

October 5, 2007

## India Strategy Friday Flash

BSE-30: 17,777

India

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Kotak Institutional Equities  
Research

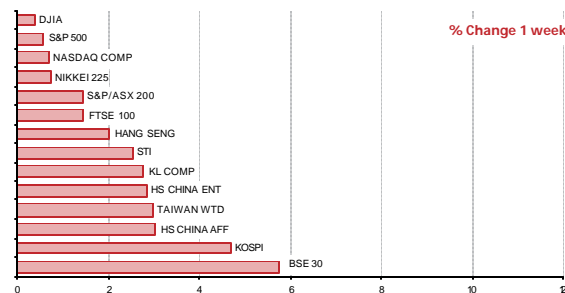
Important disclosures appear at the back of this report.

**Market frenzy continues.** During the past week, Sensex gained 626 points closing at a historic high of 17,777. Reliance Industries and Reliance Energy were the largest gainers contributing 107 points and 87 points to the Sensex rise. Sensex was the largest gainer amongst the regional indices based on returns (adjusted for currency appreciation) over the last five trading days. FII inflows remained robust with FIIs infusing over US\$3 bn in Indian equities in the last week.

### Market highlights for the week ending Thursday, October 4, 2007

- Largest gainers: Reliance Energy (44%), Sesa Goa(24%), Jindal Steel & Power (20%)
- Largest losers: Jindal Saw. (-11%), Rico Auto (-9%), TVS Motors (-7%)

Relative performance of Indian indices (% Change 1 Week)



Source: Company, Bloomberg.

### Flows in emerging markets

#### Flows in the cash markets

Date	Taiwan	Indonesia	Philippines	Thailand	India	Total
Investments in past week (US\$ mn)						
26-Sep-07	83	19	(12)	(20)	246	316
27-Sep-07	451	24	(4)	30	596	1,098
28-Sep-07	312	25	13	30	856	1,236
1-Oct-07	18	-	(10)	-	538	547
3-Oct-07	548	-	17	-	775	1,339
<b>Total</b>	<b>1,413</b>	<b>68</b>	<b>4</b>	<b>40</b>	<b>3,010</b>	<b>4,536</b>

# Our top recommendations

**Exhibit 1: Kotak Institutional Equities, Top 10, 4 October, 2007**

Companies	Sector	Rating	CMP	Mkt cap.	Target	EPS (Rs)			P/E (X)			EV/EBDITA (X)			Liquidity: 3mo
			(Rs)	(US\$ mn)	(Rs)	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	(Rs mn)
ICICI Bank	Banking	OP	1,061	27,881	1,200	34.6	36.8	56.8	30.7	28.9	18.7	—	—	—	3,204
Larsen & Toubro	Industrials	OP	2,896	20,972	2,725	65.1	88.0	112.4	44.5	32.9	25.8	28.8	20.7	16.1	277
ITC	Consumer Products	OP	185	17,516	225	7.2	8.3	9.6	25.6	22.2	19.3	16.3	13.9	11.7	1,257
Maruti Udyog	Automobiles	OP	1,041	7,623	1,110	54.0	62.4	84.1	19.3	16.7	12.4	11.3	9.8	7.3	157
Bharat Heavy Electricals	Industrials	OP	2,092	25,939	2,025	49.3	66.4	84.1	42.4	31.5	24.9	22.9	17.2	13.5	2,020
Bajaj Auto	Automobiles	OP	2,580	6,612	2,750	127.2	114.5	151.9	20.3	22.5	17.0	14.0	15.1	11.8	605
NTPC	Utilities	IL	226	47,290	215	8.3	9.3	10.2	27.2	24.3	22.1	17.9	17.5	17.6	1,240
Aditya Birla Nuvo	Diversified	OP	1,735	4,102	1,660	22.8	25.0	26.8	76.2	69.4	64.8	34.7	32.8	29.8	295
Punjab National Bank	Banking	OP	535	4,276	610	48.8	55.2	63.3	11.0	9.7	8.5	0.0	0.0	0.0	426
<b>Mid Cap Basket</b>															
Andhra Bank	Banking	OP	98	1,204	120	11.1	12.4	13.0	8.8	7.9	7.5	—	—	—	142
Kalpataru Power Transmission	Transmission	OP	1,636	1,098	1,650	60.2	77.4	91.8	27.2	21.1	17.8	16.9	13.5	11.0	46
Mahindra Gesco	Property	OP	621	661	920	8.9	11.3	47.5	70.1	54.8	13.1	43.0	33.7	10.9	243
Nagarjuna Construction Co.	Construction	OP	268	1,411	221	6.5	9.6	13.0	41.1	27.9	20.7	24.0	16.3	12.8	308
PSL	Pipes	OP	398	418	420	21.2	27.6	41.1	18.8	14.4	9.7	11.7	8.9	6.2	54
<b>BSE-30</b>			<b>17,777</b>												

Source: Company, Bloomberg, Kotak Institutional Equities.

# Our model portfolio

## Exhibit 2: Kotak Institutional Equities Model Portfolio

Company	04-Oct		Weightage (%)		Diff.	Company	04-Oct		Weightage (%)		Diff.
	Price (Rs)	Rating	BSE-30	KS reco.	KS Reco.		Price (Rs)	Rating	BSE-30	KS reco.	(bps)
Tata Motors	799	—	1.6	0.0	(160)	Bharat Heavy Electricals	2,092	OP	3.0	5.0	200
Maruti Udyog	1,041	OP	1.0	3.0	200	ABB	1,365	OP	—	1.5	150
Bajaj Auto	2,580	OP	1.5	2.5	100	Larsen & Toubro	2,896	OP	6.2	8.2	200
Mahindra & Mahindra	758	—	1.3	2.3	100	<b>Industrials</b>			<b>9.2</b>	<b>14.7</b>	<b>550</b>
<b>Automobiles</b>			<b>5.4</b>	<b>7.8</b>	<b>240</b>	Tata Steel	865	IL	4.3	2.3	(200)
State Bank of India	1,900	IL	3.7	2.2	(150)	Hindalco Industries	176	OP	1.4	—	—
Punjab National Bank	535	OP	—	2.0	200	Sterlite Industries	763	OP	—	1.5	150
Andhra Bank	98	OP	—	0.6	60	<b>Metals</b>			<b>5.8</b>	<b>3.8</b>	<b>(50)</b>
<b>PSU Banking</b>			<b>3.7</b>	<b>4.8</b>	<b>110</b>	Ranbaxy Laboratories	442	—	1.0	—	(96)
HDFC Bank	1,404	IL	3.2	2.7	(50)	Dr Reddy's Laboratories	654	—	0.7	—	(68)
ICICI Bank	1,061	OP	9.1	12.1	300	Cipla	189	—	0.8	—	(78)
HDFC	2,495	IL	5.4	2.9	(250)	<b>Pharmaceuticals</b>			<b>2.4</b>	<b>—</b>	<b>(243)</b>
<b>Pvt Banking/Financing</b>			<b>17.7</b>	<b>17.7</b>	<b>—</b>	Infosys Technologies	1,995	OP	8.1	6.6	(225)
Grasim Industries	3,592	IL	2.1	2.1	—	Satyam Computer Services	450	OP	2.4	1.4	(100)
ACC	1,214	U	1.1	—	(114)	TCS	1,079	IL	1.8	—	(175)
Ambuja Cements	147	IL	1.5	—	(149)	Wipro	461	OP	1.1	1.1	—
<b>Cement</b>			<b>4.7</b>	<b>2.1</b>	<b>(263)</b>	<b>Technology</b>			<b>13.3</b>	<b>9.1</b>	<b>(500)</b>
Hindustan Unilever	223	IL	2.0	—	(204)	Bharti Airtel Limited	961	U	5.3	3.3	(225)
ITC	185	OP	4.0	6.0	200	Reliance Communications	635	U	3.8	1.8	(250)
<b>Consumers</b>			<b>6.1</b>	<b>6.0</b>	<b>(4)</b>	<b>Telecom</b>			<b>9.1</b>	<b>5.1</b>	<b>(475)</b>
Aditya Birla Nuvo	1,735	OP	—	2.0	200	NTPC	226	IL	2.3	4.3	200
<b>Diversified</b>			<b>—</b>	<b>2.0</b>	<b>200</b>	Reliance Energy	1,478	IL	2.1	2.1	—
Reliance Industries	2,423	U	14.6	13.0	(155)	<b>Utilities</b>			<b>4.4</b>	<b>6.4</b>	<b>200</b>
Oil & Natural Gas Corporation	986	OP	3.5	3.5	—	Nagarjuna Construction Co.	268	OP	—	0.6	60
Reliance Petroleum	162	OP	—	1.5	150	Mahindra Gesco	621	OP	—	0.6	60
<b>Energy</b>			<b>18.1</b>	<b>18.0</b>	<b>(5)</b>	Kalpataru Power Transmission	1,636	OP	—	0.6	60
Note:						PSL	398	OP	—	0.6	60

(a) weightages are with respect to October 3, 2007 prices.

Source: BSE, Bloomberg, Kotak Institutional Equities.

