kotak® Institutional Equities

INDIA DAILY

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Updates

Bharti Airtel: Proposed acquisition of Zain's African operations appears expensive

Economy: Does return to double-digit inflation has delta on macro worries?

Industrials: Areva results reflect weak pricing and demand scenario; expect revival in 2H

News Round-up

- Bharti Airtel's (BHARTI IN) latest African odyssey faced an unwelcome distraction on Monday, after a minority shareholder in a key Nigerian asset questioned one of the main planks of its USD 10.7 bn offer to buy a string of mobile assets from Kuwait's Zain. *(ET)*
- Ashok Leyland (AL IN) will increase prices of its products by up to 15% once the new emission norms come into effect from April, across the country. The company is also expecting sales to grow 18% during this financial year on the back of a renewed demand. *(BS)*
- Ashok Leyland Ltd (AL IN) on Monday announced entry into the armoured vehicles space with the unveiling of three products- Armoured Stallion, Armoured Bus and Mine Protected Vehicle - at DEFEXPO 2010. Ashok Leyland announced the signing of a principles of co-operation with Paramount group of South Africa for the development and manufacture of mine protected vehicles in India. *(FE)*
- BP Plc, the British Energy company, has joined the race to acquire a majority stake in Canadian oil-sand major, Value Creation with an offer of USD 1.2 bn. Though the offer is less than Reliance Industries' (RIL IN) USD 2 bn acquisition proposal, given on February 5, agencies reported that BP might set up a joint venture with the Canadian group, and increase its oil-sand holdings by as much as 50%. *(BS)*
- REC (RECL IN) plans to raise USD 700 mn through External Commercial Borrowing (ECB) and Export Credit Assistance (ECA). REC is in advanced stages of talks with North Delhi Power Ltd (NDPL) for power systems management. *(BS)*
- Mahindra & Mahindra-BAE systems defence JV, Defense Land Systems India (DLSI), unveiled on Monday a mine protected vehicle India (MPVI) and a new artillery gun -- the FH77 B05 Advanced Howitzer. *(BL)*
- Mphasis (MPHL IN) aims for buys in sub-USD 100 mn range. To strengthen business support, package implementation & BPO. *(FE)*
- Theatre chain PVR Cinemas informed the stock exchanges on Monday that it has decided to end its agreement to buy realtor DLF's exhibition hall business, DT Cinemas. *(BS)*
- Castrol India (CSTRL IN) on Monday it would discuss the issue of bonus shares during a meeting of its board on February 18. *(FE)*
- The Cabinet may this week approve ONGC (ONGC IN) stake in USD 2 bn pipeline that China is laying from Myanmar to transport natural gas from the Myanmar coast. *(FE)*

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

EQUITY MARKETS

		Change %		
India	**15-Feb**	**1-day**	**1-mo**	**3-mo**
Sensex	16,038	(0.7)	(7.9)	(3.9)
Nifty	4,802	(0.5)	(7.8)	(3.0)
Global/Regional indices				
Dow Jones	10,099	(0.4)	(4.8)	(1.7)
Nasdaq Composite	2,184	0.3	(4.6)	0.7
FTSE	5,167	0.5	(5.3)	(2.4)
Nikkie	10,056	0.4	(8.4)	2.7
Hang Seng	20,269	(0.1)	(6.4)	(10.1)
KOSPI	1,601	0.4	(5.9)	1.8
Value traded - India				
Cash (NSE+BSE)	133.5		209.7	96.0
Derivatives (NSE)	594.2		488.8	723
Deri. open interest	1,198.0		1,112	1,085

Forex/money market

	Change, basis points			
	15-Feb	**1-day**	**1-mo**	**3-mo**
Rs/US$	46.3	(9)	76	10
10yr govt bond, %	7.9	3	24	55
Net investment (US$mn)				
	11-Feb		**MTD**	**CYTD**
FIIs	76		(519)	(230)
MFs	0		(47)	(282)

Top movers -3mo basis

	Change, %			
Best performers	**15-Feb**	**1-day**	**1-mo**	**3-mo**
ACEM IN Equity	104.8	(1.8)	(7.5)	20.4
ADE IN Equity	489.3	0.7	1.4	19.4
BJAUT IN Equity	1792.7	0.2	3.8	18.8
ICEM IN Equity	122.9	0.4	(6.4)	18.0
ACC IN Equity	875.8	(1.1)	(10.7)	17.6
Worst performers				
IBREL IN Equity	179.7	1.0	(17.5)	(24.5)
IVRC IN Equity	310.8	(2.2)	(19.3)	(22.5)
DLFU IN Equity	303.4	(1.2)	(21.5)	(21.3)
GMRI IN Equity	55.6	(0.7)	(17.7)	(19.8)
PUNJ IN Equity	173.8	(0.5)	(20.8)	(19.8)

kotak Institutional Equities

Bharti Airtel (BHARTI)

Telecom

REDUCE

FEBRUARY 15, 2010

UPDATE

Coverage view: Cautious

Price (Rs): 315

Target price (Rs): 300

BSE-30: 16,153

Proposed acquisition of Zain's African operations appears expensive. Bharti has entered into exclusive discussions until March 25, 2010 for the acquisition of Zain's African business at an enterprise value of US$10.7 bn. Zain's African unit operations reported revenues of US$2.7 bn, EBITDA of US$900 mn and net loss of US$37 mn in 9MCY09. The proposed acquisition at 10.7X CY2009E and 9X CY2010E EBITDA appears expensive. We retain our REDUCE rating.

Company data and valuation summary

Bharti Airtel

Stock data			
52-week range (Rs) (high,low)			518-230
Market Cap. (Rs bn)			1,194.2
Shareholding pattern (%)			
Promoters			67.7
FIIs			18.4
MFs			3.5
Price performance (%)	1M	3M	12M
Absolute	(0.9)	4.1	(3.5)
Rel. to BSE-30	5.9	7.1	(43.4)

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	23.8	20.6	23.5
EPS growth (%)	6.6	(13.5)	13.8
P/E (X)	13.2	15.3	13.4
Sales (Rs bn)	393.6	404.1	465.9
Net profits (Rs bn)	90.3	78.3	89.1
EBITDA (Rs bn)	160.4	151.7	173.1
EV/EBITDA (X)	7.7	7.9	6.7
ROE (%)	25.3	18.0	17.4
Div. Yield (%)	1.0	1.3	1.6

Proposed acquisition price builds in significant synergy value

Bharti has entered into exclusive discussion to acquire Zain's African operations for an enterprise of value of US$10.7 bn in an all-cash deal. Assuming full-year EBITDA of US$1 bn for CY2009 – valuations work out to 10.7X EV/EBITDA on a CY2009E basis and 9X CY2010E (assuming 20% EBITDA growth in CY2010E) – expensive, in our view. We believe Bharti is already paying for potential synergy value from capex savings and cost takeouts; the transaction value works out to a stiff 7X CY2010E EV/EBITDA even after assuming 10 percentage points increase in Zain's African unit OPM.

Zain present in 15 African countries and is the #1 operator in 10

Zain is present in 15 countries in Africa (plus another eight in the Middle East, which are not part of the deal, as per reports). Zain had a total of 42 mn subs in Africa as at end-Sep 2009. Subs addition growth was a modest 13% yoy in 3QCY09. Zain is the largest operator on the basis of subscribers in 10 countries, #2 in four countries and #4 in one country. Wireless teledensity is in the range of 30-50% in most of Zain's African markets. Zain has been losing subscriber market share to competitors, especially in large markets such as Nigeria.

Zain's African operations reported revenues of US$2.7 bn and EBITDA of US$900 mn in 9MCY09. On a proportionate basis, EBITDA was US$715 mn for the first nine months. Net loss before minority interest was US$37 mn in 9MCY09, presumably on account of high debt burden.

Acquisition may stretch Bharti's balance sheet; may be earnings dilutive in the near term

Additional debt of US$10.7 bn for Zain's African unit acquisition would take Bharti's end-FY2011E net debt/ EBITDA to 2.5X, aggressive, in our view. The balance sheet can get stretched further in case of 3G auctions. We believe that Bharti may opt for a conservative mix of debt and equity funding if the proposed deal is approved. Few financial details are available, but the deal appears to be FY2011E earnings dilutive on rough back-of-the-envelope calculations (see Exhibit 1).

Acquisition may dilute focus on the competitive domestic market

Bharti has consistently recruited the best talent in the industry. Its depth of management talent is unparalleled; however, a large multi-country acquisition in the middle of an all-out war in the domestic wireless market will be a tough test for Bharti's management, in our view. We are surprised with the timing and would have expected the company to use all its resources to accelerate the consolidation process to establish a dominant presence in the large domestic market.

Reiterate REDUCE rating; proposed acquisition another catalyst to trigger downside

We believe the following catalysts may trigger downside to the stock (1) the possibility of another round of tariff war; traffic has shifted back partly to incumbents' networks after they matched the tariffs of new entrants. New entrants may be forced to reduce tariffs to increase network utilization and (2) cost efficiencies may be front-loaded, in our view – incremental RPM reduction may have a bigger impact on margins. We add the proposed acquisition of Zain's African unit as another catalyst to the list. Reiterate REDUCE rating.

Zain deal likely to be EPS dilutive

	FY2011E	FY2012E
Bharti - current estimates		
Revenues (Rs mn)	404,084	465,885
EBITDA (Rs mn)	151,686	173,119
EBIT (Rs mn)	90,758	105,733
PBT (Rs mn)	92,893	109,586
PAT (Rs mn)	78,270	89,079
EPS (Rs/share)	**20.6**	**23.5**
Zain Africa assets - estimates (base case)		
Revenues (US$ mn)	3,636	4,118
EBITDA (US$ mn)	1,200	1,400
EBITDA margin (%)	33.0	34.0
Depreciation (%)	500	566
EBIT (US$ mn)	700	834
Deal impact on Bharti financials - base case		
Incremental EBIT (US$ mn)	700	834
Incremental interest expense (US$ mn) (a)	(856)	(856)
Total impact (US$ mn)	(156)	(22)
Total PBT/PAT impact (Rs mn) (b)	(7,176)	(1,020)
EPS impact (Rs/share)	**(1.9)**	**(0.3)**
Post-deal EPS (Rs/share)	**18.7**	**23.2**
EPS accretion/dilution (%)	**(9.2)**	**(1.1)**

Note:
(a) Assuming post-tax interest cost of 8% on US$10.7 bn debt.
(b) Assuming no tax benefit or expenses.

Source: Kotak Institutional Equities estimates

A lowdown on Zain's Africa operations

Country	Zain's ownnership (%)	# of subs (end-Sep 2009, '000)	Market share (%)	Rank (#)	Market penetration (%)	Market total subs (#)	ARPU (US$)
Burkina Faso	100.0	1,444	51	1	23	6,278	7.0
Chad	100.0	1,194	70	1	19	6,284	10.0
Congo B.	90.0	1,415	53	1	75	1,887	12.0
DRC	98.5	3,569	45	1	14	25,493	8.0
Gabon	90.0	870	62	1	123	707	25.0
Ghana	75.0	1,208	9	4	61	1,980	3.0
Kenya	95.0	2,191	17	2	48	4,565	4.0
Madagascar	100.0	1,425	38	2	23	6,196	5.0
Malawi	100.0	1,711	72	1	17	10,065	8.0
Niger	90.0	1,432	67	1	16	8,950	10.0
Nigeria	65.7	14,936	25	2	45	33,191	7.0
Sierra Leone	100.0	555	46	1	39	1,423	7.0
Tanzania	60.0	4,764	39	1	33	14,436	5.0
Uganda	100.0	2,243	37	2	35	6,409	4.0
Zambia	78.9	2,940	70	1	33	8,909	8.0
Total/ weighted average		**41,897**	**44.1**		**31**	**136,773**	**7.2**

Source: Company, Kotak Institutional Equities

A lowdown on Zain's Africa financials

Country	Zain's ownnership (%)	9MCY09 Revenues (US$ mn)	9MCY08 Revenues (US$ mn)	Growth (%)	9MCY09 EBITDA (US$ mn)	9MCY08 EBITDA (US$ mn)	Growth (%)	9MCY09 PAT (US$ mn)	9MCY08 PAT (US$ mn)	Growth (%)
Burkina Faso	100.0	91	99	(8)	38	42	(10)	13	18	(28)
Chad	100.0	101	92	10	44	37	19	11	9	22
Congo B.	90.0	154	175	(12)	43	68	(37)	9	40	(78)
DRC	98.5	244	280	(13)	51	59	(14)	(20)	(30)	(33)
Gabon	90.0	192	207	(7)	80	97	(18)	2	37	(95)
Ghana	75.0									
Kenya	95.0	118	121	(2)	14	(10)	(240)	(28)	(57)	(51)
Madagascar	100.0	57	61	(7)	12	10	20	(18)	(4)	350
Malawi	100.0	112	93	20	47	38	24	22	19	16
Niger	90.0	113	95	19	53	42	26	27	25	8
Nigeria	65.7	986	1,194	(17)	331	399	(17)	(88)	20	(540)
Sierra Leone	100.0	33	37	(11)	2	10	(80)	(16)	2	(900)
Tanzania	60.0	207	242	(14)	79	95	(17)	11	41	(73)
Uganda	100.0	76	105	(28)	9	19	(53)	(4)	(8)	(50)
Zambia	78.9	213	266	(20)	97	129	(25)	42	58	(28)
Total		**2,697**	**3,067**	**(12)**	**900**	**1,035**	**(13)**	**(37)**	**170**	**(122)**
Zain's proportionate share		**2,176**	**2,447**	**(11)**	**715**	**812**	**(12)**	**(37)**	**170**	**(122)**

