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#### Updates

**Reliance Capital:** Nippon Life to invest in Reliance Life

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**Economy:** February WPI inflation: Waiting for Godot?

**Media:** Demystifying IRS Q4 2010: Gains across coverage universe

### News Round-up

- ▶ Inflation rises to 8.31% sets stage for rate hike. Provisional December number revised to 9.41%. (FNLE)
- ▶ SEBI has sought clarifications on the USD 1.22 bn takeover of Patni Computer (PATNI IN) by US-based iGate. (BSTD)
- ▶ SEBI has given its nod for JSW Steel's (JSTL IN) USD 295 mn open offer for Ispat Industries (NDEN IN). The offer will open on March 17 and will close on April 5. (BSTD)
- ▶ HDFC Bank (HDFCB IN) has raised its base rate by 50 basis points and benchmark prime lending rate by 75 basis points. (BSTD)
- ▶ Reliance Capital (RCFT IN) has agreed to sell 26% stake in its life insurance arm to Japan's Nippon Life Insurance for USD 680 mn. The deal, the largest foreign direct investment (FDI) in the country's insurance sector, values Reliance Life at USD 2.54 bn. (BSTD)
- ▶ ONGC (ONGC IN) said it has made a significant gas discovery in Tripura but did not give reserves the latest find may contain. (BSTD)
- ▶ ONGC (ONGC IN) may have lost out on Exxon Angolan oil field. ONGC is believed to have offered close to USD 2 bn for the stake in block 31 off Angola's coast. (FNLE)
- ▶ Indian Oil Corporation (IOCL IN) has signed a MoU with the government on sustainable development, corporate governance and research & development. (FNLE)
- ▶ The Steel Ministry on Monday announced a USD 2.21 bn package for building a hi-tech steel making facility in Steel Authority of India Ltd's (SAIL IN) Jagdishpur unit. (THBL)
- ▶ SAIL (SAIL IN), Kobe to continue talks on USD 2.21 bn plant at Jagdishpur. (FNLE)
- ▶ PEs in talks to buy 25% in Dhanlaxmi Bank (DHLBK IN) for USD 111 mn. (TTOI)
- ▶ Vishal Retail (VISH IN) has completed the sale of retail and wholesale businesses to the Shriram Group and private equity company TPG, respectively, for USD 15 mn. (BSTD)
- ▶ Suzlon Energy (SUEL IN) has announced that two of its promoters sold 40 million shares in the company, which accounts to 2.25% of its paid-up capital. (BSTD)

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

### EQUITY MARKETS

India	Change %			
	14-Mar	1-day	1-mo	3-mo
Sensex	18,439	1.5	0.9	(6.1)
Nifty	5,532	1.6	0.9	(6.1)

#### Global/Regional indices

Dow Jones	11,993	(0.4)	(1.9)	4.7
Nasdaq Composite	2,701	(0.5)	(3.7)	3.2
FTSE	5,775	(0.9)	(4.3)	(1.8)
Nikkei	9,039	(6.0)	(15.9)	(12.3)
Hang Seng	23,035	(1.3)	0.6	0.3
KOSPI	1,969	(0.1)	(2.1)	(2.4)

#### Value traded – India

Cash (NSE+BSE)	126	159	128
Derivatives (NSE)	1,009	1,445	899
Deri. open interest	1,394	1,490	1,486

#### Forex/money market

	Change, basis points			
	14-Mar	1-day	1-mo	3-mo
Rs/US\$	45.1	(12)	(38)	16
10yr govt bond, %	8.0	(1)	(15)	(13)

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

	11-Mar	MTD	CYTD
Flls	(48)	425	(1,788)
MFs	(11)	87	(282)

#### Top movers -3mo basis

Change, %				
Best performers	14-Mar	1-day	1-mo	3-mo
NACL IN Equity	476.1	2.2	17.5	29.1
WLCO IN Equity	198.3	5.9	8.8	17.5
SIEM IN Equity	858.0	0.1	2.4	10.3
NMDC IN Equity	274.0	(1.2)	1.6	7.9
LICHT IN Equity	197.7	0.8	3.7	7.7
Worst performers				
IVRC IN Equity	74.7	1.6	2.4	(40.8)
UT IN Equity	38.2	1.2	9.2	(38.5)
RECL IN Equity	228.4	(0.1)	(5.8)	(27.9)
GNP IN Equity	269.6	(0.8)	(5.3)	(24.8)
POWF IN Equity	240.6	(0.9)	(8.2)	(24.2)

MARCH 14, 2011

## INITIATING COVERAGE

Coverage view: **Attractive**

Price (Rs): 245

Target price (Rs): 300

BSE-30: 18.439

**Potent mix deserving of premium; BUY.** We like IndusInd Bank's business model, with its complementary mix of high-yielding retail assets and fast-growing corporate book. The new management is focusing on profitability, consistency and balanced growth. We expect the bank to deliver over 24% growth in earnings with RoAs at 1.4% and RoEs at about 20%. It trades at 2.6X FY2012E book and 16X EPS. We initiate coverage with a BUY rating and target price of ₹300 (3.2X FY2012 book).

## Company data and valuation summary

IndusInd Bank

Indusind Bank

Stock data				Forecasts/Valuations				
52-week range (Rs) (high,low)		309-158		EPS (Rs)		2011	2012E	2013E
Market Cap. (Rs bn)		112.9		EPS growth (%)		62.6	24.8	23.8
Shareholding pattern (%)				P/E (X)		19.8	15.9	12.8
Promoters		19.6		NII (Rs bn)		13.5	16.6	21.0
Flls		50.8		Net profits (Rs bn)		5.7	7.1	8.8
MFs		6.0		BVPS		82.0	93.0	108.0
Price performance (%)	1M	3M	12M	P/B (X)		2.9	2.6	2.2
Absolute	11.6	(8.6)	51.2	ROE (%)		19.9	17.6	19.0
Rel. to BSE-30	10.2	(1.9)	40.8	Div. Yield (%)		1.1	1.3	1.6

IIB brings in the best in a balance sheet—retail assets and improving retail liabilities

We like IIB's business model which combines high-yielding retail assets (vehicle finance) and higher fee income with an improving liability profile. Risk adjusted revenues/assets are at about 4.5% levels, one of the best in the industry and only marginally lower than HDFC Bank. The bank, through the acquisition of Ashok Leyland finance in FY2005, has built expertise in its vehicle finance portfolio resulting in high risk-adjusted returns. The new management is focusing on improving its liability profile and diversifying revenue streams.

## New management's edge is execution

The bank's new management, which came in as a team in FY2008, has effected a remarkably fast transformation: margins expanded 200 bps, RoAs improved 120 bps to 1.5% and RoEs more than doubled to 20%. The quick turnaround was aided by key business heads assuming roles they had played in earlier assignments. They realigned the loan book to the strengths of its liability profile, brought in a new workforce, focused on fee income business apart from strengthening operations. Branch expansion has begun, having been stagnant for about eight quarters.

Earnings growth of at 24% CAGR; attractive ratios of about 20% RoE and 1.4% RoAs

We expect 24% CAGR in earnings for FY2011-13E driven by above-average loan growth of 30%. IIB is well capitalized with recent dilution with Tier I ratio of 12%; While we assume some moderation to NIMs, fee income traction is likely to remain strong with new income streams such as investment banking and wealth management adding up to the fees. IIB is well poised to deliver RoAs at 1.4% and RoEs of about 20% in the medium term.

Balance sheet management is the key risk

With 40% of the loans being fixed in nature, balance sheet is exposed to interest rate movement far more than other banks. The ability to improve the liability profile through higher CASA ratio and mobilize long duration retail deposits is critical to insulate margin volatility. Execution risk remains as it invests in branches and hires more in this phase of growth. Continuity of top management remains a key to sustenance of current operating metrics.

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**VALUATIONS: INITIATE WITH BUY AND TARGET PRICE OF ₹300**

We initiate coverage on IndusInd Bank (IIB) with a BUY rating and target price of ₹300. At our target, the bank would trade at 3.1X book and 18X FY2012E EPS, offering an upside of 22% from current levels. We expect valuations to sustain at higher levels mainly due to superior risk adjusted revenues, healthy earnings growth of 24% CAGR for FY2011-13E and RoEs closer to 20%. The key risk is the ability of the management to execute the business in a rising interest rate scenario and improve its liability profile.

**Target price of ₹300 based on 3.2X FY2012 book**

Our target price of ₹300/share implies a valuation multiple of 3.2X FY2012 book and 18X EPS for a business that is generating RoE of about 20% and 24% earnings growth for FY2011-13E. Our target price implies 22% upside from current levels. We have used the residual income model assuming (1) cost of equity at 13.5% and (2) earnings growth declining gradually to a terminal growth rate of 6%. After the recent correction in stock price, the bank is trading at fairly attractive levels. We believe higher valuations for the bank would depend on (1) resilience shown by the business model in a rising interest rate scenario, (2) maintaining profitability at current levels without unduly shifting business mix towards riskier products such as unsecured loans, (3) delivering above-industry growth in the medium term and (4) execution of the management's objective of improvement in its liability profile.

**Valuing IndusInd Bank on residual income model at ₹300 (3.2X FY2012 book)**

Residual income model for IndusInd Bank, March fiscal year-ends

Risk free rate	8.0
Beta	1.1
Risk premium	5.0
Discount rate	13.5
Terminal growth rate	6.0
Dividend payout from FY2013	25%

	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	Terminal
EPS	12	15	19	24	29	35	42	50	58	67	77	88	93
% growth	44.9	24.8	23.8	25.0	23.0	20.0	20.0	18.0	16.0	15.0	15.0	15.0	6.0
BVPS	82	93	108	126	148	174	206	243	287	336	394	460	504
% growth	55.1	14.2	15.4	16.6	17.5	17.9	18.2	18.2	17.8	17.4	17.1	16.8	
Re*BVPS	7.1	11.0	12.6	14.6	17.0	19.9	23.5	27.8	32.8	38.7	45.4	53.2	25.2
Residual income	5	4	6	9	12	15	19	22	25	28	31	35	336
% growth	68.9	-16.4	47.8	43.7	33.0	23.4	22.8	17.7	13.3	11.3	11.7	12.0	
PV of FCF (Rs)	5	4	6	8	10	10	11	12	12	11	11	11	95
RoE (%)	18	18	19	20	21	22	22	22	22	21	21	21	19
Current BVPS (Rs)													93
PV of residual income (Rs)													198
Target price (Current BVPS + PV of residual income) (Rs)													291
Current price													240
Upside/(Downside)													21.3
Price/book													3.1

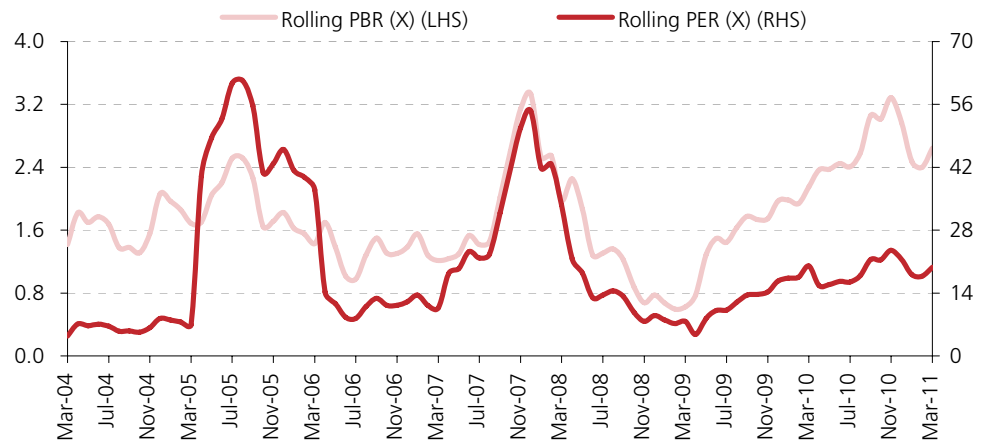
Source: Company, Kotak Institutional Equities estimates

**Expect premium valuation to sustain relative to historical multiples and peers**

Compared to the historical average of 1.6X PBR (one year forward), IndusInd Bank is currently trading at 2.6X FY2012 PBR. The bank is also trading at a premium of about 30% to most mid-tier private banks. However, we believe that this premium is likely to sustain on the back of its differentiated business model. Very few banks in India have a strong retail-focused business model. The new management, which took over the bank from February 2008, is driving changes resulting in strong expansion in NIM and consequently in RoA and RoE.

IIB is currently trading at 2.6X FY2012 PBR compared to average of 1.6X since FY2003

Price/book (1 year forward) chart for IndusInd Bank, March fiscal year-ends, October 2003-March 2011 (X)



Source: Company, Kotak Institutional Equities

IndusInd Bank trades at a premium to most private banks

Valuation metrics comparison amongst private banks, March fiscal year-ends, 2010-12E

	Price (Rs)	PER (X)			PBR (X)			RoE (%)			RoA (%)		
		2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E
Axis Bank	1,290	20.8	15.8	12.9	3.3	2.8	2.4	19.2	19.1	20.1	1.5	1.7	1.7
City Union (a)	46	12.0	9.2	7.5	2.2	1.8	1.5	20.6	21.4	20.9	1.5	1.6	1.5
Dhanalakshmi (a)	103	28.3	27.9	10.2	1.5	1.1	1.0	5.4	4.6	8.0	0.3	0.3	0.5
Federal	365	13.4	10.6	8.2	1.4	1.2	1.1	10.3	11.9	14.0	1.1	1.2	1.4
HDFC Bank	2,215	34.4	25.7	19.8	4.7	4.1	3.5	16.1	17.1	19.2	1.5	1.6	1.7
ICICI	1,019	28.2	22.3	17.6	2.2	2.1	2.0	8.0	9.9	11.6	1.1	1.4	1.6
<b>IndusInd</b>	<b>245</b>	<b>28.7</b>	<b>19.8</b>	<b>15.9</b>	<b>4.6</b>	<b>3.0</b>	<b>2.6</b>	<b>22.4</b>	<b>19.9</b>	<b>17.6</b>	<b>1.1</b>	<b>1.4</b>	<b>1.4</b>
ING Vysya (a)	301	14.9	11.6	9.3	1.6	1.5	1.3	12.7	13.1	14.4	0.7	0.9	0.9
J&K Bank	771	7.3	6.5	5.5	1.2	1.1	0.9	18.2	18.5	17.8	1.3	1.3	1.3
South Indian (a)	21	9.9	8.1	6.8	1.6	1.4	1.2	17.0	17.9	18.8	1.0	1.0	1.0
Yes Bank	271	18.1	12.7	10.3	3.0	2.5	2.0	20.3	21.3	21.7	1.6	1.6	1.4

Notes:

(a) Consensus estimates have been used for stocks not under coverage.

