

Contents

Updates

Hindustan Unilever: Promotions-led volume growth is a dangerous trap

Hindalco: Plenty of steam left

Telecom: Tariff stability, end of price competition? Heck, no

News Round-up

- ▶ A potential tie-up between Reliance Industries Ltd (RIL IN) and GAIL India (GAIL IN) for marketing natural gas has turned out to be a non-starter with the G6 gas allocation going into government hands. *(BSTD)*
- ▶ Former RIL arm Trevira weaves turnaround under new management. The turnaround was possible due to stable demand from customers in the textile industry, cost-cutting and restructuring measures adopted and through higher sales volumes. *(BSTD)*
- ▶ Tata-Quippo telecom tower JV is set to raise USD 1.06bn through a public issue partly to fund expansion & to provide a part exit option to some PEs, including IDFC Private Equity. *(ECNT)*
- ▶ Gujarat Pipavav Port Ltd said it had raised nearly USD 20 mn by roping in 20 anchor investors for its initial public offering, which opens on Monday. *(BSTD)*
- ▶ HCC Infrastructure to enter airports business. *(BSTD)*
- ▶ Dabur (DABUR IN) to rope in strategic investor for retail for retail venture. *(BSTD)*
- ▶ Maruti (MSIL IN) to limit exports, focus more on domestic market. The company needs to scale up its R&D capabilities for faster launches and face-lifts in the Indian market. *(BSTD-Sun)*
- ▶ Sterlite Energy's first unit of 2,400 mw plant goes on stream. The other three units may be commissioned over the next year. *(BSTD-Sun)*
- ▶ United Breweries (UBBL IN) plans to invest USD 130 mn in the next three years to upgrade brewing facilities and ramp up manufacturing capacities. *(BSTD-Sat)*
- ▶ Bharat Petroleum (BPCL IN) will buy equity stakes in Australian shale gas assets from Norwest Energy. *(ECNT-Sat)*
- ▶ Bharti Airtel (BHARTI IN) & Reliance Comm. (RCOM IN) said they are ready with their 3G infrastructure & are waiting for the govt. to release spectrum. *(ECNT-Sat)*
- ▶ Tata Steel (TATA IN) proposes to invest USD 213 mn to establish two units in the Gopalpur Industrial Park being developed by it in Ganjam district of Orissa. *(THBL SAT)*
- ▶ Bharti Airtel (BHARTI IN) has bagged the sponsorship rights for all the cricket matches to be played in India over a period of three years. *(THBL SAT)*
- ▶ Reliance Communications (RCOM IN) and Nokia announced an alliance to offer an array of mobile, data and services offerings. *(THBL SAT)*

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

EQUITY MARKETS

| India | Change % | | | |
|--------------------------------|----------|-------|-------|--------|
| | 20-Aug | 1-day | 1-mo | 3-mo |
| Sensex | 18,402 | (0.3) | 1.5 | 11.9 |
| Nifty | 5,531 | (0.2) | 1.5 | 12.2 |
| Global/Regional indices | | | | |
| Dow Jones | 10,644 | (0.5) | 4.4 | (1.0) |
| Nasdaq Composite | 2,277 | (1.2) | 3.7 | (4.1) |
| FTSE | 5,376 | (0.6) | 4.7 | 0.8 |
| Nikkie | 9,332 | (2.3) | (2.6) | (10.4) |
| Hang Seng | 21,542 | 0.3 | 5.7 | 6.9 |
| KOSPI | 1,764 | (0.9) | 2.4 | 5.6 |
| Value traded – India | | | | |
| Cash (NSE+BSE) | 203 | | 172 | 169 |
| Derivatives (NSE) | 931 | | 663 | 989 |
| Deri. open interest | 1,910 | | 1,387 | 1,266 |

Forex/money market

| | Change, basis points | | | |
|-------------------|----------------------|-------|------|------|
| | 20-Aug | 1-day | 1-mo | 3-mo |
| Rs/US\$ | 46.4 | 27 | (38) | 154 |
| 10yr govt bond, % | 7.8 | 3 | 19 | 15 |

Net investment (US\$m)

| | 9-Aug | MTD | CYTD |
|-----|-------|-------|--------|
| FIs | (13) | 710 | 11,187 |
| MFs | (70) | (135) | (282) |

Top movers -3mo basis

| Best performers | Change, % | | | |
|-------------------------|-----------|-------|--------|--------|
| | 20-Aug | 1-day | 1-mo | 3-mo |
| HPCL IN Equity | 510.4 | 1.7 | 16.9 | 47.0 |
| TCOM IN Equity | 344.9 | 3.1 | 20.9 | 43.1 |
| TTMT IN Equity | 1015.4 | (2.4) | 21.1 | 43.0 |
| BOI IN Equity | 459.7 | (1.6) | 14.1 | 42.9 |
| HDIL IN Equity | 293.8 | 1.3 | 9.2 | 37.1 |
| Worst performers | | | | |
| SUEL IN Equity | 49.4 | (1.6) | (16.9) | (15.8) |
| RNR IN Equity | 38.1 | 0.1 | (13.5) | (14.4) |
| PUNJ IN Equity | 116.0 | (0.4) | (13.9) | (12.1) |
| ABB IN Equity | 773.1 | 0.1 | (7.8) | (6.6) |
| NMDC IN Equity | 258.1 | 1.1 | (0.5) | (5.8) |

Promotions-led volume growth is a dangerous trap. Some investors believe that HUL has returned to 'double-digit' volume growth and it is the beginning of virtuous cycle of volume-value-profit growth. Adjusting for favorable base effect, underlying volumes are up just 6% despite highest-ever adpro spends. We are not excited by trade and consumer promo-driven volume growth—which is likely a dangerous trap for HUL—elevated levels of promotions and price cuts could hurt brand equity scores, in our view.

Company data and valuation summary

Hindustan Unilever

Stock data

52-week range (Rs) (high,low) 296-218

Market Cap. (Rs bn) 586.7

Shareholding pattern (%)

Promoters 52.0

FIs 16.2

MFs 2.7

Price performance (%)

| | 1M | 3M | 12M |
|----------------|-----|------|--------|
| Absolute | 2.7 | 16.6 | 3.1 |
| Rel. to BSE-30 | 1.1 | 4.2 | (14.6) |

Forecasts/Valuations

| | 2010 | 2011E | 2012E |
|---------------------|-------|-------|-------|
| EPS (Rs) | 9.4 | 10.2 | 12.0 |
| EPS growth (%) | (0.9) | 8.4 | 17.5 |
| P/E (X) | 28.5 | 26.3 | 22.4 |
| Sales (Rs bn) | 175.2 | 190.2 | 216.1 |
| Net profits (Rs bn) | 20.6 | 22.3 | 26.2 |
| EBITDA (Rs bn) | 27.7 | 28.8 | 35.0 |
| EV/EBITDA (X) | 19.5 | 18.7 | 15.3 |
| ROE (%) | 71.1 | 80.2 | 81.3 |
| Div. Yield (%) | 2.8 | 3.1 | 3.7 |

HUL runs the risk of commoditization of most of its categories (soaps, detergents, shampoo)

We see limited downside to our target price of Rs250, our structural reasons for a REDUCE rating are intact (1) increasing impact of ITC in soaps and shampoo and (2) commoditization of most of HUL's key categories and hence the necessity for maintaining adpro at elevated levels. Key risks of our rating are (1) HUL and organized competition gaining shares from unorganized players and (2) higher crude-linked inflation providing better pricing power to HUL.

Our EPS estimates are broadly maintained—Rs10.2 and Rs12 for FY2011E and FY2012E, respectively. We further note that contrary to popular perception, HUL stock has had muted relative performance (versus BSE-30 Index)—0%, +4%, -1% and -15% over the last 1, 3, 6 and 12 months, respectively.

Promotions-led volume growth is a dangerous trap—could hurt brand equity scores, in our view

We have limited excitement in HUL's current strategy of higher-trade-and-consumer-promotion led market share growth. While, it can be argued that HUL is doing the right thing by defending its market shares in the near term, we note that the potential erosion of brand equity scores could be quite significant—the inability of market leader to command the existing price line indicates that the market is getting more and more commoditized (price differentiation was an inducement for the consumer to choose a particular brand).

Moreover, the current scenario of higher adpro spends indicates that the push factor is playing out more prominently than the consumer pull (which is the most desirable). We note that any potential erosion in brand equity scores could hurt the brand margins in medium term (necessity to maintain higher adpro to 'buy' sales)—for HUL and for competition.

REDUCE

AUGUST 22, 2010

UPDATE

Coverage view: **Attractive**

Price (Rs): **269**

Target price (Rs): **250**

BSE-30: **18,402**

QUICK NUMBERS

- HUL's runs the risk of commoditization of most of its categories (soaps, detergents, shampoo)
- Promotions-led volume growth is a dangerous trap—could hurt brand equity scores, in our view

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Needle movers in FY2010-12E

▶ Detergents volumes are 'bought'—current growth rates unlikely to sustain

Rin powder volumes are likely up 100% in YTD CY10 based on massive price discounting. We note that Rin (HUL) had effected a 30% price cut (Rs50 from Rs70) in February 2010. Currently, Tide (P&G) sells at a 26% premium to Rin effectively relegating Rin from the mid-segment to mass-segment and to compete with the mass market version of Tide – 'Tide Naturals'. We view the current volume growth in Rin as entirely price-led, and HUL has gained little structurally by resorting to deep discounting in Rin (except that it has likely managed to demonstrate to P&G regarding their intention to defend market shares at any cost).

▶ Soap market shares: It is ITC versus HUL

HUL has relaunched its entire soaps portfolio and is playing the full pyramid (implying that the 'power brand' strategy is effectively scrapped in this category). The company indicated good volume growth in soaps in the past few months—we highlight price cuts and major activation spends being the key reasons.

However, HUL's performance in soaps faces ITC challenge starting FY2011E. ITC has achieved an exit-March 2010 market share of 5% and 3.5% in soaps and shampoo, respectively—a highly notable achievement in less than 30 months of category entry. We believe this growth in market share was led by product differentiation (Fiama Di Wills gel bathing bar), aggressive trade promotions (buy three get one free in Superia) and focused investment in distribution (~50% of distributors are dedicated distributors for non-cigarette FMCG).

We further highlight the experience of Santoor (Wipro) and Godrej No.1 where the market share ramp-up was quite dramatic once the brands were established (Exhibit 4).

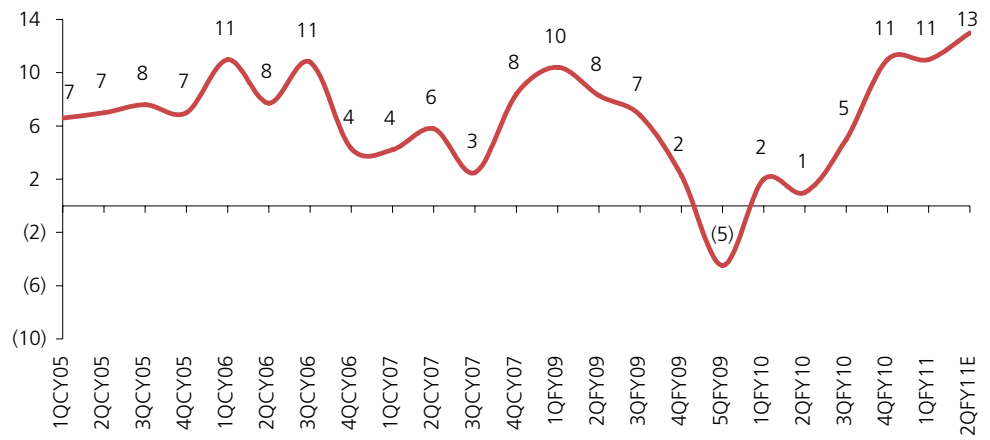
▶ Adspends could remain elevated for a while; option to moderate spends to manage margins exist (at the cost of risking market share loss, again)

HUL's adspends to sales ratio is at its highest ever at 15.7% to sales in 1QFY11 and 13.6% in FY2010. We note that the potential to moderate the spends in 2HFY11E or in FY2012E poses upside risks to our estimates. However, we would view any cut in adspends cautiously as it could lead to back-ended loss in volume market share.

▶ Success (or otherwise) of the recent launches/extensions

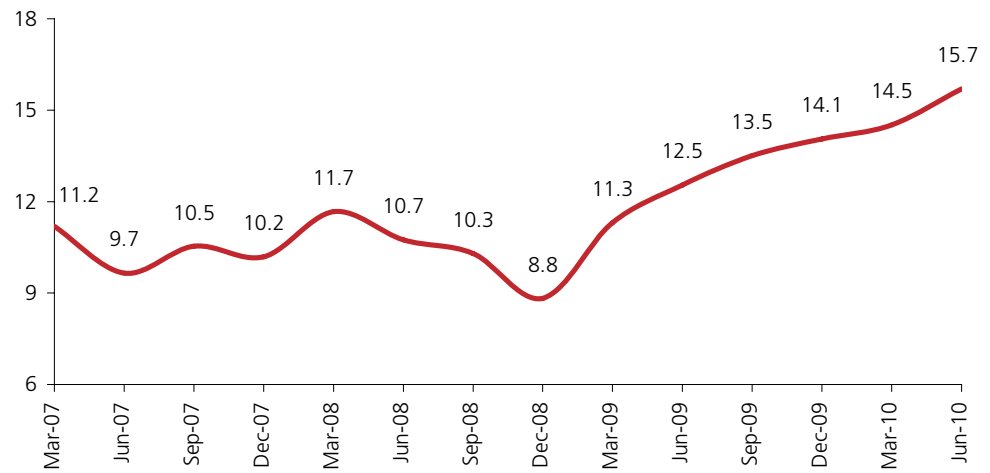
Over the last few years, HUL has seeded quite a few new categories / launched meaningful brand extensions. Those with high potential are Comfort fabric conditioner, Dove shampoo and conditioner, Sure anti-perspirant, Vaseline Men's range, Knorr soupy noodles, Brookebond Sehatmand (nutritional tea) etc. We note that success (or otherwise) of these new launches are critical for HUL as maintaining market share in most of the categories is possible only at a high incremental cost (of adspends).