Source: Company, Kotak Institutional Equities

Consolidated profit and loss for Bharti Airtel, March fiscal year-ends, 2008-2017E (Rs mn)

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Revenues										
Wireless	217,861	303,601	322,535	322,583	371,391	415,465	446,858	469,451	486,743	500,657
Fixed line	28,484	33,517	34,039	37,187	40,122	42,231	44,185	46,070	47,920	49,733
DLD	22,103	41,835	42,174	46,774	50,588	53,747	56,279	58,294	59,891	61,150
ILD	21,067	26,102	25,796	27,617	29,603	31,198	32,873	34,641	36,508	38,480
Enterprise services	13,217	16,945	16,437	18,409	20,250	21,870	22,963	24,112	25,317	26,583
Others	2,431	3,611	5,236	6,807	8,168	8,985	9,883	10,872	11,959	13,155
Less: Intersegment eliminations	*(40,936)*	*(98,485)*	*(88,208)*	*(94,749)*	*(100,299)*	*(104,632)*	*(108,316)*	*(111,644)*	*(114,647)*	*(117,322)*
Consolidated revenues	**270,250**	**369,615**	**393,605**	**404,084**	**465,885**	**519,481**	**560,336**	**592,885**	**620,711**	**644,535**
Interconnection costs	(41,110)	(52,903)	(44,598)	(43,394)	(49,288)	(56,426)	(61,546)	(65,302)	(68,281)	(70,764)
License fees and spectrum charges	(26,900)	(38,266)	(39,943)	(41,336)	(47,601)	(53,009)	(57,097)	(60,313)	(63,014)	(65,399)
Network operating costs	(33,002)	(59,355)	(76,740)	(90,128)	(106,939)	(119,398)	(128,036)	(134,692)	(140,303)	(144,769)
Sales and marketing expenses	(19,058)	(26,762)	(30,016)	(34,369)	(40,672)	(45,709)	(49,666)	(52,917)	(55,840)	(58,466)
Employee costs	(14,768)	(16,992)	(17,143)	(17,708)	(20,573)	(22,950)	(25,085)	(27,082)	(29,045)	(30,961)
G&A costs	(22,187)	(23,774)	(24,755)	(25,465)	(27,693)	(29,457)	(30,776)	(32,085)	(33,166)	(34,087)
Consolidated EBITDA	**113,225**	**151,563**	**160,410**	**151,686**	**173,119**	**192,533**	**208,130**	**220,495**	**231,063**	**240,090**
Other income incl. Interest income	4,136	645	7,728	3,925	4,514	4,659	7,862	11,451	15,052	18,470
Interest expense	(4,054)	(11,613)	(1,857)	(1,789)	(661)	—	—	—	—	—
Amortization of entry fee	(1,829)	(2,122)	(1,148)	(1,148)	(1,148)	(1,148)	(1,148)	(1,148)	(1,148)	(1,148)
Depreciation	(34,942)	(45,344)	(59,286)	(59,780)	(66,238)	(72,863)	(76,412)	(79,855)	(84,193)	(85,340)
Pretax profits	**76,536**	**93,129**	**105,847**	**92,893**	**109,586**	**123,180**	**138,431**	**150,943**	**160,774**	**172,072**
Extraordinary income/(charges)	—	—	—	—	—	—	—	—	—	—
Prior period adjustments	—	—	—	—	—	—	—	—	—	—
Current tax expense	(8,414)	(7,371)	(19,852)	(17,247)	(23,637)	(34,498)	(39,010)	(44,279)	(52,763)	(56,311)
Deferred tax (liability)/asset	36	756	5,761	3,248	2,087	6,338	5,803	6,763	11,028	9,437
Minority interest expense	(1,151)	(1,759)	(1,829)	(2,354)	(3,235)	(3,842)	(4,168)	(4,735)	(5,259)	(5,716)
Equity in earnings of affiliates		(56)	392	1,730	4,279	5,998	7,359	8,672	9,816	10,838
Reported net profits	**67,007**	**84,699**	**90,319**	**78,270**	**89,079**	**97,177**	**108,415**	**117,364**	**123,597**	**130,319**
Adjusted net profits	**67,007**	**84,699**	**90,319**	**78,270**	**89,079**	**97,177**	**108,415**	**117,364**	**123,597**	**130,319**
Adjusted EPS (Rs)	**17.7**	**22.3**	**23.8**	**20.6**	**23.5**	**25.6**	**28.6**	**30.9**	**32.6**	**34.3**
Shares outstanding (mn)	3,796	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797
Current tax rate (%)	11.0	7.9	18.8	18.6	21.6	28.0	28.2	29.3	32.8	32.7
Effective tax rate (%)	10.9	7.1	13.3	15.1	19.7	22.9	24.0	24.9	26.0	27.2
Growth (%)										
EBITDA	52.3	33.9	5.8	(5.4)	14.1	11.2	8.1	5.9	4.8	3.9
Net profits	65.0	26.4	6.6	(13.3)	13.8	9.1	11.6	8.3	5.3	5.4
EPS	65.0	26.4	6.6	(13.5)	13.8	9.1	11.6	8.3	5.3	5.4
Margin (%)										
EBITDA	41.9	41.0	40.8	37.5	37.2	37.1	37.1	37.2	37.2	37.3
Net profits	24.8	22.9	22.9	19.4	19.1	18.7	19.3	19.8	19.9	20.2
EBIT	28.3	28.2	25.4	22.5	22.7	22.8	23.3	23.5	23.5	23.8

Source: Company, Kotak Institutional Equities estimates

Consolidated balance sheet for Bharti Airtel, March fiscal year-ends, 2008-2017E (Rs mn)

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Equity										
Share capital	18,979	18,985	18,985	18,985	18,985	18,985	18,985	18,985	18,985	18,985
Warrants	—	—	—	—	—	—	—	—	—	—
Reserves/surplus	203,606	284,960	368,616	438,001	515,975	590,940	666,038	738,979	807,047	870,732
Total equity	**222,585**	**303,945**	**387,601**	**456,986**	**534,960**	**609,925**	**685,023**	**757,964**	**826,032**	**889,717**
Minority shareholding	3,013	10,704	12,533	14,887	18,122	21,964	26,132	30,868	36,126	41,843
Deferred tax liability	1,940	7,556	1,795	(1,453)	(3,540)	(9,878)	(15,681)	(22,444)	(33,472)	(42,909)
Liabilities										
Secured loans	90,969	118,801	79,151	50,396	—	—	—	—	—	—
Unsecured loans	—	—	—	—	—	—	—	—	—	—
Total borrowings	**90,970**	**118,801**	**79,151**	**50,396**	—	—	—	—	—	—
Currrent liabilities	154,135	162,941	156,679	157,156	160,247	160,674	160,323	160,566	162,295	164,531
Total capital	**472,643**	**603,947**	**637,758**	**677,971**	**709,790**	**782,686**	**855,798**	**926,953**	**990,981**	**1,053,181**
Assets										
Cash	55,006	49,070	42,343	39,267	29,055	76,299	132,569	192,319	248,964	302,819
Current assets	58,776	95,009	99,560	106,716	116,171	123,866	132,020	140,628	149,758	159,417
Gross block	408,404	532,177	628,205	723,537	819,219	905,189	984,078	1,059,207	1,132,984	1,207,320
Less: accumulated depreciation	102,406	147,750	207,035	266,815	333,054	405,917	482,329	562,184	646,377	731,716
Net fixed assets	**305,998**	**384,427**	**421,170**	**456,722**	**486,166**	**499,272**	**501,749**	**497,023**	**486,608**	**475,604**
Capital work-in-progress	24,709	24,709	24,709	24,709	24,709	24,709	24,709	24,709	24,709	24,709
Total fixed assets	330,707	409,136	445,878	481,431	510,874	523,981	526,458	521,732	511,317	500,313
Entry fees unamortized	11,698	40,364	39,216	38,068	36,920	35,772	34,624	33,476	32,328	31,180
Investments	16,429	10,341	10,733	12,463	16,742	22,741	30,100	38,771	48,588	59,426
Deferred expenditure	27	27	27	27	27	27	27	27	27	27
Deferred tax asset	—	—	—	—	—	—	—	—	—	—
Total assets	**472,643**	**603,947**	**637,758**	**677,971**	**709,789**	**782,686**	**855,797**	**926,953**	**990,981**	**1,053,181**
Leverage ratios (%)										
Debt/equity	40.9	39.1	20.4	11.0	—	—	—	—	—	—
Debt/capitalization	29.0	28.1	17.0	9.9	—	—	—	—	—	—
Net debt/equity	16.2	22.9	9.5	2.4	(5.4)	(12.5)	(19.4)	(25.4)	(30.1)	(34.0)
Net debt/capitalization	13.9	18.7	8.7	2.4	(5.7)	(14.3)	(24.0)	(34.0)	(43.1)	(51.6)
RoAE	39.7	32.2	26.1	18.5	18.0	17.0	16.7	16.3	15.6	15.2
RoAE (excl cash and interest income)	**45.5**	**38.9**	**27.4**	**19.6**	**18.6**	**18.2**	**19.3**	**20.1**	**20.7**	**21.5**
ROACE	29.2	25.4	19.0	15.4	16.2	15.1	15.1	14.6	13.5	13.5
RoACE (excl cash and interest income)	**31.9**	**29.5**	**20.9**	**16.8**	**17.0**	**17.2**	**17.9**	**18.4**	**18.7**	**19.2**

Source: Company, Kotak Institutional Equities estimates

INDIA

FEBRUARY 15, 2010

UPDATE

BSE-30: 16,038

Does return to double-digit inflation has delta on macro worries? India's headline inflation rate climbed to 8.56% in January 2010 from 7.31% a month ago. It now looks that the end-FY10E inflation may touch 10%. Does return to double digit inflation has a delta on macro-worries for FY2011E? Our answer is that standalone, the double digit inflation does not add to worry as it is a small deviation from our expected inflation path. However, the delta may come, if manufacturing prices start rising ahead.

January WPI inflation unlikely to make RBI tighten more before April policy

Reiterate our view that RBI is unlikely to tighten monetary policy any further before the scheduled policy date of April 20, when it is likely to raise policy rates by 50-100 bps (see our Economy note, 'Industry moves into top gear, but RBI unlikely to apply brakes any harder'). We believe the January inflation at 8.6% that was higher than our expectations of 8.3% does not provide a significant delta from a macro point of view. This is not a significant deviation from our expected path of inflation that had projected end-FY10E WPI inflation at 9.5% (see Exhibit 1). We now expect inflation to touch 10% by end-FY10E or higher if government hikes, petrol, diesel and/or LPG prices. Standalone, we do not see new worries from the latest WPI as in absence of new unforeseen shocks, we see inflation falling to 5.5% at end-FY11E, largely on account of favorable base effects. We expect phased withdrawal of fiscal and monetary stimulus to stay on course.

Manufacturing price inflation would be likely back in FY2011E

The delta in macro-worries may, however, come if manufacturing inflation starts rising rapidly. January WPI suggests that inflation is becoming broad-based. Manufacturing side price pressures are rising (see Exhibit 2) with prices of textiles, paper, leather, rubber, chemicals, basic metals and machinery inching up. Inflation internals from January WPI show:

- Manufacturing prices rose 0.7% mom in January taking its inflation rate to 6.6% yoy.
- Food inflation fell to 17.4% in January from 19.2% a month ago after vegetable prices dropped 19.1% mom, helped by a fall in potato prices at the rate of 38% mom. In non-food articles, tea prices also declined 14.5% mom. As a result, primary commodity inflation now appears to have started to soften. However, sugar prices still rose 7.3% mom. Similar increases were also seen in soyabean (18%) and sunflower (11%).
- Energy prices captured by 'fuel, power, light and lubricants' increased 1.8% mom largely due to an increase in coal prices (13%) and naphtha (21%).

High consumer price inflation remains a macro concern

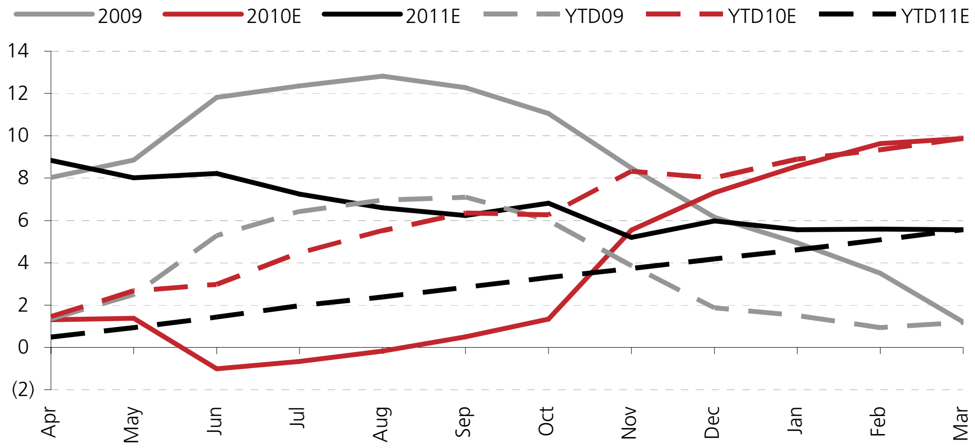
India is currently running the second highest CPI inflation in the world after Venezuela's 27% inflation rate (see Exhibit 3). If this trend sustains, we see the likelihood of markets demanding a higher risk premia on India. It can also impart further pressure on yields and exchange rate may need to depreciate to correct for the large inflation differential.

