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- ▶ Margin decline attributed to higher empties and low domestic segment margins
- ▶ Marginally revise earnings estimates and target price to Rs1,250/share; reiterate ADD

EQUITY MARKETS

India	Change %			
	15-Oct	1-day	1-mo	3-mo
Sensex	17,195	(0.2)	3.1	20.7
Nifty	5,109	(0.2)	3.0	20.7
Global/Regional indices				
Dow Jones	10,063	0.5	2.8	15.5
Nasdaq Composite	2,173	0.0	1.9	15.3
FTSE	5,223	(0.6)	1.9	19.7
Nikkie	10,254	0.2	(0.2)	9.7
Hang Seng	22,138	0.6	3.4	20.6
KOSPI	1,658	(0.1)	(1.5)	15.8
Value traded - India				
Cash (NSE+BSE)	262.7		246.0	244.9
Derivatives (NSE)	716.1		683.9	580
Deri. open interest	1,066.1		1,065	804

Forex/money market

	Change, basis points			
	15-Oct	1-day	1-mo	3-mo
Rs/US\$	46.1	0	(218)	(262)
10yr govt bond, %	7.4	-	13	36
Net investment (US\$m)				
	14-Oct		MTD	CYTD
FIs	343		384	12,639
MFs	(3)		(567)	(16)

Top movers -3mo basis

	Change, %			
	15-Oct	1-day	1-mo	3-mo
Best performers				
BHFC IN Equity	294.2	2.1	20.7	101.7
TTMT IN Equity	573.3	(0.3)	(5.2)	93.2
ABAN IN Equity	1589.9	(1.2)	(1.9)	88.3
HDIL IN Equity	378.5	0.0	15.4	73.4
HNDL IN Equity	135.0	(0.3)	3.0	70.5
Worst performers				
BHARTI IN Equity	325.1	(4.4)	(22.6)	(17.2)
ADE IN Equity	669.9	1.6	2.1	(16.6)
RCOM IN Equity	229.0	(1.2)	(25.7)	(15.2)
MTNL IN Equity	81.3	0.0	(13.3)	(13.1)
ICEM IN Equity	123.5	(1.5)	(3.4)	(12.9)

OCTOBER 16, 2009

NEW RELEASE

BSE-30: 17,195

The fundamental interconnectedness of things may not be so fundamental.

The recent steep increase in prices of crude oil and other commodities on concerns of US dollars depreciation raises questions on the role of futures markets in commodity pricing. We believe oil's sober fundamentals are being overshadowed by a belief that US dollar depreciation will necessarily translate into higher crude prices—the transmission system of the futures markets plays a large role in propagating the view, in our view.

The link between currency and commodity markets seems rather exaggerated, in our view

The almost perfect inverse correlation between currency and commodity markets of late raises questions about (1) the link between currency and commodity markets and (2) the role of futures markets in pricing of commodities. We are less sure about the relation between the currency and commodity markets versus the street given (1) large variations in linkages of currencies of producer and consumer countries, (2) varied import baskets of producer/exporter countries, a lot of which would be in USD anyway and (3) cost structures being largely in local currencies of most producing countries or in USD. We raise three hypothetical issues, the answers to which may be interesting but are unlikely to earn anybody their lunch (speculating in the futures market may not either).

- 1) Would the correlation between currency and commodity markets be so strong if there were no futures markets in commodities?
- 2) What would happen if large producers are exporting crude oil and importing other materials largely or solely in USDs? What happens if every country produces and consumes all its requirements of a commodity, say oil?
- 3) What would happen in case of a single global currency (true at some time in the future)?

The role of the futures market versus fundamentals—the debate re-surfaces

The steep increase in crude oil prices in the futures market of late coincides with a large increase in net speculative length. We note that the reported speculative position does not give the complete picture of investment in oil futures since investments in oil index funds get classified as non-speculative positions. We believe excessive speculation in the futures market have played a big role in determining short-term crude price although various observers have tried to justify the same by 'fundamental' arguments at different times—(1) low OPEC crude capacity (the proponents of high crude prices no longer talk about this issue), (2) increase in long-dated crude prices (a case of the tail wagging the dog, in our view) and (3) low inventories in the US (not very useful since no data is available on inventory levels in the major producing countries; the entire world trades primarily on the basis of weekly US inventory data).

Fundamentals suggest more sober crude oil prices

(1) High spare OPEC capacity over the next 2-3 years versus the tight conditions seen in CY2006-07, (2) current large global inventories and (3) moderate decline in marginal cost of production over the past six months to around US\$50/bbl do not warrant very high crude oil prices, in our view. We believe fundamentals support crude prices in the range of US\$60-75/bbl. Cover page bullet.

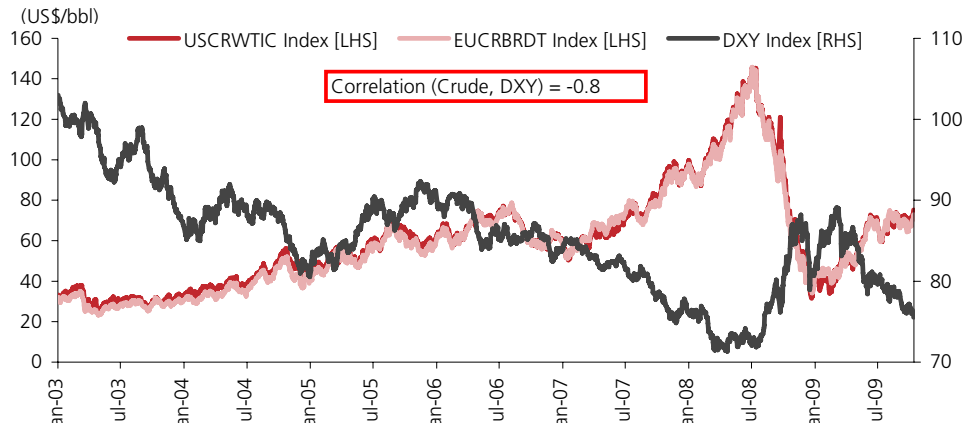
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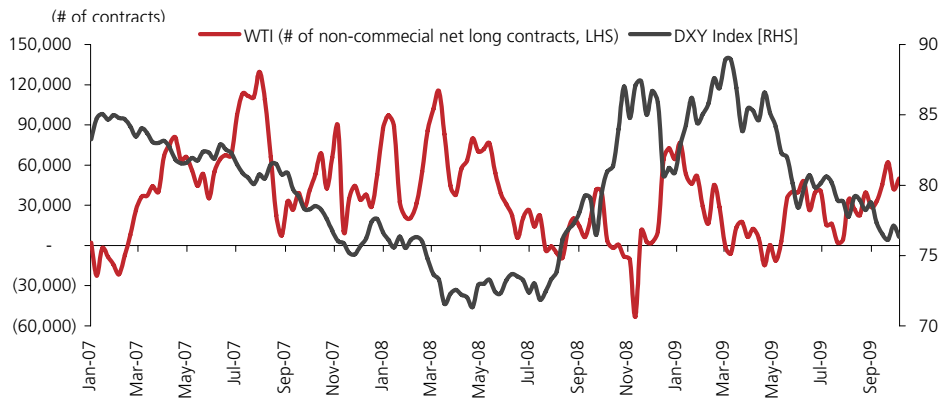
Relationship between crude prices and Dollar index seems to be strong since 2003



Source: Bloomberg, Kotak Institutional Equities

Speculative positions move in tandem with Dollar Index

WTI non-commercial futures contracts (# of contracts) and Dollar Index



Source: Bloomberg, Kotak Institutional Equities

We see large spare OPEC capacity over the next two years

Estimated global crude demand, supply and prices, Calendar year-ends, 2005-14E

	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E
Demand (mb/d)										
Total demand	84.1	85.2	86.5	86.3	84.6	86.1	87.3	88.4	89.6	90.7
Yoy growth	1.6	1.1	1.3	(0.2)	(1.7)	1.4	1.2	1.2	1.1	1.1
Supply (mb/d)										
Non-OPEC	49.8	50.4	50.8	50.6	51.0	51.6	52.1	51.7	51.4	51.2
Yoy growth	1.0	0.6	0.4	(0.2)	0.4	0.6	0.5	(0.4)	(0.3)	(0.2)
OPEC										
Crude	30.4	30.5	30.5	31.2	28.4	28.4	28.6	29.9	31.1	32.2
NGLs	4.3	4.4	4.5	4.7	5.2	6.1	6.6	6.9	7.1	7.3
Total OPEC	34.7	34.9	35.0	35.9	33.6	34.5	35.2	36.8	38.2	39.5
Total supply	84.7	85.6	85.7	86.5	84.6	86.1	87.3	88.4	89.6	90.7
Total stock change	0.7	0.3	(0.8)	0.2						
OPEC crude capacity			34.4	34.2	34.7	35.5	35.0	34.8	35.5	35.8
Implied OPEC spare capacity			3.9	2.9	6.3	7.0	6.4	5.0	4.4	3.7
Demand growth (yoy, %)										
	1.9	1.3	1.5	(0.2)	(1.9)	1.7	1.4	1.3	1.3	1.2
Supply growth (yoy, %)										
Non-OPEC	2.0	1.2	0.8	(0.3)	0.8	1.1	1.0	(0.8)	(0.6)	(0.4)
OPEC	3.0	0.6	0.3	2.6	(6.4)	2.6	2.0	4.5	3.9	3.3
Total	1.6	1.1	0.1	1.0	(2.2)	1.7	1.4	1.3	1.3	1.2
Dated Brent (US\$/bbl)										
	54.4	65.8	72.7	102.0	65.0	65.0	70.0	75.0	75.0	75.0

Source: IEA, Kotak Institutional Equities estimates

OCTOBER 15, 2009

RESULT

Coverage view: **Cautious**

Price (Rs): **1,556**

Target price (Rs): **1,575**

BSE-30: **17,195**

Record quarter, but in line. PAT came in at Rs4 bn (our estimate: Rs4.1 bn). Lower-than-expected realizations saw revenues fall slightly short of estimates. We raise our EPS estimates for FY2010E and FY2011E on average by 12% to reflect stronger export and 3-wheeler volumes. Our target price rises to Rs1,575 from Rs1,260 as we assign a similar multiple to Hero Honda on higher FY2011 estimates. Our ADD rating reflects volume upside from the new 100cc bike.

