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#### Update

**IRB Infrastructure Developers:** Rajasthan project win marks a hat-trick

### News Round-up

- Four investors—**Anam Transport Pvt. Ltd, Sanjivani Horticulture Pvt. Ltd, Arsh Advisors** and **Owners Ltd** and **Asian Sirius Energy Ltd**—will own a 40.28% stake for Rs90.6 crore in the Mumbai-based wine maker Indage Vintners Ltd, or IVL, if they decide to convert their 10.3 million preferential warrants into equity shares at Rs88 a share. (Mint)
- State-owned utility **National Thermal Power Corporation (NTPC)** and the largest coal producer **Coal India** are in advanced stages of acquiring mining assets in Mozambique, Indonesia and Australia, as the new government firms up plans to meet the growing energy demand. (ET)
- In the month of May, India Inc raised US\$494 mn via ECBs vis-a-vis US\$299 mn in the previous month. Under the approval route, BOC India Ltd raised \$79 million for seven years for import of capital goods and Suzlon Energy Ltd raised US\$61 mn for around three years for buyback of FCCBs. (BL)
- The Department of Industrial Policy and Promotion, or DIPP, has given clearances for three proposals submitted to the Foreign Investment Promotion Board: By **Bharti Telemedia**, which offers direct-to-home television services, **Tata Teleservices**, in which Japan's **DoCoMo** has picked up 27.3 per cent equity, and **SKR BPO Services**, which has made downstream investments in **Sparsh BPO**. (BS)
- Bharati Shipyard's** bid to wrest control of **Great Offshore Ltd** took a new turn on Tuesday with **ABG Shipyard**, a rival company, making a counter offer to the shareholders of the Mumbai-based offshore service company and Bharati immediately upping its offer price. (BL)

Source: ET= Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line.

### EQUITY MARKETS

India	Change %			
	23-Jun	1-day	1-mo	3-mo
Sensex	14,324	(0.0)	3.1	52.0
Nifty	4,247	0.3	0.2	44.5
<b>Global/Regional indices</b>				
Dow Jones	8,323	(0.2)	0.6	7.0
Nasdaq Composite	1,765	(0.1)	4.3	13.4
FTSE	4,230	(0.1)	(3.1)	7.0
Nikkie	9,573	0.2	3.8	12.8
Hang Seng	17,538	(2.9)	2.8	26.1
KOSPI	1,363	0.1	(2.9)	11.5
<b>Value traded - India</b>				
Cash (NSE+BSE)	243.9		302.4	242.0
Derivatives (NSE)	850.7		681.5	633
Deri. open interest	928.4		972	766

#### Forex/money market

Change, basis points				
	23-Jun	1-day	1-mo	3-mo
Rs/US\$	48.5	(9)	125	(194)
10yr govt bond, %	7.0	5	53	36
<b>Net investment (US\$m)</b>				
	22-Jun		MTD	CYTD
FIs	(41)		(2,622)	(1,054)
MFs	25		664	(178)

#### Top movers -3mo basis

Change, %				
	23-Jun	1-day	1-mo	3-mo
<b>Best performers</b>				
MTNL IN Equity	97	1.7	4.0	42.7
BJAUT IN Equity	939	(1.7)	(0.2)	59.5
HPCL IN Equity	308	0.9	(4.1)	22.0
GMRI IN Equity	139	(0.8)	(17.8)	54.1
INFO IN Equity	1,747	(1.1)	14.8	32.3
<b>Worst performers</b>				
NACL IN Equity	314	(6.4)	(12.2)	35.5
DIVI IN Equity	1,070	1.0	(7.7)	17.5
HDFCB IN Equity	1,485	(3.7)	8.4	57.7
WPRO IN Equity	377	(0.5)	2.2	55.1
ABB IN Equity	722	(2.0)	14.4	92.1

**Raise target price but downgrade on valuations.** We have rolled over our target price to FY2011E and revised our target price to Rs540 (Rs490 earlier). Also, we have downgraded our rating on the stock to REDUCE from ADD. Stronger Rupee assumptions have led us to lower our estimates for FY2010 and FY2011 to Rs33.2 and Rs41.8, respectively, from Rs41 and Rs50.5 earlier. We have raised our average copper price assumptions to US\$5,000/ton from US\$3,600/ton.

**Company data and valuation summary**

Sterlite Industries

**Stock data**

52-week range (Rs) (high,low) 743-165

Market Cap. (Rs bn) 408.7

**Shareholding pattern (%)**

Promoters 61.2

FII's 19.3

MF's 3.5

**Price performance (%)**

Absolute 13.6 76.7 (17.6)

Rel. to BSE-30 10.1 16.3 (17.8)

**Forecasts/Valuations**

	2009	2010E	2011E
EPS (Rs)	49.2	33.2	41.8
EPS growth (%)	(23.6)	(32.5)	26.1
P/E (X)	11.7	17.4	13.8
Sales (Rs bn)	214.5	203.8	223.1
Net profits (Rs bn)	34.8	23.5	29.6
EBITDA (Rs bn)	50.1	42.1	54.3
EV/EBITDA (X)	6.7	7.9	5.9
ROE (%)	14.3	8.7	9.9
Div. Yield (%)	0.0	0.0	0.0

**Downgrade to REDUCE on valuations**

We have rolled over our target price to FY2011E from an average of FY2010 and FY2011 earlier. Following the rollover, we raise our target price from Rs490 to Rs540 which is 6% lower than the CMP. We therefore downgrade the stock from ADD to REDUCE.

**Lower earnings by 19% for FY2010 and 17% for FY2011**

We have lowered our earnings estimates lower by 19% for FY2010 and by 17% for FY2011 following changes in our Re/US\$ assumptions. We have lowered our FY2010 and FY2011 Re/US\$ assumptions from Rs50.75 and Rs50.5 to Rs48 and Rs47.75 for FY2010 and FY2011, respectively. Since most of Sterlite's commodity prices are denominated in US\$, earnings are highly sensitive to exchange rates.

**Raise average copper price assumptions—no impact on earnings**

We have raised our copper price forecast for FY2010 and FY2011 from US\$3,600/ton to US\$5,000/ton. However, since the largest part of Sterlite's copper business comprises of smelting, the impact of copper price revision is only on the topline. We maintain our aluminium price forecasts for FY2010 and FY2011 at US\$1,700/ton and US\$1,900/ton respectively. Also, our zinc price forecast for FY2010 and FY2011 at US\$1,400/ton and US\$1,500/ton, respectively, remains unchanged.

**Raise power business valuations**

We value Sterlite Energy's 2,400 MW power plant currently under construction at Rs66/share (2X P/B). Sterlite Energy is implementing the project in Orissa and will supply 25% power (600 MW) to the state grid and likely earn regulated returns. Vedanta Aluminium will consume another 1,200 MW and the sale of balance 600 MW still to be tied up. We assume Sterlite Energy will be able to realize regulated returns from the power sale to Vedanta Aluminium, while the likely sale of 600 MW in the merchant market will yield attractive returns.

