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Changes in Recommendation

HDFC Bank: Franchise value to get more meaningful in current times; upgrade to ADD

Updates

Sun Pharmaceuticals: SUN gets go-ahead to launch, but uncertainty remains

Power Finance Corporation, Rural Electrification Corporation: Margin pressure on power finance companies

Automobiles: Feedback from channel checks with financiers

News Round-up

- ▶ A day after RBI warned that inflation risks marring economic growth, wholesale food inflation bounced back into double digits at 12.13% for the week ended December 11, the highest in 6 weeks, primarily on the back of soaring prices of vegetables and other perishables. Fuel inflation also rose marginally to 10.74%. *(BSTD)*
- ▶ RIL (RIL IN) shut two natural gas wells last week, cutting output by about 4 million cubic metres a day. *(BSTD)*
- ▶ Tata Steel (TATA IN) and a consortium of five public sector units are buying time, even as the world's third-largest mining company, Rio Tinto, today offered USD 3.9 bn for Australia's Riversdale Mining. *(BSTD)*
- ▶ Coal India (COAL IN) plans to import about 250 million tonnes coal over the next 10 years to meet the country's growing requirement. *(THBL)*
- ▶ Power Finance Corporation's (POWF IN) follow-on public offer is likely to hit the market in FY12. *(BSTD)*
- ▶ ONGC Videsh Ltd to swap stake with Petrobras, Ecopetrol. To farm out more than half its stake in Brazilian block. *(THBL)*
- ▶ Suven Life Sciences Ltd (SVLS IN) has secured four product patents, two each from New Zealand and Eurasia, corresponding to the new chemical entities. *(BSTD)*
- ▶ Strides Arcolab (STR IN) is moving to increase its stake to 94% from 58% in Australia-based Ascent Pharmahealth by paying USD 36 mn. *(BSTD)*
- ▶ Reliance Media-Works has said it has inked a MoU with Russian Work Studios (RWS) and Obyadinennaya Gosudarstvennaya Kinokollektzia (OGK).
- ▶ Glenmark Pharma (GNP IN) said its wholly-owned US subsidiary, Glenmark Generics has received approval for three generic drugs from FDA. *(FNLE)*
- ▶ Temasek picks up over 3% stake in Max India (MAX IN). *(ECNT)*
- ▶ Indian Hotels Company (IH IN) to offer USD 193 mn shares, warrants to Tata Sons. *(ECNT)*
- ▶ Pipavav Shipyard (PIPV IN) in pact with SAAB Dynamics AB for defence production. *(THBL)*

Source: ECNT= Economic Times, BSTD = Business Standard, FNLE = Financial Express, THBL = Business Line.

EQUITY MARKETS

India	Change %			
	23-Dec	1-day	1-mo	3-mo
Sensex	19,983	(0.2)	1.5	0.6
Nifty	5,980	(0.1)	0.8	0.3
Global/Regional indices				
Dow Jones	11,573	0.1	4.9	8.5
Nasdaq Composite	2,666	(0.2)	6.8	14.5
FTSE	5,996	0.2	7.4	8.1
Nikkie	10,273	(0.7)	1.6	7.4
Hang Seng	22,938	0.2	(0.4)	3.7
KOSPI	2,035	(0.1)	5.7	10.2
Value traded – India				
Cash (NSE+BSE)	136		202	213
Derivatives (NSE)	874		2,498	1,135
Deri. open interest	1,601		1,777	2,129

Forex/money market

	Change, basis points			
	23-Dec	1-day	1-mo	3-mo
Rs/US\$	45.0	(9)	(72)	(27)
10yr govt bond, %	8.0	(2)	(5)	-

Net investment (US\$m)

	22-Dec	MTD	CYTD
FIs	(5)	(539)	28,453
MFs	80	256	(282)

Top movers -3mo basis

Best performers	Change, %			
	23-Dec	1-day	1-mo	3-mo
TTMT IN Equity	1352.8	(0.9)	11.0	26.1
GNP IN Equity	352.4	0.8	0.2	22.6
TCS IN Equity	1140.0	(0.8)	13.5	22.3
HNDL IN Equity	233.8	(1.8)	12.6	22.3
IBULL IN Equity	171.4	(1.3)	(5.0)	18.7
Worst performers				
SCS IN Equity	66.8	(1.0)	(0.9)	(33.3)
HDIL IN Equity	187.5	(0.5)	(9.3)	(29.5)
FTECH IN Equity	878.9	(0.9)	(4.3)	(28.1)
IVRC IN Equity	125.4	(0.3)	(7.5)	(27.2)
RELI IN Equity	788.7	(0.5)	(15.5)	(26.7)

Franchise value to get more meaningful in current times; upgrade to ADD. HDFC Bank is best positioned at times of tight liquidity and higher rates, on the back of its superior liability franchisee. Even as valuations remain expensive, superior growth and low risk makes us more positive on the stock. We believe that above-industry loan growth (25%+), 4%+ margins and lower provisioning should drive 30% PAT growth over the next few quarters. Upgrade to ADD (from REDUCE) with a TP of ₹2,500.

Company data and valuation summary

HDFC Bank

Stock data

52-week range (Rs) (high,low)	2,540-1,549
Market Cap. (Rs bn)	997.3

Shareholding pattern (%)

Promoters	23.5
FIs	47.3
MFs	3.3

Price performance (%)

	1M	3M	12M
Absolute	(8.1)	(11.6)	28.9
Rel. to BSE-30	(8.4)	(11.9)	7.5

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	64.4	84.9	109.9
EPS growth (%)	22.1	31.8	29.5
P/E (X)	33.8	25.7	19.8
NII (Rs bn)	83.9	103.1	126.0
Net profits (Rs bn)	29.5	38.9	50.3
BVPS	470.2	536.6	622.5
P/B (X)	4.6	4.1	3.5
ROE (%)	16.1	16.9	19.0
Div. Yield (%)	0.6	0.7	0.9

Upgrade to ADD; premium valuations to continue

We upgrade HDFC Bank to ADD post the recent correction. The stock has underperformed Sensex by 12% over the past 3 months and 8% over the last month. Despite the bank trading at premium valuations of 20X PER and 3.5X FY2012E PBR, we believe that the above-average business growth and declining credit costs would enable the bank to deliver 28-30% earnings growth over the medium term and expect higher valuations to sustain. We see limited margin impact as the benefit of strong CASA ratio cushions the rise in deposit rates. HDFC Bank is one of the best banks to own in such an environment given its strong core liability franchisee; upgrade to ADD. Our TP of Rs2,500 remains unchanged.

Lower credit costs and strong business performance to drive earnings growth

We are building earnings to grow by 30% CAGR in FY2010-12E on the back of strong business growth and sharp decline in loan loss provisions. We are impressed by HDFC Bank's recent operational performance—excelling on all key parameters. Margins have been maintained at 4.2% levels in many quarters despite a volatile interest rate cycle. Loan growth continues to remain above-industry average while NPL ratios have declined sharply resulting in lower credit costs. Quality of earnings has improved considerably as earnings are being driven by core performance with negligible treasury income.

CASA ratio at 50% to cushion the impact of rising deposit rates

With interest rates firmly rising in recent quarters on the back of tight liquidity environment, the power of CASA franchisee is likely to be reflected in the resilience of its margins and strong pricing power of its loan portfolio. CASA deposit growth has been spectacular with savings deposits growing by 38% yoy to ₹595 bn and current deposits growing by 22% yoy to ₹394 bn as of September 2010 – one of the best in the industry. Over the past one year, CASA ratio has consistently averaged at 50% (average CASA near 45%) and we expect the bank to maintain it at current levels. We see limited downside to our margins from current levels.

ADD

DECEMBER 23, 2010

CHANGE IN RECO.

Coverage view: **Attractive**

Price (Rs): **2,191**

Target price (Rs): **2,500**

BSE-30: **19,983**

QUICK NUMBERS

- Earnings growth of 30% driven by growth and lower credit costs
- Ideally suited in a rising interest rate scenario with its 50% CASA ratio portfolio
- Upgrade to ADD with TP of ₹ 2,500

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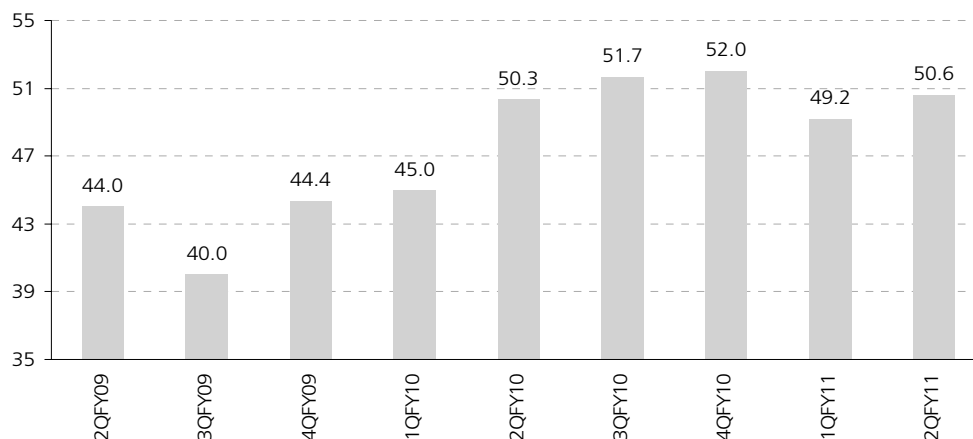
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CASA ratios have seen a sharp increase over the last few quarters

CASA % as proportion of deposits, March fiscal year-ends, 2QFY09 – 2QFY11 (%)



Source: Company, Kotak Institutional Equities

HDFC Bank has been gaining market share in CASA deposits
YoY market share of CASA deposits growth, March fiscal year-ends, 2QFY10-2QFY11 (%)

	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11
Public banks					
Andhra Bank	2.1	1.9	2.0	1.9	1.9
Bank of Baroda	7.6	7.7	7.5	7.7	7.7
Bank of India	5.4	5.6	5.4	5.5	5.4
Canara Bank	6.0	6.1	5.9	5.9	5.7
Corporation Bank	1.8	1.9	2.3	1.9	1.9
Indian Bank	2.5	2.6	2.4	2.5	2.5
IOB	3.4	3.1	3.1	3.1	3.1
OBC	2.6	2.6	2.6	2.6	2.5
PNB	9.1	8.8	8.8	8.9	8.9
State Bank of India	32.2	32.2	32.6	33.1	32.6
Union Bank	5.0	4.8	4.7	4.8	4.6
Old private banks					
Federal Bank	0.9	0.9	0.8	0.9	0.8
J&K Bank	1.2	1.3	1.3	1.2	1.3
New private banks					
Axis Bank	5.0	5.1	5.7	5.1	5.2
HDFC Bank	7.7	7.8	7.6	7.7	7.9
ICICI Bank	7.4	7.6	7.3	7.2	7.8
Yes Bank	0.2	0.2	0.2	0.3	0.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Kotak Institutional Equities

HDFC Bank has been the fastest growing bank on CASA front
CASA Deposits for last 5 quarters March fiscal year-ends, 2QFY10-2QFY11 (₹ bn)

	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11
Public banks					
Andhra Bank	201	200	229	220	239
Bank of Baroda	750	795	859	897	968
Bank of India	530	571	618	649	681
Canara Bank	586	627	683	694	720
Corporation Bank	181	196	265	219	243
Indian Bank	248	264	281	298	316
IOB	337	319	361	363	391
OBC	255	271	300	300	319
PNB	889	901	1,019	1,043	1,117
State Bank of India	3,166	3,311	3,753	3,873	4,088
Union Bank	491	489	538	558	581
Old private banks					
Federal Bank	86	90	94	101	106
J&K Bank	120	138	152	142	163
New private banks					
Axis Bank	495	519	660	592	652
HDFC Bank	754	800	871	900	989
ICICI Bank	727	783	842	846	982
Yes Bank	19	22	28	32	40
Total	9817	10272	11,524	11,696	12,554

Source: Kotak Institutional Equities

Loan growth to remain higher than industry

The management has highlighted their strategy of growing loans by 3-5% higher than industry growth on a normalized basis. 1HFY11 witnessed higher-than-industry loan growth at 38% yoy as it benefitted from an opportunistic lending in telecom etc. We are building loan growth at 28% CAGR for FY2010-12E. Barring interest rates, we see limited headwinds in most of the segments that the bank is present. Retail business continues to grow at a healthy pace while the buyback of mortgages from HDFC will sustain loan growth at current levels. Also, with improvement in economic activity there are sufficient opportunities to grow at a rapid pace for project-related activities, an area where HDFC Bank is seriously looking to enter but mainly for its internal clients having focused on working capital related business in the past. We believe that the proportion of mortgages and project-related loans will increase over time although retail and working capital loans will continue to dominate its loan book.

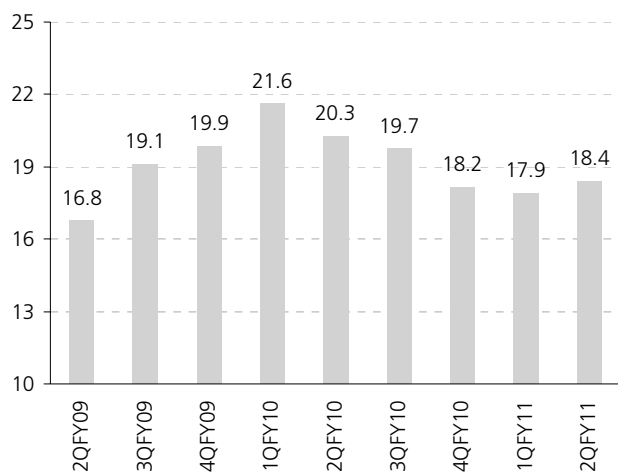
Credit costs to remain low in this phase of credit cycle

We are building credit costs to decline to 1.2% in FY2011E and 1.1% in FY2012E as NPLs have been stabilized, underwriting in the past 6-8 quarters have been fairly stringent, and current outlook on business activity and savings levels continues to remain strong. Retail and corporate NPL should witness lower incremental delinquencies. The bank historically has been providing about 200 bps loan loss provisioning, which we expect to decline now, also aided by the fact that loan book composition is changing towards more secure assets.

HDFC Bank has managed its asset quality in the best possible manner by sustaining its net NPLs currently at 0.3% and gross NPLs at 1.2%. The total restructured assets for HDFC Bank are just at 0.3% of the loan book

Gross NPLs have declined over the past few quarters

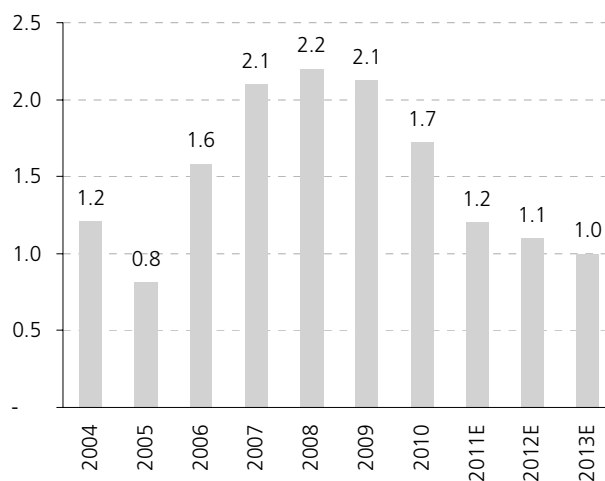
Gross NPL %, March fiscal year-ends, 2QFY09 – 2QFY11 (₹ bn)



Source: Company, Kotak Institutional Equities estimates.