In our view, India's V-shaped recovery could be at risk if either the monetary policy remains loose or inflation remains high next year, or if the monetary policy is tightened excessively and through its impact on aggregate demand turns the cycle around once more. As such, we look to further monetary tightening in a calibrated manner that is not inimical to growth. This may be necessary over the first half next fiscal year as: (1) Inflation expectations have risen, (2) wage prices have begun to rise both in formal and informal sector and (3) cost-push factors are now in play, putting pressure on manufacturing prices.

QUICK NUMBERS

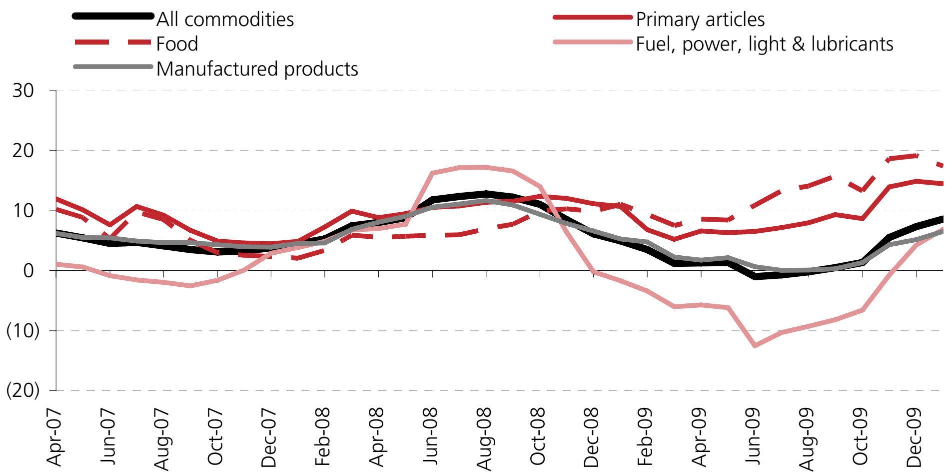
- WPI inflation rises to 8.6% in Jan. 2010 as manufacturing prices rise 0.7% mom
- We expect WPI inflation ≅ 10% by end-FY10E; but fall to 5.5% by end-FY11E
- India running second highest CPI inflation in the world at 15%

Exhibit 1: Inflation set to rise to 10% by end-FY2010E, but likely to soften in FY2010E
Headline WPI inflation rate (yoy), YTD price level change, March fiscal year-ends, 2009-2011E (%)



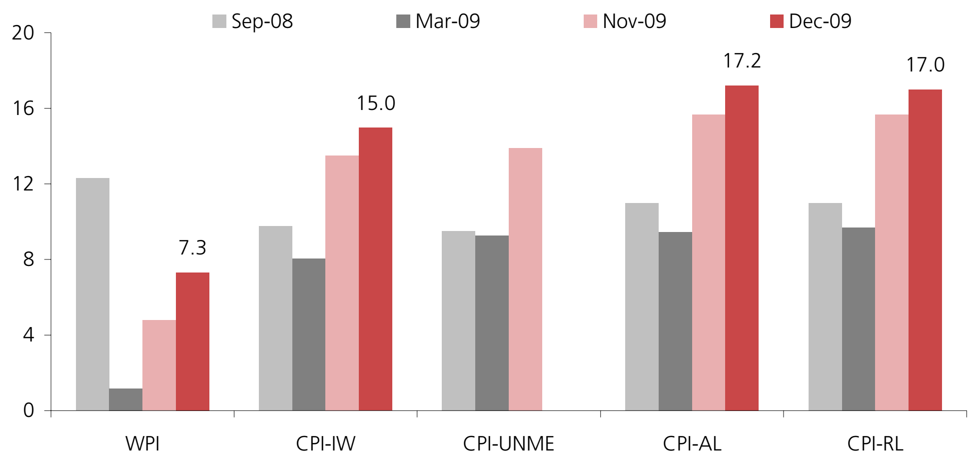
Source: GOI and Kotak Institutional Equities estimates

Exhibit 2: Food prices led inflation upsurge; but manufacturing inflation also on rise
Inflation rate (yoy change in WPI) for major commodity groups (%)



Source: GOI and Kotak Institutional Equities compilation

Exhibit 3: India runs the second highest CPI inflation in the world after Venezuela
CPI for industrial workers (IW), urban non-manual employees (UNME), agricultural labor (AL) and rural labor (RL) (%)



Source: GOI and Kotak Institutional Equities compilation

ATTRACTIVE

FEBRUARY 16, 2010

UPDATE

BSE-30: 16,038

Areva results reflect weak pricing and demand scenario; expect revival in 2H.

Areva results highlight (1) though stable, 15-20% lower prices likely to remain in the near future, (2) price correction, primarily led by demand-supply mismatch, (3) continued weakness in industrials investment, though some signs of a pick-up emerge, and (4) prices & demand likely to revive in 2HCY10. Despite a correction in premium, ABB and Siemens still seem expensive. Reiterate REDUCE on ABB and Siemens and BUY on Crompton.

Though stable, 15-20% lower prices persist– attributed to demand-supply mismatch

Areva management maintains that although prices in the T&D market have stabilized, the price correction seen in the past few quarters (15-20% in transmission and 25-30% in distribution) is likely to sustain for the next few quarters. This correction was primarily led by unfavorable demand-supply scenario in the market and only a small fraction can be attributed to the commodity price correction. The pricing pressure is likely to abate only post a pick-up in the ordering activity by PGCIL and industries expected in 2HCY10.

Investment scenario remains weak; but there are some signs of a sequential pick up

According to the management, the investment scenario in the industrials segment continues to remain weak. Even results of Siemens Global reflect weakness in international markets. However, there have been some signs of sequential improvement in capex activity. The management expects the ordering activity to gather momentum in 2HCY10. We highlight some signs of pick-up in the industrials investment scenario—also reflected in the recent quarter results of some companies.

ABB's, Siemen's premiums have corrected from historical levels; but remain high

ABB is trading at a one-year forward P/E premium of 63% over the Sensex versus its historical 5-year average of 91%, while Siemens is presently trading at a premium of 55.6% versus its historical average of 58.1%. However, we believe this premium remains high for the current market environment and growth prospects for the companies which are likely to remain under pressure with (1) increasing competition, (2) demand scenario continuing to remain relatively sedate, and (3) pricing pressure likely to impact margins of companies. Hence, we believe that the current P/E premiums are not justified.

HVDC likely to occupy only small portion of PGCIL orders; start of 765 kV orders from state utilities

Areva did not participate in the bidding for Agra to North-East HVDC project as (1) the project involves 800 kV technology which is very new not only in India but globally as well and (2) it is unwilling to take on supplier credit – as the project would involve a higher proportion of import content. The management believes that orders are likely to form a very small portion of the total ordering activity of PGCIL–in line with PGCIL management's statements. We also highlight the start of orders of 765 kV technology from state utilities.

Reiterate REDUCE on ABB and Siemens and BUY rating on Crompton

We retain our REDUCE rating on ABB (TP Rs720) and Siemens (TP Rs635) based on (1) high valuations unjustifiable given present the market environment, and (2) potential of negative surprises in earnings led by execution as well as margins. We have a BUY rating on Crompton and have a (TP Rs450) based on (1) relatively attractive valuations, (2) diversified business in terms of segments as well as geographies, and (3) strong cash flow generation characteristics–the company generated operating cash flow of Rs8.7 bn in FY2009 (versus a PAT of Rs4.7 bn).

Prices stabilize; but 15-20% lower prices likely to sustain in the neat term

Areva management cited that although the prices in the T&D market have stabilized the price correction seen in the past few quarters is likely to sustain in the near future. According to the Areva management, prices in the transmission segment have corrected by about 15-20% and distribution segment by about 25-30%. This correction was primarily led by an unfavorable demand-supply scenario in the market and only a small fraction can be attributed to the correction in commodity prices. Hence, the pricing pressure is likely to continue in the near future and would abate only post a pick up in the ordering activity by PGCIL and industries. The company expects prices to start turning around from 2HCY10.

Investment scenario remains weak though we see some signs of sequential pick-up

According to the management, the investment scenario in the industrials segment continues to remain weak. However, there have been some signs of improvement in the capex activity (especially in the metals and mineral segment). The management expects the ordering activity to gather momentum in 2HCY10. Even PGCIL ordering activity is likely to remain relatively sedate in 1QCY10 on account of low order enquiries in 4QCY09. PGCIL ordering activity in FY2011 is also likely to be skewed towards the second half. Nevertheless, we highlight some signs of pick-up in the industrials investment scenario, also reflected in the recent quarter results of some companies.

Recent quarter results of several companies reflect some signs of pick-up in capex activity

Segment-wise quarterly revenue numbers for various industrial companies, quarter-ends June 30, 2009 - Dec 31, 2009 (Rs mn)

								% change (yoy)				
	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Crompton												
Power Systems	13,672	14,624	15,736	17,713	14,838	14,773	15,596	26.1	27.5	8.5	1.0	(0.9)
Consumer Products	3,631	3,016	2,868	3,703	4,129	3,740	3,647	10.2	8.8	13.7	24.0	27.2
Industrial systems	2,879	3,029	2,614	2,976	2,794	3,182	3,100	(4.8)	11.0	(2.9)	5.0	18.6
Siemens (Sept year-ends)												
Industry Automation & Drives	9,172	11,930	9,215	10,230	9,780	14,687	11,106	118.1	90.9	6.6	23.1	20.5
Oil and Gas	1,151	1,710	930	1,409	1,294	1,997	1,556	(21.1)	31.1	12.4	16.8	67.3
Power T&D	7,122	9,637	5,848	12,056	7,779	7,877	6,637	(35.5)	15.1	9.2	(18.3)	13.5
Healthcare	1,504	2,093	1,171	1,223	1,137	1,901	1,319	6.3	(9.8)	(24.4)	(9.2)	12.7
Areva T&D												
Revenues	6,218	5,865	9,388	8,450	7,883	7,397	11,599	28.0	68.0	26.8	26.1	23.5
Cummins												
Domestic	4,292	4,451	3,954	3,094	4,132	4,081	5,970	(33.0)	(34.0)	(3.7)	(8.3)	51.0
International	2,779	3,447	3,551	3,053	937	723	843	108.9	51.9	(66.3)	(79.0)	(76.3)
L&T												
Engineering and Construction	55,417	59,896	76,326	91,720	65,729	68,541	69,980	56.0	35.6	18.6	14.4	(8.3)
Electrical and Electronics	5,776	7,605	6,469	6,940	5,759	7,088	7,214	12.3	(3.3)	(0.3)	(6.8)	11.5
Machinery & Industrial products	6,335	6,846	5,293	6,070	4,370	5,096	5,911	(6.6)	(22.2)	(31.0)	(25.6)	11.7
Voltas												
Unitary Cooling Products	4,008	1,607	1,177	2,346	4,295	2,019	1,692	(5.0)	9.6	7.2	25.6	43.8
Engineering agency & services	1,364	1,617	1,099	1,342	1,139	1,170	1,173	(31.3)	(6.9)	(16.5)	(27.7)	6.8
Electromechanical Projects	4,632	5,874	6,258	8,701	6,272	6,807	6,267	67.5	85.8	35.4	15.9	0.1
Elecon Engineering												
Material handling equipment	985	1,430	1,437	1,991	1,485	1,659	1,498	35.7	(1.6)	50.8	16.0	4.3
Transmission equipments	753	1,144	1,071	976	907	943	1,052	34.4	(30.4)	20.4	(17.6)	(1.7)
Voltamp												
Revenues	1,701	1,700	1,364	1,666	1,042	1,112	1,445	(4.5)	23.2	(38.8)	(34.6)	5.9
Blue Star												
Electromechanical Projects	3,793	4,751	4,221	5,132	3,230	4,178	4,628	12.0	2.4	(14.9)	(12.1)	9.6
Unitary Cooling Products	2,160	1,290	950	1,634	1,909	1,116	954	(5.3)	(4.1)	(11.6)	(13.5)	0.4

Source: Company, Kotak Institutional Equities

HVDC unlikely to contribute significantly to order inflows; state utilities started 765 kV orders

HVDC orders (especially 800 kV) are likely to form a very small portion of the total ordering activity of PGCIL, also highlighted recently by PGCIL management. Areva has not bid for the 800kV HVDC corridors in the Chicken Neck area associated with North East - Northern/ Western Interconnector-I Project as (1) they believe that the Indian grid network is not ready to handle this technology – 800 kV HVDC technology is very new not only in India but globally as well, (2) the project involves very steep delivery schedules – 56 very large transformers in a period of 2.5 years and (3) unwillingness to take on supplier credit – as the project would involve higher proportion of import content. Areva management also cited that PGCIL is likely to revisit its plans for the project and scale it down to 600 kV technology versus 800 kV earlier.

Also highlight start of orders of 765 kV technology from state utilities (e.g. Rajasthan and UP state utilities).

