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New releases

United Spirits: Time to say 'Cheers!'

Updates

Economy: October IIP: A blip in the path of moderation

Banks/Financial Institutions: Overstated concerns; opportunity to BUY

EQUITY MARKETS

India	Change %		
	3-Jun	1-day	1-mo 3-mo
Sensex	17,022	1.7	(0.7) 0.3
Nifty	5,111	1.8	(0.7) 0.6
Global/Regional indices			
Dow Jones	10,255	0.1	(6.1) (1.8)
Nasdaq Composite	2,303	1.0	(5.0) 0.5
FTSE	5,211	1.2	(3.7) (5.7)
Nikkei	9,939	0.3	(10.1) (2.0)
Hang Seng	19,787	1.6	(4.7) (3.8)
KOSPI	1,669	0.4	(2.9) 3.1
Value traded – India			
Cash (NSE+BSE)	156		175 178
Derivatives (NSE)	770		539 676
Deri. open interest	1,190		1,078 1,008

Forex/money market

	Change, basis points			
	3-Jun	1-day	1-mo	3-mo
Rs/US\$	46.7	(28)	217	99
10yr govt bond, %	7.6	6	(47)	(40)
Net investment (US\$mn)				
	2-Jun		MTD	CYTD
FIs	(27)		(101)	(230)
MFs	(3)		-	(282)

Top movers -3mo basis

Best performers	Change, %			
	3-Jun	1-day	1-mo	3-mo
BJFIN IN Equity	482.3	4.3	42.2	42.6
IBULL IN Equity	141.9	(0.8)	(3.6)	26.8
BOB IN Equity	745.0	4.7	7.2	22.3
DRRD IN Equity	1395.4	(0.7)	13.2	20.6
AL IN Equity	64.3	5.3	5.5	17.3
Worst performers				
ABAN IN Equity	695.5	0.1	(39.0)	(44.2)
NMDC IN Equity	274.2	(0.3)	(7.4)	(37.1)
GRASIM IN Equity	1789.6	0.7	(30.9)	(35.9)
PUNJ IN Equity	117.8	1.9	(25.6)	(34.0)
SUEL IN Equity	55.3	2.0	(18.9)	(28.8)

DECEMBER 13, 2010

INITIATING COVERAGE

 Coverage view: **Cautious**

 Price (Rs): **1,362**

 Target price (Rs): **1,550**

 BSE-30: **19,509**

Time to say 'Cheers!' We believe structural positives outweigh the concerns surrounding United Spirits, importantly, the stock's recent underperformance provides an entry opportunity. In its favor, United Spirits' is benefiting from rising entry barriers (a recent change in the procurement policy of beer in Andhra Pradesh benefits the UB group disproportionately). We forecast financial leverage-driven earnings CAGR of 37% over FY2010-13E and RoACE improvement of 500 bps to 16.4%. The Supply-demand for Scotch also bodes well for the W&M acquisition (Scotch whisky production has grown 0.8% CAGR in 1980-2008). A key risk is constrained pricing power.

Company data and valuation summary

United Spirits

Stock data

52-week range (Rs) (high,low) 1,688-1,057

Market Cap. (Rs bn) 171.1

Shareholding pattern (%)

Promoters 29.2

FIs 50.4

MFs 4.4

Price performance (%)

	1M	3M	12M
Absolute	(2.7)	(16.1)	0.3
Rel. to BSE-30	0.5	(17.4)	(12.0)

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	27.3	33.1	47.0
EPS growth (%)	49.9	21.5	41.9
P/E (X)	49.9	41.1	29.0
Sales (Rs bn)	63.6	66.7	77.0
Net profits (Rs bn)	3.0	4.2	5.9
EBITDA (Rs bn)	12.0	12.9	15.6
EV/EBITDA (X)	18.5	17.2	14.1
ROE (%)	9.8	10.5	13.3
Div. Yield (%)	0.2	0.2	0.2

Valuation: Market dominance in a multi-year growth story warrants premium over staples

We assign a target of Rs1,550 on UNSP based on SOTP (EV/EBITDA multiple of 16X FY2012E for the Indian business and 10X for W&M). We believe the Indian business deserves a premium to staples because of (1) dominant market share (>40%) in a secular growth industry, (2) extant high entry barriers (increasing further, in our view) in the Indian market and (3) improving financial leverage. We value W&M at par with the average EV/EBITDA for developed markets.

Robust volume-led sales growth, gross margin expansion is key

We model volume growth of 14% and 13% in FY2011E and FY2012E with average realization growth of 3% for the India business. For W&M, we model a 37% sales decline in FY2011E and a modest 10% sales growth in FY2012E given the company's aim to sell high-value aged Scotch rather than focus high volumes in the short term.

We model EBITDA and PAT CAGR of 14% and 37% over FY2010-13E—higher PAT CAGR due to positive effects of financial leverage. UNSP's adspends have averaged ~12% (of sales) over the past five years—while we note that liquor companies engage in surrogate advertising, the quantum of advertising is surprisingly high. We note that the interest outgo for UNSP is substantially higher than other staple companies in India (GCPL and Dabur have indicated that their cost of borrowing is ~3% in foreign currency, whereas UNSP has prepaid dollar debt).

Key risk is muted pricing power coupled with cyclicity in input costs

Key worries are (1) relatively muted pricing power coupled with cyclicity in input costs, (2) W&M likely to contribute meaningfully to margins with a lag, (3) government regulation/deregulation, (4) agri-based raw materials leading to uncertainty in margins, (5) brand building is a long gestation investment, (6) watch for treatment of forex transactions, (7) UNSP needs to watch for competitors with niches, (8) surprisingly high adspends, (9) significantly higher capex compared with other consumer companies and (10) pledged shares by promoter.

Manoj Menon

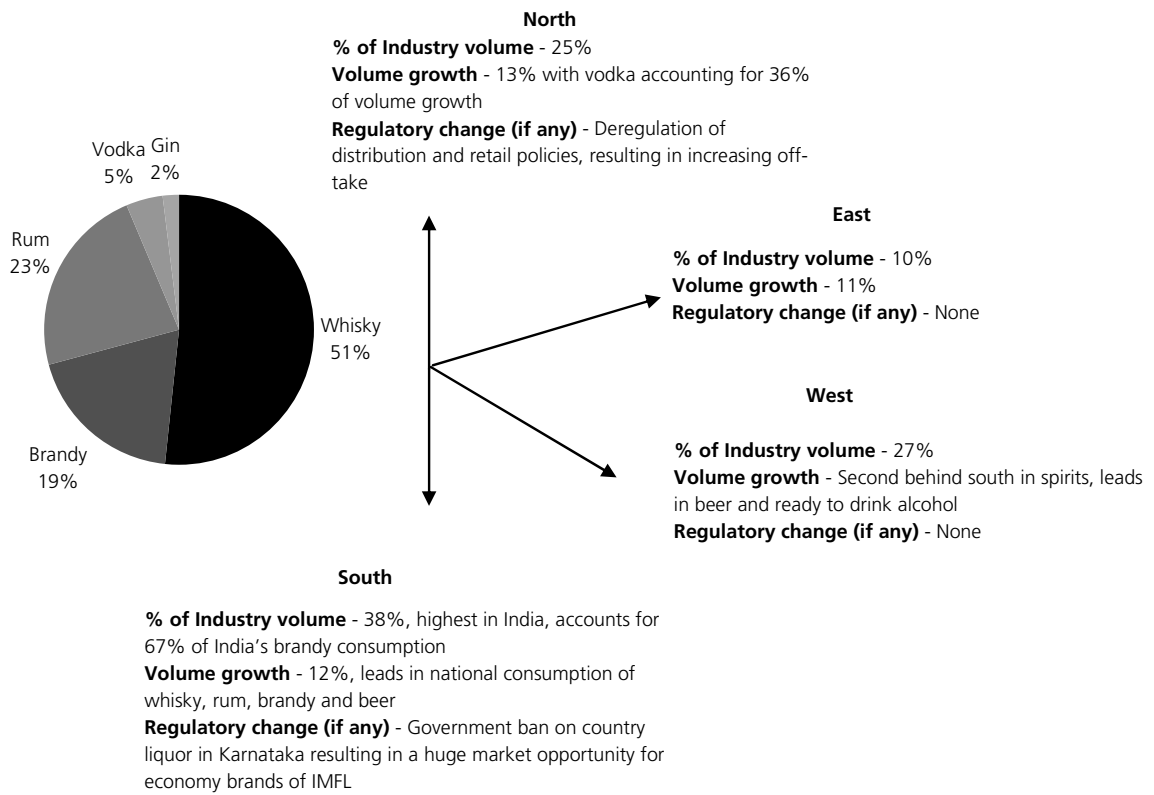
 manoj.menon@kotak.com
 Mumbai: +91-22-6634-1391

Amrita Basu

 amrita.basu@kotak.com
 Mumbai: +91-22-6634-1147

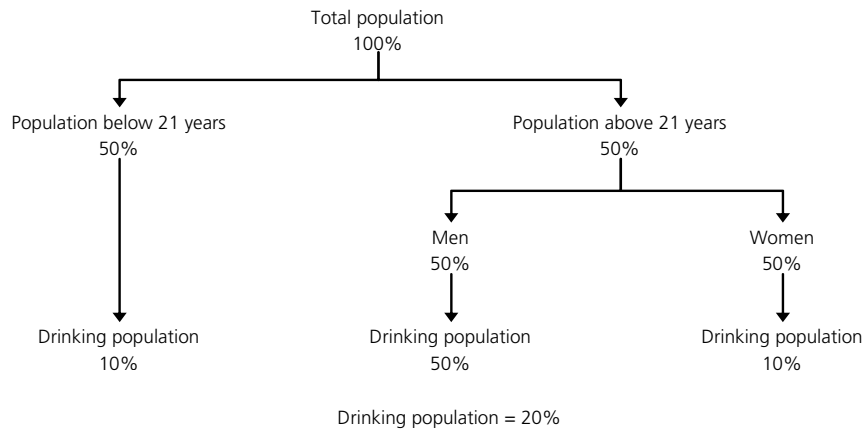
 Kotak Institutional Equities Research
 kotak.research@kotak.com
 Mumbai: +91-22-6634-1100

Structure of the IMFL industry



Source: Tilaknagar Industries annual report, Kotak Institutional Equities

Only ~20% of the population is actually the target audience
 Our estimates of drinking population



Source: Kotak Institutional Equities estimates

UNSP has a strong brand portfolio

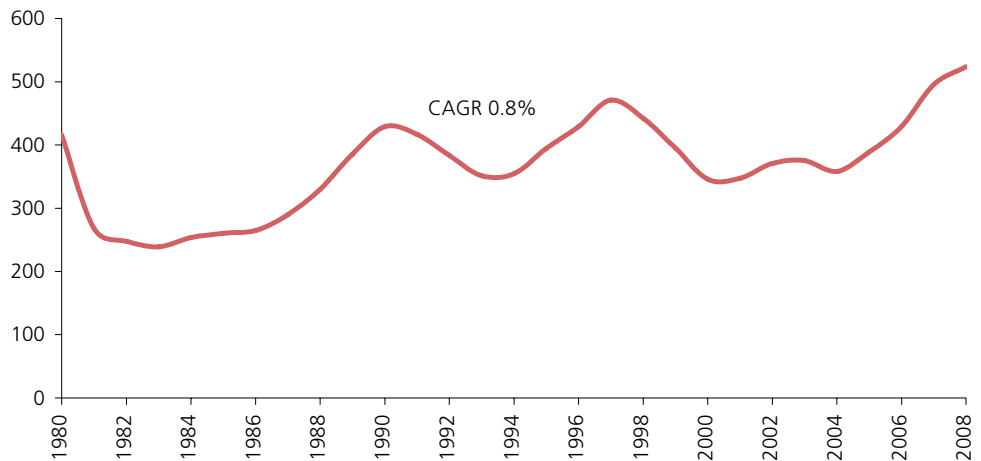
Market share of select UNSP products across categories

Category	UNSP market share (%)	Brand ranking
BII Scotch		
Premium Scotch	44%	Black Dog 12 Yr (Rank # 1)
Regular Scotch	6%	Black Dog 8 Yr
Whiskey		
Premium	60%	Royal Challenge (# 2), Signature (# 3), Antiquity (Rank # 4)
Prestige	61%	Mc Dowell's No 1 (Rank #1), DSP Black (Rank #3)
Regular	55%	Bagpiper (#1), OTW (# 3)
Vodka		
Prestige	7%	Red Romanov (#2)
Regular	83%	White Mischief (#1), Romanov (#2)
Regular Rum	56%	McDowell's Celebration (#1), Old Cask (#3)
Regular Brandy	67%	Mc Dowell's No 1 (#1), Honey Bee (#2), John Exshaw (#3)
Regular Gin	79%	Blue Riband

Source: Company

Poor growth in Scotch whisky production; W&M assures steady supply of Scotch for UNSP

Scotch whisky production, December calendar year-ends, 1980-2008 (mn LPA)



Source: Industry sources, Kotak Institutional Equities

Surprisingly high adspends

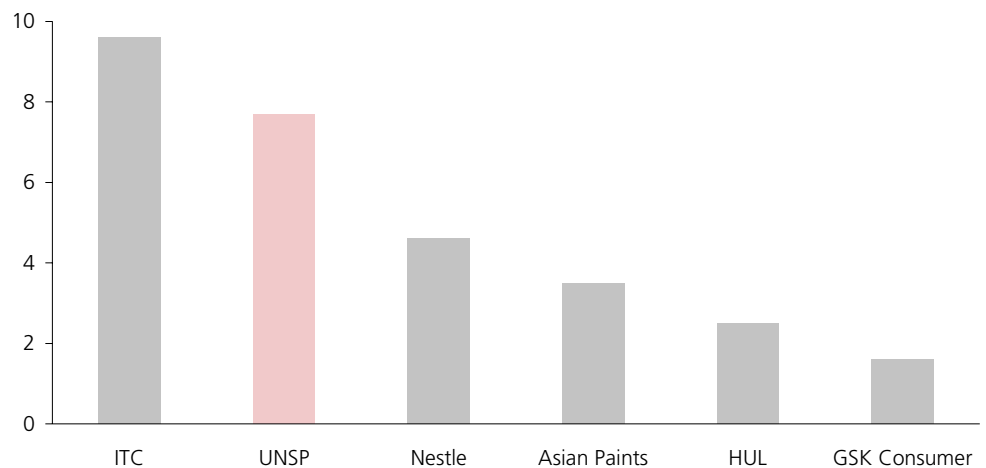
Adspends to sales ratio of Indian consumer companies (%)

