kotak® Institutional Equities

INDIA DAILY

December 20, 2007

Contents

News Roundup

Corporate

- The Boards of Deccan Aviation and Kingfisher have unanimously decided to merge Kingfisher Airlines with Deccan Aviation. (BS)
- IFCI, India's oldest financial institution, saddled with bad loans, has called off its stake sale plan after marathon talks with the Sterlite-Morgan Stanley combine ended in disagreements over the price and management control. (BS)
- Travelguru is acquiring Delhi-based B2B hotel portal Desiya for US$25 mn (around Rs1 bn). (ET)
- Hero Honda, the largest two-wheeler manufacturer in the world, has forayed into the used two-wheeler trading busines under the 'Hero Honda SURE' brand.(ET)

Economic and political

- The chief ministers of five mineral-rich states urged Prime Minister Manmohan Singh to make local value addition of the minerals the prime objective of the National Mineral Policy (NMP). (BS)

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

EQUITY MARKETS

		Change, %		
India	**19-Dec**	**1-day**	**1-mo**	**3-mo**
Sensex	19,092	0.1	(2.8)	17.0
Nifty	5,751	0.2	(2.6)	21.5
Global/Regional indices				
Dow Jones	13,207	(0.2)	1.9	(4.4)
Nasdaq Composite	2,601	0.2	0.3	(2.5)
FTSE	6,285	0.1	2.7	(2.7)
Nikkie	15,139	0.7	(0.5)	(7.8)
Hang Seng	26,980	(0.2)	(2.9)	5.0
KOSPI	1,866	0.3	(1.4)	(1.9)

Value traded - India

			Moving avg, Rs bn	
	19-Dec		**1-mo**	**3-mo**
Cash (NSE+BSE)	259.9		273.4	281.4
Derivatives (NSE)	791.4		518.4	686.4
Deri. open interest	1,161.6		#####	895.7

Forex/money market

		Change, basis points		
	19-Dec	**1-day**	**1-mo**	**3-mo**
Rs/US$	39.6	-	20	(17)
6mo fwd prem, %	0.7	(25)	71	24
10yr govt bond, %	7.9	(1)	-	2

Net investment (US$mn)

	18-Dec		MTD	CYTD
FIIs	(607)		256	16,403
MFs	96		63	710

Top movers -3mo basis

		Change, %		
Best performers	**19-Dec**	**1-day**	**1-mo**	**3-mo**
Neyveli Lignite	247	0.4	18.6	143.0
Thomas Cook	134	9.9	83.2	109.4
Reliance Energy	1,883	4.1	4.9	90.6
MRF	7,090	0.4	(2.0)	85.2
Tata Tele	60	1.6	17.6	73.5
Worst performers				
i-Flex	1,437	(0.4)	2.8	(22.5)
Container Corp	1,791	(0.0)	(5.4)	(20.8)
United Phos	350	(1.6)	2.4	(10.8)
Acc	1,031	(3.4)	(5.0)	(9.4)
Infosys	1,638	1.1	4.7	(9.0)

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Automobiles

TAMO.BO, Rs691	
Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	915
52W High -Low (Rs)	975 - 616
Market Cap (Rs bn)	295.8

Financials

March y/e	2007	2008E	2009E
Sales (Rs bn)	272.0	285.0	328.8
Net Profit (Rs bn)	19.1	19.5	22.8
EPS (Rs)	47.0	45.7	53.2
EPS gth	*20.0*	*(2.9)*	*16.5*
P/E (x)	14.7	15.1	13.0
EV/EBITDA (x)	9.4	9.3	8.2
Div yield (%)	2.0	2.0	2.0

Shareholding, September 2007

	Pattern	% of Portfolio	Over/(under) weight
Promoters	33.4	-	-
FIIs	30.2	1.0	0.3
MFs	3.6	0.8	0.0
UTI	-	-	(0.8)
LIC	7.9	1.6	0.8

Tata Motors: Volume growth to get back on track

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- **Downtrend in CV cycle to reverse, new car launches to revive sagging fortunes**
- **Expect strong earnings in FY2009 after a muted FY2008**
- **SOTP-based valuation of Rs915 implies a potential upside of 32%**
- **Key Risks: Aggressive railways and hike in fuel costs pose a challenge**

Volume growth to get back on track. We expect several factors to lead to a revival of Tata Motors' flagging volumes: (1) The impending upturn in the CV cycle; (2) Key demand growth drivers'higher freight operator profitability, softer interest rates and road infrastructure investment; (3) Continued dominance of Ace in LCVs; and (4) Two key launches'the Rs100,000 car and the new compact car. We reinitiate coverage with a BUY and an SOTP value of Rs915/share.

