

October 19, 2007

## India Strategy Friday Flash

BSE-30: 17,998

India

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### Kotak Institutional Equities Research

Important disclosures appear at the back of this report.

**Action-packed week.** During the past week, Sensex started on a positive note crossing the historic 19,000 level owing to (1) robust IIP growth of 10.7% for August 2007, (2) fall in headline inflation rate to 3.26% for the week ended September 29, 2007 and (3) soft stance by UPA government on Indo-US nuclear deal—leading to reduced probability of mid-term elections. However, Sensex corrected more than 1,000 points from the peak post SEBI's proposal to regulate the P-Notes investments in Indian equities. Crude surged another 4.2% closing at US\$84 per barrel.

### Market highlights for the week ending Thursday, October 18, 2007

- Largest gainers: Siemens (15%), Axis Bank (13%), Educomp Solutions (10%)
- Largest losers: ACC (-18%), Maharashtra Seamless (-17%), Monnet Ispat (-16%)

### Expected result announcement dates

Date	Companies
19-Oct	Bajaj Auto, Wipro, ICICI Bank, Ambuja Cement, Tech Mahindra, Asian Paints
22-Oct	LIC Housing Finance, HCL Technologies, India Cement, Hindustan Zinc
23-Oct	Satyam, Zee, India Infoline, Suzlon, Godrej Consumer, Nalco
24-Oct	Cipla, Castrol, Dabur, Gujarat Gas, Sun TV Network

Source: Company, Bloomberg.

### Flows in emerging markets

#### Flows in the cash markets

Date	Taiwan	Indonesia	Philippines	Thailand	India	Total
Investments in past week (US\$ mn)						
10-Oct-07	-	75	(1)	59	433	567
11-Oct-07	137	71	1	90	246	544
12-Oct-07	(288)	-	-	(15)	194	(110)
15-Oct-07	24	-	(2)	-	957	978
16-Oct-07	(134)	-	(10)	-	286	142
<b>Total</b>	<b>(261)</b>	<b>146</b>	<b>(13)</b>	<b>134</b>	<b>2,115</b>	<b>2,121</b>

# Our top recommendations

**Exhibit 1: Kotak Institutional Equities, Top 10, 18 October, 2007**

Companies	Sector	Rating	CMP	Mkt cap.	Target	EPS (Rs)			P/E (X)			EV/EBDITA (X)			Liquidity: 3mo
			(Rs)	(US\$ mn)	(Rs)	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	(Rs mn)
ICICI Bank	Banking	OP	1,039	27,122	1,200	34.6	36.8	56.8	30.0	28.2	18.3	—	—	—	3,376
Larsen & Toubro	Industrials	OP	3,150	22,668	2,725	65.1	88.0	112.4	48.4	35.8	28.0	31.3	22.5	17.4	283
ITC	Consumer Products	OP	183	17,234	225	7.2	8.3	9.6	25.4	22.0	19.1	16.1	13.7	11.6	1,274
Maruti Suzuki	Automobiles	OP	1,149	8,359	1,110	54.0	62.4	84.1	21.3	18.4	13.7	12.5	10.8	8.1	217
Bharat Heavy Electricals	Industrials	OP	2,182	26,896	2,025	49.3	66.4	84.1	44.2	32.8	26.0	24.0	18.1	14.2	2,426
Bajaj Auto	Automobiles	OP	2,461	6,269	2,750	127.2	114.5	151.9	19.3	21.5	16.2	13.4	14.4	11.3	626
NTPC	Utilities	IL	209	43,285	215	8.3	9.3	10.2	25.0	22.4	20.4	16.4	16.2	16.5	1,723
Aditya Birla Nuvo	Diversified	OP	1,662	3,903	1,660	24.2	22.9	26.6	68.5	72.6	62.5	32.1	30.0	26.9	278
Punjab National Bank	Banking	OP	487	3,868	610	48.8	55.2	63.3	10.0	8.8	7.7	0.0	0.0	0.0	421
<b>Mid Cap Basket</b>															
Andhra Bank	Banking	OP	83	1,018	120	11.1	12.4	13.0	7.5	6.7	6.4	—	—	—	148
Kalpataru Power Transmission	Transmission	OP	1,661	1,108	1,650	60.2	77.4	91.8	27.6	21.4	18.1	17.2	13.7	11.2	41
Mahindra Gesco	Property	OP	582	616	920	8.9	11.3	47.5	65.7	51.4	12.3	40.2	31.9	10.3	215
Nagarjuna Construction Co.	Construction	OP	285	1,659	300	6.5	10.3	14.0	43.7	27.5	20.3	27.8	16.3	12.7	290
PSL	Pipes	OP	389	406	420	21.2	27.6	41.1	18.4	14.1	9.5	11.5	8.7	6.1	48
<b>BSE-30</b>			<b>17,998</b>												

Source: Company, Bloomberg, Kotak Institutional Equities.

# Our model portfolio

## Exhibit 2: Kotak Institutional Equities Model Portfolio

Company	18-Oct		Weightage (%)		Diff.	Company	18-Oct		Weightage (%)		Diff.
	Price (Rs)	Rating	BSE-30	KS reco.	KS Reco.		Price (Rs)	Rating	BSE-30	KS reco.	(bps)
Tata Motors	784	—	1.6	0.0	(160)	Bharat Heavy Electricals	2,182	OP	3.0	5.0	200
Maruti Suzuki	1,149	OP	1.0	3.0	200	ABB	1,502	OP	—	1.5	150
Bajaj Auto	2,461	OP	1.5	2.5	100	Larsen & Toubro	3,150	OP	6.2	8.2	200
Mahindra & Mahindra	763	—	1.3	2.3	100	<b>Industrials</b>			<b>9.2</b>	<b>14.7</b>	<b>550</b>
<b>Automobiles</b>			<b>5.4</b>	<b>7.8</b>	<b>240</b>	Tata Steel	836	IL	4.3	2.3	(200)
State Bank of India	1,677	IL	3.7	2.2	(150)	Hindalco Industries	187	OP	1.4	1.4	—
Punjab National Bank	487	OP	—	2.0	200	Sterlite Industries	890	OP	—	1.5	150
Andhra Bank	83	OP	—	0.6	60	<b>Metals</b>			<b>5.8</b>	<b>5.3</b>	<b>(50)</b>
<b>PSU Banking</b>			<b>3.7</b>	<b>4.8</b>	<b>110</b>	Ranbaxy Laboratories	422	—	1.0	—	(96)
HDFC Bank	1,379	IL	3.2	2.7	(50)	Dr Reddy's Laboratories	613	—	0.7	—	(68)
ICICI Bank	1,039	OP	9.1	12.1	300	Cipla	183	—	0.8	—	(78)
HDFC	2,447	IL	5.4	2.9	(250)	<b>Pharmaceuticals</b>			<b>2.4</b>	<b>—</b>	<b>(243)</b>
<b>Pvt Banking/Financing</b>			<b>17.7</b>	<b>17.7</b>	<b>—</b>	Infosys Technologies	1,888	OP	8.1	5.8	(225)
Grasim Industries	3,591	IL	2.1	2.1	—	Satyam Computer Services	463	OP	2.4	1.4	(100)
ACC	1,036	U	1.1	—	(114)	TCS	1,119	IL	1.8	—	(175)
Ambuja Cements	145	IL	1.5	—	(149)	Wipro	496	OP	1.1	1.1	—
<b>Cement</b>			<b>4.7</b>	<b>2.1</b>	<b>(263)</b>	<b>Technology</b>			<b>13.3</b>	<b>8.3</b>	<b>(500)</b>
Hindustan Unilever	210	IL	2.0	—	(204)	Bharti Airtel Limited	1,019	U	5.3	3.1	(225)
ITC	183	OP	4.0	6.0	200	Reliance Communications	711	U	3.8	1.3	(250)
<b>Consumers</b>			<b>6.1</b>	<b>6.0</b>	<b>(4)</b>	<b>Telecom</b>			<b>9.1</b>	<b>4.3</b>	<b>(475)</b>
Aditya Birla Nuvo	1,662	OP	—	2.0	200	NTPC	209	IL	2.3	4.3	200
<b>Diversified</b>			<b>—</b>	<b>2.0</b>	<b>200</b>	Reliance Energy	1,591	NR	2.1	2.1	—
Reliance Industries	2,576	U	14.6	13.1	(155)	<b>Utilities</b>			<b>4.4</b>	<b>6.4</b>	<b>200</b>
Oil & Natural Gas Corporation	1,093	OP	3.5	3.5	—	Nagarjuna Construction Co.	285	OP	—	0.6	60
Reliance Petroleum	177	IL	—	1.5	150	Mahindra Gesco	582	OP	—	0.6	60
<b>Energy</b>			<b>18.1</b>	<b>18.1</b>	<b>(5)</b>	Kalpataru Power Transmission	1,661	OP	—	0.6	60
Note:						PSL	389	OP	—	0.6	60

(a) weightages are with respect to October 4, 2007 prices.

Source: BSE, Bloomberg, Kotak Institutional Equities.