Company	2005	2006	2007	2008	2009	2010
Jubilant Foodworks	7	6	6	6	5	4
Asian Paints	3	3	3	4	4	4
Titan	7	7	6	5	5	5
Nestle	6	6	5	5	5	6
Jyothy Laboratories	12	9	9	8	5	6
Tata Global Beverages	9	9	9	9	7	8
United Spirits	8	14	13	12	10	11
Godrej Consumer	11	10	10	10	9	12
ITC	23	15	13	13	14	13
HUL	8	9	11	11	11	14
Marico	10	13	14	13	11	14
Dabur	14	12	13	13	12	15
Colgate	14	18	16	17	16	15
GSK Consumer	12	13	13	13	13	16

Source: Company, Kotak Institutional Equities

Business requirements warrants higher capex investments for UNSP

Average capex to sales ratio of consumer companies, FY2003-10 (%)



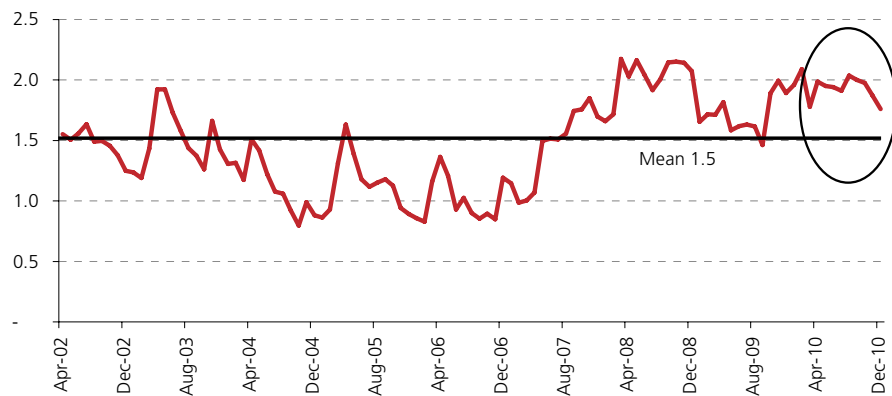
Source: Company, Kotak Institutional Equities

SOTP on UNSP
SOTP based on FY2012E EBITDA

	EBITDA (Rs mn)	EV (Rs mn)
India	12,174	195,513
W&M	2,872	30,153
Company		225,666
Price/share calculation		
Net debt (Rs mn)		47,391
Equity value (Rs mn)		178,275
<hr/>		
Book value of IPL investment (Rs mn)		4,736
No. of outstanding shares (mn)		126
- Treasury shares (mn)		8
Calculated no. of outstanding shares (mn)		117
<hr/>		
Price/share (Rs)		1,562
- based on equity value		1,521
- based on book value of IPL investment		40

Source: Kotak Institutional Equities estimates

Relative EV/EBITDA of UNSP versus Sensex



Source: Kotak Institutional Equities

Profit model, balance sheet, cash model of United Spirits, March fiscal year-ends, 2008-2013E (Rs mn)

	2008	2009	2010	2011E	2012E	2013E
Profit model						
Net revenues	46,275	54,681	63,623	66,667	77,041	84,934
EBITDA	9,642	9,853	11,123	11,739	14,291	16,598
Other income	1,063	1,038	849	1,120	1,300	1,390
Interest (expense)/income	(5,448)	(7,176)	(6,069)	(5,470)	(5,429)	(5,305)
Depreciation	(741)	(926)	(950)	(1,177)	(1,345)	(1,514)
Pretax profits	4,516	2,790	4,952	6,213	8,817	11,169
Tax	(2,661)	(916)	(1,932)	(2,050)	(2,909)	(3,351)
Net income	1,855	1,875	3,021	4,162	5,907	7,819
Earnings per share (Rs)	21.5	18.2	27.3	33.1	47.0	62.3
Balance sheet						
Total shareholder's equity	19,806	23,123	37,287	41,133	46,591	53,724
Total borrowings	66,041	78,036	58,506	55,389	52,272	49,156
Deferred tax liability	18	(918)	(715)	(715)	(715)	(715)
Minority interest	1,992	63	85	85	85	85
Total liabilities and equity	87,858	100,304	95,164	95,892	98,233	102,250
Net fixed assets	11,163	16,558	18,194	20,684	23,006	25,158
Goodwill	53,260	44,738	42,444	42,444	42,444	42,444
Investments	2,119	9,501	1,265	1,265	1,265	1,265
Cash	5,438	4,490	7,686	4,500	2,191	2,356
Net current assets	15,878	25,016	25,574	27,000	29,328	31,026
Total assets	87,858	100,304	95,164	95,892	98,233	102,250
Free cash flow						
Operating cash flow, excl. working capital	2,596	1,864	4,175	5,339	7,252	9,332
Working capital changes	(9,990)	(3,540)	(4,743)	(1,425)	(2,329)	(1,698)
Capital expenditure	(6,713)	(6,321)	(2,586)	(3,667)	(3,667)	(3,667)
Free cash flow	(14,108)	(7,997)	(3,154)	247	1,257	3,968
Ratios						
Net debt/equity (%)	352	310	154	121	107	89
Net debt/EBITDA (X)	629	701	426	408	333	270
Return on equity (%)	11	8	10	10	13	15
Book value per share (Rs)	241	232	341	331	375	431
ROACE (%)	17	11	11	12	15	16

Source: Company, Kotak Institutional Equities estimates

DECEMBER 10, 2010

UPDATE

BSE-30: 19,242

October IIP: A blip in the path of moderation. October Industrial production at 10.8% surprised the markets positively which was expecting it at around 8.5%. We were bullish on manufacturing this month owing to the festive season restocking and had estimated the headline growth at 10.5%. Consumer durables growth staged a turnaround from last month though consumer non-durables growth continued to be weak and almost flat in October.

Headline growth at 10.8%; manufacturing production at 11.3%

In line with our expectations of 10.5%, IIP growth for October came in at 10.8%. Manufacturing that forms the majority of the index (79.4%) registered a growth of 11.3% (against our estimate of 11.3%). We believe that most of the upside was due to the festive season in early November which implies an inventory build-up in anticipation of a demand pick-up. Along with this, there was the advantage of a base effect, created by an October Diwali of last year, that implied inventory restocking and higher production in September 2009. Mining sector growth surprised positively at 6.5%. Considering the prolonged monsoon, the upside on the mining sector is not warranted. Coal mining as indicated by the core sectors growth remained muted with the possible upside being from the crude production which grew at 4.2% on m/m basis. Electricity production at 8.8% was slightly higher than the 8.4% number released under the six core sector industries.

Consumer durables strong at 31%; consumer non-durables sector continues to disappoint

The use-based classification points to strength in the consumer durables space (again the *Diwali* effect) and basic goods production. Capital goods continues to be volatile and lumpy as the sector registered a 22% growth from year ago (September at (-) 4.1%). Basic goods production came in as a positive surprise as it grew by 7.7% against an average growth rate of 5% in 1HFY11. Intermediate goods growth at 9.5% was in line with the average growth of 10.5% over 1HFY11. Consumer durables growth was back up to 31% against 11% in September. We believe this was again due to the festive season. Strong durables sector growth was backed by passenger vehicles sales touching a high in October. The non-durables segment, however, continues to witness muted growth. Non-durables production growth was at 0.1% against 1.9% in September. On m/m basis, production contracted by around 3% against 0.5% last month.

Expect to see moderation ahead; underlying momentum remains strong

We consider the October IIP growth to be a blip in an overall moderating growth path. Strong base effects from November-December onwards will start pulling down the headline growth rates despite our expectations of increased productions. Despite the recent slowing trends, the underlying growth momentum (stripping the volatility of the capital goods from the headline) remains strong at 8.9% in October and 8.1% for April-October. The recent interest rates hike on the back of the ongoing liquidity squeeze will also reflect on the growth story in the months ahead. However, even as industry exhibits some slowdown, the 2QFY11 GDP data continued to indicate a strong momentum in the services sector. We now see FY2011E GDP growth at 8.6% on the back of good agriculture and services growth.

December 16 policy meeting likely a non-event; the next change to come in January 25

We believe that the December policy meeting is unlikely to see any policy action despite the double-digit IIP growth in October. However, we do not see RBI having totally paused in its monetary policy tightening cycle and expect it to increase the benchmark policy rates by 25 bps in end-January. RBI is likely to be more watchful of the inflation trends in the economy and would maintain its hawkish stance till the headline WPI inflation has corrected conclusively.

QUICK NUMBERS

- **October IIP growth at 10.8%; manufacturing production growth at 11.3%**
- **Consumer durables at 31%; basic goods grow by 7.7%**
- **IIP ex-capital goods at 8.9%; headline growth likely to moderate going forward**
- **Expect December policy meeting to be a non-event**

Indranil Pan
indranil.pan@kotak.com
Mumbai: +91-22-6659-6354

Suvodeep Rakshit
suvodeep.rakshit@kotak.com
Mumbai: +91-22-6634-1409

Shubhra Mittal
shubhra.mittal@kotak.com
Mumbai: +91-22-6659-6489

IIP surprises on the upside

Sectoral classification of IIP growth, March fiscal year-ends, 2009-2011E (%)

	Mining (%)			Manufacturing (%)			Electricity (%)			General (%)		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Weights (%)	10.5			79.4			10.2			100.0		
April	6.1	3.4	12.0	6.7	4.1	18.0	1.4	6.7	6.9	6.2	4.3	16.6
May	5.5	3.4	9.9	4.5	5.5	12.9	2.0	3.0	6.4	4.4	5.1	12.2
June	0.1	14.2	8.8	6.1	13.4	7.4	2.6	8.0	3.5	5.4	13.0	7.2
July	2.8	8.7	9.5	6.9	11.7	16.5	4.5	4.2	3.7	6.4	10.9	15.2
August	2.8	11.0	6.6	1.7	14.7	7.5	0.8	10.6	1.0	1.7	14.1	6.9
September	5.8	7.4	4.9	6.2	13.9	4.6	4.4	7.5	1.7	6.0	13.0	4.4
October	3.2	9.1	6.5	(0.6)	15.3	11.3	4.4	4.0	8.8	0.1	13.8	10.8
November	0.7	10.7		2.7	17.4		2.6	1.8		2.5	15.7	
December	2.2	11.1		(0.6)	25.2		1.6	5.4		(0.2)	22.6	
January	0.7	15.3		1.0	24.0		1.8	5.6		1.0	21.9	
February	(0.2)	11.0		0.2	21.4		0.7	7.3		0.2	19.6	
March	1.9	12.3		(0.3)	24.3		6.3	8.3		0.3	22.2	
April-October	3.8	8.1	8.3	4.5	11.2	11.0	2.8	6.2	4.6	4.3	10.6	10.3

Source: CSO, Kotak Institutional Equities

Consumer durables turns strong again

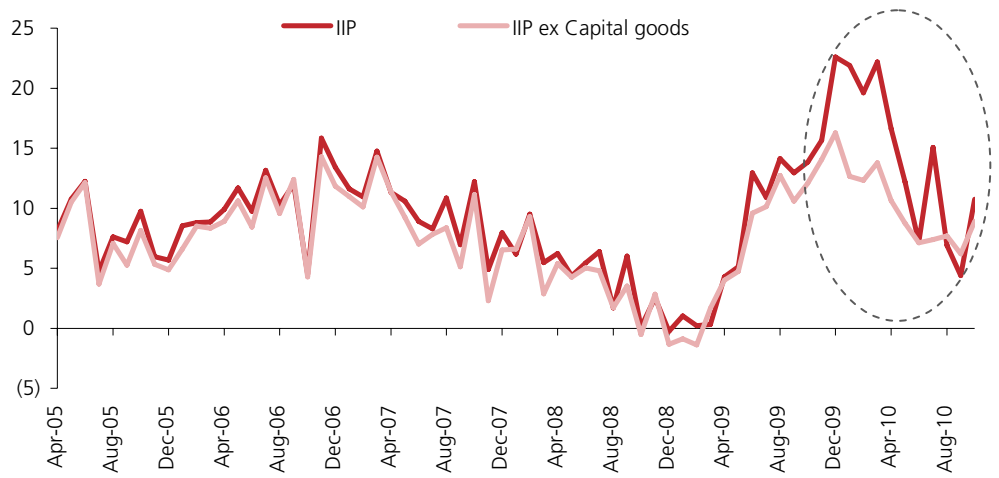
Use-based classification of IIP growth, March fiscal year-ends, 2009-2011 (%)

	Basic goods			Capital goods			Intermediate goods			Consumer goods			Consumer durables			Consumer non-durables		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Weights (%)	35.6			9.3			26.5			28.7			5.4			23.3		
April	4.0	4.5	9.1	12.4	7.1	64.1	3.1	12.6	10.8	8.5	(2.9)	11.9	3.2	19.9	32.1	10.0	(9.0)	4.8
May	3.0	3.7	5.5	4.3	8.3	37.2	1.9	11.0	11.0	7.4	0.6	7.2	2.8	16.1	23.7	9.0	(4.1)	1.0
June	2.2	10.7	2.9	7.8	35.0	7.5	2.8	12.3	9.7	9.9	6.3	8.6	4.6	19.4	26.5	11.6	2.1	2.0
July	5.3	4.7	5.2	17.9	16.2	65.0	3.0	14.5	9.8	5.9	11.7	7.3	13.9	25.4	22.5	3.4	6.9	1.1
August	3.9	7.7	3.6	0.9	23.6	2.1	(5.5)	19.2	11.1	6.4	12.4	8.5	3.9	26.4	27.1	7.3	7.5	0.8
September	5.0	5.3	3.4	20.8	25.8	(4.1)	(2.5)	15.6	10.9	7.4	11.5	4.8	14.7	26.3	10.9	4.8	5.6	1.9
October	3.2	4.0	7.7	4.2	25.4	22.0	(4.4)	20.2	9.5	(0.9)	13.9	9.6	(1.6)	22.2	31.0	(0.6)	10.6	0.1
November	2.2	6.0		0.5	25.7		(3.9)	24.0		9.4	14.0		0.3	40.4		12.4	6.0	
December	2.0	8.4		6.6	59.7		(8.9)	28.5		1.7	14.8		(4.2)	48.6		3.2	6.6	
January	(0.7)	11.5		15.9	85.0		(7.2)	26.6		3.6	4.4		2.1	33.7		4.0	(3.4)	
February	(0.1)	8.5		11.8	67.1		(3.0)	20.0		(1.3)	10.1		6.0	32.7		(3.4)	3.0	
March	1.9	10.8		(6.3)	68.3		1.9	18.5		1.3	12.9		8.4	35.6		(1.0)	5.2	
April-October	3.8	5.8	5.8	9.7	20.9	24.0	(0.3)	14.9	10.4	6.4	7.4	8.2	5.8	22.4	25.8	6.6	2.3	1.7

Source: CSO, Kotak Institutional Equities

Underlying growth momentum remains strong

IIP growth rate and IIP ex-Capital goods growth rate on y/y basis, 2005-2010, (%)



Source: CSO, Kotak Institutional Equities

DECEMBER 13, 2010

UPDATE

BSE-30: 19,509

Overstated concerns; opportunity to BUY. We retain our positive stance on banks and find little merit in arguments for a sharp deterioration in the operating environment. We believe margins will moderate only marginally from 2Q's elevated levels, but remain very healthy nevertheless. Most banks, including PSU banks, have been hiking their lending rates and hence, current concerns on margins due to severe liquidity crunch are clearly overstated. We remain positively biased towards high CASA banks – SBI, PNB, BoB as our best picks amongst public banks. Like ICICI and Axis Bank amongst private.

