kotak® Institutional Equities

INDIA DAILY

May 21, 2010

Contents

Results

Changes in Recommendation

News Round-up

- Food inflation went up by a notch to 16.49% for the week ended May 8. *(BSTD)*
- Power tariff in North Indian states may rise by INR 1.5 per unit following the govt.'s decision to double the price of gas sold under the administered price mechanism. *(ECNT)*
- SBI (SBIN IN) on cost-cutting drive, to go slow on branch expansion. *(BSTD)*
- State Bank of India (SBIN IN) will increase by ten fold its loan limit to individuals planning to build a house, as it makes a greater push in housing segment. *(ECNT)*
- Jindal Steel and Power (JSP IN) said it would acquire Oman-based Shadeed Iron & Steel Company for USD 464 mn to expand its reach to West Asia. *(BSTD)*
- Cairn India (CAIR IN) has completed a pipeline from the Thar desserts of Rajasthan to the Gujarat coast for transporting crude oil. *(BSTD)*
- The Reliance Infrastructure Ltd (RELI IN) led consortium has won the 60 km Hosur-Krishnagiri project worth USD 201 mn in Tamil Nadu. *(BSTD)*
- The Indian arm of Swiss pharmaceutical major Novartis AG is set to become the newest entrant in the ayurvedic business. *(BSTD)*
- NMDC (NMDC IN) said it would seek up to a 100% jump in prices for supply of iron ore to Japanese and South Korean steel mills for the current quarter over the previous contractual rates. *(BSTD)*
- Sun Pharma Advanced Research Company (SPADV IN), plans to license out some of its new chemical entities (NCE) and novel drug delivery systems (NDDS) under development at advanced stages of development to multinational companies. *(BSTD)*
- M&M (MM IN) trucks to drive into US by December end. To follow it with Scorpio's SUV model in 2011. *(THBL)*
- Essar Oilfields gets USD 40 mn drilling contract in Vietnam. *(THBL)*
- Whirlpool of India Ltd (KELV IN) has outlined its plans to venture into power management solutions, introducing a wide range of UPS systems for home and applications and to launch batteries to support devices. *(THBL)*

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

EQUITY MARKETS

		Change %		
India	**20-May**	**1-day**	**1-mo**	**3-mo**
Sensex	16,520	0.7	(5.5)	2.0
Nifty	4,948	0.6	(5.7)	2.1
Global/Regional indices				
Dow Jones	10,068	(3.6)	(9.5)	(3.2)
Nasdaq Composite	2,204	(4.1)	(12.0)	(1.8)
FTSE	5,073	(1.6)	(11.4)	(5.3)
Nikkie	9,753	(2.8)	(12.1)	(3.7)
Hang Seng	19,546	(0.2)	(9.1)	(1.8)
KOSPI	1,600	(1.8)	(8.4)	0.4
Value traded – India				
Cash (NSE+BSE)	172.2		177.2	177.8
Derivatives (NSE)	1,027.3		896.3	927.2
Deri. open interest	1,440		1,293	1,233

Forex/money market

		Change, basis points		
	20-May	**1-day**	**1-mo**	**3-mo**
Rs/US$	46.8	45	230	68
10yr govt bond, %	7.5	4	(54)	(43)
Net investment (US$mn)				
	19-May		**MTD**	**CYTD**
FIIs	(320)		(987)	(230)
MFs	(9)		(204)	(282)

Top movers -3mo basis

		Change, %		
Best performers	**20-May**	**1-day**	**1-mo**	**3-mo**
IBULL IN Equity	147.0	2.4	7.1	47.1
BJFIN IN Equity	452.0	(3.4)	41.8	36.9
AL IN Equity	60.9	(3.8)	9.6	24.2
UNBK IN Equity	300.2	2.0	(3.0)	24.1
POWF IN Equity	288.6	3.3	8.0	22.9
Worst performers				
ABAN IN Equity	689.8	(1.9)	(44.1)	(42.1)
NMDC IN Equity	277.2	(0.6)	(7.6)	(39.4)
EDSL IN Equity	503.5	(9.2)	(28.5)	(29.0)
RNR IN Equity	44.9	(3.4)	(29.0)	(28.4)
HDIL IN Equity	219.6	(4.9)	(25.7)	(27.4)

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Kotak Institutional Equities

Grasim Industries (GRASIM)

Cement

REDUCE

MAY 21, 2010

RESULT

Coverage view: Neutral

Price (Rs): 2,523

Target price (Rs): 2,520

BSE-30: 16,520

Re-structuring taking shape, cement business transferred to Samruddhi. Grasim Industries has transferred its cement business into Samruddhi, which will eventually be merged into Ultratech. Earnings for the quarter (pre spin-off) were aided by healthy volume growth, though higher input costs led to contraction of margins. We have revised our earnings model to give effect to 35% dilution of cement business that yields a target price of Rs2,150/share (Rs2,520 pre-issuance of shares in Samruddhi).

Company data and valuation summary
Grasim Industries

Stock data			
52-week range (Rs) (high,low)			2,988-2,006
Market Cap. (Rs bn)			231.3
Shareholding pattern (%)			
Promoters			25.5
FIIs			33.5
MFs			3.4
Price performance (%)	1M	3M	12M
Absolute	(10.7)	(5.9)	15.1
Rel. to BSE-30	(5.6)	(7.8)	(4.3)

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	301.0	240.1	282.0
EPS growth (%)	26.1	(20.2)	17.5
P/E (X)	8.4	10.5	8.9
Sales (Rs bn)	199.3	200.1	223.4
Net profits (Rs bn)	27.6	22.0	25.9
EBITDA (Rs bn)	63.2	58.1	67.6
EV/EBITDA (X)	4.9	5.0	4.0
ROE (%)	22.9	16.4	16.7
Div. Yield (%)	1.3	1.4	1.4

Input costs dent margins in VSF and cement despite healthy revenue growth

Grasim reported revenue of Rs33 bn, operating profit of Rs9 bn and net income of Rs6 bn against our estimate of Rs31.5 bn, Rs10.8 bn and Rs6.4 bn, respectively. Higher-than-estimated volume growth in both cement and VSF aided 10.6% qoq growth in revenues, though the burden of higher input costs contracted margins in cement and VSF by 208 bps and 718 bps, respectively leading to 8% qoq decline in revenues. Standalone revenues post demerger (VSF and chemicals) was Rs11 bn with operating profit of Rs3 bn and net income of Rs2.8 bn, respectively for 4QFY10.

Cement business transferred—setting the stage for eventual merger with Ultratech

Grasim has transferred its cement business to Samruddhi, and reported consolidated net income of Rs6.5 bn for 4QFY10 and Rs27.5 bn for FY2010, after giving effect to 35% dilution of cement business with effect from October 1, 2009. We note that as part of the proposed restructuring, Samruddhi will be merged into Ultratech with the entire transaction likely to be concluded by July 2010. We have revised our consolidated earnings to factor dilution of 35% ownership in Grasim's cement business in favor of Grasim's shareholders. We now estimate EPS of Rs240/share (Rs289 previously) for FY2011E and Rs282/share (Rs338 previously) for FY2011E.

Maintain REDUCE rating with revised target price to Rs2,520 (Rs2,150/share post structuring)

We maintain our REDUCE rating with revised target price of Rs2,520. We value the cement business at 6X EV/EBITDA on FY2011E, implying an EV/ton of US$122 on FY2011E production and factor an additional 'holding-company' discount for the restructuring of the cement business. We value the steady cash streams from VSF and allied chemicals business using DCF model. On comparative valuations on FY2011E, our assigned valuation implies 5.1X EV/EBITDA for chemicals business and 4.2X EV/EBITDA for the VSF business.

Our target price implied an ex-rights price (w.e.f. May 28, 2010) of Rs2,150 for Grasim post-issuance of shares of Samruddhi shares to Grasim's shareholders, giving effect to 35% dilution of the cement business. Upon completion of the transaction, Grasim will be reduced to the holding company (attracting discount on investment value) for the cement business with continued interest in VSF making it a less attractive investment proposition.

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Exhibit 1:Operating profits grew 57% yoy on a standalone basis

Quarterly results for Grasim Industries (Standalone, removing the effect of merger), March fiscal year-ends (Rs mn)

					Change (%)					
	4QFY10	4QFY10E	4QFY09	3QFY10	4QFY10E	4QFY09	3QFY10	FY2010E	FY2009	*(% Chg.)*
Net sales	**33,702**	**31,587**	**28,870**	**30,519**	**7**	**17**	**10**	**124,627**	**108,040**	***15.4***
Total expenditure	(24,671)	(20,745)	(22,070)	(20,659)				(87,081)	(83,075)	
EBITDA	**9,031**	**10,842**	**6,800**	**9,860**	**(17)**	**33**	**(8)**	**37,547**	**24,965**	***50.4***
EBITDA (%)	26.8	34.3	23.6	32.3				30.1	23.1	
Other income	1,329	582	738	888				4,253	3,504	
Interest	(590)	(508)	(385)	(504)				(2,075)	(1,421)	
Depreciation	(1,490)	(1,449)	(1,253)	(1,424)				(5,643)	(4,570)	
Pre-tax profits	**8,280**	**9,467**	**5,900**	**8,820**				**34,082**	**22,478**	
Tax	(2,012)	(2,653)	(964)	(2,247)				(8,291)	(3,424)	
Deferred taxes	(238)	(354)	(1,088)	(615)				(2,129)	(2,575)	
Net income	**6,030**	**6,460**	**3,847**	**5,959**	**(7)**	**57**	**1**	**23,662**	**16,480**	***43.6***
Extraordinaries	—	—	—	—				3,361	—	
Reported net profits	6,030	6,460	3,847	5,959	(7)	57	1	27,023	16,480	64

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: VSF volumes grew 65% yoy during the quarter

Division-wise break-up of Grasim's interim results (Standalone), March fiscal year-ends (Rs mn)

				Change (%)		Proportion (%)		
	4QFY10	4QFY09	3QFY10	y-o-y	q-o-q	4QFY10	4QFY09	3QFY10
Revenue								
Viscose Staple Fibre	10,447	6,341	9,624	*64.8*	*8.6*	31.0	22.0	31.5
Cement	22,965	20,511	20,300	*12.0*	*13.1*	68.1	71.0	66.5
Sponge Iron	—	1,573	—	—	—	—	5.4	—
Chemicals	1,201	1,229	1,213	*(2.3)*	*(1.0)*	3.6	4.3	4.0
Total	**33,702**	**28,870**	**30,519**	***16.7***	***10.4***			
Other income	1,329	738	888	*80.0*	*49.8*			
EBITDA						**EBITDA margin (%)**		
Viscose Staple Fibre	3,632	1,097	4,037	*231.1*	*(10.0)*	34.8	17.3	41.9
Cement	6,369	6,375	6,052	*(0.1)*	*5.2*	27.7	31.1	29.8
Sponge Iron	—	(178)	—	—	—	—	(11.3)	—
Chemicals	247	281	283	*(12.1)*	*(12.7)*	20.6	22.9	23.3
Total	**10,361**	**7,538**	**10,747**	***37.4***	***(3.6)***	**30.7**	**26.1**	**35.2**
Interest	(590)	(385)	(504)	*53.4*	*17.2*			
Depreciation	(1490)	(1253)	(1424)	*18.9*	*4.7*			
PBT	8280	5900	8820	***40.3***	***(6.1)***			
Tax	(2250)	(2053)	(2861)					
PAT	**6,030**	**3,847**	**5,959**	***56.7***	***1.2***			
Sales volumes (tons)								
Viscose staple fibre	85,714	65,409	81,306	*31.0*	*5.4*			
Cement ('000 tons)	5,330	4,820	4,750	*10.6*	*12.2*			
Sponge iron	—	98,826	—	—	—			
Chemicals	59,585	51,930	61,326	*14.7*	*(2.8)*			
Per unit realization (Rs/ton)								
Viscose staple fibre	111,644	86,734	109,600	*28.7*	*1.9*			
Cement	3,378	3,448	3,404	*(2.0)*	*(0.8)*			
Sponge iron	—	15,382	—	—	—			
Chemicals	16,767	20,859	16,465	*(19.6)*	*1.8*			

Source: Company, Kotak Institutional Equities

Exhibit 3: Grasim consolidated earnings now factor dilution of 35% ownership in cement business
Quarterly results for Grasim Industries (Consolidated), March fiscal year-ends (Rs mn)

				Change (%)				
	4QFY10	4QFY09	3QFY10	4QFY09	3QFY10	FY2010E	FY2009	*(% Chg.)*
Net sales	**53,856**	**48,974**	**47,884**	**10**	**12**	**199,334**	**184,039**	***8***
Total expenditure	(40,416)	(37,456)	(34,035)			(141,467)	(140,733)	
EBITDA	**13,441**	**11,518**	**13,848**	**17**	**(3)**	**57,867**	**43,306**	***34***
EBITDA (%)	25.0	23.5	28.9			29.0	23.5	
Other income	1,560	1,753	1,263			5,356	4,532	
Interest	(898)	(699)	(794)			(3,346)	(3,105)	
Depreciation	(2,577)	(2,251)	(2,547)			(9,947)	(8,658)	
Pre-tax profits	**11,527**	**10,321**	**11,771**			**49,930**	**36,076**	
Tax	(3,717)	(1,573)	(2,801)			(13,316)	(5,507)	
Deferred taxes	743	(1,782)	(1,012)			(2,389)	(4,407)	
Minority interest	(2,008)	(1,268)	(804)			(6,631)	(4,286)	
Net income	**6,545**	**5,698**	**7,153**	**15**	**(9)**	**27,595**	**21,877**	***26***
Extraordinaries	—	—	-			—	—	
Reported net profits	6,545	5,698	7,153	15	(9)	27,595	21,877	26

Source: Kotak Institutional Equities estimates, Company

Cement—realizations flat qoq, operating margins decline

Grasim's cement division (Samruddhi) reported revenues of Rs22.9 bn (+12% yoy) and operating profit of Rs6.4 bn (-0.1% yoy) on volumes of 5.3 mn tons (+10.6% yoy). Management has indicated the effect of improved cement prices following the correction in 3QFY10 would be visible in 1QFY11 as prices started rising only by the end of 4QFY10. We believe that increasing cost pressures including higher prices for coal (both domestic as well as imported) will likely constrain margins.

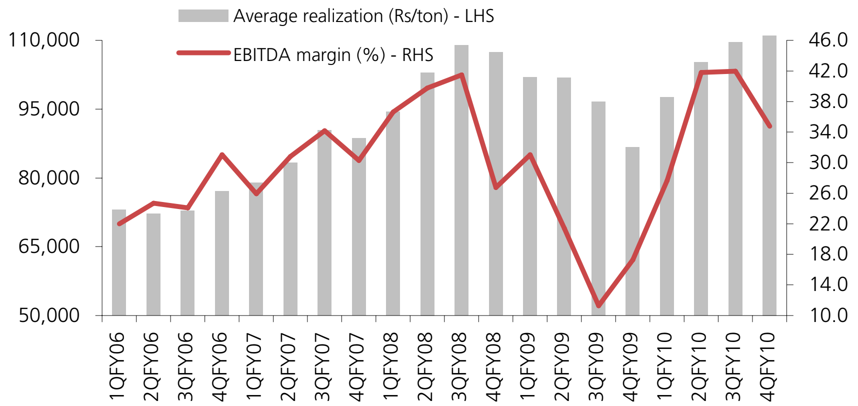
Average cement realizations decreased marginally from Rs3,404/ton in 3QFY10 to Rs3,378/ton in 4QFY10 on a standalone basis while cement volumes were strong at 5.3 mn tons. EBITDA per ton declined from Rs1,274/ton in 3QFY10 to Rs1,195/ton in 4QFY10.

VSF business stays strong though margins take a hit on sequential basis

Grasim's VSF division reported revenues of Rs10.4 bn (+64.8% yoy) and operating profit of Rs3.6 bn (231% yoy). However, operating margins declined by ~7% qoq from 41.9% in 3QFY10 to 34.8% in 4QFY10 on account of sharp increase in input costs.

We note that Grasim has lined up a capex plan of Rs19 bn to be incurred over the next few years, of which Rs10 bn has been set aside for setting up a new VSF facility of 80,000 tpa capacity that will likely come on stream by FY2013E. We note that the land (including all key regulatory clearances) is already in possession of the company.