ABB's, Siemen's premiums have corrected but are still high

The current one-year forward P/E multiple premiums of Siemens and ABB over the Sensex have seen a reduction versus historical average levels. However, we believe that these premiums still remain high for the current market environment and growth prospects for the companies. ABB is trading at a one-year forward P/E premium of 63% over the Sensex versus its historical 5-year average of 91%, while Siemens is trading at a premium of 55.6% versus its historical average of 58.1%. The near-term growth for these companies is likely to remain under pressure with (1) increasing competition from new players and existing players setting up additional capacity, (2) the demand scenario continuing to remain relatively sedate, and (3) pricing pressure likely to impact margins of the companies. Hence, we believe current P/E premiums are not justified.

Despite correction from historical levels, current P/E premium of ABB and Siemens still remains unjustified
Comparison of rolling one year forward P/E for Industrials stocks

	ABB	Siemens	Crompton	BHEL	L&T	Voltas	SENSEX
P/E comparison (X)							
Average 5-year P/E	30.6	25.4	15.3	21.6	21.4	17.0	16.0
Current P/E	25.0	23.9	17.7	20.4	22.7	15.7	15.4
P/E premium over Sensex comparison (%)							
Average 5-year premium over sensex P/E	91.0	58.1	(4.7)	34.6	33.4	6.0	N.A.
Current P/E premium over SENSEX	**62.9**	**55.6**	**15.5**	**32.8**	**47.5**	**2.2**	**N.A.**
Peak levels							
Peak P/E (X)	61.7	51.3	30.4	43.2	45.7	38.1	23.7
P/E premium at peak (%)	173.4	127.3	34.8	91.4	96.3	69.0	N.A.

Source: Bloomberg, Kotak Institutional Equities estimates

Retain REDUCE on ABB and Siemens and BUY on Crompton

We retain our REDUCE rating on ABB (TP Rs720/share) and Siemens (TP Rs635/share) based on (1) high valuations unjustifiable given present market environment, and (2) potential of negative surprises in earnings led by execution as well as margins. Key catalysts for the stocks would be (1) higher-than-expected execution and margins and (2) strong order flows from Power Grid and industrial and private sector orders.

We have a BUY rating on Crompton (TP Rs450/share) based on (1) relatively attractive valuations, (2) diversified business in terms of segments (exposed to power, industrials and consumer segments) and geographies (over 50% of revenues expected from international markets in FY2010E), and (3) strong cash flow generation characteristics– the company generated operating cash flow of Rs8.7 bn in FY2009 (versus a PAT of Rs4.7 bn).

Siemens global results also reflects weakness in international markets

Siemens global results had weak takeaways as (1) Siemens reported sharp 15% yoy decline in order inflows in the quarter ended December 2009 even though this quarter has benefit of favorable yoy comparison (December 08 quarter order inflows declined 8% yoy), (2) specifically European order inflows were down 17% yoy, (3)revenues also declined 8% and Siemens AG is guiding for a single-digit drop in revenues for the full year as well. We believe that these results carry incrementally negative takeaways for companies such as Crompton, Cummins etc that have portions of their business aligned to global industrial demand.

Disappointing revenues and order inflows led by slowdown in industry and energy segments

Siemens AG reported disappointing revenues and sedate order inflows due to slowdown in industry and energy segments. The company reported 1QFY10 revenues of EUR17.4 bn, down 12% yoy. Order inflows stood at EUR19 bn, down 15% yoy. Margin improvement across all segments boosts sector profits by 11% yoy. Management guides for mid-single-digit yoy decline in revenues in FY2010E and total sector profits of about EUR6-6.5 bn in FY2010E versus EUR7.5 bn in FY2009 and EUR6.6 bn in FY2008.

Siemens AG, 1QFY10 results, Year-ends September 30 (Euro mn)

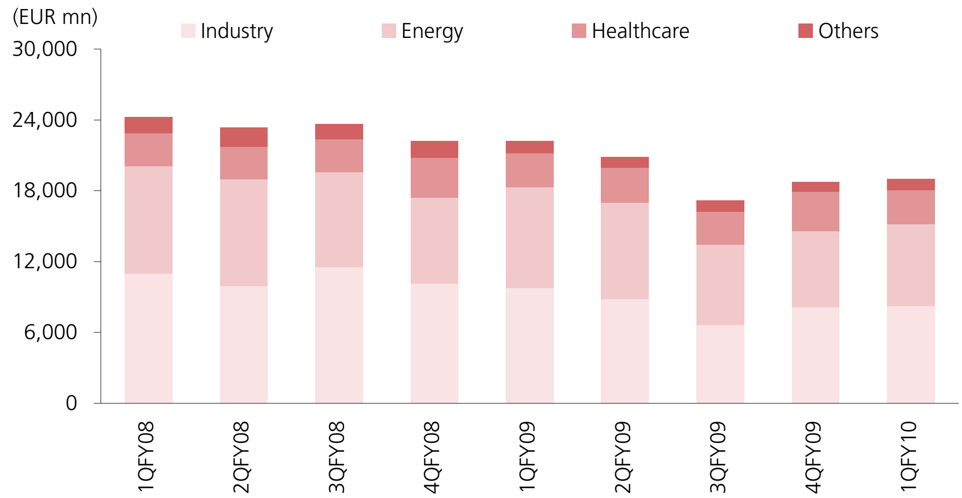
				% change				
	Dec-09	**Dec-08**	**Sep-09**	**yoy**	**qoq**	**FY2009**	**FY2008**	**% chg.**
Order inflows	**18,976**	**22,220**	**18,747**	**(14.6)**	**1.2**	**78,991**	**93,495**	**(15.5)**
Industry	8,249	9,776	8,110	(15.6)	1.7	33,284	42,502	(21.7)
Energy	6,918	8,534	6,487	(18.9)	6.6	30,076	33,428	(10.0)
Healthcare	2,869	2,896	3,331	(0.9)	(13.9)	11,950	11,779	1.5
Revenues	**17,352**	**19,634**	**19,714**	**(11.6)**	**(12.0)**	**76,651**	**77,327**	**(0.9)**
Industry	8,070	9,288	8,981	(13.1)	(10.1)	35,043	37,755	(7.2)
Energy	5,616	6,232	6,761	(9.9)	(16.9)	25,793	22,577	14.2
Healthcare	2,831	2,936	3,142	(3.6)	(9.9)	11,927	11,170	6.8
EBIT	**2,255**	**2,032**	**1,923**	**11.0**	**17.3**	**7,466**	**6,597**	**13.2**
Industry	911	934	562	(2.5)	62.1	2,701	3,938	(31.4)
Energy	821	756	878	8.6	(6.5)	3,315	1,434	131.2
Healthcare	523	342	483	52.9	8.3	1,450	1,225	18.4
EBIT margin (%)	**13.0**	**10.3**	**9.8**			**9.7**	**8.5**	
Industry	11.3	10.1	6.3			7.7	10.4	
Energy	14.6	12.1	13.0			12.9	6.4	
Healthcare	18.5	11.6	15.4			12.2	11.0	
Net profit	**1,526**	**1,260**	**(982)**	**21.1**	**(255.4)**	**2,457**	**1,859**	**32.2**

Source: Company, Kotak Institutional Equities

Sedate order inflow on yoy basis, sequentially flat after about 10% qoq growth in 4QFY09

Siemens reported order inflows of EUR19 bn for 1QFY10, down 15% yoy from EUR22 bn in 1QFY09. Industry and energy segments saw order inflows of EUR8.2 bn and EUR6.9 bn, respectively, decline of 16% and 19% on yoy basis respectively. The healthcare segment showed a yoy flat order inflow to EUR2.9 bn. Order inflows from EMEA region decline by 17% yoy, followed by decline of about 7% from Asia/Australia region. Order inflows from China grew at a modest rate of 5%. Book-to-bill ratio of the company has marginally declined to 1.09X at end-1QFY10 from 1.13X at end-1QFY09. Order inflows are almost flat on a qoq basis. The energy sector has reported a 7% qoq increase in inflow which is offset by about 14% qoq decline in inflows in Healthcare.

Sector-wise quarterly order inflows for Siemens AG, 1QFY08 - 1QFY10, (Euro mn)



Source: Company, Kotak Institutional Equities

ABB 4QCY09 results expectations: Expect moderate revenue growth

We expect ABB to report a moderate revenue growth of 6.3% in 4QCY09E to Rs23 bn from Rs21.7 bn in 4QCY08. We highlight that high exposure to the industrial segment and withdrawal from RGGVY projects could lead to potential negative surprises. We highlight that the company had reported a yoy decline of 6.6% in revenues in 9MCY09. We estimate the margins of the company to remain relatively flat on a yoy basis at 12.5% in 4QCY10E. We expect the company to report a net profit after tax of Rs2.1 bn in 4QCY10E, up 9.6% yoy, from Rs1.9 bn in 4QCY09.

We believe order booking would remain the key factor driving the stock performance as it is likely to be an indicator of recovery in the industrial segment. We highlight that order booking for ABB had seen a marginal revival in the previous quarter versus a decline seen in the 1QCY09; however, booking momentum still remains weak.

ABB - 4QCY09E consolidated revenue model (Rs mn)

				% chg.				
	4QCY09E	**4QCY08**	**3QCY09**	**4QCY08**	**3QCY09**	**CY2009E**	**CY2008**	***% chg.***
Sales	**23,024**	**21,663**	**14,689**	***6.3***	***56.7***	**66,793**	**68,510**	***(2.5)***
Expenses	(20,146)	(18,984)	(13,315)	*6.1*	*51.3*	(59,890)	(60,713)	*(1.4)*
EBITDA	**2,878**	**2,680**	**1,375**	***7.4***	***109.4***	**6,903**	**7,797**	***(11.5)***
Other income	681	507	7	*34.5*	*9,005*	942	1,164	*(19.1)*
PBDIT	3,560	3,186	1,382	*11.7*	*157.5*	7,845	8,961	*(12.5)*
Interest	(60)	(159)	(44)	*(62.4)*	*35.9*	(367)	(262)	*40.1*
Depreciation	(145)	(103)	(127)	*40.6*	*14.5*	(505)	(367)	*37.6*
PBT	**3,275**	**2,925**	**1,212**	***12.0***	***170.3***	**6,973**	**8,332**	***(16.3)***
Tax	(1,158)	(993)	(381)	*16.6*	*203.9*	(2,406)	(2,858)	*(15.8)*
Net profit	**2,117**	**1,931**	**831**	***9.6***	***154.9***	**4,567**	**5,474**	***(16.6)***
Key ratios (%)								
EBITDA margin	**12.5**	**12.4**	**9.4**			**10.3**	**11.4**	
PBIDT Margin	15.5	14.7	9.4			11.7	13.1	
PBT Margin	14.2	13.5	8.2			10.4	12.2	
Tax rate	35.4	34.0	31.4			34.5	35.5	
PAT Margin	9.2	8.9	5.7			6.8	8.0	

Source: Company, Kotak Institutional Equities estimates

Areva 4QCY09 results highlights

Areva T&D reported 4QCY09 revenues of Rs11.6 bn, up 23.5% yoy and up 56.8% on a sequential basis. Strong sales growth was credited to (1) productivity improvements and swift execution of orders in hand and (2) increasing contribution from new factories (Areva has set up eight new factories – at three sites). EBITDA margin at 12% was down 260 bps yoy, primarily led by higher raw material and staff expenses as a percentage of sales. The yoy decline in operating margin was attributed to (1) sharp decline in prices, (2) ramp-up costs for new factories and (3) change in mix towards system business. However, on a sequential basis, the margin has expanded by 340 bps due to lower staff costs and other expenses as a percentage of sales. The depreciation cost for 4QCY09 was up 115% yoy to Rs242 mn as all the greenfield factories were capitalized during the quarter. Lower yoy operating margin and higher depreciation costs led to a yoy decline in net profit (before exceptional items) of 20.8% to Rs630 mn versus Rs796 mn in 4QCY08.

For the full year ending December 31, 2009, Areva T&D reported total revenues of Rs35.3 bn, up 33.3% yoy. The company reported EBITDA margins of 11.9% (down 410 bps yoy) and net profit of about Rs2 bn, down 16.9% yoy, from Rs2.4 bn in CY2008.

