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### News Round-up

- Larsen & Toubro has bagged six orders aggregating Rs12.3 bn from various companies. These include four valued at Rs10.3 bn for erecting electric transmission lines and construction work from the Railways, and two orders for Rs2 bn from state electricity boards to set up sub-stations. The projects will be executed by the Electrical & Gulf Projects Operating Company, part of L&T's construction division. *(BL)*
- India's cement firms are seeking a cut on excise duty and a ban on imports in the upcoming Union budget in an effort to reduce prices and protect manufacturers who have set up new capacities. *(Mint)*
- The Government is proposing to increase foreign direct investment in Direct-to-Home (DTH) to 74 per cent, and up to 24 per cent in FM Radio. A draft note has been circulated for consideration of the Cabinet Committee on Economic Affairs. *(BL)*
- State Bank of India (SBI) has decided to lower interest rates dealer financing rates by 50 bps. The bank has also waived mortgage charges for these loans with effect from July 1 *(ET)*
- Exports by units registered under the Software Technology Parks of India (STPI) scheme are estimated to have touched about Rs2,025.80 bn during 2008-09, a 12.4 per cent growth over the previous year. The STPI exports stood at Rs1,801.5 bn in FY08. *(BL)*
- The Bombay High Court on Monday approved the merger between Reliance Industries and Reliance Petroleum but stayed its own order for four weeks to enable those objecting to the amalgamation to file appeal before division bench. *(BL)*
- Biocon Ltd announced an exclusive collaboration with the US-based generic drugs major Mylan Inc to develop, manufacture, supply and commercialise many high-value generic biologic compounds for the global markets. *(BL)*
- A consortium of 19 lenders led by State Bank of India will provide term loan of Rs6,150 crore to Sterlite Energy (SEL), part of Vedanta group, for its 2,400 Mw power Project being implemented at Jharsuguda, Orissa. The loan to SIL, subsidiary of Sterlite Industries, will consist of rupee as well as foreign currency component. The floating interest rate for rupee loan is linked to SBI's advance rate. *(BS)*
- Textile firm S Kumars is set to acquire Hartmarx, the American clothing company and the suit makers of President Barack Obama, for US\$119 million. *(BS)*

Source: ET= Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line.

### EQUITY MARKETS

India	Change %			
	29-Jun	1-day	1-mo	3-mo
Sensex	14,786	0.1	1.1	47.1
Nifty	4,391	0.4	(1.3)	41.2
<b>Global/Regional indices</b>				
Dow Jones	8,529	1.1	0.3	9.7
Nasdaq Composite	1,844	0.3	3.9	19.3
FTSE	4,294	1.3	(2.8)	10.1
Nikkie	9,976	2.0	4.8	23.0
Hang Seng	18,529	(0.4)	2.0	36.5
KOSPI	1,407	1.4	0.8	16.7
<b>Value traded - India</b>				
Cash (NSE+BSE)	242.7		300.5	245.6
Derivatives (NSE)	475.9		630.6	512
Deri. open interest	587.4		641	576

#### Forex/money market

Change, basis points				
	29-Jun	1-day	1-mo	3-mo
Rs/US\$	48.1	1	98	(310)
10yr govt bond, %	7.0	-	29	2
<b>Net investment (US\$m)</b>				
	26-Jun	MTD	CYTD	
FII	139	(2,622)	(1,054)	
MFs	144	668	(178)	

#### Top movers -3mo basis

Change, %				
Best performers	29-Jun	1-day	1-mo	3-mo
MTNL IN Equity	101	0.4	(3.3)	46.1
BJAUT IN Equity	1,044	4.0	1.0	68.9
HPCL IN Equity	304	0.3	(16.4)	12.7
GMRI IN Equity	155	13.5	(5.7)	63.6
INFO IN Equity	1,783	(2.4)	11.1	34.7
<b>Worst performers</b>				
NACL IN Equity	313	1.6	(11.6)	45.7
DIVI IN Equity	1,163	1.2	1.0	23.1
HDFCB IN Equity	1,508	0.6	4.4	54.9
WPRO IN Equity	379	(1.3)	(0.8)	54.2
ABB IN Equity	808	2.4	24.1	89.4

**FY2010 Union Budget: Strong on paper.** We expect FY2010 Union Budget to deliver something for all, without a serious attempt to control rising costs. It is likely to push up social spending, increase subsidies and provide for infrastructure investment. The government may attempt to meet the likely higher spending through additional revenues (tax roll-backs and disinvestment). We expect budget to be temporarily positive for equity, bond and currency markets.

### Headline fiscal numbers may be positive but follow-through action more relevant

We expect the government to adopt innovative steps in order to contain headline FY2010E GFD/GDP ratio to sub-6% levels. It may target taxation, disinvestment and auction of natural resources to raise revenues. However, we do not expect the budget to address medium-term fiscal consolidation needs. We also continue to see risks of fiscal slippage again later in the year, in case the government is not able to meet revenue targets; costs are a given.

### Tax cuts roll-back, asset sales and licensing revenues to support inclusive growth

We calculate that the government can raise an additional Rs600 bn (1% of GDP) through partial roll-back of stimulus-related CENVAT and services tax cuts, disinvestment of public sector units and auction of 3G license. This would help support added social expenditures of about Rs350 bn and a larger subsidies bill, both in support more inclusive growth.

### Key expectations and impact on market and sectors

Slower-than-expected progress and/or muted action on (1) deregulation of pricing in the energy sector, (2) infrastructure projects, (3) extension of tax exemptions and (4) divestment in government-owned companies may fail to meet the Street's current high expectations. A roll-back in excise duty may be a negative for automobile and consumer sectors.

### Market is fully valued; hence, recommend defensive stance

We find little value in the market or in large-cap. stocks with the broad market (BSE-30 Index) trading at 16.3X FY2010E earnings (Rs907) and 13.6X FY2011E earnings (Rs1,087). We have not yet seen any concrete signs of earnings upgrades, which would make us take a more positive view of the market. On the other hand, (1) weak monsoons, (2) large unaddressed fiscal gap leading to likely increase in interest rates from 4QFY10E and (3) increasing commodity prices pose risks to earnings and sentiment.

JUNE 30, 2009

NEW RELEASE

BSE-30: 14,786

### QUICK NUMBERS

- Reported GFD/GDP ratio likely—5.8%
- Additional revenue—Rs600 bn
- Additional spending—Rs350 bn

We expect reported FY2010E budget GFD/GDP at sub-6% levels

Major budgetary items of the central government, March fiscal year-ends, 2008-2010BE (Rs bn)

	FY2008A	FY2009BE	FY2009RE	FY2010BE (I)	FY2010BE (R)	Change (%)		
						FY2009RE/	FY2010BE (I)/	FY2010BE (R)/
						FY2009BE	FY2009RE	FY2010BE (I)
Receipts								
1. Revenue receipts (2 + 3)	6,951	7,835	7,242	7,832	8,002	(8)	8	2
2. Gross tax revenue (a + b )	5,927	6,877	6,279	6,713	6,707	(9)	7	(0)
2.a. Direct taxes	3,125	3,650	3,450	3,800	3,816	(5)	10	0
2.a.1. Corporation tax	1,929	2,264	2,220	2,442	2,452	(2)	10	0
2.a.2. Income tax	1,193	1,383	1,226	1,354	1,360	(11)	10	0
2.a.3. Other taxes	3	3	4	4	4	23	6	(6)
2.b. Indirect taxes	2,790	3,213	2,814	2,897	2,875	(12)	3	(1)
2.b.1. Customs duty	1,041	1,189	1,080	1,102	1,080	(9)	2	(2)
2.b.2. Excise duty	1,236	1,379	1,084	1,106	1,106	(21)	2	—
2.b.3. Service tax	513	645	650	689	689	1	6	—
(2.c). Transfers to States and UTs	1,531	1,806	1,636	1,753	1,770	(9)	7	1
(2d) Net tax revenue	4,396	5,072	4,660	4,976	4,937	(8)	7	(1)
3. Non-tax revenue	1,024	958	962	1,120	1,295	0	16	16
4. Capital receipts (4a + 4b + 4c)	1,708	1,479	3,388	3,437	3,845	129	1	12
4.a Recovery of loans	51	45	97	97	97	116	0	(0)
4.b Other receipts (Disinvestments)	388	102	26	11	200	(75)	(56)	1,686
4.c Borrowings and other liabilities	1,269	1,333	3,265	3,328	3,548	145	2	7
4.c.1 Net market borrowing	1,318	1,006	2,620	3,087	3,307	160	18	7
5. Total receipts (1 + 4)	8,659	9,314	10,629	11,269	11,847	14	6	5
Expenditures								
11. Non-plan expenditure (12 + 13)	5,077	5,075	6,180	6,681	6,829	22	8	2
12. Non-plan revenue exp.	4,209	4,484	5,618	5,997	6,141	25	7	2
12.a. Interest payments	1,710	1,908	1,927	2,255	2,270	1	17	1
12.b. Subsidies	709	714	1,292	1,009	1,138	81	(22)	13
12.b.1. Food	313	327	436	425	487	34	(3)	15
12.b.2. Fertilizer	196	201	275	164	200	37	(40)	22
12.b.3. Others	200	186	581	421	451	212	(28)	7
12.c. Grants to States and UTs	384	433	384	466	475	(11)	21	2
12.d. Others	1,405	1,428	2,014	2,267	2,288	41	13	1
13. Non-plan capital exp.	867	591	562	684	688	(5)	22	1
14. Plan expenditure (15 + 16)	2,051	2,434	2,830	2,852	3,234	16	1	13
15. Plan revenue exp.	1,736	2,098	2,417	2,484	2,834	15	3	14
16. Plan capital exp.	315	336	413	368	400	23	(11)	9
17. Total expenditure (11 + 14)	7,127	7,509	9,010	9,532	10,063	20	6	6
18. Revenue expenditure	5,945	6,581	8,035	8,481	8,975	22	6	6
19. Capital expenditure	1,182	928	975	1,052	1,088	5	8	3
Deficit								
Gross fiscal deficit (GFD)	1,269	1,333	3,265	3,328	3,534	145	2	6
Gross domestic product (GDP)	47,234	53,038	54,263	60,214	60,503	2	11	0
GFD/GDP (%)	2.7	2.5	6.0	5.5	5.8	139	(8)	6

Source: Ministry of Finance, Kotak Institutional Equities estimates

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## RESULT

Coverage view: **Cautious**

Price (Rs): 88

Target price (Rs): 135

BSE-30: 14.786

**Novelis reports steady earnings.** Novelis reported EBITDA of US\$252 mn and an adj. EBITDA of US\$54 mn despite a sharp 20% yoy drop in volumes. The drop in qoq EBITDA is just from US\$100 mn to US\$72 mn qoq if further adjusted for non-cash exchange variations. Management has guided for strong earnings in the coming quarters due to restructuring initiatives, increase in volumes in Asia etc. We maintain our BUY rating on Hindalco with TP of Rs135.