Opportunity to BUY from recent price correction

Banking stocks have corrected sharply on the back of heightened concerns on tight liquidity that could result in margin pressures, increasing NPL risk due to telecom / real estate exposures and probably this having some impact on growth.

- ▶ We are not overly concerned about margins and believe that margins for the banking sector have always remained strong in a tighter liquidity environment.
- ▶ Further, while the NPL risk always remains in all forms of lending and recent news flows do not seem very positive – likely telecom exposure of banking sector is 2% of loans and real estate is another about 3%, with reasonable collaterals.
- ▶ Further, loan growth is always a function of the overall GDP growth and at 8.5-9% real GDP growth 18-20% growth is unlikely to pose a challenge. We reiterate our positive view on the sector and are buyers at current levels.

Valuations very comforting to BUY

Valuations have become very comforting, post a 20-25% correction from peak levels. We do not see big risks to our earnings on back of tight liquidity or some bit of higher NPLs. PSU Banks now trade at 1-1.6XFY2012E with compelling RoEs of 17-23%. We also like private banks which have reasonable high levels of CASA – 40-50%. Our top picks are SBI, PNB, and BOB amongst public banks and ICICI Bank, and Axis Bank amongst private banks. Owing to the tighter liquidity conditions which may persist, we remain negatively biased on NBFCs.

Margins remain strong in tighter liquidity environment; Banks have been increasing base rates

Liquidity in the system has consistently remained tight over the past six months and the situation has accentuated in the month of December (a seasonally tight month). The environment may continue to remain tight for some time, but we expect some respite from January as government spending improves. In times of tight liquidity, banks will raise deposit rates, but pricing power remains with banks, resulting in higher lending rates as well. We concede that SBI's deposit rate hike was steep at one go, but the bank had not hiked its rates earlier and the measure appeared largely an exercise to align deposit rates to market rates. Further, we strongly believe that over time, all banks including SBI will also raise lending rates. With RBI having introduced a base rate, banks would be forced to revisit their respective lending rates as deposit costs have gone up. A high CASA bank has a natural advantage as its deposit costs do not rise as much as some of the wholesale focused banks.

Manish Karwa
manish.karwa@kotak.com
Mumbai: +91-22-6634-1350

M B Mahesh
mb.mahesh@kotak.com
Mumbai: +91-22-6634-1231

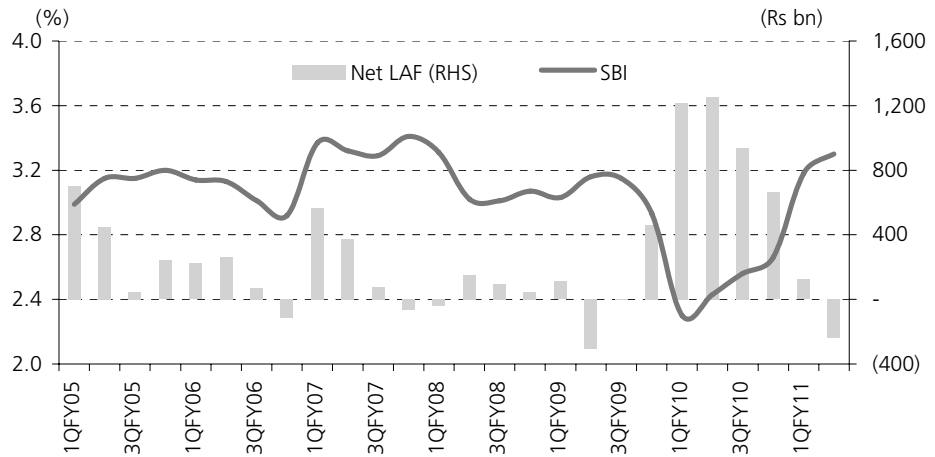
Nischint Chawathe
nischint.chawathe@kotak.com
Mumbai: +91-22-6634-1545

Kotak Institutional Equities Research
kotak.research@kotak.com
Mumbai: +91-22-6634-1100

Many banks have already raised lending rates

Over the last week, many banks like HDFC Bank, ICICI, Axis, PNB, Andhra Bank, BoB etc have already raised their lending rates. We expect all other banks to also hike rates – base rates have to go up in any case, as they are calculated on stated formula linked to the deposit rates (1 year deposit rate in most cases). Thus, we expect base rates for all banks to rise by December end of first week of January.

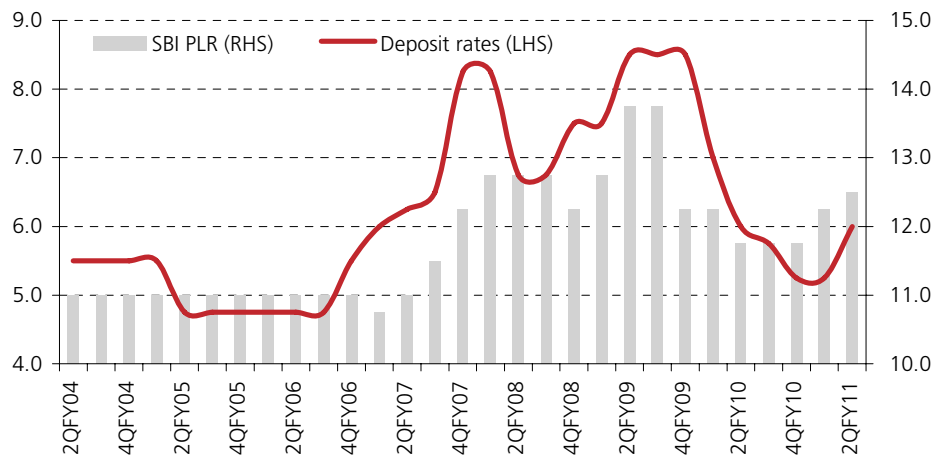
Tight liquidity can result in short-term NIM pressure before pricing power emerges
 Net LAF borrowing and NIM's for SBI, March fiscal year-ends, 1QFY04-2QFY11 (%)



Source: Company, Kotak Institutional Equities

Lending rates catches up with deposit rates eventually

Movement in SBI PLR and deposit rates (180 days-1 year), March fiscal year-ends, 2QFY04-2QFY11 (%)



Source: Kotak Institutional Equities

NIMs have seen sharp improvement in recent quarters
Reported NIM, March fiscal year-ends, 2QFY10-2QFY11(%)

	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11
Public banks					
Andhra Bank	3.1	3.4	3.4	3.7	3.9
BoB	2.6	3.0	3.0	2.9	3.0
BoI	2.6	2.6	2.6	2.9	2.8
Canara Bank	2.7	2.7	2.8	3.0	3.2
Corporation Bank	2.3	2.5	2.5	2.6	2.6
Indian Bank	3.5	3.8	3.9	3.7	3.8
IOB	2.7	2.8	2.7	2.9	3.0
OBC	2.0	3.0	3.3	3.3	3.3
PNB	3.6	3.8	4.0	3.9	4.1
SBI	2.6	2.8	3.0	3.2	3.4
Union Bank	2.3	2.7	3.4	3.0	3.4
Old private banks					
Federal Bank	3.7	4.1	4.2	4.2	4.4
J&K Bank	3.0	3.3	3.3	3.7	3.7
New private banks					
Axis Bank	3.5	4.0	4.1	3.7	3.7
HDFC Bank	4.2	4.3	4.4	4.3	4.2
ICICI Bank	2.5	2.6	2.6	2.5	2.6
Yes Bank	3.1	3.1	3.0	3.1	3.0

Source: Company, Kotak Institutional Equities

We assume decline in NIM in 2012
Yearly NIM (calculated) March fiscal year-ends, 2009-2013E (%)

	2009	2010	2011E	2012E	2013E
Public banks					
Andhra Bank	2.7	2.8	3.2	3.0	2.9
BoB	2.6	2.4	2.7	2.6	2.6
BoI	2.8	2.4	2.6	2.5	2.4
Canara Bank	2.5	2.4	2.8	2.7	2.6
Corporation Bank	2.3	2.3	2.5	2.4	2.3
Indian Bank	3.5	3.7	3.7	3.6	3.4
IOB	2.7	2.6	2.9	2.9	2.8
OBC	2.0	2.4	3.0	2.8	2.7
PNB	3.2	3.3	3.7	3.6	3.7
SBI	2.6	2.5	2.9	2.8	2.8
Union Bank	2.8	2.4	2.9	2.8	2.8
Old private banks					
Federal Bank	3.8	3.5	3.9	3.8	3.7
J&K Bank	2.9	2.9	3.4	3.3	3.2
New private banks					
Axis Bank	3.0	3.1	3.4	3.3	3.3
HDFC Bank	4.9	4.3	4.3	4.2	4.2
ICICI Bank	2.4	2.4	2.6	2.9	2.9
Yes Bank	2.7	2.8	2.8	2.6	2.5

Source: Company, Kotak Institutional Equities

Baring few banks, deposit growth has been healthy; CASA franchisees to become more meaningful
Yoy growth in deposits and CASA ratio, March fiscal year-ends, 2QFY10-2QFY11 (%)

	Deposit growth					CASA ratio				
	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11
Public banks										
Andhra Bank	23.3	23.7	30.8	23.7	26.2	32.3	30.0	29.5	29.4	30.4
Bank of Baroda	28.7	27.6	25.3	28.2	30.0	36.2	36.9	35.6	35.2	35.9
Bank of India	21.0	20.0	21.1	19.8	21.3	26.7	27.7	26.9	27.8	28.2
Canara Bank	19.1	19.5	25.6	23.3	22.0	28.7	30.0	29.1	29.0	28.9
Corporation Bank	34.2	36.4	25.3	26.2	19.8	22.3	23.3	28.6	24.1	25.0
Indian Bank	20.1	20.1	20.1	20.1	20.1	31.0	31.1	31.8	32.7	32.2
Indian Overseas Bank	20.5	16.9	10.7	8.6	8.0	30.8	30.0	32.6	33.1	33.1
Oriental Bank of Commerce	23.5	21.2	22.3	19.8	16.6	23.7	24.4	25.0	24.3	25.4
Punjab National Bank	23.9	18.7	18.9	16.6	18.4	38.5	38.5	40.9	40.9	40.9
State Bank of India	24.7	11.3	8.4	6.8	10.7	41.0	42.9	46.7	47.5	47.8
Union Bank	30.4	30.4	30.4	30.4	30.4	33.0	32.3	31.6	32.6	32.7
Old private banks										
Federal Bank	26.5	26.9	12.0	10.2	8.0	25.8	25.9	26.2	29.0	29.4
J&K Bank	5.1	7.7	12.8	20.0	21.9	37.0	41.1	40.7	37.8	41.1
New private banks										
Axis Bank	12.4	7.7	20.4	33.8	35.7	42.8	45.6	46.7	40.2	41.5
HDFC Bank	12.0	6.9	17.2	25.6	30.4	50.3	51.7	52.0	49.2	50.6
ICICI Bank	#	(11.8)	(5.5)	(7.5)	(4.4)	36.9	39.6	41.7	42.1	44.0
Yes Bank	35.1	62.8	65.7	97.1	106.6	9.6	10.1	10.5	10.5	10.1

Source: Company, Kotak Institutional Equities

NPL risk – blown out of proportion

On asset quality, the exposure of the banking sector to perceived high risk sectors currently – telecom is about 1.8% and about 3% for real estate. Within telecom, larger companies have a very high share and thus this should not be very worrying. Further, on real estate, our discussions with bankers suggests that the collateral levels are comfortable and over the past couple of years, incremental funds have largely gone for residential projects and not for commercial projects. Thus, we do not see any large scale defaults in this portfolio. Also, we capture some of the delinquencies through our earnings and do not believe our expectations on delinquencies are at a higher risk.

