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### News Roundup

- Automobile major **Mahindra & Mahindra (M&M)** has managed to slash its capital expenditure plan for the next three years ending March 2012 by Rs 500 crore, thanks largely to contract renegotiation with its vendors and focus on outsourcing. (ET)
- DLF Metro** Ltd on Friday said it will approach **India Infrastructure Finance Company** Ltd (IIFCL) to seek lower cost funds for the Rs 742-crore project of building 6.1 km of metro rail tracks in Haryana. (BL)
- American Tower Corporation (ATC)**, one of the top three independent tower companies in the US, is set to acquire **Xcel Telecom**, founded by former BPL Mobile chief executive Sandip Basu, in a deal worth over Rs 700 crore. (ET)
- A US District Court has granted a summary judgment that pharma major **Dr Reddy's Laboratories** Ltd does not infringe the patents in its Abbreviated New Drug Application (ANDA) for Omeprazole. The company got this favourable ruling in a litigation suit related to **Astra Zeneca's** Prilosec. (BL)
- State-run **Life Insurance Corp of India** has raised its stake in top bank **State Bank of India** by 2.12 percent to 9.16 percent through market purchases, the state-run lender said in a stock exchange filing. (ET)
- G R Gopinath, the founder of budget carrier **Air Deccan**, is ready to start operations for his cargo airline in May. His company, **Deccan Cargo Express Logistics**, will take delivery of three Airbus 310 freighters from the first week of April 2009 onwards. (BS)
- Consumer goods major **Unilever Group** has stepped up its cost cutting drive at the global level, with more focus on protecting cash flows, to battle recession. The measures include a common global procurement platform to meet the requirements of the FMCG major across different geographies and achieve benefits of scale. (BL)
- Increased protectionism, contemplated or already implemented by many countries, may be difficult to reverse and will slow the recovery, says a World Bank paper prepared for the ongoing weekend meeting of the G-20 Finance Ministers and central bankers. (BL)

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

### EQUITY MARKETS

India	Change, %			
	13-Mar	1-day	1-mo	3-mo
Sensex	8,757	4.9	(5.9)	(12.2)
Nifty	2,719	3.9	(4.5)	(10.6)

#### Global/Regional indices

	13-Mar	1-day	1-mo	3-mo
Dow Jones	7,224	0.8	(8.0)	(19.1)
FTSE	3,754	1.1	(9.2)	(12.9)
Nikkei	7,739	2.2	(0.2)	(9.7)
Hang Seng	12,526	4.4	(6.9)	(17.2)
KOSPI	1,138	1.1	(3.2)	(2.0)

#### Value traded - India

	Moving avg, Rs bn		
	13-Mar	1-mo	3-mo
Cash (NSE+BSE)	128.4	106.8	88.3
Derivatives (NSE)	476.9	317.7	411
Deri. open interest	628.3	587	572

#### Forex/money market

	Change, basis points			
	13-Mar	1-day	1-mo	3-mo
Rs/US\$	51.5	(41)	289	344
10yr govt bond, %	7.1	20	119	101

#### Commodity market

	Change, %			
	13-Mar	1-day	1-mo	3-mo
Gold (US\$/OZ)	926.5	(0.4)	(1.6)	8.0
Silver (US\$/OZ)	13.0	(1.7)	(4.6)	15.8
Crude (US\$/BBL)	43.1	(2.9)	1.8	(2.0)

#### Net investment (US\$mn)

	12-Mar	MTD	CYTD
FIs	(25)	(540)	(2,260)
MFs	30	(155)	(596)

#### Top movers -3mo basis

Best performers	Change, %			
	13-Mar	1-day	1-mo	3-mo
Mmtc Limited	13,228	1.4	(12.5)	0.2
Bajaj Finserv Ltd	145	(0.9)	3.1	36.3
Ashok Leyland Limit	17	5.1	12.6	17.1
Bajaj Auto Limited	520	0.6	11.9	25.9
Power Grid Corp O	95	1.4	6.1	22.5

#### Worst performers

Housing Developme	68	6.6	(17.2)	(52.8)
Satyam Computer S	46	(3.3)	(8.2)	(79.9)
Aban Offshore Limi	255	10.8	(41.0)	(69.0)
Glenmark Pharmac	129	1.6	(7.5)	(59.3)
Punj Lloyd Limited	74	4.8	(19.7)	(55.1)

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**Cement****ULTC.BO, Rs471**

Rating	ADD
Sector coverage view	Cautious
Target Price (Rs)	550
52W High -Low (Rs)	850 - 245
Market Cap (Rs bn)	59.0

**Financials**

March y/e	2008	2009E	2010E
Sales (Rs bn)	55.1	61.2	66.3
Net Profit (Rs bn)	10.1	8.9	7.8
EPS (Rs)	81.4	71.4	62.3
EPS gth	29.3	(12.6)	(13.2)
P/E (x)	5.8	6.6	7.6
EV/EBITDA (x)	4.0	4.5	4.5
Div yield (%)	1.6	1.7	1.7

**Pricing performance**

Perf-1m	Perf-3m	Perf-6m	Perf-1y
11.5	27.3	(13.0)	(12.7)

**Shareholding, December 2008**

	% of Pattern	Over/(under) weight
Promoters	54.8	-
FIs	2.4	0.0
MFs	1.7	0.1
UTI	-	(0.2)
LIC	5.1	0.2

**UltraTech Cement: Better positioned to capture volumes growth and lower fuel costs**

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- **Commissioning of new capacity to aid revenue growth in FY2010E**
- **Benefits of captive power plants, lower imported coal prices likely to accrue from 4QFY09**
- **Revise rating to ADD from BUY previously on significant outperformance, target price of Rs550/share**

We revise our rating on Ultratech from BUY to ADD, as our target price of Rs550/share offers limited upside to the CMP of Rs470/share. We have revised our estimates to factor in near-term firmness in realizations and higher usage of captive power. We further moderate power and fuel costs due to the sharp decline in prices of imported coal (which have declined further in the last few weeks). Cement prices have also marginally improved and we do not expect a big supply overhang to emerge in Ultratech's key market of West India (which comprises half of Ultratech overall despatches). We now estimate EPS of Rs62 (Rs54 previously) for FY2010E and Rs42 for FY2011E (Rs37 previously). We revise our rating to ADD with a higher target price to Rs550/share (Rs525 previously). Our target price implies an EV/EBITDA of 5.1X on FY2010E earnings and EV/ton of US\$83 on FY2010E production.

**Commissioning of new grinding capacity to aid revenue growth in FY2010E.**

Ultratech will likely compensate for the likely decline in realizations (our est. of ~3.5% decline) in FY2010E, through 12% volume growth aided by commissioning of the new grinding capacity at Tadipatri (3.3 mn tpa), which will likely get commissioned in March-April 2009. The split grinding unit at Ginigera had already been commissioned earlier in FY2009. We estimate Ultratech's volumes of 19.7 mn tons (12% yoy growth) in FY2010E and 22.5 mn tons (14% yoy growth) in FY2011E. Increased contributions from RMC business—RMC volumes were up 84% for 9MFY09, will further compensate for declining realizations. Ultratech continues to invest in RMC and has planned a capex of Rs1.5 bn for setting up 17 RMC units aggregating 3.3 mn cu mtrs of RMC capacity.

We have revised our near-term assumptions to factor in the current firmness in prices and benefit from lower prices of imported coal. However, we maintain that cement prices would come under pressure as newly commissioned capacities ramp-up production to tilt the supply-demand balance against cement manufacturers.

**Benefits of captive power plants likely to accrue from 4QFY09.** Ultratech is commissioning captive power plants aggregating 192 MW replacing higher-cost naphtha-based/grid-purchased power in Gujarat, Chhattisgarh and Maharashtra. Upon commissioning of the capacities Ultratech will likely meet 80% of power requirements on expanded capacities through captive power plants.

We note that the captive power plants will be dependent on a mix of imported and domestic coal (~40:60 ratio) and power costs will likely decline due to the sharp decline in prices of imported coal. The spot prices of coal are currently at US\$57/ton compared to the peak price of US\$176/ton (reflecting in the power and fuel costs of 3QFY09).

**Revise rating to ADD with a higher target price of Rs550/share.** We revise our rating to ADD with a higher target price of Rs550/share (Rs525 previously). Our target price implies an EV/EBITDA of 5.1X on FY2010E earnings and EV/ton of US\$83 on FY2010E production. We have revised our EPS estimates for FY2010E to Rs62 (Rs54 previously) and Rs42.7 for FY2011E (Rs37 previously). While we estimate a 3.5% decline in cement realizations in FY2010E, earnings will likely get the benefit of (1) higher volumes on increased production capacity (2) controlled costs with the commissioning of captive power capacities across various production facilities and (3) lower prices of imported coal.

**Exhibit 1: Topline growth was aided by strong performance from RMC division**

Sales mix, volumes and realizations for Ultratech

	9MFY09	9MFY08	Growth (%)
			YTD
<b>Revenues (Rs mn)</b>			
Cement-domestic	37,322	33,092	13
Cement-export	2,403	2,228	8
Clinker	4,019	2,763	45
RMC	3,243	1,768	83
<b>Total sales</b>	<b>46,988</b>	<b>39,852</b>	<b>18</b>
<b>Volumes</b>			
Cement-domestic (mn tons)	10.8	10.2	6
Cement-export (mn tons)	0.6	0.7	(7)
<b>Cement sales</b>	<b>11.5</b>	<b>10.9</b>	<b>5</b>
Clinker (mn tons)	1.6	1.5	7
RMC (mn cu. Mtr.)	1.1	0.6	84
<b>Realizations</b>			
Cement-domestic (Rs/ton)	3,443	3,238	6
Cement-export (Rs/ton)	3,755	3,229	16
Clinker (Rs/ton)	2,481	1,830	36
RMC (Rs/cu. Mtr.)	3,077	3,080	(0)

Source: Company data, Kotak Institutional Equities

**Exhibit 2: Commissioning of new grinding capacities will likely aid volume growth ahead of the industry**

Volumes (mn tons) and realizations (Rs/ton) assumptions for Ultratech

	2007	2008	2009E	2010E	2011E
Volumes - Cement and Clinker (mn tons)	17.7	17.1	17.6	19.7	22.5
Growth (%)		(3.2)	2.9	<b>12.0</b>	<b>14.1</b>
Net realization (Rs/ton)	2,779	3,221	3,476	3,352	3,178
Growth (%)		15.9	7.9	(3.6)	(5.2)

