kotak® Institutional Equities

INDIA DAILY

May 20, 2009

Contents

Results

Grasim Industries: 4QFY09: Volume growth and margin expansion in cement as well as VSF yields earnings growth

Change in recommendations

Aban Offshore: Highest valuation for riskiest drilling company; SELL

Punj Lloyd: Confident management guides for continued strong revenue growth momentum

Updates

Oil & Natural Gas Corporation: Look no further if you expect reforms

Godrej Consumer Products: Tailwinds in soaps, increasing visibility for hair color

News Roundup

- Power ministry switches on divestment plan.On the agenda is the revival of an initial public offer (IPO) by NHPC, the hydro-power generator, that was called off in September last year owing to poor market conditions. (BS)
- Markets reported their highest turnover of Rs 157,891 crore. In the cash segment, the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) recorded turnovers of Rs 40,122 crore and Rs 11,781 crore, respectively. In the futures and options (F&O) segment, the NSE recorded the highest-ever turnover of Rs 105,986 crore. (BS)
- Prime Minister Manmohan Singh today managed the impossible feat of getting both the Samajwadi Party (SP) and the Bahujan Samaj Party (BSP) to offer unconditional support to the Congress-led United Progressive Alliance (UPA) government, which will be sworn in on Friday. (BS)
- Tata Steel has secured a Rs 2,000-crore loan from Life Insurance Corporation, which will help the world's fifth-largest steel producer make additional equity infusions into its UK subsidiary. (ET)
- Tech Mahindra is exploring option of restating accounts of Satyam for the past one year, instead of the preceding six years.(ET)
- Oil rose above $60 a barrel on Tuesday in Asia after investors took heart from signs the US recession is easing. (ET)
- Unitech Ltd, the country's second-biggest real estate developer, has announced the approval of a plan by its board to raise additional long-term funds by selling securities and issuing convertible warrants to its promoters.A source involved with the development said the promoters will invest as much as Rs 1,000 crore through subscription of the warrants, of which Rs 275 crore will be brought in by June. (BS)

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

EQUITY MARKETS

India	19-May	Change, % 1-day	1-mo	3-mo
Sensex	14,302	0.1	29.7	58.2
Nifty	4,318	(0.1)	27.6	54.8
Global/Regional indices				
Dow Jones	8,475	(0.3)	4.2	13.5
FTSE	4,482	0.8	12.3	15.3
Nikkie	9,337	0.5	4.6	25.9
Hang Seng	17,544	3.1	11.4	38.2
KOSPI	1,427	(0.1)	6.8	33.9

Value traded - India

	Moving avg, Rs bn			
	19-May		1-mo	3-mo
Cash (NSE+BSE)	517.3		215.0	158.8
Derivatives (NSE)	1,059.9		754.4	306
Deri. open interest	934.1		853	608

Forex/money market

	Change, basis points			
	19-May	1-day	1-mo	3-mo
Rs/US$	47.8	(11)	(254)	(186)
10yr govt bond, %	6.4	18	-	37

Commodity market

	Change, %			
	19-May	1-day	1-mo	3-mo
Gold (US$/OZ)	926.8	0.2	4.8	(6.7)
Silver (US$/OZ)	14.2	0.0	17.3	(1.8)
Crude (US$/BBL)	58.2	(0.2)	19.2	41.5

Net investment (US$mn)

	18-May		MTD	CYTD
FIIs	11		1,871	1,893
MFs	(0)		75	(48)

Top movers -3mo basis

	Change, %			
Best performers	19-May	1-day	1-mo	3-mo
Aban Offshore Limi	905	20.1	87.2	151.4
Reliance Capital Lim	912	21.9	74.1	146.1
Dlf Limited	381	17.9	65.3	145.8
Jaiprakash Associat	164	(2.0)	40.4	145.6
Jsw Steel Limited	479	(1.7)	47.2	143.2
Worst performers				
Housing Developme	286	25.4	121.6	268.9
Hindustan Unilever I	230	(4.2)	(3.6)	(7.9)
Hindustan Petroleur	281	(8.2)	4.9	(5.2)
Indian Oil Corporati	446	(11.1)	1.9	(1.7)
Satyam Computer S	45	(3.5)	(4.8)	(0.3)

Cement

GRAS.BO, Rs2284	
Rating	REDUCE
Sector coverage view	Cautious
Target Price (Rs)	1,900
52W High -Low (Rs)	2344 - 824
Market Cap (Rs bn)	209.4

Financials

March y/e	2009	2010E	2011E
Sales (Rs bn)	184.0	184.6	197.8
Net Profit (Rs bn)	21.9	21.6	21.9
EPS (Rs)	238.5	235.7	239.1
EPS gth	*(16.2)*	*(1.2)*	*1.4*
P/E (x)	9.6	9.7	9.6
EV/EBITDA (x)	5.5	5.0	4.7
Div yield (%)	1.5	1.5	1.5

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
43.2	69.7	154.7	(0.0)

Shareholding, March 2009

	Pattern	% of Portfolio	Over/(under) weight
Promoters	25.2	-	-
FIIs	33.9	1.2	0.7
MFs	4.8	0.8	0.2
UTI	-	-	(0.5)
LIC	12.6	1.5	0.9

Grasim Industries: 4QFY09—Volume growth and margin expansion in cement and VSF yields earnings growth

- **Improved demand environment and receding cost-side pressures improve profitability for the cement business**
- **VSF business surprises positively on volumes and negatively on realizations**
- **Retain REDUCE rating with a revised target price of Rs1,900/share**

Grasim Industries reported 5% yoy increase in standalone net revenues at Rs28.9 bn (our est. of Rs27.6 bn), 3% increase in EBITDA at Rs6.8 bn (our est. of Rs5.7 bn) and 13% yoy decline in net profits at Rs3.8 bn (our est. Rs3.3 bn). Improved sales volume for both cement (+13% yoy) and VSF (6% yoy) aided revenue growth. Improved realizations and receding cost-side pressures yielded 745 bps sequential expansion in margins for the cement business. We have increased our volume estimates in cement and VSF and average realizations in cement. We estimate EPS for FY2010E at Rs235 (Rs188 previously) and for FY2011E at Rs239 (Rs192 previously). We retain our REDUCE rating with a revised target price of Rs1,900/share (Rs1,500 previously). Our target price includes the value of investments in group companies, at Rs10 bn, which represents 5% of our estimated enterprise value.

Sum-of-the-parts value at Rs1,900/share. Our SOTP-based value for Grasim is Rs1,900/ share (Rs1,500/share previously). We value the cement business at 5X EV/EBITDA on FY2010E implying an EV/ton of US$104 on FY2010E production. We value the steady cash streams from VSF and allied chemicals business using DCF model. On comparative valuations on FY2010E, our assigned valuation implies 4.0X EV/EBITDA for chemicals business and 4.5X EV/EBITDA for the VSF business. We assign 20% group holding discount to the key investments of Grasim in our SOTP valuation. We have valued key investments of Grasim at Rs10.8 bn in our SOTP, accounting for ~5% of the enterprise value.

Cement—sustained growth momentum in North will drive earnings due to Grasim's concentrated capacity addition

The cement division reported a 22% yoy increase in revenues and 32% yoy increase in EBITDA as improved realizations added 220 bps yoy and 745 bps sequential expansion of margins. An improved demand environment in key markets supported volume growth in sale of grey cement (+13% yoy) and white cement (+13% yoy), though the continued slowdown in organized real estate resulted in a 9% yoy decline in RMC volumes.

We highlight that 75% (or 18 mn tpa) of Grasim's expanded cement capacity is concentrated in North and Central India, and hence, the sustainability of volume growth in these markets is the key driver for earnings.

Status of capacity additions

Shambhapura, Rajasthan (4.4. mn tpa): Grinding facility partially commissioned, balance integrated grinding unit and split-grinding unit at Aligarh likely to be commissioned by 1QFY10E.

- **Kotputli, Rajasthan (4.5 mn tpa)**: Clinker unit commissioned in 4QFY09, grinding unit likely to be commissioned by 1HFY10E.
- **Thermal power plants**: 121 MW of captive power plants commissioned in FY2009, and another 23 MW CPP commissioned at Kotputli commissioned in April 2009.

VSF—margins recover as expected, low confidence in revival of demand

VSF business reported EBITDA margins of 17% in 4QFY09, in line with our expectation of recovery from the cyclic low of 11% achieved in 3QFY09. However, margins continue to be substantially lower than the historical average of 30% and 27% reported in 4QFY08. VSF revenues declined by 11% yoy to Rs6.3 bn due to a 19% yoy and 10% qoq decline in VSF realizations. We note Grasim had increased VSF prices by Rs3-4/kg in March/April. Demand for VSF has improved during 4QFY09 (+6% yoy and +21% qoq), though management appeared less confident of demand sustaining at the current levels and attributed the growth to restocking undertaken by the trade.

We now assume flat volumes, up from our earlier assumption of a 9% decline, and project a slight improvement in margins due to price increases and lower prices of rayon grade wood pulp.

Sale of sponge iron unit likely to be completed in 1QFY10

Grasim will receive Rs10.3 bn for the sponge iron unit it has sold to Welspun Power and Steel Limited. The High Court of Madhya Pradesh has approved the transfer of the sponge iron unit on April 29, 2009 and the sale transaction is expected to be completed in 1QFY10. The sponge iron unit incurred EBITDA loss during 4QFY09 due to (1) lower production on account maintenance shutdowns and (2) lower realizations due to sluggish demand as well as lower scrap prices. We maintain that the divestment of the sponge iron is a positive for Grasim as the transaction price gives a reasonable value to the sponge iron business and it will allow management to focus on core businesses.

Quarterly results for Grasim Industries (unconsolidated), March fiscal year-ends (Rs mn)

	4QFY09	4QFY09E	4QFY08	3QFY09	4QFY09E	4QFY08	3QFY09	2009	2008	*(% Chg.)*
Net sales	**28,870**	**27,578**	**27,424**	**26,536**	**5**	**5**	**9**	**108,040**	**102,151**	***5.8***
Total expenditure	(22,070)	(21,850)	(20,800)	(21,540)				(83,075)	(72,420)	
EBITDA	**6,800**	**5,728**	**6,623**	**4,995**	**19**	**3**	**36**	**24,965**	**29,730**	***(16.0)***
EBITDA (%)	23.6	20.8	24.2	18.8				23.1	29.1	
Other income	738	851	1,187	806				3,504	3,778	
Interest	(385)	(495)	(272)	(444)				(1,421)	(1,070)	
Depreciation	(1,253)	(1,214)	(942)	(1,198)				(4,570)	(3,533)	
Pre-tax profits	**5,900**	**4,869**	**6,597**	**4,159**				**22,478**	**28,906**	
Tax	(964)	(530)	(2,877)	(410)				(3,424)	(9,527)	
Deferred taxes	(1,088)	(1,032)	695	(454)				(2,575)	(96)	
Net income	**3,847**	**3,307**	**4,414**	**3,296**	**16**	**(13)**	**17**	**16,479**	**19,283**	***(14.5)***

Source: Company reports, Kotak Institutional Equities

Division-wise breakup of Grasim's interim results

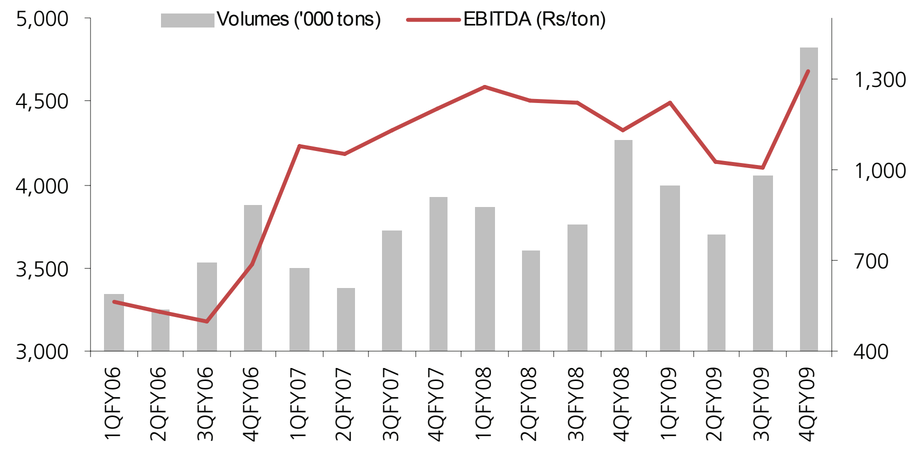
Rs mn

	4QFY09	4QFY08	3QFY09	Change (%) y-o-y	Change (%) q-o-q	Proportion (%) 4QFY09	Proportion (%) 4QFY08	Proportion (%) 3QFY09
Revenue								
Viscose Staple Fibre	6,341	7,149	5,639	*(11.3)*	*12.4*	22.0	26.1	21.3
Cement	20,511	16,781	17,249	*22.2*	*18.9*	71.0	61.2	65.0
Sponge Iron	1,573	2,752	2,978	*(42.8)*	*(47.2)*	5.4	10.0	11.2
Textiles	120	140	140	*(14.7)*	*(14.7)*	0.4	0.5	0.5
Chemicals	1,229	1,004	1,277	*22.4*	*(3.8)*	4.3	3.7	4.8
Total	**28,870**	**27,424**	**26,536**	***5.3***	***8.8***			
Other income	738	1,187	806	*(37.8)*	*(8.3)*			
EBITDA						**EBITDA margin (%)**		
Viscose Staple Fibre	1,097	1,911	635	*(42.6)*	*72.8*	17.3	26.7	11.3
Cement	6,375	4,833	4,076	*31.9*	*56.4*	31.1	28.8	23.6
Sponge Iron	(178)	458	465	*(138.9)*	*(138.3)*	(11.3)	16.6	15.6
Textiles	-	-	(4)			-	-	(2.6)
Chemicals	281	245	333	*14.7*	*(15.6)*	22.9	24.4	26.1
Total	**7,538**	**7,811**	**5,801**	***(3.5)***	***29.9***	**26.1**	**28.5**	**21.9**
Interest	(385)	(272)	(444)	*41.6*	*(13.3)*			
Depreciation	(1253)	(942)	(1198)	*33.0*	*4.7*			
PBT	5900	6597	4159	***(10.6)***	***41.8***			
Tax	(2053)	(2182)	(864)					
PAT	**3,847**	**4,414**	**3,296**	***(12.8)***	***16.7***			
Sales volumes (tons)								
Viscose staple fibre	65,409	61,650	53,758	*6.1*	*21.7*			
Cement ('000 tons)	4,820	4,270	4,050	*12.9*	*19.0*			
Sponge iron	98,826	140,317	115,410	*(29.6)*	*(14.4)*			
Chemicals	51,930	44,872	54,688	*15.7*	*(5.0)*			
Per unit realization (Rs/ton)								
Viscose staple fibre	86,734	107,428	96,611	*(19.3)*	*(10.2)*			
Cement	3,448	3,267	3,399	*5.5*	*1.4*			
Sponge iron	15,382	17,869	23,704	*(13.9)*	*(35.1)*			
Chemicals	20,859	19,042	20,486	*9.5*	*1.8*			

Source: Company reports, Kotak Institutional Equities

Profitability of cement business improved sharply in 4QFY09

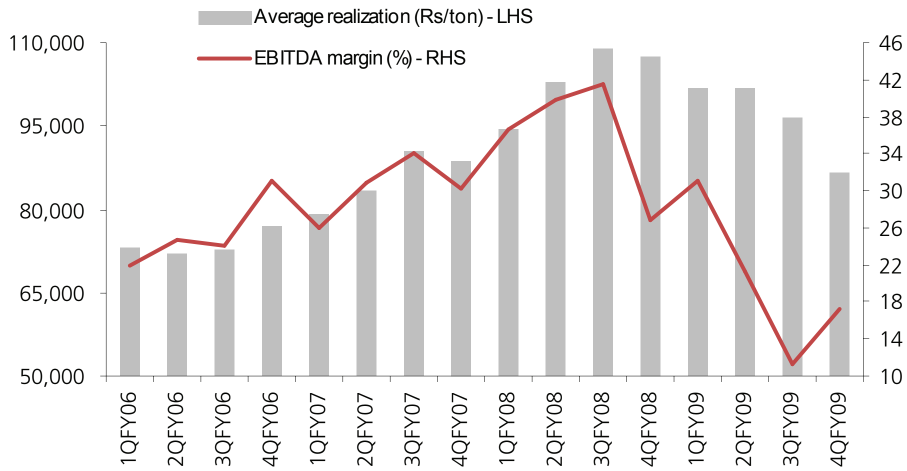
Cement business - volumes ('000 tons) and profitability (EBITDA-Rs/ton)



Source: Company data

VSF margins recovered from historic-low achieved in 3QFY09

VSF business - realizations and margins



Source: Company data

Change in estimates for Grasim Industries (Rs mn)

	Revenues			EBITDA			Net profit		
	Old	New	% Chg.	Old	New	% Chg.	Old	New	% Chg.
2008	169,739	169,739	0.0	54,220	54,220	0.0	26,091	26,091	0.0
2009	172,751	184,039	6.5	45,538	47,828	5.0	20,692	21,867	5.7
2010E	173,614	184,611	6.3	40,917	49,302	20.5	17,282	21,613	25.1
2011E	186,403	197,821	6.1	39,696	47,482	19.6	17,664	21,920	24.1

Source: Kotak Institutional Equities estimates

SOTP valuation of Grasim

(Rs mn)	Value (Rs mn)	
Cement	160,778	5X EV/EBITDA
VSF	21,702	DCF value implying an EV/EBITDA of 4.6X on FY2010E
Others (Chemicals)	6,213	DCF value implying an EV/EBITDA of 4.0X on FY2010E
Value of key investments	10,062	20% discount to current market price
Enterprise value (Rs mn)	**198,756**	
Gross debt	60,134	
- Cash	(36,141)	
Net debt	23,993	
Equity value (Rs mn)	**174,763**	
Number of shares o/s (mn)	91.7	
Implied share price (Rs)	**1,906**	
Target price (Rs)	**1,900**	

