

January 4, 2008

India Strategy Friday Flash

BSE-30: 20,345

India

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**Kotak Institutional Equities
Research**

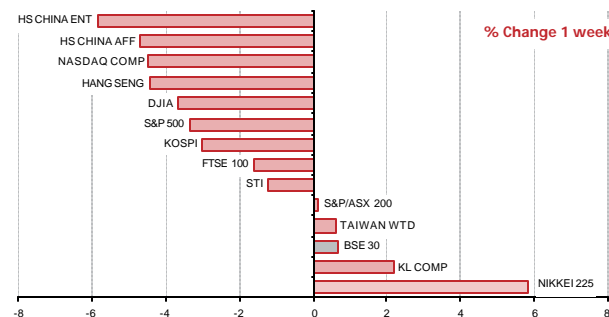
Important disclosures appear at the back of this report.

Rousing curtain raiser to 2008. Amidst soaring crude prices (nearing US\$100/bbl) and a corresponding fall in regional indices, the Sensex gained 152 points (0.8%), closing at 20,345. The rise was led by power/utilities companies after SEBI cleared the proposed IPO of Reliance Power Ltd. Reliance Energy and NTPC together contributed 160 points to the Sensex rise. FII flows were positive with net inflow of US\$1.2 bn in Indian equities.

Market highlights for the week ending Thursday, January 3, 2008

- Largest gainers: Monnet Ispat (22%), HPCL (19%), Andhra Bank (18%)
- Largest losers: Wipro (-10%), TCS (-8%), Satyam Computer Services (-6%)
- CY2007 institutional investments: FII-US\$17.3 bn; MF-US\$1.5 bn

Performance of BSE-30 Index versus regional indices



Source: Bloomberg, SEBI.

Flows in the cash markets

Date	Taiwan	Indonesia	Philippines	Thailand	India	Total
Investments in past week (US\$ mn)						
24-Dec-07	134	—	—	—	42	175
26-Dec-07	51	10	2	1	600	665
27-Dec-07	265	29	25	(0)	234	553
28-Dec-07	209	427	16	0	283	934
1-Jan-08	—	—	—	—	35	35
Total	659	466	44	1	1,194	2,363

Our top recommendations

Exhibit 1: Kotak Institutional Equities, Top 10, 3 January, 2008

Companies	Sector	Rating	Mkt cap.	CMP	Target	EPS (Rs)			P/E (X)			EV/EBDITA (X)		
			(US\$ mn)	(Rs)	(Rs)	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E
ICICI Bank	Banking	ADD	34,471	1,228	1,200	34.6	35.7	47.3	35.5	34.4	26.0	—	—	—
Larsen & Toubro	Industrials	BUY	29,663	4,062	4,050	62.8	91.1	122.9	64.7	44.6	33.0	40.3	27.9	20.7
ITC	Consumer Products	BUY	20,369	215	225	7.2	8.3	9.6	29.7	25.8	22.4	19.0	16.3	13.7
Maruti Suzuki	Automobiles	BUY	7,152	975	1,200	54.0	75.3	88.9	18.0	12.9	11.0	10.6	7.6	6.3
Mahindra & Mahindra	Automobiles	BUY	5,473	836	875	37.4	44.1	44.5	22.3	19.0	18.8	15.0	13.6	12.6
Infosys Technologies	Technology	BUY	24,956	1,713	2,100	67.0	80.4	96.1	25.6	21.3	17.8	21.0	17.3	13.7
Suzlon Energy	Industrials	ADD	15,399	2,011	2,250	30.0	39.6	68.8	67.0	50.8	29.2	45.3	30.5	19.4
Hindalco Industries	Metals	BUY	7,055	213	210	19.6	17.5	15.9	10.8	12.2	13.3	7.9	7.4	7.5
Mid-cap. banking basket														
Andhra Bank	Banking	BUY	1,523	124	120	11.1	12.6	13.5	11.2	9.9	9.2	—	—	—
Corporation Bank	Banking	BUY	1,686	463	470	37.4	44.7	49.2	12.4	10.3	9.4	—	—	—
Federal Bank	Banking	ADD	952	350	330	34.2	40.2	33.0	10.2	8.7	10.6	—	—	—
J&K Bank	Banking	ADD	1,134	921	850	56.6	66.0	71.3	16.3	14.0	12.9	—	—	—
Union Bank	Banking	BUY	2,911	227	230	16.7	21.7	26.4	13.6	10.4	8.6	—	—	—
Mid-cap. infrastructure basket														
IVRCL	Construction	BUY	1,920	561	570	12.4	13.5	20.4	45.2	41.7	27.5	34.3	21.5	15.5
Kalpataru Power Transmission	Transmission	ADD	1,194	1,776	1,800	60.2	77.4	91.8	29.5	22.9	19.3	18.4	14.7	12.0
Maharashtra Seamless	Industrials	BUY	1,126	626	680	33.5	37.8	45.0	18.7	16.6	13.9	11.5	9.8	7.8
Nagarjuna Construction Co.	Construction	BUY	2,091	356	365	6.5	9.2	12.7	54.6	38.8	28.0	33.9	21.3	16.3
Sadbhav Engineering	Construction	BUY	444	1,336	1,385	23.7	43.9	69.5	56.4	30.4	19.2	31.1	17.2	10.6
BSE-30				20,345										

Source: Company, Bloomberg, Kotak Institutional Equities.

Our model portfolio

Exhibit 2: Kotak Institutional Equities Model Portfolio

Company	03-Jan		Weightage (%)		Diff. (bps)
	Price (Rs)	Rating	BSE-30	KS reco.	
Bajaj Auto	2,581	BUY	1.3	—	(134)
Mahindra & Mahindra	836	BUY	1.2	2.7	150
Maruti Suzuki	975	BUY	1.1	2.6	150
Tata Motors	794	BUY	1.4	1.4	—
Automobiles			5.1	6.7	166
Punjab National Bank	703	BUY	—	1.0	100
State Bank of India	2,396	ADD	4.3	3.3	(100)
PSU Banking			4.3	4.3	—
HDFC	3,046	REDUCE	5.6	4.1	(150)
HDFC Bank	1,697	REDUCE	3.6	—	(364)
ICICI Bank	1,228	ADD	10.5	12.0	150
Pvt Banking/Financing			19.7	16.1	(364)
ACC	1,006	SELL	0.9	—	(89.3)
Ambuja Cements	146	SELL	1.0	—	(100)
Grasim Industries	3,604	ADD	1.9	1.9	—
Cement			3.8	1.9	(190)
Hindustan Unilever	223	ADD	1.7	—	(171)
ITC	215	BUY	3.6	5.1	150
Consumers			5.4	5.1	(21)
HPCL	399	ADD	—	1.0	100
Oil & Natural Gas Corporation	1,306	REDUCE	4.0	3.0	(100)
Reliance Industries	2,903	RS	13.3	11.4	(195)
Energy			17.3	15.3	(195)
Bharat Heavy Electricals	2,512	ADD	3.3	3.3	—
Larsen & Toubro	4,062	BUY	8.2	9.7	150
Suzlon Energy	2,011	ADD	—	1.5	150
Industrials			11.5	14.5	300
Hindalco Industries	213	BUY	1.4	2.9	150
Jindal Steel & Power	16,220	ADD	—	1.0	100
Sterlite Industries	1,008	ADD	—	1.5	150
Tata Steel	927	REDUCE	3.8	2.3	(150)
Metals			5.2	7.7	250

Company	03-Jan		Weightage (%)		Diff. (bps)
	Price (Rs)	Rating	BSE-30	KS reco.	
Cipla	216	REDUCE	0.7	—	(74)
Dr Reddy's	718	BUY	—	1.0	100
Ranbaxy Laboratories	424	BUY	0.8	—	(78)
Pharmaceuticals			1.5	1.0	(53)
DLF	1,087	ADD	1.7	1.7	—
Housing Development & Infrastructure	1,148	BUY	—	1.0	100
Real estate			1.7	2.7	100
Infosys Technologies	1,713	BUY	6.1	7.6	150
Satyam Computer Services	426	BUY	2.0	2.5	50
TCS	1,018	ADD	1.9	1.9	—
Wipro	496	ADD	1.1	—	(108)
Technology			11.0	12.0	92
Bharti Airtel Limited	949	REDUCE	5.2	2.4	(275)
Reliance Communications	733	—	4.0	1.5	(250)
Telecom			9.2	3.9	(525)
NTPC	277	ADD	2.3	1.3	(100)
Reliance Energy	2,517	NR	2.1	—	(210)
Tata Power	1,602	ADD	—	1.5	150
Utilities			4.4	2.8	(160)
Andhra Bank	124	BUY	—	0.6	60
Corporation Bank	463	BUY	—	0.6	60
Federal Bank	350	ADD	—	0.6	60
J&K Bank	921	ADD	—	0.6	60
Union Bank	227	BUY	—	0.6	60
Banking basket			—	3.0	300
IVRCL	561	BUY	—	0.6	60
Kalpataru Power Transmission	1,776	ADD	—	0.6	60
Maharashtra Seamless	626	BUY	—	0.6	60
Nagarjuna Construction Co.	356	BUY	—	0.6	60
Sadbhav Engineering	1,336	BUY	—	0.6	60
Infrastructure basket			—	3.0	300
BSE-30	20,345		100.0	100.0	—

Note:

(a) Weightages are with respect to December 12, 2007 prices.