Downtrend in CV cycle to reverse, new car launches to revive sagging fortunes

We believe that the recent downturn in the CV cycle is likely to reverse, leading to strong demand for CVs. We believe Tata Motors is set to leverage its diversified presence across the CV and passenger-car segment. We expect a spurt in volumes in FY2009E and FY2010E led by (a) increased focus on the hub-and-spoke model, (b) softening interest rates, and (c) increasing freight rates. We believe the launch of the new compact car and the Rs100,000 small car will help Tata Motors revive its sagging fortunes in the car segment while we expect the highly successful Ace to continue to reinforce its leadership in the LCV segment.

Expect strong earnings in FY2009 after a muted FY2008

We expect strong volume growth in FY2009 and FY2010 to drive earnings growth after a muted performance in FY2008. We expect net earnings to grow at a CAGR of 6% over the next two years, led mainly by CAGR of 13%, 8.5% and 50% in the volumes of LCV, M&HCV and passenger cars (including the small car), respectively.

SOTP-based valuation of Rs915 implies a potential upside of 32%

We value Tata Motors' auto business at Rs672/share based on 9X FY2009E EV/EBITDA. We value Tata Motors' stake in its various subsidiaries at Rs201/share and its holding in Tata Steel at Rs40/share after considering a holding company discount of 20%. Our target price of Rs915/share provides a potential upside of 32%.

Key Risks: Aggressive railways and hike in fuel costs pose a challenge

We believe that a hike in fuel costs could hurt CV and passenger car sales. The aggressive strategy adopted by the Indian Railways in lowering freight rates and launching a dedicated freight corridor could dent CV volume growth, in our view. We believe that the potential acquisition of Land Rover and Jaguar will likely have a negative impact on Tata Motors.

Technology

SATY.BO, Rs404	
Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	550
52W High -Low (Rs)	525 - 401
Market Cap (Rs bn)	271.1

Financials

March y/e	2007	2008E	2009E
Sales (Rs bn)	64.9	83.2	106.2
Net Profit (Rs bn)	14.0	17.0	20.9
EPS (Rs)	21.4	25.4	31.1
EPS gth	*41.7*	*18.3*	*22.5*
P/E (x)	18.8	15.9	13.0
EV/EBITDA (x)	15.1	12.1	9
Div yield (%)	1.9	2.5	3.0

Shareholding, September 2007

	Pattern	% of Portfolio	Over/(under) weight
Promoters	8.8	-	-
FIIs	66.1	2.3	1.5
MFs	5.7	1.2	0.5
UTI	-	-	(0.7)
LIC	1.7	0.3	(0.4)

Satyam Computer Services: Valuations reflect worst-case fears. Management exudes confidence. Reiterate BUY

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- **Valuations—all negatives factored in**
- **Company not averse to utilizing cash for share buyback**

We reiterate our BUY rating on Satyam. The stock is now trading at 13X FY2009E earnings, inexpensive in our view. We believe that the current stock price factors in all the possible negatives (volume slowdown, pricing cuts, rupee appreciation, sustained wage inflation, and STPI phase-out) and more importantly, factors in the possibility of all the negative events hitting the offshore IT services players concurrently. We re-iterate our BUY rating on the stock with an end-March DCF-based target price of Rs550/share.

Valuations—all negatives factored in. We believe that the current market price of Satyam (and other tier-I stocks, specially Infosys) factors in all the potential negatives viz (1) slowdown in volume growth (2) severe pricing decline (3) substantial rupee appreciation and (4) sustained wage inflation. More important, the market appears to be factoring in the possibility of all the negative events hitting offshore IT services players simultaneously. However, we do not believe that all the negatives can possibly play out together.

