

December 7, 2007

India Strategy Friday Flash

BSE-30: 19,796

India

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Kotak Institutional Equities Research

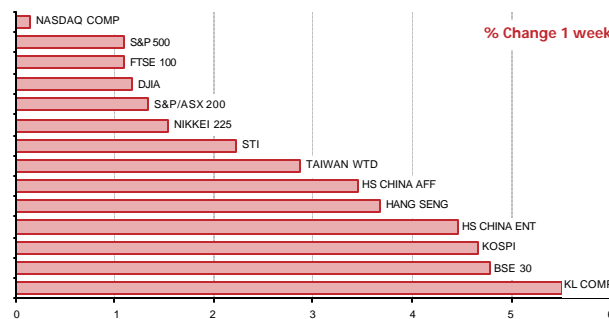
Important disclosures appear at the back of this report.

Prompted still by global cues. During the past week, the Sensex gained 793 points (4.2%), closing at 19,796 largely on more cheerful reports on US productivity and jobs. Crude prices continued their downward trend, closing 4% lower at US\$87/bbl. The rise was mainly led by L&T, Reliance Energy and Reliance Industries, which together contributed more than 201 points. FIIs flows continued to remain weak, with FIIs investing US\$46 mn in Indian equities.

Market highlights for the week ending Thursday, December 6, 2007

- Largest gainers: Sterlite Industries (20%), Punjab Tractors (19%), Jindal Steel & Power (19%)
- Largest losers: Hero Honda (-6%), Lakshmi Energy & Food (-2%), Sintex (-2%)
- CYTD institutional investments: FI-USD\$16.2 bn; MF-USD\$808 mn

BSE-30 Index was one of the largest gainers among regional indices



Source: Bloomberg, SEBI.

Flows in the cash markets

Date	Taiwan	Indonesia	Philippines	Thailand	India	Total
Investments in past week (US\$ mn)						
28-Nov-07	(100)	49	(5)	(1)	(112)	(168)
29-Nov-07	298	—	22	(3)	(242)	75
30-Nov-07	374	—	—	—	367	741
3-Dec-07	(70)	—	(11)	—	28	(53)
4-Dec-07	(71)	—	(4)	—	5	(71)
Total	431	49	2	(4)	46	524

Our top recommendations

Exhibit 1: Kotak Institutional Equities, Top 10, 6 December, 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	ADD	1,199	33,573	1,200	34.6	35.7	47.3	34.7	33.6	25.4	—	—	—	4,336
Larsen & Toubro	Industrials	BUY	4,299	31,308	4,050	62.8	91.1	122.9	68.4	47.2	35.0	42.5	29.5	21.8	360
ITC	Consumer Products	BUY	193	18,244	225	7.2	8.3	9.6	26.7	23.1	20.1	17.0	14.6	12.2	1,223
Maruti Suzuki	Automobiles	BUY	1,041	7,617	1,200	54.0	75.3	88.9	19.3	13.8	11.7	11.3	8.2	6.8	251
Bharat Heavy Electricals	Industrials	ADD	2,786	34,518	2,500	49.3	64.3	82.1	56.5	43.3	33.9	31.0	24.3	19.0	2,850
Bajaj Auto	Automobiles	BUY	2,728	6,987	2,750	127.2	114.5	151.9	21.4	23.8	18.0	14.8	15.9	12.5	648
Infosys Technologies	Technology	BUY	1,635	23,753	2,200	67.0	80.4	98.4	24.4	20.3	16.6	20.0	16.5	12.7	3,804
Satyam Computer Services	Technology	BUY	437	7,418	550	21.4	25.4	31.1	20.4	17.2	14.1	16.6	13.3	10.1	1,430
Hindalco Industries	Metals	BUY	193	6,384	210	19.6	17.5	15.9	9.8	11.0	12.1	7.3	6.7	6.8	1,032
Mid Cap Basket															
Kalpataru Power Transmission	Transmission	ADD	1,926	1,291	1,800	60.2	77.4	91.8	32.0	24.9	21.0	20.0	16.0	13.1	50
IVRCL	Construction	BUY	495	1,689	570	12.4	13.5	20.4	39.9	36.8	24.3	30.4	19.0	13.8	652
Nagarjuna Construction Co.	Construction	BUY	341	1,996	365	6.5	9.2	12.7	52.2	37.1	26.8	32.6	20.5	15.6	348
PSL	Pipes	BUY	482	505	460	20.2	26.4	43.5	23.8	18.3	11.1	13.2	10.3	6.8	34
BSE-30			19,796												

Source: Company, Bloomberg, Kotak Institutional Equities.

Our model portfolio

Exhibit 2: Kotak Institutional Equities Model Portfolio

Company	06-Dec		Weightage (%)		Diff.	Company	06-Dec		Weightage (%)		Diff.
	Price (Rs)	Rating	BSE-30	KS reco.	KS Reco.		Price (Rs)	Rating	BSE-30	KS reco.	(bps)
Tata Motors	775	—	1.4	—	(141)	Tata Steel	847	REDUCE	4.2	1.9	(225)
Maruti Suzuki	1,041	BUY	0.9	2.4	150	Hindalco Industries	193	BUY	1.5	3.0	150
Bajaj Auto	2,728	BUY	1.3	2.8	150	Sterlite Industries	1,099	ADD	—	1.5	150
Mahindra & Mahindra	785	—	1.2	—	(118)	Metals			5.6	6.4	75
Automobiles			4.9	5.3	41	Ranbaxy Laboratories	398	—	0.9	—	(85)
State Bank of India	2,397	ADD	3.7	3.7	—	Dr Reddy	662	—	—	—	—
Punjab National Bank	630	BUY	—	0.5	50	Cipla	199	—	0.7	—	(68)
PSU Banking			3.7	4.2	50	Pharmaceuticals			1.5	—	(153)
HDFC Bank	1,686	REDUCE	3.5	3.0	(50)	Housing Development & Infrastr	816	BUY	—	1.0	100
ICICI Bank	1,199	ADD	10.0	13.0	300	Real estate			—	1.0	100
HDFC	2,813	REDUCE	5.5	4.0	(150)	Infosys Technologies	1,635	BUY	6.9	8.4	150
Pvt Banking/Financing			18.9	19.9	100	Satyam Computer Services	437	BUY	2.3	2.8	50
Grasim Industries	3,680	ADD	1.9	1.9	—	TCS	1,034	ADD	1.6	3.1	150
ACC	1,082	SELL	0.9	—	(93)	Wipro	493	BUY	1.1	—	(112)
Ambuja Cements	154	REDUCE	1.3	—	(134)	Technology			11.9	14.2	238
Cement			4.2	1.9	(227)	Bharti Airtel Limited	940	REDUCE	5.1	2.9	(225)
Hindustan Unilever	208	ADD	1.8	—	(175)	Reliance Communications	719	SELL	4.2	1.7	(250)
ITC	193	BUY	3.6	5.1	150	Telecom			9.3	4.6	(475)
Consumers			5.3	5.1	(25)	NTPC	245	ADD	2.3	2.3	—
Reliance Industries	2,875	RS	13.3	13.2	(10)	Reliance Energy	1,947	NR	2.4	—	(244)
Oil & Natural Gas Corporation	1,192	REDUCE	4.1	3.1	(100)	Tata Power	1,301	ADD	—	1.5	150
Energy			17.4	16.3	(110)	Utilities			4.7	3.8	(94)
Bharat Heavy Electricals	2,786	ADD	3.4	4.4	100	Nagarjuna Construction Co.	341	BUY	—	0.6	60
Larsen & Toubro	4,299	BUY	8.4	10.4	200	IVRCL	495	BUY	—	0.6	60
Industrials			11.8	14.8	300	Kalpataru Power Transmission	1,926	ADD	—	0.6	60
						PSL	482	BUY	—	0.6	60
						Infrastructure basket			—	2.4	240

Note:

(a) weightages are with respect to October 31, 2007 prices.

Source: BSE, Bloomberg, Kotak Institutional Equities.

Sensex valuation summary

Exhibit 3: Valuation summary of BSE-30 sectors, 6 December, 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
Automobiles	27,681	26.3	29.3	15.3	16.3	19.5	16.9	14.6	11.1	9.7	4.6	3.7	1.3	1.3	23.7	21.8
Banking	100,710	13.3	14.2	31.7	12.9	38.4	29.1	25.8	—	—	6.3	3.9	0.6	0.7	16.5	13.5
Consumers	29,837	21.2	19.8	14.9	15.3	27.7	24.1	20.9	18.9	15.2	8.6	8.0	2.3	3.0	31.2	33.0
Cement	19,614	27.7	89.5	21.6	11.1	17.9	14.7	13.2	10.4	8.2	4.7	3.7	1.1	1.3	26.5	25.1
Energy	155,816	16.9	21.9	23.6	18.0	20.6	16.7	14.1	10.2	8.9	3.8	3.3	1.3	1.4	18.5	19.6
Industrials	65,827	59.6	52.0	37.6	31.9	62.0	45.1	34.2	35.8	26.6	15.8	12.0	0.3	0.4	25.5	26.7
Metals	24,822	6.3	33.1	(0.6)	3.3	14.1	14.2	13.8	9.1	8.2	3.3	2.0	1.1	1.3	23.5	14.0
Pharmaceuticals	7,661	(26.3)	39.6	12.7	4.7	25.7	22.8	21.8	18.2	15.5	5.1	4.5	1.6	1.8	19.9	19.7
Property	36,769	121.6	913.2	309	30.7	74.8	18.3	14.0	53.1	14.6	36.6	7.2	—	0.6	49.0	39.5
Technology	74,896	28.6	44.4	20.9	21.8	24.4	20.2	16.5	18.1	14.7	8.2	6.4	1.1	1.5	33.5	31.7
Telecom	82,338	(107.4)	182.9	68.9	29.7	44.9	26.6	20.5	23.9	15.3	9.4	7.0	0.0	0.2	20.9	26.4
Utilities	62,351	17.0	16.1	11.4	9.1	32.3	29.0	26.6	17.2	17.4	4.2	3.9	1.1	1.3	12.9	13.3
BSE-30	688,322	20.4	36.1	30.1	18.4	28.4	21.8	18.4	15.4	12.4	5.9	4.5	0.9	1.1	20.6	20.5
BSE-30 ex-Energy	532,506	22.4	43.8	33.1	18.6	32.0	24.0	20.2	18.8	14.4	7.0	5.0	0.8	1.0	21.8	20.8
BSE-30 ex-Energy, Com.	488,070	24.7	42.5	38.3	20.6	35.4	25.6	21.2	21.3	15.8	7.5	5.5	0.7	1.0	21.3	21.6

Source: Company reports, Kotak Institutional Equities estimates.