**REDUCE**

JUNE 24, 2009

**CHANGE IN RECO.**

 Coverage view: **Cautious**

 Price (Rs): **577**

 Target price (Rs): **540**

 BSE-30: **14,324**
**QUICK NUMBERS**

- Lower net earnings by 19% for FY2010E
- Raise copper price assumptions to US\$5,000/ton
- Raise Sterlite Energy valuations to Rs66/share

The project is expected to start commissioning in phases between December 2009 and September 2010. However, we note Sterlite Energy still needs to arrange the complete fuel required for the project. Sterlite Energy has been allocated a coal linkage for 600 MW by Coal India and allocation for the balance is awaited. Production from the allocated coal block (Rampia and Dip Side of Rampia) will take another 2-3 years to commence. Sterlite Energy's share of coal from the block is sufficient to fuel 1,000 MW of capacity.

#### SOTP-based target price of Sterlite Industries is Rs540/share

SOTP-based target price of Sterlite, March fiscal year-ends, 2011E basis (Rs mn)

	EBITDA (Rs bn)	Multiple (X)	EV (Rs bn)	Sterlite's stake (%)	Attributable EV (Rs bn)	EV (Rs/ share)
<b>Aluminium business</b>						
BALCO	8	6.0	50	51.0	25	29
Vedanta Aluminium (VAL)						25
<b>Copper business</b>						
Copper smelting business	10	6.0	58	100.0	58	82
Copper mining						2
<b>Zinc business</b>						
Hindustan Zinc	36	6.0	218	64.9	141	160
<b>Power business</b>						
Sterlite Energy (a)						68
<b>Total enterprise value</b>					<b>225</b>	<b>365</b>
Less: net debt					(124)	(175)
<b>Attributable market capitalization</b>					<b>349</b>	<b>540</b>
<b>Target price (Rs/share)</b>						<b>540</b>

Notes:

(a) We have valued investments in the power business (Sterlite Energy) on DCF-to-equity implying a P/BV of 2X

(b) We have applied 20% holding company discount in case of stakes in Hindustan Zinc, BALCO, Sterlite Energy and CMT

Source: Company, Kotak Institutional Equities estimates

#### Sterlite Industries, Change in estimates, March fiscal year-ends, 2010E-11E (Rs mn)

	Revised estimates		Old estimates		% change	
	2010E	2011E	2010E	2011E	2010E	2011E
Net sales	203,779	223,138	183,821	213,138	10.9	4.7
EBITDA	42,133	54,339	46,163	59,471	(8.7)	(8.6)
PAT	23,513	29,643	29,022	35,800	(19.0)	(17.2)
<b>EPS (Rs)</b>	<b>33.2</b>	<b>41.8</b>	<b>41.0</b>	<b>50.5</b>	<b>(19.1)</b>	<b>(17.2)</b>

Source: Kotak Institutional Equities estimates

## Sterlite Industries, Key assumptions, March fiscal year-ends, 2007-11E

	2007	2008	2009E	2010E	2011E
<b>Prices (US\$/ton)</b>					
Aluminium	2,548	2,675	2,200	1,700	1,900
Zinc	3,580	2,900	1,550	1,400	1,500
Copper	6,861	6,695	5,800	5,000	5,000
Lead	1,426	2,700	1,500	1,300	1,300
<b>Volumes (tons)</b>					
Aluminium	315,002	358,328	343,000	297,500	346,500
Zinc	349,615	425,532	651,272	696,600	791,100
Copper	133,402	112,411	143,550	151,710	151,710
Lead	50,187	63,566	83,886	114,400	154,400

Source: Kotak Institutional Equities estimates

## Our commodity price assumptions are conservative versus long-term averages

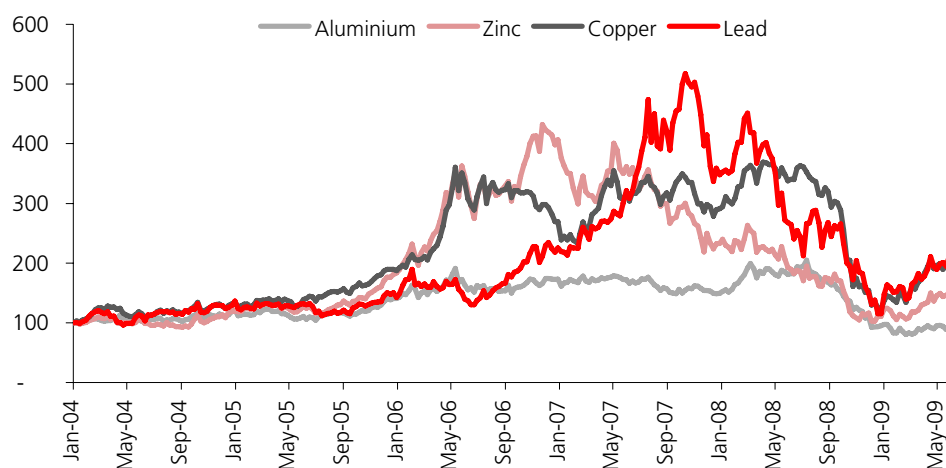
Our price assumptions versus historical average, March fiscal year-ends, 2010-11E (US\$/ton)

Prices	2010E			2011E		
	Our assumption	5-year average	10-year average	Our assumption	5-year average	10-year average
Aluminium	1,700	2,265	1,871	1,900	2,265	1,871
Zinc	1,400	2,159	1,568	1,500	2,159	1,568
Copper	5,000	5,408	3,606	5,000	5,408	3,606
Lead	1,300	1,558	1,039	1,300	1,558	1,039

Source: Bloomberg, Kotak Institutional Equities estimates

## Commodity prices have bounced back from all-time lows

LME metals prices (indexed, Base=Jan 2004)



Source: Bloomberg, Kotak Institutional Equities

Sterlite Industries (consolidated), Profit model, balance sheet and cash flow model, March fiscal year-ends, 2006-2011E (Rs mn)