Areva 4QCY09 results - key numbers (Rs mn)

				% change				
	4QCY09	4QCY08	3QCY09	4QCY08	3QCY09	CY2009	CY2008	*% change*
Net Sales	**11,599**	**9,388**	**7,397**	**23.5**	**56.8**	**35,328**	**26,499**	***33.3***
(Inc)/Dec in WIP	(243)	(248)	(45)	(1.8)	440.4	(392)	886	*(144.2)*
Raw material consumption	(7,986)	(6,180)	(5,127)	29.2	55.8	(24,204)	(17,769)	*36.2*
Staff cost	(844)	(584)	(730)	44.4	15.7	(2,924)	(2,126)	*37.6*
Other items	(1,132)	(1,001)	(860)	13.2	31.7	(3,619)	(3,269)	*10.7*
Total Expenditure	(10,205)	(8,013)	(6,761)	27.4	50.9	(31,140)	(22,278)	*39.8*
EBITDA	**1,394**	**1,375**	**636**	**1.3**	**119.3**	**4,188**	**4,221**	***(0.8)***
Other income	1	0	-	600.0	NA	1	53	*(98.7)*
PBDIT	**1,394**	**1,375**	**636**	**1.4**	**119.4**	**4,189**	**4,275**	***(2.0)***
Interest	(173)	(138)	(121)	25.4	43.4	(579)	(300)	*93.0*
Depreciation	(242)	(113)	(174)	115.5	39.5	(611)	(375)	*63.2*
PBT	**978**	**1,125**	**341**	**(13.0)**	**187.1**	**2,998**	**3,600**	***(16.7)***
Tax	(348)	(328)	(117)	6.1	198.1	(1,010)	(1,207)	*(16.3)*
PAT	**630**	**796**	**224**	**(20.8)**	**181.3**	**1,988**	**2,393**	***(16.9)***
Exceptional items	51	(244)	-	(120.8)	NA	(68)	(130)	*(47.7)*
Reported PAT	**681**	**552**	**224**	**23.2**	**203.9**	**1,920**	**2,263**	***(15.2)***
Key Ratios								
Raw Material to Sales	70.9	68.5	69.9			69.6	63.7	
Staff Cost to sales	7.3	6.2	9.9			8.3	8.0	
Other exp to sales	9.8	10.7	11.6			10.2	12.3	
EBITDA margin	**12.0**	**14.6**	**8.6**			**11.9**	**15.9**	
PBDIT margin	12.0	14.6	8.6			11.9	16.1	
Effective tax rate	35.6	29.2	34.3			33.7	33.5	
PAT Margin	5.4	8.5	3.0			5.6	9.0	
Order details								
Order inflow	14,180	7,834	10,288	81.0	37.8	42,262	40,249	*5.0*
Order backlog	47,720	40,786	45,139	17.0	5.7	47,720	40,786	*17.0*

Source: Company, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of key Indian companies

	15-Feb-10		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	(Rs)	(%)	(US$ mn)
Automobiles																													
Ashok Leyland	51	ADD	67,382	1,455	1,330	1.5	3.1	3.9	(57.8)	105.8	24.5	33.1	16.1	12.9	18.0	10.9	8.5	1.8	1.7	1.5	2.0	2.0	2.0	6.2	12.1	12.4	55	8.6	5.3
Bajaj Auto	1,793	BUY	259,367	5,599	145	45.2	110.0	133.6	(13.4)	143.1	21.5	39.6	16.3	13.4	20.8	10.1	8.9	13.8	8.4	5.6	1.1	1.1	1.1	37.7	63.7	49.3	1,875	4.6	10.1
Hero Honda	1,704	REDUCE	340,359	7,347	200	64.2	107.4	116.0	32.4	67.3	8.0	26.6	15.9	14.7	15.8	9.8	8.5	8.6	6.1	4.6	1.2	1.3	1.3	36.4	45.1	35.8	1,625	(4.7)	19.0
Mahindra & Mahindra	996	ADD	293,460	6,335	295	30.0	64.5	73.8	(19.8)	114.8	14.4	33.2	15.4	13.5	23.3	10.1	9.0	5.6	3.7	2.9	1.0	1.0	1.0	17.4	30.0	24.2	1,250	25.5	24.2
Maruti Suzuki	1,336	REDUCE	386,104	8,335	289	42.2	85.1	90.3	(29.6)	101.7	6.1	31.7	15.7	14.8	18.9	8.8	7.9	4.1	3.2	2.7	0.3	0.4	0.4	13.5	23.0	19.8	1,350	1.0	27.1
Tata Motors	683	ADD	390,255	8,424	571	10.0	26.2	30.1	(78.2)	161.0	15.0	68.2	26.1	22.7	25.0	13.8	12.1	2.9	2.3	2.0	0.8	0.8	0.8	9.1	14.4	11.6	810	18.6	64.4
Automobiles		**Cautious**	**1,736,927**	**37,494**					**(30.7)**	**114.4**	**13.1**	**37.2**	**17.4**	**15.3**	**20.5**	**10.7**	**9.4**	**4.6**	**3.5**	**2.9**	**0.9**	**0.9**	**0.9**	**12.4**	**20.2**	**18.8**			
Banks/Financial Institutions																													
Andhra Bank	100	BUY	48,646	1,050	485	13.5	19.4	14.7	13.5	44.1	(24.4)	7.4	5.2	6.8	—	—	—	1.3	1.1	1.0	4.5	3.9	2.9	18.9	23.5	15.3	125	24.6	3.2
Axis Bank	1,029	ADD	390,970	8,440	380	50.6	63.3	74.5	56.9	25.1	17.7	20.3	16.3	13.8	—	—	—	3.8	2.4	2.1	0.9	1.2	1.5	19.1	18.4	17.5	1,160	12.7	41.8
Bank of Baroda	554	BUY	202,594	4,373	366	60.9	75.0	77.2	55.1	23.1	2.9	9.1	7.4	7.2	—	—	—	1.8	1.5	1.3	1.6	2.0	2.1	21.4	22.0	19.1	650	17.3	10.6
Bank of India	326	REDUCE	171,606	3,704	526	57.2	38.9	47.8	40.7	(32.0)	22.9	5.7	8.4	6.8	—	—	—	1.5	1.3	1.1	2.4	1.7	2.0	29.2	16.2	17.3	360	10.3	6.0
Canara Bank	382	ADD	156,641	3,381	410	50.5	75.2	69.7	32.4	48.8	(7.3)	7.6	5.1	5.5	—	—	—	1.6	1.2	1.0	2.1	2.1	2.6	18.3	22.8	17.8	470	23.0	6.3
Corporation Bank	429	BUY	61,585	1,329	143	62.3	71.1	65.0	21.5	14.1	(8.5)	6.9	6.0	6.6	—	—	—	1.3	1.1	1.0	2.9	3.3	3.0	19.6	19.3	15.5	540	25.8	0.6
Federal Bank	247	BUY	42,271	912	171	29.3	30.6	38.0	(14.8)	4.5	24.1	8.4	8.1	6.5	—	—	—	1.0	0.9	0.8	2.0	2.1	2.6	12.1	11.5	13.0	340	37.6	3.5
HDFC	2,391	ADD	680,092	14,681	284	80.2	98.5	115.4	(6.4)	22.7	17.2	29.8	24.3	20.7	—	—	—	5.2	4.7	4.2	1.3	1.4	1.7	18.2	19.7	20.3	2,700	12.9	43.9
HDFC Bank	1,614	BUY	729,533	15,748	452	52.8	64.8	84.4	17.6	22.8	30.2	30.6	24.9	19.1	—	—	—	4.8	3.4	3.0	0.6	0.8	1.0	16.9	16.1	16.7	1,800	11.5	34.3
ICICI Bank	817	ADD	909,947	19,643	1,113	33.8	37.3	47.0	(15.4)	10.6	26.0	24.2	21.9	17.4	—	—	—	1.8	1.7	1.6	1.3	1.5	1.9	7.8	8.2	9.8	890	8.9	98.1
IDFC	148	REDUCE	191,830	4,141	1,295	5.8	8.4	9.1	1.9	45.4	8.0	25.6	17.6	16.3	—	—	—	3.1	2.7	2.4	0.8	1.0	1.0	12.9	16.4	15.6	145	(2.1)	20.2
India Infoline	114	BUY	35,561	768	312	5.1	7.7	9.2	(8.7)	50.4	19.2	22.3	14.8	12.5	—	—	—	2.9	2.4	1.9	2.2	2.9	1.9	11.9	17.6	18.7	170	49.1	6.2
Indian Bank	172	BUY	73,834	1,594	430	28.0	34.2	34.7	24.1	22.4	1.4	6.1	5.0	5.0	—	—	—	1.3	1.1	0.9	2.9	3.4	3.5	22.9	23.3	20.0	230	33.9	2.9
Indian Overseas Bank	90	BUY	49,250	1,063	545	24.3	22.7	13.3	10.3	(6.9)	(41.1)	3.7	4.0	6.8	—	—	—	0.8	0.7	0.6	5.8	4.1	4.6	22.1	16.1	8.6	150	65.9	3.3
J&K Bank	608	BUY	29,498	637	48	84.5	105.5	112.3	13.8	24.8	6.4	7.2	5.8	5.4	—	—	—	1.3	1.1	1.0	2.8	3.5	3.7	16.7	18.1	16.9	700	15.1	0.8
LIC Housing Finance	746	ADD	63,433	1,369	85	62.5	88.6	90.8	37.3	41.7	2.5	11.9	8.4	8.2	—	—	—	3.2	2.4	2.0	1.8	2.6	2.7	26.2	30.1	25.1	925	23.9	15.8
Mahindra & Mahindra Financial	332	BUY	31,772	686	96	22.4	31.9	37.2	7.5	42.2	16.5	14.8	10.4	8.9	—	—	—	2.3	1.9	1.7	1.7	2.4	2.8	15.4	19.3	19.6	415	25.0	0.8
Oriental Bank of Commerce	267	REDUCE	66,944	1,445	251	36.1	41.3	47.7	51.4	14.3	15.5	7.4	6.5	5.6	—	—	—	1.1	1.0	0.9	2.7	3.1	3.6	13.7	13.3	14.0	280	4.8	4.2
PFC	244	SELL	280,113	6,047	1,148	13.3	19.7	21.4	17.4	47.7	8.6	18.3	12.4	11.4	—	—	—	2.5	2.2	2.0	1.6	2.0	2.2	18.9	18.4	17.6	210	(14.0)	4.5
Punjab National Bank	879	BUY	277,025	5,980	315	98.0	116.3	129.1	50.9	18.7	10.9	9.0	7.6	6.8	—	—	—	2.1	1.7	1.5	2.2	2.6	2.9	25.8	25.2	23.2	1,020	16.1	8.4
Reliance Capital	750	ADD	184,682	3,987	246	39.3	17.7	17.5	(5.6)	(55.1)	(1.1)	19.1	42.5	42.9	—	—	—	2.7	2.6	2.5	0.8	0.4	0.3	15.3	6.3	5.9	875	16.6	60.3
Shriram Transport	474	ADD	109,750	2,369	232	30.1	36.6	48.3	56.7	21.6	32.0	15.8	13.0	9.8	—	—	—	4.9	2.8	2.5	0.9	2.3	3.1	29.6	26.5	25.1	500	5.5	2.9
SREI	66	NR	7,687	166	116	7.0	8.3	7.9	(24.7)	17.8	(4.8)	9.4	8.0	8.4	—	—	—	0.7	0.6	0.6	1.5	1.8	1.8	12.8	11.1	10.5	115	74.0	3.7
State Bank of India	1,895	BUY	1,203,098	25,971	635	143.7	154.8	174.4	34.8	7.7	12.7	13.2	12.2	10.9	—	—	—	2.1	1.8	1.6	1.5	1.6	1.7	17.1	15.9	15.8	2,400	26.6	118.1
Union Bank	245	BUY	123,527	2,667	505	34.2	37.9	38.7	24.5	11.0	2.0	7.2	6.4	6.3	—	—	—	1.8	1.4	1.2	2.0	2.3	2.3	27.2	24.4	20.7	310	26.8	3.9
Banks/Financial Institutions		**Attractive**	**6,310,693**	**136,226**					**27.0**	**15.3**	**10.8**	**14.5**	**12.6**	**11.4**	**—**	**—**	**—**	**2.3**	**2.0**	**1.8**	**1.5**	**1.6**	**1.9**	**16.1**	**15.8**	**15.5**			
Cement																													
ACC	876	REDUCE	164,536	3,552	188	56.3	83.2	53.2	(12.2)	47.9	(36.1)	15.6	10.5	16.5	7.9	5.7	7.3	3.1	2.6	2.3	2.7	2.7	2.7	24.7	29.3	17.1	800	(8.6)	10.9
Ambuja Cements	105	REDUCE	159,469	3,442	1,522	7.2	8.0	6.9	(5.0)	11.4	(13.5)	14.6	13.1	15.1	7.9	7.3	7.7	2.6	2.3	2.1	2.9	1.8	2.0	19.7	19.3	14.7	92	(12.2)	6.1
Grasim Industries	2,690	REDUCE	246,660	5,325	92	238.6	297.3	289.2	(16.2)	24.6	(2.7)	11.3	9.0	9.3	6.4	4.8	4.7	2.1	1.8	1.5	1.2	1.2	1.3	21.1	21.4	17.6	2,500	(7.1)	10.8
India Cements	123	REDUCE	34,711	749	282	17.8	13.7	12.4	n/a	(23.1)	(9.1)	6.9	9.0	9.9	5.0	5.3	5.5	0.9	0.9	0.8	1.5	1.7	2.6	14.8	10.5	9.0	100	(18.6)	5.7
Shree Cement	1,997	BUY	69,563	1,502	35	174.8	267.3	228.9	93.8	52.9	(14.4)	11.4	7.5	8.7	7.5	4.5	4.1	5.8	3.3	2.4	0.5	0.5	0.5	65.7	56.1	31.8	2,400	20.2	0.8
UltraTech Cement	1,000	REDUCE	124,515	2,688	124	78.8	90.1	64.5	(3.1)	14.3	(28.4)	12.7	11.1	15.5	7.4	6.1	7.5	2.9	2.3	2.0	0.6	0.8	0.8	31.1	27.3	16.2	900	(10.0)	4.2
Cement		**Neutral**	**799,453**	**17,257**					**(8.0)**	**23.6**	**(16.2)**	**12.4**	**10.1**	**12.0**	**7.0**	**5.5**	**5.9**	**2.5**	**2.1**	**1.8**	**1.7**	**1.5**	**1.6**	**20.0**	**20.5**	**15.0**			
Consumer products																													
Asian Paints	1,935	BUY	185,557	4,006	96	38.6	72.9	83.4	(1.7)	88.8	14.5	50.1	26.5	23.2	29.9	16.7	14.3	16.2	13.2	10.9	0.9	2.0	2.3	36.6	57.2	53.5	2,100	8.6	1.9
Colgate-Palmolive (India)	712	REDUCE	96,800	2,090	136	21.6	29.4	33.4	26.3	36.1	13.8	33.0	24.2	21.3	27.3	19.7	16.3	44.8	40.3	36.2	2.1	3.3	3.8	155.1	174.9	178.8	700	(1.7)	1.6
GlaxoSmithkline Consumer (a)	1,430	ADD	60,139	1,298	42	44.8	55.3	70.3	15.8	23.6	27.0	31.9	25.8	20.3	18.7	14.7	12.1	7.8	6.8	6.0	1.0	1.6	2.5	26.8	28.4	31.4	1,500	4.9	0.7
Godrej Consumer Products	255	ADD	65,882	1,422	258	6.7	10.8	12.4	(5.3)	62.0	14.3	38.2	23.6	20.6	26.4	16.9	14.2	11.5	6.7	5.6	1.6	1.6	1.6	46.9	36.2	29.6	270	5.8	1.0
Hindustan Unilever	230	BUY	500,732	10,809	2,179	9.5	10.3	12.0	19.0	7.8	16.9	24.1	22.4	19.2	18.3	16.1	14.1	24.3	24.1	24.0	3.8	4.4	5.2	112.4	108.4	125.9	300	30.6	16.7
ITC	249	BUY	939,703	20,285	3,769	8.7	10.7	13.0	2.8	23.1	21.5	28.8	23.4	19.3	17.7	14.1	11.9	6.4	5.6	4.9	1.5	1.8	2.2	25.3	27.2	28.7	300	20.3	23.6
Jyothy Laboratories	172	ADD	12,453	269	73	5.5	9.7	12.1	(12.9)	75.4	24.4	31.1	17.7	14.2	21.0	12.7	9.1	3.4	3.0	2.6	1.4	1.7	2.0	10.7	16.4	19.0	200	16.6	0.6
Nestle India (a)	2,719	ADD	262,178	5,660	96	58.6	77.2	93.1	31.0	31.8	20.6	46.4	35.2	29.2	29.6	23.4	19.8	55.4	44.7	36.3	1.6	2.1	2.5	126.7	140.5	137.3	3,000	10.3	2.5
Tata Tea	950	BUY	58,770	1,269	62	53.7	56.9	69.7	14.7	6.1	22.3	17.7	16.7	13.6	10.6	9.0	7.5	1.2	1.2	1.1	1.8	2.0	2.4	9.4	9.4	10.8	1,200	26.3	3.2
Consumer products		**Attractive**	**2,182,213**	**47,107**					**10.4**	**23.7**	**19.4**	**29.9**	**24.2**	**20.2**	**19.6**	**15.5**	**13.2**	**8.8**	**7.7**	**6.8**	**2.0**	**2.5**	**3.0**	**29.3**	**32.0**	**33.8**			
Constructions																													
IVRCL	311	BUY	42,061	908	135	16.7	19.7	23.6	7.4	18.1	19.7	18.6	15.8	13.2	13.3	10.0	8.3	2.3	2.0	1.8	0.3	0.3	0.3	13.2	13.8	14.4	370	19.1	18.3
Nagarjuna Construction Co.	160	BUY	41,156	888	257	6.7	8.6	10.5	(6.3)	28.5	21.7	23.9	18.6	15.3	14.0	10.4	9.2	2.4	1.8	1.7	0.6	1.0	1.2	9.4	11.3	11.6	180	12.2	4.8
Punj Lloyd	174	REDUCE	58,881	1,271	339	(7.2)	9.8	14.0	(172.4)	(236.1)	42.8	(24.0)	17.7	12.4	19.6	8.7	7.0	2.4	1.7	1.5	0.1	0.2	0.4	(8.6)	11.2	12.9	205	18.0	20.7
Sadbhav Engineering	1,182	BUY	14,769	319	13	51.1	55.3	77.4	26.2	8.0	40.0	23.1	21.4	15.3	15.3	11.8	9.4	4.2	3.5	2.9	0.3	0.4	0.5	18.0	16.6	19.1	1,400	18.5	0.5
Construction		**Attractive**	**156,868**	**3,386**					**(70.6)**	**306.7**	**30.4**	**71.6**	**17.6**	**13.5**	**15.7**	**9.6**	**8.0**	**2.5**	**1.9**	**1.7**	**0.3**	**0.5**	**0.6**	**3.5**	**10.9**	**12.6**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