Source: Company, Kotak Institutional Equities estimates

**Exhibit 3: Profit model, balance sheet and cash model of Ultratech, March fiscal year-ends, 2006-11E (Rs mn)**

	2006	2007	2008	2009E	2010E	2011E
<b>Profit model (Rs mn)</b>						
Net sales	32,995	49,108	55,092	61,183	66,091	71,514
<b>EBITDA</b>	<b>5,542</b>	<b>14,178</b>	<b>17,198</b>	<b>16,087</b>	<b>14,900</b>	<b>11,409</b>
Other income	370	615	999	1,018	901	1,100
Interest	(896)	(868)	(757)	(1,242)	(1,216)	(1,088)
Depreciation	(2,160)	(2,263)	(2,372)	(3,145)	(3,336)	(3,541)
Pretax profits	2,856	11,662	15,067	12,718	11,249	7,879
Tax	(606)	(4,006)	(5,161)	(2,068)	(3,067)	(2,479)
Deferred taxation	48	167	167	(1,510)	(413)	(55)
<b>Net profits</b>	<b>2,297</b>	<b>7,823</b>	<b>10,073</b>	<b>9,140</b>	<b>7,770</b>	<b>5,345</b>
Extraordinary items	(105)	—	—	—	—	—
<b>Earnings per share (Rs)</b>	<b>18.5</b>	<b>62.8</b>	<b>80.4</b>	<b>73.0</b>	<b>62.0</b>	<b>42.7</b>
<b>Balance sheet (Rs mn)</b>						
Total equity	10,383	17,638	26,970	35,084	41,827	46,147
Deferred taxation liability	5,770	5,603	5,424	6,934	7,346	7,401
Total borrowings	14,518	15,786	17,405	19,655	15,755	15,755
Current liabilities	5,561	7,552	12,786	14,186	15,351	16,638
<b>Total liabilities and equity</b>	<b>36,231</b>	<b>46,579</b>	<b>62,584</b>	<b>75,858</b>	<b>80,280</b>	<b>85,941</b>
Cash	616	896	1,007	1,482	3,578	7,508
Current assets	7,109	8,706	12,032	13,845	15,507	16,779
Total fixed assets	26,782	32,142	47,836	60,531	61,196	61,655
Investments	1,724	4,835	1,709	—	—	—
<b>Total assets</b>	<b>36,231</b>	<b>46,579</b>	<b>62,584</b>	<b>75,858</b>	<b>80,280</b>	<b>85,941</b>
<b>Free cash flow (Rs mn)</b>						
Operating cash flow, excl. working capital	3,993	10,367	11,135	12,777	10,617	7,841
Working capital	258	763	3,615	(413)	(496)	15
Capital expenditure	(2,173)	(7,657)	(16,050)	(15,840)	(4,000)	(4,000)
Investments	(1,356)	(3,107)	3,087	1,709	—	—
<b>Free cash flow</b>	<b>722</b>	<b>366</b>	<b>1,787</b>	<b>(1,767)</b>	<b>6,122</b>	<b>3,856</b>
Other income	350	302	999	1,018	901	1,100

Source: Kotak Institutional Equities estimates

**Exhibit 4: Change in estimates for Ultratech, March fiscal year-ends, 2009-10E (Rs mn)**

	Revenues			EBITDA			Net profit		
	Old	New	% Chg.	Old	New	% Chg.	Old	New	% Chg.
2009E	61,183	61,183	0.0	17,105	17,105	0.0	9,140	9,140	0.0
2010E	64,541	66,091	2.4	14,239	15,800	11.0	6,792	7,770	14.4
2011E	70,100	71,514	2.0	11,384	12,508	9.9	4,659	5,345	14.7

Source: Kotak Institutional Equities estimates

**Technology****INFY.BO, Rs1297**

Rating	BUY
Sector coverage view	Cautious
Target Price (Rs)	1,500
52W High -Low (Rs)	2047 - 1040
Market Cap (Rs bn)	744.5

**Financials**

March y/e	2008	2009E	2010E
Sales (Rs bn)	166.9	218.2	249.3
Net Profit (Rs bn)	45.4	58.4	64.3
EPS (Rs)	79.1	101.8	112.0
EPS gth	18.0	28.8	10.0
P/E (x)	16.4	12.7	11.6
EV/EBITDA (x)	12.6	8.9	7.5
Div yield (%)	2.6	1.9	2.1

**Pricing performance**

Perf-1m	Perf-3m	Perf-6m	Perf-1y
6.2	15.3	(17.2)	(4.3)

**Shareholding, December 2008**

	% of Pattern Portfolio	Over/(under) weight
Promoters	16.5	-
FIs	52.1	7.8
MFs	4.0	2.8
UTI	-	(2.4)
LIC	4.3	(0.0)

**Infosys Technologies: Overall volume/pricing dynamics have greater potential for an upside surprise than downside**

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- **Volumes growth likely for June 2009 quarter**
- **FY2010E guidance unlikely to build in back-ended recovery or gains from vendor consolidation**
- **However, pricing commentary not as weak as expected**
- **Changing estimates to factor in revised Re/US\$ forecasts and lower volume assumptions**

With uncertainty on demand recovery likely to linger in the near term, we take comfort in Infosys' unrelenting focus and well-demonstrated ability to manage margins and grow operating cash flows. We believe that Infosys can deliver at least high single-digit earnings growth in FY2010E at current Re/US\$ rates. We also believe that the company will likely deliver volume growth in the June 2009 quarter. We discuss key takeaways from our recent meetings with the company's management—(1) company unlikely to build in back-ended recovery or vendor consolidation gains in FY2010E guidance, (2) pricing environment has not worsened; expects per capita realization in FY2010E decline to be arrested under 5%, (3) remains confident of managing margins in FY2010E on the back of cost-containment measures, and (4) intends to invest a part of the benefits from the Re depreciation to strengthen its front end and hire more locals in the US/UK market (to counter protectionist noises). We have revised our EPS estimates for FY2010E and FY2011E upwards to factor in our economist's revised Re/US\$ forecasts. Maintain BUY with a 12-month forward target price of Rs1,500/share.

**Demand uncertainty continues; however, overall volume/pricing dynamics have greater potential for an upside surprise than downside.** Sustained delays in decision-making by key clients and increasingly conservative IT budgets in the client base have impacted near-term volumes for Indian IT companies. Underlying trends are, however, comforting—budget discussions have picked up and are nearing completion in several verticals. Indian pure-play offshore names appear well-positioned in vendor consolidation cases (though things do not appear good for mid-sized Indian companies), clients are looking to offshore more to drive cost savings. The challenge, however, remains the high degree of uncertainty facing CIOs (including uncertainty about their own jobs) as confidence on improvement in real economy stays low.

The keys to volume growth recovery thus remain (1) an improvement in confidence levels and (2) a pick up in the pace of decision making. However, the pricing commentary appears better than street expectations. The company indicated that the per capita realization decline in FY2010E will likely be within 5%. The company is working on changing its engagement structures with clients (greater offshoring, shift to fixed price and outcome-based deals, etc.) to achieve the twin objective of delivering the clients' targeted cost savings without taking a sharp hit on its own profitability. Our channel checks also indicate that pricing trends could be better than the street's expectations—Infosys has settled for 5% onsite and 0-2% offshore pricing concessions on an average with its financial services clients.

**FY2010E guidance unlikely to build in back-ended recovery.** We would not be unduly concerned about the recent downgrades in the revenue estimates for the company across the street. The downgrades have been driven by the management's commentary on volumes and pricing (3-4% like-on-like decline and another 3-4% cross-currency impact). After recent downgrades, the street appears to be building in very little uptick in FY2010E revenues, which leaves scope for positive surprises. We believe revenue uptick does not hinge on recovery in the global economy, but on a pick up in pace of decision making and vendor consolidation (which should benefit Tier 1 players such as Infosys). We expect FY2010E guidance (5% decline to flat revenues) not to assume any back-ended recovery and gain on vendor consolidation decisions (beyond the ones at the time of guidance).

**Changing estimates to factor in revised Re/US\$ forecasts and lower volume assumptions.** Exhibit 1 details the key changes made to our earnings model for Infosys. We have made moderate changes to our volume/pricing assumptions for FY2010-11E and have also factored in our economist's recently revised Re/US\$ forecasts. We now expect an average Re/US\$ rate of 53.25 and 53 for FY2010E and FY2011E versus 48 and 47 earlier, respectively. We have also lowered our FY2010E volume growth assumptions to 8.6% from 13.8% earlier; we highlight that we do not build in any vendor consolidation gains in our estimates though we do build in a mild recovery in volume growth starting the Sep 2009 quarter. We expect Infosys to honor all its campus commitments for FY2010E (~18,000 campus offers) and accordingly build in a decline in utilization rates. We have also built in a 50 bps increase in SG&A expenses (as % of revenues) as we expect the company to re-invest some gains from Re depreciation into strengthening its front-end. Our revised EPS estimate for FY2010E and FY2011E stands at Rs112 (Rs107.7 earlier) and Rs122.2 (Rs114.3 earlier), respectively.

**A closer look at our FY2010E revenue and margin assumptions.** We discuss some of the key assumptions (and key areas to watch out for) for FY2010E in our earnings model below

- **Revenue/volume growth trajectory.** We build in a muted near-term outlook in our forecasts for the March 2009 and June 2009 quarters. We expect sequential revenue declines of 2.9% and 0.7% in the March and June quarters, respectively. From a yoy US\$ revenue growth perspective, we expect a downward trajectory till Sep 2009 quarter (yoy decline of 2.4% and 5.8% in June and Sep quarters respectively) before a pick-up starting Dec 2009 quarter. Exhibit 2 depicts our yoy volume and US\$ revenue growth assumptions.
- **Other variables impacting revenue growth estimates.** Our modest 0.2% US\$ revenue growth estimate builds in cross-currency rates at the current levels. Depreciation of GBP, EUR, and AUD will likely have a 4% impact on Infosys' FY2010E revenues; thus, our estimates imply a 4.2% constant currency revenue growth for the company.
- **Margin assumptions.** We build in a 110 bps decline in EBITDA margins for FY2010E. As highlighted above, we are building in a sharp decline in utilization rates as we expect the company to honor all its campus commitments for FY2010E—the company has in fact given precise joining dates to all its campus recruits (joining dates phased over six months till Feb 2010). We are also building in a modest wage hike for offshore employees and expect a moderate reduction in variable payouts, especially for the sales and marketing employees. We believe that the company can pull in some of these levers in case volumes or currencies throw up negative surprises.
- **Tax rate.** We build in a 350 bps increase in Infosys' effective tax rate (to 18% of PBT from 14.5% in FY2009E) for FY2010E. We highlight that some of company STPI units move out of tax exemption on March 31, 2009. We also build in another 420 bps increase in the company's ETR in FY2011E as STPI tax exemption phases out completely.