# Sensex valuation summary

**Exhibit 3: Valuation summary of BSE-30 sectors, 18 October, 2007**

	Mkt-cap. (US\$ mn)	EPS growth (%)				PER (X)			EV/EBITDA (X)		Price/BV (X)		Div Yield (%)		RoE (%)	
		2006	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2007	2008E	2007	2008E	2007	2008E
Banking	79,050	13.3	14.2	23.2	29.1	30.3	24.6	19.0	—	—	5.0	3.1	0.8	0.9	16.5	12.7
Technology	80,798	28.6	44.4	21.3	22.2	26.4	21.8	17.8	19.7	15.8	8.9	6.9	1.0	1.4	33.5	31.8
Consumers	28,848	21.2	19.4	15.2	14.3	27.0	23.5	20.5	18.4	14.9	8.4	7.4	2.3	2.5	31.3	31.8
Pharmaceuticals	10,070	(15.1)	136.7	(17.3)	20.2	17.6	21.3	17.7	12.8	14.3	3.7	3.3	1.5	1.5	21.2	15.6
Metals	24,253	6.3	33.1	(3.3)	(11.6)	13.9	14.4	16.2	8.9	8.7	3.3	2.0	1.2	1.3	23.5	13.7
Automobiles	27,551	26.3	28.9	8.9	25.0	19.6	18.0	14.4	10.4	9.3	4.6	3.8	1.3	1.3	23.3	21.3
Energy	153,137	16.9	19.9	18.1	17.0	20.7	17.5	15.0	10.3	9.0	3.8	3.3	1.3	1.4	18.4	19.0
Industrials	49,564	57.2	56.3	35.8	28.0	46.4	34.1	26.7	27.0	20.0	12.3	9.4	0.4	0.5	26.4	27.4
Cement	18,755	27.7	89.5	21.7	8.0	17.2	14.1	13.1	10.0	7.8	4.6	3.5	1.1	1.4	26.5	25.1
Telecom	85,331	(107.4)	182.9	63.9	33.8	46.7	28.5	21.3	24.9	16.1	9.8	7.4	0.0	0.2	20.9	26.0
Utilities	52,409	17.0	16.1	11.4	9.1	27.3	24.5	22.5	14.5	14.8	3.5	3.3	1.3	1.6	12.9	13.3
<b>BSE-30</b>	<b>609,767</b>	<b>20.4</b>	<b>34.5</b>	<b>19.9</b>	<b>19.0</b>	<b>25.7</b>	<b>21.4</b>	<b>18.0</b>	<b>14.1</b>	<b>12.0</b>	<b>5.2</b>	<b>4.1</b>	<b>1.0</b>	<b>1.2</b>	<b>20.4</b>	<b>19.3</b>
<b>BSE-30 ex-Energy</b>	<b>456,629</b>	<b>22.4</b>	<b>42.3</b>	<b>20.7</b>	<b>19.9</b>	<b>27.9</b>	<b>23.1</b>	<b>19.3</b>	<b>16.6</b>	<b>13.8</b>	<b>6.0</b>	<b>4.5</b>	<b>0.9</b>	<b>1.1</b>	<b>21.5</b>	<b>19.4</b>
<b>BSE-30 ex-Energy, Com.</b>	<b>413,621</b>	<b>24.7</b>	<b>40.7</b>	<b>23.8</b>	<b>24.0</b>	<b>30.6</b>	<b>24.7</b>	<b>19.9</b>	<b>18.6</b>	<b>15.1</b>	<b>6.4</b>	<b>4.9</b>	<b>0.8</b>	<b>1.0</b>	<b>20.9</b>	<b>19.9</b>

Source: Company reports, Kotak Institutional Equities estimates.

# Nifty valuation summary

Exhibit 4: Valuation summary of Nifty sectors, 18 October, 2007

	Mkt cap. (US\$ mn)	EPS Growth (%)				PER (X)			EV/EBITDA (X)			Price/BV (X)		Div Yield (%)		RoE (%)	
		2006	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2007E	2008E	2007E	2008E
Banking	82,907	11.6	13.2	21.9	27.3	27.7	22.7	17.8	—	—	—	4.6	2.9	0.9	0.9	16.6	13.0
Technology	86,122	28.3	46.8	19.4	22.0	25.5	21.3	17.5	18.8	15.3	12.1	8.2	6.5	1.1	1.5	32.2	30.6
Consumers	28,845	21.2	19.4	15.2	14.3	27.0	23.5	20.5	18.4	14.9	12.7	8.4	7.4	2.3	2.5	31.3	31.8
Metals	35,224	20.7	65.6	(9.6)	(5.0)	10.0	11.1	11.7	5.9	5.9	6.1	2.9	1.7	1.1	1.2	28.7	15.5
Automobiles	31,191	25.1	21.5	7.8	22.8	19.2	17.9	14.5	10.2	9.3	7.4	4.7	3.9	1.4	1.5	24.2	21.9
Energy	186,838	8.8	27.0	13.9	23.2	21.4	18.7	15.2	10.7	9.8	7.8	3.6	3.2	1.4	1.4	16.7	16.9
Industrials	76,302	64.0	46.7	40.2	32.1	51.9	37.1	28.1	30.7	22.1	16.6	13.9	10.5	0.4	0.5	26.7	28.4
Cement	18,752	27.7	89.5	21.7	8.0	17.2	14.1	13.1	10.0	7.8	7.1	4.6	3.5	1.1	1.4	26.5	25.1
Telecom	91,473	(53.9)	133.2	58.6	31.7	44.4	28.0	21.2	23.1	15.2	11.7	6.9	5.7	0.2	0.3	15.6	20.2
Utilities	15,450	39.1	(2.8)	23.5	17.3	48.9	39.6	33.8	25.7	23.8	22.8	3.9	3.5	0.4	0.7	7.9	8.8
Media	3,292	(34.6)	11.2	53.7	40.8	55.1	35.9	25.5	41.5	20.5	15.0	5.0	4.6	0.5	0.6	9.1	12.7
<b>NIFTY</b>	<b>673,956</b>	<b>18.4</b>	<b>39.5</b>	<b>16.8</b>	<b>21.1</b>	<b>24.8</b>	<b>21.2</b>	<b>17.5</b>	<b>13.7</b>	<b>11.8</b>	<b>9.8</b>	<b>5.0</b>	<b>3.9</b>	<b>1.0</b>	<b>1.1</b>	<b>20.2</b>	<b>18.6</b>
<b>NIFTY ex-Energy</b>	<b>487,118</b>	<b>24.4</b>	<b>46.3</b>	<b>18.1</b>	<b>20.1</b>	<b>26.4</b>	<b>22.4</b>	<b>18.6</b>	<b>15.7</b>	<b>13.1</b>	<b>11.0</b>	<b>5.9</b>	<b>4.4</b>	<b>0.9</b>	<b>1.0</b>	<b>22.5</b>	<b>19.5</b>
<b>NIFTY ex-Energy ex Com</b>	<b>451,894</b>	<b>25.2</b>	<b>42.4</b>	<b>24.7</b>	<b>24.4</b>	<b>30.3</b>	<b>24.3</b>	<b>19.5</b>	<b>19.0</b>	<b>14.9</b>	<b>12.0</b>	<b>6.5</b>	<b>4.9</b>	<b>0.8</b>	<b>1.0</b>	<b>21.4</b>	<b>20.3</b>

Note:

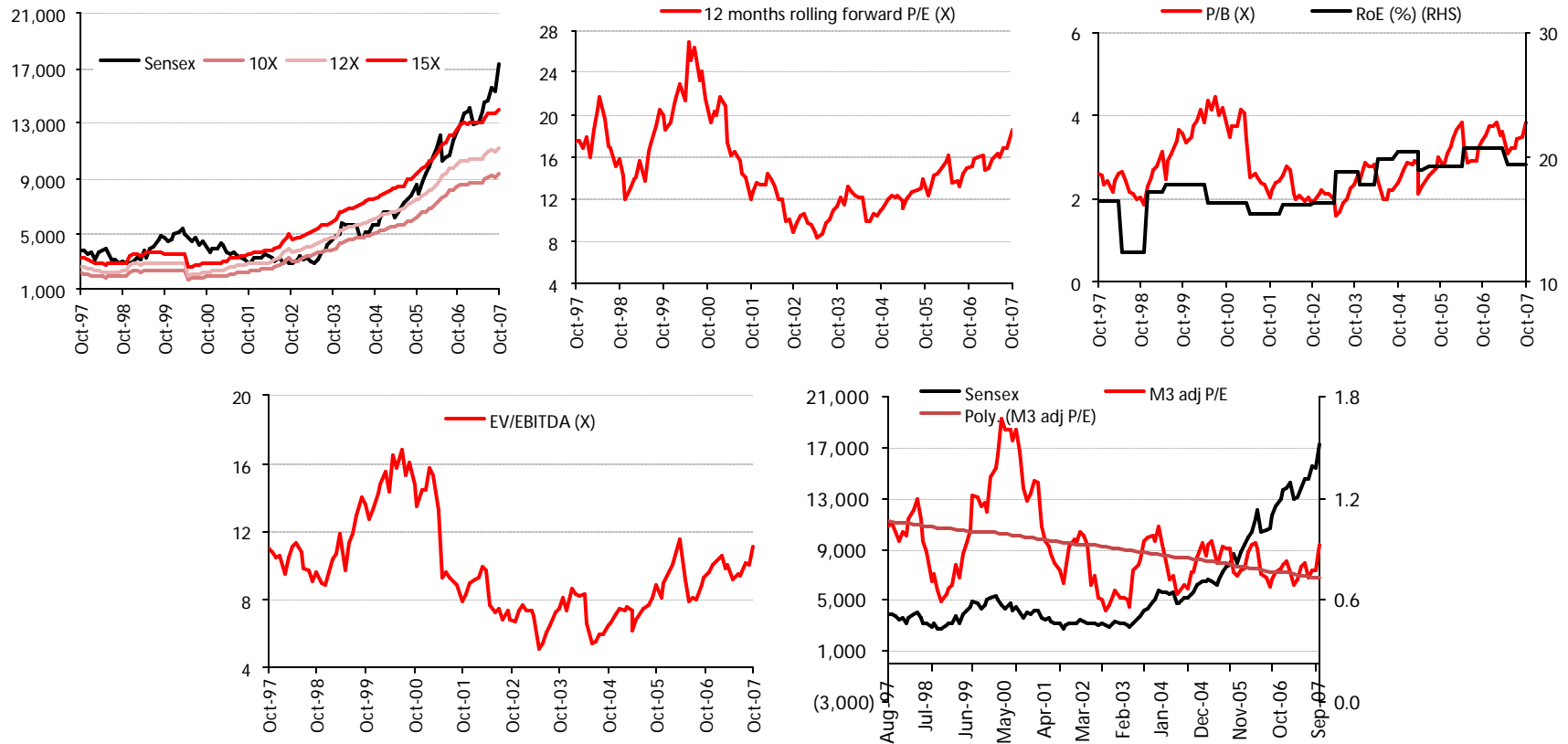
(a) Following companies are excluded: SAIL, Dabur and IPCL

Source: Company reports, Kotak Institutional Equities estimates.