## Company data and valuation summary

Company data and valuation summary				
Hindalco Industries				
Stock data		Forecasts/Valuations		
52-week range (Rs) (high,low)	145-37	2009	2010E	2011E
Market Cap. (Rs bn)	154.0	EPS (Rs)	7.7	2.0
Shareholding pattern (%)		EPS growth (%)	(44.4)	(73.3)
Promoters	36.1	P/E (X)	11.4	42.9
Fils	20.5	Sales (Rs bn)	692.5	513.8
MFs	2.6	Net profits (Rs bn)	13.5	3.6
Price performance (%)	1M	3M	12M	59.4
Absolute	3.8	59.4	(30.5)	EV/EBITDA (X)
Rel. to BSE-30	2.7	8.4	(35.2)	ROE (%)
				Div. Yield (%)
				0.0
				0.0
				0.0

## Steady earnings in a weak market

Volumes in 4QFY2009 were sharply lower by 20% compared to last year due to sharp demand contraction in the auto, construction and other markets. However, can volumes were stable and have largely contributed to the profitability during the quarter.

Strong EBITDA improvement guidance for 1QFY2010

Outlook for 1QFY2010 expected to improve significantly due to the following: 1) benefits from restructuring initiatives undertaken in 3QFY2009 and 4QFY2009 to start flowing through 2) non metal commodity price deflation 3) strong recovery in Asian shipments driven by China.

## Segmental analysis – North American and Asian markets see growth

In North America flat product volumes have gone up in 4QFY2009 from 243KT to 246KT especially driven by the can volumes and seasonality effects. However, volumes for other businesses such as auto and construction were lower. In Asia, volumes were sharply impacted due to a weak demand and were among the most difficult quarters. EBITDA However going forward, volumes are expected to pick up sharply. South American business was very stable and is dominated by cans and is expected to remain steady. The fall in EBITDA is related to aluminium price drops. And lastly the European business saw increases in can markets but could not offset the declines in auto, construction and other markets.

Cash Neutral – Cash neutral for the last 9 months and minimal repayments

Liquidity has remained comfortable for the last 9 months and no major outflows expected. As of May 2009, the Company had liquidity of US\$410 mn and is expected to improve significantly from the second half of FY2010. Capital expenditure has been lowered from US\$202 mn to US\$145 mn in FY2009. Going forward would incur only maintenance capex. Loan repayments restricted to US\$59 mn FY2010.

Maintain BUY with target price of Rs135

We maintain our BUY rating on Hindalco with a target price of Rs135/share. We have left our earnings estimates unchanged and may review following consolidated results today.

- Adj. EBITDA for 4QFY2009 at US\$72 mn
- Management expects strong improvements from Asia
- Can sheet volumes now account for 53% of total business

## Interim results of Novelis, March fiscal year-ends (US\$ mn)

	4QFY09	4QFY08	3QFY09	0	4QFY08	3QFY09	0	2009	2008	(%chg)
					(% chg.)					
Net sales	1,939	2,862	2,176		(32.3)	(10.9)		10,177	11,246	(9.5)
Expenditure	(1,687)	(2,743)	(2,107)		(38.5)	(19.9)		(9,611)	(10,713)	(10.3)
Cost of goods sold	(1,606)	(2,577)	(2,023)		(37.7)	(20.6)		(9,251)	(10,247)	(9.7)
SG&A	(73)	(154)	(73)		(52.6)	-		(319)	(414)	(22.9)
R&D	(8)	(12)	(11)		(33.3)	(27.3)		(41)	(52)	-
EBITDA	252	119	69		111.8	265.2		566	533	6.2
OPM (%)	10.2	3.4	1.8					5.0	4.4	
Other income	—	—	—		—	—		—	—	
Interest	(43)	(45)	(44)		(4.4)	(2.3)		(168)	(199)	(15.6)
Depreciation	(109)	(103)	(107)		5.8	1.9		(439)	(395)	11.1
Pretax profits	100	(29)	(82)		(444.8)	(222.0)		(41)	(61)	(32.8)
Extraordinaries	(30)	67	(1,946)					(2,127)	3	—
Tax	(87)	79	199		(210.1)	(143.7)		246	(7)	(3,614.3)
Net income	(17)	117	(1,829)		(114.5)	(99.1)		(1,922)	(65)	2,856.9
Minority interest	5	(7)	9					12	(4)	-
PAT after minority interest	(12)	110	(1,820)		(110.9)	(99.3)		(1,910)	(69)	2,668.1
Adjusted PAT	(19)	(96)	(65)		(80.0)	(70.3)		(24)	(72)	(66.4)
Income tax rate (%)	124.3	(207.9)	9.8					11.3	(12.1)	
<b>Ratios</b>										
EBITDA margin (%)	10.2	3.4	1.8					5.0	4.4	
ETR (%)	124.3	(207.9)	9.8					11.3	(12.1)	
<b>Key metrics</b>										
Shipments (kt)	651	793	659		(17.9)	(1.2)		2,943	3,150	(6.6)
Realization (US\$/ton)	2,894	3,527	3,222		(17.9)	(10.2)		3,379	3,484	(3.0)

Source: Company, Kotak Institutional Equities

## Hindalco Ind. SOTP-based target-price, 2011E basis

	EBITDA	EV/EBITDA	EV	Stake	Attributable EV	Value
	(Rs bn)	(X)	(Rs bn)	(%)	(Rs bn)	(Rs/share)
Hindalco Ind. (India)	32	6.0	195	100.0	195	115
ABML (a)	3	6.0	16	51.0	8	4.9
Novelis Inc. (b)	24	9.0	219	100.0	219	129
<b>Total enterprise value</b>					<b>422</b>	<b>248</b>
<b>Less: Debt</b>					<b>193</b>	<b>114</b>
Hindalco Ind. (India)					25	15
Novelis Inc					120	71
AV Minerals (SPV)					48	28
<b>Resultant market capitalization</b>						<b>135</b>
<b>Target price (Rs/share)</b>						<b>135</b>

Source: Company, Kotak Institutional Equities estimates

**Cost control measures improve margins.** Havells reported better-than-expected 4QFY09 results with 400 bps qoq improvement in EBITDA margin. Cost control and restructuring measures initiated in previous quarters have started showing results. Management plans to continue this process over next year to further reduce costs. We raise our target price to Rs175 to factor in better margins and lower working capital; however, maintain REDUCE on concerns at Sylvania and cash flow constraints.

**Company data and valuation summary**

Havells India

**Stock data**

52-week range (Rs) (high,low) 450-100

Market Cap. (Rs bn) 17.0

**Shareholding pattern (%)**

Promoters 60.1

FIs 17.7

MFs 2.4

**Price performance (%)**

Absolute 3.3 80.7 (19.7)

Rel. to BSE-30 2.2 22.8 (25.1)

**Forecasts/Valuations**

2009 2010E 2011E

EPS (Rs) 4.5 12.2 19.0

EPS growth (%) (83.0) 170.4 55.5

P/E (X) 62.1 23.0 14.8

Sales (Rs bn) 54.8 54.3 59.8

Net profits (Rs bn) 0.3 0.7 1.2

EBITDA (Rs bn) 2.8 3.3 3.7

EV/EBITDA (X) 9.9 8.0 7.2

ROE (%) 4.1 12.5 19.3

Div. Yield (%) 0.9 0.9 0.9

**4QFY09 adjusted PAT above estimates**

- ▶ 4QFY09 adjusted PAT of Rs187 mn versus estimated loss of Rs95 mn
- ▶ Consolidated revenues at Rs13.3 bn in line with estimates
- ▶ Strong margins in Cable and wires segment lead to higher-than-expected PAT

**Restructuring and one-time costs hit FY2009 PAT**

- ▶ Havells reported FY2009 net loss of Rs1.6 bn mainly on account of one-time cost of Rs1.9 bn
- ▶ Management guides for further restructuring costs of around Rs1.5 bn in FY2010E
- ▶ Total annual savings from restructuring estimated to be approximately ₹18 mn by FY2011E

**Key concerns—demand slowdown in Europe and cash constraints**

- ▶ Sylvania is witnessing a sharp demand decline in Europe; industry estimates indicate 15-20% fall in demand for fixtures and CFLs
- ▶ Havells' cash flow continues to be under pressure—as per management it will need to arrange for alternate financing sources to meet its restructuring cost expenses of Rs1.5 bn in FY2010E

**REDUCE**

JUNE 30, 2009

**RESULT**

Coverage view:

Price (Rs): 281

Target price (Rs): 175

BSE-30: 14,786

### 4QFY09—strong margins surprise positively

Havells' 4QFY09 adjusted PAT of Rs187 mn was much higher than our estimated adjusted loss of Rs95 mn. The positive surprise was due to higher-than-expected EBITDA margin of 6.3% (estimated 3.6%). Revenues at Rs13.3 bn were in line with our estimate of Rs13.6 bn. Key highlights of the results were:-

- ▶ Lower Sylvania revenues (Rs7.5 bn versus estimated Rs8.1 bn) were offset by higher switchgear revenues (Rs1.6 bn versus estimated Rs1.3 bn). Higher sales from switchgear segment which has a higher margin of 29% against Sylvania's negative margin of 0.3% pushed up the consolidated margins.
- ▶ Strong margins in cable and wires segment (9% versus expected 5.6%) led to higher consolidated margins.
- ▶ Restructuring and other extra-ordinary expenses of Rs1.2 bn resulted in reported net loss of Rs985 mn for 4QFY09.

