kotak® Institutional Equities

INDIA DAILY

January 2, 2013

Contents

EQUITY MARKETS

		Change %		
India	**1-Jan**	**1-day**	**1-mo**	**3-mo**
Sensex	19,581	0.8	1.2	4.0
Nifty	5,951	0.8	1.2	4.1
Global/Regional indices				
Dow Jones	13,104	1.3	0.6	(3.0)
Nasdaq Composite	3,020	2.0	0.3	(3.0)
FTSE	5,898	(0.5)	0.5	1.3
Nikkie	10,395	0.7	10.0	17.2
Hang Seng	22,913	1.1	4.0	9.9
KOSPI	2,014	0.9	4.2	0.9
Value traded – India				
Cash (NSE+BSE)	100		154	141
Derivatives (NSE)	749		1,173	678
Deri. open interest	1,210		1,200	1,241

Forex/money market				
		Change, basis points		
	1-Jan	**1-day**	**1-mo**	**3-mo**
Rs/US$	54.5	(16)	(7)	203
10yr govt bond, %	8.2	-	(7)	(11)
Net investment (US$mn)				
	31-Dec		**MTD**	**CYTD**
FIIs	159		2,183	24,548
MFs	(20)		(339)	(282)

Top movers -3mo basis				
		Change, %		
Best performers	**1-Jan**	**1-day**	**1-mo**	**3-mo**
UNSP IN Equity	1953.1	2.9	(2.2)	57.6
UT IN Equity	34.9	3.7	10.1	41.0
ADE IN Equity	275.9	1.7	15.1	39.3
ESOIL IN Equity	71.4	1.6	1.6	39.2
UNBK IN Equity	281.3	2.5	15.9	35.6
Worst performers				
GMRI IN Equity	20.3	4.9	9.1	(18.1)
BHFC IN Equity	256.9	1.9	(3.2)	(17.0)
MMTC IN Equity	640.0	0.2	(5.4)	(15.9)
EDSL IN Equity	141.9	1.6	(5.7)	(13.1)
NMDC IN Equity	168.7	2.2	3.7	(12.3)

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Automobiles

India

ATTRACTIVE

JANUARY 02, 2013

THEME

BSE-30: 19,581

Tractor demand yet to peak. In the second edition of our thematic product, we highlight the maximum potential for tractor demand in India. We believe tractor penetration in India is low and likely to peak only by 2030. Low crop yields, rising labor costs and a rise in alternative use of tractors is likely to drive long-term demand. However we expect tractor demand to grow at a modest rate over the next few years due to flat farmer profitability and modest growth in non-farm use of tractors.

India's tractor population can reach 16 mn from the current 4.3 mn

We estimate India's tractor population can reach 16 mn as current penetration is low: Only 5% of agricultural households own tractors. We believe tractor demand will be boosted by shortage of farm labor, rising cost of labor and bullocks, the need to raise crop yields that are significantly below global levels and increase in the use of tractors for non-agricultural purposes. We expect tractor penetration to peak in FY2030 if the sales CAGR clocks 7-8%.

Strong growth in the tractor cycle is dependent on strong demand for renting tractors

We estimate that a farmer with over six acres of land can afford a tractor, supported by agricultural income. 82% of India's farmers have less than five acres of land and hence they depend on renting tractors to increase the productivity of their land. We believe tractor demand will get a significant boost if non-agricultural use of tractors, like haulage, transport and construction, grows strongly. This will boost farmers' income from tractors and drive the need to buy additional tractors.

We expect tractor demand to remain subdued over next few years

We believe tractor demand will remain subdued over the next few years as farmer profitability is likely to be flat given a sharp rise in input costs and a muted rise in crop prices. Construction demand growth is also likely to slow over the next few years, in our view, which will limit the need to buy additional tractors. We also expect tractor prices to rise by 2% yoy over the next few years against 5% CAGR over the past decade.

We retain our ADD rating on M&M

We retain our ADD rating on Mahindra & Mahindra as we believe the standalone business is in a sweet spot due to a sharp rise in demand for UV/SUVs and steady demand for tractors. We believe the stock has factored most of the positives and we see a modest upside from current levels. Our target price is Rs1,000 based on sum-of-the-parts methodology.

QUICK NUMBERS

- The number of tractors in India can reach 16 mn by 2030
- Only 5% of agricultural households own tractors
- Static farmer profitability to result in modest volume growth for tractors over the next few years

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We estimate total requirement of 16.4 mn tractors in India by 2030
Computation of maximum tractor population penetration in India

Total area under agriculture (mn acres)	393
Tractor-hours required per acre per year (hours) (a)	20
Number of tractor-hours required per year (mn hours)	7,855
Number of hours a tractor can work per day (hours)	10
Number of days that a tractor is required in a year (b)	60
Number of tractor-hours available per tractor per year (hours)	600
Total number of tractors required for agricultural purposes (mn)	**13.1**
Add: Tractors used for non-agricultural purposes (mn) (c)	**3.3**
Total number of tractors required in India (mn)	**16.4**

Notes:
(a) based on our discussion with a farmer.
(b) assuming two crops a year and 30 days of sowing and weeding per crop season.
(c) 20% of tractors are used for non-agricultural purposes as per an M&M presentation.

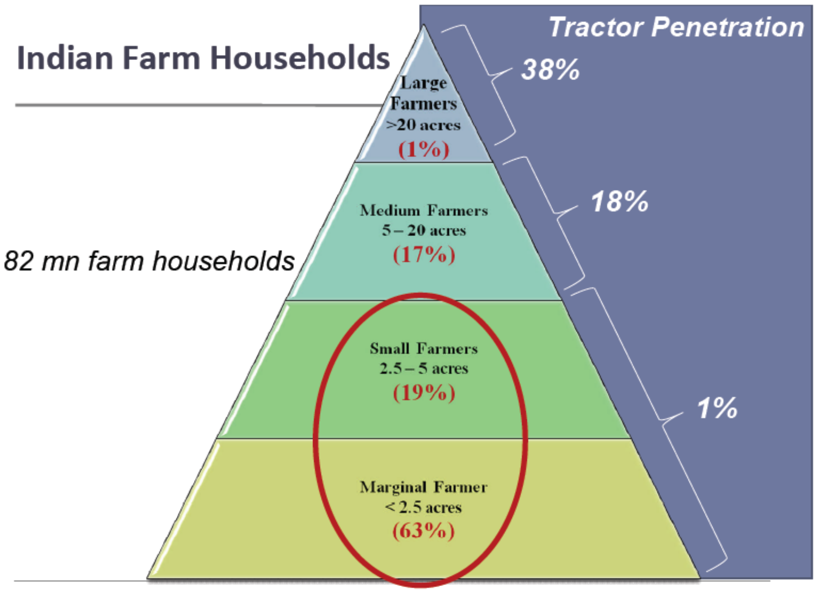
Source: Company, field research, Kotak Institutional Equities estimates

The tractor market is likely to be saturated only by 2030 in our view
Estimated number of tractors in India at different CAGR of annual tractor sales

	CAGR in annual sales (%)						
Year	**6**	**7**	**8**	**9**	**10**	**11**	**12**
2012	4.3	4.3	4.3	4.3	4.3	4.3	4.3
2013E	4.8	4.8	4.8	4.8	4.8	4.8	4.8
2021E	9.0	9.2	9.5	9.8	10.1	10.4	10.7
2022E	9.5	9.8	10.2	10.6	11.0	11.4	11.8
2023E	10.0	10.4	10.9	11.4	11.9	12.5	13.1
2024E	10.6	11.1	11.7	12.3	13.0	13.7	14.4
2025E	11.2	11.8	12.6	13.3	14.1	15.0	16.0
2026E	11.8	12.6	13.5	14.4	15.4	**16.4**	**16.4**
2027E	12.5	13.4	14.5	15.6	**16.4**		
2028E	13.2	14.3	15.5	**16.4**			
2029E	14.0	15.3	**16.4**				
2030E	14.9	16.4					
2031E	15.9	**16.4**					
2032E	**16.4**						

Source: Kotak Institutional Equities estimates

Tractor penetration is still low in India
Tractor penetration across land holdings, March fiscal year-end, 2009 (%)



Source: Mahindra & Mahindra presentation, Kotak Institutional Equities

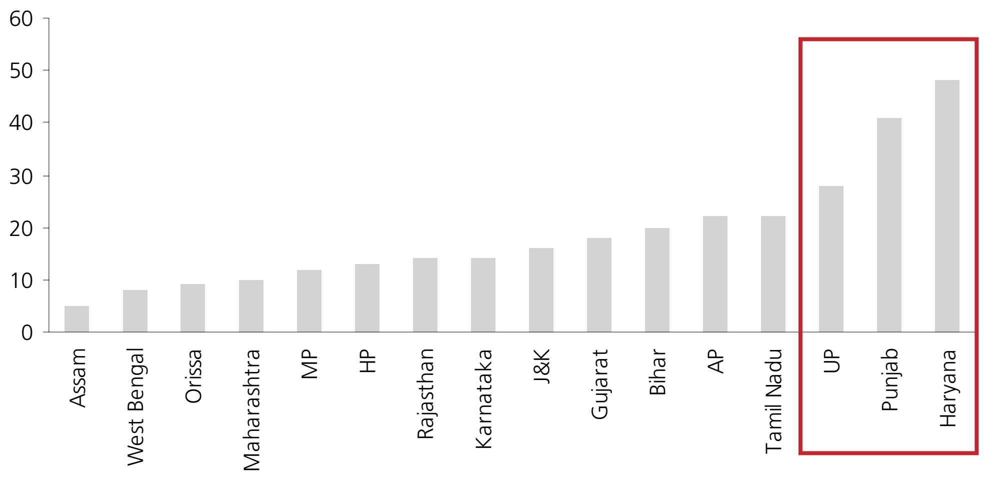
A farmer needs to have 5.5 acres of land to own a tractor, in our view
Computation of minimum land required to own a tractor (Rs)

Farmer economics	
Income per acre	25,000
Total acres ownership	**5.5**
Annual income from agriculture (Rs)	137,374
Income from leasing out tractors/hour (Rs)	250
Annual income from leasing out tractors (Rs) (a)	32,525
Total annual income for farmer	**169,899**
Monthly per capita expenditure in rural area (Rs)	1,054
Average family size	6.5
Annual consumer expenditure in rural area (Rs)	82,184
Annual EMI of tractor	87,715
Total annual expenditure for farmer	**169,899**
Tractor EMI calculation	
Tractor capital cost, 40 HP (Rs)	400,000
Loan taken as % of principal (%)	80
Total loan taken (Rs)	320,000
Interest (%)	14
Tenure (months)	60
Tractor EMI	7,310
Annual EMI cost	87,715

Source: Field research, MSPI, Kotak Institutional Equities estimates

Tractor penetration is high in UP, Haryana and Punjab

Tractor penetration across states in India, FY2010, number of tractors per 1,000 hectares (units)



Source: ICRA

Tractor demand is likely to shift to South, West and East India

Region, horsepower and company-wise break-down of domestic tractor demand in India, March fiscal year-ends, 2004-2012 (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Company									
M&M (with PTL)	38	39	40	38	39	41	42	42	42
TAFE (with Eicher Motors)	22	23	23	24	23	22	22	21	23
Escorts Ltd	13	13	10	14	15	14	13	13	11
Sonalika	11	11	11	11	10	9	9	9	8
Others (John Deere, New Holland etc)	17	15	16	13	13	15	14	15	15
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Horsepower wise breakup									
Upto 30 hp	23	20	18	17	16	16	16	15	15
31-40 hp	50	51	51	49	46	46	46	46	46
41-50 hp	21	21	23	26	27	25	24	27	27
51 hp and above	6	8	8	8	11	14	14	12	13
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Region-wise									
North	50	43	39	40	39	41	42	35	36
West and Central	26	27	24	24	24	23	23	30	33
South	14	20	25	26	26	22	19	19	19
East	10	11	11	11	11	14	16	16	12
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: TMA, Kotak Institutional Equities

kotak Institutional Equities

Glenmark Pharmaceuticals (GNP)

Pharmaceuticals

REDUCE

JANUARY 02, 2013

UPDATE

Coverage view: Attractive

Price (Rs): 539

Target price (Rs): 510

BSE-30: 19,581

Crofelemer approved in the US. Salix Pharma has received US FDA approval for Crofelemer to treat diarrhoea in HIV patients on ARV regimen. We expect limited near-term financial upside for Glenmark from supplies to Salix. In Glenmark's territories, the commercial opportunity is likely to be higher for adult/pediatric diarrhoea compared to the HIV indication. PIII data in adult diarrhoea is likely in FY2014. We maintain our REDUCE rating with a target price of Rs510.

Company data and valuation summary

Glenmark Pharmaceuticals

Stock data			
52-week range (Rs) (high,low)			551-285
Market Cap. (Rs bn)			145.8
Shareholding pattern (%)			
Promoters			25.1
FIIs			45.2
MFs			9.6
Price performance (%)	1M	3M	12M
Absolute	24.2	29.0	83.5
Rel. to BSE-30	22.7	24.0	44.8

Forecasts/Valuations	2013	2014E	2015E
EPS (Rs)	22.3	28.3	32.3
EPS growth (%)	1.8	27.0	14.2
P/E (X)	24.2	19.0	16.7
Sales (Rs bn)	48.9	57.3	65.1
Net profits (Rs bn)	6.0	7.7	8.7
EBITDA (Rs bn)	10.0	12.0	13.2
EV/EBITDA (X)	16.1	13.3	11.8
ROE (%)	22.7	23.6	22.1
Div. Yield (%)	0.5	0.6	0.7

Salix Pharma receives US FDA approval for Crofelemer

The US FDA has granted approval to Crofelemer (brand name: Fulyzaq) delayed release tablets from Salix Pharma. Crofelemer is the first drug to be approved for symptomatic relief of non-infectious diarrhea (twice daily) in HIV patients (on anti-retroviral therapy). Salix has the marketing rights for all indications in North America, Europe and Japan under a license agreement with Napo Pharma. The drug is expected to have US peak sales of US$150-200 mn according to Salix. Crofelemer is only the second botanical prescription drug approved by the US FDA.

Crofelemer supply to Salix: Limited near-term upside

Under the agreement, Glenmark will supply Crofelemer API to Salix for sales in regulated markets. The US launch will depend on the outcome of the ongoing litigation between Salix and Napo related to the alleged failure of Salix to commercialize the drug in a timely manner. The botanical raw material in Crofelemer (Croton lechleri) is harvested from South America and will be converted into API. We expect the near-term upside to be limited for Glenmark from supplies of Crofelemer to Salix. Crofelemer US sales are likely to be less than US$50 mn in FY2014-15. We factor the sales in our API estimate for Glenmark.

Market potential likely to be higher for adult acute diarrhoea

Glenmark holds the marketing rights for Crofelemer in over 140 emerging markets (including India) for all indications. The market potential in these territories for the HIV indication is expected to be US$80 mn (according to Glenmark). Glenmark plans to use the US data to file for the HIV indication in its territories and it expects launch in 2HFY14. We see limited pricing power for a therapy used in treating a side-effect of HIV in emerging markets given the low prices of the primary ARV regimen. Besides sales through relief agencies are unlikely to reflect typical NCE margin.

Glenmark is also conducting a PIII trial of Crofelemer in adult acute diarrhoea (recruiting patients) and finalizing the clinical development plan in the pediatric population. In Glenmark territories we view the opportunity for adult diarrhoea and pediatric diarrhoea as holding more commercial promise, which may materialize in the medium term.

Maintain REDUCE with a target price of Rs510

Our target price of Rs510 is based on 18X FY2014 EPS of Rs28.3.

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Salix funded capital expenditure for Crofelemer

In July 2011, Glenmark received upfront payment of US$15 mn from Salix to fund capacity build-up for Crofelemer, which is yet to be recognized by Glenmark in the P&L (expected to be recognized on US launch). In 2QFY13 Glenmark invested Rs700 mn in capital expenditure towards the Crofelemer facility.

Besides there will be additional milestone payments (total of US$6.6 mn) to be received in five equal annual installments. Glenmark will also receive payments for the API supply.

Salix had shown limited interest in commercializing Crofelemer despite the US$150-200 mn in peak-sales opportunity. We believe this may indicate the limited commercial potential for the drug in the US. We remain cautious about the peak sales potential, indicated by Salix.

Label highlights

- The US label requires the physician to conduct testing to confirm the diarrhoea is not caused by an infection or gastrointestinal disease.
- The drug will be manufactured by Patheon (contract manufacturer).

Crofelemer – development status

S. No	Indication	Status
1	HIV associated diarrhoea	Approved in US
		GNP will initiate filings in ROW markets on US approval.
		GNP approval expected in 2HFY14.
2	Adult acute diarrhoea	In PIII trials - India and Bangladesh
3	Paediatric acute diarrhoea	Finalizing the clinical development plan.