	2006	2007	2008	2009E	2010E	2011E
<b>Profit model (Rs mn)</b>						
Net sales	131,272	243,868	247,054	214,484	203,779	223,138
<b>EBITDA</b>	<b>36,899</b>	<b>94,589</b>	<b>78,682</b>	<b>50,083</b>	<b>42,133</b>	<b>54,339</b>
Other income	3,343	6,817	15,661	18,501	15,778	17,595
Interest	(2,353)	(3,791)	(3,186)	(3,973)	(4,700)	(4,238)
Depreciation	(5,269)	(8,039)	(5,950)	(7,007)	(9,498)	(10,885)
<b>Profit before tax</b>	<b>32,518</b>	<b>88,004</b>	<b>84,679</b>	<b>58,158</b>	<b>43,713</b>	<b>56,811</b>
Taxes	(10,165)	(24,118)	(21,027)	(8,550)	(6,476)	(9,126)
Less: Minority interest	(5,568)	(19,045)	(18,591)	(12,671)	(8,101)	(12,419)
Add: share in associates	(4)	-	-	(1,536)	(5,623)	(5,623)
<b>Net profit</b>	<b>16,781</b>	<b>44,842</b>	<b>45,061</b>	<b>35,400</b>	<b>23,513</b>	<b>29,643</b>
<b>Earnings per share (Rs)</b>	<b>60.1</b>	<b>80.3</b>	<b>63.6</b>	<b>50.0</b>	<b>33.2</b>	<b>41.8</b>
<b>Balance sheet (Rs mn)</b>						
Equity	60,530	99,815	223,024	246,403	269,803	298,854
Deferred tax liability	7,511	9,174	13,537	12,542	13,906	15,778
Total Borrowings	68,822	82,365	106,981	134,212	145,382	161,083
Current liabilities	34,113	48,636	50,401	31,859	31,131	31,697
<b>Total liabilities</b>	<b>170,976</b>	<b>239,990</b>	<b>393,942</b>	<b>425,016</b>	<b>460,222</b>	<b>507,412</b>
Net fixed assets	85,497	97,176	124,367	132,044	156,995	173,860
Investments	24,952	52,219	162,941	170,758	175,758	200,758
Cash	11,153	11,134	24,536	35,060	43,866	46,602
Other current assets	49,269	79,460	82,099	87,155	83,603	86,193
Miscellaneous expenditure	105	0	0	-	-	-
<b>Total assets</b>	<b>170,976</b>	<b>239,990</b>	<b>393,942</b>	<b>425,016</b>	<b>460,222</b>	<b>507,412</b>
<b>Cash flow model (Rs mn)</b>						
Operating cash flow excl. working capital	28,131	75,568	61,736	53,538	46,782	58,860
Working capital changes	(8,339)	(18,647)	2,032	4,266	4,325	(1,974)
Capital expenditure	(11,783)	(20,871)	(30,119)	(23,975)	(32,950)	(27,700)
<b>Free cash flow</b>	<b>8,009</b>	<b>36,049</b>	<b>33,648</b>	<b>33,829</b>	<b>18,157</b>	<b>29,186</b>
<b>Ratios</b>						
Debt/equity (X)	1.0	0.8	0.5	0.5	0.5	0.5
Net debt/equity (X)	0.2	(0.2)	(0.6)	(0.5)	(0.5)	(0.6)
RoAE (%)	28.9	50.7	26.1	14.3	8.7	9.9
<b>RoACE (%)</b>	<b>14.7</b>	<b>29.0</b>	<b>17.7</b>	<b>10.5</b>	<b>6.7</b>	<b>7.3</b>

Source: Company, Kotak Institutional Equities estimates

**Rajasthan project win marks a hat-trick.** IRB has emerged as the lowest bidder in three new BOT projects in the states of Goa, Punjab and Rajasthan. We believe IRB will win these projects, which have the potential to boost its construction revenues. Additionally, the likely start of toll collections in the Surat-Dahisar project from mid-July could act as a key catalyst to the stock price. We marginally revise our earnings estimates and retain our BUY rating on the stock with a target price of Rs160/share.

## Company data and valuation summary

IRB Infrastructure				
<b>Stock data</b>				
52-week range (Rs) (high,low)			175-64	
Market Cap. (Rs bn)			49.3	
<b>Shareholding pattern (%)</b>				
Promoters			74.4	
Flls			9.2	
MFs			4.1	
<b>Price performance (%)</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>	
Absolute	8.9	81.9	(9.5)	
Rel. to BSE-30	5.6	19.7	0.0	
				<b>Forecasts/Valuations</b>
				<b>2009</b>
				<b>2010E</b>
				<b>2011E</b>
				EPS (Rs)
				5.8
				11.3
				12.7
				EPS growth (%)
				69.2
				95.7
				11.7
				P/E (X)
				25.6
				13.1
				11.7
				Sales (Rs bn)
				9.5
				19.7
				27.4
				Net profits (Rs bn)
				1.9
				3.8
				4.2
				EBITDA (Rs bn)
				4.6
				9.5
				11.6
				EV/EBITDA (X)
				14.2
				7.7
				6.7
				ROE (%)
				11.0
				18.1
				16.5
				Div. Yield (%)
				0.0
				0.0
				0.0

## Leading contender for three new projects implying Rs35 bn in construction revenues

According to news reports and management communication, IRB has emerged as the lowest bidder and is likely to win three new BOT road projects viz. (a) Panaji to Goa-Karnataka border, (b) Amritsar to Pathankot and (c) Jaipur-Tonk-Deoli project. All the three projects were won at bids not far from the L2 values, which instills confidence in the winning bids levels. We believe that these wins highlight the ability of the company to leverage the experience it has gained in the toll-road segment. These projects are likely to boost the construction revenues of the firm by about Rs35 bn over the next three years.

Bharuch-Surat likely to start toll collections soon—likely catalyst for stock price

IRB management highlighted that the Bharuch-Surat project should start toll collections by mid-July 2009. We believe the start of toll collections in this project could be a key catalyst for the stock price of the company. We estimate a per-day toll collection for FY2010E of Rs5.2 mn and note that the project value is highly sensitive to the toll-collection estimate for the first year.

Marginally revise earnings estimates; Reiterate BUY rating with a target price of Rs160/share

We have marginally revised our earnings estimates to Rs11.3 and Rs12.7 from Rs11.9 and Rs12.1 for FY2010E and FY2011E,. The benefit in earnings from the construction revenues of the new BOT projects was partially offset by a lower per day toll collection estimate for FY2010E in the Bharuch-Surat project. We maintain our SOTP-based target price of Rs160/share comprised of (a) Rs111.4/share from the road projects, (b) Rs35 from construction business and (c) Rs10.4 from net cash at the parent level.

We believe IRB has the ability to create value by leveraging further growth opportunities based on the experience that it has accumulated so far in the toll-road segment. We retain our BUY rating on the stock based on potential upsides from (a) revival in traffic growth, (b) lower interest rates and (c) incremental project wins. The start of toll collections at Bharuch-Surat would be a key catalyst for the stock.

# BUY

JUNE 24, 2009

UPDATE

Coverage view: **Attractive**

Price (Rs): 148

Target price (Rs): 160

BSE-30: 14,326

## QUICK NUMBERS

- Rs35 bn—Total cost estimate for three new projects
- Rs25/share—Rough estimate of new project contribution

These wins highlight the ability of the company to leverage its experience and expertise in the toll-road segment

### Three new project wins likely

According to news reports and management communication, IRB has emerged as the lowest bidder and is likely to win three new BOT road projects viz. (a) Panaji to Goa-Karnataka border, (b) Amritsar to Pathankot and (c) Jaipur-Tonk-Deoli project. The details of these projects are given in exhibit 1. The three projects together add up to a road length of 316 km and estimated project cost of Rs35.8 bn (Rs8.4 bn for the Panaji to Goa-Karnataka border, Rs12.5 bn for Amritsar to Pathankot project and Rs15 bn for the Jaipur-Tonk-Deoli project). We believe these wins highlight the ability of the company to leverage its experience and expertise in the toll-road segment.