Normal slippages expected and we build these into our estimates

Gross NPL ratio, March fiscal year-ends, 2007-2013E (%)

	2007	2008	2009	2010	2011E	2012E	2013E
Public banks							
Andhra Bank	1.4	1.1	0.8	0.9	1.1	1.3	1.5
BoB	2.5	1.8	1.3	1.3	1.6	1.8	1.9
Bol	2.4	1.7	1.7	2.8	2.4	2.1	2.0
Canara Bank	1.5	1.2	1.6	1.5	1.4	1.3	1.2
Corporation Bank	2.1	1.5	1.1	1.0	1.3	1.4	1.3
Indian Bank	1.9	1.2	0.9	0.8	1.4	1.2	1.0
IOB	2.3	1.6	2.5	4.7	4.1	3.6	3.3
OBC	3.2	2.3	1.5	1.7	1.7	1.7	1.6
PNB	3.4	2.7	1.8	1.8	2.3	2.4	2.2
SBI	3.1	3.0	2.8	3.0	3.5	3.1	2.6
Union Bank	2.9	2.2	2.0	2.2	3.1	3.2	3.2
Public banks	2.7	2.3	2.0	2.3	2.6	2.4	2.2
Old private banks							
Federal Bank	3.0	2.4	2.6	3.0	4.0	3.9	3.9
J&K Bank	2.9	2.5	2.6	1.9	2.5	2.8	3.0
Old private banks	2.9	2.5	2.6	2.5	3.3	3.4	3.5
New private banks							
Axis Bank	1.1	0.8	1.1	1.2	1.2	1.1	1.1
HDFC Bank	1.4	1.4	2.0	1.5	1.2	1.0	1.2
ICICI Bank	2.5	3.7	4.3	4.9	4.4	3.9	3.9
Yes Bank	-	0.1	0.7	0.3	0.4	0.6	0.6
New private banks	2.1	2.8	3.1	3.0	2.6	2.2	2.1
Sector	2.6	2.4	2.3	2.4	2.6	2.4	2.2

Source: Company, Kotak Institutional Equities estimates

Loan loss provisions is expected decline in 2012E
Loan loss provisions as a % of loans, March fiscal year-ends, 2006-2013E

	2006	2007	2008	2009	2010	2011E	2012E	2013E
Public banks								
Andhra Bank	0.4	0.3	0.4	0.5	0.8	0.7	0.6	0.6
BoB	0.7	0.6	0.7	0.3	0.7	0.5	0.5	0.5
Bol	1.0	1.0	0.9	0.7	1.1	0.7	0.8	0.8
Canara Bank	1.1	0.7	0.9	0.7	1.0	0.6	0.7	0.6
Corp Bank	1.1	1.0	0.5	0.4	0.7	0.7	0.6	0.5
Indian Bank	0.7	0.6	1.3	0.2	0.8	1.3	1.0	0.6
IOB	0.6	0.5	0.4	0.6	1.2	1.0	1.0	0.9
OBC	0.0	(0.3)	(0.3)	0.4	0.7	0.8	0.7	0.7
PNB	0.1	0.9	0.5	0.8	0.7	0.9	0.8	0.7
SBI	0.2	0.7	0.7	0.6	0.9	1.3	1.1	0.9
Union Bank	0.5	0.8	1.0	0.8	0.8	0.9	0.7	0.6
Total	0.51	0.68	0.66	0.59	0.88	0.93	0.82	0.73
Old private banks								
Federal Bank	1.5	0.9	1.3	1.7	1.7	1.8	1.2	1.2
J&K Bank	0.8	0.8	0.3	0.5	0.8	0.6	0.4	0.4
New private banks								
Axis Bank	0.9	0.7	1.0	1.3	1.5	1.2	1.0	0.9
HDFC Bank	1.6	2.1	2.2	2.1	1.7	1.2	1.1	1.0
ICICI Bank	0.7	1.3	1.3	1.7	2.2	1.3	0.9	0.8
Yes Bank	-	-	0.3	0.8	0.7	0.2	0.4	0.5
Coverage universe	0.60	0.82	0.83	0.84	1.08	0.98	0.85	0.75

Source: Company, Kotak Institutional Equities estimates

PSU Banks have witnessed pressure in NPLs in recent quarters and have already recognized large NPLs
NPL ratios, 3Q10-2QFY11

	Gross NPLs (Rs bn)				Gross NPLs (%)				Net NPLs (Rs bn)				Net NPLs (%)			
	3QFY10	4QFY10	1QFY11	2QFY11	3QFY10	4QFY10	1QFY11	2QFY11	3QFY10	4QFY10	1QFY11	2QFY11	3QFY10	4QFY10	1QFY11	2QFY11
Public banks																
Andhra Bank	4.5	4.9	5.8	7.7	0.9	0.9	1.0	1.3	0.9	1.0	1.7	3.0	0.2	0.2	0.3	0.5
BoB	22.6	24.0	26.6	27.2	1.4	1.4	1.4	1.4	4.9	6.0	7.2	7.3	0.3	0.3	0.4	0.4
Bol	41.9	48.8	47.9	48.7	2.7	2.9	2.7	2.6	16.0	22.1	20.6	20.7	1.0	1.3	1.2	1.1
Canara Bank	26.2	25.9	25.5	26.4	1.8	1.5	1.5	1.5	19.8	18.0	17.3	18.6	1.3	1.1	1.0	1.1
Corporation	7.5	6.5	7.3	7.4	1.3	1.0	1.1	1.1	2.6	2.0	2.8	2.7	0.5	0.3	0.4	0.4
Indian Bank	5.1	5.1	9.9	9.0	0.9	0.8	1.5	1.3	0.9	1.4	5.1	5.1	0.2	0.2	0.8	0.7
IOB	32.2	36.1	35.7	33.3	4.1	4.5	4.3	3.8	16.9	19.9	17.9	17.6	2.2	2.5	2.2	2.1
OBC	12.9	14.7	15.0	15.0	1.6	1.7	1.7	1.7	5.6	7.3	6.2	6.1	0.8	0.9	0.7	0.7
PNB	31.6	32.1	36.1	40.2	1.8	1.7	1.8	1.9	8.1	9.8	12.8	14.3	0.5	0.5	0.7	0.7
SBI	188.6	195.3	208.3	232.0	3.1	3.1	3.1	3.4	112.7	108.7	110.7	116.0	1.9	1.7	1.7	1.7
Union Bank	20.9	26.7	27.4	35.2	2.0	2.2	2.2	2.8	6.1	9.7	11.5	14.6	0.6	0.8	0.9	1.2
Old private banks																
Federal Bank	7.9	8.2	10.4	10.9	3.0	3.0	3.7	3.8	1.5	1.3	2.0	1.9	0.6	0.5	0.7	0.7
J&K Bank	4.6	4.6	4.5	5.1	2.2	2.0	1.9	2.2	0.8	0.6	0.1	0.3	0.4	0.3	0.0	0.1
New private banks																
Axis Bank	11.7	13.2	13.4	13.6	1.2	1.1	1.1	1.1	4.3	4.2	4.1	4.1	0.5	0.4	0.4	0.3
HDFC Bank	19.7	18.2	17.9	18.4	1.6	1.4	1.2	1.2	5.4	3.9	4.1	4.1	0.4	0.3	0.3	0.3
ICICI Bank	90.7	96.3	99.8	102.3	5.1	5.3	5.4	5.3	44.2	39.0	35.1	31.9	2.5	2.2	1.9	1.6
Yes Bank	0.5	0.6	0.6	0.7	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.0	0.1
Total	529.2	561.3	592.0	633.2	2.5	2.4	3.4	3.5	250.8	255.1	259.4	268.4	1.2	1.2	1.1	1.1
QoQ (%) incre	7.0	6.1	5.5	7.0					14.1	1.7	1.7	3.5				

Source: Kotak Institutional Equities

...and slippages have been sharp

	Additions to NPL (Rs bn)					Slippage ratio (%)				
	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11
Andhra Bank	3,591	3,984	4,469	4,879	5,793	0.7	0.7	1.6	1.0	1.7
Bank of Baroda	3,131	4,520	4,552	6,392	3,151	0.9	1.2	1.2	1.5	0.7
Bank of India	13,834	6,826	14,496	6,910	8,180	3.7	1.7	3.4	1.6	1.8
Corporation Bank	1,011	1,918	975	2,187	1,274	0.9	1.5	0.7	1.4	0.8
Indian Overseas Bank	5,826	8,375	11,440	3,540	7,590	3.0	4.3	5.8	1.8	3.7
Oriental Bank of Commerce			6,046	1,140	3,190			3.1	0.5	1.5
Punjab National Bank	3,250	11,260	8,530	12,160	9,110	0.8	2.8	2.0	2.6	1.9
State Bank of India	67,180	26,210	25,040	40,810	44,120		1.8	1.7	2.6	2.7
Union Bank	3,070	4,720	8,170	6,230	11,300	1.3	1.9	3.1	2.1	3.6
Federal Bank	1,830	2,430	3,220	3,270	2,570	3.1	3.8	4.9	4.9	3.8

Source: Company, Kotak Institutional Equities

Credit growth – expect 20% growth in FY2011E

We expect credit growth to at 20% for FY2011E, on the back of a strong GDP growth of 8.5-9%. YTD during the fiscal, we have achieved 10% so far. Bankers do highlight that credit growth is getting somewhat diversified and are seeing early signs of capex revival. Working capital demand across industries remains very strong. Heightened concerns / negative news flows may have some temporary impact (difficult to quantify), but do not change the overall growth picture.

We expect loan growth to get more diversified from current focus in infrastructure
Quarterly break-up of loans (₹ bn)

	Feb-09	May-09	Aug-09	Nov-09	Feb-10	May-10	Sep-10	Proportion to loans (%)	Growth YoY (%)
Food credit	484	588	491	419	479	494	502	1.5	2.1
Agriculture	2,978	3,298	3,298	3,431	3,704	3,995	4,019	12.4	20.3
Industry	10,398	10,404	10,968	11,537	12,485	13,087	14,172	43.6	27.2
Textiles	1,037	1,017	1,060	1,079	1,169	1,206	1,238	3.8	15.6
Chemical / Products	733	708	733	766	795	799	883	2.7	19.1
Iron and Steel	1,004	1,024	1,088	1,155	1,244	1,292	1,376	4.2	24.7
Engineering	669	653	618	655	716	738	830	2.6	32.0
Gems & Jewellery	272	279	291	305	301	317	340	1.0	15.4
Construction	382	378	374	374	413	439	427	1.3	13.0
Infrastructure	2,569	2,748	3,030	3,343	3,656	3,965	4,696	14.5	51.2
Others	3,733	3,598	3,773	3,860	4,190	4,332	4,383	13.5	15.0
Trade		1,420	1,474	1,561	1,650	1,610	1,706	5.3	14.7
Retail loans	5,554	5,575	5,647	5,677	5,814	5,890	6,152	18.9	8.3
Housing	2,724	2,755	2,847	2,918	2,972	3,053	3,172	9.8	10.6
Credit cards	289	270	249	226	207	196	185	0.6	(23.9)
Education loans	278	287	320	344	365	370	409	1.3	26.0
Others	2,263	2,263	2,231	2,189	2,269	2,271	2,386	7.3	6.5
Others	5,997	4,886	4,358	4,956	5,244	5,633	5,942	18.3	33.9
Transporters	386	390	393	405	462	522	539	1.7	34.7
Professional/others	398	447	464	460	126	495	534	1.6	14.0
Real Estate loans	908	945	967	886	916	957	1,017	3.1	4.8
NBFCs	905	947	1,013	1,028	1,138	1,110	1,257	3.9	22.4
Others	3,400	2,157	1,522	2,179	2,602	2,549	2,596	8.0	65.8
Total	25,411	26,170	26,236	27,581	29,376	30,709	32,494		22.2

Source: RBI, Kotak Institutional Equities

Building credit growth at 20% CAGR for FY2010-12E
Credit growth and relationship with nominal/real GDP

	Bank credit (Rs bn)	Growth (%)	GDP (Rs bn)	Nominal GDP growth (%)	Credit growth / Nominal GDP growth (x)	Real GDP growth (%)	Credit growth / Real GDP growth (x)	Bank credit/ GDP (%)
1999	3,801	13.9	17,512	14.7	1.0	6.7	2.1	21.7
2000	4,559	19.9	19,520	11.5	1.7	6.4	3.1	23.4
2001	5,407	18.6	21,024	7.7	2.4	4.4	4.3	25.7
2002	6,635	22.7	22,811	8.5	2.7	5.8	3.9	29.1
2003	7,602	14.6	24,581	7.8	1.9	3.8	3.8	30.9
2004	8,887	16.9	27,655	12.5	1.4	8.5	2.0	32.1
2005	11,826	33.1	31,266	13.1	2.5	7.5	4.4	37.8
2006	15,368	29.9	35,803	14.5	2.1	9.4	3.2	42.9
2007	20,051	30.5	41,458	15.8	1.9	9.6	3.2	48.4
2008	24,770	23.5	46,936	13.2	1.8	9.0	2.6	52.8
2009	30,009	21.1	54,419	15.9	1.3	7.8	2.7	55.1
2010	34,971	16.5	61,642	13.3	1.2	7.2	2.3	56.7
2011E	42,107	20.4	70,960	15.1	1.4	8.6	2.4	59.3
2012E	50,068	18.9	80,543	13.5	1.4	8.1	2.3	62.2
Average (X)					1.8		3.0	

Source: RBI, Kotak Institutional Equities

NBFCs – margin pressure likely

Niche auto finance NBFCs well placed in the current environment

We find accelerating loan growth traction for most NBFCs a positive earnings driver while margins have peaked for most players.

Sharp rise in short-term rates in the past six months

Declining bulk borrowings rates on the back of surplus liquidity in the system buoyed margins for most NBFCs in FY2010. A sharp liquidity squeeze post April 2010 put pressure on short-term rates in the system, thereby impacting the borrowings of NBFCs. Most companies highlighted that they reduced dependence on short-term borrowings and corrected their ALM mismatches from 1QFY11, as such the impact was less pronounced.

Housing finance companies: The recent rate hike will support near-term margins

This may affect demand over the medium term. Housing finance companies have held on to their margins albeit seasonal trends. Competition from banks (primarily SBI) ensured that home loan rates for new customers move up marginally; hike in interest rates for existing customers / PLR, developer loans have helped these companies to report stable margins. Housing finance companies have now (December 2010) raised home loan rates for new customers by 50-75 bps, this will likely support near-term margins though such a rise will impact volumes over the longer-term. While most banks have raised home loan rates, SBI will review its teaser rate home loan scheme in January 2011.

Auto finance: Passing on the rate hikes, well placed in the current environment

Auto finance companies typically report high margin pressures in a rising interest rate environment as all auto finance assets carry a fixed rate while borrowings may be linked to bank PLR. Over the past four quarters, Shriram Transport and Mahindra Finance reduced their dependence on variable rate borrowings to less than 25% of total borrowings. Both companies increased lending rates by 50-100 bps for new loans and will likely report marginal spread compression over the next few quarters. Both players operate in a niche segment, charge lending rates of 18-21% and hence are well placed to pass on any 50-100 bps rate hike.

Infrastructure finance: Margins at peak

We believe margins of infrastructure finance companies are close to peak. IDFC and PFC have already reported a margin qoq decline in 2QFY11. Recent capital issuance has supported REC's margins even as its reported spreads have declined. Infrastructure finance is a low spreads business and the ability of these companies to pass on rate hikes is crucial. We are cautious on the margin trends in this segment.