Source: Kotak Institutional Equities, Company

Crofelemer – development timeline

Period	Event details
Jul-05	Glenmark and Napo enter into a collaborative agreement for Crofelemer.
	GNP to have the exclusive rights to develop and commercialize the drug for 140 countries - excluding North America, Europe, Japan and China.
	The rights will be for 3 indications - a) HIV related diarrhoea b) acute infectious diarrhoea and c) pediatric diarrhoea.
	Napo will receive royalties (high single digits to early teens) on net sales.
	Glenmark will also exclusively supply the global API requirement. In addition, Glenmark invested US$1 mn in Napo's preferred stock.
Aug-06	Approval from Drug Controller General of India (DCGI) for GNP to initiate phase II trial with Crofelemer for treatment of acute adult infectious diarrhoea.
2007	Napo pharma initiates the PIII trial in HIV related diarrhoea indication (Advent). Expects NDA filing in 1HCY09.
Apr-08	Glenmark reports positive PIIa data in the acute adult infectious diarrhoea indication.
Dec-08	Napo and Salix announce collaboration for Crofelemer in HIV-associated diarrhoea. Salix estimates US peak sales of $150-200mn.
	Salix will have the product rights for all indications in North America, Europe and Japan.
	Salix to pay $4.5mn upfront, equity investment of $0.5mn and regulatory and sales milestones.
Dec-08	Salix and Glenmark also enter into a manufacturing and supply agreement for Crofelemer tablets.
Nov-10	Napo reports positive topline data from the PIII Advent study.
Feb-11	Glenmark announces positive PIIb trial data for Crofelemer in adult acute diarrhoea patients.
May-11	Napo files lawsuit against Salix due to the partners alleged failure to commercialize Crofelemer in a timely manner.
Jul-11	Salix agrees to pay $21.6mn to Glenmark for Crofelemer supply. Glenmark will invest in building capacity for manufacturing Crofelemer and will receive $15mn upfront while the remaining $6.6mn will be paid in five equal installments (first in Jul'12).
	In addition, Glenmark will also be paid for the actual supplies.
Aug-11	Glenmark files for arbitration against Salix - claims the ROW right include supply rights to global relief agencies.
Sep-11	Napo send Salix/Glenmark notice of default seeking to terminate the Crofelemer agreement. Napo claims breach of agreement given both Salix and Glenmark are yet to file for Crofelemer despite positive PIII data.
3QFY12	Glenmark initiates PIII trial for Crofelemer in adult acute diarrhoea in India/Bangladesh.
Nov-11	Napo terminates the agreement for Crofelemer with Salix.
Dec-11	Napo terminates the agreement for Crofelemer with Glenmark.
Dec-11	Glenmark seeks declaration from an arbitration panel that Napo's claims of breach are unfounded. GNP seeks an interim order for Napo to comply with the agreement during the period of arbitration.
Dec-11	Salix files the NDA for Crofelemer in HIV-associated diarrhoea with the US FDA - granted priority review (6 month cycle).
Jan-12	Arbitration panel grants interim order prohibiting Napo from terminating the agreement with Glenmark.
Feb-12	Crofelemer PDUFA date set for 05 June 2012.
May-12	US FDA extends the PDUFA date by 3 months to 05 Sep 2012. No additional studies are required.
Aug-12	Arbitration panel grants interim order allowing Glenmark to supply the drug to relief agencies.
	Panel also rejects Napo's claims to terminate the agreement with Glenmark.
Sep-12	US FDA extends the PDUFA date - regulatory action expected in 1QCY13.
Dec-12	US FDA approves Crofelemer.

Source: Kotak Institutional Equities, Company

Financial summary, March fiscal year-ends, 2012-15E (Rs mn)

	2012	2013E	2014E	2015E
Net Sales (excl licensing)	**37,654**	**48,895**	**57,255**	**65,129**
% growth		29.9%	17.1%	13.8%
Reported EBITDA (excl licensing)	5,908	9,541	11,971	13,180
% margins	15.7%	19.5%	20.9%	20.2%
% growth		61.5%	25.5%	10.1%
Adjusted EBITDA (for MTM losses)	**7,366**	**9,941**	**11,971**	**13,180**
% margins	19.6	20.3	20.9	20.2
% growth		35.0	20.4	10.1
Reported PAT	4,603	6,030	7,657	8,743
% growth		31.0	27.0	14.2
Adjusted PAT	4,531	5,950	7,657	8,743
% growth		31.3	28.7	14.2
Adjusted EPS	**16.7**	**22.0**	**28.3**	**32.3**
% growth		31.3	28.7	14.2

Source: Company, Kotak Institutional Equities estimates

Revenue summary, March fiscal year-ends, 2010-15E (Rs mn)

	2010	2011	2012	2013E	2014E	2015E
Domestic formulations	7,529	8,447	10,021	12,356	14,580	17,204
Semi regulated market	3,864	4,070	5,926	7,434	8,921	10,260
Latin america	1,361	1,919	2,869	3,568	4,282	4,924
Europe	1,363	1,528	1,976	2,171	2,388	2,627
Speciality business	**14,116**	**15,963**	**20,792**	**25,529**	**30,171**	**35,014**
US	7,230	8,352	12,137	17,681	20,880	23,183
Europe	299	544	1,031	1,489	1,713	1,969
Latin america (Argentina)	343	401	142	174	209	251
API	2,627	2,767	3,094	3,894	4,283	4,711
Generics business	**10,500**	**12,063**	**16,405**	**23,238**	**27,085**	**30,115**
Licensing income	232	895	2,535	495	—	—
Others	—	569	474	128	—	—
Total	**24,848**	**29,491**	**40,206**	**49,390**	**57,255**	**65,129**
yoy growth, %						
Domestic formulations	22.6	12.2	18.6	23.3	18.0	18.0
Semi regulated market	64.1	5.3	45.6	25.5	20.0	15.0
Latin America	(13.9)	41.0	49.5	24.4	20.0	15.0
Europe	36.8	12.1	29.4	9.8	10.0	10.0
Speciality business	**27.5**	**13.1**	**30.3**	**22.8**	**18.2**	**16.1**
US	(1.5)	15.5	45.3	45.7	18.1	11.0
Europe	103.7	81.6	89.7	44.4	15.0	15.0
Latin america (Argentina)	(14.3)	16.9	(64.5)	22.4	20.0	20.0
API	33.2	5.3	11.8	25.8	10.0	10.0
Generics business	**6.5**	**14.9**	**36.0**	**41.7**	**16.6**	**11.2**
Total	**18.7**	**18.7**	**36.3**	**22.8**	**15.9**	**13.8**
% of sales						
Domestic formulations	30.3	28.6	24.9	25.0	25.5	26.4
Semi regulated market	15.5	13.8	14.7	15.1	15.6	15.8
Latin America	5.5	6.5	7.1	7.2	7.5	7.6
Europe	5.5	5.2	4.9	4.4	4.2	4.0
Speciality business	**56.8**	**54.1**	**51.7**	**51.7**	**52.7**	**53.8**
US	29.1	28.3	30.2	35.8	36.5	35.6
Europe	1.2	1.8	2.6	3.0	3.0	3.0
Latin america (Argentina)	1.4	1.4	0.4	0.4	0.4	0.4
API	10.6	9.4	7.7	7.9	7.5	7.2
Generics business	42.3	40.9	40.8	47.0	47.3	46.2
Licensing income	**0.9**	**3.0**	**6.3**	**1.0**	**—**	**—**

Source: Company, Kotak Institutional Equities estimates

Profit and loss statement, March fiscal year-ends, 2009-15E (Rs mn)

	2009	2010	2011	2012	2013E	2014E	2015E
Net sales	**20,402**	**23,891**	**28,579**	**37,654**	**48,895**	**57,255**	**65,129**
Raw materials	(6,581)	(7,843)	(9,918)	(13,454)	(17,429)	(20,039)	(22,665)
Employee cost	(3,194)	(3,321)	(5,103)	(6,289)	(7,741)	(8,980)	(10,417)
R& D	(1,274)	(1,179)	(1,380)	(2,916)	(3,765)	(4,008)	(4,559)
Others	(3,452)	(5,585)	(7,166)	(9,087)	(10,418)	(12,257)	(14,308)
Total expenditure	**(14,500)**	**(17,928)**	**(23,568)**	**(31,746)**	**(39,354)**	**(45,284)**	**(51,949)**
EBITDA	**5,902**	**5,963**	**5,011**	**5,908**	**9,541**	**11,971**	**13,180**
Depreciation/amortisation	(1,027)	(1,206)	(947)	(979)	(1,276)	(1,476)	(1,676)
EBIT	**4,875**	**4,757**	**4,064**	**4,929**	**8,265**	**10,496**	**11,505**
Net finance cost	(1,405)	(1,640)	(1,566)	(1,377)	(1,524)	(1,300)	(1,000)
Other income	(782)	490	1,405	(1,207)	178	150	150
Licensing income	—	232	895	2,535	495	—	—
PBT	**2,688**	**3,839**	**4,799**	**4,881**	**7,414**	**9,346**	**10,655**
Current tax	(754)	(529)	(240)	(238)	(1,291)	(1,589)	(1,811)
Minority interest	18	66	46	40	93	100	100
PAT - reported	**1,916**	**3,244**	**4,512**	**4,603**	**6,030**	**7,657**	**8,743**
PAT - adjusted	**1,347**	**1,986**	**2,272**	**4,531**	**5,950**	**7,657**	**8,743**
EPS - adjusted	**5.3**	**7.6**	**8.4**	**16.7**	**22.0**	**28.3**	**32.3**

Source: Company, Kotak Institutional Equities estimates

Balance sheet and cash flow statement, March fiscal year-ends, 2009-15E (Rs mn)

	2009	2010	2011	2012	2013E	2014E	2015E
Balance sheet							
Total equity	15,982	23,552	20,372	24,016	29,204	35,793	43,316
Total debt	20,943	18,694	21,116	22,445	22,118	19,453	15,983
Current liabilities	4,563	5,186	7,746	10,623	11,806	13,167	14,732
Minority interest	32	130	267	250	250	250	250
Deferred tax liabilities	569	710	—	—	—	—	—
Total equity and liabilities	**42,089**	**48,273**	**49,501**	**57,334**	**63,378**	**68,662**	**74,281**
Cash and cash equivalents	715	1,070	1,986	3,253	3,253	3,253	3,253
Current assets	20,077	23,140	24,029	26,252	29,672	33,232	37,326
Net fixed assets	**7,857**	**9,245**	**10,337**	**10,511**	**12,646**	**13,885**	**14,924**
Net intangibles	7,806	8,628	10,329	11,862	12,352	12,837	13,322
Capital -WIP	5,454	6,008	1,457	2,483	2,483	2,483	2,483
Investments	181	181	281	298	298	298	298
Deferred tax assets	—	—	1,081	2,674	2,674	2,674	2,674
Total assets	**42,089**	**48,273**	**49,501**	**57,334**	**63,378**	**68,663**	**74,281**
Free cash flow							
Operating cash flow, excl. working capital	4,036	5,618	5,775	8,392	8,923	10,533	11,519
Working capital	(3,877)	(2,094)	3,531	(348)	(2,237)	(2,199)	(2,529)
Capital expenditure	(9,744)	(3,958)	(4,012)	(2,854)	(3,900)	(3,200)	(3,200)
Free cash flow	**(9,585)**	**(434)**	**5,294**	**5,190**	**2,786**	**5,133**	**5,790**

Source: Company, Kotak Institutional Equities estimates

kotak Institutional Equities

Media

India

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UPDATE

BSE-30: 19,581

The fourth factor for the fourth estate. The underperformance of print media stocks over the past 12 months was driven by a confluence of factors such as (1) weak advertising, (2) sharp newsprint inflation, (3) Rupee depreciation (impacting the US Dollar liabilities of a few companies) and (4) expansion losses in new markets despite robust underlying fundamentals (strong cash flows and balance sheets, except JAGP given cash outflow due to the Nai Dunia acquisition). The last three stabilized in 1HFY13 but the most significant fourth factor, advertising revenues, is turning around now for the fourth estate. DBCL/JAGP regional print basket is our top pick; BUY HTML/HMVL as well given inexpensive valuations and high operating leverage on low margins.

The anatomy of a print media company P&L account: Key driving factors

Exhibit 1 presents the anatomy of the P&L account of DBCL, in which we highlight key factors driving profitability and growth. The underperformance of print media stocks over the past 18 months (see Exhibit 2) was driven by factors such as (1) weak advertising (less than 10% yoy growth), (2) sharp newsprint inflation (over 10% yoy), (3) Rupee depreciation (over 20% yoy) and (4) operating losses due to new market expansions. The last three factors stabilized somewhat in 1HFY13, resulting in some stability in operating margins of print media companies. However, the most significant factor, advertising revenue, was under a cloud in 1HFY13 given (1) a weak economic environment and (2) weak national advertising.

Advertising revenue turning positive for the fourth estate

Print media advertising has greater correlation with the general economic environment and higher dependence on cyclical advertisers such as real estate, automobiles, durables and BFSI, unlike C&S TV (stable FMCG advertisers). The deceleration in GDP growth over FY2012-1HFY13 impacted print advertising revenue; our discussions with print media companies suggests robust turnaround in advertising growth in FY2014E (over 10%) led by (1) relative stability in GDP growth, (2) low base and (3) a robust festive season in 3QFY13 (Exhibit 3). Stable FMCG and healthcare advertisers increased their share of print advertising; traditional advertisers such as real estate, BFSI (cyclical) and education (after a correction in excess capacity) are returning.

Robust fundamentals (strong cash flow and balance sheet) in the downturn

Print media stocks maintained strong cash flows and balance sheets even during the stress scenario over the past 12 months, with JAGP a marginal exception. JAGP reported robust cash flows in FY2012 but balance sheet was impacted by ~Rs2.2 bn gross cash payment for the Nai Dunia acquisition; however, we expect JAGP to turn net cash by end-FY2014 with tax credits and non-core asset sales over FY2013E-14E. HTML, despite cyclical and structural challenges in FY2012, reported robust cash flow (see Exhibit 4). DBCL/JAGP increased/maintained high dividend payouts in FY2012 (~2.6% and ~3.3% yield on FY2013E). Print media companies will report strong growth in earnings (and cash flow) with uptick in earnings.

New market expansion: Near-term financial risk but long-term franchise expansion

The Street has taken a rather short-term view of new market expansions by print media companies. Arguably, risks of expansion (organic or inorganic M&A) going sour exists (such as DNA, HT Mumbai) and its near-term impact on financials. Nonetheless, these are important for the long-term health of franchises and will likely continue; large print media companies are in a strong position to monetize even relatively weaker assets; JAGP noted strong growth in 1HFY13 national advertising in Nai Dunia despite declining readership (see Exhibit 6).

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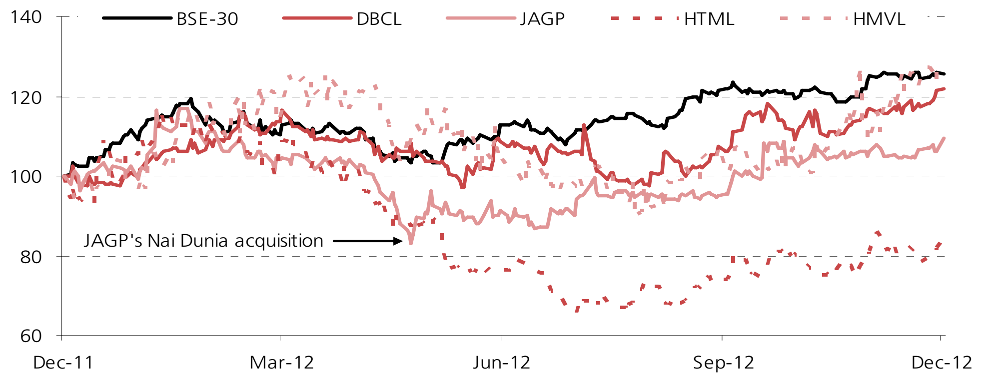
Anatomy of DBCL P&L account, FY2008-1HFY13 (Rs mn)

	2008	2009	2010	2011	2012	1HFY12	1HFY13	Comments
Revenue	8,627	9,610	10,630	12,652	14,515	7,047	7,553	
--Advertising	6,338	6,955	7,699	9,552	10,731	5,327	5,337	
growth (%)	*30*	*10*	*11*	*24*	***12***		***0***	**Advertising growth**
Expenditure	6,798	8,149	7,200	8,621	11,050	5,290	5,896	
--Raw material	3,365	4,075	3,279	3,839	5,080	2,429	2,662	
--Newsprint price (Rs/Kg)	26	30	25	27	31	31	33	
growth (%)	*(10)*	*15*	*(15)*	*8*	***15***		***6***	**Newsprint inflation**
--Consumption (mn Kg)	131	137	130	141	162	79	81	
growth (%)	*13*	*5*	*(5)*	***9***	***15***		***3***	**New market expansion**
--Overheads	3,433	4,074	3,922	4,783	5,970	2,862	3,234	
growth (%)	*36*	*19*	*(4)*	***22***	***25***		***13***	**New market expansion**
EBITDA	1,829	1,461	3,430	4,031	3,465	1,757	1,658	
margin (%)	*21*	*15*	*32*	***32***	***24***	***25***	***22***	**Margin contraction**

Source: Company data, Kotak Institutional Equities

Relative performance of print media stocks versus BSE-30 (base = 100)



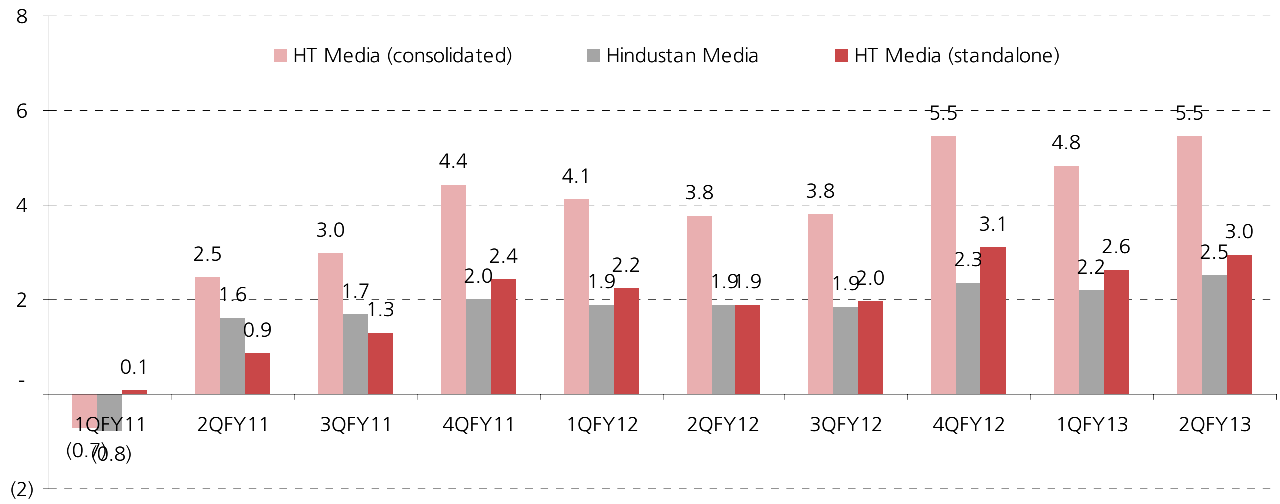
Source: Factset, Kotak Institutional Equities

Advertising growth trends across print media, 1QFY12-2QFY13

	1QFY12	2QFY12	3QFY12	4QFY12	1QFY13	2QFY13	3QFY13E
Revenues (Rs mn)							
DB Corp (consolidated print)	2,717	2,610	2,872	2,465	2,701	2,636	3,150
Jagran (standalone print)	2,043	2,119	2,235	2,103	2,207	2,196	2,400
Hindustan Media	1,104	1,128	1,024	1,136	1,166	1,147	1,200
HT Media (standalone print)	2,736	2,564	3,049	2,600	2,559	2,493	3,050
HT Media (consolidated print)	3,840	3,692	4,073	3,736	3,725	3,640	4,250
Growth (%)							
DB Corp (consolidated print)	20	16	7	4	(1)	1	10
Jagran (standalone print)	8	10	15	11	8	4	7
Hindustan Media	15	23	9	22	6	2	17
HT Media (standalone print)	18	8	11	(4)	(6)	(3)	0
HT Media (consolidated print)	17	12	10	3	(3)	(1)	4

Source: Company data, Kotak Institutional Equities

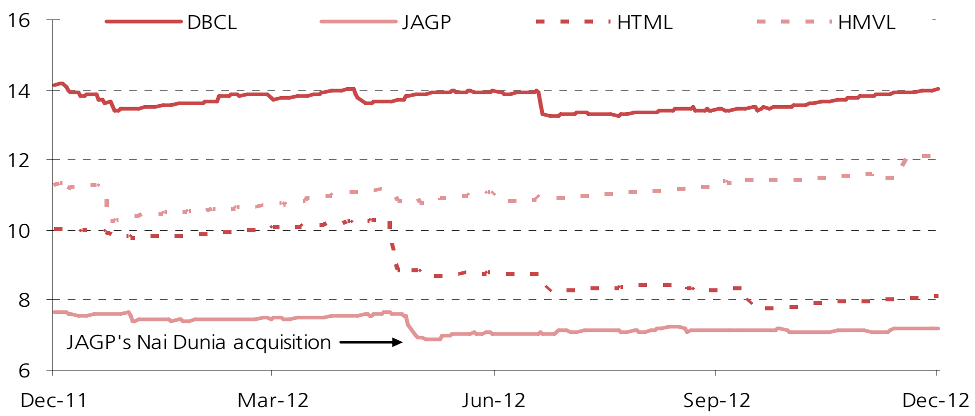
Trends in consolidated cash balance of HT Media (Rs bn)



Notes:
(a) Hindustan IPO in 2QFY11 contributed Rs2.56 bn of cash infusion.