Exhibit 1: Low-base is aiding HUL in reporting optically better volume growth
HUL's quarterly volume growth (%)



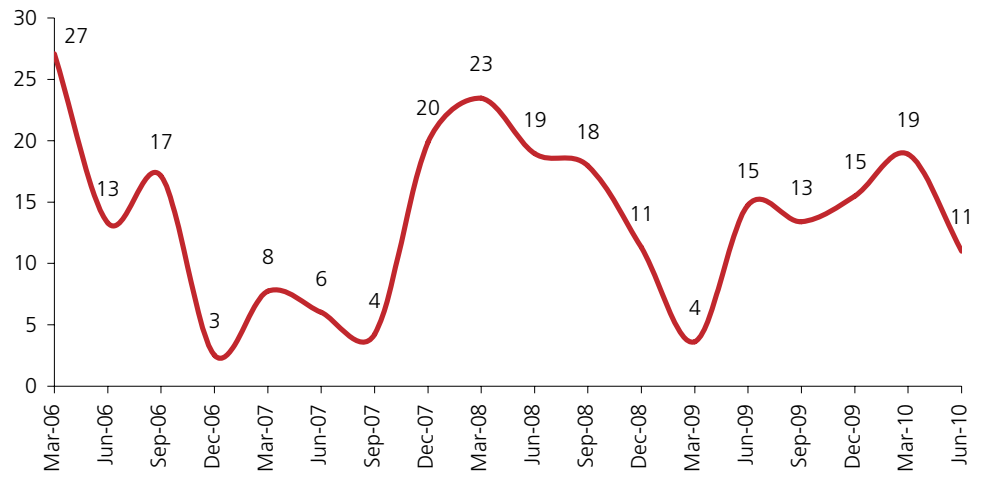
Source: Company, Kotak Institutional Equities estimates

Exhibit 2: Higher adpro spends to 'buy' volumes
HUL's quarterly adpro spends as a percentage of sales (%)



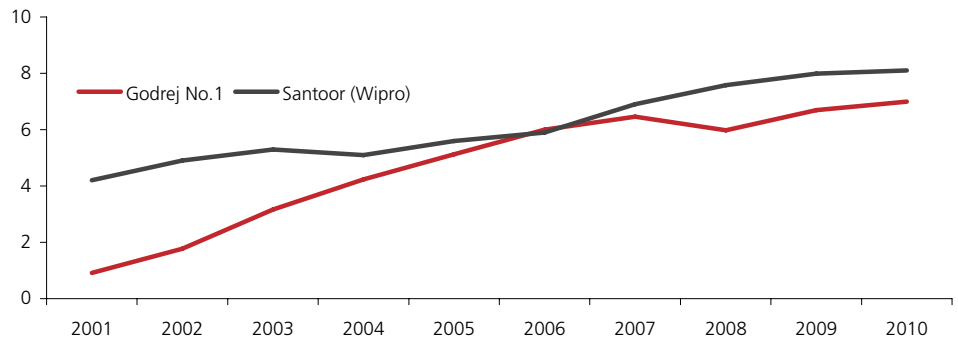
Source: Company, Kotak Institutional Equities estimates

Exhibit 3: Surprising volatility in an under-penetrated category
 HUL's quarterly personal products volume growth (%)



Source: Company, Kotak Institutional Equities estimates

Exhibit 4: ITC's brands are likely following the faster ramp route experienced by Santoor and Godrej no.1 earlier
 Market shares of Godrej No.1 and Santoor in soaps (%)



Source: Industry sources, , Kotak Institutional Equities

Exhibit 5: Companies with good franchise value has outperformed
Performance of consumer companies under KIE coverage

| Company | Price (Rs) | 18-Aug-10 Mkt Cap (Rs mn) | Rating | 18-Aug-10 | | | | 18-Aug-10 | | | |
|---------------------------|---------------|---------------------------------|-------------------|-----------|-----------|-----------|-----------|-----------|----------|-----------|-----------|
| | | | | 1-mo | 3-mo | 6-mo | 1-Year | 1-mo | 3-mo | 6-mo | 1-Year |
| Consumer Products | | | | | | | | | | | |
| Titan Industries | 2,892 | 128,381 | ADD | 9 | 28 | 60 | 146 | 7 | 15 | 42 | 100 |
| Jyothy Laboratories | 291 | 21,121 | NR | 7 | 65 | 62 | 137 | 5 | 48 | 44 | 92 |
| Asian Paints | 2,651 | 254,293 | BUY | 7 | 26 | 43 | 103 | 5 | 13 | 26 | 65 |
| GlaxoSmithKline Consumer | 1,809 | 76,060 | ADD | 2 | 11 | 28 | 76 | 0 | (0) | 14 | 43 |
| Dabur India | 205 | 177,590 | REDUCE | (2) | 13 | 20 | 71 | (4) | 2 | 7 | 39 |
| Godrej Consumer Products | 375 | 121,476 | ADD | 3 | 13 | 44 | 70 | 2 | 1 | 27 | 38 |
| ITC | 163 | 1,243,213 | BUY | 12 | 28 | 34 | 49 | 10 | 15 | 18 | 21 |
| Marico | 127 | 77,405 | ADD | 1 | 15 | 27 | 48 | (1) | 3 | 13 | 20 |
| Colgate-Palmolive (India) | 848 | 115,376 | REDUCE | 0 | 21 | 21 | 40 | (2) | 9 | 8 | 14 |
| Nestle India | 2,753 | 265,466 | REDUCE | (8) | (7) | 4 | 25 | (10) | (16) | (8) | 1 |
| Tata Global Beverages | 109 | 67,313 | ADD | (10) | (1) | 17 | 22 | (12) | (11) | 4 | (1) |
| Hindustan Unilever | 269 | 587,419 | REDUCE | 2 | 15 | 12 | 5 | (0) | 4 | (1) | (15) |
| Jubilant Foodworks | 465 | 29,722 | REDUCE | 40 | 72 | | | 38 | 54 | | |
| Consumer Products | | 3,036,453 | Attractive | 5 | 19 | 25 | 39 | 3 | 7 | 11 | 13 |
| KS universe | | 45,201,722 | | 4 | 14 | 16 | 33 | 2 | 3 | 3 | 8 |
| Sensex | 18,257 | | | 2 | 11 | 13 | 23 | | | | |

Source: Bloomberg, Kotak Institutional Equities estimates

Exhibit 6: HUL: Profit model, balance sheet, cash model, calendar year-ends 2006-07, March fiscal year-ends 2009-12E (Rs mn)

| | 2006 | 2007 | 15 months 2009 (a) | 2010 | 2011E | 2012E |
|--|--------------|--------------|-----------------------|--------------|--------------|---------------|
| Profit model (Rs mn) | | | | | | |
| Net sales | 121,034 | 136,754 | 202,393 | 175,238 | 190,224 | 216,111 |
| EBITDA | 16621 | 18787 | 26560 | 25484 | 26023 | 31905 |
| Other income | 3,545 | 4,315 | 5,897 | 3,496 | 5,187 | 5,317 |
| Interest | (107) | (255) | (253) | (70) | 0 | 0 |
| Depreciation | (1,302) | (1,384) | (1,953) | (1,840) | (2,228) | (2,565) |
| Pretax profits | 18,757 | 21,463 | 30,251 | 27,071 | 28,982 | 34,657 |
| Tax | (3,218) | (4,049) | (5,729) | (6,484) | (6,686) | (8,469) |
| Net profit | 15539 | 17415 | 24523 | 20587 | 22296 | 26188 |
| Earnings per share (Rs) | 7.0 | 7.9 | 11.3 | 9.4 | 10.2 | 12.0 |
| Balance sheet (Rs mn) | | | | | | |
| Total equity | 27,235 | 14,392 | 20,615 | 25,835 | 29,872 | 34,612 |
| Total borrowings | 726 | 885 | 4,219 | 0 | 0 | 0 |
| Current liabilities | 45,231 | 51,110 | 57,838 | 67,332 | 69,924 | 75,216 |
| Total liabilities and equity | 73191 | 66387 | 82673 | 93167 | 99796 | 109828 |
| Cash | 4,169 | 2,009 | 17,773 | 18,922 | 19,460 | 21,547 |
| Current assets | 27,527 | 30,765 | 38,236 | 34,756 | 37,953 | 42,637 |
| Total fixed assets | 15,110 | 17,081 | 20,789 | 24,361 | 27,387 | 30,791 |
| Investments | 24,139 | 14,408 | 3,326 | 12,641 | 12,641 | 12,641 |
| Deferred tax asset | 2,245 | 2,124 | 2,548 | 2,488 | 2,355 | 2,213 |
| Total assets | 73191 | 66387 | 82673 | 93167 | 99796 | 109828 |
| Free cash flow (Rs mn) | | | | | | |
| Operating cash flow, excl. working capital | 20,209 | 20,674 | 26,581 | 24,640 | 24,676 | 29,056 |
| Working capital | (471) | 3,091 | (2,592) | 13,473 | (1,407) | (1,023) |
| Capital expenditure | (1,576) | (3,355) | (5,660) | (5,412) | (5,254) | (5,969) |
| Free cash flow | 18162 | 20410 | 18329 | 32700 | 18014 | 22064 |
| Key assumptions | | | | | | |
| Revenue Growth (%) | 9.4 | 13.0 | 48.0 | (13.4) | 8.6 | 13.6 |
| EBITDA Margin(%) | 13.9 | 13.7 | 13.2 | 14.5 | 13.7 | 14.8 |
| EPS Growth (%) | 18.3 | 12.1 | 42.7 | (16.2) | 8.3 | 17.7 |

Note:

(a) 15 month period starting January 1, 2008 to March 31, 2009

Source: Company, Kotak Institutional Equities estimates

AUGUST 19, 2010

UPDATE

Coverage view: **Cautious**

Price (Rs): **180**

Target price (Rs): **200**

BSE-30: **18,455**

Plenty of steam left. We expect strong performance of Hindalco stock to continue despite a 15% rise in the past month and 14% outperformance relative to BSE Sensex. Catalysts for stock performance include potential renegotiation of conversion premium by Novelis with its customer base and benefits of greenfield capacity expansion. Our 12-month fair value of Rs200 can increase by 20% at the spot aluminium prices and on a roll over of fair value to FY2012E financials.

Company data and valuation summary

Hindalco Industries

Stock data

| | |
|-------------------------------|---------|
| 52-week range (Rs) (high,low) | 193-101 |
| Market Cap. (Rs bn) | 337.0 |

Shareholding pattern (%)

| | |
|-----------|------|
| Promoters | 32.1 |
| FIs | 35.5 |
| MFs | 3.1 |

Price performance (%)

| | 1M | 3M | 12M |
|----------------|------|------|------|
| Absolute | 15.4 | 12.5 | 71.5 |
| Rel. to BSE-30 | 13.3 | 1.1 | 39.1 |

Forecasts/Valuations

| | 2010 | 2011E | 2012E |
|---------------------|--------|-------|-------|
| EPS (Rs) | 5.7 | 13.6 | 15.5 |
| EPS growth (%) | (64.5) | 139.5 | 14.2 |
| P/E (X) | 31.0 | 13.0 | 11.3 |
| Sales (Rs bn) | 607.2 | 666.7 | 722.5 |
| Net profits (Rs bn) | 10.9 | 26.0 | 29.7 |
| EBITDA (Rs bn) | 70.1 | 75.7 | 80.1 |
| EV/EBITDA (X) | 8.2 | 8.3 | 8.6 |
| ROE (%) | 10.3 | 11.1 | 11.5 |
| Div. Yield (%) | 0.8 | 0.8 | 0.8 |

Novelis—strong performance likely to continue

Capacity limitations and strong growth in flat rolled products (FRP) will continue to drive Novelis' performance. Recently, Novelis increased the conversion premium of the specialty sheet products it sells to European distribution and industrial customers by ~EUR100/ ton for new orders booked or for all shipments after October 1, 2010. In addition, potential is high, in our view, for renegotiation of beverage can contracts; note that Novelis has already concluded negotiations for rate increases from clients representing two thirds of can volumes. Novelis has an annualized adjusted EBITDA run-rate of US\$1 bn+, which the management is confident of maintaining.

Valuations are attractive; potential increase of 8-20% in our fair value in various scenarios

Hindalco trades at 5.9X and 4.9X FY2011E and FY2012E EBITDA, adjusting for CWIP resulting from greenfield expansion programs. Our 12-month fair value of Rs198/ share can potentially increase by (1) 7% at a spot aluminium price of ~US\$2,100/ ton as compared to US\$1,950/ ton and US\$2,050/ ton for FY2011E and FY2012E, respectively, and (2) 15% increase to Rs230 on a roll over of target price to FY2012E financials and 20% on roll over and spot aluminium prices. Note that we do not ascribe any valuation, over the capital invested, from greenfield expansion projects of Mahan and Aditya aluminium smelters

Greenfield projects to be value accretive

Hindalco has a massive capacity expansion program that may triple aluminium and alumina capacities. Of immediate focus will be 359ktpa Mahan and Aditya Aluminium smelter—this will come on stream in FY2013E. It reiterated timely project completion schedule and competitiveness on the cost of production from Mahan and Aditya Aluminium smelters. We expect the cost of production of the new aluminium smelters to be US\$1,100/ ton, which will place it comfortably in the first quartile of the global cost curve. Our expectations of a low cost of production are driven by tighter supply chain management, presence of power plant and alumina refinery in close proximity to raw material sources and efficiency of new smelters that will lower power consumption.

