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### News Roundup

- **Tata Housing**, a unit of **Tata Sons**, is advancing its plans to build 15,000 low-cost dwelling units by two years. Besides, it should add 300 more houses in its Mumbai project to take the advantage of demand for such homes, a top company official said. (BS)
- **Satyam Computer Services**, reeling under the impact of India's largest corporate scandal, managed to bag new business orders worth US\$380 mn (around Rs1,800 crore), as on March 26, 2009. These deals have come from 215 of its existing clients. (BS)
- **Unitech** has exited from **New Kolkata International Development** (NKID) Pvt Ltd, a special purpose vehicle formed to develop several large projects in West Bengal, including the proposed petroleum, chemicals and petrochemical investment region (PCPIR) at Nayachar. Unitech had 40 per cent stake in NKID, which has been acquired by the Salim group and Universal Success. (BS)
- **France Telecom** and **Telstra** of Australia are in talks with Malaysia's **Maxis Communication** to buy a minority stake in Indian telecom operator **Aircel**. In other sector news, Reliance Communications, is close to awarding a \$500-\$600 million operations and maintenance contract to French telecom equipment group Alcatel-Lucent. (ET)
- **GlaxoSmithKline**, the world's second biggest drugmaker, has forged an alliance with **Shenzhen Neptunus** to make flu vaccines for China, boosting its presence in a key emerging market. Glaxo will take an initial 40% stake in the joint venture for a contribution of cash and assets equivalent to £21 mn (US\$34 mn). (Mint) In other news, *Mint* quoted the Economic Times to say that Glaxo is in talks to buy a 51% stake in India's unlisted **Shantha Biotech** after prospective bidder **Sanofi Aventis** dropped out.
- Lanxess AG, Germany's biggest publicly traded specialty chemicals maker, said it will buy the chemical business of Mumbai-based Gwalior Chemical Industries Ltd for Rs536 crore (\$114 million) including debt. (Mint)

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

### EQUITY MARKETS

India	Change, %			
	9-Jun	1-day	1-mo	3-mo
Sensex	15,127	3.1	27.4	85.4
Nifty	4,551	2.7	25.7	76.9

#### Global/Regional indices

Dow Jones	8,763	(0.0)	2.2	26.5
FTSE	4,405	(0.0)	(1.3)	18.6
Nikkei	9,885	1.0	4.8	40.1
Hang Seng	18,367	1.7	5.6	57.1
KOSPI	1,392	1.5	(1.4)	27.4

#### Value traded - India

	Moving avg, Rs bn		
	9-Jun	1-mo	3-mo
Cash (NSE+BSE)	311.5	269.4	204.5
Derivatives (NSE)	692.7	562.4	379
Deri. open interest	807.3	716	604

#### Forex/money market

	Change, basis points			
	9-Jun	1-day	1-mo	3-mo
Rs/US\$	47.5	(1)	(204)	(438)
10yr govt bond, %	6.6	3	35	11

#### Commodity market

	Change, %			
	9-Jun	1-day	1-mo	3-mo
Gold (US\$/OZ)	958.3	0.4	4.5	6.7
Silver (US\$/OZ)	15.3	0.2	9.0	21.0
Crude (US\$/BBL)	69.8	0.2	20.9	59.5

#### Net investment (US\$m)

	8-Jun	MTD	CYTD
FIs	62	176	4,451
MFs	(9)	(129)	219

#### Top movers -3mo basis

Best performers	Change, %			
	9-Jun	1-day	1-mo	3-mo
Suzlon Energy Limit	125	3.0	64.6	260.5
Unitech Limited	89	5.5	67.7	257.1
Reliance Capital Lim	960	3.2	67.0	241.9
Jaiprakash Associati	224	8.0	57.8	241.0
Jsw Steel Limited	555	8.9	35.6	239.9

#### Worst performers

	9-Jun	1-day	1-mo	3-mo
Housing Developme	284	5.9	63.5	347.0
Cipla Ltd	233	1.0	3.2	15.2
Hindustan Unilever	257	1.8	10.2	18.7
Tata Communicatio	485	0.4	(12.8)	19.2
Itc Ltd	191	3.9	1.3	20.5

#### Kotak Institutional Equities Research

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**Utilities****CESC.BO, Rs337**

Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	345
52W High -Low (Rs)	456 - 165
Market Cap (Rs bn)	42.1

**Financials**

March y/e	2009	2010E	2011E
Sales (Rs bn)	30.3	32.3	34.1
Net Profit (Rs bn)	3.9	4.7	5.3
EPS (Rs)	31.2	38.0	42.1
EPS gth	12.7	22.5	11.1
P/E (x)	10.8	8.9	8.0
EV/EBITDA (x)	5.8	6.5	6.9
Div yield (%)	1.4	1.6	1.8

**Pricing performance**

Perf-1m	Perf-3m	Perf-6m	Perf-1y
29.9	75.4	40.4	(20.8)

**Shareholding, March 2009**

	% of Pattern Portfolio	Over/(under) weight
Promoters	52.5	-
FIs	19.3	0.1
MFs	12.5	0.4
UTI	-	(0.1)
LIC	3.8	0.1

**CESC: Losses in retail business continue to be a bane for cash flows**

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- **Consolidated PBT down 61% yoy—losses in retail business erode profits from power business in FY2009**
- **Slow progress in new projects beyond Budge Budge 3**
- **Downgrade rating to ADD with a revised target price of Rs345/share**

CESC reported consolidated revenues of Rs40 bn (+14% yoy), operating profit of Rs2.5 bn (-36% yoy) and PAT of Rs1.4 bn (-40% yoy) for the full year ended FY2009. PBT from the power business of Rs4.6 bn was pared by loss of Rs3.6 bn in Spencer Retail. One-off charges include additional Rs0.79 bn spent by Spencer Retail on store closures. We estimate CESC's cash support for the retail business in FY2009 by way of funding losses, capex and purchase of Spencer trademark at ~Rs6.5 bn, significantly higher than our estimates. We downgrade our rating to ADD with a revised target price of Rs345/share (Rs385 previously). We factor in increased funding of losses in retail business (Rs5.5 bn) and do not ascribe any value for the Haldia project in our SOTP. Our earnings estimates for the standalone business remain unchanged at Rs38 for FY2010E and Rs42 for FY2011E. We believe the stock needs catalysts—reduction in losses in retail business and progress in Haldia/Jharkhand projects—for outperformance from current levels.

**Downgrade rating to ADD, wait for clarity on reduction in losses in retail**

**business.** We have downgraded our rating on CESC to ADD from BUY previously to factor losses in retail business (Spencer Retail) for FY2009, which were higher than our estimates as well as the guidance given by the management. We do not expect Spencer Retail to break-even at the EBITDA level and estimate additional cash funding of Rs5.5 bn required during FY2010-12E for loss-funding and incremental capex.

Our SOTP-based target price of Rs345/share offers limited upside from the current market price. Our target price does not include any value for retail business and we reduce the Rs5.5 bn cash funding requirement in the retail business from CESC's net cash balance. We value the core power business at Rs308/share using DCF-equity which implies a P/B of 1.8X on FY2010E.

**Funding of retail business continues to mount.** Spencer Retail reported a loss of Rs2.9 bn at PBT level on sales of Rs10.2 bn during FY2009. Adjusting for one-off items including expenses for store closure (Rs0.79 bn) and extraordinary income of Rs1.5 bn from the sale of the 'Spencer' trademark to CESC and "MusicWorld" to a 100% subsidiary of Spencer Retail, the operating losses in retail business were higher at Rs3.65 bn. Reported PAT for retail business benefited from a deferred tax credit of Rs1.12 bn. Adjusted pre-tax losses of Rs3.7 bn, together with capex of Rs0.9 bn and purchase of Spencer trademark by CESC, suggests that CESC's funding for the retail business at Rs6.5 bn in FY2009 was higher than the Rs4.5 bn funding done in FY2008.

Spencer Retail has closed 150 unviable small format stores and as on March 2009 had 256 stores in operation (21 hyper stores, 14 super stores and 221 dailies and express stores) spanning 55 cities with a retail trading area of 1.1 mn sq ft. The management indicated that the monthly losses have been declining over the past few months and it expects Spencer to break even at the stores level by end-FY2010. The company expects annual losses in FY2010 to be lower by Rs1 bn than FY2009.

**Extant power business has limited near-term catalysts, commissioning of large power projects will take a while.** CESC's extant power business earned a PAT of Rs3.9 bn and operating profit of Rs6.1 bn on revenues of Rs30 bn during FY2009. We expect the power business to benefit from commissioning of the 250 MW power plant at Budge Budge in September 2009, that will likely contribute to incremental earnings on expanded regulated equity and also make available higher generation for export sale. We note CESC retains 40% of profit on the merchant sale of power. However, barring the commissioning of this project, other proposed power projects—Haldia I (600 MW) and merchant power capacity in Jharkhand (1,000 MW)—are still at the development stage and will likely take time before they start contributing to earnings. We would await clear signals of project progress—financial closure and completion of land acquisition—to ascribe any value enhancement from these projects.

