April 01, 2010. This is in anticipation of Phase-III radio licensing by the government of India, which will provide DBCL with an opportunity to add new stations across some of its key emerging markets (Punjab, for example). However, DBCL (in line with the industry) is believes that Phase-III can only happen if some pressing industry issues are resolved. We have discussed the FM radio operation in detail in our note "*DBCL announces demerger of SMEL (FM radio) business*" dated May 02, 2010.

June 2010: Earnings announcement calendar

Mon	Tue	Wed	Thu	Fri	Sat
19-Jul	**20-Jul**	**21-Jul**	**22-Jul**	**23-Jul**	**24-Jul**
Aventis Pharma	Bombay Dyeing	Alstom Projects	ACC	Allahabad Bank	Balrampur Chini Mills
Balaji Telefilms	Jindal Hotels	Aries Agro	Ambuja Cements	Areva T&D	Godrej Consumers
Container Corp	NIIT Tech	Century Plyboard	Bajaj Auto	BHEL	Hindustan Zinc
Crompton Greaves	United Spirits	Kotak Mahindra Bank	Bajaj Holdings & Investments	Biocon	Indiabulls Financial Services
Escorts	Zee Entertainment Enterprises	Rural Electrification Corp	Crisil	CESC	Indian Bank
HDFC Bank		Thermax	Dr Reddy Laboratories	HPCL	IOCL
Jindal Saw		TVS Motor	IDBI Bank	IFCI	Jaiprakash Power Ventures
Mindtree		United Breweries	Idea Cellular	Jaiprakash Associates	Maruti Suzuki
PTC India		Yes Bank	ITC	Jet Airways	
Sesa Goa			Power Finance	Mahindra & Mahindra Financials	
			Punjab Natioal Bank	Praj Industries	
			Shriram Transport	Wipro	
			Thermax		
			Varun Industries		
26-Jul	**27-Jul**	**28-Jul**	**29-Jul**	**30-Jul**	**31-Jul**
Bharat Forge	Ashok Leyland	Chennai Petroleum	Aban Offshore	ABB	GVK Power & Infra
Century Textiles	Asian Paints	Essel Propack	Alok Industries	Bharat Electronics	ICICI Bank
Dabur India	Cadila Healthacare	Gujarat Mineral Development Corp.	Federal Bank	BPCL	
Glaxosmithkline Pharma	Cairn India	Lupin	GHCL	Hindustan Construction	
Mahindra Holidays	Glenmark Pharmaceuticals	Mahindra & Mahindra	GSPL	Indian Hotels	
NTPC	Godrej Industries	Phoenix Mills	Hero Honda	Max India	
Sterlite Industries	L&T	Sobha Develpoers	Siemens	PSL	
Tech Mahindra	Manglore Refinery and Petrochemicals	Sun Pharmaceuticals	Tata Tea		
Union Bank	Titan Industries	SunTV Network	Ultratech Cement		
United Phosporus					
2-Aug	**3-Aug**	**4-Aug**	**5-Aug**	**6-Aug**	**7-Aug**
India Cements	Hindalco Industries				
Madras Cement					
9-Aug	**10-Aug**	**11-Aug**	**12-Aug**	**13-Aug**	**14-Aug**
			Ranbaxy Laboratories		

Source: BSE, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of key Indian companies

	16-Jul-10		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	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)
Automobiles																													
Ashok Leyland	71	ADD	93,852	2,006	1,330	2.8	4.1	5.5	84.5	46.1	34.3	25.0	17.1	12.7	14.6	10.5	8.7	2.4	2.2	2.0	2.1	1.4	1.4	11.1	13.4	16.2	65	(7.9)	10.3
Bajaj Auto	2,409	ADD	348,593	7,452	145	117.5	166.0	182.9	159.8	41.3	10.1	20.5	14.5	13.2	12.8	9.8	8.7	10.8	6.6	4.6	0.8	0.8	0.8	66.6	56.3	41.0	2,500	3.8	11.0
Bharat Forge	330	ADD	79,232	1,694	240	0.7	11.4	18.7	(92.0)	1,553.7	64.6	479.2	29.0	17.6	23.8	11.2	7.8	2.1	2.0	1.8	—	—	—	0.9	13.9	18.2	335	1.7	4.4
Hero Honda	1,980	SELL	395,366	8,452	200	111.8	121.5	135.7	74.1	8.7	11.7	17.7	16.3	14.6	11.4	10.7	9.2	11.0	7.5	5.6	1.5	1.6	1.8	59.1	56.6	43.8	1,800	(9.1)	18.6
Mahindra & Mahindra	604	BUY	349,324	7,468	578	34.9	40.7	48.7	132.5	16.6	19.8	17.3	14.8	12.4	11.4	9.7	8.1	4.3	3.4	2.7	1.6	1.5	1.6	30.0	25.9	24.7	680	12.6	26.4
Maruti Suzuki	1,374	ADD	397,115	8,490	289	86.4	94.1	104.2	104.9	8.9	10.8	15.9	14.6	13.2	8.6	8.0	6.9	3.3	2.7	2.3	0.4	0.5	0.5	23.3	20.6	18.9	1,400	1.9	19.1
Tata Motors	832	ADD	496,260	10,609	596	23.9	27.2	35.5	138.9	13.5	30.6	34.8	30.6	23.5	13.5	13.5	11.9	2.4	2.2	1.9	0.7	0.7	0.7	8.1	7.5	8.6	900	8.1	90.4
Automobiles		**Cautious**	**2,159,743**	**46,172**					**109.8**	**21.0**	**17.4**	**21.2**	**17.5**	**14.9**	**12.0**	**10.5**	**9.0**	**3.9**	**3.2**	**2.7**	**1.0**	**1.0**	**1.0**	**18.6**	**18.6**	**18.1**			
Banks/Financial Institutions																													
Andhra Bank	139	BUY	67,391	1,441	485	21.0	21.1	25.4	56.1	0.6	20.0	6.6	6.6	5.5	—	—	—	1.4	1.2	1.0	3.0	3.0	3.7	24.4	20.2	20.7	160	15.1	4.8