Our worst-case DCF fair value is Rs390/share. The current stock price of Satyam (using reverse DCF with WACC of 12.5% and terminal year growth rate of 5%) implies modest revenue growth of 15% (CAGR) over the next 10 years and a sharp decline in operating margin (8%pts from FY2008E level of 21.7%). Exhibit 1 depicts the sensitivity of Satyam's FY2009 EPS and OPM to changes in onsite and offshore pricing. Our worst-case (assuming moderate decline in IT budgets will likely result in 5% decline in onsite and offshore pricing in FY2009, Re/US$ rate of 38 and 37 for FY2009 and FY2010, and a 1% p.a. appreciation in the rupee post-FY2010) DCF-based fair value for Satyam, works out to Rs390/share, implying negligible downside from current levels. Exhibit 2 shows the 12-month forward PE chart for Satyam—the stock is trading close to mutli-year lows.

Company not averse to utilizing cash for share buyback. Satyam is not averse to utilizing 'excess cash' for buying back its shares. Satyam had Rs40 bn (US$1 bn) of cash on its books (Rs60/share or 15% of the current market capitalization) as of September 30, 2007. In addition, the company will likely generate free cash in excess of US$300 mn in FY2008 (pre-dividend payout). Satyam also indicates that it is aggressively trying to reduce its debtors days (92 days in 2QFY08). We expect Satyam to end FY2008 with a cash balance in excess of US$1.3 bn. We note that some of other Indian offshore IT players like Cognizant and Hexaware have announced their intentions to buy back shares over the past two months.

Clarity on CY2008 IT budgets still some time away; management remains confident nevertheless. Satyam indicates that it has not seen any negative indicators from the initial discussions it has had on next year's IT budget with select clients. **The company maintains that its large deal pipeline is 4X the pipeline at the same time last year; also, there has been no slowdown in the rate of new deal closures**. In addition, our discussion with the management indicates that there have been no negative surprises on pricing renegotiations over the past two months. We note that Satyam's exposure to the troubled BFS vertical in the US is lower than other frontline players and the company may be better placed on that front.

On track for an outstanding FY2008, investments in the right areas should sustain revenue growth in the medium-term. Several of the company's initiatives appear to be paying off, particularlty its investments in front end, domain expertise, creation of strategic deals group and improvement in incentive structures . Company guidance suggests 42% US$ revenue growth in FY2008, highest in the industry. We believe the combination of greater success in large deals and increasing acceptability of new service offerings will likely ensure sustainability of growth over the next two to three years.

FY2009 EPS and OPM at various level of changes in pricing (Satyam)

EPS (Rs)

		Onsite pricing change (%)				
		(5)	(4)	(3)	(2)	(1)
Offshore pricing change (%)	(5)	27.2	27.5	27.9	28.2	28.5
	(4)	27.4	27.8	28.1	28.4	28.8
	(3)	27.7	28.0	28.4	28.7	29.0
	(2)	27.9	28.3	28.6	28.9	29.3
	(1)	28.2	28.5	28.8	29.2	29.5

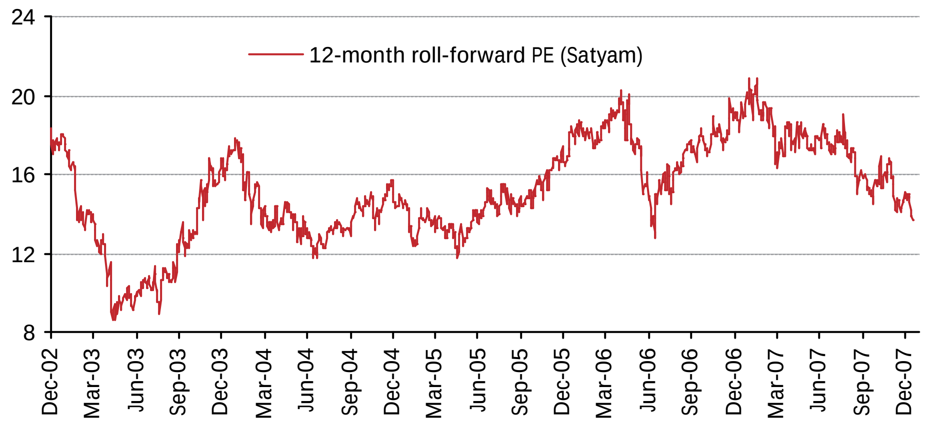
OPM (%)