**Exhibit 1: Consolidated results for CESC, March year-ends (Rs mn)**

	2008	2009	% change
Power	27,746	30,310	9.2
Retail	7,681	10,200	32.8
<b>Net Sales</b>	<b>35,428</b>	<b>40,510</b>	<b>14.3</b>
Employee costs	(3,850)	(4,760)	
Cost of electrical energy purchased	(3,783)	(4,120)	
Cost of fuel	(8,658)	(9,450)	
Cost of goods sold for retail business	(6,576)	(9,080)	
Other expenditure	(8,584)	(10,560)	
<b>Operating profit</b>	<b>3,977</b>	<b>2,540</b>	<b>(36.1)</b>
Depreciation	(1,962)	(2,160)	
Other income	1,693	2,065	
Interest	(1,480)	(1,570)	
<b>Profit before tax</b>	<b>2,227</b>	<b>875</b>	<b>(60.7)</b>
Current tax	(489)	(570)	
Deferred tax	620	1,130	
<b>Profit after tax before minority interest</b>	<b>2,358</b>	<b>1,435</b>	<b>(39.1)</b>
Minority interest	47	10	
<b>Net profit</b>	<b>2,405</b>	<b>1,445</b>	<b>(39.9)</b>
Extraordinary income (expense)	269	(675)	
<b>Reported net profit</b>	<b>2,674</b>	<b>770</b>	<b>(71.2)</b>

**Segment results**

<b>PBT</b>	<b>2,500</b>	<b>200</b>
Power	4,030	4,650
Retail	(1,500)	(2,890)
Property	-	-
Adjustment on consolidation	(30)	(1,560)
<b>Capital employed</b>	<b>74,740</b>	<b>82,490</b>
Power	68,530	77,450
Retail	6,150	5,990
Property	60	230
Adjustment on consolidation	-	(1,180)

Source: Company data, Kotak Institutional Equities

**Exhibit 2: Spencer Retail's losses increased in 2009**

Key assumptions of Spencer Retail, March fiscal year-ends, 2007-2011E (Rs mn)

	2007	2008	2009E	2010E	2011E
<b>Income statement</b>					
Revenues	5,154	8,061	10,556	10,760	11,718
EBITDA	(364)	(1,114)	(3,147)	(1,382)	(1,096)
PBT	(516)	(1,499)	(3,654)	(2,181)	(2,041)
<b>PAT</b>	<b>(523)</b>	<b>(893)</b>	<b>(2,534)</b>	<b>(2,192)</b>	<b>(2,052)</b>
Extraordinary profit (loss)	—	—	760	—	—
<b>Balance sheet</b>					
Net worth	837	2,429	4,355	2,163	111
Borrowings	873	4,345	3,845	5,345	7,345
<b>Total liabilities</b>	<b>1,710</b>	<b>6,775</b>	<b>8,201</b>	<b>7,508</b>	<b>7,456</b>
Net fixed assets	1,239	4,023	3,814	3,508	3,183
Investments	10	10	10	10	10
Net working capital	461	2,121	2,626	2,241	2,513
Deferred tax asset	—	620	1,750	1,750	1,750
<b>Total assets</b>	<b>1,710</b>	<b>6,775</b>	<b>8,201</b>	<b>7,508</b>	<b>7,456</b>
<b>Key assumptions</b>					
<b>Total retail space (mn sq. ft)</b>	<b>0.6</b>	<b>1.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.3</b>
Gross margin (%)	15	14	11	11	13
EBITDA margin (%)	(7)	(14)	(30)	(13)	(9)

Source: Company data, Kotak Institutional Equities estimates

**Exhibit 3: Standalone profit model, balance sheet, cash model of CESC, March fiscal year-ends, 2006-11E (Rs mn)**

	2006	2007	2008	2009E	2010E	2011E
<b>Profit model (Rs mn)</b>						
Net sales	25,159	24,843	27,750	30,310	32,316	34,134
<b>EBITDA</b>	<b>7,157</b>	<b>6,364</b>	<b>6,045</b>	<b>6,960</b>	<b>8,295</b>	<b>9,636</b>
Other income	736	927	1,285	1,515	1,539	1,597
Interest	(3,013)	(2,305)	(1,885)	(2,240)	(2,354)	(2,867)
Depreciation	(2,539)	(1,579)	(1,685)	(1,700)	(2,041)	(2,426)
Pretax profits	2,342	3,407	3,760	4,535	5,438	5,940
Tax	(200)	(400)	(476)	(550)	(692)	(682)
<b>Net profits</b>	<b>2,142</b>	<b>3,007</b>	<b>3,285</b>	<b>3,985</b>	<b>4,747</b>	<b>5,257</b>
Extraordinary items	(299)	—	269	115	—	—
<b>Earnings per share (Rs)</b>	<b>27.3</b>	<b>36.2</b>	<b>27.8</b>	<b>31.9</b>	<b>38.0</b>	<b>42.1</b>
<b>Balance sheet (Rs mn)</b>						
Total equity	16,549	20,939	31,701	36,556	41,698	47,171
Total borrowings	19,100	17,983	16,288	20,649	28,519	38,113
Current liabilities	13,113	16,350	19,559	23,201	23,908	24,492
<b>Total liabilities and equity</b>	<b>48,761</b>	<b>55,271</b>	<b>67,548</b>	<b>80,406</b>	<b>94,125</b>	<b>109,776</b>
Cash	3,959	7,314	9,864	9,303	7,930	8,031
Current assets	9,113	8,110	9,752	9,796	10,088	10,354
Total fixed assets	35,275	37,340	42,148	52,537	67,344	82,636
Investments	314	2,414	5,697	8,691	8,691	8,691
Deferred Expenditure	100	93	86	79	72	65
<b>Total assets</b>	<b>48,761</b>	<b>55,271</b>	<b>67,548</b>	<b>80,406</b>	<b>94,125</b>	<b>109,776</b>
<b>Free cash flow (Rs mn)</b>						
Operating cash flow, excl. working capital	7,351	6,433	6,375	7,390	8,581	9,955
Working capital	563	4,240	1,567	3,598	415	319
Capital expenditure	(3,077)	(5,594)	(8,353)	(12,118)	(16,849)	(17,717)
Investments	1	(0)	(408)	(2,994)	—	—
<b>Free cash flow</b>	<b>4,838</b>	<b>5,080</b>	<b>(819)</b>	<b>(4,124)</b>	<b>(7,853)</b>	<b>(7,443)</b>

Source: Kotak Institutional Equities estimates.

**Exhibit 4: CESC Sum-of-the-parts valuation**

	Methodology	Key assumptions	FY2010E Book value per share (Rs)	Per share value (Rs)
Kolkata generation, transmission & distribution	<b>DCF to equity</b> Disc. rate: 12% Terminal year growth: 2%	The business enjoys very high predictability of cash flows, regular reinvestments and high profitability (>20% RoE) from operational efficiencies and incentives.	172	306
Cash and investible surplus on books	<b>Market value</b>	Marketable securities & cash on books (Rs bn): 15.2 Regulatory liability/unallocable debt (Rs bn) (4.9) Cash infusion required in retail (Rs bn) (5.5) <b>4.8</b>		38
<b>SOTP value</b>			<b>265</b>	<b>344</b>

Source: Kotak Institutional Equities estimates

**Energy****PLNG.BO, Rs78**

Rating	REDUCE
Sector coverage view	Neutral
Target Price (Rs)	57
52W High -Low (Rs)	82 - 29
Market Cap (Rs bn)	58.8

**Financials**

March y/e	2009	2010E	2011E
Sales (Rs bn)	84.3	113.5	157.3
Net Profit (Rs bn)	5.2	5.5	6.4
EPS (Rs)	6.9	7.3	8.5
EPS gth	9.5	6.1	17.3
P/E (x)	11.3	10.7	9.2
EV/EBITDA (x)	8.0	6.9	6.1
Div yield (%)	2.2	2.6	2.9

**Pricing performance**

Perf-1m	Perf-3m	Perf-6m	Perf-1y
48.2	144.2	141.6	27.3

**Shareholding, March 2009**

	% of Pattern Portfolio	Over/(under) weight
Promoters	50.0	-
FIs	9.4	0.1 (0.0)
MFs	1.5	0.1 (0.1)
UTI	-	- (0.1)
LIC	-	- (0.1)

**Petronet LNG: Book profits on recent strong outperformance**

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- **Strong outperformance leaves limited scope for upside; the stock has run up by 48% in the past month versus the BSE-30 Index's increase of 27%**
- **Concerns over long-term sustainability of business model persist**
- **Downgraded stock to REDUCE; stock trading significantly above our 12-month target price of Rs57**

We have downgraded Petronet LNG (PLNG) to REDUCE from ADD, noting (1) the stock is trading significantly above our 12-month target price of Rs57, (2) its strong outperformance over the past few weeks and (3) our long-term concerns over the business model. PLNG stock has rallied 48% in the past month versus the BSE-30 Index's 27% rise over the same period (see Exhibit 1). We have long highlighted our concerns over the company's business model in the long term but had maintained an ADD rating due to reasonable valuations. However, the recent run up in the stock prices leaves little scope for outperformance. We have revised FY2010E, FY2011E and FY2012E EPS to Rs7.3, Rs8.5 and Rs8.2 versus Rs7.7, Rs9 and Rs8.4, previously, to reflect (1) information in FY2009 annual report and (2) weaker rupee. We retain our 12-month DCF-based target price of Rs57. Key upside risks stem from higher-than-expected re-gasification tariffs and continued high liquidity in the Indian markets.

**Recent run up leaves little scope for outperformance; valuations full.** PLNG stock has outperformed the Sensex by 21% in the past month, leaving little scope for outperformance; the stock is trading significantly above our 12-month DCF-based target price of Rs57. We had an ADD rating previously—despite concerns on the company's business model in the long term—based on the likelihood of strong performance in the next 2-3 quarters. This, in turn, was based on the given global surplus of LNG, which we assumed would sustain the strong performance seen in 4QFY09 into FY2010E. However, we now see the risk-reward balance as unfavorable given the stock's recent strong outperformance.

**Future of LNG imports could be in doldrums.** We have long highlighted our concerns about the sustainability of the business model of an import terminal in the long term in a likely gas-surplus market. We expect a steep increase in domestic gas supply from FY2010E led by start of gas supply from RIL's KG D-6 block in FY2010; this would be further boosted by the likely supply from gas discoveries announced by Reliance (in other blocks), ONGC and GSPC (see Exhibit 2). The start of new LNG capacity of PLNG at Dahej and Kochi will coincide with steep increase in supply of domestic gas. We expect the price of domestic gas to be significantly lower versus that of imported LNG in the medium-to-long term; this will likely create issues about acceptance of high-priced LNG in the domestic market.

**Update on projects—Dahej expansion completed; future of Kochi uncertain.**

PLNG's ongoing capacity expansion at Dahej was completed in June 2009. We see greater risks to the timely completion of PLNG's Kochi project. We expect Kochi project to be completed by FY2013E at a cost of Rs35 bn. The management has awarded the contract for storage tanks at Kochi to IHI and expects to award contracts for re-gasification and marine facilities in two months. PLNG has already entered into an agreement with Exxon Mobil for supply of 1.4 mn tons of imported LNG from the proposed Gorgon LNG project for the Kochi terminal.

### Earnings revisions and key assumptions

We have revised FY2010E, FY2011E and FY2012E EPS to Rs7.3, Rs8.5 and Rs8.2 versus Rs7.7, Rs9 and Rs8.4, previously, to reflect (1) information in FY2009 annual report and (2) a weaker rupee. We discuss the changes to our earnings model and key assumptions below (see Exhibit 3).

