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### Updates

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## News Roundup

- **Tata Motors** has declined to resume work at its Singur plant in West Bengal despite a deal brokered by governor Gopal Krishna Gandhi between the state government and the opposition coalition led by Mamata Banerjee. The company said it would review its position only if "the viability of the project is not being impinged, the integral nature of the mother plant and our ancillary units are being maintained and all stakeholders are committed to develop a long-term congenial environment for smooth operations of the plant." (*Media*, see our impact analysis inside)
- **HCL Technologies** may bid for UK's Axon at a price 15% higher than that offered by Infosys. (*ET*)
- **General Motors India** has formed a new sales and distribution entity called General Motors (India) Marketing Pvt Ltd. (*FE*)
- The growth of India's **advertising industry** is set to halve to 10% by 2013, according to Media Partners Asia (MPA). (*BS*)
- The government may impose a **cess of 25% on big diesel cars** and charge bulk users, other than railways and state transport corporations, Rs22 a litre more for diesel as part of a dual fuel-pricing policy. (*BS*)
- FMCG players such as **Emami, Dabur, ITC, Coca Cola** and **Marico** have stopped or delayed supplies to neighbourhood retailer **Subhiksha** on account of unpaid bills. (*ET*)
- The VAT refund for 21 years for two projects of **Ashok Leyland** means the entire US\$500 mn investments in the Leyland-Nissan LCV project will be given back to the investors. (*BL*)
- **TCS** has entered into an agreement with state-run **NTPC, NHPC** and **Power Finance Corp** to operate a national level power exchange. (*BL*)

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

## EQUITY MARKETS

India	Change, %			
	8-Sep	1-day	1-mo	3-mo
Sensex	14,945	3.2	(1.5)	(0.8)
Nifty	4,482	3.0	(1.0)	(0.4)

Global/Regional indices				
Dow Jones	11,511	2.6	(1.9)	(6.3)
FTSE	5,446	3.9	(0.8)	(7.3)
Nikkie	12,439	(1.5)	(5.5)	(12.3)
Hang Seng	20,794	4.3	(5.0)	(14.8)
KOSPI	1,456	(1.4)	(7.2)	(19.5)

Value traded - India				
	Moving avg, Rs bn			
	8-Sep	1-mo	3-mo	
Cash (NSE+BSE)	160.9	168.6	176.2	
Derivatives (NSE)	459.8	471.2	429	
Deri. open interest	788.2	743	728	

### Forex/money market

	Change, basis points			
	8-Sep	1-day	1-mo	3-mo
Rs/US\$	44.7	20	251	177
6mo fwd prem, %	0.7	(25)	71	24

### Net investment (US\$m)

	5-Sep	MTD	CYTD
FIs	(431)	-	(7,299)
MFs	(22)	-	2,501

### Top movers -3mo basis

Best performers	Change, %			
	8-Sep	1-day	1-mo	3-mo
BANK OF BARODA	300	1.9	4.8	34.9
BHARAT HEAVY ELI	1,792	3.4	0.5	30.3
UNION BANK OF INC	153	1.1	2.4	29.2
RELIANCE CAPITAL	1,368	4.0	(3.5)	25.2
STATE BANK OF INC	1,592	4.7	4.9	23.0
Worst performers				
HOUSING DEVELOP	316	3.3	(18.3)	(29.1)
ABAN OFFSHORE LI	2,340	2.0	(6.2)	(30.7)
JSW STEEL LIMITED	717	0.8	(9.8)	(34.2)
INDIABULLS REAL E	291	4.4	(7.6)	(27.0)
TATA STEEL LIMITE	569	1.5	(12.8)	(30.9)

**Automobiles****TAMO.BO, Rs436**

Rating	SELL
Sector coverage view	Attractive
Target Price (Rs)	425
52W High -Low (Rs)	815 - 362
Market Cap (Rs bn)	253.7

**Financials**

March y/e	2008	2009E	2010E
Sales (Rs bn)	287.3	340.1	412.9
Net Profit (Rs bn)	20.3	14.6	13.0
EPS (Rs)	47.4	25.1	22.3
EPS gth	0.9	(47.1)	(10.9)
P/E (x)	9.2	17.4	19.5
EV/EBITDA (x)	8.8	10.1	10.0
Div yield (%)	2.3	2.9	2.9

**Shareholding, June 2008**

	% of Pattern Portfolio	Over/(under) weight
Promoters	33.4	-
FIs	29.7	0.7
MFs	2.0	0.3
UTI	-	(0.5)
LIC	10.8	1.2

**Tata Motors : Construction at Singur not to be resumed till clarity on land issue emerges; retain SELL rating**

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- **Tata Motors decides not to resume construction at Singur on account of 'limited clarity'**
- **Current deadlock unlikely to be resolved immediately; could result in Nano missing October launch deadline**
- **Relocation could hurt Tata Motors as well as component manufacturers**
- **Retain our SELL rating on the stock with a price target of Rs425/share**

Tata Motors has indicated that it would not commence construction work at Singur on account of limited clarity on the ongoing discussions over the land issue. The controversy pertains to the 400 acres acquired by the West Bengal government for ancillary units which are to supply components to the Nano mother plant. According to the Trinamul Congress—the principal opposition party in the state—the land had been forcibly acquired by the government from unwilling farmers. We believe that the current discussions between the State government and the agitators are unlikely to result in a clear and quick resolution, resulting in the launch of the Nano being delayed. We believe that a relocation of the project from the current site would hurt Tata Motors as it has already invested in the Singur plant and machinery. Besides, component manufacturers supplying major parts to the Nano will also be impacted negatively in such a situation. We retain our SELL rating on the stock with a target price of Rs425/share

**Tata Motors decides not to resume construction work at Singur plant**

Tata Motors has indicated that it would not commence construction work at Singur until it has clarity on the issues surrounding the land acquisition for the Nano plant. According to the company, it would continue to suspend work at the Nano plant in the absence of clarity over the ongoing discussions between the State government and the Trinamul Congress-led agitators. We note that the Nano project has been in the center of controversy from the onset. However, there has been a deadlock in recent times and according to the management; the situation at Singur is hostile, evoking fear amongst employees. We note that work at the Singur plant has been suspended for the past week.

**We believe that the current deadlock is unlikely to be resolved immediately**

The Trinamul Congress maintains that the land had been acquired by the State Government with force and without due compensation. The protestors have been demanding the return of the land that has been forcibly acquired. Besides, the opposition has been demanding the relocation of the vendors to another location opposite the main Nano plant.

**Relocation of the project could prove costly as launch could be delayed**

We believe that the launch of the Nano project could be delayed if the plant is moved out of Singur. This could have a negative impact on Tata Motors as relocation costs could be high. The relocation could significantly delay the launch of the Nano and in all likelihood Tata Motors would miss its October 2008 launch target. In the event of a relocation, Tata Motors would have to write off a part of its investment in Singur as a bulk of the investment in the Rs15 bn project has been made. The relocation would also negatively impact component manufacturers associated with the Nano project as they would also have to move to a different location along with Tata Motors.

We believe that Tata Motors will miss the initial production targets set for the Nano. Besides, it could face cost over-runs as the project is likely to be delayed. In the event of the deadlock continuing for a while, Tata Motors has the following options:

- a) Begin production at the Pantnagar facility which has surplus capacity while waiting for the Singur issue to be resolved—this will enable it to launch Nano by October 2008 as envisaged earlier. However, production volumes would be much lower.
- b) Shift the Nano project out of West Bengal to a different location altogether or to its existing plants—however; this would result in the project being delayed by a few months.

We retain our SELL rating on the stock with a target price of Rs425/share.

#### Tata Motors, SOTP-based valuation, FY2010E basis (Rs mn)

	<u>EBITDA</u> <u>Rs mn</u>	<u>Multiple</u> <u>(X)</u>	<u>Value</u> <u>Rs mn</u>	<u>Value per</u> <u>share</u> <u>Rs</u>	<u>Comments</u>
Tata Motors standalone	30,656	7.0	214,592	369	Based on 7X FY2010E EBITDA
Less: Net debt			105,193	181	
<b>Total</b>				<b>188</b>	
Value of subsidiaries				208	
Embedded value of investments				18	Value of investments in Tata Steel at KIE target price of Rs520/share
<b>SOTP-based value</b>				<b>415</b>	
<b>Target price</b>				<b>425</b>	

Notes:

(1) We have valued the subsidiaries and the investments in Tata Steel after considering 20% holding company discount.

Source: Company, Kotak Institutional Equities estimates.

**Tata Motors, Profit model, balance sheet and cash flow model, March fiscal year-ends, 2006-2010E (Rs mn)**

	2006	2007	2008E	2009E	2010E
<b>Profit model (Rs mn)</b>					
Net sales	205,241	271,965	287,309	340,103	412,926
<b>EBITDA</b>	<b>23,822</b>	<b>28,886</b>	<b>28,900</b>	<b>26,994</b>	<b>30,656</b>
Other income	4,184	5,839	6,212	7,129	7,140
Interest	(2,264)	(3,131)	(2,812)	(7,184)	(10,046)
Depreciation	(5,209)	(5,863)	(6,527)	(8,040)	(10,290)
<b>Profit before tax</b>	<b>20,534</b>	<b>25,732</b>	<b>25,773</b>	<b>18,899</b>	<b>17,460</b>
Current tax	(3,824)	(4,825)	(4,639)	(3,427)	(3,545)
Deferred tax	(1,422)	(1,772)	(845)	(902)	(933)
<b>Net profit</b>	<b>15,289</b>	<b>19,135</b>	<b>20,288</b>	<b>13,708</b>	<b>14,181</b>
<b>Earnings per share (Rs)</b>	<b>39.2</b>	<b>47.0</b>	<b>47.4</b>	<b>23.6</b>	<b>24.4</b>
<b>Balance sheet (Rs mn)</b>					
Equity	55,371	68,698	82,222	179,772	185,296
Deferred tax liability	6,225	7,868	8,714	9,615	10,548
Total Borrowings	29,368	40,091	59,987	90,282	125,282
Current liabilities	69,419	73,578	75,135	86,333	97,820
<b>Total liabilities</b>	<b>160,383</b>	<b>190,235</b>	<b>226,057</b>	<b>366,002</b>	<b>418,947</b>
Net fixed assets	45,212	63,946	84,919	114,378	141,588
Investments	20,152	24,770	33,270	129,570	128,570
Cash	11,194	8,268	6,377	901	1,072
Other current assets	83,684	93,151	101,390	121,051	147,616
Miscellaneous expenditure	141	101	101	101	101
<b>Total assets</b>	<b>160,383</b>	<b>190,235</b>	<b>226,057</b>	<b>366,002</b>	<b>418,947</b>
<b>Free cash flow (Rs mn)</b>					
Operating cash flow excl. working capital	20,981	26,621	24,261	22,705	28,311
Working capital changes	(23,191)	(4,520)	(6,682)	(8,464)	(15,077)
Capital expenditure	(11,095)	(23,660)	(27,500)	(37,500)	(37,500)
<b>Free cash flow</b>	<b>(13,305)</b>	<b>(1,559)</b>	<b>(9,922)</b>	<b>(23,259)</b>	<b>(24,266)</b>
<b>Ratios</b>					
Debt/equity (X)	0.5	0.5	0.7	0.5	0.6
Net debt/equity (X)	0.2	0.3	0.4	0.4	0.5
RoAE (%)	28.3	27.7	24.3	9.8	7.4
<b>RoACE (%)</b>	<b>20.9</b>	<b>20.7</b>	<b>16.8</b>	<b>8.9</b>	<b>7.2</b>

Source: Company, Kotak Institutional Equities estimates.