Source: BSE, Bloomberg, Kotak Institutional Equities.

Sensex valuation summary

Exhibit 3: Valuation summary of BSE-30 sectors, 3 January, 2008

	Mkt-cap. (US\$ mn)	EPS growth (%)				PER (X)			EV/EBITDA (X)		Price/BV (X)		Div Yield (%)		RoE (%)	
		2006	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2007	2008E	2007	2008E	2007	2008E
Automobiles	27,876	31.0	27.6	12.2	17.2	19.2	17.1	14.6	12.0	10.8	4.6	3.7	1.3	1.2	24.0	21.5
Banking	103,563	13.3	14.2	31.7	12.9	39.4	29.9	26.5	—	—	6.5	4.0	0.6	0.7	16.5	13.5
Consumers	32,853	21.2	19.8	14.9	15.3	30.4	26.5	23.0	20.9	16.8	9.5	8.7	2.1	2.7	31.2	33.0
Cement	18,810	27.7	89.5	21.5	10.6	17.1	14.1	12.7	10.0	7.9	4.5	3.5	1.1	1.4	26.5	25.1
Energy	163,290	16.9	21.9	23.6	18.0	21.6	17.4	14.8	10.6	9.3	4.0	3.4	1.3	1.4	18.5	19.6
Industrials	60,863	59.6	52.0	37.6	31.9	57.2	41.6	31.5	33.0	24.5	14.6	11.1	0.3	0.4	25.5	26.7
Metals	27,276	6.3	33.1	(0.6)	3.3	15.5	15.6	15.1	9.8	9.0	3.6	2.2	1.0	1.2	23.5	14.0
Pharmaceuticals	8,264	(26.3)	39.6	12.7	4.7	27.6	24.5	23.4	19.4	16.5	5.5	4.8	1.5	1.7	19.9	19.7
Property	41,270	121.6	913.2	309	30.7	83.7	20.5	15.7	59.1	16.3	41.0	8.1	—	0.5	49.0	39.5
Technology	75,731	28.6	44.4	20.8	19.2	24.6	20.3	17.1	18.3	14.8	8.2	6.5	1.1	1.5	33.5	31.7
Telecom	83,766	(107.4)	182.9	68.9	29.7	45.5	27.0	20.8	24.2	15.5	9.5	7.1	0.0	0.2	20.9	26.4
Utilities	72,447	17.0	16.1	11.4	9.2	37.5	33.6	30.8	20.0	20.0	4.9	4.5	1.0	1.1	12.9	13.3
BSE-30	716,008	20.7	36.0	29.9	18.2	29.5	22.7	19.2	16.1	13.0	6.1	4.6	0.8	1.0	20.7	20.4
BSE-30 ex-Energy	552,719	22.8	43.5	32.8	18.2	33.0	24.9	21.0	19.7	15.1	7.2	5.2	0.7	1.0	21.8	20.8
BSE-30 ex-Energy, Com.	506,633	25.2	42.2	37.9	20.2	36.5	26.5	22.0	22.4	16.6	7.8	5.7	0.7	0.9	21.3	21.5

Source: Company reports, Kotak Institutional Equities estimates.

Nifty valuation summary

Exhibit 4: Valuation summary of Nifty sectors, 3 January, 2008

	Mkt cap. (US\$ mn)	EPS growth (%)				PER (X)			EV/EBITDA (X)			Price/BV (X)		Div Yield (%)		RoE (%)	
		2006	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2007E	2008E	2007E	2008E
Automobiles	31,492	28.9	20.6	10.7	16.1	18.8	17.0	14.7	11.6	10.5	9.0	4.7	3.8	1.4	1.4	24.8	22.1
Banking	109,209	11.6	13.2	29.7	11.7	36.1	27.9	25.0	—	—	—	6.0	3.9	0.7	0.7	16.6	13.9
Consumers	32,859	21.2	19.8	14.9	15.3	30.4	26.5	23.0	20.9	16.8	14.4	9.5	8.7	2.1	2.7	31.2	33.0
Cement	18,813	27.7	89.5	21.5	10.6	17.1	14.1	12.7	10.0	7.9	6.9	4.5	3.5	1.1	1.4	26.5	25.1
Energy	209,346	8.8	28.8	18.4	19.3	23.4	19.8	16.6	11.7	10.6	8.7	3.9	3.4	1.2	1.3	16.7	17.4
Industrials	91,603	65.7	43.8	38.7	39.7	62.4	45.0	32.2	36.5	26.5	19.3	16.1	12.2	0.3	0.4	25.8	27.1
Metals	43,018	20.7	65.6	(6.3)	0.6	12.1	13.0	12.9	7.0	6.8	6.7	3.5	2.1	0.9	1.0	28.7	16.0
Media	3,537	(34.6)	11.2	52.0	41.7	58.7	38.6	27.3	44.2	21.8	16.3	5.3	4.9	0.5	0.6	9.1	12.6
Property	21,509	151.9	1,389.1	37.5	50.3	64.9	47.2	31.4	41.7	32.1	22.6	42.5	23.5	-	0.2	65.4	49.8
Telecom	92,349	(53.9)	133.2	61.1	28.6	44.4	27.6	21.4	23.1	15.1	11.7	6.9	5.6	0.2	0.5	15.6	20.2
Technology	81,231	28.3	46.8	18.8	19.1	23.8	20.1	16.8	17.6	14.5	11.6	7.7	6.2	1.2	1.6	32.3	30.9
Utilities	81,933	18.4	14.8	12.9	11.0	39.5	34.9	31.5	20.8	20.8	20.9	5.0	4.5	0.9	1.1	12.6	13.0
NIFTY	836,416	18.4	39.6	19.5	17.9	28.2	23.6	20.0	15.3	13.5	11.4	5.6	4.4	0.9	1.1	19.9	18.8
NIFTY ex-Energy	627,071	23.8	44.9	20.0	17.3	30.3	25.3	21.5	17.5	15.1	13.0	6.5	4.9	0.8	1.0	21.6	19.4
NIFTY ex-Energy ex Com	584,053	24.3	41.2	25.5	19.9	34.1	27.2	22.7	20.5	17.0	14.2	7.0	5.5	0.8	1.0	20.5	20.1

Note:

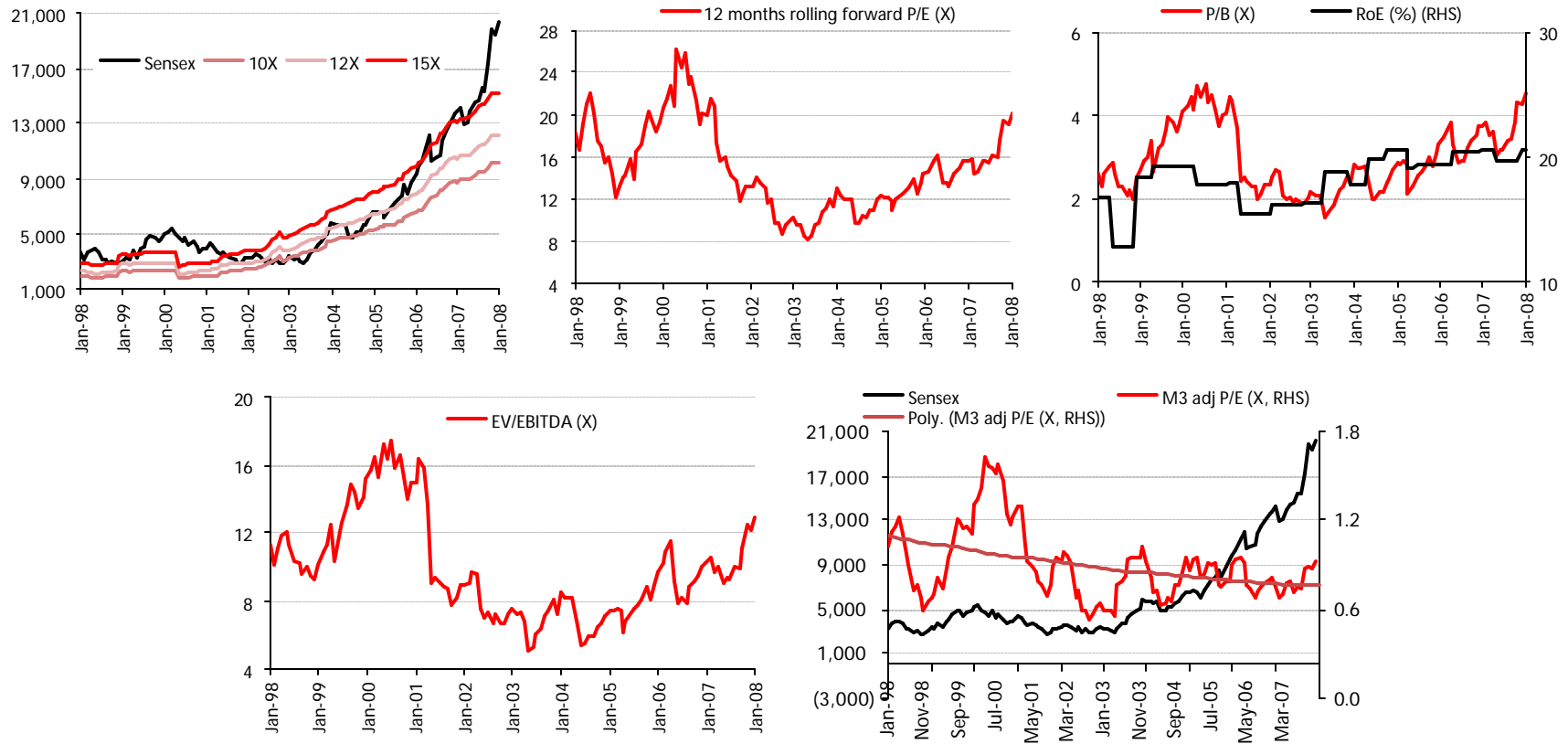
(a) Following companies are excluded: SAIL

Source: Company reports, Kotak Institutional Equities estimates.