Source: Company data, Kotak Institutional Equities estimates

Profit model, balance sheet, cash model of Grasim Industries (Consolidated), March fiscal year-ends, 2006-11E (Rs mn)

	2006	2007	2008	2009E	2010E	2011E
Profit model (Rs mn)						
Net sales	102,003	140,952	169,739	184,039	184,611	197,821
EBITDA	**21,146**	**39,723**	**49,598**	**43,296**	**45,233**	**43,701**
Other income	1,712	3,177	4,623	4,532	4,068	3,782
Interest	(2,123)	(2,286)	(2,221)	(3,105)	(3,664)	(2,801)
Depreciation	(5,598)	(6,100)	(6,703)	(8,658)	(9,887)	(9,998)
Pretax profits	15,137	34,515	45,296	36,066	35,750	34,683
Minority interest	(1,132)	(3,919)	(4,548)	(4,286)	(4,148)	(2,903)
Tax	(4,114)	(10,921)	(14,658)	(9,914)	(9,989)	(9,861)
Net profits	**10,386**	**19,675**	**28,914**	**21,867**	**21,613**	**21,920**
Extraordinary items	495	—	2,824	—	—	—
Earnings per share (Rs)	**108**	**215**	**285**	**238**	**236**	**239**
Balance sheet (Rs mn)						
Total equity	48,376	66,399	91,438	109,872	128,052	146,431
Total borrowings	41,968	57,318	68,531	78,147	60,134	54,557
Currrent liabilities	19,663	24,632	36,783	38,279	37,499	39,350
Total liabilities and equity	**110,007**	**148,348**	**196,751**	**226,298**	**225,685**	**240,339**
Cash	2,374	3,692	2,903	6,781	10,026	24,512
Current assets	23,812	29,524	39,681	45,462	47,572	49,802
Total fixed assets	64,156	84,721	129,223	153,518	148,872	147,976
Investments	13,557	22,719	16,607	16,607	16,607	16,607
Deferred Expenditure	6,109	7,691	8,337	3,930	2,608	1,443
Total assets	**110,007**	**148,348**	**196,751**	**226,298**	**225,685**	**240,339**
Free cash flow (Rs mn)						
Operating cash flow, excl. working capital	17,339	31,262	38,559	41,862	40,802	38,861
Working capital	949	(744)	1,994	(4,284)	(2,889)	(379)
Capital expenditure	(6,151)	(25,530)	(47,774)	(32,953)	(5,241)	(9,101)
Investments	4,163	(3,258)	4,183	1,340	—	—
Free cash flow	**16,300**	**1,730**	**(3,038)**	**5,964**	**32,671**	**29,381**

Source: Kotak Institutional Equities estimates.

Others

ABAN.BO, Rs905	
Rating	SELL
Sector coverage view	0
Target Price (Rs)	300
52W High -Low (Rs)	4292 - 221
Market Cap (Rs bn)	34.3

Financials

March y/e	2009	2010E	2011E
Sales (Rs bn)	31.8	34.9	40.9
Net Profit (Rs bn)	5.5	5.9	10.8
EPS (Rs)	87.8	148.2	277.7
EPS gth	*21.5*	*68.8*	*87.4*
P/E (x)	10.3	6.1	3.3
EV/EBITDA (x)	9.0	7.1	5.6
Div yield (%)	0.4	0.6	0.6

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
87.2	151.4	21.2	(76.5)

Shareholding, March 2009

	Pattern	% of Portfolio	Over/(under) weight
Promoters	60.8	-	-
FIIs	3.2	0.0	(0.0)
MFs	7.2	0.1	0.1
UTI	-	-	(0.1)
LIC	-	-	(0.1)

Aban Offshore: Highest valuation for riskiest drilling company; SELL

- **Aban is the most expensive offshore drilling stock with the most risky balance sheet**
- **We do not see any major improvement in global rig demand to justify the 95% run-up in past five days**
- **Downgrade to SELL on expensive valuations as risks of low rig demand and large debt persist**

Aban's stock has run-up 95% in the past five trading sessions, making it the most expensive offshore drilling stock. We do not see any major improvement in the global rig demand scenario to justify this sharp run-up. The stock is currently trading at 7.2X FY2010E EBITDA, significantly above its global peers which are trading at an average of 4.6X CY2009E EBITDA. We highlight that Aban's balance sheet is also the most highly levered at 11.7X net debt-to-equity while the other players are almost debt free. We believe the higher valuation for the Aban as compared to its peers is unjustified considering the two main risks - (1) highly levered balance sheet and (2) large number of rigs remaining idle. We downgrade to SELL with a DCF-based target price of Rs300.

Valuations expensive

We find Aban's valuations at 7.2X FY2010E EBITDA significantly expensive to its global peers who are trading at 4.6X CY2009E EBITDA (see Exhibit 1). We believe the stock should not be compared on a P/E basis since the capital structure of the various companies is significantly different. Aban is funded mainly through debt while the other companies are largely debt free. Considering the high leverage (net debt-to-equity at 11.7X and net debt-to-EBITDA at 5.5X), Aban should be trading at a discount to global peers, in our view. We downgrade our rating to SELL with a DCF-based target price of Rs300. Our target price implies 6.1X FY2010E EBITDA.

Little has changed in global rig scenario; run-up linked to news flow

Little has changed in the global rig scenario over the past five days to justify the sharp run-up in the stock price. Exhibit 2 shows that most global stocks have remained flat, thus indicating an unchanged business scenario. We believe the news flow driving the stock performance includes:-

- **Expectations of debt being re-financed.** Investors appear to expect Aban to refinance its near-term debt repayment obligations–which has allayed concerns of a possible bankruptcy. Even if the debt is refinanced, we believe it will continue to remain on the balance sheet, thus not impacting valuations in any way.
- **Cancellation of jackup contract for Great Offshore.** ONGC has reportedly cancelled a five-year contract for an under construction jackup rig of Great Offshore. It is premature to assume Aban will be awarded this—ONGC may go in for a fresh tender in which case Aban will have to compete with other global players. ONGC may also chose to sublet an already contracted rig, which takes the contract off the table entirely. Further, the contract with Great Offshore was at a day rate of near US$150,000—any new contract will be at a significant discount to that.

Concerns of high debt and idle assets still remain strong

We believe the key risks for Aban—(1) large debt of US$3.2 bn and (2) eight idle jackup rigs still continue to remain strong, thus not justifying a positive view on the stock. We believe Aban will need significant refinancing to meet its debt repayment obligations (see Exhibit 4). Further, with many of its rigs idle, operating cash flows will also be suppressed, making debt servicing more difficult. We currently assume day rates of US$122,000 in FY2011E, however, we do not rule out further downside risk to the same if demand fails to improve and a large number of global rigs continue to remain idle.

Exhibit 1: Aban is trading at significant premium to global oil drilling companies

Comparative valuation of drilling services companies

	20-May-09			Mkt Cap.	EV/EBITDA (X)			PER (X)			P/B	Net debt/	
Company	Price (local)	Currency	Year-end	(US$ mn)	LFY	FY1	FY2	LFY	FY1	FY2	(X)	Equity (X)	Mkt cap. (X)
Aban Offshore	907.5	INR	Mar	702	9.0	7.2	5.7	10.4	6.1	3.3	3.2	11.7	3.7
China Oilfield Services-H	8.0	HKD	Dec	8,792	16.0	11.2	9.8	11.5	10.5	9.2	0.6	1.2	0.3
Atwood Oceanics	23.3	USD	Sep	1,497	5.7	5.0	4.3	6.9	6.7	5.6	1.5	0.1	0.1
Diamond Offshore	76.1	USD	Dec	10,577	4.6	4.5	4.7	8.1	7.4	8.0	3.1	(0.1)	(0.0)
Ensco International	32.8	USD	Dec	4,648	2.5	3.2	3.8	4.0	5.5	7.2	0.9	(0.1)	(0.1)
Noble Corp.	29.4	USD	Dec	7,678	3.5	3.2	3.6	5.0	4.7	5.4	1.4	0.0	0.0
Pride International	21.4	USD	Dec	3,720	3.6	5.0	5.2	5.5	8.5	9.8	0.8	0.0	0.0
Transocean	70.7	USD	Dec	22,684	5.3	5.0	5.1	5.4	5.5	5.8	1.3	0.6	0.5
Hercules	4.1	USD	Dec	344	3.0	6.5	6.0	NM	NM	NM	0.4	0.9	2.5

Source: Bloomberg, Kotak Institutional Equities estimates for Aban Offshore

Exhibit 2: Aban's stock has risen 95% in last 5 trading days

Comparative share price performance of global rig companies versus crude oil (%)

	5D	1M	3M	6M	1 Yr	2 Yr	3 Yr
Brent Crude	**0**	**11**	**40**	**19**	**(53)**	**(16)**	**(15)**
Aban Offshore	95	90	138	16	(77)	(5)	113
Noble Corp	(1)	7	18	18	(56)	(22)	(8)
Diamond Offshore Drilling	(1)	6	24	15	(42)	(11)	35
Ensco International Inc.	0	2	30	10	(56)	(30)	(14)
Atwood Oceanics Inc.	(5)	3	45	25	(57)	(54)	(29)
Pride International Inc.	(3)	(8)	23	58	(54)	(32)	(19)
Transocean Inc.	(4)	3	19	6	(56)	(18)	17
China Oilfield	2	24	27	131	(50)	107	185
Hercules	(13)	38	108	(7)	(88)	8	48

Source: Bloomberg

Exhibit 3: Large number of Aban's jack ups are currently idle

Contract status of Aban's rigs upto FY2012

Aban India	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12	4QFY12
Aban-II												
Aban-III												
Aban-IV												
Aban-V												
Aban-VI												
FPU Tahara												
Drillship Frontier Ice												
Aban Singapore												
Aban-VII												
Aban-VIII												
Aban Abraham												
Aban Pearl												
Sinvest												
Deep Driller 1												
Deep Driller 2												
Deep Driller 3												
Deep Driller 4												
Deep Driller 5												
Deep Driller 6												
Deep Driller 7												
Deep Driller 8												
Deep Venture												

Note:

(1) Rigs marked in red are currently idle.

(2) Rigs marked in blue are contracted; however, yet to be deployed

Source: Company, Kotak Institutional Equities

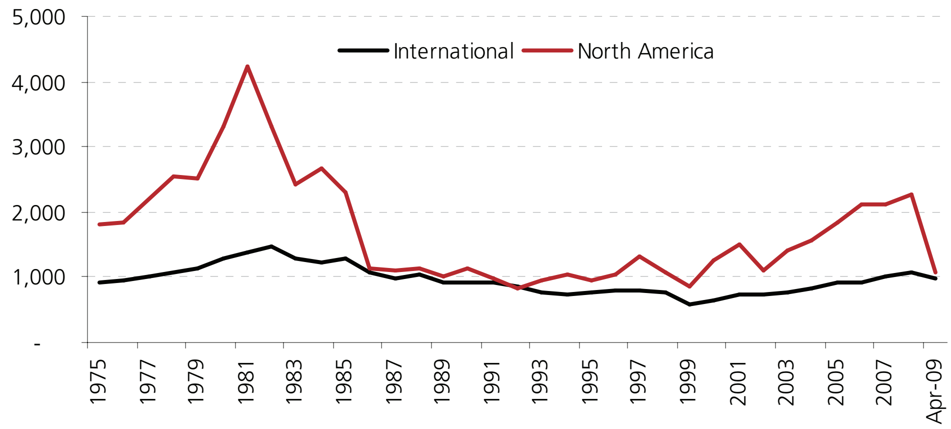
Exhibit 4: Aban will need to refinance its debt to meet its repayment obligations

Debt repayment schedule, and refinance required for Aban March fiscal year-ends, 2010-15E (Rs mn)

	2010E	2011E	2012E	2013E	2014E	2015E
Loan repayments						
Sinvest bonds and loans	12,348	5,127	16,728	4,000	200	9,600
Convertible notes	—	—	—	—	7,105	—
FCCB	—	—	2,184	—	—	—
Term loans	11,238	11,238	11,238	11,238	11,238	11,508
Preference shares	—	—	2,010	650	600	—
Total repayments (A)	**23,586**	**16,364**	**32,159**	**15,888**	**19,143**	**21,108**
Cash flows						
Operating cash flow	12,251	14,079	15,447	14,123	13,422	12,887
Capex	(1,074)	(805)	(834)	(788)	(918)	(947)
Available cash flows (B)	**11,178**	**13,274**	**14,612**	**13,335**	**12,504**	**11,941**
Refinance required (A-B)	**12,409**	**3,090**	**17,547**	**2,553**	**6,639**	**9,168**

Source: Company, Kotak Institutional Equities estimates

Exhibit 5: We expect the decline in rig count to continue in the near term
Total rig count (offshore+onshore), 1975-2009



Source: Baker Hughes

Exhibit 6: We expect further decline in the international rig count
International offshore rig count, 1982-2009

Source: Baker Hughes

Exhibit 7: Profit model, balance sheet, cash model (consolidated) for Aban Offshore, March fiscal year-ends, 2006-2011E (Rs mn)

	2006	2007	2008	2009E	2010E	2011E
Profit model						
Total income	4,902	7,187	20,211	31,835	34,939	40,882
EBITDA	**2,847**	**3,842**	**12,691**	**17,638**	**20,559**	**23,571**
Interest (expense)/income	(456)	(2,836)	(6,533)	(7,920)	(8,786)	(7,572)
Depreciation	(1,014)	(1,266)	(2,549)	(4,570)	(6,150)	(5,357)
Other income	125	662	733	664	772	891
Pretax profits	**1,502**	**403**	**4,342**	**5,813**	**6,395**	**11,534**
Extra ordinary items	—	—	(2,536)	1,282	—	—
Reported PBT	**1,502**	**403**	**1,807**	**7,094**	**6,395**	**11,534**
Tax	(587)	(665)	(1,514)	(2,754)	(1,907)	(2,261)
Deferred taxation	(91)	(81)	84	102	68	27
Profit after tax	**823**	**(344)**	**377**	**4,442**	**4,556**	**9,299**
Joint venture/ minority	—	204	853	1,106	1,324	1,475
Reported consolidated net profit	**823**	**(140)**	**1,230**	**5,548**	**5,880**	**10,775**
Adjusted net profit	**823**	**(140)**	**2,954**	**3,591**	**5,880**	**10,775**
Diluted earnings per share (Rs)	**19.8**	**(7.5)**	**71.1**	**87.6**	**147.9**	**277.1**
Balance sheet						
Total equity	2,804	2,248	5,063	10,115	15,448	25,675
Preference capital	1,500	3,060	3,060	3,260	3,260	3,260
Deferred taxation liability	656	737	654	552	483	457
Total borrowings	11,098	108,525	130,434	140,830	122,945	109,756
Current liabilities	1,105	6,949	7,517	9,062	8,676	9,658
Total liabilities and equity	**17,163**	**121,520**	**146,727**	**163,819**	**150,812**	**148,806**
Cash	135	13,264	6,453	15,927	11,056	11,957
Other current assets	1,369	5,926	7,637	11,727	9,668	11,313
Goodwill	126	48,063	44,289	44,289	44,289	44,289
Tangible fixed assets	15,340	49,584	81,958	87,013	81,936	77,384
Investments	192	4,683	6,391	4,862	3,862	3,862
Total assets	**17,163**	**121,520**	**146,727**	**163,819**	**150,812**	**148,806**
Free cash flow						
Operating cash flow, excl. working capital	1,866	2,111	3,146	8,656	10,630	14,741
Working capital changes	211	(198)	(1,654)	(2,577)	1,621	(662)
Capital expenditure	(8,404)	(35,697)	(32,638)	(9,625)	(1,074)	(805)
Investment changes	84	(52,157)	(386)	1,528	1,000	—
Other income	65	119	458	1,359	1,332	1,364
Free cash flow	**(6,177)**	**(85,822)**	**(31,074)**	**(658)**	**13,509**	**14,638**
Ratios (%)						
EBITDA margin	58.1	53.5	62.8	55.4	58.8	57.7
Debt/equity	364	3,737	2,335	1,351	792	432
Net debt/equity	359	3,244	2,143	1,173	710	379
RoAE	23.8	(4.7)	51.7	33.7	36.9	41.2
RoACE	**8.3**	**(3.8)**	**3.4**	**5.8**	**8.2**	**12.0**

Source: Company data, Kotak Institutional Equities estimates

Exhibit 8: Aban Offshore, Fleet details

	Contract period		Day rates			
Name	Start date	End date	Currency	Amount	Status	Comments
Fleet- Aban Offshore Ltd						
Aban-II	26-May-07	25-May-10	INR	3,680,000	Operational	
Aban-III	1-Mar-08	28-Feb-11	USD	156,600	Operational	
Aban-IV	30-Dec-07	29-Dec-10	USD	156,600	Operational	
Aban-V	1-Mar-08	28-Feb-11	USD	156,600	Operational	
Aban-VI	1-Jan-08	1-Jan-14	EUR	62,450	Operational	Current dayrate for first 3 yrs, next 3 yrs to be decided over the course of contract
FPU Tahara	27-Jul-07	27-Jul-09	USD	87,500	Operational	
Drillship Frontier Ice	1-May-09	30-Apr-12	INR	6,200,000	Under repairs	
Fleet- Aban Singapore Pte Ltd						
Aban-VII					Non-operational	Idle since April 2008
Aban-VIII	1-Jun-08	30-May-12	USD	199,500	Operational	
Aban Abraham					Operational	
Aban Pearl	1-Nov-08	30-Oct-13	USD	286,000	Non-operational	Awaiting client approval for mobilisation to site
Fleet- Sinvest						
Murmanskaya					Non-operational	Idle since June 2008
Deep Driller 1					Non-operational	
Deep Driller 2	1-Aug-08	31-May-09	USD	185,500	Operational	
Deep Driller 3	15-Oct-08	30-Oct-12	USD	172,000	Operational	
Deep Driller 4	22-Oct-07	31-May-09	USD	197,000	Operational	6 months extension option
Deep Driller 5					Non-operational	
Deep Driller 6					Non-operational	Idle since October 2008
Deep Driller 7					Non-operational	Idle since January 2009
Deep Driller 8	1-May-09	31-Aug-09	USD	200,000	Operational	
Deep Venture	30-Jun-07	31-Jul-09	USD	450,000	Operational	18 month contract with Maersk Oil Angola at US$495,000 / day to begin from July 2009 after completion of current contract

Source: Company, Kotak Institutioanl Equities

Energy

ONGC.BO, Rs996	
Rating	ADD
Sector coverage view	Neutral
Target Price (Rs)	900
52W High -Low (Rs)	1140 - 538
Market Cap (Rs bn)	2,130

Financials

March y/e	2009	2010E	2011E
Sales (Rs bn)	1,249	1,088	1,202
Net Profit (Rs bn)	219.5	202.4	268.4
EPS (Rs)	102.6	94.6	125.5
EPS gth	*10.7*	*(7.8)*	*32.7*
P/E (x)	9.7	10.5	7.9
EV/EBITDA (x)	3.7	3.6	2.8
Div yield (%)	3.4	3.6	4.8

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
15.2	48.0	52.9	6.3

Shareholding, March 2009

	Pattern	% of Portfolio	Over/(under) weight
Promoters	74.1	-	-
FIIs	5.4	2.2	(4.0)
MFs	1.7	3.2	(3.0)
UTI	-	-	(6.3)
LIC	2.6	3.5	(2.7)

Oil & Natural Gas Corporation: Look no further if you expect reforms

- **ONGC to benefit from reduction in subsidy loss from deregulation (if any) of auto fuel prices**
- **Gas price increase (if any) could add Rs15 to ONGC's EPS**
- **Strenghtening rupee and likely weakness in crude price could impact near-term stock performance**

We expect ONGC to benefit from deregulation of prices of petroleum products and natural gas. We compute ONGC's FY2010E (consolidated) EPS to increase to Rs105 from Rs95 assuming (1) lower subsidy from deregulation of auto fuel prices (+ve impact), (2) higher gas prices (+ve impact) and (3) stronger rupee (-ve impact). However, we remain skeptical about the smooth and quick implementation of the reforms given that historical experience has not been very encouraging. We do not rule out near-term weakness in the stock due to (1) a sharp increase in stock price over the past two days (+22%), (2) likely sharing of higher subsidy burden for 4QFY09, (3) strengthening of rupee and (4) likely weakness in crude prices from current levels. We maintain our 12-month target price for ONGC to Rs900 based on 8X normalized FCF. Key downside risk to both stocks stem from weaker-than-expected net realized crude price.

