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News Roundup

- The fight for survival has brought two of India's biggest business rivals—Jet Airways owner Naresh Goyal and Kingfisher chief Vijay Mallya—together. After several rounds of "summit" talks between the two aviation czars, they announced on Monday night that they are forming an operational alliance that will command nearly 50% market share of the domestic skies—and could spell bad news for the low-fare model. (ET)
- A leading Indian business group has been approached by Citibank to buy out the Singapore-based American International Assurance Company (AIA), a wholly-owned subsidiary of AIG. The once formidable US insurance and asset management giant is now 80% owned by the US government. (ET)
- In a move that may indirectly bring private companies under the scrutiny of Comptroller & Auditor General (CAG), the statutory body has decided to bring five new sectors including public-private partnerships (PPP) into its ambit. The other four sectors are environment and climate change, e-governance, social audit and regulatory bodies. (ET)
- Real estate developer Unitech is in talks with Norwegian telecom group Telenor to sell a stake in its nascent telecoms venture. (ET)
- In what can be termed as the biggest write-off by an Indian firm, CDMA service provider Tata Teleservices (TTSL) is planning to restructure the company to offset losses of around Rs 5,141 crore by way of capital revamp. (BS)
- Three months after calling off its tie-up with Arvind Brands, Italian fashion brand Diesel today announced a joint venture with Reliance Brands, an arm of Mukesh Ambani's Reliance Retail. (BS)
- Tata Motors Ltd, which sells its Xenon brand of pickup trucks in South-East Asia and parts of Europe, plans to launch the vehicle in the domestic market next month. The 1-tonne pickup, which the company launched in Thailand in March, will be positioned in the premium lifestyle segment, with features such as power steering. (Mint)
- NComputing Inc. said on Monday it would be providing computers in 5,000 schools in Andhra Pradesh. Because of the particulars of NComputing's system, the company says 1.8 million students will have access to the machines to learn computing skills and productivity software. (Mint)

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

EQUITY MARKETS

		Change, %		
India	**13-Oct**	**1-day**	**1-mo**	**3-mo**
Sensex	11,309	7.4	(19.2)	(16.0)
Nifty	3,491	6.4	(17.4)	(13.8)
Global/Regional indices				
Dow Jones	8,451	(1.5)	(26.0)	(23.9)
FTSE	4,130	5.0	(23.8)	(21.5)
Nikkie	8,276	(9.6)	(32.2)	(36.5)
Hang Seng	16,312	10.2	(15.7)	(26.5)
KOSPI	1,289	3.8	(12.8)	(17.8)

Value traded - India

			Moving avg, Rs bn	
	13-Oct		**1-mo**	**3-mo**
Cash (NSE+BSE)	197.6		175.5	173.2
Derivatives (NSE)	406.2		527.2	356
Deri. open interest	722.1		836	733

Forex/money market

		Change, basis points		
	13-Oct	**1-day**	**1-mo**	**3-mo**
Rs/US$	48.1	(36)	216	524
6mo fwd prem, %	0.7	(25)	71	24

Net investment (US$mn)

	8-Oct		**MTD**	**CYTD**
FIIs	(210)		-	(9,225)
MFs	(25)		-	3,166

Top movers -3mo basis

		Change, %		
Best performers	**13-Oct**	**1-day**	**1-mo**	**3-mo**
UNION BANK OF INI	151	3.7	0.4	34.3
MARUTI SUZUKI INI	723	6.4	2.8	27.2
HERO HONDA MOT	831	2.0	(0.8)	25.8
PUNJAB NATIONAL	500	8.5	(2.1)	23.3
STATE BANK OF INI	1,496	10.6	(1.2)	18.9
Worst performers				
HOUSING DEVELOP	115	24.7	(58.1)	(64.4)
INDIABULLS FINANC	86	1.5	(61.9)	(64.7)
INDIABULLS REAL E	118	23.4	(53.7)	(57.6)
0	-	-	-	-
0	-	-	-	-

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Lupin: Aggressive inroads into new markets and segments

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Pharmaceuticals

LUPN.BO, Rs678	
Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	950
52W High -Low (Rs)	782 - 425
Market Cap (Rs bn)	60.0

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	27.1	37.0	40.9
Net Profit (Rs bn)	4.1	4.5	5.3
EPS (Rs)	49.8	51.3	59.5
EPS gth	*30*	*3.0*	*16.1*
P/E (x)	14	13.2	11.4
EV/EBITDA (x)	15.9	10.8	9.2
Div yield (%)	1.4	1.4	1.7

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	51.1	-	-
FIIs	12.4	0.1	(0.1)
MFs	10.7	0.5	0.3
UTI	1.3	0.5	0.3
LIC	2.7	0.1	(0.1)

- **Beyond fermentation-based manufacturing**
- **Investment phase continues across markets and businesses**
- **Margin expansion, better use of capital over the next three years**
- **Key risks: Chasing too many new ideas**

We think Lupin's transformation into an integrated international pharmaceuticals company with multiple drivers of growth will steadily expand its EBITDA margin. Recent acquisitions in Japan, Germany and in the contract manufacturing outsourcing (CMO) segment create a case for stable revenue growth for the next three years.

Beyond fermentation-based manufacturing

Lupin's success in India came primarily from the anti-TB segment and APIs that required fermentation-based skills. The company expanded its range to include cephalosporins and statins as well as cardiovascular products, becoming the global leader in lisinopril. Lupin has begun to supply finished dosage products to developed markets and lifestyle-related products to developing markets.

Investment phase continues across markets and businesses

Lupin is investing in new revenue streams, some of which will bear fruit by 2010. The company has invested in new therapeutic segments in developing markets, increased capacity for APIs and new business of contract manufacturing. R&D efforts for NCE continue but their commercial potential is not yet visible to us.

Margin expansion, better use of capital over the next three years

We forecast EBITDA margin expansion on the back of growth in (1) market share in finished dosages, (2) chronic portfolio in India, (3) overseas markets—Japan and Europe and (4) approvals in the US generics market. The company will also profit from India-based tax advantages. We expect RoE to decline in FY2009 in the absence of research out-licensing income (FY2008: Rs1.1 bn).

Key risks: Chasing too many new ideas

Lupin's new markets (Japan/Germany) and new businesses (CMO) pose risks of execution and of spreading management resources too thin. Conversely, portfolio concentration among markets (India accounted for 45% of FY2008 revenues) and therapeutic segments (cephalosporin accounted for 46% of FY2008 revenues) are also risks.

Forecasts and valuation, March fiscal year-ends, 2007-201E (Rs mn)

	Net sales		Adjusted EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth(%)	(Rs mn)	Growth(%)	(Rs mn)	Growth(%)	(Rs)	(%)	(%)	(X)
2007	20,137	18.8	4,281	28.2	3,086	78.4	38.2	14.9	41.2	19.0
2008	27,064	34.4	6,015	40.5	4,082	32.3	49.8	17.6	37.9	14.6
2009E	36,971	36.6	8,458	40.6	4,541	11.2	51.3	19.9	27.7	14.2
2010E	40,872	10.6	9,846	16.4	5,275	16.1	59.5	19.9	23.9	12.2
2011E	46,243	13.1	11,281	14.6	6,005	13.8	67.8	20.5	22.7	10.7

Source: Company, Kotak Institutional Equities estimates.

Banking

AXBK.BO, Rs660	
Rating	REDUCE
Sector coverage view	Attractive
Target Price (Rs)	750
52W High -Low (Rs)	1292 - 535
Market Cap (Rs bn)	236.1

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	45.0	65.9	84.3
Net Profit (Rs bn)	10.7	14.2	18.5
EPS (Rs)	32.2	39.7	51.8
EPS gth	*38.8*	*23.9*	*31.4*
P/E (x)	20.5	16.6	12.7
P/B (x)	2.9	2.5	2.2
Div yield (%)	0.9	1.1	1.5

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	42.4	-	-
FIIs	35.0	1.1	0.5
MFs	8.1	1.4	0.8
UTI	-	-	(0.6)
LIC	-	-	(0.6)

Axis Bank: Reports good set of numbers, sharp growth in assets remains a concern, retain REDUCE

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- **Axis Bank reported a PAT growth of 78% yoy driven largely by core income**
- **Stable CASA ratio, improvement in NIM and healthy fee income growth are the key positives**
- **Sharp growth in loan book (54% yoy) is a concern**
- **Retain REDUCE rating on rich valuations**

Axis Bank reported net profit of Rs4 bn in 2QFY09, up 77% yoy and 21% ahead of our estimate. The core income of the company remained robust with the NII (ex-amortization) increasing by 62% yoy and non-interest income (ex-treasury) growing by 91% yoy in 2QFY09. A key concern for the company has been the strong loan growth-54% yoy as of September 2008. We believe that rapid growth in the current segment of the credit cycle could result in margin pressures and higher NPLs in the future. Consequently, we have increased the credit provisions and reduced our NIM estimates resulting in 6-7% decline in our earnings estimates for FY2010E and FY2011E. However, we are raising our estimates for FY2009E by 10% to factor near-term buoyancy in fee income. Despite a decline in earnings estimates, we retain our price target of Rs750 as we rollover to FY2010E. Maintain REDUCE recommendation on the stock given (a) concerns regarding management succession—D. P.J. Nayak (the current Chairman) retires in July 2009, (b) rich valuations of the stock—12.7X PER and 2.2X APBR FY2010E.

NII growth remains high aided by asset growth and an improvement in NIM

- Axis Bank reported NII (ex-amortization) of Rs9.1 bn—10% ahead of our expectations.
- NIM (reported by company) improved to 3.5% in 2QFY09 compared to the 3.3% reported in 2QFY08. This was also higher than the 3.4% reported in 1QFY09. Increase in PLR in 2QFY09 along with a stable CASA ratio of around 40% are the main reasons for this development.
- Despite the stable CASA ratio, the cost of funds (company calculations) increased to 6.23% in 2QFY09 compared to the 6.11% reported in 1QFY09.
- The company's advances growth continues to remain strong and increased by 54% yoy as of September 2008. Axis Bank had an outstanding loan book of Rs16.7 bn, which was given as short-term lending to individuals for home loan bookings for Delhi Development Authority (DDA). Management guidance suggests that the entire amount is secure and will likely be repaid by 3QFY09. This loan has been categorized as a personal loan category by the company.
- The company has an exposure of Rs61.9 bn (9% of loan book) to the real estate sector and of which the exposure to the developer segment was Rs14.3 bn as of September 2008.

Other income remained robust

- Axis Bank booked non-interest income of Rs6.9 bn in 2QFY09—growth of 81% yoy. The key drivers of fee income in the current quarter were: (1) treasury income of Rs362 mn, (2) fee income of Rs6.3 bn—a growth of 91% yoy. It is to be noted that the company has reclassified the commission income on foreign exchange products as fee income starting this quarter, hitherto, the company used to report this as treasury income.

- The growth in fee income continued to remain robust, with corporate and retail banking activities contributing the maximum. The fee from sale of third-party products in the retail segment was Rs660 mn in 2QFY09 up from Rs300 mn in 2QFY08.
- The company booked Rs1.1 bn in 2QFY09 as fees from the capital market operations, which was higher than the run-rate of around of Rs400 mn observed in FY2008. This is the second consecutive quarter of higher revenues from this stream. Management indicated that this income was driven by higher loan syndication and advisory fees. We model a growth in fees of around 30% yoy for the remainder of the year as the capital markets are likely to remain volatile and impact the overall volumes for the company.

Loan growth continues to remain strong—remains an area of concern

- The asset growth of over 50% yoy at Axis Bank continues to be an area of concern given the current macro-environment. The high loan growth has also resulted in the company's Tier I ratio reducing to 9.2% as of September 2008 from 13.2% as of September 2007. Management has indicated that the company is now looking to reduce that the loan growth to around 40% by March 2009.
- Axis Bank's gross NPLs were Rs7.1 bn as of 2QFY09, which were an increase of 11% on a sequential basis. The company has indicated that the incremental NPLs were across sectors and not specific to segments unlike 1QFY09 where a large part of increase was due to credit card defaults. Asset quality of the company remains reasonably healthy with net NPL ratio of 0.4% and gross NPL ratio of 0.9% as of September 2008.
- Axis Bank has simultaneously increased the exposure to the better rated corporates to improve its credit standards, which is a positive in our view. The company has increased the proportion of loans to the AAA category to 8% of loans from 1% as of March 2008 and reduced exposure to BBB and below rated corporates. The company also disclosed that 78% of its SME exposure (19% of overall book) was to corporates with a rating above 'A' category. We note that this rating is based on internal calculations of the company.
- We note that Axis Bank had restructured Rs6.2 bn of standard loans in FY2008, which was 1.3X the gross NPLs as of March 2008—likely indicating stress on its credit portfolio.
- Axis Bank made NPL provisions of Rs1.4 bn in 2QFY09 against Rs667 mn made in 1QFY09 and Rs640 mn made in 2QFY09. The standard asset provisions were also higher at Rs708 mn against provisions of Rs91 mn made in 1QFY09. We do not have details on the reason for this sharp jump in standard asset provisions for the company in the current quarter.

Axis Bank quarterly results (Rs mn)

	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09	% growth	2QFY09KS	Actual Vs KS
Interest income	16,765	18,023	20,154	22,914	25,701	53.3		
Advances	11,334	12,297	13,701	15,492	17,672	55.9		
Investments	5,086	5,349	5,927	6,778	7,307	43.7		
Balance with RBI	344	377	526	644	721	109.6		
Interest expenses	10,878	10,550	11,870	14,560	16,316	50.0		
Net interest income	**5,887**	**7,473**	**8,284**	**8,355**	**9,385**	**59.4**	**8,536**	**9.9**
NII less investment amrtz.	**5,637**	**7,223**	**8,034**	**8,105**	**9,135**	**62.1**	**8,286**	**10.2**
Non-interest income	3,829	4,879	5,565	6,248	6,944	81.4	4,500	54.3
Treasury income	630	1,310	975	1,110	362	(42.6)	-	
Income excl treasury	3,199	3,569	4,589	5,138	6,582	105.8	4,206	56.5
Total income	**9,716**	**12,352**	**13,849**	**14,603**	**16,329**	**68.1**	**13,036**	**25.3**
Operating expenses	5,087	5,630	6,621	6,329	7,334	44.2	6,900	6.3
Employee cost	1,644	1,735	1,845	2,137	2,604	58.4	2,400	8.5
Other operating cost	3,443	3,895	4,776	4,193	4,730	37.4	4,500	5.1
Pre-prov profit	4,629	6,723	7,228	8,273	8,994	94.3	6,136	46.6
Provisions	1,145	2,000	1,642	3,217	2,808	145.3	1,000	180.8
Loan loss	640	1,840	450	667	1,390	117.2	1,000	39.0
Standard Assets	130	160	800	91	708	444.5		
Others incld invt. Depr.	505	160	1,192	2,593	1,418	181.0		
Investment Amortization	250	250	250	250	250	-		
Invt dep	370	-	-	2,252	460	1.3		
Profit before tax	**3,484**	**4,723**	**5,586**	**5,056**	**6,187**	**77.6**	**5,136**	**20.5**
Tax	1,206	1,654	1,972	1,755	2,157	78.9	1,798	20.0
Profit after tax	**2,278**	**3,069**	**3,614**	**3,301**	**4,029**	**76.9**	**3,338**	**20.7**
Tax rate (%)	34.6	35.0	35.3	34.7	34.9		35.0	
PBT- treasury gains	**2,854**	**3,413**	**4,611**	**3,946**	**5,825**	**104.1**	**5,136**	**79.9**
PBT- treasury gains+provisions	**3,999**	**5,413**	**6,253**	**7,163**	**8,633**	**115.9**	**6,136**	**53.4**
Key balance sheet items (Rs bn)								
Deposits	641	686	876	890	1,029	60.5		
Demand deposits	291	310	400	354	414	42.5		
Savings	144	158	200	190	215	49.1		
Current	147	153	200	164	200	35.9		
Fixed deposits	350	375	476	535	614	75.4		
CASA ratio (%)	45.4	45.3	45.7	39.8	40.3			
Customer assets	511	558	690	693	802	57.0		
Advances	447	486	597	612	689	54.0		
Retail advances including CVs	108	120	136	146	168	54.7		
Non-retail advances	339	366	461	465	521	53.8		
SME advances	78	90	115	114	131	68.0		
Agricultural advances	34	37	55	56	51	52.6		
Retail excld CVs	90	106	125	138	161	78.9		
Housing	61	70	77	86	94	54.7		
Auto	7	8	10	13	15	132.0		
CV	18	14	11	9	7	(63.6)		
2 Wheelers	0	0	0	0	0	(48.4)		
Consumer durables	1	1	1	1	-			
Others	9	12	15	14	15	58.2		
Total assets	835	906	1,096	1,137	1,278	52.9		
Investments	273	290	337	357	380	38.9		

Source: Company, Kotak Institutional Equities estimates.