Exhibit 4: VSF margins declined by ~7% in 4QFY09
VSF business - realizations and margins



Source: Company, Kotak Institutional Equities

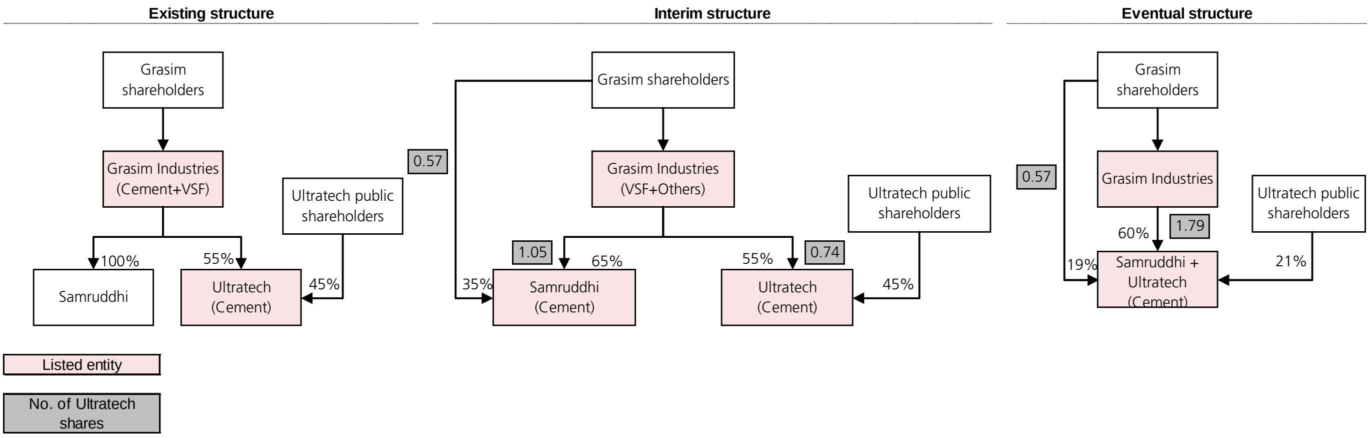
Structure of the merger, and details of current status

In October 2009, Grasim Industries proposed to transfer its cement business comprising 25.7 mn tpa of cement capacity and 6.8 mn cubic meters of RMC capacity along with associated infrastructure and captive power plants into Samruddhi Cement Ltd. According to the proposal Grasim would dilute its ownership in the cement business to 65%, while the balance equity will be issued to extant shareholders of Grasim (1:1 ratio), making the transaction neutral in impact for Grasim shareholders.

As a sequel to the restructuring plan, the Board of Ultratech and Samruddhi approved the merger of the two entities that will result in the creation of the largest pure-play cement company in the country. Post-merger Grasim's holding in UTCEM will increase to 60.33% from 54.8% currently, with the entire cement business of the AV Birla group housed under UTCEM.

Currently Grasim has transferred its cement business to Samruddhi and Grasim shareholders will be issued shares of Samruddhi as on May 28, 2010 post which Samruddhi will be listed in June 2010. The shareholders and creditors of Ultratech have also approved the scheme of restructuring and court approvals for the same are expected to be received shortly. The entire scheme of arrangement is likely to be concluded by July 2010.

Proposed re-structuring will merge Grasim's cement business into Ultratech
Structure leading to merger of Grasim's cement business into Ultratech



Source: Company, Kotak Institutional Equities

Exhibit 5: Our valuation for the cement business now factors 20% 'holding-company' discount
SOTP-based valuation of Grasim (Rs mn)

	Pre-Samruddhi	Post-Samruddhi	
Cement	168,935	122,389	6X EV/EBITDA and 20% 'holding-company' discount
VSF	59,559	59,559	DCF value implying an EV/EBITDA of 4.2X on FY2011E
Others (Chemicals)	6,844	6,844	DCF value implying an EV/EBITDA of 5X on FY2011E
Value of key investments	17,245	17,245	20% discount to current market price
Enterprise value (Rs mn)	**252,583**	**206,037**	
Gross debt	40,626	31,876	
- Cash	(19,007)	(23,227)	
Net debt	21,618	8,649	Attributable net debt for ownerhsip in Ultratech and Samruddhi
Equity value (Rs mn)	**230,965**	**197,388**	
Number of shares o/s (mn)	91.7	91.7	
Implied share price (Rs)	**2,519**	**2,153**	
Target price (Rs)	**2,520**	**2,150**	

Source: Kotak Institutional Equities estimates

Exhibit 6: Profit model, balance sheet, cash model of Grasim Industries (Consolidated), March fiscal year-ends, 2007-12E (Rs mn)

	2007	2008	2009	2010E	2011E	2012E
Profit model (Rs mn)						
Net sales	140,952	169,739	184,039	199,334	200,057	223,400
EBITDA	**39,723**	**49,598**	**43,306**	**57,867**	**52,604**	**61,761**
Other income	3,177	4,623	4,532	5,356	5,511	5,791
Interest	(2,286)	(2,221)	(3,105)	(3,346)	(2,596)	(2,315)
Depreciation	(6,100)	(6,703)	(8,658)	(9,947)	(9,698)	(10,112)
Pretax profits	34,515	45,296	36,076	49,930	45,820	55,124
Minority interest	(3,919)	(4,548)	(4,286)	(6,631)	(8,448)	(10,910)
Tax	(10,921)	(14,658)	(9,914)	(15,705)	(15,357)	(18,354)
Net profits	**19,675**	**28,914**	**21,877**	**30,955**	**22,015**	**25,860**
Extraordinary items	—	2,824	—	3,361	—	—
Earnings per share (Rs)	**215**	**285**	**239**	**301**	**240**	**282**
Balance sheet (Rs mn)						
Total equity	66,399	91,438	115,701	125,246	143,721	166,041
Total borrowings	57,318	68,531	75,865	93,541	96,535	101,997
Currrent liabilities	24,632	36,783	35,685	38,891	40,113	42,697
Total liabilities and equity	**148,348**	**196,751**	**227,250**	**257,678**	**280,368**	**310,735**
Cash	3,692	2,903	2,270	2,370	23,592	53,770
Current assets	29,524	39,681	43,073	43,009	46,454	50,614
Total fixed assets	84,721	129,223	142,190	145,527	145,930	142,853
Investments	22,719	16,607	35,626	66,759	66,759	66,759
Deferred Expenditure	7,691	8,337	4,091	13	(2,367)	(3,261)
Total assets	**148,348**	**196,751**	**227,250**	**257,678**	**280,368**	**310,735**
Free cash flow (Rs mn)						
Operating cash flow, excl. working capital	31,262	38,559	41,870	50,263	45,398	49,883
Working capital	(744)	1,994	(4,490)	3,271	(2,224)	(1,575)
Capital expenditure	(25,530)	(47,774)	(17,824)	(13,285)	(10,101)	(7,035)
Investments	(3,258)	4,183	(20,338)	(31,132)	—	—
Free cash flow	**1,730**	**(3,038)**	**(780)**	**9,116**	**33,073**	**41,273**

Source: Company, Kotak Institutional Equities estimates

kotak Institutional Equities

Shree Cement (SRCM)

Cement

BUY

MAY 21, 2010

RESULT

Coverage view: Neutral

Price (Rs): 2,146

Target price (Rs): 2,550

BSE-30: 16,520

Stable operational performance. Shree Cement (SRCM) reported stable operational performance with operating profits at Rs3.3 bn on revenues of Rs9.4 bn. However, high depreciation cost (+409% yoy) led to 95% yoy decline in net income and further exceptional expenses resulted in reported loss of Rs0.7 bn. SRCM continues to benefit from strong volume growth (+13% yoy) on expanded capacities, which will be further augmented by earnings from sale of merchant power. Maintain BUY.

Company data and valuation summary

Shree Cement

Stock data			
52-week range (Rs) (high,low)			2,542-870
Market Cap. (Rs bn)			74.8
Shareholding pattern (%)			
Promoters			65.6
FIIs			4.2
MFs			7.7
Price performance (%)	1M	3M	12M
Absolute	(4.5)	0.5	116.3
Rel. to BSE-30	1.0	(1.5)	84.1

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	208.0	221.1	242.5
EPS growth (%)	19.0	6.3	9.7
P/E (X)	10.3	9.7	8.8
Sales (Rs bn)	36.3	38.8	42.2
Net profits (Rs bn)	7.2	7.7	8.4
EBITDA (Rs bn)	15.0	13.7	14.9
EV/EBITDA (X)	5.0	4.9	4.0
ROE (%)	48.0	35.0	28.1
Div. Yield (%)	0.5	0.5	0.5

One-offs and high depreciation dent reported earnings

SRCM reported revenues of Rs9.4 bn, operating profit of Rs3.3 bn and net income of Rs122 mn against our estimate of Rs9.2 bn, Rs3.7 bn and Rs2.2 bn, respectively. Earnings were severely hit by one-off items as well as higher-than-expected depreciation—Rs2.8 bn against our estimate of Rs1 bn. Higher-than-expected depreciation can be partially attributed to commissioning of 2 captive power plants with a total capacity of 96 MW and clinker-grinding capacity of 3 mn tpa. Reported loss of Rs0.7 bn items includes (1) Rs91.6 mn and Rs340.8 mn expensed in employee and interest expense respectively due to pending issuance of subsidy entitlement certificate by the local state government, (2) provisions of Rs436.8 mn provided for statutory liabilities of earlier years and (3) Rs111.9 mn of assets written off.

Operating margins decline despite stable cement realizations

SRCM's realizations improved marginally from Rs3,213/ton in 3QFY10 to Rs3,265/ton in 4QFY10. However, improved volumes in cement business (+6% qoq) and stable realizations were not dented by higher input costs, leading to 400 bps sequential contraction in operating margins (for cement and power combined). We note that external revenues from power business were up 22% yoy at Rs540 mn in 4QFY10 compared to Rs428 mn in 4QFY09. We expect revenues from power business to make a larger contribution in FY2011E with the commissioning of 96 MW of power capacities during the quarter.

Reiterate BUY with a revised target price of Rs2,550/share

We reiterate our BUY rating on SRCM, which we rate as our preferred pick in the cement sector. We have increased our target price to Rs2,550/share (Rs2,400 previously) based on September 2011 earnings. We have revised our volume assumptions to factor commissioning of new clinker facilities and increase our EPS estimates to Rs243/share in FY2012E from Rs238/share previously. SRCM's valuations at 4.4X on FY2011E EV/EBITDA are at the lower end of the 4-6X range that the stock has historically traded at. Our target price of Rs2,550 implies an EV/EBITDA multiple of 5.3X.

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Exhibit 1: One-offs and higher depreciation result in a loss-making quarter
Interim results of Shree Cement, March fiscal year-ends (Rs mn)

					(% chg.)					
	4QFY10	4QFY10E	4QFY09	3QFY10	4QFY10E	4QFY09	3QFY10	FY2010	FY2011E	(% chg.)
Net sales	**9,440**	**9,186**	**8,062**	**8,660**	**3**	**17**	**9**	**36,321**	**38,779**	**7**
Raw material costs	(836)		(721)	(958)				(3,133)	(3,466)	
Power & fuel costs	(1,779)		(1,375)	(1,566)				(6,105)	(8,100)	
Freight costs	(2,265)		(1,747)	(1,732)				(7,626)	(8,162)	
Personnel costs	(408)		(285)	(373)				(1,586)	(1,824)	
Other costs	(807)		(628)	(678)				(2,847)	(3,491)	
Total expenditure	(6,093)	(5,516)	(4,756)	(5,308)				(21,296)	(25,043)	
EBITDA	**3,347**	**3,670**	**3,306**	**3,353**	**(9)**	**1**	**(0)**	**15,025**	**13,735**	**(9)**
EBITDA (%)	35	40	41	39				41	35	
Other income	54	172	169	160				758	1,699	
Interest	(163)	(138)	(218)	(115)				(766)	(1,177)	
Depreciation	(2,786)	(993)	(547)	(947)				(5,704)	(4,366)	
Pre-tax profits	**452**	**2,712**	**2,710**	**2,451**	**(83)**	**(83)**	**(82)**	**9,313**	**9,891**	**6**
Tax	(329)	(499)	(145)	(644)				(2,086)	(1,948)	
Deferred tax	(1)	—	(125)	(118)				20	(242)	
Net income	**122**	**2,212**	**2,439**	**1,689**	**(94)**	**(95)**	**(93)**	**7,248**	**7,702**	**6**
Extraordinary	(836)	—	(83)	(14)				(487)	—	
Reported income	**(714)**	**2,212**	**2,356**	**1,674**				**6,761**	**7,702**	
Segment results of Shree Cement										
Revenues										
Cement	8,900		7,619	8,232		17	8			
Power	1,476		2,189	1,600		(33)	(8)			
Gross turnover	**10,376**		**9,808**	**9,832**		**6**	**6**			
Inter segment	(935)		(1,746)	(1,171)		(46)	(20)			
Net sales	**9,440**		**8,062**	**8,660**		**17**	**9**			
EBIT										
Cement	534		1,270	1,324		(58)	(60)			
Power	(54)		1,544	1,082		(103)	(105)			
Total	**480**		**2,814**	**2,406**		**(83)**	**(80)**			
Interest	(163)		(218)	(115)						
Others	135		114	160						
PBT	**452**		**2,710**	**2,451**						
EBIT margin (%)										
Cement	6		17	16						
Power	(4)		71	68						
Total	**5**		**35**	**28**						
Cement and clinker sales ('000 tons)	**2,726**		**2,409**	**2,562**		**13**	**6**			
Tax rate (%)	73.0		10.0	31.1						

Source: Company, Kotak Institutional Equities estimates

Capacity additions in cement and power to drive earnings growth

SRCM continues to invest in new power plants, having chalked out plans for another 300 MW of power capacities to be sold entirely on merchant basis—this is addition to 211 MW of operational capacity. We note that 2 captive power plants of capacities 46 MW and 50 MW were commissioned in 4QFY10. SRCM also commissioned 3 mn tpa of clinker capacity—added during the quarter at Suratgarh (1.2 mn tpa) in Rajasthan and Laksar (1.8 mn tpa) in Uttarakhand.

We like SRCM's strategy of investing in surplus power plants that not only meets the internal requirement for the cement business, but also provides incremental returns by earning revenue from sale of power at lucrative short-term tariffs.

Exhibit 2: Contribution from power revenues will further aid revenue growth
Financial summary of power revenues of Shree Cement, March fiscal year-ends, 2008-12E (Rs mn)

	2008	2009	2010E	2011E	2012E
Financial summary					
Segment revenue	**3,242**	**5,369**	**6,317**	**7,344**	**8,128**
Inter-segment	(3,242)	(4,563)	(4,545)	(3,520)	(3,442)
External revenue	**—**	**806**	**1,772**	**3,824**	**4,686**
Tariff (Rs/kwh)	6.3	6.7	6.6	4.5	4.0
Cost of generation (Rs/kwh)	4.4	3.0	3.4	2.2	2.2
Segment EBIT	**973**	**2,976**	**3,065**	**3,748**	**3,651**
Inter-segment	(973)	(2,215)	(2,109)	(1,797)	(1,546)
External EBIT	**—**	**762**	**955**	**1,952**	**2,105**
Computation of available surplus					
Captive power plants (MW)	81	100	119	204	254
Self-consumption (MW)	(81)	(74)	(82)	(98)	(108)
Surplus available (MW)	**—**	**26**	**37**	**106**	**146**
Surplus available (MU)	—	205	297	850	1,172

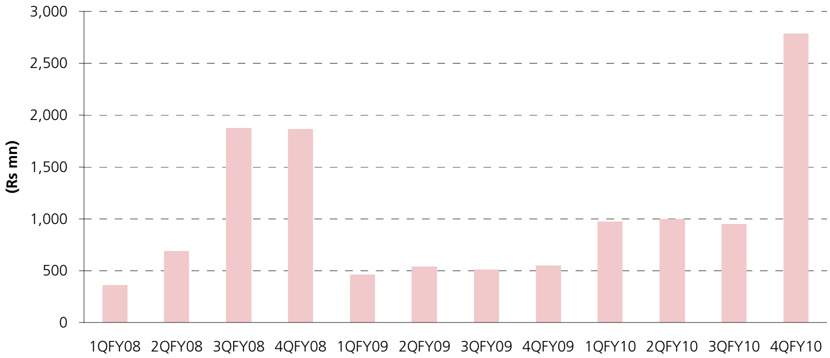
Source: Company, Kotak Institutional Equities estimates

Exhibit 3: Change in estimates for Shree Cement, March fiscal year-ends, 2010-11E (Rs mn)

	Revenues			EBITDA			Net profit		
	Old	New	(% chg)	Old	New	(% chg)	Old	New	(% chg)
2011E	38,218	38,779	1.5	15,391	15,434	0.3	7,976	7,702	(3.4)
2012E	40,831	42,155	3.2	15,958	16,581	3.9	8,274	8,447	2.1

Source: Kotak Institutional Equities estimates

Exhibit 4: SRCM has in the past quarters recorded a steep jump in depreciation expense
Quarterly depreciation of SRCM (Rs mn)



Source: Kotak Institutional Equities, Company

Exhibit 4: Profit model, balance sheet, cash model of Shree Cement, March fiscal year-ends, 2007-12E (Rs mn)

	2007	2008	2009	2010E	2011E	2012E
Profit model (Rs mn)						
Net sales	13,655	20,650	27,150	36,321	38,779	42,155
EBITDA	**5,939**	**8,653**	**9,508**	**15,025**	**13,735**	**14,882**
Other income	212	733	829	758	1,699	1,699
Interest	(121)	(527)	(744)	(766)	(1,177)	(869)
Depreciation	(4,331)	(4,788)	(2,054)	(5,704)	(4,366)	(4,821)
Pretax profits	1,700	4,072	7,538	9,313	9,891	10,890
Tax	(124)	(930)	(1,449)	(2,066)	(2,190)	(2,444)
Net profits	**1,575**	**3,142**	**6,089**	**7,248**	**7,702**	**8,447**
Extraordinary items	195	(389)	(309)	(487)	—	—
Earnings per share (Rs)	**45.2**	**90.2**	**174.8**	**208.0**	**221.1**	**242.5**
Balance sheet (Rs mn)						
Total equity	4,508	6,543	11,996	18,208	25,739	34,373
Total borrowings	9,314	13,307	14,962	21,062	15,062	10,805
Currrent liabilities	2,846	4,799	6,842	9,667	9,666	9,761
Total liabilities and equity	**16,668**	**24,649**	**33,800**	**48,938**	**50,468**	**54,940**
Cash	3,533	4,674	4,723	4,164	6,308	10,550
Current assets	4,208	6,286	9,571	11,545	13,210	14,261
Total fixed assets	8,427	7,779	11,057	17,194	15,028	14,206
Investments	500	5,910	8,448	16,035	15,922	15,922
Total assets	**16,668**	**24,649**	**33,800**	**48,938**	**50,468**	**54,940**
Free cash flow (Rs mn)						
Operating cash flow, excl. working capital	5,133	7,631	8,154	12,937	11,890	13,179
Working capital	(903)	(125)	(1,243)	851	(1,666)	(956)
Capital expenditure	(6,102)	(4,260)	(5,295)	(11,841)	(2,200)	(4,000)
Investments	(500)	500	—	—	—	—
Free cash flow	**(2,371)**	**3,746**	**1,616**	**1,948**	**8,024**	**8,223**

Source: Company, Kotak Institutional Equities estimates

kotak Institutional Equities

Piramal Healthcare (PIHC)

Pharmaceuticals

REDUCE

MAY 20, 2010

CHANGE IN RECO.