**Consumer Products****GOCP.BO, Rs125**

Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	140
52W High -Low (Rs)	158 - 87
Market Cap (Rs bn)	32.3

**Financials**

March y/e	2008	2009E	2010E
Sales (Rs bn)	11.0	12.3	13.7
Net Profit (Rs bn)	1.6	2.1	2.2
EPS (Rs)	7.3	8.0	8.5
EPS gth	22.9	9.0	6.9
P/E (x)	17.1	15.7	14.7
EV/EBITDA (x)	14.9	11.8	10.5
Div yield (%)	2.8	3.2	3.2

**Shareholding, June 2008**

	% of Pattern Portfolio	Over/(under) weight
Promoters	69.3	-
FIs	18.5	0.1
MFs	1.2	0.0
UTI	-	-
LIC	-	-

**Godrej Consumer Products : Resolving structural issues in soaps and hair color key for sustainable growth**

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- **GCPL is a price-taker in soaps, even though the product formulation is comparable with higher-end brands**
- **Relaunch of 'Cinthol' is a modest success—imperative for GCPL to revisit marketing mix**
- **Positive initial response to relaunched powder hair-dye**
- **Maintain estimates, ADD rating and target price of Rs140/share**

GCPL needs to resolve two structural issues in soaps for sustainable growth (1) company is a price-taker in soaps, even though the product formulation of 'Godrej No.1' is comparable (or even better) with higher-end brands of competition and (2) the product positioning reduces the flexibility to relook at formulation, limiting the ability to effect 'cost efficiency measures' to manage margins. Relaunch of 'Cinthol' is a modest success—imperative for GCPL to revisit marketing mix. Hair color market shares have likely bottomed out, though regional competition is active in the salon business. Maintain estimates, ADD rating and DCF-based target price of Rs140/share. At the current market price of Rs127/share, the stock trades at a PE of 16XFY09E, at a 1-year average and at the low-end of a 3-year trading band. Muted earnings CAGR of 10% over FY2008-10E will likely limit near-term performance. Key triggers to watch out are (1) sustained decline in crude palm prices resulting in cost comfort (2) ability to retain retail prices and hence margin expansion (3) inability of ITC's 'Superia' and 'Vivel' to gain market shares and (4) ability to increase the contribution of liquid hair dye from the current 10% to hair color sales.

**GCPL is a price-taker in soaps, even though the product formulation is comparable (or even better) with higher-end brands of competition**

GCPL needs to resolve two structural issues in soaps for sustainable growth (1) the company is a price-taker in soaps, even though the product formulation of 'Godrej No.1' is comparable (or surpasses) with higher-end brands of competition (2) the product positioning reduces the flexibility to review formulation, limiting the ability to effect 'cost efficiency measures' to manage margins.

'Godrej No.1' brand contributes over two-thirds of Godrej's soap sales. Godrej has positioned the flagship brand 'Godrej No.1' soap as a Grade I soap under the value-for-money plank with minimum 76% TFM content. Typically, the actual TFM content in soap will be 2-3% higher than the declared quantity in a pack. The product positioning reduces the flexibility for GCPL to relook at formulation during periods of hyperinflation in key inputs. This in turn limits the ability to effect 'cost efficiency measures' to manage margins.

Moreover, the positioning of 'Godrej No.1' in the popular segment (value-for-money segment) with a product formulation comparable to leading competition brands (which are priced higher) also inherently affects the margin profile of the brand. Typically, it is observed that because of these reasons, Godrej is a price-taker in the soaps market even though it is a strong No.2 in the category.

**Soaps business faces three critical issues in FY2009**

Furthermore, we reiterate that FY2009 is a crucial year for the GCPL's soaps business. We believe that the company faces three challenges this year, (1) rejuvenating volume growth in the category (2) securing the future for key brands like 'Cinthol' and 'Fairglow' and (3) increasing competition from ITC as it launches its soap brands nationally.

However, the recent correction in crude palm oil prices augurs well for GCPL even though the company will benefit from lower input costs post 3QFY09. The likely cost comfort will aid GCPL (1) in passing on the benefit to consumers to rejuvenate volume growth in soaps and (2) in providing ammunition to invest in A&P in the wake of increasing competition from ITC. ITC is said to have a 2% market share in the soaps category. Market sources indicate that ITC has likely gained shares from Nirma. While it is too early to assess the success of ITC's launches as the current market shares could have accrued due to initial product placements and novelty purchases, we reiterate that GCPL's superior product quality (76% TFM, value for money positioning) will help it limit market share losses to new competition.

#### **Hair color—market share losses have likely bottomed out**

'Godrej Powder hair dye' was relaunched as 'Godrej Expert hair dye' earlier this year. We like the company's strategy of launching format-neutral brands as it will facilitate adjustments to product formats whenever required as well as aid the launch of brand extensions. The market share in hair color continues at 35% (the lowest in over 5 years). We believe that the market share losses have likely bottomed out; however, the success of consumer recruitment for GCPL's premium products (non-powder portfolio) will define the success in the category going forward. While we believe in the company's ability to have a presence and garner higher incremental share in the top-end fashion hair color market, substantial back-end and front-end investments would be required to mark an entry. Market sources indicate that the company continues to be a leader in salon segment even though competitive intensity has increased in select geographies (aggressive trade promotion of 'Indica' powder hair dye by CavinKare).

#### **International businesses—time to deliver**

Keyline brands recorded an underlying sales growth of about 8% in FY2008, the company attributing adverse weather conditions in UK for the muted performance. In April 2008, GCPL made its second acquisition in South Africa after Rapidol—Kinky group. Kinky is a major player in the South African hair business with an estimated 10% market share. Kinky is a leader in the artificial hair business and operates its own retail outlets as well as distributes its products through regular sales channels. It has a product portfolio which includes hair, hair pieces, wigs, hair accessories like styling gels, hair sprays and oil free shampoos. We believe that GCPL needs to complete the integration and ramp up in all three acquisitions very fast to derive planned benefits.

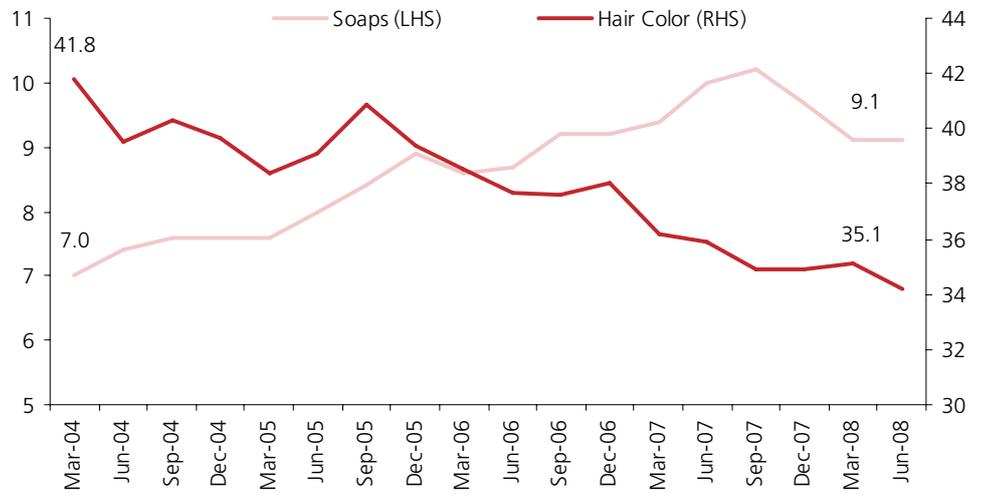
#### **Retain ADD rating and target price of Rs140/share**

We model soap and hair color sales to grow at 12% in FY2008-10E. We maintain EPS estimates of Rs8 and Rs8.5 for FY09E and FY10E; retain ADD rating and DCF-based target price of Rs140 per share (implying a P/E of 17.5X on FY09E and 16.5X FY10E). At the current market price of Rs127/share, the stock trades at a PE of 16X FY09E, at the last 1-year average and at the low-end of a 3-year trading band. Muted earnings CAGR of 10% over FY2008-10E and expected heightened competitive activity in both the categories GCPL operates in—particularly, soaps will continue to be an overhang for absolute stock performance.

Key triggers to watch out are (1) sustained decline in crude palm prices resulting in cost comfort (2) ability to retain retail prices and hence margin expansion (3) inability of ITC's 'Superia' and 'Vivel' to gain market shares and (4) ability to increase the contribution of liquid hair dye from the current 10% to hair color sales.

**Share gains in soaps moderating, hair color have likely bottomed out**

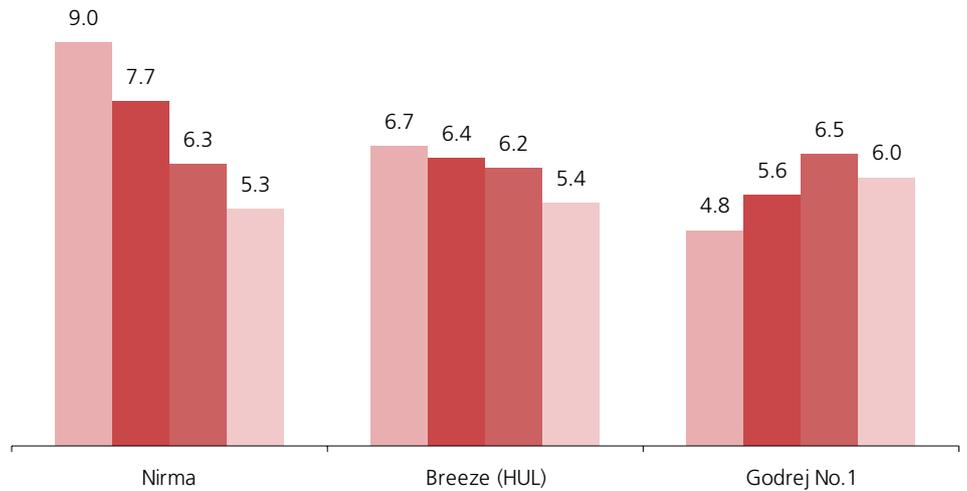
Value market shares in soaps and hair color, %



Source: Company data, Kotak Institutional Equities.

**ITC has likely gained shares from Nirma in popular segment**

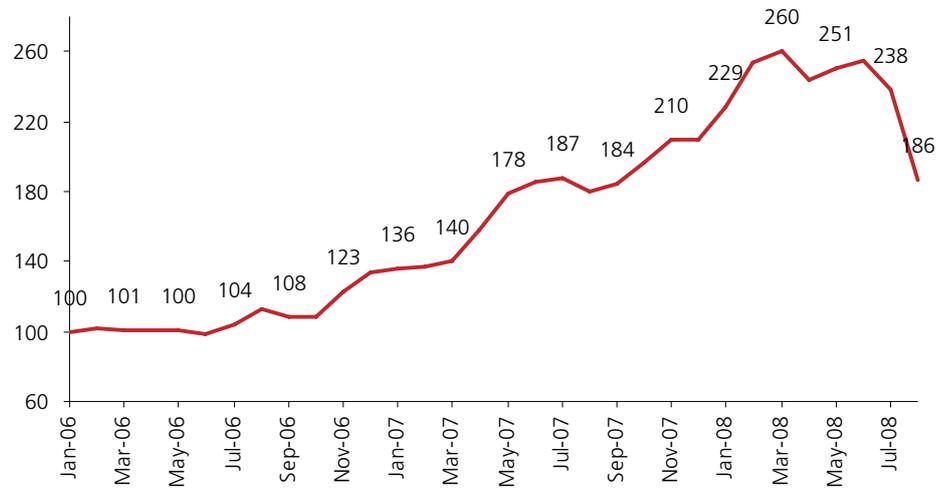
Value market shares of key soap brands, %



Source: Market sources, Kotak Institutional Equities.

**Correction in crude palm oil prices to provide cost comfort post 3QFY09**

Crude palm oil prices (January 2006 = Index 100)



Source: Bloomberg, Kotak Institutional Equities.

