kotak® Institutional Equities

INDIA DAILY

May 29, 2009

EQUITY MARKETS

India	28-May	1-day	1-mo	3-mo
		Change, %		
Sensex	14,296	1.3	25.4	60.8
Nifty	4,337	1.4	24.8	56.9
Global/Regional indices				
Dow Jones	8,404	1.3	2.7	19.0
FTSE	4,388	(0.7)	4.7	14.6
Nikkie	9,451	(0.0)	11.3	24.9
Hang Seng	17,885	5.3	22.9	39.6
KOSPI	1,387	(0.4)	3.6	30.5

Value traded - India

	28-May		1-mo	3-mo
			Moving avg, Rs bn	
Cash (NSE+BSE)	324.2		236.5	184.4
Derivatives (NSE)	903.2		811.4	392
Deri. open interest	1,042.3		932	474

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News Roundup

- The integration of **Tech Mahindra Ltd** and **Satyam Computer Services Ltd** has started, with the sales and finance teams of their business process outsourcing, or BPO, divisions beginning to work together. *(Live Mint)*
- **Wal-Mart Stores Inc**. on Saturday rolls out its deep-discount retailing formula in India, targeted at a more than $350 billion a year retail industry made up almost entirely of small merchants. *(Live Mint)*
- Following moves by private telecom players to acquire international operators, State-owned **Bharat Sanchar Nigam Ltd** is readying a US$10-bn corpus for its own global ambitions. *(BL)*
- **Reliance Power** is in talks with Australian mining firms **BHP Billiton** and **Rio Tinto** for setting up a coal mining joint venture that will develop the mines allocated to the company and supply coal to its power plants. The company plans to spend close to Rs 5,000 crore in developing coal mines, said a person familiar with the development. (ET)
- **Coromandel Fertilisers Ltd** has signed a joint venture agreement with **Soquimich European Holdings BV**, Netherlands, a subsidiary of SQM, Chile, for setting up 15, 000 tonne water soluble fertilisers (NPK grades) plant at Kakinada in Andhra Pradesh. *(BL)*
- **Suzlon Energy**, the world's fifth-largest wind turbine maker, today said it had successfully renegotiated financial covenants and amended key terms of the bank loan facilities it had taken for acquiring its German subsidiary, REpower Systems AG, and Belgian subsidiary Hansen Transmission. *(BL)*
- **Unitech Wireless**, a joint venture between Norwegian telco **Telenor** and Gurgaon-based realty firm **Unitech**, has awarded a $500 million (Rs 2,500 crore) contract to Swedish firm **Ericsson** to supply and manage all network equipment for its rollout of mobile phone services in three telecom circles. *(ET)*
- **Datacom and Sistema Shyam TeleServices**, two new entrants in the telecom space, have shortlisted Wipro, Tech Mahindra and IBM for an IT outsourcing contract of close to US$150 mn each. This is a boon for the IT service providers at a time when the slowdown has resulted in a drop in the number of books. *(ET)*

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

Forex/money market

	28-May	1-day	1-mo	3-mo
		Change, basis points		
Rs/US$	47.6	(9)	(291)	(431)
10yr govt bond, %	6.7	8	52	68

Commodity market

	28-May	1-day	1-mo	3-mo
		Change, %		
Gold (US$/OZ)	963.4	0.4	7.3	2.2
Silver (US$/OZ)	15.2	0.6	19.5	16.2
Crude (US$/BBL)	63.2	(0.3)	28.7	40.7

Net investment (US$mn)

	27-May		MTD	CYTD
FIIs	92		3,631	3,653
MFs	211		101	(22)

Top movers -3mo basis

Best performers	28-May	1-day	1-mo	3-mo
		Change, %		
Jaiprakash Associat	192	0.9	38.3	191.0
Nmdc Limited	426	9.9	115.0	180.6
Ivrcl Infrastructures	302	4.4	90.2	177.5
Aban Offshore Limi	874	(0.4)	114.8	175.6
Welspun-Gujarat St	168	2.1	66.9	170.4
Worst performers				
Housing Developme	276	(2.1)	87.9	275.7
Hindustan Unilever	231	0.4	(1.6)	(8.9)
Itc Ltd	184	(0.1)	(2.6)	0.5
Ntpc Limited	208	2.8	9.4	12.3
Nestle India Limited	1,724	(0.0)	1.1	15.4

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Industrials

LART.BO, Rs1346	
Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	1,375
52W High -Low (Rs)	1525 - 556
Market Cap (Rs bn)	803.0

Financials

March y/e	2009	2010E	2011E
Sales (Rs bn)	387.2	471.8	579.0
Net Profit (Rs bn)	31.2	34.3	40.9
EPS (Rs)	52.6	57.5	68.2
EPS gth	*38.6*	*9.4*	*18.5*
P/E (x)	25.6	23.4	19.7
EV/EBITDA (x)	15.7	13.8	11.8
Div yield (%)	0.7	0.8	0.9

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
53.0	119.3	85.0	(6.6)

Shareholding, March 2009

	Pattern	% of Portfolio	Over/(under) weight
Promoters	-	-	-
FIIs	14.8	1.4	(0.0)
MFs	5.9	2.6	1.1
UTI	9.0	29.7	28.2
LIC	17.4	5.6	4.1

Larsen & Toubro: Results ahead of expectations, sales and order booking below expectations

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- **Order booking and sales guidance slightly tepid; banking on government in part**
- **Cautious view on industrial capex; more balanced view on Middle-East capex**
- **Revise earnings estimates and target price to Rs1,375/share; Retain ADD based on improving outlook, strong capex and ability to capture opportunities**

L&T's meeting with analysts reflected a high degree of confidence in its medium-term outlook with aggressive capex to open up new vistas such as shipbuilding, power equipment, nuclear power, railways, defense etc. In the near term, however, the company seemed to lack confidence with (a) order booking growth guidance of 25-35%, partially depending upon the government to deliver on catalyzing infrastructural investments, (b) relatively sedate revenue growth guidance of 15-20%, (c) weak commentary on private sector capex outlook. L&T reported 4QFY09 results ahead of expectations with 4QFY09 revenues of Rs105 bn (up 24% yoy) versus our expectation of Rs110 bn. PAT was significantly higher at Rs11.4 bn (up 8.5% yoy) versus our expectation of Rs9.9 bn based on (a) higher other income and (b) lower effective tax rate versus our expectation. We have revised our consolidated earnings estimates to Rs57.5 and Rs68.2 from Rs55.3 and Rs63.5 for FY2010E and FY2011E respectively. We have revised our SOTP-based target price to Rs1,375/ share based on (a) increase in earnings multiple from 15X to 18X earnings, (b) upward revision in earnings and (c) moving over to a FY2011E-based valuation. Retain ADD based on improving economic outlook, strong growth capex and strong cash flow enabling it to capture various opportunities.

L&T reports higher than expected PAT for 4QFY09

L&T reported 4QFY09 revenues of Rs105 bn (up 24% yoy) versus our expectation of Rs110 bn. EBITDA was Rs14.5 bn versus our expectation of Rs14.3 bn. Margins at 13.8% were 80 bps higher than we expected based on lower variable expenses (raw material, subcontracting and other manufacturing expenses) versus our expectation as a percentage of sales. PAT was significantly higher at Rs11.4 bn (up 8.5% yoy) than the Rs9.9 bn we expected on account of (a) higher other income and (b) effective tax rate lower than we expected (probably adjusted for losses on Satyam stake bought recently, see Exhibits 1-4).

For the full year, L&T reported revenues of Rs336.5 bn (up 35% yoy), lower than our estimate of Rs342 bn. Operating margin came in line with expectation at Rs35.8 bn, with margins at 10.6% versus our expectation of 10.5%. PAT was slightly higher at Rs27 bn (up 30% yoy) compared to the Rs25.2 bn we expected—for the same reasons that 4Q PAT surpassed expectations.

Order booking and sales guidance slightly more cautious—expects government policy to play a big role in achieving guidance

L&T remained steadfast on 25-35% order booking growth, however, the company said it expects to achieve the top end of its guidance band only if the government provides suitable catalysts for infrastructure investments. Given that the guidance was given before the new 'stable' government, the imputed correlation seems to us to highlight a slight lack of confidence. L&T believes that environment should reflect improvement in third and fourth quarters. L&T guided for 15-20% revenue growth only, again slightly lower than could have been expected considering strong order booking guidance. L&T expects to maintain margins and likely capex in FY2010E is again of the order of Rs20 bn or so. Sedate revenue growth guidance is presumably based on the fact the order inflows happened close to the end of the year and thus may not result in revenues immediately. L&T highlighted that there are no cancellations and delay is only to the extent of less than 5% of order book.

Cautious view on industrial capex in sectors such as metals, petrochemicals; more balanced view on Middle-East capex

L&T had a very cautious view on private sector industrials capital expenditure. L&T highlighted that it does not expect any green-field investment in metals-related sectors to take place over the next 1-2 years. However, some ordering activity would happen from the projects that have been half ordered and are thus likely to be completed. L&T believes that some Independent Power Projects (IPPs) that were stuck based on credit crisis are reviving.

L&T's view on Middle East capex highlights that (a) liquidity was never a crisis in the Gulf, except for Dubai, as local governments are cash rich, (b) cautioun on hydrocarbon-related projects is increasing, however, (c) there is progress in infrastructure investments as respective governments are pushing this agenda.

L&T highlighted that it is not unduly concerned by the recent loss of the Muscat airport order as there are multiple packages of the same airport and one of the remaining packages may be decided in the company's favor. It was anyway unlikely that all packages of the airport would have gone in company's favor.

Large investments being made to open up new growth avenues

L&T invested close to about Rs20 bn in F2009 in capital expenditure in new areas such as fabrication capacity, forging, precision manufacturing, power equipment manufacturing, shipbuilding etc. Such large amounts of capex are being committed to open up new areas of opportunity for L&T and may drive significant value addition over the next three years or so.

L&T highlighted that it expects its railways, power and defense business to scale up over the next 2-3 years. L&T expects that railways may be about Rs35-40 bn business including mono-rail, metro rail station improvement etc. Power may scale up to become a Rs90-100 bn business. L&T highlighted that in case of turbine island order the business would go directly to JV with MHI, however, in case of the turnkey business, BoP and boiler island the business would be routed from standalone company and the JV would get the relevant portion of subcontract.

L&T was cautious on defense as a business and expects it to scale up to about Rs10 bn of business over the next 2-3 years.

L&T - biggest beneficiary of improvement in economic climate and political stability

We believe L&T is the biggest beneficiary among peers from the improved economic climate and the abatement of political uncertainty. Improvement in the economic environment is visible from (a) sharply lower interest rates potentially driving investments, (b) relaxed credit environment versus a confidence crisis that prevailed during October-January, visible from some large projects such as Sassan achieving financial closure, (c) higher commodity prices having potential to revive capex demand in the global commodity sectors such as oil and gas and metals etc. Abatement of political uncertainty can also make a significant difference in spending visibility across infrastructure sectors such as roads, urban infrastructure, power, airports and ports etc. Based on its ability to tap spending across various industrial and infrastructure sectors, L&T is likely to be the biggest beneficiary of both these factors and may get significantly re-rated in terms of outlook on its core business.

Meeting 25-35% guidance would still be challenging, we have estimated yoy order booking growth at 9%

We believe the 25-35% order booking growth guidance provided by L&T would be very challenging and we have estimated FY2010E order booking growth guidance to be about 15% (Exhibit 9). Our order booking growth assumptions are led by (a) strong growth in oil and gas segment led by likely ONGC tenders, (b) strong growth in power and infrastructure segment and (c) decline in the process segment led by slower order booking in areas such as metals etc.

We highlight that order booking and margins/working capital efficiency may involve a trade-off in the medium-term and thus yoy order booking growth is not the only critical parameter for L&T. Sustaining margins as well as working capital efficiency would also have to be watched.

Revise earnings estimates and target price to Rs1,375/share

We have revised our standalone earnings estimates to Rs49.8 and Rs59.2 from Rs457.3 and Rs54 for FY2010E and FY2011E, respectively. The earnings revisions is based on upward revision in order inflow expectations in FY2010E based on (a) improvement in demand environment in terms of financing etc, (b) stronger outlook on one-off opportunities, particularly ONGC tenders and power plant equipment and (b) partially building in visibility from strong guidance on order booking by L&T. This has led to a change in the consolidated earnings estimates to Rs57.5 and Rs68.2 from Rs55.3 and Rs63.5 for FY2010E and FY2011E, respectively. We have revised our SOTP-based target price to Rs1,375/ share based on (a) increase in earnings multiple for the standalone business from 15X to 18X earnings, (b) upward revision in earnings and (c) moving over to FY2011E based valuation. We highlight that L&T has traded at a premium of about 30-35% versus Sensex earnings multiples over the five year period since April, 04.

Approximate break up of target price change is as follows, (a) Rs250 from change in standalone valuation (composed of Rs80 from change in earnings and Rs170 from change in standalone valuation multiple from 15X to 18X), (b) Rs60 from change in subsidiary valuation - subsidiaries are benchmarked to respective sectoral valuations and (c) Rs70 from movement to FY2011E based valuation from an average of FY2010E and FY2011E based valuation earlier (Exhibits 6-8).

Retain ADD based on improving economic outlook, strong growth capex and strong cash flows

We retain our ADD rating based on (a) improving economic outlook in terms of demand reflected in bounce back in commodity prices as well as financing environment reflected in progress of financial closures of several projects, (b) stable political structure that has potential to catalyze infrastructural investments, (c) strong investments in capacity and capability enhancement that would open new growth vistas such as power equipment, nuclear, defense and (d) strong balance sheet and cash flows that enable L&T to capture opportunities in various areas including infrastructure development. Key risks originate from (a) continued order booking pressure led by slowdown in capex in important areas such as Middle-East, metals, real estate, petrochemicals etc leading to lower-than-expected earnings momentum going forward, and (b) likely pressure on working capital and margins with likely dominance of infrastructure orders.

Key upsides originate from (a) order inflows in the power segment, particularly bulk order from NTPC which would add visibility to the development of equipment manufacturing business, (b) better-than-expected scale up of the new initiatives in nuclear energy, shipbuilding, defense and aerospace, and (c) higher-than-expected margins in FY2010E and FY2011E based on lower commodity prices.

Exhibit 1: L&T - key nos - 4QFY09 (Rs mn)

	4QFY09	4QFY09E	4QFY08	3QFY09	% change 4QFY9E	% change 4QFY08	% change 3QFY09	FY2009	FY2008	(% chg)
Net sales	**104,670**	**109,814**	**84,669**	**86,156**	**(5)**	***23.6***	***21.5***	**336,486**	**248,547**	***35.4***
Expenses	(90,181)	(95,764)	(71,772)	(78,357)	(6)	*25.6*	*15.1*	(300,695)	(220,400)	*36.4*
Stock	(686)	(1,737)	2,448	(900)	(61)	*(128.0)*	*(23.8)*	1,051	7,462	*(85.9)*
RM	(21,027)	(46,405)	(20,935)	(17,444)	(55)	*0.4*	*20.5*	(74,520)	(65,168)	*14.4*
Trading goods	(3,843)	12,944	(5,321)	(4,025)	(130)	*(27.8)*	*(4.5)*	(16,787)	(15,819)	*6.1*
Total RM consumption	(25,556)	(35,198)	(23,808)	(22,369)	(27)	*7.3*	*14.2*	(90,256)	(73,526)	*22.8*
Subcontracting charges	(23,621)	(20,034)	(13,939)	(20,167)	18	*69.5*	*17.1*	(72,236)	(44,904)	*60.9*
Construction materials	(23,780)	(23,253)	(21,584)	(20,168)	2	*10.2*	*17.9*	(77,725)	(56,103)	*38.5*
Employee	(3,765)	(6,013)	(3,796)	(6,056)	(37)	*(0.8)*	*(37.8)*	(19,980)	(15,354)	*30.1*
Other mfg. expenses	(5,568)	(6,547)	(5,062)	(5,778)	(15)	*10.0*	*(3.6)*	(22,103)	(16,772)	*31.8*
Other S,G&A	(7,891)	(4,718)	(3,582)	(3,821)	67	*120.3*	*106.5*	(18,395)	(13,742)	*33.9*
Total other expenses	(13,459)	(11,265)	(8,645)	(9,598)	19	*55.7*	*40.2*	(40,498)	(30,513)	*32.7*
Operating profit	**14,489**	**14,276**	**12,897**	**7,798**	**1**	***12.3***	***85.8***	**35,790**	**28,147**	***27.2***
Other income	3,668	2,433	2,491	3,072	51	*47.3*	*19.4*	10,196	5,879	*73.4*
EBIDTA	**18,157**	**16,709**	**15,388**	**10,870**	**9**	***18.0***	***67.0***	**45,986**	**34,025**	***35.2***
Interest	(1,455)	(1,078)	(499)	(975)	35	*191.7*	*49.1*	(3,502)	(1,227)	*185.5*
Depreciation	(889)	(793)	(682)	(781)	12	*30.5*	*13.9*	(3,060)	(2,116)	*44.6*
PBT	**15,813**	**14,838**	**14,207**	**9,114**	**7**	***11.3***	***73.5***	**39,424**	**30,683**	***28.5***
Tax	(4,409)	(4,971)	(3,696)	(3,073)	(11)	*19.3*	*43.5*	(12,312)	(9,821)	*25.4*
Net profit	**11,404**	**9,868**	**10,511**	**6,041**	**16**	***8.5***	***88.8***	**27,112**	**20,862**	***30.0***
Extraordinary items	(1,439)	-	(843)	9,163	#DIV/0!	*70.6*	*(115.7)*	7,725	872	*785.5*
RPAT	9,965	9,868	9,668	15,204	1	*3.1*	*(34.5)*	34,837	21,735	*60.3*
Key ratios										
Raw materials/sales (%)	*47.1*	*53.2*	*53.6*	*49.4*				*49.9*	*52.2*	
Subcontracting charges (%)	*22.6*	*18.2*	*16.5*	*23.4*				*21.5*	*18.1*	
Employee expenses/sales (%)	*3.6*	*5.5*	*4.5*	*7.0*				*5.9*	*6.2*	
Other manufacturing expenses (%)	*5.3*	*6.0*	*6.0*	*6.7*				*6.6*	*6.7*	
S G and A expenses/sales (%)	*7.5*	*4.3*	*4.2*	*4.4*				*5.5*	*5.5*	
Operating profit margin (%)	***13.8***	***13.0***	***15.2***	***9.1***	***(0.8)***	***(1.4)***	***4.8***	***10.6***	***11.3***	
EBIDTA margin (%)	*17.3*	*15.2*	*18.2*	*12.6*				*13.7*	*13.7*	
PBT Margin (%)	*15.1*	*13.5*	*16.8*	*10.6*				*11.7*	*12.3*	
Tax rate (%)	*27.9*	*33.5*	*26.0*	*33.7*				*31.2*	*32.0*	
Order details										
Booking	125,170		115,669	124,530				516,210	419,859	*22.9*
Backlog	703,000		527,000	629,667				703,000	527,000	*33.4*