Axis Bank quarterly results (Rs mn)

	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09	% growth
Yield management measures (%)						
Cost of funds	6.2	5.7	5.8	6.1	6.2	
NIM	3.3	3.9	3.9	3.4	3.5	
Asset quality details						
Gross NPLs (Rs mn)	4,872	4,476	4,946	6,383	7,102	45.8
Gross NPL (% of customer assets)	1.0	0.8	0.7	0.9	0.9	
Gross NPLs including w/off	-	-	-	-	-	-
Provisions including w/off	-	-	-	-	-	-
Net NPLs (Rs mn)	2,809	2,343	2,483	3,257	3,367	19.9
Net NPAs (% of customer assets)	0.6	0.4	0.4	0.5	0.4	
Capital adequacy details (%)						
CAR	17.6	16.9	13.7	13.3	12.2	
Tier I	13.0	12.6	10.2	9.9	9.2	
Tier II	4.6	4.3	3.6	3.3	3.0	
Other key details						
Branches	594	608	671	693	729	
ATM	2,500	2,595	2,764	2,904	3,082	
Centres	352	363	405	433	442	
CMS clients	2,592	2,951	3,193	3,459	4,032	
CMS TO (Rs bn)	1,635	2,303	2,124	2,401	2,216	
Fee income composition (Rs mn)						
Corporate banking/credit	570	1,050	1,190	1,250	1,070	87.7
Business Banking	480	550	610	680	880	83.3
Capital markets	220	410	410	920	1,110	404.5
Retail banking	1,210	1,470	1,830	1,620	2,000	65.3
Break up credit as per rating						
AAA	1.0	0.0	1.0	7.0	8.0	
AA	21.0	21.0	22.0	20.0	18.0	
A	56.0	56.0	58.0	55.0	58.0	
BBB	17.0	18.0	15.0	14.0	13.0	
< BBB and unrated	5.0	5.0	4.0	4.0	3.0	

Source: Company.

Axis Bank (Old and new estimates)
March fiscal year-ends, 2009-2011E (Rs mn)

	Old estimates			Actual / New estimates			% change		
	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E
Net interest income	39,466	52,470	67,233	39,422	48,701	63,476	(0.1)	(7.2)	(5.6)
NIM (%)	3.09	3.06	3.08	3.09	2.88	3.01			
Customer assets	947,691	1,238,288	1,548,906	925,792	1,208,808	1,511,322	(2.3)	(2.4)	(2.4)
Loan loss provisions	8,258	11,325	14,782	8,132	13,427	18,778	(1.5)	18.6	27.0
Other income	24,826	32,342	39,988	26,458	35,621	44,068	6.6	10.1	10.2
Fee income	19,811	27,735	34,668	21,131	30,640	38,300	6.7	10.5	10.5
Treasury income	2,000	1,000	1,000	2,000	1,000	1,000			
Operating expenses	31,147	41,385	54,124	30,812	40,857	52,675	(1.1)	(1.3)	(2.7)
Employee expenses	9,446	12,407	16,075	9,875	12,947	16,075	4.5	4.3	-
Investment depreciation	3,350	-	-	3,350	-	-			
Investment amortization	4,350	800	-	4,350	800	-	-	-	
PBT	19,783	30,548	37,561	21,832	28,483	35,338	10.4	(6.8)	(5.9)
Tax	6,915	10,677	13,128	**7,631**	**9,955**	**12,351**	10.4	(6.8)	(5.9)
Net profit	**12,869**	**19,871**	**24,433**	**14,201**	**18,528**	**22,987**	**10.4**	**(6.8)**	**(5.9)**
PBT-treasury+provisions	**26,041**	**40,873**	**51,343**	**27,964**	**40,910**	**53,116**	**7.4**	**0.1**	**3.5**

Source: Kotak Institutional Equities.

Metals

STRL.BO, Rs320	
Rating	BUY
Sector coverage view	Cautious
Target Price (Rs)	480
52W High -Low (Rs)	1150 - 252
Market Cap (Rs bn)	227

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	247	236	246
Net Profit (Rs bn)	45.6	33.5	36.0
EPS (Rs)	64.3	47.3	50.9
EPS gth	*(22.6)*	*(26.5)*	*7.6*
P/E (x)	5	6.8	6.3
EV/EBITDA (x)	3.9	5.1	4.5
Div yield (%)	-	-	-

Sterlite Industries: Time to revisit valuations, upgrade to BUY

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- **Upgrade to BUY from REDUCE following recent sharp correction in stock price**
- **With core commodity zinc and aluminium business available at less than 1X EV/EBITDA, we believe most negatives of commodity price corrections are priced in**
- **Strong cash book, power business and positioning among the lowest cash cost producers gives confidence of ability to sail through current tough times**

We upgrage Sterlite Industries (SIL) to BUY from REDUCE earlier following the 35% correction in the stock price over the last one month. A part of the correction can be justified by the sharp correction in aluminium and zinc prices, both of which are down sharply by 17% and 23%, respectively over the last one month. After this sharp correction the stock now trades at less than 1X FY2010E EBITDA. We believe at the current stock price factors concerns about commodity prices. With strong cash balance sheet, steady volume growth pipeline across all metals and positioning among the lowest cost producer of zinc and aluminium SIL is well placed to weather the current storm. With cash of Rs132/share and high visibility of the 2,400 MW power business commissioning over the next 12 months, which we value at Rs73/share after factoring a holding company discount of 20%, the remaining businesses i.e. 65.5% stake in Hindustan Zinc (HZL), 51% stake in Bharat Aluminium Company (BALCO), 29.5% stake in Vedanta Alumina (VAL) are available at Rs115/share. We revise our target price to Rs480/share, valuing its core mining business earnings at 3X FY2010E EBITDA, in line with its global peers.

Most concerns appear to be priced

While both aluminium and zinc prices are down by 17% and 23% respectively over the last one month, which would hurt margins, SIL's positioning as one of the lowest cost producers of aluminium and zinc gives us comfort that in a scenario where more than 30-35% of capacities are loss making, SIL's core aluminium and zinc businesses would still generate an EBITDA margin of 30% and 45%, respectively, even at today's distressed aluminium prices of US$2,200 and zinc prices of US$1,450.

Stellar track record and steady volume growth pipeline

Sterlite has in the past delivered projects significantly ahead of time, especially in the case of Vedanta Alumina, where the first phase of alumina refinery and smelter were commissioned 9-12 months ahead of schedule. Going forward, HZL's zinc smelting capacity would expand by 60% to over 1 mtpa over the next two years. VAL would commission the second phase of 250,000 ton smelter and captive power plant by the end of 2010. BALCO would also add a new smelter taking capacity to 1 mtpa by 2011.

Power business

SIL's wholly-owned subsidiary Sterlite Energy is setting up a 2,400MW (600MWX4) greenfield coal-based power plant at Jharsuguda, Orissa is scheduled for commissioning by December 2009 and has coal block allocations for 112 mn tons ensuring cost competitiveness. The company is targeting a cash cost of under 1 re/unit. Given the past track record, we would not be surprised if the project is executed 3-6 months ahead of schedule. Our DCF-based value for power business is Rs73/share after taking a 20% holding company discount.

Debt free and strong cash balance

SIL had strong consolidated net cash balance of Rs132/share as of March 31, 2008. Also, most of the future capex will funded through future cash flows of the respective entities.

Valuations

Based on our valuations for the power business, which is just one year away and the large cash balance the entire commodity business basket which includes, 65% stake in Hindustan Zinc, 29.5% stake in Vedanta Alumina, 51% stake in Bharat Aluminium Company is available for Rs115/share. Though current weak commodity prices would lead to a contraction in near-term earnings, we believe most concerns are factored at the CMP of Rs320/share. We upgrade the stock from REDUCE to BUY with a price target of Rs480/share.

SOTP-based target price of Sterlite Industries is Rs480/share

SOTP-based target price of Sterlite, March fiscal year-ends, 2010E basis (Rs mn)

	EBITDA (Rs bn)	Multiple (X)	EV (Rs bn)	Sterlite's stake (%)	Attributable EV (Rs bn)	EV (Rs/ share)
Hindustan Zinc	39	3.0	116	64.9	75	85
Bharat Aluminium	18	3.0	54	51.0	28	31
Sterlite (copper business)	8	3.0	24	100.0	24	35
Vedanta Alumina (b)	11	3.0	34	29.5	10	11
Copper Mines of Tasmania (a)						22
Sterlite energy (c)					65	73
Total Enterprise Value					**202**	**257**
Net debt / (cash)					(160)	(226)
Attibutable market capitalization					**362**	**483**
Target price (Rs/ share)						**480**

Notes:

(a) Copper Mines of Tasmania has been valued on DCF basis, as the mine-life is only 6 years.

(b) EBITDA of Vedanta Alumina enhanced to reflect income tax exemptions.

(c) We have valued investments in Sterlite energy on DCF basis

(d) Acquisition of residual stake in Hindustan Zinc is assumed to be at market value to the extent of government holding.

(e) We have applied holding company discount of 20% in case of stake in Hindustan Zinc, BALCO, Vedanta Alumina, Sterlite Energy and CMT.

Source: Kotak Institutional Equities

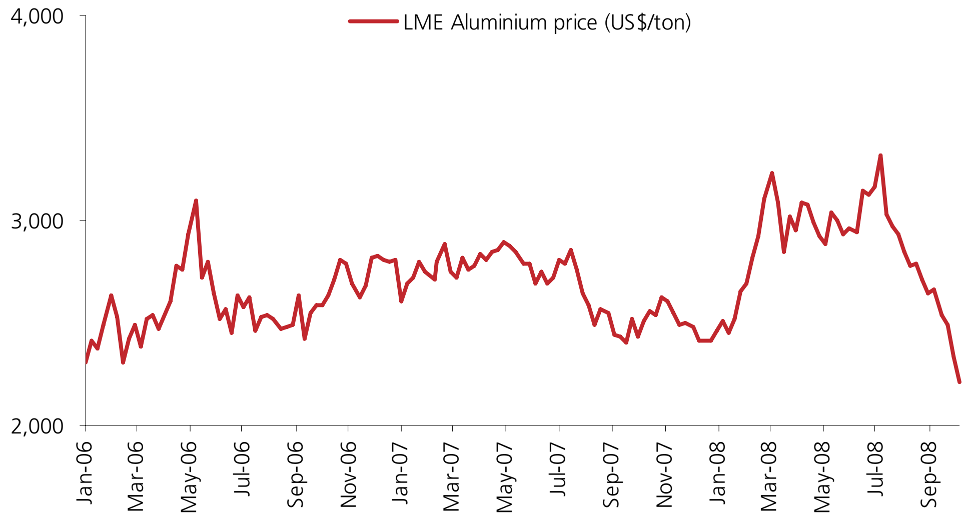
Sterlite Industries (consolidated), Profit model, balance sheet and cash flow model, March fiscal year-ends, 2005-2010E (Rs mn)

	2006	2007	2008	2009E	2010E	2011E
Profit model (Rs mn)						
Net sales	131,272	243,868	247,054	236,440	246,458	262,126
EBITDA	**36,899**	**94,589**	**78,682**	**60,584**	**66,452**	**79,473**
Other income	3,343	6,817	15,661	10,626	12,171	13,028
Interest	(2,353)	(3,791)	(3,186)	(3,990)	(3,537)	(3,113)
Depreciaiton	(5,269)	(8,039)	(5,950)	(10,037)	(12,053)	(14,573)
Profit before tax	**32,518**	**88,004**	**84,679**	**57,183**	**63,034**	**74,818**
Taxes	(10,165)	(24,118)	(21,027)	(10,932)	(12,046)	(15,105)
Less: Minority interest	(5,568)	(19,045)	(18,591)	(14,647)	(16,129)	(19,241)
Add: share in associates	(4)	-	-	1,889	1,174	1,174
Net profit	**16,781**	**44,842**	**45,061**	**33,493**	**36,032**	**41,646**
Earnings per share (Rs)	**60.3**	**82.3**	**64.2**	**47.3**	**50.9**	**58.8**
Balance sheet model (Rs mn)						
Equity	60,530	99,815	223,024	239,008	262,451	291,355
Deferred tax liability	7,511	9,174	13,537	15,020	19,362	23,898
Total Borrowings	68,822	82,365	106,981	112,950	127,959	145,980
Current liabilities	34,113	48,636	50,401	32,842	33,179	33,775
Total liabilities	**170,976**	**239,990**	**393,942**	**399,820**	**442,951**	**495,009**
Net fixed assets	85,497	97,176	124,367	138,640	149,287	150,214
Investments	24,952	52,219	162,941	140,758	140,758	140,758
Cash	11,153	11,134	24,536	30,634	58,731	106,640
Other current assets	49,269	79,460	82,099	89,788	94,176	97,397
Miscellaneous expenditure	105	0	0	-	-	-
Total assets	**170,976**	**239,990**	**393,942**	**399,820**	**442,952**	**495,009**
Cash flow model (Rs mn)						
Operating cash flow excl. working capital	28,131	75,568	61,736	56,242	63,888	75,498
Working capital changes	(8,339)	(18,647)	2,032	1,416	(4,050)	(2,626)
Capital expenditure	(11,783)	(20,871)	(30,119)	(32,950)	(22,700)	(15,500)
Free cash flow	**8,009**	**36,049**	**33,648**	**24,707**	**37,138**	**57,372**
Ratios						
Debt/equity (%)	101.1	75.6	45.2	44.5	45.4	46.3
Net debt/equity (X)	0.2	(0.2)	(0.6)	(0.5)	(0.6)	(0.7)
RoAE (%)	28.9	50.7	26.1	13.7	13.4	14.0
RoACE (%)	**14.7**	**29.0**	**17.7**	**10.3**	**10.0**	**10.1**

Source: Company, Kotak Institutional Equities estimates.

Aluminum prices are down 25% from recent highs

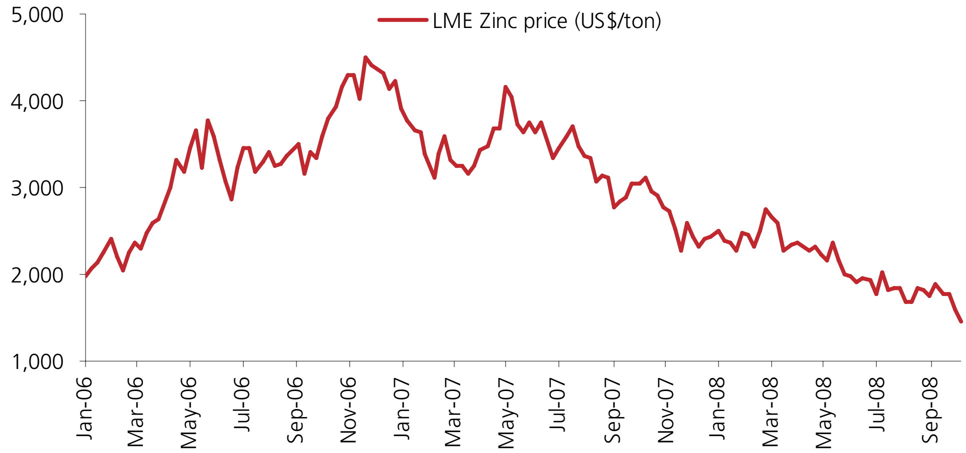
LME Aluminum price chart (US$/ton)



Source: Bloomberg

Zinc prices have come off sharply since its highs

LME Zinc price chart (US$/ton)



Source: Bloomberg

Banking

Sector coverage view			Attractive

		Price, Rs	
Company	Rating	13-Oct	Target
SBI	ADD	1,496	1,700
HDFC	ADD	1,812	2,350
HDFC Bank	BUY	1,173	1,300
ICICI Bank	ADD	425	650
Corp Bk	ADD	240	355
BoB	ADD	305	310
PNB	BUY	500	650
OBC	ADD	168	200
Canara Bk	REDUCE	178	210
LIC Housing	ADD	245	380
Axis Bank	REDUCE	660	750
IOB	ADD	90	130
Shriram Transp	REDUCE	239	320
SREI	BUY	59	160
MMFSL	SELL	199	215
Andhra	REDUCE	52	65
IDFC	ADD	59	100
PFC	REDUCE	108	130
Federal Bank	BUY	180	275
J&K Bank	ADD	441	750
India Infoline	ADD	63	155
Indian Bank	ADD	132	140
Union Bank	BUY	151	200
Central Bank c	SELL	43	55
Future Capital	BUY	217	440

Current environment to favour public banks

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- **We expect monetary policy to remain soft, raise earnings estimates for FY2009E by 4-25% for most banks**
- **Public banks are likely to have greater success in attracting low cost retail deposits in the current environment**
- **We prefer public banks on attractive valuations compared to their peers**

The developments of the last few months (particularly last week) and current macro environment of heightened risk aversion are likely to result in the following (1) continued easing of monetary policy by RBI, (2) stronger banks to get additional deposits and (3) higher credit provision burden for banks due to higher NPLs as relative economic growth slows down. The lower interest rate regime and regulatory requirement of SLR is likely to result in treasury gains for banks and help mitigate the higher credit provision losses. Heightened risk aversion is likely to result in stronger banks attracting more low-cost retail deposits, thereby enabling them to manage their NIMs as interest rates decline in the economy. We have increased earnings estimates for most banks by 4-25% for FY2009E to factor in CRR reduction and softening of Gsec yields. Large public banks are likely to benefit more in this macro environment compared to their private counterparts. Given the reasonable valuations (0.9-1.4X APBR FY2009E) of public banks: SBI, PNB, BoB, BoI and Union Bank are our top picks.