# Sensex valuation summary

**Exhibit 3: Valuation summary of BSE-30 sectors, 4 October 2007**

	Mkt-cap. (US\$ mn)	EPS growth (%)				PER (X)			EV/EBITDA (X)		Price/BV (X)		Div Yield (%)		RoE (%)	
		2006	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2007	2008E	2007	2008E	2007	2008E
Banking	83,669	13.3	14.2	23.1	29.2	31.9	25.9	20.0	—	—	5.3	3.3	0.7	0.8	16.5	12.6
Technology	80,352	28.6	44.4	21.5	23.0	26.1	21.5	17.5	19.5	15.6	8.8	6.9	1.0	1.4	33.5	31.9
Consumers	29,956	21.2	19.4	15.2	14.3	27.9	24.2	21.2	19.1	15.4	8.7	7.7	2.3	2.4	31.3	31.8
Pharmaceuticals	10,627	(15.1)	136.7	(17.3)	20.2	18.4	22.3	18.6	13.3	14.9	3.9	3.5	1.4	1.4	21.2	15.6
Metals	24,653	6.3	33.1	(3.3)	(11.6)	14.0	14.5	16.4	9.0	8.8	3.3	2.0	1.2	1.3	23.5	13.7
Automobiles	27,365	26.3	28.9	8.9	25.0	19.4	17.8	14.2	10.2	9.2	4.5	3.8	1.3	1.4	23.3	21.3
Energy	142,613	16.9	19.9	18.1	17.0	19.2	16.2	13.9	9.5	8.3	3.5	3.1	1.5	1.6	18.4	19.0
Industrials	46,911	57.2	56.3	35.8	28.0	43.6	32.1	25.1	25.4	18.8	11.5	8.8	0.4	0.5	26.4	27.4
Cement	19,805	27.7	89.5	21.3	8.6	18.0	14.9	13.7	10.5	8.2	4.8	3.7	1.1	1.3	26.5	25.0
Telecom	79,069	(107.4)	182.9	63.9	33.8	43.1	26.3	19.6	22.9	14.8	9.0	6.8	0.0	0.2	20.9	26.0
Utilities	55,815	17.0	16.1	11.4	9.1	28.9	26.0	23.8	15.4	15.7	3.7	3.5	1.2	1.5	12.9	13.3
<b>BSE-30</b>	<b>600,836</b>	<b>20.4</b>	<b>34.5</b>	<b>19.9</b>	<b>19.2</b>	<b>25.1</b>	<b>21.0</b>	<b>17.6</b>	<b>13.6</b>	<b>11.6</b>	<b>5.1</b>	<b>4.0</b>	<b>1.0</b>	<b>1.2</b>	<b>20.4</b>	<b>19.3</b>
<b>BSE-30 ex-Energy</b>	<b>458,223</b>	<b>22.4</b>	<b>42.3</b>	<b>20.7</b>	<b>20.1</b>	<b>27.8</b>	<b>23.1</b>	<b>19.2</b>	<b>16.3</b>	<b>13.6</b>	<b>6.0</b>	<b>4.5</b>	<b>0.9</b>	<b>1.1</b>	<b>21.5</b>	<b>19.4</b>
<b>BSE-30 ex-Energy, Com.</b>	<b>413,765</b>	<b>24.7</b>	<b>40.7</b>	<b>23.8</b>	<b>24.2</b>	<b>30.4</b>	<b>24.6</b>	<b>19.8</b>	<b>18.2</b>	<b>14.8</b>	<b>6.4</b>	<b>4.9</b>	<b>0.9</b>	<b>1.0</b>	<b>20.9</b>	<b>19.9</b>

Source: Company reports, Kotak Institutional Equities estimates.

# Nifty valuation summary

Exhibit 4: Valuation summary of Nifty sectors, 4 October, 2007

	Mkt cap. (US\$ mn)	EPS Growth (%)				PER (X)			EV/EBITDA (X)			Price/BV (X)		Div Yield (%)		RoE (%)	
		2006	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2007E	2008E	2007E	2008E
Banking	87,948	11.6	13.2	21.8	27.5	29.2	23.9	18.8	—	—	—	4.8	3.1	0.8	0.9	16.6	13.0
Technology	85,727	28.3	46.8	19.3	22.9	25.2	21.1	17.2	18.6	15.2	11.9	8.1	6.5	1.1	1.5	32.2	30.6
Consumers	29,957	21.2	19.4	15.2	14.3	27.9	24.2	21.2	19.1	15.4	13.1	8.7	7.7	2.3	2.4	31.3	31.8
Metals	34,730	20.7	65.6	(9.6)	(5.0)	9.8	10.9	11.4	5.8	5.8	6.0	2.8	1.7	1.2	1.3	28.7	15.5
Automobiles	31,014	25.1	21.5	7.8	22.8	19.0	17.6	14.4	10.1	9.1	7.3	4.6	3.9	1.4	1.5	24.2	21.9
Energy	175,011	8.8	27.0	14.5	23.2	19.9	17.4	14.1	10.0	9.1	7.2	3.3	2.9	1.5	1.5	16.7	16.9
Industrials	72,149	64.0	46.7	40.2	32.1	48.8	34.8	26.4	28.8	20.7	15.6	13.0	9.9	0.4	0.5	26.7	28.4
Cement	19,806	27.7	89.5	21.3	8.6	18.0	14.9	13.7	10.5	8.2	7.4	4.8	3.7	1.1	1.3	26.5	25.0
Telecom	84,857	(53.9)	133.2	58.6	31.7	40.9	25.8	19.6	21.3	14.0	10.8	6.4	5.2	0.2	0.4	15.6	20.2
Utilities	14,386	39.1	(2.8)	23.5	17.3	45.2	36.6	31.2	23.9	22.3	21.4	3.6	3.2	0.5	0.7	7.9	8.8
Media	3,755	(34.6)	2.9	72.6	32.4	67.5	39.1	29.5	47.3	23.1	17.6	5.4	4.9	0.3	0.6	8.1	12.6
<b>NIFTY</b>	<b>657,253</b>	<b>18.4</b>	<b>39.4</b>	<b>17.0</b>	<b>21.2</b>	<b>24.0</b>	<b>20.5</b>	<b>16.9</b>	<b>13.1</b>	<b>11.3</b>	<b>9.3</b>	<b>4.9</b>	<b>3.8</b>	<b>1.0</b>	<b>1.2</b>	<b>20.2</b>	<b>18.6</b>
<b>NIFTY ex-Energy</b>	<b>482,242</b>	<b>24.4</b>	<b>46.2</b>	<b>18.1</b>	<b>20.3</b>	<b>26.0</b>	<b>22.0</b>	<b>18.3</b>	<b>15.2</b>	<b>12.7</b>	<b>10.6</b>	<b>5.8</b>	<b>4.3</b>	<b>0.9</b>	<b>1.0</b>	<b>22.4</b>	<b>19.5</b>
<b>NIFTY ex-Energy ex Com</b>	<b>447,512</b>	<b>25.2</b>	<b>42.3</b>	<b>24.7</b>	<b>24.6</b>	<b>29.8</b>	<b>23.9</b>	<b>19.2</b>	<b>18.4</b>	<b>14.4</b>	<b>11.6</b>	<b>6.4</b>	<b>4.9</b>	<b>0.8</b>	<b>1.0</b>	<b>21.3</b>	<b>20.3</b>

Note:

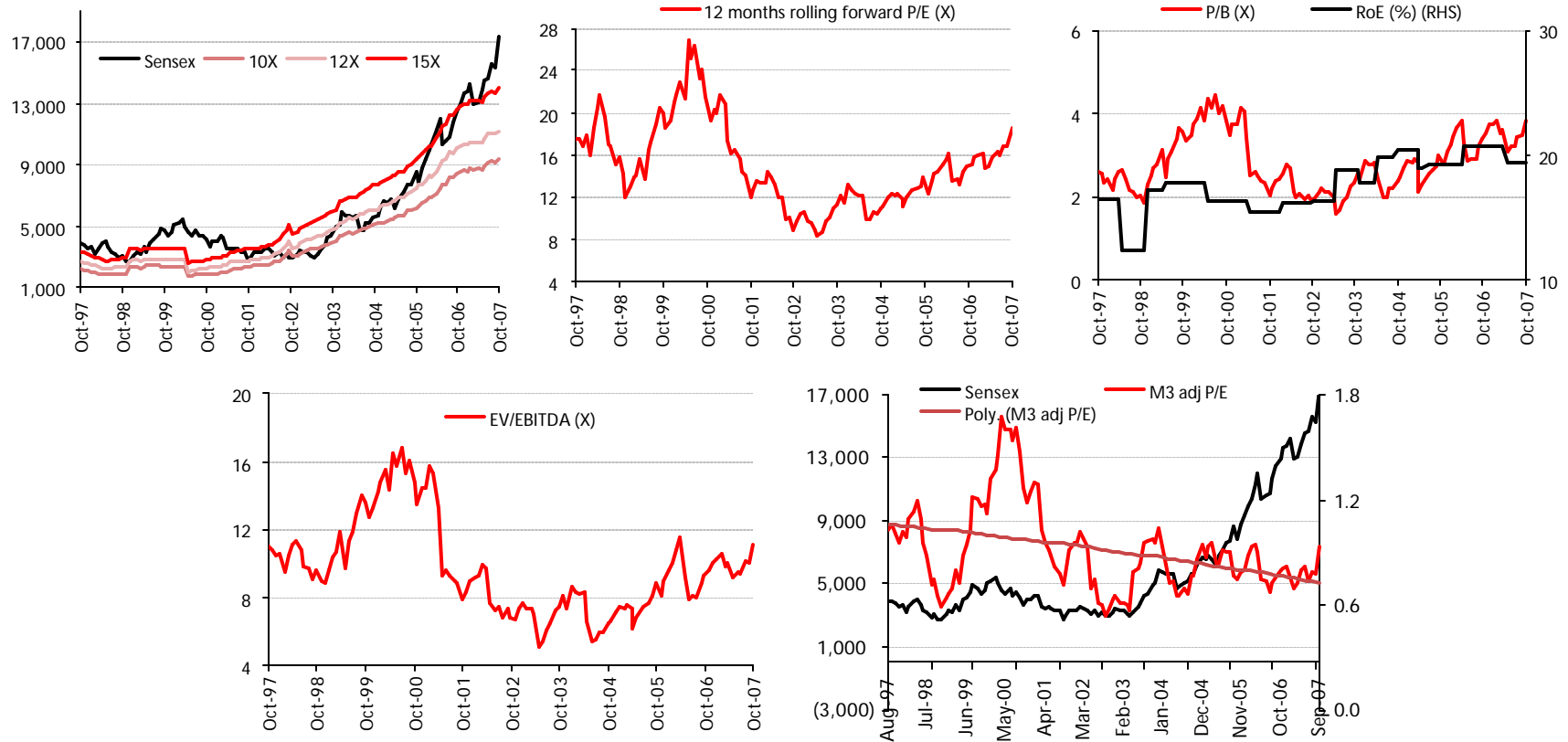
(a) Following companies are excluded: SAIL, Dabur and IPCL

Source: Company reports, Kotak Institutional Equities estimates.