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: L&T Consolidated - FY2009 key nos (Rs mn)

	FY2009	FY2008	% change yoy	FY2007
Gross sales	**406,079**	**295,611**	**37**	**251,875**
Less: Excise duty	(4,206)	(3,626)	16	(3,328)
Net sales	**401,873**	**291,985**	**38**	**248,547**
Manufacturing, construction and operating expenses	(302,128)	(209,117)	44	(191,304)
Staff expenses	(26,660)	(31,171)	(14)	(15,354)
S. G & A expenses	(26,423)	(17,227)	53	(12,026)
Total Expenses	(355,212)	(257,514)	38	(218,685)
Operating profit	**46,661**	**34,471**	**35**	**29,862**
Other income	8,682	6,501	34	5,879
EBIDTA	55,343	40,972	35	35,741
Interest	(4,620)	(2,031)	127	(1,227)
Depreciation	(7,283)	(5,097)	43	(2,116)
PBT	**43,440**	**33,843**	**28**	**32,398**
Tax	(14,257)	(11,608)	23	(9,821)
Net profit	**29,184**	**22,235**	**31**	**22,577**
Extraordinary items	7,891	343	2,200	(843.3)
Share of profit/(loss) from Associates & Minority Interest	823	675	22	-
Reported profit	**37,898**	**23,254**	**63**	**21,734**
Key ratios				
Excise duty/Grass sales (%)	*1.3*	*1.2*		*1.3*
Material cost	*75.2*	*71.6*		*77.0*
Staff cost	*6.6*	*10.7*		*6.2*
Other expenditure	*6.6*	*5.9*		*4.8*
OPM	*11.6*	*11.8*		*12.0*
EBIDTA margin	*13.8*	*14.0*		*14.4*
Pre-tax margin	*10.8*	*11.6*		*13.0*
Tax rate	*(32.8)*	*(34.3)*		*(30.3)*
PAT margin	*7.3*	*7.6*		*9.1*

Source: Company data, Kotak institutional equities estimates.

Exhibit 3. L&T - segmental numbers, 4QFY09 (Rs mn)

	yoy			qoq			yoy		
	4QFY09	4QFY08	(% chg)	4QFY09	3QFY09	(%chg)	FY2009	FY2008	(% chg)
Engineering and Construction									
Order backlog	687,530	526,820	30.5	687,530	679,185	1.2	687,530	526,820	30.5
Revenues	**91,720**	**67,627**	**35.6**	**91,720**	**76,326**	**20.2**	**279,840**	**189,510**	**47.7**
EBITDA	15,160	10,380	46.1	15,160	7,948	90.7	36,060	24,180	49.1
EBITDA margin (%)	**16.5**	**15.3**		**16.5**	**10.4**		**12.9**	**12.8**	
% yoy growth	35.6	40.5		35.6	56.0		47.7	44.3	
Electrical and Electronics									
Revenues	**6,940**	**7,180**	**(3.3)**	**6,940**	**6,469**	**7.3**	**25,070**	**24,210**	**3.6**
EBITDA	980	1,130	(13.3)	980	676	44.9	3,320	4,120	(19.4)
EBITDA margin (%)	**14.1**	**15.7**		**14.1**	**10.5**		**13.2**	**17.0**	
% yoy growth	(3.3)	22.5		(3.3)	12.3		3.6	31.2	
Machinery and Industrial products									
Revenues	**6,070**	**7,800**	**(22.2)**	**6,070**	**5,293**	**14.7**	**23,970**	**23,280**	**3.0**
EBITDA	1,210	1,420	(14.8)	1,210	662	82.8	4,810	4,410	9.1
EBITDA margin (%)	**19.9**	**18.2**		**19.9**	**12.5**		**20.1**	**18.9**	
% yoy growth	(22.2)	21.5		(22.2)	(6.6)		3.0	29.7	
Others									
Revenues	**1,320**	**3,610**	**(63.4)**	**1,320**	**1,756**	**(24.8)**	**10,390**	**11,780**	**(11.8)**
EBITDA	(50)	550	(109.1)	(50)	116	(143.3)	670	1,130	(40.7)
EBITDA margin (%)	**(3.8)**	**15.2**		**(3.8)**	**6.6**		**6.4**	**9.6**	
% yoy growth	(63.4)	56.3		(63.4)	(49.5)		(11.8)	39.6	
Total									
Revenues	**106,050**	**86,217**	**23.0**	**106,050**	**89,844**	**18.0**	**339,270**	**248,780**	**36.4**
EBITDA	17,300	13,480	28.3	17,300	9,401	84.0	44,860	33,840	32.6
EBITDA margin (%)	**16.3**	**15.6**		**16.3**	**10.5**		**13.2**	**13.6**	
YoY growth (%)	23.0	37.4		23.0	40.7		36.4	41.2	

Source: Company, Kotak Institutional Equities estimates

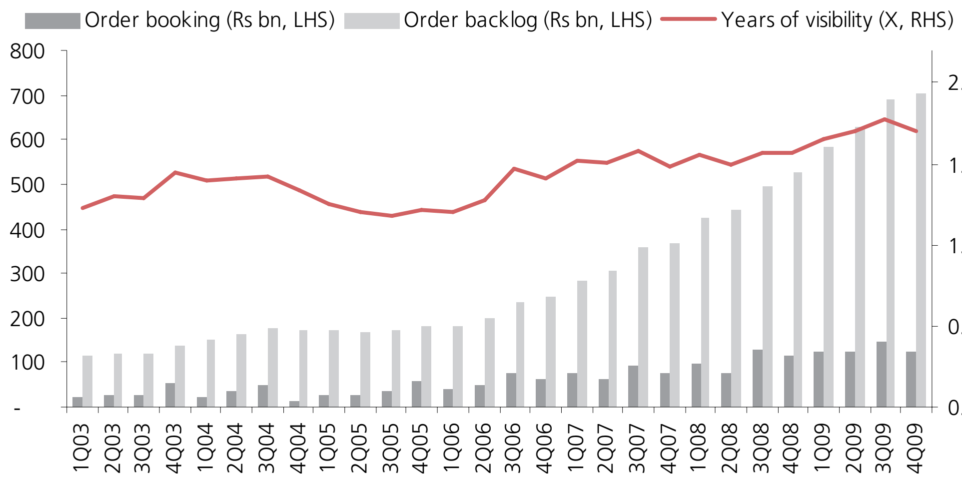
Exhibit 4. Subsidiaries have reported 58% revenue growth led by ramp up of L&T (Oman) and L&T Infrastructure Finance

Snapshot of subsidiary performance of L&T, March fiscal year-ends, 2008-2009 (Rs bn)

	FY2009		FY2008		% change yoy	
Subsidiary	**Revenues**	**PAT**	**Revenues**	**PAT**	**Revenues**	**PAT**
L&T Infotech	20.42	2.66	17.4	1.95	17.4	36.4
L&T Finance	7.96	0.99	6.06	1.15	31.4	(13.9)
L&T Infrastructure Finance	2.96	0.76	1.22	0.53	142.6	43.4
L&T (Oman) LLC	16.77	0.62	9.74	0.31	72.2	100.0
Tamco swithgears	6.2	0.28	0	0	N.A.	N.A.
Total	**54.31**	**5.31**	**34.42**	**3.94**	**57.8**	**34.8**

Source: Company data, Kotak Institutional Equities

Exhibit 5. Order flows remain strong, order books provide 1.7 years of revenue visibility
Order booking, Order backlog & Visibility trend for L&T (Rs mn)



Source: Company, Kotak Institutional Equities estimates

Exhibit 6: FY2011E-based Sum of The Parts (SOTP) valuation of Larsen and Toubro

	Earnings/Book (Rs bn)	FY11 multiple (X)	Valuation basis	Stake (%)	Value (Rs bn)	Per share (Rs)
Core company valuation	**35,476**	**18.0**	**P/E**	**100**	**639**	**1,070**
Key subsidiaries - services	**14,308**				**49**	**82**
L&T Finance	11,089	1.5	P/E	100	17	28
L&T Infotech	3,219	10.0	P/B	100	32	54
Key subsidiaries - manufacturing	**4,259**				**40**	**68**
Tractor Engineers	161	13.0	P/E	100	2	4
Associate companies*	4,099	13.0	P/E	50	27	45
Power equipment JVwth MHI	N.A.		DCF	51	12	19
Infrastructure SPVs	30,989	2.5	P/B	79	61	103
Other subsidiaries	12,042	2.5	P/B	100	30	50
Total subsidiaries					**180.5**	**302**
UltraTech Cement	N.A.	0.9	Market value		10	17
Grand total					**829**	**1,389**

Source: Company, Kotak Institutional Equities estimates

Exhibit 7: Change in earnings estimates of L&T, March fiscal year-ends, 2010E and 2011E (Rs mn)

	New estimates			Old estimates		
Target price (Rs)	**1,375**			**1,000**		
Rating	**ADD**			**ADD**		
	FY2009E	**FY2010E**	**FY2011E**	**FY2009E**	**FY2010E**	**FY2011E**
Consolidated						
Revenues	387,220	471,815	578,955	392,924	486,404	582,371
Operating profit	51,046	61,390	73,231	51,131	61,979	71,461
Operating profit margin (%)	*13.2*	*13.0*	*12.6*	*13.0*	*12.7*	*12.3*
Profit before tax	44,475	50,237	59,440	43,303	48,885	55,944
Profit after tax	31,175	34,340	40,884	29,322	33,019	38,067
EPS (Rs)	52.6	57.5	68.2	49.5	55.3	63.5
EPS growth (%)	*35.4*	*9.4*	*18.5*	*13.0*	*12.7*	*12.3*
Order booking	516,000	591,465	680,185	520,523	566,309	651,255
Order booking growth (%)	*22.8*	*14.6*	*15.0*	*23.9*	*8.8*	*15.0*
Order backlog	703,000	939,888	1,174,440	768,528	968,578	1,173,241
Standalone						
Revenues	336,466	412,022	508,995	341,847	425,784	512,218
Operating profit	35,770	43,853	53,309	35,790	44,277	51,501
Operating profit margin (%)	*10.6*	*10.6*	*10.5*	*10.5*	*10.4*	*10.1*
Profit before tax	39,404	44,311	52,950	38,184	42,714	49,080
Profit after tax	27,092	29,688	35,476	25,205	28,196	32,397
EPS (Rs)	45.7	49.8	59.2	42.5	47.3	54.0
EPS growth (%)	*23.1*	*8.8*	*18.9*	*14.5*	*11.1*	*14.3*

Source: Kotak Institutional Equities estimates

Exhibit 8: Estimate order booking decline in FY2010E led by slow pace of process, O&G and infrastructure orders
Segmentwise order booking, revenue and backlog details of L&T, March fiscal year-ends, 2008-12E (Rs mn)

	2008	2009	2010E	2011E	2012E
Total engineering and construction					
Orders received	420,200	516,000	591,465	680,185	782,212
Yoy growth (%)	37.3	22.8	14.6	15.0	15.0
Revenues	189,510	339,800	354,578	445,632	541,471
Order backlog - year end	526,800	703,000	939,888	1,174,440	1,415,182
Process					
Orders received	63,030	82,560	66,048	75,955	87,348
Yoy growth (%)	47.1	31.0	(20.0)	15.0	15.0
Revenues	33,558	43,832	50,926	62,092	69,427
Order backlog - year end	73,752	112,480	127,602	141,465	159,386
Oil / gas					
Orders received	105,050	61,920	77,400	89,010	102,362
Yoy growth (%)	128.9	(41.1)	25.0	15.0	15.0
Revenues	53,996	84,664	54,848	66,191	77,989
Order backlog - year end	121,164	98,420	120,972	143,791	168,164
Power					
Orders received	58,828	129,000	174,150	200,273	230,313
Yoy growth (%)	60.2	119.3	35.0	15.0	15.0
Revenues	33,580	58,628	84,607	111,910	145,510
Order backlog - year end	84,288	154,660	244,203	332,565	417,369
Infrastructure					
Orders received	130,262	201,240	226,395	260,354	299,407
Yoy growth (%)	1.4	54.5	12.5	15.0	15.0
Revenues	84,524	102,658	120,428	157,312	194,083
Order backlog - year end	189,648	288,230	394,197	497,239	602,563
Others					
Orders received	63,030	41,280	47,472	54,593	62,782
Yoy growth (%)	21	(35)	15	15	15
Revenues	56,742	50,018	43,768	48,126	54,463
Order backlog - year end	57,948	49,210	52,914	59,381	67,699

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: Envisaged one-off opportunities may themselves be worth Rs150 bn out of total guidance of Rs650-700 bn of order booking

Various opportunities for L&T in the pipeline from ONGC and power sector

Project	Amount (US$ mn)	Status
ONGC - MHN project	1,300	- Seeks revised price bids for reduced scope - to be submitted on May 21, 2009 - 5 bidders in the race: Samsung, L&T, HHI, NPCC and Punj Lloyd - Indian companies to enjoy customs duty benefits
ONGC - B-193 well cum platform	800-1,000	- B-193 opened for re-tender - Composite tender for B-193 got only 2 bids, one each from L&T and Punj Lloyd - To be split up the project into 3 tenders
ICP-R well cum process platform	366	- Tender won by Afcons-PT Gunanusa consortium - Complaint by L&T that consortium lacks the stipulated qualifications - Other bidders include L&T, Punj Lloyd and J. Ray McDermott
NTPC and DVC bulk tenders	1,900	- Likely to place bulk order of 11 units with a total capacity of 7,260 MW - BHEL to be given preference over other bidders but required to match L1 bid - Players that may vie are L&T-MHI, JSW-Toshiba, BF-Alstom & Ansaldo-GB Engg
Muscat International Airport, Oman	1,170	- One of the packages awarded to TAV in partnership with CCI SAL,Greece - L&T was expected to win the order being L1 in this tender
Total outstanding opportunity	**3,566**	

Source: Oil and Gas news, Kotak Institutional Equities estimates

Utilities

TTPW.BO, Rs1102	
Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	1,100
52W High -Low (Rs)	1411 - 530
Market Cap (Rs bn)	245.3

Financials

March y/e	2009	2010E	2011E
Sales (Rs bn)	175.1	190.3	204.3
Net Profit (Rs bn)	12.5	17.1	19.3
EPS (Rs)	56.2	76.6	86.5
EPS gth	*78.9*	*37.3*	*13.3*
P/E (x)	19.6	14.4	12.7
EV/EBITDA (x)	10.9	11.3	10.7
Div yield (%)	1.0	1.1	1.3

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
22.9	51.6	64.9	(19.1)

Shareholding, March 2009

	Pattern	% of Portfolio	Over/(under) weight
Promoters	33.3	-	-
FIIs	18.6	0.8	0.1
MFs	6.9	1.3	0.7
UTI	-	-	(0.6)
LIC	11.7	1.6	1.0

Tata Power: 4QFY09—Stable performance from power business, coal drives consolidated results

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- **Operating and financial performance of extant business remains stable**
- **Goodwill impairment for investments in coal mines impacts consolidated profits**
- **Revise rating to ADD (from BUY) with target price of Rs1,100/share (Rs1,000/share previously)**

Tata Power (TPC) reported standalone revenues of Rs13.8 bn, EBITDA of Rs1.9 bn and net profits of Rs1.5 bn during 4QFY09 compared to our estimate of Rs19.3 bn, Rs2.3 bn and Rs0.8 bn, respectively. Reported profits were higher at Rs4.5 bn due to forex gains and profits from the sale of stake in Tata Teleservices (Rs2.5 bn). A sharp decline in cost of fuel and power purchased resulted in lower-than-estimated revenues. For FY2009, TPC, on a standalone basis, reported 20% growth in revenues, 3% growth in EBITDA and 8% growth in adjusted PAT at Rs70 bn, Rs9.5 bn and Rs5.6 bn, respectively. TPC reported consolidated revenues for FY2009 at Rs175 bn (+60% yoy), operating profit of Rs34 bn (+63% yoy) and net income of Rs12.9 bn (+83% yoy). Reported profits include sale of investments contributing to one-time gains of Rs2.6 bn (Rs3.5 in FY2008) and goodwill impairment of Rs2.8 bn taken on investments in coal mines. We have revised our EPS estimates to Rs76.6 (Rs90.2 previously) for FY2010E and Rs86.5 (Rs101.5 previously) for FY2011E. Our revised estimates factor in (1) a change in our USD assumption for consolidation of coal operations, (2) higher capex for Mumbai distribution business and (3) merchant sale of power (190 MW). We have changed our rating to ADD (from BUY), with a revised SOTP-based target price of Rs1,100/share (Rs1,000/share previously).