RBI continues to ease monetary policy, likely to be beneficial for banks. The continued stress in international financial markets is likely to lead to increased pressure on India's balance of payments (BoP) and impact the reserve money growth. RBI likely regulatory actions to moderate the adverse impact of this development on domestic money supply (1 and 2 below) will be beneficial to banks.

1. Increasing the domestic assets on its balance sheet - i.e. running down market stabilization securities (MSS) and/or through open market operations (OMO) by purchasing government securities (G-Secs) from the market
2. Increasing the money multiplier, i.e. by reducing cash reserve ratio (CRR)

Key implications of the likely regulatory actions of RBI

1. OMO operations and MSS redemption will lead to lower G-sec yields.

- RBI's OMO operations and redemption of MSS bonds will lead to significantly lower supply of Gsecs.
- To put this in perspective, RBI had issued Rs1.1 tn of MSS bonds in FY2008 against an overall supply of Rs2.7 tn of SLR securities. Our economist, Dr Mridul Saggar, expects Rs300 bn of redemption in MSS bonds in FY2009E as RBI moderates domestic liquidity pressures (Exhibit 1). The outstanding MSS bonds as of October 3, 2008 are Rs1.7 tn.
- We also believe that in the current context and likely increase in borrowing program of Government, it is unlikely that the RBI would reduce the SLR ratio for banks. This would sustain the demand for these securities and lead to lower yields/ higher prices.
- We now expect the 10-year Gsec to be 7.5% as of March 2008. This should enable the banks to write-back the entire MTM losses on their bond portfolio that they incurred in 1QFY09.

2. Lower CRR requirement also to aid income

- RBI has decided to decrease the CRR for banks by 150 bps (compared to its earlier decision of 50 bps reduction) to 7.5% effective October 11, 2008.
- This will release Rs600 bn of liquidity in the system and enable banks to earn income on these funds.
- We have raised our earnings estimates for most banks by 4-25% in FY2009E to reflect the lower G-Sec yields and lower CRR of 7.5% (Exhibit 2). Capital gains in treasury book on account of the reduction in G-Sec yields are currently not factored in our estimates and will provide an upside.

Stronger Banks—likely to benefit from the heightened risk perception. Public banks are presumed by an average depositor to be safe and enjoy an implicit government guarantee would receive higher deposits .

Credit losses could rise for the banking system. The slower global economic growth and continued turbulence in the financial markets are likely to result in slower economic growth in India and lead to higher NPLs for the banking sector. However, banks could use the higher treasury income to set-off some of those credit losses-a scenario observed in 2002-2005 (Exhibit 3).

We see major differences in the two periods of softer interest rates:

1. Credit provision expenses in the current period are unlikely to be similar to 2002-2005 when net NPL ratio for the sector was 5.5% as of March 2002 compared to 1.0% as of March 2008. We have already factored a 40-80% yoy rise in NPL provisions for FY2009E. As such, high NPL provisions may not provide a significant risk to our earnings estimates.
2. Debt-equity ratios for the corporate sector are much lower than the earlier period, given the substantial internal revenue generation and equity issuance over the last few years. This will likely reduce the write-off requirements for banks. Kindly refer our November 2007 report titled 'Asset quality to stay in fine fettle' for details.
3. The treasury profits for the banking sector is also unlikely to be at the same level as previous period (Exhibit 4)-(a) investment to deposit ratio of banks are much lower at 30% as of March 2008 compared to over 40% in 2003 and 2004; (b) coupon rates on outstanding government securities have come off by over 200 bps over the five years.

Exhibit 1: G-Sec yields likely to soften given supply demand mismatch for SLR securities

Demand and supply of SLR securities, March fiscal year-ends, 2008-2009E (Rs bn)

			2008	2009E
	Supply of SLR securities			
1	Government borrowing programme based on fiscal deficit		1,107	1,788
2	State government securities		562	545
3	**Total supply of SLR securities**	**= (1) + (2)**	**1,669**	**2,333**
4	MSS		1,057	(300)
5	**Total supply of SLR securities**	**= (3) + (4)**	**2,726**	**2,033**
	Demand of SLR securities			
6	Banks		1,812	1,626
7	Insurance companies		693	873
8	Others			
9	**Total supply of SLR securities**	**= (6) + (7)+ (8)**	**2,505**	**2,499**
10	**Gap**	**= (5) - (9)**	**221**	**(466)**

Note. (a) We have considered 25% SLR ratio for banks (minimum regulatory ratio) for FY2009E. Banks typically maintain SLR ratio in excess of 28%.

(b) M3 growth assumed at 17.5% for FY2009E versus 20.7% in FY2008

Source: Kotak Institutional Equities estimates

Exhibit 2: Increase our earnings estimates for most banks by 4-25% to factor lower CRR and Gsec yields

Prior period and revised EPS estimates, March fiscal year-ends, 2009 and 2010 (Rs)

	Prior estimates EPS (Rs)		Revised estimates EPS (Rs)		% change	
	2009E	**2010E**	**2009E**	**2010E**	**2009E**	**2010E**
Public banks						
Andhra Bank	10.2	11.8	11.6	12.1	14.0	3.2
BoB	35.0	43.2	39.3	44.6	12.4	3.2
BoI	41.8	50.1	43.9	51.0	5.0	1.6
Canara Bank	23.7	39.2	31.9	41.0	34.3	4.5
Central Bank	5.6	16.5	9.4	17.1	67.5	3.3
Corporation Bank	45.1	54.2	48.7	55.5	8.0	2.3
Indian Bank	19.7	25.9	22.8	23.2	15.9	(10.3)
IOB	19.1	22.8	22.0	23.6	15.5	3.6
OBC	26.6	31.2	32.0	32.6	20.2	4.5
PNB	69.8	80.6	73.2	82.5	4.8	2.3
SBI	94.2	120.7	113.4	124.6	20.4	3.3
SBI standalone	87.8	113.7	107.0	117.7	21.9	3.5
Union Bank	21.0	29.7	26.3	30.8	25.3	3.5
Old private banks						
Federal Bank	20.9	32.6	26.7	33.4	27.7	2.3
J&K Bank	76.1	78.4	76.9	80.3	1.0	2.4
New private banks						
HDFC Bank	52.7	67.9	53.2	69.0	0.9	1.6
ICICI Bank	32.1	38.5	32.9	40.2	2.5	4.2
ICICI standalone	27.1	33.1	27.9	34.7	2.9	4.9

Source: Kotak Institutional Equities estimates.

Exhibit 3: Banks had used to treasury gains to set off their credit losses in 2002-2005

Data on key macro economic parameters, bank asset quality, credit provisions and treasury gains, March fiscal year-ends, 2001-2008

	2001	2002	2003	2004	2005	2006	2007	2008
Key macro economic data								
GDP growth* (%)	4.0	5.2	3.8	8.4	8.3	9.2	9.7	9.0
Average IIP growth (%)	4.9	2.8	5.7	7.0	8.4	8.2	11.6	8.5
Asset quality data of banks								
Gross NPLs (Rs bn)	600	709	687	648	595	510	506	NA
Gross NPL ratio (%)	11.4	10.4	8.8	7.2	5.2	3.3	2.5	NA
Net NPLs (Rs bn)	326	356	297	244	218	185	201	248
Net NPL ratio (%)	6.2	5.5	4.4	2.9	2.0	1.2	1.0	1.0
Trading income and NPL provisions of banks (Rs bn)								
Trading income	34	95	132	229	63	18	(23)	NA
NPL provisions	73	105	127	174	71	4	10	NA

Note;

* denotes GDP at market prices (constant price with base year of 1999-2000).

Source: RBI.

Exhibit 4: Trading profits in this current cycle may not be as significant as in the previous one

Data on coupon, maturity of Government securities and investment book details of banks, March fiscal year-ends (Rs bn), 2001-2008

	Outstanding stock of Gsec		
	Weighted average (years)	Weighted average (%)	Investment to deposit ratio of banks (%)
2001	7.5	NA	38.5
2002	8.2	10.8	39.7
2003	8.9	10.4	42.7
2004	9.8	9.3	45.0
2005	9.6	8.8	43.5
2006	9.9	8.8	34.0
2007	10.0	8.6	30.3
2008	10.6	8.5	30.4

Note:

Data on weighted average maturity and coupon on Gsecs does not include MSS bonds, whereas Investment to deposit ratio of banks includes MSS bonds.

Source: RBI.

Exhibit 5:Public bank valuations remain reasonable

Valuations of companies under coverage, March fiscal year-ends, 2008-2010E

		Traget price	Price	Market cap.	EPS (Rs)			PER (X)			ABVPS (Rs)			APBR (X)			RoE (%)		
	Reco.	(Rs)	(Rs)	US $bn	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E
Public banks																			
Andhra Bank	REDUCE	65	52	0.5	11.9	11.6	12.1	4.4	4.5	4.3	63	72	80	0.8	0.7	0.6	18.0	16.3	15.3
BoB	ADD	310	305	2.3	39.3	39.3	44.6	7.8	7.8	6.9	237	273	304	1.3	1.1	1.0	14.6	12.5	13.0
BoI	BUY	375	278	3.0	40.6	43.9	51.0	6.8	6.3	5.5	150	196	238	1.9	1.4	1.2	27.6	23.4	22.3
Canara Bank	REDUCE	210	178	1.5	38.2	31.9	41.0	4.7	5.6	4.3	175	210	242	1.0	0.8	0.7	15.0	11.9	13.9
Central Bank	SELL	55	43	0.4	11.6	9.4	17.1	3.7	4.5	2.5	52	79	95	0.8	0.5	0.4	16.7	11.6	18.0
Corporation Bank	ADD	355	234	0.7	51.2	48.7	55.5	4.6	4.8	4.2	274	311	356	0.9	0.8	0.7	18.4	15.5	15.7
Indian Bank	ADD	140	131	1.2	22.5	22.8	23.2	5.8	5.7	5.6	101	122	141	1.3	1.1	0.9	24.8	19.5	17.0
IOB	ADD	130	90	1.0	22.1	22.0	23.6	4.1	4.1	3.8	76	97	114	1.2	0.9	0.8	27.2	22.6	20.5
OBC	ADD	200	168	0.9	23.9	32.0	32.6	7.0	5.3	5.1	195	232	262	0.9	0.7	0.6	6.2	13.2	12.2
PNB	BUY	650	500	3.3	65.0	73.2	82.5	7.7	6.8	6.1	304	384	434	1.6	1.3	1.2	18.0	17.6	17.6
SBI	ADD	1,700	1,496	19.7	106.6	113.4	124.6	14.0	13.2	12.0	671	767	896	2.2	1.9	1.7	16.8	13.8	13.6
SBI incl. banking subs	ADD	1,447	1,243	16.4	157.7	108.8	140.0	7.9	11.4	8.9	812	912	1,044	1.5	1.4	1.2	16.7	11.0	11.0
SBI standalone	ADD	1,246	981	12.9	122.1	107.0	117.7	8.0	9.2	8.3	602	698	827	1.6	1.4	1.2	19.5	14.2	13.9
Union Bank	BUY	250	151	1.6	27.5	26.3	30.8	5.5	5.8	4.9	105	128	153	1.4	1.2	1.0	26.8	21.5	21.1
Old private banks																			
Federal Bank	BUY	275	178	0.6	34.4	26.7	33.4	5.2	6.7	5.3	222	245	271	0.8	0.7	0.7	13.6	11.1	12.7
J&K Bank	ADD	750	474	0.5	74.2	76.9	80.3	6.4	6.2	5.9	416	492	562	1.1	1.0	0.8	16.8	15.4	14.4
New private banks																			
HDFC Bank	BUY	1,300	1,173	10.4	46.0	53.2	69.0	25.5	22.0	17.0	324	348	472	3.6	3.4	2.5	17.7	17.2	17.3
ICICI Bank	ADD	650	425	9.8	39.9	32.9	40.2	10.6	12.9	10.6	418	441	469	1.0	1.0	0.9	11.7	7.7	8.8
ICICI standalone	ADD	404	156	3.6	28.9	27.9	34.7	5.4	5.6	4.5	341	276	300	0.5	0.6	0.5	10.2	9.1	12.1
Non-banks																			
HDFC	ADD	2,350	1,812	10.7	85.8	83.7	100.1	21.1	21.6	18.1	421	485	550	4.3	3.7	3.3	27.8	18.6	19.3
HDFC standalone	ADD	1,366	847	5.0	56.3	70.6	87.8	15.0	12.0	9.6	285	315	233	3.0	2.7	3.6	34.9	27.2	23.7
IDFC	ADD	100	59	1.6	5.7	6.8	8.1	10.3	8.7	7.3	43	49	55	1.4	1.2	1.1	17.6	14.9	15.7
LIC Hsg Fin	ADD	380	245	0.4	45.5	56.5	59.5	5.4	4.3	4.1	188	226	271	1.3	1.1	0.9	22.9	23.9	21.3
Mahindra Finance	SELL	215	190	0.3	20.8	22.9	27.2	9.1	8.3	7.0	131	151	171	1.5	1.3	1.1	16.9	15.7	16.6
Power Finance Corporation	REDUCE	130	108	2.6	11.4	13.0	15.8	9.5	8.3	6.9	89	100	112	1.2	1.1	1.0	12.8	13.2	14.2
Shriram Transport	REDUCE	320	239	0.8	19.2	26.8	31.1	12.5	8.9	7.7	86	101	118	2.8	2.4	2.0	26.9	27.2	27.2
Srei Infrastructure finance	BUY	160	59	0.1	11.4	5.5	8.1	5.2	10.7	7.2	56	91	96	1.1	0.6	0.6	23.1	11.6	12.5

Source: Bloomberg, Companies, Kotak Institutional Equities estimates.

Telecom

Sector coverage view			Cautious

		Price, Rs	
Company	**Rating**	**13-Oct**	**Target**
Bharti	BUY	740	840
Rcom	SELL	282	390
MTNL	REDUCE	68	100
VSNL	REDUCE	443	430
Idea Cellular	REDUCE	72	100

September GSM net adds—another strong month

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- **GSM net adds (ex-RCOM) at 7.32 mn; total net adds will likely exceed 9.5 mn**
- **Marginal net add share loss for Bharti**
- **Idea and Vodafone net adds gain from new launches**
- **Another strong month for Aircel highlights the company's ability to compete aggressively against larger players**

GSM operators (excluding RCOM) added 7.32 mn subs in September 2008, higher than our expectations (in fact the highest ever GSM net adds ex-RCOM ever). Total subscriber net adds could exceed 9.5 mn if the CDMA operators maintain their August net adds. The current net add run rate, if sustained, could push our end-FY2009E subscriber estimate of 355 mn. Key highlights of Sep 2008 GSM net additions included (1) marginal net add share loss for Bharti as new launches gain pace; Idea has launched in Mumbai and Bihar, Aircel in Kolkata, and Vodafone in Orissa, North East, and Assam over the past five months, (2) further improvement in net adds market share for Aircel and sustained performance from Idea and Vodafone, and (3) exceptionally strong month for BPL and an equally poor one for MTNL, both one-offs, in our view. We expect the strong net add pace to continue for another 12-15 months; however, the same would have limited impact on valuations of the sector or individual companies (unless there is a dramatic shift in market shares). We would rather focus on more pressing issues like impending increase in competitive intensity, regulatory issues, and declining quality of incremental subs. We maintain our Cautious stance on the sector but have turned positive on Bharti (BUY) given the company's superior execution and undemanding valuations; maintain REDUCE on Idea and SELL on RCOM.

