kotak Institutional Equities

INDIA DAILY

September 16, 2010

Contents

News Round-up

ADR/GDR's: AXSB up 2.72%, CRG dn 2.20%, DSM up 2.19%, LICHF up 4.26%, PATNI up 2.83%, RIL up 2.48%, SBIN dn 1.50%, TTMT dn 2.29%.

- India's trade deficit in August reached USD 13.06 bn, while it stood at USD 56.62 bn for the April-August period. With imports growing steadily, the balance trade is likely to end up at around USD 135 bn this financial year. (BSTD)
- Exports picked up in August, but a sharper increase in imports further widened the gap between exports & imports. Exports grew 22.5% to USD 16.64bn in August, while imports rose 32.3% to 29.7bn. (ECNT)
- The textiles ministry, for the first time, has proposed to set up a technological mission for technical textiles in line with natural fibres like cotton and jute, and provide special incentives to attract FDI in this sector. (BSTD)
- The two-wheeler industry would grow at 19.4% in 2010-11 driven by replacement demand, a study conducted by Credit Analysis and Research Ltd's (CARE) research division CARE Research revealed. (BSTD)
- The financial markets are betting that RBI will hike policy rates at its mid-quarter policy review today. Most are betting on a 25bps hike in repo & reverse repo rates, while few feel RBI may raise the reverse repo more than the repo rate. (ECNT)
- TCS (TCS IN) signed a multi-year deal with Supervalu for a full services engagement. While the company did not disclose the deal size, industry sources pegged it at USD 100 mn. (BSTD)
- IOC (IOCL IN) set to revive expansion plans on issue proceeds. The share sale proceeds would help IOC revive its petrochemical projects in Orissa and Gujarat, as well as a 2.5 mn tonne LNG terminal and an associated 1,000 Mw power plant in Ennore, Tamil Nadu. (BSTD)
- CESC (CESC IN) has signed a pact with Australia-based Resource Generation for purchase of 37 mn tonne of coal for 20 years for an undisclosed amount. (FNLE)

Source: ECNT= Economic Times, BSTD = Business Standard, FNLE = Financial Express, THBL = Business Line.

EQUITY MARKETS

		Change %		
India	**15-Sep**	**1-day**	**1-mo**	**3-mo**
Sensex	19,502	0.8	8.0	11.7
Nifty	5,861	1.1	8.2	12.0
Global/Regional indices				
Dow Jones	10,573	0.4	2.6	1.6
Nasdaq Composite	2,301	0.5	5.5	(0.2)
FTSE	5,556	(0.2)	5.3	6.1
Nikkie	9,538	0.2	3.7	(5.3)
Hang Seng	21,726	0.1	2.9	8.3
KOSPI	1,817	(0.4)	4.2	6.5
Value traded – India				
Cash (NSE+BSE)	221		193	179
Derivatives (NSE)	1,360		949	1,027
Deri. open interest	2,035		1,702	1,424

Forex/money market

		Change, basis points		
	15-Sep	**1-day**	**1-mo**	**3-mo**
Rs/US$	46.4	(9)	(43)	(20)
10yr govt bond, %	7.9	-	8	27
Net investment (US$mn)				
	14-Sep		**MTD**	**CYTD**
FIIs	372		1,436	14,317
MFs	(143)		(42)	(282)

Top movers -3mo basis

		Change, %		
Best performers	**15-Sep**	**1-day**	**1-mo**	**3-mo**
HPCL IN Equity	543.8	(0.4)	12.9	59.2
BOI IN Equity	498.8	0.4	7.4	50.9
BPCL IN Equity	767.0	(0.4)	16.5	43.6
IDEA IN Equity	74.9	0.0	3.8	36.2
BHARTI IN Equity	356.2	(0.1)	11.7	33.8
Worst performers				
RNR IN Equity	39.4	(0.1)	4.1	(42.1)
MMTC IN Equity	1378.6	(0.6)	(1.8)	(16.6)
HH IN Equity	1742.2	1.2	(7.9)	(13.6)
RCOM IN Equity	162.2	0.0	(0.9)	(13.4)
IVRC IN Equity	157.9	(1.3)	(2.0)	(13.1)

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Monetary policy under uncertainty—what action on Sept. 16? We view the latest data releases having considerably complicated monetary policy-making. Data uncertainty is huge. While indicating buoyant growth, both 1QFY11 GDP and the July IIP, may have large errors. The headline inflation numbers have suddenly fallen with shifting to a new base. This has opened up the possibility of RBI pausing if it so wishes, but also of large policy errors on the basis of faulty data.

RBI may have to shoot in dark or best factor in uncertainty

Central banks around the world frame monetary policy on three main parameters—inflation, growth and employment. In India, there are no macro data on employment. Uncertainty on growth is palpable in the 1QFY11 GDP with demand-side number getting revised a day after the release and still being unconvincing. July IIP growth data also appears to be inconsistent in respect of capital goods growth. The inflation was high and seemingly sticky, providing a clear basis for the tightening stance. Now, with the change of WPI base to FY2005 from FY1994, headline inflation has dropped by 1-ppt and may fall faster ahead. Data revisions have also been huge. So, would RBI shoot in the dark or factor in uncertainty while framing monetary policy? We think RBI may raise both repo and reverse reop by 25 bps each, leaving CRR and SLR unchanged.

India growing all right, but signs of overheating emerging

In our view, the Indian economy is growing at a good pace and there is neither slack nor too much overheating. Production levels have recovered to 'old normal' from the downturn accompanying the global financial crisis. Growth cycle saw a V-shaped recovery in India on low base effects and has entered into a downturn as the favorable base effects are waning. Risks to growth exist, but so does the risk of overheating on the back of asset price build-up.

We retain our sticky inflation view despite upside from the new base

We retain our sticky inflation view. Our headline inflation trajectory has softened and we now end-FY2011E inflation at 7.0% instead of 7.5%. Yet, sticky inflation is still apparent in terms of CPI and other information. Inflation expectation is also running high on manufacturing side. We also look at possible data biases in existing inflation indices arising from index choice, weighting diagram, hedonic pricing effects etc. We suggest revamping of inflation indices through introduction of new producer (PPI), consumer (CPI) and services (SPI) price indices.

Improving operating procedures necessary for effective monetary policy transmission

We think moderate tightening accompanied by improved operating procedures can go a long way in improving the efficacy of monetary policy transmission. We suggest narrowing of the interest rate corridor to eventually a single rate accompanied by several other changes.

QUICK NUMBERS

- Expect RBI to raise both policy rates 25 bps factoring in data uncertainty
- India's growth back to 'normal', but risks to growth remain on both sides
- Headline inflation down, but sticky inflation apparent in other parameters

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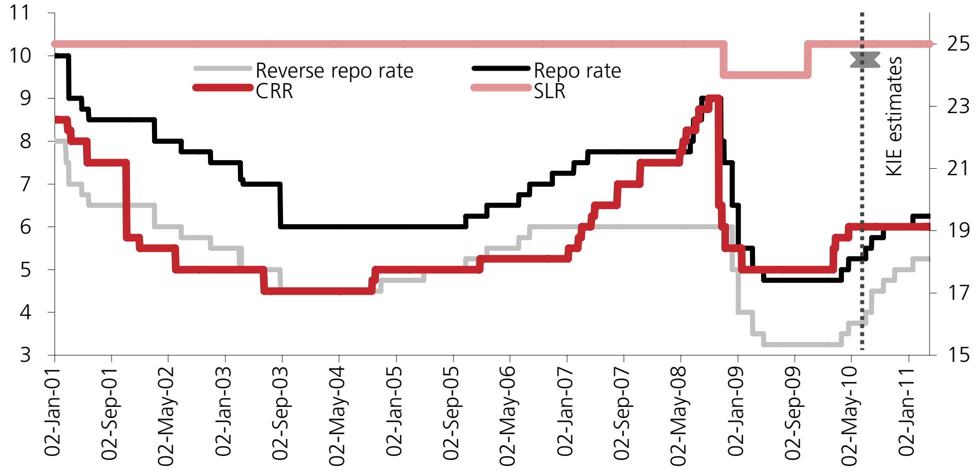
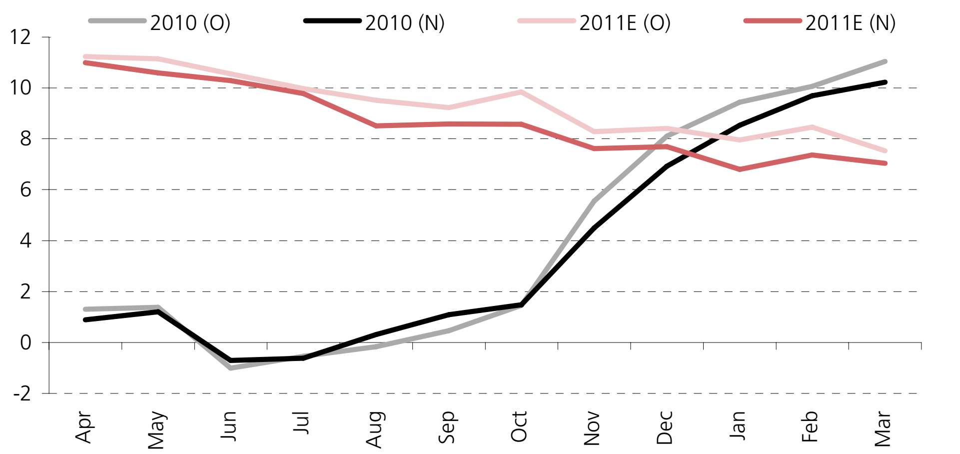
RBI moving towards normalizing monetary policy
RBI's repo, reverse repo rates and cash reserve ratio on LHS, SLR on RHS, (%)



Source: Kotak Institutional Equities estimates

Inflation based on new base year on an average below old base by 0.2 ppt in past
Inflation rates with old (O) base year and new (N) base year, (%)



Source: GOI, Kotak Institutional Equities estimates

Importance of manufactured products have increased over time
Comparative statement of weights assigned to product groups

Major Group/Group	**1970-71**	**1981-82**	**1993-94**	**2004-05**
All Commodities	**100.00**	**100.00**	**100.00**	**100.00**
Primary Articles	**41.67**	**32.30**	**22.03**	**20.12**
Food Articles	29.80	17.39	15.40	14.34
Non Food Articles	10.62	10.08	6.14	4.26
Minerals	1.25	4.82	0.49	1.52
Fuel & Power	**8.46**	**10.66**	**14.23**	**14.91**
Coal		1.26	1.75	2.09
Mineral Oils		6.67	6.99	9.36
Electricity		2.74	5.48	3.45
Manufactured Products	**49.87**	**57.04**	**63.75**	**64.97**
Food Products	13.32	10.14	11.54	9.97
Beverages,Tobacco	2.71	2.15	1.34	1.76
Textiles	11.03	11.55	9.80	7.33
Wood & Wood Products	0.17	1.20	0.17	0.59
Paper & Paper Products	0.85	1.99	2.04	2.03
Leather & Leather Products	0.39	1.02	1.02	0.84
Rubber & Plastic Products	1.21	1.59	2.39	2.99
Chemicals & Chemicals Products	5.55	7.36	11.93	12.02
Non-Metallic Mineral Products	1.42	2.48	2.52	2.56
Basic metals, Alloys & Metal Products	5.97	7.63	8.34	10.75
Machinery & Machine Tools	5.05	6.27	8.36	8.93
Transport equipments & parts	1.67	2.71	4.30	5.21
Other Industries	0.55	0.97	0.00	0.00

Source: Office of Economic Advisor

kotak Institutional Equities

ITC (ITC)

Consumer products

ADD

SEPTEMBER 15, 2010

CHANGE IN RECO.

Coverage view: Attractive

Price (Rs): 165

Target price (Rs): 175

BSE-30: 19,347

Takeaways from meeting with Mr KK Modi, Godfrey Phillips. GPI is targeting ~20% market share (from 14% currently) in about five years—most of the incremental market shares are targeted from expanding the reach of Marlboro and potential extension to RSFT segment, in our view. However, the RSFT launch could still be some time away, in our view—we discuss the three potential reasons for the same. Downgrade ITC to ADD (BUY previously) on relative valuations.

Company data and valuation summary

ITC

Stock data			
52-week range (Rs) (high,low)			167-110
Market Cap. (Rs bn)			1,263.9
Shareholding pattern (%)			
Promoters			0.0
FIIs			13.8
MFs			2.9
Price performance (%)	1M	3M	12M
Absolute	5.7	13.3	47.3
Rel. to BSE-30	(0.7)	1.9	25.3

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	5.3	6.4	7.5
EPS growth (%)	22.6	20.5	16.5
P/E (X)	31.1	25.8	22.2
Sales (Rs bn)	181.5	208.3	243.3
Net profits (Rs bn)	40.6	48.9	57.0
EBITDA (Rs bn)	64.3	74.5	88.3
EV/EBITDA (X)	18.9	16.3	13.6
ROE (%)	29.2	31.6	31.0
Div. Yield (%)	3.0	1.7	1.8

QUICK NUMBERS

- GPI is targeting ~20% market share (from 14% currently) in about five years
- Likely postponement of GST potentially removes the near-term uncertainty for ITC in managing cigarette portfolio pricing

Marlboro entry in RSFT is a matter of when and not if, in our view

Takeaways from meeting with Mr KK Modi, Godfrey Phillips (GPI):

- GPI is targeting ~20% market share in about five years—most of the incremental market shares are targeted from expanding the reach of Marlboro and potential extension to RSFT segment. However, the RSFT (Regular Size Filter cigarettes, typically of 69 mm) launch could still be some time away, in our view.

Our view: Three potential reasons for delay of Marlboro launch in RSFT, in our view, (1) GPI and PMI are likely evaluating the impact of Marlboro RSFT on the existing portfolio of GPI itself, (2) Marlboro has a premium positioning globally—its strong brand equity means that it faces limited head-on competition. Competitors prefer to have an "aggregation of niches strategy" (various brands against Marlboro at multiple price points closer to Marlboro price) and (3) relatively limited geographical distribution reach of GPI versus market leader ITC.

- GPI is the second largest player in the Indian cigarette business with ~14% market share currently—key brands are Four Square, Red and White and Cavanders. These brands are irrevocably licensed to GPI by Phillip Morris (PMI) whereas the brand ownership of Marlboro rests with PMI. GPI manufactures and markets the Marlboro brand in India and gets a manufacturing margin and a marketing fee from PMI.

- GPI's recent foray into bidis and chewing tobacco is with the objective of increasing the share of wallet with the panwalla (small tobacco vendors).

- GPI says that its entry into South Indian markets is not a success as yet, whereas it is happy with the modest share gains in East India (we highlight that GPI is a major player in North and West India with a weak presence in South and East. The company is trying to penetrate South and East further through trade promotion-led channel growth).

- GPI sees potential for exports of value-added tobacco from India. Indian tobacco is one of the cheapest in the world and conversion cost in India is also competitive, as per GPI.