Nifty valuation summary

Exhibit 4: Valuation summary of Nifty sectors, 6 December 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
Automobiles	31,166	25.1	21.8	13.4	15.3	19.1	16.8	14.6	10.8	9.5	8.1	4.7	3.8	1.5	1.5	24.6	22.4
Banking	105,741	11.6	13.2	29.7	11.7	35.1	27.1	24.2	—	—	—	5.8	3.8	0.7	0.7	16.6	13.9
Consumers	29,837	21.2	19.8	14.9	15.3	27.7	24.1	20.9	18.9	15.2	13.0	8.6	8.0	2.3	3.0	31.2	33.0
Cement	19,614	27.7	89.5	21.6	11.1	17.9	14.7	13.2	10.4	8.2	7.1	4.7	3.7	1.1	1.3	26.5	25.1
Energy	198,034	8.8	28.8	18.4	19.3	22.2	18.7	15.7	11.1	10.1	8.3	3.7	3.3	1.3	1.4	16.7	17.4
Industrials	96,642	65.7	43.8	39.6	39.8	66.0	47.3	33.8	38.6	27.9	20.4	17.0	12.9	0.3	0.3	25.8	27.2
Metals	38,777	20.7	65.6	(6.3)	0.6	11.0	11.7	11.6	6.4	6.1	6.1	3.1	1.9	1.0	1.1	28.7	16.0
Media	3,301	(34.6)	11.2	52.0	41.7	55.0	36.2	25.5	41.4	20.4	15.2	5.0	4.6	0.5	0.6	9.1	12.6
Property	17,716	151.9	1,389.1	37.5	50.3	53.6	39.0	26.0	34.7	26.6	18.7	35.1	19.4	-	0.2	65.4	49.8
Telecom	89,712	(53.9)	133.2	61.1	28.6	43.3	26.9	20.9	22.5	14.7	11.4	6.8	5.4	0.2	0.5	15.6	20.2
Technology	80,350	28.3	46.8	19.0	21.6	23.6	19.9	16.3	17.4	14.3	11.3	7.6	6.1	1.2	1.6	32.3	30.9
Utilities	70,024	18.4	14.8	12.9	11.0	33.8	30.0	27.0	17.9	18.0	18.3	4.2	3.9	1.1	1.3	12.6	13.0
NIFTY	799,167	18.2	39.7	19.8	18.2	27.1	22.6	19.1	14.6	12.8	10.9	5.4	4.2	0.9	1.1	19.8	18.8
NIFTY ex-Energy	601,133	23.4	45.1	20.4	17.7	29.2	24.3	20.6	16.7	14.4	12.3	6.3	4.7	0.8	1.0	21.6	19.5
NIFTY ex-Energy ex Com	562,356	23.9	41.4	25.9	20.3	33.0	26.2	21.8	19.7	16.3	13.5	6.8	5.3	0.8	1.0	20.5	20.1

Note:

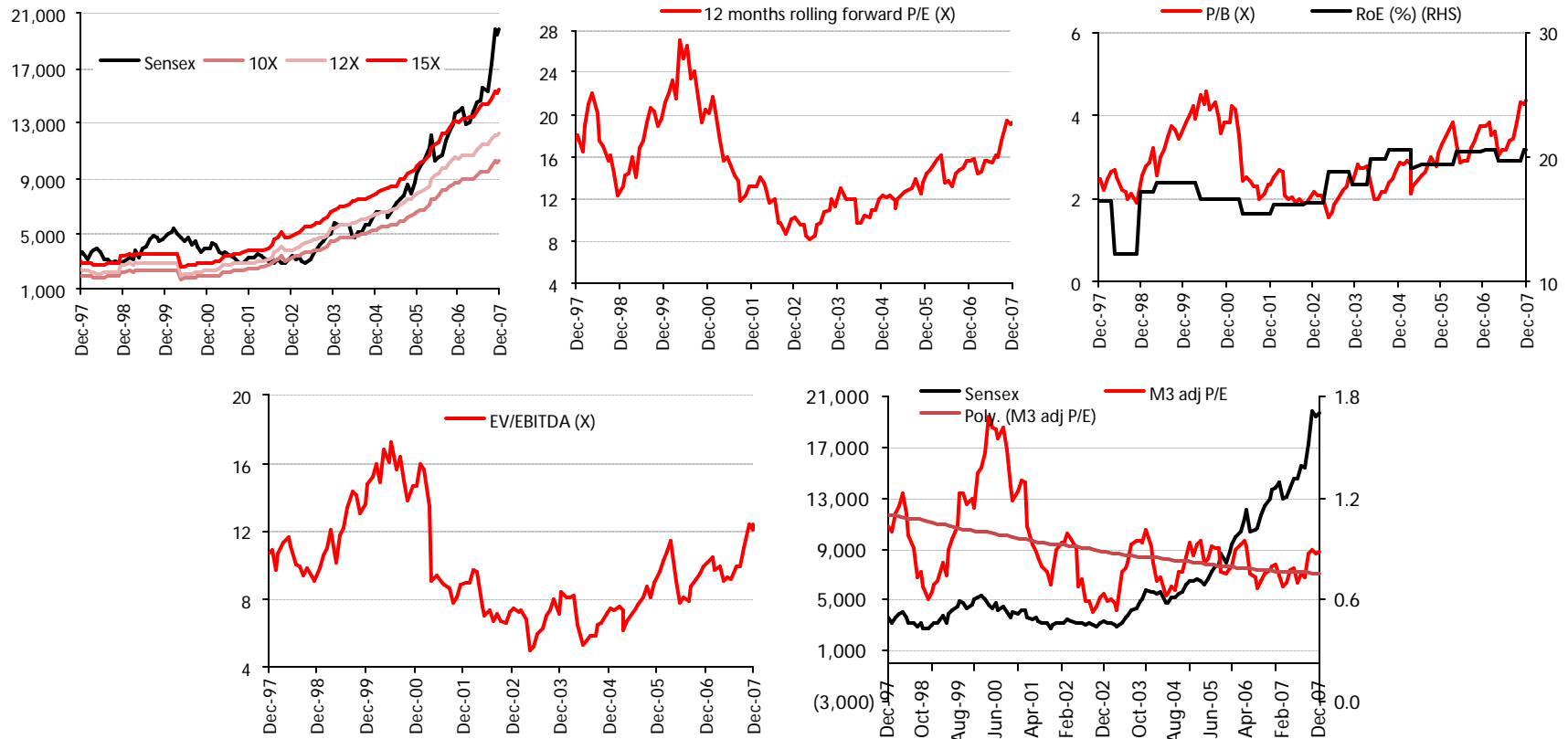
(a) Following companies are excluded: SAIL

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 December 6, 2006)

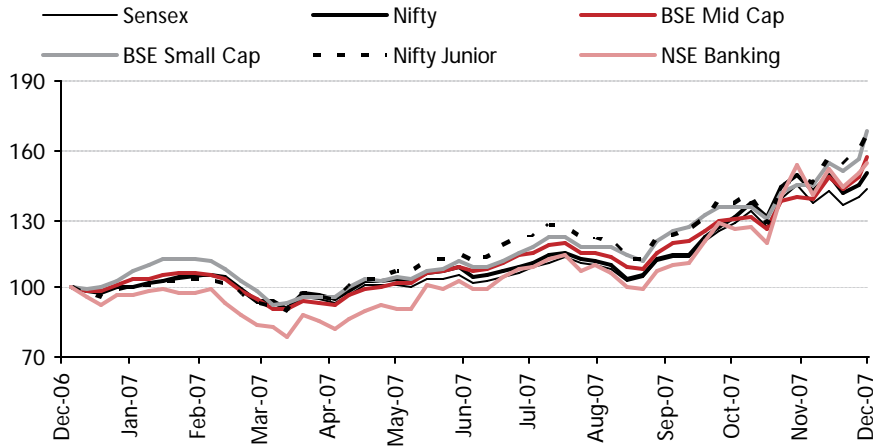


Exhibit 7: Weekly performance of the benchmark indices

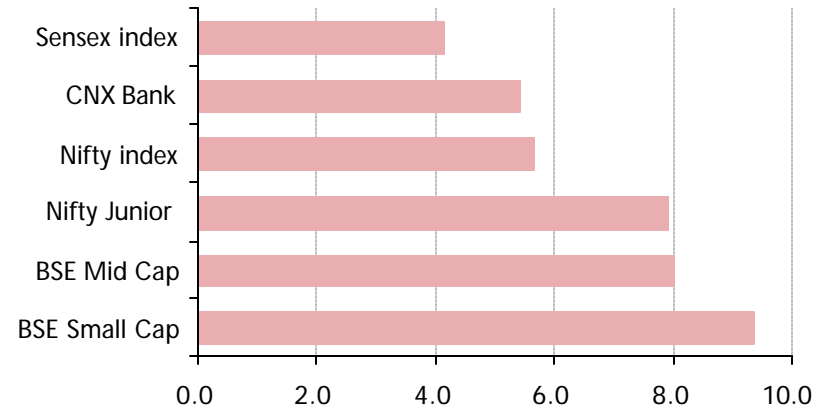


Exhibit 8: 1-month performance of the benchmark indices

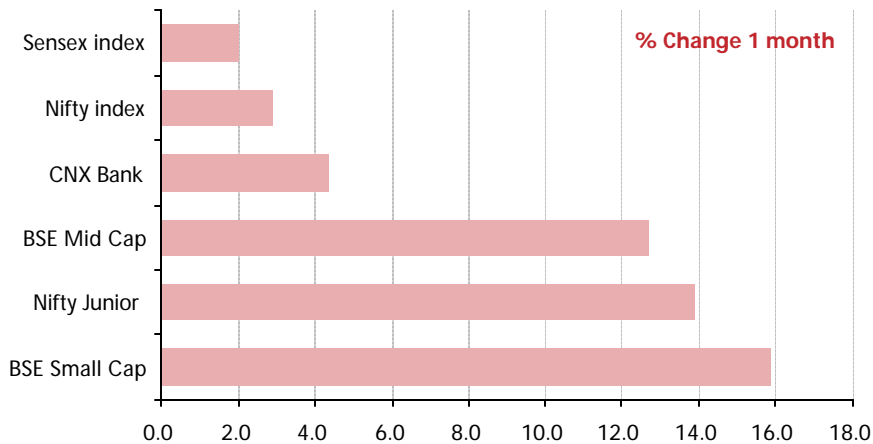
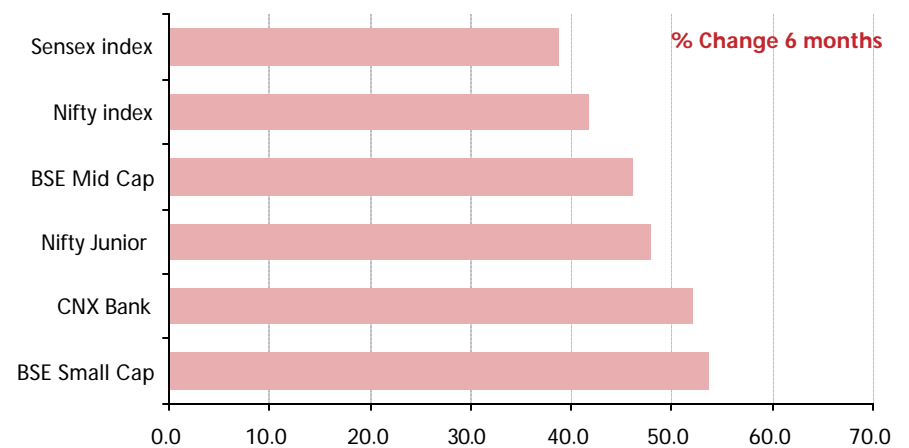


Exhibit 9: 6-month performance of the benchmark indices



Source: Bloomberg, Kotak Institutional Equities.

