Kotak Institutional Equities

INDIA DAILY

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EQUITY MARKETS

		Change, %		
India	**19-Sep**	**1-day**	**1-mo**	**3-mo**
Sensex	14,042	5.5	(2.5)	(3.6)
Nifty	4,245	5.1	(1.9)	(2.4)
Global/Regional indices				
Dow Jones	11,388	3.3	(2.1)	(3.8)
FTSE	5,311	8.8	(3.5)	(5.5)
Nikkie	12,188	2.2	(3.8)	(12.6)
Hang Seng	19,328	9.6	(5.2)	(15.0)
KOSPI	1,466	0.7	(2.1)	(15.3)

Value traded - India

			Moving avg, Rs bn	
	19-Sep		**1-mo**	**3-mo**
Cash (NSE+BSE)	223.8		168.6	176.2
Derivatives (NSE)	741.0		396.8	474
Deri. open interest	868.7		788	868

Forex/money market

		Change, basis points		
	19-Sep	**1-day**	**1-mo**	**3-mo**
Rs/US$	45.7	(71)	225	265
6mo fwd prem, %	0.7	(25)	71	24

Net investment (US$mn)

	17-Sep		**MTD**	**CYTD**
FIIs	(331)		-	(7,299)
MFs	206		-	2,501

Top movers -3mo basis

		Change, %		
Best performers	**19-Sep**	**1-day**	**1-mo**	**3-mo**
BANK OF BARODA	324	(1.0)	27.2	43.7
BHARAT PETROLEU	346	(0.7)	18.0	30.6
OIL & NATURAL GA:	1,071	6.9	5.1	23.5
PUNJ LLOYD LIMITE	311	6.7	14.4	28.5
HINDUSTAN PETROI	235	(2.4)	17.7	20.2
Worst performers				
HOUSING DEVELOP	225	8.2	(27.3)	(45.3)
NMDC LIMITED	217	5.0	(33.6)	(38.7)
TATA STEEL LIMITE	480	4.3	(19.2)	(38.3)
STERLITE INDUSTRIE	469	3.1	(25.3)	(39.0)
SESA GOA LTD	109	5.2	(29.3)	(37.7)

News Roundup

- **Reliance Industries** has announced that it will be ready to sell gas from its Krishna Godavari offshore basin from the Jan-March quarter next year. (BL)
- **Pepsico** has announced investment of US$500 in India in three years with a goal to triple its business here. (BL)
- India's largest BPO **Genpact** is in the race to acquire **Lehman Brothers**' captive unit in Mumbai (the unit employs 1,500-2,000 people). (ET)
- Barely a fortnight after it launched international operations and integrated low-cost carrier **Simplifly Deccan** with it, **Kingfisher Airlines** plans to lay off at least 300 employees. (BS)
- In a move to soften the blow of Lehman Brothers' bankruptcy in the Indian stock and asset markets, four banks are set to take over its structured products businesses in India: **State Bank of India, BNP Paribas, UK-based Standard Chartered Bank** and **Barclays**. (BS)
- The Krishi Jami Raksha Committee on Sunday decided at a meeting presided over by Trinamool Congress leader Mamata Banerjee that the state government package in the Singur issue was not acceptable. (BS)

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

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Pharmaceuticals

GLEN.BO, Rs570	
Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	770
52W High -Low (Rs)	736 - 351
Market Cap (Rs bn)	151.5

Financials

March y/e	2007	2008E	2009E
Sales (Rs bn)	17.4	24.9	35.2
Net Profit (Rs bn)	6.3	8.3	11.1
EPS (Rs)	25.8	32.4	41.9
EPS gth	*98.3*	*25.4*	*29.3*
P/E (x)	22.1	17.6	13.6
EV/EBITDA (x)	18.8	14.0	10.6
Div yield (%)	0.0	0.0	0.0

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	#N/A	-	-
FIIs	#N/A	#N/A	#N/A
MFs	#N/A	#N/A	#N/A
UTI	#N/A	#N/A	#N/A
LIC	#N/A	#N/A	#N/A

Glenmark Pharmaceuticals: Upgrading rating to BUY following price correction

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- **Underperformance in share price provides a good entry opportunity**
- **Working capital position improves in 2008; However, remains the second-highest among the large caps we cover**
- **Company maintains profit guidance of US$210 mn for FY2009E and US$282 mn for FY2010E including research income**
- **Upgrade to BUY with price target unchanged at Rs770**

Underperformance in share price provides a good entry opportunity. Glenmark share has fallen 13% in a month, underperforming the Sensex which is down by about 5%. Annual report raises some concerns about accounting policy relating to R&D and working capital management. Working capital position improves in 2008, however, remains the second highest among the large caps we cover. The company maintains profit guidance of US$210 mn for FY2009E and US$282 mn for FY2010E, including research income. The stock trades at 18X FY2009E and 14X FY2010E earnings. Upgrade to BUY with price target unchanged at Rs770. It offers the second-highest upside in KIE large caps coverage

Stock is down 13% in the past month. Glenmark's share price has fallen 13% in a month while BSE Sensex is down about 5%. Even in the past three months, the stock has underperformed the Index since it has fallen 15% compared to an 8% decline in the Sensex. We think this decline in the share price provides a good entry opportunity.

Annual report raises some concerns. We found that investors were concerned about accounting policy relating to R&D and working capital management.

Glenmark treats development cost relating to new and improved product and/or process development as an intangible asset. Though this policy has been consistently followed, we found that some investors thought that it was lowering R&D costs. Since Glenmark has not mentioned the amount involved, we are unable to comment if this impacts profits in a material way.

Glenmark's working capital management has been worse than its peers though it has improved in FY2008 (see Exhibit 3). Increasing focus on Latin America and exclusivity in the US in FY2008 would have impacted these numbers. The management has mentioned in a recent conference call that at end of June, debtors were ~3.5 months for total revenues. For US business ~3 months sales were outstanding. This is clearly an improvement over Glenmark's past record.

What is the market price implying? Management guidance for FY2009 and FY2010 has been retained after results for 1QFY09. Glenmark expects PAT of US$210 mn for FY2009E and US$282 mn for FY2010E. Excluding pre-tax research income of US$69 mn Glenmark is guiding for PAT of US$147 mn and US$219 mn (assuming USD/INR rate as 40).

Our price target of Rs770 includes value of research pipeline of Rs122 (see Exhibit 4). Thus, we value Glenmark's business excluding research at Rs640 in a year's time. Glenmark, with a market cap of US$3.1 bn, is trading at 18X FY2009E and 14X FY2010E estimated earnings. It is the stock with the second-highest upside in KIE large caps coverage (see Exhibit 1).

What if the research pipeline is valued at zero and assumes 10% lower PAT for the next two years? There have been significant changes in business environment from the time Glenmark issued its guidance in April 2008. Some of these changes are positive for Glenmark (Indian Rupee depreciation) while some are negative (higher raw material prices). If we assume that this could lead to 10% decline in PAT guidance for each of the next two years, Glenmark is trading at 23.4X FY2009E and 15.7X FY2010E.

1QFY09 revenues indicate challenging times

1) **US revenues** were US$46 mn but declined from US$49 mn in the previous quarter as generic Trileptal has now become a truly generic product. Management did not provide any details of revenues from this exclusivity.

2) **Revenues in Africa** declined due lower primary sales and corrective steps taken to manage inventory.

3) **Revenues in Brazil** were lower due to the tender business and hospitals/ institutional sales reflected in 1Q FY2008. In the previous quarter, too, this market had disappointed but management attributed the performance to pipeline correction and outlined that revenues will ramp up in remaining quarters. Clearly, Glenmark is facing challenging times in Brazil.

4) **Growth rate in Indian finished dosage revenues** has been volatile in the past five quarters with the reported growth rates of 49%, 28%, 8%, 19% and 12% in June 2008. According to the latest ORG-IMS data, Glenmark is ranked 26 in India registering value growth of 16.4 % compared to industry growth rate of 12%. (Source: ORG: Jan-June 2008) Part of the problem relating to lower growth could be due to lower rate of excise duty introduced in Feb 2008 budget.

News flow relating to research out licensing is likely for both Melogliptin and Oglemilast by end FY2009E. Management mentioned that it expects to find European partner for Oglemilast shortly. The diabetes molecule will complete Phase II trials by April 2009 and here too Glenmark expects to find a partner for development.

Guidance includes US$69 mn from milestone income from deals already closed and if more deals are closed in FY2009E, this number will increase. The management maintains that licensing revenues of US$69 mn is the worst-case scenario.

Glenmark expects to receive US$15 mn from Forest that were expected to be received in FY2008. We have not made any changes to our valuation of research pipeline and include Rs122 per share in share price target.

Upgrade rating to BUY with unchanged price target Rs770

We think the share price was under pressure as the operating performance in 1QFY09 was lower than forecasted and the potential catalyst of the IPO (of the generic company) is no longer visible. We think the IPO for the generic subsidiary may not take place in 2008. This stock has been driven by research news flow in the recent past and a deal announcement may be the only way to regain investor confidence in Glenmark.

Exhibit 1: Key calls

	Market Cap. (US$ mn)	Sales (US$ mn)	Current price (Rs)	Target price (Rs)	Rating	Upside/(downside) (%)	FY2009 P/E (X)	FY2010 P/E (X)
DRL	1,877	353	520	790	BUY	52	15	13
Glenmark	2,624	1,674	570	770	BUY	35	18	14
Sun Pharma	6,196	833	1,394	1,780	BUY	28	17	18
Ranbaxy	2,788	995	356	420	REDUCE	18	31	20
Cipla	3,576	431	233	230	REDUCE	(1)	22	19

Source: Company, Kotak Institutional Equities estimates.