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Hindalco Industries, Valuation, FY2011E basis (Rs mn)

| | | Multiple (X) | Value | |
|--|---------|-----------------|----------------|------------|
| | | | (Rs mn) | (Rs/share) |
| Hindalco FY2011E EBITDA | 24,867 | 6.0 | 149,199 | 78 |
| Novelis FY2011E EBITDA | 45,281 | 6.5 | 294,328 | 154 |
| ABML FY2011E EBITDA (proportionate stake) | 2,867 | 5.0 | 14,337 | 7 |
| Total Enterprise Value | | | 457,864 | 239 |
| Add: Value of listed investments (20% to market price) | | | 23,530 | 12 |
| Less: Net debt (adjusted for CWIP) | 102,515 | | 102,515 | 54 |
| Arrived market capitalization | | | 355,349 | 198 |
| Target price (Rs) | | | | 200 |

Source: Kotak Institutional Equities estimates

FY2011E- TP sensitivity to varying aluminium price levels and Re/US\$ rate

| Target Price | | Aluminium (US\$/ton) | | | | |
|-----------------|----|----------------------|-------|-------|-------|-------|
| | | 1,650 | 1,800 | 1,950 | 2,100 | 2,250 |
| Re/US\$ rate | 44 | 161 | 175 | 188 | 202 | 216 |
| | 45 | 165 | 179 | 193 | 207 | 221 |
| | 46 | 169 | 184 | 198 | 212 | 227 |
| | 47 | 173 | 188 | 203 | 217 | 232 |
| | 48 | 177 | 193 | 208 | 223 | 238 |

Source: Kotak Institutional Equities estimates

FY2012E- TP sensitivity to varying aluminium prices and Re/US\$ rates

| Target Price | | Aluminium (US\$/ton) | | | | |
|-----------------|----|----------------------|-------|-------|-------|-------|
| | | 1,750 | 1,900 | 2,050 | 2,200 | 2,350 |
| Re/US\$ rate | 44 | 191 | 205 | 220 | 234 | 249 |
| | 45 | 195 | 210 | 225 | 240 | 255 |
| | 46 | 200 | 215 | 230 | 246 | 261 |
| | 47 | 205 | 220 | 236 | 251 | 267 |
| | 48 | 209 | 225 | 241 | 257 | 273 |

Source: Kotak Institutional Equities estimates

Sensitivity of FY2011E consolidated EPS to varying aluminium and Re/US\$ levels

| EPS (Rs) | | Aluminium (US\$/ton) | | | | |
|-----------------|----|----------------------|-------|-------|-------|-------|
| | | 1,650 | 1,800 | 1,950 | 2,100 | 2,250 |
| Re/US\$ rate | 44 | 9.3 | 10.9 | 12.5 | 14.2 | 15.8 |
| | 45 | 9.7 | 11.4 | 13.1 | 14.7 | 16.4 |
| | 46 | 10.2 | 11.9 | 13.6 | 15.3 | 17.0 |
| | 47 | 10.6 | 12.4 | 14.1 | 15.9 | 17.6 |
| | 48 | 11.1 | 12.9 | 14.7 | 16.4 | 18.2 |

Source: Kotak Institutional Equities estimates

Sensitivity of FY2012E consolidated EPS to varying aluminium and Re/US\$ levels

| EPS (Rs) | | Aluminium (US\$/ton) | | | | |
|-----------------|----|----------------------|-------|-------|-------|-------|
| | | 1,750 | 1,900 | 2,050 | 2,200 | 2,350 |
| Re/US\$ rate | 44 | 10.9 | 12.6 | 14.3 | 16.1 | 17.8 |
| | 45 | 11.4 | 13.2 | 14.9 | 16.7 | 18.5 |
| | 46 | 11.9 | 13.7 | 15.5 | 17.3 | 19.1 |
| | 47 | 12.4 | 14.3 | 16.1 | 18.0 | 19.8 |
| | 48 | 12.9 | 14.8 | 16.7 | 18.6 | 20.5 |

Source: Kotak Institutional Equities estimates

Hindalco Industries, Key assumptions, March fiscal-year ends, FY2008-2013E (Rs mn)

| | 2008 | 2009 | 2010E | 2011E | 2012E | 2013E |
|--------------------------------|---------|---------|---------|---------|---------|-----------|
| Aluminium | | | | | | |
| Hindalco | | | | | | |
| Aluminium price (US\$/ton) | 2,623 | 2,234 | 1,900 | 1,950 | 2,050 | 2,200 |
| Metal sales volume (tons) | 473,118 | 521,069 | 555,404 | 556,600 | 602,640 | 1,084,600 |
| Blended realization (Rs/ton) | 131,937 | 127,384 | 113,091 | 110,748 | 114,947 | 118,589 |
| Cost/ton (US\$/ton) | 2,102 | 1,939 | 1,708 | 1,876 | 1,941 | 1,736 |
| EBITDA/ton (US\$/ton) | 1,337 | 981 | 753 | 615 | 635 | 885 |
| Alumina price (US\$/ton) | 370 | 278 | 305 | 313 | 329 | 353 |
| Alumina sales volume (tons) | 259,627 | 238,350 | 247,415 | 362,810 | 319,949 | 480,198 |
| Alumina EBITDA (Rs mn) | 2,497 | 2,189 | 2,144 | 3,028 | 2,585 | 4,969 |
| Novelis | | | | | | |
| Average realization (US\$/ton) | 3,570 | 3,458 | 3,203 | 3,257 | 3,403 | 3,564 |
| Conversion premium (US\$/ton) | 947 | 1,224 | 1,303 | 1,307 | 1,353 | 1,364 |
| Shipments ('000 tons) | 3,150 | 2,943 | 2,708 | 2,925 | 3,042 | 3,102 |
| EBITDA/ton (US\$/ton) | 169 | 192 | 401 | 337 | 336 | 324 |
| EBITDA (US\$ mn) | 533 | 566 | 1,085 | 984 | 1,023 | 1,004 |
| EBITDA (Rs mn) | 21,448 | 25,997 | 51,538 | 45,281 | 47,042 | 46,183 |
| Copper | | | | | | |
| Price (US\$/ton) | 7,521 | 5,885 | 6,112 | 6,700 | 7,100 | 7,250 |
| Copper cathode volumes (tons) | 180,668 | 153,236 | 188,560 | 206,592 | 206,990 | 202,250 |
| Copper rods volumes (tons) | 138,543 | 146,323 | 147,450 | 151,874 | 156,430 | 161,123 |
| TCRC margin (cents/lb) | 24 | 15 | 22 | 18 | 18 | 20 |
| EBITDA (Rs mn) | 6,693 | 5,476 | 8,342 | 6,997 | 7,366 | 8,806 |

Source: Company, Kotak Institutional Equities estimates

Hindalco (consolidated), Profit model, balance sheet and cash flow model, March fiscal year-ends, 2008-2013E (Rs mn)

| | 2008 | 2009 | 2010E | 2011E | 2012E | 2013E |
|---|----------------|----------------|-----------------|-----------------|-----------------|----------------|
| Profit model (Rs mn) | | | | | | |
| Net sales | 600,128 | 656,252 | 607,221 | 666,693 | 722,508 | 822,051 |
| EBITDA | 66,351 | 53,584 | 70,094 | 75,678 | 80,085 | 109,817 |
| Other income | 6,560 | 6,878 | 3,227 | 4,449 | 3,901 | 4,805 |
| Interest | (18,491) | (12,323) | (11,041) | (15,617) | (15,007) | (28,717) |
| Depreciation | (24,883) | (30,378) | (27,836) | (27,175) | (25,555) | (30,610) |
| Profit before tax | 29,537 | 17,761 | 34,444 | 37,334 | 43,424 | 55,295 |
| Extraordinaries | 5,481 | (22,319) | 28,394 | — | — | — |
| Taxes | (11,889) | 8,046 | (19,319) | (10,067) | (12,183) | (15,450) |
| Profit after tax | 23,130 | 3,488 | 43,519 | 27,267 | 31,241 | 39,845 |
| Minority interest | (2,194) | 1,718 | (4,237) | (1,230) | (1,509) | (1,594) |
| Share in profit/(loss) of associates | 998 | (353) | (27) | (27) | (27) | (27) |
| Reported net income | 21,933 | 4,853 | 39,255 | 26,010 | 29,705 | 38,225 |
| Adjusted net income | 16,452 | 19,791 | 19,617 | 26,010 | 29,705 | 38,225 |
| Fully diluted EPS (Rs) | 12.9 | 11.6 | 10.2 | 13.6 | 15.5 | 20.0 |
| Balance sheet (Rs mn) | | | | | | |
| Equity | 172,866 | 158,536 | 222,465 | 245,452 | 272,134 | 307,336 |
| Deferred tax liability | 41,723 | 27,571 | 28,167 | 28,566 | 28,742 | 32,388 |
| Total Borrowings | 323,524 | 283,098 | 256,950 | 332,750 | 409,350 | 429,350 |
| Current liabilities | 172,201 | 162,602 | 145,657 | 156,767 | 167,194 | 183,538 |
| Minority interest | 16,154 | 12,866 | 17,103 | 18,332 | 19,841 | 21,435 |
| Total liabilities | 726,467 | 644,672 | 670,342 | 781,868 | 897,262 | 974,046 |
| Net fixed assets | 267,820 | 275,249 | 268,155 | 248,523 | 220,448 | 465,108 |
| Capital work in progress | 24,571 | 29,495 | 55,105 | 150,615 | 257,493 | 6,747 |
| Goodwill | 79,247 | 42,908 | 42,908 | 42,908 | 42,908 | 42,908 |
| Investments | 140,077 | 104,308 | 104,281 | 104,255 | 104,228 | 104,201 |
| Cash | 17,169 | 21,918 | 13,498 | 37,185 | 59,181 | 119,376 |
| Other current assets | 197,574 | 170,791 | 186,395 | 198,382 | 213,004 | 235,707 |
| Miscellaneous expenditure | 10 | 4 | — | — | — | — |
| Total assets | 726,467 | 644,672 | 670,342 | 781,868 | 897,262 | 974,046 |
| Free cash flow (Rs mn) | | | | | | |
| Operating cash flow excl. working capital | 27,709 | (7,156) | 60,081 | 50,392 | 53,071 | 69,296 |
| Working capital changes | 7,576 | 29,309 | (25,366) | (877) | (4,195) | (6,359) |
| Capital expenditure | (27,507) | (25,988) | (46,352) | (103,054) | (104,357) | (24,525) |
| Free cash flow | 7,778 | (3,834) | (11,638) | (53,539) | (55,481) | 38,412 |
| Ratios | | | | | | |
| EBITDA margin (%) | 11.1 | 8.2 | 11.5 | 11.4 | 11.1 | 13.4 |
| EBIT margin (%) | 6.9 | 3.5 | 7.0 | 7.3 | 7.5 | 9.6 |
| Debt/equity (X) | 1.9 | 1.8 | 1.2 | 1.4 | 1.5 | 1.4 |
| Net debt/equity (X) | 1.2 | 1.4 | 0.9 | 1.0 | 1.1 | 0.9 |
| Net debt/EBITDA (X) | 3.2 | 4.1 | 2.9 | 3.3 | 3.8 | 2.4 |
| RoAE (%) | 10.9 | 11.9 | 10.3 | 11.1 | 11.5 | 13.2 |
| RoACE (%) | 7.9 | 5.4 | 4.8 | 6.6 | 6.2 | 8.3 |

Source: Company, Kotak Institutional Equities estimates

AUGUST 23, 2010

UPDATE

BSE-30: 18,455

Tariff stability, end of price competition? Heck, no. We see the Street's exuberance on Indian telcos—based on the assumption of competitive stability in the market—a tad premature. Even as the reversal of traffic to the incumbents (after they matched tariffs, importantly) suggests that this round of action has gone to the incumbents, one would do well to remember that (1) no meaningful challenger has been knocked out of the ring yet and (2) there are more rounds likely to come. We reiterate our Cautious view.

Extrapolation (of recent trends) fraught with risk

Our Cautious view on Indian telcos stems from structural issues we see dogging the wireless industry in India – onset of substantial and concentrated (non-rural) capacity, more than optimal number of players in the industry, sub-optimal spectrum allocation, and low-quality incremental subs. The hyper-competitive market has already seen (broadly) two rounds of action, with round 1 belonging to the challengers (as they took away minutes market share from the incumbents), and round 2 going to the incumbents (as these minutes returned to the incumbents once they matched tariffs).

Using a boxing analogy, it is important to appreciate that (1) no challenger has been knocked out yet, (2) the bout has not ended and likely has more rounds, punches, and counter-punches ahead, and (3) incumbents did win round 2 on points, but did not come out of the first two rounds unscathed; they suffered bruises on the way – in the form of sharp decline in RPMs and almost five quarters of near-zero revenue/EBITDA growth (see Exhibit 1). We clarify that when we use the word challenger, we are not talking just about the new licensees, but also about players like RCOM, TTSL, Aircel, and Idea (in some circles). We believe it is premature and risky to call it the end of the bout and extrapolate the result of the recent round, declaring incumbents the winner.

More importantly, challengers do not appear to be throwing in their towels, yet

Our discussions with some of the industry players in the 'challengers' camp give us no reason to believe that they have given up hope of gaining revenue market share from the incumbents. Even as they realize that a pure tariff-cut driven subs acquisition strategy is unlikely to tilt the scales in their favor, they continue to devise (and rollout) strategies to capture the meaty (mid to high end, revenue market share differentiator) segment of the market. We clarify that we are not arguing that the challengers would succeed – our point simply is that the disruption they cause to the market in a bid to succeed will likely hurt the incumbents as well.

