

# **INDIA DAILY**

September 15, 2009

### Contents

#### **Updates**

**Energy:** Downstream stocks look inexpensive even assuming unfavorable subsidysharing scenarios

Automobiles: Auto tracker—September 2009

# News Round-up

- Yes Bank will raise US\$150 mn (around Rs 750 crore) through private placement of equity in the current financial year. The bank will also raise around US\$100 mn (around Rs500 crore) through bond issues. As part of its fund raising plans, French financial institution **Proparco** will invest US\$20 mn in the bonds of the bank. (*ET*)
- Future Logistics Solutions, an arm of Kishore Biyani's Future Group, has forayed into third-party logistics (3 PL) operations by signing leading electronic and fast moving consumer goods (FMCG) players such as Hitachi and Nestle. (BS)
- The US\$13 bn Ingersoll Rand plc has earmarked about US\$100 mn investment in its Indian operations during the next three years and expects to source products and services of an equal amount. (BL)
- Foreign lender Standard Chartered Bank plans to hire around 2,000 employees in India in the current financial year. Foreign lender Standard Chartered Bank plans to hire around 2,000 employees in India in the current financial year. The banking major has also plans to open an office of its knowledge process outsourcing network --Scope International-- in Bangalore by October. (ET)
- In an attempt to secure coal supplies for its fuel-starved power projects in India, staterun NTPC Ltd may spend an estimated US\$1 bn (Rs4,870 crore) to acquire a South African coal mining firm. (*Mint*)
- ➤ Corus, Tata Steel's European unit, will soon restart its mothballed Port Talbot plant in South Wales, a month after reopening its Llanwern strip mill at Newport. As demand picks up in the West, the company said it was preparing to re-ignite one of its two blast furnaces at the Port Talbot plant. However, a company official said the company was pressing ahead with a plan to cut 528 jobs in South Wales. Corus, which Tata Steel acquired for US\$12 bn in 2007, has laid off 5,545 employees, bringing announced job cuts, since the collapse in steel demand, to 14.4 per cent of its worldwide work force. (BS)
- ▶ Tata Motors, India largest truck maker, raised Rs236.5 crore on Monday by selling nearly half of its current investment in group firm Tata Steel. In a block deal on the Bombay Stock Exchange, the company sold five million shares of Tata Steel to group holding firm Tata Sons for Rs473 a share. (BS)

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

# EQUITY MARKETS

		Cha	ange	%
India	14-Sep 1-day1-mo 3-m			
Sensex	16,214	(0.3)	5.2	9.0
Nifty	4,809	(0.4)	5.0	7.2
Global/Regional ir	dices			
Dow Jones	9,627	0.2	3.3	11.8
Nasdaq Composite	2,092	0.5	5.4	15.2
FTSE	5,019	0.1	6.5	16.0
Nikkie	10,200	(0.0)	(3.7)	1.6
Hang Seng	20,932	(1.1)	0.2	13.2
KOSPI	1,646	0.7	3.4	16.6
Value traded - Ind	ia		_	
Cash (NSE+BSE)	189.2		231.0	241.1
Derivatives (NSE)	580.3		638.9	755
Deri. open interest	1,019.6		783	849

#### Forex/money market

Change, basis points							
	14-Sep 1-day 1-mo 3-mo						
Rs/US\$	48.7	24	48	101			
10yr govt bond, %	7.3	(12)	13	35			
Net investment (US\$mn)							

	11-Sep	MTD	CYTD
FIIs	68	278	8,474
MFs	(70)	54	1,066

#### Top movers -3mo basis

	C	Change, %						
Best performers	14-Sep	1-day	1-mo	3-mo				
TTMT IN Equity	564.3	2.5	20.7	64.7				
ABAN IN Equity	1558.1	3.8	32.7	62.6				
HCLT IN Equity	313.0	0.0	15.9	56.0				
SCS IN Equity	118.5	(0.9)	14.5	54.4				
TCS IN Equity	559.1	(0.2)	7.2	43.7				
Worst performers				•				
BJFIN IN Equity	253.0	(0.5)	(13.3)	(36.8)				
ICEM IN Equity	126.2	0.8	(5.8)	(20.8)				
RNR IN Equity	87.4	(1.1)	5.7	(19.3)				
RPWR IN Equity	162.7	(0.2)	(0.1)	(18.7)				
SUEL IN Equity	94.8	(1.0)	7.3	(18.7)				



Energy

India

### Downstream stocks look inexpensive even if subsidy-sharing is unfavorable.

Our scenario analysis reveals inexpensive valuations for downstream oil companies under various subsidy-sharing formulas. The stocks look attractive (7X-10X FY2010E P/E) even if the companies were to bear 50% of auto fuel subsidy. We assume that (1) the government will bear the entire subsidy burden on cooking fuels and (2) the government and upstream companies will bear auto fuels subsidy equally.

### Company data and valuation summary

Bharat Petroleum							
Stock data				Forecasts/Valuations	2009	2010E	2011E
52-week range (Rs) (hig	h,low)	(	601-226	EPS (Rs)	20.6	79.8	65.0
Market Cap. (Rs bn)			185.8	EPS growth (%)	(50.1)	287.1	(18.5)
Shareholding pattern (%	6)			P/E (X)	27.5	7.1	8.7
Promoters	54.9		54.9	Sales (Rs bn)	1,340.7	910.6	935.1
FIIs			8.3	Net profits (Rs bn)	7.5	28.8	23.5
MFs			7.6	EBITDA (Rs bn)	27.5	55.4	50.5
Price performance (%)	1M	3M	12M	EV/EBITDA (X)	11.6	6.1	6.3
Absolute	8.5	36.0	64.2	ROE (%)	5.3	18.9	13.8
Rel. to BSE-30	3.1	27.9	41.8	Div. Yield (%)	1.2	5.6	4.6

Forecasts/Valuations

EPS growth (%)

Net profits (Rs bn)

Sales (Rs bn)

EBITDA (Rs bn)

EV/EBITDA (X)

Div. Yield (%)

ROE (%)

EPS (Rs)

P/E (X)

#### Company data and valuation summary

		-	
Hindustan Petroleum			
Stock data			
52-week range (Rs) (hig	h,low)	4	426-163
Market Cap. (Rs bn)			133.7
Shareholding pattern (%	%)		
Promoters			51.1
FIIs			8.9
MFs			10.8
Price performance (%)	1M	3M	12M
Absolute	7.5	29.9	69.1
Rel. to BSE-30	2.2	22.1	46.0

# Company data and valuation summary

Indian Oil Corporation							
Stock data				Forecasts/Valuations	2009	2010E	2011E
52-week range (Rs) (hig	h,low)	e	588-299	EPS (Rs)	19.7	101.8	79.3
Market Cap. (Rs bn)			750.3	EPS growth (%)	(67.9)	416.7	(22.1)
Shareholding pattern (%	%)			P/E (X)	32.3	6.3	8.0
Promoters	78.9		78.9	Sales (Rs bn)	3,041.3	2,333.9	2,398.6
FIIs			0.9	Net profits (Rs bn)	23.5	123.4	96.3
MFs			2.0	EBITDA (Rs bn)	106.6	241.2	221.3
Price performance (%)	1M	3M	12M	EV/EBITDA (X)	8.6	4.4	4.3
Absolute	12.0	14.4	56.1	ROE (%)	4.8	22.6	15.6
Rel. to BSE-30	6.5	6.5 7.5 34.8		Div. Yield (%)	1.2	6.1	4.8

#### Subsidy-sharing scheme remains a puzzle but manageable for FY2010E

We see the valuations of downstream companies as reasonable under various scenarios of subsidysharing scheme for FY2010E assuming crude price at US\$65/bbl. We note continued uncertainty over the sharing of auto fuel subsidy for FY2010E between the upstream companies, downstream companies and the government. As per the petroleum secretary, the government will bear the entire subsidy on cooking fuels and downstream companies may bear a portion of the subsidy on auto fuels with the majority being borne by the government-owned upstream oil companies. We do not see large subsidy on auto fuels in a scenario of moderate crude oil prices (US\$55-70/bbl).

# ATTRACTIVE

**SEPTEMBER 15, 2009** UPDATE BSE-30: 16,214

### QUICK NUMBERS

2011E

58.5

(19.9)

6.7

19.8

52.5

5.8

12.8

6.1

876.9

2010E

73.1

330.9

852.2

24.8

58.0

5.5

17.7

7.6

54

2009

17.0

(49.3)

233

4.8

28.7

10.8

4.4

1.3

1,249.3

- BPCL, HPCL and IOCL to trade at a P/E of 8X, 6.1X and 6.8X on FY2010E EPS even if they share a 20% subsidy on auto fuels
- BPCL, HPCL and IOCL to trade at a P/E of 8.8X, 6.6X and 7X on FY2010E EPS if they share 33.3% subsidy on auto fuels

# Valuations of downstream companies look fine even under unfavorable subsidy-sharing scenarios

Exhibit 1 shows the earnings and valuations of downstream companies under different scenarios of auto fuel subsidy-sharing. Our scenario analysis reveals that the valuations of BPCL, HPCL and IOCL look reasonable on FY2010E P/E under all our assumed scenarios. We assume crude price (Dated Brent) at US\$65/bbl for FY2010E and we calculate very low under-recoveries on auto fuels at current domestic selling prices and our assumed crude oil price. We assume that the government will bear the entire subsidy on cooking fuels under all scenarios. Exhibit 2 shows the historical 12-month forward P/E chart for BPCL, HPCL and IOCL and reveals that the stocks have traded at similar multiples as compared to our worst-case scenario of 50% auto fuel subsidy burden on downstream companies.