# BSE-Sensex key parameters

## Exhibit 5: Key fundamental indicators of BSE Sensex

Sensex (BSE-30) P/B, EV/EBITDA and 12-month forward rolling P/E, April 1997 - current



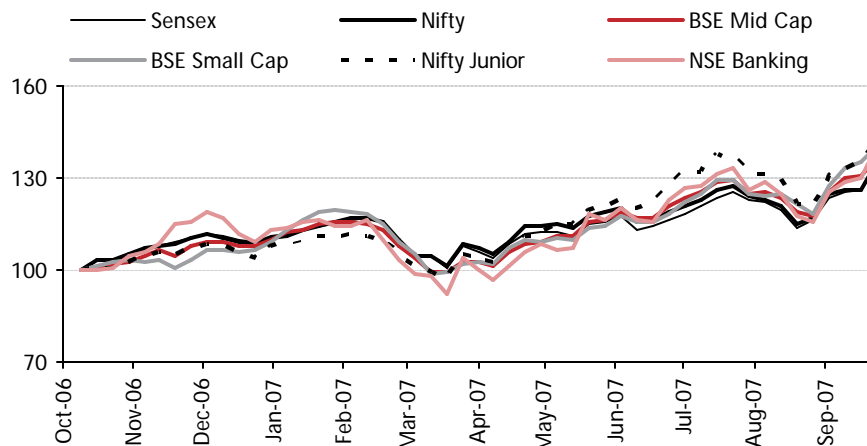
Source: Bloomberg, Company reports, Kotak Institutional Equities.

## Market performance

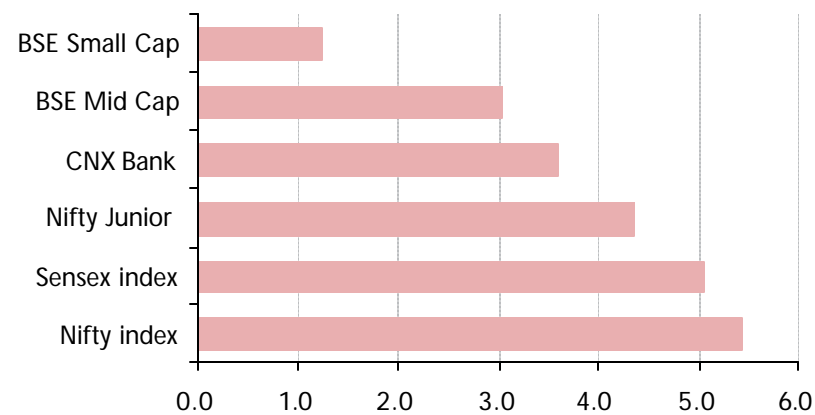
- Performance of benchmark indices
- Performance of global indices
- Pricing performance of Sensex sectors
- Top gainers and losers (Stocks under Kotak coverage)
- Price-to-Earnings ratio analysis
- EV-to-EBITDA ratio analysis
- Volume momentum analysis

# Relative performance of Indian markets

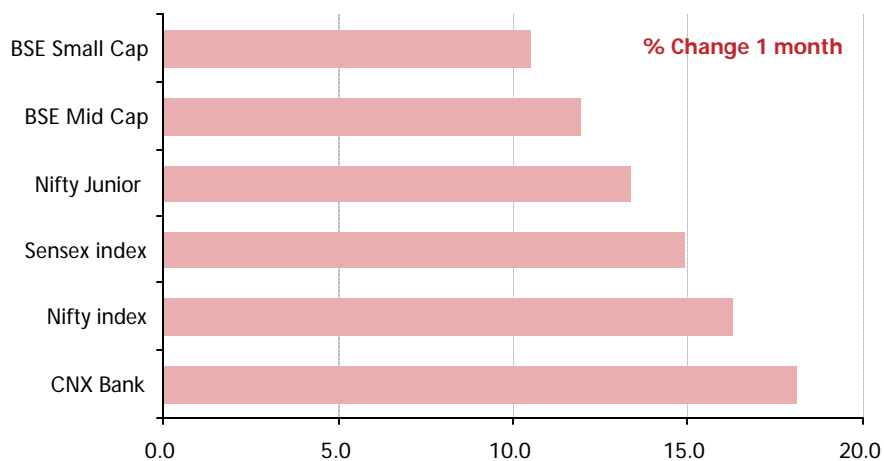
**Exhibit 6: Key performance of benchmark indices**  
(base 100 as of October 1, 2006)



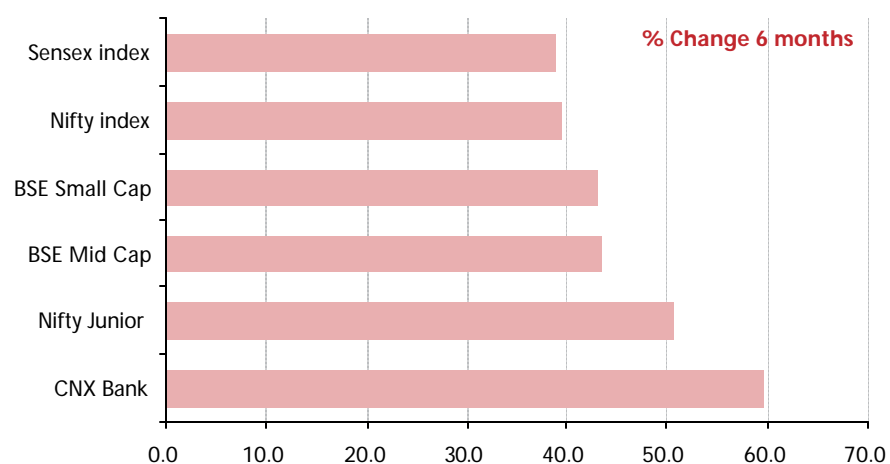
**Exhibit 7: Weekly performance of the benchmark indices**



**Exhibit 8: 1-month performance of the benchmark indices**



**Exhibit 9: 6-month performance of the benchmark indices**



Source: Bloomberg, Kotak Institutional Equities.



# BSE-Sensex versus regional indices

Exhibit 10: Weekly performance

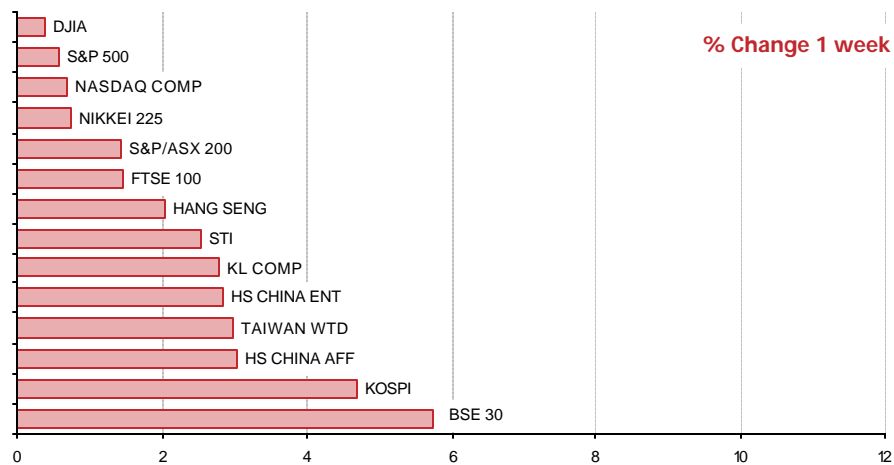


Exhibit 11: 3-month performance

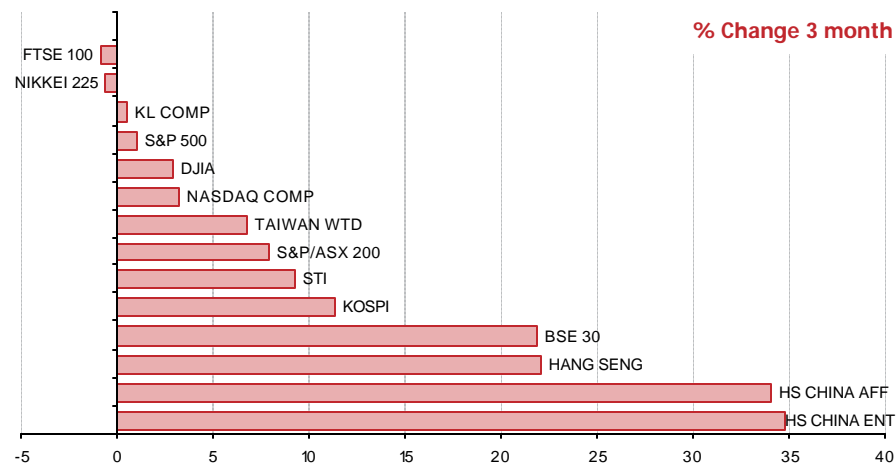
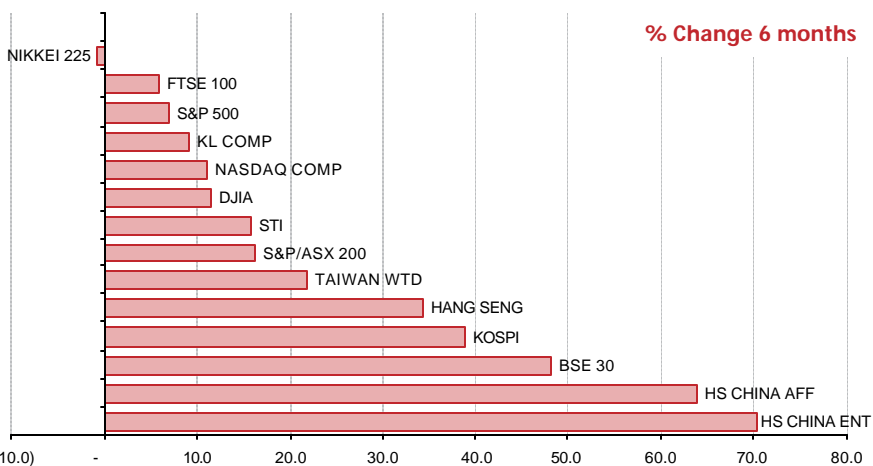


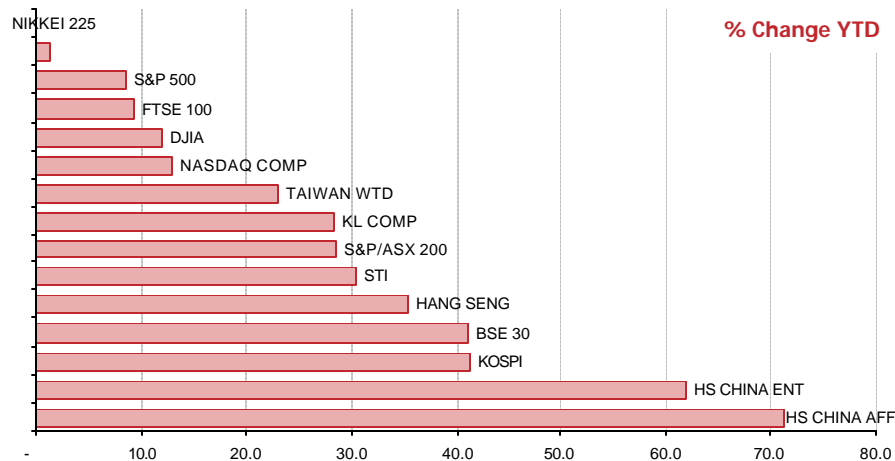
Exhibit 12: 6-month performance



note.