Aggregate net add exceed expectations; current run rate could push our end-FY2009E subscriber estimate. The aggregate GSM (ex-RCOM) net adds for the month of September 2008 (7.32 mn) was higher than our expectations and an increase of 1 mn over August net adds of 6.3 mn. Overall net adds for the months could exceed 9.5 mn if the CDMA operators maintain their August 2008 net adds pace. We highlight that the current subs add run rate (9 mn monthly average over April-Sep 2008) could push our end-FY2009E subs target of 355 mn; 1HFY09 monthly run rate, if continued in 2HFY09, could take the end-FY2009E subscriber base to 360 mn.

Expect strong net-adds pace to continue; has marginal impact on valuations, though. We expect strong net adds trend to continue over the next 12-15 months driven by (1) rapid network expansion by the existing players; Idea has launched in Mumbai and Bihar, Aircel in Kolkata, and Vodafone in Orissa, North East, and Assam over the past five months (2) entry of new players and pan-Indian expansion of some incumbents and (3) aggressive pricing tactics adopted by the operators. However, we do not see substantial value accretion for the industry from these incremental subscribers—a large portion (~35-40%) of new subs is low-value lifetime subscribers.

Bharti's net adds market share declines. Bharti had another strong month, adding 2.7 mn subscribers in September 2008, same as August 2008. However, we highlight that the GSM market net adds (assuming RCOM GSM maintains August 2008 net adds pace) increased by 1 mn to 7.7 mn from 6.7 mn in August 2008. Bharti's net adds market share dropped to 35.1%, lower than last 12-month average of 36% (though still higher than its GSM subs market share of 33.2%). We attribute the drop in Bharti's net adds market share primarily to a slew of new launches over the past few months – Idea (Mumbai), Aircel (Kolkata), and Vodafone (Orissa, Assam, and North East). However, we believe that strong net adds in initial months (as seen in case of Aircel in Kolkata and Idea in Mumbai) could be driven by initial promotional offers, etc. and hence, we would watch for sustenance of net adds before calling it a worrisome trend for Bharti. In any case (1) Bharti's net adds per month are running ahead of our estimates and (2) the street (and us, as well) is already factoring in a market share decline for Bharti over the next 12-24 months.

Vodafone and Idea gain from new launches. Vodafone and Idea improved on their previous month's performance, adding 1.87 mn (1.81 mn in August 2008) and 1.1 mn (1.03 mn) subs respectively. However, Vodafone's and Idea's net adds were partially aided by their recent launches—Vodafone launched in Assam and North East, after its launch in Orissa on August, while Idea had launched in Mumbai in the second half of August. While Vodafone's net adds dropped in Orissa (to 25,000 from 35,000 in August), Idea had a strong month in Mumbai adding 83,000 subs (21.3% of net adds); however, a good portion of Idea's net adds could be group employees moving to Idea from other networks. We will continue to monitor the performance of these new launches over the coming months for any disruptive indicators.

Aircel continues to impress, stable month for BSNL, MTNL disappoints. Aircel added 752,000 subs in September 2008, its highest ever monthly net adds; the company has gained ~72 bps of GSM market share over the past 12 months. We have been highlighting the price aggression and competitive intensity of Aircel, and net over the past three months have indicative of the company's ability to gain market share versus larger peers. We continue to see Aircel as a major competitive threat to the leading incumbents as it expands into a pan-India operator (currently present only in 10 circles and rolling out networks in other circles).

BSNL added 677,000 subs in September 2008, higher than previous month's 574,000; the company has now been overtaken by every operator in monthly net adds (not counting MTNL, Spice, BPL, Shyam, and HFCL as they are present in only one or two circles). MTNL added 38,000 subs (versus 102,000 in August 2008) marking its weakest month since April 2008.

Subscriber details for leading GSM cellular operators, ('000)

	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08
Subs ('000)													
Bharti	48,876	50,909	52,961	55,163	57,418	59,670	61,985	64,370	66,826	69,384	72,078	74,778	77,479
Hutchison	35,658	37,187	38,563	39,865	41,145	42,557	44,126	45,780	47,467	49,195	50,950	52,759	54,625
IDEA-Escotel	18,672	19,422	20,222	21,054	21,955	22,874	24,002	25,040	26,141	27,194	28,248	29,278	30,380
BPL	1,153	1,201	1,221	1,239	1,257	1,276	1,295	1,314	1,331	1,378	1,440	1,517	1,664
Modi group	3,482	3,570	3,661	3,801	3,943	4,084	4,211	4,363	4,498	4,548	4,197	3,563	3,600
Reliance	5,036	5,342	5,669	6,002	6,338	6,676	7,016	7,359	7,711	8,080	8,455	8,831	8,831
MTNL	2,772	2,826	2,890	2,955	3,013	3,122	3,242	3,284	3,350	3,438	3,537	3,639	3,678
BSNL	30,303	31,033	31,945	32,712	33,749	34,573	36,210	36,683	36,997	37,363	37,916	38,490	39,167
Aircel	8,039	8,524	9,026	9,428	9,934	10,185	10,610	10,989	11,492	11,925	12,476	13,127	13,878
Total market	**153,991**	**160,014**	**166,157**	**172,219**	**178,751**	**185,017**	**192,696**	**199,182**	**205,813**	**212,505**	**219,298**	**225,983**	**233,301**
Market share of subs (%)													
Bharti	31.7	31.8	31.9	32.0	32.1	32.3	32.2	32.3	32.5	32.7	32.9	33.1	33.2
Hutchison	23.2	23.2	23.2	23.1	23.0	23.0	22.9	23.0	23.1	23.2	23.2	23.3	23.4
IDEA-Escotel	12.1	12.1	12.2	12.2	12.3	12.4	12.5	12.6	12.7	12.8	12.9	13.0	13.0
BPL	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.7	0.7	0.7
Modi group	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.1	1.9	1.6	1.5
Reliance	3.3	3.3	3.4	3.5	3.5	3.6	3.6	3.7	3.7	3.8	3.9	3.9	3.8
MTNL	1.8	1.8	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6
BSNL	19.7	19.4	19.2	19.0	18.9	18.7	18.8	18.4	18.0	17.6	17.3	17.0	16.8
Aircel	5.2	5.3	5.4	5.5	5.6	5.5	5.5	5.5	5.6	5.6	5.7	5.8	5.9
Growth (%)													
Bharti	4.4	4.2	4.0	4.2	4.1	3.9	3.9	3.8	3.8	3.8	3.9	3.7	3.6
Hutchison	4.5	4.3	3.7	3.4	3.2	3.4	3.7	3.7	3.7	3.6	3.6	3.5	3.5
IDEA-Escotel	4.5	4.0	4.1	4.1	4.3	4.2	4.9	4.3	4.4	4.0	3.9	3.6	3.8
BPL	4.7	4.2	1.6	1.5	1.4	1.6	1.5	1.5	1.3	3.5	4.5	5.4	9.7
Modi group	2.5	2.5	2.6	3.8	3.7	3.6	3.1	3.6	3.1	1.1	(7.7)	(15.1)	1.0
Reliance	6.4	6.1	6.1	5.9	5.6	5.3	5.1	4.9	4.8	4.8	4.6	4.4	-
MTNL	1.6	1.9	2.3	2.3	2.0	3.6	3.8	1.3	2.0	2.6	2.9	2.9	1.1
BSNL	2.0	2.4	2.9	2.4	3.2	2.4	4.7	1.3	0.9	1.0	1.5	1.5	1.8
Aircel	5.5	6.0	5.9	4.5	5.4	2.5	4.2	3.6	4.6	3.8	4.6	5.2	5.7
Total market	**4.0**	**3.9**	**3.8**	**3.6**	**3.8**	**3.5**	**4.2**	**3.4**	**3.3**	**3.3**	**3.2**	**3.0**	**3.2**
Net monthly adds ('000)													
Bharti	2,061	2,033	2,053	2,202	2,255	2,253	2,315	2,386	2,456	2,558	2,694	2,700	2,701
Hutchison	1,542	1,529	1,376	1,302	1,281	1,412	1,569	1,654	1,686	1,728	1,755	1,808	1,866
IDEA-Escotel	801	750	800	832	901	919	1,128	1,038	1,101	1,054	1,054	1,030	1,102
BPL	51	48	19	19	17	20	19	19	17	47	61	77	147
Modi group	84	89	91	139	142	141	126	152	135	50	(351)	(634)	37
Reliance	302	306	327	333	336	338	340	342	352	370	375	376	-
MTNL	43	54	64	65	58	109	120	42	67	87	100	102	38
BSNL	599	730	912	767	1,036	824	1,637	473	314	365	553	574	677
Aircel	419	485	502	402	506	251	425	379	503	433	551	651	752
Total market	**5,903**	**6,022**	**6,144**	**6,062**	**6,531**	**6,266**	**7,680**	**6,486**	**6,630**	**6,693**	**6,793**	**6,685**	**7,319**
Market share of net adds (%)													
Bharti	34.9	33.8	33.4	36.3	34.5	35.9	30.1	36.8	37.0	38.2	39.7	40.4	36.9
Hutchison	26.1	25.4	22.4	21.5	19.6	22.5	20.4	25.5	25.4	25.8	25.8	27.1	25.5
IDEA-Escotel	13.6	12.5	13.0	13.7	13.8	14.7	14.7	16.0	16.6	15.7	15.5	15.4	15.1
BPL	0.9	0.8	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.7	0.9	1.2	2.0
Modi group	1.4	1.5	1.5	2.3	2.2	2.3	1.6	2.4	2.0	0.8	(5.2)	(9.5)	0.5
Reliance	5.1	5.1	5.3	5.5	5.1	5.4	4.4	5.3	5.3	5.5	5.5	5.6	-
MTNL	0.7	0.9	1.0	1.1	0.9	1.7	1.6	0.6	1.0	1.3	1.5	1.5	0.5
BSNL	10.1	12.1	14.8	12.7	15.9	13.2	21.3	7.3	4.7	5.5	8.1	8.6	9.3
Aircel	7.1	8.0	8.2	6.6	7.7	4.0	5.5	5.8	7.6	6.5	8.1	9.7	10.3
Circlewise subs ('000)													
Metros	25,884	26,691	27,460	28,135	28,823	29,510	30,235	30,903	31,555	32,250	33,015	33,880	34,872
Circle A	55,247	57,719	60,089	62,479	65,033	67,081	70,045	72,090	74,344	76,837	79,216	81,369	83,822
Circle B	56,089	58,259	60,498	62,582	64,870	67,289	70,077	72,920	75,636	78,228	80,931	83,573	86,392
Circle C	16,771	17,345	18,111	19,024	20,024	21,137	22,339	23,269	24,277	25,190	26,136	27,161	28,216
Total	**153,991**	**160,014**	**166,157**	**172,219**	**178,751**	**185,017**	**192,696**	**199,182**	**205,813**	**212,505**	**219,298**	**225,983**	**233,301**
Circlewise net adds ('000)													
Metros	817	807	770	675	689	687	725	667	652	696	764	865	992
Circle A	2,252	2,471	2,370	2,391	2,554	2,048	2,964	2,045	2,254	2,492	2,379	2,153	2,453
Circle B	2,222	2,170	2,239	2,083	2,289	2,418	2,788	2,843	2,716	2,592	2,703	2,642	2,819
Circle C	611	574	765	913	1,001	1,113	1,202	930	1,008	913	946	1,025	1,055
Total	**5,903**	**6,022**	**6,144**	**6,062**	**6,531**	**6,266**	**7,680**	**6,486**	**6,630**	**6,693**	**6,793**	**6,685**	**7,319**
Circlewise subs (%)													
Metros	17	17	17	16	16	16	16	16	15	15	15	15	15
Circle A	36	36	36	36	36	36	36	36	36	36	36	36	36
Circle B	36	36	36	36	36	36	36	37	37	37	37	37	37
Circle C	11	11	11	11	11	11	12	12	12	12	12	12	12
Circlewise net adds (%)													
Metros	14	13	13	11	11	11	9	10	10	10	11	13	14
Circle A	38	41	39	39	39	33	39	32	34	37	35	32	34
Circle B	38	36	36	34	35	39	36	44	41	39	40	40	39
Circle C	10	10	12	15	15	18	16	14	15	14	14	15	14

Subscribers numbers exclude Reliance GSM for Sep 2008

Source: Cellular Operator's Association of India, Compiled by Kotak Institutional Equities

Property

Sector coverage view	Neutral

		Price, Rs	
Company	**Rating**	**13-Oct**	**Target**
MLife	BUY	237	810
Sobha	REDUCE	134	250
DLF	BUY	302	660
Unitech	REDUCE	92	190
HDIL	BUY	115	610
Puravankara P	REDUCE	135	220
Phoenix Mills	BUY	108	350
Indiabulls Real I	BUY	118	275
IVR Prime	BUY	69	360

Mumbai property exhibition—Initial signs of price correction; may not be enough

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- **Developers maintaining flat prices or are offering minimal discounts; however we believe correction needs to be sharper for demand to pickup**
- **Discounts disguised in the form of stamp duty waivers, free parking, attractive home loan rates**
- **Our pricing assumptions are 20-35% discount to current market prices**
- **Housing finance available in the range of 11.25-11.75%**

We visited one of the largest property exhibitions, Property 2008, a bi-annual event organized by Maharashtra Chamber of Housing Industry (MCHI) held at Mumbai and have included 84 projects into our analysis. We observed developers were offering discounts in the form of stamp duty waivers, free parking and attractive home loan rates. However, despite these small discounts, prices in Mumbai continue to be at least 25-30% higher than April 2007 prices. We believe the correction in prices has to be much sharper on account of'(1) rising inventory of finished apartments, (2) developers incurring huge land acquisition cost in the last few years and (3) the highly fragmented nature of the market. We also note the prices in Mumbai have increased since April 2007 compared to other cities which have seen a correction of 10-20% in the same period. We observed that housing finance companies were willing to disburse loans to the extent of 85% of the property values at interest rates of 11.25-11.75%.

Price correction has to be more for end-user demand to pick up in Mumbai

We observe that most developers continue to hold prices at April 2008 prices (Exhibit 1) and some developers have started to offer discounts in the range of 3-5% in the form of stamp duty waiver, free parking and attractive home loan schemes. However, we believe these minimal discounts are not enough and the correction in prices has to be sharper on account of—(1) price rise has taken place in hardening interest rate environment, (2) rising inventory of finished flats (more than 30% of the projects were ready for possession at the exhibition), (3) lesser holding power of developers due to high land acquisition cost and (4) the highly fragmented Mumbai real estate market would show signs of pressure as marginal players feel the heat of credit crunch.

Steep price rise over past 18 months. We observed that prices in Mumbai are still at 30+% premiums to April 2007 prices. The discounts of 3-5% being offered are quite less than increase in property prices over the past 18 months. We highlight that this increase in property prices have been in a hardening interest rate environment and is variance with pricing movement in other cities over the same period. We have seen correction of 15-20% in other cities NCR and Chennai vis-à-vis price hardening in Mumbai. Indicative prices (per sq. ft) in key locations in Mumbai are Andheri (W)-Rs11,000, Bandra (W)-Rs25,000, Ghatkopar (W)-Rs8,000, Goregaon (E)-Rs10,000, Mulund(W)-Rs6,500 and Worli-Rs35,000 (see Exhibit 2,3).

The sharp increase in prices along with rising interest rates has lead to a decline in affordability that we believe is resulting in lower sales. We believe affordability is likely to improve by 15% in FY2009E only if developers reduce prices, else affordability will continue to be a concern (see Exhibit 4). We believe with the slowdown in the economy, the variable components of the salary are going to be hit which would put additional concern on affordability.

Large unsold inventory. We note that a large number of the properties on display at the exhibition were ready for possession indicating a high buildup of unsold finished inventory. Exhibit 5 suggests that more than 30% of the projects were ready for possession by December 2008 which is very high in comparison to our observation in October 2007. We would also note that there were a large number of forthcoming projects in October 2007 which have not materialized yet in the last one year indicating delays due to cash flow constraints and lower demand at the current price points.

