kotak® Institutional Equities

INDIA DAILY

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News Roundup

Corporate

- **Dabur India** is close to acquiring **Fem Care Pharma** for nearly Rs 300 crore. Both the parties are expected to sign an agreement to this effect next week. (ET)
- Fashion giant **Esprit Holdings** may assume direct charge of its Indian operations. The $5-billion group may take 51% stake in a joint venture with **Madura Garments**, part of the **AV Birla Group**, which manages Esprit's retail stores through a licensing agreement in India. (ET)
- Private carrier **Jet Airways** is believed to have struck a deal last week with west Asian investment agency **Mubadala Development Company** for a funding of Rs1,000 crore. The instrument of funding, however, has yet to be formalised. Mubadala is wholly owned by the government of Emirates of Abu Dhabi. (BS)
- **Steel Authority of India** (SAIL), the country's second-biggest producer of steel, may cut output as demand for vehicles, homes slump and commodity prices tumble. Production of some of the products, including hot rolled (HR) coils and long products, at SAIL may be cut temporarily. (BS)
- The Foreign Investment Promotion Board (**FIPB**) has imposed a 50 per cent export obligation condition on **Supreme Tradelinks** (STPL), a company whose 100 per cent equity is being acquired by **Marks and Spencer Reliance** (MSRPL). MSRPL is a joint venture between UK apparel and retail giant Marks and Spencer and **Reliance Industries**. (BS)

Economic and political

- The FIPB has also clarified that foreign joint ventures in the construction and development business will not be allowed to sell undeveloped land they acquire for projects. The ambit of this clarification includes foreign joint ventures in housing, commercial premises, townships, resorts, educational institutions, and city and regional townships. (BS)

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

EQUITY MARKETS

India	11-Nov	Change, % 1-day	1-mo	3-mo
Sensex	9,840	(6.6)	(6.5)	(36.5)
Nifty	2,939	(6.7)	(10.4)	(36.4)
Global/Regional indices				
Dow Jones	8,694	(2.0)	2.9	(26.2)
FTSE	4,247	(3.6)	8.0	(23.4)
Nikkie	8,782	(0.3)	6.1	(34.0)
Hang Seng	14,217	1.3	(3.9)	(34.3)
KOSPI	1,134	0.4	(8.7)	(28.1)

Value traded - India

	11-Nov		Moving avg, Rs bn 1-mo	3-mo
Cash (NSE+BSE)	124.5		142.7	156.1
Derivatives (NSE)	403.9		482.8	397
Deri. open interest	532.6		693	778

Forex/money market

	11-Nov	Change, basis points 1-day	1-mo	3-mo
Rs/US$	48.1	0	(13)	576
6mo fwd prem, %	0.7	(25)	71	24
10yr govt bond, %	7.7	(3)	(10)	(123)

Commodity market

	11-Nov	Change, % 1-day	1-mo	3-mo
Gold (US$/OZ)	736.1	0.6	(13.4)	(9.4)
Silver (US$/OZ)	9.8	0.7	(2.6)	(32.3)
Crude (US$/BBL)	54.8	0.1	(28.1)	(50.2)

Net investment (US$mn)

	10-Nov		MTD	CYTD
FIIs	34		162	(12,595)
MFs	105		(176)	3,375

Top movers -3mo basis

Best performers	11-Nov	Change, % 1-day	1-mo	3-mo
Union Bank Of India	157	(0.1)	7.5	4.8
Financial Techn (Ind	-	-	-	-
Bank Of Baroda	284	(4.7)	2.0	(0.1)
Bharat Petroleum C	303	(5.2)	(10.6)	(7.1)
Punjab National Bar	487	(3.0)	5.8	(2.2)
Worst performers				
Housing Developme	113	(11.1)	22.4	(70.2)
Suzlon Energy Limit	59	(13.7)	(36.3)	(75.7)
Bajaj Finserv Ltd	140	5.0	(28.3)	(73.3)
Unitech Limited	51	(9.5)	(38.3)	(71.8)
Tata Steel Limited	191	(10.8)	(33.5)	(68.6)

Kotak Institutional Equities Research
kotak.research@kotak.com
Mumbai: +91-22-6634-1100

Chemicals

India Chemical Monthly, November 2008

Sanjeev Prasad : sanjeev.prasad@kotak.com, +91-22-6634-1229
Gundeep Singh : gundeep.singh@kotak.com, +91-22-6634-1286

- **Asia product prices decline sharply; ethylene prices plunge**
- **Plastics margins decline led by sharp decline in product prices**
- **Margins for PFY and PSF expand; weak demand to impact margins in near term**
- **Asia product prices decline sharply; ethylene prices plunge**

Asia product prices plummeted in October, led by a sharp decline in naphtha prices (-40.2% mom), which, in turn, were driven by a decline in crude prices mom. Ethylene prices nosedived 41.5% mom in October led by (1) steep decline in crude prices, (2) supply glut and (3) weak demand. We expect ethylene prices to remain weak upon weak demand resulting from reduced operating rates by downstream producers.

Asia product prices decline sharply; ethylene prices plunge

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Plastics margins decline led by sharp decline in product prices

Asia plastics margins declined in October led by lower product prices, which, in turn, were driven by (1) weak demand amid global economic slowdown and (2) high inventories. Margins declined for HDPE, LLDPE and LDPE in October by 15.1%, 4.7% and 1.5% mom, respectively. PP margins declined by 7.4% mom led by a sharp decline in PP prices (-26.8% mom). We highlight that margins had peaked in mid-October and have declined by ~US$300/ton since then. We expect margins to decline in India in November with LLDPE and HDPE margins declining 23% mom and PP margins 15.3% mom.

Margins for PFY and PSF expand; weak demand to impact near-term margins

Asia PFY and PSF margins expanded in October led by a moderate decline in product prices versus sharp decline in input (PTA and MEG) prices. We expect product prices/margins to soften, led by weakening demand, which has resulted in (1) low operating rates and (2) inventory build-up. Current global PFY and PSF rates remain low at around 65-70%. Operating rates have declined to historical lows in China and Taiwan with several producers shutting down operations or delaying the start of new plants. MEG margins over naphtha turned positive in October led by a sharper decline in naphtha prices (-40.2% mom) versus a decline in MEG prices (-11.2% mom). We expect margins for PSF and PFY to decline in India in November by 4% and 1% mom, respectively.

We have included key exhibits at the end of this comment, for further details, please refer to India Chemical Monthly, November 2008.

Chemical prices have plummeted in the recent month

Asia chemical prices, calendar year-ending 2005-2008 (US$/ton)

	Annual average prices				Quarterly average					Monthly average				Recent			
									4Q08 vs. 3Q08								
	2005	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	(%)	July	Aug	Sep	Oct	Oct 17	Oct 24	Oct 31	Nov 7
Naphtha	485	583	696	932	875	1,043	1,015	522	(48.5)	1,157	1,014	874	522	468	394	312	294
Benzene	824	861	1,021	1,110	1,050	1,136	1,198	677	(43.5)	1,312	1,178	1,103	677	751	525	357	375
Ethylene chain																	
Ethylene	874	1,132	1,137	1,311	1,334	1,301	1,374	651	(52.6)	1,638	1,373	1,113	651	695	505	355	335
High-density PE	1,033	1,237	1,325	1,577	1,562	1,583	1,647	1,033	(37.3)	1,797	1,670	1,475	1,033	1,115	955	805	675
Linear low-density PE	1,062	1,236	1,339	1,636	1,615	1,645	1,747	1,210	(30.7)	1,846	1,799	1,596	1,210	1,255	1,055	905	765
Low-density PE	1,129	1,243	1,445	1,749	1,718	1,762	1,859	1,356	(27.0)	1,941	1,915	1,721	1,356	1,395	1,205	1,055	955
Propylene chain																	
Propylene	909	1,091	1,069	1,328	1,205	1,381	1,483	676	(54.4)	1,714	1,516	1,220	676	640	465	305	275
Polypropylene	1,072	1,228	1,324	1,598	1,483	1,648	1,763	1,086	(38.4)	2,022	1,783	1,483	1,086	1,180	920	790	650
Styrene chain																	
Styrene	1,051	1,165	1,320	1,407	1,374	1,421	1,502	863	(42.5)	1,626	1,494	1,387	863	943	768	528	544
Polystyrene	1,155	1,232	1,426	1,527	1,436	1,566	1,645	1,223	(25.7)	1,757	1,644	1,533	1,223	1,305	1,195	995	895
Vinyl chain																	
PVC	811	832	945	1,110	1,056	1,133	1,189	803	(32.5)	1,277	1,254	1,037	803	875	795	635	575
EDC	361	351	426	439	435	440	485	254	(47.8)	529	497	430	254	283	200	128	118
Polyester chain																	
PSF	1,226	1,293	1,452	1,538	1,507	1,551	1,578	1,455	(7.8)	1,695	1,570	1,470	1,455	—	1,455	—	—
PFY	1,377	1,444	1,669	1,782	1,825	1,763	1,777	1,520	(14.4)	1,955	1,795	1,580	1,520	—	1,520	—	—
Pure terephthalic acid	804	898	881	974	908	1,002	1,031	735	(28.7)	1,152	1,056	886	735	723	670	593	563
Monoethylene glycol	869	853	1,115	1,023	1,184	954	931	580	(37.7)	1,063	917	814	580	510	478	405	428
Paraxylene	899	1,155	1,131	1,273	1,165	1,319	1,374	816	(40.6)	1,574	1,385	1,163	816	848	727	592	561

Source: Platts

Chemical margins have declined in the recent weeks

Asia chemical margins, calendar year-ends (US$/ton)

	Annual average prices					Quarterly average					Monthly average				Recent			
										4Q08 vs. 3Q08								
	2004	2005	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	(%)	July	Aug	Sep	Oct	Oct 17	Oct 24	Oct 31	Nov 7
Ethylene chain																		
Ethylene – naphtha	515	389	549	441	379	458	401	359	129	(64)	481	359	239	129	227	111	43	41
HDPE – 1.015 x ethylene	28	147	88	171	247	208	237	252	372	47	135	276	346	372	410	442	445	335
LLDPE – 1.015 x ethylene	53	175	87	185	306	262	223	352	550	56	184	405	467	550	550	542	545	425
LDPE – 1.015 x ethylene	181	243	94	291	419	364	335	464	696	50	279	522	592	696	690	692	695	615
HDPE – naphtha	**556**	**548**	**655**	**629**	**645**	**687**	**660**	**632**	**510**	**(19)**	**640**	**656**	**601**	**510**	**647**	**561**	**493**	**381**
LLDPE – naphtha	**582**	**577**	**654**	**643**	**704**	**740**	**646**	**732**	**688**	**(6)**	**689**	**785**	**722**	**688**	**787**	**661**	**593**	**471**
LDPE – naphtha	**710**	**644**	**660**	**749**	**817**	**843**	**758**	**844**	**834**	**(1)**	**784**	**901**	**847**	**834**	**927**	**811**	**743**	**661**
Propylene chain																		
Propylene – naphtha	414	424	509	373	396	330	471	468	154	(67)	557	502	346	154	172	71	(7)	(19)
PP – 1.01 x propylene	142	154	125	244	257	265	192	264	403	52	291	252	250	403	534	450	482	372
PP – naphtha	**564**	**587**	**645**	**628**	**666**	**607**	**678**	**748**	**564**	**(25)**	**865**	**769**	**609**	**564**	**712**	**526**	**478**	**356**
Styrene chain																		
Benzene – naphtha	435	339	278	325	178	175	184	183	155	(15)	155	164	229	155	283	131	45	81
Styrene – 0.81 x benzene	142	131	139	163	128	136	114	133	126	(6)	88	142	171	126	133	197	135	143
– 0.29 x ethylene																		
Polystyrene – 0.98 styrene	124	125	90	132	149	90	107	173	377	118	164	180	174	377	381	442	478	362
PS – naphtha	786	670	649	730	595	561	560	630	700	11	600	630	659	700	837	801	683	601
Vinyl chain																		
EDC – (0.3 x ethylene)	186	99	11	85	46	35	24	73	58	(20)	38	85	96	58	74	49	21	17
PVC – 1.025 (0.235 x ethylene	258	281	249	294	406	349	435	428	421	(2)	414	483	388	421	457	496	437	390
+ 0.864 x EDC)																		
PVC – naphtha	**492**	**326**	**250**	**249**	**178**	**181**	**145**	**174**	**280**	**61**	**120**	**240**	**163**	**280**	**407**	**401**	**323**	**281**
Polyester/intermediates																		
PSF – 0.85 x PTA – 0.34 x MEG	**157**	**247**	**240**	**324**	**362**	**333**	**278**	**385**	**633**	**64**	**355**	**361**	**441**	**633**	—	**723**	—	—
PFY – 0.85 x PTA – 0.34 x MEG	**398**	**398**	**391**	**541**	**606**	**651**	**553**	**584**	**698**	**20**	**615**	**586**	**551**	**698**	—	**788**	—	—
PTA – 0.67 x PX	225	201	124	123	121	127	103	110	188	70	97	128	106	188	155	183	196	187
PX – naphtha	418	414	572	435	341	290	389	359	294	(18)	418	371	289	294	380	333	280	267
MEG – naphtha	564	384	270	419	91	308	59	(84)	58	(169)	(94)	(98)	(60)	58	42	84	93	134
MEG – 0.6 x ethylene	410	345	174	433	236	383	235	106	189	78	80	93	146	189	93	175	192	227

We expect margins to soften led by weakening demand arising from global economic slowdown