ONGC could be a big beneficiary of reforms in the sector. We expect ONGC to likely benefit from (1) lower subsidy from deregulation of auto fuel prices (+ve impact) and (2) higher gas prices (+ve impact). The net impact of the above reforms will add Rs10/share to ONGC's EPS. Exhibit 1 gives our computation of ONGC's FY2010E EPS under the following assumptions:

1) **Lower subsidy burden from deregulation of auto fuels.** We expect ONGC to bear subsidy burden for losses on LPG and kerosene only after deregulation of auto fuel prices. We do not expect the government to deregulate prices of LPG and kerosene in the near term given social and political compulsions. We compute ONGC's share in subsidy losses on LPG and kerosene to be Rs80 bn versus our current assumption of subsidy burden of Rs100 bn for FY2010E. The lower subsidy burden will have a positive impact of Rs6/share.

2) **ONGC to be a big beneficiary of gas price increase.** We expect an increase in gas prices for ONGC will increase earnings and improve sentiment for the stock. We assume a long-term delivered price of gas price of US$4.75/mn BTU versus average realization of US$2.4/mn BTU for FY2008 to compute an impact of Rs15/share on ONGC's EPS (see Exhibit 2).

3) **Stronger rupee to have negative impact.** We compute an impact of Rs10/share assuming stronger rupee at Rs48/US$ versus our current assumption of Rs50.8/US$. We highlight that ONGC has high sensitivity to changes in exchange rate assumptions. A Rs1/US$ change will impact ONGC's earnings by about 4% (Exhibit 3). However, the negative impact of a stronger rupee on ONGC will be partly mitigated through a potential decrease in the amount of subsidy loss. A stronger rupee will also result in lower crude prices and in turn, lower under-recoveries incurred by R&M companies. We have factored the same in computing the subsidy burden on ONGC after deregulation of auto fuel prices.

We expect ONGC to benefit from deregulation of auto fuel and natural gas prices

ONGC's FY2010E EPS under deregulation of prices of auto fuels, higher gas prices and stronger rupee (Rs)

Base-case FY2010E EPS	95
Upside from lower subsidy burden due to deregulation of auto fuels	6
Upside from higher gas prices	15
Downside from stronger rupee (Rs48/US$)	(10)
FY2010E EPS	**105**

Source: Kotak Institutional Equities estimates

ONGC should be a big beneficiary of gas price increase in India

Impact of gas price increaese on ONGC's earnings (%)

Gas sales in FY2008 (bcm)	20.4
Average gas price in FY2008 (Rs/cu meter)	3.6
Average gas price in FY2008 (US$/mn BTU)	2.4
Long-term delivered price of gas (US$/mn BTU)	4.8
Pipeline tariff and royalty (US$/mn BTU)	0.8
Average long-term wellhead price (US$/mn BTU)	4.0
Increase in gas price (US$/mn BTU)	**1.6**
Increase in pretax profits (Rs bn)	48
Pretax profits in FY2008 (Rs bn)	311
% increase in pretax profits (%)	**16**
Increase in post-tax profits (Rs bn)	32
Increase in EPS (Rs)	**15**

Source: ONGC, Kotak Institutional Equities estimates

ONGC's earnings are highly sensitive to crude price and exchange rate assumptions

Earnings sensitivity of ONGC to key variables

	2010E			2011E			2012E		
	Downside	Base case	Upside	Downside	Base case	Upside	Downside	Base case	Upside
Exchange rate									
Rs/US$	49.8	50.8	51.8	49.5	50.5	51.5	47.5	48.5	49.5
Net profits (Rs mn)	194,243	202,359	210,475	258,112	268,444	278,775	274,848	286,300	297,751
Earnings per share (Rs)	90.8	94.6	98.4	120.7	125.5	130.3	128.5	133.9	139.2
% upside/(downside)	**(4.0)**		**4.0**	**(3.8)**		**3.8**	**(4.0)**		**4.0**
Average crude prices									
Crude price (US$/bbl)	53.0	55.0	57.0	63.0	65.0	67.0	68.0	70.0	72.0
Net profits (Rs mn)	188,071	202,359	216,649	252,847	268,444	284,038	270,730	286,300	301,865
Earnings per share (Rs)	87.9	94.6	101.3	118.2	125.5	132.8	126.6	133.9	141.1
% upside/(downside)	**(7.1)**		**7.1**	**(5.8)**		**5.8**	**(5.4)**		**5.4**
Cess									
Cess on domestic crude (Rs/ton)	3,090	2,575	2,060	3,090	2,575	2,060	3,090	2,575	2,060
Net profits (Rs mn)	194,934	202,359	209,784	260,627	268,444	276,261	278,359	286,300	294,241
Earnings per share (Rs)	91.1	94.6	98.1	121.9	125.5	129.2	130.1	133.9	137.6
% upside/(downside)	**(3.7)**		**3.7**	**(2.9)**		**2.9**	**(2.8)**		**2.8**
Natural gas prices									
Natural gas price ceiling (Rs/'000 cum)	2,700	3,200	3,700	3,250	3,750	4,250	4,000	4,500	5,000
Net profits (Rs mn)	197,229	202,359	207,489	263,387	268,444	273,500	281,615	286,300	290,983
Earnings per share (Rs)	92.2	94.6	97.0	123.1	125.5	127.9	131.7	133.9	136.0
% upside/(downside)	**(2.5)**		**2.5**	**(1.9)**		**1.9**	**(1.6)**		**1.6**

Source: Kotak Institutional Equities estimates

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$/bbl)	50.0	50.0	50.0
Recurring operating cash flow			
Operating cash flow = EBIT X (1-t) + D	138,178	262,679	233,246
Add: OCF after normalizing natural gas price	38,065	36,388	30,346
Add: OCF after removing subsidies	178,630	66,120	118,429
Recurring OCF	354,873	365,188	382,020
Recurring capex			
Production per annum (mn bbls)	374	377	392
Replacement or F&D costs (US$/bbl)	10.0	10.0	10.0
Recurring capex	171,316	191,474	197,911
Free cash flow	**183,557**	**173,713**	**184,110**
Free cash flow multiple (X)	8	8	8
Enterprise value	1,468,453	1,389,708	1,472,877
(Net debt)/cash	315,908	422,717	529,439
Investments	91,787	96,727	101,668
Equity value	1,876,148	1,909,152	2,103,984
Total equity value per share (Rs/share)	**877**	**893**	**984**

	Equity value (Rs/share)	Change from base case (%)
Normalized crude prices		
US$90/bbl	1,962	120
US$80/bbl	1,695	90
US$70/bbl	1,427	60
US$60/bbl	1,160	30
US$50/bbl	**893**	
US$45/bbl	782	(12)
US$40/bbl	694	(22)
US$35/bbl	539	(40)

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
Profit model (Rs mn)									
Net sales	467,124	707,083	807,603	966,542	1,091,644	1,248,747	1,088,182	1,202,343	1,228,354
EBITDA	**196,494**	**281,195**	**310,054**	**358,001**	**407,790**	**431,650**	**401,493**	**478,349**	**483,516**
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	338,146	309,194	399,532	419,757
Tax	(46,101)	(74,690)	(71,196)	(88,986)	(102,908)	(111,685)	(101,618)	(129,011)	(126,472)
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	223,948	204,439	270,377	288,727
Net profits after minority interests	**94,219**	**140,670**	**153,542**	**176,922**	**199,466**	**221,620**	**202,359**	**268,444**	**286,300**
Earnings per share (Rs)	**44.1**	**65.8**	**71.8**	**82.7**	**93.3**	**103.6**	**94.6**	**125.5**	**133.9**
Balance sheet (Rs mn)									
Total equity	415,582	488,912	578,830	670,137	786,657	921,695	1,033,033	1,180,600	1,341,908
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
Currrent liabilities	85,376	128,346	142,435	187,051	251,797	158,795	150,124	150,763	152,649
Total liabilities and equity	**696,461**	**795,138**	**950,264**	**1,111,847**	**1,277,045**	**1,336,549**	**1,450,981**	**1,629,730**	**1,849,382**
Cash	95,721	101,843	90,743	206,262	249,807	349,619	465,056	602,178	787,203
Current assets	133,039	178,421	240,210	192,652	257,384	219,411	202,654	237,607	242,798
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
Total assets	**696,461**	**795,138**	**950,264**	**1,111,848**	**1,277,045**	**1,336,549**	**1,450,981**	**1,629,732**	**1,849,385**
Free cash flow (Rs mn)									
Operating cash flow, excl. working capital	133,261	187,001	216,736	252,772	284,517	257,322	238,511	297,628	302,201
Working capital changes	25,630	18,787	46,461	(4,990)	(24,929)	(119,904)	39,006	(11,665)	(3,305)
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
Free cash flow	**101,749**	**105,532**	**135,083**	**186,976**	**108,636**	**111,421**	**229,353**	**254,937**	**258,245**
Ratios (%)									
Debt/equity	14.7	8.0	5.0	3.3	2.8	3.7	4.1	6.2	9.3
Net debt/equity	(8.4)	(12.8)	(10.7)	(27.5)	(29.0)	(34.3)	(40.9)	(44.8)	(49.4)
RoAE	21.6	28.0	25.9	25.5	24.8	23.8	19.1	22.6	21.3
RoACE	**20.6**	**24.6**	**22.0**	**22.1**	**21.9**	**21.0**	**17.3**	**20.4**	**19.6**
Key assumptions									
Rs/dollar rate	46.0	45.0	44.3	45.3	40.3	45.8	50.8	50.5	48.5
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

Construction

PUJL.BO, Rs161	
Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	200
52W High -Low (Rs)	355 - 66
Market Cap (Rs bn)	50.2

Financials

March y/e	2009	2010E	2011E
Sales (Rs bn)	119.1	129.2	138.3
Net Profit (Rs bn)	(2.4)	5.2	5.6
EPS (Rs)	(7.4)	15.9	17.2
EPS gth	*(174.4)*	-	*7.7*
P/E (x)	(21.8)	10.1	9.4
EV/EBITDA (x)	24.4	6.2	6.0
Div yield (%)	(0.2)	0.5	0.5

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
43.6	91.3	12.8	(52.6)

Shareholding, March 2009

	Pattern	% of Portfolio	Over/(under) weight
Promoters	41.5	-	-
FIIs	18.2	0.1	0.0
MFs	10.1	0.3	0.2
UTI	-	-	(0.1)
LIC	1.4	0.0	(0.1)

Punj Lloyd: Confident management guides for continued strong revenue growth momentum

- **Management confident of future earnings; guides for maintenance of strong revenue growth momentum**
- **SABIC order and other one-offs in Simon Carves lead to losses for the year**
- **We upgrade our rating to BUY. We marginally change earnings estimates and raise target price to Rs200/ share**

The Punj management was very confident of its future revenues and guided for maintenance of the strong growth momentum and margins of 9+%. We believe that this confidence could be based on (a) expectation of strong order inflows, (b) belief that order related problems are in the past and (c) several large one-off opportunities in the offing. Adjusted for the losses in Simon Carves, the company would have reported an operating margin of 9.8%. Standalone margins of the company were also affected led by cost escalations in the ONGC offshore platform project. Punj reported a strong order backlog of Rs208 bn diversified across geographies and sectors providing a revenue visibility of about two years. We have marginally changed our earnings estimates to Rs16.6 and Rs18 from Rs17.2 and Rs18.3 for FY2010E and FY2011E, respectively. We have revised our rating on the stock to BUY from ADD, and raised our target price to Rs200/ share from Rs170/share.

Management confident of earnings; guides for continued growth momentum

The Punj management conveyed its confidence in strong future revenue performance of the company and guided for maintenance of the strong top line growth momentum seen so far. The Punj management also guided for operating margins of 9+% in FY2010E and cited no additional problems in any of the existing orders. This confidence is likely to be based on (a) expectation of strong order inflows in the near future, (b) most of the problems related to various orders such as SABIC and ONGC are now behind and accounted for and (c) several large one-off opportunities in the offing such as the ONGC MHN/ B-193/ B-22 platform projects. The management highlighted that the company has completed its portion of the work in the Marina bay project and has also received payment for it. The Jurong Aromatics project is also likely to achieve financial closure in the next 50-90 days, failing which the company is likely to drop the project.

We have currently built in only 8% growth for FY2010E. We are likely to maintain these estimates until we get evidence of incremental order inflows.

SABIC order and other one-offs in Simon Carves lead to losses for the year

We highlight that adjusted for the one-off losses in Simon Carves, the company would have ended with an EBITDA margin of 9.8% versus the reported 2.6%. We highlight that Simon Carves Ltd reported revenues of GBP 169 mn and a net loss of GBP109 mn for FY2008, which included several one-offs such as:

a) **SABIC order.** Punj provided for Rs2.1 bn towards cost escalations and Rs2.2 bn towards performance and advance payment bank guarantees invoked for the SABIC order. The company made the additional Rs2.2 bn provisioning during the quarter after the unfavourable decision of the adjudicator. The matter is still under dispute and would now move on to the court proceedings.

b) **Retrenchment losses.** The company is undergoing a staff rationalization program and moving towards its plan of relocating its headquarters to Abu Dhabi from UK. The company strength stands at around 300-350 employees against about 500 during the acquisition with further sharp reductions forthcoming. These operations have led to higher administration and other expenses during the quarter. However, the company believes that these initiatives would help reduce operating costs and driving efficiencies.

c) **Ethanol plant order.** Simon Carves may also have incurred some un-quantified one-off cost escalations in its wheat based bio-ethanol production facility order in UK due to certain problems in the project. However, these are likely to be recoverable based on agreement with the client.

Working capital levels maintained at previous year levels

We highlight that the company has maintained its working capital levels of FY2008 versus our expectation of deterioration in working capital efficiencies. The company has reported net working capital (adjusted for cash) of about Rs25 bn at the end of FY2009 which implies working capital of 77 days of sales versus 75 in FY2008. The company also reported a strong cash balance of Rs8 bn at the end of FY2009.

Standalone earnings affected by cost escalations in the ONGC offshore platform project

The company highlighted that the steep decline in margins leading to a net decline in earnings to Rs596 mn for 4QFY09 at the standalone level led by cost escalations in the ONGC offshore platform project (Heera Redevelopment Project). The cost escalations were driven by design modifications on the client side which led to increased steel consumption than earlier estimated. The company cited that all the four platforms are installed and two are already operational. The remaining two are likely to be completed by October-November 2009. We highlight that the LDs and cost escalation claims for the project would be taken up only once the project has completed and is most likely to be settled through a dispute settlement mechanism. The cost escalations along with high interest expenses led to a yoy decline of 52% in net earnings to Rs596 mn in this quarter from Rs1.3 mn in 4QFY08.

Strong and diversified order backlog provides a revenue visibility of about 2 years

Order inflows for the company continue to remain strong (Exhibit 3) with the company reporting an order backlog of Rs208 bn which provides a revenue visibility of about 1.8 years based on FY2009 earnings. The order backlog of the company continues to remain geographically diversified (Exhibit 4). The company does seem to be continuing its shift in focus away from India to other international geographies with India contributing to only about 25% of the order book. Infrastructure and pipelines segment continue hold a majority stake (36% and 31% respectively) in the order book with Process and Plants segment reducing its stake from 39% in FY2008 to 29% at the end of FY2009 (Exhibit 5).