Exhibit 2: Forecasts and valuation, March fiscal year-ends, 2006-2010E

	Net sales		Adjusted EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth(%)	(Rs mn)	Growth(%)	(Rs mn)	Growth(%)	(Rs)	(%)	(%)	(X)
2006	6,428	42.5	1,370	37.3	864	(18.8)	3.6	9.2	25.8	156.7
2007	10,442	62.4	3,300	140.9	3,093	258.0	13.0	17.8	58.5	43.8
2008	16,937	62.2	6,360	92.7	6,321	104.4	25.8	23.6	57.4	22.1
2009E	25,005	47.6	9,074	42.7	8,193	29.6	31.8	21.7	39.6	17.9
2010E	35,416	41.6	12,961	42.8	11,118	35.7	41.8	23.0	35.1	13.6

Source: Company, Kotak Institutional Equities estimates.

Exhibit 3: Net working capital (% of sales)

	FY2005	FY2006	FY2007	FY2008
Sun Pharma	39	46	58	58
Glenmark	54	59	61	55
Cipla	50	50	49	50
Ranbaxy	30	34	40	34
Dr. Reddy's	14	14	9	15

Source: Company.

Exhibit 4: Research pipeline valuation (Rs)

	Milestone	Revenues	Total
GRC 3886	13	46	59
GRC 8200	8	14	22
GRC 6211	16	25	41
Total	**37**	**85**	**122**

Source: Company, Kotak Institutional Equities estimates.

Banking

IDFC.BO, Rs81	
Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	100
52W High -Low (Rs)	235 - 71
Market Cap (Rs bn)	105.3

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	13.1	15.5	18.5
Net Profit (Rs bn)	7.5	8.8	10.5
EPS (Rs)	5.7	6.8	8.1
EPS gth	*2.9*	*19.2*	*19.0*
P/E (x)	14	12.0	10.1
P/B (x)	1.9	1.7	1.5
Div yield (%)	1.5	1.5	1.7

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	-	-	-
FIIs	35.2	0.7	0.3
MFs	8.9	1.0	0.6
UTI	-	-	(0.4)
LIC	4.6	0.4	0.0

IDFC: Upgrade recommendation on significant price correction

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- **IDFC's stock has corrected by 27% since 1QFY09 results, current valuations appear reasonable**
- **Capital issuance impending; company is also focusing on efficient capital deployment to maintain capital adequacy ratio**
- **We lower price target to Rs100 from Rs125 but upgrade recommendation to ADD**

IDFC's stock has corrected significantly since 1QFY09 results when the management expressed its intention to raise equity for maintaining high capital adequacy ratio (CAR). As IDFC is evaluating its options to raise capital, it is also focusing on improving yields by raising interest rates on new and existing loans and running down its treasury book to fund loan growth. Despite a reduction in our price target to Rs100 (factoring lower loan growth, higher cost of equity (13% from 12.5%) and lower value of alternative asset management business), we find the stock attractive at the current levels. As such, we are upgrading our recommendation to ADD from REDUCE earlier. The stock is trading at 9.9X PER (standalone) and 1.6X PBR (standalone) FY2009E.

Focus on efficient capital deployment. We believe that IDFC can maintain overall CAR of 17-18% over the next 2-3 years—we are not assuming any capital infusion in our model. Note that IDFC's tier I capital is supported by long-term tier II bonds (balance maturity of 42 years) issued to the Government of India. The company is in discussions with rating agencies to recognise these bonds as capital for the calculation of CAR.

IDFC proposes to focus on improving interest yields. The management has highlighted that it has raised lending rates on new and existing loans to protect its spreads. It proposes to restrict loan growth in the range of 15-20% over the next few years though will likely run-down its treasury book (debt investments of Rs50 bn as on June 2008) to support higher growth (about 30%) in FY2009E.

Alternative asset management business on track. We expect IDFC's alternative assets under management (i.e. excluding assets managed by mutual fund) to increase to US$2.4 bn in March 2009E versus US$650 mn in March 2008.IDFC has recently received approval from the regulator for its third private equity fund of US$700 mn. Its project equity fund has currently received commitments of US$860 mn and the company expects to mobilize US$1 bn over the next few months—somewhat lower than our earlier estimate of US$1.2 bn. IDFC will receive management fees of 1.5% on the entire corpus (US$1 bn) with effect from July 2008.

Lowering valuation multiple in alternative asset management business. We are lowering the valuation multiple for IDFC's private equity business to 15% of AUMs and project equity business to 10% of AUMs from 20% earlier. This is in-line with the valuation of alternative asset management businesses of ICICI Bank, HDFC and Future Capital Holdings considered in our SOTP.

IDFC has clarified that it will need to share some of the economics in the performance fees of project equity with its partners—Citigroup and Blackstone—and hence we are assigning a lower multiple to the project equity business.

IDFC : Sum-of-the parts based valuation

	Valuation (Rs mn)	Value per share (Rs)	Comments
IDFC (standalone)	101,036	78	As per residual growth model
IDFC (India Development fund)	2,700	2.1	30% of US$200 mn
IDFC (Private equity II)	4,732	3.7	15% of FY2009 AUM - US$1.35 bn
IDFC (Project equity)	4,200	3.2	10% of FY2009 AUM - US$1.2 bn
IDFC investment advisors (PMS)	347	0.3	15% of FY2009 AUMs - US$100 mn
IDFC SSKI	4,779	3.7	15X FY2009E PAT
IDFC's investment in NSE	10,375	8.0	Valuations based on recent NSE stake sale
Total	**128,168**	**99**	

Source: Kotak Institutional equities.

Pharmaceuticals

Sector coverage view	Attractive

		Price, Rs	
Company	**Rating**	**19-Sep**	**Target**
Ranbaxy	REDUCE	357	420
Dr. Reddy's	BUY	520	790
Cipla	REDUCE	233	230
Sun Pharma	BUY	1,394	1,780
Biocon	BUY	193	615
Piramal Health	BUY	331	530
Divi's	BUY	1,445	2,330
Glenmark Pha	BUY	570	770
Dishman Pharr	BUY	322	515
Jubilant	BUY	308	700

CII Pharma Summit 2008: Outsourcing and drug discovery—key themes discussed

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- **DCGI Dr Surinder Singh elaborated on the measures undertaken to reduce timelines and improve quality of drug approvals**
- **Dr Singh mentioned that Phase I trials are unlikely to be allowed till the setting up of an effective regulatory mechanism**
- **CMO/CROs optimistic on increased outsourcing to India however warn that cost arbitrage may get eroded**
- **Drug discovery companies confident about discovering new drugs at lower costs although funding is a key bottleneck**
- **We have BUY ratings on the five CRO/CMOs under coverage. Jubilant, Divis Labs and Biocon offer the maximum upside in our view**

We attended the CII Pharma Summit held in Mumbai recently. Key themes discussed were outsourcing and new drug discovery. DCGI Dr Surinder Singh elaborated on measures to reduce the time taken for drug approvals in India and to set up an effective regulatory mechanism for clinical trials. CMO/CROs remain optimistic on increased outsourcing to India, however, they cautioned that the cost arbitrage could get eroded. Drug discovery companies remain confident about discovering new drugs at lower costs, however, funding, lack of experience in designing trials remain key bottlenecks.

DCGI Dr Surinder Singh elaborated on the measures undertaken to reduce timelines and improve quality of drug approvals. Drug Controller General of India, Dr Surinder Singh, presented an overview of the measures undertaken to (1) improve quality and timelines of drug approvals in India (2) setting up of regulatory mechanism for monitoring clinical trials (3) introduction of online submission of documents (except for new drug submissions).

DCGI is undertaking various measures in this direction:

- **Single window clearance for drug approvals.** Currently, a company has to obtain drug approvals from six different bodies which will be streamlined into a single-window under DCGI.
- **Strengthen manpower through recruitment, training in order to improve quality of approvals.** Not only has the manpower shortage been met through recruitment of drug inspectors, training sessions are being held in collaboration with USFDA, Health Canada, WHO. Incentivizing employees and inculcating a sense of ownership and accountability has led the drug inspectors to work overtime in order to clear the backlog of 2006/07.
- **New time lines effective November 1, 2008.** DCGI plans to implement new timelines from November 1, 2008 which will include registration of drugs -12 weeks; export NOC (No Objection Certificate) – 2 weeks.

Phase I trials unlikely to be allowed till the setting up of an effective regulatory mechanism. Suneela Thatte, head, clinical operations, Quintiles spoke about the clinical trials (CT) scenario in India. The CT industry in India started a decade ago and received a big boost through the (1) abolishment of schedule Y which eliminated the phase lag and allowed multi-centric trials and (2) abolishment of import duty of 70% on samples imported for CT.

Companies such as Quintiles saw an inflexion point in 2005 as they graduated from contracts involving clinical monitoring to clinical trials of higher value. Suneela Thatte believes that India's advantage in CT comes from faster patient enrollments and large naïve patient pool. This leads to high patient enrollment per site at lower infrastructure costs.