Source: Company, Bloomberg, Kotak Institutional Equities

IndusInd has a balance sheet and branch network similar to mid-tier private banks

Key balance sheet data of private banks, March fiscal year-ends, 3QFY11

	Balance sheet (Rs bn)	Advances (Rs bn)	Deposits (Rs bn)	Branches (#)	CASA ratio (%)	Net NPA (%)	Provision coverage ratio (%)
Axis	2,067	1,235	1,558	1,120	42.3	0.3	74.0
City Union (a)	138	85	120	236	18.6	0.5	58.9
Dhanalakshmi (a)	124	78	105	275	20.2	0.5	50.7
Federal	462	282	369	737	29.6	0.8	80.3
HDFC Bank	2,498	1,592	1,922	1,780	50.5	0.2	81.4
ICICI	3,929	2,067	2,177	2,512	44.2	1.2	71.9
<b>IndusInd</b>	<b>415</b>	<b>250</b>	<b>307</b>	<b>258</b>	<b>26.8</b>	<b>0.4</b>	<b>70.3</b>
ING Vysya (a)	367	215	273	377	33.5	0.6	76.4
J&K	464	254	409	548	39.6	0.0	97.9
South Indian (a)	276	192	270	612	22.4	0.4	70.7
Yes	522	311	395	185	10.2	0.1	76.1

Notes

(a) Banks not under coverage.

(b) Tier-1 capital excludes profit for 9MFY11. Provision coverage excludes technically written-off portfolio.

Source: Company, Kotak Institutional Equities

### Risk-adjusted revenues at over 4.5% among highest in the industry

IndusInd Bank generates over 4.5% risk-adjusted revenues/assets (revenues less loan loss provisions), next only to HDFC Bank. Axis Bank is marginally higher than IndusInd Bank despite a low-margin corporate portfolio mainly due to lower credit costs and better liability profile. The high revenue profile in IIB is due to (1) the high-yielding retail asset portfolio (current yield is about 16%) which helps the bank generate higher income while (2) the differentiated origination/servicing strategy and experience in this sector for about two decades in managing this portfolio has lead to comparatively lower losses.

#### IndusInd generates risk adjusted revenues of about 4.5% levels

Total revenues less loan loss provisions to average assets, March fiscal year-ends, 2006-13E (%)

	2006	2007	2008	2009	2010	2011E	2012E	2013E
<b>Public sector</b>								
SBI	3.8	3.7	3.6	3.7	3.3	3.6	3.6	3.6
PNB	4.3	4.0	3.9	3.9	3.9	4.0	3.9	3.8
BOB	3.8	3.5	3.3	3.6	3.0	3.4	3.2	3.2
Bol	3.1	3.3	3.4	3.8	2.6	3.0	2.9	2.7
Union	3.3	3.2	3.1	3.2	3.0	3.1	3.1	3.1
<b>Private sector</b>								
Axis	3.5	3.7	4.3	4.4	4.6	5.0	4.9	4.9
Federal	3.5	3.9	3.6	4.1	3.7	3.7	3.8	3.8
HDFC Bank	4.7	5.0	5.6	5.7	5.1	5.4	5.2	5.2
ICICI	3.9	3.5	3.6	3.1	3.0	3.6	4.0	4.2
<b>IndusInd</b>	<b>2.4</b>	<b>2.6</b>	<b>2.4</b>	<b>3.1</b>	<b>4.1</b>	<b>4.7</b>	<b>4.6</b>	<b>4.5</b>
J&K	2.6	2.9	3.3	3.3	3.4	3.7	3.8	3.8
Yes	6.8	4.9	4.8	4.3	4.2	4.0	3.7	3.5

Source: Company, Kotak Institutional Equities

### Sustainable RoEs at 19-20% levels; loan growth of 30% CAGR for FY2011-13E

We expect RoEs for the bank at 19-20% levels for FY2011-13E. The environment for loan growth continues to remain extremely attractive in most of the retail segments where the bank is focused while the balance sheet is well capitalized post dilution in 1HFY11 (overall Tier 1 ratio is about 12%). We expect about 24% CAGR in earnings for FY2011-13E on the back of higher margins and lower provisioning costs. We are building loan growth of 30% CAGR and NII growth of about 25% as near-term pressure on funds would be cushioned by recent equity dilution. Higher investment in business is likely to keep cost-income ratios at current levels. Loan loss provisions would decline to 0.5% levels in FY2012E from 0.8% in FY2010 in this phase of the credit cycle.

#### Expansion in NIM to drive near-term RoE at 20% levels

RoE analysis, March fiscal year-ends, 2006-2013E (%)

	2006	2007	2008	2009	2010	2011E	2012E	2013E
Net interest income	1.9	1.4	1.4	1.8	2.8	3.4	3.2	3.2
Other income	1.1	1.6	1.3	1.8	1.8	1.8	1.8	1.8
Treasury	(0.2)	(0.3)	0.1	0.4	0.4	0.2	0.2	0.1
Others	1.3	1.8	1.3	1.4	1.4	1.6	1.7	1.7
<b>Total income</b>	<b>3.0</b>	<b>3.0</b>	<b>2.7</b>	<b>3.6</b>	<b>4.6</b>	<b>5.2</b>	<b>5.0</b>	<b>5.0</b>
<b>Operating expenses</b>	<b>2.0</b>	<b>1.8</b>	<b>1.9</b>	<b>2.2</b>	<b>2.4</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>
Employees	0.5	0.5	0.6	0.7	0.9	1.0	1.0	0.9
Others	1.5	1.3	1.3	1.5	1.5	1.6	1.6	1.5
Pre provision income	1.0	1.2	0.8	1.4	2.2	2.6	2.5	2.5
Loan loss provisions	0.6	0.3	0.3	0.5	0.5	0.5	0.4	0.5
Investment depreciation	0.0	0.0	0.0	(0.0)	(0.0)	0.0	0.0	0.0
Pre-tax profits	0.4	0.9	0.5	0.9	1.7	2.1	2.1	2.0
(1- tax rate)	62.2	76.3	65.7	65.2	65.7	66.5	66.5	66.5
<b>ROA</b>	<b>0.2</b>	<b>0.7</b>	<b>0.3</b>	<b>0.6</b>	<b>1.1</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>
Avg assets/avg equity	25.9	26.0	25.6	24.6	20.1	14.1	12.7	14.2
<b>ROE</b>	<b>5.7</b>	<b>17.0</b>	<b>8.7</b>	<b>14.3</b>	<b>22.4</b>	<b>19.9</b>	<b>17.6</b>	<b>19.0</b>

Source: Company, Kotak Institutional Equities

**Overall business to grow at a healthy pace of over 30%**

Key metrics, March fiscal year-ends, 2006-2013E

	2006	2007	2008	2009	2010	2011E	2012E	2013E
<b>Balance sheet</b>								
Advances (Rs bn)	93	111	128	158	206	267	349	454
Growth (%)		19.1	15.4	23.3	30.3	29.9	30.6	30.3
Deposits (Rs bn)	150	176	190	221	267	331	447	599
Growth (%)		17.6	7.9	16.1	20.8	24.0	35.0	33.9
CASA ratio (%)	12.9	14.9	15.7	19.2	23.7	26.7	28.8	30.8
Branches (#)	137	170	180	180	210	310	460	560
<b>Profit and loss</b>								
Revenues (Rs bn)	5	6	6	9	14	21	26	33
Growth (%)		13.7	4.4	53.0	57.3	44.9	23.9	26.7
NII (Rs bn)	3	3	3	5	9	14	17	21
Growth (%)		(13.9)	10.8	52.8	93.1	52.5	22.6	27.0
Non interest income	2	3	3	5	6	7	9	12
Growth (%)		59.6	(1.3)	53.1	21.3	32.9	26.3	26.1
Operating profit (Rs bn)	2	2	2	4	7	11	13	17
Growth (%)		22.3	(14.4)	87.7	91.1	52.8	22.3	27.6
Net profit (Rs bn)	0	1	1	1	4	6	7	9
Growth (%)		241.4	(40.4)	97.7	136.1	62.6	24.8	23.8

Source: Company, Kotak Institutional Equities

**No near-term concerns on asset quality; provision coverage comfortable**

The relatively strong economic environment in this phase of the credit cycle, combined with better underwriting standards, should result in lower slippages and hence, lower provisioning costs. We are building in slippages of 1.4-1.5% levels in FY2011-13E compared to 1.7% in FY2009. Restructured loans are below 0.5% and unlikely to create any significant impact in the future. We expect gross and net NPLs to sustain at 1.3% and 0.4% in FY2011-13E.

MARCH 14, 2011

UPDATE

Coverage view: **Attractive**

Price (Rs): **562**

Target price (Rs): **620**

BSE-30: **18,439**

**Nippon Life to invest in Reliance Life.** Reliance Life has proposed to sell 26% stake to Nippon Life at Rs30 bn. Subject to regulatory approvals, the transaction values the life insurance business at Rs115 bn, i.e. 32% premium to our valuation estimate. While the near-term business outlook for the life insurance industry remains hazy, the deal provides a positive signal to stakeholders. We await more details on the deal to revisit our earning estimates. Retain ADD.

#### Company data and valuation summary

Reliance Capital

##### Stock data

52-week range (Rs) (high,low) 882-388

Market Cap. (Rs bn) 138.3

##### Shareholding pattern (%)

Promoters 54.1

FII's 21.8

MFs 0.3

##### Price performance (%)

Absolute 1M 3M 12M

Rel. to BSE-30 25.6 (8.3) (34.1)

##### Forecasts/Valuations

2011 2012E 2013E

EPS (Rs) 6.6 17.0 27.9

EPS growth (%) (59.5) 159.7 63.6

P/E (X) 85.6 33.0 20.2

NII (Rs bn) 4.1 6.0 10.2

Net profits (Rs bn) 1.6 4.2 6.9

BVPS 283.2 292.3 307.1

P/B (X) 2.0 1.9 1.8

ROE (%) 2.3 5.9 9.3

Div. Yield (%) 0.5 1.2 2.0

#### Nippon Life proposes to invest in Reliance Life Insurance

Nippon Life, Japan's largest life insurer, has proposed to pick up 26% stake in Reliance Life at Rs30 bn. According to the company press release, the agreement is 'definitive' for the parties though subject to regulatory approvals. The complete details of the deal are not yet available. Reliance Capital's management has highlighted that a small part of the proposed investment will be on account of primary infusion in the company and the balance will flow to Reliance Capital (which currently holds 100% stake in Reliance Life). The insurance business will not require capital after the deal.

#### Valuation at 32% premium to our estimate

The deal with Nippon Life values Reliance Life at about Rs115 bn (subject to complete details of the deal), i.e. at a 32% premium to our fair value estimate of Rs87 bn. Our fair value estimate for Reliance Capital can increase to Rs750/share, i.e. about 17% above our current price target, if we benchmark the value of life insurance business with the valuation of the deal.

Reliance Capital has infused Rs31 bn in Reliance Life. The company can recognize maximum pre-tax capital gains of Rs22 bn (if we assume the entire proceeds to accrue to the parent) which can be deployed to fund the NBFC business. We await more details to factor the transaction in our estimates.

#### Backdrop of significant changes in operating environment for insurance companies

Private players have reported about 40-50% decline in APE collections over the past 2-3 months as the companies adjust their business models to the new regulatory regime. A simultaneous change in product structures, sharp reduction in distributor commissions and operating expenses and tighter regulations have made near-term business outlook hazy. In this backdrop, this deal is a positive signal.

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**Deal to be executed by 1HFY12E**

Reliance Capital expects the transaction to be completed in 1HFY12E. The management has highlighted that Nippon Life has completed its due diligence. The deal was signed on Monday morning in Mumbai (despite the natural catastrophe in Japan). The transaction is 'definitive' and binding on both the parties though subject to regulatory approvals in Japan and India.

**Life insurance and asset management business add most value**

- ▶ We value Reliance Life at Rs87 bn, i.e. 2X EV FY2012E and 2.6X invested capital. The deal values the insurance business at 2.6X EV FY2012E and 3X invested capital.
- ▶ We value the asset management business at Rs30 bn, i.e. 2.5% of AUMs or 14X PER FY2012E.

**Reliance Capital - Sum-of-the-parts-based valuation**

	Valuation (Rs mn)	Value per share (Rs)	Comments
Reliance Life Insurance	86,695	317	Based on NPAB analysis, 10% holding company discount works out to 2.6X invested capital
Reliance Capital Asset Management	30,742	125	20% holding company discount, works out to 14X PER FY2012E or 2.5% of AUMs
Reliance Securities and R-Money	3,200	13	10X PER FY2012E, 20% holding company discount
Reliance General Insurance	4,855	20	1X PBR, 20% holding company discount
Other equity investments	15,000	61	1X book value
Residual network (for NBFC business)	20,248	82	Valuation of 1.1X PBR for about 16-17% RoE over medium term
<b>Total</b>	<b>160,740</b>	<b>618</b>	

Source: Kotak Institutional Equities estimates

**Valuation of Reliance Life Insurance**

Embedded value and structural value calculations, March fiscal year-ends, 2005-2012E (Rs mn)

	2005	2006	2007	2008	2009	2010	2011E	2012E
Paid-up capital brought f/wd	2,171	3,310	6,640	11,477	11,623	16,623	17,623	17,623
<b>Total shareholders fund (A)</b>	<b>936</b>	<b>1,109</b>	<b>1,270</b>	<b>2,068</b>	<b>3,533</b>	<b>5,533</b>	<b>5,533</b>	<b>5,533</b>
Opening balance of VIF business (B)	41	95	227	1,268	4,106	8,811	14,237	19,011
New business premium income (APE)	352	854	7,235	19,141	29,941	32,031	27,226	31,310
NBAP margin (%)	14.0	14.0	14.0	14.0	14.0	13.5	11.0	10.0
New business value (NBV) (C)	49	120	1,013	2,680	4,192	4,324	2,995	3,131
Inforce business unwinding @12.5%	5	12	28	159	513	1,101	1,780	2,519
Estimated VIF at close of the year = E = (B+C+D)	95	227	1,268	4,106	8,811	14,237	19,011	24,661
Y/e EV (A + E)								44,144
<b>Structural value</b>								<b>42,551</b>
NBV (Rs mn)								3,131
NBM (X)								13.6
<b>Fair value (EV + structural value)</b>								<b>86,695</b>
Fair value to EV (X)								2.0
Fair value to capital invested								2.6
<b>Value per share of Reliance Life (Rs)</b>								<b>317</b>

Source: Company, Kotak Institutional Equities estimates



## Calculation of NBV multiple

Assumptions for assigning a multiple to structural value

Key assumptions												
Discount rate (%)	13.5											
Margin in year 1 (%)	13.5											
Year	0	1	2	3	4	5	6	7	8	9	10	10
Premium (Rs)	100	115	129	142	156	171	189	207	228	251	276	2,889
% growth		15.0	12.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	4
NBAP margin (%)	13.5	13.5	13.5	12.5	12.5	12.5	11.5	11.5	10.5	9.5	9.5	
NBV (Rs)	14	16	17	18	19	21	22	24	24	24	26	274
PV of NBV (Rs)		14	13	12	12	11	10	10	9	8	7	77
Value (Rs)	183											
<b>Multiple (X)</b>	<b>13.6</b>											