- Scenario 1: 20% sharing of auto fuel subsidy. Based on FY2010E EPS, BPCL, HPCL and IOCL will trade at a P/E multiple of 8X, 6.1X and 6.8X, respectively, if downstream companies were to bear 20% of the subsidy on auto fuels.
- Scenario 2: 33.3% sharing of auto fuel subsidy. Based on FY2010E EPS, BPCL, HPCL and IOCL will trade at a P/E multiple of 8.8X, 6.6X and 7X, respectively, if downstream companies were to bear 33.3% of the subsidy on auto fuels. We assume that the remaining subsidy on auto fuels will be borne by the government and upstream companies.
- Scenario 3: 50% sharing of auto fuel subsidy. Based on FY2010E EPS, BPCL, HPCL and IOCL will trade at 8.8X, 6.6X and 7X, respectively, if downstream companies were to bear 50% of the subsidy on auto fuels. However, we do not expect downstream companies to bear 50% of the auto fuel subsidy as the subsidy-sharing is normally worked out on the relative profitability of companies and we expect the combined earnings of upstream companies (ONGC, GAIL and OIL India) to be significantly higher than the earnings of downstream companies (BPCL, HPCL and IOCL). Also, the oil minister had stated that a majority of the subsidy on auto fuels will be borne by upstream companies.

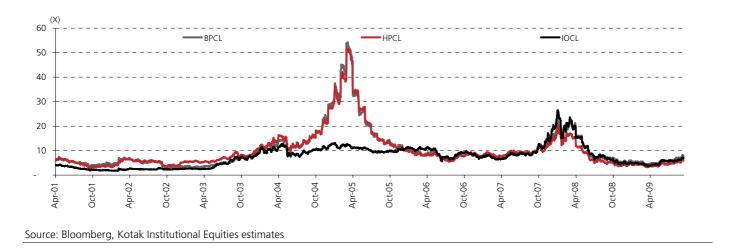
Oil marketing companies remain attractive even if they were to bear a portion of subsidy on auto fuels

		Subsidy-burden on auto fuels (%)			
	Base case	20.0	33.3	50.0	
BPCL					
Company's share of subsidy-burden (Rs mn)	—	5,059	8,431	12,647	
FY2010E EPS (Rs)	79.8	70.5	64.4	56.7	
P/E (X)	7.1	8.0	8.8	10.0	
HPCL					
Company's share of subsidy-burden (Rs mn)	—	4,571	7,618	11,427	
FY2010E EPS (Rs)	73.1	64.2	58.2	50.8	
P/E (X)	5.4	6.1	6.8	7.8	
IOCL					
Company's share of subsidy-burden (Rs mn)	_	9,203	15,338	23,007	
FY2010E EPS (Rs)	101.8	96.8	93.4	89.3	
P/E (X)	6.3	6.6	6.8	7.1	

Price/earnings (price to current year-end EPS) ratio for BPCL, HPCL and IOCL (X)

Source: Kotak Institutional Equities estimates

12-month forward P/E for BPCL, HPCL and IOCL (X)



#### Consolidated profit model, balance sheet, cash model of BPCL, March fiscal year-ends, 2006-2012E (Rs mn)

	2006	2007	2008	2009	2010E	2011E	2012E
Profit model (Rs mn)	755 222	0.05 5.00	4.402.004	4 2 4 0 7 2 4	040.620	025 427	070.242
Net sales EBITDA	755,333	965,569	1,102,081	1,340,734	910,620	935,127	970,212
Other income	<b>9,407</b> 4,653	<b>35,362</b> 7,332	28,472 13,954	27,507 15,087	55,357 12,413	<b>50,478</b> 9,072	<b>55,560</b> 7,188
Interest	(2,474)	(4,774)	(6,725)	(21,664)	(13,931)	(12,002)	(9,461)
Depreciation	(7,680)	(9,041)	(10,982)	(10,755)	(10,145)	(11,927)	(12,444)
Pretax profits	3,906	28,879	24,719	10,176	43,694	35,622	40,842
Extraordinary items	176	(68)	24,715	10,170		55,022	-0,0+2
Tax	(140)	(9,286)	(9,059)	(5,103)	(12,530)	(10,313)	(12,756)
Deferred taxation	(1,025)	(268)	(1,108)	2,421	(2,322)	(1,795)	(1,126)
Net profits	2,916	18,055	15,806	7,359	28,843	23,514	26,960
Net profits after minority interests	2,916	18,055	15,806	7,359	28,843	23,514	26,960
Earnings per share (Rs)	7.6	50.1	43.7	20.4	79.8	65.0	74.6
Balance sheet (Rs mn)							
Total equity	91,394	102,735	116,768	121,281	136,588	149,067	163,375
Deferred taxation liability	13,558	13,826	14,814	12,392	14,714	16,509	17,635
Total borrowings	83,736	108,292	150,224	211,714	206,153	163,653	124,403
Currrent liabilities	94,070	112,767	145,803	128,313	111,143	119,599	121,904
Total liabilities and equity	282,758	337,620	427,608	473,701	468,599	448,829	427,318
Cash	4,921	8,640	9,616	4,416	4,595	4,068	4,280
Current assets	128,208	127,698	187,457	148,469	140,624	144,803	146,647
Goodwill	_	_					
Total fixed assets	110,855	118,334	127,354	140,033	166,393	167,970	169,404
Investments	38,774	82,949	103,182	180,784	156,988	131,988	106,988
Total assets	282,758	337,621	427,608	473,701	468,599	448,829	427,318
Free cash flow (Rs mn)							
Operating cash flow, excl. working capital	9,275	29,920	22,988	19,717	28,897	28,163	33,343
Working capital	1,577	11,451	(25,161)	20,585	(7,810)	5,531	461
Capital expenditure	(19,945)	(17,908)	(20,665)	(23,323)	(36,505)	(13,504)	(13,878)
Investments	(28,146)	(45,481)	(21,684)	(82,456)	23,796	25,000	25,000
Other income	1,785	4,337	6,434	6,655	10,897	7,818	7,188
Free cash flow	(35,455)	(17,682)	(38,088)	(58,822)	19,275	53,008	52,113
Ratios (%)							
Debt/equity	91.6	105.4	128.7	174.6	150.9	109.8	76.1
Net debt/equity	86.2	97.0	120.4	170.9	147.6	107.1	73.5
RoAE	3.3	16.3	12.7	5.5	20.2	14.8	15.6
RoACE	4.1	11.0	7.9	5.1	11.7	9.9	10.9
Key assumptions (standalone until FY2005)							
Crude throughput (mn tons)	17.2	19.8	20.9	20.0	20.2	22.7	22.7
Effective tariff protection (%)	2.9	1.6	1.4	2.4	2.4	2.4	2.4
Net refining margin (US\$/bbl)	2.1	3.1	5.6	5.0	3.1	3.8	4.4
Sales volume (mn tons)	23.3	24.5	26.7	28.1	29.1	30.2	31.4
Marketing margin (Rs/ton)	(671)	(1,140)	(3,010)	(5,944)	665	1,440	1,435
Subsidy under-recoveries (Rs mn)	(31,847)	(20,159)	(26,680)	(27,706)	—	—	

Source: Company, Kotak Institutional Equities estimates

#### Profit model, balance sheet, cash model of HPCL, March fiscal year-ends, 2006-2012E (Rs mn)

	2006	2007	2008	2009	2010E	2011E	2012E
Profit model (Rs mn)	2006	2007	2008	2009	20105	2011E	2012E
Net sales	708,609	889,959	1,043,130	1,249,348	852,192	876,930	926,556
EBITDA	8,056	24,036	15,757	28,707	58,033	52,476	61,677
Other income	3,285	6,845	11,980	9,057	5,014	4,466	2,401
Interest	(1,587)	(4,230)	(7,925)	(20,828)	(14,705)	(15,569)	(16,250)
Depreciation	(6,902)	(7,040)	(8,508)	(9,813)	(10,812)	(11,323)	(11,919)
Pretax profits	2,851	19,611	11,303	7,122	37,531	30,050	35,910
Extraordinary items	2,201	3,030	_	· _	_	_	
Tax	(898)	(6,625)	(1,799)	(2,416)	(11,536)	(7,829)	(10,003)
Deferred taxation	(97)	(365)	(2,025)	(343)	(1,220)	(2,385)	(2,202)
Prior period adjustment	_	61	3,870	1,387			
Net profits	4,056	15,712	11,349	5,750	24,774	19,836	23,704
Earnings per share (Rs)	6.6	40.0	33.5	17.0	73.1	58.5	69.9
Palance shoet (Paren)							
Balance sheet (Rs mn)	07.257	95,987	105 (22	107.200	120,183	130,490	142,811
Total equity Deferred tax liability	87,357 13.844	14,209	105,633	107,306 16,034	17.254	130,490	21,841
Total borrowings	66,638	105,175	167,867	227,552	239,552	207,673	160,173
Current liabilities	79,549	105,175	124,337	117,558	94,965	99,203	100,173
Total liabilities and equity	247,389	316,566	413,797	468,450	471,954	457,006	425,753
Cash	426	868	2,940	6,083	1,540	1,484	1,480
Current assets	109,674	113,779	190,034	153,844	140,139	144,590	148,063
Total fixed assets	97,013	130,644	152,452	166,558	179,255	179,914	140,005
Investments	40,276	71,275	68,371	141,965	151,018	131,018	96,018
Total assets	247,389	316,566	413,796	468,450	471,953	457,007	425,751
Total asses	247,505	510,500	413,750	400,490	47 1,555	437,007	425,751
Free cash flow (Rs mn)							
Operating cash flow, excl. working capital	10,126	23,966	(18,679)	(12,139)	29,321	28,155	35,424
Working capital changes	(5,351)	8,936	(6,504)	48,461	(7,656)	729	(1,749)
Capital expenditure	(25,298)	(38,510)	(31,638)	(19,275)	(21,038)	(11,058)	(12,195)
Investments	(22,884)	(31,704)	(1,851)	(70,386)	(9,054)	20,000	35,000
Other income	941	2,067	4,692	3,187	3,782	3,524	2,401
Free cash flow	(42,466)	(35,246)	(53,980)	(50,151)	(4,645)	41,350	58,881
Ratios (%)							
Debt/equity	65.8	95.4	138.1	184.5	174.3	138.3	97.3
Net debt/equity	65.4	94.7	135.6	179.6	173.2	137.3	96.4
RoAE	4.1	14.9	9.8	4.7	19.0	13.8	15.1
RoACE	2.5	8.8	6.4	5.8	9.9	9.2	11.0
Key assumptions							
Crude throughput (mn tons)	14.0	16.7	16.8	15.8	18.0	19.3	19.3
Effective tariff protection (%)	3.1	1.4	1.3	2.4	2.4	2.4	2.4
Net refining margin (US\$/bbl)	3.9	4.3	6.6	4.3	3.2	3.5	4.5
Sales volume (mn tons)	20.1	23.4	26.2	27.0	28.1	29.3	31.1
Marketing margin (Rs/ton)	(463)	(710)	(2,345)	(5,021)	797	1.424	1,415
Subsidy under-recoveries (Rs mn)	(403)	(18,899)	(28,549)	(28,432)		1,424	1,415
Subsidy dridel-recoveries (ns min)	(29,071)	(10,033)	(20,349)	(20,432)		—	