Several accounting treatment changes result in slightly higher profit for the year

In order to give its Middle East and North Africa branch operations more independence, Punj has decided not to integrate the operations of these branches from October 1, 2008. Thus the translation-related foreign exchange differences would now be routed through the balance sheet rather that the income statement. This has resulted in boosting the company's full-year profit by about Rs388 mn. Additionally, the company has also opted to defer the exchange difference charges to the P&L. This would now be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" which would be amortized over a period of time.

Raise rating to BUY. Marginally change earnings estimates and target price to Rs200/ share

We marginally reduce our earnings estimates to Rs16.6 and Rs18 from Rs17.2 and Rs18.3 for FY2010E and FY2011E respectively. These changes are based on slightly lower operating margin assumptions for FY2010E and FY2011E. We have revised our target price to Rs200/share from Rs170 earlier based on change in assigned multiple to 12X FY2010E earnings versus 10X earlier in line with rerating of peers in the market. This implies about 20% discount to our target multiple for L&T. We upgrade our rating to BUY based on (a) negative events have already panned out and are already reflected in the price, (b) strong and diversified order backlog provides near-term earnings visibility and (c) underperformance of the stock versus peers post declaration of weak results. Key risks to the earnings originate from (1) slower-than-expected execution, (2) exposure to high-risk geographies such as Libya and (3) deterioration in working capital situation of the company.

We highlight that yesterday the stock had underperformed with respect to its peers IVRCL and Nagarjuna by 27% and 17%, respectively.

Exhibit 1. Punj Lloyd (consolidated) - 4QFY09 - key numbers (Rs mn)

					% change					
(in Rs mn)	4QFY09	4QFY09E	4QFY08	3QFY09	4QFY09E	4QFY08	3QFY09	FY2009	FY2008	*% change*
Net Sales	**32,173**	**33,032**	**23,467**	**31,200**	***(2.6)***	***37.1***	***3.1***	**119,120**	**77,529**	***53.6***
Expenditure	**(32,958)**	**(28,270)**	**(20,981)**	**(32,163)**	***16.6***	***57.1***	***2.5***	**(116,028)**	**(71,122)**	***63.1***
Material	(11,101)	(17,937)	(7,478)	(8,453)		*48.4*	*31.3*	(37,505)	(28,285)	*32.6*
Contractor charges	(12,344)		(5,966)	(13,011)		*106.9*	*(5.1)*	(42,365)	(21,339)	*98.5*
Staff cost	(3,783)	(4,247)	(2,889)	(3,176)	*(10.9)*	*31.0*	*19.1*	(12,922)	(8,924)	*44.8*
Other expenditure	(5,729)	(6,087)	(4,648)	(7,523)	*(5.9)*	*23.3*	*(23.8)*	(23,235)	(12,575)	*84.8*
Operating profit	**(785)**	**2,808**	**2,486**	**(963)**	***(128.0)***	***(131.6)***	***(18.5)***	**3,093**	**6,407**	***(51.7)***
Other Income	134	214	(183)	237	*(37.6)*	*(173.1)*	*(43.6)*	745	811	*(8.1)*
EBITDA	**(651)**	**3,022**	**2,303**	**(726)**	***(121.6)***	***(128.3)***	***(10.2)***	**3,838**	**7,218**	***(46.8)***
Interest	(729)	(723)	(326)	(620)	*0.9*	*124.0*	*17.6*	(2,208)	(1,292)	*70.9*
Depreciation	(508)	(449)	(409)	(433)	*13.0*	*24.1*	*17.3*	(1,771)	(1,462)	*21.1*
Profit before Tax	**(1,888)**	**1,850**	**1,568**	**(1,779)**	***(202.1)***	***(220.4)***	***6.2***	**(141)**	**4,464**	***(103.1)***
Tax	(667)	(518)	(374)	(416)	*28.8*	*78.3*	*60.5*	(2,260)	(1,235)	*83.0*
Profit after Tax	**(2,555)**	**1,332**	**1,194**	**(2,194)**	***(291.8)***	***(314.0)***	***16.5***	**(2,401)**	**3,229**	***(174.4)***
Minority interest & Associates + exceptional items	(1)	-	(17)	(72)		*(94.6)*	*(98.8)*	148	356	*(58.4)*
Net Profit	**(2,556)**	**1,332**	**1,177**	**(2,266)**	***(291.9)***	***(317.1)***	***12.8***	**(2,253)**	**3,584**	***(162.9)***
Key ratios										
Material	34.5	60.2	31.9	27.1				31.5	36.5	
Contractor charges	38.4		25.4	41.7				35.6	27.5	
Staff cost	11.8	12.9	12.3	10.2				10.8	11.5	
Other expenditure	17.8	18.4	19.8	24.1				19.5	16.2	
OPM Margin	**(2.4)**	**8.5**	**10.6**	**(3.1)**				**2.6**	**8.3**	
EBITDA Margin	(2.0)	9.1	9.9	(2.3)				3.2	9.2	
PBT margin (%)	(5.9)	5.6	6.7	(5.7)				(0.1)	5.8	
PAT margin (%)	(7.9)	4.0	5.0	(7.0)				(2.0)	4.6	
Effective tax rate (%)	35.3	(28.0)	23.9	(23.4)				(1,608.8)	27.7	

Source: Company, KotAM Institutional Equities

Exhibit 2. Punj Lloyd (standalone) - 4QFY09 - key numbers (Rs mn)

				(% chg)				
	4QFY09	**4QFY08**	**3QFY09**	**4QFY08**	**3QFY09**	**FY2009**	**FY2008**	***% change***
Net Sales	**19,771**	**14,994**	**17,907**	***31.9***	***10.4***	**68,880**	**44,886**	***53.5***
Expenditure	**(18,070)**	**(12,574)**	**(15,619)**	***43.7***	***15.7***	**(61,477)**	**(39,741)**	***54.7***
Material	(6,655)	(4,953)	(5,416)	*34.4*	*22.9*	(23,364)	(16,254)	*43.7*
Contractor charges	(4,658)	(2,839)	(3,830)	*64.1*	*21.6*	(15,722)	(9,963)	*57.8*
Staff cost	(1,586)	(1,210)	(1,440)	*31.1*	*10.1*	(5,746)	(3,585)	*60.3*
Other expenditure	(5,172)	(3,572)	(4,933)	*44.8*	*4.8*	(16,645)	(9,939)	*67.5*
EBITDA	**1,701**	**2,421**	**2,289**	***(29.7)***	***(25.7)***	**7,402**	**5,144**	***43.9***
Other Income	36	72	204	*(49.8)*	*(82.4)*	594	532	*11.6*
PBIDT	**1,737**	**2,492**	**2,493**	***(30.3)***	***(30.3)***	**7,996**	**5,676**	***40.9***
Interest	(629)	(301)	(573)	*109.2*	*9.8*	(1,943)	(1,133)	*71.5*
Depreciation	(359)	(318)	(290)	*13.1*	*23.8*	(1,195)	(1,134)	*5.4*
Profit before Tax	**748**	**1,874**	**1,629**	***(60.1)***	***(54.1)***	**4,858**	**3,409**	***42.5***
Tax	(127)	(577)	(664)	*(78.0)*	*(80.9)*	(1,676)	(1,195)	*40.2*
Current	234	(549)	(588)	*(142.6)*	*(139.8)*	(1,232)	(1,033)	*19.3*
Deferred	(358)	(60)	(68)	*494.2*	*424.5*	(418)	(157)	*167.1*
Fringe benefit tax	(3)	32	(8)	*(109.3)*	*(62.5)*	(26)	(6)	*344.8*
Profit after Tax	**622**	**1,297**	**965**	***(52.1)***	***(35.6)***	**3,182**	**2,214**	***43.7***
Exceptional items	(25)	-	(72)		*(64.9)*	(97)	-	
Net Profit	**596**	**1,297**	**893**	***(54.0)***	***(33.2)***	**3,085**	**2,214**	***39.3***
Key ratios								
Material	33.7	33.0	30.2			33.9	36.2	
Contractor charges	23.6	18.9	21.4			22.8	22.2	
Staff cost	8.0	8.1	8.0			8.3	8.0	
Other expenditure	26.2	23.8	27.5			24.2	22.1	
OPM Margin	**8.6**	**16.1**	**12.8**			10.7	11.5	
PBIDT margin (%)	8.8	16.5	13.8			**11.5**	**12.5**	
PAT margin (%)	3.0	8.7	5.0			4.5	4.9	
Effective tax rate (%)	(16.9)	(30.8)	(40.8)			(34.5)	(35.1)	

Source: Company, Kotak Institutional Equities

Exhibit 3. Key orders won by Punj Lloyd since FY2008 (Rs mn)

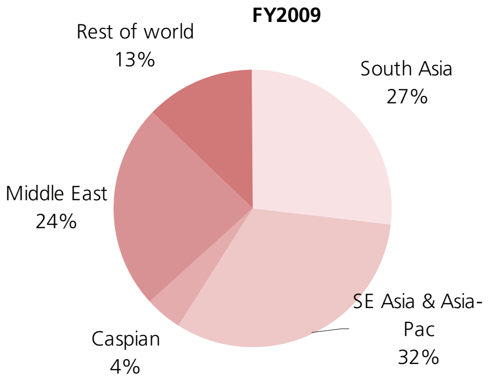
Date	Segment	Client	Value (Rs mn)	Group entity	Description
16-Apr-09	Infrastructure	Bangalore Metro Rail Corporation	3,080	Punj Lloyd	Construction of 8 stations
15-Jan-09	Infrastructure	Housing and Infra board	13,112	Punj Lloyd	Utilities in Souk Al Juma, Tripoli, Libya
7-Jan-09	Infrastructure	Housing and Infra board	10,501	Punj Lloyd	EPC of infra in Tripoli, Libya
7-Jan-09	Oil and Gas	Cairn India	1,046	Punj Lloyd	EPC of pipeline
6-Jan-09	Infrastructure	Airports Authority of India	2,640	Punj Lloyd	Sikkim's first greenfield airport
23-Dec-08	Infrastructure	Municipal Corp, Delhi	3,040	Punj Lloyd	Parking facility near JN Stadium, N Delhi
20-Oct-08	Oil and Gas	PT Shell Indonesia	1,069	PT Punj Lloyd Indonesia	New Fuel Terminal at Kalimantan
23-Sep-08	Oil and Gas	Qatar Petroleum	36,360	Punj Lloyd	211 km of pipeline
18-Jul-08	Process	Abu Dhabi Polymers Company	4,640	Punj Lloyd	Mechanical works for Borouge project
9-Sep-08	Process	FWP Joint Venture	1,670	Punj Lloyd	Mechanical works for utilities at Jurong Island
3-Jul-08	Infrastructure	GVK Power Limited, Hyderabad	10,050	Punj Lloyd	Balance of Plant work (BOP) and entire Civil work on EPC basis
6-Jun-08	Process	Indian Oil Corporation Limited	6,490	Punj Lloyd	Lump-sum turnkey contract to upgrade the refinery at Barauni
30-Apr-08	Process	PT Makmur Sejahtera Wisesa, Indonesia	3,300	PT Punj Lloyd Indonesia and Punj Lloyd Pte Ltd, Singapore	EPC project for 2x30 MW Coal Power Plant in Kalimantan Island, Indonesia
11-Apr-08			18,640	Punj Lloyd Ltd and Punj Lloyd Pte Ltd., Singapore	Technipont SPA order for Rs3.5 bn
11-Apr-08			970	Sembawang Infrastructure (India) Pvt Ltd	
Order booked in FY2009			**116,607**		
31-Mar-08	Process	Tecnimont S.p.A (Italy)	2,720	Punj Lloyd	Mechanical work PE3 and PH areas
7-Mar-08	Oil and Gas	Petronas Carigali Sdn Bhd, Malasia	20,150	Punj Lloyd	EPC and commissioning of a 512 km, 36 inch diameter onshore natural gas pipeline and associated facilities
14-Feb-08	Civil, Infrastructure and Power	Marina Bay Sands Pte Ltd, Singapore	11,192	Sembawang Engineers and Constructors	Construction of the North Podium in the integrated resort comprising casino, theatres and retail arcade
12-Dec-07	Process	Indian Oil Corporation	5,900	Punj Lloyd	Construction of coker unit & block for the Vadodara refinery in Gujarat
30-Nov-07	Civil, Infrastructure and Power	Land Transport Authority, Singapore	12,720	Sembawang Engineers and Constructors	Construction of the MRT station in Marina Bay in Singapore
5-Nov-07	Process	Jurong Aromatics Corporation Pte Ltd, Singapore	17,700	Sembawang Engineers and Constructors	EPC work for a new mega aromatics plant at Jurong island
12-Oct-07	Oil and Gas	Qatar Petroleum	3,890	Punj Lloyd	EPC on LSTK basis of 46 km of 18" multi-product pipeline
6-Aug-07	Process	Bharat Oman Refineries Limited	5,900	Punj Lloyd	Lump-sum turnkey contract for building a sulphur block at Bina Refinery
2-Aug-07	Civil, Infrastructure and Power	Sentosa Pte Ltd, subsidiary of Genting Group	6,660	Sembawang Engineers and Constructors	Sub-structural works at Sentosa Integrated Resort Development
27-Jul-07	Oil and Gas	Reliance Gas Transportation Infrastructure Ltd	3,180	Punj Lloyd	Laying of pipeline & associated facilities for East-West Pipeline project
23-Jul-07	Oil and Gas	Saudi Kayan Petrochemical Company (SABIC)	1587(a)	Dayim Punj Lloyd Construction Contracting Company Ltd	EPC of tanks at Jubail Industrial city, Saudi Arabia
20-Jul-07	Process	Gulf Fluor	500(b)	Simon Carves Ltd.	Fluorides plant incorporating a new Sulphuric Acid plant
14-May-07	Oil and Gas	GAIL (India) Ltd	1,227	Punj Lloyd	Phase II of Panvel — Dabhol Pipeline
16-Apr-07	Oil and Gas	Oman Gas Company	5,300	Punj Lloyd	24", 40 Km pipeline
19-Apr-07	Oil and Gas	Ras Laffan Olefins Company Ltd, USA	1,935	Punj Lloyd	Ethylene pipeline
23-Apr-07	Oil and Gas	Reliance Gas Transportation Infrastructure Ltd	1,802	Punj Lloyd	48", 122 Km pipeline
Total orders announced in FY2008			**100,275**		

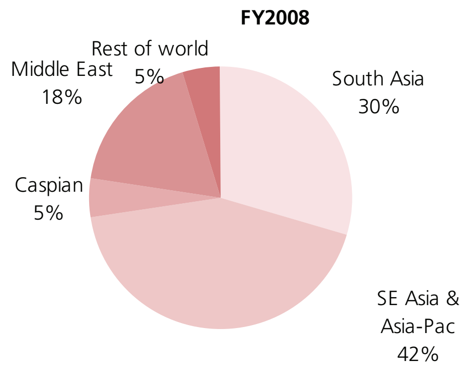
(a) Estimated share of Punj Llyod

(b) Estimated order value

Source: Company, Kotak Institutional Equities

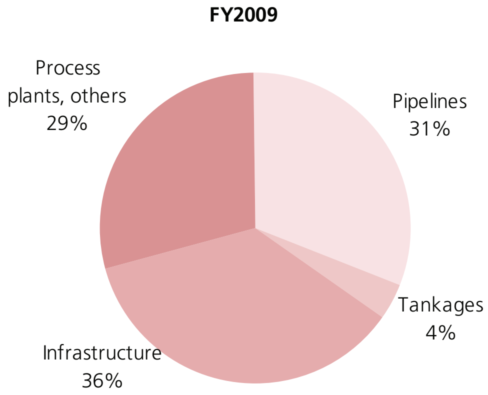
Exhibit 4. Geographical mix of order backlog of Punj Lloyd group

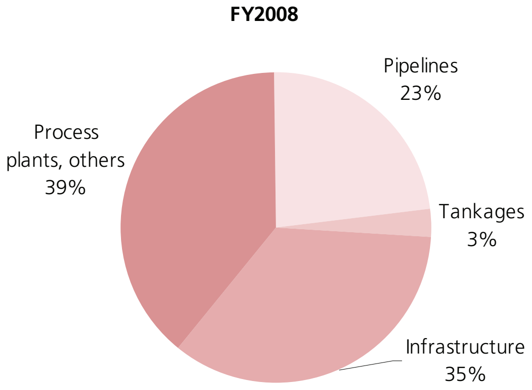




Source: Company, Kotak Institutional Equities

Exhibit 5. Sector-wise order backlog of Punj Lloyd group (Rs bn)





Source: Company, Kotak Institutional Equities

Consumer Products

GOCP.BO, Rs160	
Rating	ADD
Sector coverage view	Cautious
Target Price (Rs)	160
52W High -Low (Rs)	167 - 90
Market Cap (Rs bn)	41.4

Financials

March y/e	2009	2010E	2011E
Sales (Rs bn)	13.3	15.1	17.1
Net Profit (Rs bn)	1.7	2.2	2.5
EPS (Rs)	6.8	8.7	9.8
EPS gth	*(3.9)*	*27.8*	*12.8*
P/E (x)	23.6	18.5	16.4
EV/EBITDA (x)	20.6	15.1	12.5
Div yield (%)	2.5	2.5	2.5

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
18.3	27.4	42.6	18.1

Shareholding, March 2009

	Pattern	% of Portfolio	Over/(under) weight
Promoters	69.7	-	-
FIIs	17.4	0.1	0.1
MFs	1.6	0.1	0.1
UTI	-	-	-
LIC	-	-	-

Godrej Consumer Products: Tailwinds in soaps, increasing visibility for hair color

- **Growth drivers in soaps, (1) low unit packs, (2) geographical expansion, (3) increase in rural penetration**
- **We like GCPL's rural distribution plans. The new MD, Mr Dalip Sehgal earlier headed 'Project Shakti', HUL's rural distribution venture**
- **Launch of creme hair color brands from Keyline portfolio (Inecto, Hint of a Tint) likely**

GCPL soaps category has consistently outperformed industry growth over the past five years. The relaunch of 'Cinthol' appears to be a success as the brand has outperformed GCPL's soaps segment growth. Factors to watch in the near term (1) palm prices, (2) low unit price packs, (3) increased rural penetration and (4) expanding distribution coverage. A new brand is imperative, in our view, to mark GCPL's entry into the creme segment (the Keyline portfolio offers several options)—the company continues to be the market leader in powder hair dye. We maintain our estimates, with EPS at Rs8.7/share and Rs9.8/share for FY2010E and FY2011E. We forecast 27% earnings growth in FY2010E as we model moderate expansion in EBITDA margins (220 bps to 16.7%). We retain our ADD rating and target price of Rs160/share.—at which the stock would trade at 18XFY10E, the last three years average PE being 21X.