# BSE-Sensex key parameters

## Exhibit 5: Key fundamental indicators of BSE Sensex

Sensex (BSE-30) P/B, EV/EBITDA and 12-month forward rolling P/E, April 1997 - current



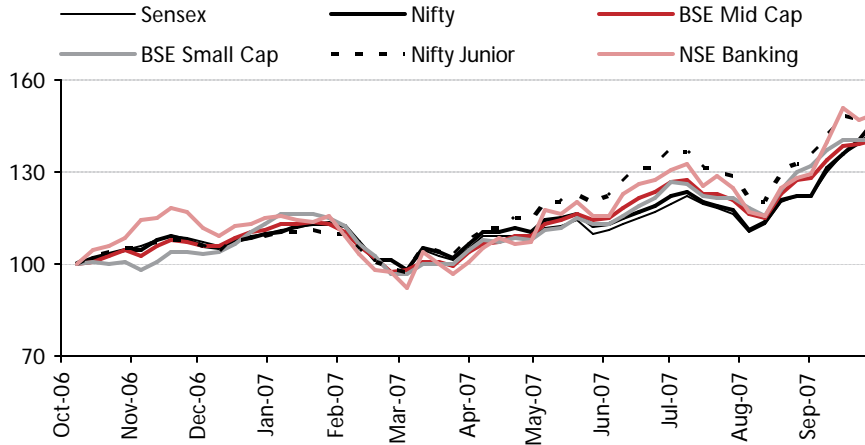
Source: Bloomberg, Company reports, Kotak Institutional Equities.

## Market performance

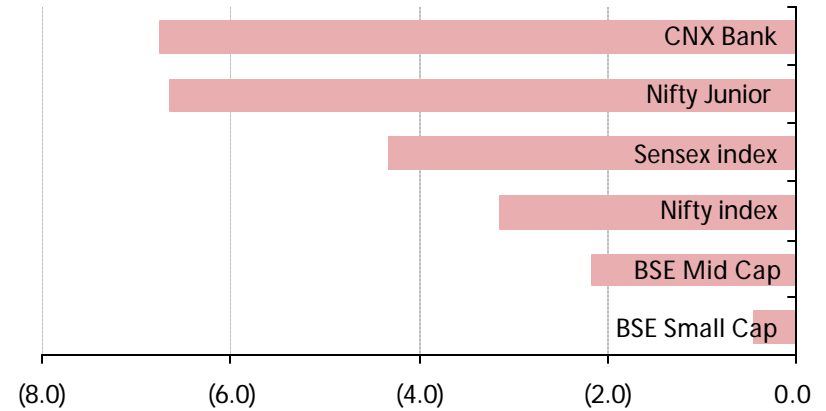
- Performance of benchmark indices
- Performance of global indices
- Pricing performance of Sensex sectors
- Top gainers and losers (Stocks under Kotak coverage)
- Price-to-Earnings ratio analysis
- EV-to-EBITDA ratio analysis
- Volume momentum analysis

# Relative performance of Indian markets

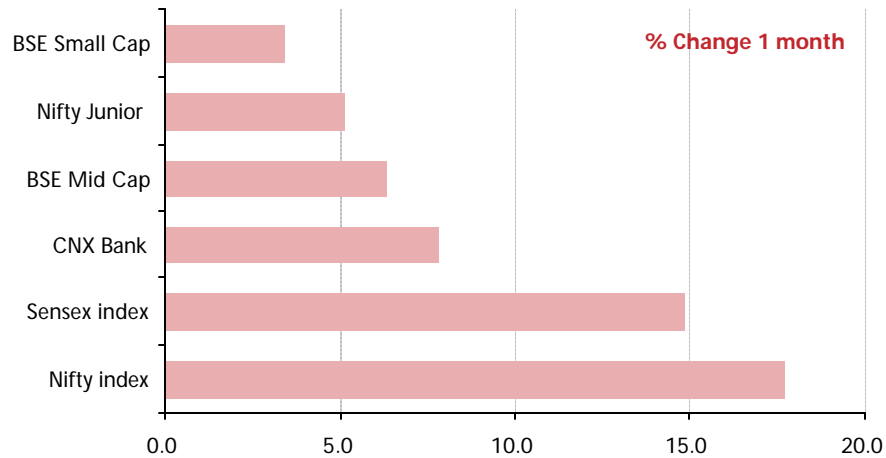
**Exhibit 6: Key performance of benchmark indices**  
(base 100 as of October 15, 2006)



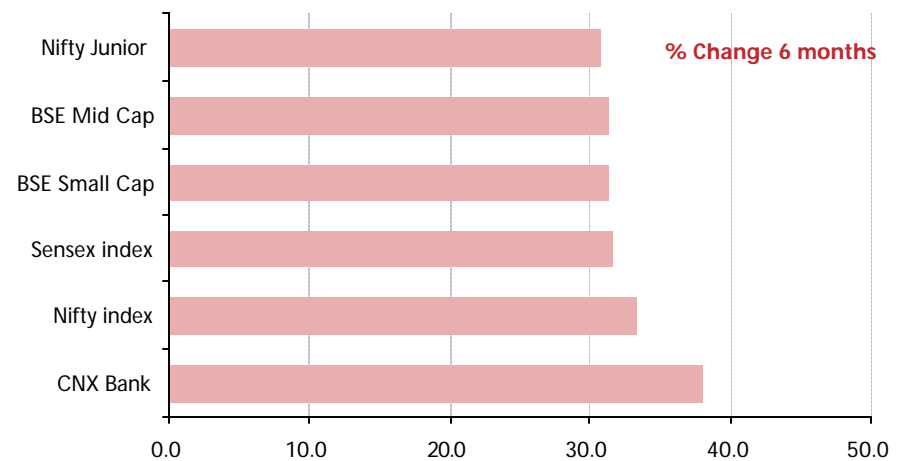
**Exhibit 7: Weekly performance of the benchmark indices**



**Exhibit 8: 1-month performance of the benchmark indices**



**Exhibit 9: 6-month performance of the benchmark indices**



Source: Bloomberg, Kotak Institutional Equities.



# BSE-Sensex versus regional indices

Exhibit 10: Weekly performance

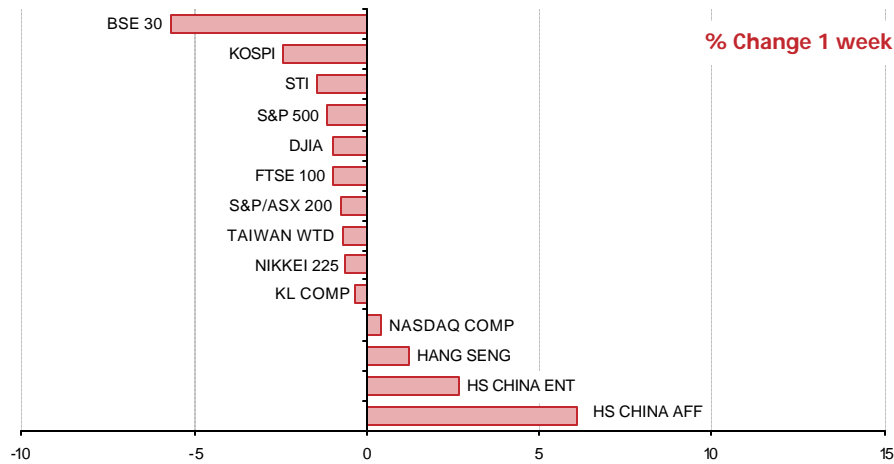


Exhibit 11: 3-month performance

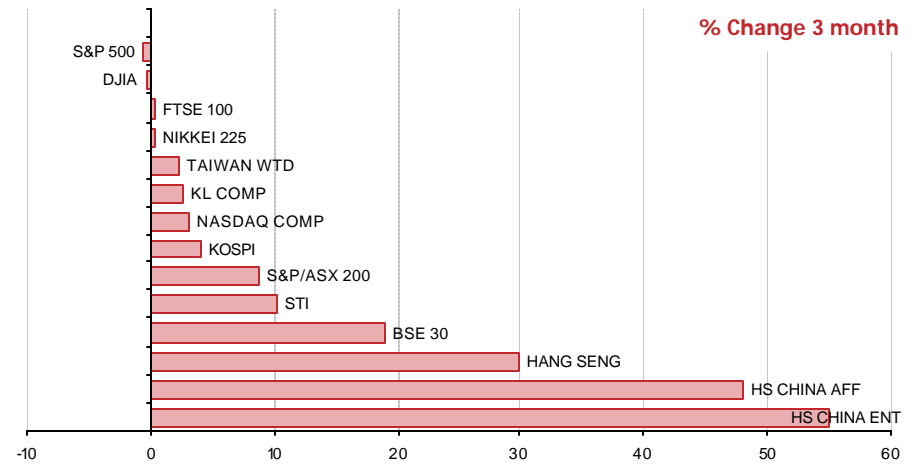
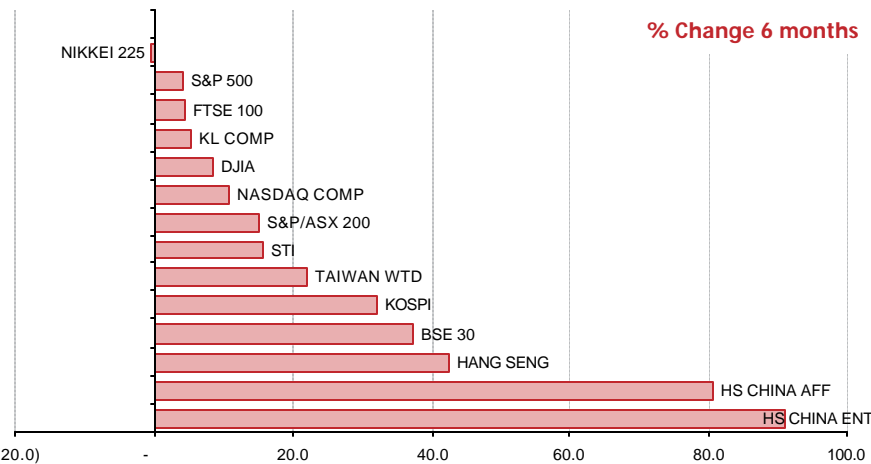


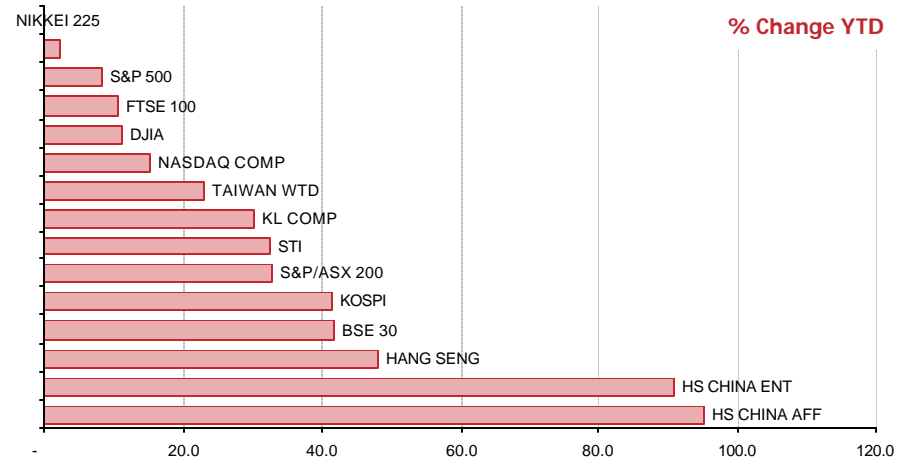
Exhibit 12: 6-month performance



note.