Coverage view: Attractive

Price (Rs): 570

Target price (Rs): 475

BSE-30: 16,520

Reinstating coverage. We think the FY2011E guidance provided by PIHC is tepid and growth is likely to be led by Indian finished dosages business, as seen in FY2010. We forecast EPS of Rs27 in FY2011E and Rs33 in FY2012E. The stock has rallied 34% over the past three months and fully prices in 20% EPS CAGR expected over FY2010-12E. Stock is trading at 16X FY2012E estimated earnings and at our target price, it will trade at 14X FY2012E earnings, at its 3-year average PE multiple. We reinitiate with REDUCE rating and TP of Rs475.

Company data and valuation summary

Piramal Healthcare

Stock data			
52-week range (Rs) (high,low)			581-235
Market Cap. (Rs bn)			105.1
Shareholding pattern (%)			
Promoters			49.4
FIIs			25.1
MFs			3.3
Price performance (%)	**1M**	**3M**	**12M**
Absolute	4.0	34.2	98.9
Rel. to BSE-30	7.6	29.8	42.4

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	23.4	27.0	33.4
EPS growth (%)	35.5	15.3	23.6
P/E (X)	21.5	18.6	15.1
Sales (Rs bn)	36.7	42.5	48.5
Net profits (Rs bn)	4.9	5.6	7.0
EBITDA (Rs bn)	7.4	9.0	10.4
EV/EBITDA (X)	15.8	12.8	10.6
ROE (%)	32.1	29.8	29.5
Div. Yield (%)	1.1	1.2	1.5

We are reinstating coverage on PIHC

Our coverage was suspended due to the planned QIP issue. We are reinstating coverage with REDUCE rating and price target of Rs475.

PIHC EPS growth was 8% in FY2010 adjusted for forex

PIHC delivered EPS of Rs23.4 before exceptional in FY2010, at the lower end of guidance range of Rs23.5-24. PIHC met its operating margin guidance at 20.2% vs guidance of 20%. However, operating margin as guided by company includes R&D and forex gain/loss. Given that PIHC had a (1) forex loss in FY2009 and a forex gain in FY2010 and (2) R&D costs as a percentage of sales have declined 70 bps yoy, we look at operating margin adding back R&D and forex. EBITDA margin adjusted for these two items has declined 110 bps yoy to 21.7% in FY2010. EPS adjusted for forex grew only 8% in FY2010.

PIHC guides for sales growth of 14-16% and operating margin expansion in FY2011E

PIHC has guided for sales growth of 14-16%, excluding acquisition of BSV's anaesthetics business (sales of Rs100 mn in FY2010) but including I-pill, which had sales of Rs300 mn in FY2010. We think the FY2011E guidance provided by PIHC is tepid and growth is likely to be led by the Indian finished dosages business, as seen in FY2010.

Reinstate with REDUCE rating at TP of Rs475

We forecast EPS of Rs27 in FY2011E and Rs33 in FY2012E. We expect sales growth of 15% in FY2011-12E and expect EBITDA margin adjusted for R&D and forex to increase to 23% in FY2011E and 23.4% in FY2012E from 21.7% in FY2010. PIHC has rallied 34% over the last few months and fully prices 20% EPS CAGR expected over FY2010-12E. Stock is trading at 20X FY2011E and 16X FY2012E estimated earnings. At our target price, it will trade at 14X FY2012E earnings, at its 3- year average PE multiple. There is no change in valuation method.

QUICK NUMBERS

- PIHC delivers EPS of Rs23.4 in FY2010, at lower end of its guidance range
- We forecast EPS of Rs27 in FY2011E and Rs33 in FY2012E
- Reinstate with REDUCE rating at TP of Rs475

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PIHC issues a denial about reports of stake sale by founders

PIHC wrote to stock exchanges on Wednesday that there is no proposal by the founders (Piramal family) for selling any stake in the company. This followed report/article published in CNBC TV18 and "poweryourtrade" that mentioned Pfizer may buy a controlling stake in the company.

Our estimates and rating is based on current status of businesses and ownership. Like any other company, PIHC may buy/sell any business at any point of time. We are not factoring any value for likely deals until they are concluded.

Reinstate coverage with REDUCE rating at TP of Rs475

We think the FY2011E guidance provided by PIHC is tepid and growth is likely to be led by Indian finished dosages business, as seen in FY2010. The stock has rallied 34% over the past few months and fully discounts the 20% CAGR in EPS over FY2010-12E.

We arrive at price target based on 16X forward earnings multiple for domestic finished dosage, 10X for pharma solutions and 12X for diagnostics and PCC business, based on FY2012E estimated earnings. Stock is trading at 20X FY2011E and 16X FY2012E estimated earnings. At our target price, it will trade at 14X FY2012E earnings, at its 3-year average PE multiple. There is no change in our valuation method.

We think investors continue to expect some corporate announcement from PIHC despite its denial about stake sale by founders. This partly explains sharp outperformance in the past three months. We think investors will find that stock is expensive based on pure financial fundamentals and outlook for the next 12-24 months.

We forecast EPS of Rs27 in FY2011E and Rs33 in FY2012E

We have revised our FY2011-12E estimates following the FY2010 results announcement. Our estimates are based on Re/US$ rate of Rs45 in FY2011E and Rs45.25 in FY2012E. We expect sales growth of 15% in FY2011-12E and expect EBITDA margin adjusted for R&D and forex to increase to 23% in FY2011E and 23.4% in FY2012E from 21.7% in FY2010.

We expect Indian finished dosages to grow at 18% in FY2011E and 16% in FY2012E. Pharma solutions business is expected to recover in FY2011E post the 17% sales decline in FY2010 with sales growth at 12-13% in FY2011-12E, according to our estimates.

Profit adjusted for forex, March fiscal year-ends, 2008-2012E (Rs mn)

	2008	2009	2010	2011E	2012E
Sales	28,675	32,811	36,711	42,457	48,501
YoY growth %		14%	12%	16%	14%
EBITDA	5,417	5,813	7,410	9,018	10,443
% to sales	19%	18%	20%	21%	22%
PBT adjusted	4,014	4,675	4,926	6,419	7,944
PAT Adjusted	3,629	4,383	4,752	5,638	6,970
EPS Rs Diluted	17.4	21.0	22.7	27.0	33.4
YoY growth %		**21%**	**8%**	**19%**	**24%**
Rs/$ rate	40.3	46.1	47.4	45.0	45.3
Forex gain (loss)	54	(821)	141	—	—
Reported PBT	4,067	3,853	5,067	6,419	7,944
Reported PAT	3,677	3,608	4,888	5,638	6,970

Source: Kotak Institutional Equities estimates, Company

PIHC guides for continuing business sales growth of 14-16% in FY2011E

PIHC has guided for sales growth of 14-16%, excluding acquisition of BSV's anaesthetics business which had sales of only Rs100 mn in FY2010 but including I-pill, which had sales of Rs300 mn in FY2010. It expects—

(1) Strong growth in Indian finished dosages to continue in FY2011 following 25% growth seen in FY2010. PIHC expects to grow this business at 50% higher than the market. PIHC expects to increase sales force to 4,500 by year-end and expects to launch 30 new products in the Indian market.

(2) Recovery in pharma solutions business with growth at 12-15% yoy. PIHC mentioned that the remaining portion of the Pfizer contract has been renewed and non-Pfizer business now accounts for 15% of revenues in FY2010. PIHC expects to increase this to 25% over the next three years.

(3) Strong growth in Minrad due to expansion in the US and Europe for Sevoflurane. Desflurane continues to be under litigation with hearing scheduled for October 2010. Minrad has the only ANDA filed for non-infringing process of desflurane. Baxter sued Minrad in Jan 2009, alleging patent violation and attempt to launch generic before patent expiry in 2014.

PIHC guides for operating margin expansion in FY2011E

Margin expansion expected by PIHC will likely be driven by (1) margin expansion in Minrad from mid-double digit to 20% as of year-end, and (2) expansion in pharma solutions due to increasing sales.

Capex is expected at Rs3.15 bn in FY2011 with (1) Rs1.5 bn as maintenance capex and (2) Rs2 bn to be spent on Sikkim plant for Indian market and installing vapourisers for inhalation anesthetics business in the US. The Sikkim plant is expected to be ready by end-2010 and will contribute to revenues from FY2012E in a meaningful manner.

Profit and loss statement, March fiscal year-ends, 2007-2012E (Rs mn)

	2007	2008	2009	2010	2011E	2012E
Net sales	**24,198**	**28,675**	**32,811**	**36,711**	**42,457**	**48,501**
Operating expenses						
Materials	(10,829)	(10,912)	(12,365)	(13,972)	(15,878)	(18,072)
Selling and administration	(4,591)	(6,885)	(7,953)	(8,916)	(10,403)	(11,883)
Employee cost	(4,200)	(4,709)	(5,010)	(5,853)	(6,350)	(7,176)
R&D	(1,265)	(752)	(1,670)	(560)	(807)	(928)
Total expenditure	**(20,885)**	**(23,258)**	**(26,998)**	**(29,301)**	**(33,438)**	**(38,058)**
EBITDA	**3,313**	**5,417**	**5,813**	**7,410**	**9,018**	**10,443**
Depreciation and amortisation	(818)	(947)	(1,196)	(1,427)	(1,700)	(1,800)
EBIT	**2,495**	**4,470**	**4,618**	**5,983**	**7,318**	**8,643**
Net finance cost	(305)	(463)	(838)	(916)	(900)	(700)
Other income	525	61	74	0	0	0
Pretax profits before extra-ordinaries	**2,715**	**4,067**	**3,853**	**5,067**	**6,419**	**7,944**
Current tax	(315)	(445)	(452)	(180)	(771)	(953)
Deferred tax	(45)	105	492	0	0	0
Fringe benefit tax	(29)	(37)	(259)	0	0	0
Reported net profit	**2,327**	**3,691**	**3,634**	**4,887**	**5,648**	**6,990**
Preference dividend	(26)	0	0	0	0	0
Minority interests	(1)	(14)	(26)	2	(10)	(20)
Reported net profit after minority interest	**2,402**	**3,677**	**3,608**	**4,888**	**5,638**	**6,970**
Exceptional items	(43)	(339)	(446)	(69)	0	0
Reported net profit after minority interest	**2,358**	**3,338**	**3,162**	**4,819**	**5,638**	**6,970**

Source: Kotak Institutional Equities estimates, Company

PIHC manages to meet lower end of EPS guidance for FY2010

PIHC delivered EPS of Rs23.4 before exceptional in FY2010 at the lower end of guidance range of Rs23.5-24.

PIHC missed its revenue guidance of continuing business growth of 13-15% by delivering growth of 12% in FY2010. This was due to muted performance in the pharma solutions business where it missed its guidance and delivered revenues of Rs8.8 bn vs guidance of Rs9.5 bn. However, the revenue miss was made up by solid growth in Indian business with sales growth at 25% vs guidance of 18-20%.

EBITDA margin adjusted for forex/R&D declines 110 bps yoy in FY2010

PIHC met its operating margin guidance at 20.2% vs guidance of 20%. Operating margin as guided by company includes R&D and forex gain/loss. Given that PIHC had a (1) forex loss in FY2009 and a forex gain in FY2010 and (2) R&D costs as a percentage of sales have declined 70 bps yoy, we look at operating margin adding back R&D and forex. EBITDA margin adjusted for these two items has declined 110 bps yoy to 21.7% in FY2010 from 22.8% in FY2009 due to (1) increase in material costs 38% of sales, up 40 bps yoy and (2) staff costs increased to 15.9% of sales from 15.3% in FY2009.

D/E at 0.8X as of March 2010 leaves room for debt expansion to fund acquisitions

PIHC improved its balance sheet as of March 2010 with (1) D/E improving to 0.8X from 1X as of March 2009, (2) decline in inventory levels to 12.5% of sales as of March 2010 from 14% as of March 2009 and (3) decline in debtor days by 44 days to 53 days.

Cash on hand was around Rs500 mn, down from Rs946 mn as of March 2009 and reduction in cash was roughly equivalent to reduction in gross debt. Capex was higher than guidance of Rs1.3 bn in FY2010 with Rs1.5 bn spent in FY2010, excluding Rs950 mn spent to acquire the I-Pill brand.

With D/E at 0.8X as of March 2010, PIHC plans to use debt for any acquisitions. PIHC is comfortable expanding debt to 1.25X to fund any acquisitions.

Balance sheet statement, March fiscal year-ends, 2007-2012E

	2007	2008	2009	2010	2011E	2012E
Balance sheet						
Net worth	10,862	10,926	13,171	16,849	21,030	26,186
Debt	6,392	7,163	13,391	12,949	11,078	6,453
Current liabilities	4,866	5,890	8,215	7,310	7,986	9,184
Deferred tax liabilities	898	945	800	568	578	598
Total equity and liabilities	**23,018**	**24,924**	**35,577**	**37,676**	**40,671**	**42,421**
Cash and cash equivalents	506	551	946	497	500	500
Current assets	9,988	11,136	13,962	15,724	17,358	18,908
Net assets incl CWIP	12,238	12,585	20,391	21,130	22,488	22,688
Investments	287	653	278	326	326	326
Total uses of funds	**23,018**	**24,924**	**35,577**	**37,676**	**40,671**	**42,421**
Free cash flow						
Operating cash flow, excl. working ca	2,667	4,728	5,160	6,797	7,789	9,106
Working capital	(2,105)	(1,047)	(501)	(2,985)	(1,080)	(719)
Capital expenditure	(1,745)	(588)	(3,699)	(2,166)	(3,058)	(2,000)
Investments	—	(365)	374	(47)	—	—
Free cash flow	**(1,183)**	**2,728**	**1,335**	**1,599**	**3,651**	**6,387**

Source: Kotak Institutional Equities estimates, Company

Revenues at Rs9.4bn in 4QFY10, up 11% yoy driven by healthcare solutions

- Pharma solution business in the quarter was down 28% yoy. Revenues from India assets were at Rs817 mn, down 49% yoy and down 29% qoq. Revenues from India assets touched a bottom of Rs602 mn in 1QFY10 and for 2Q-32FY10 ranged Rs1.1-1.2 bn. Revenues from international assets were at Rs1.3 bn, down 4% yoy. PIHC missed its guidance on the pharma solutions business with 2HFY10 revenues lower than those reported in 1HFY10. Pharma solutions revenues at Rs8.8 bn was down 16% yoy and lower than company guidance of Rs9.5 bn. PIHC's pharma solutions business declined 8% in 1HFY10. Excluding sales from Huddersfield facility, sales, however, grew 8% in 1HFY10 and declined 5% in FY2010.

- India finished dosage sales at Rs5.4 bn grew 37% yoy and 25% yoy in FY2010. Three largest segments showed impressive growth rate with respiratory growing 40% yoy, anti-infective growing 44% yoy and CNS growing 33% yoy for the quarter. PIHC exceeded its annual growth guidance of 18-20% in this business. PIHC expanded sales force to 4,000 during the year and launched 32 products in FY2010.

- Piramal Global Critical Care (PCC) business reported Rs884 mn vs Rs563 mn last year. However, yoy comparisons are meaningless as only one month of Minrad sales were included last quarter for March 2009. Minrad reported sales of US$14 mn during the quarter. Minrad sales have picked up from US$8 mn in 1QFY10 to US$14 mn in 4QFY10.

PIHC met its guidance of Rs3.3 bn of revenues from PCC business. PIHC grew PCC business during FY2010 through (1) acquisition of Minrad in March 2009, (2) increase in revenues in US markets driven by integrated sales efforts, (3) increase in market share for sevoflurane in volume terms in the US and entry in new geographies for this product, (4) increased presence in veterinary market with veterinary Sevoflurane market share growing to 10% form nil earlier and PIHC gained private label Isoflurane supply contract for the largest US animal health distributor.