Axis Bank	1,357	ADD	549,882	11,756	405	62.1	78.1	98.3	22.7	25.9	25.9	21.9	17.4	13.8	—	—	—	3.4	3.0	2.5	0.9	1.1	1.4	19.2	18.3	19.9	1,500	10.5	50.2
Bank of Baroda	728	BUY	265,958	5,686	366	83.7	93.2	114.7	37.3	11.4	23.0	8.7	7.8	6.3	—	—	—	1.9	1.6	1.3	2.1	2.3	2.8	24.4	22.6	23.2	825	13.4	10.4
Bank of India	395	REDUCE	207,736	4,441	526	33.1	42.7	56.7	(42.1)	28.9	32.8	11.9	9.3	7.0	—	—	—	1.6	1.4	1.2	1.8	2.3	3.0	14.2	16.4	19.1	360	(8.9)	6.5
Canara Bank	479	ADD	196,370	4,198	410	73.7	77.0	93.6	45.8	4.5	21.4	6.5	6.2	5.1	—	—	—	1.5	1.3	1.1	1.7	2.1	2.5	23.0	19.6	20.1	500	4.4	7.1
Corporation Bank	534	BUY	76,653	1,639	143	81.6	86.7	100.3	31.1	6.3	15.7	6.6	6.2	5.3	—	—	—	1.3	1.1	1.0	3.1	3.3	3.8	21.9	19.9	19.8	650	21.6	1.1
Federal Bank	357	BUY	61,016	1,304	171	27.2	38.7	48.0	(7.2)	42.3	24.2	13.1	9.2	7.4	—	—	—	1.3	1.2	1.0	1.4	2.0	2.5	10.3	13.4	14.8	360	0.9	6.0
HDFC	3,020	ADD	867,029	18,536	287	98.4	116.1	138.9	22.7	17.9	19.6	30.7	26.0	21.7	—	—	—	5.7	5.1	4.4	1.2	1.3	1.6	20.0	20.6	21.7	3,450	14.2	38.4
HDFC Bank	2,039	BUY	933,316	19,953	458	64.4	84.1	110.4	22.1	30.6	31.2	31.7	24.2	18.5	—	—	—	4.3	3.8	3.3	0.6	0.8	1.0	16.1	16.7	19.1	2,200	7.9	30.6
ICICI Bank	902	REDUCE	1,006,076	21,508	1,115	36.1	47.5	58.4	6.9	31.7	22.9	25.0	19.0	15.4	—	—	—	1.9	1.8	1.7	1.3	1.7	2.1	8.0	10.0	11.5	980	8.6	86.0
IDFC	195	ADD	285,040	6,094	1,459	8.2	9.2	11.3	41.1	13.3	22.8	23.9	21.1	17.2	—	—	—	4.1	2.7	2.2	0.7	0.9	1.1	16.1	15.2	14.5	205	4.9	24.1
India Infoline	101	BUY	31,367	671	312	8.1	8.9	10.0	59.2	9.8	12.5	12.4	11.3	10.0	—	—	—	2.0	1.6	1.4	3.2	1.9	2.3	16.4	15.9	16.1	140	39.2	4.1
Indian Bank	241	BUY	103,725	2,217	430	35.1	35.5	43.8	25.5	1.1	23.6	6.9	6.8	5.5	—	—	—	1.6	1.3	1.1	2.5	2.5	3.1	24.0	20.3	21.2	280	16.0	4.3
Indian Overseas Bank	110	BUY	59,765	1,278	545	13.0	15.4	26.4	(46.7)	18.9	71.3	8.5	7.1	4.2	—	—	—	0.9	0.8	0.7	3.7	4.1	4.5	9.6	10.6	16.3	120	9.4	4.0
J&K Bank	815	BUY	39,517	845	48	105.7	112.3	140.6	25.1	6.3	25.2	7.7	7.3	5.8	—	—	—	1.4	1.2	1.1	2.7	2.9	3.6	17.3	16.9	18.5	850	4.3	0.5
LIC Housing Finance	1,057	ADD	100,404	2,146	95	69.7	100.7	109.9	11.5	44.5	9.1	15.2	10.5	9.6	—	—	—	3.1	2.6	2.2	1.4	2.0	2.2	23.6	25.5	23.2	1,250	18.3	20.2
Mahindra & Mahindra Financial	495	BUY	47,510	1,016	96	35.7	42.6	49.8	59.3	19.3	16.8	13.9	11.6	9.9	—	—	—	2.8	2.4	2.0	1.5	1.8	2.1	21.4	21.7	21.6	500	1.0	1.3
Oriental Bank of Commerce	373	ADD	93,326	1,995	251	45.3	52.8	58.6	25.3	16.5	11.0	8.2	7.1	6.4	—	—	—	1.3	1.2	1.0	2.4	2.9	3.2	14.1	15.4	15.3	400	7.4	4.3
PFC	325	REDUCE	372,796	7,970	1,148	20.5	22.5	25.9	53.5	9.9	15.1	15.9	14.4	12.5	—	—	—	2.9	2.5	2.2	1.6	1.7	2.0	18.8	18.0	18.2	240	(26.1)	3.2
Punjab National Bank	1,069	BUY	336,995	7,204	315	123.8	138.8	169.6	26.3	12.1	22.2	8.6	7.7	6.3	—	—	—	2.1	1.7	1.4	2.1	2.6	3.2	26.4	24.5	24.7	1,150	7.6	8.5
Reliance Capital	806	ADD	198,417	4,242	246	13.8	16.1	14.1	(64.9)	17.0	(12.4)	58.4	49.9	57.0	—	—	—	2.9	2.8	2.7	0.8	0.8	0.7	5.0	5.7	4.8	875	8.6	39.4
Rural Electrification Corp.	301	ADD	297,599	6,362	987	20.3	24.6	30.7	23.2	21.2	24.9	14.9	12.3	9.8	—	—	—	2.7	2.4	2.0	2.2	2.4	3.1	22.0	20.5	22.2	300	(0.5)	14.1
Shriram Transport	596	ADD	132,980	2,843	223	39.2	49.1	62.4	30.1	25.4	27.2	15.2	12.1	9.5	—	—	—	3.6	3.1	2.6	2.0	2.5	3.1	28.4	26.1	27.8	600	0.7	3.9
SREI	91	NR	10,542	225	116	8.3	7.9	9.9	17.8	(4.8)	25.8	10.9	11.5	9.1	—	—	—	0.9	0.8	0.8	1.3	1.3	1.3	11.1	10.5	12.3	—	—	4.1
State Bank of India	2,449	BUY	1,554,827	33,240	635	144.4	170.9	210.6	0.5	18.3	23.2	17.0	14.3	11.6	—	—	—	2.4	2.1	1.8	1.2	1.3	1.4	14.8	15.5	16.7	2,900	18.4	99.1
Union Bank	327	BUY	165,249	3,533	505	41.1	45.8	57.3	20.2	11.5	25.0	8.0	7.1	5.7	—	—	—	1.9	1.5	1.3	1.7	2.0	2.6	26.2	23.7	24.3	380	16.2	4.3
Yes Bank	299	BUY	101,713	2,174	340	15.0	17.9	22.7	46.7	18.9	27.0	20.0	16.8	13.2	—	—	—	3.3	2.8	2.4	0.5	0.6	0.8	20.3	18.1	19.4	335	11.9	19.8
Banks/Financial Institutions		**Attractive**	**8,163,201**	**174,515**					**14.7**	**18.1**	**23.5**	**16.2**	**13.7**	**11.1**	**—**	**—**	**—**	**2.5**	**2.2**	**1.9**	**1.4**	**1.6**	**1.9**	**15.5**	**16.0**	**17.1**			
Cement																													
ACC	814	SELL	152,953	3,270	188	83.2	61.8	63.4	47.9	(25.7)	2.6	9.8	13.2	12.8	5.2	6.2	5.3	2.4	2.1	1.9	2.9	2.9	2.9	29.3	19.4	17.7	830	2.0	8.2