GCPL is our preferred pick in midcap FMCG, limited valuation upside

Our estimates remain unchanged and we model EPS of Rs8.7/share and Rs9.8/share for FY2010E and FY2011E. We forecast 27% earnings growth in FY2010E as we model moderate expansion in EBITDA margins (220 bps to 16.7%). We note that our estimates are conservative as we model only one-third of input cost benefits being retained by the company. In FY2010, we expect minimal price reductions in the popular segment in soaps (where GCPL is strong) and modest volume growth in hair color. Considering the improvement in business fundamentals for GCPL, particularly in soaps, reiterate ADD and TP Rs160/share. At our target price, the stock would trade at 18XFY10E, the last three years average PE being 21X.

Key triggers to watch are (1) ability to retain retail prices and hence higher margin expansion, (2) inability of ITC's 'Superia' and 'Vivel' to gain market share and (3) ability to increase the contribution of liquid hair dye from the current 10% of hair color sales.

Consistent outperformer in soaps

With 9.9% market share in the soaps category, GCPL has consistently outperformed the market over the past five years—for example, in FY2009, GCPL registered growth of 25% as against industry growth of 18%. The relaunch of 'Cinthol' in early FY2009 appears to be a success as the brand has outperformed GCPL's soaps segment growth. The company indicated that 'Cinthol' is a Rs2.2 bn brand (20% of domestic sales) and 'No.1' is a Rs5 bn brand (45% of domestic sales).

We are excited about the opportunity for GCPL to pursue geographical expansion-led growth though we believe its limited geographic presence is a concern, particularly in the light of ITC's entry in this segment. 'Godrej No.1' is market leader in four states in North India, while'Cinthol' sells predominantly in Tamilnadu and Andhra Pradesh but pentration in the rest of the country is low. ITC's 'Superia' has garnered an impressive 1% market share in the mass segment in soaps within a year of its launch. Channel sources indicate that 'Superia' continues to gain market share in Madhya Pradesh and Orissa on the back of aggressive trade promotions.

Factors to watch in the near term

1) Palm prices: The company has hedged positions (palm oil as well as rupee) till September 2009, but a price hike may be required if roll-over palm oil prices are unfavorable

2) Low unit price packs. GCPL has recently stepped up focus on Rs5 and Rs10 price-pointed packs. This will help the company take on competition from HUL's 'Lux' and 'Lifebuoy' (in the low unit price segment) effectively as well as gain shares from regional players

3) Plans to invest in increasing rural penetration are a significant positive: GCPL plans to increase the contribution of rural sales to 55% in three years from the current 38%. We believe the company is focusing on increasing passive distribution (plans to double the number of sub-stockists to 6,000 from the current 3,000 in three years)

4) Expanding distribution coverage. According to channel sources, 'Godrej No.1's is expanding its distribution coverage to South India meaningfully, currently focusing on Andhra Pradesh.

Structural concerns in soaps remain

During 2003-2006, GCPL's success in soaps business came from (1) lower input costs channeled to fund higher trade spends and (2) consumer downtrading. We believe the positioning of 'Godrej No.1' in the mass segment with a product formulation comparable to leading brands (which are priced higher) benefits the brand during times of consumer downtrading. The 34% volume growth for soaps business in the recent quarter appears to confirm consumer downtrading in the category as well. We believe that lower commodity costs, if sustained, augur well for GCPL to continue to build on its core strength. However, we temper the optimism as GCPL continues to be a price-taker in soaps as the value-for-money positioning becomes vulnerable during times of input cost inflation.

Hair color – time to get the act together

After underperforming the category growth over the past six years, GCPL urgently requires to get the act together to participate in the faster growing crème segment (top-end). The company continues to be the market leader in powder hair dye—volume, value and share of application, but we believe it has to launch an entirely new brand to mark its entry into the crème segment. We continue to believe that launching hair color brands from the Keyline portfolio (Inecto, Hint of a Tint etc) will be a workable option. We view the following measures as positive which can likely rejuvenate competitive growth for GCPL's hair color category:

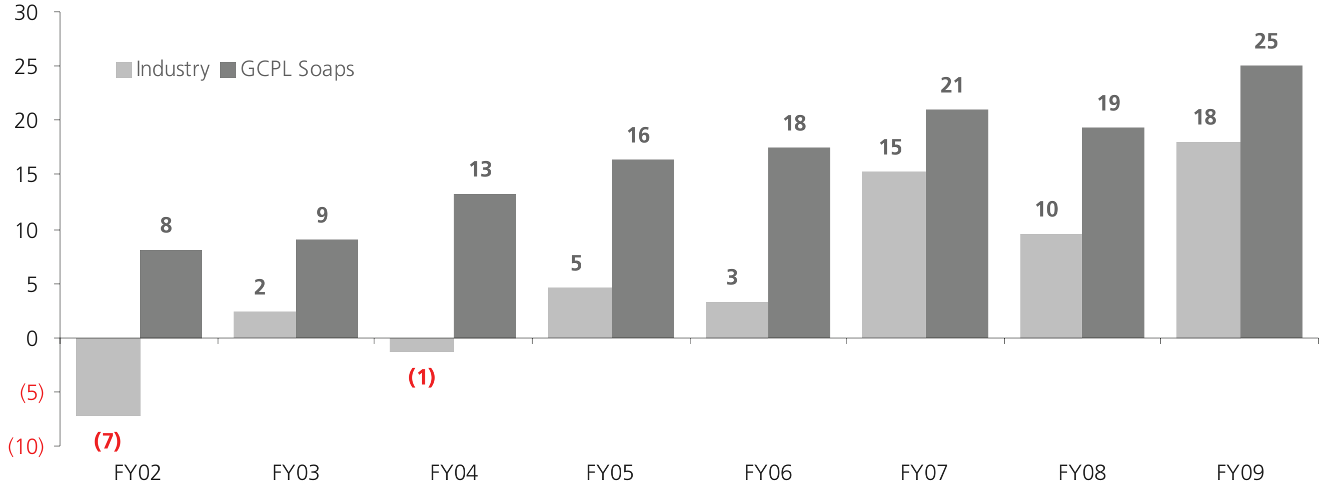
1) Focus on format-neutral brands will facilitate adjustments to product formats whenever required as well as aid launch of brand extensions

2) Increased penetration. Hair color is an underpenetrated market (<20%) and the company sees opportunities in uptrading the traditional 'henna' consumer into hair dye

3) Diversification of product portfolio with a broad based offering. GCPL is primarily present in the powder hair color category which caters to the low end segment, a thrust in the top-end crème market is required.

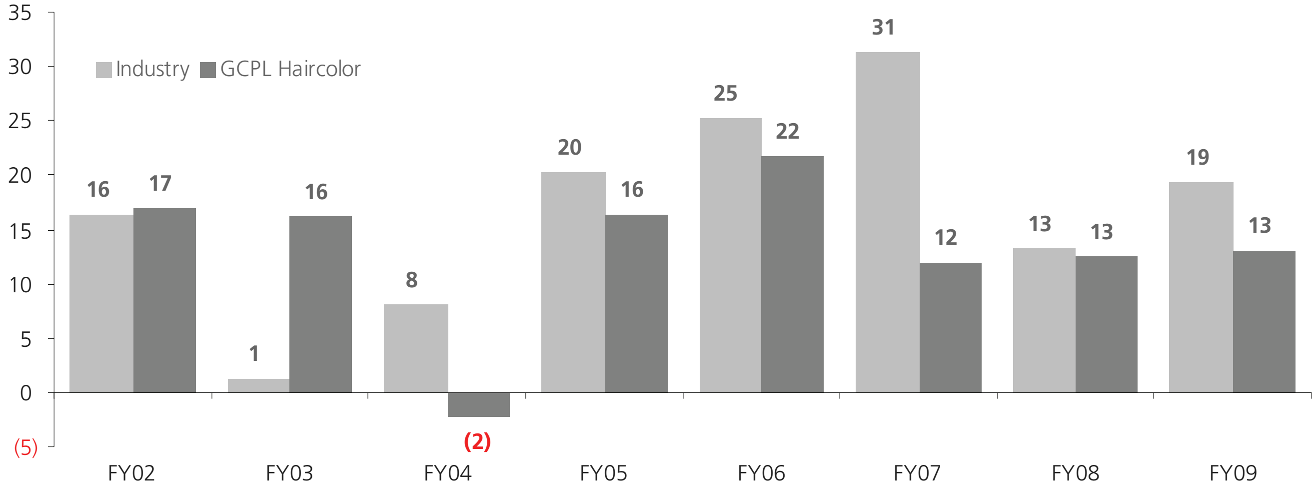
We believe in the company's ability to have a presence and garner higher incremental share in the top-end fashion hair color market, however, substantial back-end and front-end investments would be required to gain a foothold in this segment. Hair color market shares have bottomed out, the success of consumer recruitment for GCPL's premium products (non-powder portfolio) will define the success in the category.

Consistent outperformer
Soaps category value sales growth, GCPL and industry, %



Source: Company, Kotak Institutional Equities

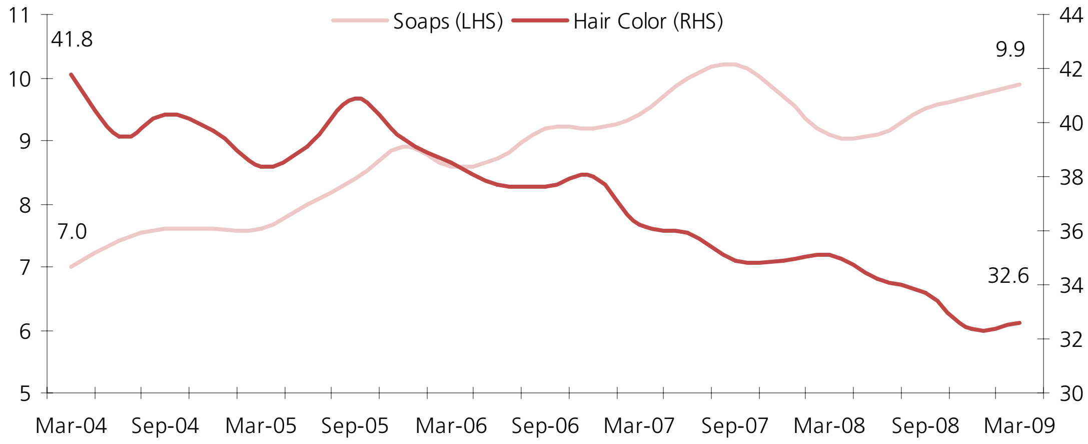
Lack of meaningful presence in top-end haircolor market. Likely to get addressed by launch of new brand in FY10
Haircolor category value sales growth, GCPL and industry, %



Source: Company, Kotak Institutional Equities

Share gains in soaps likely to accelerate; hair color has likely bottomed out

Value market shares in soaps and hair color, %



Source: Company data, Kotak Institutional Equities.

Industry outperformance in FY09 will likely result in market share improvement for Godrej in FY10

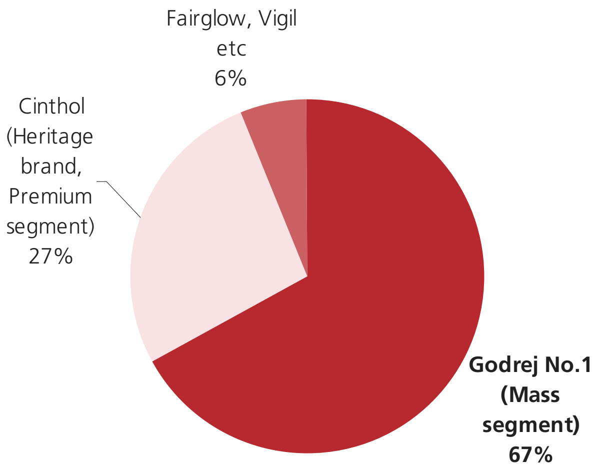
Market shares in soaps category, %

Category	Company	2001	2004	2007	2009	8-years	4-years	1-year
		(%)				Change (bps)		
Soaps	HUL	58.4	57.1	54.3	48.3	(1010)	(880)	(600)
	Godrej	2.1	6.0	9.7	9.9	780	390	20
	Reckitt Benckiser (Dettol)	3.2	3.9	5.2	5.6	240	170	40
	Wipro (Santoor)	3.7	4.5	8.3	9.3	560	480	100
	ITC	-	-	-	2.4	240	240	240
	Others	32.6	28.5	22.5	24.5	(810)	(400)	200

Source: Trade sources, Kotak Institutional Equities

Higher contribution from popular/mass segment augurs well

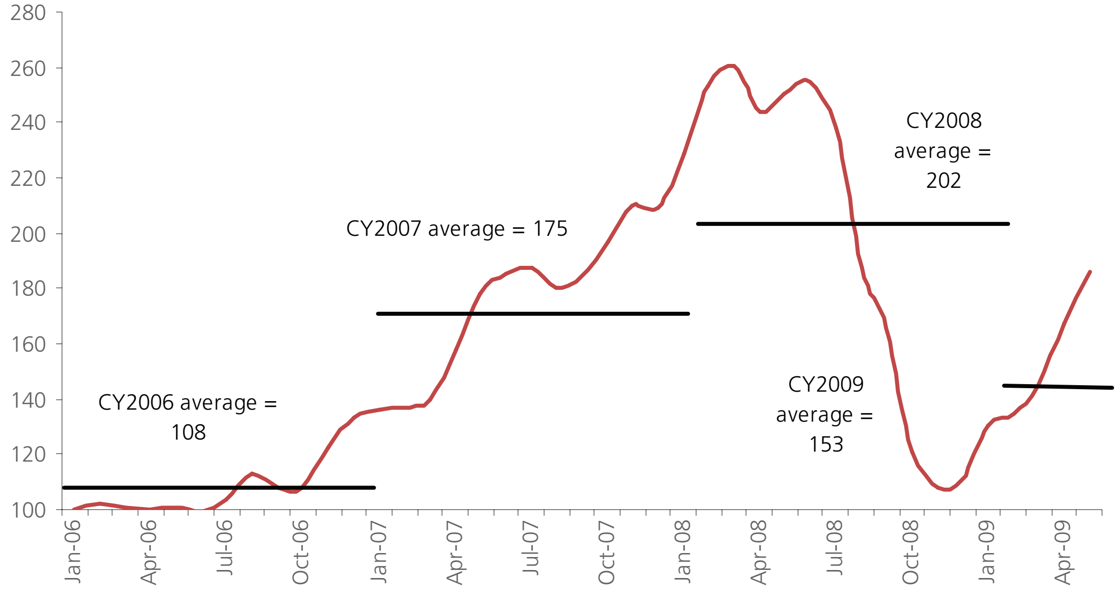
GCPL soaps' sales mix, %



Source : Company, Kotak Institutional Equities

Godrej will have benefits of lower palm prices in FY2010

Crude palm oil price trends (January 2006 = Index 100)



Source: Bloomberg, Kotak Institutional Equities

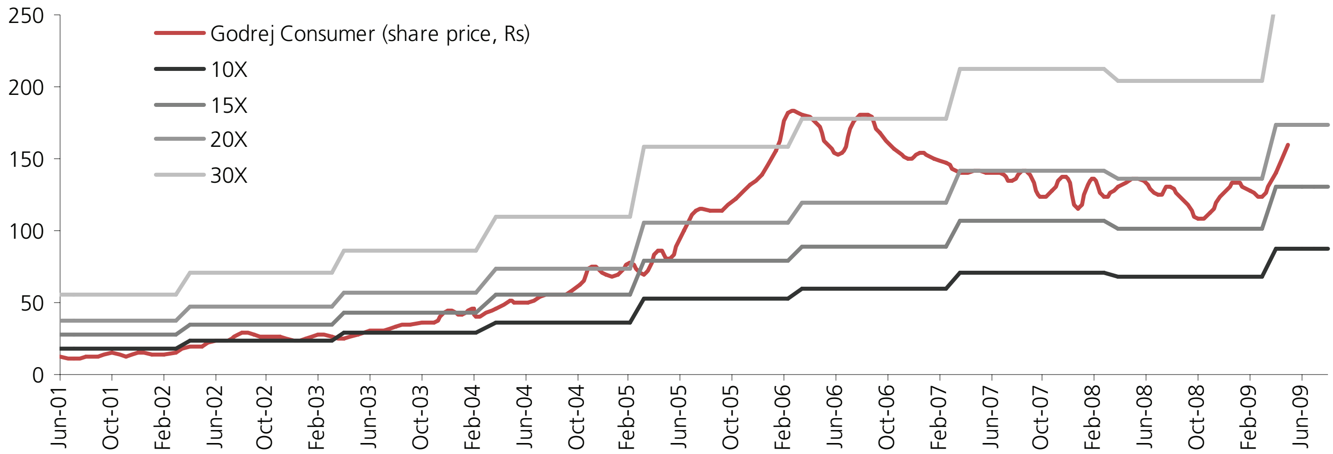
Input cost inflation in soaps and uneven performance in hair color has hampered valuations in the recent past

One-year forward PE of Godrej Consumer (x)

	Average	Maximum	Minimum
1-year	18.5	20.3	16.1
3-years	21.1	30.4	15.7
5-years	20.6	34.4	13.1
Since listing in 2001	16.9	34.4	6.2

Source: Kotak Institutional Equities estimates.