Holding power is lower-than-anticipated. We highlight on account of high land cost, upfront investments required is quite large for Mumbai based developers. Also, as highlighted before rising inventory/delay in launches is resulting in longer project cycle for developers. As a result some developers have become leveraged, a fact that is also indicated by our channel checks. These developers are willing to borrow at very high cost rather than reduce prices. As and when fund availability decreases, few developers will have to sell at lower prices. We note for a developer in Mumbai holding power would be the least on account of large upfront land payments, which is at variance with other cities.

Mumbai property market is highly fragmented. More than 50 real estate developers focusing on Mumbai were present at the exhibition, which highlights the fragmented state of the industry. Exhibit 6 lists all the participating companies with properties in Mumbai. We would also like to note that there are a large number of high quality developers in Mumbai which does not allow a single player to dictate prices in a particular area on a sustained basis. We believe price adjustments by marginal players would have a cascading effect on other players as well.

We believe that prices need to correct to April 2007 levels for demand to pick up meaningfully in the Mumbai Metropolitan Region (MMR). We highlight that a further price correction would still be required if interest rates start declining in 1QCY09.

Housing finance institutions lending at 11-11.75%

Almost all the big housing finance institutions including ICICI, LIC housing Finance and HDFC were present at the exhibition. Almost all the housing finance companies were offering rates of 11-11.75% and were willing to disburse upto 85% of the total property value. Some of the quoted rates are—HDFC Home loans (11.25% for below Rs3 mn and 11.75% for above Rs3 mn), Union Bank of India (11%) and IDBI Bank (11.5%). Exhibit 7 highlights the property values which a user can afford at the given interest rates and salary levels.

Few developers start quoting prices on carpet area basis

Few developers like Gundecha, Acme Group have started quoting prices on the carpet area as per the recent amendment to the Maharashtra Ownership Flats (regulation of the promotion of construction, sale, management and transfer) Act, 1963, which makes it mandatory for builders to sell flats on the basis of carpet area. For developers quoting on carpet area basis have largely kept total price of the apartment constant and have adjusted the quotation on carpet area basis rather than super-builtup basis earlier. .

Our pricing assumptions are 20-35% discount to current market prices

Exhibit 8 highlights our pricing assumptions vis-à-vis current price quotations of various developers. We note that our assumptions for Mumbai prices in our models are at a discount to the prices quoted by the developers. We haven't revised our pricing assumptions over the last 12 months as we believe that price increases have not been backed by demand.

Commercial real estate will also see large supply over the next 24 months

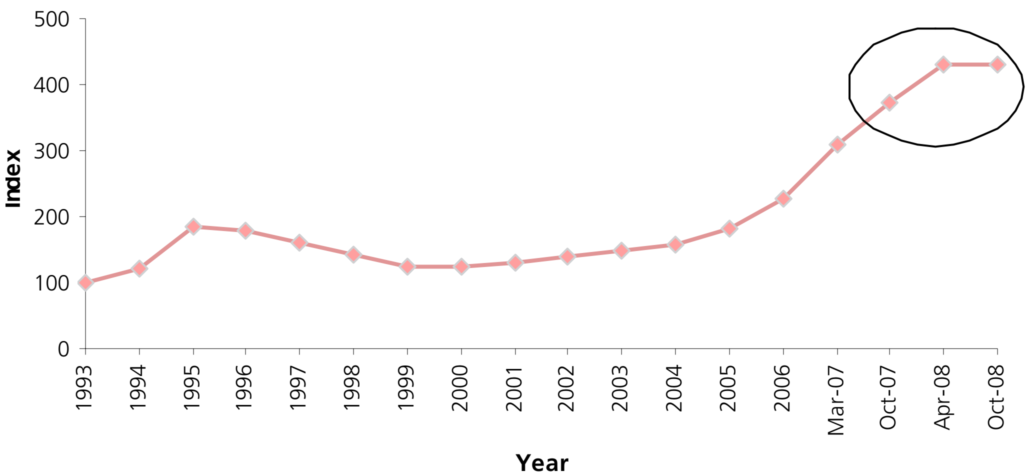
We expect commercial supply of over 17 mn sq. ft in Mumbai in CBD and SBD areas of Mumbai. Most of the supply is coming from mill redevelopment and slum rehabilitation projects. We have compiled this information from plans indicated by various companies and most of this supply is already under construction (see Exhibit 9). Actual supply could be higher on account of (1) Airport slum rehabilitation carried out by HDIL, (2) Dharavi redevelopment and (3) Unitech slum rehabilitation project and other redevelopment of more mill land. We also note that there have been delays in few of the commercial projects. We believe there will be a likely oversupply of commercial space in the next two years, which would likely result in flattish lease rentals.

Developers continue to hold prices or offer minimal discounts
Prices as of Oct'07, Apr'08 and Oct'08

			Prices (Rs/sq. ft) as on				Increase (%)	
Location	**Developer**	**Project**	**Mar-07**	**Oct'07**	**Apr'08**	**Oct'08**	**Apr 08/Oct 07**	**Oct 08/Apr 08**
	RNA Builders	RNA Sapphire	7,500	8,000	10,000	NA	25%	NA
Andheri (W)	Gundecha	Gundecha Symphony		8,000	9,800	10,350	23%	6%
	Oberoi	Splendor		10,100	12,500	14,000	24%	12%
Andheri (E)	Acme	Amartaru		NA	12,000	10,500	NA	-13%
Malad (W)	Rustomjee	Elanza		7,500	9,000	9,000	20%	0%
Kandivali (W)	RNA Builders	Royale Park		5,500	6,500	6,500	18%	0%
Borivili (W)	Ahuja Constructions	Clubbe Life		5,700	7,500	7,500	32%	0%
Powai	Gundecha	Gundecha Hills	6,000	6,000	6,900	7,071	15%	2%
Wadala (E)	Dosti	Dosti Acres		10,000	11,000	11,600	10%	5%
Ghatkopar (W)	Kalpataru	Aura	6,000	7,200	8,200	8,200	14%	0%
Kanjur Marg (W)	Gundecha	Gundecha Heights		5,200	6,200	6,571	19%	6%
Bhandup	HDIL	Dreams	4,500	5,500	5,750	5,750	5%	0%
Thane	Rustomjee	Urbania		4,050	4,400	4,860	9%	10%
Kalyan	Godrej Properties	Riverside	2,000	2,250	2,800	3,000	24%	7%

Source: Bloomber, Property 2007, Property 2008, Kotak Institutional Equities.

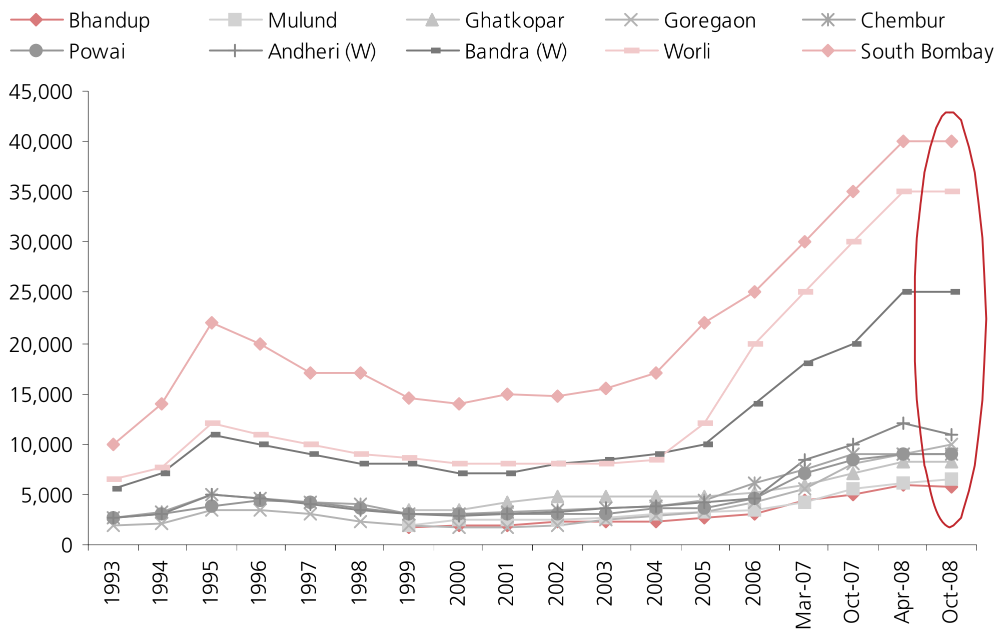
Prices are still up 20-30% in Mumbai since April 2007
Mumbai residential price index, 1993 -2008



Source:Kotak Institutional Equities, Knight Frank, Cushman & Wakefield.

Prices largely stable or down slightly over the last 6 months in Mumbai

Prices at different locations in Mumbai, 1993-2008



Source: Cushman & Wakefield, Industry, Kotak Institutional Equities.

Increase in affordability in FY2009E is dependent on movement in selling prices

Measurement of affordabilitiy of housing in India, March fiscal year-ends, 1999-2010E

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008E	2009E	2010E
Housing loan interest rates (%)	**14.5**	**13.9**	**12.8**	**12.1**	**10.4**	**8.9**	**8.0**	**8.5**	**9.5**	**10.5**	**11.5**	**11.5**
EMI per Rs100,000 on 15 yr loan (Rs)	1,366	1,325	1,252	1,207	1,099	1,008	956	985	1,044	1,100	1,168	1,168
Avg monthly household income (MHI) (for households with monthly income > Rs4,000)		8,923	9,145	9,375	10,881	11,714	11,659	12,991	14,126	15,103	15,951	16,693
Affordability assuming constant housing prices (EMI as % of MHI)		14.8	13.7	12.9	10.1	8.6	8.2	7.6	7.4	7.3	7.3	7.0
Case I: Selling prices decline by 10% in FY2009E and remain flat in FY2010E												
Capital price in Bandra (W), Mumbai		7,992	8,791	8,000	8,500	8,500	10,000	13,000	16,000	20,000	18,000	18,000
Affordability Index (assuming FY2000 as 100) - A		**100**	**101**	**87**	**72**	**62**	**69**	**83**	**100**	**123**	**111**	**106**
Case II: Selling prices increase by 10% in FY2009E and remain flat in FY2010E												
Capital price in Bandra (W), Mumbai		7,992	8,791	8,000	8,500	8,500	10,000	13,000	16,000	20,000	22,000	22,000
Affordability Index (assuming FY2000 as 100) - B		**100**	**101**	**87**	**72**	**62**	**69**	**83**	**100**	**123**	**136**	**130**
% change in affordability (B-A)											**22**	

Source: RBI, Industry, Kotak Institutional Equities estimates.

Unsold finished inventory rising

	Oct-07		Oct-08	
	(No's)	(%)	(No's)	(%)
Ongoing	151	100	84	100
Forthcoming	55			
Total	206			
Delivery of projects				
Ready possession	14	9	27	32
By first half next year	32	21	13	15

Source: Property Expo 2008

Mumbai property market is highly fragmented

List of real estate companies at the Property 2008 exhibition

	Companies		Companies		Companies
1	Acme Housing	19	Haware Engineers & Builders	37	Nirmal Lifestyle
2	Aditya Builders	20	Hiranandani	38	Nirman Group
3	Ahuja Constructions	21	Indian Eco Parks	39	Oberoi Constructions
4	Ajmera Builders	22	Jaycee Homes	40	RNA Builders
5	Akruti Nirman	23	K Raheja Corp	41	Raunak Group
6	Arihant Universal	24	Kalpataru Properties	42	Ravi Group
7	Atul Builders	25	Kanakia Spaces Pvt Ltd	43	Royal Palms India
8	Better Homes Real Estates Services	26	Lalani Group	44	Runwal Group
9	Bhoomi Hill Developers	27	Lodha Group	45	Rustomjee
10	Cosmos Group	28	Lok Group	46	S.K Developers
11	Cocoon Properties	29	Mahindra Gesco	47	Sanghvi Group
12	Dosti Group	30	Mantri Realty	48	Shankala Realtors
13	Ekta Supreme Housing	31	Marathon Realty	49	Sheth Developers
14	Expat properties	32	Mayfair Housing	50	Sigrun realties
15	Gujra group	33	Mighthy constuction	51	Shivam Parivar Developers
16	Godrej Properties	34	Nahar Builders	52	Skyline Group
17	Gundecha developders	35	Neelkanth	53	Sumer Group
18	HDIL	36	Neptune Group	54	Sumitra Buildcons

Source: MCHI Property Exhibition, Mumbai

Property values which can be afforded at the given interest rate and salary levels

		Property value in Rs mn		
		Interest rate (%)		
		11	**11.5**	**12**
Annual salary (Rs mn)	**1**	4.6	4.4	4.3
	1.5	6.8	6.6	6.4
	2	9.1	8.8	8.5
	2.5	11.4	11.0	10.7
	3	13.7	13.2	12.8

Assumptions:
(1) 48% of the income can be paid as EMI
(2) Loan disbursement upto 85% of the property value

Source: Kotak Insitutional Equities estimates

Our assumptions are at a steep discount to the prices qouted by developers

Basic prices in Rs/sq. ft at different locations in Mumbai

Location	Apr-08	Oct-08	Kotak assumptions	Discount (%)	Remarks
Bhandup	6,000	5,750	4,725	18	GKW project at Bhandup by Mahindra Lifespaces
Mulund	6,200	6,500	4,860	25	Bombay Oxygen' project by HDIL
Ghatkopar	7,500	7,500	5,103	32	Residential project by HDIL in Pant Nagar
Andheri (W)	12,000	11,000	8,505	23	Residential project by HDIL in Gilbert Hill
Worli	35,000	35,000	22,500	36	Residential project by DLF in Tulsiwadi
Byculla	25,000	25,000	16,200	35	Residential project by Mahindra Lifespaces

Source: Kotak Institutional Equities estimates.

More than 18 mn sq. ft of commercial space under development in island Mumbai

List of commerical properties being developed in South Mumbai

Office Name	Location	Expected Supply (mn sq. ft)	Time
Marathon Innova	Lower Parel	0.2	Ready
Windsor	BKC	0.4	Ready
Indiabulls Jupiter	Lower Parel	1.5	end 2008
Naman Chambers	BKC	0.2	end 2008
TCG	BKC	0.1	end 2008
Enam	BKC	0.3	end 2008
Greenbird	BKC	0.1	end 2008
Gardenia	BKC	0.1	end 2008
Reliance	BKC	1.0	end 2008
Akruti	BKC	0.1	end 2008
Indiabulls Elphinstone	Lower Parel	1.4	end 2009
Orbit - Hafeez Contractor House	Lower Parel	0.3	end 2009
Marathon Future X	Lower Parel	0.3	end 2009
Peninsula Land (Dawn Mills)	Lower Parel	1.1	end 2009
Ruby Mills	Dadar	0.8	end 2009
Market City, Kurla - Phoenix Mills	Kurla	0.8	end 2009
Adani	BKC	1.8	end 2009
Neptune Evolution	Kurla	0.7	end 2009
Adani Group	Byculla	0.8	end 2009
Bombay Dyeing	Worli	1.3	mid 2010
Bombay Dyeing	Wadala	2.0	end 2010
DLF	Lower Parel	1.8	mid 2010
Wadhawa Group	BKC	0.1	end 2009
Reliance Industries	BKC	0.1	end 2009
TCG and Hiranandani	BKC	0.1	end 2009
Jet Airways	BKC	0.3	end 2009
Starlight	BKC	0.1	end 2009
Century	Plans not yet finalized		
Total		**17.7**	

Source: Property 2007, Property 2008, Internet, Company websites, Kotak Institutional Equities.