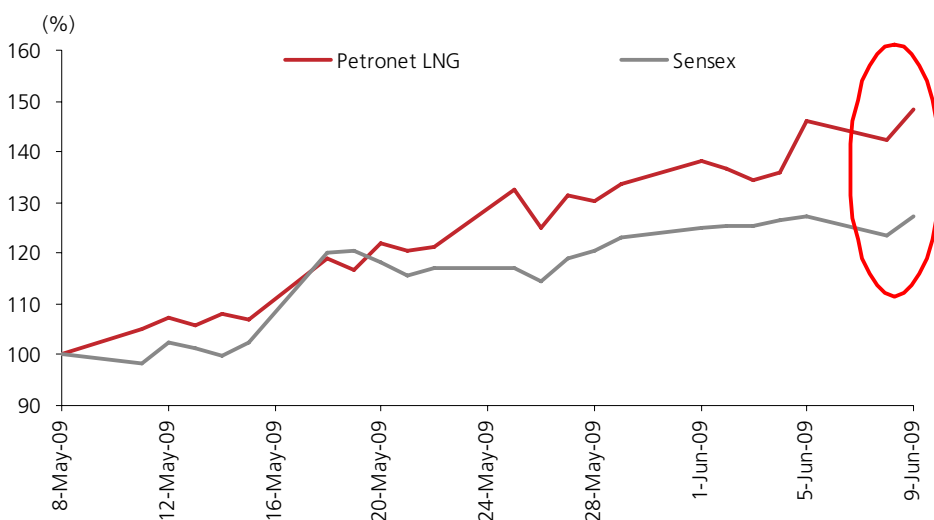
**Volumes.** We model contract LNG volume at 7.3 mn tons, 9.7 mn tons and 9.7 mn tons in FY2010E, FY2011E and FY2012E. In addition, we model 1.5 mn tons of spot volumes each year in FY2010-12E.

**Re-gasification tariffs.** We assume a re-gasification tariff of US\$0.65/mn BTU for FY2010E, which includes the impact of availability of low-priced LNG over the next 2-3 quarters. We assume PLNG's re-gasification tariff to decline by 5% in FY2011E and remain flat thereafter until FY2019E, the terminal year of our DCF model (see Exhibit 4).

**Exchange rate.** We have revised our rupee-dollar exchange rates for FY2010E, FY2011E and FY2012E to Rs48/US\$, Rs47.8/US\$ and Rs47.5/US\$ from Rs50.8/US\$, Rs50.5/US\$ and Rs49/US\$. We have revised our long-term (FY2013E onwards) to Rs47/US\$ from Rs48/US\$ previously.

### Petronet LNG stock has outperformed the broad market over the last one month

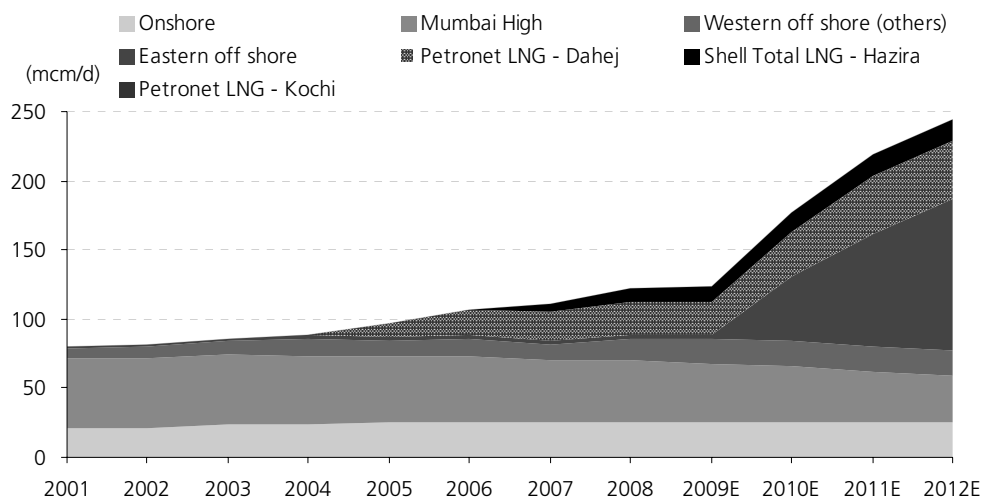
Relative performance of Petronet LNG and BSE-30 Index (%)



Source: Bloomberg, Kotak Institutional Equities

**We project a steep ramp-up in domestic supply from FY2010E**

Supply of natural gas in India, March fiscal year-ends, 2001-2012E (mcm/d)



Source: Kotak Institutional Equities estimates

**We model Petronet's volumes scaling up to 11 mtpa by FY2011**

Key volume/price assumptions for Petronet LNG

	2005	2006	2007	2008	2009E	2010E	2011E	2012E
<b>Volume assumptions</b>								
Sales volume (mn tons)	2.5	4.8	5.6	6.3	6.3	8.8	11.2	11.2
<b>Price assumptions</b>								
LNG purchase price (FOB) (US\$/mn BTU)	2.5	2.5	3.3	3.7	4.2	4.1	4.6	4.9
Landed cost (incl. import tariff) (US\$/mn BTU)	2.9	2.9	3.8	4.2	4.7	4.6	5.16	5.52
Re-gasification charges (US\$/mn BTU)	0.53	0.57	0.58	0.68	0.68	0.65	0.62	0.62
<b>Escalation in re-gasification charges (%)</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	—	<b>(5.0)</b>	<b>(5.0)</b>	—
Sales price (US\$/mn BTU)	3.5	3.5	4.4	4.9	5.4	5.3	5.8	6.1
<b>Other assumptions</b>								
Rupee/US dollar exchange rate	45.0	44.3	45.3	40.1	45.8	48.0	47.8	47.5

Source: Kotak Institutional Equities estimates



**Our target price based on 20% discount to DCF-based fair value for PLL is Rs60**

Calculation of equity value of PLL using discounted cash flow analysis (Rs mn)

	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	
EBITDA	10,932	12,846	12,602	12,732	18,081	17,949	17,807	17,656	17,495	17,323	
Adjusted tax expense	(2,288)	(2,682)	(2,892)	(1,455)	(2,278)	(3,268)	(3,940)	(4,392)	(4,691)	(4,866)	
Change in working capital	839	(1,634)	(386)	(586)	(2,868)	(172)	(205)	(246)	(297)	(360)	
Operating cash flow	9,482	8,530	9,324	10,691	12,935	14,508	13,662	13,018	12,507	12,097	
Capital expenditure	(9,803)	(9,000)	(9,000)	(8,727)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(2,500)	
Free cash flow	(321)	(470)	324	1,964	11,935	13,508	12,662	12,018	11,507	9,597	
Discounted cash flow-now	(292)	(380)	233	1,254	6,775	6,815	5,677	4,789	4,076	3,022	
Discounted cash flow-1 year forward		(427)	262	1,411	7,621	7,667	6,388	5,388	4,586	3,400	
Discounted cash flow-2 year forward			295	1,588	8,574	8,626	7,187	6,064	5,159	3,825	
	Now	+ 1-year	+ 2-years								
Discount rate (%)	12.5%	12.5%	12.5%								
Total PV of free cash flow	31,970	39,319	47,739								
Terminal value assumption											
Growth in perpetuity	0.0%	0.0%	0.0%								
FCF in 2020E	9,597	9,597	9,597								
Exit FCF multiple (X)	8.0	8.0	8.0								
Exit EV/EBITDA multiple (X)	4.4	4.4	4.4								
Terminal value	76,780	76,780	76,780								
PV of terminal value	30,598	30,598	30,598								
Total company value	62,568	69,917	78,337								
Net debt	13,196	16,116	19,725								
Equity value	49,372	53,801	58,612								
Shares outstanding (mn)	750	750	750								
Estimated share price using DCF	65.8	71.7	78.1								
Discount to fair value (%)	20	20	20								
Target price	52.7	57.4	62.5								
Fiscal Year end (March 31, XXXX)	March-10	March-11	March-12	March-13	March-14	March-15	March-16	March-17	March-18	March-19	March-20
Today	10-Jun-09	10-Jun-09	10-Jun-09	10-Jun-09	10-Jun-09	10-Jun-09	10-Jun-09	10-Jun-09	10-Jun-09	10-Jun-09	10-Jun-09
Days left	294	659	1,025	1,390	1,755	2,120	2,486	2,851	3,216	3,581	3,947
Years left	0.81	1.81	2.81	3.81	4.81	5.81	6.81	7.81	8.81	9.81	10.81
Discount factor at WACC	0.91	0.81	0.72	0.64	0.57	0.50	0.45	0.40	0.35	0.31	0.28