### Extra-ordinary costs become material for Havells

We highlight that extra-ordinary costs have become significantly material for Havells resulting in a reported net loss of Rs1.6 bn for FY2009. The total extra-ordinary expenses of Rs1.9 bn include Rs1 bn relating to restructuring and severance cost for shutdown of Sylvania plants. As per management, phase-II of the restructuring plan for the European facilities is to be executed over the next twelve months. Though exact cost involved for the same has not been disclosed, we estimate it to be around Rs1.5 bn. The company expects to achieve annual cost savings of ₹18 mn post the completion of the restructuring plan.

#### Extra-ordinary costs have become material for Havells

Havells, break up of extra-ordinary costs, March fiscal year-ends, FY2009 (Rs mn)

	Amount (Rs mn)
Restructuring and severance	1,062
MTM on interest rate swaps	319
Impairment of fixed assets	63
Exchange loss	272
Pension liability	131
Inventory write downs	140
<b>Total</b>	<b>1,987</b>

Source: Company



## One-time costs result in reported loss in FY2009

Havells, interim results (consolidated), March fiscal year-ends (Rs mn)

	4QFY09	4QFY09E	4QFY08	3QFY09	(% change)			yoy		
					4QFY09E	4QFY08	3QFY09	FY 2009	FY 2008	Chng. (%)
<b>Net revenues</b>	<b>13,330</b>	<b>13,677</b>	<b>13,758</b>	<b>13,088</b>	<b>(2.5)</b>	<b>(3.1)</b>	<b>1.8</b>	<b>54,840</b>	<b>50,022</b>	<b>9.6</b>
<b>Total expenditure</b>	<b>(12,487)</b>	<b>(13,189)</b>	<b>(12,949)</b>	<b>(12,779)</b>	<b>(5.3)</b>	<b>(3.6)</b>	<b>(2.3)</b>	<b>(52,058)</b>	<b>(46,653)</b>	<b>11.6</b>
(Decrease)/ Increase in stock	(1,789)	—	(466)	(1,780)			0.5	(1,937)	1,872	NM
Material consumed	(2,930)	—	(4,779)	(3,350)		(38.7)	(12.5)	(18,688)	(20,277)	(7.8)
Purchase of traded goods	(2,647)	—	(2,242)	(2,401)		18.1	10.3	(9,069)	(8,257)	9.8
Employee expenses	(1,996)	—	(2,253)	(2,060)		(11.4)	(3.1)	(8,452)	(7,608)	11.1
Other expenses	(3,124)	—	(3,208)	(3,188)		(2.6)	(2.0)	(13,912)	(12,383)	12.3
<b>EBITDA</b>	<b>843</b>	<b>488</b>	<b>809</b>	<b>309</b>	<b>72.6</b>	<b>4.2</b>	<b>172.7</b>	<b>2,783</b>	<b>3,369</b>	<b>(17.4)</b>
Margins (%)	6.3	3.6	5.9	2.4				5.1	6.7	
Other income	1	64	132	2	(98.7)	(99.4)	(63.6)	20	250	(91.9)
Depreciation	(255)	(226)	(177)	(212)	12.6	44.0	20.1	(905)	(694)	30.3
<b>EBIT</b>	<b>589</b>	<b>326</b>	<b>764</b>	<b>99</b>	<b>80.7</b>	<b>(22.9)</b>	<b>NM</b>	<b>1,898</b>	<b>2,925</b>	<b>(35.1)</b>
Margins (%)	4.4	2.4	5.6	0.8				3.5	5.8	
Net Interest	(256)	(269)	(220)	(281)	(4.7)	16.7	(8.8)	(1,084)	(939)	15.4
<b>PBT</b>	<b>333</b>	<b>57</b>	<b>544</b>	<b>(182)</b>	<b>NM</b>	<b>(38.9)</b>	<b>NM</b>	<b>814</b>	<b>1,986</b>	<b>(59.0)</b>
Extraordinaries	(1,208)	(256)	—	(607)				(1,987)	—	
<b>Reported PBT</b>	<b>(875)</b>	<b>(199)</b>	<b>544</b>	<b>(789)</b>	<b>NM</b>	<b>NM</b>	<b>10.9</b>	<b>(1,173)</b>	<b>1,986</b>	
Tax	(110)	(76)	(76)	(73)	45.3		50.8	(429)	(377)	14.0
<b>PAT</b>	<b>(985)</b>	<b>(275)</b>	<b>469</b>	<b>(862)</b>	<b>NM</b>	<b>NM</b>	<b>14.3</b>	<b>(1,602)</b>	<b>1,610</b>	<b>(199.5)</b>
<b>Adjusted PAT</b>	<b>187</b>	<b>(95)</b>	<b>469</b>	<b>(288)</b>	<b>NM</b>	<b>(60.1)</b>	<b>(165.1)</b>	<b>298</b>	<b>1,610</b>	<b>(81.5)</b>
<b>Segmental</b>										
<b>Revenues</b>										
Switchgear	1,618	1,294	1,306	1,367	25.0	23.9	18.3	6,090	5,426	12.2
Cable and Wires	2,551	2,524	2,542	2,133	1.1	0.4	19.6	9,913	9,241	7.3
Lighting and fixtures - India	731	691	758	751	5.9	(3.6)	(2.7)	2,774	2,866	(3.2)
Lighting and fixtures - Sylvania	7,508	8,144	8,276	8,224	(7.8)	(9.3)	(8.7)	32,793	29,473	11.3
Electrical consumer durables	820	794	739	496	3.2	10.9	65.2	2,769	2,399	15.4
Others	102	231	137	117	(55.8)	(25.5)	(12.8)	501	618	(18.9)
<b>Total</b>	<b>13,330</b>	<b>13,677</b>	<b>13,758</b>	<b>13,088</b>	<b>(2.5)</b>	<b>(3.1)</b>	<b>1.8</b>	<b>54,840</b>	<b>50,023</b>	<b>9.6</b>
<b>EBIT</b>										
Switchgear	465	306	370	435	52.0	25.6	6.9	2,062	1,780	15.8
Cable and Wires	230	142	256	(77)	62.4	(10.1)	NM	671	964	(30.4)
Lighting and fixtures - India	99	99	70	128	0.3	41.9	(22.9)	533	375	42.3
Lighting and fixtures - Sylvania	(19)	(60)	236	(77)	(68.5)	(108.1)	(75.3)	(33)	1,007	(103.3)
Electrical consumer durables	182	168	187	109	8.7	(2.5)	67.4	613	517	18.5
Others	21	(150)	21	(0)	(113.9)	1.0	NM	88	67	31.7
Unallocable	(389)	(178)	(375)	(420)	119.1	3.7	(7.2)	(2,035)	(1,785)	14.0
<b>Total</b>	<b>589</b>	<b>326</b>	<b>764</b>	<b>99</b>	<b>80.5</b>	<b>(22.9)</b>	<b>NM</b>	<b>1,899</b>	<b>2,925</b>	<b>(35.1)</b>
<b>EBIT (%)</b>										
Switchgear	28.8	23.7	28.4	31.8				33.9	32.8	
Cable and Wires	9.0	5.6	10.1	(3.6)				6.8	10.4	
Lighting and fixtures - India	13.5	14.3	9.2	17.1				19.2	13.1	
Lighting and fixtures - Sylvania	(0.3)	(0.7)	2.9	(0.9)				(0.1)	3.4	
Electrical consumer durables	22.2	21.1	25.3	21.9				22.1	21.6	
Others	20.4	(65.0)	15.0	(0.2)				17.5	10.8	
<b>Total</b>	<b>4.4</b>	<b>2.4</b>	<b>5.6</b>	<b>0.8</b>				<b>3.5</b>	<b>5.8</b>	

Source: Company, Kotak Institutional Equities estimates



### Key concerns

- **Revenue decline in Europe.** As per the company, revenues from Europe in 4QFY09 were down almost 20% yoy due to weak demand scenario, in line with the industry trends. The slowdown in new housing construction in Europe has led to a sharp decline in demand for lighting fixtures from both residential and commercial users. We expect bleak demand scenario to continue for another 2-3 quarters before signs of demand reversal is seen. Management guides Sylvania's revenues at a quarterly run-rate of around €120 mn for the next few quarters. Demand in Latin America has sustained post the sharp decline in 3QFY09 and is beginning to show moderate growth.
- **Cash flow constraints.** Our concern for Havells' cash flow position arises from its large cash requirements over the next two years and declining operating cash flows from Sylvania. Havells cash requirements in FY2010E arise from (1) debt repayment obligations (€6 mn), (2) capacity expansion (Rs1.4 bn) and (3) restructuring costs (Rs1.5 bn). The company is already in default of debt covenant terms at Sylvania and is under negotiation with its bankers for revised terms. Sylvania which contributes almost 55% of the consolidated revenues is currently working at very low margins of 2-3% making it an unviable operation since it does not even cover the interest cost.