BSE-Sensex versus regional indices

Exhibit 10: Weekly performance

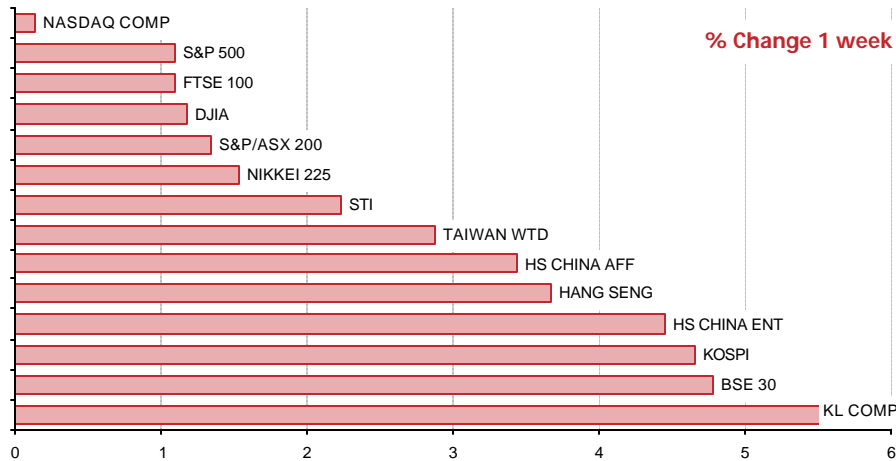


Exhibit 11: 3-month performance

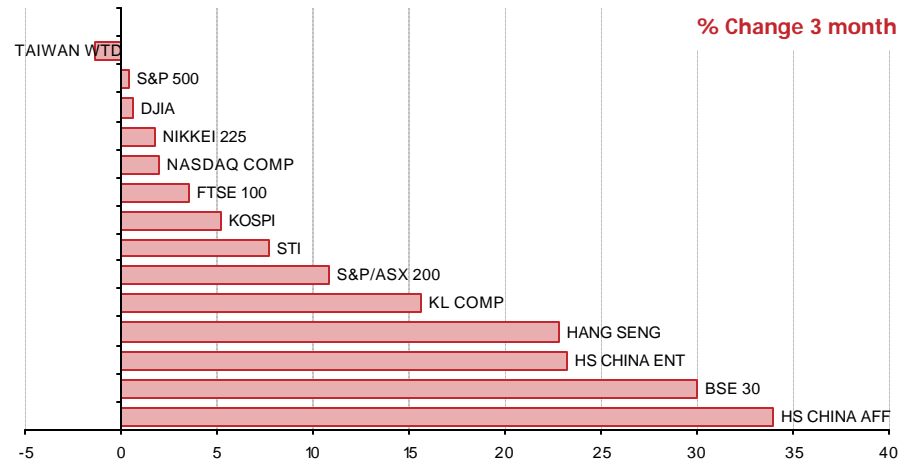


Exhibit 12: 6-month performance

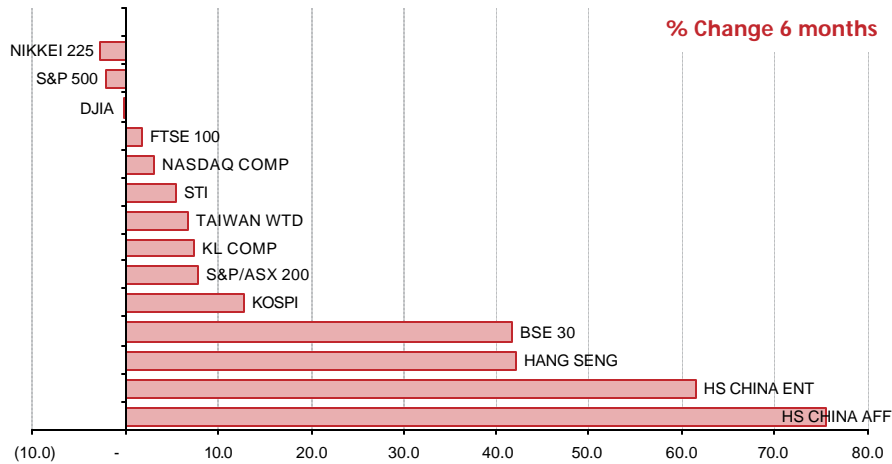
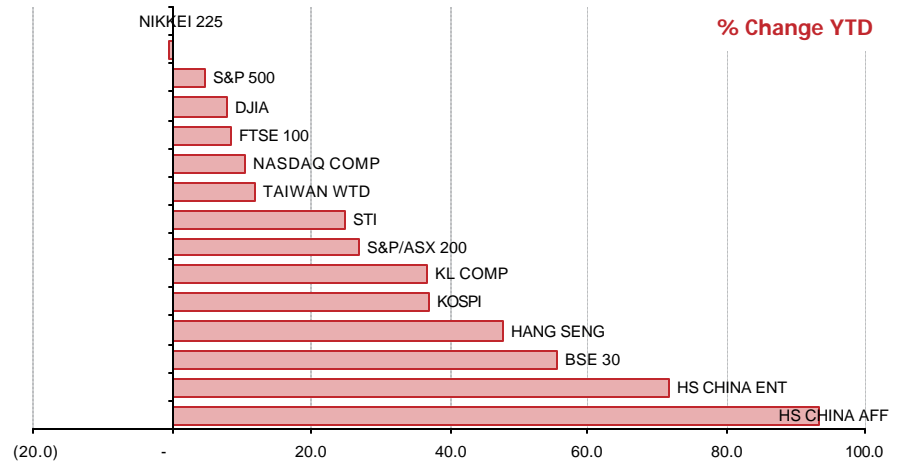


Exhibit 13: Year-to-date performance



Note:

(a) Returns are adjusted for the currency changes

Source: Bloomberg, BSE, Kotak Institutional Equities.

Kotak Institutional Equities Research, December 7, 2007

Sectoral performance

Exhibit 14: Market performance of Sensex sectors, 6 December, 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
Automobiles	27,681	(0.0)	7.9	13.3	18.9	(2.3)	(3.3)	(0.3)	5.7	(14.4)	(31.2)
Banking	100,710	1.4	2.9	37.5	49.9	59.1	60.6	1.1	0.8	8.0	12.1
Consumers	29,837	0.2	9.3	4.2	15.2	(4.0)	3.8	(0.1)	7.1	(17.0)	(32.4)
Cement	19,614	(1.6)	3.9	8.7	41.4	13.9	14.8	(1.9)	1.8	1.8	(19.7)
Energy	155,816	(1.0)	0.7	43.9	55.3	78.1	78.2	(1.3)	(1.3)	11.8	25.5
Industrials	65,827	(0.8)	3.2	55.2	115.3	144.8	166.0	(1.1)	1.1	55.0	72.5
Metals	24,822	(2.4)	(0.9)	34.6	47.7	62.4	65.1	(2.6)	(2.8)	6.4	14.5
Pharmaceuticals	10,475	2.1	3.1	1.1	(0.6)	(11.1)	(13.3)	1.8	1.1	(28.4)	(37.4)
Telecom	82,297	1.3	(0.4)	20.0	24.2	49.7	50.8	1.0	(2.4)	(10.5)	5.5
Technology	74,896	0.4	(3.2)	(5.9)	(12.2)	(18.4)	(19.6)	0.1	(5.1)	(36.8)	(42.5)
Utilities	62,351	0.8	2.8	42.4	75.2	83.2	98.2	0.5	0.8	26.2	29.1
Sensex sum	654,326	0.3	2.0	26.8	38.9	41.9	43.6				

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 Sterlite Industries	19.5	1 Hero Honda	(6.1)
2 Punjab Tractors	19.2	2 Lakshmi	(2.3)
3 Jindal Steel and Power	19.0	3 Sintex	(2.0)
4 Educomp Solutions	18.4	4 Max	(1.9)
5 Mindtree	18.2	5 Sun Pharmaceuticals	(1.4)
6 Mahindra Life Space Develop	18.0	6 GlaxoSmithkline (India)	(1.3)
7 Maharashtra Seamless	17.6	7 Hindustan unilever	(1.3)
8 KEC	17.2	8 HCL Technologies	(1.1)
9 Ashok Leyland	17.1	9 Kalpataru Power Transmission	(0.9)
10 Reliance Energy	17.0	10 Grasim Industries	(0.5)

CYTD performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Jindal Steel and Power	567.5	1 Hexaware Technologies	(60.7)
2 Welspun Gujarat Stahl Rohrer	367.2	2 Vardhman	(45.3)
3 India Infoline	350.1	3 Polaris Software Lab	(33.9)
4 Educomp Solutions	321.1	4 Tech Mahindra	(33.3)
5 Reliance Energy	274.5	5 Infosys Technologies	(27.0)
6 SREI	269.5	6 Rico Auto	(27.0)
7 ABG Shipyard	265.3	7 Aventis Pharma	(26.3)
8 GMR Infrastructure	262.6	8 i-flex solutions	(21.6)
9 Reliance Petroleum	260.4	9 Patni Computer Systems	(21.3)

1- month performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 DishTV	70.4	1 Hexaware Technologies	(21.6)
2 SREI	36.5	2 Infosys Technologies	(11.7)
3 Rico Auto	35.7	3 Corporation Bank	(9.3)
4 Hotel Leela	35.5	4 Ipca Laboratories	(9.0)
5 Welspun Gujarat Stahl Rohrer	34.5	5 Oil & Natural Gas Corporation	(8.3)
6 Ashok Leyland	32.8	6 Ranbaxy Laboratories	(7.3)
7 GMR Infrastructure	31.2	7 IVRCL	(7.3)
8 LANCO	30.8	8 Sintex	(6.8)
9 India Infoline	30.6	9 Mphasis BFL	(6.7)
10 EIH	29.0	10 GlaxoSmithkline (India)	(5.8)

1-year performance

Top Gainers		Top Losers	
Company	% Change	Company	% Change
1 Jindal Steel and Power	578.9	1 Hexaware Technologies	(58.5)
2 Educomp Solutions	530.5	2 Vardhman	(44.3)
3 India Infoline	397.8	3 Aventis Pharma	(33.9)
4 Welspun Gujarat Stahl Rohrer	389.4	4 Rico Auto	(27.7)
6 SREI	293.4	5 Infosys Technologies	(27.2)
7 Reliance Energy	259.0	6 TVS Motor Co	(26.6)
8 Reliance Petroleum	247.7	7 Mahindra Life Space Developer	(22.8)
9 JSW Steel	246.0	8 Cipla	(19.9)
10 GMR Infrastructure	232.7	9 GlaxoSmithkline (India)	(19.3)
11 Divi's Laboratories	209.5	10 Patni Computer Systems	(17.8)

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
Jindal Steel and Power	213.7
Reliance Energy	195.7
Aditya Birla Nuvo	178.6
HDFC	164.3
Nestle India	158.3
VSNL	154.2
GSPL	153.1

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

Company	Discount to sector
Monnet Ispat	77.1
Andhra Bank	62.2
Canara Bank	59.8
LIC Housing Finance	59.6
Corporation Bank	58.9
Dredging Corporation	58.5
Bharat Electronics	55.0

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

Lowest 1 year rolling forward P/E (X)

Company	Lowest P/E
Hindustan Zinc	7.8
Hexaware Technologies	7.8
Andhra Bank	7.9
Canara Bank	8.4
Monnet Ispat	8.5
Corporation Bank	8.6
Ipca Laboratories	8.8
Bank of Baroda	10.3
Polaris Software Lab	10.4
Patni Computer Systems	10.9
Torrent Pharma	10.9

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	66.7
Reliance Energy	54.0
ABB	48.1
Siemens	47.3
Larsen & Toubro	36.9
Bharat Heavy Electricals	35.9
HDFC	34.3
VSNL	34.2
Nestle India	33.8
i-flex solutions	33.0

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

Company % discount to historical high

Company	% discount to historical high
Bharat Heavy Electricals	0.0
Dredging Corporation	0.0
Divi's Laboratories	0.0
GAIL (India)	0.0
HDFC	0.0
MICO	0.0
NTPC	0.0
Punjab National Bank	0.0
Reliance Energy	0.0
State Bank of India	0.0
Tata Power	0.0
IDFC	0.0
Nagarjuna Construction Co.	0.0
Monnet Ispat	0.0
Aditya Birla Nuvo	0.0
Shriram Transport	0.0

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
Petronet LNG	214.4
Gateway Distriparks	196.3
i-flex solutions	175.8
GAIL (India)	174.4
Bajaj Auto	156.7

Trading at discount to sectors	
Discount to 1 year rolling forward EV/EBITDA (%)	
Company	Sector discount
Bharat Electronics	38.1
Dredging Corporation	43.0
Polaris Software Lab	44.3
Patni Computer Systems	45.9
Rico Auto	50.8

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	53.0
Divi's Laboratories	33.1
ABB	29.1
Aditya Birla Nuvo	28.1
Siemens	27.1
Larsen & Toubro	26.0
i-flex solutions	23.1
Tata Power	22.6

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
Hexaware Technologies	4.2
Hindustan Zinc	4.8
Vardhman	5.0
Bharat Petroleum	5.3
Hindustan Petroleum	5.4
Aventis Pharma	5.5
Indian Oil Corporation	5.7
Monnet Ispat	5.7

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 %)	
Motherson Sumi	116,055	340	1.3	
Pfizer	50,570	190	7.4	
IDFC	16,342,281	172	19.7	
GSPL	6,889,864	147	23.7	
Nestle India	160,506	139	3.9	
Ashok Leyland	10,555,854	133	32.8	
iGate Global Solutions	77,496	130	14.7	

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

Company	5-day average volumes	% decrease	Price Change (%)	
			(1month basis %)	
Dredging Corporation	27,303	(79)	(0.5)	
Aventis Pharma	3,558	(77)	(2.8)	
HCL Technologies	90,061	(74)	1.4	
Bharat Electronics	4,936	(73)	(2.0)	
Bharti Airtel Ltd	229,038	(67)	2.3	
Torrent Pharma	18,324	(66)	(0.5)	
Bank of Baroda	114,419	(66)	3.4	

Date	Sensex	Avg daily value traded (US\$ mn)	Institutional participation in total turnover		Sensex delivery (%)	Put-Call (X)
			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	17,291	4,703	16.0	4.2	48.0	1.23
Oct-07	19,724	7,118	18.4	3.6	43.0	1.15
Nov-07	19,003	6,771	16.0	3.0	38.0	1.02
Dec-07	19,796	6,093	19.3	4.0	39.0	1.27

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

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

FY2008 earnings upgrades (KIE) (1 month)		
	Company	% Change
1	India Infoline	15.0
2	Punj	8.5
3	DLF	8.2
4	Siemens	3.4
5	CESC	2.9
6	JSW Steel	2.3

Source: Kotak Institutional Equities estimates.