#### Exhibit 1: Company likely to win three projects on a trot

Details of the three projects likely to be won by IRB

	Panaji to Goa-Karnataka Border	Amritsar to Pathankot	Jaipur - Tonk - Deoli
Length of road (km)	65	102	149
NHAI projects cost	4,710	7,050	7,921
VGF (%)	39.6	18.0	38.6
Project cost (Rs mn)	8,360	12,500	15,000
Equity (Rs mn)	2,600	3,930	3,930
Debt (Rs mn)	3,900	7,300	8,010
Grant (Rs mn)	1,860	1,270	3,060
Concession period (yrs)	2.5	2.5	2.5
Construction period (yrs)	30	20	25

Source: Company

Based on preliminary information, we have arrived at a rough approximation for the equity value of the three projects at Rs8.3 bn (see Exhibits 2, 3 & 4). This would imply a per share value of about Rs25/share for IRB comprised of (a) Rs12.2/share from the Jaipur-Tonk-Deoli project, (b) Rs9.4/share from the Amritsar-Pathankot project and (c) Rs3.4/share from the Panaji to Goa-Karnataka border project.

We have not included the value of these projects in our SOTP-based target price and will do so only after a detailed discussion with the IRB management which would help us arrive at a more appropriate value.

#### Exhibit 2: FCFE valuation of Jaipur - Tonk - Deoli project, March fiscal year-ends, 2010E-35E (Rs mn)

	2010E	2013E	2014E	2015E	2018E	2021E	2024E	2027E	2030E	2033E	2035E
Revenue	—	594	1,323	1,472	2,030	2,798	3,750	5,025	6,734	9,025	10,969
EBITDA	—	505	1,124	1,251	1,725	2,435	1,466	4,372	3,452	7,851	6,472
Interest cost	—	415	906	875	768	583	399	138	—	—	—
Depreciation	—	333	667	667	667	667	667	667	667	667	667
PBT	—	(236)	(433)	(269)	376	1,347	821	4,248	3,931	8,333	6,956
Tax	—	2	5	7	126	189	188	636	705	1,205	1,049
PAT	—	(238)	(438)	(277)	249	1,158	633	3,613	3,226	7,129	5,907
<b>Cash flows to equity</b>											
Net income	—	(243)	(448)	(291)	193	1,049	351	3,156	2,459	6,359	5,136
Add: Depreciation	—	333	667	667	667	667	667	667	667	667	667
Less Capex	(1,500)	(3,000)	—	—	—	—	—	—	—	—	—
Debt + interest + Grant	1,107	2,214	(267)	(267)	(534)	(534)	(534)	(801)	—	—	—
PAT + Deprn - debt Repayment - capex	(393)	(696)	(49)	109	325	1,181	484	3,022	3,125	7,026	5,803
Present Value of equity	4,047										
Equity IRR (%)	24										
Per share value (Rs mn)	12.2										

Source: Company, Kotak Institutional Equities estimates

Exhibit 3: FCFE valuation of Amritsar to Pathankot project, March fiscal year-ends, 2010E-30E (Rs mn)

	2010E	2013E	2014E	2015E	2016E	2017E	2018E	2021E	2024E	2027E	2030E
<b>Revenue</b>	—	<b>589</b>	<b>1,312</b>	<b>1,460</b>	<b>1,629</b>	<b>1,808</b>	<b>2,013</b>	<b>2,775</b>	<b>3,729</b>	<b>4,984</b>	<b>6,679</b>
<b>EBITDA</b>	—	501	1,115	1,241	1,385	1,537	1,711	2,414	3,244	4,336	5,811
Interest cost	—	378	826	798	770	742	700	532	364	126	-
Depreciation	—	357	714	714	714	714	714	714	714	714	714
<b>PBT</b>	—	<b>(227)</b>	<b>(410)</b>	<b>(250)</b>	<b>(65)</b>	<b>137</b>	<b>382</b>	<b>1,331</b>	<b>2,587</b>	<b>4,177</b>	<b>6,242</b>
Tax	—	2	5	7	12	46	128	188	388	628	967
<b>PAT</b>	—	<b>(229)</b>	<b>(415)</b>	<b>(257)</b>	<b>(76)</b>	<b>91</b>	<b>253</b>	<b>1,143</b>	<b>2,198</b>	<b>3,549</b>	<b>5,275</b>
<b>Cash flows to equity</b>											
Net income	—	(234)	(425)	(271)	(99)	53	197	1,034	1,917	3,093	4,508
Add: Depreciation	—	357	714	714	714	714	714	714	714	714	714
Less Capex	(1,250)	(2,500)	—	—	—	—	—	—	—	—	—
Debt + interest + Grant	857	1,714	(243)	(243)	(243)	(243)	(487)	(487)	(487)	(730)	—
<b>PAT + Deprn - debt Repayment - capex</b>	<b>(393)</b>	<b>(663)</b>	<b>46</b>	<b>200</b>	<b>371</b>	<b>524</b>	<b>424</b>	<b>1,262</b>	<b>2,144</b>	<b>3,077</b>	<b>5,222</b>
<b>Present Value of equity</b>	<b>3,123</b>										
Equity IRR (%)	25										
<b>Per share value (Rs mn)</b>	<b>9.4</b>										

Source: Company, Kotak Institutional Equities estimates

Exhibit 4: FCFE valuation of Panaji to Goa-Karnataka border project, March fiscal year-ends, 2010E-39E (Rs mn)

	2010E	2013E	2014E	2018E	2021E	2024E	2027E	2030E	2033E	2036E	2039E
<b>Revenue</b>	—	<b>238</b>	<b>534</b>	<b>835</b>	<b>1,151</b>	<b>1,543</b>	<b>2,068</b>	<b>2,771</b>	<b>3,713</b>	<b>4,976</b>	<b>6,669</b>
<b>EBITDA</b>	—	202	454	710	978	1,311	1,757	2,355	3,156	4,230	4,182
Interest cost	—	202	446	422	344	242	81	-	-	-	-
Depreciation	—	152	304	304	304	304	304	304	304	304	304
<b>PBT</b>	—	<b>(151)</b>	<b>(293)</b>	<b>35</b>	<b>408</b>	<b>979</b>	<b>1,746</b>	<b>2,847</b>	<b>4,156</b>	<b>5,981</b>	<b>6,932</b>
Tax	—	0	1	17	64	159	282	503	1,413	2,033	2,356
<b>PAT</b>	—	<b>(151)</b>	<b>(294)</b>	<b>18</b>	<b>344</b>	<b>820</b>	<b>1,463</b>	<b>2,344</b>	<b>2,743</b>	<b>3,948</b>	<b>4,576</b>
<b>Cash flows to equity</b>											
Net income	—	(152)	(296)	(16)	292	676	1,214	1,811	1,870	2,571	2,530
Add: Depreciation	—	152	304	304	304	304	304	304	304	304	304
Less Capex	(836)	(1,672)	—	—	—	—	—	—	—	—	—
Debt + interest + Grant	576	1,152	(52)	(52)	(260)	(468)	(468)	—	—	—	—
<b>PAT + Deprn - debt Repayment - capex</b>	<b>(260)</b>	<b>(520)</b>	<b>(44)</b>	<b>236</b>	<b>336</b>	<b>512</b>	<b>1,050</b>	<b>2,115</b>	<b>2,174</b>	<b>2,875</b>	<b>2,834</b>
<b>Present Value of equity</b>	<b>1,127</b>										
Equity IRR (%)	14										
<b>Per share value (Rs mn)</b>	<b>3.4</b>										