Source: Company data, Kotak Institutional Equities

12-month forward earnings estimates of print media stocks (Rs)



Source: Factset consensus estimates, Kotak Institutional Equities

JAGP's publishing and business centers, end-FY2012

Publishing centres	Business centres
Agra	Ahmedabad
Aligarh	Bangalore
Allahbad	Bhubaneshwar
Amritsar	Chandigarh
Bareilly	Chennai
Bhagalpur	Coimbatore
Bhatinda	Guwahati
Bhopal	Goa
Dehradun	Jaipur
Dhanbad	Kochi
Dharamshala	Kolkata
Gorakhpur	Mumbai
Hissar	New Delhi
Jalandhar	Pune
Gorakhpur	Bhopal
Hissar	Raipur
Jalandhar	Hyderabad
Jamshedpur	Shimla
Jammu	Vadodara
Jhansi	Vishakapatnam
Kanpur	
Lucknow	
Ludhiana	
Meerut	
Moradabad	
Muzaffarpur	
Nainital	
Noida	
Panipat	
Patna	
Patiala	
Ranchi	
Rewa	
Siliguri	
Varanasi	

Source: Company data, Kotak Institutional Equities

DBCL breakdown of financials, FY2008-1HFY13 (Rs mn)

	FY2008	FY2009	FY2010	FY2011	FY2012	1HFY12	1HFY13
Mature							
Revenue	**8,069**	**8,581**	**9,281**	**12,211**	**13,398**	**6,520**	**6,603**
Advertising	6,094	6,476	7,052	9,720	10,476		
Circulation	1,704	1,913	2,005	2,182	2,224		
EBITDA	**2,518**	**2,148**	**3,576**	**4,455**	**4,320**	**2,211**	**1,965**
Margin (%)	***31***	***25***	***39***	***36***	***32***	***34***	***30***
Emerging							
Revenue	**437**	**743**	**981**	**442**	**1,241**	**521**	**894**
Advertising	295	503	724	296	805		
Circulation	121	238	246	135	384		
EBITDA	**(487)**	**(530)**	**(115)**	**(423)**	**(769)**	**(404)**	**(220)**
Margin (%)	***(111)***	***(71)***	***(12)***	***(96)***	***(62)***	***(78)***	***(25)***
Total							
Revenue	**8,506**	**9,324**	**10,261**	**12,652**	**14,639**	**7,041**	**7,497**
Advertising	6,389	6,979	7,776	10,016	11,281		
Circulation	1,824	2,151	2,251	2,317	2,608		
EBITDA	**2,031**	**1,618**	**3,461**	**4,032**	**3,551**	**1,807**	**1,745**
Margin (%)	***24***	***17***	***34***	***32***	***24***	***26***	***23***

Source: Company data, Kotak Institutional Equities

Market share of DB Corp in regional markets, CY2007-12E (%)

	2007	2008	2009	2010	2011	2012	Weight
DB MPCG	56	54	46	43	42	40	2
DB RAJ	43	44	45	45	46	46	3
DB CPH	29	32	34	34	35	35	2
DB GUJ	30	31	31	32	33	33	3
DB BJH	-	-	-	-	3	6	2
DB MAH-MP	-	-	-	-	-	-	3
Average	**26**	**27**	**26**	**26**	**26**	**27**	
Weighted	**26**	**26**	**26**	**26**	**26**	**27**	
Cumulative	**387**	**397**	**390**	**385**	**395**	**398**	

Source: Indian Readership Survey, Kotak Institutional Equities

Readership of DBCL across core/legacy and new markets (mn)

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	*chg (%)*
MP-Chattisgarh										
Dainik Bhaskar	**4.2**	**4.3**	**4.6**	**4.7**	**4.8**	**4.9**	**4.8**	**4.7**	**4.7**	***(3)***
DJ + Nai + Nav Dunia	1.9	2.0	2.2	2.4	2.4	2.4	2.3	2.4	2.3	*(5)*
Patrika Dainik	0.7	0.9	1.1	1.1	1.3	1.4	1.8	1.9	2.1	*66*
Hari Bhoomi	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	*(6)*
NavBharat	1.0	0.9	0.8	0.7	0.6	0.6	0.6	0.6	0.6	*(0)*
Rajasthan										
Rajasthan Patrika	6.8	7.1	7.0	6.9	6.8	6.8	6.7	6.7	6.6	*(3)*
Dainik Bhaskar	**6.1**	**6.1**	**6.4**	**6.3**	**6.4**	**6.4**	**6.3**	**6.2**	**6.2**	***(3)***
Dainik Navjyoti	0.4	0.4	0.4	0.5	0.6	0.6	0.5	0.5	0.5	*(8)*
Chandigarh-Punjab-Haryana										
Dainik Bhaskar	**2.4**	**2.4**	**2.4**	**2.4**	**2.3**	**2.2**	**2.2**	**2.2**	**2.2**	***(4)***
Punjab Kesari	2.1	2.1	2.1	2.0	2.0	1.9	2.0	2.1	2.1	*6*
Dainik Jagran	1.8	1.8	1.8	1.7	1.7	1.6	1.6	1.6	1.6	*(3)*
Gujarat										
Gujarat Samachar	4.5	4.5	4.4	4.4	4.4	4.5	4.4	4.5	4.5	*1*
Divya Bhaskar	**3.7**	**3.8**	**3.7**	**3.8**	**3.8**	**3.8**	**3.9**	**3.9**	**3.9**	***3***
Sandesh Dainik	3.1	3.4	3.3	3.2	3.3	3.2	3.3	3.4	3.3	*(0)*
Jharkhand - new market (a)										
Hindi Hindustan	1.5	1.6	1.8	1.8	1.8	1.7	1.7	1.8	1.7	*(3)*
Prabhat Khabar	1.0	1.1	1.3	1.4	1.4	1.4	1.3	1.3	1.3	*(2)*
Dainik Jagran	0.8	0.8	0.9	0.9	1.0	1.0	1.0	0.9	0.9	*(7)*
Dainik Bhaskar	**-**	**-**	**-**	**-**	**-**	**0.6**	**0.7**	**0.8**	**0.8**	

Notes:
(a) DBCL's Jharkhand presense is only partially considered.

Source: Indian Readership Survey, Kotak Institutional Equities

Market share of Jagran in regional markets, CY2007-12E (%)

	2007	2008	2009	2010	2011	2012	Weight
DJ UPU	48	47	47	44	41	41	4
DJ BJH	30	32	31	30	29	28	2
DJ CPH	32	28	27	26	26	25	2
DJ DNCR	19	19	19	19	19	20	2
ND MPCG	11	12	20	21	24	23	2
Average	**28**	**28**	**29**	**28**	**28**	**27**	
Weighted	**31**	**31**	**32**	**31**	**30**	**30**	
Cumulative	**378**	**370**	**382**	**369**	**359**	**355**	

Source: Indian Readership Survey, Kotak Institutional Equities

Readership of JAGP across core, legacy markets (mn)

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	*chg (%)*
UPU										
Dainik Jagran	**9.5**	**9.5**	**9.5**	**9.4**	**9.6**	**9.6**	**9.6**	**9.5**	**9.6**	***(0)***
Amar Ujala	7.4	7.6	7.6	7.8	7.9	7.9	8.0	7.8	7.7	*(3)*
Hindi Hindustan	3.1	3.4	3.8	4.0	4.1	4.2	4.3	4.4	4.5	*9*
BJH										
Hindi Hindustan	5.8	6.1	6.4	6.6	6.6	6.6	6.6	6.6	6.6	*(1)*
Dainik Jagran	**3.3**	**3.4**	**3.4**	**3.5**	**3.7**	**3.8**	**3.9**	**3.9**	**3.8**	***4***
Prabhat Khabar	1.2	1.3	1.6	1.7	1.8	1.9	2.1	2.3	2.5	*40*
CPH										
Dainik Bhaskar	2.4	2.4	2.4	2.4	2.3	2.2	2.2	2.2	2.2	*(4)*
Punjab Kesari	2.1	2.1	2.1	2.0	2.0	1.9	2.0	2.1	2.1	*6*
Dainik Jagran	**1.8**	**1.8**	**1.8**	**1.7**	**1.7**	**1.6**	**1.6**	**1.6**	**1.6**	***(3)***
D-NCR										
Navbharat Times	1.8	1.9	2.0	2.0	2.0	2.0	1.9	2.0	2.0	*(4)*
Hindi Hindustan	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.2	*(7)*
Dainik Jagran	**1.0**	**1.1**	**1.1**	**1.1**	**1.1**	**1.0**	**1.0**	**1.0**	**1.0**	***(4)***
Punjab Kesari	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.7	*(14)*
MPCG										
Dainik Bhaskar	4.2	4.3	4.6	4.7	4.8	4.9	4.8	4.7	4.7	*(3)*
DJ + Nai + Nav Dunia	**1.9**	**2.0**	**2.2**	**2.4**	**2.4**	**2.4**	**2.3**	**2.4**	**2.3**	***(5)***
Patrika Dainik	0.7	0.9	1.1	1.1	1.3	1.4	1.8	1.9	2.1	*66*
Hari Bhoomi	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	*(6)*

Source: Indian Readership Survey, Kotak Institutional Equities

Market share of Hindustan in regional markets, CY2007-12E (%)

	2007	2008	2009	2010	2011	2012	Weight
HH BJH	53	52	54	55	51	47	2
HH UPU	10	10	11	14	17	18	4
HH DNCR	17	23	26	24	24	23	2
Average	**27**	**29**	**30**	**31**	**30**	**29**	
Weighted	**23**	**24**	**25**	**27**	**27**	**27**	
Cumulative	**181**	**193**	**204**	**213**	**216**	**212**	

Source: Indian Readership Survey, Kotak Institutional Equities

Readership of HTML and competition across markets (mn)

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	*chg (%)*
Delhi English										
Hindusan Times	**2.0**	**1.9**	**1.9**	**2.0**	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**	***(2)***
Times of India	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	*(1)*
Mail Today	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2	*8*
Mumbai English										
Times of India	1.5	1.6	1.6	1.6	1.6	1.5	1.6	1.6	1.6	*1*
Hindusan Times	**0.6**	**0.6**	**0.6**	**0.7**	**0.7**	**0.8**	**0.8**	**0.8**	**0.8**	***10***
Daily News and Analysis	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	*13*
Hindi										
Dainik Jagran	15.9	16.0	16.1	15.9	16.4	16.5	16.4	16.4	16.4	*0*
Dainik Bhaskar	13.3	13.5	14.0	14.0	14.2	14.9	14.6	14.6	14.4	*2*
Hindi Hindustan	**10.1**	**10.8**	**11.5**	**11.8**	**12.0**	**12.0**	**12.0**	**12.2**	**12.2**	***2***
Rajasthan/ Patrika	7.6	8.2	8.2	8.1	8.2	8.3	8.6	8.8	8.8	*8*
Amar Ujala	8.4	8.6	8.6	8.7	8.9	8.8	8.8	8.7	8.6	*(3)*
Business										
Economic Times	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	*1*
HT Mint	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.3**	**0.3**	**0.2**	**0.2**	***(2)***
Business Standard	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	-

Source: Indian Readership Survey, Kotak Institutional Equities

Valuations of Indian print media companies, FY2010-14E

	EV	EBITDA (Rs bn)					EV/EBITDA (X)				
	(Rs bn)	2010	2011	2012	2013E	2014E	2010	2011	2012	2013E	2014E
JAGP	34	2.8	3.6	3.2	3.5	3.9	12.2	9.7	10.9	9.9	8.8
JAGP (adjusted)	**34**	**2.8**	**3.6**	**3.2**	**3.6**	**4.0**	**12.2**	**9.7**	**10.9**	**9.6**	**8.6**
DBCL	41	3.4	4.0	3.5	3.7	4.3	11.9	10.1	11.8	11.1	9.4
DBCL (adjusted)	**41**	**3.4**	**4.2**	**4.2**	**4.3**	**4.7**	**11.9**	**9.6**	**9.8**	**9.6**	**8.6**
HMVL	**9**	**0.8**	**0.9**	**1.0**	**1.2**	**1.4**	**11.0**	**10.4**	**9.7**	**7.9**	**6.8**
HTML	21	2.5	3.2	2.8	2.5	3.4	8.3	6.5	7.4	8.4	6.1
HTML (adjusted)	**21**	**2.5**	**3.1**	**2.6**	**2.2**	**3.1**	**8.3**	**6.7**	**8.0**	**9.3**	**6.7**

	Price	EPS (Rs/share)					P/E (X)				
	(Rs)	2010	2011	2012	2013E	2014E	2010	2011	2012	2013E	2014E
JAGP	106	5.8	6.7	5.6	5.9	7.1	18.1	15.7	18.8	18.1	15.0
JAGP (adjusted)	**106**	**5.8**	**6.7**	**5.6**	**6.1**	**7.3**	**18.1**	**15.7**	**18.8**	**17.5**	**14.6**
DBCL	229	10.6	12.9	11.0	11.4	13.8	21.5	17.8	20.8	20.1	16.5
DBCL (adjusted)	**229**	**10.6**	**13.6**	**13.3**	**13.3**	**15.0**	**21.5**	**16.9**	**17.2**	**17.3**	**15.2**
HMVL	**150**	**7.9**	**8.2**	**8.9**	**11.1**	**12.1**	**19.0**	**18.3**	**16.8**	**13.5**	**12.4**
HTML	**107**	**5.8**	**7.7**	**7.1**	**6.3**	**8.5**	**18.3**	**13.9**	**15.1**	**17.0**	**12.6**

	Readership (mn)					EV/Reader (X)				
	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
JAGP	19.2	19.1	19.0	19.1	18.9	1,798	1,804	1,811	1,806	1,824
DBCL	18.0	18.8	18.6	18.5	19.1	2,267	2,173	2,194	2,204	2,139
HMVL	**12.0**	**12.0**	**12.0**	**12.2**	**12.2**	**768**	**765**	**765**	**758**	**755**
Discount (%)						**62**	**62**	**62**	**62**	**62**

Notes:
(a) Adjusted for near-term turnaround and operating losses in Mid-Day as well as Nai Dunia.
(b) Adjusted for near-term startup expenses and operating losses in Jharkhand and Maharashtra.
(c) Adjusted for 22% minority interest in subsidiary HMVL post IPO in October-2010.

Source: Company data, Indian Readership survey, Kotak Institutional Equities estimates

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Technology

India

CAUTIOUS

JANUARY 02, 2013

UPDATE

BSE-30: 19,581

3QFY13 preview: We expect another weak quarter. Furloughs and weak IT spending will lead to muted performance of IT companies in the December 2012 quarter. EBITDA margins will likely be under pressure due to lower billing days, select cases of wage revision and promotions and likely lower pricing. TCS and HCLT will likely report the strongest revenue growth. IT companies have done well to manage/lower expectations for the December 2012 quarter but will have to deal with hopes of accelerated growth in FY2014. We maintain a Cautious stance on the sector.

We expect another weak quarter; Tier-1 USD revenue growth of 1.8-3.1%

We expect modest organic US Dollar revenue growth of 1.8-3.1% for Tier-1 IT (including cross-currency benefit of 20-40 bps). Revenue growth will likely be impacted by (1) typical year-end shutdowns and (2) weak IT spending with a near halt in flow business. Deceleration in revenue growth will continue with yoy organic growth likely to be 1.3-13.7%. TCS will once again lead the industry with sequential revenue growth of 3.1%. HCLT will likely report strong revenue growth of 2.9%, courtesy the front-ended nature of revenue from certain large deals. Tier-1 names will outperform the Tier-2 pack on revenue growth.