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Modest upgrade in estimates, ITC stock rating cut to ADD (from BUY) on relative valuations

We upgrade our EPS estimates by 2% (to Rs6.4) and 3% (to Rs7.5) for FY2011E and FY2012E, respectively as we model marginally higher cigarette margins (lower trade spends). Consequently, we are upgrading our target price to Rs175. However, noting relative valuations, we cut the stock rating to ADD (BUY previously). Key factor favoring ITC is likely stability in regulation as most of the penal actions are behind it (including threat of indiscriminate increase in VAT by states—current effective VAT rate of ~14.5%).

Why ADD, why not REDUCE?

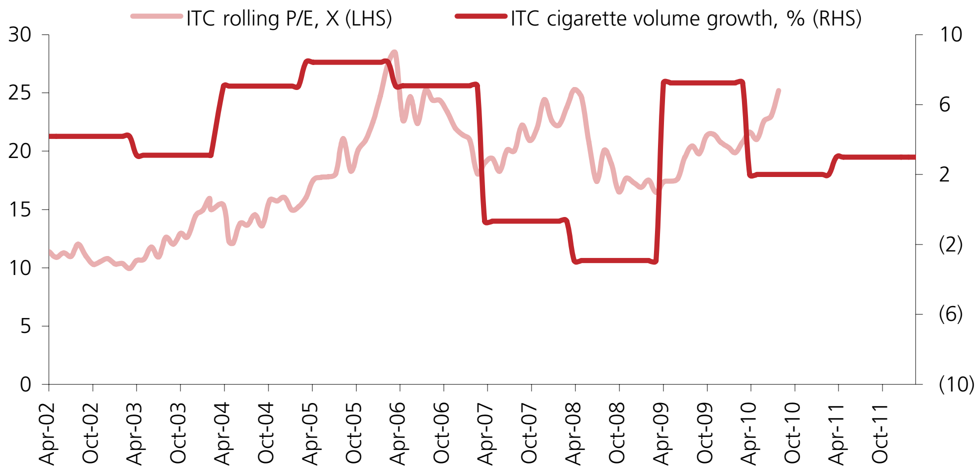
We see strong possibility for earnings upgrades as cigarette volumes could surprise positively in 2HFY11E. The volume performance in 1HFY11E is quite strong despite ~15% price increases in an environment with high food inflation (and consequent pressure on share of wallet).

Media reports suggest that implementation of GST is likely postponed from the earlier deadline of April 1, 2011. While there is no structural change to our ITC view based on this, we note that this potentially removes the near-term uncertainty for ITC in managing cigarette portfolio pricing (calibrated price changes typically have lesser impact on volumes).

Relative P/E of ITC versus Sensex (X)

Source: Bloomberg, Kotak Institutional Equities

Cigarette volume growth is key
ITC PE, X (RHS) and ITC cigarette volume growth, % (RHS)



Source: Kotak Institutional Equities estimates

Companies with good franchise value have outperformed
Performance of consumer companies under KIE universe

	Price	14-Sep-10		Change (%)					Relative change (%)			
Company	**Rs**	**Mkt cap (Rs mn)**	**Rating**	**1-mo**	**3-mo**	**6-mo**	**1-Year**	**CYTD**	**1-mo**	**3-mo**	**6-mo**	**1-Year**
Titan	3,101	137,647	ADD	4	38	73	147	118	(2)	25	54	110
Jyothy Laboratories	299	21,716	NR	5	30	70	123	72	(1)	17	51	90
Asian Paints	2,861	274,383	ADD	8	25	51	108	59	1	12	34	77
Dabur India	109	187,922	REDUCE	8	14	30	70	37	2	3	16	45
Glaxosmithkline Consumer	1,812	76,188	ADD	0	6	18	63	39	(6)	(5)	5	39
Godrej Consumer Products	398	128,805	ADD	10	15	45	61	51	3	3	28	37
ITC	165	1,263,870	ADD	6	13	30	47	35	(1)	2	15	25
Marico	125	76,095	ADD	5	7	18	44	21	(1)	(4)	5	22
Nestle India	3,204	308,906	REDUCE	14	10	17	43	26	7	(1)	4	22
Tata Global Beverages	124	76,620	ADD	9	11	29	34	32	2	(0)	14	14
Colgate-Palmolive (India)	818	111,276	REDUCE	(4)	(1)	13	33	24	(10)	(11)	0	13
Hindustan Unilever	278	606,836	REDUCE	5	7	23	7	5	(2)	(4)	9	(9)
Jubilant Foodworks	531	33,930	REDUCE	16	86				9	68		
Consumer Products		**3,166,547**	**Attractive**	**6**	**12**	**28**	**41**	**28**	**(0)**	**1**	**13**	**20**
KS universe		**48,563,148**		**7**	**14**	**17**	**27**	**15**	**1**	**2**	**4**	**8**
Sensex	**19,347**			**6**	**11**	**13**	**18**	**11**				

Source: Bloomberg, Kotak Institutional Equities

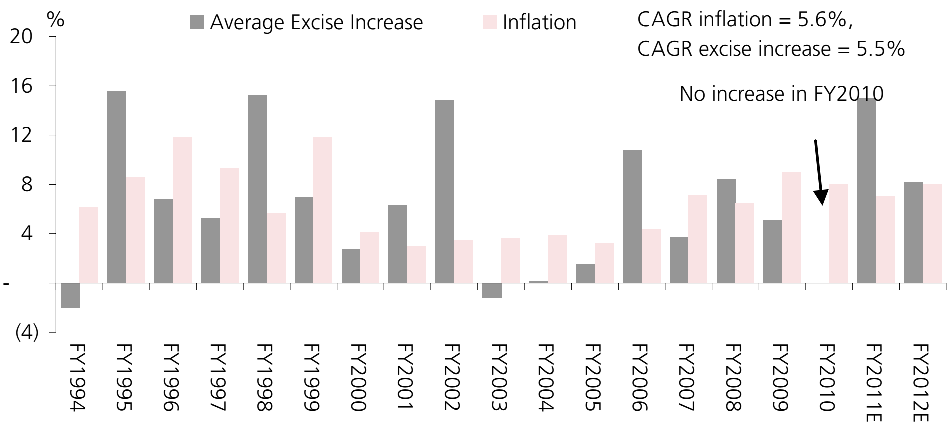
ITC, change in estimates, March fiscal year-ends (Rs mn)

	FY2011E			FY2012E		
	New	**Old**	**Change (%)**	**New**	**Old**	**Change (%)**
Sales	208,313	206,805	0.7	243,268	239,451	1.6
Operating profit	71,450	70,163	1.8	85,246	83,281	2.4
PBT	71,181	69,829	1.9	83,548	81,468	2.6
Net profit	48,933	48,013	1.9	57,006	55,588	2.6
EPS (Rs)	6.4	6.3	1.9	7.5	7.3	2.6
Growth, %						
Sales	14.8	13.9		16.8	15.8	
Operating profit	17.3	15.1		19.3	18.7	
EPS	19.5	17.2		16.5	15.8	

Source: Kotak Institutional Equities estimates

CAGR excise increase is in line with inflation of 6% suggesting a rational approach to cigarette taxation

Average excise increase and inflation for FY1994-2012E (%)



Source: Kotak Institutional Equities estimates

ITC: Segment revenue, 2006-2012E, March fiscal year-ends (Rs mn)

	2006	2007	2008	2009	2010	2011E	2012E
Segment revenue, gross (Rs mn)							
Cigarettes	113,297	128,337	138,256	151,151	172,830	198,670	224,596
Other FMCG	10,135	17,044	25,231	30,140	36,417	46,014	55,633
Hotels	7,834	9,857	11,002	10,203	9,108	11,240	13,240
Agri Business	26,784	36,914	38,998	38,460	38,621	41,306	47,242
Paperboards, Paper & Packaging	18,957	21,001	23,643	28,220	32,336	38,959	46,478
TOTAL	177,007	213,152	237,131	258,173	289,313	336,188	387,189
Less: Inter segment revenue	14,763	18,101	23,137	26,738	26,715	32,106	37,488
Gross sales	**162,244**	**195,051**	**213,994**	**231,435**	**262,598**	**304,082**	**349,701**
Net sales	97,905	123,693	140,012	156,119	181,532	208,313	243,268
Segment revenue growth, (%)							
Cigarettes		13.3	7.7	9.3	14.3	15.0	13.1
Other FMCG		68.2	48.0	19.5	20.8	26.4	20.9
Hotels		25.8	11.6	(7.3)	(10.7)	23.4	17.8
Agri Business		37.8	5.6	(1.4)	0.4	6.9	14.4
Paperboards, Paper & Packaging		10.8	12.6	19.4	14.6	20.5	19.3
TOTAL		20.4	11.2	8.9	12.1	16.2	15.2
Gross sales		20.2	9.7	8.2	13.5	15.8	15.0
Net sales		26.3	13.2	11.5	16.3	14.8	16.8

Source: Bloomberg, Kotak Institutional Equities

ITC: Segment revenue and PBIT, 2006-2012E, March fiscal year-ends (Rs mn)

	2006	2007	2008	2009	2010	2011E	2012E
Segment revenue, gross (Rs mn)							
Cigarettes	113,297	128,337	138,256	151,151	172,830	198,670	224,596
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Net sales	97,905	123,693	140,012	156,119	181,532	208,313	243,268
Segment revenue break up, (%)							
Cigarettes	**69.8**	**65.8**	**64.6**	**65.3**	**65.8**	**65.3**	**64.2**
Other FMCG	6.2	8.7	11.8	13.0	13.9	15.1	15.9
Hotels	4.8	5.1	5.1	4.4	3.5	3.7	3.8
Agri Business	16.5	18.9	18.2	16.6	14.7	13.6	13.5
Paperboards, Paper & Packaging	11.7	10.8	11.0	12.2	12.3	12.8	13.3
TOTAL	109.1	109.3	110.8	111.6	110.2	110.6	110.7
Less: Inter segment revenue	9.1	9.3	10.8	11.6	10.2	10.6	10.7
Gross sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Segment PBIT margins (Rs mn)							
Cigarettes	27,088	31,722	36,340	41,838	49,381	57,539	66,278
Other FMCG	(1,718)	(2,020)	(2,635)	(4,835)	(3,495)	(2,639)	(661)
Hotels	2,581	3,508	4,108	3,162	2,166	3,345	4,054
Agri Business	909	1,236	1,292	2,562	4,364	4,108	4,624
Paperboards, Paper & Packaging	3,514	4,168	4,531	5,086	6,843	8,216	10,031
TOTAL	**32,373**	**38,613**	**43,636**	**47,813**	**59,259**	**70,570**	**84,326**
Segment PBIT margins (%)							
Cigarettes	23.9	24.7	26.3	27.7	28.6	29.0	29.5
Other FMCG	(17.0)	(11.9)	(10.4)	(16.0)	(9.6)	(5.7)	(1.2)
Hotels	32.9	35.6	37.3	31.0	23.8	29.8	30.6
Agri Business	3.4	3.3	3.3	6.7	11.3	9.9	9.8
Paperboards, Paper & Packaging	18.5	19.8	19.2	18.0	21.2	21.1	21.6
TOTAL	18.3	18.1	18.4	18.5	20.5	21.0	21.8

Source: Kotak Institutional Equities estimates

ITC: Profit model, balance sheet, cash flow model 2006-2012E, March fiscal year-ends (Rs mn)

	2006	2007	2008	2009	2010	2011E	2012E
Profit model (Rs mn)							
Net sales	97,905	123,693	140,012	156,119	181,532	208,313	243,268
EBITDA	**33,274**	**39,700**	**44,703**	**48,686**	**60,936**	**71,450**	**85,246**
Other income	2,899	3,365	6,109	5,349	6,034	7,146	6,576
Interest	(158)	(169)	(173)	(284)	(730)	(543)	(592)
Depreciation	(3,323)	(3,629)	(4,385)	(5,494)	(6,087)	(6,871)	(7,683)
Pretax profits	32,629	39,267	46,255	48,258	60,153	71,181	83,548
Tax	(10,276)	(12,267)	(14,517)	(15,622)	(19,543)	(22,248)	(26,542)
Net profits	**22,353**	**27,000**	**31,738**	**32,636**	**40,610**	**48,933**	**57,006**
Earnings per share (Rs)	**3.0**	**3.6**	**4.2**	**4.3**	**5.4**	**6.4**	**7.5**
Balance sheet (Rs mn)							
Total equity	90,615	104,371	120,577	137,351	140,644	168,826	199,029
Deferred taxation liability	3,248	4,729	5,451	8,672	7,850	7,850	7,850
Total borrowings	1,197	2,009	2,144	1,776	1,077	1,077	1,077
Currrent liabilities	35,781	38,576	44,323	47,036	80,482	64,534	65,759
Total liabilities and equity	**130,840**	**149,684**	**172,495**	**194,835**	**230,053**	**242,287**	**273,715**
Cash	8,558	9,002	5,703	10,310	11,263	15,140	21,392
Current assets	43,061	53,896	64,490	71,287	70,008	70,246	88,114
Total fixed assets	44,051	56,109	72,956	84,860	91,514	99,633	106,940
Investments	35,170	30,678	29,346	28,378	57,269	57,269	57,269
Total assets	**130,840**	**149,684**	**172,495**	**194,834**	**230,053**	**242,287**	**273,715**
Free cash flow (Rs mn)							
Operating cash flow	25,638	31,040	37,112	41,493	49,850	56,692	66,092
Working capital	(5,469)	(8,667)	(6,634)	(4,991)	6,541	6,168	(14,658)
Capital expenditure	(6,013)	(15,702)	(21,239)	(17,407)	(12,751)	(15,000)	(15,000)
Free cash flow	**14,157**	**6,672**	**9,238**	**19,095**	**43,640**	**47,859**	**36,434**
Key ratios (%)							
Sales growth	28.2	26.3	13.2	11.5	16.3	14.8	16.8
EBITDA margin	34.0	32.1	31.9	31.2	33.6	34.3	35.0
EPS growth	28.3	20.1	17.1	2.8	23.8	19.5	16.5

Source: Kotak Institutional Equities estimates

kotak Institutional Equities

Bajaj Auto (BJAUT)

Automobiles

REDUCE

SEPTEMBER 16, 2010

CHANGE IN RECO.

Coverage view: Cautious

Price (Rs): 1,470

Target price (Rs): 1,420

BSE-30: 19,502

Positives largely reflected in the stock. We are downgrading Bajaj Auto to REDUCE from ADD as we believe the risk-reward is not favorable any more given high expectations in terms of volume growth and margins. Fundamentals continue to remain favorable, which is largely reflected in our earnings estimates and we see limited potential for further upgrades. We are raising our EPS estimates to Rs89 and Rs101 for FY2011E and FY2012E, but would advise booking some profit at this point.