NBFCs- Margins under pressure

NIM (KS-estimate), September 2009-September 2010 (%)

	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
HDFC	3.6	3.8	4.1	3.1	3.3	3.8	4.6	3.5	3.8
IDFC	3.0	3.9	3.8	3.6	3.9	3.9	4.3	4.1	3.9
LICHF	2.9	3.2	3.2	2.5	2.5	2.8	3.3	3.0	2.9
Mahindra Finance	10.1	10.5	12.4	10.8	11.8	11.4	14.4	11.4	12.5
PFC	3.9	3.8	4.1	4.3	4.3	4.2	4.0	4.2	4.1
REC	4.4	4.1	4.2	4.4	4.5	4.3	4.7	4.7	4.7
Shriram Transport	8.1	7.5	8.3	8.2	8.6	8.5	8.4	8.2	8.4

Source: Kotak Institutional Equities, Company

Accelerating growth traction for most NBFCs

Yoy loan growth, September 2009-September 2010 (%)

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
HDFC	9	10	15	17	19
IDFC	3	12	19	37	56
LICHF	32	35	38	37	36
Mahindra Finance	5	14	22	29	34
PFC	19	20	24	29	28
REC	34	29	29	27	25
Shriram Transport	15	24	44	44	41

Source: Company

Banking sector valuations

Key valuation parameters, March fiscal year-ends, 2010-2012E

	Reco.	CMP (Rs)	EPS (Rs)			PER (X)			BVPS (Rs)			PBR (X)			RoE (%)		
			2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E
Public banks																	
Andhra Bank	BUY	147	21.6	24.0	26.7	6.8	6.1	5.5	91	108	128	1.6	1.4	1.1	26.0	24.1	22.6
Bank of Baroda	BUY	880	83.7	103.0	121.2	10.5	8.5	7.3	376	457	553	2.3	1.9	1.6	24.4	24.7	24.0
Bank of India	ADD	429	33.1	56.3	63.2	13.0	7.6	6.8	239	286	333	1.8	1.5	1.3	14.2	21.3	20.4
Canara Bank	ADD	660	73.7	90.7	102.8	9.0	7.3	6.4	309	385	474	2.1	1.7	1.4	22.5	22.8	21.4
Corporation Bank	ADD	625	82.0	86.7	100.7	7.6	7.2	6.2	403	469	546	1.6	1.3	1.1	22.0	19.9	19.9
Indian Bank	ADD	251	35.1	35.7	44.9	7.2	7.0	5.6	155	183	218	1.6	1.4	1.2	24.9	21.2	22.4
IOB	BUY	139	13.0	16.7	24.1	10.7	8.3	5.8	119	131	152	1.2	1.1	0.9	9.6	11.6	15.0
OBC	ADD	396	45.3	59.0	65.8	8.8	6.7	6.0	292	337	388	1.4	1.2	1.0	14.5	16.8	16.6
PNB	BUY	1,199	123.9	139.8	165.9	9.7	8.6	7.2	524	631	757	2.3	1.9	1.6	26.2	24.2	23.9
SBI	BUY	2,732	144.4	176.6	224.1	18.9	15.5	12.2	1,039	1,184	1,368	2.6	2.3	2.0	14.8	15.9	17.6
SBI incl. banking subs	BUY	2,506	186.0	222.1	263.0	13.5	11.3	9.5	1,295	1,459	1,643	1.9	1.7	1.5	15.4	16.0	16.0
SBI (core banking business)	BUY	2,077	136.1	177.4	205.3	15.3	11.7	10.1	949	1,094	1,278	2.2	1.9	1.6	15.3	17.4	18.2
Union Bank	BUY	321	41.1	42.4	56.1	7.8	7.6	5.7	174	210	258	1.8	1.5	1.2	26.2	22.1	24.1
Old private banks																	
Federal Bank	ADD	407	27.2	36.4	49.0	15.0	11.2	8.3	274	303	342	1.5	1.3	1.2	10.3	12.0	14.7
J&K Bank	ADD	766	105.7	119.3	139.6	7.2	6.4	5.5	621	711	817	1.2	1.1	0.9	18.2	18.4	18.7
New private banks																	
Axis Bank	ADD	1,324	62.1	78.6	99.9	21.3	16.8	13.2	396	457	534	3.3	2.9	2.5	19.2	18.4	20.2
HDFC Bank	REDUCE	2,222	64.4	84.9	111.2	34.5	26.2	20.0	470	537	624	4.7	4.1	3.6	16.1	16.9	19.2
ICICI Bank	ADD	1,117	36.1	45.0	58.1	30.9	24.8	19.2	463	480	518	2.4	2.3	2.2	8.0	9.7	11.7
ICICI standalone	ADD	801	32.8	41.5	54.3	24.4	19.3	14.8	348	368	406	2.3	2.2	2.0	9.7	11.6	14.7
Yes Bank	BUY	294	15.0	21.0	26.6	19.6	14.0	11.0	91	110	133	3.2	2.7	2.2	20.3	21.0	22.0
Non-banks																	
HDFC	REDUCE	669	19.7	24.0	28.1	34.0	27.9	23.8	106	120	137	6.3	5.6	4.9	20.0	21.2	21.9
HDFC core	REDUCE	355	16.6	20.1	23.3	21.4	17.6	15.2	47	59	74	7.6	6.0	4.8	30.3	38.1	35.1
IDFC	ADD	172	8.4	9.6	11.5	20.5	18.0	14.9	54	74	86	3.2	2.3	2.0	16.6	15.7	14.6
India Infoline	BUY	83	8.1	7.7	9.2	10.3	10.8	9.1	56	61	67	1.5	1.4	1.2	15.3	14.2	15.6
LIC Hsg Fin	ADD	923	69.7	107.2	105.7	8.6	5.6	5.7	357	437	516	1.7	1.4	1.2	23.6	27.0	22.2
Mahindra Finance	BUY	735	35.9	48.4	59.5	20.5	15.2	12.3	180	288	333	4.1	2.6	2.2	21.5	21.6	19.2
Power Finance Corporation	SELL	305	20.5	24.1	28.7	14.8	12.6	10.6	116	134	156	2.6	2.3	1.9	19.0	19.3	19.8
Shriram Transport	ADD	718	39.2	55.4	68.1	18.3	13.0	10.5	172	208	252	4.2	3.4	2.8	28.4	29.1	29.6

Source: Companies, Bloomberg, Kotak Institutional Equities estimates

Most banking stocks have declined sharply over the past 10 days

Absolute and relative performance of stocks (%)

	Price (Rs)	Change in price (%)					Relative performance to sensex (%)				
		1 month	3 month	6 month	12 month	Ytd	1 month	3 month	6 month	12 month	Ytd
Public banks											
Andhra Bank	147	(18.1)	(7.6)	6.5	25.0	40.8	(10.9)	(11.0)	(7.6)	10.2	26.0
Bank of Baroda	880	(13.8)	4.4	20.1	72.4	71.2	(6.8)	0.6	4.2	51.9	53.3
Bank of India	429	(17.3)	(12.4)	29.2	10.8	11.4	(10.1)	(15.6)	12.1	(2.4)	(0.3)
Canara Bank	660	(19.7)	16.8	53.5	60.5	69.8	(12.3)	12.6	33.1	41.4	52.0
Corporation Bank	625	(19.4)	(1.8)	17.3	40.8	48.2	(12.1)	(5.4)	1.7	24.0	32.7
Indian Bank	251	(17.1)	(3.3)	9.9	45.3	44.0	(9.9)	(6.8)	(4.7)	28.0	28.9
Indian Overseas Bank	139	(18.5)	(1.3)	50.7	22.2	25.7	(11.2)	(4.9)	30.7	7.7	12.5
OBC	396	(24.8)	(13.0)	18.0	43.0	58.4	(17.1)	(16.1)	2.4	26.0	41.8
Punjab National Bank	1,199	(12.3)	(1.9)	17.7	28.9	32.3	(5.4)	(5.5)	2.1	13.5	18.5
State Bank of India	2,732	(15.0)	(8.4)	17.4	19.0	20.4	(7.9)	(11.8)	1.9	4.8	7.8
Union Bank of India	321	(17.6)	(9.8)	4.0	18.8	21.5	(10.3)	(13.0)	(9.8)	4.6	8.8
Old private banks											
Federal Bank	407	(16.5)	9.3	21.2	64.1	72.8	(9.4)	5.4	5.2	44.6	54.7
J&K Bank	766	(15.2)	(7.5)	1.2	26.1	32.0	(8.1)	(10.9)	(12.2)	11.1	18.1
New private banks											
Axis Bank	1,324	(14.2)	(4.0)	6.1	29.6	33.8	(7.2)	(7.5)	(8.0)	14.2	19.8
HDFC Bank	2,222	(7.2)	(1.0)	16.0	24.5	30.6	(0.7)	(4.6)	0.6	9.7	16.9
ICICI Bank	1,117	(11.0)	6.4	34.7	27.5	27.4	(4.2)	2.5	16.9	12.4	14.0
Yes Bank	294	(20.4)	(8.4)	4.2	13.7	10.4	(13.0)	(11.8)	(9.6)	0.1	(1.2)
Non-banks											
HDFC	669	(7.8)	6.1	21.6	22.8	24.9	(1.2)	2.3	5.4	8.2	11.8
IDFC	172	(15.2)	(9.1)	3.8	3.2	11.6	(8.1)	(12.4)	(10.0)	(9.1)	(0.1)
Indiabifoline	83	(30.8)	(18.0)	(10.4)	(39.0)	(35.3)	(22.8)	(21.0)	(22.3)	(46.2)	(42.1)
LIC Housing Finance	923	(33.5)	(21.7)	(5.0)	12.0	15.0	(25.3)	(24.5)	(17.6)	(1.3)	2.9
MMFS	735	(9.4)	16.3	56.7	133.7	114.4	(2.7)	12.1	35.9	105.9	92.0
PFC	305	(17.2)	(12.9)	0.9	16.3	16.6	(10.0)	(16.0)	(12.4)	2.4	4.4
Shriram Transport	718	(17.5)	(6.6)	22.7	54.8	47.1	(10.3)	(10.0)	6.5	36.4	31.7