Ambuja Cements	109	SELL	165,711	3,543	1,522	8.0	7.9	8.1	11.4	(1.8)	2.6	13.6	13.8	13.5	7.6	7.9	7.1	2.4	2.1	1.9	1.7	2.0	2.0	19.3	16.7	15.3	98	(10.0)	5.3
Grasim Industries	1,834	ADD	168,169	3,595	92	301.0	240.1	282.0	26.1	(20.2)	17.5	6.1	7.6	6.5	3.9	3.9	3.0	1.3	1.2	1.0	1.8	1.9	1.9	22.9	16.4	16.7	2,150	17.2	8.5
India Cements	108	SELL	33,158	709	307	10.0	11.8	12.9	(43.5)	17.7	9.0	10.8	9.1	8.4	5.5	5.0	4.8	0.8	0.7	0.7	2.0	3.0	3.0	8.2	8.7	9.0	110	1.9	2.4
Shree Cement	1,940	BUY	67,581	1,445	35	208.0	221.1	242.5	19.0	6.3	9.7	9.3	8.8	8.0	4.6	4.4	3.5	3.7	2.6	2.0	0.5	0.5	0.5	48.0	35.0	28.1	2,550	31.5	0.7
UltraTech Cement	845	SELL	105,206	2,249	124	88.2	67.1	77.2	12.0	(23.9)	15.0	9.6	12.6	10.9	5.0	5.6	4.6	1.9	1.7	1.5	1.0	1.0	1.0	26.6	16.8	16.7	940	11.2	2.6
Cement		**Neutral**	**692,778**	**14,810**					**19.3**	**(14.9)**	**10.4**	**9.0**	**10.6**	**9.6**	**4.9**	**5.2**	**4.3**	**1.9**	**1.6**	**1.4**	**1.8**	**1.9**	**1.9**	**20.5**	**15.2**	**14.7**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	16-Jul-10 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS (Rs) 2012E	EPS growth (%) 2010E	EPS growth (%) 2011E	EPS growth (%) 2012E	PER (X) 2010E	PER (X) 2011E	PER (X) 2012E	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	EV/EBITDA (X) 2012E	Price/BV (X) 2010E	Price/BV (X) 2011E	Price/BV (X) 2012E	Dividend yield (%) 2010E	Dividend yield (%) 2011E	Dividend yield (%) 2012E	RoE (%) 2010E	RoE (%) 2011E	RoE (%) 2012E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Consumer products																													
Asian Paints	2,474	BUY	237,306	5,073	96	71.5	81.5	101.1	85.3	13.9	24.2	34.6	30.4	24.5	21.3	18.9	15.0	14.8	11.8	9.5	1.1	1.4	1.7	51.8	44.4	44.0	2,500	1.1	3.2
Colgate-Palmolive (India)	846	REDUCE	114,996	2,458	136	31.1	34.5	39.6	44.2	10.9	14.6	27.2	24.5	21.4	22.3	18.2	15.5	35.3	30.0	25.7	2.4	3.1	3.5	156.1	132.3	129.4	830	(1.8)	2.3
Dabur India	214	BUY	184,953	3,954	866	5.8	6.8	8.2	28.1	17.6	20.8	36.8	31.3	25.9	27.4	22.0	18.2	17.6	14.4	11.9	1.4	1.7	2.0	54.3	51.1	50.7	200	(6.3)	2.8
GlaxoSmithkline Consumer (a)	1,765	ADD	74,222	1,587	42	55.4	70.0	82.9	23.6	26.5	18.4	31.9	25.2	21.3	17.6	14.9	12.1	8.3	6.9	5.7	1.0	1.3	1.5	27.9	29.6	29.2	1,800	2.0	0.6
Godrej Consumer Products	371	NR	114,246	2,442	308	8.7	9.8	11.6	29.7	13.2	18.2	42.7	37.7	31.9	30.3	27.0	22.8	9.7	8.5	8.5	1.1	1.1	1.1	30.7	24.1	27.8	—	—	3.3
Hindustan Unilever	266	REDUCE	580,064	12,401	2,179	9.7	10.4	11.8	1.7	7.3	14.0	27.5	25.6	22.5	18.5	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)	12.5
ITC	298	BUY	1,124,365	24,037	3,769	10.8	12.4	14.5	24.4	15.2	17.0	27.7	24.0	20.5	17.0	15.0	12.6	7.9	6.8	5.8	3.3	1.8	2.0	29.9	32.2	32.1	315	5.6	22.4
Jubilant Foodworks	334	REDUCE	21,660	463	65	5.5	7.7	9.7	340.6	39.3	25.3	60.3	43.3	34.5	32.6	22.8	16.1	18.4	12.9	9.4	—	—	—	46.6	35.1	31.5	290	(13.2)	7.1
Jyothy Laboratories	270	NR	19,608	419	73	11.0	12.9	15.3	99.6	17.0	18.3	24.5	20.9	17.7	18.9	14.3	11.8	4.8	4.1	3.5	1.7	1.3	1.7	18.6	20.2	20.5	—	—	1.3
Nestle India (a)	3,023	REDUCE	291,455	6,231	96	74.4	87.0	105.5	27.0	17.0	21.3	40.6	34.7	28.6	26.8	23.8	20.4	50.1	39.8	31.5	1.6	2.0	2.4	136.0	127.8	122.7	3,000	(0.8)	2.3
Tata Global Beverages	121	BUY	74,517	1,593	618	6.6	7.4	8.4	23.4	11.1	13.8	18.2	16.4	14.4	11.6	9.5	8.5	1.5	1.4	1.3	1.8	2.0	2.3	10.9	11.4	12.0	125	3.7	3.8
Consumer products		**Attractive**	**2,837,391**	**60,658**					**23.7**	**13.6**	**17.3**	**29.8**	**26.2**	**22.4**	**19.2**	**16.9**	**14.2**	**10.2**	**8.8**	**7.6**	**2.5**	**2.1**	**2.4**	**34.1**	**33.5**	**34.0**			
Constructions																													
IVRCL	190	BUY	50,692	1,084	267	7.8	10.3	12.4	(7.7)	32.4	19.7	24.3	18.4	15.3	12.7	10.4	8.8	2.5	2.2	1.9	0.2	0.2	0.2	10.9	12.8	13.5	215	13.2	7.1
Nagarjuna Construction Co.	182	BUY	46,775	1,000	257	7.1	11.5	14.3	6.1	61.1	24.1	25.6	15.9	12.8	12.4	9.3	7.7	2.1	1.9	1.7	0.9	1.1	1.1	9.3	12.5	13.9	210	15.2	3.8
Punj Lloyd	138	REDUCE	46,681	998	339	(12.9)	9.8	12.0	79.2	(175.4)	22.4	(10.6)	14.1	11.5	37.7	7.4	6.8	1.5	1.4	1.3	(0.1)	0.3	0.8	(15.8)	10.3	11.4	140	1.6	12.3