Source: Company, Kotak Institutional Equities estimates

#### Consolidated profit model, balance sheet, cash model of IOCL, March fiscal year-ends, 2006-2012E (Rs mn)

	2006	2007	2008	2009	2010E	2011E	2012E
Profit model (Rs mn)	4 700 474	2 4 40 420	2 4 4 4 2 7 0	2.044.265	2 222 055	2 200 502	2 545 242
Net sales	1,729,474	2,149,428	2,444,378	3,041,265	2,333,855	2,398,593	2,515,212
EBITDA	82,044	110,451	120,872	61,445	202,393	178,692	197,459
Other income	21,310	27,451	43,748	45,155	38,821	42,630	33,941
Interest	(12,101)	(17,058)	(17,556)	(41,758)	(22,098)	(24,821)	(18,308)
Depreciation	(24,711)	(28,686)	(29,918)	(31,389)	(34,869)	(47,026)	(49,958)
Pretax profits	66,542	92,157	117,145	33,453	184,246	149,475	163,133
Extraordinary items	5,590	24,757	5,374				
Tax	(19,975)	(25,834)	(38,293)	(13,316)	(50,296)	(38,118)	(51,772)
Deferred taxation	(1,282)	(8,040)	(473)	1,435	(7,318)	(12,773)	(3,762)
Net profits	51,125	82,729	83,430	25,523	126,633	98,583	107,599
Net profits after minority interests	45,362	62,469	74,573	27,437	123,424	96,307	104,541
Earnings per share (Rs)	38.8	52.4	62.5	23.0	101.8	79.3	86.1
Balance sheet (Rs mn)							
Total equity	317,977	378,117	450,449	470,654	548,282	602,426	662,039
Deferred tax liability	50,602	59,859	60,331	58,876	66,946	79,693	83,613
Total borrowings	292,395	290,215	382,818	465,250	604,326	511,941	266,829
Current liabilities	286,716	330,791	386,724	376,107	383,098	406,346	418,446
Total liabilities and equity	947,691	1,058,981	1,280,322	1,370,888	1,602,652	1,600,406	1,430,927
Cash	8,080	9,385	8,413	8,076	15,155	19,899	27,937
Current assets	413,904	437,178	599,256	473,965	551,932	567,956	578,742
Total fixed assets	383,717	415,014	460,307	565,545	705,661	732,647	694,344
Investments	141,990	197,403	212,345	318,208	329,904	279,904	129,904
Total assets	947,691	1,058,981	1,280,322	1,365,795	1,602,652	1,600,406	1,430,927
Free cash flow (Rs mn)	(4.0. 22.4)	(11.550)	(4.07.0.00)	(2.45.677)	100 500	400.070	100 504
Operating cash flow, excl. working capital	(10,334)	(44,660)	(107,263)	(345,677)	123,589	109,973	123,534
Working capital changes	(8,136)	2,237	(1,414)	76,881	(60,869)	7,450	4,869
Capital expenditure	(49,042)	(50,969)	(79,586)	(135,923)	(139,810)	(57,647)	(12,112)
Investments	(17,778)	99,768	92,665	299,410	(10,894)	49,073	150,015
Other Income	10,317	13,582	18,253	16,413	29,010	35,093	33,011
Free cash flow	(74,973)	19,958	(77,346)	(88,896)	(58,973)	143,941	299,317
Ratios (%)							
Debt/equity	79.3	66.3	74.9	87.9	98.2	75.1	35.8
Net debt/equity	77.1	64.1	73.3	86.3	95.8	72.1	32.0
RoAE	13.7	16.1	16.3	5.5	22.3	15.4	15.1
RoACE	9.3	11.3	11.2	4.8	13.5	10.8	11.2
Konstanting (IOC standalars)							
Key assumptions (IOC standalone)	38.5	44.0	47.4	51.3	52.4	53.4	53.4
Crude throughput (mn tons)							
Effective tariff protection (%)	3.1	1.6	1.3	2.8	2.8	2.8	2.8
Net refining margin (US\$/bbl)	4.8	4.2	8.2	3.6	4.0	4.2	5.1
Sales volume (mn tons)	50.4	53.4	57.4	61.0	63.7	65.9	68.3
Marketing margin (Rs/ton)	26	(633)	(2,203)	(5,253)	923	1,394	1,393
Subsidy under-recoveries (Rs mn)	(95,361)	(34,041)	(64,486)	(55,535)	_	_	

Source: Company, Kotak Institutional Equities estimates



# **Automobiles**

India

Auto tracker - September 2009. August saw good growth in 2-wheelers and passenger car sales, on the back of strong demand recovery. M&HCV sales showed you growth as demand for goods vehicles improved. Channel checks indicate a sharp rebound in 2HFY10 for commercial vehicles, aided by strong industrial production and changes in emission regulations. Motorcycle sales showed stronger than expected sequential growth of 12%, partly driven by inventory build-up ahead of festive season.

### 2-wheeler volumes increase 12% sequentially on strong demand and festival inventory

2-wheeler sales broke out of the low-700,000 range in August, growing 12% from July. Some of this was driven by inventory build-up ahead of the festival season. Motorcycles gained some share of the 2-wheeler market, making up 79% of 2-wheeler volumes versus 76% in July. Hero Honda outperformed by a wide margin as sales grew 37% yoy while Bajai grew 4% and TVS sales were 12% yoy. Hero Honda's market share grew 510 bps yoy to 63.8%. Industry 3W sales increased 23% yoy, primarily driven by strong demand for passenger carriers. Bajaj Auto remains the biggest beneficiary of this trend with their 3-wheeler sales up 33% yoy.

### Domestic passenger car sales grew 25% yoy off a low base; no sign of inventory build-up in cars

Industry car sales grew 25% yoy led mainly by strong growth in the compact car segment, which grew 34% yoy. Sequentially, growth was muted and in line with seasonality at 3.6%. Maruti's market share grew 210 bps to 53% versus 50.9% a year ago and was flat from July. Maruti's share of the compact segment was flat at 57.3% in August from 57.4% in July and was up 230 bps on a yoy basis. Industry UV sales increased 7% yoy in August with Mahindra seeing a 47% yoy increase.

# M&HCV volumes show yoy improvement on goods demand; LCVs continue to show strength

Industry CV sales improved 18.5% yoy in August. LCVs continued to outperform with 32% yoy growth while M&HCVs were up 4% yoy. Sequentially, both M&HCVs and LCVs saw an 8% increase. We expect CV volumes to pick up further in 2HFY10E on the back of recent pick up seen in industrial production, as depicted by IIP. Apart from easy comparisons, growth rates in 2HFY10 would be buoyed by emission regulation changes effective from April 2010, which could result in pre-buy. Bus segment volumes continued to show yoy declines but we expect these to pick up as JNNURM orders get delivered.

### Stocks: Monsoon concerns abate; peak valuations keep us cautious and selective

Steady rainfall in the past few weeks have allayed some of the concerns regarding an impending drought. We expect industry volumes to continue to grow at a healthy pace for the rest of the fiscal year, given the strong demand environment and easy year-ago comparisons. We expect demand to stay strong on (1) payout from the Sixth Pay Commission (arrears), (2) easier and cheaper financing and (3) improvement in urban markets. We believe that these positives are largely factored in the stocks as reflected by valuations at the higher end of the historical range. We remain selective and prefer Bajaj Auto over Hero Honda in the 2-wheeler universe and Ashok Leyland over Tata Motors in the CV space. Peak valuation at the time of peak margins and peak product cycle keeps us away from Maruti. Uncertainties regarding the strength of a rebound in luxury car volumes globally and poor cash generation at Jaguar Land Rover keeps us cautious on Tata Motors.

# CAUTIOUS

SEPTEMBER 15, 2009					
UPDATE					
BSE-30: 16,214					

# QUICK NUMBERS

- Passenger car sales were up 25% yoy in August
- CV sales were up 18.5% yoy with M&HCVs up 4% yoy and LCVs up 32% yoy