#### Havells requires Rs1.4 bn for capex in FY2010E

Capex plans for Havells, March fiscal year-ends, FY2010E (Rs mn)

	Amount (Rs mn)
Cables and wires - expansion at Alwar	500
Switchgear - Baddi	320
Fans - Haridwar	200
CFL - Nimrana (relocation of UK plant)	50
Others	130
Sylvania - maintainence	200
<b>Total</b>	<b>1,400</b>

Source: Company

### Increase estimates for higher domestic revenues

We increase our EPS estimate for FY2010E and FY2011E to Rs12.2 and Rs19 from Rs10.3 and Rs14.7, respectively. The increase in estimate is mainly on account of higher revenues from switchgear and cable and wires segment replacing the decline in Sylvania revenues. The domestic switchgear and cables and wires demand has started to show signs of demand revival with increase in volumes over the last 2-3 months.

#### Higher domestic revenues increase margin estimate

Havells, change in estimates, March fiscal year-ends, 2010-2011E (Rs mn)

	Revised estimates		Old estimates		Change (%)	
	2010E	2011E	2010E	2011E	2010E	2011E
Revenue	54,328	59,816	54,456	56,478	(0.2)	5.9
EBITDA	3,303	3,716	2,943	3,262	12.2	13.9
EBITDA margin (%)	6.1	6.2	5.4	5.8	—	—
Adjusted net profit	740	1,150	622	889	19.0	29.4
Diluted EPS (Rs)	12.2	19.0	10.3	14.7	19.0	29.4

Source: Kotak Institutional Equities estimates

### Raise target price to Rs175 but maintain REDUCE as concerns not resolved yet

We increase our DCF-based target price to Rs175 (from Rs120) to factor in (1) lower working capital investment, (2) increase in EBITDA margin estimates from the domestic segments and (3) roll over to FY2011E. We maintain our REDUCE rating due to concerns on (1) Sylvania's revenue decline, (2) cash flow constraints necessitating alternate funding sources and (3) pending settlement of debt covenant terms. We find current valuations at 22X FY2010E EPS expensive considering the above mentioned risks.

#### Our DCF-based target price for Havells is Rs175

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

	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	Terminal value
EBITDA	3,303	3,716	4,090	4,554	4,493	4,811	5,181	5,587	5,914	6,262	
Tax expense	1,515	(723)	(789)	(876)	(813)	(987)	(1,199)	(1,447)	(1,628)	(1,732)	
Changes in working capital	2,399	(1,208)	(319)	(454)	(662)	(594)	(188)	(799)	(692)	(737)	
<b>Cash flow from operations</b>	<b>7,218</b>	<b>1,785</b>	<b>2,983</b>	<b>3,223</b>	<b>3,018</b>	<b>3,230</b>	<b>3,794</b>	<b>3,341</b>	<b>3,594</b>	<b>3,792</b>	
Capital expenditure	(1,400)	(1,000)	(1,000)	(1,000)	(900)	(900)	(900)	(900)	(900)	(900)	
<b>Free cash flow to the firm</b>	<b>5,818</b>	<b>785</b>	<b>1,983</b>	<b>2,223</b>	<b>2,118</b>	<b>2,330</b>	<b>2,894</b>	<b>2,441</b>	<b>2,694</b>	<b>2,892</b>	<b>31,660</b>
Discounted cash flow-now	5,288	629	1,399	1,382	1,160	1,124	1,231	915	889	841	
Discounted cash flow-1 year forward		714	1,588	1,569	1,317	1,276	1,397	1,038	1,009	955	
Discounted cash flow-2 year forward			1,802	1,780	1,495	1,449	1,585	1,178	1,145	1,083	
Discount rate	13.5%										
Growth from 2019 to perpetuity	4.0%										
<b>Discount factor at WACC</b>	<b>0.91</b>	<b>0.80</b>	<b>0.71</b>	<b>0.62</b>	<b>0.55</b>	<b>0.48</b>	<b>0.43</b>	<b>0.37</b>	<b>0.33</b>	<b>0.29</b>	
	<b>+ 1-year</b>	<b>+ 2-years</b>		<b>Sensitivity of share price to WACC and growth rate (Rs)</b>							
<b>Total PV of free cash flow (a)</b>	<b>10,862</b>	<b>54%</b>	<b>11,519</b>	<b>52%</b>							<b>WACC</b>
PV of terminal value (b)	9,207	46%	10,450	48%							
<b>EV (a) + (b)</b>	<b>20,069</b>		<b>21,968</b>								
Net debt	9,581		9,859								
<b>Equity value</b>	<b>10,488</b>		<b>12,110</b>								
No. of shares	60.5		60.5								
<b>Implied share price (Rs)</b>	<b>173</b>		<b>200</b>								
Exit EV/EBITDA multiple (X)	5.4										
Exit FCF multiple (X)	10.9										

Growth Rate		<b>173</b>	<b>12.5%</b>	<b>13.0%</b>	<b>13.5%</b>	<b>14.0%</b>	<b>14.5%</b>
	<b>2.5%</b>	184	166	151	136	123	
	<b>3.0%</b>	193	174	157	142	128	
	<b>3.5%</b>	203	183	165	149	134	
	<b>4.0%</b>	214	193	<b>173</b>	156	140	
	<b>4.5%</b>	227	203	183	164	147	
	<b>5.0%</b>	241	215	193	173	155	
	<b>5.5%</b>	257	229	204	183	164	

Source: Kotak Institutional Equities estimates

**QIP positive for Unitech, retain SELL on expensive valuations.** Unitech raised Rs27.9 bn through a QIP issue of 344.4 mn shares at Rs81/share. We view this as a positive development for Unitech as it significantly deleverages its balance sheet by reducing D/E to <0.5X. However, the current stock price is currently implying sales of 25 mn sq. ft/year which is quite large in our view since the peak volumes for Unitech has been ~10 mn sq. ft/ year. Incorporating issuance, our target price is revised to Rs60.

## Company data and valuation summary

Unitech				
<b>Stock data</b>		<b>Forecasts/Valuations</b>		
52-week range (Rs) (high,low)	192-22	EPS (Rs)	2009	2010E
Market Cap. (Rs bn)	174.4	EPS growth (%)	2009	2010E
<b>Shareholding pattern (%)</b>		P/E (X)	2009	2010E
Promoters	64.5	Sales (Rs bn)	2009	2010E
Flls	8.2	Net profits (Rs bn)	2009	2010E
MFs	0.1	EBITDA (Rs bn)	2009	2010E
<b>Price performance (%)</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>	
Absolute	7.2	137.6	(53.3)	
Rel. to BSE-30	6.0	61.5	(56.4)	
		Div. Yield (%)	2009	2010E

Funding concerns recede post QIP; dilution of 16.8%

While funding concerns on Unitech are expected to ease post QIP of Rs27.9 bn at Rs81/share and liquidity being available more easily, focus will likely shift to sustainable operational performance. Unitech has now raised a total of Rs44.1 bn in 1QFY10 through two QIP issuances, which will likely bring the gross debt to sub Rs50 bn levels or D/E of <0.5X. This QIP issue leads to a dilution of 16.8% and the promoters' stake falls to 43.8% from 51.2%. Additionally, the promoters have been allotted 227.5 mn warrants at Rs50.75/share. We summarize the impact of QIP as below (Exhibit 1).

- ▶ On account of interest savings due to reduction in debt, our PAT for FY2010E and FY2011E increase by 14.4% and 21% respectively. Our EPS for FY2010E goes up from Rs4.4 to Rs4.5 and for FY2011E goes up from Rs4.4 to Rs4.6.
- ▶ However, QIP is RoE dilutive because book value/share goes up from Rs36 to Rs43.0 in FY2010E and from Rs40.4 to Rs47.6 in FY2011E. Our FY2010E RoAE reduces to 13.5% (14.6% earlier) and FY2011E RoAE reduces to 10.1% (11.5% earlier).
- ▶ NAV increases from Rs55/share to Rs60/share.

Focus to shift to valuations and execution; stock looks expensive

The current market price of Rs82 implies sales volumes of 25+ mn sq. ft/year at an average selling price of Rs2,750/sq. ft (exhibit 2). We find Unitech expensive on all parameters.

- ▶ NAV. Unitech is quoting at 42% premium to March'11 based NAV of Rs60/share.
- ▶ P/B. Despite RoEs in the region of 10% (exhibit 3), Unitech is quoting at 1.9X FY2010E book value of Rs43.
- ▶ P/E. Unitech is quoting at FY2010E P/E of 19X and FY2011E P/E of 19X.

# SELL

JUNE 30, 2009

## UPDATE

Coverage view: **Cautious**

Price (Rs): 85

Target price (Rs): 60

BSE-30: 14,786

## QUICK NUMBERS

- QIP issue of Rs27.9 bn
- FY2010E D/E <0.5X
- Stock factoring sales of 25 mn sq. ft/year

### Retain SELL and revise target price to Rs60/share; retain revenue, volume estimates

We retain a SELL rating on Unitech with a revised target price of Rs60 (earlier Rs55) which is based on par with our March'11 based NAV of Rs60 (earlier Rs55). We are valuing 295 mn sq. ft of Unitech's land bank compared to Unitech's disclosure of 7,467 acres under possession (exhibit 4, 5). We retain our volume, revenue and EBITDA estimates.

### We build in strong sales volumes for FY2010-12E

On the operational front, Unitech has launched 13.9 mn sq. ft and sold 3.2 mn sq. ft in the past three months. We already build in a pick up in volumes and assume sale of 11.2 mn sq. ft in FY2010E and 14.9 mn sq. ft in FY2011E. However, as shown in Exhibit 3, the stock is currently factoring sale volumes of 25 mn sq. ft. Unitech is currently executing 45.7 mn sq. ft of real estate projects as of May 2009 (exhibit 6). Around 50% of these projects are due for completion in CY2009 and hence are at an advanced stage of completion. Analyzing projects launched in FYTD, around 50% of new launches comprises plotted development.