Asia chemical margins, calendar year-ends 1997-2009E (US$/ton)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 YTD	2008E	2009E
Ethylene chain														
Ethylene – naphtha	282	153	221	272	155	159	174	515	389	549	441	379	375	200
HDPE – 1.015 x ethylene	263	223	181	109	166	138	158	28	147	88	171	247	250	180
LLDPE – 1.015 x ethylene	262	250	196	126	174	142	168	53	175	87	185	306	300	195
LDPE – 1.015 x ethylene	398	334	249	186	216	194	226	181	243	94	291	419	425	240
HDPE – naphtha	**552**	**380**	**409**	**389**	**327**	**303**	**339**	**556**	**548**	**655**	**629**	**645**	**625**	**475**
LLDPE – naphtha	551	407	424	406	335	307	350	582	577	654	643	704	670	525
LDPE – naphtha	687	491	476	466	377	359	408	710	644	660	749	817	775	625
Propylene chain														
Propylene – naphtha	242	103	152	174	131	208	262	414	424	509	373	396	400	350
PP – 1.01 x propylene	245	213	195	163	146	129	154	142	154	125	244	257	220	160
PP – naphtha	**492**	**319**	**350**	**341**	**281**	**341**	**421**	**564**	**587**	**645**	**628**	**666**	**625**	**500**
Styrene chain														
Benzene – naphtha	81	60	56	113	30	110	164	435	339	278	325	178	160	200
Styrene – 0.81 x benzene – 0.29 x ethylene	NA	NA	NA	NA	NA	NA	203	142	131	139	163	128	125	100
Polystyrene – 0.98 styrene	658	495	589	864	569	319	116	124	125	90	132	149	200	125
PS – naphtha	444	347	404	594	332	449	517	786	670	649	730	595	600	500
Vinyl chain														
EDC – (0.3 x ethylene)	NA	NA	NA	190	61	202	171	186	99	11	85	46	40	40
PVC – 1.025 (0.235 x ethylene + 0.864 x EDC)	623	410	295	251	234	177	251	258	281	249	294	406	410	275
PVC – naphtha	**528**	**355**	**411**	**423**	**250**	**320**	**350**	**492**	**326**	**250**	**249**	**178**	**190**	**175**
Polyester/intermediates														
PSF – 0.85 x PTA – 0.34 x MEG	**332**	**361**	**254**	**299**	**267**	**241**	**296**	**157**	**247**	**240**	**324**	**362**	**325**	**250**
PFY – 0.85 x PTA – 0.34 x MEG	**587**	**462**	**363**	**346**	**382**	**402**	**374**	**398**	**398**	**391**	**541**	**606**	**550**	**450**
PTA – 0.67 x PX	234	153	171	190	164	230	182	225	201	124	123	121	120	100
PX – naphtha	279	133	178	159	173	185	334	418	414	572	435	341	325	275
MEG – naphtha	402	251	287	260	201	200	386	564	384	270	419	91	200	100
MEG – 0.6 x ethylene	319	219	228	205	203	199	395	410	345	174	433	236	230	200

Source: Platts, Kotak Institutional Equities estimates

Metals

HALC.BO, Rs60	
Rating	SELL
Sector coverage view	Cautious
Target Price (Rs)	40
52W High -Low (Rs)	218 - 38
Market Cap (Rs bn)	105.4

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	600.1	745.0	732.2
Net Profit (Rs bn)	24.2	16.7	12.7
EPS (Rs)	13.8	9.5	7.3
EPS gth	*(10.0)*	*(30.9)*	*(23.8)*
P/E (x)	4.4	6.3	8.3
EV/EBITDA (x)	5.9	5.2	5.7
Div yield (%)	-	-	-

Shareholding, September 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	31.4	-	-
FIIs	23.7	0.4	0.1
MFs	3.8	0.4	0.1
UTI	-	-	(0.3)
LIC	11.2	1.0	0.6

Hindalco : Novelis - Weak 2QFY2009 results; lowest EBITDA in the last several quarters

Amit Agarwal : agarwal.amit@kotak.com, +91-22-6749-3390

- **2QFY09 net loss of US$103 mn compared to net loss of US$19 mn in 2QFY08**
- **Adj. EBITDA at US$82 mn down 43% yoy; lowest in past six quarters**
- **Maintain SELL rating with a price target of Rs40/share**

Novelis reported 2QFY09 a net loss of US$103 mn compared to a loss of US$19 mn. EBITDA adjusted for the impact of metal ceiling contracts at US$82 mn declined 43% yoy and 57% qoq and were at their lowest levels in the last six quarters. Adj. EBITDA margins at 2.8% declined 800 bps yoy and 340 bps qoq. Volumes were marginally up by 2% to 808,000 tons during the quarter. Results for the quarter were impacted by higher energy, freight and alloy costs. North American segment witnessed a sharp decline in net income falling to US$2 mn from US$89 mn due to unfavourable impact of product mix, metal price lags, metal price ceilings, foreign exchange losses and higher operating costs. Results from other geographies i.e. Europe, South America and Asia were in-line with expectations. In October, the company witnessed weak demand in North America, Europe and Asia, especially in the construction and automotive markets. We expect the next two quarters to continue to remain sluggish on account of overall weak economic environment which would be offset by gains on account of lower metal ceiling costs. We maintain our SELL rating on Hindalco with a price target of Rs40/share.

Results lower-than-expected

Novelis reported 2QFY09 net sales at US$2.96 bn—up 5% yoy but declined 5% qoq led primarily by higher LME aluminium prices. 2QFY09 EBITDA—adjusted for the impact of metal ceiling contracts—at US$82 mn was down 43% yoy and 57% qoq. Novelis’ 2QFY09 EBITDA was at its lowest levels in the last six quarters. Net loss for the quarter at US$103 mn was impacted (a) negatively, by US$185 mn on account of mark-to-market impact of LME forward purchase contracts used to hedge metal price risks and (b) positively, by a US$169 mn benefit for taxes on pre-tax loss of US$274 mn.

Metal ceiling and lag impact

During the quarter, 8% of total volumes were impacted by metal price ceiling contracts, resulting in a negative impact on profitability to the tune of US$74 mn. The metal ceiling costs are the difference between the aluminium purchase prices and the metal ceiling prices under the respective contracts. Based on the closing aluminium price of US$2,395 per ton as of September 30, 2008, approximately US$74-79 mn of metal ceiling costs are remaining to be passed on for the second half of FY2009 and US$112-US$121 mn in the aggregate thereafter. At the time of acquisition of Novelis by Hindalco a reserve of US$655 mn was created to record these contracts at fair value based on forecasted metal purchase costs in excess of metal ceilings. As of September 30, 2008, the balance of these reserves was about US$260 mn. As a result, currently there is an excess of US$74 mn of reserves over and above the metal ceiling costs. Also, with aluminium falling further to US$1,900 per ton the metal ceiling costs could get entirely eliminated.

Valuation

We retain our SELL rating on the stock with a price target of Rs40/share. We value Hindalco's domestic and international businesses at 4X FY2010E EBITDA, which is in line with international peers. With Hindalco's earnings highly leveraged to aluminium prices which have fallen 28% over the last quarter's average, we expect earnings to fall sharply in the near term. Although volumes were not impacted during 2QFY09, we expect Novelis's volumes, especially in the North American and European markets, to be under pressure as reflected in the weak automotive and construction markets.

Novelis, Interim results, March fiscal year-ends (US$ mn)

				% change	
	2Q 2009	1Q 2009	2Q 2008	qoq	yoy
Operating matrix					
Shipments (kt) (including ingots)	808	825	789	(2.1)	2.4
Aluminium prices (US$/ton)	2,837	3,004	2,610	(5.6)	8.7
Quarterly results					
Revenue	**2,959**	**3,103**	**2,821**	(4.6)	4.9
Expenditure	**(2,890)**	**(2,927)**	**(2,653)**		
Cost of goods sold	(2,791)	(2,831)	(2,555)		
SG&A	(89)	(84)	(88)		
R&D	(10)	(12)	(10)		
EBITDA	**69**	**176**	**168**	(60.8)	(58.9)
Other income	-	-	-		
Depreciation	(107)	(116)	(103)		
EBIT	(38)	60	65		
Interest	(41)	(40)	(56)		
Pre-tax profits	(79)	20	9		
Extra-ordinary items reported	(193)	42	(8)		
Extra-ordinary items (adjusted)	-	-	-		
Pre-tax profits - reported	**(272)**	**62**	**1**		
Taxes	169	(35)	(20)		
Minority interest	-	(2)	-		
Net income	**(103)**	**25**	**(19)**		
Adjusted net income for taxes	**(30)**	**7**	**(171)**		
EBITDA analysis					
Reported EBITDA	69	176	168		
Add: Can sheet losses in N.A.	74	78	61		
Less: Reversal of provision	(61)	(64)	85		
Underlying EBITDA	**82**	**190**	**314**	(56.8)	(73.9)
Less: Metal price lag	(8)	45	(9)		
EBITDA adjusted for metal price lag	**90**	**145**	**323**	(37.9)	(72.1)
Calculations					
Realization (US$/ton)	3,587	3,684	3,468	(2.6)	3.4
Underlying EBITDA (US$/ton)	101	230	398	(55.9)	(74.5)
EBITDA margins (%)	2.8	6.3	10.8		

Source: Company, Kotak Institutional Equities.

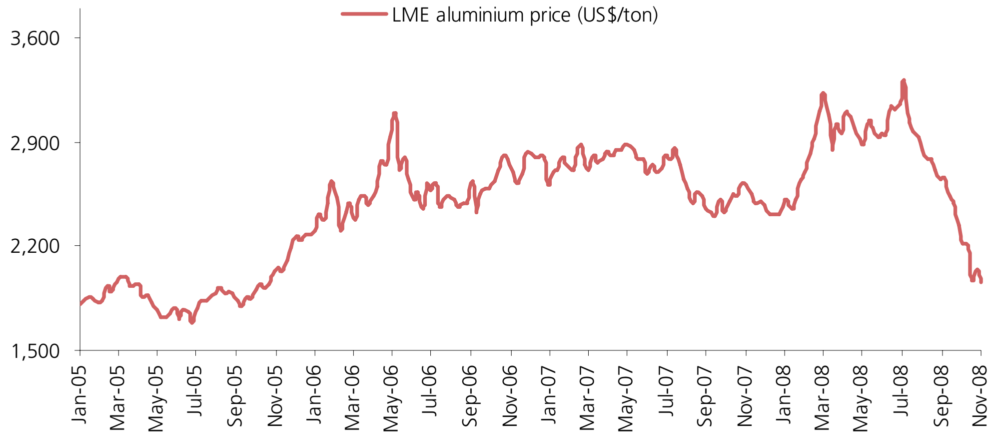
Hindalco Ind. SOTP-based target-price, 2010E basis

	EBITDA (Rs bn)	EV/EBITDA (X)	EV (Rs bn)	Stake (%)	Attributable EV (Rs bn)	Value (Rs/share)
Hindalco Ind. (India)	30	4.5	136	100.0	136	80
ABML (a)				51.0	1	0.4
Novelis Inc.	20	4.5	89	100.0	89	52
Total enterprise value					**89**	**133**
Less: Debt					**161**	**94**
Hindalco Ind. (India)					10	6
AV Minerals (SPV)					44	26
Novelis Inc.					107	63
Resultant market capitalization						**38**
Target price (Rs/share)						**40**

Notes:
(a) Stake in ABML is valued based on market-capitalization of ABML.

Source: Kotak Institutional Equities estimates.

Aluminum prices have corrected sharply from its highs
LME cash prices of aluminium, December fiscal year-ends, 2005-08 (US$/ton)



Source: LME, Kotak Institutional Equities.

Hindalco (consolidated), Profit model, balance sheet and cash flow model, March fiscal year-ends, 2007-2011E (Rs mn)

	2007	2008	2009E	2010E	2011E
Profit model (Rs mn)					
Net sales	193,161	600,128	744,960	732,189	736,864
EBITDA	**44,306**	**66,351**	**63,792**	**55,371**	**52,925**
Other income	4,091	6,560	5,387	5,451	5,714
Interest	(3,135)	(18,491)	(17,303)	(14,748)	(14,668)
Depreciaiton	(8,646)	(24,565)	(24,468)	(24,572)	(25,486)
Profit before tax	**36,616**	**29,855**	**25,984**	**20,126**	**17,109**
Taxes	(10,064)	(4,355)	(9,406)	(7,523)	(6,759)
Reported net income	**27,030**	**26,238**	**16,578**	**12,603**	**10,350**
Minority interest	(161)	(2,206)	(134)	(129)	(129)
Share in profit/(loss) of associates	(12)	(159)	1,157	1,118	1,118
Adjusted net income	**26,858**	**23,873**	**17,602**	**13,592**	**11,339**
Fully diluted EPS (Rs)	**15.3**	**13.6**	**10.0**	**7.8**	**6.5**
Balance sheet (Rs mn)					
Equity	133,653	172,819	240,895	254,487	265,826
Deferred tax liability	11,630	39,351	39,351	39,351	39,351
Total Borrowings	84,429	323,524	242,519	232,675	234,535
Current liabilities	38,459	172,180	156,151	152,442	152,918
Minority interest	8,503	16,154	16,287	16,416	16,545
Total liabilities	**276,673**	**724,027**	**695,202**	**695,370**	**709,174**
Net fixed assets	111,247	280,880	293,773	294,748	303,155
Goodwill on consolidation	-	88,329	88,329	88,329	88,329
Investments	78,741	140,076	76,842	73,388	69,020
Cash	10,345	17,169	2,572	7,591	16,042
Other current assets	76,340	197,573	233,686	231,314	232,627
Total assets	**276,673**	**724,027**	**695,203**	**695,370**	**709,174**
Free cash flow (Rs mn)					
Operating cash flow excl. working capital	39,607	46,417	52,961	46,472	44,791
Working capital changes	(5,347)	7,582	(52,141)	(1,337)	(837)
Capital expenditure	(21,905)	(27,507)	(12,893)	(974)	(8,408)
Free cash flow	**12,354**	**26,493**	**(12,073)**	**44,160**	**35,546**
Ratios					
Debt/equity (incl. goodwill on consolidation) (X)	0.6	1.6	0.9	0.8	0.8
Debt/equity (excl. goodwill on consolidation) (X)	0.6	2.7	1.3	1.2	1.2
Net debt/equity (X)	0.5	2.5	1.3	1.1	1.0
RoAE (%)	18.5	17.7	11.1	6.8	5.4
RoACE (%)	**12.2**	**11.3**	**6.4**	**5.0**	**4.3**

Source: Company, Kotak Institutional Equities estimates.