#### Automobile Industry Summary: August 2009

	YC	ΟY		мо	м		TY		
	Aug-09	Aug-08	% chg yoy	Aug-09	Jul-09	% chg mom	FY2010	FY2009	% chg yoy
Industry: domestic sales (units)									
Scooters	118,694	96,441	23.1	118,694	123,259	(3.7)	559,327	464,615	20.4
Motorcycles	611,173	485,270	25.9	611,173	546,245	11.9	2,847,149	2,431,148	17.1
Mopeds	46,878	35,683	31.4	46,878	49,550	(5.4)	223,103	179,114	24.6
Total two-wheelers	776,777	620,883	25.1	776,777	719,668	7.9	3,632,304	3,086,019	17.7
Three-wheelers	39,201	31,959	22.7	39,201	36,184	8.3	166,672	148,732	12.1
M&HCVs	17,345	16,679	4.0	17,345	16,138	7.5	72,346	95,368	(24.1)
LCVs	23,279	17,612	32.2	23,279	21,486	8.3	102,737	84,386	21.7
Total CVs	40,624	34,291	18.5	40,624	37,624	8.0	175,083	179,754	(2.6)
Passenger cars	131,421	104,910	25.3	131,421	126,815	3.6	609,406	537,618	13.4
Utility vehicles	20,679	19,328	7.0	20,679	20,827	(0.7)	102,384	102,430	(0.0)
Company: domestic sales (units)									
Hero Honda: motorcycles	389,814	284,752	36.9	389,814	342,042	14.0	1,780,857	1,396,697	27.5
Bajaj Auto: motorcycles	121,644	116,887	4.1	121,644	109,161	11.4	560,999	618,655	(9.3)
Bajaj Auto: three-wheelers	15,810	11,866	33.2	15,810	14,573	8.5	68,019	54,176	25.6
TVS Motor: motorcycles	40,509	36,092	12.2	40,509	31,916	26.9	196,236	203,863	(3.7)
Maruti: passenger cars	69,629	53,351	30.5	69,629	67,314	3.4	332,968	284,138	17.2
Tata Motors: passenger cars	18,906	14,506	30.3	18,906	18,983	(0.4)	85,393	73,801	15.7
Tata Motors: M&HCVs	10,661	10,143	5.1	10,661	10,658	0.0	47,945	56,833	(15.6)
Tata Motors: LCVs	14,802	10,594	39.7	14,802	13,139	12.7	63,153	49,049	28.8
Ashok Leyland: M&HCVs	4,161	4,227	(1.6)	4,161	3,490	19.2	14,318	26,613	(46.2)
M&M: utility vehicles	11,443	7,700	48.6	11,443	11,660	(1.9)	58,134	41,503	40.1
Domestic market shares (%)									
Hero Honda: motorcycles	63.8	58.7	5.1	63.8	62.6	1.2	62.5	57.5	5.1
Bajaj Auto: motorcycles	19.9	24.1	(4.2)	19.9	20.0	(0.1)	19.7	25.4	(5.7)
Bajaj Auto: three-wheelers	40.3	37.1	3.2	40.3	40.3	0.1	40.8	36.4	4.4
TVS Motor: motorcycles	6.6	7.4	(0.8)	6.6	5.8	0.8	6.9	8.4	(1.5)
Maruti: passenger cars	53.0	50.9	2.1	53.0	53.1	(0.1)	54.6	52.9	1.8
Tata Motors: passenger cars	14.4	13.8	0.6	14.4	15.0	(0.6)	14.0	13.7	0.3
Tata Motors: M&HCVs	61.5	60.8	0.7	61.5	66.0	(4.6)	66.3	59.6	6.7
Tata Motors: LCVs	63.6	60.2	3.4	63.6	61.2	2.4	61.5	58.1	3.3
Ashok Leyland: M&HCVs	24.0	25.3	(1.4)	24.0	21.6	2.4	19.8	27.9	(8.1)
M&M: utility vehicles	55.3	39.8	15.5	55.3	56.0	(0.6)	56.8	40.5	16.3