Interim results, March fiscal year-ends, (Rs mn)

				% change	
	4QFY10	4QFY09	3QFY10	4QFY09	3QFY10
Net sales	**9,418**	**8,509**	**9,077**	**11**	**4**
Change in stock	781	440	(423)	77	NM
Consumption of raw materials	2,705	2,758	3,862	(2)	(30)
Personnel cost	1,352	1,200	1,415	13	(5)
R&D	172	202	159	(15)	8
Marketing and selling	1,234	1,064	1,225	16	1
Other expenses	1,012	1,061	1,064	(5)	(5)
Forex gains/losses	(49)	(169)	(33)	NM	NM
Total expenditure	7,206	6,556	7,270	10	(1)
EBITDA	**2,212**	**1,953**	**1,808**	**13**	**22**
Non operating other income	—	72	—	NM	NM
Interest	192	286	217	(33)	(11)
Depreciation	233	343	434	(32)	(46)
PBT	1,787	1,396	1,157	**28**	**54**
Current Tax	178	(53)	(204)	NM	NM
PAT	**1,609**	**1,449**	**1,362**	**11**	**18**
Exceptional expenses (income)	66	310	—	(79)	NM
PAT post exceptional	1,543	1,139	1,362	35	13
Minority	—	10	1	NM	NM
PAT post minority	**1,543**	**1,149**	**1,363**	**34**	**13**
Sales by business segments					
Healthcare solutions	5,394	3,949	4,994	37	8
Pharma solutions- India assets	818	1,619	1,146	(49)	(29)
Pharma solutions- international assets	1,342	1,403	945	(4)	42
Diagnostic solutions	529	406	503	30	5
PCC (Piramal critical care incl Minrad)	884	563	779	57	14
Others	451	569	712	(21)	(37)

Source: Kotak Institutional Equities estimates, Company

EBITDA margins before R&D and forex at 25% in 4QFY10, up 150 bps yoy

EBITDA margin adding back R&D and forex loss/gain was at 25% in 4QFY10 was up 150 bps yoy and 350 bps qoq. PIHC reached these operating margin levels for the first time in last two years. We think this was largely due to strong contribution from the India business this quarter at 57% of sales. Gross margin expanded 60 bps yoy despite during the quarter while other expenses declined 5% yoy despite increase in sales of 11%. Personnel costs at Rs1.3 bn increased 13% yoy while marketing and selling costs were at 13% of sales vs 12.5% last year.

R&D expenses, however, declined during the quarter to Rs172 mn, down 15% yoy.

PAT before exceptional and minority was up 11% yoy in 4QFY10

While EBITDA was 13% higher yoy driven by sales (up 11% yoy) and operating margin (up 150 bps yoy), PBT was up 28% yoy driven by lower (1) depreciation at Rs233 mn, down 32% yoy due to change in depreciation methods adopted at Minrad and (2) interest of Rs192 mn, down 33% yoy. Interest cost has reduced for the past five quarters due to lowering of debt and interest rate. PIHC has reduced debt by Rs440 mn as of March 2010 to Rs 13 bn as of March 2010. Despite PBT up 28%, PAT before exceptional, minority was up 11% yoy due to higher tax rate at 10% in 4QFY10.

SOTP-based price target, FY2011-FY2012E

	PAT (Rs mn)		P/E	Valuation (Rs mn)	
	2011E	**2012E**	**(X)**	**2011E**	**2012E**
Healthcare solutions	3,847	4,618	16.0	61,550	73,884
Pharma solutions	1,137	1,476	10.0	11,366	14,764
Diagnostic services	303	373	12.0	3,641	4,471
PCC	361	524	12.0	4,332	6,283
Total	**5,648**	**6,990**		**80,889**	**99,402**
Business share price value				**387**	**476**
Share price target					**476**

Source: Kotak Institutional Equities, Kotak Institutional Equities estimates, Company

kotak Institutional Equities

Voltas (VOLT)

Industrials

ADD

MAY 20, 2010

UPDATE

Coverage view: Attractive

Price (Rs): 180

Target price (Rs): 195

BSE-30: 16,520

Slow market recovery may imply downside to estimates and especially guidance.

Our tracking of large orders in Middle East suggests some traction in construction activity, however, MEP ordering remains slow. Based on peer commentary, substantial pick-up in Indian EMP market is unlikely to happen before end-CY2010. Management guidance of 20% growth in FY2011E appears aggressive in absence of strong inflows. Estimates already build reasonably strong recovery in inflow. Rate ADD with TP: Rs195.

Company data and valuation summary

Voltas

Stock data			
52-week range (Rs) (high,low)			192-84
Market Cap. (Rs bn)			59.7
Shareholding pattern (%)			
Promoters			27.7
FIIs			11.3
MFs			14.5
Price performance (%)	1M	3M	12M
Absolute	(2.7)	18.2	87.8
Rel. to BSE-30	2.8	15.8	59.8

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	9.6	10.4	11.8
EPS growth (%)	38.5	8.5	13.6
P/E (X)	18.9	17.4	15.3
Sales (Rs bn)	47.6	51.6	57.9
Net profits (Rs bn)	3.2	3.4	3.9
EBITDA (Rs bn)	4.4	4.7	5.3
EV/EBITDA (X)	11.9	10.7	9.0
ROE (%)	34.6	30.1	27.9
Div. Yield (%)	1.4	1.5	1.7

Inflows may remain sedate in near term in both domestic as well as international businesses

We believe that order inflows for Voltas may remain sedate in the near term in both domestic and international businesses. MEP ordering in Middle East appears to has remained slow in CY2010 so far with only a couple of large-ticket orders being awarded. Based on tracking of large orders in the region, we see some traction in construction activity which would lead to MEP orders in about 1-1.5 years. We believe that Voltas' management would have intended to increase focus on Indian market; however, such a shift is not likely to yield immediate results either as the Indian market remains slow, both on inflows and execution. Management of Blue Star, closest peer for Voltas, highlighted in its 4QFY10 conference call that the Indian market continues to be about 25% below FY2008 levels and substantial pick-up is unlikely to happen before end-CY2010.

Estimates build reasonably strong recovery in inflows; guidance of 20%+ growth seems aggressive

We have already built reasonably strong assumptions for recovery in order inflow in the EMP segment by FY2012E. We estimate inflows to tune of Rs18 bn in FY2010E (estimate about Rs12-13 bn inflow during 9MFY10). Management guidance for 20%+ growth in FY2010E and FY2011E appears aggressive in absence of strong inflows. We have built almost flat revenues in EMP segment in FY2011E and estimate total revenues of the company to grow at about 8% in FY2011E led by about 18-19% growth in engineering products and cooling products segments. We estimate a decline in EMP segment EBIT margins in FY2011E and FY2012E to 8.5% from about 9.5% in FY10E due to (1) a recovery in commodity prices, (2) potentially lower margins for competition and (3) wearing away of benefit from completion of large projects in FY2010.

Recommend ADD with target price of Rs195 based on 18X Sep-11E EPS

We maintain our estimates of Rs9.6 and Rs10.4 for FY2010E and FY2011E, respectively. We have revised our target price to Rs195 based on 18X Sep-11E. We downgrade the stock to ADD based on recent stock outperformance relative to BSE-30 Index. We maintain a positive stance based on (1) low valuation of about 17X FY2011E, and (2) long-term potential to record strong performance as target markets recover. Key risks include (1) slow revival of urban development in the Middle East and India and (2) margin pressure on account of raw material and higher competition.

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Inflows may remain sedate in near term in international and domestic business

Construction in Middle East shows some traction; but MEP ordering remains slow

Our tracking of large order announcements suggests that MEP ordering in Middle East has remained slow in CY2010 so far with only a couple of large-ticket orders. Moreover, the large US$349 mn MEP contract is in Saudi Arabia where Voltas has very limited presence so far and is unlikely to secure a large order. However, we see some traction in construction orders for new projects, such as educational campus, government buildings, business centers and residential buildings. We believe that the uptick in construction activity could lead to MEP orders in about 1-1.5 years. In our view, order inflow from Middle East for Voltas would remain sedate in the near term.

MEP ordering activity in Middle East remains slow with only a couple of big-ticket projects awarded in CY2010 so far

Date	Segment	Company	Country	Value (USD mn)	Project
May-10	Construction	Arabtec	Dubai	136	Construction of DAMAC Heights project at Dubai Marina
Apr-10	Construction	Hyundai E&C & HBK Co. JV	Qatar	428	Construction of four govt buildings in Diwan Amiri Quarter in Dohaland
Apr-10	Construction	Al Futtaim Carillion	Dubai	NA	Design New York University Abu Dhabi's main campus on Saadiyat Island
Apr-10	Construction	Six Construct	Abu Dhabi	490	Abu Dhabi Oil Co. Headquarters, expected to be emirate's tallest tower
Mar-10	Construction	Arabtec	Qatar	143	LOI to build The World Trade Center at West Bay, Doha
Mar-10	Construction	Multiple	Saudi Arabia	38	Four museums in Baha, Tabuk, Hail and Damman over a period of two years
Mar-10	Construction	GTCC	Dubai	132	Damac Properties' Lakeside residential project
Mar-10	Construction	Six Construct and Samsung JV	Abu Dhabi	1,300	Cleveland Clinic for Mubadala Healthcare, a unit of Mubadala and Aldar Prop.
Jan-10	Construction	Arabtec	UAE	193	First stage of 80-floor tower and five star hotel
Jan-10	Construction	Arabtec	Qatar	190	Bridge Towers office and hotel project in Doha
Jan-10	Construction	Bauer International	Abu Dhabi	NA	Enabling works for first phase of Deyar Al Mafraq hotel staff accommodation
Jan-10	Construction	Dewan Architects and Engg	Saudi Arabia	NA	Design and supervise the construction of a 28-floor commercial tower in Al Khobar
Dec-09	Construction	OST Construction	UAE	18	Construction of Frankfurt Sports Tower in Dubai Sports City
Dec-09	Construction	Al Shafaar	UAE	63	Construction of Judi Palace and Jouri 5 in Jumeirah Village
Dec-09	Construction	Al Reem Dubai Contracting	UAE	22	Construction of Chess Tower in Dubai Sports City
Dec-09	Construction	Benyan	Abu Dhabi	33	Extend and refurbish Mafraq hotel
Nov-09	Construction	Saleh	Dubai	NA	JW Marriott Hotel in Dubai Lifestyle City
Nov-09	Construction	Bouygues	Qatar	1,300	Construction of financial district in Barwa, Doha
Nov-09	Construction	ACC and TDIC JV	Abu Dhabi	237	Build Reagent Emirates Pearl Hotel
Mar-10	Design	KEO International	Qatar	NA	Design contract for Diyar Al Kuwait, US$800 mn mixed-use waterfront development
Jan-10	Design	J/Brice Design International	Saudi Arabia	300	Design of 120-villa project in Al Khobar of total value US$ 300 mn
Mar-10	MEP	Al Habtoor-Specon	Abu Dhabi	87	MEP work for Khalifa Port and Industrial Zone
Feb-10	MEP	Drake and Scull	Kuwait	24	Electrical contracting work for educational buildings
Jan-10	MEP	Vision Electro-Mechanical Co.	Saudi Arabia	349	MEP works at Princess Noura Bint Abdurrahman Girls University in Riyadh
Jan-10	MEP	Drake and Scull International	Abu Dhabi	17	MEP works for the Centro Hotel
Mar-10	Utilities	Drake and Scull International	Abu Dhabi	NA	Utilities development works contract at residential compound in Khalifa City
Mar-10	Power	J Ray McDermott	Saudi Arabia	NA	Upgrade crude gathering and power supply facilities in Saudi Aramco's Safaniya field
Feb-10	Power	GE	Iraq	200	Power generation equipment and services for two IPP projects
Jan-10	Power	ABB	Saudi Arabia	48	380 kV substation order from SEPCO, a Chinese EPC company, for a new power plant
Nov-09	Power	ABB	Saudi Arabia	120	Three GIS substations to provide power to Princess Nourah women university
Mar-10	Water	Target Engg, Arabtec subsidiary	Abu Dhabi	227	EPC for sea water intake for Gasco and Takreer
Mar-10	Water	Aecom	Abu Dhabi	NA	Two sewage projects for Abu Dhabi Sewerage Co, part of US$ 6.5 bn five year plan
Mar-10	Water	ABB	Abu Dhabi	144	Water trasmission system for Abu Dhabi Transmission & Despatch Company (TRANSCO)
Jan-10	Water	Drake & Scull Water and Power	Abu Dhabi	32	20,000 tonne chiller plant and two thermal storage tanks for Khalifa City
	Total			**6,270**	

Source: Kotak Institutional Equities

We expect that while Middle Eastern states such as Abu Dhabi and Qatar would spend on urban commercial development, but it may be more measured considering learning from recent experience in Dubai.

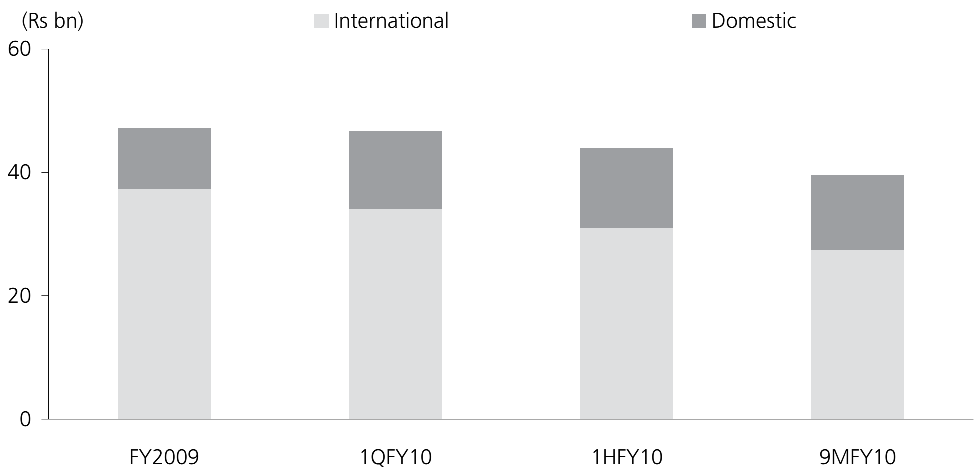
Increasing focus on Indian EMP market may not yield immediate results

We believe that Voltas' management would have intended to increase focus on Indian EMP market as the level of ordering activity in the Middle East remains sedate. However, such a shift is not likely to yield immediate results as even the Indian market remains slow, both on inflows and execution. Management of Blue Star, closest peer for Voltas, highlighted in its 4QFY10 conference call that the Indian market continues to be about 25% below FY2008 levels and the projects are moving at very sluggish pace. The management believes that a substantial pick-up is unlikely to happen before end-CY2010. The pace of execution also remains slow especially in the IT and commercial development which are yet to see any significant recovery. Despite a conservative outlook on order inflow, Blue Star management sounded optimistic on revenue growth in FY2011E on the back of a mature order book of about Rs17 bn at end-FY2010, up 20% yoy.

Sequential decline in order book due to low international inflow

The order book of the EMP segment stands at Rs40 bn at end of 3QFY10 versus Rs47 bn at end of FY2009. The order book is showing sequential decline on account of sedate inflows from the Middle Eastern regions. The company-reported international order backlog is Rs27 bn and domestic order backlog of Rs12 bn at end of 9MFY10. International order book has reduced from Rs37 bn at the end of F2009 to Rs27 bn at the end of 3QFY10. Rs10 bn reduction in international order book, according to our estimates, would be slightly less than international revenues recorded during 9MFY10 (about Rs12-13 bn as per our estimate). Thus the segment has seen little international order inflow (may be of the order of Rs2-3 bn) during 9MFY10. Domestic order book was Rs12 bn at end of 9MFY10 versus Rs10 bn at end of FY2009. We estimate the execution on the domestic front would be to the tune of Rs7-8 bn, which would imply about Rs10 bn of order inflows for domestic order book.

EMP segment order book is showing sequential decline due to sedate international inflows
Geographical mix of order backlog of EMP segment of Voltas



Source: Kotak Institutional Equities

Management guidance of 20% revenue growth appears aggressive

The management guidance for 20%+ growth in FY2010E and FY2011E appears aggressive as the order inflows in EMP segment have failed to keep pace. The management's confidence of strong international inflow, primarily from government-sponsored projects in Abu Dhabi, Qatar, Saudi Arabia and Singapore, is yet to manifest in to new contract wins. We have built almost flat revenues in EMP segment in FY2011E as we estimate order backlog of about Rs37 bn at end of FY2010E. We estimate the revenues of the company would grow at about 8% in FY2011E, much lower than the management's guidance, led by about 18-19% growth in engineering products and cooling products segments.

Maintain earning estimates; already build reasonably strong recovery in inflow

We maintain our earnings estimates at Rs9.6 and Rs10.4 for FY2010E and FY2011E, respectively. We have already built in reasonably strong assumptions for recovery in order inflow in the EMP segment by FY2012E. We estimate inflows to tune of Rs18 bn in FY2010E in line with the fact that the company is estimated to have recorded about Rs12-13 bn of order inflow during 9MFY10 (about Rs10 bn domestic inflow and Rs2-3 international orders). We have built almost flat revenues in EMP segment in FY2011E as we estimate the company would have an order book of about Rs37 bn at end of FY2010E compared to Rs47 bn at end of FY2009. We have also estimated a decline in EMP segment EBIT margins in FY2011E and FY2012E to 8.5% from about 9.5% in FY2010E on the back of (1) a recovery in commodity prices, (2) potentially lower margins on account of competition and (3) wearing away of benefit from completion of large projects in FY2010.