BSE-Sensex key parameters

Exhibit 5: Key fundamental indicators of BSE Sensex

Sensex (BSE-30) P/B, EV/EBITDA and 12-month forward rolling P/E, December 1997 - current



Source: Bloomberg, Company reports, Kotak Institutional Equities.

Market performance

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

Relative performance of Indian markets

Exhibit 6: Key performance of benchmark indices

(base 100 as of December 13, 2006)

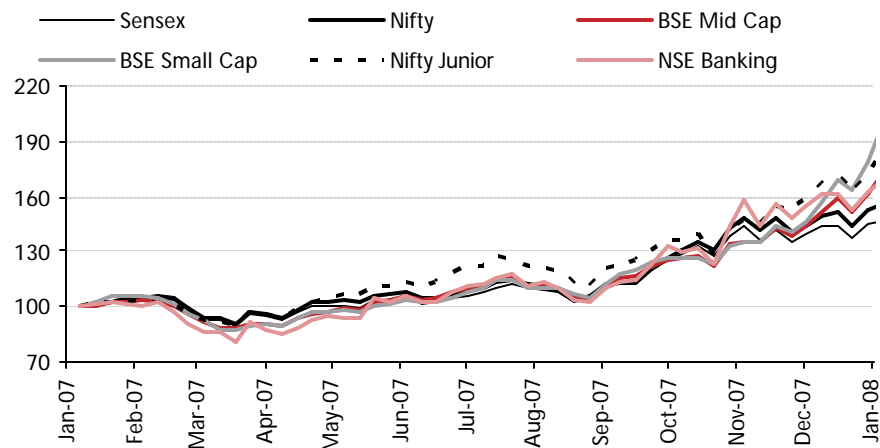


Exhibit 7: Weekly performance of the benchmark indices

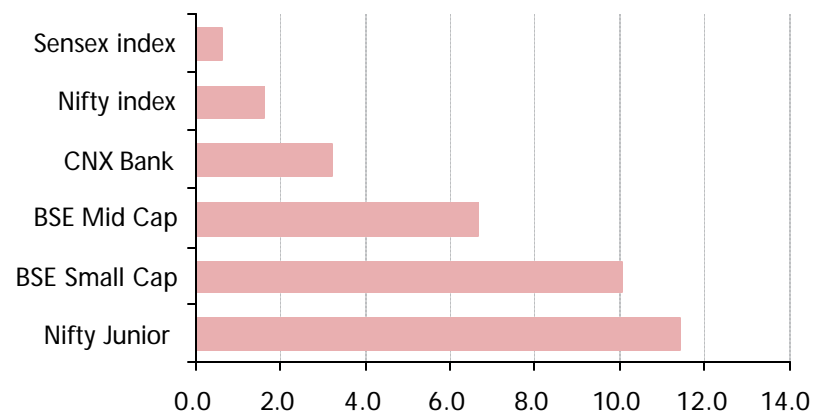


Exhibit 8: 1-month performance of the benchmark indices

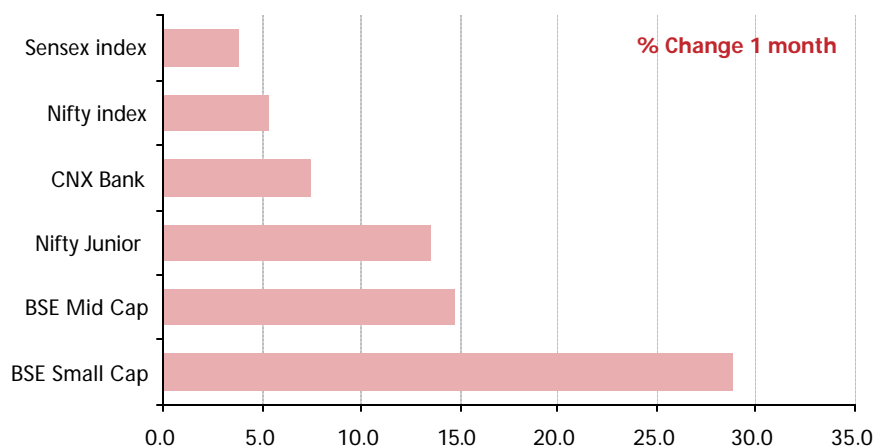
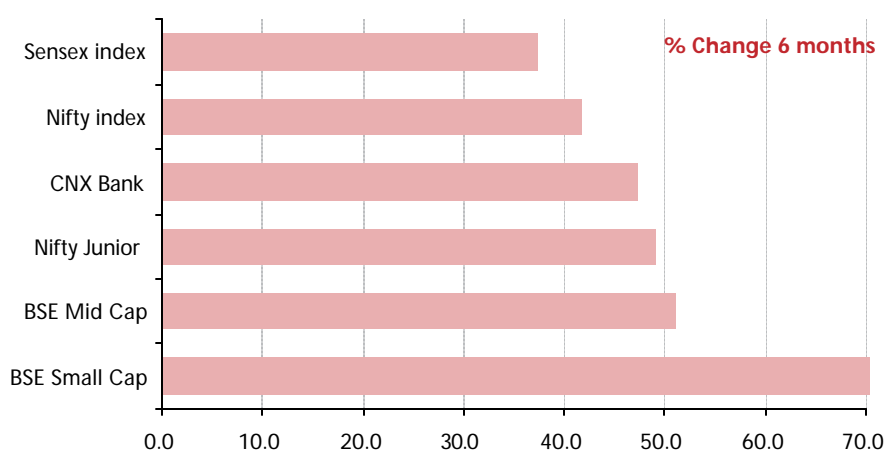


Exhibit 9: 6-month performance of the benchmark indices



Source: Bloomberg, Kotak Institutional Equities.