Source: Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	10-Dec-10		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US\$ mn)
Automobiles																													
Ashok Leyland	71	ADD	93,786	2,082	1,330	2.8	4.9	6.5	84.5	75.1	31.9	25.0	14.3	10.8	14.4	9.8	7.9	2.3	2.1	1.8	2.1	1.4	1.4	10.9	15.4	17.9	85	20.6	8.1
Bajaj Auto	1,491	REDUCE	431,316	9,573	289	58.8	91.0	103.6	160.2	54.6	13.9	25.3	16.4	14.4	16.3	11.6	10.0	14.7	8.8	6.0	0.7	1.3	1.3	70.9	67.4	49.6	1,450	(2.7)	17.6
Bharat Forge	371	ADD	88,763	1,970	239	0.7	12.4	20.3	(92.0)	1,707.0	63.3	540.1	29.9	18.3	27.3	12.4	8.6	2.3	2.3	2.0	—	—	—	0.9	16.2	20.6	400	7.7	4.4
Hero Honda	1,785	REDUCE	356,524	7,913	200	111.8	109.0	126.8	74.1	(2.5)	16.3	16.0	16.4	14.1	10.0	10.3	8.6	9.9	7.0	5.2	1.7	1.6	1.9	59.0	49.9	42.5	1,775	(0.6)	20.2
Mahindra & Mahindra	781	BUY	464,914	10,319	595	33.9	47.2	54.7	125.8	39.2	15.9	23.0	16.6	14.3	15.1	11.9	10.0	5.8	4.5	3.6	1.2	1.2	1.2	30.0	30.7	28.2	805	3.1	34.1
Maruti Suzuki	1,413	BUY	408,302	9,062	289	86.4	80.5	95.0	105.0	(6.9)	18.0	16.3	17.6	14.9	8.8	9.1	7.5	3.4	2.9	2.4	0.4	0.4	0.5	23.3	17.8	17.7	1,701	20.4	16.5
Tata Motors	1,248	ADD	803,250	17,828	644	27.4	125.8	148.1	(182.5)	359.4	17.7	45.6	9.9	8.4	15.5	7.0	5.8	5.2	3.0	2.2	1.1	0.5	0.5	8.7	9.3	10.4	1,420	13.8	104.3
Automobiles Cautious 2,646,855 58,747 276.0 81.9 19.6 25.3 13.9 11.7 13.7 9.0 7.5 5.3 3.8 2.9 1.0 0.9 1.0 20.9 27.2 25.1																													
Banks/Financial Institutions																													
Andhra Bank	147	BUY	71,222	1,581	485	21.6	24.0	26.7	60.1	11.5	11.1	6.8	6.1	5.5	—	—	—	1.6	1.4	1.1	3.4	3.8	4.2	26.0	24.1	22.6	210	43.0	7.2
Axis Bank	1,324	ADD	536,268	11,903	405	62.1	78.6	99.9	22.7	26.6	27.2	21.3	16.8	13.2	—	—	—	3.3	2.9	2.5	0.9	1.1	1.5	19.2	18.4	20.2	1,700	28.4	53.9
Bank of Baroda	880	BUY	321,683	7,140	366	83.7	103.0	121.2	37.3	23.1	17.7	10.5	8.5	7.3	—	—	—	2.3	1.9	1.6	1.7	2.1	2.5	24.4	24.7	24.0	1,250	42.0	10.2
Bank of India	429	ADD	225,512	5,005	526	33.1	56.3	63.2	(42.1)	70.2	12.2	13.0	7.6	6.8	—	—	—	1.8	1.5	1.3	1.6	2.8	3.1	14.2	21.3	20.4	580	35.3	20.1
Canara Bank	660	ADD	270,641	6,007	410	73.7	90.7	102.8	45.8	23.1	13.4	9.0	7.3	6.4	—	—	—	2.2	1.7	1.4	1.5	1.5	1.8	22.5	22.8	21.4	740	12.1	23.3
Corporation Bank	625	ADD	89,577	1,988	143	82.0	86.7	100.7	31.8	5.7	16.2	7.6	7.2	6.2	—	—	—	1.6	1.3	1.1	2.6	2.8	3.2	22.0	19.9	19.9	800	28.1	2.0
Federal Bank	407	ADD	69,628	1,545	171	27.2	34.7	47.2	(7.1)	27.7	35.9	15.0	11.7	8.6	—	—	—	1.5	1.4	1.2	1.2	1.6	2.1	10.3	12.0	14.7	530	30.2	8.6
HDFC	669	REDUCE	959,809	21,303	1,436	19.7	24.0	28.1	22.7	21.8	17.2	34.0	27.9	23.8	—	—	—	6.3	5.6	4.9	1.1	1.3	1.5	20.0	21.2	21.9	720	7.7	58.1
HDFC Bank	2,222	REDUCE	1,017,266	22,578	458	64.4	84.9	111.2	22.1	31.8	31.0	34.5	26.2	20.0	—	—	—	4.7	4.1	3.6	0.5	0.7	0.9	16.1	16.9	19.2	2,500	12.5	48.1
ICICI Bank	1,117	ADD	1,285,658	28,535	1,151	36.1	45.0	58.0	6.9	24.6	29.0	30.9	24.8	19.3	—	—	—	2.5	2.3	2.2	1.0	1.2	1.6	8.0	9.7	11.6	1,230	10.1	114.7
IDFC	172	ADD	251,055	5,572	1,458	8.4	9.6	11.5	44.9	14.1	20.4	20.5	18.0	14.9	—	—	—	3.6	2.3	1.9	0.8	1.0	1.3	16.6	15.7	14.6	220	27.8	31.1
India Infoline	83	BUY	25,989	577	312	8.1	7.5	8.8	59.2	(8.0)	17.1	10.3	11.1	9.5	—	—	—	1.6	1.4	1.2	3.8	1.9	2.5	14.7	13.3	14.3	130	56.0	6.2
Indian Bank	251	ADD	108,001	2,397	430	35.1	35.7	44.9	25.5	1.6	25.9	7.2	7.0	5.6	—	—	—	1.6	1.4	1.2	2.6	2.5	3.2	24.1	20.5	21.8	350	39.3	5.0
Indian Overseas Bank	139	BUY	75,564	1,677	545	13.0	16.8	24.1	(46.7)	29.8	43.2	10.7	8.2	5.8	—	—	—	1.2	1.1	0.9	2.5	2.8	3.1	9.6	11.6	15.0	200	44.2	5.3
J&K Bank	761	ADD	36,912	819	48	105.7	123.0	143.9	25.0	16.4	17.0	7.2	6.2	5.3	—	—	—	1.2	1.1	1.0	2.9	3.4	3.9	18.2	18.4	18.7	1,000	31.4	2.6
LIC Housing Finance	923	ADD	87,681	1,946	95	69.7	107.2	105.7	11.5	53.7	(1.4)	13.2	8.6	8.7	—	—	—	2.7	2.2	1.9	1.6	2.5	2.5	23.6	27.0	22.2	1,030	11.6	70.3
Mahindra & Mahindra Financial	735	BUY	70,531	1,565	96	35.9	51.3	60.3	60.0	43.0	17.5	20.5	14.3	12.2	—	—	—	4.1	3.5	2.9	1.0	1.5	1.7	21.5	25.7	25.0	750	2.1	6.6
Oriental Bank of Commerce	396	ADD	99,326	2,205	251	45.3	59.0	65.8	25.3	30.2	11.6	8.8	6.7	6.0	—	—	—	1.4	1.2	1.0	2.3	3.0	3.3	14.5	16.8	16.6	580	46.3	10.5
PFC	305	SELL	349,898	7,766	1,148	20.5	24.1	28.7	54.0	17.5	19.1	14.8	12.6	10.6	—	—	—	2.8	2.4	2.0	1.5	1.6	1.9	19.0	19.3	19.8	325	6.6	3.9
Punjab National Bank	1,199	BUY	378,095	8,392	315	123.9	139.8	165.5	26.4	12.9	18.4	9.7	8.6	7.2	—	—	—	2.3	1.9	1.6	1.8	2.4	2.8	26.2	24.2	23.9	1,500	25.1	11.4
Reliance Capital	659	REDUCE	162,219	3,600	246	13.7	13.0	14.5	(65.2)	(4.7)	11.5	48.2	50.6	45.4	—	—	—	2.4	2.3	2.2	1.0	0.8	0.9	5.2	4.6	5.0	800	21.4	29.8
Rural Electrification Corp.	304	REDUCE	300,315	6,666	987	20.3	26.5	31.8	23.2	30.8	19.8	15.0	11.5	9.6	—	—	—	2.7	2.4	2.0	2.1	2.6	3.1	22.0	22.0	22.8	350	15.1	15.7
Shriram Transport	718	ADD	160,103	3,554	223	39.2	55.4	68.1	30.1	41.4	23.0	18.3	13.0	10.5	—	—	—	4.3	3.6	3.0	1.6	2.3	2.8	28.4	29.1	29.6	850	18.5	9.6
SKS Microfinance	654	BUY	48,200	1,070	74	26.9	35.5	55.9	61.1	31.9	57.4	24.3	18.4	11.7	—	—	—	5.1	2.5	2.0	—	—	—	21.7	18.0	19.3	950	45.2	23.5
SREI	96	NR	11,164	248	116	8.3	7.9	9.9	17.8	(4.8)	25.8	11.6	12.2	9.7	—	—	—	0.9	0.9	0.8	1.3	1.3	1.3	11.1	10.5	12.3	—	—	6.4
State Bank of India	2,732	BUY	1,734,785	38,504	635	144.4	176.6	224.1	0.5	22.3	26.9	18.9	15.5	12.2	—	—	—	2.6	2.3	2.0	1.1	1.2	1.2	14.8	15.9	17.6	3,500	28.1	179.8
Union Bank	321	BUY	162,118	3,598	505	41.1	42.4	56.1	20.2	3.1	32.6	7.8	7.6	5.7	—	—	—	1.8	1.5	1.2	1.7	1.8	2.3	26.2	22.1	24.1	450	40.2	8.3
Yes Bank	294	BUY	99,760	2,214	340	15.0	21.0	26.6	46.7	40.2	26.6	19.6	14.0	11.0	—	—	—	3.2	2.7	2.2	0.5	0.7	0.9	20.3	21.0	22.0	400	36.2	17.9
Banks/Financial Institutions Attractive 9,008,979 199,955 15.0 23.9 22.4 17.8 14.4 11.8 2.8 2.4 2.1 1.2 1.5 1.7 15.5 16.6 17.6																													
Cement																													
ACC	1,075	REDUCE	202,009	4,484	188	83.2	56.4	63.6	47.9	(32.3)	12.9	12.9	19.1	16.9	6.9	9.0	7.3	3.2	2.8	2.5	2.5	2.2	2.2	29.3	17.5	17.6	940	(12.6)	12.2
Ambuja Cements	142	SELL	216,177	4,798	1,522	8.0	8.1	9.0	11.4	1.4	10.6	17.7	17.5	15.8	9.8	9.7	8.0	3.1	2.7	2.4	1.3	1.4	1.5	19.3	17.1	16.8	108	(23.9)	7.6
Grasim Industries	2,319	ADD	212,643	4,720	92	301.0	194.9	238.6	26.1	(35.2)	22.4	7.7	11.9	9.7	4.6	5.7	4.2	1.7	1.5	1.3	1.4	1.5	1.5	22.9	13.5	14.7	2,500	7.8	4.6
India Cements	106	SELL	32,637	724	307	10.0	5.3	7.9	(43.5)	(47.6)	49.8	10.6	20.2	13.5	5.9	8.8	6.6	0.8	0.8	0.7	2.0	3.0	3.0	8.2	4.1	6.0	95	(10.6)	4.8
Shree Cement	1,991	BUY	69,343	1,539	35	208.0	152.4	239.2	19.0	(26.7)	56.9	9.6	13.1	8.															

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	10-Dec-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E				
Consumer products																														
Asian Paints	2,665	ADD	255,593	5,673	96	71.5	86.0	102.5	85.3	20.3	19.1	37.3	31.0	26.0	23.0	19.3	16.0	15.9	12.5	10.1	1.0	1.4	1.6	51.8	46.6	44.0	3,000	12.6	6.4	
Colgate-Palmolive (India)	844	SELL	114,792	2,548	136	31.1	33.6	38.4	44.2	8.0	14.2	27.1	25.1	22.0	22.2	18.7	16.1	35.2	30.1	25.8	2.4	3.0	3.4	156.1	129.2	126.3	830	(1.7)	4.1	
Dabur India	97	ADD	167,147	3,710	1,731	2.9	3.3	4.1	28.1	13.2	25.2	33.3	29.4	23.5	25.2	20.9	16.4	17.6	12.2	9.3	1.0	1.2	1.5	57.4	49.6	45.3	115	19.1	4.4	
GlaxoSmithkline Consumer (a)	2,150	ADD	90,432	2,007	42	55.4	70.5	83.9	23.6	27.3	19.1	38.8	30.5	25.6	21.9	18.7	15.1	10.1	8.3	6.9	0.8	1.1	1.3	27.9	29.7	29.5	2,400	11.6	1.2	
Godrej Consumer Products	390	BUY	126,184	2,801	324	11.3	14.3	18.9	69.5	25.8	32.6	34.4	27.4	20.6	27.3	19.8	14.8	13.1	7.0	6.3	1.0	0.8	0.8	44.6	33.5	32.1	490	25.7	2.5	
Hindustan Unilever	296	SELL	645,779	14,333	2,182	9.4	10.2	12.0	(0.9)	8.4	17.5	31.4	29.0	24.7	21.6	20.8	17.0	25.0	21.6	18.7	2.6	2.8	3.3	71.1	80.2	81.3	250	(15.5)	18.1	
ITC	170	ADD	1,302,887	28,918	7,651	5.3	6.5	7.6	22.6	22.0	17.8	32.1	26.3	22.3	19.5	16.6	13.8	8.8	7.3	6.2	2.9	1.6	1.8	29.2	32.0	31.5	180	5.7	31.3	
Jubilant Foodworks	560	SELL	35,779	794	64	5.6	10.0	13.1	347.1	78.3	30.4	99.8	56.0	42.9	53.4	32.2	21.6	30.5	19.7	13.5	—	—	—	47.3	42.8	37.4	400	(28.6)	16.9	
Jyothy Laboratories	271	ADD	20,736	460	77	11.0	13.6	16.4	99.6	23.3	20.9	24.5	19.9	16.5	19.8	13.3	10.4	5.0	3.4	2.9	1.6	1.4	1.8	16.1	17.6	19.3	300	10.8	0.8	
Marico	119	ADD	72,959	1,619	612	4.4	5.2	6.1	32.9	16.9	17.0	26.8	23.0	19.6	18.4	16.0	13.0	10.9	7.9	6.0	0.6	0.8	0.9	48.9	40.6	35.2	140	17.4	1.1	
Nestle India (a)	3,786	REDUCE	365,011	8,101	96	74.4	88.4	108.0	27.0	18.8	22.1	50.9	42.8	35.1	33.7	28.8	23.8	62.8	48.9	37.9	1.3	1.6	1.9	136.0	128.5	121.8	3,100	(18.1)	3.4	
Tata Global Beverages	111	ADD	68,611	1,523	618	6.1	7.3	8.7	14.5	20.7	19.0	18.3	15.2	12.8	8.7	6.6	5.5	1.4	1.3	1.2	1.8	2.2	2.6	10.2	11.7	12.9	130	17.2	4.3	
Consumer products																														
Constructions																														
IVRCL	125	BUY	33,350	740	267	7.9	7.7	10.3	(6.6)	(2.3)	33.7	15.8	16.2	12.1	9.0	9.8	7.9	1.8	1.6	1.4	0.7	0.3	0.3	11.5	10.6	12.7	190	52.1	7.6	
Nagarjuna Construction Co.	129	BUY	32,984	732	257	7.1	8.9	11.6	6.1	24.3	31.1	18.0	14.5	11.1	9.6	8.4	7.0	1.5	1.4	1.2	1.0	1.6	1.6	9.3	9.8	11.8	205	59.5	5.1	
Punj Lloyd	104	REDUCE	35,147	780	340	(3.4)	9.8	12.0	(52.6)	(385.6)	22.6	(30.2)	10.6	8.6	20.2	6.4	5.9	1.2	1.1	0.9	0.1	0.4	1.0	(4.2)	10.4	11.6	140	35.3	15.9	
Construction																														
Energy																														
Aban Offshore	699	ADD	30,409	675	44	94.5	129.5	130.5	(2.5)	37.0	0.8	7.4	5.4	5.4	8.1	6.6	6.4	1.4	1.3	1.1	0.5	0.5	0.6	21.7	30.1	22.3	930	33.1	19.8	
Bharat Petroleum	681	BUY	246,100	5,462	362	58.6	55.7	59.9	230	(5)	7.5	12	12	11.4	6.6	6.6	6.3	1.8	1.6	1.5	2.1	2.7	2.9	14.9	13.0	12.8	860	26.3	18.4	
Cairn india	330	RS	625,338	13,879	1,897	5.5	22.7	40.8	29.0	309.7	79.6	59.5	14.5	8.1	46.8	9.3	5.4	1.8	1.6	1.4	—	—	—	4.6	3.1	11.8	18.8	—	18.8	
Castrol India (a)	464	SELL	114,627	2,544	247	15.4	21.0	21.7	45	36	3.5	30	22	21.3	17.9	13.7	13.1	24.9	23.7	22.4	2.7	3.7	3.8	83.8	109.9	107.9	390	(15.9)	1.6	
GAIL (India)	493	BUY	624,853	13,869	1,268	24.8	28.4	39.7	11.7	14.9	39.7	19.9	17.3	12.4	11.2	10.4	8.4	3.4	3.0	2.5	1.5	1.7	2.5	17.4	17.6	21.1	565	14.7	17.0	
GSPL	110	SELL	61,616	1,368	562	7.3	7.3	8.1	233	(0)	11.4	15	15	13.5	7.6	7.5	6.2	3.6	3.0	2.7	0.9	1.7	3.0	27.1	21.8	20.9	87	(20.6)	7.0	
Hindustan Petroleum	402	BUY	136,316	3,026	339	51.6	53.4	49.8	204.2	3.4	(6.7)	7.8	7.5	8.1	2.8	2.7	2.7	1.0	0.9	0.8	3.0	4.1	3.9	13.1	12.2	10.3	600	49.2	17.0	
Indian Oil Corporation	367	ADD	890,086	19,756	2,428	49.1	38.6	40.2	399	(21)	4.0	7	9	9.1	5.6	5.8	5.3	1.6	1.5	1.3	3.5	3.2	3.3	22.4	15.6	14.8	500	36.4	12.2	
Oil India	1,385	ADD	333,005	7,391	240	115.2	143.7	160.0	13.9	24.8	11.3	12.0	9.6	8.7	5.5	3.8	3.3	2.3	2.0	1.7	2.5	3.2	3.7	16.8	19.3	18.8	1,640	18.4	3.4	
Oil & Natural Gas Corporation	1,322	BUY	2,827,609	62,759	2,139	90.3	113.9	137.7	(1)	26	20.9	15	12	9.6	5.1	4.4	3.7	2.1	1.9	1.7	2.5	3.0	3.6	14.4	16.4	17.8	1,500	13.5	33.3	
Petronet LNG	117	SELL	87,638	1,945	750	5.4	6.9	8.3	(22.0)	28.1	20.2	21.7	16.9	14.1	12.3	10.0	8.9	3.4	2.9	2.5	1.5	1.7	2.4	15.9	17.7	18.2	90	(23.0)	7.3	
Reliance Industries	1,024	REDUCE	3,047,126	67,631	2,976	49.6	59.2	72.5	(2)	19	22.4	21	17	14.1	10.4	8.0	6.5	2.1	1.9	1.7	0.7	0.8	1.0	11.4	12.4	13.6	1,050	2.5	138.7	
Energy																														
Industrials																														
ABB	763	REDUCE	161,739	3,590	212	16.7	10.8	31.4	(35.2)	(35.4)	190.2	45.6	70.6	24.3	26.1	37.0	13.9	6.7	6.3	5.1	0.3	0.4	0.4	15.6	9.2	23.2	725	(5.0)	3.2	
BGR Energy Systems	694	BUY	49,968	1,109	72	16.0	28.0	41.7	32.2	74.6	49.1	43.3	24.8	16.6	24.4	14.1	10.2	8.9	7.1	5.3	0.4	1.0	1.2	22.3	31.8	36.6	860	23.9	8.6	
Bharat Electronics	1,718	REDUCE	137,440	3,050	80	96.1	105.9	120.3	(7.4)	10.2	13.6	17.9	16.2	14.3	8.3	7.2	6.1	3.1	2.7	2.4	1.1	1.5	1.5	17.5	17.7	17.6	1,800	4.8	3.7	
Bharat Heavy Electricals	2,288	ADD	1,119,924	24,857	490	87.9	115.5	138.6	37.7	31.4	20.0	26.0	19.8	16.5	14.5	11.3	9.2	7.0	5.6	4.4	0.8	1.1	1.3	29.8	31.3	29.9	2,500	9.3	39.1	
Crompton Greaves	322	ADD	206,435	4,582	642	12.8	14.5	17.3	46.5	12.9	19.6	25.1	22.2	18.6	14.5	12.6	10.3	8.2	6.3	4.9	0.4	0.6	0.7	37.9	32.0	29.5	340	5.7	9.1	
Larsen & Toubro	1,944	ADD	1,176,358	26,109	605	57.9	76.7	90.5	15.6	32.3	18.1	33.5	25.4	21.5	18.7	13.5	11.5	5.3	4.3	3.7	0.6	0.6	0.7	18.6	18.8	18.5	2,200	13.2	58.7	
Maharashtra Seamless	379	BUY	26,763	594	71	38.6	44.2	50.9	7.7	14.4	15.1	9.8	8.6	7.5	5.2	4.1	3.2	1.1	1.1	1.0	1.5	2.1	2.7	14.8	12.8	13.4	518	36.5	0.6	
Siemens	764	REDUCE	257,607	5,718	337	22.4	27.9	33.7	39.5	24.1	21.2	34.0	27.4	22.6	17.7	15.7	12.7	7.8	6.4	5.3	0.6	0.7	0.9	24.9	25.6	25.5	725	(5.1)	9.0	
Suzlon Energy	48	REDUCE	77,216	1,714	1,594	(6.2)	(0.8)	3.3	(185.4)	(86.8)	(504.1)	(7.9)	(59.7)	14.8	13.7	11.4	7.6	1.2	1.0	1.0	—	—	—	0.4	(11.4)	(1.8)	6.9	55	13.5	23.3
Thermax	840	BUY	100,092	2,222	119	21.7	31.5	42.3	(10.4)	45.0	34.3	38.7	26.7	19.8	20.1	14.8	11.0	9.3	7.5	6.0	0.6	1.1	1.5	25.0	31.2	33.8	965	14.9	1.8	
Voltas	231	REDUCE	76,532	1,699	331	10.9	11.8	13.4	57.4	8.2	14.3	21.3	19.7	17.2	12.8	11.1	9.3	7.2	5.8	4.7	1.3	1.5	1.7	38.3	32.5	30.2	225	(2.8)	6.3	
Industrials																														
Infrastructure																														
Container Corporation	1,259	REDUCE	163,658	3,632	130	61.1	74.3	85.9	0.3	21.7	15.6	20.6	16.9	14.7	14.4	11.7	9.8	3.8	3.2	2.8	1.1	1.4	1.6	19.6	20.6	20.5	1,250	(0.7)	2.4	
GMR Infrastructure	45	ADD	166,665	3,699																										