Circle-level special tariff interventions to attract the meaty subs base (we have given a few examples in Exhibit 2) aside, we see the aggressive 3G bidding by the challengers as an unmistakable expression of intent. Let us not forget that companies like Aircel, TTSL and even RCOM (in Mumbai and Delhi) have bid aggressively for 3G spectrum in circles where they do not command high revenue market share. For example, it does not make sense to us that an Aircel has forked out Rs15.8 bn for 3G spectrum in the Karnataka circle, if it is content to play in the low-end segment and let Bharti continue to enjoy its 52% AGR market share in the circle (Exhibit 3).

Recent surge in stock prices an opportunity to sell, in our view

A (misplaced, in our view) view of pricing stability, post-facto justification of 3G payouts, and expectation of regulatory relief (in the form of TRAI recommendations not being accepted 100%) has driven the recent uptick in the stock prices of the Indian telcos. As argued above, we see expectations of 'relief' premature and risky. We reiterate our Cautious coverage view on the sector with a REDUCE on Bharti/Idea and SELL on RCOM.

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Exhibit 1: Growth in subscribers and revenues for Indian telecom industry

| | Dec-08 | Mar-09 | Jun-09 | Sep-09 | Dec-09 | Mar-10 | Jun-10 |
|---|---------|---------|---------|---------|---------|-------------|---------------|
| Gross revenues (Rs mn) | 262,601 | 271,396 | 263,223 | 263,374 | 265,388 | 277,639 | |
| Adjusted gross revenues (Rs mn) | 201,160 | 205,025 | 205,883 | 204,107 | 197,536 | 205,915 | |
| Subscribers (mn) | 340 | 386 | 422 | 466 | 519 | 578 | |
| Growth (qoq) (%) | | | | | | | |
| Gross revenues | 6.4 | 3.3 | (3.0) | 0.1 | 0.8 | 4.6 | |
| Adjusted gross revenues | 9.3 | 1.9 | 0.4 | (0.9) | (3.2) | 4.2 | |
| Subscribers | 11.9 | 13.7 | 9.2 | 10.5 | 11.4 | 11.3 | |
| Growth over last 5 quarters (%) | | | | | | | |
| Gross revenues | | | | | | 5.7 | |
| Adjusted gross revenues | | | | | | 2.4 | |
| Subscribers | | | | | | 70.2 | |
| Trends in RPM (Rs/min) | | | | | | | |
| Bharti | 0.64 | 0.63 | 0.58 | 0.56 | 0.52 | 0.47 | 0.45 |
| Idea | 0.61 | 0.60 | 0.58 | 0.47 | 0.45 | 0.44 | 0.44 |
| RCOM | 0.64 | 0.63 | 0.58 | 0.56 | 0.51 | 0.46 | 0.44 |
| Change in RPM qoq (%) | | | | | | | |
| Bharti | 2.0 | (2.0) | (7.5) | (3.7) | (7.8) | (9.1) | (4.6) |
| Idea | (4.3) | (1.6) | (4.5) | (17.7) | (5.0) | (2.9) | 0.8 |
| RCOM | 2.2 | (1.2) | (8.0) | (4.1) | (7.8) | (9.6) | (5.7) |
| Change in RPM over last 6 quarters | | | | | | | |
| Bharti | | | | | | | (30.1) |
| Idea | | | | | | | (28.0) |
| RCOM | | | | | | | (31.4) |

Note:

(a) TRAI gross revenue figures not yet out for June 2010 quarter

Source: TRAI, COAI, AUSPI, Companies, Kotak Institutional Equities

Exhibit 2: Tariff wars continue in a subtle way - offers by operators in the Kolkata circle over the past few months

| Date of launch | Operator | Offer Details | Coupon Value (Rs) | Validity (days) |
|----------------|--------------------|---|-------------------|------------------|
| 1-Mar | Aircel | Local calls @1p/2sec, 100 SMS free every day (1st 2 SMS @ 60p) | 45 | 30 |
| 1-Mar | Aircel | 250 local and national SMS free | 30 | 30 |
| 1-Mar | Aircel | Unlimited on-net calling and all other calls @ 1p/sec | 299 | 30 |
| 1-Mar | Aircel | Unlimited mobile internet | 98 | 30 |
| 1-Mar | Airtel | Full talktime on recharges | 25 | 2 |
| 5-Mar | MTS | 10p/SMS | 15 | 15 |
| 6-Mar | Airtel | Full talktime on recharges | 150 | 15 |
| 6-Mar | Tata Docomo | Local bulk packs to reduce call rates upto 25p/min | 35-500 | 5-30 |
| 6-Mar | Tata Docomo | Bonus talktime of 10% on recharge vouchers | 200-500 | NA |
| 6-Mar | Tata Docomo | 10000 sec free on-net calling | 14 | 1 |
| 11-Mar | Airtel | Rs 1/20 min on net calling between 11pm to 6 am | 28 | 90 |
| 13-Mar | Tata Docomo | Local calls @ 1p/2sec, 100 free SMS every day (rates applicable after initial 180 sec and 3 SMS) | 61 | 180 |
| 15-Mar | Vodafone | Roaming rates @ flat 50p/min, free min for post-paid customers | NA | NA |
| 15-Mar | Vodafone | Free 10-30 SMS on recharge vouchers | 10-30 | 3 |
| 19-Mar | Vodafone | New GPRS Pack - 200 MB download | 21 | 2 |
| 23-Mar | Airtel | Full talktime on e-recharges | 160 | Unlimited |
| 29-Apr | Airtel | Local on-net calls at 25p/min from 11PM-6PM | 12 | 30 |
| 29-Apr | Airtel | Unlimited SMS for 10 days for Rs 26, FUP- 300 SMS per day | 26 | 10 |
| 5-May | Aircel | On-net local calls @10p/min, off-net local @40p/min, others 50p/min | 35 | 30 |
| 7-May | MTS | Unlimited local and national SMS; FUP of 500 SMS/day | 104 | 30 |
| 11-May | Vodafone | 10-30 GB data usage free | 499-1400 | 30-90 |
| 17-May | Tata Docomo | Rs0.60 and Rs1.20 for first local and national SMS, 200 local and national SMS free | 24 | 90 |
| 25-May | Idea | New GPRS pack - 3GB per month | 98 | 30 |
| 26-May | Idea | Local calls @30p/min and STD calls @50p/min | 6 | 365 |
| 26-May | Vodafone | Full talktime on subsequent recharges, local on-net calling @1p/sec | 92 | 365 |
| 3-Jun | BSNL | Unlimited local and STD on-net calling | 28-500 | 1-30 |
| | | Unlimited GPRS usage | 8-274 | 1-30 |
| 10-Jun | BSNL | 2000 local and national SMS free | 31 | 30 |
| | BSNL | Local on-net calling @10p/min | 65 | 30 |
| 15-Jun | Aircel | Local calls @1p/2sec | 4 | 2 |
| | Aircel | Local on-net calling @ 29p/min; local off-net calling @ 59p/min | 34 | Lifetime |
| | Aircel | Local on-net calling @ 10p/min; local off-net calling @ 40p/min | 35 | 30 |
| | Aircel | 4000 local minutes free | 900 | 30 |
| 12-Jul | Uninor | Free 1000 minutes of local on-net calling; only through e-recharge | 32 | 30 |
| | Uninor | 50-100 STD minutes free; only through e-recharge | 21-41 | 30 |
| 12-Jul | Idea | Local on-net calls at 10p/min | 26 | 30 |
| 12-Jul | Idea | Unlimited on-net calling; FUP - 100 on-net minutes free | 249 | 30 |
| 12-Jul | Idea | 200 Local and National SMS free | 27 | 30 |
| 27-Jul | Tata Docomo | Local & National calls 1p/sec for 45sec of every 60 sec of calls | 21 | 365 |
| 27-Jul | Tata Docomo | 3500 local and national sms | 11 | 7 |
| 13-Aug | Idea | All calls at 40p/min, 100 free SMS everyday after first 3 chargeable SMS, TT of 37 | 37 | 365 |
| 16-Aug | Idea | All calls at 40p/min (STD or local) | 8 | 365 |
| 19-Aug | Tata Docomo | STD calls @ 1p/2sec both on-net and off-net; FUP of 30,000 seconds | 49 | 30 |

Source: Companies, www.telecomtalk.info

Exhibit 3: 3G spectrum winners and respective revenue market share

26 out of the 71 slots have been won by players with less than 10% revenue market share

| Rs mn | 3G spectrum winners | | | | Key players who missed out on 3G |
|-----------------------------|---------------------|----------|----------|--------|----------------------------------|
| Metros | | | | | |
| Delhi | Bharti | Vodafone | RCOM | | TTSL |
| AGR market share (%) | 39.6 | 24.7 | 10.2 | | 12.6 |
| Mumbai | Vodafone | Bharti | RCOM | | TTSL |
| AGR market share (%) | 32.2 | 19.6 | 13.5 | | 17.3 |
| Chennai + TN | Bharti | Aircel | Vodafone | | |
| AGR market share (%) | 34.4 | 23.3 | 20.3 | | |
| Kolkata | Vodafone | RCOM | Aircel | | Bharti |
| AGR market share (%) | 31.5 | 17.6 | 4.3 | | 29.5 |
| A circles | | | | | |
| Andhra Pradesh | Bharti | Idea | Aircel | | Idea |
| AGR market share (%) | 41.2 | 16.3 | 1.0 | | 16.3 |
| Gujarat | Vodafone | Idea | TTSL | | Bharti |
| AGR market share (%) | 42.3 | 17.7 | 5.0 | | 19.0 |
| Karnataka | Bharti | TTSL | Aircel | | Vodafone |
| AGR market share (%) | 52.2 | 11.0 | 0.8 | | 12.8 |
| Maharashtra | Idea | Vodafone | TTSL | | Bharti |
| AGR market share (%) | 31.7 | 19.9 | 12.6 | | 20.7 |
| B circles | | | | | |
| Haryana | Vodafone | Idea | TTSL | | Bharti |
| AGR market share (%) | 22.4 | 20.7 | 14.1 | | 17.6 |
| Kerala | Idea | TTSL | Aircel | | Bharti |
| AGR market share (%) | 33.6 | 5.7 | 1.8 | | 15.7 |
| Madhya Pradesh | Idea | RCOM | TTSL | | Bharti |
| AGR market share (%) | 32.8 | 16.8 | 8.1 | | 30.7 |
| Punjab | Idea | TTSL | RCOM | Aircel | Bharti |
| AGR market share (%) | 19.2 | 7.1 | 2.5 | - | 39.5 |
| Rajasthan | Bharti | TTSL | RCOM | | Vodafone |
| AGR market share (%) | 47.5 | 6.0 | 5.7 | | 23.5 |
| Uttar Pradesh (east) | Vodafone | Idea | Aircel | | Bharti |
| AGR market share (%) | 31.7 | 9.4 | 0.9 | | 30.5 |
| Uttar Pradesh (west) | Idea | Bharti | TTSL | | Vodafone |
| AGR market share (%) | 29.2 | 17.7 | 7.4 | | 24.6 |
| West Bengal and A&N islands | Vodafone | Bharti | RCOM | Aircel | |
| AGR market share (%) | 39.4 | 29.3 | 8.3 | 6.7 | |
| C circles | | | | | |
| Assam | Bharti | Aircel | RCOM | | |
| AGR market share (%) | 37.5 | 30.4 | 19.4 | | |
| Bihar | Bharti | RCOM | Aircel | S Tel | |
| AGR market share (%) | 50.6 | 13.7 | 5.2 | 0.2 | |
| Himachal Pradesh | Bharti | RCOM | Idea | S Tel | |
| AGR market share (%) | 45.6 | 15.9 | 3.8 | 0.5 | |
| North East | Bharti | Aircel | RCOM | | |
| AGR market share (%) | 37.0 | 34.5 | 3.8 | | |
| Orissa | RCOM | Aircel | S Tel | | Bharti |
| AGR market share (%) | 13.8 | 8.1 | 0.0 | | 41.2 |
| J&K | Bharti | Aircel | RCOM | Idea | |
| AGR market share (%) | 20.4 | 19.6 | 3.0 | 0.4 | |