Godrej Consumer - P/E bands



Source: Kotak Institutional Equities estimates

GCPL: Profit model, balance sheet, 2007-2011E, March fiscal year-ends (Rs mn)

	2007	2008	2009E	2010E	2011E
Profit model (Rs mn)					
Net sales	9,515	11,026	13,339	15,064	17,137
EBITDA	**1,797**	**2,148**	**1,933**	**2,516**	**2,880**
Other income	66	60	125	251	385
Interest	(135)	(151)	244	78	(27)
Depreciation	(142)	(182)	(179)	(259)	(316)
Extraordinary items	99	0	0	0	0
Pretax profits	1,684	1,875	2,123	2,586	2,922
Tax	(243)	(283)	(374)	(350)	(401)
Net profits	**1,440**	**1,592**	**1,749**	**2,236**	**2,521**
Earnings per share (Rs)	**5.9**	**7.1**	**6.8**	**8.7**	**9.8**
Balance sheet (Rs mn)					
Total equity	1,220	1,687	6,499	7,527	8,840
Total borrowings	1,736	1,871	945	945	945
Currrent liabilities	2,617	3,227	3,645	3,972	4,511
Deferred tax liability	80	89	113	113	113
Total liabilities and equity	**5,653**	**6,874**	**11,202**	**12,557**	**14,409**
Cash	475	426	357	1,023	2,087
Current assets	2,300	3,093	2,875	3,345	3,951
Total fixed assets	1,992	2,399	2,590	3,659	3,842
Investments	0	0	5,345	4,495	4,495
Goodwill	886	956	35	35	35
Total assets	**5,653**	**6,874**	**11,202**	**12,557**	**14,409**
Key assumptions					
Revenue Growth (%)	36.0	15.9	21.0	12.9	13.8
EBITDA Margin(%)	18.9	19.5	14.5	16.7	16.8
EPS Growth (%)	12.6	18.7	(3.9)	27.8	12.8

Source: Kotak Institutional Equities estimates.