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	Jindal Steel and Power	52.6	14,500	9,500
2	Punj	33.3	500	375
3	JSW Steel	30.0	1,040	800
4	India Infoline	23.8	1,300	1,050
5	Siemens	19.4	1,850	1,550
6	Aditya Birla Nuvo	13.3	1,880	1,660
7	LANCO	13.3	470	415
8	Tata Power	2.4	1,060	1,035

Downgrades in target prices (1 month)

	Company	% Change	New	Old
1	Hexaware Technologies	(30.8)	90	130

Source:Kotak Institutional Equities.

Changes in our ratings

Exhibit 29: Changes in ratings over the past 1 month

Company name		Rating	
		Current	Previous
Federal Bank	Downgraded	REDUCE	ADD
JSW Steel	Upgraded	ADD	REDUCE
GSPL	Downgraded	SELL	REDUCE
Siemens	Upgraded	REDUCE	SELL
VSNL	Downgraded	REDUCE	ADD
GAIL (India)	Downgraded	SELL	ADD

Source: Kotak Institutional Equities.

Source: Kotak Institutional Equities.

Flows

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

Trend in equity flows

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

	FII	MF
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
CY 2007	16,180	808
Jan	40	(298)
Feb	1,249	(61)
Mar	317	(365)
Apr	1,257	217
May	1,085	401
Jun	1,759	100
Jul	4,530	(218)
Aug	(1,861)	1,037
Sep	4,645	(187)
Oct	4,268	(439)
Nov	(1,140)	519
Dec	33	101

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

	Index Futures	Index Options	Stock Futures	Stock Options
CY2004	(91)	608	(796)	4
CY2005	(676)	2,199	(668)	(42)
CY 2006	345	3,950	(3,690)	(83)
CY2007	(410)	11,434	(10,056)	(158)
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)
Jun	(1,025)	980	(568)	(16)
Jul	(821)	1,860	(1,649)	(4)
Aug	1,037	1,235	(303)	(15)
Sep	2,122	1,607	(1,291)	(1)
Oct	(1,761)	1,210	(2,080)	(38)
Nov	(755)	944	(2,330)	(24)
Dec	64	266	(525)	(8)

Source: Bloomberg, Kotak Institutional Equities

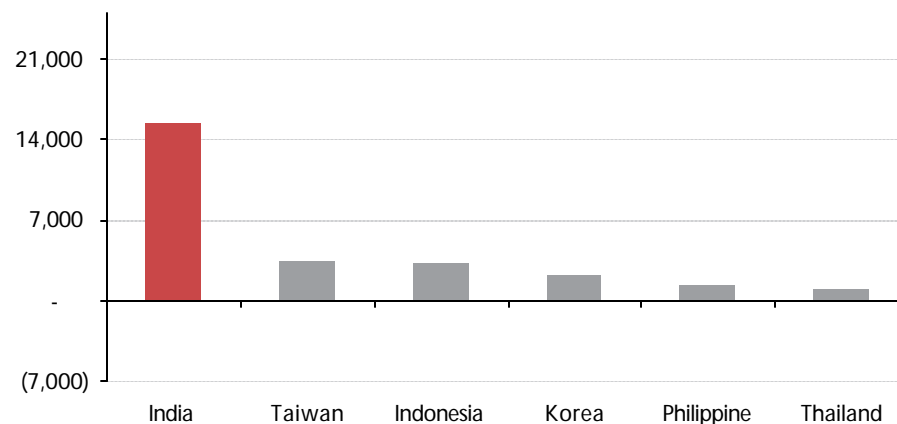
FII flows in other emerging markets

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

Flows in the cash markets

Date	Taiwan	Indonesia	Philippine	Thailand	India
6-Nov-07	(447)	(43)	(49)	(125)	1
7-Nov-07	117	26	(6)	33	9
8-Nov-07	(441)	(20)	(22)	(80)	(71)
12-Nov-07	(695)	(5)	(7)	(144)	(203)
13-Nov-07	(416)	(33)	(34)	(93)	30
14-Nov-07	23	(4)	(6)	(19)	236
15-Nov-07	(137)	(2)	(10)	(29)	195
16-Nov-07	(606)	(43)	(14)	(54)	(20)
19-Nov-07	(147)	(12)	0	(76)	(7)
20-Nov-07	(443)	(28)	(23)	(155)	(266)
21-Nov-07	(628)	41	(2)	(126)	(551)
22-Nov-07	(269)	(33)	(4)	(82)	(209)
23-Nov-07	(134)	33	(16)	(41)	(43)
26-Nov-07	333	62	(2)	(11)	117
27-Nov-07	(239)	(14)	(5)	(32)	(65)
28-Nov-07	(100)	49	(5)	(1)	(112)
29-Nov-07	298	-	22	(3)	(242)
30-Nov-07	374	-	-	-	367
3-Dec-07	(70)	-	(11)	-	28
4-Dec-07	(71)	-	(4)	-	5
Total	(3,698)	(27)	(197)	(1,036)	(800)

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
Religare Enterprises	76	185	1,402	21-Nov-07	521	525	182	184
Dhanus Technologies	38	295	1,131	17-Oct-07	311	273	5	(8)
Koutons Retail	35	415	1,462	12-Oct-07	590	759	42	83
Power Grid Corp	5,739	52	29,845	05-Oct-07	100	151	92	191
Magnum Ventures	176	30	529	20-Sep-07	49	27	62	(11)
Indowind Energy	125	65	813	14-Sep-07	115	144	76	121
Motilal Oswal Financial	30	825	2,461	11-Sep-07	977	1,882	18	128
Puravankara Projects	215	400	8,587	30-Aug-07	362	450	(10)	12
KPR Mill	59	225	1,330	28-Aug-07	174	159	(23)	(29)
TakeSolutions	21	730	1,533	27-Aug-07	926	1,153	27	58
Central Bank of India	800	102	8,160	21-Aug-07	115	138	13	35
SEL manufacturing	41	90	372	21-Aug-07	142	114	58	27
Refex Refrigerants	38	65	247	20-Aug-07	62	175	(5)	170
Zylog Systems	36	350	1,260	17-Aug-07	431	354	23	1
IVR Prime	142	550	7,783	16-Aug-07	418	435	(24)	(21)
OMAXE Ltd	178	310	5,517	09-Aug-07	349	482	13	56
Alpa Laboratories	95	68	646	06-Aug-07	55	42	(19)	(39)
Simplex projects	30	185	555	03-Aug-07	272	350	47	89
Everonn Systems	36	140	500	01-Aug-07	478	583	241	316
Allied Digital	45	190	859	25-Jul-07	331	463	74	143
Housing Development & Infra	297	500	14,850	24-Jul-07	558	816	12	63
Soice Communications	1,131	46	5,203	18-Jul-07	61	52	32	13
Roman Tarmat	29	175	508	09-Jul-07	319	168	82	(4)
DLF	1,750	525	91,875	05-Jul-07	570	971	9	85
Vishal Retail	40	270	1,082	04-Jul-07	752	739	179	174
Nitin Fire Protection	34	190	644	05-Jun-07	484	533	155	181
Insecticides Ind	32	115	369	30-May-07	110	74	(5)	(35)
MIC Electronics	51	150	765	30-May-07	336	702	124	368
Binani Cements	205	75	1,538	28-May-07	69	116	(8)	55
Hilton Metal Forging	55	70	382	24-May-07	68	43	(3)	(38)
Bhagwati Hotels	230	40	920	17-May-07	51	91	27	129
Fortis Healthcare	460	108	4,968	09-May-07	100	86	(7)	(20)
Advanta IndiaLtd	34	640	2,163	19-Apr-07	850	1,083	33	69
ICRA Ltd	26	330	852	13-Apr-07	798	983	142	198
Orbit Corp Ltd	91	110	1,001	12-Apr-07	128	732	16	565
Gremach Infrastructure	69	86	590	11-Apr-07	84	346	(2)	302
Astral Polytechn	30	115	342	20-Mar-07	105	181	(9)	58
Abhishek Mills L	41	100	410	19-Mar-07	91	58	(9)	(42)
AMD Metplast Ltd	102	75	763	19-Mar-07	78	55	4	(27)
Jagjanani Textil	81	25	203	19-Mar-07	23	13	(7)	(47)
Lawreshwar Polym	87	16	139	19-Mar-07	14	12	(13)	(24)
Page Industries	28	360	1,009	16-Mar-07	282	417	(22)	16
Raj Television N	36	257	917	16-Mar-07	226	212	(12)	(18)
Euro Ceramics	56	165	928	09-Mar-07	119	219	(28)	32
Idea Cellular	2,833	75	21,250	09-Mar-07	86	136	14	82
Mudra Lifestyle	96	90	862	09-Mar-07	64	89	(29)	(1)
Vijayeshwari Textiles	90	100	900	09-Mar-07	69	55	(31)	(45)
Indus Fila Ltd	48	170	823	08-Mar-07	132	320	(22)	88

Source: Bloomberg and Kotak Institutional Equities.

Exhibit 34: Forthcoming IPO/Follow on offerings

Company	Issue
RELIANCE POWER LTD.	IPO
EMAAR MGF LAND LTD.	IPO
NATIONAL HYDROELECTRIC POWER CORP.LTD.	IPO
FUTURE CAPITAL HOLDINGS LTD.	IPO
ACME TELE POWER LTD.	IPO
RURAL ELECTRIFICATION CORP.LTD.	IPO
IRB INFRASTRUCTURE DEVELOPERS LTD.	IPO
WOCKHARDT HOSPITALS LTD.	IPO
BGR ENERGY SYSTEMS LTD.	IPO
ONMOBILE GLOBAL LTD.	IPO
KOLTE-PATIL DEVELOPERS LTD.	IPO
BRIGADE ENTERPRISES LTD.	IPO
GAMMON INFRASTRUCTURE PROJECTS LTD.	IPO
JYOTHY LABORATORIES LTD.	IPO
PRINCE FOUNDATIONS LTD.	IPO
RNS INFRASTRUCTURE LTD.	IPO
MANAKSIA LTD.	FPO
RAMSARUP LOHH UDYOG LTD.	IPO
TCG LIFESCIENCES LTD.	IPO
KNR CONSTRUCTIONS LTD.	IPO
PERSISTENT SYSTEMS LTD.	IPO
SURYA FOODS & AGRO LTD.	IPO
NEEL METAL PRODUCTS LTD.	IPO
TECPRO SYSTEMS LTD.	IPO
TRANSFORMERS & RECTIFIERS (INDIA) LTD.	IPO
GSS AMERICA INFOTECH LTD.	IPO
ECLERX SERVICES LTD.	IPO
MAN INFRACONSTRUCTION LTD.	IPO
RITHWIK PROJECTS LTD.	IPO
SHRIRAM EPC LTD.	IPO
TITAGARH WAGONS LTD.	IPO
YBRANT TECHNOLOGIES LTD.	IPO
PRECISION PIPES & PROFILES CO.LTD.	IPO
ANU'S LABORATORIES LTD.	IPO
BANG OVERSEAS LTD.	IPO

Source: Primedatabase .