Company data and valuation summary

Bajaj Auto

Stock data			
52-week range (Rs) (high,low)			1,535-651
Market Cap. (Rs bn)			425.3
Shareholding pattern (%)			
Promoters			49.7
FIIs			18.7
MFs			3.0
Price performance (%)	1M	3M	12M
Absolute	10.5	28.6	111.9
Rel. to BSE-30	2.3	15.2	81.2

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	117.7	87.8	101.3
EPS growth (%)	160.2	(25.4)	15.4
P/E (X)	12.5	16.7	14.5
Sales (Rs bn)	115.1	157.7	179.3
Net profits (Rs bn)	17.0	25.4	29.3
EBITDA (Rs bn)	26.2	34.0	38.6
EV/EBITDA (X)	16.7	12.8	11.0
ROE (%)	70.9	65.8	49.5
Div. Yield (%)	0.7	1.4	1.4

CMP largely discounting strong volume growth and margin sustenance, downgrading to REDUCE

We believe that at Rs1,500, Bajaj Auto stock price is discounting volume growth of 38% and 15% for this year and next and sustainable EBITDA margins in the 21% range for both years. EBITDA margin in 1QFY11 was at 20%. Commodity prices have declined since, however, we would be wary of assuming current levels would sustain as the recovery takes hold globally. Our EBITDA margin assumption of 20.7% for FY2011E and FY2012E is more than 400 bps higher than FY2005-FY2010 average. We have modeled a 120 bps yoy decline in margins, notably—FY2011E margin of 20.7% would imply a 100 bps improvement in margins for the rest of the year compared to the 20% reported in 1QFY11 (Exhibits 1 and 2).

Tweaking estimates upwards on mix shift towards three-wheelers and exports

Even as we downgrade the stock, we are inclined to be generous in our modeling assumptions given the recent track record of the company, hence, we tweak upwards our EPS estimates to Rs88 and Rs101 from Rs85 and Rs95. We are now modeling EBITDA margins of 20.7% for FY2011E and FY2012E compared to 20% prior. We also raised our FY2012E volume growth estimate to 15% from 11% prior. This could be aggressive coming after a 38% expected volume growth in FY2011E. We have modeled 4.5 mn units of volume for Bajaj Auto in FY2012E, more than double from the 2.2 mn units the company did in FY2009. Our 38% volume growth estimate for FY2011E is not a conservative estimate either and it requires the company to grow its volumes by 24% for the rest of the year. While comparisons have been favorable till August, they get less so starting September when the company launched its Discover 110cc bike (Exhibit 3).

Raising target to Rs1,420, downgrading to REDUCE on limited earnings upgrade catalysts

We are raising our target to Rs1,420 from Rs1,325 to reflect higher earnings estimates. Our Rs1,420 target reflects 14X FY2012E EPS estimate of Rs101. Bajaj Auto stock has outperformed the BSE-30 by 15% over the past three months and 81% of the past year, driven by earnings upgrades and re-rating. Bajaj Auto stock has bridged its valuation gap with Hero Honda and the stock is now justifiably trading at a premium. However, we see limited scope for further earnings upgrades or re-rating and believe the risks could outweigh rewards given high expectations.

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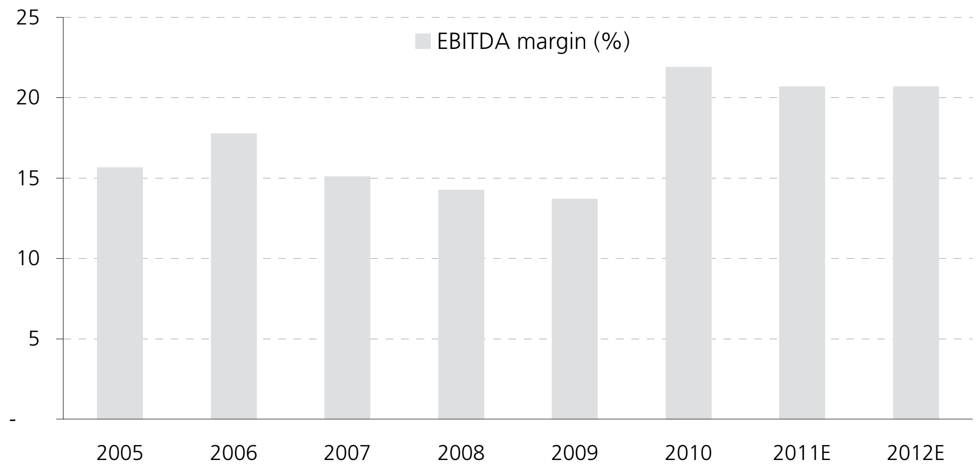
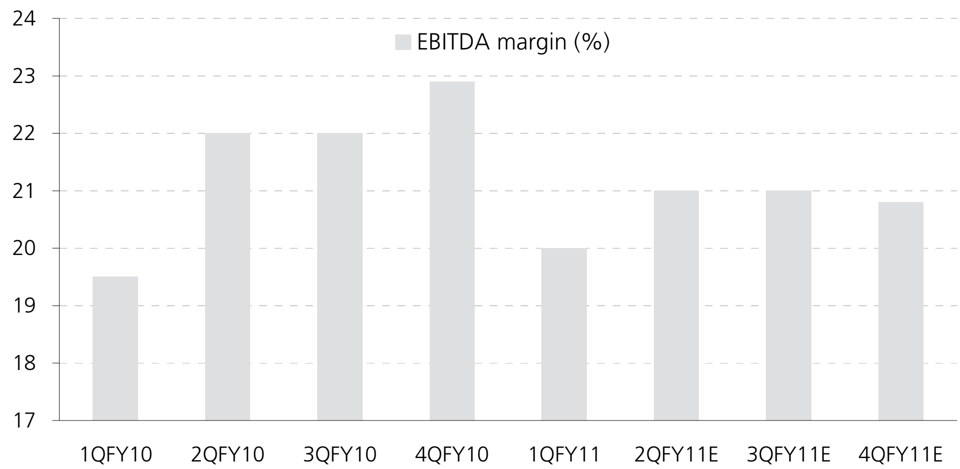
Margin sustenance at these levels looks optimistic, especially from a historical perspective
Bajaj Auto's EBITDA margins, March fiscal year-ends, (2006-2012E, %)



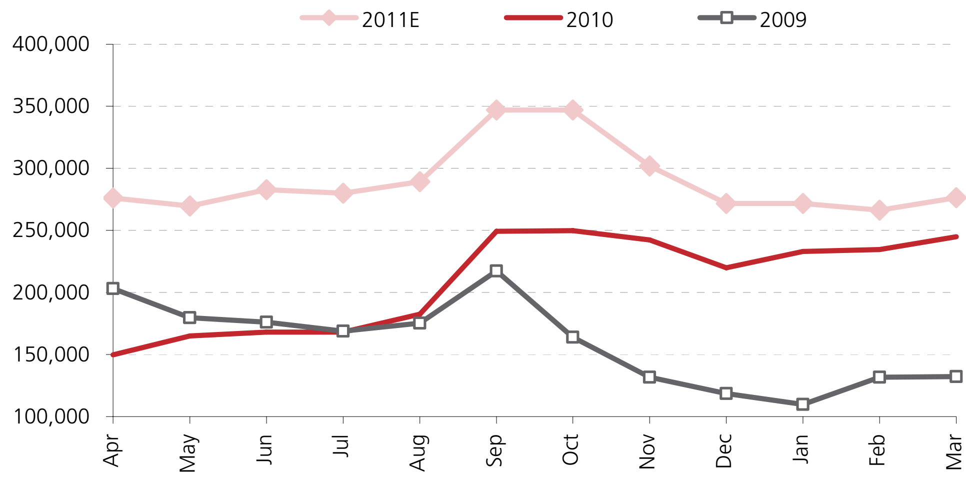
Source: Company, Kotak Institutional Equities estimates

100 bps sequential improvement modeled for the rest of FY2011E
Bajaj Auto's quarterly EBITDA margins, March fiscal year-ends, (1QFY10 to 4QFY11E, %)



Source: Company, Kotak Institutional Equities estimates

Strength in volumes during festival season key for hitting annual goals
Bajaj Auto, monthly sales March fiscal year-ends, (2009-2011E)



Source: Company, Kotak Institutional Equities estimates

Bajaj Auto, Volume assumptions, March fiscal year ends, 2007-2012E

	2007	2008	2009	2010	2011E	2012E
Volumes (# vehicles)						
Motorcycles	**2,376,519**	**2,139,633**	**1,907,810**	**2,506,845**	**3,479,156**	**4,001,029**
Domestic	2,078,860	1,658,084	1,276,427	1,781,748	2,448,003	2,815,204
Exports	297,659	481,549	631,383	725,097	1,031,152	1,185,825
Scooters	**20,480**	**21,294**	**11,772**	**4,851**	**—**	**—**
Total 2-wheelers	**2,396,999**	**2,160,927**	**1,919,582**	**2,511,696**	**3,479,156**	**4,001,029**
Domestic 3-Wheelers						
Passenger 3-wheelers	138,759	127,379	125,273	164,493	189,167	212,813
Goods 3-wheelers	42,374	26,607	10,197	11,534	5,767	5,767
Exports	140,663	136,315	139,056	164,909	247,364	284,468
Total 3-wheelers	**321,796**	**290,301**	**274,526**	**340,936**	**442,297**	**503,048**
Total vehicles	**2,718,795**	**2,451,228**	**2,194,108**	**2,852,632**	**3,921,453**	**4,504,077**
Growth rates (yoy %)						
Motorcycles	**24.2**	**(10.0)**	**(10.8)**	**31.4**	**38.8**	**15.0**
Domestic	18.9	(20.2)	(23.0)	39.6	37.4	15.0
Exports	80.1	61.8	31.1	14.8	42.2	15.0
Scooters	**(82.3)**	**4.0**	**(44.7)**	**(58.8)**		
Total 2-wheelers	**18.2**	**(9.8)**	**(11.2)**	**30.8**	**38.5**	**15.0**
Domestic 3-Wheelers	**2.5**	**(15.0)**	**(12.0)**	**29.9**	**10.7**	**12.1**
Passenger 3-wheelers	(1.8)	(8.2)	(1.7)	31.3	15.0	12.5
Goods 3-wheelers	19.7	(37.2)	(61.7)	13.1	(50.0)	-
Exports	86.9	(3.1)	2.0	18.6	50.0	15.0
Total 3-wheelers	**27.7**	**(9.8)**	**(5.4)**	**24.2**	**29.7**	**13.7**
TOTAL Vehicles	**19.2**	**(9.8)**	**(10.5)**	**30.0**	**37.5**	**14.9**

Source: Company, Kotak Institutional Equities estimates

Bajaj Auto: Profit model and balance sheet, March fiscal year-ends, 2008-2012E (Rs mn)

	2007	2008	2009	2010	2011E	2012E
Profit model (Rs mn)						
Net sales	93,253	86,633	84,369	115,085	157,651	179,349
Operating profit	**14,408**	**12,900**	**12,097**	**26,175**	**33,964**	**38,554**
Other income	14,408	1,262	1,043	976	2,716	3,655
Interest	(53)	(52)	(210)	(60)	—	—
Depreciaiton	(1,903)	(1,740)	(1,298)	(1,365)	(1,407)	(1,507)
Profit before tax	**17,770**	**12,371**	**11,632**	**25,726**	**35,272**	**40,702**
Extra-ordinary itemss	(490)	(1,025)	(2,071)	(1,624)	—	—
Taxes	(4,901)	(3,788)	(3,016)	(7,075)	(9,876)	(11,397)
Net profit	**12,380**	**7,558**	**6,545**	**17,027**	**25,396**	**29,305**
Earnings per share (Rs)	**122.3**	**54.2**	**45.2**	**117.7**	**87.8**	**101.3**
Balance sheet (Rs mn)						
Equity	55,343	15,876	18,697	29,283	47,909	70,443
Deferred tax liability	742	110	42	17	17	17
Total borrowings	16,254	13,343	15,700	13,386	12,060	10,867
Current liabilities	43,328	18,773	24,376	42,750	49,497	52,541
Total liabilities	**115,667**	**48,102**	**58,814**	**85,436**	**109,483**	**133,868**
Net fixed assets	12,964	12,928	15,481	15,211	16,554	17,298
Investments	64,475	18,571	18,085	40,215	57,215	72,215
Cash	835	561	1,369	1,014	3,739	10,837
Other current assets	37,352	15,936	21,884	28,995	31,965	33,508
Miscellaneous expenditure	41	105	1,996	—	—	—
Deferred tax assets	—	—	—	—	9	9
Total assets	**115,667**	**48,102**	**58,814**	**85,436**	**109,483**	**133,868**
Ratios						
Operating margin (%)	15.1	14.3	13.7	21.9	20.7	20.7
PAT margin (%)	18.1	8.4	7.4	14.3	15.5	15.7
Debt/equity (X)	-	0.8	0.8	0.5	0.3	0.2
Net debt/equity (X)	0.3	0.0	0.2	(0.7)	(0.8)	(0.9)
Book Value (Rs/share)	2.9	114.6	129.5	202.5	165.6	243.5
RoAE (%)	(0.9)	21.0	37.7	70.9	65.8	49.5
RoACE (%)	**23.7**	**72.5**	**44.1**	**174.0**	**894.5**	**449.0**

Source: Company, Kotak Institutional Equities estimates

kotak Institutional Equities

Oil India (OINL)

Energy

REDUCE

SEPTEMBER 16, 2010

CHANGE IN RECO.

Coverage view: Cautious

Price (Rs): 1,620

Target price (Rs): 1,550

BSE-30: 19,502

Recent outperformance doesn't leave much to extract. We have downgraded Oil India (OIL) stock to REDUCE from BUY previously noting (1) the steep increase in its price over the past few months and (2) the stock now offers 4% potential downside to our 12-month target price of ₹1,550. We would advise investors to switch to ONGC from OIL given (1) ONGC's relatively cheaper valuations and (2) similar upside from potential de-regulation.

Company data and valuation summary

Oil India

Stock data			
52-week range (Rs) (high,low)			1,635-1,019
Market Cap. (Rs bn)			389.5
Shareholding pattern (%)			
Promoters			78.4
FIIs			1.8
MFs			3.3
Price performance (%)	1M	3M	12M
Absolute	16.5	25.7	0.0
Rel. to BSE-30	8.6	12.3	(15.6)

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	115.2	131.9	149.0
EPS growth (%)	13.9	14.6	12.9
P/E (X)	14.1	12.3	10.9
Sales (Rs bn)	79.1	91.2	105.2
Net profits (Rs bn)	26.2	31.7	35.8
EBITDA (Rs bn)	43.9	56.7	65.6
EV/EBITDA (X)	6.7	5.1	4.4
ROE (%)	16.8	17.9	17.9
Div. Yield (%)	2.1	2.7	3.1

Valuations full; time to book some profits

We have downgraded OIL stock to REDUCE from BUY previously noting the steep increase in its price over the past few months and the fact that it is trading above our 12-month target price of ₹1,550. OIL stock has rallied 25.7% in the past three months versus the BSE-30 Index's 13.4% rise over the same period. We continue to like OIL's fundamentals and its strong E&P portfolio. However, we find the risk-reward balance unfavorable at current levels. We would advise investors to book profits and wait for better opportunities at lower levels to get back in.

Advise investors to switch to ONGC from OIL

We would advise investors to switch to ONGC from OIL given the relative risk-reward balance. We see a potential upside of 7% for ONGC to our 12-month fair valuation of ₹1,500 versus a potential downside of 4% for OIL. While both ONGC and OIL are trading at ~10X FY2012E EPS, ONGC offers more upside due to higher value of investments. Apart from relative upside, we prefer ONGC given (1) better earnings growth arising from contribution from Cairn's Rajasthan block, (2) better portfolio of international assets, (3) potential upside from new discoveries, (4) higher life of reserves for ONGC at 15.3 years versus 11.7 years for OIL, (5) relative liquidity and (6) potential favorable resolution of disproportionate royalty payment in Cairn's RJ-ON-90/1 block.