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	19-May-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS growth (%) 2009E	EPS growth (%) 2010E	EPS growth (%) 2011E	PER (X) 2009E	PER (X) 2010E	PER (X) 2011E	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	Price/BV (X) 2009E	Price/BV (X) 2010E	Price/BV (X) 2011E	Dividend yield (%) 2009E	Dividend yield (%) 2010E	Dividend yield (%) 2011E	RoE (%) 2009E	RoE (%) 2010E	RoE (%) 2011E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Automobiles																													
Bajaj Auto	903	REDUCE	130,693	2,735	145	50.5	62.0	65.6	(3.4)	22.9	5.9	17.9	14.6	13.8	10.0	8.1	8.3	6.6	5.2	4.2	2.2	2.2	2.2	40.8	39.7	33.4	615	(31.9)	2.7
Hero Honda	1,340	REDUCE	267,618	5,601	200	64.2	83.8	91.2	32.4	30.5	8.8	20.9	16.0	14.7	12.1	9.3	8.1	6.8	5.3	4.2	1.5	1.6	1.6	36.6	37.4	31.9	1,000	(25.4)	17.3
Mahindra & Mahindra	629	ADD	166,897	3,493	265	21.6	34.7	39.1	(43.2)	60.6	12.8	29.1	18.1	16.1	19.3	11.3	9.9	3.5	2.7	2.4	1.4	1.5	1.5	12.2	16.9	15.8	450	(28.5)	14.5
Maruti Suzuki	1,000	REDUCE	288,971	6,048	289	42.2	58.3	63.4	(29.5)	38.1	8.6	23.7	17.1	15.8	13.4	8.7	7.3	3.0	2.6	2.2	0.4	0.5	0.5	13.3	16.1	15.1	780	(22.0)	27.4
Tata Motors	306	SELL	170,102	3,560	556	18.5	19.0	24.0	(62.8)	2.6	26.3	16.5	16.1	12.7	12.2	8.7	7.5	1.2	1.1	1.0	—	—	—	9.1	7.3	—	195	(36.2)	30.7
Automobiles		**Cautious**	**1,024,281**	**21,437**					**(25.2)**	**29.6**	**11.9**	**21.3**	**16.4**	**14.7**	12.9	9.1	8.0	**3.0**	**2.6**	**2.2**	**1.0**	**1.1**	**1.1**	**14.1**	**15.6**	**15.2**			
Banks/Financial Institutions																													
Andhra Bank	84	ADD	40,546	849	485	13.5	11.1	12.6	14.0	(17.9)	13.6	6.2	7.5	6.6	—	—	—	1.2	1.2	1.2	5.4	3.3	3.8	19.0	14.0	14.4	75	(10.3)	1.0
Axis Bank	765	BUY	274,571	5,747	359	50.6	55.8	64.5	56.9	10.3	15.6	15.1	13.7	11.9	—	—	—	3.0	2.6	2.3	1.3	1.4	1.6	19.2	18.2	18.3	700	(8.5)	63.1
Bank of Baroda	454	ADD	166,059	3,475	366	60.9	54.9	58.5	55.1	(9.8)	6.5	7.5	8.3	7.8	—	—	—	1.6	1.5	1.4	2.0	1.8	1.9	18.7	14.9	14.2	370	(18.6)	10.3
Bank of India	319	ADD	167,872	3,513	526	57.2	45.6	55.1	40.7	(20.2)	20.7	5.6	7.0	5.8	—	—	—	1.6	1.6	1.5	1.9	1.5	1.8	29.6	19.2	19.5	310	(2.9)	14.8
Canara Bank	276	REDUCE	113,304	2,371	410	50.5	38.6	41.4	32.4	(23.6)	7.1	5.5	7.2	6.7	—	—	—	1.4	1.3	1.2	2.9	2.9	3.6	18.3	12.4	12.2	220	(20.4)	4.9
Corporation Bank	297	BUY	42,601	892	143	62.2	51.5	55.3	21.4	(17.3)	7.4	4.8	5.8	5.4	—	—	—	0.9	0.8	0.7	4.3	3.6	3.8	19.6	14.3	13.8	310	4.4	0.7
Federal Bank	232	BUY	39,748	832	171	32.0	34.0	39.3	(6.9)	6.4	15.6	7.3	6.8	5.9	—	—	—	0.9	0.9	0.8	2.6	2.7	3.1	13.2	12.7	13.2	280	20.5	1.7
Future Capital Holdings	181	BUY	11,466	240	63	4.5	28.8	NA	(198.6)	546.1	(100.0)	40.7	6.3	NA	—	—	—	1.5	1.2	NA	—	—	—	3.8	21.4	NA	440	142.6	1.0
HDFC	2,370	SELL	674,232	14,111	284	80.2	93.4	109.1	(6.5)	16.5	16.7	29.5	25.4	21.7	—	—	—	5.1	4.6	4.1	1.3	1.4	1.6	18.2	18.7	19.2	1,730	(27.0)	76.1
HDFC Bank	1,412	BUY	594,021	12,432	421	55.4	64.1	75.0	20.4	15.7	17.1	25.5	22.0	18.8	—	—	—	3.9	3.5	3.0	0.7	0.9	1.0	16.9	16.7	17.3	1,150	(18.5)	53.6
ICICI Bank	756	ADD	841,595	17,614	1,113	33.8	32.3	38.5	(15.4)	(4.4)	19.2	22.4	23.4	19.7	—	—	—	1.7	1.6	1.5	1.5	1.2	1.3	7.8	7.1	8.0	475	(37.2)	203.5
IDFC	125	ADD	161,787	3,386	1,294	5.8	7.0	8.0	2.3	21.0	13.3	21.5	17.8	15.7	—	—	—	2.6	2.3	2.1	0.8	1.0	1.1	12.9	14.1	14.2	85	(32.0)	24.0
India Infoline	142	ADD	44,330	928	311	5.0	5.8	6.5	(10.0)	15.5	12.3	28.3	24.5	21.8	—	—	—	3.5	3.1	2.8	1.9	2.3	2.8	11.7	13.5	14.6	90	(36.8)	6.6
Indian Bank	128	BUY	54,860	1,148	430	28.1	26.1	30.0	24.7	(7.2)	15.1	4.5	4.9	4.3	—	—	—	1.0	1.0	0.9	3.3	3.1	3.5	22.7	17.9	17.8	165	29.3	2.6
Indian Overseas Bank	85	BUY	46,362	970	545	24.3	16.6	22.2	10.3	(31.9)	33.8	3.5	5.1	3.8	—	—	—	0.8	0.7	0.6	6.2	4.4	4.8	24.7	14.5	17.0	110	29.3	3.2
J&K Bank	428	ADD	20,772	435	48	82.8	72.2	92.8	11.5	(12.7)	28.4	5.2	5.9	4.6	—	—	—	0.9	0.9	0.8	4.0	3.5	4.5	16.5	12.9	14.9	480	12.1	0.3
LIC Housing Finance	431	BUY	36,621	766	85	62.5	68.8	80.3	37.3	10.0	16.8	6.9	6.3	5.4	—	—	—	1.5	1.3	1.1	3.2	3.5	4.1	26.2	23.9	23.4	390	(9.5)	6.7
Mahindra & Mahindra Financial	220	ADD	21,044	440	96	22.4	27.5	30.0	7.5	22.9	8.7	9.8	8.0	7.3	—	—	—	1.5	1.3	1.1	2.5	3.1	3.4	15.4	16.9	16.3	240	9.1	0.1
Oriental Bank of Commerce	186	ADD	46,513	973	251	36.1	27.3	34.6	51.4	(24.5)	26.7	5.1	6.8	5.4	—	—	—	0.8	0.9	1.0	3.9	2.9	3.7	14.8	10.2	11.8	150	(19.2)	3.1
PFC	200	ADD	229,209	4,797	1,148	13.0	16.5	19.3	14.3	26.7	17.6	15.4	12.1	10.3	—	—	—	2.1	1.9	1.6	1.4	2.5	2.2	13.8	15.8	16.7	160	(19.9)	4.6
Punjab National Bank	689	BUY	217,370	4,549	315	90.7	90.7	99.7	39.6	(0.0)	10.0	7.6	7.6	6.9	—	—	—	1.9	1.7	1.5	2.6	2.6	2.9	21.5	18.6	18.0	650	(5.7)	23.8
Rural Electrification Corp.	135	BUY	115,568	2,419	859	15.2	17.7	20.0	38.8	16.8	13.0	8.9	7.6	6.7	—	—	—	1.6	1.4	1.2	3.6	4.2	4.8	19.6	19.9	19.6	125	(7.1)	2.1
Shriram Transport	289	ADD	61,209	1,281	212	30.1	32.5	36.9	56.8	7.9	13.7	9.6	8.9	7.8	—	—	—	2.8	2.4	2.0	3.0	3.4	3.8	29.6	27.0	25.8	300	3.7	2.5
SREI	66	ADD	7,629	160	116	7.7	6.9	8.2	(32.8)	(10.1)	18.6	8.5	9.5	8.0	—	—	—	0.7	0.7	0.6	3.5	4.3	4.9	14.0	11.5	13.0	50	(23.8)	2.2
State Bank of India	1,754	BUY	1,113,758	23,310	635	143.6	121.1	139.2	34.8	(15.7)	14.9	12.2	14.5	12.6	—	—	—	2.3	2.3	2.0	1.7	1.7	1.8	17.1	12.7	13.3	1,600	(8.8)	111.4
Union Bank	214	BUY	107,843	2,257	505	34.2	29.6	35.5	24.5	(13.5)	19.9	6.2	7.2	6.0	—	—	—	1.2	1.1	1.0	2.4	2.1	2.5	27.2	19.5	19.9	220	3.0	5.4
Banks/Financial Institutions		**Attractive**	**5,250,888**	**109,897**					**27.1**	**(4.8)**	**15.2**	**12.4**	**13.0**	**11.3**	**—**	**—**	**—**	**2.1**	**2.0**	**1.8**	**1.7**	**1.7**	**1.9**	**16.8**	**15.1**	**15.7**			
Cement																													
ACC	750	REDUCE	140,891	2,949	188	56.3	55.2	42.2	(12.2)	(1.9)	(23.6)	13.3	13.6	17.8	6.7	6.7	7.8	2.7	2.4	2.2	3.1	3.1	3.1	24.7	21.3	15.1	625	(16.7)	11.4
Ambuja Cements	86	REDUCE	131,077	2,743	1,522	7.2	6.8	5.4	(5.0)	(4.7)	(20.5)	12.0	12.6	15.8	6.4	6.6	7.9	2.2	1.9	1.8	3.5	2.2	2.5	19.7	16.6	12.0	70	(18.7)	4.4
Grasim Industries	2,284	REDUCE	209,392	4,382	92	238.5	235.7	239.1	(16.2)	(1.2)	1.4	9.6	9.7	9.6	5.5	5.0	4.7	1.9	1.6	1.4	1.5	1.5	1.5	21.7	18.2	16.0	1,900	(16.8)	10.0
India Cements	138	ADD	38,757	811	282	22.7	19.8	17.5	n/a	(12.8)	(11.2)	6.1	7.0	7.8	4.3	4.4	4.6	1.0	0.9	0.8	1.5	1.5	2.3	15.7	14.7	11.7	130	(5.5)	4.7
Shree Cement	872	BUY	30,366	636	35	174.7	91.6	86.2	93.7	(47.6)	(5.9)	5.0	9.5	10.1	3.5	3.8	3.9	2.5	2.1	1.8	1.2	1.2	1.2	65.7	24.0	18.9	950	9.0	0.5
UltraTech Cement	640	ADD	80,148	1,677	125	78.0	70.5	49.3	(4.1)	(9.7)	(30.0)	8.2	9.1	13.0	5.4	5.0	6.2	1.9	1.6	1.4	1.3	1.3	1.3	31.2	22.3	13.4	625	(2.3)	1.1
Cement		**Cautious**	**630,630**	**13,199**					**(5.1)**	**(9.5)**	**(12.9)**	**9.5**	**10.5**	**12.1**	**5.6**	**5.4**	**5.8**	**2.0**	**1.7**	**1.6**	**2.2**	**2.0**	**2.1**	**21.0**	**16.4**	**12.9**			
Consumer products																													
Asian Paints	1,001	ADD	95,973	2,009	96	38.4	49.1	57.5	(2.2)	27.9	17.1	26.1	20.4	17.4	15.1	11.8	10.0	8.4	6.9	5.7	1.7	2.0	2.2	36.3	38.5	36.8	1,000	(0.1)	0.8
Colgate-Palmolive (India)	467	ADD	63,543	1,330	136	20.4	23.3	25.7	19.4	14.4	10.1	22.9	20.0	18.2	19.9	16.6	14.5	37.7	41.7	47.4	3.9	4.5	4.9	157.8	198.4	245.6	490	4.9	2.0
GlaxoSmithkline Consumer (a)	840	ADD	35,327	739	42	44.8	56.1	63.6	15.8	25.2	13.5	18.8	15.0	13.2	10.3	8.3	7.3	4.6	3.9	3.5	1.8	2.5	3.5	26.8	28.5	28.0	900	7.1	0.4
Godrej Consumer Products	160	ADD	41,362	866	258	6.8	8.7	9.8	(3.9)	27.8	12.8	23.6	18.5	16.4	20.6	15.1	12.5	6.3	5.4	4.6	2.5	2.5	2.5	42.7	42.7	33.1	160	(0.2)	0.6
Hindustan Unilever	230	REDUCE	500,187	10,469	2,179	9.2	10.2	11.6	12.9	11.5	13.6	25.0	22.4	19.8	20.0	17.1	15.1	32.3	30.0	27.7	3.8	4.2	4.8	134.3	139.0	146.1	235	2.4	25.5
ITC	190	ADD	717,732	15,022	3,769	8.7	9.8	11.2	4.6	12.8	14.5	22.0	19.5	17.0	13.5	12.0	10.5	5.0	4.4	3.9	2.0	2.1	2.3	25.4	25.2	25—	200	5.0	21.7
Jyothy Laboratories	70	ADD	5,044	106	73	7.2	10.6	13.0	10.2	47.3	22.1	9.6	6.5	5.4	5.8	3.9	2.9	1.3	1.1	1.0	3.4	4.2	5.1	13.0	16.5	18.8	127	82.7	
Nestle India (a)	1,694	ADD	163,338	3,419	96	58.6	70.5	82.4	31.0	20.4	16.8	28.9	24.0	20.6	18.4	15.7	13.6	34.5	28.3	23.5	2.5	3.0	3.5	126.7	129.6	124.8	1,800	6.3	1.9
Tata Tea	690	BUY	42,663	893	62	60.1	67.7	75.8	10.9	12.7	11.9	11.5	10.2	9.1	6.2	4.9	4.3	0.9	0.8	0.8	2.5	2.8	3.2	10.3	10.8	11.3	940	36.3	1.7
Consumer products		**Cautious**	**1,665,167**	**34,851**					**9.4**	**14.8**	**14.3**	**22.9**	**20.0**	**17.5**	**15.2**	**13.1**	**11.4**	**6.9**	**6.1**	**5.4**	**2.7**	**3.0**	**3.3**	**30.0**	**30.6**	**31.0**			
Constructions																													
Consolidated Construction Co.	171	ADD	6,301	132	37	19.7	27.2	31.9	(18.1)	38.0	17.5	8.7	6.3	5.3	6.0	4.3	3.6	1.2	1.1	0.9	1.6	2.3	2.7	15.0	18.1	18.3	190	11.4	0.1
IVRCL	256	BUY	34,583	724	135	14.4	16.9	19.4	(7.3)	17.1	14.8	17.7	15.1	13.2	10.5	8.4	6.9	1.9	1.7	1.5	0.3	0.3	0.3	11.5	12.0	12.3	215	(15.9)	11.9
Nagarjuna Construction Co.	114	BUY	26,093	546	229	7.3	8.8	9.7	2.5	19.7	10.0	15.5	13.0	11.8	8.8	7.5	6.7	1.5	1.4	1.3	1.2	1.4	1.8	10.3	11.3	11.4	120	5.4	3.0
Punj Lloyd	161	BUY	50,202	1,051	311	(7.4)	15.9	17.2	(174.4)	(314.8)	7.7	(21.8)	10.1	9.4	24.4	6.2	6.0	2.0	1.7	1.4	(0.2)	0.5	0.5	(9.2)	18.9	17.1	200	23.9	24.3
Sadbhav Engineering	555	ADD	6,938	145	13	43.8	54.3	88.0	8.2	23.8	62.2	12.7	10.2	6.3	7.5	6.3	4.8	2.0	1.7	1.4	0.9	1.1	1.3	15.9	16.8	21.7	550	(0.9)	0.1
Construction		**Attractive**	**124,117**	**2,598**					**(70.0)**	**344.1**	**13.8**	**49.5**	**11.1**	**9.8**	**12.3**	**6.8**	**6.1**	**1.8**	**1.6**	**1.4**	**0.4**	**0.7**	**0.9**	**3.7**	**14.2**	**14.1**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	19-May-09		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	113.9	BUY	(Rs mn)	(US$ mn)	(mn)	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	(Rs)	(%)	(US$ mn)
Energy																													
Bharat Petroleum	412	SELL	134,964	2,825	328	—	42.0	51.5	(99.9)	142,832	NA	14,024	NA	8.0	8.0	4.7	4.2	1.0	0.9	0.9	—	4.6	5.6	0.0	10.2	11.6	425	3.2	5.6
Cairn india	218	BUY	413,853	8,662	1,897	4.2	4.4	28.5	(3,628)	5	543.2	52	49	7.7	31.0	22.3	6.3	1.2	1.2	1.2	—	—	13.7	2.5	2.5	15.9	225	3.1	25.2
Castrol India (a)	328	BUY	40,554	849	124	21.3	25.5	26.6	20.8	19.5	4.3	15.4	12.9	12.3	8.6	7.4	7.0	9.0	8.1	7.6	4.6	5.5	6.1	61.2	66.5	63.7	390	18.9	0.4
GAIL (India)	304	SELL	385,680	8,072	1,268	23.3	19.7	20.7	14.2	(15.6)	5.1	13.1	15.5	14.7	7.2	8.7	9.1	2.4	2.2	2.0	2.4	2.2	2.2	18.3	13.8	13.3	240	(21.1)	11.5
GSPL	54	REDUCE	30,362	635	563	1.9	2.5	3.7	4.4	30.5	52.6	28.7	22.0	14.4	9.7	6.2	5.3	2.3	2.1	2.1	1.0	1.3	6.9	8.2	9.8	14.4	45	(16.6)	2.9
Hindustan Petroleum	281	SELL	95,228	1,993	339	(10.5)	30.2	41.8	(131.5)	(386.8)	38.3	(26.6)	9.3	6.7	7.1	4.8	NA	0.8	0.7	NA	—	4.3	5.9	(2.9)	7.6	9.9	300	6.8	5.9
Indian Oil Corporation	446	REDUCE	525,505	10,998	1,179	24.3	46.8	49.6	(60.3)	92.1	6.1	18.3	9.5	9.0	8.4	4.7	4.2	1.1	1.0	0.9	—	4.1	4.4	6.2	10.3	10.2	525	17.8	2.7
Oil & Natural Gas Corporation	996	ADD	2,129,690	44,573	2,139	102.6	94.6	125.5	10.7	(7.8)	32.7	9.7	10.5	7.9	3.7	3.6	2.8	1.9	1.7	1.5	3.4	3.6	4.8	19.3	15.8	18.8	900	(9.6)	40.3
Petronet LNG	62	ADD	46,275	969	750	6.9	7.7	9.0	—	10.8	17.6	8.9	8.1	6.9	7.4	5.8	5.1	2.0	1.6	1.4	2.4	2.4	3.2	24.0	21.8	20.9	57	(7.6)	3.4
Reliance Industries	2,231	REDUCE	3,063,026	64,107	1,373	103.4	127.7	175.7	(1.5)	23.5	37.7	21.6	17.5	12.7	12.7	8.0	6.0	2.6	2.3	2.0	0.6	0.7	0.9	15.1	15.9	19.2	1,650	(26.0)	218.1
Reliance Petroleum	139	NR	625,050	13,082	4,500	—	8.3	13.8	n/a	n/a	n/a	n/a	n/a	10.1	n/a	n/a	8.2	4.6	3.9	2.9	—	1.4	1.4	0.6	25.1	33.0	—	—	23.7
Energy		**Neutral**	**7,490,187**	**156,764**					**(6.3)**	**26.5**	**39.9**	**16.7**	**13.2**	**9.5**	**8.1**	**6.2**	**4.8**	**2.0**	**1.8**	**1.6**	**1.4**	**2.0**	**3.3**	**12.0**	**13.7**	**17.3**			
Industrials																													
ABB	617	REDUCE	130,822	2,738	212	25.8	24.9	29.6	11.3	(3.6)	18.7	23.9	24.8	20.9	14.1	13.9	11.3	6.2	5.1	4.2	0.4	0.5	0.5	29.2	22.6	22.1	500	(19.0)	7.1
BGR Energy Systems	269	REDUCE	19,390	406	72	15.3	20.7	24.3	26.1	35.4	17.5	17.6	13.0	11.1	9.8	8.0	6.8	3.4	2.8	2.3	0.9	1.2	1.5	21.3	23.9	23.2	165	(38.7)	1.3
Bharat Electronics	1,180	REDUCE	94,368	1,975	80	101.9	111.1	119.0	(0.0)	9.0	7.1	11.6	10.6	9.9	4.7	4.1	3.6	2.4	2.1	1.8	2.1	2.1	2.1	22.4	20.9	19.2	1,025	(13.1)	1.2
Bharat Heavy Electricals	2,168	REDUCE	1,061,133	22,209	490	59.8	89.0	105.5	2.3	48.9	18.5	36.3	24.4	20.5	19.6	13.6	11.3	8.2	6.6	5.3	0.7	0.9	1.0	24.7	30.0	28.5	1,475	(32.0)	58.1
Crompton Greaves	224	ADD	82,005	1,716	367	14.2	15.7	17.9	27.0	10.8	13.9	15.8	14.2	12.5	8.9	8.0	7.1	4.7	3.7	2.9	0.8	0.8	0.9	34.1	28.9	26.0	210	(6.1)	5.8
Larsen & Toubro	1,343	ADD	801,458	16,774	597	49.0	54.7	63.5	29.2	11.5	16.1	27.4	24.6	21.2	15.9	14.0	12.4	5.0	4.1	3.5	0.7	0.8	0.9	20.9	18.5	18.0	1,000	(25.5)	75.6
Maharashtra Seamless	226	BUY	15,968	334	71	35.9	33.0	39.6	22.2	(8.1)	20.3	6.3	6.9	5.7	4.2	4.3	3.3	1.2	1.0	0.9	2.4	2.2	3.2	20.3	16.0	16.8	225	(0.6)	0.9
Siemens	458	REDUCE	154,504	3,234	337	14.2	19.8	21.1	(22.2)	39.7	6.4	32.3	23.1	21.7	15.3	13.2	12.5	6.8	5.8	4.8	0.7	1.4	0.9	23.3	27.1	24.2	360	(21.4)	6.8
Suzlon Energy	90	ADD	141,206	2,955	1,571	7.0	7.1	11.4	6.0	2.1	59.7	12.9	12.6	7.9	9.4	8.3	6.6	1.4	1.2	1.0	0.6	0.6	1.1	11.3	10.1	13.9	90	0.1	59.7
Industrials		**Cautious**	**2,500,852**	**52,341**					**10.2**	**22.1**	**20.2**	**25.9**	**21.2**	**17.7**	**14.3**	**11.9**	**10.2**	**4.9**	**4.1**	**3.4**	**0.8**	**0.9**	**1.0**	**18.9**	**19.1**	**19.2**			
Infrastructure																													
IRB Infrastructure	127	ADD	42,260	884	332	5.6	10.4	10.8	63.5	85.5	3.9	22.7	12.2	11.8	12.7	7.1	6.4	2.3	1.9	1.6	—	—	—	10.6	16.8	14.5	110	(13.5)	5.6
Media																													
DishTV	37	REDUCE	35,158	736	946	(7.3)	(4.1)	(3.2)	n/a	(44.4)	(22.6)	(5.1)	(9.1)	(11.8)	(22.5)	(136.6)	43.7	(5.4)	(17.3)	(7.0)	—	—	—	86.1	91.1	NA	22	(40.8)	5.3
HT Media	79	BUY	18,459	386	234	0.8	3.5	6.0	(80.4)	311.0	70.9	92.8	22.6	13.2	19.3	9.0	6.6	2.2	2.1	1.9	0.5	1.0	2.7	2.3	9.4	14.9	100	26.9	0.1
Jagran Prakashan	59	BUY	17,889	374	301	2.9	4.1	5.9	(11.6)	42.4	44.7	20.6	14.5	10.0	11.4	7.9	5.7	3.1	2.9	2.6	2.4	3.5	5.0	15.6	20.6	26.9	80	34.7	0.1
Sun TV Network	257	REDUCE	101,436	2,123	394	9.3	11.1	12.8	11.8	19.2	15.8	27.8	23.3	20.1	14.9	13.0	11.2	6.0	5.5	5.1	1.6	2.3	3.1	23.5	25.1	26.7	200	(22.3)	0.9
Zee Entertainment Enterprises	165	ADD	71,474	1,496	434	8.1	9.3	11.2	(9.0)	15.5	20.0	20.4	17.7	14.7	14.3	12.3	10.2	2.1	2.0	1.9	1.4	1.7	2.0	11.6	12.2	13.7	145	(12.0)	7.7
Zee News	38	ADD	8,991	188	240	1.9	2.1	2.5	20.4	11.1	18.8	20.1	18.1	15.3	10.5	8.9	7.9	3.6	3.1	2.7	1.1	1.1	1.6	20.0	19.0	19.5	40	6.7	0.5
Media		**Neutral**	**253,407**	**5,304**					**(27.6)**	**83.0**	**50.5**	**65.3**	**35.7**	**23.7**	**19.6**	**13.7**	**10.8**	**4.2**	**3.6**	**3.5**	**1.3**	**1.8**	**2.4**	**6.4**	**10.1**	**14.6**			
Metals																													
Hindalco Industries	77	ADD	135,389	2,834	1,753	7.7	2.4	8.2	(44.4)	(69.2)	248.7	10.1	32.7	9.4	5.9	8.2	6.9	0.4	0.4	0.4	—	—	—	10.3	5.2	6.7	55	(28.8)	14.2
National Aluminium Co.	363	SELL	234,046	4,898	644	19.7	10.3	16.3	(22.2)	(47.8)	58.3	18.4	35.3	22.3	9.5	12.4	8.5	2.2	2.1	2.0	1.0	0.6	0.6	12.7	6.2	9.2	135	(62.8)	2.6
Jindal Steel and Power	2,015	BUY	310,209	6,492	154	179.7	171.6	195.4	117.2	(4.5)	13.9	11.2	11.7	10.3	7.4	7.3	6.0	4.3	3.1	2.4	—	0.4	0.5	48.4	31.0	26.5	1,400	(30.5)	26.0
JSW Steel	479	SELL	89,652	1,876	187	13.1	24.1	53.5	(84.7)	83.3	121.8	36.5	19.9	9.0	8.6	8.6	6.7	0.9	0.8	0.7	0.2	1.0	1.0	11.0	4.3	8.3	340	(29.1)	28.2
Hindustan Zinc	588	BUY	248,343	5,198	423	64.6	62.9	80.9	(38.0)	(2.6)	28.7	9.1	9.3	7.3	5.3	4.7	2.8	1.7	1.4	1.2	0.7	0.9	0.9	20.1	16.5	17.9	610	3.8	3.4
Sesa Goa	156	BUY	123,085	2,576	787	24.8	20.8	24.6	30.8	(16.1)	18.6	6.3	7.5	6.3	3.7	4.0	2.7	2.7	2.1	1.6	2.2	2.2	2.2	52.8	31.3	28.8	150	(4.1)	20.9
Sterlite Industries	555	ADD	392,966	8,224	708	49.2	41.0	50.5	(23.6)	(16.7)	23.4	11.3	13.5	11.0	6.6	7.2	5.4	1.5	1.4	1.2	—	—	—	14.3	10.7	11.8	490	(11.7)	38.8
Tata Steel	330	BUY	270,846	5,669	822	123.9	55.5	87.0	63.6	(55.2)	56.7	2.7	5.9	3.8	3.5	4.7	3.6	0.6	0.6	0.5	3.9	3.9	3.9	36.8	15.7	21.3	280	(15.0)	84.1
Metals		**Attractive**	**1,804,536**	**37,768**					**5.4**	**(35.6)**	**41.7**	**7.3**	**11.3**	**8.0**	**5.3**	**6.4**	**4.9**	**1.2**	**1.1**	**1.0**	**1.0**	**1.0**	**1.1**	**16.1**	**9.6**	**12.1**			
Pharmaceutical																													
Biocon	155	BUY	30,980	648	200	4.7	13.6	19.4	(80.0)	192.2	42.8	33.3	11.4	8.0	13.9	6.3	4.5	2.0	1.8	1.5	0.0	0.1	0.1	6.2	16.9	20.9	235	51.7	0.9
Cipla	227	ADD	176,484	3,694	777	9.9	13.9	15.5	9.5	40.6	11.9	23.0	16.4	14.6	16.5	11.8	10.4	4.1	3.5	2.9	1.1	1.3	1.5	19.1	23.0	21.8	260	14.5	7.9
Dishman Pharma & chemicals	133	BUY	10,777	226	81	11.4	24.8	28.0	(22.7)	118.0	13.0	11.7	5.3	4.7	9.0	5.1	4.4	1.7	1.3	1.0	0.0	0.0	0.0	15.1	27.1	24.3	280	111.3	0.4
Divi's Laboratories	1,022	BUY	65,944	1,380	65	64.9	75.1	89.1	21.8	15.8	18.7	15.8	13.6	11.5	12.2	9.9	7.8	5.3	3.9	3.0	0.1	0.1	0.1	40.2	33.4	29.7	1,450	41.9	4.4
Dr Reddy's Laboratories	592	BUY	100,152	2,096	169	32.4	45.5	47.0	24.5	40.2	3.3	18.2	13.0	12.6	8.9	7.3	6.5	2.9	2.4	2.0	0.7	0.7	0.7	13.6	19.8	17.3	740	25.0	4.4
Glenmark Pharmaceuticals	186	BUY	49,568	1,037	266	15.8	18.2	22.5	(38.7)	14.7	23.6	11.8	10.3	8.3	8.0	6.9	5.8	2.2	1.9	1.5	0.0	0.0	0.1	21.9	19.8	20.2	390	109.2	5.6
Jubilant Organosys	158	BUY	26,973	565	171	16.5	18.6	21.8	(26.2)	12.6	17	9.5	8.5	7.2	11.6	7.2	5.3	2.1	1.7	1.4	0.8	0.8	1.1	18.6	22.6	21.7	250	58.7	0.5
Lupin	820	BUY	72,669	1,521	89	60.7	66.0	71.3	21.9	8.7	8.0	13.5	12.4	11.5	13.4	11.2	9.5	4.3	3.3	2.7	1.4	1.4	1.6	33.7	30.3	26.1	1,075	31.0	2.9
Piramal Healthcare	261	BUY	54,528	1,141	209	17.3	22.4	28.2	(2.7)	29.8	26.0	15.1	11.6	9.2	11.3	7.9	6.4	4.1	3.2	2.5	1.6	1.7	1.7	26.3	31.4	30.8	340	30.3	2.1
Ranbaxy Laboratories	210	REDUCE	89,578	1,875	427	(8.1)	(5.7)	5.1	(134.7)	NA	NA	(25.9)	NA	41.0	(126.9)	645.4	16.7	1.8	1.5	1.6	4.8	5.4	6.0	(8.8)	(4.7)	4.1	150	(28.5)	14.1
Sun Pharmaceuticals	1,374	BUY	284,578	5,956	207	86.8	85.7	94.0	16.3	(1.3)	9.7	15.8	16.0	14.6	12.4	11.6	10.0	4.2	3.4	2.8	0.8	1.0	1.0	31.1	24.3	21.9	1,800	31.0	17.0
Pharmaceuticals		**Attractive**	**962,231**	**20,139**					**(18.5)**	**26.7**	**21.9**	**19.7**	**15.5**	**12.7**	**13.3**	**10.2**	**8.2**	**3.3**	**2.7**	**2.3**	**1.2**	**1.3**	**1.5**	**16.6**	**17.3**	**18.0**			
Property																													
DLF	381	REDUCE	648,761	13,578	1,705	29.3	16.0	17.4	(36.6)	(45.2)	8.4	13.0	23.7	21.9	13.1	18.6	16.0	2.6	2.4	2.2	0.8	0.8	1.1	22.5	10.6	10.6	190	(50.1)	116.0
Housing Development & Infrastruc	286	REDUCE	78,763	1,648	275	30.6	19.8	24.8	(40.1)	(35.3)	25.1	9.3	14.4	11.5	12.1	13.8	11.3	1.8	1.7	1.5	1.7	2.1	2.8	21.2	12.1	13.9	120	(58.0)	67.3
Indiabulls Real Estate	200	ADD	51,617	1,080	258	3.0	3.9	10.2	(81.6)	29.5	161.2	66.1	51.1	19.6	(99)	41.5	9.6	0.8	0.8	0.8	0.0	0.0	0.0	1.3	1.5	3.9	180	(10.2)	39.8
Mahindra Life Space Developer	249	BUY	10,472	219	42	10.2	10.8	15.4	(39.2)	5.3	42.5	24.3	23.1	16.2	37.4	21.5	10.9	1.2	1.2	1.1	1.6	1.6	1.6	4.8	4.9	6.7	410	64.7	0.5
Phoenix Mills	125	BUY	18,113	379	145	5.4	7.3	8.9	70.0	34.7	23.4	23.2	17.2	14.0	25.7	13.0	10.4	1.2	1.1	1.1	0.8	0.8	1.2	5.3	6.8	7.9	210	67.9	0.3
Puravankara Projects	74	REDUCE	15,708	329	213	6.8	7.0	7.4	(39.8)	2.8	6.9	10.9	10.6	9.9	17.3	14.1	11.5	1.2	1.1	1.0	—	2.7	2.7	11.5	10.8	10.7	55	(25.3)	0.3
Sobha	149	REDUCE	10,884	228	73	15.9	11.9	14.7	(50.0)	(24.8)	23.5	9.4	12.5	10.1	9.3	12.6	11.3	1.0	0.9	0.9	2.7	2.7	2.7	11.0	7.8	9.1	90	(39.7)	0.7
Unitech	71	SELL	145,048	3,036	2,044	6.4	3.9	3.4	(38.4)	(39.0)	(12.9)	11.2	18.3	21.0	12.4	14.0	14.4	3.1	2.1	1.9	—	—	—	25.1	13.4	9.4	32	(54.9)	79.3
Property		**Neutral**	**979,366**	**20,497**					**(38.6)**	**(37.9)**	**11.3**	**13.4**	**21.5**	**19.4**	**13.3**	**16.9**	**14.5**	**2.2**	**2.0**	**1.8**	**0.7**	**0.8**	**1.0**	**16.3**	**9.1**	**9.4**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