Operating margin may decline yoy for Tier-1 companies (except HCLT)

We expect flattish to 110 bps sequential decline in EBITDA margins on (1) lower billing days, (2) wage revision in the cases of HCLT and Infosys and promotions at Wipro, (3) likely lower pricing and (4) cost inflation, especially onsite. Surprisingly, yoy EBITDA margin will be under pressure (except HCLT) despite a ~200 bps benefit from Rupee depreciation. TCS is likely to report 260 bps and Infosys 550 bps decline in EBITDA margin yoy. Margins are likely to decline sequentially for mid-tier companies for similar reasons though they would increase yoy (for details on divergence in margin performance between large and mid-tier companies, refer our note titled *30s Knocked Down To 20s, 10s Move To 20s,* dated November 16, 2012).

Strong deal wins are not translating into revenue growth

Traditional flow business (or ADM ramps) is important for healthy growth of Indian IT companies. The flow business growth is led largely by change in discretionary spending. Large deals add the necessary 'kicker' to growth. FY2013 is expected to be characterized by a good number of large deal signings but weak flow business. CY2013E IT budgets, as a result, would be critical in determining growth rates for Tier-1 IT. Data on this aspect is mixed: Accenture disappointed recently with muted growth in consulting services and decelerating growth in the outsourcing business. Cognizant's 8K filing on growth targets that would determine senior management's variable compensation in CY2013 indicates slowing growth. Oracle and SAP on other hand reported solid 17-18% growth in new license signings.

Guidance of Infosys/Wipro, though no more a sector proxy, may offer important cues

We expect Infosys to cut FY2013 organic revenue growth guidance to 3.6%. Implied growth in 4QFY13 would work out to a modest 2%. We also expect Infosys to cut FY2013 EPS guidance to Rs160 from Rs161 earlier. We expect Wipro's revenue growth guidance of 1-3% for the March 2013 quarter. In our view, Infosys and Wipro had a good share of deal wins over the past six months. They have not translated into strong revenue growth performance due to lack of flow business; a strong guidance for March 2013E (3-4%) could signal a change and provide some reasons for optimism in FY2014.

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Exhibit 1: Infosys - likely guidance for FY2013E

	FY2012	Current guidance	Likley revision
Revenues (US$ mn) (1)	**6,995**	**7,343**	**7,343**
Revenue growth (%)		5.0	5.0
Re/US$ rate	48.2	53.93	54.69
Revenues (Rs mn)	**337,340**	**395,820**	**401,608**
EBITDA margin (%)	**31.8**	**30.7**	**29.5**
EBITDA (Rs mn)	**107,180**	**121,345**	**118,474**
Depreciation	(9,400)	(11,000)	(11,500)
EBIT (Rs mn)	97,780	110,345	106,974
Other income (Rs mn)	19,040	19,500	21,200
PBT (Rs mn)	116,820	129,845	128,174
Tax rate (%)	**28.8**	**29.0**	**28.5**
Provision for tax (Rs mn)	(33,670)	(37,655)	(36,530)
PAT (Rs mn)	**83,150**	**92,190**	**91,645**
EPS (Rs/share)	**144.9**	**160.6**	**159.7**
EPS growth (%)		**10.9**	**10.2**

Note:
(1) Likely revision includes US$93 mn additional revenue from Lodestone acquisition

Source: Kotak Institutional Equities estimates

Exhibit 2: Revenue and EPS guidance for various Indian IT companies in the September 2012 quarter

	Actuals	Guidance (lower-end or single point)			Guidance (upper-end)		
	Sep-12	Dec-12	qoq (%)	yoy (%)	Dec-12	qoq (%)	yoy (%)
Infosys							
Revenues (US$ mn)	1,797	No quarterly guidance provided					
Revenues (Rs bn)	98.6						
EPS (Rs)	41.5						
Re/US$ rate	54.9						
Wipro							
Revenues IT services	1,541	1,560	1.2	3.6	1,590	3.2	5.6
Hexaware (b)							
Revenues (US$ mn)	92.8	92.0	(0.9)	9.4			

Note:
(a) Global IT services + Wipro Infotech's services business (India + Middle East).
(b) Hexaware initially guided for Dec-12 quarter revenues to be US$94.7-96.5 mn. Guidance was revised down in early December

Source: Companies

Exhibit 3: Movement of the Rupee and major non-US Dollar invoicing currencies versus the US Dollar

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
INR - USD												
Average	45.92	45.63	46.48	44.88	45.26	44.71	45.77	50.70	50.39	54.04	55.07	54.20
Period-end	44.95	46.45	44.97	44.71	44.59	44.61	48.91	52.81	50.95	56.31	52.89	54.79
GBP - USD												
Average	1.56	1.49	1.55	1.55	1.60	1.63	1.61	1.57	1.57	1.58	1.58	1.61
Period-end	1.52	1.50	1.57	1.56	1.60	1.61	1.57	1.56	1.60	1.56	1.62	1.62
EUR - USD												
Average	1.38	1.27	1.29	1.33	1.37	1.44	1.41	1.35	1.31	1.28	1.25	1.30
Period-end	1.35	1.23	1.36	1.34	1.42	1.45	1.36	1.31	1.33	1.26	1.29	1.32
AUD - USD												
Average	0.90	0.88	0.90	1.02	1.01	1.06	1.05	1.01	1.05	1.01	1.04	1.04
Period-end	0.92	0.85	0.97	1.02	1.03	1.07	0.99	1.02	1.03	1.02	1.04	1.04

Source: Bloomberg, Kotak Institutional Equities

Exhibit 4: Results preview for the quarter ending December 2012 (Rs mn)

Key financials	Dec-11	Sep-12	Dec-12	qoq (%)	yoy (%)	Comments/What to look for
TCS: Results (January 14th)						
Revenues (US$ mn)	2,586	2,853	2,941	3.1	13.7	• Expect 3.1% qoq growth in US$ revenues - c/c revenue growth of 2.8% qoq and cross-currency benefit of 30 bps
Revenues	132,040	156,208	160,425	2.7	21.5	• We expect flattish EBITDA margin; negative impact of currency, utilization to be offset by tighter control on SG&A and other expenses
Operating profit	40,921	44,404	45,488	2.4	11.2	• We do not build any forex gain/loss for the quarter. 2QFY13 other income includes forex loss of Rs900 mn
Adjusted net profit	28,866	35,123	34,968	(0.4)	21.1	• Expect investor focus on (1) outcome of client budgeting cycle of CY2013 and trends in discretionary spending, (2) commentary on the pricing scenario and outlook on margins and (3) update on visa scenario
EBITDA margin (%)	31.0	28.4	28.4			
Wipro: Results (January 17th)						
Total revenues	99,972	106,566	110,624	3.8	10.7	• We expect a 2.4% growth qoq in US$ revenues for the IT services business - c/c growth of 2% qoq and cross-currency benefit of 40 bps.
Global IT revenues (US$ mn)	1,506	1,541	1,577	2.4	4.8	• Impact on margins from grant of fresh RSU's, lower billing days and promotions likely to be offset by operational efficiencies
Global IT revenues	76,076	83,732	85,663	2.3	12.6	• Expect Wipro to guide for a 1-3% sequential revenue growth (constant currency) for the Mar 2013 quarter based on assumption of ramp ups from recent deal wins
Operating profit	17,239	18,587	19,113	2.8	10.9	• Expect investor focus on (1) progress on turnaround, (2) comments on discretionary spending and (3) status on deal flow
Adj. net profit	14,564	16,106	16,298	1.2	11.9	
Total OPM (%)	17.2	17.4	17.3			
Global IT - OPM (%) (b)	23.8	23.6	23.7			
Infosys Technologies: (January 11th)						
Revenues (US$ mn)	1,806	1,797	1,865	3.8	3.3	• Expect organic revenue growth of 1.8% in US$ terms. Lodestone acquisition would be consolidated for 2 months and can add US$37 mn to 3QFY13 revenues
Revenues	92,980	98,580	101,759	3.2	9.4	• Expect sequential margin decline of 80 bps qoq due to wage hikes, impact of client shutdowns on price realization and Lodestone consolidation
Operating profit	31,350	28,730	28,757	0.1	(8.3)	• Other income to decline to Rs4.7 bn from Rs7.1 bn in 2QFY13 due to (1) lower interest income from lower yields and use of cash for Lodestone acquisition and (2) low probability of forex gain down from Rs1.57 bn in the previous quarter.
Adjusted net profit	23,720	23,690	21,642	(8.6)	(8.8)	• Expect Infosys to cut FY2013E EPS guidance by 0.6% to Rs159.7 and organic revenue growth guidance to 3.6% from at least 5% earlier. Impact of lower than expected revenue growth to be partially offset by reset of USD/INR rate assumed in the guidance to 55 from 53
Operating profit margin (%)	33.7	29.1	28.3			• Expect investor focus on (1) client budget cycles and early indications on discretionary spending in CY2013, (2) Lodestone merger integration process and profitability turnaround, (3) cash utilization and (4) impact from aggression on pricing in large deals
HCL Technologies: Results (January 3rd week)						
Revenues (US$ mn)	1,022	1,114	1,146	2.9	12.2	• Expect revenue growth to be led by infrastructure services and ramp up of recently signed large deals
Revenues	52,452	60,912	62,534	2.7	19.2	• Expect operating margin to decline by110 bps due to salary hikes and increased S&M investments
Operating profit	9,501	13,289	12,932	(2.7)	36.1	• We build in forex loss of US$5 mn for the quarter versus US$11.1 mn in the previous quarter.
Adjusted net profit	5,523	8,624	8,621	(0.0)	56.1	• Expect investor focus on (1) dividend payout ratio, (2) quantum of large deal signings and (3) target operating margin
EBITDA margin (%)	18.1	21.8	20.7			
Tech Mahindra: Results (February 5th)						
Revenues (US$ mn)	289	299	325	8.6	12.6	• Expect organic revenue decline of 2.3% due to IT budget decline of BT and furloughs in non-BT clients. Hutchison Global Services acquisition will add an incremental US$27 mn to revenues over last quarter. Comviva to contribute US$3.5 mn
Revenues	14,449	16,314	17,673	8.3	22.3	• Expect sequential margin decline of 130 bps on account of (1) margin dilutive acquisitions and (2) lower billing days that would impact revenues without commensurate reduction in costs
Operating profit	2,343	3,377	3,421	1.3	46.0	• Build in zero forex gain/loss versus loss of US$12.7 mn in the last quarter.
Adjusted net profit	2,761	2,962	3,264	10.2	18.2	• Expect investor focus on (1) budget outlook in telecom clients and (2) IT budget spends and outlook on the BT business
Operating profit margin (%)	16.2	20.7	19.4			

Source: Companies, Kotak Institutional Equities estimates

Exhibit 4 (continued): Results preview for the quarter ending December 2012 (Rs mn)

Key financials	Dec-11	Sep-12	Dec-12	qoq (%)	yoy (%)	Comments/What to look for
Mphasis BFL (February last week)						
Revenues (US$ mn)	271	248	245	(1.2)	(9.5)	• We build in a sequential decline of 1.2% qoq in US$ revenues.
Revenues	13,672	13,062	13,099	0.3	(4.2)	• Expect EBITDA margin to decline 80 bps qoq
Operating profit	2,523	2,700	2,607	(3.5)	3.3	• Investor focus would remain on (1) revenue outlook on HP-enterprise, HP-non enterprise and direct channels, and (2) cash utilization strategy post Digital Risk acquisition
Adjusted net profit	1,844	2,093	1,920	(8.2)	4.2	
Operating profit margin (%)	18.5	20.7	19.9			
Mahindra Satyam (January 28th)						
Revenues (US$ mn)	325	354	354	0.1	9.0	• Furloughs to impact revenue growth. Expect flattish revenues for the quarter
Revenues	17,181	19,384	19,270	(0.6)	12.2	• Expect sequential margin decline of 50 bps
Operating profit	2,781	4,173	4,047	(3.0)	45.5	• Expect investor focus on (1) strategy that would drive better-than-industry revenue growth for the TechM-Satyam combine and (2) reasons for delay in merger of TechM-Satyam
Pre-exceptional net profit	3,084	2,779	3,171	14.1	2.8	• Our estimates exclude extraordinary charge of settlement of lawsuit with Aberdeen UK. Mahindra Satyam paid US$68mn in December 2012
Operating profit margin (%)	16.2	21.5	21.0			
Polaris Software Lab: Results (January 22nd)						
Revenues (US$ mn)	112.5	107.5	107.1	(0.4)	(4.8)	• Expect US$ revenues to decline 0.4% qoq
Revenues	5,725	5,859	5,835	(0.4)	1.9	• Expect OPM to decline 50 bps qoq . Sequential net income growth to be led by higher other income
Operating profit	1,055	882	853	(3.4)	(19.2)	• Client acquisition pace and account mining remain the key; company needs to make its Intellect wins count by mining these accounts.
Adjusted net profit	610	551	602	9.2	(1.3)	• Expect investor focus on revenue/margin outlook for FY2014E.
Operating profit margin (%)	18.4	15.1	14.6			
Hexaware Technologies: Results (February 1st week)						
Revenues (US$ mn)	84.1	92.8	92.0	(0.9)	9.4	• Expect 0.9% qoq US$ revenue decline (in line with the company's revised guidance issued in early December) as company faces issues with ramp up of an engagement with a top 5 client
Revenues	4,319	5,075	4,874	(4.0)	12.8	• Expect margins to decline 560 bps qoq due to writedown of costs previously incurred in the project
Operating profit	994	1,098	778	(29.2)	(21.7)	• We build in forex loss of Rs38 mn, flat versus previous quarter forex loss of Rs39 mn
Adjusted net profit	882	840	597	(29.0)	(32.3)	Expect investor on dividend payout policy (~45%) in light of the recent slippage in performance
Operating profit margin (%)	23.0	21.6	16.0			
MindTree Consulting: Results (January 18th)						
Revenues (US$ mn)	103.7	107.3	109.2	1.8	5.3	• We expect US$ revenue growth of 1.8%; cross currency benefit in the quarter likely to be 20 bps
Revenues	5,197	5,963	5,864	(1.7)	12.8	• Expect EBITDA margin decline of 130 bps largely on impact of appreciation in the realized Re rate. Note that Mindtree uses beginning of the month rate to convert revenues into Rupees. Expect Rupee realization to dip to Rs53.7 from Rs55.6 in 2QFY13
Operating profit	897	1,319	1,222	(7.4)	36.2	• We build in forex gain of Rs50 mn for the quarter versus a loss of Rs415 mn in the previous quarter. This in our view would drive a huge swing in net income
Adjusted net profit	606	722	899	24.5	48.3	• Expect investor focus on (1) pricing and discretionary spend trends; especially in the R&D segment, and (2) hiring/attrition metrics.
Operating profit margin (%)	17.3	22.1	20.8			

Source: Companies, Kotak Institutional Equities estimates

Valuation summary of Indian technology companies

	1-Jan-13		Mkt cap.		EPS (Rs)			PER (X)			EV/EBITDA (X)			EV/Sales (X)		
Company	Price (Rs)	Rating	(Rs m)	(US$ m)	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E
HCL Technologies	622	REDUCE	444,837	8,102	34.6	46.8	50.0	18.0	13.3	12.4	11.1	8.4	7.8	2.1	1.7	1.5
Hexaware Technologies	86	REDUCE	25,270	460	9.1	10.9	10.0	9.5	7.9	8.6	8.0	5.6	5.7	1.5	1.2	1.1
Infosys	2,309	REDUCE	1,325,280	24,137	144.9	160.5	168.5	15.9	14.4	13.7	10.4	9.2	8.2	3.3	2.8	2.4
Mindtree	691	ADD	28,438	518	53.1	71.1	77.4	13.0	9.7	8.9	9.7	5.7	5.5	1.5	1.1	1.0
Mphasis	385	SELL	81,170	1,478	39.0	37.6	37.7	9.9	10.3	10.2	8.2	7.6	7.4	1.6	1.5	1.4
Polaris Financial Technology	117	REDUCE	11,630	212	20.8	21.7	19.9	5.6	5.4	5.8	3.1	2.5	2.3	0.4	0.3	0.3
Mahindra Satyam	107	ADD	125,479	2,285	10.2	10.2	11.1	10.5	10.5	9.6	9.5	5.8	5.1	1.5	1.2	1.0
TCS	1,264	REDUCE	2,474,194	45,061	54.4	69.5	76.1	23.3	18.2	16.6	16.5	13.2	11.8	4.9	3.8	3.3
Tech Mahindra	934	ADD	119,040	2,168	80.1	96.0	104.8	11.7	9.7	8.9	14.8	10.1	9.2	2.3	2.0	1.7
Wipro	397	REDUCE	974,786	17,753	22.7	26.4	28.3	17.5	15.0	14.0	12.1	9.9	8.8	2.4	2.0	1.8
Technology		**Cautious**	***5,610,127***	***102,174***				***18.0***	***15.1***	***14.1***	***12.7***	***10.3***	***9.3***	***3.1***	***2.5***	***2.2***
KS universe (b)			***53,004,518***	***965,342***				***15.9***	***14.6***	***13.0***	***10.0***	***9.1***	***7.9***	***1.4***	***1.2***	***1.2***

	Target	O/S shares	EPS growth (%)			Net Profit (Rs mn)			EBITDA (Rs mn)			Sales (Rs mn)		
Company	Price	(mn)	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E
HCL Technologies	575	715	51.2	35.5	6.8	24,295	33,478	36,008	39,224	50,597	51,585	210,312	243,796	268,392
Hexaware Technologies	90	294	207.9	20.3	(8.2)	2,669	3,211	2,948	2,646	4,005	3,877	14,505	19,333	20,927
Infosys	2,350	574	21.0	10.8	5.0	83,150	92,099	96,692	107,180	119,206	127,894	337,340	398,020	432,680
Mindtree	750	41	115.1	34.0	8.8	2,185	2,927	3,186	2,930	4,668	4,615	19,152	23,209	25,567
Mphasis	375	211	(24.6)	(3.7)	0.4	8,223	7,917	7,952	9,849	10,512	10,752	50,980	53,574	58,002
Polaris Financial Technology	120	100	7.4	4.7	(8.2)	2,069	2,166	1,988	2,906	3,054	2,889	20,527	22,865	23,684
Mahindra Satyam	120	1,176	142.3	0.1	9.1	11,967	11,973	13,062	10,240	15,876	16,544	63,956	76,550	84,680
TCS	1,225	1,957	22.0	27.8	9.5	106,382	135,956	148,912	144,176	177,355	192,200	488,938	616,889	685,130
Tech Mahindra	1,025	128	63.5	19.9	9.1	10,494	12,581	13,724	8,516	13,397	14,462	54,897	67,124	76,126
Wipro	375	2,456	5.2	16.4	7.2	55,730	64,904	69,576	75,601	88,036	93,453	375,248	431,863	465,417
Technology			***21.2***	***19.5***	***7.3***	***311,194***	***371,784***	***398,789***	***409,023***	***493,654***	***525,726***	***1,670,707***	***1,991,650***	***2,184,534***
KS universe (b)			***9.2***	***9.2***	***12.1***									

Notes
(a) HCL Technologies is June fiscal year-ending
(b) Patni Computers Systems and Hexaware Technologies are December year-ending.