Company data and valuation summary

Bajaj Auto

Stock data

52-week range (Rs) (high,low) 1,665-262

Market Cap. (Rs bn) 225.1

Shareholding pattern (%)

Promoters 49.6

FIs 16.5

MFs 2.6

Price performance (%)

Absolute 1M 3M 12M

Rel. to BSE-30 8.9 18.3 (37.1)

Forecasts/Valuations

	2009	2010E	2011E
EPS (Rs)	45.2	97.4	112.3
EPS growth (%)	(13.4)	115.2	15.3
P/E (X)	34.4	16.0	13.9
Sales (Rs bn)	84.4	105.0	115.5
Net profits (Rs bn)	6.5	14.1	16.2
EBITDA (Rs bn)	12.1	22.6	23.9
EV/EBITDA (X)	19.8	10.1	9.1
ROE (%)	37.7	58.5	45.4
Div. Yield (%)	1.3	1.3	1.3

Bajaj Auto reported in-line PAT results, EBITDA fell short on slightly lower realizations

Bajaj Auto reported PAT of Rs4 bn, slightly lower than our estimate of Rs4.1 bn. The miss was bigger at the EBITDA level at Rs400 mn. The entire EBITDA miss was driven by 1.5% lower than expected realizations. A bigger proportion of 100cc bikes, especially in September, led by strong demand for Discover 100cc bike, seem to have led the slight underperformance. Export realizations were flat on a sequential basis while domestic realizations were down 2%.

Sequential margin upside driven by higher utilization levels while material costs were flat

Bajaj Auto reported EBITDA margins of 22.8% in the quarter, a 260 bps improvement sequentially and 880 bps improvement on a yoy basis. Volumes were up 25% sequentially. The sequential improvement was driven by higher utilization levels, as depicted by the 270bps decline in labor and other expenses as a percentage of sales. Material costs as a percentage of sales were flat since 1QFY10 at 68.5%.

Raising FY2010E and FY2011E EPS by average 12% on higher exports, 3-wheeler volumes

We raise our FY2010E EPS estimate to Rs97 from Rs85 on higher volume assumptions for 3-wheelers and exports. We are now modeling a 10% increase in exports compared to 5% prior and a 33% increase in domestic 3-wheeler sales compared to 20% prior. Fiscal year-to-date, export volumes are flat but based on recent trends the company is confident of exceeding its 800,000 unit target. We are modeling only 6% higher volumes, which could be conservative. Domestic 3-wheeler volumes are up 25% fiscal year-to-date and comparisons get easier in 2HFY10E. We are maintaining our domestic motorcycle volume growth at 22%. Based on year-to-date volume growth, residual volume growth required would be 64% yoy. We don't view this as daunting given the low base and new product Cadence.

We also raise our FY2011E EPS estimate to Rs112 from Rs101. On the margin front, we have modeled margins of 21.6% for FY2010E declining to 20.8% in FY2011E. The company expects higher input costs in the future to be offset by the higher utilization levels. We are, however, assuming a 150bps decline in margins for 2HFY10E from 2QFY10 levels.

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Raising target to Rs1,575 on higher multiple and earnings

We raise our target to Rs1,575 from Rs1,260 to reflect higher earnings (Rs140) and higher multiple (Rs175). We are assigning similar multiples to Bajaj Auto as Hero Honda of 14X P/E and 8.5X EV/EBITDA. We are retaining our ADD rating. We could see upside to earnings estimates coming from higher domestic motorcycle sales, which we have left unchanged. The company has sold close to 745,000 units in 1HFY10 and our full-year volume estimate calls for a similar sales rate, despite the new launches. Our estimates could prove conservative if the current popularity of Discover 100cc continues at a similar pace.

The company indicated having sold 160,000 units of the bike in the quarter. The bike was launched in the middle of the quarter and sales could exceed that on a quarterly basis. We have modeled 690,000 units of 100cc bikes for the year. Sales of the Platina could get cannibalized, though we could see upside to our volume numbers.

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

	2QFY10	2QFY10E	2QFY09	1QFY10	(% chg.)			2010E	2009	(% chg)
					2QFY10E	2QFY09	1QFY10			
Net sales	27,932	28,330	24,507	22,590	(1.4)	14.0	23.6	104,968	84,369	24.4
Total expenditure	22,510	22,498	22,046	18,831	0.1	2.1	19.5	86,657	76,182	13.8
Inc/(Dec) in stock	365	150	998	(477)	143.5	(63.4)	(176.6)	299	(245)	(222.1)
Raw materials	(19,489)	(19,273)	(20,013)	(14,993)	1.1	(2.6)	30.0	(73,446)	(64,390)	14.1
Staff cost	(1,074)	(1,000)	(755)	(1,129)	7.4	42.3	(4.9)	(4,196)	(3,544)	18.4
Other expenditure	(2,346)	(2,400)	(2,321)	(2,244)	(2.3)	1.1	4.5	(9,414)	(8,148)	15.5
Expenses capitalized	34	25	45	13	35.2	(24.7)	162.0	100	144	
Other operating income	943	1,050	977	795	(10.2)	(3.5)	18.6	4,273	3,910	
EBITDA	6,365	6,882	3,439	4,554	(7.5)	85.1	39.8	22,583	12,097	86.7
OPM (%)	22.8	24.3	14.0	20.2				21.5	14.3	
Other income	217	200	221	231	8.7	(1.7)	(6.1)	881	1,043	(15.6)
Interest	-	(65)	(59)	(60)	(100.0)	(100.0)	(100.0)	(60)	(210)	(71.4)
Depreciation	(336)	(350)	(331)	(331)	(4.1)	1.5	1.5	(1,374)	(1,298)	5.8
Pretax profits	6,247	6,667	3,270	4,395	(6.3)	91.0	42.1	22,030	11,632	89.4
Extraordinaries	458	687	611	240	(33.3)		90.8	1615	2051	
Tax	1,760	1,854	810	1,220	(5.0)	117.3	44.3	6,329	3,016	109.8
Net income	4,028	4,126	1,849	2,935	(2.4)	117.9	37.3	14,087	6,565	114.6
Income tax rate (%)	30.4	31.0	30.5	29.4				31.0	31.5	
Ratios										
RM to sales (%)	68.5	67.5	77.6	68.5				69.7	76.6	
EBITDA margin (%)	22.8	24.3	14.0	20.2				21.5	14.3	
Net profit margin (%)	14.4	14.6	7.5	13.0				13.4	7.8	
ETR (%)	30.4	31.0	30.5	29.4				31.0	31.5	
EPS (Rs)	27.8	28.5	12.8	20.3				97.4	45.4	
Other details										
Sales volumes (# vehicles)	686,727	686,823	640,040	547,662	(0.0)	7.3	25.4	2,592,925	2,194,154	18.2
Net sales realisation (Rs/vehicle)	40,674	41,248	38,290	41,248	(1.4)	6.2	(1.4)	40,482	38,452	5.3

Source: Company, Kotak Institutional Equities

Bajaj Auto, Volume assumptions, March fiscal year ends, 2006-2012E

	2006	2007	2008	2009	2010E	2011E	2012E
Volumes (# vehicles)							
Motorcycles	1,913,094	2,376,519	2,139,633	1,907,810	2,257,564	2,483,320	2,731,652
Domestic	1,747,806	2,078,860	1,658,084	1,276,427	1,555,463	1,711,009	1,882,110
Exports	165,288	297,659	481,549	631,383	702,101	772,311	849,542
Scooters	115,472	20,480	21,294	11,772	7,444	7,444	7,444
Geared	62,860	5,254	—	—	—	—	—
Ungeared	52,612	15,226	20,817	9,692	6,300	6,300	6,300
Exports	—	—	477	2,080	1,144	1,144	1,144
Total 2-wheelers	2,028,566	2,396,999	2,160,927	1,919,582	2,265,007	2,490,764	2,739,096
Domestic 3-Wheelers							
Passenger 3-wheelers	141,351	138,759	127,379	125,273	166,613	183,274	201,602
Goods 3-wheelers	35,394	42,374	26,607	10,197	15,296	15,296	15,296
Exports	75,261	140,663	136,315	139,056	146,009	160,610	176,671
Total 3-wheelers	252,006	321,796	290,301	274,526	327,917	359,180	393,568
Total vehicles	2,280,572	2,718,795	2,451,228	2,194,108	2,592,925	2,849,943	3,132,664
Growth rates (yoy %)							
Motorcycles	30.2	24.2	(10.0)	(10.8)	18.3	10.0	10.0
Domestic	30.0	18.9	(20.2)	(23.0)	21.9	10.0	10.0
Exports	33.4	80.1	61.8	31.1	11.2	10.0	10.0
Scooters	(13.5)	(82.3)	4.0	(44.7)	(36.8)	—	—
Geared	(38.7)	(91.6)	(100.0)	—	—	—	—
Ungeared	70.1	(71.1)	36.7	(53.4)	(35.0)	—	—
Exports	—	—	—	336.1	(45.0)	—	—
Total 2-wheelers	26.6	18.2	(9.8)	(11.2)	18.0	10.0	10.0
Domestic 3-Wheelers							
Passenger 3-wheelers	14.2	(1.8)	(8.2)	(1.7)	33.0	10.0	10.0
Goods 3-wheelers	9.1	19.7	(37.2)	(61.7)	50.0	—	—
Exports	14.5	86.9	(3.1)	2.0	5.0	10.0	10.0
Total 3-wheelers	13.5	27.7	(9.8)	(5.4)	19.4	9.5	9.6
TOTAL Vehicles	25.0	19.2	(9.8)	(10.5)	18.2	9.9	9.9

Source: Company, Kotak Institutional Equities estimates

Bajaj Auto, Profit model and Balance Sheet, March fiscal year-ends, 2008-2012E (Rs mn)

	2008	2009E	2010E	2011E	2012E
Profit model (Rs mn)					
Net sales	86,633	84,369	104,968	115,549	127,908
Operating profit	12,900	12,097	22,583	23,901	24,876
Other income	12,900	12,097	22,583	23,901	24,876
Interest	(52)	(210)	(60)	—	—
Depreciaiton	(1,740)	(1,298)	(1,374)	(1,454)	(1,534)
Profit before tax	12,371	11,632	22,030	23,513	24,476
Extra-ordinary itemss	(1,025)	(2,071)	(1,615)	—	—
Taxes	(3,788)	(3,016)	(6,329)	(7,271)	(7,569)
Net profit	7,558	6,545	14,087	16,243	16,907
Earnings per share (Rs)	54.2	45.2	97.4	112.3	116.8
Balance sheet (Rs mn)					
Equity	15,876	18,697	29,398	42,195	55,657
Deferred tax liability	110	42	—	—	—
Total borrowings	13,343	15,700	14,379	13,189	12,119
Current liabilities	18,773	24,376	25,870	27,209	28,907
Total liabilities	48,102	58,814	69,646	82,594	96,683
Net fixed assets	12,928	15,481	16,107	16,654	17,120
Investments	18,571	18,085	18,860	19,633	20,404
Cash	561	1,369	11,304	21,656	33,021
Other current assets	15,936	21,884	22,999	23,980	25,160
Miscellaneous expenditure	105	1,996	163	163	163
Deferred tax assets	—	—	214	509	816
Total assets	48,102	58,814	69,646	82,594	96,683
Ratios					
Operating margin (%)	14.9	14.3	21.5	20.7	19.4
PAT margin (%)	8.7	7.8	13.4	14.0	13.2
Debt/equity (X)	0.8	0.8	0.5	0.3	0.2
Net debt/equity (X)	0.0	0.2	(0.3)	(0.5)	(0.6)
Book Value (Rs/share)	114.6	129.5	203.2	291.6	384.6
RoAE (%)	21.0	37.7	58.5	45.4	34.6
RoACE (%)	72.5	44.1	65.5	51.1	38.8

Source: Company, Kotak Institutional Equities estimates

OCTOBER 16, 2009

RESULT

Coverage view:

Price (Rs): 742

Target price (Rs): 690

BSE-30: 17,195

3QCY09—benefiting from diversification. JSAW reported very strong 3QCY09 results with PAT of Rs1.5 bn versus our estimated Rs1.2 bn, driven by strong margins in seamless pipes. We expect higher contribution from seamless and ductile iron pipe segments to improve overall profitability and reduce the dependence of earnings on the highly competitive SAW pipe segment. We increase our estimates to factor in higher profitability in the seamless and DI pipe segment and raise our target price to Rs690.