Source: Kotak Institutional Equities estimates

## Sensitivity of valuation

Sensitivity analysis indicating value of firm at different margin and multiple assumption

Structural value (Rs bn) = NBV X multiple						
Multiple (X)	Margin (%)					
	8.0	9.0	10.0	12.0	14.0	16.0
11.6	29	33	36	44	51	58
12.6	32	35	39	47	55	63
13.6	34	38	43	51	60	68
14.6	37	41	46	55	64	73
16.6	42	47	52	62	73	83
Appraisal value (Rs bn) = Structural value + Embedded value						
Multiple (X)	Margin (%)					
	8.0	9.0	10.0	12.0	14.0	16.0
11.6	73	77	80	88	95	102
12.6	76	80	84	91	99	107
13.6	78	82	87	95	104	112
14.6	81	85	90	99	108	117
16.6	86	91	96	106	117	127
Contribution to sum-of-parts assuming full value for 100% (Rs per share of Reliance Capital)						
Multiple (X)	Margin (%)					
	8.0	9.0	10.0	12.0	14.0	16.0
11.6	268	281	294	321	347	374
12.6	277	291	306	335	363	392
13.6	286	302	317	348	379	411
14.6	295	312	329	362	395	429
16.6	314	333	352	390	428	466

Source: Kotak Institutional Equities estimates

## Reliance Capital - Sum-of-the-parts-based valuation based on the value of Nippon deal

	Valuation (Rs mn)	Value per share (Rs)	Comments
Reliance Life Insurance	115,000	421	Based on valuation of the deal with Nippon Life, assumes 10% holding company discount
Reliance Capital Asset Management	30,742	125	20% holding company discount, works out to 14X PER FY2012E or 2.5% of AUMs
Reliance Securities and R-Money	3,200	13	10X PER FY2012E, 20% holding company discount
Reliance General Insurance	4,855	20	1X PBR, 20% holding company discount
Other equity investments	15,000	61	1X book value
Residual network (for NBFC business)	20,248	82	Valuation of 1.1X PBR for about 16-17% RoE over medium term
<b>Total</b>	<b>189,045</b>	<b>722</b>	

Source: Kotak Institutional Equities estimates

MARCH 14, 2011

UPDATE

Coverage view: **Attractive**

Price (Rs): **382**

Target price (Rs): **370**

BSE-30: **18,439**

**4QFY11E likely to be weak; structural challenges force sharp EPS cut.** Our discussions with MindTree management suggest a likely poor March 2011 quarter with flat (at-best) revenues and flat margins (at the reported 11.7% for 3QFY11) qoq. Even as the company attributes the poor quarter to sharp US\$2.5 mn qoq revenue decline at Kyocera, (1) ex-Kyocera revenue growth at 2-3% qoq is below-par as well, and (2) 4QFY11E margins reflect underlying OPM. We cut our FY2012/13E EPS estimates by ~18% each and reduce our target price to Rs370/share (Rs500 earlier). REDUCE.

### Company data and valuation summary

Mindtree

#### Stock data

52-week range (Rs) (high,low) 665-356

Market Cap. (Rs bn) 15.7

#### Shareholding pattern (%)

Promoters 32.0

FIs 20.7

MFs 3.1

#### Price performance (%)

Absolute (11.7) (26.6) (31.4)

Rel. to BSE-30 (12.8) (21.2) (36.1)

#### Forecasts/Valuations

	2011	2012E	2013E
EPS (Rs)	23.8	33.8	38.4
EPS growth (%)	(54.5)	42.3	13.5
P/E (X)	16.1	11.3	9.9
Sales (Rs bn)	15.0	17.8	20.4
Net profits (Rs bn)	1.0	1.4	1.6
EBITDA (Rs bn)	1.8	2.5	2.9
EV/EBITDA (X)	8.1	5.5	4.6
ROE (%)	13.6	16.8	16.7
Div. Yield (%)	0.6	0.9	3.0

### 4QFY11E likely to be a weak quarter

Our discussions with MT management indicate a poor March 2011 quarter for the company. Revenues are likely to end up marginally down or at-best flat qoq. Margins are also likely to remain flat qoq at the reported 11.7% levels in 3QFY11 – in effect a qoq decline of 370 bps from the adjusted 15.4% underlying OPM for 3Q (reported EBITDA in 3QFY11 was impacted to the tune of US\$3.2 mn on account of products business closure).

Management has indicated a sharp decline in the Kyocera account – to US\$1.5 mn from US\$4 mn in 3QFY11. Kyocera has cancelled a fixed-price project with MindTree. Margins also take a brunt, in addition to revenues, as (1) the project was cancelled only in the first week of March; MT had worked on the engagement for the months of January and February, and (2) MT would continue to bear the cost of resources on the Kyocera account with no associated revenues, for now.

### Lost business pertains to the Kyocera wireless India acquisition

MT had acquired the India R&D center of Kyocera wireless in September 2009 for a consideration of US\$6 mn. The entity had a headcount of 600 and revenues of US\$4.5-5 mn a quarter at the time of acquisition. Revenues have been in a declining phase for the past few quarters and MT does not see an uptick in business from Kyocera, at least in the near term. We also note that capabilities acquired as part of the acquisition prompted MT to dabble in the wireless handsets space – an experiment that cost the company ~US\$10 mn.

### Poor FY2011E exit forces sharp EPS estimate cuts; reiterate REDUCE

MT is likely to end FY2011E with an exit quarter yoy revenue growth rate of ~14%, substantially lower than industry average. More importantly, 4QFY11E margins of ~12% should be seen as underlying business margins (no one-offs in these). We also note the growth challenge on the R&D/SPE side of the business (41% of revenues) and cut our EPS estimates for FY2012E and FY2013E to Rs33.8 (41.5 earlier) and Rs38.4 (46.9 earlier), respectively (driven by both revenue as well as margin downgrade, see Exhibit 1). TP cut to Rs370/share (from Rs500). Reiterate REDUCE.

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Exhibit 1: Key changes to estimates, March fiscal year-ends, 2011E-2013E

	New			Old			Change (%)		
	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E
<b>Revenues (Rs mn)</b>	<b>15,048</b>	<b>17,798</b>	<b>20,424</b>	<b>15,235</b>	<b>18,536</b>	<b>21,391</b>	<b>(1.2)</b>	<b>(4.0)</b>	<b>(4.5)</b>
<b>Revenues (US\$ mn)</b>	<b>330</b>	<b>392</b>	<b>464</b>	<b>334</b>	<b>408</b>	<b>486</b>	<b>(1.2)</b>	<b>(4.0)</b>	<b>(4.5)</b>
EBITDA (Rs mn)	1,811	2,516	2,850	1,971	2,933	3,319	(8.1)	(14.2)	(14.1)
Net Profit (Rs mn)	978	1,392	1,580	1,114	1,707	1,930	(12.2)	(18.4)	(18.1)
<b>Fully diluted EPS (Rs/share)</b>	<b>23.8</b>	<b>33.8</b>	<b>38.4</b>	<b>27.1</b>	<b>41.5</b>	<b>46.9</b>	<b>(12.2)</b>	<b>(18.4)</b>	<b>(18.1)</b>
Re/ \$ rate	45.6	45.5	44.0	45.6	45.5	44.0	0.0	(0.0)	(0.0)
EBITDA margin (%)	12.0	14.1	14.0	12.9	15.8	15.5			

Source: Kotak Institutional Equities estimates

Exhibit 2: Condensed financials for MindTree Limited, 2009-2013E, March fiscal year-ends (Rs mn)

	2009	2010	2011E	2012E	2013E
<b>Profit model</b>					
Revenues	12,375	12,960	15,048	17,798	20,424
<b>EBITDA</b>	<b>3,309</b>	<b>2,456</b>	<b>1,811</b>	<b>2,516</b>	<b>2,850</b>
Interest (expense)/income	(162)	(27)	(2)	—	—
Depreciation	(570)	(652)	(701)	(777)	(879)
Other income	(1,974)	770	181	101	145
<b>Pretax profits</b>	<b>604</b>	<b>2,547</b>	<b>1,289</b>	<b>1,840</b>	<b>2,117</b>
Tax	(67)	(398)	(311)	(448)	(536)
<b>Profit after tax</b>	<b>537</b>	<b>2,148</b>	<b>978</b>	<b>1,392</b>	<b>1,580</b>
<b>Diluted earnings per share (Rs)</b>	<b>13.2</b>	<b>52.2</b>	<b>23.8</b>	<b>33.8</b>	<b>38.4</b>
<b>Balance sheet</b>					
Total equity	5,513	6,706	7,695	8,925	9,951
Deferred taxation liability	(190)	(214)	(214)	(214)	(214)
Total borrowings	1,394	31	—	—	—
Current liabilities	3,082	2,604	2,950	3,481	4,334
<b>Total liabilities and equity</b>	<b>10,126</b>	<b>9,127</b>	<b>10,432</b>	<b>12,193</b>	<b>14,073</b>
Cash	488	403	1,039	1,891	2,619
Other current assets	4,203	4,438	5,213	6,237	7,238
Goodwill	1,460	154	154	154	154
Tangible fixed assets	2,962	2,859	3,053	2,938	3,088
<b>Total assets</b>	<b>10,126</b>	<b>9,127</b>	<b>10,432</b>	<b>12,193</b>	<b>14,073</b>
<b>Free cash flow</b>					
Operating cash flow, excl. WC	4,837	2,637	1,823	2,516	2,850
Tax paid	(287)	(685)	(311)	(448)	(536)
Working capital changes	251	(713)	(428)	(493)	(148)
Capital expenditure	(369)	(473)	(907)	(662)	(1,028)
<b>Free cash flow</b>	<b>4,432</b>	<b>767</b>	<b>176</b>	<b>914</b>	<b>1,138</b>
<b>Ratios (%)</b>					
EBITDA margin	26.7	18.9	12.0	14.1	14.0
EBIT margin	22.1	13.9	7.4	9.8	9.7
Net debt/equity	(0.0)	(0.2)	(0.3)	(0.3)	(0.4)
RoAE	5.5	35.2	13.6	16.8	16.7
<b>RoACE</b>	<b>32.2</b>	<b>25.8</b>	<b>15.4</b>	<b>20.9</b>	<b>20.9</b>

Source: Company, Kotak Institutional Equities estimates

**MARCH 14, 2011****UPDATE****BSE-30: 18,439**

**February WPI inflation: Waiting for Godot?** February inflation numbers (again) surprised on the upside as it increased to 8.31% from 8.23% in January. Consensus was expecting a downward move to 7.8%. The Street has been expecting a downward trend to emerge for quite a few months now but factors for the same have remained elusive. This month's surprise came from the manufactured products price index which saw 1.31% mom rise. Manufactured products ex-food inflation came in at 6.09%, indicative that demand side pressures in the economy remain strong while global commodity prices tend to be passed onto domestic inflation. The primary articles index saw a sequential decline with food prices coming down significantly through the month. The rise in fuel and power index came from the petrol price hike of Rs2.54/litre on January 16 as the full effect of the price rise came into the index. Incidentally, the Headline WPI inflation for December was revised up sharply to 9.41% from the earlier 8.43%.

**Primary food articles inflation eases; non-food articles inflation continues to remain high**

Food articles prices fell by 5.2% mom as vegetable prices finally started to move down. Food inflation at 10.65% remained in double digits in February but at this pace it will likely come down to high single-digits next month. Protein-rich items continued to experience high inflation with 'eggs, meat and fish' inflation at 14.97%. Non-food articles inflation remained high at about 30% with a mom price increase by 4.05%. Even as the 2<sup>nd</sup> advance estimates of agricultural output indicate a rise in cotton and sugarcane output by about 40% and 15%, respectively, price pressures will continue as the global output of these items remains in question. With food articles as the majority of the primary articles basket, the quantum of fall in food prices pushed the primary articles inflation down to 14.79% (a fall of 2.9% on a mom basis).

**Manufactured products inflation surprises on the upside**

Manufactured products prices increased by 1.3% on a mom basis, taking the yoy price increase to 4.94%. The internals of the manufactured products index show that only 2 out of the 12 main sub-components saw decline in prices (both on mom and yoy basis). 'Food products' and 'Leather and leather products' registered an inflation of (-) 0.34% and (-) 1.12%, respectively. The mom increases in the components were much higher than expected and could be the effect of high global commodity prices feeding into the domestic prices. The core inflation, measured by manufacturing ex-food, rose to 6.1% against 4.8% in January. WPI ex-food, ex-fuel was up by 8.38% in February compared to 6.86% in January. This indicates that demand side pressures in the economy remain strong. The fiscal has also unleashed some demand side pull to inflation in the form of wage indexation for MNREGA on the basis of CPI-AL.

**With inflation dynamics worsening, we now expect a 25 bps rate tightening on March 17**

With inflation still firmly in the 8% region, the RBI's end-FY2011 estimate of 7% is unlikely to be met. Also we note that core inflation has increased that is indicative of demand side pressures in the economy. With international crude oil prices remaining firm, the risk to Headline WPI inflation remains strong as the government will ultimately have to take a firm decision to pass on these increases. Inflation, in our view, is likely to continue to remain sticky around 6.5-7% through 1HFY12E and any downward trend will only be evident in the latter part of FY2012E. Given the above developments, we now look for the RBI to raise the policy interest rates by 25 bps on March 17, rather than wait it out till May. However, on a cumulative basis we expect the current interest rate tightening cycle to end with repo rate at 7.25%-7.50%.