(a) Returns are adjusted for the currency changes

Exhibit 13: Year-to-date performance



Source: Bloomberg, BSE, Kotak Institutional Equities.

Kotak Institutional Equities Research, October 19, 2007

# Sectoral performance

Exhibit 14: Market performance of Sensex sectors, 18 October, 2007

	Mkt cap	Change, %						Relative Change, %			
	(US\$ m)	1-Day	1-mo	3-mo	6-mo	1-Year	CYTD	1-Day	1-mo	6-mo	1-Year
Banking	79,050	(5.8)	8.2	11.3	38.2	50.5	30.0	(1.9)	(5.8)	5.0	7.5
Technology	80,798	1.4	9.1	(3.2)	(10.2)	(5.1)	(12.8)	5.1	(5.0)	(31.8)	(32.2)
Consumers	28,848	(0.3)	0.0	13.1	9.5	(7.6)	0.9	3.4	(12.9)	(16.8)	(34.0)
Pharmaceuticals	10,070	1.0	2.6	0.2	(6.0)	(17.0)	(15.7)	4.7	(10.6)	(28.6)	(40.7)
Metals	24,253	(4.2)	18.5	16.4	53.0	41.2	50.0	(0.4)	3.1	16.3	0.8
Automobiles	27,551	(2.2)	14.0	12.1	14.2	(1.0)	(3.2)	1.6	(0.7)	(13.3)	(29.3)
Energy	153,137	(3.9)	26.4	33.6	48.5	78.1	64.1	(0.0)	10.1	12.8	27.2
Industrials	49,564	(4.4)	17.3	34.4	79.1	103.3	101.9	(0.5)	2.1	36.0	45.3
Cement	18,755	(6.0)	1.7	8.0	37.9	23.0	10.4	(2.1)	(11.5)	4.8	(12.1)
Telecom	85,286	(5.9)	26.5	19.5	39.4	98.2	57.1	(2.0)	10.2	5.9	41.6
Utilities	52,409	(6.3)	19.8	44.6	43.4	80.6	67.5	(2.4)	4.3	8.9	29.0
<b>Sensex sum</b>	<b>609,722</b>	<b>(3.8)</b>	<b>14.9</b>	<b>17.6</b>	<b>31.6</b>	<b>40.0</b>	<b>30.5</b>				

Source: Kotak Institutional Equities.

# Top gainers and losers

Exhibit 15: Top gainers and losers (stocks in Kotak Institutional Equities universe)

## 1-week performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Siemens	15.3	1 ACC	(17.8)
2 Axis Bank	12.7	2 Maharashtra Seamless	(17.4)
3 Educomp Solutions	10.7	3 Monnet Ispat	(16.3)
4 GE Shipping	9.0	4 State Bank of India	(13.7)
5 Sterlite Industries	8.3	5 Zee Entertainment Enterprises	(13.4)
6 Hindalco Industries	6.3	6 Man Industries	(13.4)
7 Sesa Goa	5.7	7 Bank of Baroda	(12.5)
8 ABB	5.4	8 Hindustan Petroleum	(12.0)
9 Hindustan Zinc	4.7	9 Indian Bank	(11.2)
10 TCS	4.4	10 IDFC	(11.2)

## CYTD performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Educomp Solutions	245.9	1 Vardhman	(48.3)
2 Welspun Gujarat Stahl Rohrer	222.9	2 Rico Auto	(45.8)
3 Jindal Steel and power	214.4	3 Hexaware Technologies	(43.6)
4 Reliance Energy	206.2	4 TVS Motor Co	(33.7)
5 India Infoline	190.7	5 Mahindra Gesco	(33.6)
6 Reliance Petroleum	181.1	6 Polaris Software Lab	(33.4)
7 GVK Power	132.1	7 Hotel Leela	(29.7)
8 SREI	127.9	8 Cipla	(27.2)
9 ABG Shipyard	125.7	9 Dr Reddy's Laboratories	(24.5)

## 1- month performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Reliance Energy	71.7	1 Maharashtra Seamless	(20.6)
2 iGate Global Solutions	60.1	2 TVS Motor Co	(17.3)
3 Jindal Steel and power	53.0	3 Container Corporation	(14.8)
4 Tata Power	44.2	4 Indian Bank	(13.9)
5 Sesa Goa	39.5	5 Torrent Pharma	(12.3)
6 Sterlite Industries	37.0	6 DishTV	(11.7)
7 Reliance Petroleum	34.9	7 Hexaware Technologies	(11.6)
8 Reliance Communications	32.4	8 Aventis Pharma	(11.5)
9 Maruti Suzuki	31.2	9 i-flex solutions	(11.5)
10 Nagarjuna Construction Co.	30.4	10 Mindtree	(11.0)

## 1-year performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Educomp Solutions	405.8	1 Rico Auto	(58.0)
2 India Infoline	342.1	2 TVS Motor Co	(52.7)
3 Jindal Steel and power	308.6	3 Vardhman	(50.7)
4 Welspun Gujarat Stahl Rohrer	300.3	4 Hexaware Technologies	(35.2)
6 Reliance Energy	245.3	5 Novartis India	(31.2)
7 Divi's Laboratories	187.1	6 Cipla	(30.3)
8 GMR Infrastructure	179.1	7 Hotel Leela	(29.8)
9 Reliance Petroleum	170.8	8 Aventis Pharma	(29.1)
10 Sesa Goa	169.4	9 Mahindra Gesco	(28.0)
11 JSW Steel	169.3	10 Godrej Consumer Products	(27.8)

Source: Kotak Institutional Equities.

## Fundamental & technical indicators

- **Price-to-Earnings ratio analysis**
- **EV-EBTDA ratio analysis**
- **Volume momentum analysis**

# Price-to-Earnings ratio analysis

**Exhibit 16 and 17: Companies trading at a premiums/discounts to the sector based on comparable companies covered by Kotak Institutional Equities**

Premium to 1 year rolling forward P/E (%)	
Company	Premium to sector
HDFC	190.2
Divi's Laboratories	188.4
Reliance Energy	187.4
Aditya Birla Nuvo	179.1
Jet Airways	172.8
ABB	165.9
i-flex solutions	164.4

Discount to 1 year rolling forward P/E (%)	
Company	Discount to sector
Monnet Ispat	79.5
Dredging Corporation	69.1
Maharashtra Seamless	63.3
Andhra Bank	60.9
Canara Bank	56.5
Bank of Baroda	53.9
Punjab National Bank	51.5

**Exhibit 19: Companies trading at lowest P/E in the Kotak universe**

Lowest 1 year rolling forward P/E (X)	
Company	Lowest P/E
LIC Housing Finance	5.8
Andhra Bank	6.6
Hindustan Petroleum	7.0
Canara Bank	7.3
Bank of Baroda	7.7
Punjab National Bank	8.1
Hindustan Zinc	8.5
Corporation Bank	8.6
Indian Oil Corporation	8.6
Ipca Laboratories	9.1
Oriental Bank of Commerce	9.1

**Exhibit 20: Companies trading at highest P/E in the Kotak universe**

Highest 1 year forward P/E (X)	
Company	Highest P/E
Aditya Birla Nuvo	66.4
ABB	48.0
GVKPIL	45.6
Reliance Energy	44.4
Siemens	41.3
Divi's Laboratories	34.4
i-flex solutions	30.6
Larsen & Toubro	30.5
Zee Entertainment Enterprises	28.9
Bharat Heavy Electricals	28.4
Tata Power	28.2

**Exhibit 18: Companies trading at all-time high historical P/Es, indicating re-rating of the multiples by market**

Company	% discount to historical high
ABB	0.0
Bharat Heavy Electricals	0.0
CESC	0.0
GAIL (India)	0.0
GE Shipping	0.0
Grasim Industries	0.0
HDFC	0.0
Larsen & Toubro	0.0
NTPC	0.0
Reliance Energy	0.0
Reliance Industries	0.0
Tata Power	0.0
Axis Bank	0.0
IDFC	0.0
Sintex	0.0
Monnet Ispat	0.0
Shriram Transport	0.0

Note:

(a) Historical figures are generated since May 2000.

