kotak® Institutional Equities

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News Roundup

- **Tata Motors** has entered into an understanding with Andhra Bank for financing its range of passenger vehicles that will provide an added facility of car finance to its customers. (ET)
- **Mahindra and Mahindra** has increased its stake in the joint venture with its South African partner to 90% from 51%, and invested a further 30 million rands ($3 million) in the country's automotive business. (ET)
- Dhoots of the Videocon Group are going to buy stake in Datacom, with Mr Nahata agreeing to sell his 36% stake for around Rs 1,200-1,300 crore. (ET)
- The International Monetary Fund urged India to further ease money supply to fight economic slowdown while cautioning that additional expenditure and more tax reliefs could raise public debt to unsustainable levels. (ET)

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

EQUITY MARKETS

		Change, %		
India	**18-Mar**	**1-day**	**1-mo**	**3-mo**
Sensex	8,977	1.3	(0.7)	(11.1)
Nifty	2,795	1.4	0.2	(9.2)
Global/Regional indices				
Dow Jones	7,487	1.2	0.3	(12.7)
FTSE	3,805	(1.4)	(5.3)	(11.2)
Nikkie	7,923	(0.6)	4.8	(7.8)
Hang Seng	12,966	(1.2)	(0.4)	(14.3)
KOSPI	1,167	(0.2)	5.4	(1.2)

Value traded - India			Moving avg, Rs bn	
	18-Mar		**1-mo**	**3-mo**
Cash (NSE+BSE)	149.7		107.9	90.4
Derivatives (NSE)	548.7		411.0	546
Deri. open interest	693.1		595	646

Forex/money market

		Change, basis points		
	18-Mar	**1-day**	**1-mo**	**3-mo**
Rs/US$	51.3	(19)	137	440
10yr govt bond, %	6.5	(6)	39	125

Commodity market

		Change, %		
	18-Mar	**1-day**	**1-mo**	**3-mo**
Gold (US$/OZ)	928.6	(1.4)	(4.7)	10.8
Silver (US$/OZ)	12.8	(1.0)	(8.8)	17.6
Crude (US$/BBL)	47.1	(1.1)	13.9	12.8

Net investment (US$mn)

	17-Mar		**MTD**	**CYTD**
FIIs	110		(564)	(2,285)
MFs	44		(123)	(565)

Top movers -3mo basis

		Change, %		
Best performers	**18-Mar**	**1-day**	**1-mo**	**3-mo**
Maruti Suzuki India	718	1.1	13.6	30.6
Hero Honda Motors	998	2.5	7.2	21.3
Power Grid Corp O	96	(0.7)	8.5	14.5
Jindal Steel & Powe	1,141	3.5	14.2	26.7
Grasim Industries Lt	1,470	0.5	7.0	19.4
Worst performers				
Housing Developme	75	6.5	(5.4)	(55.2)
Satyam Computer S	44	0.2	(5.4)	(73.1)
Aban Offshore Limi	306	6.8	(19.8)	(58.5)
Punj Lloyd Limited	77	2.5	(10.4)	(52.9)
Glenmark Pharmac	145	2.8	4.4	(51.4)

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

Diversified

SNTX.BO, Rs94	
Rating	BUY
Sector coverage view	-
Target Price (Rs)	125
52W High -Low (Rs)	519 - 70
Market Cap (Rs bn)	12.8

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	23.0	31.4	34.2
Net Profit (Rs bn)	2.3	2.9	3.1
EPS (Rs)	19.5	21.3	22.5
EPS gth	*60.5*	*8.9*	*5.7*
P/E (x)	4.8	4.4	4.2
EV/EBITDA (x)	4.6	3.8	3.4
Div yield (%)	1.1	1.3	1.6

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
(17.2)	(48.8)	(66.3)	(72.2)

Shareholding, December 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	29.1	-	-
FIIs	41.1	0.2	0.2
MFs	17.2	0.5	0.4
UTI	-	-	(0.1)
LIC	-	-	(0.1)

Sintex Industries: Innovative structure

Augustya Somani : augustya.somani@kotak.com, +91-22-6634-1328

Sintex is set to become a global player in processed plastics with its innovative product suite catering to various industries. Recent acquisitions will expand its international presence while its strong domestic positioning will drive revenues and earnings. We expect strong cash flows from the well-established textile segment to continue to support future growth. We like Sintex's strong balance sheet and initiate coverage with a BUY on attractive valuations.

SOTP-based target price of Rs125 provides 33% upside

Our SOTP-based target price of Rs125 based on FY2010E EV/EBITDA multiple provides 33% upside from current stock price levels. The stock currently trades at 2.9X FY2010E EBITDA and 0.6X FY2010E book value—we believe this is close to trough valuations with most of the earnings slowdown already priced in. Strong growth in building products and lower material costs could pose upside risks to our estimates.

Diversified global plastics player; textile remains a stable cash generator

We believe several factors make Sintex a diversified global plastics player: (1) diversified product offerings, (2) exposure to varied user industries and (3) presence across geographies. Strong growth in building products and better demand for composites are likely to drive growth in the plastics segment. We expect textiles to continue to grow moderately and remain a stable cash flow generator.

We expect PAT to grow at 10.5% CAGR over FY2009-12E

We estimate strong growth in the building products division and better integration of acquired subsidiaries will drive PAT at 10.5% CAGR over FY2009-12E. We model conservative revenue growth of 9.3% over FY2009-12E, factoring moderate growth in the domestic business and risks to revenues from international subsidiaries. We believe our estimates have upside risk from an earlier-than-expected revival in user industries. Sintex has sufficient liquidity with cash balances of Rs13.3 bn and net debt of Rs3 bn (including Rs9 bn of FCCB repayable in FY2013) as at end-FY2009E. We estimate Rs6.8 bn of free cash flow generation over FY2010-12E.

Key risks

We believe key risks for Sintex arise from (1) a slowdown in demand from user industries, (2) fluctuations in input costs and (3) potential misfortunes, if any, arising from future acquisitions. Any earlier-than-expected revival in global economic scenario and better integration of new acquisitions would pose upside risks to our estimates.

Automobiles

BJAT.BO, Rs578	
Rating	REDUCE
Sector coverage view	Cautious
Target Price (Rs)	615
52W High -Low (Rs)	945 - 262
Market Cap (Rs bn)	83.6

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	86.6	84.9	87.9
Net Profit (Rs bn)	7.6	7.3	8.9
EPS (Rs)	52.2	50.7	61.5
EPS gth	*(58.9)*	*(2.9)*	*21.4*
P/E (x)	11.1	11.4	9.4
EV/EBITDA (x)	6.8	6.6	5.3
Div yield (%)	3.5	3.5	3.5

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
16.2	42.9	(5.0)	-

Shareholding, December 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	50.3	-	-
FIIs	13.8	0.2	(0.0)
MFs	3.0	0.2	(0.0)
UTI	-	-	(0.2)
LIC	5.2	0.3	0.0

Bajaj Auto: Raising EPS estimates to reflect favorable currency; maintaining REDUCE with target of Rs615

Jairam Nathan : jairam.nathan@kotak.com, 66341327

Amit Agarwal : agarwal.amit@kotak.com, +91-22-6749-3390

- **We are raising our FY2010 EPS estimate for Bajaj Auto to Rs61.5 from Rs55 to reflect the benefit from rupee depreciation**
- **Average export realizations are expected to now increase by almost 10% yoy net of some benefits being passed on to the customer**
- **Raising our target to Rs615 to reflect higher earnings estimates**

We are raising our EPS estimates for FY2009E and FY2010E to Rs50.7 and Rs61.5 from Rs49.5 and Rs55. Bajaj's export revenues are expected to total Rs27bn for FY2009E, with the average rate of Rs41/dollar. Kotak's economist estimates the average rupee/dollar rate at Rs53.25 for FY2010E, compared to our previous assumption of Rs48. We are maintaining our REDUCE rating on the stock as we expect volumes and share to remain under pressure through 1HFY10E. We are not seeing any improvement in the 2-wheeler financing environment with banks requiring an upfront fee for financing 2-wheelers. We expect this to unduly hurt Bajaj, given its exposure to urban markets and more expensive bikes.

We raised our FY2010E EPS estimate for Bajaj to Rs61.5 from Rs55 to reflect rupee depreciation

Exports amount to almost 30% of revenues at Bajaj Auto. Bajaj's export revenues are expected to total Rs27bn for FY2009E, with the average rate of Rs41/dollar. The company has entered into forward contract that allows them to use the spot rate within the Rs47-55 band. So we applied our average assumption of Rs53.25 for our export revenue estimate for FY2010E. We were using an Rs48 rate prior. We expect Bajaj to pass close to half of the currency benefit to consumers through a reduction in prices.

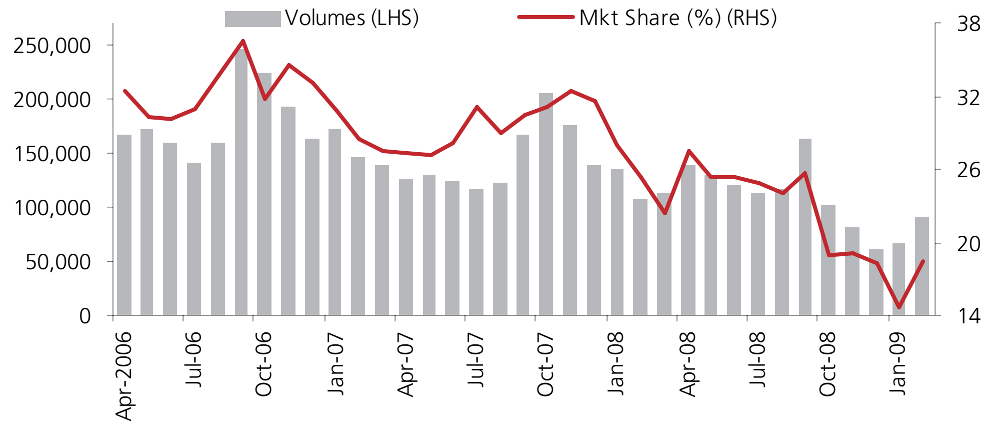
We are maintaining our REDUCE rating, raising target to Rs615 from Rs495

Our Rs615 target is based on 10X our FY2010E EPS estimate and 5X EBITDA estimate and is at a 20% discount to Hero Honda's current multiple of 12.5X.

We expect Bajaj's volumes to remain under stress and see over 10% yoy declines through 1HFY09. We are not seeing much improvement in the financing situation, with banks generally unwilling to lend and are asking for upfront fees from the dealer, manufacturer and consumer. We expect to see some sequential sales improvement in March for Bajaj. However comparisons would remain tough for the company through Sept'08, when 2-wheeler volumes averaged 187,000 units. Despite good sequential improvement we could see 1HFY10E volumes down in the 10% range. We have modeled a 2% improvement in motorcycle volumes for FY2010E, which could prove to be aggressive. On the export front, we have modeled a 3% increase in sales volumes.

Exhibit 1 shows the market share performance of Bajaj Auto. Bajaj has lost share even in the >125cc segment to Yamaha and Honda. The company expects to regain share through new products such as the recently introduced XCD135cc. We however expect the non-availability of credit and strong competition to remain a headwind to sales growth.

Bajaj continues to lose market share in bikes
Bajaj Auto: Motorcycle segment performance



Source: SIAM, Kotak Institutional Equities

Bajaj Auto, Volume assumptions, March fiscal year ends, 2006-2011E

	2006	2007	2008	2009E	2010E
Volumes (# vehicles)					
Motorcycles	**1,913,094**	**2,376,519**	**2,139,633**	**1,909,520**	**1,952,900**
Domestic	1,747,806	2,078,860	1,658,084	1,282,635	1,303,356
Exports	165,288	297,659	481,549	626,885	649,544
Scooters	**115,472**	**20,480**	**21,316**	**12,044**	**12,044**
Geared	62,860	5,254	-	-	-
Ungeared	15,226	21,316	12,044	12,044	12,044
Total 2-wheelers	**2,028,566**	**2,396,999**	**2,160,949**	**1,921,564**	**1,964,944**
Domestic 3-Wheelers	**176,745**	**181,133**	**155,172**	**133,556**	**123,952**
Passenger 3-wheelers	141,351	138,759	128,565	118,923	112,976
Goods 3-wheelers	35,394	42,374	26,607	14,634	10,975
Exports	75,261	140,663	136,315	141,768	141,768
Total 3-wheelers	**252,006**	**321,796**	**291,487**	**275,324**	**265,719**
Total vehicles	**2,280,572**	**2,718,795**	**2,452,436**	**2,196,888**	**2,230,664**
Growth rates (yoy %)					
Motorcycles	**30.2**	**24.2**	**(10.0)**	**(10.8)**	**2.3**
Domestic	30.0	18.9	(20.2)	(22.6)	1.6
Exports	33.4	80.1	61.8	30.2	3.6
Scooters	**(13.5)**	**(82.3)**	**4.1**	**(43.5)**	**-**
Geared	(38.7)	(91.6)	(100.0)	-	-
Ungeared	70.1	(71.1)	40.0	(43.5)	-
Total 2-wheelers	**26.6**	**18.2**	**(9.8)**	**(11.1)**	**2.3**
Domestic 3-Wheelers	**13.1**	**2.5**	**(14.3)**	**(13.9)**	**(7.2)**
Passenger 3-wheelers	14.2	(1.8)	(7.3)	(7.5)	(5.0)
Goods 3-wheelers	9.1	19.7	(37.2)	(45.0)	(25.0)
Exports	14.5	86.9	(3.1)	4.0	-
Total 3-wheelers	**13.5**	**27.7**	**(9.4)**	**(5.5)**	**(3.5)**
TOTAL Vehicles	**25.0**	**19.2**	**(9.8)**	**(10.4)**	**1.5**

Source: SIAM, Kotak Institutional Equities estimates.

Bajaj Auto, Profit model and Balance Sheet, March fiscal year-ends, 2008-2011E (Rs mn)

	2008	2009E	2010E	2011E
Profit model (Rs mn)				
Net sales	86,633	84,853	87,889	88,553
Operating profit	**12,900**	**12,989**	**15,831**	**14,200**
Other income	12,900	12,989	15,831	14,200
Interest	(52)	(275)	(385)	(462)
Depreciaiton	(1,740)	(1,305)	(1,567)	(1,617)
Profit before tax	**12,371**	**12,624**	**14,910**	**13,272**
Extra-ordinary itemss	(1,025)	(1,833)	(1,833)	-
Taxes	(3,788)	(3,453)	(4,185)	(4,247)
Net profit	**7,558**	**7,338**	**8,892**	**9,025**
Earnings per share (Rs)	**52.2**	**50.7**	**61.5**	**62.4**
Balance sheet (Rs mn)				
Equity	15,876	19,828	25,335	30,974
Deferred tax liability	110	-	-	-
Total Borrowings	13,343	12,016	10,821	9,746
Current liabilities	18,773	18,294	18,352	18,513
Total liabilities	**48,102**	**50,138**	**54,508**	**59,233**
Net fixed assets	12,928	12,624	12,056	11,439
Investments	18,571	20,527	22,480	24,431
Cash	561	1,570	4,124	7,150
Other current assets	15,936	15,207	15,377	15,478
Miscellaneous expenditure	105	105	105	105
Deferred tax assets	-	105	365	629
Total assets	**48,102**	**50,138**	**54,508**	**59,233**
Ratios				
Operating margin (%)	14.9	15.3	18.0	16.0
PAT margin (%)	8.7	8.6	10.1	10.2
Debt/equity (X)	0.8	0.6	0.4	0.3
Net debt/equity (X)	0.0	(0.2)	(0.4)	(0.5)
Book Value (Rs/share)	110.5	137.0	175.1	214.1
RoAE (%)	21.0	41.0	39.4	32.1
RoACE (%)	**72.5**	**60.7**	**67.6**	**57.1**

Source: Company, Kotak Institutional Equities estimates.