Disclosures in FY2010 annual report impressive

We are impressed by the level of disclosures by OIL in its FY2010 annual report in comparison to its previous annual reports. OIL has provided detailed segment breakdown of revenues, costs, producing assets and exploratory and development well-in-progress for its oil and gas assets separately for different regions.

Fine-tuned earnings for FY2010 annual report

We have fine-tuned our FY2011-13E EPS to ₹132 (-1.3%), ₹149 (-2.9%) and ₹162 (-2.6%) to reflect information in annual report. We assume that upstream companies will bear one-third of total under-recoveries. We model FY2011E, FY2012E and FY2013E exchange rate assumptions at ₹46/US$; we do not rule out upside from a weaker-than-expected rupee.

QUICK NUMBERS

- Revised FY2011-12E EPS to ₹132 (-1.3%) and ₹149 (-2.9%)
- Higher life of reserves for ONGC at 15.3 years versus 11.7 years for OIL

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Key assumptions behind our earnings model

We discuss our key assumptions behind our earnings model below. Exhibit 1 gives the major assumptions behind our earnings model and Exhibit 2 gives sensitivity of OIL's EPS to key variables (rupee-dollar rate, crude oil price, natural gas price).

Strong growth in net crude price realizations over the next few years
Key assumptions, March fiscal year-ends, 2006-2014E

	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E
Rs/US$ rate	44.3	45.3	40.3	45.8	47.4	46.0	46.0	46.0	46.0
Subsidy share scheme loss (Rs mn)	9,775	19,938	23,051	30,233	15,488	20,165	14,665	16,865	17,305
Import tariff on crude oil (%)	5.1	5.1	5.2	0.9	0.4	5.2	5.2	5.2	5.2
Crude/natural gas prices									
Crude price									
Crude price, Bonny Light (US$/bbl)	57.2	64.8	78.9	83.0	67.1	75.0	75.0	80.0	80.0
Net crude price, OIL-India (US$/bbl)	49.7	47.9	60.9	55.6	56.2	58.3	63.3	66.9	67.0
Natural gas price									
Ceiling natural gas price, India (Rs/cu m)	3.52	3.20	3.20	3.20	3.20	6.78	7.50	7.50	7.50
Ceiling natural gas price, India (US$/mn BTU)	2.12	1.89	2.12	1.87	1.80	3.94	4.36	4.36	4.36
Net natural gas price, OIL-India (Rs/cu m)	3.16	2.88	2.88	2.88	2.88	5.49	6.07	6.07	6.07
Net natural gas price, OIL-India (US$/mn BTU)	1.91	1.70	1.91	1.68	1.62	3.19	3.53	3.53	3.53
Sales volumes—Domestic fields									
Crude oil (mn tons)	3.1	3.0	3.0	3.4	3.5	3.6	3.7	3.8	4.0
Natural gas (bcm)	1.7	1.8	1.8	1.7	1.9	2.2	2.7	2.9	2.9
Total sales (mn toe)	**4.7**	**4.6**	**4.7**	**4.9**	**5.2**	**5.6**	**6.2**	**6.4**	**6.6**
Total sales (mn boe)	**34**	**34**	**34**	**36**	**38**	**41**	**45**	**47**	**48**
Crude oil (%)	67	66	65	68	68	64	60	60	60
Natural gas (%)	33	34	35	32	32	36	40	40	40

Source: Company, Kotak Institutional Equities estimates

OIL's earnings are highly sensitive to crude price and exchange rate assumptions
Earnings sensitivity of OIL to key variables

	2011E			2012E			2013E		
	Downside	Base case	Upside	Downside	Base case	Upside	Downside	Base case	Upside
Exchange rate									
Rs/US$	45.0	46.0	47.0	45.0	46.0	47.0	45.0	46.0	47.0
Net profits (Rs mn)	30,557	31,726	32,895	34,618	35,830	37,043	37,606	38,937	40,267
Earnings per share (Rs)	127.1	131.9	136.8	144.0	149.0	154.1	156.4	161.9	167.5
% upside/(downside)	**(3.7)**		**3.7**	**(3.4)**		**3.4**	**(3.4)**		**3.4**
Average crude prices									
Crude price (US$/bbl)	73.0	75.0	77.0	73.0	75.0	77.0	78.0	80.0	82.0
Net profits (Rs mn)	30,294	31,726	33,158	34,345	35,830	37,316	37,408	38,937	40,465
Earnings per share (Rs)	126.0	131.9	137.9	142.8	149.0	155.2	155.6	161.9	168.3
% upside/(downside)	**(4.5)**		**4.5**	**(4.1)**		**4.1**	**(3.9)**		**3.9**
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)	30,505	31,726	32,947	34,562	35,830	37,098	37,631	38,937	40,243
Earnings per share (Rs)	126.9	131.9	137.0	143.7	149.0	154.3	156.5	161.9	167.4
% upside/(downside)	**(3.8)**		**3.8**	**(3.5)**		**3.5**	**(3.4)**		**3.4**

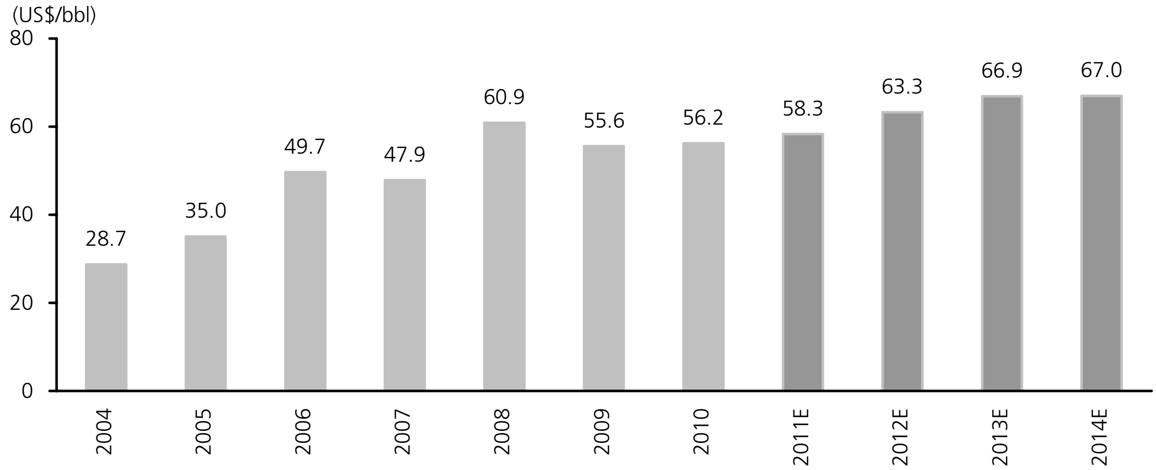
Source: Kotak Institutional Equities estimates

- **Subsidy amount.** We model subsidy amount for FY2011E, FY2012E and FY2013E at ₹20.2 bn, ₹14.7 bn and ₹16.9 bn. We assume that upstream companies will bear one-third of total under-recoveries, in line with 1QFY11 subsidy sharing mechanism. We note that share of upstream companies has been 29-31% in the past three years.

- **Oil and gas volumes.** We model crude oil sales volumes at 3.59 mn tons in FY2011E, 3.73 mn tons in FY2012E and 3.84 mn tons in FY2013E versus 3.56 mn tons in FY2010. We model gas volumes at 6.15 mcm/d for FY2011E, 7.5 mcm/d in FY2012E and 8 mcm/d in FY2013E versus 5.1 mcm/d for FY2010. Implementation of EOR/IOR techniques in existing producing fields will contribute to higher volumes.

- **Crude oil price assumption**. We maintain our FY2011E, FY2012E and FY2013E crude oil (Dated Brent) price assumptions at US$75/bbl, US$75/bbl and US$80/bbl. However, we would focus more on OIL's net realized crude price and our long-term crude price assumption. Exhibit 3 gives OIL's historical net realized price and our expectations for FY2011E (US$58.3/bbl), FY2012E (US$63.3/bbl) and FY2013E (US$66.9/bbl).

OIL's net realization has remained strong over the past few years
OIL's net crude price realization, March fiscal year-ends, 2004-2013E (US$/bbl)



Source: Company, Kotak Institutional Equities estimates

- **Natural gas price assumption**. We model FY2011E, FY2012E and FY2013E natural gas price at ₹6.8/cu m, ₹7.5/cu m and ₹7.5/cu m to reflect the government's decision to increase the price of APM gas from June 1, 2010.

- **Exchange rate assumption.** We model exchange rate for FY2011E, FY2012E and FY2013E at ₹46/US$.

Profit model, balance sheet, cash model of OIL, March fiscal year-ends, 2006-2014E (₹ mn)

	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E
Profit model (Rs mn)									
Net sales	55,502	53,892	60,819	72,414	79,056	91,220	105,157	114,000	116,834
EBITDA	**26,564**	**22,280**	**23,812**	**28,400**	**34,486**	**46,003**	**56,050**	**61,964**	**62,856**
Other income	3,639	5,335	6,770	9,372	9,371	10,730	9,510	9,930	10,665
Interest	(162)	(140)	(344)	(87)	(37)	(24)	(9)	—	—
Depreciation and depletion	(3,314)	(2,595)	(3,093)	(3,768)	(4,811)	(9,202)	(11,899)	(13,590)	(15,314)
Pretax profits	26,728	24,881	27,145	33,916	39,010	47,507	53,652	58,304	58,207
Tax	(9,347)	(7,406)	(8,538)	(11,910)	(11,598)	(15,580)	(17,780)	(19,329)	(19,301)
Deferred tax	(498)	(1,020)	(707)	(343)	(1,211)	(201)	(42)	(38)	(34)
Net profits	**16,883**	**16,454**	**17,901**	**21,663**	**26,201**	**31,726**	**35,830**	**38,937**	**38,872**
Earnings per share (Rs)	**78.9**	**76.9**	**83.6**	**101.2**	**115.3**	**131.9**	**149.0**	**161.9**	**161.7**
Balance sheet (Rs mn)									
Total equity	58,483	68,491	79,330	93,310	137,638	157,027	178,557	202,073	225,523
Deferred tax liability	7,013	8,033	8,655	8,998	10,209	10,410	10,452	10,490	10,524
Liability for abandonment cost	10	11	11	15	19	19	19	19	19
Total borrowings	3,341	8,140	1,749	565	375	213	—	—	—
Currrent liabilities	11,668	10,320	17,541	30,914	32,693	35,676	36,968	37,677	37,804
Total liabilities and equity	**80,515**	**94,995**	**107,286**	**133,801**	**180,934**	**203,344**	**225,996**	**250,259**	**273,871**
Cash	31,015	32,757	42,808	60,700	85,429	92,806	93,291	104,267	114,752
Current assets	14,540	22,350	18,957	22,853	37,266	37,706	39,874	41,251	41,692
Total fixed assets	30,658	35,813	40,633	45,361	49,460	64,055	84,053	95,963	108,649
Investments	4,302	4,075	4,887	4,887	8,594	8,594	8,594	8,594	8,594
Deferred expenditure	—	—	—	—	184	184	184	184	184
Total assets	**80,515**	**94,995**	**107,286**	**133,801**	**180,934**	**203,344**	**225,996**	**250,259**	**273,871**
Free cash flow (Rs mn)									
Operating cash flow, excl. working capital	19,843	18,357	20,104	27,246	23,621	25,899	32,762	36,635	37,055
Working capital changes	5,884	(8,696)	7,435	2,368	(9,113)	2,544	(877)	(667)	(314)
Capital expenditure	(6,108)	(9,370)	(9,492)	(8,496)	(11,485)	(19,297)	(26,397)	(19,500)	(21,500)
Investments	(2,482)	226	(811)	—	(3,201)	—	—	—	—
Other income	1,670	2,892	4,214	5,470	7,268	10,730	9,510	9,930	10,665
Free cash flow	**18,807**	**3,409**	**21,450**	**26,587**	**7,091**	**19,876**	**14,998**	**26,398**	**25,906**
Ratios (%)									
Debt/equity	5.7	11.9	2.2	0.6	0.3	0.1	—	—	—
Net debt/equity	(33.1)	(32.8)	(31.9)	(31.9)	(38.3)	(36.4)	(31.5)	(33.0)	(34.1)
RoAE	28.1	23.2	21.8	22.8	20.9	20.1	20.1	19.4	17.3
RoACE	**27.9**	**23.0**	**21.5**	**22.7**	**20.9**	**20.1**	**20.1**	**19.4**	**17.3**

Source: Company, Kotak Institutional Equities estimates

kotak Institutional Equities

Telecom

India

CAUTIOUS

SEPTEMBER 15, 2010

UPDATE

BSE-30: 19,502

Aug 2010 GSM net adds – an interesting set of numbers. Ex-RCOM/TTSL, India's GSM operators added 13.5 mn subs in Aug 2010, up from 11.5 mn in July. Even as we accord little weight to the reported monthly net adds, we note a few interesting data points in the Aug report – (1) Bharti's net adds of 2 mn trailed Vodafone, BSNL, as well as Uninor, (2) operators continue to report subs base decline in J&K, and (3) BSNL reported a multi-month high 2.3 mn net adds, while Uninor its highest ever 2.2 mn.

We repeat – subs numbers have become (mostly) meaningless

As highlighted by us several times in the past, we find the reported monthly subs additions mostly meaningless, on account of two key factors – (1) prevalent and increasing multi-SIM usage in the market – renders reported subs base a meaningless indicator of underlying real penetration growth, and (2) inconsistent inactive subs churn norms across various players in the industry, leaving the self-reported subs data at complete discretion of operators. Subs-based metrics like ARPU and MOU also become less useful, in our view, as a by-product of this issue with the quality of subs data.

Nevertheless, we find the Aug report data points worth highlighting

Reported GSM net adds (ex-RCOM and TTSL), after remaining in the 11-12 mn range from Apr-Jul 2010, jumped back to 13.5 mn. Though we hesitate to conclude anything from a single month data (and reported subs data in general), increase in circle-level tariff activity in the past few weeks and network expansion by new players underway again post security-clearance delays in 1HCY10 may have induced higher churn or dual-SIM usage in the system, possibly – reflecting in higher reported net adds, given double-counting of dual-SIM/churning subs. Exhibit on the next page summarizes GSM net adds in the market for the past 12 months. We make a few observations

- Bharti reports its lowest ever net adds since June 2007. Bharti's Aug 2010 net adds of 2 mn was the company's lowest in more than 3 years. Also, the company's net adds were lower than Vodafone, BSNL and Uninor. There is a possibility that Bharti could drop to #6 in net adds in the month if TTSL (press reports indicate 2.1 mn adds) and RCOM maintain their July 2010 pace.

