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Insurance: Guidelines on ULIPs reduce operating leeway for insurance companies

News Round-up

- ▶ Reliance Industries (RIL IN) said it had made its seventh oil discovery in a block in the Cambay basin in Gujarat. The potential commercial interest of the discovery is being determined through more data and analysis. *(BSTD)*
- ▶ NTPC (NATP IN) rejects pooling of gas prices for power, fertiliser sectors. Warns existing gas-based stations will be at a disadvantage. NTPC is currently drawing 2.51 mscmd of gas from Reliance Industries (RIL IN) D6 block in the Krishna-Godavari basin. *(BSTD)*
- ▶ NTPC Ltd (NATP IN) plans to raise a syndicated loan of USD 300 mn to finance its ongoing capacity addition initiatives. *(BSTD)*
- ▶ Anil Ambani's Reliance Infra (RELI IN) will borrow around USD 553.19mn for the Bandra-Worli-Haji Ali Sea Link project in Mumbai, part of which will be constructed by a consortium led by the company. *(ECNT)*
- ▶ SBI (SBIN IN) to announce base rate today, may set it at 8%. *(ECNT)*
- ▶ Tata Motors (TTMT IN) will raise USD 1 bn through a combination of instruments to meet capital requirements and cut debt. *(BSTD)*
- ▶ Essar Steel said that it had acquired Servosteel for an undisclosed amount. *(BSTD)*
- ▶ Pantaloon Retail (PF IN) said promoters would infuse USD 87 mn in the company in lieu of convertible warrants issued to them. The warrants would be issued to promoters' group company Future Ideas Realtors India Ltd. *(BSTD)*
- ▶ Crompton Greaves (CRG IN) has set up a new transformer manufacturing facility in Washington, through its subsidiary CG Power systems USA Inc, with an investment of USD 20 mn. *(BSTD)*
- ▶ Tata Power (TPWR IN) is in the process of acquiring 20.95 Mw operating wind assets in Maharashtra from Niskalp Energy. *(BSTD)*
- ▶ Strides Arcolab (STR IN) is gearing for a fresh round of fund-raising, both debt and equity. The company has planned to raise up to USD 98 mn through equity, leveraging various instruments-qualified placements, depository receipts, etc. *(BSTD)*
- ▶ Ansal API (APIL IN) eyes equity investment for USD 6.12 bn township project. *(FNLE)*
- ▶ IDFC (IDFC IN) to raise USD 500 mn through QIP. *(FNLE)*
- ▶ IndusInd Bank (IIB IN) to mop up USD 212.76mn through a share sale for strengthening the balance sheet & meeting its growth ambition. *(ECNT)*

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

EQUITY MARKETS

India	Change %			
	28-Jun	1-day	1-mo	3-mo
Sensex	17,774	1.1	5.4	0.4
Nifty	5,334	1.2	5.3	0.6
Global/Regional indices				
Dow Jones	10,139	(0.1)	0.0	(7.0)
Nasdaq Composite	2,221	(0.1)	(1.6)	(7.6)
FTSE	5,072	0.5	(2.3)	(11.2)
Nikkie	9,746	0.5	(0.2)	(11.3)
Hang Seng	20,727	0.0	4.9	(2.4)
KOSPI	1,736	0.2	7.0	2.6
Value traded – India				
Cash (NSE+BSE)	172		167	174
Derivatives (NSE)	602		686	578
Deri. open interest	1,105		997	874

Forex/money market

	Change, basis points			
	28-Jun	1-day	1-mo	3-mo
Rs/US\$	46.2	(8)	(15)	131
10yr govt bond, %	7.6	(2)	6	(23)

Net investment (US\$m)

	25-Jun	MTD	CYTD
FIs	(61)	1,740	6,340
MFs	(61)	71	(282)

Top movers -3mo basis

Best performers	Change, %			
	28-Jun	1-day	1-mo	3-mo
IBULL IN Equity	146.2	6.1	5.3	37.2
HPCL IN Equity	433.0	7.7	20.8	35.1
IOCL IN Equity	397.6	5.2	16.5	31.6
BJFIN IN Equity	425.8	0.9	(4.0)	31.3
UNTP IN Equity	193.9	1.1	13.7	30.5
Worst performers				
GRASIM IN Equity	1815.1	0.9	(1.8)	(36.8)
ABAN IN Equity	790.7	4.9	10.4	(33.4)
EDSL IN Equity	541.4	(0.2)	12.2	(28.7)
PUNJ IN Equity	134.6	4.4	(2.1)	(24.4)
TATA IN Equity	500.1	2.1	0.7	(22.3)

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JUNE 29, 2010

UPDATE

Coverage view: **Cautious**

Price (Rs): **623**

Target price (Rs): **680**

BSE-30: **17,774**

M&M's 2-wheeler division keeps its cards close to chest. M&M's desire to participate in the 2-wheeler segment stems from its belief that the segment would continue to dominate volumes in the automotive space. Management outlined goals of becoming a large player with products across segments but the discussion was light on specifics with respect to product differentiation strategy. Having garnered a 6% share of the scooter market, M&M would introduce a motorcycle in the next few months.

Company data and valuation summary

Mahindra & Mahindra

Stock data		Forecasts/Valuations			
		2010	2011E	2012E	
52-week range (Rs) (high,low)	645-322	EPS (Rs)	34.9	40.7	48.7
Market Cap. (Rs bn)	354.8	EPS growth (%)	132.5	16.5	19.7
Shareholding pattern (%)		P/E (X)	17.6	15.1	12.6
Promoters	26.3	Sales (Rs bn)	186.0	226.1	259.1
FIs	28.6	Net profits (Rs bn)	20.2	23.5	28.1
MFs	4.2	EBITDA (Rs bn)	29.6	34.0	40.4
Price performance (%)		EV/EBITDA (X)	12.4	10.6	8.8
Absolute	1M 3M 12M	ROE (%)	30.0	25.8	24.6
	12.3 13.5 75.7	Div. Yield (%)	1.5	1.5	1.6
Rel. to BSE-30	7.8 13.9 47.6				

Mahindra bullish on 2-wheeler segment and wants to participate

We met with Mr. Anoop Mathur, the President of M&M Two Wheelers Ltd, and his team with the discussion revolving around the business rationale and goals. However, management divulged little with respect to its strategy towards product differentiation, segmentation et al. M&M plans to be a large player in the 2-wheeler space with products spread across the segment. M&M seems to believe that the 2-wheeler segment and specifically motorcycles would continue to constitute a large chunk of the automotive industry in India and cannot be ignored. Management expects the 2-wheeler segment to sustain a 12% CAGR going forward, primarily supported by the low penetration, demographics favoring the younger age group and strong rural income fundamentals.

Brand, financing infrastructure, dealership experience and back-end synergies key to gaining share

Given strong industry fundamentals, management believes M&M can become a large player in the 2-wheeler space despite the existence of well-entrenched players in the market. Management believes the Mahindra brand, financing infrastructure, R&D, front-end customer service and dealership experience would be key levers to gain share from incumbents. Management is encouraged by the brand-consciousness and discerning nature of the Indian 2-wheeler consumer, which would allow M&M to differentiate themselves and make inroads.

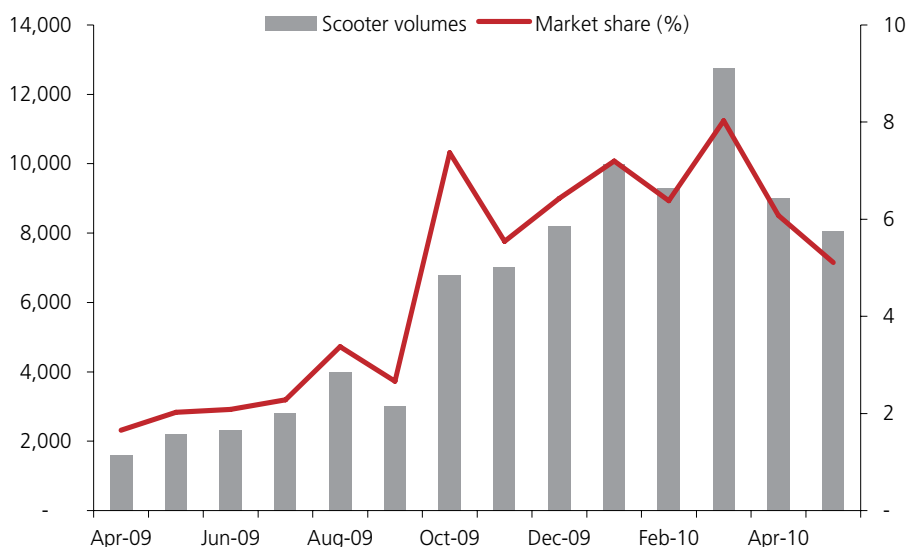
Ground realities

M&M Two Wheelers Ltd has an annual capacity of 450,000 units compared to the close to 10,000 units monthly run rate they are currently at, implying ample room for growth. The company plans to launch a motorcycle in the next few months time. The company has just over 350 dealers currently compared to less than 200 about a year ago. On the technology front, the company has retained Kinetic's tie-up with SYM. Product development is done jointly with SYM and Engines Engineering, a Mahindra Systech group company. Management believes they are cost competitive currently at the variable cost level though there is scope for further efficiencies.

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M&M Two Wheeler monthly volumes and share of scooter segment



Source: Company, Kotak Institutional Equities estimates

M&M Two Wheeler Financials, March fiscal year-ends (2009, Rs in mn)

Profit & loss statement		2009	Balance sheet		2009
Volumes		6,667	Sources of funds		
Gross sales		175	Share capital		1,475
Excise duty		(9)	Reserves and surplus		-
Net sales		165	Equity capital		1,475
Other operating income		2	Debt		350
Total revenues		167	Current liabilities		318
Raw materials		118	Total sources of funds		2,143
Personnel		81	Application of funds		
Other expenses		126	Fixed assets		
EBITDA		(157)	Gross block		1,377
EBITDA margin		-90.0%	less: accumulated depreciation		60
Depreciation		60	Net block		1,316
EBIT		(218)	Capital work-in-progress		80
Interest		7	Total fixed assets		1,396
PBT before exceptional items		(225)	Investments		-
Exceptional items		-	Current assets		521
PBT		(225)	P&L Account		226
Tax		0	Total application of funds		2,143
PAT		(225)			

Source: Company, Kotak Institutional Equities estimates

New products and buoyant rural demand fundamentals drive industry leading volume growth
M&M volume details, March fiscal year-ends (2007-2012E)

Volumes	2007	2008	2009	2010	2011E	2012E
Utility vehicles (incl. pickups)	127,857	148,759	153,655	224,695	264,399	305,336
LCVs				12,639	65,000	91,000
3-wheelers	33,718	33,926	44,806	44,785	49,264	54,190
Automotive segment	161,575	182,685	198,461	282,119	378,663	450,526
Tractors	102,536	98,710	119,708	174,634	195,590	219,061
Total vehicles	264,111	281,395	318,169	456,753	574,253	669,587
Growth (yoy %)						
Utility vehicles (incl. pickups)	11.5	16.3	3.3	46.2	17.7	15.5
LCVs						40.0
3-wheelers	50.4	0.6	32.1	(0.0)	10.0	10.0
Automotive segment	17.8	13.1	8.6	42.2	34.2	19.0
Tractors	20.6	(3.7)	21.3	45.9	12.0	12.0
Total vehicles	18.9	6.5	13.1	43.6	25.7	16.6

Source: Company, Kotak Institutional Equities estimates

M&M, SOTP-based valuation, FY2011E basis

	EPS (Rs/share)	Multiple (X)	Value per share (Rs)	Comment
M&M standalone business	43	12	519	Based on 12X average of FY2011-12E EPS less dividend income from subs
Subsidiaries			161	
Tech Mahindra			54	Based on current price of Rs730/share
Mahindra Holidays			49	Based on current price of Rs505/share
M&M Financial Services Ltd			40	Based on KIE target price of Rs500/share
Mahindra Lifespace Developers Ltd			12	Based on KIE target price of Rs540/share
Mahindra Forgings			6	Based on current price of Rs100/share
SOTP-based value			680	
Target price			680	

Note

(1) The subsidiaries have been valued at a holding company discount of 20%.