Source: Company, Kotak Institutional Equities estimates

### Winning bids close to second-highest—testifies to rational bidding values

We highlight that the company has won the projects at bids which were very close to the second highest value. This instills confidence in the bid values of IRB with likelihood that the company has not bid too aggressively on the projects. We highlight that the Panaji to Goa-Karnataka border project was won at VGF of 39.6% which is almost the maximum possible (the max. being 40%). Furthermore, in the Jaipur-Tonk-Deoli project, the company won the bid at 38.6% which was quite close to the second highest bid of 39.8% (implying a difference in the grant amount of only Rs90 mn between the two bids). The maximum difference was in the Amritsar to Pathankot project where there was a 5% difference in bids, working out to a difference of Rs350 mn in the grant amount.



**Exhibit 5: Projects won at close to L2 bids instills confidence in the bid values**

Winning and L2 bids of the three BOT road projects

	Winning bid		L2 bid		Difference	
	VGF (%)	Grant (Rs mn)	VGF (%)	Grant (Rs mn)	VGF (%)	Grant (Rs mn)
Panaji to Goa-Karnataka Border	39.6	1,863	39.8	1,875	0.3	12
Jaipur - Tonk - Deoli	38.6	3,060	39.8	3,150	1.1	90
Amritsar to Pathankot	18.0	1,269	23.0	1,620	5.0	351

Source: Company

**New projects could add construction revenues of Rs35 bn in next three years**

We highlight that the three new projects won by the company would boost construction revenues by Rs35 bn over the next 2.5-3 years. This would imply an EBITDA increase of about Rs5.3 bn, at a 15% EBITDA margin. We have increased our construction revenue estimates to Rs17.4 from Rs13.9 bn earlier for FY2011E. We highlight the significant difference in the NHAI benchmark costs and IRB cost estimates for the project which could imply higher margins for these projects. The NHAI TPCs are about 50-55% of the company cost estimates.

**Bharuch-Surat likely to start toll collections soon; could be a key catalyst**

IRB management highlighted that the Bharuch-Surat project should start toll collections by mid-July 2009. We believe the start of toll collections in this project could be a key catalyst to the stock price. We have reduced our per-day toll collection for FY2010E to Rs5.2 mn from Rs5.8 mn based on lower traffic growth assumption for the year. We believe traffic will start to pick up from 2HFY10E.

The project currently contributes about Rs21/share to the total target price of Rs160/share of IRB. We highlight that this value is very sensitive to the initial year toll collection assumption. A 10% lower per day toll collection would lead to a 29% drop in the per share value of the project (see Exhibit 6).

**Exhibit 6: Sensitivity of Bharuch-Surat road project valuation to initial year toll collection assumption**

	20% lower	10% lower	Base case	10% higher	20% higher
Per day toll collection assumption for FY2010E (Rs mn)	4.2	4.7	5.2	5.7	6.3
Per share value (Rs)	9.0	15.0	21.2	27.4	33.5

Source: Kotak Institutional Equities estimates

**Marginally revise earnings estimates; Reiterate BUY rating and TP of Rs160**

We have marginally revised our earnings estimates to Rs11.3 and Rs12.7 from Rs11.9 and Rs12.1 for FY2010E and FY2011E respectively. The benefit in earnings from the construction revenues of the new BOT projects was partially offset by a lower per-day toll collection estimate for FY2010E in the Bharuch-Surat project. We maintain our SOTP-based target price of Rs160/share comprised of (a) Rs111.4/share from the road projects, (b) Rs35 from construction business and (c) Rs10.4 from net cash at the parent level (Exhibit 7, 8). We have not added the value of the three new BOT projects and will do so after more clarity from the management.

We believe IRB has the ability to create value by leveraging further growth opportunities based on the experience that it has accumulated so far in the toll-road segment. We retain our BUY rating on the stock based on potential upsides from (a) revival in traffic growth, (b) lower interest rates and (c) incremental project wins. The start of toll collection at Bharuch-Surat would be a key catalyst for the stock.

Key risks to existing projects are (1) lower-than-expected economic growth which affects traffic growth, (2) higher interest rates, affecting interest cost of BOT projects, (3) cost and time escalations in projects under execution, affecting expected returns.

Exhibit 7: IRB Infrastructure Developers - SOTP valuation

	Equity value (Rs mn)	IRB's stake (%)	Value (Rs mn)	Contribution (%)	Per share (Rs)	Asset valuation methodology
<b>Roads</b>	<b>34,695</b>		<b>34,743</b>	<b>65.8</b>	<b>104.5</b>	<b>FCFE</b>
4 BOT projects	4,005	100	4,005	7.6	12.1	FCFE based on FY2011E
Kharpada Bridge	383	100	383	0.7	1.2	FCFE based on FY2011E
Nagar - Karmala - Tembhurni	786	100	786	1.5	2.4	FCFE based on FY2011E
Pune - Solapur	1,250	100	1,250	2.4	3.8	FCFE based on FY2011E
Pune - Nashik	1,716	100	1,716	3.2	5.2	FCFE based on FY2011E
Mumbai - Pune	15,179	100	15,179	28.7	45.7	FCFE based on FY2011E
Thane - Ghodbunder	3,239	100	3,239	6.1	9.7	FCFE based on FY2011E
Bharuch - Surat	7,035	100	7,035	13.3	21.2	FCFE based on FY2011E
Surat-Dahisar	(485)	90	(436)	(0.8)	(1.3)	FCFE based on FY2011E
Kolhapur urban road project	1,585	100	1,585	3.0	4.8	FCFE based on FY2011E
<b>Construction</b>	<b>14,636</b>	<b>100</b>	<b>14,636</b>	<b>27.7</b>	<b>44.0</b>	<b>EV/EBITDA multiple of 6X based on FY2011E</b>
<b>Net cash at parent level</b>	<b>3,460</b>	<b>100</b>	<b>3,460</b>	<b>6.5</b>	<b>10.4</b>	<b>Estimated balance at end-FY2009E</b>
<b>Grand total</b>	<b>52,791</b>		<b>52,839</b>	<b>100</b>	<b>159.0</b>	<b>SOTP</b>