Building credit costs to decline to 1.2% in FY2011

Loan loss provisions, March fiscal year-ends, 2QFY09 – 2QFY11 (₹ bn)



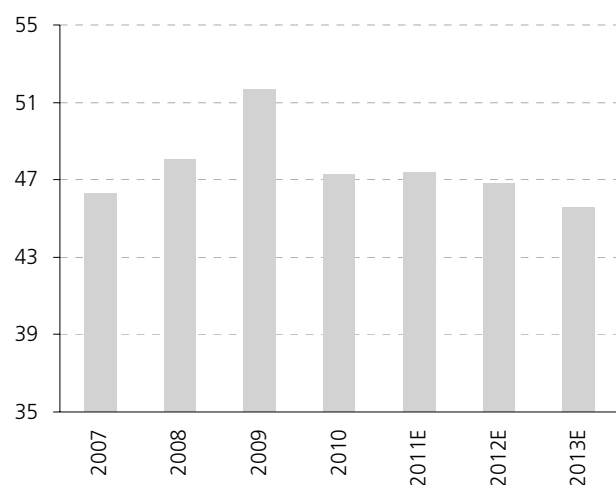
Source: Company, Kotak Institutional Equities estimates

Cost-income ratio maintained at current levels

Cost-income ratio has been maintained at 48% levels, levels that the bank had seen pre-CBoP merger. We expect cost-income ratios to be maintained at closer to current levels despite business witnessing some shift to higher duration low-risk products like housing.

Operating efficiency has increased post the CBoP merger

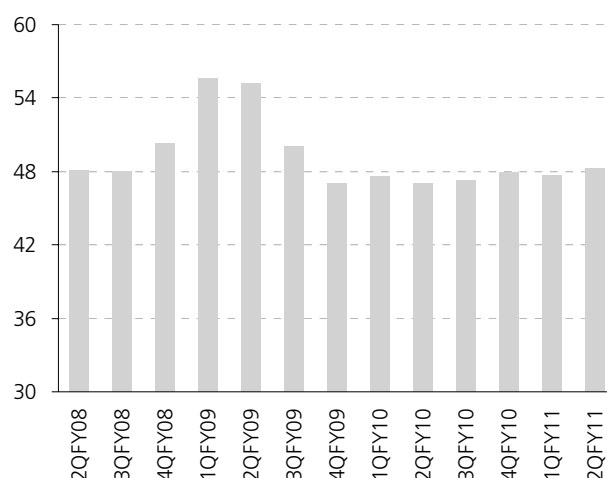
Cost-income ratio, March fiscal year-ends, 2007-2013E (%)



Source: Company, Kotak Institutional Equities

Cost-income ratio currently at 48% levels

Cost-income ratio, March fiscal year-ends, 2QFY08-2QFY11 (%)



Source: Company, Kotak Institutional Equities

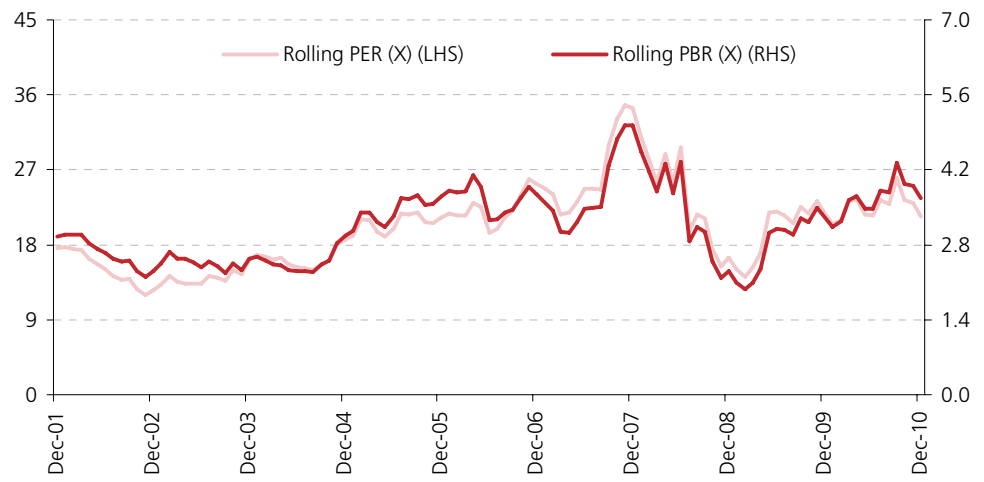
HDFC Bank—estimate changes

March fiscal year-ends, 2011-2013E, Rs bn

	Old estimates			New estimates			% change		
	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E
Net loan growth (%)	30.4	25.1	25.0	30.4	25.1	25.0			
Retail loan to total loans (%)	45.8	39.9	26.4	45.8	39.9	26.4			
Total assets	2,781	3,421	4,197	2,781	3,421	4,194	(0.0)	—	(0.1)
Total income	144.2	175.1	216.3	144.2	175.2	216.2	(0.0)	—	(0.0)
Net interest income	103.1	126.0	157.4	103.1	126.0	157.3	(0.0)	—	(0.1)
NIM (%)	4.3	4.2	4.2	4.3	4.2	4.2			
Other income	41.1	49.1	58.8	41.1	49.2	58.9	—	0.2	0.2
Fee income	33.7	39.4	46.9	33.7	39.4	46.9	—	—	—
Expenses	68.3	81.0	93.8	68.3	82.0	98.6	(0.0)	1.2	5.1
Employee cost	28.5	34.2	39.0	28.5	35.1	42.7	0.1	2.7	9.6
Other cost	39.8	46.8	54.8	39.8	46.8	55.8	(0.1)	0.1	1.9
Loan loss provisions	17.4	20.3	23.1	17.4	20.3	23.1	—	—	—
PBT	55.5	72.7	98.2	55.5	71.9	93.5	—	(1.1)	(4.7)
PAT	38.9	50.9	68.7	38.9	50.3	65.5	(0.1)	(1.1)	(4.7)
PBT-treasury+provisions	75.4	93.0	121.2	75.8	92.1	116.2	0.5	(1.0)	(4.1)
EPS (Rs)	84.9	111.2	150.1	84.9	109.9	143.1	—	(1.2)	(4.7)
BVPS (Rs)	537	624	741	537	623	734	—	(0.2)	(0.9)

Source: Company, Kotak Institutional Equities estimates

Rolling PER and PBR for HDFC Bank
December 2001-December 2010, (X)



Source: Kotak Institutional Equities

HDFC Bank growth rates and key ratios
 March fiscal year-ends, 2008-2013E (%)

	2008	2009	2010	2011E	2012E	2013E
Growth rates (%)						
Net loan	35.1	55.9	27.3	30.4	25.1	25.0
Customer assets growth	26.5	40.4	26.8	30.1	24.8	24.8
Retail loans to Customer assets	61.7	61.8	57.6	45.8	39.9	26.4
Net fixed assets	21.6	44.6	24.5	(3.5)	0.3	(2.1)
Cash and bank balance	61.4	18.5	71.0	(5.0)	11.2	12.1
Total Asset	46.0	37.6	21.4	25.0	23.0	22.6
Deposits	47.5	41.7	17.2	28.3	26.2	25.0
Current	45.2	(1.1)	30.9	15.4	19.9	25.0
Savings	33.5	73.3	1.1	33.7	28.7	25.0
Fixed	58.7	33.5	42.9	29.1	26.2	25.0
Net interest income	48.7	34.5	13.0	22.9	22.3	24.8
Loan loss provisions	41.2	42.0	12.3	(10.3)	16.8	13.7
Total other income	50.4	44.2	15.7	8.0	19.5	19.9
Net fee income	32.7	43.3	15.2	18.9	17.1	19.0
Net capital gains	(453.4)	58.2	(9.8)	(97.1)	1,000.0	27.3
Net exchange gains	48.7	111.4	2.0	16.0	18.0	20.0
Operating expenses	54.7	47.7	4.2	18.5	20.0	20.3
Employee expenses	67.5	72.0	2.3	24.7	23.0	21.7
Key ratios (%)						
Yield on average earning assets	9.7	10.8	8.3	8.2	8.7	9.0
Yield on average loans	12.6	15.0	10.8	10.3	10.7	11.0
Yield on average investments	7.9	7.4	6.8	7.0	7.2	7.3
Average cost of funds	5.2	6.7	4.6	4.5	5.1	5.3
Interest on deposits	5.2	6.6	4.5	4.4	5.0	5.1
Difference	4.6	4.1	3.7	3.7	3.6	3.6
Net interest income/earning assets	5.1	4.9	4.3	4.3	4.2	4.2
Spreads on lending business	7.5	8.3	6.2	5.8	5.6	5.6
Spreads on lending business (incl. Fees)	10.6	11.3	8.7	8.1	7.7	7.7
New provisions/average net loans	2.2	2.1	1.7	1.2	1.1	1.0
Total provisions/gross loans	1.0	1.0	1.1	1.9	2.5	2.8
Interest income/total income	70.7	69.3	68.8	71.5	71.9	72.8
Other income / total income	29.3	30.7	31.2	28.5	28.1	27.2
Fee income to total income	22.0	22.9	23.2	23.3	22.5	21.7
Fee income to advances	3.1	3.0	2.5	2.3	2.1	2.0
Fees income to PBT	75.2	74.5	66.0	60.6	54.8	50.1
Net trading income to PBT	(2.0)	11.6	8.0	(3.4)	0.1	0.4
Exchange inc./PBT	12.4	18.1	14.2	12.8	11.6	10.7
Operating expenses/total income	48.0	51.7	47.3	47.4	46.8	45.6
Operating expenses/assets	3.3	3.5	2.8	2.7	2.6	2.6
Operating profit /AWF	1.9	1.9	2.0	2.3	2.3	2.5
Tax rate	30.3	32.0	31.3	30.0	30.0	30.0
Dividend payout ratio	18.9	18.9	18.6	18.6	18.6	18.6
Share of deposits						
Current	28.5	19.9	22.2	20.0	19.0	19.0
Fixed	45.5	55.6	48.0	50.0	51.0	51.0
Savings	26.0	24.4	29.8	30.0	30.0	30.0
Loans-to-deposit ratio	62.9	69.2	75.2	76.4	75.8	75.8
Equity/assets (EoY)	8.6	8.2	9.7	8.8	8.3	8.0
Dupont analysis (%)						
Net interest income	4.7	4.7	4.1	4.1	4.1	4.1
Loan loss provisions	1.1	1.1	1.0	0.7	0.7	0.6
Net other income	2.0	2.1	1.9	1.6	1.6	1.5
Operating expenses	3.6	3.6	2.9	2.8	2.6	2.6
Invnt. depreciation	—	—	—	0.1	—	—
(1- tax rate)	69.7	68.0	68.7	70.0	70.0	70.0
ROA	1.4	1.4	1.5	1.6	1.6	1.7
Average assets/average equity	12.5	11.9	11.1	10.9	11.7	12.3
ROE	17.7	16.9	16.1	16.9	19.0	21.1

Source: Company, Kotak Institutional Equities estimates

HDFC Bank P&L and balance sheet

March fiscal year-ends, 2008-2013E (Rs mn)

	2008	2009	2010	2011E	2012E	2013E
Income statement						
Total interest income	104,034	163,323	161,729	198,886	262,982	333,640
Loans	69,667	121,368	120,983	149,129	198,487	253,420
Investments	31,604	40,080	39,813	47,713	62,392	78,879
Cash and deposits	2,762	1,876	933	2,044	2,103	1,342
Total interest expense	48,871	89,111	77,863	95,827	136,982	176,331
Deposits from customers	43,827	80,155	69,977	83,805	121,549	156,403
Net interest income	55,163	74,212	83,866	103,058	126,001	157,310
Loan loss provisions	12,160	17,263	19,391	17,397	20,316	23,089
Net interest income (after prov.)	43,002	56,949	64,475	85,661	105,685	134,221
Other income	22,825	32,906	38,077	41,137	49,153	58,917
Net fee income	17,145	24,573	28,306	33,658	39,399	46,893
Net capital gains	2,418	3,826	3,451	100	1,100	1,400
Net exchange gains	2,831	5,986	6,103	7,079	8,354	10,025
Operating expenses	37,456	55,328	57,645	68,294	81,959	98,590
Employee expenses	13,014	22,382	22,892	28,539	35,109	42,741
Depreciation on investments	2,884	—	—	2,000	1,000	1,000
Other Provisions	2,683	1,528	2,010	1,000	—	—
Pretax income	22,811	32,999	42,898	55,504	71,879	93,548
Tax provisions	6,909	10,549	13,410	16,651	21,564	28,064
Net Profit	15,902	22,449	29,488	38,853	50,315	65,483
% growth	39.3	41.2	31.4	31.8	29.5	30.1
Operating profit	35,229	47,964	60,847	75,802	92,095	116,237
% growth	33.8	36.1	26.9	24.6	21.5	26.2
Balance sheet						
Cash and bank balance	147,783	175,066	299,424	284,515	316,404	354,547
Cash	9,401	15,862	24,353	26,788	29,467	32,413
Balance with RBI	116,131	119,410	130,480	113,136	142,346	177,542
Balance with banks	9,949	9,051	7,092	7,092	7,092	7,092
Net value of investments	493,933	588,252	586,154	773,686	969,119	1,190,214
Govt. and other securities	316,656	521,566	510,499	698,503	893,936	1,115,031
Shares	345	397	1,035	1,035	1,035	1,035
Debentures and bonds	62,517	19,428	11,393	11,393	11,393	11,393
Net loans and advances	634,269	988,830	1,258,306	1,641,269	2,052,461	2,565,329
Fixed assets	11,751	16,989	21,150	20,410	20,472	20,040
Net leased assets	—	—	—	—	—	—
Net Owned assets	11,751	16,989	21,150	20,410	20,472	20,040
Other assets	44,027	63,568	59,551	60,983	62,558	64,291
Total assets	1,331,764	1,832,706	2,224,586	2,780,863	3,421,014	4,194,421
Deposits	1,007,686	1,428,116	1,674,044	2,147,144	2,708,837	3,385,720
Borrowings and bills payable	108,852	120,860	188,414	226,163	248,688	275,719
Other liabilities	100,254	133,257	146,902	161,945	178,527	196,808
Total liabilities	1,216,792	1,682,233	2,009,361	2,535,252	3,136,053	3,858,246
Paid-up capital	3,544	4,254	4,577	4,577	4,577	4,577
Reserves & surplus	111,428	146,219	210,648	241,033	280,384	331,597
Total shareholders' equity	114,972	150,473	215,225	245,611	284,961	336,174

Source: Company, Kotak Institutional Equities estimates

SUN gets go-ahead for product launch, but uncertainty remains. As per the Appeals Court ruling (1) the stay preventing SUN from selling generic Eloxatin has been lifted, and (2) the case has been remanded back to lower court. This implies SUN could launch it; however, given the case will continue at lower court, this would imply an at-risk launch. According to SUN, there may be a clause in settlements signed by Sanofi allowing re-entry of other generics in case SUN launches it, before a pre-specified date, which may reduce the incentive for SUN to launch at risk. In case of no competition, we think SUN can garner US\$50-60 mn of sales/quarter on a conservative basis. We await SUN's product launch before revising our estimates. Maintain BUY, PT of Rs482.