Bajaj Auto, Valuation details, FY2010E basis (Rs)

	EPS	Multiple	Value
	Rs	(X)	Rs
FY2010E	61	10.0	615
Target price			**615**

Source: Kotak Institutional Equities estimates.

Pharmaceuticals

Sector coverage view	Attractive

		Price, Rs	
Company	Rating	18-Mar	Target
Ranbaxy	ADD	146	340
Dr. Reddy's	BUY	437	675
Cipla	REDUCE	200	220
Sun Pharma	BUY	997	1,675
Biocon	BUY	122	235
Piramal Health	BUY	190	340
Divi's	BUY	913	1,450
Glenmark Phai	BUY	145	390
Dishman Pharr	BUY	96	280
Jubilant	BUY	87	300
Lupin	BUY	639	950

CMO/CRO: Revision in estimates due to new currency forecasts

Prashant Vaishampayan : prashant.vaishampayan@kotak.com, +91-22-6634-1127

Priti Arora : priti.arora@kotak.com, +91-22-6749-3596

- **We revise estimates for CMO/CROs due to new currency forecasts**
- **We prefer companies having low international borrowings and high exposure to Rupee depreciation. Divis Labs fits the bill**
- **Piramal Healthcare (PH) estimates least sensitive to currency due to Indian business but provide earnings stability**

We revise estimates for CMO/CROs due to new currency forecasts of Rs/US$53 for FY2010-11E. Although CMO/CROs under coverage reported sequential decline in December 2008 revenues due to (1) delays in orders (2) reduced inventories at customer's end (3) slowing demand from cash strapped emerging biotech companies, we expect growth to pick up in 2H2009. We have lowered our estimates for FY2010E custom research revenues to reflect the current slowdown. We prefer companies with low international borrowings and high exposure to Rupee depreciation. Divis Labs fits both these requirements. On the other hand, Piramal is attractive due to the earnings stability that comes from its India-focused operations.

CMO industry – keeping the faith. While growth outlook for 1H2009 remains subdued, companies reaffirm that the long-term outlook for the sector is intact. The outsourcing market for pharmaceutical contract development and manufacturing is expected to remain strong over the long term due to several factors:

1. Big pharma closing more facilities and outsourcing products
2. Growing demand for external development and manufacturing expertise by large, mid-size, and emerging pharma
3. Increase in outsourcing penetration from 25% currently to 40% (source: PPD)
4. Growing pipeline of new chemical entities in clinical development
5. Focus on life-cycle management

We do not see a reversal in trend of outsourcing to India but next couple of quarters could be more challenging than previously forecast. Analysis of 4Q2008 results of global peers such as AMRI, Cambrex, Kendle confirms these trends, with companies reporting (1) slower revenue growth in 4Q2008 (2) muted sales growth guidance for 2009.

Not the time to be brave. In this environment, we prefer companies with low debt/ equity ratios and low forex-related losses such as Divis. In addition, we like Piramal due to earnings stability coming from Indian operations.

Among the CMO/CROs we cover, Biocon and Divis were net cash companies at end of December 2008. However, Biocon's FY2009E results were impacted by losses due to forward contracts taken on net export receivables. Although it has revised the band of forward cover to Rs46-55 per dollar, implying lower forex losses in FY2010E, we expect its realization to be at Rs50-51 in FY2010E. We accordingly factor in lower forex-related loss of Rs 370 mn in FY2010E vs Rs1.3 bn in FY2009E.

Divis, which is net cash positive, had limited forex losses in FY2009E due to the small amount of ECB. Divis will have net cash per share of Rs38 at end of FY2009E, which we estimate will rise to Rs134 at end of FY2011E.

We like Piramal as it is the least affected by the slowdown in contract research as its Indian finished dosage and diagnostics business accounts for 55% of revenues. We estimate a 15% yoy sales growth in domestic finished dosage in FY2010E. We value this business at 16X forward earnings multiple. At our target price of Rs340, 65% of the value comes from domestic business implying Rs220. At the current price, the market is not according full value to Piramal's domestic business and is completely ignoring its pharma solutions business.

Divis Labs

- DLL share price suffered since its December results were below forecast and showed significant yoy decline. Investors have also been worried about the size of their auditors, low employee costs.
- We expected Divis to be supplier to Mylan from launch in November. Management informed us that generic Keppra sales were not material in 3QFY09. While the company did not clarify the reasons for low sales in 3QFY09, it mentioned that it is a supplier of API to several companies that received approval for generic Keppra in US in January. We forecast revenues of US$28 mn from this product in FY2010E.
- Divis management says it did not see any delay in delivery taking but order flow did slow down in the past quarter. We think this slowdown could persist in 2009. Expense control will be a key measure by innovators as the company battles patent expiry and slowing sales growth in developed countries.
- We estimate dollar sales growth of 9% in FY2010E driven by (1) 22% dollar sales growth in generics driven primarily by generic Keppra. (US$28 mn from this product in FY2010E) (2) we factor in 8% decline in custom research revenues in dollar terms in FY2010E.
- We forecast adjusted EBITDA margins at 45% for FY2009E (FY2008 margins at 42%) and 40% for FY2010-11E. FY2009E margins, the highest ever for Divis, were driven by (1) changes in dollar rate charged to clients following Rupee appreciation in 2HFY08, (2) margin increase in generic segment and (3) disruption of API supplies from China. Due to a slowdown in sales from the high-margin segment of custom research, we forecast Divis margins will decline to around 40% in FY2010E from the high 45% seen in FY2009E.
- Adjusted for forex losses, we forecast PAT growth of 9% in FY2010E followed by 21% growth in FY2011E. We do not build in any further currency loss in FY2010E and include YTD currency loss seen till date in FY2009E PAT.
- Divis has a clean balance sheet and is a net cash positive company (net cash per share of Rs38 at end of FY2009E rising to Rs134 at end of FY2011E).
- We arrive at price target based on 15X forward earnings multiple for generics, 14X for custom research and 12X for carotenoids. The stock is trading at 12X FY2010E and at business share value of Rs1,312, the stock will trade at 14X FY2011E earnings. We add net cash of Rs134 to business share value of Rs1,312 to arrive at our target price of Rs1,450.

Piramal (PH)

- While management has maintained its guidance for FY2009, investors have been worried about growth of its CMO operations, particularly Pfizer's Morpeth operation.
- Management maintains FY2009E guidance: sales growth 16%, EBITDA margin (excl. forex losses) 20.5% and EPS of Rs21. We estimate FY2009E EPS at Rs14.8 versus company guidance of Rs21. Our forecast is lower than that of the management since we include forex related loss (Rs1 bn) in FY2009E PAT while the management does not. We estimate fx loss to reduce to Rs120 mn in FY2010E.

- PH Pharma solutions (CMG segment) revenues declined 7% qoq in 3QFY09. The dip in revenues was due to (1) clients cutting down on inventory levels and (2) lower funding availability to small biotech (60% of revenues from the Canadian site come from biotech which is 7% of pharma solutions revenues). PH expects CMG revenues from international assets to decline yoy as more work is transferred to its Indian facilities. We forecast revenues from Indian assets to grow at 30% yoy in dollar terms in FY2010-11E and revenues from Morpeth to decline 10% yoy in FY2010-11E.
- PH reported a significant jump in debt levels as of December 2008 due to (1) acquisition of Khandelwal and Haemaccel, acquisition of pathology labs, Minrad (2) ongoing codeine phosphate project (3) loans provided to Minrad and associate company. The loan of Rs750 mn provided to Piramal Lifesciences has now been returned.
- The company had earlier guided towards moving back to 0.7X by March 2009 which was the FY2008 year-ending position. However, with the acquisitions (Rs3 bn spent YTD) PH debt/equity ratio has moved up to 1X and is expected at 1.2X at end of March 2009 according to our estimates. PH has a total debt of Rs12.7 bn currently which is expected to increase to Rs14.5 bn by March 2009 on account of Minrad acquisition ((US$40 mn) which has now been concluded.
- We estimate 11% growth in adjusted PAT before forex in FY2010E rising to 20% in FY2011E. We include Minrad acquisition in our FY2010E forecasts- sales of US$25 mn and EBITDA margin of 20% vs management guidance of sales of US$65 mn, 25% EBITDA margin.
- We arrive at price target based on 16X forward earnings multiple for domestic finished dosage, 10X for other three business segments of Pharma solutions, diagnostics and generics. Stock is trading at 8X FY2010E and at our target price, it will trade at 13X FY2011E earnings.

Biocon

- During FY2009, Biocon has been impacted by losses on forward contracts and addition of low margin German generic business of Axicorp.
- Biocon took a forward contract of around US$150 mn at Rs41.2-41.5 per dollar at the beginning of FY2009. It has now revised the contract to incorporate a wider US$/Rs band of Rs46-55 at a cost of Rs130 mn. The company expects to post a forex loss till March 2009. (YTD forex loss of Rs1 bn). The new contract means Biocon will get a minimum of Rs46 per dollar and a maximum of Rs55 per dollar. This would reduce forex related losses in FY2010E (Rs1.3 bn in FY2009E).
- We include forex loss (Rs1.3 bn) as part of other income in FY2009E estimates while Company reports it as exceptional item. For FY2010E, we estimate that Biocon's realization will be Rs50-51 based on existing forward cover situation. We have included a Rs370 mn loss on account of our currency forecast.
- We think our FY2010E estimates are conservative on EBITDA margin assumptions. This are mainly assumptions related to material and personnel costs. Due to the high volatility of oil prices that impact solvent prices, we have made conservative assumptions on material costs. We have increased employee costs as Biocon continues to add to its contract research capabilities. We expect EBITDA margins to remain around 24% in FY2010E.
- Adjusted for forex losses, we forecast PAT growth of 48% in FY2010E followed by 21% growth in FY2011E. The sharp jump in FY2010E is mainly due to higher Rupee realization.
- Biocon has a clean balance sheet and had a net cash position at end of December 2008. We think Biocon will have net cash of Rs2 per share by end of FY2010E rising to Rs15 by end FY2011E. We have not included any income from out-licensing its innovative research.

- We arrive at price target based on 10X forward earnings multiple for contract research and statin segment while we use 12X for its biopharmaceutical business and German business. The stock is trading at 7X FY2010E and at the target price, will trade at 11X FY2011E. We believe the re-rating will get underway once the market begins sees the benefits of recent Rupee depreciation in Biocon's income statement. This, in our opinion, will be after Biocon's FY2009 results when Biocon will likely provide clarity on its currency hedging status.

Dishman

- During FY2009, Dishman's share price has been impacted by MTM losses on debt, large size of debt and slowdown in order as innovator reduced inventory levels at their end. The stock suffered after announcing a sharp decline in profits for September '08 and did not recover despite a good performance in December '08.
- Dishman's September results were impacted by two factors. (1) CRAMS business was 70% of revenues down from 74-77%. Higher share of lower margin marketable molecules lowered EBITDA margin. (2) There were MTM loss of Rs300 mn due to foreign currency denominated debt. By December, CRAMS business share fell to 67% but profitability improved with strict expense control.
- We include MTM forex loss Rs570 mn in FY2009E estimates while for FY2010, we estimate that loss will narrow down to Rs100 mn.
- We expect slower business momentum for 1H2009. We expect a pick up in demand from 2H which will also drive margin expansion from 25% level to 27-28%. Dishman has reduced salaries by 13% for certain employees and is now working one day less per week in response to economic headwinds. It expects to add 100 more people when new oncology unit goes on stream in June '09 near Ahmedabad.
- We forecast EBITDA growth of 67% in FY2009 followed by 40% growth in FY2010. A part of this growth in FY2010 is due to higher Rupee realization. With stable Rupee in FY2011, we forecast 11% growth.
- Dishman had a net debt of Rs7bn at end of December '08. This is roughly equal to the net worth of the company. We expect the net-debt-to-equity ratio to gradually fall to 90% by end of FY2011.
- We arrive at price target based on a 10X forward earnings multiple for both CRAMS and the marketable molecules business. The stock is trading at 4X FY2010E and at the target price it will trade at 10X FY2011E. We believe the re-rating will get underway once the market gets convinced that decline in outsourcing demand in a temporary issue. However, due to reorganization at Dishman's key client –Solvay – the March '09 results will be impacted. Thus, a rally in Dishman can start only in 2H2009.

Jubilant Organosys

- During FY2009, Jubilant share price has been impacted by MTM losses on debt, large size of debt following Draxis acquisition, delay in approval of a key product for Draxis in US market. Servicing and repayment of US$253 mn FCCB debt has been the biggest reason for investors to avoid the stock.
- Jubilant's December results were disappointing on the sales and EBITDA front. Pharma and life science segment (PLSPS) which includes CRAMS (67% of sales) reported EBITDA margin of 26% (stable qoq), industrial chemicals business saw EBITDA margins decline to 6% due to high input costs due to earlier inventories and lower sales realization on account of drop in prices.
- We include MTM forex loss Rs4653 mn in FY2009E estimates while for FY2010, we estimate that loss will narrow down to Rs200 mn.
- We expect slower business momentum for 1H2009. We expect a pick up in demand from 2H. We expect EBITDA margin to remain flat near 18% yoy. We expect Jubilant to return to profitability as MTM losses fall sharply.

