

June 15, 2007

India Strategy Friday Flash

BSE-30: 14,204

India

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**Kotak Institutional Equities
Research**

Important disclosures appear at the back of this report.

Holding on. The BSE Sensex held on in a reasonably steady 13,946-14,268 range during the week ending June 14, 2007. The good news of strong April 2007 IIP growth had to contend with the uncertainties over US interest rate policy (and the US Dollar) as well as back-to-back mega issues. The Sensex finally closed 17 points up at 14,204, mainly led by Infosys and Reliance Industries which cumulatively contributed 80 points to the Sensex .

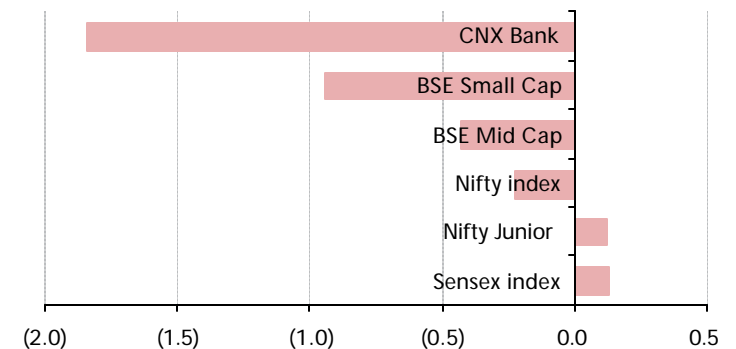
Market highlights for the week ending Thursday, June 14, 2007

- Largest gainers: Nicholas Piramal (16%), Rico Auto (14%), Lakshmi (10%)
- Largest losers: Oriental Bank (-7%), GVK Power (-7%), Bharat Forge (-6%)

Flows in the cash markets

Date	Taiwan	Indonesia	Philippines	Thailand	India	Total
Investments in past week (US\$mn)						
6-Jun-07	346	(4)	5	2	(17)	333
7-Jun-07	39	8	6	(19)	(53)	(19)
8-Jun-07	(317)	16	(3)	(16)	(222)	(543)
11-Jun-07	104	34	-	113	(13)	237
12-Jun-07	154	47	14	-	129	345
Total	326	100	22	79	(175)	352

Relative performance of Indian indices (% Change 1 Week)



Source: Company, Bloomberg, Kotak Institutional Equities., Note: _ indicates that the figure is not available

Our Top Recommendations

Exhibit 1: Kotak Institutional Equities, Top 10

14-Jun-07 Companies	Sector	Rating	CMP (Rs)	Mkt Cap (mn USD)	Target (Rs)	EPS (Rs)			P/E (X)			EV/EBDITA (X)			Liquidity: 3mo (Rs mn)
						2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	
Larsen & Toubro	Industrials	OP	1,923	13,443	2,125	65.1	73.3	87.9	29.5	26.2	21.9	19.5	16.2	13.4	183
Infosys technologies	Technology	OP	2,020	28,359	2,300	67.0	83.8	103.4	30.2	24.1	19.5	25.0	19.4	14.8	3,844
Punjab National Bank	Banking	OP	490	3,775	610	48.8	60.5	66.3	10.0	8.1	7.4	0.0	0.0	0.0	423
Tata Power	Utilities	IL	583	3,031	670	20.2	33.4	44.3	28.9	17.5	13.1	14.2	10.1	8.5	188
Oil & Natural Gas Corporation	Energy	OP	880	46,032	1,075	86.8	99.1	99.3	10.1	8.9	8.9	4.3	3.8	3.5	1,120
Wipro	Technology	OP	532	18,991	655	20.3	24.3	30.4	26.3	21.9	17.5	21.3	16.6	12.5	791
Bharat Heavy Electricals	Industrials	OP	1,349	16,154	1,350	48.7	63.6	74.5	27.7	21.2	18.1	12.9	12.2	10.1	1,619
HDFC Bank	Banking	IL	1,098	8,576	1,180	35.7	47.0	60.7	30.7	23.3	18.1	0.0	0.0	0.0	864
Maruti Udyog	Automobiles	OP	729	5,151	910	54.0	58.4	68.5	13.5	12.5	10.6	6.7	5.6	4.7	734
Mid Cap Basket															
Indian Overseas Bank	Banking	OP	112	1,488	150	18.5	20.6	23.0	6.0	5.4	4.9	0.0	0.0	0.0	45
Kalpataru	Transmission	OP	1,299	842	1,495	60.2	77.4	91.8	21.6	16.8	14.1	13.3	10.5	8.5	64
Mahindra Gesco	Property	OP	547	562	920	10.1	16.3	44.4	54.2	33.6	12.3	30.7	20.5	9.8	454
NCCL	Construction	OP	163	827	204	7.3	8.9	12.0	22.3	18.3	13.6	15.4	11.2	8.9	197
Maharashtra Seamless	Industrials	OP	607	1,051	600	32.7	42.6	46.3	18.6	14.3	13.1	11.4	8.4	7.2	119
BSE-30			14,204												

Source: Company, Bloomberg, Kotak Institutional Equities.

Our Model Portfolio

Exhibit 2: Kotak Institutional Equities Model Portfolio

Company	14-Jun Price (Rs)	Rating	Weightage, %		Diff (bps)
			BSE-30	KS Reco	
Punjab National Bank	490	OP	-	2.0	200
State Bank of India	1,314	OP	3.7	3.0	-
Indian Overseas Bank	112	OP	-	0.8	80
Banking			3.7	6.5	280
HDFC Bank	1,098	IL	3.2	5.2	200
ICICI Bank	906	IL	9.1	9.1	-
HDFC	1,825	IL	4.6	-	(464)
Pvt Banking/ Financing			17.0	14.3	(264)
Infosys Technologies	2,020	OP	9.7	11.7	200
Satyam Computer Services	491	IL	3.2	3.2	-
Wipro	532	OP	1.7	3.7	200
Technology			17.3	18.6	139
Reliance Industries	1,696	U	14.4	10.1	(429)
Chemicals			14.4	10.1	(429)
Hindustan Lever	187	IL	2.4	0.4	(200)
ITC	152	OP	4.6	4.6	-
Consumers			7.0	5.0	(200)
Ranbaxy Laboratories	370	OP	1.1	1.1	-
Sun Pharmaceuticals	1,062	OP	-	1.0	100
Pharmaceuticals			3.2	2.1	(109)
Tata Motors	643	OP	1.9	1.9	-
Maruti Udyog	729	OP	1.0	3.0	200
Bajaj Auto	2,107	OP	1.7	1.7	-
Automobiles			5.4	6.6	121

Company	14-Jun Price (Rs)	Rating	Weightage, %		Diff (bps)
			BSE-30	KS heco	
Bharat Heavy Electricals	1,349	OP	2.6	4.6	200
Larsen & Toubro	1,923	OP	5.4	7.4	200
Industrials			8.0	12.0	400
NTPC	154	IL	2.1	2.1	-
Tata Power	583	IL	-	2.0	200
Utilities			3.1	4.1	106
Grasim Industries	2,432	OP	2.0	2.0	-
ACC	825	IL	1.1	1.1	-
Cement			4.6	3.1	(149)
Bharti Airtel Limited	818	U	6.1	3.7	(239)
Reliance Communication	491	U	1.8	-	(176)
Telecom			7.9	3.7	(415)
Maharashtra Seamless	607	OP	-	0.8	80
NCCL	163	OP	-	0.8	80
Mahindra Gesco	547	OP	-	0.8	80
Kalpataru	1,299	OP	-	0.8	80
Infrastructure basket			-	3.2	320
Oil & Natural Gas Corporation	880	OP	4.1	6.1	200
Bharat Petroleum	335	OP	-	0.5	50
Reliance Petroleum	96	OP	-	0.5	50
Energy			4.1	7.1	300
Tata Iron & Steel Co	614	U	3.1	3.1	-
Sterlite Industries	540	OP	-	0.5	50
Metals			4.5	3.6	(94)
BSE-30			100.0	100.1	5

Source: Bloomberg, BSE, Kotak Institutional Equities. Note the weightages are with respect to February 28, 2006 prices.

Sensex Valuation Summary

Exhibit 3: Valuation summary of BSE-30 sectors

14-Jun-07 Company	Mkt cap (US\$ m)	EPS Growth, %				PER (X)			EV/EBITDA (X)		Price/BV (X)		Div Yield (%)		RoE, %	
		2006	2007E	2008E	2009E	2007	2008E	2009E	2007E	2008E	2007E	2008E	2007E	2008E	2007E	2008E
Banking	56,700	13.3	14.2	20.6	17.4	22.4	18.5	15.8	—	—	3.7	3.0	1.0	1.2	16.4	16.0
Technology	83,275	28.6	44.4	25.3	22.9	28.0	22.4	18.2	21.0	16.4	9.4	7.3	0.9	1.4	33.5	32.6
Chemicals	57,795	22.6	21.8	(10.0)	45.7	22.1	24.5	16.8	12.9	13.8	3.2	2.9	0.6	0.7	14.6	11.9
Consumers	23,934	21.2	18.9	16.0	13.8	23.2	20.0	17.5	15.6	12.5	7.2	6.4	2.6	2.9	31.2	31.9
Pharmaceuticals	9,920	(15.1)	136.7	(17.2)	20.0	17.8	21.6	18.0	13.0	14.6	3.8	3.4	1.4	1.4	21.3	15.7
Metals	13,595	6.3	34.3	(13.1)	(11.6)	7.9	9.1	10.3	4.6	4.3	1.8	1.3	1.9	2.6	22.9	14.0
Automobiles	20,071	25.1	17.1	8.3	14.2	15.1	13.9	12.2	7.2	6.4	3.6	3.1	1.9	2.1	24.1	22.0
Energy	46,032	14.0	18.2	14.2	0.3	10.1	8.9	8.9	4.3	3.8	2.1	1.9	3.4	3.8	20.8	21.0
Industrials	29,386	57.2	55.2	23.5	19.1	28.5	23.1	19.4	15.3	13.8	7.3	5.7	0.7	0.8	25.8	24.8
Cement	13,320	28.9	82.6	9.9	4.4	12.8	11.7	11.2	7.4	6.5	3.4	2.7	1.1	1.2	26.5	23.0
Telecom	62,535	(107.4)	192.9	54.4	37.0	34.1	22.1	16.1	18.8	12.5	8.6	6.3	—	—	25.2	28.5
Utilities	33,690	17.0	11.6	7.1	11.1	18.8	17.6	15.8	12.5	12.4	2.4	2.2	2.0	2.2	12.7	12.6
bse30	450,252	20.4	33.3	13.4	16.6	19.6	17.3	14.8	10.8	9.6	4.0	3.4	1.3	1.5	20.5	19.4
BSE-30 ex-Energy	404,221	22.4	37.6	13.2	20.6	21.9	19.3	16.0	13.3	11.7	4.5	3.7	1.0	1.3	20.4	19.1
BSE-30 ex-Energy ex Com	332,831	24.8	41.5	20.7	19.9	23.6	19.5	16.3	14.7	12.2	5.1	4.2	1.1	1.3	21.7	21.6

(a) EV/EBITDA excludes Banking Sector

Source: Company reports, Kotak Institutional Equities estimates.