Source: Bloomberg, Kotak Institutional Equities

# Enterprise Value-to-EBITDA ratio analysis

**Exhibit 21 and 22: Companies trading at a premium to the sector based on comparable companies covered by Kotak Institutional Equities. Analysis done on 1- year forward EV -EBITDA**

**Trading at premium to the sectors**  
**Premium to 1 year rolling forward EV/EBITDA (%)**

Company	Sector premium
Gateway Distriparks	176.1
Petronet LNG	175.3
GAIL (India)	161.9
ABB	158.3
Castrol India	158.3

**Trading at discount to sectors**  
**Discount to 1 year rolling forward EV/EBITDA (%)**

Company	Sector discount
Dredging Corporation	29.1
Polaris Software Lab	41.9
Hexaware Technologies	43.1
Bharat Electronics	45.9
Abbott India	47.9

**Exhibit 23: Companies trading at highest EV/EBITDA amongst the Kotak coverage list**

**Highest 1 year rolling forward EV/EBITDA (X)**

Company	Highest EV/EBITDA
Reliance Energy	44.0
ABB	28.6
Aditya Birla Nuvo	27.9
Divi's Laboratories	26.3
Siemens	24.2
i-flex solutions	21.9
Larsen & Toubro	21.8

**Exhibit 24: Companies trading at lowest EV/EBITDA amongst the Kotak coverage list**

**Lowest 1 year rolling forward EV/EBITDA (X)**

Company	Lowest EV/EBITDA
Bharat Petroleum	4.4
Indian Oil Corporation	4.7
Oil & Natural Gas Corporation	4.7
Lakshmi	4.8
Vardhman	4.9
Dredging Corporation	5.2
Monnet Ispat	5.2
Aventis Pharma	6.1

Source: Bloomberg, Kotak Institutional Equities

# Technical indicators

## Exhibit 25: Volume momentum analysis

### Volume Positive Momentum (5-day volume v/s 30-day volume)

Company	5-day average volumes	Increase (%)	Price Change (1month basis %)
Ipca Laboratories	313,986	401	(10.7)
Tata Power	1,318,029	189	44.2
Bharat Forge	617,438	168	4.5
Dr Reddy's Laboratories	219,893	159	(4.5)
Siemens	158,208	146	28.5
Lupin	132,871	145	16.4
VSNL	292,923	134	25.3

### Volume Negative Momentum (5-day volume v/s 30-day volume)

Company	5-day average volumes	% decrease	% Price Change (1month basis)
Torrent Pharma	35,003	(76)	(12.3)
Sintex	393,639	(69)	25.3
Welspun India	39,253	(66)	0.0
Hexaware Technologies	103,825	(65)	(11.6)
TVS Motor Co	178,461	(65)	(17.3)
Jet Airways	21,955	(63)	1.7
Shree Cement	1,674	(60)	10.0

Date	Sensex	Avg daily value traded	Institutional participation in total turnover		Sensex Put-Call delivery	Put-Call (X)
		(US\$ mn)	FII%	MF%	(%)	
Apr-07	13,872	2,776	18.0	4.7	49.2	1.12
May-07	14,544	3,420	16.3	4.5	49.8	1.38
Jun-07	14,651	3,327	17.6	3.9	49.9	1.44
Jul-07	15,551	4,309	18.6	4.4	49.8	1.38
Aug-07	15,318	3,742	18.6	4.3	45.2	1.32
Sep-07	17,291	4,703	16.0	4.2	48.0	1.23
<b>Oct-07</b>	<b>17,998</b>	<b>6,699</b>	<b>15.2</b>	<b>3.2</b>	<b>48.0</b>	<b>1.32</b>

Source: Bloomberg, Kotak Institutional Equities.

## Earnings momentum

**Top upgrades and downgrades in 2008 estimates in the past month**

- **Top changes in target prices in the past month**
- **Top changes in ratings in the past month**



# Top upgrades/downgrades

## Exhibit 26: Kotak Institutional Equities earning upgrades/downgrades in the past 1 month

### FY2008 earnings upgrades (KIE) (1 month)

	Company	% Change
1	Cairn India	124.2
2	GSPL	15.4
3	CESC	11.3
4	PFC	10.9
5	Reliance Industries	8.4
6	Axis Bank	7.8
7	Nagarjuna Construction Co.	7.6
8	iGate Global Solutions	6.8

### FY2008 earnings downgrades (KIE) (1 month)

	Company	% Change
1	Sobha	(14.9)
2	Aditya Birla Nuvo	(8.5)
3	Zee Entertainment Enterprises	(3.8)
4	Punj	(3.7)
5	Container Corporation	(2.4)
6	HT Media	(2.1)
5	ICICI Bank	(1.5)
6	Infosys Technologies	(0.4)

Source: Kotak Institutional Equities, Bloomberg.

# Changes in our target prices

## Exhibit 28: Changes in target prices in the past 1 month

### Upgrades in target prices (1 month)

	Company	% Change	New	Old
1	Axis Bank	49.1	850	570
2	Sesa Goa	46.2	2,850	1,950
3	Nagarjuna Construction Co.	35.7	300	221
4	Welspun Gujarat Stahl Rohre	35.7	285	210
5	NTPC	26.5	215	170
6	Punj	23.0	375	305
7	IDFC	20.8	145	120
8	ICICI Bank	20.0	1,200	1,000
9	PFC	20.0	150	125
10	HT Media	9.1	240	220
11	Zee Entertainment Enterpris	8.7	250	230
12	GAIL (India)	8.6	380	350
13	Indian Bank	7.4	145	135
14	HDFC Bank	4.0	1,300	1,250
15	Cairn India	3.6	145	140

### Downgrades in target prices (1 month)

	Company	% Change	New	Old
1	Polaris Software Lab	(15.4)	110	130
2	Hexaware Technologies	(15.2)	140	165
3	Patni Computer Systems	(15.1)	450	530
4	Container Corporation	(9.3)	2,200	2,425
5	HCL Technologies	(8.3)	330	360
6	TCS	(5.8)	1,225	1,300
7	Infosys Technologies	(2.2)	2,200	2,250

Source:Kotak Institutional Equities.

# Changes in our ratings

**Exhibit 29: Changes in ratings in the past 1 month**

Company name		Rating	
		Current	Previous
DLF	Downgraded	IL	OP
Reliance Petroleum	Downgraded	IL	OP
Sobha	Downgraded	IL	OP
Punj	Upgraded	OP	IL
Sesa Goa	Upgraded	OP	IL
HT Media	Upgraded	OP	IL
Axis Bank	Upgraded	IL	U
Patni Computer Systems	Downgraded	IL	OP

Source: Kotak Institutional Equities.

## Flows

- **Trend in equity flows**
- **FII flows in other emerging markets**
- **IPO analysis**
- **Delivery position analysis**
- **Bulk deals of the week**

# Trend in equity flows

**Exhibit 31: Net investments by mutual funds and FIs in the cash market (US\$ mn)**

	FII	MF
CY 1999	1,537	0
CY 2000	1,462	(150)
CY 2001	2,807	(1,110)
CY 2002	751	(685)
CY 2003	6,658	118
CY2004	8,382	(217)
CY 2005	10,776	2,873
CY 2006	8,632	3,585
<b>CY 2007</b>	<b>17,909</b>	<b>(119)</b>
Jan	40	(298)
Feb	1,249	(61)
March	317	(365)
April	1,257	217
May	1,085	401
June	1,759	100
July	4,530	(218)
August	(1,861)	1,037
September	4,645	(187)
October	4,890	(745)

Source: Bloomberg, Kotak Institutional Equities

**Exhibit 32: Net foreign flows in the Derivatives market (US\$ mn)**

	Index Futures	Index Options	Stock Futures	Stock Options
<b>CY2004</b>	(91)	608	(796)	4
<b>CY2005</b>	(676)	2,199	(668)	(42)
<b>CY 2006</b>	345	3,950	(3,690)	(83)
<b>CY2007</b>	839	9,857	(7,106)	(136)
Jan	13	960	(632)	(27)
Feb	(937)	682	(313)	0
Mar	1,132	630	467	(8)
Apr	264	810	(111)	(15)
May	320	516	(1,246)	(10)
June	(1,025)	980	(568)	(16)
July	(821)	1,860	(1,649)	(4)
August	1,037	1,235	(303)	(15)
September	2,122	1,607	(1,291)	(1)
October	(1,266)	577	(1,459)	(41)

**Exhibit 33: Net investments by all domestic institutions (MFs, FIs, Banks and Insurance) (US\$ mn)**

Date	Amount	Date	Amount
Apr-07	208	16-Oct	(3)
May-07	753	15-Oct	(72)
Jun-07	1,120	12-Oct	(227)
Jul-07	(145)	11-Oct	(108)
Aug-07	2,230	10-Oct	(179)
Sep-07	(1,221)	<b>Total</b>	<b>(588)</b>
Oct-07	(1,204)		
<b>Total</b>	<b>1,740</b>		

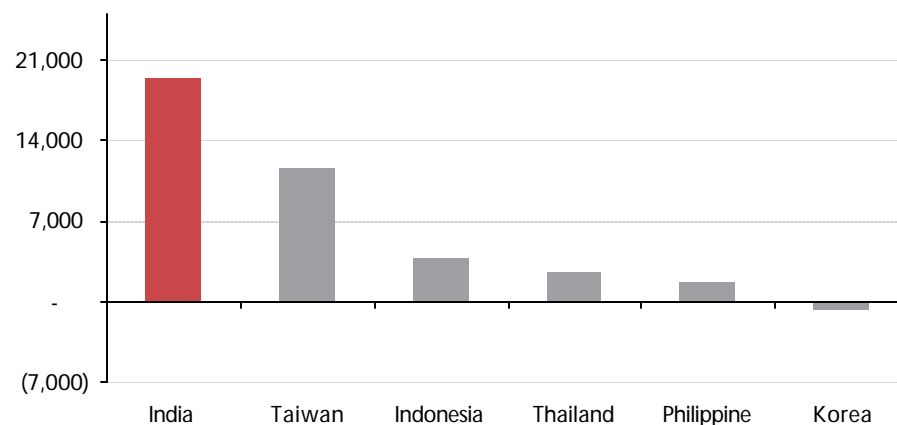
# FII flows in other emerging markets

## FII flows in the various countries (US\$ mn)

Flows in the cash markets

Date	Taiwan	Indonesia	Philippine	Thailand	India
17-Sep-07	(247)	12	(11)	(34)	(66)
18-Sep-07	-	20	0	(27)	(34)
19-Sep-07	779	81	3	6	609
20-Sep-07	383	33	(1)	44	399
21-Sep-07	(64)	14	(3)	51	226
24-Sep-07	-	30	(10)	67	315
25-Sep-07	-	(9)	(8)	3	380
26-Sep-07	83	19	(12)	(20)	246
27-Sep-07	451	24	(4)	30	596
28-Sep-07	312	25	13	30	856
1-Oct-07	18	25	(10)	30	538
3-Oct-07	548	38	17	9	775
4-Oct-07	(97)	28	46	(29)	141
8-Oct-07	283	53	12	37	838
9-Oct-07	(34)	31	3	51	484
10-Oct-07	-	75	(1)	59	433
11-Oct-07	137	71	1	90	246
12-Oct-07	(288)	-	-	(15)	194
15-Oct-07	24	-	(2)	-	957
16-Oct-07	(134)	-	(10)	-	286
<b>Total</b>	<b>2,154</b>	<b>569</b>	<b>21</b>	<b>383</b>	<b>8,417</b>

## Net investments by FIIs in the cash market (US\$ mn) over last 1 year



Source: Bloomberg.