- We forecast EBITDA growth of 22% in FY2010 followed by 20% growth in FY2010. Our model has built in revenues from generic Sestamibi in US in FY2010. The management mentioned recently that the approval is imminent as there are no pending queries from US FDA.
- Jubilant had a net debt of Rs33 bn at end of December08 while its net worth was Rs12 bn. We expect net debt to gradually fall to Rs31 bn by end of FY2011.
- Increase in debt in FY2009E is due to the acquisition of Draxis and accumulation of cash & cash equivalents of Rs6290 m. Repayment of foreign currency borrowings amounting to US$390 mn is over a period of seven years with an average interest rate of less than 4% p.a. Repayment of Rupee borrowings amounting to US$160 mn is over a period of five years with an average interest rate of less than 12% p.a.
- Jubilant has bought back FCCBs amounting to US$59.4 mn. Jubilant's outstanding FCCBs are US$193.6 mn. Total cumulative gain, on purchase of FCCBs till date including YTM is US$ 24.7 mn.
- We arrive at a price target based on 11.5X forward earnings multiple for CMO and 10X for dosage forms and CRO business. Industrial chemicals business gets valued at 6x. Stock is currently trading at 4X FY2010E reflecting market's concern about Jubilant's ability to repay debt on time.
- At the target price, Jubilant will trade at 11X FY2011E. We believe the re-rating will get underway once the market gets convinced that Jubilant can survive beyond the current downturn in the economy and service its debt and repay on time. If Jubilant sells some of its small businesses in the industrial chemicals segment or in the hospital chain it plans to set up in North India, investor sentiment will be impacted positively. We think approval of generic sestimibi in US can lead to a trading rally.

Key calls

	Price		Target price	Earlier target price	Revised EPS (INR)		Previous EPS (INR)		P/E (X)	
	(INR)	Rating	(INR)	(INR)	FY2010E	FY2011E	FY2010E	FY2011E	FY2010E	FY2011E
Biocon	115	BUY	235	230	16.0	20.8	14.5	17.3	7.2	5.5
Dishman	95	BUY	280	250	24.8	28.0	15.4	26.4	3.8	3.4
Divis Laboratories	897	BUY	1,450	1,300	75.1	91.1	72.2	88.5	12.0	9.9
Jubilant Organosys	87	BUY	300	300	21.7	27.6	21.7	28.5	4.0	3.2
Piramal Healthcare	182	BUY	340	340	22.1	26.4	20.9	24.4	8.2	6.9

Biocon, Forecasts and valuation, March fiscal year-ends, 2007-2011E

	Total Revenue		EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs)	(%)	(%)	(X)
2007	9,857	24.9	2,834	23.3	2,002	15.1	10.3	19.3	20.5	11.2
2008	10,538	6.9	2,986	5.4	4,639	131.7	23.3	13.7	17.6	5.0
2009E	16,000	51.8	3,327	11.4	1,112	NM	5.6	12.0	7.3	20.7
2010E	23,041	44.0	4,469	34.3	3,191	187.0	16.0	15.7	18.8	7.2
2011E	26,854	16.5	5,767	29.0	4,170	30.7	20.8	18.9	21.1	5.5

Source: Company, Kotak Institutional Equities estimates.

Dishman, Forecasts and valuation, March fiscal year-ends, 2007-2011E

	Net Revenue		EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs)	(%)	(%)	(X)
2007	5,786	108.5	1,151	77.6	917	80.4	11.3	12.7	36.2	8.4
2008	8,031	38.8	1,529	32.8	1,197	30.5	14.7	10.0	26.8	6.4
2009E	10,558	31.5	2,558	67.3	925	(22.7)	11.4	14.0	15.1	8.3
2010E	13,169	24.7	3,581	40.0	2,016	118.0	24.8	17.7	27.1	3.8
2011E	15,956	21.2	3,960	10.6	2,279	13.0	28.0	18.0	24.3	3.4

Source: Company data, Kotak Institutional Equities.

Divis, Forecasts and valuation, March fiscal year-ends, 2007-2011E

	Net Revenue		EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs)	(%)	(%)	(X)
2007	7,273	89.1	2,414	103.0	1,859	167.3	28.6	37.1	42.5	31.3
2008	10,365	42.5	4,133	71.2	3,476	87.0	53.2	46.1	49.8	16.9
2009E	11,719	13.1	4,984	20.6	4,257	22.5	65.2	39.5	40.3	13.8
2010E	14,791	26.2	5,957	19.5	4,903	15.2	75.1	34.3	33.3	12.0
2011E	18,108	22.4	7,184	20.6	5,948	21.3	91.1	31.5	30.3	9.9

Source: Company, Kotak Institutional Equities estimates.

Jubilant, Forecasts and valuation, March fiscal year-ends, 2007-2011E

	Net Revenue		EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs)	(%)	(%)	(X)
2007	18,097	20.7	2,567	18.3	2,280	75.8	13.0	9.5	26.3	6.7
2008	24,889	37.5	4,507	75.6	4,005	75.7	22.4	11.7	37.0	3.9
2009E	36,372	46.1	6,510	44.4	(991)	NM	(5.5)	11.4	NM	NM
2010E	44,008	21.0	7,934	21.9	3,883	NM	21.7	11.8	30.4	4.0
2011E	52,035	18.2	9,524	20.0	4,939	27.2	27.6	14.6	29.6	3.2

Source: Company data, Kotak Institutional Equities.

Piramal Healthcare, Forecasts and valuation, March fiscal year-ends, 2007-2011E

	Net sales		EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs)	(%)	(%)	(X)
2007	24,198	52.9	3,313	67.6	2,181	85.0	10.6	16.4	20.8	17.1
2008	28,453	17.6	5,142	55.2	3,369	54.5	17.7	23.7	30.9	10.3
2009E	33,199	16.7	5,582	8.6	2,970	(11.9)	14.8	19.1	24.9	12.3
2010E	38,308	15.4	7,900	41.5	4,500	51.5	22.1	22.7	31.4	8.2
2011E	43,949	14.7	9,383	18.8	5,519	22.6	26.4	25.1	29.6	6.9

Source: Company, Kotak Institutional Equities estimates.

Media

Sector coverage view			Attractive

		Price, Rs	
Company	**Rating**	**18-Mar**	**Target**
ZEEL	BUY	98	145
Zee News	BUY	30	38
HTML	BUY	48	115
Sun TV	BUY	170	215
Dish TV	REDUCE	24	22
JAGP	BUY	52	75

New TRAI interconnection regulations a step in the right direction, for broadcasters and for distributors

Amit Kumar : amit.ckumar@kotak.com, +91-22-6749-3392

Sanjeev Prasad : sanjeev.prasad@kotak.com, +91-22-6634-1229

- **TRAI allows DTH operators to offer their services to commercial subscribers**
- **TRAI bars distributors from demanding carriage for channels they request under the 'must provide' clause**
- **Retain positive view on large broadcasters ZEEL (TP: Rs145) and ZEEN (TP: Rs38)**

We view the TRAI's revised interconnection regulations as positive for the media sector—(1) DTH operators are now allowed to offer their services to commercial subscribers and broadcasters are required to specify Reference Interconnect Offers (RIOs) for the same, (2) all distributors have been barred from charging carriage fees for channels they have requested under the 'must provide' clause of TRAI regulations, (3) broadcasters have been asked to frame RIOs for their bouquet of channels for all addressable systems and (4) broadcasters are now allowed to review/audit the subscriber management systems of all distributors (addressable) on a periodic basis, which promotes transparency in the system. The regulations are beneficial to broadcasters with (1) improved subscription revenue on account of commercial subscribers and new addressable platforms (HITS, IPTV) and (2) reduced pressure for payment of carriage fees. We retain our positive view on large broadcasters—ZEEL (TP: Rs145), Sun TV (TP: Rs215) and ZEEN (TP: Rs38)—given (1) relatively better positioning of C&S TV during the ad revenue slow down, (2) likely consolidation among small players in the market and (3) strong growth in digital, addressable systems resulting in improved subscription revenues. Key concern is a weak ad revenue market in the near term and the resultant pressure on financials.

TRAI has revised its interconnection regulations to facilitate sharing of content between distributors (addressable platforms) and broadcasters in India. We view the amendments to TRAI's previous regulations as positive since they remove certain impediments to the growth of addressable services in India. We discuss the amendments in detail below.

- **Commercial subscribers.** TRAI has now allowed DTH operators to target commercial subscribers (hotels, inns, events and other similar establishments) in addition to residential users and directed the broadcasters to formulate a set of RIOs for the same. This is positive for both DTH operators and broadcasters given (1) they will be able to expand the scope of their offerings to new subscribers and (2) broadcasters will likely be able to charge higher rates and derive the benefit of 100% declaration by providing their channels to commercial subscribers through an addressable platform.
- **Carriage and placement fees.** TRAI has barred distributors (addressable platforms) from asking for signals from broadcasters under the 'must provide' clause and demanding carriage fees for carrying these channel on their distribution platform. We believe this will reduce the pressure for payment of carriage fees on some broadcasters with niche but moderately popular channels. TRAI has allowed distributors to charge a placement fees for deciding the 'frequency' of the channel; however, we note that 'placement frequency' is only an issue in analog cable for placement into prime band (see Exhibit 1; limited ability of old TV sets to receive higher frequencies) and not on any digital platform. However, TRAI has decided against regulating carriage and placement fees at this stage.

- **Addressable systems other than DTH.** TRAI has directed broadcasters to finalize their RIOs for all addressable platforms other than DTH (for which regulations are already in place). This will be positive for the growth of HITS, IPTV and voluntary CAS, which have been plagued by the lack of clear guidelines for content procurement, and provide a level-playing field compared to DTH. Broadcasters will also benefit by the spread of digital, addressable systems and competition across multiple platforms. However, we are somewhat puzzled by TRAI's directive of allowing different RIOs for different addressable systems since they have essentially similar characteristics in terms of addressability.
- **Improved transparency.** TRAI has allowed broadcasters to review/audit the subscriber management systems (SMS) of distributors on a period basis (twice in a calendar year) to verify the amounts payable to the broadcasters as subscription revenue. TRAI has also notified penalties to be paid by the DTH operator (including late payment fees) in case discrepancies are found in its payments due to the broadcasters. Also, TRAI has mandated all agreements between broadcasters and distributors in written form. We believe these steps promote transparency in a segment that has been largely unorganized in the past. We highlight the ongoing dispute between ZEEL and Reliance Big TV in determining the number of paid subscribers for ZEEL bouquet as a case in point.

Concerns on ad revenue slowdown on C&S TV likely overdone. We believe C&S TV ad revenue market is relatively insulated from the slowdown in the economy (compared to print and outdoor, the other large media platforms). We recently met a couple of media buyers (see Exhibit 2) and highlight the strengths of C&S TV in weathering a challenging FY2010E.

- C&S broadcasting has the highest reach among all the media platforms (see Exhibit 3) and yet, it is the most cost effective medium on a CPT (cost per thousand viewers) basis.
- People tend to spend more time at home versus outdoors during a slowdown, which will likely increase time spent watching C&S TV at home. According to the Nielsen Global Consumer Confidence Survey, 44 per cent Indian respondents said that they would cut down on out-of-home entertainment during the economic slowdown.
- Ad spending on C&S TV will be support by stable sectors such as FMCG and Telecom and emerging ones like Insurance and Entertainment (see Exhibit 4).
- Regional language channels will grow faster that the industry given their cost-effective ad rates and ability to deliver focused reach.

Strong case for consolidation in the C&S TV market. The Hindi GE market is the largest ad revenue segment on Indian C&S TV but is struggling to support the new channel launches in the last 12 months. We see a number of Hindi GE channels (9X, Sahara One and SAB TV) operating at 30–50 GRPs in 4QFY09 versus 4QFY07 (see Exhibit 5) when Star One and SAB TV (flanking channels supported by the content library of STAR and SET networks) operated at 60–70 GRPs. We do not believe these ratings are good enough to support the large costs (content, marketing and distribution) required for running a Hindi GE channel (see Exhibit 6). Thus we believe the market is ripe for consolidation; a weak ad revenue market in 2HFY09E-FY2010E will put further pressure on the financials of these players. Other C&S TV segments such as Hindi news are also prime candidates for consolidation given excessive fragmentation and a rising cost base (notably distribution costs).

Frequency requirements of TV sets for more channels (KHz)

Bandwidth description	Frequency range (KHz) From	To	Number of channels
Low band (Prime band)	54	88	6
High band (Prime band)	174	216	7
Ultra High band	470	806	57

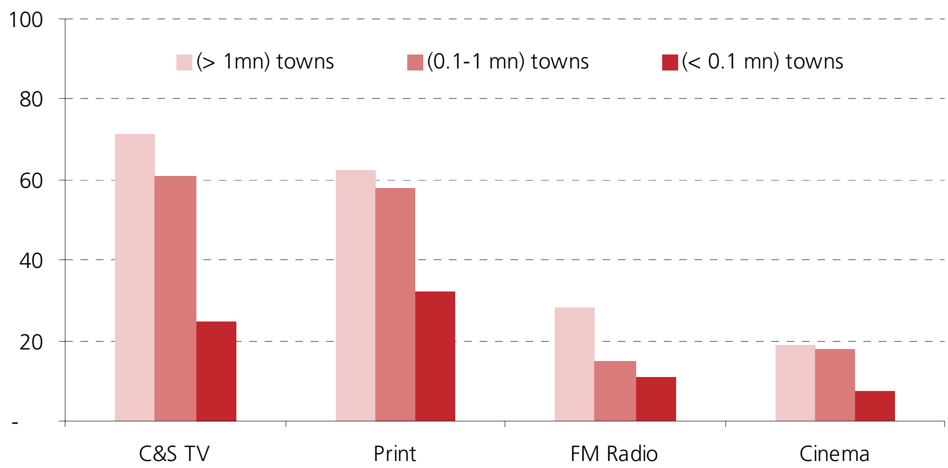
Source: Scatmag, compiled by Kotak Institutional Equities

Indian media industry growth estimates of various media buyers, FY2010E (%)

		FY2010E growth (%)	
	Share (%)	Mediaedge-GroupM	Madison-Mediacom
Industry		**3-9%**	**2-3%**
Television	**40-41%**	**in line with the industry**	**ahead of the industry (6-7%)**
Print	45-46%	flat to negative growth	flat to negative growth
Outdoor	6-7%	flat to negative growth	negative growth (-20%)
Radio	2-3%	strong growth from low base	ahead of the industry (15%)
Internet	2-3%	strong growth from low base	ahead of the industry (25%)

Source: Industry, compiled by Kotak Institutional Equities

Media reach across various categories of towns, calender-year end, 2008 (%)



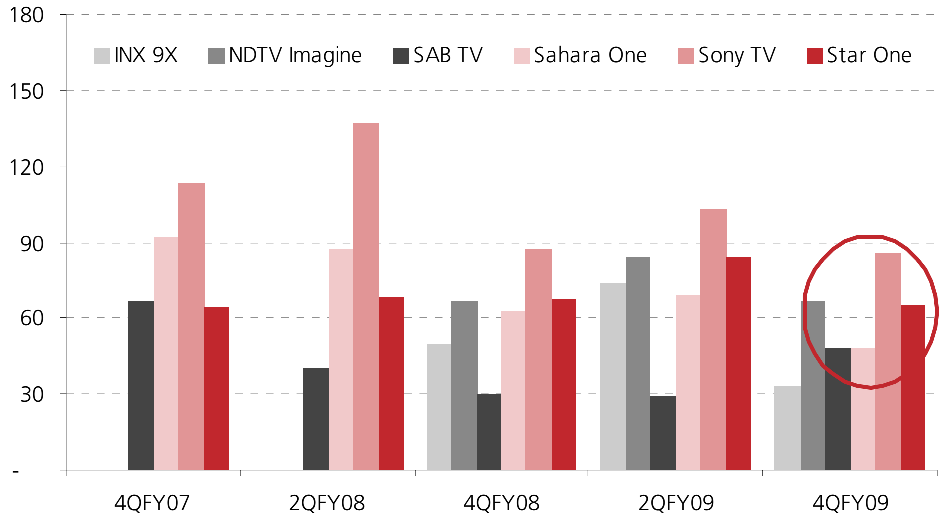
Source: Indian Readership Survey Round 2 2008, compiled by Kotak Institutional Equities