QIP will have a positive impact on EPS, book value for FY2010-11E  
Pre/Post QIP change in PAT, RoE, EPS and BV, March-fiscal year ends, FY2010-11E

QIP amount (US\$ mn)	575
QIP amount (Rs mn)	27,888
QIP pricing (Rs/share)	81
No. of shares (mn)	344

	PAT (Rs mn)		RoE		EPS		BV (Rs mn)		BV (Rs/share)	
	FY2010E	FY2011E	FY2010E	FY2011E	FY2010E	FY2011E	FY2010E	FY2011E	FY2010E	FY2011E
Pre QIP	8,936	8,986	14.6	11.5	4.4	4.4	73,578	82,563	36.0	40.4
Post QIP	10,219	10,895	13.5	10.1	4.5	4.6	102,749	113,644	43.0	47.6
Change (%)	14.4	21.2	(7.5)	(12.5)	2.7	3.7	39.6	37.6	19.5	17.7

Source: Kotak Institutional Equities estimates

Unitech needs to sell 25+ mn sq. ft/year to justify current stock price of Rs85

Sample model to illustrate PAT vs. volumes/pricing sensitivity

Assumptions		Selling prices (Rs/sq. ft)	PAT (Rs mn)			
			Volumes sold (mn sq. ft)			
			10	15	20	25
Volumes booked (mn sq. ft)	25					
Selling prices (Rs/sq. ft)	2,750	2,250	1,479	3,754	6,029	8,304
Construction cost (Rs/sq. ft)	1,300	2,500	3,229	6,379	9,529	12,679
Land cost (Rs/sq. ft)	300	2,750	4,979	9,004	13,029	17,054
Debt (post QIP)	45,000	3,000	6,729	11,629	16,529	21,429
Interest cost (%)	13	3,500	10,229	16,879	23,529	30,179

Steady state P&L (Rs mn)	
<b>Revenues</b>	<b>68,750</b>
Other revenues	4,000
Construction cost	32,500
Land cost	7,500
SG&A (annualised 9MFY09)	4,000
<b>EBITDA</b>	<b>28,750</b>
<b>Interest (25% capitalization)</b>	<b>4,388</b>
PBT	24,363
Tax (30%)	7,309
<b>PAT</b>	<b>17,054</b>

Source: Kotak Institutional Equities estimates

Large portion of the land bank acquired in the last 3 years

Balance sheet for UT, FY2006-11E, March fiscal year ends

	2006	2007	2008	9MFY2009	2009E	2010E	2011E
<b>Sources of funds</b>							
Share capital	125	1,623	3,247	3,247	3,247	4,777	4,777
Reserves/surplus	2,472	18,320	32,758	42,788	45,189	97,972	108,867
<b>Total equity</b>	<b>2,597</b>	<b>19,944</b>	<b>36,005</b>	<b>46,035</b>	<b>48,436</b>	<b>102,749</b>	<b>113,644</b>
Secured loans	9,557	38,962	62,311	93,641			
Unsecured loans	893	844	23,212	15,425			
<b>Total borrowings</b>	<b>10,449</b>	<b>39,805</b>	<b>85,524</b>	<b>109,067</b>	<b>89,537</b>	<b>44,238</b>	<b>45,238</b>
<b>Application of funds</b>							
Cash	3,899	10,227	14,083	13,111	3,009	11,035	19,882
<b>Current assets</b>	<b>34,762</b>	<b>106,850</b>	<b>172,929</b>	<b>200,163</b>	<b>168,645</b>	<b>175,963</b>	<b>182,319</b>
Inventory/Projects in Progress	30,870	86,995	136,025	153,182	124,882	139,184	150,844
Sundry Debtors	1,032	1,458	7,460	13,450	14,319	12,335	12,032
Loans & Advances	2,860	18,397	29,444	33,531	29,444	24,444	19,444
<b>Net fixed assets (incl. Capital WIP)</b>	<b>4,887</b>	<b>8,148</b>	<b>31,442</b>	<b>52,874</b>	<b>39,658</b>	<b>43,441</b>	<b>45,835</b>
<b>Ratios</b>							
D/E (X)	4.0	2.0	2.4	2.4	1.8	0.4	0.4
<b>RoACE (%)</b>	<b>12.2</b>	<b>41.8</b>	<b>20.9</b>		<b>9.1</b>	<b>8.8</b>	<b>8.9</b>
Incremental debt as a % of total debt	8.0	280.9	114.9	27.5	4.7	(50.6)	2.3
EBITDA (Rs mn)	1,834	20,018	22,287		15,935	17,569	17,420
PAT (Rs mn)	874	13,055	16,614		11,977	10,219	10,895
Net margins (%)	9.3	39.7	40.3		41.3	28.8	25.2
Asset turnover (%)	21.1	25.1	17.7		12.2	13.9	15.8
Equity multiplier (X)	17.1	6.6	6.5		4.9	2.5	2.4
<b>ROE (%)</b>	<b>33.6</b>	<b>65.5</b>	<b>46.4</b>		<b>24.7</b>	<b>9.9</b>	<b>9.6</b>

Source: Kotak Institutional Equities estimates

Unitech's Mar' 11 based NAV is Rs60/share

Our NAV breakup for Unitech

	March '11 based NAV			
	Growth rate in selling prices per annum			
	0%	3%	5%	10%
<b>Valuation of land reserves</b>	<b>109</b>	<b>130</b>	<b>146</b>	<b>194</b>
Residential projects	62	79	92	131
Commercial projects	24	25	26	28
Retail projects	23	26	28	35
Add: Hotel business	10	10	10	10
Add: Consultancy fees received from Unitech Corporate Parks, JVs	5	5	5	5
Less: Net debt as on March 31, 2010	(33)	(33)	(33)	(33)
Less: Land cost to be paid as on March 31, 2010	(15)	(15)	(15)	(15)
NAV (Rs bn)	76	97	113	161
<b>NAV/share (Rs)</b>	<b>32</b>	<b>41</b>	<b>47</b>	<b>67</b>
Valuation for telecom business	30	30	30	30
Total no. of shares (mn)				2,389
<b>Valuation/share (Rs)</b>				<b>60</b>

Source: Kotak Institutional Equities estimates

Land bank of Unitech has decreased to 13,000 acres in May 2009

Unitech's land bank (in acres)

City	Jan-08	May-09		Company's share in Project area	Company's share in land available	Considered for valuation (mn sq. ft)
	Land area	Project area	Land available			
<b>NCR</b>	2,706	2,723	2,636	1,940	1,853	
Delhi		65	65	30	30	0.3
Greater Noida		265	265	235	235	19.3
Gurgaon		1,699	1,613	1,270	1,184	50.3
Noida		693	693	405	405	21.5
Mumbai	97	308	NA	NA	NA	3.5
Vishakhapatnam	1,750	1,750	1,750	1,715	1,715	
Chennai	2,155	1,935	1,273	1,777	1,123	40.0
Hyderabad	709	819	759	727	676	5.5
Kolkata	6,551	847	779	446	385	108.7
Mohali	423	324	324	324	324	12.9
Maharashtra		273	273	273	273	
Varanasi	1,500	1,500	246	1,500	246	10.0
Agra	1,500	1,500	225	1,500	225	10.0
Ambala		150	150	150	150	5.0
Kochi	673	355	156	321	122	5.0
Chandigarh		74	74	74	74	
Siliguri	232	232	92	181	72	3.0
Bangalore	103	97	74	91	68	
Goa	103	103	103	67	67	
Bhubaneswar	11	61	61	36	36	
Nagpur		25	25	25	25	
Bhopal		31	31	16	16	
Gangtok		14	14	9	9	
Dehradun		14	14	7	7	
Pune		2	2	2	2	
<b>Total</b>	<b>18,513</b>	<b>13,135</b>	<b>9,060</b>	<b>11,179</b>	<b>7,467</b>	<b>295.1</b>
Land allotted by govt		7,291	4,554	6,406	3,707	
Private acquisition		5,536	4,506	4,772	3,760	
<b>Total</b>		<b>12,827</b>	<b>9,060</b>	<b>11,179</b>	<b>7,467</b>	