Company data and valuation summary

Jindal Saw

Stock data

52-week range (Rs) (high,low)	779-135
Market Cap. (Rs bn)	42.7

Shareholding pattern (%)

Promoters	43.8
FIs	20.4
MFs	11.5

Price performance (%)

	1M	3M	12M
Absolute	7.6	100.1	94.0
Rel. to BSE-30	4.3	65.9	19.4

Forecasts/Valuations

	2009	2010E	2011E
EPS (Rs)	85.9	71.7	79.1
EPS growth (%)	38.7	(16.6)	10.3
P/E (X)	8.6	10.3	9.4
Sales (Rs bn)	63.9	57.7	63.4
Net profits (Rs bn)	4.7	4.0	4.4
EBITDA (Rs bn)	9.2	8.5	9.4
EV/EBITDA (X)	5.9	6.3	5.4
ROE (%)	13.4	9.9	10.3
Div. Yield (%)	0.7	0.5	0.5

3QCY09—strong quarter driven by seamless and ductile iron segments

JSAW reported solid 3QCY09 results with PAT of Rs1.5 bn (up 46% yoy) ahead of our estimated Rs1.2 bn. Revenues at Rs13.7 bn (down 8% yoy) were in line with our estimated Rs14 bn. The increase in PAT was driven by strong EBITDA margin of 18.4% (up 250 bps qoq) driven by higher seamless realization. Seamless pipe realization increased 53% qoq to US\$2,456/ton from US\$1,585/ton in 2QCY09.

Diversified product portfolio to improve profitability

We expect JSAW to benefit from a diversified product portfolio which will improve its profitability and reduce the dependence of earnings on the highly competitive SAW pipe segment. The seamless and DI pipe segments are expected to contribute a majority of the operating profit with the addition of new capacities and ability to take on higher grade orders. JSAW's new PQF mill in India and the upcoming drill pipe unit in the US will enable it to manufacture sour-grade seamless pipes which will improve its realizations and margins. It also announced plans to use its iron ore from mines in Rajasthan, which will improve margins in the ductile iron pipe segment.

Raise target price to Rs690, maintain ADD

We increase our target price to Rs690 (from Rs470) and maintain our ADD rating. The increase in target price is driven by (1) increase in our margin estimates for seamless and ductile iron segments (2) reduction in discount rate to 12.5% and (3) cancellation of 2.73 mn warrants issued to promoters. We increase our EPS estimates for CY2009E and CY2010E to Rs83.8 and Rs71.7 from Rs69 and Rs57.3 earlier mainly on account of higher seamless pipe margins and cancellation of promoter warrants.

QUICK NUMBERS

- Yoy PAT grows 46% to Rs1.5 bn
- Seamless margins at US\$695/ton
- Order book at US\$705 mn

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3QCY09—seamless pipes drive strong margin growth

JSAW reported strong 3QCY09 results with PAT of Rs1.5 bn (up 46% yoy) driven by strong EBITDA margin of 18.4% (up 500 bps yoy). Revenues at Rs13.7 bn (down 8% yoy) were in line with our estimates. Key highlights of the results were:

- ▶ **Seamless pipes drive the quarter.** Realization for the seamless pipes increased 53% qoq to US\$2,456/ton, resulting in very high margins for the segment. EBITDA margins increased to US\$695/ton from US\$400/ton in 2QCY09. The higher realization was on account of a change in the product mix driven by export orders from West Asia.
- ▶ **SAW pipe volumes lower due to delay in dispatch of GAIL orders.** SAW pipe volumes at 75,000 tons were significantly below our estimated 115,000 tons mainly due to a delay in dispatch of GAIL orders which will be delivered in 4QCY09. SAW pipe margins at US\$247/ton were higher than our estimated US\$206/ton due to non-billing of the low-margin GAIL orders. We expect this order to be executed over the next two quarters, which may pull down the SAW pipe margins.
- ▶ **Strong margin in DI pipe segment.** JSAW reported strong margins of 23% in the DI pipe segment (up 300 bps qoq) mainly driven by lower input costs and benefits of the power plant. DI pipe volumes remained strong at 67,600 tons (up 6.1% qoq).

3QCY09 results driven by strong margins in seamless and DI segment
JSAW, interim results (standalone), December year-ends (Rs mn)

	3QCY09	3QCY09E	3QCY08	2QCY09	(% change)			9 months		
					KIE est.	yoy	qoq	9MCY09	9MCY08	(% chng.)
Net sales	13,705	14,102	14,855	15,002	(2.8)	(7.7)	(8.6)	43,344	34,624	25.2
Total expenditure	(11,178)	(11,993)	(12,869)	(12,621)	(6.8)	(13.1)	(11.4)	(36,590)	(29,487)	24.1
Inc/(Dec) in stock	(1,913)	—	1,105	(34)	—	(273.2)	5,525.0	(2,275)	2,664	(185.4)
Raw materials	(6,632)	—	(11,376)	(10,026)	—	(41.7)	(33.9)	(26,673)	(25,515)	4.5
Staff cost	(377)	—	(361)	(383)	—	4.6	(1.5)	(1,148)	(954)	20.3
Outsourcing expense	—	—	(28)	(194)	—	(100.0)	(100.0)	(649)	(345)	88.3
Other expenditure	(2,256)	—	(2,208)	(1,985)	—	2.2	13.7	(5,845)	(5,337)	9.5
EBITDA	2,527	2,109	1,987	2,381	19.8	27.2	6.2	6,754	5,138	31.5
OPM (%)	18.4	15.0	13.4	15.9				15.6	14.8	
Other income	35	15	32	14	133.3	11.1	150.0	70	81	(13.6)
Interest	(366)	(375)	(547)	(381)	(2.5)	(33.2)	(4.0)	(1,118)	(1,295)	(13.7)
Depreciation	(265)	(220)	(178)	(211)	20.3	49.0	25.4	(681)	(484)	40.5
Reported pre-tax profits	1,932	1,529	1,293	1,803	26.3	49.4	7.2	5,026	3,367	49.3
Tax	(467)	(382)	(292)	(443)	22.1	59.7	5.4	(1,223)	(810)	51.0
Reported net income	1,465	1,147	1,001	1,360	27.7	46.4	7.8	3,803	2,557	48.8
Tax rate (%)	24.2	25.0	22.6	24.6				24.3	24.1	
Volumes (tons)										
Large dia pipes	75,000	115,000	110,836	96,400	(34.8)	(32.3)	(22.2)	270,900	352,345	(23.1)
Ductile iron pipes	67,600	65,000	54,940	63,700	4.0	23.0	6.1	199,500	175,546	13.6
Seamless tubes	25,400	24,000	17,472	28,500	5.8	45.4	(10.9)	72,700	48,349	50.4

Source: Company, Kotak Institutional Equities

New projects to improve profitability and earnings

JSAW announced new projects which are likely to improve profitability over the next few quarters:

- ▶ New drill pipe unit being set-up in Houston, Texas which will enable it to cater to deep-water sour-grade seamless pipes that generate higher realization and margins.

- ▶ The new PQF mill at its Nasik plant was commercialized in September, which will reduce wastage and also increase its capability to manufacture higher-end seamless pipes.
- ▶ The company also announced its backward integration plans with proposed iron ore mining in Rajasthan. It plans to use the iron ore for its blast furnace in the DI pipe plant which will significantly reduce its material cost. The management indicated that the iron ore from the mines should be available from FY2011E. JSAW's new 200,000 ton DI pipe plant is also expected to be completed by the same time.
- ▶ The expansion of the HSAW plant at Bellary, Karnataka to 150,000 tons from 40,000 tons currently is expected to be completed by March, 2010, which will increase its ability to focus on the large gas and water pipe demand in South India.

Order book maintained at US\$705 mn

JSAW's current order book of US\$705 mn is to be executed over the next two quarters, thus limiting its revenue visibility. However, management guidance indicated order announcement in the near term based on final-stage negotiations with some large international clients. With the improved demand scenario internationally, we believe order visibility is likely to improve over next few months.

Increase estimates for higher margins in seamless and DI segments

We increase our EPS estimates for CY2009E and CY2010E to Rs83.8 and Rs71.7 from Rs69 and Rs57.3, respectively, to factor in higher realization and margins for the seamless and DI pipe segment and cancellation of the 2.73 mn promoter warrants. We reduce our SAW pipe volume estimates for the current year based on lower volumes in the current quarter.

Changes to estimates

JSAW, changes to estimates, December year-ends, 2009-2010E (Rs mn)

	New estimates		Old estimates		Change (%)	
	2009E	2010E	2009E	2010E	2009E	2010E
Financials						
Revenue	63,898	57,707	60,073	53,936	6.4	7.0
EBITDA	9,069	8,392	8,313	7,536	9.1	11.4
EBITDA margin (%)	14.2	14.5	13.8	14.0	—	—
Adjusted net profit	4,676	3,989	4,051	3,353	15.4	19.0
Diluted EPS	83.8	71.7	69.0	57.3	21.5	25.2
Volumes ('000 tons)						
LSAW	324	314	340	312	(4.7)	0.6
HSAW	120	160	168	143	(28.4)	12.3
Seamless	96	138	96	138	—	—
Ductile Iron	265	260	260	260	2.0	—
Realisation (\$/ton)						
LSAW	1,834	1,375	1,634	1,389	12.2	(1.0)
HSAW	1,060	1,060	1,060	1,060	—	—
Seamless	1,929	1,659	1,300	1,235	48.4	34.3
Ductile Iron	1,031	1,000	926	898	11.4	11.4
EBITDA						
HSAW (US\$/ton)	135	125	135	120	—	4.2
LSAW (US\$/ton)	205	180	200	180	2.5	—
Seamless (%)	22.0	20.0	20.0	19.0	10.0	5.3
DI (%)	21.5	20.0	21.0	20.0	2.4	—

Source: Kotak Institutional Equities estimates

Raise target price to Rs690, maintain ADD

We increase our DCF-based target price to Rs690 (from Rs470) to factor in (1) higher earnings estimates, (2) cancellation of promoter warrants and (3) lower discount rate of 12.5% from 13% earlier. At our target price, the stock will be valued at 9.6X and 5.9X CY2010E EPS and EBITDA, respectively. We maintain our ADD rating given relative flat downside to our Sensex target and support to valuations from the investments held in group companies.

