

Contents

Changes in Recommendation

LIC Housing Finance: Rich valuations, risk of rising interest rates, downgrade to REDUCE

Updates

Tata Motors: Annual report analysis

News Round-up

- ▶ Cairn deal will hinge on government endorsement. The government has told Cairn Energy that its deal with Vedanta Resources will go through only after a formal proposal to the government is made and all clearances are obtained. *(BSTD)*
- ▶ Vedanta open offer for Cairn India (CAIR IN) from October 11. Sesa Goa (SESA IN) will offer INR 355 per share to Cairn India's shareholders. The company's board of directors had approved the additional acquisition in Cairn India. *(BSTD)*
- ▶ NTPC-BHEL, Power projects, the joint venture between BHEL (BHEL IN) and NTPC (NATP IN), is likely to rope in a global technology provider and may offer a minority stake. *(BSTD)*
- ▶ Future Ventures will raise as much as USD 163 mn from an initial public issue of shares, according to the draft red herring prospectus (DRHP) filed by the company on Tuesday. *(BSTD)*
- ▶ Elder Health Care (EDHC IN) has entered into an in-licensing deal with Japan's USD 1.6 bn Pola Chemical Industries to bring the latter's skincare and cosmetic products to India. *(FNLE)*
- ▶ Bharti Airtel (BAHRTI IN) has announced plans to invest USD 10 mn in its newly acquired telecom network in Seychelles. *(FNLE)*
- ▶ IL&FS Investment Managers is close to exiting at least six of its investments, mainly in real estate sector by end of the current fiscal. It may raise USD 425.53mn through the exits. *(ECNT)*
- ▶ Cox & Kings (COXK IN) has raised USD 65mn through a global depository receipts issue & will use the proceeds largely to fund its acquisition plans. *(ECNT)*
- ▶ Govt. may offload only 5% in Power Finance Corp. (POWF IN) planned public offer following a request from the company that a large offering could impact its ability to raise capital later. *(ECNT)*
- ▶ HPCL (HPCL IN) is looking at buying fuel retail assets of Royal Dutch Shell in Africa. *(BSTD)*
- ▶ TVS Motors (TVSL IN) to spend USD 32mn to add capacity & develop new products this financial year as demand rises. *(ECNT)*
- ▶ Hindustan Petroleum (HPCL IN) is looking at buying fuel retail assets of Royal Dutch Shell in Africa. *(ECNT)*
- ▶ Suzlon Energy (SUEL IN) may set up a plant to produce rotor blades in Brazil. *(ECNT)*
- ▶ Asian Paints (APNT IN) second plant with a capacity of 50000 kilolitres in Egypt has gone on stream. *(THBL)*

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

EQUITY MARKETS

India	Change %			
	17-Aug	1-day	1-mo	3-mo
Sensex	18,049	(0.0)	0.5	7.0
Nifty	5,414	(0.1)	0.4	6.9
Global/Regional indices				
Dow Jones	10,406	1.0	3.1	(1.0)
Nasdaq Composite	2,209	1.3	1.4	(4.7)
FTSE	5,351	1.4	3.7	0.8
Nikkie	9,193	0.3	(2.3)	(10.2)
Hang Seng	21,137	0.1	4.4	6.0
KOSPI	1,758	0.1	1.1	7.0
Value traded – India				
Cash (NSE+BSE)	194		175	170
Derivatives (NSE)	796		624	1,141
Deri. open interest	1,768		1,543	1,390

Forex/money market

	Change, basis points			
	17-Aug	1-day	1-mo	3-mo
Rs/US\$	46.6	(1)	(47)	106
10yr govt bond, %	7.9	7	25	42

Net investment (US\$m)

	16-Aug	MTD	CYTD
FIs	119	967	11,445
MFs	(72)	(196)	(282)

Top movers -3mo basis

Best performers	Change, %			
	17-Aug	1-day	1-mo	3-mo
HPCL IN Equity	496.7	3.1	10.8	47.8
BOI IN Equity	466.4	0.4	18.1	39.7
TCOM IN Equity	338.1	4.7	16.5	36.4
TTMT IN Equity	1006.7	0.5	20.9	30.3
BHFC IN Equity	344.0	(0.6)	4.4	27.9
Worst performers				
SUEL IN Equity	51.2	(2.3)	(14.8)	(20.0)
PUNJ IN Equity	114.9	(0.7)	(16.6)	(19.2)
RNR IN Equity	37.9	0.1	(16.4)	(16.2)
SESA IN Equity	318.7	(1.0)	(7.2)	(13.5)
NMDC IN Equity	254.3	(1.0)	(3.7)	(10.4)

AUGUST 17, 2010

CHANGE IN RECO.

Coverage view: **Attractive**

Price (Rs): **1,289**

Target price (Rs): **1,250**

BSE-30: **18,051**

Rich valuations, risk of rising interest rates, downgrade to REDUCE. We believe that the rising interest rate regime will pressure LICHF's growth trajectory in the medium term. The stock has already outperformed the markets by 78% (12 months) and 21% (one month) and current valuations (at 2.6X PBR FY2012E) capture strong (30%) loan growth over the next two years. Further, we do not find any merit in LICHF to convert into a bank. Downgrade to REDUCE from ADD, retain TP at Rs1,250.

Company data and valuation summary

LIC Housing Finance

Stock data

52-week range (Rs) (high,low) 1,307-568

Market Cap. (Rs bn) 122.4

Shareholding pattern (%)

Promoters 36.5

FIs 32.1

MFs 14.1

Price performance (%)

	1M	3M	12M
Absolute	21.9	33.8	117.2
Rel. to BSE-30	21.3	24.8	77.9

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	69.7	100.7	109.9
EPS growth (%)	11.5	44.5	9.1
P/E (X)	18.5	12.8	11.7
NII (Rs bn)	9.5	13.0	16.3
Net profits (Rs bn)	6.6	9.6	10.4
BVPS	341.0	411.0	487.5
P/B (X)	3.8	3.1	2.6
ROE (%)	23.6	25.5	23.2
Div. Yield (%)	1.2	1.7	1.8

Rich valuations, strong outperformance already captures earnings traction, downgrade to REDUCE

On the back of its strong operating performance over the past few quarters, LICHF's stock has appreciated by about 117% in past year, about 22% in the past month, thereby outperforming the market by 78% and 21%, respectively. The stock is currently trading at 2.6X PBR and 12X PER FY2012E, already factoring in its strong earnings momentum. We expect LICHF to report RoE of 23-24% in the near term with 29% CAGR in core PBT between FY2010 and FY2013E. We downgrade our rating to REDUCE from ADD.

Rising interest rates could affect business momentum

We have been positive on the stock over the past couple of years on the back of attractive valuations coupled with strong business growth, rising margins on the back of excess liquidity in the system and improvement in asset quality performance. However, we believe rising interest rates in the system will pressure margins in the medium term and over time constrain home loan growth as well.

We continue to believe LICHF will deliver steady growth over the medium term, however, current valuations provide low margins for safety against any negative surprises in the business—margins contraction, lower-than-expected growth, etc.

Banks are relatively better placed in the current rising rate environment

We believe banks with retail franchisee are better plays in a rising rate environment and wholesale funded institutions are relatively disadvantaged. However, current valuations of LICHF are at their peak and the recent outperformance indicates that the market is completely ignoring the risk of rising interest rates.

Nischint Chawathe
nischint.chawathe@kotak.com
Mumbai: +91-22-6634-1545

Manish Karwa
manish.karwa@kotak.com
Mumbai: +91-22-6634-1350

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

We do not find any merit in LICHF becoming a bank

We believe that it is too early to comment on whether LICHF will be awarded a banking license by RBI. The regulator has released a discussion paper and formal guidelines on the same are yet awaited. However, given the current regulatory framework, we believe a banking license will not have a positive impact on LICHF’s fundamentals/stock price.

We believe LIC may be better-off setting up a new bank rather than using the vehicle of LICHF, as the latter will need to carry the burden of SLR/CRR on mortgage assets, negatively impacting its earnings.