Sadbhav Engineering	1,303	BUY	19,544	418	15	43.1	62.0	84.0	(15.8)	43.9	35.5	30.2	21.0	15.5	16.9	10.9	8.9	4.7	3.2	2.7	0.3	0.5	0.5	13.3	14.1	17.4	1,450	11.3	0.3
Construction		**Attractive**	**163,692**	**3,499**					**(96.9)**	**14,481**	**24.4**	**2,417.6**	**16.6**	**13.3**	**17.1**	**8.9**	**7.7**	**2.1**	**1.9**	**1.7**	**0.3**	**0.5**	**0.7**	**0.1**	**11.3**	**12.5**			
Energy																													
Aban Offshore	862	ADD	37,475	801	43	106.6	172.3	103.6	10.0	61.6	(39.8)	8.1	5.0	8.3	8.4	6.2	6.8	1.7	0.9	0.9	0.4	0.4	0.5	24.3	20.8	11.1	900	4.5	49.6
Bharat Petroleum	661	ADD	238,996	5,109	362	62.1	54.3	67.6	201	(12)	24.5	11	12	9.8	5.8	6.0	5.0	1.7	1.5	1.4	2.1	2.7	3.4	15.6	12.3	13.9	660	(0.2)	24.4
Cairn india	315	SELL	597,071	12,764	1,897	5.5	28.5	40.0	29.0	413.9	40.5	56.8	11.1	7.9	44.8	7.5	5.3	1.7	1.5	1.4	—	—	4.8	3.1	14.6	18.1	250	(20.6)	17.2
Castrol India (a)	456	REDUCE	112,685	2,409	247	15.4	20.7	21.2	45	34	2.4	30	22	21.5	17.6	13.6	13.2	24.5	23.0	21.8	2.7	3.6	3.7	83.8	107.4	103.7	380	(16.6)	1.1
GAIL (India)	441	ADD	558,892	11,948	1,268	24.8	26.2	38.8	11.7	5.8	48.0	17.8	16.8	11.4	9.9	10.4	8.2	3.1	2.7	2.3	1.7	1.9	2.8	17.4	16.3	21.1	495	12.3	17.3
GSPL	101	REDUCE	56,835	1,215	562	7.4	8.9	9.1	235	22	1.3	14	11	11.2	7.1	5.9	5.3	3.3	2.7	2.4	1.0	2.2	3.6	27.3	26.3	22.5	80	(20.8)	4.2
Hindustan Petroleum	448	ADD	151,961	3,249	339	52.6	45.0	62.0	210.1	(14.5)	38.0	8.5	10.0	7.2	3.1	3.6	2.8	1.1	1.0	0.9	2.7	3.1	4.3	13.3	10.3	13.0	500	11.5	29.9
Indian Oil Corporation	378	ADD	918,129	19,628	2,428	49.9	34.0	37.4	407	(32)	10.0	8	11	10.1	5.1	6.1	5.1	1.7	1.6	1.4	3.4	2.7	3.0	22.7	13.8	14.0	410	8.4	17.1
Oil India	1,350	BUY	324,553	6,938	240	115.1	130.7	152.0	13.8	13.5	16.3	11.7	10.3	8.9	5.0	4.0	3.2	2.2	1.9	1.7	2.5	3.3	3.7	16.7	17.8	18.2	1,440	6.7	7.4
Oil & Natural Gas Corporation	1,259	BUY	2,692,217	57,555	2,139	91.4	124.9	141.1	1	37	12.9	14	10	8.9	5.0	4.2	3.4	2.0	1.8	1.6	2.6	3.3	3.8	14.6	17.9	18.0	1,450	15.2	37.4
Petronet LNG	81	REDUCE	61,050	1,305	750	5.4	5.5	8.2	(22.0)	2.6	47.8	15.1	14.7	10.0	9.1	8.6	6.9	2.4	2.1	1.8	2.1	2.5	3.4	15.9	14.3	18.6	82	0.7	3.5
Reliance Industries	1,063	SELL	3,163,339	67,627	2,976	49.6	62.9	80.2	(2)	27	27.5	21	17	13.3	10.8	8.1	6.8	2.1	1.9	1.8	1.4	1.8	2.1	11.4	13.2	15.3	985	(7.3)	117.0
Energy		**Cautious**	**8,913,205**	**190,549**					**38.0**	**21.0**	**20.8**	**14.8**	**12.2**	**10.1**	**7.2**	**6.1**	**5.0**	**2.0**	**1.8**	**1.6**	**2.0**	**2.4**	**3.1**	**13.8**	**15.0**	**16.3**			
Industrials																													
ABB	873	REDUCE	184,933	3,954	212	16.7	23.3	37.2	(35.2)	39.2	59.8	52.1	37.5	23.4	29.9	22.1	13.6	7.6	6.5	5.2	0.2	0.4	0.4	15.6	18.8	24.7	840	(3.7)	6.5
BGR Energy Systems	749	BUY	53,896	1,152	72	16.0	28.0	39.7	32.2	74.6	41.9	46.7	26.7	18.9	26.2	15.2	11.0	9.6	7.6	5.8	0.4	0.9	1.1	22.3	31.8	35.1	800	6.9	3.3
Bharat Electronics	1,797	REDUCE	143,768	3,074	80	93.9	111.8	127.4	(9.6)	19.1	13.9	19.1	16.1	14.1	9.3	7.4	6.3	3.2	2.8	2.4	1.4	1.4	1.4	17.9	18.7	18.5	1,790	(0.4)	2.3
Bharat Heavy Electricals	2,438	REDUCE	1,193,376	25,512	490	88.1	113.1	137.5	37.9	28.4	21.6	27.7	21.6	17.7	15.5	11.6	9.5	7.5	5.9	4.8	0.8	1.0	1.2	29.9	30.8	29.8	2,500	2.5	28.5
Crompton Greaves	272	BUY	174,341	3,727	642	12.8	13.3	15.8	46.5	3.2	19.0	21.2	20.5	17.2	12.3	11.3	9.3	6.6	5.2	4.2	0.6	0.7	0.8	36.8	28.5	26.8	290	6.7	7.8
Larsen & Toubro	1,871	BUY	1,124,206	24,034	601	58.1	71.2	90.4	16.0	22.4	27.0	32.2	26.3	20.7	17.1	14.5	11.9	5.0	4.2	3.6	0.6	0.6	0.8	18.6	17.5	18.7	1,900	1.6	54.1
Maharashtra Seamless	401	BUY	28,307	605	71	40.2	43.6	49.8	12.1	8.5	14.2	10.0	9.2	8.1	5.3	4.6	3.7	1.8	1.5	1.3	1.5	2.0	2.5	19.3	17.9	17.7	450	12.1	0.4
Siemens	733	REDUCE	247,290	5,287	337	25.0	29.6	34.3	55.2	18.6	16.0	29.4	24.8	21.4	17.3	14.2	12.0	7.3	5.9	4.9	0.7	0.8	0.9	27.3	26.3	25.1	635	(13.4)	7.1
Suzlon Energy	60	REDUCE	95,632	2,044	1,594	(5.9)	0.3	5.3	(182.3)	(104.4)	1,931.8	(10.1)	231.3	11.4	17.2	8.9	5.8	0.9	0.9	0.8	—	—	0.3	(8.8)	0.4	7.5	70	16.7	27.1
Thermax	760	ADD	90,530	1,935	119	21.7	27.9	36.6	(10.4)	28.3	31.3	35.0	27.2	20.7	18.0	15.1	11.4	8.4	7.0	5.7	0.7	1.1	1.4	25.0	28.0	30.3	810	6.6	1.0
Voltas	200	REDUCE	66,163	1,414	331	10.9	11.3	12.6	57.4	3.8	12.1	18.4	17.7	15.8	10.8	9.6	8.2	6.2	5.0	4.2	1.6	1.7	1.9	38.3	31.3	28.8	200	(0.0)	4.4