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	13-Oct-08 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Automobiles																													
Bajaj Auto	515	ADD	74,440	1,548	145	59.3	58.7	63.2	(53.4)	(1.1)	7.8	8.7	8.8	8.1	6.2	6.2	5.7	4.7	3.8	3.1	3.9	3.9	3.9	21.0	41.5	36.4	630	22.4	—
Hero Honda	831	REDUCE	166,041	3,454	200	48.5	59.9	66.1	12.8	23.5	10.4	17.2	13.9	12.6	10.8	9.8	8.8	5.3	4.3	3.5	2.3	2.4	2.4	34.0	34.6	31.1	790	(5.0)	8.3
Mahindra & Mahindra	520	ADD	134,148	2,790	258	38.1	36.9	37.2	(2.0)	(2.9)	0.6	13.7	14.1	14.0	10.0	9.8	9.0	3.0	2.4	2.0	2.1	1.8	1.9	27.8	22.0	17.8	640	23.1	5.5
Maruti Suzuki	723	ADD	209,005	4,347	289	59.9	60.0	65.1	10.8	0.2	8.4	12.1	12.0	11.1	6.8	6.5	5.9	2.4	2.0	1.7	0.6	0.6	0.6	22.1	18.3	16.8	790	9.2	16.5
Tata Motors	299	SELL	173,978	3,619	581	47.4	25.1	22.3	0.9	(47.1)	(10.9)	6.3	11.9	13.4	6.5	7.7	7.9	1.9	0.7	0.9	3.3	4.3	4.3	24.3	9.8	7.4	425	42.0	9.4
Automobiles		**Cautious**	**757,611**	**15,758**					**(0.8)**	**(5.2)**	**3.0**	**11.6**	**12.2**	**11.9**	7.6	7.8	7.4	**2.8**	**1.9**	**1.7**	**2.2**	**2.4**	**2.4**	**24.3**	**15.4**	**14.0**			
Banks/Financial Institutions																													
Andhra Bank	52	REDUCE	25,026	521	485	11.9	11.6	12.1	7.0	(2.4)	4.7	4.3	4.5	4.3	—	—	—	0.8	0.7	0.6	7.8	5.6	5.9	18.0	16.3	15.3	65	26.0	0.8
Axis Bank	660	REDUCE	236,071	4,910	358	32.2	39.7	51.8	37.7	23.2	30.5	20.5	16.6	12.7	—	—	—	2.9	2.5	2.2	0.9	1.1	1.5	17.6	15.2	17.5	750	13.6	70.6
Bank of Baroda	305	ADD	111,614	2,322	366	39.3	39.3	44.6	39.8	0.1	13.4	7.8	7.8	6.9	—	—	—	1.3	1.1	1.0	2.6	2.6	3.0	14.6	12.5	13.0	310	1.5	8.2
Bank of India	278	BUY	146,231	3,042	526	40.6	43.9	51.0	76.6	7.9	16.2	6.8	6.3	5.5	—	—	—	1.9	1.4	1.2	1.4	1.6	1.9	27.6	23.4	22.3	375	34.9	20.7
Canara Bank	178	REDUCE	72,837	1,515	410	38.2	31.9	41.0	10.1	(16.5)	28.7	4.7	5.6	4.3	—	—	—	1.0	0.8	0.7	4.5	3.9	4.2	15.0	11.9	13.9	210	18.2	3.8
Central Bank of India	43	SELL	17,237	359	404	11.6	9.4	17.1	(24.6)	(18.6)	81.0	3.7	4.5	2.5	—	—	—	0.8	0.5	0.4	4.7	—	—	15.3	11.6	16.7	55	29.0	0.5
Corporation Bank	240	ADD	34,418	716	143	51.3	48.7	55.5	37.2	(5.0)	13.9	4.7	4.9	4.3	—	—	—	0.8	0.7	0.6	4.4	4.2	4.7	18.4	15.5	15.7	355	47.9	0.4
Federal Bank	180	BUY	30,709	639	171	34.4	26.7	33.4	0.5	(22.2)	25.0	5.2	6.7	5.4	—	—	—	0.8	0.7	0.6	2.2	2.8	3.5	13.6	11.1	12.7	275	53.2	1.5
Future Capital Holdings	217	BUY	13,745	286	63	(4.5)	4.5	28.8	(689.8)	(198.6)	546.1	(48.2)	48.8	7.6	—	—	—	1.9	1.8	1.5	—	—	—	(6.7)	3.8	21.4	440	102.4	1.1
HDFC	1,812	ADD	520,055	10,817	287	85.8	83.7	100.1	38.2	(2.4)	19.6	21.1	21.6	18.1	—	—	—	4.4	3.7	3.3	1.4	1.4	1.7	27.8	18.6	19.3	2,350	29.7	73.5
HDFC Bank	1,173	BUY	496,537	10,328	423	46.0	53.2	69.0	28.7	15.7	29.6	25.5	22.0	17.0	—	—	—	4.3	3.4	2.3	0.6	0.8	1.1	17.7	17.2	17.3	1,300	10.8	52.8
ICICI Bank	425	ADD	473,055	9,840	1,113	39.9	32.9	40.2	15.4	(17.7)	22.2	10.6	12.9	10.6	—	—	—	1.0	1.0	0.9	2.6	1.9	2.4	11.7	7.7	8.8	650	52.9	166.9
IDFC	59	ADD	75,911	1,579	1,294	5.7	6.8	8.1	2.9	19.2	19.0	10.3	8.7	7.3	—	—	—	1.4	1.2	1.1	2.0	2.1	2.4	17.6	14.9	15.7	100	70.5	27.0
India Infoline	63	ADD	21,956	457	350	5.6	6.7	9.8	85.6	19.1	47.4	11.2	9.4	6.4	3.7	4.9	3.9	1.8	1.1	1.0	1.6	2.3	3.4	20.7	14.9	17.0	155	147.0	3.9
Indian Bank	132	ADD	56,687	1,179	430	22.5	22.8	23.2	33.9	1.2	1.8	5.9	5.8	5.7	—	—	—	1.3	1.1	0.9	2.3	2.2	2.2	23.4	18.8	16.6	140	6.1	2.9
Indian Overseas Bank	90	ADD	48,841	1,016	545	22.1	22.0	23.6	19.2	(0.1)	7.2	4.1	4.1	3.8	—	—	—	1.0	0.8	0.7	4.2	5.5	6.1	27.2	22.6	20.5	130	45.0	1.1
J&K Bank	441	ADD	21,385	445	48	74.2	76.1	78.4	31.2	2.5	3.1	5.9	5.8	5.6	—	—	—	1.0	0.9	0.8	3.5	3.6	3.7	16.8	15.2	14.1	750	70.1	0.4
LIC Housing Finance	245	ADD	20,811	433	85	45.5	56.5	59.5	38.7	24.1	5.3	5.4	4.3	4.1	—	—	—	1.1	0.9	0.8	4.1	5.1	5.3	—	—	—	380	55.2	4.5
Mahindra & Mahindra Financial	199	SELL	18,993	395	95	20.8	22.9	27.2	32.6	10.1	18.7	9.6	8.7	7.3	—	—	—	1.5	1.3	1.2	2.3	2.9	3.4	16.9	15.7	16.6	215	7.9	0.1
Oriental Bank of Commerce	168	ADD	42,091	875	251	23.9	32.0	32.6	(27.6)	34.0	2.1	7.0	5.3	5.1	—	—	—	0.9	0.7	0.6	2.8	3.8	3.9	6.2	13.2	12.2	200	19.0	1.9
PFC	108	REDUCE	124,475	2,589	1,148	11.4	13.0	15.8	2.6	14.3	21.1	9.5	8.3	6.9	—	—	—	1.2	1.1	1.0	1.5	1.6	2.0	13.4	13.6	14.6	130	19.9	3.1
Punjab National Bank	500	BUY	157,494	3,276	315	65.0	73.2	82.5	33.0	12.6	12.8	7.7	6.8	6.1	—	—	—	1.6	1.3	1.1	2.6	2.9	3.3	18.0	17.6	17.6	650	30.1	10.7
SREI	59	BUY	7,911	165	134	11.4	5.5	8.1	57.4	(51.8)	47.8	5.2	10.7	7.2	—	—	—	1.2	0.6	0.6	1.8	3.9	4.7	23.1	11.6	12.5	160	171.2	0.6
State Bank of India	1,496	ADD	944,490	19,645	631	106.6	113.4	124.6	23.5	6.4	9.9	14.0	13.2	12.0	—	—	—	2.2	2.0	1.7	1.4	1.4	1.5	16.8	13.8	13.6	1,700	13.7	89.8
Union Bank	151	BUY	76,450	1,590	505	27.5	26.3	30.8	64.1	(4.2)	17.0	5.5	5.8	4.9	—	—	—	1.0	0.9	0.8	2.6	2.6	3.0	26.8	21.5	21.1	200	32.1	4.2
Banks/Financial Institutions		**Attractive**	**3,795,029**	**78,937**					**36.3**	**6.5**	**18.1**	**11.7**	**11.0**	**9.3**	**—**	**—**	**—**	**1.8**	**1.5**	**1.3**	**1.8**	**1.8**	**2.0**	**15.3**	**14.1**	**14.5**			
Cement																													
ACC	552	REDUCE	104,195	2,167	189	64.1	61.2	47.7	13.0	(4.5)	(22.0)	8.6	9.0	11.6	4.4	4.5	5.9	2.3	2.0	1.8	4.2	4.2	4.2	33.3	25.3	17.5	610	10.4	6.2
Ambuja Cements	64	REDUCE	97,051	2,019	1,522	7.6	8.0	6.6	(11.2)	6.4	(17.5)	8.4	7.9	9.6	4.3	4.8	5.2	1.9	1.5	1.4	4.1	4.7	3.4	26.6	21.7	15.4	95	49.0	2.7
Grasim Industries	1,496	ADD	137,132	2,852	92	284.6	257.6	240.4	32.6	(9.5)	(6.7)	5.3	5.8	6.2	3.2	3.3	3.0	1.2	1.0	0.8	2.1	2.2	2.2	25.3	18.3	14.5	2,320	55.1	4.5
India Cements	102	ADD	28,877	601	282	24.5	19.1	19.9	n/a	(21.8)	4.1	4.2	5.4	5.1	3.3	3.5	2.9	0.8	0.7	0.7	1.8	2.1	2.1	25.9	15.8	14.4	160	56.2	2.2
Shree Cement	485	BUY	16,900	352	35	85.9	98.5	60.0	90.0	14.7	(39.0)	5.6	4.9	8.1	2.4	2.1	2.0	2.5	1.8	1.5	1.4	1.6	1.6	53.5	42.5	20.5	1,080	122.6	0.3
UltraTech Cement	453	BUY	56,762	1,181	125	81.4	80.6	59.1	28.5	(0.9)	(26.7)	5.6	5.6	7.7	4.0	4.0	4.6	1.8	1.4	1.2	1.7	1.8	1.8	45.2	32.1	18.9	700	54.5	1.0
Cement		**Cautious**	**440,917**	**9,171**					**19.0**	**(4.8)**	**(15.2)**	**6.3**	**6.6**	**7.8**	**3.6**	**3.8**	**3.9**	**1.5**	**1.3**	**1.1**	**2.9**	**3.2**	**2.9**	**24.5**	**19.1**	**14.3**			
Consumer (Discretionary)																													
Radico Khaitan	61	REDUCE	7,200	150	118	3.4	3.2	3.8	8.4	(7.0)	21.5	18.0	19.4	15.9	8.9	8.9	8.1	1.4	1.3	1.2	0.7	0.7	0.7	9.4	8.1	9.0	91	48.7	0.5
United Breweries	114	REDUCE	27,245	567	240	1.9	2.4	4.4	(11.6)	25.7	82.1	59.6	47.4	26.0	15.3	11.6	8.7	4.8	2.6	2.4	—	—	—	8.3	7.1	9.6	160	41.0	0.3
United Spirits	791	BUY	74,062	1,540	94	40.0	45.5	59.1	50.8	13.7	29.8	19.8	17.4	13.4	11.7	10.2	8.7	3.1	2.5	2.2	0.0	0.0	0.0	18.8	17.9	19.4	1,600	102.4	7.5
Consumer (Discretionary)		**Attractive**	**108,508**	**2,257**					**35.8**	**11.7**	**34.1**	**22.6**	**20.2**	**15.1**	**12.0**	**10.3**	**8.7**	**3.2**	**2.5**	**2.2**	**0.1**	**0.1**	**0.1**	**14.0**	**12.3**	**14.3**			
Consumer products																													
Asian Paints	976	ADD	93,646	1,948	96	38.3	44.3	52.4	36.1	15.8	18.2	25.5	22.0	18.6	15.3	12.9	10.6	9.7	7.8	6.3	1.5	1.8	2.0	43.5	40.2	38.3	1,240	27.0	0.6
Colgate-Palmolive (India)	383	REDUCE	52,038	1,082	136	17.3	19.2	22.4	18.4	10.6	17.0	22.1	20.0	17.1	17.4	14.7	12.4	27.8	23.7	20.2	3.4	3.8	4.4	100.8	128.5	128.3	420	9.8	1.0
GlaxoSmithkline Consumer (a)	610	BUY	25,637	533	42	38.5	45.5	53.8	27.4	18.4	18.3	15.9	13.4	11.3	8.2	6.8	5.5	3.9	3.3	2.8	2.1	2.5	2.9	27.3	27.3	27.3	800	31.2	0.1
Godrej Consumer Products	113	ADD	29,089	605	258	7.3	8.0	8.5	22.9	9.0	6.9	15.4	14.2	13.2	13.4	10.6	9.4	13.6	4.2	3.7	3.1	3.5	3.5	100.9	46.1	39.3	140	24.2	0.1
Hindustan Unilever	231	ADD	502,994	10,462	2,177	8.1	9.2	10.8	15.4	12.9	17.9	28.4	25.2	21.4	23.0	19.2	15.8	34.9	32.5	30.0	4.6	3.8	4.4	85.2	134.3	146.7	280	21.2	19.9
ITC	170	BUY	636,244	13,234	3,742	8.0	9.1	10.4	11.3	13.3	14.3	21.2	18.7	16.3	13.9	12.2	10.4	5.1	4.5	3.9	2.1	2.2	2.4	26.9	26.6	26.4	230	35.3	25.7
Jyothy Laboratories	274	ADD	3,980	83	15	31.0	42.1	68.3	(12.8)	35.8	62.3	8.8	6.5	4.0	5.8	3.9	2.0	1.1	0.9	0.7	3.4	3.8	4.3	11.5	13.1	17.9	740	169.8	
Nestle India (a)	1,490	ADD	143,703	2,989	96	44.5	58.6	70.2	31.3	31.7	19.7	33.5	25.4	21.2	20.2	15.7	13.0	27.9	21.1	16.4	1.8	2.4	2.9	94.8	94.5	86.9	1,900	27.5	1.5
Tata Tea	606	BUY	37,444	779	62	54.1	63.3	67.3	3.6	17.2	6.2	11.2	9.6	9.0	4.3	3.8	3.3	0.8	0.7	0.7	2.5	2.9	3.1	9.7	9.4	9.4	1,100	81.7	1.5
Consumer products		**Attractive**	**1,524,775**	**31,715**					**15.0**	**15.2**	**15.8**	**23.4**	**20.3**	**17.5**	**15.5**	**13.3**	**11.2**	**7.1**	**6.2**	**5.4**	**2.9**	**2.8**	**3.2**	**30.3**	**30.3**	**30.8**			
Constructions																													
Consolidated Construction Co.	391	BUY	14,448	301	37	24.0	34.2	44.9	67.6	42.4	31.1	16.3	11.4	8.7	10.7	6.8	5.2	3.2	2.6	2.1	0.6	1.3	1.7	27.7	25.0	26.4	700	79.1	0.0
IVRCL	170	BUY	23,037	479	135	16.0	17.1	22.8	29.2	6.5	33.2	10.6	10.0	7.5	9.0	6.8	5.4	1.4	1.2	1.1	0.8	0.5	0.5	14.8	13.5	15.6	415	143.8	6.2
Nagarjuna Construction Co.	59	BUY	13,539	282	229	7.2	8.1	10.6	14.5	13.4	30.2	8.2	7.3	5.6	6.9	6.1	5.4	0.9	1.6	0.7	1.9	2.3	2.7	12.6	11.3	13.3	195	229.9	4.9
Punj Lloyd	214	BUY	69,056	1,436	323	10.0	14.7	20.8	323.5	46.9	42.1	21.4	14.6	10.2	11.3	8.1	6.2	2.5	2.0	1.8	0.2	0.3	0.4	16.8	16.1	19.4	350	63.9	33.7
Sadbhav Engineering	590	BUY	7,728	161	13	40.5	62.6	78.1	68.2	54.4	24.8	14.6	9.4	7.6	8.8	5.3	3.9	2.6	1.8	1.5	0.6	0.8	1.0	16.3	19.6	20.5	1,100	86.4	0.1
Construction		**Attractive**	**127,808**	**2,658**					**95.2**	**30.4**	**36.0**	**15.2**	**11.6**	**8.6**	**9.7**	**7.1**	**5.7**	**1.9**	**1.7**	**1.4**	**0.5**	**0.7**	**0.9**	**12.6**	**14.3**	**16.5**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	13-Oct-08 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Energy																													
Bharat Petroleum	352	REDUCE	115,344	2,399	328	39.8	40.7	38.3	(24.0)	2.1	(5.9)	8.8	8.6	9.2	3.5	3.9	2.8	0.9	0.9	0.7	1.3	1.2	1.1	11.4	10.4	8.9	360	2.3	6.6
Cairn india	176	ADD	327,916	6,821	1,868	(0.1)	3.9	20.3	(105)	(3,390)	418	(1,473)	45	8.6	41.0	18.1	6.0	1.1	1.0	0.9	—	—	—	(0.1)	2.3	10.9	245	39.6	24.6
Castrol India (a)	297	ADD	36,672	763	124	20.1	23.6	24.1	64.6	17.5	2.1	14.8	12.6	12.3	8.5	7.4	7.2	8.9	8.3	7.7	4.7	6.1	6.1	59.5	68.5	65.2	350	18.0	0.5
GAIL (India)	260	REDUCE	329,169	6,847	1,268	20.4	26.7	29.6	21.0	30.9	10.8	12.7	9.7	8.8	6.6	5.8	6.1	2.3	2.0	1.7	2.6	3.3	3.6	18.1	20.8	19.7	285	9.8	14.8
GSPL	39	BUY	22,033	458	563	1.8	3.0	4.2	10.1	66.1	39.9	21.7	13.1	9.3	7.4	6.4	4.6	1.8	1.6	1.4	1.3	2.1	3.0	8.8	12.9	16.1	65	66.0	2.4
Hindustan Petroleum	214	REDUCE	72,637	1,511	339	33.5	26.1	33.4	(16.4)	(21.9)	27.7	6.4	8.2	6.4	5.5	3.6	2.2	0.6	0.5	0.5	1.4	1.1	1.4	9.6	6.8	7.9	260	21.3	5.3
Indian Oil Corporation	369	REDUCE	434,756	9,043	1,179	60.5	40.9	61.8	29.2	(32.5)	51.2	6.1	9.0	6.0	4.2	7.8	7.3	1.0	0.9	0.8	1.5	1.4	1.9	17.2	10.1	13.5	500	35.6	3.8
Oil & Natural Gas Corporation	917	BUY	1,961,359	40,796	2,139	92.0	131.5	147.3	8.2	42.9	12.0	10.0	7.0	6.2	3.7	2.8	2.4	1.9	1.6	1.4	3.5	3.9	4.9	19.4	24.2	22.8	1,300	41.8	48.6
Petronet LNG	41	ADD	30,863	642	750	6.3	5.8	6.5	—	(7.6)	10.5	6.5	7.0	6.4	4.3	5.7	4.7	1.6	1.4	1.1	3.6	3.6	3.6	26.7	20.2	18.6	70	70.1	1.7
Reliance Industries	1,571	RS	2,065,432	42,961	1,314	101.7	105.8	158.3	23.0	4.0	49.5	15.4	14.8	9.9	9.5	7.4	4.5	2.3	2.0	1.5	0.8	0.9	1.3	18.5	15.5	19.8	—	—	233.9
Reliance Petroleum	122	REDUCE	547,200	11,382	4,500	(1.1)	2.4	16.9	n/a	n/a	617.4	n/a	51.5	7.2	n/a	26.1	6.1	4.1	3.8	2.6	—	—	1.6	(3.5)	7.6	42.8	150	23.4	61.5
Energy		**Cautious**	**5,943,382**	**123,622**					**10.7**	**23.5**	**43.6**	**12.8**	**10.3**	**7.2**	**6.3**	**5.5**	**4.2**	**1.8**	**1.5**	**1.3**	**1.8**	**2.0**	**2.7**	**14.5**	**15.0**	**18.5**			
Industrials																													
ABB	703	REDUCE	149,046	3,100	212	23.2	28.6	35.4	44.5	23.2	23.7	30.3	24.6	19.9	17.8	14.0	10.9	9.2	6.9	5.3	0.3	0.4	0.5	34.8	32.1	30.3	875	24.4	9.4
BGR Energy Systems	183	REDUCE	13,147	273	72	12.3	18.3	23.2	(67.1)	49.5	26.7	14.9	10.0	7.9	9.4	6.6	6.0	2.6	2.1	1.7	0.6	1.0	1.3	30.1	23.5	24.1	325	78.0	3.2
Bharat Electronics	761	ADD	60,900	1,267	80	102.1	104.4	111.1	11.3	2.3	6.4	7.5	7.3	6.9	2.5	2.3	1.9	1.8	1.6	1.3	3.3	3.3	3.3	27.9	23.1	20.9	1,200	57.6	1.4
Bharat Heavy Electricals	1,500	ADD	734,182	15,271	490	58.4	73.1	96.9	22.9	25.1	32.6	25.7	20.5	15.5	13.7	10.6	8.2	6.8	5.5	4.3	1.0	1.0	1.4	29.2	29.5	31.1	2,000	33.4	76.1
Larsen & Toubro	986	BUY	584,461	12,157	593	37.9	57.7	73.6	20.8	52.1	27.5	26.0	17.1	13.4	16.8	10.5	8.4	4.9	3.5	2.8	0.8	2.0	2.0	22.7	24.0	23.5	1,600	62.3	107.7
Maharashtra Seamless	229	BUY	16,137	336	71	29.4	38.5	43.0	(23.5)	31.2	11.8	7.8	5.9	5.3	4.9	3.8	3.4	1.4	1.2	1.0	2.2	2.5	2.8	19.7	21.7	20.2	350	53.0	0.7
Siemens	316	REDUCE	106,694	2,219	337	18.2	18.8	25.9	60.4	3.1	38.0	17.4	16.8	12.2	9.8	9.3	6.4	5.8	4.5	3.4	0.8	0.9	1.0	39.9	30.2	32.0	570	80.1	7.0
Suzlon Energy	107	BUY	168,290	3,500	1,567	6.6	10.9	16.1	9.5	65.9	47.8	16.3	9.9	6.7	8.8	8.8	6.6	1.8	1.5	1.2	0.9	0.9	0.9	16.3	17.0	20.5	225	109.5	36.9
Industrials		**Neutral**	**1,832,859**	**38,123**					**24.6**	**34.0**	**30.9**	**22.0**	**16.4**	**12.5**	**12.6**	**9.6**	**7.5**	**4.6**	**3.6**	**2.9**	**1.0**	**1.4**	**1.5**	**20.8**	**21.7**	**22.8**			
Infrastructure																													
IRB Infrastructure	100	BUY	33,336	693	332	3.4	7.3	15.7	150.9	111.5	116.3	29.3	13.8	6.4	11.3	10.5	5.1	2.0	1.7	1.3	—	—	—	10.7	13.4	23.3	195	94.4	0.5
Media																													
DishTV	19	BUY	12,303	256	644	(9.6)	(5.7)	(2.2)	n/a	(41.4)	(60.2)	(2.0)	(3.4)	(8.5)	(7.6)	(7.0)	43.5	(2.7)	3.8	11.2	—	—	—	167.9	562.2	(98.3)	38	99.0	4.1
HT Media	90	BUY	21,047	438	234	4.3	3.9	7.4	4.7	(10.6)	91.6	20.8	23.2	12.1	11.7	12.6	6.6	2.4	2.2	1.9	0.4	0.4	0.9	12.2	10.0	17.2	165	83.6	0.2
Jagran Prakashan	64	BUY	19,215	400	301	3.3	3.1	5.0	33.5	(6.2)	63.7	19.6	20.9	12.8	10.9	11.0	7.0	3.6	3.4	3.1	3.1	2.9	3.9	18.7	16.6	25.2	95	48.9	0.3
Sun TV Network	169	ADD	66,402	1,381	394	8.3	9.5	11.6	30.7	14.2	22.0	20.3	17.8	14.6	10.5	8.9	7.3	4.4	3.8	3.5	1.5	1.8	3.6	24.8	23.7	25.5	245	45.4	1.0
Zee Entertainment Enterprises	156	ADD	67,485	1,404	434	8.9	10.2	12.9	62.6	14.4	26.7	17.5	15.3	12.1	12.9	10.0	7.9	2.3	2.0	1.8	1.3	1.6	2.1	14.2	14.7	16.6	240	54.2	6.1
Media		**Attractive**	**186,452**	**3,878**					**24.0**	**27.0**	**77.9**	**37.4**	**29.4**	**16.6**	**14.9**	**11.6**	**7.9**	**3.4**	**2.7**	**2.5**	**1.4**	**1.6**	**2.5**	**9.2**	**9.2**	**15.1**			
Metals																													
Hindalco Industries	89	SELL	156,158	3,248	1,753	13.8	8.9	7.0	(10.0)	(35.7)	(21.2)	6.5	10.0	12.7	6.6	6.1	6.8	0.7	0.5	0.5	-	-	-	14.4	10.0	6.7	65	(27.0)	10.2
National Aluminium Co.	364	REDUCE	234,529	4,878	644	25.2	30.3	33.5	(31.8)	20.0	10.6	14.4	12.0	10.9	7.5	6.4	5.1	2.5	2.2	1.9	2.1	2.1	2.1	18.4	19.4	18.7	370	1.6	5.3
Jindal Steel and Power	903	BUY	138,981	2,891	154	91.1	126.1	125.9	101.5	38.4	(0.1)	9.9	7.2	7.2	7.5	5.4	5.3	3.3	2.3	1.7	1—	0.7	0.8	43.8	37.3	27.3	1,800	99.4	22.6
JSW Steel	337	ADD	62,551	1,301	186	92.0	103.1	146.8	35.7	12.0	42.4	3.7	3.3	2.3	3.7	4.1	3.0	0.6	0.5	0.4	5.5	5.5	5.5	21.2	18.1	21.0	1,040	208.9	13.4
Hindustan Zinc	317	ADD	133,900	2,785	423	104.0	72.2	71.5	(1.0)	(30.6)	(1.0)	3.0	4.4	4.4	1.8	2.2	1.7	1.1	0.9	0.8	2.4	2.4	3.2	44.0	22.5	18.4	750	136.7	2.9
Sesa Goa	93	BUY	72,820	1,515	787	18.8	22.6	23.2	144.6	19.7	2.7	4.9	4.1	4.0	3.1	2.4	1.9	2.6	1.7	1.3	3.8	4.3	5.4	68.6	50.8	36.9	195	110.8	36.0
Sterlite Industries	320	REDUCE	226,966	4,721	708	64.3	47.3	50.9	(22.6)	(26.5)	7.6	5.0	6.8	6.3	3.9	5.1	4.5	1.0	0.9	0.8	—	—	—	26.1	13.7	13.4	540	68.6	34.9
Tata Steel	304	REDUCE	249,885	5,198	822	75.7	116.9	106.1	43.8	54.4	(9.3)	4.0	2.6	2.9	4.2	3.6	3.6	0.7	0.6	0.5	4.8	4.2	4.3	46.3	35.6	28.4	520	71.1	60.8
Metals		**Cautious**	**1,275,790**	**26,536**					**13.2**	**5.6**	**0.3**	**5.3**	**5.1**	**5.1**	**4.5**	**4.3**	**4.0**	**1.1**	**0.9**	**0.8**	**2.1**	**2.0**	**2.2**	**19.9**	**17.2**	**15.0**			
Pharmaceutical																													
Biocon	137	BUY	27,400	570	200	11.3	12.2	16.0	9.4	8.5	31.0	12.2	11.2	8.6	7.5	6.9	5.5	1.9	1.8	1.6	0.1	0.1	0.1	17.6	16.0	19.4	310	126.3	0.9
Cipla	196	REDUCE	152,038	3,162	777	9.0	10.5	12.2	4.9	16.2	16.4	21.7	18.7	16.0	15.9	14.2	12.1	4.0	3.5	3.0	1.0	1.3	1.5	20.1	20.1	20.3	230	17.6	7.8
Dishman Pharma & chemicals	217	BUY	17,661	367	81	14.7	19.7	27.7	30.5	34.1	40.1	14.8	11.0	7.9	11.9	9.1	6.7	3.1	2.4	1.9	0.0	0.0	0.0	26.8	24.8	27.3	515	137.2	0.4
Divi's Laboratories	1,166	BUY	75,252	1,565	65	53.2	76.5	103.6	85.8	43.7	35.4	21.9	15.2	11.3	17.8	12.2	8.7	8.8	5.7	3.9	0.1	0.1	0.1	49.8	45.7	41.3	2,330	99.9	4.6
Dr Reddy's Laboratories	431	BUY	72,879	1,516	169	26.1	33.8	41.0	(57.2)	29.6	21.5	16.5	12.8	10.5	8.2	6.5	5.4	1.6	1.4	1.3	0.9	0.9	0.9	10.3	12.0	13.0	790	83.4	6.6
Glenmark Pharmaceuticals	419	BUY	111,380	2,317	266	25.8	31.8	41.8	98.4	23.2	31.3	16.2	13.2	10.0	14.1	10.7	7.9	7.3	4.1	3.0	0.0	0.0	0.0	57.4	39.6	35.1	770	83.8	6.5
Jubilant Organosys	199	BUY	35,977	748	181	22.1	19.7	31.5	69.9	(11.0)	60.1	9.0	10.1	6.3	8.7	9.2	6.2	3	1.9	1.7	0.6	0.8	1.1	37.0	25.2	31.0	700	252.6	0.4
Lupin	678	BUY	60,019	1,248	89	49.8	51.3	59.5	30.2	3.0	16.1	13.6	13.2	11.4	15.9	10.8	9.2	5	2.9	2.5	1.4	1.4	1.7	37.9	27.7	23.9	950	40.2	2.7
Piramal Healthcare	274	BUY	57,203	1,190	209	17.7	20.3	26.3	66.8	14.6	29.3	15.4	13.5	10.4	11.5	9.4	7.3	5.2	4.0	3.1	1.5	1.5	1.6	30.9	33.8	33.4	530	93.6	1.5
Ranbaxy Laboratories	276	REDUCE	115,496	2,402	419	23.3	9.8	15.5	70.4	(58.1)	58.7	11.8	28.2	17.8	10.3	11.8	5.8	3.8	1.8	1.1	2.7	3.8	4.8	29.8	9.1	9.2	420	52.4	53.0
Sun Pharmaceuticals	1,271	BUY	263,235	5,475	207	74.7	86.1	79.1	78.9	15.3	(8.0)	17.0	14.8	16.1	14.4	11.1	11.4	5.1	3.8	3.2	0.8	0.9	1.1	38.3	30.9	22.7	1,780	40.1	19.3
Pharmaceuticals		**Attractive**	**988,540**	**20,562**					**34.1**	**8.9**	**22.6**	**16.5**	**15.1**	**12.3**	**12.4**	**10.5**	**8.2**	**4.0**	**2.9**	**2.2**	**1.0**	**1.2**	**1.4**	**24.5**	**19.3**	**18.1**			
Property																													
Housing Development & Infrastruc	115	BUY	31,682	659	275	51.2	56.6	63.6	118.6	10.6	12.3	2.2	2.0	1.8	3.5	3.3	2.7	0.9	0.6	0.5	3.4	7.0	7.0	64.5	36.3	30.7	610	430.4	36.9
DLF	302	BUY	515,270	10,718	1,705	43.8	49.8	55.1	244.6	13.9	10.5	6.9	6.1	5.5	6.6	5.6	4.4	2.6	1.9	1.5	1.7	2.3	3.3	63.2	36.6	30.8	660	118.3	65.3
IVR Prime Urban Developers	69	BUY	4,417	92	64	27.0	15.5	17.1	552.0	(42.6)	10.8	2.6	4.4	4.0	1.3	4.2	5.0	0.4	0.4	0.4	5.8	7.3	10.2	31.9	9.6	10.0	360	422.9	0.1
Mahindra Life Space Developer	237	BUY	9,959	207	42	12.7	13.9	19.0	208.4	8.9	37.4	18.6	17.1	12.4	37.4	11.9	6.2	1.2	1.1	1.1	1.2	1.6	1.6	6.4	6.5	8.5	810	242.3	0.4
Phoenix Mills	108	BUY	15,651	326	145	2.6	4.4	11.6	(59.8)	68.1	162.1	41.0	24.4	9.3	34.2	16.3	5.5	1.1	1.0	0.9	—	—	—	5.0	4.4	10.6	350	223.8	1.0
Puravankara Projects	135	REDUCE	28,770	598	213	11.3	14.0	16.7	67.4	24.8	19.1	12.0	9.6	8.1	16.5	14.3	11.0	2.3	2.0	1.7	0.7	3.0	4.5	32.9	22.4	23.1	220	63.2	0.4
Sobha	134	REDUCE	9,794	204	73	31.7	30.2	33.2	42.9	(4.7)	9.8	4.2	4.4	4.0	7.4	6.4	6.2	1.0	0.8	0.7	4.8	3.0	3.0	25.3	20.0	18.6	250	86.1	1.2
Indiabulls Real Estate	118	BUY	32,035	666	273	16.4	6.8	7.5	2,383.9	(58.6)	10.4	7.1	17.3	15.6	(973.2)	4.5	7.1	0.6	0.4	0.4	0.2	0.0	0.0	10.6	2.9	2.8	275	134.0	30.6
Unitech	92	REDUCE	149,171	3,103	1,623	9.7	12.0	15.0	20.3	24.5	24.7	9.5	7.6	6.1	8.3	6.8	5.7	4.4	3.0	2.2	1.1	2.2	4.4	58.4	46.8	41.9	190	106.7	27.7