- BSNL and Uninor report strong months. BSNL's Aug net adds of 2.3 mn were substantially ahead of the company's YTD run rate of 1.1 mn and a new non-March (year-end push drives March numbers higher for BSNL) high for the company. Real surprise in reported net adds, however, came from Uninor, which reported 2.2 mn net adds, taking its total subs base up 32.3% mom to 9.1 mn. We note that the company is only present in 13/22 circles in the country. The company possibly benefited from its increasing understanding of the Indian consumer (reflected in simpler pricing plans of late as compared to initial launch plans) as well as increasing network coverage in the 13 circles.

- Subs base in J&K continues to decline. Now down to 4.2 mn from a peak of 5.2 mn, driven by tighter 'KYC' requirements, subscriber re-verification and pre-paid ban. We note that the DoT has issued similar KYC/re-verification guidelines for Assam and North East circles as well and we would not be surprised to see some impact on business in these states over the coming months.

- Others. Vodafone, Idea, and Aircel reported steady net adds (versus July) at 2.4 mn, 2 mn and 1.6 mn, respectively. Aircel launched operations in three new circles – Gujarat, Punjab and Rajasthan.

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

	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10
Subs ('000)													
Bharti	107,997	110,511	113,214	116,014	118,864	121,714	124,619	127,619	130,619	133,620	136,620	139,221	141,251
Hutchison	80,874	82,846	85,826	88,608	91,402	94,143	97,230	100,858	103,756	106,347	109,061	111,465	113,774
IDEA-Escotel	45,571	46,758	48,451	50,722	52,264	54,406	56,399	57,921	59,268	60,518	62,410	64,211	66,081
BPL	2,417	2,495	2,545	2,595	2,650	2,702	2,776	2,845	2,895	2,912	2,927	2,947	2,968
Modi group	4,488	4,696	4,904	5,184	5,348	5,482	5,745	5,904	6,020	6,209	6,477	6,538	6,655
MTNL	4,353	4,370	4,435	4,508	4,565	4,610	4,697	4,784	4,818	4,858	4,902	4,948	4,990
BSNL	52,056	53,359	53,962	55,187	57,223	59,455	61,004	63,486	64,745	65,791	66,888	68,066	70,358
Aircel	24,416	25,729	27,747	29,354	31,024	33,036	34,861	36,861	38,470	40,080	41,680	43,297	44,907
Uninor					1,208	2,538	3,555	4,264	5,022	5,013	6,024	6,874	9,094
S Tel					141	506	717	1,007	1,112	1,233	1,327	1,423	1,519
Etisalat DB									5	10	18	30	44
Videocon										1,395	1,942	2,777	3,665
Total market	**322,172**	**330,764**	**341,084**	**352,172**	**364,690**	**378,592**	**391,604**	**405,550**	**416,729**	**427,985**	**440,275**	**451,797**	**465,306**
Market share of subs (%)													
Bharti	33.5	33.4	33.2	32.9	32.6	32.1	31.8	31.5	31.3	31.2	31.0	30.8	30.4
Hutchison	25.1	25.0	25.2	25.2	25.1	24.9	24.8	24.9	24.9	24.8	24.8	24.7	24.5
IDEA-Escotel	14.1	14.1	14.2	14.4	14.3	14.4	14.4	14.3	14.2	14.1	14.2	14.2	14.2
BPL	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6
Modi group	1.4	1.4	1.4	1.5	1.5	1.4	1.5	1.5	1.4	1.5	1.5	1.4	1.4
MTNL	1.4	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1
BSNL	16.2	16.1	15.8	15.7	15.7	15.7	15.6	15.7	15.5	15.4	15.2	15.1	15.1
Aircel	7.6	7.8	8.1	8.3	8.5	8.7	8.9	9.1	9.2	9.4	9.5	9.6	9.7
Uninor					0.3	0.7	0.9	1.1	1.2	1.2	1.4	1.5	2.0
S Tel					0.0	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Etisalat DB									0.0	0.0	0.0	0.0	0.0
Videocon										0.3	0.4	0.6	0.8
Net monthly adds ('000)													
Bharti	2,819	2,515	2,702	2,800	2,850	2,850	2,905	3,000	3,000	3,000	3,001	2,600	2,030
Hutchison	2,194	1,972	2,980	2,781	2,794	2,741	3,087	3,628	2,898	2,591	2,713	2,405	2,309
IDEA-Escotel	1,437	1,187	1,692	2,271	1,543	2,141	1,993	1,522	1,347	1,250	1,892	1,801	1,870
BPL	67	78	50	50	54	52	75	68	50	17	15	20	21
Modi group	105	209	208	279	164	134	263	159	116	189	268	61	117
MTNL	20	17	66	73	57	45	87	87	33	40	44	46	42
BSNL	1,356	1,303	603	1,225	2,037	2,231	1,550	2,482	1,259	1,046	1,097	1,178	2,292
Aircel	1,314	1,313	2,018	1,608	1,670	2,012	1,825	2,000	1,608	1,610	1,600	1,617	1,610
Uninor					1,208	1,330	1,017	709	758	(9)	1,011	850	2,220
S Tel					141	365	211	290	106	121	93	97	96
Etisalat DB									5	5	8	12	14
Videocon										1,395	548	835	888
Total market	**9,311**	**8,592**	**10,320**	**11,087**	**12,518**	**13,902**	**13,012**	**13,946**	**11,180**	**11,255**	**12,290**	**11,522**	**13,509**
Market share of net adds (%)													
Bharti	30.3	29.3	26.2	25.3	22.8	20.5	22.3	21.5	26.8	26.7	24.4	22.6	15.0
Hutchison	23.6	22.9	28.9	25.1	22.3	19.7	23.7	26.0	25.9	23.0	22.1	20.9	17.1
IDEA-Escotel	15.4	13.8	16.4	20.5	12.3	15.4	15.3	10.9	12.1	11.1	15.4	15.6	13.8
BPL	0.7	0.9	0.5	0.5	0.4	0.4	0.6	0.5	0.4	0.2	0.1	0.2	0.2
Modi group	1.1	2.4	2.0	2.5	1.3	1.0	2.0	1.1	1.0	1.7	2.2	0.5	0.9
MTNL	0.2	0.2	0.6	0.7	0.5	0.3	0.7	0.6	0.3	0.4	0.4	0.4	0.3
BSNL	14.6	15.2	5.8	11.0	16.3	16.0	11.9	17.8	11.3	9.3	8.9	10.2	17.0
Aircel	14.1	15.3	19.6	14.5	13.3	14.5	14.0	14.3	14.4	14.3	13.0	14.0	11.9
Uninor					9.7	9.6	7.8	5.1	6.8	(0.1)	8.2	7.4	16.4
S Tel					1.1	2.6	1.6	2.1	0.9	1.1	0.8	0.8	0.7
Etisalat DB									0.0	0.0	0.1	0.1	0.1
Videocon										12.4	4.5	7.2	6.6

Source: COAI, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of key Indian companies

	15-Sep-10		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	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US$ mn)
Automobiles																													
Ashok Leyland	76	ADD	101,302	2,185	1,330	2.8	4.3	5.9	84.5	52.3	37.5	27.0	17.7	12.9	15.4	11.6	9.1	2.5	2.3	2.0	2.0	1.3	1.3	10.9	13.5	16.7	78	2.4	7.6
Bajaj Auto	1,470	REDUCE	425,312	9,173	289	117.7	84.5	94.8	160.2	(28.2)	12.2	12.5	17.4	15.5	16.1	12.3	10.8	14.5	9.1	6.3	0.7	1.4	1.4	70.9	64.1	47.9	1,325	(9.9)	18.7
Bharat Forge	367	ADD	87,831	1,894	239	0.7	12.4	19.7	(92.0)	1,705.4	59.1	534.4	29.6	18.6	27.0	12.7	8.9	2.3	2.2	2.0	—	—	—	0.9	0.4	0.1	360	(2.0)	5.3
Hero Honda	1,742	SELL	347,907	7,503	200	111.8	115.3	130.1	74.1	3.1	12.8	15.6	15.1	13.4	9.9	9.8	8.3	9.7	6.7	5.0	1.7	1.8	2.0	59.1	52.5	42.8	1,800	3.3	20.8
Mahindra & Mahindra	676	BUY	402,598	8,683	595	33.9	44.1	51.7	125.8	30.1	17.3	19.9	15.3	13.1	13.1	11.0	9.2	5.0	4.0	3.2	1.4	1.4	1.4	30.0	29.0	27.3	760	12.4	24.2
Maruti Suzuki	1,369	REDUCE	395,540	8,531	289	86.4	77.6	88.3	104.9	(10.2)	13.9	15.8	17.6	15.5	8.6	9.0	7.7	3.3	2.8	2.4	0.4	0.4	0.4	23.3	17.3	16.7	1,200	(12.3)	21.1
Tata Motors	1,025	ADD	641,615	13,838	626	27.4	94.8	109.2	(182.5)	246.1	15.2	37.4	10.8	9.4	13.2	6.9	6.0	4.1	2.9	2.2	1.3	0.5	0.5	8.7	11.9	11.1	1,150	12.2	88.6
Automobiles		**Cautious**	**2,402,104**	**51,806**					**276.0**	**57.2**	**16.1**	**23.0**	**14.6**	**12.6**	**12.6**	**9.0**	**7.7**	**4.8**	**3.7**	**3.0**	**1.1**	**1.0**	**1.0**	**20.9**	**25.5**	**23.5**			
Banks/Financial Institutions																													
Andhra Bank	164	BUY	79,492	1,714	485	21.6	22.9	26.7	60.1	6.4	16.4	7.6	7.1	6.1	—	—	—	1.8	1.5	1.3	3.1	3.2	3.8	26.0	23.1	22.7	180	9.8	5.5
Axis Bank	1,470	ADD	595,606	12,845	405	62.1	78.1	98.3	22.7	25.9	25.9	23.7	18.8	15.0	—	—	—	3.7	3.2	2.8	0.8	1.0	1.3	19.2	18.3	19.9	1,500	2.0	39.2
Bank of Baroda	869	BUY	317,607	6,850	366	83.7	95.1	115.7	37.3	13.7	21.7	10.4	9.1	7.5	—	—	—	2.3	1.9	1.6	1.7	2.0	2.4	24.4	23.0	23.3	950	9.3	8.1
Bank of India	499	REDUCE	262,326	5,658	526	33.1	49.9	58.1	(42.1)	50.9	16.4	15.1	10.0	8.6	—	—	—	2.0	1.8	1.5	1.4	2.1	2.5	14.2	19.0	19.2	460	(7.8)	10.4
Canara Bank	583	ADD	238,887	5,152	410	73.7	82.2	98.3	45.8	11.6	19.5	7.9	7.1	5.9	—	—	—	1.9	1.5	1.3	1.4	1.7	2.1	22.4	20.8	20.8	580	(0.5)	7.6
Corporation Bank	663	BUY	95,157	2,052	143	82.0	88.0	102.6	31.8	7.3	16.6	8.1	7.5	6.5	—	—	—	1.6	1.4	1.2	2.5	2.7	3.1	22.0	20.2	20.2	700	5.5	1.5
Federal Bank	380	ADD	64,933	1,400	171	27.2	36.4	49.0	(7.2)	34.1	34.4	14.0	10.4	7.8	—	—	—	1.4	1.3	1.1	1.3	1.8	2.4	10.3	12.6	15.2	360	(5.2)	5.5
HDFC	684	ADD	981,773	21,174	1,436	19.7	23.2	27.8	22.7	17.9	19.6	34.7	29.5	24.6	—	—	—	6.5	5.7	5.0	1.1	1.2	1.4	20.0	20.6	21.7	690	0.9	40.7
HDFC Bank	2,375	BUY	1,087,346	23,451	458	64.4	84.9	111.1	22.1	31.7	30.9	36.9	28.0	21.4	—	—	—	5.1	4.4	3.8	0.5	0.7	0.9	16.1	16.9	19.2	2,400	1.0	34.2
ICICI Bank	1,104	REDUCE	1,230,726	26,543	1,115	36.1	45.2	57.3	6.9	25.3	26.6	30.6	24.4	19.3	—	—	—	2.4	2.2	2.1	1.1	1.4	1.7	8.0	9.5	11.3	1,000	(9.4)	81.9
IDFC	200	ADD	291,379	6,284	1,458	8.4	9.4	11.2	44.9	12.4	18.7	23.8	21.2	17.8	—	—	—	4.2	2.7	2.3	0.7	0.9	1.1	16.6	15.5	14.3	205	2.6	25.2
India Infoline	101	BUY	31,492	679	312	8.1	7.2	8.7	59.2	(11.9)	21.6	12.4	14.1	11.6	—	—	—	2.0	1.7	1.4	3.1	1.5	2.0	16.4	12.9	14.4	130	28.7	4.9
Indian Bank	259	ADD	111,461	2,404	430	35.1	32.4	44.1	25.5	(7.7)	36.2	7.4	8.0	5.9	—	—	—	1.7	1.4	1.2	2.5	2.2	3.1	24.1	18.8	21.7	280	8.0	4.7
Indian Overseas Bank	140	BUY	76,000	1,639	545	13.0	16.7	24.8	(46.7)	29.0	48.4	10.8	8.3	5.6	—	—	—	1.2	1.1	0.9	2.5	2.8	3.0	9.6	11.6	15.4	160	14.7	5.0
J&K Bank	832	ADD	40,336	870	48	105.7	119.3	139.6	25.0	12.9	17.1	7.9	7.0	6.0	—	—	—	1.4	1.2	1.1	2.6	3.0	3.5	18.2	17.9	18.3	850	2.2	2.5
LIC Housing Finance	1,275	REDUCE	121,145	2,613	95	69.7	100.7	109.9	11.5	44.5	9.1	18.3	12.7	11.6	—	—	—	3.7	3.1	2.6	1.2	1.7	1.9	23.6	25.5	23.2	1,250	(2.0)	25.3
Mahindra & Mahindra Financial	666	REDUCE	63,898	1,378	96	35.9	46.4	56.2	60.0	29.4	21.2	18.6	14.3	11.8	—	—	—	3.8	3.2	2.7	1.1	1.5	1.8	21.5	23.5	23.8	635	(4.6)	2.4
Oriental Bank of Commerce	464	ADD	116,225	2,507	251	45.3	57.8	66.8	25.3	27.6	15.5	10.2	8.0	6.9	—	—	—	1.6	1.4	1.2	2.0	2.5	2.9	14.5	16.5	16.9	430	(7.3)	7.0
PFC	354	SELL	405,851	8,753	1,148	20.5	22.9	27.6	53.5	11.9	20.3	17.3	15.4	12.8	—	—	—	3.2	2.8	2.4	1.4	1.6	1.9	18.8	18.3	19.2	275	(22.2)	4.4
Punjab National Bank	1,273	BUY	401,459	8,658	315	123.9	133.4	163.3	26.4	7.7	22.4	10.3	9.5	7.8	—	—	—	2.4	2.0	1.7	1.7	2.1	2.6	26.2	23.2	23.7	1,300	2.1	8.9
Reliance Capital	823	NR	202,590	4,369	246	12.9	13.7	9.8	(67.3)	6.5	(28.6)	64.0	60.1	84.2	—	—	—	2.9	2.9	2.8	0.7	0.7	0.5	4.7	4.8	3.4	—	—	39.5
Rural Electrification Corp.	353	ADD	348,598	7,518	987	20.3	25.3	31.2	23.2	24.5	23.4	17.4	14.0	11.3	—	—	—	3.1	2.7	2.4	1.8	2.1	2.6	22.0	21.0	22.5	325	(7.9)	9.0
Shriram Transport	797	ADD	177,809	3,835	223	39.2	53.4	64.8	30.1	36.4	21.3	20.4	14.9	12.3	—	—	—	4.8	4.1	3.4	1.5	2.0	2.4	28.4	28.2	28.4	700	(12.2)	6.6
SREI	99	NR	11,466	247	116	8.3	7.9	9.9	17.8	(4.8)	25.8	11.9	12.5	9.9	—	—	—	1.0	0.9	0.8	1.2	1.2	1.2	11.1	10.5	12.3	—	—	4.8
State Bank of India	3,060	BUY	1,942,931	41,903	635	144.4	177.7	211.2	0.5	23.1	18.8	21.2	17.2	14.5	—	—	—	2.9	2.6	2.3	1.0	1.0	1.1	14.8	16.0	16.7	3,100	1.3	108.6
Union Bank	370	BUY	186,767	4,028	505	41.1	45.7	56.9	20.2	11.3	24.5	9.0	8.1	6.5	—	—	—	2.1	1.7	1.4	1.5	1.7	2.1	26.2	23.7	24.1	400	8.2	5.1
Yes Bank	327	BUY	110,952	2,393	340	15.0	17.7	22.5	46.7	18.2	26.6	21.8	18.4	14.5	—	—	—	3.6	3.1	2.6	0.4	0.5	0.7	20.3	18.0	19.3	350	7.1	19.3
Banks/Financial Institutions		**Attractive**	**9,594,211**	**206,917**					**14.8**	**20.1**	**22.2**	**19.1**	**15.9**	**13.0**	**—**	**—**	**—**	**2.9**	**2.6**	**2.2**	**1.2**	**1.4**	**1.6**	**15.5**	**16.2**	**17.2**			
Cement																													
ACC	960	REDUCE	180,440	3,892	188	83.2	66.0	72.9	47.9	(20.7)	10.4	11.5	14.5	13.2	6.2	6.9	5.6	2.8	2.5	2.2	2.8	2.4	2.4	29.3	20.0	19.3	980	2.0	8.9
Ambuja Cements	138	SELL	210,012	4,529	1,522	8.0	8.4	8.9	11.4	5.3	5.1	17.2	16.4	15.6	9.6	9.0	7.8	3.0	2.6	2.4	1.4	1.5	1.5	19.3	17.8	16.5	108	(21.7)	5.6
Grasim Industries	2,199	ADD	201,599	4,348	92	301.0	242.3	292.5	26.1	(19.5)	20.7	7.3	9.1	7.5	4.4	4.7	3.5	1.6	1.4	1.2	1.5	1.6	1.6	22.9	16.5	17.2	2,500	13.7	6.6
India Cements	110	SELL	33,835	730	307	10.0	7.4	9.4	(43.5)	(26.5)	27.5	11.0	14.9	11.7	6.0	7.9	5.6	0.8	0.8	0.7	1.9	2.9	2.9	8.2	5.7	7.0	100	(9.2)	3.4
Shree Cement	2,049	BUY	71,392	1,540	35	208.0	221.1	242.5	19.0	6.3	9.7	9.9	9.3	8.5	4.8	4.7	3.7	3.9	2.8	2.1	0.5	0.5	0.5	48.0	35.0	28.1	2,550	24.4	1.4
UltraTech Cement	1,031	ADD	282,463	6,092	274	88.2	66.2	99.5	12.0	(25.0)	50.4	11.7	15.6	10.4	13.6	8.6	5.4	5.2	2.2	1.8	0.3	0.4	0.4	25.9	18.0	22.3	1,100	6.7	4.1
Cement		**Neutral**	**979,741**	**21,130**					**19.3**	**(1.5)**	**22.6**	**12.8**	**13.0**	**10.6**	**6.8**	**6.6**	**5.0**	**2.6**	**2.0**	**1.7**	**1.3**	**1.3**	**1.3**	**20.6**	**15.3**	**16.1**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