Most public banks in India have medium term RoEs of 20-22% while private banks are at 18-20% lower than LICHF’s near-term RoE of 23%. Public banks trade at 1.4-1.6XFY2012E PBR, while private banks trade at near 2.5X FY2012E PBR (except HDFC Bank) which is lower than LICHF’s current valuations of 2.6X FY2012E PBR.

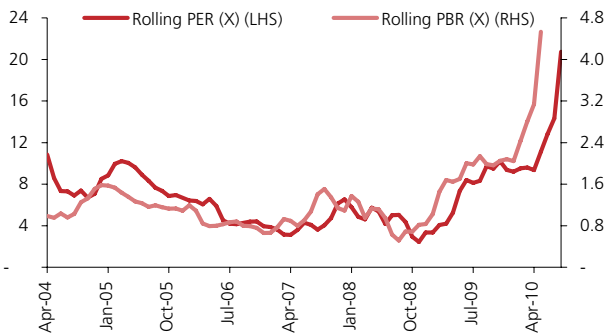
We are already factoring strong earnings growth

Our current earnings model strong growth estimates for LICHF- 27% disbursements growth in FY2011E and 20% in FY2012E for LICHF. Consequently, we are building loan growth of 35% and 30% in FY2011E and FY2012E, respectively.

We are projecting modeling a NIM of 2.7% for FY2011E (2.8% for next nine months versus 3% reported in 1QFY11) and 2.7% in FY2010 and 2.9% in FY2009. The company has recently launched a five-year fixed rate home loan product at 9.25%. Incrementally, this product will boost LICHF’s asset yield though it poses some ALM risk as it may be challenging to tie-up back-to-back, five-year fixed-rate borrowings.

Valuations are at its peak

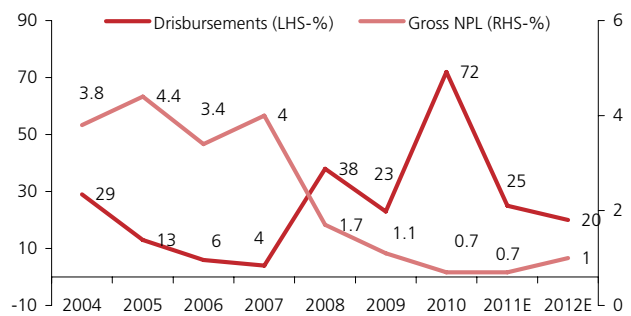
LICHF: Rolling PER and PBR, April 2004-August 2010 (X)



Source: Bloomberg, Company, Kotak Institutional Equities estimates

... operating performance was strong will likely moderate

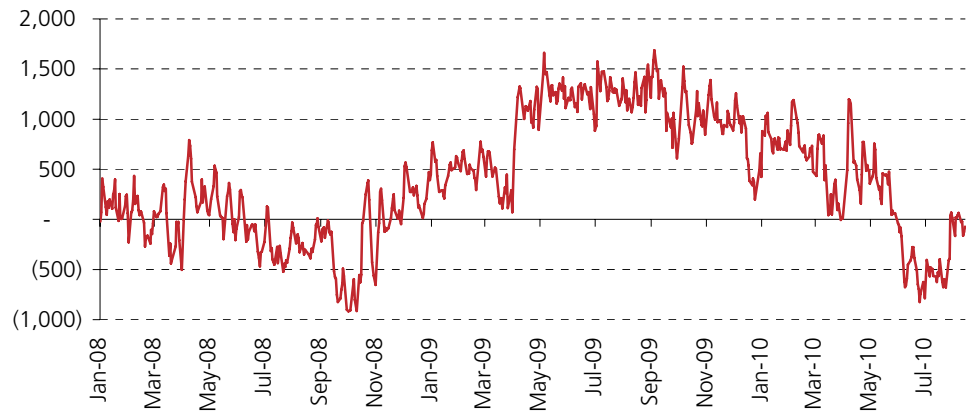
LICHF: Growth in disbursements (LHS) and gross NPL ratio (RHS), March fiscal year-ends, 2004-2013E (%)



Source: Company, Kotak Institutional Equities estimates

Liquidity in the system is tightening

Net Reverse Repo amount (net of Repo) outstanding, 2008-2011 (Rs bn)



Source: RBI, Kotak Institutional Equities estimates

LICHF: Key ratios, March fiscal year-ends 2008-2013E

	2008	2009	2010E	2011E	2012E	2013E
Growth (%)						
Total assets	24	24	37	32	29	36
Housing loans	25	26	38	34	30	37
Total borrowings	24	26	36	35	31	38
Net Income before provision	49	27	19	37	26	29
Fee income	9	55	56	20	20	20
Total expenses	19	16	24	23	23	23
PBT	50	37	25	44	10	26
PAT	39	37	25	44	9	23
Spread calculation (%)						
Average cost of funds	8.0	8.8	8.0	8.1	8.4	8.5
Average yield on assets	10.0	10.7	9.6	9.9	10.2	10.3
Spreads	1.9	1.9	1.6	1.8	1.8	1.8
Difference on housing loan	2.3	2.3	2.0	2.1	2.1	2.0
NIM	3.0	3.0	2.7	2.8	2.7	2.6
Other ratios (%)						
Tax rate	27	27	27	27	28	29
Debt/equity (X)	11	12	10	11	13	14
Total expenses/assets	0.6	0.5	0.5	0.4	0.4	0.4
Total expenses/total income	20	18	18	16	16	15
Divd payout ratio	22	22	22	22	22	22
Du Pont analysis (% of average assets)						
Net interest income	3.0	3.0	2.7	2.8	2.7	2.6
Loan loss provisions and Inv pro	0.1	—	(0.1)	0.1	0.1	0.2
Net other income	0.3	0.3	0.4	0.6	0.3	0.3
Gains on securitization	—	—	—	—	—	—
Operating expenses	0.6	0.6	0.6	0.5	0.5	0.4
(1- tax rate)	72.8	73.2	72.7	73.1	72.4	70.7
ROA	1.8	2.0	1.9	2.0	1.7	1.6
Average assets/average equity (X)	12.5	13.0	12.4	12.5	13.5	15.0
ROE (%)	22.9	26.2	23.6	25.5	23.2	23.9

Source: Company, Kotak Institutional Equities estimates

LICHF: Income statement and balance sheet, March fiscal year-ends 2008- 2013E

	2008	2009	2010E	2011E	2012E	2013E
Income statement						
Total income excluding fee income	20,365	27,476	32,827	45,647	61,488	82,186
Other operating income	127	634	597	593	593	593
Interest payable	14,744	20,155	23,957	33,232	45,737	61,754
Provision	243	53	-283	445	878	1,565
Fee income						
Net total income	6,554	8,716	11,023	14,091	17,301	21,661
Total expenses	1,338	1,552	1,920	2,355	2,888	3,545
Staff expenses	345	447	485	567	664	777
Establishment expenses	182	166	131	164	205	256
Other expenses	774	890	1,241	1,551	1,939	2,424
Depreciation	37	49	64	73	80	88
Other income	105	100	10	1,350	0	0
Profit before tax	5,321	7,264	9,112	13,086	14,413	18,116
Tax	1,450	1,948	2,490	3,518	3,976	5,314
Net profit	3,871	5,316	6,622	9,568	10,437	12,801
EPS (Rs)	46	63	70	101	110	135
BVPS (Rs)	215.5	262.0	356.6	432.0	514.3	615.1
ABVPS (Rs)	184	233	341	411	488	587
Balance sheet						
Disbursements	70,710	86,800	149,000	189,975	227,970	341,955
YoY growth (%)	38	23	72	28	76,479	99,202
Net loans	219,360	276,793	380,814	509,859	661,350	904,102
Total Investments	7,746	11,293	13,886	13,886	13,886	13,886
Cash & deposits	3,617	1,353	2,669	2,669	2,669	2,669
Loans and advances and other assets	1,597	3,093	3,803	3,803	3,803	3,803
Deferred tax assets	929	948	890	890	890	890
Fixed assets owned	300	324	356	378	408	410
Total assets	233,549	293,804	402,418	531,484	683,006	925,760
Total liabilities	215,232	271,483	368,540	490,447	634,157	867,329
Share capital	850	850	950	950	950	950
Reserves	17467	21491	32927	40087	47899	57480
Shareholders fund	18,317	22,341	33,877	41,037	48849	58431

Source: Company, Kotak Institutional Equities estimates

AUGUST 17, 2010
UPDATE

Coverage view: **Cautious**

Price (Rs): **1,007**

Target price (Rs): **1,150**

BSE-30: **18,049**

Annual report analysis. Tata Motors' aggressive capitalization of product development expenditure overstates the earnings turnaround at JLR. This accounts for the continued deterioration in the tangible net worth of the consolidated entity. We have factored the aggressiveness into our valuation. Three strengths underpin our ADD rating: (1) Product cadence, which is driving the turnaround at JLR, (2) domestic CV demand and (3) upside from current prices.