Source: Companies, Bloomberg, Kotak Institutional Equities estimates

kotak Institutional Equities

Telecom

India

NEUTRAL

JANUARY 02, 2013

UPDATE

BSE-30: 19,581

3QFY13 preview. We expect lower-than-normal seasonal uptick in volumes, modest uptick in RPM and modest sequential margin uptick to characterize 3QFY13 for wireless names. Likely sub-par qoq minutes growth is a tad disappointing, even as sustained discipline across the industry on reducing deeply discounted minutes is a partial contributor. Increased marketing spends and diesel cost push may take away some benefits of tight SAC control and the reduced-discounting push. We will monitor (1) the stance on voice tariffs, (2) data growth and (3) 3G network expansion.

3QFY13: Sub-par volume growth, modest uptick in RPM and margins

Exhibits 1, 2 and 3 give our December 2012 quarter earnings estimates for Bharti, Idea and RCOM respectively. We expect 2.6-4% qoq voice volume growth across the three names, a modest uptick in the backdrop of expected seasonal strength. Weakness in voice volume trend is perhaps reflective of increasing saturation in the voice market, even as we would have expected the incumbents to benefit from selective circle shutdowns by challengers like Uninor and Aircel.
We expect modest uptick in overall RPM, driven by sustained growth in data revenue, even as we expect voice RPM to be flattish. Benefits of further reduction in gross adds (driven by tighter KYC norms) are likely to be mitigated by increased marketing spends and network opex increase driven by higher diesel prices.

Bharti: Margin uptick in India, Africa wireless may drive robust quarter

We base our sequential growth discussion on adjusted 2QFY13 financials (adjusted for one-offs due to favorable interconnect judgment). We expect 3.5% qoq and 10.3% yoy growth-consolidated revenue to Rs203.8 bn. We build flattish consol EBITDA margins qoq. Our consolidated EBITDA estimate is Rs63.3 bn (+3.7% qoq, +6.2% yoy). We expect net profit of Rs6.7 bn (+39% qoq, down 34% yoy). We note that forecasting Bharti's ETR (and hence, PAT) has become extremely challenging given that it depends a lot on country-wise PBT mix in Africa, details of which are not shared by the company. We summarize our key expectations from the India and Africa wireless business:

- India/SA wireless. We expect 3.9% qoq and 7.5% yoy growth in revenue to Rs109.4 bn and 5.5% qoq growth in EBITDA to Rs33.7 bn for the quarter (EBITDA margin expansion of 50 bps qoq to 30.8%). Our voice volume growth estimate is 3.2% qoq and 10.3% yoy at 241.7 bn minutes and we build RPM of 42.9 paise/min (+0.8% qoq).

- Africa wireless. We expect about 6% qoq growth in revenue in constant currency, 4% in functional currency (US$), and 3.5% in Rupee terms to Rs62.6 bn. We build 60 bps qoq and 90 bps yoy expansion in EBITDA margin to 27.7%.

Idea: We expect a decent quarter; but growth leadership comes under question

We expect Idea to report a decent quarter with 4.4% qoq (10.3% yoy) growth in revenue to Rs55.5 bn and flat EBITDA margins (qoq and yoy) at about 26.8%. Our EBITDA estimate is Rs14.9 bn (+4.4% qoq, +10.2% yoy). We build 4% qoq and 14.7% yoy growth in minutes to 130.7 bn – even as Idea's yoy volume growth is likely to be the best among large operators, we expect Bharti and Vodafone to close the gap on this metric. Besides, we expect Idea's RPM growth (+0.5% qoq) to be slightly weaker than Bharti's. Our PAT estimate is Rs2.46 bn.

Tentatively, Bharti reports on February 6, Idea on January 22/23 and RCOM in the second week of February.

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Exhibit 1: Bharti: 3QFY13 preview, IFRS, March fiscal year-ends, (Rs mn)

	3QFY12	2QFY13	2QFY13 (adj)	3QFY13E	Change (%) qoq (vs rep)	qoq (vs adj)	yoy
Consolidated results							
Revenues	**184,767**	**202,732**	**196,871**	**203,820**	**0.5**	**3.5**	**10.3**
Operating costs	(125,184)	(139,224)	(135,863)	(140,534)			
EBITDA	**59,583**	**63,508**	**61,008**	**63,286**	**(0.3)**	**3.7**	**6.2**
EBITDA margin (%)	32.2	31.3	31.0	31.1			
Depreciation and Amortization	(35,845)	(38,560)	(38,560)	(40,213)			
EBIT	**23,738**	**24,948**	**22,448**	**23,073**	**(7.5)**	**2.8**	**(2.8)**
EBIT margin (%)	12.8	12.3	11.4	11.3			
Net finance (cost)/income	(7,877)	(10,219)	(11,167)	(11,243)			
Other non-financial income/(expense)	—	—	—	—			
PBT	**15,861**	**14,729**	**11,281**	**11,830**	**(19.7)**	**4.9**	**(25.4)**
Tax provision	(5,585)	(7,714)	(6,652)	(5,324)			
PAT before minority interest	10,276	7,015	4,629	6,507			
Minority interest	(108)	197	197	199			
Equity in earnings of affiliates	(56)	-	-	-			
Reported net income	**10,112**	**7,212**	**4,826**	**6,706**	**(7.0)**	**39.0**	**(33.7)**
Reported EPS	**2.66**	**1.90**	**1.27**	**1.77**	**(7.0)**	**39.0**	**(33.7)**
Segmental performance							
Wireless - India and SA							
Revenues	101,764	111,170	105,309	109,426	(1.6)	3.9	7.5
EBITDA	34,431	34,437	31,937	33,703	(2.1)	5.5	(2.1)
OPM (%)	33.8	31.0	30.3	30.8	(0.6)	1.6	(9.0)
ARPU (Rs/sub/month)	187	177	177	187	5.7	5.7	0.1
MOU (min/sub/month)	419	417	417	436	4.5	4.5	3.9
RPM (Rs/min)	0.446	0.424	0.426	0.429	1.1	0.8	(3.7)
EPM (Rs/min)	0.157	0.147	0.136	0.139	(5.2)	2.3	(11.3)
Total minutes (bn)	219.2	234.2	234.2	241.7	3.2	3.2	10.3
Bharti Africa							
Revenues (b)	53,577	60,512	60,512	62,630	3.5	3.5	16.9
EBITDA	14,351	16,413	16,413	17,348	5.7	5.7	20.9
EBITDA margin (%)	26.8	27.1	27.1	27.7			
Telemedia services							
Revenues	9,128	9,529	9,529	9,624	1.0	1.0	5.4
EBITDA	3,542	4,039	4,039	4,023	(0.4)	(0.4)	13.6
OPM (%)	38.8	42.4	42.4	41.8			
Long distance + Enterprise							
Revenues	11,881	13,934	13,934	13,655	(2.0)	(2.0)	14.9
EBITDA	2,008	2,148	2,148	2,185	1.7	1.7	8.8
OPM (%)	16.9	15.4	15.4	16.0			
Others							
Revenues	3,993	4,883	4,883	5,127	5.0	5.0	28.4
EBITDA	(3,049)	(2,216)	(2,216)	(2,974)	34.2	34.2	(2.5)
OPM (%)	(76.4)	(45.4)	(45.4)	(58.0)			

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: Idea: 3QFY13 preview, Indian GAAP, March fiscal year-ends, (Rs mn)

	3QFY12	2QFY13	3QFY13E	Change qoq (%)	Change yoy (%)
Consolidated					
Revenues	**50,308**	**53,140**	**55,492**	**4.4**	**10.3**
Standalone	50,652	53,481	55,822	4.4	10.2
Indus	3,233	5,348	5,375	0.5	66.2
Eliminations	(3,577)	(5,689)	(5,705)	0.3	59.5
Costs	**(36,862)**	**(38,915)**	**(40,620)**	**4.4**	**10.2**
EBITDA	**13,446**	**14,225**	**14,872**	**4.5**	**10.6**
EBITDA margin (%)	**26.7**	**26.8**	**26.8**		
Depreciation and Amortization	**(7,575)**	**(8,526)**	**(8,767)**	**2.8**	**15.7**
EBIT	5,871	5,699	6,105	7.1	4.0
Net interest income/(expense)	(2,880)	(2,164)	(2,458)		
PBT	2,991	3,535	3,647		
Taxes	(981)	(1,136)	(1,185)		
PAT	**2,010**	**2,399**	**2,462**	**2.6**	**22.5**
Wireless metrics					
Wireless ARPU (Rs/sub/month)	159	148	157	6.1	(1.3)
Wireless MOU (min/sub/month)	369	359	379	5.5	2.7
Wireless RPM (Rs/min)	0.431	0.412	0.414	0.5	(3.8)
Wireless EPM (Rs/min)	0.105	0.100	0.104	3.8	(0.9)
Total minutes (bn min)	114.0	125.6	130.7	4.0	14.7

Source: Company, Kotak Institutional Equities estimates

Exhibit 3: RCOM: 3QFY13E preview, Indian GAAP, March fiscal year-ends, (Rs mn)

(Rs mn)	3QFY12	2QFY13	3QFY13E	Change (%) qoq (%)	Change (%) yoy (%)
Consolidated results					
Revenues	**50,521**	**52,020**	**53,922**	**3.7**	**6.7**
Operating costs	(34,410)	(35,638)	(36,921)	3.6	7.3
EBITDA	**16,111**	**16,382**	**17,001**	**3.8**	**5.5**
EBITDA margin (%)	**31.9**	**31.5**	**31.5**		
Depreciation and Amortization	(9,780)	(9,130)	(9,150)	0.2	(6.4)
EBIT	**6,331**	**7,252**	**7,851**	**8.3**	**24.0**
EBIT margin (%)	**12.5**	**13.9**	**14.6**		
Net finance (cost)/income	(3,782)	(5,929)	(5,820)	(1.8)	53.9
PBT	2,549	1,323	2,031	53.5	(20.3)
Tax provision	(141)	—	(20)		
PAT before minority interest	2,408	1,323	2,011	52.0	(16.5)
Minority interest	(546)	(302)	(300)	(0.7)	(45.1)
Extraoridnaries	—	—	—		
Reported net income	**1,862**	**1,021**	**1,711**	**67.5**	**(8.1)**
Segmental performance					
Wireless					
Revenues	44,471	44,223	45,529	3.0	2.4
EBITDA	11,823	11,795	12,202	3.4	3.2
OPM (%)	26.6	26.7	26.8		
ARPU (Rs/sub/month)	100	102	113	10.8	13.3
MOU (min/sub/month)	224	236	261	10.7	16.6
RPM (Rs/min)	0.45	0.43	0.43	0.1	(2.8)
EPM (Rs/min)	0.12	0.12	0.12	0.8	(2.0)
Total minutes (bn)	99.9	102.5	105.2	2.6	5.3
Enterprise business					
Revenues	23,516	24,332	24,819	2.0	5.5
EBITDA	5,694	5,634	5,841	3.7	2.6
OPM (%)	24.2	23.2	23.5		
Others					
Revenues	2,292	2,186	2,295	5.0	0.1
EBITDA	(1,378)	(1,038)	(1,033)	(0.5)	(25.0)
OPM (%)	(60.1)	(47.5)	(45.0)		