(a) Returns are adjusted for the currency changes

Exhibit 13: Year-to-date performance



Source: Bloomberg, BSE, Kotak Institutional Equities.

# Sectoral performance

Exhibit 14: Market performance of Sensex sectors, 4 October, 2007

	Mkt cap	Change, %						Relative Change, %			
	(US\$ m)	1-Day	1-mo	3-mo	6-mo	1-Year	CYTD	1-Day	1-mo	6-mo	1-Year
Banking	83,669	(2.0)	18.7	17.5	57.8	67.0	36.7	(1.6)	3.2	13.5	14.6
Technology	80,352	(0.6)	2.2	(2.6)	(7.1)	5.4	(13.8)	(0.2)	(11.1)	(33.2)	(27.6)
Consumers	29,956	(0.3)	6.9	15.3	19.2	(4.3)	4.2	0.1	(7.0)	(14.2)	(34.3)
Pharmaceuticals	10,627	1.0	4.8	0.9	(2.3)	(10.7)	(11.6)	1.4	(8.8)	(29.7)	(38.7)
Metals	24,653	1.8	22.7	32.5	77.9	44.3	51.5	2.2	6.8	27.9	(0.9)
Automobiles	27,365	1.0	13.3	17.9	18.9	(3.3)	(4.4)	1.4	(1.4)	(14.5)	(33.6)
Energy	142,613	(0.7)	21.1	29.0	48.4	71.3	51.9	(0.3)	5.4	6.8	17.6
Industrials	46,911	0.5	9.9	31.2	81.7	102.2	89.9	0.9	(4.4)	30.7	38.8
Cement	19,805	(0.5)	13.2	21.9	61.8	32.4	15.9	(0.1)	(1.5)	16.4	(9.1)
Telecom	79,027	(1.0)	14.0	14.0	39.9	98.8	44.7	(0.6)	(0.8)	0.6	36.5
Utilities	55,815	4.0	30.9	55.1	53.2	86.1	77.3	4.3	13.9	10.2	27.8
<b>Sensex sum</b>	<b>600,794</b>	<b>(0.4)</b>	<b>14.9</b>	<b>19.5</b>	<b>39.0</b>	<b>45.7</b>	<b>28.9</b>				

Source: Kotak Institutional Equities.

# Top gainers and losers

Exhibit 15: Top gainers and losers (stocks in Kotak Institutional Equities universe)

## 1-week performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Reliance Energy	44.0	2 Jindal Saw	(11.1)
2 Sesa Goa	23.7	3 Rico Auto	(9.1)
3 Jindal Steel and power	20.4	4 TVS Motor Co	(7.7)
4 CESC	19.5	5 Indian Hotels	(5.9)
5 LANCO	19.4	7 Container Corporation	(5.3)
6 Tata Power	19.3	8 Punjab Tractors	(5.0)
7 Aditya Birla Nuvo	19.0	9 Hotel Leela	(5.0)
8 NTPC	18.2	10 Lupin	3.6
9 DLF	16.8	11 Sun TV Network	(4.5)
10 India Infoline	16.3	12 Castrol India	(4.4)

## CYTD performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Welspun Gujarat Stahl Rohrer	235.4	1 Vardhman	(43.6)
2 India Infoline	208.4	2 Rico Auto	(41.8)
3 Reliance Energy	184.3	3 Hexaware Technologies	(39.2)
4 Jindal Steel and power	177.4	4 iGate Global Solutions	(36.9)
5 ABG Shipyard	163.4	5 Mahindra Gesco	(29.2)
6 Reliance Petroleum	157.3	6 Polaris Software Lab	(27.0)
7 GMR Infrastructure	149.8	7 Cipla	(24.6)
8 GVK Power	147.8	8 TVS Motor Co	(24.2)
9 JSW Steel	135.6	9 Wipro	(23.7)

## 1- month performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Reliance Energy	79.5	1 DishTV	(15.5)
2 Jindal Steel and power	55.9	2 Mindtree	(14.7)
3 Tata Power	41.7	3 Torrent Pharma	(12.5)
4 Sesa Goa	40.6	4 AIA Engineering	(9.6)
5 DLF	38.3	5 Patni Computer Systems	(9.1)
6 JSW Steel	37.6	6 Ipca Laboratories	(7.1)
7 LANCO	36.7	7 Container Corporation	(7.1)
8 India Infoline	36.4	8 Nicholas Piramal	(6.8)
9 Unitech	34.2	9 Mphasis BFL	(5.9)
10 Monnet Ispat	33.2	10 GlaxoSmithkline (India)	(5.6)

## 1-year performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 India Infoline	427.5	1 Rico Auto	(55.4)
2 Welspun Gujarat Stahl Rohrer	326.6	2 TVS Motor Co	(47.3)
3 Educomp Solutions	323.0	3 Vardhman	(43.0)
4 GVK Power	290.6	4 Novartis India	(28.0)
6 Jindal Steel and power	269.2	5 Aventis Pharma	(26.7)
7 JSW Steel	217.6	6 Hexaware Technologies	(25.3)
8 Divi's Laboratories	209.4	7 Cipla	(25.1)
9 Reliance Energy	205.3	8 Godrej Consumer Products	(24.0)
10 Sesa Goa	171.4	9 Mahindra Gesco	(23.7)
11 Monnet Ispat	163.8	10 Hotel Leela	(23.6)

Source: Kotak Institutional Equities.

## Fundamental & technical indicators

- **Price-to-Earnings ratio analysis**
- **EV-EBTDA ratio analysis**
- **Volume momentum analysis**

# Price-to-Earnings ratio analysis

**Exhibit 16 and 17: Companies trading at a premiums/discounts to the sector based on comparable companies covered by Kotak Institutional Equities**

## Premium to 1 year rolling forward P/E (%)

Company	Premium to sector
i-flex solutions	189.7
HDFC	182.6
Divi's Laboratories	182.0
Aditya Birla Nuvo	179.3
Jet Airways	175.8
Reliance Energy	163.9
Reliance Industries	160.3

## Discount to 1 year rolling forward P/E (%)

Company	Discount to sector
Monnet Ispat	76.9
Dredging Corporation	66.8
Andhra Bank	56.8
Canara Bank	55.0
iGate Global Solutions	54.3
Maharashtra Seamless	52.0
Punjab National Bank	49.9

**Exhibit 19: Companies trading at lowest P/E in the Kotak universe**

## Lowest 1 year rolling forward P/E (X)

Company	Lowest P/E
LIC Housing Finance	6.6
Andhra Bank	7.7
Canara Bank	8.0
Hindustan Petroleum	8.2
Monnet Ispat	8.6
Punjab National Bank	8.9
Corporation Bank	9.0
Dredging Corporation	9.1
Bank of Baroda	9.2
Ipca Laboratories	9.7
Oriental Bank of Commerce	9.7

**Exhibit 20: Companies trading at highest P/E in the Kotak universe**

## Highest 1 year forward P/E (X)

Company	Highest P/E
Aditya Birla Nuvo	66.6
GVKPIL	48.7
ABB	43.6
Reliance Energy	41.2
Siemens	35.7
i-flex solutions	35.0
Zee Entertainment Enterprises	32.9
HDFC	32.5
Jet Airways	28.3
Suzlon Energy	28.3
Larsen & Toubro	28.1

**Exhibit 18: Companies trading at all-time high historical P/Es, indicating re-rating of the multiples by market**

Company	% discount to historical high
Bharat Heavy Electricals	0.0
CESC	0.0
GE Shipping	0.0
Grasim Industries	0.0
HDFC	0.0
Larsen & Toubro	0.0
NTPC	0.0
Reliance Energy	0.0
Reliance Industries	0.0
Tata Power	0.0
EIH	0.0
IDFC	0.0
Sintex	0.0
Monnet Ispat	0.0
Aditya Birla Nuvo	0.0
Shriram Transport	0.0
Kalpataru Power Transmission	0.0
Bharat Electronics	2.7

Note:

(a) Historical figures are generated since May 2000.