Source: Company, Kotak Institutional Equities estimates

M&M, Profit model, balance sheet and cash flow model, March fiscal year-ends, 2007-2012E (Rs mn)

	2007	2008	2009	2010E	2011E	2012E
Profit model (Rs mn)						
Net sales	100,682	115,413	130,937	186,021	226,063	259,129
EBITDA	13,048	13,666	10,926	29,552	33,992	40,440
Other income	1,530	1,304	2,703	1,994	2,432	2,688
Interest	675	(242)	(453)	(278)	47	582
Depreciation	(2,096)	(2,387)	(2,915)	(3,708)	(4,693)	(5,679)
Profit before tax	13,157	12,340	10,262	27,560	31,777	38,031
Current tax	(3,657)	(2,788)	(585)	(4,270)	(4,767)	(5,705)
Deferred tax	157	(247)	(1,412)	(3,320)	(3,495)	(4,183)
Net profit	10,684	11,034	8,368	20,878	23,515	28,143
Adjusted earnings per share (Rs)	18.9	18.2	14.8	34.9	40.7	48.7
Balance sheet (Rs mn)						
Equity	35,727	44,068	52,621	80,671	101,392	127,097
Total Borrowings	16,360	25,871	40,528	28,802	28,802	28,802
Current liabilities	26,656	32,400	47,978	52,000	73,128	80,878
Total liabilities	78,743	102,339	141,126	161,473	203,321	236,777
Net fixed assets	18,712	23,609	32,143	37,027	48,334	58,655
Investments	22,375	42,151	57,864	63,980	73,980	83,980
Cash	13,261	8,612	15,744	17,432	24,489	29,511
Other current assets	24,221	27,831	35,249	42,992	56,476	64,589
Miscellaneous expenditure	176	135	126	41	41	41
Total assets	78,743	102,339	141,126	161,473	203,321	236,777
Free cash flow (Rs mn)						
Operating cash flow excl. working capital	9,712	10,730	10,395	26,190	29,225	34,735
Working capital changes	1,978	(2,472)	5,918	(4,119)	7,643	(363)
Capital expenditure	(4,819)	(7,171)	(9,152)	(8,592)	(16,000)	(16,000)
Free cash flow	6,870	1,087	7,161	13,479	20,869	18,372
Ratios						
Operating margin (%)	13.0	11.8	8.3	15.9	15.0	15.6
PAT margin (%)	10.6	9.6	6.4	11.2	10.4	10.9
Debt/equity (X)	0.5	0.6	0.8	0.4	0.3	0.2
Net debt/equity (X)	0.0	0.0	(0.4)	(0.5)	(0.5)	(0.6)
Book Value (Rs/share)	69.6	86.0	89.1	139.4	175.2	219.7
RoAE (%)	29.3	23.4	17.1	30.0	25.8	24.6
RoACE (%)	20.1	15.6	10.6	19.9	19.6	19.4

Source: Company, Kotak Institutional Equities estimates

JUNE 28, 2010

UPDATE

Coverage view: **Cautious**

Price (Rs): **151**

Target price (Rs): **185**

BSE-30: **17,774**

Management meeting notes. Interactions with the Hindalco management increased our confidence on (1) significant accretion to valuation from green field projects, (2) sustainability of Novelis' recent performance and (3) driving efficient capital structure. Upgrade in our estimates for Novelis drives upward revision in our earnings estimates, even as we lower aluminium price assumption. We retain our ADD rating with a 12-month target price of Rs185 (Rs190 earlier)

Company data and valuation summary

Hindalco Industries

Stock data

52-week range (Rs) (high,low)	193-68
Market Cap. (Rs bn)	288.3

Shareholding pattern (%)

Promoters	32.1
FIs	37.6
MFs	2.9

Price performance (%)

	1M	3M	12M
Absolute	(0.2)	(15.7)	73.8
Rel. to BSE-30	(5.3)	(16.3)	44.3

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	5.7	12.6	15.1
EPS growth (%)	(64.5)	122.5	19.4
P/E (X)	26.5	11.9	10.0
Sales (Rs bn)	607.2	647.5	703.5
Net profits (Rs bn)	10.9	24.2	28.8
EBITDA (Rs bn)	70.1	71.9	77.4
EV/EBITDA (X)	8.2	8.8	8.9
ROE (%)	10.3	10.4	11.2
Div. Yield (%)	0.9	0.9	0.9

Green field projects to be value accretive; cost of production of US\$1,000/ton

Hindalco reiterated project completion schedule and competitiveness on cost of production from Mahan and Aditya Aluminium smelters. The company reiterated cost of production of US\$1,000/ton from Mahan and Aditya Aluminium smelters, which is lower than US\$1,250/ton COP of its Hirakud smelter. Tighter supply chain management, presence of power plant and alumina refinery at very close to raw material sources and efficiency of new smelters that will lower power consumption will drive lower costs relative to its Hirakud smelter.

Novelis on track to sustain its recent outstanding performance

The company is confident of protecting profitability of Novelis (EBITDA/ton). The company expects Novelis' conversion premium to remain stable - it did not reduce the conversion premium even during the downturn. Contract renegotiations, rationalization of cost structure and increased use of scrap/used beverage cans should help protect profitability. Novelis generates higher profitability from developed markets; any demand uptick will help realizations and profitability further.

Efforts in place to drive efficient capital structure

Restrictive covenants in Novelis' borrowings from public bonds and Hindalco's international loans prevent fungibility of cash between the two entities. These covenants will remain till the loans are repaid and may lead to inefficient utilization of cash, especially noting that Novelis may end up under-leveraged and Hindalco standalone over-leveraged. Hindalco indicates that it is working on a solution in the interim to ensure efficient cash flow utilization and capital structure.

Reduce aluminium price assumption but raise estimates on higher profitability from Novelis

We lower our aluminium price assumption for FY2011E and FY2012E by 4.9% and 4.7% to US\$1,950 and US\$2,050 respectively. We, however, increase our FY2011E and FY2012E EPS estimate by 1.2% and 2.2% to Rs12.6 and Rs15.1, respectively; impact of lower commodity prices is offset by our increase in EBITDA estimates for Novelis. We marginally lower our target multiple and TP to Rs185. Hindalco's sensitivity to commodity prices is relatively lower noting high contributions from steady cash-generating businesses, i.e. Novelis and copper-smelting business.

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High emphasis on de-risking business portfolio

Hindalco detailed the following thoughts on its business strategy

- ▶ Hindalco reiterated its focus on remaining long on alumina; raw material used in producing aluminium. The company reiterated possibility of alumina contract prices getting delinked from aluminium prices.
- ▶ High emphasis on de-risking—the company highlighted that close to 50% of aluminium production is converted in to value-added products. Even within alumina, a large percentage of production is converted in specialized alumina product.
- ▶ The company highlighted high geographical concentration as an area of improvement, especially in Novelis. This is being addressed through expansion in emerging markets, especially in Brazil, China and India.
- ▶ High emphasis on correcting the product mismatch, i.e. increase in upstream production to be in sync with downstream capacity.

Driving efficient capital structure

Hindalco is confident of funding expansion without resorting to equity dilution. The company is comfortable leveraging up to debt/EBITDA of 4X for Novelis' business and 3.75X (higher than industry standard but appropriate, per management after considering benefits of steady cash-generating copper smelting business) for Hindalco standalone.

Hindalco considers 1:1 debt:equity mix as the most appropriate capital structure for the standalone business. Project financing for new projects (Utkal, Mahan, Aditya etc.) has been arrived at as a residual number after considering 1:1 debt/equity mix for the standalone business. We had earlier raised concerns on aggressive new project financing structure. We still believe that the leverage structure may be aggressive at the current commodity prices

Raise EPS estimates—impact of lower metal price assumption offset by Novelis

We increase EBITDA estimates for Novelis by 10.3% and 11.5% to US\$895 mn and US\$935 mn for FY2011E and FY2012E, respectively. Our revised EBITDA/ton stands at US\$319 and US\$330 for FY2011E and FY2012E, respectively. As discussed earlier, confidence emanates from increase in conversion premium, elimination of can ceiling contracts and reduction in fixed costs.

Despite lowering our aluminium price assumption, we increase our EPS estimate by 1.2% and 2.2% for FY2011E and FY2012E, respectively. Exhibit 1 summarizes key changes to our estimates.

Hindalco, Change in estimates, March fiscal year ends, 2011-13E (Rs mn)

	Revised estimates			Old estimates			Change (%)		
	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E
Hindalco									
Aluminium metal sales (tons)	571,780	602,640	1,084,600	571,780	602,640	1,084,600	—	—	—
Aluminium price (US\$/ton)	1,950	2,050	2,200	2,050	2,150	2,250	(4.9)	(4.7)	(2.2)
Net revenues	213,118	229,087	295,738	216,495	232,598	298,753	(1.6)	(1.5)	(1.0)
EBITDA	25,039	26,607	56,951	27,916	29,603	59,193	(10.3)	(10.1)	(3.8)
PAT	14,055	14,866	22,710	16,282	17,278	24,462	(13.7)	(14.0)	(7.2)
Novelis									
Shipments (tons)	2,831	2,944	3,062	2,831	2,944	3,062	—	—	—
Net revenues	418,093	457,115	489,791	427,582	466,377	488,554	(2.2)	(2.0)	0.3
EBITDA	41,348	44,395	41,337	37,493	39,805	33,279	10.3	11.5	24.2
PAT	11,005	14,585	13,579	8,481	11,550	8,255	29.8	26.3	64.5
Consolidated									
Net revenues	647,456	703,493	803,213	660,323	716,266	804,991	(1.9)	(1.8)	(0.2)
EBITDA	71,917	77,438	104,971	70,940	75,844	99,156	1.4	2.1	5.9
PAT	24,167	28,848	35,774	23,870	28,225	32,202	1.2	2.2	11.1
EPS (Rs)	12.6	15.1	18.7	12.5	14.7	16.8	1.2	2.2	11.1

Source: Kotak Institutional Equities estimates

We fine-tune our 12-month target price to Rs185, from Rs190 earlier. The entire revision is on account of marginal change in EBITDA multiple assigned to Novelis. We value standalone business at 6X FY2011E EBITDA and Novelis at 6.5X EBITDA. Novelis provides stability to overall valuations and contributes 62% to overall EV. We attach value to new projects to the extent of capital invested.