Nifty Valuation Summary

Exhibit 4: Valuation summary of Nifty sectors

14-Jun-07	Mkt cap	EPS Growth, %				PER (X)			EV/EBITDA (X)			Price/BV (X)		Div Yield (%)		RoE, %	
Company	(US\$ m)	2006	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2007E	2008E	2007E	2008E
Banking	61,755	8.7	12.8	20.6	16.0	20.2	16.8	14.5	—	—	—	3.2	2.7	1.0	1.2	16.1	15.9
Technology	88,980	28.2	45.8	23.4	22.8	27.3	22.1	18.0	20.3	16.1	12.6	9.0	7.1	1.0	1.4	32.9	31.9
Chemicals	60,299	23.0	21.7	(11.8)	39.6	20.5	23.3	16.7	11.7	12.7	8.6	3.0	2.8	0.7	0.7	14.9	11.9
Consumers	23,935	21.2	18.9	16.0	13.8	23.2	20.0	17.5	15.6	12.5	10.7	7.2	6.4	2.6	2.9	31.2	31.9
Pharmaceuticals	12,577	(9.4)	108.0	(13.7)	18.4	19.5	22.6	19.1	13.5	14.8	12.8	4.3	3.9	1.6	1.7	22.3	17.3
Metals	17,678	9.5	38.9	(16.7)	(12.5)	7.7	9.3	10.6	4.3	4.3	4.9	1.9	1.4	2.2	2.7	24.1	14.7
Automobiles	24,463	25.6	20.7	10.0	15.4	15.6	14.2	12.3	7.4	6.5	5.3	3.8	3.2	1.8	2.0	24.1	22.3
Energy	57,302	3.3	28.5	13.5	2.7	9.8	8.6	8.4	4.5	3.8	3.5	1.9	1.7	3.6	3.9	19.2	19.3
Industrials	48,517	64.0	45.9	35.0	22.4	34.2	25.3	20.7	19.1	15.5	12.3	8.9	6.9	0.6	0.7	26.2	27.1
Cement	13,321	28.9	82.6	9.9	4.4	12.8	11.7	11.2	7.4	6.5	5.8	3.4	2.7	1.1	1.2	26.5	23.0
Telecom	43,505	(32.8)	73.4	50.8	29.8	33.9	22.5	17.3	19.2	12.3	9.5	6.0	4.9	0.3	0.6	17.7	21.6
Utilities	36,723	18.3	8.8	10.4	12.9	19.4	17.6	15.6	12.5	12.1	12.4	2.3	2.2	2.0	2.2	12.1	12.4
Media	3,021	(34.6)	2.9	71.0	31.1	56.3	32.9	25.1	39.6	19.7	15.1	4.5	4.1	0.4	0.6	8.1	12.5
NIFTY	492,076	16.0	30.9	12.1	14.8	18.7	16.7	14.5	10.3	9.2	8.0	3.7	3.1	1.4	1.7	19.6	18.6
NIFTY ex-Energy	434,774	20.3	31.6	11.6	18.3	21.2	19.0	16.1	12.9	11.5	9.6	4.2	3.5	1.1	1.4	19.7	18.5
NIFTY ex-Energy ex Com	356,798	21.4	32.6	20.4	18.5	23.4	19.4	16.4	15.0	12.3	10.4	4.8	4.0	1.1	1.4	20.5	20.6

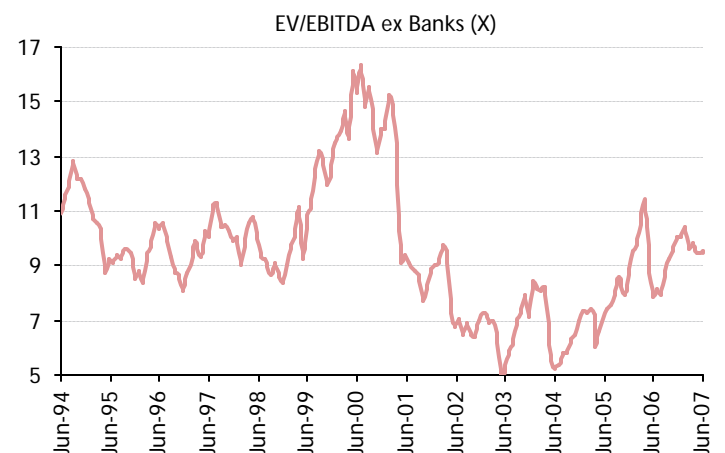
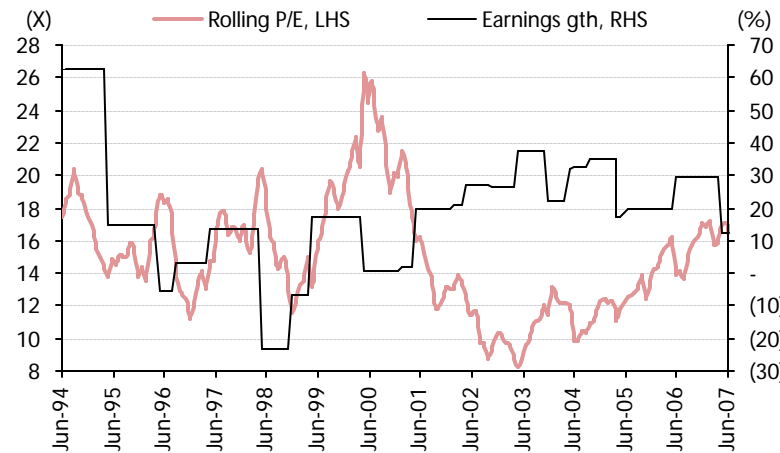
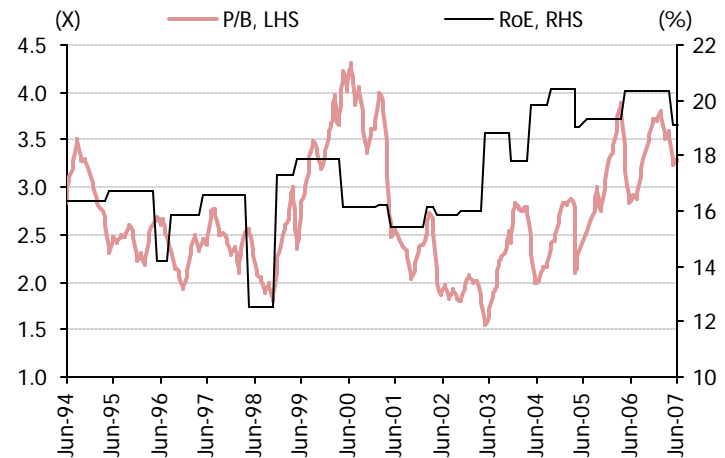
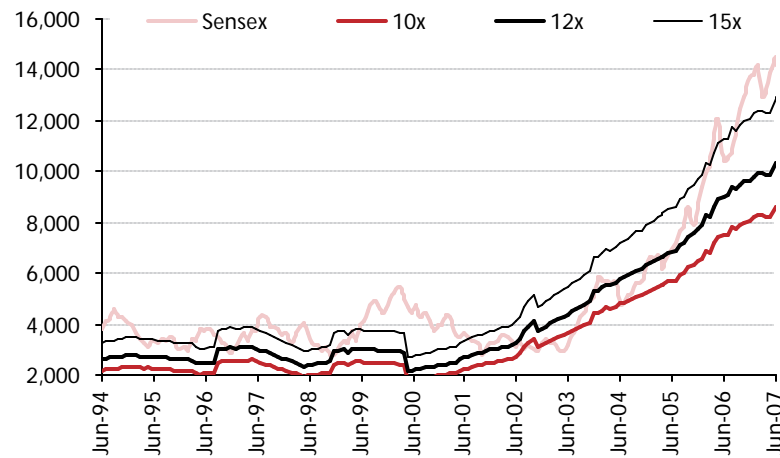
Note: Following companies are excluded: SAIL and Dabur.

Source: Company reports, Kotak Institutional Equities estimates.

BSE-Sensex Key Parameters

Exhibit 5: Key fundamental indicators of BSE Sensex

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



Source: Bloomberg, Company reports, Kotak Institutional Equities.