**Rupee benefits—expect investments in front end and more local hiring in US/UK markets.** Infosys highlighted two key areas of investment in FY2010E:

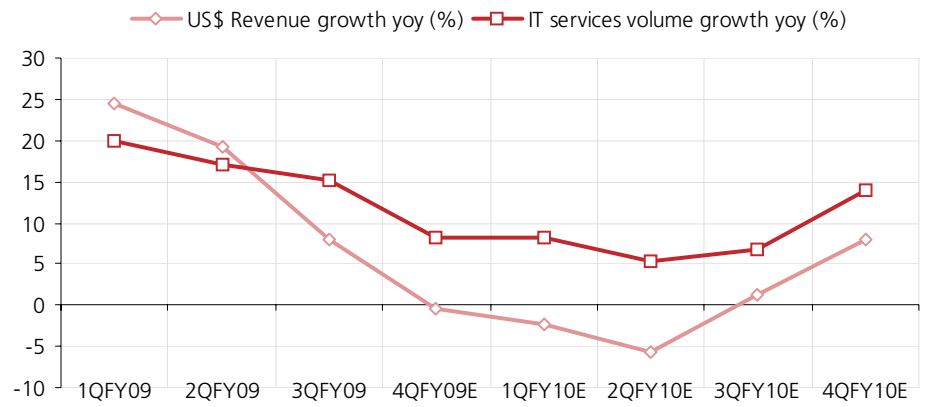
- **Strengthening its front-end**, especially in the European geography; we highlight that the company has lost several deals in the European geography to competitors over the past 12-18 months. The company may also utilize the downturn to replace some of its underperforming sales and marketing personnel.
- **Hiring more locals in the US/UK market.** The company indicates that local hiring would likely serve two purposes—(1) decrease the company's visa/work-permit dependence and (2) hopefully improve the company's (and Indian IT industry's) goodwill in the current environment of increased protectionism in the developed markets. We find the long-term intent of both the investments positive; we also expect the company to look at acquisition opportunities to bolster its Europe footprint and/or boost its consulting capabilities. The company had US\$1.85 bn of cash and investments as at end-December 2008.

#### Key changes to estimates, March fiscal year-ends, 2009E-2011E (Rs mn)

	New			Old			Change (%)		
	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E
<b>Revenues</b>	<b>218,208</b>	<b>249,305</b>	<b>285,912</b>	<b>216,717</b>	<b>238,434</b>	<b>272,499</b>	<b>0.7</b>	<b>4.6</b>	<b>4.9</b>
EBITDA	72,445	79,929	88,623	71,233	74,266	81,713	1.7	7.6	8.5
Depreciation	(7,247)	(8,068)	(8,995)	(7,238)	(7,908)	(8,915)	0.1	2.0	0.9
EBIT	65,198	71,861	79,627	63,994	66,357	72,798	1.9	8.3	9.4
<b>Net Profit</b>	<b>58,435</b>	<b>64,267</b>	<b>70,163</b>	<b>58,331</b>	<b>61,793</b>	<b>65,606</b>	<b>0.2</b>	<b>4.0</b>	<b>6.9</b>
<b>EPS (Rs/ share)</b>	<b>101.8</b>	<b>112.0</b>	<b>122.2</b>	<b>101.6</b>	<b>107.7</b>	<b>114.3</b>	<b>0.2</b>	<b>4.0</b>	<b>6.9</b>
<b>Revenues (US\$ mn)</b>	<b>4,680</b>	<b>4,688</b>	<b>5,399</b>	<b>4,696</b>	<b>4,963</b>	<b>5,793</b>	<b>(0.3)</b>	<b>(5.5)</b>	<b>(6.8)</b>
<b>Revenue growth (%)</b>	<b>12.1</b>	<b>0.2</b>	<b>15.1</b>	<b>12.4</b>	<b>5.7</b>	<b>16.7</b>			
<b>Volume Growth (%)</b>	<b>14.8</b>	<b>8.6</b>	<b>16.3</b>	<b>15.0</b>	<b>13.8</b>	<b>16.7</b>			
<b>Billing Rates (US\$/ manmonth)</b>									
Onsite	11,932	11,171	11,004	11,945	11,227	11,143	(0.1)	(0.5)	(1.2)
Offshore	4,917	4,561	4,492	4,923	4,572	4,538	(0.1)	(0.3)	(1.0)
<b>Margins (%)</b>									
EBITDA	33.2	32.1	31.0	32.9	31.1	30.0			
EBIT	29.9	28.8	27.9	29.5	27.8	26.7			
Rs/ US\$ rate	46.6	53.2	53.0	46.2	48.0	47.0	1.0	10.7	12.6

Source: Kotak Institutional Equities estimates

**We expect you US\$ reveue growth trajectory to bottom out in Sep 2009 quarter**



Source: Kotak Institutional Equities estimates



**Condensed consolidated financials for Infosys, 2007-2011E, March fiscal year-ends (Rs mn)**

	2007	2008	2009E	2010E	2011E
<b>Profit model</b>					
Revenues	138,930	166,920	218,208	249,305	285,912
<b>EBITDA</b>	<b>43,910</b>	<b>52,380</b>	<b>72,445</b>	<b>79,929</b>	<b>88,623</b>
Depreciation	(5,140)	(5,980)	(7,247)	(8,068)	(8,995)
Other income	3,750	7,040	3,134	6,492	10,580
<b>Pretax profits</b>	<b>42,520</b>	<b>53,440</b>	<b>68,332</b>	<b>78,353</b>	<b>90,207</b>
Tax	(5,100)	(8,060)	(9,898)	(14,086)	(20,044)
<b>Profit after tax</b>	<b>37,420</b>	<b>45,380</b>	<b>58,435</b>	<b>64,267</b>	<b>70,163</b>
<b>Diluted earnings per share (Rs)</b>	<b>67.0</b>	<b>79.1</b>	<b>101.8</b>	<b>112.0</b>	<b>122.2</b>
<b>Balance sheet</b>					
Total equity	113,485	137,950	180,598	226,566	276,881
Deferred taxation liability	(920)	(1,190)	(1,190)	(1,190)	(1,190)
Total borrowings	—	—	—	—	—
Minority interest	40	—	—	—	—
Current liabilities	21,500	41,910	37,105	41,067	45,596
<b>Total liabilities and equity</b>	<b>134,105</b>	<b>178,670</b>	<b>216,514</b>	<b>266,443</b>	<b>321,287</b>
Cash	61,800	83,960	102,285	141,991	187,735
Other current assets	34,345	46,220	57,743	66,722	75,062
Goodwill	—	—	—	—	—
Tangible fixed assets	37,710	47,770	55,759	57,003	57,763
Investments	250	720	720	720	720
<b>Total assets</b>	<b>134,105</b>	<b>178,670</b>	<b>216,507</b>	<b>266,436</b>	<b>321,280</b>
<b>Free cash flow</b>					
Operating cash flow, excl. working capital	39,790	45,080	62,662	65,843	68,579
Working capital changes	(12,390)	(7,990)	(7,675)	(5,017)	(3,810)
Capital expenditure	(15,100)	(14,940)	(15,236)	(9,313)	(9,756)
Investment changes/acquisition	7,300	(470)	—	—	—
<b>Free cash flow</b>	<b>19,600</b>	<b>21,680</b>	<b>39,751</b>	<b>51,513</b>	<b>55,013</b>
<b>Ratios (%)</b>					
EBITDA margin	31.6	31.4	33.2	32.1	31.0
EBIT margin	27.9	27.8	29.9	28.8	27.9
Debt/equity	—	—	—	—	—
Net debt/equity	(0.5)	(0.6)	(0.6)	(0.6)	(0.7)
RoAE	40.7	36.1	36.7	31.6	27.9
<b>RoACE</b>	<b>34.2</b>	<b>33.6</b>	<b>36.1</b>	<b>31.7</b>	<b>28.8</b>

Source: Company data, Kotak Institutional Equities estimates

**Key assumptions driving Infosys earnings model, 2008-2011E, March fiscal year-ends**

	2008	2009E	2010E	2011E
<b>Key assumptions</b>				
<b>Revenue growth (US\$ terms) (%)</b>	<b>35.2</b>	<b>12.1</b>	<b>0.2</b>	<b>15.1</b>
<b>Volume growth yoy (%) (IT only)</b>	<b>27.0</b>	<b>14.8</b>	<b>8.6</b>	<b>16.3</b>
<b>Pricing change yoy (%)</b>				
Onsite	6.9	(1.8)	(6.4)	(1.5)
Offshore	6.1	(1.3)	(7.2)	(1.5)
Blended	5.4	(2.9)	(8.2)	(1.3)
<b>Total employees (#)</b>	<b>91,187</b>	<b>105,125</b>	<b>117,245</b>	<b>131,031</b>
<b>Employee additions</b>	<b>18,946</b>	<b>13,938</b>	<b>12,120</b>	<b>13,786</b>
<b>Utilization rate (%)</b>	<b>70.5</b>	<b>68.6</b>	<b>66.6</b>	<b>69.0</b>
<b>SG&amp;A expense as % of revenues</b>	<b>13.5</b>	<b>12.7</b>	<b>13.2</b>	<b>13.5</b>
<b>Re/US\$ rate</b>	<b>40.0</b>	<b>46.6</b>	<b>53.2</b>	<b>53.0</b>

Source: Kotak Institutional Equities estimates

## Energy

Sector coverage view

Neutral

Company	Rating	Price, Rs	
		13-Mar	Target
Reliance Inds	ADD	1,284	1,500
ONGC	BUY	706	900
IOC	REDUCE	403	525
BPCL	SELL	345	425
HPCL	SELL	242	300
GAIL	ADD	210	240
Castrol	ADD	299	390
Petronet LNG	ADD	34	52
Cairn	BUY	170	225
GSPL	BUY	36	45

## High OPEC compliance and lower non-OPEC supply = higher crude prices

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- **High compliance by OPEC (80%) with announced production cuts and lower non-OPEC will likely mitigate the impact of global demand weakness**
- **OPEC-11 production down by 3.3 mn b/d for February 2009 versus September 2008**
- **Retain positive view on crude price and upstream stocks**

Our positive view on global crude prices has been further strengthened by (1) remarkably high compliance by OPEC-11 of announced production cuts (80%) based on February 2009 production data and (2) the IEA's recent reduction to non-OPEC supply for CY2009E. We view the sharp production cuts implemented by all OPEC-11 members as a sign of the members' determination to support and increase crude oil prices. We believe OPEC's production cuts will likely mitigate the impact of global demand weakness and support crude prices; IEA's revised demand forecast foresees a 1.3 mn b/d yoy decline in global demand in CY2009E. We retain our positive view on upstream oil stocks given a likely rebound in crude oil prices from 2-3QCY09.