Company data and valuation summary

Tata Motors

Stock data		Forecasts/Valuations			
		2010	2011E	2012E	
52-week range (Rs) (high,low)	1,035-418	EPS (Rs)	23.8	27.1	35.0
Market Cap. (Rs bn)	627.0	EPS growth (%)	137.8	13.5	29.4
Shareholding pattern (%)		P/E (X)	42.0	37.0	28.6
Promoters	37.0	Sales (Rs bn)	355.9	419.0	467.6
FIs	34.2	Net profits (Rs bn)	13.6	16.9	20.6
MFs	2.7	EBITDA (Rs bn)	40.4	44.7	50.9
Price performance (%)		EV/EBITDA (X)	19.6	17.8	15.3
Absolute	1M 3M 12M	ROE (%)	8.6	8.6	9.1
Rel. to BSE-30	20.3 26.9 129.9	Div. Yield (%)	1.4	0.5	0.5
	19.7 18.3 88.3				

Nothing tangible to show

Tata Motors' consolidated net worth increased from Rs59 bn to Rs82 bn in FY2010. However, the company's tangible net worth decreased from negative Rs20 bn to negative Rs50 bn. This is despite Rs17 bn of capital raised during the year and consolidated net profit of Rs25.7 bn. Capitalized product development expenses is the primary driver of this discrepancy. During FY2010, Tata Motors capitalized product development expenditure totaling Rs56 bn (close to Rs100 per share), Rs11.4 bn of which is in CWIP. Product development expenditure is amortized over 3-10 years or prorated on the basis of actual production to planned production.

Global peers such as Daimler and BMW that follow IFRS, typically expense two-thirds of product development expenditure and capitalize only one third. In CY2009, BMW incurred total production development expenditure of €2.45 bn, €1.1 bn (44%) of which was capitalized. Similarly, Daimler incurred €4.1 bn in R&D expenditure, but capitalized only €1.3 bn of the same. More specifically, Mercedes' car division spent €2.7 bn in R&D but capitalized only €913 mn (34%) of the spend. Both companies follow IFRS. Daimler indicated that it registered 2,072 patents during the year, mostly in the areas of drive systems and safety. BMW registered 800 new applications in 2009. Tata Motors reported filing applications for 150 patents.

Consolidated free cash flows were a negative Rs18.5 bn

Cash balance at the end of FY2010 increased Rs46 bn from the end of FY2009, largely driven by equity and debt capital raising. Tata Motors generated consolidated cash flows at the operating level of Rs93 bn, helped by Rs26 bn in working capital reduction. Capital expenditure, however, totaled Rs84.5 bn for the year. Net of interest outgo was of Rs30 bn; Tata Motors burnt cash of Rs18.5 bn in FY2010. The cash deficit was funded by stake sales in subsidiaries and Rs49 bn of funds raised in equity and debt capital markets.

Our Rs1,150 target price takes into account capitalization of the product development

In our valuation, we reduce our EBITDA estimates by two-thirds of estimated R&D spend to discount for the aggressive capitalization policy of Tata Motors. Our adequately discounted target of Rs1,150 provides a decent upside from the current price. This, combined with a strong product-led turnaround at JLR, and strong domestic CV demand underpins our ADD rating.

Jairam Nathan CFA
jairam.nathan@kotak.com
Mumbai: +91-22-6634-1327

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

Capitalization of product development expenditure overstates earnings turnaround
Changes in Tata Motors' consolidated net worth (Rs mn)

	2009	2010	Difference		
			Total	Tangible	Intangible
Assets	413,613	449,571	35,959	(17,363)	53,322
Physical assets	201,423	212,354	10,931	10,931	
Product development	12,901	57,761	44,860		44,860
Product development in CWIP	29,203	40,622	11,419		11,419
Trademarks and brands	28,895	27,065	(1,829)	(1,829)	
Developed technologies	8,624	7,203	(1,421)	(1,421)	
Technical know how	160	—	(160)	(160)	
Other CWIP	76,127	40,059	(36,069)	(36,069)	
Goodwill	37,187	34,229	(2,958)		(2,958)
Investments	12,574	22,191	9,617	9,617	
Cash	41,213	87,433	46,220	46,220	
Other current assets less current liabilities	(35,556)	(79,345)	(43,790)	(43,790)	
Misc. expenditure	861	—	(861)	(861)	
Less: Liabilities	354,206	367,507	13,300	13,300	—
Debt	349,739	351,924	2,185		
Minority interest	4,030	2,135	(1,895)		
Deferred taxes, other	437	13,448	13,011		
Net worth	59,406	82,065	22,658		
Tangible net worth	(19,884)	(50,547)		(30,663)	
Intangible net worth	79,290	132,612			53,322

Free cash flow	(18,539)
Share issuance	17,397
Borrowings	41,279
Stake sale in subsidiaries	11,595
Dividend	(3,496)
Others	(2,017)

Source: Company, Kotak Institutional Equities estimates

Tata Motors SOTP-based valuation, average FY11-12E basis (Rs mn)

	EBITDA (Rs mn)	Multiple (X)	Value per share		Comments
			Value (Rs mn)	(Rs)	
Tata Motors standalone EV	55,710	8.0	445,684	781	based on 8.0X FY2012E EBITDA
JLR standalone EV	60,431	6.0	362,586	635	based on 6.0X FY2012E EBITDA adjusted for capitalized R&D
Less: Net debt - standalone			151,234	265	standalone net debt
Less: Net debt - JLR			56,737	99	operating JLR debt
Total standalone + JLR			600,299	1,052	
Value of subsidiaries				104	
SOTP-based value				1,157	
Target price				1,150	

Source: Company, Kotak Institutional Equities estimates

Income and cash flow statement of JLR, March fiscal year-ends, 2009-2012E (GBP in mn)

Income statement	1QFY11	1QFY11E	4QFY10	1QFY11E	4QFY10	FY2009	FY2010	FY2011E	FY2012E
Volumes (000s)	59	57	57	3.6	3.7	167	194	252	277
Sales	2,262	2,112	2,048	7.1	10.4	4,974	6,554	9,293	10,223
RPU	38,209	36,955	35,878	3.4	6.5	29,784	33,502	36,853	36,853
Cost of sales	1,912	1,820	1,814	5.1	5.4	5,018	6,122	8,189	8,974
Materials	1,393	1,315	1,300	6.0	7.2	3,296	4,439	6,146	6,760
Labor	191	195	175	(2.1)	9.1	569	730	803	879
Mnfrng costs and SG&A	328	310	339	5.8	(3.2)	1,153	953	1,240	1,334
D&A	87	90	66	(3.3)	32.8	170	310	360	396
R&D	11	13	20	(12.0)	(45.0)	39	48	50	50
EBIT	252	190	149	32.8	69.7	(253)	74	694	803
EBITDA	350	292	234	19.7	49.6	(44)	432	1,104	1,249
<i>EBITDA margin (%)</i>	<i>15.5</i>	<i>13.8</i>	<i>11.4</i>			<i>(0.9)</i>	<i>6.6</i>	<i>11.9</i>	<i>12.2</i>

Source: Company, Kotak Institutional Equities estimates

Tata Motors standalone, profit model, balance sheet and cash flow model, March fiscal year-ends, 2007-12E (Rs mn)