Source: SIAM, Kotak Institutional Equities

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

	•			Summ	O/S	- 5	mula		1																		Target		ADVT-
	14-Sep-09		Mkt	can	shares		PS (Rs)		FPS	growth (	(%)	PER (X)			FV	EV/EBITDA (X)		P	rice/BV ()	K)	Divide	nd yield	(%)	RoE (%)			price l	Upside	3mo
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)		2010E	2011E	2009	2010E		2009	2010E 2011E		2009	2010E		-	2010E	,			2011E				(Rs)		(US\$ mn)
Automobiles		<b>j</b>	. , ,		. ,																								
Ashok Leyland	39	ADD	51,418	1,055	1,330	1.5	2.3	2.4	(57.8)	50.3	5.8	25.3	16.8	15.9	14.6	9.5	7.7	1.4	1.3	1.3	2.6	2.6	2.6	6.2	8.1	8.2	37	(4.3)	4.3
Bajaj Auto	1,282	ADD	185,535	3,808	145	45.2	85.0	100.9	(13.4)	87.9	18.7	28.3	15.1	12.7	15.2	8.9	7.9	9.9	6.8	4.9	1.6	1.6	1.6	37.7	53.1	44.0	1,260	(1.7)	5.9
Hero Honda	1,560	REDUCE	311,602	6,396	200	64.2	87.5	94.9	32.5	36.3	8.5	24.3	17.8	16.4	14.4	10.6	9.4	8.0	6.1	4.8	1.3	1.4	1.4	36.6	38.7	32.6	1,330	(14.8)	19.9
Maruti Suzuki	1,474	SELL	426,102	8,746	289	42.2	73.3	77.3	(29.6)	73.8	5.5	35.0	20.1	19.1	21.1	11.3	10.1	4.5	3.7	3.1	0.2	0.3	0.3	13.5	20.2	17.8	1,160	(21.3)	26.4
Tata Motors	564	SELL	313,924	6,443	556	20.8	28.9	31.3	(58.3)	39.1	8.4	27.2	19.5	18.0	16.9	11.0	10.2	2.4	2.1	1.9	1.0	1.0	1.0	9.1	11.5	11.2	350	(38.0)	66.5
Automobiles		Cautious	1,530,490	31,414					(24.8)	63.9	8.4	29.5	18.0	16.6	17.2	10.7	9.6	4.1	3.4	2.9	1.0	1.0	1.0	13.9	18.8	17.4			
Banks/Financial Institutions																													
Andhra Bank	99	BUY	47,870	983	485	13.5	13.3	15.2	13.5	(1.5)	14.4	7.3	7.4	6.5	-	_	_	1.3	1.2	1.0	4.6	3.4	3.8	18.9	16.6	16.9	105	6.4	1.3
Axis Bank	896	BUY	321,543	6,600	359	50.6	59.1	68.2	56.9	16.8	15.6	17.7	15.2	13.1	-	-	-	3.1	2.7	2.3	1.1	1.3	1.5	19.1	19.2	19.2	850	(5.1)	64.1
Bank of Baroda	468	ADD	170,884	3,507	366	60.9	60.9	62.1	55.1	0.0	1.9	7.7	7.7	7.5	_	_	_	1.5	1.3	1.1	1.9	1.9	2.0	18.7	16.3	14.7	480	2.7	6.2
Bank of India	362	ADD	190,460	3,909	526	57.2	51.5	56.2	40.7	(9.9)	9.1	6.3	7.0	6.4	-	-	-	1.6	1.4	1.2	2.2	2.0	2.2	29.2	21.0	19.3	370	2.2	12.1
Canara Bank	299	ADD	122,570	2,516	410	50.5	46.0	53.6	32.4	(8.9)	16.3	5.9	6.5	5.6	_	_	_	1.2	1.1	0.9	2.7	2.7	3.3	18.3	14.6	15.1	325	8.7	4.2
Corporation Bank	392	BUY	56,263	1,155	143	62.3	58.0	57.1	21.5	(6.8)	(1.6)	6.3	6.8	6.9	-	-	-	1.1	1.0	0.9	3.2	3.0	2.9	19.6	16.0	14.0	420	7.1	0.7
ederal Bank	236	BUY	40,295	827	171	27.8	34.3	39.9	(19.2)	23.6	16.1	8.5	6.9	5.9	_	_	_	0.9	0.8	0.8	2.2	2.7	3.1	11.5	12.9	13.5	320	35.8	2.7
HDFC	2,504	ADD	712,362	14,622	284	80.2		117.5	(6.4)	26.4	15.9	31.2	24.7	21.3	_	_	-	5.4	4.9	4.3	1.2	1.4	1.6	18.2	20.4	20.9	2,450	(2.2)	50.8
IDFC Bank	1,494	REDUCE	675,285	13,861	452	52.8	63.3	73.5	17.6	20.0	16.0	28.3	23.6	20.3	_	_	_	4.5	3.2	2.8	0.6	0.8	0.9	16.9	15.8	14.7	1,430	(4.3)	36.5
CICI Bank	825	REDUCE	918,019	18,843	1,113	33.8	34.3	40.4	(15.4)	1.7	17.6	24.4	24.0	20.4	-	-	-	1.9	1.8	1.7	1.3	1.4	1.6	7.8	7.5	8.4	685	(16.9)	145.5
DFC	144	ADD	186,779	3,834	1,295	5.8	7.7	8.7	1.9	33.9	12.6	24.9	18.6	16.5	_	_	_	3.0	2.7	2.4	0.8	0.9	1.0	12.9	15.4	15.3	120	(16.8)	38.4
ndia Infoline	135	ADD	42.187	866	312	5.1	7.7	8.2	(8.7)	50.5	7.3	26.5	17.6	16.4	_	_	_	3.4	2.8	2.4	1.9	2.4	2.8	11.9	17.5	17.2	145	7.2	17.7
ndian Bank	147	BUY	63,305	1,299	430	28.0	27.6	30.2	24.1	(1.4)	9.7	5.3	5.3	4.9	_	_	_	1.2	1.0	0.8	3.4	3.2	3.5	22.9	19.2	18.2	185	25.6	2.3
ndian Overseas Bank	100	BUY	54,344	1,115	545	24.3	19.7	25.4	10.3	(18.9)	28.6	4.1	5.1	3.9	_	_	_	0.9	0.8	0.7	5.3	3.8	4.1	22.1	14.2	16.1	140	40.4	2.9
I&K Bank	609	BUY	29,539	606	48	84.5	86.6	96.3	13.8	2.4	11.2	7.2	7.0	6.3	_	_	_	1.3	1.2	1.1	2.8	2.8	3.2	16.7	15.1	14.9	550	(9.7)	1.1
Mahindra & Mahindra Financial	223	ADD	21,327	438	96	22.4	26.7	28.8	7.5	19.0	8.1	9.9	8.4	7.7	_	-	_	1.5	13	1.2	2.5	3.0	3.2	15.4	16.4	15.8	270	21.2	0.3
Oriental Bank of Commerce	227	REDUCE	56,860	1,167	251	36.1	29.1	31.5	51.4	(19.4)	8.3	6.3	7.8	7.2	_	_	_	1.1	1.1	11	3.2	2.6	2.8	13.7	9.6	9.7	190	(16.3)	3.5
PFC	224	SELL	256,698	5,269	1,148	13.0	18.0	20.0	14.3	38.6	11.1	17.2	12.4	11.2	_	_	_	2.3	2.1	1.8	1.2	2.0	2.7	13.8	17.3	17.2	185	(17.3)	5.0
Punjab National Bank	725	BUY	228,515	4,690	315	98.0	100.7	115.2	50.9	2.7	14.4	7.4	7.2	6.3	_	_	_	1.7	1.5	1.2	2.7	2.8	3.2	23.0	20.3	20.1	800	10.4	13.7
Reliance Capital	881	ADD	216.842	4,451	246	39.3	29.0	28.9	(5.6)	(26.2)	(0.5)	22.4	30.4	30.5	_	_	_	3.2	3.0	2.7	0.7	0.5	0.5	15.3	10.2	9.3	875	(0.7)	127.3
Rural Electrification Corp.	195	ADD	167,427	3,437	859	16.5	19.6	21.3	50.7	19.1	8.8	11.8	10.0	9.1	_	_	_	2.3	2.0	1.7	1.0	1.8	2.0	21.2	21.5	19.9	190	(2.6)	6.7
Shriram Transport	363	ADD	76,747	1.575	212	30.1	32.5	36.9	56.8	7.9	13.7	12.1	11.2	9.8	_	_	-	3.5	3.0	2.5	2.4	2.7	3.1	29.6	27.0	25.8	350	(3.5)	3.0
SREI	75	ADD	8,733	179	116	7.0	7.5	6.8	(38.4)	6.1	(9.5)	10.7	10.0	11.1		_	_	0.8	0.7	0.7	1.3	1.6	1.6	12.5	10.3	10.2	90	19.8	3.5
State Bank of India	1,956	BUY	1,242,111	25,495	635	143.7	129.8	149.1	34.8	(9.6)	14.9	13.6	15.1	13.1	_	_	_	2.1	1.9	1.7	1.5	1.5	1.6	17.1	13.5	14.0	1,870	(4.4)	88.5
Union Bank	227	BUY	114,839	2,357	505	34.2	32.4	35.4	24.5	(5.1)	9.2	6.7	7.0	6.4		_	_	1.6	1.5	1.2	2.2	2.1	2.3	27.2	21.2	19.5	280	23.2	5.3
Banks/Financial Institutions	227	Attractive		124,753	202	34.2	32.4	33.4	24.3	2.2	13.1	14.0	13.7	12.1				2.2	2.0	1.2	1.5	1.6	1.8	16.1	14.5	14.6	200	23.2	3.5
Cement		Attractive	6,077,983	124,755					20.7	2.2	15.1	14.0	15.7	12.1	_	_	_	2.2	2.0	1.0	1.5	1.0	1.0	10.1	14.5	14.0			
ACC	764	REDUCE	143.522	2.946	188	56.3	74.0	57.1	(12.2)	31.6	(22.8)	13.6	10.3	13.4	6.8	5.2	6.0	2.7	2.3	2.0	3.1	3.1	3.1	24.7	27.1	18.4	875	14.5	13.0
Ambuja Cements	97	REDUCE	147,747	3,033	1,522	7.2	7.9	6.6	(12.2)	10.2	(16.8)	13.5	12.3	14.7	7.3	6.8	7.6	2.4	2.5	1.9	3.1	1.9	2.2	19.7	19.1	14.1	85	(12.4)	8.8
Grasim Industries	2,598	REDUCE	238,165	4.888	92			266.5	(16.2)	5.6	5.8	10.9	10.3	9.7	6.3	5.1	4.9	2.1	1.8	1.5	1.3	1.3	1.3	21.1	18.4	16.8	2.560	(1.4)	11.2
ndia Cements	126	ADD	35,629	731	282	17.8	19.4	15.2	n/a	9.1	(21.8)	7.1	6.5	8.3	5.1	4.0	4.5	0.9	0.8	0.8	1.4	1.2	2.5	14.8	14.6	10.4	155	22.9	7.9
Shree Cement	1,522	BUY	53,036	1,089	35		209.9	195.6	93.7	20.1	(6.8)	8.7	7.3	7.8	5.9	4.2	3.8	4.4	2.7	2.0	0.7	0.7	0.7	65.7	46.0	29.4	2,000	31.4	0.7
JltraTech Cement	731	BUY	90,977	1,867	124	78.8	90.2	73.8	(3.1)	14.5	(18.2)	9.3	8.1	9.9	5.6	4.3	4.8	2.1	1.7	1.5	0.8	1.1	1.1	31.1	27.3	18.3	900	23.2	2.4
Cement	731	Neutral	709,075	14,554	12.4	70.0	50.2	75.0	(8.0)	13.6	(10.2)	11.0	9.7	10.8	6.3	5.1	5.3	2.2	1.0	1.6	1.9	1.7	1.8	20.0	19.0	14.9	500	23.2	2.1
Consumer products		Neutrai	705,075	14,554					(0.0)	15.0	(10.4)	11.0	5.7	10.0	0.5	5.1	5.5	2.2	1.0	1.0	1.5	1.7	1.0	20.0	15.0	14.5			
Asian Paints	1,363	ADD	130,710	2,683	96	38.6	60.0	69.8	(1.7)	55.5	16.3	35.3	22.7	19.5	21.1	13.7	11.7	11.4	9.2	7.5	1.3	2.0	2.3	36.6	46.8	43.8	1,600	17.4	1.2
Colgate-Palmolive (India)	615	REDUCE	83,636	1.717	136	21.6	28.0	31.0	26.3	29.7	10.7	28.5	22.0	19.9	23.5	18.4	15.5	38.7	35.0	38.9	2.4	3.7	4.5	155.1	167.1	185.2	620	0.8	2.5
GlaxoSmithkline Consumer (a)	1,110	ADD	46,682	958	42	44.8	60.9	68.5	15.8	36.0	12.4	24.8	18.2	16.2	14.1	10.6	9.4	6.1	5.1	4.5	1.4	2.0	2.8	26.8	30.7	29.6	1,200	8.1	0.5
Godrej Consumer Products	243	ADD	62,759	1,288	258	6.7	9.6	11.0	(5.3)	43.0	14.9	36.4	25.4	22.1	25.1	16.3	14.0	11.0	6.6	5.6	1.6	1.6	1.6	46.9	32.7	27.6	235	(3.4)	0.8
Hindustan Unilever	260	BUY	566,442	11,626	2,179	9.5	10.6	12.2	19.0	11.1	15.0	27.3	24.6	21.4	20.8	18.4	15.9	27.5	24.6	22.0	3.4	3.6	4.2	112.4	105.9	108.9	320	23.1	24.0
TC	224	BUY	843,792	17,319	3,769	8.7	10.3	11.8	2.8	19.3	14.3	25.9	21.7	19.0	15.8	13.3	11.7	5.8	5.0	4.4	1.7	1.8	2.0	25.3	26.3	26.0	255	13.9	29.0
yothy Laboratories	133	ADD	9,659	198	73	5.5	10.0	12.1	(12.9)	80.6	21.7	24.1	13.3	11.0	15.8	8.5	6.5	2.7	2.3	2.0	1.8	2.2	2.6	10.7	16.8	19.0	145	8.9	
Vestle India (a)	2,205	ADD	212,577	4,363	96	58.6	73.0	85.6	31.0	24.6	17.3	37.6	30.2	25.8	24.0	20.1	17.0	44.9	36.7	30.2	1.9	2.4	2.8	126.7	133.6	128.5	2,400	8.9	1.3
Tata Tea	910	BUY	56,293	1,155	62	57.0	62.8	69.2	5.3	10.1	10.2	16.0	14.5	13.2	8.4	7.6	6.3	1.2	1.1	1.0	1.9	2.1	2.3	9.8	10.1	10.4	900	(1.1)	3.6
Consumer products		Attractive	2,012,549	41,308					9.9	20.5	14.5	27.5	22.8	19.9	17.9	14.8	12.9	8.0	7.0	6.2	2.2	2.5	2.8	29.3	30.8	31.0			
Constructions																													
VRCL	346	BUY	46,772	960	135	16.7	18.8	22.5	7.4	12.7	19.7	20.7	18.4	15.3	14.4	11.2	9.3	2.6	2.3	2.0	0.2	0.2	0.2	13.2	13.2	13.9	360	4.2	30.5
Punj Lloyd	260	BUY	88,059	1,807	339	(7.2)	16.6	19.6	(172.4)	(330.1)	17.8	(36.0)	15.6	13.3	26.2	8.7	7.7	3.5	2.4	2.0	0.1	0.3	0.3	(8.6)	18.3	16.6	315	21.2	42.0
Sadbhav Engineering	768	BUY	9,597	197	13	50.6	55.6	77.9	25.0	9.8	40.2	15.2	13.8	9.9	10.6	8.0	6.6	2.7	2.3	1.9	0.7	0.8	0.9	18.0	16.8	19.4	830	8.1	0.1
Construction		Attractive	175,860	3,610					(70.7)	385.2	20.3	80.5	16.6	13.8	17.2	9.4	8.1	2.8	2.2	1.9	0.3	0.5	0.5	3.5	13.3	14.0			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