Share and expected growth of various ad categories, FY2009E-2010E (%)

Category	Share (%)	Expected growth (%)	Impact
FMCG	26	ahead of the industry	Television
Education	12	ahead of the industry	Print
Telecom	8	ahead of the industry	Television
Autos	7	negative growth	Print
BFSI	6	flat to negative growth	Print/Television
Real Estate	4	negative growth	Print
Durables	4	in line with industry	Print/Television
Entertainment	4	ahead of the industry	Print/Television

Source: Industry, compiled by Kotak Institutional Equities

Quarterly average GRPs of second-tier Hindi general entertainment channels



Source: TAM Media Research, compiled by Kotak Institutional Equities

Key financials of NDTV, consolidated and standalone (Rs mn)

	NDTV consolidated			NDTV standalone			NDTV "rest" (Imagine)		
	3QFY09	2QFY09	1QFY09	3QFY09	2QFY09	1QFY09	3QFY09	2QFY09	1QFY09
Revenues	**1,203**	**1,194**	**1,222**	**739**	**697**	**905**	**464**	**497**	**317**
Production expenses	702	699	640	149	134	163	554	564	477
Personal expenses	527	488	454	287	276	285	240	213	169
Distribution expenses	580	572	741	211	214	217	369	358	524
Administrative expenses	429	354	416	195	174	199	234	180	217
EBITDA	**(1,035)**	**(919)**	**(1,029)**	**(102)**	**(101)**	**43**	**(933)**	**(818)**	**(1,071)**

Source: Company data, compiled by Kotak Institutional Equities

Consolidated financial summary of ZEEL, March fiscal year-ends, 2007-2012E (Rs mn)

	2007	2008	2009E	2010E	2011E	2012E
Profit model (Rs mn)						
Total revenues	**15,159**	**18,354**	**22,047**	**24,624**	**27,260**	**30,106**
EBITDA	**3,204**	**5,423**	**5,422**	**5,914**	**7,148**	**8,241**
Other income	747	1,138	1,196	1,029	1,027	1,024
Interest	(334)	(516)	(1,046)	(472)	(332)	193—
Depreciation	(185)	(232)	(304)	(368)	(383)	(403)
Amortization	—	—	—	—	—	—
Pretax profits	**3,432**	**5,813**	**5,269**	**6,103**	**7,459**	**8,669**
Extraordinary items	—	(26)	1,391	—	—	—
Tax	(926)	(1,794)	(1,624)	(1,968)	(2,461)	(2,938)
Deferred tax	(76)	168	(15)	(6)	(3)	0
Minority interest	(58)	(328)	(62)	(71)	(183)	(206)
Net income	**2,373**	**3,833**	**4,960**	**4,058**	**4,812**	**5,525**
Recurring net income	**2,373**	**3,859**	**3,568**	**4,058**	**4,812**	**5,525**
Earnings per share (Rs)	**5.5**	**8.9**	**8.2**	**9.3**	**11.1**	**12.7**
Balance sheet (Rs mn)						
Total equity	26,181	28,611	32,402	34,785	37,161	39,743
Deferred tax balance	(75)	(243)	(229)	(223)	(220)	(220)
Minority interest	819	1,117	1,179	1,250	1,433	1,639
Total borrowings	3,226	3,866	5,366	4,132	2,255—	1,255—
Currrent liabilities	5,106	6,279	7,428	8,151	8,477	8,913
Total capital	**35,256**	**39,629**	**46,147**	**48,095**	**49,106**	**51,330**
Cash	955	1,652	753	1,493	710	1,402
Current assets	17,133	19,856	22,545	23,795	25,624	27,183
Net fixed assets	14,841	15,605	16,102	16,059	16,026	15,998
Investments	2,326	2,515	6,747	6,747	6,747	6,747
Deferred expenditure	2	—	—	—	—	—
Total assets	**35,256**	**39,629**	**46,147**	**48,095**	**49,106**	**51,330**
Free cash flow (Rs mn)						
Operating cash flow, excl. working capital	1,812	3,898	4,244	3,574	4,454	5,210
Working capital	(486)	(1,622)	(1,539)	(528)	(1,502)	(1,124)
Capital expenditure	(460)	(1,019)	(800)	(325)	(350)	(375)
Investments	(4,289)	(1,511)	(4,232)	—	—	—
Other income	469	876	1,196	1,029	1,027	1,024
Free cash flow	**(2,954)**	**622**	**(1,131)**	**3,750**	**3,629**	**4,736**
Revenue model (Rs mn)						
Advertising revenues	7,035	9,307	10,907	11,646	12,745	14,204
Subscription-domestic	3,113	3,460	4,481	5,673	6,843	7,951
Subscription-overseas	3,933	3,946	4,596	5,052	5,291	5,434
Others	1,078	1,640	2,064	2,253	2,381	2,517
Total revenues	**15,159**	**18,354**	**22,047**	**24,624**	**27,260**	**30,106**

Source: Kotak Institutional Equities estimates

Consolidated profit model, balance sheet and cash model of Zee News, March fiscal year-ends, 2007-2013E (Rs mn)

	2007	2008	2009E	2010E	2011E	2012E	2013E
Profit model (Rs mn)							
Net sales	2,405	3,675	5,231	6,678	7,973	9,510	10,876
EBITDA	**77**	**678**	**903**	**1,093**	**1,328**	**1,746**	**2,103**
Interest income	131	14	34	37	26	24	23
Interest expense	(51)	(5)	(116)	(226)	(265)	(298)	(314)
Depreciation	(52)	(85)	(91)	(123)	(142)	(158)	(178)
Pretax profits	**104**	**601**	**729**	**781**	**947**	**1,314**	**1,633**
Tax-cash	(53)	(247)	(246)	(274)	(353)	(480)	(607)
Tax-deferred	7	15	(22)	(12)	(4)	(1)	2
Minority interest	16	2	(1)	(4)	(4)	(6)	(7)
Net profits after minority interests	**75**	**371**	**460**	**492**	**586**	**827**	**1,021**
Earnings per share (Rs)	**0.3**	**1.5**	**1.9**	**2.1**	**2.4**	**3.4**	**4.3**
Balance sheet (Rs mn)							
Total equity	1,813	2,071	2,419	2,771	3,160	3,734	4,446
Deferred Tax	1	(18)	3	15	19	20	18
Minority interest	36	51	52	56	60	66	73
Total borrowings	13	117	1,717	2,117	2,417	2,717	2,717
Currrent liabilities	973	1,407	1,678	1,872	2,137	2,417	2,669
Total capital	**2,835**	**3,628**	**5,870**	**6,830**	**7,793**	**8,954**	**9,924**
Cash	41	39	451	214	99	107	5
Current assets	1,501	2,013	2,791	3,511	4,190	4,969	5,657
Total fixed assets	808	812	971	1,048	1,056	1,098	1,145
Investments	484	764	1,657	2,058	2,448	2,781	3,117
Total assets	**2,835**	**3,628**	**5,870**	**6,830**	**7,793**	**8,954**	**9,924**
Free cash flow (Rs mn)							
Operating cash flow, excl. working capital	7	555	541	593	710	968	1,181
Working capital	(273)	(306)	(508)	(526)	(414)	(499)	(436)
Capital expenditure	(300)	(96)	(250)	(200)	(150)	(200)	(225)
Investments	964	(279)	(893)	(401)	(390)	(333)	(336)
Other income	122	—	34	37	26	24	23
Free cash flow	**(566)**	**154**	**(217)**	**(133)**	**146**	**269**	**521**
Ratios (%)							
Debt/equity	1	6	71	76	76	73	61
Net debt/equity	(2)	4	52	69	73	70	61
RoAE	8.2	19.2	20.5	18.9	19.6	23.9	24.8
RoACE	**1.5**	**18.2**	**16.3**	**13.6**	**14.1**	**16.7**	**17.8**

Source: Kotak Institutional Equities estimates

Consolidated profit model, balance sheet, cash model of SunTV Network, March fiscal year-ends, 2006-2012E (Rs mn)

	2006	2007	2008	2009E	2010E	2011E	2012E
Profit model (Rs mn)							
Net sales	3,219	6,780	8,699	10,793	13,274	15,265	17,370
EBITDA	**2,035**	**3,874**	**5,261**	**6,066**	**7,334**	**8,446**	**9,522**
Other income	172	411	556	527	513	498	548
Interest (expense)/income	(65)	(64)	(159)	(144)	(106)	(104)	(52)
Depreciation	(147)	(294)	(377)	(623)	(808)	(776)	(753)
Amortization	—	(56)	(148)	(235)	(235)	(235)	(195)
Pretax profits	**1,995**	**3,871**	**5,133**	**5,592**	**6,698**	**7,830**	**9,069**
Tax-cash	(709)	(1,509)	(1,947)	(2,093)	(2,249)	(2,650)	(3,076)
Tax-deferred	16	108	(67)	(125)	(37)	(22)	(17)
Minority interest	—	(9)	148	214	90	26	(31)
Net profits after minority interests	**1,302**	**2,461**	**3,267**	**3,660**	**4,501**	**5,184**	**5,945**
Earnings per share (Rs)	**5.3**	**6.3**	**8.3**	**9.3**	**11.4**	**13.2**	**15.1**
Balance sheet (Rs mn)							
Total equity	3,071	11,932	14,485	16,428	18,162	19,658	20,993
Deferred Tax	32	(56)	11	137	174	196	213
Total borrowings	2,333	867	695	50	—	—	—
Currrent liabilities	741	1,693	2,516	2,659	2,838	2,965	3,097
Total capital	**6,209**	**14,478**	**18,311**	**19,664**	**21,475**	**23,094**	**24,609**
Cash	732	6,494	4,297	3,246	4,015	4,675	5,267
Current assets	2,440	3,221	4,542	6,515	7,961	9,241	10,413
Total fixed assets	2,830	3,543	5,048	5,675	5,467	5,340	5,287
Intangible assets	206	1,220	2,620	2,425	2,229	2,034	1,839
Total assets	**6,209**	**14,478**	**18,311**	**19,664**	**21,475**	**23,094**	**24,609**
Free cash flow (Rs mn)							
Operating cash flow, excl. working capital	1,722	3,239	4,091	4,958	6,177	7,188	8,187
Working capital	(251)	(1,992)	(1,235)	(1,829)	(1,267)	(1,154)	(1,039)
Capital expenditure	(2,091)	(433)	(1,811)	(1,250)	(600)	(650)	(700)
Investments	(326)	(849)	(3,837)	(929)	(1,198)	(1,495)	(1,792)
Other income	80	402	523	527	513	498	548
Free cash flow	**(619)**	**814**	**1,046**	**1,878**	**4,310**	**5,384**	**6,448**
Ratios (%)							
Debt/equity	76.0	7.3	4.8	—	—	—	—
Net debt/equity	52.1	(47.2)	(24.9)	(19.5)	(22.1)	(23.8)	(25.1)
RoAE	36.1	32.9	24.8	23.6	25.8	27.2	29.0
RoACE	**26.6**	**26.8**	**24.2**	**24.0**	**26.8**	**28.3**	**30.0**

Source: Kotak Institutional Equities estimates

Cement

Sector coverage view	Cautious

		Price, Rs	
Company	Rating	18-Mar	Target
Gujarat Ambuj	REDUCE	65	60
ACC	REDUCE	549	550
Grasim	ADD	1,470	1,400
India Cements	ADD	95	130
UltraTech Cem	ADD	464	550
Shree Cement	BUY	608	850

Higher prices and resilient despatch growth yields marginal outperformance

Aman Batra : aman.batra@kotak.com, +91-22-6634-1231

Murtuza Arsiwalla : murtuza.arsiwalla@kotak.com, +91-22-66341-125

- **Despatch growth at 9.1% yoy in February 2009, despite a high base**
- **Cement prices increase by Rs3/bag, led by a sharp increase in Uttar Pradesh**
- **Cement stocks marginally outperform the markets, recommend reducing exposure to ACC and Ambuja**

Despatch growth of 9.1% yoy in February 2009'growth remains resilient. Cement despatch growth stabilised in February 2009 to 9.1% yoy (compared to 8.8% yoy growth in January 2009 and 12.7% in December 2008). The despatch growth is more significant given the high base of 13.3% growth during the same period last year and one lesser production day in February this year. Our interaction with cement manufacturers and dealers suggests that demand growth from rural and semi-urban sector remains healthy, which makes us wary due to the 2.2% yoy decline in farm output reported for 3QFY09. The revival of launches/re-launches of residential projects by real estate players will likely help sustain consumption growth at our estimate of 7% for FY2010E.

Strong despatch growth for Ambuja (+13% yoy in February 2009) helped improve YTD growth to 4.8%. India Cements continues to disappoint (-7.8% yoy in February 2009) as production growth is plagued by delay in commissioning of new capacities and temporary shut-down of extant capacities. Despatch growth for Shree Cements has moderated (+12% yoy in February 2009) as the benefit of expanded capacities subsides on an increasing base. Jaiprakash (+12.9% yoy in February 2009) will likely continue to report strong volume growth and recently commissioned capacities ramp-up production and new capacities continue to come on stream.

Cement prices increase to Rs235/bag—sharp increase in Uttar Pradesh. All India average cement prices during February 2009 increased to Rs235/bag (Rs232/bag in January 2009). The reversal of price decline (Rs6/bag from December '08 to January '09), essentially means that cement manufacturers have retained the entire benefit of 4% cut in CENVAT that was announced in December 2008. Prices in South remained unchanged, while all of the other regions saw a price increase of Rs3-5/bag, led by Central, which saw a price increase of Rs13/bag. In our view, 4QFY09 earnings will likely be boosted by the near-term firmness in realizations as well as receding cost-side pressures.

In our view, the near-term firmness in the price trend will likely reverse itself as the recently commissioned capacities likely ramp-up production and new capacities continue to come on stream. We currently assume a 3-5% decline in prices during FY2010E in our financial projections.

Cement stocks marginally ahead of markets, stocks with reasonable valuations significantly outperform. Shree Cement (+11.8% mom) and Ultratech (+10.5% mom) showed strong absolute performance versus 0.4% mom decline in the BSE Sensex. The strong outperformance is reflective of valuation gap between these companies as compared to Ambuja (-6.7% mom) and ACC (-2.3% mom), which were trading at richer valuations. We have since revised our rating on Ultratech to ADD though we continue to maintain our BUY rating on Shree Cements.