Company data and valuation summary

Sun Pharmaceuticals

Stock data

52-week range (Rs) (high,low)	477-280
Market Cap. (Rs bn)	446.6

Shareholding pattern (%)

Promoters	63.7
FII's	19.0
MF's	2.8

Price performance (%)	1M	3M	12M
Absolute	(5.3)	14.2	39.6
Rel. to BSE-30	(5.6)	13.7	16.4

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	13.0	18.0	19.6
EPS growth (%)	(25.7)	38.2	8.8
P/E (X)	33.1	23.9	22.0
Sales (Rs bn)	40.8	59.4	75.6
Net profits (Rs bn)	13.5	18.7	20.3
EBITDA (Rs bn)	15.4	22.7	25.4
EV/EBITDA (X)	26.7	17.6	15.2
ROE (%)	17.2	20.7	19.0
Div. Yield (%)	0.6	0.6	0.6

Background to the SUN-Sanofi case over generic Eloxatin

In October 2009, the US District Court of New Jersey signed off on Sanofi-Aventis' settlement agreement with SUNP. Sanofi then appealed regarding the enforceability of this agreement. In March 2010, the District Court ruled that the agreement with SUNP resolving the patent dispute over Eloxatin was enforceable. Based on this judgment, SUNP launched generic Eloxatin on March 11, 2010. However, under this settlement, Sanofi believed that SUNP can continue to market until other generics enter the market, i.e. till June 2010. Sanofi therefore asked the court to enter a judgment reflecting the same. On April 23, 2010 the District court ruled that SUN would have to stop selling beyond June 2010. This was appealed by SUN.

Appeals Court overturns lower court order banning SUN from selling Eloxatin beyond June 2010

As per Appeals Court ruling, (1) the stay preventing SUN from selling generic Eloxatin beyond June 2010 has been lifted, and (2) the case has been remanded back to lower court. The above implies that SUN is free to launch generic Eloxatin; however, given that the case is to continue at lower court, this would imply an at-risk launch.

Uncertainty over launch remains, we present scenario analysis (see inside)

According to SUN, there may be a clause in settlements signed by Sanofi with other generic companies allowing re-entry in case of a generic launch, before a pre-specified date, which may reduce the incentive for SUN to launch at risk. We believe SUN re-launching generic Eloxatin depends on (1) this pre-specified date which will determine the exclusivity to be enjoyed by SUNP (we estimate US\$50-60 mn of sales/quarter translating into EPS of Rs1.5-2/quarter in case of no competition on a conservative basis), and (2) SUN's risk-taking ability to launch at risk immediately versus launching post-settlement with Sanofi with a later date, but before Aug 2012. We present a scenario analysis in the note. We await SUN's product launch before revising our estimates.

BUY

DECEMBER 23, 2010

UPDATE

Coverage view: **Cautious**

Price (Rs): **453**

Target price (Rs): **482**

BSE-30: **19,983**

QUICK NUMBERS

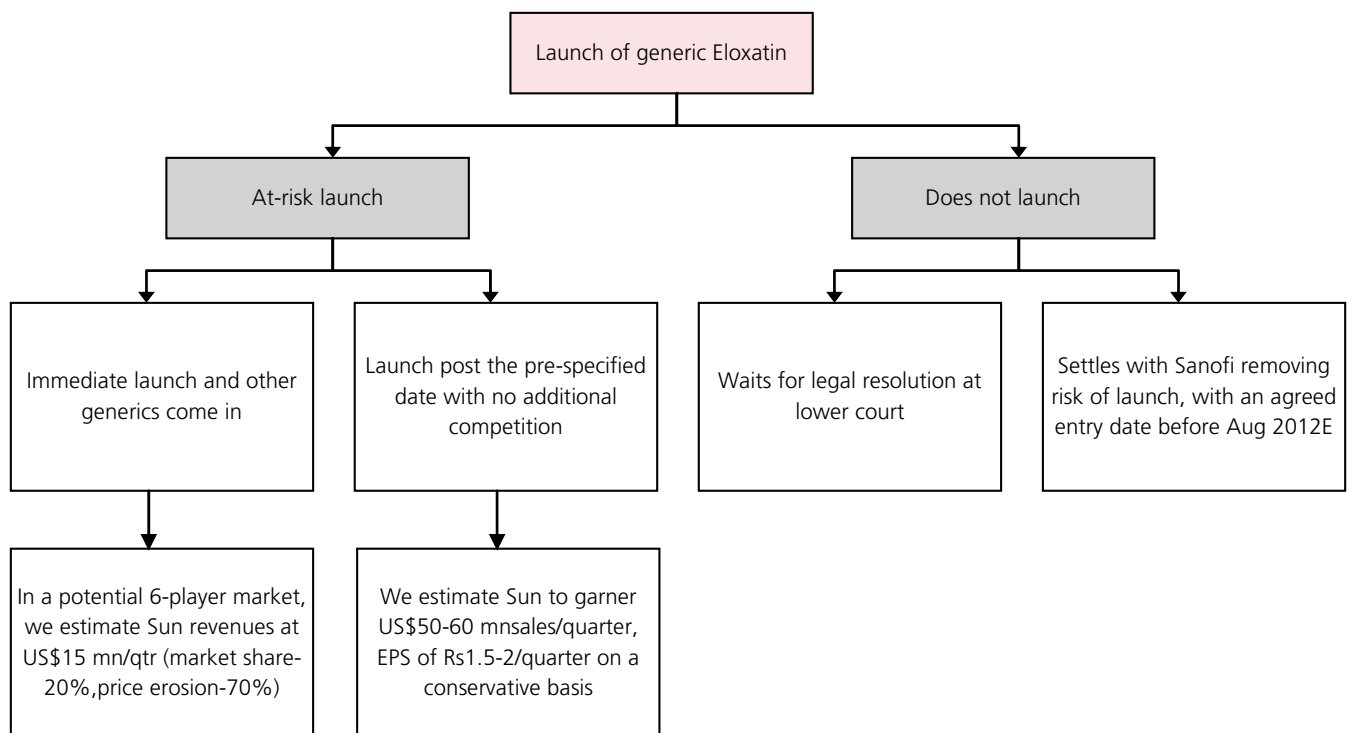
- Appeals Court overturns lower court order banning SUN from selling Eloxatin
- SUN could launch; however, it would remain an at-risk launch
- In case of no competition, we think SUN can garner at least US\$50-60 mn of sales/quarter

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Uncertainty over launch remains, we present scenario analysis



Source: Kotak Institutional Equities estimates, Company

Sequence of events on generic Eloxatin case

- ▶ June 2009. The US District Court for the District of New Jersey granted summary judgment of non-infringement of Eloxatin patent in favor of TEVA, HSP and SUNP.
- ▶ July 2009. SNY promptly appealed against the above decision at the US Court of Appeals for the Federal Circuit and on July 1, 2009, the Federal Circuit temporarily stayed the district court judgment.
- ▶ August 2009. FDA approved ANDAs for oxaliplatin for the above three companies despite the stay. On August 11, 2009 HSP and TEVA launched their products while SUNP did not.
- ▶ September 2009. In the ruling on September 10, 2009, The US Court of Appeals for the Federal Circuit reversed the lower court ruling that generic manufacturers did not infringe the patent on Sanofi's drug. The Court of Appeals for the Federal Circuit remanded the case back to the district court.
- ▶ October 2009. The US District Court for the District of New Jersey approved Sanofi-Aventis' settlement agreement with SUNP. The agreement ended the litigation over generic Eloxatin. This was appealed By Sanofi.
- ▶ March 2010. In early March 2010, a decision was issued in favor of SUNP. Based on this judgment, SUNP launched the product on March 11, 2010.

- ▶ April 2010. However, under this settlement, Sanofi believed that SUNP can continue to market until other generics enter the market, i.e. till June 2010. Sanofi therefore asked the court to enter a judgment reflecting the same. On April 23, 2010 the district court ruled that SUN would have to stop selling beyond June 2010. This was appealed by SUN. In April, Sanofi also signed settlement agreements resolving litigation over generic Eloxatin with Teva, Fresenius, Hospira, Sandoz, Par, Actavis. Under the terms of the proposed settlement, the generic manufacturers would resume selling generic oxaliplatin products on August 9, 2012.
- ▶ June 2010. As per lower court ruling above, SUN along with the other generic companies stop selling generic Eloxatin beyond June 30, 2010.
- ▶ December 2010. Appeals Court overturns lower court order banning SUN from selling Eloxatin beyond June 2010.

Profit and loss statement, March fiscal year-ends, 2007-2012E

	2007	2008	2009	2010	2011E	2012E
Net sales	21,321	33,565	42,723	40,761	59,364	75,591
Materials	(5,767)	(7,222)	(8,556)	(10,978)	(16,809)	(21,805)
Selling and administration	(2,616)	(3,759)	(5,543)	(6,317)	(9,450)	(11,372)
Employee cost	(1,989)	(2,331)	(3,401)	(4,822)	(7,029)	(8,435)
R& D	(2,440)	(2,725)	(3,099)	(2,472)	(3,277)	(6,047)
Others	(1,785)	(2,017)	(3,484)	(2,810)	(2,968)	(3,780)
Total expenditure	(14,597)	(18,054)	(24,084)	(27,400)	(39,534)	(51,439)
EBITDA	6,724	15,511	18,640	13,362	19,829	24,153
Depreciation and amortisation	(813)	(969)	(1,233)	(1,533)	(2,154)	(2,650)
EBIT	5,910	14,543	17,407	11,829	17,676	21,503
Net finance cost	(127)	(88)	—	—	—	—
Other income	2,551	1,539	2,085	2,320	2,839	2,400
Pretax profits before extra-ord	8,335	15,994	19,492	14,148	20,515	23,903
Current tax	(91)	(1,288)	(1,192)	(679)	(1,115)	(1,673)
Deferred tax	158	804	481	0	0	0
Reported net profit	8,402	15,509	18,780	13,470	19,400	22,230
Minority Interests	559	640	603	(41)	731	1,912
Reported net profit after mino	7,843	14,869	18,177	13,511	18,669	20,317

Source: Kotak Institutional Equities, Kotak Institutional Equities estimates, Company

Balance sheet, cash model, March fiscal year-ends, 2007-2012E

	2007	2008	2009	2010	2011E	2012E
Balance sheet						
Total equity	31,596	49,915	70,449	78,289	94,162	111,684
Total debt	11,144	1,436	1,789	1,712	7,212	7,212
Current liabilities	3,046	6,373	7,198	7,579	7,410	8,011
Minority Interests	438	1,886	1,970	1,932	2,663	4,575
Deferred tax liabilities	895	92	(679)	(890)	(890)	(890)
Total equity and liabilities	47,118	59,701	80,728	88,621	110,556	130,591
Cash and cash equivalents	13,802	12,389	16,690	6,073	19,439	33,572
Current assets	16,086	26,983	25,993	31,048	34,772	41,822
Net fixed assets	9,514	10,354	14,625	15,328	20,174	19,024
Intangible assets	697	1,729	3,253	4,060	4,060	4,060
Capital -WIP	608	686	1,571	1,448	1,448	1,448
Investments	2,543	7,560	18,595	30,664	30,664	30,664
Total assets	43,250	59,701	80,728	88,621	110,556	130,591
Free cash flow						
Operating cash flow, excl. work	8,134	15,198	18,841	14,749	21,554	23,764
Working capital	(5,568)	(7,183)	1,113	(4,702)	(3,101)	(4,538)
Capital expenditure	(2,103)	(1,787)	(6,401)	(1,742)	(1,500)	(1,500)
Investments	998	(5,017)	(11,035)	(12,069)	—	—
Free cash flow	1,461	1,210	2,519	(3,763)	16,953	17,726

Source: Kotak Institutional Equities estimates, Company

DECEMBER 23, 2010
UPDATE

Coverage view: **Attractive**

Price PFC/REC (Rs): **323 / 300**

Target price PFC/REC (Rs):
325 / 300

Margin pressure on power finance companies. We believe that rising bulk borrowings rates will put pressure on margins of PFC and REC in the medium term. Capacity addition in the generation segment will likely drive better traction for PFC while loan growth will likely be somewhat lower for REC. Power finance companies (PFC and REC) have underperformed on the back of likely margin pressure and slower loan growth, we retain negative stance on both the stocks.

Company data and valuation summary

PFC

Stock data

52-week range (Rs) (high,low)	385-228
Market Cap. (Rs bn)	370.6

Shareholding pattern (%)

Promoters	89.8
FIs	3.8
MFs	2.1

Price performance (%)	1M	3M	12M
Absolute	(5.9)	(5.2)	27.1
Rel. to BSE-30	(7.3)	(5.8)	9.6

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	20.5	24.1	28.7
EPS growth (%)	54.0	17.5	19.1
P/E (X)	15.7	13.4	11.2
NII (Rs bn)	29.9	37.8	46.0
Net profits (Rs bn)	23.6	27.7	33.0
BVPS	110.5	127.9	148.9
P/B (X)	2.9	2.5	2.2
ROE (%)	19.0	19.3	19.8
Div. Yield (%)	1.4	1.5	1.8

Company data and valuation summary

Rural Electrification Corp.

Stock data

52-week range (Rs) (high,low)	414-205
Market Cap. (Rs bn)	295.9

Shareholding pattern (%)

Promoters	66.8
FIs	20.4
MFs	3.1

Price performance (%)	1M	3M	12M
Absolute	(13.3)	(11.4)	24.1
Rel. to BSE-30	(14.6)	(12.0)	7.0

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	20.3	25.7	30.0
EPS growth (%)	23.2	26.7	16.9
P/E (X)	14.8	11.7	10.0
NII (Rs bn)	25.2	32.8	38.5
Net profits (Rs bn)	20.0	25.4	29.7
BVPS	112.1	128.8	148.3
P/B (X)	2.7	2.3	2.0
ROE (%)	22.0	21.3	21.7
Div. Yield (%)	2.2	2.6	3.0

Rising bulk borrowing rates put pressure on margins

The current liquidity squeeze in the system has put significant pressure on bulk borrowing rates, primarily in the shorter end on the yield curve - interest rates below one year are up by about 4% from April 2010 levels. NIMs for PFC and REC have been in sweet spot over the past few quarters supported by excess liquidity and lower borrowings cost - the decline in lending rates by these companies was lower than the reduction in borrowings cost. We are reducing REC's margins by about 10-20 bps to factor lower margins over the next few quarters.

- ▶ In FY2011E, about Rs100 bn of REC's loan assets are due for re-pricing as compared to Rs50-60 bn of borrowings - favorable re-pricing of assets as compared to liabilities supported REC's spreads, the benefit is unlikely to extend in FY2012E.
- ▶ Higher share of private sector business (in the XII 5- year Plan) will likely increase competition for these companies and put pressure on margins. In case of PFC, about 23% of approvals are driven by private players as compared to 7% share in the current loan book.

Generation companies growing at a faster clip

We believe that PFC will likely deliver about 27% loan growth over the next two years, significantly higher than 22% loan book CAGR between 2007 and 2010, on the back of strong growth in the generation segment. REC has reported loan growth of about 25% YTD and loan growth will likely remain moderate as compared to 27% loan growth CAGR between 2007 and 2010. We are now modeling about 23% loan growth for REC in FY2011E and FY2012E as compared to 26% CAGR factored earlier.