Source: Kotak Institutional Equities estimates

**Petronet LNG: Profit model, balance sheet, cash model March fiscal year-ends, 2005-2012E (Rs mn)**

	2005	2006	2007	2008	2009E	2010E	2011E	2012E
<b>Profit model (Rs mn)</b>								
Net sales	19,453	38,197	55,090	65,553	84,287	113,487	157,291	166,082
<b>EBITDA</b>	<b>1,505</b>	<b>4,707</b>	<b>6,481</b>	<b>8,661</b>	<b>9,013</b>	<b>10,932</b>	<b>12,846</b>	<b>12,602</b>
Other income	133	194	366	536	765	826	620	466
Interest	(1,094)	(1,116)	(1,070)	(1,024)	(1,012)	(1,498)	(1,637)	(1,576)
Depreciation	(968)	(1,010)	(1,020)	(1,022)	(1,025)	(1,942)	(2,118)	(2,199)
Extraordinary items	—	175	—	—	—	—	—	—
Pretax profits	(424)	2,950	4,756	7,152	7,740	8,317	9,711	9,293
Tax	—	(256)	(6)	(2,185)	(2,526)	(1,939)	(2,295)	(2,472)
Deferred taxation	140	(745)	(1,617)	(220)	(30)	(888)	(1,005)	(686)
<b>Net profits</b>	<b>(284)</b>	<b>1,949</b>	<b>3,133</b>	<b>4,747</b>	<b>5,184</b>	<b>5,490</b>	<b>6,410</b>	<b>6,135</b>
<b>Earnings per share (Rs)</b>	<b>(0.4)</b>	<b>2.4</b>	<b>4.2</b>	<b>6.3</b>	<b>6.9</b>	<b>7.3</b>	<b>8.5</b>	<b>8.2</b>
<b>Balance sheet (Rs mn)</b>								
Total equity	8,770	10,719	12,755	16,185	19,834	23,569	28,005	32,385
Deferred taxation liability	(140)	605	2,472	2,692	2,722	3,610	4,615	5,302
Total borrowings	12,599	12,599	13,832	15,776	22,817	23,317	26,317	28,317
Current liabilities	3,585	1,725	5,877	8,588	8,922	10,921	14,093	14,781
<b>Total liabilities and equity</b>	<b>24,814</b>	<b>25,648</b>	<b>34,936</b>	<b>43,242</b>	<b>54,295</b>	<b>61,418</b>	<b>73,031</b>	<b>80,785</b>
Cash	2,980	2,506	3,405	3,586	6,578	4,159	3,550	2,614
Current assets	2,753	2,946	7,478	7,890	11,519	12,679	17,484	18,559
Total fixed assets	18,903	18,627	21,273	26,293	33,156	41,537	48,954	56,569
Investments	179	1,569	2,780	5,473	3,043	3,043	3,043	3,043
<b>Total assets</b>	<b>24,814</b>	<b>25,648</b>	<b>34,936</b>	<b>43,242</b>	<b>54,295</b>	<b>61,418</b>	<b>73,031</b>	<b>80,785</b>
<b>Free cash flow (Rs mn)</b>								
Operating cash flow, excl. working capital	437	3,524	4,927	6,982	5,378	6,974	8,379	7,740
Working capital	628	(2,057)	(710)	1,589	(3,384)	839	(1,634)	(386)
Capital expenditure	(18,969)	(335)	(36)	(263)	(27)	(9,803)	(9,000)	(9,000)
Investments	(179)	(1,390)	(1,211)	(2,780)	2,462	—	—	—
<b>Free cash flow</b>	<b>(18,083)</b>	<b>(258)</b>	<b>2,970</b>	<b>5,528</b>	<b>4,429</b>	<b>(1,990)</b>	<b>(2,254)</b>	<b>(1,647)</b>
Other income	128	184	326	(414)	695	826	620	466
<b>Ratios (%)</b>								
Debt/equity	146	111	91	84	101	86	81	75
Net debt/equity	111	89	68	65	72	70	70	68
RoAE	(3.2)	19.5	23.6	27.8	25.0	22.1	21.4	17.5
<b>RoACE</b>	<b>2.1</b>	<b>11.9</b>	<b>14.5</b>	<b>17.0</b>	<b>14.7</b>	<b>13.5</b>	<b>13.7</b>	<b>11.5</b>
<b>Adjusted CROCI</b>	<b>8.9</b>	<b>21.3</b>	<b>21.3</b>	<b>19.1</b>	<b>15.8</b>	<b>17.8</b>	<b>16.7</b>	<b>13.6</b>
<b>Key assumptions</b>								
Sales volume (mn tons)	2.5	4.8	5.6	6.3	6.3	8.8	11.2	11.2
LNG purchase price (FOB) (US\$/mn BTU)	2.5	2.5	3.3	3.7	4.2	4.1	4.6	4.9
Re-gasification charges (US\$/mn BTU)	0.53	0.57	0.58	0.68	0.68	0.65	0.62	0.62
Sales price (US\$/mn BTU)	3.5	3.5	4.4	4.9	5.4	5.3	5.8	6.1
Rupee/US dollar exchange rate	45.0	44.3	45.3	40.1	45.8	48.0	47.8	47.5

Source: Kotak Institutional Equities estimates

**Banking****HDFC.BO, Rs2359**

Rating	REDUCE
Sector coverage view	Attractive
Target Price (Rs)	2,025
52W High-Low (Rs)	2847 - 1116
Market Cap (Rs bn)	671.0

**Financials**

March y/e	2009	2010E	2011E
Sales (Rs bn)	35.9	41.0	46.5
Net Profit (Rs bn)	22.8	26.0	29.5
EPS (Rs)	80.2	91.5	103.6
EPS gth	(6.5)	14.0	13.3
P/E (x)	29.4	25.8	22.8
P/B (x)	5.1	4.6	4.1
Div yield (%)	1.3	1.4	1.5

**Pricing performance**

Perf-1m	Perf-3m	Perf-6m	Perf-1y
35.9	87.9	45.8	12.1

**Shareholding, March 2009**

	% of Pattern Portfolio	Over/(under) weight
Promoters	-	-
FIs	59.8	5.9
MFs	3.7	1.7
UTI	-	(1.5)
LIC	2.8	0.9

**HDFC: Announces warrant issuance; stock may react favorably**

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- **HDFC has announced an NCD issue of Rs40 bn with detachable warrants**
- **Terms of the issuance yet to be finalized**
- **We retain our REDUCE rating and price target of Rs2,025**

HDFC's management has announced an NCDs issue of Rs40 bn along with detachable warrants which can be converted into equity. The maximum dilution on account of the warrants will be 3.5% of the expanded equity base i.e. about 11 mn shares. We see this having a positive impact on the stock—it is early to comment on the impact of the announcement on HDFC's financials as the terms of the issuance are not yet finalized. The equity infusion will likely fund HDFC's proposed investment in HDFC Bank as well as future growth in the mortgage business.

**Investments to fund growth in business and investment in the bank.** In our view, HDFC needed to raise equity to fund its investment in HDFC Bank (Rs36 bn by December 2009). The NCD+detachable warrant structure will enable HDFC to raise near-term debt which can be replaced/ converted into equity at a later stage (without diluting the near-term earnings).

**BVPS under various scenarios.** Exhibit 1 provides three scenarios on the likely impact on HDFC's reported book value in FY2012E if the warrant conversion price is at 30%, 45% and 60% premium to the current market price. In this example, we have assumed warrants will be converted on March year-end 2012 i.e. a total tenure of about 2.5 years. As highlighted in Scenario III, at a 60% premium, HDFC would raise equity capital of Rs40 bn on the conversion of 11 mn shares i.e. 3.5% of the expanded equity base. Similarly, as highlighted in Scenario II, HDFC could raise Rs30 bn at 30% premium. The coupon rate on the bond will be linked to the conversion premium—either of the factors will be market-determined. Thus, the coupon rate will likely be lower in case of higher conversion premium.

**HDFC's BVPS will likely rise by 13-17% under various scenarios**

Impact on HDFC's BVPS under various scenarios

	Scenario I	Scenario II	Scenario III
Current market price (CMP- Rs)	2,359	2,359	2,359
Conversion price (Rs)	3,067	3,421	3,774
Premium to CMP (%)	30%	45%	60%
Shares issued on conversion (# mn)	10.52	10.52	10.52
Amt raised (Rs bn)	32.3	36.0	39.7
Current 2012E BVPS (Rs)	651.5	651.5	651
Revised 2012E BVPS (Rs)	737.6	750.2	763
Increase in BVPS (%)	13%	15%	17%

Note.

We have assumed warrant conversion on financial year-end, 2012E

Source: Kotak Institutional Equities

**Automobiles**

Sector coverage view

Cautious

Company	Rating	Price, Rs	
		9-Jun	Target
Hero Honda	REDUCE	1,493	1,000
Bajaj Auto	SELL	1,044	780
Tata Motors	SELL	368	235
Maruti Suzuki	SELL	1,090	780
Mah & Mah	ADD	743	670

**Auto tracker: May 2009**

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- **2W and 3W: 2-wheelers remain bright spot with sales up 12% yoy with Hero Honda taking most of the spoils**
- **Cars and UVs: Passenger car growth of 4.7% yoy driven by Maruti and not broad-based**
- **CVs and tractors: CV growth remains lackluster as M&HCV volumes decline 38% yoy**
- **Stocks: Tepid overall passenger car industry growth could limit pricing gains and margin expansion for Maruti**

Strong demand and a slew of new products resulted in a 12.4% yoy increase in 2W volumes. Mopeds outpaced 2-wheeler industry growth while scooters underperformed for the second month. Hero Honda continues to be the market leader as sales grow 22% yoy while Bajaj is showing continued sequential improvement in volumes on the back of new products. Hero Honda's market share grew 400 bps yoy. Industry 3W sales declined 4% yoy, primarily on weak demand for goods carriers and in export markets. Bajaj continued to consolidate its position with a 600 bps improvement in domestic 3W market share in May.

**2W and 3W: 2-wheelers remain bright spot with sales up 12% yoy with Hero Honda taking most of the spoils**

Strong demand and a slew of new products resulted in a 12.4% yoy increase in 2W volumes. Mopeds outpaced 2-wheeler industry growth while scooters underperformed for the second month. Hero Honda continues to be the market leader as sales grow 22% yoy while Bajaj is showing continued sequential improvement in volumes on the back of new products. Hero Honda's market share grew 400 bps yoy. Industry 3W sales declined 4% yoy, primarily on weak demand for goods carriers and in export markets. Bajaj continued to consolidate its position with a 600 bps improvement in domestic 3W market share in May.

**Cars and UVs: Passenger car growth of 4.7% yoy driven by Maruti and not broad-based; UV sales impacted by strike at Mahindra's Nasik plant**

Car industry car sales grew 4.7% yoy led mainly by strong growth in the compact car segment. Demand from rural areas, increase in disposable income (led by Pay Commission pay-outs) and discounts led to a large spurt in compact cars with Maruti being the biggest beneficiary. Maruti's market share grew 330 bps to 56.6% versus 53.3% a year ago. The compact segment grew 11% domestically and 20% including exports. Domestic mid-size car volumes declined 6.7% yoy while luxury/executive segment volumes declined 7.6% in May. Industry UV sales declined 29% yoy in May. Mahindra & Mahindra saw a 14% decline as the strike at its Nasik plant resulted in lower dealer disbursements.

**CVs and tractors: CV growth remains lackluster as M&HCV volumes decline 38% yoy**

Industry CV sales declined 15% yoy in May. LCVs outperformed with a 12% yoy growth while M&HCVs declined 38% yoy. We expect M&HCV demand to remain weak in 1HFY10 as industrial activity and trade remains weak. Alternately, LCV volumes grew at the expense of 3Ws. The brunt of the slowdown in the CV segment was borne by Ashok Leyland as M&HCV volumes declined 71% yoy in May, resulting in a 8.8% point decline in market share. Tata Motors' market share improved 3.4% points at Ashok Leyland's expense.

**Stocks: Tepid overall passenger car industry growth could limit pricing gains and margin expansion for Maruti**

Passenger car sales outside of Maruti were lackluster with Hyundai's domestic sales declining 4%, Tata Motors and GM showing flat results. Maruti in passenger cars and Hero Honda in motorcycles continued to see strong sales growth as they are better positioned to capture demand growth within different cross-sections of the economy. This could continue and drive upside to our volume estimates for these companies in FY2010E. However, at current prices, any earnings upside and more seems to be in the stock.