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	10-Dec-10		Mkt cap.			EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US\$ mn)
Media																													
DB Corp	251	BUY	45,622	1,013	182	10.6	12.5	14.5	286.5	17.2	16.2	23.6	20.2	17.4	13.2	11.2	9.7	7.0	5.6	4.6	0.8	1.2	1.6	40.3	31.0	29.2	320	27.4	0.5
DishTV	64	REDUCE	68,004	1,509	1,063	(2.5)	(1.9)	0.4	(61.9)	(25.7)	(122.5)	(25.5)	(34.3)	152.7	84.0	31.6	14.4	16.6	32.1	26.5	—	—	—	249.0	(63.6)	19.0	57	(10.9)	5.5
Hindustan Media Ventures	168	BUY	12,295	273	73	2.5	9.6	11.3	NM	289.8	18.4	68.4	17.5	14.8	22.9	16.8	13.7	3.4	2.9	2.4	4.5	4.5	6.0	17.9	28.1	17.8	225	34.3	23.5
HT Media	142	NR	33,441	742	235	6.1	7.7	9.2	623.3	25.9	19.8	23.3	18.5	15.4	11.6	9.7	8.0	3.4	3.1	2.8	0.7	1.4	2.8	15.6	17.5	18.9	—	—	1.0
Jagran Prakashan	131	BUY	39,390	874	301	5.8	6.9	7.8	92.0	18.3	12.4	22.4	18.9	16.8	13.5	11.0	9.9	6.4	5.8	5.3	2.7	3.1	3.8	30.0	32.2	33.0	150	14.7	0.6
Sun TV Network	529	REDUCE	208,271	4,623	394	13.1	18.3	22.7	44.0	39.7	24.1	40.4	28.9	23.3	22.9	16.8	13.7	10.8	9.0	7.6	1.4	1.4	1.9	28.3	34.2	35.5	450	(14.9)	3.0
Zee Entertainment Enterprises	145	REDUCE	126,019	2,797	869	5.3	5.4	6.8	26.6	0.7	25.4	27.1	26.9	21.5	20.0	17.3	13.3	3.2	3.0	2.9	0.9	1.0	1.2	12.9	11.8	13.9	135	(6.9)	16.1
Media		Neutral	533,043	11,831					189.2	36.2	38.6	43.3	31.8	23.0	20.9	15.7	12.2	6.2	5.5	4.9	1.1	1.2	1.6	14.4	17.2	21.4			
Metals																													
Hindalco Industries	215	ADD	412,084	9,146	1,914	20.0	15.0	16.9	25.0	(25.1)	12.7	10.8	14.4	12.8	6.2	8.2	8.4	1.9	1.7	1.5	0.6	0.6	0.6	20.4	12.5	12.6	255	18.4	39.5
Hindustan Zinc	1,147	BUY	484,750	10,759	423	95.6	95.4	116.4	48.2	(0.2)	22.0	12.0	12.0	9.9	7.8	6.9	4.6	2.6	2.1	1.8	0.5	0.5	0.5	25.1	20.2	20.4	1,430	24.6	4.1
Jindal Steel and Power	697	REDUCE	649,210	14,409	931	38.2	45.7	56.2	16.9	19.4	23.1	18.2	15.3	12.4	12.5	10.3	7.7	5.8	3.8	2.9	0.2	0.3	0.3	37.7	30.3	26.8	625	(10.3)	22.8
JSW Steel	1,041	REDUCE	258,274	5,732	248	80.4	73.6	108.0	481.1	(8.5)	46.8	12.9	14.1	9.6	10.0	8.5	5.7	2.4	1.4	1.1	0.7	0.9	0.9	16.0	12.6	13.0	1,115	7.2	30.4
National Aluminium Co.	359	SELL	231,500	5,138	644	12.2	17.0	19.1	(37.2)	39.6	12.2	29.5	21.1	18.8	13.5	9.6	8.2	2.2	2.1	1.9	0.7	1.4	1.4	7.8	10.2	10.6	285	(20.7)	0.9
Sesa Goa	298	REDUCE	265,220	5,887	890	29.6	55.5	53.8	23.5	87.7	(3.0)	10.1	5.4	5.5	8.3	3.3	5.3	3.3	2.1	1.5	1.2	1.2	1.2	35.8	36.5	30.7	300	0.6	34.9
Sterlite Industries	165	BUY	553,160	12,277	3,362	12.0	13.7	18.3	2.8	13.9	33.5	13.7	12.0	9.0	8.8	7.2	4.5	1.5	1.3	1.2	0.6	0.6	0.6	12.9	11.8	13.9	200	21.5	30.2
Tata Steel	619	—	566,020	12,563	914	(3.6)	69.3	69.9	(103.6)	(2,048.1)	0.8	(173.9)	8.9	8.9	11.2	6.1	5.9	2.5	1.8	1.5	1.3	1.3	—	(1.5)	23.2	18.6	—	—	110.0
Metals		Attractive	3,420,219	75,912					(19.9)	48.5	15.6	17.0	11.4	9.9	9.3	7.2	6.1	2.4	1.9	1.6	0.7	0.8	0.6	14.3	16.8	16.2			
Pharmaceutical																													
Apollo Hospitals	470	BUY	60,496	1,343	129	10.9	15.3	20.5	28.8	40.2	33.6	42.9	30.6	22.9	20.7	14.5	11.4	3.6	3.4	2.9	—	—	—	8.3	10.7	13.1	580	23.4	1.1
Biocon	391	ADD	78,280	1,737	200	14.8	17.0	24.4	216.4	14.7	43.6	26.4	23.0	16.0	15.3	13.1	10.2	4.4	3.8	3.2	—	—	—	17.9	18.1	22.2	470	20.1	11.6
Cipla	347	REDUCE	278,975	6,192	803	13.7	14.0	16.6	38.1	1.9	19.2	25.4	24.9	20.9	18.2	16.7	14.2	4.7	4.1	3.5	0.6	0.7	0.7	21.1	17.6	18.2	295	(15.1)	16.4
Cadila Healthcare	769	REDUCE	157,349	3,492	205	24.7	33.9	39.3	66.9	37.2	16.1	31.1	22.7	19.5	20.1	15.4	13.3	9.7	7.2	5.6	0.7	0.9	1.0	36.0	36.4	32.3	600	(21.9)	2.0
Dishman Pharma & chemicals	136	ADD	11,025	245	81	14.4	15.8	20.7	(19.7)	9.7	30.7	9.4	8.6	6.6	7.9	7.0	5.4	1.4	1.2	1.0	—	—	—	15.5	15.1	17.0	210	54.9	0.8
Divi's Laboratories	603	REDUCE	78,779	1,749	131	26.1	27.4	38.4	(18.2)	5.1	40.3	23.1	22.0	15.7	17.0	16.4	11.1	5.2	4.5	3.8	—	—	—	24.7	21.9	26.1	700	16.1	3.4
Dr Reddy's Laboratories	1,808	REDUCE	307,165	6,818	170	48.0	68.4	72.2	48.1	42.6	5.5	37.7	26.4	25.1	20.7	15.1	14.1	8.1	6.4	5.2	0.6	0.4	0.5	22.2	27.0	22.9	1,150	(36.4)	15.5
GlaxoSmithkline Pharmaceuticals (a)	2,136	REDUCE	180,913	4,015	85	59.1	70.2	79.6	8.1	18.7	13.5	36.1	30.4	26.8	20.8	17.6	15.2	10.1	8.7	7.4	—	—	—	29.8	30.7	29.7	2,000	(6.4)	1.7
Glenmark Pharmaceuticals	351	NR	96,080	2,132	274	12.7	19.2	20.3	14.7	50.6	5.6	27.5	18.3	17.3	17.0	11.1	10.7	4.1	3.4	2.9	—	—	—	16.7	19.9	17.6	—	—	8.3
Jubilant Organosys	277	BUY	43,931	975	159	26.5	27.0	38.9	49.0	1.8	44.0	10.4	10.2	7.1	8.2	8.2	5.9	2.0	1.7	1.4	0.7	0.9	1.1	26.3	18.9	21.6	400	44.6	1.8
Lupin	453	ADD	201,583	4,474	445	15.3	19.7	24.3	27.3	28.4	23.4	29.6	23.0	18.7	24.7	18.4	14.5	7.8	6.1	4.8	0.6	0.8	1.0	34.1	30.0	29.3	490	8.1	15.5
Piramal Healthcare	457	REDUCE	95,477	2,119	209	22.4	4.1	8.8	29.7	(81.7)	113.0	20.4	111.1	52.2	14.9	(10.7)	(12.2)	5.7	0.7	0.6	1.2	1.3	0.8	30.7	159.4	11.4	490	7.3	8.5
Ranbaxy Laboratories	554	SELL	237,205	5,265	428	7.2	24.0	14.6	(128.9)	234.8	(39.4)	77.1	23.0	38.0	18.9	12.3	19.4	6.0	4.3	4.0	—	0.7	0.7	7.0	20.1	10.4	340	(38.6)	18.4
Sun Pharmaceuticals	449	BUY	464,984	10,320	1,036	13.0	18.0	19.6	(25.7)	38.2	8.8	34.4	24.9	22.9	27.4	18.4	15.2	5.5	4.6	3.9	0.6	0.6	0.6	17.2	20.7	19.0	482	7.3	9.2
Pharmaceuticals		Attractive	2,292,242	50,877					45.3	27.4	12.1	31.1	24.4	21.8	19.3	14.6	12.9	5.7	3.8	3.2	0.4	0.5	0.6	18.4	15.4	14.8			
Property																													
DLF	282	ADD	483,544	10,732	1,714	10.6	13.6	21.1	(60.1)	27.8	55.2	26.6	20.8	13.4	19.7	13.8	10.1	1.6	1.5	1.4	0.7	1.1	1.8	6.6	7.4	10.7	375	33.0	53.2
Housing Development & Infrastructure	183	ADD	75,883	1,684	415	15.9	21.6	28.7	(24.4)	35.5	32.9	11.5	8.5	6.4	8.6	8.2	4.9	1.1	0.8	0.7	1.4	2.7	2.9	10.0	11.1	12.7	310	69.5	36.4
Indiabulls Real Estate	133	RS	53,504	1,188	401	0.3	2.5	7.4	(62.7)	777.3	195.3	468.3	53.4	18.1	(8.9)	(106.3)	4.3	0.6	0.6	0.6	—	—	—	0.1	1.1	3.2	—	—	27.4
Mahindra Life Space Developer	396	ADD	16,162	359	41	19.2	20.1	32.1	69.7	4.9	59.7	20.7	19.7	12.3	18.7	14.3	6.6	1.7	1.6	1.4	0.9	1.0	1.0	8.6	8.4	12.3	546	37.9	0.6
Oberoi Realty	265	BUY	87,397	1,940	330	13.7	20.1	30.4	57.1	46.9	51.3	19.4	13.2	8.7	17.1	8.7	4.7	4.7	2.5	2.0	0.1	0.4	0.6	27.7	24.8	25.4	334	26.0	23.5
Phoenix Mills	220	BUY	31,902	708	145	4.1	6.6	7.7	(16.7)	59.4	16.5	53.3	33.4	28.7	44.4	25.0	20.8	2.1	2.0	1.9	0.5	0.7	0.9	3.9	6.1	6.7	303	37.6	0.6
Puravankara Projects	105	REDUCE	22,463	499	213	6.8	7.4	9.0	0.6	8.6	21.8	15.5	14.2	11.7	18.0	15.5	11.3	1.6	1.5	1.3	1.9	1.9	1.9	10.5	10.6	11.9	124	17.8	0.5
Sobha Developers	330	BUY	32,3																										