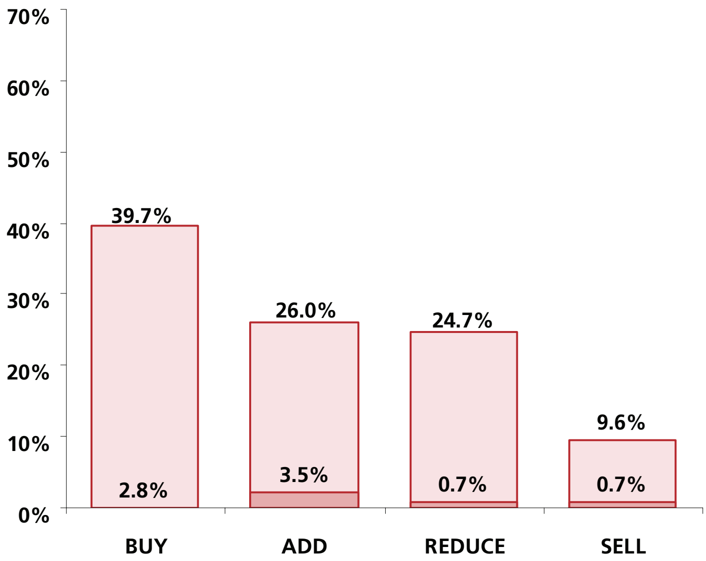
Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	19-May-09		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
	37.2	REDUCE	(Rs mn)	(US$ mn)	(mn)	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	(Rs)	(%)	(US$ mn)
Retail																													
Titan Industries	991	REDUCE	43,990	921	44	45.9	50.1	56.9	30.8	9.2	13.7	21.6	19.8	17.4	13.9	12.1	10.3	7.6	5.9	4.7	1.0	1.1	1.2	38.9	33.6	29.9	850	(14.2)	3.9
Retail		**Neutral**	**43,990**	**921**					**30.8**	**9.2**	**13.7**	**21.6**	**19.8**	**17.4**	**13.9**	**12.1**	**10.3**	**7.6**	**5.9**	**4.7**	**1.0**	**1.1**	**1.2**	**35.3**	**29.7**	**26.8**			
Technology																													
HCL Technologies	159	REDUCE	110,505	2,313	695	16.2	12.5	16.7	5.8	(22.6)	33.4	9.8	12.7	9.5	5.6	5.3	5.1	1.7	1.6	1.5	7.5	7.5	7.5	18.3	13.0	16.8	110	(30.8)	5.1
Infosys Technologies	1,559	BUY	894,837	18,728	574	102.4	104.1	116.1	29.6	1.6	11.5	15.2	15.0	13.4	10.9	10.5	8.7	4.9	4.0	3.3	1.5	1.6	1.8	36.7	29.3	26.8	1,500	(3.8)	56.9
Mphasis BFL	259	REDUCE	54,020	1,131	208	14.2	32.6	27.9	15.7	129.8	(14.4)	18.3	8.0	9.3	13.8	5.5	4.9	3.8	2.7	2.2	1.5	1.7	1.9	22.8	39.5	26.0	190	(26.7)	2.5
Mindtree	372	BUY	15,326	321	41	13.2	44.0	50.7	(50.5)	232.5	15.1	28.1	8.5	7.3	4.9	4.9	4.1	2.8	2.1	1.6	0.5	—	1.4	5.5	20.4	18.4	400	7.4	4.4
Patni Computer Systems	182	REDUCE	23,391	490	129	26.8	23.5	26.1	(19.3)	(12.4)	11.1	6.8	7.7	7.0	1.9	1.4	1.2	0.9	0.7	0.7	1.0	2.6	2.9	16.2	10.0	10.3	150	(17.6)	1.5
Polaris Software Lab	80	SELL	7,846	164	99	13.1	13.3	12.1	76.0	1.7	(8.9)	6.1	6.0	6.5	1.9	2.2	2.3	1.0	0.9	0.8	3.5	2.5	2.5	18.1	15.9	12.9	50	(37.1)	2.7
TCS	670	REDUCE	655,424	13,718	979	52.9	51.3	55.9	3.1	(2.9)	8.8	12.7	13.0	12.0	8.8	8.9	7.7	4.2	3.5	3.0	2.1	2.3	3.3	36.9	29.1	26.8	510	(23.9)	27.1
Tech Mahindra	365	ADD	47,102	986	129	70.4	38.0	37.2	19.3	(46.0)	(2.1)	5.2	9.6	9.8	3.3	6.6	6.2	2.1	1.8	1.5	1.1	1.6	1.9	52.8	20.3	17.0	360	(1.3)	15.3
Wipro	385	ADD	563,382	11,791	1,462	25.7	27.0	29.4	15.8	4.7	9.1	15.0	14.3	13.1	11.0	9.9	8.3	3.8	3.1	2.6	1.0	2.0	2.2	26.9	23.7	21.7	325	(15.7)	12.9
Technology		**Cautious**	**2,376,904**	**49,747**					**15.0**	**(0.5)**	**9.1**	**13.3**	**13.4**	**12.3**	**9.1**	**8.7**	**7.6**	**3.7**	**3.1**	**2.7**	**1.8**	**2.2**	**2.6**	**28.1**	**23.2**	**21.9**			
Telecom																													
Bharti Airtel	915	ADD	1,737,317	36,361	1,899	44.6	52.2	59.8	26.4	17.0	14.6	20.5	17.5	15.3	11.9	10.2	8.8	5.5	4.2	3.2	0.4	0.7	0.9	31.4	27.0	23.8	775	(15.3)	75.5
IDEA	76	REDUCE	234,496	4,908	3,104	2.9	2.9	3.2	(26.5)	(0.1)	10.9	26.0	26.1	23.5	9.6	8.7	7.3	1.7	1.6	1.5	—	—	—	10.4	6.4	6.8	55	(27.2)	8.9
MTNL	83	SELL	52,038	1,089	630	4.0	4.1	4.6	(44.3)	2.6	11.8	20.8	20.2	18.1	9.0	6.7	4.6	0.4	0.4	0.5	7.3	7.3	7.3	1.6	1.6	1.9	50	(39.5)	1.7
Reliance Communications	316	SELL	652,746	13,661	2,064	27.7	20.3	21.1	4.7	(26.6)	3.9	11.4	15.6	15.0	9.6	9.1	7.1	1.9	1.7	1.5	0.3	—	—	18.6	11.7	10.9	180	(43.1)	53.1
Tata Communications	608	REDUCE	173,209	3,625	285	13.6	14.0	15.2	24.0	3.2	8.2	44.8	43.4	40.1	18.9	17.2	16.0	2.5	2.4	2.4	0.8	1.1	1.2	5.4	5.2	5.5	400	(34.2)	3.3
Telecom		**Cautious**	**2,849,807**	**59,644**					**11.5**	**(0.5)**	**11.3**	**17.7**	**17.8**	**16.0**	**11.2**	**9.9**	**8.2**	**2.9**	**2.5**	**2.2**	**0.5**	**0.6**	**0.7**	**16.3**	**14.0**	**13.6**			
Transportation																													
Container Corporation	910	ADD	118,314	2,476	130	64.4	71.4	83.3	11.6	10.8	16.6	14.1	12.7	10.9	10.0	8.4	7.0	3.1	2.6	2.2	1.6	1.8	2.1	24.0	22.5	22.2	850	(6.6)	0.9
Transportation		**Cautious**	**118,314**	**2,476**					**11.6**	**10.8**	**16.6**	**14.1**	**12.7**	**10.9**	**10.0**	**8.4**	**7.0**	**3.1**	**2.6**	**2.2**	**1.6**	**1.8**	**2.1**	**22.1**	**20.8**	**20.5**			
Utilities																													
CESC	318	BUY	39,717	831	125	31.2	38.0	42.1	12.3	21.8	10.8	10.2	8.4	7.6	5.5	6.3	6.7	1.1	1.0	0.8	1.4	1.7	1.9	11.4	12.2	11.9	385	21.1	1.0
Lanco Infratech	314	BUY	69,902	1,463	222	14.6	17.1	24.9	(1.3)	16.6	45.7	21.5	18.4	12.6	25.1	18.7	10.3	3.2	2.7	2.2	—	—	—	16.2	15.8	19.0	270	(14.1)	11.3
NTPC	206	REDUCE	1,697,741	35,532	8,245	8.8	10.7	12.0	(5.2)	20.8	12.7	23.3	19.3	17.1	15.8	14.2	13.5	2.9	2.7	2.5	1.7	1.9	2.2	12.9	14.4	15.0	180	(12.6)	29.7
Reliance Infrastructure	1,064	BUY	240,852	5,041	226	64.1	58.8	62.9	70.5	(8.2)	6.9	16.6	18.1	16.9	17.8	18.3	14.2	1.4	1.3	1.3	0.7	0.8	0.9	6.3	7.0	9.0	970	(8.8)	111.1
Reliance Power	162	REDUCE	388,154	8,124	2,397	1.0	2.5	3.1	—	140.3	25.3	158.7	66.1	52.7	—	—	—	2.8	2.7	2.6	—	—	—	1.8	4.2	5.0	120	(25.9)	18.4
Tata Power	1,056	BUY	234,973	4,918	223	65.2	90.2	101.5	104.6	38.4	12.5	16.2	11.7	10.4	10.8	10.1	9.4	2.2	1.9	1.7	1.0	1.1	1.3	15.0	17.5	17.0	1,000	(5.3)	12.5
Utilities		**Attractive**	**2,671,339**	**55,909**					**11.2**	**21.8**	**13.5**	**24.0**	**19.7**	**17.3**	**16.5**	**16.1**	**14.6**	**2.5**	**2.3**	**2.1**	**1.2**	**1.4**	**1.6**	**10.6**	**11.8**	**12.3**			
Others																													
Aban Offshore	905	SELL	34,291	718	38	87.8	148.2	277.7	21	68.8	87.4	10.3	6.1	3.3	9.0	7.1	5.6	2.5	1.8	1.2	0.4	0.6	0.6	33.7	36.9	41.2	300	(66.9)	43.3
Havells India	231	REDUCE	13,968	292	61	(1.0)	10.3	14.7	(104)	NA	43.0	NA	22.5	15.7	9.6	8.3	7.4	2.0	1.9	1.7	1.4	1.8	2.2	(0.9)	8.5	11.4	120	(48.0)	2.2
Jaiprakash Associates	164	ADD	230,799	4,830	1,403	6.6	7.9	11.8	34	20.0	49.6	25.1	20.9	14.0	15.1	12.4	11.4	3.8	3.3	2.8	0.0	0.0	0.0	16.8	17.1	21.8	140	(14.9)	67.9
Jindal Saw	351	BUY	19,233	403	55	64.3	47.8	41.7	(1)	(25.6)	(12.8)	5.5	7.3	8.4	3.7	3.7	3.5	0.6	0.5	0.5	1.4	1.1	1.1	10.8	7.4	6.2	300	(14.4)	2.6
PSL	109	BUY	4,752	99	44	24.3	43.7	37.8	15	79.6	(13.4)	4.5	2.5	2.9	5.1	4.4	3.8	0.6	0.5	0.5	7.3	7.3	7.3	10.6	14.2	12.4	145	33.0	0.2
Sintex	216	BUY	29,544	618	136	23.8	24.8	27.3	22	4.1	10.2	9.1	8.7	7.9	6.5	6.0	5.0	1.5	1.3	1.1	0.5	0.5	0.6	16.6	14.8	14.1	175	(19.1)	3.9
Tata Chemicals	201	ADD	47,246	989	235	25.5	23.4	27.5	(36)	(8.3)	17.6	7.9	8.6	7.3	5.1	4.4	3.8	1.0	0.9	0.8	4.0	4.0	4.0	17.2	13.3	14.0	190	(5.4)	2.5
Welspun Gujarat Stahl Rohren	136	REDUCE	25,655	537	189	20.8	21.6	16.6	1	4.1	(23.5)	6.5	6.3	8.2	5.2	4.5	4.8	1.2	1.0	0.9	1.4	1.0	1.1	19.9	17.8	11.7	100	(26.4)	12.2
United Phosphorus	152	BUY	70,154	1,468	462	10.7	13.5	18.0	28	25.7	33.9	14.2	11.3	8.4	9.5	6.9	5.3	2.3	2.0	1.6	0.8	1.0	1.3	18.1	18.2	20.5	140	(7.8)	2.4
Others			**475,642**	**9,955**					**14.9**	**10.9**	**30.2**	**12.8**	**11.5**	**8.8**	**8.7**	**7.5**	**6.9**	**2.0**	**1.7**	**1.5**	**0.8**	**0.8**	**0.9**	**15.6**	**15.1**	**16.8**			
KS universe (b)			**31,263,918**	**654,331**					**3.2**	**3.9**	**22.8**	**15**	**14.8**	**12.0**	**9.8**	**8.7**	**7.3**	**2.4**	**2.1**	**1.9**	**1.3**	**1.6**	**2.0**	**15.5**	**14.5**	**15.9**			
KS universe (b) ex-Energy			**23,773,731**	**497,567**					**6.3**	**(2.5)**	**16.6**	**14.9**	**15.3**	**13.1**	**10.6**	**10.2**	**8.8**	**2.5**	**2.3**	**2.0**	**1.3**	**1.5**	**1.6**	**16.9**	**14.8**	**15.3**			
KS universe (d) ex-Energy & ex-Commodities			**21,338,564**	**446,600**					**7.1**	**4.4**	**14.9**	**16.7**	**16.0**	**13.9**	**12.8**	**11.4**	**10.0**	**2.8**	**2.5**	**2.2**	**1.3**	**1.5**	**1.7**	**16.9**	**15.8**	**16.0**			

Note:
(1) For banks we have used adjusted book values.
(2) 2008 means calendar year 2007, similarly for 2009 and 2010 for these particular companies.
(3) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities Research coverage universe
Distribution of ratings/investment banking relationships



Percentage of companies covered by Kotak Institutional Equities, within the specified category.

Percentage of companies within each category for which Kotak Institutional Equities and or its affiliates has provided investment banking services within the previous 12 months.

* The above categories are defined as follows: Buy = We expect this stock to outperform the BSE Sensex by 10% over the next 12 months; Add = We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months; Reduce = We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months; Sell = We expect this stock to underperform the BSE Sensex by more then 10% over the next 12 months. These ratings are used illustratively to comply with applicable regulations. As of 31/03/2009 Kotak Institutional Equities Investment Research had investment ratings on 146 equity securities.

Source: Kotak Institutional Equities

As of March 31, 2009

Ratings and other definitions/identifiers

Rating system

Definitions of ratings

BUY. We expect this stock to outperform the BSE Sensex by 10% over the next 12 months.
ADD. We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months.
REDUCE: We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months.
SELL: We expect this stock to underperform the BSE Sensexby more than 10% over the next 12 months.

Our target price are also on 12-month horizon basis.

Other definitions

Coverage view. The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: Attractive (A), Neutral (N), Cautious (C).

Other ratings/identifiers

NR = Not Rated. The investment rating and target price, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.
CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.
NC = Not Covered. Kotak Securities does not cover this company.
RS = Rating Suspended. Kotak Securities Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
NA = Not Available or Not Applicable. The information is not available for display or is not applicable.
NM = Not Meaningful. The information is not meaningful and is therefore exclude

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

Kotak Securities Limited and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We along with our affiliates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationships with a significant percentage of the companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. Investors should assume that Kotak Securities Limited and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may participate in the solicitation of such business. Our research professionals are paid in part based on the profitability of Kotak Securities Limited, which include earnings from investment banking and other business. Kotak Securities Limited generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, Kotak Securities Limited generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of Kotak Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. Kotak Securities Limited does not provide tax advise to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment.

Certain transactions -including those involving futures, options, and other derivatives as well as non-investment-grade securities - give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavor to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. For the purpose of calculating whether Kotak Securities Limited and its affiliates holds beneficially owns or controls, including the right to vote for directors, 1% of more of the equity shares of the subject issuer of a research report, the holdings does not include accounts managed by Kotak Mahindra Mutual Fund.Kotak Securities Limited and its non US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition , investors in securities such as ADRs, the value of which are influenced by foreign currencies affectively assume currency risk. In addition options involve risks and are not suitable for all investors. Please ensure that you have read and understood the current derivatives risk disclosure document before entering into any derivative transactions.

This report has not been prepared by Kotak Mahindra Inc. (KMInc). However KMInc has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. Any reference to Kotak Securities Limited shall also be deemed to mean and include Kotak Mahindra Inc.