Industrials		**Attractive**	**3,402,442**	**72,738**					**1.8**	**34.6**	**29.1**	**32.0**	**23.7**	**18.4**	**15.9**	**12.5**	**9.9**	**5.1**	**4.3**	**3.7**	**0.7**	**0.8**	**1.0**	**16.0**	**18.3**	**19.9**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

	16-Jul-10		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	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)
Infrastructure																													
Container Corporation	1,419	REDUCE	184,468	3,944	130	61.1	74.3	85.9	0.3	21.7	15.6	23.2	19.1	16.5	16.5	13.4	11.3	4.2	3.7	3.1	1.0	1.2	1.4	19.6	20.6	20.5	1,250	(11.9)	1.8
GMR Infrastructure	61	ADD	224,604	4,802	3,667	0.4	0.2	0.1	(43.8)	(48.9)	(40.0)	142.1	278.2	463.3	24.5	15.8	14.8	2.1	1.8	1.8	—	—	—	2.4	1.2	0.7	65	6.1	6.0
GVK Power & Infrastructure	45	BUY	71,538	1,529	1,579	0.8	1.1	1.4	6.7	33.5	32.4	55.7	41.7	31.5	18.8	17.2	17.6	2.3	2.2	2.1	—	0.7	0.7	4.7	5.3	6.7	54	19.2	5.4
IRB Infrastructure	277	RS	92,148	1,970	332	9.7	12.6	12.1	83.8	29.2	(3.7)	28.5	22.1	22.9	13.4	11.9	11.1	4.0	3.1	2.5	—	—	—	15.6	15.7	11.9	—	—	5.3
Mundra Port and SEZ	755	REDUCE	304,554	6,511	403	15.1	24.1	35.7	40.8	59.5	48.4	50.0	31.4	21.1	32.1	20.6	14.7	8.4	6.5	4.8	—	—	—	18.5	23.2	26.1	725	(3.9)	6.6
Infrastructure		**Attractive**	**877,312**	**18,755**					**12.7**	**29.5**	**24.1**	**43.6**	**33.6**	**27.1**	**21.7**	**16.0**	**13.8**	**3.7**	**3.1**	**2.8**	**—**	**—**	**0.3**	**8.4**	**9.2**	**10.2**			
Media																													
DB Corp	234	ADD	42,532	909	181	10.6	12.9	15.7	276.4	21.0	22.3	22.1	18.2	14.9	12.2	10.1	7.9	6.1	4.8	4.1	0.9	1.7	2.6	38.2	29.6	29.9	280	19.5	0.3
DishTV	46	ADD	48,916	1,046	1,063	(2.5)	(1.2)	0.5	(62.6)	(49.9)	(141.4)	(18.7)	(37.4)	90.3	60.9	22.1	12.1	11.8	17.2	14.5	—	—	—	250.2	(37.4)	17.4	47	2.2	3.5
HT Media	155	NR	36,449	779	235	6.1	7.8	9.4	623.3	27.0	20.9	25.4	20.0	16.5	12.7	10.6	8.7	3.7	3.3	3.0	0.6	1.3	2.6	15.6	17.6	19.2	—	—	0.3
Jagran Prakashan	124	ADD	37,270	797	301	5.8	6.4	7.5	91.9	9.5	16.7	21.2	19.3	16.6	12.8	11.2	9.6	6.1	5.5	4.9	2.8	2.8	3.2	30.0	29.8	31.0	130	5.1	0.6
Sun TV Network	449	REDUCE	177,001	3,784	394	13.1	17.9	22.8	44.8	36.0	27.5	34.2	25.1	19.7	19.4	14.5	11.5	9.1	7.7	6.4	1.7	1.7	2.0	28.4	33.5	35.5	420	(6.5)	1.8
Zee Entertainment Enterprises	313	REDUCE	135,929	2,906	434	10.5	12.0	14.7	24.4	14.4	22.2	29.8	26.0	21.3	22.2	17.6	14.0	3.7	3.5	3.4	0.8	0.9	1.2	13.0	14.1	16.4	265	(15.4)	9.3
Media		**Neutral**	**478,097**	**10,221**					**185.0**	**40.2**	**36.2**	**39.3**	**28.1**	**20.6**	**19.0**	**14.5**	**11.2**	**5.7**	**5.3**	**4.7**	**1.2**	**1.4**	**1.7**	**14.6**	**18.7**	**22.8**			
Metals																													
Hindalco Industries	150	ADD	287,379	6,144	1,914	5.7	12.6	15.1	(64.5)	122.5	19.4	26.5	11.9	10.0	7.9	8.3	8.5	1.3	1.2	1.1	0.9	0.9	0.9	10.3	10.4	11.2	185	23.2	42.3
Hindustan Zinc	976	BUY	412,180	8,812	423	95.6	102.5	116.0	48.2	7.2	13.1	10.2	9.5	8.4	6.3	4.9	3.4	2.2	1.8	1.5	0.6	0.6	0.6	24.1	20.8	19.4	1,240	27.1	4.3
Jindal Steel and Power	624	SELL	579,437	12,387	928	38.5	48.7	50.8	17.2	26.5	4.3	16.2	12.8	12.3	10.2	8.2	7.6	5.1	3.6	2.8	0.2	0.2	0.2	37.3	33.0	25.7	575	(7.9)	29.4
JSW Steel	1,101	REDUCE	218,814	4,678	199	80.4	106.4	136.9	447.0	32.3	28.7	13.7	10.4	8.0	8.5	7.2	5.7	1.9	1.5	1.3	0.8	0.4	0.4	15.4	16.4	17.3	1,150	4.4	54.1
National Aluminium Co.	435	SELL	280,371	5,994	644	10.1	28.0	27.7	(49.0)	178.6	(1.2)	43.2	15.5	15.7	19.2	7.6	7.0	2.6	2.2	2.0	0.5	0.5	0.5	6.1	15.4	13.3	320	(26.5)	1.1
Sesa Goa	343	REDUCE	305,390	6,529	890	29.6	61.4	62.4	32.2	107.6	1.8	11.6	5.6	5.5	9.4	3.4	2.7	4.0	2.4	1.7	0.9	0.9	0.9	36.7	48.0	34.1	420	22.4	79.6
Sterlite Industries	166	ADD	558,539	11,941	3,362	12.0	14.2	19.2	2.8	18.3	35.1	13.8	11.7	8.7	11.8	10.2	6.7	1.5	1.3	1.2	0.6	0.6	0.6	12.9	12.2	14.5	210	26.4	49.0
Tata Steel	509	BUY	451,465	9,652	887	3.2	78.7	93.5	(97.1)	2,331.6	18.7	157.1	6.5	5.4	17.5	5.9	5.0	1.8	1.4	1.2	1.6	1.6	1.6	1.1	24.7	23.8	700	37.6	109.5
Metals		**Cautious**	**3,093,576**	**66,135**					**(28.9)**	**81.0**	**15.1**	**17.3**	**9.5**	**8.3**	**10.7**	**6.8**	**5.7**	**2.1**	**1.8**	**1.5**	**0.7**	**0.7**	**0.7**	**12.3**	**18.4**	**17.7**			
Pharmaceutical																													