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	13-Oct-08 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Retail																													
Pantaloon Retail	235	BUY	40,408	840	172	8.0	12.1	18.4	93.1	50.4	52.2	29.2	19.5	12.8	11.2	7.7	6.3	2.4	1.5	1.4	0.2	0.3	0.4	8.5	9.1	10.8	400	70.2	1.3
Titan Industries	946	BUY	41,997	874	44	35.1	41.1	49.8	55.2	17.3	21.0	27.0	23.0	19.0	18.2	14.2	11.3	8.9	6.8	5.4	0.8	1.0	1.2	37.7	33.6	31.6	1,350	42.7	2.3
Vishal Retail	138	ADD	3,100	64	22	18.1	21.6	35.6	37.2	19.2	65.2	7.7	6.4	3.9	6.3	4.9	4.0	1.1	1.0	0.8	—	—	—	20.2	16.2	22.1	485	250.4	0.2
Retail			**85,505**	**1,779**					**31.8**	**36.2**	**40.7**	**26.6**	**19.5**	**13.9**	**12.5**	**8.8**	**7.0**	**3.5**	**2.4**	**2.1**	**0.5**	**0.7**	**0.8**	**13.2**	**12.2**	**14.9**			
Technology																													
HCL Technologies	170	REDUCE	118,046	2,455	695	15.3	21.8	24.0	(19.0)	42.9	9.8	11.1	7.8	7.1	5.9	4.4	3.9	2.4	1.9	1.7	4.7	4.7	4.7	21.4	26.4	25.6	220	29.5	4.2
Hexaware Technologies	24	SELL	3,432	71	142	7.7	4.6	5.1	(13.7)	(39.8)	10.6	3.2	5.2	4.7	0.2	(0.3)	(0.7)	0.5	0.5	0.4	3.8	6.6	6.6	15.1	9.1	9.5	35	44.9	0.2
Infosys Technologies	1,319	BUY	756,848	15,742	574	79.1	100.8	108.8	18.0	27.5	7.9	16.7	13.1	12.1	12.8	9.7	8.5	5.5	4.2	3.4	2.5	1.9	2.0	36.1	36.4	30.9	1,600	21.3	74.3
Mphasis BFL	162	SELL	33,817	703	208	12.2	17.1	18.0	67.6	39.6	5.6	13.2	9.5	9.0	7.9	5.7	4.9	2.9	0.4	2.0	2.2	2.5	2.8	23.6	27.7	24.3	190	17.1	2.0
Mindtree	244	BUY	6,203	129	25	26.7	30.4	39.4	12.3	13.6	29.6	9.1	8.0	6.2	4.2	2.4	1.5	1.2	0.9	0.7	1.7	—	—	—	16.8	17.7	450	84.3	0.5
Patni Computer Systems	153	SELL	21,302	443	139	33.4	25.8	28.2	29.7	(22.6)	9.4	4.6	5.9	5.4	1.7	1.1	0.5	0.8	0.7	0.7	1.3	1.5	1.6	19.2	11.7	11.6	200	30.5	1.7
Polaris Software Lab	48	SELL	4,713	98	98	7.4	10.1	11.2	(27.6)	35.6	10.5	6.4	4.7	4.3	2.4	1.7	1.2	0.7	0.6	0.6	3.6	3.6	3.6	11.7	14.3	14.1	70	46.0	5.4
Satyam Computer Services	269	BUY	183,462	3,816	682	25.2	32.8	36.2	17.7	30.1	10.3	10.7	8.2	7.4	7.7	5.1	4.1	2.5	2.0	1.7	3.6	4.5	5.2	26.0	27.6	24.8	400	48.7	39.0
TCS	573	REDUCE	560,597	11,660	979	51.3	60.4	65.9	21.5	17.9	9.0	11.2	9.5	8.7	8.9	7.2	6.3	4.5	3.5	2.9	2.4	3.7	4.6	47.0	41.8	36.6	750	30.9	23.9
Tech Mahindra	424	BUY	52,779	1,098	125	59.1	73.4	84.3	25.7	24.2	14.9	7.2	5.8	5.0	6.3	3.8	2.6	4.2	2.4	1.6	0.9	—	1.5	70.7	55.0	40.0	750	77.1	3.7
Wipro	284	ADD	412,090	8,571	1,450	22.2	26.9	30.5	12.6	20.9	13.5	12.8	10.6	9.3	10.1	7.2	6.1	3.2	2.6	2.2	2.2	2.8	3.3	27.9	27.1	25.4	380	33.7	11.8
Technology		**Neutral**	**2,153,289**	**44,788**					**16.1**	**23.9**	**10.1**	**12.5**	**10.1**	**9.1**	**9.3**	**7.0**	**6.0**	**3.7**	**2.9**	**2.4**	**2.6**	**2.9**	**3.3**	**29.5**	**28.9**	**26.3**			
Telecom																													
Bharti Airtel Ltd	740	BUY	1,404,161	29,207	1,898	35.3	47.0	57.0	65.0	33.2	21.1	21.0	15.7	13.0	12.7	9.3	7.1	6.2	4.4	3.3	—	0.5	0.8	39.1	32.9	29.1	840	13.5	85.1
IDEA	72	REDUCE	190,149	3,955	2,639	3.9	4.6	5.5	78.5	15.7	20.8	18.2	15.8	13.1	10.9	8.2	6.8	5.4	4.0	3.1	—	—	—	36.4	29.1	26.6	100	38.8	12.2
MTNL	68	REDUCE	42,683	888	630	6.0	6.5	7.0	(25.2)	7.7	8.2	11.3	10.5	9.7	(0.5)	(0.5)	(0.5)	0.4	0.4	0.4	8.9	8.9	8.9	2.7	2.9	3.2	100	47.6	3.1
Reliance Communications	282	SELL	582,254	12,111	2,064	25.0	28.6	34.8	76.4	14.1	21.9	11.3	9.9	8.1	8.3	7.2	5.7	2.1	1.7	1.4	0.3	—	—	16.1	19.9	19.8	390	38.2	72.4
Tata Communications	443	REDUCE	126,212	2,625	285	10.9	12.0	13.3	(36.3)	9.2	11.2	40.4	37.0	33.3	16.9	15.7	13.6	1.9	1.8	1.8	1.0	1.1	1.5	4.4	4.7	4.9	430	(2.9)	3.5
Telecom		**Cautious**	**2,345,459**	**48,786**					**61.9**	**23.9**	**20.6**	**16.6**	**13.4**	**11.1**	**10.7**	**8.4**	**6.6**	**3.2**	**2.6**	**2.1**	**0.4**	**0.6**	**0.7**	**19.4**	**19.6**	**19.3**			
Transportation																													
Container Corporation	709	ADD	92,117	1,916	130	57.7	67.5	75.0	7.8	17.0	11.0	12.3	10.5	9.5	8.1	6.8	5.7	2.9	2.4	2.0	1.7	2.0	2.3	25.8	24.9	23.1	950	34.0	1.5
Transportation		**Neutral**	**92,117**	**1,916**					**7.8**	**17.0**	**11.0**	**12.3**	**10.5**	**9.5**	**8.1**	**6.8**	**5.7**	**2.9**	**2.4**	**2.0**	**1.7**	**2.0**	**2.3**	**23.5**	**22.8**	**21.3**			
Utilities																													
CESC	214	BUY	26,768	557	125	27.8	28.2	31.1	(23.3)	1.4	10.4	7.7	7.6	6.9	4.0	4.7	5.9	0.8	0.8	0.7	1.9	1.9	2.3	12.5	10.6	10.5	500	133.4	1.5
Lanco Infratech	174	BUY	38,747	806	222	16.0	18.7	31.3	88.4	17.4	67.1	10.9	9.3	5.6	10.6	14.3	12.3	1.9	1.6	1.2	(3.4)	—	—	20.2	18.9	25.2	530	204.1	12.0
NTPC	178	REDUCE	1,467,280	30,519	8,245	8.9	9.5	10.3	3.5	6.7	8.0	19.9	18.7	17.3	14.3	15.4	15.4	2.8	2.5	2.4	2.0	2.1	2.9	14.4	14.2	14.3	179	0.6	32.0
Reliance Infrastructure	599	BUY	138,407	2,879	231	37.6	49.4	50.0	13.9	31.3	1.2	15.9	12.1	12.0	22.6	20.9	19.5	0.8	0.8	0.8	1.1	1.2	1.4	4—	5—	6—	1,250	108.5	87.6
Reliance Power	129	REDUCE	309,547	6,439	2,397	0.4	2.1	2.6	—	443.9	25.2	339.6	62.4	49.9	—	—	—	2.3	2.1	2.1	—	—	—	1.2	3.5	4.3	180	39.4	34.9
Tata Power	787	BUY	183,301	3,813	233	29.7	38.1	39.9	11.6	28.5	4.6	26.5	20.6	19.7	19.4	17.4	18.2	2.4	1.9	1.7	1.1	1.2	1.2	10.0	10.3	9.0	1,425	81.1	25.0
Utilities		**Attractive**	**2,164,050**	**45,012**					**8.8**	**14.8**	**10.1**	**22.3**	**19.4**	**17.6**	**15.9**	**17.7**	**18.5**	**2.3**	**2.1**	**1.9**	**1.5**	**1.6**	**2.2**	**10.1**	**10.7**	**11.0**			
Others																													
Aban Offshore	1,202	BUY	46,484	967	39	72.3	264.8	453.9	(1,066)	266.3	71.5	16.6	4.5	2.6	13.4	6.4	4.2	5.3	2.2	1.2	0.3	0.8	1.2	51.7	59.5	52.1	2,400	99.6	18.0
Aditya Birla Nuvo	780	ADD	72,749	1,513	93	22.9	26.6	29.2	(5.6)	16.0	9.8	34.1	29.3	26.7	16.3	14.7	13.6	2.1	2.0	1.9	0.8	0.8	0.8	6.4	7.1	7.4	2,000	156.5	2.5
Educomp Solutions	2,183	ADD	41,514	863	19	35.2	46.2	112.0	114	31.5	142.4	62.1	47.2	19.5	33.1	15.2	8.5	13.8	5.5	4.5	0.1	0.2	0.4	33.5	17.4	26.2	3,650	67.2	23.4
Havells India	220	BUY	13,335	277	61	26.6	36.9	46.5	40.0	38.7	26.0	8.3	6.0	4.7	6.9	5.2	3.8	2.0	1.4	1.0	1.1	1.4	1.9	33.7	28.4	25.5	430	95.1	0.5
Jaiprakash Associates	81	BUY	100,511	2,091	1,242	4.9	7.6	11.6	7	54.7	53.5	16.5	10.7	7.0	11.8	8.5	8.3	2.0	1.6	1.4	0.0	0.0	0.0	15.4	17.5	22.6	255	215.2	50.2
Jindal Saw	377	BUY	23,091	480	61	57.7	90.7	110.4	(50.2)	57.0	21.7	6.5	4.2	3.4	3.7	2.0	1.5	0.8	0.6	0.5	2.1	3.7	4.2	11.4	16.1	16.9	900	139.0	1.7
PSL	176	BUY	7,688	160	44	21.1	45.6	64.5	4	116.1	41.5	8.4	3.9	2.7	4.9	3.8	2.8	1.4	1.0	0.8	2.9	3.4	4.3	11.3	15.4	18.4	500	183.4	0.2
Sintex	215	BUY	35,004	728	163	19.5	23.4	31.2	58.2	19.6	33.5	11.0	9.2	6.9	10.0	7.2	5.0	2.1	1.4	1.2	0.4	0.6	0.8	14.0	14.8	15.9	460	113.6	1.8
Welspun Gujarat Stahl Rohren	144	REDUCE	27,259	567	189	20.6	29.2	47.4	94	41.9	62.7	7.0	5.0	3.0	7.6	4.1	2.4	1.6	1.1	0.8	1.6	3.4	3.9	27.1	26.0	31.3	360	149.3	5.0
Others			**367,635**	**7,647**					**22.2**	**92.4**	**52.7**	**17.1**	**8.9**	**5.8**	**11.0**	**6.9**	**5.5**	**2.1**	**1.7**	**1.3**	**0.6**	**1.0**	**1.2**	**12.5**	**18.6**	**22.2**			
KS universe (b)			**25,019,809**	**520,412**					**24.4**	**16.0**	**21.7**	**12.8**	**11.1**	**9.1**	**8.1**	**7.2**	**6.0**	**2.3**	**1.9**	**1.6**	**1.7**	**1.9**	**2.2**	**17.7**	**17.0**	**17.8**			
KS universe (b) ex-Energy			**19,076,427**	**396,790**					**29.4**	**13.6**	**14.3**	**12.8**	**11.3**	**9.9**	**9.1**	**8.0**	**7.2**	**2.4**	**2.0**	**1.7**	**1.6**	**1.8**	**2.1**	**19.1**	**17.9**	**17.5**			
KS universe (d) ex-Energy & ex-Commodities			**17,359,720**	**361,082**					**34.0**	**16.3**	**18.3**	**14.7**	**12.7**	**10.7**	**11.3**	**9.6**	**8.2**	**2.8**	**2.3**	**1.9**	**1.6**	**1.8**	**2.1**	**18.7**	**17.9**	**18.1**			