3G spectrum winner but less than 10% revenue market share

Source: DoT, Kotak Institutional Equities

Exhibit 4: Indian telecom companies valuation analysis, March fiscal year-ends, 2009-2012E

| | Price (Rs) | Target price | P/E (X) | | | | | EV/EBITDA (X) | | | | |
|--------|------------|--------------|---------|-------|-------|-------|-------|---------------|-------|-------|-------|-------|
| | 19-Aug-10 | (Rs) | 2009 | 2010 | 2011E | 2012E | 2013E | 2009 | 2010 | 2011E | 2012E | 2013E |
| Bharti | 315 | 305 | 14.1 | 13.3 | 15.8 | 15.2 | 13.0 | 8.3 | 7.6 | 8.4 | 6.9 | 5.8 |
| Idea | 70 | 55 | 24.1 | 25.6 | 31.9 | 46.1 | 24.8 | 9.5 | 8.7 | 9.5 | 8.1 | 6.7 |
| MTNL | 64 | 50 | 26.8 | (4.1) | (6.2) | (7.0) | (7.7) | (4.4) | (0.4) | (2.0) | (4.1) | (6.0) |
| RCOM | 164 | 150 | 5.2 | 7.4 | 27.2 | 17.5 | 11.9 | 7.8 | 6.9 | 9.5 | 7.9 | 6.3 |
| TCOM | 334 | 225 | 24.6 | 23.9 | 22.1 | 21.3 | 21.0 | 12.2 | 10.9 | 10.0 | 8.4 | 8.1 |

| | KS rating | Market cap. | Revenues (Rs bn) | | | | | EBITDA (Rs bn) | | | | |
|--------|-----------|-------------|------------------|------|-------|-------|-------|----------------|------|-------|-------|-------|
| | | (US\$ bn) | 2009 | 2010 | 2011E | 2012E | 2013E | 2009 | 2010 | 2011E | 2012E | 2013E |
| Bharti | REDUCE | 25.7 | 370 | 418 | 620 | 721 | 797 | 152 | 168 | 219 | 262 | 298 |
| Idea | REDUCE | 5.0 | 101 | 124 | 154 | 187 | 214 | 28 | 34 | 39 | 47 | 57 |
| MTNL | SELL | 0.9 | 45 | 37 | 38 | 40 | 42 | 2 | (9) | (7) | (5) | (4) |
| RCOM | SELL | 7.5 | 229 | 223 | 214 | 253 | 288 | 93 | 79 | 68 | 83 | 99 |
| TCOM | REDUCE | 2.0 | 38 | 42 | 46 | 49 | 52 | 8 | 9 | 10 | 10 | 11 |

| | Net Income (Rs bn) | | | | | EPS (Rs/share) | | | | |
|--------|--------------------|------|-------|-------|-------|----------------|--------|--------|-------|-------|
| | 2009 | 2010 | 2011E | 2012E | 2013E | 2009 | 2010 | 2011E | 2012E | 2013E |
| Bharti | 84 | 90 | 76 | 79 | 92 | 22.3 | 23.6 | 20.0 | 20.7 | 24.2 |
| Idea | 9 | 9 | 7 | 5 | 9 | 2.90 | 2.73 | 2.19 | 1.52 | 2.82 |
| MTNL | 1 | (10) | (7) | (6) | (5) | 2.4 | (15.6) | (10.4) | (9.1) | (8.4) |
| RCOM | 67 | 47 | 13 | 20 | 29 | 31.6 | 22.1 | 6.0 | 9.4 | 13.8 |
| TCOM | 4 | 4 | 4 | 4 | 5 | 13.6 | 14.0 | 15.2 | 15.7 | 15.9 |

Source: Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

| Company | 20-Aug-10 | | Mkt cap. | | O/S shares (mn) | EPS (Rs) | | | EPS growth (%) | | | PER (X) | | | EV/EBITDA (X) | | | Price/BV (X) | | | Dividend yield (%) | | | RoE (%) | | | Target price (Rs) | Upside (%) | ADVT-3mo (US\$ mn) |
|-------------------------------------|------------|-------------------|------------------|----------------|-----------------|----------|-------|-------|----------------|-------------|-------------|-------------|-------------|-------------|---------------|------------|------------|--------------|------------|------------|--------------------|------------|------------|-------------|-------------|-------------|-------------------|------------|--------------------|
| | Price (Rs) | Rating | (Rs mn) | (US\$ mn) | | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | | | |
| Automobiles | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ashok Leyland | 70 | ADD | 92,721 | 1,999 | 1,330 | 2.8 | 4.3 | 5.9 | 84.5 | 52.3 | 37.5 | 24.7 | 16.2 | 11.8 | 14.3 | 10.8 | 8.5 | 2.3 | 2.1 | 1.8 | 2.2 | 1.4 | 1.4 | 10.9 | 13.5 | 16.7 | 78 | 11.9 | 7.7 |
| Bajaj Auto | 2,795 | ADD | 404,386 | 8,716 | 145 | 117.7 | 169.0 | 189.5 | 160.1 | 43.6 | 12.2 | 23.7 | 16.5 | 14.7 | 15.3 | 11.7 | 10.2 | 13.8 | 8.0 | 5.4 | 0.7 | 0.7 | 0.7 | 70.9 | 61.4 | 44.0 | 2,650 | (5.2) | 13.9 |
| Bharat Forge | 351 | ADD | 84,029 | 1,811 | 239 | 0.7 | 12.4 | 19.7 | (92.0) | 1,705.4 | 59.1 | 511.3 | 28.3 | 17.8 | 26.1 | 12.2 | 8.6 | 2.2 | 2.1 | 1.9 | — | — | — | 0.9 | 0.4 | 0.1 | 360 | 2.4 | 4.7 |
| Hero Honda | 1,916 | SELL | 382,585 | 8,246 | 200 | 111.8 | 115.3 | 130.1 | 74.1 | 3.1 | 12.8 | 17.1 | 16.6 | 14.7 | 11.0 | 11.0 | 9.3 | 10.6 | 7.4 | 5.5 | 1.6 | 1.6 | 1.8 | 59.1 | 52.5 | 42.8 | 1,800 | (6.0) | 19.3 |
| Mahindra & Mahindra | 618 | BUY | 367,822 | 7,928 | 595 | 33.9 | 44.1 | 51.7 | 125.8 | 30.1 | 17.3 | 18.2 | 14.0 | 11.9 | 12.0 | 10.1 | 8.4 | 4.6 | 3.6 | 2.9 | 1.5 | 1.5 | 1.6 | 30.0 | 29.0 | 27.3 | 760 | 23.0 | 25.2 |
| Maruti Suzuki | 1,240 | REDUCE | 358,273 | 7,722 | 289 | 86.4 | 77.6 | 88.3 | 104.9 | (10.2) | 13.9 | 14.3 | 16.0 | 14.0 | 7.6 | 8.0 | 6.9 | 3.0 | 2.6 | 2.2 | 0.5 | 0.4 | 0.5 | 23.3 | 17.3 | 16.7 | 1,200 | (3.2) | 22.1 |
| Tata Motors | 1,015 | ADD | 635,823 | 13,705 | 626 | 27.4 | 94.8 | 109.2 | (182.5) | 246.1 | 15.2 | 37.1 | 10.7 | 9.3 | 13.2 | 6.9 | 6.0 | 4.1 | 2.9 | 2.2 | 1.3 | 0.5 | 0.5 | 8.7 | 11.9 | 11.1 | 1,150 | 13.3 | 93.2 |
| Automobiles | | Cautious | 2,325,640 | 50,127 | | | | | 276.0 | 57.2 | 16.1 | 22.3 | 14.2 | 12.2 | 12.2 | 8.7 | 7.5 | 4.7 | 3.6 | 2.8 | 1.1 | 0.9 | 1.0 | 20.9 | 25.3 | 23.3 | | | |
| Banks/Financial Institutions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Andhra Bank | 162 | BUY | 78,473 | 1,691 | 485 | 21.6 | 22.9 | 26.7 | 60.1 | 6.4 | 16.4 | 7.5 | 7.1 | 6.1 | — | — | — | 1.8 | 1.5 | 1.3 | 3.1 | 3.3 | 3.8 | 26.0 | 23.1 | 22.7 | 180 | 11.2 | 5.0 |
| Axis Bank | 1,367 | ADD | 553,873 | 11,938 | 405 | 62.1 | 78.1 | 98.3 | 22.7 | 25.9 | 25.9 | 22.0 | 17.5 | 13.9 | — | — | — | 3.5 | 3.0 | 2.6 | 0.9 | 1.1 | 1.4 | 19.2 | 18.3 | 19.9 | 1,500 | 9.7 | 42.4 |
| Bank of Baroda | 831 | BUY | 303,607 | 6,544 | 366 | 83.7 | 95.1 | 115.7 | 37.3 | 13.7 | 21.7 | 9.9 | 8.7 | 7.2 | — | — | — | 2.2 | 1.8 | 1.5 | 1.8 | 2.1 | 2.5 | 24.4 | 23.0 | 23.3 | 950 | 14.4 | 9.3 |
| Bank of India | 460 | REDUCE | 241,737 | 5,210 | 526 | 33.1 | 49.9 | 58.1 | (42.1) | 50.9 | 16.4 | 13.9 | 9.2 | 7.9 | — | — | — | 1.9 | 1.6 | 1.4 | 1.5 | 2.3 | 2.7 | 14.2 | 19.0 | 19.2 | 460 | 0.1 | 8.4 |