Source: Bloomberg, Kotak Institutional Equities

# Enterprise Value-to-EBITDA ratio analysis

**Exhibit 21 and 22: Companies trading at a premium to the sector based on comparable companies covered by Kotak Institutional Equities. Analysis done on 1- year forward EV -EBITDA**

**Trading at premium to the sectors**  
**Premium to 1 year rolling forward EV/EBITDA (%)**

Company	Sector premium
Reliance Energy	217.8
Petronet LNG	199.8
Gateway Distriparks	177.9
i-flex solutions	174.3
Castrol India	163.9

**Trading at discount to sectors**  
**Discount to 1 year rolling forward EV/EBITDA (%)**

Company	Sector discount
Dredging Corporation	31.5
Polaris Software Lab	42.6
Novartis India	46.9
Hexaware Technologies	48.3
Rico Auto	49.6

**Exhibit 23: Companies trading at highest EV/EBITDA amongst the Kotak coverage list**

**Highest 1 year rolling forward EV/EBITDA (X)**

Company	Highest EV/EBITDA
Reliance Energy	41.0
Aditya Birla Nuvo	31.1
ABB	25.9
Divi's Laboratories	25.8
i-flex solutions	25.2
Siemens	20.6
Larsen & Toubro	20.1

**Exhibit 24: Companies trading at lowest EV/EBITDA amongst the Kotak coverage list**

**Lowest 1 year rolling forward EV/EBITDA (X)**

Company	Lowest EV/EBITDA
Hindustan Petroleum	4.4
Bharat Petroleum	4.6
Lakshmi	5.0
iGate Global Solutions	5.0
Rico Auto	5.1
National Aluminium Co	5.4
Dredging Corporation	5.4
Polaris Software Lab	6.2

Source: Bloomberg, Kotak Institutional Equities

# Technical indicators

## Exhibit 25: Volume momentum analysis

### Volume Positive Momentum (5-day volume v/s 30-day volume)

Company	5-day average volumes	Increase (%)	Price Change (1month basis %)
Sintex	6,659,808	454	12.7
Torrent Pharma	134,372	256	(12.5)
Ashok Leyland	5,253,502	222	15.8
LIC Housing Finance	430,312	185	24.7
Arvind Mills	17,630,692	182	0.0
GAIL (India)	672,599	157	27.2
MTNL	1,276,388	143	15.6

### Volume Negative Momentum (5-day volume v/s 30-day volume)

Company	5-day average volumes	% decrease	% Price Change (1month basis)
Ipca Laboratories	12,115	(71)	(7.1)
Motherson Sumi	12,705	(69)	15.6
Sun Pharmaceuticals	17,788	(53)	0.3
Nicholas Piramal	58,078	(40)	(6.8)
HDFC	54,067	(39)	21.1
ITC	736,615	(38)	7.6
Dredging Corporation	10,762	(34)	17.1

Date	Sensex	Avg daily value traded	Institutional participation in total turnover		Sensex Put-Call delivery	(X)
		(US\$ mn)	FII%	MF%	(%)	
Apr-07	13,872	2,776	18.0	4.7	49.2	1.12
May-07	14,544	3,420	16.3	4.5	49.8	1.38
Jun-07	14,651	3,327	17.6	3.9	49.9	1.44
Jul-07	15,551	4,309	18.6	4.4	49.8	1.38
Aug-07	15,318	3,742	18.6	4.3	45.2	1.32
Sep-07	17,777	4,703	16.0	4.2	49.0	1.23

Source: Bloomberg, Kotak Institutional Equities.

## Earnings momentum

**Top upgrades and downgrades in 2008 estimates in the past month**

- **Top changes in target prices in the past month**
- **Top changes in ratings in the past month**



# Top upgrades/downgrades

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## Exhibit 26: Kotak Institutional Equities earning upgrades/downgrades in the past 1 month

### FY2008 earnings upgrades (KIE) (1 month)

	Company	% Change
1	GSPL	15.4
2	CESC	11.3
3	Reliance Industries	8.4
4	DishTV	5.9
5	ICICI Bank	5.0
6	Bharat Heavy Electricals	1.8

### FY2008 earnings downgrades (KIE) (1 month)

	Company	% Change
1	Bharat Petroleum	(15.9)
2	Sobha	(14.9)
3	Hindustan Petroleum	(10.9)

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Source: Kotak Institutional Equities, Bloomberg.

# Changes in our target prices

## Exhibit 28: Changes in target prices in the past 1 month

### Upgrades in target prices (1 month)

	Company	% Change	New	Old
1	Sesa Goa	46.2	2,850	1,950
2	Reliance Petroleum	36.0	170	125
3	NTPC	26.5	215	170
4	ICICI Bank	20.0	1,200	1,000
5	Reliance Industries	9.1	1,800	1,650
6	Aditya Birla Nuvo	7.1	1,660	1,550
7	GSPL	1.7	59	58

### Downgrades in target prices (1 month)

	Company	% Change	New	Old
1	iGate Global Solutions	(16.1)	260	310
2	Polaris Software Lab	(15.4)	110	130
3	Hexaware Technologies	(15.2)	140	165

Source:Kotak Institutional Equities.

# Changes in our ratings

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**Exhibit 29: Changes in ratings in the past 1 month**

Company name		Rating	
		Current	Previous
DLF	Downgraded	IL	OP
Sesa Goa	Upgraded	OP	IL
Patni Computer Systems	Downgraded	IL	OP
Hindustan Petroleum	Downgraded	IL	OP
Bharat Petroleum	Downgraded	IL	OP

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Source: Kotak Institutional Equities.

## Flows

- **Trend in equity flows**
- **FII flows in other emerging markets**
- **IPO analysis**
- **Delivery position analysis**
- **Bulk deals of the week**

# Trend in equity flows

**Exhibit 31: Net investments by mutual funds and FII in the cash market (US\$ mn)**

	<b>FII</b>	<b>MF</b>
CY 1999	1,537	0
CY 2000	1,462	(150)
CY 2001	2,807	(1,110)
CY 2002	751	(685)
CY 2003	6,658	118
CY2004	8,382	(217)
CY 2005	10,776	2,873
CY 2006	8,632	3,585
<b>CY 2007</b>	<b>13,557</b>	<b>576</b>
Jan	40	(298)
Feb	1,249	(61)
March	317	(365)
April	1,257	217
May	1,085	401
June	1,759	100
July	4,530	(218)
August	(1,861)	1,037
September	4,645	(187)
October	538	(51)

Source: Bloomberg, Kotak Institutional Equities

**Exhibit 32: Net foreign flows in the Derivatives market (US\$ mn)**

	<b>Index Futures</b>	<b>Index Options</b>	<b>Stock Futures</b>	<b>Stock Options</b>
<b>CY2004</b>	(91)	608	(796)	4
<b>CY2005</b>	(676)	2,199	(668)	(42)
CY 2006	345	3,950	(3,690)	(83)
<b>CY2007</b>	<b>2,106</b>	<b>9,280</b>	<b>(5,647)</b>	<b>(95)</b>
Jan	13	960	(632)	(27)
Feb	(937)	682	(313)	0
Mar	1,132	630	467	(8)
Apr	264	810	(111)	(15)
May	320	516	(1,246)	(10)
June	(1,025)	980	(568)	(16)
July	(821)	1,860	(1,649)	(4)
August	1,037	1,235	(303)	(15)
September	2,122	1,607	(1,291)	(1)

**Exhibit 33: Net investments by all domestic institutions (MFs, FIs, Banks and Insurance) (US\$ mn)**

<b>Date</b>	<b>Amount</b>	<b>Date</b>	<b>Amount</b>
Apr-07	208	1-Oct	(11)
May-07	753	28-Sep	(26)
Jun-07	1,120	27-Sep	(80)
Jul-07	(145)	26-Sep	(180)
Aug-07	2,230	25-Sep	(132)
Sep-07	(1,221)	<b>Total</b>	<b>(429)</b>
Oct-07	(11)		
<b>Total</b>	<b>2,934</b>		

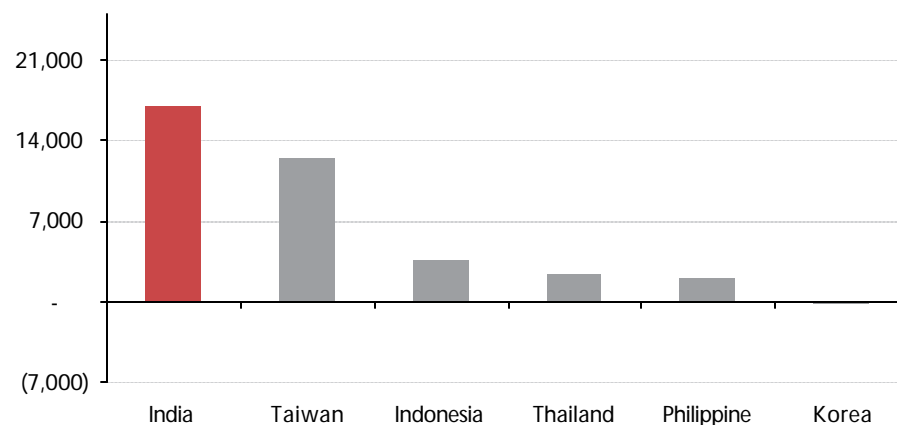
# FII flows in other emerging markets

## FII flows in the various countries (US\$ mn)

Flows in the cash markets

Date	Taiwan	Indonesia	Philippine	Thailand	India
5-Sep-07	(4)	63	6	7	101
6-Sep-07	209	(10)	5	(35)	153
7-Sep-07	183	29	(0)	(9)	142
10-Sep-07	(392)	(32)	5	(17)	(15)
11-Sep-07	(121)	10	(1)	3	109
12-Sep-07	(41)	(28)	(14)	(24)	69
13-Sep-07	(60)	(17)	(31)	(19)	(11)
14-Sep-07	289	23	(13)	4	284
17-Sep-07	(247)	12	(11)	(34)	(66)
18-Sep-07	-	20	0	(27)	(34)
19-Sep-07	779	81	3	6	609
20-Sep-07	383	33	(1)	44	399
21-Sep-07	(64)	14	(3)	51	226
24-Sep-07	-	30	(10)	67	315
25-Sep-07	-	(9)	(8)	3	380
26-Sep-07	83	19	(12)	(20)	246
27-Sep-07	451	24	(4)	30	596
28-Sep-07	312	25	13	30	856
1-Oct-07	18	-	(10)	-	538
3-Oct-07	548	-	17	-	775
<b>Total</b>	<b>2,327</b>	<b>287</b>	<b>(70)</b>	<b>60</b>	<b>5,671</b>

## Net investments by FIIs in the cash market (US\$ mn) over last 1 year



Source: Bloomberg.