		Onsite pricing change (%)				
		(5)	(4)	(3)	(2)	(1)
Offshore pricing change (%)	(5)	19.8	19.9	20.1	20.2	20.4
	(4)	19.8	20.0	20.1	20.3	20.4
	(3)	19.9	20.1	20.2	20.4	20.5
	(2)	20.0	20.1	20.3	20.4	20.6
	(1)	20.1	20.2	20.4	20.5	20.7

	FY2008	FY2009	FY2010
Current estimates			
EPS	25.4	31.1	32.8
OPM	21.7	21.4	20.8
Volume growth - onsite (%)	34.6	27.1	20.8
Volume growth - offshore (%)	46.6	28.7	24.0
Worst case scenario			
EPS		27.2	29.4
EPS - Change from base case (%)		(12.5)	(10.6)
OPM		19.8	19.4
OPM decline yoy worst case (bps)		(198)	(39)

Source: Kotak Institutional Equities estimates

Satyam now trades at 13.6x 12-month forward earnings, close to multi-year low



Source: Bloomberg, Kotak Institutional Equities estimates.

Satyam's large deal focus has resulted in some significant deal wins

List of large deals annouced by Satyam in the past 24 months

Deal	Size (US$ mn)	Country
GM	150	North America
Nissan	100	North America
Qantas	54	Australia
Applied Materials	200	North America
Nestle	75	Switzerland
Large retailer	100	
Reuters (a)		UK

Note:
(a) As a sub-contractor to Fujitsu

Source: Company reports, Kotak Institutional Equities estimates

Traction in enterprise solutions practice remains strong

Satyam's revenues from package implementation practice

	1QFY06	2QFY06	3QFY06	4QFY06	1QFY07	2QFY07	3QFY07	4QFY07	1QFY08	2QFY08
Revenues (US$ mn)	88.8	100.4	106.2	111.4	121.8	134.3	150.4	166.0	190.6	217.9
% of revenues	37.4	39.4	39.4	39.3	40.3	40.4	42.0	42.6	44.2	45.0
Growth qoq (%)	13.9	13.1	5.7	4.9	9.3	10.3	12.0	10.4	14.8	14.3
Growth yoy (%)	**59.4**	**54.0**	**50.1**	**43.0**	**37.2**	**33.8**	**41.7**	**49.0**	**56.5**	**62.2**

Source: Company, Kotak Institutional Equities

Satyam- Consolidated Indian GAAP Income Statement, Fiscal year ends March (Rs mn)

Rs mn	2004	2006	2007	2008E	2009E	2010E
Revenues	**25,605**	**47,926**	**64,851**	**83,155**	**106,225**	**128,199**
Personel Expenses	(13,455)	(28,053)	(38,602)	(51,650)	(66,212)	(81,175)
Administrative Expenses	(5,377)	(8,212)	(10,872)	(13,430)	(17,277)	(20,302)
Total Operating Expenses	(18,832)	(36,265)	(49,474)	(65,080)	(83,489)	(101,477)
Operating Profits	**6,773**	**11,661**	**15,377**	**18,074**	**22,736**	**26,723**
Depreciation	(1,188)	(1,373)	(1,484)	(1,707)	(2,239)	(2,790)
EBIT	**5,585**	**10,289**	**13,893**	**16,367**	**20,497**	**23,933**
Interest	(10)	(55)	(159)	(74)	-	-
Other Income	751	1,168	1,833	3,193	3,413	3,730
Profit Before Tax	**6,326**	**11,401**	**15,566**	**19,485**	**23,910**	**27,662**
Provision for Tax	(1,063)	(1,509)	(1,520)	(2,460)	(3,053)	(5,628)
Net Profit	**5,263**	**9,892**	**14,046**	**17,026**	**20,857**	**22,034**
Share of loss in associate company	(129)	(73)	1	-	-	-
Net Income	**5,134**	**9,819**	**14,047**	**17,026**	**20,857**	**22,034**
Extraordinaries	-	1,598	-	-	-	-
Net Profit- Reported	**5,134**	**11,417**	**14,047**	**17,026**	**20,857**	**22,034**
EPS (Rs/ share)	**8.1**	**15.1**	**21.4**	**25.4**	**31.1**	**32.8**
Margins (%)						
EBITDA Margin	26.5	24.3	23.7	21.7	21.4	20.8
EBIT Margin	21.8	21.5	21.4	19.7	19.3	18.7
NPM	20.0	20.2	21.1	19.7	19.0	16.7
Growth Rates (%)						
Revenues		36.1	35.3	28.2	27.7	20.7
EBITDA		34.3	31.9	17.5	25.8	17.5
EBIT		36.7	35.0	17.8	25.2	16.8
Net Profit		37.2	42.0	21.2	22.5	5.6