We recommend accumulating companies—(1) which are trading at large discount to their replacement costs, (2) have reasonable volumes growth (which partially compensates for decline in realizations), and (3) have lower margin erosion through available cost-management levers. Cement stocks typically trade below replacement cost (currently at ~US$100/ton) during periods of declining margins (and prices). We recommend reducing exposure to cement players near or above replacement costs. ACC and Ambuja remain our top sell ideas in the sector.

Exhibit 1: Despatch growth resilient at 9.1% yoy

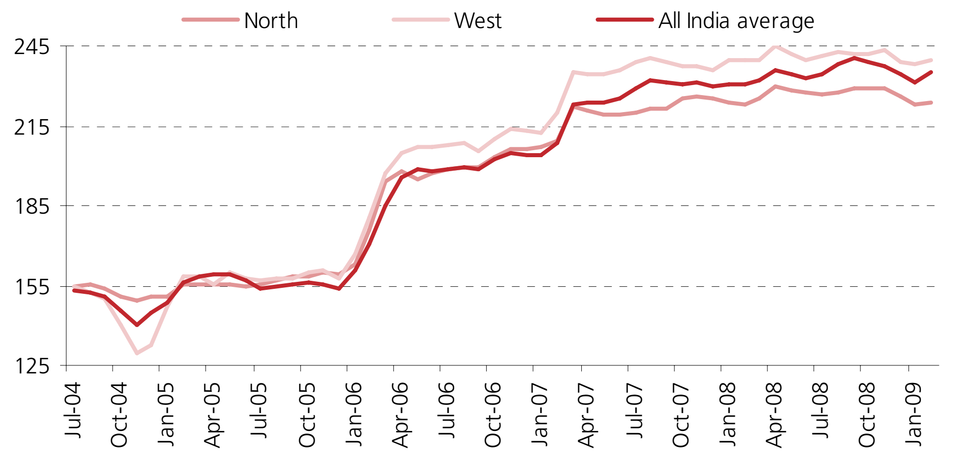
Cement despatch growth rate for major companies

	Feb-09	Growth (%)	
	(mn tons)	y-o-y	YTD
ACC	1.72	2.8	4.8
Ambuja Cement	1.65	13.0	4.8
UltraTech	1.44	7.8	4.9
Grasim Industries	1.46	11.9	4.1
Shree Cement	0.74	14.0	23.9
India Cements	0.75	(7.8)	(0.6)
Madras Cements	0.50	5.2	12.5
Jaiprakash	0.69	12.9	13.2
Industry	**16.1**	**9.1**	**8.2**

Source: CMA, Kotak Institutional Equities

Exhibit 2: All India average at Rs235/bag

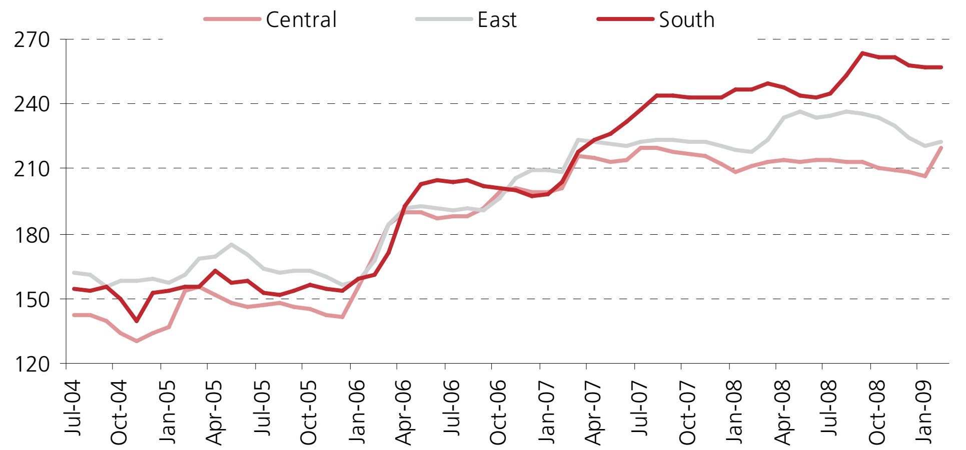
Regional cement prices (Rs per 50 kg bag)



Source: CMA, Kotak Institutional Equities

Exhibit 3: Sharp increase in Uttar Pradesh leads to Rs13/bag increase in Central

Regional cement prices (Rs per 50 kg bag)



Source: CMA, Kotak Institutional Equities

Exhibit 4: Cement comparative valuation

Company	Market cap. (US$ mn)	CMP (Rs) 18-Mar	Target price (Rs)	Rating	EPS (Rs) 2008	2009E	2010E	2011E	P/E (X) 2008	2009E	2010E	2011E
ACC	2,018	549	550	REDUCE	64.1	56.0	44.4	37.7	8.6	9.8	12.4	14.5
Ambuja Cements	1,918	65	60	REDUCE	7.6	7.6	5.8	4.6	8.5	8.5	11.2	13.9
Grasim Industries	2,629	1,470	1,400	ADD	284.6	221.6	171.9	170.2	5.2	6.6	8.6	8.6
India Cements	523	95	130	ADD	24.5	18.8	19.8	17.5	3.9	5.1	4.8	5.4
Jaiprakash Associates	2,165	79	105	BUY	4.9	5.3	7.1	10.8	16.2	14.9	11.1	7.4
Shree Cement	413	608	850	BUY	90.2	129.9	72.5	75.5	6.7	4.7	8.4	8.1
UltraTech Cement	1,134	464	550	ADD	81.4	71.4	62.3	42.1	5.7	6.5	7.5	11.0

Company	EV/EBITDA (X) 2008	2009E	2010E	2011E	EV/ton of production (US$) 2008	2009E	2010E	2011E	EV/ton of capacity (US$) 2008	2009E	2010E	2011E
ACC	4.4	4.2	5.7	6.5	88	79	84	81	83.2	76.1	82.2	71.9
Ambuja Cements	3.9	4.2	5.2	6.6	100	92	92	95	91.2	83.1	83.0	79.3
Grasim Industries	3.7	4.5	4.9	4.7	NA	NA	NA	NA	NA	NA	NA	NA
India Cements	3.6	3.8	3.4	3.6	86	87	72	65	89.0	81.2	61.4	60.7
Jaiprakash Associates	10.3	10.0	8.5	8.6	NA	NA	NA	NA	NA	NA	NA	NA
Shree Cement	2.5	2.5	3.2	2.9	71	53	49	38	65.7	48.5	41.4	34.4
UltraTech Cement	4.1	4.5	4.4	5.4	85	85	70	58	85.5	77.9	58.8	55.5

Source: Company reports, Kotak Institutional Equities estimates

Exhibit 5: Cement companies marginally ahead of the markets over the last month
Absolute and relative performance of cement companies under coverage (%)

	Change (%) 1-mo	3-mo	6-mo	1-year	CYTD	Relative change (%) 1-mo	3-mo	6-mo	1-year
Ambuja Cements	(6.8)	(9.3)	(24.0)	(47.0)	(7.8)	(6.1)	1.7	8.9	(4.9)
ACC	0.2	10.5	(9.6)	(29.4)	14.2	1.0	19.5	19.4	7.6
Grasim Industries	6.9	19.5	(23.4)	(43.3)	20.5	7.6	27.6	9.3	(2.3)
UltraTech Cement	10.8	28.9	(17.6)	(8.7)	20.4	11.4	36.0	13.6	22.4
India Cements	(8.0)	(8.3)	(26.5)	(44.0)	(2.6)	(7.2)	2.5	7.1	(2.8)
Shree Cement	10.9	22.5	10.1	(38.0)	32.2	11.5	30.2	33.9	1.5
Cement	**1.6**	**8.9**	**(18.9)**	**(41.0)**	**10.4**	**2.3**	**18.0**	**12.6**	**(0.6)**