Operating performance of extant business remains stable, benefit of new capacities and part merchant sale likely to accrue from ensuing quarters. TPC reported 5% yoy growth in standalone operating profits and 8% yoy growth in net income, resulting from stable operations in its existing generation, transmission and distribution business. During FY2009, TPC generated 14,807 MU (1% yoy increase) and sold 14,703 MU (2% yoy decline) of power. We expect the commissioning of 421 MW of incremental capacities in 2HFY09 to reflect in higher generation and power sales in FY2010. We note that of the 421 MW of capacities commissioned during the current year 190 MW of capacity will be sold on merchant basis.

Consolidated revenues at Rs175 bn, primarily aided by higher realizations for coal. TPC reported 60% yoy increase in consolidated revenues aided by strong performance from the coal business (Rs48 bn revenues) and full consolidation of NDPL (Rs25 bn). Consolidated net income (adjusted) at Rs12.9 bn grew 83% yoy. Reported profits at Rs12.6 bn include—(1) Rs2.6 bn profit from the sale of stake in Tata Teleservices, (2) Rs1.6 bn for gain on foreign exchange, (3) Rs1.7 bn for prior period tax expense, and (4) Rs2.8 bn for impairment of goodwill.

NDPL reported 8% increase in revenues to Rs24.7 bn in FY2009 while net profits declined to Rs1.71 bn compared to Rs2.8 bn in FY2008. We note sales and net profits for FY2008 were aided by recovery of Rs2.25 bn towards previous years' depreciation from tariffs. Powerlinks (JV with Powergrid) reported revenues of Rs2.55 bn and net profit of Rs0.65 bn in FY2009 compared to Rs2.45 bn and Rs0.58 bn respectively in FY2008. The power trading business reported 146% increase in revenues to Rs21.7 bn and 77% increase in PAT to Rs76.3 mn.

Cash flows from coal mines comfortable for debt servicing. TPC received cash flows of US$252 mn from coal mines in FY2009 and reduced the debt in the SPVs to US$764 mn compared to US$900 mn at the end of FY2008. The coal mines contributed 27% to consolidated revenues and 51% to EBIT in FY2009 compared to 19% and 24% respectively in FY2008. We note the contribution of coal business to profits will be however much lower due to large debt taken in SPVs and 40% tax provisioning. While TPC has taken a goodwill impairment on investments in coal assets, management highlighted the cash flows at another US$8-10/ton lower realizations from current levels will be break-even for debt servicing. We highlight the key developments at the coal mining companies:

1. The coal mining companies have started making higher tax provision of 40% (compared to 30% previously) – we have adjusted our model to reflect the same.
2. TPC has made provision of Rs1.73 bn in FY2009 consolidated results for tax liability pertaining to operation of coal mines prior to the stake purchase. As per management, this provision along with provisions made previously cumulating to Rs2.15 bn is recoverable from the original owners of coal mines.
3. The expansion capex at coal mines is being reduced and only cost-saving projects are currently being pursued.

Management reports satisfactory progress in projects under implementation

1. **Mundra UMPP (4,000 MW)**—Management highlighted that about 23% of works at Mundra UMPP have been completed till March 31, 2009 (compared to 13% in Dec 2008). Mundra UMPP has incurred a capex of Rs26.8 bn funded by equity of Rs9.5 bn and debt of Rs17.3 bn. TPWR has also chartered three ships and ordered two ships with Korean shipyards for transportation of coal.
2. **Maithon (1,050 MW)**—The project is on track for commissioning the first unit by October 2010 and second unit by April 2011. Management highlighted that boiler drum lifting for the first unit was completed in March 2009. The project has incurred a capex of Rs9.5 bn till March 31, 2009 funded by equity of Rs3.5 bn and debt of Rs6.0 bn
3. **TPC commissioned two units of 45 MW in FY2009** and the third unit of 30 MW is expected to commission by June 2009. TPC has started selling power in merchant market from the 90 MW at Haldia and 100 MW from Trombay Unit 8. The balance 150 MW from Trombay Unit 8 is being sold to distribution businesses of Tata Power and BEST in Mumbai under the respective PPAs.
4. **Wind generation capacity has increased to 159 MW** with the addition of 81 MW at three locations. TPC will add another 37 MW of wind generation capacity in FY2010.
5. **JV with Tata Steel**— The 120 MW captive power project for Tata Steel at Jamshedpur (Unit 6) has started generation in May 2009. Another unit of 120 MW being implemented at Jojobera (Unit 5) will likely commission in 3QFY10.

SOTP-based target price of Rs1,100/share. We have revised our rating to ADD (from BUY previously) with an SOTP-based target price of Rs1,100/share (Rs1,000 previously). Our SOTP valuation comprises four components—(1) value of operating power assets and projects nearing completion (Rs386/share), (2) valuation of investments and cash in books equivalent to Rs250/share, (3) projects under-implementation (Rs227/share) and (4) valuation of stake in coal mines in Indonesia valued at Rs244/share.

Exhibit 1: Tata Power, Standalone quarterly performance, March yearends (Rs mn)

					(% Chg.)					
	4QFY09	4QFY09E	4QFY08	3QFY09	4QFY09E	4QFY08	3QFY09	FY2009	FY2008	(% Chg.)
Net sales	**13,798**	**19,316**	**16,345**	**17,415**	**(29)**	**(16)**	**(21)**	**70,715**	**59,159**	**20**
Cost of electrical energy purchased	(479)	(1,749)	(1,621)	(506)				(4,935)	(5,489)	
Cost of fuel	(8,749)	(12,581)	(10,827)	(12,752)				(48,135)	(37,054)	
Personnel costs	(763)	(704)	(2,638)	(690)				(2,919)	(4,548)	
Other expenses and provisions	(1,819)	(1,954)	329	(1,261)				(5,184)	(2,764)	
Total expenses	(11,810)	(16,988)	(14,756)	(15,208)				(61,173)	(49,855)	
EBITDA	**1,988**	**2,328**	**1,589**	**2,206**	**(15)**	**25**	**(10)**	**9,542**	**9,304**	**3**
Depreciation	(986)	(813)	(777)	(809)				(3,289)	(2,905)	
EBIT	1,002	1,515	812	1,398				6,253	6,399	
Other income	779	577	180	605				3,331	1,513	
Net interest	(904)	(1,090)	(282)	(952)				(3,058)	(1,676)	
PBT	**878**	**1,001**	**709**	**1,051**	**(12)**	**24**	**(16)**	**6,526**	**6,236**	**5**
Tax	(320)	(145)	(24)	(109)				(1,306)	(1,002)	
Statutory appropriations	963	—	—	(140)				453	—	
Net profit	**1,521**	**857**	**685**	**802**	**78**	**122**	**90**	**5,673**	**5,234**	**8**
Extraordinary	2,989	2,545	1,565	209				4,001	3,465	
EBITDA margin (%)	14	12	10	13				13	16	
Effective tax rate (%)	36	14	3	10				20	16	
Key operating parameters										
Units generated (MU)	3,566	3,114	3,501	3,847	15	2	(7)	14,807	14,717	1
Units sold (MU)	3,500	2,272	3,478	3,711	54	1	(6)	14,703	14,959	(2)
Per unit price realization (Rs)	4.1	7.9	4.6	5.6	(48)	(12)	(27)	4.7	3.9	20.94
Fuel cost per unit sold (Rs)	2.5	5.5	3.1	4.0	(55)	(20)	(37)	3.3	2.5	32.17

Source: Company data, Kotak Institutional Equities

Exhibit 2: Tata Power, Sum-of-the-parts valuation

	Methodology	Key assumptions/comments	FY2010E Book value per share (Rs)	Per share value (Rs)
Mumbai (Generation, transmission & distribution business)	DCFe Disc. Rate: 12% Term. Yr. Grth: 2%	The business enjoys very high predictability of cash flows. We have not built in any incremental capacity creation in Mumbai (beyond the 250 MW already under construction).	112	203
Other generation assets	Price/Book (X)	P/B of 2X for operational generation capacity at Jojobera (548 MW), Belgaum (81 MW); 3X for Haldia (merchant 90 MW) . P/B of 1.5X for projects under construction - 120 MW at Jojobera and 30 MW at Haldia.	46	111
Powerlinks Transmission Ltd	Price/Book (X)	We value the equity investment at 1.4X book: The project earns a regulated RoE of 14% as per the CERC tariff guideline for inter-state transmission project.	11	15
Delhi Distcom (NDPL)	DCF Disc. Rate: 12% Term. Yr. Grth: 2%	NDPL earns 16% RoE provided it meets cetain A,T&C loss reduction benchmarks. It is also incentivized by way of higher returns in the event of bettering the benchmarks	18	41
Tata BP Solar	P/E (X)	12X P/E on FY08	1	16
Investments	Various	20% discount to CMP/ KIE target price	90	173
Investible surplus on books	Market value	Marketable securities & cash on books	77	77
Bumi Resources	DCF	Net economic interest - based on dividend discount model	45	244
Mundra UMPP	DCF-equity	Levelized tariff of Rs2.26/unit for 25 years	124	181
Maithon	DCF-equity	74% stake in 1,050 MW project; 300 MW to be sold to DVC (regulated returns); Balance tied up through competitive bidding; Coal linkage allocated	35	46
TOTAL			**418**	**1,107**

Source: Kotak Institutional Equities estimates

Exhibit 3: Change in estimates for Tata Power (consolidated), March fiscal year-ends, 2009-11E (Rs mn)

	Revenues			EBITDA			Net profit		
	Old	New	% Chg.	Old	New	% Chg.	Old	New	% Chg.
2009	174,055	175,051	0.6	36,317	36,248	(0.2)	14,505	12,520	(13.7)
2010E	188,671	190,304	0.9	45,611	42,161	(7.6)	20,080	17,050	(15.1)
2011E	201,612	204,271	1.3	51,436	47,577	(7.5)	22,587	19,256	(14.7)

Source: Kotak Institutional Equities estimates

Exhibit 4: Tata Power: Profit model, balance sheet, cash model (Consolidated) 2007-2012E, March fiscal year-ends (Rs mn)

	2007	2008	2009E	2010E	2011E	2012E
Profit model (Rs mn)						
Net sales	64,756	108,909	175,051	190,304	204,271	225,963
EBITDA	**10,786**	**21,221**	**34,631**	**39,704**	**44,980**	**52,824**
Other income	2,671	1,641	2,070	2,457	2,597	2,857
Interest	(2,833)	(4,881)	(7,088)	(6,898)	(7,936)	(11,007)
Depreciation	(4,148)	(5,593)	(6,565)	(8,134)	(9,242)	(11,470)
Pretax profits	6,476	12,389	23,048	27,130	30,399	33,205
Tax	(816)	(4,083)	(9,275)	(9,454)	(10,392)	(10,455)
Minority interest	6	(1,219)	(800)	(626)	(752)	(975)
Net profits	**5,667**	**7,088**	**12,973**	**17,050**	**19,256**	**21,774**
Extraordinary items	1,877	3,179	(333)	—	—	—
Earnings per share (Rs)	**26.6**	**31.8**	**58.3**	**76.6**	**86.5**	**97.8**
Balance sheet (Rs mn)						
Total equity	59,479	82,408	93,023	106,948	122,558	140,426
Deferred taxation liability	458	2,820	6,211	6,211	6,211	6,211
Total borrowings	51,784	91,136	154,529	214,311	244,665	278,058
Currrent liabilities	22,238	38,539	43,199	44,392	47,709	52,258
Capital contribution from Consumers	758	1,506	1,506	1,506	1,506	1,506
Minority interest	2,496	8,062	10,164	11,918	13,410	14,385
Total liabilities and equity	**137,214**	**224,471**	**308,631**	**385,286**	**436,059**	**492,843**
Cash	14,024	5,623	17,479	5,915	8,391	17,092
Current assets	29,293	44,426	51,180	55,897	57,838	59,158
Total fixed assets	63,001	140,901	204,064	287,566	333,922	380,686
Investments	30,833	31,253	33,640	33,640	33,640	33,640
Deferred expenditure	62	2,268	2,268	2,268	2,268	2,268
Total assets	**137,214**	**224,471**	**308,631**	**385,286**	**436,059**	**492,843**
Free cash flow (Rs mn)						
Operating cash flow, excl. working capital	10,255	19,587	20,340	24,147	30,278	34,983
Working capital	(2,849)	(1,265)	821	(1,968)	(79)	2,251
Capital expenditure	(11,054)	(77,900)	(69,728)	(91,635)	(55,598)	(58,234)
Investments	(1,767)	(2,625)	(2,387)	—	—	—
Free cash flow	**(5,416)**	**(62,203)**	**(50,954)**	**(69,456)**	**(25,399)**	**(21,000)**

Source: Kotak Institutional Equities estimates

Automobiles

MAHM.BO, Rs637	
Rating	ADD
Sector coverage view	Cautious
Target Price (Rs)	670
52W High -Low (Rs)	690 - 235
Market Cap (Rs bn)	169.0

Financials

March y/e	2009	2010E	2011E
Sales (Rs bn)	122.5	142.2	155.2
Net Profit (Rs bn)	5.5	10.7	11.6
EPS (Rs)	21.7	40.4	43.6
EPS gth	*(42.9)*	*86.0*	*8.0*
P/E (x)	29.3	15.8	14.6
EV/EBITDA (x)	19.4	10.8	9.8
Div yield (%)	1.4	1.5	1.5

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
30.5	104.4	126.9	5.1

Shareholding, March 2009

	Pattern	% of Portfolio	Over/(under) weight
Promoters	29.2	-	-
FIIs	30.8	0.8	0.4
MFs	2.4	0.3	(0.1)
UTI	-	-	(0.4)
LIC	17.3	1.5	1.1

Mahindra & Mahindra: In-line quarter excluding AS11 write-back; raising EPS, target; maintain ADD

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- **4QFY09 results largely in line with estimates, excluding AS11 benefit and other one-offs**
- **Raising FY2010E EPS estimates to Rs40.4 from Rs34.7 to reflect stronger volume growth assumptions and lower interest expense**
- **Raising target to Rs670 from Rs450 as we carry forward our target to reflect FY2011E estimates; retaining ADD rating**

M&M reported in-line 4QFY09 PAT of Rs2.7 bn excluding one-off items such as the AS11 related write back, octroi refund and gain on sale of investments. EBITDA margins came in at 11%, in line with year-ago levels. We have assumed a similar margin for FY2010E. There could be upside on the margins as Mahindra's commodity contracts run on an annual basis and commodity cost declines could have a lagged impact. We raised our FY2010E and FY2011E EPS estimates to reflect higher sales volumes on UVs and lower interest expenses. We also raised our target to Rs670 from Rs450 as we carried forward our valuations to reflect FY2011E earnings and assigned a higher multiple to the stock. We now value the standalone business at a 15% discount to Maruti.