Bulk deals

Bulk/block deals during the week

Deal Date	Scrip Name	Action	Quantity	Price	<u>value</u> (Rs mn)	Exchange
03-Dec	INFRA DEVFIN	Sell	11727609	204.67	2400	BSE
03-Dec	INFRA DEVFIN	Sell	10600000	205	2173	BSE
29-Nov	Tata Power Co. Ltd.	BUY	1282400	1118.34	1434	NSE
29-Nov	GUJ PETRONET	Sell	18900000	74.01	1399	BSE
03-Dec	LIC Housing Finance Ltd	SELL	435000	365.62	159	NSE
03-Dec	CORE PROJECT	Sell	455686	317.68	145	BSE
29-Nov	IOL BROADBAN	Sell	296000	480.11	142	BSE
29-Nov	IOL BROADBAN	Buy	291000	480	140	BSE
29-Nov	Shree Renuka Sugars	SELL	200000	681.09	136	NSE
29-Nov	IOL Broadband Limited	BUY	260000	480	125	NSE
29-Nov	UTV Software	SELL	150758	802.68	121	NSE
29-Nov	PRAJAY ENG S	Buy	300000	370	111	BSE
29-Nov	PRAJAY ENG S	Sell	300000	370	111	BSE
29-Nov	Escorts India Ltd.	SELL	638400	153.5	98	NSE
03-Dec	Lumax Industries Ltd	SELL	175088	468.2	82	NSE
04-Dec	PYRAMID SAIM	Sell	227846	340.24	78	BSE
04-Dec	Pyramid Saimira Theatre	SELL	227000	340.12	77	NSE
04-Dec	Mcnally Bharat	BUY	296511	250.01	74	NSE
04-Dec	Mcnally Bharat	BUY	270000	256.01	69	NSE
30-Nov	Hind. Oil Exploration	BUY	456000	143.69	66	NSE
29-Nov	NIIT Technologies Limited	BUY	300000	215.82	65	NSE
29-Nov	NIIT Technologies Limited	SELL	300000	213.8	64	NSE
30-Nov	Tata Elxsi (India) Ltd	SELL	240000	248.07	60	NSE

Source: BSE and NSE

Delivery positions

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

Increase in delivery % (KIE universe)

Name	Delivery %	
	Previous week	Current week
Infrastructure Dev Finance	27	66
Bharat Forge Limited	28	66
Satyam Computer Services Ltd	31	66
Hindustan Petroleum Corp	32	65
Indian Hotels Co Limited	34	65
Ntpc Limited	35	64
Infosys Technologies Ltd	54	82
Asian Paints Ltd	69	97
Mahindra & Mahindra Limited	48	76

Decrease in delivery % (KIE universe)

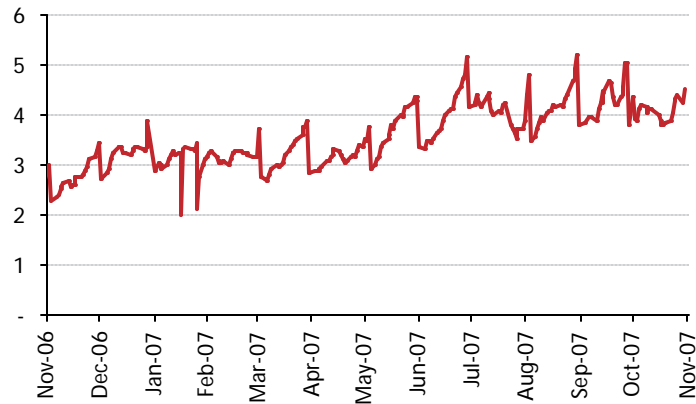
Name	Delivery %	
	Previous week	Current week
Sintex Industries Limited	98	57
IvrcI Infrastructures & Proj	55	19
Aurobindo Pharma Ltd	91	55
Punj Lloyd Limited	33	-
India Cements Limited	65	34
Videsh Sanchar Nigam Ltd	55	26
Rico Auto Industries Ltd	70	46
Godrej Consumer Products Ltd	71	50
Cadila Healthcare Ltd	84	64

Source: Bloomberg and Kotak Institutional Equities.

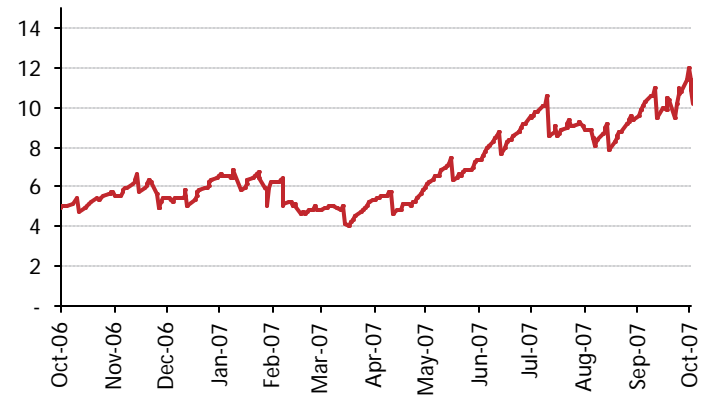
Open interest analysis

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

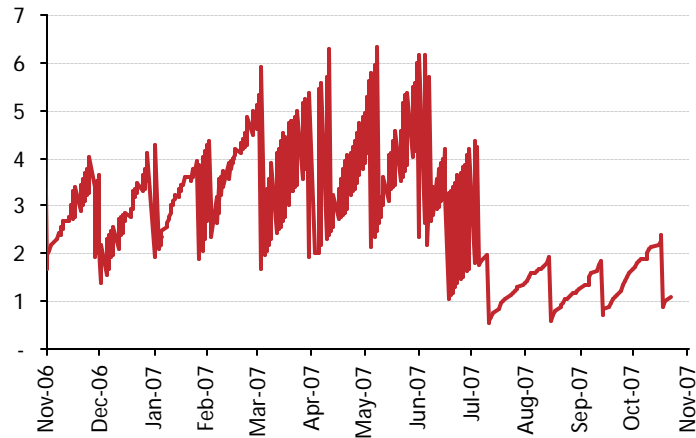
India Index futures open interest



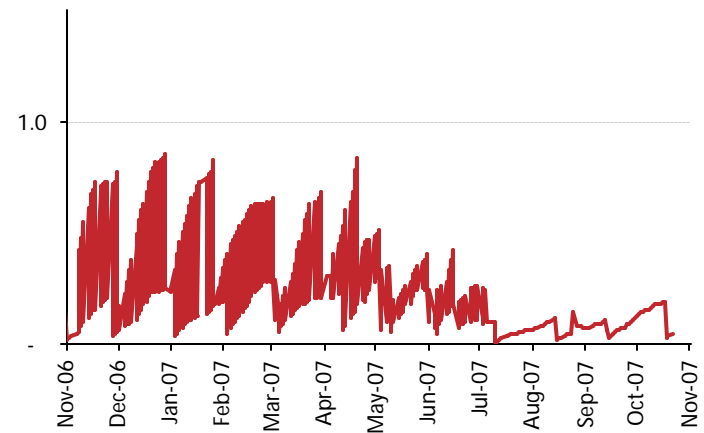
India stock futures open interest



India Index option open interest



India stock option open interest

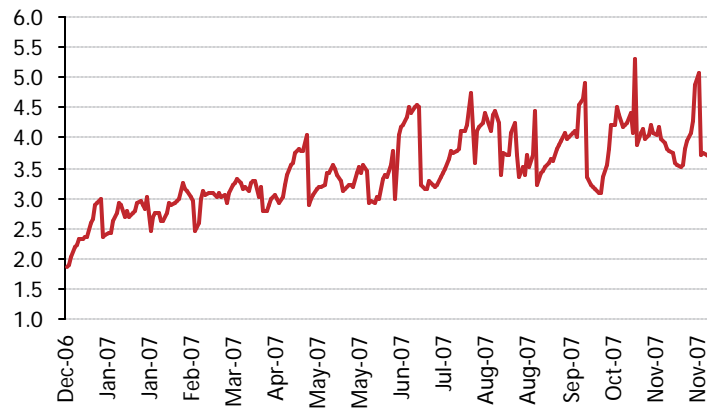


Source: Bloomberg and Kotak Institutional Equities.

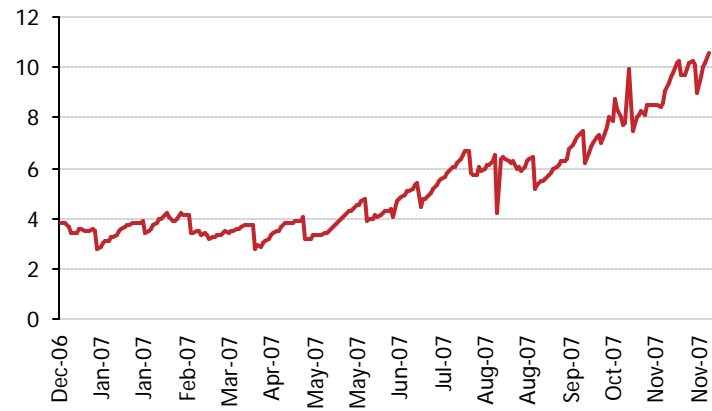
Open interest analysis

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

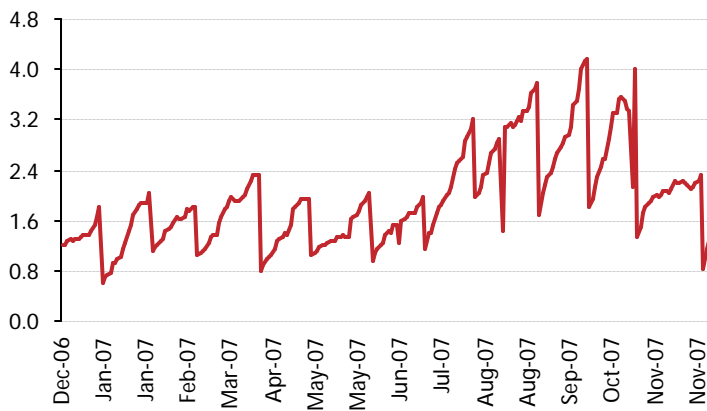
Index futures value of open interest



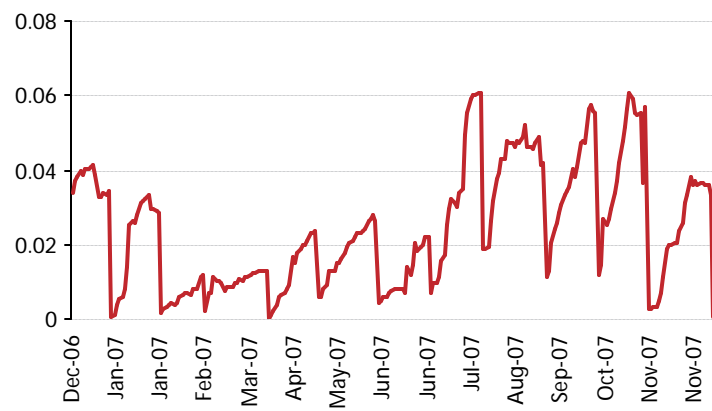
Stock futures value of open interest



Index options value of open interest



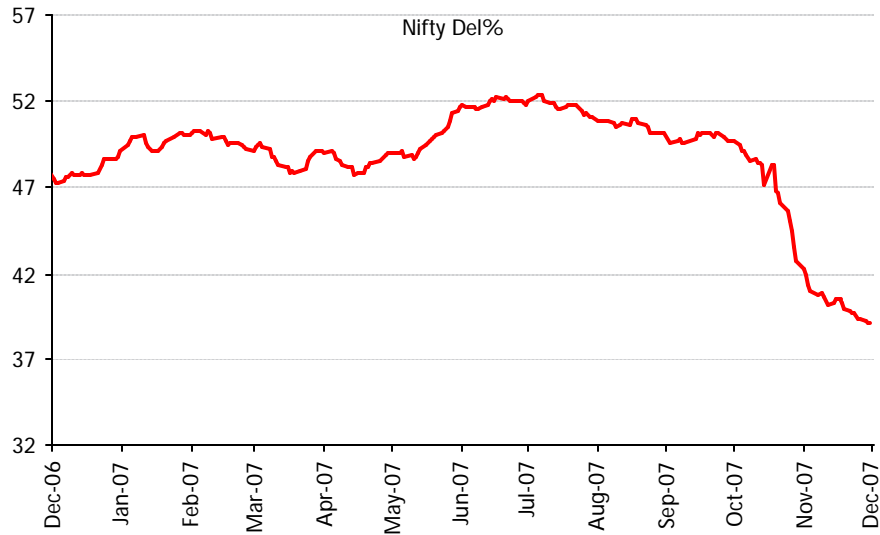
Stock options value of open interest



Source: Bloomberg and Kotak Institutional Equities.