Currently, Indian regulations allow Phase I trials to start in India only for molecules of Indian companies. International companies can't start Phase I trials in India. While Dr Surinder Singh admitted the potential of India as a CT destination, he mentioned that due to the unique situation of the country, an effective mechanism had to be set up for prohibiting unethical practices before allowing Phase I trials. According to him, such a system is likely to come in place by end 2009. He elaborated on the following measures being taken to regulate trials

- **Clinical trial registration to be made mandatory with ICMR** (Indian Council of Medical Research). Currently, CT registration with ICMR is voluntary.
- **Introduction of insurance coverage** for participants in early stage trials.
- **Fingerprinting of volunteers.** Dr Singh. explained that often a participant would participate in one trial and move to another trial in a different location without the earlier drug being flushed out of the body. Therefore, fingerprinting of volunteers and sharing of data between centers is likely to be put in place to stop this practice.

Companies remain optimistic about increased outsourcing to India, however, warn against complacency. Companies are confident that India would see increased outsourcing in the coming years due to the cost and regulatory pressures faced by innovator companies.

However, the general consensus was that the cost arbitrage—which is the central tenet behind outsourcing may not last forever due to (1) emergence of other low-cost production/ research centers such as China, Eastern Europe and (2) rising manpower costs in India 3) lack of ICH GCP (International Conference on Harmonisation Good Clinical Practices which is the gold standard in CT regulations) trained investigators. Currently India has less than 1,000 CT investigators whereas industry required 3,000-6,000 investigators.

Industry participants maintained: (1) **outsourcing of patented molecules will remain a trickle and a small pie of drugs outsourced to India**. It would largely remain in-house or continue to get outsourced to traditional suppliers in Europe. Also, with fewer new drug approvals (USFDA approved 19 drugs in 2007), the number of patented drugs coming into the market that can be outsourced to CMOs also reduces. (2) **Participants also indicated that contract research may not be profitable** but it is essential for skill building within companies. CMO companies hope to become preferred suppliers for the drugs they have worked on in the custom synthesis and process development phase.

Drug discovery companies are confident about success at lower costs but funding is a key bottleneck. Piramal Lifesciences (PL), Orchid Research Laboratories represented the companies engaged in new drug discovery. The companies remained confident about discovering NCEs. Dr Swati Piramal, Director- Piramal Healthcare estimated that an Indian company will launch its first NCE by 2011-12. This, according to her, will change the paradigm of the industry due to the lower cost of drug discovery in India. Dr Piramal mentioned that PL can manage new drug discoveries at a cost of US$100-200 mn per drug in India compared to US$1-1.5 bn in the West.

Funding remains key issue for research companies. Orchid Research Labs, the demerged subsidiary of Chennai-based Orchid Chemicals and Pharmaceuticals, is planning a public issue in 2009 or the sale of a 15-20% stake to strategic investors to raise funds. PL has still not completed its proposed strategic sale of 10% equity to raise additional funds. Dr Piramal indicated that the company would take its time on the decision given the market condition. "We know it (the research entity) has value, why should I give away the crown jewel at a low price," she pointed out.

Other concerns are (1) lack of experience in India in designing CT and drug designing. These skills therefore have to be imported. About 15% of 400-odd scientists at PL research centre come from Canada, US and Europe. As a result, they are familiar with the regulatory affairs there. This helps PL since it conducts clinical trials in these countries.

Dr Piramal indicated that in India a team of 50 scientists can be assigned to a single lead scientist in India as opposed to 2-3 internationally. This means same work gets done faster and the team members get trained.

2) Time taken to approve Phase I trials in India is greater than 8 months compared to international standards of 28 days.

3) Inadequate research institutes and public-private partnerships in research.

We have BUY ratings on the five CRO/CMOs under coverage. Jubilant, Divis Labs and Biocon offer the maximum upside, in our view. Not surprisingly, outsourcing was the key theme discussed during the summit. All participants were unanimous in their view that India will be one of the primary beneficiaries of the outsourcing wave. We have five CMO/CROs under coverage with BUY ratings with Jubilant, Divis Labs, Biocon offering maximum upside (see Exhibit 1). We summarize below the key concerns and key triggers for the stock price.

Jubilant. Company maintains FY2009E sales growth guidance of 50% including Draxis. Sales growth to be driven by (1) increased capacity utilisation at Hollister, (2) Draxis CMO revenues to grow due to the addition of J&J contract in early 2009 and (3) good pipeline of products in the exclusive synthesis business. Jubilant expects operating margin to increase to 20% in FY2009E from 18% in FY2008. This is credible guidance since it has achieved this number in 1QFY09. We expect the main drivers of EBITDA margin improvement to be (1) turnaround of the drug discovery business in 3QFY09E, (2) increasing capacity utilization at Hollister and (3) revenue expansion in proprietary products and synthesis businesses .

Key investor concern has been the rise in molasses prices (Rs6,000 a tonne ex-factory in Maharashtra and Uttar Pradesh, with spirit selling at Rs36-38 a litre vs. Rs60-70 a tonne and Rs 12-14 a liter at the start of the 2007-08 sugar season)

Jubilant manufactures pyridines through the molasses route (30% of sales, 42,000tpa capacity, 40-50% market share worldwide) which is its key competitive advantage as other manufacturers manufacture pyridines through crude. The company remains confident of maintaining margins and expects to maintain its cost advantage vis-à-vis competitors till crude drops to US$70-75 a barrel. Jubilant expects to maintain margins in this business through a combination of the below.

1) **Price increase with clients**. 60-65% of the company's pyridine sales are long-term whereby prices are renegotiated with clients on a pre-defined formula with a lag of one quarter. The formula takes into account all increases in raw materials, production costs and exchange rate movement.

2) **Increasing share of imports**. The company's strategy in light of increasing domestic molasses prices is to stop manufacturing ethanol through molasses and to import it directly from Brazil. The landed cost of ethanol from Brazil is around Rs20-25/litre according to the company. (60% lower than domestic prices)

3) **One of the largest domestic buyers of molasses**. The company buys commercial quantities of molasses only during the sugar crushing season and expects the prices to decline from the current highs.

4) **Price setter rather than a price taker**. Since Jubilant is one of the largest buyers of molasses in the country, it is a price setter rather than a price taker. The company expects domestic prices to stabilize with import substitution.

Divis Labs. We estimate sales growth of 35% and 30% for FY2009E and FY2010E driven by (1) Carotenoids plant commissioned in June 2008 and (2) SEZ which will start generating revenues from FY2009E. We estimate EBITDA margin before R&D, forex at 42.6% in FY2009E (42% in FY2008). We think the generic segment is the main driver of margin expansion. While we continue to see high margin in custom synthesis business, we think that in older generic products, Divis is getting opportunities to increase prices faster than input cost increase. In FY2009E, Divis will be launching generic levitracetam of UCB. This could become one of the top five products in the next three years.

Biocon. Despite the slow start to the year, we estimate 60% sales growth (25% on like-to-like basis) including Axicorp (20% of revenues) driven by (1) **Contract Research.** Despite lower 1QFY09 revenues compared to our forecasts, we expect contract research revenues to pick up in 2H2008 led by 100% yoy growth in revenues of Clingene and commencement of BMS contract from November 2008 in Syngene. (2) **Branded finished dosage**. Management expects branded finished dosages (10% of revenues) to register revenues of Rs5 bn in next two years. It expects Rs1 bn from its oncology division. (3) **Insulin**. Biocon currently sells insulin in 31 countries and claims to have a market share of 35-65% in these countries. Currently, insulin accounts for approximately 14% of revenues and is equally divided between crystals and finished dosage. In FY2009E, growth in insulin will come 4 major global tenders of total size of US$25 mn.

R&D update on IN 105. Biocon presented Phase II trial data of its oral insulin molecule-IN 105 at the European Association for the Study of Diabetes meeting in Rome in September. This study clearly demonstrated a near-perfect linear dose response, which is the most encouraging, according to Biocon. Dose linearity essentially means the response of the drug is proportional to the units consumed, an important parameter in its predictability.

However, its clinical efficacy will be determined by the next study that will have HbA1c (a measure of blood sugar control over three months) as the end point. Biocon has conducted four studies so far and is now readying for a large, 3-6 month study. We do not include R&D pipeline valuation in our price target derivation.