4QFY09 results largely in line with estimates, excluding AS11 benefit and other one-offs

Mahindra reported a PAT of Rs2.7 bn, excluding Rs1.67 bn of forex loss write-back with respect to AS11 accounting, Rs730 mn of quarterly forex losses and one-time gains of octroi refunds and gain on sale of investments. Revenues for the quarter were up 15% driven by PTL consolidation and lower excise duty. EBITDA margins came in at 11% on an adjusted basis versus 11.6%.

Raising FY2010E EPS estimates to Rs40.4 from Rs34.7 to reflect stronger volume growth assumptions and lower interest expense

The Rs4 rise in our estimates for FY2010E reflects higher volume growth of 20% for the UVs compared to 15% prior. We could still be conservative as most of the 34,000 unit increase in UV unit volume comes from the Xylo and we are not modeling much growth in other UVs in the stable. We are also reducing our interest expense to reflect a lower capex outlay to Rs40 bn through FY2012 from Rs50 bn prior. We raised our FY2011E EPS estimate is now Rs43.6 compared to Rs34.3 prior for similar reasons.

We now estimate a 14% increase in total volumes for FY2010E, driven by a 22% increase in UVs, and a 5% increase in tractors and 3-wheelers. We have modeled EBITDA margins of 11.3% for FY2010E, which is in line with the margin recorded in 4QFY09. For FY2011E, we are modeling a 7% growth in volumes and a slight improvement to 11.6% EBITDA margins.

Raising target to Rs670 from Rs450 as we carry forward our target to reflect FY2011E estimates; keeping ADD rating

Our Rs670 target is an SOTP-based valuation, where we value M&M's standalone business at Rs525 and Rs146 in subsidiary valuations. We value the public subsidiaries at KIE target prices wherever applicable. The Rs220 increase can be explained by Rs100 coming from moving to a new fiscal and Rs120 from a new multiple. Our Rs525 valuation for the standalone business reflects 11.5X our FY2011E EPS of Rs46. Our Rs46 EPS includes PTL and excludes expected dividends from the public subsidiaries. A 11.5X multiple reflects a 15% discount to Maruti. On an EV/EBITDA basis, the stock is trading close to 7X standalone FY2011E EBITDA estimate.

M&M, quarterly results, March fiscal year-ends (Rs mn)

					change (%)		
	4Q 2009	4Q 2009E	4Q 2008	3Q 2009	4Q 2009E	4Q 2008	3Q 2009
Net Sales	**36,192**	**33,617**	**31,482**	**25,063**	**7.7**	**15.0**	**44.4**
Expenditure	(30,932)	(30,311)	(28,058)	(24,806)	2.1	10.2	24.7
(Increase)/decrease in stocks	(1,726)	409	(1,433)	(2,718)		20.5	(36.5)
Consumption of Raw materials	(23,792)	(23,871)	(20,329)	(15,301)	(0.3)	17.0	55.5
Staff cost	(2,724)	(2,397)	(2,170)	(2,299)	13.6	25.5	18.5
Other expenditure	(2,690)	(4,452)	(4,126)	(4,488)	(39.6)	(34.8)	(40.1)
Other operating income	353	-	-	130			
EBITDA	**5,612**	**3,307**	**3,424**	**387**	**69.7**	**63.9**	
Other income	614	585	273	436	5.0	125.1	40.8
Interest (net)	(209)	(185)	(139)	(141)	13.2	50.5	48.3
Depreciation	(932)	(944)	(649)	(653)	(1.3)	43.7	42.8
Profit before extra-ordinary items	**5,086**	**2,763**	**2,909**	**29**	**84.1**	**74.8**	
Extra-ordinary items	-	-	-	-			
Profit before tax	**5,086**	**2,763**	**2,909**	**29**	**84.1**	**74.8**	
Tax	(905)	(76)	(837)	(17)		8.1	
Profit after tax	**4,181**	**2,686**	**2,072**	**12**	**55.6**	**101.7**	
Volumes	**79,810**	**79,810**	**78,213**	**61,048**	**-**	**2.0**	**30.7**
Average realisation	**453,473**	**421,217**	**402,511**	**410,539**	**7.7**	**12.7**	**10.5**
Margins (%)							
EBITDA margin	15.5	9.8	10.9	1.5			
Net profit margin	11.6	8.0	6.6	0.0			
Key ratios							
RM costs (% of net sales)	65.7	71.0	64.6	61.1			
Staff costs (% of net sales)	7.5	7.1	6.9	9.2			
Effective tax rate (%)	17.8	2.8	28.8	59.1			
EPS (Rs)	16.8	10.8	8.3	0.0			
Segmental revenues							
Automotive Segment	21,896	-	20,779	13,702		5.4	59.8
Farm Equipment Segment	14,485	-	9,804	11,390		47.7	27.2
Other segments	311	-	2,123	169		(85.3)	83.7
Total	**36,692**	**-**	**32,705**	**25,261**		12.2	45.2
Less: Intersegment revenues	147	-	1,224	69		(88.0)	113.9
Net Sales/Income from Operations	**36,545**	**-**	**31,482**	**25,193**		16.1	45.1
PBIT							
Automotive Segment	1,753	-	2,075	(104)		(15.5)	(1,780.6)
Farm Equipment Segment	1,605	-	1,419	1,214		13.2	32.2
Other segments	68	-	62	25		9.0	175.5
Total	**3,426**	**-**	**3,555**	**1,134**		(3.6)	202.1
Capital employed							
Automotive Segment	18,007	-	15,975	20,556		12.7	(12.4)
Farm Equipment Segment	12,820	-	8,560	11,388		49.8	12.6
Other segments	449	-	224	144		100.3	211.4
Total	**31,276**	**-**	**24,759**	**32,088**		26.3	(2.5)

Source: Company data, Kotak Institutional Equities estimates.

Mahindra & Mahindra volume details, March fiscal-year ends, 2005-2011E

	2005	2006	2007	2008	2009	2010E	2011E
LCVs	7,887	6,777	8,694	10,402	8,604	9,464	10,411
Utility Vehicles	111,138	114,688	127,857	148,759	153,653	187,457	201,516
Auto Division	**119,025**	**121,465**	**136,551**	**159,161**	**162,257**	**196,921**	**211,927**
Tractors	65,384	85,007	102,536	98,710	95,082	99,837	106,825
3-wheelers	22,943	22,419	33,718	33,926	44,533	46,760	49,098
Total vehicles	**207,352**	**228,891**	**272,805**	**291,797**	**301,872**	**343,517**	**367,849**
Growth (yoy %)	**2005**	**2006**	**2007**	**2008E**	**2009E**	**2010E**	**2011E**
LCVs	19.6	(14.1)	28.3	19.6	(17.3)	10.0	10.0
Utility Vehicles	20.8	3.2	11.5	16.3	3.3	22.0	7.5
Auto Division	**20.7**	**2.0**	**12.4**	**16.6**	**1.9**	**21.4**	**7.6**
Tractors	31.9	30.0	20.6	(3.7)	(3.7)	5.0	7.0
3-wheelers	32.3	(2.3)	50.4	0.6	31.3	5.0	5.0
Total vehicles	**25.3**	**10.4**	**19.2**	**7.0**	**3.5**	**13.8**	**7.1**
Product mix							
LCVs	3.8	3.0	3.2	3.6	2.9	2.8	2.8
UV	53.6	50.1	46.9	51.0	50.9	54.6	54.8
Tractors	31.5	37.1	37.6	33.8	31.5	29.1	29.0
3-wheelers	11.1	9.8	12.4	11.6	14.8	13.6	13.3

Source: Company data, Kotak Institutional Equities estimates

M&M, SOTP-based valuation, FY2010E basis

	EPS (Rs/share)	Multiple (X)	Value per share (Rs)	Comment
M&M standalone business +PTL	46	11.5	525	Based on 11.5X FY2010E EPS less dividend income/share from subs
Subsidiaries			**120**	
Tech Mahindra			58	Based on KIE target price of Rs360/share
Mahindra Lifespace Developers Ltd			19	Based on KIE target price of Rs410/share
Mahindra & Mahindra Financial Services Ltd			42	Based on KIE target price of Rs240/share
Other investments			26	Mahindra Lifespace Developers, Forgings
SOTP-based value			671	
Target price			**670**	

Note
(1) The subsidiaries have been valued at a holding company discount of 20%.

Source: Company data, Kotak Institutional Equities estimates

M&M, Profit model, balance sheet and cash flow model, March fiscal year-ends, 2006-2011E (Rs mn)

	2006	2007	2008	2009E	2010E	2011E
Profit model (Rs mn)						
Net sales	82,513	100,682	115,625	122,544	142,204	155,244
EBITDA	**9,958**	**13,048**	**14,034**	**7,340**	**16,128**	**18,055**
Other income	753	1,530	1,092	2,548	2,003	1,960
Interest	184	675	(242)	(560)	(1,105)	(1,257)
Depreciaiton	(2,000)	(2,096)	(2,387)	(2,839)	(3,384)	(4,024)
Profit before tax	**8,895**	**13,157**	**12,497**	**6,489**	**13,641**	**14,734**
Current tax	(2,854)	(3,657)	(2,788)	(330)	(2,046)	(2,210)
Deferred tax	430	157	(247)	(659)	(887)	(958)
Net profit	**8,571**	**10,684**	**11,034**	**5,603**	**10,708**	**11,566**
Earnings per share (Rs)	**34.8**	**43.0**	**44.4**	**21.7**	**40.4**	**43.6**
Balance sheet (Rs mn)						
Equity	30,556	35,727	44,068	47,614	63,386	73,087
Total Borrowings	8,834	16,360	25,871	33,627	31,627	31,627
Current liabilities	20,516	26,656	32,510	35,266	38,642	41,237
Total liabilities	**59,906**	**78,743**	**102,449**	**116,507**	**133,655**	**145,952**
Net fixed assets	15,544	18,712	23,609	29,770	42,386	54,362
Investments	16,691	22,375	42,151	46,151	44,762	42,762
Cash	7,303	13,261	8,612	10,562	5,262	4,485
Other current assets	20,188	24,221	27,941	29,889	34,111	37,208
Miscellaneous expenditure	181	176	135	135	135	135
Total assets	**59,906**	**78,743**	**102,449**	**116,507**	**126,655**	**138,952**
Free cash flow (Rs mn)						
Operating cash flow excl. working capital	6,919	9,712	10,730	7,114	14,082	15,845
Working capital changes	(50)	1,978	(2,472)	808	(846)	(502)
Capital expenditure	(2,747)	(4,819)	(7,171)	(9,000)	(16,000)	(16,000)
Free cash flow	**4,122**	**6,870**	**1,087**	**(1,078)**	**(2,764)**	**(657)**
Ratios						
Operating margin (%)	12.1	13.0	12.1	6.0	11.3	11.6
PAT margin (%)	10.4	10.6	9.5	4.6	7.5	7.5
Debt/equity (X)	0.3	0.5	0.6	0.7	0.5	0.4
Net debt/equity (X)	0.1	0.0	0.0	0.1	0.1	0.2
Book Value (Rs/share)	123.3	142.9	176.6	184.0	238.5	275.0
RoAE (%)	32.9	32.4	27.8	12.3	19.3	17.0
RoACE (%)	**23.6**	**22.4**	**18.4**	**8.1**	**13.2**	**12.6**

Source: Company, Kotak Institutional Equities estimates.

Energy

RELI.BO, Rs2221	
Rating	REDUCE
Sector coverage view	Neutral
Target Price (Rs)	1,750
52W High -Low (Rs)	2560 - 930
Market Cap (Rs bn)	3,049

Financials

March y/e	2009	2010E	2011E
Sales (Rs bn)	1,500	1,785	1,986
Net Profit (Rs bn)	157.1	199.1	266.5
EPS (Rs)	103.4	126.5	169.4
EPS gth	*(1.5)*	*22.4*	*33.9*
P/E (x)	21.5	17.5	13.1
EV/EBITDA (x)	12.6	8.0	6.2
Div yield (%)	0.6	0.7	0.9

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
22.9	75.4	95.7	(9.8)

Shareholding, March 2009

	Pattern	% of Portfolio	Over/(under) weight
Promoters	42.4	-	-
FIIs	19.4	11.5	2.5
MFs	2.6	7.1	(1.9)
UTI	-	-	(9.0)
LIC	5.5	10.7	1.7

Reliance Industries: E&P update—portfolio building up nicely but much more required

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- **Hardy Oil indicates potential resources of 9.5 tcf in KG D-3 and 10.8 tcf in KG D-9 blocks**
- **Portfolio building up nicely but more required to justify current stock price**
- **Retain REDUCE with 12-month SOTP-based target price of Rs1,750**

We see Hardy Oil's estimation of potential resources of 9.5 tcf in KG D-3 and 10.8 tcf in KG D-9 blocks as a positive since it gives some indication of prospectivity of the blocks. Local newspapers have wrongly disclosed these as reserves. We would await reserves (more relevant data point) in these blocks before ascribing any value to these blocks. RIL's E&P portfolio continues to build up nicely but we believe it would need to announce several large new oil and gas discoveries to justify the stock's current valuations. Our reverse valuation exercise suggests that the stock price is factoring in 67 tcf of new discoveries to be added in the next six years which is about 5X announced reserves in KG D-6 block. We retain REDUCE rating with SOTP-based fair valuation of Rs1,750 on FY2011E estimates. Key upside risk stems from new E&P discoveries and higher-than-expected chemical and refining margins.

Hardy Oil indicates potential resources in KG D-3 and KG D-9 blocks; more pertinent data point would be recoverable reserves; that would take time to emerge. Hardy Oil has indicated a resource potential of 9.5 tcf in KG D-3 and 10.8 tcf in KG D-9 blocks based on a technical evaluation report undertaken by Gaffney, Cline & Associates. We see this as a positive as it gives some indication of the prospectivity of the block, however, we would await disclosures of the more relevant data on the recoverable reserves. We highlight that this development does not reflect any new discoveries but merely gives an indication of the overall in-place hydrocarbons.

Exhibit 1 gives the Petroleum Resources Classification system giving detailed explanation of the terms of reserves, contingent resources and prospective resources and the estimated resources disclosed by Hardy Oil. Hardy Oil has indicated a presence of 9.5 tcf of gross risked best estimate of undiscovered in-place resources in KG D-9 block. Prospective resources in the same block have been estimated at 2.5 tcf, factoring in the respective geological chance of success (GCoS) of different plays. The contingent resources in KG D-9 have been estimated at 423 bcf. The prospective resources in KG D-9 block have been estimated at 10.8 tcf factoring the respective geological chance of success (GCoS) of different plays. We would advise investors to be mindful of the classification of resources while determining the prospectivity of the block and ascribing any value to it.

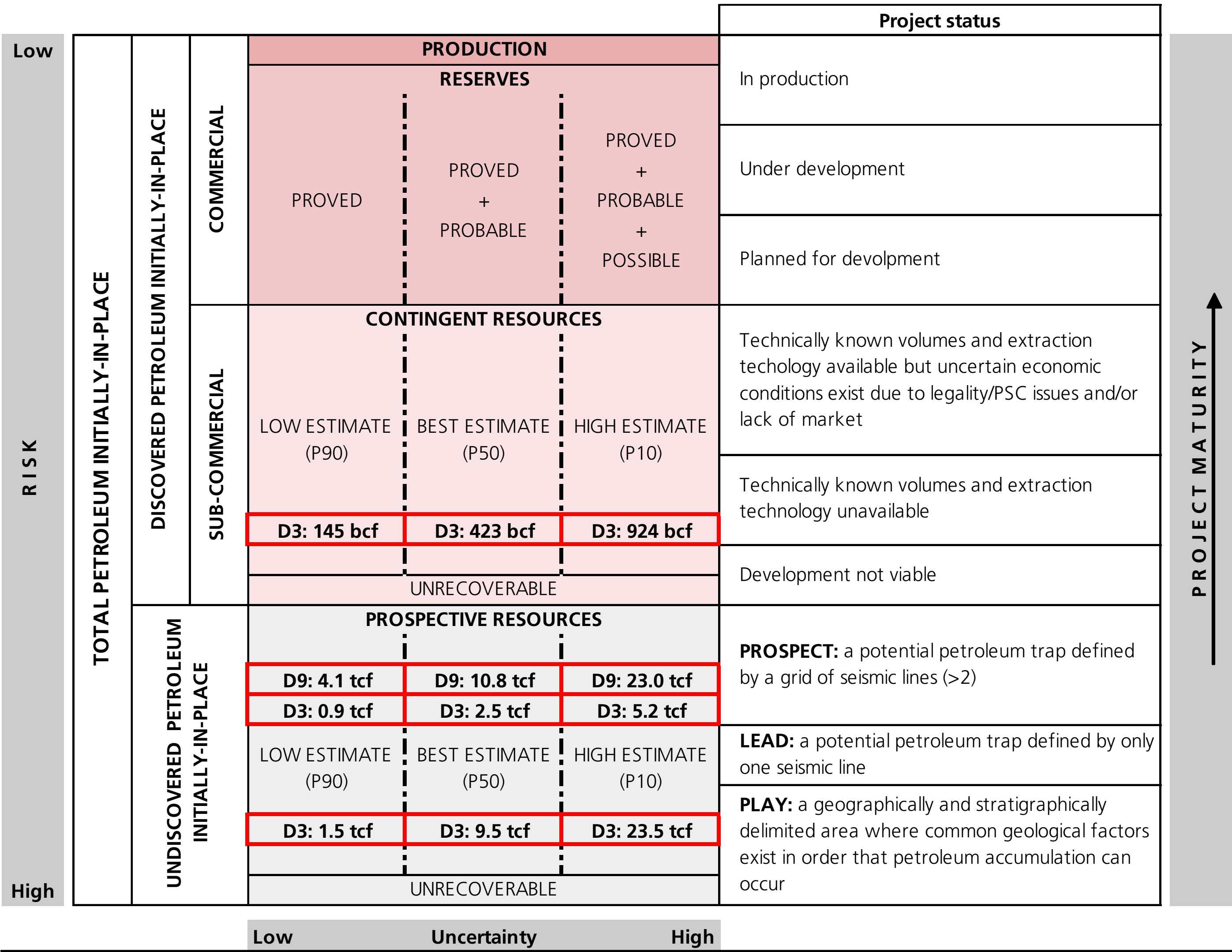
E&P portfolio building up nicely but more discoveries required to support current valuations. As highlighted previously, we see a big gap between the stock price (which reflects expectations regarding Reliance's E&P segment) and the fair value of its extant businesses (around Rs874/share, including value of investments). Currently, the gap between the stock price (expectations of future) and the fair value is about US$20 bn (see Exhibit 2). Reliance has made significant discoveries in its prolific KG D-6 block and in other blocks but it is yet to disclose reserves in the new discoveries.