Biocon	315	BUY	62,980	1,346	200	14.7	18.7	23.0	212.6	27.7	23.0	21.5	16.8	13.7	12.3	10.3	8.4	3.5	3.0	2.6	—	—	0.1	17.9	19.7	20.7	345	9.6	3.6
Cipla	331	REDUCE	265,446	5,675	803	13.5	12.8	15.6	35.9	(4.9)	21.9	24.5	25.8	21.2	18.2	17.1	14.3	4.5	4.0	3.4	0.8	0.8	0.8	19.9	16.3	17.4	280	(15.3)	9.8
Cadila Healthcare	634	REDUCE	129,852	2,776	205	24.7	29.6	34.9	66.9	20.0	17.6	25.7	21.4	18.2	16.6	13.9	12.1	8.1	6.2	5.0	0.8	0.9	1.1	36.1	32.8	30.3	535	(15.6)	1.6
Dishman Pharma & chemicals	215	BUY	17,519	375	81	14.4	17.2	28.8	(19.7)	19.4	67.0	14.9	12.5	7.5	10.7	8.9	6.3	2.2	1.9	1.5	—	—	—	15.5	16.3	22.7	300	39.3	0.6
Divi's Laboratories	785	ADD	103,771	2,218	132	25.8	34.3	43.9	(18.3)	33.3	27.9	30.5	22.9	17.9	22.8	16.8	12.9	6.9	5.7	4.6	—	—	—	24.8	27.2	28.4	800	1.9	3.1
Dr Reddy's Laboratories	1,478	REDUCE	250,342	5,352	169	48.1	66.7	70.8	48.3	38.8	6.1	30.7	22.2	20.9	17.0	12.8	11.9	6.6	5.3	4.3	0.5	0.5	0.6	22.2	26.3	22.6	1,150	(22.2)	16.2
GlaxoSmithkline Pharmaceuticals (a)	2,069	REDUCE	175,242	3,746	85	59.1	69.1	79.2	8.1	17.0	14.5	35.0	29.9	26.1	20.1	17.2	14.7	9.8	8.4	7.1	—	—	—	29.8	30.2	29.5	1,800	(13.0)	1.5
Glenmark Pharmaceuticals	279	NR	76,480	1,635	274	12.7	19.2	20.3	14.7	50.6	5.6	21.9	14.5	13.8	14.1	9.2	8.8	3.2	2.7	2.3	—	—	—	16.7	19.9	17.6	—	—	4.8
Jubilant Organosys	363	BUY	57,628	1,232	159	26.5	34.2	39.3	49.0	29.1	14.9	13.7	10.6	9.2	9.8	8.6	7.2	2.6	2.1	1.7	0.5	0.7	0.8	26.3	22.3	21.0	400	10.2	2.6
Lupin	1,875	ADD	166,097	3,551	89	76.9	104.1	122.5	27.8	35.3	17.6	24.4	18.0	15.3	20.8	15.1	11.9	7.2	5.3	4.1	0.7	0.8	0.8	36.6	34.4	30.7	1,920	2.4	7.0
Piramal Healthcare	504	REDUCE	105,430	2,254	209	23.4	13.4	11.0	35.5	(42.9)	(17.6)	21.6	37.8	45.8	15.9	6.3	4.6	6.3	1.1	1.0	1.1	1.2	0.7	32.1	141.2	16.6	490	(2.9)	31.9
Ranbaxy Laboratories	449	SELL	192,373	4,113	428	7.1	28.0	11.7	(128.4)	297.1	(58.3)	63.7	16.0	38.4	15.6	9.4	18.6	4.9	3.9	3.6	—	0.9	0.9	6.9	24.6	9.1	220	(51.0)	10.6
Sun Pharmaceuticals	1,740	REDUCE	360,441	7,706	207	65.2	67.7	77.6	(25.7)	3.8	14.6	26.7	25.7	22.4	20.2	18.1	15.3	4.3	3.8	3.4	0.8	0.8	0.8	17.8	16.2	16.2	1,560	(10.4)	8.6
Pharmaceuticals		**Attractive**	**1,963,600**	**41,978**					**44.7**	**27.4**	**5.8**	**27.3**	**21.4**	**20.2**	**17.0**	**13.1**	**12.3**	**5.2**	**3.7**	**3.2**	**0.5**	**0.6**	**0.6**	**18.9**	**17.3**	**15.6**			
Property																													
DLF	320	ADD	545,851	11,669	1,708	9.6	16.3	25.1	(64.0)	69.4	53.8	33.2	19.6	12.7	20.9	13.2	10.0	2.0	1.9	1.7	0.9	0.9	1.5	6.4	9.9	13.8	340	6.4	49.6
Indiabulls Real Estate	168	RS	67,406	1,441	401	1.6	4.0	8.0	109.7	151.7	101.7	105.9	42.1	20.9	(77)	37.9	9.8	0.7	0.7	0.7	—	—	—	0.8	1.8	3.5	285	69.6	20.8
Mahindra Life Space Developer	499	ADD	20,964	448	42	18.9	20.3	27.5	82.4	7.3	35.8	26.4	24.6	18.1	22.4	18.7	10.4	2.2	2.1	1.9	0.8	0.8	0.8	8.4	8.5	10.7	540	8.3	0.8
Phoenix Mills	223	BUY	32,293	690	145	5.1	7.7	8.7	2.5	51.0	13.5	43.8	29.0	25.6	33.7	21.6	18.1	2.1	2.0	1.9	0.4	0.7	0.9	4.8	7.0	7.5	260	16.6	0.8
Puravankara Projects	113	REDUCE	24,192	517	213	6.4	8.2	8.1	(5.2)	28.4	(2.0)	17.7	13.8	14.0	21.9	14.8	14.5	1.7	1.6	1.4	1.8	1.8	1.8	10.0	11.9	10.7	110	(3.0)	0.5
Sobha	338	ADD	33,141	708	98	14.4	17.5	24.7	(4.8)	21.1	41.6	23.4	19.4	13.7	17.0	13.6	8.5	1.9	1.8	1.6	0.6	1.2	1.2	9.8	9.4	12.2	325	(3.8)	2.1
Unitech	82	SELL	215,704	4,611	2,616	3.4	4.3	5.6	(54.2)	26.3	30.2	24.4	19.3	14.9	21.5	14.8	9.4	2.0	1.7	1.6	—	—	1.8	9.7	9.4	11.1	72	(12.7)	56.3
Property		**Cautious**	**939,550**	**20,086**					**(52.9)**	**57.8**	**46.6**	**32.6**	**20.6**	**14.1**	**21.7**	**14.1**	**10.0**	**1.8**	**1.7**	**1.5**	**0.6**	**0.7**	**1.5**	**5.5**	**8.0**	**10.8**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	16-Jul-10 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS (Rs) 2012E	EPS growth (%) 2010E	EPS growth (%) 2011E	EPS growth (%) 2012E	PER (X) 2010E	PER (X) 2011E	PER (X) 2012E	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	EV/EBITDA (X) 2012E	Price/BV (X) 2010E	Price/BV (X) 2011E	Price/BV (X) 2012E	Dividend yield (%) 2010E	Dividend yield (%) 2011E	Dividend yield (%) 2012E	RoE (%) 2010E	RoE (%) 2011E	RoE (%) 2012E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Retail																													