Our DCF-based value for JSAW is Rs690

Jindal Saw, DCF-based valuation, March fiscal year-ends (Rs mn)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	Terminal Value
EBITDA	9,069	8,392	9,236	10,470	10,877	11,533	11,912	11,896	12,093	12,150	
Tax expense	(1,940)	(1,787)	(2,103)	(2,917)	(3,076)	(3,294)	(3,451)	(3,532)	(3,591)	(3,533)	
Changes in working capital	(2,069)	(146)	(864)	(1,827)	(1,364)	(1,272)	(438)	(41)	(506)	(148)	
Cash flow from operations	5,060	6,460	6,269	5,726	6,437	6,966	8,024	8,324	7,996	8,468	
Capital expenditure	(4,636)	(4,152)	(1,685)	(1,666)	(1,164)	(1,199)	(1,440)	(1,491)	(1,543)	(1,597)	
Free cash flow to the firm	424	2,308	4,584	4,060	5,273	5,768	6,583	6,833	6,453	6,871	63,400
Discounted cash flow-now	414	2,002	3,534	2,783	3,212	3,123	3,169	2,923	2,454	2,323	
Discounted cash flow-1 year forward		2,252	3,976	3,130	3,614	3,514	3,565	3,289	2,761	2,613	
Discounted cash flow-2 year forward			4,473	3,522	4,066	3,953	4,010	3,700	3,106	2,940	
Discount rate	12.5%										
Growth from 2018 to perpetuity	1.5%										

Discount factor at WACC	0.98	0.87	0.77	0.69	0.61	0.54	0.48	0.43	0.38	0.34
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	+ 1-year	+ 2-years		
Total PV of free cash flow (a)	28,713	57%	29,769	55%
PV of terminal value (b)	21,432	43%	24,111	45%
EV (a) + (b)	50,145		53,880	
Net debt	12,465		11,487	
Equity value	37,680		42,393	
No. of shares	54.9		54.9	
Implied share price (Rs)	687		773	
Exit EV/EBITDA multiple (X)	5.2			
Exit FCF multiple (X)	9.2			

		Sensitivity of share price to WACC and growth rate (Rs)				
		WACC				
Growth Rate		11.5%	12.0%	12.5%	13.0%	13.5%
	0.0%	716	674	635	599	567
	0.5%	736	692	651	614	579
	1.0%	758	711	668	629	593
	1.5%	783	732	687	646	608
	2.0%	810	756	708	664	624
	2.5%	840	782	730	684	641
3.0%	873	811	755	705	660	

Source: Kotak Institutional Equities estimates

Summary financials

Jindal Saw, Consolidated profit model, balance sheet, cash model, September fiscal year-ends, 2006, December year-ends, 2007-2010E (Rs mn)

	2006	2007(1)	2008	2009E	2010E
Profit model					
Net revenues	38,731	66,957	53,558	63,898	57,707
EBITDA	4,066	8,371	7,066	9,069	8,392
Other income	144	112	130	120	125
Interest (expense)/income	(1,290)	(1,684)	(1,979)	(1,681)	(1,408)
Depreciation	(537)	(773)	(840)	(1,270)	(1,644)
Pretax profits	2,383	6,026	4,377	6,238	5,465
Tax	(704)	(2,777)	(1,087)	(1,531)	(1,421)
Deferred taxation	(164)	(63)	(26)	(31)	(55)
Minority interest	2	56	28	—	—
Adjusted consolidated net income	1,563	5,745	3,291	4,676	3,989
Diluted earnings per share (Rs)	29.5	105.2	59.3	83.8	71.7
Balance sheet					
Total equity	8,631	22,750	27,288	33,746	37,373
Deferred taxation liability	763	826	841	872	926
Total borrowings	17,217	13,455	19,241	14,170	13,077
Minority Interest	151	95	96	96	96
Current liabilities	12,303	10,429	14,573	16,670	14,316
Total liabilities and equity	39,066	47,555	62,039	65,554	65,788
Cash	3,922	6,586	5,664	1,770	1,655
Other current assets	24,055	25,496	32,850	36,934	34,818
Total fixed assets	10,254	13,380	22,733	26,059	28,524
Miscl. Exps. not w/o	—	—	—	—	—
Investments	836	2,093	791	791	791
Total assets	39,066	47,555	62,039	65,554	65,788
Free cash flow					
Operating cash flow, excl working capital	2,375	14,450	5,145	5,857	5,563
Working capital changes	(2,231)	(4,635)	(3,124)	(2,069)	(146)
Capital expenditure	(2,815)	(3,909)	(6,637)	(4,636)	(4,152)
Investments	345	(718)	783	—	—
Other income	351	311	247	120	125
Free cash flow	(1,976)	5,499	(3,585)	(728)	1,391
Ratios (%)					
EBITDA margin (%)	10.5	12.5	13.2	14.2	14.5
Debt/equity	172.6	106.8	39.8	49.4	27.7
Net debt/equity	152.3	103.9	21.3	42.9	32.6
RoAE	18.1	15.3	18.6	11.3	13.4
RoACE	10.5	10.2	17.9	11.3	12.3

Note:-

(1) 15 months period ended December 2007.

Source: Company, Kotak Institutional Equities estimates

OCTOBER 16, 2009

UPDATE

Coverage view: **Cautious**

Price (Rs): **1,145**

Target price (Rs): **1,250**

BSE-30: **17,195**

Exim volumes decline; but realizations and domestic volumes on the rise.

Continued de-growth in exim volumes led to revenue disappointment. Management attributed the drop in margins to higher empties and lower domestic segment margins (haulage rate hike by Indian Railways was only partially passed on to customers so as to maintain market share). We note strong growth in domestic volumes and continued improvement in realizations. Reiterate ADD with a revised target price of Rs1,250/share.

Company data and valuation summary

Container Corporation

Stock data

52-week range (Rs) (high,low)	1,279-540
Market Cap. (Rs bn)	148.8

Shareholding pattern (%)

Promoters	63.1
FIs	25.7
MFs	3.5

Price performance (%)

	1M	3M	12M
Absolute	3.4	21.2	60.5
Rel. to BSE-30	0.3	0.4	(1.3)

Forecasts/Valuations

	2009	2010E	2011E
EPS (Rs)	60.9	65.7	82.4
EPS growth (%)	5.5	7.8	25.5
P/E (X)	18.8	17.4	13.9
Sales (Rs bn)	34.2	38.0	44.7
Net profits (Rs bn)	7.9	8.5	10.7
EBITDA (Rs bn)	9.7	10.7	13.5
EV/EBITDA (X)	13.5	12.2	9.4
ROE (%)	22.8	21.0	22.4
Div. Yield (%)	1.2	1.3	1.7

Revenue disappointment led by exim volume decline; management maintains full-year guidance

The miss versus our estimates at the revenue level was primarily led by lower-than-expected exim volumes which declined by 6.9% yoy in 2QFY10 versus our expectation of 5% yoy growth. We believe exim volumes would start to pick up from 2H. Domestic volumes, on the other hand, recorded a very strong growth of about 19% yoy. The management is confident of meeting its full-year volume growth guidance for FY2010E of 5% growth in exim segment and 20% growth in the domestic segment. Exim segment growth would be led by a visible pick up in trade volumes and low base effect of 2HFY09 which saw an exim volume decline of about 17% yoy. We have currently built in a 5% growth in exim volumes and 15% growth in domestic volumes for FY2010E.

Margin decline attributed to higher empties and low domestic segment margins

The management cited higher empties related costs led by a surge in import volumes and low domestic segment margins as the reasons for the 336 bps decline in margins. However, with the decline in import levels since August, the empties related cost is likely to go down. The company only selectively passed on the haulage rate hikes on to its customers which led to the decline in margins for the domestic segment. The management highlighted steep competition in the domestic segment from private players and hence did not pass on the entire hike in order to maintain its market share in the segment.

Marginally revise earnings estimates and target price to Rs1,250/share; reiterate ADD

We have marginally revised our earnings estimates to Rs65.7 and Rs82.4 from Rs68 and Rs80.3 for FY2010E and FY2011E, respectively, based on slightly higher domestic volumes and higher realization per TEU assumptions for FY2010E and FY2011E. We revise our SOTP-based target price to Rs1,250/share from Rs1,125/share based on a 15X multiple (earlier 13.5X) of FY2011E basis earnings. We retain our ADD rating on the stock based on (1) presence in sector having underlying real growth potential of about 12-15%, (2) trends of volume recovery seen in past few months, (3) 15% of market capitalization is cash in balance sheet, (4) strong cash flow generation characteristics and (5) strong RoE of 22% or so and P/B valuation of 2.3X on FY2011E book basis.

QUICK NUMBERS

- Exim volumes decline by 6.9% yoy
- Domestic volumes record very sharp growth of 19% yoy
- Overall realization per TEU improves by 9% yoy

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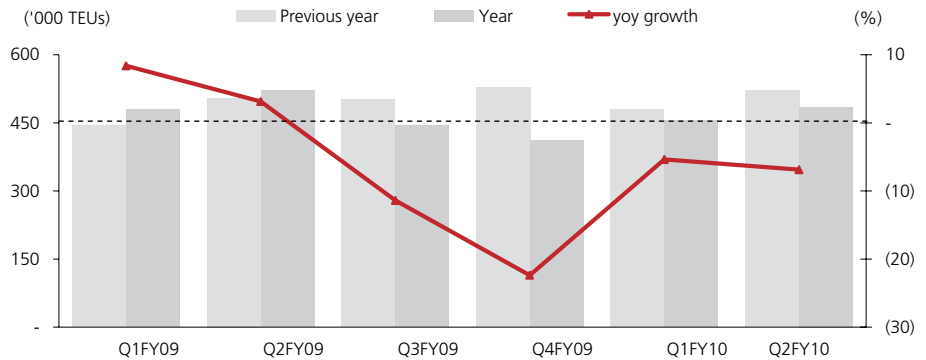
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Disappointing revenues led by continuing de-growth in exim volumes

Concor reported 2QFY10 revenues of Rs9.6 bn comprised of Rs7.7 bn of exim segment business (11.2% below estimates) and Rs1.9 bn of domestic segment business, (marginally above our estimates). The exim volumes declined by 6.9% yoy in 2QFY10 to 484,644 TEUs versus 520,613 TEUs in 2QFY09 versus our estimate of a volume growth of 5% for the quarter.