Utilities

CESC.BO, Rs220	
Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	450
52W High -Low (Rs)	715 - 165
Market Cap (Rs bn)	27.5

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	27.7	29.5	32.3
Net Profit (Rs bn)	3.3	4.0	4.6
EPS (Rs)	27.8	31.9	36.9
EPS gth	*(24.0)*	*15.3*	*16.3*
P/E (x)	7.9	6.9	5.9
EV/EBITDA (x)	4.1	3.8	5.0
Div yield (%)	1.8	2.1	2.4

Shareholding, September 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	52.5	-	-
FIIs	23.4	0.1	0.0
MFs	8.8	0.3	0.2
UTI	-	-	(0.1)
LIC	3.8	0.1	(0.0)

CESC : Strong growth in regulated book, curtailing losses in retail business

Aman Batra : aman.batra@kotak.com, +91-22-6634-1231

Murtuza Arsiwalla : murtuza.arsiwalla@kotak.com, +91-22-66341-125

- **Regulated equity likely to grow at a CAGR of 15% FY2008-11E**
- **We estimate >20% effective RoE on regulated equity due to better operating performance in generation and distribution**
- **Curtailing losses in retail—to be funded from cash surplus in power business**
- **Retain BUY rating with an SOTP-based target price of Rs450/share**

We like CESC's regulated power business with its high degree of visibility in growth and retain our BUY rating with an SOTP-based target price of Rs450/share. CESC earns an effective RoE in excess of 20% as it gets to keep part of the savings from operating efficiencies and part-profits from export of surplus power. With large capex approved in T&D by the regulator, we estimate the return-yielding equity to increase at a CAGR of 15% during FY2008-11E. We have revised our EPS estimates to Rs31.9 for FY2009E (Rs28.2 previously) and Rs36.9 for FY2010E (Rs31.1 previously). While Spencer's Retail is trying to scale down capex and reduce losses, we factor in a cash support of Rs5.7 bn from power business over the next few years and have adjusted the same in our target price.

Regulated equity likely to grow at a CAGR of 15% FY2008-11E. CESC's regulated power business offers high growth visibility—reinvestments in upgrading and strengthening the T&D network and periodic generation capacity addition (Budge Budge 3 is under construction and will likely commission ahead of schedule). The regulator has approved a capital expenditure of Rs30 bn during FY2009-11E for distribution, increasing the book invested in distribution to Rs91/share from Rs58/share at the end of FY2008. The addition to equity for generation assets is estimated to increase to Rs91/share by FY2011 from the current Rs63/share. The addition of Haldia 1, which has most clearances in place, will further increase the regulated equity base.

CESC earning effective RoE in excess of 20%. As per the multi-year tariff order for FY2009-11E, CESC gets to keep part of the savings made by operating better than the stipulated benchmarks (of PLF, auxiliary consumption and station heat rate etc.). CESC also benefits from export sales by keeping 40% of profits made from exports sales. We estimate CESC to have made a profit (after sharing with consumers) of Rs571 mn from export sales in FY2008. CESC is entitled for 15% RoE on the invested equity in distribution (compared to 14% for generation) and gets to keep the savings from lower-than-targeted A,T&C losses.

CESC has recently entered into an agreement with SP Global Solutions, a subsidiary of Singapore Power, for improving the standard of distribution in CESC's license area.

Core regulated business is insulated from interest rate and forex rate fluctuations. We value CESC's core power generation-distribution business in Kolkata using DCF-equity at Rs278/share—implied P/B of 2.1X on FY2009E invested book. We note CESC's regulated power business is insulated from uncertainties inherent in the IPP or the merchant power model—variations in interest rate and forex rates. However, the ability to sell surplus power from generation assets after meeting the requirements of the distribution business gives CESC the benefit from high merchant rates as well.

Spencer Retail—restricting investments, curtailing losses, improving product mix. Spencer Retail (95% subsidiary of CESC) has revised its growth plans in the retail business taking cognizance of the changing business environment and cash-flow constraints. Spencers will likely add 0.5 mn sq. ft to reach 1.7 mn sq. ft of retail space (against earlier plans of 2.5 mn sq. ft). The retail strategy also focuses on large-format stores and the retail arm has already shut 0.15 mn sq. ft of retail space in the current fiscal—mainly small format stores, which were not economically viable.

We value the retail business at 1XFY2008 sales or Rs7.7 bn, implying Rs58/share for CESC's 95% equity stake. Our financial projections for retail business factor in: (1) closure of 0.15 mn sq. ft of retail space in small-format stores, (2) improving sales in existing stores, and (3) shift of product mix in favor of apparels (higher margin segment). We note that apparels currently contribute less than 5% of the total sales for Spencers (substantially lower than industrial peers such as Pantaloon and Vishal Retail). During FY2008, Spencer Retail incurred an EBITDA loss of Rs1.1 bn on store sales of Rs7.68 bn. We expect the retail business to continue to make EBITDA losses and have factored in the cash flows required to support it to come from the power business.

Reiterate BUY with SOTP-based target price of Rs450/share. Our SOTP-based target price of Rs450/share offers 105% upside from the current market price. We note that the stock is currently trading below its FY2009E book value of Rs232/share (net of revaluation reserves). Our value of the stable (and growing) core power business at Rs278/share (book invested Rs132/share) and estimated net cash of Rs23/share (Rs2.9 bn) implies the market is according a negative value for the expansion project at Haldia (600 MW)—equity available—and retail business. At the current market price of Rs220/share, the stock also offers 1.8% dividend yield.

- **We value the core power generation, transmission and distribution business in Kolkata at Rs278/share** using DCF-equity implying ~2.0X P/B FY2008. We use a cost of equity of 12% and terminal year growth of 2%. We estimate a steady increase in regulated equity base in distribution that will drive steady earnings growth apart from step-improvement due to generation capacity addition.
- **New generation projects to provide upside.** We note good visibility in new generation project for CESC at Haldia (600 MW). DCF-equity value for these projects contributes Rs72/share to our target price. We note Haldia phase 1 projects has been funded with the equity raised by the company. CESC has also been allocated a coal block in Jharkhand for setting up a 800-1,000 MW power project.
- **Stake in Spencer Retail valued at Rs58/share**. We value the retail business at 1X Sales (FY2008) or Rs7.7 bn. For CESC's 95% holding, this translates to Rs58/share. We note management has scaled down its growth capex and is currently focusing on limiting losses by closing down unviable outlets.
- **We value the accretion (net of investments) from real estate projects at Rs1.6 bn (Rs13share).** The company plans to develop a 0.5 mn sq. ft mall near Park Street, which will be given out on lease. CESC has additional real estate of ~2.5 mn sq. ft at Mulajore (site of its now defunct power plant). We note that CESC has to share 33% gains from real estate with the consumers as a reduction in its Annual Revenue Requirement (ARR).

Profit model, balance sheet, cash model of India Cements, March fiscal year-ends, 2006-11E (Rs mn)

	2006	2007	2008	2009E	2010E	2011E
Profit model (Rs mn)						
Net sales	25,159	24,843	27,750	29,487	32,316	34,134
EBITDA	**7,157**	**6,364**	**6,045**	**7,216**	**8,295**	**9,635**
Other income	736	927	1,285	1,326	1,340	1,398
Interest	(3,013)	(2,305)	(1,885)	(2,186)	(2,354)	(2,867)
Depreciation	(2,539)	(1,579)	(1,685)	(1,730)	(2,041)	(2,426)
Pretax profits	2,342	3,407	3,760	4,626	5,240	5,741
Tax	(200)	(400)	(476)	(639)	(624)	(613)
Net profits	**2,142**	**3,007**	**3,285**	**3,986**	**4,616**	**5,127**
Extraordinary items	(299)	—	269	115	—	—
Earnings per share (Rs)	**27.3**	**36.2**	**27.8**	**31.9**	**36.9**	**41.0**
Balance sheet (Rs mn)						
Total equity	16,549	20,939	31,701	36,471	41,400	46,650
Total borrowings	19,100	17,983	16,288	22,329	32,551	44,665
Currrent liabilities	13,113	16,350	19,559	20,131	21,209	21,793
Total liabilities and equity	**48,761**	**55,271**	**67,548**	**78,931**	**95,160**	**113,108**
Cash	3,959	7,314	9,864	13,200	8,749	7,547
Current assets	9,113	8,110	9,752	9,608	10,088	10,354
Total fixed assets	35,275	37,340	42,148	50,347	70,554	89,446
Investments	314	2,414	5,697	5,697	5,697	5,697
Deferred Expenditure	100	93	86	79	72	65
Total assets	**48,761**	**55,271**	**67,548**	**78,931**	**95,160**	**113,108**
Free cash flow (Rs mn)						
Operating cash flow, excl. working capital	7,622	6,697	6,081	7,180	8,185	9,397
Working capital	563	4,240	1,567	717	597	319
Capital expenditure	(3,077)	(5,594)	(8,353)	(9,928)	(22,249)	(21,317)
Investments	1	(2,100)	(3,283)	—	—	—
Free cash flow	**5,109**	**3,244**	**(3,988)**	**(2,032)**	**(13,467)**	**(11,602)**

Source: Kotak Institutional Equities estimates.

CESC Sum-of-the-parts valuation

	Methodology	Key assumptions	FY2009E Book value per share (Rs)	Per share value (Rs)
Kolkata generation, transmission & distribution	**DCF to equity** Disc. rate: 12% Terminal year growth: 2%	The business enjoys very high predictability of cash flows, regular reinvestments and high profitability (>20% RoE) from operational efficiencies and incentives.	132	278
Real-estate	**DCF** Disc. rate: 15% Terminal year growth: 5%	**Mall** Area for lease (sq. ft) 400,000 Rental (Rs/sq. ft) 100 Inflation in rental (%) 5 CESC's retainable share of A (%) 67 **35 acre land at Mulajore** Area for sale (sq. ft) 2,500,000 Rate (Rs/sq. ft) 600 CESC's retainable share of A (%) 67		13
Investments	**Book value**	1% Cumulative optionally convertible preference shares of Integrated Coal Mining Ltd. (Rs mn) 300	2	2
Cash and investible surplus on books	**Market value**	Marketable securities & cash on books (Rs bn): 19.9 Regulatory liability/unallocable debt (Rs bn) (4.1) Cash required for Haldia 1 (7.2) Cash infusion in retail (5.7) **2.9**		23
Retail	**EV/Sales (X)**	1X on FY2008 sales, as the company is still in the rollout phase		58
Haldia - 1st phase 600 MW	DCF to equity Disc. rate: 12.5%	Regulated returns-P/B of 1.33X based on our DCF-to-equity		72
SOTP value			**232**	**446**

Source: Kotak Institutional Equities estimates.

Regulated equity for CESC is growing at a CAGR of 14.5%

	2008	2009E	2010E	2011E	CAGR (%) FY2008-11E
Equity investment in regulated business					
-distribution	7,310	8,564	10,203	11,417	15.9
-generation	7,848	7,951	11,289	11,435	13.2
Total	**15,157**	**16,515**	**21,492**	**22,852**	**14.5**
Rs/share	**121.3**	**132.2**	**172.0**	**182.9**	

Source: Company data, Kotak Institutional Equities estimates.

CESC is well funded to meet its existing capex plans, including funding for retail business

	2008	2009E	2010E	2011E	2012E
Cash generation form power business		6,938	7,608	8,617	7,491
Capex for power business		(7,528)	(9,379)	(4,535)	(2,470)
Net debt taken (repayment) for power business		4,361	647	(352)	(972)
Net cash from regulated power business		**3,770**	**(1,124)**	**3,729**	**4,048**
Investments in Haldia		(720)	(2,160)	(2,880)	(938)
Net funding in retail business (capex + losses)		(1,920)	(1,439)	(840)	(508)
Total		**1,131**	**(4,723)**	**9**	**2,603**
Cash in hand	11,253	12,383	7,660	7,670	10,272

Source: Company data, Kotak Institutional Equities estimates.

CESC plans to slowdown capex in the retail business including shutting down non-viable retail formats

Key assumptions of RPG Retail, March fiscal year-ends, 2007-2011E (Rs mn)

	2007	2008	2009E	2010E	2011E
Income statement					
Revenues	5,154	8,061	11,367	14,070	15,135
EBITDA	(364)	(1,114)	(820)	(589)	(263)
PAT	**(523)**	**(893)**	**(1,637)**	**(1,608)**	**(1,385)**
Balance sheet					
Net worth	837	2,429	792	(816)	(2,201)
Borrowings	873	4,345	6,345	7,845	8,445
Total liabilities	**1,710**	**6,775**	**7,137**	**7,029**	**6,245**
Net fixed assets	1,239	4,023	3,869	3,534	2,934
Investments	10	10	10	10	10
Net working capital	461	2,121	2,638	2,865	2,681
Deferred tax asset	—	620	620	620	620
Total assets	**1,710**	**6,775**	**7,137**	**7,029**	**6,245**
Key assumptions					
Total retail space (mn sq. ft)	**0.6**	**1.2**	**1.5**	**1.7**	**1.7**
Sales (Rs/ sq. ft pm)	734	545	625	650	700
Gross margin (%)	15	14	15	16	16
EBITDA margin (%)	(7)	(14)	(7)	(4)	(2)

Source: Company data, Kotak Institutional Equities estimates.

Telecom

Sector coverage view	Cautious

		Price, Rs	
Company	**Rating**	**11-Nov**	**Target**
Bharti	BUY	659	800
Rcom	SELL	220	265
MTNL	REDUCE	71	80
VSNL	REDUCE	468	370
Idea Cellular	REDUCE	50	70

Scorching subscriber net adds pace continues as Vodafone and Idea expand their footprint

Kawaljeet Saluja : kawaljeet.saluja@kotak.com, +91-22-6634-1243
Rohit Chordia : rohit.chordia@kotak.com, +91-22-6634-1397

- **GSM net adds (ex-RCOM) at 7.7 mn; total net adds will likely exceed 10 mn for the second consecutive month**
- **We remain wary of potential double counting of subs given rapid growth, high churn, and deactivation norms**
- **Idea and Vodafone net adds gain from new launches**
- **Another strong month for Aircel highlights the company's ability to compete aggressively with larger players**

The scorching pace of network-expansion led GSM subscriber addition in the country continued in the month of October 2008 as the GSM players (ex-RCOM) added 7.7 mn subscribers, marginally ahead of our expectations. Total subscriber net adds (including CDMA and RCOM GSM) could exceed 10 mn for the second month in a row. The current net add run rate, if sustained, could push our end-FY2009E subscriber estimate of 358 mn; however, we remain wary of the underlying subscriber double counting in this phase of high absolute net adds. Key highlights of Oct 2008 GSM net additions included—(1) marginal net add share loss for Bharti as new launches continued; Idea launched its services in Bihar, while Vodafone launched its in Madhya Pradesh and Bihar during the month, (2) further improvement in net adds market share for Aircel and strong performance from Idea and Vodafone (partly contributed by new launches), and (3) another strong month for BPL and another subdued one for MTNL and BSNL. We expect the strong net add pace to continue for another 12-15 months; however, the same would have limited impact on valuations of the sector or individual companies (unless there is a dramatic shift in market shares). We would rather focus on more pressing issues like the impending increase in competion, regulatory issues and declining quality of incremental subs. We maintain our Cautious stance on the sector but remain positive on Bharti (BUY) given the company's superior execution and undemanding valuations; maintain REDUCE on Idea and SELL on RCOM.