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NPLs remain a risk

PFC and REC currently have negligible NPLs. Strong collections from state utilities despite the latter's poor financials remain a residual risk for these companies. Financial losses reported by state utilities have increased over the years though the asset quality performance of power finance companies remains strong likely due to their nodal agency role and central Government ownership. Government's impetus on power sector provides comfort in this regard. Nevertheless, we would like to highlight that unlike other NBFCs (like IDFC) and banks, PFC and REC have not made any provisioning buffers for any likely slippages.

Losses have increased across states

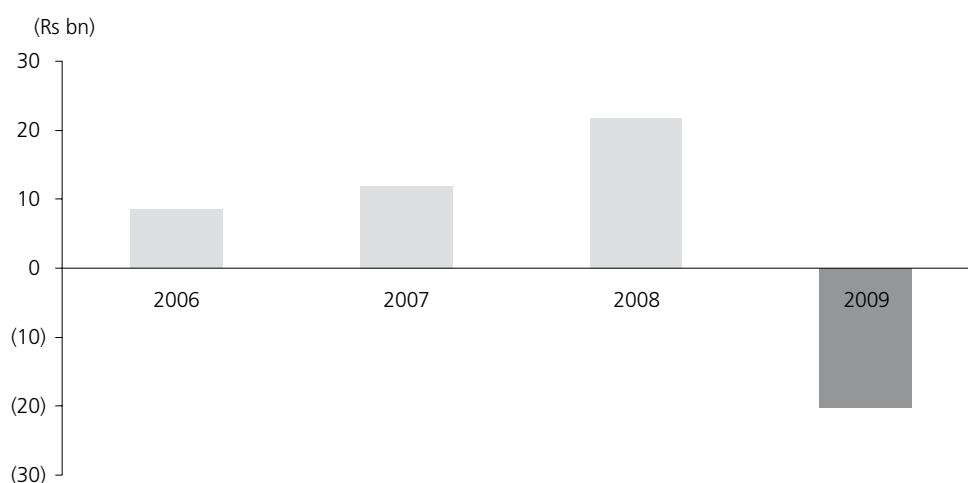
Accounting and cash loss of all state utilities (including distribution companies- Rs bn)

	2007		2008		2009	
	Loss	Cash loss	Loss	Cash loss	Loss	Cash loss
TN, UP, MP, Haryana and Karnataka	(65)	(56)	(102)	(75)	(195)	(199)
All other states	(66)	(9)	(24)	(1)	(34)	(85)
Total	(131)	(65)	(125)	(76)	(229)	(284)

Source: PFC

Generation and transmission companies also reported losses

Aggregate profits (losses) of generation, transmission and trading companies (Rs bn)



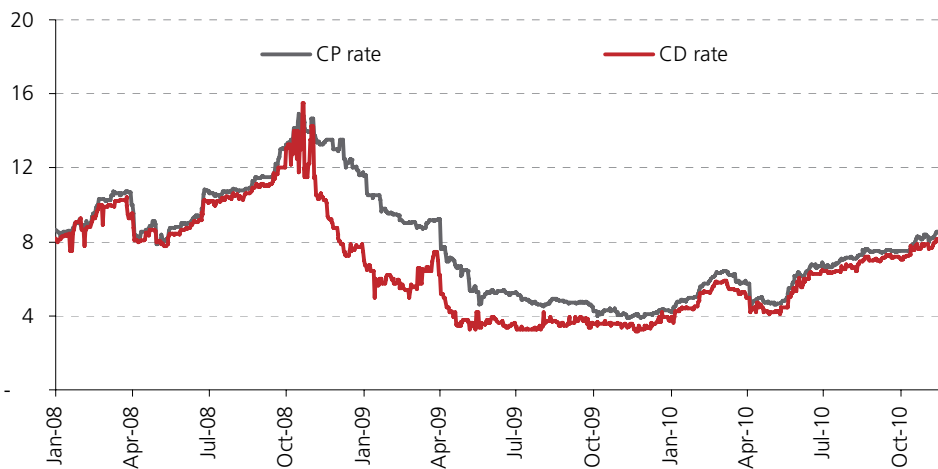
Source: PFC

Retain negative stance on PFC and REC

PFC and REC have underperformed the markets significantly over the last one month. We believe that stock performance will likely remain under pressure as NIM compression is more visible. We are revising down our estimates on REC to factor somewhat lower loan growth and margins. Retain REDUCE rating with price target of Rs300 (Rs350 earlier). PFC is relatively better placed due to higher growth traction though margins remain at a risk. The stock is trading closer to our target price, we revise rating to REDUCE from SELL, retain target price of Rs325.

Short-term rates have seen a rise in past few months

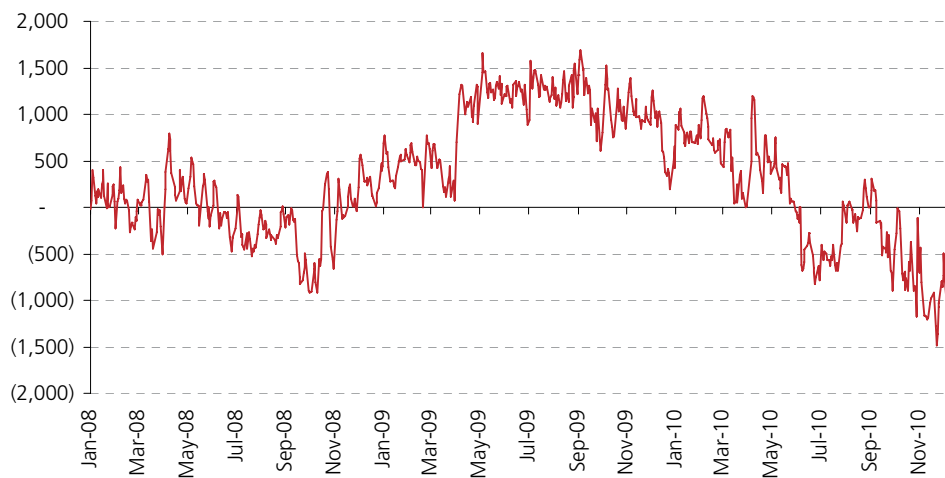
CP and CD rates, 2008-2011 (%)



Source: Bloomberg

Liquidity has tightened significantly

Net Reverse Repo amount (net of Repo) outstanding, 2008-2011 (Rs bn)



Source: Bloomberg

Loan growth trends for PFC and REC

	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
MOM loan growth (%)									
PFC		4	7	3	4	6	10	7	3
REC		13	4	7	7	8	4	5	5
YOY loan growth (%)									
PFC					19	20	24	29	28
REC					34	29	29	27	25
Loan book (Rs bn)									
PFC	579	604	644	662	687	724	798	856	879
REC	437	492	514	548	587	636	665	698	735

Source: Company

PFC and REC: Margins in sweet spot for past few quarters

NIM (KS estimates), September 2008-September 2010 (%)

	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
PFC	3.9	3.8	4.1	4.3	4.3	4.2	4.0	4.2	4.1
REC	4.4	4.1	4.2	4.4	4.5	4.3	4.7	4.7	4.7

Source: Company, Kotak Institutional Equities estimates

Loans for generation growing rapidly

Disbursements for REC and PFC, 1Q10-2Q10 (Rs mn)

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11
REC						
Total	36,180	55,040	60,240	59,860	46,440	55,470
Generation	19,930	20,290	18,170	25,100	32,390	27,590
T&D	12,250	22,950	22,970	31,760	12,050	19,880
Short term loan	4,000	11,800	19,100	3,000	2,000	8,000
Share in total (%)						
Generation	55	37	30	42	70	50
T&D	34	42	38	53	26	36
Short term loan	11	21	32	5	4	14
PFC						
Total	43,460	45,170	64,930	104,530	81,270	57,901
Generation	34,370	34,820	48,110	79,520	46,980	41,480
Transmission	3,340	1,420	2,020	3,780	4,300	611
Distribution	2,230	740	720	2,620	3,090	3,500
R APDRP (A)		3,740	3,700	3,810	170	
R APDRP (B)				1,960	1,950	6,250
Others	3,520	4,450	10,380	12,840	24,780	6,060
Share in total (%)						
Generation	79	77	74	76	58	65
Transmission	8	3	3	4	5	1
Distribution	5	2	1	3	4	6
R APDRP (A)	—	8	6	4	0	—
R APDRP (B)	—	—	—	2	2	10
Others	8	10	16	12	30	10

Source: Company

REC, old and new estimates

March fiscal years 2011-2013E (Rs mn)

	Old estimates			New estimates			% change		
	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E
Net interest income	33,910	40,846	48,574	32,805	38,531	44,811	(3)	(6)	(8)
Loan growth (%)	26	26	25	25	23	23			
NIM (%)	4.5	4.3	4.1	4.4	4.1	3.9	(2.8)	(3.8)	(4.0)
NPL provisions	3	3	4	3	3	4	—	—	—
Other operational income	2,927	3,362	3,870	2,927	3,362	3,870	—	—	—
Other income (forex etc)									
Operating expenses	1,678	1,943	2,252	1,678	1,943	2,252		—	—
Employee	1,323	1,522	1,750	1,323	1,522	1,750	(0)	—	—
Others	355	422	502	355	422	502	(0)	—	—
PBT	35,156	42,261	50,189	34,051	39,946	46,425	(3)	(5)	(7)
Tax	8,965	10,882	13,049	8,683	10,286	12,071	(3)	(5)	(7)
PAT	26,191	31,379	37,140	25,368	29,660	34,355	(3)	(5)	(7)

Source: Kotak Institutional Equities

REC : Key ratios, March fiscal year-ends, 2008-2013E (%)

	2008	2009	2010E	2011E	2012E	2013E
Growth in key parameters (%)						
Interest income	28.5	32.6	37.9	29.8	27.5	18.9
Interest costs	17.5	39.8	35.0	29.5	34.0	20.4
Net interest income	48.5	22.4	42.5	30.2	17.5	16.3
PAT	30.3	47.9	57.3	26.7	16.9	15.8
Disbursements	19.3	34.0	24.9	19.2	17.0	21.5
Loans	22.5	30.7	29.3	25.4	23.0	22.8
Borrowings	13.2	31.1	24.5	26.6	23.7	23.5
Shareholders funds	33.8	15.3	79.0	14.9	15.1	15.2
Key ratios (%)						
Interest yield	9.85	10.29	10.92	11.14	11.45	11.08
Interest cost	6.42	7.31	7.75	7.99	8.56	8.35
Spreads	3.43	2.97	3.16	3.15	2.88	2.73
NIMs	4.05	3.90	4.28	4.38	4.15	3.92
Tax rate	29	26	24	26	26	26
Debt/ equity+DTL (X)	5.5	6.3	5.1	5.6	6.0	6.4
Du Pont analysis						
(% of average assets)						
Net interest income	3.7	3.6	4.0	4.1	3.9	3.7
Other income	0.1	0.5	0.4	0.4	0.3	0.3
Credit costs	0.1	0.0	—	—	—	—
Operating expenses	0.3	0.2	0.2	0.2	0.2	0.2
PBT post extraordinary	3.3	3.9	4.2	4.3	4.1	3.9
1-tax rate	0.7	0.7	0.8	0.7	0.7	0.7
RoA	2.2	2.6	3.1	3.2	3.0	2.9
Average assets / average equity (X)	8.4	8.6	7.4	6.7	7.2	7.6
RoE	18.3	22.0	23.2	21.3	21.7	21.8

Source: Company, Kotak Institutional Equities estimates

REC : Income statement and balance sheet, March fiscal year-ends, 2008-2013E (Rs mn)

	2008	2009	2010E	2011E	2012E	2013E
Income statement (Rs mn)						
Interest income	35,174	46,650	64,309	83,460	106,388	126,538
Interest costs	(20,728)	(28,970)	(39,112)	(50,655)	67,857	81,727
Net interest income	14,447	17,680	25,197	32,805	38,531	44,811
Other income	202	2,660	2,768	2,927	3,362	3,870
Fees	177	1,740	1,189	1,427	1,712	2,055
Net total income	14,649	20,340	27,965	35,731	41,893	48,680
Provisioning expenses	(400)	(20)	(2)	(3)	3	4
Net income (post provisions)	14,249	20,320	27,962	35,729	41,890	48,677
Operating expenses	(1,119)	(1,120)	(1,470)	(1,678)	1,943	2,252
PBT before extraordinaries	13,130	19,200	26,492	34,051	39,946	46,425
Extraordinary income	(6)	—	—	—	—	—
PBT post extraordinaries	13,124	19,200	26,492	34,051	39,946	46,425
Tax	(3,749)	(5,070)	(6,473)	(8,683)	10,286	12,071
Provision for DTL	(774)	(1,410)	(5)	-	-	1
PAT	8,602	12,720	20,014	25,368	29,660	34,354
PAT (add. back DTL)	9,376	14,130	20,019	25,368	29,660	34,355
EPS (adding back DTL) (Rs)	11	16	20	26	30	35
BVPS (adding back DTL) (Rs)	72	83	112	129	148	171
ABVPS (adding back DTL) (Rs)	69	83	112	129	148	171
Balance sheet (Rs mn)						
Assets						
Loans	393,165	513,810	664,520	833,540	1,025,565	1,259,018
Investments	11,474	10,060	9,100	9,100	9,100	9,100
Fixed assets	779	810	900	1,035	1,190	1,369
Current assets	23,725	34,890	37,876	42,419	47,791	54,151
Total assets	429,143	559,570	712,396	886,094	1,083,647	1,323,637
Liabilities						
Borrowings	342,828	449,360	559,480	708,270	876,440	1,081,974
Deferred tax liability	8,170	9,570	(70)	(70)	(70)	(69)
Current liabilities and provisions	24,468	38,740	42,186	50,623	60,747	72,897
Total liabilities	375,466	497,670	601,596	758,823	937,117	1,154,802
Share capital	8,586	8,586	9,874	9,874	9,874	9,874
Reserves and surplus	45,090	53,314	100,926	117,397	136,656	158,961
Shareholders funds	53,676	61,900	110,800	127,271	146,530	168,835

Source: Company, Kotak Institutional Equities estimates

PFC : Key ratios, March fiscal year-ends, 2008-2013E (%)