# IPO analysis

**Exhibit 33: Market performance since IPO/ Follow on offering**

Name	Offer Shares	Price (Rs)	Value (Rs mn)	Date of Listing	Price		Performance (%)	
					Day 1	Latest	Day 1	Since Listing
Koutons Retail	35	415	1,462	12-Oct-07	590	33	42	(92)
Magnum Ventures	176	30	529	20-Sep-07	49	27	62	(10)
Indowind Energy	125	65	813	14-Sep-07	115	193	76	197
Motilal Oswal Financial	30	825	2,461	11-Sep-07	977	1,174	18	42
Puravankara Projects	215	400	8,587	30-Aug-07	362	458	(10)	15
KPR Mill	59	225	1,330	28-Aug-07	174	127	(23)	(44)
TakeSolutions	21	730	1,533	27-Aug-07	926	1,195	27	64
Central Bank of India	800	102	8,160	21-Aug-07	115	124	13	21
SEL manufacturing	41	90	372	21-Aug-07	142	89	58	(1)
Refex Refrigerants	38	65	247	20-Aug-07	62	69	(5)	6
Zylog Systems	36	350	1,260	17-Aug-07	431	354	23	1
IVR Prime	142	550	7,783	16-Aug-07	418	412	(24)	(25)
OMAXE Ltd	178	310	5,517	09-Aug-07	349	310	13	(0)
Alpa Laboratories	95	68	646	06-Aug-07	55	41	(19)	(40)
Simplex projects	30	185	555	03-Aug-07	272	284	47	53
Everonn Systems	36	140	500	01-Aug-07	478	590	241	322
Allied Digital	45	190	859	25-Jul-07	331	381	74	100
Housing Development & Infra	297	500	14,850	24-Jul-07	558	672	12	34
Soice Communications	1,131	46	5,203	18-Jul-07	61	52	32	13
Roman Tarmat	29	175	508	09-Jul-07	319	167	82	(4)
DLF	1,750	525	91,875	05-Jul-07	570	844	9	61
Vishal Retail	40	270	1,082	04-Jul-07	752	731	179	171
Nitin Fire Protection	34	190	644	05-Jun-07	484	378	155	99
Insecticides Ind	32	115	369	30-May-07	110	58	(5)	(50)
MIC Electronics	51	150	765	30-May-07	336	491	124	227
Binani Cements	205	75	1,538	28-May-07	69	114	(8)	51
Hilton Metal Forging	55	70	382	24-May-07	68	35	(3)	(50)
Bhagwati Hotels	230	40	920	17-May-07	51	45	27	13
Fortis Healthcare	460	108	4,968	09-May-07	100	77	(7)	(29)
Advanta IndiaLtd	34	640	2,163	19-Apr-07	850	1,149	33	80
ICRA Ltd	26	330	852	13-Apr-07	798	903	142	174
Orbit Corp Ltd	91	110	1,001	12-Apr-07	128	587	16	434
Gremach Infrastructure	69	86	590	11-Apr-07	84	263	(2)	206
Astral Polytechn	30	115	342	20-Mar-07	105	129	(9)	12
Abhishek Mills L	41	100	410	19-Mar-07	91	43	(9)	(57)
AMD Metplast Ltd	102	75	763	19-Mar-07	78	41	4	(45)
Jagjanani Textil	81	25	203	19-Mar-07	23	10	(7)	(62)
Lawreshwar Polym	87	16	139	19-Mar-07	14	9	(13)	(47)
Page Industries	28	360	1,009	16-Mar-07	282	436	(22)	21
Raj Television N	36	257	917	16-Mar-07	226	212	(12)	(18)
Euro Ceramics	56	165	928	09-Mar-07	119	193	(28)	17
Idea Cellular	2,833	75	21,250	09-Mar-07	86	146	14	95
Mudra Lifestyle	96	90	862	09-Mar-07	64	80	(29)	(11)
Vijayeshwari Textiles	90	100	900	09-Mar-07	69	57	(31)	(43)
Indus Fila Ltd	48	170	823	08-Mar-07	132	214	(22)	26
Broadcast Initiatives	86	120	1,026	07-Mar-07	69	47	(42)	(61)
Evinix Accessories	35	120	420	07-Mar-07	74	200	(39)	66
Mindtree Consulting	56	425	2,377	07-Mar-07	620	490	46	15

Source: Bloomberg and Kotak Institutional Equities.

**Exhibit 34: Forthcoming IPO/Follow on offerings**

Company	Issue
National Hydroelectric Power Corp.Ltd.	IPO
Mundra Port & Special Economic Zone Ltd.	IPO
Brigade Enterprises Ltd.	IPO
Rural Electrification Corp.Ltd.	IPO
Wockhardt Hospitals Ltd.	IPO
Bgr Energy Systems Ltd.	IPO
Onmobile Global Ltd.	IPO
Kolte-Patil Developers Ltd.	IPO
Edelweiss Capital Ltd.	IPO
Jyothy Laboratories Ltd.	IPO
Rns Infrastructure Ltd.	IPO
Manaksia Ltd.	FPO
Empee Distilleries Ltd.	IPO
Ramsarup Lohh Udyog Ltd.	IPO
Religare Enterprises Ltd.	IPO
Tecpro Systems Ltd.	IPO
Gss America Infotech Ltd.	IPO
Eclerx Services Ltd.	IPO
Man Infraconstruction Ltd.	IPO
Rithwik Projects Ltd.	IPO
Uma Precision Ltd.	IPO
Bang Overseas Ltd.	IPO
Precision Pipes & Profiles Co.Ltd.	IPO
J.Kumar Infraprojects Ltd.	IPO
Globus Spirits Ltd.	IPO
Brahamputra Consortium Ltd.	IPO
Varun Industries Ltd.	IPO
Cords Cable Industries Ltd.	IPO
Essel Shyam Communication Ltd.	IPO
Khadim India Ltd.	IPO
M.S. Khurana Engineering Ltd.	IPO
Midvalley Entertainment Ltd.	IPO
Veena Industries Ltd.	IPO
Aries Agro Ltd.	IPO
Alkali Metals Ltd.	IPO
Niraj Cement Structurals Ltd.	IPO
Renaissance Jewellery Ltd.	IPO
Tulsi Extrusions Ltd.	IPO
Kiri Dyes & Chemicals Ltd.	IPO
Kaushalya Infrastructure Development Corp.Ltd.	IPO
Svec Constructions Ltd.	IPO

Source: Primedatabase .

# Summary of bulk/block deals

**Exhibit 35: Bulk/block deals for the week**

Deal Date	Scrip Code	Scrip Name	Action	Quantity	Price	Value (Rs mn)
15-Oct	512237	JAI CORP LIM	BUY	7,408,000	1,035	7,667
15-Oct	512237	JAI CORP LIM	BUY	4,555,000	1,035	4,714
15-Oct	512237	JAI CORP LIM	BUY	1,900,000	1,035	1,967
15-Oct	512237	JAI CORP LIM	BUY	1,349,000	1,036	1,398
15-Oct	512237	JAI CORP LIM	BUY	1,140,000	1,035	1,180
15-Oct	532902	CONSOL CONST	SELL	800,000	800	640
15-Oct	500019	BANK OF RAJ.	BUY	3,000,000	140	420
15-Oct	532902	CONSOL CONST	SELL	510,824	772	394
15-Oct	532902	CONSOL CONST	BUY	389,840	792	309
15-Oct	532902	CONSOL CONST	BUY	270,000	771	208
15-Oct	532902	CONSOL CONST	BUY	255,324	770	197
12-Oct	500235	KALYANI ST	SELL	426,109	447	190
15-Oct	532902	CONSOL CONST	BUY	200,000	765	153
12-Oct	526367	GANESH HOU C	BUY	200,448	580	116
12-Oct	532670	RENUKA SUGAR	BUY	133,515	810	108
15-Oct	530543	MARG CONSTRU	BUY	493,950	195	96
15-Oct	530343	GENUS POWER	SELL	156,862	603	95
15-Oct	526797	GREENPL INDU	BUY	400,000	230	92
16-Oct	530343	GENUS POWER	SELL	150,000	600	90
16-Oct	530543	MARG CONSTRU	SELL	352,150	205	72
12-Oct	532836	GREMAC INFRA	BUY	250,000	280	70
16-Oct	500251	TRENT	BUY	100,000	530	53
12-Oct	531092	OM MET INFRA	SELL	850,000	51	43
15-Oct	532765	USHER AGRO	BUY	378,538	70	27
12-Oct	532765	USHER AGRO	BUY	292,338	71	21
16-Oct	500256	LOK HOUSI CO	BUY	100,000	205	20
12-Oct	532283	KASHYAP TEC	SELL	900,000	4	4

Source: BSE and NSE website.



# Delivery positions

**Exhibit 36: Top increase/(decrease) in delivery percentage**

## Increase in delivery % (KIE universe)

Name	Delivery %	
	Previous week	Current week
Hero Honda Motors Limited	47	82
Ipca Laboratories Limited	65	99
Hindustan Petroleum Corp	30	63
Jet Airways India Ltd	41	74
Lupin Ltd	31	62
Bharat Electronics Limited	44	72
Nicholas Piramal India Ltd	60	86
Bank Of Baroda	38	63
Bharti Airtel Limited	35	60

## Decrease in delivery % (KIE universe)

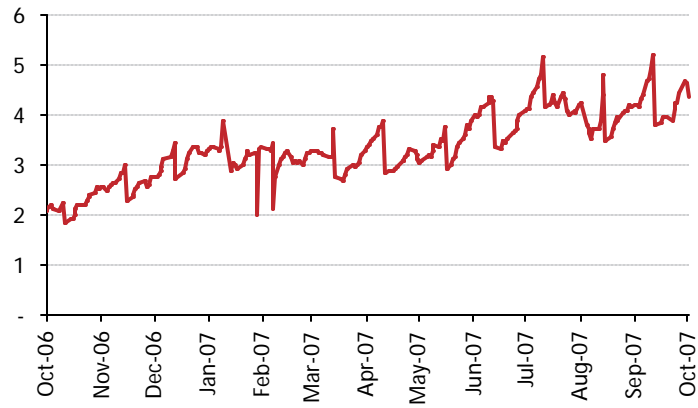
Name	Delivery %	
	Previous week	Current week
Ht Media Ltd	97	56
Tata Power Company Limited	64	27
Punj Lloyd Limited	35	-
Glaxosmithkline Consumer Hea	99	70
Motherson Sumi Systems Ltd	88	61
Shoppers' Stop Ltd	79	53
Cadila Healthcare Ltd	82	61
Dredging Corp Of India Ltd	95	74
Igate Global Solutions Ltd	57	35

Source: Bloomberg and Kotak Institutional Equities.