	2007	2008	2009	2010E	2011E	2012E
Profit model (Rs mn)						
Net sales	272,618	285,219	253,541	353,738	441,492	501,600
EBITDA	30,191	28,191	13,293	37,454	48,191	55,710
Other income	4,295	5,365	7,144	2,710	1,543	1,592
Interest	(3,131)	(2,824)	(6,737)	(11,038)	(12,747)	(13,415)
Depreciation	(5,863)	(6,523)	(8,745)	(10,339)	(13,656)	(15,554)
Profit before tax	25,492	24,209	4,956	18,787	23,331	28,334
Current tax	(4,825)	(1,460)	(150)	-	(1,860)	(1,938)
Deferred tax	(1,772)	(4,015)	25	(5,895)	(4,436)	(4,324)
Net profit	19,135	20,289	10,013	22,401	22,321	23,558
Adjusted earnings per share (Rs)	46.4	46.0	10.0	22.8	27.2	35.2
Balance sheet (Rs mn)						
Equity	68,698	78,395	123,943	148,038	167,970	187,523
Deferred tax liability	7,868	9,757	8,658	15,086	19,522	23,846
Total borrowings	40,091	62,805	131,656	166,259	150,734	150,734
Current liabilities	77,280	106,566	108,355	173,727	189,504	200,740
Total liabilities	193,937	257,524	372,612	503,110	527,730	562,843
Net fixed assets	63,946	104,523	145,993	164,360	178,204	190,150
Investments	24,770	49,103	129,681	223,369	223,369	223,369
Cash	8,268	23,973	11,418	17,533	(500)	5,230
Other current assets	96,853	79,865	85,499	97,847	126,656	144,094
Miscellaneous expenditure	101	61	20	1	1	-
Total assets	193,937	257,524	372,612	503,110	527,730	562,843
Free cash flow (Rs mn)						
Operating cash flow excl. working capital	26,621	24,631	13,901	38,354	46,331	53,772
Working capital changes	(4,520)	37,114	(950)	27,506	(11,415)	(6,200)
Capital expenditure	(23,660)	(43,719)	(40,113)	(23,102)	(27,500)	(27,500)
Free cash flow	(1,559)	18,026	(27,162)	42,759	7,416	20,072
Ratios						
Debt/equity (X)	0.5	0.7	1.0	1.0	0.8	0.7
Net debt/equity (X)	0.3	0.1	0.0	0.6	0.5	0.4
RoAE (%)	27.4	22.8	4.4	8.7	9.7	11.1
RoACE (%)	20.7	16.8	8.0	10.1	9.5	9.7