Hindalco Industries, Valuation, FY2011E basis (Rs mn)

		Multiple	Value	
		(X)	(Rs mn)	(Rs/share)
Hindalco FY2011E EBITDA	25,039	6.0	150,234	78
Novelis FY2011E EBITDA	41,348	6.5	268,761	140
ABML FY2011E EBITDA (proportionate stake)	2,867	5.0	14,337	7
Total Enterprise Value			433,332	226
Add: Value of listed investments (20% to market price)			23,530	12
Less: Net debt (adjusted for CWIP)	104,827		104,827	55
Arrived market capitalization			328,505	184
Target price (Rs)				185

Source: Kotak Institutional Equities estimates

Aggressive capex plan

Details of Hindalco's planned capacity expansion

Project Name	Commissioning Date	Project type	Capacity ktpa	Capex Rs bn)
1. Brownfield Expansion Projects				
Hirakud Smelter & Power expansion:				9
155 KTPA to 161 KTPA	Q2FY11		8	
161 KTPA to 213 KTPA	Q4FY12	Smelter	52	
Flat rolled products at Hirakud	Q2FY12	FRP		9
2. Greenfield Projects				
UTKAL Alumina Project	Q2FY12	Alumina refinery	1,500	56
Mahan Alumina Project	Q2FY12	Smelter	359	92
Aditya Aluminium Project	Q3FY12	Smelter	359	92
Aditya Refinery Project	Q1FY14	Alumina refinery	1,500	60
Jharkhand Aluminium Project	Q1FY14	Smelter	359	100
Total				417

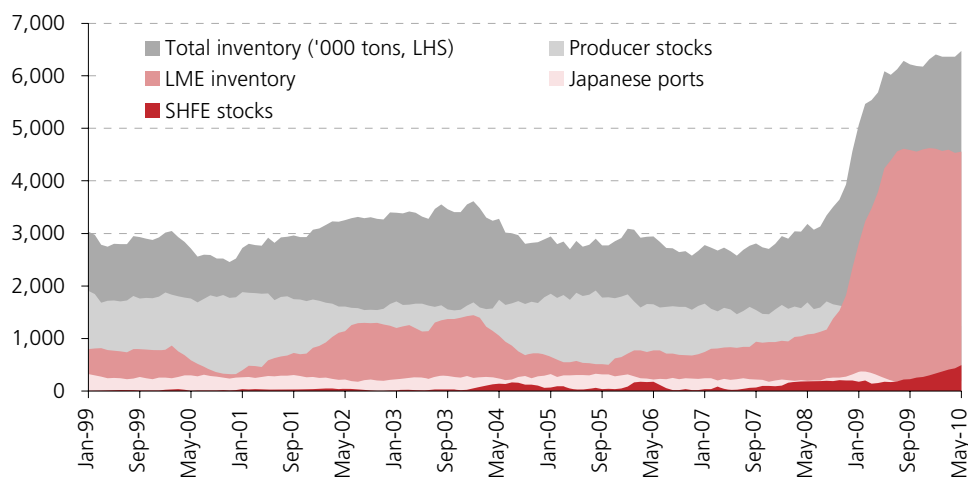
Source: Company, Kotak Institutional Equities

Aluminium prices likely to remain range-bound

We expect aluminium prices to remain range-bound over the next few months. On the one hand, current aluminium prices are significantly lower than Chinese marginal cost of production of RmB15,000 -15,500/ton (US\$2,196-2,270/ton), as per CRU. The Chinese marginal cost has increased after the recent revision in power prices. On the other hand, an all-time high inventory (locked in financing deals, which will eventually unwind) will keep the aluminium prices under check. LME and total inventory stands at 9 weeks and 6 weeks of total consumption.

Aluminum inventory close to an all-time high of 6.5 mn tons

Monthly aluminium inventory, December year ends, 1999-2010 ('000tons)

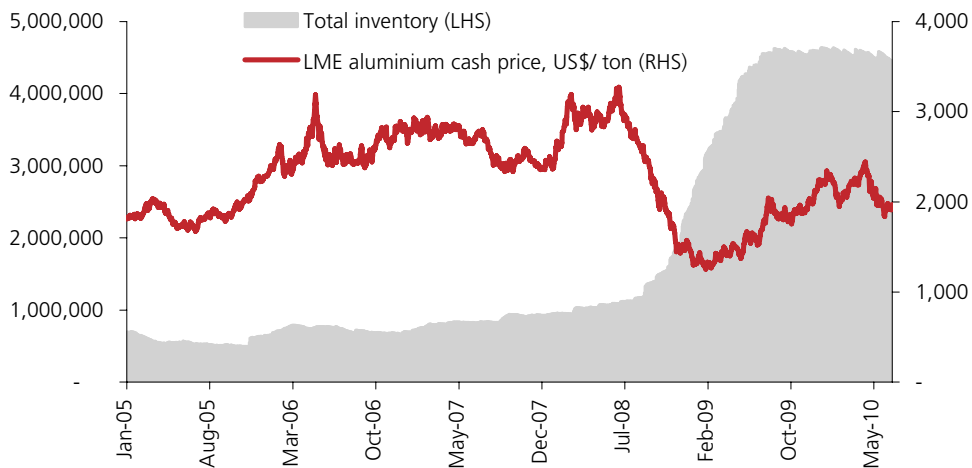


Source: CRU, Kotak Institutional Equities

We expect strong support to metal prices around US\$1,850-1,900/ton, the 75th percentile cash cost for smelter globally (note that the current industry capacity utilization stands at 81%). We do not expect the prices to increase beyond US\$2,100, a level at which close to 90% of the smelter recover cash cost of production.

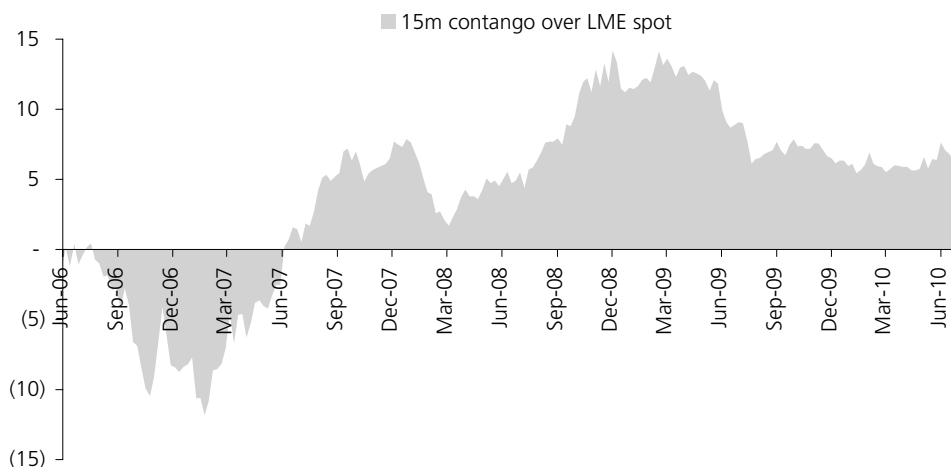
We would closely monitor the indicated cash cost of production for new smelter additions in India and Middle East. We suspect that cash cost curve may shift downwards since some of the new capacities have extremely low cash cost of production.

LME inventory at an all-time high, though incremental additions has tapered off significantly
Daily global LME primary aluminium inventory and price



Source: Company, Kotak Institutional Equities estimates

We expect contango in the aluminium market to come off resulting in inventory liquidation
Return on 15-month LME contango over spot (%)



Source: Company, Kotak Institutional Equities

Hindalco Industries, Key assumptions, March fiscal year-ends, FY2008-2013E (Rs mn)

	2008	2009	2010E	2011E	2012E	2013E
Aluminium						
Hindalco						
Aluminium price (US\$/ton)	2,623	2,234	1,900	1,950	2,050	2,200
Metal sales volume (tons)	473,118	521,069	555,404	571,780	602,640	1,084,600
Blended realization (Rs/ton)	131,937	127,384	113,091	110,327	114,947	118,589
Cost/ton (US\$/ton)	2,102	1,939	1,708	1,876	1,941	1,736
EBITDA/ton (US\$/ton)	1,337	981	753	603	635	885
Alumina price (US\$/ton)	370	278	305	313	329	353
Alumina sales volume (tons)	259,627	238,350	247,415	333,841	319,949	480,198
Alumina EBITDA (Rs mn)	2,497	2,189	2,144	2,638	2,585	4,969
Novelis						
Average realization (US\$/ton)	3,570	3,458	3,203	3,227	3,393	3,564
Conversion premium (US\$/ton)	947	1,224	1,303	1,277	1,343	1,364
Shipments ('000 tons)	3,150	2,943	2,708	2,816	2,929	2,988
EBITDA/ton (US\$/ton)	169	192	401	319	330	301
EBITDA (US\$ mn)	533	566	1,085	899	965	899
EBITDA (Rs mn)	21,448	25,997	51,538	41,348	44,395	41,337
Copper						
Price (US\$/ton)	7,521	5,885	6,112	6,700	7,100	7,250
Copper cathode volumes (tons)	180,668	153,236	188,560	206,592	206,990	202,250
Copper rods volumes (tons)	138,543	146,323	147,450	151,874	156,430	161,123
TCRC margin (cents/lb)	24	15	22	18	18	20
EBITDA (Rs mn)	6,693	5,476	8,342	7,435	7,366	8,806

Source: Company, Kotak Institutional Equities estimates

Hindalco (consolidated), Profit model, balance sheet and cash flow model, March fiscal year-ends, 2008-2013E (Rs mn)