Source: Kotak Institutional Equities estimates

Media

JAGP.BO, Rs739	
Rating	ADD
Sector coverage view	Neutral
Target Price (Rs)	735
52W High -Low (Rs)	824 - 296
Market Cap (Rs bn)	44.5

Financials

March y/e	2007E	2008E	2009E
Sales (Rs bn)	6.0	7.5	9.4
Net Profit (Rs bn)	0.7	1.3	1.8
EPS (Rs)	12.2	21.0	29.8
EPS gth	*1.0*	*72.1*	*41.7*
P/E (x)	60.6	35.2	24.8
EV/EBITDA (x)	36.0	20.8	14
Div yield (%)	1.0	1.6	2.2

Shareholding, September 2007

	Pattern	% of Portfolio	Over/(under) weight
Promoters	52.1	-	-
FIIs	3.9	0.0	0.0
MFs	11.4	0.3	0.3
UTI	-	-	-
LIC	1.0	0.0	0.0

Jagran Prakashan: Jagran Prakashan and Television Eighteen form JV to enter business print segment

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- **JAGP partners with TV18 to launch a national Hindi business daily in 2008**
- **TV18 becomes serious print media player with Infomedia buy, Forbes and JAGP JVs**
- **Retain positive view on JAGP stock, 12-month DCF-based target price of Rs735**

Jagran Prakashan (JAGP), India's largest Hindi newspaper publisher, and Television Eighteen (TV18) have announced a 50:50 JV in the business print media segment. The JV will focus on vernacular business news and start by launching a national Hindi business daily in 2008 in the Hindi heartland markets where JAGP has a strong presence. TV18, the business news arm of media conglomerate Network18, has now become a serious player in the Indian print media market with the recent buyout of Infomedia and subsequent JVs with Forbes and JAGP. We maintain our positive view on the Indian print media market in general and JAGP stock in particular. We believe JAGP is at the cusp of explosive growth over the next few years given (1) leadership presence across the Hindi heartland markets, (2) strong expected ad revenue growth in Indian print media segment and (3) rapid scale-up of new initiatives in print, outdoor and digital media. We retain our ADD rating on the stock with 12-month DCF-based target price of Rs735 pending our discussion with the management on the JV and other plans. Key downside risks stem from rising competition in extant markets and higher newsprint costs.

Vernacular business news segment—another growth driver for JAGP. JAGP, India's leading Hindi newspaper publisher, and TV18, India's leading business news provider, have signed an agreement for a 50:50 joint venture initiative in the business print space. The JV will launch a Hindi business daily for the Indian market, the first Hindi business newspaper to hit the market nationally, in 2008 followed by other regional language dailies focused on financial and economic news. Vernacular business news is an emerging segment and the JV gives both JAGP and TV18 a first-mover advantage in the growing Hindi heartland markets (see Exhibit 1); the need for a good financial and investment publication will likely be felt with rising disposable incomes and rapid urbanization in these non-metro markets. Exhibit 2 shows the performance of the Hindi business news channels versus their English counterparts, which is indicative of the demand for business news in Hindi; however, we note that the Hindi business news market will likely be less lucrative versus the English business news segment given relatively lower spending power of the target group. The venture has been positioned to benefit from the respective competencies of TV18 and JAGP; TV18 shall bring forth its expertise in business content, while JAGP will bring forth its print experience including operational expertise, infrastructure and large distribution network to the JV.