Source: Company, Kotak Institutional Equities



## Unitech has launched ~13 mn sq. ft in the last 3 months

Details of launches of Unitech, FY2005-10E, March fiscal year ends

	Start year	Area		No of apartments	Comments
		acres	(mn sq. ft)		
Launches (mn sq. ft)					
	FY2005		6.6		
	FY2006		9.7		
	FY2007		2.7		
	FY2008		4.0		
	FY2009		7.2		
	FY2010		13.6		
Gurgaon					
Fresco, Nirvana Country	FY2006	17	1.4	864	
Harmony Nirvana Country	FY2006	11	0.9	340	
The Close, Nirvana Country	FY2005	40	3.3	1,381	
UniWorld Gardens	FY2005	13	0.9	504	
UniWorld City	FY2004	16	0.9	516	
Escape, Nirvana Country	FY2006	10	0.9	400	
Espace, Nirvana Country	FY2006	10	0.9	400	
Uniworld Spa	FY2004		1.7	850	
Uniworld Resorts	FY2009		1.5		
Uniworld Gardens II	FY2009		1.0		
The Residence at Uniworld Resorts	FY2010		1.8		Launched at Rs3,288/sq. ft
Woodstock Villas	FY2010		0.7		Launched at Rs4,000/sq. ft
Noida/Greater Noida					
Heights	FY2005	8	0.6	316	
Cascade	FY2006	9	0.7	350	
Horizon	FY2005	26	1.8	1,000	
Habitat	FY2007	24	2.0	902	
Verve	FY2007	8	0.7	200	
Grande	FY2008	40	1.1	670	
Capella (Phase I, Uniworld city)	FY2009	100	1.2		
Unihomes	FY2010		0.8		
Willows @ Grande	FY2010		3.7		Launched at Rs5,100/sq. ft
Kolkata					
Horizon at Uniworld City	FY2006	12	5.0	366	
Gardens at Uniworld City	FY2006	13		404	
Downtown	FY2007	9		277	
Cascades	FY2007	11		490	
Heights at Uniworld City	FY2006	10		682	
Air at Uniworld city	FY2008	3	0.3	136	
Gateway	FY2008	35	2.3		
Harmony (Phase 8, Uniworld city)	FY2008		0.4		
KWIC Plots/Floors/Bunglows	FY2009		1.0		
KWIC Plots/Floors/Bunglows	FY2010		1.0		
Vistas	FY2010		1.0		Launched at Rs1,850/sq. ft
Chennai					
Brahma	FY2010		0.8		Unitech and Arihant get 57% revenue share and bear full cost. Launched at Rs3,200/sq. ft
Ananda	FY2010		0.6		
Mumbai					
Woodside	FY2010		0.03		
Ascot	FY2010		0.01		
The Residences	FY2010		0.11		
Others					
South City, Lucknow			1.0		
Uniworld City plots, Mohali	FY2009		2.5		
Uniworld City plots, Mohali	FY2010		2.2		
Retail					
Arcadia – South City II			0.4		Gurgaon
Nirvana Courtyard – Nirvana			0.2		Gurgaon
R B Connector	FY2010		0.0		Kolkata
Garden Galleria	FY2010		0.2		Lucknow
Hotels					
Marriott Executive Apartments			0.3		
Greenwood City Club			0.0		
Marriott Courtyard Hotel	FY2010		0.2		
Commercial					
Signature Tower – 2	FY2010		0.3		
R B Connector	FY2010		0.1		
The Chambers	FY2010		0.1		
Total			45.1		

Source: Kotak Institutional Equities estimates

## Profit model, balance sheet, cash model of Unitech Ltd 2006-2011E, March fiscal year-ends (Rs mn)

Profit model	2006	2007	2008	2009E	2010E	2011E
Net sales	9,412	32,883	41,400	28,945	35,525	43,316
<b>EBITDA</b>	<b>1,834</b>	<b>20,018</b>	<b>22,287</b>	<b>15,935</b>	<b>17,569</b>	<b>17,420</b>
Other income	133	1,000	1,401	4,212	1,254	1,332
Interest	(465)	(3,020)	(2,804)	(5,546)	(4,597)	(3,512)
Depreciation	(112)	(80)	(205)	(209)	(282)	(386)
<b>Pretax profits</b>	<b>1,390</b>	<b>17,919</b>	<b>20,678</b>	<b>14,392</b>	<b>13,945</b>	<b>14,854</b>
Tax	(521)	(4,864)	(3,967)	(2,436)	(4,196)	(3,941)
Deferred taxation	8	0	(19)	12	(46)	(18)
<b>Net income</b>	<b>874</b>	<b>13,055</b>	<b>16,692</b>	<b>11,968</b>	<b>9,703</b>	<b>10,895</b>
Adjusted net income	874	13,055	16,614	11,977	9,703	10,895
<b>Earnings per share (Rs)</b>	<b>0.5</b>	<b>8.0</b>	<b>10.2</b>	<b>7.4</b>	<b>4.3</b>	<b>4.6</b>

**Balance sheet**

Total equity	2,597	19,944	36,003	48,436	102,233	113,128
Deferred taxation liability	151	20	60	70	116	134
Total borrowings	10,449	39,805	85,524	89,537	44,238	45,238
Current liabilities	31,087	71,118	111,048	97,402	107,469	113,152
<b>Total liabilities and equity</b>	<b>44,521</b>	<b>130,900</b>	<b>233,793</b>	<b>236,603</b>	<b>255,214</b>	<b>272,810</b>
Cash	3,899	10,227	14,083	3,009	9,905	18,751
Other current assets	34,762	106,851	172,979	168,645	176,577	182,934
Total fixed assets	4,887	8,148	31,442	39,658	43,441	45,835
Intangible assets	824	1,126	1,126	1,126	1,126	1,126
Investments	145	4,548	14,165	24,165	24,165	24,165
<b>Total assets</b>	<b>44,522</b>	<b>130,900</b>	<b>233,794</b>	<b>236,603</b>	<b>255,215</b>	<b>272,811</b>

**Free cash flow**

Operating cash flow, excl. working capital	1,328	17,485	19,816	2,785	5,016	8,076
Working capital changes	(3,575)	(37,520)	(29,956)	(3,602)	5,896	1,218
Capital expenditure	(3,517)	(3,340)	(23,508)	(8,453)	(4,065)	(2,779)
Investments	146	(4,376)	(3,409)	(10,000)	—	—
Other income	(102)	414	736	4,184	1,254	1,332
<b>Free cash flow</b>	<b>(5,720)</b>	<b>(27,337)</b>	<b>(36,321)</b>	<b>(15,086)</b>	<b>8,101</b>	<b>7,846</b>

**Ratios (%)**

Debt/equity	380.3	199.4	237.1	184.6	43.2	39.9
Net debt/equity	238.4	148.2	198.1	178.4	33.5	23.4
ROAE (%)	36.2	115.0	59.3	28.3	12.9	10.1
<b>ROACE (%)</b>	<b>12.2</b>	<b>41.8</b>	<b>20.9</b>	<b>12.8</b>	<b>9.1</b>	<b>8.8</b>

Source: Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation summary of key Indian companies