	2008	2009	2010E	2011E	2012E	2013E
Profit model (Rs mn)						
Net sales	600,128	656,252	607,221	647,456	703,493	803,213
EBITDA	66,351	53,584	70,094	71,917	77,438	104,971
Other income	6,560	6,878	3,227	3,979	3,863	4,737
Interest	(18,491)	(12,323)	(11,041)	(15,617)	(15,007)	(28,717)
Depreciation	(24,883)	(30,378)	(27,836)	(25,562)	(24,190)	(29,467)
Profit before tax	29,537	17,761	34,444	34,717	42,104	51,524
Extraordinaries	5,481	(22,319)	28,394	—	—	—
Taxes	(11,889)	8,046	(19,319)	(9,293)	(11,721)	(14,129)
Profit after tax	23,130	3,488	43,519	25,423	30,383	37,395
Minority interest	(2,194)	1,718	(4,237)	(1,230)	(1,509)	(1,594)
Share in profit/(loss) of associates	998	(353)	(27)	(27)	(27)	(27)
Reported net income	21,933	4,853	39,255	24,167	28,848	35,774
Adjusted net income	16,452	19,791	19,617	24,167	28,848	35,774
Fully diluted EPS (Rs)	12.9	11.6	10.2	12.6	15.1	18.7
Balance sheet (Rs mn)						
Equity	172,866	158,536	222,465	243,608	269,433	302,184
Deferred tax liability	41,723	27,571	28,167	28,566	28,742	32,388
Total Borrowings	323,524	283,098	256,950	332,750	409,350	429,350
Current liabilities	172,201	162,602	145,657	153,173	163,642	180,070
Minority interest	16,154	12,866	17,103	18,332	19,841	21,435
Total liabilities	726,467	644,672	670,342	776,430	891,008	965,427
Net fixed assets	267,820	275,249	268,155	250,136	223,425	469,229
Capital work in progress	24,571	29,495	55,105	150,615	257,493	6,747
Goodwill	79,247	42,908	42,908	42,908	42,908	42,908
Investments	140,077	104,308	104,281	104,255	104,228	104,201
Cash	17,169	21,918	13,498	34,873	54,639	111,281
Other current assets	197,574	170,791	186,395	193,644	208,315	231,062
Miscellaneous expenditure	10	4	—	—	—	—
Total assets	726,467	644,672	670,342	776,430	891,008	965,427
Free cash flow (Rs mn)						
Operating cash flow excl. working capital	27,709	(7,156)	60,081	47,405	50,886	65,770
Working capital changes	7,576	29,309	(25,366)	267	(4,203)	(6,318)
Capital expenditure	(27,507)	(25,988)	(46,352)	(103,054)	(104,357)	(24,525)
Free cash flow	7,778	(3,834)	(11,638)	(55,382)	(57,674)	34,927
Ratios						
EBITDA margin (%)	11.1	8.2	11.5	11.1	11.0	13.1
EBIT margin (%)	6.9	3.5	7.0	7.2	7.6	9.4
Debt/equity (X)	1.9	1.8	1.2	1.4	1.5	1.4
Net debt/equity (X)	1.2	1.4	0.9	1.0	1.2	0.9
Net debt/EBITDA (X)	3.2	4.1	2.9	3.5	4.0	2.6
RoAE (%)	10.9	11.9	10.3	10.4	11.2	12.5
RoACE (%)	7.9	5.4	4.8	6.4	6.1	8.0

Source: Company, Kotak Institutional Equities estimates

JUNE 29, 2010

UPDATE

Coverage view: **Neutral**

Price (Rs): **1,815**

Target price (Rs): **2,150**

BSE-30: **17,774**

Samruddhi hits the bourses. Samruddhi hits the bourse and will likely debut around Rs527/share—its merger ratio adjusted value based on CMP of Ultratech. We would closely monitor the listed price of Samruddhi to exploit any pricing inefficiencies between Samruddhi, Ultratech and Grasim Industries. We re-iterate our ADD rating on Grasim Industries as we believe that the implied holding company discount for Grasim's ownership in the cement business is unwarranted and should narrow in the near term.

Company data and valuation summary

Grasim Industries

Stock data

52-week range (Rs) (high,low)	2,988-1,700
Market Cap. (Rs bn)	166.4

Shareholding pattern (%)

Promoters	25.5
FII's	34.2
MFs	2.9

Price performance (%)

	1M	3M	12M
Absolute	(1.8)	(36.8)	(21.6)
Rel. to BSE-30	(6.8)	(37.0)	(34.8)

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	301.0	240.1	282.0
EPS growth (%)	26.1	(20.2)	17.5
P/E (X)	6.0	7.6	6.4
Sales (Rs bn)	199.3	200.1	223.4
Net profits (Rs bn)	27.6	22.0	25.9
EBITDA (Rs bn)	63.2	58.1	67.6
EV/EBITDA (X)	3.9	3.9	3.0
ROE (%)	22.9	16.4	16.7
Div. Yield (%)	1.8	1.9	1.9

CMP of Ultratech implies a price of Rs527/share for Samruddhi

Samruddhi hits the stock exchange, as part of the interim stage of its eventual merger with Ultratech. In our view, Samruddhi will likely lists around Rs527/share—implied price based on CMP of Ultratech and merger ratio of four shares in Ultratech for every seven shares of Samruddhi. We note that at Rs527/share, Samruddhi implies an EV/EBITDA of 6X on FY2011E earnings of Rs24 bn, similar to the valuation multiple of other large cement players but at a premium to the 4X trading multiple for Grasim Industries.

Pricing inefficiencies could throw up arbitrage opportunities

We would closely monitor the price movements between Samruddhi, Ultratech and Grasim Industries to identify any mispricing amongst the three entities that could throw up arbitrage opportunities. We note that the relationship between Samruddhi and Ultratech is more direct, and Samruddhi should trade in a narrow range around its merger adjusted price of Ultratech (Samruddhi = 0.57 X Ultratech's CMP).

The relationship between Grasim Industries, Samruddhi and Ultratech is less direct and impacted by (1) value of non-cement business, and (2) likely holding company discount. Grasim's implied valuation would be 800 + 1.48 X CMP of Samruddhi + 0.59 X CMP of UTCHEM. We note that Rs800/share is the value of non-cement business of Grasim (VSF and Chemical business along with investments in group companies). Exhibit 2 details the computation of the Grasim's valuation based on CMP of Samruddhi and Ultratech, respectively.

Maintain ADD on Grasim with a target price of Rs2,150/share

We maintain our ADD rating on Grasim with a target price of Rs2,150/share. We value the cement business at 6X EV/EBITDA on FY2011E implying an EV/ton of US\$122 on FY2011E production and factor an additional 'holding-company' discount for the restructuring of the cement business. We value the steady cash streams from VSF and allied chemicals business using DCF model. On comparative valuations on FY2011E, our assigned valuation implies 5.1X EV/EBITDA for chemicals business and 4.2X EV/EBITDA for the VSF business.

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Exhibit 1: CMP of UTCEM implies a price of Rs527/share for Samruddhi
Valuation of Samruddhi Cement Limited

Computation of price based on CMP of Ultratech	
CMP of UTCEM (Rs/share)	923
Implied price of Samruddhi (4 shares of UTCEM = 7 shares of Samruddhi)	527
Computation of trading multiple	
Market cap. (Rs mn)	138,186
EV (Rs mn)	150,186
FY2011E EBITDA (Rs mn)	24,693
Implied EV/EBITDA	6

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: Grasim = 800 + 2.51* Samruddhi = 800 + 1.43*UTCEM
Grasim's implied valuation in terms of Samruddhi's CMP

Component	Value	Unit	Calculation
Valuation of Ultratech			
Value of Ultratech	1.75	No of Samruddhi shares	Based on merger ratio of four shares in Ultratech for every shares of Samruddhi
Valuation of Grasim Industries			
Non-cement business	800	(Rs/share)	(1) enterprise value of Rs650/share for the VSF business, (2) Rs75/share for the chemical business, (3) Rs188/share for investments in group companies and (4) net attributable debt of Rs111/share
Samruddhi Holding (X)	1.48	No of Samruddhi shares	(i) Grasim's holding in Samruddhi (No. of shares mn) 170 (ii) No. of Samruddhi share per share of Grasim 1.85 (iii) No. of Samruddhi share adjusted for holding company di 1.48 Shares in Samruddhi to be issued to Grasim Industries for 65% ownership No of Samruddhi shares/ Outstanding shares of Grasim Adjusting for 20% holding company discount
Ultratech Holding (X)	0.59	No of Ultratech shares	(i) Grasim's holding in Ultratech (No. of shares mn) 68 (ii) No. of Ultratech share per share of Grasim 0.74 (iii) No. of Ultratech share adjusted for holding company disc 0.59 Shares in Ultratech to be issued to Grasim Industries for 65% ownership No of Ultratech shares/ Outstanding shares of Grasim Adjusting for 20% holding company discount

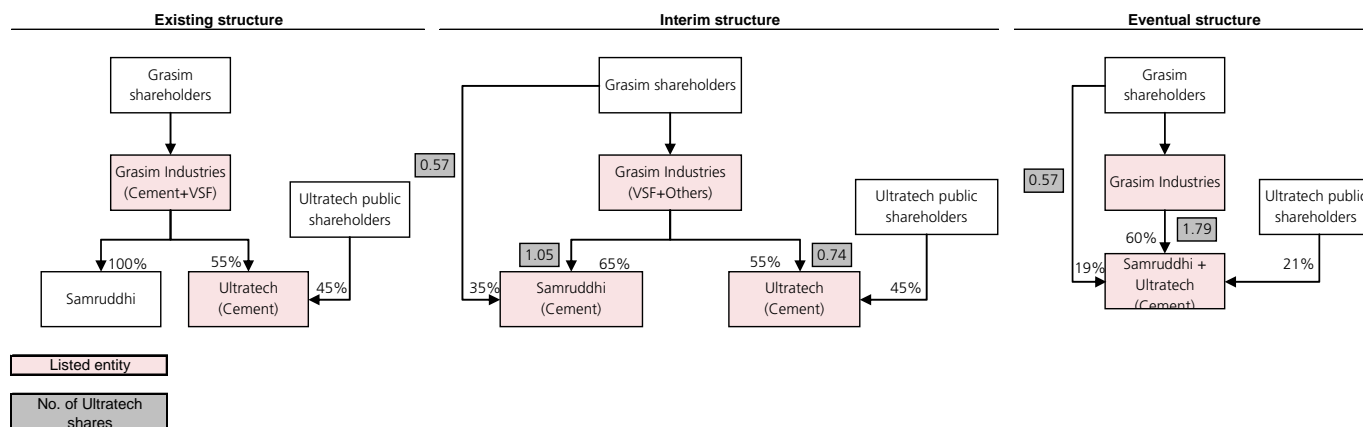
Source: Company, Kotak Institutional Equities estimates

Exhibit 3: Our valuation for the cement business now factors 20% 'holding-company' discount
SOTP-based valuation of Grasim (Rs mn)

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

Source: Company, Kotak Institutional Equities estimates

Exhibit 4: Grasim has already transferred its cement business to Samruddhi, which will likely be listed shortly
Structure of the merger of Grasim's cement business with UTCEM



Source: Company, Kotak Institutional Equities

Exhibit 5: Profit model, balance sheet, cash model of Grasim Industries (Consolidated), March fiscal year-ends, 2007-12E (Rs mn)

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

Source: Company, Kotak Institutional Equities estimates

JUNE 28, 2010

UPDATE

BSE-30: 17,774

Don't lose the forest for the trees. We look at an interesting (and in some sense, dangerous) conundrum in the Indian wireless/passive infra sector. The market seems unperturbed about (in fact, seems to be cheering) the rich valuations being accorded to the tower companies backed by 2X+ tenancy assumption for every tower company. At the same time, the Street also expects consolidation in the wireless segment, which would mean lower tenancy for the towercos! **Speechless and Cautious.**

What looks benign in isolation could be risky in totality

The key argument that we make in this note is this – 'you can value every tower tenancy in perpetuity OR assume consolidation in the Indian wireless sector BUT not both at the same time'. We believe that the EV/tower being assigned in some of the recent tower sale deals assumes a tenancy of at least 2 per tower AND builds in cash flows from each of these tenancies in perpetuity. This assumption may look conservative when looking at each deal in isolation but is an extremely risky assumption to make for the tower industry as a whole WHILE expecting consolidation in the Indian wireless industry at the same time.