BSE-Sensex versus regional indices

Exhibit 10: Weekly performance

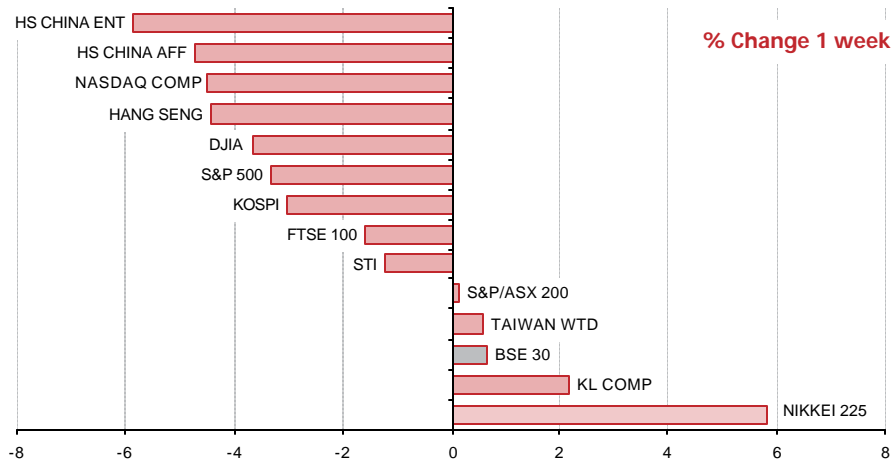


Exhibit 11: 3-month performance

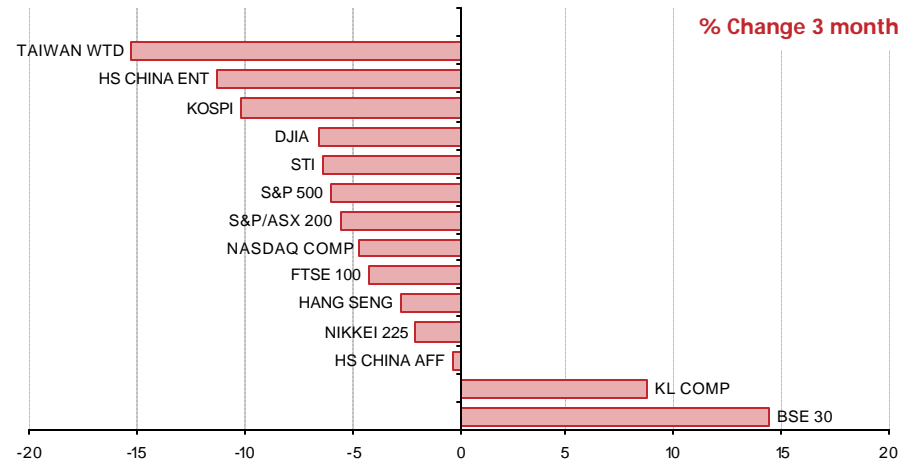


Exhibit 12: 6-month performance

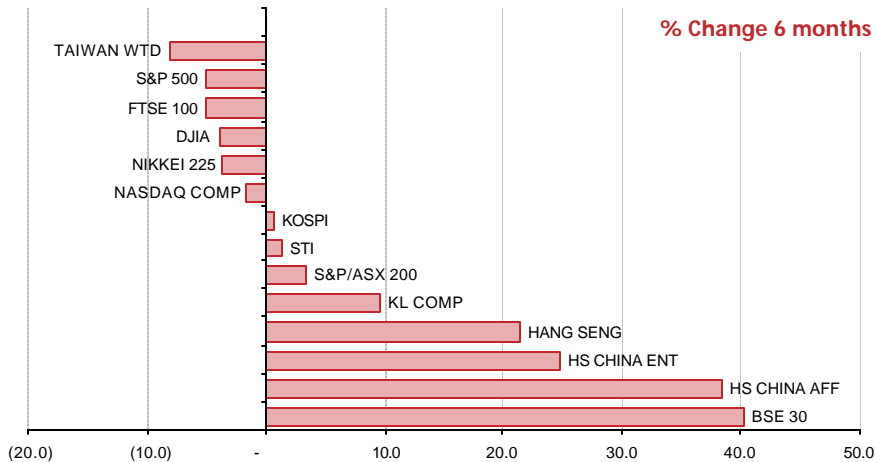
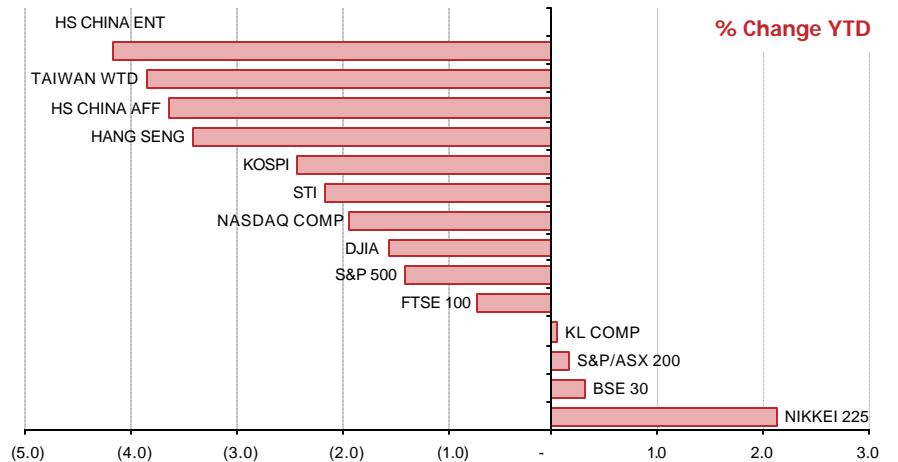


Exhibit 13: Year-to-date performance



Note:

(a) Returns are adjusted for the currency changes

Source: Bloomberg, BSE, Kotak Institutional Equities.

Sectoral performance

Exhibit 14: Market performance of Sensex sectors, 3 January, 2008

	Mkt cap.	Change (%)						Relative change (%)			
	(US\$ m)	1-Day	1-mo	3-mo	6-mo	1-Year	CYTD	1-Day	1-mo	6-mo	1-Year
Automobiles	27,876	(1.2)	0.9	0.9	19.0	(9.4)	0.8	(0.7)	(2.7)	(13.4)	(37.6)
Banking	103,563	(1.6)	4.9	18.5	42.0	64.2	1.2	(1.0)	1.1	3.4	13.1
Consumers	32,853	(0.6)	10.6	9.1	27.7	15.1	2.8	(0.0)	6.5	(7.1)	(20.7)
Cement	18,810	(2.8)	(6.0)	(5.7)	20.8	8.5	(1.3)	(2.2)	(9.4)	(12.1)	(25.2)
Energy	163,290	2.1	4.0	23.9	59.3	85.0	2.8	2.6	0.3	16.0	27.5
Industrials	60,863	(1.7)	(6.1)	29.7	70.4	142.7	(2.7)	(1.1)	(9.5)	24.0	67.2
Metals	27,276	(1.2)	10.6	23.2	62.3	81.2	(0.9)	(0.6)	6.6	18.1	24.8
Pharmaceuticals	11,324	(2.1)	12.0	6.9	7.9	(8.9)	(0.3)	(1.5)	7.9	(21.4)	(37.2)
Telecom	83,724	(1.0)	2.8	4.7	20.4	51.3	(3.3)	(0.4)	(0.9)	(12.4)	4.2
Technology	75,731	(2.6)	0.6	(6.5)	(9.1)	(22.0)	(4.9)	(2.0)	(3.0)	(33.9)	(46.3)
Utilities	72,447	7.3	18.4	34.7	104.8	125.8	12.0	7.9	14.1	49.1	55.5
Sensex sum	677,757	(0.6)	3.8	14.0	37.4	45.2	0.3				

Source: Bloomberg, Kotak Institutional Equities.

Top gainers and losers

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

1-week performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Monnet Ispat	22.4	1 Wipro	(9.8)
2 Hindustan Petroleum	19.1	2 TCS	(7.5)
3 Andhra Bank	18.3	3 Satyam Computer Services	(5.5)
4 Tata Power	18.2	4 Infosys Technologies	(5.1)
5 Reliance Energy	17.9	5 Rico Auto	(4.8)
6 Gateway Distriparks	17.4	6 Shriram Transport	(4.5)
7 Oriental Bank of Commerce	17.2	7 Sun Pharmaceuticals	(4.1)
8 Centurion Bank of Punjab	16.0	8 GE Shipping	(3.7)
9 Jindal Saw	15.8	9 Motherson Sumi	(3.7)
10 NTPC	15.3	10 Mphasis BFL	(3.6)

CYTD performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Canara Bank	21.8	1 Castrol India	(8.3)
2 Reliance Energy	17.9	2 Sun Pharmaceuticals	(7.2)
3 EIH	17.2	3 HCL Technologies	(6.2)
4 Andhra Bank	17.0	4 TCS	(6.0)
5 Max	12.3	5 VSNL	(6.0)
6 Indian Overseas Bank	12.3	6 Wipro	(5.7)
7 Oriental Bank of Commerce	12.2	7 Mphasis BFL	(5.7)
8 Jindal Saw	10.7	8 Glaxo SmithKline Consumer	(5.5)
9 NTPC	10.7	9 Educomp Solutions	(5.4)

1- month performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Monnet Ispat	57.5	1 Bharat Heavy Electricals	(9.0)
2 Centurion Bank of Punjab	49.1	2 ACC	(7.9)
3 India Infoline	48.7	3 Kalpataru Power Transmission	(7.7)
4 Canara Bank	46.5	4 Bajaj Auto	(7.0)
5 LANCO	44.9	5 Sterlite Industries	(6.9)
6 Hindustan Petroleum	42.6	6 ABB	(6.4)
7 Indian Oil Corporation	42.0	7 Grasim Industries	(6.1)
8 GSPL	40.5	8 Maruti Suzuki	(5.5)
9 SREI	37.7	9 Satyam Computer Services	(4.8)
10 Lakshmi	35.0	10 Ambuja cements	(4.1)

1-year performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Jindal Steel and Power	627.6	1 Hexaware Technologies	(55.7)
2 India Infoline	451.2	2 Vardhman	(36.6)
3 SREI	383.0	3 Polaris Software Lab	(36.1)
4 Reliance Energy	379.3	4 Tech Mahindra	(31.7)
6 Educomp Solutions	349.0	5 Infosys Technologies	(25.9)
7 Reliance Petroleum	265.3	6 i-flex solutions	(24.2)
8 ABG Shipyard	256.9	7 Patni Computer Systems	(21.0)
9 JSW Steel	231.8	8 TCS	(20.5)
10 GMR Infrastructure	231.6	9 Wipro	(20.1)
11 Monnet Ispat	223.9	10 Aventis Pharma	(18.7)

Source: Kotak Institutional Equities.

Fundamental & technical indicators

- **Price-to-Earnings ratio analysis**
- **EV-EBTDA ratio analysis**
- **Volume momentum analysis**

Price-to-Earnings ratio analysis

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

Premium to 1 year rolling forward P/E (%)

Company	Premium to sector
Reliance Energy	218.8
Jindal Steel and Power	212.6
i-flex solutions	189.4
Aditya Birla Nuvo	177.4
VSNL	172.9
GSPL	170.1
GVKPIL	165.8

Discount to 1 year rolling forward P/E (%)

Company	Discount to sector
Monnet Ispat	72.4
LIC Housing Finance	62.0
Maharashtra Seamless	55.2
Dredging Corporation	53.5
Hindustan Zinc	50.7
Canara Bank	49.1
Bharat Electronics	47.2

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

Lowest 1 year rolling forward P/E (X)

Company	Lowest P/E
LIC Housing Finance	8.3
Andhra Bank	9.3
Hexaware Technologies	9.9
GE Shipping	10.1
Patni Computer Systems	11.1
Canara Bank	11.1
Maruti Udyog	11.3
Polaris Software Lab	11.6
Oil & Natural Gas Corporation	11.6
Punjab National Bank	12.2

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

Highest 1 year forward P/E (X)

Company	Highest P/E
Aditya Birla Nuvo	80.8
Reliance Energy	69.6
Divi's Laboratories	45.6
Siemens	45.1
Tata Power	39.3
VSNL	38.7
HDFC	37.0
Sun TV Network	34.3
Larsen & Toubro	34.1
Nestle India	33.5

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

Company	% discount to historical high
Asian Paints	0.0
Bank of Baroda	0.0
Canara Bank	0.0
GE Shipping	0.0
HDFC	0.0
Indian Oil Corporation	0.0
NTPC	0.0
Oriental Bank of Commerce	0.0
Oil & Natural Gas Corporation	0.0
Punjab National Bank	0.0
State Bank of India	0.0
Tata Power	0.0
EIH	0.0
Monnet Ispat	0.0
Andhra Bank	0.0
Aditya Birla Nuvo	0.0

Note:

(a) Historical figures are generated since May 2000.