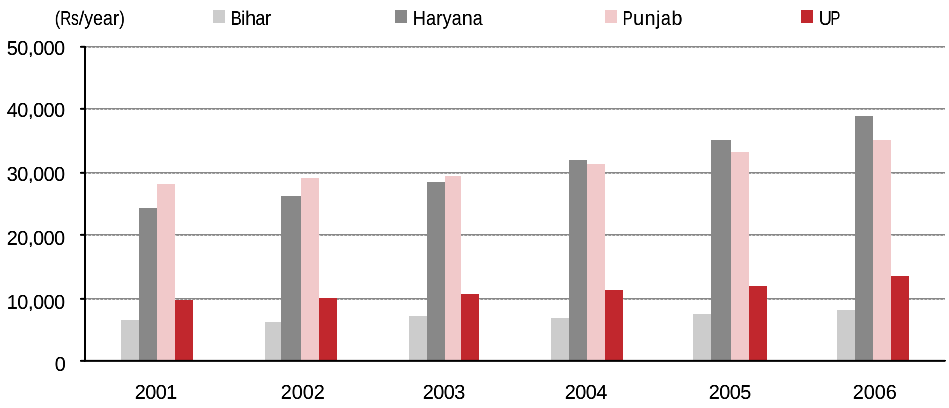
TV18 expanding it horizons—now a serious player in the Indian print media segment. TV18 is the leading business news provider in India on the strength of its television channels (CNBC-TV18 and Awaaz), internet properties (www.moneycontrol.com and www.poweryourtrade.com, among others) and information terminal platform (Newswire18). Network18, the parent company of TV18, is the leading media conglomerate in India with interests in television (news, business and general entertainment), movies and internet. It has been looking for opportunities in the lucrative print media business for quite some time in order to complete its suite of media offerings and diversify its established presence in the growing Indian media market.

TV18 marked its long-awaited foray into the print media segment with the acquisition of ICICI Ventures' 40% stake in Infomedia. Infomedia is the market leader in yellow pages and special interest magazines in areas such as cars (Overdrive), technology (Chip), cricket (Cricinfo), etc. Infomedia is India's largest organized contract printer and has recently forayed into BPO publishing, which will likely have synergies with TV18 media outsourcing venture with Infosys, Source18. Apart from the JV with JAGP, TV18 has also announced a JV with Forbes Media, one of the world's most respected business publishers, to launch a business magazine in India. The partnership complements TV18's leadership position in business news and the Infomedia acquisition.

JAGP—core print business at the cusp of explosive growth. We expect strong growth in JAGP's free cash flow over the next few years led by (1) leadership print presence in several rapidly growing non-metro markets, (2) our strong expected strong growth in Indian media and print sectors (see Exhibit 3) and (3) contribution from new initiatives in print, outdoor and digital media. We also note the natural entry barriers that exist in Indian print media segment such as (1) unorganized distribution network in non-metro cities and (2) sustaining huge cash loses in initial years of operations given low cover prices and time taken for ad revenues to scale up. We model JAGP's revenues to grow to Rs11.3 bn in FY2010E from Rs6.0 bn in FY2007 and drive EBITDA to Rs4.0 bn in FY2010E from Rs1.2 bn in FY2007, a CAGR of 50%. The vernacular business publishing JV with TV18 adds to the growing list of emerging business opportunities with the company. We maintain our estimates of the company pending discussion with the management on the progress of its various businesses and plans for the JV. We retain our ADD rating and 12-month DCF-based target price of Rs735.

Rising disposable incomes will drive consumption which augurs well for Jagran's ad revenues

Per-capita disposable income in key Jagran states, 2001-2006 (Rs/year)



Source: National Readership Survey, compiled by Kotak Institutional Equities.

Hindi business news channels derive ratings similar to their English counterparts

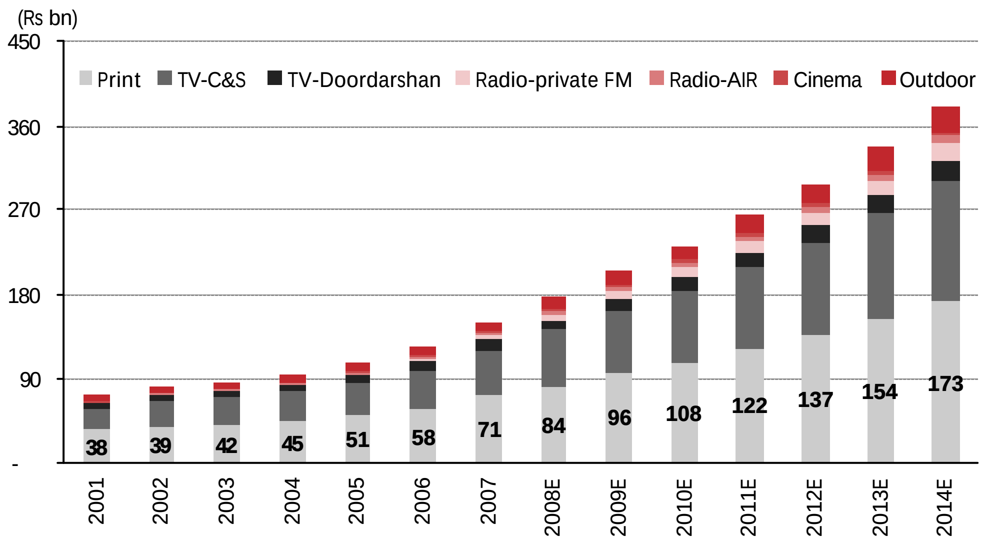
Gross ratings points data of all business news channels in India (%)