Source: Company, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	1-Jan-13 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2012	EPS (Rs) 2013E	EPS (Rs) 2014E	EPS growth (%) 2012	EPS growth (%) 2013E	EPS growth (%) 2014E	PER (X) 2012	PER (X) 2013E	PER (X) 2014E	EV/EBITDA (X) 2012	EV/EBITDA (X) 2013E	EV/EBITDA (X) 2014E	Price/BV (X) 2012	Price/BV (X) 2013E	Price/BV (X) 2014E	Dividend yield (%) 2012	Dividend yield (%) 2013E	Dividend yield (%) 2014E	RoE (%) 2012	RoE (%) 2013E	RoE (%) 2014E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Automobiles																													
Apollo Tyres	89	BUY	45,066	826	504	8.1	11.7	14.0	(7.0)	43.8	20.0	11.0	7.6	6.4	6.2	4.7	4.0	1.4	1.2	1.0	0.5	0.7	0.9	15.6	19.0	19.1	110	23.0	6.3
Ashok Leyland	27	ADD	72,637	1,332	2,661	2.1	1.9	2.6	(10.6)	(9.0)	34.2	12.9	14.2	10.5	8.2	8.4	7.1	1.5	1.5	1.4	3.7	3.7	3.7	17.7	15.2	19.0	29	6.2	3.9
Bajaj Auto	2,132	ADD	616,972	11,314	289	103.8	107.9	136.4	14.9	3.9	26.4	20.5	19.8	15.6	15.0	15.3	12.0	10.1	8.0	6.3	2.1	2.0	2.6	54.5	45.1	44.8	2,100	(1.5)	13.8
Bharat Forge	257	REDUCE	60,962	1,118	237	17.4	13.8	19.1	38.5	(20.3)	37.9	14.8	18.6	13.5	8.2	9.0	7.4	2.5	2.2	1.9	0.4	0.4	0.4	15.1	14.2	13.2	270	5.1	2.3
Exide Industries	143	SELL	121,720	2,232	850	5.4	6.9	7.9	(27.2)	27.2	14.7	26.4	20.7	18.1	17.7	13.5	12.2	4.0	3.5	3.1	1.0	1.2	1.4	15.9	18.0	18.2	115	(19.7)	5.1
Hero Motocorp	1,897	SELL	378,901	6,948	200	119.1	115.0	124.3	19.9	(3.4)	8.1	15.9	16.5	15.3	12.1	12.5	10.4	6.9	5.4	4.4	1.6	1.8	2.0	61.8	43.8	36.5	1,700	(10.4)	12.5
Mahindra & Mahindra	942	ADD	578,265	10,605	614	45.1	53.2	59.3	8.1	17.9	11.4	20.9	17.7	15.9	15.9	12.7	11.2	4.6	3.9	3.4	1.2	1.7	1.9	24.6	24.7	23.4	1,000	6.2	21.3
Maruti Suzuki	1,514	SELL	457,470	8,389	302	56.6	62.9	83.6	(28.6)	11.1	32.9	26.8	24.1	18.1	21.5	17.1	11.9	3.0	2.7	2.4	0.5	0.5	0.5	11.1	11.7	13.8	1,100	(27.4)	19.6
Motherson Sumi Systems	198	BUY	116,659	2,139	588	4.6	8.9	15.4	(31.9)	94.5	72.9	43.4	22.3	12.9	19.0	12.3	5.8	6.2	5.4	3.7	1.1	1.0	2.5	15.5	25.9	34.3	180	(9.3)	1.9
Tata Motors	317	BUY	1,019,253	18,692	3,218	44.6	41.8	51.7	58.7	(6.3)	23.8	7.1	7.6	6.1	5.9	5.1	4.0	3.0	2.3	1.7	1.3	2.0	1.6	54.8	31.9	32.3	350	10.5	55.5
Automobiles		**Attractive**	**3,467,905**	**63,596**					**25.8**	**1.1**	**22.9**	**13.2**	**13.1**	**10.6**	**9.5**	**8.4**	**6.6**	**3.9**	**3.2**	**2.6**	**1.3**	**1.7**	**1.8**	**29.7**	**24.5**	**24.3**			
Banks/Financial Institutions																													
Andhra Bank	122	ADD	68,269	1,252	560	24.0	22.0	23.2	6.1	(8.4)	5.2	5.1	5.5	5.3	—	—	—	1.0	1.0	0.9	4.5	4.1	4.3	19.2	15.5	14.6	120	(1.6)	2.1
Axis Bank	1,363	ADD	563,073	10,326	413	102.7	108.5	112.9	24.4	5.6	4.1	13.3	12.6	12.1	—	—	—	2.5	2.2	1.9	1.2	1.2	1.3	20.3	18.2	16.4	1,420	4.2	43.6
Bajaj Finserv	912	SELL	131,898	2,419	145	94.8	74.4	75.3	21.3	(21.5)	1.1	9.6	12.2	12.1	—	—	—	2.6	1.9	1.7	1.6	1.6	1.6	32.2	18.1	14.7	740	(18.8)	3.7
Bank of Baroda	884	REDUCE	364,362	6,682	412	121.4	114.1	118.7	12.4	(6.0)	4.0	7.3	7.7	7.4	—	—	—	1.4	1.3	1.2	1.9	2.2	2.3	21.7	16.7	15.3	770	(12.9)	10.1
Bank of India	360	BUY	206,597	3,789	575	46.6	52.4	58.1	2.5	12.4	10.8	7.7	6.9	6.2	—	—	—	1.2	1.1	1.0	1.9	2.2	2.4	15.0	14.4	14.1	340	(5.5)	5.4
Canara Bank	516	REDUCE	228,588	4,192	443	74.1	68.4	77.4	(18.5)	(7.7)	13.2	7.0	7.5	6.7	—	—	—	1.2	1.2	1.1	2.1	2.3	2.3	15.4	12.7	13.0	420	(18.6)	7.4
Corporation Bank	478	BUY	70,747	1,297	148	101.7	92.9	110.5	6.6	(8.6)	18.8	4.7	5.1	4.3	—	—	—	0.9	0.9	0.8	4.3	3.9	4.7	19.5	15.6	16.4	480	0.5	0.8
Federal Bank	540	ADD	92,297	1,693	171	45.4	46.2	48.1	32.3	1.7	4.2	11.9	11.7	11.2	—	—	—	1.7	1.5	1.4	1.7	1.7	1.8	14.4	13.1	12.4	515	(4.6)	5.5
HDFC	833	SELL	1,275,845	23,397	1,532	27.9	31.9	37.8	15.8	14.2	18.5	29.8	26.1	22.1	—	—	—	6.7	5.1	4.5	1.3	1.4	1.7	22.7	22.1	21.7	690	(17.2)	57.2
HDFC Bank	685	SELL	1,606,308	29,457	2,347	22.0	28.7	36.4	30.4	30.3	27.0	31.1	23.9	18.8	—	—	—	5.4	4.6	3.9	0.6	0.8	1.0	18.7	20.7	22.3	590	(13.8)	29.0
ICICI Bank	1,158	ADD	1,335,424	24,490	1,153	56.1	64.9	63.6	25.4	15.6	(2.0)	20.7	17.9	18.2	—	—	—	2.3	2.1	2.0	1.4	1.7	1.6	11.2	11.9	10.8	1,140	(1.6)	57.5
IDFC	174	ADD	262,621	4,816	1,512	10.3	12.5	14.9	17.2	21.9	18.7	16.9	13.8	11.7	—	—	—	2.1	1.9	1.7	1.4	1.4	1.7	13.7	14.6	15.5	170	(2.1)	19.5
India Infoline	88	REDUCE	28,683	526	327	4.5	7.7	8.5	(38.3)	68.5	10.5	19.3	11.5	10.4	—	—	—	1.6	1.4	1.3	1.5	3.0	1.6	7.7	13.1	12.7	65	(26.0)	1.3
Indian Bank	210	BUY	90,209	1,654	430	39.6	39.8	41.8	1.2	0.7	5.0	5.3	5.3	5.0	—	—	—	1.1	0.9	0.8	3.6	3.5	3.7	19.4	17.0	15.7	260	23.9	1.1
Indian Overseas Bank	90	REDUCE	71,650	1,314	797	13.2	14.7	20.5	(24.0)	11.9	39.3	6.8	6.1	4.4	—	—	—	0.8	0.8	0.7	5.0	3.8	5.3	9.9	9.5	12.2	75	(16.6)	2.0
IndusInd Bank	423	ADD	220,006	4,035	520	17.2	19.1	21.9	38.5	11.1	14.9	24.7	22.2	19.3	—	—	—	4.9	3.0	2.7	0.5	0.8	0.9	20.1	16.9	14.6	430	1.6	7.9
J&K Bank	1,312	REDUCE	63,602	1,166	48	165.6	199.0	183.3	30.6	20.2	(7.9)	7.9	6.6	7.2	—	—	—	1.6	1.3	1.2	2.6	3.1	2.8	21.2	21.6	17.2	1,260	(3.9)	2.5
LIC Housing Finance	297	NR	150,096	2,753	505	18.1	22.1	28.4	(11.8)	22.2	28.6	16.4	13.4	10.5	—	—	—	2.7	2.4	2.0	1.2	1.5	1.9	18.6	18.3	20.2	—	—	14.9
L&T Finance Holdings	93	SELL	159,816	2,931	1,715	2.7	3.5	4.7	(5.6)	33.6	32.0	35.1	26.3	19.9	—	—	—	3.4	3.0	2.6	—	—	—	11.9	12.0	13.9	60	(35.6)	14.0
Mahindra & Mahindra Financial	1,120	ADD	127,257	2,334	114	60.4	77.6	91.8	33.6	28.5	18.2	18.5	14.4	12.2	—	—	—	4.4	2.9	2.5	1.1	1.6	1.9	22.8	23.5	21.1	1,065	(4.9)	4.2
Muthoot Finance	210	NR	78,097	1,432	372	24.0	25.7	25.1	52.4	7.1	(2.5)	8.8	8.2	8.4	—	—	—	2.7	2.0	1.6	1.9	—	—	41.9	29.8	22.7	—	—	—
Oriental Bank of Commerce	359	REDUCE	104,626	1,919	292	39.1	52.7	57.1	(24.0)	34.6	8.4	9.2	6.8	6.3	—	—	—	1.1	1.0	0.9	2.2	3.0	3.2	9.9	12.3	12.2	325	(9.4)	4.6
PFC	207	ADD	273,497	5,016	1,319	23.0	28.8	31.5	0.9	25.3	9.1	9.0	7.2	6.6	—	—	—	1.4	1.2	1.2	2.9	3.6	4.0	16.9	17.3	16.7	220	6.1	9.6
Punjab National Bank	892	REDUCE	302,700	5,551	339	144.0	139.6	153.6	2.9	(3.0)	10.0	6.2	6.4	5.8	—	—	—	1.3	1.3	1.0	2.5	2.4	2.6	21.1	16.7	16.1	800	(10.4)	11.3
Reliance Capital	493	ADD	121,468	2,228	246	21.1	36.7	21.7	126.7	74.0	(41.0)	23.4	13.4	22.8	—	—	—	1.1	1.0	1.0	1.5	2.2	1.3	5.7	8.0	4.5	450	(8.8)	36.2
Rural Electrification Corp.	251	REDUCE	247,440	4,538	987	28.6	35.7	39.1	10.0	24.9	9.7	8.8	7.0	6.4	—	—	—	1.7	1.7	1.5	3.0	3.7	4.1	20.5	22.1	20.9	234	(6.6)	8.5
Shriram City Union Finance	988	NR	54,640	1,002	55	65.4	83.0	100.6	34.7	26.9	21.2	15.1	11.9	9.8	—	—	—	3.1	2.4	1.9	0.6	1.1	1.4	23.3	23.0	22.9	—	—	0.9
Shriram Transport	756	ADD	168,694	3,094	223	56.4	59.5	71.5	2.3	5.6	20.2	13.4	12.7	10.6	—	—	—	2.9	2.6	2.2	0.9	1.6	1.9	23.1	20.4	20.9	710	(6.1)	4.9
SKS Microfinance	169	RS	12,375	227	73	(189.0)	(32.2)	0.5	(1,304.4)	(83.0)	(101.4)	(0.9)	(5.3)	375.4	—	—	—	2.8	5.3	4.8	—	—	—	(122.9)	(70.7)	1.4	—	—	2.1
State Bank of India	2,426	ADD	1,628,247	29,860	671	174.5	209.2	218.7	34.0	19.9	4.6	13.9	11.6	11.1	—	—	—	2.5	2.3	2.1	1.6	1.7	1.8	15.7	15.7	14.6	2,400	(1.1)	102.8
Union Bank	281	ADD	154,869	2,840	551	32.3	37.5	40.6	(18.2)	16.3	8.1	8.7	7.5	6.9	—	—	—	1.4	1.3	1.1	2.8	2.6	2.8	14.9	15.1	14.5	285	1.3	8.2
Yes Bank	477	ADD	168,375	3,088	353	27.7	33.2	39.6	32.1	19.9	19.3	17.2	14.4	12.0	—	—	—	3.6	3.0	2.5	0.8	1.0	1.2	23.1	22.7	22.4	415	(13.0)	19.1
Banks/Financial Institutions		**Cautious**	**10,432,375**	**191,314**					**14.6**	**14.6**	**10.0**	**14.4**	**12.5**	**11.4**	—	—	—	**2.4**	**2.1**	**1.9**	**1.5**	**1.7**	**1.8**	**16.4**	**17.0**	**16.7**			
Cement																													
ACC	1,431	SELL	268,875	4,931	188	57.1	73.6	79.7	7.8	28.9	8.2	25.1	19.4	18.0	14.5	10.5	9.1	3.5	3.1	2.8	2.3	1.6	1.6	16.9	18.4	17.5	1,300	(9.2)	8.0
Ambuja Cements	202	SELL	307,215	5,634	1,522	7.8	10.6	12.7	(1.2)	36.2	20.0	25.9	19.0	15.9	15.1	11.1	9.2	3.5	3.2	2.9	1.1	1.4	1.9	14.6	18.2	19.5	180	(10.8)	9.4
Grasim Industries	3,199	ADD	293,454	5,382	92	288.6	335.4	363.9	24.4	16.2	8.5	11.1	9.5	8.8	7.3	5.7	4.8	1.7	1.5	1.3	1.1	1.1	1.1	16.7	16.7	15.7	3,600	12.5	4.8
India Cements	94	ADD	28,921	530	307	9.0	9.8	14.1	373.8	9.5	44.2	10.5	9.6	6.7	5.4	4.8	3.8	0.7	0.6	0.6	2.2	3.4	3.4	6.9	7.3	9.8	105	11.5	3.3
Shree Cement	4,609	SELL	160,580	2,945	35	159.6	252.2	281.8	179.3	58.0	11.7	28.9	18.3	16.4	8.9	10.2	8.6	6.0	4.7	3.8	0.4	0.4	0.4	24.3	28.8	25.6	3,340	(27.5)	2.9
UltraTech Cement	2,023	SELL	554,389	10,167	274	89.3	107.8	124.7	99.0	20.8	15.6	22.7	18.8	16.2	13.9	11.2	9.3	3.8	3.2	2.6	0.5	0.5	0.5	20.8	20.8	19.9	1,600	(20.9)	8.1
Cement		**Cautious**	**1,613,434**	**29,588**					**40.8**	**24.7**	**13.7**	**19.7**	**15.8**	**13.9**	**10.8**	**8.8**	**7.4**	**2.9**	**2.5**	**2.2**	**1.0**	**1.0**	**1.1**	**14.9**	**16.1**	**15.9**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	1-Jan-13 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2012	EPS (Rs) 2013E	EPS (Rs) 2014E	EPS growth (%) 2012	EPS growth (%) 2013E	EPS growth (%) 2014E	PER (X) 2012	PER (X) 2013E	PER (X) 2014E	EV/EBITDA (X) 2012	EV/EBITDA (X) 2013E	EV/EBITDA (X) 2014E	Price/BV (X) 2012	Price/BV (X) 2013E	Price/BV (X) 2014E	Dividend yield (%) 2012	Dividend yield (%) 2013E	Dividend yield (%) 2014E	RoE (%) 2012	RoE (%) 2013E	RoE (%) 2014E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Consumer products																													
Asian Paints	4,423	SELL	424,258	7,780	96	99.9	114.3	133.9	23.6	14.4	17.2	44.3	38.7	33.0	31.0	26.5	22.1	16.5	13.0	10.2	0.9	0.8	0.8	42.9	38.9	35.7	3,300	(25.4)	5.5
Bajaj Corp.	234	BUY	34,500	633	148	8.1	10.9	12.5	16.5	33.4	15.5	28.7	21.5	18.6	29.6	20.4	17.2	8.1	7.0	6.0	1.7	2.3	2.6	29.9	34.7	34.5	225	(3.8)	0.6
Colgate-Palmolive (India)	1,560	SELL	212,108	3,890	136	32.8	39.5	46.1	10.9	20.4	16.6	47.5	39.5	33.9	41.0	33.1	27.9	48.7	39.8	34.7	1.6	1.8	2.2	109.0	111.0	109.7	1,150	(26.3)	2.9
Dabur India	129	ADD	226,795	4,159	1,753	3.7	4.5	5.2	12.6	21.1	15.7	35.2	29.0	25.1	27.9	22.5	18.8	13.0	10.3	8.3	1.0	1.2	1.4	41.4	40.1	37.0	140	8.2	2.6
GlaxoSmithkline Consumer	3,834	RS	161,239	2,957	42	86.0	108.5	126.4	20.8	26.1	16.4	44.6	35.3	30.3	35.4	29.8	25.3	14.1	11.7	9.9	0.9	1.2	1.5	34.4	36.2	35.3	-	(100.0)	1.8
Godrej Consumer Products	724	ADD	234,312	4,297	324	17.7	22.3	28.5	18.7	26.2	27.7	41.0	32.5	25.4	28.4	22.0	17.2	8.3	6.7	5.7	0.7	0.7	0.7	25.2	24.2	28.0	760	5.0	2.5
Hindustan Unilever	531	REDUCE	1,145,797	21,012	2,159	11.9	15.4	16.8	23.9	29.5	8.6	44.5	34.4	31.7	38.0	30.0	25.1	32.6	27.9	24.2	1.7	2.4	2.6	83.4	87.5	82.5	510	(3.9)	20.3
ITC	287	ADD	2,232,207	40,935	7,771	7.9	9.5	11.2	23.7	19.3	18.4	36.2	30.4	25.6	25.6	20.9	17.3	11.4	10.0	8.7	1.6	1.8	2.0	35.5	36.6	37.7	330	14.9	30.5
Jubilant Foodworks	1,313	SELL	86,107	1,579	66	16.4	23.0	34.7	46.1	40.8	50.6	80.2	57.0	37.8	45.7	32.4	22.5	29.1	19.2	12.8	—	—	—	44.0	40.6	40.6	1,000	(23.8)	8.6
Jyothy Laboratories	164	ADD	26,813	492	164	2.8	4.3	7.5	(73.3)	53.8	76.2	59.3	38.5	21.9	38.7	21.4	14.9	4.4	4.0	3.4	—	—	—	6.1	10.8	16.6	195	19.0	0.7
Marico	220	ADD	141,505	2,595	645	5.2	6.6	8.0	34.2	27.4	20.6	42.2	33.1	27.5	30.5	22.6	18.2	12.1	9.3	7.2	0.3	0.4	0.5	31.0	32.3	30.0	220	0.2	1.5
Nestle India	4,952	SELL	477,412	8,755	96	104.6	113.0	139.2	20.5	8.0	23.2	47.3	43.8	35.6	31.2	27.0	21.7	37.5	27.9	20.1	1.0	1.1	1.2	94.7	73.0	65.7	4,000	(19.2)	2.3
Speciality Restaurants	179	ADD	8,392	154	47	4.9	6.3	8.5	7.6	28.2	34.9	36.5	28.5	21.1	23.2	18.2	13.1	7.3	5.4	4.3	—	—	—	16.2	14.0	12.2	200	11.9	0.7
Tata Global Beverages	161	BUY	99,439	1,824	618	5.4	6.5	7.7	36.3	19.7	19.6	29.8	24.9	20.8	17.6	13.5	11.4	1.7	1.7	1.6	1.1	1.3	1.6	7.8	8.6	9.9	165	2.6	12.4