EMP segment order book is showing sequential decline due to sedate international inflows
EMP segment revenues and EBIT for Voltas, March fiscal year-ends, 2007-12E (Rs mn)

	2007	2008	2009	2010E	2011E	2012E
Revenue	**13,708**	**16,529**	**25,464**	**28,597**	**28,968**	**31,402**
Revenue growth (%)	21.4	20.6	54.1	12.3	1.3	8.4
Orderbook	24,000	43,000	47,180	36,369	36,305	42,476
Order inflow	24,708	35,529	29,644	17,787	28,903	37,574
Bill to book ratio (X)	0.54	0.40	0.44	0.51	0.57	0.57
Segment EBIT	710	1,218	1,934	2,717	2,462	2,669
Segment EBIT margin (%)	**5.2**	**7.4**	**7.6**	**9.5**	**8.5**	**8.5**

Expect yoy flat revenues in EMP in FY11E versus management guidance of 20%+ growth in total revenues

Reasonably strong recovery in inflows by FY12E

Expect higher execution as mix tilts towards smaller-sized domestic orders

Margins may reduce due to material cost, competition, and wearing away of benefit from completion of large projects in FY2010

Source: Kotak Institutional Equities

Recommend ADD with target price of Rs195 based on 18X Sep-11E EPS

We have revised our target price to Rs195/share based on 18X Sep-11E EPS of Rs11. We downgrade the stock to ADD based on stock outperformance relative to BSE-30 Index. We maintain a positive stance on the stock based on (1) low valuation of about 17X FY2011E, (2) long-term potential of the company to record strong performance as target markets recover, and (3) strong execution track record. Key risks include (1) slower-than-expected revival of urban development in the Middle East and India, (2) margins may come under pressure on account of higher competition, and (3) longer-than-expected slowdown in industrial activity could adversely impact engineering products.

Voltas (consolidated) - 4QFY10E expectations - key numbers (Rs mn)

	4QFY10E	4QFY09	3QFY10	% change 4QFY09	% change 3QFY10	9MFY10	9MFY09	% change	FY2010E	FY2009	% change
Total operating income	**14,158**	**15,517**	**9,928**	**(8.8)**	**42.6**	**33,435**	**28,100**	**19.0**	**47,592**	**43,617**	**9.1**
Expenses	**(13,040)**	**(14,496)**	**(9,030)**			**(30,161)**	**(25,933)**	**16.3**	**(43,201)**	**(40,428)**	**6.9**
Stock	(338)	967	852			338	755		—	1,722	
Raw material	(11,090)	(12,507)	(7,553)			(22,862)	(20,900)	9.4	(33,952)	(33,407)	1.6
Employee costs	(483)	(1,519)	(1,315)			(4,049)	(3,137)	29.1	(4,532)	(4,656)	(2.7)
Other expenses	(1,129)	(1,437)	(1,013)			(3,588)	(2,651)	35.4	(4,717)	(4,087)	15.4
EBITDA	**1,118**	**1,021**	**898**	**9.4**	**24.4**	**3,274**	**2,168**	**51.0**	**4,392**	**3,189**	**37.7**
Other income	222	44	152	402.1	46.2	416	408	2.0	638	452	41.1
PBDIT	**1,340**	**1,066**	**1,050**	**25.7**	**27.6**	**3,690**	**2,575**	**43.3**	**5,029**	**3,641**	**38.1**
Interest	(21)	(49)	(12)	(56.0)	75.7	(61)	73	NA	(82)	24	NA
Depreciation	(67)	(76)	(55)	(11.3)	22.4	(160)	(134)	19.4	(227)	(210)	8.3
Profit before tax	**1,251**	**941**	**983**	**32.9**	**27.3**	**3,469**	**2,515**	**38.0**	**4,720**	**3,456**	**36.6**
Tax	(444)	(294)	(312)	51.0	42.3	(1,114)	(878)	26.8	(1,557)	(1,172)	32.9
Profit after tax	**807**	**648**	**671**	**24.7**	**20.3**	**2,356**	**1,637**	**44.0**	**3,163**	**2,284**	**38.5**
Minority int & exceptional	—	1	86			94	261		—	261	
Reported PAT	**807**	**648**	**757**			**2,450**	**1,897**		**3,163**	**2,545**	
Key ratios (%)											
Raw material cost / sales	80.7	74.4	67.5			67.4	71.7		71.3	72.6	
Employee cost / sales	3.4	9.8	13.2			12.1	11.2		9.5	10.7	
Other expense / sales	8.0	9.3	10.2			10.7	9.4		9.9	9.4	
EBITDA margin	**7.9**	**6.6**	**9.0**			**9.8**	**7.7**		**9.2**	**7.3**	
Effective tax rate	35.5	31.2	31.7			32.1	34.9		33.0	33.9	
PAT margin	5.7	4.2	6.8			7.0	5.8		6.6	5.2	
EPS	**2.4**	**2.0**	**2.0**			**7.1**	**5.0**		**9.6**	**6.9**	

Source: Company, Kotak Institutional Equities estimates

Voltas (standalone) – segmental numbers, 4QFY10E expectations (Rs mn)

	4QFY10E	4QFY09	3QFY10	(% chg) 4QFY09	(% chg) 3QFY10	9MFY10	9MFY09	yoy (% chg)	FY2010E	FY2009	yoy (% chg)
Revenues											
Electromechanical Projects	9,251	8,701	6,267	6.3	47.6	19,346	16,764	15.4	28,597	25,464	12.3
Engineering products and services	1,339	1,342	1,173	(0.2)	14.1	3,442	4,080	(15.6)	4,781	5,422	(11.8)
Unitary cooling products	2,759	2,346	1,692	17.6	63.1	8,006	6,792	17.9	10,765	9,138	17.8
Less Intersegment	(96)	(17)	(9)	473.7	941.4	(15)	(76)	(80.5)	(111)	(93)	19.3
Total	**13,314**	**12,460**	**9,123**	**6.9**	**45.9**	**30,820**	**27,873**	**10.6**	**44,134**	**40,333**	**9.4**
PBIT											
Electromechanical Projects	811	551	558	47.1	45.4	1,906	1,383	37.8	2,717	1,934	40.5
Engineering products and services	202	71	159	184.2	27.4	491	557	(11.9)	693	628	10.4
Unitary Cooling Products	244	236	189	3.4	28.9	725	444	63.3	969	680	42.5
Others	(202)	300	88	(167.3)	(330.6)	181	131	38.3	(21)	431	(104.8)
Total Profit before tax	**1,056**	**1,159**	**994**	**(8.9)**	**6.2**	**3,303**	**2,515**	**31.3**	**4,358**	**3,673**	**18.6**
Revenue mix											
Electromechanica Projects	69.5	69.8	68.7			62.8	60.1		64.8	63.1	
Engineering agency and services	10.1	10.8	12.9			11.2	14.6		10.8	13.4	
Unitary Cooling Products	20.7	18.8	18.5			26.0	24.4		24.4	22.7	
EBIT Margin											
Electromechanical Projects	8.8	6.3	8.9			9.8	8.2		9.5	7.6	
Engineering products and services	15.1	5.3	13.5			14.3	13.7		14.5	11.6	
Unitary Cooling Products	8.8	10.1	11.2			9.1	6.5		9.0	7.4	
Total											

Source: Company, Kotak Institutional Equities estimates

Consolidated balance sheet, profit model and cash flow statement of Voltas, March fiscal year-ends, 2007-2012E (Rs mn)

	2007	2008	2009	2010E	2011E	2012E
Balance sheet						
Shareholders funds	**4,237**	**5,772**	**7,897**	**10,065**	**12,435**	**15,136**
Minority Interest	4	5	159	159	159	159
Loan funds	1,116	737	1,814	814	814	814
Total source of funds	**5,358**	**6,515**	**9,871**	**11,038**	**13,408**	**16,110**
Net block	1,473	1,701	2,148	2,361	2,599	2,861
CWIP	128	197	132	132	132	132
Net fixed assets	**1,601**	**1,898**	**2,280**	**2,493**	**2,732**	**2,994**
Investments & Goodwill	1,248	2,585	2,238	2,238	2,238	2,238
Cash balances	1,677	3,002	4,571	5,827	7,889	10,265
Net current assets excluding cash	**553**	**(1,160)**	**558**	**257**	**326**	**389**
Total application of funds	**5,358**	**6,515**	**9,871**	**11,038**	**13,408**	**16,110**
Profit Model						
Total operating income	**25,267**	**32,029**	**43,259**	**47,592**	**51,575**	**57,937**
Total operating costs	(23,988)	(29,499)	(40,428)	(43,201)	(46,859)	(52,609)
EBITDA	**1,280**	**2,531**	**2,831**	**4,392**	**4,716**	**5,327**
Other income	703	483	945	638	723	825
PBDIT	**1,982**	**3,013**	**3,775**	**5,029**	**5,439**	**6,152**
Financial charges	(99)	(90)	(110)	(82)	(82)	(82)
Depreciation	(156)	(167)	(210)	(227)	(251)	(278)
Pre-tax profit	1,728	2,757	3,456	4,720	5,105	5,792
Taxation	(407)	(997)	(1,172)	(1,557)	(1,674)	(1,895)
Adjusted PAT	**1,321**	**1,760**	**2,284**	**3,163**	**3,431**	**3,897**
Minority interest & Associate Profits	(1)	1	(31)	—	—	—
PAT for equity holders	1,319	1,761	2,253	3,163	3,431	3,897
Extraordinary items, net of tax	696	316	261	—	—	—
Reported PAT	**2,017**	**2,076**	**2,545**	**3,163**	**3,431**	**3,897**
Cash flow statement						
Operating profit before working capital changes	1,593	2,099	2,572	3,472	3,764	4,257
Change in working capital / other adjustments	(586)	1,713	(1,718)	302	(69)	(63)
Net cashflow from operating activites	**1,007**	**3,812**	**854**	**3,774**	**3,696**	**4,194**
Fixed Assets	(122)	(464)	(591)	(440)	(490)	(540)
Investments	(786)	(1,337)	347	—	—	—
Cash (used) / realised in investing activities	**(908)**	**(1,802)**	**(244)**	**(440)**	**(490)**	**(540)**
Borrowings	215	(378)	1,077	(1,000)	—	—
Dividend paid	(410)	(523)	(619)	(996)	(1,061)	(1,196)
Interest charges	(99)	(90)	(110)	(82)	(82)	(82)
Cash (used) /realised in financing activities	**(375)**	**(1,008)**	**700**	**(2,078)**	**(1,143)**	**(1,278)**
Cash generated /utilised	379	1,325	1,569	1,256	2,062	2,376
Cash at beginning of year	1,298	1,677	3,002	4,571	5,827	7,889
Cash at end of year	**1,677**	**3,002**	**4,571**	**5,827**	**7,889**	**10,265**
Key ratios (%)						
EBITDA margin	5.1	7.9	6.5	9.2	9.1	9.2
PAT margin	5.2	5.5	5.3	6.6	6.7	6.7
RoE	38.0	35.2	33.0	35.2	30.5	28.3
RoCE	31.1	30.6	28.4	30.8	28.5	26.8
EPS (Rs)	**4.0**	**5.3**	**6.9**	**9.6**	**10.4**	**11.8**

Source: Company, Kotak Institutional Equities estimates

Quarterly results schedule

Mon	Tue	Wed	Thu	Fri	Sat
17-May	**18-May**	**19-May**	**20-May**	**21-May**	**22-May**
		Everonn Education	Century Extrusions	Borax Moraji	Alfred Herbert India
		Mafatlal Finance Co.	Grasim Industries	Excel Industries	Bharat Forge
		Pidilite Industries	Hindustan Composites	Honda Siel Power	Central Bank of India
		Reliance Chemotex Industries	Jet Air India	ITC	Divis Laboratories
		Rural Electrification Corp.	Shree Cement	Redingtion India	Great Eastern Shipping Company
		Shree Ganesh Jewellery	Suryalata Spinning Mills	Sadbhav Engineering	Indraprastha Gas
		Visa Steel		Shriram City Union Finance	NMDC
				Take Solutions	
				Thirumalai Chemicals	
24-May	**25-May**	**26-May**	**27-May**	**28-May**	**29-May**
Acrysil	Aban Offshore	Asian Electronics	Alkali Metals	Adhunik Metaliks	Aurobindo Pharma
Aegis Logistics	Apar Industries	Bajaj Electricals	Bharat Gears	Akruti City	Austin Engineering Company
Bharat Bhushan Share	Asahi Songwon Colors	Bank of India	BPCL	Anant Raj Industries	Bhageria Dye Chem
Bombay Dyeing	Bank of Baroda	Banswara Syntex	Cairn India	Apollo Tyres	Bhartiya International
Canara Bank	Datamatics Global Services	Barak Valley Cements	Carol Info Services	Asian Paints	Bodal Chemicals
GMR Infrastructure	Deepak Fertilisers	BHEL	Coastal Roadways	Bayer Corp	Cummins India
Gowra Leasing & Finance	Eclerx Services	City Union Bank	Colgate Palmolive	BGR Energy	Cyber-Tech Systems & Software
Hitachi Home & Life Solutions	Genesys International Corp.	Dalmia Cement (Bharat)	EIH	Bombay Burmah Trading Corp	Dhanuka Agritech
India Securities	Gujarat Industries Power Company	Emco	GEE	Century Plyboards (India)	Dishman Pharma & Chemicals
Madras Cements	Hindustan Unilever	Ess Dee Aluminium	Gujarat State Petronet	Classic Diamonds (India)	FDC
MM Forgings	IL & FS Transportation	Everest Kanto Cylinder	Jagran Prakashan	Deccan Cements	Hawkins Cookers
Ramco Industries	Jai Corp	Gloster Jute Mills	Pennar Industries	Emami	High Energy Batteries India
Schablona India	JM Financial	Gujarat Mineral Development Corp.	South India Paper Mills	Fortis Healthcare	Ind-Swift Laboratories
SMIFS Cpaital Markets	Man Infraconstruction	Gujarat Narmada Valley Fertilizers	Tata Motors	Glenmark Pharma	IVRCL Infra
Sun Pharmaceuticals	Minda Industries	HPCL		Indian Oil Corp	JK Cement
Tata Power	Nagarjuna Consturction	India Nippon		IPCA Laboratories	Kallam Spinning Mills
TV Today Network	Net 4 India	Indian Hotels		Jeypore Sugar Company	Khaitan Electricals
Tata Chemicals	Provogue India	Jai Balaji Industries		Kalpatru Power Transmission	KSK Energy Ventures
	Tata Tea	JJ Exporters		KCP	Mahindra & Mahindra
	Tamilnadu Newsprint & Papers	Kabra Extrusiontechnik		Kolte-Patil Developers	Max India
	Venkys (India)	Kalyani Forge		Neyveli Lignite	NG Industries
		Lakshmi Mills Company		NPR Finance	Nikhil Adhesives
		Mphasis		ONGC	Praj Industries
		Plastiblends India		Punjab National Bank	Roto Pumps
		REI Agro		PVR	Savita Oil Technologies
		Simplex Projects		SAIL	Shipping Corp
		Tata Steel		Shalimar Paints	Sudarshan Chemical Industries
				Sun TV Network	Tulip Telecom
				Swaraj Mazda	Zenith Computers
				Tourism Finance Corporation	
				Trent	
				TVS Srichakra	
				Unitech	
				Unity Infraprojects	
				Voltas	
30-May	**31-May**				
Himatsingka Seide	Era Infra Engineering				
Lanco Infratech	Polytex India				
Mcleod Russel India	Swasti Vinayaka Synthetics				
NCL Industries	Tata Communications				
	Technojet Consultants				