Towercos have a single source of cash flows – wireless tenants. Source is expected to shrink

Let's jump into some numbers to explore the conundrum straightaway

- ▶ An EV/tower of US\$100,000-130,000, being accorded to tower portfolios with a gross capital invested of US\$50,000-60,000 per tower (EV/GCI of 2X or P/B of 3X assuming a D:E of 1:1) assume a 'full-rental-equivalent (FRE)*' tenancy of at least 2. Please see Exhibit 1 for computations.
- ▶ FRE tenancy of 2 for a pan-India tower portfolio approaching 400,000 by end-FY2011E (Indus – 110,000 + Bharti Infratel – 35,000 + RITL – 50,000 + Quippo-WTTIL – 50,000 + GTLI – 40,000 + Idea/Voda (ex-Indus) – 25,000 + BSNL/MTNL – 60,000 + others – 30,000) would mean 800,000 FRE tenants for the industry as a whole.
- ▶ 800,000 FRE tenancies equates to a tower rental + power expense of ~Rs413 bn for the wireless industry (at Rs28,000 average rental and Rs15,000 average power/fuel expense per month). Another Rs15,000/month of active infra O&M takes the total network opex required to run 800,000 cell sites to ~Rs560 bn.
- ▶ Indian wireless sector generated net revenues of Rs800 bn in FY2010 (gross revenues of ~Rs1,050 bn less interconnect expenses – this is roughly what the Indian consumers spent on wireless services) and paid ~Rs100 bn as regulatory levy on the same. Overall, ~1/3rd of gross revenues was paid as interconnect and regulatory expenses.
- ▶ Even in the best-case scenario of industry gross revenues growing by 20% CAGR over the next two years, the industry reaches a gross revenue size of Rs1,500 bn in FY2012E. Taking 1/3rd of revenues as interconnect + regulatory expenses, this leaves Rs1,000 bn to cover network, SG&A, and employee expenses.
- ▶ Assuming SG&A/employee expenses equal 15% of revenues (fairly benign assumption), these would be Rs225 bn. Adjusted for network opex of Rs560 bn, this would mean industry EBITDA of Rs215 bn or EBITDA margin of <15%. This is clearly unsustainable, from an ROIC perspective and more so, will likely not even cover the gross interest burden of the industry.

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Thus, the Indian wireless industry will continue to demand sustained equity/debt infusion to sustain operations at this scale of network capacity, unless – (1) revenues grow faster than we have assumed – an unlikely scenario given that the incremental sub quality is clearly inferior and subs growth rate is likely to trend down in the coming years with increased base, (2) some players shut down capacity – negative for towercos, (3) there is capacity-reducing M&A consolidation in the industry – negative for towercos, or (4) tower rentals are structured downwards – negative for the towercos.

With (1) ruled out given our already aggressive revenue growth assumption for the purpose of the analysis, we see (2), (3), and (4) as the likely scenarios, each of which is a negative for the tower industry. Of course, as mentioned at the beginning of this paragraph, the wireless industry can survive in the current shape (the only scenario for towercos that can justify recent deal valuations) with sustained debt/equity infusion – a clear negative for the wireless industry valuations.

Bottomline – we find it amusing that the Indian wireless players continue to trade at premium multiples and we continue to see tower deals at 2X+ EV/GCI being cheered by the Street – a clear disconnect, getting lost in the details, but likely to sort itself out in due course. We remain Cautious on the sector.

*Full-rental-equivalent tenancy – we mention this as this may be an important metric to consider in (1) tower deals involving dual-technology (GSM + CDMA) players, and (2) estimates involving potential 3G/BWA tenancies. We understand, from our channel checks, that wireless players taking a second slot on a tower on which they are already present as a tenant (for example, a CDMA player taking a 2nd slot for GSM equipment, or a 2G player taking a 2nd slot for 3G equipment) do not pay 2X the base rental but substantially less. Hence, one needs to be careful while (1) looking at the tenancy and rentals reported by tower companies, and (2) building forecasts for passive infra players.

Parting thought – tower deals could act as impediments to consolidation

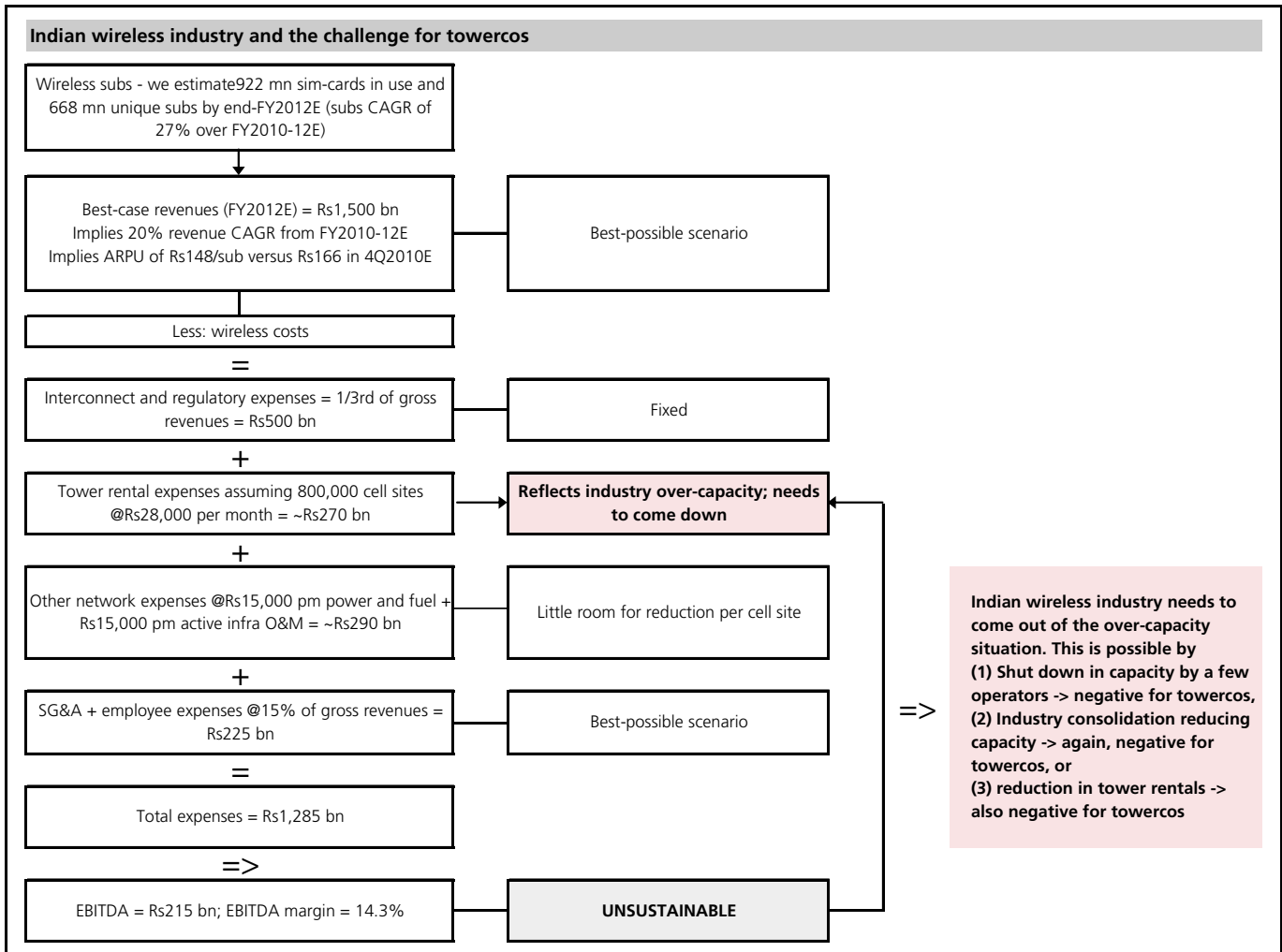
Long-term contracts with built-in M&A protection (in the form of a one-time payout) is the common refrain of the tower companies, when asked about the risk arising from M&A scenario in the wireless industry. Such clauses make these contracts onerous for the buyer considering an M&A opportunity and add to the cost of consolidation.

Exhibit 1: Analyzing a tower deal at an EV of US\$110,000/tower at various tenancy levels

EV/tower (US\$)	110,000						
EV/tower (Rs '000)	4,950						
Implied equity value/ tower (Rs '000)	3,800						
Gross capital invested (Rs '000)	2,300						
Debt (Rs '000)	1,150						
Equity (Rs '000)	1,150						
EV/GCI (X)	2.15	2.15	2.15	2.15	2.15	2.15	2.15
P/B (X)	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Tenancy	1.40	1.60	1.80	2.00	2.20	2.40	2.60
Rental/month (Rs)	35,000	34,000	33,000	32,000	31,000	30,000	29,000
Revenues (Rs '000)	588	653	713	768	818	864	905
EBITDA margin (%)	63.0	65.4	67.4	69.1	70.5	71.8	73.0
EBITDA (Rs '000)	370	427	480	530	577	621	660
Depreciation (Rs '000) - @8% of gross block	184	184	184	184	184	184	184
EBIT (Rs '000)	186	243	296	346	393	437	476
Interest expense (Rs '000) - @10%	115	115	115	115	115	115	115
PBT (Rs '000)	71	128	181	231	278	322	361
Tax expense (Rs '000) - @20%	14	26	36	46	56	64	72
PAT (Rs '000)	57	102	145	185	223	257	289
EV/EBITDA (X)	13.4	11.6	10.3	9.3	8.6	8.0	7.5
P/E (X)	66.5	37.2	26.2	20.5	17.1	14.8	13.2
ROIC (%)	7.5	9.4	11.3	13.1	14.7	16.2	17.6
ROE (%)	5.0	8.9	12.6	16.1	19.4	22.4	25.1

Source: Kotak Institutional Equities estimates

Exhibit 2: A look at the disconnect between expected consolidation in the wireless industry and towerco deals



Source: Kotak Institutional Equities estimates

JUNE 29, 2010

UPDATE

BSE-30: 17,774

Guidelines on ULIPs reduce operating leeway for insurance companies. We believe that IRDA's revised guidelines on ULIPs will reduce insurance company's leeway in product design, negatively temper margins, increase capital requirements and delay breakeven period. We will revisit our valuation estimates after assessing the business strategies and key products of insurance companies. While the guidelines are net negative for insurance companies, a 'customer-friendly' approach will augur well for long-term volume growth in the sector.

Modifications in charges reduce operating leeway, increase capital strain

According to the new guidelines, the minimum tenure of an insurance policy has been increased to five years from three years earlier. However, the overall charges to the customer will have to be distributed evenly over the period of five years and cannot be frontloaded in the initial year thereby increasing the capital strain for insurance players. In light of high lapsation across the sector, the even distribution of charges will affect the business of all players. The impact will likely be more pronounced in players which have reported low persistency like SBI Life and less in case of consistent players like Max NY Life. Most players have launched high (front-end) cost products which will need to be modified. Some of the players like Reliance Life, targeting low ticket business, will likely increase focus on traditional business.