**QUICK NUMBERS**

- **February inflation at 8.31%; December revised up to 9.41%**
- **Manufactured products inflation at 4.94%; core inflation at 8.38%**
- **Expect 25 bps hike in reverse repo and repo rate in March 17 meeting**

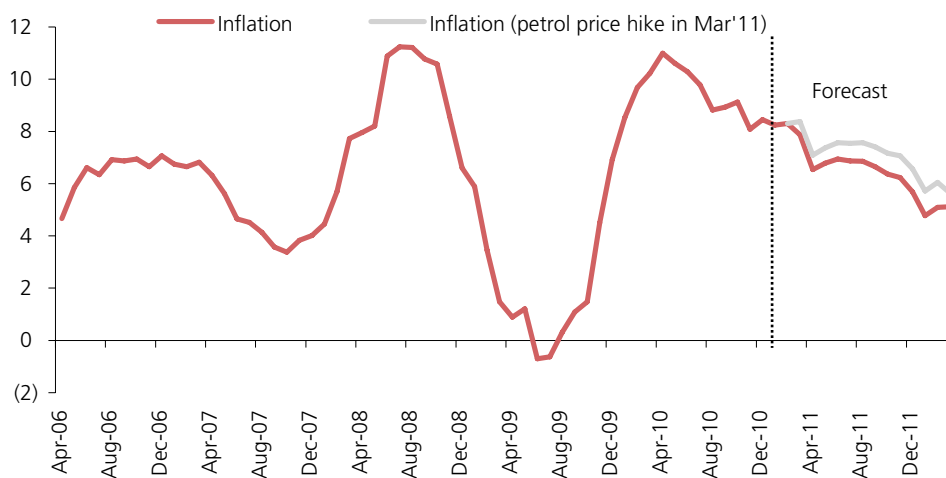
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### Inflation will be conditioned on how crude and global commodity prices pan out

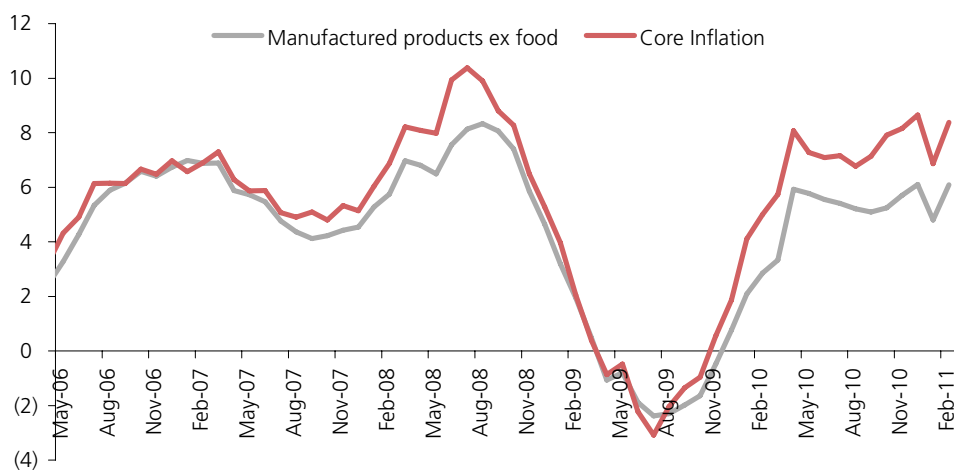
WPI inflation with and without a petrol price hike in March 2011, (y/y, %)



Source: CEIC, Kotak Economic Research estimates

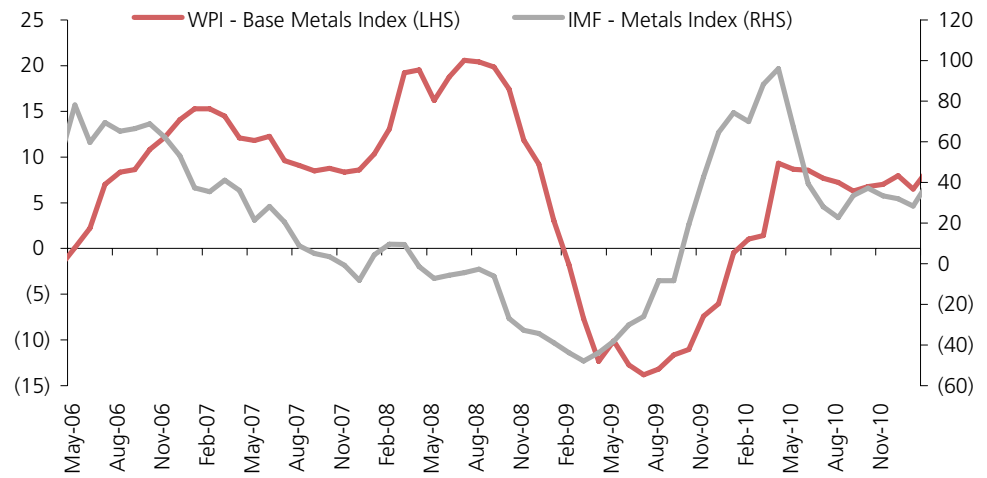
### Measures of demand side pressures have spiked up sharply

Manufactured products ex-food inflation and WPI ex-food and ex-fuel inflation, (%)



Source: CEIC, Kotak Economic Research

Pressures on non-food products prices arising from global prices are significant  
WPI index of basic metals and IMF index for metals, (y/y, %)



Source: CEIC, IMF, Kotak Economic Research

MARCH 15, 2011

UPDATE

BSE-30: 18,439

**Demystifying IRS Q4 2010: Gains across coverage universe.** Our analysis of IRS (Indian Readership Survey) Q4 2010 reveals (1) strong growth in readership of Hindi dailies and modest increase in English dailies, (2) continued gains for Hindustan Times (HT Media's English daily) in Mumbai, (3) strong gains for Hindustan (HT's Hindi daily) across key markets and (4) robust gains for DBCL and steady JAGP performance. Reiterated positive view on Hindi print stocks given (1) rising readership and (2) consolidation potential; upgrade HMVL to BUY (TP: Rs200) post recent under-performance due to weak 3QFY11.

#### Strong gains for HTML/HMVL across English (Mumbai) and Hindi markets

The average issue readership (AIR) of English dailies increased 2% yoy (Q4 2010 over R2 2009) to reach 17.4 mn (see Exhibit 1). HTML's flagship English daily, Hindustan Times (HT), continued to consolidate its runner-up position in Mumbai to move further ahead of DNA (see Exhibit 2). However, HT remains far behind Times of India (TOI) in Mumbai and thus, advertising market share gains are likely to be back-ended; its ability to monetize the hard-fought runner-up position in a market dominated by TOI is the key challenge as well as opportunity, in our view. HT retained its leadership position in Delhi; however, given the modest gap (<2%) between HT and TOI, it would be fair to say that they remain joint leaders in Delhi.

The AIR of Hindi dailies increased 9% yoy and 3% ror to reach 62.7 mn (see Exhibit 3) reflecting the relatively robust print environment in Hindi markets. Including its Gujarati daily Divya Bhaskar, DBCL led the regional market readership at 17.7 mn versus JAGP's 16.8 mn (including I-Next). However, Hindustan (HTML/HMVL's flagship Hindi daily) was the primary gainer with strong 24% yoy and 6% qoq increase in its AIR to reach 11.5 mn with market share gains in BJH as well as UPU (see Exhibit 2). Hindustan is under-monetized with significant advertising potential from fast-growing BJH as well as UPU markets, in our view.

#### Robust performance by DBCL with market share gains in home MPCG market

DBCL's flagship Hindi daily, Dainik Bhaskar (DB), saw a strong 9% yoy increase in its AIR to reach 14.0 mn (17.7 mn including Divya Bhaskar; see Exhibit 3); Dainik Bhaskar led the field in MPCG (Madhya Pradesh-Chhattisgarh) with robust 5% ror growth despite rising competition (see Exhibit 4) as well as gains in Punjab and Rajasthan. MPCG is the home market for DBCL, where it faces competition from Nai Dunia and Patrika of the Rajasthan Patrika group (15% ror growth in readership at 1.08 mn). It has preemptively launched hyper-local editions in MPCG to protect its market share (readership and advertising) and raise entry barriers for competition; further, DBCL's plans to launch new editions in Gujarat to strengthen its position in a strategically important market, where it lost modest readership in IRS Q4 2010.

#### Steady performance by JAGP in UPU market but needs to improve in other markets

JAGP's flagship Hindi daily, Dainik Jagran (DJ), saw modest 1% yoy growth in its AIR to reach 16.1 mn (16.8 mn including I-Next; see Exhibit 3). We concede that DJ has been behind the curve in re-investing in core markets post robust recovery in advertising revenue environment; however, JAGP highlighted renewed investment in core markets in 3QFY11 (11% yoy circulation growth). DJ's steady performance in core UPU market is positive (see Exhibit 5); additionally, JAGP continues to report gains in key urban centers (see Exhibit 6) of UPU where competition from Hindustan as well as Amar Ujala (AU) had been quite intense. The ad-per-reader gap versus peers (see Exhibit 7) ensures steady advertising growth from existing reader base even as the impact of increased circulation will become visible within 12-18 months.

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## Average Issue Readership (AIR) ranking of English dailies ('000)

Rank	Newspaper	yoy			ror		
		Q4 2010	R2 2009	chg (%)	Q4 2010	Q3 2010	chg (%)
1	The Times Of India	7,424	7,142	4	7,424	7,254	2
2	Hindustan Times	3,592	3,347	7	3,592	3,517	2
3	The Hindu	2,115	2,169	(2)	2,115	2,105	0
4	The Telegraph	1,238	1,150	8	1,238	1,197	3
5	Deccan Chronicle	1,073	1,152	(7)	1,073	1,078	(0)
6	The Economic Times	797	757	5	797	798	(0)
7	Daily News and Analysis	750	793	(5)	750	768	(2)
8	Mumbai Mirror	711	810	(12)	711	756	(6)
9	The Tribune	621	596	4	621	594	5
10	The New Indian Express	529	563	(6)	529	506	5
11	Mid-Day	389	485	(20)	389	415	(6)
<b>Top 5 players</b>		<b>15,442</b>	<b>14,960</b>	<b>3</b>	<b>15,442</b>	<b>15,151</b>	<b>2</b>
<b>Total English</b>		<b>17,402</b>	<b>17,056</b>	<b>2</b>	<b>17,402</b>	<b>17,123</b>	<b>2</b>

Notes:

(a) Fieldwork period for Q4 2010: October 2009 to October 2010.

(b) Fieldwork period for Q3 2010: April 2009 to June 2010.

(c) Fieldwork period for R2 2009: July 2008 to June 2009.

Source: Indian Readership Survey, Kotak Institutional Equities

## Trends in AIR of HT Media publications and competitors in key markets ('000)

	HTML			Competition		
	Q4 2010	Q3 2010	chg (%)	Q4 2010	Q3 2010	chg (%)
<b>Hindustan Times</b>						
Delhi/NCR	1,920	1,914	0	1,895	1,856	2
<b>Mumbai</b>	<b>613</b>	<b>592</b>	<b>4</b>	<b>572</b>	<b>575</b>	<b>(1)</b>
CPH	420	419	0	550	531	4
UPU	293	264	11	638	605	5
BJH	174	161	8	223	204	9
<b>Hindustan</b>						
Bihar	4,625	4,515	2	2,482	2,527	(2)
Delhi/NCR	1,340	1,321	1	1,082	1,094	(1)
Jharkhand	1,766	1,630	8	1,286	1,133	14
<b>Uttar Pradesh</b>	<b>3,526</b>	<b>3,189</b>	<b>11</b>	<b>6,831</b>	<b>6,749</b>	<b>1</b>
Uttaranchal	251	222	13	568	586	(3)

Notes:

(a) Fieldwork period for Q4 2010: October 2009 to October 2010.

(b) Fieldwork period for Q3 2010: April 2009 to June 2010.

Source: Indian Readership Survey, Kotak Institutional Equities

## Average Issue Readership (AIR) ranking of Hindi dailies ('000)

Rank	Newspaper	yoy			ror		
		Q4 2010	R2 2009	chg (%)	Q4 2010	Q3 2010	chg (%)
1	Dainik Jagran (DJ)	16,066	16,096	(0)	16,066	15,950	1
2	Dainik Bhaskar (DB)	13,992	12,880	9	13,992	13,488	4
3	Hindustan (HH)	11,452	9,336	23	11,452	10,839	6
4	Amar Ujala (AU)	8,640	8,299	4	8,640	8,583	1
5	Rajasthan Patrika (RP)	7,166	6,486	10	7,166	7,217	(1)
6	Punjab Kesari	3,559	3,425	4	3,559	3,499	2
7	Navbharat Times (NT)	2,579	2,366	9	2,579	2,532	2
8	Nai Dunia (ND)	1,671	1,187	41	1,671	1,554	8
9	Prabhat Khabar	1,679	1,279	31	1,679	1,465	15
10	Hari Bhoomi	1,510	1,277	18	1,510	1,458	4
11	Nava Bharat	1,392	1,406	(1)	1,392	1,457	(4)
<b>Top 5 players</b>		<b>57,316</b>	<b>53,097</b>	<b>8</b>	<b>57,316</b>	<b>56,077</b>	<b>2</b>
<b>Total Hindi</b>		<b>62,694</b>	<b>57,565</b>	<b>9</b>	<b>62,694</b>	<b>61,152</b>	<b>3</b>
DJ + I-Next		16,755	16,793	(0)	16,755	16,614	1
DB + Divya Bhaskar		17,743	16,480	8	17,743	17,331	2
AU + AU Compact		9,468	8,532	11	9,468	9,186	3
RP + Patrika		8,246	6,949	19	8,246	8,154	1
NT + Maharashtra Times		3,667	3,490	5	3,667	3,656	0
ND + NavDunia		1,962	1,347	46	1,962	1,728	14

Notes:

(a) Fieldwork period for Q4 2010: October 2009 to October 2010.

(b) Fieldwork period for Q3 2010: April 2009 to June 2010.

(c) Fieldwork period for R2 2009: July 2008 to June 2009.

Source: Indian Readership Survey, Kotak Institutional Equities

## Trends in AIR of DB Corp publications and competitors in key markets ('000)

	DBCL			Competition		
	Q4 2010	Q3 2010	chg (%)	Q4 2010	Q3 2010	chg (%)
<b>Dainik Bhaskar</b>						
Chhattisgarh	1,016	971	5	911	887	3
Haryana	1,389	1,446	(4)	1,048	1,013	3
<b>Madhya Pradesh</b>	<b>3,534</b>	<b>3,357</b>	<b>5</b>	<b>1,500</b>	<b>1,255</b>	<b>20</b>
Punjab	849	810	5	819	802	2
<b>Rajasthan</b>	<b>6,379</b>	<b>6,104</b>	<b>5</b>	<b>7,026</b>	<b>7,135</b>	<b>(2)</b>
<b>Gujarat</b>	<b>3,715</b>	<b>3,819</b>	<b>(3)</b>	<b>4,365</b>	<b>4,472</b>	<b>(2)</b>
						<b>Gujarat Samachar</b>

Notes:

(a) Fieldwork period for Q4 2010: October 2009 to October 2010.

(b) Fieldwork period for Q3 2010: April 2009 to June 2010.

Source: Indian Readership Survey, Kotak Institutional Equities

## Trends in AIR of Jagran Prakashan publications and competitors in key markets ('000)

	JAGP			Competition		
	Q4 2010	Q3 2010	chg (%)	Q4 2010	Q3 2010	chg (%)
<b>Dainik Jagran</b>						
Bihar	2,482	2,527	(2)	4,625	4,515	2 Hindustan
Delhi/NCR	1,082	1,094	(1)	831	790	5 Punjab Kesari
Haryana	1,002	927	8	1,048	1,013	3 Punjab Kesari
Jharkhand	888	823	8	1,286	1,133	14 Prabhat Khabar
Punjab	819	802	2	849	810	5 Dainik Bhaskar
<b>Uttar Pradesh</b>	<b>8,938</b>	<b>8,945</b>	<b>(0)</b>	<b>6,831</b>	<b>6,749</b>	<b>1 Amar Ujala</b>
Uttaranchal	568	586	(3)	810	805	1 Amar Ujala
I-Next	689	664	4	828	603	37 AU Compact

Notes:

(a) Fieldwork period for Q4 2010: October 2009 to October 2010.