Estimated recovery in exim volumes not yet kicked in
Quarterly volume numbers handled by Concor, March fiscal year-ends, 2008-10 ('000 TEUs)

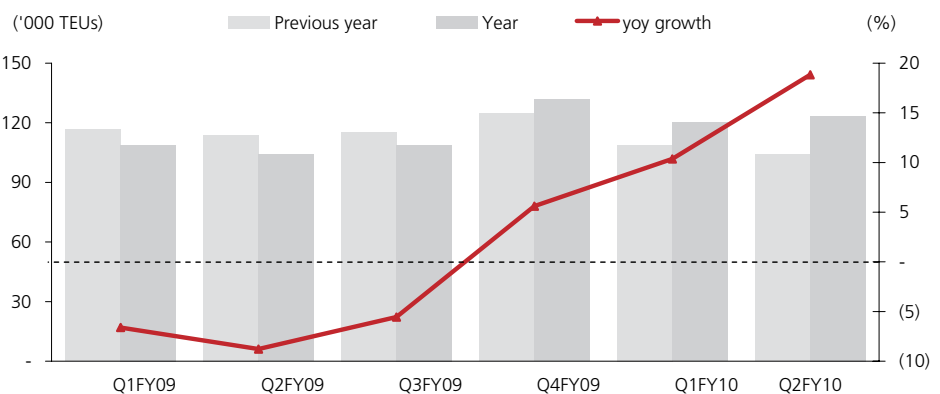


Source: Company, Kotak Institutional Equities

Domestic volumes record very sharp growth

We highlight that the domestic volumes recorded a very sharp growth of about 19% yoy in 2QFY10 to 123,421 TEUs from 114,255 TEUs in 2QFY09. We had estimated a growth of about 10% in domestic volumes for the quarter. The management highlighted strong yoy growth of 37% in domestic volumes in the month of September.

Domestic volumes record very strong growth
Quarterly volume numbers handled by Concor, March fiscal year-ends, 2008-10 ('000 TEUs)



Source: Company, Kotak Institutional Equities

Management maintains volume guidance in exim and domestic segment

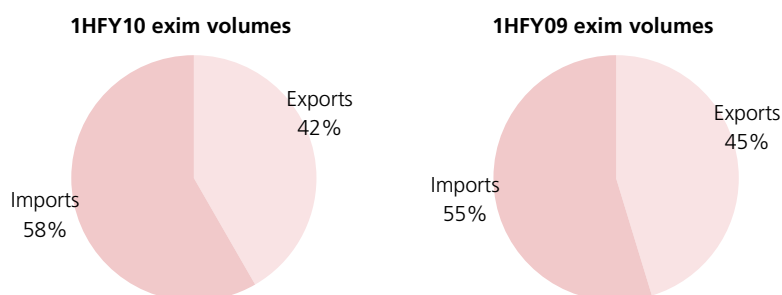
The management maintained its volume growth guidance for FY2010E and is confident of achieving 5% yoy growth in exim volumes and 15-20% yoy growth in domestic volumes in FY2010E. The growth would be led by a visible trend in pick up in exim volumes seen in the recent past and low base effect in 2HFY09, during which exim volumes fell by 17% yoy. We have currently built in a 5% yoy growth in exim volumes and a 15% growth in domestic volumes for FY2010E.

Profitability affected by higher empties and low domestic segment margins

Concor reported disappointing EBITDA margins of 26.4% for 2QFY10, down 336 bps yoy, versus 29.8% in 2QFY09 and 27.3% in 1QFY10. The management highlighted that the lower margins for the quarter were led by:

- ▶ **Higher empties:** Trade imbalances due to sharp surge in imports led to higher empties (15.8% empty running during 1HFY10) during the quarter. The management cited a sharp rise in import volumes during April-July 2009 which led to a cost on empties of Rs710 mn in 1HFY10 versus Rs300 mn in 1HFY09. However, import volumes have been on the decline since August 2009, leading to almost no empties in the month of September.

Export-Import mix of exim volumes of Concor for 1HFY10 and 1HFY09



	1HFY10	1HFY09	% change
Exports	391,336	452,163	(13.5)
Imports	547,637	548,629	(0.2)
Total exim	938,973	1,000,792	(6.2)

Source: Company

- ▶ **Low domestic segment margins:** Margins for the quarter were also led by lower domestic segment volumes, which declined to 12.8% in 2QFY10 from 14.1% in 2QFY09. This decline was attributed to only partial pass-on of haulage rate hikes to customers. The management highlighted that the company passed on the rate hikes to the customers on a selective basis in order to maintain its market share in the segment which faces fierce competition from roads segment as well as private players. We note that Indian Railways increased the haulage charges by 16-17% on container train operators effective from August 1, 2009.

Concor - 2QFY10 - segmental key numbers (Rs mn)

Segmental	2QFY10	2QFY10E	2QFY09	1QFY10	% change			1HFY10	1HFY09	%change
					2QFY10E	2QFY09	1QFY10			
Volumes (TEUs)										
Exim	484,644	546,644	520,613	454,329	(11.3)	(6.9)	6.7	938,973	1,000,792	(6.2)
%	79.7	82.7	83.4	79.1				79.4	82.5	
Domestic	123,421	114,255	103,868	120,213	8.0	18.8	2.7	243,634	212,802	14.5
%	20.3	17.3	16.6	20.9				20.6	17.5	
Sales (Rs mn)										
Exim	7,735	8,715	7,427	7,243	(11.2)	4.2	6.8	14,979	14,071	6.5
%	80.6	82.7	82.2	79.8				80.2	81.5	
Domestic	1,864	1,822	1,607	1,831	2.3	16.0	1.8	3,694	3,191	15.8
%	19.4	17.3	17.8	20.2				19.8	18.5	
EBIT (Rs mn)										
Exim	2,086		2,324	1,961		(10.3)	6.4	4,046	4,300	(5.9)
margin (%)	27.0		31.3	27.1				27.0	30.6	
Domestic	239		226	307		6.0	(22.0)	546	468	16.8
margin (%)	12.8		14.1	16.8				14.8	14.7	
per TEU realization (Rs)										
Exim	15,961	15,943	14,266	15,943	0.1	11.9	0.1	15,952	14,060	13.5
Domestic	15,101	15,227	15,469	15,227	(0.8)	(2.4)	(0.8)	15,163	14,997	1.1
Total	15,786	15,943	14,466	15,793	(1.0)	9.1	(0.0)	15,790	14,224	11.0
per TEU profitability (Rs)										
Exim	4,303		4,464	4,316		(3.6)	(0.3)	4,309	4,297	0.3
Domestic	1,939		2,174	2,554		(10.8)	(24.1)	2,243	2,198	2.0
Total	6,243		6,638	6,870		(6.0)	(9.1)	6,552	6,495	0.9

Source: Company, Kotak Institutional Equities estimates

Concor - 2QFY10 - key numbers (Rs mn)

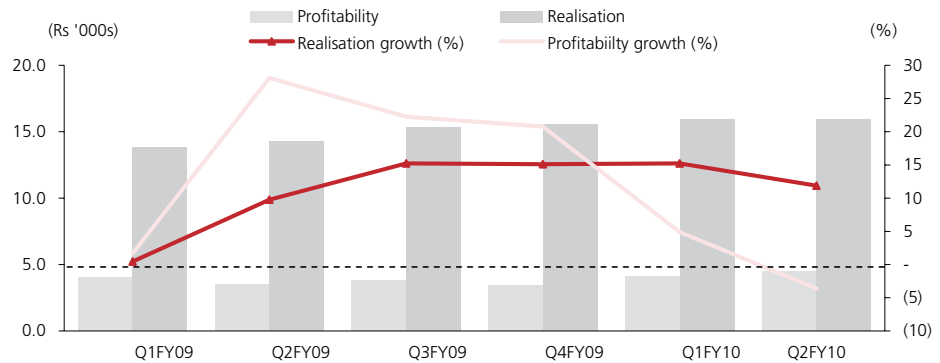
	2QFY10	2QFY10E	2QFY09	1QFY10	% change			yoy		
					2QFY10E	2QFY09	1QFY10	1HFY10	1HFY09	%change
Net Sales	9,599	10,537	9,034	9,074	(8.9)	6.3	5.8	18,673	17,262	8.2
Staff cost	(209)	(209)	(156)	(198)	0.3	34.5	6.0	(407)	(307)	32.6
Rail freight exp	(5,588)	(6,006)	(4,983)	(5,269)	(7.0)	12.1	6.1	(10,857)	(9,468)	14.7
Others	(1,267)	(1,324)	(1,207)	(1,129)	(4.3)	5.0	12.2	(2,397)	(2,410)	12.1
Total exp	(7,065)	(7,539)	(6,346)	(6,595)	(6.3)	11.3	7.1	(13,661)	(12,185)	13.3
EBITDA margin	2,534	2,998	2,688	2,478	(15.5)	(5.7)	2.2	5,012	5,077	(1.3)
Other Income	439	541	480	413	(18.7)	(8.5)	6.5	852	933	(8.7)
PBDIT	2,973	3,539	3,168	2,891	(16.0)	(6.1)	2.9	5,864	6,010	(2.4)
Depreciation	(328)	(363)	(275)	(316)	(9.9)	19.1	3.7	(643)	(550)	17.1
PBT	2,646	3,175	2,893	2,575	(16.7)	(8.5)	2.7	5,221	5,461	(4.4)
Tax	(602)	(699)	(654)	(566)	(13.8)	(8.0)	6.4	(1,168)	(1,204)	(2.9)
PAT	2,043	2,477	2,237	2,009	(17.5)	(8.6)	1.7	4,052	4,255	(4.8)
Key ratios (%)										
Rail freight exps/Sales	58.2	57.0	55.2	58.1				58.1	54.8	
Other exp/Sales	13.2	12.6	13.4	12.4				12.8	14.0	
Employee exp/Sales	2.2	2.0	1.7	2.2				2.2	1.8	
EBITDA margin	26.4	28.5	29.8	27.3				26.8	29.4	
PBT margin	27.6	30.1	32.0	28.4				28.0	31.6	
Effective tax rate	22.8	22.0	22.6	22.0				22.4	22.0	
PAT margin	21.3	23.5	24.8	22.1				21.7	24.7	

Source: Company, Kotak Institutional Equities estimates

Exim realizations continue to be on the rise

Exim realization for Concor has been on the rise since 2QFY09 led by the tariff increases in August 2008. Realizations have been growing at an average of 14.5% yoy for the past four quarters. Concor had earlier cited an increase of about 3% in import tariff July onwards as a measure to maintain the profitability levels of the firm. With the level of empties going down, the management highlighted a possible rollback of the price hike.

Exim realizations has reflected growth since Q2FY09 on back of tariff increase in August, 2008
Qtrly realization & profitability of exim segment of Concor, March fiscal year-ends, 2008-10 (Rs '000s)

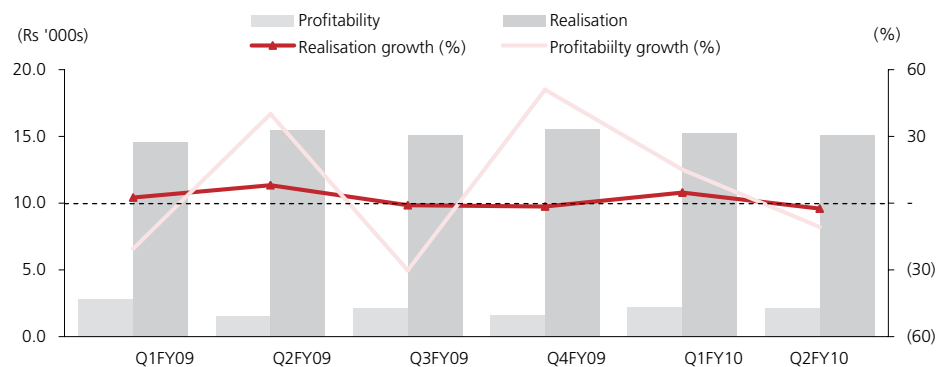


Source: Company, Kotak Institutional Equities

Domestic realizations remain relatively stable

Domestic realizations have been relatively steady over the past few quarters versus the exim realizations. Domestic realizations declined marginally by about 2% yoy to Rs15,101 per TEU in 2QFY10 from Rs15,469 per TEU in 2QFY09. Overall realizations for the quarter increased by about 9% yoy to Rs15,786 per TEU from Rs14,466 per TEU in 2QFY09.