'Cap on charges' applicable from fifth year - limited leeway for insurance companies

IRDA's guidelines issued on July 22, 2009 capped the charges on ULIPs at 3% on policies <10 years and 2.25% for policies >10 years. In light of the poor persistency, the guideline has now been revised to be applicable from year 5. However, the cap has been raised to 4% for 5 year policies; this progressively declines to 3% in year 10. On the positive side, the cap will now progressively decline to 2.25% only by 15th year.

We believe that the revised guidelines reduce the operating leeway of insurance companies. ULIPs cannot frontload most costs and hence will need to distribute initial expenses equally over the first five years. The cap on charges will be applicable from year 5 and will progressively decline over the years thereby leaving limited scope for insurance companies to vary expense allocation structures.

Raising the minimum sum assured to 10X from 5X earlier will increase capital requirements

IRDA has increased the ratio of sum assured to annual premium to 10X (for individual below 45 years) as compared to 5X currently and industry average of 6-7X. This will likely increase the capital requirements by about 50% on account of regulatory capital requirements.

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Other highlights of the guidelines

- ▶ Minimum guaranteed return of 4.5% on ULIP pension or annuity products
- ▶ The Code of Conduct of corporate agents has been tightened to reduce the scope for any kind of remuneration other than commission where sale has been effected
- ▶ The guidelines will be applicable for policies sold from September 2010.

Other developments - direct tax code reduces regulatory arbitrage

The direct tax code proposes that income from insurance policies will be treated under the EET method (i.e. contributions, accumulations are exempt from tax while withdrawals are taxed). Currently, the insurance enjoys an EEE treatment, i.e. withdrawals from insurance are also not taxed. Insurance investments will then be at par with other investment avenues, viz. investments in mutual funds and direct equities.

IRDA has proposed tenure wise cap on charges

Tenure wise cap on charges

Annualised premium paid (Yrs)	Difference in gross and net yield (%)
5	4
6	3.75
7	3.5
8	3.3
9	3.15
10	3
11 and 12	2.75
13 and 14	2.5
15 and thereafter	2.25

Source: IRDA

Capital required to maintain solvency margins in first year will increase by 50% if sum assured increases to 10X from 5X

Illustration of solvency margin calculation

Annual policy premium (Rs)	100
Net allotment to fund account (% of premium)	85%
Growth in AUM during the year	15%
AUM at end of year (Rs)	97.75
Capital requirement on AUM	2%
Capital required for sum at risk	0.30%
Solvency margin (X)	1.5

Case I : Sum assured at 5X of annual premium

Sum assured (Rs)	500
Capital required for AUM (Rs)	2.0
Capital required for sum at risk (Rs)	1.2
Total capital required at 1.5X solvency margin (Rs)	4.7

Case II : Sum assured at 10X of annual premium

Sum assured (Rs)	1000
Capital required for AUM (Rs)	2.0
Capital required for sum at risk (Rs)	2.7
Total capital required at 1.5X solvency margin (Rs)	7.0

Capital in case II/ case I 147%

Source: IRDA

Illustration of difference between gross and net yields

Gross and net yields for a customer buying ICICI Pru Lifetime Maxima

Year	1	2	3	4	5	6	7	8	9	10	11	12	13
Gross yield on investment 10.0%													
Premium for the year (Rs)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Allocation charges (%)	18%	6%	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fund management and admin charges (FMC- % of AUM)	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Policy admin charges (Rs)	1,200	1,200	1,200	1,200	1,200								
Fund account													
Opening NAV (Rs)	16,605	37,240	59,642	85,268	113,089	144,495	178,592	215,611	255,803	299,440	346,816	398,252	
Investment in fund account net of allocation charges (Rs)	16,400	18,800	18,800	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Yield during the year (Rs)	1,640	3,541	5,604	7,964	10,527	13,309	16,449	19,859	23,561	27,580	31,944	36,682	41,825
Closing NAV pre FMC cost (Rs)	18,040	38,946	61,644	87,607	115,794	146,398	180,944	218,451	259,173	303,384	351,384	403,497	460,077
Closing NAV post FMC cost (Rs)	16,605	37,240	59,642	85,268	113,089	144,495	178,592	215,611	255,803	299,440	346,816	398,252	454,096
IRR for policyholder (%)	7.8%												
Net spread = gross yield - IRR 2.25%													

Source: Kotak Institutional Equities

We value top seven insurance companies at about Rs940 bn

	Embedded value (Rs bn)	Structural value		Structural value (Rs bn)	Appraisal value (Rs bn)
		NBV (Rs bn)	Multiple (X)		
Bajaj Allianz	52.1	4.9	19.1	92.8	144.9
Birla Sun Life	44.3	4.1	19.2	78.1	122.4
HDFC Standard Life	36.2	4.0	19.3	76.8	113.0
ICICI Prudential Life	87.3	7.7	18.7	143.3	230.7
Max Newyork Life	30.6	2.6	20.2	53.4	84.1
Reliance Life	33.1	5.2	18.5	95.5	128.6
SBI Life	37.5	4.3	17.1	73.6	111.1

Source: Kotak Institutional Equities estimates

Insurance business adds significant value to parent companies

Value addition to parent's SOTP from insurance business (Rs/share of holding co.)

Insurance company	Parent/Holding company	Economic value assumed (%)	Fair value (based on FY2011E) (Rs/share)	% of parents market price (%)
Bajaj Allianz	Bajaj Finserv	38	343	75
Birla Sun Life	Aditya Birla Nuvo	74	717	91
HDFC Standard Life	HDFC Ltd	74	262	10
ICICI Bank	ICICI Bank	74	143	17
Max India	Max India	74	192	118
Reliance Life	Reliance Cap.	100	435	65
SBI Life	SBI Ltd	74	138	7

Source: Kotak Institutional Equities estimates

Likely price range based on fair value

Value addition to parents SOTP from insurance business (Rs per share of holding company)

Aditya Birla Nuvo							Bajaj Finserv							ICICI Bank						
Margin (%)							Margin (%)							Margin (%)						
Multiple (X)	11.0	12.0	13.0	15.0	18.0	21.0	Multiple (X)	11.0	12.0	13.0	15.0	18.0	20.0	Multiple (X)	12.0	13.0	14.0	15.0	18.0	20.0
17.2	607	639	670	733	828	923	17.1	290	305	320	350	396	426	16.7	122	127	133	139	156	168
18.2	627	661	694	761	861	961	18.1	299	316	332	364	412	444	17.7	126	132	138	144	162	174
19.2	648	683	718	788	894	1,000	19.1	309	326	343	377	428	462	18.7	130	136	143	149	168	181
20.2	668	705	742	816	927	1,039	20.1	319	337	355	390	444	480	19.7	134	141	148	154	175	188
22.2	708	749	790	871	994	1,116	22.1	339	358	378	417	476	515	21.7	142	150	157	165	187	202

HDFC Ltd.							Max Ltd							Reliance Capital						
Margin (%)							Margin (%)							Margin (%)						
Multiple (X)	11.5	12.5	13.5	15.5	18.5	20.5	Multiple (X)	10.5	11.5	12.5	15.0	18.0	20.0	Multiple (X)	11.0	12.0	13.0	15.5	18.5	20.5
17.3	220	232	244	268	303	327	18.2	164	172	181	202	227	244	16.0	357	379	400	454	519	562
18.3	228	241	253	278	316	341	19.2	169	177	186	209	235	253	17.0	372	395	418	475	544	590
19.3	236	249	262	289	329	355	20.2	173	183	192	216	244	262	18.0	387	411	435	496	569	617
20.3	244	258	272	300	341	369	21.2	178	188	198	222	252	272	19.0	402	427	453	517	594	645
22.3	260	275	290	321	367	397	23.2	188	199	210	236	269	290	21.0	431	460	488	559	644	700

SBI Ltd						
Margin (%)						
Multiple (X)	9.0	10.0	11.0	14.0	17.0	20.0
15.1	111	119	126	150	173	196
16.1	115	124	132	157	181	206
17.1	120	129	138	164	190	216
18.1	125	134	143	171	199	227

Source: Kotak Institutional Equities estimates

Sensitivity on valuation of the insurance business

Valuation of entire insurance business (Rs bn)

Aditya Birla Nuvo							Bajaj Finserv							ICICI Bank						
Margin (%)							Margin (%)							Margin (%)						
Multiple (X)	11.0	12.0	13.0	15.0	18.0	21.0	Multiple (X)	11.0	12.0	13.0	15.0	18.0	20.0	Multiple (X)	12.0	13.0	14.0	15.0	18.0	20.0
17.2	103	109	114	125	141	157	17.1	122	129	135	148	167	180	16.7	203	213	223	232	261	280
18.2	107	113	118	130	147	164	18.1	127	133	140	154	174	188	17.7	210	220	231	241	271	292
19.2	110	116	122	134	152	170	19.1	131	138	145	159	181	195	18.7	217	228	239	249	282	303
20.2	114	120	126	139	158	177	20.1	135	142	150	165	188	203	19.7	224	235	247	258	292	314
22.2	121	128	135	148	169	190	22.1	143	151	160	176	201	218	21.7	238	250	263	275	313	337

HDFC Ltd.							Max Ltd							Reliance Capital						
Margin (%)							Margin (%)							Margin (%)						
Multiple (X)	11.5	12.5	13.5	15.5	18.5	20.5	Multiple (X)	10.5	11.5	12.5	15.0	18.0	20.0	Multiple (X)	11.0	12.0	13.0	15.5	18.5	20.5
17.3	95	100	105	115	131	141	18.2	65	68	72	80	90	97	16.0	98	104	109	124	142	154
18.3	98	104	109	120	136	147	19.2	67	71	74	83	94	101	17.0	102	108	114	130	149	161
19.3	102	107	113	125	142	153	20.2	69	73	76	86	97	104	18.0	106	112	119	136	156	169
20.3	105	111	117	129	147	159	21.2	71	75	79	88	100	108	19.0	110	117	124	141	162	176
22.3	112	119	125	138	158	171	23.2	75	79	83	94	107	115	21.0	118	126	133	153	176	191

SBI Ltd						
Margin (%)						
Multiple (X)	9.0	10.0	11.0	14.0	17.0	20.0
15.1	106	113	120	143	165	187
16.1	110	118	126	149	173	196
17.1	114	123	131	156	181	206
18.1	119	128	137	163	190	216
20.1	128	137	147	177	206	236