Note:
(a) 2007 means calendar year 2006, similarly for 2008 and 2009 for these particular companies.
(b) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.
(c) Rupee-US Dollar exchange rate (Rs/US$)= 48.08

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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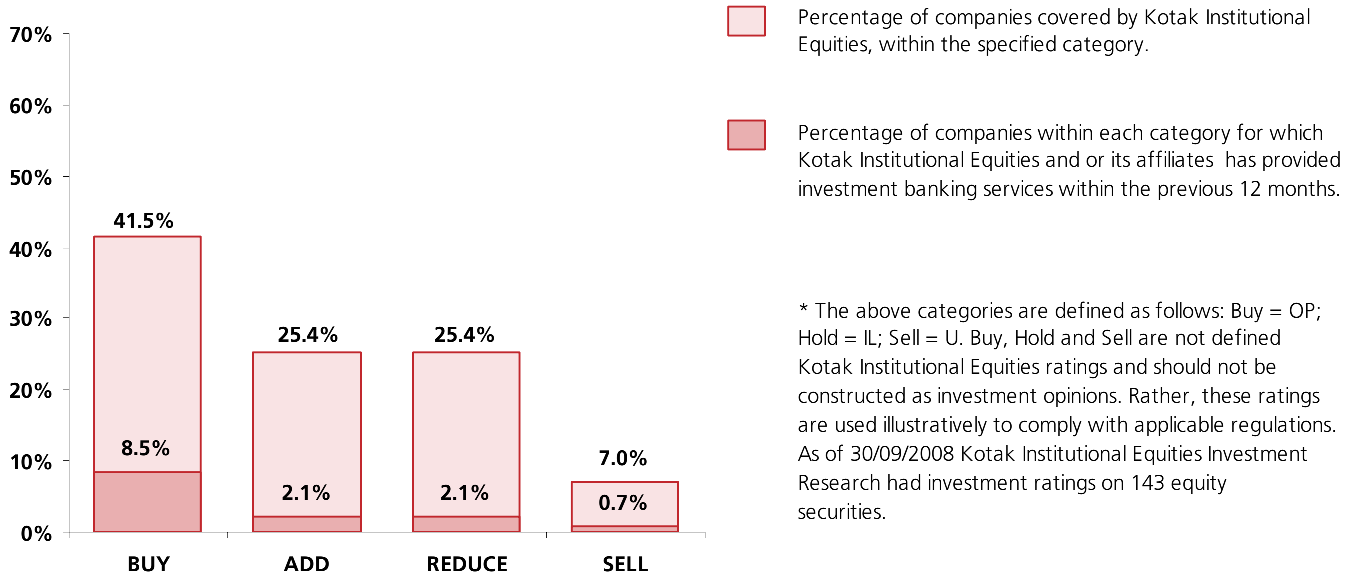
Kotak Institutional Equities Research coverage universe

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 30/09/2008 Kotak Institutional Equities Investment Research had investment ratings on 143 equity securities.

Source: Kotak Institutional Equities

As of September 30, 2008

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

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