**High OPEC compliance with announced cuts will support crude prices.** OPEC's February 2009 production data of 25.73 mn b/d suggests that OPEC-11 has cut production by 3.32 mn b/d versus September production of 29.05 mn b/d (see Exhibit 1). The bulk of the production cut has come from Saudi Arabia (1.4 mn b/d), UAE (0.35 mn b/d) and Kuwait (0.3 mn b/d) although every member of OPEC-11 has contributed to the cuts. The lower production figure and cuts by all OPEC members reflect OPEC's determination to improve the supply-demand balance of crude oil. The recent decline in production has increased OPEC's production spare capacity to 6.6 mn b/d (effective spare capacity of 5.2 mn b/d excluding Iraq, Nigeria and Venezuela).

We note that February production of 25.73 mn b/d is already below the 26.6 mn b/d 'call on OPEC-11' for CY2009E to balance global supply and demand. OPEC-11 production at February 2009 levels will result in drawdown of OECD stocks over a period of time. If OPEC-11 were to cut supplies further to reach 100% compliance with the announced production cuts of 4.2 mn b/d, we would see a sharper decline in OECD stocks. Full compliance with the agreed cuts would take OPEC-11 output to 24.9 mn b/d (1.8 mn b/d below 'call on OPEC-11') implying a likely sharp drawdown in OECD stocks (see Exhibit 2). Any further cuts in OPEC supply would tighten OECD inventories further and thus, result in higher crude prices. Exhibit 3 shows that OECD stocks have been stable despite the increase in US inventories. In 'days of inventory' terms, OECD inventory currently stands at 58.5 days, considerably above its historical band.

Exhibit 4 shows our projected supply-demand balance for global oil market for the next few years. We highlight that non-OPEC supply is also likely to remain steady at 50.6 mn b/d in CY2009E versus earlier estimate of supply growth of 0.4 mn b/d. The downward revision in non-OPEC supply reflects ongoing problems at Azerbaijan's ACG field. We also note that the following years will see very modest additions to non-OPEC supply. We see this leading to a resurgence in crude prices following a likely recovery in global oil demand from CY2010E.

We do not rule out further production cuts to match any further weakness in global oil demand. Several OPEC members (including Venezuela and Iran) have already expressed the need for (1) improving compliance and (2) further production cuts.

**Retain positive view on upstream stocks.** We retain our positive view on upstream stocks (ONGC, Cairn India) given our positive view on crude prices and weak rupee, which would likely shore earnings and sentiment for these stocks. We rate both as BUY with ONGC's 12-month FCF-based target price at Rs900 and Cairn's 12-month DCF-based target price at Rs225. Exhibits 5 and 6 give our valuation models for the two stocks and Exhibits 7 and 8 are our summary models for the two.

**OPEC has shown high compliance with the announced production cuts**

OPEC crude production and sustainable capacity (mn b/d)

	Production (mn b/d)						Spare capacity (mn b/d)	Implied January target (mn b/d)	Cut in production (a) (mn b/d)	Compliance (%)
	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09				
Algeria	1.40	1.37	1.35	1.32	1.27	1.25	0.18	1.20	0.15	75
Angola	1.76	1.83	1.83	1.80	1.76	1.65	0.45	1.52	0.11	46
Ecuador	0.50	0.50	0.48	0.49	0.50	0.48	0.02	0.43	—	29
Iran	3.90	3.85	3.76	3.88	3.79	3.65	0.35	3.34	0.25	45
Kuwait	2.60	2.64	2.59	2.52	2.46	2.30	0.35	2.22	0.30	79
Libya	1.72	1.73	1.71	1.72	1.65	1.58	0.19	1.47	0.14	56
Nigeria	1.99	1.94	1.90	1.91	1.84	1.78	0.72	1.67	0.21	66
Qatar	0.85	0.85	0.82	0.80	0.78	0.75	0.15	0.73	0.10	83
Saudi Arabia	9.37	9.40	8.80	8.40	8.10	7.95	2.90	8.05	1.42	108
United Arab Emirates	2.60	2.54	2.30	2.45	2.36	2.25	0.60	2.22	0.35	92
Venezuela	2.35	2.35	2.35	2.29	2.18	2.10	0.40	1.99	0.25	69
<b>OPEC-11 production</b>	<b>29.05</b>	<b>29.00</b>	<b>27.88</b>	<b>27.57</b>	<b>26.68</b>	<b>25.73</b>	<b>6.32</b>	<b>24.85</b>	<b>3.32</b>	<b>79</b>
Iraq	2.19	2.26	2.43	2.41	2.37	2.26	0.24			
<b>Total OPEC</b>	<b>31.24</b>	<b>32.09</b>	<b>30.31</b>	<b>29.98</b>	<b>29.05</b>	<b>27.99</b>	<b>6.56</b>			

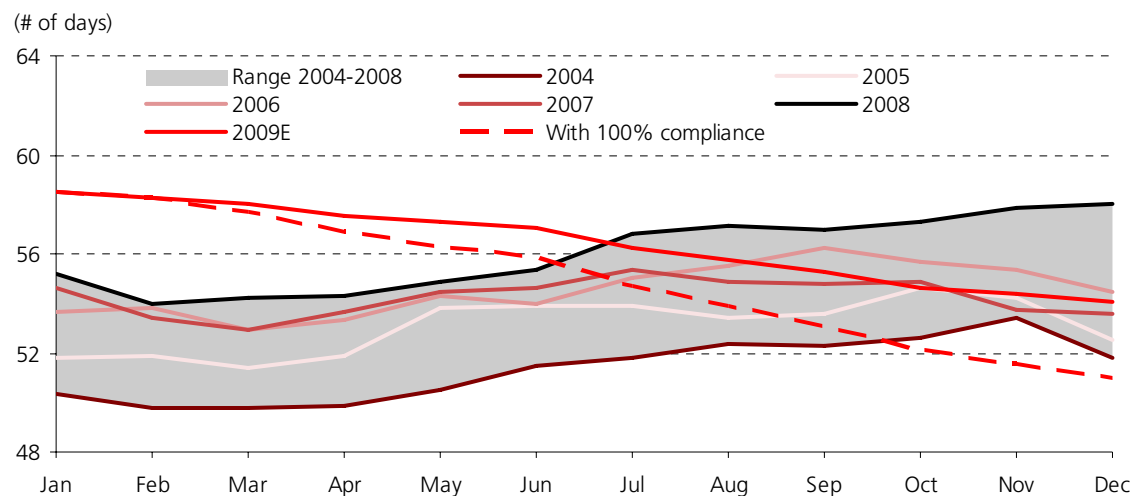
Note:

(a) Cut in production in February 2009 versus September 2008.

Source: International Energy Agency

**We expect inventory levels to come down sharply if OPEC supply cuts were to reach 100% compliance**

Global demand-supply balance for crude (mn b/d)

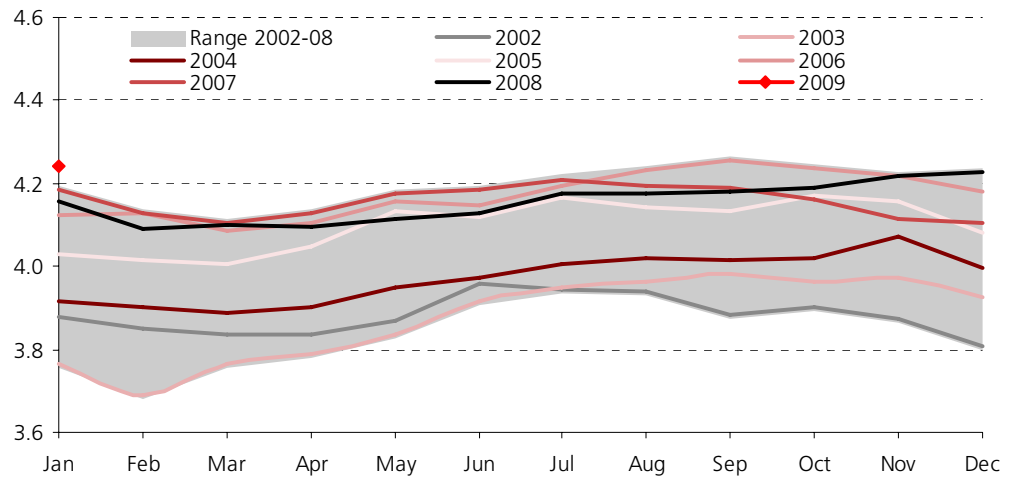


Note: Days of forward cover based on average demand over the next 4 quarters

Source: IEA, Kotak Institutional Equities estimates.