# IPO analysis

## Exhibit 33: Market performance since IPO/ Follow on offering

Name	Offer Shares	Price (Rs)	Value (Rs mn)	Date of Listing	Price		Performance (%)	
					Day 1	Latest	Day 1	Since Listing
Magnum Ventures	176	30	529	20-Sep-07	49	33	62	10
Indowind Energy	125	65	813	14-Sep-07	115	143	76	120
Motilal Oswal Financial	30	825	2,461	11-Sep-07	977	1,094	18	33
Puravankara Projects	215	400	8,587	30-Aug-07	362	445	(10)	11
KPR Mill	59	225	1,330	28-Aug-07	174	143	(23)	(37)
TakeSolutions	21	730	1,533	27-Aug-07	926	1,015	27	39
Central Bank of India	800	102	8,160	21-Aug-07	115	139	13	36
SEL manufacturing	41	90	372	21-Aug-07	142	108	58	21
Refex Refrigerants	38	65	247	20-Aug-07	62	67	(5)	3
Zylog Systems	36	350	1,260	17-Aug-07	431	403	23	15
IVR Prime	142	550	7,783	16-Aug-07	418	439	(24)	(20)
OMAXE Ltd	178	310	5,517	09-Aug-07	349	331	13	7
Alpa Laboratories	95	68	646	06-Aug-07	55	43	(19)	(36)
Simplex projects	30	185	555	03-Aug-07	272	282	47	52
Everonn Systems	36	140	500	01-Aug-07	478	648	241	363
Allied Digital	45	190	859	25-Jul-07	331	395	74	108
Housing Development & Infra	297	500	14,850	24-Jul-07	558	708	12	42
Soice Communications	1,131	46	5,203	18-Jul-07	61	60	32	30
Roman Tarmat	29	175	508	09-Jul-07	319	198	82	13
DLF	1,750	525	91,875	05-Jul-07	570	862	9	64
Vishal Retail	40	270	1,082	04-Jul-07	752	711	179	163
Nitin Fire Protection	34	190	644	05-Jun-07	484	414	155	118
Insecticides Ind	32	115	369	30-May-07	110	61	(5)	(47)
MIC Electronics	51	150	765	30-May-07	336	525	124	250
Binani Cements	205	75	1,538	28-May-07	69	92	(8)	22
Hilton Metal Forging	55	70	382	24-May-07	68	37	(3)	(47)
Bhagwati Hotels	230	40	920	17-May-07	51	44	27	9
Fortis Healthcare	460	108	4,968	09-May-07	100	86	(7)	(21)
Advanta IndiaLtd	34	640	2,163	19-Apr-07	850	1,050	33	64
ICRA Ltd	26	330	852	13-Apr-07	798	993	142	201
Orbit Corp Ltd	91	110	1,001	12-Apr-07	128	595	16	441
Gremach Infrastructure	69	86	590	11-Apr-07	84	267	(2)	210
Astral Polytechn	30	115	342	20-Mar-07	105	123	(9)	7
Abhishek Mills L	41	100	410	19-Mar-07	91	43	(9)	(57)
AMD Metplast Ltd	102	75	763	19-Mar-07	78	49	4	(35)
Jagjanani Textil	81	25	203	19-Mar-07	23	11	(7)	(57)
Lawreshwar Polym	87	16	139	19-Mar-07	14	9	(13)	(43)
Page Industries	28	360	1,009	16-Mar-07	282	440	(22)	22
Raj Television N	36	257	917	16-Mar-07	226	223	(12)	(13)
Euro Ceramics	56	165	928	09-Mar-07	119	215	(28)	30
Idea Cellular	2,833	75	21,250	09-Mar-07	86	132	14	77
Mudra Lifestyle	96	90	862	09-Mar-07	64	74	(29)	(18)
Vijayeshwari Textiles	90	100	900	09-Mar-07	69	68	(31)	(32)
Indus Fila Ltd	48	170	823	08-Mar-07	132	209	(22)	23
Broadcast Initiatives	86	120	1,026	07-Mar-07	69	53	(42)	(56)
Evinix Accessories	35	120	420	07-Mar-07	74	198	(39)	65
Mindtree Consulting	56	425	2,377	07-Mar-07	620	502	46	18
Oriental Trimex	100	48	480	07-Mar-07	29	20	(39)	(59)
Indian Bank	896	91	8,149	01-Mar-07	98	152	8	67

Source: Bloomberg and Kotak Institutional Equities.

## Exhibit 34: Forthcoming IPO/Follow on offerings

Company	Issue
National Hydroelectric Power Corp.Ltd.	IPO
Mundra Port & Special Economic Zone Ltd.	IPO
Brigade Enterprises Ltd.	IPO
Rural Electrification Corp.Ltd.	IPO
Wockhardt Hospitals Ltd.	IPO
Bgr Energy Systems Ltd.	IPO
Onmobile Global Ltd.	IPO
Kolte-Patil Developers Ltd.	IPO
Edelweiss Capital Ltd.	IPO
Jyothy Laboratories Ltd.	IPO
Rns Infrastructure Ltd.	IPO
Manaksia Ltd.	FPO
Empee Distilleries Ltd.	IPO
Ramsarup Lohh Udyog Ltd.	IPO
Religare Enterprises Ltd.	IPO
Tecpro Systems Ltd.	IPO
Gss America Infotech Ltd.	IPO
Eclerx Services Ltd.	IPO
Man Infraconstruction Ltd.	IPO
Rithwik Projects Ltd.	IPO
Uma Precision Ltd.	IPO
Bang Overseas Ltd.	IPO
Precision Pipes & Profiles Co.Ltd.	IPO
J.Kumar Infraprojects Ltd.	IPO
Globus Spirits Ltd.	IPO
Brahamputra Consortium Ltd.	IPO
Varun Industries Ltd.	IPO
Cords Cable Industries Ltd.	IPO
Essel Shyam Communication Ltd.	IPO
Khadim India Ltd.	IPO
M.S.Khurana Engineering Ltd.	IPO
Midvalley Entertainment Ltd.	IPO
Veena Industries Ltd.	IPO
Aries Agro Ltd.	IPO
Alkali Metals Ltd.	IPO
Niraj Cement Structurals Ltd.	IPO
Renaissance Jewellery Ltd.	IPO
Tulsi Extrusions Ltd.	IPO
Kiri Dyes & Chemicals Ltd.	IPO
Kaushalya Infrastructure Development Corp.Ltd.	IPO
Svec Constructions Ltd.	IPO

Source: Primedatabase .

# Summary of bulk/block deals

## Exhibit 35: Bulk/block deals for the week

Date	Company	Action	Value	Price	Value (Rs mn)	Exchange
27-Sep-07	Sintex Indus	SELL	12,300,000	350	4,305	BSE
28-Sep-07	Sintex Indus	SELL	10,000,000	350	3,500	BSE
28-Sep-07	Whirlpool In	BUY	4,579,324	33	151	BSE
28-Sep-07	Him Futr Com	SELL	4,554,990	27	125	BSE
01-Oct-07	Him Futr Com	SELL	3,923,302	27	107	BSE
27-Sep-07	Sintex Indus	SELL	3,700,000	350	1,295	BSE
27-Sep-07	Ifci Ltd.	SELL	3,693,375	93	342	NSE
28-Sep-07	Sintex Indus	BUY	3,608,000	350	1,263	BSE
28-Sep-07	Sintex Indus	SELL	3,571,625	350	1,250	BSE
27-Sep-07	Sintex Indus	BUY	3,312,000	350	1,159	BSE
27-Sep-07	Himachal Fut Comm Ltd	BUY	3,163,187	30	95	NSE
27-Sep-07	Himachal Fut Comm Ltd	SELL	3,148,187	30	94	NSE
27-Sep-07	Deccan Aviation Limited	SELL	3,132,890	150	470	NSE
27-Sep-07	Himachal Fut Comm Ltd	SELL	2,800,000	30	84	NSE
25-Sep-07	Ikf Techno	BUY	2,592,108	7	19	BSE
25-Sep-07	Ikf Techno	SELL	2,592,108	7	18	BSE
27-Sep-07	Deccan Aviation Limited	SELL	2,434,168	150	365	NSE
26-Sep-07	G V Films Lt	BUY	2,020,137	8	17	BSE
25-Sep-07	Alok Industries Limited	SELL	2,000,000	71	142	NSE
26-Sep-07	Tvs Motor Company Limited	BUY	1,750,000	74	130	NSE
28-Sep-07	Sintex Indus	BUY	1,660,000	350	581	BSE
26-Sep-07	Tvs Motor Company Limited	SELL	1,625,000	74	120	NSE
28-Sep-07	Ikf Techno	BUY	1,496,050	7	11	BSE
28-Sep-07	Ikf Techno	SELL	1,496,003	7	11	BSE
27-Sep-07	Praj Industries Ltd	SELL	1,452,000	239	347	NSE

Source: BSE and NSE website.



# Delivery positions

**Exhibit 36: Top increase/(decrease) in delivery percentage**

## Increase in delivery % (KIE universe)

Name	Delivery %	
	Previous week	Current week
Sintex Industries Limited	47	95
Pvr Ltd	45	81
Infrastructure Dev Finance	36	59
Pantaloon Retail India Ltd	40	62
Bharat Petroleum Corp Ltd	42	63
Ultratech Cement Ltd	63	83
Asian Paints Ltd	81	99
Glaxosmithkline Consumer Hea	72	90
Ipca Laboratories Limited	80	97

## Decrease in delivery % (KIE universe)

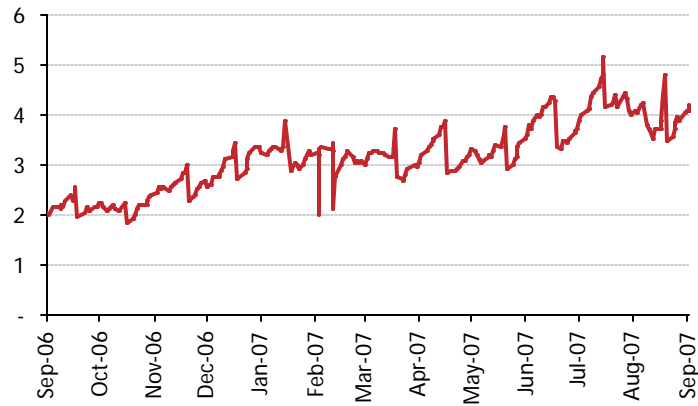
Name	Delivery %	
	Previous week	Current week
Balaji Telefilms Ltd	95	46
Punj Lloyd Limited	38	-
Punjab Tractors Limited	84	47
Sesa Goa Limited	59	24
National Aluminium Co Ltd	71	43
Tvs Motor Co Ltd	54	28
Ntpc Limited	79	54
Indian Oil Corporation Ltd	81	58
India Cements Limited	49	26

Source: Bloomberg and Kotak Institutional Equities.