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Company	9-Jun-09 Price (Rs)	Rating	Mkt cap.		O/S		EPS growth (%)			PER (X)			EV/EBITDA (X)			Dividend yield (%)			RoE (%)			ADVT- Target								
			(Rs mn)	(US\$ mn)	(mn)	EPS (Rs)		EPS growth (%)		PER (X)		EV/EBITDA (X)		Price/BV (X)		Dividend yield (%)		RoE (%)		price (Rs)	Upside (%)	3mo (US\$ mn)								
						2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E				2011E	2009E	2010E	2011E				
<b>Automobiles</b>																														
Bajaj Auto	1,044	SELL	150,984	3,180	145	48.7	65.3	73.1	(6.7)	34.0	12.0	21.4	16.0	14.3	11.9	9.0	8.9	7.9	6.1	4.8	1.9	1.9	1.9	40.2	42.8	36.8	780	(25.3)	4.7	
Hero Honda	1,493	REDUCE	298,092	6,278	200	64.2	80.8	91.2	32.4	30.5	8.8	23.3	17.8	16.4	13.7	10.6	9.2	7.6	5.9	4.7	1.3	1.5	1.5	36.6	37.4	31.0	600	(33.0)	18.8	
Mahindra & Mahindra	743	ADD	197,096	4,151	265	21.7	40.4	43.6	(42.9)	86.0	8.0	34.2	18.4	17.0	22.3	12.3	11.2	4.1	3.1	2.7	1.2	1.3	1.3	12.3	19.3	17.0	1,700	(9.0)	17.7	
Maruti Suzuki	1,090	SELL	314,996	6,634	289	42.2	58.3	63.4	(29.3)	88.1	8.6	25.8	18.7	17.2	14.8	9.6	8.1	3.2	2.8	2.4	0.3	0.5	0.5	13.3	16.1	15.1	780	(28.4)	26.8	
Tata Motors	368	SELL	204,776	4,313	556	20.8	15.2	20.0	(58.3)	(27.0)	32.2	17.7	24.3	18.4	12.8	10.1	9.6	1.5	1.4	1.4	2	2	2	—	9.0	6.1	—	235	(36.2)	40.0
<b>Automobiles</b>		<b>Cautious</b>	<b>1,165,945</b>	<b>24,557</b>					<b>(26.0)</b>	<b>30.7</b>	<b>12.3</b>	<b>24.5</b>	<b>18.8</b>	<b>16.7</b>	<b>14.4</b>	<b>10.5</b>	<b>9.3</b>	<b>3.4</b>	<b>3.0</b>	<b>2.6</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>14.1</b>	<b>15.8</b>	<b>15.6</b>				
<b>Bank/Financial Institutions</b>																														
Andhra Bank	91	ADD	43,917	925	485	13.5	11.1	12.6	14.0	(17.9)	13.6	6.7	8.2	7.2	—	—	—	1.3	1.2	1.1	5.0	3.1	3.5	19.0	14.0	14.4	75	(17.2)	1.4	
Axe Bank	726	BUY	260,656	5,490	359	50.6	56.1	66.6	56.9	11.0	18.7	14.4	12.9	10.9	—	—	—	2.8	2.4	2.1	1.4	1.5	1.8	19.1	18.3	18.9	700	(3.6)	71.5	
Bank of Baroda	428	ADD	156,354	3,293	366	60.9	54.9	58.5	55.1	(9.8)	6.5	7.0	7.8	7.3	—	—	—	1.5	1.4	1.3	2.1	1.9	2.0	18.7	14.9	14.2	370	(13.5)	12.1	
Bank of India	324	ADD	170,265	3,586	526	57.2	46.3	53.2	40.7	(19.1)	14.9	5.7	6.0	6.1	—	—	—	1.7	1.6	1.5	2.5	2.0	2.3	29.2	19.0	18.7	310	(4.2)	16.8	
Canara Bank	261	REDUCE	106,826	2,250	410	50.5	38.6	41.4	32.4	(23.6)	7.1	5.2	6.7	6.3	—	—	—	1.3	1.2	1.1	3.1	3.1	3.8	18.3	12.4	12.2	220	(15.6)	5.6	
Corporation Bank	317	BUY	45,463	958	143	62.2	51.5	55.3	21.4	(17.3)	7.4	5.1	6.2	5.7	—	—	—	0.9	0.8	0.8	4.0	3.3	3.6	19.6	14.3	13.8	310	(12.0)	1.0	
Federal Bank	242	BUY	41,330	870	171	27.8	31.4	38.2	(19.2)	13.1	21.5	8.7	7.7	6.3	—	—	—	1.0	0.9	0.8	2.1	2.4	2.9	11.5	11.8	13.0	280	15.9	3.3	
Future Capital Holdings	282	BUY	17,839	376	63	4.5	28.8	NA	(198.6)	546.1	(100.0)	63.4	9.8	NA	—	—	—	2.4	1.9	NA	—	—	—	3.8	21.4	NA	440	55.9	1.5	
HDFC	2,359	REDUCE	141,133	284	80.2	91.5	103.6	65.1	14.0	13.3	29.4	25.8	22.8	—	—	—	—	5.1	4.6	4.1	1.3	1.4	1.5	18.2	18.3	18.3	2,025	(14.2)	72.5	
HDFC Bank	1,420	ADD	625,484	13,174	440	55.4	63.2	75.1	20.4	14.2	18.8	29.7	25.2	18.9	—	—	—	4.2	2.9	2.6	0.7	0.8	1.0	16.9	15.4	15.0	1,460	2.8	55.8	
ICICI Bank	738	REDUCE	821,227	17,296	1,113	33.8	32.3	38.5	(15.4)	(4.4)	19.2	21.9	22.9	19.2	—	—	—	1.7	1.6	1.5	1.5	1.2	1.3	7.8	7.1	8.0	685	(7.2)	208.7	
ICICI DFC	131	ADD	169,488	3,720	1,294	5.8	7.0	8.0	2.3	21.0	13.3	22.5	18.6	16.4	—	—	—	2.7	2.5	2.2	0.8	0.9	1.0	12.9	14.1	14.2	85	(35.1)	35.8	
India Infoline	153	ADD	47,846	1,004	311	5.0	5.8	6.5	(10.0)	15.5	12.3	30.4	26.3	23.4	—	—	—	3.8	3.4	3.0	1.7	2.2	2.6	11.7	13.5	14.6	90	(41.2)	10.2	
Indian Bank	129	BUY	55,247	1,164	440	28.1	26.6	30.6	24.7	(5.3)	15.0	4.6	4.8	4.2	—	—	—	1.0	1.0	0.9	3.1	3.1	3.6	22.7	18.3	18.1	165	28.4	3.1	
Indian Overseas Bank	87	BUY	47,152	993	545	24.3	16.6	22.2	10.3	(31.9)	33.8	3.6	5.2	3.9	—	—	—	0.8	0.7	0.6	6.1	4.3	4.8	24.7	14.5	17.0	110	27.1	4.6	
IDB&K Bank	506	ADD	24,532	517	48	84.5	80.8	95.4	13.8	(4.3)	18.0	6.0	6.3	5.3	—	—	—	1.1	1.0	0.9	3.3	3.2	3.8	16.7	14.1	14.9	510	0.8	0.4	
ICICI Housing Finance	533	BUY	45,341	955	85	62.5	68.8	80.3	37.3	10.0	16.8	8.5	7.8	6.6	—	—	—	1.9	1.6	1.3	2.6	2.8	3.3	26.2	23.9	23.4	390	(26.9)	10.1	
Mahindra & Mahindra Financial	271	ADD	25,906	546	96	22.4	27.4	30.5	7.5	22.9	8.7	12.1	9.8	9.0	—	—	—	1.8	1.6	1.4	2.0	2.5	2.8	15.4	16.9	16.3	240	(11.3)	0.3	
Oriental Bank of Commerce	178	ADD	44,508	937	261	36.1	27.3	34.6	51.4	(24.5)	26.7	4.9	6.5	5.1	—	—	—	0.8	0.8	0.8	4.1	3.1	3.9	14.8	10.2	11.8	150	(15.6)	3.4	
PFC	197	SELL	226,397	4,768	1,148	13.0	16.5	19.3	14.3	26.7	17.6	15.2	12.0	10.2	—	—	—	2.0	1.8	1.6	1.4	2.5	2.2	13.8	15.8	16.7	160	(18.9)	6.1	
Punjab National Bank	611	BUY	192,003	4,056	315	98.0	98.5	115.1	50.9	0.5	16.8	6.2	6.2	5.3	—	—	—	1.6	1.4	1.2	3.2	3.2	3.8	23.0	19.9	20.1	760	24.4	23.3	
Shri Ram Finance Corp.	157	BUY	135,101	2,845	859	16.5	17.5	20.8	50.7	6.5	18.8	9.6	9.0	7.6	—	—	—	1.9	1.6	1.4	1.3	2.0	2.4	21.2	19.6	20.3	155	(1.5)	3.6	
Shriram Transport	300	ADD	63,356	1,334	212	30.1	32.5	36.9	56.8	7.9	13.7	10.0	9.2	8.1	—	—	—	2.9	2.5	2.0	2.9	3.3	3.7	29.6	27.0	25.8	300	0.2	2.8	
SREI	173	ADD	8,204	173	116	7.7	6.9	8.2	(32.8)	(10.1)	18.6	9.2	10.2	8.6	—	—	—	0.8	0.7	0.7	3.3	4.0	4.5	14.0	11.5	13.0	50	(29.1)	2.9	
State Bank of India	1,764	BUY	1,119,886	23,586	635	143.6	121.1	139.2	34.8	(15.7)	14.9	12.3	14.6	12.7	—	—	—	2.3	2.3	2.0	1.6	1.7	1.8	17.1	12.7	13.3	1,870	6.0	122.4	
Union Bank	216	BUY	109,308	2,302	505	34.2	29.6	35.5	24.5	(13.5)	19.9	6.3	7.3	6.1	—	—	—	1.3	1.1	1.0	2.4	2.1	2.5	27.2	19.5	19.9	220	1.7	6.7	
<b>Bank/Financial Institutions</b>		<b>Attractive</b>	<b>5,275,082</b>	<b>111,101</b>					<b>28.0</b>	<b>(4.6)</b>	<b>15.7</b>	<b>12.4</b>	<b>13.0</b>	<b>11.2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.9</b>	<b>16.9</b>	<b>14.8</b>	<b>15.4</b>				
<b>Cement</b>																														
ACC	850	REDUCE	159,698	3,363	188	56.3	55.2	42.2	(12.2)	(1.9)	(23.6)	15.1	15.4	20.2	7.6	7.7	8.9	3.0	2.7	2.4	2.7	2.8	2.8	24.7	21.3	15.1	625	(26.5)	12.7	
Ambuja Cements	1,011	REDUCE	153,760	3,238	1,522	7.2	6.8	5.4	(5.0)	(4.7)	(20.5)	14.1	14.7	18.5	7.6	7.8	9.3	2.5	2.3	2.1	3.0	1.9	2.1	19.7	16.6	12.0	700	(30.7)	5.6	
Birla Cement	2,366	REDUCE	216,911	4,568	92	238.5	235.7	239.1	(16.2)	(1.2)	1.4	9.9	10.0	9.5	5.7	5.1	4.9	2.0	1.7	1.5	1.4	1.4	1.5	17.7	18.2	16.0	1,900	(19.7)	10.6	
Grasim Industries	160	ADD	45,169	951	282	22.7	19.8	17.5	7.6	(12.8)	(11.2)	7.1	8.1	9.1	4.8	4.0	5.2	1.2	1.0	1.0	1.3	1.3	2.0	15.7	14.7	11.7	300	(18.7)	7.9	
India Cements	1,154	BUY	40,211	847	35	174.7	91.6	86.2	93.7	(47.6)	(5.9)	6.6	12.6	13.4	4.6	5.0	5.3	3.4	2.7	2.4	0.9	0.9	0.9	65.7	24.0	18.9	950	(17.7)	0.7	
Shree Cement	732	ADD	91,684	1,931	125	78.0	70.5	49.3	(4.1)	(9.7)	(30.0)	9.4	10.4	14.8	6.0	5.7	7.1	2.1	1.8	1.6	1.1	1.1	1.1	31.2	22.3	13.4	625	(14.6)	1.3	
UltraTech Cement		<b>Cautious</b>	<b>707,433</b>	<b>14,900</b>					<b>(5.1)</b>	<b>(9.5)</b>	<b>(12.9)</b>	<b>10.7</b>	<b>11.8</b>	<b>13.5</b>	<b>6.2</b>	<b>6.5</b>	<b>2.2</b>	<b>1.9</b>	<b>1.7</b>	<b>2.0</b>	<b>1.7</b>	<b>1.8</b>	<b>2.1</b>	<b>21.0</b>	<b>16.4</b>	<b>12.9</b>				
<b>Cement</b>																														
<b>Consumer products</b>																														
Asian Paints	1,142	ADD	109,574	2,308	96	38.4	49.1	57.5	(2.2)	27.9	17.1	29.8	23.3	19.9	17.3	13.6	11.4	9.6	7.9	6.5	1.5	1.8	2.0	36.3	38.5	36.8	1,000	(12.5)	0.9	
Colgate-Palmolive (India)	536	ADD	72,824	1,534	136	21.6	24.4	25.7	26.3	12.4	5.4	24.8	20.2	20.8	19.9	17.7	15.4	34.0	28.1	26.5	2.8	3.4	3.9	156.1	140.2	131.1	520	(2.9)	2.2	
GlaxoSmithKline Consumer (a)	920	ADD	38,678	815	42	44.8	56.1	63.6	15.8	25.2	13.5	20.5	16.4	14.5	11.4	9.3	8.1	5.0	4.3	3.8	1.6	2.3	3.2	42.8	28.5	28.0	900	(2.1)	0.6	
Godrej Consumer Products	181	ADD	46,614	982	258	6.8	8.7	9.8	(3.9)	27.8	12.8	26.7	20																	