Titan Industries	2,672	ADD	118,613	2,536	44	62.7	76.1	96.2	41.5	21.3	26.5	42.6	35.1	27.8	30.2	23.7	18.5	15.0	11.2	8.5	0.4	0.4	0.5	40.7	36.6	34.8	2,400	(10.2)	4.7
Retail		**Neutral**	**118,613**	**2,536**					**41.5**	**21.3**	**26.5**	**42.6**	**35.1**	**27.8**	**30.2**	**23.7**	**18.5**	**15.0**	**11.2**	**8.5**	**0.4**	**0.4**	**0.5**	**35.2**	**32.0**	**30.5**			
Sugar																													
Bajaj Hindustan	120	SELL	22,982	491	191	9.7	9.9	8.9	201.1	2.2	(10.4)	12.4	12.1	13.5	7.1	5.9	5.6	1.0	0.9	0.8	0.6	0.6	0.6	8.1	7.5	6.3	99	(17.6)	6.5
Balrampur Chini Mills	84	ADD	21,452	459	257	3.7	10.4	7.0	(51.9)	183.7	(32.7)	22.7	8.0	11.9	9.6	5.5	5.9	1.6	1.4	1.3	0.5	0.5	0.5	7.0	18.1	11.0	92	10.1	6.0
Shree Renuka Sugars	70	BUY	46,685	998	670	9.9	7.6	7.8	196.4	(23.2)	3.1	7.0	9.2	8.9	4.8	5.4	4.7	1.8	1.5	1.3	0.6	0.5	0.5	32.0	18.1	15.7	76	9.0	15.0
Sugar		**Cautious**	**91,119**	**1,948**					**96.1**	**2.5**	**(9.4)**	**9.7**	**9.4**	**10.4**	**6.3**	**5.6**	**5.2**	**1.4**	**1.3**	**1.1**	**0.6**	**0.5**	**0.5**	**14.9**	**13.3**	**10.8**			
Technology																													
HCL Technologies	373	REDUCE	257,577	5,507	690	17.8	25.1	28.5	2.0	40.6	13.6	20.9	14.9	13.1	10.6	9.1	7.6	4.0	3.4	2.8	1.1	1.1	1.6	20.8	24.9	23.3	370	(0.9)	12.9
Hexaware Technologies	85	REDUCE	12,174	260	144	9.3	5.1	9.4	127.7	(45.4)	84.0	9.1	16.6	9.0	4.6	9.5	5.2	1.4	1.3	1.2	1.2	1.2	1.2	17.8	8.4	14.0	72	(15.0)	3.0
Infosys Technologies	2,777	BUY	1,593,998	34,077	574	108.3	124.1	150.0	5.7	14.5	20.9	25.6	22.4	18.5	18.7	15.3	12.4	6.9	5.7	4.7	0.9	1.3	1.5	30.1	28.0	28.0	3,100	11.6	60.5
Mphasis BFL	617	REDUCE	128,680	2,751	208	43.6	49.0	45.6	207.5	12.5	(7.0)	14.2	12.6	13.5	11.3	10.0	9.1	5.5	3.9	3.1	0.6	0.6	0.7	48.1	36.4	25.8	550	(10.9)	8.6
Mindtree	569	REDUCE	23,397	500	41	52.2	38.9	51.6	294.3	(25.5)	32.6	10.9	14.6	11.0	9.3	9.0	6.4	3.5	2.8	2.3	0.4	0.7	0.9	35.2	21.4	23.1	550	(3.3)	2.2
Patni Computer Systems	526	REDUCE	70,124	1,499	133	36.6	42.3	38.6	36.4	15.6	(8.7)	14.4	12.5	13.6	7.6	6.7	5.8	1.9	1.9	1.7	1.3	1.6	1.5	18.2	15.8	12.8	450	(14.5)	6.5
Polaris Software Lab	190	SELL	18,983	406	100	15.4	19.1	18.8	16.9	24.3	(1.7)	12.4	10.0	10.1	6.3	8.0	6.8	2.2	1.9	1.6	1.8	1.9	2.0	18.6	20.1	17.2	180	(5.5)	4.7
TCS	834	BUY	1,631,620	34,881	1,957	35.1	42.1	48.2	32.8	19.8	14.5	23.7	19.8	17.3	17.9	14.4	12.0	7.8	6.4	5.4	2.4	2.0	2.3	37.6	35.6	33.9	965	15.8	31.8
Wipro	402	ADD	984,172	21,040	2,447	18.9	21.9	25.0	22.1	16.2	14.4	21.3	18.4	16.1	16.1	13.3	10.9	5.0	4.1	3.4	0.9	1.1	1.3	26.5	24.6	23.2	465	15.6	15.1
Technology		**Attractive**	**4,720,724**	**100,921**					**22.9**	**17.3**	**15.0**	**22.6**	**19.2**	**16.7**	**16.3**	**13.5**	**11.2**	**6.0**	**5.0**	**4.2**	**1.4**	**1.5**	**1.7**	**26.7**	**25.9**	**24.8**			
Telecom																													
Bharti Airtel	298	REDUCE	1,133,394	24,230	3,798	24.0	21.4	24.2	7.5	(10.8)	13.2	12.4	13.9	12.3	7.0	6.7	5.7	2.6	2.2	1.9	1.0	1.3	1.7	24.1	17.0	16.5	290	(2.8)	50.9
IDEA	65	REDUCE	214,322	4,582	3,300	2.7	1.3	2.3	(5.8)	(51.7)	71.9	23.8	49.2	28.6	8.2	8.2	6.7	1.9	1.8	1.7	—	—	—	7.2	3.8	6.3	50	(23.0)	11.1
MTNL	65	SELL	40,887	874	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(4.1)	(6.3)	(7.1)	(0.5)	(0.6)	(0.8)	0.4	0.4	0.4	—	—	—	(8.5)	(6.1)	(5.7)	50	(23.0)	2.7
Reliance Communications	187	SELL	399,314	8,537	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	175	(6.5)	41.2
Tata Communications	290	REDUCE	82,693	1,768	285	14.0	15.2	15.7	3.2	8.2	3.5	20.7	19.1	18.5	8.4	7.8	7.4	1.2	1.1	1.1	2.2	2.6	2.9	5.2	5.5	5.5	225	(22.5)	1.7
Telecom		**Cautious**	**1,870,610**	**39,990**					**(15.1)**	**(19.8)**	**20.7**	**13.1**	**16.3**	**13.5**	**7.6**	**7.5**	**6.2**	**1.7**	**1.5**	**1.4**	**0.8**	**0.9**	**1.1**	**12.7**	**9.3**	**10.2**			
Utilities																													
Adani Power	126	ADD	275,443	5,888	2,180	0.8	4.9	16.4	—	524.1	235.3	161.3	25.8	7.7	125.2	17.1	6.2	5.0	4.2	2.7	—	—	—	4.4	17.7	42.8	130	2.9	3.0
CESC	411	ADD	51,380	1,098	125	35.2	42.2	45.7	9.3	19.6	8.4	11.7	9.8	9.0	7.3	6.6	7.4	1.2	1.1	1.0	1.1	1.3	1.4	11.1	11.7	11.4	439	6.7	1.9
Lanco Infratech	67	BUY	160,534	3,432	2,405	2.0	3.6	4.5	35.1	82.2	26.4	34.0	18.6	14.7	20.2	8.6	8.4	4.7	3.8	3.0	—	—	—	15.8	20.6	21.0	70	4.9	8.7