Exhibit 3 shows the E&P discoveries made by Reliance since early 2007. We believe the new discoveries and potential new discoveries in some prospective blocks would have to significantly higher versus reserves announced to date in order to justify Reliance's current valuation.

In Exhibit 4, we show that Reliance's current stock price is implying around 34 tcf of additional gas reserves (recoverable). This compares with about 18 tcf of net recoverable reserves assumed by us in the valuation exercise for Reliance's KG D-6 block. The 34 tcf of additional gas reserves being implied by today's stock price would mean that Reliance would need to bring on stream the equivalent of 67 tcf of recoverable gas reserves assuming a typical discovery-to-production period of six years and a cost of capital of 12%.

Our hypothetical exercise (see Exhibit 5) shows that fair valuation of the stock after ascribing value to blocks KG D-3, KG D-9 and MN D-4. For the purpose of this exercise, we assume that the entire value of Niko Resources and Hardy Oil (RIL's consortium partners in the blocks) is derived from their operations in India (which is a generous assumption). Our fair valuation in the exercise comes to Rs2,200, which indicates that the current stock price is already factoring the discoveries in KG D-3, KG D-9 and MN D-4.

Petroleum resources classification system (not to scale)



Source: SPE, Kotak Institutional Equities

RIL stock price is implying US$20 bn of new discoveries of hydrocarbons in the future
Estimation of implied valuation of new businesses of Reliance Industries (US$ bn)

		Comments
1. Valuation of extant businesses		**Chemicals, RIL refinery, extant oil and gas**
FY2009 EPS of Reliance (standalone) (Rs)	103	FY2009 EPS
FY2009 EPS adjusted for treasury shares (Rs)	112	Adjusted for 199 mn treasury shares and shares issued on merger of RPET
Effective tax rate in FY2009 (%)	17	
FY2009 EPS adjusted for tax rate	89	Normalized for 34% tax rate for extant earnings
Appropriate P/E multiple (X)	7	Reasonable given near peak-cycle margins, earnings in FY2009 and cost of equity of 12.5%
Valuation of extant businesses excluding RPET (Rs)	**622**	
Valuation of extant businesses excluding RPET	**18**	**Reasonable in the context of replacement value, returns**
FY2010E earnings of RPET (US$ bn)	1	
FY2010E EPS of RPET	25	
Appropriate P/E multiple (X)	9	
Valuation of RPET refinery (Rs)	**229**	
Valuation of extant businesses (including RPET) (Rs)	**851**	
Valuation of extant businesses	**25**	
2. Valuation of investments		**Others (without Reliance Retail)**
Other investments (Rs)	**23**	
Valuation of RIL ex-new E&P, retailing, SEZs (Rs)	**874**	
Current stock price	2,186	
3. Valuation of new businesses		**Emerging E&P business, retailing, SEZs**
Market-ascribed value of new businesses	**1,312**	
Market-ascribed value of new businesses (US$ bn)	**38**	
Estimated valuation of retailing (US$ bn)	1.0	Valued at 0.8X of amount invested (Rs60 bn) at end-FY2009E
Estimated valuation of SEZs (US$ bn)	1.0	Value will take time to emerge
Market-ascribed value of emerging E&P business	**36**	**Seems significantly high based on official reserves, announced discoveries**
Estimated value of Reliance's stake in KG D-6 (gas)	9.2	Based on gas production of 18.2 tcf, US$8.8 bn capex, US$4.2/mn BTU net price
Estimated value of Reliance's stake in KG D-6 (oil)	1.8	0.5 bn bbls of OOIP assumed versus current announced reserves of 180 mn bbls
Estimated value of Reliance's stakes in NEC-25	2.8	Based on 5.1 tcf of production, US$1.15 bn capex, US$4.5/mn BTU
Estimated value of Reliance's stakes in CBM	1.6	Based on 2.8 tcf of production
Implied value of new discoveries	**20**	

Source: Kotak Institutional Equities estimates

Reliance's current stock price is implying additional recoverable reserves of ~34 tcf of gas today
Valuation of Reliance's E&P segment and implied valuation for potential discoveries (US$ bn)

		Commnets
DCF valuation of KG D-6 block, gas for D1 & D3 fields	9.2	15.4 tcf of net recoverable gas reserves
Valuation of KG D-6 block, oil for MA-1 field	1.8	450 mn bbls of net proved reserves of oil at EV/bbl of US$10
Valuation of Reliance's stakes in NEC-25	2.8	4.6 tcf of net recoverable gas reserves
Valuation of Reliance's stakes in CBM blocks	1.6	2.8 tcf of net recoverable gas reserves
Total valuation of extant announced reserves	**15**	
Total recoverable reserves (tcf)	**25**	
Implied valuation of E&P segment	36	
Implied valuation of new E&P discoveries	20	
Implied additional recoverable reserves in stock price (tcf)	**34**	**This is what Reliance needs to announce today**
# of years from discovery to production	6	KG D-6 first gas discovered in Oct-02, production in 2HFY09
Cost of capital (%)	12	
Additional gas reserves required to be added in six years (tcf)	**67**	**This is what Reliance needs to bring in production in six years**

Note:
(a) The above exercise assumes for simplicity that all future gas and oil discovery would have similar PSC terms as the KG D-6 block.

Source: Kotak Institutional Equities estimates

Reliance has made new discoveries over the past few months but not yet disclosed reserves

Oil and gas discoveries of Reliance since January 2007

	Block	Area (sq. km)	Consortium	RIL's stake (%)	Comments
1	KG-DWN-98/3	7,645	Reliance, Niko	90	Oil and gas discovery in MA-2 well in February 2007
2	KG-DWN-98/3	7,645	Reliance, Niko	90	KG-D6-AA1, KG-D6-Q1 wells in deeper areas of block in February 2007
3	KG-DWN-98/3	7,645	Reliance, Niko	90	R1 well in August 2007 encountered two significant gas-bearing zones
4	NEC-OSN-97/2	14,535	Reliance, Niko	90	Dhirubhai-32 (7th) gas discovery
5	NEC-OSN-97/2	14,535	Reliance, Niko	90	Dhirubhai-40 (8th) gas discovery in Feb 2008
6	GS-OSN-2000/1	8,841	Reliance, Hardy	90	Gas discovery in May 2007
7	CY-DWN-2001/2	14,325	Reliance	100	Oil and gas discovery in July 2007
8	KG-DWN-98/1	8,100	Reliance	100	Dhirubhai-36 oil discovery in September 2007; first oil discovery in the block
9	KG-OSN-2001/2	210	Reliance	100	Gas discovery notified to DGH; commerciality to be ascertained
10	KG-OSN-2001/1	1,100	Reliance	100	Dhirubhai-38; gas discovery in January 2008
11	KG-OSN-2001/2	1,100	Reliance	100	Dhirubhai-37; gas discovery notified to DGH
12	SR-OS-94/1	6,860	Reliance	100	Oil discovery notified to DGH
13	MN-DWN-2003/1	17,050	Reliance, Niko	85	Date of drilling yet to be decided
14	KG-DWN-2003/1	3,288	Reliance, Hardy	90	Dhirubhai-39; gas discovery in February 2008
15	KG-DWN-2003/1	3,288	Reliance, Hardy	90	Second gas discovery in April 2008.
16	KG-DWN-98/3	7,645	Reliance, Niko	90	Dhirubhai-42; discovery notified to government in July 2008
17	KG-DWN-98/3	7,645	Reliance, Niko	90	Gas discovery (L-1 well) in September 2008

Note:

(a) We have included the MN-DWN-2003/1 (MN D-4) block given high expectations from this block.

Source: Company, Rigzone, Kotak Institutional Equities estimates.

Our blue-sky valuation for Reliance Industries comes to Rs2,200

Sum-of-the-parts valuation of Reliance Industries, FY2011E basis (Rs)

	Valuation base (Rs bn)		Multiple (X)		EV	Value share
	Other	EBITDA	Muliple	EV/EBITDA	(Rs bn)	(Rs)
Chemicals		76		6.0	455	315
Refining & Marketing		182		6.0	1,091	756
Oil and gas—producing		27		5.0	133	92
Gas—developing (DCF-based) (a)	614	—	100%	—	614	426
Gas—developing (based on EV of consortium partners) (b)						
KG D-4 + KG D-6 upside	521	—	100%	—	521	361
KG D-3 and KG D-9	132	—	100%	—	132	92
Oil—KG-DWN-98/3 (b)	94	—	100%	—	94	65
Investments						
Others	27	—	100%	—	27	19
Loans & advances to affiliates less accounts payables to affiliates	83	—	100%	—	83	58
Retailing	60	—	80%	—	48	33
SEZ development	62	—	80%	—	50	34
Total enterprise value					**3,249**	**2,251**
Net debt					93	65
Implied equity value					**3,156**	**2,186**

Note:

(a) We value the KG D-6 and NEC-25 gas discoveries on DCF and CBM discoveries based on KG D-6's valuation.

(b) 180 mn bbls of recoverable reserves based on gross OOIP of 0.5 bn bbls.

(c) Net debt is for 'merged' entity.

(d) We use 1.443 bn shares post merger of RPET with RIL (excluding treasury shares) for per share computations.

Source: Kotak Institutional Equities estimates

SOTP valuation of Reliance is Rs1,750 per share on FY2011E estimates

Sum-of-the-parts valuation of Reliance Industries, FY2011E basis (Rs)

	Valuation base (Rs bn)		Multiple (X)		EV	Value share
	Other	EBITDA	Muliple	EV/EBITDA	(Rs bn)	(Rs)
Chemicals		76		6.0	455	315
Refining & Marketing		182		6.0	1,091	756
Oil and gas—producing		27		5.0	133	92
Gas—developing (DCF-based) (a)	614	—	100%	—	614	426
Oil—KG-DWN-98/3 (b)	94	—	100%	—	94	65
Investments						
Others	27	—	100%	—	27	19
Loans & advances to affiliates less accounts payables to affiliates	83	—	100%	—	83	58
Retailing	60	—	80%	—	48	33
SEZ development	62	—	80%	—	50	34
Total enterprise value					**2,596**	**1,798**
Net debt					93	65
Implied equity value					**2,502**	**1,733**

Note:

(a) We value the KG D-6 and NEC-25 gas discoveries on DCF and CBM discoveries based on KG D-6's valuation.

(b) 180 mn bbls of recoverable reserves based on gross OOIP of 0.5 bn bbls.

(c) Net debt is for 'merged' entity.

(d) We use 1.443 bn shares post merger of RPET with RIL (excluding treasury shares) for per share computations.

Source: Kotak Institutional Equities estimates

RIL consolidated with RPL: Profit model, balance sheet, cash model, March fiscal year-ends, 2003-2012E (Rs mn)

	2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E
Profit model (Rs mn)										
Net sales	451,133	510,715	656,223	809,113	1,114,927	1,334,430	1,499,690	1,785,377	1,986,055	2,077,653
EBITDA	**75,808**	**91,148**	**123,820**	**139,991**	**198,462**	**233,056**	**236,220**	**356,459**	**439,622**	**520,813**
Other income	10,012	11,381	14,498	6,829	4,783	8,953	20,570	34,626	36,277	43,225
Interest	(15,552)	(14,347)	(14,687)	(8,770)	(11,889)	(10,774)	(17,450)	(50,943)	(36,931)	(14,849)
Depreciation & depletion	(28,371)	(32,470)	(37,235)	(34,009)	(48,152)	(48,471)	(51,720)	(93,053)	(102,501)	(113,944)
Pretax profits	41,897	55,711	86,397	104,041	143,205	182,764	187,620	247,090	336,467	435,245
Extraordinary items	7,845	7,300	4,290	3,000	2,000	47,335	(3,700)	—	—	—
Tax	(2,459)	(3,510)	(7,050)	(9,307)	(16,574)	(26,520)	(21,290)	(29,344)	(56,766)	(84,401)
Deferred taxation	(6,240)	(7,900)	(7,920)	(7,040)	(9,196)	(8,999)	(9,000)	(7,594)	5,186	10,677
Minority interest	—	—	—	—	—	—	(249)	(11,075)	(18,339)	(23,508)
Net profits	41,043	51,601	75,717	90,693	119,434	194,580	153,381	199,077	266,547	338,013
Adjusted net profits	**34,570**	**45,623**	**72,135**	**88,152**	**117,789**	**152,605**	**156,472**	**199,077**	**266,547**	**338,013**
Earnings per share (Rs)	**25**	**33**	**52**	**63**	**81**	**105**	**103.4**	**126.5**	**169.4**	**214.8**
Balance sheet (Rs mn)										
Total equity	303,744	344,525	404,033	430,543	673,037	847,853	1,130,178	1,297,357	1,526,709	1,808,906
Deferred taxation liability	26,848	34,748	42,668	49,708	69,820	78,725	87,725	95,320	90,134	79,457
Minority interest	—	—	—	—	33,622	33,622	33,832	40,547	53,394	66,271
Total borrowings	197,583	209,447	187,846	218,656	332,927	493,072	710,346	608,160	371,160	169,512
Currrent liabilities	109,666	122,855	171,315	164,545	192,305	251,427	301,513	246,579	259,117	258,574
Total liabilities and equity	**637,842**	**711,574**	**805,863**	**863,452**	**1,301,712**	**1,704,700**	**2,263,594**	**2,287,963**	**2,300,513**	**2,382,719**
Cash	1,472	2,242	36,087	21,461	18,449	42,822	256,703	262,760	277,824	386,900
Current assets	227,809	218,159	248,438	224,283	286,566	402,721	483,779	514,027	539,670	544,900
Total fixed assets	340,863	351,460	350,823	626,745	899,403	1,081,638	1,333,592	1,321,657	1,293,500	1,261,401
Investments	67,227	139,714	170,515	(9,038)	97,294	177,519	189,519	189,519	189,519	189,519
Deferred expenditure	472	—	—	—	—	—	—	—	—	—
Total assets	**637,842**	**711,574**	**805,863**	**863,452**	**1,301,712**	**1,704,700**	**2,263,594**	**2,287,963**	**2,300,513**	**2,382,719**
Free cash flow (Rs mn)										
Operating cash flow, excl. working capital	67,072	83,301	107,002	119,520	164,285	180,718	168,460	269,517	340,414	414,961
Working capital	(17,614)	20,265	46,875	(32,188)	(13,075)	(31,071)	(30,973)	(85,182)	(13,105)	(5,772)
Capital expenditure	(37,043)	(43,191)	(52,440)	(94,273)	(247,274)	(239,691)	(238,171)	(74,940)	(73,616)	(82,895)
Investments	(34,204)	(68,430)	(48,192)	(32,364)	(105,760)	(78,953)	(12,000)	—	—	—
Other income	5,219	5,902	3,032	5,159	4,143	6,132	20,570	34,626	36,277	43,225
Free cash flow	**(16,569)**	**(2,153)**	**56,276**	**(34,146)**	**(197,681)**	**(162,865)**	**(92,114)**	**144,022**	**289,970**	**369,519**
Ratios (%)										
Debt/equity	59.8	55.2	42.1	45.5	44.8	53.2	58.3	43.7	23.0	9.0
Net debt/equity	59.3	54.6	34.0	41.1	42.3	48.6	37.2	24.8	5.8	(11.5)
RoAE	10.7	12.7	17.6	19.9	20.3	18.9	15.0	15.7	18.2	19.6
RoACE	**8.8**	**9.7**	**13.0**	**13.8**	**13.9**	**12.7**	**9.9**	**12.6**	**15.4**	**18.0**