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	9-Jun-09	BUY	O/S shares (mn)	Mkt cap. (US\$ mn)	EPS (Rs)	EPS growth (%)	PER (X)	EV/EBITDA (X)	P/BV (X)	Dividend yield (%)	RoE (%)	Target price (Rs)	ADVT-3mo Upside (%)																	
Energy	132.4	BUY			2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E																	
Bharat Petroleum	448	SELL	3,095	146,963	328	20—	32.1	41.8	58	NA	22	NA	10.7	51	5.1	4.6	1.1	1.0	0.9	2—	3.0	3.8	5.2	7.7	9.4	475	6.0	10.1		
Carlin India	246	REDUCE	9,841	467,245	4.3	9.2	31.2	(3,703)	115	238.0	57	27	79	37.7	13.7	5.6	1.4	1.3	1.3	—	—	10.1	2.5	5.1	16.5	225	(8.7)	34.6		
Castrol India (a)	329	BUY	857	40,702	124	21.3	25.5	26.6	20.8	19.5	43	15.5	12.9	12.4	8.6	7.4	7.1	9.1	8.2	7.7	4.6	5.5	6.1	61.2	66.5	63.7	390	18.5	0.6	
GAIL India	294	REDUCE	7,852	372,805	1,268	23.4	20.6	21.8	14.7	(11.8)	5.7	12.6	14.2	13.5	6.9	8.1	8.4	2.3	2.1	1.9	2.5	2.3	2.3	18.4	14.5	14.0	270	(8.1)	14.4	
GSPL	59	REDUCE	695	33,008	563	1.9	2.5	3.7	4.4	30.5	52.6	31.2	32.9	15.7	10.3	6.6	5.6	2.5	2.2	2.3	0.9	1.2	6.4	8.2	9.8	14.4	45	(23.3)	5.2	
Hindustan Petroleum	323	SELL	109,331	2,203	379	17.0	16.7	34.9	(49.3)	(1.6)	109.2	19.0	19.3	9.2	6.1	6.0	NA	0.9	0.8	NA	2—	3.7	7.8	4.4	3.9	7.8	350	8.5	12.0	
Indian Oil Corporation	553	REDUCE	652,459	13,742	1,179	18.9	44.3	43.1	(69.1)	133.8	(2.6)	29.2	12.5	12.8	10.5	5.6	5.5	1.4	1.3	1.2	1—	3.3	3.7	18.9	15.9	18.2	1,100	(2.8)	50.1	
Oil & Natural Gas Corporation	1,132	BUY	51,001	2,139	100.3	95.3	119.2	8.1	(50.2)	25.1	11.3	11.9	9.5	4.3	4.2	3.5	2.1	1.9	1.7	3.0	3.5	3.7	3.7	18.9	15.9	18.2	1,100	(2.8)	50.1	
Petronet LNG	78	REDUCE	1,238	58,800	750	6.9	7.3	8.5	—	5.9	16.8	11.3	10.7	9.2	8.0	6.9	6.1	2.6	2.2	1.8	2.2	2.6	2.9	23.9	21.1	20.5	57	(27.3)	6.1	
Reliance Industries	2,272	REDUCE	3,119,662	65,705	1,273	103.4	126.5	169.4	(15)	22.4	33.9	22.0	18.0	13.4	12.9	8.2	6.3	2.6	2.3	2.0	0.6	0.7	0.9	15.1	15.8	18.6	1,750	(23.0)	236.7	
Reliance Petroleum	142	NR	640,575	13,491	4,300	—	8.3	13.8	n/a	n/a	n/a	n/a	10.3	n/a	n/a	n/a	8.4	4.7	3.9	3.0	—	1.4	0.6	25.1	33.0	—	—	26.2		
<b>Energy</b>		<b>Neutral</b>	<b>8,063,089</b>	<b>169,821</b>					<b>(5.5)</b>	<b>25.2</b>	<b>34.8</b>	<b>17.9</b>	<b>14.3</b>	<b>10.6</b>	<b>8.7</b>	<b>6.6</b>	<b>5.3</b>	<b>2.2</b>	<b>2.0</b>	<b>1.8</b>	<b>1.5</b>	<b>2.0</b>	<b>2.8</b>	<b>12.1</b>	<b>13.8</b>	<b>16.7</b>				
<b>Industrials</b>																														
ABB	735	REDUCE	3,281	155,785	212	25.8	24.9	29.6	11.3	(3.6)	18.7	28.5	29.5	24.9	16.9	16.7	13.6	7.4	6.1	5.0	0.3	0.4	0.4	29.2	22.6	22.1	500	(32.0)	8.2	
BGR Energy Systems	352	REDUCE	25,355	534	72	15.3	20.7	24.3	26.1	35.4	17.5	23.0	17.0	14.5	12.6	10.1	8.6	4.5	3.7	3.1	0.7	1.0	1.1	21.3	23.9	23.2	165	(33.1)	1.6	
Bharat Electronics	1,298	REDUCE	103,868	2,188	80	101.9	111.1	119.0	(9.0)	9.0	7.1	12.7	11.7	10.9	5.4	4.8	4.2	2.6	2.3	2.0	1.9	1.9	1.9	22.4	20.9	19.2	1,025	(21.1)	1.9	
Bharat Heavy Electricals	2,246	REDUCE	1,099,535	23,158	490	64.1	92.0	106.8	9.8	43.5	16.1	35.0	24.4	21.0	19.2	13.6	11.5	8.5	6.7	5.4	0.7	0.9	1.0	26.4	30.7	28.6	1,900	(15.4)	63.8	
Crompton Greaves	299	ADD	109,572	2,308	367	15.3	17.0	20.0	37.3	11.0	17.5	19.5	17.6	14.9	10.9	9.8	8.5	6.2	4.7	3.7	0.7	0.7	0.8	36.5	30.5	27.9	300	0.4	7.4	
Larsen & Toubro	1,573	ADD	938,490	19,766	597	52.6	57.5	68.2	38.6	9.4	18.5	29.9	27.3	23.1	17.9	15.7	13.5	5.9	4.8	4.0	0.6	0.7	0.8	22.5	19.4	19.1	1,375	(12.6)	94.1	
Maharashtra Seamless	298	BUY	20,983	442	71	35.9	33.0	39.6	22.2	(8.1)	20.3	8.3	9.0	7.5	5.6	5.8	4.5	1.6	1.4	1.2	1.8	1.7	2.4	20.3	16.0	16.8	225	(24.4)	1.3	
Siemens	486	REDUCE	163,860	3,451	337	14.2	19.8	21.1	(22.2)	39.7	6.4	34.3	24.5	23.1	16.3	14.1	13.4	7.3	6.2	5.1	0.6	1.4	0.9	23.3	27.1	24.2	360	(25.9)	7.7	
Suzlon Energy	125	ADD	197,044	4,150	1,571	7.0	7.1	11.4	6.0	2.1	59.7	18.0	17.6	11.0	11.5	10.2	8.2	1.9	1.7	1.4	0.4	0.4	0.8	11.3	10.1	13.9	90	(28.3)	105.1	