Aggregate net adds exceed expectations; current run rate could push our end-FY2009E subscriber estimate. The aggregate GSM (ex-RCOM) net adds for the month of October 2008 (7.7 mn) was higher than our expectations and an absolute increase of 0.4 mn over Sep net adds of 7.3 mn. Overall net adds for the months could exceed 10 mn for the second consecutive quarter, sustaining India's position as the fastest growing wireless market in the world. We highlight that the current subs add run rate (9 mn+ monthly average over April-Oct 2008) could push our end-FY2009E subs target of 358 mn; YTD monthly run rate, if continued in 2HFY09, could take the end-FY2009E subscriber base to 362 mn.

We remain wary of potential double counting of subs given rapid growth, high churn, and deactivation norms. We remain wary of the likely subscriber double counting in this phase of rapid subscriber growth; the norms followed by industry players allow a non-paying subscriber to remain active (and counted in the subscriber base of that operator) for a period of 3-6 months. This, combined with the high churn rate (3-4% per month in the prepaid segment for various operators), could mean double counting of subscribers for a sustained period of time.

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

Bharti's net adds market share declines; absolute net adds in line with estimates. Bharti maintained its net adds pace with 2.72 mn net additions for the month. However, we highlight that the GSM market net adds (assuming RCOM GSM maintains September 2008 net adds pace) increased by 0.4 mn to 8.1 mn from 7.7 mn in Sep 2008. Bharti's net adds market share dropped to 33.7%, a drop of 140 bps over the previous month (though still higher than its GSM subs market share of 33.2%). We attribute the drop in Bharti's net adds market share primarily to a slew of new launches over the past few months – Idea (Mumbai and Bihar), Aircel (Kolkata), and Vodafone (Orissa, Assam, North East, M.P. and Bihar). However, we believe that strong net adds in initial months (as seen in case of Aircel in Kolkata and Idea in Mumbai) could be driven by initial promotional offers, etc. and hence, we would watch for sustenance of net adds before calling it a worrisome trend for Bharti. In any case (1) Bharti's net adds per month are running in line with our estimates and (2) the street (and us, as well) is already factoring in a market share decline for Bharti over the next 12-24 months.

Vodafone and Idea gain from new launches. Vodafone and Idea (ex-Spice) improved on its previous month's performance, adding 2.08 mn (1.87 mn in Sep 2008) and 1.2 mn (1.1 mn) subs respectively. However, Vodafone's and Idea's net adds were partially aided by their recent launches—Vodafone launched in M.P. and Bihar, while Idea launched its services in Bihar. We would continue to monitor the performance of new network launches over the coming months to understand the market share shifts and impact on incumbents.

Aircel continues to impress, no improvement for BSNL and MTNL. Aircel added 781,000 subs in October 2008, its highest ever monthly net adds; the company has gained ~74 bps of GSM market share over the past 12 months. We have been highlighting the price aggression and competitive intensity of Aircel, and net over the past three months have indicative of the company's ability to gain market share versus larger peers. We continue to see Aircel as a major competitive threat to the leading incumbents as it expands into a pan-India operator (currently present only in 10 circles and rolling out networks in other circles).

BSNL added 670,000 subs in October 2008, marginally lower than previous month's 677,000; the company has now been overtaken by every operator in monthly net adds (not counting MTNL, Spice, BPL, Shyam, and HFCL as they are present in only one or two circles). MTNL added 66,000 subs, an improvement over the 38,000 net adds reported in Sep 2008, but still lower than YTD average monthly net adds of 73,000.

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

	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08
Subs ('000)													
Bharti	50,909	52,961	55,163	57,418	59,670	61,985	64,370	66,826	69,384	72,078	74,778	77,479	80,200
Hutchison	37,187	38,563	39,865	41,145	42,557	44,126	45,780	47,467	49,195	50,950	52,759	54,625	56,704
IDEA-Escotel	19,422	20,222	21,054	21,955	22,874	24,002	25,040	26,141	27,194	28,248	29,278	30,380	31,583
BPL	1,201	1,221	1,239	1,257	1,276	1,295	1,314	1,331	1,378	1,440	1,517	1,664	1,808
Modi group	3,570	3,661	3,801	3,943	4,084	4,211	4,363	4,498	4,548	4,197	3,563	3,600	3,637
Reliance	5,342	5,669	6,002	6,338	6,676	7,016	7,359	7,711	8,080	8,455	8,831	9,206	9,206
MTNL	2,826	2,890	2,955	3,013	3,122	3,242	3,284	3,350	3,438	3,537	3,639	3,678	3,744
BSNL	31,033	31,945	32,712	33,749	34,573	36,210	36,683	36,997	37,363	37,916	38,490	39,167	39,836
Aircel	8,524	9,026	9,428	9,934	10,185	10,610	10,989	11,492	11,925	12,476	13,127	13,878	14,659
Total market	**160,014**	**166,157**	**172,219**	**178,751**	**185,017**	**192,696**	**199,182**	**205,813**	**212,505**	**219,298**	**225,983**	**233,677**	**241,377**
Market share of subs (%)													
Bharti	31.8	31.9	32.0	32.1	32.3	32.2	32.3	32.5	32.7	32.9	33.1	33.2	33.2
Hutchison	23.2	23.2	23.1	23.0	23.0	22.9	23.0	23.1	23.2	23.2	23.3	23.4	23.5
IDEA-Escotel	12.1	12.2	12.2	12.3	12.4	12.5	12.6	12.7	12.8	12.9	13.0	13.0	13.1
BPL	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7
Modi group	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.1	1.9	1.6	1.5	1.5
Reliance	3.3	3.4	3.5	3.5	3.6	3.6	3.7	3.7	3.8	3.9	3.9	3.9	3.8
MTNL	1.8	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6
BSNL	19.4	19.2	19.0	18.9	18.7	18.8	18.4	18.0	17.6	17.3	17.0	16.8	16.5
Aircel	5.3	5.4	5.5	5.6	5.5	5.5	5.5	5.6	5.6	5.7	5.8	5.9	6.1
Growth (%)													
Bharti	4.2	4.0	4.2	4.1	3.9	3.9	3.8	3.8	3.8	3.9	3.7	3.6	3.5
Hutchison	4.3	3.7	3.4	3.2	3.4	3.7	3.7	3.7	3.6	3.6	3.5	3.5	3.8
IDEA-Escotel	4.0	4.1	4.1	4.3	4.2	4.9	4.3	4.4	4.0	3.9	3.6	3.8	4.0
BPL	4.2	1.6	1.5	1.4	1.6	1.5	1.5	1.3	3.5	4.5	5.4	9.7	8.7
Modi group	2.5	2.6	3.8	3.7	3.6	3.1	3.6	3.1	1.1	(7.7)	(15.1)	1.0	1.0
Reliance	6.1	6.1	5.9	5.6	5.3	5.1	4.9	4.8	4.8	4.6	4.4	4.3	-
MTNL	1.9	2.3	2.3	2.0	3.6	3.8	1.3	2.0	2.6	2.9	2.9	1.1	1.8
BSNL	2.4	2.9	2.4	3.2	2.4	4.7	1.3	0.9	1.0	1.5	1.5	1.8	1.7
Aircel	6.0	5.9	4.5	5.4	2.5	4.2	3.6	4.6	3.8	4.6	5.2	5.7	5.6
Total market	**3.9**	**3.8**	**3.6**	**3.8**	**3.5**	**4.2**	**3.4**	**3.3**	**3.3**	**3.2**	**3.0**	**3.4**	**3.3**
Net monthly adds ('000)													
Bharti	2,033	2,053	2,202	2,255	2,253	2,315	2,386	2,456	2,558	2,694	2,700	2,701	2,721
Hutchison	1,529	1,376	1,302	1,281	1,412	1,569	1,654	1,686	1,728	1,755	1,808	1,866	2,079
IDEA-Escotel	750	800	832	901	919	1,128	1,038	1,101	1,054	1,054	1,030	1,102	1,203
BPL	48	19	19	17	20	19	19	17	47	61	77	147	144
Modi group	89	91	139	142	141	126	152	135	50	(351)	(634)	37	37
Reliance	306	327	333	336	338	340	342	352	370	375	376	376	-
MTNL	54	64	65	58	109	120	42	67	87	100	102	38	66
BSNL	730	912	767	1,036	824	1,637	473	314	365	553	574	677	670
Aircel	485	502	402	506	251	425	379	503	433	551	651	752	781
Total market	**6,022**	**6,144**	**6,062**	**6,531**	**6,266**	**7,680**	**6,486**	**6,630**	**6,693**	**6,793**	**6,685**	**7,694**	**7,700**
Market share of net adds (%)													
Bharti	33.8	33.4	36.3	34.5	35.9	30.1	36.8	37.0	38.2	39.7	40.4	35.1	35.3
Hutchison	25.4	22.4	21.5	19.6	22.5	20.4	25.5	25.4	25.8	25.8	27.1	24.3	27.0
IDEA-Escotel	12.5	13.0	13.7	13.8	14.7	14.7	16.0	16.6	15.7	15.5	15.4	14.3	15.6
BPL	0.8	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.7	0.9	1.2	1.9	1.9
Modi group	1.5	1.5	2.3	2.2	2.3	1.6	2.4	2.0	0.8	(5.2)	(9.5)	0.5	0.5
Reliance	5.1	5.3	5.5	5.1	5.4	4.4	5.3	5.3	5.5	5.5	5.6	4.9	-
MTNL	0.9	1.0	1.1	0.9	1.7	1.6	0.6	1.0	1.3	1.5	1.5	0.5	0.9
BSNL	12.1	14.8	12.7	15.9	13.2	21.3	7.3	4.7	5.5	8.1	8.6	8.8	8.7
Aircel	8.0	8.2	6.6	7.7	4.0	5.5	5.8	7.6	6.5	8.1	9.7	9.8	10.1
Circlewise subs ('000)													
Metros	26,691	27,460	28,135	28,823	29,510	30,235	30,903	31,555	32,250	33,015	33,880	34,901	35,891
Circle A	57,719	60,089	62,479	65,033	67,081	70,045	72,090	74,344	76,837	79,216	81,369	83,822	86,692
Circle B	58,259	60,498	62,582	64,870	67,289	70,077	72,920	75,636	78,228	80,931	83,573	86,515	89,352
Circle C	17,345	18,111	19,024	20,024	21,137	22,339	23,269	24,277	25,190	26,136	27,161	28,439	29,442
Total	**160,014**	**166,157**	**172,219**	**178,751**	**185,017**	**192,696**	**199,182**	**205,813**	**212,505**	**219,298**	**225,983**	**233,677**	**241,377**
Circlewise net adds ('000)													
Metros	807	770	675	689	687	725	667	652	696	764	865	1,021	991
Circle A	2,471	2,370	2,391	2,554	2,048	2,964	2,045	2,254	2,492	2,379	2,153	2,453	2,870
Circle B	2,170	2,239	2,083	2,289	2,418	2,788	2,843	2,716	2,592	2,703	2,642	2,942	2,837
Circle C	574	765	913	1,001	1,113	1,202	930	1,008	913	946	1,025	1,278	1,003
Total	**6,022**	**6,144**	**6,062**	**6,531**	**6,266**	**7,680**	**6,486**	**6,630**	**6,693**	**6,793**	**6,685**	**7,694**	**7,700**
Circlewise subs (%)													
Metros	17	17	16	16	16	16	16	15	15	15	15	15	15
Circle A	36	36	36	36	36	36	36	36	36	36	36	36	36
Circle B	36	36	36	36	36	36	37	37	37	37	37	37	37
Circle C	11	11	11	11	11	12	12	12	12	12	12	12	12
Circlewise net adds (%)													
Metros	13	13	11	11	11	9	10	10	10	11	13	13	13
Circle A	41	39	39	39	33	39	32	34	37	35	32	32	37
Circle B	36	36	34	35	39	36	44	41	39	40	40	38	37
Circle C	10	12	15	15	18	16	14	15	14	14	15	17	13

Note:

(1) Oct 2008 subscriber data excludes RCOM GSM net adds for the month

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

Insurance

Life insurance update [September 2008]: Out of fuel

Nischint Chawathe : nischint.chawathe@kotak.com, +91-22-6749-3588
Ramnath Venkateswaran : ramnath.venkateswaran@kotak.com, +91-22-6634-1240

- **Private players appear to be slowing down**
- **Heightened risk perception and subdued equity markets will likely affect growth in the private sector and provide risk to our estimates**
- **LIC will likely benefit in the current environment**

On the backdrop of a challenging macro environment, moderate expansion by large players and base effects, growth in adjusted premium collections for the private life insurance companies slipped to 17% during September 2008. Conversely, LIC reported 29% yoy growth (a reversal from the previous month when it reported 61% de-growth) largely on the low base of September 2007; its mom growth was just 4%. YTD- LIC has lost significant market share-38% v/s 50% in FY2008 primarily to Birla Sun Life, HDFC Standard Life and Reliance Life. However, we believe that heightened risk perceptions of the private players in the financial sector now pose a significant risk. Hence, in the medium term, private players may have to take a backseat and LIC may be a beneficiary.

Divergent trends in the private sector. Growth in adjusted premium collections of the private players seem to moderating - 17% growth in September 2008 versus 33% in August 2008 and over 50% in the previous months. While the base was high (150% growth in September 2007), sluggish performance of large players pulled down overall growth for the private sector. ICICI Pru de-grew by 4% and a large base pulled down Bajaj Allianz adjusted premium collections by 46% yoy. Birla SL's growth has also been coming off (reported 18% growth in September 2008 down from over 200% in 1QFY09). However, most other players continued their growth traction - Reliance Life (169% yoy) and Max NY (53% yoy), SBI (59% yoy) and HDFC (140% yoy).