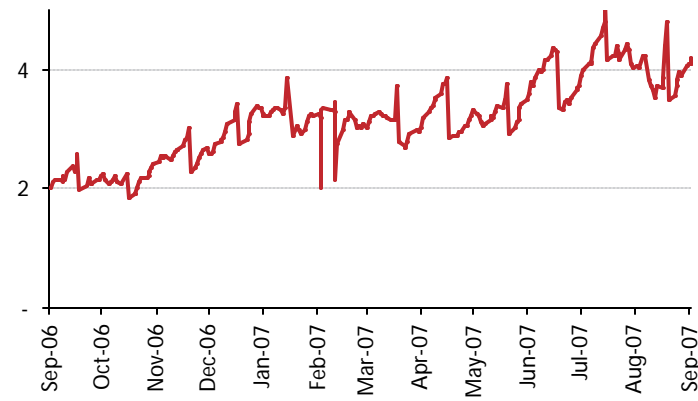
# Open interest analysis

**Exhibit 37: National Stock Exchange (US\$ bn)**

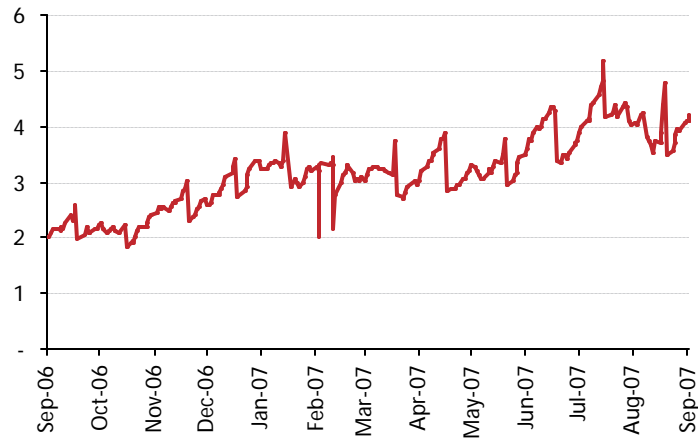
**India Index futures open interest**



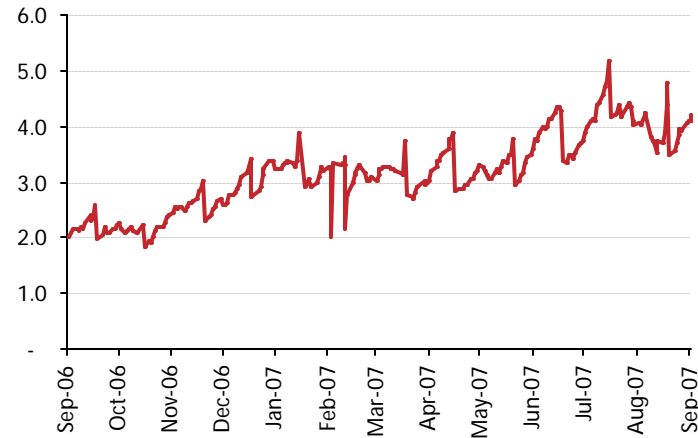
**India stock futures open interest**



**India Index option open interest**



**India stock option open interest**

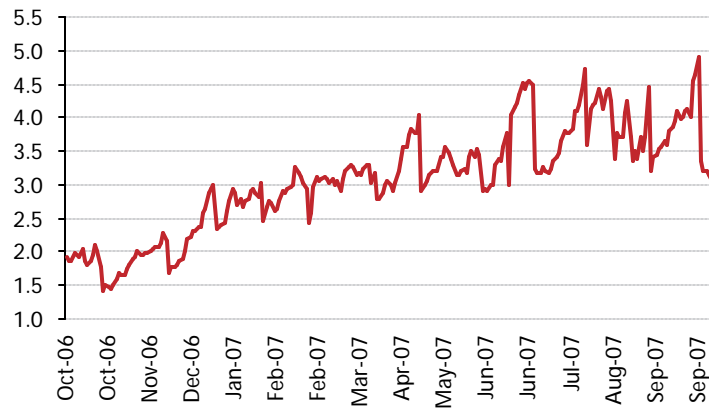


Source: Bloomberg and Kotak Institutional Equities.

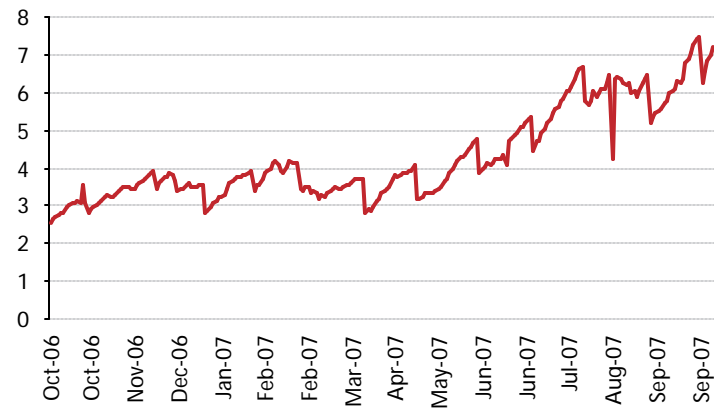
# Open interest analysis

Exhibit 38: Open interest position movement for foreign institutional investors (US\$ bn)

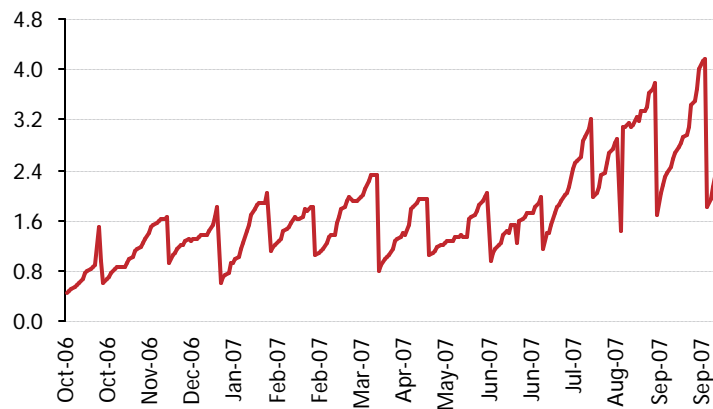
Index futures value of open interest



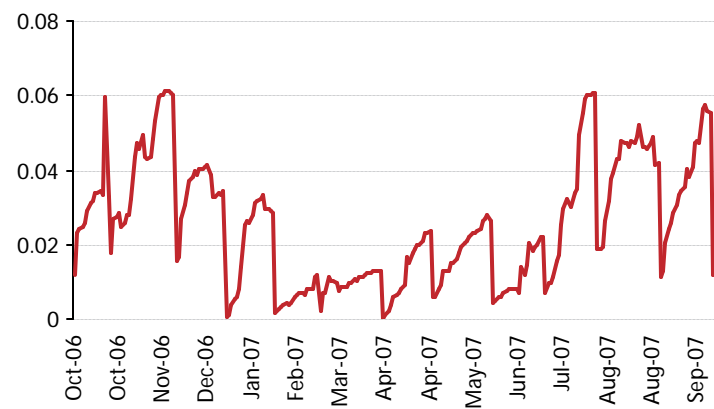
Stock futures value of open interest



Index options value of open interest



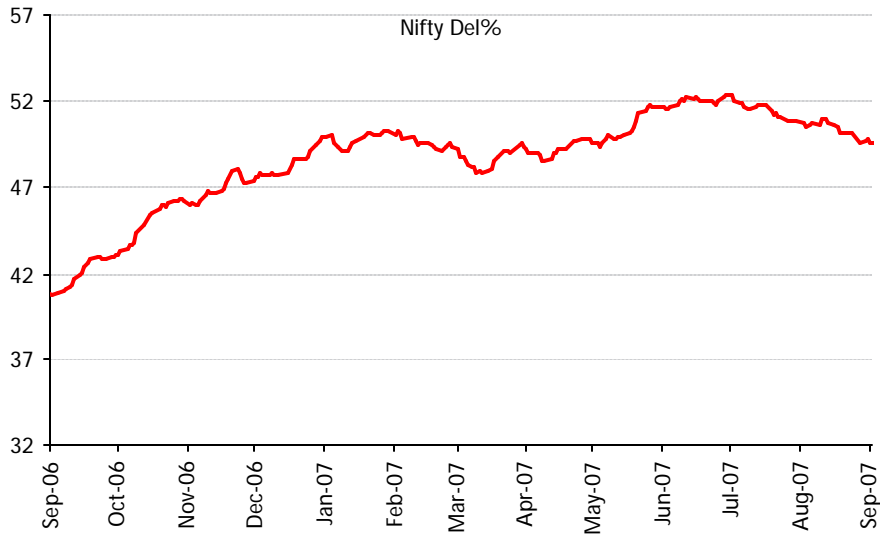
Stock options value of open interest



Source: Bloomberg and Kotak Institutional Equities.

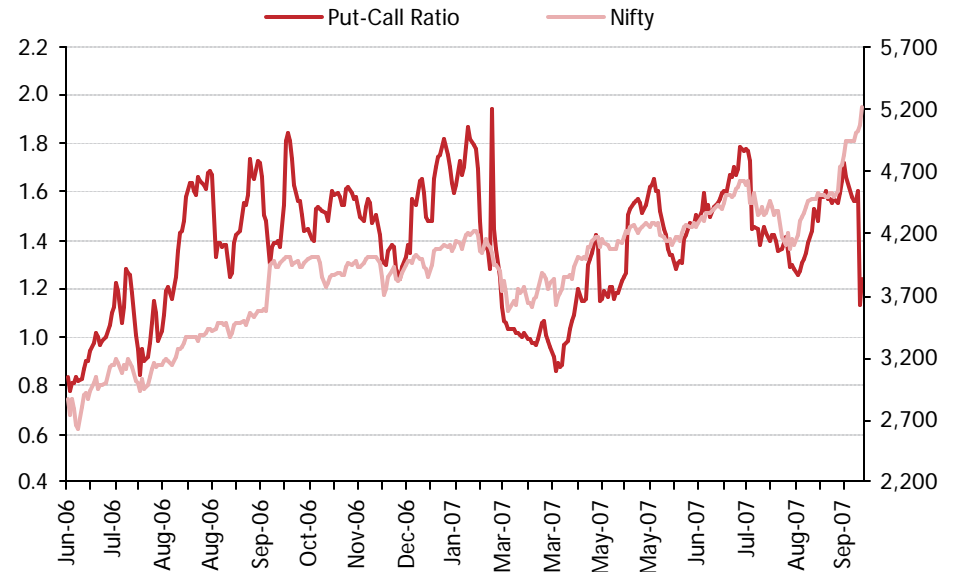
# Market movement indicators

**Exhibit 39: Aggregate delivery percentage**



Source: Bloomberg and Kotak Institutional Equities.