Source: Bloomberg, Kotak Institutional Equities

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	18-Mar-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Automobiles																													
Bajaj Auto	578	REDUCE	83,569	1,629	145	52.2	50.7	61.5	(58.9)	(2.9)	21.4	11.1	11.4	9.4	6.8	6.6	5.3	5.2	4.2	3.3	3.5	3.5	3.5	21.0	41.0	39.4	615	6.5	1.3
Hero Honda	998	ADD	199,281	3,885	200	48.5	62.6	79.1	12.8	29.1	26.4	20.6	15.9	12.6	11.3	8.8	6.9	6.4	5.1	4.0	1.9	2.0	2.0	34.0	35.9	35.7	950	(4.8)	9.3
Mahindra & Mahindra	364	ADD	93,846	1,830	258	38.1	18.6	31.3	(2.0)	(51.2)	68.4	9.6	19.6	11.6	7.3	13.0	8.6	2.1	1.9	1.6	3.0	2.5	2.6	27.8	10.8	15.1	330	(9.2)	6.7
Maruti Suzuki	718	ADD	207,386	4,043	289	43.3	27.7	39.7	(0.6)	(36.1)	43.3	16.6	25.9	18.1	6.2	8.1	6.3	2.4	2.1	1.8	0.7	0.7	0.7	22.2	14.9	15.2	715	(0.4)	19.1
Tata Motors	176	SELL	98,155	1,914	556	36.5	18.5	19.0	(22.4)	(49.2)	2.7	4.8	9.5	9.3	3.9	9.1	6.7	1.1	0.6	0.7	5.9	—	—	24.7	9.1	7.3	120	(32.0)	9.5
Automobiles		**Cautious**	**682,237**	**13,302**					**(5.3)**	**(27.9)**	**27.7**	**11.5**	**15.9**	**12.4**	6.4	8.8	6.7	**2.6**	**2.0**	**1.7**	**2.5**	**1.6**	**1.6**	**22.4**	**12.6**	**13.7**			
Banks/Financial Institutions																													
Andhra Bank	42	ADD	20,200	394	485	11.9	12.4	10.8	7.0	4.9	(12.9)	3.5	3.3	3.8	—	—	—	0.7	0.6	0.6	9.6	7.5	6.5	18.0	17.4	13.6	75	80.1	0.3
Axis Bank	341	ADD	121,872	2,376	358	32.2	46.8	53.1	37.7	45.3	13.3	10.6	7.3	6.4	—	—	—	1.5	1.3	1.2	1.7	2.6	3.0	17.6	17.8	17.6	750	120.1	30.0
Bank of Baroda	208	ADD	75,957	1,481	366	39.3	52.0	50.5	39.8	32.4	(2.9)	5.3	4.0	4.1	—	—	—	0.9	0.7	0.7	3.8	5.1	4.9	14.6	16.3	14.2	330	58.8	5.3
Bank of India	196	ADD	103,211	2,012	526	40.6	54.1	49.9	76.6	33.1	(7.7)	4.8	3.6	3.9	—	—	—	1.3	1.0	0.9	2.0	2.9	2.7	27.6	28.2	21.1	330	68.2	10.3
Canara Bank	147	REDUCE	60,332	1,176	410	38.2	45.8	38.2	10.1	19.9	(16.6)	3.9	3.2	3.9	—	—	—	0.8	0.7	0.7	5.4	4.1	4.1	15.0	16.7	12.4	220	49.5	4.4
Corporation Bank	168	BUY	24,026	468	143	51.3	62.3	55.8	37.2	21.6	(10.4)	3.3	2.7	3.0	—	—	—	0.6	0.5	0.4	6.3	7.6	6.8	18.4	19.6	15.4	310	85.1	0.5
Federal Bank	131	BUY	22,414	437	171	34.4	31.7	31.6	0.5	(7.7)	(0.3)	3.8	4.1	4.1	—	—	—	0.6	0.5	0.5	3.1	4.5	4.5	13.6	13.1	11.8	280	113.7	1.2
Future Capital Holdings	97	BUY	6,133	120	63	(4.5)	4.5	28.8	(689.8)	(198.6)	546.1	(21.5)	21.8	3.4	—	—	—	0.8	0.8	0.7	—	—	—	(6.7)	3.8	21.4	440	353.6	0.4
HDFC	1,354	REDUCE	388,639	7,577	287	85.8	75.0	85.4	38.2	(12.6)	14.0	15.8	18.1	15.8	—	—	—	3.3	2.8	2.5	1.8	1.7	1.9	27.8	16.7	16.8	1,550	14.5	58.2
HDFC Bank	843	BUY	356,831	6,957	423	46.0	53.5	65.6	28.7	16.4	22.5	18.3	15.7	12.9	—	—	—	3.1	2.4	2.1	0.8	1.1	1.3	17.7	17.3	17.5	1,250	48.3	34.9
ICICI Bank	335	ADD	372,358	7,260	1,113	39.9	34.3	32.8	15.4	(14.0)	(4.5)	8.4	9.7	10.2	—	—	—	0.8	0.8	0.7	3.3	3.1	2.7	11.7	8.0	7.3	465	39.0	112.6
IDFC	52	ADD	67,368	1,313	1,294	5.7	6.0	6.3	3.0	5.3	5.9	9.2	8.7	8.2	—	—	—	1.2	1.1	1.0	2.3	2.0	2.1	17.6	13.2	12.7	75	44.1	11.5
India Infoline	51	ADD	14,614	285	287	5.6	4.9	4.3	85.6	(12.0)	(12.5)	9.1	10.3	11.8	—	—	—	1.2	1.2	1.1	2.3	5.5	4.9	20.7	11.5	9.8	60	18.0	3.3
Indian Bank	80	BUY	34,167	666	430	22.5	27.4	28.0	33.9	21.4	2.4	3.5	2.9	2.8	—	—	—	0.8	0.6	0.5	3.8	4.4	4.5	23.4	22.1	19.1	195	145.3	1.3
Indian Overseas Bank	43	BUY	23,617	460	545	22.1	26.5	21.7	19.2	20.1	(18.1)	2.0	1.6	2.0	—	—	—	0.5	0.4	0.3	8.6	9.5	8.6	27.2	26.4	18.0	120	176.8	1.1
J&K Bank	224	ADD	10,843	211	48	74.2	82.7	72.3	31.2	11.4	(12.6)	3.0	2.7	3.1	—	—	—	0.5	0.5	0.5	6.9	7.7	6.7	16.8	16.5	12.9	480	114.7	0.2
LIC Housing Finance	203	BUY	17,258	336	85	45.5	58.1	58.5	38.7	27.6	0.8	4.5	3.5	3.5	—	—	—	0.9	0.8	0.7	4.9	6.3	6.3	—	—	—	330	62.5	3.4
Mahindra & Mahindra Financial	216	SELL	20,585	401	95	20.8	18.5	22.6	32.6	(11.2)	22.0	10.4	11.7	9.6	—	—	—	1.6	1.5	1.3	2.1	2.1	2.6	16.9	12.8	14.2	190	(12.0)	0.1
Oriental Bank of Commerce	103	ADD	25,743	502	251	23.9	36.5	27.3	(27.6)	52.7	(25.0)	4.3	2.8	3.8	—	—	—	0.5	0.4	0.4	4.6	7.1	5.3	6.2	13.8	8.9	200	94.6	3.0
PFC	137	ADD	157,761	3,076	1,148	11.4	12.2	15.8	2.4	7.3	29.7	12.1	11.3	8.7	—	—	—	1.6	1.4	1.3	2.5	2.8	3.5	13.5	13.6	15.5	145	5.5	1.5
Punjab National Bank	340	BUY	107,234	2,091	315	65.0	91.6	89.9	33.0	40.9	(1.8)	5.2	3.7	3.8	—	—	—	1.1	0.9	0.9	3.8	5.4	5.3	18.0	21.7	18.5	650	91.1	12.2
Rural Electrification Corp	90	BUY	77,617	1,513	859	10.9	15.3	17.7	9.8	40.4	15.5	8.3	5.9	5.1	—	—	—	1.3	1.1	1.0	3.3	5.4	6.3	17.1	19.8	19.9	125	38.3	1.6
Shriram Transport	184	REDUCE	37,428	730	203	19.2	28.6	27.0	85.7	49.0	(5.6)	9.6	6.4	6.8	—	—	—	2.1	1.8	1.5	2.7	4.7	4.6	26.9	28.8	23.6	215	16.7	1.3
SREI	30	ADD	3,442	67	116	11.4	7.3	6.9	57.4	(36.2)	(5.7)	2.6	4.1	4.3	—	—	—	0.5	0.3	0.3	4.1	7.8	9.5	23.1	13.1	11.5	50	68.9	0.7
State Bank of India	960	BUY	606,401	11,823	631	106.6	135.3	125.5	23.5	27.0	(7.3)	9.0	7.1	7.7	—	—	—	1.4	1.3	1.2	2.2	2.2	2.3	16.8	16.3	13.4	1,600	66.6	81.3
Union Bank	128	BUY	64,807	1,264	505	27.5	34.6	33.3	64.0	25.9	(3.6)	4.7	3.7	3.8	—	—	—	0.9	0.7	0.7	3.1	4.0	3.9	26.8	27.5	21.7	220	71.5	3.5
Banks/Financial Institutions		**Attractive**	**2,820,856**	**54,998**					**36.9**	**22.5**	**(0.8)**	**8.5**	**6.9**	**7.0**	**—**	**—**	**—**	**1.3**	**1.1**	**1.0**	**2.6**	**2.9**	**2.9**	**15.3**	**16.3**	**15.0**			
Cement																													
ACC	549	REDUCE	103,469	2,017	189	64.1	56.0	44.4	13.0	(12.5)	(20.8)	8.6	9.8	12.4	4.4	4.2	5.7	2.3	2.0	1.8	4.2	4.3	4.3	33.3	25.6	17.4	550	0.3	7.4
Ambuja Cements	65	REDUCE	98,345	1,917	1,522	7.6	7.6	5.8	(11.2)	0.2	(23.7)	8.5	8.5	11.2	4.3	4.6	5.4	2.0	1.6	1.5	4.0	4.6	2.9	26.6	20.8	14.1	60	(7.1)	2.7
Grasim Industries	1,470	ADD	134,803	2,628	92	284.6	221.6	171.9	32.6	(22.1)	(22.4)	5.2	6.6	8.6	3.4	4.1	4.4	1.5	1.2	1.1	2.1	2.3	2.3	33.1	20.3	13.8	1,400	(4.8)	8.2
India Cements	95	ADD	26,820	523	282	24.5	22.7	19.8	n/a	(7.3)	(12.8)	3.9	4.2	4.8	3.6	3.3	3.4	0.8	0.7	0.6	1.9	2.2	2.2	25.8	15.7	14.7	130	36.6	2.3
Shree Cement	608	BUY	21,191	413	35	90.2	129.9	72.5	99.5	44.0	(44.2)	6.7	4.7	8.4	2.8	2.7	3.4	3.2	2.0	1.7	1.3	1.3	1.3	56.9	53.2	21.7	850	39.7	0.2
UltraTech Cement	464	ADD	58,152	1,134	125	81.4	71.4	62.3	28.5	(12.2)	(12.8)	5.7	6.5	7.5	4.0	4.5	4.4	1.8	1.4	1.2	1.6	1.8	1.8	45.2	28.9	20.4	550	18.5	0.9
Cement		**Cautious**	**442,780**	**8,633**					**19.3**	**(9.9)**	**(22.4)**	**6.3**	**7.0**	**9.1**	**3.8**	**4.1**	**4.6**	**1.7**	**1.4**	**1.3**	**2.9**	**3.1**	**2.8**	**26.8**	**20.2**	**14.0**			
Consumer (Discretionary)																													
Radico Khaitan	58	REDUCE	5,979	117	102	2.2	2.6	3.3	(41.4)	15.0	26.3	26.0	22.6	17.9	10.5	10.8	9.2	2.4	2.2	1.9	1.0	—	—	11.7	10.0	11.4	65	11.4	0.4
United Breweries	89	REDUCE	21,424	418	240	2.1	1.9	2.4	(2.2)	(11.4)	31.0	42.4	47.8	36.5	13.2	10.4	8.0	3.5	2.0	1.9	—	—	—	8.0	3.6	5.4	85	(4.8)	0.4
United Spirits	686	BUY	64,624	1,260	94	28.9	32.7	48.0	(52.0)	13.2	46.9	23.8	21.0	14.3	10.9	10.6	9.0	2.8	2.8	2.1	0.2	0.3	0.3	14.0	13.5	16.8	900	31.1	49.5
Consumer (Discretionary)		**Neutral**	**92,027**	**1,794**					**(3.6)**	**15.4**	**40.5**	**27.0**	**23.4**	**16.6**	**11.2**	**10.6**	**8.9**	**2.9**	**2.3**	**2.0**	**0.2**	**0.2**	**0.2**	**10.9**	**9.9**	**12.3**			
Consumer products																													
Asian Paints	755	REDUCE	72,434	1,412	96	39.3	35.7	44.3	40.4	(9.2)	24.3	19.2	21.2	17.0	11.6	12.6	9.8	7.5	6.5	5.5	2.3	2.3	2.6	45.0	34.2	36.2	800	5.9	0.9
Colgate-Palmolive (India)	446	ADD	60,680	1,183	136	17.1	20.4	23.5	16.5	19.4	15.5	26.2	21.9	19.0	21.7	19.2	15.8	33.1	36.0	39.9	2.9	4.1	4.7	100.1	157.8	200.3	490	9.8	1.2
GlaxoSmithkline Consumer (a)	611	ADD	25,685	501	42	38.7	44.8	50.4	26.9	15.8	12.6	15.8	13.6	12.1	8.1	7.4	6.3	3.9	3.3	2.8	2.0	2.4	2.7	27.4	26.7	25.6	700	14.6	0.1
Godrej Consumer Products	112	ADD	29,024	566	258	7.1	6.7	8.7	18.7	(5.5)	31.2	15.9	16.9	12.9	13.9	15.0	10.5	16.3	4.4	3.8	3.2	3.6	3.6	109.6	42.1	43.1	160	42.3	0.4
Hindustan Unilever	232	REDUCE	506,289	9,871	2,179	8.1	9.2	10.7	15.4	12.9	17.0	28.6	25.3	21.6	23.1	20.2	16.6	35.2	32.7	30.2	4.6	3.7	4.4	85.2	134.3	145.7	245	5.5	16.2
ITC	170	ADD	639,156	12,462	3,769	8.3	8.7	9.8	15.4	4.6	12.8	20.5	19.6	17.4	13.0	12.0	10.6	5.1	4.5	4.0	2.1	2.2	2.4	27.7	25.4	25.2	200	17.9	15.6
Jyothy Laboratories	59	ADD	4,267	83	73	6.5	7.2	10.6	(8.6)	10.2	47.3	9.0	8.1	5.5	5.2	4.6	3.1	1.3	1.1	0.9	4.0	4.0	5.0	13.5	13.0	16.5	127	116.0	
Nestle India (a)	1,529	ADD	147,371	2,873	96	44.5	56.4	68.1	31.3	26.8	20.7	34.3	27.1	22.5	20.7	17.1	14.4	28.6	21.9	17.1	1.8	2.2	2.7	94.8	91.4	85.4	1,740	13.8	0.8
Tata Tea	521	BUY	32,191	628	62	54.2	60.1	67.7	3.9	10.9	12.7	9.6	8.7	7.7	4.3	4.6	3.6	0.7	0.7	0.6	6.7	3.3	3.7	11.9	10.3	10.8	940	80.6	1.2
Consumer products		**Cautious**	**1,517,098**	**29,579**					**17.1**	**8.7**	**15.9**	**22.9**	**21.0**	**18.2**	**15.0**	**14.0**	**11.8**	**7.1**	**6.2**	**5.5**	**3.0**	**2.9**	**3.2**	**31.0**	**29.6**	**30.5**			
Constructions																													
Consolidated Construction Co.	111	ADD	4,117	80	37	24.0	22.3	27.2	67.6	(7.4)	22.1	4.6	5.0	4.1	3.2	3.5	3.0	0.9	0.8	0.7	2.2	2.9	3.5	27.7	16.8	17.8	190	70.6	0.0
IVRCL	116	BUY	15,633	305	135	15.5	14.9	16.1	27.2	(4.0)	8.0	7.4	7.7	7.2	6.9	6.3	5.2	1.0	0.9	0.8	1.2	0.7	0.7	14.4	11.9	11.5	175	51.5	8.8
Nagarjuna Construction Co.	48	BUY	10,882	212	229	7.2	7.3	8.8	14.5	2.5	19.7	6.6	6.5	5.4	4.9	5.3	4.7	0.7	1.3	0.6	2.3	2.8	3.4	12.6	10.3	11.3	100	110.5	2.2
Punj Lloyd	77	REDUCE	25,002	487	323	10.0	9.6	16.4	323.5	(4.0)	71.5	7.7	8.1	4.7	4.9	6.3	3.9	0.9	0.8	0.7	0.4	0.5	0.9	16.8	10.8	16.3	105	35.8	17.9
Sadbhav Engineering	319	BUY	4,174	81	13	40.5	46.2	57.6	68.2	13.9	24.8	7.9	6.9	5.5	5.7	4.5	3.9	1.4	1.2	1.0	1.2	1.6	1.9	16.5	16.7	18.1	650	104.0	0.1
Construction		**Attractive**	**59,809**	**1,166**					**94.7**	**(1.7)**	**37.3**	**7.2**	**7.3**	**5.3**	**5.3**	**5.8**	**4.3**	**0.9**	**0.8**	**0.7**	**1.2**	**1.2**	**1.6**	**12.5**	**11.1**	**13.4**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	18-Mar-09		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Energy																													