Market Performance

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

Relative performance of Indian markets

Exhibit 6: Key performance of benchmark indices
(base 100 as of September 10, 2005)

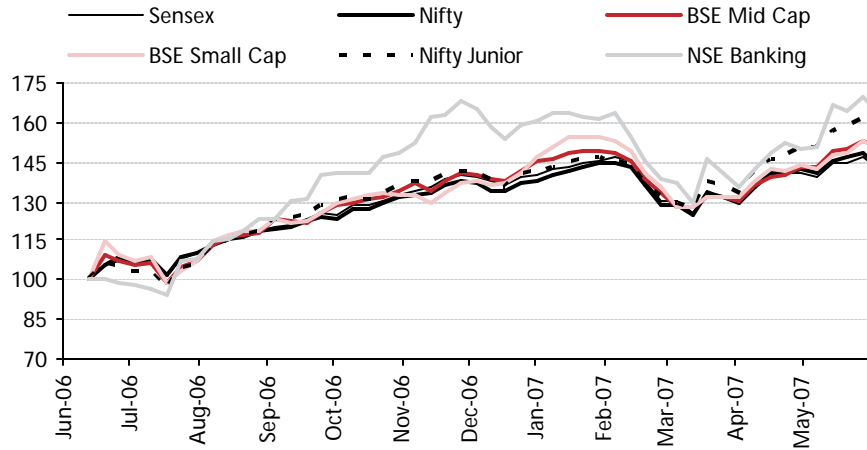


Exhibit 7: Weekly performance of the benchmark indices

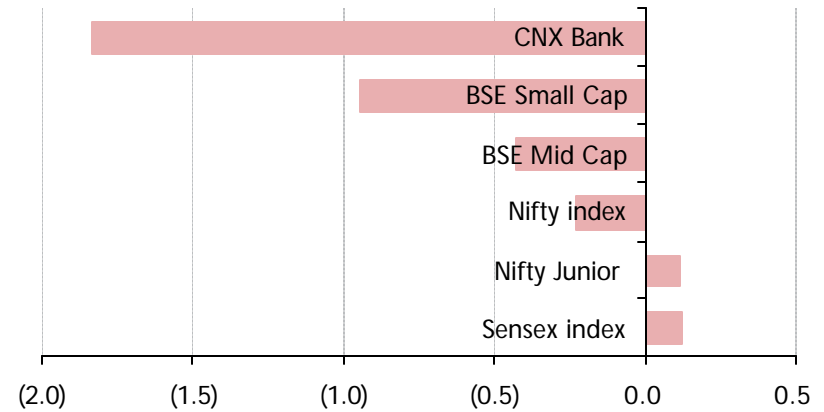


Exhibit 8: 1-month performance of the benchmark indices

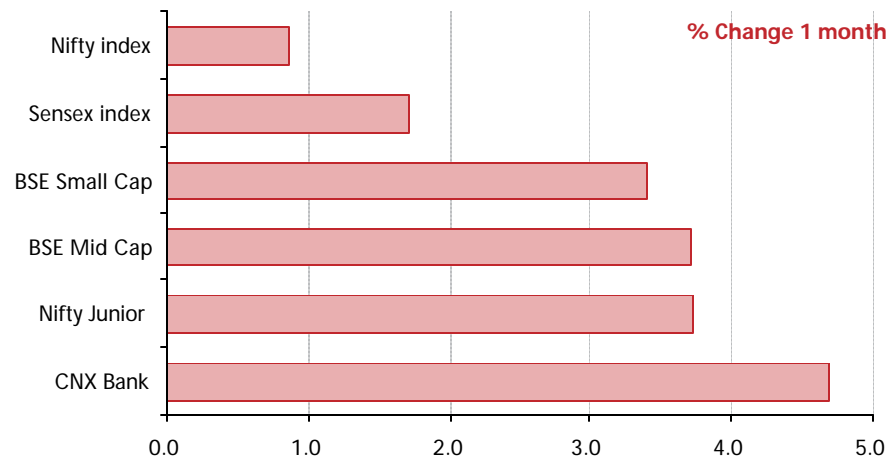
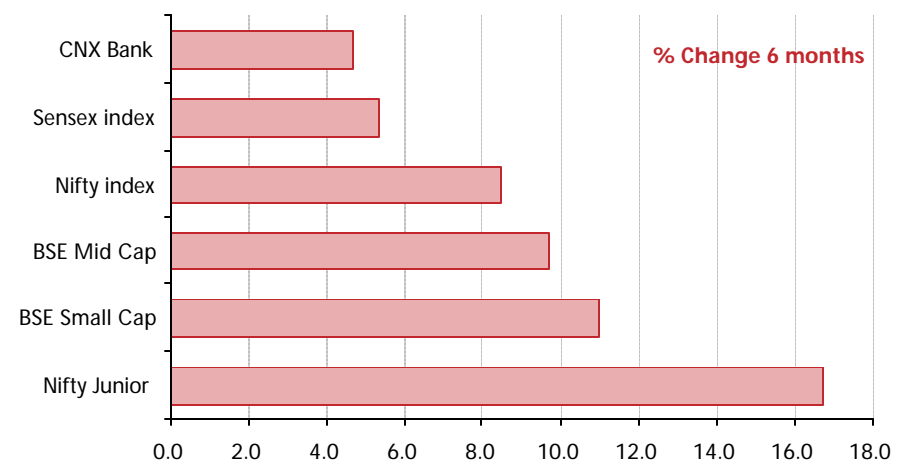


Exhibit 9: 6-month performance of the benchmark indices



Source: Bloomberg, Kotak Institutional Equities.

BSE-Sensex v/s regional indices

Exhibit 10: Weekly performance

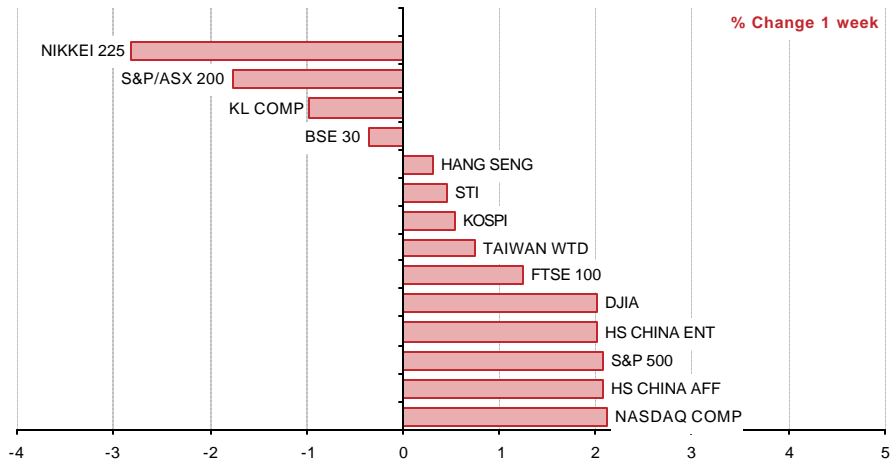


Exhibit 11: 3-month performance

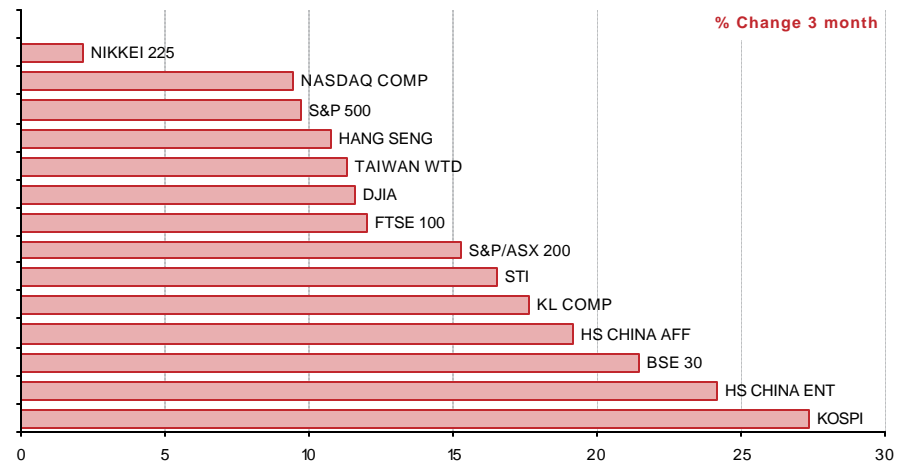


Exhibit 12: 6-month performance

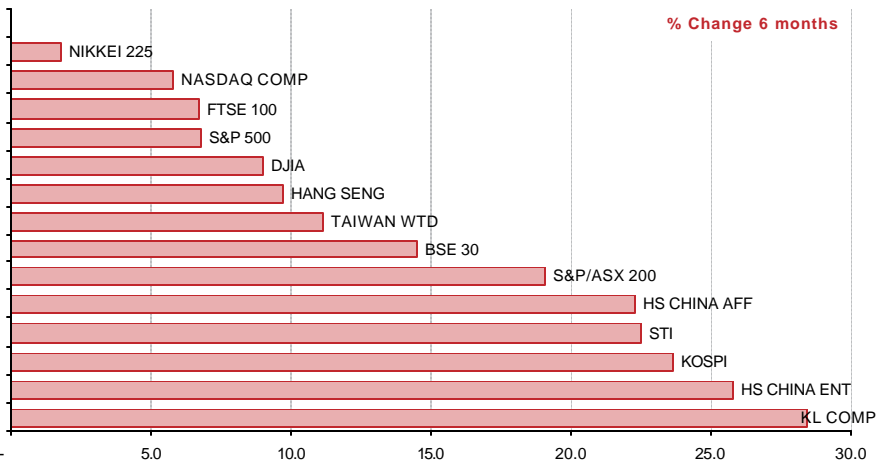
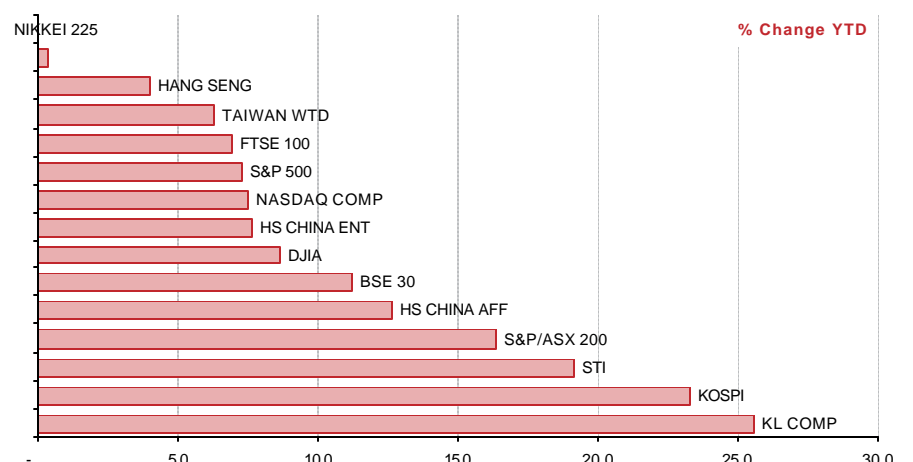


Exhibit 13: Year-to-date performance



Source: Bloomberg, BSE, Kotak Institutional Equities.