**OECD stocks continue to at a comfortable level**

Total industry and government-controlled crude and product stocks in OECD countries (bn bbls)  
(bn bbls)



Source: IEA

**We expect sharp deterioration in global-supply demand balance over the next few years**

Estimated global crude demand, supply and prices, Calendar year-ends

	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
<b>Demand (mb/d)</b>									
Total demand	84.0	85.1	86.0	85.7	84.4	85.1	86.0	87.1	88.3
Yoy growth	1.5	1.1	0.9	(0.3)	(1.3)	0.7	0.9	1.1	1.2
<b>Supply (mb/d)</b>									
Non-OPEC	49.8	50.3	50.7	50.6	50.6	50.9	51.1	51.3	51.5
Yoy growth	1.0	0.5	0.4	(0.1)	0.0	0.3	0.2	0.2	0.2
OPEC									
Crude	30.6	30.7	30.3	31.2	28.8	28.5	28.8	29.4	30.2
NGLs	4.3	4.4	4.5	4.7	5.0	5.7	6.1	6.4	6.6
<b>Total OPEC</b>	<b>34.9</b>	<b>35.1</b>	<b>34.8</b>	<b>35.9</b>	<b>33.8</b>	<b>34.2</b>	<b>34.9</b>	<b>35.8</b>	<b>36.8</b>
<b>Total supply</b>	<b>84.7</b>	<b>85.5</b>	<b>85.5</b>	<b>86.5</b>	<b>84.4</b>	<b>85.1</b>	<b>86.0</b>	<b>87.1</b>	<b>88.3</b>
Total stock change	0.7	0.8							
<b>OPEC crude capacity</b>			<b>34.4</b>	<b>35.3</b>	<b>36.4</b>	<b>37.4</b>	<b>37.3</b>	<b>37.6</b>	<b>37.9</b>
<b>Implied OPEC spare capacity</b>			<b>4.1</b>	<b>4.1</b>	<b>7.6</b>	<b>8.9</b>	<b>8.5</b>	<b>8.2</b>	<b>7.7</b>
<b>Demand growth (yoy, %)</b>	<b>1.8</b>	<b>1.3</b>	<b>1.1</b>	<b>(0.3)</b>	<b>(1.5)</b>	<b>0.8</b>	<b>1.1</b>	<b>1.3</b>	<b>1.4</b>
<b>Supply growth (yoy, %)</b>									
Non-OPEC	2.0	1.0	0.8	(0.2)	0.0	0.6	0.4	0.4	0.4
OPEC	3.6	0.6	(0.9)	3.0	(5.7)	1.2	2.0	2.6	2.8
<b>Total</b>	<b>1.6</b>	<b>0.9</b>	<b>0.0</b>	<b>1.1</b>	<b>(2.4)</b>	<b>0.8</b>	<b>1.1</b>	<b>1.3</b>	<b>1.4</b>
<b>Dated Brent (US\$/bbl)</b>	<b>54.4</b>	<b>65.8</b>	<b>72.7</b>	<b>102.0</b>	<b>55.0</b>	<b>65.0</b>	<b>70.0</b>	<b>75.0</b>	<b>75.0</b>

Source: IEA, BP Statistical Review of World Energy, and various government and industry sources

**We value ONGC stock at Rs900 on US\$50/bbl normalized crude price**

Estimation of fair value of ONGC stock based on normalized free cash flow (Rs mn)

	2009E	2010E	2011E
Normalized crude price assumption (US\$/bbl)	50.0	50.0	50.0
<b>Recurring operating cash flow</b>			
Operating cash flow = EBIT X (1-t) + D	139,941	280,902	254,541
Add: OCF after normalizing natural gas price	38,075	36,440	30,405
Add: OCF after removing subsidies	178,676	66,213	118,659
Recurring OCF	356,692	383,556	403,605
<b>Recurring capex</b>			
Production per annum (mn bbls)	374	377	392
Replacement or F&D costs (US\$/bbl)	10.0	10.0	10.0
Recurring capex	172,184	200,557	207,708
<b>Free cash flow</b>	<b>184,508</b>	<b>182,999</b>	<b>195,897</b>
Free cash flow multiple (X)	8	8	8
Enterprise value	1,476,068	1,463,991	1,567,176
(Net debt)/cash	318,132	442,161	574,924
Investments	91,787	96,727	101,668
Equity value	1,885,987	2,002,879	2,243,768
<b>Total equity value per share (Rs/share)</b>	<b>882</b>	<b>936</b>	<b>1,049</b>

	Equity value (Rs/share)	Change from base case (%)
<b>Normalized crude prices</b>		
US\$90/bbl	2,054	119
US\$80/bbl	1,774	89
US\$70/bbl	1,495	60
US\$60/bbl	1,216	30
<b>US\$50/bbl</b>	<b>936</b>	
US\$45/bbl	817	(13)
US\$40/bbl	723	(23)
US\$35/bbl	579	(38)

Source: Kotak Institutional Equities estimates

**We value Cairn India stock at Rs225**

EV and equity value of Cairn (US\$ mn)

	Now	+ 1-year	+ 2-years
RJ-ON-90/1	8,592	9,971	10,143
CB-OS-2	74	53	31
Ravva	347	302	223
Upside potential (KG-DWN-98/2)	100	112	125
<b>Total</b>	<b>9,114</b>	<b>10,438</b>	<b>10,522</b>
Net debt	(722)	652	1,222
<b>Equity value</b>	<b>9,836</b>	<b>9,786</b>	<b>9,300</b>
Equity shares (mn)	1,897	1,897	1,897
<b>Equity value per share (Rs/share)</b>	<b>214</b>	<b>225</b>	<b>257</b>

Source: Kotak Institutional Equities estimates

**Consolidated profit model, balance sheet, cash model of ONGC, March fiscal year-ends, 2004-2012E (Rs mn)**

	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E
<b>Profit model (Rs mn)</b>									
Net sales	467,124	707,083	807,603	966,542	1,091,644	1,254,028	1,126,514	1,252,430	1,288,735
<b>EBITDA</b>	<b>196,494</b>	<b>281,195</b>	<b>310,054</b>	<b>358,001</b>	<b>407,790</b>	<b>435,616</b>	<b>430,994</b>	<b>517,544</b>	<b>531,028</b>
Other income	23,752	17,595	27,350	45,378	53,565	50,829	57,534	67,250	80,570
Interest	(5,028)	(2,512)	(537)	394	(12,027)	(7,754)	(4,315)	(2,372)	(4,236)
Depreciation and depletion	(65,525)	(73,465)	(97,726)	(119,550)	(138,624)	(136,578)	(145,517)	(143,696)	(140,094)
Pretax profits	149,693	222,813	239,141	284,222	310,705	342,113	338,695	438,727	467,269
Tax	(46,101)	(74,690)	(71,196)	(88,986)	(102,908)	(113,005)	(111,296)	(141,103)	(140,711)
Deferred tax	(7,779)	(4,744)	(13,612)	(9,264)	(6,471)	(5,795)	(3,137)	(144)	(4,558)
Net profits	95,523	143,175	154,596	178,414	203,076	226,595	224,261	297,480	321,999
<b>Net profits after minority interests</b>	<b>94,219</b>	<b>140,670</b>	<b>153,542</b>	<b>176,922</b>	<b>199,466</b>	<b>224,267</b>	<b>222,182</b>	<b>295,547</b>	<b>319,573</b>
<b>Earnings per share (Rs)</b>	<b>44</b>	<b>66</b>	<b>72</b>	<b>83</b>	<b>93</b>	<b>105</b>	<b>104</b>	<b>138</b>	<b>149</b>
<b>Balance sheet (Rs mn)</b>									
Total equity	415,582	488,912	578,830	670,137	786,657	924,338	1,055,444	1,230,058	1,424,578
Deferred tax liability	54,250	57,911	71,557	80,976	87,227	93,022	96,159	96,303	100,861
Liability for abandonment cost	80,292	80,941	128,675	151,857	129,325	129,325	129,325	129,325	129,325
Total borrowings	60,961	39,028	28,767	21,826	22,039	33,712	42,339	72,739	124,639
Current liabilities	85,376	128,346	142,435	187,051	251,797	158,806	150,235	150,897	152,796
<b>Total liabilities and equity</b>	<b>696,461</b>	<b>795,138</b>	<b>950,264</b>	<b>1,111,847</b>	<b>1,277,045</b>	<b>1,339,203</b>	<b>1,473,503</b>	<b>1,679,322</b>	<b>1,932,200</b>
Cash	95,721	101,843	90,743	206,262	249,807	351,843	484,501	647,663	865,076
Current assets	133,039	178,421	240,210	192,652	257,384	219,841	205,732	241,714	247,743
Total fixed assets	419,213	471,543	565,722	643,219	695,227	692,893	703,704	705,439	734,875
Goodwill	11,661	10,753	14,172	27,686	22,847	22,847	22,847	22,847	22,847
Investments	30,811	26,961	35,753	36,888	45,041	45,041	49,981	54,922	54,923
Deferred expenditure	6,017	5,617	3,663	5,141	6,739	6,739	6,739	6,739	6,739
<b>Total assets</b>	<b>696,461</b>	<b>795,138</b>	<b>950,264</b>	<b>1,111,848</b>	<b>1,277,045</b>	<b>1,339,204</b>	<b>1,473,503</b>	<b>1,679,323</b>	<b>1,932,202</b>
<b>Free cash flow (Rs mn)</b>									
Operating cash flow, excl. working capital	133,261	187,001	216,736	252,772	284,517	259,964	258,279	324,676	335,414
Working capital changes	25,630	18,787	46,461	(4,990)	(24,929)	(120,323)	36,458	(12,672)	(4,130)
Capital expenditure	(56,301)	(103,418)	(113,738)	(135,049)	(166,427)	(77,200)	(100,757)	(98,275)	(121,222)
Investments	(10,608)	(9,887)	(28,912)	53,822	(7,348)	—	(4,940)	—	—
Other income	9,767	13,049	14,537	20,422	22,822	51,203	57,534	67,250	80,570
<b>Free cash flow</b>	<b>101,749</b>	<b>105,532</b>	<b>135,083</b>	<b>186,976</b>	<b>108,636</b>	<b>113,645</b>	<b>246,573</b>	<b>280,978</b>	<b>290,632</b>
<b>Ratios (%)</b>									
Debt/equity	14.7	8.0	5.0	3.3	2.8	3.6	4.0	5.9	8.7
Net debt/equity	(8.4)	(12.8)	(10.7)	(27.5)	(29.0)	(34.4)	(41.9)	(46.7)	(52.0)
RoAE	21.6	28.0	25.9	25.5	24.8	24.0	20.7	24.1	22.7
<b>RoACE</b>	<b>20.6</b>	<b>24.6</b>	<b>22.0</b>	<b>22.1</b>	<b>21.9</b>	<b>21.2</b>	<b>18.7</b>	<b>21.9</b>	<b>20.9</b>
<b>Key assumptions</b>									
Rs/dollar rate	46.0	45.0	44.3	45.3	40.3	46.1	53.3	53.0	51.3
Crude fob price (US\$/bbl)	28.7	40.6	57.2	64.8	78.9	83.0	55.0	65.0	70.0
Ceiling/actual natural gas price (Rs/'000 cm)	2,850	2,850	3,515	3,200	3,200	3,200	3,200	3,750	4,500
Subsidy loss (Rs bn)	26.9	41.0	119.6	170.2	220.0	273.7	100.0	175.0	220.0