	29-Jun-09		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	price	Upside	ADVT-
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	(Rs)	(%)	(US\$ mn)	
Automobiles																														
Ashok Leyland	32	ADD	41,971	872	1,330	1.4	1.8	2.4	(60.1)	23.3	33.3	21.8	17.7	13.3	12.5	9.0	7.5	1.7	1.7	1.6	3.2	3.2	3.2	8.0	9.7	12.5	32	1.4	3.1	
Bajaj Auto	1,044	SELL	151,107	3,140	145	48.7	65.3	73.1	(6.7)	34.0	12.0	21.4	16.0	14.3	13.0	9.6	9.6	7.9	6.1	4.8	1.9	1.9	1.9	40.2	42.8	36.8	780	(25.3)	4.7	
Hero Honda	1,384	REDUCE	276,365	5,743	200	64.2	83.8	91.2	32.4	30.5	8.8	21.6	16.5	15.2	14.2	10.9	9.6	7.1	5.5	4.3	1.4	1.6	1.6	36.6	37.4	31.9	1,000	(27.7)	18.7	
Mahindra & Mahindra	704	ADD	186,831	3,883	265	21.7	40.4	43.6	(42.9)	86.0	8.0	32.4	17.4	16.2	28.6	13.2	11.9	3.9	2.9	2.6	1.3	1.3	1.3	12.3	19.3	17.0	670	(4.9)	18.4	
Maruti Suzuki	1,068	SELL	308,623	6,414	289	42.2	62.4	67.3	(29.6)	47.9	7.9	25.3	17.1	15.9	21.5	10.7	9.2	3.2	2.7	2.3	0.5	0.3	0.5	13.4	17.2	15.9	900	(15.7)	23.6	
Tata Motors	314	SELL	174,625	3,629	556	20.8	15.2	20.0	(58.3)	27.0	32.2	15.1	20.7	15.7	20.7	13.5	11.5	1.3	1.2	1.2	1.8	1.8	1.8	9.0	6.1	2.1	235	(25.1)	41.3	
Automobiles		Cautious	1,139,522	23,681					(165.2)	194.7	102.1	137.7	105.5	90.4		110.4	66.9	59.2	25.1	20.1	16.8	10.0	10.1	10.2	119.5	132.4	114.1			
Banks/Financial Institutions																														
Andhra Bank	84	REDUCE	40,595	844	485	13.5	11.1	12.6	14.0	(17.9)	13.6	6.2	7.5	6.6				1.2	1.1	1.0	5.4	3.3	3.8	19.0	14.0	14.4	90	7.5	1.7	
Axis Bank	868	BUY	311,455	6,472	359	50.6	56.1	66.6	56.9	11.0	18.7	17.2	15.5	13.0	3.4	2.9	2.5	1.2	1.3	1.5	1.9	1.1	1.5	19.1	18.3	18.9	850	(2.0)	72.3	
Bank of Baroda	449	REDUCE	164,232	3,413	366	60.9	54.9	58.5	55.1	(9.8)	6.5	7.4	8.2	7.7				1.6	1.5	1.4	2.0	1.8	1.9	18.7	14.9	14.2	440	(2.1)	12.0	
Bank of India	359	ADD	188,619	3,920	526	57.2	46.3	53.2	40.7	(19.1)	14.9	6.3	7.8	6.7				1.9	1.7	1.6	2.2	1.8	2.1	29.2	19.0	18.7	360	0.4	16.3	
Canara Bank	271	REDUCE	111,008	2,307	410	50.5	38.6	41.4	32.4	(23.6)	7.1	5.4	7.0	6.5				1.4	1.3	1.2	3.0	3.0	3.7	18.3	12.4	12.2	260	(4.0)	6.1	
Corporation Bank	333	BUY	47,808	994	143	62.2	51.5	55.3	21.4	(17.3)	7.4	5.4	6.5	6.0				1.0	0.9	0.8	3.8	3.2	3.4	19.6	14.3	13.8	395	18.5	0.9	
Federal Bank	256	BUY	43,767	910	171	27.8	31.4	38.2	(19.2)	13.1	21.5	9.2	8.1	6.7				1.0	1.0	0.9	2.0	2.3	2.8	11.5	11.8	13.0	320	25.0	3.4	
Future Capital Holdings	259	BUY	16,397	341	63	4.5	28.8		(198.6)	546.1	(100.0)	58.3	9.0					2.2	1.7					3.8	21.4		440	69.7	1.4	
HDFC	2,373	REDUCE	675,057	14,029	284	80.2	91.5	103.6	(6.5)	14.0	13.3	29.6	25.9	22.9				5.1	4.6	4.1	1.3	1.3	1.5	18.2	18.3	18.3	2,025	(14.7)	66.8	
HDFC Bank	1,508	REDUCE	664,041	13,800	440	55.4	63.2	75.1	20.4	14.2	18.8	27.2	23.8	20.1				4.5	3.2	2.8	0.6	0.8	0.9	16.9	15.4	15.0	1,490	(1.2)	53.3	
ICICI Bank	749	REDUCE	833,303	17,317	1,113	33.8	32.3	38.5	(15.4)	(4.4)	19.2	22.2	23.2	19.5				1.7	1.6	1.5	1.5	1.2	1.3	7.8	7.1	8.0	685	(8.5)	200.7	
IDFC	140	ADD	181,525	3,772	1,294	5.8	7.0	8.0	2.3	21.0	13.3	24.1	20.0	17.6				2.9	2.6	2.4	0.7	0.9	0.9	12.9	14.1	14.2	85	(39.4)	42.1	
India Infoline	131	ADD	40,780	847	311	5.0	5.8	6.5	(10.0)	15.5	12.3	26.0	22.5	20.0	12.2	10.9	9.9	3.5	3.1	2.8	1.9	2.4	2.9	11.7	13.5	14.6	90	(31.3)	12.3	
Indian Bank	145	BUY	62,102	1,291	430	28.1	26.6	30.6	24.7	(5.3)	15.0	5.1	5.4	4.7				1.2	1.1	1.0	2.9	2.8	3.2	22.7	18.3	18.1	185	28.0	3.3	
Indian Overseas Bank	89	BUY	48,514	1,008	545	24.3	16.6	22.2	10.3	(31.9)	33.8	3.7	5.4	4.0				0.8	0.7	0.6	5.9	4.2	4.6	24.7	14.5	17.0	130	46.0	4.7	
J&K Bank	487	ADD	23,618	491	48	84.5	80.8	95.4	13.8	(4.3)	18.0	5.8	6.0	5.1				1.0	0.9	0.9	3.5	3.3	3.9	16.7	14.1	14.9	550	12.9	0.4	
UC Housing Finance	639	BUY	54,296	1,128	85	62.5	68.8	80.3	37.3	10.0	16.8	10.2	9.3	8.0				2.3	1.9	1.6	2.2	2.4	2.8	26.2	23.9	23.4	590	(38.9)	15.8	
Mahindra & Mahindra Financial	259	ADD	24,796	515	96	22.4	27.5	30.0	7.5	22.9	8.7	11.6	9.4	8.6				1.8	1.5	1.4	2.1	2.7	2.9	15.4	16.9	16.3	240	(7.4)	1.0	
Oriental Bank of Commerce	186	REDUCE	46,525	967	251	36.1	27.3	34.6	51.4	(24.5)	26.7	5.1	6.8	5.4				0.8	0.9	0.9	3.9	2.9	3.7	14.8	10.2	11.8	190	2.3	3.5	
PFC	204	SELL	233,685	4,856	1,148	13.0	16.5	19.3	14.3	26.7	17.6	15.7	12.4	10.5				2.1	1.9	1.7	1.3	2.4	2.2	13.8	15.8	16.7	160	(21.4)	6.6	
Punjab National Bank	680	BUY	214,421	4,456	315	98.0	98.5	115.1	50.9	0.5	16.8	6.9	6.9	5.9				1.8	1.5	1.4	2.9	2.9	3.4	23.0	19.9	20.1	800	17.6	21.2	
Rural Electrification Corp.	167	BUY	143,300	2,978	859	16.5	17.5	20.8	50.7	6.5	18.8	10.1	9.5	8.0				2.0	1.7	1.5	1.2	1.9	2.3	21.2	19.6	20.3	155	(7.1)	4.2	
Shriram Transport	294	ADD	62,161	1,292	212	30.1	32.5	36.9	56.8	7.9	13.7	9.8	9.1	8.0				2.8	2.4	2.0	3.0	3.3	3.8	29.6	27.0	25.8	300	2.1	3.0	
SREI	76	ADD	8,867	184	116	7.7	6.9	8.2	(32.8)	(10.1)	18.6	9.9	11.0	9.3				0.8	0.8	0.7	3.0	3.7	4.2	14.0	11.5	13.0	95	24.6	3.6	
State Bank of India	1,765	BUY	1,120,870	23,293	635	143.6	121.1	139.2	34.8	(15.7)	14.9	12.3	14.6	12.7				2.3	2.3	2.0	1.6	1.7	1.8	17.1	12.7	13.3	1,870	5.9	122.8	
Union Bank	246	BUY	124,486	2,587	505	34.2	29.6	35.5	24.5	(13.5)	19.9	7.2	8.3	6.9				1.4	1.3	1.1	2.1	1.8	2.2	27.2	19.5	19.9	280	13.6	7.2	
Banks/Financial Institutions		Attractive	5,486,230	114,011					337.8	511.9	306.0	357.7	299.1	250.6		12.2	10.9	9.9	52.4	46.2	39.6	61.1	59.2	67.6	473.2	418.4	405.8			
Cement																														
ACC	793	REDUCE	148,970	3,096	188	56.3	55.2	42.2	(12.2)	(1.9)	(23.6)	14.1	14.4	18.8		7.1	7.1	8.3	2.8	2.5	2.3	2.9	3.0	3.0	24.7	21.3	15.1	725	(8.6)	13.0
Ambuja Cements	91	REDUCE	138,232	2,873	1,522	7.2	7.0	5.8	(5.0)	(3.1)	(16.2)	12.6	13.0	15.6		6.8	6.9	7.9	2.3	2.0	1.9	3.3	2.1	2.4	19.7	16.9	12.8	80	(11.9)	6.0
Grasim Industries	2,315	REDUCE	212,267	4,411	92	238.5	235.7	239.1	(16.2)	(1.2)	1.4	9.7	9.8	9.7		5.6	5.0	4.8	1.9	1.7	1.4	1.4	1.4	1.5	21.7	18.2	16.0	2,300	(0.7)	10.5
India Cements	138	ADD	38,968	810	282	17.8	19.7	16.6	(27.2)	10.8	(15.8)	7.8	7.0	8.3		4.9	4.4	4.8	1.0	0.9	0.8	1.5	1.5	2.3	14.9	14.8	11.2	155	12.1	9.0
Shree Cement	1,197	BUY	41,700	867	35	174.7	91.6	86.2	93.7	(47.6)	(5.9)	6.9	13.1	13.9		4.7	5.1	5.5	3.5	2.8	2.4	0.9	0.9	0.9	65.7	24.0	18.9	1,150	(3.9)	0.6
UltraTech Cement	695	ADD	87,056	1,809	125	78.0	70.5	55.6	(4.1)	(9.7)	(21.0)	8.9	9.9	12.5		5.8	5.4	6.2	2.0	1.7	1.5	1.2	1.2	1.2	31.2	22.3	15.0	725	4.3	5.5
Cement		Neutral	667,193	13,865					29.0	(52.6)	(81.1)	60.0	67.2	78.7		34.9	33.9	37.3	13.6	11.6	10.4	11.3	10.1	11.2	177.8	117.5	89.1			
Constructions																														
Consolidated Construction Co.	250	ADD	9,235	192	37	19.7	27.2	31.9	(18.1)	38.0	17.5	12.7	9.2	7.8		8.4	5.9	5.0	1.8	1.5	1.3	1.1	1.6	1.8	15.0	18.1	18.3	190	(24.0)	0.2
IVRCL	371	BUY	50,176	1,043	135	16.7	17.9	22.1	7.4	7.4	23.1	22.2	20.7	16.8		14.7	11.1	8.8	2.8	2.4	2.1	0.2	0.2	0.2	13.2	12.6	13.6	350	(5.6)	22.8
Nagarjuna Construction Co.	143	BUY	32,760	681	229	6.7	7.5	8.5	(6.4)	11.9	13.3	21.3	19.0	16.8		13.0	9.9	8.5	1.9	1.8	1.7	0.9	1.1	1.4	9.4	9.8	10.3	145	1.4	7.5
Punj Lloyd	222	BUY	69,123	1,436	311	(7.4)	15.9	17.2	(174.4)	(314.8)	7.7	(29.9)	13.9	12.9		30.5	7.8	7.5	2.8	2.3	2.0	(0.1)	0.3	0.4	(9.2)	18.9	17.1	200	(10.0)	39.0
Sadbhav Engineering	645	BUY	8,063	168	13	50.6	51.1	73.1	25.0	0.9	43.0	12.7	12.6	8.8		9.4	7.4	6.0	2.3	2.0	1.7	0.8								

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation summary of key Indian companies