Note: Returns are adjusted for the currency changes

Sectoral performance

Exhibit 14: Market performance of Sensex sectors

14-Jun-07 Company	Mkt cap (US\$ m)	Change, %						Relative Change, %			
		1-Day	1-mo	3-mo	6-mo	1-Year	CYTD	1-Day	1-mo	6-mo	1-Year
Banking	56,697	1.7	7.3	19.7	8.0	84.6	5.0	0.3	5.5	2.5	16.1
Technology	84,031	0.8	(0.9)	(0.1)	(2.5)	56.3	(6.6)	(0.6)	(2.6)	(7.4)	(1.7)
Chemicals	57,809	1.4	4.6	32.0	34.5	97.4	33.5	(0.1)	2.9	27.7	24.1
Consumers	24,037	(0.1)	(4.9)	5.9	(15.8)	1.7	(13.8)	(1.5)	(6.5)	(20.1)	(36.1)
Pharmaceuticals	9,976	1.2	(3.0)	0.9	(12.4)	8.3	(14.5)	(0.2)	(4.6)	(16.9)	(31.9)
Metals	13,643	2.9	6.7	37.2	20.3	39.6	13.0	1.4	4.9	14.3	(12.2)
Automobiles	19,758	(0.0)	(11.7)	(10.8)	(18.7)	(0.4)	(21.7)	(1.4)	(13.2)	(22.8)	(37.4)
Energy	46,031	2.1	(3.0)	12.8	9.3	33.7	1.1	0.7	(4.6)	3.7	(16.0)
Industrials	29,468	2.8	11.7	31.3	18.9	84.8	24.1	1.4	9.8	12.9	16.2
Cement	13,362	2.7	(5.2)	12.1	(15.7)	34.8	(18.9)	1.2	(6.8)	(20.0)	(15.3)
Telecom	62,525	2.1	0.3	16.3	23.3	146.9	18.5	0.6	(1.4)	17.1	55.2
Utilities	33,898	0.3	(1.4)	10.9	4.9	49.2	11.5	(1.1)	(3.0)	(0.4)	(6.2)
Sensex sum	451,234	1.4	1.7	13.4	5.3	59.1	3.0				

Source: Kotak Institutional Equities.

Top gainers and losers

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

1-week performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Nicholas Piramal	15.9	1 Oriental Bank of Commerce	(7.1)
2 Rico Auto	14.1	2 GVK Power	(6.9)
3 Lakshmi	10.0	3 Bharat Forge	(6.2)
4 Divi's Laboratories	9.2	4 Mahindra & Mahindra	(5.5)
5 Hexaware Technologies	7.5	5 Tata Motors	(5.1)
6 Hindalco Industries	7.1	6 Jindal Steel and power	(4.8)
7 SunTV	7.1	7 Punjab Tractors	(4.8)
8 MICO	5.2	8 Suzlon Energy	(4.6)
9 EIH	4.5	9 Aventis Pharma	(4.3)
10 Sesa Goa	4.2	10 Hotel Leela	(4.2)

CYTD performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Divi's Laboratories	74.0	1 Mahindra Gesco	(37.6)
2 Monnet Ispat	48.4	2 Vardhman	(32.8)
3 Jindal Steel and power	48.3	3 Tata Motors	(28.6)
4 Sterlite Industries	48.3	4 Rico Auto	(28.3)
5 GE Shipping	48.2	5 UltraTech Cement	(26.6)
6 IDFC	41.2	6 TVS Motor Co	(25.3)
7 KEC	39.7	7 NCCL	(24.2)
8 GVK Power	39.4	8 Welspun India	(24.1)
9 JSL	35.6	9 ACC	(24.0)
10 Bharat Electronics	35.2	10 Shree Cement	(23.9)

1- month performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Divi's Laboratories	37.0	1 Bajaj Auto	(21.0)
2 Punj	33.9	2 Bharat Forge	(13.7)
3 Shriram Transport	20.7	3 Gujarat Ambuja	(10.3)
4 MICO	20.0	4 JSL	(10.2)
5 Sintex	18.2	5 Tata Motors	(10.0)
6 Petronet LNG	17.6	6 Mahindra Gesco	(9.5)
7 Nicholas Piramal	15.7	7 Maruti Udyog	(9.3)
8 GE Shipping	14.0	8 Hotel Leela	(8.9)
9 Ipca Laboratories	13.9	9 Punjab National Bank	(8.6)
10 Larsen & Toubro	13.9	10 Bharat Petroleum	(8.4)

1-year performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Divi's Laboratories	369.9	1 Vardhman	(29.3)
2 HT Media	201.5	2 TVS Motor Co	(26.7)
3 Polaris Software Lab	194.9	3 Rico Auto	(25.6)
4 i-flex solutions	190.3	4 Arvind Mills	(17.7)
5 Ipca Laboratories	184.3	5 Aventis Pharma	(8.9)
6 Jindal Steel and power	181.8	6 Novartis India	(8.6)
7 #N/A	#N/A	7 Bajaj Auto	(7.6)
8 JSL	163.1	8 Godrej Consumer Products	(4.9)
9 GVK Power	161.8	9 Tata Motors	(2.6)
10 Bharti Airtel Ltd	150.0	10 Welspun India	(2.4)

Source: Kotak Institutional Equities.

Price-to-Earnings ratio analysis

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

Premium to 1 year rolling forward P/E	
Company	Premium to sector
Max	1,254.8
GSPL	260.3
i-flex solutions	206.7
HDFC	182.1
GVKPIL	181.2
Castrol India	178.0

Discount to 1 year rolling forward P/E	
Company	Discount to sector
Jet Airways	224.1
Monnet Ispat	79.2
LIC Housing Finance	66.0
Lakshmi	65.5
Canara Bank	55.0
Dredging Corporation	54.1

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

Lowest 1 year rolling forward P/E	
Company	Lowest P/E
LIC Housing Finance	4.9
Hindustan Petroleum	5.0
Bharat Petroleum	6.3
Monnet Ispat	6.3
Canara Bank	6.4
Lakshmi	6.8
Indian Oil Corporation	7.0
Corporation Bank	7.1
Andhra Bank	7.1
Hindustan Zinc	7.4
Bank of Baroda	7.4
Vardhman	7.4

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

Highest 1 year forward P/E	
Company	Highest P/E
Max	381.9
Shoppers Stop	54.9
Aditya Birla Nuvo	50.6
i-flex solutions	43.8
ABB	34.7
Siemens	33.2
GVKPIL	30.6
Nestle India	29.7
SunTV	28.7
Apollo Hospital	28.3
EIH	28.2
Divi's Laboratories	28.0

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

1 year rolling fwd P/E closest to historical high	
Company	% discount to historical high
HDFC	0.0
MICO	0.0
Sun Pharmaceuticals	0.0
Max	0.0
Shriram Transport	0.0
UTI Bank	0.4
Bharat Electronics	0.7
Asian Paints	2.3
Shoppers Stop	3.1
Larsen & Toubro	4.5
NTPC	5.4
ABB	6.1
State Bank of India	6.5
IDFC	6.7
Reliance Industries	7.0
KEC	7.6
i-flex solutions	8.0
Aditya Birla Nuvo	8.7

Note: Historic figures are generated since May 2000

Source: Bloomberg, Kotak Institutional Equities

Enterprise Value-to-EBITDA ratio analysis

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

Premium to 1 year rolling forward EV/ EBITDA

Company	Sector Premium
Max	16.6
Castrol India	1.1
i-flex solutions	0.9
Gateway Distriparks	0.7
Petronet LNG	0.7

Discount to 1 year rolling forward EV/ EBITDA

Company	Sector Discount
Lakshmi	0.6
Abbott India	0.6
Polaris Software Lab	0.6
iGate Global Solutions	0.6
CESC	0.5

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

Highest 1 year rolling forward EV/EBITDA

Company	Highest EV/ EBITDA
Max	309.8
i-flex solutions	31.8
Shoppers Stop	24.8
Aditya Birla Nuvo	24.8
Divi's Laboratories	21.4
Siemens	20.3
ABB	20.2
Infosys Technologies	18.5
Sun Pharmaceuticals	18.4
Nestle India	18.0

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

Lowest 1 year rolling forward EV/EBITDA

Company	Lowest EV/ EBITDA
Bharat Petroleum	3.6
Oil & Natural Gas Corporation	4.0
Hindustan Zinc	4.1
Indian Oil Corporation	4.3
Monnet Ispat	4.5
National Aluminium Co	4.5
IPCL	4.7
Lakshmi	4.9
Sesa	5.1
Abbott India	5.4

Source: Bloomberg, Kotak Institutional Equities

Technical indicators

Exhibit 25: Volume momentum analysis

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

Company	5day average volumes	% Increase	% Price Change (1month basis)
Nestle India	196,408	273.6	7.3
Jindal Steel and Power	19,704	119.6	10.9
Polaris Software Lab	593,508	116.9	(3.0)
Hexaware Technologies	197,189	87.9	(1.5)
Hindalco Industries	2,122,133	80.2	11.9
GSPL	815,888	65.4	(4.1)
Satyam Computer Services	1,056,401	63.0	6.3
Maruti Udyog	283,048	61.0	(9.3)
Sintex	267,565	57.4	18.2
HDFC	186,759	53.9	8.6
Punj	1,324,710	49.6	33.9
Indian Oil Corporation	126,502	39.0	(7.1)
UltraTech Cement	39,595	35.3	(1.8)
Container Corporation	10,669	30.1	2.9
Divi's Laboratories	67,685	27.2	37.0
GAIL (India)	247,407	25.0	1.9
Tata Power	89,304	22.6	(0.4)
Patni Computer Systems	261,117	19.7	10.4
Punjab National Bank	192,884	18.7	(8.6)
CESC	106,949	17.9	(7.8)
Abbott India	7,058	15.0	5.0
Pfizer	5,765	13.3	0.4
ACC	249,228	9.9	(4.9)
i-flex solutions	20,580	6.5	6.8

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

Company	5day average volumes	% decrease	% Price Change (1month basis)
Aventis Pharma	593	(86.7)	3.0
Motherson Sumi	7,742	(85.8)	10.0
Reliance Energy	108,745	(85.0)	3.8
Shree Cement	2,936	(81.9)	5.5
Shoppers Stop	822	(77.4)	(1.6)
KEC	4,652	(72.7)	(4.5)
Monnet Ispat	8,850	(72.6)	7.7
PVR	19,946	(71.0)	10.5
iGate Global Solutions	6,648	(70.8)	(2.4)
Colgate-Palmolive (India)	28,406	(69.1)	(4.1)
Novartis India	7,161	(67.4)	9.5
Jet Airways	34,246	(66.3)	9.9
Hotel Leela	202,456	(65.6)	(8.9)
Micro Inks	3,136	(64.2)	(0.2)
Arvind Mills	789,828	(62.9)	(1.7)
JSL	19,884	(61.2)	(10.2)
Wockhardt	10,360	(60.8)	(1.6)
Torrent Pharma	20,792	(60.1)	25.3
MMFSL	17,425	(58.2)	#N/A
TVS Motor Co	115,192	(58.1)	4.6
UTI Bank	151,153	(55.6)	11.5
Sun Pharmaceuticals	16,400	(53.3)	7.4
HDFC Bank	75,537	(53.2)	10.2
Bajaj Auto	84,266	(52.9)	(21.0)

Source: Bloomberg, Kotak Institutional Equities.