Source: Kotak Institutional Equities estimates

**Profit model, balance sheet, cash model of Cairn 2006-2013E, calendar year-ends (Rs mn)**

	2006	2007	2008E	2009E	2010E	2011E	2012E	2013N
<b>Profit model (Rs mn)</b>								
Net sales	18,417	16,561	23,480	32,688	93,349	164,092	173,579	171,559
<b>EBITDA</b>	<b>5,332</b>	<b>6,705</b>	<b>8,334</b>	<b>18,619</b>	<b>76,003</b>	<b>128,230</b>	<b>118,095</b>	<b>102,896</b>
Other income	1,100	1,324	4,068	1,191	392	251	180	792
Interest	(201)	(27)	(43)	(973)	(4,396)	(5,596)	(2,796)	(148)
Depreciation	(497)	(4,589)	(3,312)	(6,244)	(7,908)	(11,047)	(11,351)	(11,246)
Pretax profits	5,734	3,413	9,047	12,594	64,090	111,837	104,128	92,293
Extraordinary items	—	(2,120)	1,522	—	—	—	—	—
Tax	(1,580)	(740)	(584)	(2,702)	(8,776)	(14,002)	(12,938)	(11,299)
Deferred taxation	(22)	(764)	(2,119)	(1,501)	(1,347)	(681)	(161)	170
<b>Net profits</b>	<b>4,132</b>	<b>(212)</b>	<b>7,867</b>	<b>8,390</b>	<b>53,967</b>	<b>97,154</b>	<b>91,029</b>	<b>81,164</b>
<b>Earnings per share (Rs)</b>	<b>2.3</b>	<b>(0.1)</b>	<b>4.2</b>	<b>4.4</b>	<b>28.5</b>	<b>51.2</b>	<b>48.0</b>	<b>42.8</b>
<b>Balance sheet (Rs mn)</b>								
Total equity	292,804	294,358	328,419	336,809	324,206	365,885	404,936	439,755
Deferred tax liability	4,258	4,916	7,035	8,537	9,884	10,564	10,725	10,555
Total borrowings	5,122	3,124	24,366	42,411	72,411	57,411	7,411	—
Current liabilities	39,716	8,372	18,936	1,892	2,414	5,211	8,173	10,164
<b>Total liabilities and equity</b>	<b>341,900</b>	<b>310,771</b>	<b>378,756</b>	<b>389,649</b>	<b>408,915</b>	<b>439,072</b>	<b>431,245</b>	<b>460,474</b>
Cash	61,348	1,504	54,230	13,999	8,435	5,921	4,411	40,956
Current assets	6,470	19,029	2,252	3,135	8,951	15,735	16,645	16,451
Total fixed assets	17,609	25,157	56,536	79,570	30,647	27,752	24,751	21,814
Net producing properties	2,354	4,390	5,047	32,254	100,190	128,972	124,746	120,562
Investments	4	7,129	7,129	7,129	7,129	7,129	7,129	7,129
Goodwill	254,115	253,193	253,193	253,193	253,193	253,193	253,193	253,193
Deferred expenditure	—	370	370	370	370	370	370	370
<b>Total assets</b>	<b>341,900</b>	<b>310,771</b>	<b>378,756</b>	<b>389,649</b>	<b>408,915</b>	<b>439,072</b>	<b>431,245</b>	<b>460,474</b>
<b>Free cash flow (Rs mn)</b>								
Operating cash flow, excl. working capital	3,188	6,387	8,018	11,822	60,681	107,181	100,910	89,998
Working capital changes	34,256	(908)	27,341	(17,927)	(5,295)	(3,986)	2,052	2,185
Capital expenditure	(5,619)	(11,739)	(34,136)	(53,363)	(24,772)	(35,484)	(2,675)	(2,675)
Investments/Goodwill	(252,717)	(53,863)	—	—	—	—	—	—
Other income	1,100	1,298	4,068	1,191	392	251	180	792
<b>Free cash flow</b>	<b>(219,792)</b>	<b>(58,824)</b>	<b>5,291</b>	<b>(58,276)</b>	<b>31,006</b>	<b>67,962</b>	<b>100,468</b>	<b>90,300</b>
<b>Key assumptions</b>								
Gross production ('000 boe/d)	91.0	75.4	69.7	93.0	160.8	235.7	234.8	225.2
Net production ('000 boe/d)	25.1	19.4	18.2	38.3	88.6	143.3	144.8	140.3
Dated Brent (US\$/bbl)	65.3	70.3	102.6	52.3	62.5	68.8	73.8	75.0
Discount of Rajasthan crude to Dated Brent (US\$/bbl)	2.1	5.3	14.7	8.0	8.0	8.0	8.0	8.0