Source: Kotak Institutional Equities estimates

IRB - Sensitivity analysis of stock price to initial traffic growth rate and cost of equity assumptions

		Initial traffic growth rate (%)				
		5.0	6.0	7.0	8.0	9.0
Cost of equity (%)	Assumed rate -2	84	100	117	134	151
	Assumed rate -1	79	94	110	126	143
	Assumed rate	75	90	105	120	135
	Assumed rate +1	72	85	99	114	128
	Assumed rate +2	68	81	94	108	122

Note: Base case interest rate is 11% through the life of the project with equity return expectation of 13.5%

Source: Kotak Institutional Equities estimates

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

	23-Jun-09		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target		ADVT-			
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	(Rs)	Upside	3mo			
Automobiles																																
Ashok Leyland	29	ADD	38,845	800	1,330	1.4	1.8	2.4	(60.1)	23.3	33.3	20.2	16.4	12.3	11.7	8.5	7.1	1.6	1.6	1.5	3.4	3.4	3.4	8.0	9.7	12.5	32	9.6	3.0			
Bajaj Auto	939	SELL	135,829	2,799	145	48.7	65.3	73.1	(6.7)	34.0	12.0	19.3	14.4	12.8	11.7	8.7	8.6	7.1	5.5	4.3	2.1	2.1	2.1	40.2	42.8	36.8	780	16.9	4.5			
Hero Honda	1,435	REDUCE	286,520	5,904	200	64.2	83.8	91.2	32.4	30.5	8.8	22.4	17.1	15.7	14.7	11.4	10.0	7.3	5.7	4.5	1.4	1.5	1.5	36.6	37.4	31.9	1,000	(30.3)	18.8			
Mahindra & Mahindra	703	ADD	186,579	3,845	265	21.7	40.4	43.6	(42.9)	86.0	8.0	32.4	17.4	16.1	28.6	13.2	11.8	3.9	2.9	2.6	1.3	1.3	1.3	12.3	19.3	17.0	670	(4.7)	17.6			
Maruti Suzuki	1,053	SELL	304,418	6,273	289	42.2	58.3	63.4	(29.5)	38.1	8.6	24.9	18.1	16.6	21.1	11.1	9.1	3.1	2.7	2.4	0.3	0.5	0.5	13.3	16.1	15.1	780	(26.0)	24.2			
Tata Motors	342	SELL	190,479	3,925	556	20.8	15.2	20.0	(58.3)	(27.0)	32.2	16.5	22.6	17.1	21.7	14.1	12.0	1.4	1.3	1.3	1.6	1.6	1.6	9.0	6.1	6.1	235	(31.4)	40.4			
Automobiles	Cautious		1,142,669	23,546					(165.1)	184.8	102.9	135.6	105.9	90.7				109.6	67.0	58.8	24.5	19.7	16.5	10.2	10.5	10.5	119.5	131.4	113.4			
Banks/Financial Institutions																																
Andhra Bank	83	REDUCE	40,255	829	485	13.5	11.1	12.6	14.0	(17.9)	13.6	6.1	7.5	6.6				1.2	1.1	1.0	5.4	3.3	3.8	19.0	14.0	14.4	90	8.4	1.7			
Axis Bank	749	BUY	269,020	5,543	359	50.6	56.1	66.6	56.9	11.0	18.7	14.8	13.4	11.3				2.9	2.5	2.2	1.3	1.5	1.8	19.1	18.3	18.9	850	13.4	71.7			
Bank of Baroda	433	REDUCE	158,219	3,260	366	60.9	54.9	58.5	55.1	(9.8)	6.5	7.1	7.9	7.4				1.5	1.5	1.3	2.1	1.9	2.0	18.7	14.9	14.2	440	1.7	12.2			
Bank of India	343	ADD	180,284	3,715	526	57.2	46.3	53.2	40.7	(19.1)	14.9	6.0	7.4	6.4				1.8	1.7	1.5	2.3	1.9	2.2	29.2	19.0	18.7	360	5.0	16.3			
Canara Bank	263	REDUCE	107,994	2,225	410	50.5	38.6	41.4	32.4	(23.6)	7.1	5.2	6.8	6.4				1.3	1.2	1.1	3.0	3.0	3.8	18.3	12.4	12.2	260	(1.3)	6.0			
Corporation Bank	337	BUY	48,339	996	143	62.2	51.5	55.3	21.4	(17.3)	7.4	5.4	6.5	6.1				1.0	0.9	0.8	3.8	3.1	3.4	19.6	14.3	13.8	395	17.2	1.0			
Federal Bank	243	BUY	41,527	856	171	27.8	31.4	38.2	(19.2)	13.1	21.5	8.7	7.7	6.4				1.0	0.9	0.8	2.1	2.4	2.9	11.5	11.8	13.0	320	31.8	3.4			
Future Capital Holdings	248	BUY	15,667	323	63	4.5	28.8		(198.6)	546.1	(100.0)	55.7	8.6					2.1	1.7					3.8	21.4		440	77.6	1.5			
HDFC	2,365	REDUCE	672,824	13,864	284	80.2	91.5	103.6	(6.5)	14.0	13.3	29.5	25.9	22.8				5.1	4.6	4.1	1.3	1.4	1.5	18.2	18.3	18.3	2,025	(14.4)	66.8			
HDFC Bank	1,485	REDUCE	654,198	13,480	440	55.4	63.2	75.1	20.4	14.2	18.8	26.8	23.5	19.8				4.4	3.1	2.8	0.6	0.8	1.0	16.9	15.4	15.0	1,490	0.3	53.2			
ICICI Bank	697	REDUCE	775,984	15,990	1,113	33.8	32.3	38.5	(15.4)	(4.4)	19.2	20.6	21.6	18.1				1.6	1.5	1.4	1.6	1.3	1.4	7.8	7.1	8.0	685	(1.7)	199.4			
IDFC	136	ADD	176,284	3,632	1,294	5.8	7.0	8.0	2.3	21.0	13.3	23.4	19.4	17.1				2.9	2.6	2.3	0.7	0.9	1.0	12.9	14.1	14.2	85	(37.6)	40.6			
India Infoline	121	ADD	37,775	778	311	5.0	5.8	6.5	(10.0)	15.5	12.3	24.1	20.8	18.6	11.2	10.0	9.1	3.2	2.9	2.6	2.0	2.6	3.1	11.7	13.5	14.6	90	(25.8)	11.7			