Bharat Petroleum	341	SELL	111,705	2,178	328	41.3	0.0	42.0	(21.1)	(99.9)	NA	8.2	NA	8.1	3.9	7.2	4.3	0.8	0.9	0.8	1.3	—	5.5	11.8	0.0	10.2	425	24.7	5.8
Cairn india	175	BUY	326,751	6,371	1,871	(0.1)	4.2	4.4	(105)	(3,628)	5.2	(1,465)	42	39.5	40.3	23.9	17.9	1.1	1.0	0.9	—	—	—	(0.1)	2.5	2.5	225	28.8	12.8
Castrol India (a)	305	ADD	37,760	736	124	17.6	21.3	25.8	44.4	20.7	21.3	17.3	14.3	11.8	9.4	8.0	6.6	9.2	8.4	7.5	4.6	4.9	5.9	52.2	61.0	66.8	390	27.7	0.3
GAIL (India)	222	ADD	281,538	5,489	1,268	20.4	23.3	19.7	21.0	14.2	(15.6)	10.9	9.5	11.3	5.4	5.1	6.3	2.0	1.7	1.6	3.0	3.3	3.0	18.1	18.3	13.8	240	8.1	9.0
GSPL	39	BUY	21,836	426	563	1.8	1.4	2.4	10.1	(22.4)	68.6	21.5	27.7	16.4	7.3	7.7	5.0	1.8	1.7	1.5	1.3	1.0	1.7	8.8	6.2	9.7	45	16.0	1.6
Hindustan Petroleum	248	SELL	84,227	1,642	339	33.5	(10.5)	30.2	(16.4)	(131.5)	(386.8)	7.4	(23.6)	8.2	6.9	6.8	4.6	0.7	0.7	0.7	1.2	—	4.8	9.6	(2.9)	7.6	300	20.7	7.6
Indian Oil Corporation	388	REDUCE	457,045	8,911	1,179	61.3	24.3	46.8	31.0	(60.3)	92.1	6.3	15.9	8.3	4.0	7.9	4.2	1.0	1.0	0.9	1.4	—	4.7	17.4	6.2	10.3	525	35.5	3.5
Oil & Natural Gas Corporation	724	BUY	1,548,233	30,186	2,139	92.7	103.9	103.9	9.1	12.0	0.0	7.8	7.0	7.0	2.8	2.4	2.2	1.5	1.4	1.2	4.4	4.7	5.0	19.6	19.5	17.2	900	24.3	28.2
Petronet LNG	38	ADD	28,275	551	750	6.3	5.5	5.9	—	(12.6)	6.6	6.0	6.8	6.4	4.0	6.0	4.7	1.5	1.3	1.1	4.0	4.0	4.0	26.7	19.2	17.2	52	37.9	1.7
Reliance Industries	1,331	ADD	1,828,012	35,641	1,373	105.0	101.0	127.8	25.5	(3.8)	26.5	12.7	13.2	10.4	8.5	7.9	4.9	2.0	1.7	1.4	0.9	1.1	1.2	19.0	14.7	16.0	1,500	12.7	172.8
Reliance Petroleum	84	NR	375,975	7,330	4,500	-	(0.0)	9.0	n/a	n/a	n/a	n/a	n/a	9.3	n/a	n/a	7.9	2.8	2.8	2.3	—	—	2.4	—	(0.0)	27.0	-	(100.0)	26.7
Energy		**Neutral**	**5,101,358**	**99,461**					**12.9**	**(7.0)**	**32.3**	**10.7**	**11.5**	**8.7**	**5.4**	**5.7**	**4.1**	**1.6**	**1.4**	**1.2**	**2.1**	**2.0**	**3.0**	**14.9**	**11.9**	**14.2**			
Industrials																													
ABB	367	SELL	77,845	1,518	212	23.2	25.8	23.6	44.5	11.3	(8.8)	15.8	14.2	15.6	8.9	8.3	8.5	4.8	3.7	3.1	0.6	0.6	0.8	34.8	29.4	21.6	325	(11.5)	4.4
BGR Energy Systems	124	REDUCE	8,932	174	72	12.1	15.3	20.7	(67.4)	26.1	35.4	10.2	8.1	6.0	6.0	4.8	4.3	1.9	1.6	1.3	1.6	2.0	2.7	31.4	21.3	23.9	165	33.0	0.7
Bharat Electronics	822	ADD	65,752	1,282	80	102.0	105.5	111.8	11.2	3.4	6.0	8.1	7.8	7.3	3.2	2.6	2.2	2.0	1.7	1.4	2.5	3.0	3.0	27.7	23.1	20.8	950	15.6	1.0
Bharat Heavy Electricals	1,459	ADD	714,332	13,927	490	58.4	64.9	92.6	22.9	11.2	42.5	25.0	22.5	15.8	13.3	11.8	8.5	6.6	5.4	4.3	1.0	1.0	1.4	29.2	26.6	30.5	1,475	1.1	41.8
Crompton Greaves	136	BUY	49,984	975	367	11.2	13.9	15.6	43.0	24.7	12.1	12.2	9.8	8.7	6.7	6.1	5.2	3.8	2.9	2.2	1.2	1.3	1.4	36.1	33.6	28.9	170	24.7	2.0
Larsen & Toubro	636	REDUCE	376,809	7,347	593	37.9	48.2	51.6	20.8	27.1	7.0	16.8	13.2	12.3	11.8	8.9	8.1	3.2	2.4	2.0	1.3	1.6	1.7	22.7	20.6	17.6	650	2.2	49.9
Maharashtra Seamless	125	BUY	8,823	172	71	29.4	37.4	37.9	(23.5)	27.6	1.2	4.3	3.3	3.3	2.5	2.0	1.9	0.8	0.6	0.6	4.0	4.5	4.5	19.7	21.1	18.0	215	71.9	0.3
Siemens	223	REDUCE	75,187	1,466	337	18.2	14.2	15.7	60.4	(22.2)	10.5	12.2	15.7	14.2	6.6	6.5	7.2	4.1	3.3	2.8	1.1	1.6	2.0	39.9	23.1	21.3	220	(1.3)	4.5
Suzlon Energy	38	REDUCE	59,779	1,166	1,567	6.6	7.0	4.5	9.5	6.6	(36.4)	5.8	5.4	8.6	4.0	6.5	7.2	0.7	0.6	0.5	2.5	1.3	1.3	16.3	11.3	6.4	60	57.3	37.2
Industrials		**Cautious**	**1,437,442**	**28,026**					**25.3**	**13.0**	**13.4**	**16.4**	**14.5**	**12.8**	**9.4**	**8.4**	**7.4**	**3.5**	**2.8**	**2.3**	**1.2**	**1.3**	**1.6**	**21.1**	**19.2**	**18.3**			
Infrastructure																													
IRB Infrastructure	85	ADD	28,350	553	332	3.4	6.6	13.9	150.9	92.3	111.2	24.9	12.9	6.1	10.0	8.9	4.7	1.7	1.5	1.2	—	—	—	10.7	12.4	21.4	130	52.4	0.6
Media																													
DishTV	24	REDUCE	15,749	307	644	(9.6)	(7.4)	(4.1)	n/a	(23.1)	(44.2)	(2.5)	(3.3)	(5.9)	(9.2)	(12.0)	(57.2)	(3.5)	(2.4)	(7.4)	—	—	—	167.9	86.7	NA	22	(10.0)	2.4
HT Media	48	BUY	11,185	218	234	4.3	3.1	4.8	4.7	(28.5)	53.7	11.0	15.4	10.0	5.9	7.1	4.6	1.3	1.2	1.1	0.8	0.8	1.7	12.2	8.2	11.8	115	140.8	0.1
Jagran Prakashan	52	BUY	15,721	307	301	3.3	2.9	4.1	33.5	(9.7)	38.7	16.0	17.8	12.8	8.7	9.8	7.0	2.9	2.7	2.5	3.8	2.8	3.9	18.7	15.9	20.4	75	43.7	0.0
Sun TV Network	170	BUY	67,033	1,307	394	8.3	9.3	11.4	30.7	12.0	23.0	20.5	18.3	14.9	10.9	9.7	8.0	4.4	4.0	3.6	1.5	2.4	3.5	24.8	23.6	25.8	215	26.4	1.7
Zee Entertainment Enterprises	98	BUY	42,425	827	434	8.9	8.2	9.3	62.6	(7.5)	13.7	11.0	11.9	10.5	8.2	8.7	7.6	1.4	1.3	1.2	2.0	2.4	2.7	14.2	11.8	12.2	145	48.2	5.4
Zee News	30	BUY	7,265	142	240	1.5	1.9	2.1	396.2	24.0	6.9	19.6	15.8	14.8	10.6	8.9	7.9	3.5	2.9	2.6	1.3	1.3	1.7	19.2	20.5	18.9	38	25.4	0.2
Media		**Attractive**	**159,377**	**3,107**					**30.8**	**(17.1)**	**68.2**	**29.7**	**35.9**	**21.3**	**12.2**	**12.0**	**8.5**	**2.8**	**2.6**	**2.2**	**1.7**	**2.0**	**2.8**	**9.5**	**7.3**	**10.5**			
Metals																													
Hindalco Industries	45	ADD	79,043	1,541	1,753	13.8	7.7	2.4	(10.0)	(44.4)	(69.2)	3.3	5.9	19.1	5.5	5.0	7.0	0.4	0.2	0.2	—	—	—	14.4	10.3	5.2	55	22.0	6.7
National Aluminium Co.	233	SELL	150,221	2,929	644	25.3	19.7	10.3	(31.5)	(22.2)	(47.8)	9.2	11.8	22.7	4.1	5.7	7.3	1.6	1.4	1.4	2.6	1.5	0.9	18.3	12.7	6.2	135	(42.1)	1.9
Jindal Steel and Power	1,141	BUY	175,647	3,425	154	101.8	92.4	78.9	123.0	(9.2)	(14.6)	11.2	12.3	14.5	9.1	8.2	9.0	4.1	3.0	2.5	0.4	0.5	0.6	43.8	28.3	18.9	1,250	9.6	19.3
JSW Steel	183	SELL	34,146	666	187	86.1	8.7	45.7	16.1	(89.9)	423.3	2.1	20.9	4.0	4.4	6.9	5.5	0.4	0.3	0.3	7.7	1.1	1.1	20.7	10.2	7.9	185	1.3	4.6
Hindustan Zinc	396	BUY	167,259	3,261	423	104.0	63.8	64.0	(1.0)	(38.6)	0.2	3.8	6.2	6.2	1.7	2.7	2.3	1.4	1.1	1.0	1.3	1.9	2.5	43.6	20.0	17.0	490	23.8	2.8
Sesa Goa	85	BUY	66,797	1,302	787	19.0	23.7	19.6	146.0	24.8	(17.0)	4.5	3.6	4.3	2.1	2.0	1.7	2.3	1.5	1.2	3.1	4.1	4.1	67.8	51.2	30.5	115	35.5	10.5
Sterlite Industries	301	BUY	213,469	4,162	708	64.3	48.0	46.6	(22.6)	(25.4)	(2.9)	4.7	6.3	6.5	3.8	5.9	5.8	0.9	0.8	0.7	—	—	—	26.1	13.8	12.2	400	32.8	19.7
Tata Steel	177	BUY	145,081	2,829	822	75.7	130.7	56.1	43.8	72.5	(57.1)	2.3	1.4	3.1	3.6	2.8	3.7	0.4	0.3	0.3	8.2	7.3	7.4	46.3	38.1	15.6	290	64.3	39.1
Metals		**Attractive**	**1,031,663**	**20,114**					**12.7**	**(0.1)**	**(35.4)**	**4.3**	**4.3**	**6.7**	**4.0**	**4.1**	**4.9**	**0.9**	**0.7**	**0.6**	**2.3**	**1.9**	**2.0**	**19.9**	**15.6**	**9.3**			
Pharmaceutical																													
Biocon	122	BUY	24,480	477	200	23.3	5.6	16.0	126.0	(76.1)	187.0	5.3	22.0	7.7	6.7	9.6	4.8	1.7	1.6	1.4	0.1	0.0	0.1	17.6	7.3	18.8	235	92.0	0.5
Cipla	200	REDUCE	155,225	3,026	777	9.0	10.0	12.9	4.9	11.0	29.1	22.1	19.9	15.4	16.2	14.6	11.4	4.1	3.6	3.1	1.0	1.3	1.5	20.1	19.3	21.5	220	10.2	5.1
Dishman Pharma & chemicals	96	BUY	7,775	152	81	14.7	11.4	24.8	30.5	(22.7)	118.0	6.5	8.4	3.9	7.0	7.6	4.2	1.4	1.2	0.9	0.0	0.0	0.0	26.8	15.1	27.1	280	192.9	0.2
Divi's Laboratories	913	BUY	58,937	1,149	65	53.2	65.2	75.1	85.8	22.5	15.2	17.2	14.0	12.2	14.0	10.8	8.8	6.9	4.7	3.5	0.1	0.1	0.1	49.8	40.3	33.3	1,450	58.8	5.8
Dr Reddy's Laboratories	437	BUY	73,902	1,441	169	26.1	28.7	37.8	(57.2)	10.0	31.7	16.8	15.2	11.6	8.3	6.9	5.6	1.6	1.5	1.3	0.9	0.9	0.9	10.3	10.3	12.2	675	54.5	3.7
Glenmark Pharmaceuticals	145	BUY	38,442	750	266	25.8	20.9	22.2	98.4	(19.1)	6.2	5.6	6.9	6.5	5.5	5.6	5.1	2.5	1.7	1.4	0.1	0.0	0.1	57.4	22.4	18.9	390	169.7	8.8
Jubilant Organosys	87	BUY	15,606	304	179	22.4	(5.5)	21.7	72.3	(124.7)	(492)	3.9	(15.7)	4.0	5.2	23.9	6.1	1.2	1.1	1.1	1.4	1.9	2.4	37.0	(8.4)	30.4	300	243.4	0.3
Lupin	639	BUY	56,600	1,104	89	49.8	49.6	59.5	30.2	(0.4)	20.0	12.8	12.9	10.7	15.1	11.4	9.1	4.4	2.7	2.4	1.5	1.5	1.8	37.9	26.9	24.0	950	48.7	1.6
Piramal Healthcare	190	BUY	39,606	772	209	17.7	14.8	22.1	66.8	(16.4)	49.0	10.7	12.8	8.6	8.3	9.6	6.6	3.6	3.0	2.4	2.2	2.1	2.4	30.9	24.9	31.4	340	79.4	1.5
Ranbaxy Laboratories	146	ADD	61,038	1,190	419	23.3	(8.1)	11.6	70.4	NA	NA	6.2	NA	12.6	6.6	(92.1)	4.1	2.0	1.2	0.7	5.2	7.1	8.2	32.3	(8.8)	7.6	340	133.4	11.5
Sun Pharmaceuticals	997	BUY	206,588	4,028	207	74.7	86.0	76.7	78.9	15.2	(10.8)	13.4	11.6	13.0	11.1	8.7	8.8	4.0	3.0	2.5	1.1	1.1	1.4	38.3	30.9	22.1	1,675	67.9	15.2
Pharmaceuticals		**Attractive**	**738,200**	**14,393**					**34.1**	**(24.5)**	**48.0**	**12.3**	**16.3**	**11.0**	**9.5**	**10.9**	**7.3**	**3.0**	**2.4**	**1.8**	**1.3**	**1.5**	**1.8**	**24.5**	**14.6**	**16.7**			
Property																													
DLF	172	REDUCE	293,737	5,727	1,705	46.1	30.0	22.7	263.2	(35.0)	(24.4)	3.7	5.7	7.6	4.1	7.0	8.0	1.5	1.2	1.1	2.3	2.3	2.3	66.5	23.1	14.8	190	10.3	77.1
Housing Development & Infrastruc	75	REDUCE	20,648	403	275	51.2	30.6	19.8	118.6	(40.1)	(35.3)	1.5	2.4	3.8	2.9	5.9	6.6	0.6	0.5	0.4	5.1	6.7	8.0	64.5	21.2	12.1	120	60.1	40.1
Indiabulls Real Estate	92	ADD	23,664	461	258	16.4	3.0	3.4	2,383.9	(81.5)	11.6	5.6	30.2	27.0	(549.0)	(1.7)	4.6	0.4	0.4	0.4	0.3	0.1	0.0	10.6	1.3	1.3	180	96.0	24.2
Mahindra Life Space Developer	114	BUY	4,790	93	42	16.8	10.2	10.8	307.7	(39.2)	5.3	6.8	11.1	10.6	12.2	15.8	8.3	0.6	0.5	0.5	2.3	3.4	3.4	8.4	4.8	4.9	410	260.0	0.5
Phoenix Mills	56	BUY	8,090	158	145	3.2	5.4	7.3	(51.7)	70.0	34.7	17.6	10.4	7.7	12.8	10.8	6.0	0.6	0.5	0.5	1.8	1.8	1.8	5.6	5.3	6.8	210	276.0	0.1
Puravankara Projects	40	REDUCE	8,526	166	213	11.2	7.6	7.5	67.3	(32.1)	(2.2)	3.6	5.2	5.3	6.9	10.6	10.0	0.7	0.6	0.6	5.0	—	5.0	34.2	12.9	11.4	55	37.7	0.3
Sobha	78	REDUCE	5,650	110	73	31.7	15.9	11.9	42.9	(50.0)	(24.8)	2.4	4.9	6.5	6.3	7.5	10.6	0.6	0.5	0.5	8.4	5.2	5.2	25.3	11.0	7.8	90	16.1	0.3
Unitech	27	SELL	43,425	847	1,623	10.3	6.9	5.5	28.5	(33.4)	(20.5)	2.6	3.9	4.9	5.2	6.7	8.1	1.2	0.9	0.8	0.9	—	—	59.9	26.8	17.2	24	(10.3)	52.9