Earnings Momentum

- **Top upgrades and downgrades in 2007 estimates in the past month**
- **Top upgrades and downgrades in 2008 estimates in the past month**
- **Top changes in target prices in the past month**
- **Top changes in ratings in the past month**

Top upgrades/downgrades

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

FY2008 earnings upgrades (KIE) (1 month)

	Company	% Change
1	Divi's Laboratories	45.9
2	Kalpataru	22.6
3	Zee Entertainment Enterprises	14.3
4	Torrent Pharma	13.3
5	GSPL	12.4
6	Hindustan Petroleum	7.7
7	Bharat Petroleum	5.5
8	Petronet LNG	4.1
9	Oriental Bank of Commerce	3.4
10	VSNL	3.1

FY2008 earnings downgrades (KIE) (1 month)

	Company	% Change
1	Vardhman	(30.4)
2	Max	(29.2)
3	Sun Pharmaceuticals	(13.3)
4	NCCL	(11.0)
5	Punjab National Bank	(8.0)
6	Corporation Bank	(6.5)
7	Bajaj Auto	(5.6)
8	Canara Bank	(4.6)
9	Wipro	(3.5)
10	HDFC	(3.4)

Source: Kotak Institutional Equities, Bloomberg.

Note: FY07 earnings upgrade/ downgrade refers to variation in analyst's expectations and actual reported numbers

Changes in our target prices

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

Upgrades in target prices (1 month)

	Company	% Change	Old	New
1	Tata Tea	38.7	715	992
2	Punj	31.3	182	239
3	Torrent Pharma	30.0	200	260
4	Larsen & Toubro	21.4	1,750	2,125
5	Shriram Transport	16.1	155	180
6	ICICI Bank	8.7	920	1,000
7	AIA Engineering	8.4	1,615	1,750
8	GSPL	7.5	53	57
9	HCL Technologies	6.7	338	360
10	Petronet LNG	6.4	47	50
11	NCCL	3.0	198	204
12	Zee Entertainment Enterpris	2.4	210	215

Downgrades in target prices (1 month)

	Company	% Change	Old	New
1	Vardhman	(32.3)	325	220
2	Infosys Technologies	(8.0)	2,500	2,300
3	Wipro	(7.7)	710	655
4	TCS	(7.1)	1,400	1,300
5	Satyam Computer Services	(4.7)	535	510

Source:Kotak Institutional Equities.

Changes in our ratings

Exhibit 29: Changes in ratings in the past 1 month

Company Name		Rating	
		Current	Previous
DishTV	Downgraded	IL	OP
Indian Bank	Downgraded	IL	OP
Vardhman	Downgraded	IL	OP
GSPL	Upgraded	IL	U

Source: Kotak Institutional Equities.

Flows

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

Trend in equity flows

Exhibit 31: Net investments by Mutual Funds and FII in the cash market (US\$m)

	FII	MF
CY 1999	1,537	0
CY 2000	1,462	(150)
CY 2001	2,807	(1,110)
CY 2002	751	(685)
CY 2003	6,658	118
CY2004	8,382	(217)
CY 2005	10,776	2,873
CY 2006	8,632	3,585
Jan	1,431	(229)
Feb	1,691	(55)
March	1,473	996
April	222	657
May	(1,829)	1,754
June	313	(341)
July	306	(18)
August	1,027	94
September	1,339	298
October	1,450	0
November	2,024	59
December	(814)	369
CY 2007	3,930	(177)
Jan	40	(298)
Feb	1,249	(61)
March	317	(365)
April	1,257	217
May	1,085	401
June	(17)	(71)

Exhibit 32: Net Foreign flows in the Derivatives market (US\$m)

	Index Futures	Index Options	Stock Futures	Stock Options
CY2004	(91)	608	(796)	4
CY2005	(676)	2,199	(668)	(42)
CY 2006	345	3,950	(3,690)	(83)
Jan	424	268	(505)	(11)
Feb	(284)	438	(623)	(13)
Mar	209	342	(1,135)	26
Apr	(454)	229	(1,382)	(3)
May	211	165	754	2
June	562	(22)	891	(4)
July	128	226	468	(10)
August	(15)	346	(421)	(9)
Sep	(331)	322	(632)	(8)
Oct	850	674	(648)	(15)
November	(231)	662	(849)	(28)
December	(724)	300	391	(11)
CY2007	(349)	4,039	(2,002)	(63)
Jan	13	960	(632)	(27)
Feb	(937)	682	(313)	0
Mar	1,132	630	467	(8)
Apr	264	810	(111)	(15)
May	320	516	(1,246)	(10)
June	(1,142)	440	(166)	(4)

Source: Bloomberg, Kotak Institutional Equities

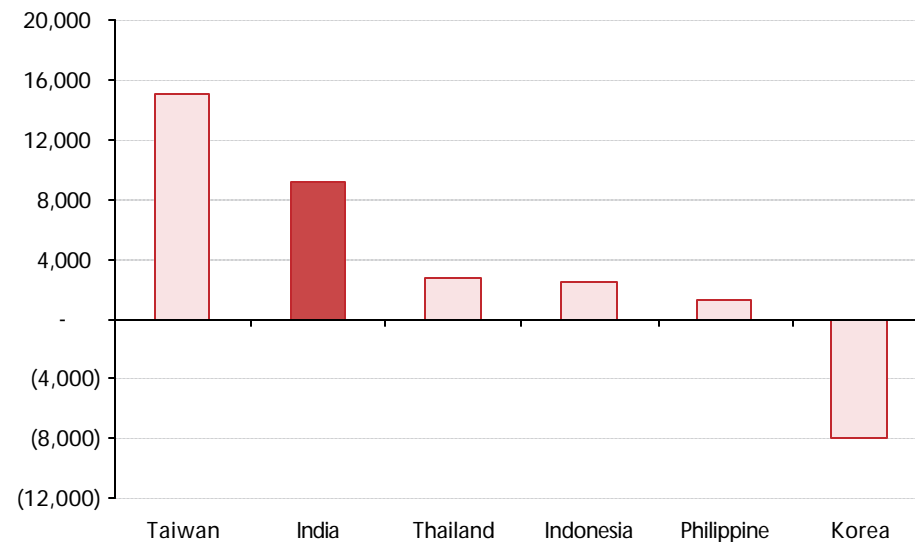
FII flows in other emerging markets

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

Flows in the cash markets

Date	Taiwan	Indonesia	Philippine	Thailand	India
16-May-07	(172)	19	26	41	(33)
17-May-07	(7)	-	14	82	252
18-May-07	(133)	-	23	87	299
21-May-07	68	(3)	15	70	113
22-May-07	174	20	23	100	107
23-May-07	256	17	26	60	106
24-May-07	109	(13)	37	55	76
25-May-07	(310)	(7)	2	(9)	(35)
28-May-07	65	5	6	9	77
29-May-07	174	(9)	22	59	199
30-May-07	(143)	(1)	35	28	(90)
31-May-07	139	125	9	-	74
1-Jun-07	215	-	26	247	115
4-Jun-07	121	34	29	224	53
5-Jun-07	183	21	23	0	(9)
6-Jun-07	346	(4)	5	2	(17)
7-Jun-07	39	8	6	(19)	(53)
8-Jun-07	(317)	16	(3)	(16)	(222)
11-Jun-07	104	34	-	113	(13)
12-Jun-07	154	47	14	-	129
Total	1,064	309	336	1,134	1,128

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



Source: Bloomberg.