Source: Kotak Institutional Equities estimates

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

Company	13-Mar-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Shares (mm)	EPS (Rs)	EPS growth (%)		PER (X)		EV/EBITDA (X)		Price/BV (X)		Dividend yield (%)		RoE (%)		Target price (Rs)	Upside (%)	ADVF- 3mo (US\$ mn)	
						2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E				2008
<b>Automobiles</b>																					
Bajaj Auto	520	REDUCE	75,250	1,462	59.3	62.1	67.9	4.7	9.3	8.8	8.4	7.7	6.2	6.2	5.3	4.7	3.8	3.1	3.8	3.8	3.8
Hero Honda	962	ADD	192,012	3,729	48.5	62.6	79.1	12.8	29.1	19.8	15.4	12.2	10.8	8.4	6.6	6.2	4.9	3.9	2.0	2.1	34.0
Mahindra & Mahindra	345	ADD	88,993	1,729	38.1	18.6	31.3	2.0	(51.2)	68.4	9.1	18.6	11.0	7.0	12.4	8.2	2.0	1.8	2.5	2.7	28.7
Maruti Suzuki	713	ADD	206,100	4,003	289	43.3	27.7	39.7	(0.6)	96.1	43.3	16.5	25.8	18.0	6.2	8.0	6.3	2.4	2.1	1.8	0.7
Tata Motors	162	SELL	89,976	1,748	36.5	18.5	19.0	(22.4)	(49.2)	2.7	4.4	8.7	8.5	3.7	8.5	6.5	1.0	0.5	0.6	6.4	24.7
<b>Automobiles</b>																					
<b>Cautious</b>																					
<b>Automobiles</b>																					
<b>Cautious</b>																					
<b>Banks/Financial Institutions</b>																					
Andhra Bank	42	ADD	20,564	399	11.9	12.4	10.8	7.0	4.9	(12.9)	3.6	3.4	3.9	—	—	0.7	0.6	0.6	9.4	7.3	6.4
Axis Bank	330	ADD	118,008	2,292	32.2	46.8	53.1	37.7	45.3	13.3	10.2	7.0	6.2	—	—	1.4	1.3	1.2	1.7	2.7	3.1
Bank of Baroda	204	ADD	74,476	1,447	36.6	39.0	50.5	30.8	32.4	(2.9)	5.2	3.9	4.0	—	—	0.9	0.7	0.7	3.9	5.2	5.0
Bank of India	194	ADD	102,106	1,983	40.6	54.1	49.9	76.6	33.1	(7.7)	4.8	3.6	3.9	—	—	1.3	1.0	0.9	2.1	2.9	2.7
Canara Bank	149	REDUCE	61,234	1,189	41.0	38.2	45.8	38.2	10.1	19.9	(16.6)	3.9	3.9	—	—	0.9	0.7	0.8	5.4	4.0	4.0
Corporation Bank	164	BUY	23,531	457	51.3	62.3	55.8	37.2	21.6	(10.4)	3.2	2.6	2.9	—	—	0.6	0.5	0.4	6.4	7.8	7.0
Federal Bank	120	BUY	20,490	398	17.1	34.4	31.7	31.6	0.5	(7.7)	(0.3)	3.5	3.8	3.8	—	—	0.5	0.5	0.4	3.3	4.9
Future Capital Holdings	96	BUY	6,076	118	63	(4.5)	4.5	28.8	(68.8)	(198.6)	546.1	(21.3)	21.6	3.3	—	—	0.8	0.8	0.6	—	—
HDFC	1,378	REDUCE	395,384	7,680	287	85.8	75.0	85.4	38.2	(12.6)	14.0	16.1	18.4	16.1	—	—	3.1	2.4	2.1	0.9	1.2
HDFC Bank	834	BUY	353,127	6,859	42.3	46.0	53.5	66.9	28.7	15.4	15.6	12.5	—	—	—	—	3.1	2.4	2.1	0.9	1.2
ICICI Bank	309	ADD	343,428	6,670	1,113	39.9	34.3	32.8	15.4	(14.0)	(4.5)	7.7	9.0	9.4	—	—	0.7	0.7	3.6	3.3	3.0
ICICI Prudential	46	ADD	59,344	1,153	1,294	5.7	6.0	6.3	3.0	5.3	5.9	8.1	7.7	7.2	—	—	1.1	1.0	0.9	2.6	2.3
India Infoline	45	ADD	12,818	249	287	5.6	4.9	4.3	85.6	(12.0)	(12.5)	8.0	9.1	10.4	—	—	1.1	1.0	1.0	2.7	6.3
India Infoline	69	BUY	29,805	579	43.0	22.5	27.4	28.0	33.9	21.4	2.4	3.1	2.5	2.5	—	—	0.7	0.6	0.5	4.3	5.0
Indian Overseas Bank	43	BUY	23,590	458	22.1	26.5	21.7	19.2	20.1	(18.1)	2.0	1.6	2.0	—	—	—	0.5	0.4	0.3	8.6	9.5
J&K Bank	221	ADD	10,697	208	48	74.2	82.7	72.3	31.2	11.4	(12.6)	3.0	2.7	3.1	—	—	0.5	0.5	7.0	7.8	6.8
LIC Housing Finance	204	BUY	17,305	336	85	45.5	58.1	58.5	38.7	27.6	4.0	4.5	3.5	3.5	—	—	0.9	0.8	0.7	4.9	6.3
Mahindra & Mahindra Financial	206	SELL	19,641	381	95	20.8	18.5	22.6	32.6	(11.2)	22.0	9.9	11.1	9.1	—	—	1.6	1.4	1.2	2.2	2.2
Oriental Bank of Commerce	103	ADD	25,781	501	25.1	23.9	36.5	27.3	(27.6)	52.7	(25.0)	4.3	2.8	3.8	—	—	0.5	0.4	0.4	4.6	7.1
PFC	137	ADD	157,531	3,060	1,148	11.4	12.2	15.8	2.4	7.3	29.7	12.1	13.1	8.7	—	—	1.6	1.4	1.3	2.6	2.8
Punjab National Bank	336	BUY	106,052	2,060	31.5	65.0	91.6	89.9	33.0	40.9	(1.8)	5.2	3.7	3.7	—	—	1.1	0.9	0.8	3.9	5.4
Shri Ram Transport	184	REDUCE	37,377	726	20.3	19.2	28.6	27.0	85.7	49.0	(5.6)	9.6	6.4	6.8	—	—	2.1	1.8	1.5	2.7	4.7
SREI	24	ADD	2,808	55	116	11.4	7.3	6.9	57.4	(56.2)	(5.7)	2.1	3.3	3.5	—	—	0.4	0.3	0.2	5.0	9.5
State Bank of India	953	BUY	601,823	11,689	63.1	106.6	135.3	125.5	23.5	27.0	(7.3)	8.9	7.0	7.6	—	—	1.4	1.2	1.2	2.3	2.3
Union Bank	126	BUY	63,569	1,235	50.5	27.5	34.6	33.3	64.0	25.0	(3.6)	4.6	3.6	3.8	—	—	0.9	0.7	0.6	3.2	4.1
<b>Banks/Financial Institutions</b>																					
<b>Attractive</b>																					
<b>Cement</b>																					
ACC	562	REDUCE	106,101	2,061	189	64.1	56.0	44.4	13.0	(12.5)	(20.8)	8.8	10.0	12.7	4.5	4.3	5.9	2.4	2.0	1.9	4.1
Ambuja Cements	69	REDUCE	105,044	2,040	1,522	7.6	7.6	5.8	(11.2)	0.2	(23.7)	9.1	9.1	11.9	4.6	4.9	5.7	2.1	1.7	1.6	
Grain Industries	1,498	ADD	137,370	2,668	92	284.6	221.6	171.9	32.6	(22.1)	(22.4)	5.3	6.8	8.7	3.5	4.1	4.5	1.5	1.3	1.1	
India Cements	102	ADD	28,680	557	282	24.5	22.7	19.8	na	(7.3)	(12.8)	4.2	4.5	5.1	3.8	3.5	3.6	0.8	0.8	0.7	
Shree Cement	613	BUY	21,348	415	35	90.2	129.9	72.5	99.5	44.0	(44.2)	6.8	7.5	8.5	2.8	2.8	3.5	3.3	2.0	1.7	
UltraTech Cement	471	ADD	58,997	1,146	125	81.4	71.4	62.3	28.5	(12.2)	(12.8)	5.8	6.6	7.6	4.0	4.5	4.5	1.8	1.4	1.2	
<b>Cement</b>																					
<b>Cautious</b>																					
<b>Consumer (Discretionary)</b>																					
Rudra Khaitan	57	REDUCE	5,815	113	2.0	2.1	2.6	3.3	(41.4)	15.0	26.3	25.3	22.0	17.4	10.4	10.6	9.1	2.3	2.1	1.9	
United Breweries	83	REDUCE	19,912	387	240	2.1	1.9	2.4	(2.1)	(11.4)	31.0	39.4	44.4	33.9	12.5	9.8	7.5	3.3	1.9	1.8	
United Spirits	635	BUY	59,821	1,162	94	28.9	32.7	48.0	(32.0)	13.2	46.9	22.0	19.4	13.2	10.5	10.2	8.7	2.6	2.6	1.9	
<b>Consumer (Discretionary)</b>																					
<b>Neutral</b>																					
<b>Consumer Products</b>																					
Asian Paints	727	REDUCE	69,686	1,354	96	39.3	35.7	44.3	40.4	(9.2)	24.3	18.5	20.4	16.4	11.1	12.1	9.4	7.3	6.3	5.3	
Colgate-Palmolive (India)	435	ADD	59,130	1,148	136	17.1	20.4	23.5	16.5	19.4	15.5	25.5	21.3	18.5	21.2	18.6	15.4	32.3	35.1	38.8	
GlaxoSmithKline Consumer (a)	600	ADD	25,235	490	42	38.7	44.8	50.4	26.9	15.8	12.6	15.5	13.4	11.9	7.9	7.2	6.2	3.8	3.2	2.8	
Godrej Consumer Products	120	ADD	31,037	603	258	1.1	6.7	8.7	18.7	(5.5)	31.2	17.1	18.0	13.7	14.8	16.0	11.2	17.5	4.7	4.1	
Hindustan Unilever	229	REDUCE	499,969	9,711	2,179	8.1	9.2	10.7	15.4	12.9	17.0	28.2	20.0	21.4	22.8	19.9	16.3	34.7	32.3	29.9	
ITC	165	ADD	623,140	12,103	3,769	8.3	8.7	9.8	15.4	4.6	12.8	20.0	19.1	16.9	12.7	11.7	10.4	4.9	4.4	3.9	
Jyothy Laboratories	500	ADD	3,911	76	73	6.5	7.2	10.6	(8.6)	10.2	47.3	8.2	7.5	5.1	4.7	4.1	2.7	1.2	1.0	0.9	
Nestle India (a)	1,500	ADD	144,633	2,809	96	44.5	56.4	68.1	31.3	26.8	27.0	33.7	26.6	22.0	20.3	16.8	14.1	28.0	21.5	16.7	
Tata Tea	546	BUY	33,783	656	62	54.2	60.1	67.7	17.1	8.7	15.9	22.5	20.7	17.8	14.8	13.7	11.6	7.0	6.1	5.4	
<b>Consumer products</b>																					
<b>Cautious</b>																					
<b>Consumer Products</b>																					
Consolidated Construction Co.	112	ADD	4,132	80	37	24.0	22.3	27.2	67.6	(7.4)	22.1	4.6	5.0	4.1	3.2	3.5	3.0	0.9	0.8	0.7	
IVRCL	114	BUY	15,376	299	135	15.5	14.9	16.1	27.2	(4.0)	8.0	7.3	7.6	7.0	6.9	6.2	5.2	1.0	0.8	0.8	
Nagarjuna Construction Co.	41	BUY	9,301	181	229	7.2	7.3	8.8	14.5	2.5	19.7	5.7	5.5	4.6	4.4	4.9	4.4	0.6	1.1	0.5	
Punj Lloyd	74	REDUCE	23,822	463	323	10.0	9.6	16.4	323.5	(4.0)	7.1	7.4	7.7	4.5	4.8	6.2	3.8	0.9	0.7	0.7	
Sadbhaw Engineering	264	BUY	3,458	67	13	40.5	46.2	57.6	68.2	13.9	24.8	6.5	5.7	4.6	5.0	3.9	3.4	1.2	1.0	0.8	
<b>Construction</b>																					
<b>Attractive</b>																					