| Canara Bank | 528 | ADD | 216,644 | 4,670 | 410 | 73.7 | 82.2 | 98.3 | 45.8 | 11.6 | 19.5 | 7.2 | 6.4 | 5.4 | — | — | — | 1.7 | 1.4 | 1.1 | 1.5 | 1.9 | 2.3 | 22.4 | 20.8 | 20.8 | 580 | 9.8 | 6.7 |
| Corporation Bank | 629 | BUY | 90,201 | 1,944 | 143 | 82.0 | 88.0 | 102.6 | 31.8 | 7.3 | 16.6 | 7.7 | 7.1 | 6.1 | — | — | — | 1.6 | 1.3 | 1.1 | 2.6 | 2.8 | 3.3 | 22.0 | 20.2 | 20.2 | 700 | 11.3 | 1.2 |
| Federal Bank | 354 | ADD | 60,580 | 1,306 | 171 | 27.2 | 36.4 | 49.0 | (7.2) | 34.1 | 34.4 | 13.0 | 9.7 | 7.2 | — | — | — | 1.3 | 1.2 | 1.0 | 1.4 | 1.9 | 2.5 | 10.3 | 12.6 | 15.2 | 360 | 1.6 | 6.3 |
| HDFC | 640 | ADD | 918,680 | 19,801 | 1,436 | 19.7 | 23.2 | 27.8 | 22.7 | 17.9 | 19.6 | 32.5 | 27.6 | 23.0 | — | — | — | 6.0 | 5.4 | 4.7 | 1.1 | 1.3 | 1.5 | 20.0 | 20.6 | 21.7 | 690 | 7.8 | 39.6 |
| HDFC Bank | 2,231 | BUY | 1,021,363 | 22,014 | 458 | 64.4 | 87.2 | 113.8 | 22.1 | 35.4 | 30.5 | 34.6 | 25.6 | 19.6 | — | — | — | 4.7 | 4.1 | 3.6 | 0.5 | 0.7 | 0.9 | 16.1 | 17.3 | 19.5 | 2,400 | 7.6 | 32.8 |
| ICICI Bank | 994 | REDUCE | 1,108,200 | 23,886 | 1,115 | 36.1 | 45.2 | 57.3 | 6.9 | 25.3 | 26.6 | 27.5 | 22.0 | 17.4 | — | — | — | 2.1 | 2.0 | 1.9 | 1.2 | 1.5 | 1.9 | 8.0 | 9.5 | 11.3 | 1,000 | 0.6 | 81.1 |
| IDFC | 188 | ADD | 274,170 | 5,909 | 1,458 | 8.4 | 9.4 | 11.2 | 44.9 | 12.4 | 18.7 | 22.4 | 19.9 | 16.8 | — | — | — | 3.9 | 2.6 | 2.1 | 0.7 | 0.9 | 1.2 | 16.6 | 15.5 | 14.3 | 205 | 9.0 | 24.9 |
| India Infoline | 102 | BUY | 31,913 | 688 | 312 | 8.1 | 7.2 | 8.7 | 59.2 | (11.9) | 21.6 | 12.6 | 14.3 | 11.8 | — | — | — | 2.0 | 1.7 | 1.4 | 3.1 | 1.5 | 2.0 | 16.4 | 12.9 | 14.4 | 120 | 17.2 | 4.5 |
| Indian Bank | 256 | ADD | 109,892 | 2,369 | 430 | 35.1 | 32.4 | 44.1 | 25.5 | (7.7) | 36.2 | 7.3 | 7.9 | 5.8 | — | — | — | 1.7 | 1.4 | 1.2 | 2.5 | 2.3 | 3.1 | 24.1 | 18.8 | 21.7 | 280 | 9.5 | 4.1 |
| Indian Overseas Bank | 136 | BUY | 74,175 | 1,599 | 545 | 13.0 | 16.7 | 24.8 | (46.7) | 29.0 | 48.4 | 10.5 | 8.1 | 5.5 | — | — | — | 1.2 | 1.0 | 0.9 | 2.6 | 2.8 | 3.1 | 9.6 | 11.6 | 15.4 | 160 | 17.5 | 4.6 |
| J&K Bank | 886 | BUY | 42,979 | 926 | 48 | 105.7 | 119.3 | 139.9 | 25.1 | 12.8 | 17.3 | 8.4 | 7.4 | 6.3 | — | — | — | 1.4 | 1.3 | 1.1 | 2.5 | 2.8 | 3.3 | 18.2 | 17.9 | 18.3 | 930 | 4.9 | 1.4 |
| LIC Housing Finance | 1,228 | REDUCE | 116,619 | 2,514 | 95 | 69.7 | 100.7 | 109.9 | 11.5 | 44.5 | 9.1 | 17.6 | 12.2 | 11.2 | — | — | — | 3.6 | 3.0 | 2.5 | 1.2 | 1.8 | 1.9 | 23.6 | 25.5 | 23.2 | 1,250 | 1.8 | 22.7 |
| Mahindra & Mahindra Financial | 593 | BUY | 56,904 | 1,227 | 96 | 35.9 | 46.4 | 56.2 | 60.0 | 29.4 | 21.2 | 16.5 | 12.8 | 10.5 | — | — | — | 3.3 | 2.8 | 2.4 | 1.3 | 1.7 | 2.0 | 21.5 | 23.5 | 23.8 | 590 | (0.5) | 2.0 |
| Orient Bank of Commerce | 445 | ADD | 111,402 | 2,401 | 251 | 45.3 | 57.8 | 66.8 | 25.3 | 27.6 | 15.5 | 9.8 | 7.7 | 6.7 | — | — | — | 1.5 | 1.3 | 1.1 | 2.0 | 2.6 | 3.0 | 14.5 | 16.5 | 16.9 | 430 | (3.3) | 6.2 |
| PFC | 333 | SELL | 382,265 | 8,239 | 1,148 | 20.5 | 22.9 | 27.6 | 53.5 | 11.9 | 20.3 | 16.3 | 14.5 | 12.1 | — | — | — | 3.0 | 2.6 | 2.3 | 1.5 | 1.7 | 2.1 | 18.8 | 18.3 | 19.2 | 275 | (17.4) | 3.9 |
| Punjab National Bank | 1,196 | BUY | 376,991 | 8,126 | 315 | 123.9 | 133.4 | 163.3 | 26.4 | 7.7 | 22.4 | 9.7 | 9.0 | 7.3 | — | — | — | 2.3 | 1.9 | 1.6 | 1.8 | 2.3 | 2.8 | 26.2 | 23.2 | 23.7 | 1,300 | 8.7 | 8.8 |
| Reliance Capital | 784 | NR | 192,916 | 4,158 | 246 | 12.9 | 13.7 | 9.8 | (67.3) | 6.5 | (28.6) | 61.0 | 57.2 | 80.2 | — | — | — | 2.8 | 2.7 | 2.7 | 0.8 | 0.7 | 0.5 | 4.7 | 4.8 | 3.4 | — | — | 41.2 |
| Rural Electrification Corp. | 328 | ADD | 323,765 | 6,978 | 987 | 20.3 | 25.3 | 31.2 | 23.2 | 24.5 | 23.4 | 16.2 | 13.0 | 10.5 | — | — | — | 2.9 | 2.6 | 2.2 | 2.0 | 2.3 | 2.9 | 22.0 | 21.0 | 22.5 | 325 | (0.9) | 13.2 |
| Shriram Transport | 771 | ADD | 171,985 | 3,707 | 223 | 39.2 | 53.4 | 64.8 | 30.1 | 36.4 | 21.3 | 19.7 | 14.4 | 11.9 | — | — | — | 4.7 | 3.9 | 3.3 | 1.5 | 2.1 | 2.5 | 28.4 | 28.2 | 28.4 | 700 | (9.2) | 4.6 |
| SREI | 92 | NR | 10,658 | 230 | 116 | 8.3 | 7.9 | 9.9 | 17.8 | (4.8) | 25.8 | 11.1 | 11.6 | 9.2 | — | — | — | 0.9 | 0.8 | 0.8 | 1.3 | 1.3 | 1.3 | 11.1 | 10.5 | 12.3 | — | — | 4.5 |
| State Bank of India | 2,787 | BUY | 1,769,354 | 38,137 | 635 | 144.4 | 177.7 | 211.2 | 0.5 | 23.1 | 18.8 | 19.3 | 15.7 | 13.2 | — | — | — | 2.7 | 2.4 | 2.1 | 1.1 | 1.1 | 1.2 | 14.8 | 16.0 | 16.7 | 3,100 | 11.2 | 98.3 |
| Union Bank | 362 | BUY | 182,600 | 3,936 | 505 | 41.1 | 45.7 | 56.9 | 20.2 | 11.3 | 24.5 | 8.8 | 7.9 | 6.4 | — | — | — | 2.1 | 1.7 | 1.4 | 1.5 | 1.7 | 2.1 | 26.2 | 23.7 | 24.1 | 400 | 10.7 | 4.9 |
| Yes Bank | 332 | BUY | 112,600 | 2,427 | 340 | 15.0 | 17.7 | 22.5 | 46.7 | 18.2 | 26.6 | 22.1 | 18.7 | 14.8 | — | — | — | 3.6 | 3.1 | 2.6 | 0.4 | 0.5 | 0.7 | 20.3 | 18.0 | 19.3 | 350 | 5.6 | 20.5 |
| Banks/Financial Institutions | | Attractive | 8,934,546 | 192,576 | | | | | 14.8 | 20.3 | 22.1 | 17.8 | 14.8 | 12.1 | — | — | — | 2.7 | 2.4 | 2.1 | 1.2 | 1.5 | 1.7 | 15.5 | 16.2 | 17.2 | | | |
| Cement | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ACC | 871 | ADD | 163,653 | 3,527 | 188 | 83.2 | 66.0 | 72.4 | 47.9 | (20.7) | 9.8 | 10.5 | 13.2 | 12.0 | 5.5 | 6.2 | 5.0 | 2.6 | 2.2 | 2.0 | 3.1 | 2.7 | 2.7 | 29.3 | 20.0 | 19.2 | 920 | 5.6 | 7.3 |
| Ambuja Cements | 122 | SELL | 185,654 | 4,002 | 1,522 | 8.0 | 8.4 | 8.9 | 11.4 | 5.3 | 5.1 | 15.2 | 14.5 | 13.8 | 8.4 | 8.0 | 6.8 | 2.7 | 2.3 | 2.1 | 1.5 | 1.7 | 1.8 | 19.3 | 17.8 | 16.5 | 108 | (11.4) | 4.8 |
| Grasim Industries | 2,094 | ADD | 192,022 | 4,139 | 92 | 301.0 | 229.0 | 273.3 | 26.1 | (23.9) | 19.4 | 7.0 | 9.1 | 7.7 | 4.3 | 4.7 | 3.6 | 1.5 | 1.3 | 1.2 | 1.6 | 1.6 | 1.6 | 22.9 | 15.7 | 16.3 | 2,200 | 5.0 | 9.0 |
| India Cements | 111 | SELL | 34,066 | 734 | 307 | 10.0 | 8.7 | 10.6 | (43.5) | (13.1) | 21.1 | 11.1 | 12.7 | 10.5 | 6.0 | 7.5 | 5.1 | 0.8 | 0.8 | 0.7 | 1.9 | 2.9 | 2.9 | 8.2 | 6.7 | 7.7 | 95 | (14.3) | 2.5 |
| Shree Cement | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Kotak Institutional Equities: Valuation summary of key Indian companies