	2008	2009	2010	2011E	2012E	2013E
Growth rates (%)						
Net interest income	25.6	32.5	26.2	26.4	21.8	20.8
Loan loss provisions	113.3	(135.0)	(115.6)	(3,289.6)	536.9	27.1
Other income	128.3	(71.2)	(21.5)	635.3	20.0	16.7
Operating expense	64.6	66.0	(21.3)	8.7	26.4	26.7
PBT	18.3	11.3	51.4	24.2	19.1	20.4
PAT	22.3	63.3	19.7	17.5	19.1	20.4
PBT- forex gains	27	26	29	29	19	20
Net loans	17	25	24	28	27	27
Disbursements	15	30	24	38	37	30
Unsecured loans (liabilities)	21	28	29	29	29	29
Net worth	9	23	15	16	16	17
Yield measures (%)						
Yield on earnings assets	9.6	10.4	10.3	10.8	10.9	11.0
Yield on loans	10.1	11.0	10.9	11.3	11.4	11.5
Cost of funds	8.3	8.8	8.3	8.6	8.8	8.9
Spread	1.8	2.2	2.6	2.7	2.6	2.5
Net interest margin	3.7	4.0	4.1	4.1	3.9	3.7
Total provisions/net loans (EoY)	(0.02)	0.01	—	0.02	0.09	0.09
Tax rate	32	1	22	26	26	26
Dividend payout ratio	33	23	22	20	20	20
Profitability measures (%)						
Interest income/total income	96.2	111.0	95.8	97.4	97.5	97.5
Other operating income/total income	3.2	0.8	0.4	2.6	2.5	2.5
Other income / total income	0.6	(11.8)	3.8	—	—	—
Operating expenses/total income	4.4	6.3	3.4	3.0	3.1	3.2
Payout ratio	33.3	23.3	21.9	20.0	20.0	20.0
LT Debt- Equity Ratio (X)	4.4	4.5	5.1	5.6	6.2	6.9
CAR (%)	23.6	17.9	16.6	15.1	13.8	12.7
Loan loss provisions/ ave loan assets	(0.02)	0.01	—	0.02	0.10	0.10
ROA decomposition - % of avg. assets						
Net interest income	3.5	3.9	3.9	3.9	3.8	3.6
Interest restructuring premium	—	—	—	—	—	—
Loan loss provisions	(0.0)	—	—	—	0.1	0.1
Adj. Net interest income	3.5	3.8	3.9	3.9	3.7	3.5
Net other operating income	0.1	—	0.0	0.1	0.1	0.1
Other income	—	(0.4)	0.2	—	—	—
Operating expenses	0.2	0.2	0.1	0.1	0.1	0.1
Other expenses & extraordinary	(0.0)	—	—	—	—	—
(1- tax rate)	67.5	99.0	78.2	74.0	74.0	74.0
ROA	2.4	3.2	3.1	2.9	2.7	2.6
Average assets/average equity	5.7	5.9	6.2	6.7	7.3	7.9
ROE	13.5	18.9	19.0	19.3	19.8	20.4

Source: Company, Kotak Institutional Equities estimates

PFC : Income statement and balance sheet, March fiscal year-ends, 2008-2013E (Rs mn)

	2008	2009	2010	2011E	2012E	2013E
Income statement (Rsmn)						
Total interest income	48,833	64,534	79,214	104,007	133,191	170,246
Adj. interest (after rebate for timely payment)	48,452	63,965	78,634	103,007	131,941	168,746
Other interest income	381	569	580—	1,000	1,250	1,500
Total interest expense	30,968	40,859	49,324	66,221	87,165	114,639
Net interest income	17,865	23,675	29,890	37,785	46,026	55,607
Loan loss provisions	(105)	37	(6)	182	1,158	1,471
Other operating income	602	173	136	1,000	1,200	1,400
Other income	108	(2,525)	1,184	—	—	—
Net total income	18,574	21,323	31,209	38,785	47,226	57,007
Operating expenses	810	1344	1058	1149	1452	1840
Depreciation	45	38	34	34	34	34
PBT	17,876	19,905	30,134	37,421	44,583	53,662
Tax	5,809	205	6,562	9,729	11,591	13,952
PAT	12,067	19,699	23,573	27,691	32,991	39,710
PAT (incl def tax/normalised)	13,043	15,310	23,573	27,691	32,991	39,710
PBT + provisions-interest on restruction premium	17,771	19,941	29,983	37,602	45,740	55,133
EPS (Rs)	10.5	17.2	20.5	24.1	28.7	34.6
% growth	22.3	63.3	19.7	17.5	19.1	20.4
DPS(Rs)	3.5	4.0	4.5	4.8	5.7	6.9
BPS (Rs)	81.3	100.3	115.5	134.0	156.0	182.5
EPS (incl def tax Rs)	11	13	21	24	29	35
BPS (incl def tax Rs)	92	101	116	134	156	183
ABVPS (Rs)	77	96	110	127	149	0
ABVPS (incl def tax Rs)	88	96	110	128	149	0
Balance sheet (Rs mn)						
Assets						
Fixed Assets (Net)	770	752	745	699	676	654
Total Loan Assets	515,683	644,290	798,558	1,019,527	1,296,199	1,646,571
Total Current Assets, Loans & Advances	29,896	36,686	48,155	47,224	55,997	66,509
Total Assets	547,005	682,086	847,771	1,067,450	1,352,872	1,713,734
Unsecured Loans	406,478	521,602	671,084	864,741	1,119,281	1,442,921
Total current liabilities	12,125	18,606	21,245	22,103	23,005	23,951
Deferred tax liability	12,403	555	469	469	469	469
Interest Subsidy Fund from GOI	10,668	9,089	6,635	6,635	6,635	6,635
Total liabilities	453,706	567,007	715,164	913,628	1,173,775	1,504,216
Paid up capital	11,478	11,478	11,478	11,478	11,478	11,478
Reserves & surplus	81,821	103,601	121,130	142,345	167,619	198,041
Total equity	93,298	115,078	132,608	153,822	179,097	209,518

Source: Company, Kotak Institutional Equities estimates

DECEMBER 23, 2010

UPDATE

BSE-30: 19,983

Feedback from channel checks with financiers. We met car and commercial vehicle financiers to understand the impact on auto demand in light of tight liquidity conditions and sensitivity of demand to interest rates. Demand seems to be quite robust as of now as customer sentiment is quite upbeat but financiers feel sharp spike in auto interest rates could moderate demand growth going forward.

Auto interest rates are inching up, but aggressive competition keeping financiers at bay

Financiers indicated that car and commercial vehicle interest rates have risen by 100-130 bps since April 2010 but the rate increase has not impacted demand. Financiers believe auto interest rates may not go up sharply due to aggressive competition in the market by financiers. Teaser rate scheme of State Bank of India is still continuing and it is putting pressure on other financiers to hold on to the existing interest rates. Car interest rates are hovering ~10-11% while big fleet operators are getting finance at close to ~10% rate.

Recent correction in commercial vehicle demand was due to migration from BS-2 to BS-3

Commercial vehicle demand corrected sharply in October and November which the financiers believe was due to migration from BS-2 to BS-3 emission norms in October 2010. Truck operators are still reluctant to migrate to BS-3 as (1) they are unsure of spare parts availability and service levels of the BS-3 vehicles, and (2) BS-3 vehicles are 4% more expensive than BS-2 vehicles. However, demand has picked up slightly in December and we believe commercial vehicle demand needs to be carefully monitored over the next few months given concerns on increase in interest rates and moderate pick-up in freight rates.

Non-performing loans have fallen sharply from the financial crisis period

Non-performing loans in the car and commercial vehicle portfolio for these financiers have fallen to 17-50 bps from crisis period levels of 100 bps which has also resulted in more financiers coming into the market. Hence, we do not expect non-performing loans to increase sharply as financiers have become selective in funding the right set of customers after the financial crisis.

December auto sales are likely to be better than November

Financiers indicated that car and commercial vehicle demand has picked up in December and is likely to be much better than November. Commercial vehicle sales are expected to increase by 15-20% mom in December. Maruti Suzuki could, however, see a fall in December dealer despatches due to a one-week shutdown at its plants.

We prefer passenger car players over commercial vehicle and two-wheelers

We believe passenger car volume growth is likely to outpace two-wheelers and commercial vehicle demand in FY2012E due to strong employment outlook and lesser sensitivity of hike in interest rates than commercial vehicles. We forecast domestic passenger car demand to grow at 18% yoy in FY2012E while we estimate two-wheeler and commercial vehicle demand to grow at 14% and 12%, respectively, in FY2012E.

QUICK NUMBERS

- Demand still robust but if interest rates rise sharply demand could get impacted
- Large truck fleet operators' profitability is still good due to high utilization of their trucks
- December auto numbers are likely to be better than November

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We met with auto financiers (cars and commercial vehicles) as part of our industry channel checks. Key takeaways from the meetings are as follows:

Interest rates are inching up, but gradual rise in interest rates should not impact demand

Financiers indicated that car and commercial vehicle interest rates have risen by 100-130 bps since April 2010 but the rate increase has not impacted demand. Some financiers are very aggressive, especially in the car finance business and offering rates at below 10%. Hence, financiers are reluctant to increase interest rates sharply due to strong competition in the market. Availability of funds has also become tighter over the past few months and financiers expect it to continue for some time. We believe auto interest rates could rise over the next few months in light of tight liquidity conditions.

Loan-to-value ratios have improved considerably which has also supported car demand

Loan-to-value ratio in passenger car financing has increased to ~80% from crisis levels of ~70% due to strong revival in demand and aggressive lending by banks in the passenger car segment. In fact, on the higher priced cars, LTVs are even greater than 90% as customers preferred loans over equity due to negative real interest rates in 1HFY11.

Recent correction in commercial vehicle demand was due to migration from BS-2 to BS-3 emission norms

Commercial vehicle demand corrected sharply in October and November which the financiers believe was due to migration from BS-2 to BS-3 emission norms in October 2010. Truck operators are still reluctant to migrate to BS-3 as (1) they are unsure of spare parts availability and service levels of the BS-3 vehicles, and (2) BS-3 vehicles are 4% more expensive than BS-2 vehicles. However, demand has picked up slightly in December and we believe commercial vehicle demand needs to be carefully monitored over the next few months given concerns on increase in interest rates and moderate pick-up in freight rates.

Large truck operators continue to get favorable interest rates

Large truck operators are continuing to get finance at close to 10% interest rates and have very low non-performing loans. Financiers also indicated that large fleet operators' profitability is still good due to fixed contracts with manufacturers which has led to high utilization of their trucks.

Non-performing loans in the car and commercial vehicle portfolios are still very low

Non-performing loans in the car and commercial vehicle portfolio for these financiers have fallen to 17-50 bps from crisis period levels of 100 bps which has also resulted in more financiers coming into the market. Hence, we do not expect non-performing loans to increase sharply as financiers have become selective in funding the right set of customers after the financial crisis.

December auto sales should be better than November

December car and commercial vehicle sales are expected to be better than November. Commercial vehicle sales are expected to increase by 15-20% mom in December. Maruti Suzuki could, however, see a fall in December dealer despatches due to a one-week shutdown at its plants.