Source: Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	28-May-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS growth (%) 2009E	EPS growth (%) 2010E	EPS growth (%) 2011E	PER (X) 2009E	PER (X) 2010E	PER (X) 2011E	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	Price/BV (X) 2009E	Price/BV (X) 2010E	Price/BV (X) 2011E	Dividend yield (%) 2009E	Dividend yield (%) 2010E	Dividend yield (%) 2011E	RoE (%) 2009E	RoE (%) 2010E	RoE (%) 2011E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Automobiles																													
Bajaj Auto	951	SELL	137,587	2,890	145	48.7	65.3	73.1	(6.7)	34.0	12.0	19.5	14.6	13.0	10.9	8.3	8.2	7.2	5.6	4.4	2.1	2.1	2.1	40.2	42.8	36.8	780	(18.0)	3.4
Hero Honda	1,328	REDUCE	265,102	5,569	200	64.2	83.8	91.2	32.4	30.5	8.8	20.7	15.8	14.6	12.0	9.2	8.0	6.8	5.2	4.2	1.5	1.7	1.7	36.6	37.4	31.9	1,000	(24.7)	17.2
Mahindra & Mahindra	637	ADD	168,966	3,549	265	21.6	34.7	39.1	(43.2)	60.6	12.8	29.5	18.4	16.3	19.5	11.4	10.0	3.6	2.7	2.4	1.4	1.5	1.5	12.2	16.9	15.8	450	(29.4)	14.9
Maruti Suzuki	1,004	SELL	290,113	6,094	289	42.2	58.3	63.4	(29.5)	38.1	8.6	23.8	17.2	15.8	13.4	8.7	7.4	3.0	2.6	2.2	0.3	0.5	0.5	13.3	16.1	15.1	780	(22.3)	27.2
Tata Motors	333	SELL	185,210	3,891	556	18.5	19.0	24.0	(62.8)	2.6	26.3	18.0	17.5	13.9	12.9	9.2	7.9	1.3	1.2	1.1	—	—	—	9.1	7.3	—	195	(41.4)	35.4
Automobiles		**Cautious**	**1,046,977**	**21,993**					**(25.6)**	**31.2**	**12.8**	**21.9**	**16.7**	**14.8**	13.2	9.3	8.1	**3.1**	**2.6**	**2.3**	**1.0**	**1.1**	**1.1**	**14.0**	**15.7**	**15.4**			
Banks/Financial Institutions																													
Andhra Bank	92	ADD	44,426	933	485	13.5	11.1	12.6	14.0	(17.9)	13.6	6.8	8.2	7.3	—	—	—	1.3	1.3	1.3	4.9	3.0	3.4	19.0	14.0	14.4	75	(18.1)	1.2
Axis Bank	782	BUY	280,760	5,898	359	50.6	56.1	66.6	56.9	11.0	18.7	15.5	13.9	11.7	—	—	—	3.0	2.6	2.3	1.3	1.4	1.7	19.1	18.3	18.9	700	(10.5)	67.9
Bank of Baroda	442	ADD	161,417	3,391	366	60.9	54.9	58.5	55.1	(9.8)	6.5	7.2	8.0	7.5	—	—	—	1.6	1.5	1.4	2.0	1.8	2.0	18.7	14.9	14.2	370	(16.2)	11.1
Bank of India	324	ADD	170,554	3,583	526	57.2	46.3	53.2	40.7	(19.1)	14.9	5.7	7.0	6.1	—	—	—	1.7	1.6	1.5	2.5	2.0	2.3	29.2	19.0	18.7	310	(4.4)	16.0
Canara Bank	289	REDUCE	118,654	2,492	410	50.5	38.6	41.4	32.4	(23.6)	7.1	5.7	7.5	7.0	—	—	—	1.5	1.4	1.2	2.8	2.8	3.5	18.3	12.4	12.2	220	(24.0)	5.4
Corporation Bank	306	BUY	43,899	922	143	62.2	51.5	55.3	21.4	(17.3)	7.4	4.9	5.9	5.5	—	—	—	0.9	0.8	0.7	4.2	3.4	3.7	19.6	14.3	13.8	310	1.3	0.9
Federal Bank	250	BUY	42,698	897	171	27.8	31.4	38.2	(19.2)	13.1	21.5	9.0	7.9	6.5	—	—	—	1.0	0.9	0.9	2.1	2.3	2.8	11.5	11.8	13.0	280	12.2	3.1
Future Capital Holdings	292	BUY	18,490	388	63	4.5	28.8	NA	(198.6)	546.1	(100.0)	65.7	10.2	NA	—	—	—	2.4	2.0	NA	—	—	—	3.8	21.4	NA	440	50.5	1.3
HDFC	2,183	SELL	621,025	13,045	284	80.2	93.4	109.1	(6.5)	16.5	16.7	27.2	23.4	20.0	—	—	—	4.7	4.2	3.8	1.4	1.5	1.7	18.2	18.7	19.2	1,730	(20.8)	77.3
HDFC Bank	1,440	ADD	605,865	12,727	421	55.4	64.1	75.0	20.4	15.7	17.1	26.0	22.5	19.2	—	—	—	4.0	3.5	3.1	0.7	0.8	1.0	16.9	16.7	17.3	1,150	(20.1)	57.3
ICICI Bank	730	ADD	812,824	17,074	1,113	33.8	32.3	38.5	(15.4)	(4.4)	19.2	21.6	22.6	19.0	—	—	—	1.6	1.6	1.5	1.5	1.2	1.3	7.8	7.1	8.0	475	(35.0)	213.4
IDFC	124	ADD	160,817	3,378	1,294	5.8	7.0	8.0	2.3	21.0	13.3	21.4	17.7	15.6	—	—	—	2.6	2.3	2.1	0.8	1.0	1.1	12.9	14.1	14.2	85	(31.6)	29.4
India Infoline	141	ADD	43,956	923	311	5.0	5.8	6.5	(10.0)	15.5	12.3	28.0	24.2	21.6	—	—	—	3.5	3.1	2.8	1.9	2.4	2.8	11.7	13.5	14.6	90	(36.2)	8.3
Indian Bank	132	BUY	56,902	1,195	430	28.1	26.6	30.6	24.7	(5.3)	15.0	4.7	5.0	4.3	—	—	—	1.1	1.0	0.9	3.2	3.0	3.5	22.7	18.3	18.1	165	24.6	2.8
Indian Overseas Bank	88	BUY	47,861	1,005	545	24.3	16.6	22.2	10.3	(31.9)	33.8	3.6	5.3	4.0	—	—	—	0.8	0.7	0.6	6.0	4.3	4.7	24.7	14.5	17.0	110	25.2	3.9
J&K Bank	477	ADD	23,145	486	48	82.8	72.2	92.8	11.5	(12.7)	28.4	5.8	6.6	5.1	—	—	—	1.0	1.0	0.9	3.6	3.2	4.1	16.5	12.9	14.9	480	0.6	0.4
LIC Housing Finance	510	BUY	43,331	910	85	62.5	68.8	80.3	37.3	10.0	16.8	8.2	7.4	6.3	—	—	—	1.8	1.5	1.2	2.7	3.0	3.5	26.2	23.9	23.4	390	(23.5)	8.4
Mahindra & Mahindra Financial	245	ADD	23,475	493	96	22.4	27.5	30.0	7.5	22.9	8.7	10.9	8.9	8.2	—	—	—	1.7	1.4	1.3	2.3	2.8	3.1	15.4	16.9	16.3	240	(2.2)	0.3
Oriental Bank of Commerce	190	ADD	47,502	998	251	36.1	27.3	34.6	51.4	(24.5)	26.7	5.2	6.9	5.5	—	—	—	0.8	0.9	0.9	3.8	2.9	3.6	14.8	10.2	11.8	150	(20.9)	3.3
PFC	197	SELL	226,397	4,756	1,148	13.0	16.5	19.3	14.3	26.7	17.6	15.2	12.0	10.2	—	—	—	2.0	1.8	1.6	1.4	2.5	2.2	13.8	15.8	16.7	160	(18.9)	5.2
Punjab National Bank	664	BUY	209,455	4,400	315	98.0	98.5	115.1	50.9	0.5	16.8	6.8	6.7	5.8	—	—	—	1.7	1.5	1.3	3.0	3.0	3.5	23.0	19.9	20.1	760	14.4	24.2
Rural Electrification Corp.	142	BUY	121,835	2,559	859	15.2	17.7	20.0	38.8	16.8	13.0	9.4	8.0	7.1	—	—	—	1.7	1.5	1.3	3.4	4.0	4.5	19.6	19.9	19.6	125	(11.9)	2.8
Shriram Transport	293	ADD	61,875	1,300	212	30.1	32.5	36.9	56.8	7.9	13.7	9.7	9.0	7.9	—	—	—	2.8	2.4	2.0	3.0	3.3	3.8	29.6	27.0	25.8	300	2.6	2.5
SREI	70	ADD	8,175	172	116	7.7	6.9	8.2	(32.8)	(10.1)	18.6	9.1	10.2	8.6	—	—	—	0.8	0.7	0.7	3.3	4.0	4.6	14.0	11.5	13.0	50	(28.9)	2.3
State Bank of India	1,830	BUY	1,161,764	24,404	635	143.6	121.1	139.2	34.8	(15.7)	14.9	12.7	15.1	13.1	—	—	—	2.3	2.3	2.0	1.6	1.6	1.7	17.1	12.7	13.3	1,600	(12.5)	118.8
Union Bank	199	BUY	100,670	2,115	505	34.2	29.6	35.5	24.5	(13.5)	19.9	5.8	6.7	5.6	—	—	—	1.2	1.0	0.9	2.6	2.2	2.7	27.2	19.5	19.9	220	10.4	6.0
Banks/Financial Institutions		**Attractive**	**5,257,775**	**110,446**					**27.6**	**(4.5)**	**15.6**	**12.4**	**13.0**	**11.2**	**—**	**—**	**—**	**2.1**	**2.0**	**1.8**	**1.8**	**1.8**	**2.0**	**16.9**	**15.0**	**15.7**			
Cement																													
ACC	728	REDUCE	136,683	2,871	188	56.3	55.2	42.2	(12.2)	(1.9)	(23.6)	12.9	13.2	17.2	6.4	6.5	7.6	2.6	2.3	2.1	3.2	3.2	3.2	24.7	21.3	15.1	625	(14.1)	11.6
Ambuja Cements	89	REDUCE	135,720	2,851	1,522	7.2	6.8	5.4	(5.0)	(4.7)	(20.5)	12.4	13.0	16.4	6.7	6.8	8.2	2.2	2.0	1.8	3.4	2.1	2.4	19.7	16.6	12.0	70	(21.5)	4.8
Grasim Industries	2,177	REDUCE	199,609	4,193	92	238.5	235.7	239.1	(16.2)	(1.2)	1.4	9.1	9.2	9.1	5.3	4.8	4.5	1.8	1.6	1.4	1.5	1.5	1.6	21.7	18.2	16.0	1,900	(12.7)	9.6
India Cements	143	ADD	40,222	845	282	22.7	19.8	17.5	n/a	(12.8)	(11.2)	6.3	7.2	8.1	4.4	4.5	4.8	1.1	0.9	0.8	1.5	1.5	2.2	15.7	14.7	11.7	130	(8.9)	5.9
Shree Cement	1,003	BUY	34,924	734	35	174.7	91.6	86.2	93.7	(47.6)	(5.9)	5.7	10.9	11.6	4.0	4.3	4.6	2.9	2.4	2.0	1.0	1.0	1.0	65.7	24.0	18.9	950	(5.2)	0.5
UltraTech Cement	691	ADD	86,586	1,819	125	78.0	70.5	49.3	(4.1)	(9.7)	(30.0)	8.9	9.8	14.0	5.7	5.4	6.7	2.0	1.7	1.5	1.2	1.2	1.2	31.2	22.3	13.4	625	(9.6)	1.1
Cement		**Cautious**	**633,744**	**13,313**					**(5.1)**	**(9.5)**	**(12.9)**	**9.6**	**10.6**	**12.1**	**5.6**	**5.4**	**5.8**	**2.0**	**1.7**	**1.6**	**2.2**	**1.9**	**2.1**	**21.0**	**16.4**	**12.9**			
Consumer products																													
Asian Paints	1,062	ADD	101,910	2,141	96	38.4	49.1	57.5	(2.2)	27.9	17.1	27.7	21.6	18.5	16.1	12.6	10.6	9.0	7.3	6.1	1.6	1.9	2.1	36.3	38.5	36.8	1,000	(5.9)	0.9
Colgate-Palmolive (India)	454	ADD	61,748	1,297	136	20.4	23.3	25.7	19.4	14.4	10.1	22.3	19.5	17.7	19.3	16.2	14.1	36.6	40.5	46.1	4.0	4.6	5.1	157.8	198.4	245.6	490	7.9	2.0
GlaxoSmithkline Consumer (a)	847	ADD	35,638	749	42	44.8	56.1	63.6	15.8	25.2	13.5	18.9	15.1	13.3	10.4	8.4	7.4	4.6	4.0	3.5	1.8	2.5	3.5	26.8	28.5	28.0	900	6.2	0.5
Godrej Consumer Products	176	ADD	45,401	954	258	6.8	8.7	9.8	(3.9)	27.8	12.8	26.0	20.3	18.0	22.6	16.6	13.7	6.9	5.9	5.1	2.3	2.3	2.3	42.7	42.7	33.1	160	(9.0)	0.8
Hindustan Unilever	231	REDUCE	503,456	10,576	2,179	9.2	10.2	11.6	12.9	11.5	13.6	25.2	22.6	19.9	20.1	17.2	15.2	32.5	30.2	27.9	3.8	4.2	4.8	134.3	139.0	146.1	235	1.7	26.5
ITC	184	ADD	693,047	14,558	3,769	8.7	9.9	11.3	4.8	14.2	14.4	21.2	18.6	16.2	12.9	11.4	10.1	4.9	4.3	3.7	2.0	2.2	2.4	25.4	25.4	25—	225	22.3	25.0
Jyothy Laboratories	80	ADD	5,787	122	73	7.2	10.6	13.0	10.2	47.3	22.1	11.0	7.5	6.1	6.8	4.7	3.6	1.5	1.3	1.1	2.9	3.7	4.4	13.0	16.5	18.8	127	59.2	
Nestle India (a)	1,724	ADD	166,226	3,492	96	58.6	70.5	82.4	31.0	20.4	16.8	29.4	24.4	20.9	18.7	16.0	13.8	35.1	28.8	23.9	2.5	3.0	3.5	126.7	129.6	124.8	1,800	4.4	1.8
Tata Tea	687	BUY	42,509	893	62	60.1	67.7	75.8	10.9	12.7	11.9	11.4	10.2	9.1	6.1	4.9	4.3	0.9	0.8	0.8	2.5	2.8	3.2	10.3	10.8	11.3	940	36.7	1.9
Consumer products		**Cautious**	**1,655,721**	**34,780**					**9.5**	**15.4**	**14.2**	**22.8**	**19.7**	**17.3**	**15.0**	**12.9**	**11.3**	**6.8**	**6.1**	**5.4**	**2.7**	**3.0**	**3.4**	**30.0**	**30.7**	**31.1**			
Constructions																													
Consolidated Construction Co.	239	ADD	8,829	185	37	19.7	27.2	31.9	(18.1)	38.0	17.5	12.1	8.8	7.5	8.0	5.7	4.8	1.7	1.5	1.3	1.2	1.6	1.9	15.0	18.1	18.3	190	(20.5)	0.1
IVRCL	302	BUY	40,897	859	135	14.4	16.9	19.4	(7.3)	17.1	14.8	21.0	17.9	15.6	11.9	9.5	7.8	2.3	2.0	1.8	0.3	0.3	0.3	11.5	12.0	12.3	215	(28.8)	14.5
Nagarjuna Construction Co.	126	BUY	28,911	607	229	7.3	8.8	9.7	2.5	19.7	10.0	17.2	14.4	13.1	9.5	8.0	7.2	1.7	1.6	1.4	1.1	1.3	1.6	10.3	11.3	11.4	120	(4.9)	4.6
Punj Lloyd	189	BUY	58,815	1,235	311	(7.4)	15.9	17.2	(174.4)	(314.8)	7.7	(25.5)	11.9	11.0	27.2	6.9	6.6	2.4	2.0	1.7	(0.2)	0.4	0.4	(9.2)	18.9	17.1	200	5.7	29.5
Sadbhav Engineering	681	ADD	8,516	179	13	43.8	54.3	88.0	8.2	23.8	62.2	15.5	12.6	7.7	8.8	7.3	5.5	2.5	2.1	1.7	0.7	0.9	1.0	15.9	16.8	21.7	550	(19.3)	0.1
Construction		**Attractive**	**145,969**	**3,066**					**(70.0)**	**344.1**	**13.8**	**58.2**	**13.1**	**11.5**	**13.9**	**7.6**	**6.8**	**2.1**	**1.9**	**1.6**	**0.3**	**0.6**	**0.7**	**3.7**	**14.2**	**14.1**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	28-May-09		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	126.2	BUY	(Rs mn)	(US$ mn)	(mn)	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	(Rs)	(%)	(US$ mn)
Energy																													
Bharat Petroleum	448	SELL	146,963	3,087	328	16—	30.3	39.5	(62.2)	94	NA	29	NA	11.4	6.6	5.7	5.1	1.1	1.0	1.0	—	3.9	5.1	4.2	7.0	8.8	450	0.4	7.2
Cairn india	217	BUY	412,431	8,664	1,897	4.3	9.2	31.2	(3,703)	115	238.0	51	24	7.0	33.1	12.2	5.0	1.2	1.2	1.1	—	—	11.5	2.5	5.1	16.5	225	3.5	28.0
Castrol India (a)	335	BUY	41,475	871	124	21.3	25.5	26.6	20.8	19.5	4.3	15.7	13.2	12.6	8.8	7.6	7.2	9.2	8.3	7.8	4.5	5.4	6.0	61.2	66.5	63.7	390	16.3	0.5
GAIL (India)	286	REDUCE	363,164	7,629	1,268	23.4	20.6	21.8	14.7	(11.8)	5.7	12.2	13.9	13.1	6.7	7.9	8.2	2.2	2.0	1.8	2.6	2.3	2.3	18.4	14.5	14.0	270	(5.7)	12.8
GSPL	58	REDUCE	32,670	686	563	1.9	2.5	3.7	4.4	30.5	52.6	30.9	23.6	15.5	10.2	6.5	5.5	2.5	2.2	2.2	0.9	1.2	6.5	8.2	9.8	14.4	45	(22.5)	3.7
Hindustan Petroleum	335	SELL	113,534	2,385	339	(7.4)	17.9	34.0	(122.0)	(343.0)	90.1	(45.5)	18.7	9.9	7.2	6.2	NA	0.9	0.9	NA	—	3.6	6.8	(2.0)	4.3	8.0	325	(3.0)	7.9
Indian Oil Corporation	570	REDUCE	672,212	14,121	1,179	19.1	41.5	40.3	(68.8)	116.8	(3.0)	29.8	13.7	14.2	10.5	6.1	6.0	1.4	1.3	1.3	—	3.2	3.2	4.9	9.3	8.5	500	(12.3)	4.0
Oil & Natural Gas Corporation	1,129	BUY	2,415,552	50,742	2,139	100.3	95.3	119.2	8.1	(5.0)	25.1	11.3	11.9	9.5	4.3	4.2	3.5	2.1	1.9	1.7	3.0	3.5	3.7	18.9	15.9	18.2	1,100	(2.6)	47.7
Petronet LNG	69	ADD	51,713	1,086	750	6.9	7.7	9.0	—	10.8	17.6	10.0	9.0	7.7	8.0	6.3	5.4	2.3	1.8	1.5	2.2	2.2	2.9	24.0	21.8	20.9	57	(17.3)	4.0
Reliance Industries	2,221	REDUCE	3,048,815	64,044	1,373	103.4	126.5	169.4	(1.5)	22.4	33.9	21.5	17.5	13.1	12.6	8.0	6.2	2.6	2.3	2.0	0.6	0.7	0.9	15.1	15.8	18.6	1,750	(21.2)	231.2
Reliance Petroleum	139	NR	627,075	13,172	4,500	—	8.3	13.8	n/a	n/a	n/a	n/a	n/a	10.1	n/a	n/a	8.2	4.6	3.9	2.9	—	1.4	1.4	0.6	25.1	33.0	—	—	25.2
Energy		**Neutral**	**7,925,604**	**166,487**					**(7.3)**	**26.9**	**34.8**	**17.9**	**14.1**	**10.5**	**8.6**	**6.5**	**5.3**	**2.1**	**1.9**	**1.7**	**1.3**	**2.0**	**2.8**	**11.8**	**13.7**	**16.6**			
Industrials																													
ABB	627	REDUCE	132,814	2,790	212	25.8	24.9	29.6	11.3	(3.6)	18.7	24.3	25.2	21.2	14.3	14.1	11.5	6.3	5.2	4.3	0.4	0.5	0.5	29.2	22.6	22.1	500	(20.2)	7.3
BGR Energy Systems	332	REDUCE	23,929	503	72	15.3	20.7	24.3	26.1	35.4	17.5	21.7	16.0	13.7	11.9	9.6	8.2	4.3	3.5	2.9	0.7	1.0	1.2	21.3	23.9	23.2	165	(50.4)	1.5
Bharat Electronics	1,274	REDUCE	101,936	2,141	80	101.9	111.1	119.0	(0.0)	9.0	7.1	12.5	11.5	10.7	5.2	4.7	4.1	2.6	2.2	1.9	2.0	2.0	2.0	22.4	20.9	19.2	1,025	(19.6)	1.6
Bharat Heavy Electricals	2,128	REDUCE	1,041,478	21,877	490	64.1	92.0	106.8	9.8	43.5	16.1	33.2	23.1	19.9	18.0	12.8	10.9	8.0	6.4	5.1	0.8	0.9	1.1	26.4	30.7	28.6	1,900	(10.7)	63.7
Crompton Greaves	256	ADD	93,846	1,971	367	15.3	17.0	20.0	37.3	11.0	17.5	16.7	15.0	12.8	9.4	8.4	7.3	5.3	4.1	3.2	0.8	0.8	0.9	36.5	30.5	27.9	300	17.2	6.6
Larsen & Toubro	1,346	ADD	802,979	16,868	597	49.0	54.7	63.5	29.2	11.5	16.1	27.4	24.6	21.2	16.0	14.0	12.5	5.0	4.1	3.5	0.7	0.8	0.9	20.9	18.5	18.0	1,000	(25.7)	84.2
Maharashtra Seamless	244	BUY	17,209	362	71	35.9	33.0	39.6	22.2	(8.1)	20.3	6.8	7.4	6.2	4.6	4.7	3.6	1.3	1.1	1.0	2.2	2.0	2.9	20.3	16.0	16.8	225	(7.8)	1.0
Siemens	479	REDUCE	161,533	3,393	337	14.2	19.8	21.1	(22.2)	39.7	6.4	33.8	24.2	22.7	16.0	13.9	13.2	7.2	6.1	5.0	0.6	1.4	0.9	23.3	27.1	24.2	360	(24.9)	7.4
Suzlon Energy	91	ADD	142,541	2,994	1,571	7.0	7.1	11.4	6.0	2.1	59.7	13.0	12.8	8.0	9.4	8.3	6.6	1.4	1.2	1.0	0.5	0.6	1.1	11.3	10.1	13.9	90	(0.8)	73.4
Industrials		**Cautious**	**2,518,265**	**52,899**					**13.1**	**20.9**	**19.4**	**25.4**	**21.0**	**17.6**	**14.1**	**11.8**	**10.1**	**4.9**	**4.1**	**3.4**	**0.8**	**0.9**	**1.0**	**19.4**	**19.3**	**19.3**			
Infrastructure																													