Source: Company, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	17-Aug-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E			
Automobiles																													
Ashok Leyland	70	ADD	92,588	1,986	1,330	2.8	4.3	5.9	84.5	52.3	37.5	24.7	16.2	11.8	14.3	10.8	8.5	2.3	2.1	1.8	2.2	1.4	1.4	10.9	13.5	16.7	78	12.1	7.9
Bajaj Auto	2,651	ADD	383,636	8,227	145	117.7	169.0	189.5	160.1	43.6	12.2	22.5	15.7	14.0	14.6	11.1	9.7	13.1	7.6	5.2	0.8	0.8	0.8	70.9	61.4	44.0	2,650	(0.0)	13.4
Bharat Forge	344	ADD	82,236	1,764	239	0.7	12.4	19.7	(92.0)	1,705.4	59.1	500.4	27.7	17.4	25.6	12.0	8.4	2.2	2.1	1.9	—	—	—	0.9	0.4	0.1	360	4.7	4.7
Hero Honda	1,905	SELL	380,438	8,159	200	111.8	115.3	130.1	74.1	3.1	12.8	17.0	16.5	14.6	11.0	10.9	9.2	10.6	7.4	5.5	1.6	1.6	1.8	59.1	52.5	42.8	1,800	(5.5)	19.6
Mahindra & Mahindra	620	BUY	369,311	7,920	595	33.9	44.1	51.7	125.8	30.1	17.3	18.3	14.1	12.0	12.1	10.1	8.5	4.6	3.7	3.0	1.5	1.5	1.6	30.0	29.0	27.3	760	22.5	25.1
Maruti Suzuki	1,254	REDUCE	362,276	7,769	289	86.4	77.6	88.3	104.9	(10.2)	13.9	14.5	16.2	14.2	7.7	8.1	6.9	3.0	2.6	2.2	0.5	0.4	0.5	23.3	17.3	16.7	1,200	(4.3)	22.5
Tata Motors	1,007	ADD	630,361	13,518	626	23.8	27.1	35.0	137.8	13.5	29.4	42.2	37.2	28.8	18.6	17.2	14.9	3.4	3.0	2.6	1.4	0.5	0.5	8.6	8.6	9.1	1,150	14.2	92.2
Automobiles		Cautious	2,300,847	49,343					109.9	19.4	17.3	22.6	18.9	16.1	13.2	11.7	9.9	4.4	3.6	3.0	1.2	0.9	1.0	19.4	19.1	18.6			
Banks/Financial Institutions																													
Andhra Bank	159	BUY	77,042	1,652	485	21.6	22.9	26.7	60.1	6.4	16.4	7.4	6.9	5.9	—	—	—	1.7	1.5	1.2	3.1	3.3	3.9	26.0	23.1	22.7	180	13.3	4.5
Axis Bank	1,331	ADD	539,185	11,563	405	62.1	78.1	98.3	22.7	25.9	25.9	21.4	17.0	13.5	—	—	—	3.4	2.9	2.5	0.9	1.1	1.4	19.2	18.3	19.9	1,500	12.7	45.1
Bank of Baroda	832	BUY	304,284	6,525	366	83.7	95.1	115.7	37.3	13.7	21.7	9.9	8.8	7.2	—	—	—	2.2	1.8	1.5	1.8	2.0	2.5	24.4	23.0	23.3	950	14.1	8.6
Bank of India	466	REDUCE	245,287	5,260	526	33.1	49.9	58.1	(42.1)	50.9	16.4	14.1	9.3	8.0	—	—	—	1.9	1.7	1.4	1.5	2.3	2.6	14.2	19.0	19.2	460	(1.4)	8.0
Canara Bank	518	ADD	212,319	4,553	410	73.7	82.2	98.3	45.8	11.6	19.5	7.0	6.3	5.3	—	—	—	1.7	1.4	1.1	1.5	1.9	2.3	22.4	20.8	20.8	580	12.0	6.3
Corporation Bank	611	BUY	87,640	1,879	143	82.0	88.0	102.6	31.8	7.3	16.6	7.5	6.9	6.0	—	—	—	1.5	1.3	1.1	2.7	2.9	3.4	22.0	20.2	20.2	700	14.6	1.2
Federal Bank	340	ADD	58,066	1,245	171	27.2	36.4	49.0	(7.2)	34.1	34.4	12.5	9.3	6.9	—	—	—	1.2	1.1	1.0	1.5	2.0	2.7	10.3	12.6	15.2	360	6.0	6.4
HDFC	3,009	ADD	863,900	18,527	287	98.4	116.1	138.9	22.7	17.9	19.6	30.6	25.9	21.7	—	—	—	5.7	5.0	4.4	1.2	1.4	1.6	20.0	20.6	21.7	3,450	14.7	38.2
HDFC Bank	2,121	BUY	970,896	20,821	458	64.4	87.2	113.8	22.1	35.4	30.5	32.9	24.3	18.6	—	—	—	4.5	3.9	3.4	0.6	0.8	1.0	16.1	17.3	19.5	2,400	13.2	31.2
ICICI Bank	959	REDUCE	1,069,067	22,927	1,115	36.1	45.2	57.3	6.9	25.3	26.6	26.6	21.2	16.7	—	—	—	2.1	2.0	1.8	1.3	1.6	2.0	8.0	9.5	11.3	1,000	4.3	82.9
IDFC	181	ADD	263,597	5,653	1,458	8.4	9.4	11.2	44.9	12.4	18.7	21.6	19.2	16.1	—	—	—	3.8	2.5	2.0	0.7	1.0	1.2	16.6	15.5	14.3	205	13.4	24.7
India Infoline	107	BUY	33,285	714	312	8.1	7.2	8.7	59.2	(11.9)	21.6	13.1	14.9	12.3	—	—	—	2.1	1.8	1.5	3.0	1.4	1.9	16.4	12.9	14.4	120	12.4	4.1
Indian Bank	250	ADD	107,636	2,308	430	35.1	32.4	44.1	25.5	(7.7)	36.2	7.1	7.7	5.7	—	—	—	1.6	1.4	1.2	2.6	2.3	3.2	24.1	18.8	21.7	280	11.8	4.1
Indian Overseas Bank	133	BUY	72,404	1,553	545	13.0	16.7	24.8	(46.7)	29.0	48.4	10.2	7.9	5.4	—	—	—	1.1	1.0	0.9	2.6	2.9	3.2	9.6	11.6	15.4	160	20.4	4.3
J&K Bank	894	BUY	43,348	930	48	105.7	119.3	139.9	25.1	12.8	17.3	8.5	7.5	6.4	—	—	—	1.5	1.3	1.1	2.5	2.8	3.3	18.2	17.9	18.3	930	4.0	1.2
LIC Housing Finance	1,264	REDUCE	120,044	2,574	95	69.7	100.7	109.9	11.5	44.5	9.1	18.1	12.5	11.5	—	—	—	3.7	3.1	2.6	1.2	1.7	1.9	23.6	25.5	23.2	1,250	(1.1)	20.9
Mahindra & Mahindra Financial	586	BUY	56,246	1,206	96	35.9	46.4	56.2	60.0	29.4	21.2	16.3	12.6	10.4	—	—	—	3.3	2.8	2.3	1.3	1.7	2.0	21.5	23.5	23.8	590	0.7	2.0
Oriental Bank of Commerce	436	ADD	109,336	2,345	251	45.3	57.8	66.8	25.3	27.6	15.5	9.6	7.6	6.5	—	—	—	1.5	1.3	1.1	2.1	2.7	3.1	14.5	16.5	16.9	430	(1.5)	5.7
PFCL	339	SELL	389,496	8,353	1,148	20.5	22.9	27.6	53.5	11.9	20.3	16.6	14.8	12.3	—	—	—	3.0	2.7	2.3	1.5	1.7	2.0	18.8	18.3	19.2	275	(19.0)	3.9
Punjab National Bank	1,189	BUY	374,737	8,036	315	123.9	133.4	163.3	26.4	7.7	22.4	9.6	8.9	7.3	—	—	—	2.3	1.9	1.6	1.9	2.3	2.8	26.2	23.2	23.7	1,300	9.4	8.8
Reliance Capital	747	NR	183,771	3,941	246	12.9	13.7	9.8	(67.3)	6.5	(28.6)	58.1	54.5	76.4	—	—	—	2.7	2.6	2.6	0.8	0.7	0.5	4.7	4.8	3.4	—	—	40.9
Rural Electrification Corp.	332	ADD	327,517	7,024	987	20.3	25.3	31.2	23.2	24.5	23.4	16.4	13.1	10.6	—	—	—	3.0	2.6	2.2	2.0	2.3	2.8	22.0	21.0	22.5	325	(2.0)	13.7
Shriram Transport	706	ADD	157,436	3,376	223	39.2	53.4	64.8	30.1	36.4	21.3	18.0	13.2	10.9	—	—	—	4.3	3.6	3.0	1.7	2.3	2.8	28.4	28.2	28.4	700	(0.8)	4.3
SREI	89	NR	10,338	222	116	8.3	7.9	9.9	17.8	(4.8)	25.8	10.7	11.3	9.0	—	—	—	0.9	0.8	0.8	1.3	1.3	1.3	11.1	10.5	12.3	—	—	4.5
State Bank of India	2,818	BUY	1,789,385	38,374	635	144.4	177.7	211.2	0.5	23.1	18.8	19.5	15.9	13.3	—	—	—	2.7	2.4	2.1	1.1	1.1	1.2	14.8	16.0	16.7	3,100	10.0	99.8
Union Bank	350	BUY	176,943	3,795	505	41.1	45.7	56.9	20.2	11.3	24.5	8.5	7.7	6.2	—	—	—	2.0	1.6	1.3	1.6	1.7	2.2	26.2	23.7	24.1	400	14.2	4.6
Yes Bank	328	BUY	111,292	2,387	340	15.0	17.7	22.5	46.7	18.2	26.6	21.8	18.5	14.6	—	—	—	3.6	3.1	2.6	0.4	0.5	0.7	20.3	18.0	19.3	350	6.8	20.0
Banks/Financial Institutions		Attractive	8,754,496	187,744					14.8	20.3	22.1	17.4	14.5	11.8	—	—	—	2.7	2.3	2.0	1.3	1.5	1.8	15.5	16.2	17.2			
Cement																													
ACC	837	ADD	157,312	3,374	188	83.2	66.0	72.4	47.9	(20.7)	9.8	10.1	12.7	11.6	5.3	5.9	4.7	2.5	2.2	1.9	3.2	2.8	2.8	29.3	20.0	19.2	920	9.9	7.1
Ambuja Cements	114	SELL	174,160	3,735	1,522	8.0	8.4	8.9	11.4	5.3	5.1	14.3	13.6	12.9	7.9	7.4	6.4	2.5	2.2	2.0	1.6	1.8	1.9	19.3	17.8	16.5	108	(5.6)	4.8
Grasim Industries	2,010	ADD	184,338	3,953	92	301.0	229.0	273.3	26.1	(23.9)	19.4	6.7	8.8	7.4	4.2	4.5	3.5	1.5	1.3	1.1	1.7	1.7	1.7	22.9	15.7	16.3	2,200	9.4	8.3
India Cements	104	SELL	32,008	686	307	10.0	8.7	10.6	(43.5)	(13.1)	21.1	10.4	11.9	9.9	5.8	7.2	4.9	0.8	0.7	0.7	2.0	3.1	3.1	8.2	6.7	7.7	95		