Domestic realizations have been stable versus exim realization
Qtrly realization & profitability of domestic segment of Concor, March fiscal year-ends, 2008-10 (Rs '000s)



Source: Company, Kotak Institutional Equities

Steadfast on capex plan; believes demand suffice to absorb incremental rakes

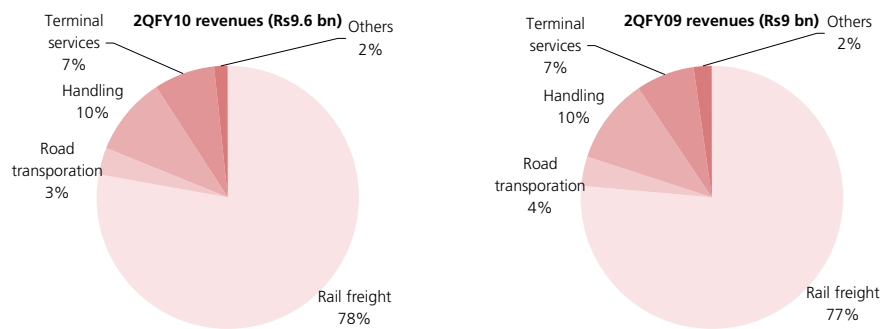
Concor remains steadfast on its capex plans of Rs6 bn for FY2010 and believes that there is demand for incremental rakes that are pressed in the service. Concor’s capex plan implies wagon capacity addition of upwards of 30 rakes on its current base of about 220 rakes (an implied capacity growth of 14%). Concor seems to be defocusing on the near-term slowdown and building capacities for long-term future growth. The company highlighted that none of its rakes are being idled versus about 10-15 rakes of private sector being idled at this point of time.

Concor has about Rs19.7 bn cash on the balance sheet which is worth about Rs150/share (about 13.2% of its current market capitalization).

Revenue mix remains broadly unchanged

Concor’s revenue mix for the quarter remained broadly unchanged with rail freight contributing to 78% of the revenues. The other revenue items comprised of (1) handling charges (10%), (2) terminal services (7%) and (3) road transportation (3%). We note that, based on rail freight revenue and expenditure data, the company earns about 25% contribution margin from the rail freight business.

Revenue mix of container corporation, 2QFY10 & 2QFY09



Source: Company

Marginally revise estimates and target price to Rs1,250/share; reiterate ADD

We have marginally revised our earnings estimates to Rs65.7 and Rs82.4 from Rs68 and Rs80.3 for FY2010E and FY2011E, respectively, based on slightly higher domestic volume and higher per TEU realization assumptions for FY2010E and FY2011E as per the trend seen in 1HFY10. We have currently built in a 5% growth in exim volumes and 15% growth in domestic volumes for FY2010E. We revise our SOTP-based target price to Rs1,250/share from Rs1,125/share based on a 15X multiple of FY2011E basis earnings. Our target price revision is driven by (1) increase in FY2011E earnings estimates and (2) revision of target multiple to 15X from 13.5X earlier in line with broad market movement.

Comparison on Concor's P/E versus Sensex since April 2002

	Concor	SENSEX
P/E comparison		
Peak P/E (X)	19.9	23.6
Bottom P/E (X)	3.9	9.3
P/E correction from peak (%)	21.4	34.2
Average five year P/E (X)	13.7	15.7
Current P/E (X)	15.7	15.5

Source: Bloomberg, Kotak Institutional Equities estimates

Our SOTP-based target price of Rs1,250 is comprised of (1) Rs1,230/share from the core rail business and (2) Rs29/share for the JNPT terminal JV based on March-FY2011E DCF. We retain our ADD rating on the stock based on (1) about 9% upside to our target price from current market levels, (2) presence in sector having underlying real growth potential of about 12-15%, (3) trends of volume recovery seen in past few months in domestic as well as exim business, (4) strong balance sheet with no debt and high cash position of Rs19.7 bn (13.2% of market capitalization), (5) strong cash flow generation characteristics (company generated positive operating cash of Rs9.8 bn and free cash of Rs4.6 bn in FY2009) and (6) strong RoE of about 22% and P/B valuation of 3X on FY2011E book basis.

We have an SOTP-based target price of Rs1,250 per share

Business segment	Valuation methodology	Total value	Value per share
		(Rs mn)	(Rs)
Core rail operations	13.5X FY2011E EPS	160,717	1,236.5
JNPT terminal	DCF - FY2010E-based	3,778	29.1
Total			1,265.5

Source: Company, Kotak Institutional Equities estimates

Key risks arise from (1) increasing competition from private players, (2) slower-than-expected growth in Indian containerized trade, (3) continued sluggishness in the domestic segment and (4) further haulage rate hikes by Indian Railways making container-based transportation incrementally less competitive.

We also highlight that Concor has a vision of building businesses in several areas of logistics services like shipping, air cargo, port terminals, auto carriers, etc., to emerge as a more comprehensive and end-to-end provider of logistics solutions. However, effective execution of these projects may pose challenges and hence it may likely take time before the upside is visible in our view.

Target price implies WACC of 12.5% and moderate growth assumptions

Our target price of Rs1,230/share for the core business implies (1) WACC of 12.5%, (2) terminal growth rate of 5%, (3) moderate growth in revenue of about 12.5% from FY2013E-20E and (4) decline in EBIT margins to 20% in FY2020E from current levels of about 25%.

DCF valuation of BHEL implies relatively moderate assumption

DCF valuation of Concor's rail business, March fiscal year-ends, 2010E-20E (Rs mn)

	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Exim volume (TEUs)	1,947,707	2,181,432	2,399,575	2,639,532	2,824,300	3,022,001	3,233,541	3,459,889	3,702,081	3,961,226	4,238,512
Domestic volume (TEUs)	521,264	583,816	653,873	719,261	791,187	870,306	931,227	996,413	1,066,162	1,140,793	1,220,649
Total volumes (TEUs)	2,468,971	2,765,247	3,053,448	3,358,793	3,615,487	3,892,306	4,164,768	4,456,302	4,768,243	5,102,020	5,459,161
Growth (%)	7.0	12.0	10.4	10.0	7.6	7.7	7.0	7.0	7.0	7.0	7.0
Revenues	37,986	44,671	51,792	59,820	67,608	76,420	85,858	96,462	108,375	121,759	136,796
Growth (%)	11.2	17.6	15.9	15.5	13.0	13.0	12.4	12.4	12.4	12.4	12.4
EBIT	8,913	11,437	13,360	14,955	16,226	17,577	19,747	20,257	22,759	24,352	27,359
EBIT margin	23.5	25.6	25.8	25.0	24.0	23.0	23.0	21.0	21.0	20.0	20.0
Tax rate	21.4	21.7	22.4	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
EBIT*(1-tax rate)	7,004	8,959	10,370	10,468	11,358	12,304	13,823	14,180	15,931	17,046	19,151
Depreciation	1,454	1,661	1,833	1,983	2,150	2,250	2,350	2,400	2,500	2,600	2,601
Change in working capital	(468)	(147)	(156)	(241)	(234)	(264)	(283)	(318)	(357)	(402)	(451)
Capital expenditure	(5,745)	(3,981)	(3,261)	(3,500)	(3,500)	(4,000)	(4,500)	(4,500)	(5,000)	(5,000)	(5,500)
Free Cash Flows	2,245	6,493	8,787	8,711	9,774	10,289	11,390	11,762	13,074	14,245	15,801
Discount factor	1.00	1.00	0.89	0.79	0.70	0.62	0.55	0.49	0.44	0.39	0.35
Discounted cash flow	2,245	6,493	7,810	6,883	6,865	6,424	6,321	5,802	5,732	5,552	5,474

Target price calculation	Rs mn
Sum of free cash flow	65,600
Discounted terminal value	76,639
Enterprise value	142,238
Net debt	(17,635)
Net present value-equity	159,873
Shares o/s	130
NPV/share (Rs)	1,230
WACC used	12.5%

Terminal value Calculation	Rs mn
Cash flow in terminal year	15,801
Growth to perpetuity (g)	5.0%
Capitalisation rate (WACC-g)	7.5%
Terminal value	221,219
Discount period (years)	9
Discount factor	0.35
Discounted terminal value	76,639