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	23-Dec-10		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	(Rs)	(%)	(US\$ mn)
Automobiles																													
Ashok Leyland	64	SELL	85,139	1,893	1,330	2.8	3.9	4.7	84.5	37.1	20.4	22.7	16.5	13.7	13.3	10.5	9.1	2.1	1.9	1.8	2.3	1.6	1.6	10.9	12.2	13.5	60	(6.3)	7.5
Bajaj Auto	1,445	REDUCE	418,164	9,296	289	58.8	91.0	103.6	160.2	54.6	13.9	24.6	15.9	13.9	15.9	11.3	9.7	14.3	8.6	5.8	0.7	1.4	1.4	70.9	67.4	49.6	1,450	0.3	18.1
Bharat Forge	373	ADD	89,265	1,984	239	0.7	12.4	20.3	(92.0)	1,707.0	63.3	543.1	30.1	18.4	27.4	12.4	8.7	2.3	2.3	2.0	—	—	—	0.9	16.2	20.6	400	7.1	4.2
Hero Honda	1,923	REDUCE	383,983	8,536	200	111.8	103.3	110.6	73.9	(7.6)	7.2	17.2	18.6	17.4	10.9	11.9	10.6	10.6	7.7	5.9	1.6	1.6	1.6	59.0	48.0	38.6	1,494	(22.3)	31.6
Mahindra & Mahindra	751	BUY	447,407	9,946	595	33.9	47.2	54.7	125.8	39.2	15.9	22.2	15.9	13.7	14.5	11.4	9.6	5.5	4.4	3.5	1.2	1.2	1.3	30.0	30.7	28.2	805	7.1	36.1
Maruti Suzuki	1,392	BUY	402,264	8,942	289	86.4	80.5	95.0	105.0	(6.9)	18.0	16.1	17.3	14.7	8.6	8.9	7.4	3.4	2.8	2.4	0.4	0.4	0.5	23.3	17.8	17.7	1,701	22.2	14.0
Tata Motors	1,353	ADD	870,949	19,361	644	27.4	125.8	148.1	(182.5)	359.4	17.7	49.4	10.8	9.1	16.5	7.5	6.2	5.6	3.2	2.3	1.0	0.4	0.4	8.7	9.3	10.4	1,420	5.0	103.7
Automobiles		Cautious	2,697,172	59,957					275.8	79.5	18.2	25.8	14.4	12.2	13.9	9.3	7.8	5.4	3.9	3.0	1.0	0.9	0.9	20.9	26.9	24.7			
Banks/Financial Institutions																													
Andhra Bank	150	BUY	72,920	1,621	485	21.6	24.0	26.7	60.1	11.5	11.1	7.0	6.3	5.6	—	—	—	1.7	1.4	1.2	3.3	3.7	4.1	26.0	24.1	22.6	210	39.7	6.6
Axis Bank	1,314	ADD	532,439	11,836	405	62.1	78.6	99.9	22.7	26.6	27.2	21.2	16.7	13.2	—	—	—	3.3	2.9	2.5	0.9	1.2	1.5	19.2	18.4	20.2	1,700	29.4	53.2
Bank of Baroda	890	BUY	325,265	7,231	366	83.7	103.0	121.2	37.3	23.1	17.7	10.6	8.6	7.3	—	—	—	2.4	1.9	1.6	1.7	2.1	2.4	24.4	24.7	24.0	1,250	40.5	9.9
Bank of India	441	ADD	232,060	5,159	526	33.1	56.3	63.2	(42.1)	70.2	12.2	13.3	7.8	7.0	—	—	—	1.8	1.5	1.3	1.6	2.7	3.0	14.2	21.3	20.4	580	31.4	19.0
Canara Bank	657	ADD	269,206	5,984	410	73.7	90.7	102.8	45.8	23.1	13.4	8.9	7.2	6.4	—	—	—	2.1	1.7	1.4	1.5	1.5	1.8	22.5	22.8	21.4	740	12.7	23.4
Corporation Bank	656	ADD	94,074	2,091	143	82.0	86.7	100.7	31.8	5.7	16.2	8.0	7.6	6.5	—	—	—	1.6	1.4	1.2	2.5	2.7	3.1	22.0	19.9	19.9	800	22.0	1.7
Federal Bank	395	ADD	67,592	1,503	171	27.2	34.7	47.2	(7.1)	27.7	35.9	14.5	11.4	8.4	—	—	—	1.4	1.3	1.2	1.3	1.6	2.2	10.3	12.0	14.7	530	34.1	8.2
HDFC	702	REDUCE	1,007,469	22,396	1,436	19.7	24.0	28.1	22.7	21.8	17.2	35.6	29.3	25.0	—	—	—	6.6	5.8	5.1	1.0	1.2	1.4	20.0	21.2	21.9	720	2.6	53.9
HDFC Bank	2,191	ADD	1,002,893	22,294	458	64.4	84.9	109.9	22.1	31.8	29.5	34.0	25.8	19.9	—	—	—	4.7	4.1	3.5	0.5	0.7	0.9	16.1	16.9	19.0	2,500	14.1	43.9
ICICI Bank	1,130	ADD	1,300,102	28,901	1,151	36.1	45.0	58.0	6.9	24.6	29.0	31.3	25.1	19.5	—	—	—	2.5	2.4	2.2	1.0	1.2	1.5	8.0	9.7	11.6	1,230	8.9	112.3
IDFC	177	ADD	258,785	5,753	1,458	8.4	9.6	11.5	44.9	14.1	20.4	21.2	18.6	15.4	—	—	—	3.7	2.4	2.0	0.8	1.0	1.3	16.6	15.7	14.6	220	24.0	29.3
India Infoline	83	BUY	25,957	577	312	8.1	7.5	8.8	59.2	(8.0)	17.1	10.2	11.1	9.5	—	—	—	1.6	1.4	1.1	3.8	1.9	2.5	14.7	13.3	14.3	130	56.2	5.2
Indian Bank	256	ADD	110,064	2,447	430	35.1	35.7	44.9	25.5	1.6	25.9	7.3	7.2	5.7	—	—	—	1.7	1.4	1.2	2.5	2.5	3.1	24.1	20.5	21.8	350	36.7	4.5
Indian Overseas Bank	143	BUY	78,070	1,735	545	13.0	16.8	24.1	(46.7)	29.8	43.2	11.0	8.5	5.9	—	—	—	1.2	1.1	0.9	2.4	2.7	3.0	9.6	11.6	15.0	200	39.6	5.3
J&K Bank	782	ADD	37,899	842	48	105.7	123.0	143.9	25.0	16.4	17.0	7.4	6.4	5.4	—	—	—	1.3	1.1	1.0	2.8	3.3	3.8	18.2	18.4	18.7	1,000	28.0	2.2
LIC Housing Finance	937	ADD	89,020	1,979	95	69.7	107.2	105.7	11.5	53.7	(1.4)	13.4	8.7	8.9	—	—	—	2.7	2.3	1.9	1.6	2.5	2.4	23.6	27.0	22.2	1,030	9.9	70.4
Mahindra & Mahindra Financial	716	NR	68,731	1,528	96	35.9	51.3	60.3	60.0	43.0	17.5	20.0	14.0	11.9	—	—	—	4.0	3.4	2.8	1.1	1.5	1.8	21.5	25.7	25.0	-	(100.0)	5.7
Oriental Bank of Commerce	416	ADD	104,162	2,315	251	45.3	59.0	65.8	25.3	30.2	11.6	9.2	7.0	6.3	—	—	—	1.4	1.2	1.1	2.2	2.9	3.2	14.5	16.8	16.6	580	39.5	10.0
PFC	323	SELL	370,558	8,237	1,148	20.5	24.1	28.7	54.0	17.5	19.1	15.7	13.4	11.2	—	—	—	2.9	2.5	2.2	1.4	1.5	1.8	19.0	19.3	19.8	325	0.7	3.7
Punjab National Bank	1,203	BUY	379,277	8,431	315	123.9	139.8	165.9	26.4	12.9	18.6	9.7	8.6	7.3	—	—	—	2.3	1.9	1.6	1.8	2.4	2.8	26.2	24.2	23.9	1,500	24.7	11.0
Reliance Capital	637	REDUCE	156,718	3,484	246	13.7	13.0	14.5	(65.2)	(4.7)	11.5	46.5	48.9	43.8	—	—	—	2.3	2.2	2.2	1.0	0.8	0.9	5.2	4.6	5.0	800	25.7	27.6
Rural Electrification Corp.	300	REDUCE	295,921	6,578	987	20.3	25.7	30.0	23.2	26.7	16.9	14.8	11.7	10.0	—	—	—	2.7	2.3	2.0	2.2	2.6	3.0	22.0	21.3	21.7	300	0.1	16.8
Shriram Transport	779	ADD	173,837	3,864	223	39.2	55.4	68.1	30.1	41.4	23.0	19.9	14.1	11.4	—	—	—	4.7	3.9	3.2	1.5	2.1	2.6	28.4	29.1	29.6	850	9.1	9.0
SKS Microfinance	654	BUY	48,167	1,071	74	26.9	35.5	55.9	61.1	31.9	57.4	24.3	18.4	11.7	—	—	—	5.1	2.5	2.0	—	—	—	21.7	18.0	19.3	950	45.3	24.7
SREI	104	NR	12,135	270	116	8.3	7.9	9.9	17.8	(4.8)	25.8	12.6	13.2	10.5	—	—	—	1.0	1.0	0.9	1.1	1.1	1.1	11.1	10.5	12.3	—	—	6.5
State Bank of India	2,746	BUY	1,743,546	38,758	635	144.4	176.6	224.1	0.5	22.3	26.9	19.0	15.6	12.3	—	—	—	2.6	2.3	2.0	1.1	1.2	1.2	14.8	15.9	17.6	3,500	27.4	181.4
Union Bank	326	BUY	164,719	3,662	505	41.1	42.4	56.1	20.2	3.1	32.6	7.9	7.7	5.8	—	—	—	1.9	1.6	1.3	1.7	1.7	2.3	26.2	22.1	24.1	450	38.0	7.8
Yes Bank	310	BUY	105,348	2,342	340	15.0	21.0	26.6	46.7	40.2	26.6	20.7	14.7	11.6	—	—	—	3.4	2.8	2.3	0.5	0.7	0.9	20.3	21.0	22.0	400	29.0	18.0
Banks/Financial Institutions		Attractive	9,126,932	202,888					15.0	23.8	22.2	18.1	14.6	11.9	—	—	—	2.8	2.4	2.1	1.2	1.4	1.7	15.5	16.6	17.5			
Cement																													
ACC	1,074	REDUCE	201,708	4,484	188	83.2	56.4	63.6	47.9	(32.3)	12.9	12.9	19.0	16.9	6.9	9.0	7.3	3.2	2.8	2.5	2.5	2.2	2.2	29.3	17.5	17.6	940	(12.4)	11.6
Ambuja Cements	138	SELL	210,468	4,679	1,522	8.0	8.1	9.0	11.4	1.4	10.6	17.3	17.0	15.4	9.6	9.4	7.8	3.0	2.7	2.4	1.4	1.5	1.5	19.3	17.1	16.8	108	(21.9)	6.8
Grasim Industries	2,320	ADD	212,680	4,728	92	301.0	194.9	238.6	26.1	(35.2)	22.4	7.7	11.9	9.7	4.6	5.7	4.2	1.7	1.5	1.3	1.4	1.5	1.5	22.9	13.5	14.7	2,500	7.8	4.1
India Cements	105	SELL	32,146	715	307	10.0	5.3	7.9	(43.5)	(47.6)	49.8	10.4	19.9	13.3	5.8	8.7	6.6	0.8	0.8	0.7	2.0	3.0	3.0	8.2	4.1	6.0	95	(9.2)	3.9
Shree Cement	2,022	BUY	70,441	1,566	35	208.0	152.4	239.2	19.0	(26.7)	56.9	9.7	13.3	8.5	4.8	5.5	3.1	3.9	3.1	2.4	0.5	0.5	0.5	48.0	26.0	31.8	2,400	18.7	1.0
UltraTech Cement	1,054	REDUCE	288,848	6,421	274	88.2	54.6	93.4	12.0	(38.1)	71.1	11.9	19.3	11.3	13.9	9.5	5.6	5.3	2.3	1.9	0.3	0.4	0.4	25.9	15.1	21.6	1,070	1.5	9.7
Cement		Neutral	1,016,290	22,592																									

Kotak Institutional Equities: Valuation summary of key Indian companies

	23-Dec-10		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo	
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	(Rs)	(%)	(US\$ mn)	
Consumer products																														
Asian Paints	2,964	ADD	284,297	6,320	96	71.5	86.0	102.5	85.3	20.3	19.1	41.4	34.5	28.9	25.6	21.5	17.9	17.7	13.9	11.2	0.9	1.2	1.5	51.8	46.6	44.0	3,000	1.2	6.1	
Colgate-Palmolive (India)	857	SELL	116,539	2,591	136	31.1	33.6	38.4	44.2	8.0	14.2	27.5	25.5	22.3	22.6	19.0	16.3	35.7	30.6	26.2	2.3	2.9	3.4	156.1	129.2	126.3	830	(3.1)	3.8	
Dabur India	100	ADD	173,553	3,858	1,731	2.9	3.3	4.1	28.1	13.2	25.2	34.6	30.6	24.4	26.1	21.7	17.1	18.3	12.7	9.7	1.0	1.1	1.4	57.4	49.6	45.3	115	14.7	4.5	
GlaxoSmithkline Consumer (a)	2,184	ADD	91,835	2,041	42	55.4	70.5	83.9	23.6	27.3	19.1	39.5	31.0	26.0	22.3	19.0	15.3	10.3	8.4	7.0	0.8	1.0	1.3	27.9	29.7	29.5	2,400	9.9	1.1	
Godrej Consumer Products	375	BUY	121,427	2,699	324	11.3	14.3	18.9	69.5	25.8	32.6	33.1	26.3	19.9	26.2	19.1	14.3	12.6	6.7	6.0	1.0	0.9	0.9	44.6	33.5	32.1	490	30.6	2.3	
Hindustan Unilever	291	SELL	635,089	14,118	2,182	9.4	10.2	12.0	(0.9)	8.4	17.5	30.9	28.5	24.3	21.2	20.4	16.7	24.6	21.3	18.3	2.6	2.9	3.4	71.1	80.2	81.3	250	(14.1)	17.3	
ITC	167	ADD	1,276,876	28,384	7,651	5.3	6.5	7.6	22.6	22.0	17.8	31.4	25.8	21.9	19.1	16.2	13.5	8.6	7.2	6.1	3.0	1.6	1.8	29.2	32.0	31.5	180	7.8	28.9	
Jubilant Foodworks	598	SELL	38,183	849	64	5.6	10.0	13.1	347.1	78.3	30.4	106.5	59.7	45.8	57.0	34.4	23.1	32.5	21.1	14.4	—	—	—	47.3	42.8	37.4	400	(33.1)	16.7	
Jyothy Laboratories	256	ADD	19,575	435	77	11.0	13.6	16.4	99.6	23.3	20.9	23.2	18.8	15.6	18.6	12.4	9.6	4.7	3.2	2.8	1.7	1.4	1.9	16.1	17.6	19.3	300	17.4	0.6	
Marico	123	ADD	75,008	1,667	612	4.4	5.2	6.1	32.9	16.9	17.0	27.6	23.6	20.2	18.9	16.4	13.4	11.3	8.2	6.2	0.5	0.7	0.9	48.9	40.6	35.2	140	14.1	1.0	
Nestle India (a)	3,680	REDUCE	354,791	7,887	96	74.4	88.4	108.0	27.0	18.8	22.1	49.5	41.6	34.1	32.7	28.0	23.1	61.0	47.6	36.8	1.3	1.7	2.0	136.0	128.5	121.8	3,100	(15.8)	3.4	
Tata Global Beverages	112	ADD	69,508	1,545	618	6.1	7.3	8.7	14.5	20.7	19.0	18.6	15.4	12.9	8.9	6.7	5.6	1.4	1.3	1.2	1.8	2.2	2.6	10.2	11.7	12.9	130	15.7	4.0	
Titan Industries	3,337	ADD	148,109	3,292	44	57.3	83.9	110.9	29.3	46.5	32.2	58.3	39.8	30.1	37.1	26.8	20.4	20.1	14.1	10.0	0.4	0.4	0.4	38.7	41.7	38.8	3,600	7.9	25.5	
United Spirits	1,453	ADD	182,494	4,057	126	27.3	33.1	47.0	49.9	21.5	41.9	53.3	43.8	30.9	19.4	18.1	14.9	4.8	4.4	3.9	0.2	0.1	0.2	9.8	10.5	13.3	1,550	6.7	8.6	
Consumer products		Cautious	3,587,283	79,744					24.8	19.7	20.3	34.7	29.0	24.1	21.6	18.5	15.2	10.8	8.9	7.6	2.0	1.6	1.9	31.0	30.7	31.4				
Constructions																														
IVRCL	125	BUY	33,483	744	267	7.9	7.7	10.3	(6.6)	(2.3)	33.7	15.9	16.2	12.1	9.0	9.8	7.9	1.8	1.6	1.4	0.7	0.3	0.3	11.5	10.6	12.7	190	51.5	6.8	
Nagarjuna Construction Co.	140	BUY	35,858	797	257	7.1	8.9	11.6	6.1	24.3	31.1	19.6	15.8	12.0	10.2	8.9	7.4	1.6	1.5	1.4	1.0	1.4	1.4	9.3	9.8	11.8	205	46.7	5.1	
Punj Lloyd	106	REDUCE	35,877	798	340	(3.4)	9.8	12.0	(52.6)	(385.6)	22.6	(30.9)	10.8	8.8	20.4	6.5	5.9	1.2	1.1	1.0	0.1	0.4	1.0	(4.2)	10.4	11.6	140	32.5	15.1	
Sadbhav Engineering	125	BUY	18,765	417	150	5.1	6.2	8.7	0.5	20.2	41.0	24.3	20.2	14.4	16.5	11.0	8.9	4.6	3.6	3.4	0.3	4.8	4.8	15.8	17.8	23.9	175	39.9	0.3	
Construction		Attractive	123,983	2,756					56.2	150.9	29.5	36.2	14.4	11.2	12.8	8.2	7.1	1.6	1.5	1.3	0.5	1.3	1.5	4.5	10.3	12.1				
Energy																														
Aban Offshore	749	ADD	32,580	724	44	94.5	129.5	130.5	(2.5)	37.0	0.8	7.9	5.8	5.7	8.2	6.7	6.5	1.5	1.4	1.2	0.5	0.5	0.5	21.7	30.1	22.3	930	24.2	18.2	
Bharat Petroleum	688	BUY	248,866	5,532	362	58.6	55.7	59.9	230	(5)	7.5	12	12	11.5	6.7	6.6	6.3	1.8	1.6	1.5	2.0	2.7	2.9	14.9	13.0	12.8	860	24.9	16.2	
Cairn India	328	RS	622,682	13,842	1,897	5.5	22.7	40.8	29.0	309.7	79.6	59.2	14.5	8.1	46.6	9.3	5.3	1.8	1.6	1.4	—	—	4.6	3.1	11.8	18.8	—	—	17.5	
Castrol India (a)	454	SELL	112,166	2,493	247	15.4	21.0	21.7	45	36	3.5	29	22	20.9	17.5	13.4	12.8	24.4	23.2	22.0	2.8	3.7	3.9	83.8	109.9	107.9	390	(14.0)	1.4	
GAIL (India)	508	BUY	644,832	14,334	1,268	24.8	28.4	39.7	11.7	14.9	39.7	20.5	17.9	12.8	11.6	10.8	8.7	3.5	3.1	2.6	1.5	1.7	2.5	17.4	17.6	21.1	565	11.1	16.5	
GSPL	116	SELL	65,160	1,448	562	7.3	7.3	8.1	233	(0)	11.4	16	16	14.3	8.0	7.8	6.5	3.8	3.2	2.8	0.9	1.6	2.8	27.1	21.8	20.9	87	(24.9)	6.7	
Hindustan Petroleum	408	BUY	138,316	3,075	339	51.6	53.4	49.8	204.2	3.4	(6.7)	7.9	7.6	8.2	2.8	2.8	2.8	1.0	0.9	0.9	2.9	4.1	3.8	13.1	12.2	10.3	600	47.1	14.4	
Indian Oil Corporation	363	BUY	880,253	19,568	2,428	49.1	38.6	40.2	399	(21)	4.0	7	9	9.0	5.5	5.7	5.2	1.6	1.5	1.3	3.6	3.3	3.3	22.4	15.6	14.8	500	37.9	10.6	
Oil India	1,394	ADD	335,205	7,451	240	115.2	143.7	160.0	13.9	24.8	11.3	12.1	9.7	8.7	5.5	3.8	3.3	2.3	2.0	1.7	2.4	3.2	3.7	16.8	19.3	18.8	1,640	17.6	3.1	
Oil & Natural Gas Corporation	1,300	BUY	2,781,088	61,823	2,139	90.3	113.9	137.7	(1)	26	20.9	14	11	9.4	5.0	4.3	3.6	2.1	1.9	1.7	2.5	3.1	3.7	14.4	16.4	17.8	1,500	15.4	31.9	
Petronet LNG	128	SELL	95,663	2,127	750	5.4	6.9	8.3	(22.0)	28.1	20.2	23.6	18.5	15.4	13.2	10.8	9.5	3.7	3.2	2.8	1.4	1.6	2.2	15.9	17.7	18.2	90	(29.4)	7.6	
Reliance Industries	1,059	REDUCE	3,152,774	70,085	2,976	49.6	59.8	72.9	(2)	21	21.8	21	18	14.5	10.7	8.3	6.7	2.1	1.9	1.7	0.7	0.8	1.0	11.4	12.5	13.7	1,065	0.5	132.3	
Energy		Neutral	9,109,585	202,503					35.6	17.9	21.5	15.2	12.9	10.6	7.5	6.2	5.1	2.1	1.9	1.7	1.7	2.0	2.6	13.7	14.5	15.7				
Industrials																														
ABB	803	REDUCE	170,216	3,784	212	16.7	10.8	31.4	(35.2)	(35.4)	190.2	48.0	74.3	25.6	27.5	39.0	14.7	7.0	6.6	5.4	0.2	0.4	0.4	15.6	9.2	23.2	725	(9.7)	2.8	
BGR Energy Systems	692	BUY	49,856	1,108	72	16.0	28.0	41.7	32.2	74.6	49.1	43.2	24.7	16.6	24.3	14.1	10.2	8.9	7.1	5.3	0.4	1.0	1.2	22.3	31.8	36.6	860	24.2	8.7	
Bharat Electronics	1,774	REDUCE	141,940	3,155	80	96.1	105.9	120.3	(7.4)	10.2	13.6	18.5	16.8	14.7	8.7	7.6	6.4	3.2	2.8	2.4	1.1	1.4	1.4	17.5	17.7	17.6	1,800	1.5	3.2	
Bharat Heavy Electricals	2,304	ADD	1,127,634	25,067	490	87.9	115.5	138.6	37.7	31.4	20.0	26.2	19.9	16.6	14.6	11.4	9.3	7.1	5.6	4.5	0.8	1.1	1.3	29.8	31.3	29.9	2,500	8.5	37.0	
Crompton Greaves	315	ADD	202,105	4,493	642	12.8	14.5	17.3	46.5	12.9	19.6	24.5	21.7	18.2	14.2	12.3	10.1	8.1	6.1	4.8	0.4	0.6	0.7	37.9	32.0	29.5	340	7.9	9.0	
Larsen & Toubro	1,935	ADD	1,171,153	26,034	605	57.9	76.7	90.5	15.6	32.3	18.1	33.4	25.2	21.4	18.6	13.5	11.4	5.2	4.3	3.7	0.6	0.6	0.7	18.6	18.8	18.5	2,200	13.7	54.9	
Maharashtra Seamless	383	ADD	27,009	600	71	38.6	44.2	39.3	7.7	14.3	(10.9)	9.9	8.7	9.7	5.3	4.2	4.4	1.2	1.1	1.0	1.5	2.1	2.1	14.8	12.8	10.5	418	9.2	0.6	
Siemens	778	REDUCE	262,260	5,830	337	22.4	27.9	33.7	39.5	24.1	21.2	34.7	27.9	23.1	18.1	16.0	12.9	7.9	6.5	5.4	0.6	0.7	0.9	24.9	25.6	25.5	725	(6.8)	7.6	
Suzlon Energy	49	REDUCE	78,650	1,748	1,594	(6.2)	(0.8)	3.3	(185.4)	(86.8)	(504.1)	(8.0)	(60.8)	15.0	13.8	11.5	7.7	1.2	1.1	1.0	—	—	0.4	(11.4)	(1.8)	6.9	55	11.4	21.5	
Thermax	838	BUY	99,866	2,220	119	21.7	31.5	42.3	(10.4)	45.0	34.3	38.6	26.6	19.8	20.1															