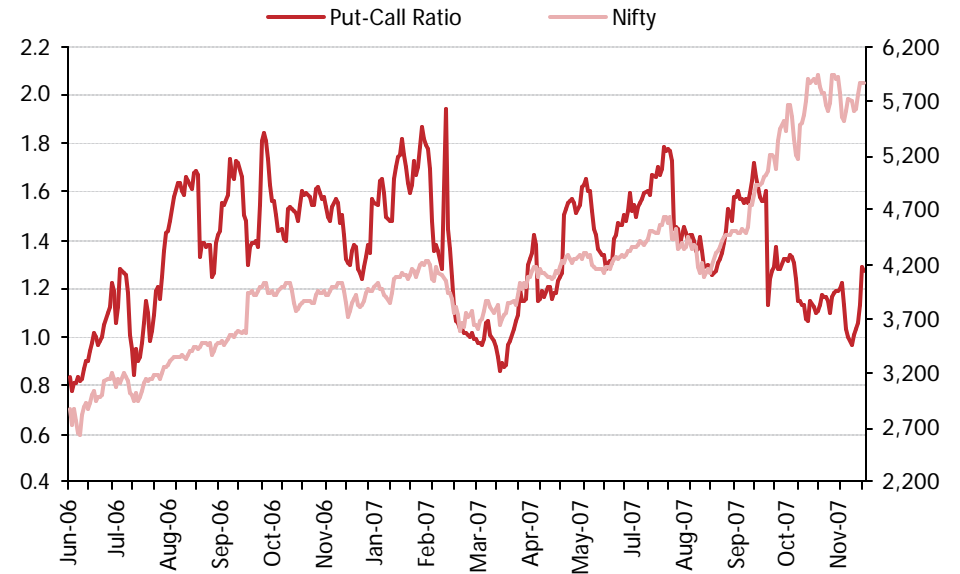
Market movement indicators

Exhibit 39: Aggregate delivery percentage



Source: Bloomberg and Kotak Institutional Equities.

Exhibit 40: Put call ratio versus Nifty



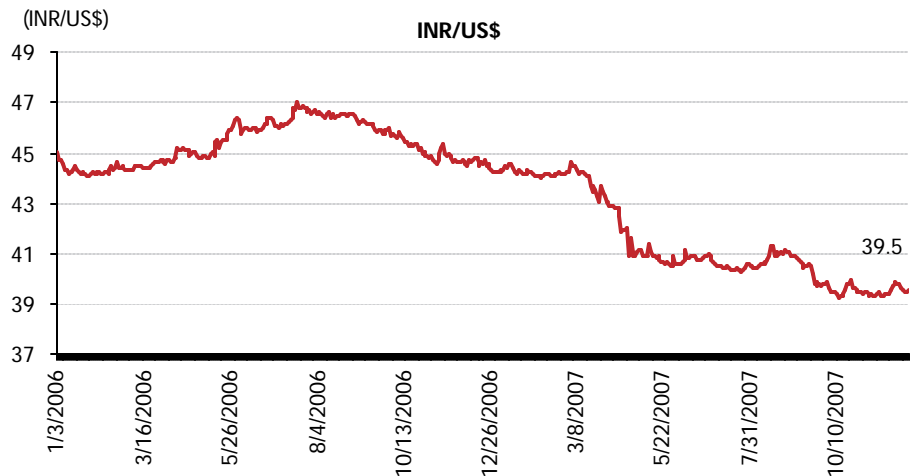
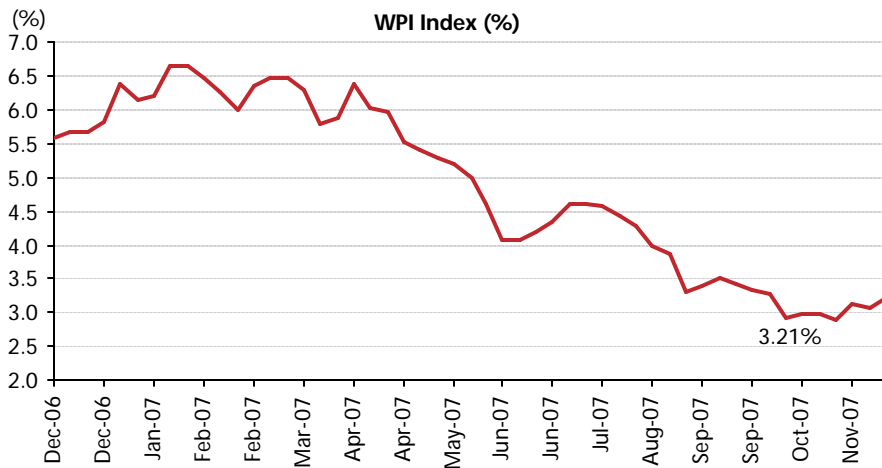
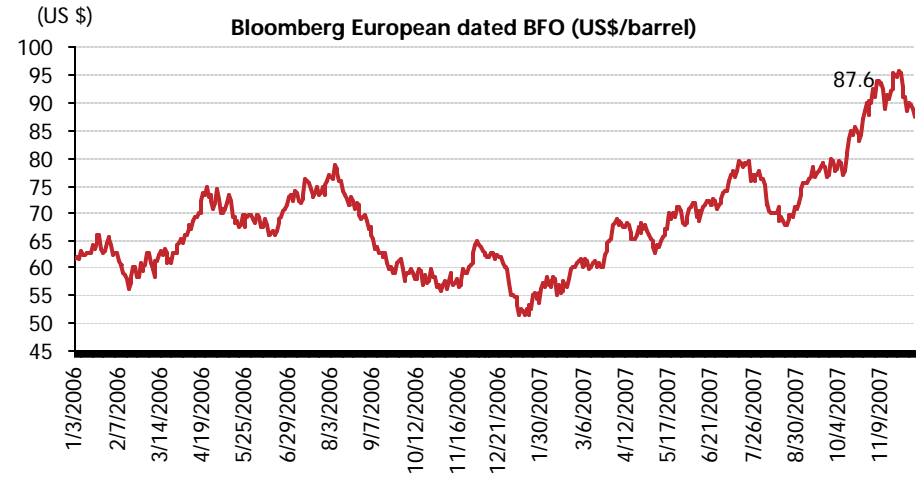
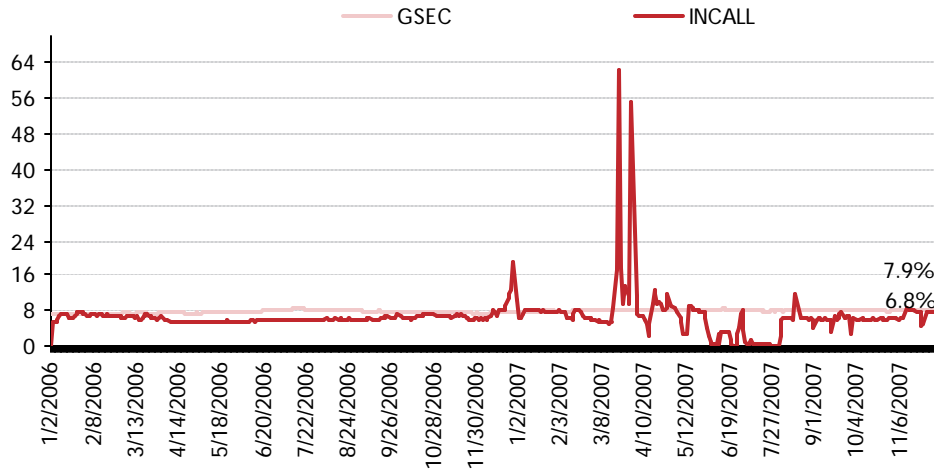
Put call is for Nifty open interest

Source: Bloomberg and Kotak Institutional Equities.

Economic indicators

Economic indicators

Exhibit 41: Key economic parameters



Source: Bloomberg and Kotak Institutional Equities.