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	17-Aug-10		Mkt cap.		O/S shares (mm)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E			
Consumer products																													
Asian Paints	2,631	BUY	252,375	5,412	96	71.5	89.0	107.1	85.3	24.4	20.4	36.8	29.6	24.6	22.7	18.4	15.1	15.7	12.3	9.8	1.0	1.4	1.7	51.8	47.9	45.4	3,000	14.0	5.0
Colgate-Palmolive (India)	840	REDUCE	114,214	2,449	136	31.1	34.5	39.6	44.2	10.9	14.6	27.0	24.3	21.2	22.1	18.0	15.4	35.0	29.8	25.5	2.4	3.1	3.5	156.1	132.3	129.4	830	(1.2)	2.2
Dabur India	204	REDUCE	176,637	3,788	866	5.8	6.8	8.2	28.1	17.6	20.8	35.2	29.9	24.8	26.1	21.0	17.4	16.8	13.8	11.3	1.5	1.8	2.1	54.3	51.1	50.7	210	3.0	4.0
GlaxoSmithkline Consumer (a)	1,797	ADD	75,570	1,621	42	55.4	68.6	81.3	23.6	23.9	18.6	32.5	26.2	22.1	17.9	15.5	12.7	8.5	7.0	5.9	1.0	1.2	1.5	27.9	29.0	28.7	2,000	11.3	0.7
Godrej Consumer Products	364	ADD	117,932	2,529	324	11.3	13.0	17.3	69.5	14.4	33.1	32.2	28.1	21.1	25.5	20.1	15.1	12.3	6.7	6.1	1.1	0.9	0.9	44.6	31.0	30.4	400	9.8	2.2
Hindustan Unilever	266	REDUCE	579,565	12,429	2,182	9.4	10.2	11.8	(0.9)	8.4	15.3	28.2	26.0	22.5	19.2	18.5	15.4	22.4	19.4	16.8	2.9	3.2	3.6	71.1	80.2	80.0	250	(5.9)	11.0
ITC	160	BUY	1,220,644	26,177	7,651	5.3	6.3	7.3	22.6	18.2	15.8	30.1	25.4	22.0	18.2	16.0	13.5	8.2	6.9	6.0	3.1	1.7	1.9	29.2	31.1	30.5	165	3.4	24.1
Jubilant Foodworks	450	REDUCE	28,722	616	64	5.5	9.7	12.1	340.6	75.7	24.6	81.2	46.2	37.1	43.2	26.1	18.3	24.4	16.0	11.2	—	—	—	46.6	41.8	35.4	370	(17.7)	9.7
Jyothy Laboratories	287	NR	20,842	447	73	11.0	12.9	15.3	99.6	17.0	18.3	26.0	22.3	18.8	20.2	15.3	12.6	5.1	4.4	3.7	1.6	1.2	1.6	18.6	20.2	20.5	—	—	1.3
Nestle India (a)	2,727	REDUCE	262,940	5,639	96	74.4	86.6	104.8	27.0	16.4	20.9	36.7	31.5	26.0	24.2	21.0	17.9	45.2	36.1	28.7	1.8	2.2	2.7	136.0	127.5	122.9	3,000	10.0	1.9
Tata Global Beverages	110	ADD	68,086	1,460	618	6.6	7.4	8.4	23.4	11.1	13.8	16.6	15.0	13.2	10.8	8.7	7.8	1.4	1.3	1.2	2.0	2.2	2.5	10.9	11.4	12.0	125	14	3.8
Consumer products	Attractive		2,991,916	64,163					24.2	16.4	17.5	30.5	26.2	22.3	19.6	17.1	14.3	10.3	8.6	7.4	2.4	2.0	2.3	33.9	32.9	33.3			
Constructions																													
IVRCL	162	BUY	43,229	927	267	7.9	9.1	11.6	(6.7)	15.0	27.9	20.5	17.8	13.9	10.4	9.9	7.8	2.1	1.9	1.7	0.2	0.2	0.2	11.0	11.3	12.9	205	26.6	7.9
Nagarjuna Construction Co.	164	BUY	41,964	900	257	7.1	9.2	11.8	6.1	29.6	27.8	22.9	17.7	13.8	11.4	9.8	8.2	1.9	1.7	1.6	0.8	1.2	1.2	9.3	10.2	11.9	210	28.4	3.4
Punj Lloyd	115	REDUCE	38,938	835	339	(12.9)	9.8	12.0	79.2	(175.4)	22.4	(8.9)	11.8	9.6	34.1	6.7	6.1	1.3	1.2	1.0	(0.1)	0.4	0.9	(15.8)	10.3	11.4	140	21.8	12.4
Sadbhav Engineering	1,525	BUY	22,875	491	15	43.1	62.0	84.0	(15.8)	43.9	35.5	35.4	24.6	18.2	19.3	12.5	10.1	5.5	3.7	3.1	0.2	0.4	0.4	13.3	14.1	17.4	1,575	3.3	0.2
Construction	Attractive		147,006	3,153					(95.8)	9,733	27.8	1,613.6	16.4	12.8	15.4	8.7	7.4	1.9	1.7	1.5	0.3	0.6	0.7	0.1	10.3	11.8			
Energy																													
Aban Offshore	797	ADD	34,671	744	43	94.5	154.1	139.3	(2.5)	63.0	(9.6)	8.4	5.2	5.7	8.3	6.6	6.4	1.6	1.4	1.2	0.5	0.5	0.5	21.7	33.1	22.9	935	17.3	52.7
Bharat Petroleum	673	ADD	243,389	5,220	362	62.1	57.4	65.7	201	(8)	14.5	11	12	10.2	5.9	5.7	5.2	1.7	1.5	1.4	2.1	2.8	3.2	15.6	13.0	13.5	690	2.5	28.5
Cairn india	338	RS	641,934	13,767	1,897	5.5	20.5	36.0	29.0	270.6	75.1	61.1	16.5	9.4	48.0	9.9	6.0	1.9	1.7	1.5	—	—	4.4	3.1	10.7	17.0	—	—	23.5
Castrol India (a)	469	REDUCE	115,888	2,485	247	15.4	20.7	21.2	45	34	2.4	30	23	22.2	18.1	14.0	13.5	25.2	23.6	22.4	2.7	3.5	3.6	83.8	107.4	103.7	380	(18.9)	1.1
GAIL (India)	451	BUY	572,275	12,273	1,268	24.8	27.2	40.2	11.7	10.1	47.4	18.2	16.6	11.2	10.2	10.2	8.3	3.1	2.8	2.4	1.7	1.9	2.8	17.4	17.0	21.6	550	21.9	17.4
GSPL	111	SELL	62,601	1,342	562	7.4	7.2	8.0	235	(3)	12.1	15	16	13.9	7.7	7.5	6.3	3.7	3.0	2.7	0.9	1.6	2.9	27.3	21.4	20.8	83	(25.4)	4.3
Hindustan Petroleum	497	ADD	168,369	3,611	339	52.6	53.5	58.6	210.1	1.8	9.5	9.4	9.3	8.5	3.4	3.4	3.1	1.3	1.1	1.0	2.4	3.4	3.7	13.3	12.2	12.1	535	7.7	36.4
Indian Oil Corporation	387	ADD	938,524	20,127	2,428	49.9	38.8	41.1	407	(22)	5.9	8	10	9.4	5.2	5.3	4.7	1.7	1.6	1.4	3.4	3.0	3.2	22.7	15.6	15.1	415	7.4	17.9
Oil India	1,446	BUY	347,793	7,459	240	115.1	133.6	153.4	13.8	16.1	14.8	12.6	10.8	9.4	5.5	4.3	3.6	2.4	2.1	1.8	2.4	3.0	3.5	16.7	18.1	18.3	1,550	7.2	7.5
Oil & Natural Gas Corporation	1,259	BUY	2,692,966	57,752	2,139	91.4	116.6	136.1	1	27	16.7	14	11	9.3	5.0	4.3	3.4	2.0	1.8	1.6	2.6	3.3	3.8	14.6	16.8	17.6	1,480	17.5	38.4
Petronet LNG	101	REDUCE	75,863	1,627	750	5.4	6.5	7.9	(22.0)	20.5	21.8	18.8	15.6	12.8	10.9	9.3	8.2	3.0	2.6	2.2	1.7	2.0	2.7	15.9	16.7	17.6	88	(13.0)	5.3
Reliance Industries	971	SELL	2,888,654	61,948	2,976	49.6	59.0	74.4	(2)	19	26.2	20	16	13.0	9.9	7.7	6.4	2.0	1.8	1.6	0.7	0.8	1.0	11.4	12.3	13.9	1,060	9.2	108.1
Energy	Cautious		8,782,926	188,354					38.1	16.3	21.9	14.5	12.5	10.3	7.1	6.0	4.9	2.0	1.8	1.6	1.8	2.1	2.7	13.8	14.5	15.7			
Industrials																													
ABB	769	REDUCE	162,883	3,493	212	16.7	18.3	33.1	(35.2)	9.3	80.7	45.9	42.0	23.3	26.2	24.0	13.4	6.7	6.0	4.9	0.3	0.4	0.4	15.6	15.0	23.0	725	(5.7)	6.9
BGR Energy Systems	824	BUY	59,299	1,272	72	16.0	28.0	39.7	32.2	74.6	41.9	51.4	29.4	20.7	28.8	16.8	12.1	10.5	8.4	6.4	0.4	0.8	1.0	22.3	31.8	35.1	950	15.3	4.1
Bharat Electronics	1,723	REDUCE	137,812	2,955	80	93.9	107.3	122.4	(9.6)	14.3	14.1	18.3	16.1	14.1	8.8	7.3	6.2	3.1	2.7	2.4	1.5	1.5	1.5	17.9	18.0	17.9	1,835	6.5	2.1
Bharat Heavy Electricals	2,475	REDUCE	1,211,635	25,984	490	88.1	116.3	135.4	37.9	32.1	16.4	28.1	21.3	18.3	15.7	12.0	10.1	7.6	6.0	4.8	0.8	1.0	1.2	29.9	31.5	29.2	2,600	5.0	27.7
Crompton Greaves	289	BUY	185,682	3,982	642	12.8	14.0	16.3	46.5	9.0	16.6	22.5	20.7	17.7	13.0	11.5	9.7	7.4	5.7	4.5	0.4	0.6	0.7	37.9	31.1	28.2	320	10.6	8.0
Larsen & Toubro	1,774	ADD	1,068,032	22,904	602	57.9	71.7	89.0	15.6	23.8	24.1	30.6	24.7	19.9	17.2	13.5	11.4	4.8	4.0	3.4	0.7	0.7	0.8	18.6	17.7	18.5	2,075	17.0	57.4
Maharashtra Seamless	395	BUY	27,856	597	71	40.2	43.6	49.8	12.1	8.5	14.2	9.8	9.1	7.9	5.2	4.5	3.6	1.7	1.5	1.3	1.5	2.0	2.5	19.3	17.9	17.7	450	13.9	0.4
Siemens	708	REDUCE	238,692	5,119	337	25.2	27.0	31.9	56.4	7.3	18.0	28.1	26.2	22.2	17.1	15.5	12.8	7.0	5.8	4.8	0.7	0.8	0.9	27.6	24.2	23.8	635	(10.3)	6.5
Suzlon Energy	51	REDUCE	81,519	1,748	1,594	(6.2)	(0.8)	3.3	(185.4)	(86.8)	(504.1)	(8.3)	(63.0)	15.6	14.0	11.7	7.8	1.2	1.1	1.1	—	—	0.4	(11.4)	(1.8)	6.9	55	7.5	21.6