**GCPL: Profit model, balance sheet, 2007-2010E, March fiscal year-ends (Rs mn)**

	2007	2008	2009E	2010E
<b>Profit model (Rs mn)</b>				
Net sales	9,515	11,026	12,439	13,850
<b>EBITDA</b>	<b>1,797</b>	<b>2,148</b>	<b>2,330</b>	<b>2,615</b>
Other income	66	60	334	275
Interest	(135)	(151)	(54)	(19)
Depreciation	(142)	(182)	(211)	(261)
Extraordinary items	99	0	0	0
Pretax profits	1,684	1,875	2,400	2,611
Tax	(243)	(283)	(344)	(408)
<b>Net profits (reported)</b>	<b>1,440</b>	<b>1,592</b>	<b>2,056</b>	<b>2,203</b>
<b>Earnings per share (Rs)</b>	<b>5.9</b>	<b>7.1</b>	<b>8.0</b>	<b>8.5</b>
<b>Balance sheet (Rs mn)</b>				
Total equity	1,220	1,687	6,825	7,820
Total borrowings	1,736	1,871	945	945
Current liabilities	2,617	3,227	3,121	3,425
Deferred tax liability	80	89	109	109
<b>Total liabilities and equity</b>	<b>5,653</b>	<b>6,874</b>	<b>11,001</b>	<b>12,299</b>
Cash	475	426	481	1,317
Current assets	2,300	3,093	2,481	2,875
Total fixed assets	1,992	2,399	2,659	3,578
Investments	0	0	5,345	4,495
Goodwill	886	956	35	35
<b>Total assets</b>	<b>5,653</b>	<b>6,874</b>	<b>11,001</b>	<b>12,299</b>
<b>Key assumptions</b>				
Revenue Growth (%)	36.0	15.9	12.8	11.3
EBITDA Margin (%)	18.9	19.5	18.7	18.9
EPS Growth (%)	12.6	18.7	13.0	7.1

Source: Kotak Institutional Equities estimates.

**Media****JAGP.BO, Rs76**

Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	95
52W High -Low (Rs)	178 - 58
Market Cap (Rs bn)	22.7

**Financials**

March y/e	2008	2009E	2010E
Sales (Rs bn)	7.5	9.3	11.1
Net Profit (Rs bn)	1.0	0.9	1.5
EPS (Rs)	3.3	3.1	5.0
EPS gth	33.5	(6.3)	63.3
P/E (x)	23.2	24.7	15.1
EV/EBITDA (x)	13.0	13.1	8.4
Div yield (%)	2.6	2.4	3.3

**Shareholding, June 2008**

	% of Pattern Portfolio	Over/(under) weight
Promoters	52.1	-
FIs	3.7	0.0
MFs	11.5	0.2
UTI	-	-
LIC	1.1	0.0

**Jagran Prakashan : No surprises in FY2008 annual report; newsprint prices likely to peak soon**

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- **Review of FY2008 annual report reveals lower capex; print expansion on hold**
- **Global newsprint prices may peak at US\$800-850/ton as per industry expert**
- **Retain BUY with 12-month DCF-based target price of Rs95**

Our review of JAGP's FY2008 annual report did not reveal any major surprises; the capex incurred by the company was marginally lower than we anticipated. We note that JAGP has shelved plans for a Hindi business newspaper, a JV with TV18, due to rapidly rising newsprint prices. We recently discussed the outlook for newsprint prices with Chris Cook, deputy editor of newsprint at RISI, the leading independent paper products research provider. RISI is increasingly skeptical of the continuing rally in newsprint prices given (1) likely peak of commodity cycle (raw materials and energy), (2) sharp decline in demand for newsprint in North America, (3) slowing export demand from emerging markets and (4) increasing push-back from financially-leveraged US publishers. We retain our BUY rating on JAGP and 12-month DCF based target price of Rs95 due to roll-forward, higher discount rate, weaker rupee and other modest changes to our model. Our revised FY2009E, FY2010E and FY2011E EPS estimates are Rs3.1 (Rs3.2 previously), Rs5.0 (Rs5.0) and Rs7.4 (Rs7.3).

**Annual report review—no major surprises.** Our review of the FY2008 JAGP annual report did not reveal any major surprises. We highlight a few key points—(1) lower-than-expected capex of Rs755 mn versus our assumed Rs1.1 bn, (2) modest increase in debtor days to 76 days in FY2008 versus 69 days in FY2007 and (3) strong balance sheet with cash and cash equivalent of Rs2.2 bn at end-FY2008 (net cash of Rs1.4 bn). We note that JAGP expanded the footprint of its key print brands, Dainik Jagran (DJ) and I-Next (IN), with the launch of six and five new editions, respectively, in FY2008. However, the sharp increase in newsprint prices over the past 12 months has made expansion into new territories unviable for all publishers. The JAGP-TV18 JV for a Hindi business newspaper in core Hindi heartland markets has also been postponed.

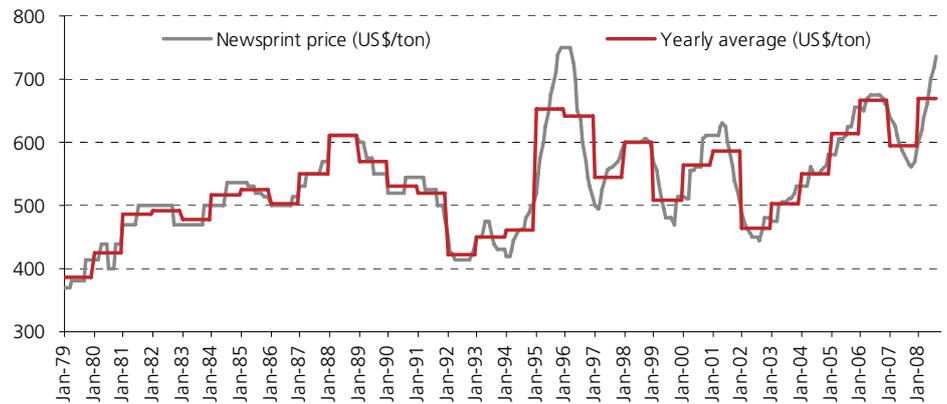
We have made changes to our earnings model—(1) lower advertising and marketing expenses as new edition launches looks increasingly unlikely in FY2009E, (2) reduced capex (maintenance and expansion) and (3) revised FY2009E and FY2010E exchange rate to Rs43.25/US\$ (Rs42/US\$ previously) and Rs42/US\$ (Rs41.5/US\$), respectively. Our revised FY2009E, FY2010E and FY2011E EPS estimates are Rs3.1 (Rs3.2 previously), Rs5.0 (Rs5.0) and Rs7.4 (Rs7.3). We retain our BUY rating on the stock and 12-month DCF-based target price of Rs95 due to roll-forward and other modest changes balanced by higher discount rate of 13% (12.5% previously) given greater risk aversion in the capital market. Key risks include ad revenues (lower-than-expected) and newsprint prices (higher-than-expected).

**Newsprint prices—peak likely around US\$800-850/ton.** North American newsprint prices continued their upward trend in August with the 30-lb benchmark US East Coast price rising US\$15/ton, less than US\$20/ton announced by producers, to US\$735/ton (see Exhibit 1). We discussed the outlook of newsprint prices with RISI's deputy editor of newsprint, Chris Cook. RISI believes that the case for further increase in newsprint prices looks increasing bleak and expects newsprint prices to peak at around US\$800-850/ton. We highlight key drivers behind the rationale for a likely correction in newsprint prices.

- 1. Commodity cycle may be near its peak.** The prices of four key raw material and energy sources that drive the cost base of a newsprint producer—pulp, recovered paper, natural gas and coal (or electricity)—have peaked (see Exhibits 2-5). Lower economic growth in North America and Euro-zone and rising inventories of raw materials (see Exhibit 6 for global pulp statistics) will likely result in reduced demand and prices.
- 2. Continued sharp decline in newsprint demand in North America.** Exhibit 7 shows the sharp and accelerating decline in newsprint consumption in North America, the largest newsprint market in the world, in CY2008. According to RISI, the capacity closures initiated by AbitibiBowater and other major newsprint producers at the start of the year have been largely factored into the market, which is illustrated by a sharp increase in newsprint inventory. US newspaper publishers continue to cut consumption of newsprint and close unprofitable editions, which is likely to keep up demand destruction in the market.
- 3. Emerging market demand—not as strong as expected.** RISI highlighted the expectations of strong growth in demand from emerging markets such as India, which allowed producers to export newsprint that could not be placed in the domestic market. However, the sharp increase in newsprint prices have led to reduced demand in these markets as publishers have refrained from further expansion. AbitibiBowater expected 10% yoy growth in export shipments of newsprint for CY2008; however, the export demand has largely been flat in the 1HCY08 and is unlikely to pick up given the current high level of newsprint prices.
- 4. Increasing push-back from financially-leveraged newsprint publishers.** As we have noted earlier, the increase in newsprint price for the month of August, 2008 at US\$15/ton was lower than the US\$20/ton announced by large North American newsprint producers. Some financially-leveraged US publishers (see Exhibit 8) have become increasingly concerned about the impact of a further rise in newsprint prices on the sustainability of their operations. Publishers have started to resist further price hikes, prevailing upon smaller newsprint producers. The smaller producers, concerned about their customer base and the overall health of the industry, have been reluctant to raise prices further.

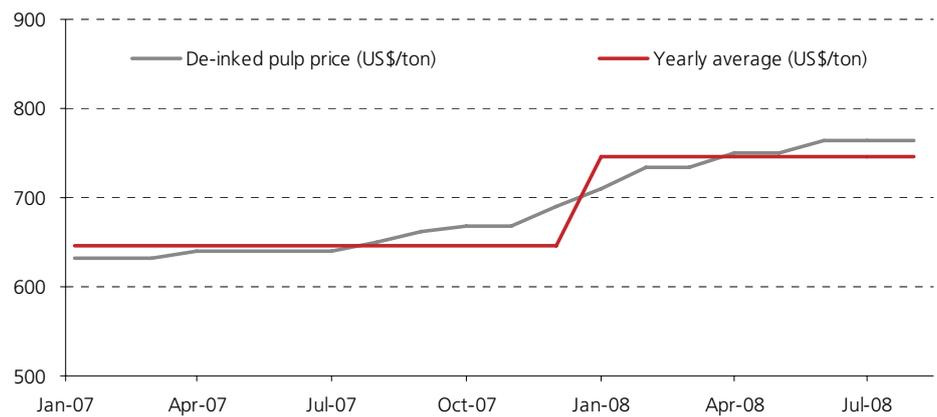
**Key risks—the determination of large newsprint producers for sustainable profitability.** RISI highlighted that large newsprint producers, including AbitibiBowater, have not been profitable in the past (see Exhibit 9) due to rising commodity prices, which could not be passed on to consumers given the demand-supply imbalances in the market. They have returned to profitability only recently and are determined to return to sustainable operating margins, even if it requires further capacity down-time and closures to keep the newsprint demand-supply in balance. AbitibiBowater has recently announced a US\$60/ton newsprint price hike for 4QCY08 and down-time (but not closure) of about 350,000-400,000 tons of its newsprint capacity. However, the newsprint operations become very profitable with newsprint prices over US\$800/ton and falling commodity prices; newsprint producers will have little incentive to increase prices thereafter at the cost of reducing capacity or volumes.