| Company | 20-Aug-10 | | Mkt cap. | | O/S shares (mm) | EPS (Rs) | | | EPS growth (%) | | | PER (X) | | | EV/EBITDA (X) | | | Price/BV (X) | | | Dividend yield (%) | | | RoE (%) | | | Target price (Rs) | Upside (%) | ADVT-3mo (US\$ mn) |
|-------------------------------|-------------------|--------|------------------|----------------|-----------------------|----------|-------|-------|----------------|--------------|-------------|----------------|-------------|-------------|---------------|-------------|-------------|--------------|------------|------------|--------------------|------------|------------|-------------|-------------|-------------|-------------------------|---------------|-----------------------|
| | Price (Rs) | Rating | (Rs mn) | (US\$ mn) | | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | | | |
| Consumer products | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Asian Paints | 2,767 | BUY | 265,439 | 5,721 | 96 | 71.5 | 89.0 | 107.1 | 85.3 | 24.4 | 20.4 | 38.7 | 31.1 | 25.8 | 23.9 | 19.4 | 15.9 | 16.5 | 12.9 | 10.3 | 1.0 | 1.4 | 1.6 | 51.8 | 47.9 | 45.4 | 3,000 | 8.4 | 5.7 |
| Colgate-Palmolive (India) | 828 | REDUCE | 112,656 | 2,428 | 136 | 31.1 | 34.5 | 39.6 | 44.2 | 10.9 | 14.6 | 26.6 | 24.0 | 20.9 | 21.8 | 17.8 | 15.2 | 34.5 | 29.4 | 25.2 | 2.4 | 3.1 | 3.6 | 156.1 | 132.3 | 129.4 | 830 | 0.2 | 2.3 |
| Dabur India | 206 | REDUCE | 178,759 | 3,853 | 866 | 5.8 | 6.8 | 8.2 | 28.1 | 17.6 | 20.8 | 35.6 | 30.3 | 25.1 | 26.4 | 21.2 | 17.6 | 17.0 | 14.0 | 11.5 | 1.5 | 1.7 | 2.1 | 54.3 | 51.1 | 50.7 | 210 | 1.8 | 4.2 |
| GlaxoSmithKline Consumer (a) | 1,807 | ADD | 75,996 | 1,638 | 42 | 55.4 | 68.6 | 81.3 | 23.6 | 23.9 | 18.6 | 32.6 | 26.3 | 22.2 | 18.0 | 15.6 | 12.8 | 8.5 | 7.1 | 5.9 | 1.0 | 1.2 | 1.5 | 27.9 | 29.0 | 28.7 | 2,000 | 10.7 | 0.6 |
| Godrej Consumer Products | 389 | ADD | 125,860 | 2,713 | 324 | 11.3 | 13.0 | 17.3 | 69.5 | 14.4 | 33.1 | 34.3 | 30.0 | 22.5 | 27.2 | 21.3 | 16.0 | 13.1 | 7.2 | 6.5 | 1.0 | 0.8 | 0.8 | 44.6 | 31.0 | 30.4 | 400 | 2.8 | 2.2 |
| Hindustan Unilever | 269 | REDUCE | 586,656 | 12,645 | 2,182 | 9.4 | 10.2 | 11.8 | (0.9) | 8.4 | 15.3 | 28.5 | 26.3 | 22.8 | 19.5 | 18.7 | 15.6 | 22.7 | 19.6 | 17.0 | 2.8 | 3.1 | 3.6 | 71.1 | 80.2 | 80.0 | 250 | (7.0) | 11.0 |
| ITC | 163 | BUY | 1,244,743 | 26,829 | 7,651 | 5.3 | 6.3 | 7.3 | 22.6 | 18.2 | 15.8 | 30.7 | 25.9 | 22.4 | 18.6 | 16.3 | 13.8 | 8.4 | 7.1 | 6.1 | 3.1 | 1.7 | 1.8 | 29.2 | 31.1 | 30.5 | 165 | 1.4 | 24.9 |
| Jubilant Foodworks | 539 | REDUCE | 34,412 | 742 | 64 | 5.5 | 9.7 | 12.1 | 340.6 | 75.7 | 24.6 | 97.3 | 55.3 | 44.4 | 51.7 | 31.4 | 22.0 | 29.3 | 19.1 | 13.4 | — | — | — | 46.6 | 41.8 | 35.4 | 370 | (31.3) | 11.6 |
| Jyothy Laboratories | 278 | NR | 20,145 | 434 | 73 | 11.0 | 12.9 | 15.3 | 99.6 | 17.0 | 18.3 | 25.2 | 21.5 | 18.2 | 19.5 | 14.8 | 12.1 | 5.0 | 4.2 | 3.6 | 1.7 | 1.3 | 1.7 | 18.6 | 20.2 | 20.5 | — | — | 1.3 |
| Nestle India (a) | 2,880 | REDUCE | 277,672 | 5,985 | 96 | 74.4 | 86.6 | 104.8 | 27.0 | 16.4 | 20.9 | 38.7 | 33.2 | 27.5 | 25.6 | 22.2 | 18.9 | 47.8 | 38.1 | 30.3 | 1.7 | 2.1 | 2.5 | 136.0 | 127.5 | 122.9 | 3,000 | 4.2 | 1.8 |
| Tata Global Beverages | 112 | ADD | 68,951 | 1,486 | 618 | 6.6 | 7.4 | 8.4 | 23.4 | 11.1 | 13.8 | 16.8 | 15.2 | 13.3 | 10.9 | 8.8 | 7.9 | 1.4 | 1.3 | 1.2 | 1.9 | 2.2 | 2.4 | 10.9 | 11.4 | 12.0 | 125 | 12 | 3.6 |
| Consumer products | Attractive | | 3,069,488 | 66,160 | | | | | 24.2 | 16.4 | 17.5 | 31.3 | 26.9 | 22.9 | 20.2 | 17.5 | 14.7 | 10.6 | 8.8 | 7.6 | 2.3 | 1.9 | 2.2 | 33.9 | 32.9 | 33.3 | | | |
| Constructions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| IVRCL | 164 | BUY | 43,790 | 944 | 267 | 7.9 | 9.1 | 11.6 | (6.7) | 15.0 | 27.9 | 20.8 | 18.1 | 14.1 | 10.5 | 10.0 | 7.9 | 2.2 | 1.9 | 1.7 | 0.2 | 0.2 | 0.2 | 11.0 | 11.3 | 12.9 | 205 | 25.0 | 7.5 |
| Nagarjuna Construction Co. | 166 | BUY | 42,477 | 916 | 257 | 7.1 | 9.2 | 11.8 | 6.1 | 29.6 | 27.8 | 23.2 | 17.9 | 14.0 | 11.5 | 9.9 | 8.3 | 1.9 | 1.8 | 1.6 | 0.8 | 1.2 | 1.2 | 9.3 | 10.2 | 11.9 | 210 | 26.8 | 3.5 |
| Punj Lloyd | 116 | REDUCE | 39,293 | 847 | 339 | (12.9) | 9.8 | 12.0 | 79.2 | (175.4) | 22.4 | (9.0) | 11.9 | 9.7 | 34.3 | 6.7 | 6.1 | 1.3 | 1.2 | 1.1 | (0.1) | 0.4 | 0.9 | (15.8) | 10.3 | 11.4 | 140 | 20.7 | 12.0 |
| Sadbhav Engineering | 1,590 | BUY | 23,848 | 514 | 15 | 43.1 | 62.0 | 84.0 | (15.8) | 43.9 | 35.5 | 36.9 | 25.6 | 18.9 | 20.0 | 13.0 | 10.4 | 5.7 | 3.9 | 3.3 | 0.2 | 0.4 | 0.4 | 13.3 | 14.1 | 17.4 | 1,575 | (0.9) | 0.3 |
| Construction | Attractive | | 149,408 | 3,220 | | | | | (95.8) | 9,733 | 27.8 | 1,639.9 | 16.7 | 13.1 | 15.6 | 8.8 | 7.5 | 1.9 | 1.7 | 1.5 | 0.3 | 0.6 | 0.7 | 0.1 | 10.3 | 11.8 | | | |
| Energy | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Aban Offshore | 833 | ADD | 36,252 | 781 | 43 | 94.5 | 154.1 | 139.3 | (2.5) | 63.0 | (9.6) | 8.8 | 5.4 | 6.0 | 8.4 | 6.7 | 6.5 | 1.6 | 1.5 | 1.3 | 0.4 | 0.4 | 0.5 | 21.7 | 33.1 | 22.9 | 935 | 12.2 | 50.1 |
| Bharat Petroleum | 699 | ADD | 252,608 | 5,445 | 362 | 62.1 | 57.4 | 65.7 | 201 | (8) | 14.5 | 11 | 12 | 10.6 | 6.1 | 5.9 | 5.4 | 1.8 | 1.6 | 1.5 | 2.0 | 2.7 | 3.1 | 15.6 | 13.0 | 13.5 | 690 | (1.2) | 29.3 |
| Cairn india | 344 | RS | 651,988 | 14,053 | 1,897 | 5.5 | 20.5 | 36.0 | 29.0 | 270.6 | 75.1 | 62.0 | 16.7 | 9.6 | 48.8 | 10.0 | 6.1 | 1.9 | 1.7 | 1.6 | — | — | 4.4 | 3.1 | 10.7 | 17.0 | — | — | 25.7 |
| Castrol India (a) | 486 | REDUCE | 120,079 | 2,588 | 247 | 15.4 | 20.7 | 21.2 | 45 | 34 | 2.4 | 32 | 23 | 23.0 | 18.8 | 14.6 | 14.1 | 26.1 | 24.5 | 23.2 | 2.6 | 3.4 | 3.5 | 83.8 | 107.4 | 103.7 | 380 | (21.7) | 1.1 |
| GAIL (India) | 469 | BUY | 594,346 | 12,811 | 1,268 | 24.8 | 27.2 | 40.2 | 11.7 | 10.1 | 47.4 | 18.9 | 17.2 | 11.7 | 10.6 | 10.6 | 8.6 | 3.3 | 2.9 | 2.5 | 1.6 | 1.8 | 2.7 | 17.4 | 17.0 | 21.6 | 550 | 17.4 | 17.2 |
| GSPL | 116 | SELL | 65,272 | 1,407 | 562 | 7.4 | 7.2 | 8.0 | 235 | (3) | 12.1 | 16 | 16 | 14.5 | 8.0 | 7.8 | 6.5 | 3.8 | 3.2 | 2.8 | 0.9 | 1.5 | 2.8 | 27.3 | 21.4 | 20.8 | 83 | (28.5) | 4.5 |
| Hindustan Petroleum | 510 | ADD | 173,014 | 3,729 | 339 | 52.6 | 53.5 | 58.6 | 210.1 | 1.8 | 9.5 | 9.7 | 9.5 | 8.7 | 3.5 | 3.5 | 3.2 | 1.3 | 1.2 | 1.1 | 2.4 | 3.3 | 3.6 | 13.3 | 12.2 | 12.1 | 535 | 4.8 | 37.6 |
| Indian Oil Corporation | 392 | ADD | 952,849 | 20,538 | 2,428 | 49.9 | 38.8 | 41.1 | 407 | (22) | 5.9 | 8 | 10 | 9.6 | 5.3 | 5.3 | 4.8 | 1.7 | 1.6 | 1.4 | 3.3 | 3.0 | 3.2 | 22.7 | 15.6 | 15.1 | 415 | 5.7 | 17.9 |
| Oil India | 1,441 | BUY | 346,531 | 7,469 | 240 | 115.1 | 133.6 | 153.4 | 13.8 | 16.1 | 14.8 | 12.5 | 10.8 | 9.4 | 5.4 | 4.2 | 3.5 | 2.3 | 2.1 | 1.8 | 2.4 | 3.1 | 3.5 | 16.7 | 18.1 | 18.3 | 1,550 | 7.6 | 7.7 |
| Oil & Natural Gas Corporation | 1,259 | BUY | 2,692,966 | 58,044 | 2,139 | 91.4 | 116.6 | 136.1 | 1 | 27 | 16.7 | 14 | 11 | 9.3 | 5.0 | 4.3 | 3.4 | 2.0 | 1.8 | 1.6 | 2.6 | 3.3 | 3.8 | 14.6 | 16.8 | 17.6 | 1,480 | 17.5 | 38.3 |
| Petronet LNG | 110 | REDUCE | 82,200 | 1,772 | 750 | 5.4 | 6.5 | 7.9 | (22.0) | 20.5 | 21.8 | 20.3 | 16.9 | 13.8 | 11.6 | 9.9 | 8.7 | 3.2 | 2.8 | 2.4 | 1.6 | 1.8 | 2.5 | 15.9 | 16.7 | 17.6 | 88 | (19.7) | 6.0 |
| Reliance Industries | 989 | REDUCE | 2,942,222 | 63,417 | 2,976 | 49.6 | 59.0 | 74.4 | (2) | 19 | 26.2 | 20 | 17 | 13.3 | 10.1 | 7.9 | 6.6 | 2.0 | 1.8 | 1.6 | 0.7 | 0.8 | 1.0 | 11.4 | 12.3 | 13.9 | 1,060 | 7.2 | 108.5 |
| Energy | Cautious | | 8,910,328 | 192,054 | | | | | 38.1 | 16.3 | 21.9 | 14.8 | 12.7 | 10.4 | 7.2 | 6.1 | 5.0 | 2.0 | 1.8 | 1.6 | 1.7 | 2.1 | 2.7 | 13.8 | 14.5 | 15.7 | | | |
| Industrials | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ABB | 773 | REDUCE | 163,816 | 3,531 | 212 | 16.7 | 18.3 | 33.1 | (35.2) | 9.3 | 80.7 | 46.2 | 42.3 | 23.4 | 26.4 | 24.2 | 13.5 | 6.8 | 6.0 | 4.9 | 0.3 | 0.4 | 0.4 | 15.6 | 15.0 | 23.0 | 725 | (6.2) | 5.1 |
| BGR Energy Systems | 831 | BUY | 59,828 | 1,290 | 72 | 16.0 | 28.0 | 39.7 | 32.2 | 74.6 | 41.9 | 51.8 | 29.7 | 20.9 | 29.1 | 16.9 | 12.2 | 10.6 | 8.5 | 6.5 | 0.4 | 0.8 | 1.0 | 22.3 | 31.8 | 35.1 | 950 | 14.3 | 4.2 |
| Bharat Electronics | 1,771 | REDUCE | 141,672 | 3,054 | 80 | 93.9 | 107.3 | 122.4 | (9.6) | 14.3 | 14.1 | 18.9 | 16.5 | 14.5 | 9.1 | 7.6 | 6.4 | 3.2 | 2.8 | 2.4 | 1.4 | 1.4 | 1.4 | 17.9 | 18.0 | 17.9 | 1,835 | 3.6 | 2.2 |
| Bharat Heavy Electricals | 2,470 | REDUCE | 1,208,870 | 26,056 | 490 | 88.1 | 116.3 | 135.4 | 37.9 | 32.1 | 16.4 | 28.0 | 21.2 | 18.2 | 15.7 | 11.9 | 10.1 | 7.6 | 6.0 | 4.8 | 0.8 | 1.0 | 1.2 | 29.9 | 31.5 | 29.2 | 2,600 | 5.3 | 26.7 |
| Crompton Greaves | 285 | BUY | 182,988 | 3,944 | 642 | 12.8 | 14.0 | 16.3 | 46.5 | 9.0 | 16.6 | 22.2 | 20.4 | 17.5 | 12.8 | 11.4 | 9.5 | 7.3 | 5.6 | 4.4 | 0.4 | 0.7 | 0.8 | 37.9 | 31.1 | 28.2 | 320 | 12.2 | 7.5 |
| Larsen & Toubro | 1,869 | ADD | 1,125,391 | 24,257 | 602 | 57.9 | 71.7 | 89.0 | 15.6 | 23.8 | 24.1 | 32.2 | 26.1 | 21.0 | 18.0 | 14.2 | 11.9 | 5.0 | 4.2 | 3.6 | 0.7 | 0.6 | 0.8 | 18.6 | 17.7 | 18.5 | 2,075 | 11.0 | 52.3 |
| Maharashtra Seamless | 392 | BUY | 27,662 | 596 | 71 | 40.2 | 43.6 | 49.8 | 12.1 | 8.5 | 14.2 | 9.8 | 9.0 | 7.9 | 5.2 | 4.5 | 3.6 | 1.7 | 1.5 | 1.3 | 1.5 | 2.0 | 2.5 | 19.3 | 17.9 | 17.7 | 450 | 14.7 | 0.4 |
| Siemens | 707 | REDUCE | 238,288 | 5,136 | 337 | 25.2 | 27.0 | 31.9 | 56.4 | 7.3 | 18.0 | 28.1 | 26.2 | 22.2 | 17.0 | 15.4 | 12.8 | 7.0 | 5.8 | 4.8 | 0.7 | 0.8 | 0.9 | 27.6 | 24.2 | 23.8 | 635 | (10.2) | 5.9 |
| Suzlon Energy | 49 | REDUCE | 78,730 | 1,697 | 1,594 | (6.2) | (0.8) | 3.3 | (185.4) | (86.8) | (504.1) | (8.0) | (60.9) | 15.1 | 13.8 | 11.5 | 7.7 | 1.2 | 1.1 | 1.0 | — | — | 0.4 | (11.4) | (1.8) | 6.9 | 55 | 11.3 | 21.8 |