	15-Feb-10		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	(Rs)	(%)	(US$ mn)
Energy																													
Bharat Petroleum	558	RS	182,792	3,946	328	20.6	58.1	61.7	(50.1)	181.9	6.2	27.1	9.6	9.0	5.5	4.7	4.2	1.4	1.3	1.1	1.4	4.6	4.9	5.3	14.1	13.7	—	—	9.4
Cairn india	260	REDUCE	493,228	10,647	1,897	4.3	6.0	20.9	—	41	245.8	61	43	12.4	42.5	33.8	9.8	1.5	1.4	1.4	—	—	7.7	2.5	3.4	11.5	265	1.9	16.8
Castrol India (a)	703	ADD	86,950	1,877	124	21.3	33.2	40.4	20.8	55.7	21.7	33.0	21.2	17.4	19.1	12.8	10.5	19.4	17.2	13.9	2.1	3.4	3.7	61.2	85.8	88.3	625	(11.1)	1.6
GAIL (India)	407	REDUCE	516,081	11,140	1,268	22.2	22.7	23.5	8.7	2.3	3.7	18.4	17.9	17.3	9.9	10.5	10.9	3.2	2.9	2.6	1.7	2.0	2.0	17.5	15.9	15.0	370	(9.1)	16.5
GSPL	90	REDUCE	50,401	1,088	563	2.2	7.5	12.4	21.9	241.9	64.6	40.8	11.9	7.2	13.6	6.4	4.1	3.8	3.1	2.6	0.8	2.9	6.9	9.6	28.7	38.9	95	6.0	8.0
Hindustan Petroleum	339	RS	114,772	2,478	339	17.0	46.3	49.7	(49.3)	173.1	7.2	20.0	7.3	6.8	3.0	2.5	2.3	0.9	0.9	0.8	1.6	7.7	8.2	4.4	11.2	11.4	—	—	9.6
Indian Oil Corporation	306	RS	725,737	15,666	2,372	9.8	33.0	32.1	(67.9)	235.4	(2.7)	31.1	9.3	9.5	8.4	5.8	4.9	1.5	1.3	1.2	1.2	2.2	2.1	4.8	15.3	13.1	—	—	6.1
Oil India	1,147	ADD	260,734	5,628	227	101.1	110.5	111.7	—	9.2	1.1	11.3	10.4	10.3	5.2	3.7	3.1	2.5	1.8	1.6	2.5	3.2	3.5	20.1	16.3	15.6	1,150	0.2	—
Oil & Natural Gas Corporation	1,088	ADD	2,327,751	50,248	2,139	90.8	90.1	107.8	(2.1)	(0.8)	19.7	12.0	12.1	10.1	4.5	4.3	3.6	2.0	1.8	1.6	2.9	3.3	4.0	16.6	14.4	15.8	1,200	10.3	23.0
Petronet LNG	72	ADD	53,963	1,165	750	6.9	5.3	8.1	—	(22.7)	51.2	10.4	13.5	8.9	7.5	8.1	5.8	2.4	2.1	1.7	2.4	2.1	2.8	23.9	15.8	20.5	90	25.1	4.7
Reliance Industries	1,010	SELL	2,946,170	63,598	2,917	50.6	48.0	68.7	(3.7)	(5.2)	43.3	20.0	21.1	14.7	13.3	10.2	7.4	2.2	1.8	1.6	0.6	0.6	0.9	13.6	10.6	13.3	950	(5.9)	153.7
Energy		**Cautious**	**7,758,579**	**167,481**					**(9.5)**	**20.9**	**26.9**	**17.3**	**14.3**	**11.3**	**7.9**	**6.7**	**5.4**	**2.0**	**1.7**	**1.6**	**1.5**	**2.0**	**2.8**	**11.4**	**12.2**	**14.2**			
Industrials																													
ABB	794	REDUCE	168,287	3,633	212	25.8	21.6	30.4	11.3	(16.6)	41.3	30.7	36.8	26.1	18.2	20.7	14.8	7.9	6.8	5.5	0.3	0.4	0.4	29.2	19.8	23.3	720	(9.3)	6.1
BGR Energy Systems	514	ADD	36,997	799	72	16.0	21.0	29.7	32.2	31.2	41.0	32.1	24.4	17.3	18.2	13.5	10.3	6.6	5.4	4.3	0.6	0.7	1.0	22.3	24.3	27.7	500	(2.7)	2.4
Bharat Electronics	1,994	REDUCE	159,480	3,443	80	103.8	117.7	126.2	1.8	13.4	7.2	19.2	16.9	15.8	10.1	8.4	7.5	4.1	3.4	2.9	0.9	1.3	1.3	20.7	22.0	20.1	1,870	(6.2)	3.6
Bharat Heavy Electricals	2,354	ADD	1,152,183	24,872	490	63.9	92.0	115.8	9.4	44.1	25.8	36.9	25.6	20.3	20.2	14.2	11.1	8.9	7.1	5.6	0.7	0.8	1.1	26.4	30.8	30.7	2,500	6.2	40.0
Crompton Greaves	420	BUY	153,880	3,322	367	15.3	20.7	23.7	37.3	35.2	14.1	27.4	20.2	17.7	14.6	11.1	9.6	8.3	6.2	4.8	0.5	0.6	0.7	35.6	35.1	30.4	450	7.2	6.5
Larsen & Toubro	1,433	BUY	861,244	18,591	601	50.1	53.7	64.5	32.1	7.2	20.2	28.6	26.7	22.2	18.7	14.9	12.7	5.7	3.9	3.3	0.7	0.8	0.8	21.7	17.4	16.3	1,700	18.6	60.1
Maharashtra Seamless	370	BUY	26,096	563	71	35.9	40.2	41.1	22.2	12.0	2.3	10.3	9.2	9.0	5.9	4.8	4.4	1.9	1.6	1.4	1.5	1.6	2.0	20.3	19.2	16.9	400	8.1	1.4
Siemens	644	REDUCE	217,114	4,687	337	14.2	16.1	24.6	(22.2)	13.5	52.7	45.4	40.0	26.2	22.1	19.2	15.3	9.6	7.9	6.4	0.5	0.8	0.7	23.3	21.6	27.0	635	(1.4)	8.2
Suzlon Energy	73	REDUCE	122,349	2,641	1,679	7.2	(2.4)	2.6	9.9	(133.1)	(210.5)	10.1	(30.5)	27.6	7.4	12.6	8.2	1.2	1.1	1.0	—	—	0.3	11.5	(3.6)	3.8	80	9.8	75.8
Voltas	160	BUY	52,868	1,141	331	6.9	9.4	10.3	29.8	36.2	9.0	23.1	17.0	15.6	12.7	9.2	8.1	6.6	5.2	4.2	1.0	1.6	1.7	33.0	34.1	29.8	185	15.7	5.2
Industrials		**Attractive**	**2,950,499**	**63,691**					**13.5**	**6.4**	**31.8**	**29.1**	**27.4**	**20.8**	**16.1**	**13.9**	**11.1**	**5.7**	**4.5**	**3.8**	**0.7**	**0.8**	**0.9**	**19.7**	**16.5**	**18.4**			
Infrastructure																													
GMR Infrastructure	56	ADD	101,952	2,201	1,834	0.8	0.5	0.5	(33.5)	(35.2)	(4.0)	72.4	111.8	116.4	17.3	12.4	9.2	1.2	1.0	0.9	—	—	—	4.4	2.8	2.6	68	22.3	8.0
GVK Power & Infrastructure	44	ADD	69,169	1,493	1,579	0.8	0.8	1.0	(20.6)	2.5	34.2	57.4	56.1	41.8	52.2	18.4	16.8	3.0	2.2	2.1	—	—	0.7	4.8	4.5	5.1	50	14.2	11.5
IRB Infrastructure	255	ADD	84,686	1,828	332	5.3	10.6	13.5	54.3	101.2	27.0	48.2	23.9	18.8	23.8	12.1	10.9	4.6	3.6	2.8	0.5	—	—	10.1	17.0	16.6	200	(21.5)	6.4
Mundra Port and SEZ	637	BUY	257,184	5,552	403	10.7	15.1	24.1	105.6	40.8	59.5	59.5	42.2	26.5	35.0	27.5	17.6	8.7	7.1	5.5	(0.5)	—	—	15.5	18.5	23.2	725	13.7	6.2
Infrastructure		**Attractive**	**512,993**	**11,074**					**48.6**	**27.5**	**38.8**	**51.6**	**40.4**	**29.1**	**26.8**	**17.1**	**13.0**	**3.3**	**2.7**	**2.3**	**(0.2)**	**—**	**0.1**	**6.5**	**6.6**	**8.0**			
Media																													
DishTV	41	REDUCE	43,759	945	1,063	(6.6)	(2.5)	(1.1)	(31.9)	(61.6)	(57.6)	(6.3)	(16.3)	(38.4)	(39.7)	63.8	19.4	(7.0)	10.7	14.9	—	—	—	83.9	248.6	NA	38	(7.7)	6.2
HT Media	144	NR	33,840	730	235	0.8	5.7	7.3	(80.5)	572.1	29.5	170.6	25.4	19.6	38.5	12.2	10.3	3.9	3.5	3.2	0.2	0.7	1.4	2.3	14.6	17.0	—	—	0.7
Jagran Prakashan	124	ADD	37,285	805	301	3.0	5.9	6.6	(6.6)	92.8	13.2	40.7	21.1	18.6	23.2	12.7	10.9	6.7	6.1	5.5	1.6	2.8	3.2	16.7	30.1	31.1	130	5.0	0.7
Sun TV Network	373	REDUCE	147,090	3,175	394	9.1	12.1	14.6	9.5	32.7	20.8	41.1	31.0	25.6	21.8	17.8	14.4	8.3	7.2	6.3	0.7	1.1	1.6	22.5	25.3	26.3	295	(21.0)	3.8