Exhibit 1: Key Calls

	Market Cap. (US$ mn)	Sales (US$ mn)	Current price (Rs)	Target price (Rs)	Rating	Upside/(downside) (%)	FY2009 P/E (X)	FY2010 P/E (X)
Jubilant	981	618	310	700	BUY	126	16	9
Divis	1,858	1,220	1,326	2,330	BUY	76	17	13
Biocon	783	200	182	310	BUY	70	15	11
Piramal Healthcare	1,412	706	315	530	BUY	68	15	12
Dishman	536	582	310	515	BUY	66	16	11

Source: Company, Kotak Institutional Equities estimates

Changes in Kotak Insitutional Equities coverage universe

We are dropping coverage on following companies

Rajesh Exports – (BUY; TP: Rs120)

ABG Shipyard – (BUY; TP: Rs780)

AIA Engineering – (BUY; TP: Rs1,750)

Kalpataru Power Transmission – (ADD; TP: Rs1,700)

Jyoti Structures – (ADD; TP: Rs275)

KEC International – (ADD; TP: Rs800)

Monnet Ispat – (ADD; TP: Rs205)

Vardhman Textiles – (ADD; TP: Rs175)

The following analysts will take over coverage of the companies mentioned

Augustya Somani

Jindal Saw

PSL

Welspun Gujarat Stahl Rohren

Titan Industries

Aban Offshore

Maharashtra Seamless

Aditya Birla Nuvo

Lokesh Garg

Sadbhav Engineering

Ravi Agrawal

Educomp Solutions

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	19-Sep-08		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Automobiles																													
Bajaj Auto	608	ADD	87,939	1,917	145	59.3	58.7	63.2	(53.4)	(1.1)	7.8	10.2	10.4	9.6	7.1	7.2	6.6	5.5	4.4	3.6	3.3	3.3	3.3	21.0	41.5	36.4	630	3.7	—
Hero Honda	821	REDUCE	164,004	3,575	200	48.5	59.9	66.1	12.8	23.5	10.4	16.9	13.7	12.4	10.7	9.7	8.7	5.3	4.3	3.5	2.3	2.4	2.4	34.0	34.6	31.1	790	(3.8)	6.5
Mahindra & Mahindra	554	ADD	142,936	3,116	258	38.1	36.9	37.2	(2.0)	(2.9)	0.6	14.6	15.0	14.9	10.6	10.3	9.5	3.2	2.5	2.1	2.0	1.7	1.7	27.8	22.0	17.8	640	15.6	5.8
Maruti Suzuki	741	ADD	214,163	4,669	289	59.9	60.0	65.1	10.8	0.2	8.4	12.4	12.3	11.4	6.9	6.7	6.1	2.5	2.1	1.8	0.6	0.6	0.6	22.1	18.3	16.8	790	6.6	15.6
Tata Motors	423	SELL	246,057	5,364	581	47.4	25.1	22.3	0.9	(47.1)	(10.9)	8.9	16.9	19.0	8.5	9.8	9.8	2.7	1.0	1.3	2.3	3.0	3.0	24.3	9.8	7.4	425	0.4	9.1
Automobiles		**Cautious**	**855,099**	**18,641**					**(0.8)**	**(5.2)**	**3.0**	**13.1**	**13.8**	**13.4**	8.5	8.7	8.1	**3.2**	**2.1**	**1.9**	**1.9**	**2.1**	**2.1**	**24.3**	**15.4**	**14.0**			
Banks/Financial Institutions																													
Andhra Bank	61	REDUCE	29,682	647	485	11.9	10.1	11.6	7.0	(15.0)	15.0	5.2	6.1	5.3	—	—	—	1.0	0.9	0.8	6.5	4.1	4.7	18.0	14.3	14.8	65	6.2	0.8
Axis Bank	709	REDUCE	253,455	5,525	358	32.2	35.8	55.1	37.7	11.0	53.9	22.0	19.8	12.9	—	—	—	3.1	2.6	2.2	0.8	1.0	1.5	17.6	13.8	18.7	750	5.8	62.2
Bank of Baroda	324	ADD	118,358	2,580	366	39.3	34.7	42.6	39.8	(11.6)	22.6	8.2	9.3	7.6	—	—	—	1.4	1.2	1.1	2.5	2.2	2.7	14.6	11.1	12.6	310	(4.3)	6.8
Bank of India	283	BUY	149,070	3,250	526	40.6	41.6	49.8	76.6	2.4	19.6	7.0	6.8	5.7	—	—	—	1.9	1.5	1.2	1.4	1.5	1.8	27.6	22.4	22.0	375	32.3	26.7
Canara Bank	227	REDUCE	92,865	2,024	410	38.2	23.4	38.6	10.1	(38.6)	64.7	5.9	9.7	5.9	—	—	—	1.3	1.1	1.0	3.5	3.1	3.3	15.0	8.9	13.6	210	(7.3)	3.6
Central Bank of India	54	SELL	21,622	471	404	11.6	5.6	16.3	(24.6)	(52.1)	194.4	4.6	9.6	3.3	—	—	—	1.0	0.7	0.6	3.7	—	—	15.3	7.9	16.7	55	2.8	0.5
Corporation Bank	274	ADD	39,302	857	143	51.3	44.8	53.6	37.2	(12.5)	19.6	5.3	6.1	5.1	—	—	—	0.9	0.8	0.7	3.8	3.4	4.0	18.4	14.4	15.4	355	29.6	0.4
Federal Bank	219	BUY	37,533	818	171	34.4	20.8	32.4	0.5	(39.4)	55.6	6.4	10.5	6.8	—	—	—	1.0	0.9	0.8	1.8	1.8	2.7	13.6	8.8	12.5	275	25.3	1.7
Future Capital Holdings	335	BUY	21,149	461	63	(4.5)	4.5	28.8	(689.8)	(198.6)	546.1	(74.1)	75.1	11.6	—	—	—	2.9	2.8	2.3	—	—	—	(6.7)	3.8	21.4	440	31.5	1.3
HDFC	2,317	ADD	665,149	14,500	287	85.8	83.7	100.1	38.2	(2.4)	19.6	27.0	27.7	23.1	—	—	—	5.6	4.8	4.2	1.1	1.1	1.3	27.8	18.6	19.3	2,350	1.4	69.3
HDFC Bank	1,300	BUY	550,083	11,992	423	46.0	52.5	67.4	28.7	14.1	28.4	28.2	24.8	19.3	—	—	—	4.8	3.7	2.6	0.5	0.7	1.0	17.7	17.0	16.9	1,300	0.0	47.8
ICICI Bank	628	ADD	698,206	15,221	1,113	39.9	33.9	42.0	15.4	(15.1)	23.8	15.7	18.5	14.9	—	—	—	1.5	1.4	1.3	1.8	1.4	1.7	11.7	7.9	9.2	650	3.6	143.5
IDFC	81	ADD	105,291	2,295	1,294	5.7	6.8	8.1	2.9	19.2	19.0	14.3	12.0	10.1	—	—	—	1.9	1.7	1.5	1.5	1.5	1.7	17.6	14.9	15.7	100	22.9	28.6
India Infoline	111	ADD	38,960	849	350	5.6	6.7	9.8	85.6	19.1	47.4	19.9	16.7	11.3	7.9	8.3	6.3	3.2	2.0	1.8	0.9	1.3	1.9	20.7	14.9	17.0	155	39.2	4.7
Indian Bank	135	ADD	58,148	1,268	430	22.5	19.5	25.6	33.9	(13.3)	30.8	6.0	6.9	5.3	—	—	—	1.3	1.1	1.0	2.2	1.8	2.4	23.4	16.4	18.4	140	3.5	2.8
Indian Overseas Bank	109	ADD	59,247	1,292	545	22.1	18.9	22.5	19.2	(14.2)	18.7	4.9	5.7	4.8	—	—	—	1.2	1.1	0.9	3.4	4.6	5.0	27.2	19.7	20.1	130	19.5	1.1
J&K Bank	472	ADD	22,893	499	48	74.2	75.7	77.5	31.2	2.0	2.4	6.4	6.2	6.1	—	—	—	1.1	1.0	0.8	3.3	3.3	3.4	16.8	15.2	13.9	750	58.9	0.4
LIC Housing Finance	325	ADD	27,615	602	85	45.5	56.5	59.5	38.7	24.1	5.3	7.1	5.7	5.5	—	—	—	1.4	1.2	1.0	3.1	3.8	4.0	-	-	-	380	17.0	4.7
Mahindra & Mahindra Financial	252	SELL	24,058	524	95	20.8	22.9	27.2	32.6	10.1	18.7	12.1	11.0	9.3	—	—	—	1.9	1.7	1.5	1.8	2.3	2.7	16.9	15.7	16.6	215	(14.8)	0.1
Oriental Bank of Commerce	176	ADD	44,082	961	251	23.9	26.3	30.7	(27.6)	10.3	16.4	7.4	6.7	5.7	—	—	—	0.9	0.8	0.7	2.7	3.0	3.5	6.2	10.9	11.7	200	13.7	1.8
PFC	128	REDUCE	147,431	3,214	1,148	11.4	13.0	15.8	2.6	14.3	21.1	11.3	9.9	8.1	—	—	—	1.4	1.3	1.1	1.2	1.4	1.7	13.4	13.6	14.6	130	1.2	3.4