Indian Bank	137	BUY	58,986	1,215	430	28.1	26.6	30.6	24.7	(5.3)	15.0	4.9	5.2	4.5				1.1	1.0	0.9	3.1	2.9	3.3	22.7	18.3	18.1	185	34.8	3.1			
Indian Overseas Bank	83	BUY	45,246	932	545	24.3	16.6	22.2	10.3	(91.9)	33.8	3.4	5.0	3.7				0.8	0.7	0.6	6.3	4.5	5.0	24.7	14.5	17.0	130	56.5	4.6			
J&K Bank	486	ADD	23,548	485	48	84.5	80.8	95.4	13.8	(4.3)	18.0	5.7	6.0	5.1				1.0	0.9	0.9	3.5	3.3	3.9	16.7	14.1	14.9	550	13.3	0.4			
UC Housing Finance	599	BUY	50,870	1,048	85	62.5	68.8	80.3	37.3	10.0	16.8	9.6	8.7	7.5				2.1	1.8	1.5	2.3	2.5	3.0	26.2	23.9	23.4	390	(34.8)	13.4			
Mahindra & Mahindra Financial	241	ADD	23,054	475	96	22.4	27.5	30.0	7.5	22.9	8.7	10.7	8.7	8.0				1.6	1.4	1.3	2.3	2.9	3.1	15.4	16.9	16.3	240	(0.4)	1.0			
Oriental Bank of Commerce	179	REDUCE	44,734	922	251	36.1	27.3	34.6	51.4	(24.5)	26.7	4.9	6.5	5.2				0.8	0.8	0.8	4.0	3.1	3.9	14.8	10.2	11.8	190	6.4	3.6			
PFC	188	SELL	216,297	4,457	1,148	13.0	16.5	19.3	14.3	26.7	17.6	14.5	11.5	9.7				1.9	1.8	1.6	1.4	2.6	2.3	13.8	15.8	16.7	160	(15.1)	6.3			
Punjab National Bank	625	BUY	197,111	4,062	315	98.0	98.5	115.1	50.9	0.5	16.8	6.4	6.3	5.4				1.6	1.4	1.2	3.1	3.2	3.7	23.0	19.9	20.1	800	28.0	21.8			
Rural Electrification Corp.	158	BUY	135,831	2,799	859	16.5	17.5	20.8	50.7	6.5	18.8	9.6	9.0	7.6				1.9	1.7	1.4	1.3	2.0	2.4	21.2	19.6	20.3	155	(2.0)	3.9			
Shriram Transport	288	ADD	60,860	1,254	212	30.1	32.5	36.9	56.8	7.9	13.7	9.6	8.9	7.8				2.8	2.4	2.0	3.0	3.4	3.8	29.6	27.0	25.8	300	4.3	2.9			
SREI	67	ADD	7,751	160	116	7.7	6.9	8.2	(32.8)	(10.1)	18.6	8.7	9.6	8.1				0.7	0.7	0.6	3.5	4.2	4.8	14.0	11.5	13.0	95	42.5	3.4			
State Bank of India	1,708	BUY	1,084,548	22,348	635	143.6	121.1	139.2	34.8	(15.7)	14.9	11.9	14.1	12.3				2.2	2.2	1.9	1.7	1.8	1.9	17.1	12.7	13.3	1,870	9.5	123.3			
Union Bank	218	BUY	110,015	2,267	505	34.2	29.6	35.5	24.5	(13.5)	19.9	6.4	7.4	6.1				1.3	1.1	1.0	2.4	2.0	2.4	27.2	19.5	19.9	280	28.6	7.0			
Banks/Financial Institutions	Attractive		5,237,218	107,917		342			337.8	511.9	309.6	339.9	284.0	238.0				11.2	10.0	9.1	49.8	44.0	37.6	64.3	62.4	71.3	473.2	418.4	405.8			
Cement																																
ACC	746	REDUCE	140,112	2,887	188	56.3	55.2	42.2	(12.2)	(1.9)	(23.6)	13.3	13.5	17.7				6.6	6.7	7.8	2.7	2.3	2.1	3.1	3.1	3.1	24.7	21.3	15.1	725	(2.8)	12.8
Ambuja Cements	86	REDUCE	131,533	2,710	1,522	7.2	7.0	5.8	(5.0)	(3.1)	(16.2)	12.0	12.4	14.8				6.4	6.5	7.5	2.2	1.9	1.8	3.5	2.2	2.5	19.7	16.9	12.8	80	(7.4)	5.7
Grasim Industries	2,230	REDUCE	204,496	4,214	92	238.5	235.7	239.1	(16.2)	(1.2)	1.4	9.4	9.5	9.3				5.4	4.9	4.6	1.9	1.6	1.4	1.5	1.5	1.5	21.7	18.2	16.0	2,300	3.1	10.2
India Cements	138	ADD	38,982	803	282	22.7	19.8	17.5	(7.3)	(12.8)	(11.2)	6.1	7.0	7.9				4.3	4.4	4.7	1.0	0.9	0.8	1.5	1.5	2.3	15.7	14.7	11.7	155	12.1	8.9
Shree Cement	1,129	BUY	39,343	811	35	174.7	91.6	86.2	93.7	(47.6)	(5.9)	6.5	12.3	13.1				4.5	4.8	5.1	3.3	2.7	2.3	0.9	0.9	0.9	65.7	24.0	18.9	1,150	1.8	0.6
UltraTech Cement	655	ADD	82,083	1,691	125	78.0	70.5	55.6	(4.1)	(9.7)	(21.0)	8.4	9.3	11.8				5.5	5.1	5.8	1.9	1.6	1.4	1.2	1.2	1.2	1.2	22.3	15.0	725	10.6	5.4
Cement	Neutral		636,549	13,117		48.9	(76.2)	(76.5)	55.6	64.0	74.6	32.8	32.5	35.5				12.9	11.1	9.9	11.8	10.5	11.6	178.6	117.4	89.6						
Constructions																																
Consolidated Construction Co.	218	ADD	8,045	166	37	19.7	27.2	31.9	(18.1)	38.0	17.5	11.1	8.0	6.8				7.4	5.2	4.4	1.6	1.3	1.2	1.3	1.8	2.1	15.0	18.1	18.3	190	(12.7)	0.2
IVRCL	305	BUY	41,290	851	135	16.7	17.9	22.1	7.4	7.4	23.1	18.3	17.0	13.8				12.5	9.5	7.5	2.3	2.0	1.8	0.3	0.3	0.3	13.2	12.6	13.6	350	14.7	20.9
Nagarjuna Construction Co.	121	BUY	27,662	570	229	6.7	7.5	8.5	(6.4)	11.9	13.3	18.6	16.1	14.2				11.5	8.8	7.5	1.6	1.5	1.4	1.1	1.3	1.7	9.4	9.8	10.3	145	20.1	7.2
Punj Lloyd	197	BUY	61,179	1,261	311	(7.4)	15.9	17.2	(174.4)	(3131																						