Zee Entertainment Enterprises	260	REDUCE	112,753	2,434	434	8.4	10.3	12.7	(4.8)	22.2	22.9	30.8	25.2	20.5	21.3	18.4	14.4	3.2	2.9	2.7	0.8	1.0	1.2	11.8	12.6	14.1	235	(9.5)	6.3
Zee News	60	NR	14,352	310	240	1.9	2.4	2.9	20.4	28.2	20.0	32.2	25.1	20.9	15.7	12.2	10.4	5.9	4.9	4.1	0.7	0.7	1.2	20.1	21.8	22.0	—	—	1.2
Media		**Neutral**	**389,079**	**8,399**					**(21.0)**	**141.4**	**42.0**	**91.9**	**38.0**	**26.8**	**28.2**	**17.8**	**13.7**	**6.2**	**4.8**	**4.4**	**0.7**	**1.0**	**1.4**	**6.7**	**12.5**	**16.3**			
Metals																													
Hindalco Industries	141	ADD	269,213	5,811	1,911	2.8	5.4	14.6	(77.9)	95.0	170.5	50.9	26.1	9.6	14.8	8.9	6.7	1.4	0.8	0.8	—	—	—	9.6	6.5	9.4	160	13.6	44.6
National Aluminium Co.	365	SELL	235,302	5,079	644	19.7	10.1	28.0	(22.0)	(49.0)	178.6	18.5	36.3	13.0	9.0	15.6	6.0	2.3	2.2	1.9	1.4	0.5	0.5	12.8	6.1	15.4	320	(12.4)	7.2
Jindal Steel and Power	635	SELL	588,763	12,709	928	32.8	40.6	47.0	139.1	23.7	15.9	19.3	15.6	13.5	12.7	10.0	8.1	7.6	5.1	3.7	0.2	0.1	0.1	50.9	39.2	31.8	530	(16.5)	54.0
JSW Steel	1,011	SELL	189,181	4,084	187	14.7	68.1	93.7	(83.2)	363.6	37.5	68.8	14.8	10.8	11.8	8.0	7.1	2.1	1.6	1.3	0.1	0.3	0.5	11.7	12.4	13.3	850	(16.0)	65.0
Hindustan Zinc	1,057	BUY	446,722	9,643	423	64.6	93.5	105.4	(38.0)	44.8	12.8	16.4	11.3	10.0	12.8	7.4	5.4	3.0	2.4	1.9	0.4	0.5	0.5	20.2	23.5	21.3	1,400	32.4	17.2
Sesa Goa	380	REDUCE	336,807	7,271	887	25.3	25.9	38.9	29.0	2.5	50.5	15.0	14.7	9.8	13.2	12.1	7.1	7.0	4.6	3.2	0.6	0.9	0.9	46.6	32.8	33.8	350	(7.8)	48.1
Sterlite Industries	744	ADD	625,644	13,506	840	46.8	44.9	54.2	(25.8)	(4.0)	20.7	15.9	16.6	13.7	11.6	8.9	6.8	2.3	1.7	1.6	—	—	—	14.0	11.0	11.9	850	14.2	41.5
Tata Steel	540	BUY	479,108	10,342	887	110.1	11.2	80.8	45.3	(89.8)	620.2	4.9	48.2	6.7	5.6	15.3	5.9	1.6	1.8	1.5	2.7	1.5	1.5	24.0	0.3	24.4	720	33.4	134.9
Metals		**Cautious**	**3,170,740**	**68,446**					**(1.3)**	**(22.7)**	**71.2**	**13.8**	**17.9**	**10.4**	**9.5**	**10.5**	**6.6**	**2.6**	**2.0**	**1.7**	**0.7**	**0.5**	**0.5**	**18.8**	**11.5**	**16.4**			
Pharmaceutical																													
Biocon	259	BUY	51,870	1,120	200	4.7	14.6	18.1	(79.9)	210.6	24.1	55.3	17.8	14.3	22.2	10.4	8.4	3.4	3.0	2.5	—	—	0.1	6.2	18.0	19.4	300	15.7	6.9
Cipla	317	REDUCE	254,285	5,489	803	9.9	13.4	15.1	10.0	34.9	13.0	31.9	23.7	21.0	24.3	16.4	14.6	5.8	4.3	3.7	0.6	0.8	0.8	19.0	21.0	19.1	295	(6.9)	14.8
Cadila Healthcare	701	BUY	95,713	2,066	136	22.2	36.8	44.3	8.3	65.8	20.3	31.6	19.1	15.8	17.1	12.4	10.3	7.7	5.9	4.6	1	1	1.3	26.9	35.7	32.7	765	9.1	1.2
Dishman Pharma & chemicals	208	BUY	16,881	364	81	18.0	17.2	20.5	22.1	(4.3)	19.2	11.5	12.1	10.1	8.9	9.3	7.6	2.4	2.0	1.7	0.0	0.0	0.0	22.7	18.0	18.2	265	27.7	1.3
Divi's Laboratories	579	ADD	75,735	1,635	131	31.9	19.1	33.6	19.7	(40.1)	76.3	18.2	30.4	17.2	14.8	17.9	12.2	6.1	5.3	4.3	—	—	0.0	39.6	18.6	27.1	700	20.9	4.8
Dr Reddy's Laboratories	1,106	REDUCE	187,276	4,043	169	32.4	55.3	66.6	24.3	70.7	20.4	34.1	20.0	16.6	14.4	12.2	10.4	5.3	4.8	3.8	0.6	0.6	0.7	13.6	25.2	25.6	1,140	3.1	13.5
GlaxoSmithkline Pharmaceuticals (a)	1,579	REDUCE	133,742	2,887	85	54.6	60.1	66.1	13.8	10.0	10.0	28.9	26.3	23.9	16.3	14.8	13.0	8.5	7.2	6.2	—	—	—	31.3	29.7	27.9	1,450	(8.2)	0.8
Glenmark Pharmaceuticals	253	NR	69,398	1,498	274	11.1	12.9	16.5	(57.0)	16.6	27.6	22.8	19.6	15.3	14.2	11.6	9.6	4.3	3.0	2.5	—	—	—	17.7	17.2	17.5	—	—	8.4
Lupin	1,576	ADD	139,642	3,014	89	60.2	73.6	92.0	21.0	22.3	24.9	26.2	21.4	17.1	23.3	17.8	14.0	9.7	6.1	4.7	0.7	0.8	0.9	37.1	35.2	31.2	1,600	1.5	8.3
Ranbaxy Laboratories	410	REDUCE	175,803	3,795	428	(12.3)	11.3	17.6	(152.8)	(191.9)	55.9	(33.3)	36.3	23.3	(78.4)	19.1	14.4	5.6	5.3	4.5	—	1.0	1.0	(13.3)	10.9	15.8	210	(48.8)	17.5
Sun Pharmaceuticals	1,528	ADD	316,495	6,832	207	87.8	60.8	63.9	17.6	(30.7)	5.1	17.4	25.1	23.9	13.7	18.2	16.5	4.4	3.9	3.4	0.9	0.9	0.9	30.2	16.7	15.5	1,500	(1.8)	14.1
Pharmaceuticals		**Attractive**	**1,516,839**	**32,743**					**(17.1)**	**31.6**	**21.4**	**31.0**	**23.6**	**19.4**	**19.5**	**15.2**	**12.6**	**5.5**	**4.5**	**3.8**	**0.5**	**0.6**	**0.7**	**17.8**	**19.2**	**19.7**			
Property																													
DLF	303	REDUCE	513,021	11,074	1,691	26.7	12.1	16.0	(42.0)	(54.5)	32.1	11.4	25.0	18.9	11.9	16.5	14.3	2.1	2.0	1.9	1.0	1.0	1.3	20.7	8.3	10.2	315	3.8	89.7
Housing Development & Infrastructure	309	ADD	106,705	2,303	345	21.3	12.3	24.0	(58.5)	(42.0)	94.9	14.5	25.1	12.9	11.2	18.7	7.8	2.4	1.6	1.3	—	1.0	1.7	18.7	9.9	15.5	350	13.3	82.6
Indiabulls Real Estate	180	ADD	72,081	1,556	401	0.8	1.6	4.0	(95.4)	109.7	151.7	237.5	113.3	45.0	(42)	(91.3)	44.5	1.1	0.8	0.8	—	—	—	0.3	0.8	1.8	285	58.6	28.4
Mahindra Life Space Developer	402	BUY	16,925	365	42	10.4	18.9	20.3	(38.5)	82.4	7.3	38.9	21.3	19.9	57.4	17.5	14.3	1.9	1.8	1.7	1.0	1.0	1.0	4.8	8.4	8.5	470	16.8	0.9
Phoenix Mills	196	BUY	28,368	612	145	5.0	5.1	7.7	56.8	2.5	51.0	39.4	38.5	25.5	45.8	29.6	19.0	1.9	1.8	1.7	0.5	0.5	0.8	4.9	4.8	7.0	260	32.8	1.1
Puravankara Projects	96	REDUCE	20,521	443	213	6.8	8.3	7.9	(39.8)	22.4	(4.8)	14.2	11.6	12.2	20.8	13.0	12.4	1.5	1.4	1.3	—	2.1	2.1	11.5	12.7	11.1	100	4.0	0.9
Sobha	267	ADD	26,149	564	98	15.1	14.2	15.7	(52.3)	(5.9)	10.4	17.6	18.7	17.0	16.2	14.6	12.4	2.4	1.5	1.4	0.3	0.8	1.5	10.4	9.7	8.5	295	10.6	3.1
Unitech	75	SELL	192,715	4,160	2,559	7.4	3.8	4.1	(28.7)	(48.7)	9.7	10.2	19.9	18.2	17.5	17.8	13.9	3.7	1.8	1.5	—	—	—	27.3	10.8	9.1	65	(13.7)	89.1