Titan Industries	287	ADD	254,706	4,671	888	6.7	8.4	10.4	36.5	25.8	23.1	42.8	34.0	27.6	29.4	22.7	17.8	17.6	13.2	9.3	0.8	1.0	0.3	47.9	44.4	39.5	325	13.3	9.0
United Spirits	1,953	ADD	248,503	4,557	127	15.8	36.8	64.8	(55.4)	133.6	76.0	123.9	53.0	30.1	31.0	20.0	15.7	5.3	3.0	2.8	0.0	0.5	0.3	4.5	7.3	11.0	1,500	(23.2)	130.8
Consumer products		**Cautious**	**6,014,091**	**110,290**					**18.5**	**23.5**	**20.1**	**41.6**	**33.7**	**28.0**	**29.6**	**23.6**	**19.3**	**12.6**	**10.3**	**8.8**	**1.3**	**1.6**	**1.7**	**30.4**	**30.7**	**31.4**			
Constructions																													
IVRCL	47	REDUCE	12,429	228	267	0.9	3.3	6.1	(84.7)	265.1	85.8	51.6	14.1	7.6	10.4	7.3	5.9	0.6	0.6	0.6	0.9	0.9	0.9	1.2	4.3	7.6	43	(7.6)	10.5
NCC	58	ADD	14,933	274	257	1.4	2.4	3.0	(78.0)	73.5	25.1	41.5	23.9	19.1	9.2	8.5	8.9	0.6	0.6	0.6	0.5	1.0	1.7	1.5	2.6	3.1	55	(5.5)	2.1
Punj Lloyd	62	REDUCE	20,936	384	340	3.3	3.9	7.6	(322.9)	18.7	94.5	18.6	15.7	8.1	10.3	6.9	5.9	0.7	0.7	0.6	0.2	0.6	1.1	3.8	4.5	8.2	60	(2.7)	3.5
Sadbhav Engineering	137	BUY	20,576	377	150	9.3	5.3	9.1	20.4	(42.8)	69.4	14.7	25.6	15.1	8.4	11.6	8.3	2.6	2.4	2.1	0.4	0.4	0.4	17.9	9.4	13.9	180	31.5	0.4
Construction		**Cautious**	**68,875**	**1,263**					**(19.2)**	**16.4**	**75.0**	**22.0**	**18.9**	**10.8**	**9.7**	**7.8**	**6.8**	**0.8**	**0.8**	**0.8**	**0.5**	**0.7**	**1.0**	**3.9**	**4.3**	**7.1**			
Energy																													
Aban Offshore	385	RS	16,736	307	44	68.3	70.9	92.0	(49.1)	3.8	29.9	5.6	5.4	4.2	8.2	7.1	6.4	0.6	0.6	0.5	0.9	1.2	1.3	12.3	13.2	13.8	—	—	4.0
Bharat Petroleum	356	ADD	257,633	4,725	723	18.3	30.3	20.9	(5.7)	65.1	(31.1)	19.4	11.8	17.1	10.8	7.3	9.0	1.6	1.4	1.4	1.5	2.6	1.8	8.1	12.2	7.8	410	15.1	5.2
Cairn india	321	ADD	612,179	11,226	1,907	41.6	60.1	50.1	25.0	44.5	(16.7)	7.7	5.3	6.4	5.8	3.7	4.1	1.3	1.1	1.0	—	3.9	5.0	17.7	22.0	16.6	360	12.2	22.1
Castrol India	301	SELL	148,961	2,732	495	9.5	9.2	10.2	(4.4)	(3.0)	11.2	31.8	32.8	29.5	21.8	22.7	20.2	27.2	26.1	24.4	2.5	2.5	2.7	87.9	81.1	85.4	200	(33.6)	1.1
GAIL (India)	357	ADD	453,355	8,314	1,268	28.8	30.9	31.3	2.3	7.2	1.4	12.4	11.6	11.4	8.1	7.5	7.1	1.9	1.7	1.5	2.4	2.7	2.7	15.7	14.9	13.5	410	14.7	6.0
GSPL	76	ADD	42,905	787	563	9.3	8.5	8.1	4.7	(8.6)	(5.2)	8.2	8.9	9.4	5.0	5.1	5.0	1.5	1.3	1.2	1.3	1.3	1.3	20.7	15.8	13.0	85	11.5	1.3
Hindustan Petroleum	290	REDUCE	98,245	1,802	339	26.8	10.2	23.5	(34.4)	(61.8)	129.2	10.8	28.3	12.3	2.4	3.3	2.6	0.6	0.6	0.6	2.9	1.1	2.5	5.4	2.0	4.5	315	8.7	3.6
Indian Oil Corporation	267	ADD	647,413	11,873	2,428	32.9	18.3	24.3	1.3	(44.3)	32.7	8.1	14.6	11.0	6.9	8.2	6.9	1.1	1.0	1.0	1.9	1.5	2.8	13.0	6.8	8.5	280	5.0	1.9
Oil India	467	BUY	280,755	5,149	601	57.3	59.1	64.4	19.5	3.0	9.1	8.1	7.9	7.3	3.1	2.7	2.0	1.5	1.3	1.2	4.1	4.5	5.1	17.2	15.6	15.4	575	23.1	1.0
Oil & Natural Gas Corporation	268	BUY	2,289,885	41,993	8,556	32.8	29.8	33.0	33.1	(9.1)	10.7	8.2	9.0	8.1	3.4	3.7	3.1	1.3	1.2	1.1	3.6	3.7	4.1	16.8	13.4	13.5	300	12.1	14.6
Petronet LNG	158	ADD	118,500	2,173	750	14.1	15.0	14.2	70.7	6.6	(5.6)	11.2	10.5	11.1	7.7	7.5	6.7	3.1	2.4	2.0	1.6	1.7	1.9	29.7	24.8	19.0	180	13.9	3.6
Reliance Industries	841	REDUCE	2,506,127	45,959	2,981	61.3	61.8	60.2	(1.1)	0.9	(2.7)	13.7	13.6	14.0	8.0	8.7	8.1	1.4	1.3	1.2	1.0	1.1	1.1	11.7	10.8	9.7	775	(7.8)	47.7
Energy		**Neutral**	**7,472,694**	**137,038**					**12.9**	**(2.6)**	**2.6**	**9.9**	**10.1**	**9.9**	**5.6**	**5.7**	**5.1**	**1.4**	**1.3**	**1.2**	**2.1**	**2.5**	**2.8**	**13.9**	**12.4**	**11.7**			
Industrials																													
ABB	706	SELL	149,501	2,742	212	8.7	11.4	20.1	192.0	31.1	76.0	81.0	61.8	35.1	51.7	36.7	21.9	5.9	5.5	4.9	0.4	0.5	0.5	7.4	9.3	14.9	500	(29.1)	0.7
BGR Energy Systems	263	REDUCE	18,978	348	72	31.1	27.9	33.9	(30.7)	(10.1)	21.5	8.5	9.4	7.7	5.8	5.2	4.9	1.7	1.5	1.3	2.7	2.1	2.6	21.7	16.9	18.0	280	6.5	1.5
Bharat Electronics	1,295	REDUCE	103,624	1,900	80	106.3	110.7	125.7	(0.9)	4.1	13.5	12.2	11.7	10.3	6.9	5.4	4.0	1.8	1.6	1.4	1.6	2.3	2.3	15.3	14.3	14.6	1,300	0.4	0.9
Bharat Heavy Electricals	233	SELL	569,312	10,440	2,448	28.8	28.5	21.9	17.1	(1.0)	(23.0)	8.1	8.2	10.6	5.5	5.6	6.5	2.2	1.9	1.6	2.8	2.6	2.0	30.9	24.9	16.4	205	(11.9)	18.4
Crompton Greaves	119	BUY	76,435	1,402	642	5.7	4.1	10.1	(60.0)	(28.6)	147.4	20.8	29.1	11.8	9.2	12.1	7.1	2.1	2.0	1.8	1.2	1.2	1.4	10.6	7.1	16.1	155	30.1	6.0
Cummins India	519	ADD	143,964	2,640	277	22.0	25.4	29.8	(0.9)	15.3	17.3	23.6	20.4	17.4	21.7	17.5	14.7	7.0	6.2	5.5	2.1	2.4	2.8	30.7	31.1	32.0	525	1.1	1.9
Kalpataru Power Transmission	94	BUY	14,479	266	153	13.3	13.6	15.5	(4.1)	2.0	14.2	7.1	7.0	6.1	4.9	4.8	4.4	0.8	0.7	0.7	1.6	1.6	1.6	10.7	9.8	10.3	120	27.2	0.5
KEC International	68	BUY	17,392	319	257	6.9	6.8	8.9	(14.1)	(1.8)	31.9	9.8	10.0	7.6	6.0	6.7	5.5	1.5	1.3	1.2	1.8	1.5	2.0	16.4	14.1	16.4	80	18.3	0.4
Larsen & Toubro	1,625	REDUCE	995,089	18,248	612	75.7	83.0	93.1	12.4	9.7	12.2	21.5	19.6	17.5	16.4	14.3	12.3	3.2	2.7	2.3	0.9	0.9	0.9	16.1	14.9	14.2	1,625	0.0	43.2
Maharashtra Seamless	275	BUY	19,368	355	71	43.9	33.9	39.1	(9.0)	(22.6)	15.3	6.3	8.1	7.0	3.9	4.4	3.5	0.7	0.7	0.6	2.7	2.5	2.8	11.5	8.3	9.2	400	45.7	0.1
Siemens	674	SELL	237,283	4,351	352	13.6	23.3	27.4	(46.6)	71.2	17.6	49.6	28.9	24.6	30.5	17.0	14.2	5.5	4.8	4.2	0.3	0.7	0.8	11.7	17.9	18.3	575	(14.7)	3.1
Suzlon Energy	19	RS	33,414	613	1,777	(4.0)	(3.7)	(0.4)	(34.1)	(6.0)	(88.1)	(4.7)	(5.0)	(42.4)	8.1	8.3	6.7	0.6	0.8	0.8	—	1.1	1.1	(11.7)	(13.7)	(1.8)	—	—	7.6
Tecpro Systems	149	ADD	7,531	138	50	24.4	25.1	27.6	(9.6)	2.9	9.9	6.1	5.9	5.4	4.9	5.0	4.6	1.0	0.9	0.8	—	—	—	17.1	15.3	14.8	200	34.0	0.1
Thermax	612	REDUCE	72,908	1,337	119	32.9	26.5	31.6	4.0	(19.5)	19.4	18.6	23.1	19.3	12.4	14.9	12.0	4.5	4.0	3.5	1.1	1.4	1.5	26.6	18.2	19.2	510	(16.7)	0.9
Voltas	107	REDUCE	35,323	648	331	9.4	7.3	8.3	(3.4)	(23.2)	14.6	11.3	14.7	12.9	9.2	10.4	8.1	2.4	2.1	1.9	1.5	2.0	2.3	21.7	15.2	15.8	115	7.7	3.7
Industrials		**Cautious**	**2,494,601**	**45,747**					**6.1**	**3.9**	**5.2**	**16.5**	**15.8**	**15.1**	**11.2**	**10.6**	**9.8**	**2.7**	**2.4**	**2.1**	**1.4**	**1.4**	**1.4**	**16.6**	**15.1**	**14.1**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	1-Jan-13 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2012	EPS (Rs) 2013E	EPS (Rs) 2014E	EPS growth (%) 2012	EPS growth (%) 2013E	EPS growth (%) 2014E	PER (X) 2012	PER (X) 2013E	PER (X) 2014E	EV/EBITDA (X) 2012	EV/EBITDA (X) 2013E	EV/EBITDA (X) 2014E	Price/BV (X) 2012	Price/BV (X) 2013E	Price/BV (X) 2014E	Dividend yield (%) 2012	Dividend yield (%) 2013E	Dividend yield (%) 2014E	RoE (%) 2012	RoE (%) 2013E	RoE (%) 2014E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Infrastructure																													
Adani Port and SEZ	138	BUY	278,004	5,098	2,017	5.5	5.9	8.8	20.0	8.3	48.8	25.2	23.3	15.7	21.9	15.8	11.7	5.6	4.7	3.7	0.8	0.9	1.2	23.8	21.9	26.6	160	16.1	3.4
Container Corporation	919	ADD	119,480	2,191	130	67.5	75.2	83.2	(0.1)	11.4	10.7	13.6	12.2	11.0	9.0	8.0	7.1	2.1	1.9	1.7	1.7	1.9	2.1	16.6	16.4	16.1	1,000	8.8	0.9
GMR Infrastructure	20	RS	79,016	1,449	3,892	(1.1)	0.4	0.4	236.7	(132.7)	(3.8)	(17.9)	54.8	57.0	18.4	8.1	5.7	0.9	0.7	0.6	—	—	—	(5.8)	1.9	1.8	—	—	4.8
Gujarat Pipavav Port	49	REDUCE	23,640	434	483	1.4	1.4	2.2	(212.6)	4.1	58.4	36.2	34.7	21.9	15.4	14.1	12.4	3.0	2.0	1.8	—	—	—	10.4	7.0	10.2	52	6.3	0.5
GVK Power & Infrastructure	14	RS	22,346	410	1,579	0.4	1.0	3.5	(60.3)	165.6	243.1	36.4	13.7	4.0	26.4	12.9	7.5	0.6	0.5	0.4	-	2.5	5.7	1.8	3.9	11.1	—	—	2.9
IRB Infrastructure	130	BUY	43,207	792	332	15.1	12.2	12.5	10.8	(19.0)	2.5	8.6	10.6	10.4	7.0	7.2	6.3	1.4	1.0	0.9	—	—	—	18.1	11.0	9.1	170	30.8	9.5
Infrastructure		**Cautious**	**565,694**	**10,374**					**(2.9)**	**36.8**	**38.2**	**26.2**	**19.2**	**13.9**	**16.6**	**10.9**	**7.9**	**2.1**	**1.7**	**1.5**	**0.7**	**0.9**	**1.3**	**8.0**	**8.7**	**10.6**			
Media																													
DB Corp	230	BUY	42,161	773	183	11.0	11.6	14.3	(14.5)	4.9	24.1	20.9	19.9	16.0	12.1	11.1	9.1	4.5	4.2	3.8	2.2	2.6	3.5	23.0	21.9	24.9	260	13.0	0.2
DishTV	78	ADD	82,429	1,512	1,064	(1.0)	0.4	1.4	(45.3)	(143.5)	212.8	(76.4)	175.9	56.2	18.6	13.6	11.0	(87.9)	(175.5)	82.7	—	—	—	694.0	(66.6)	557	85	9.7	7.0
Hindustan Media Ventures	152	BUY	11,155	205	73	8.9	10.5	11.0	22.3	17.4	5.0	17.0	14.5	13.8	9.5	8.0	7.1	2.5	2.2	2.0	0.7	1.3	2.6	15.9	16.3	15.4	180	18.4	0.0
HT Media	106	ADD	25,014	459	235	7.0	6.1	8.2	(8.4)	(13.3)	34.6	15.1	17.4	12.9	6.6	7.2	5.0	1.6	1.5	1.4	0.4	1.9	3.8	11.0	8.8	11.2	120	12.8	0.3
Jagran Prakashan	104	BUY	32,779	601	316	5.6	6.0	7.0	(17.4)	6.7	16.8	18.4	17.3	14.8	10.2	9.5	8.2	4.4	4.0	3.6	3.4	3.4	3.4	24.5	24.3	25.8	130	25.4	0.2
Sun TV Network	431	REDUCE	169,789	3,114	394	17.6	17.5	19.9	(10.0)	(0.3)	13.5	24.5	24.6	21.7	15.5	14.9	13.2	6.4	5.8	5.4	2.2	2.3	2.8	28.6	25.9	27.0	390	(9.5)	9.5
Zee Entertainment Enterprises	223	REDUCE	212,183	3,891	950	6.0	7.3	8.9	(0.5)	20.6	22.0	37.1	30.7	25.2	26.6	21.2	17.0	4.6	4.4	4.2	0.6	0.7	0.9	13.0	14.9	17.3	190	(14.9)	10.5
Media		**Neutral**	**594,106**	**10,895**					**(1.5)**	**15.8**	**22.4**	**30.9**	**26.7**	**21.8**	**16.2**	**14.2**	**11.9**	**5.1**	**4.7**	**4.3**	**1.2**	**1.4**	**1.7**	**16.4**	**17.5**	**19.6**			
Metals & Mining																													
Coal India	360	BUY	2,273,575	41,694	6,316	23.2	24.8	28.4	34.4	6.5	14.5	15.5	14.5	12.7	9.9	8.6	7.2	5.4	4.3	3.5	2.8	2.1	2.4	38.0	32.8	30.4	404	12.2	12.3
Hindalco Industries	134	SELL	256,911	4,711	1,915	17.7	14.7	14.0	38.8	(16.9)	(5.1)	7.6	9.1	9.6	7.3	8.4	8.7	0.8	0.7	0.7	1.1	1.1	1.1	11.1	8.5	7.5	115	(14.3)	15.0
Hindustan Zinc	137	ADD	578,614	10,611	4,225	13.2	14.0	14.7	13.2	6.1	4.9	10.4	9.8	9.3	6.6	6.1	4.9	2.2	1.8	1.6	1.8	1.9	1.9	22.6	20.3	18.3	155	13.2	2.1
Jindal Steel and Power	461	REDUCE	430,990	7,904	935	42.4	32.6	43.6	5.6	(23.2)	33.8	10.9	14.1	10.6	8.8	9.1	8.2	2.4	2.1	1.7	0.4	0.4	0.4	24.8	15.7	17.8	420	(8.9)	18.3
JSW Steel	831	SELL	185,435	3,401	223	24.1	68.9	66.7	(69.3)	185.9	(3.1)	34.5	12.1	12.5	5.8	6.3	6.5	1.1	1.0	1.0	0.9	1.2	1.2	8.2	9.8	8.0	585	(29.6)	14.7
National Aluminium Co.	49	SELL	127,058	2,330	2,577	3.4	3.2	3.6	(19.7)	(5.9)	13.2	14.6	15.6	13.7	6.8	6.2	5.0	1.1	1.0	1.0	2.0	2.0	2.0	7.6	6.8	7.4	50	1.4	0.2
NMDC	169	BUY	668,845	12,266	3,965	18.5	17.9	19.1	12.6	(2.9)	6.7	9.1	9.4	8.8	5.2	5.3	4.6	2.7	2.3	1.9	2.7	3.0	3.0	33.3	26.5	23.8	190	12.6	10.5
Sesa Goa	199	ADD	172,603	3,165	869	31.0	27.8	28.0	(36.2)	(10.5)	0.9	6.4	7.2	7.1	6.0	25.2	17.3	1.1	1.0	0.9	2.3	0.6	0.6	11.1	0.6	2.1	203	2.2	5.9
Sterlite Industries	119	ADD	399,647	7,329	3,361	15.8	16.2	16.9	3.9	2.7	4.2	7.5	7.3	7.0	4.4	3.8	3.1	0.9	0.8	0.7	1.7	1.7	1.7	12.1	11.2	10.7	122	2.6	12.3
Tata Steel	438	ADD	425,672	7,806	971	17.2	14.0	48.7	(72.3)	(18.7)	247.1	25.4	31.3	9.0	8.1	8.0	6.2	1.0	1.0	0.9	2.7	2.7	2.7	6.4	3.2	10.6	400	(8.7)	32.0
Metals & Mining		**Cautious**	**5,519,349**	**101,217**					**0.5**	**0.4**	**14.1**	**11.8**	**11.7**	**10.3**	**7.3**	**7.3**	**6.3**	**2.0**	**1.8**	**1.6**	**2.2**	**1.9**	**2.1**	**17.0**	**15.2**	**15.3**			
Pharmaceutical																													
Apollo Hospitals	788	ADD	109,649	2,011	139	15.8	22.0	29.2	19.3	39.6	32.6	49.9	35.8	27.0	21.4	17.8	14.2	4.4	3.8	3.5	—	0.7	1.0	9.6	11.5	13.6	820	4.0	7.7
Biocon	289	ADD	57,860	1,061	200	17.1	16.9	20.7	(6.9)	(1.0)	22.0	16.9	17.1	14.0	9.6	10.1	8.2	2.5	2.3	2.1	1.7	1.8	2.1	15.7	14.2	15.7	287	(0.8)	3.1
Cipla	417	REDUCE	335,180	6,147	803	14.0	19.8	20.0	13.5	41.4	0.9	29.8	21.1	20.9	20.3	14.9	13.7	4.4	3.7	3.3	0.5	0.7	0.7	15.7	17.0	16.6	400	(4.2)	13.8