IRB Infrastructure	140	ADD	46,431	975	332	5.6	10.4	10.8	63.5	85.5	3.9	24.9	13.4	12.9	13.6	7.5	6.8	2.5	2.1	1.7	—	—	—	10.6	16.8	14.5	135	(3.4)	6.3
Media																													
DishTV	49	REDUCE	46,419	975	946	(7.3)	(4.1)	(3.2)	n/a	(44.4)	(22.6)	(6.7)	(12.0)	(15.5)	(28.4)	(176.2)	55.3	(7.2)	(22.9)	(9.2)	—	—	—	86.1	91.1	NA	22	(55.1)	6.8
HT Media	113	BUY	26,459	556	234	0.8	3.5	6.0	(80.4)	311.0	70.9	133.0	32.4	18.9	27.3	12.7	9.4	3.1	2.9	2.7	0.4	0.7	1.8	2.3	9.4	14.9	100	(11.5)	0.5
Jagran Prakashan	71	BUY	21,383	449	301	2.9	4.1	5.9	(11.6)	42.4	44.7	24.7	17.3	12.0	13.7	9.5	6.8	3.7	3.4	3.1	2.0	2.9	4.2	15.6	20.6	26.9	80	12.7	0.1
Sun TV Network	254	REDUCE	100,215	2,105	394	9.3	11.1	12.8	11.8	19.2	15.8	27.4	23.0	19.9	14.7	12.8	11.1	5.9	5.4	5.0	1.6	2.4	3.1	23.5	25.1	26.7	200	(21.4)	1.1
Zee Entertainment Enterprises	177	ADD	76,590	1,609	434	8.1	9.3	11.2	(9.0)	15.5	20.0	21.9	18.9	15.8	15.3	13.1	10.9	2.3	2.2	2.0	1.3	1.5	1.8	11.6	12.2	13.7	145	(17.9)	8.2
Zee News	46	ADD	10,969	230	240	1.9	2.1	2.5	20.4	11.1	18.8	24.6	22.1	18.6	12.6	10.5	9.3	4.4	3.8	3.3	0.9	0.9	1.3	20.0	19.0	19.5	40	(12.6)	0.8
Media		**Neutral**	**282,034**	**5,924**					**(27.6)**	**83.0**	**50.5**	**72.7**	**39.7**	**26.4**	**21.7**	**15.2**	**12.0**	**4.7**	**4.0**	**3.9**	**1.1**	**1.6**	**2.2**	**6.4**	**10.1**	**14.6**			
Metals																													
Hindalco Industries	82	ADD	143,189	3,008	1,753	7.7	2.4	8.2	(44.4)	(69.2)	248.7	10.6	34.6	9.9	6.0	8.3	7.0	0.4	0.4	0.4	—	—	—	10.3	5.2	6.7	55	(32.7)	16.1
National Aluminium Co.	353	SELL	227,216	4,773	644	19.7	10.3	16.3	(22.2)	(47.8)	58.3	17.9	34.3	21.7	9.2	12.0	8.2	2.2	2.1	1.9	1.0	0.6	0.6	12.7	6.2	9.2	135	(61.7)	2.9
Jindal Steel and Power	2,075	ADD	319,516	6,712	154	198.0	172.4	196.2	139.3	(12.9)	13.8	10.5	12.0	10.6	7.2	7.4	6.2	4.4	3.2	2.5	—	0.3	0.3	53.1	31.0	26.4	1,820	(12.3)	29.0
JSW Steel	549	SELL	102,765	2,159	187	13.1	24.1	53.5	(84.7)	83.3	121.8	41.8	22.8	10.3	9.0	9.0	7.0	1.0	0.9	0.8	0.2	0.9	0.9	11.0	4.3	8.3	340	(38.1)	33.6
Hindustan Zinc	582	BUY	246,019	5,168	423	64.6	62.9	80.9	(38.0)	(2.6)	28.7	9.0	9.3	7.2	5.2	4.6	2.8	1.6	1.4	1.2	0.7	0.9	0.9	20.1	16.5	17.9	610	4.8	3.4
Sesa Goa	163	BUY	128,596	2,701	787	24.8	25.5	34.2	30.8	3.0	34.0	6.6	6.4	4.8	3.9	3.3	1.8	2.8	2.1	1.5	2.1	2.1	2.1	52.8	37.1	36.0	200	22.4	22.2
Sterlite Industries	613	ADD	433,953	9,116	708	49.2	41.0	50.5	(23.6)	(16.7)	23.4	12.5	15.0	12.1	7.4	8.1	6.1	1.7	1.5	1.4	—	—	—	14.3	10.7	11.8	490	(20.0)	43.4
Tata Steel	385	BUY	316,302	6,644	822	123.9	55.5	87.0	63.6	(55.2)	56.7	3.1	6.9	4.4	3.7	5.0	3.8	0.7	0.7	0.6	3.3	3.4	3.4	36.8	15.7	21.3	280	(27.2)	96.4
Metals		**Attractive**	**1,917,554**	**40,281**					**6.6**	**(34.8)**	**43.1**	**7.6**	**11.7**	**8.2**	**5.5**	**6.6**	**5.0**	**1.2**	**1.1**	**1.0**	**1.0**	**1.0**	**1.0**	**16.3**	**9.8**	**12.4**			
Pharmaceutical																													
Biocon	183	BUY	36,680	771	200	4.7	13.6	19.4	(80.0)	192.2	42.8	39.4	13.5	9.4	16.3	7.5	5.4	2.4	2.1	1.8	0.0	0.1	0.1	6.2	16.9	20.9	235	28.1	1.9
Cipla	224	ADD	173,919	3,653	777	9.9	13.9	15.5	9.5	40.6	11.9	22.7	16.1	14.4	16.3	11.7	10.3	4.0	3.4	2.9	1.1	1.3	1.6	19.1	23.0	21.8	260	16.2	8.5
Dishman Pharma & chemicals	184	BUY	14,994	315	81	18.0	21.2	27.3	22.1	17.9	28.7	10.3	8.7	6.8	8.5	6.8	5.3	2.1	1.7	1.4	0.0	0.0	0.0	22.8	21.9	22.9	280	51.9	0.5
Divi's Laboratories	1,152	BUY	74,387	1,563	65	64.9	75.1	89.1	21.8	15.8	18.7	17.8	15.3	12.9	13.9	11.3	9.0	6.0	4.4	3.4	0.1	0.1	0.1	40.2	33.4	29.7	1,450	25.8	4.3
Dr Reddy's Laboratories	662	BUY	112,004	2,353	169	32.4	45.5	47.0	24.5	40.2	3.3	20.4	14.6	14.1	9.8	8.0	7.2	3.2	2.7	2.3	0.6	0.6	0.6	13.6	19.8	17.3	740	11.8	4.9
Glenmark Pharmaceuticals	234	BUY	62,223	1,307	266	15.8	18.2	22.5	(38.7)	14.7	23.6	14.8	12.9	10.4	9.7	8.3	7.0	2.8	2.3	1.9	0.0	0.0	0.0	21.9	19.8	20.2	390	66.6	7.1
Jubilant Organosys	179	BUY	30,611	643	171	16.5	18.6	21.8	(26.2)	12.6	17	10.8	9.6	8.2	12.3	7.7	5.7	2.4	2.0	1.6	0.7	0.7	1.0	18.6	22.6	21.7	250	39.8	0.5
Lupin	841	BUY	74,485	1,565	89	60.7	66.0	71.3	21.9	8.7	8.0	13.9	12.7	11.8	13.7	11.4	9.7	4.4	3.4	2.8	1.4	1.3	1.6	33.7	30.3	26.1	1,075	27.8	3.3
Piramal Healthcare	266	BUY	55,667	1,169	209	17.3	22.4	28.2	(2.7)	29.8	26.0	15.4	11.9	9.4	11.5	8.0	6.6	4.2	3.3	2.6	1.6	1.7	1.7	26.3	31.4	30.8	340	27.7	1.7
Ranbaxy Laboratories	271	REDUCE	115,821	2,433	427	(8.1)	(5.7)	5.1	(134.7)	NA	NA	(33.5)	NA	53.0	(158.9)	824.1	21.1	2.3	2.0	2.1	3.7	4.2	4.6	(8.8)	(4.7)	4.1	150	(44.7)	16.4
Sun Pharmaceuticals	1,320	BUY	273,456	5,744	207	86.8	85.7	94.0	16.3	(1.3)	9.7	15.2	15.4	14.0	11.9	11.1	9.5	4.0	3.2	2.7	0.8	1.0	1.0	31.1	24.3	21.9	1,800	36.3	18.6
Pharmaceuticals		**Attractive**	**1,024,247**	**21,516**					**(17.6)**	**24.7**	**22.4**	**20.7**	**16.6**	**13.6**	**14.0**	**10.8**	**8.7**	**3.5**	**2.8**	**2.4**	**1.1**	**1.3**	**1.4**	**16.7**	**17.2**	**18.0**			
Property																													
DLF	373	REDUCE	635,549	13,350	1,705	29.3	16.0	17.4	(36.6)	(45.2)	8.4	12.7	23.3	21.5	12.8	18.3	15.7	2.6	2.4	2.2	0.8	0.8	1.1	22.5	10.6	10.6	190	(49.0)	131.3
Housing Development & Infrastruc	276	NR	75,912	1,595	275	30.6	19.8	24.8	(40.1)	(35.3)	25.1	9.0	13.9	11.1	11.8	13.5	11.0	1.8	1.6	1.5	1.8	2.2	2.9	21.2	12.1	13.9	-	(100.0)	84.8
Indiabulls Real Estate	226	ADD	90,557	1,902	401	3.0	3.1	7.5	(81.8)	3.8	141.1	75.3	72.5	30.1	(234)	59.0	14.1	1.4	1.0	1.0	1.4	2.2	2.2	1.3	1.6	3.2	210	(7.0)	50.3
Mahindra Life Space Developer	272	BUY	11,441	240	42	10.2	10.8	15.4	(39.2)	5.3	42.5	26.6	25.3	17.7	41.1	23.8	12.1	1.3	1.3	1.2	1.4	1.4	1.4	4.8	4.9	6.7	410	50.7	0.6
Phoenix Mills	126	BUY	18,250	383	145	5.4	7.3	8.9	70.0	34.7	23.4	23.4	17.4	14.1	25.9	13.1	10.5	1.2	1.1	1.1	0.8	0.8	1.2	5.3	6.8	7.9	210	66.7	0.3
Puravankara Projects	105	REDUCE	22,303	468	213	6.8	7.0	7.4	(39.8)	2.8	6.9	15.4	15.0	14.1	22.1	18.0	14.5	1.7	1.6	1.4	—	1.9	1.9	11.5	10.8	10.7	55	(47.4)	0.3
Sobha	191	REDUCE	13,895	292	73	15.9	11.9	14.7	(50.0)	(24.8)	23.5	12.0	16.0	12.9	10.3	13.8	12.3	1.3	1.2	1.1	2.1	2.1	2.1	11.0	7.8	9.1	90	(52.8)	0.9
Unitech	76	SELL	155,884	3,275	2,044	6.4	3.9	3.4	(38.4)	(39.0)	(12.9)	12.0	19.6	22.6	12.9	14.7	15.1	3.4	2.2	2.0	—	—	—	25.1	13.4	9.4	32	(58.0)	94.8
Property		**Neutral**	**1,023,791**	**21,506**					**(38.6)**	**(37.6)**	**11.5**	**14.0**	**22.4**	**20.1**	**13.7**	**17.2**	**14.7**	**2.3**	**1.9**	**1.8**	**0.8**	**1.0**	**1.2**	**16.3**	**8.7**	**9.0**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	28-May-09		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
	49.1	REDUCE	(Rs mn)	(US$ mn)	(mn)	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	(Rs)	(%)	(US$ mn)
Retail																													
Titan Industries	1,031	REDUCE	45,763	961	44	45.9	50.1	56.9	30.8	9.2	13.7	22.5	20.6	18.1	14.5	12.5	10.8	7.9	6.1	4.9	1.0	1.1	1.2	38.9	33.6	29.9	850	(17.6)	3.7
Retail		**Neutral**	**45,763**	**961**					**30.8**	**9.2**	**13.7**	**22.5**	**20.6**	**18.1**	**14.5**	**12.5**	**10.8**	**7.9**	**6.1**	**4.9**	**1.0**	**1.1**	**1.2**	**35.3**	**29.7**	**26.8**			
Technology																													
HCL Technologies	175	REDUCE	121,312	2,548	695	16.2	12.5	16.7	5.8	(22.6)	33.4	10.8	13.9	10.5	6.1	5.8	5.6	1.9	1.8	1.7	6.9	6.9	6.9	18.3	13.0	16.8	110	(37.0)	5.4
Infosys Technologies	1,579	BUY	906,346	19,039	574	102.4	104.1	116.1	29.6	1.6	11.5	15.4	15.2	13.6	11.0	10.7	8.8	5.0	4.0	3.3	1.5	1.6	1.8	36.7	29.3	26.8	1,500	(5.0)	61.1
Mphasis BFL	335	REDUCE	69,813	1,467	208	14.2	38.8	30.3	15.7	173.5	(21.9)	23.6	8.6	11.1	17.9	6.1	6.0	4.9	3.3	2.6	1.2	1.3	1.5	22.8	45.3	26.4	240	(28.3)	3.0
Mindtree	366	BUY	15,079	317	41	13.2	44.0	50.7	(50.5)	232.5	15.1	27.7	8.3	7.2	4.8	4.9	4.0	2.7	2.0	1.6	0.5	—	1.4	5.5	20.4	18.4	400	9.2	4.5
Patni Computer Systems	217	REDUCE	27,895	586	129	26.8	23.5	26.1	(19.3)	(12.4)	11.1	8.1	9.2	8.3	2.8	2.3	2.0	1.1	0.9	0.8	0.8	2.2	2.4	16.2	10.0	10.3	150	(30.9)	2.0
Polaris Software Lab	89	SELL	8,755	184	99	13.1	13.3	12.1	76.0	1.7	(8.9)	6.8	6.7	7.3	2.3	2.7	2.8	1.1	1.0	0.9	3.1	2.3	2.3	18.1	15.9	12.9	50	(43.6)	2.9
TCS	663	REDUCE	649,014	13,633	979	52.9	51.3	55.9	3.1	(2.9)	8.8	12.5	12.9	11.9	8.7	8.8	7.6	4.1	3.4	3.0	2.1	2.3	3.4	36.9	29.1	26.8	510	(23.1)	29.0
Tech Mahindra	464	ADD	59,873	1,258	129	70.4	38.0	37.2	19.3	(46.0)	(2.1)	6.6	12.2	12.5	4.4	7.9	7.5	2.7	2.2	1.9	0.8	1.3	1.5	52.8	20.3	17.0	360	(22.4)	19.0
Wipro	369	ADD	539,697	11,337	1,462	25.7	27.0	29.4	15.8	4.7	9.1	14.3	13.7	12.5	10.5	9.4	7.9	3.6	3.0	2.5	1.1	2.0	2.3	26.9	23.7	21.7	325	(12.0)	13.8
Technology		**Cautious**	**2,404,185**	**50,503**					**15.0**	**0.3**	**8.9**	**13.5**	**13.4**	**12.3**	**9.2**	**8.7**	**7.6**	**3.8**	**3.1**	**2.7**	**1.8**	**2.2**	**2.6**	**28.1**	**23.3**	**21.8**			
Telecom																													
Bharti Airtel	796	ADD	1,511,016	31,741	1,899	44.6	52.2	59.8	26.4	17.0	14.6	17.8	15.2	13.3	10.4	8.9	7.7	4.8	3.6	2.8	0.5	0.8	1.0	31.4	27.0	23.8	775	(2.6)	97.4
IDEA	79	REDUCE	244,739	5,141	3,104	2.9	2.9	3.2	(26.5)	(0.1)	10.9	27.2	27.2	24.5	10.0	9.0	7.5	1.8	1.7	1.6	—	—	—	10.4	6.4	6.8	55	(30.2)	13.1
MTNL	102	SELL	64,008	1,345	630	4.0	4.1	4.6	(44.3)	2.6	11.8	25.5	24.9	22.3	14.1	10.4	7.2	0.5	0.6	0.6	5.9	5.9	5.9	1.6	1.6	1.9	50	(50.8)	2.6
Reliance Communications	298	SELL	614,356	12,905	2,064	27.7	20.3	21.1	4.7	(26.6)	3.9	10.7	14.6	14.1	9.2	8.7	6.8	1.8	1.6	1.4	0.3	—	—	18.6	11.7	10.9	180	(39.5)	66.7
Tata Communications	498	REDUCE	141,887	2,981	285	13.6	14.0	15.2	24.0	3.2	8.2	36.7	35.5	32.8	15.6	14.2	13.1	2.1	2.0	1.9	1.0	1.3	1.5	5.4	5.2	5.5	400	(19.7)	3.8
Telecom		**Cautious**	**2,576,006**	**54,112**					**11.5**	**(0.5)**	**11.3**	**16.0**	**16.1**	**14.4**	**10.2**	**9.0**	**7.5**	**2.6**	**2.3**	**2.0**	**0.6**	**0.7**	**0.8**	**16.3**	**14.0**	**13.6**			
Transportation																													
Container Corporation	933	ADD	121,291	2,548	130	64.4	71.4	83.3	11.6	10.8	16.6	14.5	13.1	11.2	10.3	8.7	7.2	3.2	2.7	2.3	1.5	1.7	2.0	24.0	22.5	22.2	850	(8.9)	0.8
Transportation		**Cautious**	**121,291**	**2,548**					**11.6**	**10.8**	**16.6**	**14.5**	**13.1**	**11.2**	**10.3**	**8.7**	**7.2**	**3.2**	**2.7**	**2.3**	**1.5**	**1.7**	**2.0**	**22.1**	**20.8**	**20.5**			
Utilities																													
CESC	344	BUY	42,984	903	125	31.2	38.0	42.1	12.3	21.8	10.8	11.0	9.1	8.2	5.9	6.6	7.0	1.2	1.0	0.9	1.3	1.6	1.8	11.4	12.2	11.9	385	11.9	1.3
Lanco Infratech	352	BUY	78,316	1,645	222	14.6	17.1	24.9	(1.3)	16.6	45.7	24.1	20.6	14.2	26.2	19.4	10.7	3.6	3.0	2.4	—	—	—	16.2	15.8	19.0	270	(23.4)	14.1
NTPC	208	SELL	1,713,408	35,992	8,245	9.4	10.8	12.2	1.1	14.7	12.6	22.0	19.2	17.1	16.7	14.2	13.5	2.9	2.7	2.5	1.7	2.0	2.2	13.7	14.5	15.0	180	(13.4)	33.1
Reliance Infrastructure	1,272	BUY	288,022	6,050	226	64.1	58.8	62.9	70.5	(8.2)	6.9	19.8	21.6	20.2	21.3	21.7	16.8	1.7	1.6	1.5	0.6	0.7	0.7	6.3	7.0	9.0	970	(23.7)	118.3
Reliance Power	180	REDUCE	431,416	9,062	2,397	1.0	2.5	3.1	—	140.3	25.3	176.4	73.4	58.6	—	—	—	3.1	3.0	2.9	—	—	—	1.8	4.2	5.0	120	(33.3)	24.0
Tata Power	1,102	ADD	245,334	5,154	223	56.2	76.6	86.5	76.6	36.2	12.9	19.6	14.4	12.7	10.9	11.3	10.7	2.4	2.1	1.9	1.0	1.1	1.3	13.4	15.8	15.7	1,100	(0.2)	13.1
Utilities		**Attractive**	**2,799,480**	**58,806**					**14.0**	**17.1**	**13.5**	**24.5**	**20.9**	**18.4**	**17.7**	**16.9**	**15.3**	**2.7**	**2.4**	**2.2**	**1.2**	**1.4**	**1.5**	**10.8**	**11.7**	**12.2**			
Others																													
Aban Offshore	874	SELL	33,115	696	38	87.8	148.2	277.7	21	68.8	87.4	10.0	5.9	3.1	9.0	7.1	5.6	2.4	1.7	1.1	0.5	0.6	0.6	33.7	36.9	41.2	300	(65.7)	50.6
Havells India	269	REDUCE	16,279	342	61	(1.0)	10.3	14.7	(104)	NA	43.0	NA	26.2	18.3	10.5	9.1	8.2	2.3	2.2	2.0	1.2	1.5	1.8	(0.9)	8.5	11.4	120	(55.4)	2.4
Jaiprakash Associates	192	ADD	269,534	5,662	1,403	6.2	7.8	11.7	27	25.0	50.2	30.9	24.8	16.5	17.4	13.7	12.5	4.5	3.9	3.3	0.0	0.0	0.0	15.9	17.0	21.8	190	(1.1)	77.8
Jindal Saw	363	BUY	19,941	419	55	64.3	47.8	41.7	(1)	(25.6)	(12.8)	5.7	7.6	8.7	3.8	3.8	3.7	0.6	0.6	0.5	1.4	1.1	1.1	10.8	7.4	6.2	300	(17.4)	3.0
PSL	132	BUY	5,731	120	44	24.3	43.7	37.8	15	79.6	(13.4)	5.4	3.0	3.5	5.5	4.8	4.1	0.7	0.6	0.5	6.1	6.1	6.1	10.6	14.2	12.4	145	10.3	0.4
Sintex	219	BUY	29,947	629	136	23.8	24.8	27.3	22	4.1	10.2	9.2	8.9	8.0	6.6	6.0	5.1	1.5	1.3	1.1	0.5	0.5	0.5	16.6	14.8	14.1	175	(20.2)	4.0
Tata Chemicals	227	ADD	53,278	1,119	235	25.5	23.4	27.5	(36)	(8.3)	17.6	8.9	9.7	8.2	5.5	4.8	4.1	1.1	1.0	0.9	3.5	3.5	3.5	17.2	13.3	14.0	190	(16.1)	3.1
Welspun Gujarat Stahl Rohren	168	REDUCE	31,695	666	189	20.8	21.6	16.6	1	4.1	(23.5)	8.1	7.8	10.1	5.9	5.1	5.5	1.5	1.3	1.1	1.1	0.8	0.9	19.9	17.8	11.7	100	(40.4)	14.7
United Phosphorus	161	BUY	74,451	1,564	462	10.7	13.5	18.0	28	25.7	33.9	15.1	12.0	8.9	10.0	7.3	5.6	2.5	2.1	1.7	0.8	0.9	1.2	18.1	18.2	20.5	140	(13.1)	3.0
Others			**533,971**	**11,217**					**13.3**	**11.9**	**30.3**	**14.5**	**13.0**	**10.0**	**9.4**	**8.1**	**7.4**	**2.2**	**2.0**	**1.7**	**0.7**	**0.7**	**0.8**	**15.5**	**15.1**	**16.8**			
KS universe (b)			**31,958,808**	**671,333**					**3.5**	**3.9**	**21.6**	**16**	**15.1**	**12.4**	**10.0**	**8.9**	**7.5**	**2.4**	**2.2**	**1.9**	**1.3**	**1.6**	**1.9**	**15.6**	**14.5**	**15.7**			
KS universe (b) ex-Energy			**24,033,204**	**504,846**					**6.9**	**(2.5)**	**16.8**	**15.0**	**15.4**	**13.2**	**10.7**	**10.2**	**8.9**	**2.6**	**2.3**	**2.0**	**1.3**	**1.5**	**1.6**	**17.0**	**14.8**	**15.3**			
KS universe (d) ex-Energy & ex-Commodities			**21,481,905**	**451,253**					**7.7**	**4.2**	**15.0**	**16.7**	**16.1**	**14.0**	**13.0**	**11.5**	**10.0**	**2.9**	**2.5**	**2.2**	**1.3**	**1.5**	**1.7**	**17.0**	**15.7**	**16.0**			