Source: Bloomberg, Kotak Institutional Equities

Enterprise Value-to-EBITDA ratio analysis

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

Trading at premium to the sectors
Premium to 1 year rolling forward EV/EBITDA (%)

Company	Sector premium
Gateway Distriparks	209.0
Petronet LNG	199.0
GAIL (India)	170.0
i-flex solutions	169.7
Castrol India	151.7

Trading at discount to sectors
Discount to 1 year rolling forward EV/EBITDA (%)

Company	Sector discount
Maharashtra Seamless	42.7
Bharat Electronics	45.4
Patni Computer Systems	46.0
Polaris Software Lab	48.8
GVKPIL	52.0

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

Highest 1 year rolling forward EV/EBITDA (X)

Company	Highest EV/EBITDA
Reliance Energy	67.8
Divi's Laboratories	34.9
Aditya Birla Nuvo	33.3
Tata Power	26.8
ABB	26.6
Siemens	25.7
Larsen & Toubro	24.1
i-flex solutions	22.6

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

Lowest 1 year rolling forward EV/EBITDA (X)

Company	Lowest EV/EBITDA
Hindustan Zinc	4.7
Vardhman	5.3
Oil & Natural Gas Corporation	5.4
Lakshmi	5.7
Hindustan Petroleum	6.4
Polaris Software Lab	6.5
Maruti Udyog	6.5
Container Corporation	6.5

Source: Bloomberg, Kotak Institutional Equities

Technical indicators

Exhibit 25: Volume momentum analysis

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

Company	5-day average volumes	Price Change (%)	
		% increase	(1 month basis)
Castrol India	264,976	252	20.8
Asian Paints	57,997	127	15.3
ITC	2,769,465	118	12.1
Canara Bank	232,345	105	46.5
Rico Auto	2,340,735	100	16.6
National Aluminium Co	224,602	100	0.0
MTNL	2,762,404	94	20.5

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

Company	5-day average volumes	Price Change (%)	
		% decrease	(1 month basis)
Welspun India	113,701	(75)	0.0
HDFC	49,682	(72)	10.9
IDFC	1,977,051	(64)	6.3
Motherson Sumi	13,605	(62)	17.5
Sintex	42,029	(61)	28.3
Glaxo SmithKline Consumer	1,835	(58)	(0.6)
Bharat Heavy Electricals	56,263	(57)	(9.0)

Date	Sensex	Avg daily value traded (US\$ mn)	Institutional participation in total turnover		Sensex delivery (%)	Put-Call (X)
			FII%	MF%		
Apr-07	13,872	2,776	18.0	4.7	49.2	1.12
May-07	14,544	3,420	16.3	4.5	49.8	1.38
Jun-07	14,651	3,327	17.6	3.9	49.9	1.44
Jul-07	15,551	4,309	18.6	4.4	49.8	1.38
Aug-07	15,318	3,742	18.6	4.3	45.2	1.32
Sep-07	17,291	4,703	16.0	4.2	48.0	1.23
Oct-07	19,724	7,118	18.4	3.6	43.0	1.15
Nov-07	19,003	6,771	16.0	3.0	38.0	1.02
Dec-07	20,217	6,802	14.3	3.1	42.0	1.12

Source: Bloomberg, Kotak Institutional Equities.

Earnings momentum

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

Changes in our target prices

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

Upgrades in target prices (1 month)

	Company	% Change	New	Old
1	Tata Power	36.8	1,450	1,060
2	Hindustan Petroleum	33.3	400	300

Downgrades in target prices (1 month)

	Company	% Change	New	Old
1	Satyam Computer Services	(5.5)	520	550
2	Polaris Software Lab	(4.5)	105	110
3	Infosys Technologies	(4.5)	2,100	2,200
4	Wipro	(4.4)	545	570
5	TCS	(4.1)	1,175	1,225
6	Tech Mahindra	(3.8)	1,250	1,300
7	i-flex solutions	(3.6)	1,350	1,400
8	Mphasis BFL	(3.3)	290	300
9	HCL Technologies	(3.0)	320	330
10	Patni Computer Systems	(2.8)	350	360
11	Mindtree	(1.9)	520	530

Source: Kotak Institutional Equities.

Changes in our ratings

Exhibit 29: Changes in ratings over the past 1 month

Company name		Rating	
		Current	Previous
Castrol India	Downgraded	REDUCE	ADD
HCL Technologies	Downgraded	REDUCE	ADD
Wipro	Downgraded	ADD	BUY
Infosys Technologies	Downgraded	BUY	BUY

Source:Kotak Institutional Equities.

Flows

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

Trend in equity flows

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

	FII	MF
CY 1999	1,537	0
CY 2000	1,462	(150)
CY 2001	2,807	(1,110)
CY 2002	751	(685)
CY 2003	6,658	118
CY2004	8,382	(217)
CY 2005	10,776	2,873
CY 2006	8,632	3,585
CY 2007	17,335	1,525
CY 2008	(25)	0
Jan	(25)	0

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

	Index Futures	Index Options	Stock Futures	Stock Options
CY2004	(91)	608	(796)	4
CY2005	(676)	2,199	(668)	(42)
CY 2006	345	3,950	(3,690)	(83)
CY2007	(772)	12,436	(11,600)	(170)
CY2008	(91)	608	(796)	4
Jan	(91)	608	(796)	4

Source: Bloomberg, Kotak Institutional Equities

FII flows in other emerging markets

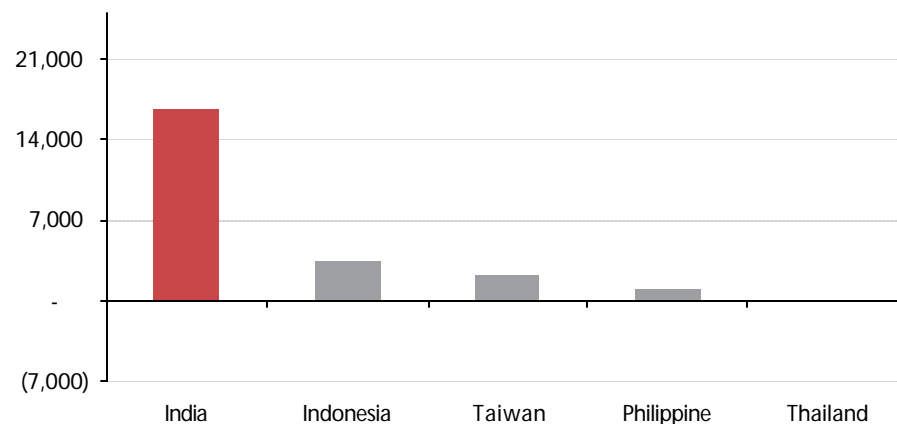
FII flows in the various countries (US\$ mn)

Flows in the cash markets

Date	Taiwan	Indonesia	Philippine	Thailand	India
3-Dec-07	(70)	15	(11)	(2)	28
4-Dec-07	(52)	(17)	(4)	(1)	5
5-Dec-07	32	(76)	(16)	-	268
6-Dec-07	526	54	4	1	204
7-Dec-07	534	40	5	0	1
10-Dec-07	(47)	5	(9)	-	75
11-Dec-07	133	18	(18)	(0)	171
12-Dec-07	(270)	14	(36)	(1)	15
13-Dec-07	(324)	9	(23)	(1)	268
14-Dec-07	(383)	(29)	(30)	(3)	101
17-Dec-07	(210)	4	(21)	(2)	(272)
18-Dec-07	(168)	(31)	(36)	(5)	(607)
19-Dec-07	10	(8)	(23)	(1)	(271)
20-Dec-07	67	-	(18)	(3)	(128)
24-Dec-07	134	-	-	-	42
26-Dec-07	51	10	2	1	600
27-Dec-07	265	29	25	(0)	234
28-Dec-07	209	427	16	0	283
31-Dec-07	87	-	-	-	198
1-Jan-08	-	-	-	-	35
Total	524	463	(193)	(16)	1,249

Source: Bloomberg.