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

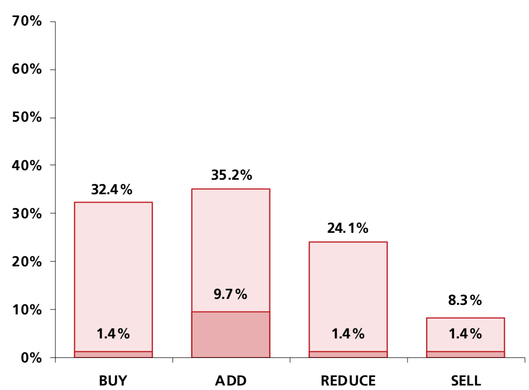
	15-Feb-10		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)		
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E
Retail														
Titan Industries	1,717	REDUCE	76,216	1,645	44	44.3	60.4	68.1	26.4	36.3	12.7	38.8	28.4	25.2
Retail		**Neutral**	**76,216**	**1,645**					**26.4**	**36.3**	**12.7**	**38.8**	**28.4**	**25.2**
Sugar														
Bajaj Hindustan	172	SELL	32,913	710	191	(12.6)	(1.0)	23.7	—	(92.1)	(2,471.7)	(13.7)	(172.4)	7.3
Balrampur Chini Mills	114	ADD	29,265	632	256	3.1	7.6	14.0	—	147.4	83.5	37.0	15.0	8.2
Shree Renuka Sugars	182	BUY	60,885	1,314	335	4.3	6.9	29.7	23.9	60.4	329.7	42.2	26.3	6.1
Sugar		**Attractive**	**123,063**	**2,657**					**(25.3)**	**2,436.2**	**342.9**	**765.3**	**30.2**	**6.8**
Technology														
HCL Technologies	361	REDUCE	251,173	5,422	695	17.5	17.8	25.1	14.5	1.7	41.2	20.7	20.3	14.4
Hexaware Technologies	76	REDUCE	10,896	235	144	4.1	9.1	9.8	(46.4)	122.1	7.9	18.5	8.3	7.7
Infosys Technologies	2,499	BUY	1,434,225	30,960	574	102.4	108.5	124.2	29.6	5.9	14.4	24.4	23.0	20.1
Mphasis BFL	727	REDUCE	151,478	3,270	208	14.2	43.6	47.6	15.7	207.5	9.2	51.3	16.7	15.3
Mindtree	557	BUY	22,926	495	41	13.2	49.4	55.1	(50.5)	273.2	11.6	42.1	11.3	10.1
Patni Computer Systems	464	REDUCE	59,679	1,288	129	26.8	36.6	44.2	(19.3)	36.4	20.9	17.3	12.7	10.5
Polaris Software Lab	167	SELL	16,478	356	99	13.2	15.6	16.1	77.3	18.3	3.7	12.7	10.7	10.3
TCS	746	BUY	1,460,365	31,524	1,957	26.4	34.5	41.0	3.1	30.6	18.8	28.2	21.6	18.2
Wipro	660	ADD	964,774	20,826	1,462	25.7	31.5	37.6	15.8	22.4	19.5	25.6	20.9	17.5
Technology		**Attractive**	**4,371,993**	**94,377**					**15.3**	**22.3**	**18.1**	**25.7**	**21.0**	**17.8**
Telecom														
Bharti Airtel	286	REDUCE	1,084,423	23,409	3,797	22.3	23.8	20.6	26.4	6.6	(13.5)	12.8	12.0	13.9
IDEA	58	REDUCE	180,179	3,889	3,104	2.9	2.5	1.2	(26.5)	(13.9)	(51.2)	20.0	23.2	47.6
MTNL	72	SELL	45,171	975	630	2.4	(15.6)	(10.4)	(66.3)	(750.8)	(33.7)	29.8	(4.6)	(6.9)
Reliance Communications	165	SELL	340,150	7,343	2,064	31.6	18.5	13.4	19.4	(41.4)	(27.8)	5.2	8.9	12.3
Tata Communications	296	REDUCE	84,488	1,824	285	13.6	14.0	15.2	24.0	3.2	8.2	21.8	21.2	19.6
Telecom		**Cautious**	**1,734,412**	**37,440**					**16.6**	**(20.2)**	**(17.0)**	**10.3**	**12.9**	**15.5**
Transportation														
Container Corporation	1,250	ADD	162,423	3,506	130	60.9	63.9	76.6	5.5	5.0	19.9	20.5	19.5	16.3
Transportation		**Cautious**	**162,423**	**3,506**					**5.5**	**5.0**	**19.9**	**20.5**	**19.5**	**16.3**
Utilities														
CESC	394	ADD	49,281	1,064	125	32.3	33.1	42.8	16.2	2.6	29.5	12.2	11.9	9.2
Lanco Infratech	50	BUY	119,649	2,583	2,405	1.5	1.8	3.7	(1.9)	25.4	105.7	34.2	27.3	13.3
Reliance Infrastructure	1,045	BUY	236,595	5,107	226	62.7	63.7	68.6	66.7	1.6	7.8	16.7	16.4	15.2
Reliance Power	141	REDUCE	338,062	7,298	2,397	1.0	2.5	3.1	—	141.5	24.4	138.3	57.2	46.0
Tata Power	1,240	ADD	305,988	6,605	247	50.2	57.9	71.9	57.5	15.3	24.3	24.7	21.4	17.2
Utilities		**Attractive**	**2,711,448**	**58,531**					**15.7**	**15.8**	**16.3**	**23.4**	**20.2**	**17.3**
Others														
Aban Offshore	1,189	BUY	51,732	1,117	43	96.9	114.8	265.5	34	18.4	131.3	12.3	10.4	4.5
Havells India	538	SELL	32,398	699	60	5.1	22.6	30.2	(81)	343.8	33.8	105.7	23.8	17.8
Jaiprakash Associates	133	BUY	279,372	6,031	2,107	2.0	4.3	7.1	(40)	115.0	65.5	66.3	30.8	18.6
Jindal Saw	199	ADD	58,623	1,265	294	12.4	26.5	19.3	(47)	113.8	(27.2)	16.1	7.5	10.3
PSL	149	BUY	7,974	172	53	22.2	29.8	25.4	5	34.1	(14.8)	6.7	5.0	5.9
Sintex	247	BUY	33,762	729	136	24.0	21.3	26.8	23	(11.4)	26.2	10.3	11.6	9.2
Tata Chemicals	283	ADD	68,976	1,489	243	26.6	27.3	31.0	(33)	2.5	13.4	10.6	10.4	9.2
Welspun Gujarat Stahl Rohren	240	REDUCE	49,210	1,062	205	17.3	25.1	23.0	(16)	44.9	(8.1)	13.8	9.6	10.4
United Phosphorus	151	BUY	69,958	1,510	463	10.1	11.8	14.7	20	17.2	24.6	15.0	12.8	10.3
Others			**652,004**	**14,075**					**(16.3)**	**44.1**	**32.6**	**21.4**	**14.9**	**11.2**
KS universe (b)			**37,741,556**	**814,712**					**1.3**	**12.1**	**21.4**	**19**	**16.6**	**13.7**
KS universe (b) ex-Energy			**29,982,977**	**647,231**					**4.9**	**9.5**	**19.7**	**19.0**	**17.4**	**14.5**
KS universe (d) ex-Energy & ex-Commodities			**26,012,784**	**561,528**					**6.8**	**14.6**	**15.4**	**20.3**	**17.7**	**15.4**

	EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	(Rs)	(%)	(US$ mn)
Retail															
Titan Industries	23.2	19.6	16.6	13.2	9.6	7.3	0.6	0.6	0.7	37.5	39.1	32.9	1,300	(24.3)	2.7
Retail	**23.2**	**19.6**	**16.6**	**13.2**	**9.6**	**7.3**	**0.6**	**0.6**	**0.7**	**34.1**	**33.7**	**29.1**			
Sugar															
Bajaj Hindustan	38.8	12.0	5.7	2.7	1.6	1.2	0.3	0.3	0.3	(13.1)	(1.2)	19.3	150	(12.8)	22.5
Balrampur Chini Mills	13.0	8.0	5.1	2.6	2.3	1.9	0.3	—	0.4	7.4	16.2	25.3	140	22.5	10.9
Shree Renuka Sugars	26.1	14.7	4.0	6.9	3.7	2.0	0.1	0.5	0.2	17.2	18.4	43.1	260	43.0	19.6
Sugar	**23.7**	**11.6**	**4.8**	**3.8**	**2.5**	**1.7**	**0.2**	**0.4**	**0.3**	**0.5**	**8.2**	**25.1**			
Technology															
HCL Technologies	11.5	10.2	9.0	4.4	3.9	3.2	1.9	1.1	1.1	20.9	20.6	24.7	350	(3.2)	10.6
Hexaware Technologies	6.4	3.3	3.0	1.6	1.4	1.2	0.7	1.3	1.3	8.6	18.2	16.9	80	5.5	1.8
Infosys Technologies	18.4	16.2	13.1	7.9	6.3	5.2	0.9	1.1	1.4	36.7	30.4	28.4	3,000	20.1	63.8
Mphasis BFL	39.0	13.3	11.8	10.5	6.5	4.7	0.6	0.5	0.6	22.8	48.1	35.5	570	(21.5)	15.1
Mindtree	7.2	9.0	6.4	4.2	3.0	2.4	0.3	0.4	1.0	5.5	31.1	26.3	825	48.1	1.9
Patni Computer Systems	8.9	6.2	5.8	2.4	1.9	1.8	0.4	1.6	1.9	16.2	19.7	17.9	450	(3.1)	5.9
Polaris Software Lab	5.6	5.3	5.2	2.1	1.8	1.6	1.6	1.8	1.9	18.2	18.5	16.7	160	(4.2)	6.6
TCS	19.9	16.0	13.3	9.3	7.1	5.9	0.9	1.2	2.2	36.9	37.5	35.6	900	20.6	37.6
Wipro	18.9	15.6	12.6	6.4	5.1	4.2	0.6	1.3	1.7	26.9	27.1	26.3	830	25.8	22.1
Technology	**18.1**	**14.8**	**12.3**	**7.2**	**5.7**	**4.7**	**0.9**	**1.1**	**1.7**	**28.1**	**27.2**	**26.6**			
Telecom															
Bharti Airtel	7.6	7.0	7.2	3.4	2.7	2.3	0.7	1.0	1.4	31.4	25.3	18.0	300	5.0	54.7
IDEA	7.7	7.4	7.9	1.3	1.2	1.2	—	—	—	10.4	5.5	2.8	50	(13.9)	8.0
MTNL	(1.7)	0.3	0.4	0.4	0.4	0.4	1.4	—	—	1.2	(8.5)	(6.1)	50	(30.3)	3.4
Reliance Communications	6.7	7.8	8.2	0.8	0.7	0.7	0.5	—	—	18.9	8.9	6.0	150	(9.0)	24.6
Tata Communications	9.5	8.6	7.9	1.2	1.2	1.2	1.7	2.2	2.5	5.4	5.2	5.5	400	34.9	3.0
Telecom	**7.3**	**7.6**	**7.8**	**1.6**	**1.5**	**1.3**	**0.6**	**0.8**	**1.0**	**15.8**	**11.3**	**8.7**			
Transportation															
Container Corporation	14.9	13.5	11.2	4.3	3.7	3.2	1.1	1.2	1.4	22.8	20.4	21.0	1,250	0.0	2.0
Transportation	**14.9**	**13.5**	**11.2**	**4.3**	**3.7**	**3.2**	**1.1**	**1.2**	**1.4**	**21.0**	**19.0**	**19.5**			
Utilities															
CESC	6.7	6.6	6.3	1.3	1.2	1.0	1.0	1.1	1.4	11.7	10.4	12.0	410	3.9	2.5
Lanco Infratech	19.5	20.9	8.7	5.7	3.5	2.8	—	—	—	16.4	14.7	21.5	58	16.6	17.9
Reliance Infrastructure	20.9	19.2	15.4	1.4	1.3	1.2	0.7	0.8	0.9	4.9	6.1	7.8	1,250	19.6	41.8
Reliance Power	—	—	—	2.5	2.4	2.2	—	—	—	1.8	4.2	5.0	160	13.4	9.6
Tata Power	11.7	13.4	12.2	3.1	2.4	2.2	0.8	1.0	1.1	12.0	12.6	13.2	1,485	19.8	13.3
Utilities	**17.6**	**16.7**	**14.2**	**2.6**	**2.3**	**2.1**	**1.3**	**1.5**	**1.6**	**11.0**	**11.5**	**12.3**			
Others															
Aban Offshore	12.0	8.9	6.0	2.9	1.4	1.1	0.3	0.3	0.3	26.9	15.0	27.1	1,500	26.1	60.0
Havells India	14.6	11.8	9.3	5.4	8.6	5.8	0.5	0.5	0.5	4.6	27.7	39.0	350	(35.0)	15.8
Jaiprakash Associates	25.5	16.0	14.1	4.2	3.4	3.0	—	—	—	7.3	12.3	17.1	170	28.2	43.6
Jindal Saw	9.9	5.4	6.0	2.0	1.5	1.3	0.4	0.5	0.4	11.3	19.8	13.0	235	17.9	17.0
PSL	4.8	3.0	3.0	1.2	0.9	0.8	2.7	4.4	4.4	11.9	13.6	11.7	175	17.3	1.8
Sintex	8.7	8.5	6.4	1.8	1.6	1.3	0.4	0.5	0.5	17.6	13.6	14.5	280	13.2	5.1
Tata Chemicals	6.7	5.8	5.1	1.4	1.3	1.2	3.1	3.1	3.1	17.9	15.6	15.7	340	20.0	3.6
Welspun Gujarat Stahl Rohren	8.2	5.3	5.4	2.7	1.7	1.4	1.0	0.8	0.9	17.7	20.6	14.8	245	2.3	10.3
United Phosphorus	9.4	8.1	6.3	2.6	2.0	1.7	0.9	1.0	1.3	19.3	17.4	18.0	195	29.0	4.4
Others	**12.4**	**9.3**	**8.2**	**2.8**	**2.1**	**1.8**	**0.6**	**0.7**	**0.7**	**12.9**	**14.4**	**16.2**			
KS universe (b)	**11.9**	**10.4**	**8.6**	**2.8**	**2.4**	**2.1**	**1.1**	**1.4**	**1.7**	**15.3**	**14.5**	**15.5**			
KS universe (b) ex-Energy	**14.0**	**12.4**	**10.2**	**3.2**	**2.7**	**2.3**	**1.0**	**1.2**	**1.4**	**16.9**	**15.4**	**16.1**			
KS universe (d) ex-Energy & ex-Commodities	**16.0**	**13.5**	**11.6**	**3.3**	**2.8**	**2.5**	**1.1**	**1.3**	**1.5**	**16.4**	**15.8**	**16.0**			

Note:
(1) For banks we have used adjusted book values.
(2) 2009 means calendar year 2008, similarly for 2010 and 2011 for these particular companies.
(3) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities Research coverage universe
Distribution of ratings/investment banking relationships



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

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

* The above categories are defined as follows: Buy = We expect this stock to outperform the BSE Sensex by 10% over the next 12 months; Add = We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months; Reduce = We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months; Sell = We expect this stock to underperform the BSE Sensex by more then 10% over the next 12 months. These ratings are used illustratively to comply with applicable regulations. As of 31/12/2009 Kotak Institutional Equities Investment Research had investment ratings on 145 equity securities.

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

Ratings and other definitions/identifiers

Rating system

Definitions of ratings

BUY. We expect this stock to outperform the BSE Sensex by 10% over the next 12 months.

ADD. We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months.

REDUCE. We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months.

SELL. We expect this stock to underperform the BSE Sensexby more than 10% over the next 12 months.

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

Other definitions

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

Other ratings/identifiers

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

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