NHPC	31	REDUCE	377,633	8,073	12,301	1.9	1.3	1.6	74.9	(27.2)	20.1	16.6	22.8	18.9	10.7	10.9	8.9	1.5	1.4	1.4	1.8	1.2	1.4	9.7	6.5	7.4	28	(8.8)	19.8
NTPC	199	REDUCE	1,636,725	34,990	8,245	10.8	12.5	14.7	9.6	16.2	17.4	18.4	15.9	13.5	14.1	12.4	10.3	2.6	2.3	2.1	2.0	2.4	2.8	14.5	15.4	16.6	200	0.8	10.4
Reliance Infrastructure	1,152	ADD	283,462	6,060	246	61.8	62.7	80.3	(1.5)	1.6	28.0	18.7	18.4	14.3	19.9	19.2	13.1	1.5	1.4	1.3	0.7	0.8	0.9	6.3	7.3	10.1	1,100	(4.5)	48.5
Reliance Power	174	SELL	418,114	8,939	2,397	2.9	3.1	5.4	179.7	7.4	76.4	61.1	56.9	32.3		98.7	33.9	2.9	2.8	2.5	—	—	—	4.8	5.0	8.2	135	(22.6)	23.0
Tata Power	1,335	ADD	329,499	7,044	247	60.2	69.2	88.5	20.1	15.0	27.8	22.2	19.3	15.1	13.9	12.5	10.8	2.5	2.3	2.0	0.9	1.0	1.1	12.9	12.5	14.3	1,420	6.4	10.6
Utilities		**REDUCE**	**3,532,789**	**75,525**					**23.5**	**16.2**	**34.7**	**22.4**	**19.3**	**14.3**	**17.6**	**14.3**	**10.8**	**2.4**	**2.2**	**2.0**	**1.3**	**1.4**	**1.6**	**10.6**	**11.3**	**13.8**			
Others																													
Havells India	644	SELL	38,776	829	60	5.3	31.6	45.0	3.7	497.9	42.6	122.0	20.4	14.3	16.9	10.4	8.5	10.7	7.0	4.8	—	—	—	6.6	41.6	39.7	480	(25.5)	7.0
Jaiprakash Associates	131	BUY	277,812	5,939	2,129	1.5	5.9	7.9	(27.2)	305.4	34.4	89.6	22.1	16.4	22.2	14.1	10.3	3.3	2.9	2.5	—	—	—	4.1	13.9	16.3	183	40.2	33.6
Jindal Saw	203	ADD	59,667	1,276	294	27.5	19.3	17.9	121.9	(29.8)	(7.2)	7.4	10.5	11.3	5.3	6.0	5.8	1.6	1.3	1.2	—	—	—	20.5	12.9	11.1	243	19.8	4.6
PSL	136	BUY	7,244	155	53	22.9	25.4	28.2	3.3	10.6	11.0	5.9	5.3	4.8	3.3	2.8	2.9	0.8	0.7	0.6	4.8	4.8	5.2	12.6	11.7	12.0	175	29.2	0.7
Sintex	341	BUY	46,545	995	136	24.1	28.3	33.3	0.5	17.4	17.5	14.1	12.0	10.3	11.8	7.9	6.7	2.2	1.8	1.6	—	—	—	15.5	15.3	15.2	380	11.4	4.1
Tata Chemicals	325	ADD	79,128	1,692	243	26.4	32.4	37.3	(27.1)	22.6	15.1	12.3	10.0	8.7	6.6	5.6	4.8	1.7	1.5	1.3	2.7	2.8	2.8	16.0	18.4	18.3	360	10.7	3.1
Welspun Corp	248	REDUCE	50,905	1,088	205	25.1	23.0	24.4	44.9	(8.1)	5.8	9.9	10.8	10.2	5.4	5.6	4.9	1.7	1.5	1.3	0.8	0.8	0.9	20.6	14.8	13.5	245	(1.1)	6.2
United Phosphorus	175	BUY	80,947	1,731	463	11.9	15.6	19.0	18.8	30.2	22.1	14.6	11.2	9.2	8.5	7.1	5.7	2.4	2.0	1.7	0.9	1.1	1.1	17.7	19.0	19.5	250	42.9	9.6
Others			**641,023**	**13,704**					**11.6**	**39.7**	**19.5**	**19.9**	**14.2**	**11.9**	**11.4**	**9.1**	**7.6**	**2.4**	**2.1**	**1.8**	**0.7**	**0.7**	**0.7**	**12.0**	**14.5**	**14.9**			
KS universe (b)			**44,659,464**	**954,741**					**14.3**	**22.4**	**21.0**	**19.0**	**15.5**	**12.8**	**11.5**	**9.5**	**7.9**	**2.8**	**2.4**	**2.1**	**1.3**	**1.5**	**1.8**	**14.7**	**15.8**	**16.7**			
KS universe (b) ex-Energy			**35,746,260**	**764,193**					**7.9**	**22.9**	**21.0**	**20.4**	**16.6**	**13.7**	**14.0**	**11.3**	**9.3**	**3.1**	**2.7**	**2.3**	**1.2**	**1.2**	**1.4**	**15.1**	**16.0**	**16.8**			
KS universe (d) ex-Energy & ex-Commodities			**31,959,906**	**683,247**					**14.4**	**17.8**	**22.5**	**21.4**	**18.2**	**14.8**	**15.6**	**13.0**	**10.6**	**3.3**	**2.8**	**2.5**	**1.2**	**1.3**	**1.5**	**15.3**	**15.7**	**16.7**			

Note:
(1) For banks we have used adjusted book 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$)= 46.78

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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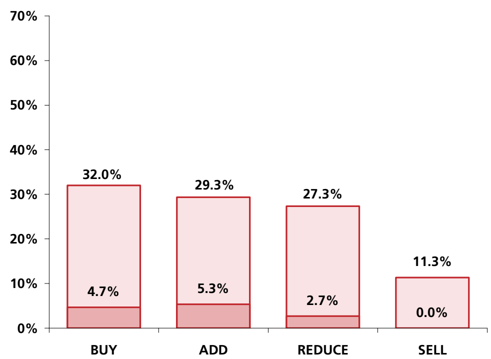
Distribution of ratings/investment banking relationships



Percentage of companies covered by Kotak Institutional Equities, within the specified category.

Percentage of companies within each category for which Kotak Institutional Equities and or its affiliates has provided investment banking services within the previous 12 months.

* The above categories are defined as follows: 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 then 10% over the next 12 months. These ratings are used illustratively to comply with applicable regulations. As of 30/06/2010 Kotak Institutional Equities Investment Research had investment ratings on 150 equity securities.

Source: Kotak Institutional Equities　　As of June 30, 2010

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.

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