**Exhibit 40: Put call ratio versus Nifty**



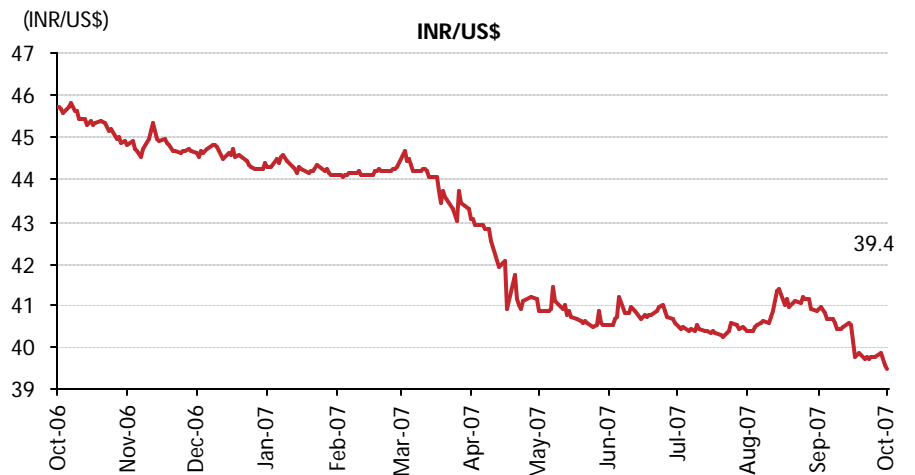
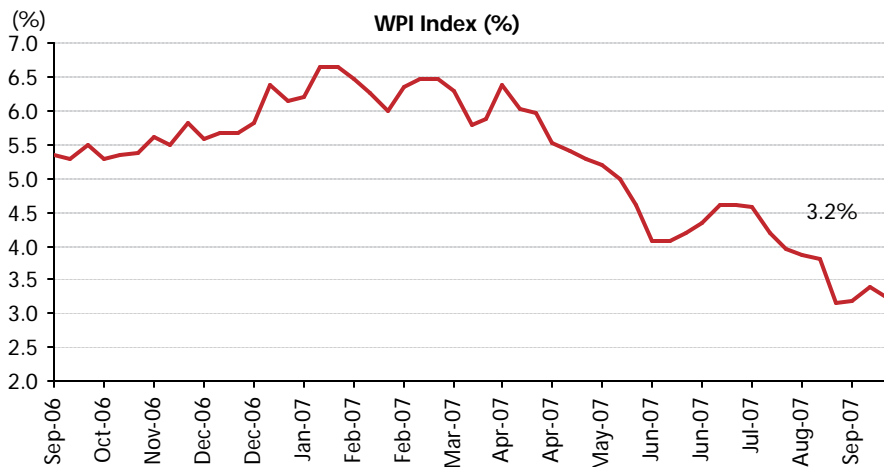
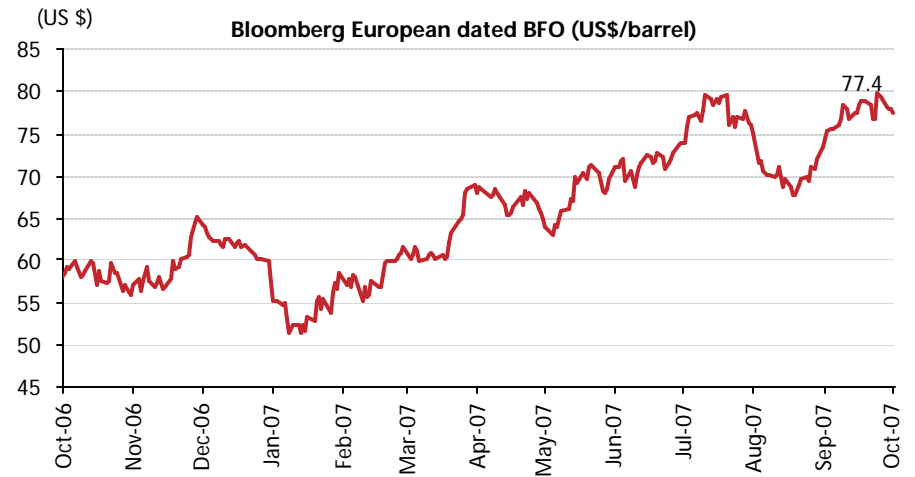
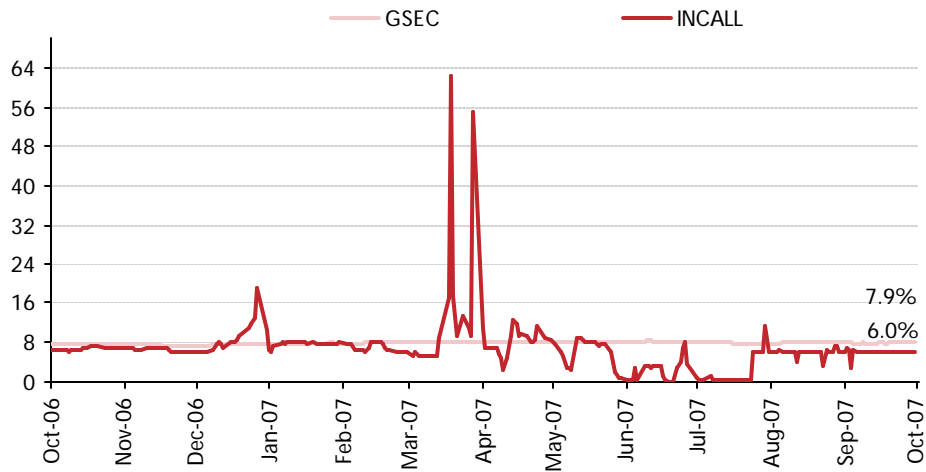
Put call is for Nifty open interest

Source: Bloomberg and Kotak Institutional Equities.

## Economic indicators

# Economic indicators

Exhibit 41: Key economic parameters



Source: Bloomberg and Kotak Institutional Equities.

## Kotak valuation summary





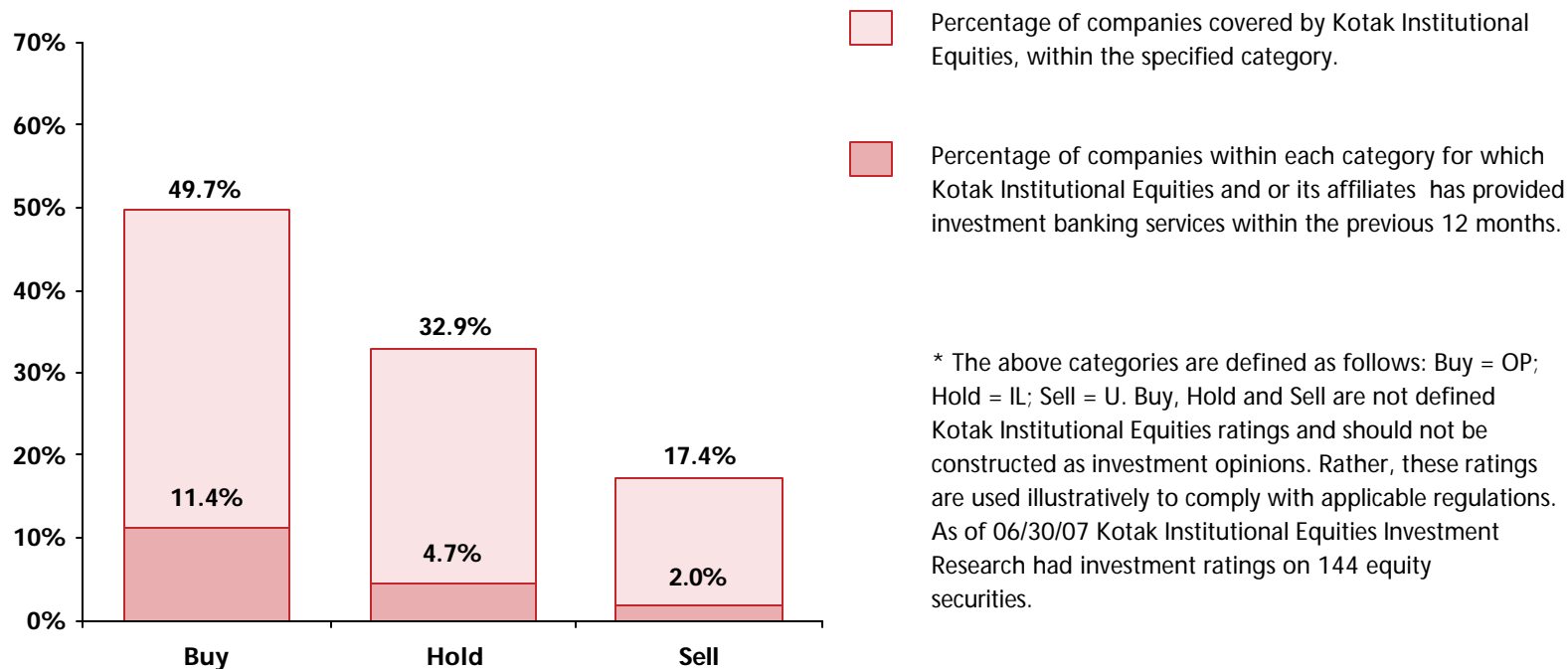




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Distribution of ratings/investment banking relationships



\* The above categories are defined as follows: Buy = OP; Hold = IL; Sell = U. Buy, Hold and Sell are not defined Kotak Institutional Equities ratings and should not be constructed as investment opinions. Rather, these ratings are used illustratively to comply with applicable regulations. As of 06/30/07 Kotak Institutional Equities Investment Research had investment ratings on 144 equity securities.

Source: Kotak Institutional Equities.

As of June 30, 2007

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