<b>Industrials</b>		<b>Cautious</b>	<b>2,814,491</b>	<b>59,277</b>					<b>15.5</b>	<b>20.1</b>	<b>20.0</b>	<b>27.8</b>	<b>23.2</b>	<b>19.3</b>	<b>15.6</b>	<b>13.1</b>	<b>11.1</b>	<b>5.5</b>	<b>4.5</b>	<b>3.8</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>19.8</b>	<b>19.6</b>	<b>19.6</b>				
<b>Infrastructure</b>																														
IRB Infrastructure	140	ADD	46,647	982	332	5.6	10.4	10.8	63.5	85.5	3.9	25.0	13.5	13.0	13.7	7.5	6.8	2.5	2.1	1.7	—	—	—	10.6	16.8	14.5	135	(3.8)	7.7	
<b>Media</b>																														
DisHTV	45	REDUCE	42,445	894	946	(7.3)	(4.1)	(3.2)	n/a	(44.4)	(22.6)	(6.1)	(11.0)	(14.2)	(26.3)	(162.2)	51.2	(6.6)	(20.9)	(8.5)	—	—	—	86.1	91.1	NA	22	(50.9)	11.7	
HT Media	108	ADD	25,217	531	234	0.8	4.2	6.3	(80.4)	399.4	49.2	126.7	25.4	17.0	26.0	10.8	8.5	3.0	2.8	2.5	0.4	0.7	2.4	2.3	11.3	15.6	120	11.5	0.5	
Jagran Prakashan	80	BUY	24,184	509	301	2.9	4.2	5.5	(12.1)	47.2	29.6	28.1	19.1	14.7	15.7	10.5	8.4	4.4	4.1	3.7	2.5	3.1	3.7	15.8	22.1	26.5	90	12.1	0.2	
Sun TV Network	170	REDUCE	106,421	2,241	394	9.3	11.1	12.8	11.8	19.2	15.8	29.1	24.4	21.1	18.2	16.2	14.2	6.2	5.7	5.3	2.2	3.0	2.3	25.1	26.7	200	23.6	1.5		
Zee Entertainment Enterprises	290	REDUCE	82,269	1,733	434	8.1	9.3	11.2	(9.0)	15.5	20.0	23.5	20.3	17.0	16.3	14.1	11.7	2.5	2.3	2.2	1.2	1.4	1.7	11.6	12.2	13.7	145	(23.6)	8.9	
Zee News	46	ADD	10,945	231	240	1.9	2.1	2.5	20.4	11.1	18.8	24.5	22.1	18.6	12.5	10.5	9.2	4.4	3.8	3.3	0.9	0.9	1.3	20.0	19.0	19.5	40	(12.4)	1.4	
<b>Media</b>		<b>Neutral</b>	<b>291,481</b>	<b>6,139</b>					<b>(48.7)</b>	<b>145.4</b>	<b>55.5</b>	<b>144.6</b>	<b>58.9</b>	<b>37.9</b>	<b>24.1</b>	<b>16.5</b>	<b>13.2</b>	<b>4.8</b>	<b>4.2</b>	<b>4.0</b>	<b>1.1</b>	<b>1.6</b>	<b>2.1</b>	<b>3.3</b>	<b>7.1</b>	<b>10.6</b>				
<b>Metals</b>																														
Hindalco Industries	91	ADD	159,575	3,361	1,753	7.7	2.4	8.2	(44.4)	(69.2)	48.7	11.9	38.5	11.1	6.2	8.7	7.3	0.5	0.5	0.5	—	—	—	10.3	5.2	6.7	55	(39.6)	19.9	
National Aluminium Co.	335	SELL	215,522	4,539	644	19.7	13.7	20.4	(22.0)	(30.6)	24.8	16.9	24.4	16.4	8.7	9.2	6.3	2.1	1.9	1.7	1.0	0.6	0.6	12.7	8.1	11.1	290	(13.3)	3.1	
Jindal Steel and Power	2,285	ADD	351,840	7,410	1,54	198.0	172.4	196.2	139.3	(12.9)	13.8	11.5	13.3	11.6	7.9	8.1	6.8	4.0	3.5	2.7	—	—	—	0.3	0.3	31.0	26.4	1,820	(20.4)	30.7
JSW Steel	555	SELL	103,831	2,187	187	13.1	24.1	53.5	(84.7)	83.3	121.8	42.2	23.0	10.4	9.0	9.0	7.0	1.8	1.0	0.9	0.8	0.2	0.9	0.9	11.0	4.3	8.3	340	(38.7)	38.3
Hindustan Zinc	620	BUY	262,075	5,520	423	64.6	62.9	80.9	(38.0)	(2.6)	28.7	9.6	9.9	7.7	5.8	5.2	3.2	1.7	1.5	1.3	0.6	0.8	0.8	20.1	16.5	17.9	610	(1.7)	3.8	
Sesa Goa	175	BUY	138,003	2,907	787	24.8	25.5	34.2	30.8	3.0	34.0	7.1	6.9	5.1	4.3	3.7	2.1	3.1	2.2	1.6	2.0	2.0	2.0	52.8	37.1	36.0	200	14.1	27.4	
Sterile Industries	653	ADD	462,895	9,749	708	49.2	41.0	50.5	(23.6)	(16.7)	23.4	13.3	15.9	12.9	8.0	8.7	6.5	1.8	1.6	1.5	—	—	—	14.3	10.7	11.8	490	(25.0)	47.8	
Tata Steel	438	BUY	360,196	7,586	822	123.9	55.5	87.0	63.6	(55.2)	56.7	3.5	7.9	5.0	4.0	5.4	4.1	0.8	0.7	0.7	2.9	3.0	3.0	36.8	15.7	21.3	280	(36.1)	112.0	
<b>Metals</b>		<b>Attractive</b>	<b>2,053,937</b>	<b>43,259</b>					<b>6.6</b>	<b>(34.0)</b>	<b>42.8</b>	<b>8.2</b>	<b>12.4</b>	<b>8.7</b>	<b>5.8</b>	<b>6.9</b>	<b>5.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>16.3</b>	<b>9.9</b>	<b>12.6</b>				
<b>Pharmaceutical</b>																														
Biocon	216	BUY	43,270	911	200	4.7	13.6	19.4	(80.0)	192.2	42.8	46.5	15.9	11.1	19.0	9.5	6.9	2.8	2.5	2.1	0.0	0.0	0.1	6.2	16.9	20.9	235	8.6	3.7	
Cipla	233	ADD	181,225	3,817	777	9.9	13.9	15.5	9.5	40.6	11.9	23.6	16.8	15.0	16.9	12.1	10.7	4.2	3.6	3.0	1.1	1.3	1.5	19.1	23.0	21.8	260	11.5	8.8	
Dishman Pharma & Chemicals	184	BUY	14,977	315	81	18.0	21.2	27.3	22.1	17.9	28.7	10.2	8.7	6.8	8.5	6.8	5.3	2.1	1.7	1.4	0.0	0.0	0.0	22.8	21.9	22.9	280	52.0	0.6	
Div's Laboratories	1,194	BUY	77,095	1,624	65	63.8	74.6	86.5	19.9	16.9	16.0	18.7	16.0	13.8	15.1	12.3	9.8	6.3	4.7	3.6	0.1	0.1	0.1	39.8	33.					