	15-Sep-10		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	**Price (Rs)**	**Rating**	**(Rs mn)**	**(US$ mn)**	**(mn)**	**2010E**	**2011E**	**2012E**	**2010E**	**2011E**	**2012E**	**2010E**	**2011E**	**2012E**	**2010E**	**2011E**	**2012E**	**2010E**	**2011E**	**2012E**	**2010E**	**2011E**	**2012E**	**2010E**	**2011E**	**2012E**	**(Rs)**	**(%)**	**(US$ mn)**
Consumer products																													
Asian Paints	2,856	ADD	273,909	5,907	96	71.5	89.0	107.1	85.3	24.4	20.4	39.9	32.1	26.7	24.7	20.0	16.4	17.1	13.3	10.6	0.9	1.3	1.6	51.8	47.9	45.4	3,000	5.1	7.9
Colgate-Palmolive (India)	815	REDUCE	110,855	2,391	136	31.1	34.5	39.6	44.2	10.9	14.6	26.2	23.6	20.6	21.4	17.5	14.9	34.0	29.0	24.8	2.5	3.2	3.6	156.1	132.3	129.4	830	1.8	2.1
Dabur India	108	REDUCE	187,056	4,034	1,731	2.9	3.4	4.1	28.2	17.7	20.8	37.3	31.7	26.2	27.7	22.1	18.4	17.8	13.7	11.4	1.4	1.7	2.0	54.3	49.3	47.8	105	(2.8)	5.2
GlaxoSmithkline Consumer (a)	1,808	ADD	76,017	1,639	42	55.4	68.6	81.3	23.6	23.9	18.6	32.7	26.4	22.2	18.1	15.6	12.8	8.5	7.1	5.9	1.0	1.2	1.5	27.9	29.0	28.7	2,000	10.6	0.6
Godrej Consumer Products	396	ADD	128,190	2,765	324	11.3	13.5	18.0	69.5	18.9	33.4	35.0	29.4	22.0	27.7	21.0	15.7	13.3	7.2	6.5	1.0	0.8	0.8	44.6	31.9	31.1	420	6.0	1.5
Hindustan Unilever	278	REDUCE	606,618	13,083	2,182	9.4	10.2	12.0	(0.9)	8.4	17.5	29.5	27.2	23.2	20.2	19.4	15.8	23.5	20.3	17.5	2.7	3.0	3.5	71.1	80.2	81.3	250	(10.1)	11.2
ITC	168	ADD	1,282,614	27,662	7,651	5.3	6.4	7.5	22.6	20.5	16.5	31.6	26.2	22.5	19.2	16.5	13.9	8.6	7.3	6.2	3.0	1.6	1.8	29.2	31.6	31.0	175	4.4	22.4
Jubilant Foodworks	540	REDUCE	34,460	743	64	5.5	9.7	12.1	340.6	75.7	24.6	97.4	55.4	44.5	51.8	31.4	22.0	29.3	19.2	13.4	—	—	—	46.6	41.8	35.4	370	(31.4)	16.2
Jyothy Laboratories	293	NR	21,234	458	73	11.0	12.9	15.3	99.6	17.0	18.3	26.5	22.7	19.2	20.6	15.6	12.9	5.2	4.4	3.8	1.6	1.2	1.6	18.6	20.2	20.5	—	—	0.9
Marico	126	ADD	76,735	1,655	609	4.5	5.4	6.4	33.8	19.6	20.4	28.2	23.5	19.6	18.4	15.7	12.9	12.4	8.9	6.6	0.8	0.9	1.1	50.8	43.9	38.8	140	11.1	2.0
Nestle India (a)	3,157	REDUCE	304,375	6,564	96	74.4	86.6	104.8	27.0	16.4	20.9	42.4	36.4	30.1	28.0	24.4	20.7	52.4	41.8	33.3	1.5	1.9	2.3	136.0	127.5	122.9	3,000	(5.0)	3.1
Tata Global Beverages	123	ADD	76,218	1,644	618	6.6	7.4	8.4	23.4	11.1	13.8	18.6	16.8	14.7	11.8	9.7	8.7	1.5	1.4	1.3	1.8	1.9	2.2	10.9	11.4	12.0	125	1.4	4.3
Consumer products		**Attractive**	**3,178,279**	**68,545**					**24.2**	**17.5**	**18.2**	**32.4**	**27.6**	**23.3**	**20.9**	**18.0**	**15.0**	**11.0**	**9.1**	**7.8**	**2.3**	**1.9**	**2.2**	**33.9**	**33.0**	**33.5**			
Constructions																													
IVRCL	158	BUY	42,148	909	267	7.9	9.1	11.6	(6.7)	15.0	27.9	20.0	17.4	13.6	10.2	9.7	7.7	2.1	1.9	1.7	0.3	0.3	0.3	11.0	11.3	12.9	205	29.9	6.7
Nagarjuna Construction Co.	161	BUY	41,374	892	257	7.1	9.2	11.8	6.1	29.6	27.8	22.6	17.4	13.6	11.3	9.7	8.2	1.8	1.7	1.5	0.8	1.2	1.2	9.3	10.2	11.9	210	30.2	3.4
Punj Lloyd	116	REDUCE	39,209	846	339	(12.9)	9.8	12.0	79.2	(175.4)	22.4	(8.9)	11.8	9.7	34.2	6.7	6.1	1.3	1.2	1.1	(0.1)	0.4	0.9	(15.8)	10.3	11.4	140	21.0	10.4
Sadbhav Engineering	1,526	BUY	22,884	494	15	42.8	61.8	87.2	(16.3)	44.3	41.0	35.6	24.7	17.5	19.5	13.0	10.0	5.6	3.7	3.1	0.2	0.4	0.4	15.8	15.1	17.8	1,750	14.7	0.4
Construction		**Attractive**	**145,614**	**3,140**					**(91.1)**	**4,528**	**27.2**	**746.1**	**16.1**	**12.7**	**15.4**	**8.7**	**7.4**	**1.9**	**1.7**	**1.5**	**0.3**	**0.6**	**0.7**	**0.3**	**10.4**	**11.9**			
Energy																													
Aban Offshore	827	ADD	35,961	776	43	94.5	154.1	139.3	(2.5)	63.0	(9.6)	8.7	5.4	5.9	8.3	6.7	6.5	1.6	1.5	1.3	0.4	0.4	0.5	21.7	33.1	22.9	935	13.1	43.8
Bharat Petroleum	767	ADD	277,301	5,981	362	58.6	57.0	65.4	230	(3)	14.8	13	13	11.7	7.2	6.9	6.4	2.0	1.8	1.6	1.8	2.4	2.8	14.9	13.3	13.8	855	11.5	37.1
Cairn india	332	RS	630,175	13,591	1,897	5.5	20.5	36.6	29.0	270.1	78.3	60.0	16.2	9.1	47.2	9.7	5.9	1.8	1.6	1.5	—	—	4.5	3.1	10.7	17.2	—	—	28.1
Castrol India (a)	528	REDUCE	130,650	2,818	247	15.4	20.7	21.2	45	34	2.4	34	26	25.0	20.5	15.9	15.3	28.4	26.6	25.2	2.4	3.1	3.2	83.8	107.4	103.7	380	(28.1)	2.0
GAIL (India)	483	BUY	613,247	13,226	1,268	24.8	27.2	40.2	11.7	10.1	47.4	19.5	17.7	12.0	11.0	11.0	8.8	3.4	3.0	2.5	1.6	1.8	2.6	17.4	17.0	21.6	550	13.8	16.5
GSPL	109	SELL	61,448	1,325	562	7.3	7.1	8.0	233	(3)	12.6	15	15	13.7	7.6	7.5	6.3	3.6	3.0	2.7	0.9	1.6	2.9	27.1	21.2	20.6	83	(24.0)	5.1
Hindustan Petroleum	544	BUY	184,337	3,976	339	51.6	52.1	58.5	204.2	1.0	12.4	10.5	10.4	9.3	3.8	3.5	3.2	1.4	1.2	1.1	2.2	3.0	3.4	13.1	11.9	12.1	625	14.9	45.1
Indian Oil Corporation	437	ADD	1,061,014	22,883	2,428	49.1	37.9	41.9	399	(23)	10.7	9	12	10.4	6.3	6.5	5.7	1.9	1.8	1.6	3.0	2.6	2.9	22.4	15.3	15.4	480	9.8	20.4
Oil India	1,620	REDUCE	389,524	8,401	240	115.2	131.9	149.0	13.9	14.6	12.9	14.1	12.3	10.9	6.7	5.1	4.4	2.6	2.3	2.1	2.1	2.7	3.1	16.8	17.9	17.9	1,550	(4.3)	7.2
Oil & Natural Gas Corporation	1,407	BUY	3,009,307	64,901	2,139	90.3	116.4	136.7	(1)	29	17.5	16	12	10.3	5.5	4.8	4.2	2.3	2.0	1.8	2.3	3.0	3.4	14.4	16.8	17.7	1,500	6.6	35.0
Petronet LNG	107	SELL	80,213	1,730	750	5.4	6.5	7.9	(22.0)	20.5	21.8	19.8	16.5	13.5	11.4	9.7	8.5	3.1	2.7	2.4	1.6	1.9	2.6	15.9	16.7	17.6	88	(17.7)	8.0
Reliance Industries	1,014	REDUCE	3,017,366	65,075	2,976	49.6	57.7	74.4	(2)	16	28.9	20	18	13.6	10.3	8.2	6.8	2.0	1.8	1.6	0.7	0.8	1.0	11.4	12.1	13.9	1,015	0.1	113.5
Energy		**Cautious**	**9,490,542**	**204,681**					**36.6**	**16.0**	**23.8**	**15.9**	**13.7**	**11.0**	**7.7**	**6.6**	**5.5**	**2.2**	**2.0**	**1.7**	**1.6**	**1.9**	**2.5**	**13.7**	**14.3**	**15.8**			
Industrials																													
ABB	802	REDUCE	169,845	3,663	212	16.7	18.3	33.1	(35.2)	9.3	80.7	47.9	43.8	24.3	27.4	25.1	14.0	7.0	6.2	5.1	0.2	0.4	0.4	15.6	15.0	23.0	725	(9.5)	4.7
BGR Energy Systems	826	BUY	59,494	1,283	72	16.0	28.0	39.7	32.2	74.6	41.9	51.5	29.5	20.8	28.9	16.8	12.1	10.6	8.4	6.4	0.4	0.8	1.0	22.3	31.8	35.1	950	15.0	4.3
Bharat Electronics	1,816	REDUCE	145,272	3,133	80	96.1	105.9	120.3	(7.4)	10.2	13.6	18.9	17.1	15.1	8.9	7.8	6.6	3.2	2.8	2.5	1.1	1.4	1.4	17.5	17.7	17.6	1,800	(0.9)	2.5
Bharat Heavy Electricals	2,474	REDUCE	1,210,901	26,115	490	87.9	114.3	135.5	37.7	30.0	18.5	28.1	21.6	18.3	15.7	12.2	10.1	7.6	6.0	4.8	0.8	1.0	1.2	29.8	31.1	29.3	2,600	5.1	24.1
Crompton Greaves	307	BUY	196,973	4,248	642	12.8	14.0	16.3	46.5	9.0	16.6	23.9	21.9	18.8	13.8	12.3	10.3	7.9	6.0	4.7	0.4	0.6	0.7	37.9	31.1	28.2	320	4.2	7.7
Larsen & Toubro	1,918	ADD	1,154,989	24,909	602	57.9	71.7	89.0	15.6	23.8	24.1	33.1	26.7	21.5	18.4	14.5	12.2	5.2	4.3	3.7	0.7	0.6	0.7	18.6	17.7	18.5	2,075	8.2	49.1
Maharashtra Seamless	381	BUY	26,844	579	71	40.2	43.6	49.8	12.1	8.5	14.2	9.5	8.7	7.6	5.0	4.3	3.4	1.7	1.5	1.3	1.6	2.1	2.6	19.3	17.9	17.7	450	18.2	0.4
Siemens	759	REDUCE	255,770	5,516	337	25.2	27.0	31.9	56.4	7.3	18.0	30.2	28.1	23.8	18.4	16.7	13.9	7.5	6.2	5.2	0.7	0.7	0.8	27.6	24.2	23.8	635	(16.3)	6.6
Suzlon Energy	52	REDUCE	82,316	1,775	1,594	(6.2)	(0.8)	3.3	(185.4)	(86.8)	(504.1)	(8.4)	(63.6)	15.7	14.1	11.7	7.8	1.2	1.1	1.1	—	—	0.4	(11.4)	(1.8)	6.9	55	6.5	21.1
Thermax	802	ADD	95,558	2,061	119	21.7	29.5	39.7	(10.4)	35.9	34.4	36.9	27.2	20.2	19.1	14.9	11.1	8.9	7.3	5.9	0.6	1.1	1.4	25.0	29.5	32.2	865	7.9	1.4
Voltas	223	REDUCE	73,605	1,587	331	10.9	11.8	13.4	57.4	8.2	14.3	20.5	18.9	16.6	12.2	10.6	8.9	6.9	5.5	4.5	1.4	1.5	1.8	38.3	32.5	30.2	225	1.1	4.7