Kotak Institutional Equities: Valuation summary of key Indian companies

	23-Dec-10		Mkt cap.		O/S	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)	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	(Rs)	(%)	(US\$ mn)	
Media																														
DB Corp	262	BUY	47,576	1,058	182	10.6	12.5	14.5	286.5	17.2	16.2	24.6	21.0	18.1	13.7	11.7	10.2	7.3	5.9	4.8	0.8	1.1	1.5	40.3	31.0	29.2	320	22.2	0.4	
DishTV	65	REDUCE	69,015	1,534	1,063	(2.5)	(1.9)	0.4	(61.9)	(25.7)	(122.5)	(25.9)	(34.9)	154.9	85.2	32.0	14.6	16.8	32.5	26.9	—	—	—	249.0	(63.6)	19.0	57	(12.2)	5.4	
Hindustan Media Ventures	175	BUY	12,845	286	73	2.5	9.6	11.3	NM	289.8	18.4	71.4	18.3	15.5	22.9	16.7	13.6	3.6	3.0	2.5	4.3	4.3	5.7	17.9	28.1	17.8	225	28.5	24.7	
HT Media	142	NR	33,253	739	235	6.1	7.7	9.2	623.3	25.9	19.8	23.2	18.4	15.4	11.6	9.7	8.0	3.4	3.0	2.8	0.7	1.4	2.8	15.6	17.5	18.9	—	—	0.9	
Jagran Prakashan	129	BUY	38,698	860	301	5.8	6.9	7.8	92.0	18.3	12.4	22.0	18.6	16.5	13.2	10.8	9.7	6.3	5.7	5.2	2.7	3.1	3.9	30.0	32.2	33.0	150	16.7	0.5	
Sun TV Network	528	REDUCE	208,015	4,624	394	13.1	18.3	22.7	44.0	39.7	24.1	40.4	28.9	23.3	22.9	16.7	13.6	10.7	9.0	7.6	1.4	1.4	1.9	28.3	34.2	35.5	450	(14.7)	2.7	
Zee Entertainment Enterprises	141	REDUCE	122,585	2,725	869	5.3	5.4	6.8	26.6	0.7	25.4	26.4	26.2	20.9	19.4	16.8	12.9	3.2	2.9	2.8	0.9	1.0	1.2	12.9	11.8	13.9	135	(4.3)	14.7	
Media			Cautious	531,986	11,826					189.2	36.2	38.6	43.2	31.8	22.9	20.8	15.7	12.2	6.2	5.5	4.9	1.1	1.2	1.6	14.4	17.2	21.4			
Metals & Mining																														
Coal India	313	ADD	1,976,706	43,941	6,316	15.2	17.8	20.8	363.0	16.8	16.7	20.6	17.6	15.1	12.5	10.1	8.7	7.2	5.7	4.6	1.1	1.7	2.0	40.4	36.4	34.0	345	10.2	24.7	
Hindalco Industries	234	ADD	447,398	9,945	1,914	20.0	15.0	16.9	25.0	(25.1)	12.7	11.7	15.6	13.9	6.5	8.6	8.8	2.1	1.9	1.7	0.6	0.6	0.6	20.4	12.5	12.6	255	9.1	40.6	
Hindustan Zinc	1,281	BUY	541,327	12,033	423	95.6	95.4	116.4	48.2	(0.2)	22.0	13.4	13.4	11.0	9.1	8.1	5.5	2.9	2.4	2.0	0.5	0.5	0.5	25.1	20.2	20.4	1,430	11.6	3.9	
Jindal Steel and Power	700	REDUCE	651,910	14,492	931	38.2	45.7	56.2	16.9	19.4	23.1	18.3	15.3	12.5	12.6	10.3	7.7	5.8	3.8	2.9	0.2	0.3	0.3	37.7	30.3	26.8	625	(10.7)	22.9	
JSW Steel	1,156	REDUCE	286,843	6,376	248	80.4	73.6	108.0	481.1	(8.5)	46.8	14.4	15.7	10.7	10.7	9.1	6.2	2.6	1.6	1.2	0.6	0.8	0.8	16.0	12.6	13.0	1,115	(3.5)	30.6	
National Aluminium Co.	375	SELL	241,842	5,376	644	12.2	17.0	19.1	(37.2)	39.6	12.2	30.8	22.1	19.7	14.2	10.1	8.7	2.3	2.2	2.0	0.7	1.3	1.3	7.8	10.2	10.6	285	(24.1)	0.8	
Sesa Goa	309	REDUCE	275,274	6,119	890	29.6	55.5	53.8	23.5	87.7	(3.0)	10.5	5.6	5.8	8.6	3.5	5.5	3.4	2.2	1.6	1.1	1.1	1.1	35.8	36.5	30.7	300	(3.0)	32.8	
Sterlite Industries	180	BUY	605,770	13,466	3,362	12.0	13.7	18.3	2.8	13.9	33.5	15.0	13.2	9.9	9.6	7.9	4.9	1.6	1.5	1.3	0.5	0.5	0.5	12.9	11.8	13.9	200	11.0	29.3	
Tata Steel	661	BUY	632,438	14,059	956	(3.5)	66.3	74.5	(103.6)	(1,993.1)	12.4	(188.8)	10.0	8.9	11.9	6.5	5.9	2.7	2.0	1.7	1.1	1.2	—	(1.5)	23.2	20.5	725	9.6	107.6	
Metals & Mining			Attractive	5,659,508	125,809					9.4	38.3	17.7	19.0	13.7	11.7	10.5	8.2	6.8	3.4	2.7	2.2	0.8	1.1	1.0	17.7	19.3	18.9			
Pharmaceutical																														
Apollo Hospitals	469	BUY	60,387	1,342	129	10.9	15.3	20.5	28.8	40.2	33.6	42.8	30.6	22.9	20.7	14.5	11.4	3.6	3.4	2.9	—	—	—	8.3	10.7	13.1	580	23.7	1.0	
Bionor	403	ADD	80,600	1,792	200	14.8	17.0	24.4	216.4	14.7	43.6	27.2	23.7	16.5	15.7	13.5	10.5	4.5	3.9	3.3	—	—	—	17.9	18.1	22.2	470	16.6	11.7	
Cipla	360	REDUCE	288,811	6,420	803	13.7	14.0	16.6	38.1	1.9	19.2	26.3	25.8	21.6	18.8	17.3	14.7	4.9	4.2	3.7	0.6	0.7	0.7	21.1	17.6	18.2	295	(18.0)	15.9	
Cadila Healthcare	767	REDUCE	157,022	3,491	205	24.7	33.9	39.3	66.9	37.2	16.1	31.0	22.6	19.5	20.0	15.4	13.3	9.6	7.2	5.6	0.7	0.9	1.0	36.0	36.4	32.3	600	(21.8)	1.8	
Dishman Pharma & chemicals	138	ADD	11,212	249	81	14.4	15.8	20.7	(19.7)	9.7	30.7	9.6	8.7	6.7	8.0	7.1	5.5	1.4	1.2	1.1	—	—	—	15.5	15.1	17.0	210	52.3	0.6	
Divi's Laboratories	629	REDUCE	82,090	1,825	131	26.1	27.4	38.4	(18.2)	5.1	40.3	24.1	23.0	16.4	17.7	17.1	11.6	5.4	4.7	3.9	—	—	—	24.7	21.9	26.1	700	11.4	3.1	
Dr Reddy's Laboratories	1,683	REDUCE	285,882	6,355	170	48.0	68.4	72.2	48.1	42.6	5.5	35.1	24.6	23.3	19.3	14.0	13.1	7.6	6.0	4.9	0.7	0.5	0.5	22.2	27.0	22.9	1,150	(31.7)	16.9	
GlaxoSmithkline Pharmaceuticals (a)	2,205	REDUCE	186,796	4,152	85	59.1	70.2	79.6	8.1	18.7	13.5	37.3	31.4	27.7	21.6	18.3	15.7	10.5	8.9	7.6	—	—	—	29.8	30.7	29.7	2,000	(9.3)	1.6	
Glenmark Pharmaceuticals	352	NR	96,587	2,147	274	12.7	19.2	20.3	14.7	50.6	5.6	27.7	18.4	17.4	17.1	11.2	10.7	4.1	3.4	2.9	—	—	—	16.7	19.9	17.6	—	—	8.3	
Jubilant Life Sciences	277	BUY	43,931	977	159	26.5	17.5	25.2	49.0	(34.2)	44.1	10.4	15.8	11.0	8.2	11.1	8.3	2.0	2.0	1.7	0.7	0.7	0.9	26.3	13.7	17.1	350	26.5	1.7	
Lupin	451	ADD	200,626	4,460	445	15.3	19.7	24.3	27.3	28.4	23.4	29.4	22.9	18.6	24.6	18.3	14.5	7.7	6.1	4.8	0.6	0.8	1.0	34.1	30.0	29.3	490	8.6	15.3	
Piramal Healthcare	466	NR	97,348	2,164	209	22.4	4.1	8.8	29.7	(81.7)	113.0	20.8	113.3	53.2	15.2	(9.9)	(11.6)	5.8	0.7	0.6	1.2	1.3	0.8	30.7	159.4	11.4	-	(100.0)	8.0	
Ranbaxy Laboratories	571	SELL	244,488	5,435	428	7.2	24.0	14.6	(128.9)	234.8	(39.4)	79.5	23.7	39.2	19.4	12.7	20.0	6.2	4.5	4.1	—	0.7	0.7	7.0	20.1	10.4	340	(40.4)	16.9	
Sun Pharmaceuticals	453	BUY	469,075	10,427	1,036	13.0	18.0	19.6	(25.7)	38.2	8.8	34.7	25.1	23.1	27.7	18.6	15.4	5.6	4.6	3.9	0.6	0.6	0.6	17.2	20.7	19.0	482	6.4	8.6	
Pharmaceuticals			Cautious	2,304,853	51,236					45.3	25.4	11.5	31.2	24.9	22.3	19.4	14.9	13.2	5.7	3.8	3.3	0.4	0.5	0.6	18.4	15.3	14.6			
Property																														
DLF	282	ADD	482,687	10,730	1,714	10.6	13.6	21.1	(60.1)	27.8	55.2	26.5	20.7	13.4	19.7	13.8	10.1	1.6	1.5	1.4	0.7	1.1	1.8	6.6	7.4	10.7	375	33.2	49.6	
Housing Development & Infrastructure	187	ADD	77,793	1,729	415	15.9	21.6	28.7	(24.4)	35.5	32.9	11.8	8.7	6.5	8.8	8.4	4.8	1.1	0.9	0.7	1.4	2.7	2.8	10.0	11.1	12.7	310	65.4	34.1	
Indiabulls Real Estate	129	RS	51,598	1,147	402	(0.4)	3.1	8.5	(134.9)	(865.5)	178.9	(322.1)	42.1	15.1	(50.8)	57.0	16.9	0.4	0.4	0.4	—	—	—	(0.2)	1.0	2.9	—	—	27.7	
Mahindra Life Space Developer	387	ADD	15,789	351	41	19.2	20.1	32.1	69.7	4.9	59.7	20.2	19.2	12.1	18.2	13.9	6.4	1.6	1.5	1.4	0.9	1.0	1.0	8.6	8.4	12.3	546	41.1	0.5	
Oberoi Realty	264	BUY	87,067	1,935	330	13.7	20.1	30.4	57.1	46.9	51.3	19.3	13.1	8.7	17.1	8.6	4.6	4.7	2.5	2.0	0.1	0.4	0.6	27.7	24.8	25.4	334	26.5	24.7	
Phoenix Mills	218	BUY	31,634	703	145	4.1	6.6	7.7	(16.7)	59.4	16.5	52.8	33.1	28.4	44.0	24.8	20.7	2.1	2.0	1.9	0.5	0.7	0.9	3.9	6.1	6.7	303	38.7	0.5	
Puravankara Projects	114	REDUCE	24,256	539	213	6.8	7.4	9.0	0.6	8.6	21.8	16.7	15.4	12.6	19.1	16.4	11.9	1.6	1.5	1.4	1.8	1.8	1.8	10.2	10.3	11.5	124	9.1	0.4	
Sobha Developers	324	BUY	31,738	706	98	14.1	16.3	22.8	(7.1)	16.2	39.7	23.0	19.8	14.2	17.3	13.8	9.9	1.8	1.7	1.5	0.3	0.4	0.5	9.7	8.9	11.3	408	26.1	2.1	
Unitech	63	SELL	167,844	3,731	2,666	3.0	3.8	5.1	(58.8)	25.0	34.0	20.8	16.6	12.4	21.7	15.7	10.1	1.6	1.4	1.3	0.5	—	—	2.4	9.0	8.7	10.6	74	17.6	48.3
Property			Cautious	970,406	21,572					(44.6)	39.0	49.9	24.6	17.7	11.8	19.0	13.6	9.0	1.4	1.3	1.2	0.7	0.9	1.7	5.9	7.3	10.0			