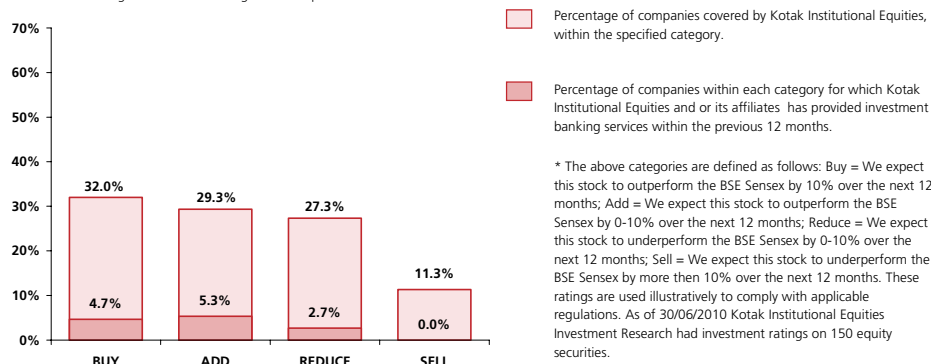
Kotak Institutional Equities: Valuation summary of key Indian companies

Company	16-Aug-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price Upside ADVT-3mo		
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US\$ mn)
Retail																													
Titan Industries	3,004	ADD	133,350	2,849	44	57.3	83.4	110.2	29.3	45.6	32.2	52.5	36.0	27.3	33.4	24.3	18.5	18.1	12.9	9.2	0.5	0.4	0.4	38.7	41.8	39.4	3,000	(0.1)	5.4
Retail		Neutral	133,350	2,849					29.3	45.6	32.2	52.5	36.0	27.3	33.4	24.3	18.5	18.1	12.9	9.2	0.5	0.4	0.4	34.5	35.8	33.8			
Sugar																													
Bajaj Hindustan	123	SELL	23,527	503	191	4.9	9.9	8.9	52.3	101.0	(9.9)	25.0	12.4	13.8	8.4	6.1	5.8	1.0	0.9	0.9	0.6	0.6	0.6	4.2	7.9	6.5	99	(19.5)	5.3
Balrampur Chini Mills	85	ADD	21,824	466	257	4.3	10.4	7.0	(43.2)	140.4	(32.7)	19.6	8.2	12.1	9.0	5.5	6.0	1.6	1.4	1.3	0.5	0.5	0.5	8.2	17.9	10.9	93	9.4	4.7
Shree Renuka Sugars	69	BUY	46,082	985	670	9.9	7.7	8.1	195.3	(21.9)	4.7	7.0	8.9	8.5	4.4	5.0	4.3	1.6	1.3	1.1	0.6	0.5	0.5	22.4	17.0	14.8	76	10.5	12.5
Sugar		Cautious	91,434	1,954					80.0	12.4	(8.4)	10.6	9.4	10.3	6.3	5.5	5.1	1.4	1.2	1.1	0.6	0.5	0.5	13.1	12.8	10.5			
Technology																													
HCL Technologies	401	REDUCE	276,897	5,917	690	17.5	24.5	30.1	0.2	39.7	23.0	22.9	16.4	13.3	11.1	9.7	8.0	3.9	3.3	2.9	1.0	1.0	1.5	19.3	22.0	21.2	390	(2.8)	11.9
Hexaware Technologies	77	REDUCE	11,054	236	144	9.3	5.0	9.4	127.7	(46.3)	87.7	8.2	15.3	8.2	4.1	9.5	4.8	1.3	1.2	1.1	1.3	1.3	1.3	17.8	8.2	14.0	72	(6.4)	2.0
Infosys Technologies	2,762	BUY	1,585,331	33,875	574	108.3	124.1	150.0	5.7	14.5	20.9	25.5	22.3	18.4	18.6	15.2	12.3	6.9	5.7	4.7	0.9	1.3	1.5	30.1	28.0	28.0	3,100	12.2	55.9
Mphasis BFL	589	REDUCE	122,728	2,622	208	43.6	49.0	45.6	207.5	12.5	(7.0)	13.5	12.0	12.9	10.7	9.6	8.7	5.2	3.8	3.0	0.6	0.7	0.8	48.1	36.4	25.8	550	(6.6)	7.5
Mindtree	522	REDUCE	21,500	459	41	52.2	32.6	51.6	294.3	(37.5)	58.1	10.0	16.0	10.1	8.6	9.1	6.0	3.2	2.7	2.2	0.4	0.6	1.0	35.2	19.2	23.7	550	5.3	0.9
Patni Computer Systems	529	REDUCE	70,397	1,504	133	36.6	41.3	37.5	36.4	12.8	(9.1)	14.5	12.8	14.1	7.6	6.8	5.7	2.0	1.8	1.7	1.3	1.6	1.4	18.2	15.1	12.4	450	(14.9)	11.6
Polaris Software Lab	173	SELL	17,218	368	100	15.4	19.1	18.8	16.9	24.3	(1.7)	11.2	9.0	9.2	5.5	7.2	6.1	2.0	1.7	1.5	2.0	2.1	2.3	18.6	20.1	17.2	180	4.2	4.4
TCS	854	BUY	1,671,645	35,719	1,957	35.1	42.1	48.2	32.8	19.8	14.5	24.3	20.3	17.7	18.4	14.8	12.3	8.0	6.6	5.5	2.3	2.0	2.3	37.6	35.6	33.9	965	13.0	30.0
Wipro	414	ADD	1,013,287	21,651	2,447	18.9	22.3	25.7	22.1	18.1	15.6	22.0	18.6	16.1	16.6	13.4	11.0	5.2	4.2	3.5	0.9	1.1	1.3	26.5	25.0	23.7	465	12.3	13.2
Technology		Attractive	4,790,055	102,352					22.7	17.4	16.0	22.9	19.5	16.8	16.5	13.7	11.3	6.1	5.0	4.2	1.4	1.4	1.7	26.4	25.7	24.9			
Telecom																													
Bharti Airtel	319	REDUCE	1,210,485	25,865	3,798	23.6	20.0	20.7	5.8	(15.6)	3.9	13.5	16.0	15.4	7.7	8.4	6.9	2.9	2.4	2.1	—	—	—	24.4	16.5	14.7	305	(4.3)	46.7
IDEA	72	REDUCE	237,916	5,084	3,300	2.7	2.2	1.5	(5.8)	(19.7)	(30.8)	26.4	32.9	47.5	8.9	9.7	8.3	2.1	2.0	1.9	—	—	—	7.2	6.2	4.2	55	(23.7)	11.9
MTNL	64	SELL	40,446	864	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(4.1)	(6.2)	(7.0)	(0.4)	(0.5)	(0.7)	0.4	0.4	0.4	—	—	—	(8.5)	(6.1)	(5.7)	50	(22.1)	3.2
Reliance Communications	164	SELL	348,987	7,457	2,133	22.1	6.0	9.4	(30.2)	(72.8)	56.1	7.4	27.2	17.5	6.9	9.5	7.9	0.9	0.9	0.8	0.5	—	—	11.7	3.2	4.9	150	(8.3)	43.6
Tata Communications	323	REDUCE	92,012	1,966	285	14.0	15.2	15.7	3.2	8.2	3.5	23.0	21.3	20.6	9.3	8.6	8.2	1.3	1.3	1.2	2.0	2.3	2.6	5.2	5.5	5.5	225	(30.3)	2.7
Telecom		Cautious	1,929,846	41,236					(15.9)	(33.1)	9.5	13.6	20.4	18.6	7.9	9.0	7.4	1.7	1.6	1.5	0.2	0.1	0.1	12.8	7.9	8.0			
Utilities																													
Adani Power	138	ADD	300,622	6,424	2,180	0.8	4.3	17.4	—	455.1	300.9	176.0	31.7	7.9	134.3	23.5	6.9	5.5	4.7	2.9	—	—	—	4.4	15.9	45.5	146	5.9	2.9
CESC	389	ADD	48,538	1,037	125	35.2	37.3	44.3	9.3	5.7	18.9	11.0	10.4	8.8	7.0	5.9	6.3	1.2	1.0	0.9	1.1	1.2	1.4	11.1	10.4	11.3	466	19.9	2.0
Lanco Infratech	70	BUY	168,591	3,602	2,405	2.0	3.7	5.0	35.1	87.6	34.9	35.7	19.0	14.1	20.7	8.8	8.3	4.9	3.9	3.1	—	—	—	15.8	21.2	22.7	77	9.8	7.0
NHPC	31	REDUCE	377,633	8,069	12,301	1.9	1.3	1.6	74.9	(27.5)	20.6	16.6	22.9	19.0	10.7	11.5	8.9	1.5	1.4	1.4	1.8	1.1	1.4	9.7	6.4	7.4	28	(8.8)	5.7
NTPC	196	REDUCE	1,619,409	34,603	8,245	10.8	12.5	14.7	9.6	16.2	17.4	18.2	15.7	13.4	13.9	12.3	10.3	2.5	2.3	2.1	2.1	2.4	2.8	14.5	15.4	16.6	210	6.9	8.8
Reliance Infrastructure	1,047	ADD	257,565	5,504	246	61.8	65.0	84.5	(1.5)	5.3	30.0	17.0	16.1	12.4	18.2	16.1	11.3	1.3	1.2	1.1	0.8	0.9	1.0	6.3	7.3	10.1	1,160	10.8	45.0
Reliance Power	153	SELL	365,505	7,810	2,397	2.9	3.1	5.3	179.7	9.8	70.0	53.4	48.7	28.6	224.4	35.1	2.5	2.4	2.2	—	—	—	—	4.8	5.1	8.1	135	(11.5)	20.4
Tata Power	1,315	ADD	324,612	6,936	247	60.2	69.2	88.5	20.1	15.0	27.8	21.8	19.0	14.9	13.8	12.4	10.7	2.5	2.3	2.0	0.9	1.1	1.1	12.9	12.5	14.3	1,420	8.0	10.2