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	15-Sep-10 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS (Rs) 2012E	EPS growth (%) 2010E	EPS growth (%) 2011E	EPS growth (%) 2012E	PER (X) 2010E	PER (X) 2011E	PER (X) 2012E	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	EV/EBITDA (X) 2012E	Price/BV (X) 2010E	Price/BV (X) 2011E	Price/BV (X) 2012E	Dividend yield (%) 2010E	Dividend yield (%) 2011E	Dividend yield (%) 2012E	RoE (%) 2010E	RoE (%) 2011E	RoE (%) 2012E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Infrastructure																													
Container Corporation	1,311	REDUCE	170,345	3,674	130	61.1	74.3	85.9	0.3	21.7	15.6	21.5	17.6	15.3	15.1	12.3	10.3	3.9	3.4	2.9	1.1	1.3	1.5	19.6	20.6	20.5	1,250	(4.6)	1.9
GMR Infrastructure	59	ADD	217,636	4,694	3,667	0.4	0.2	0.1	(43.8)	(48.9)	(40.0)	137.7	269.6	449.0	24.0	15.5	14.5	2.1	1.8	1.8	—	—	—	2.4	1.2	0.7	65	9.5	6.8
GVK Power & Infrastructure	49	BUY	76,908	1,659	1,579	0.8	1.1	1.4	6.7	33.5	32.4	59.9	44.8	33.9	19.8	17.9	18.3	2.4	2.3	2.2	—	0.6	0.6	4.7	5.3	6.7	54	10.9	6.5
IRB Infrastructure	281	RS	93,394	2,014	332	9.7	12.6	12.1	83.8	29.2	(3.7)	28.9	22.4	23.2	13.6	12.0	11.2	4.0	3.1	2.5	—	—	—	15.6	15.7	11.9	—	—	12.3
Mundra Port and SEZ	811	REDUCE	327,210	7,057	403	16.7	21.9	34.1	55.7	31.0	56.1	48.6	37.1	23.8	36.2	23.6	17.1	9.2	7.8	6.1	(0.5)	—	—	20.8	22.9	28.9	750	(7.5)	5.9
Infrastructure		**Attractive**	**885,494**	**19,097**					**16.3**	**21.2**	**26.0**	**42.6**	**35.2**	**27.9**	**22.2**	**16.4**	**14.2**	**3.7**	**3.2**	**2.9**	**—**	**—**	**0.3**	**8.7**	**9.1**	**10.3**			
Media																													
DB Corp	272	BUY	49,429	1,066	182	10.6	13.0	15.7	286.5	22.4	21.0	25.6	20.9	17.3	14.3	11.8	9.7	7.6	6.2	5.4	0.7	1.1	1.5	40.3	32.6	33.2	290	6.6	0.4
DishTV	59	ADD	62,953	1,358	1,063	(2.5)	(1.8)	0.1	(62.0)	(28.8)	(107.4)	(23.7)	(33.3)	452.6	77.2	30.8	16.2	15.3	28.3	26.7	—	—	—	249.3	(59.7)	6.1	47	(20.6)	3.8
HT Media	163	NR	38,340	827	235	6.1	7.7	9.2	623.3	25.9	19.8	26.7	21.2	17.7	13.4	11.2	9.3	3.9	3.5	3.2	0.6	1.2	2.5	15.6	17.5	18.9	—	—	0.4
Jagran Prakashan	134	BUY	40,234	868	301	5.8	6.6	7.7	92.0	13.4	17.0	22.9	20.2	17.2	13.8	11.7	10.0	6.6	6.0	5.5	2.6	3.0	3.7	30.0	31.1	33.3	145	8.5	1.6
Sun TV Network	494	REDUCE	194,498	4,195	394	13.1	18.0	22.5	44.8	36.9	25.2	37.5	27.4	21.9	21.3	15.8	12.8	10.0	8.5	7.0	1.5	1.5	1.8	28.4	33.7	35.1	420	(14.9)	2.8
Zee Entertainment Enterprises	294	REDUCE	127,953	2,760	435	10.6	11.8	14.4	25.0	12.0	21.5	27.9	24.9	20.5	20.7	16.4	13.1	3.5	3.3	3.1	0.8	1.0	1.2	13.1	13.8	16.0	270	(8.3)	8.4
Media		**Neutral**	**513,407**	**11,073**					**185.4**	**36.0**	**37.0**	**42.3**	**31.1**	**22.7**	**20.4**	**15.6**	**12.3**	**6.2**	**5.7**	**5.2**	**1.1**	**1.3**	**1.6**	**14.7**	**18.4**	**22.8**			
Metals																													
Hindalco Industries	190	ADD	363,554	7,841	1,914	5.7	13.6	15.5	(64.5)	139.5	14.2	33.5	14.0	12.2	8.2	8.2	8.5	1.6	1.5	1.3	0.7	0.7	0.7	10.3	11.1	11.5	200	5.3	31.7
Hindustan Zinc	1,106	BUY	467,109	10,074	423	95.6	102.5	116.0	48.2	7.2	13.1	11.6	10.8	9.5	7.5	6.0	4.2	2.5	2.0	1.7	0.5	0.5	0.5	24.1	20.8	19.4	1,240	12.2	4.0
Jindal Steel and Power	709	REDUCE	659,966	14,233	931	38.4	50.9	56.0	17.3	32.7	9.9	18.5	13.9	12.7	12.7	9.2	7.7	5.9	4.1	3.1	0.2	0.3	0.3	37.8	34.9	28.0	625	(11.8)	22.8
JSW Steel	1,230	REDUCE	310,359	6,693	252	80.4	68.5	108.5	481.1	(14.8)	58.5	15.3	18.0	11.3	11.3	9.5	6.4	2.8	1.7	1.3	0.6	0.7	0.8	16.0	12.0	13.3	1,075	(12.6)	38.3
National Aluminium Co.	411	SELL	264,747	5,710	644	12.6	14.3	17.3	(34.9)	13.3	20.5	32.5	28.7	23.8	15.6	12.8	10.6	2.5	2.4	2.3	0.6	1.2	1.2	8.1	8.6	9.8	260	(36.7)	1.6
Sesa Goa	323	REDUCE	287,374	6,198	890	29.6	58.6	46.3	23.5	98.4	(21.0)	10.9	5.5	7.0	9.0	3.8	3.7	3.6	2.2	1.7	1.1	1.1	1.1	35.8	41.5	23.7	340	5.3	52.1
Sterlite Industries	175	ADD	586,777	12,655	3,362	12.0	14.2	19.3	2.8	18.4	35.5	14.5	12.3	9.1	9.3	8.2	5.1	1.6	1.4	1.2	0.5	0.5	0.5	12.9	12.2	14.6	200	14.6	35.6
Tata Steel	604	REDUCE	552,029	11,906	914	(3.6)	63.4	65.5	(103.6)	(1,880.2)	3.4	(169.6)	9.5	9.2	11.1	6.1	5.9	2.4	1.9	1.6	1.3	1.3	—	(1.5)	22.0	18.7	550	(8.9)	92.1
Metals		**Cautious**	**3,491,915**	**75,310**					**(30.6)**	**72.5**	**11.3**	**20.0**	**11.6**	**10.4**	**10.2**	**7.3**	**6.1**	**2.5**	**2.0**	**1.7**	**0.7**	**0.8**	**0.6**	**12.3**	**17.1**	**15.9**			
Pharmaceutical																													
Biocon	343	BUY	68,560	1,479	200	14.8	17.8	22.0	216.4	19.8	23.7	23.1	19.3	15.6	13.4	11.2	9.3	3.8	3.3	2.8	—	—	—	17.9	18.8	20.0	400	16.7	5.0
Cipla	308	REDUCE	246,938	5,326	803	13.7	14.0	16.6	38.1	1.9	19.2	22.4	22.0	18.5	16.1	14.8	12.5	4.2	3.6	3.1	0.7	0.8	0.8	21.1	17.6	18.2	295	(4.1)	9.0
Cadila Healthcare	612	REDUCE	125,316	2,703	205	24.7	33.2	37.7	66.9	34.2	13.7	24.8	18.5	16.2	16.2	12.4	11.0	7.7	5.8	4.5	0.8	1.1	1.2	36.0	35.8	31.3	580	(5.2)	1.5
Dishman Pharma & chemicals	184	ADD	14,990	323	81	14.4	17.8	22.8	(19.7)	23.7	28.0	12.8	10.3	8.1	9.6	7.8	6.1	1.9	1.6	1.4	—	—	—	15.5	16.8	18.3	230	24.8	0.7
Divi's Laboratories	749	REDUCE	97,822	2,110	131	26.1	34.0	44.9	(18.2)	30.4	32.1	28.7	22.0	16.7	21.3	16.3	11.7	6.4	5.3	4.3	—	—	—	24.7	26.4	28.5	800	6.8	2.6
Dr Reddy's Laboratories	1,469	REDUCE	248,919	5,368	169	48.1	66.7	70.8	48.3	38.8	6.1	30.6	22.0	20.8	16.9	12.8	11.9	6.6	5.2	4.3	0.5	0.5	0.6	22.2	26.3	22.6	1,150	(21.7)	15.1
GlaxoSmithkline Pharmaceuticals (a)	1,928	REDUCE	163,337	3,523	85	59.1	69.7	79.2	8.1	18.0	13.5	32.6	27.7	24.4	18.6	15.8	13.5	9.1	7.8	6.6	—	—	—	29.8	30.4	29.4	1,880	(2.5)	1.5
Glenmark Pharmaceuticals	288	NR	78,824	1,700	274	12.7	19.2	20.3	14.7	50.6	5.6	22.6	15.0	14.2	14.4	9.4	9.0	3.3	2.8	2.4	—	—	—	16.7	19.9	17.6	—	—	4.5
Jubilant Organosys	352	BUY	55,944	1,207	159	26.5	31.8	38.9	49.0	19.8	22.4	13.3	11.1	9.1	9.6	8.7	7.0	2.5	2.1	1.7	0.5	0.7	0.9	26.3	21.7	21.1	400	13.5	2.4
Lupin	373	ADD	164,817	3,555	442	15.4	19.8	25.5	27.9	28.7	28.7	24.2	18.8	14.6	20.7	15.0	11.9	7.1	6.7	5.9	3.5	3.9	4.2	36.6	37.2	43.6	400	7.4	7.3
Piramal Healthcare	522	REDUCE	109,178	2,355	209	22.4	13.3	9.5	29.7	(40.4)	(28.9)	23.3	39.1	55.0	16.9	7.7	6.2	6.5	1.2	1.0	1.0	1.1	0.7	30.7	140.7	16.5	490	(6.2)	26.9
Ranbaxy Laboratories	506	SELL	216,770	4,675	428	7.1	27.0	11.6	(128.4)	282.7	(57.0)	71.6	18.7	43.5	17.4	10.7	20.4	5.5	4.0	3.7	—	0.8	0.8	6.9	22.6	8.3	255	(49.6)	10.1
Sun Pharmaceuticals	1,806	REDUCE	374,038	8,067	207	65.2	90.4	87.4	(25.7)	38.6	(3.3)	27.7	20.0	20.7	21.0	14.6	14.2	4.5	3.8	3.3	0.7	0.7	0.7	17.8	21.0	17.3	1,835	1.6	6.9
Pharmaceuticals		**Attractive**	**1,965,454**	**42,389**					**45.5**	**33.7**	**3.2**	**27.2**	**20.3**	**19.7**	**17.0**	**12.6**	**12.0**	**5.2**	**3.7**	**3.2**	**0.7**	**0.9**	**0.9**	**19.0**	**18.2**	**16.1**			
Property																													
DLF	341	ADD	582,747	12,568	1,708	10.7	16.3	25.1	(60.0)	53.1	53.8	32.0	20.9	13.6	21.8	13.9	10.5	2.2	2.0	1.8	0.9	0.9	1.5	7.1	9.9	13.8	340	(0.3)	41.7
Housing Development & Infrastructure	271	ADD	104,215	2,248	385	12.4	14.2	16.7	(41.2)	14.2	17.9	21.8	19.1	16.2	10.8	12.3	8.1	1.5	1.3	1.2	1.0	1.8	1.8	10.0	9.3	9.9	318	17.4	32.7
Indiabulls Real Estate	179	RS	71,780	1,548	401	0.3	2.5	7.4	(62.7)	777.3	195.3	628.2	71.6	24.2	(27.3)	(293.3)	12.5	0.8	0.8	0.8	—	—	—	0.1	1.1	3.2	285	59.3	17.4
Mahindra Life Space Developer	458	ADD	19,374	418	42	20.1	23.6	35.8	77.8	17.6	51.5	22.8	19.4	12.8	20.1	14.4	7.1	2.0	1.9	1.7	0.8	0.8	0.8	8.9	9.7	13.4	540	17.8	0.7
Phoenix Mills	251	BUY	36,392	785	145	4.1	6.6	7.6	(16.7)	59.0	15.6	60.8	38.2	33.0	48.6	26.8	22.4	2.4	2.3	2.2	0.4	0.6	0.8	3.9	6.0	6.7	260	3.5	0.7
Puravankara Projects	123	REDUCE	26,155	564	213	6.8	8.2	8.0	0.6	20.1	(1.9)	18.0	15.0	15.3	20.2	15.3	14.9	1.8	1.7	1.6	1.6	1.6	1.6	10.5	11.6	10.5	110	(10.2)	0.5
Sobha	372	ADD	36,514	787	98	14.1	17.0	26.2	(7.1)	20.8	54.0	26.5	21.9	14.2	19.1	14.9	9.9	2.1	1.9	1.7	0.3	0.3	0.4	9.7	9.2	12.8	372	(0.1)	2.3
Unitech	86	SELL	229,569	4,951	2,666	3.0	3.8	5.1	(58.8)	25.0	34.0	28.4	22.7	16.9	27.8	20.0	13.0	2.2	1.9	1.7	—	—	1.7	9.0	8.7	10.6	74	(14.1)	46.5