IPO analysis

Exhibit 33: Market performance since IPO/ Follow on offering

Name	Offer Shares	Price (Rs)	Value (Rs mn)	Date of Listing	Price		Performance (%)	
					Day 1	Latest	Day 1	Since Listing
Nitin Fire Protection	34	190	644	5-Jun-07	484	412	155	117
Insecticides Ind	32	115	369	30-May-07	110	90	(5)	(22)
MIC Electronics	51	150	765	30-May-07	336	382	124	154
Binani Cements	205	75	1,538	28-May-07	69	63	(8)	(16)
Hilton Metal Forging	55	70	382	24-May-07	68	55	(3)	(21)
Bhagwati Hotels	230	40	920	17-May-07	51	37	27	(6)
Fortis Healthcare	460	108	4,968	9-May-07	100	88	(7)	(18)
Advanta India Ltd	34	640	2,163	19-Apr-07	850	1,008	33	57
ICRA Ltd	26	330	852	13-Apr-07	798	909	142	175
Orbit Corp Ltd	91	110	1,001	12-Apr-07	128	228	16	108
Gremach Infrastructure	69	86	590	11-Apr-07	84	164	(2)	91
Astral Polytechn	30	115	342	20-Mar-07	105	103	(9)	(11)
Abhishek Mills L	41	100	410	19-Mar-07	91	49	(9)	(51)
AMD Metplast Ltd	102	75	763	19-Mar-07	78	54	4	(28)
Jagjanani Textil	81	25	203	19-Mar-07	23	13	(7)	(47)
Lawreshwar Polym	87	16	139	19-Mar-07	14	13	(13)	(22)
Page Industries	28	360	1,009	16-Mar-07	282	372	(22)	3
Raj Television N	36	257	917	16-Mar-07	226	248	(12)	(3)
Euro Ceramics	56	165	928	9-Mar-07	119	144	(28)	(13)
Idea Cellular	2,833	75	21,250	9-Mar-07	86	115	14	53
Mudra Lifestyle	96	90	862	9-Mar-07	64	65	(29)	(27)
Vijayeshwari Textiles	90	100	900	9-Mar-07	69	59	(31)	(41)
Indus Fila Ltd	48	170	823	8-Mar-07	132	164	(22)	(4)
Broadcast Initiatives	86	120	1,026	7-Mar-07	69	79	(42)	(34)
Evinix Accessories	35	120	420	7-Mar-07	74	78	(39)	(35)
Mindtree Consulting	56	425	2,377	7-Mar-07	620	786	46	85
Oriental Trimex	100	48	480	7-Mar-07	29	23	(39)	(53)
Indian Bank	896	91	8,149	1-Mar-07	98	121	8	33
SMS Pharma	26	380	979	28-Feb-07	358	315	(6)	(17)
C&C Construction	43	291	1,242	26-Feb-07	240	170	(18)	(42)
Transwarranty Finance	60	52	312	26-Feb-07	47	33	(9)	(36)
Power Finance Corp	1,173	85	9,972	23-Feb-07	112	148	31	74
Firstsource Solutions	693	64	4,435	22-Feb-07	80	83	24	30
House of Pearl Fashions	60	550	3,292	15-Feb-07	469	318	(15)	(42)
Redington India	132	113	1,495	15-Feb-07	163	220	44	95
Cinemax India	89	155	1,383	14-Feb-07	152	151	(2)	(3)
Technocraft Industries	83	105	874	12-Feb-07	101	78	(4)	(26)
Pochiraju Industries	125	30	376	9-Feb-07	49	27	64	(11)
Global Broadcast	42	250	1,050	8-Feb-07	510	907	104	263
Akruti Nirman	67	540	3,618	7-Feb-07	564	354	4	(34)
Cambridge Technologies	63	38	240	7-Feb-07	100	52	163	38
Autoline Industries	33	225	750	31-Jan-07	258	234	15	4
Lumax Auto	30	75	226	16-Jan-07	110	91	47	21
Shree Ashtavinayak	37	160	596	10-Jan-07	226	251	41	57
Cairn India	5,385	160	86,155	9-Jan-07	138	135	(14)	(16)
Pyramid Saimira	84	100	844	5-Jan-07	158	363	58	263
Tanla Solutions	159	265	4,210	5-Jan-07	380	383	43	44
Nissan Copper Ltd.	6	39	25	29-Dec-06	129	30	230	(23)
Ess Dee Aluminium	70	225	1,566	28-Dec-06	238	388	6	73

Source: Bloomberg and Kotak Institutional Equities.

Exhibit 34: Forthcoming IPO/Follow on offerings

Name	Issue Type
ICICI BANK	FPO
HOUSING DEVELOPMENT & INFRASTRUCTURE LTD.	IPO
NATIONAL HYDROELECTRIC POWER CORP.LTD.	IPO
MUNDRA PORT & SPECIAL ECONOMIC ZONE LTD.	IPO
OMAXE LTD.	IPO
POWER GRID CORP.OF INDIA LTD.	IPO
PURAVANKARA PROJECTS LTD.	IPO
IVR PRIME URBAN DEVELOPERS LTD.	IPO
SPICE COMMUNICATIONS LTD.	IPO
KOLTE-PATIL DEVELOPERS LTD.	IPO
BHARAT EARTH MOVERS LTD.	FPO
MAYTAS INFRA LTD.	IPO
AFCONS INFRASTRUCTURE LTD.	IPO
OSWAL WOOLLEN MILLS LTD.	IPO
MANAKSIA LTD.	FPO
SEL MANUFACTURING CO.LTD.	IPO
K.P.R.MILL LTD.	IPO
MOTILAL OSWAL FINANCIAL SERVICES LTD.	IPO
ZYLOG SYSTEMS LTD.	IPO
TIME TECHNOPLAST LTD.	IPO
BINANI CEMENT LTD.	IPO
KOUTONS RETAIL INDIA LTD.	IPO
DHANUS TECHNOLOGIES LTD.	IPO
GSS AMERICA INFOTECH LTD.	IPO
VISHAL RETAIL LTD.	IPO
ODYSSEY INDIA LTD.	IPO
ASIAN GRANITO INDIA LTD.	IPO
MEGHMANI ORGANICS LTD.	IPO
NELCAST LTD.	IPO
ALLIED DIGITAL SERVICES LTD.	IPO
INDO FARM TRACTORS & MOTORS LTD.	IPO
MAN INFRACONSTRUCTION LTD.	IPO
MBL INFRASTRUCTURES LTD.	IPO
TITAGARH WAGONS LTD.	IPO
KAVERI SEED CO.LTD.	IPO
SIMPLEX PROJECTS LTD.	IPO
UMA PRECISION LTD.	IPO
NITIN FIRE PROTECTION INDUSTRIES LTD.	IPO
TAKE SOLUTIONS LTD.	IPO
ALPA LABORATORIES LTD.	IPO
BRAHAMPUTRA CONSORTIUM LTD.	IPO
ESSEL SHYAM COMMUNICATION LTD.	IPO
INDOWIND ENERGY LTD.	IPO
M.S.KHURANA ENGINEERING LTD.	IPO
VEENA INDUSTRIES LTD.	IPO
ARIES AGRO LTD.	IPO
EVERONN SYSTEMS INDIA LTD.	IPO
ROMAN TARMAT LTD.	IPO
SURYACHAKRA POWER CORP.LTD.	IPO
GINI & JONY LTD.	IPO
JANKI CORP LTD.	IPO
NIRAJ CEMENT STRUCTURALS LTD.	IPO

Source: Primedatabase .

Summary of bulk/block deals

Exhibit 35: Bulk/block deals for the week

Deal Date	Scrip Name	Action	Quantity	Price	Value (Rsmn)	Exchange
13-Jun	NESTLE LTD	SELL	750,531	1,200	901	BSE
8-Jun	Max India Ltd	SELL	2,359,664	250	590	NSE
8-Jun	Max India Ltd	BUY	2,357,602	250	590	NSE
12-Jun	S. KUMARS NAT	SELL	6,212,691	84	520	BSE
12-Jun	S. KUMARS NAT	BUY	4,007,875	83	334	BSE
12-Jun	S. KUMARS NAT	BUY	2,190,815	84	185	BSE
13-Jun	TIME TECHNO	BUY	350,000	480	168	BSE
13-Jun	TAMILNADU NEWSPRINT AND PAPERS	BUY	1,327,998	95	126	BSE
13-Jun	TAMILNADU NEWSPRINT AND PAPERS	SELL	1,310,000	95	124	BSE
8-Jun	Shree Renuka Sugars Limit	SELL	177,660	647	115	NSE
13-Jun	Shree Renuka Sugars Limit	SELL	155,989	618	96	NSE
11-Jun	Balrampur Chini Mills	SELL	1,310,000	73	96	NSE
13-Jun	Bombay Rayon Fashions Lim	SELL	433,410	218	94	NSE
13-Jun	3i Infotech Limited	SELL	305,000	293	89	NSE
8-Jun	K S Oils Limited	BUY	200,000	402	80	NSE
13-Jun	GREMAC INFRA	BUY	500,000	146	73	BSE
13-Jun	TIME TECHNO	BUY	150,000	470	71	BSE
12-Jun	Sterlite Optic Tech Ltd	BUY	296,259	229	68	NSE
13-Jun	GREMAC INFRA	BUY	350,000	140	49	BSE

Source: BSE and NSE website.

Delivery positions

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

Increase in delivery % (KIE)

Name	Delivery %	
	Previous week	Current week
Castrol (India) Limited	49.0	89.0
Apollo Hospitals Enterprise	38.6	76.9
Sintex Industries Limited	41.7	70.6
Shree Cement Limited	55.6	84.1
Wockhardt Limited	31.6	56.7
Container Corp Of India Ltd	68.2	92.9
Lupin Ltd	36.7	59.0
ACC Limited	31.5	53.7
Monnet Ispat & Energy Ltd	50.3	70.1

Decrease in delivery % (KIE)

Name	Delivery %	
	Previous week	Current week
Abbott India Ltd	66.5	6.9
Suzlon Energy Limited	77.7	22.0
Ipca Laboratories Limited	78.4	39.1
Punj Lloyd Limited	37.5	0.0
Colgate-Palmolive (India)	61.5	34.1
India Cements Limited	57.0	30.2
Hindalco Industries Limited	69.0	43.3
ICICI Bank Ltd	50.4	26.8
Kec International Ltd	93.4	70.0

Increase in total volumes during the week (BSE+NSE)

Name	Volume in Current week	% Increase
Gujarat State Petronet Ltd	7,195,383	777.5
Polaris Software Lab	3,871,185	472.7
Aurobindo Pharma Ltd	1,161,593	403.9
Indian Oil Corporation Ltd	888,332	394.8
Hindalco Industries Limited	10,945,057	343.1
Indian Petrochemicals Corp	1,002,728	332.3
ACC Limited	1,100,571	324.7
Hexaware Technologies Ltd	311,447	268.3
Tata Consultancy Svs Ltd	1,773,294	244.6
Oil & Natural Gas Corp Ltd	1,832,686	218.6

Decrease in total volumes during the week (BSE+NSE)

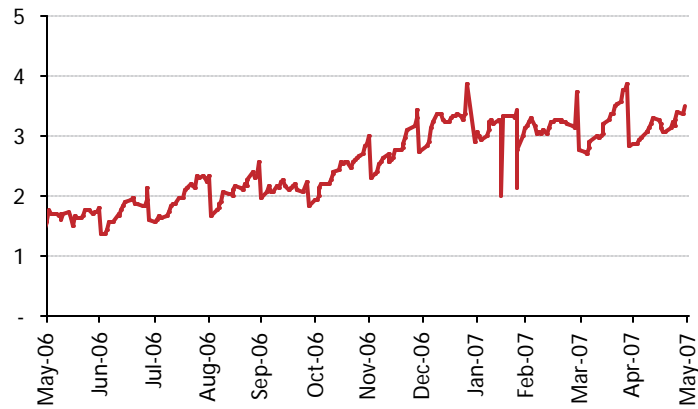
Name	Volume in Current week	% Decrease
Ht Media Ltd	25,428	-87.3
National Aluminium Co Ltd	153,404	-85.4
Tata Tea Limited	237,726	-83.4
Jet Airways India Ltd	158,217	-78.2
Igate Global Solutions Ltd	21,750	-78.0
Arvind Mills Limited	1,288,673	-76.8
Bharat Electronics Limited	113,573	-74.7
Motor Industries Co Limited	26,345	-74.3
Suzlon Energy Limited	820,015	-72.7
Wockhardt Limited	53,655	-72.6

Source: Bloomberg and Kotak Institutional Equities.