Kotak valuation summary

Valuation summary

Kotak Institutional Equities Universe

Company	06-Dec-07		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	ADVT-3mo		
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007E	2008E	2009E	2007	2008E	2009E	2007E	2008E	2009E	(Rs)	(%)	US\$ mn	
Automobiles																														
Bajaj Auto	2,728	BUY	276,039	6,987	101	127.2	114.5	151.9	14.5	(10.0)	32.7	21.4	23.8	18.0	14.8	15.9	12.5	4.9	4.5	3.9	1.5	1.5	1.5	23.7	18.8	22.3	2,750	0.8	16.4	
Maruti Suzuki	1,041	BUY	300,936	7,617	289	54.0	75.3	88.9	31.4	39.3	18.0	19.3	13.8	11.7	11.3	8.2	6.8	4.3	3.3	2.5	0.4	0.4	0.4	24.9	26.8	24.3	1,200	15.2	6.3	
Mahindra & Mahindra	785	BUY	202,457	5,124	258	37.4	44.1	44.5	42.4	17.7	1.0	21.0	17.8	17.6	14.1	12.8	12.0	5.7	3.6	3.3	1.4	1.2	1.2	32.4	25.6	20.0	875	11.5	18.6	
Automobiles	Attractive		779,432	19,728					28.8	17.2	17.5	20.4	17.4	14.8	13.1	11.2	9.5	4.8	3.8	3.1	1.0	1.0	1.0	23.5	21.5	20.9				
Banks/Financial Institutions																														
Andhra Bank	105	BUY	50,707	1,283	485	11.1	12.6	13.5	10.8	13.2	7.3	9.4	8.3	7.8	—	—	—	1.7	1.5	1.4	3.6	4.1	4.4	17.8	18.2	17.6	120	14.8	4.2	
Axis Bank	927	ADD	306,160	7,749	330	23.4	32.3	41.3	34.4	38.2	27.8	39.6	28.7	22.4	—	—	—	10.2	3.6	3.1	0.5	0.7	1.0	21.0	17.6	15.7	850	(8.3)	3.5	
Bank of Baroda	392	BUY	143,359	3,629	366	28.1	35.3	38.9	24.1	25.6	10.2	14.0	11.1	10.1	—	—	—	1.8	1.7	1.5	1.8	2.0	2.2	12.4	14.5	14.7	375	(4.4)	9.1	
Canara Bank	300	SELL	123,000	3,113	410	34.7	30.5	37.4	5.8	(11.9)	22.6	8.7	9.8	8.0	—	—	—	1.7	1.5	1.3	2.3	2.2	2.3	16.3	11.9	13.6	250	(16.7)	3.7	
Corporation Bank	413	BUY	59,175	1,498	143	37.4	44.7	49.2	20.6	19.7	9.9	11.0	9.2	8.4	—	—	—	1.6	1.4	1.3	2.2	2.6	3.0	15.0	16.3	16.3	470	13.9	1.6	
Centurion Bank of Punjab	49	ADD	82,277	2,082	1,686	0.8	1.0	1.5	35.6	22.0	43.5	57.7	47.3	33.0	—	—	—	7.2	4.6	4.0	—	—	—	11.5	9.9	12.8	45	(7.8)	5.6	
Federal Bank	327	REDUCE	35,071	888	107	34.2	40.2	33.0	30.0	17.6	(18.0)	9.6	8.1	9.9	—	—	—	2.5	0.9	0.8	1.0	2.5	3.2	21.2	15.5	13.5	410	25.2	3.1	
HDFC	2,813	REDUCE	806,702	20,418	287	62.1	79.0	82.9	23.6	27.3	4.9	45.3	35.6	33.9	—	—	—	14.5	6.6	5.9	0.7	1.0	1.0	31.3	25.5	18.8	2,200	(21.8)	65.2	
HDFC Bank	1,686	REDUCE	584,472	14,793	347	35.7	47.4	60.5	28.5	32.7	27.5	47.2	35.5	27.9	—	—	—	9.1	4.9	4.3	0.4	0.6	0.7	19.5	17.9	16.9	1,300	(22.9)	24.1	
ICICI Bank	1,199	ADD	1,326,426	33,573	1,106	34.6	35.7	47.3	5.6	3.3	32.3	34.7	33.6	25.4	—	—	—	5.5	2.6	2.6	0.7	0.7	1.0	13.4	10.4	10.7	1,200	0.1	109.8	
IDFC	218	SELL	280,983	7,112	1,291	4.4	5.4	7.4	25.8	23.2	37.6	49.9	40.5	29.4	—	—	—	9.6	5.1	4.6	0.4	0.6	1.0	17.9	16.4	16.3	145	(33.4)	58.6	
India Infoline	1,375	ADD	73,857	1,869	54	15.1	26.8	50.1	39.3	77.5	87.5	91.2	51.4	27.4	52.5	23.0	13.1	22.7	13.7	5.5	0.2	—	—	29.1	33.3	35.3	1,300	(5.4)	18.0	
Indian Bank	197	REDUCE	84,493	2,139	430	16.8	24.1	25.3	148.1	43.1	5.2	11.7	8.2	7.8	—	—	—	2.8	2.3	1.9	1.5	3.1	3.2	25.8	27.5	24.7	145	(26.2)	5.2	
Indian Overseas Bank	176	BUY	96,103	2,432	545	18.5	22.2	23.2	28.7	19.8	4.8	9.5	8.0	7.6	—	—	—	2.4	2.1	1.7	2.0	2.6	2.8	28.1	28.0	24.6	150	(15.0)	2.1	
J&K Bank	830	BUY	40,224	1,018	48	56.6	66.0	71.3	55.2	16.6	8.1	14.7	12.6	11.6	—	—	—	2.2	2.0	1.7	1.4	1.6	1.7	14.4	15.0	14.5	850	2.5	0.4	
LIC Housing Finance	380	ADD	32,320	818	85	32.8	41.9	46.1	33.9	27.7	9.8	11.6	9.1	8.3	—	—	—	2.6	1.8	1.5	2.1	2.1	2.9	—	—	—	345	(9.3)	11.6	
Mahindra & Mahindra Financial	297	ADD	24,982	632	84	15.7	18.9	24.0	25.5	20.0	27.5	18.9	15.8	12.4	—	—	—	3.4	3.0	2.6	1.4	1.6	2.0	18.1	19.0	21.0	265	(10.9)	1.0	
Oriental Bank of Commerce	271	REDUCE	67,784	1,716	251	33.0	32.4	34.0	2.9	(1.6)	5.0	8.2	8.3	7.9	—	—	—	1.4	1.3	1.2	1.7	1.7	1.8	10.9	9.9	10.0	240	(11.3)	2.9	
PFC	273	SELL	312,938	7,921	1,148	11.1	12.4	15.9	9.5	12.2	28.3	24.6	21.9	17.1	—	—	—	3.2	3.0	2.6	0.8	0.6	0.8	12.6	13.9	15.8	150	(45.0)	20.7	
Punjab National Bank	630	BUY	198,767	5,031	315	48.8	56.7	57.9	7.0	16.0	2.2	12.9	11.1	10.9	—	—	—	2.2	1.9	1.6	2.1	1.2	1.2	15.5	16.0	14.3	620	(1.6)	12.5	
SREI	194	ADD	21,202	537	109	7.3	10.3	7.2	63.6	41.7	(29.9)	26.8	18.9	26.9	—	—	—	4.7	3.9	1.8	0.5	1.0	1.5	18.1	21.7	17.3	130	(33.1)	3.3	
State Bank of India	2,397	ADD	1,261,328	31,925	526	86.3	114.7	107.5	3.1	32.9	(6.3)	27.8	20.9	22.3	—	—	—	4.8	4.3	3.6	0.6	0.7	0.7	15.4	18.7	16.0	2,000	(16.5)	111.1	
Union Bank	189	BUY	95,669	2,421	505	16.7	21.7	26.4	14.8	29.9	21.6	11.3	8.7	7.2	—	—	—	1.8	1.6	1.4	1.8	2.5	3.1	19.2	21.3	21.9	230	21.4	8.0	
Banks/Financial Institutions	Attractive		6,107,997	154,599					17.1	26.5	15.4	27.5	21.8	18.9	—	—	—	4.6	3.2	2.8	0.8	0.9	1.1	16.7	14.7	14.8				
Cement																														
ACC	1,082	SELL	204,108	5,166	189	56.7	72.7	77.2	93.7	28.2	6.2	19.1	14.9	14.0	11.4	9.0	8.1	5.9	4.4	3.6	1.6	1.6	1.6	39.7	37.2	30.5	900	(16.8)	23.3	
Ambuja Cements	154	REDUCE	233,439	5,909	1,517	8.5	9.2	10.3	72.9	8.1	12.0	18.0	16.7	14.9	13.0	10.4	9.0	6.0	4.7	3.8	1.2	1.7	1.0	44.5	33.1	29.5	130	(15.5)	19.0	
Grasim Industries	3,680	ADD	337,387	8,540	92	214.6	272.3	308.5	98.9	26.9	13.3	17.1	13.5	11.9	8.9	6.9	6.0	3.7	2.9	2.3	0.8	0.8	0.9	24.5	24.3	21.8	3,400	(7.6)	12.1	
India Cements	308	REDUCE	80,207	2,030	260	26.1	31.7	30.3	n/a	21.3	(4.5)	11.8	9.7	10.2	13.2	7.8	6.5	3.7	2.8	2.3	—	0.6	0.7	31.4	33.6	25.0	270	(12.4)	18.6	
Shree Cement	1,460	ADD	50,869	1,288	35	45.2	118.0	138.4	(5.9)	161.0	17.2	32.3	12.4	10.6	9.5	6.4	5.3	11.3	6.3	4.2	0.4	0.5	0.5	38.6	65.1	47.4	1,600	9.6	0.5	
UltraTech Cement	981	SELL	122,143	3,092	124	63.3	73.0	81.2	255.1	15.2	11.3	15.5	13.4	12.1	9.3	8.0	7.2	5.3	3.9	3.0	0.7	0.8	0.8	55.8	41.8	33.3	850	(13.4)	3.3	
Cement	Cautious		1,028,154	26,023					116.2	26.6	9.7	17.6	13.9	12.6	10.4	8.0	7.0	4.8	3.7	2.9	1.0	1.1	1.0	27.5	26.7	23.1				
Consumer Products																														
Asian Paints	994	ADD	95,373	2,414	96	28.1	38.3	44.3	22.0	36.1	15.8	35.3	26.0	22.4	20.6	15.6	13.1	12.4	9.9	7.9	1.3	1.5	1.8	39.5	43.5	40.2	1,000	0.6	2.2	
Colgate-Palmolive (India)	382	BUY	51,970	1,315	136	14.6	16.8	19.2	32.6	14.9	14.1	26.1	22.7	19.9	18.9	17.2	14.7	18.5	27.8	23.7	2.5	3.3	3.8	72.2	98.0	129.1	455	19.1	3.5	
GlaxoSmithKline Consumer (a)	684	ADD	28,755	728	42	30.2	40.9	47.4	18.5	35.5	15.8	22.7	16.7	14.4	11.7	8.9	7.4	5.1	4.3	3.7	1.5	2.0	2.3							