(b) Fieldwork period for Q3 2010: April 2009 to June 2010.

Source: Indian Readership Survey, Kotak Institutional Equities

## Trends in newspaper readership in key cities of Uttar Pradesh ('000)

	R1 2007	R2 2007	R1 2008	R2 2008	R1 2009	R2 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2011	% chg
<b>Kanpur</b>											
Amar Ujala	364	331	327	315	296	267	252	245	231	230	(37)
Dainik Jagran	716	668	666	645	678	700	688	667	655	664	(7)
Hindustan	52	94	203	246	221	187	178	185	180	179	244
<b>Lucknow</b>											
Amar Ujala	6	8	5	13	127	214	223	204	191	177	2,850
Dainik Jagran	491	496	455	418	383	344	347	386	397	400	(19)
Hindustan	278	259	275	277	264	282	291	294	281	285	3
<b>Meerut</b>											
Amar Ujala	243	217	202	179	196	185	171	161	172	171	(30)
Dainik Jagran	230	205	183	214	228	239	220	215	241	249	8
Hindustan	66	66	67	72	60	57	52	53	56	67	2
<b>Agra</b>											
Amar Ujala	208	188	194	177	188	183	193	181	173	181	(13)
Dainik Jagran	135	134	124	117	134	127	151	146	152	158	17
Hindustan	6	18	29	39	53	58	61	62	67	75	1,150
<b>Allahabad</b>											
Amar Ujala	178	190	190	187	175	174	152	142	143	124	(30)
Dainik Jagran	195	218	222	193	179	159	142	145	140	133	(32)
Hindustan	16	16	15	11	7	20	42	64	83	101	531
<b>Varanasi</b>											
Amar Ujala	95	93	127	122	108	99	94	83	81	84	(12)
Dainik Jagran	170	168	184	169	155	146	146	144	133	140	(18)
Hindustan	96	91	87	77	81	100	112	134	159	137	43
<b>Total</b>											
Amar Ujala	1,094	1,027	1,045	993	1,090	1,122	1,085	1,016	991	967	(12)
Hindustan	514	544	676	722	686	704	736	792	826	844	64
Dainik Jagran	1,937	1,889	1,834	1,756	1,757	1,715	1,694	1,703	1,718	1,744	(10)
I-Next	—	—	—	—	445	373	431	423	400	396	
<b>JAGP (DJ + IN)</b>	<b>1,937</b>	<b>1,889</b>	<b>1,834</b>	<b>1,756</b>	<b>2,202</b>	<b>2,088</b>	<b>2,125</b>	<b>2,126</b>	<b>2,118</b>	<b>2,140</b>	<b>10</b>

Source: Indian Readership Survey, Kotak institutional Equities

Advertising revenue per monetizable reader, March fiscal year-end, 2011E (Rs)

	Readership ('000)					Ad revenue (Rs mn)	Ad rev/reader	
	Sec A	Sec B	Sec R1	Sec AB	Sec ABR1		Sec AB	Sec ABR1
<b>HT Media</b>	<b>3,759</b>	<b>2,583</b>	<b>1,104</b>	<b>6,342</b>	<b>7,446</b>	<b>13,748</b>	<b>2,168</b>	<b>1,846</b>
--Hindustan Times	2,115	845	33	2,960	2,993	9,896	3,343	3,306
<b>--Hindustan Media</b>	<b>1,644</b>	<b>1,738</b>	<b>1,071</b>	<b>3,382</b>	<b>4,453</b>	<b>3,852</b>	<b>1,139</b>	<b>865</b>
<b>DB Corp</b>	<b>2,540</b>	<b>3,166</b>	<b>913</b>	<b>5,706</b>	<b>6,619</b>	<b>9,580</b>	<b>1,679</b>	<b>1,447</b>
--Dainik Bhaskar	2,086	2,460	814	4,546	5,360			
--Divya Bhaskar	454	706	99	1,160	1,259			
<b>Jagran Prakashan</b>	<b>2,305</b>	<b>2,745</b>	<b>1,775</b>	<b>5,050</b>	<b>6,825</b>	<b>7,616</b>	<b>1,508</b>	<b>1,116</b>
--Dainik Jagran	2,305	2,745	1,775	5,050	6,825			

Source: Indian Readership Survey, Kotak Institutional Equities

**Upgrade HMVL to BUY; TP (Rs200) unchanged**

We upgrade HMVL to BUY given large valuation gap versus peers JAGP and DBCL (reiterate positive view on the same); though HMVL's seems similarly valued across financial metrics, we believe this may not be the right lens since its EBITDA margins are depressed on account expansion in UPU market (~20% between FY2010-12E, compared to ~30% for peers). From an operating perspective (EV/reader), HMVL trades at significant ~65% discount to peers (see Exhibit 8). We expect (1) strong readership growth in HMVL (24% yoy versus 8% yoy for DBCL and flat for JAGP) as well as (2) improved monetization (see Exhibit 7 above for Advertising/reader gap versus peers) given renewed focus on the Hindi business to help bridge the valuation gap sooner rather than later.

Valuation of Indian print media companies, March fiscal year-ends, 2010-13E

	EV (Rs bn)	EBITDA (Rs bn)				EV/EBITDA (X)			
		2010	2011E	2012E	2013E	2010	2011E	2012E	2013E
JAGP	33	2.8	3.4	3.8	4.5	11.6	9.5	8.7	7.3
<b>JAGP (adjusted)</b>	<b>31</b>	<b>2.8</b>	<b>3.4</b>	<b>3.8</b>	<b>4.5</b>	<b>11.1</b>	<b>9.1</b>	<b>8.3</b>	<b>7.0</b>
DBCL	44	3.3	3.9	4.2	5.1	13.3	11.3	10.4	8.7
<b>DBCL (adjusted)</b>	<b>44</b>	<b>3.3</b>	<b>4.2</b>	<b>4.9</b>	<b>5.8</b>	<b>13.3</b>	<b>10.4</b>	<b>9.0</b>	<b>7.6</b>
<b>HMVL</b>	<b>9</b>	<b>0.8</b>	<b>1.0</b>	<b>1.2</b>	<b>1.6</b>	<b>10.6</b>	<b>9.3</b>	<b>7.4</b>	<b>5.6</b>
HTML	32	2.6	3.0	3.7	4.8	12.4	10.5	8.5	6.7

	Price (Rs)	EPS (Rs/share)				P/E (X)			
		2010	2011E	2012E	2013E	2010	2011E	2012E	2013E
JAGP	116	5.8	7.0	7.9	9.3	19.9	16.7	14.7	12.4
<b>JAGP (adjusted)</b>	<b>116</b>	<b>5.9</b>	<b>7.2</b>	<b>8.2</b>	<b>9.8</b>	<b>19.6</b>	<b>16.2</b>	<b>14.1</b>	<b>11.8</b>
DBCL	243	10.6	12.6	14.0	17.0	22.9	19.2	17.4	14.3
<b>DBCL (adjusted)</b>	<b>243</b>	<b>10.6</b>	<b>13.7</b>	<b>16.2</b>	<b>19.5</b>	<b>22.9</b>	<b>17.7</b>	<b>15.0</b>	<b>12.5</b>
<b>HMVL</b>	<b>145</b>	<b>7.9</b>	<b>8.3</b>	<b>10.0</b>	<b>13.0</b>	<b>18.3</b>	<b>17.4</b>	<b>14.5</b>	<b>11.2</b>
HTML	135	6.0	7.1	8.6	11.3	22.5	19.1	15.7	11.9

	Readership (mn)				EV/Reader (X)			
	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2010	Q2 2010	Q3 2010	Q4 2010
JAGP	16.3	15.9	16.0	16.1	2,000	2,049	2,046	2,031
DBCL	16.6	16.7	17.1	17.5	2,661	2,643	2,581	2,516
<b>HMVL</b>	<b>9.9</b>	<b>10.1</b>	<b>10.8</b>	<b>11.5</b>	<b>891</b>	<b>870</b>	<b>815</b>	<b>771</b>
<b>Discount (%)</b>					<b>62</b>	<b>63</b>	<b>65</b>	<b>66</b>

Notes:

(a) Adjusted for higher dividend payout versus peers DBCL and HTML.

(b) Adjusted for near-term startup losses due to expansion in BIH market.

Source: Company data, Kotak Institutional Equities estimates

Source: Company, Bloomberg, Kotak Institutional Equities estimates

		14-Mar-11		Mkt cap.		O/S shares		EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price		
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	(Rs)	Upside (%)	ADVT-3mo (US\$ mn)		
Automobiles																															
Ashok Leyland	54	SELL	71,370	1,582	1,330	4.3	4.7	5.7	53.5	8.1	22.3	12.4	11.5	9.4	8.4	7.9	6.0	1.6	1.4	1.3	1.9	1.9	1.9	13.6	13.4	14.7	56	4.4	8.1		
Bajaj Auto	1,383	ADD	400,327	8,873	289	90.3	100.0	111.6	43.8	10.8	11.5	15.5	16.3	13.8	12.4	14.6	13.7	12.5	8.7	6.1	4.5	1.8	1.8	68.5	50.6	40.7	1,500	8.4	23.6		
Bharat Forge	322	ADD	76,928	1,705	239	12.4	19.7	22.8	1,705.4	59	15.6	25.9	16.3	14.1	12.3	8.2	6.9	3.6	3.0	2.5	—	—	—	8.5	16.4	17.9	405	25.9	3.8		
Hero Honda	1,531	REDUCE	305,761	6,777	200	97.8	109.8	126.9	(12.5)	12.3	15.5	15.7	13.9	12.1	10.7	9.1	7.3	6.4	4.9	3.8	2.0	2.0	2.0	45.0	39.5	35.2	1,485	(3.0)	35.7		
Mahindra & Mahindra	661	BUY	406,831	9,017	615	42.8	47.7	53.8	22.1	11.6	12.8	15.5	13.9	12.3	11.8	10.5	9.0	3.7	3.1	2.6	1.4	1.5	1.7	27.6	24.5	23.0	800	20.9	36.2		
Maruti Suzuki	1,257	BUY	363,160	8,049	289	78.4	91.8	104.7	(9.3)	17.0	14.1	16.0	13.7	12.0	10.5	8.6	6.8	2.6	2.2	1.9	0.4	0.5	0.6	17.4	17.3	16.8	1,460	16.1	10.5		
Tata Motors	1,176	ADD	781,332	17,318	665	129.9	133.6	159.2	603.4	2.9	19.1	9.1	8.8	7.4	6.2	5.9	5.0	3.6	2.6	2.0	0.5	0.5	0.5	58.6	34.9	30.5	1,305	11.0	98.8		
Automobiles		Cautious	2,520,969	55,876					83.9	9.1	16.2	12.9	11.8	10.2	8.8	8.0	6.8	3.9	3.0	2.4	1.0	1.1	1.1	30.0	25.6	23.6					
Banks/Financial Institutions																															
Andhra Bank	135	BUY	71,037	1,574	526	24.1	26.4	30.6	12.0	9.5	15.9	5.6	5.1	4.4	—	—	—	1.2	1.0	0.9	4.1	4.5	5.3	24.4	21.4	21.2	180	33.3	3.7		
Axis Bank	1,290	BUY	522,816	11,588	405	81.7	99.9	122.8	31.6	22.3	22.9	15.8	12.9	10.5	—	—	—	2.8	2.4	2.0	1.2	1.5	1.8	19.1	20.1	21.0	1,600	24.0	51.6		
Bank of Baroda	905	BUY	330,821	7,332	366	108.0	120.5	142.2	29.1	11.6	18.0	8.4	7.5	6.4	—	—	—	2.0	1.6	1.4	2.1	2.4	2.8	25.8	23.7	23.2	1,200	32.6	8.9		
Bank of India	464	ADD	253,959	5,629	547	49.7	62.7	68.5	50.1	26.1	9.2	9.3	7.4	6.8	—	—	—	1.6	1.4	1.2	2.3	2.9	3.1	19.0	20.0	18.9	560	20.7	10.0		
Canara Bank	621	ADD	254,733	5,646	410	98.7	102.0	123.8	34.0	3.3	21.4	6.3	6.1	5.0	—	—	—	1.6	1.3	1.1	1.6	1.9	1.9	24.6	20.9	21.1	700	12.7	13.3		
Corporation Bank	561	ADD	83,052	1,841	148	86.9	95.8	113.6	5.9	10.3	18.6	6.5	5.9	4.9	—	—	—	1.2	1.0	0.9	3.1	3.4	4.1	20.0	18.6	19.1	700	24.9	1.0		
Federal Bank	365	BUY	62,427	1,384	171	34.3	44.5	52.4	26.3	29.7	17.8	10.6	8.2	7.0	—	—	—	1.2	1.1	1.0	1.7	2.2	2.6	11.9	14.0	14.7	450	23.3	4.6		
HDFC	671	REDUCE	963,900	21,364	1,436	24.1	27.1	31.7	22.2	12.6	17.1	27.9	24.8	21.2	—	—	—	5.6	4.9	3.8	1.3	1.4	1.7	21.3	21.2	20.9	690	2.8	44.8		
HDFC Bank	2,215	ADD	1,013,787	22,470	458	86.2	111.8	142.9	33.8	29.8	27.8	25.7	19.8	15.5	—	—	—	4.1	3.5	3.0	0.7	0.9	1.2	17.1	19.2	21.0	2,400	8.4	47.0		
ICICI Bank	1,019	ADD	1,172,871	25,996	1,151	45.8	58.0	68.3	26.7	26.8	17.7	22.3	17.6	14.9	—	—	—	2.1	2.0	1.8	1.3	1.7	2.0	9.9	11.6	12.6	1,200	17.8	106.9		
IDFC	146	ADD	219,511	4,865	1,506	9.1	10.9	14.1	8.3	19.5	29.5	16.1	13.4	10.4	—	—	—	2.1	1.7	1.5	1.1	1.4	1.8	15.0	13.9	15.5	175	20.1	27.5		
India Infoline	72	BUY	23,494	521	327	7.4	8.0	9.4	(9.0)	8.1	17.4	9.7	9.0	7.6	—	—	—	1.4	1.1	1.0	4.0	2.4	2.8	13.2	13.8	14.1	100	39.3	3.2		
Indian Bank	215	BUY	92,444	2,049	430	37.9	43.5	53.3	8.1	14.6	22.5	5.7	4.9	4.0	—	—	—	1.2	1.0	0.8	3.2	3.6	4.5	21.7	21.0	21.7	320	48.8	2.2		
Indian Overseas Bank	143	BUY	88,734	1,967	619	15.8	21.9	29.5	21.6	38.9	34.7	9.1	6.5	4.9	—	—	—	1.1	0.9	0.8	2.7	3.0	3.3	11.6	13.8	16.4	180	25.7	3.0		
J&K Bank	770	ADD	37,351	828	48	123.5	136.6	154.0	16.9	10.6	12.8	6.2	5.6	5.0	—	—	—	1.1	1.0	0.9	3.3	3.7	4.2	18.5	17.8	17.6	850	10.4	0.7		
LC Housing Finance	198	ADD	93,874	2,081	475	19.3	21.4	25.6	38.5	10.9	19.5	10.2	9.2	7.7	—	—	—	2.3	2.0	1.7	2.1	2.3	2.8	24.6	22.8	23.0	206	4.2	45.6		
Mahindra & Mahindra Financial	709	ADD	72,449	1,606	102	47.5	60.8	71.7	32.4	28.1	17.8	14.9	11.7	9.9	—	—	—	3.0	2.5	2.2	1.4	1.8	2.1	22.8	22.6	22.4	800	12.8	2.7		
Oriental Bank of Commerce	362	ADD	105,574	2,340	292	52.0	58.7	66.0	14.9	12.7	12.5	7.0	6.2	5.5	—	—	—	1.0	0.9	0.8	2.9	3.3	3.7	15.7	14.6	14.8	450	24.4	6.1		
PFC	241	REDUCE	276,096	6,119	1,148	24.1	28.2	33.0	17.5	17.0	16.8	10.0	8.5	7.3	—	—	—	1.8	1.6	1.4	2.0	2.3	2.7	19.3	19.5	19.6	300	24.7	3.9		
Punjab National Bank	1,081	BUY	342,474	7,591	317	137.6	165.6	202.2	11.1	20.3	22.1	7.9	6.5	5.3	—	—	—	1.7	1.4	1.2	2.6	3.1	3.8	23.8	23.8	24.2	1,500	38.8	7.4		
Reliance Capital	562	ADD	138,330	3,066	246	6.6	17.0	27.9	(49.8)	159.7	63.6	85.6	33.0	20.2	—	—	—	2.0	1.9	1.8	0.5	1.2	2.0	3.3	5.9	9.3	620	10.3	35.2		
Rural Electrification Corp.	228	REDUCE	225,520	4,999	987	25.5	29.2	33.3	25.9	14.5	13.8	8.9	7.8	6.9	—	—	—	1.8	1.5	1.3	3.4	3.8	4.4	21.2	21.2	21.0	275	20.4	21.3		
Shriram Transport	758	ADD	169,073	3,747	223	56.1	66.8	81.0	43.2	19.1	21.3	13.5	11.3	9.3	—	—	—	3.7	3.0	2.4	1.5	1.8	2.1	28.9	27.7	27.3	800	5.6	5.7		
SKS Microfinance	569	REDUCE	42,902	951	75	24.2	36.5	62.3	(10.3)	50.9	70.8	23.6	15.6	9.1	—	—	—	2.3	2.0	1.6	—	—	—	12.6	13.5	19.5	700	22.9	9.5		
State Bank of India	2,602	BUY	1,651,996	36,615	635	175.2	225.2	272.1	(21.3)	28.6	20.8	14.9	11.6	9.6	—	—	—	2.2	1.9	1.6	1.2	1.3	1.4	15.8	17.7	18.4	3,300	26.8	177.5		
Union Bank	337	BUY	180,764	4,007	536	39.0	51.3	61.4	(5.1)	31.6	19.5	8.6	6.6	5.5	—	—	—	1.5	1.3	1.1	1.5	2.0	2.4	20.5	21.5	21.4	420	24.5	4.2		
Yes Bank	271	BUY	92,135	2,042	340	21.4	26.4	33.1	42.4	23.5	25.4	12.7	10.3	8.2	—	—	—	2.5	2.0	1.7	0.8	1.0	1.2	21.3	21.7	22.4	370	36.4	20.8		
Banks/Financial Institutions		Attractive	8,695,028	192,720					24.7	21.2	20.6	13.7	11.3	9.4	—	—	—	2.3	2.0	1.7	1.5	1.8	2.1	16.4	17.2	17.8					
Cement																															
ACC	1,010	SELL	189,749	4,206	188	51.7	54.5	68.0	(37.9)	5.4	24.9	19.5	18.5	14.8	11.2	8.9	7.0	2.8	2.5	2.3	2.3	2.3	2.3	16.4	15.8	17.3	920	(8.9)	8.8		
Ambuja Cements	128	SELL	194,103	4,302	1,522	7.9	7.9	8.7	(0.7)	(0.1)	9.4	16.0	16.1	14.7	9.7	8.6	7.6	2.5	2.3	2.1	1.6	1.7	1.9	16.8	15.0	14.9	108	(15.3)	5.0		
Grasim Industries	2,380	ADD	218,263	4,838	92	224.3	261.1	327.0	(25.5)	16.4	25.3	10.6	9.1	7.3	6.2	4.7	4.0	1.5	1.3	1.2	1.4	1.4	1.4	15.4	15.7	17.0	2,600	9.2	3.5		
India Cements	93	SELL	28,414	630	307	3.0	6.8	11.7	(70.5)	130.5	71.9	31.2	13.6	7.9	11.9	7.6	4.6	0.7	0.7	0.6	3.4	3.4	3.4	2.3	5.3	8.8	85	(8.1)	2.2		
Shree Cement	1,777	REDUCE	61,916	1,372	35	84.0	161.7	185.0	(59.6)	92.6	14.5	21.2	11.0	9.6	7.2	4.1	3.1	2.5	2.1	0.6	0.6	0.6	0.6	15.2	25.0	23.6	1,680	(5.5)	0.6		
UltraTech Cement	1,030	REDUCE	282,353	6,258	274	42.3	79.7	102.1	(52.1)	88.6	28.1	24.4	12.9	10.1	12.0	7.0	5.8	2.3	2.0	1.7	0.4	0.4	0.4	11.9	19.3	20.4	1,030	(0.0)	2.9		
Cement		Neutral	974,799	21,606					(24.7)	31.2	24.0	16.9	12.9	10.4	8.9	6.3	5.2	2.1	1.8	1.6	1.3	1.4	1.4	12.3	14.2	15.4					