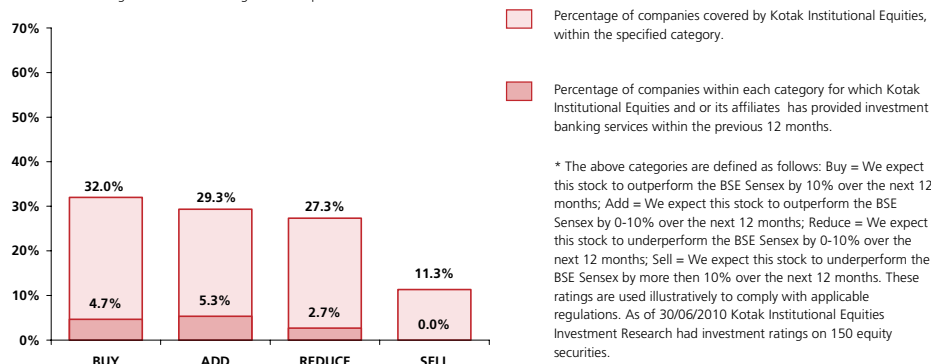
Kotak Institutional Equities: Valuation summary of key Indian companies

| Company | 20-Aug-10 | | Mkt cap. | | O/S shares (mn) | EPS (Rs) | | | EPS growth (%) | | | PER (X) | | | EV/EBITDA (X) | | | Price/BV (X) | | | Dividend yield (%) | | | RoE (%) | | | Target price (Rs) | Upside (%) | ADVT-3mo (US\$ mn) |
|-------------------------|------------|-------------------|------------------|----------------|-----------------|----------|--------|-------|----------------|---------------|--------------|-------------|-------------|-------------|---------------|-------------|-------------|--------------|-------------|------------|--------------------|------------|------------|-------------|-------------|-------------|-------------------|------------|--------------------|
| | Price (Rs) | Rating | (Rs mn) | (US\$ mn) | | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | 2010E | 2011E | 2012E | | | |
| Retail | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Titan Industries | 2,863 | ADD | 127,089 | 2,739 | 44 | 57.3 | 83.4 | 110.2 | 29.3 | 45.6 | 32.2 | 50.0 | 34.3 | 26.0 | 31.8 | 23.1 | 17.7 | 17.2 | 12.3 | 8.8 | 0.5 | 0.4 | 0.5 | 38.7 | 41.8 | 39.4 | 3,000 | 4.8 | 5.9 |
| Retail | | Neutral | 127,089 | 2,739 | | | | | 29.3 | 45.6 | 32.2 | 50.0 | 34.3 | 26.0 | 31.8 | 23.1 | 17.7 | 17.2 | 12.3 | 8.8 | 0.5 | 0.4 | 0.5 | 34.5 | 35.8 | 33.8 | | | |
| Sugar | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bajaj Hindustan | 125 | SELL | 23,862 | 514 | 191 | 4.9 | 9.9 | 8.9 | 52.3 | 101.0 | (9.9) | 25.4 | 12.6 | 14.0 | 8.5 | 6.1 | 5.8 | 1.0 | 0.9 | 0.9 | 0.6 | 0.6 | 0.6 | 4.2 | 7.9 | 6.5 | 99 | (20.6) | 5.2 |
| Balrampur Chini Mills | 87 | ADD | 22,402 | 483 | 257 | 4.3 | 10.4 | 7.0 | (43.2) | 140.4 | (32.7) | 20.1 | 8.4 | 12.4 | 9.2 | 5.6 | 6.1 | 1.6 | 1.4 | 1.3 | 0.5 | 0.5 | 0.5 | 8.2 | 17.9 | 10.9 | 93 | 6.6 | 4.6 |
| Shree Renuka Sugars | 70 | BUY | 47,020 | 1,013 | 670 | 9.9 | 7.7 | 8.1 | 195.3 | (21.9) | 4.7 | 7.1 | 9.1 | 8.7 | 4.4 | 5.1 | 4.4 | 1.6 | 1.4 | 1.2 | 0.6 | 0.5 | 0.5 | 22.4 | 17.0 | 14.8 | 76 | 8.3 | 12.0 |
| Sugar | | Cautious | 93,284 | 2,011 | | | | | 80.0 | 12.4 | (8.4) | 10.8 | 9.6 | 10.5 | 6.4 | 5.6 | 5.2 | 1.4 | 1.2 | 1.1 | 0.6 | 0.5 | 0.5 | 13.1 | 12.8 | 10.5 | | | |
| Technology | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| HCL Technologies | 408 | REDUCE | 281,348 | 6,064 | 690 | 17.5 | 24.5 | 30.1 | 0.2 | 39.7 | 23.0 | 23.3 | 16.7 | 13.5 | 11.3 | 9.9 | 8.1 | 4.0 | 3.4 | 2.9 | 1.0 | 1.0 | 1.5 | 19.3 | 22.0 | 21.2 | 390 | (4.4) | 11.9 |
| Hexaware Technologies | 77 | REDUCE | 11,018 | 237 | 144 | 9.3 | 5.0 | 9.4 | 127.7 | (46.3) | 87.7 | 8.2 | 15.3 | 8.1 | 4.0 | 9.5 | 4.8 | 1.3 | 1.2 | 1.1 | 1.3 | 1.3 | 1.3 | 17.8 | 8.2 | 14.0 | 72 | (6.1) | 1.9 |
| Infosys Technologies | 2,770 | BUY | 1,589,750 | 34,266 | 574 | 108.3 | 124.1 | 150.0 | 5.7 | 14.5 | 20.9 | 25.6 | 22.3 | 18.5 | 18.6 | 15.3 | 12.4 | 6.9 | 5.7 | 4.7 | 0.9 | 1.3 | 1.5 | 30.1 | 28.0 | 28.0 | 3,100 | 11.9 | 55.0 |
| Mphasis BFL | 600 | REDUCE | 125,011 | 2,694 | 208 | 43.6 | 49.0 | 45.6 | 207.5 | 12.5 | (7.0) | 13.8 | 12.2 | 13.1 | 10.9 | 9.7 | 8.9 | 5.3 | 3.8 | 3.0 | 0.6 | 0.7 | 0.8 | 48.1 | 36.4 | 25.8 | 550 | (8.3) | 7.8 |
| Mindtree | 529 | REDUCE | 21,779 | 469 | 41 | 52.2 | 32.6 | 51.6 | 294.3 | (37.5) | 58.1 | 10.1 | 16.2 | 10.3 | 8.7 | 9.2 | 6.1 | 3.2 | 2.7 | 2.2 | 0.4 | 0.6 | 1.0 | 35.2 | 19.2 | 23.7 | 550 | 3.9 | 1.0 |
| Patni Computer Systems | 532 | REDUCE | 70,883 | 1,528 | 133 | 36.6 | 41.3 | 37.5 | 36.4 | 12.8 | (9.1) | 14.6 | 12.9 | 14.2 | 7.7 | 6.8 | 5.8 | 2.0 | 1.8 | 1.7 | 1.3 | 1.6 | 1.4 | 18.2 | 15.1 | 12.4 | 450 | (15.4) | 12.3 |
| Polaris Software Lab | 173 | SELL | 17,243 | 372 | 100 | 15.4 | 19.1 | 18.8 | 16.9 | 24.3 | (1.7) | 11.3 | 9.1 | 9.2 | 5.5 | 7.2 | 6.1 | 2.0 | 1.7 | 1.5 | 2.0 | 2.1 | 2.3 | 18.6 | 20.1 | 17.2 | 180 | 4.1 | 4.4 |
| TCS | 869 | BUY | 1,700,709 | 36,657 | 1,957 | 35.1 | 42.1 | 48.2 | 32.8 | 19.8 | 14.5 | 24.7 | 20.7 | 18.0 | 18.7 | 15.0 | 12.5 | 8.1 | 6.7 | 5.6 | 2.3 | 1.9 | 2.2 | 37.6 | 35.6 | 33.9 | 965 | 11.1 | 29.7 |
| Wipro | 412 | ADD | 1,007,293 | 21,711 | 2,447 | 18.9 | 22.3 | 25.7 | 22.1 | 18.1 | 15.6 | 21.8 | 18.5 | 16.0 | 16.5 | 13.3 | 10.9 | 5.1 | 4.2 | 3.5 | 0.9 | 1.1 | 1.3 | 26.5 | 25.0 | 23.7 | 465 | 12.9 | 12.8 |
| Technology | | Attractive | 4,825,034 | 103,999 | | | | | 22.7 | 17.4 | 16.0 | 23.1 | 19.7 | 17.0 | 16.7 | 13.8 | 11.4 | 6.1 | 5.1 | 4.2 | 1.4 | 1.4 | 1.7 | 26.4 | 25.7 | 24.9 | | | |
| Telecom | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bharti Airtel | 310 | REDUCE | 1,178,395 | 25,399 | 3,798 | 23.6 | 20.0 | 20.7 | 5.8 | (15.6) | 3.9 | 13.1 | 15.5 | 15.0 | 7.5 | 8.3 | 6.8 | 2.8 | 2.4 | 2.0 | — | — | — | 24.4 | 16.5 | 14.7 | 305 | (1.7) | 46.3 |
| IDEA | 70 | REDUCE | 230,656 | 4,972 | 3,300 | 2.7 | 2.2 | 1.5 | (5.8) | (19.7) | (30.8) | 25.6 | 31.9 | 46.1 | 8.7 | 9.5 | 8.1 | 2.0 | 1.9 | 1.8 | — | — | — | 7.2 | 6.2 | 4.2 | 55 | (21.3) | 11.8 |
| MTNL | 65 | SELL | 40,761 | 879 | 630 | (15.6) | (10.4) | (9.1) | (750.8) | (33.7) | (11.9) | (4.1) | (6.2) | (7.1) | (0.4) | (0.6) | (0.8) | 0.4 | 0.4 | 0.4 | — | — | — | (8.5) | (6.1) | (5.7) | 50 | (22.7) | 3.1 |
| Reliance Communications | 163 | SELL | 347,707 | 7,495 | 2,133 | 22.1 | 6.0 | 9.4 | (30.2) | (72.8) | 56.1 | 7.4 | 27.1 | 17.4 | 6.9 | 9.5 | 7.9 | 0.9 | 0.9 | 0.8 | 0.5 | — | — | 11.7 | 3.2 | 4.9 | 150 | (8.0) | 43.3 |
| Tata Communications | 345 | REDUCE | 98,297 | 2,119 | 285 | 14.0 | 15.2 | 15.7 | 3.2 | 8.2 | 3.5 | 24.6 | 22.8 | 22.0 | 10.0 | 9.2 | 8.8 | 1.4 | 1.3 | 1.3 | 1.9 | 2.2 | 2.5 | 5.2 | 5.5 | 5.5 | 225 | (34.8) | 3.0 |
| Telecom | | Cautious | 1,895,816 | 40,863 | | | | | (15.9) | (33.1) | 9.5 | 13.4 | 20.0 | 18.2 | 7.8 | 8.9 | 7.3 | 1.7 | 1.6 | 1.5 | 0.2 | 0.1 | 0.1 | 12.8 | 7.9 | 8.0 | | | |
| Utilities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Adani Power | 140 | ADD | 304,873 | 6,571 | 2,180 | 0.8 | 4.3 | 17.4 | — | 455.1 | 300.9 | 178.5 | 32.2 | 8.0 | 135.9 | 23.7 | 7.0 | 5.5 | 4.7 | 3.0 | — | — | — | 4.4 | 15.9 | 45.5 | 146 | 4.4 | 3.1 |
| CESC | 404 | ADD | 50,499 | 1,088 | 125 | 35.2 | 37.3 | 44.3 | 9.3 | 5.7 | 18.9 | 11.5 | 10.8 | 9.1 | 7.2 | 6.0 | 6.5 | 1.2 | 1.1 | 1.0 | 1.1 | 1.2 | 1.4 | 11.1 | 10.4 | 11.3 | 466 | 15.3 | 1.9 |
| Lanco Infratech | 69 | BUY | 166,787 | 3,595 | 2,405 | 2.0 | 3.7 | 5.0 | 35.1 | 87.6 | 34.9 | 35.3 | 18.8 | 14.0 | 20.6 | 8.7 | 8.2 | 4.9 | 3.9 | 3.1 | — | — | — | 15.8 | 21.2 | 22.7 | 77 | 11.0 | 7.2 |
| NHPC | 31 | REDUCE | 384,398 | 8,285 | 12,301 | 1.9 | 1.3 | 1.6 | 74.9 | (27.5) | 20.6 | 16.9 | 23.3 | 19.3 | 10.8 | 11.6 | 9.0 | 1.5 | 1.5 | 1.4 | 1.8 | 1.1 | 1.4 | 9.7 | 6.4 | 7.4 | 28 | (10.4) | 5.8 |
| NTPC | 193 | REDUCE | 1,593,436 | 34,345 | 8,245 | 10.8 | 12.5 | 14.7 | 9.6 | 16.2 | 17.4 | 18.0 | 15.5 | 13.2 | 13.7 | 12.1 | 10.1 | 2.5 | 2.3 | 2.1 | 2.1 | 2.4 | 2.8 | 14.5 | 15.4 | 16.6 | 210 | 8.7 | 8.7 |
| Reliance Infrastructure | 1,070 | ADD | 263,347 | 5,676 | 246 | 61.8 | 65.0 | 84.5 | (1.5) | 5.3 | 30.0 | 17.3 | 16.5 | 12.7 | 18.6 | 16.4 | 11.5 | 1.4 | 1.3 | 1.2 | 0.8 | 0.9 | 1.0 | 6.3 | 7.3 | 10.1 | 1,160 | 8.4 | 44.4 |
| Reliance Power | 154 | SELL | 369,340 | 7,961 | 2,397 | 2.9 | 3.1 | 5.3 | 179.7 | 9.8 | 70.0 | 54.0 | 49.2 | 28.9 | (508.9) | 225.5 | 35.2 | 2.6 | 2.4 | 2.2 | — | — | — | 4.8 | 5.1 | 8.1 | 135 | (12.4) | 20.4 |
| Tata Power | 1,290 | ADD | 318,367 | 6,862 | 247 | 60.2 | 69.2 | 88.5 | 20.1 | 15.0 | 27.8 | 21.4 | 18.6 | 14.6 | 13.6 | 12.3 | 10.6 | 2.4 | 2.2 | 2.0 | 0.9 | 1.1 | 1.2 | 12.9 | 12.5 | 14.3 | 1,420 | 10.1 | 10.2 |
| Utilities | | REDUCE | 3,451,047 | 74,384 | | | | | 23.5 | 15.6 | 37.5 | 21.9 | 18.9 | 13.8 | 17.3 | 14.5 | 10.6 | 2.3 | 2.1 | 1.9 | 1.3 | 1.4 | 1.7 | 10.6 | 11.3 | 13.9 | | | |
| Others | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Havells India | 798 | SELL | 48,029 | 1,035 | 60 | 5.3 | 31.6 | 45.0 | 3.7 | 497.9 | 42.6 | 151.1 | 25.3 | 17.7 | 19.9 | 12.3 | 10.1 | 13.2 | 8.7 | 5.9 | 0.3 | 0.3 | 0.3 | 6.6 | 41.6 | 39.7 | 497 | (37.7) | 8.3 |
| Jaiprakash Associates | 124 | BUY | 263,229 | 5,674 | 2,129 | 1.5 | 5.5 | 7.4 | (27.2) | 279.8 | 34.1 | 84.9 | 22.4 | 16.7 | 21.6 | 15.9 | 11.3 | 3.1 | 2.7 | 2.3 | — | — | — | 4.1 | 12.8 | 14.9 | 170 | 37.5 | 26.5 |
| Jindal Saw | 209 | ADD | 61,358 | 1,323 | 294 | 25.0 | 18.6 | 17.9 | 110.8 | (25.4) | (4.0) | 8.3 | 11.2 | 11.7 | 5.4 | 6.2 | 6.0 | 1.6 | 1.3 | 1.2 | 0.5 | 0.4 | 0.4 | 20.5 | 12.9 | 11.1 | 256 | 22.7 | 3.2 |
| PSL | 135 | BUY | 7,220 | 156 | 53 | 22.9 | 25.4 | 28.2 | 3.3 | 10.6 | 11.0 | 5.9 | 5.3 | 4.8 | 3.3 | 2.8 | 2.9 | 0.8 | 0.7 | 0.6 | 4.8 | 4.8 | 5.2 | 12.6 | 11.7 | 12.0 | 182 | 34.8 | 0.6 |
| Sintex | 367 | BUY | 50,114 | 1,080 | 136 | 24.1 | 28.3 | 33.3 | 0.5 | 17.4 | 17.5 | 15.2 | 13.0 | 11.0 | 12.5 | 8.5 | 7.2 | 2.4 | 2.0 | 1.7 | 0.3 | 0.4 | 0.4 | 15.5 | 15.3 | 15.2 | 380 | 3.5 | 4.6 |
| Tata Chemicals | 396 | REDUCE | 96,464 | 2,079 | 243 | 26.4 | 33.2 | 37.5 | (27.1) | 25.8 | 12.7 | 15.0 | 11.9 | 10.6 | 7.6 | 6.5 | 5.5 | 2.0 | 1.8 | 1.6 | 2.2 | 2.3 | 2.3 | 16.0 | 18.7 | 18.3 | 360 | (9.2) | 4.5 |
| Welspun Corp | 249 | ADD | 51,070 | 1,101 | 205 | 32.0 | 27.0 | 25.6 | 85.2 | (15.7) | (5.4) | 7.8 | 9.2 | 9.7 | 4.5 | 4.9 | 4.6 | 1.6 | 1.3 | 1.2 | 0.9 | 0.9 | 0.9 | 24.8 | 15.6 | 12.8 | 286 | 15.1 | 4.8 |
| United Phosphorus | 196 | BUY | 90,455 | 1,950 | 463 | 11.9 | 13.8 | 17.4 | 18.8 | 15.8 | 25.9 | 16.4 | 14.1 | 11.2 | 9.4 | 8.5 | 6.8 | 2.6 | 2.3 | 1.9 | 0.8 | 1.0 | 1.0 | 17.7 | 17.2</ | | | | |

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Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of June 30, 2010

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

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

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

SELL. We expect this stock to underperform the BSE Sensex by more than 10% over the next 12 months.

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

Other definitions

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