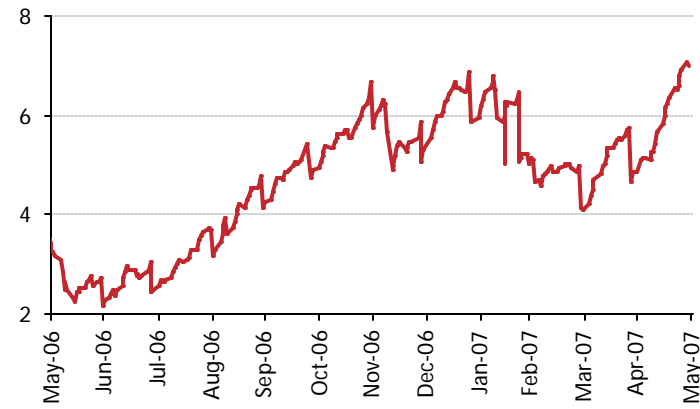
Open interest analysis

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

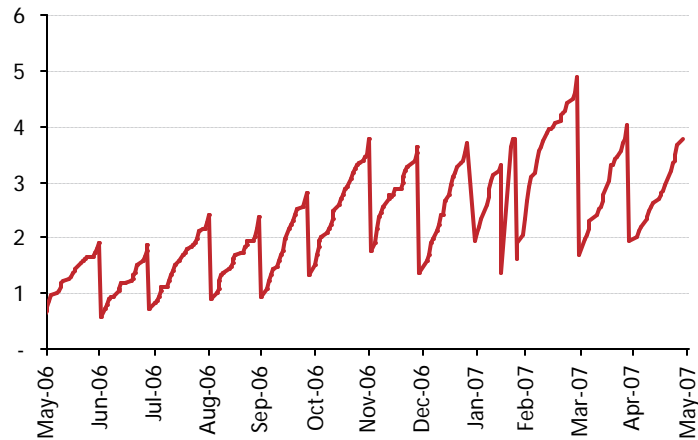
India Index futures open interest



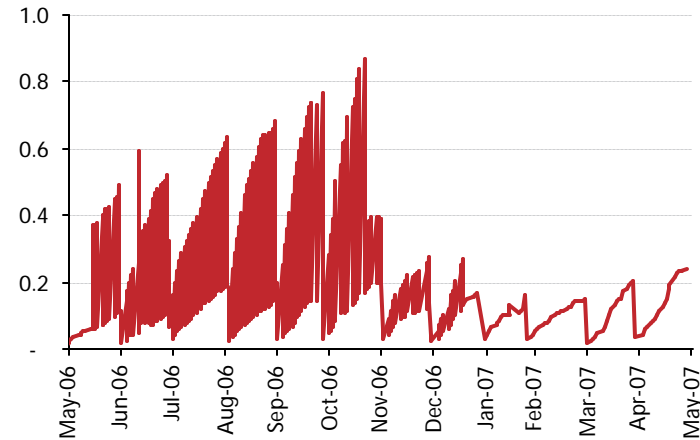
India stock futures open interest



India Index option open interest



India stock option open interest

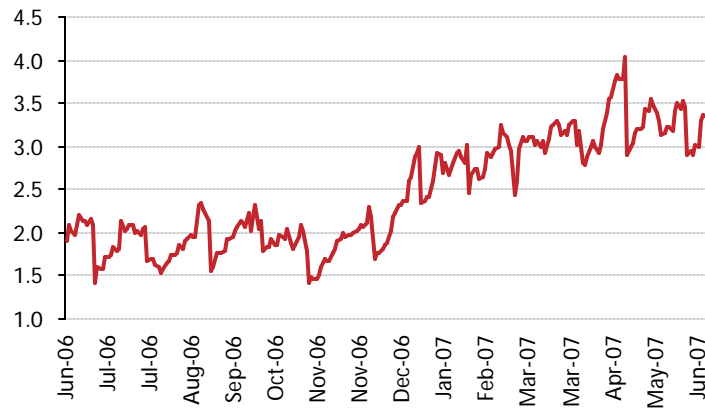


Source: Bloomberg and Kotak Institutional Equities.

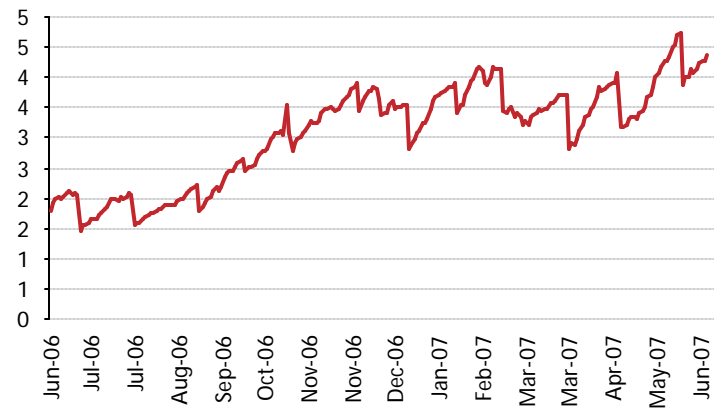
Open interest analysis

Exhibit 38: Open interest position movement for Foreign Institutional Investors (US\$ bn)

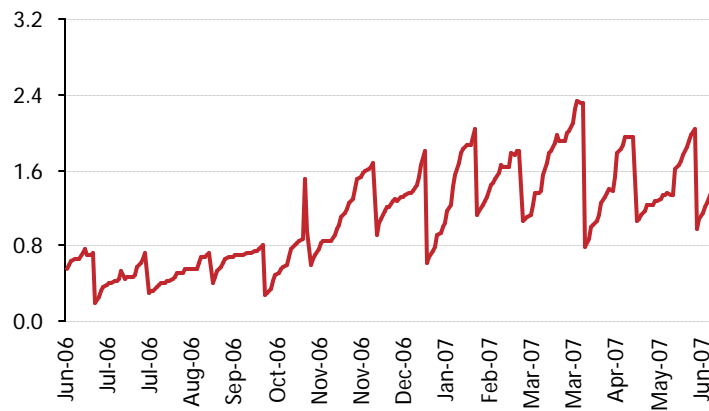
Index futures value of open interest



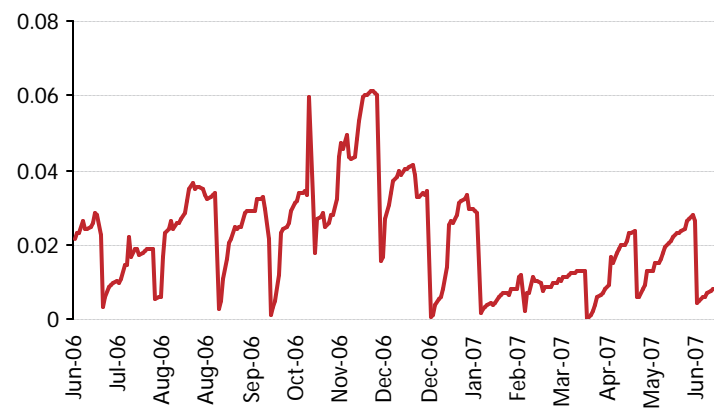
Stock futures value of open interest



Index options value of open interest



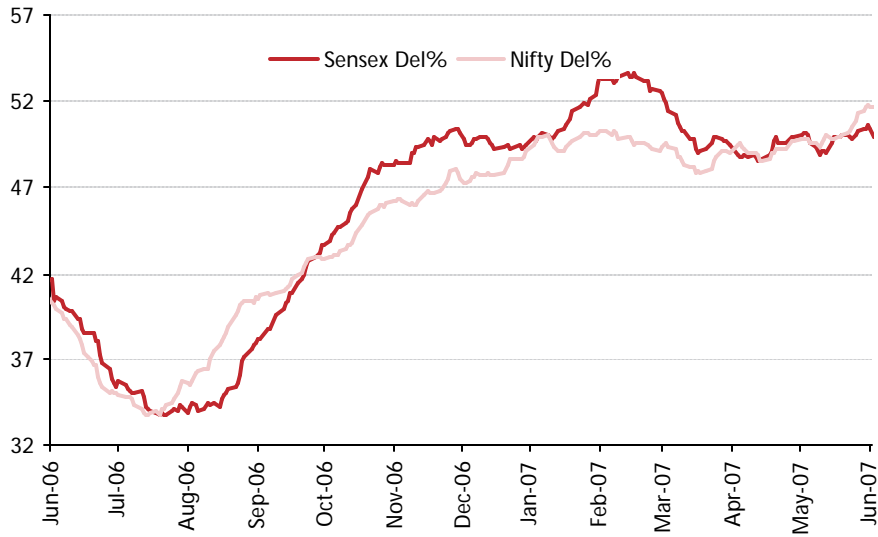
Stock options value of open interest



Source: Bloomberg and Kotak Institutional Equities.

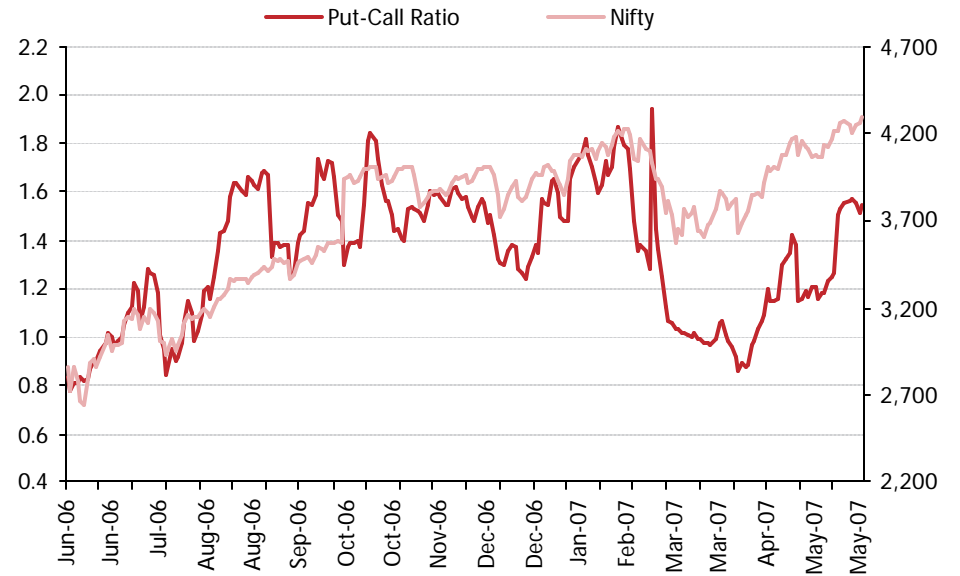
Market movement indicators

Exhibit 39: Aggregate delivery percentage



Source: Bloomberg and Kotak Institutional Equities.