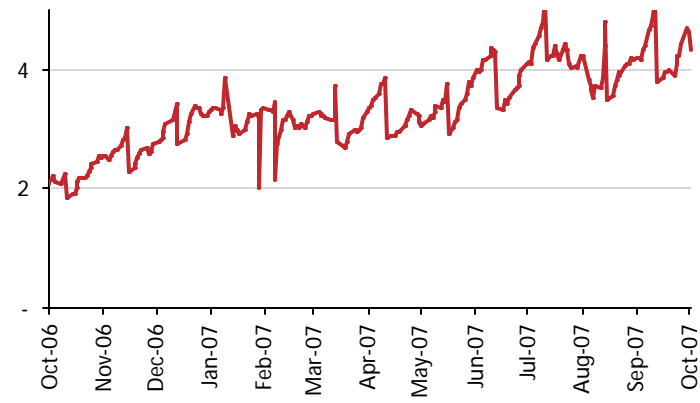
# Open interest analysis

**Exhibit 37: National Stock Exchange (US\$ bn)**

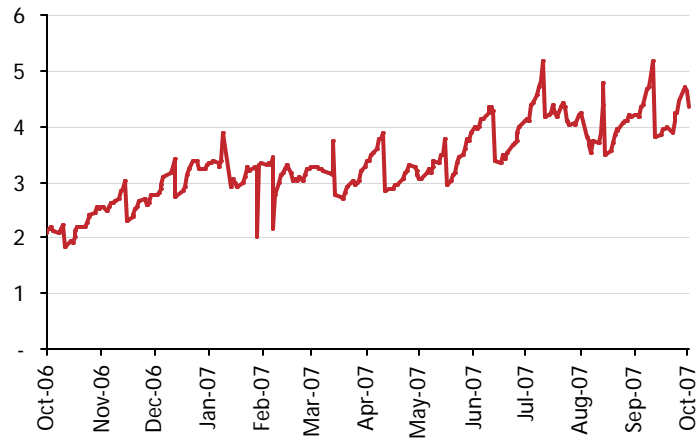
**India Index futures open interest**



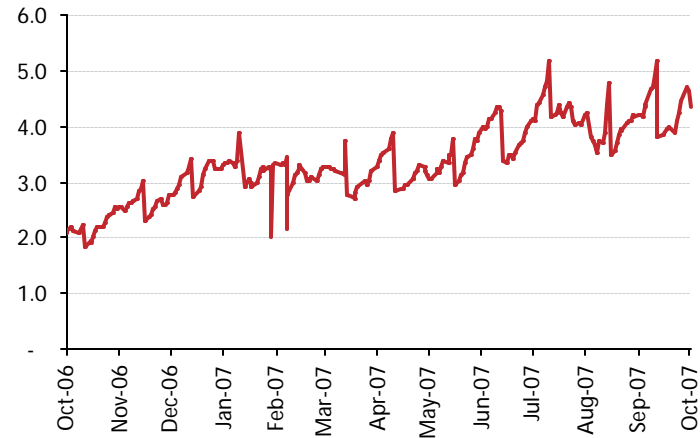
**India stock futures open interest**



**India Index option open interest**



**India stock option open interest**

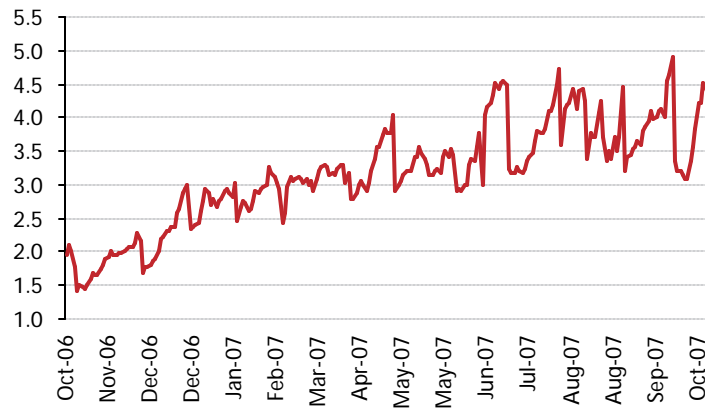


Source: Bloomberg and Kotak Institutional Equities.

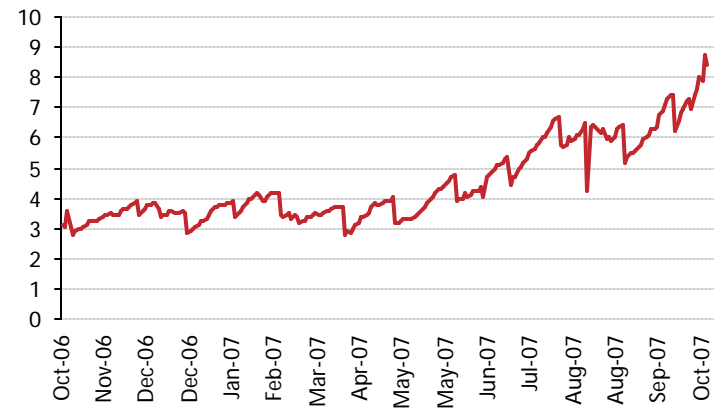
# Open interest analysis

Exhibit 38: Open interest position movement for foreign institutional investors (US\$ bn)

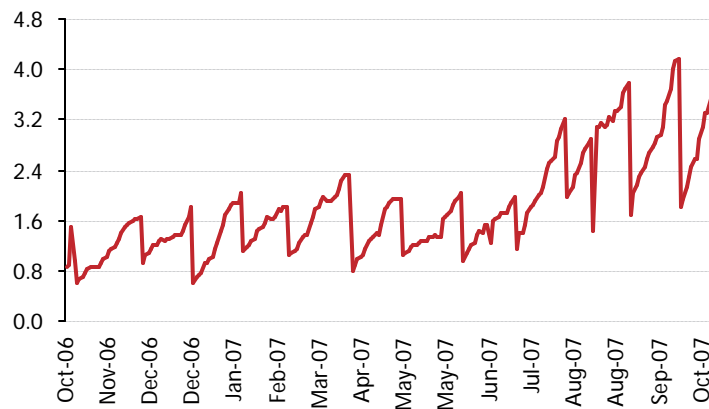
Index futures value of open interest



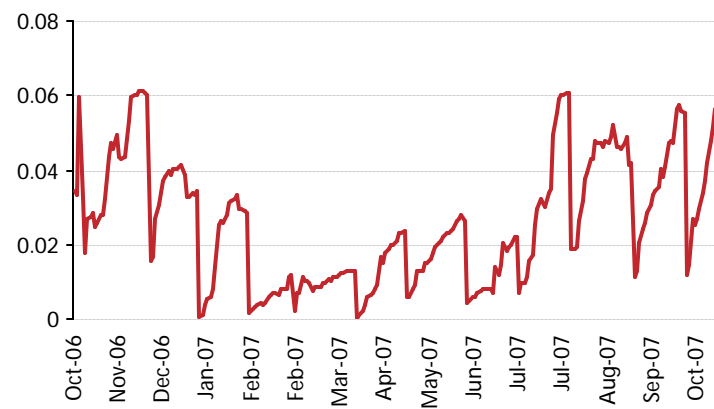
Stock futures value of open interest



Index options value of open interest



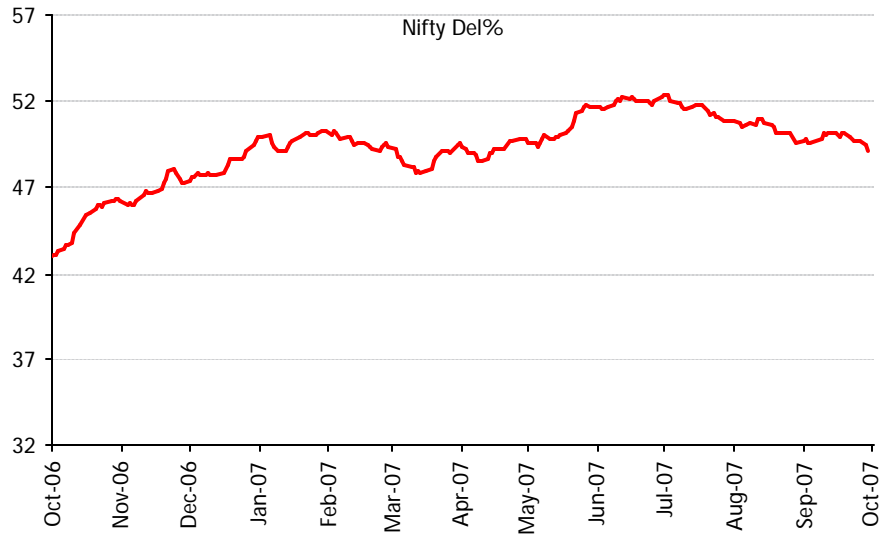
Stock options value of open interest



Source: Bloomberg and Kotak Institutional Equities.

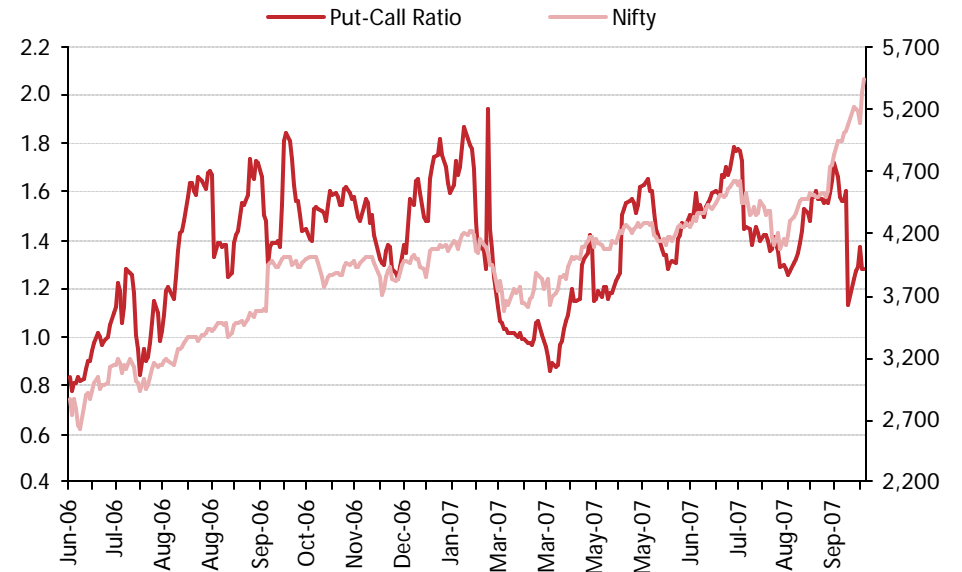
# Market movement indicators

**Exhibit 39: Aggregate delivery percentage**



Source: Bloomberg and Kotak Institutional Equities.