HDFC—high growth may be one-off. HDFC reported 140% yoy growth in September 2008 as compared to 35-40% reported in the past. The management has highlighted that the growth was driven by one of its pension products that was to be withdrawn from October 2008. HDFC SL has commenced business with HDFC Bank (merged entity); erstwhile CBoP's branches are now also distributing HDFC SL's products. We are retaining our estimate of 40% growth in FY2009E implying 35% growth in 2HFY09E versus 56% reported in 1HFY09.

Exhibit 1: Life insurance premium income collections adjusted for single premium (Rs mn)

	Sep-08						YTD FY2009					
	Individual	yoy growth (%)	Group	yoy growth (%)	Total	yoy growth (%)	Individual	yoy growth (%)	Group	yoy growth (%)	Total	yoy growth (%)
Bajaj Allianz	3,907	(47)	14	281	3,921	(46)	18,092	(11)	58	240	18,150	(11)
Bharti Axa	253	326	1	N/A	254	327	1,115	NA	4	NA	1,119	512
Birla Sunlife	2,152	16	55	2,871	2,207	18	10,517	89	105	229	10,622	90
HDFC Standard Life	3,550	141	9	44	3,559	140	11,851	56	59	(4)	11,910	56
ICICI Prudential	4,954	(6)	135	220	5,090	(4)	26,502	22	700	140	27,202	23
ING Vysya	555	29	2	1,037	557	29	3,069	29	10	238	3,080	29
Max NY	1,400	54	2	(72)	1,402	53	8,033	65	20	2	8,054	65
Reliance Life	3,126	178	24	(49)	3,150	169	11,948	150	84	(23)	12,032	146
SBI Life	2,247	39	379	1,047	2,626	59	11,154	73	1,031	492	12,186	84
Tata AIG	634	10	13	19	647	10	4,133	44	59	10	4,192	44
Private sector	**26,061**	**15**	**650**	**309**	**26,711**	**17**	**121,863**	**42**	**2,203**	**170**	**124,065**	**44**
LIC	13,098	15	2,207	437	15,305	29	75,083	(38)	6,109	58	81,192	(35)
Total	**39,158**	**15**	**2,858**	**401**	**42,016**	**21**	**196,946**	**(5)**	**8,312**	**77**	**205,258**	**(3)**

Source: IRDA.

Exhibit 2: Growth for private player was low

Individual business premium income growth (%), March fiscal year-ends, 2005-2007,2008 YTD

	2005	2006	2007	FY2008	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	YTD
Bajaj Allianz	182	199	136	79	53	2	7	14	(4)	(47)	(11)
Birla Sun Life	90	11	24	143	255	254	213	107	23	16	89
HDFC Standard Life	164	118	57	80	**70**	**16**	**58**	**16**	**41**	**141**	**56**
ICICI Prudential	114	57	87	68	44	60	33	25	11	(6)	22
Max NY	72	103	75	70	66	130	43	58	60	54	65
Reliance Life	21	160	813	168	**250**	**182**	**132**	**123**	**117**	**178**	**150**
SBI Life	87	206	290	111	110	85	95	114	46	39	73
Private sector	**122**	**81**	**100**	**86**	**84**	**64**	**53**	**51**	**33**	**15**	**42**
LIC	3	18	88	0	(41)	(22)	(29)	(38)	(63)	15	(38)
Total	**19**	**34**	**92**	**31**	**1**	**14**	**5**	**(5)**	**(34)**	**15**	**(5)**

Source: IRDA

Exhibit 3: Companies like HDFC SL, Max, SBI Life and Reliance Life are doing better than our estimates. ICICI Prudential and Bajaj behind our estimate

Proportion of full year's business contracted during the period mentioned (%)

	1QFY06	Sep-05	2QFY06	YTD FY2006	1QFY2007	Sep-06	2QFY2007	YTD FY2007	1QFY08	Sep-07	2QFY08	YTD FY2008	1QFY09	Sep-08	2QFY09	YTD FY2009E
Bajaj Allianz	7.7	7.1	19.6	**20.1**	11.1	6.0	14.9	**26.0**	11.6	13.0	24.5	**36.1**	11.0	5.8	15.7	**26.7**
SBI Life	7.1	3.6	9.0	**12.6**	10.7	4.8	17.2	**27.9**	9.2	6.1	15.1	**24.3**	11.4	5.4	15.5	**27.0**
HDFC Standard Life	13.0	8.0	20.7	**25.7**	15.9	7.6	19.5	**35.4**	13.6	6.7	20.7	**34.3**	13.7	11.3	23.9	**37.6**
ICICI Prudential	12.7	8.3	20.6	**24.9**	17.4	6.5	17.4	**34.8**	12.1	7.9	20.4	**32.5**	13.3	5.6	16.7	**29.9**
Birla Sun Life	13.2	8.4	20.6	**25.4**	16.2	6.8	20.9	**37.1**	8.4	10.9	24.0	**32.4**	15.4	6.9	18.3	**33.8**
Max NY	14.4	8.0	19.6	**26.0**	19.8	7.7	20.3	**40.1**	18.7	7.0	18.4	**37.2**	22.4	7.4	19.9	**42.2**
Reliance Life	9.5	4.9	13.9	**18.5**	12.5	3.9	13.4	**25.9**	8.1	6.0	17.4	**25.5**	10.8	8.2	20.4	**31.2**
Private sector	**11.7**	**7.5**	**19.1**	**23.3**	**15.1**	**6.3**	**17.4**	**32.5**	**11.9**	**8.5**	**20.3**	**32.2**	**13.5**	**6.8**	**18.5**	**32.0**
LIC	13.1	5.6	18.6	26.1	13.6	10.2	26.6	40.2	9.1	2.2	13.8	22.9	11.7	4.6	14.5	26.2

Source: IRDA, Kotak Institutional Equities estimates.

Exhibit 4: LIC's market share has fallen sharply, select private players are gaining

Trend in market share for key players in adjusted individual premium, (%), March fiscal year-ends, 2005-2007, 2008 YTD

	2004	2005	2006	2007	2008	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	YTD	YTD private players
Bajaj Allianz	1.2	2.9	6.4	7.8	10.7	9.0	8.4	8.9	8.9	9.6	10.0	9.2	14.8
Birla Sun Life	2.0	3.3	2.7	1.7	3.3	**4.4**	**5.2**	**6.8**	**5.4**	**4.4**	**5.5**	**5.3**	**8.6**
HDFC Standard Life	1.0	2.3	3.7	3.1	4.2	**5.0**	**4.7**	**5.5**	**5.0**	**6.0**	**9.1**	**6.0**	**9.7**
ICICI Prudential	4.8	8.7	10.1	9.9	12.7	**12.6**	**14.7**	**13.7**	**13.4**	**13.6**	**12.7**	**13.5**	**21.7**
Max NY	1.0	1.4	2.1	1.9	2.5	4.9	5.2	4.9	3.3	3.2	3.6	4.1	6.6
Reliance Life	0.2	0.2	0.4	1.7	3.6	**5.1**	**4.8**	**4.9**	**6.4**	**6.4**	**8.0**	**6.1**	**9.8**
SBI Life	0.4	0.7	1.5	3.1	5.0	5.8	5.7	5.3	5.8	5.7	5.7	5.7	9.2
Private sector	**13.6**	**25.3**	**34.2**	**35.5**	**50.5**	**60.9**	**60.2**	**60.8**	**59.7**	**62.0**	**66.6**	**61.9**	**100.0**
LIC	86.4	74.7	65.8	64.5	**49.5**	**39.1**	**39.8**	**39.2**	**40.3**	**38.0**	**33.4**	**38.1**	**-**

Source: IRDA.

Exhibit 5: Group business has increased considerably for SBI and LIC

Proportion of single premium in individual business and proportion of individual premium to total premium (%)

	Ind. single prem/Total ind. prem		Individual premium to total premium	
Rs mn	**YTD FY2008**	**YTD FY2009**	**YTD FY2008**	**YTD FY2009**
Bajaj Allianz	11	8	99	97
Birla Sun Life	2	2	95	91
HDFC Standard Life	7	5	93	95
ICICI Prudential	7	5	89	80
Max NY	17	14	97	98
Reliance Life	13	16	83	94
SBI Life	38	21	**85**	**57**
Private players	**12**	**9**	**92**	**86**
LIC	**40**	**47**	**83**	**68**
Total Premium	**31**	**28**	**86**	**76**

Source: IRDA.