**Historical newsprint price, US East Coast, 1979-2008 (US\$/ton)**



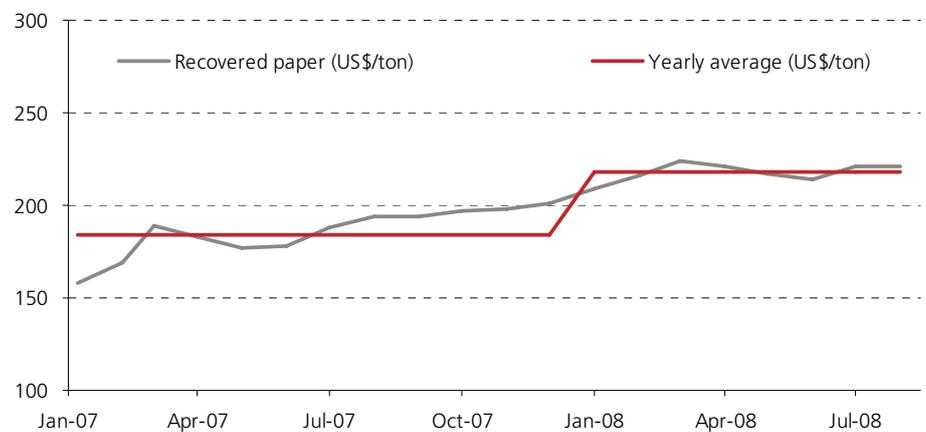
Source: PPPC, Pulp and Paper Weekly, compiled by Kotak Institutional Equities.

**Historical de-inked pulp price, US East Coast, 2007-2008 (US\$/ton)**

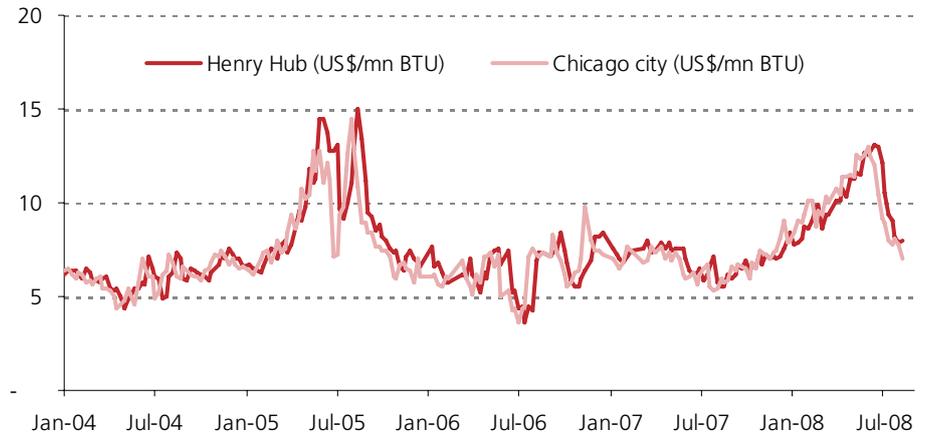


Source: RISI, Pulp and Paper Weekly, compiled by Kotak Institutional Equities.

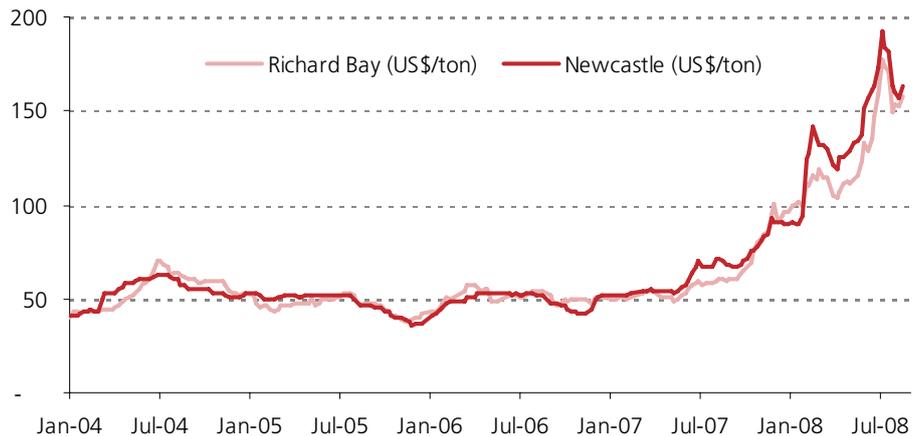
**Recovered paper index, US East Coast, 2007-2008 (US\$/ton)**



Source: RISI, Pulp and Paper Weekly, compiled by Kotak Institutional Equities.

**Historical natural gas prices, 2004-2008 (US\$/ton)**

Source: Bloomberg, compiled by Kotak Institutional Equities.

**Historical coal prices, 2004-2008 (US\$/ton)**

Source: Bloomberg, compiled by Kotak Institutional Equities.

**Key world market pulp statistics ('000 tons)**

World market pulp	Jan-Jul 2008	Change (%)	July-08	Change (%)
		2008/07		2008/07
<b>Shipments</b>	<b>24,180</b>	<b>4.2</b>	<b>3,406</b>	<b>(0.8)</b>
Shipments to North America	4,940	(4.5)	698	(8.9)
Shipments to Europe	9,229	0.9	1,213	NA
Shipments to China	3,169	22.0	455	NA
Shipments to rest of world	6,842	8.8	1,040	NA
Utilization (%)	90		88	
<b>Days of supply</b>			<b>36</b>	<b>24.1</b>

Source: AF&amp;PA, Pulp and Paper Weekly, compiled by Kotak Institutional Equities.

**Key North American newsprint market statistics ('000 tons)**

North America newsprint	Jan-Jul 2008	Change (%)		July-08	Change (%)	
		2008/07			2008/07	
Shipments to North America	4,669	(8.8)		641	(11.7)	
Shipments to US	4,115	(9.0)		564	(12.2)	
Shipments to Canada	554	(6.6)		77	(7.0)	
Overseas exports	1,404	2.4		236	20.1	
Imports	39	(18.3)		4	(27.8)	
<b>Total demand</b>	<b>4,709</b>	<b>(8.8)</b>		<b>645</b>	<b>(11.8)</b>	
<b>All user inventory</b>	<b>NA</b>	<b>NA</b>		<b>803</b>	<b>(3.6)</b>	
<b>All user days of supply (#)</b>	<b>NA</b>	<b>NA</b>		<b>46</b>	<b>12.2</b>	
<b>US dailies consumption</b>	<b>2,750</b>	<b>(13.7)</b>		<b>426</b>	<b>(15.7)</b>	
<b>US publisher inventory</b>	<b>NA</b>	<b>NA</b>		<b>712</b>	<b>(3.1)</b>	
<b>US dailies days of supply (#)</b>	<b>NA</b>	<b>NA</b>		<b>52</b>	<b>18.2</b>	

Source: PPPC, Pulp and Paper Weekly, compiled by Kotak Institutional Equities.

**US publishers' financial metrics and valuation comparables, calendar year-ends, 2008E-2009E**

	Price	EV	Mcap	Debt	D/E	P/E (X)		EV/EBITDA (X)	
	8-Sep	(US\$ mn)	(US\$ mn)	(US\$ mn)	(X)	2008E	2009E	2008E	2009E
<b>US publishers</b>									
Gannett Co (US\$)	18.0	7,881	4,115	3,766	0.9	4.8	5.5	4.5	5.0
<b>Lee Enterprises (US\$)</b>	<b>3.2</b>	<b>1,590</b>	<b>148</b>	<b>1,442</b>	<b>9.7</b>	<b>3.0</b>	<b>3.8</b>	<b>7.1</b>	<b>7.7</b>
<b>Mcclatchy Co (US\$)</b>	<b>3.8</b>	<b>2,402</b>	<b>310</b>	<b>2,092</b>	<b>6.8</b>	<b>5.0</b>	<b>5.6</b>	<b>5.7</b>	<b>6.3</b>
New York Times Co (US\$)	14.0	3,079	2,011	1,068	0.5	16.8	18.6	8.4	8.6
Washington Post (US\$)	588.7	5,698	5,513	184	0.0	20.8	21.8	7.6	7.1

Source: Bloomberg, compiled by Kotak Institutional Equities.

**AbitibiBowater is targetting at least 20% EBITDA margin on its newsprint operations**

Financial and operating metrics of newsprint segment of AbitibiBowater, calendar year-ends, 2006-2008 (US\$ mn)

	3Q 2006	4Q 2006	1Q 2007	2Q 2007	3Q 2007	4Q 2007 (a)	1Q 2008	2Q 2008	3Q 2008E
<b>Financial metrics</b>									
Revenues	349	348	303	313	296	663	809	788	850
EBITDA	64	45	27	23	(7)	(11)	14	81	143
Operating Income	31	11	(5)	(10)	(40)	(79)	(69)	1	63
<b>EBITDA Margin (%)</b>	<b>18.3</b>	<b>12.9</b>	<b>8.9</b>	<b>7.3</b>	<b>(2.4)</b>	<b>(1.7)</b>	<b>1.7</b>	<b>10.3</b>	<b>16.9</b>
<b>Operating metrics</b>									
Shipments ('000 tons)	543	543	490	517	505	1,108	1,299	1,173	1,173
Avg. revenue/unit (US\$/ton)	643	641	618	605	586	598	623	672	725
Avg. op. cost/unit (US\$/ton)	525	558	563	561	600	608	612	603	603

Notes:

(a) 4Q 2007 financials onwards are consolidated for Abitibi and Bowater, previous financials reflect operations of only Bowater.

Source: Company, compiled by Kotak Institutional Equities.

**Our DCF-based target price for Jagran Prakashan is Rs95**

Discounted cash flow analysis of Jagran Prakashan (Rs mn)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
EBITDA	1,684	2,681	3,864	4,676	5,538	6,207	6,888	7,568	8,309	9,114	9,615	10,144
Tax expense	(432)	(768)	(1,151)	(1,409)	(1,684)	(1,894)	(2,109)	(2,323)	(2,558)	(2,795)		
Changes in working capital	(430)	(338)	(405)	(350)	(378)	(355)	(376)	(381)	(420)	(463)		
<b>Cash flow from operations</b>	<b>821</b>	<b>1,574</b>	<b>2,307</b>	<b>2,917</b>	<b>3,476</b>	<b>3,958</b>	<b>4,403</b>	<b>4,864</b>	<b>5,331</b>	<b>5,856</b>		
Capital expenditure	(1,150)	(1,175)	(1,220)	(1,267)	(1,316)	(1,367)	(1,421)	(1,476)	(1,534)	(1,879)		
<b>Free cash flow to the firm</b>	<b>(329)</b>	<b>399</b>	<b>1,086</b>	<b>1,650</b>	<b>2,160</b>	<b>2,590</b>	<b>2,983</b>	<b>3,388</b>	<b>3,797</b>	<b>3,977</b>	<b>4,195</b>	<b>4,426</b>
Discounted cash flow-now	(307)	329	793	1,065	1,234	1,309	1,335	1,341	1,330	1,233		
Discounted cash flow-1 year forward		372	896	1,204	1,394	1,480	1,508	1,516	1,503	1,393	1,300	
<b>Discount rate (%)</b>	<b>13.0</b>											
<b>Growth from 2017 to perpetuity (%)</b>	<b>5.5</b>											

	Now	+ 1-year		
<b>Total PV of free cash flow (a)</b>	<b>9,661</b>	<b>40%</b>	<b>12,565</b>	<b>45%</b>
FCF in terminal year	4,195		4,426	
Exit FCF multiple (X)	13.3		13.3	
Terminal value	55,939		59,016	
<b>PV of terminal value (b)</b>	<b>14,583</b>	<b>60%</b>	<b>15,385</b>	<b>55%</b>
EV (a) + (b)	24,244		27,950	
EV (US\$ mn)	606		699	
Net debt	(1,409)		(634)	
<b>Equity value</b>	<b>25,654</b>		<b>28,585</b>	
<b>Implied share price (Rs)</b>	<b>85</b>		<b>95</b>	
Exit EV/EBITDA multiple (X)	6.1		6.1	

**Sensitivity of share price to different levels of WACC and growth rate (Rs)**

		WACC (%)					
		11.0	12.0	12.5	13.0	13.5	14.0
Growth rate (%)	1.0	91	81	77	73	69	66
	2.0	97	85	81	76	72	69
	3.0	104	91	85	80	76	72
	4.0	113	97	91	85	80	76
	5.0	125	106	98	91	85	80
	5.5	133	111	102	95	88	83
	6.0	142	117	107	99	92	86
	7.0	168	133	120	110	101	93
	8.0	211	157	139	124	112	103

Source: Kotak Institutional Equities estimates.