Source: Company, Bloomberg, Kotak Institutional Equities estimates



Kotak Institutional Equities: Valuation Summary of Key Indian Companies

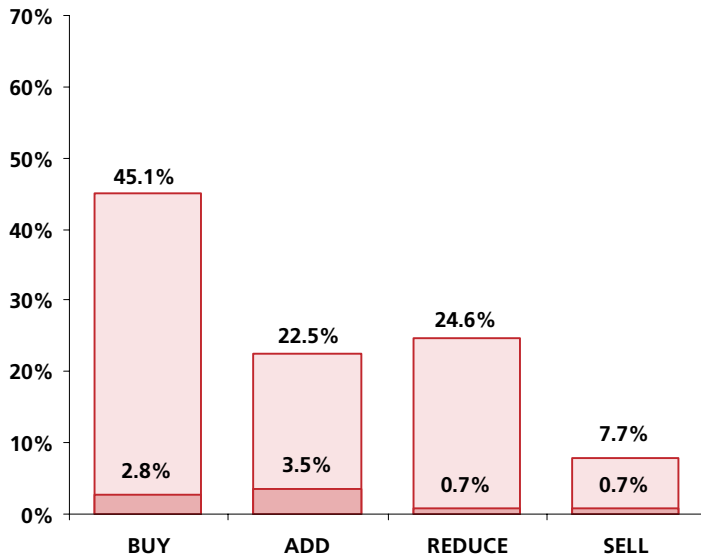
Company	13-Mar-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Shares (mn)	EPS (Rs)		EPS growth (%)		PER (X)		EV/EBITDA (X)		Price/BV (X)		Dividend yield (%)		RoE (%)		Target Price (Rs)	ADVF-3mo Upside (%)																				
					2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E			2010E																			
<b>Energy</b>																																								
Bharat Petroleum	345	SELL	113,115	2,197	328	41.3	0.0	42.0	(21.1)	(99.9)	NA	8.4	NA	8.2	4.0	7.3	4.3	0.9	0.9	0.8	1.3	—	5.4	11.8	0.0	10.2	425	232	5.6											
Cairn India	270	BUY	318,238	6,181	1,871	10.1	4.2	4.4	(105)	(3,628)	5.2	(142.7)	40	38.5	39.3	23.3	17.5	1.1	0.9	0.9	—	—	(0.1)	2.5	25	225	323	13.2												
Castrol India (a)	299	ADD	36,937	717	124	17.6	21.3	25.8	44.4	20.7	21.3	16.9	14.0	11.6	9.2	7.8	6.4	9.0	8.2	7.3	4.7	5.0	6.0	6.0	61.0	66.8	390	30.5	0.3											
GAIL (India)	210	ADD	266,633	5,179	1,268	20.4	23.3	19.7	21.0	14.2	(15.6)	10.3	9.0	10.7	5.0	4.8	5.9	1.9	1.6	1.5	3.2	3.5	3.2	18.1	18.3	13.8	240	14.2	8.9											
GSPL	36	BUY	20,486	398	563	1.8	1.4	2.4	10.1	(22.4)	68.6	20.2	26.0	15.4	7.0	7.4	4.9	1.7	1.6	1.4	1.4	1.1	1.8	8.8	6.2	9.7	45	23.6	1.6											
Hindustan Petroleum	242	SELL	81,973	1,592	339	33.3	(10.5)	30.2	(16.4)	(31.5)	(386.8)	7.2	(22.9)	8.0	6.8	7.4	4.5	0.7	0.7	0.6	1.2	—	5.0	9.6	(2.9)	7.6	300	24.1	7.4											
Indian Oil Corporation	403	REDUCE	474,912	9,224	1,179	61.3	24.3	46.8	31.0	(60.3)	92.1	6.6	16.5	8.6	4.1	8.0	4.4	1.1	1.0	0.9	1.4	—	4.5	17.4	6.2	10.3	525	30.4	39.4											
Oil & Natural Gas Corporation	706	BUY	1,510,910	29,347	2,139	92.7	103.9	103.9	91	12.0	0.0	7.6	6.8	6.8	2.7	2.4	2.1	1.5	1.3	1.2	4.5	4.8	5.1	19.6	19.5	17.2	900	27.4	29.4											
Petronet LNG	34	ADD	25,613	497	750	6.3	5.5	5.9	(12.6)	6.6	5.4	6.2	5.8	3.4	5.6	4.4	1.4	1.1	1.0	4.4	4.4	4.4	4.4	4.4	26.7	19.2	17.2	52	52.3	1.7										
Reliance Industries	1,284	ADD	1,763,275	34,248	1,373	105.0	101.0	127.8	25.5	(3.8)	26.5	12.2	12.7	10.0	8.2	7.6	4.8	2.0	1.6	1.3	0.9	1.1	1.2	19.0	14.7	16.0	1,500	168	179.7											
Reliance Petroleum	79	NA	353,250	6,861	4,500	(0.0)	9.0	na	na	na	na	na	na	na	na	na	na	2.6	2.6	2.2	—	2.5	—	(0.0)	27.0	(100.0)	28.2													
<b>Energy</b>		<b>Neutral</b>	<b>4,965,342</b>						<b>12.9</b>	<b>(7.0)</b>	<b>32.3</b>	<b>10.4</b>	<b>11.2</b>	<b>8.4</b>	<b>5.3</b>	<b>5.6</b>	<b>4.0</b>	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>	<b>2.1</b>	<b>2.1</b>	<b>3.1</b>	<b>14.9</b>	<b>11.9</b>	<b>14.2</b>														
<b>Industrials</b>																																								
ABB	356	SELL	75,386	1,464	212	23.2	25.8	23.6	44.5	11.3	(88.8)	15.3	13.8	15.1	8.6	8.0	8.2	4.6	3.6	3.0	0.6	0.7	0.8	34.8	29.4	21.6	325	(8.6)	4.4											
BGR Energy Systems	115	REDUCE	8,266	161	72	12.1	15.3	20.7	(67.4)	26.1	35.4	9.5	7.5	5.5	5.6	4.5	4.0	1.7	1.5	1.2	1.7	2.1	2.9	31.4	21.3	23.9	165	43.7	0.7											
Bharat Electronics	836	ADD	66,912	1,300	80	102.0	105.5	111.8	11.2	3.4	6.0	8.2	7.9	7.5	3.3	2.7	2.3	2.0	1.7	1.4	2.5	3.0	3.0	27.7	23.1	20.8	950	13.6	1.0											
Bharat Heavy Electricals	1,371	BUY	671,303	13,039	490	58.4	64.9	92.6	22.9	11.2	42.5	23.5	21.1	14.8	12.4	11.0	7.9	6.2	5.1	4.1	1.1	1.0	1.4	29.2	26.6	30.5	1,475	7.6	42.3											
Crompton Greaves	121	BUY	44,320	861	367	11.2	13.9	15.6	43.0	24.7	12.1	10.8	8.7	7.7	6.0	5.5	4.7	3.4	2.5	2.0	1.3	1.4	1.5	36.1	33.6	28.9	170	40.6	1.9											
Larsen & Toubro	615	REDUCE	364,629	7,082	593	37.9	48.2	51.6	20.8	27.1	7.0	16.2	12.8	11.9	11.5	8.7	7.9	3.1	2.3	1.9	1.4	1.6	1.8	22.7	20.6	17.6	650	5.7	51.5											
Maharashtra Seamless	119	BUY	8,390	163	71	29.4	37.4	37.9	(23.5)	27.6	1.2	4.1	3.2	3.1	2.3	1.9	1.8	0.7	0.6	0.5	4.2	4.7	4.8	19.7	21.1	18.0	215	80.7	0.4											
Siemens	211	REDUCE	71,124	1,381	337	18.2	14.2	15.7	60.4	(22.2)	10.5	11.6	14.9	13.5	6.2	6.1	6.7	3.9	3.1	2.7	1.1	1.7	2.1	39.9	23.1	21.3	220	4.3	4.7											
Suzlon Energy	35	REDUCE	54,216	1,053	1,567	6.6	7.0	4.5	9.5	6.6	(36.4)	5.3	4.9	7.8	3.7	6.3	7.0	0.6	0.5	0.5	2.8	1.4	1.4	16.3	11.3	6.4	60	73.4	36.5											
<b>Industrials</b>		<b>Cautious</b>	<b>1,364,546</b>						<b>25.3</b>	<b>13.0</b>	<b>13.4</b>	<b>15.6</b>	<b>13.8</b>	<b>12.2</b>	<b>8.9</b>	<b>8.0</b>	<b>7.1</b>	<b>3.3</b>	<b>2.7</b>	<b>2.2</b>	<b>1.3</b>	<b>1.3</b>	<b>1.6</b>	<b>21.1</b>	<b>19.2</b>	<b>18.3</b>														
<b>Infrastructure</b>																																								
IRB Infrastructure	83	ADD	27,569	535	332	3.4	6.6	13.9	150.9	92.3	111.2	24.2	12.6	6.0	9.9	8.7	4.6	1.7	1.5	1.1	—	—	—	10.7	12.4	21.4	130	56.7	0.6											
<b>Media</b>																																								
DISHTV	25	REDUCE	15,781	307	644	(9.6)	(7.4)	(4.1)	na	(23.1)	(44.2)	(2.5)	(3.3)	(5.9)	(9.2)	(12.0)	(57.3)	(3.5)	(2.4)	(7.4)	—	—	—	167.9	86.7	NA	22	(10.2)	2.4											
HT Media	43	BUY	10,108	196	234	4.3	3.1	4.8	4.7	(28.5)	53.7	10.0	13.9	9.1	5.2	6.4	4.2	1.2	1.1	1.0	0.9	0.9	1.9	12.2	8.2	11.8	115	166.5	0.1											
Jagran Prakashan	53	BUY	15,872	308	333	3.3	2.9	4.1	33.5	(9.7)	38.7	16.2	17.9	12.9	8.8	9.9	7.0	2.9	2.8	2.3	0.4	0.6	0.7	43.8	28.3	18.9	1,250	16.8	18.7											
Sun TV Network	181	SELL	33,921	659	187	86.1	8.7	45.7	16.1	(89.9)	423.3	2.1	20.7	4.0	4.4	6.9	5.5	0.4	0.3	0.3	7.7	1.1	1.1	20.7	10.2	7.9	185	2.0	4.6											
Zee Entertainment Enterprises	93	BUY	40,322	783	434	8.9	8.2	9.3	62.6	(7.5)	13.7	10.5	11.3	10.0	9.6	8.3	7.3	1.4	1.2	1.1	2.2	2.5	2.8	14.2	11.8	12.2	145	55.9	5.2											
Zee News	29	BUY	6,941	135	240	1.5	1.9	2.1	396.2	24.0	6.9	18.7	15.1	14.1	10.1	8.5	7.6	3.3	2.8	2.4	1.4	1.4	1.7	19.2	20.5	18.9	38	31.3	0.2											
<b>Media</b>		<b>Attractive</b>	<b>148,214</b>						<b>30.8</b>	<b>(17.1)</b>	<b>68.2</b>	<b>27.7</b>	<b>33.4</b>	<b>19.8</b>	<b>11.3</b>	<b>11.2</b>	<b>7.9</b>	<b>2.6</b>	<b>2.4</b>	<b>2.1</b>	<b>1.8</b>	<b>2.2</b>	<b>3.0</b>	<b>9.5</b>	<b>7.3</b>	<b>10.5</b>														
<b>Metals</b>																																								
Hindalco Industries	42	ADD	74,048	1,438	1,753	13.8	7.7	2.4	(10.0)	(44.4)	(69.2)	3.1	5.5	17.9	5.4	4.9	6.9	0.3	0.2	0.2	—	—	—	14.4	10.3	5.2	55	30.2	6.9											
National Aluminum Co.	220	SELL	141,555	2,749	644	25.3	19.7	10.3	(31.5)	(22.2)	(47.8)	8.7	11.2	21.4	3.8	5.3	6.7	1.5	1.3	1.3	2.7	1.6	0.9	18.3	12.7	6.2	135	(38.6)	1.9											
Jindal Steel and Power	1,070	BUY	164,716	3,199	154	10.8	9.2	4.8	123.0	(9.2)	(14.6)	10.5	11.6	13.6	8.7	7.8	8.5	3.9	2.8	2.3	0.4	0.6	0.7	43.8	28.3	18.9	1,250	16.8	18.7											
JSW Steel	371	BUY	156,548	3,041	423	104.0	63.8	64.0	(1.0)	(38.6)	0.2	3.6	5.8	5.8	1.5	2.3	2.0	1.3	1.1	0.9	1.3	2.0	2.7	43.6	20.0	17.0	490	32.3	2.8											
Hindustan Zinc	80	BUY	62,704	1,218	787	19.0	23.7	19.6	146.0	(24.8)	(17.0)	4.2	3.4	4.1	1.9	1.8	1.5	2.2	1.4	1.1	3.3	4.4	4.4	67.8	51.2	30.5	115	44.4	10.5											
Sesa Goa	284	BUY	200,929	3,903	708	64.3	49.1	40.5	(22.6)	(23.8)	(17.5)	4.4	5.8	7.0	3.6	5.4	6.9	0.8	0.8	0.7	—	—	—	26.1	14.0	10.6	365	28.7	19.2											
Steelite Industries	167	BUY	137,272	2,666	822	75.7	130.7	56.1	43.8	72.5	(57.1)	2.2	1.3	3.0	3.5	2.8	3.6	0.4	0.3	0.3	8.7	7.7	7.8	46.3	38.1	15.6	290	73.7												



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As of December 31, 2008

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