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	11-Nov-08 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Automobiles																													
Bajaj Auto	403	ADD	58,358	1,220	145	59.3	65.9	69.8	(53.4)	11.0	5.9	6.8	6.1	5.8	5.0	4.7	4.3	3.7	2.9	2.4	5.0	5.0	5.0	21.0	42.6	36.5	610	51.2	—
Hero Honda	746	REDUCE	148,996	3,114	200	48.5	56.8	63.2	12.8	17.2	11.3	15.4	13.1	11.8	9.7	8.7	8.1	4.8	4.0	3.3	2.5	2.7	2.7	34.0	33.1	30.4	770	3.2	9.9
Mahindra & Mahindra	356	ADD	91,949	1,922	258	38.1	27.5	25.3	(2.0)	(27.7)	(8.0)	9.4	12.9	14.1	7.2	10.3	9.2	2.1	1.7	1.4	3.1	2.6	2.7	27.8	18.2	14.0	410	15.1	6.3
Maruti Suzuki	573	REDUCE	165,713	3,463	289	59.9	50.3	57.5	10.8	(16.0)	14.4	9.6	11.4	10.0	5.5	6.1	5.2	1.9	1.7	1.4	0.9	0.9	0.9	22.2	15.7	15.6	650	13.4	15.7
Tata Motors	154	SELL	97,494	2,038	631	32.1	27.2	20.0	(31.6)	(15.3)	(26.4)	4.8	5.7	7.7	3.9	5.6	6.2	1.1	0.5	0.6	5.9	9.1	9.1	24.7	13.8	7.8	180	16.6	11.4
Automobiles		**Cautious**	**562,509**	**11,756**					**(0.8)**	**(8.6)**	**(2.0)**	**8.6**	**9.4**	**9.6**	5.7	6.6	6.3	**2.1**	**1.5**	**1.4**	**3.0**	**3.5**	**3.5**	**24.6**	**16.2**	**14.1**			
Banks/Financial Institutions																													
Andhra Bank	51	REDUCE	24,832	519	485	11.9	11.6	12.1	7.0	(2.4)	4.7	4.3	4.4	4.2	—	—	—	0.8	0.7	0.6	7.8	5.7	5.9	18.0	16.3	15.3	65	27.0	0.8
Axis Bank	564	REDUCE	201,766	4,217	358	32.2	39.7	51.8	37.7	23.2	30.5	17.5	14.2	10.9	—	—	—	2.5	2.1	1.9	1.0	1.3	1.7	17.6	15.2	17.5	750	33.0	69.3
Bank of Baroda	284	ADD	103,883	2,171	366	39.3	40.9	43.7	39.8	4.1	6.8	7.2	7.0	6.5	—	—	—	1.2	1.0	0.9	2.8	2.9	3.1	14.6	13.0	12.7	330	16.1	9.2
Bank of India	276	BUY	144,968	3,030	526	40.6	48.0	46.3	76.6	18.2	(3.6)	6.8	5.7	5.9	—	—	—	1.8	1.4	1.2	1.4	1.8	1.8	27.6	25.4	20.1	370	34.2	22.3
Canara Bank	190	REDUCE	77,941	1,629	410	38.2	40.0	38.3	10.1	4.8	(4.3)	5.0	4.8	5.0	—	—	—	1.1	0.9	0.8	4.2	3.2	3.2	15.0	14.7	12.6	220	15.7	4.3
Central Bank of India	39	SELL	15,802	330	404	11.6	9.4	17.1	(24.6)	(18.6)	81.0	3.4	4.1	2.3	—	—	—	0.8	0.5	0.4	5.1	—	—	15.3	11.6	16.7	55	40.7	0.4
Corporation Bank	212	BUY	30,409	636	143	51.3	51.3	51.5	37.2	0.2	0.3	4.1	4.1	4.1	—	—	—	0.7	0.6	0.6	5.0	5.0	5.0	18.4	16.3	14.6	310	46.2	0.5
Federal Bank	148	BUY	25,279	528	171	34.4	26.6	29.8	0.5	(22.7)	12.2	4.3	5.6	5.0	—	—	—	0.7	0.6	0.5	2.7	3.3	3.8	13.6	11.1	11.4	300	103.0	1.4
Future Capital Holdings	195	BUY	12,323	258	63	(4.5)	4.5	28.8	(689.8)	(198.6)	546.1	(43.2)	43.8	6.8	—	—	—	1.7	1.6	1.3	—	—	—	(6.7)	3.8	21.4	440	125.8	0.9
HDFC	1,659	ADD	476,269	9,954	287	85.8	78.0	97.1	38.2	(9.0)	24.5	19.3	21.3	17.1	—	—	—	4.0	3.4	3.0	1.5	1.4	1.8	27.8	17.4	18.9	2,200	32.6	80.0
HDFC Bank	1,023	BUY	433,171	9,053	423	46.0	55.6	68.9	28.7	20.9	23.9	22.2	18.4	14.9	—	—	—	3.8	2.9	2.0	0.7	1.0	1.2	17.7	17.9	17.1	1,350	31.9	52.0
ICICI Bank	434	ADD	483,292	10,101	1,113	39.9	36.2	39.2	15.4	(9.3)	8.2	10.9	12.0	11.1	—	—	—	1.0	1.0	0.9	2.5	2.1	2.3	11.7	8.4	8.6	450	3.6	171.1
IDFC	65	ADD	84,582	1,768	1,294	5.7	6.4	7.2	3.0	13.3	11.8	11.5	10.1	9.1	—	—	—	1.5	1.4	1.2	1.8	1.7	1.9	17.6	14.2	14.2	85	30.1	20.8
India Infoline	52	ADD	15,059	315	287	5.6	6.3	6.2	85.6	12.0	(1.2)	9.4	8.4	8.5	2.0	3.9	3.5	1.2	1.1	1.0	2.3	2.6	2.6	20.7	14.1	12.9	70	33.6	3.0
Indian Bank	136	ADD	58,470	1,222	430	22.5	22.8	23.5	33.9	1.0	3.1	6.0	6.0	5.8	—	—	—	1.3	1.1	1.0	2.2	2.1	2.2	23.4	18.8	16.7	160	17.6	2.7
Indian Overseas Bank	83	BUY	45,164	944	545	22.1	21.9	20.1	19.2	(0.6)	(8.5)	3.8	3.8	4.1	—	—	—	0.9	0.8	0.7	4.5	6.0	6.6	27.2	22.5	17.7	130	56.8	1.1
J&K Bank	334	ADD	16,179	338	48	74.2	76.3	72.8	31.2	2.8	(4.7)	4.5	4.4	4.6	—	—	—	0.8	0.7	0.6	4.6	4.8	4.6	16.8	15.3	13.1	500	49.9	0.2
LIC Housing Finance	238	ADD	20,238	423	85	45.5	54.6	56.2	38.7	19.8	2.9	5.2	4.4	4.2	—	—	—	1.1	0.9	0.8	4.2	5.0	5.2	—	—	—	325	36.5	2.7
Mahindra & Mahindra Financial	190	SELL	18,107	378	95	20.8	16.8	22.3	32.6	(19.5)	33.3	9.1	11.3	8.5	—	—	—	1.5	1.3	1.1	2.4	2.2	2.9	16.9	11.7	14.2	190	-	0.1
Oriental Bank of Commerce	154	ADD	38,683	808	251	23.9	44.0	30.0	(27.6)	84.3	(31.8)	6.5	3.5	5.1	—	—	—	0.8	0.6	0.6	3.0	5.7	3.9	6.2	17.8	10.9	200	29.5	1.9
PFC	113	ADD	130,157	2,720	1,148	11.4	12.6	15.7	2.4	10.7	24.9	10.0	9.0	7.2	—	—	—	1.3	1.2	1.0	3.1	1.5	1.9	13.5	13.3	14.8	140	23.5	2.2
Punjab National Bank	487	BUY	153,568	3,210	315	65.0	81.5	86.0	33.0	25.4	5.5	7.5	6.0	5.7	—	—	—	1.6	1.3	1.1	2.7	3.3	3.5	18.0	19.5	18.0	650	33.5	11.2
Shriram Transport	211	ADD	42,911	897	203	19.2	28.4	29.7	85.7	48.2	4.5	11.0	7.4	7.1	—	—	—	2.5	2.1	1.7	2.4	4.0	4.4	26.9	28.6	25.8	305	44.3	0.7
SREI	54	BUY	6,222	130	116	11.4	7.6	7.6	57.4	(33.5)	(0.2)	4.7	7.0	7.0	—	—	—	1.0	0.6	0.5	2.2	4.3	5.2	23.1	13.9	12.8	100	86.9	0.5
State Bank of India	1,222	BUY	771,909	16,133	631	106.6	116.5	105.2	23.5	9.4	(9.7)	11.5	10.5	11.6	—	—	—	1.8	1.6	1.5	1.8	1.8	1.8	16.8	14.2	11.6	1,600	30.9	107.0
Union Bank	157	BUY	79,253	1,656	505	27.5	30.9	31.0	64.1	12.6	0.2	5.7	5.1	5.1	—	—	—	1.1	0.9	0.8	2.5	3.0	3.0	26.8	24.9	20.7	220	40.2	4.8
Banks/Financial Institutions		**Attractive**	**3,510,437**	**73,368**					**36.9**	**12.3**	**5.7**	**10.7**	**9.5**	**9.0**	**—**	**—**	**—**	**1.6**	**1.4**	**1.3**	**2.0**	**2.0**	**2.2**	**15.4**	**15.0**	**13.9**			
Cement																													
ACC	473	REDUCE	89,312	1,867	189	64.1	56.2	44.5	13.0	(12.3)	(20.8)	7.4	8.4	10.6	3.7	3.9	5.2	2.0	1.7	1.6	4.9	4.9	4.9	33.3	23.5	16.7	550	16.2	5.1
Ambuja Cements	56	REDUCE	84,568	1,767	1,522	7.6	7.8	5.4	(11.2)	2.8	(30.0)	7.3	7.1	10.2	3.7	3.7	4.8	1.7	1.3	1.2	4.7	5.4	3.8	26.6	21.0	12.8	60	8.0	2.9
Grasim Industries	1,054	ADD	96,641	2,020	92	284.6	230.8	197.7	32.6	(18.9)	(14.3)	3.7	4.6	5.3	2.7	3.1	3.0	0.8	0.7	0.6	2.9	3.2	3.2	25.0	16.3	12.1	1,700	61.3	4.4
India Cements	85	BUY	23,945	500	282	24.5	22.7	20.2	n/a	(7.3)	(10.8)	3.5	3.7	4.2	3.3	2.8	3.0	0.7	0.6	0.5	2.1	2.5	2.5	25.8	18.6	14.6	145	70.7	1.8
Shree Cement	456	BUY	15,896	332	35	90.2	109.1	71.3	99.5	21.0	(34.6)	5.1	4.2	6.4	2.8	3.3	3.1	2.4	1.6	1.3	1.8	1.8	1.8	56.9	46.6	22.9	850	86.3	0.3
UltraTech Cement	343	BUY	42,964	898	125	81.4	71.0	54.7	28.5	(12.8)	(22.9)	4.2	4.8	6.3	3.3	3.5	3.8	1.3	1.1	0.9	2.2	2.4	2.4	45.2	28.8	18.2	550	60.3	1.0
Cement		**Cautious**	**353,326**	**7,385**					**19.3**	**(10.3)**	**(20.5)**	**5.1**	**5.6**	**7.1**	**3.1**	**3.4**	**3.7**	**1.2**	**1.0**	**0.9**	**3.6**	**3.9**	**3.6**	**24.3**	**18.2**	**12.9**			
Consumer (Discretionary)																													
Radico Khaitan	58	REDUCE	5,953	124	102	2.2	1.7	3.3	(41.4)	(24.7)	93.1	25.9	34.4	17.8	10.5	11.4	9.3	2.4	2.2	2.0	1.0	-	-	11.7	6.7	11.7	65	11.9	0.4
United Breweries	93	REDUCE	22,324	467	240	2.1	2.2	2.7	(2.2)	2.5	24.4	44.2	43.1	34.6	13.6	10.7	8.8	3.7	2.1	2.0	—	—	—	8.0	4.4	5.8	105	12.9	0.2
United Spirits	786	BUY	73,589	1,538	94	40.0	40.1	52.4	50.8	0.1	30.9	19.6	19.6	15.0	11.6	10.3	9.0	3.1	3.1	2.3	0.0	0.0	0.0	18.8	15.9	17.7	1,050	33.6	8.8
Consumer (Discretionary)		**Neutral**	**101,867**	**2,129**					**31.3**	**(1.9)**	**31.9**	**21.9**	**22.4**	**17.0**	**11.9**	**10.4**	**9.0**	**3.2**	**2.5**	**2.2**	**0.1**	**0.0**	**0.0**	**14.4**	**11.2**	**13.0**			
Consumer products																													
Asian Paints	960	ADD	92,083	1,925	96	39.5	45.2	50.9	40.4	14.5	12.6	24.3	21.2	18.9	14.6	12.9	10.9	9.4	7.5	6.1	1.6	1.8	2.1	44.6	40.4	36.9	1,075	12.0	0.9
Colgate-Palmolive (India)	379	REDUCE	51,555	1,077	136	17.1	19.1	21.7	16.8	11.7	13.8	22.2	19.9	17.4	18.4	16.2	13.8	28.1	27.9	27.5	3.4	4.3	4.9	100.4	141.4	159.6	400	5.5	1.0
GlaxoSmithkline Consumer (a)	558	ADD	23,452	490	42	38.7	44.4	49.3	26.9	14.7	11.2	14.4	12.6	11.3	7.3	6.6	5.6	3.5	3.0	2.6	2.2	2.6	2.9	27.4	26.5	25.1	700	25.5	0.2
Godrej Consumer Products	117	ADD	30,186	631	258	7.1	7.3	8.7	18.7	3.0	20.3	16.6	16.1	13.4	14.5	14.4	10.8	17.0	4.5	3.9	3.1	3.4	3.4	109.6	45.0	42.2	140	19.7	0.1
Hindustan Unilever	247	REDUCE	537,616	11,236	2,177	8.1	9.1	10.7	15.4	12.1	17.8	30.4	27.1	23.0	24.6	21.0	17.7	37.4	34.8	32.1	4.3	3.5	4.1	85.2	133.3	145.6	245	(0.8)	24.8
ITC	173	ADD	650,274	13,591	3,769	8.3	8.8	10.0	15.4	6.2	13.9	20.8	19.6	17.2	13.3	12.1	10.6	5.2	4.6	4.0	2.0	2.2	2.3	27.7	25.7	25.6	200	15.9	25.8
Jyothy Laboratories	236	ADD	3,425	72	15	31.0	42.1	68.3	(12.8)	35.8	62.3	7.6	5.6	3.5	4.8	3.2	1.5	0.9	0.8	0.6	4.0	4.5	5.0	11.5	13.1	17.9	740	213.6	
Nestle India (a)	1,357	ADD	130,860	2,735	96	44.5	56.4	68.1	31.3	26.8	20.7	30.5	24.1	19.9	18.3	15.1	12.7	25.4	19.4	15.1	2.0	2.5	3.0	94.8	91.4	85.4	1,740	28.2	1.6
Tata Tea	529	BUY	32,682	683	62	54.1	63.3	67.3	3.6	17.2	6.2	9.8	8.3	7.9	3.8	3.2	2.7	0.7	0.6	0.6	2.8	3.3	3.5	9.7	9.4	9.4	1,100	108.1	1.3
Consumer products		**Cautious**	**1,552,133**	**32,440**					**17.1**	**11.0**	**15.5**	**23.4**	**21.1**	**18.3**	**15.3**	**13.6**	**11.8**	**7.2**	**6.2**	**5.5**	**2.9**	**2.8**	**3.1**	**30.6**	**29.6**	**30.2**			
Constructions																													
Consolidated Construction Co.	295	BUY	10,902	228	37	24.0	28.1	36.9	67.6	16.8	31.4	12.3	10.5	8.0	8.1	6.0	4.6	2.4	2.0	1.7	0.8	1.4	1.8	27.7	20.9	22.9	425	44.1	0.1
IVRCL	140	BUY	18,909	395	135	15.5	16.7	21.8	27.2	7.4	30.3	9.0	8.4	6.4	7.8	6.6	5.2	1.2	1.0	0.9	1.0	0.6	0.6	14.4	13.2	15.0	270	93.3	7.7
Nagarjuna Construction Co.	63	BUY	14,341	300	229	7.2	8.1	10.6	14.5	13.4	30.2	8.7	7.7	5.9	7.2	6.3	5.6	0.9	1.7	0.7	1.8	2.2	2.6	12.6	11.3	13.3	150	139.6	4.2