Punjab National Bank	524	BUY	165,108	3,599	315	65.0	69.2	79.8	33.0	6.5	15.2	8.1	7.6	6.6	—	—	—	1.7	1.4	1.2	2.5	2.6	3.0	18.0	16.7	17.1	650	24.1	10.1
SREI	85	BUY	11,404	249	134	11.4	5.5	8.1	57.4	(51.8)	47.8	7.4	15.4	10.4	—	—	—	1.8	0.9	0.9	1.2	2.7	3.3	23.1	11.6	12.5	160	88.1	0.7
State Bank of India	1,566	ADD	988,725	21,554	631	106.6	93.5	119.2	23.5	(12.2)	27.4	14.7	16.7	13.1	—	—	—	2.3	2.1	1.8	1.4	1.4	1.4	16.8	11.5	13.4	1,700	8.6	78.1
Union Bank	152	BUY	76,576	1,669	505	27.5	20.8	29.3	64.1	(24.2)	40.9	5.5	7.3	5.2	—	—	—	1.0	0.9	0.8	2.6	2.1	2.9	26.8	17.4	20.9	200	31.9	3.6
Banks/Financial Institutions		**Attractive**	**4,446,013**	**96,923**					**36.3**	**(3.3)**	**28.1**	**13.7**	**14.2**	**11.1**	**—**	**—**	**—**	**2.1**	**1.8**	**1.6**	**1.5**	**1.5**	**1.7**	**15.3**	**12.9**	**14.4**			
Cement																													
ACC	607	REDUCE	114,467	2,495	189	64.1	61.2	47.7	13.0	(4.5)	(22.0)	9.5	9.9	12.7	4.9	5.0	6.5	2.6	2.2	2.0	3.8	3.8	3.8	33.3	25.3	17.5	610	0.5	8.3
Ambuja Cements	85	REDUCE	129,402	2,821	1,522	7.6	8.0	6.6	(11.2)	6.4	(17.5)	11.2	10.6	12.8	5.7	6.4	7.0	2.6	2.0	1.8	3.0	3.5	2.5	26.6	21.7	15.4	95	11.8	3.3
Grasim Industries	1,919	ADD	175,912	3,835	92	284.6	257.6	240.4	32.6	(9.5)	(6.7)	6.7	7.4	8.0	3.9	4.1	3.8	1.5	1.2	1.1	1.6	1.7	1.7	25.3	18.3	14.5	2,320	20.9	4.8
India Cements	129	ADD	36,474	795	282	24.5	19.1	19.9	n/a	(21.8)	4.1	5.3	6.8	6.5	3.9	4.2	3.6	1.1	0.9	0.8	1.4	1.6	1.6	25.9	15.8	14.4	160	23.6	3.1
Shree Cement	552	BUY	19,244	420	35	85.9	98.5	60.0	90.0	14.7	(39.0)	6.4	5.6	9.2	2.7	2.4	2.4	2.9	2.0	1.8	1.3	1.4	1.4	53.5	42.5	20.5	1,080	95.5	0.4
UltraTech Cement	564	BUY	70,590	1,539	125	81.4	80.6	59.1	28.5	(0.9)	(26.7)	6.9	7.0	9.5	4.8	4.8	5.5	2.2	1.7	1.5	1.3	1.5	1.5	45.2	32.1	18.9	700	24.2	1.0
Cement		**Cautious**	**546,088**	**11,905**					**19.0**	**(4.8)**	**(15.2)**	**7.8**	**8.2**	**9.7**	**4.4**	**4.6**	**4.8**	**1.9**	**1.6**	**1.4**	**2.4**	**2.5**	**2.3**	**24.5**	**19.1**	**14.3**			
Consumer (Discretionary)																													
Radico Khaitan	62	REDUCE	7,277	159	118	3.4	3.2	3.8	8.4	(7.0)	21.5	18.2	19.6	16.1	8.9	8.9	8.1	1.5	1.4	1.2	0.7	0.7	0.7	9.4	8.1	9.0	91	47.1	0.4
United Breweries	147	REDUCE	35,179	767	240	1.9	2.4	4.4	(11.6)	25.7	82.1	76.9	61.2	33.6	19.0	14.8	11.1	6.1	3.4	3.1	—	—	—	8.3	7.1	9.6	160	9.2	0.2
United Spirits	1,341	BUY	125,631	2,739	94	40.0	45.5	59.1	50.8	13.7	29.8	33.5	29.5	22.7	16.2	14.2	12.3	5.3	4.3	3.8	0.0	0.0	0.0	18.8	17.9	19.4	1,600	19.3	7.6
Consumer (Discretionary)		**Attractive**	**168,087**	**3,664**					**35.8**	**11.7**	**34.1**	**35.0**	**31.3**	**23.3**	**16.0**	**13.9**	**11.8**	**4.9**	**3.9**	**3.3**	**0.0**	**0.0**	**0.0**	**14.0**	**12.3**	**14.3**			
Consumer products																													
Asian Paints	1,160	ADD	111,253	2,425	96	38.3	44.3	52.4	36.1	15.8	18.2	30.3	26.2	22.1	18.2	15.3	12.7	11.5	9.3	7.5	1.3	1.5	1.7	43.5	40.2	38.3	1,240	6.9	1.2
Colgate-Palmolive (India)	380	REDUCE	51,657	1,126	136	17.3	19.2	22.4	18.4	10.6	17.0	21.9	19.8	16.9	17.3	14.6	12.3	27.6	23.5	20.1	3.4	3.8	4.4	100.8	128.5	128.3	420	10.6	0.9
GlaxoSmithkline Consumer (a)	615	BUY	25,866	564	42	38.5	45.5	53.8	27.4	18.4	18.3	16.0	13.5	11.4	8.3	6.8	5.5	3.9	3.3	2.8	2.1	2.5	2.9	27.3	27.3	27.3	800	30.1	0.2
Godrej Consumer Products	117	ADD	30,224	659	258	7.3	8.0	8.5	22.9	9.0	6.9	16.0	14.7	13.8	13.9	11.0	9.8	14.2	4.3	3.8	3.0	3.4	3.4	100.9	46.1	39.3	140	19.6	0.1
Hindustan Unilever	245	ADD	533,914	11,639	2,177	8.1	9.2	10.8	15.4	12.9	17.9	30.2	26.7	22.7	24.4	20.4	16.8	37.1	34.5	31.9	4.4	3.5	4.2	85.2	134.3	146.7	280	14.2	15.5
ITC	191	BUY	714,816	15,583	3,742	8.0	9.1	10.4	11.3	13.3	14.3	23.8	21.0	18.4	15.7	13.8	11.8	5.8	5.1	4.4	1.8	2.0	2.1	26.9	26.6	26.4	230	20.4	22.2
Jyothy Laboratories	394	ADD	5,716	125	15	31.0	42.1	68.3	(12.8)	35.8	62.3	12.7	9.4	5.8	8.7	6.1	3.5	1.5	1.3	1.1	2.4	2.7	3.0	11.5	13.1	17.9	740	87.9	
Nestle India (a)	1,676	ADD	161,569	3,522	96	44.5	58.6	70.2	31.3	31.7	19.7	37.7	28.6	23.9	22.7	17.7	14.6	31.3	23.8	18.4	1.6	2.1	2.5	94.8	94.5	86.9	1,900	13.4	1.2
Tata Tea	715	BUY	44,213	964	62	54.1	63.3	67.3	3.6	17.2	6.2	13.2	11.3	10.6	5.1	4.6	4.0	0.9	0.9	0.8	2.1	2.5	2.6	9.7	9.4	9.4	1,100	53.9	1.6
Consumer products		**Attractive**	**1,679,227**	**36,607**					**15.0**	**15.2**	**15.8**	**25.8**	**22.4**	**19.3**	**17.1**	**14.7**	**12.5**	**7.8**	**6.8**	**5.9**	**2.7**	**2.6**	**2.9**	**30.3**	**30.3**	**30.8**			
Constructions																													
Consolidated Construction Co.	515	BUY	19,032	415	37	24.0	34.2	44.9	67.6	42.4	31.1	21.4	15.0	11.5	13.9	9.0	6.8	4.2	3.4	2.7	0.5	1.0	1.3	27.7	25.0	26.4	700	35.9	0.0
IVRCL	251	BUY	34,028	742	135	16.0	17.1	22.8	29.2	6.5	33.2	15.7	14.7	11.0	12.1	9.0	7.0	2.1	1.8	1.6	0.6	0.3	0.3	14.8	13.5	15.6	415	65.1	6.7
Nagarjuna Construction Co.	116	BUY	26,460	577	229	7.2	8.1	10.6	14.5	13.4	30.2	16.1	14.2	10.9	10.5	8.9	7.7	1.7	3.1	1.4	1.0	1.2	1.4	12.6	11.3	13.3	195	68.8	5.2
Punj Lloyd	311	BUY	100,689	2,195	323	10.0	14.7	20.8	323.5	46.9	42.1	31.2	21.2	14.9	15.9	11.3	8.6	3.7	3.0	2.7	0.1	0.2	0.3	16.8	16.1	19.4	350	12.4	29.3
Sadbhav Engineering	727	BUY	9,525	208	13	40.5	62.6	78.1	68.2	54.4	24.8	17.9	11.6	9.3	10.7	6.5	4.9	3.2	2.3	1.9	0.5	0.7	0.8	16.3	19.6	20.5	1,100	51.3	0.2
Construction		**Attractive**	**189,734**	**4,136**					**95.2**	**30.4**	**36.0**	**22.5**	**17.3**	**12.7**	**13.4**	**9.8**	**7.7**	**2.8**	**2.5**	**2.1**	**0.4**	**0.5**	**0.6**	**12.6**	**14.3**	**16.5**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	19-Sep-08		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Energy																													