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

	23-Jun-09		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	(Rs)	(%)	(US\$ mn)
Telecom																													
Bharti Airtel	786	ADD	1,492,321	30,750	1,898	44.6	52.2	59.8	26.4	17.0	14.6	17.6	15.1	13.1	10.3	8.8	7.6	4.7	3.6	2.8	0.5	0.8	1.0	31.4	27.0	23.8	775	(1.4)	96
IDEA	78	REDUCE	242,877	5,005	3,104	2.9	2.9	3.2	(26.5)	(0.1)	10.9	27.0	27.0	24.3	9.9	8.9	7.4	1.8	1.7	1.5				10.4	6.4	6.8	65	(16.9)	20.8
MTNL	97	SELL	61,142	1,260	630	5.1	5.5	6.5	(28.4)	7.6	17.7	19.0	17.6	15.0	5.2	4.9	4.5	0.5	0.5	0.5	6.2	6.2	6.2	2.2	2.4	2.9	50	(48.5)	4.3
Reliance Communications	296	SELL	631,546	13,014	2,133	27.7	20.3	21.1	4.7	(26.6)	3.9	10.7	14.6	14.0	9.4	8.9	7.0	1.8	1.6	1.4	0.3			18.6	11.7	10.9	180	(39.2)	81.2
Tata Communications	449	REDUCE	127,851	2,634	285	13.6	14.0	15.2	24.0	3.2	8.2	33.0	32.0	29.6	14.1	12.8	11.9	1.9	1.8	1.7	1.1	1.4	1.7	5.4	5.2	5.5	400	(10.8)	8.1
Telecom		Cautious	2,555,736	52,663					0.3	1.0	55.3	107.3	106.3	96.1	49.0	44.3	38.4	10.7	9.2	8.0	8.1	8.4	8.9	67.8	52.8	49.9			
Transportation																													
Container Corporation	932	ADD	121,174	2,497	130	64.4	71.4	83.3	11.6	10.8	16.6	14.5	13.1	11.2	10.3	8.7	7.2	3.2	2.7	2.3	1.5	1.7	2.0	24.0	22.5	22.2	850	(8.8)	1.2
Transportation		Cautious	121,174	2,497					11.6	10.8	16.6	14.5	13.1	11.2	10.3	8.7	7.2	3.2	2.7	2.3	1.5	1.7	2.0	24.0	22.5	22.2			
Utilities																													
CESC	288	ADD	35,938	741	125	31.2	38.0	42.1	12.3	21.8	10.8	9.2	7.6	6.8	5.1	5.9	6.3	1.0	0.9	0.8	1.6	1.9	2.1	11.4	12.2	11.9	345	19.9	2.0
Lanco Infratech	364	ADD	80,951	1,668	222	14.5	18.1	33.8	(2.5)	25.1	86.9	25.2	20.1	10.8	22.9	17.5	8.2	3.7	3.1	2.4				16.1	16.9	25.0	360	(1.1)	21.7
NTPC	196	SELL	1,616,936	33,318	8,245	9.4	10.8	12.2	1.1	14.7	12.6	20.8	18.1	16.1	15.8	13.4	12.8	2.7	2.5	2.3	1.8	2.1	2.3	13.7	14.5	15.0	180	(8.2)	42.2
Reliance Infrastructure	1,223	BUY	277,039	5,709	226	64.1	58.8	62.9	70.5	(8.2)	6.9	19.1	20.8	19.5	20.5	20.9	16.2	1.7	1.5	1.4	0.6	0.7	0.8	6.3	7.0	9.0	1,250	2.2	124.9
Reliance Power	172	REDUCE	412,002	8,490	2,397	1.0	2.5	3.1	168.2	140.3	25.3	168.5	70.1	56.0	136.7	1,120.7	87.6	3.0	2.9	2.7				1.8	4.2	5.0	160	(6.9)	37.6
Tata Power	1,132	ADD	252,001	5,193	223	56.2	76.6	86.5	76.6	36.2	12.9	20.1	14.8	13.1	11.1	11.5	10.8	2.5	2.2	1.9	1.0	1.1	1.2	13.4	15.8	15.7	1,100	(2.8)	14.3
Utilities		Attractive	2,674,866	55,118					326.3	229.9	155.4	262.9	151.5	122.2	212.1	1,189.9	141.9	14.6	13.1	11.6	5.0	5.7	6.4	62.8	70.5	81.7			
KS universe (b)																													
			24,376,367	487,771					26.0	2.0	7.8	12	12.1	11.2	7.9	8.0	7.0	2.2	1.9	1.7	1.7	1.7	2.0	17.9	15.3	14.8			
KS universe (b) ex-Energy			18,082,077	361,822					30.8	5.1	(0.2)	12.1	11.5	11.5	8.6	8.6	8.1	2.3	1.9	1.7	1.7	1.7	1.9	19.2	16.8	14.9			
KS universe (d) ex-Energy & ex-Commodities			16,258,901	325,341					36.0	6.2	6.9	13.6	12.8	12.0	10.6	10.3	9.0	2.6	2.2	1.9	1.7	1.7	1.9	18.7	16.8	15.9			

Note:

(1) For banks we have used adjusted book values.

(2) 2009 means calendar year 2008, similarly for 2010 and 2011 for these particular companies.

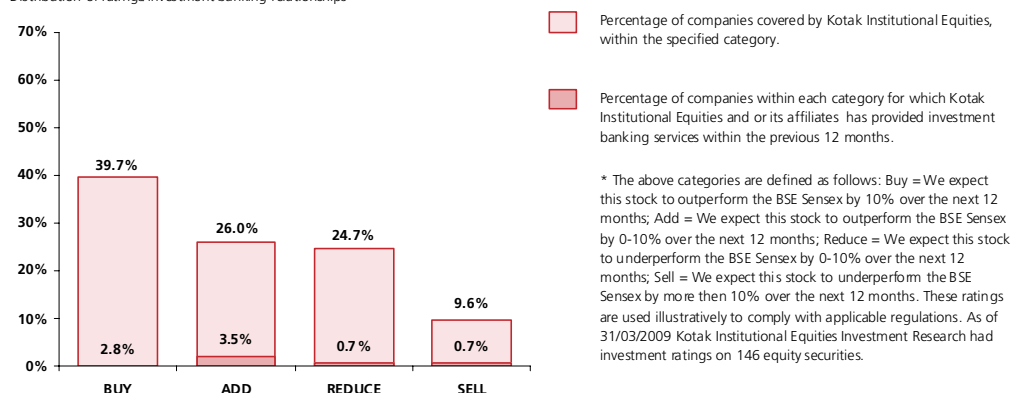
(3) EV/Sales &amp; EV/EBITDA for KS universe excludes Banking Sector.

(4) Rupee-US Dollar exchange rate (Rs/US\$)= 48.53

Source: Company, Bloomberg, Kotak Institutional Equities estimates

### Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of March 31, 2009

## Ratings and other definitions/identifiers

### Rating system

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 (A), Neutral (N), Cautious (C).

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