Valuation summary

Kotak Institutional Equities Universe

Company	06-Dec-07		Mkt cap.		O/S Shares (mn)	EPS (Rs)			EPS Growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend Yield (%)			RoE (%)			Target Price	ADVT- Upside	3mo
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007E	2008E	2009E	(Rs)	(%)	US\$ mn
Pipes																													
Jindal Saw	906	BUY	50,754	1,285	56	73.2	63.0	105.1	138.0	(14.0)	67.0	12.4	14.4	8.6	6.3	7.4	4.7	1.9	1.7	1.4	0.7	0.7	0.7	20.1	13.0	18.4	835	(7.9)	3.8
PSL	482	BUY	19,941	505	41	20.2	26.4	43.5	16.7	30.4	64.7	23.8	18.3	11.1	13.2	10.3	6.8	5.7	2.9	2.5	0.9	1.1	1.4	10.7	11.7	15.3	460	(4.6)	0.9
Welspun Gujarat Stahl Rohren	433	REDUCE	80,839	2,046	187	10.6	20.2	22.8	48.7	90.7	13.3	40.9	21.5	18.9	27.6	15.7	10.2	11.0	4.5	3.9	0.4	0.5	1.0	22.0	28.2	22.9	285	(34.1)	27.4
Pipes																													
Retail																													
Pantaloon Retail	702	REDUCE	102,997	2,607	147	6.1	10.5	15.0	26.7	73.1	42.7	115.9	67.0	46.9	45.2	31.6	22.9	9.9	9.0	8.0	0.5	0.6	0.6	10.7	13.2	16.3	425	(39.4)	3.4
Shipyards																													
ABG Shipyard	952	BUY	48,436	1,226	51	22.2	32.7	57.4	35.1	47.5	75.3	42.9	29.1	16.6	26.4	18.1	9.9	7.5	5.7	4.0	0.2	0.3	0.3	19.8	22.3	28.4	780	(18.0)	1.9
Technology																													
HCL Technologies	310	ADD	215,485	5,454	695	18.9	18.8	22.4	65.7	(0.1)	19.1	16.4	16.5	13.8	15.0	12.7	10.3	4.0	3.9	3.4	2.5	2.6	2.6	28.5	25.3	26.4	330	6.4	11.1
Hexaware Technologies	78	SELL	11,150	282	142	8.9	8.1	10.4	16.1	(9.3)	29.7	8.8	9.7	7.5	5.9	5.0	3.4	1.5	1.3	1.2	2.0	2.0	2.0	22.8	14.6	16.8	90	14.7	0.8
i-flex solutions	1,527	SELL	127,157	3,218	83	33.2	34.4	50.2	15.9	3.4	46.2	45.9	44.4	30.4	33.5	30.6	20.7	5.6	5.2	4.6	-	0.7	0.8	15.3	12.2	16.1	1,400	(8.3)	2.1
iGate Global Solutions	399	NR	12,658	320	32	15.7	23.8	29.3	101.5	51.7	23.2	25.5	16.8	13.6	13.6	9.6	7.3	4.1	3.4	2.8	0.6	0.7	0.7	17.2	22.0	22.5	-	-	1.0
Infosys Technologies	1,635	BUY	938,433	23,753	574	67.0	80.4	98.4	48.7	20.0	22.4	24.4	20.3	16.6	20.0	16.5	12.7	8.3	6.3	4.9	0.8	1.0	1.2	40.7	35.1	33.0	2,200	34.6	96.7
Mphasis BFL	280	REDUCE	58,346	1,477	208	7.3	13.8	18.7	(21.5)	88.8	35.4	38.3	20.3	15.0	27.9	12.4	9.1	5.8	0.8	3.9	0.8	1.3	1.4	14.4	25.9	28.7	300	7.2	0.7
Mindtree	493	ADD	19,045	482	39	22.8	24.5	32.4	23.3	7.6	32.2	21.7	20.1	15.2	17.1	15.5	11.2	4.4	3.6	2.9	0.2	0.5	0.7	31.9	20.1	21.7	530	7.5	1.4
Patni Computer Systems	329	SELL	45,724	1,157	139	25.7	31.5	29.9	19.2	22.5	(5.2)	12.8	10.4	11.0	6.8	5.8	5.5	2.0	1.9	1.7	0.6	1.0	0.9	12.5	19.7	16.3	360	9.4	8.6
Polaris Software Lab	114	SELL	11,226	284	98	10.3	9.1	11.6	359.1	(12.0)	28.0	11.1	12.6	9.9	6.2	6.8	5.1	1.9	1.7	1.5	1.5	1.5	1.5	17.7	14.0	15.9	110	(3.7)	2.4
Satyam Computer Services	437	BUY	293,093	7,418	671	21.4	25.4	31.1	41.7	18.3	22.5	20.4	17.2	14.1	16.6	13.3	10.1	5.1	4.1	3.4	1.8	2.3	2.7	27.9	26.5	26.4	550	25.9	35.9
TCS	1,034	ADD	1,012,078	25,617	979	42.2	51.8	61.3	43.3	22.6	18.5	24.5	20.0	16.9	19.6	16.1	12.9	11.3	8.7	6.8	1.1	2.0	2.4	55.8	49.3	45.5	1,225	18.4	40.3
Tech Mahindra	1,114	REDUCE	135,731	3,435	122	47.0	60.6	85.9	124.3	29.0	41.9	23.7	18.4	13.0	18.4	14.9	9.5	15.2	8.2	5.0	0.3	0.4	0.5	81.3	62.2	51.4	1,300	16.7	5.8
Wipro	493	BUY	715,430	18,108	1,450	19.8	22.7	28.6	39.3	14.7	25.8	24.9	21.7	17.3	19.5	17.4	12.8	7.1	5.7	4.6	1.1	1.3	1.7	31.7	29.0	29.4	570	15.5	16.9
Technology																													
Telecom																													
Bharti Airtel Ltd	940	REDUCE	1,781,989	45,104	1,896	21.4	34.6	45.7	100.3	61.8	32.0	43.9	27.1	20.6	24.6	15.9	11.5	15.3	9.7	6.7	-	0.2	0.4	42.4	43.8	38.6	775	(17.5)	94.2
IDEA	136	SELL	359,227	9,092	2,635	2.2	4.3	5.5	146.3	95.2	28.2	62.5	32.0	25.0	26.2	17.4	12.9	10.1	7.7	5.9	0.7	-	-	21.5	27.1	26.6	110	(19.3)	24.2
MTNL	179	SELL	113,054	2,861	630	7.2	7.9	8.8	8.1	9.9	11.7	25.1	22.8	20.4	10.0	8.4	7.9	1.0	0.9	0.9	3.3	9.1	4.4	3.4	2.7	3.9	135	(24.8)	16.1
Reliance Communications	719	SELL	1,469,468	37,193	2,045	14.2	25.3	32.1	554.4	78.2	27.1	50.7	28.4	22.4	26.1	17.2	12.7	6.4	5.2	4.2	0.1	0.1	0.2	17.8	16.6	22.1	550	(23.5)	166.8
VSNL	626	REDUCE	178,282	4,512	285	17.2	15.9	19.1	(7.8)	(7.2)	19.7	36.4	39.2	32.8	15.1	16.7	14.3	2.8	2.6	2.5	0.7	0.7	0.8	7.4	6.6	7.5	550	(12.1)	11.6
Telecom																													
Textiles																													
Vardhman	151	ADD	9,485	240	63	29.5	22.7	31.6	3.9	(22.9)	39.0	5.1	6.6	4.8	5.9	6.9	5.0	0.6	0.6	0.5	2.4	2.1	3.0	14.1	8.9	11.2	220	46.0	0.1
Textiles																													
Transmission Towers																													
JSL	298	ADD	24,678	625	83	6.6	10.7	13.1	81.2	61.1	23.0	45.0	27.9	22.7	20.5	14.8	12.4	9.8	7.3	5.6	0.2	0.2	0.2	29.8	30.0	28.0	275	(7.7)	1.1
Kalpataru Power Transmission	1,926	ADD	51,019	1,291	26	60.2	77.4	91.8	67.6	28.7	18.6	32.0	24.9	21.0	20.0	16.0	13.1	7.7	6.1	4.8	0.4	0.5	0.5	38.8	27.6	25.9	1,800	(6.5)	1.3
KEC	878	BUY	33,296	843	38	27.3	37.4	48.9	92.4	36.9	30.8	32.1	23.5	17.9	14.2	11.5	9.7	11.8	8.1	5.7	0.2	0.3	0.4	43.5	40.4	37.0	835	(4.9)	1.5
Transmission																													
Transportation																													
Container Corporation	1,893	REDUCE	123,033	3,114	65	106.3	126.6	143.7	31.9	19.1	13.5	17.8	15.0	13.2	12.3	10.3	9.0	4.6	3.7	3.0	1.0	1.1	1.2	29.1	27.5	25.2	2,200	16.2	4.1
Gateway Distriparks	154	ADD	17,691	448	115	6.8	6.8	9.0	8.7	(0.4)	33.2	22.6	22.7	17.0	18.7	16.8	12.4	2.8	2.6	2.3	1.1	1.1	1.5	13.0	11.8	14.4	180	17.3	3.5
GE Shipping	483	REDUCE	73,615	1,863	152	59.6	33.0	26.8	(3.9)	(44.6)	(18.9)	8.1	14.7	18.1	7.9	9.3	10.0	2.4	2.1	1.9	3.1	1.7	1.4	32.7	15.2	11.2	365	(24.5)	8.2
Jet Airways	850	REDUCE	73,363	1,857	86	(0.2)	6.4	62.4	-	-	-	-	-	-	28.6	11.9	5.9	2.6	3.2	2.7	0.1	0.2	1.5	(0.1)	2.2	21.3	800	(6.8)	4.1
Transportation																													
Utilities																													
CESC	625	ADD	72,093	1,825	115	36.2	27.2	29.4	32.4	(24.9)	8.0	17.3	23.0	21.3	11.4	11.6	11.1	3.4	2.9	2.6	0.4	0.7	0.7	16.0	13.8	12.9	675	8.0	7.8
LANCO	572	ADD	127,111	3,217	222	8.5	16.1	31.2	52.4	89.5	94.4	67.5	35.6	18.3	34.0	25.3	14.8	8.4	6.8	5.0	-	-	-	23.5	21.1	31.3	470	(17.8)	20.8
NTPC	245	ADD	2,020,139	51,131	8,245	8.3	9.3	10.2	17.8	11.9	9.7	29.4	26.3	24.0	19.4	18.9	18.8	4.1	3.8	3.5	1.3	1.5	1.7	14.5	15.0	15.1	215	(12.2)	79.2
Reliance Energy	1,947	NR	443,280	11,220	228	34.8	35.2	36.4	(4.0)	1.0	3.4	55.9	55.3	53.5	61.9	54.1	51.9	4.6	4.4	4.1	0.2	0.5	0.5	8.5	8.1	8.0	-	-	274.4
Tata Power	1,301	ADD	303,137	7,673	233	26.6	32.2	42.5	(0.1)	21.3	31.7	48.9	40.3	30.6	28.4	26.2	23.4	4.8	4.0	3.2	0.6	0.7	0.7	9.4	10.8	11.6	1,060	(18.5)	52.6
Utilities																													
KS universe (b)																													
KS universe (b) ex-Energy																													
KS universe (d) ex-Energy & ex-Commodities																													

Note:

(a) 2007 means calendar year 2006, similarly for 2008 and 2009 for these particular companies.

(b) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.

(c) Rupee-US Dollar exchange rate (Rs/US\$)= 39.51

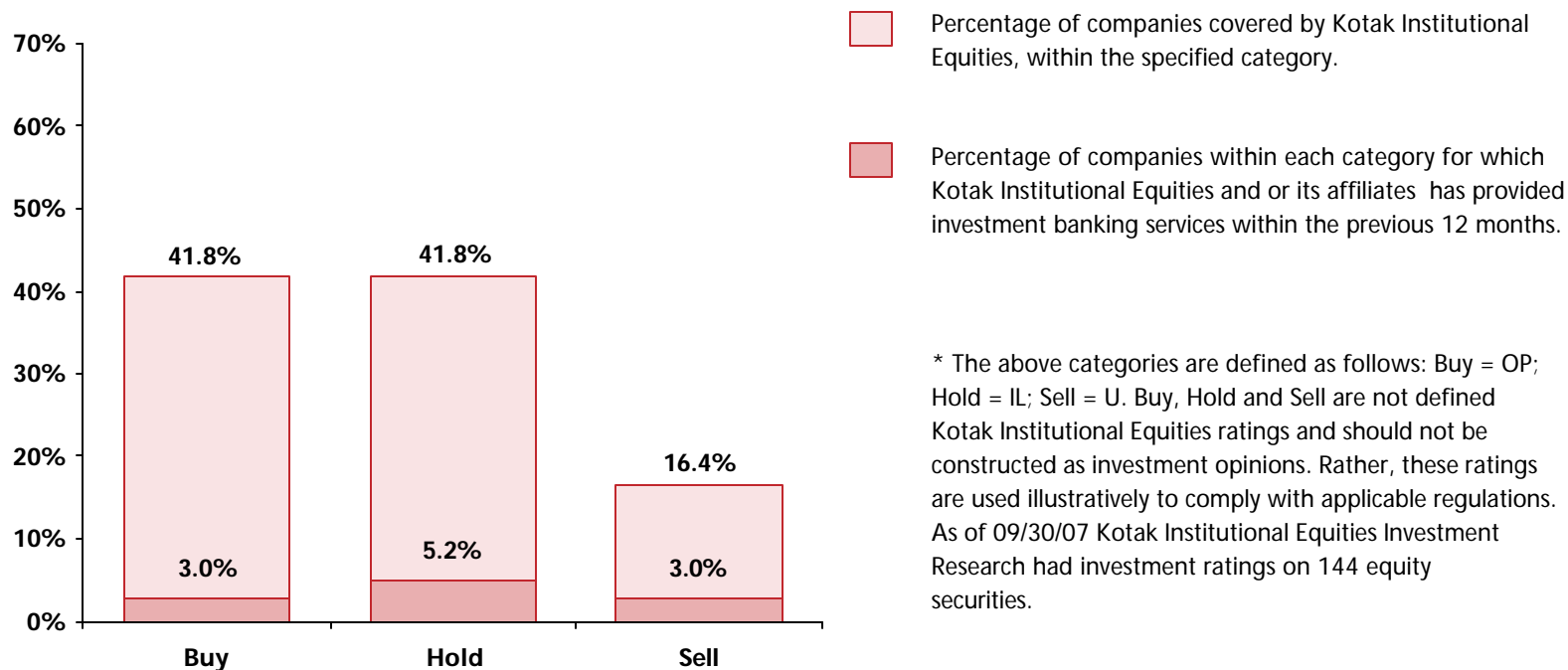
Source: Kotak Institutional Equities.

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Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities.

As of September 30, 2007

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New rating system

Definitions of ratings

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

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

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Old rating system

OP = Outperform. We expect this stock to outperform the BSE Sensex over the next 12 months.

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U = Underperform. We expect this stock to underperform the BSE Sensex over the next 12 months.

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