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	15-Sep-10 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS (Rs) 2012E	EPS growth (%) 2010E	EPS growth (%) 2011E	EPS growth (%) 2012E	PER (X) 2010E	PER (X) 2011E	PER (X) 2012E	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	EV/EBITDA (X) 2012E	Price/BV (X) 2010E	Price/BV (X) 2011E	Price/BV (X) 2012E	Dividend yield (%) 2010E	Dividend yield (%) 2011E	Dividend yield (%) 2012E	RoE (%) 2010E	RoE (%) 2011E	RoE (%) 2012E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Retail																													
Titan Industries	3,125	ADD	138,712	2,992	44	57.3	83.4	110.2	29.3	45.6	32.2	54.6	37.5	28.3	34.7	25.3	19.3	18.8	13.4	9.6	0.5	0.4	0.4	38.7	41.8	39.4	3,000	(4.0)	9.6
Retail		**Neutral**	**138,712**	**2,992**					**29.3**	**45.6**	**32.2**	**54.6**	**37.5**	**28.3**	**34.7**	**25.3**	**19.3**	**18.8**	**13.4**	**9.6**	**0.5**	**0.4**	**0.4**	**34.5**	**35.8**	**33.8**			
Sugar																													
Bajaj Hindustan	125	SELL	23,853	514	191	4.9	9.9	8.9	52.3	101.0	(9.9)	25.3	12.6	14.0	8.5	6.1	5.8	1.0	0.9	0.9	0.6	0.6	0.6	4.2	7.9	6.5	99	(20.6)	4.6
Balrampur Chini Mills	89	ADD	22,915	494	257	4.3	10.4	7.0	(43.2)	140.4	(32.7)	20.6	8.6	12.7	9.4	5.7	6.3	1.6	1.4	1.3	0.5	0.5	0.5	8.2	17.9	10.9	93	4.2	4.4
Shree Renuka Sugars	78	BUY	52,244	1,127	670	9.9	7.7	8.1	195.3	(21.9)	4.7	7.9	10.1	9.7	4.9	5.7	4.9	1.8	1.5	1.3	0.5	0.4	0.4	22.4	17.0	14.8	76	(2.6)	11.2
Sugar		**Cautious**	**99,012**	**2,135**					**80.0**	**12.4**	**(8.4)**	**11.4**	**10.2**	**11.1**	**6.7**	**5.8**	**5.5**	**1.5**	**1.3**	**1.2**	**0.5**	**0.5**	**0.5**	**13.1**	**12.8**	**10.5**			
Technology																													
HCL Technologies	423	REDUCE	291,732	6,292	690	17.5	24.5	30.1	0.2	39.7	23.0	24.1	17.3	14.0	11.7	10.3	8.4	4.1	3.5	3.0	0.9	0.9	1.4	19.3	22.0	21.2	390	(7.8)	13.2
Hexaware Technologies	74	REDUCE	10,659	230	144	9.3	5.0	9.4	127.7	(46.3)	87.7	7.9	14.8	7.9	3.9	9.1	4.5	1.3	1.2	1.0	1.3	1.3	1.3	17.8	8.2	14.0	72	(3.0)	1.7
Infosys Technologies	3,053	BUY	1,752,336	37,792	574	108.3	124.1	150.0	5.7	14.5	20.9	28.2	24.6	20.4	20.7	17.0	13.8	7.6	6.3	5.2	0.8	1.1	1.4	30.1	28.0	28.0	3,100	1.5	56.2
Mphasis BFL	660	SELL	139,014	2,998	211	43.6	50.3	45.6	207.5	15.5	(9.3)	15.1	13.1	14.5	12.2	10.5	9.9	5.9	4.2	3.3	0.5	0.6	0.7	48.1	37.5	25.8	550	(16.6)	7.1
Mindtree	510	REDUCE	21,006	453	41	52.2	32.6	51.6	294.3	(37.5)	58.1	9.8	15.7	9.9	8.4	8.9	5.8	3.1	2.6	2.1	0.4	0.6	1.0	35.2	19.2	23.7	550	7.8	1.0
Patni Computer Systems	463	REDUCE	61,712	1,331	133	36.6	41.3	37.5	36.4	12.8	(9.1)	12.7	11.2	12.4	6.3	5.4	4.5	1.7	1.6	1.5	1.5	1.8	1.6	18.2	15.1	12.4	450	(2.9)	13.9
Polaris Software Lab	175	SELL	17,457	377	100	15.4	19.1	18.8	16.9	24.3	(1.7)	11.4	9.2	9.3	5.6	7.3	6.2	2.0	1.7	1.5	2.0	2.1	2.2	18.6	20.1	17.2	180	2.8	4.5
TCS	915	BUY	1,790,447	38,614	1,957	35.1	42.1	48.2	32.8	19.8	14.5	26.1	21.7	19.0	19.7	15.9	13.2	8.6	7.1	5.9	2.2	1.8	2.1	37.6	35.6	33.9	965	5.5	30.8
Wipro	428	ADD	1,047,296	22,587	2,447	18.9	22.3	25.7	22.1	18.1	15.6	22.7	19.2	16.6	17.2	13.9	11.4	5.3	4.4	3.6	0.8	1.0	1.3	26.5	25.0	23.7	465	8.6	12.1
Technology		**Attractive**	**5,222,898**	**112,641**					**20.4**	**16.7**	**15.4**	**24.2**	**20.7**	**18.0**	**17.4**	**14.6**	**12.1**	**6.4**	**5.3**	**4.4**	**1.3**	**1.3**	**1.6**	**26.4**	**25.5**	**24.6**			
Telecom																													
Bharti Airtel	356	REDUCE	1,352,705	29,174	3,798	23.6	20.0	20.7	5.8	(15.6)	3.9	15.1	17.8	17.2	8.5	9.1	7.5	3.2	2.7	2.3	—	—	—	24.4	16.5	14.7	305	(14.4)	45.6
IDEA	75	REDUCE	246,990	5,327	3,300	2.7	2.2	1.5	(5.8)	(19.7)	(30.8)	27.4	34.1	49.3	9.2	10.0	8.5	2.2	2.0	2.0	—	—	—	7.2	6.2	4.2	55	(26.5)	11.1
MTNL	65	SELL	40,761	879	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(4.1)	(6.2)	(7.1)	(0.4)	(0.6)	(0.8)	0.4	0.4	0.4	—	—	—	(8.5)	(6.1)	(5.7)	50	(22.7)	3.1
Reliance Communications	162	SELL	345,895	7,460	2,133	22.1	6.0	9.4	(30.2)	(72.8)	56.1	7.4	27.0	17.3	6.9	9.4	7.8	0.9	0.9	0.8	0.5	—	—	11.7	3.2	4.9	125	(22.9)	31.8
Tata Communications	336	REDUCE	95,732	2,065	285	14.0	15.2	15.7	3.2	8.2	3.5	24.0	22.2	21.4	9.7	9.0	8.5	1.3	1.3	1.3	1.9	2.2	2.5	5.2	5.5	5.5	225	(33.0)	3.1
Telecom		**Cautious**	**2,082,082**	**44,904**					**(15.9)**	**(33.1)**	**9.5**	**14.7**	**22.0**	**20.0**	**8.5**	**9.5**	**7.8**	**1.9**	**1.7**	**1.6**	**0.2**	**0.1**	**0.1**	**12.8**	**7.9**	**8.0**			
Utilities																													
Adani Power	141	ADD	307,053	6,622	2,180	0.8	4.8	19.1	NM	510.9	298.8	179.8	29.4	7.4	145.4	24.2	6.7	5.3	4.5	2.8	—	—	—	4.2	16.6	46.7	143	1.5	4.6
CESC	416	ADD	52,030	1,122	125	35.2	37.3	44.3	9.3	5.7	18.9	11.8	11.2	9.4	7.4	6.2	6.6	1.2	1.1	1.0	1.1	1.1	1.3	11.1	10.4	11.3	466	11.9	2.4
Lanco Infratech	68	BUY	163,540	3,527	2,405	2.0	3.7	5.0	35.1	87.6	34.9	34.6	18.5	13.7	20.4	8.6	8.2	4.8	3.8	3.0	—	—	—	15.8	21.2	22.7	77	13.2	6.4
NHPC	33	REDUCE	402,234	8,675	12,301	1.9	1.3	1.6	74.9	(27.5)	20.6	17.6	24.4	20.2	11.2	12.0	9.3	1.6	1.5	1.5	1.7	1.1	1.3	9.7	6.4	7.4	28	(14.4)	6.9
NTPC	207	REDUCE	1,705,987	36,793	8,245	10.8	12.5	14.7	9.6	16.2	17.4	19.2	16.5	14.1	14.6	12.8	10.7	2.7	2.4	2.2	2.0	2.3	2.7	14.5	15.4	16.6	210	1.5	8.0
Reliance Infrastructure	1,070	ADD	263,261	5,678	246	61.8	65.0	84.5	(1.5)	5.3	30.0	17.3	16.5	12.7	18.6	16.4	11.5	1.4	1.3	1.2	0.8	0.9	1.0	6.3	7.3	10.1	1,160	8.4	38.9
Reliance Power	158	SELL	377,848	8,149	2,397	2.9	3.1	5.3	179.7	9.8	70.0	55.2	50.3	29.6	(516.8)	228.1	35.6	2.6	2.5	2.3	—	—	—	4.8	5.1	8.1	135	(14.4)	18.2
Tata Power	1,269	ADD	313,159	6,754	247	60.2	69.2	88.5	20.1	15.0	27.8	21.1	18.3	14.3	13.5	12.2	10.5	2.4	2.2	1.9	0.9	1.1	1.2	12.9	12.5	14.3	1,420	11.9	10.9
Utilities		**REDUCE**	**3,585,111**	**77,319**					**23.5**	**16.2**	**38.7**	**22.7**	**19.5**	**14.1**	**17.9**	**14.9**	**10.8**	**2.4**	**2.2**	**2.0**	**1.3**	**1.4**	**1.6**	**10.6**	**11.3**	**14.1**			
Others																													
Havells India	796	SELL	47,894	1,033	60	5.3	31.6	45.0	3.7	497.9	42.6	150.7	25.2	17.7	19.9	12.3	10.1	13.2	8.7	5.9	0.3	0.3	0.3	6.6	41.6	39.7	497	(37.6)	8.7
Jaiprakash Associates	125	BUY	265,997	5,737	2,129	1.5	5.5	7.4	(27.2)	279.8	34.1	85.8	22.6	16.8	21.7	15.9	11.3	3.1	2.7	2.4	—	—	—	4.1	12.8	14.9	170	36.1	23.8
Jindal Saw	208	ADD	61,285	1,322	294	25.0	18.6	17.9	110.8	(25.4)	(4.0)	8.3	11.2	11.6	5.4	6.2	6.0	1.6	1.3	1.2	0.5	0.4	0.4	20.5	12.9	11.1	256	22.9	3.2
PSL	123	BUY	6,568	142	53	22.9	25.4	28.2	3.3	10.6	11.0	5.4	4.8	4.4	3.1	2.6	2.8	0.7	0.6	0.6	5.3	5.3	5.7	12.6	11.7	12.0	182	48.1	0.8
Sintex	369	BUY	50,394	1,087	136	24.1	28.3	33.3	0.5	17.4	17.5	15.3	13.0	11.1	12.6	8.5	7.3	2.4	2.0	1.7	0.3	0.4	0.4	15.5	15.3	15.2	380	2.9	5.1
Tata Chemicals	420	REDUCE	102,265	2,206	243	26.4	35.1	39.2	(27.1)	32.9	11.7	15.9	12.0	10.7	7.8	6.2	5.2	2.2	1.9	1.6	2.1	2.3	2.3	16.0	19.6	18.9	370	(12.0)	5.3
Welspun Corp	258	ADD	52,970	1,142	205	32.0	27.0	25.6	85.2	(15.7)	(5.4)	8.0	9.5	10.1	4.6	5.0	4.8	1.6	1.4	1.2	0.9	0.8	0.9	24.8	15.6	12.8	286	10.9	4.2
United Phosphorus	191	BUY	88,188	1,902	463	11.9	13.8	17.4	18.8	15.8	25.9	16.0	13.8	10.9	9.2	8.3	6.7	2.6	2.2	1.9	0.8	1.0	1.0	17.7	17.2	18.3	225	18.0	7.5
Others			**675,561**	**14,570**					**16.3**	**33.7**	**17.3**	**20.1**	**15.1**	**12.8**	**11.4**	**10.0**	**8.3**	**2.5**	**2.1**	**1.8**	**0.6**	**0.7**	**0.7**	**12.4**	**14.1**	**14.4**			
KS universe (b)			**48,924,236**	**1,055,141**					**15.0**	**22.0**	**21.0**	**20.8**	**17.0**	**14.1**	**12.1**	**10.1**	**8.4**	**3.1**	**2.7**	**2.3**	**1.2**	**1.3**	**1.5**	**14.8**	**15.7**	**16.6**			
KS universe (b) ex-Energy			**39,433,694**	**850,460**					**9.1**	**24.1**	**20.1**	**22.4**	**18.1**	**15.1**	**14.6**	**11.9**	**9.8**	**3.4**	**2.9**	**2.5**	**1.1**	**1.1**	**1.3**	**15.3**	**16.2**	**16.8**			
KS universe (d) ex-Energy & ex-Commodities			**34,962,038**	**754,020**					**16.3**	**19.8**	**21.4**	**23.2**	**19.4**	**16.0**	**16.3**	**13.5**	**11.0**	**3.6**	**3.1**	**2.7**	**1.1**	**1.1**	**1.4**	**15.5**	**16.1**	**17.0**			

Note:
(1) For banks we have used adjusted book values.
(2) 2010 means calendar year 2009, similarly for 2011 and 2012 for these particular companies.
(3) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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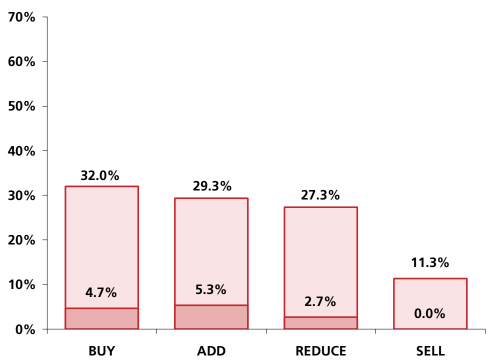

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Source: Kotak Institutional Equities

As of June 30, 2010

Ratings and other definitions/identifiers

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

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