9

#### Target shares PER (X) 14-Sep-09 Mkt cap EPS (Rs) EPS growth (%) EV/EBITDA (X) Price/BV (X) Dividend vield (%) RoE (%) price Upside Company Price (Rs) Ratino (Rs mn) (US\$ mn) (mn) 2009 2010E 2011E 2009 2010E 2011E 2009 2010E 2011E 2009 2010E 2011E 2009 2010F 2011F 2009 2010F 2011F 2009 2010F 2011F (Rs) Energy 567 BUY 185.825 3.814 328 20.6 79.8 65.0 (50.1) 287.1 (18.5) Bharat Petroleum 27.5 7.1 8.7 7.5 5.0 5.4 1.4 1.2 1.1 1.4 6.2 5.1 5.3 18.9 13.8 675 Cairn india 259 REDUCE 491 521 10.089 1 897 88 30.8 34.7 105 250 12.6 29 8 75 14.7 5.9 5.4 1.4 1.3 1.3 8-9.6 4.9 16.2 17.7 225 Castrol India (a) 474 ADD 58,612 1,203 124 21.3 31.1 32.0 20.8 45.9 3.0 22.2 15.2 14.8 12.7 9.1 8.7 13.1 11.5 10.3 3.2 4.6 4.9 61.2 80.2 73.5 480 GAIL (India) 355 449 740 9.231 1 268 77.7 20.9 22.9 87 (5.8) 9.6 16.0 17.0 15.5 8.6 9.8 9.8 2.8 2.6 2.3 2.0 2.3 2.3 17.5 14.7 14.8 355 GSPL 76 REDUCE 42,800 878 563 2.2 3.5 6.7 217 58.3 92.7 34.7 21.9 11.4 7.0 4.5 2.9 12.0 3.2 2.9 1.0 1.6 8.8 9.6 13.9 25.7 65 Hindustan Petroleum 394 BUY 133.722 2.745 339 17.0 73.1 58.5 (49.3) 330.9 (19.9) 23.3 5.4 6.7 8.2 5.0 NA 1.1 1.0 NA 1.3 7.6 6.1 4.4 17.7 12.8 525 Indian Oil Corporation 636 BUY 750.283 15.400 1.179 19.7 101.8 79.3 (67.9) 416.7 (22.1) 32.3 6.3 8.0 8.6 4.4 4.3 1.6 1.4 1.2 1.2 6.3 4.9 4.8 22.6 15.6 800 1.161 BUY 2.484.103 2.139 89.6 115.8 136.4 17.8 13.0 10.0 Oil & Natural Gas Corporation 50.987 (3.4) 29.2 8.5 47 37 3.0 2 1 19 17 2.8 3.6 41 16.6 18.9 19.8 1 400 Petronet LNG 75 REDUCE 56.475 1,159 750 6.9 7.2 8.6 3.6 19.6 10.9 10.5 8.8 \_ 77 7.0 59 25 21 17 23 27 3.0 23.9 20.6 20.6 64 (15) 57 20.7 2 140 SELL 3 087 299 63 368 1 4 4 3 103.4 109.3 158.3 44 9 19.6 13.5 Reliance Industries 12.8 91 6.6 2.6 23 2.0 0.6 07 0.9 15.1 137 17.6 1,600 132 12.206 3.1 10.0 Reliance Petroleum NR 594.675 4.500 n/a n/a n/a n/a n/a 13.2 n/a 99 4.4 43 34 1.5 1.5 0.6 10.1 29.0 n/a Energy Attractive 8.335.055 171.081 (7.6)60.6 18.3 18.9 11.8 10.0 8.8 6.0 5.0 2.2 2.0 1.8 1.4 2.9 3.1 11.7 16.9 17.8 Industrials ABB 753 REDUCE 159 493 3,274 212 25.8 23.3 30.0 113 (9.8) 28.6 29.1 32.3 25.1 17.3 18.2 13.9 7.5 6.3 5.2 0.4 0.4 29.2 21.3 22.7 0.3 660 BGR Energy Systems 452 32 551 668 77 16.0 26.0 35.3 37.7 62.3 35.8 787 174 12.8 16.0 10.3 8.2 5.8 4.6 3.6 0.7 1.0 1.3 22.3 29.4 31.2 530 Bharat Electronics 1,390 ADD 111,224 2,283 80 103.8 115.1 125.7 1.8 10.9 9.1 13.4 12.1 11.1 65 53 46 2.8 2.4 21 13 18 1.8 20.7 21.6 20.1 1 500 Bharat Heavy Electricals 2,255 ADD 1,103,696 22,654 490 63.9 93.3 115.2 9.4 46.1 23.4 35.3 24.2 19.6 13.5 10.8 5.4 0.8 0.9 1.1 2.425 19.3 8.5 6.7 26.4 31.2 30.5 Crompton Greaves 307 ADD 112.436 2.308 367 15.3 17.7 20.3 37.3 15.3 15.0 20.0 17.3 15.1 10.7 93 79 61 47 37 07 07 0.8 35.9 30.8 27.6 315 Larsen & Toubro 1,605 ADD 946,380 19,425 590 50.1 62.1 78.4 32.1 24.0 26.1 32.0 25.8 20.5 20.2 14.9 12.2 6.2 4.6 3.8 0.6 0.7 0.8 21.7 20.5 20.4 1.725 302 6.9 Maharashtra Seamles BUY 21.289 437 71 35.9 33.0 35.3 22.2 (7.9)8.4 9.1 8.6 5.0 5.1 4.5 1.6 1.4 1.2 18 1.6 2.1 20.3 16.0 15.0 285 Siemens 516 ADD 174 093 3 5 7 3 337 14.2 22.8 22.7 61.0 (0.5) 36.4 22.6 22.8 17.4 13.0 13.2 6.4 5.2 0.6 1.4 0.9 23.3 30.8 25.2 515 Suzion Enerm 95 159.066 3 265 1 678 74 39 61 12.8 (47.7) 54.7 12.8 24.2 15.7 1.4 10.7 12.1 10.1 1.7 1.2 0.2 12.5 6.2 8.3 110 Industrials Neutra 2,820,229 57,886 13.5 22.2 23.2 28.4 23.2 18.9 16.4 13.0 10.8 5.7 4.5 3.7 0.7 0.8 0.9 20.0 19.2 19.7 Infrastructure GMR Infrastructure 135 ADD 248,280 5 096 1 834 1.5 0.9 0.9 33.0 (38.3) 88.2 142.9 153.3 (6.8) 31.0 22.5 16.6 3.0 2.5 2.3 4.4 2.6 2.4 135 GVK Power & Infrastructure 49 BUY 1.579 0.8 0.8 1.0 (20.6) 3.7 31.1 63.6 61.3 46.8 76.592 1.572 56.0 18.4 17.0 3.3 2.4 2.3 0.6 4.8 4.6 5.1 50 \_ IRB Infrastructure 205 ADD 68.085 1.397 332 5.3 10.6 13.5 54.3 101.2 27.0 38.7 19.2 15.2 20.0 10.4 9.5 3.7 3.0 2.5 0.6 10.1 17.3 18.0 200 50.7 Infrastructure Attractive 392,956 8,066 22.5 16.0 18.8 69.9 60.2 31.1 17.9 14.5 3.2 2.5 2.3 0.1 0.1 4.5 4.2 4.6 Media DishTV 43 REDUCE 41,072 843 946 (6.6) (3.3) (1.5) n/a (49.1) (53.9) (6.6) (13.0) (28.1) (37.7)52.9 15.9 (6.6) (38.8) (16.3) 83.9 86.7 NΔ 35 (19.4) 5.0 130 ADD 30.621 628 235 0.8 6.6 489.0 154.3 26.2 19.8 HT Media (80.5) 32.0 34.8 12.9 10.4 3.6 33 3.0 0.2 0.8 15 23 13.0 157 105 ADD 31 653 3.0 51 6.0 66.7 17.5 34.5 20.7 Jagran Prakashan 650 301 (6.6) 17.6 19.6 12.0 10.0 57 52 47 19 29 3.1 16.7 26.2 28.2 110 Sun TV Network 279 REDUCE 110.067 2.259 394 9.1 11.3 13.3 9.3 24.4 18.4 30.8 24.8 21.0 16.2 13.8 11.5 6.3 5.5 49 09 14 21 22.5 24.0 24.9 235 Zee Entertainment Enterprises 208 REDUCE 90 474 1,856 434 84 10.1 12.3 (4.8)19.6 21.9 247 20.6 16.9 17.2 14.6 11.7 2.6 2.4 2.2 1.0 1.1 1.4 11.8 12.4 13.9 175 Zee News 46 10 957 225 240 19 2.2 27 213 147 23.4 74.4 21.2 17.2 10.1 4.4 12.5 8.6 3.8 3.2 0.9 0.9 1.3 20.1 19.6 20.7 45 Media 314,793 6,461 110.7 47.7 74.7 35.5 24.0 Neutra (21.4)23.0 15.2 11.6 5.0 4.2 3.9 0.8 1.2 1.7 6.7 11.8 16 1 Metals 121 BUY 211,803 4,347 1,753 2.8 3.5 11.1 (77.9) 25.5 218.4 43.6 34.8 Hindalco Industries 10.9 12.5 9.2 7.2 0.6 0.6 0.5 10.3 5.2 6.5 135 13.7 215,425 19.7 48.8 16.9 24.4 16.4 10 National Aluminium Co. 334 SELL 4.422 20.4 (22.0)(30.6) 21 19 17 0.6 0.6 11.1 644 87 92 63 81 290 lindal Steel and Power 575 SELL 88 528 1 817 154 198.0 247 1 236 4 1393 24.8 (43) 29 23 24 27 2.0 1.5 12 0.8 0.6 1-1.1 1.1 519 40.3 27.6 2 150 JSW Steel 745 SELL 139.286 2.859 187 13.1 36.8 65.9 (84.7)180.1 79.1 56.6 20.2 11.3 10.1 96 72 15 13 1.1 0.1 0.4 07 117 5 1 10.7 440 Hindustan Zinc 823 BUY 347.702 7,137 423 64.6 57.3 74.1 (38.0) (11.2) 29.3 12.7 14.4 11.1 8.7 8.9 6.0 2.3 2.0 0.5 0.6 0.6 20.1 15.1 16.7 825 1.7 Sesa Goa 246 BUY 193,740 3,977 787 25.1 25.5 34.2 32.6 1.3 34.3 9.8 97 72 6.5 6.0 3.8 4.3 3.1 2.2 1.4 1.4 1.4 53.3 36.9 35.9 240 24.1 18.9 Sterlite Industries 718 REDUCE 603.517 12.387 840 49.2 29.8 38.0 (23.6) (39.3) 27.2 14.6 10.6 10.7 8.0 2.3 1.7 1.5 14.3 8.1 8.4 550 (23.4) 479 BUY 424,932 887 38.7 74.2 (64.8) 44 12.4 65 5.3 7.8 Tata Steel 8,722 110.1 45.3 91.9 5.8 1.7 1.4 1.3 1.1 3.0 1.7 24.0 11.0 18.8 480 2.224.932 45.668 (30.0) 9.6 13.8 9.4 7.5 Metals Cautious (0.8) 46.8 7.0 5.8 1.6 1.4 1.2 0.9 0.7 0.7 16.8 9.9 12.8 Pharmaceutical Biocon 233 RUY 46 610 957 200 4.7 14.4 18.6 (79.9)206.8 29.3 497 16.2 12.5 20.0 94 74 3.0 27 23 0.0 0.0 0.1 6.2 17.8 20.0 270 Dishman Pharma & chemicals 21.2 17.9 BUY 17,243 354 81 18.0 27.3 22.1 28.7 11.8 10.0 7.8 9.4 7.5 5.9 2.4 2.0 1.6 0.0 0.0 0.0 22.8 21.9 22.9 280 512 33,075 65 31.9 36.8 43.3 19.9 15.2 17.7 16.1 13.9 11.8 6.3 4.8 3.6 4.2 3.3 0.1 0.1 31.1 Divi's Laboratories BUY 679 5.6 0.0 40.4 34.4 565 Dr Reddy's Laboratorie 820 BUY 138.854 2.850 169 32.4 49.3 52.5 24.3 52.2 25.3 16.6 15.6 0.8 0.8 1.0 21.4 19.2 10.9 87 78 3.9 3.3 28 13.6 860 GlaxoSmithkline Pharmaceuticals (a) 1,438 ADD 121.837 2.501 85 54.6 59.7 66.1 13.8 9.3 10.6 26.3 24.1 21.8 14.6 13.3 11.7 7.7 6.6 5.7 31.3 29.5 27.9 1.450 Glenmark Pharmaceuticals 215 NR 57.092 1.172 266 11.6 15.7 (57.0) 4.2 35.1 19.3 18.5 13.7 11.8 11.1 8.9 2.7 2.4 2.1 0.0 0.0 0.0 15.9 13.8 16.2 Jubilant Organosys 242 BUY 41 388 850 171 16.6 24 5 32.9 (26.1)48.2 34.2 14.6 9.9 73 14.3 9.0 2.5 0.5 0.5 0.7 28.7 250 7.2 3.2 2.0 16.2 30.8 Lupin 1 0 4 6 BUY 92 693 1 903 89 60.2 67.1 72 3 21.0 114 78 174 15.6 14.5 16.1 13.2 11.3 34 14 37.1 32.9 26.1 1 180 64 41 1.1 Piramal Healthcare 332 22.1 28.5 28.0 29.0 15.0 11.6 BUY 69.346 1.423 209 17.3 (1.9) 19.2 13.8 99 8.0 52 41 32 1.3 14 14 26.2 30.9 31.1 390 (41.7) NA REDUCE (134.7) (158.6) Ranbaxy Laboratories 337 144.093 2.958 427 (8.1) 4.7 5.1 6.6 66.8 (192.4) 24.4 26.5 3.4 3.5 3.4 1.2 1.2 (9.6) 4.9 5.3 165 Sun Pharmaceuticals 1,203 ADD 249.202 5.115 207 87.8 47.6 64.2 17.6 (45.8) 34.9 13.7 25.3 18.7 10.3 17.3 12.3 3.7 3.3 2.9 1.1 1.1 1.1 31.6 14.3 17.1 1,250 Pharmaceuticals Attractive 1,216,251 24,964 (17.6) 18.6 22.0 23.1 19.4 15.9 14.9 12.2 10.1 4.0 3.5 3.0 0.6 0.8 0.9 17.6 17.8 18.6 Property 391 664.824 13.646 1,699 29.3 14.7 17.5 (36.6) (49.8) 19.2 13.4 26.6 22.3 13.3 19.1 16.3 2.7 2.5 0.8 1.0 22.5 9.8 10.8 320 (18.2) DLF SELL 2.3 0.8 Housing Development & Infrastructure ADD 104,391 12.0 23.3 (49.2) (53.9) 11.6 25.3 13.0