Source: BSE, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	20-May-10 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS (Rs) 2012E	EPS growth (%) 2010E	EPS growth (%) 2011E	EPS growth (%) 2012E	PER (X) 2010E	PER (X) 2011E	PER (X) 2012E	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	EV/EBITDA (X) 2012E	Price/BV (X) 2010E	Price/BV (X) 2011E	Price/BV (X) 2012E	Dividend yield (%) 2010E	Dividend yield (%) 2011E	Dividend yield (%) 2012E	RoE (%) 2010E	RoE (%) 2011E	RoE (%) 2012E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Automobiles																													
Ashok Leyland	61	ADD	80,948	1,729	1,330	2.8	3.9	5.0	84.5	37.5	29.7	21.6	15.7	12.1	12.9	9.9	8.4	2.1	1.9	1.7	2.5	1.6	1.6	11.1	12.7	15.0	60	(1.4)	8.8
Bajaj Auto	2,136	ADD	309,102	6,603	145	117.5	159.9	173.2	159.8	36.1	8.3	18.2	13.4	12.3	11.5	9.2	8.3	9.8	6.2	4.4	0.9	0.9	0.9	66.6	54.8	39.8	2,330	9.1	12.6
Hero Honda	1,863	SELL	371,971	7,946	200	111.8	121.5	135.7	74.1	8.7	11.7	16.7	15.3	13.7	10.7	10.0	8.5	10.3	7.1	5.2	1.6	1.8	2.0	59.1	56.6	43.8	1,800	(3.4)	23.8
Mahindra & Mahindra	522	BUY	307,534	6,570	589	32.3	36.7	42.6	115.0	13.8	15.9	16.2	14.2	12.3	10.5	9.5	8.1	3.9	3.1	2.4	0.9	0.9	0.9	28.6	24.1	22.2	615	17.9	27.4
Maruti Suzuki	1,208	REDUCE	349,213	7,460	289	86.4	94.4	106.1	104.9	9.2	12.4	14.0	12.8	11.4	7.4	6.8	5.8	2.9	2.4	2.0	0.4	0.4	0.4	23.3	20.6	19.1	1,400	15.9	20.6
Tata Motors	712	ADD	424,420	9,067	596	26.0	30.3	35.2	159.2	16.5	16.4	27.4	23.5	20.2	13.1	11.9	10.6	2.1	1.9	1.6	0.8	0.8	0.8	8.9	8.4	8.6	875	22.9	109.6
Automobiles		**Cautious**	**1,843,189**	**39,376**					**118.1**	**17.4**	**13.4**	**18.1**	**15.4**	**13.6**	**10.7**	**9.6**	**8.3**	**3.6**	**3.0**	**2.5**	**1.0**	**1.0**	**1.0**	**20.1**	**19.3**	**18.1**			
Banks/Financial Institutions																													
Andhra Bank	127	BUY	61,813	1,321	485	21.0	21.1	25.4	56.1	0.6	20.0	6.1	6.0	5.0	—	—	—	1.3	1.1	1.0	3.3	3.3	4.0	24.4	20.2	20.7	160	25.5	5.6
Axis Bank	1,208	ADD	489,471	10,457	405	62.1	77.4	98.5	22.7	24.7	27.3	19.5	15.6	12.3	—	—	—	3.0	2.6	2.3	1.0	1.2	1.6	18.9	18.1	19.9	1,360	12.6	53.4
Bank of Baroda	691	BUY	252,561	5,395	366	83.7	89.8	111.0	37.3	7.3	23.6	8.3	7.7	6.2	—	—	—	1.8	1.5	1.3	2.2	2.3	2.9	24.4	21.8	22.6	825	19.4	11.6
Bank of India	329	REDUCE	173,000	3,696	526	33.1	40.5	56.0	(42.1)	22.2	38.3	9.9	8.1	5.9	—	—	—	1.4	1.2	1.1	2.1	2.6	3.6	14.3	15.9	19.3	360	9.4	6.4
Canara Bank	426	ADD	174,496	3,728	410	73.7	77.0	93.6	45.8	4.5	21.4	5.8	5.5	4.5	—	—	—	1.4	1.1	0.9	1.9	2.3	2.8	23.0	19.6	20.1	500	17.5	6.5
Corporation Bank	510	BUY	73,146	1,563	143	81.6	86.7	100.3	31.1	6.3	15.7	6.3	5.9	5.1	—	—	—	1.3	1.1	0.9	3.2	3.4	4.0	21.9	19.9	19.8	650	27.5	1.0
Federal Bank	319	BUY	54,560	1,166	171	27.2	38.7	48.0	(7.2)	42.3	24.2	11.7	8.3	6.6	—	—	—	1.2	1.0	0.9	1.6	2.2	2.8	10.3	13.4	14.8	360	12.9	3.5
HDFC	2,711	ADD	778,212	16,625	287	98.4	118.2	143.7	22.7	20.1	21.5	27.5	22.9	18.9	—	—	—	5.1	4.5	4.0	1.3	1.5	1.9	20.0	21.0	22.4	3,200	18.1	39.1
HDFC Bank	1,851	BUY	836,738	17,875	452	65.2	86.2	112.2	23.6	32.1	30.2	28.4	21.5	16.5	—	—	—	3.9	3.4	3.0	0.7	0.9	1.1	16.2	17.0	19.2	2,200	18.9	33.9
ICICI Bank	832	REDUCE	927,198	19,808	1,115	36.1	46.5	58.0	6.9	28.9	24.7	23.0	17.9	14.3	—	—	—	1.8	1.7	1.6	1.4	1.8	2.3	8.1	9.8	11.5	980	17.8	96.6
IDFC	154	REDUCE	200,354	4,280	1,301	8.2	9.2	11.2	41.1	12.9	21.9	18.9	16.7	13.7	—	—	—	2.9	2.4	2.1	1.0	1.1	1.3	16.1	15.8	16.6	170	10.4	18.9
India Infoline	101	BUY	31,585	675	312	8.1	8.9	10.0	59.2	9.8	12.5	12.5	11.4	10.1	—	—	—	2.0	1.6	1.4	3.1	1.9	2.3	16.4	15.9	16.1	140	38.2	3.7
Indian Bank	213	BUY	91,713	1,959	430	35.1	35.5	43.8	25.5	1.1	23.6	6.1	6.0	4.9	—	—	—	1.4	1.2	1.0	2.8	2.9	3.5	24.0	20.3	21.2	280	31.2	4.0
Indian Overseas Bank	93	BUY	50,694	1,083	545	13.0	15.4	26.4	(46.7)	18.9	71.3	7.2	6.0	3.5	—	—	—	0.8	0.7	0.6	4.4	4.8	5.3	9.6	10.6	16.3	120	29.0	2.9
J&K Bank	759	BUY	36,801	786	48	105.7	112.3	140.6	25.1	6.3	25.2	7.2	6.8	5.4	—	—	—	1.3	1.1	1.0	2.9	3.1	3.9	17.3	16.9	18.5	850	12.0	0.6
LIC Housing Finance	959	ADD	91,114	1,946	95	69.7	93.2	104.2	11.4	33.8	11.7	13.8	10.3	9.2	—	—	—	2.8	2.4	2.0	1.6	2.1	2.3	23.6	23.8	22.4	1,050	9.5	20.1
Mahindra & Mahindra Financial	415	BUY	39,811	850	96	35.7	42.6	49.8	59.3	19.3	16.8	11.6	9.7	8.3	—	—	—	2.4	2.0	1.7	1.8	2.2	2.6	21.4	21.7	21.6	500	20.6	0.9
Oriental Bank of Commerce	327	ADD	82,027	1,752	251	45.3	52.8	58.6	25.3	16.5	11.0	7.2	6.2	5.6	—	—	—	1.2	1.0	0.9	2.8	3.3	3.6	14.1	15.4	15.3	400	22.2	5.1
PFC	289	SELL	331,246	7,076	1,148	20.5	22.5	25.9	53.5	9.9	15.1	14.1	12.8	11.1	—	—	—	2.6	2.3	2.0	1.8	1.9	2.2	18.8	18.0	18.2	240	(16.8)	2.8
Punjab National Bank	1,003	BUY	316,107	6,753	315	123.8	128.0	156.5	26.3	3.4	22.2	8.1	7.8	6.4	—	—	—	1.9	1.6	1.4	2.2	2.6	3.1	26.4	22.7	23.3	1,150	14.7	7.5
Reliance Capital	630	ADD	155,167	3,315	246	13.8	16.1	14.1	(64.9)	17.0	(12.4)	45.7	39.0	44.6	—	—	—	2.3	2.2	2.1	1.0	1.0	0.9	5.0	5.7	4.8	875	38.8	33.1
Rural Electrification Corp.	267	ADD	263,929	5,638	987	20.3	24.6	30.7	23.2	21.2	24.9	13.2	10.9	8.7	—	—	—	2.4	2.1	1.8	2.4	2.8	3.4	22.0	20.5	22.2	300	12.2	16.1
Shriram Transport	537	ADD	119,737	2,558	223	39.2	49.1	62.4	30.1	25.4	27.2	13.7	10.9	8.6	—	—	—	3.2	2.8	2.3	2.2	2.7	3.5	28.4	26.1	27.8	600	11.8	5.4
SREI	82	NR	9,559	204	116	8.3	7.9	9.9	17.8	(4.8)	25.8	9.9	10.4	8.3	—	—	—	0.8	0.8	0.7	1.5	1.5	1.5	11.1	10.5	12.3	—	—	4.7
State Bank of India	2,268	BUY	1,439,591	30,754	635	144.4	178.1	223.0	0.5	23.4	25.2	15.7	12.7	10.2	—	—	—	2.2	1.9	1.7	1.8	1.9	1.9	14.8	16.1	17.8	2,700	19.1	95.7
Union Bank	300	BUY	151,611	3,239	505	41.1	45.8	57.3	20.2	11.5	25.0	7.3	6.6	5.2	—	—	—	1.7	1.4	1.2	1.8	2.2	2.8	26.2	23.7	24.3	380	26.6	4.8
Banks/Financial Institutions		**Attractive**	**7,232,242**	**154,502**					**14.4**	**17.3**	**24.3**	**14.5**	**12.4**	**10.0**	**—**	**—**	**—**	**2.3**	**2.0**	**1.7**	**1.6**	**1.9**	**2.2**	**15.5**	**16.0**	**17.4**			
Cement																													
ACC	844	SELL	158,580	3,388	188	83.2	61.8	63.4	47.9	(25.7)	2.6	10.1	13.7	13.3	5.5	6.4	5.5	2.5	2.2	1.9	2.8	2.8	2.8	29.3	19.4	17.7	830	(1.7)	10.5
Ambuja Cements	105	SELL	159,164	3,400	1,522	8.0	7.9	8.1	11.4	(1.8)	2.6	13.1	13.3	13.0	7.3	7.5	6.8	2.3	2.0	1.8	1.8	2.0	2.0	19.3	16.7	15.3	98	(6.3)	7.1
Grasim Industries	2,523	REDUCE	231,325	4,942	92	297.3	289.2	338.2	24.6	(2.7)	16.9	8.5	8.7	7.5	4.6	4.5	3.4	1.7	1.4	1.2	1.3	1.4	1.4	21.4	17.6	17.6	2,500	(0.9)	9.5
India Cements	112	SELL	34,402	735	307	10.0	10.4	11.3	n/a	3.1	9.1	11.2	10.8	9.9	5.6	5.6	5.4	0.8	0.8	0.7	1.9	2.8	2.8	8.2	7.7	8.0	110	(1.8)	4.7
Shree Cement	2,146	BUY	74,752	1,597	35	267.3	228.9	237.5	52.9	(14.4)	3.7	8.0	9.4	9.0	4.9	4.5	3.8	3.5	2.6	2.0	0.5	0.5	0.5	56.1	31.8	24.9	2,400	11.8	0.9
UltraTech Cement	950	SELL	118,309	2,527	124	88.2	67.1	77.2	12.0	(23.9)	15.0	10.8	14.2	12.3	5.6	6.3	5.2	2.2	1.9	1.7	0.9	0.9	0.9	26.6	16.8	16.7	940	(1.1)	4.2
Cement		**Neutral**	**776,532**	**16,589**					**22.0**	**(11.3)**	**10.0**	**9.9**	**11.2**	**10.1**	**5.3**	**5.5**	**4.6**	**2.0**	**1.7**	**1.5**	**1.6**	**1.7**	**1.7**	**20.0**	**15.4**	**14.8**			
Consumer products																													
Asian Paints	2,069	BUY	198,420	4,239	96	72.9	83.4	95.0	88.8	14.4	14.0	28.4	24.8	21.8	17.9	15.3	13.1	14.1	11.6	9.8	1.9	2.2	2.5	57.2	53.4	50.4	2,100	1.5	2.6
Colgate-Palmolive (India)	716	REDUCE	97,418	2,081	136	29.4	32.5	36.6	36.2	10.7	12.7	24.4	22.0	19.5	19.9	17.2	15.0	40.3	36.0	32.1	3.3	3.6	4.1	174.5	172.8	174.1	680	(5.1)	2.0
Dabur India	186	BUY	161,087	3,441	866	5.8	6.8	8.2	28.1	17.6	20.8	32.1	27.3	22.6	23.8	19.1	15.8	15.3	12.6	10.3	1.7	1.9	2.3	54.3	51.1	50.7	200	7.6	2.4
GlaxoSmithkline Consumer (a)	1,603	ADD	67,394	1,440	42	55.4	70.0	82.9	23.6	26.5	18.4	29.0	22.9	19.3	15.8	13.4	10.9	7.5	6.2	5.2	1.1	1.4	1.7	27.9	29.6	29.2	1,800	12.3	1.0
Godrej Consumer Products	328	NR	84,633	1,808	258	10.4	11.7	13.9	54.9	13.2	18.2	31.7	28.0	23.7	22.4	19.9	16.7	7.2	6.2	6.1	1.2	1.2	1.2	30.8	23.9	27.4	—	—	2.5
Hindustan Unilever	237	REDUCE	516,424	11,032	2,179	10.2	10.6	12.3	7.7	3.8	16.1	23.1	22.3	19.2	16.0	15.6	13.1	24.9	24.7	24.6	4.3	4.5	5.2	108.3	111.7	128.8	220	(7.2)	15.4
ITC	262	BUY	988,883	21,125	3,769	10.5	12.3	14.0	21.7	16.8	14.0	24.9	21.3	18.7	15.1	13.1	11.3	6.0	5.3	4.6	1.7	2.1	2.3	27.0	27.6	27.5	280	6.7	21.8
Jubilant Foodworks	261	SELL	16,924	362	65	5.5	7.7	9.7	340.6	39.3	25.3	47.1	33.8	27.0	25.5	17.8	12.5	14.4	10.1	7.3	—	—	—	46.6	35.1	31.5	290	11.1	20.5
Jyothy Laboratories	180	ADD	13,084	280	73	9.7	12.1	14.3	75.4	24.4	18.5	18.6	14.9	12.6	13.5	9.7	7.7	3.2	2.7	2.4	1.6	1.9	2.6	16.4	19.0	19.6	215	19.2	0.5
Nestle India (a)	2,894	ADD	279,013	5,961	96	74.4	87.0	105.5	27.0	17.0	21.3	38.9	33.3	27.4	25.7	22.8	19.6	48.0	38.1	30.1	1.7	2.1	2.5	136.0	127.8	122.7	3,000	3.7	2.3
Tata Tea	1,106	BUY	68,392	1,461	62	56.9	69.7	74.1	6.1	22.3	6.4	19.4	15.9	14.9	10.3	8.5	7.7	1.4	1.3	1.2	1.7	2.1	2.2	9.4	10.8	10.8	1,200	8.5	2.3
Consumer products		**Attractive**	**2,491,672**	**53,229**					**23.1**	**13.9**	**15.4**	**26.3**	**23.1**	**20.0**	**16.9**	**14.9**	**12.7**	**8.4**	**7.5**	**6.6**	**2.3**	**2.6**	**2.9**	**32.1**	**32.4**	**33.1**			
Constructions																													
IVRCL	158	BUY	42,281	903	267	7.8	10.3	12.4	(7.7)	32.4	19.7	20.3	15.3	12.8	11.0	9.0	7.7	2.1	1.9	1.6	0.3	0.3	0.3	10.9	12.8	13.5	205	29.5	9.6
Nagarjuna Construction Co.	162	BUY	41,605	889	257	8.6	10.5	12.7	28.5	21.7	21.3	18.8	15.4	12.7	10.5	9.2	7.7	1.9	1.7	1.5	1.0	1.2	1.2	11.3	11.6	12.7	180	11.0	3.7
Punj Lloyd	133	REDUCE	45,038	962	339	9.8	14.0	16.6	(236.1)	42.8	18.6	13.5	9.5	8.0	7.4	6.0	5.2	1.3	1.1	1.0	0.3	0.5	1.1	11.2	12.9	13.5	205	54.3	12.1
Sadbhav Engineering	1,288	BUY	16,103	344	13	53.4	73.0	105.2	4.4	36.8	44.0	24.1	17.6	12.3	12.7	10.1	7.6	3.9	3.2	2.6	0.4	0.5	0.5	16.1	18.3	21.1	1,400	8.7	0.4
Construction		**Attractive**	**145,027**	**3,098**					**279.0**	**34.1**	**21.6**	**17.5**	**13.0**	**10.7**	**9.2**	**7.7**	**6.6**	**1.8**	**1.6**	**1.4**	**0.5**	**0.6**	**0.8**	**10.2**	**12.2**	**13.1**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	20-May-10 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS (Rs) 2012E	EPS growth (%) 2010E	EPS growth (%) 2011E	EPS growth (%) 2012E	PER (X) 2010E	PER (X) 2011E	PER (X) 2012E	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	EV/EBITDA (X) 2012E	Price/BV (X) 2010E	Price/BV (X) 2011E	Price/BV (X) 2012E	Dividend yield (%) 2010E	Dividend yield (%) 2011E	Dividend yield (%) 2012E	RoE (%) 2010E	RoE (%) 2011E	RoE (%) 2012E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Energy																													
Bharat Petroleum	558	RS	201,631	4,307	362	58.1	61.7	65.3	181.9	6.2	5.8	9.6	9.0	8.5	5.1	4.5	4.4	1.4	1.3	1.2	4.2	4.4	4.7	14.1	13.7	13.3	—	—	8.4