	29-Jun-09		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	ADVT-	
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	(Rs)	Upside	3mo
					(mn)																					(%)	(%)	(US\$ mn)	
Technology																													
HCL Technologies	192	REDUCE	133,232	2,769	695	16.2	13.1	17.0	6.0	(19.0)	29.5	11.8	14.6	11.3	6.7	6.6	6.3	2.1	2.1	1.9	6.3	6.3	6.3	18.6	14.4	17.7	135	(29.6)	6.6
Hexaware Technologies	48	SELL	6,945	144	144	3.6	4.0		(12.7)	11.5	(100.0)	13.5	12.1		3.4	3.2		1.0	0.9		2.1	2.1		7.6	8.0		35	(27.6)	1.6
Infosys Technologies	1,783	BUY	1,023,413	21,268	574	102.4	99.3	111.9	29.6	(3.1)	12.7	17.4	18.0	15.9	12.7	12.8	10.6	5.6	4.6	3.8	1.3	1.4	1.5	36.7	28.1	26.1	1,800	1.0	66.6
Mindtree	495	BUY	20,351	423	41	13.2	46.4	51.7	(50.5)	250.3	11.6	37.3	10.7	9.6	6.4	6.9	5.6	3.7	2.7	2.1	0.4		1.0	5.5	22.1	18.7	575	16.3	4.0
Mphasis BFL	393	REDUCE	81,937	1,703	208	14.2	38.9	33.5	15.7	174.5	(13.9)	27.7	10.1	11.7	21.1	7.2	6.7	5.7	3.8	3.0	1.0	1.1	1.3	22.8	45.4	28.8	335	(14.8)	3.2
Patni Computer Systems	272	REDUCE	34,983	727	129	24.7	26.8		(7.8)	8.5	(100.0)	11.0	10.1		3.9	3.7		1.2	1.1		1.8	2.0		11.0	11.2		220	(19.2)	1.9
Polaris Software Lab	108	SELL	10,640	221	99	13.1	12.8	11.6	76.0	(2.5)	(9.5)	8.2	8.4	9.3	3.1	3.8	3.9	1.4	1.2	1.1	2.6	1.9	1.9	18.1	15.3	12.4	80	(25.8)	4.2
TCS	386	REDUCE	755,871	15,708	1,957	26.4	26.9	29.6	3.1	1.9	10.0	14.6	14.3	13.0	10.2	9.8	8.5	4.8	4.0	3.4	1.8	2.1	3.1	36.9	30.4	28.1	350	(9.4)	33.1
Tech Mahindra	742	ADD	95,838	1,992	129	70.4	38.0	37.2	19.3	(46.0)	(2.1)	10.5	19.5	19.9	7.4	11.6	11.0	4.3	3.6	3.2	0.5	0.8	0.9	52.8	20.3	17.0	360	(51.5)	59.1
Wipro	379	ADD	554,390	11,521	1,462	25.7	26.4	29.2	15.8	2.6	10.3	14.7	14.4	13.0	10.8	9.9	8.2	3.7	3.0	2.6	1.1	2.0	2.2	26.9	23.3	21.6	400	5.5	16.2
Technology			2,717,600	56,475		94.4	378.8	(151.5)	166.9	132.2	103.8	85.6	75.6	60.8	33.5	27.1	21.2	18.8	19.5	18.2	236.9	218.4	170.4						
Telecom																													
Bharti Airtel	807	ADD	1,531,887	31,835	1,898	44.6	52.2	59.8	26.4	17.0	14.6	18.1	15.5	13.5	10.6	9.0	7.8	4.9	3.7	2.9	0.5	0.7	1.0	31.4	27.0	23.8	775	(4.0)	96.9
IDEA	78	REDUCE	240,549	4,999	3,104	2.9	2.9	3.2	(26.5)	(0.1)	10.9	26.7	26.7	24.1	9.8	8.9	7.4	1.7	1.7	1.5				10.4	6.4	6.8	65	(16.1)	21.4
MTNL	101	SELL	63,504	1,320	630	5.1	5.5	6.5	(28.4)	7.6	17.7	19.7	18.3	15.6	5.7	5.3	4.9	0.5	0.5	0.5	6.0	6.0	6.0	2.2	2.4	2.9	50	(50.4)	4.4
Reliance Communications	307	SELL	654,897	13,610	2,133	27.7	20.3	21.1	4.7	(26.6)	3.9	11.1	15.1	14.5	9.7	9.1	7.1	1.9	1.7	1.5	0.2			18.6	11.7	10.9	180	(41.4)	83.2
Tata Communications	476	REDUCE	135,575	2,817	285	13.6	14.0	15.2	24.0	3.2	8.2	35.0	33.9	31.4	14.9	13.6	12.6	2.0	1.9	1.8	1.1	1.4	1.6	5.4	5.2	5.5	400	(15.9)	8.7
Telecom			2,626,411	54,580		0.3	1.0	55.3	110.6	109.6	99.1	50.7	45.9	39.8	11.0	9.4	8.3	7.7	8.1	8.5	67.8	52.8	49.9						
Transportation																													
Container Corporation	958	ADD	124,547	2,588	130	64.4	71.4	83.3	11.6	10.8	16.6	14.9	13.4	11.5	10.6	8.9	7.5	3.3	2.8	2.4	1.5	1.7	2.0	24.0	22.5	22.2	850	(11.3)	1.3
Transportation			124,547	2,588		11.6	10.8	16.6	14.9	13.4	11.5	10.6	8.9	7.5	3.3	2.8	2.4	1.5	1.7	2.0	24.0	22.5	22.2						
Utilities																													
CESC	288	ADD	35,944	747	125	31.2	38.0	42.1	12.3	21.8	10.8	9.2	7.6	6.8	5.1	5.9	6.3	1.0	0.9	0.8	1.6	1.9	2.1	11.4	12.2	11.9	345	19.9	2.0
Lanco Infratech	372	ADD	82,607	1,717	222	14.5	18.1	33.8	(2.5)	25.1	86.9	25.7	20.5	11.0	23.1	17.6	8.3	3.8	3.2	2.4				16.1	16.9	25.0	360	(3.1)	23.1
NTPC	197	SELL	1,626,830	33,808	8,245	9.4	10.8	12.2	1.1	14.7	12.6	20.9	18.2	16.2	15.9	13.5	12.9	2.8	2.5	2.3	1.8	2.1	2.3	13.7	14.5	15.0	180	(8.8)	44.3
Reliance Infrastructure	1,268	BUY	287,229	5,969	226	64.1	58.8	62.9	70.5	(8.2)	6.9	19.8	21.6	20.2	21.3	21.6	16.7	1.7	1.6	1.5	0.6	0.7	0.7	6.3	7.0	9.0	1,250	(1.5)	125.5
Reliance Power	174	REDUCE	417,395	8,674	2,397	1.0	2.5	3.1	168.2	140.3	25.3	170.7	71.0	56.7	138.8	1,131.4	88.2	3.0	2.9	2.8				1.8	4.2	5.0	160	(8.1)	39.1
Tata Power	1,151	ADD	256,208	5,324	223	56.2	76.6	86.5	76.6	36.2	12.9	20.5	15.0	13.3	11.2	11.6	10.9	2.5	2.2	2.0	1.0	1.0	1.2	13.4	15.8	15.7	1,100	(4.4)	14.4
Utilities			2,706,213	56,239		326.3	229.9	155.4	266.8	154.0	124.2	215.3	1,201.6	143.3	14.9	13.3	11.8	4.9	5.7	6.4	62.8	70.5	81.7						
KS universe (b)																													
KS universe (b)			24,376,367	487,771		26.0	2.0	7.8	12	12.1	11.2	7.9	8.0	7.0	2.2	1.9	1.7	1.7	1.7	2.0	17.9	15.3	14.8						
KS universe (b) ex-Energy			18,082,077	361,822		30.8	5.1	(0.2)	12.1	11.5	11.5	8.6	8.6	8.1	2.3	1.9	1.7	1.7	1.7	1.9	19.2	16.8	14.9						
KS universe (d) ex-Energy & ex-Commodities			16,258,901	325,341		36.0	6.2	6.9	13.6	12.8	12.0	10.6	10.3	9.0	2.6	2.2	1.9	1.7	1.7	1.9	18.7	16.8	15.9						

Note:

(1) For banks we have used adjusted book values.

(2) 2009 means calendar year 2008, similarly for 2010 and 2011 for these particular companies.

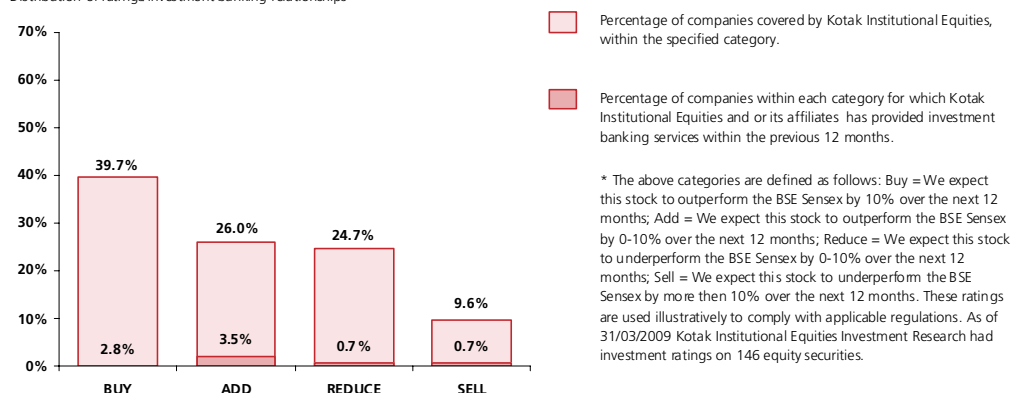
(3) EV/Sales &amp; EV/EBITDA for KS universe excludes Banking Sector.

(4) Rupee-US Dollar exchange rate (Rs/US\$)= 48.12

Source: Company, Bloomberg, Kotak Institutional Equities estimates

### Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of March 31, 2009

## Ratings and other definitions/identifiers

### Rating system

#### Definitions of ratings

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

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

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

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

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

#### Other definitions

**Coverage view.** The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: Attractive (A), Neutral (N), Cautious (C).

#### Other ratings/identifiers

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