Bharat Petroleum	346	REDUCE	113,295	2,470	328	39.8	40.7	38.3	(24.0)	2.1	(5.9)	8.7	8.5	9.0	3.5	3.8	2.8	0.9	0.9	0.7	1.3	1.2	1.1	11.4	10.4	8.9	360	4.2	5.6
Cairn india	221	ADD	412,627	8,995	1,868	(0.1)	3.9	20.3	(105)	(3,390)	418	(1,853)	56	10.9	51.6	23.0	7.6	1.4	1.2	1.1	—	—	—	(0.1)	2.3	10.9	245	10.9	33.8
Castrol India (a)	336	ADD	41,555	906	124	20.1	23.6	24.1	64.6	17.5	2.1	16.7	14.2	13.9	9.7	8.5	8.2	10.1	9.4	8.8	4.2	5.4	5.4	59.5	68.5	65.2	350	4.1	0.4
GAIL (India)	418	BUY	353,609	7,709	846	30.8	36.8	42.0	21.7	19.5	14.3	13.6	11.4	9.9	7.8	7.0	6.9	2.5	2.2	1.8	2.4	2.6	3.1	18.2	19.2	18.7	470	12.4	13.9
GSPL	54	ADD	30,274	660	563	1.8	3.6	5.1	8.5	103.8	40.2	30.3	14.9	10.6	9.7	6.8	4.7	2.4	2.1	1.9	0.9	1.9	2.7	8.7	15.3	18.8	69	28.3	2.3
Hindustan Petroleum	235	REDUCE	79,687	1,737	339	33.5	26.1	33.4	(16.4)	(21.9)	27.7	7.0	9.0	7.0	5.7	3.7	2.3	0.7	0.6	0.5	1.3	1.0	1.3	9.6	6.8	7.9	260	10.6	5.2
Indian Oil Corporation	396	REDUCE	466,834	10,177	1,179	60.5	40.9	61.8	29.2	(32.5)	51.2	6.5	9.7	6.4	4.4	8.0	7.5	1.0	0.9	0.8	1.4	1.3	1.8	17.2	10.1	13.5	500	26.3	3.8
Oil & Natural Gas Corporation	1,071	BUY	2,291,283	49,950	2,139	92.0	131.5	147.3	8.2	42.9	12.0	11.6	8.1	7.3	4.4	3.4	3.0	2.3	1.9	1.6	3.0	3.4	4.2	19.4	24.2	22.8	1,300	21.4	49.9
Petronet LNG	57	ADD	42,713	931	750	6.3	5.8	6.5	—	(7.6)	10.5	9.0	9.7	8.8	5.7	7.0	5.8	2.3	1.9	1.6	2.6	2.6	2.6	26.7	20.2	18.6	70	22.9	2.1
Reliance Industries	2,055	RS	2,701,203	58,886	1,314	101.7	105.8	158.3	23.0	4.0	49.5	20.2	19.4	13.0	12.1	9.6	5.9	3.0	2.7	2.0	0.6	0.7	1.0	18.5	15.5	19.8	—	—	245.4
Reliance Petroleum	151	REDUCE	678,825	14,798	4,500	(1.1)	2.4	16.9	n/a	n/a	617.4	n/a	63.9	8.9	n/a	31.1	7.3	5.0	4.7	3.2	—	—	1.3	(3.5)	7.6	42.8	150	(0.6)	84.8
Energy		**Cautious**	**7,211,904**	**157,220**					**10.7**	**23.0**	**44.0**	**15.5**	**12.6**	**8.8**	**7.6**	**6.6**	**5.0**	**2.2**	**1.9**	**1.6**	**1.5**	**1.6**	**2.2**	**14.5**	**14.9**	**18.5**			
Industrials																													
ABB	838	REDUCE	177,526	3,870	212	23.2	28.6	35.4	44.5	23.2	23.7	36.1	29.3	23.7	21.4	17.0	13.2	10.9	8.3	6.3	0.3	0.3	0.4	34.8	32.1	30.3	875	4.4	9.6
BGR Energy Systems	288	REDUCE	20,736	452	72	12.3	18.3	23.2	(67.1)	49.5	26.7	23.5	15.7	12.4	14.3	9.6	8.3	4.1	3.3	2.7	0.4	0.6	0.8	30.1	23.5	24.1	325	12.8	3.3
Bharat Electronics	904	ADD	72,328	1,577	80	102.1	104.4	111.1	11.3	2.3	6.4	8.9	8.7	8.1	3.4	3.1	2.7	2.2	1.8	1.6	2.8	2.8	2.8	27.9	23.1	20.9	1,200	32.7	1.5
Bharat Heavy Electricals	1,709	ADD	836,516	18,236	490	58.4	73.1	96.9	22.9	25.1	32.6	29.3	23.4	17.6	15.8	12.4	9.5	7.8	6.2	4.9	0.9	0.9	1.2	29.2	29.5	31.1	2,000	17.0	74.5
Dredging Corporation	423	REDUCE	11,847	258	28	55.3	48.7	57.0	(8.3)	(12.0)	17.2	7.7	8.7	7.4	4.0	3.8	3.0	1.0	0.9	0.8	3.5	3.5	3.5	12.5	10.3	11.1	475	12.3	0.1
Larsen & Toubro	2,644	BUY	783,594	17,082	296	75.9	115.4	146.2	20.8	52.1	26.7	34.8	22.9	18.1	21.6	13.7	10.8	6.6	4.5	3.5	0.6	0.8	0.8	22.7	23.4	22.2	3,200	21.0	111.8
Maharashtra Seamless	283	BUY	19,978	436	71	31.4	37.5	44.7	(18.3)	19.6	19.1	9.0	7.5	6.3	5.4	4.8	4.0	1.7	1.4	1.2	1.6	2.0	2.4	20.9	20.8	20.7	390	37.7	0.8
Siemens	507	REDUCE	171,024	3,728	337	18.2	18.8	25.9	60.4	3.1	38.0	27.8	27.0	19.6	16.3	15.6	11.0	9.3	7.3	5.5	0.5	0.6	0.6	39.9	30.2	32.0	570	12.4	7.0
Suzlon Energy	212	ADD	332,428	7,247	1,567	6.6	11.4	17.7	9.5	73.5	55.1	32.3	18.6	12.0	16.1	12.2	9.3	3.6	3.0	2.4	0.5	0.5	0.5	16.3	17.7	22.1	300	41.4	38.9
Industrials		**Neutral**	**2,425,978**	**52,886**					**24.0**	**33.8**	**32.2**	**28.5**	**21.3**	**16.1**	**16.4**	**12.3**	**9.6**	**5.9**	**4.5**	**3.6**	**0.7**	**0.8**	**0.9**	**20.6**	**21.2**	**22.3**			
Infrastructure																													
IRB Infrastructure	129	BUY	42,808	933	332	3.4	7.3	15.7	150.9	111.5	116.3	37.6	17.8	8.2	13.6	12.4	5.9	2.6	2.2	1.7	—	—	—	10.7	13.4	23.3	195	51.4	0.6
Media																													
DishTV	32	BUY	15,862	346	500	(9.6)	(8.9)	(4.4)	n/a	(7.8)	(50.7)	(3.3)	(3.6)	(7.2)	(9.3)	(10.0)	66.1	(3.5)	(6.2)	(3.0)	—	—	—	167.9	125.6	71.3	56	76.4	4.1
HT Media	123	BUY	28,871	629	234	4.3	4.2	7.5	4.7	(2.0)	77.1	28.5	29.1	16.4	16.3	16.1	9.0	3.3	3.0	2.6	0.3	0.3	0.6	12.2	11.0	17.2	175	42.0	0.3
Jagran Prakashan	74	BUY	22,332	487	301	3.3	3.1	5.0	33.5	(6.3)	63.3	22.8	24.3	14.9	12.8	12.9	8.2	4.1	3.9	3.6	2.7	2.5	3.4	18.7	16.6	25.1	95	28.1	0.3
Sun TV Network	225	REDUCE	88,491	1,929	394	8.3	9.7	12.0	30.7	16.7	23.6	27.1	23.2	18.8	14.3	12.0	9.8	5.9	5.1	4.5	1.1	1.3	2.7	24.8	24.2	26.1	260	15.8	1.3
Zee Entertainment Enterprises	209	ADD	90,572	1,974	434	8.9	10.5	13.9	62.6	17.8	32.7	23.5	20.0	15.0	17.1	12.9	9.8	3.2	2.8	2.5	1.0	1.2	1.7	14.2	15.1	17.8	240	14.9	6.1
Media		**Attractive**	**246,128**	**5,366**					**24.0**	**16.8**	**92.0**	**49.3**	**42.2**	**22.0**	**19.7**	**15.8**	**10.4**	**4.6**	**4.0**	**3.7**	**1.0**	**1.2**	**2.0**	**9.4**	**9.4**	**16.6**			
Metals																													
Hindalco Industries	113	REDUCE	196,809	4,290	1,742	13.1	16.2	14.6	(10.9)	23.5	(9.9)	8.6	7.0	7.7	5.4	4.3	4.1	1.1	0.7	0.7	1.2	1.6	1.6	14.3	12.7	9.4	150	32.8	10.5
National Aluminium Co.	388	REDUCE	249,735	5,444	644	25.2	30.3	33.5	(31.8)	20.0	10.6	15.4	12.8	11.6	8.1	6.9	5.5	2.7	2.3	2.0	1.9	1.9	1.9	18.4	19.4	18.7	370	(4.5)	5.6
Jindal Steel and Power	1,484	BUY	228,517	4,982	154	80.4	111.6	117.0	83.2	38.9	4.8	18.5	13.3	12.7	11.9	8.9	8.1	5.3	3.7	2.8	—	—	—	34.3	32.8	25.1	2,900	95.4	23.2