Utilities		REDUCE	3,462,474	73,984					23.5	15.6	37.5	21.9	19.0	13.8	17.3	14.5	10.6	2.3	2.1	1.9	1.3	1.4	1.7	10.6	11.3	13.9			
Others																													
Havells India	760	SELL	45,728	977	60	5.3	31.6	45.0	3.7	497.9	42.6	143.9	24.1	16.9	19.2	11.9	9.7	12.6	8.3	5.6	0.3	0.3	0.4	6.6	41.6	39.7	497	(34.6)	7.4
Jaiprakash Associates	118	BUY	250,669	5,356	2,129	1.5	5.5	7.4	(27.2)	279.8	34.1	80.9	21.3	15.9	21.1	15.6	11.1	2.9	2.5	2.2	—	—	—	4.1	12.8	14.9	170	44.4	27.2
Jindal Saw	204	ADD	60,064	1,283	294	25.0	18.6	17.9	110.8	(25.4)	(4.0)	8.2	10.9	11.4	5.3	6.1	5.9	1.6	1.3	1.2	0.5	0.4	0.4	20.5	12.9	11.1	256	25.4	3.2
PSL	135	BUY	7,190	154	53	22.9	25.4	28.2	3.3	10.6	11.0	5.9	5.3	4.8	3.3	2.7	2.9	0.8	0.7	0.6	4.8	4.8	5.2	12.6	11.7	12.0	182	35.3	0.6
Sintex	375	BUY	51,234	1,095	136	24.1	28.3	33.3	0.5	17.4	17.5	15.6	13.3	11.3	12.7	8.6	7.4	2.4	2.0	1.7	0.3	0.3	0.4	15.5	15.3	15.2	380	1.2	4.6
Tata Chemicals	383	REDUCE	93,265	1,993	243	26.4	33.2	37.5	(27.1)	25.8	12.7	14.5	11.5	10.2	7.4	6.4	5.4	2.0	1.7	1.5	2.3	2.3	2.3	16.0	18.7	18.3	360	(6.1)	3.9
Welspun Corp	251	ADD	51,624	1,103	205	32.0	27.0	25.6	85.2	(15.7)	(5.4)	7.8	9.3	9.8	4.5	4.9	4.6	1.6	1.4	1.2	0.9	0.9	0.9	24.8	15.6	12.8	286	13.8	5.1
United Phosphorus	188	BUY	87,194	1,863	463	11.9	13.8	17.4	18.8	15.8	25.9	15.8	13.6	10.8	9.1	8.3	6.6	2.5	2.2	1.9	0.8	1.1	1.1	17.7	17.2	18.3	225	19.4	8.2

" 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: Jairam Nathan, Nischint Chawathe. "

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of June 30, 2010

Ratings and other definitions/identifiers

Definitions of ratings

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

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

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

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

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

Other definitions

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

Other ratings/identifiers

NR = Not Rated. The investment rating and target price, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.

NC = Not Covered. Kotak Securities does not cover this company.

RS = Rating Suspended. Kotak Securities Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

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

Copyright 2010 Kotak Institutional Equities (Kotak Securities Limited). All rights reserved.

1. Note that the research analysts contributing to this report may not be registered/qualified as research analysts with FINRA; and
2. Such research analysts may not be associated persons of Kotak Mahindra Inc and therefore, may not be subject to NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Kotak Securities Limited and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We along with our affiliates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationships with a significant percentage of the companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. Investors should assume that Kotak Securities Limited and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may participate in the solicitation of such business. Our research professionals are paid in part based on the profitability of Kotak Securities Limited, which include earnings from investment banking and other business. Kotak Securities Limited generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, Kotak Securities Limited generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of Kotak Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. Kotak Securities Limited does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment.

Certain transactions -including those involving futures, options, and other derivatives as well as non-investment-grade securities - give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavor to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. For the purpose of calculating whether Kotak Securities Limited and its affiliates holds beneficially owns or controls, including the right to vote for directors, 1% of more of the equity shares of the subject issuer of a research report, the holdings does not include accounts managed by Kotak Mahindra Mutual Fund. Kotak Securities Limited and its non US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies affectively assume currency risk. In addition options involve risks and are not suitable for all investors. Please ensure that you have read and understood the current derivatives risk disclosure document before entering into any derivative transactions.

This report has not been prepared by Kotak Mahindra Inc. (KMInc). However KMInc has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. Any reference to Kotak Securities Limited shall also be deemed to mean and include Kotak Mahindra Inc.