Source: Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	28-Jun-10		Mkt cap.		O/S shares (mm)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price			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	2010E	2011E	2012E		
Automobiles																															
Ashok Leyland	64	ADD	85,139	1,843	1,330	2.8	3.9	5.0	84.5	37.5	29.7	22.7	16.5	12.7	13.4	10.3	8.7	2.2	2.0	1.8	2.3	1.6	1.6	11.1	12.7	15.0	60	(6.3)	10.0		
Bajaj Auto	2,459	ADD	355,704	7,698	145	117.5	159.9	173.2	159.8	36.1	8.3	20.9	15.4	14.2	13.2	10.6	9.6	11.2	7.1	5.1	0.8	0.8	0.8	66.6	54.8	39.8	2,330	(5.2)	11.4		
Hero Honda	2,053	SELL	410,074	8,875	200	111.8	121.5	135.7	74.1	8.7	11.7	18.4	16.9	15.1	11.9	11.2	9.6	11.4	7.8	5.8	1.5	1.6	1.8	59.1	56.6	43.8	1,800	(12.3)	22.5		
Mahindra & Mahindra	623	BUY	360,256	7,797	578	34.9	40.7	48.7	132.5	16.5	19.7	17.9	15.3	12.8	11.8	10.0	8.3	4.5	3.6	2.8	1.5	1.5	1.6	30.0	25.8	24.6	680	9.2	27.8		
Maruti Suzuki	1,395	ADD	403,083	8,724	289	86.4	94.1	104.2	104.9	8.9	10.8	16.1	14.8	13.4	8.8	8.1	7.0	3.4	2.8	2.3	0.4	0.5	0.5	23.3	20.6	18.9	1,400	0.4	19.8		
Tata Motors	789	ADD	470,535	10,184	596	23.9	27.2	35.5	138.9	13.5	30.6	33.0	29.0	22.2	13.0	13.0	11.4	2.3	2.0	1.8	0.7	0.7	0.7	8.1	7.5	8.6	900	14.0	98.2		
Automobiles																															
Cautious																															
2,084,791																															
45,120																															
118.1																															
17.3																															
15.7																															
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19.2																															
18.4																															
Banks/Financial Institutions																															
Andhra Bank	134	BUY	64,917	1,405	485	21.0	21.1	25.4	56.1	0.6	20.0	6.4	6.3	5.3	—	—	—	1.4	1.2	1.0	3.1	3.2	3.8	24.4	20.2	20.7	160	19.5	6.0		
Axis Bank	1,262	ADD	511,309	11,066	405	62.1	77.4	98.5	22.7	24.7	27.3	20.3	16.3	12.8	—	—	—	3.2	2.8	2.4	1.0	1.2	1.5	18.9	18.1	19.9	1,360	7.8	52.1		
Bank of Baroda	714	BUY	260,895	5,646	366	83.7	89.8	111.0	37.3	7.3	23.6	8.5	8.0	6.4	—	—	—	1.9	1.6	1.3	2.1	2.3	2.8	24.4	21.8	22.6	825	15.6	10.9		
Bank of India	346	REDUCE	182,203	3,943	526	33.1	42.7	56.7	(42.1)	28.9	32.8	10.5	8.1	6.1	—	—	—	1.4	1.3	1.1	2.0	2.6	3.5	14.2	16.4	19.1	360	3.9	5.9		
Canara Bank	444	ADD	182,184	3,943	410	73.7	77.0	93.6	45.8	4.5	21.4	6.0	5.8	4.7	—	—	—	1.4	1.2	1.0	1.8	2.3	2.7	23.0	19.6	20.1	500	12.5	6.6		
Corporation Bank	523	BUY	75,047	1,624	143	81.6	86.7	100.3	31.1	6.3	15.7	6.4	6.0	5.2	—	—	—	1.3	1.1	1.0	3.2	3.4	3.9	21.9	19.9	19.8	650	24.2	1.2		
Federal Bank	315	BUY	53,841	1,165	171	27.2	38.7	48.0	(7.2)	42.3	24.2	11.6	8.1	6.6	—	—	—	1.1	1.0	0.9	1.6	2.3	2.8	10.3	13.4	14.8	360	14.4	5.5		
HDFC	2,959	ADD	849,487	18,385	287	98.4	118.2	143.7	22.7	20.1	21.5	30.1	25.0	20.6	—	—	—	5.6	4.9	4.3	1.2	1.4	1.7	20.0	21.0	22.4	3,200	8.2	39.9		
HDFC Bank	1,951	BUY	892,920	19,325	458	64.4	84.1	110.4	22.1	30.6	31.2	30.3	23.2	17.7	—	—	—	4.1	3.6	3.1	0.6	0.8	1.1	16.1	16.7	19.1	2,200	12.8	30.9		
ICICI Bank	870	REDUCE	970,122	20,996	1,115	36.1	46.5	58.0	6.9	28.9	24.7	24.1	18.7	15.0	—	—	—	1.9	1.8	1.7	1.4	1.8	2.2	8.1	9.8	11.5	980	12.6	94.9		
IDFC	170	ADD	221,495	4,794	1,301	8.2	9.2	11.2	41.1	12.9	21.9	20.9	18.5	15.2	—	—	—	3.2	2.8	2.4	0.9	1.0	1.2	16.1	16.0	17.1	195	14.5	19.5		
India Infoline	99	BUY	30,931	669	312	8.1	8.9	10.0	59.2	9.8	12.5	12.2	11.1	9.9	—	—	—	1.9	1.6	1.3	3.2	1.9	2.4	16.4	15.9	16.1	140	41.1	3.7		
Indian Bank	217	BUY	93,217	2,017	430	35.1	35.5	43.8	25.5	1.1	23.6	6.2	6.1	4.9	—	—	—	1.4	1.2	1.0	2.8	2.8	3.5	24.0	20.3	21.2	280	29.1	4.2		
Indian Overseas Bank	103	BUY	56,033	1,213	545	13.0	15.4	26.4	(46.7)	18.9	71.3	7.9	6.7	3.9	—	—	—	0.9	0.8	0.7	4.0	4.4	4.8	9.6	10.6	16.3	120	16.7	3.9		
J&K Bank	803	BUY	38,918	842	48	105.7	112.3	140.6	25.1	6.3	25.2	7.6	7.1	5.7	—	—	—	1.4	1.2	1.1	2.7	2.9	3.6	17.3	16.9	18.5	850	5.9	0.5		
LIC Housing Finance	1,026	ADD	97,498	2,110	95	69.7	93.2	104.2	11.4	33.8	11.7	14.7	11.0	9.9	—	—	—	3.0	2.5	2.1	1.5	2.0	2.2	23.6	23.8	22.4	1,050	2.3	22.3		
Mahindra & Mahindra Financial	461	BUY	44,256	958	96	35.7	42.6	49.8	59.3	19.3	16.8	12.9	10.8	9.3	—	—	—	2.6	2.2	1.9	1.6	2.0	2.3	21.4	21.7	21.6	500	8.5	1.1		
Oriental Bank of Commerce	328	ADD	82,127	1,777	251	45.3	52.8	58.6	25.3	16.5	11.0	7.2	6.2	5.6	—	—	—	1.2	1.0	0.9	2.8	3.3	3.6	14.1	15.4	15.3	400	22.0	4.6		
PFC	289	REDUCE	331,361	7,172	1,148	20.5	22.5	25.9	53.5	9.9	15.1	14.1	12.8	11.1	—	—	—	2.6	2.3	2.0	1.8	1.9	2.2	18.8	18.0	18.2	240	(16.9)	2.7		
Punjab National Bank	1,050	BUY	331,162	7,167	315	123.8	128.0	156.5	26.3	3.4	22.2	8.5	8.2	6.7	—	—	—	2.0	1.7	1.4	2.1	2.4	3.0	26.4	22.7	23.3	1,150	9.5	7.5		
Reliance Capital	784	ADD	193,051	4,178	246	13.8	16.1	14.1	(64.9)	17.0	(12.4)	56.8	48.6	55.5	—	—	—	2.8	2.7	2.7	0.8	0.8	0.7	5.0	5.7	4.8	875	11.6	36.2		
Rural Electrification Corp.	298	ADD	293,798	6,359	987	20.3	24.6	30.7	23.2	21.2	24.9	14.7	12.1	9.7	—	—	—	2.7	2.3	2.0	2.2	2.5	3.1	22.0	20.5	22.2	300	0.8	14.3		
Shriram Transport	576	ADD	128,473	2,780	223	39.2	49.1	62.4	30.1	25.4	27.2	14.7	11.7	9.2	—	—	—	3.5	3.0	2.5	2.0	2.6	3.3	28.4	26.1	27.8	600	4.2	4.6		
SREI	81	NR	9,460	205	116	8.3	7.9	9.9	17.8	(4.8)	25.3	9.8	10.3	8.2	—	—	—	0.8	0.7	0.7	1.5	1.5	1.5	11.1	10.5	12.3	—	—	4.3		
State Bank of India	2,304	BUY	1,462,542	31,653	635	144.4	178.1	223.0	0.5	23.4	25.2	16.0	12.9	10.3	—	—	—	2.2	2.0	1.7	1.7	1.8	1.9	14.8	16.1	17.8	2,700	17.2	98.6		
Union Bank	312	BUY	157,673	3,412	505	41.1	45.8	57.3	20.2	11.5	25.0	7.6	6.8	5.4	—	—	—	1.8	1.5	1.2	1.8	2.1	2.7	26.2	23.7	24.3	380	21.7	4.7		
Banks/Financial Institutions																															
Attractive																															
7,707,325																															
166,807																															
14.7																															
17.5																															
24.2																															
15.3																															
13.0																															
10.5																															
—																															
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2.4																															
2.1																															
1.8																															
1.5																															
1.7																															
2.1																															
15.5																															
16.1																															
17.4																															
Cement																															
ACC	871	SELL	163,662	3,542	188	83.2	61.8	63.4	47.9	(25.7)	2.6	10.5	14.1	13.7	5.6	6.6	5.7	2.6	2.2	2.0	2.7	2.7	2.7	29.3	19.4	17.7	830	(4.7)	8.8		
Ambuja Cements	118	SELL	180,325	3,903	1,522	8.0	7.9	8.1	11.4	(1.8)	2.6	14.8	15.1	14.7	8.3	8.6	7.8	2.6	2.3	2.1	1.6	1.8	1.8	19.3	16.7	15.3	98	(17.3)	6.1		
Grasim Industries	1,815	ADD	166,422	3,602	92	301.0	240.1	282.0	26.1	(20.2)	17.5	6.0	7.6	6.4	3.9	3.9	3.0	1.3	1.2	1.0	1.8	1.9	1.9	22.9	16.4	16.7	2,150	18.5	9.2		
India Cements	109	SELL	33,312	721	307	10.0	10.4	11.3	n/a	3.1	9.1	10.8	10.5	9.6	5.5	5.5	5.3	0.8	0.7	0.7	2.0	2.9	2.9	8.2	7.7	8.0	110	1.4	3.3		
Shree Cement	2,068	BUY	72,038	1,559	35	208.0	221.1	242.5	19.0	6.3	9.7	9.9	9.4	8.5																	

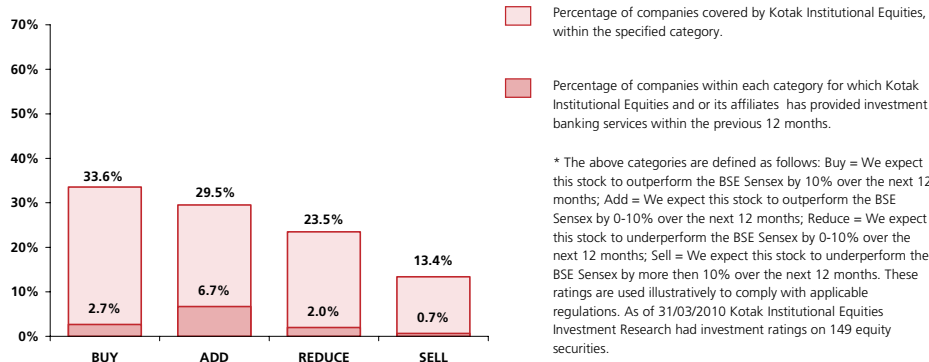
Kotak Institutional Equities: Valuation summary of key Indian companies