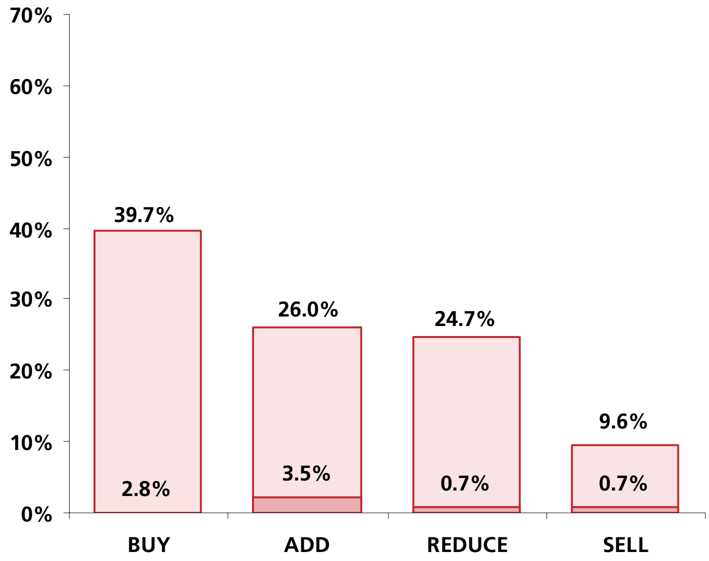
Note:
(1) For banks we have used adjusted book values.
(2) 2008 means calendar year 2007, similarly for 2009 and 2010 for these particular companies.
(3) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



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

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

* The above categories are defined as follows: Buy = We expect this stock to outperform the BSE Sensex by 10% over the next 12 months; Add = We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months; Reduce = We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months; Sell = We expect this stock to underperform the BSE Sensex by more then 10% over the next 12 months. These ratings are used illustratively to comply with applicable regulations. As of 31/03/2009 Kotak Institutional Equities Investment Research had investment ratings on 146 equity securities.

Source: Kotak Institutional Equities — As of March 31, 2009

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.
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