Cairn india	279	SELL	528,222	11,284	1,897	6.0	20.3	37.9	—	237	86.9	46	14	7.4	35.0	8.5	5.1	1.5	1.5	1.4	—	5.4	9.0	3.4	11.0	19.9	250	(10.2)	18.0
Castrol India (a)	370	REDUCE	91,605	1,957	247	15.4	19.6	20.6	44.6	27.0	5.3	24.0	18.9	18.0	14.1	11.5	10.8	19.9	18.6	17.1	3.4	4.2	4.3	83.8	101.6	99.2	330	(10.9)	1.8
GAIL (India)	442	ADD	560,478	11,973	1,268	24.8	26.4	37.1	11.7	6.8	40.5	17.9	16.7	11.9	10.0	10.3	8.5	3.1	2.8	2.4	1.7	1.9	2.7	17.4	16.5	20.2	485	9.8	17.0
GSPL	91	REDUCE	51,301	1,096	563	7.6	10.0	10.4	244.2	31.8	4.7	12.1	9.1	8.7	6.5	5.0	4.5	3.2	2.7	2.4	2.8	5.5	5.7	28.8	31.7	28.8	80	(12.3)	4.1
Hindustan Petroleum	347	RS	117,653	2,513	339	46.3	49.7	54.8	173.1	7.2	10.4	7.5	7.0	6.3	2.6	2.3	2.1	0.9	0.9	0.8	7.5	8.0	8.9	11.2	11.4	11.8	—	—	7.1
Indian Oil Corporation	326	RS	790,780	16,893	2,428	33.0	32.1	33.4	235.4	(2.7)	3.9	9.9	10.1	9.7	6.2	5.2	4.6	1.5	1.3	1.2	2.0	1.9	2.0	15.3	13.1	12.3	—	—	5.5
Oil India	1,260	BUY	302,912	6,471	240	116.1	123.6	135.4	—	6.5	9.5	10.9	10.2	9.3	4.4	3.7	3.2	2.1	1.8	1.6	2.8	3.1	3.5	17.0	17.0	16.6	1,325	5.2	3.2
Oil & Natural Gas Corporation	1,119	BUY	2,392,666	51,114	2,139	92.6	116.4	140.0	2.0	25.7	20.2	12.1	9.6	8.0	4.3	3.4	2.8	1.8	1.6	1.4	2.9	3.4	4.1	14.9	17.0	18.2	1,350	20.7	23.2
Petronet LNG	82	REDUCE	61,125	1,306	750	5.4	6.2	7.9	—	14.9	28.0	15.1	13.2	10.3	9.5	7.8	6.8	2.4	2.1	1.8	2.1	2.5	3.4	15.9	15.9	17.6	82	0.6	4.3
Reliance Industries	1,000	SELL	2,975,851	63,573	2,976	49.4	61.6	79.3	(2.3)	24.6	28.8	20.2	16.2	12.6	10.2	7.8	6.3	2.0	1.8	1.6	0.7	0.9	1.1	11.4	12.9	14.8	1,040	4.0	123.5
Energy		**Cautious**	**8,074,224**	**172,489**					**24.1**	**23.4**	**24.3**	**14.5**	**11.8**	**9.5**	**6.9**	**5.4**	**4.5**	**1.9**	**1.7**	**1.5**	**1.8**	**2.5**	**3.1**	**12.8**	**14.3**	**15.9**			
Industrials																													
ABB	828	REDUCE	175,354	3,746	212	16.7	23.3	37.2	(35.2)	39.2	59.8	49.4	35.5	22.2	28.3	20.9	12.9	7.2	6.2	4.9	0.2	0.4	0.4	15.6	18.8	24.7	840	1.5	8.1
BGR Energy Systems	586	ADD	42,178	901	72	24.4	33.4	41.0	52.4	36.8	22.6	24.0	17.5	14.3	13.6	10.0	8.2	6.0	4.7	3.7	0.7	1.0	1.2	27.8	30.1	29.1	635	8.4	2.2
Bharat Electronics	1,754	REDUCE	140,352	2,998	80	93.9	111.8	127.4	(9.6)	19.1	13.9	18.7	15.7	13.8	9.0	7.2	6.1	3.2	2.7	2.4	1.4	1.4	1.4	17.9	18.7	18.5	1,790	2.0	4.1
Bharat Heavy Electricals	2,299	ADD	1,125,260	24,039	490	92.0	115.8	136.2	44.1	25.8	17.7	25.0	19.9	16.9	13.9	10.8	8.8	6.9	5.5	4.4	0.9	1.1	1.3	30.8	30.7	28.9	2,500	8.8	31.0
Crompton Greaves	234	BUY	149,802	3,200	642	12.8	13.3	15.8	46.5	3.2	19.0	18.2	17.6	14.8	10.5	9.6	7.8	5.7	4.5	3.6	0.7	0.8	0.9	36.8	28.5	26.8	290	24.2	9.1
Larsen & Toubro	1,642	BUY	986,880	21,083	601	58.1	69.7	87.7	16.0	19.9	25.9	28.2	23.6	18.7	15.3	13.1	10.9	4.4	3.7	3.1	0.7	0.7	0.9	18.6	17.2	18.3	1,850	12.7	51.4
Maharashtra Seamless	393	BUY	27,736	593	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	14.4	0.9
Siemens	674	REDUCE	227,347	4,857	337	25.0	29.6	34.3	55.2	18.6	16.0	27.0	22.8	19.6	15.8	12.9	10.9	6.7	5.4	4.5	0.7	0.9	1.0	27.3	26.3	25.1	635	(5.8)	7.2
Suzlon Energy	59	REDUCE	94,437	2,017	1,594	(5.9)	0.3	5.3	(182.3)	(104.4)	1,931.8	(10.0)	228.4	11.2	17.1	8.8	5.7	0.9	0.9	0.8	—	—	0.3	(8.8)	0.4	7.5	70	18.1	32.9
Thermax	689	BUY	82,047	1,753	119	21.7	29.4	37.6	(10.4)	35.4	27.7	31.7	23.4	18.3	16.9	13.0	10.3	7.5	6.2	5.1	0.5	1.2	1.6	24.9	29.1	30.5	750	8.9	1.4
Voltas	180	ADD	59,681	1,275	331	9.6	10.4	11.8	38.5	8.5	13.6	18.9	17.4	15.3	10.4	9.3	7.8	5.8	4.7	3.9	1.4	1.5	1.7	34.6	30.1	27.9	195	8.1	3.5
Industrials		**Attractive**	**3,111,073**	**66,462**					**3.5**	**32.6**	**26.9**	**28.7**	**21.6**	**17.0**	**14.4**	**11.4**	**9.1**	**4.6**	**3.9**	**3.3**	**0.8**	**0.9**	**1.1**	**16.2**	**18.3**	**19.5**			
Infrastructure																													
Container Corporation	1,310	REDUCE	170,215	3,636	130	61.1	74.3	85.9	0.3	21.7	15.6	21.4	17.6	15.2	15.1	12.3	10.2	3.9	3.4	2.9	1.1	1.3	1.5	19.6	20.6	20.5	1,250	(4.5)	1.9
GMR Infrastructure	58	ADD	211,973	4,528	3,667	0.6	0.6	0.5	(24.5)	(3.1)	(16.6)	99.8	103.0	123.5	19.7	14.5	14.0	2.1	1.9	1.9	—	—	—	3.2	3.0	2.5	68	17.6	6.4
GVK Power & Infrastructure	42	BUY	65,853	1,407	1,579	0.8	1.1	1.4	6.7	33.5	32.4	51.3	38.4	29.0	17.8	16.4	16.8	2.1	2.0	1.9	—	0.7	0.7	4.7	5.3	6.7	54	29.5	7.3
IRB Infrastructure	261	RS	86,581	1,850	332	9.7	12.6	12.1	83.8	29.2	(3.7)	26.8	20.7	21.5	12.8	11.4	10.7	3.7	2.9	2.3	—	—	—	15.6	15.7	11.9	—	—	4.6
Mundra Port and SEZ	649	REDUCE	261,966	5,596	403	15.1	24.1	35.7	40.8	59.5	48.4	43.0	27.0	18.2	27.9	17.9	12.7	7.2	5.6	4.1	—	—	—	18.5	23.2	26.1	725	11.7	16.9
Infrastructure		**Attractive**	**796,588**	**17,017**					**15.7**	**32.2**	**23.0**	**38.5**	**29.2**	**23.7**	**19.0**	**14.6**	**12.7**	**3.4**	**2.9**	**2.6**	**—**	**—**	**0.4**	**8.8**	**10.1**	**10.9**			
Media																													
DB Corp	234	ADD	42,541	909	181	10.4	13.1	16.2	268.9	25.6	23.5	22.5	17.9	14.5	11.7	9.7	7.8	6.0	4.8	4.1	0.2	1.1	2.8	39.3	29.8	30.4	290	23.7	9.8
DishTV	37	ADD	39,558	845	1,063	(2.5)	(1.2)	0.6	(61.6)	(52.4)	(146.5)	(14.7)	(31.0)	66.6	58.1	18.9	10.3	9.7	14.1	11.6	—	—	—	248.6	(37.1)	19.1	45	21.0	2.9
HT Media	150	NR	35,309	754	235	6.1	7.8	9.4	623.3	27.0	20.9	24.6	19.4	16.0	12.3	10.2	8.4	3.6	3.2	2.9	0.7	1.3	2.7	15.6	17.6	19.2	—	—	0.3
Jagran Prakashan	110	ADD	33,023	705	301	5.9	6.7	7.9	92.4	14.3	18.3	18.7	16.4	13.8	11.3	9.6	8.1	5.4	4.9	4.4	3.2	3.7	4.3	30.1	31.4	33.7	130	18.6	2.0
Sun TV Network	415	REDUCE	163,681	3,497	394	12.1	14.6	17.8	33.3	21.0	21.6	34.3	28.4	23.3	19.7	16.0	13.1	8.0	7.0	6.1	1.0	1.4	1.9	25.4	26.4	28.0	295	(29.0)	2.2
Zee Entertainment Enterprises	295	REDUCE	128,139	2,737	434	10.5	12.0	14.7	24.4	14.4	22.2	28.1	24.6	20.1	20.9	16.5	13.1	3.5	3.3	3.2	0.8	1.0	1.2	13.0	14.1	16.4	265	(10.2)	8.2
Media		**Neutral**	**442,251**	**9,448**					**175.3**	**35.6**	**35.1**	**37.7**	**27.8**	**20.6**	**18.1**	**14.1**	**11.1**	**5.2**	**4.8**	**4.4**	**0.9**	**1.3**	**1.9**	**13.9**	**17.4**	**21.4**			
Metals																													
Hindalco Industries	157	ADD	299,628	6,401	1,914	4.2	12.4	14.9	(74.0)	197.9	20.7	37.7	12.6	10.5	8.5	8.5	8.6	1.4	1.2	1.1	0.9	0.9	0.9	9.1	10.3	11.3	190	21.4	36.2
Hindustan Zinc	945	BUY	399,145	8,527	423	95.6	117.5	133.2	48.2	22.8	13.4	9.9	8.0	7.1	5.9	4.1	2.6	2.1	1.7	1.4	0.6	0.6	0.6	24.2	23.5	21.4	1,400	48.2	4.4
Jindal Steel and Power	628	SELL	582,407	12,442	928	38.5	48.7	50.8	17.2	26.5	4.3	16.3	12.9	12.4	10.2	8.2	7.7	5.1	3.6	2.8	0.2	0.2	0.2	37.3	33.0	25.7	575	(8.4)	34.0
JSW Steel	1,067	REDUCE	212,008	4,529	199	80.4	106.4	136.9	447.0	32.3	28.7	13.3	10.0	7.8	8.3	7.0	5.6	1.8	1.5	1.2	0.8	0.4	0.4	15.4	16.4	17.3	1,150	7.8	52.5
National Aluminium Co.	398	SELL	256,661	5,483	644	10.1	28.0	27.7	(49.0)	178.6	(1.2)	39.6	14.2	14.4	17.3	6.8	6.2	2.4	2.0	1.8	0.5	0.5	0.5	6.1	15.4	13.3	320	(19.7)	2.3
Sesa Goa	351	REDUCE	312,419	6,674	890	29.6	61.4	62.4	32.2	107.6	1.8	11.9	5.7	5.6	9.6	3.5	2.8	4.0	2.4	1.7	0.9	0.9	0.9	36.7	48.0	34.1	420	19.6	64.2
Sterlite Industries	652	ADD	548,118	11,709	840	48.1	62.6	77.8	21.9	30.3	24.2	13.6	10.4	8.4	10.5	7.5	5.6	1.5	1.3	1.1	0.5	0.5	0.5	13.0	13.4	14.6	875	34.2	41.6
Tata Steel	508	BUY	450,933	9,633	887	3.2	78.7	93.5	(97.1)	2,331.6	18.7	156.9	6.5	5.4	17.5	5.9	5.0	1.8	1.4	1.2	1.6	1.6	1.6	1.1	24.7	23.8	700	37.8	92.0
Metals		**Cautious**	**3,061,318**	**65,399**					**(30.1)**	**90.1**	**13.8**	**17.4**	**9.1**	**8.0**	**10.5**	**6.4**	**5.4**	**2.1**	**1.7**	**1.4**	**0.7**	**0.7**	**0.7**	**12.2**	**19.0**	**17.9**			
Pharmaceutical																													
Biocon	279	BUY	55,870	1,194	200	14.7	18.3	22.4	212.6	24.8	22.7	19.1	15.3	12.4	10.9	9.1	7.3	3.1	2.7	2.3	—	—	0.1	17.9	19.3	20.3	345	23.5	4.0
Cipla	318	REDUCE	255,048	5,449	803	12.7	12.8	15.6	27.9	1.1	21.9	25.0	24.8	20.3	17.5	16.4	13.7	4.4	3.9	3.3	0.8	0.8	0.8	20.1	16.6	17.6	280	(11.9)	10.8
Cadila Healthcare	599	REDUCE	122,562	2,618	205	24.7	29.6	34.9	66.9	20.0	17.6	24.2	20.2	17.2	15.7	13.1	11.4	7.6	5.9	4.7	0.8	1.0	1.2	36.1	32.8	30.3	535	(10.6)	1.7
Dishman Pharma & chemicals	221	BUY	17,962	384	81	16.1	18.4	29.6	(10.3)	13.9	61.3	13.7	12.0	7.5	10.6	8.8	6.5	2.2	1.9	1.5	—	—	—	17.0	16.7	22.6	300	35.8	0.9
Divi's Laboratories	685	ADD	89,517	1,912	131	21.9	30.0	38.3	(31.3)	37.2	27.7	31.3	22.8	17.9	21.3	14.6	12.5	6.3	5.1	4.2	—	—	0.0	21.0	24.0	25.1	700	2.2	3.4
Dr Reddy's Laboratories	1,318	REDUCE	223,196	4,768	169	48.1	66.0	76.5	48.3	37.2	15.9	27.4	20.0	17.2	15.2	11.6	10.0	5.9	4.7	3.8	0.5	0.6	0.7	22.2	26.1	24.2	1,240	(5.9)	11.8
GlaxoSmithkline Pharmaceuticals (a)	2,086	REDUCE	176,652	3,774	85	59.1	69.1	79.2	8.1	17.0	14.5	35.3	30.2	26.3	20.3	17.4	14.8	9.9	8.4	7.2	—	—	—	29.8	30.2	29.5	1,800	(13.7)	2.0
Glenmark Pharmaceuticals	264	NR	72,452	1,548	274	12.7	17.4	19.2	14.3	37.4	10.2	20.8	15.2	13.8	12.7	9.0	8.7	3.1	2.6	2.2	—	—	—	16.8	18.5	—	—	—	6.2
Lupin	1,794	ADD	158,944	3,396	89	76.9	104.1	122.5	27.8	35.3	17.6	23.3	17.2	14.6	20.0	14.5	11.4	6.8	5.1	3.9	0.7	0.8	0.9	36.6	34.4	30.7	1,920	7.0	6.8
Piramal Healthcare	570	REDUCE	119,151	2,545	209	23.4	27.0	33.4	35.5	15.3	23.6	24.4	21.1	17.1	17.7	14.3	11.9	7.1	5.7	4.5	1.0	1.1	1.3	32.1	29.8	29.5	475	(16.7)	14.5
Ranbaxy Laboratories	425	SELL	182,134	3,891	428	7.1	28.0	11.7	(128.4)	297.1	(58.3)	60.3	15.2	36.4	14.9	8.9	17.7	4.6	3.7	3.4	-	0.9	0.9	6.9	24.6	9.1	220	(48.3)	19.7
Sun Pharmaceuticals	1,564	REDUCE	323,915	6,920	207	65.4	72.0	78.5	(25.5)	10.1	9.0	23.9	21.7	19.9	17.4	15.1	13.2	3.9	3.4	3.0	0.9	0.9	0.9	17.9	17.1	16.3	1,560	(0.2)	8.1
Pharmaceuticals		**Attractive**	**1,797,405**	**38,398**					**39.7**	**33.9**	**7.0**	**27.0**	**20.1**	**18.8**	**16.5**	**12.9**	**12.0**	**5.1**	**4.2**	**3.6**	**0.5**	**0.6**	**0.7**	**18.7**	**20.9**	**18.9**			
Property																													
DLF	271	ADD	462,747	9,886	1,708	9.6	16.3	25.1	(64.0)	69.4	53.8	28.1	16.6	10.8	18.5	11.7	8.8	1.7	1.6	1.4	1.1	1.1	1.8	6.4	9.9	13.8	340	25.5	64.3
Indiabulls Real Estate	156	RS	62,511	1,335	401	1.6	4.0	8.0	109.7	151.7	101.7	98.2	39.0	19.4	(61)	31.0	8.0	0.7	0.7	0.7	—	—	—	0.8	1.8	3.5	285	82.9	24.0
Mahindra Life Space Developer	408	ADD	17,150	366	42	18.9	20.3	27.5	82.4	7.3	35.8	21.6	20.1	14.8	17.7	14.5	7.8	1.8	1.7	1.6	1.0	1.0	1.0	8.4	8.5	10.7	540	32.4	1.7
Phoenix Mills	205	BUY	29,686	634	145	5.1	7.7	8.7	2.5	51.0	13.5	40.3	26.7	23.5	31.0	19.9	16.6	1.9	1.8	1.7	0.5	0.7	1.0	4.8	7.0	7.5	260	26.9	0.8
Puravankara Projects	96	REDUCE	20,467	437	213	6.4	8.2	8.1	(5.2)	28.4	(2.0)	14.9	11.6	11.9	19.4	13.1	13.0	1.4	1.3	1.2	2.1	2.1	2.1	10.0	11.9	10.7	110	14.7	0.9
Sobha	299	ADD	29,341	627	98	14.4	17.5	24.7	(4.8)	21.1	41.6	20.8	17.1	12.1	15.6	12.4	7.7	1.7	1.6	1.4	0.7	1.3	1.3	9.8	9.4	12.2	325	8.6	2.2
Unitech	70	SELL	183,655	3,923	2,616	3.4	4.3	5.6	(54.2)	26.3	30.2	20.8	16.5	12.6	18.9	12.9	8.1	1.7	1.5	1.4	—	—	2.1	9.7	9.4	11.1	72	2.6	64.0