## Kotak Institutional Equities: Valuation summary of key Indian companies

	14-Mar-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	(Rs)	(%)	(US\$ mn)	
Consumer products																														
Asian Paints	2,528	REDUCE	242,500	5,375	96	82.6	95.7	113.0	15.5	15.8	18.1	30.6	26.4	22.4	20.2	17.1	14.0	12.0	9.8	7.5	1.4	1.6	1.1	44.9	41.7	38.4	2,550	0.9	6.1	
Colgate-Palmolive (India)	850	SELL	115,655	2,563	136	31.0	36.0	41.3	(0.5)	16.2	14.7	27.5	23.6	20.6	24.2	20.9	17.9	30.6	26.5	21.5	2.7	3.2	3.4	119.7	120.3	115.2	800	(5.9)	2.6	
Dabur India	97	ADD	168,013	3,724	1,731	3.2	3.8	4.4	11.7	17.9	14.3	30.0	25.4	22.3	22.1	18.3	15.6	12.3	9.5	7.6	1.2	1.4	1.6	49.0	42.7	38.3	110	13.3	3.9	
GlaxoSmithkline Consumer (a)	2,094	ADD	88,050	1,952	42	71.9	84.1	99.5	29.8	17.1	18.3	29.1	24.9	21.0	21.7	18.7	15.1	9.2	7.5	6.2	2.4	1.3	1.5	32.4	33.0	31.9	2,400	14.6	1.0	
Godrej Consumer Products	355	ADD	114,858	2,546	324	13.6	17.1	20.8	20.0	26.1	21.2	26.1	20.7	17.1	19.8	15.4	12.3	6.4	5.9	5.4	0.9	0.9	0.9	31.9	29.6	33.0	440	24.0	2.0	
Hindustan Unilever	278	SELL	606,727	13,448	2,182	9.6	11.4	13.1	2.2	17.9	15.1	28.9	24.5	21.3	23.4	19.7	16.5	20.5	17.8	15.4	2.8	3.3	3.9	75.9	77.8	77.8	250	(10.1)	14.3	
ITC	173	ADD	1,324,526	29,357	7,636	6.5	7.8	9.1	22.8	19.0	17.4	26.6	22.4	19.1	17.7	14.6	12.3	7.5	6.5	5.7	1.6	2.2	2.6	32.1	32.4	33.1	185	6.7	30.2	
Jubilant Foodworks	546	SELL	34,885	773	64	11.5	14.5	19.4	104.4	26.3	34.0	47.6	37.7	28.1	28.6	19.7	14.8	18.3	12.3	8.6	—	—	—	47.6	39.1	35.9	450	(17.6)	11.3	
Jyothy Laboratories	238	ADD	19,227	426	81	11.4	13.7	16.2	3.8	19.4	18.5	20.8	17.5	14.7	15.2	11.7	9.2	2.8	2.5	2.2	1.5	2.0	2.5	12.8	14.6	-	270	13.2	0.5	
Marico	134	ADD	81,918	1,816	612	5.0	5.6	6.5	12.2	12.8	15.0	26.8	23.8	20.7	19.7	16.3	13.9	9.0	6.9	5.5	0.7	0.7	0.8	39.2	33.3	29.8	140	4.5	2.7	
Nestle India (a)	3,860	REDUCE	372,145	8,248	96	87.0	104.1	126.2	17.0	19.6	21.2	44.3	37.1	30.6	29.6	24.3	19.8	52.1	41.6	33.4	1.6	1.9	2.3	129.6	124.8	121.2	3,100	(19.7)	2.7	
Tata Global Beverages	102	ADD	63,139	1,399	618	5.2	5.9	7.0	(14.0)	14.2	16.9	19.6	17.2	14.7	9.7	8.7	7.4	1.2	1.2	1.1	1.7	1.9	2.3	8.4	9.1	10.1	110	7.7	3.2	
Titan Industries	3,495	ADD	155,134	3,438	44	107.1	125.9	145.6	87.1	17.5	15.6	32.6	27.8	24.0	23.7	19.6	15.6	13.4	9.4	7.0	0.3	0.4	0.5	50.3	39.8	33.5	4,100	17.3	32.8	
United Spirits	1,080	ADD	135,629	3,006	126	33.1	47.0	62.3	21.5	41.9	32.4	32.6	23.0	17.3	15.8	13.0	11.0	3.3	2.9	2.5	0.2	0.3	0.4	10.5	13.3	15.4	1,550	43.5	9.7	
Consumer products																														
Constructions																														
IVRCL	75	BUY	19,932	442	267	7.0	8.9	12.6	(11.7)	28.1	40.7	10.7	8.3	5.9	7.2	6.1	5.0	1.0	0.9	0.8	0.5	0.5	0.5	9.6	11.2	13.9	125	67.4	8.2	
Nagarjuna Construction Co.	100	BUY	25,581	567	257	7.2	9.7	13.1	1.2	34.3	35.4	13.8	10.3	7.6	9.1	7.5	5.8	1.1	1.0	0.9	2.0	2.0	2.0	8.0	10.1	12.5	160	60.5	3.3	
Punj Lloyd	63	REDUCE	21,513	477	340	1.3	8.5	12.6	(137.2)	567.0	48.2	49.7	7.5	5.0	7.9	5.7	4.7	0.7	0.6	0.6	0.1	1.2	1.7	1.4	9.0	12.2	90	42.1	11.0	
Sadbhav Engineering	108	BUY	16,155	358	150	6.2	8.7	10.0	20.2	41.0	14.4	17.4	12.4	10.8	9.7	8.0	7.2	3.1	3.0	2.7	5.6	5.6	5.6	17.8	23.9	25.2	175	62.5	0.4	
Construction																														
Energy																														
Aban Offshore	598	BUY	26,001	576	44	104.6	107.6	116.9	(1.9)	2.9	8.7	5.7	5.6	5.1	6.6	6.4	6.3	1.2	1.1	0.9	0.6	0.7	0.8	26.1	20.4	18.0	815	36.4	17.8	
Bharat Petroleum	570	ADD	206,240	4,571	362	51.9	46.5	65.7	(9.9)	(10.4)	41.2	11.0	12.3	8.7	8.7	9.3	6.7	1.4	1.3	1.2	2.8	2.7	3.8	12.2	10.1	13.2	655	14.8	10.5	
Cairn india	346	RS	655,974	14,539	1,897	30.9	57.0	58.0	457.4	84.7	1.7	11.2	6.1	6.0	8.5	4.6	4.1	1.7	1.4	1.3	—	4—	5.8	15.9	25.5	22.8	—	—	19.3	
Castrol India (a)	413	SELL	102,238	2,266	247	19.8	20.5	21.1	28.7	3.2	3.1	20.9	20.2	19.6	13.1	12.9	12.5	19.8	18.4	17.5	3.6	3.9	4.1	100.5	94.4	91.5	370	(10.5)	0.7	
GAIL (India)	463	ADD	586,862	13,007	1,268	29.3	34.7	43.6	18.5	18.4	25.4	15.8	13.3	10.6	10.1	9.7	7.5	2.8	2.4	2.1	1.8	2.2	3.0	18.1	18.6	19.8	510	10.2	13.0	
GSPL	100	REDUCE	56,217	1,246	562	8.5	8.6	10.4	16.8	0.9	20.9	11.7	11.6	9.6	7.3	6.8	5.9	2.6	2.3	2.1	2.1	3.4	5.2	24.9	21.1	22.6	90	(10.0)	3.5	
Hindustan Petroleum	335	BUY	113,704	2,520	339	46.5	35.0	49.9	(9.9)	(24.8)	42.8	7.2	9.6	6.7	2.9	3.2	2.4	0.8	0.7	0.7	4.4	3.3	4.7	10.6	7.4	9.8	420	25.2	9.2	
Indian Oil Corporation	310	BUY	752,300	16,674	2,428	35.1	33.2	39.6	(28.5)	(5.4)	19.1	8.8	9.3	7.8	6.8	6.7	5.2	1.3	1.2	1.1	3.4	3.2	3.9	14.2	12.4	13.5	390	25.9	7.1	
Oil India	1,285	BUY	308,876	6,846	240	140.9	151.2	181.7	22.3	7.3	20.2	9.1	8.5	7.1	4.1	3.6	2.8	1.8	1.6	1.4	3.5	3.9	4.7	18.9	17.9	18.9	1,550	20.7	2.0	
Oil & Natural Gas Corporation	281	BUY	2,401,542	53,229	8,556	28.6	34.9	39.6	24.5	22.3	13.3	9.8	8.0	7.1	4.0	3.3	2.8	1.7	1.5	1.3	5.0	4.3	5.0	16.5	18.5	18.5	360	28.3	31.2	
Petronet LNG	117	SELL	87,975	1,950	750	8.1	8.9	8.6	49.3	10.9	(3.7)	14.6	13.1	13.6	8.9	8.4	8.5	2.9	2.5	2.2	2.1	2.6	2.6	20.4	19.3	16.1	100	(14.7)	6.0	
Reliance Industries	1,018	REDUCE	3,032,646	67,217	2,978	62.7	66.3	71.9	26.3	5.8	8.4	16.2	15.4	14.2	8.7	7.4	6.6	1.9	1.7	1.5	0.8	1.0	1.2	13.2	12.6	12.4	1,000	(1.8)	126.1	
Energy																														
Industrials																														
ABB	746	REDUCE	158,041	3,503	212	9.8	26.0	31.4	(41.6)	165.6	20.7	76.2	28.7	23.8	52.6	18.8	15.2	6.2	5.2	4.4	0.4	0.4	0.4	8.3	19.7	20.0	660	(11.5)	2.4	
BGR Energy Systems	451	REDUCE	32,490	720	72	40.9	46.4	46.0	46.3	13.4	(0.9)	11.0	9.7	9.8	6.9	6.0	5.6	3.5	2.7	2.3	1.8	2.1	2.0	36.0	31.6	25.2	600	33.0	4.9	
Bharat Electronics	1,658	REDUCE	132,648	2,940	80	101.3	124.9	145.8	5.4	23.2	16.8	16.4	13.3	11.4	9.0	6.7	5.6	2.6	2.3	2.0	1.5	1.5	1.5	17.0	18.3	18.5	1,875	13.1	0.9	
Bharat Heavy Electricals	1,976	REDUCE	967,169	21,437	490	115.5	140.1	156.2	31.4	21.3	11.5	17.1	14.1	12.7	11.6	9.2	7.8	4.8	3.8	3.1	1.2	1.5	1.7	31.3	30.2	27.1	2,400	21.5	32.8	
Crompton Greaves	267	BUY	171,024	3,791	642	14.4	16.2	18.9	12.0	12.5	16.5	18.5	16.5	14.1	11.4	9.6	7.9	5.2	4.1	3.3	0.7	0.8	0.9	31.9	27.8	25.8	310	16.3	6.5	
Larsen & Toubro	1,562	REDUCE	945,413	20,954	605	73.0	82.0	96.4	26.0	12.3	17.6	21.4	19.1	16.2	13.0	11.1	9.6	3.5	3.0	2.6	0.8	0.9	0.9	17.9	17.0	17.2	1,775	13.6	72.5	
Maharashtra Seamless	334	ADD	23,532	522	71	44.2	39.3	43.7	14.3	(10.9)	11.1	7.6	8.5	7.6	3.4	3.6	3.0	0.9	0.9	0.8	2.4	2.4	2.6	12.8	10.5	10.9	418	25.3	0.5	
Siemens	858	REDUCE	289,266	6,411	337	22.4	27.4	33.2	39.5	21.9	21.3	38.2	31.4	25.9	22.6	20.3	16.3	8.9	7.3	6.0	0.6	0.6	0.8	25.2	25.6	25.5	735	(14.3)	10.0	
Suzlon Energy	46	REDUCE	74,028	1,641	1,594	(3.7)	3.5	7.1	(40.3)	(196.0)	10.1	(12.6)	13.2	6.5	17.6	7.6	5.6	1.1	1.0	0.9	—	—	—	0.4	(8.6)	7.9	14.8	445	(3.1)	27.3
Thermax	600	BUY	71,502	1,585	119	32.3	36.0	40.9	47.2	11.6	13.5	18.6	16.7	14.7	12.1	10.5	8.9	5.4	4.4	3.7	1.5	1.7	1.9	31.9	29.0	27.3	760	26.6	1.4	
Voltas	157	REDUCE	51,893	1,150	331	10.6	12.1	13.8	(2.1)	13.9	13.6	14.7	12.9	11.4	8.8	7.3	5.7	3.9	3.3	2.5	2.0	2.3	(0.0)	29.0	27.5	25.1	200	27.5	4.1	
Industrials																														
Infrastructure																														
GMR Infrastructure	39	ADD	143,212	3,174	3,667	(0.0)	(0.1)	0.7	(102.0)	1,494.0	(635.9)	(4,505.2)	(282.6)	52.7	15.4	12.6	10.1	1.3	1.3	1.3	—	—	—	(0.0)	(0.8)	4.0	45	15.2	4.4	
Gujarat Pipavav Port	60	BUY	25,244	560	424	(1.3)	1.1	2.5	(64.8)	(186.1)	123.3	(45.8)	53.1	23.8	27.5	16.2	10.9	3.3	3.1	2.8	—	—	—	(9.7)	8.5	12.7	68	14.1	0.5	
GVK Power & Infrastructure	25	BUY	39,480	875	1,579	1.3	1.5	1.9	27.3	18.1	28.1	19.9	16.8	13.2	13.2	13.1	9.7	1.2	1.1	1.1	1.2	1.2	1.4	6.1	6.9	8.3	42	68.0	5.1	
IRB Infrastructure	185	BUY	61,570	1,365	332	13.5	12.3	13.5	16.3	(8.8)	9.7	13.7	15.1	13.7	8.6	7.8	6.9	2.2	1.7	1.4										