JSW Steel	594	ADD	110,343	2,405	186	92.0	103.1	146.8	35.7	12.0	42.4	6.5	5.8	4.0	5.1	5.4	3.9	1.1	0.9	0.8	3.1	3.1	3.1	21.2	18.1	21.0	1,040	75.1	16.2
Hindustan Zinc	489	ADD	206,766	4,507	423	104.0	72.2	71.5	(1.0)	(30.6)	(1.0)	4.7	6.8	6.8	3.2	4.0	3.5	1.7	1.4	1.2	1.5	1.5	2.0	44.0	22.5	18.4	750	53.3	3.1
Sesa Goa	109	BUY	85,967	1,874	787	18.8	22.6	23.2	144.6	19.7	2.7	5.8	4.8	4.7	3.7	2.8	2.4	3.1	2.0	1.5	3.2	3.7	4.6	68.6	50.8	36.9	195	78.6	35.6
Sterlite Industries	469	SELL	331,929	7,236	708	63.7	52.3	51.5	(23.3)	(17.9)	(1.6)	7.4	9.0	9.1	4.1	4.1	3.6	1.4	1.2	1.1	—	—	—	26.6	14.8	12.6	460	(1.8)	32.8
Tata Steel	480	REDUCE	394,144	8,592	822	75.7	116.9	106.1	43.8	54.4	(9.3)	6.3	4.1	4.5	5.0	4.3	4.3	1.1	0.9	0.8	3.0	2.7	2.7	46.3	35.6	28.4	520	8.4	66.9
Metals		**Cautious**	**1,804,209**	**39,332**					**12.3**	**13.1**	**(0.4)**	**7.7**	**6.8**	**6.8**	**5.1**	**4.7**	**4.3**	**1.6**	**1.2**	**1.1**	**1.6**	**1.6**	**1.7**	**20.2**	**18.2**	**15.5**			
Pharmaceutical																													
Biocon	193	BUY	19,285	420	100	22.5	24.5	32.0	9.4	8.5	31.0	8.6	7.9	6.0	5.1	4.7	3.6	1.3	1.2	1.0	0.2	0.2	0.2	17.6	15.7	18.2	615	218.9	1.0
Cipla	233	REDUCE	180,992	3,946	777	9.0	10.5	12.2	4.9	16.2	16.4	25.8	22.2	19.1	18.9	17.0	14.3	4.8	4.2	3.6	0.9	1.1	1.3	20.1	20.1	20.3	230	(1.2)	7.9
Dishman Pharma & chemicals	322	BUY	26,201	571	81	14.7	19.7	27.7	30.5	34.1	40.1	21.9	16.3	11.6	16.2	12.1	9.0	4.6	3.6	2.8	0.0	0.0	0.0	26.8	24.8	27.3	515	59.9	0.3
Divi's Laboratories	1,445	BUY	93,249	2,033	65	56.6	77.9	103.6	85.6	37.7	33.0	25.5	18.6	13.9	22.1	15.2	10.9	11.0	7.1	4.8	0.1	0.1	0.1	52.9	46.5	41.3	2,330	61.3	3.9
Dr Reddy's Laboratories	520	BUY	87,475	1,907	168	26.1	33.8	41.0	(57.2)	29.6	21.5	20.0	15.4	12.7	9.6	7.6	6.4	1.9	1.8	1.6	0.7	0.8	0.8	10.3	12.0	13.0	790	51.9	6.8
Glenmark Pharmaceuticals	570	BUY	151,523	3,303	266	25.8	32.4	41.9	98.3	25.4	29.3	22.1	17.6	13.6	18.8	14.0	10.6	10.2	5.6	4.1	0.0	0.0	0.0	58.2	40.6	35.1	770	35.1	6.3
Jubilant Organosys	308	BUY	55,873	1,218	181	22.1	19.5	35.5	69.9	(11.6)	81.6	14.0	15.8	8.7	11.2	12.4	7.9	3	2.3	2.1	0.4	0.7	0.8	30.4	18.8	27.5	700	127.0	0.4
Piramal Healthcare	331	BUY	69,116	1,507	209	17.6	20.0	26.5	65.4	13.5	32.5	18.8	16.6	12.5	13.7	11.3	8.7	6.3	4.9	3.7	1.3	1.2	1.4	30.6	33.3	33.8	530	60.3	1.2
Ranbaxy Laboratories	357	REDUCE	149,524	3,260	419	23.3	9.8	15.5	70.4	(58.1)	58.7	15.3	36.5	23.0	12.7	15.3	8.4	5.0	2.3	1.4	2.1	2.9	3.7	29.8	9.1	9.2	420	17.7	58.8
Sun Pharmaceuticals	1,394	BUY	289,949	6,321	208	71.5	84.3	77.5	71.3	17.9	(8.1)	19.5	16.5	18.0	15.9	12.4	12.8	5.4	4.1	3.4	0.6	0.8	1.0	37.6	29.7	22.0	1,780	27.7	18.7
Pharmaceuticals		**Attractive**	**1,123,189**	**24,486**					**34.1**	**8.3**	**24.5**	**20.1**	**18.6**	**14.9**	**14.6**	**12.6**	**9.9**	**4.7**	**3.4**	**2.6**	**0.7**	**0.9**	**1.2**	**23.4**	**18.6**	**17.7**			
Property																													
Housing Development & Infrastruc	225	BUY	61,876	1,349	275	51.2	56.6	63.6	118.6	10.6	12.3	4.4	4.0	3.5	5.3	4.9	4.1	1.7	1.2	1.0	1.7	3.6	3.6	64.5	36.3	30.7	610	171.6	41.2
DLF	427	BUY	726,969	15,848	1,705	43.8	49.8	55.1	244.6	13.9	10.5	9.7	8.6	7.7	8.9	7.6	6.1	3.7	2.7	2.1	1.2	1.6	2.3	63.2	36.6	30.8	660	54.7	68.5
IVR Prime Urban Developers	136	BUY	8,753	191	64	27.0	15.5	17.1	552.0	(42.6)	10.8	5.1	8.8	8.0	3.2	7.2	7.3	0.9	0.8	0.8	2.9	3.7	5.1	31.9	9.6	10.0	360	163.8	0.2
Mahindra Life Space Developer	388	BUY	16,341	356	42	12.7	13.9	19.0	208.4	8.9	37.4	30.5	28.0	20.4	65.2	21.9	12.9	1.9	1.8	1.7	0.8	1.0	1.0	6.4	6.5	8.5	810	108.7	0.5
Phoenix Mills	147	BUY	21,253	463	145	2.6	4.4	11.6	(59.8)	68.1	162.1	55.7	33.1	12.6	47.6	22.0	7.8	1.5	1.4	1.3	—	—	—	5.0	4.4	10.6	350	138.4	0.9
Puravankara Projects	172	REDUCE	36,794	802	213	11.3	14.0	16.7	67.4	24.8	19.1	15.3	12.3	10.3	20.3	17.1	12.9	3.0	2.6	2.2	0.6	2.3	3.5	32.9	22.4	23.1	220	27.6	0.6
Sobha	214	REDUCE	15,601	340	73	31.7	30.2	33.2	42.9	(4.7)	9.8	6.7	7.1	6.4	9.0	7.8	7.4	1.5	1.3	1.1	3.0	1.9	1.9	25.3	20.0	18.6	250	16.8	1.4
Unitech	126	REDUCE	204,603	4,460	1,623	9.7	12.0	15.0	20.3	24.5	24.7	13.0	10.5	8.4	10.5	8.7	7.2	6.1	4.1	3.1	0.8	1.6	3.2	58.4	46.8	41.9	190	50.7	32.4
Property		**Neutral**	**1,092,190**	**23,810**					**168.7**	**14.1**	**14.0**	**9.8**	**8.6**	**7.5**	**9.0**	**7.8**	**6.3**	**3.4**	**2.6**	**2.0**	**1.1**	**1.7**	**2.6**	**34.7**	**29.8**	**26.8**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Retail																													
Pantaloon Retail	310	BUY	53,356	1,163	172	8.0	14.2	19.9	93.2	76.5	39.9	38.6	21.9	15.6	15.0	9.7	8.0	3.1	2.0	1.8	0.2	0.3	0.3	8.6	10.7	11.5	460	48.2	1.0
Titan Industries	1,198	BUY	53,172	1,159	44	35.1	41.1	49.8	55.2	17.3	21.0	34.2	29.1	24.1	22.9	17.9	14.4	11.3	8.7	6.8	0.7	0.8	0.9	37.7	33.6	31.6	1,350	12.7	2.3
Vishal Retail	359	ADD	8,050	175	22	18.1	21.6	35.6	37.2	19.2	65.2	19.9	16.7	10.1	10.3	7.1	5.4	3.0	2.5	2.0	-	-	-	20.2	16.2	22.1	485	34.9	0.1
Retail			**114,578**	**2,498**					**31.9**	**47.4**	**35.2**	**35.6**	**24.1**	**17.8**	**16.7**	**11.3**	**8.9**	**4.7**	**3.2**	**2.7**	**0.4**	**0.5**	**0.6**	**13.2**	**13.1**	**15.3**			
Technology																													
HCL Technologies	229	REDUCE	159,433	3,476	695	15.3	22.3	25.4	(19.0)	46.0	13.8	15.0	10.3	9.0	8.5	6.7	5.6	3.2	2.7	2.3	3.5	3.5	3.5	21.4	28.1	27.3	250	9.0	4.5
Hexaware Technologies	35	SELL	4,975	108	142	7.7	4.7	5.6	(13.7)	(38.2)	18.5	4.6	7.4	6.2	1.5	1.2	0.7	0.7	0.7	0.6	4.6	4.6	4.6	15.1	9.4	10.4	50	42.9	0.4