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

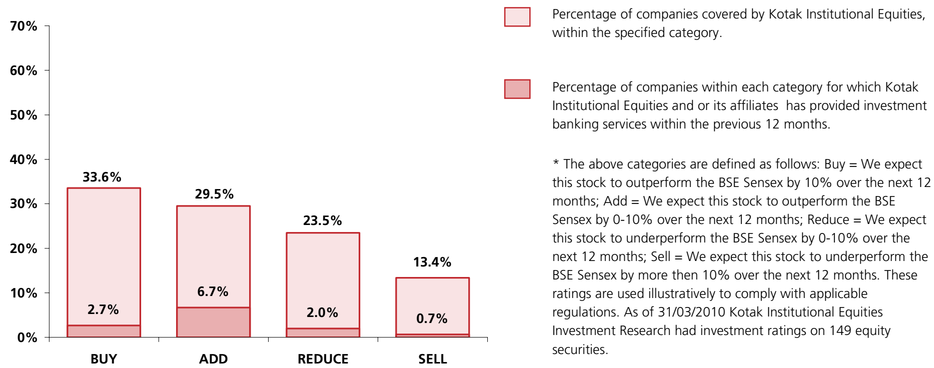
Company	20-May-10 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS (Rs) 2012E	EPS growth (%) 2010E	EPS growth (%) 2011E	EPS growth (%) 2012E	PER (X) 2010E	PER (X) 2011E	PER (X) 2012E	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	EV/EBITDA (X) 2012E	Price/BV (X) 2010E	Price/BV (X) 2011E	Price/BV (X) 2012E	Dividend yield (%) 2010E	Dividend yield (%) 2011E	Dividend yield (%) 2012E	RoE (%) 2010E	RoE (%) 2011E	RoE (%) 2012E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Retail																													
Titan Industries	2,252	ADD	99,945	2,135	44	62.7	76.1	96.2	41.5	21.3	26.5	35.9	29.6	23.4	25.5	20.0	15.6	12.7	9.5	7.1	0.4	0.5	0.6	40.7	36.6	34.8	2,400	6.6	4.6
Retail		**Neutral**	**99,945**	**2,135**					**41.5**	**21.3**	**26.5**	**35.9**	**29.6**	**23.4**	**25.5**	**20.0**	**15.6**	**12.7**	**9.5**	**7.1**	**0.4**	**0.5**	**0.6**	**35.2**	**32.0**	**30.5**			
Sugar																													
Bajaj Hindustan	104	SELL	19,892	425	191	9.7	9.9	8.9	—	2.2	(10.4)	10.7	10.5	11.7	6.7	5.5	5.1	0.8	0.8	0.7	0.7	0.7	0.7	8.1	7.5	6.3	99	(4.8)	11.3
Balrampur Chini Mills	73	ADD	18,859	403	257	3.7	10.4	7.0	—	183.7	(32.7)	20.0	7.0	10.5	8.7	5.0	5.3	1.4	1.2	1.1	0.6	1—	0.6	7.0	18.1	11.0	92	25.3	9.9
Shree Renuka Sugars	54	BUY	36,437	778	670	9.9	7.6	7.8	196.4	(23.2)	3.1	5.5	7.2	6.9	3.9	4.3	3.6	1.4	1.2	1.0	0.7	0.6	0.6	32.0	18.1	15.7	76	39.7	25.5
Sugar		**Cautious**	**75,187**	**1,606**					**96.1**	**2.5**	**(9.4)**	**8.0**	**7.8**	**8.6**	**5.5**	**4.9**	**4.5**	**1.2**	**1.0**	**0.9**	**0.7**	**0.6**	**0.6**	**14.9**	**13.3**	**10.8**			
Technology																													
HCL Technologies	361	REDUCE	249,366	5,327	690	17.8	25.1	28.5	2.0	40.6	13.6	20.3	14.4	12.7	10.3	8.8	7.3	3.9	3.3	2.7	1.1	1.1	1.7	20.8	24.9	23.3	370	2.4	8.9
Hexaware Technologies	76	REDUCE	10,925	233	144	9.3	5.1	9.4	127.7	(45.4)	84.0	8.1	14.9	8.1	4.0	8.2	4.4	1.3	1.2	1.1	1.3	1.3	1.3	17.8	8.4	14.0	72	(5.3)	2.5
Infosys Technologies	2,601	BUY	1,492,831	31,891	574	108.3	125.2	150.5	5.7	15.6	20.2	24.0	20.8	17.3	17.4	14.2	11.5	6.5	5.3	4.4	1.0	1.3	1.6	30.1	28.2	28.0	3,100	19.2	70.5
Mphasis BFL	638	REDUCE	132,912	2,839	208	43.6	48.7	47.9	207.5	11.7	(1.5)	14.6	13.1	13.3	11.6	10.3	8.9	5.7	4.1	3.2	0.5	0.6	0.7	48.1	36.2	26.9	570	(10.6)	10.7
Mindtree	541	REDUCE	22,280	476	41	52.2	38.9	51.6	294.3	(25.5)	32.6	10.4	13.9	10.5	8.9	8.6	6.0	3.3	2.7	2.2	0.4	0.7	1.0	35.2	21.4	23.1	550	1.6	3.0
Patni Computer Systems	555	REDUCE	73,873	1,578	133	36.6	42.3	38.6	36.4	15.6	(8.7)	15.2	13.1	14.4	8.2	7.2	6.4	2.0	2.0	1.8	1.3	1.5	1.4	18.2	15.8	12.8	450	(18.9)	5.1
Polaris Software Lab	172	SELL	17,104	365	100	15.4	19.1	18.6	16.9	24.3	(2.7)	11.2	9.0	9.2	5.4	7.1	6.0	2.0	1.7	1.5	2.0	2.2	2.3	18.6	20.1	17.0	180	4.9	3.8
TCS	730	BUY	1,428,756	30,522	1,957	35.1	41.1	46.3	32.8	16.9	12.8	20.8	17.8	15.8	15.9	12.9	10.7	6.8	5.7	4.8	2.7	2.3	2.5	37.6	34.8	32.8	900	23.3	35.6
Wipro	654	ADD	956,294	20,429	1,462	31.4	36.7	41.9	22.1	16.7	14.4	20.8	17.8	15.6	15.6	12.9	10.6	4.9	4.0	3.3	0.9	1.1	1.3	26.5	24.6	23.2	775	18.5	16.6
Technology		**Attractive**	**4,384,340**	**93,662**					**22.9**	**16.6**	**14.4**	**21.0**	**18.0**	**15.7**	**15.2**	**12.6**	**10.4**	**5.6**	**4.6**	**3.9**	**1.5**	**1.6**	**1.8**	**26.7**	**25.8**	**24.6**			
Telecom																													
Bharti Airtel	260	REDUCE	988,325	21,114	3,798	24.0	21.4	24.2	7.5	(10.8)	13.2	10.8	12.2	10.7	6.1	5.8	4.9	2.2	1.9	1.6	1.2	1.5	1.9	24.1	17.0	16.5	290	11.4	45.0
IDEA	53	REDUCE	175,219	3,743	3,300	2.7	1.3	2.3	(5.8)	(51.7)	71.9	19.4	40.2	23.4	7.1	7.1	5.8	1.5	1.5	1.4	—	—	—	7.2	3.8	6.3	50	(5.8)	7.7
MTNL	56	SELL	35,564	760	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(3.6)	(5.4)	(6.2)	0.1	0.2	0.2	0.3	0.3	0.4	—	—	—	(8.5)	(6.1)	(5.7)	50	(11.4)	1.7
Reliance Communications	136	SELL	290,023	6,196	2,133	22.1	14.1	18.2	(30.2)	(36.2)	29.1	6.2	9.7	7.5	6.2	6.8	5.0	0.7	0.7	0.6	1—	—	—	11.7	7.4	8.9	140	2.9	12.6
Tata Communications	243	REDUCE	69,212	1,479	285	14.0	15.2	15.7	3.2	8.2	3.5	17.3	16.0	15.5	7.1	6.6	6.2	1.0	0.9	0.9	2.7	3.1	3.5	5.2	5.5	5.5	400	64.7	1.2
Telecom		**Cautious**	**1,558,343**	**33,291**					**(15.1)**	**(19.8)**	**20.7**	**10.9**	**13.6**	**11.3**	**6.5**	**6.4**	**5.2**	**1.4**	**1.3**	**1.1**	**1.0**	**1.1**	**1.4**	**12.7**	**9.3**	**10.2**			
Utilities																													
CESC	375	ADD	46,807	1,000	125	34.1	43.3	46.7	5.6	27.0	7.9	11.0	8.7	8.0	6.3	6.1	6.9	1.1	1.0	0.9	1.2	1.4	1.6	10.7	12.1	11.7	455	21.4	2.0
Lanco Infratech	58	BUY	139,610	2,982	2,405	1.8	3.6	4.3	23.9	101.3	18.5	32.2	16.0	13.5	22.5	9.4	9.1	4.1	3.3	2.7	—	—	—	14.5	20.9	20.0	60	3.4	9.8
NTPC	205	REDUCE	1,686,610	36,031	8,245	10.6	12.4	14.7	7.8	16.8	18.9	19.3	16.6	13.9	15.0	12.7	10.6	2.6	2.4	2.2	1.9	2.3	2.7	14.2	15.3	16.6	200	(2.2)	15.2
Reliance Infrastructure	983	ADD	241,855	5,167	246	61.8	62.7	80.3	(1.5)	1.6	28.0	15.9	15.7	12.2	17.2	16.8	11.4	1.3	1.2	1.1	0.8	0.9	1.0	6.3	7.3	10.1	1,100	11.9	36.6
Reliance Power	139	SELL	297,592	6,357	2,144	0.8	5.0	16.7	—	524.1	235.3	174.2	27.9	8.3	—	—	—	5.4	4.6	2.9	—	—	—	4.4	17.8	43.0	128	(7.8)	9.9
Tata Power	1,289	BUY	318,256	6,799	247	57.7	67.0	86.2	15.0	16.2	28.6	22.4	19.2	15.0	13.6	12.5	10.7	2.5	2.3	2.0	0.9	1.1	1.2	12.6	12.4	14.4	1,485	15.2	12.9
Utilities		**Attractive**	**2,730,730**	**58,336**					**11.6**	**24.7**	**35.0**	**21.6**	**17.3**	**12.8**	**16.6**	**12.7**	**9.7**	**2.5**	**2.3**	**2.0**	**1.4**	**1.6**	**1.9**	**11.6**	**13.2**	**15.8**			
Others																													
Aban Offshore	690	ADD	30,006	641	43	115.4	171.2	98.5	19.0	48.4	(42.4)	6.0	4.0	7.0	7.8	6.0	6.4	0.8	0.6	0.5	0.5	0.5	0.6	15.1	15.3	7.9	900	30.5	44.8
Havells India	573	SELL	34,504	737	60	5.3	31.6	45.0	3.7	497.9	42.6	108.5	18.2	12.7	15.4	9.5	7.7	9.5	6.3	4.2	0.4	0.4	0.5	6.6	41.6	39.7	480	(16.3)	9.1
Jaiprakash Associates	116	BUY	245,135	5,237	2,107	4.3	7.1	10.1	115.0	65.5	42.2	27.1	16.4	11.5	14.9	13.2	9.3	3.0	2.6	2.2	—	—	—	12.3	17.1	20.5	170	46.1	36.0
Jindal Saw	185	ADD	54,490	1,164	294	27.5	19.3	17.9	121.9	(29.8)	(7.2)	6.7	9.6	10.3	4.9	5.6	5.3	1.4	1.2	1.1	0.5	0.4	0.4	20.5	12.9	11.1	243	31.2	10.2
PSL	129	BUY	6,902	147	53	29.8	25.4	24.1	34.1	(14.8)	(5.1)	4.3	5.1	5.4	2.8	2.7	2.8	0.7	0.7	0.6	5.0	5.0	5.4	13.6	11.7	10.8	175	35.6	0.7
Sintex	288	BUY	39,256	839	136	24.1	29.8	34.3	0.5	23.5	15.1	11.9	9.7	8.4	8.8	6.7	5.5	1.8	1.5	1.3	0.4	0.4	0.4	15.1	15.6	15.2	380	32.1	4.7
Tata Chemicals	324	ADD	78,922	1,686	243	27.3	31.0	36.1	2.5	13.4	16.5	11.9	10.5	9.0	6.3	5.5	4.9	1.5	1.4	1.2	2.7	2.7	2.7	15.6	15.7	16.0	340	4.9	3.8
Welspun Gujarat Stahl Rohren	231	REDUCE	47,556	1,016	205	25.1	23.0	24.4	44.9	(8.1)	5.8	9.2	10.0	9.5	5.1	5.3	4.6	1.6	1.4	1.2	0.8	0.9	1.0	20.6	14.8	13.5	245	5.9	11.0
United Phosphorus	166	BUY	76,968	1,644	463	11.9	14.6	18.1	18.8	22.5	23.5	13.9	11.4	9.2	8.1	7.0	5.5	2.2	1.9	1.6	0.9	1.2	1.2	17.7	18.0	18.8	195	17.2	5.8
Others			**613,739**	**13,111**					**43.1**	**25.1**	**13.2**	**14.1**	**11.2**	**9.9**	**8.9**	**8.1**	**6.9**	**2.0**	**1.7**	**1.5**	**0.7**	**0.7**	**0.8**	**14.3**	**14.9**	**14.6**			
KS universe (b)			**40,039,365**	**855,359**					**11.4**	**23.4**	**21.1**	**17.5**	**14.2**	**11.7**	**10.6**	**8.5**	**7.2**	**2.6**	**2.3**	**2.0**	**1.4**	**1.6**	**1.9**	**14.7**	**16.0**	**16.9**			
KS universe (b) ex-Energy			**31,965,140**	**682,870**					**7.9**	**23.4**	**20.1**	**18.5**	**15.0**	**12.5**	**12.7**	**10.2**	**8.5**	**2.9**	**2.5**	**2.1**	**1.2**	**1.4**	**1.6**	**15.5**	**16.6**	**17.2**			
KS universe (d) ex-Energy & ex-Commodities			**28,127,291**	**600,882**					**14.6**	**17.3**	**21.8**	**19.1**	**16.3**	**13.4**	**13.8**	**11.7**	**9.6**	**3.0**	**2.6**	**2.3**	**1.3**	**1.5**	**1.7**	**15.8**	**16.2**	**17.2**			

Note:
(1) For banks we have used adjusted book values.
(2) 2010 means calendar year 2009, similarly for 2011 and 2012 for these particular companies.
(3) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.
(4) Rupee-US Dollar exchange rate (Rs/US$)= 46.81

Source: Company, Bloomberg, Kotak Institutional Equities estimates

"Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Prashant Vaishampayan, Lokesh Garg, Murtuza Arsiwalla."

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



* The above categories are defined as follows: Buy = We expect this stock to outperform the BSE Sensex by 10% over the next 12 months; Add = We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months; Reduce = We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months; Sell = We expect this stock to underperform the BSE Sensex by more then 10% over the next 12 months. These ratings are used illustratively to comply with applicable regulations. As of 31/03/2010 Kotak Institutional Equities Investment Research had investment ratings on 149 equity securities.

Source: Kotak Institutional Equities — As of March 31, 2010

Ratings and other definitions/identifiers

Definitions of ratings

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

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

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

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

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

Other definitions

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

Other ratings/identifiers

NR = Not Rated. The investment rating and target price, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.

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NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

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