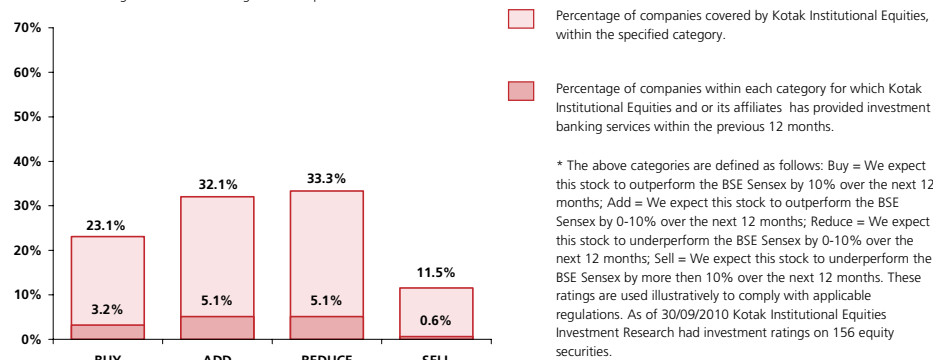
Kotak Institutional Equities: Valuation summary of key Indian companies

Company	23-Dec-10		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	(Rs)	(%)	(US\$ mn)
Sugar																													
Bajaj Hindustan	112	SELL	21,384	475	191	(7.8)	4.9	12.7	(340.2)	(162.7)	160.5	(14.4)	23.0	8.8	13.5	7.3	5.6	1.0	1.0	0.9	0.6	0.6	0.6	(7.0)	4.4	10.4	98	(12.3)	4.1
Balrampur Chini Mills	83	ADD	21,375	475	257	4.3	9.9	10.7	(44.3)	131.9	8.3	19.6	8.4	7.8	9.8	5.4	4.2	1.5	1.4	1.2	0.5	0.5	0.5	8.0	17.1	16.3	102	22.5	4.0
Shree Renuka Sugars	96	REDUCE	64,401	1,432	670	8.8	5.1	5.8	164.2	(42.4)	15.1	10.9	18.9	16.5	6.6	8.8	7.8	2.5	2.1	1.8	0.4	0.4	0.4	29.1	13.0	13.1	90	(6.4)	23.0
Sugar		Cautious	107,160	2,382					14.7	24.5	32.3	19.4	15.6	11.8	8.8	7.4	6.1	1.8	1.6	1.4	0.5	0.5	0.5	9.2	10.0	11.5			
Technology																													
HCL Technologies	458	REDUCE	315,744	7,019	690	17.5	22.8	28.3	0.2	29.9	24.3	26.1	20.1	16.2	12.7	12.0	9.6	4.5	4.0	3.4	0.9	1.3	1.3	19.3	21.4	23.0	390	(14.8)	8.2
Hexaware Technologies	106	BUY	15,220	338	144	9.3	5.1	10.1	127.7	(45.2)	96.1	11.3	20.7	10.5	6.1	13.6	7.2	1.8	1.6	1.4	0.9	0.9	0.9	17.8	8.3	14.6	110	3.8	4.0
Infosys Technologies	3,368	BUY	1,933,175	42,974	574	108.3	122.4	153.4	5.7	13.0	25.3	31.1	27.5	22.0	23.0	19.1	15.3	8.4	7.4	6.1	0.7	1.8	1.4	30.1	28.7	30.5	3,400	1.0	74.3
Mphasis BFL	649	SELL	136,706	3,039	211	43.6	51.8	46.4	207.6	18.8	(10.4)	14.9	12.5	14.0	12.0	10.7	9.8	5.8	4.1	3.3	0.5	0.6	0.7	48.1	38.6	26.2	550	(15.2)	6.2
Mindtree	524	REDUCE	21,565	479	41	52.2	27.4	39.3	294.3	(47.5)	43.3	10.0	19.1	13.3	8.6	10.5	7.2	3.2	3.0	2.5	0.4	0.3	0.7	35.2	16.1	20.2	450	(14.1)	0.8
Patni Computer Systems	480	REDUCE	63,996	1,423	133	36.6	40.4	33.7	36.4	10.5	(16.6)	13.1	11.9	14.3	6.6	7.5	6.9	1.8	2.2	2.0	0.6	13.7	1.4	18.2	17.2	14.9	400	(16.7)	5.6
Polaris Software Lab	180	SELL	17,896	398	100	15.4	19.4	19.8	16.9	26.2	2.2	11.7	9.3	9.1	5.8	7.3	6.2	2.1	1.7	1.5	1.9	2.1	2.2	18.6	20.4	18.0	180	0.3	2.6
Satyam Computer Services	67	REDUCE	78,557	1,746	1,176	2.5	2.7	4.1	(190.7)	6.9	53.5	26.9	25.1	16.4	12.5	12.7	7.9	4.2	4.2	3.9	—	—	—	58.5	16.8	25.0	70	4.8	34.2
TCS	1,140	BUY	2,231,208	49,599	1,957	35.1	43.0	50.0	32.8	22.4	16.3	32.5	26.5	22.8	24.8	19.4	16.1	10.7	8.8	7.3	1.8	1.5	1.8	37.6	36.3	34.9	1,100	(3.5)	39.7
Tech Mahindra	685	REDUCE	84,902	1,887	124	65.1	62.0	65.4	(9.6)	(4.8)	5.5	10.5	11.0	10.5	8.5	9.2	8.6	2.9	2.4	2.1	0.5	0.3	0.3	34.5	25.4	22.4	720	5.1	6.0
Wipro	480	ADD	1,173,177	26,079	2,447	18.9	21.1	24.3	22.1	12.1	15.0	25.4	22.7	19.7	19.3	16.2	13.5	6.0	4.9	4.1	0.7	0.9	1.1	26.5	23.8	22.8	465	(3.0)	17.5
Technology		Attractive	6,072,147	134,982					24.0	15.4	17.4	27.6	23.9	20.4	20.0	17.0	14.0	7.3	6.2	5.2	1.1	1.5	1.4	26.3	26.1	25.6			
Telecom																													
Bharti Airtel	343	REDUCE	1,303,716	28,981	3,798	23.6	17.3	20.4	5.8	(26.9)	17.9	14.5	19.9	16.8	8.2	9.4	7.4	3.1	2.7	2.3	—	—	—	24.4	14.4	14.7	305	(11.2)	45.4
IDEA	69	REDUCE	229,006	5,091	3,300	2.7	1.6	0.9	(5.8)	(42.7)	(44.9)	25.4	44.3	80.4	8.7	10.2	8.6	2.0	1.9	1.9	—	—	—	7.2	4.5	2.6	55	(20.7)	7.9
MTNL	53	SELL	33,170	737	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(3.4)	(5.1)	(5.8)	0.4	0.5	0.6	0.3	0.3	0.3	—	—	—	(8.5)	(6.1)	(5.7)	50	(5.0)	2.7
Reliance Communications	129	SELL	274,242	6,096	2,133	21.8	7.0	9.2	(23.0)	(67.7)	30.8	5.9	18.2	14.0	7.3	8.9	7.4	0.6	0.6	0.6	0.6	—	—	11.0	3.4	4.3	125	(2.8)	20.3
Tata Communications	250	REDUCE	71,222	1,583	285	14.0	15.2	15.7	3.2	8.2	3.5	17.8	16.5	15.9	7.3	6.7	6.4	1.0	1.0	0.9	2.6	3.0	3.4	5.2	5.5	5.5	225	(10.0)	1.4
Telecom		Cautious	1,911,355	42,489					(12.7)	(40.0)	18.0	13.5	22.6	19.1	8.3	9.5	7.6	1.7	1.6	1.4	0.2	0.1	0.1	12.3	6.9	7.5			
Utilities																													
Adani Power	126	ADD	275,552	6,125	2,180	0.8	3.5	19.0	NM	351.8	436.1	161.3	35.7	6.7	134.0	28.6	6.2	4.8	4.2	2.6	—	—	—	4.2	12.5	48.0	143	13.1	3.8
CESC	370	BUY	46,226	1,028	125	34.6	36.6	42.7	8.5	5.8	16.8	10.7	10.1	8.7	6.3	5.7	6.4	1.1	1.0	0.9	1.2	1.2	1.4	10.8	10.2	10.8	480	29.7	1.9
Lanco Infratech	62	BUY	149,230	3,317	2,405	2.1	3.6	4.9	46.6	67.4	36.8	29.1	17.4	12.7	15.9	10.2	7.7	4.5	3.5	2.8	—	—	—	17.4	21.0	22.5	80	28.9	7.2
NHPC	28	SELL	345,651	7,684	12,301	1.9	1.3	1.6	74.9	(28.2)	21.4	15.2	21.1	17.4	10.0	10.8	8.2	1.4	1.3	1.3	2.0	1.2	1.5	9.7	6.4	7.4	28	(0.4)	5.9
NTPC	196	ADD	1,614,050	35,880	8,245	10.5	10.4	12.0	6.8	(0.4)	14.7	18.7	18.7	16.3	14.2	14.5	12.9	2.5	2.3	2.2	1.9	1.8	2.1	14.1	13.0	13.7	195	(0.4)	17.0
Reliance Infrastructure	789	ADD	194,060	4,314	246	61.8	56.3	82.3	(1.5)	(8.8)	46.1	12.8	14.0	9.6	14.1	13.1	9.0	1.0	1.0	0.9	1.1	1.2	1.3	6.3	7.0	9.9	1,160	47.1	20.7
Reliance Power	148	SELL	354,959	7,891	2,397	2.9	3.9	5.3	179.7	36.6	34.9	51.9	38.0	28.2	(350.4)	244.6	35.1	2.5	2.3	2.1	—	—	—	4.8	6.3	7.9	135	(8.8)	15.4
Tata Power	1,290	ADD	318,429	7,079	247	60.2	69.2	88.5	20.1	15.0	27.8	21.4	18.6	14.6	13.6	12.3	10.6	2.4	2.2	2.0	0.9	1.1	1.2	12.9	12.5	14.3	1,420	10.1	9.1
Utilities		Cautious	3,298,156	73,317					22.0	4.5	41.7	21.2	20.2	14.3	16.0	15.8	11.1	2.2	2.0	1.8	1.3	1.2	1.4	10.5	10.1	12.9			
Others																													
Havells India	392	ADD	48,899	1,087	125	6.1	23.2	28.9	141.3	278.2	24.5	63.8	16.9	13.5	17.8	11.2	9.0	11.5	7.1	4.8	0.5	0.6	0.7	14.3	52.1	42.4	425	8.4	3.5
Jaiprakash Associates	102	BUY	226,306	5,031	2,214	1.7	4.4	6.2	(12.7)	153.2	41.1	58.4	23.1	16.4	23.4	15.1	10.9	2.6	2.3	2.1	—	—	—	5.1	10.8	13.5	155	51.7	31.9
Jet Airways	720	BUY	62,162	1,382	86	(69.8)	44.7	93.9	(71.7)	(164.1)	110.0	(10.3)	16.1	7.7	13.8	7.9	6.1	3.6	2.9	2.1	—	—	—	—	20.1	32.2	1,220	69.4	24.7
Sintex	180	REDUCE	48,906	1,087	272	12.1	14.7	16.9	(49.6)	21.6	14.9	14.9	12.2	10.6	12.6	8.2	7.0	2.3	1.9	1.6	0.7	0.7	0.8	15.3	15.7	15.4	210	16.8	8.6
SpiceJet	80	BUY	32,280	718	403	2.5	6.0	9.2	(117.4)	136.6	53.5	31.5	13.3	8.7	37.0	7.7	5.2	(9.4)	7.1	3.9	—	—	—	(15.9)	424.8	57.9	120	49.8	24.7
Tata Chemicals	394	REDUCE	95,940	2,133	243	26.4	27.6	35.6	(27.1)	4.5	29.0	14.9	14.3	11.1	7.4	6.5	4.9	2.0	1.8	1.6	2.3	2.4	2.4	16.0	17.3	19.4	370	(6.2)	7.1
United Phosphorus	157	BUY	72,726	1,617	462	11.9	12.9	17.6	18.1	8.4	36.6	13.2	12.2	8.9	7.2	6.6	5.1	2.4	2.1	1.7	1.2	1.2	1.2	19.1	18.3	20.8	220	39.9	9.4
Others			587,219	13,054					(539.8)	146.8	42.1	40.6	16.5	11.6	14.5	10.3	8.0	2.9	2.4	2.0	0.6	0.7	0.7	7.2	14.7	17.5			
KS universe (b)			51,265,729	1,139,618					21.1	21.2	22.7	20.7	17.1	13.9	12.2	10.3	8.4	3.1	2.7	2.3	1.2	1.3	1.5	15.2	15.8	16.8			
KS universe (b) ex-Energy			42,156,144	937,116					17.1	22.2	23.0	22.4	18.3	14.9	14.7	12.3	9.9	3.5	3.0	2.6	1.0	1.2	1.3	15.7	16.2	17.2			
KS universe (d) ex-Energy & ex-Commodities			35,480,346	788,715					18.6	21.1	23.8	23.8	19.5	15.7	16.8	13.9	11.1	3.6	3.1	2.7	1.1	1.2	1.3	15.2	15.8	17.0			

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