Source: Company, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	15-Oct-09		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	(Rs)
Automobiles																														
Ashok Leyland	44	ADD	59,134	1,284	1,330	1.5	2.3	2.4	(57.8)	50.3	5.8	29.1	19.3	18.3	16.3	10.5	8.6	1.6	1.5	1.5	2.2	2.2	2.2	6.2	8.1	8.2	37	(16.8)	4.7	
Bajaj Auto	1,556	ADD	225,077	4,887	145	45.2	85.7	100.6	(13.4)	89.6	17.3	34.4	18.1	15.5	18.2	10.8	9.6	12.0	8.2	5.9	1.3	1.3	1.3	37.7	53.4	43.7	1,575	1.2	8.3	
Hero Honda	1,656	REDUCE	330,783	7,182	200	64.2	87.7	95.2	32.5	36.6	8.5	25.8	18.9	17.4	15.4	11.4	10.1	8.4	6.4	5.1	1.2	1.3	1.3	36.6	38.8	32.7	1,330	(19.7)	22.0	
Mahindra & Mahindra	960	ADD	282,805	6,141	295	30.0	56.0	59.4	(19.8)	86.4	6.1	32.0	17.1	16.2	22.6	11.7	10.4	5.4	3.8	3.1	1.0	1.0	1.0	17.4	25.9	21.1	1,000	4.2	30.2	
Maruti Suzuki	1,526	SELL	441,028	9,576	289	42.2	73.1	77.2	(29.6)	73.3	5.6	36.2	20.9	19.8	21.9	11.8	10.6	4.6	3.8	3.3	0.2	0.3	0.3	13.5	20.1	17.8	1,160	(24.0)	36.4	
Tata Motors	573	SELL	327,474	7,110	571	20.8	30.4	34.8	(58.3)	46.5	14.4	27.6	18.8	16.5	17.5	11.0	9.8	2.5	2.0	1.8	1.0	1.0	1.0	9.1	11.7	11.6	465	(18.9)	82.2	
Automobiles Cautious 1,666,301 36,181 (24.8) 69.6 10.3 32.1 18.9 17.2 18.7 11.3 10.0 4.5 3.5 3.0 0.9 1.0 1.0 13.9 18.6 17.5																														
Banks/Financial Institutions																														
Andhra Bank	111	BUY	53,956	1,172	485	13.5	13.8	15.2	13.5	2.1	10.5	8.3	8.1	7.3	—	—	—	1.5	1.3	1.2	4.0	3.1	3.4	18.9	17.2	16.8	120	7.9	2.0	
Axis Bank	1,006	ADD	382,287	8,301	380	50.6	61.8	71.6	56.9	22.2	15.9	19.9	16.3	14.0	—	—	—	3.7	2.4	2.1	0.9	1.2	1.5	19.1	18.0	16.9	980	(2.6)	65.2	
Bank of Baroda	519	ADD	189,544	4,116	366	60.9	63.9	65.6	55.1	4.9	2.6	8.5	8.1	7.9	—	—	—	1.7	1.4	1.2	1.7	1.8	1.9	21.4	19.0	16.8	520	0.3	6.9	
Bank of India	465	REDUCE	244,603	5,311	526	57.2	55.0	64.0	40.7	(3.8)	16.4	8.1	8.5	7.3	—	—	—	2.1	1.7	1.4	1.7	1.7	1.9	29.2	22.3	21.6	420	(9.7)	17.8	
Canara Bank	370	ADD	151,680	3,293	410	50.5	51.7	61.2	32.4	2.4	18.4	7.3	7.2	6.0	—	—	—	1.5	1.3	1.1	2.2	2.2	2.7	18.3	16.2	16.8	385	4.1	5.5	
Corporation Bank	458	BUY	65,644	1,425	143	62.3	58.0	61.8	21.5	(6.8)	6.5	7.3	7.9	7.4	—	—	—	1.3	1.2	1.1	2.7	2.5	2.7	19.6	16.0	15.1	500	9.3	0.9	
Federal Bank	243	BUY	41,518	901	171	27.8	34.3	39.9	(19.2)	23.6	16.1	8.7	7.1	6.1	—	—	—	1.0	0.9	0.8	2.1	2.6	3.1	11.5	12.9	13.5	340	40.1	4.0	
HDFC	2,765	ADD	786,376	17,075	284	80.2	99.6	117.1	(6.4)	24.1	17.6	34.5	27.8	23.6	—	—	—	6.0	5.5	4.8	1.1	1.3	1.5	18.2	20.0	20.8	2,575	(6.9)	55.5	
HDFC Bank	1,722	REDUCE	778,581	16,905	452	52.8	66.5	82.3	17.6	26.0	23.8	32.6	25.9	20.9	—	—	—	5.2	3.6	3.2	0.5	0.7	0.9	16.9	16.5	16.3	1,600	(7.1)	36.1	
ICICI Bank	936	REDUCE	1,041,984	22,625	1,113	33.8	37.9	49.2	(15.4)	12.3	29.8	27.7	24.7	19.0	—	—	—	2.1	2.0	1.9	1.2	1.3	1.7	7.8	8.3	10.2	850	(9.2)	141.5	
IDFC	158	ADD	205,042	4,452	1,295	5.8	7.7	8.7	1.9	33.9	12.6	27.4	20.4	18.1	—	—	—	3.3	2.9	2.6	0.8	0.8	0.9	12.9	15.4	15.3	140	(11.6)	40.4	
India Infoline	159	ADD	49,514	1,075	312	5.1	7.7	8.2	(8.7)	50.5	7.3	31.1	20.7	19.3	—	—	—	4.0	3.3	2.8	1.6	2.1	2.4	11.9	17.5	17.2	145	(8.7)	19.8	
Indian Bank	182	BUY	78,218	1,698	430	28.0	31.6	34.4	24.1	13.0	8.7	6.5	5.8	5.3	—	—	—	1.4	1.2	1.0	2.7	3.0	3.3	22.9	21.7	20.0	215	18.1	3.4	
Indian Overseas Bank	134	BUY	73,139	1,588	545	24.3	21.4	29.2	10.3	(12.1)	36.4	5.5	6.3	4.6	—	—	—	1.2	1.0	0.9	3.9	2.8	3.1	22.1	15.3	18.1	165	22.9	4.9	
J&K Bank	593	ADD	28,749	624	48	84.5	94.6	105.9	13.8	11.9	12.0	7.0	6.3	5.6	—	—	—	1.2	1.1	1.1	2.9	3.2	3.6	16.7	16.4	16.2	650	9.6	1.2	
LIC Housing Finance	796	NR	67,661	1,469	85	62.5	68.8	80.3	37.3	10.0	16.8	12.7	11.6	9.9	—	—	—	2.8	2.3	1.9	1.7	1.9	2.2	26.2	23.9	23.4	—	—	23.6	
Mahindra & Mahindra Financial	253	ADD	24,188	525	96	22.4	26.7	28.8	7.5	19.0	8.1	11.3	9.5	8.8	—	—	—	1.7	1.5	1.3	2.2	2.6	2.9	15.4	16.4	15.8	270	6.8	0.7	
Oriental Bank of Commerce	257	REDUCE	64,326	1,397	251	36.1	35.3	37.0	51.4	(2.3)	4.8	7.1	7.3	6.9	—	—	—	1.3	1.1	1.0	2.8	2.8	2.9	13.7	11.5	11.2	250	(2.6)	5.1	
PFCE	234	SELL	268,233	5,824	1,148	13.0	18.0	20.0	14.3	38.6	11.1	18.0	13.0	11.7	—	—	—	2.4	2.2	1.9	1.2	2.3	2.6	13.8	17.3	17.2	185	(20.8)	4.7	
Punjab National Bank	857	BUY	270,356	5,870	315	98.0	104.3	119.6	50.9	6.4	14.7	8.7	8.2	7.2	—	—	—	2.1	1.7	1.5	2.3	2.4	2.8	25.8	22.8	22.0	890	3.8	14.4	
Reliance Capital	938	ADD	230,972	5,015	246	39.3	29.0	28.9	(5.6)	(26.2)	(0.5)	23.9	32.3	32.5	—	—	—	3.4	3.2	2.9	0.6	0.5	0.5	15.3	10.2	9.3	875	(6.7)	114.3	
Rural Electrification Corp.	213	ADD	182,624	3,965	859	16.5	19.6	21.3	50.7	19.1	8.8	12.9	10.9	10.0	—	—	—	2.6	2.2	1.8	0.9	1.7	1.8	21.2	21.5	19.9	190	(10.7)	8.0	
Shriram Transport	385	BUY	81,528	1,770	212	30.1	32.5	36.9	56.8	7.9	13.7	12.8	11.9	10.4	—	—	—	3.7	3.2	2.6	2.3	2.5	2.9	29.6	27.0	25.8	430	11.6	3.7	
SREI	83	BUY	9,675	210	116	7.0	8.7	8.4	(24.7)	23.4	(3.6)	11.8	9.6	9.9	—	—	—	0.9	0.8	0.8	1.2	1.4	1.4	12.8	11.9	11.4	115	38.2	3.1	
State Bank of India	2,329	BUY	1,478,446	32,102	635	143.7	148.7	172.2	34.8	3.5	15.8	16.2	15.7	13.5	—	—	—	2.6	2.3	2.0	1.2	1.3	1.4	17.1	15.3	15.7	2,200	(5.5)	108.0	
Union Bank	261	BUY	131,634	2,858	505	34.2	34.0	37.3	24.5	(0.6)	9.6	7.6	7.7	7.0	—	—	—	1.9	1.6	1.3	1.9	1.9	2.1	27.2	22.1	20.3	300	15.1	5.4	
Banks/Financial Institutions Attractive 6,980,478 151,568 26.8 9.4 16.1 16.1 14.7 12.6 6.3 5.1 5.3 2.2 1.8 1.6 1.9 1.7 1.9 20.0 19.0 14.9																														
Cement																														
ACC	795	REDUCE	149,355	3,243	188	56.3	74.0	57.1	(12.2)	31.6	(22.8)	14.1	10.7	13.9	7.1	5.4	6.3	2.8	2.4	2.1	2.9	2.9	2.9	24.7	27.1	18.4	875	10.1	13.8	
Ambuja Cements	94	REDUCE	142,799	3,101	1,522	7.2	7.9	6.6	(5.0)	10.2	(16.8)	13.1	11.9	14.2	7.0	6.5	7.3	2.4	2.0	1.9	3.2	2.0	2.3	19.7	19.1	14.1	85	(9.4)	10.8	
Grasim Industries	2,397	REDUCE	219,795	4,772	92	238.6	252.3	266.5	(16.2)	5.8	5.6	10.0	9.5	9.0	5.9	4.8	4.5	1.9	1.6	1.4	1.4	1.4	21.1	18.4	16.8	2,560	6.8	14.5		
India Cements	124	ADD	34,880	757	282	17.8	19.4	15.2	n/a	9.1	(21.8)	7.0	6.4	8.1	5.0	4.0	4.5	0.9	0.8	0.8	1.5	1.7	2.6	14.8	14.6	10.4	155	25.5	9.2	
Shree Cement	1,578	BUY	54,982	1,194	35	174.7	209.9	195.6	93.7	20.1	(6.8)	9.0	7.5	8.1	6.1	4.3	4.0	4.6	2.8	2.1	0.7	0.7	0.7	65.7	46.0	29.4	2,000	26.7	1.3	
UltraTech Cement	844	BUY	105,107	2,282	124	78.8	90.2	73.8	(3.1)	14.5	(18.2)	10.7	9.4	11.4	6.4	5.0	5.6	2.4	2.0	1.7	0.7	1.0	1.0	31.1	27.3	18.3	900	6.6	5.0	
Cement Neutral 706,918 15,349 (8.0) 13.7 (10.5) 11.0 9.7 10.8 6.3 5.1 5.3 2.2 1.8 1.6 1.9 1.7 1.9 20.0 19.0 14.9																														
Consumer products																														
Asian Paints	1,563	ADD	149,947	3,256	96	38.6	60.0	69.8	(1.7)	55.5	16.3	40.5	26.0	22.4	24.2	15.7	13.4	13.1	10.6	8.6	1.1	1.7	2.0	36.6	46.8	43.8	1,600	2.4	1.6	
Colgate-Palmolive (India)	682																													

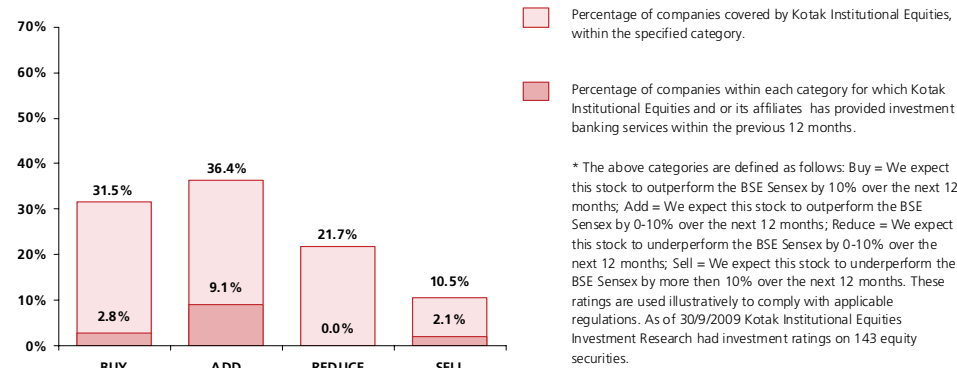
Kotak Institutional Equities: Valuation summary of key Indian companies