	Historical data						Recent weeks' data					
Week beginning:	**28-Jan**	**1-Apr**	**27-May**	**29-Jul**	**30-Sep**	**2-Dec**	**28-Oct**	**4-Nov**	**11-Nov**	**18-Nov**	**25-Nov**	**2-Dec**
Hindi business news												
CNBC Awaaz	3.92	4.62	3.71	4.13	4.83	4.13	4.34	4.20	4.06	3.92	3.92	4.13
Zee Business	1.96	1.75	1.89	1.33	2.10	1.61	2.52	2.17	1.75	2.24	2.38	1.61
English business news												
CNBC TV18	4.27	4.34	4.76	5.18	5.11	6.72	7.49	5.67	6.02	5.95	6.23	6.72
NDTV Profit	3.36	2.87	4.20	5.25	4.06	3.43	4.41	3.71	3.64	3.57	3.64	3.43

Source: TAM Media Research, compiled by Kotak Institutional Equities.

We project strong growth in ad revenues for Indian media industry and print sector

Estimation of advertisement revenues by various forms of media, 2001-2014E, March fiscal year-ends (Rs bn)



Source: Industry, Kotak Institutional Equities estimates.

We model JAGP's revenues to grow strongly led by growth in print and outdoor advertisement revenues

Derivation of revenues of Jagran Prakashan, March fiscal year-ends, 2005-2012E (Rs mn)

	2005	2006	2007	2008E	2009E	2010E	2011E	2012E
Advertisement revenues								
Kanpur	479	607	771	959	1,157	1,367	1,620	1,835
NCR	334	427	530	657	806	953	1,129	1,279
Lucknow	263	332	416	516	632	747	885	1,003
Others	1,255	1,705	2,170	2,825	3,687	4,437	5,195	5,906
Total print advertisement revenues	**2,332**	**3,071**	**3,887**	**4,957**	**6,282**	**7,505**	**8,828**	**10,022**
Outdoor revenues	—	14	170	437	806	1,349	1,914	2,426
Total outdoor advertisement revenues	**—**	**14**	**170**	**437**	**806**	**1,349**	**1,914**	**2,426**
Total advertisement revenues	**2,332**	**3,085**	**4,057**	**5,394**	**7,089**	**8,854**	**10,742**	**12,448**
Other revenues								
Circulation revenues	1,375	1,603	1,668	1,753	1,879	1,981	2,066	2,156
Digital media	11	42	138	207	289	376	451	496
Others	52	71	114	119	125	132	138	145
Total revenues	**3,770**	**4,802**	**5,976**	**7,472**	**9,382**	**11,342**	**13,398**	**15,245**
Growth (%)	**—**	**27.4**	**24.5**	**25.0**	**25.6**	**20.9**	**18.1**	**13.8**

Source: Company data, Kotak Institutional Equities estimates.

Profit model, balance sheet and cash model of Jagran Prakashan, March fiscal year-ends, 2005-2012E (Rs mn)