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



IPO analysis

Exhibit 33: Market performance since IPO/ Follow on offering

Name	Offer Shares	Price (Rs)	Value (Rs mn)	Date of Listing	Price		Performance (%)	
					Day 1	Latest	Day 1	Since Listing
Religare Enterprises	76	185	1,402	21-Nov-07	521	692	182	274
Dhanus Technologies	38	295	1,131	17-Oct-07	311	340	5	15
Koutons Retail	35	415	1,462	12-Oct-07	590	1,009	42	143
Power Grid Corp	5,739	52	29,845	05-Oct-07	100	152	92	192
Magnum Ventures	176	30	529	20-Sep-07	49	38	62	27
Indowind Energy	125	65	813	14-Sep-07	115	164	76	152
Motilal Oswal Financial	30	825	2,461	11-Sep-07	977	2,110	18	156
Puravankara Projects	215	400	8,587	30-Aug-07	362	435	(10)	9
KPR Mill	59	225	1,330	28-Aug-07	174	185	(23)	(18)
TakeSolutions	21	730	1,533	27-Aug-07	926	1,282	27	76
Central Bank of India	800	102	8,160	21-Aug-07	115	144	13	41
SEL manufacturing	41	90	372	21-Aug-07	142	133	58	48
Refex Refrigerants	38	65	247	20-Aug-07	62	215	(5)	231
Zylog Systems	36	350	1,260	17-Aug-07	431	415	23	19
IVR Prime	142	550	7,783	16-Aug-07	418	451	(24)	(18)
OMAXE Ltd	178	310	5,517	09-Aug-07	349	556	13	79
Alpa Laboratories	95	68	646	06-Aug-07	55	54	(19)	(21)
Simplex projects	30	185	555	03-Aug-07	272	431	47	133
Everonn Systems	36	140	500	01-Aug-07	478	1,094	241	681
Allied Digital	45	190	859	25-Jul-07	331	1,036	74	445
Housing Development & Infra	297	500	14,850	24-Jul-07	558	1,148	12	130
Soice Communications	1,131	46	5,203	18-Jul-07	61	63	32	37
Roman Tarmat	29	175	508	09-Jul-07	319	213	82	22
DLF	1,750	525	91,875	05-Jul-07	570	1,087	9	107
Vishal Retail	40	270	1,082	04-Jul-07	752	918	179	240
Nitin Fire Protection	34	190	644	05-Jun-07	484	608	155	220
Insecticides Ind	32	115	369	30-May-07	110	97	(5)	(16)
MIC Electronics	51	150	765	30-May-07	336	986	124	557
Binani Cements	205	75	1,538	28-May-07	69	117	(8)	55
Hilton Metal Forging	55	70	382	24-May-07	68	66	(3)	(5)
Bhagwati Hotels	230	40	920	17-May-07	51	88	27	120
Fortis Healthcare	460	108	4,968	09-May-07	100	109	(7)	1
Advanta IndiaLtd	34	640	2,163	19-Apr-07	850	1,472	33	130
ICRA Ltd	26	330	852	13-Apr-07	798	989	142	200
Orbit Corp Ltd	91	110	1,001	12-Apr-07	128	965	16	778
Gremach Infrastructure	69	86	590	11-Apr-07	84	416	(2)	383
Astral Polytechn	30	115	342	20-Mar-07	105	225	(9)	96
Abhishek Mills L	41	100	410	19-Mar-07	91	83	(9)	(17)
AMD Metplast Ltd	102	75	763	19-Mar-07	78	74	4	(1)
Jagjanani Textil	81	25	203	19-Mar-07	23	19	(7)	(24)
Lawreshwar Polym	87	16	139	19-Mar-07	14	16	(13)	(0)
Page Industries	28	360	1,009	16-Mar-07	282	484	(22)	35
Raj Television N	36	257	917	16-Mar-07	226	215	(12)	(16)
Euro Ceramics	56	165	928	09-Mar-07	119	257	(28)	56
Idea Cellular	2,833	75	21,250	09-Mar-07	86	134	14	79
Mudra Lifestyle	96	90	862	09-Mar-07	64	109	(29)	21
Vijayeshwari Textiles	90	100	900	09-Mar-07	69	62	(31)	(38)
Indus Fila Ltd	48	170	823	08-Mar-07	132	372	(22)	119

Source: Bloomberg and Kotak Institutional Equities.

Exhibit 34: Forthcoming IPO/Follow on offerings

Company Name	IPO
1 RELIANCE POWER LTD.	IPO
2 EMAAR MGF LAND LTD.	IPO
3 NATIONAL HYDROELECTRIC POWER CORP.LTD.	IPO
4 FUTURE CAPITAL HOLDINGS LTD.	IPO
5 OIL INDIA LTD.	IPO
6 ACME TELE POWER LTD.	IPO
7 RURAL ELECTRIFICATION CORP.LTD.	IPO
8 IRB INFRASTRUCTURE DEVELOPERS LTD.	IPO
9 WOCKHARDT HOSPITALS LTD.	IPO
10 D.B.CORP LTD.	IPO
11 ONMOBILE GLOBAL LTD.	IPO
12 GAMMON INFRASTRUCTURE PROJECTS LTD.	IPO
13 VASCON ENGINEERS LTD.	IPO
14 PRINCE FOUNDATIONS LTD.	IPO
15 RAMKY INFRASTRUCTURE LTD.	IPO
16 RNS INFRASTRUCTURE LTD.	IPO
17 AUSTRAL COKE & PROJECTS LTD.	IPO
18 PRIDE HOTELS LTD.	IPO
19 RESURGERE MINES & MINERALS INDIA LTD.	IPO
20 XENITIS INFOTECH LTD.	IPO
21 RAMSARUP LOHH UDYOG LTD.	IPO
22 TCG LIFESCIENCES LTD.	IPO
23 KNR CONSTRUCTIONS LTD.	IPO
24 GOKUL REFOILS & SOLVENT LTD.	IPO
25 PERSISTENT SYSTEMS LTD.	IPO
26 BIRLA COTSYN (INDIA) LTD.	IPO
27 INFINITY INFOTECH PARKS LTD.	IPO
28 SURYA FOODS & AGRO LTD.	IPO
29 NEEL METAL PRODUCTS LTD.	IPO
30 TECPRO SYSTEMS LTD.	IPO
31 GSS AMERICA INFOTECH LTD.	IPO
32 YBRANT TECHNOLOGIES LTD.	IPO
33 MAHINDRA HOLIDAYS & RESORTS INDIA LTD.	IPO
34 MAN INFRACONSTRUCTION LTD.	IPO
35 MANDHANA INDUSTRIES LTD.	IPO
36 RITHWIK PROJECTS LTD.	IPO
37 SHRIRAM EPC LTD.	IPO
38 TITAGARH WAGONS LTD.	IPO
39 ANU'S LABORATORIES LTD.	IPO
40 SHANKARA PIPES INDIA LTD.	IPO
41 ARCHIDPLY INDUSTRIES LTD.	IPO
42 BANG OVERSEAS LTD.	IPO
43 JHAVERI FLEXO INDIA LTD.	FPO
44 NKG INFRASTRUCTURE LTD.	IPO
45 SEJAL ARCHITECTURAL GLASS LTD.	IPO

Source: Primedatabase .

Bulk deals

Bulk/block deals during the week

Deal Date	Scrip Name	Action	Quantity	Price	Value		Exchange
					(Rs mn)		
28-Dec-07	HCL Technologies Ltd.	BUY	5,000,000	318	1590.00		NSE
27-Dec-07	Indian Hotels Co. Ltd.	SELL	4,545,334	152.38	692.62		NSE
27-Dec-07	The Great Eastern Shippin	SELL	955,200	549.71	525.08		NSE
27-Dec-07	LIC Housing Finance Ltd	SELL	1,411,000	361.8	510.50		NSE
27-Dec-07	GTL Limited	SELL	1,770,000	251.11	444.46		NSE
27-Dec-07	Chennai Petroleum Corp	SELL	1,089,000	408.08	444.40		NSE
27-Dec-07	Bajaj Hindusthan Ltd	SELL	1,428,420	297.56	425.04		NSE
27-Dec-07	Maha Seamless Ltd	SELL	706,267	582.82	411.63		NSE
27-Dec-07	Voltas Ltd.	BUY	1,676,507	240.65	403.45		NSE
31-Dec-07	TV 18 India Limited	BUY	820,000	490	401.80		NSE
27-Dec-07	Syndicate Bank	SELL	3,565,100	110.78	394.94		NSE
27-Dec-07	Jaiprakash Hydro-Power Li	SELL	2,965,625	126.4	374.86		NSE
27-Dec-07	Jaiprakash Hydro-Power Li	SELL	2,965,625	125.89	373.34		NSE
27-Dec-07	Gujarat Alkalies & Chem	SELL	1,465,800	246.52	361.35		NSE
27-Dec-07	Gateway Distriparks Limit	SELL	2,420,000	141.86	343.30		NSE
27-Dec-07	Ashok Leyland Ltd.	SELL	6,884,595	49.38	339.96		NSE
27-Dec-07	Dena Bank	SELL	4,087,751	81.77	334.26		NSE
27-Dec-07	Aurobindo Pharma Ltd.	SELL	604,500	528.1	319.24		NSE
27-Dec-07	Bombay Dyeing & Mfg Co.	SELL	413,853	730.58	302.35		NSE
27-Dec-07	Bajaj Hindusthan Ltd	SELL	952,280	299.28	285.00		NSE
27-Dec-07	Geometric Soft solutions	BUY	3,100,000	87.8	272.18		NSE
27-Dec-07	Triveni Engineering & Ind	SELL	1,497,650	179.65	269.05		NSE
27-Dec-07	Deccan Aviation Limited	SELL	948,600	282.12	267.62		NSE
27-Dec-07	Triveni Engineering & Ind	SELL	1,497,650	178.06	266.67		NSE
27-Dec-07	Deccan Aviation Limited	SELL	948,600	278.95	264.61		NSE
31-Dec-07	BRIGADE	BUY	670,000	388.95	260.60		BSE
31-Dec-07	NIIT Limited	BUY	1,709,798	151.02	258.21		NSE
31-Dec-07	Maha Seamless Ltd	BUY	400,000	626.2	250.48		NSE
27-Dec-07	Chambal Fertilizers Ltd.	SELL	2,881,440	86.22	248.44		NSE