Exhibit 40: Put call ratio v/s Nifty



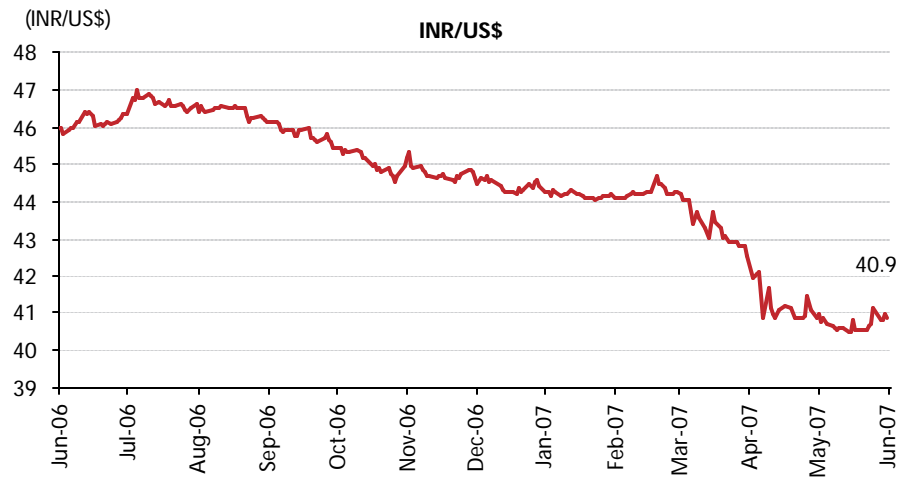
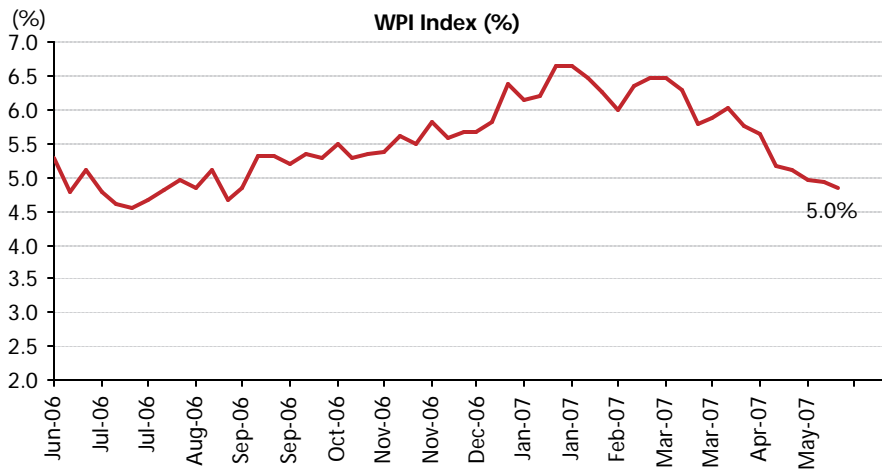
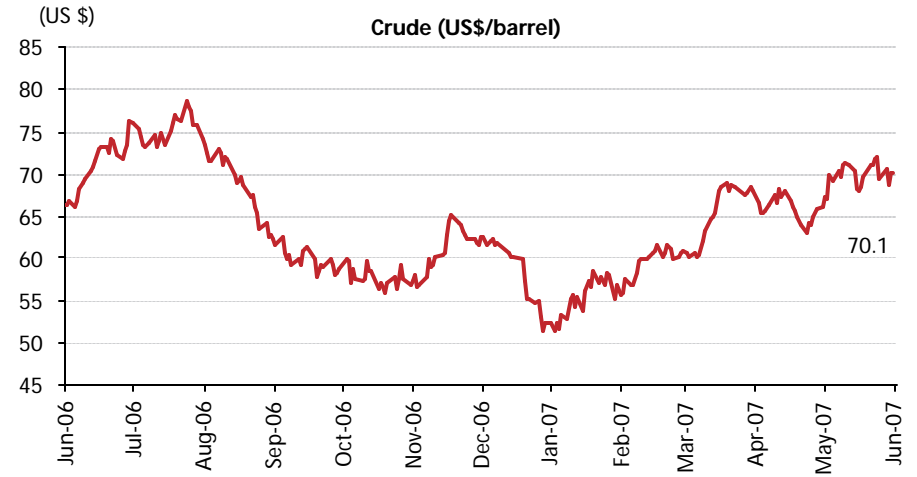
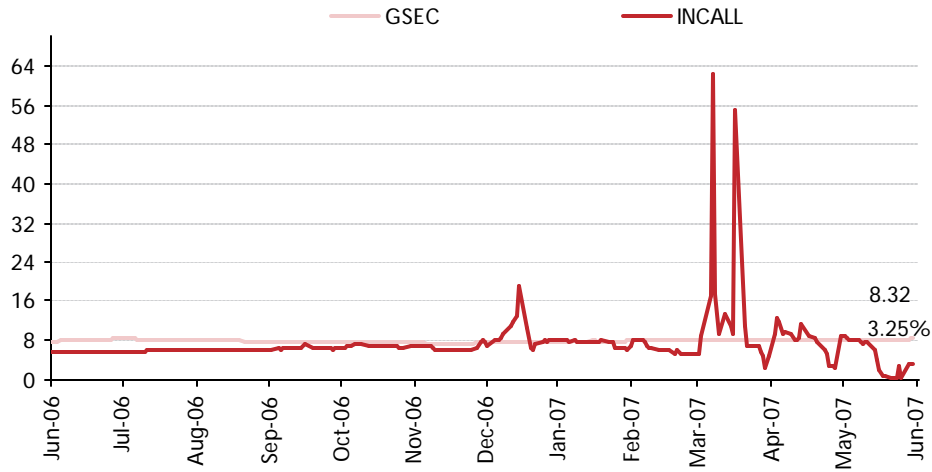
Put call is for Nifty open interest

Source: Bloomberg and Kotak Institutional Equities.

Economic Indicators

Economic indicators

Exhibit 41: Key economic parameters



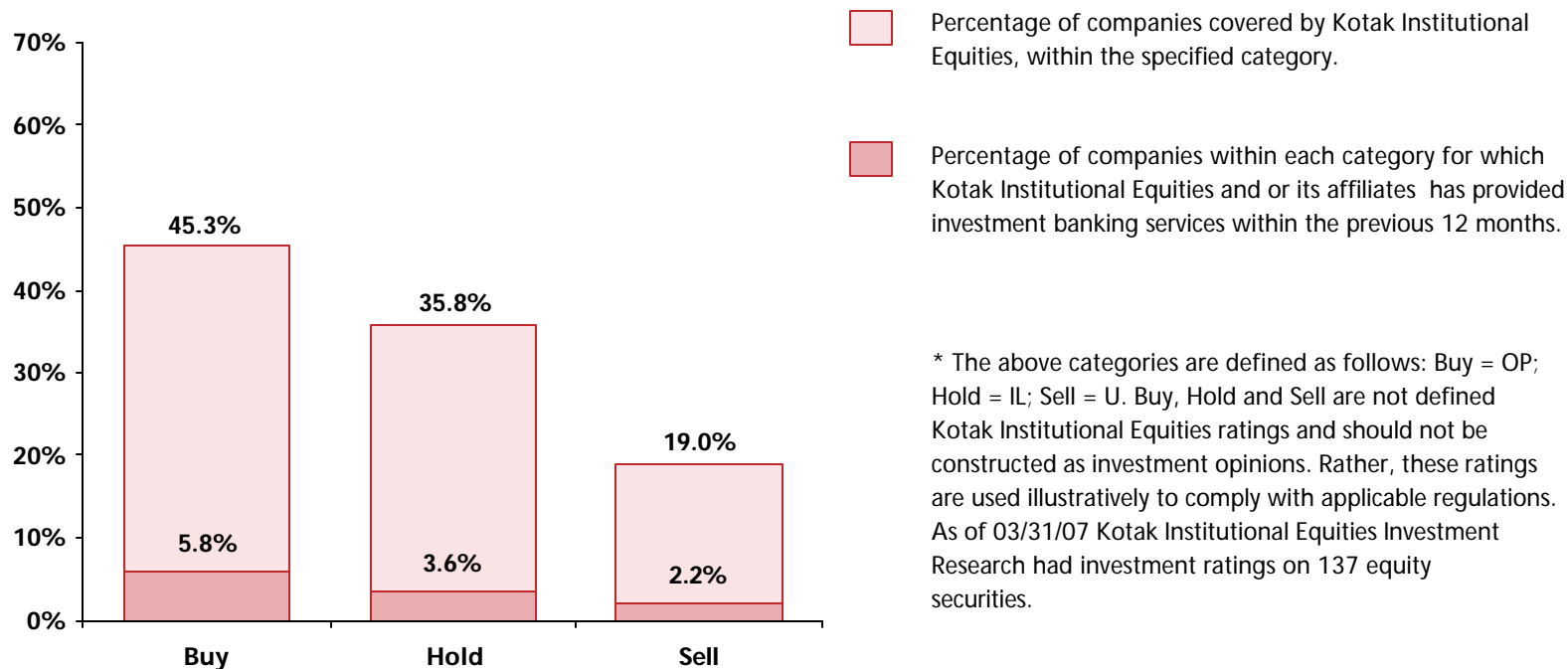
Source: Bloomberg and Kotak Institutional Equities.

Kotak Valuation Summary

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Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



* The above categories are defined as follows: Buy = OP; Hold = IL; Sell = U. Buy, Hold and Sell are not defined Kotak Institutional Equities ratings and should not be constructed as investment opinions. Rather, these ratings are used illustratively to comply with applicable regulations. As of 03/31/07 Kotak Institutional Equities Investment Research had investment ratings on 137 equity securities.

Source: Kotak Institutional Equities.

As of March 31, 2007

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Current rating system

Definitions of ratings

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

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