**Profit model of Jagran Prakashan, March fiscal year-ends, 2005-2012E (Rs mn)**

	2005	2006	2007	2008	2009E	2010E	2011E	2012E
<b>Total revenues</b>	<b>3,764</b>	<b>4,805</b>	<b>5,982</b>	<b>7,496</b>	<b>9,334</b>	<b>11,053</b>	<b>13,027</b>	<b>14,911</b>
Raw material costs	(2,037)	(2,232)	(2,344)	(2,717)	(3,872)	(3,958)	(3,979)	(4,178)
Other production costs	(135)	(163)	(188)	(237)	(261)	(284)	(302)	(319)
Employee costs	(450)	(567)	(704)	(915)	(1,063)	(1,235)	(1,434)	(1,663)
SG&A costs	(883)	(1,142)	(1,548)	(1,990)	(2,454)	(2,895)	(3,449)	(4,075)
<b>EBITDA</b>	<b>259</b>	<b>702</b>	<b>1,198</b>	<b>1,638</b>	<b>1,684</b>	<b>2,681</b>	<b>3,864</b>	<b>4,676</b>
Other income	10	63	248	215	256	264	265	272
Interest	(68)	(76)	(85)	(60)	(66)	(89)	(106)	(106)
Depreciation	(176)	(201)	(237)	(336)	(481)	(582)	(641)	(700)
<b>Pretax profits</b>	<b>25</b>	<b>488</b>	<b>1,124</b>	<b>1,457</b>	<b>1,392</b>	<b>2,274</b>	<b>3,381</b>	<b>4,142</b>
Extraordinary items	(5)	(30)	27	(1)	—	—	—	—
Current tax	(2)	(57)	(372)	(329)	(423)	(752)	(1,130)	(1,389)
Deferred tax	(6)	(84)	(17)	(147)	(50)	(21)	(20)	(18)
Net income	13	317	762	980	919	1,501	2,232	2,734
<b>Adjusted net income</b>	<b>16</b>	<b>338</b>	<b>744</b>	<b>981</b>	<b>919</b>	<b>1,501</b>	<b>2,232</b>	<b>2,734</b>
Dividend paid (excl. tax)	100	201	452	602	551	750	1,116	1,367
Dividend tax	14	28	63	102	94	128	190	232

**Shares outstanding (mn)**

Year end	195.0	301.2	301.2	301.2	301.2	301.2	301.2	301.2
Primary	195.0	205.5	301.2	301.2	301.2	301.2	301.2	301.2
Fully diluted	195.0	205.5	301.2	301.2	301.2	301.2	301.2	301.2

**EPS (Rs)**

Primary	0.1	1.6	2.5	3.3	3.1	5.0	7.4	9.1
<b>Fully diluted</b>	<b>0.1</b>	<b>1.6</b>	<b>2.5</b>	<b>3.3</b>	<b>3.1</b>	<b>5.0</b>	<b>7.4</b>	<b>9.1</b>

**Cash flow per share (Rs)**

Primary	1.0	3.2	2.8	4.2	4.0	6.1	8.7	10.6
<b>Fully diluted</b>	<b>1.0</b>	<b>3.2</b>	<b>2.8</b>	<b>4.2</b>	<b>4.0</b>	<b>6.1</b>	<b>8.7</b>	<b>10.6</b>

**Growth (%)**

Net income (adjusted)	—	2,011	120	32	(6)	63	49	22
EPS (adjusted)	—	1,903	50	32	(6)	63	49	22
DCF/share	—	221	(12)	50	(6)	54	43	21

**Cash tax rate (%)**

	—	11.6	33.1	22.6	30.4	33.1	33.4	33.5
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**Tax rate (%)**

	—	28.9	34.6	32.7	34.0	34.0	34.0	34.0
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Source: Company, Kotak Institutional Equities estimates.

**Profit model, balance sheet and cash model of Jagran Prakashan, March fiscal year-ends, 2005-2012E (Rs mn)**

	2005	2006	2007	2008	2009E	2010E	2011E	2012E
<b>Profit model</b>								
Net sales	3,764	4,805	5,982	7,496	9,334	11,053	13,027	14,911
<b>EBITDA</b>	<b>259</b>	<b>702</b>	<b>1,198</b>	<b>1,638</b>	<b>1,684</b>	<b>2,681</b>	<b>3,864</b>	<b>4,676</b>
Other income	10	63	248	215	256	264	265	272
Interest	(68)	(76)	(85)	(60)	(66)	(89)	(106)	(106)
Depreciation	(176)	(201)	(237)	(336)	(481)	(582)	(641)	(700)
<b>Pretax profits</b>	<b>25</b>	<b>488</b>	<b>1,124</b>	<b>1,457</b>	<b>1,392</b>	<b>2,274</b>	<b>3,381</b>	<b>4,142</b>
Extraordinary items	(5)	(30)	27	(1)	—	—	—	—
Current tax	(2)	(57)	(372)	(329)	(423)	(752)	(1,130)	(1,389)
Deferred taxation	(6)	(84)	(17)	(147)	(50)	(21)	(20)	(18)
<b>Net income</b>	<b>13</b>	<b>317</b>	<b>762</b>	<b>980</b>	<b>919</b>	<b>1,501</b>	<b>2,232</b>	<b>2,734</b>
<b>Adjusted net income</b>	<b>16</b>	<b>338</b>	<b>744</b>	<b>981</b>	<b>919</b>	<b>1,501</b>	<b>2,232</b>	<b>2,734</b>
<b>Earnings per share (Rs)</b>	<b>0.1</b>	<b>1.6</b>	<b>2.5</b>	<b>3.3</b>	<b>3.1</b>	<b>5.0</b>	<b>7.4</b>	<b>9.1</b>
<b>Balance sheet</b>								
Total equity	687	4,867	5,111	5,388	5,662	6,284	7,211	8,345
Deferred taxation liability	284	368	384	531	581	602	621	640
Total borrowings	1,304	1,165	1,067	791	900	1,250	1,250	1,250.0
Current liabilities	398	359	652	1,244	1,378	1,414	1,427	1,499
<b>Total liabilities and equity</b>	<b>2,672</b>	<b>6,759</b>	<b>7,215</b>	<b>7,953</b>	<b>8,520</b>	<b>9,550</b>	<b>10,509</b>	<b>11,734</b>
Cash	113	1,746	1,013	367	534	596	558	794
Other current assets	1,298	1,654	2,108	2,706	3,270	3,645	4,063	4,485
Total fixed assets	1,255	1,598	2,645	3,046	3,715	4,308	4,887	5,454
Investments	7	1,760	1,446	1,833	1,000	1,000	1,000	1,000
Miscellaneous expenditure	—	2	2	1	1	1	1	1
<b>Total assets</b>	<b>2,672</b>	<b>6,759</b>	<b>7,215</b>	<b>7,953</b>	<b>8,520</b>	<b>9,550</b>	<b>10,509</b>	<b>11,734</b>
<b>Free cash flow</b>								
Operating cash flow, excl. working capital	194	655	846	1,267	1,194	1,839	2,628	3,180
Working capital changes	(60)	(358)	(230)	(354)	(430)	(338)	(405)	(350)
Capital expenditure	(342)	(550)	(1,243)	(755)	(1,150)	(1,175)	(1,220)	(1,267)
Income from investments	5	31	179	159	256	264	265	272
<b>Free cash flow</b>	<b>(204)</b>	<b>(223)</b>	<b>(448)</b>	<b>317</b>	<b>(130)</b>	<b>590</b>	<b>1,267</b>	<b>1,835</b>
<b>Ratios (%)</b>								
Debt/equity	57	18	16	12	13	15	14	12.2
Net debt/equity	55	(12)	1	7	6	9	8	5
ROAE (%)	—	11.5	12.5	17.7	14.7	20.7	27.0	29.2
<b>ROACE (%)</b>	<b>—</b>	<b>5.0</b>	<b>5.3</b>	<b>6.8</b>	<b>5.5</b>	<b>9.2</b>	<b>12.7</b>	<b>14.1</b>

Source: Company, Kotak Institutional Equities estimates.

## Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	8-Sep-08		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target		ADVT- 3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	Price	Upside	
<b>Automobiles</b>																													
Bajaj Auto	599	ADD	86,651	2,046	145	59.3	58.7	63.2	(53.4)	(1.1)	7.8	10.1	10.2	9.5	7.0	7.1	6.5	5.4	4.4	3.6	3.3	3.3	3.3	21.0	41.5	36.4	630	5.2	—
Hero Honda	862	REDUCE	172,062	4,062	200	48.5	57.0	62.6	12.8	17.5	9.9	17.8	15.1	13.8	11.1	10.5	9.5	5.6	4.6	3.8	2.3	2.3	2.3	34.0	33.1	30.1	750	(13.0)	5.7
Mahindra & Mahindra	594	ADD	153,351	3,620	258	38.1	36.9	37.2	(2.0)	(2.9)	0.6	15.6	16.1	16.0	11.3	10.9	10.0	3.5	2.7	2.3	1.8	1.6	1.6	27.8	22.0	17.8	640	7.7	6.1
Maruti Suzuki	695	ADD	200,768	4,740	289	59.9	60.0	65.1	10.8	0.2	8.4	11.6	11.6	10.7	6.5	6.3	5.7	2.3	1.9	1.7	0.6	0.6	0.6	22.1	18.3	16.8	790	13.7	15.5
Tata Motors	436	SELL	253,701	5,989	581	47.4	25.1	22.3	0.9	(47.1)	(10.9)	9.2	17.4	19.5	8.8	10.1	10.0	2.8	1.0	1.3	2.3	2.9	2.9	24.3	9.8	7.4	425	(2.6)	9.9
<b>Automobiles</b>																													
<b>Cautious</b>																													
<b>866,533</b>																													
<b>20,456</b>																													
<b>(0.8)</b>																													
<b>(6.1)</b>																													
<b>2.8</b>																													
<b>13.3</b>																													
<b>14.1</b>																													
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<b>13.9</b>																													
<b>Banks/Financial Institutions</b>																													
<b>Andhra Bank</b>																													
62	REDUCE	29,852	705	485	11.9	9.3	11.6	7.0	(21.2)	23.7	5.2	6.6	5.3	—	—	—	1.0	0.9	0.8	6.5	3.8	4.7	18.0	13.3	14.9	65	5.6	0.8	
<b>Axis Bank</b>																													
711	REDUCE	254,421	6,006	358	32.2	35.8	55.1	37.7	11.0	53.9	22.1	19.9	12.9	—	—	—	3.1	2.6	2.3	0.8	1.0	1.5	17.6	13.8	18.7	750	5.4	62.5	
<b>Bank of Baroda</b>																													
300	ADD	109,786	2,592	366	39.3	32.1	42.4	39.8	(18.2)	32.1	7.6	9.3	7.1	—	—	—	1.3	1.1	1.0	2.7	2.2	2.9	14.6	10.3	12.6	310	3.2	5.3	
<b>Bank of India</b>																													
293	BUY	154,067	3,637	526	40.6	40.2	49.7	76.6	(1.0)	23.6	7.2	7.3	5.9	—	—	—	2.0	1.5	1.3	1.4	1.4	1.8	27.6	21.7	22.1	375	28.0	29.6	
<b>Canara Bank</b>																													
231	REDUCE	94,731	2,236	410	38.2	21.2	38.5	10.1	(44.6)	81.7	6.1	10.9	6.0	—	—	—	1.3	1.2	1.0	3.5	3.0	3.2	15.0	8.1	13.6	190	(17.8)	3.7	
<b>Central Bank of India</b>																													
60	SELL	24,087	569	404	13.6	4.7	15.5	(11.4)	(65.5)	229.9	4.4	12.7	3.8	—	—	—	1.2	1.0	0.8	3.4	-	-	14.1	5.4	16.4	70	17.4	0.6	
<b>Corporation Bank</b>																													
287	ADD	41,188	972	143	51.3	42.6	53.5	37.2	(17.0)	25.8	5.6	6.7	5.4	—	—	—	1.0	0.9	0.8	3.7	3.0	3.8	18.4	13.7	15.4	355	23.6	0.3	
<b>Federal Bank</b>																													
229	BUY	39,090	923	171	34.4	18.5	32.3	0.5	(46.2)	74.7	6.7	12.4	7.1	—	—	—	1.0	0.9	0.8	1.8	1.5	2.6	13.6	7.8	12.6	275	20.3	2.1	
<b>HDFC</b>																													
2,380	ADD	683,103	16,126	287	85.8	83.7	100.1	38.2	(2.4)	19.6	27.7	28.4	23.8	—	—	—	5.7	4.9	4.3	1.0	1.1	1.3	27.8	18.6	19.3	2,350	(1.3)	71.9	
<b>HDFC Bank</b>																													
1,301	BUY	550,739	13,001	423	46.0	52.5	67.4	28.7	14.1	28.4	28.3	24.8	19.3	—	—	—	4.8	3.7	2.6	0.5	0.7	1.0	17.7	17.0	16.9	1,300	(0.1)	48.1	
<b>ICICI Bank</b>																													
720	ADD	801,629	18,924	1,113	39.9	31.1	41.8	15.4	(22.1)	34.3	18.0	23.2	17.2	—	—	—	1.7	1.6	1.5	1.5	1.1	1.5	11.7	7.3	9.2	870	20.8	135.3	
<b>IDFC</b>																													
94	REDUCE	121,405	2,866	1,294	5.7	6.7	8.1	2.9	18.4	20.3	16.5	14.0	11.6	—	—	—	2.2	2.0	1.8	1.3	1.9	2.2	17.6	14.9	16.1	125	33.3	30.9	
<b>India Infoline</b>																													
139	ADD	48,617	1,148	350	28.0	6.7	9.8	85.6	(76.2)	47.4	5.0	20.8	14.1	10.3	10.3	7.7	4.0	2.5	2.3	0.7	1.0	1.5	20.7	14.9	17.0	155	11.6	5.4	
<b>Indian Bank</b>																													
135	ADD	58,191	1,374	430	22.5	17.9	25.5	33.9	(20.4)	42.0	6.0	7.6	5.3	—	—	—	1.3	1.2	1.0	2.2	1.7	2.4	23.4	15.2	18.5	140	3.4	2.8	
<b>Indian Overseas Bank</b>																													
99	ADD	53,908	1,273	545	22.1	18.9	22.5	19.2	(14.2)	18.7	4.5	5.2	4.4	—	—	—	1.1	1.0	0.8	3.8	5.0	5.5	27.2	19.7	20.1	130	31.4	1.0	
<b>J&amp;K Bank</b>																													
516	ADD	25,032	591	48	74.2	75.4	75.0	31.2	1.6	(0.6)	7.0	6.8	6.9	—	—	—	1.2	1.0	0.9	2.9	3.0	2.9	16.8	15.1	13.4	750	45.3	0.4	
<b>LIC Housing Finance</b>																													
336	ADD	28,589	675	85	45.5	56.5	59.5	38.7	24.1	5.3	7.4	6.0	5.7	—	—	—	1.5	1.2	1.0	3.0	3.7	3.9	-	-	-	380	13.0	5.4	
<b>Mahindra &amp; Mahindra Financial</b>																													
245	SELL	23,349	551	95	20.8	22.9	27.3	32.6	9.9	19.4	11.8	10.7	9.0	—	—	—	1.9	1.6	1.4	1.9	2.3	2.8	16.9	15.7	16.7	215	(12.2)	0.1	
<b>Oriental Bank of Commerce</b>																													
182	ADD	45,698	1,079	251	23.9	22.6	30.5	(27.6)	(5.2)	34.7	7.6	8.1	6.0	—	—	—	0.9	0.8	0.7	2.6	2.5	3.3	6.2	9.5	11.7	200	9.6	1.7	
<b>PFCL</b>																													
140	REDUCE	160,573	3,791	1,148	11.4	13.0	15.8	2.6	14.3	21.1	12.3	10.8	8.9	—	—	—	1.6	1.4	1.2	1.1	1.3	1.5	13.4	13.6	14.6	130	(7.1)	4.1	
<b>Punjab National Bank</b>																													
518	BUY	163,201	3,853	315	65.0	68.5	79.7	33.0	5.4	16.4	8.0	7.6	6.5	—	—	—	1.7	1.4	1.2	2.5	2.6	3.1	18.0	16.5	17.1	650	25.6	9.7	
<b>SREI</b>																													
108	BUY	14,462	341	134	11.4	5.5	8.1	57.4	(51.8)	47.8	9.4	19.6	13.2	—	—	—	2.2	1.2	1.1	1.0	2.1	2.6	23.1	11.6	12.5	160	48.4	0.7	
<b>State Bank of India</b>																													
1,592	ADD	1,005,143	23,729	631	106.6	90.1	119.0	23.5	(15.4)	32.0	14.9	17.7	13.4	—	—	—	2.4	2.1	1.8	1.4	1.4	1.4	16.8	11.1	13.4	1,700	6.8	73.9	
<b>Union Bank</b>																													
153	BUY	77,308	1,825	505	27.5	18.4	29.2	64.1	(33.2)	59.1	5.6	8.3	5.2	—	—	—	1.1	1.0	0.8	2.6	1.8	2.9	26.8	15.5	21.1	200	30.7	3.5	
<b>Banks/Financial Institutions</b>																													
<b>Attractive</b>																													
<b>4,633,915</b>																													
<b>109,394</b>																													
<b>36.3</b>																													
<b>(7.1)</b>																													
<b>33.6</b>																													
<b>14.2</b>																													
<b>15.3</b>																													
<b>11.4</b>																													
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<b>1.9</b>																													
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<b>1.4</b>																													
<b>1.7</b>																													
<b>15.3</b>																													
<b>12.5</b>																													
<b>14.6</b>																													
<b>Cement</b>																													
<b>ACC</b>																													
601	REDUCE	113,448	2,678	189	64.1	61.2	47.7	13.0	(4.5)	(22.0)	9.4	9.8	12.6	4.9	5.0	6.5	2.5	2.2	2.0	3.9	3.9	3.9	33.3	25.3	17.5	610	1.4	9.4	
<b>Ambuja Cements</b>																													
84	REDUCE	127,727	3,015	1,522	7.6	8.0	6.6	(11.2)	6.4	(17.5)	11.1	10.4	12.6	5.6	6.3	6.9	2.5	2.0	1.8	3.1	3.6	2.5	26.6	21.7	15.4	95	13.2	4.4	
<b>Grasim Industries</b>																													
2,013	ADD	184,549	4,357	92	284.6	257.6	240.4	32.6	(9.5)	(6.7)	7.1	7.8	8.4	4.1	4.2	4.0	1.6	1.3	1.1	1.6	1.7	1.7	25.3	18.3	14.5	2,320	15.3	5.3	
<b>India Cements</b>																													
147	ADD	41,336	976	282	24.5	19.1	19.9	n/a	(21.8)	4.1	6.0	7.7	7.4	4.4	4.7	4.0	1.2	1.1	0.9	1.3	1.5	1.5	25.9	15.8	14.4	160	9.1	3.6	
<b>Shree Cement</b>																													
594	BUY	20,683	488	35	85.9	98.5	60.0	90.0	14.7	(39.0)	6.9	6.0	9.9	2.9	2.5	2.6	3.1	2.2	1.9	1.2	1.3	1.3	53.5	42.5	20.5	1,080	81.9	0.5	
<b>UltraTech Cement</b>																													
582	BUY	72,901	1,721	125	81.4	80.6	59.1	28.5	(0.9)	(26.7)	7.2	7.2	9.8	4.9	4.9	5.7	2.3	1.7	1.5	1.3	1.4	1.4	45.2	32.1	18.9	700	20.3	1.0	
<b>Cement</b>																													
<b>Cautious</b>																													
<b>560,644</b>																													
<b>13,235</b>																													
<b>19.0</b>																													

## Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	8-Sep-08		Mkt cap.		O/S shares (mn)	0 EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT- 3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E			
<b>Energy</b>																													
Bharat Petroleum	347	REDUCE	113,623	2,682	328	39.8	40.7	38.3	(24.0)	2.1	(5.9)	8.7	8.5	9.0	3.5	3.8	2.8	0.9	0.9	0.7	1.3	1.2	1.1	11.4	10.4	8.9	360	3.9	5.3
Cairn India	231	SELL	432,334	10,206	1,868	(0.1)	3.9	19.4	(105)	(3,390)	395	(1,942)	59	11.9	54.0	24.1	8.2	1.4	1.3	1.2	—	—	—	(0.1)	2.3	10.5	230	(0.6)	42.4
Castrol India (a)	340	ADD	42,050	993	124	20.1	23.6	24.1	64.6	17.5	2.1	16.9	14.4	14.1	9.9	8.6	8.3	10.2	9.5	8.9	4.1	5.3	5.3	59.5	68.5	65.2	350	2.9	0.4
GAIL (India)	427	BUY	360,923	8,520	846	30.8	36.8	42.0	21.7	19.5	14.3	13.9	11.6	10.2	8.0	7.1	7.1	2.5	2.2	1.8	2.3	2.6	3.0	18.2	19.2	18.7	470	10.1	14.6
GSPL	60	ADD	33,707	796	563	1.8	3.6	5.1	8.5	103.8	40.2	33.7	16.6	11.8	10.6	7.4	5.2	2.7	2.4	2.1	0.8	1.7	2.4	8.7	15.3	18.8	69	15.2	2.5
Hindustan Petroleum	232	REDUCE	78,755	1,859	339	39.5	26.1	33.4	(16.4)	(21.9)	27.7	6.9	8.9	7.0	5.7	3.7	2.2	0.6	0.6	0.5	1.3	1.0	1.3	9.6	6.8	7.9	260	11.9	4.9
Indian Oil Corporation	432	REDUCE	509,230	12,021	1,179	60.5	40.9	61.8	29.2	(32.5)	51.2	7.1	10.6	7.0	4.6	8.3	7.7	1.1	1.0	0.9	1.3	1.2	1.6	17.2	10.1	13.5	500	15.8	3.5
Oil & Natural Gas Corporation	1,100	BUY	2,352,134	55,527	2,139	92.8	129.3	149.2	9.1	39.3	15.4	11.8	8.5	7.4	4.5	3.5	3.0	2.3	1.9	1.6	2.9	3.3	4.1	19.3	23.4	22.8	1,225	11.4	52.1
Petronet LNG	61	ADD	46,013	1,086	750	6.3	5.8	6.5	—	(7.6)	10.5	9.7	10.5	9.5	6.1	7.4	6.2	2.4	2.0	1.7	2.4	2.4	2.4	26.7	20.2	18.6	70	14.1	2.3
Reliance Industries	2,133	RS	2,803,857	66,191	1,314	101.7	97.4	171.9	23.0	(4.2)	76.4	21.0	21.9	12.4	12.5	10.8	5.7	3.1	2.8	2.1	0.6	0.7	1.0	18.5	14.4	21.6	—	—	260.5
Reliance Petroleum	160	REDUCE	722,025	17,045	4,500	(1.1)	2.0	19.1	n/a	n/a	840.9	n/a	79.2	8.4	n/a	34.8	7.0	5.4	5.0	3.3	—	—	1.2	(3.5)	6.6	47.3	170	6.0	102.9
<b>Energy</b>																													
<b>Cautious</b>																													
<b>7,494,650 176,928</b>																													
<b>11.1 18.5 55.0 16.1 13.5 8.7 7.9 7.0 5.0 2.3 1.9 1.7 1.4 1.6 2.1 14.4 14.4 19.1</b>																													
<b>Industrials</b>																													
ABB	898	REDUCE	190,198	4,490	212	23.2	28.6	35.4	44.5	23.2	23.7	38.7	31.4	25.4	23.0	18.3	14.2	11.7	8.9	6.8	0.2	0.3	0.4	34.8	32.1	30.3	875	(2.5)	10.5
AIA Engineering	1,632	BUY	30,674	724	19	70.9	89.4	114.2	38.1	26.1	27.7	23.0	18.2	14.3	17.3	11.6	8.8	5.0	4.0	3.2	0.4	0.6	0.7	24.0	24.2	24.6	1,600	(2.0)	0.2
BGR Energy Systems	324	REDUCE	23,314	550	72	12.3	18.3	23.2	(67.1)	49.5	26.7	26.4	17.7	13.9	16.0	10.7	9.1	4.6	3.8	3.0	0.4	0.6	0.7	30.1	23.5	24.1	325	0.4	3.8
Bharat Electronics	973	ADD	77,840	1,838	80	102.1	104.4	111.1	11.3	2.3	6.4	9.5	9.3	8.8	3.9	3.5	3.1	2.4	2.0	1.7	2.6	2.6	2.6	27.9	23.1	20.9	1,200	23.3	1.6
Bharat Heavy Electricals	1,792	ADD	877,073	20,705	490	58.4	73.1	96.9	22.9	25.1	32.6	30.7	24.5	18.5	16.7	13.1	10.0	8.1	6.5	5.2	0.9	0.9	1.2	29.2	29.5	31.1	2,000	11.6	81.0
Dredging Corporation	475	REDUCE	13,297	314	28	55.3	48.7	57.0	(8.3)	(12.0)	17.2	8.6	9.8	8.3	4.8	4.5	3.7	1.1	1.0	0.9	3.2	3.2	3.2	12.5	10.3	11.1	475	0.0	0.1
Larsen & Toubro	2,738	BUY	811,258	19,152	296	75.9	117.5	149.1	20.8	54.8	27.0	36.1	23.3	18.4	22.3	14.0	11.0	6.8	4.6	3.6	0.6	0.7	0.7	22.7	23.6	22.4	3,600	31.5	118.6
Maharashtra Seamless	298	BUY	21,036	497	71	31.4	37.5	44.7	(18.3)	19.6	19.1	9.5	7.9	6.7	5.7	5.1	4.3	1.8	1.5	1.3	1.5	1.9	2.3	20.9	20.8	20.7	390	30.8	0.8
Siemens	551	REDUCE	185,860	4,388	337	18.2	18.8	25.9	60.4	3.1	38.0	30.3	29.4	21.3	17.9	17.0	12.1	10.1	7.9	6.0	0.4	0.5	0.5	39.9	30.2	32.0	570	3.4	7.2
Suzlon Energy	236	ADD	369,487	8,723	1,567	6.6	11.4	17.7	9.5	73.5	55.1	35.9	20.7	13.3	17.7	13.4	10.2	4.0	3.3	2.6	0.4	0.4	0.4	16.3	17.7	22.1	300	27.2	45.6
<b>Industrials</b>																													
<b>Neutral</b>																													
<b>2,600,037 61,380</b>																													
<b>24.2 34.4 32.2 30.1 22.7 16.9 17.3 12.9 10.1 6.2 4.8 3.8 0.7 0.8 0.9 20.6 21.3 22.4</b>																													
<b>Infrastructure</b>																													
IRB Infrastructure	155	BUY	51,416	1,214	332	3.4	7.3	15.7	150.9	111.5	116.3	45.1	21.3	9.9	15.6	14.2	6.6	3.1	2.7	2.0	—	—	—	10.7	13.4	23.3	195	26.1	0.6
<b>Media</b>																													
DishTV	40	BUY	19,784	467	500	(9.6)	(8.9)	(4.4)	n/a	(7.8)	(50.7)	(4.1)	(4.5)	(9.0)	(11.1)	(11.9)	77.1	(4.4)	(7.8)	(3.7)	—	—	—	167.9	125.6	71.3	56	41.4	4.5
HT Media	124	BUY	29,070	686	234	4.3	4.2	7.5	4.7	(2.0)	77.1	28.7	29.3	16.5	16.4	16.2	9.1	3.4	3.1	2.7	0.3	0.3	0.6	12.2	11.0	17.2	175	41.0	0.3
Jagran Prakashan	76	BUY	22,738	537	301	3.3	3.1	5.0	33.5	(6.3)	63.3	23.2	24.7	15.1	13.0	13.1	8.4	4.2	4.0	3.6	2.6	2.4	3.3	18.7	16.6	25.1	95	25.8	0.3
Sun TV Network	233	REDUCE	91,663	2,164	394	8.3	9.7	12.0	30.7	16.7	23.6	28.1	24.1	19.5	14.8	12.4	10.1	6.1	5.2	4.7	1.1	1.3	2.6	24.8	24.2	26.1	260	11.8	1.6
Zee Entertainment Enterprises	226	ADD	98,008	2,314	434	8.9	10.5	13.9	62.6	17.8	32.7	25.5	21.6	16.3	18.5	14.0	10.6	3.5	3.1	2.7	0.9	1.1	1.6	14.2	15.1	17.8	260	15.0	6.9
<b>Media</b>																													
<b>Attractive</b>																													
<b>261,263 6,168</b>																													
<b>24.0 16.8 92.0 52.4 44.8 23.4 20.9 16.8 11.0 4.9 4.2 3.9 1.0 1.1 1.9 9.4 9.4 16.6</b>																													
<b>Metals</b>																													
Hindalco Industries	126	REDUCE	219,286	5,177	1,742	13.1	16.2	14.6	(10.9)	23.5	(9.9)	9.6	7.8	8.6	6.0	4.7	4.6	1.2	0.7	0.8	1.1	1.4	1.4	14.3	12.7	9.4	150	19.2	11.4
National Aluminium Co.	392	REDUCE	252,537	5,962	644	25.2	30.3	33.5	(31.8)	20.0	10.6	15.5	12.9	11.7	8.2	7.0	5.6	2.7	2.4	2.1	1.9	1.9	1.9	18.4	19.4	18.7	370	(5.6)	5.9
Jindal Steel and Power	1,835	BUY	282,542	6,670	154	80.4	111.6	117.0	83.2	38.9	4.8	22.8	16.4	15.7	14.5	10.7	9.8	6.5	4.6	3.5	—	—	—	34.3	32.8	25.1	2,900	58.0	24.2
JSW Steel	717	ADD	133,110	3,142	186	92.0	103.1	146.8	35.7	12.0	42.4	7.8	7.0	4.9	5.8	6.0	4.3	1.4	1.1	0.9	2.6	2.6	2.6	21.2	18.1	21.0	1,040	45.2	19.5
Hindustan Zinc	569	ADD	240,421	5,676	423	104.0	72.2	71.5	(1.0)	(30.6)	(1.0)	5.5	7.9	8.0	3.8	4.8	4.3	2.0	1.6	1.4	1.3	1.3	1.8	44.0	22.5	18.4	750	31.8	3.1
Sesa Goa	149	BUY	117,181	2,766	787	18.8	22.6	23.2	144.6	19.7	2.7	7.9	6.6	6.4	5.1	4.0	3.5	4.2	2.8	2.1	2.4	2.7	3.4	68.6	50.8	36.9	195	31.0	40.8
Sterilite Industries	622	ADD	440,577	10,401	708	63.7	52.3	51.5	(23.3)	(17.9)	(1.6)	9.8	11.9	12.1	5.5	5.6	5.1	1.9	1.6	1.4	—	—	—	26.6	14.8	12.6	800	28.6	27.9
Tata Steel	569	REDUCE	467,712	11,041	822	75.7	116.9	106.1	43.8	54.4	(9.3)	7.5	4.9	5.4	5.4	4.7	4.7	1.3	1.0	0.9	2.5	2.3	2.3	46.3	35.6	28.4	520	(8.6)	72.3
<b>Metals</b>																													
<b>Cautious</b>																													
<b>2,153,366 50,835</b>																													
<b>12.3 13.1 (0.4) 9.2 8.1 8.1 5.9 5.4 5.0 1.9 1.5 1.3 1.3 1.3 1.4 20.2 18.2 15.5</b>																													
<b>Pharmaceutical</b>																													
Biocon	416	BUY	41,575	981	100	22.5	24.5	32.0	9.4	8.5	31.0	18.4	17.0	13.0	11.7	10.6	8.5	2.8	2.5	2.2	0.1	0.1	0.1	17.6	15.7	18.2	615	47.9	1.4
Cipla	235	REDUCE	182,430	4,307	777	9.0	10.5	12.2	4.9	16.2	16.4	26.0	22.4	19.2	19.0	17.1	14.4	4.9	4.2	3.6	0.9	1.1	1.3	20.1	20.1	20.3	230	(2.0)	8.0
Dishman Pharma & chemicals	321	BUY	26,104	616	81	14.7	19.7	27.7	30.5																				