## Kotak Institutional Equities: Valuation summary of key Indian companies

	14-Mar-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	(Rs)	(%)	(US\$ mn)
Media																													
DB Corp	243	BUY	44,214	980	182	12.6	14.0	17.0	18.8	10.8	21.6	19.3	17.4	14.3	11.3	10.3	8.5	5.6	4.8	4.2	1.6	2.5	3.3	31.8	29.7	31.2	325	33.6	0.2
DishTV	62	ADD	66,010	1,463	1,062	(1.6)	0.2	1.3	(33.2)	(109.5)	719.1	(37.7)	398.3	48.6	30.1	14.5	10.1	29.3	27.3	17.5	—	—	—	(56.0)	7.1	43.8	66	6.2	#N/A
Eros International	135	BUY	12,511	277	93	12.6	16.6	20.9	30.1	32.5	25.3	10.7	8.1	6.5	7.4	5.9	4.3	1.8	1.5	1.2	—	—	—	24.7	19.8	20.1	200	48.3	0.6
Hindustan Media Ventures	145	BUY	10,633	236	73	7.9	10.0	13.0	220.4	27.5	29.7	18.5	14.5	11.2	14.0	11.4	9.4	2.5	2.1	1.8	5.2	6.9	9.7	23.7	16.4	18.3	200	38.0	0.0
HT Media	135	ADD	31,760	704	235	7.0	8.5	11.2	15.4	21.0	31.9	19.2	15.9	12.0	8.5	6.8	5.3	2.3	2.1	2.0	1.5	3.0	5.2	13.8	13.9	17.3	170	25.8	0.2
Jagran Prakashan	116	BUY	34,964	775	301	7.0	7.9	9.3	19.2	13.4	18.4	16.7	14.7	12.4	9.7	8.7	7.2	5.1	4.7	4.3	3.4	4.3	5.2	32.4	33.4	36.1	155	33.5	0.6
Sun TV Network	431	REDUCE	169,730	3,762	394	18.3	22.7	27.2	39.7	24.1	20.2	23.6	19.0	15.8	14.0	11.4	9.4	7.3	6.2	5.3	1.7	2.3	3.3	34.2	35.5	36.4	450	4.5	7.2
Zee Entertainment Enterprises	120	ADD	117,502	2,604	978	4.8	6.2	7.8	(9.7)	28.4	26.4	24.9	19.4	15.4	15.7	12.0	9.4	2.8	2.8	2.7	1.1	1.2	1.4	11.8	14.7	18.1	130	8.2	7.5
Media		Cautious	487,323	10,801					37.7	35.7	28.0	27.2	20.0	15.6	13.8	10.8	8.5	4.6	4.2	3.7	1.4	1.8	2.5	16.8	20.8	24.0			
Metals & Mining																													
Coal India	334	BUY	2,108,402	46,731	6,316	17.0	24.0	28.0	11.7	41.0	16.8	19.6	13.9	11.9	12.1	8.8	7.2	6.2	4.8	3.8	1.5	2.2	2.5	35.1	39.0	36.0	390	16.8	31.0
Hindalco Industries	209	ADD	400,217	8,871	1,914	16.2	16.9	18.6	(18.8)	4.3	9.8	12.9	12.4	11.3	7.5	7.8	7.4	1.7	1.5	1.3	0.6	0.6	0.6	13.6	12.7	12.4	250	19.6	52.5
Hindustan Zinc	129	BUY	546,293	12,108	4,225	10.4	12.5	14.1	8.4	21.0	12.2	12.5	10.3	9.2	7.6	5.0	3.8	2.4	1.9	1.6	0.5	0.5	0.5	21.7	21.5	19.8	153	18.3	5.8
Jindal Steel and Power	664	REDUCE	618,479	13,708	931	41.0	48.0	55.6	7.1	17.3	15.6	16.2	13.8	12.0	11.0	9.1	7.4	4.1	3.2	2.5	0.4	0.4	0.4	29.2	26.0	23.5	640	(3.6)	20.9
JSW Steel	928	REDUCE	230,351	5,106	248	67.1	99.2	110.9	(16.5)	47.9	11.8	13.8	9.4	8.4	8.3	5.5	4.9	1.3	1.0	0.9	1.0	1.0	1.0	11.6	12.1	11.3	1,000	7.8	45.1
National Aluminium Co.	476	SELL	306,756	6,799	644	18.3	20.5	24.7	50.5	12.0	20.2	26.0	23.2	19.3	15.2	13.1	10.6	2.7	2.5	2.3	1.1	1.1	1.1	10.9	11.3	12.5	300	(37.0)	1.3
Sesa Goa	272	REDUCE	241,866	5,361	890	53.2	60.6	57.2	79.9	13.9	(5.5)	5.1	4.5	4.8	2.9	5.2	5.0	1.8	1.3	1.0	1.4	1.4	1.4	36.4	34.0	23.7	275	1.2	25.1
Sterilite Industries	163	BUY	547,950	12,145	3,362	13.0	19.4	22.2	8.0	49.4	14.5	12.6	8.4	7.3	7.2	4.4	3.4	1.3	1.2	1.0	0.6	0.6	0.6	11.2	14.8	14.7	200	22.7	25.5
Tata Steel	601	BUY	609,084	13,500	1,013	64.4	69.7	87.5	(2,051.8)	8.2	25.6	9.3	8.6	6.9	6.8	5.9	4.8	1.7	1.5	1.2	1.3	-	—	22.4	18.4	19.5	710	18.1	106.1
Metals & Mining		Attractive	5,609,398	124,329					36.0	25.7	14.2	13.8	11.0	9.6	8.5	6.8	5.7	2.6	2.2	1.8	1.0	1.2	1.3	18.8	19.5	18.7			
Pharmaceutical																													
Apollo Hospitals	464	BUY	59,678	1,323	129	14.0	19.0	22.1	28.2	35.7	16.0	33.0	24.3	21.0	14.5	11.5	10.1	3.3	2.9	2.5	—	—	—	10.4	12.1	12.2	565	21.9	1.7
Biocon	319	ADD	63,720	1,412	200	18.3	22.7	25.9	23.4	24.2	13.8	17.4	14.0	12.3	9.9	8.4	7.0	3.1	2.6	2.2	—	—	—	19.3	20.5	19.8	445	39.7	4.6
Cipla	300	REDUCE	240,957	5,341	803	12.1	16.0	18.5	(11.9)	32.3	15.6	24.9	18.8	16.3	19.8	14.6	12.2	3.6	3.1	2.7	0.8	0.8	0.8	15.4	17.9	-	300	(0.0)	11.0
Cadila Healthcare	772	ADD	158,004	3,502	205	33.3	38.2	47.7	34.9	14.7	24.7	23.2	20.2	16.2	18.8	15.0	12.1	7.2	5.7	4.5	0.9	1.0	1.2	35.9	31.6	31.0	880	14.0	1.6
Dishman Pharma & chemicals	96	SELL	7,808	173	81	8.8	8.2	9.8	(39.2)	(6.4)	19.1	10.9	11.7	9.8	10.1	7.6	6.7	0.9	0.9	0.8	—	—	—	8.7	7.6	8.5	85	(11.5)	0.6
Divi's Laboratories	621	REDUCE	82,322	1,825	133	26.8	37.1	45.7	3.9	38.6	23.4	23.2	16.7	13.6	18.2	12.1	9.5	4.7	3.9	3.3	—	—	—	21.7	25.6	26.3	700	12.7	2.1
GlaxoSmithkline Pharmaceuticals (a)	2,122	REDUCE	179,774	3,985	85	68.3	79.5	90.4	15.5	16.4	13.8	31.1	26.7	23.5	20.9	17.7	15.3	9.2	8.4	7.7	—	—	—	31.0	33.0	34.4	2,000	(5.8)	1.4
Glenmark Pharmaceuticals	270	REDUCE	75,484	1,673	280	17.6	20.6	25.9	38.3	17.3	25.9	15.3	13.1	10.4	13.8	11.0	9.0	2.7	2.3	1.9	—	—	—	18.4	18.2	19.3	330	22.4	5.2
Jubilant Life Sciences	160	REDUCE	25,440	564	159	14.6	16.9	(0.6)	(45.1)	15.9	(103.4)	11.0	9.5	(281.3)	9.6	7.7	6.7	1.2	1.1	1.0	1.3	1.6	2.2	11.9	12.1	-	220	37.8	1.0
Lupin	395	ADD	175,790	3,896	445	17.6	22.4	25.8	15.0	26.9	15.3	22.4	17.7	15.3	18.5	14.4	12.2	5.5	4.4	3.6	0.9	1.1	1.1	27.3	28.0	-	465	17.6	9.2
Ranbaxy Laboratories	469	SELL	201,005	4,455	428	23.4	20.3	21.9	231.8	(13.3)	7.6	20.0	23.1	21.5	14.7	15.4	14.7	3.7	3.1	2.7	—	—	—	19.5	13.9	13.0	365	(22.2)	9.9
Sun Pharmaceuticals	426	ADD	440,700	9,768	1,036	17.4	19.7	24.1	33.4	13.1	22.6	24.4	21.6	17.6	20.4	16.7	13.3	4.6	3.8	3.2	0.6	0.6	0.6	21.0	19.9	20.5	480	12.8	11.3
Pharmaceuticals		Cautious	2,079,493	46,091					17.3	17.0	4.3	24.0	20.5	19.7	16.2	13.2	12.9	3.5	3.0	2.8	0.5	0.5	0.5	14.5	14.6	14.3			
Property																													
DLF	228	ADD	391,310	8,673	1,714	10.0	13.8	22.4	(5.5)	37.3	62.7	22.7	16.6	10.2	14.5	12.0	7.5	1.2	1.2	1.1	1.3	2.2	2.2	5.5	7.3	11.1	265	16.1	38.7
Housing Development & Infrastructure	166	ADD	73,251	1,624	441	23.0	28.4	34.2	44.0	23.9	20.1	7.2	5.8	4.9	8.4	5.1	3.5	0.8	0.7	0.6	—	—	—	11.8	12.5	13.1	180	8.4	25.9
Indiabulls Real Estate	114	RS	45,816	1,015	402	3.1	8.5	15.5	(865.5)	178.9	81.5	37.4	13.4	7.4	51.9	15.4	6.7	0.4	0.4	0.4	—	—	—	1.0	2.9	5.1	—	—	14.6
Mahindra Life Space Developer	353	BUY	14,416	320	41	21.0	29.7	35.0	9.8	41.1	18.0	16.8	11.9	10.1	14.2	8.3	6.3	1.4	1.3	1.2	1.1	1.3	1.4	8.8	11.4	12.2	435	23.1	0.4
Oberoi Realty	247	BUY	81,348	1,803	330	18.7	24.9	44.0	36.9	32.7	77.2	13.2	9.9	5.6	9.1	6.0	3.0	2.4	1.9	1.5	0.4	0.6	1.0	23.3	21.5	29.8	305	23.6	0.5
Phoenix Mills	171	BUY	24,783	549	145	6.1	7.6	11.6	48.6	24.2	51.4	27.8	22.4	14.8	21.1	16.1	11.1	1.5	1.5	1.4	0.9	1.2	1.2	5.7	6.7	9.6	300	75.3	0.4
Puravankara Projects	105	REDUCE	22,431	497	213	7.3	8.8	15.0	7.6	19.9	70.6	14.3	12.0	7.0	16.3	11.7	6.2	1.5	1.3	1.1	1.9	1.9	-	10.5	11.6	17.4	100	(4.9)	0.1
Sobha Developers	262	BUY	25,693	569	98	18.8	24.0	31.9	33.4	27.9	33.0	14.0	10.9	8.2	11.3	8.7	6.3	1.3	1.2	1.1	0.5	0.6	-	10.1	11.7	17.7	380	45.0	1.7
Unitech	38	RS	101,719	2,255	2,666	2.4	3.9	5.3	(21.3)	62.1	37.1	16.0	9.9	7.2	17.1	9.6	6.4	0.9	0.8	0.7	-	—	—	5.6	8.3	10.3	—	—	36.8
Property		Cautious	780,766	17,305					15.2	42.0	51.2	17.2	12.1	8.0	13.9	9.8	6.1	1.1	1.0	0.9	0.8	1.3	1.3	6.1	8.1	11.1			