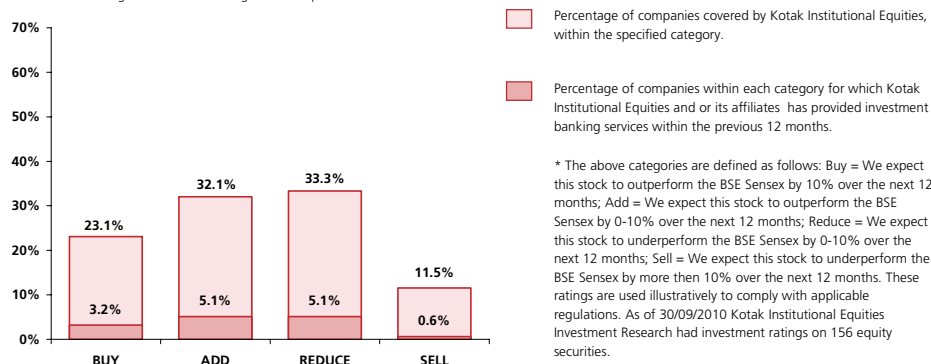
Kotak Institutional Equities: Valuation summary of key Indian companies

Company	10-Dec-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US\$ mn)
Sugar																													
Bajaj Hindustan	104	SELL	19,968	443	191	(7.8)	4.9	12.7	(340.2)	(162.7)	160.5	(13.5)	21.5	8.2	13.2	7.1	5.4	1.0	0.9	0.8	0.7	0.7	0.7	(7.0)	4.4	10.4	98	(6.1)	4.4
Balrampur Chini Mills	74	ADD	18,910	420	257	4.3	9.9	10.7	(44.3)	131.9	8.3	17.3	7.5	6.9	9.0	4.9	3.7	1.4	1.2	1.1	0.6	0.6	0.6	8.0	17.1	16.3	102	38.5	4.4
Shree Renuka Sugars	82	REDUCE	55,125	1,223	670	8.8	5.1	5.8	164.2	(42.4)	15.1	9.3	16.2	14.1	5.7	7.6	6.6	2.2	1.8	1.5	0.5	0.4	0.4	29.1	13.0	13.1	90	9.4	22.2
Sugar		Cautious	94,003	2,086							14.7	24.5	32.3	17.0	13.7	10.3													
Technology																													
HCL Technologies	432	REDUCE	297,942	6,613	690	17.5	22.8	28.3	0.2	29.9	24.3	24.6	19.0	15.3	12.0	11.3	9.0	4.2	3.8	3.2	0.9	1.4	1.4	19.3	21.4	23.0	390	(9.7)	8.1
Hexaware Technologies	97	BUY	13,984	310	144	9.3	5.1	10.1	127.7	(45.2)	96.1	10.4	19.0	9.7	5.5	12.2	6.4	1.6	1.5	1.3	1.0	1.0	1.0	17.8	8.3	14.6	110	13.0	3.6
Infosys Technologies	3,144	BUY	1,804,800	40,058	574	108.3	122.4	153.4	5.7	13.0	25.3	29.0	25.7	20.5	21.4	17.7	14.2	7.8	7.0	5.7	0.8	1.9	1.5	30.1	28.7	30.5	3,400	8.1	75.3
Mphasis BFL	603	SELL	127,034	2,820	211	43.6	51.8	46.4	207.6	18.8	(10.4)	13.8	11.6	13.0	11.1	9.9	9.1	5.4	3.9	3.0	0.6	0.7	0.7	48.1	38.6	26.2	550	(8.8)	6.4
Mindtree	502	REDUCE	20,644	458	41	52.2	27.4	39.3	294.3	(47.5)	43.3	9.6	18.3	12.8	8.3	10.0	6.8	3.1	2.8	2.4	0.4	0.3	0.8	35.2	16.1	20.2	450	(10.3)	0.9
Patni Computer Systems	452	REDUCE	60,267	1,338	133	36.6	40.4	33.7	36.4	10.5	(16.6)	12.4	11.2	13.4	6.1	6.9	6.3	1.7	2.1	1.9	0.6	14.6	1.5	18.2	17.2	14.9	400	(11.6)	5.5
Polaris Software Lab	157	SELL	15,668	348	100	15.4	19.4	19.8	16.9	26.2	2.2	10.2	8.1	7.9	4.8	6.2	5.3	1.8	1.5	1.3	2.2	2.4	2.5	18.6	20.4	18.0	180	14.5	2.7
Satyam Computer Services	60	REDUCE	70,619	1,567	1,176	2.5	2.7	4.1	(190.7)	6.9	53.5	24.2	22.6	14.7	10.8	10.9	6.8	3.8	3.5	—	—	—	—	58.5	16.8	25.0	70	16.6	40.4
TCS	1,075	BUY	2,103,794	46,694	1,957	35.1	43.0	50.0	32.8	22.4	16.3	30.6	25.0	21.5	23.3	18.2	15.1	10.0	8.3	6.9	1.9	1.6	1.9	37.6	36.3	34.9	1,100	2.3	39.2
Tech Mahindra	642	REDUCE	79,544	1,765	124	65.1	62.0	65.4	(9.6)	(4.8)	5.5	9.9	10.3	9.8	8.0	8.7	8.1	2.8	2.3	1.9	0.5	0.3	0.3	34.5	25.4	22.4	720	12.1	7.6
Wipro	451	ADD	1,103,324	24,488	2,447	18.9	21.1	24.3	22.1	12.1	15.0	23.9	21.3	18.6	18.1	15.2	12.6	5.6	4.6	3.9	0.8	0.9	1.1	26.5	23.8	22.8	465	3.1	16.7
Technology		Attractive	5,697,619	126,459					24.0	15.4	17.4	25.9	22.4	19.1	18.7	15.9	13.0	6.8	5.9	4.9	1.2	1.6	1.5	26.3	26.1	25.6			
Telecom																													
Bharti Airtel	331	REDUCE	1,257,006	27,899	3,798	23.6	17.3	20.4	5.8	(26.9)	17.9	14.0	19.1	16.2	8.0	9.2	7.2	3.0	2.6	2.2	—	—	—	24.4	14.4	14.7	305	(7.9)	48.6
IDEA	70	REDUCE	230,161	5,108	3,300	2.7	1.6	0.9	(5.8)	(42.7)	(44.9)	25.5	44.5	80.8	8.7	10.3	8.6	2.0	1.9	1.9	—	—	—	7.2	4.5	2.6	55	(21.1)	8.3
MTNL	51	SELL	32,225	715	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(3.3)	(4.9)	(5.6)	0.5	0.6	0.8	0.3	0.3	0.3	—	—	—	(8.5)	(6.1)	(5.7)	50	(2.2)	2.8
Reliance Communications	126	SELL	268,698	5,964	2,133	21.8	7.0	9.2	(23.0)	(67.7)	30.8	5.8	17.9	13.7	7.2	8.8	7.4	0.6	0.6	0.6	0.7	—	—	11.0	3.4	4.3	125	(0.8)	22.0
Tata Communications	248	REDUCE	70,637	1,568	285	14.0	15.2	15.7	3.2	8.2	3.5	17.7	16.3	15.8	7.3	6.7	6.4	1.0	1.0	0.9	2.6	3.0	3.4	5.2	5.5	5.5	225	(9.2)	1.5
Telecom		Cautious	1,858,726	41,255					(12.7)	(40.0)	18.0	13.2	21.9	18.6	8.1	9.3	7.5	1.6	1.5	1.4	0.2	0.1	0.1	12.3	6.9	7.5			
Utilities																													
Adani Power	125	ADD	272,173	6,041	2,180	0.8	3.5	19.0	NM	351.8	436.1	159.3	35.3	6.6	132.8	28.4	6.2	4.7	4.2	2.5	—	—	—	4.2	12.5	48.0	143	14.5	4.2
CESC	360	BUY	45,014	999	125	34.6	36.6	42.7	8.5	5.8	16.8	10.4	10.8	8.4	6.2	5.6	6.3	1.1	0.9	0.9	1.2	1.3	1.5	10.8	10.2	10.8	480	33.2	2.4
Lanco Infratech	60	BUY	143,098	3,176	2,405	2.1	3.6	4.9	46.6	67.4	36.8	27.9	16.7	12.2	15.4	10.0	7.6	4.3	3.4	2.6	—	—	—	17.4	21.0	22.5	80	34.5	7.4
NHPC	27	SELL	335,810	7,453	12,301	1.9	1.3	1.6	74.9	(28.2)	21.4	14.7	20.5	16.9	9.8	10.6	8.1	1.3	1.3	1.2	2.0	1.3	1.6	9.7	6.4	7.4	28	2.6	7.5
NTPC	192	ADD	1,586,427	35,211	8,245	10.5	10.4	12.0	6.8	(0.4)	14.7	18.3	18.4	16.1	14.0	14.3	12.7	2.5	2.3	2.1	2.0	1.9	2.1	14.1	13.0	13.7	195	1.4	18.6
Reliance Infrastructure	780	ADD	191,956	4,260	246	61.8	56.3	82.3	(1.5)	(8.8)	46.1	12.6	13.8	9.5	14.0	13.0	8.9	1.0	0.9	0.9	1.1	1.2	1.3	6.3	7.0	9.9	1,160	48.7	22.3
Reliance Power	152	SELL	363,947	8,078	2,397	2.9	3.9	5.3	179.7	36.6	34.9	53.2	38.9	28.9	(358.8)	247.6	35.5	2.5	2.4	2.2	—	—	—	4.8	6.3	7.9	135	(11.1)	15.2
Tata Power	1,282	ADD	316,553	7,026	247	60.2	69.2	88.5	20.1	15.0	27.8	21.3	18.5	14.5	13.6	12.2	10.5	2.4	2.2	2.0	0.9	1.1	1.2	12.9	12.5	14.3	1,420	10.7	10.4
Utilities		Attractive	3,254,978	72,245					22.0	4.5	41.7	20.9	20.0	14.1	15.9	15.7	11.0	2.2	2.0	1.8	1.3	1.2	1.4	10.5	10.1	12.9			
Others																													
Havells India	372	ADD	46,454	1,031	125	6.1	23.2	28.9	141.3	278.2	24.5	60.6	16.0	12.9	17.0	10.8	8.6	10.9	6.8	4.6	0.5	0.7	0.7	14.3	52.1	42.4	425	14.2	3.7
Jaiprakash Associates	105	BUY	232,395	5,158	2,214	1.7	4.4	6.2	(12.7)	153.2	41.1	60.0	23.7	16.8	23.7	15.2	11.0	2.7	2.4	2.1	—	—	—	5.1	10.8	13.5	155	47.7	32.7
Jet Airways	750	BUY	64,760	1,437	86	(69.8)	44.7	93.9	(71.7)	(164.1)	110.0	(10.7)	16.8	8.0	14.0	8.0	6.2	3.7	3.1	2.2	—	—	—	20.1	32.2	1,220	62.6	23.5	
Sintex	186	REDUCE	50,456	1,120	272	12.1	14.7	16.9	(49.6)	21.6	14.9	15.3	12.6	11.0	12.9	8.4	7.3	2.4	2.0	1.7	0.6	0.7	0.8	15.3	15.7	15.4	210	13.2	7.6
SpiceJet	73	BUY	29,359	652	403	2.5	6.0	9.2	(117.4)	136.6	53.5	28.7	12.1	7.9	33.7	6.8	4.6	(8.6)	6.4	3.5	—	—	—	(15.9)	424.8	57.9	120	64.7	23.5
Tata Chemicals	357	REDUCE	86,855	1,928	243	26.4	27.6	35.6	(27.1)	4.5	29.0	13.5	12.9	10.0	6.9	6.0	4.5	1.8	1.6	1.4	2.5	2.7	2.7	16.0	17.3	19.4	370	3.6	7.2
United Phosphorus	171	BUY	79,177	1,75																									

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Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of September 30, 2010

Ratings and other definitions/identifiers

Definitions of ratings

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

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

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

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

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

Other definitions

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Corporate Office

Kotak Securities Ltd.
Bakhtawar, 1st Floor
229, Nariman Point
Mumbai 400 021, India
Tel: +91-22-6634-1100

Overseas Offices

Kotak Mahindra (UK) Ltd
6th Floor, Portsoken House
155-157 The Minories
London EC 3N 1 LS
Tel: +44-20-7977-6900 / 6940

Kotak Mahindra Inc
50 Main Street, Suite No.310
Westchester Financial Centre
White Plains, New York 10606
Tel: +1-914-997-6120

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