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	11-Nov-08 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Energy																													
Bharat Petroleum	303	REDUCE	99,445	2,078	328	41.3	30.4	42.8	(21.2)	(26.4)	41.0	7.3	10.0	7.1	3.7	4.3	3.2	0.8	0.8	0.6	1.5	1.0	1.4	11.8	7.9	10.1	370	22.0	6.9
Cairn india	144	BUY	269,263	5,628	1,868	(0.1)	3.9	16.7	(105)	(3,332)	334	(1,209)	37	8.6	33.7	18.4	5.9	0.9	0.8	0.7	—	—	—	(0.1)	2.3	9.1	240	66.5	18.3
Castrol India (a)	292	ADD	36,121	755	124	20.1	23.1	25.2	64.6	15.1	8.8	14.5	12.6	11.6	8.3	7.2	6.6	8.8	8.4	8.1	4.8	6.2	6.8	59.5	67.8	70.7	380	30.1	0.5
GAIL (India)	211	REDUCE	267,965	5,600	1,268	20.4	27.5	27.9	21.0	35.1	1.4	10.4	7.7	7.6	5.3	4.5	5.6	1.9	1.6	1.3	3.2	3.8	3.8	18.1	21.4	18.5	240	13.6	15.0
GSPL	31	BUY	17,390	363	563	1.8	2.7	3.7	10.1	47.6	37.7	17.1	11.6	8.4	6.2	5.9	4.3	1.4	1.3	1.1	1.6	2.4	3.3	8.8	11.5	14.2	60	94.2	2.3
Hindustan Petroleum	200	REDUCE	67,904	1,419	339	33.5	26.0	33.6	(16.4)	(22.3)	29.0	6.0	7.7	6.0	6.3	5.0	3.5	0.6	0.5	0.5	1.5	1.2	1.5	9.6	6.8	8.0	270	34.8	5.9
Indian Oil Corporation	360	REDUCE	424,201	8,866	1,179	61.3	32.4	53.8	31.0	(47.2)	66.0	5.9	11.1	6.7	3.8	7.8	6.1	0.9	0.9	0.8	1.5	0.9	1.5	17.4	8.1	12.1	450	25.1	3.7
Oil & Natural Gas Corporation	736	BUY	1,573,900	32,895	2,139	92.7	129.8	141.7	9.1	40.0	9.2	7.9	5.7	5.2	2.8	2.1	1.8	1.6	1.3	1.1	4.3	5.4	6.1	19.6	24.0	22.3	1,125	52.9	48.4
Petronet LNG	38	ADD	28,575	597	750	6.3	6.0	7.1	—	(5.7)	18.7	6.0	6.4	5.4	4.1	5.4	4.3	1.5	1.3	1.0	3.9	3.9	3.9	26.7	20.6	20.3	60	57.5	1.3
Reliance Industries	1,208	REDUCE	1,658,172	34,656	1,373	101.7	99.7	150.6	23.0	(2.0)	51.0	11.9	12.1	8.0	7.8	6.7	3.7	1.9	1.6	1.3	1.0	1.2	1.7	18.5	14.7	19.1	1,325	9.7	249.8
Reliance Petroleum	82	REDUCE	369,900	7,731	4,500	(1.1)	2.4	17.0	n/a	n/a	596.6	n/a	33.7	4.8	n/a	19.2	4.5	2.8	2.5	1.7	—	—	2.4	(3.5)	7.8	42.9	100	21.7	46.7
Energy		**Neutral**	**4,812,837**	**100,588**					**11.5**	**17.2**	**43.1**	**10.3**	**8.8**	**6.1**	**5.2**	**4.8**	**3.5**	**1.5**	**1.3**	**1.1**	**2.2**	**2.6**	**3.2**	**14.6**	**14.4**	**17.9**			
Industrials																													
ABB	491	REDUCE	104,068	2,175	212	23.2	25.5	29.8	44.5	10.0	16.6	21.2	19.2	16.5	12.2	10.9	9.0	6.4	5.0	4.0	0.4	0.6	0.7	34.8	29.2	26.9	500	1.8	7.0
BGR Energy Systems	180	ADD	12,960	271	72	12.1	17.6	23.2	(67.4)	45.3	31.9	14.8	10.2	7.7	9.6	6.7	5.9	2.7	2.2	1.8	1.1	1.6	2.1	31.4	24.2	26.0	275	52.8	0.7
Bharat Electronics	658	ADD	52,624	1,100	80	102.0	105.5	111.8	11.2	3.4	6.0	6.5	6.2	5.9	2.2	1.6	1.3	1.6	1.3	1.1	3.1	3.8	3.8	27.7	23.1	20.8	950	44.4	1.0
Bharat Heavy Electricals	1,369	BUY	670,300	14,009	490	58.4	72.2	98.0	22.9	23.7	35.6	23.4	19.0	14.0	12.3	9.7	7.3	6.2	5.0	3.9	1.1	1.1	1.5	29.2	29.2	31.5	1,475	7.7	77.8
Larsen & Toubro	864	ADD	512,122	10,703	593	37.9	52.4	63.4	20.8	38.1	21.1	22.8	16.5	13.6	15.0	10.5	8.9	4.3	3.2	2.7	1.0	2.3	2.3	22.7	22.4	21.6	1,050	21.5	95.0
Maharashtra Seamless	195	BUY	13,753	287	71	29.4	37.4	37.9	(23.5)	27.6	1.2	6.6	5.2	5.1	4.1	3.4	3.2	1.2	1.0	0.9	2.6	2.9	2.9	19.7	21.1	18.0	250	28.2	0.7
Siemens	311	REDUCE	104,857	2,192	337	18.2	18.8	23.4	60.4	3.1	24.5	17.1	16.6	13.3	9.6	9.1	7.0	5.7	4.5	3.5	0.8	0.9	0.9	39.9	30.2	29.3	370	19.0	6.1
Suzlon Energy	59	BUY	93,077	1,945	1,567	6.6	7.2	10.5	9.5	9.0	46.4	9.0	8.3	5.7	5.4	7.7	6.1	1.0	0.9	0.8	1.6	1.7	1.7	16.3	11.8	15.3	125	110.4	45.7
Industrials		**Neutral**	**1,563,761**	**32,683**					**24.6**	**21.9**	**27.5**	**18.7**	**15.4**	**12.1**	**10.8**	**9.0**	**7.2**	**3.9**	**3.2**	**2.6**	**1.1**	**1.6**	**1.8**	**20.8**	**20.6**	**21.5**			
Infrastructure																													
IRB Infrastructure	82	BUY	27,287	570	332	3.4	5.8	12.5	150.9	68.9	116.3	24.0	14.2	6.6	9.8	9.7	4.7	1.7	1.4	1.2	—	—	—	10.7	10.9	19.6	145	76.6	0.5
Media																													
DishTV	17	REDUCE	10,821	226	644	(9.6)	(7.8)	(4.2)	n/a	(19.1)	(45.7)	(1.7)	(2.2)	(4.0)	(6.9)	(3.8)	(15.3)	(2.4)	5.9	(5.0)	—	—	—	167.9	375.0	NA	20	19.0	3.4
HT Media	65	BUY	15,297	320	234	4.3	3.1	6.0	4.7	(28.8)	94.1	15.1	21.2	10.9	8.3	9.3	5.3	1.8	1.7	1.5	0.6	0.6	1.2	12.2	8.1	14.4	130	99.1	0.2
Jagran Prakashan	52	BUY	15,601	326	301	3.3	3.2	4.6	33.5	(2.8)	45.2	15.9	16.4	11.3	8.7	9.1	6.4	2.9	2.8	2.5	3.9	3.7	4.4	18.7	17.2	23.2	84	62.2	0.2
Sun TV Network	165	BUY	65,003	1,359	394	8.3	9.4	11.1	30.7	13.1	18.9	19.9	17.6	14.8	10.2	8.9	7.6	4.3	3.8	3.5	1.5	2.4	3.3	24.8	23.8	25.0	205	24.3	0.6
Zee Entertainment Enterprises	131	BUY	56,624	1,183	434	8.9	9.7	12.0	62.6	9.1	24.0	14.7	13.5	10.9	10.8	9.0	7.3	1.9	1.7	1.5	1.5	1.9	2.4	14.2	13.8	15.3	205	57.0	5.9
Media		**Attractive**	**163,346**	**3,414**					**24.0**	**(10.2)**	**87.3**	**32.7**	**36.5**	**19.5**	**13.0**	**11.5**	**8.1**	**3.0**	**2.4**	**2.3**	**1.6**	**2.0**	**2.7**	**9.2**	**6.7**	**12.0**			
Metals																													
Hindalco Industries	60	SELL	105,420	2,203	1,753	13.8	9.5	7.3	(10.0)	(30.9)	(23.8)	4.4	6.3	8.3	5.9	5.2	5.7	0.5	0.3	0.4	—	—	—	14.4	10.6	7.1	40	(33.5)	15.2
National Aluminium Co.	179	BUY	115,364	2,411	644	25.3	20.4	21.2	(31.5)	(19.4)	3.9	7.1	8.8	8.4	2.9	3.7	3.0	1.2	1.1	1.0	3.4	3.4	3.4	18.3	13.3	12.7	230	28.5	4.2
Jindal Steel and Power	792	BUY	121,922	2,548	154	101.8	87.5	77.7	123.0	(14.1)	(11.2)	7.8	9.0	10.2	6.8	6.2	6.6	2.9	2.2	1.8	0.6	0.7	0.9	43.8	27.2	19.1	1,250	57.8	20.9
JSW Steel	294	ADD	54,647	1,142	186	92.0	103.1	146.8	35.7	12.0	42.4	3.2	2.9	2.0	3.4	3.9	2.8	0.6	0.5	0.4	6.3	6.3	6.3	21.2	18.1	21.0	1,040	253.6	11.1
Hindustan Zinc	362	ADD	153,083	3,199	423	104.0	77.2	55.9	(1.0)	(25.8)	(27.6)	3.5	4.7	6.5	2.6	3.3	4.8	1.2	1.0	0.9	1.4	2.1	2.8	43.6	23.5	14.3	400	10.4	2.3
Sesa Goa	78	ADD	61,720	1,290	787	18.9	22.0	13.3	145.9	16.3	(39.8)	4.1	3.6	5.9	2.8	2.2	3.3	2.2	1.5	1.4	4.5	8.9	8.9	67.7	50.5	24.4	100	27.6	23.8
Sterlite Industries	249	BUY	176,557	3,690	708	64.3	45.7	38.1	(22.6)	(28.9)	(16.7)	3.9	5.5	6.5	3.3	4.4	5.5	0.7	0.7	0.7	—	—	—	26.1	13.3	10.3	415	66.5	32.0
Tata Steel	191	ADD	157,082	3,283	822	75.7	89.7	74.6	43.8	18.5	(16.9)	2.5	2.1	2.6	3.7	3.8	4.0	0.4	0.4	0.3	7.6	6.7	6.8	46.3	29.9	22.6	285	49.1	54.2
Metals		**Cautious**	**945,794**	**19,767**					**13.2**	**(8.3)**	**(14.0)**	**4.0**	**4.3**	**5.0**	**3.9**	**4.1**	**4.4**	**0.8**	**0.7**	**0.6**	**2.6**	**2.9**	**3.1**	**19.9**	**15.3**	**11.9**			
Pharmaceutical																													
Biocon	117	BUY	23,330	488	200	23.3	9.5	16.4	126.0	(59.0)	71.7	5.0	12.2	7.1	6.3	5.8	4.5	1.6	1.5	1.3	0.1	0.1	0.1	17.6	15.7	19.6	260	122.9	0.7
Cipla	202	BUY	156,741	3,276	777	9.0	10.3	12.7	4.9	13.8	23.3	22.4	19.6	15.9	16.4	14.5	12.1	4.2	3.6	3.1	1.0	1.2	1.5	20.1	19.7	21.0	220	9.1	7.2
Dishman Pharma & chemicals	159	BUY	12,952	271	81	14.7	15.4	28.1	30.5	4.6	82.8	10.8	10.3	5.7	9.5	8.9	5.5	2.3	1.9	1.4	0.0	0.0	0.0	26.8	19.9	29.0	400	151.2	0.4
Divi's Laboratories	1,197	BUY	77,260	1,615	65	53.2	80.1	101.4	85.8	50.5	26.7	22.5	14.9	11.8	18.3	11.9	9.0	9.1	5.7	4.0	0.1	0.1	0.1	49.8	47.4	40.0	1,980	65.4	4.7
Dr Reddy's Laboratories	422	BUY	71,449	1,493	169	26.1	26.4	36.6	(57.2)	1.2	38.7	16.2	16.0	11.5	8.0	7.0	5.8	1.6	1.5	1.3	0.9	0.9	0.9	10.3	9.5	12.0	675	59.8	5.1
Glenmark Pharmaceuticals	315	BUY	83,717	1,750	266	25.8	36.5	44.3	98.4	41.3	21.2	12.2	8.6	7.1	10.9	6.6	5.4	5.5	3.0	2.2	0.0	0.0	0.1	57.4	44.1	35.5	725	130.2	6.5
Jubilant Organosys	182	BUY	32,978	689	181	22.1	11.0	29.6	69.9	(50.4)	170.2	8.2	16.6	6.1	8.1	12.6	6.2	2.6	1.9	1.7	0.7	0.9	1.2	37.0	14.9	32.2	475	161.0	0.4
Lupin	619	BUY	54,833	1,146	89	49.8	48.9	59.7	30.2	(1.9)	22.2	12.4	12.7	10.4	14.7	10.4	8.5	4.3	2.7	2.3	1.5	1.6	1.9	37.9	28.4	24.2	950	53.5	2.7
Piramal Healthcare	221	BUY	46,189	965	209	17.7	18.3	25.9	66.8	3.3	41.1	12.5	12.1	8.5	9.5	8.7	6.4	4.2	3.4	2.5	1.9	1.8	2.0	30.9	30.0	34.1	410	85.5	1.2
Ranbaxy Laboratories	221	ADD	92,656	1,937	419	23.3	(0.9)	12.2	70.4	NA	NA	9.5	NA	18.1	8.8	24.6	5.8	3.1	1.6	0.9	3.4	4.7	6.0	29.8	(0.9)	8.0	340	53.8	30.0
Sun Pharmaceuticals	1,204	BUY	249,430	5,213	207	74.7	90.9	86.4	78.9	21.7	(5.0)	16.1	13.3	13.9	13.5	10.1	9.9	4.8	3.6	2.9	0.9	0.9	1.1	38.3	32.3	24.2	1,870	55.3	27.5
Pharmaceuticals		**Attractive**	**901,536**	**18,842**					**34.1**	**(1.2)**	**34.7**	**15.0**	**15.2**	**11.3**	**11.4**	**10.4**	**7.6**	**3.7**	**2.7**	**2.1**	**1.1**	**1.3**	**1.5**	**24.5**	**17.9**	**18.4**			
Property																													
DLF	269	BUY	457,909	9,570	1,705	46.1	44.6	47.4	263.2	(3.2)	6.2	5.8	6.0	5.7	5.8	5.9	4.9	2.3	1.8	1.4	1.9	2.6	2.6	66.5	33.4	27.6	440	63.8	62.5
Housing Development & Infrastruc	113	BUY	31,089	650	275	51.2	44.8	42.1	118.6	(12.5)	(5.9)	2.2	2.5	2.7	3.5	4.0	3.7	0.9	0.7	0.5	3.4	4.4	5.3	64.5	29.5	22.3	380	236.7	43.1
Indiabulls Real Estate	130	BUY	35,538	743	273	16.4	6.8	7.5	2,383.9	(58.6)	10.4	7.9	19.2	17.4	(1,150.8)	19.6	9.2	0.6	0.5	0.5	0.2	0.0	0.0	10.6	2.9	2.8	275	111.0	38.4
IVR Prime Urban Developers	46	BUY	2,925	61	64	27.0	2.9	9.7	552.8	(89.4)	238.9	1.7	15.9	4.7	0.4	19.9	7.6	0.3	0.3	0.3	8.8	11.0	15.4	31.9	1.8	6.3	170	272.8	0.1
Mahindra Life Space Developer	166	BUY	6,962	146	42	16.8	13.1	17.1	307.7	(22.2)	30.9	9.8	12.6	9.7	18.0	12.2	6.0	0.8	0.8	0.7	1.6	2.3	2.3	8.4	6.1	7.6	500	202.0	0.5
Phoenix Mills	65	BUY	9,415	197	145	12.4	5.5	12.0	89.5	(55.9)	119.9	5.2	11.9	5.4	6.5	10.2	3.7	0.7	0.6	0.6	—	—	—	22.1	5.4	10.9	280	330.8	0.7
Puravankara Projects	52	ADD	11,183	234	213	11.2	10.1	10.8	67.3	(10.6)	7.6	4.7	5.2	4.8	8.2	11.0	10.3	0.9	0.8	0.7	3.8	3.8	5.7	34.2	17.0	16.2	120	129.0	0.4