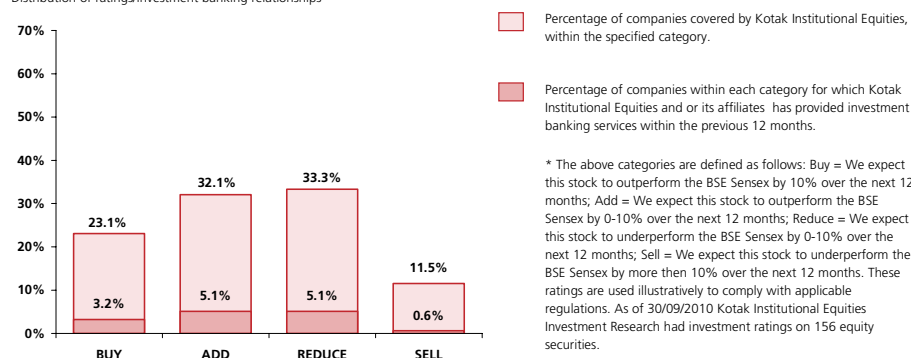
## Kotak Institutional Equities: Valuation summary of key Indian companies

	14-Mar-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	price (Rs)	(%)	(US\$ mn)
Sugar																													
Bajaj Hindustan	70	SELL	13,357	296	191	(7.9)	0.2	6.4	(343.6)	(102.5)	3,238.8	(8.9)	361.9	10.8	10.2	6.1	4.4	0.6	0.6	0.6	1.0	1.0	1.0	(7.1)	0.2	5.8	80	14.6	4.5
Balrampur Chini Mills	69	ADD	17,832	395	257	0.8	8.3	8.4	(89.9)	974.0	1.0	89.6	8.3	8.3	12.1	5.3	4.4	1.3	1.2	1.0	0.6	0.6	0.6	1.5	14.8	13.1	90	29.6	3.7
Shree Renuka Sugars	72	REDUCE	48,326	1,071	670	8.8	4.4	4.2	164.5	(49.8)	(4.2)	8.2	16.3	17.0	5.4	7.8	7.1	1.9	1.6	1.3	0.6	0.5	0.5	29.1	11.4	9.8	90	24.7	21.3
Sugar		Cautious	79,514	1,762					(4.2)	11.6	21.3	17.3	15.5	12.8	7.7	6.5	5.4	1.3	1.2	1.1	0.6	0.6	0.6	7.7	7.7	8.2			
Technology																													
HCL Technologies	465	REDUCE	327,543	7,260	705	22.8	29.6	34.1	30.3	29.4	15.3	20.3	15.7	13.6	12.4	9.8	8.3	4.2	3.6	3.0	1.6	1.7	1.7	21.7	24.5	24.4	440	(5.3)	11.7
Hexaware Technologies	55	BUY	16,049	356	291	3.0	5.7	6.5	(36.5)	90.9	14.4	18.6	9.7	8.5	13.5	6.6	5.2	1.7	1.5	1.3	2.7	2.3	2.7	9.4	16.1	16.3	68	23.3	5.9
Infosys Technologies	3,101	BUY	1,779,859	39,449	574	120.0	155.2	184.9	10.8	29.3	19.1	25.8	20.0	16.8	17.9	13.8	11.3	6.9	5.6	4.6	1.9	1.5	1.8	28.1	30.9	30.2	3,700	19.3	77.6
Mahindra Satyam	67	REDUCE	78,733	1,745	1,176	3.1	4.3	5.6	24.7	37.4	32.5	21.6	15.7	11.9	12.6	7.5	5.3	3.8	3.5	2.9	—	—	—	18.5	23.2	26.9	70	4.6	13.5
Mindtree	382	REDUCE	15,715	348	41	23.8	33.8	38.4	(54.5)	42.3	13.5	16.1	11.3	9.9	8.1	5.5	4.6	2.0	1.8	1.6	0.6	0.9	3.0	13.6	16.8	16.7	370	(3.1)	0.9
Mphasis BFL	430	SELL	90,621	2,009	211	51.8	37.3	38.1	18.8	(28.0)	2.2	8.3	11.5	11.3	7.1	8.5	7.3	2.7	2.3	1.9	0.9	1.0	1.2	38.6	21.6	18.6	420	(2.3)	10.3
Polaris Software Lab	184	SELL	18,360	407	100	19.5	19.5	21.5	26.8	0.3	9.8	9.4	9.4	8.6	7.6	6.4	5.7	1.8	1.6	1.4	2.0	2.1	2.2	20.5	17.7	17.0	175	(5.0)	5.1
TCS	1,098	BUY	2,148,125	47,612	1,957	44.4	54.0	62.7	26.4	21.6	16.1	24.7	20.3	17.5	18.3	14.2	11.9	8.4	6.9	5.7	1.6	2.0	2.3	37.4	37.2	35.6	1,350	23.0	46.8
Tech Mahindra	738	REDUCE	91,463	2,027	124	65.1	65.9	71.2	(0.1)	1.3	8.1	11.3	11.2	10.4	10.0	9.3	8.5	2.5	2.2	1.9	0.3	0.3	1.4	26.3	22.1	20.8	720	(2.5)	4.3
Wipro	456	ADD	1,116,292	24,742	2,447	21.7	25.6	28.4	15.2	17.7	11.2	21.0	17.9	16.1	15.4	12.5	10.9	4.7	3.9	3.3	1.0	1.2	1.4	24.4	23.7	22.0	525	15.1	17.9
Technology		Attractive	5,757,909	127,620					17.4	20.1	15.4	22.2	18.5	16.1	16.0	12.7	10.7	5.8	4.8	4.1	1.7	1.6	1.9	26.3	26.2	25.3			
Telecom																													
Bharti Airtel	322	REDUCE	1,221,878	27,082	3,798	17.1	21.3	24.9	(27.7)	24.6	16.7	18.8	15.1	12.9	9.2	7.3	6.1	2.5	2.2	1.8	—	—	—	14.3	15.3	15.4	305	(5.2)	30.4
IDEA	61	REDUCE	201,123	4,458	3,300	2.4	1.2	2.6	(11.2)	(48.9)	107.7	25.1	49.1	23.7	8.9	7.7	6.3	1.7	1.6	1.5	—	—	—	6.9	3.5	6.8	55	(9.8)	6.5
MTNL	45	SELL	28,539	633	630	(10.4)	(9.1)	(8.4)	(33.7)	(11.9)	(8.1)	(4.4)	(5.0)	(5.4)	(0.3)	(0.4)	(0.5)	0.3	0.3	0.3	—	—	—	(6.1)	(5.7)	(5.5)	35	(22.7)	1.1
Reliance Communications	100	SELL	214,212	4,748	2,133	6.9	7.9	11.3	(65.2)	15.0	43.6	14.6	12.7	8.9	8.2	7.4	6.1	0.5	0.5	0.4	-	—	—	3.3	3.7	5.1	90	(10.4)	28.5
Tata Communications	213	REDUCE	60,563	1,342	285	15.2	15.7	15.9	8.2	3.5	1.5	14.0	13.5	13.3	6.5	6.1	5.8	0.8	0.8	0.8	3.5	4.0	4.2	5.5	5.5	5.4	225	5.9	0.9
Telecom		Cautious	1,726,314	38,263					(38.9)	17.9	25.7	20.2	17.1	13.6	9.1	7.4	6.2	1.4	1.3	1.2	0.1	0.1	0.1	6.9	7.6	8.7			
Utilities																													
Adani Power	113	ADD	246,122	5,455	2,180	2.8	16.5	20.0	252.0	500.1	20.7	40.9	6.8	5.7	34.9	6.5	4.7	3.9	2.5	1.7	—	—	—	9.9	44.1	35.8	140	24.0	3.8
CESC	311	BUY	38,868	861	125	36.6	42.7	51.6	5.8	16.8	20.7	8.5	7.3	6.0	5.4	6.2	5.9	0.8	0.8	0.6	1.5	1.7	1.9	10.2	10.8	11.6	459	47.5	1.1
JSW Energy	73	REDUCE	120,048	2,661	1,640	5.2	10.3	7.9	14.2	97.6	(22.8)	14.1	7.1	9.3	12.5	5.3	5.0	2.1	1.6	1.4	—	—	—	16.3	26.0	16.3	82	12.0	2.4
Lanco Infratech	37	BUY	82,251	1,823	2,223	3.1	4.9	5.1	44.5	59.8	3.1	12.0	7.5	7.3	11.6	7.6	7.5	1.9	1.5	1.2	—	—	—	17.9	22.0	18.1	65	75.7	8.8
NHPC	23	REDUCE	285,992	6,339	12,301	1.5	1.7	2.1	(19.4)	15.6	20.0	15.6	13.5	11.2	11.9	9.4	7.9	1.1	1.0	1.0	1.7	2.0	2.4	7.1	7.8	8.9	28	20.4	3.7
NTPC	178	REDUCE	1,467,280	32,521	8,245	10.1	11.9	13.5	(3.2)	17.6	12.8	17.5	14.9	13.2	16.1	12.4	11.5	2.1	2.0	1.8	2.0	2.3	2.6	12.6	13.7	14.2	195	9.6	9.2
Reliance Infrastructure	626	BUY	167,329	3,709	267	60.8	70.8	84.0	(1.9)	16.3	18.7	10.3	8.8	7.4	7.8	5.9	4.5	0.7	0.7	0.6	1.5	1.6	1.8	9.1	10.7	12.8	1,030	64.6	44.3
Reliance Power	127	SELL	357,086	7,915	2,805	2.9	4.0	2.5	0.1	38.4	(36.7)	44.6	32.2	50.8	242.5	52.1	20.4	2.2	2.0	2.0	—	—	—	5.2	6.6	4.0	115	(9.7)	13.1
Tata Power	1,251	ADD	308,703	6,842	247	70.7	84.4	110.6	11.3	19.4	31.0	17.7	14.8	11.3	12.5	11.7	8.4	2.2	2.0	1.7	1.1	1.2	1.4	13.0	14.0	16.2	1,415	13.1	8.0
Utilities		Cautious	3,073,680	68,126					3.4	41.2	11.6	18.1	12.8	11.5	16.7	11.0	9.1	1.8	1.6	1.5	1.3	1.5	1.7	10.0	12.7	12.7			
Others																													
Havells India	346	ADD	43,160	957	125	23.2	28.9	32.0	278.2	24.5	10.7	14.9	12.0	10.8	10.1	8.0	6.9	6.3	4.2	3.1	0.7	0.8	0.9	52.1	42.4	33.3	425	22.9	1.6
Jaiprakash Associates	84	BUY	186,448	4,132	2,214	5.1	5.6	5.4	188.8	11.6	(4.3)	16.7	14.9	15.6	12.5	11.0	10.6	1.9	1.7	1.6	—	—	—	12.2	12.1	10.6	135	60.3	30.4
Jet Airways	470	BUY	40,558	899	86	15.7	38.7	70.8	(122.5)	146.7	82.9	29.9	12.1	6.6	8.1	7.1	5.8	2.2	1.8	1.4	—	—	—	8—	16.4	24.4	650	38.4	18.2
Sintex	149	SELL	40,582	899	272	14.8	16.1	18.1	22.1	9.0	12.6	10.1	9.3	8.2	8.6	7.5	6.7	1.6	1.4	1.2	0.9	0.9	0.9	16.0	14.9	14.4	140	(6.2)	7.4
SpiceJet	41	BUY	16,342	362	403	4.3	4.6	6.3	69.4	7.0	36.9	9.4	8.8	6.4	6.0	9.3	6.8	4.2	2.9	2.0	—	—	—	766.4	38.6	36.3	65	60.3	4.2
Tata Chemicals	325	REDUCE	79,022	1,751	243	26.8	35.4	44.2	1.5	31.9	24.8	12.1	9.2	7.4	6.0	4.6	3.6	1.5	1.3	1.1	2.9	2.9	3.7	16.9	19.3	-	370	13.9	3.4
United Phosphorus	133	BUY	61,487	1,363	462	12.9	17.6	20.7	8.3	37.3	17.1	10.3	7.5	6.4	5.3	4.2	3.4	1.6	1.4	1.2	1.5	1.5	1.9	17.5	19.4	19.1	220	65.5	5.8
Others			467,598	10,364					133.0	26.1	17.4	13.9	11.0	9.4	9.4	8.2	7.5	1.9	1.7	1.4	0.8	0.8	1.0	13.8	15.0	15.2			
KS universe (b)			47,797,304	1,059,396					20.4	21.6	16.6	15.9	13.1	11.2	10.2	8.3	7.0	2.5	2.2	1.9	1.5	1.6	1.9	15.7	16.7	17.0			
KS universe (b) ex-Energy			39,466,729	874,754					20.6	23.4	17.7	17.3	14.0	11.9	12.0	9.5	8.0	2.8	2.4	2.1	1.2	1.4	1.6	15.9	17.0	17.4			
KS universe (d) ex-Energy & ex-Commodities			32,882,532	728,820					19.9	22.6	18.3	18.1	14.8	12.5	13.4	10.6	8.9	2.8	2.5	2.1	1.3	1.4	1.6	15.5	16.6	17.2			

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As of September 30, 2010

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