Company	28-Jun-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price			
	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)	(%)	ADVT-3mo (US\$ mn)	
Property																														
DLF	292	ADD	498,363	10,786	1,708	9.6	16.3	25.1	(64.0)	69.4	53.8	30.3	17.9	11.6	19.5	12.4	9.3	1.9	1.7	1.5	1.0	1.0	1.7	6.4	9.9	13.8	340	16.5	55.0	
Indiabulls Real Estate	157	RS	63,174	1,367	401	1.6	4.0	8.0	109.7	151.7	101.7	99.3	39.4	19.6	(63)	32.0	8.2	0.7	0.7	0.7	—	—	—	0.8	1.8	3.5	285	81.0	21.5	
Mahindra Life Space Developer	459	ADD	19,299	418	42	18.9	20.3	27.5	82.4	7.3	35.8	24.3	22.7	16.7	20.4	16.9	9.3	2.0	1.9	1.8	0.8	0.8	0.8	8.4	8.5	10.7	540	17.7	1.6	
Phoenix Mills	215	BUY	31,091	673	145	5.1	7.7	8.7	2.5	51.0	13.5	42.2	27.9	24.6	32.5	20.8	17.4	2.0	1.9	1.8	0.5	0.7	0.9	4.8	7.0	7.5	260	21.1	1.0	
Puravankara Projects	105	REDUCE	22,346	484	213	6.4	8.2	8.1	(5.2)	28.4	(2.0)	16.3	12.7	13.0	20.7	13.9	13.7	1.6	1.4	1.3	1.9	1.9	1.9	10.0	11.9	10.7	110	5.1	0.7	
Sobha	286	ADD	28,081	608	98	14.4	17.5	24.7	(4.8)	21.1	41.6	19.9	16.4	11.6	15.1	12.0	7.4	1.6	1.5	1.3	0.7	1.4	1.4	9.8	9.4	12.2	325	13.5	2.3	
Unitech	75	SELL	195,690	4,235	2,616	3.4	4.3	5.6	(54.2)	26.3	30.2	22.2	17.5	13.5	19.9	13.6	8.6	1.8	1.6	1.4	—	—	—	2.0	9.7	9.4	11.1	72	(3.7)	58.7
Property		Cautious	858,042	18,570					(52.9)	57.8	46.6	29.7	18.8	12.9	20.2	13.0	9.3	1.6	1.5	1.4	0.7	0.7	1.6	5.5	8.0	10.8				
Retail																														
Titan Industries	2,335	ADD	103,658	2,243	44	62.7	76.1	96.2	41.5	21.3	26.5	37.3	30.7	24.3	26.4	20.7	16.2	13.1	9.8	7.4	0.4	0.5	0.6	40.7	36.6	34.8	2,400	2.8	4.0	
Retail		Neutral	103,658	2,243					41.5	21.3	26.5	37.3	30.7	24.3	26.4	20.7	16.2	13.1	9.8	7.4	0.4	0.5	0.6	40.7	36.6	34.8				
Sugar																														
Bajaj Hindustan	120	SELL	22,934	496	191	9.7	9.9	8.9	—	2.2	(10.4)	12.3	12.1	13.5	7.1	5.9	5.5	1.0	0.9	0.8	0.6	0.6	0.6	8.1	7.5	6.3	99	(17.4)	7.5	
Balrampur Chini Mills	86	ADD	22,094	478	257	3.7	10.4	7.0	—	183.7	(32.7)	23.4	8.3	12.3	9.8	5.6	6.1	1.6	1.4	1.3	0.5	0.5	0.5	7.0	18.1	11.0	92	6.9	7.2	
Shree Renuka Sugars	70	BUY	46,953	1,016	670	9.9	7.6	7.8	196.4	(23.2)	3.1	7.1	9.2	8.9	4.8	5.5	4.7	1.9	1.5	1.3	0.6	0.5	0.5	32.0	18.1	15.7	76	8.4	17.0	
Sugar		Cautious	91,981	1,991					96.1	2.5	(9.4)	9.8	9.5	10.5	6.3	5.7	5.3	1.5	1.3	1.1	0.6	0.5	0.5	14.9	13.3	10.8				
Technology																														
HCL Technologies	362	REDUCE	249,815	5,407	690	17.8	25.1	28.5	2.0	40.6	13.6	20.3	14.4	12.7	10.3	8.9	7.3	3.9	3.3	2.7	1.1	1.1	1.7	20.8	24.9	23.3	370	2.2	13.5	
Hexaware Technologies	76	REDUCE	10,910	236	144	9.3	5.1	9.4	127.7	(45.4)	84.0	8.1	14.9	8.1	4.0	8.2	4.4	1.3	1.2	1.1	1.3	1.3	1.3	17.8	8.4	14.0	72	(5.2)	2.8	
Infosys Technologies	2,809	BUY	1,612,366	34,896	574	108.3	125.2	150.5	5.7	15.6	20.2	25.9	22.4	18.7	18.9	15.5	12.6	7.0	5.8	4.8	0.9	1.2	1.5	30.1	28.2	28.0	3,100	10.4	69.0	
Mphasis BFL	563	REDUCE	117,380	2,540	208	43.6	49.0	45.6	207.5	12.5	(7.0)	12.9	11.5	12.3	10.3	9.1	8.3	5.0	3.6	2.9	0.6	0.7	0.8	48.1	36.4	25.8	550	(2.3)	9.8	
Mindtree	557	REDUCE	22,926	496	41	52.2	38.9	51.6	294.3	(25.5)	32.6	10.7	14.3	10.8	9.1	8.8	6.2	3.4	2.8	2.3	0.4	0.7	0.9	35.2	21.4	23.1	550	(1.3)	2.5	
Patni Computer Systems	508	REDUCE	67,659	1,464	133	36.6	42.3	38.6	36.4	15.6	(8.7)	13.9	12.0	13.2	7.2	6.3	5.5	1.9	1.8	1.6	1.4	1.7	1.5	18.2	15.8	12.8	450	(11.4)	6.2	
Polaris Software Lab	182	SELL	18,185	394	100	15.4	19.1	18.6	16.9	24.3	(2.7)	11.9	9.5	9.8	5.9	7.6	6.5	2.1	1.8	1.6	1.9	2.0	2.1	18.6	20.1	17.0	180	(1.3)	3.3	
TCS	765	BUY	1,496,769	32,394	1,957	35.1	41.1	46.3	32.8	16.9	12.8	21.8	18.6	16.5	16.7	13.6	11.2	7.1	5.9	5.0	2.6	2.1	2.4	37.6	34.8	32.8	900	17.7	32.6	
Wipro	395	ADD	965,699	20,900	2,447	18.9	21.9	25.0	22.1	16.2	14.4	20.9	18.0	15.8	15.8	13.0	10.7	4.9	4.0	3.4	0.9	1.1	1.3	26.5	24.6	23.2	465	17.8	16.2	
Technology		Attractive	4,561,709	98,728					22.9	16.7	14.2	21.8	18.7	16.4	15.8	13.2	10.9	5.8	4.8	4.0	1.5	1.5	1.8	26.7	25.8	24.6				
Telecom																														
Bharti Airtel	265	REDUCE	1,007,883	21,813	3,798	24.0	21.4	24.2	7.5	(10.8)	13.2	11.1	12.4	10.9	6.2	5.9	5.0	2.3	2.0	1.7	1.1	1.5	1.9	24.1	17.0	16.5	290	9.3	45.7	
IDEA	59	REDUCE	193,698	4,192	3,300	2.7	1.3	2.3	(5.8)	(51.7)	71.9	21.5	44.5	25.9	7.6	7.6	6.2	1.7	1.6	1.5	—	—	—	7.2	3.8	6.3	50	(14.8)	9.3	
MTNL	65	SELL	41,013	888	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(4.2)	(6.3)	(7.1)	(0.5)	(0.6)	(0.8)	0.4	0.4	0.4	—	—	—	(8.5)	(6.1)	(5.7)	50	(23.2)	2.6	
Reliance Communications	202	SELL	430,023	9,307	2,133	22.1	14.1	18.2	(30.2)	(36.2)	29.1	9.1	14.3	11.1	8.0	8.9	6.7	1.1	1.0	0.9	0.4	—	—	11.7	7.4	8.9	175	(13.2)	36.8	
Tata Communications	261	REDUCE	74,471	1,612	285	14.0	15.2	15.7	3.2	8.2	3.5	18.6	17.2	16.7	7.6	7.0	6.7	1.0	1.0	1.0	2.5	2.9	3.3	5.2	5.5	5.5	225	(13.9)	1.4	
Telecom		Cautious	1,747,087	37,812					(15.1)	(19.8)	20.7	12.2	15.2	12.6	7.2	7.1	5.8	1.6	1.4	1.3	0.9	1.0	1.2	12.7	9.3	10.2				
Utilities																														
Adani Power	124	ADD	271,192	5,869	2,180	0.8	4.9	16.4	—	524.1	235.3	158.8	25.4	7.6	123.7	17.0	6.1	5.0	4.2	2.7	—	—	—	4.4	17.8	43.0	130	4.5	3.4	
CESC	374	ADD	46,726	1,011	125	35.2	42.2	45.7	9.3	19.6	8.4	10.6	8.9	8.2	6.8	6.2	7.0	1.1	1.0	0.9	1.2	1.4	1.5	11.1	11.7	11.4	439	17.4	2.0	
Lanco Infratech	69	BUY	165,103	3,573	2,405	2.0	3.6	4.5	35.1	82.2	26.4	35.0	19.2	15.2	20.5	8.7	8.5	4.8	3.9	3.1	—	—	—	15.8	20.6	21.0	70	2.0	9.8	
NTPC	199	REDUCE	1,640,435	35,503	8,245	10.6	12.4	14.7	7.8	16.8	18.9	18.8	16.1	13.5	14.6	12.4	10.4	2.6	2.4	2.1	2.0	2.3	2.8	14.2	15.3	16.6	200	0.5	11.6	
Reliance Infrastructure	1,215	ADD	298,865	6,468	246	61.8	62.7	80.3	(1.5)	1.6	28.0	19.7	19.4	15.1	20.9	20.0	13.7	1.6	1.5	1.3	0.7	0.8	0.8	6.3	7.3	10.1	1,100	(9.4)	46.8	
Reliance Power	173	SELL	414,998	8,982	2,397	2.5	3.1	5.1	—	24.4	66.1	70.3	56.5	34.0	—	—	—	2.9	2.7	2.5	—	—	—	4.2	5.0	7.8	128	(26.1)	18.8	
Tata Power																														

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Distribution of ratings/investment banking relationships



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As of March 31, 2010

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