Source: BSE and NSE

Delivery positions

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

Increase in delivery % (KIE universe)

Name	Delivery %	
	Previous week	Current week
Mahanagar Telephone Nigam	25	58
Cadila Healthcare Ltd	58	89
Jyoti Structures Limited	69	93
Corporation Bank	40	64
Godrej Consumer Products Ltd	42	63
Dr. Reddy'S Laboratories	57	76
CIPLA LTD	37	55
India Cements Limited	41	59
Asian Paints Ltd	81	98

Decrease in delivery % (KIE universe)

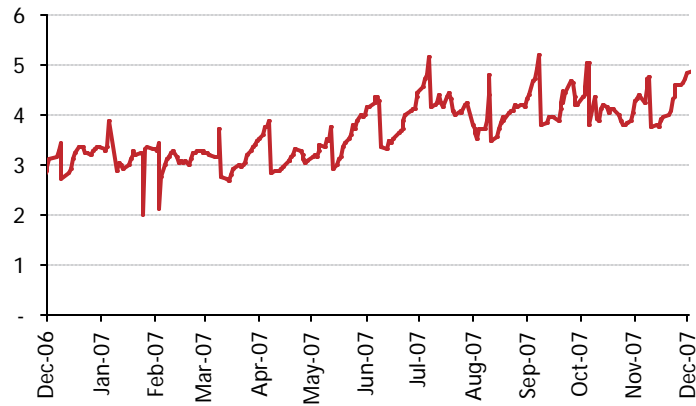
Name	Delivery %	
	Previous week	Current week
Motor Industries Co Limited	76	40
Shoppers' Stop Ltd	100	65
Biocon Ltd	70	38
Castrol (India) Limited	75	43
Monnet Ispat & Energy Ltd	66	35
Gvk Power & Infrastructure	98	69
CESC Limited	78	51
Jet Airways India Ltd	57	31
Bharat Forge Limited	67	41

Source: Bloomberg and Kotak Institutional Equities.

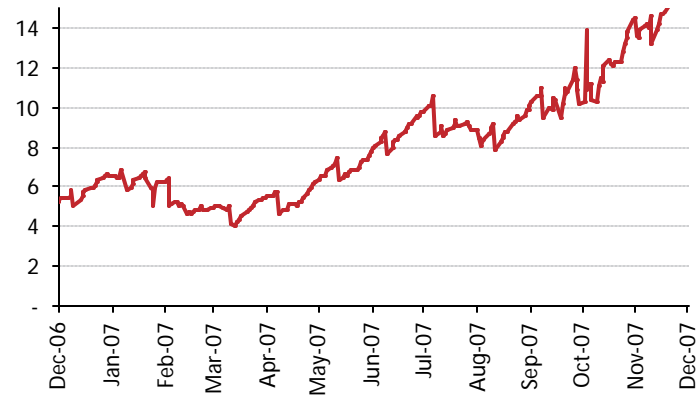
Open interest analysis

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

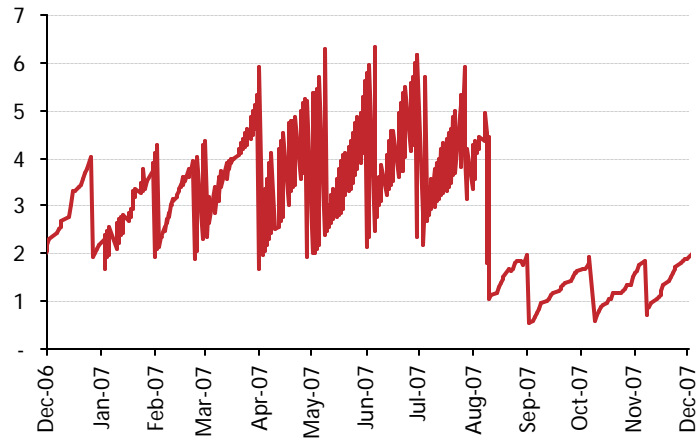
India Index futures open interest



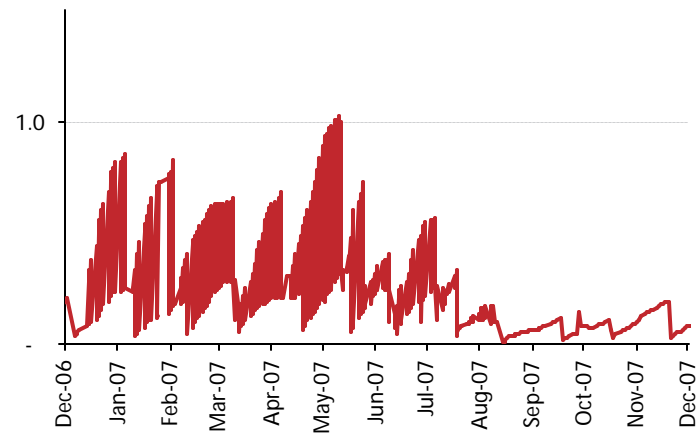
India stock futures open interest



India Index option open interest



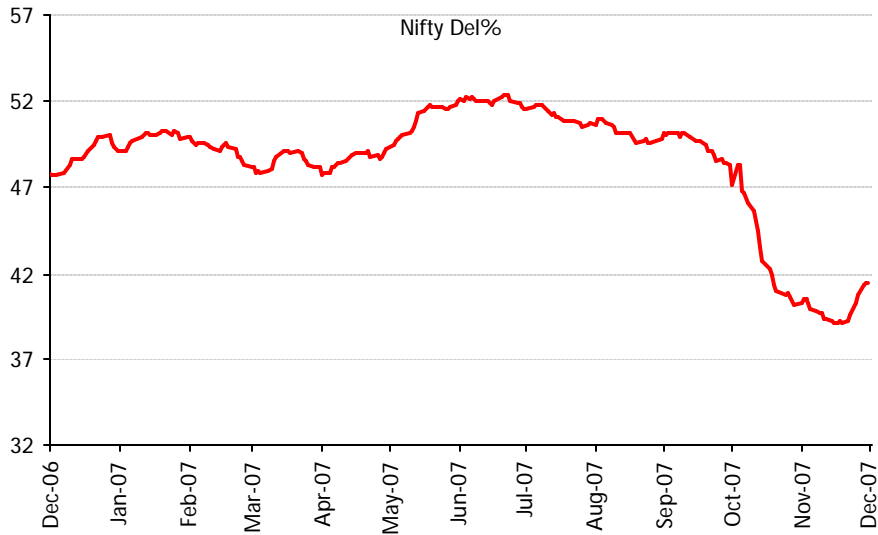
India stock option open interest



Source: Bloomberg and Kotak Institutional Equities.

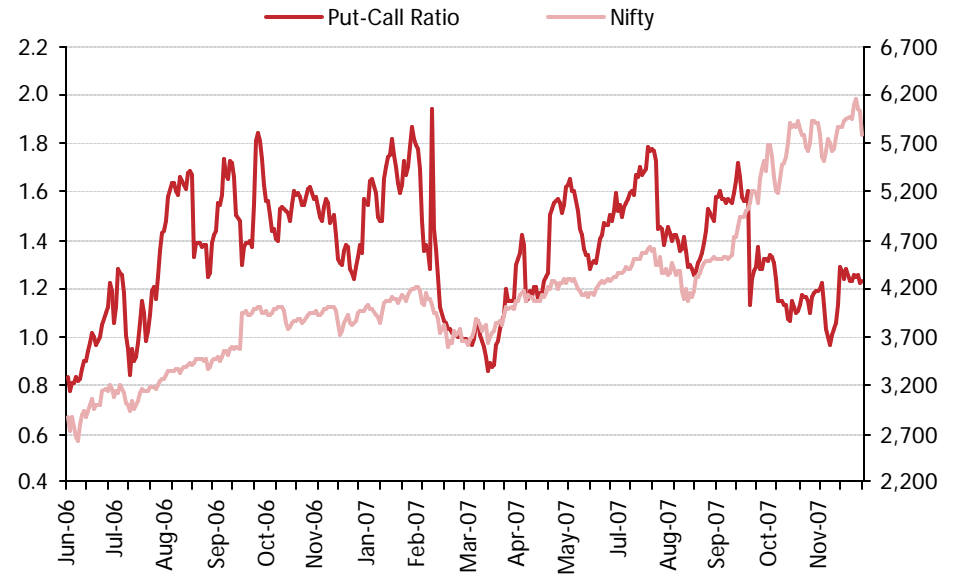
Market movement indicators

Exhibit 39: Aggregate delivery percentage



Source: Bloomberg and Kotak Institutional Equities.