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	11-Nov-08 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Property		**Cautious**	**645,706**	**13,495**					**193.3**	**(7.7)**	**5.0**	**5.3**	**5.7**	**5.4**	**5.8**	**5.8**	**4.9**	**1.7**	**1.3**	**1.1**	**1.9**	**2.8**	**3.3**	**32.1**	**23.2**	**20.4**			
Retail																													
Pantaloon Retail	243	BUY	41,767	873	172	8.0	12.1	18.4	93.1	50.4	52.2	30.2	20.1	13.2	11.5	7.9	6.4	2.4	1.6	1.4	0.2	0.3	0.4	8.5	9.1	10.8	370	52.3	1.7
Titan Industries	903	BUY	40,068	837	44	35.1	49.8	56.6	55.2	42.1	13.6	25.8	18.1	16.0	17.4	11.3	9.5	8.5	6.1	4.7	0.9	1.1	1.2	37.7	39.3	33.2	1,280	41.8	2.8
Vishal Retail	79	ADD	1,770	37	22	18.1	14.9	20.6	37.2	(17.6)	38.4	4.4	5.3	3.8	5.3	4.6	3.4	0.7	0.6	0.5	—	—	—	20.2	11.5	14.0	125	58.2	0.1
Retail			**83,604**	**1,747**					**31.8**	**43.6**	**32.7**	**26.0**	**18.1**	**13.6**	**12.3**	**8.4**	**6.8**	**3.4**	**2.3**	**2.0**	**0.5**	**0.7**	**0.8**	**13.2**	**12.8**	**14.7**			
Technology																													
HCL Technologies	154	REDUCE	107,169	2,240	695	15.3	20.6	21.7	(19.0)	35.0	5.4	10.1	7.5	7.1	5.2	3.8	3.4	2.2	1.7	1.5	5.2	5.2	5.2	21.4	23.8	22.7	200	29.7	3.7
Hexaware Technologies	20	SELL	2,835	59	142	7.7	2.9	3.8	(13.7)	(62.4)	32.1	2.6	6.9	5.2	(0.3)	0.8	0.5	0.4	0.4	0.4	4.6	8.0	8.0	15.1	5.8	7.4	25	25.3	0.2
Infosys Technologies	1,257	BUY	721,346	15,076	574	79.1	100.8	108.8	18.0	27.5	7.9	15.9	12.5	11.6	12.2	9.1	8.1	5.2	4.0	3.2	2.6	1.9	2.1	36.1	36.4	30.9	1,600	27.3	72.3
Mphasis BFL	166	REDUCE	34,672	725	208	12.2	22.3	23.4	67.6	81.7	5.0	13.6	7.5	7.1	8.1	4.8	3.9	3.0	0.4	1.8	2.1	2.4	2.7	23.6	34.6	28.4	190	14.3	1.5
Mindtree	250	BUY	6,512	136	26	26.7	30.7	39.6	12.3	14.7	29.0	9.3	8.1	6.3	5.5	3.1	2.7	1.2	1.0	0.8	1.6	—	—	—	17.2	17.8	450	80.0	0.4
Patni Computer Systems	138	SELL	17,800	372	129	33.2	26.3	30.8	29.2	(20.8)	16.9	4.2	5.3	4.5	0.9	1.0	0.0	0.6	0.6	0.5	1.6	1.9	2.2	19.2	14.1	12.0	160	15.6	1.3
Polaris Software Lab	45	SELL	4,374	91	98	7.4	12.8	11.6	(27.6)	71.6	(9.6)	6.0	3.5	3.9	2.2	1.2	0.9	0.7	0.6	0.5	3.9	3.9	3.9	11.7	17.8	14.1	70	57.3	2.5
Satyam Computer Services	269	BUY	183,667	3,839	682	25.2	33.7	35.5	17.7	33.3	5.3	10.7	8.0	7.6	7.7	5.0	4.2	2.5	2.0	1.7	3.6	4.5	5.2	26.0	28.2	24.2	400	48.5	35.3
TCS	529	REDUCE	517,538	10,817	979	51.3	56.4	63.0	21.5	10.0	11.6	10.3	9.4	8.4	8.2	6.7	6.1	4.2	3.3	2.7	2.6	3.7	4.8	47.0	39.3	35.6	650	22.9	24.6
Tech Mahindra	319	BUY	39,753	831	125	59.1	76.4	85.0	25.7	29.4	11.2	5.4	4.2	3.8	4.7	2.5	1.7	3.2	1.8	1.2	1.7	1.9	1.9	70.7	58.0	40.9	700	119.4	3.1
Wipro	248	ADD	360,180	7,528	1,450	22.2	26.0	28.7	12.6	17.0	10.4	11.2	9.6	8.7	8.8	6.4	5.5	2.8	2.3	1.9	2.6	3.1	3.5	27.9	26.3	24.3	360	44.9	12.0
Technology		**Cautious**	**1,995,846**	**41,713**					**16.1**	**21.4**	**9.2**	**11.5**	**9.5**	**8.7**	**8.6**	**6.4**	**5.6**	**3.4**	**2.7**	**2.2**	**2.8**	**3.0**	**3.5**	**29.4**	**28.3**	**25.6**			
Telecom																													
Bharti Airtel Ltd	659	BUY	1,251,570	26,158	1,898	35.3	45.3	55.1	65.0	28.3	21.7	18.7	14.6	12.0	11.4	8.6	6.6	5.5	4.0	3.0	—	0.6	0.9	39.1	31.9	28.5	800	21.3	89.3
IDEA	50	REDUCE	161,494	3,375	3,236	3.9	3.3	3.4	78.5	(17.6)	5.7	12.6	15.3	14.5	9.6	6.0	5.3	4.6	1.1	1.1	—	—	—	36.4	12.0	8.0	70	40.3	10.8
MTNL	71	REDUCE	44,510	930	630	7.1	5.1	5.5	(11.0)	(28.4)	7.6	9.9	13.8	12.8	1.5	2.2	1.9	0.4	0.4	0.4	5.7	8.5	8.5	3.5	2.2	2.4	80	13.2	2.0
Reliance Communications	220	SELL	454,807	9,505	2,064	26.1	26.3	33.1	84.3	0.5	25.8	8.4	8.4	6.7	7.2	7.1	5.7	1.6	1.3	1.1	0.3	—	—	16.8	18.3	18.7	265	20.3	58.6
Tata Communications	468	REDUCE	133,323	2,786	285	10.9	13.6	14.0	(36.3)	24.0	3.2	42.7	34.4	33.4	17.8	14.7	13.3	2.0	1.9	1.9	1.0	1.1	1.4	4.4	5.4	5.2	370	(20.9)	4.0
Telecom		**Cautious**	**2,045,704**	**42,755**					**65.7**	**16.3**	**21.0**	**14.2**	**12.2**	**10.1**	**9.7**	**7.9**	**6.3**	**2.8**	**2.1**	**1.7**	**0.4**	**0.7**	**0.8**	**19.6**	**17.0**	**17.3**			
Transportation																													
Container Corporation	685	REDUCE	89,036	1,861	130	57.7	69.4	74.2	7.8	20.3	6.8	11.9	9.9	9.2	7.7	6.2	5.5	2.8	2.3	1.9	1.8	2.2	2.3	25.8	25.6	22.8	800	16.8	1.5
Transportation		**Cautious**	**89,036**	**1,861**					**7.8**	**20.3**	**6.8**	**11.9**	**9.9**	**9.2**	**7.7**	**6.2**	**5.5**	**2.8**	**2.3**	**1.9**	**1.8**	**2.2**	**2.3**	**23.5**	**23.3**	**21.0**			
Utilities																													
CESC	220	BUY	27,461	574	125	27.8	31.9	36.9	(23.3)	14.9	15.8	7.9	6.9	5.9	4.1	3.8	5.0	0.9	0.8	0.7	1.8	2.1	2.4	12.5	11.7	11.9	450	104.7	1.6
Lanco Infratech	171	BUY	37,958	793	222	14.8	17.5	26.0	75.2	18.2	48.3	11.5	9.7	6.6	9.7	12.8	10.7	2.1	1.7	1.4	—	—	—	19.7	19.2	23.0	370	116.7	8.8
NTPC	151	REDUCE	1,245,477	26,030	8,245	9.3	9.0	9.7	7.9	(3.2)	7.9	16.2	16.7	15.5	11.2	12.2	11.7	2.3	2.1	2.0	2.3	2.3	2.4	14.9	13.2	13.1	160	5.9	31.4
Reliance Infrastructure	578	BUY	133,570	2,792	231	37.6	53.6	56.8	13.9	42.6	6.0	15.4	10.8	10.2	22.0	17.6	17.3	0.8	0.8	0.7	1.1	1.3	1.4	4.3	6.2	6.6	1,250	116.1	75.6
Reliance Power	114	REDUCE	273,475	5,716	2,397	0.4	2.1	2.6	—	443.9	25.2	300.0	55.2	44.0	—	—	—	2.0	1.9	1.8	—	—	—	1.2	3.5	4.3	180	57.8	23.3
Tata Power	753	BUY	175,438	3,667	233	29.7	38.1	39.9	11.6	28.5	4.6	25.4	19.7	18.9	18.8	16.9	17.8	2.3	1.8	1.6	1.2	1.3	1.3	10.0	10.3	9.0	1,230	63.3	19.1
Utilities		**Attractive**	**1,893,379**	**39,572**					**12.1**	**8.4**	**9.9**	**18.9**	**17.4**	**15.9**	**13.2**	**14.8**	**15.6**	**2.0**	**1.8**	**1.7**	**1.7**	**1.7**	**1.8**	**10.4**	**10.3**	**10.4**			
Others																													
Aban Offshore	973	BUY	37,627	786	39	72.3	211.1	456.6	(1,066)	192.1	116.3	13.5	4.6	2.1	12.7	6.9	4.0	4.3	1.8	1.0	0.4	1.0	1.5	51.7	49.3	53.1	1,700	74.7	19.1
Educomp Solutions	2,515	BUY	47,835	1,000	19	35.2	63.9	108.1	114	81.7	69.2	71.6	39.4	23.3	37.9	16.3	10.2	15.5	6.5	5.3	0.1	0.2	0.4	33.5	23.3	24.3	2,550	1.4	32.2
Havells India	168	BUY	10,185	213	61	26.6	19.7	34.5	40	(25.9)	75.1	6.3	8.5	4.9	6.0	5.9	4.2	1.5	1.3	0.9	1.4	1.9	2.5	33.7	16.5	22.2	365	116.9	0.4
Jaiprakash Associates	85	BUY	100,798	2,107	1,188	4.9	7.3	11.0	7	49.5	50.9	17.3	11.6	7.7	11.8	9.0	8.4	2.0	1.7	1.4	0.0	0.0	0.0	15.4	16.1	20.5	205	141.6	45.0
Jindal Saw	374	BUY	22,937	479	61	66.6	86.9	82.9	(43)	30.6	(4.7)	5.6	4.3	4.5	4.3	2.5	2.3	0.8	0.6	0.6	1.9	3.5	4.0	12.5	14.4	12.3	500	33.7	1.7
PSL	99	BUY	4,314	90	44	21.1	43.6	58.3	4	106.9	33.7	4.7	2.3	1.7	3.7	3.1	2.2	0.8	0.6	0.5	5.2	6.1	7.6	11.3	15.0	17.5	280	182.8	0.2
Sintex	218	BUY	35,418	740	163	19.5	23.4	31.2	58	19.6	33.5	11.2	9.3	7.0	10.1	7.2	5.1	2.2	1.4	1.2	0.4	0.6	0.8	14.0	14.8	15.9	460	111.1	1.9
Welspun Gujarat Stahl Rohren	117	BUY	22,049	461	189	20.6	25.9	36.6	94	25.9	41.6	5.7	4.5	3.2	6.8	4.1	2.7	1.3	1.0	0.7	1.6	3.2	3.4	27.1	23.9	26.6	220	88.4	4.0
Others			**281,164**	**5,876**					**28.6**	**81.0**	**51.6**	**14.3**	**7.9**	**5.2**	**10.2**	**6.8**	**5.3**	**2.1**	**1.6**	**1.2**	**0.5**	**1.0**	**1.2**	**14.4**	**19.7**	**23.1**			
KS universe (b)			**21,641,948**	**452,317**					**25.6**	**9.9**	**17.3**	**11.0**	**10.0**	**8.5**	**7.0**	**6.6**	**5.6**	**2.0**	**1.6**	**1.4**	**1.9**	**2.2**	**2.5**	**17.9**	**16.4**	**16.7**			
KS universe (b) ex-Energy			**16,829,111**	**351,728**					**30.8**	**7.6**	**8.5**	**11.2**	**10.4**	**9.6**	**8.0**	**7.6**	**6.9**	**2.2**	**1.8**	**1.6**	**1.9**	**2.1**	**2.3**	**19.3**	**17.2**	**16.2**			
KS universe (d) ex-Energy & ex-Commodities			**15,529,991**	**324,577**					**35.8**	**11.9**	**13.6**	**13.0**	**11.6**	**10.2**	**10.1**	**8.9**	**7.7**	**2.5**	**2.0**	**1.7**	**1.8**	**2.0**	**2.2**	**18.9**	**17.5**	**17.1**			

Note:
(a) 2007 means calendar year 2006, similarly for 2008 and 2009 for these particular companies.
(b) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.
(c) Rupee-US Dollar exchange rate (Rs/US$)= 47.85

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Source: Company, Bloomberg, Kotak Institutional Equities estimates

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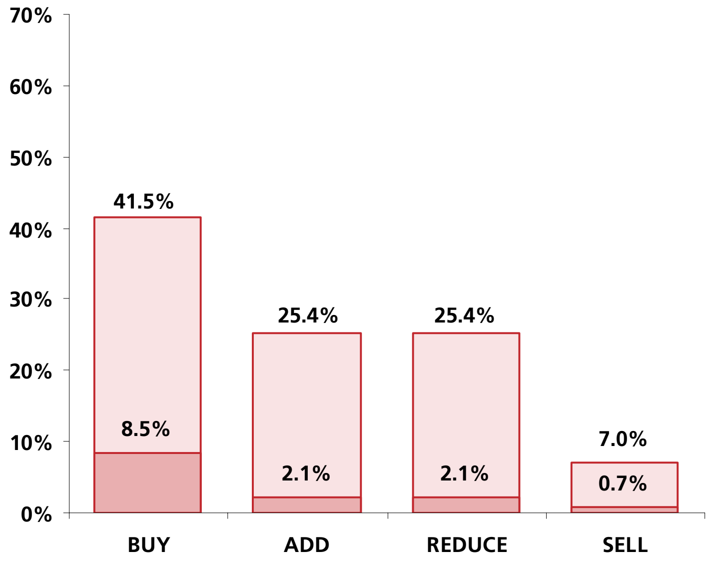

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Source: Kotak Institutional Equities

As of September 30, 2008

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Corporate Office
Kotak Securities Ltd.
Bakhtawar, 1st Floor
229, Nariman Point
Mumbai 400 021, India
Tel: +91-22-6634-1100

Overseas Offices
Kotak Mahindra (UK) Ltd.
6th Floor, Portsoken House
155-157 The Minories
London EC 3N 1 LS
Tel: +44-20-7977-6900 / 6940

Kotak Mahindra Inc.
50 Main Street, Suite No.310
Westchester Financial Centre
White Plains, New York 10606
Tel: +1-914-997-6120

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