Cadila Healthcare	899	ADD	184,091	3,376	205	31.9	32.8	47.1	(8.2)	3.0	43.5	28.2	27.4	19.1	21.6	18.2	13.2	7.1	6.0	4.9	0.8	0.9	1.3	27.5	23.9	28.4	943	4.9	2.0
Dishman Pharma & chemicals	116	REDUCE	9,406	172	81	7.0	9.7	12.0	(29.0)	38.7	23.7	16.6	11.9	9.6	8.5	7.0	6.2	1.0	1.0	0.9	—	—	—	4.6	7.2	8.4	50	(56.8)	1.9
Divi's Laboratories	1,098	REDUCE	145,708	2,672	133	40.2	49.5	58.9	24.0	23.1	19.0	27.3	22.2	18.7	20.7	16.7	13.4	6.8	5.7	4.8	1.2	1.4	1.7	27.1	28.1	28.0	1,130	2.9	7.8
Dr Reddy's Laboratories	1,836	ADD	312,402	5,729	170	84.0	101.5	106.0	29.4	20.8	4.5	21.8	18.1	17.3	13.8	12.0	11.3	5.4	4.4	3.6	0.7	0.8	0.8	23.4	24.7	21.8	1,940	5.7	11.0
GlaxoSmithkline Pharmaceuticals	2,146	SELL	181,862	3,335	85	74.3	79.8	90.3	8.8	7.5	13.2	28.9	26.9	23.8	20.7	20.1	17.0	9.4	8.9	8.3	2.1	2.3	2.9	32.4	34.0	36.2	1,900	(11.5)	1.3
Glenmark Pharmaceuticals	539	REDUCE	145,780	2,673	271	21.9	22.3	28.3	31.1	1.8	27.0	24.6	24.2	19.0	27.4	16.9	13.3	6.0	4.9	4.0	—	0.5	0.6	20.7	22.7	23.6	510	(5.3)	5.0
Jubilant Life Sciences	223	REDUCE	35,452	650	159	22.9	31.0	37.4	58.7	35.4	20.7	9.7	7.2	5.9	8.5	6.6	5.6	1.5	1.2	1.0	0.9	1.3	1.8	16.2	19.4	19.7	185	(16.9)	1.2
Lupin	615	ADD	274,771	5,039	447	19.5	28.3	29.6	1.2	45.4	4.6	31.6	21.7	20.7	22.2	13.7	12.8	6.7	5.4	4.5	0.5	0.8	0.8	23.9	28.0	23.8	600	(2.4)	9.2
Ranbaxy Laboratories	508	SELL	214,561	3,935	422	(18.5)	38.8	23.5	(145.7)	309.1	(39.5)	(27.4)	13.1	21.7	15.0	9.9	14.9	7.5	5.0	4.1	—	—	—	(68.5)	45.6	20.8	482	(5.2)	7.0
Sun Pharmaceuticals	740	REDUCE	765,806	14,044	1,036	25.0	28.5	33.3	42.5	14.1	16.7	29.6	25.9	22.2	22.0	14.1	14.4	5.7	4.9	4.2	0.6	0.7	0.8	21.9	20.4	20.3	664	(10.2)	11.0
Pharmaceuticals		**Attractive**	**2,772,528**	**50,844**					**(8.2)**	**50.6**	**7.4**	**32.1**	**21.3**	**19.8**	**18.5**	**13.6**	**12.9**	**5.5**	**4.6**	**3.9**	**0.7**	**0.8**	**1.0**	**17.0**	**21.4**	**19.5**			
Real Estate																													
DLF	235	NR	403,524	7,400	1,715	7.1	12.7	16.9	(22.1)	79.7	33.1	33.3	18.5	13.9	16.4	12.5	9.6	1.5	1.4	1.3	1.1	1.3	1.5	4.5	7.6	9.5	—	—	31.5
Housing Development & Infrastructure	115	NR	48,144	883	419	22.0	28.8	28.8	11.3	30.5	0.2	5.2	4.0	4.0	5.8	5.1	4.7	0.5	0.4	0.4	—	1.3	1.7	8.3	10.8	9.6	—	—	39.0
Mahindra Life Space Developer	419	NR	17,107	314	41	29.4	29.8	34.3	18.0	1.3	15.1	14.2	14.1	12.2	14.0	11.2	10.6	1.5	1.4	1.3	1.1	1.2	1.3	11.2	10.4	11.0	—	—	0.6
Oberoi Realty	303	NR	100,024	1,834	330	14.1	14.3	22.4	(10.5)	1.4	57.3	21.6	21.3	13.5	18.0	14.0	8.8	2.7	2.5	2.1	0.7	0.8	1.0	13.1	12.0	16.9	—	—	0.5
Phoenix Mills	256	NR	37,022	679	145	7.3	10.7	11.5	14.9	46.9	7.9	35.1	23.9	22.2	26.7	18.7	17.9	2.2	2.1	1.9	0.8	0.8	0.8	6.4	8.9	9.0	—	—	0.6
Sobha Developers	385	NR	37,774	693	98	21.4	25.1	37.4	13.8	17.1	49.2	18.0	15.4	10.3	10.6	9.5	6.7	1.9	1.7	1.5	1.3	1.3	1.3	10.9	11.7	15.6	—	—	1.0
Unitech	35	NR	91,309	1,674	2,616	0.9	1.8	2.3	(56.1)	84.8	32.7	36.8	19.9	15.0	34.6	18.9	14.7	0.8	0.7	0.7	0.3	0.3	0.3	2.1	3.7	4.7	—	—	22.3
Real Estate		**Cautious**	**795,762**	**14,593**					**(7.0)**	**50.1**	**2.9**	**20.1**	**13.4**	**13.0**	**13.3**	**10.1**	**9.7**	**1.3**	**1.2**	**1.2**	**0.9**	**1.2**	**1.3**	**6.4**	**8.8**	**9.0**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	1-Jan-13 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2012	EPS (Rs) 2013E	EPS (Rs) 2014E	EPS growth (%) 2012	EPS growth (%) 2013E	EPS growth (%) 2014E	PER (X) 2012	PER (X) 2013E	PER (X) 2014E	EV/EBITDA (X) 2012	EV/EBITDA (X) 2013E	EV/EBITDA (X) 2014E	Price/BV (X) 2012	Price/BV (X) 2013E	Price/BV (X) 2014E	Dividend yield (%) 2012	Dividend yield (%) 2013E	Dividend yield (%) 2014E	RoE (%) 2012	RoE (%) 2013E	RoE (%) 2014E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Technology																													
HCL Technologies	622	REDUCE	444,837	8,158	715	34.6	46.8	50.0	51.2	35.5	6.8	18.0	13.3	12.4	11.1	8.4	7.8	4.6	3.4	2.8	1.3	1.3	1.3	25.1	28.9	25.2	575	(7.6)	14.2
Hexaware Technologies	86	REDUCE	25,270	463	294	9.1	10.9	10.0	207.9	20.3	(8.2)	9.5	7.9	8.6	8.0	5.6	5.7	2.5	2.2	2.0	4.6	6.4	5.8	26.9	29.7	24.3	90	4.5	5.1
Infosys	2,309	REDUCE	1,325,280	24,304	574	144.9	160.5	168.5	21.0	10.8	5.0	15.9	14.4	13.7	10.4	9.2	8.2	4.2	3.6	3.1	2.0	2.2	2.4	29.0	26.9	24.1	2,350	1.8	50.1
Mahindra Satyam	107	ADD	125,479	2,301	1,176	10.2	10.2	11.1	142.3	0.1	9.1	10.5	10.5	9.6	9.5	5.8	5.1	4.2	3.0	2.4	—	—	2.1	50.4	33.8	28.2	120	12.5	7.9
Mindtree	691	ADD	28,438	522	41	53.1	71.1	77.4	115.1	34.0	8.8	13.0	9.7	8.9	9.7	5.7	5.5	3.0	2.4	2.0	0.8	2.1	3.4	25.2	27.4	24.8	750	8.5	1.6
Mphasis	385	SELL	81,118	1,488	211	39.0	37.6	37.7	(24.6)	(3.7)	0.4	9.9	10.2	10.2	8.2	7.6	7.4	2.1	1.8	1.7	1.7	4.4	4.9	22.8	19.0	17.4	375	(2.6)	1.2
Polaris Financial Technology	117	REDUCE	11,630	213	100	20.8	21.7	19.9	7.4	4.7	(8.2)	5.6	5.4	5.8	3.1	2.5	2.3	0.9	0.8	0.7	3.3	3.5	3.7	18.1	16.2	13.3	120	2.9	0.9
TCS	1,264	REDUCE	2,474,194	45,373	1,957	54.4	69.5	76.1	22.0	27.8	9.5	23.3	18.2	16.6	16.5	13.2	11.8	7.6	6.2	5.2	2.0	2.2	2.4	36.8	37.6	34.0	1,225	(3.1)	24.3
Tech Mahindra	934	ADD	119,040	2,183	128	80.1	96.0	104.8	63.5	19.9	9.1	11.7	9.7	8.9	14.8	10.1	9.2	2.9	2.5	2.2	0.4	0.6	0.9	28.4	28.8	27.3	1,025	9.8	11.0
Wipro	397	REDUCE	974,786	17,876	2,456	22.7	26.4	28.3	5.2	16.4	7.2	17.5	15.0	14.0	12.1	9.9	8.8	3.4	2.9	2.5	1.2	1.5	1.6	21.2	20.9	19.2	375	(5.5)	10.8
Technology		**Cautious**	**5,610,074**	**102,881**					**21.2**	**19.5**	**7.3**	**18.0**	**15.1**	**14.1**	**12.7**	**10.3**	**9.3**	**4.7**	**3.9**	**3.3**	**1.7**	**2.0**	**2.2**	**26.0**	**25.7**	**23.6**			
Telecom																													
Bharti Airtel	322	ADD	1,223,207	22,432	3,798	11.2	8.1	12.9	(29.6)	(27.8)	59.7	28.7	39.8	24.9	8.0	7.3	6.3	2.4	2.3	2.1	—	0.5	0.4	8.6	5.9	8.9	325	0.9	27.3
IDEA	104	ADD	342,552	6,282	3,303	2.2	3.3	6.0	(19.6)	52.3	81.4	47.4	31.1	17.2	9.4	7.9	6.1	2.6	2.4	2.1	—	—	—	5.7	8.1	13.2	101	(2.6)	4.1
MTNL	27	RS	16,790	308	630	(9.1)	(8.4)	(8.3)	(11.9)	(8.1)	(1.7)	(2.9)	(3.2)	(3.2)	0.3	0.3	0.4	0.2	0.2	0.2	—	—	—	(5.7)	(5.5)	(5.8)	—	—	1.4
Reliance Communications	76	SELL	156,451	2,869	2,064	4.5	2.8	4.1	(31.0)	(37.9)	46.5	16.9	27.2	18.5	9.1	7.7	6.8	0.4	0.4	0.4	—	—	—	2.4	1.6	2.2	50	(34.0)	17.5
Tata Communications	243	REDUCE	69,227	1,270	285	(27.9)	(34.1)	(23.7)	12.0	22.3	(30.4)	(8.7)	(7.1)	(10.2)	9.9	8.3	7.4	3.0	4.8	9.0	—	—	—	(27.0)	(52.1)	(61.4)	220	(9.4)	0.9
Telecom		**Neutral**	**1,808,226**	**33,160**					**(34.4)**	**(28.4)**	**101.7**	**39.8**	**55.6**	**27.6**	**8.6**	**7.6**	**6.5**	**1.6**	**1.6**	**1.5**	**—**	**—**	**0.3**	**4.0**	**2.8**	**5.4**			
Utilities																													
Adani Power	64	SELL	139,847	2,565	2,180	(0.4)	(7.4)	(1.9)	(118.0)	1,645.4	(74.3)	(151.3)	(8.7)	(33.7)	37.7	47.5	13.8	2.3	3.3	3.6	—	—	—	(1.5)	(31.3)	(10.2)	33	(48.6)	3.7
CESC	320	REDUCE	40,011	734	125	21.7	26.0	32.3	(9.3)	19.6	24.1	14.7	12.3	9.9	8.7	8.9	6.0	0.7	0.6	0.6	—	1.5	1.7	4.5	5.2	6.2	294	(8.2)	5.0
JSW Energy	69	SELL	112,914	2,071	1,640	2.0	4.7	5.4	(60.6)	131.8	15.5	34.1	14.7	12.7	15.4	8.7	6.6	2.0	1.7	1.5	—	—	—	5.8	12.6	12.8	54	(21.6)	2.2
Lanco Infratech	14	RS	31,900	585	2,223	(0.5)	(0.7)	1.0	(131.8)	39.2	(233.2)	(27.4)	(19.7)	14.8	10.8	10.5	7.0	0.7	0.7	0.7	—	—	—	(2.5)	(3.6)	4.8	—	—	5.9
NHPC	25	ADD	311,824	5,718	12,301	2.5	2.0	2.3	84.5	(21.6)	17.1	10.2	13.0	11.1	9.7	11.7	9.4	1.1	1.0	1.0	2.7	2.1	2.4	11.1	8.2	9.0	26	2.6	5.5
NTPC	156	ADD	1,282,170	23,513	8,245	10.8	12.7	13.7	(1.1)	17.4	7.8	14.4	12.3	11.4	11.8	10.1	9.2	1.7	1.6	1.5	2.2	2.4	2.6	12.6	13.6	13.5	180	15.8	8.4
Power Grid	114	ADD	527,095	9,666	4,630	7.1	8.1	10.0	22.9	14.3	23.8	16.1	14.1	11.4	12.8	11.5	9.1	2.2	2.0	1.8	1.9	2.2	2.7	14.6	15.1	16.9	140	23.0	7.1
Reliance Infrastructure	544	BUY	143,128	2,625	263	60.3	56.8	59.8	4.0	(5.8)	5.3	9.0	9.6	9.1	10.9	4.9	4.2	0.6	0.6	0.5	1.9	2.1	2.1	8.9	10.1	9.4	904	66.1	19.9
Reliance Power	95	SELL	265,926	4,877	2,805	3.1	3.7	3.2	14.0	19.8	(13.2)	30.7	25.6	29.5	69.4	27.3	19.9	1.5	1.4	1.4	—	—	—	5.0	5.7	4.7	79	(16.7)	12.6
Tata Power	111	ADD	274,973	5,043	2,468	4.6	3.4	6.0	(40.6)	(26.8)	77.3	24.2	33.0	18.6	11.6	9.5	7.5	2.0	2.0	1.9	1.3	1.5	1.5	8.1	6.1	10.4	113	1.4	6.5
Utilities		**Attractive**	**3,129,787**	**57,396**					**(1.8)**	**0.3**	**23.2**	**16.3**	**16.2**	**13.2**	**13.4**	**11.6**	**9.2**	**1.5**	**1.5**	**1.3**	**1.7**	**1.8**	**2.0**	**9.5**	**9.0**	**10.2**			
Others																													
Carborundum Universal	149	BUY	27,903	512	187	11.6	9.1	12.5	27.0	(21.4)	37.4	12.8	16.3	11.9	7.9	9.0	6.7	2.6	2.3	2.0	1.3	1.0	1.4	24.8	16.3	19.4	180	20.9	0.4
Coromandel International	264	SELL	74,683	1,370	283	22.6	23.2	23.4	(7.9)	2.5	0.9	11.7	11.4	11.3	9.4	9.3	6.9	3.1	2.6	2.3	2.6	2.8	2.9	27.8	23.7	20.6	260	(1.6)	0.7
Havells India	639	REDUCE	79,706	1,462	125	31.5	31.7	37.3	28.2	0.8	17.6	20.3	20.1	17.1	12.8	11.6	9.9	7.9	5.4	4.4	1.0	1.1	1.2	45.6	31.8	28.2	580	(9.2)	3.2
Jaiprakash Associates	99	BUY	209,455	3,841	2,126	2.9	6.6	10.7	(51.5)	127.3	60.9	33.7	14.8	9.2	13.8	9.0	7.0	1.8	1.7	1.4	—	—	—	5.6	11.7	16.6	100	1.5	33.2
Jet Airways	578	SELL	49,894	915	86	(184.6)	(11.0)	25.7	1,735.6	(94)	(333.9)	(3.1)	(52.7)	22.5	(668.1)	11.7	8.2	38.1	138.0	19.4	—	—	—	(164.4)	(113.4)	150.8	350	(39.4)	35.2
Rallis India	150	BUY	29,141	534	194	5.1	6.7	8.6	(21.6)	32	27.4	29.4	22.3	17.5	14.9	12.8	9.7	5.3	4.6	3.9	1.5	1.5	1.5	20.4	20.9	24.1	155	3.4	1.4
SpiceJet	45	BUY	21,870	401	484	(13.7)	0.2	2.6	(649.9)	(101.6)	1,045.0	(3.3)	201.9	17.6	(5.4)	23.2	9.9	(14.3)	(51.1)	26.9	(2.1)	(3.9)	(3.4)	(721)	(11.1)	645.7	50	10.7	4.4
Tata Chemicals	356	BUY	90,627	1,662	255	32.9	35.3	40.4	28.2	7.4	14.3	10.8	10.1	8.8	6.0	5.4	4.7	1.3	1.2	1.0	2.8	2.8	2.8	12.3	11.7	11.9	360	1.2	3.9
United Phosphorus	132	REDUCE	61,143	1,121	462	12.0	15.0	16.0	(0.4)	24.9	6.5	11.0	8.8	8.3	5.9	5.4	4.8	1.5	1.3	1.1	1.9	1.9	1.9	14.5	16.0	15.0	120	(9.4)	4.9
Others			**644,423**	**11,818**					**(67.8)**	**266.8**	**38.3**	**55.3**	**15.1**	**10.9**	**13.1**	**8.6**	**6.8**	**2.3**	**2.1**	**1.8**	**1.1**	**1.0**	**1.1**	**4.2**	**13.6**	**16.2**			
KS universe (b)			**53,003,925**	**972,014**					**9.2**	**9.2**	**12.1**	**15.9**	**14.6**	**13.0**	**10.0**	**9.1**	**7.9**	**2.4**	**2.2**	**2.0**	**1.5**	**1.7**	**1.9**	**15.3**	**15.0**	**15.1**			
KS universe (b) ex-Energy			**45,531,231**	**834,976**					**8.2**	**12.7**	**14.5**	**17.7**	**15.7**	**13.8**	**11.9**	**10.3**	**8.7**	**2.8**	**2.5**	**2.2**	**1.4**	**1.6**	**1.7**	**15.8**	**15.9**	**16.1**			
KS universe (d) ex-Energy & ex-Commodities			**38,398,448**	**704,171**					**9.1**	**15.0**	**14.6**	**19.1**	**16.6**	**14.4**	**13.5**	**11.2**	**9.4**	**3.0**	**2.6**	**2.4**	**1.3**	**1.5**	**1.7**	**15.6**	**16.0**	**16.3**			

Notes:
(a) For banks we have used adjusted book values.
(b) 2012 means calendar year 2011, similarly for 2013 and 2014 for these particular companies.
(c) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.
(d) Rupee-US Dollar exchange rate (Rs/US$)= 54.53

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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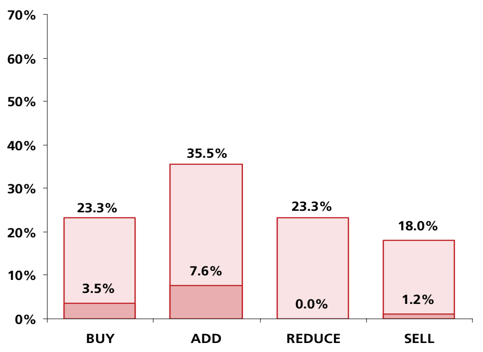

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Source: Kotak Institutional Equities

As of September 30, 2012

Ratings and other definitions/identifiers

Definitions of ratings

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ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5-+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

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