**Exhibit 40: Put call ratio versus Nifty**



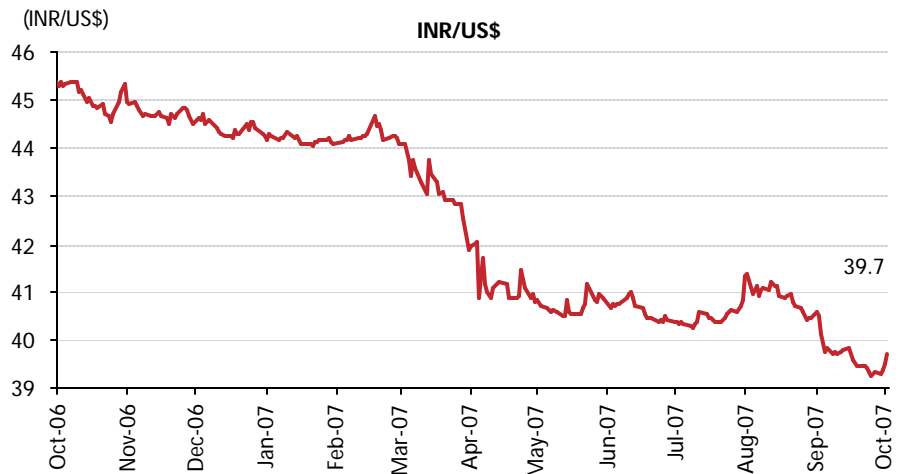
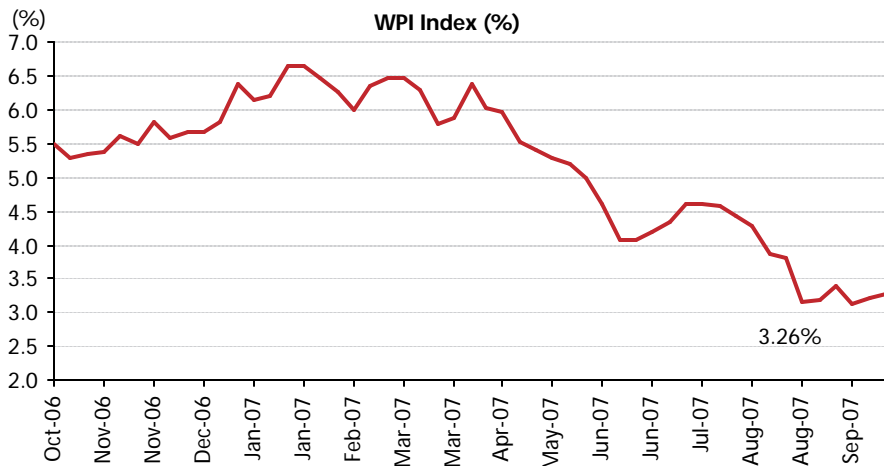
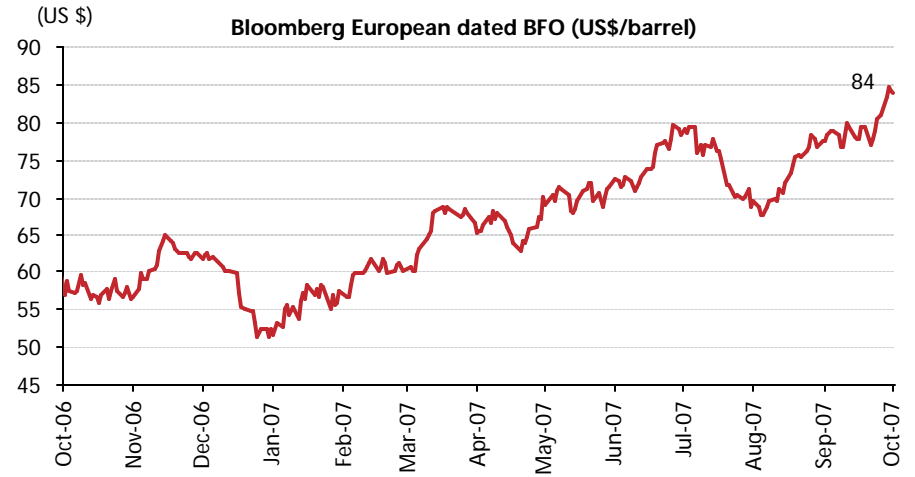
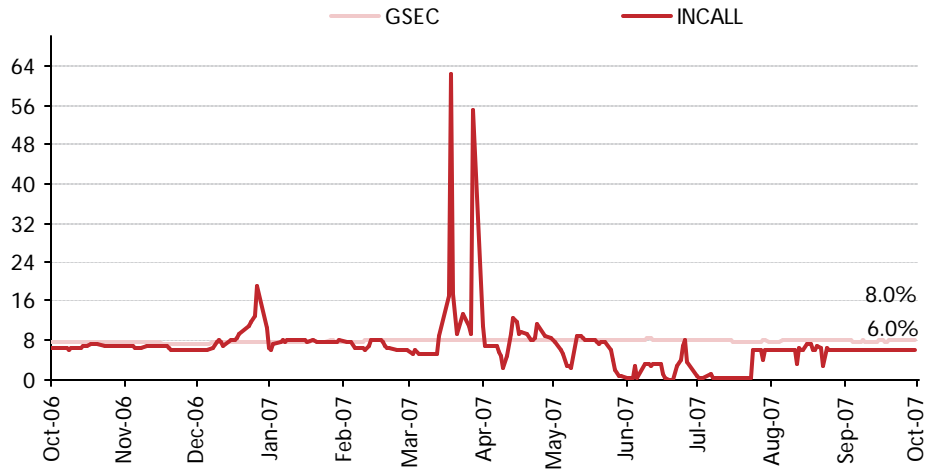
Put call is for Nifty open interest

Source: Bloomberg and Kotak Institutional Equities.

## Economic indicators

# Economic indicators

Exhibit 41: Key economic parameters



Source: Bloomberg and Kotak Institutional Equities.

## Kotak valuation summary





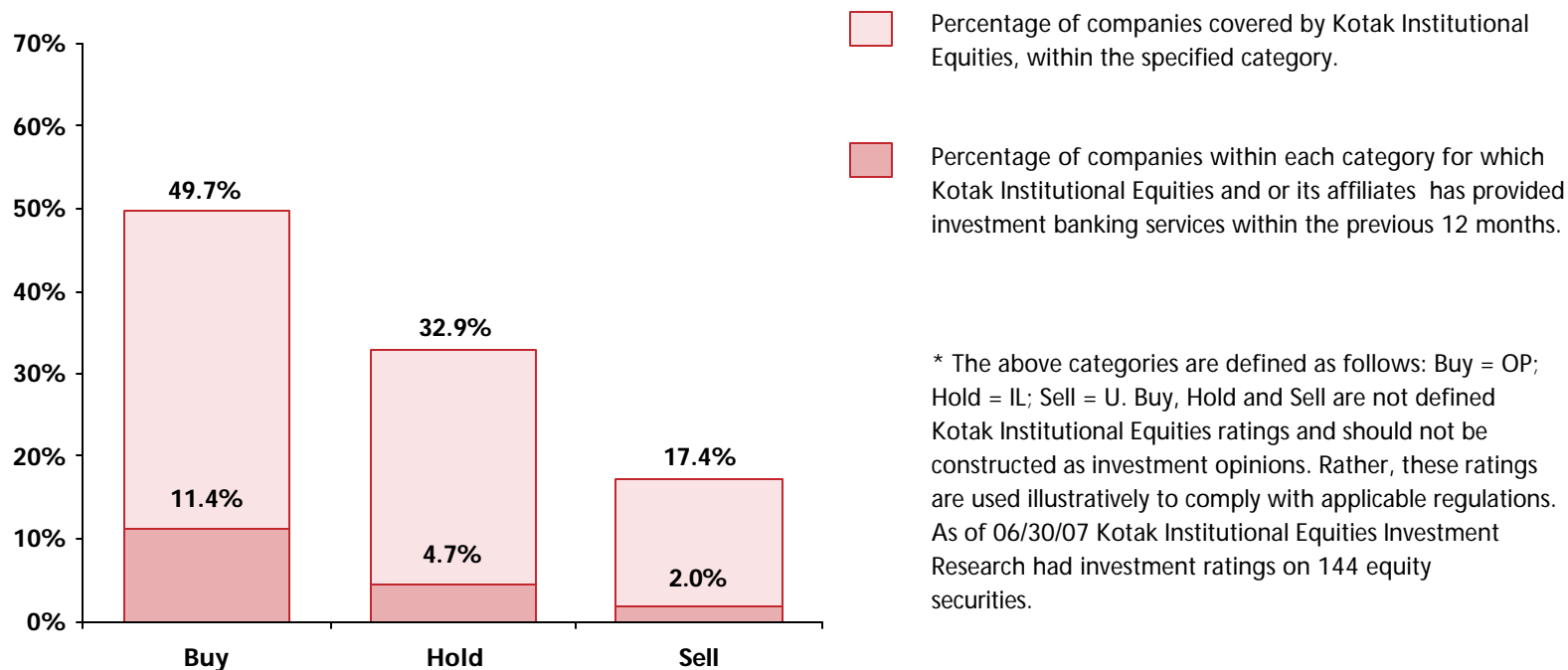




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Distribution of ratings/investment banking relationships



\* The above categories are defined as follows: Buy = OP; Hold = IL; Sell = U. Buy, Hold and Sell are not defined Kotak Institutional Equities ratings and should not be constructed as investment opinions. Rather, these ratings are used illustratively to comply with applicable regulations. As of 06/30/07 Kotak Institutional Equities Investment Research had investment ratings on 144 equity securities.

Source: Kotak Institutional Equities.

As of June 30, 2007

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