Exhibit 40: Put call ratio versus Nifty



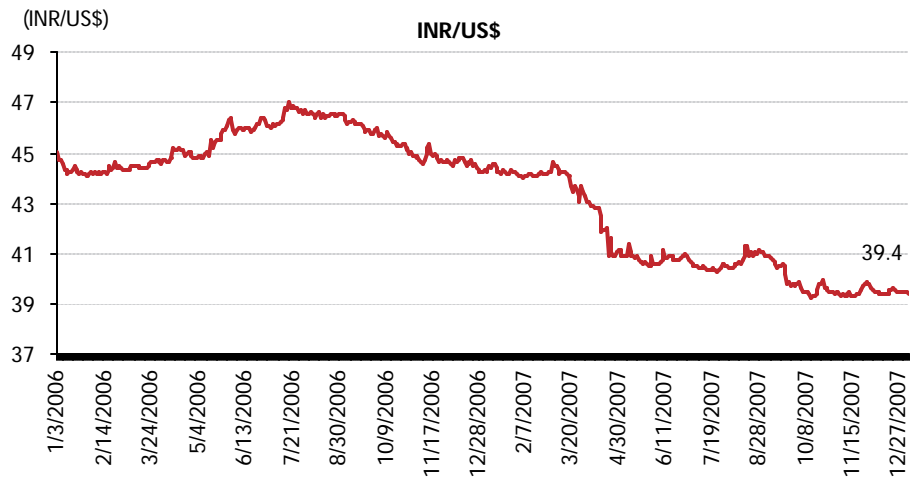
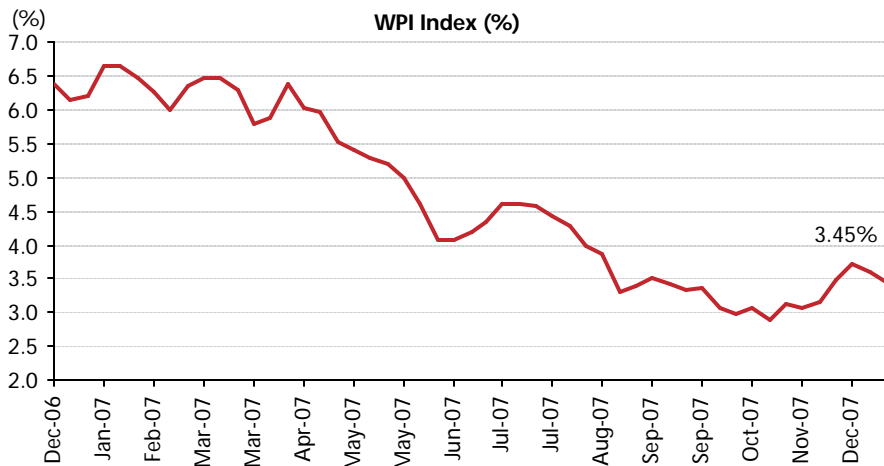
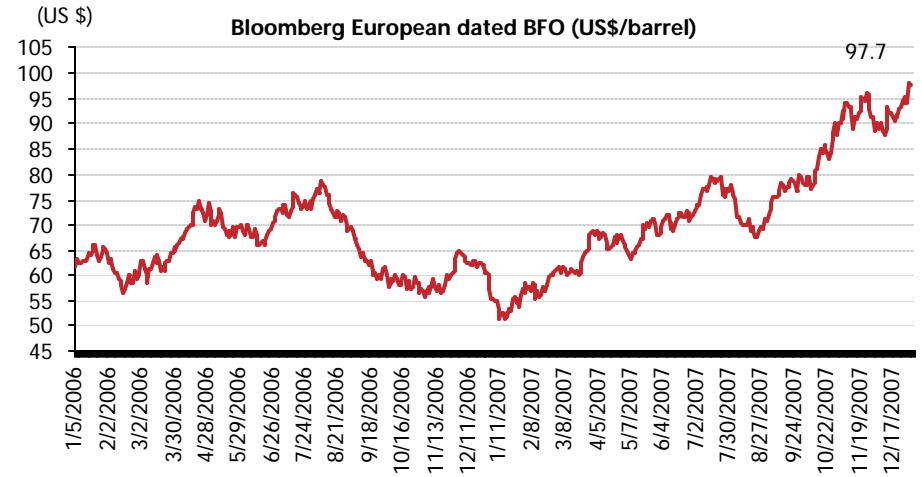
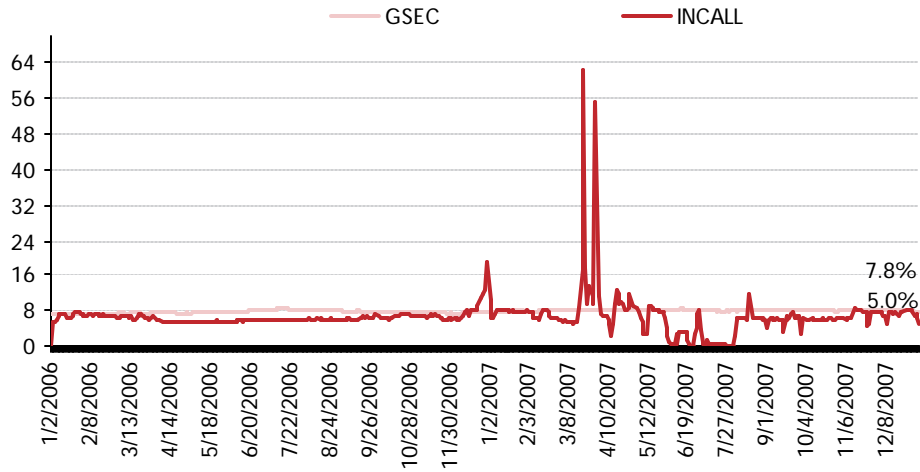
Put call is for Nifty open interest

Source: Bloomberg and Kotak Institutional Equities.

Economic indicators

Economic indicators

Exhibit 41: Key economic parameters



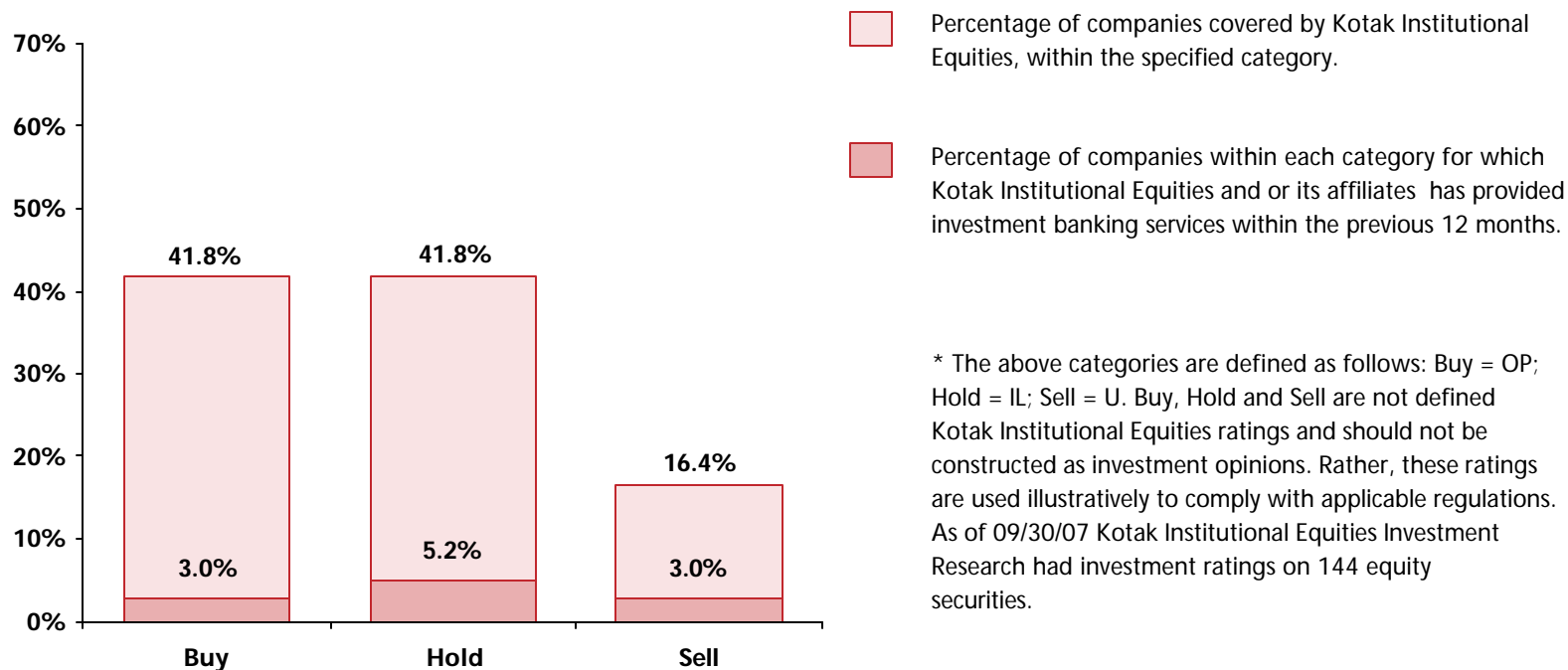
Source: Bloomberg and Kotak Institutional Equities.

Kotak valuation summary

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Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



* The above categories are defined as follows: Buy = OP; Hold = IL; Sell = U. Buy, Hold and Sell are not defined Kotak Institutional Equities ratings and should not be constructed as investment opinions. Rather, these ratings are used illustratively to comply with applicable regulations. As of 09/30/07 Kotak Institutional Equities Investment Research had investment ratings on 144 equity securities.

Source: Kotak Institutional Equities.

As of September 30, 2007

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Ratings and other definitions/identifiers

New rating system

Definitions of ratings

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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

Old rating system

OP = Outperform. We expect this stock to outperform the BSE Sensex over the next 12 months.

IL = In-Line. We expect this stock to perform in line with the BSE Sensex over the next 12 months.

U = Underperform. We expect this stock to underperform the BSE Sensex over the next 12 months.

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

Other ratings/identifiers

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