Company	15-Oct-09		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)		EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E			
Retail																													
Titan Industries	1,415	REDUCE	62,826	1,364	44	44.3	49.4	58.7	26.4	11.6	18.7	31.9	28.6	24.1	19.2	17.6	14.7	10.9	8.4	6.6	0.7	0.7	0.8	37.5	33.1	30.6	1,040	(26.5)	2.5
Retail		Neutral	62,826	1,364					26.4	11.6	18.7	31.9	28.6	24.1	19.2	17.6	14.7	10.9	8.4	6.6	0.7	0.7	0.8	34.1	29.3	27.4			
Sugar																													
Bajaj Hindustan	210	SELL	40,128	871	191	(1.0)	23.9	17.7	(92.1)	(2,491.2)	(25.8)	(210.2)	8.8	11.8	13.3	6.4	6.1	1.9	1.5	1.3	0.3	0.3	0.3	(1.2)	19.4	12.0	150	(28.5)	26.2
Balrampur Chini Mills	134	ADD	34,319	745	256	10.0	13.4	13.0	223.2	34.5	(2.9)	13.5	10.0	10.3	7.8	5.9	5.6	2.5	2.0	1.7	0.3	—	0.3	20.2	22.1	17.8	140	4.2	17.8
Shree Renuka Sugars	209	BUY	70,078	1,522	335	8.1	24.2	20.4	88.3	198.6	(15.9)	25.8	8.6	10.3	13.4	5.0	5.5	4.0	2.4	1.9	0.1	0.2	0.2	20.7	34.9	20.8	235	12.3	24.5
Sugar		Attractive	144,524	3,138					3,055.5	217.4	(15.9)	28.5	9.0	10.7	11.6	5.7	5.7	2.8	2.0	1.7	0.2	0.3	0.2	9.8	22.2	15.6			
Technology																													
HCL Technologies	302	REDUCE	209,612	4,551	695	17.5	16.7	22.8	14.5	(4.6)	36.5	17.2	18.1	13.2	9.7	9.0	8.2	3.6	3.2	2.7	4.0	4.0	4.0	20.9	19.0	22.3	275	(8.8)	12.2
Infosys Technologies	2,217	BUY	1,272,788	27,636	574	102.4	104.5	118.0	29.6	2.0	12.9	21.6	21.2	18.8	16.1	15.0	12.7	7.0	5.6	4.7	1.1	1.1	1.5	36.7	29.4	27.3	2,500	12.7	76.9
Mphasis BFL	635	REDUCE	132,422	2,875	208	14.2	41.5	42.2	15.7	192.6	1.8	44.8	15.3	15.0	34.1	11.2	10.0	9.2	6.0	4.5	0.6	0.7	0.8	22.8	47.7	34.2	450	(29.2)	18.0
Mindtree	559	BUY	23,012	500	41	13.2	39.2	50.1	(50.5)	196.0	27.9	42.2	14.3	11.2	7.2	9.9	7.2	4.2	3.2	2.5	0.3	—	0.9	5.5	25.3	25.1	650	16.2	5.1
Patni Computer Systems	434	REDUCE	55,797	1,212	129	26.8	33.8	36.7	(19.3)	26.1	8.6	16.2	12.8	11.8	8.2	6.2	6.0	2.2	1.8	1.6	0.4	1.6	1.7	16.2	14.8	14.6	320	(26.3)	12.1
Polaris Software Lab	149	SELL	14,696	319	99	13.1	13.8	12.9	76.0	5.4	(6.4)	11.4	10.8	11.5	4.8	5.8	6.2	1.9	1.7	1.5	1.8	1.3	1.3	18.1	16.4	13.6	80	(46.3)	5.9
TCS	582	ADD	1,138,699	24,725	1,957	26.4	31.2	35.3	3.1	17.8	13.3	22.0	18.7	16.5	15.4	13.3	11.5	7.3	5.8	4.9	1.2	1.6	2.4	36.9	34.6	32.2	600	3.1	51.9
Wipro	575	ADD	840,577	18,252	1,462	25.7	28.1	33.1	15.8	9.1	17.7	22.3	20.5	17.4	16.4	14.5	12.1	5.6	4.5	3.8	0.7	1.4	1.7	26.9	24.5	23.8	630	9.6	18.5
Technology		Neutral	3,699,807	80,335					15.3	12.7	14.6	21.7	19.3	16.8	15.2	13.2	11.4	6.1	4.9	4.1	1.2	1.5	1.9	28.1	25.6	24.6			
Telecom																													
Bharti Airtel	325	REDUCE	1,234,405	26,803	3,797	22.3	25.5	23.2	26.4	14.3	(9.2)	14.6	12.7	14.0	8.6	7.7	7.6	3.9	3.0	2.5	0.6	0.9	1.2	31.4	26.7	19.4	325	(0.0)	113.8
IDEA	62	REDUCE	193,525	4,202	3,104	2.9	3.0	1.7	(26.5)	2.9	(43.3)	21.5	20.9	36.8	8.2	7.2	7.7	1.4	1.3	1.3	—	—	—	10.4	6.6	4.0	55	(11.8)	15.9
MTNL	81	SELL	51,188	1,111	630	3.1	(4.8)	(3.9)	(57.1)	(256.5)	(18.1)	26.5	(16.9)	(20.7)	9.0	(11.3)	(38.9)	0.4	0.5	0.5	7.4	—	—	1.1	(2.6)	(2.2)	50	(38.5)	2.6
Reliance Communications	229	SELL	472,557	10,261	2,064	27.7	20.1	17.0	4.7	(27.4)	(15.4)	8.3	11.4	13.4	7.5	8.0	7.2	1.2	1.1	1.0	0.3	—	—	17.0	10.1	7.8	220	(3.9)	68.2
Tata Communications	472	REDUCE	134,577	2,922	285	13.6	14.0	15.2	24.0	3.2	8.2	34.8	33.7	31.1	14.8	13.5	12.5	2.0	1.9	1.8	1.1	1.4	1.6	5.4	5.2	5.5	400	(15.3)	4.1
Telecom		Cautious	2,086,252	45,299					11.1	(4.4)	(11.6)	13.0	13.6	15.4	8.4	8.0	7.7	2.0	1.8	1.6	0.7	0.6	0.8	15.4	12.9	10.3			
Transportation																													
Container Corporation	1,145	ADD	148,834	3,232	130	60.9	65.7	82.4	5.5	7.8	25.5	18.8	17.4	13.9	13.5	12.2	9.4	4.0	3.4	2.9	1.2	1.3	1.7	22.8	21.0	22.4	1,250	9.2	1.9
Transportation		Cautious	148,834	3,232					5.5	7.8	25.5	18.8	17.4	13.9	13.5	12.2	9.4	4.0	3.4	2.9	1.2	1.3	1.7	21.0	19.5	20.7			
Utilities																													
CESC	402	ADD	50,218	1,090	125	32.3	37.9	42.0	16.2	17.4	11.0	12.5	10.6	9.6	(0.4)	(0.8)	(0.8)	0.9	0.6	0.6	7.1	12.1	13.9	11.7	11.9	11.6	365	(9.2)	3.6
Lanco Infratech	526	ADD	116,908	2,538	222	14.5	20.8	36.6	(2.5)	43.8	76.2	36.4	25.3	14.4	27.0	18.0	8.7	5.4	4.2	3.2	—	—	—	16.1	18.7	25.2	440	(16.3)	29.0
NTPC	217	SELL	1,788,854	38,842	8,245	9.5	10.8	12.2	1.6	14.1	12.6	22.9	20.1	17.8	18.0	14.8	13.9	3.0	2.8	2.6	1.7	1.9	2.1	13.8	14.5	15.0	180	(17.0)	21.9
Reliance Infrastructure	1,277	BUY	289,143	6,278	226	62.7	63.7	68.6	66.7	1.6	7.8	20.4	20.1	18.6	25.6	23.2	18.4	1.7	1.6	1.5	0.5	0.7	0.7	4.9	6.1	7.8	1,250	(2.1)	78.3
Reliance Power	163	REDUCE	391,270	8,496	2,397	1.0	2.5	3.1	—	141.5	24.4	160.0	66.2	53.3	—	—	—	2.8	2.7	2.6	—	—	—	1.8	4.2	5.0	160	(2.0)	18.3
Tata Power	1,370	ADD	325,214	7,061	237	50.2	74.4	84.1	57.5	48.3	13.0	27.3	18.4	16.3	12.3	12.1	11.6	3.3	2.5	2.2	0.8	0.9	1.0	12.0	15.3	14.4	1,400	2.2	17.4
Utilities		Attractive	2,961,606	64,306					13.9	22.1	14.9	22.6	18.5	16.1	16.1	14.0	12.5	2.6	2.3	2.1	1.4	1.7	1.9	11.7	12.6	13.2			
Others																													
Havells India	324	REDUCE	19,578	425	61	4.9	12.3	19.1	(82)	NA	56.2	NA	26.4	16.9	10.8	8.8	7.7	3.1	3.6	3.0	0.8	0.8	0.8	4.5	12.4	19.3	175	(45.9)	1.6
Jaiprakash Associates	252	REDUCE	353,882	7,684	1,403	3.0	6.7	11.4	(39)	123.8	70.2	84.0	37.5	22.1	26.7	16.1	14.3	6.4	5.4	4.4	—	—	—	8.0	15.5	21.9	220	(12.8)	96.7
Jindal Saw	742	ADD	42,715	927	58	74.3	61.5	61.1	20	(17.2)	(0.7)	10.0	12.1	12.1	6.4	6.7	6.0	1.2	1.1	1.0	0.6	0.5	0.5	11.6	8.9	8.6	690	(7.0)	12.0
PSL	165	BUY	7,176	156	44	22.2	37.6	30.1	5	69.2	(19.8)	7.4	4.4	5.5	4.6	3.7	3.2	1.1	0.9	0.8	3.0	3.9	3.9	11.9	13.4	11.3	160	(2.8)	2.6
Sintex	246	BUY	33,537	728	136	24.0	25.0	27.9	23	4.0	11.7	10.2	9.8	8.8	8.7	7.5	6.1	1.8	1.5	1.3	0.4	0.5	0.5	17.6	15.5	14.7	280	14.0	3.9
Tata Chemicals	292	ADD	71,119	1,544	243	26.6	17.8</																						

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Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of September 30, 2009

Ratings and other definitions/identifiers

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Definitions of ratings

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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.

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