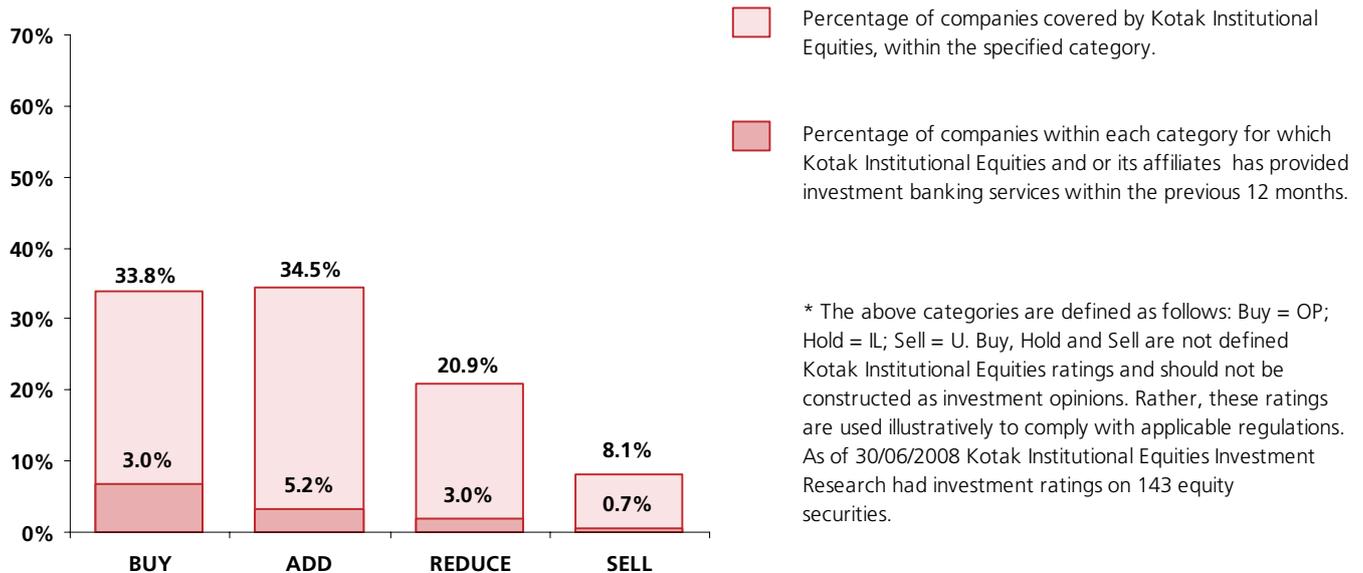
## Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	8-Sep-08		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	ADVT-		
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	price (Rs)	Upside (%)	3mo (US\$ mn)	
<b>Retail</b>																														
Pantaloon Retail	347	BUY	59,598	1,407	172	8.0	14.2	19.9	93.2	76.5	39.9	43.1	24.4	17.5	16.5	10.7	8.8	3.5	2.2	2.0	0.2	0.2	0.3	8.6	10.7	11.5	460	32.7	1.1	
Rajesh Exports	50	BUY	14,435	341	291	8.2	5.9	6.9	80.4	(28.2)	16.6	6.0	8.4	7.2	2.3	1.3	0.6	1.9	1.0	1.0	0.6	0.8	0.9	26.8	12.3	13.5	120	141.7	2.9	
Titan Industries	1,222	BUY	54,264	1,281	44	35.1	41.1	49.8	55.2	17.3	21.0	34.9	29.7	24.6	23.4	18.3	14.7	11.5	8.8	6.9	0.7	0.8	0.9	37.7	33.6	31.6	1,350	10.4	2.9	
Vishal Retail	387	ADD	8,678	205	22	18.1	21.6	35.6	37.2	19.2	65.2	21.4	18.0	10.9	10.8	7.4	5.6	3.2	2.7	2.2	-	-	-	20.2	16.2	22.1	485	25.2	0.2	
<b>Retail</b>			<b>136,975</b>	<b>3,234</b>					<b>53.0</b>	<b>20.1</b>	<b>32.7</b>	<b>25.9</b>	<b>21.6</b>	<b>16.3</b>	<b>12.7</b>	<b>9.9</b>	<b>8.0</b>	<b>4.3</b>	<b>2.8</b>	<b>2.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>	<b>16.4</b>	<b>12.9</b>	<b>14.8</b>				
<b>Technology</b>																														
HCL Technologies	257	REDUCE	178,268	4,208	695	15.3	22.3	25.4	(19.0)	46.0	13.8	16.8	11.5	10.1	9.7	7.7	6.5	3.6	3.0	2.5	3.1	3.1	3.1	21.4	28.1	27.3	250	(2.5)	5.4	
Hexaware Technologies	47	SELL	6,744	159	142	7.7	4.7	5.6	(13.7)	(38.2)	18.5	6.2	10.0	8.5	2.9	3.0	2.2	1.0	0.9	0.8	3.4	3.4	3.4	15.1	9.4	10.4	50	5.4	0.4	
Infosys Technologies	1,750	BUY	1,004,529	23,714	574	79.1	102.1	118.1	18.0	29.1	15.7	22.1	17.1	14.8	17.6	13.3	10.7	7.3	5.6	4.4	1.9	1.4	1.6	36.1	36.8	33.1	2,100	20.0	83.0	
Mphasis BFL	245	SELL	51,018	1,204	208	12.2	15.6	18.5	67.6	27.3	18.8	20.0	15.7	13.2	12.0	9.4	7.7	4.4	0.6	3.1	1.4	1.6	1.8	23.6	25.6	25.4	220	(10.1)	1.6	
Mindtree	345	BUY	13,549	320	39	26.1	35.7	43.4	14.8	36.5	21.7	13.2	9.7	8.0	11.1	6.9	5.2	2.5	2.0	1.6	0.8	1.0	1.3	21.3	23.5	22.9	550	59.2	0.5	
Patni Computer Systems	233	SELL	32,387	765	139	33.4	25.2	29.7	29.7	(24.5)	17.7	7.0	9.2	7.9	4.0	3.6	2.6	1.2	1.1	1.0	0.8	1.0	1.2	19.2	11.7	12.7	260	(11.6)	1.6	
Polaris Software Lab	100	SELL	9,786	231	98	7.4	10.1	11.8	(27.6)	36.0	16.2	13.4	9.8	8.5	6.7	4.9	4.0	1.5	1.3	1.2	1.8	1.8	1.8	11.7	14.3	14.8	90	(9.6)	6.1	
Satyam Computer Services	429	BUY	292,312	6,901	682	25.2	32.2	37.5	17.7	27.6	16.5	17.0	13.3	11.4	13.6	9.8	8.0	4.0	3.3	2.7	2.3	2.8	3.3	26.0	27.1	25.7	500	16.7	40.0	
TCS	857	REDUCE	838,375	19,792	979	51.3	58.7	67.9	21.5	14.5	15.6	16.7	14.6	12.6	13.6	11.5	9.6	6.8	5.3	4.3	1.6	2.4	3.2	47.0	40.8	37.8	900	5.1	27.4	
Tech Mahindra	774	BUY	96,463	2,277	125	59.1	74.8	89.4	25.7	26.7	19.4	13.1	10.3	8.7	11.6	7.3	5.5	7.7	4.3	2.9	0.5	-	0.8	70.7	55.8	41.6	900	16.2	4.7	
Wipro	434	ADD	628,938	14,847	1,450	22.2	27.5	33.5	12.6	23.6	21.8	19.5	15.8	13.0	15.6	11.7	9.2	4.9	3.9	3.2	1.5	1.9	2.4	27.9	27.6	27.4	490	13.0	11.4	
<b>Technology</b>	<b>Neutral</b>		<b>3,152,367</b>	<b>74,418</b>					<b>16.1</b>	<b>23.8</b>	<b>17.0</b>	<b>18.2</b>	<b>14.7</b>	<b>12.6</b>	<b>14.1</b>	<b>11.0</b>	<b>8.9</b>	<b>5.4</b>	<b>4.3</b>	<b>3.5</b>	<b>1.8</b>	<b>2.0</b>	<b>2.4</b>	<b>29.5</b>	<b>29.0</b>	<b>27.6</b>				
<b>Telecom</b>																														
Bharti Airtel Ltd	820	REDUCE	1,555,898	36,730	1,898	35.3	47.0	57.0	65.0	33.2	21.1	23.2	17.4	14.4	14.1	10.3	7.9	6.9	4.9	3.6	-	0.5	0.7	39.1	32.9	29.1	840	2.5	77.5	
IDEA	83	REDUCE	219,179	5,174	2,639	3.9	4.6	5.5	78.5	15.7	20.8	21.0	18.2	15.1	12.2	9.1	7.5	6.2	4.6	3.5	-	-	-	36.4	29.1	26.6	100	20.4	18.4	
MTNL	99	REDUCE	62,087	1,466	630	6.0	6.5	7.0	(25.2)	7.7	8.2	16.4	15.2	14.1	1.9	2.1	2.0	0.5	0.5	0.5	6.1	6.1	6.1	2.7	2.9	3.2	100	1.5	3.8	
Reliance Communications	398	SELL	821,885	19,402	2,064	25.0	28.6	34.8	76.4	14.1	21.9	15.9	13.9	11.4	11.2	9.6	7.5	2.9	2.4	2.0	0.2	-	-	16.1	19.9	19.8	390	(2.1)	93.5	
Tata Communications	450	REDUCE	128,222	3,027	285	10.9	12.0	13.3	(36.3)	9.2	11.2	41.1	37.6	33.9	17.1	16.0	13.8	1.9	1.9	1.8	1.0	1.1	1.4	4.4	4.7	4.9	430	(4.4)	3.3	
<b>Telecom</b>	<b>Cautious</b>		<b>2,787,270</b>	<b>65,800</b>					<b>61.9</b>	<b>23.9</b>	<b>20.6</b>	<b>19.8</b>	<b>15.9</b>	<b>13.2</b>	<b>12.5</b>	<b>9.9</b>	<b>7.7</b>	<b>3.8</b>	<b>3.1</b>	<b>2.5</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>	<b>19.4</b>	<b>19.6</b>	<b>19.3</b>				
<b>Transportation</b>																														
Container Corporation	886	ADD	115,221	2,720	130	57.7	67.5	75.0	7.8	17.0	11.0	15.4	13.1	11.8	10.6	8.9	7.5	3.6	3.0	2.5	1.4	1.6	1.8	25.8	24.9	23.1	950	7.2	1.3	
Gateway Distriparks	90	BUY	10,426	246	115	6.4	8.1	10.8	(5.0)	26.5	33.5	14.1	11.1	8.3	9.8	7.3	5.6	1.5	1.4	1.3	3.2	3.7	3.8	10.8	12.9	15.8	125	38.4	1.1	
GE Shipping	362	BUY	55,167	1,302	152	105.9	72.7	48.2	77.6	(31.3)	(33.7)	3.4	5.0	7.5	4.9	5.9	6.7	1.3	1.1	1.0	4.1	5.0	3.3	43.2	23.4	13.7	500	38.0	2.8	
Jet Airways	542	SELL	46,812	1,105	86	(76.5)	(123.3)	96.4	(2,857)	71	206.7	(7.1)	(4.4)	5.6	61.0	17.9	6.4	1.0	1.3	1.1	-	-	1.3	(19.5)	(26.5)	21.5	450	(19.7)	1.5	
<b>Transportation</b>	<b>Neutral</b>		<b>227,627</b>	<b>5,374</b>					<b>3.9</b>	<b>(42.9)</b>	<b>162.9</b>	<b>12.8</b>	<b>22.4</b>	<b>8.5</b>	<b>12.5</b>	<b>10.3</b>	<b>6.7</b>	<b>1.8</b>	<b>1.7</b>	<b>1.5</b>	<b>1.9</b>	<b>2.2</b>	<b>2.1</b>	<b>13.9</b>	<b>7.7</b>	<b>17.4</b>				
<b>Utilities</b>																														
CESC	340	BUY	42,478	1,003	125	27.8	28.2	31.1	(23.3)	1.4	10.4	12.2	12.1	10.9	6.2	7.1	8.0	1.3	1.2	1.1	1.2	1.2	1.5	12.5	10.6	10.5	500	47.1	1.1	
Lanco Infratech	299	BUY	66,390	1,567	222	16.0	18.7	31.3	88.4	17.4	67.1	18.7	15.9	9.5	14.4	16.8	13.8	3.3	2.7	2.1	(2.0)	-	-	20.2	18.9	25.2	530	77.5	19.6	
NTPC	182	REDUCE	1,496,964	35,339	8,245	8.9	9.5	10.3	3.5	6.7	8.0	20.3	19.0	17.6	14.6	15.7	15.6	2.8	2.6	2.4	2.0	2.1	2.8	14.4	14.2	14.3	179	(1.4)	31.6	
Reliance Infrastructure	1,059	BUY	244,430	5,770	231	46.0	49.7	50.2	26.1	8.0	0.9	23.0	21.3	21.1	22.0	40.8	32.1	1.5	1.5	1.4	0.6	0.6	0.6	4.0	4.0	5.3	1,250	18.1	99.0	
Reliance Power	169	REDUCE	404,460	9,548	2,397	0.4	2.1	2.6	-	443.9	25.2	443.7	81.6	65.1	-	-	-	2.9	2.8	2.7	-	-	-	1.2	3.5	4.3	180	6.7	41.7	
Tata Power	1,105	BUY	257,495	6,079	233	29.7	38.1	39.9	11.6	28.5	4.6	37.2	29.0	27.7	25.2	22.3	22.7	3.4	2.7	2.3	0.8	0.9	0.9	10.0	10.3	9.0	1,540	39.3	30.7	
<b>Utilities</b>	<b>Attractive</b>		<b>2,512,217</b>	<b>59,306</b>					<b>10.0</b>	<b>12.6</b>	<b>10.1</b>	<b>25.3</b>	<b>22.5</b>	<b>20.4</b>	<b>17.6</b>	<b>20.1</b>	<b>20.4</b>	<b>2.6</b>	<b>2.4</b>	<b>2.2</b>	<b>1.3</b>	<b>1.4</b>	<b>1.8</b>	<b>10.3</b>	<b>10.7</b>	<b>11.0</b>				
<b>Others</b>																														
Aban Offshore	2,340	REDUCE	90,452	2,135	39	72.3	271.8	488.1	(1,066)	276.0	79.6	32.4	8.6	4.8	16.9	8.0	5.2	10.3	4.3	2.3	0.2	0.4	0.6	51.7	60.1	53.5	2,700	15.4	18.9	
ABG Shipyard	377	-																												

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

### Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities.

As of June 30, 2008

### Ratings and other definitions/identifiers

#### Rating system

Definitions of ratings

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

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

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

**SELL:** We expect this stock to underperform the BSE Sensex by 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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