94.8

874 84.2 34.9

34.8 33.4 23.4

34.3 29.7 21.0

17.2 16.6 15.6

15.4

13.8 24.1 23.2

16.0

16.3 14.5

26.6 20.3

3.8 141 1

15.8 41.3

(5.6) 12.5

41 42.5

3.6 6.0

(81.8)

(38.5)

63.1

(39.8)

(52.3)

(25.7) (42.8) 3.7

(36.3) (39.9) 31.0 13.7 21.4 8.0

(285)

53.5 32.4 17.0

39.0

23.9 18.5 15.1

15.0

17.9 17.9 16.3

15.7 19.5 14.9

78.9 19.1

22.0 15.1

12.0 11.2

2.3 1.5

1.6 1.1 11

1.7

1.9 1.7 1.6

2.1

2.7 2.1 1.9

17 16

2.5 2.2

1.6 1.5

1.3 1.2

1.0 1.8

1.7 1.7

1.3 1.7 1.7

0.6 0.6

1.1

0.8

1.1

0.5 0.6 0.8 22.4 9.3 14.9

1.3 1.6 3.2

48 49 67

5.1 5.7 7.6

11.5 10.8 10.7

10.4 9.8 8.8

29.5

16.7 7.8 9.4

<u>a</u>: Daily Summary September 2009

Ind

ADVT-

3mo

97

20.7

1.2

18.0

8.1

12.1

8.9

53.4

6.2

173

7.2

2.9

2.8

47.4

45

86.1

0.8

6.5

19.4

9.9

11.1

03

13

24

7.1

0.8

29.0

3.0

64.9

46.8

6.5

51.9

67.7

51

0.8

3.4

7.0

0.9

12.0

0.7

3.8

21

12.9

15.4

136.2

58.0

1.0

0.8

2.3

2.3

162.3

(%) (US\$ mn)

19.1

(13.2)

1.3

0.1

(14.5)

33.1

25.7

20.5

(15.0)

(25.2) 208.1

(12.3)

17.2

79

7.6

27

7.5

(5.6)

(0.3)

16.0 139.3

(0.3) 25.8

3.1

(2.4)

(4 1)

47

(15.9)

(16.0)

(1.5)

11.7

(13 3)

273.9

(40.9)

0.3

(2.5)

0.2 140.2

15.9

32.1

10.3

49

0.8

(100.0)

3.3

12.8

17.5

(51.1)

295 NA 106.9

235 (10.4)

410 14.0

210 18.4

85 (26.9)

215 (7.7)

60 (43.2)