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

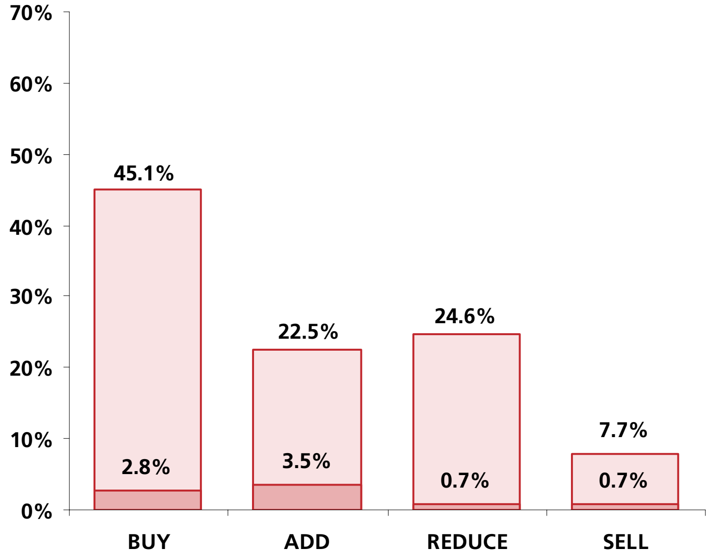
Company	18-Mar-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Property		**Cautious**	**408,530**	**7,965**					**187.5**	**(36.7)**	**(23.4)**	**3.4**	**5.4**	**7.1**	**4.3**	**7.0**	**8.0**	**1.1**	**0.9**	**0.8**	**2.3**	**2.2**	**2.3**	**32.1**	**16.8**	**11.6**			
Retail																													
Pantaloon Retail	138	REDUCE	21,944	428	159	7.9	8.3	10.2	90.0	4.4	23.3	17.4	16.7	13.5	9.3	7.6	6.8	1.2	1.2	1.1	0.6	0.6	0.7	8.2	6.7	7.8	165	19.8	1.2
Titan Industries	744	REDUCE	33,008	644	44	35.1	41.9	48.7	55.2	19.6	16.1	21.2	17.7	15.3	14.5	10.9	9.2	7.0	5.3	4.2	1.1	1.3	1.5	37.7	34.1	30.7	830	11.6	3.0
Vishal Retail	27	ADD	603	12	22	18.1	10.6	10.8	37.2	(41.2)	1.9	1.5	2.5	2.5	4.3	4.2	3.3	0.2	0.2	0.2	—	—	—	20.2	8.3	7.8	75	178.8	0.2
Retail			**55,554**	**1,083**					**31.9**	**6.0**	**17.9**	**17.2**	**16.3**	**13.8**	**10.1**	**8.0**	**7.0**	**2.1**	**2.0**	**1.8**	**0.9**	**1.0**	**1.2**	**12.4**	**12.1**	**12.8**			
Sugar																													
Balrampur Chini Mills	45	BUY	11,525	225	256	3.1	6.5	7.0	(272.9)	106.5	8.0	14.4	7.0	6.4	7.5	4.4	3.7	1.2	1.0	0.9	1.3	1.5	1.8	7.6	13.5	12.7	70	55.2	3.4
Shree Renuka Sugars	80	BUY	22,285	434	280	3.9	8.2	8.4	(87.3)	107.7	2.8	20.2	9.7	9.5	11.5	5.3	5.0	2.5	1.9	1.6	0.3	0.9	1.2	19.9	24.5	20.6	100	25.6	7.8
Bajaj Hindustan	44	SELL	6,165	120	141	(2.6)	(6.0)	0.8	375.9	126.2	NA	(16.5)	(7.3)	54.0	13.9	8.2	5.3	0.5	0.5	0.5	1.6	—	0.7	(6.8)	(7.0)	4.6	36	(17.4)	5.1
Sugar			**39,975**	**779**					**526.3**	**96.1**	**38.3**	**23.7**	**12.1**	**8.7**	**11.0**	**6.1**	**4.8**	**1.3**	**1.1**	**1.0**	**0.8**	**0.9**	**1.3**	**5.3**	**9.5**	**11.7**			
Technology																													
HCL Technologies	103	REDUCE	71,411	1,392	695	15.3	18.7	17.3	(19.0)	22.4	(7.7)	6.7	5.5	5.9	3.0	3.8	3.5	1.4	1.1	1.0	7.8	11.7	11.7	21.4	21.3	18.1	140	36.3	3.2
Hexaware Technologies	29	SELL	4,079	80	142	7.7	4.1	3.0	(13.7)	(46.4)	(27.8)	3.7	7.0	9.7	0.7	1.1	2.1	0.6	0.6	0.6	3.2	3.5	3.5	15.1	8.6	6.3	25	(12.9)	1.7
Infosys Technologies	1,278	BUY	733,601	14,303	574	79.1	101.8	112.0	18.0	28.8	10.0	16.2	12.6	11.4	12.4	8.7	7.4	5.3	4.1	3.2	2.6	1.9	2.1	36.1	36.7	31.6	1,500	17.4	47.4
Mphasis BFL	190	REDUCE	39,519	771	208	12.2	14.2	32.6	67.6	15.7	129.8	15.5	13.4	5.8	9.2	10.1	3.9	3.4	2.8	2.0	1.8	2.1	2.4	23.6	22.8	39.5	190	0.2	1.5
Mindtree	196	BUY	7,730	151	40	26.7	21.0	37.1	12.3	(21.6)	76.9	7.3	9.3	5.3	6.5	3.0	2.7	1.4	1.2	1.0	1.3	—	—	21.3	11.9	17.8	400	104.4	0.2
Patni Computer Systems	117	SELL	15,064	294	128	33.2	26.8	17.5	29.2	(19.3)	(34.7)	3.5	4.4	6.7	0.3	0.3	0.1	0.5	0.6	0.5	1.9	1.5	3.0	19.2	16.2	7.9	130	10.8	0.7
Polaris Software Lab	44	SELL	4,330	84	98	7.4	14.9	12.7	(27.6)	100.0	(14.9)	5.9	3.0	3.5	2.1	0.8	0.7	0.7	0.6	0.5	4.0	4.0	4.0	11.7	20.4	15.0	50	13.5	2.0
TCS	505	REDUCE	494,345	9,638	979	51.3	53.9	55.7	21.5	5.1	3.3	9.8	9.4	9.1	7.8	6.6	6.2	4.0	3.2	2.7	2.8	3.7	4.4	47.0	37.8	32.1	550	8.9	16.2
Tech Mahindra	266	BUY	33,155	646	125	59.1	67.6	58.7	25.7	14.5	(13.2)	4.5	3.9	4.5	3.9	2.3	2.2	2.6	1.6	1.2	2.0	2.3	2.3	70.7	53.1	31.6	320	20.3	2.5
Wipro	231	ADD	337,064	6,572	1,462	22.2	25.3	26.9	12.6	13.9	6.0	10.4	9.1	8.6	8.2	6.4	5.4	2.6	2.3	1.9	2.6	1.8	3.3	27.9	26.6	23.8	280	21.4	9.1
Technology		**Cautious**	**1,740,299**	**33,931**					**15.5**	**16.2**	**5.9**	**11.2**	**9.6**	**9.1**	**8.3**	**6.5**	**5.7**	**3.4**	**2.8**	**2.3**	**2.8**	**2.8**	**3.4**	**30.4**	**28.7**	**25.1**			
Telecom																													
Bharti Airtel Ltd	570	BUY	1,081,329	21,083	1,898	35.3	44.2	48.9	65.0	25.1	10.8	16.1	12.9	11.6	9.9	7.4	6.6	4.8	3.5	2.7	—	0.7	1.1	39.1	31.4	26.0	675	18.5	60.3
IDEA	46	REDUCE	149,520	2,915	3,236	3.9	2.6	2.1	78.5	(33.2)	(21.0)	11.7	17.5	22.2	9.1	6.1	6.0	4.2	1.1	1.1	—	—	—	36.4	10.1	5.1	50	8.2	4.5
MTNL	65	SELL	41,076	801	630	7.1	4.0	4.1	(11.0)	(44.3)	2.6	9.1	16.4	16.0	1.0	3.2	2.3	0.3	0.3	0.4	6.1	9.2	9.2	3.5	1.6	1.6	50	(23.3)	0.8
Reliance Communications	160	SELL	330,759	6,449	2,064	26.5	26.7	20.1	86.4	0.7	(24.7)	6.1	6.0	8.0	5.7	6.6	6.4	1.1	1.0	0.9	0.5	0.5	—	16.8	18.4	11.7	150	(6.4)	47.8
Tata Communications	441	REDUCE	125,771	2,452	285	10.9	13.6	14.0	(36.3)	24.0	3.2	40.3	32.5	31.5	16.8	13.9	12.6	1.9	1.8	1.8	1.0	1.1	1.5	4.4	5.4	5.2	400	(9.4)	2.0
Telecom		**Cautious**	**1,728,454**	**33,700**					**65.7**	**12.7**	**(4.8)**	**12.0**	**10.6**	**11.2**	**8.3**	**7.2**	**6.6**	**2.3**	**1.8**	**1.5**	**0.5**	**0.8**	**1.0**	**19.6**	**16.7**	**13.8**			
Transportation																													
Container Corporation	660	REDUCE	85,761	1,672	130	57.7	68.3	72.9	7.8	18.3	6.8	11.4	9.7	9.1	7.6	6.3	5.7	2.7	2.2	1.9	2.0	2.3	2.5	25.8	25.3	22.6	800	21.2	0.7
Transportation		**Cautious**	**85,761**	**1,672**					**7.8**	**18.3**	**6.8**	**11.4**	**9.7**	**9.1**	**7.6**	**6.3**	**5.7**	**2.7**	**2.2**	**1.9**	**2.0**	**2.3**	**2.5**	**23.6**	**23.1**	**20.9**			
Utilities																													
CESC	195	BUY	24,412	476	125	27.8	31.9	36.9	(23.3)	14.9	15.8	7.0	6.1	5.3	3.7	3.5	4.6	0.8	0.7	0.6	2.0	2.4	2.7	12.5	11.7	11.9	385	97.0	0.6
Lanco Infratech	130	BUY	28,999	565	222	14.8	14.6	17.1	75.2	(1.3)	16.6	8.8	8.9	7.6	8.4	19.5	15.1	1.6	1.3	1.1	—	—	—	19.7	16.2	15.8	265	103.1	4.9
NTPC	175	REDUCE	1,443,781	28,149	8,245	9.3	9.3	10.9	7.9	0.1	16.7	18.8	18.8	16.1	13.0	13.1	12.1	2.7	2.4	2.3	2.0	2.0	2.3	14.9	13.6	14.6	180	2.8	24.7
Reliance Infrastructure	480	BUY	110,906	2,162	231	37.6	59.9	56.2	13.9	59.4	(6.2)	12.8	8.0	8.5	8.4	8.6	8.8	0.7	0.7	0.6	1.3	1.5	1.7	4.3	6.2	6.7	970	102.0	77.8
Reliance Power	101	REDUCE	241,113	4,701	2,397	0.4	1.3	2.5	—	252.9	82.7	264.5	75.0	41.0	—	—	—	1.8	1.7	1.7	—	—	—	1.3	2.3	4.2	120	19.3	9.5
Tata Power	658	BUY	146,457	2,855	223	31.8	65.2	99.1	19.5	104.9	51.9	20.7	10.1	6.6	10.6	8.3	7.6	1.7	1.4	1.2	1.6	1.7	1.8	9.6	15.2	19.5	1,000	52.0	9.8
Utilities		**Attractive**	**1,995,669**	**38,910**					**12.2**	**15.5**	**20.2**	**19.9**	**17.2**	**14.3**	**12.4**	**12.9**	**12.5**	**2.0**	**1.9**	**1.7**	**1.6**	**1.7**	**1.9**	**10.3**	**10.9**	**12.0**			
Others																													
Aban Offshore	306	REDUCE	11,599	226	38	72.3	140.2	342.5	(1,066)	94.0	144.3	4.2	2.2	0.9	10.7	7.4	4.1	1.3	0.7	0.4	1.2	1.3	1.6	51.7	44.2	52.4	500	63.3	13.9
Educomp Solutions	1,971	BUY	37,479	731	19	35.2	64.2	108.1	114	82.7	68.3	56.1	30.7	18.2	29.8	13.5	8.2	12.2	5.1	4.1	0.1	0.3	0.5	33.5	23.4	24.3	2,550	29.4	81.7
Havells India	126	REDUCE	7,616	148	61	26.6	(1.0)	10.3	40	(103.7)	#####	4.7	(126.9)	12.3	5.2	7.1	6.1	1.1	1.0	1.0	1.9	2.6	3.3	33.7	(0.9)	8.5	120	(4.6)	0.1
Jaiprakash Associates	79	BUY	111,014	2,164	1,403	4.9	5.3	7.1	7	8.6	33.4	16.2	14.9	11.1	12.4	10.7	9.1	2.2	1.9	1.7	0.0	0.0	0.0	15.4	13.9	16.3	105	32.7	35.4
Jindal Saw	156	BUY	9,561	186	61	66.6	86.9	82.9	(43)	30.6	(4.7)	2.3	1.8	1.9	2.4	1.1	0.7	0.3	0.2	0.2	4.6	8.4	9.6	12.5	14.4	12.3	500	220.7	0.4
PSL	64	BUY	2,785	54	44	21.1	24.3	43.7	4	15.3	79.6	3.0	2.6	1.5	3.1	3.4	2.6	0.5	0.4	0.3	8.0	7.8	9.4	11.3	10.6	14.2	145	126.9	0.1
Sintex	94	BUY	12,783	249	136	19.5	21.3	22.5	60	8.9	5.7	4.8	4.4	4.2	4.6	3.8	3.4	0.8	0.7	0.6	1.1	1.3	1.6	14.0	15.0	13.8	125	33.5	2.6
Welspun Gujarat Stahl Rohren	69	BUY	12,931	252	189	20.6	20.9	21.0	94	1.5	0.7	3.3	3.3	3.3	5.4	3.8	3.1	0.7	0.6	0.5	1.9	2.6	1.8	27.1	20.0	17.3	100	46.0	3.3
United Phosphorus	88	BUY	40,794	795	462	9.3	11.4	14.8	30	21.7	30.4	9.5	7.8	6.0	6.1	4.6	3.0	1.8	1.3	1.1	1.1	1.7	2.3	20.0	18.7	20.0	190	115.2	0.9
Others			**246,562**	**4,807**					**29.8**	**43.6**	**37.1**	**10.4**	**7.3**	**5.3**	**8.5**	**6.7**	**5.1**	**1.6**	**1.2**	**1.0**	**0.7**	**1.1**	**1.3**	**14.9**	**16.9**	**19.3**			
KS universe (b)			**20,412,001**	**397,972**					**25.8**	**2.5**	**6.7**	**10.4**	**10.1**	**9.5**	**6.8**	**7.0**	**6.1**	**1.9**	**1.6**	**1.4**	**2.0**	**2.1**	**2.4**	**17.9**	**15.4**	**14.7**			
KS universe (b) ex-Energy			**15,310,643**	**298,511**					**30.6**	**5.6**	**(0.6)**	**10.3**	**9.8**	**9.8**	**7.5**	**7.6**	**7.2**	**2.0**	**1.6**	**1.5**	**2.0**	**2.1**	**2.3**	**19.1**	**16.8**	**14.9**			
KS universe (d) ex-Energy & ex-Commodities			**13,836,199**	**269,764**					**35.7**	**7.6**	**7.0**	**11.7**	**10.9**	**10.2**	**9.2**	**9.0**	**7.9**	**2.2**	**1.8**	**1.6**	**2.0**	**2.0**	**2.3**	**18.6**	**16.9**	**16.0**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

"Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Nitin Bhasin, Jairam Nathan, Prashant Vaishampayan, Amit Kumar, Aman Batra."

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Percentage of companies covered by Kotak Institutional Equities, within the specified category.

Percentage of companies within each category for which Kotak Institutional Equities and or its affiliates has provided investment banking services within the previous 12 months.

* The above categories are defined as follows: 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 then 10% over the next 12 months. These ratings are used illustratively to comply with applicable regulations. As of 31/12/2008 Kotak Institutional Equities Investment Research had investment ratings on 142 equity securities.

Source: Kotak Institutional Equities

As of December 31, 2008

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

Overseas Offices

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

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

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