	2005	2006	2007	2008E	2009E	2010E	2011E	2012E
Profit model								
Net sales	3,764	4,805	5,982	7,472	9,382	11,342	13,398	15,245
EBITDA	**259**	**702**	**1,198**	**2,089**	**3,076**	**4,045**	**4,931**	**5,816**
Other income	10	63	248	264	253	254	248	249
Interest	(68)	(76)	(85)	(74)	(93)	(120)	(112)	(87)
Depreciation	(176)	(201)	(237)	(368)	(521)	(631)	(710)	(762)
Pretax profits	**25**	**488**	**1,124**	**1,911**	**2,715**	**3,548**	**4,357**	**5,216**
Extraordinary items	(5)	(30)	27	—	—	—	—	—
Current tax	(2)	(57)	(372)	(570)	(871)	(1,158)	(1,452)	(1,743)
Deferred taxation	(6)	(84)	(17)	(79)	(52)	(48)	(29)	(30)
Net income	**13**	**317**	**762**	**1,261**	**1,792**	**2,342**	**2,876**	**3,443**
Adjusted net income	16	338	744	1,261	1,792	2,342	2,876	3,443
Earnings per share (Rs)	**0.4**	**8.2**	**12.4**	**20.9**	**29.8**	**38.9**	**47.8**	**57.2**
Balance sheet								
Total equity	687	4,867	5,111	5,561	6,200	7,035	8,060	9,288
Deferred taxation liability	284	368	384	463	515	564	592	622
Total borrowings	1,304	1,165	1,067	966	1,600	1,700	1,400	1,000
Current liabilities	398	359	652	727	759	780	845	895
Total liabilities and equity	**2,672**	**6,759**	**7,215**	**7,717**	**9,074**	**10,079**	**10,897**	**11,805**
Cash	113	1,746	1,013	458	625	495	441	533
Other current assets	1,298	1,654	2,108	2,534	2,947	3,366	3,823	4,231
Total fixed assets	1,255	1,598	2,645	3,277	4,054	4,770	5,185	5,593
Investments	7	1,760	1,446	1,446	1,446	1,446	1,446	1,446
Miscellaneous expenditure	—	2	2	2	2	2	2	2
Total assets	**2,672**	**6,759**	**7,215**	**7,717**	**9,074**	**10,079**	**10,897**	**11,805**
Free cash flow								
Operating cash flow, excl. working capital	194	655	846	1,445	2,112	2,768	3,366	3,986
Working capital changes	(60)	(358)	(230)	(351)	(382)	(398)	(393)	(357)
Capital expenditure	(342)	(550)	(1,243)	(1,000)	(1,298)	(1,347)	(1,125)	(1,171)
Income from investments	5	31	179	264	253	254	248	249
Free cash flow	**(204)**	**(223)**	**(448)**	**358**	**686**	**1,277**	**2,097**	**2,708**
Ratios (%)								
Debt/equity	57	18	16	14	19	18	14	9
Net debt/equity	55	(12)	1	8	13	14	10	5
ROAE (%)	—	11.5	12.5	20.5	24.9	28.1	30.8	33.7
ROACE (%)	**—**	**5.0**	**5.3**	**8.7**	**11.3**	**13.1**	**14.7**	**16.3**

Source: Company, Kotak Institutional Equities estimates.

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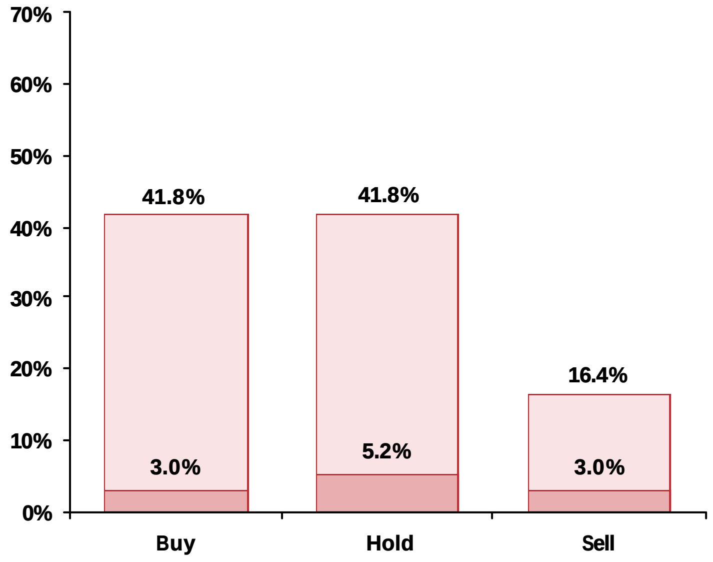

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Source: Kotak Institutional Equities. As of September 30, 2007

Ratings and other definitions/identifiers

New rating system

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Old rating system

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