10.1

3.9

Neutra Source: Company, Bloomberg, Kotak Institutional Equities estimates

ADD

2 1 4 3

2,159

311

527

509

469

5,180

24,944

105,202

15 129

25.695

24.811

22.844

252,364

1,215,260

345

401

42

145

213

2,389

98

26.0

3.0 3.1 7.5

10.4 10.8 15.4

5.2

6.8 7.0 7.4

15.1

6.0 8.5

14.3 16.1

4.4 4.6

302

262 ADD

360 BUY

177 BUY

116 REDUCE

233

106 SELL

Kotak Institutional Equities: Valuation summary of key Indian companies

10

Indiabulls Real Estate

Puravankara Projects

Phoenix Mills

Sobha

Unitech

Property

Mahindra Life Space Developer

				O/S	/5																			Target		ADVT-			
	14-Sep-09		Mkt	cap.	shares		EPS (Rs)		EPS	growth (	%)		PER (X)		EV	/EBITDA	(X)	Pi	rice/BV ()	X)	Divide	end vield	(%)		RoE (%)		price L	Jpside	3mo
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)		2010E	2011E	2009	2010E		2009	2010E	2011E	-	2010E			2010E	<i>,</i>		2010E		2009	2010E	2011E	(Rs)	(%) (I	US\$ mn
Retail																													
Fitan Industries	1,250	REDUCE	55,502	1,139	44	44.3	49.4	58.7	26.4	11.6	18.7	28.2	25.3	21.3	17.0	15.6	13.0	9.6	7.4	5.8	0.8	0.8	1.0	37.5	33.1	30.6	1,040	(16.8)	1.8
Retail		Neutral	55,502	1,139					26.4	11.6	18.7	28.2	25.3	21.3	17.0	15.6	13.0	9.6	7.4	5.8	0.8	0.8	1.0	34.1	29.3	27.4			
Technology																													
HCL Technologies	313	REDUCE	217,500	4,464	695	17.5	16.7	22.8	14.5	(4.6)	36.5	17.9	18.7	13.7	10.0	9.3	8.5	3.8	3.3	2.8	3.8	3.8	3.8	20.9	19.0	22.3	275	(12.1)	8.3
Infosys Technologies	2,250	BUY	1,291,586	26,510	574	102.4	106.7	120.0	29.6	4.1	12.5	22.0	21.1	18.8	16.4	15.1	12.5	7.1	5.7	4.7	1.0	1.2	1.5	36.7	30.0	27.6	2,500	11.1	63.4
Mphasis BFL	581	REDUCE	121,091	2,485	208	14.2	41.5	42.2	15.7	192.6	1.8	41.0	14.0	13.8	31.2	10.2	9.0	8.4	5.5	4.1	0.7	0.8	0.9	22.8	47.7	34.2	450	(22.5)	12.6
Mindtree	562	BUY	23,111	474	41	13.2	39.2	50.1	(50.5)	196.0	27.9	42.4	14.3	11.2	7.3	10.0	7.2	4.2	3.2	2.5	0.3	-	0.9	5.5	25.3	25.1	650	15.8	4.5
Patni Computer Systems	395	REDUCE	50,734	1,041	129	26.8	33.8	36.7	(19.3)	26.1	8.6	14.7	11.7	10.7	7.2	5.4	5.2	2.0	1.6	1.5	0.5	1.7	1.9	16.2	14.8	14.6	320	(18.9)	7.5
Polaris Software Lab	146	SELL	14,370	295	99	13.1	13.8	12.9	76.0	5.4	(6.4)	11.1	10.5	11.2	4.7	5.7	6.0	1.9	1.6	1.5	1.9	1.4	1.4	18.1	16.4	13.6	80	(45.1)	4.1
TCS	559	ADD	1,094,271	22,460	1,957	26.4	31.2	35.3	3.1	17.8	13.3	21.1	17.9	15.8	14.8	12.8	11.1	7.0	5.6	4.7	1.3	1.7	2.5	36.9	34.6	32.2	600	7.3	41.9
Wipro	555	ADD	814,992	16,728	1,462	25.7	28.1	33.1	15.8	9.1	17.7	21.7	19.8	16.9	15.9	14.0	11.7	5.4	4.4	3.7	0.7	1.4	1.7	26.9	24.5	23.8	630	13.0	15.3
Technology	557	Neutral	3,639,369	74,700	1,102	2.5.7	20.1	55.1	15.3	13.4	14.4	21.4	18.9	16.5	14.9	12.9	11.1	6.0	4.9	4.1	1.2	1.5	2.0	28.1	25.7	24.7	050	15.0	15.5
Telecom		weattai	3,033,303	74,700					15.5	13.4	14.4	21.4	10.5	10.5	14.5	12.5		0.0	4.5		1.2	1.5	2.0	20.1	25.7	24.7			
Bharti Airtel	419	ADD	1,592,082	32,678	3,797	22.3	26.9	30.6	26.4	20.5	13.8	18.8	15.6	13.7	11.0	9.3	8.0	5.1	3.8	3.0	0.5	0.7	1.0	31.4	28.0	24.6	425	1.4	64.9
IDEA	76	REDUCE	234,651	4,816	3,104	2.9	3.4	3.6	(26.5)	15.8	7.3	26.0	22.5	21.0	9.6	8.1	7.2	1.7	1.6	1.5	0.5	0.7		10.4	7.4	8.0	65	(14.0)	15.2
MTNL	92	SELL	57,929	1,189	630	3.1	(4.9)	(3.9)	(57.1)	(256.5)	(18.1)	30.0	(19.2)	(23.4)	11.7	(14.7)	(50.6)	0.5	0.5	0.5	6.5	_	_	1.1	(2.6)	(2.2)	50	(45.6)	3.1
Reliance Communications	292	SELL	602.178	12,360	2.064	27.7	21.2	23.0	4.7	(23.3)	8.3	10.5	13.7	(23.4)			(30.0)		1.3	1.2		_	_	17.0					58.9
	471	REDUCE		2,756	2,004							34.7			8.9	8.7		1.5			0.3				10.6	10.3	240	(17.7)	5.6
Tata Communications	4/1		134,249		285	13.6	14.0	15.2	24.0	3.2	8.2		33.6	31.1	14.8	13.4	12.4	1.9	1.9	1.8		1.4	1.6	5.4	5.2	5.5	400	(15.1)	5.6
Telecom		Cautious	2,621,089	53,799					11.1	1.1	12.8	16.3	16.2	14.3	10.3	9.2	7.7	2.5	2.2	1.9	0.5	0.5	0.7	15.4	13.5	13.3			
Transportation		400		2.050	420		67.0	00.2	44.6	5.2	40.5	47.2	46.4	42.0	42.6			2.0		2.0	4.2		4.6	24.0	24.4	21.7	4.435		
Container Corporation	1,113	ADD	144,616	2,968	130	64.4	67.8	80.3	11.6	5.3 5.3	18.5	17.3	16.4	13.8	12.6	11.4	9.4	3.8	3.3 3.3	2.8	1.3	1.4	1.6	24.0	21.4		1,125	1.1	1.3
Transportation Utilities		Cautious	144,616	2,968					11.6	5.3	18.5	17.3	16.4	13.8	12.6	11.4	9.4	3.8	3.3	2.8	1.3	1.4	1.6	22.1	19.9	20.1			
	257	ADD	44,596	015	125		27.0	47.0	16.2	17.4	11.0	11.1	9.4	0.5	C 1	5.0	5.0	1.2	1.1	0.0	1.1	1.3	1.5	11.7	11.9	11.0	205	2.2	2.4
CESC	357			915	125	32.3	37.9	42.0	16.2			11.1		8.5	6.1	5.6	5.9	1.2	1.1	0.9		1.5	1.5			11.6	365	2.3	3.4
Lanco Infratech	414	ADD	92,099	1,890	222	14.5	20.8	36.6	(2.5)	43.8	76.2	28.6	19.9	11.3	24.2	16.3	7.9	4.3	3.3	2.5	_		_	16.1	18.7	25.2	440	6.2	27.2
NTPC	205	SELL	1,691,145	34,712	8,245	9.5	10.8	12.2	1.6	14.1	12.6	21.6	19.0	16.8	17.1	14.0	13.3	2.9	2.6	2.4	1.8	2.0	2.2	13.8	14.5	15.0	180	(12.2)	29.0
Reliance Infrastructure	1,170	BUY	264,867	5,437	226	62.7	63.7	68.6	66.7	1.6	7.8	18.7	18.4	17.1	23.4	21.4	17.0	1.6	1.5	1.4	0.6	0.7	0.8	4.9	6.1	7.8	1,250	6.9	91.2
Reliance Power	163	REDUCE	389,952	8,004	2,397	1.0	2.5	3.1	-	141.5	24.4	159.5	66.0	53.1	-	_	-	2.8	2.7	2.6	-	-	-	1.8	4.2	5.0	160	(1.7)	24.4
Tata Power	1,274	ADD	302,468	6,208	237	50.2	74.4	84.1	57.5	48.3	13.0	25.4	17.1	15.2	11.6	11.6	11.2	3.0	2.3	2.1	0.8	0.9	1.1	12.0	15.3	14.4	1,400	9.9	15.5
Utilities		Attractive	2,785,126	57,166					12.9	20.6	14.7	24.6	20.4	17.8	18.3	16.4	14.7	2.6	2.4	2.2	1.2	1.4	1.6	10.7	11.7	12.3			
Others																													
Havells India	317	REDUCE	19,160	393	61	4.9	12.3	19.1	(82)	NA	56.2	NA	25.8	16.5	10.7	8.7	7.6	3.0	3.5	3.0	0.8	0.8	0.8	4.5	12.4	19.3	175	(44.7)	1.2
Jaiprakash Associates	231	REDUCE	324,269	6,656	1,403	3.0	6.7	11.4	(39)	123.8	70.2	77.0	34.4	20.2	25.1	15.2	13.6	5.9	4.9	4.0	-	-	-	8.0	15.5	21.9	220	(4.8)	90.6
Jindal Saw	661	ADD	38,074	781	58	74.3	61.5	61.1	20	(17.2)	(0.7)	8.9	10.7	10.8	5.8	6.2	5.5	1.1	1.0	0.9	0.7	0.6	0.6	11.6	8.9	8.6	470	(28.9)	6.1
PSL	171	BUY	7,463	153	44	22.2	37.6	30.1	5	69.2	(19.8)	7.7	4.6	5.7	4.7	3.8	3.3	1.1	0.9	0.8	2.9	3.7	3.7	11.9	13.4	11.3	160	(6.6)	2.0
Sintex	231	BUY	31,544	647	136	23.8	25.2	27.6	22	5.6	9.6	9.7	9.2	8.4	6.9	6.2	5.3	1.6	1.4	1.2	0.5	0.5	0.5	16.6	15.0	14.2	275	19.0	3.9
Tata Chemicals	254	ADD	61,781	1,268	243	26.6	17.8	26.8	(33)	(33.0)	50.4	9.5	14.2	9.5	6.3	6.5	5.2	1.3	1.3	1.1	3.4	3.4	3.4	17.9	11.0	14.7	260	2.5	4.9
Welspun Gujarat Stahl Rohren	247	REDUCE	46,533	955	189	17.3	24.0	17.8	(16)	38.7	(25.8)	14.2	10.3	13.8	7.8	5.7	6.7	2.6	2.0	1.8	0.8	0.6	0.7	17.8	21.7	13.4	145	(41.2)	22.6
United Phosphorus	166	BUY	76,645	1,573	462	10.7	13.9	18.0	28	29.7	29.6	15.5	11.9	9.2	10.2	7.4	5.9	2.5	2.1	1.8	0.7	0.9	1.2	18.1	19.1	20.8	160	(3.6)	5.1
Others			664,489	13,639					(8.1)	28.1	30.2	21.3	16.6	12.8	11.9	9.6	8.8	2.8	2.4	2.1	0.6	0.6	0.7	13.2	14.7	16.3			
KS universe (b)			36,610,753	751,452					2.1	16.8	17.9	18	15.5	13.1	11.6	9.3	8.0	2.8	2.4	2.1	1.2	1.6	1.8	15.3	15.5	16.1			
KS universe (b) ex-Energy			28,275,697	580,371					5.1	4.6	17.8	17.9	17.1	14.5	13.0	11.5	9.9	3.0	2.6	2.2	1.1	1.2	1.4	16.7	14.9	15.5			
KS universe (d) ex-Energy & ex-0	Commodities		25,341,691	520,150					7.0	10.4	16.0	19.7	17.8	15.4	15.5	13.0	11.2	3.3	2.8	2.5	1.1	1.3	1.5	16.6	15.7	16.0			

Note:

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

 (2) 2009 means calendar year 2008, similarly for 2010 and 2011 for these particular companies.

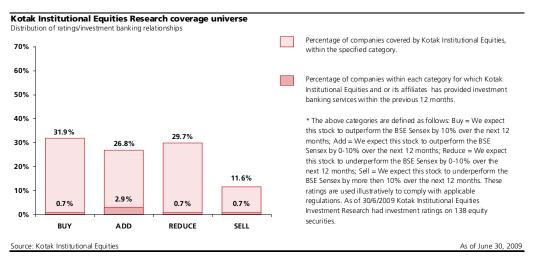
 (3) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.

 (4) Rupee-US Dollar exchange rate (Rx/USS)

 48, 72

Source: Company, Bloomberg, Kotak Institutional Equities estimates

 $\square$ 



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

#### Rating system

Definitions of ratings

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

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

#### Other definitions

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

#### Other ratings/identifiers

**NR = Not Rated.** The investment rating and target price, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances. **CS = Coverage Suspended.** Kotak Securities has suspended coverage of this company.

NC = Not Covered. Kotak Securities does not cover this company.

**RS = Rating Suspended.** Kotak Securities Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

#### Corporate Office

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

# Overseas Offices

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

#### Copyright 2009 Kotak Institutional Equities (Kotak Securities Limited). All rights reserved.

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

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

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

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