## Kotak Institutional Equities: Valuation Summary of Key Indian Companies

9-Jun-09	Company	shares (mn)	Mkt cap. (US\$ mn)	EPS (Rs)	EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			price (Rs)	Upside (%)	3mo (US\$ mn)							
					2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E										
1,214	REDUCE	53,909	1,135	44	45.9	50.1	56.9	30.8	9.2	13.7	26.5	24.3	21.3	17.0	14.7	12.7	9.4	7.2	5.7	0.8	0.9	1.0	38.9	33.6	29.9	850	(30.0)	3.5				
	Neutral	53,909	1,135					30.8	9.2	13.7	26.5	24.3	21.3	17.0	14.7	12.7	9.4	7.2	5.7	0.8	0.9	1.0	35.3	29.7	26.8							
194	REDUCE	135,073	2,845	695	16.2	13.1	17.0	6.0	(19.0)	29.5	12.0	14.8	11.4	6.8	6.7	6.3	2.2	2.1	1.9	6.2	6.2	6.2	18.6	14.4	17.7	135	(30.5)	6.0				
1,795	BUY	1,030,215	21,698	574	102.4	99.3	111.9	29.6	(3.1)	12.7	17.5	18.1	16.0	12.8	12.9	10.7	5.6	4.6	3.8	1.3	1.4	1.5	36.7	28.1	26.1	1,800	0.3	64.3				
338	REDUCE	70,543	1,486	208	14.2	38.8	30.3	15.7	173.5	(21.9)	23.9	8.7	11.2	18.1	6.2	6.1	4.9	3.3	2.7	1.2	1.3	1.5	22.8	45.3	26.4	240	(29.1)	2.7				
445	BUY	18,294	385	41	13.2	44.0	50.7	(50.5)	232.5	15.1	33.6	10.1	8.8	5.8	5.8	4.9	3.3	2.5	1.9	0.4	—	—	1.1	5.5	20.4	18.4	400	(10.0)	4.8			
245	REDUCE	31,539	664	129	26.8	23.5	26.1	(19.3)	(12.4)	11.1	9.2	10.4	9.4	3.5	2.9	2.7	1.3	1.0	0.9	0.7	1.9	2.1	16.2	10.0	10.3	150	(38.9)	2.1				
106	SELL	10,437	220	99	13.1	13.3	12.1	76.0	1.7	(8.9)	8.1	7.9	8.7	3.0	3.6	3.7	1.4	1.2	1.1	2.6	1.9	1.9	18.1	15.9	12.9	50	(52.7)	3.6				
782	REDUCE	765,420	16,121	979	52.9	50.7	54.8	3.1	(4.1)	8.1	14.8	15.4	14.3	10.3	10.8	9.3	4.9	4.1	3.5	1.8	1.9	2.8	36.9	28.7	26.4	650	(16.9)	31.8				
744	ADD	96,076	2,024	129	70.4	38.0	37.2	19.3	(46.0)	(2.1)	10.6	19.6	20.0	7.4	11.6	11.0	4.3	3.6	3.1	0.5	0.8	1.0	52.8	20.3	17.0	360	(51.6)	30.4				
424	Wipro	619,303	13,043	1,462	25.7	26.4	29.2	15.8	2.6	10.3	16.5	16.0	14.5	12.1	11.1	9.3	4.1	3.4	2.9	0.9	1.7	2.0	26.9	23.3	21.6	400	(5.6)	14.6				
	Cautious	2,784,076	58,637					15.0	(1.9)	9.2	15.6	15.9	14.6	10.8	10.6	9.1	4.4	3.7	3.1	1.6	1.8	2.2	28.2	23.0	21.6							
812	ADD	1,542,436	32,486	1,899	44.6	52.2	59.8	26.4	17.0	14.6	18.2	15.6	13.6	10.6	9.1	7.8	4.9	3.7	2.9	0.5	0.7	1.0	31.4	27.0	23.8	775	(4.6)	100.9				
83	REDUCE	256,223	5,396	3,104	2.9	2.9	3.2	(26.5)	(0.1)	10.9	28.4	28.5	25.7	10.4	9.3	7.7	1.9	1.8	1.6	—	—	—	10.4	6.4	6.8	65	(21.3)	17.1				
112	SELL	70,623	1,487	630	4.0	4.1	4.6	(44.3)	2.6	11.8	28.2	27.5	24.6	17.0	12.5	8.6	0.6	0.6	0.6	5.4	5.4	5.4	1.6	1.6	1.9	50	(55.4)	3.6				
333	SELL	686,699	14,463	2,064	27.7	20.3	21.1	4.7	(26.6)	3.9	12.0	16.4	15.7	10.0	9.4	7.4	2.0	1.8	1.6	0.2	—	—	18.6	11.7	10.9	180	(45.9)	76.5				
485	REDUCE	138,125	2,909	285	13.6	14.0	15.2	24.0	3.2	8.2	35.7	34.6	32.0	15.2	13.8	12.8	2.0	1.9	1.9	1.0	1.3	1.5	5.4	5.2	5.5	400	(17.5)	6.4				
	Cautious	2,694,107	56,742					11.5	(0.5)	11.3	16.7	16.8	15.1	10.6	9.4	7.8	2.7	2.4	2.0	0.5	0.6	0.8	16.3	14.0	13.6							
	Transportation																															
993	ADD	129,103	2,719	130	64.4	71.4	83.3	11.6	10.8	16.6	15.4	13.9	11.9	11.0	9.3	7.8	3.4	2.9	2.4	1.4	1.6	1.9	24.0	22.5	22.2	850	(14.4)	1.1				
	Cautious	129,103	2,719					11.6	10.8	16.6	15.4	13.9	11.9	11.0	9.3	7.8	3.4	2.9	2.4	1.4	1.6	1.9	22.1	20.8	20.5							
	Utilities																															
337	ADD	42,128	887	125	31.2	38.0	42.1	12.3	21.8	10.8	10.8	8.9	8.0	5.8	6.5	6.9	1.2	1.0	0.9	1.4	1.6	1.8	11.4	12.2	11.9	345	2.3	1.6				
388	ADD	86,208	1,816	222	14.5	18.1	33.8	(2.5)	25.1	86.9	26.8	21.4	11.5	23.5	17.9	8.4	4.0	3.3	2.5	—	—	—	16.1	16.9	25.0	360	(7.2)	17.8				
213	SELL	1,756,284	36,990	8,245	9.4	10.8	12.2	1.1	14.7	12.6	22.6	19.7	17.5	17.1	14.5	13.7	3.0	2.7	2.5	1.6	1.9	2.1	13.7	14.5	15.0	180	(15.5)	36.4				
1,148	BUY	260,066	5,477	226	64.1	58.8	62.9	70.5	(8.2)	6.9	17.9	19.5	18.3	19.2	19.7	15.3	1.6	1.5	1.4	0.6	0.7	0.8	6.3	7.0	9.0	970	(15.5)	118.3				
184	REDUCE	440,763	9,283	2,397	1.0	2.5	3.1	—	140.3	25.3	180.3	75.0	59.9	—	—	—	—	3.2	3.1	2.9	—	—	—	1.8	4.2	5.0	120	(34.7)	29.2			
1,143	ADD	254,450	5,359	223	56.2	76.6	86.5	76.6	36.2	12.9	20.3	14.9	13.2	11.2	11.6	10.9	2.5	2.2	2.0	1.0	1.0	1.2	13.4	15.8	15.7	1,100	(3.8)	14.0				
	Attractive	2,839,999	59,813					14.0	17.4	14.8	24.8	21.2	18.4	17.8	16.9	15.0	2.7	2.5	2.3	1.2	1.3	1.5	10.8	11.7	12.3							
	Others																															
1,145	SELL	43,386	914	38	87.8	148.2	277.7	21	68.8	87.4	13.0	7.7	4.1	9.5	7.6	6.0	3.1	2.3	1.5	0.3	0.4	0.4	33.7	36.9	41.2	300	(73.8)	61.2				
292	REDUCE	17,650	372	61	(1.0)	10.3	14.7	(10.4)	NA	43.0	NA	28.4	19.9	11.1	9.5	8.6	2.5	2.4	2.2	1.1	1.4	1.7	(0.9)	8.5	11.4	120	(58.9)	2.5				
224	ADD	314,656	6,627	1,403	3.0	6.8	9.9	(39)	126.3	45.5	74.7	33.0	22.7	24.5	16.3	15.2	5.7	5.0	4.2	0.0	0.0	0.0	8.0	16.1	20.0	190	(15.3)	90.5				
415	BUY	22,797	480	55	64.3	47.8	41.7	(1)	(25.6)	(12.8)	6.5	8.7	10.0	4.2	4.3	4.2	0.7	0.6	0.6	1.2	1.0	1.0	10.8	7.4	6.2	300	(27.8)	3.5				
137	BUY	5,988	126	44	22.0	36.8	30.0	4	67.4	(18.5)	6.2	3.7	4.6	5.5	4.5	3.9	0.7	0.6	0.6	6.7	6.6	6.6	10.2	13.4	11.1	160	16.4	0.9				
228	BUY	31,080	655	136	23.8	24.8	27.3	22	4.1	10.2	9.6	9.2	8.3	6.8	6.2	5.2	1.6	1.4	1.2	0.5	0.5	0.5	16.6	14.8	14.1	175	(23.1)	4.3				
231	ADD	54,218	1,142	235	27.6	23.1	27.2	(30)	(16.4)	17.9	8.4	10.0	8.5	5.5	4.5	3.9	1.1	1.0	1.0	4.0	3.9	3.9	17.9	12.9	13.7	200	(13.3)	4.3				
218	REDUCE	41,144	867	189	17.3	23.4	17.3	(16)	35.0	(25.7)	12.6	9.3	12.6	7.7	5.5	6.5	2.2	1.8	1.5	0.9	0.7	0.7	17.6	20.8	12.9	125	(42.6)	19.0				
164	BUY	75,814	1,597	462	10.7	13.5	18.0	28	25.7	33.9	15.3	12.2	9.1	10.2	7.4	5.7	2.5	2.1	1.8	0.7	0.9	1.2	18.1	18.2	20.5	140	(14.7)	4.8				
	Others	606,732	12,779					(12.1)	3.1	28.1	20.2	15.3	11.9	10.9	8.9	8.3	2.6	2.3	2.0	0.7	0.7	0.8	12.9	14.9	16.3							
	KS universe (b)	33,620,642	708,101					3.7	38	21.6	16	15.8	13.0	10.6	9.4	7.9	2.6	2.3	2.0	1.3	1.5	1.8	15.6	14.5	15.7							
	KS universe (b) ex-Energy	25,557,553	538,280					6.6	(2.3)	16.9	16.0	16.4	14.0	11.5	11.0	9.5	2.7	2.4	2.1	1.2	1.4	1.5	17.0	14.7	15.3							
	KS universe (d) ex-Energy & ex-Commodities	22,796,183	480,122					7.2	(4.3)	15.0	17.0	17.1	14.9	13.9	12.3	10.7	3.0	2.7	2.4	1.3	1.4	1.4	17.0	14.0	15.9							

Note:

- (1) For banks we have used adjusted book values.  
(2) 2008 means calendar year 2007, similarly for 2009 and 2010 for these particular companies.  
(3) EV/Sales & EV/EBITDA For KS universe excludes Banking Sector.

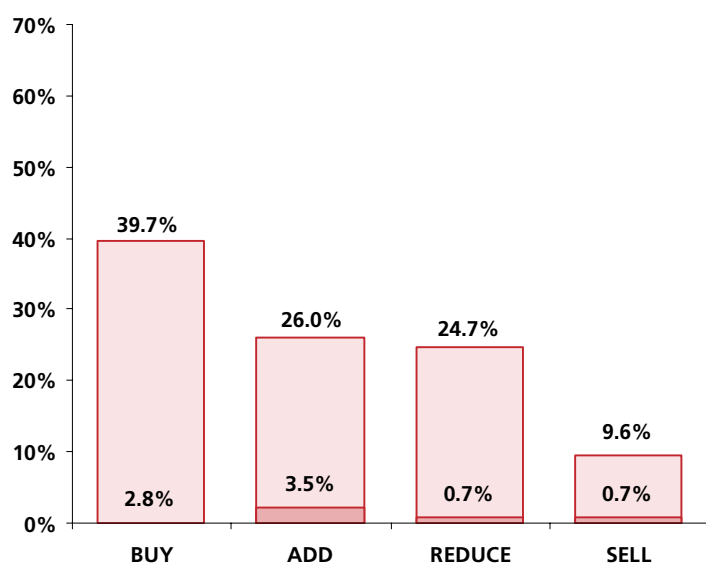
Source: Company, Bloomberg, Kotak Institutional Equities estimates



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\* 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 than 10% over the next 12 months. These ratings are used illustratively to comply with applicable regulations. As of 31/03/2009 Kotak Institutional Equities Investment Research had investment ratings on 146 equity securities.

Source: Kotak Institutional Equities

As of March 31, 2009

### Ratings and other definitions/identifiers

#### Rating system

Definitions of ratings

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

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

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**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.

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