Infosys Technologies	1,625	BUY	932,721	20,333	574	79.1	102.1	118.1	18.0	29.1	15.7	20.6	15.9	13.8	16.2	12.2	9.8	6.8	5.2	4.1	2.0	1.5	1.8	36.1	36.8	33.1	2,100	29.2	79.0
Mphasis BFL	218	SELL	45,420	990	208	12.2	15.6	18.5	67.6	27.3	18.8	17.8	14.0	11.8	10.7	8.4	6.8	3.9	0.5	2.7	1.6	1.8	2.1	23.6	25.6	25.4	220	1.0	2.0
Mindtree	335	BUY	13,127	286	39	26.1	35.7	43.4	14.8	36.5	21.7	12.8	9.4	7.7	10.8	6.6	5.0	2.5	2.0	1.6	0.8	1.1	1.3	21.3	23.5	22.9	550	64.3	0.5
Patni Computer Systems	200	SELL	27,772	605	139	33.4	25.2	29.7	29.7	(24.5)	17.7	6.0	7.9	6.7	3.0	2.6	1.8	1.0	1.0	0.9	1.0	1.2	1.4	19.2	11.7	12.7	260	30.1	1.6
Polaris Software Lab	78	SELL	7,707	168	98	7.4	10.1	11.8	(27.6)	36.0	16.2	10.5	7.7	6.7	5.0	3.6	2.8	1.2	1.0	0.9	2.2	2.2	2.2	11.7	14.3	14.8	90	14.8	5.6
Satyam Computer Services	370	BUY	252,210	5,498	682	25.2	32.2	37.5	17.7	27.6	16.5	14.6	11.5	9.9	11.4	8.2	6.6	3.5	2.8	2.3	2.7	3.2	3.8	26.0	27.1	25.7	500	35.2	38.4
TCS	767	REDUCE	750,447	16,360	979	51.3	58.7	67.9	21.5	14.5	15.6	15.0	13.1	11.3	12.1	10.2	8.5	6.1	4.7	3.9	1.8	2.7	3.5	47.0	40.8	37.8	900	17.4	24.5
Tech Mahindra	675	BUY	84,109	1,834	125	59.1	74.8	89.4	25.7	26.7	19.4	11.4	9.0	7.6	10.1	6.3	4.6	6.7	3.7	2.5	0.6	—	0.9	70.7	55.8	41.6	900	33.3	4.4
Wipro	417	ADD	604,578	13,180	1,450	22.2	27.5	33.5	12.6	23.6	21.8	18.8	15.2	12.5	15.0	11.2	8.8	4.7	3.8	3.1	1.5	1.9	2.4	27.9	27.6	27.4	490	17.5	10.8
Technology		**Neutral**	**2,882,498**	**62,838**					**16.1**	**23.8**	**17.0**	**16.7**	**13.5**	**11.5**	**12.8**	**10.0**	**8.0**	**4.9**	**3.9**	**3.2**	**2.0**	**2.1**	**2.6**	**29.5**	**29.0**	**27.6**			
Telecom																													
Bharti Airtel Ltd	806	REDUCE	1,529,423	33,341	1,898	35.3	47.0	57.0	65.0	33.2	21.1	22.8	17.1	14.1	13.8	10.1	7.7	6.8	4.8	3.6	—	0.5	0.7	39.1	32.9	29.1	840	4.2	80.5
IDEA	82	REDUCE	215,484	4,698	2,639	3.9	4.6	5.5	78.5	15.7	20.8	20.7	17.9	14.8	12.0	9.0	7.5	6.1	4.5	3.5	—	—	—	36.4	29.1	26.6	100	22.5	15.3
MTNL	90	REDUCE	56,984	1,242	630	6.0	6.5	7.0	(25.2)	7.7	8.2	15.1	14.0	12.9	1.2	1.4	1.3	0.5	0.5	0.5	6.6	6.6	6.6	2.7	2.9	3.2	100	10.6	3.4
Reliance Communications	374	SELL	771,936	16,828	2,064	25.0	28.6	34.8	76.4	14.1	21.9	14.9	13.1	10.7	10.6	9.1	7.1	2.7	2.3	1.9	0.2	—	-	16.1	19.9	19.8	390	4.3	84.6
Tata Communications	456	REDUCE	129,832	2,830	285	10.9	12.0	13.3	(36.3)	9.2	11.2	41.6	38.1	34.3	17.3	16.2	14.0	2.0	1.9	1.8	1.0	1.1	1.4	4.4	4.7	4.9	430	(5.6)	3.1
Telecom		**Cautious**	**2,703,658**	**58,940**					**61.9**	**23.9**	**20.6**	**19.2**	**15.5**	**12.8**	**12.2**	**9.6**	**7.5**	**3.7**	**3.0**	**2.5**	**0.4**	**0.6**	**0.6**	**19.4**	**19.6**	**19.3**			
Transportation																													
Container Corporation	876	ADD	113,849	2,482	130	57.7	67.5	75.0	7.8	17.0	11.0	15.2	13.0	11.7	10.4	8.8	7.4	3.6	3.0	2.5	1.4	1.6	1.8	25.8	24.9	23.1	950	8.5	1.2
Gateway Distriparks	88	BUY	10,137	221	115	6.4	8.1	10.8	(5.0)	26.5	33.5	13.7	10.8	8.1	9.5	7.1	5.4	1.4	1.4	1.2	3.3	3.8	3.9	10.8	12.9	15.8	125	42.4	0.8
GE Shipping	323	BUY	49,115	1,071	152	105.9	72.7	48.2	77.6	(31.3)	(33.7)	3.0	4.4	6.7	4.5	5.5	6.2	1.1	1.0	0.9	4.7	5.6	3.7	43.2	23.4	13.7	500	55.0	2.6
Jet Airways	436	SELL	37,627	820	86	(76.5)	(123.3)	96.4	(2,857)	71	206.7	(5.7)	(3.5)	4.5	57.4	17.0	6.0	0.8	1.1	0.9	—	—	1.6	(19.5)	(26.5)	21.5	450	3.8	1.4
Transportation		**Neutral**	**210,728**	**4,594**					**3.9**	**(42.9)**	**162.9**	**11.9**	**20.8**	**7.9**	**11.9**	**9.8**	**6.4**	**1.6**	**1.6**	**1.4**	**2.0**	**2.4**	**2.3**	**13.9**	**7.7**	**17.4**			
Utilities																													
CESC	293	BUY	36,562	797	125	27.8	28.2	31.1	(23.3)	1.4	10.4	10.5	10.4	9.4	5.4	6.2	7.2	1.2	1.0	0.9	1.4	1.4	1.7	12.5	10.6	10.5	500	70.9	1.3
Lanco Infratech	237	BUY	52,663	1,148	222	16.0	18.7	31.3	88.4	17.4	67.1	14.8	12.6	7.6	12.5	15.6	13.0	2.6	2.2	1.7	(2.5)	—	—	20.2	18.9	25.2	530	123.7	15.6
NTPC	183	REDUCE	1,508,508	32,885	8,245	8.9	9.5	10.3	3.5	6.7	8.0	20.5	19.2	17.8	14.7	15.8	15.7	2.8	2.6	2.5	2.0	2.1	2.8	14.4	14.2	14.3	179	(2.2)	30.5
Reliance Infrastructure	892	BUY	205,983	4,490	231	37.6	49.4	50.0	13.9	31.3	1.2	23.7	18.1	17.8	30.3	27.3	24.9	1.3	1.3	1.2	0.7	0.8	0.9	-	-	-	1,250	40.1	97.1
Reliance Power	164	REDUCE	393,914	8,587	2,397	0.4	2.1	2.6	—	443.9	25.2	432.2	79.5	63.4	—	—	—	2.9	2.7	2.7	—	—	—	1.2	3.5	4.3	180	9.5	39.1
Tata Power	1,026	BUY	238,985	5,210	233	29.7	38.1	39.9	11.6	28.5	4.6	34.6	26.9	25.7	23.7	21.1	21.6	3.2	2.5	2.2	0.9	0.9	0.9	10.0	10.3	9.0	1,540	50.1	28.8
Utilities		**Attractive**	**2,436,615**	**53,118**					**8.8**	**14.8**	**10.1**	**25.1**	**21.8**	**19.8**	**17.7**	**19.3**	**19.8**	**2.5**	**2.3**	**2.2**	**1.3**	**1.5**	**1.9**	**10.1**	**10.7**	**11.0**			
Others																													
Aban Offshore	2,464	ADD	95,267	2,077	39	72.3	263.4	482.1	(1,066)	264.4	83.0	34.1	9.4	5.1	17.3	8.3	5.4	10.9	4.5	2.5	0.1	0.4	0.6	51.7	59.4	53.6	2,700	9.6	18.7
Aditya Birla Nuvo	1,081	ADD	100,882	2,199	93	22.9	26.6	29.2	(5.6)	16.0	9.8	47.2	40.7	37.1	21.0	18.9	17.4	3.0	2.8	2.7	0.6	0.6	0.6	6.4	7.1	7.4	2,000	85.0	2.7
Educomp Solutions	3,566	ADD	67,822	1,479	19	35.2	46.2	112.0	114	31.5	142.4	101.5	77.1	31.8	53.6	24.9	13.9	22.5	9.0	7.4	0.1	0.1	0.3	33.5	17.4	26.2	3,650	2.4	20.7
Jaiprakash Associates	135	BUY	167,912	3,660	1,242	4.9	7.6	11.6	6.5	54.7	53.5	27.6	17.8	11.6	15.8	11.1	10.4	3.4	2.7	2.4	0.0	0.0	0.0	15.4	17.5	22.6	255	88.7	51.8
Jindal Saw	607	BUY	37,240	812	61	57.7	90.7	110.4	(50)	57.0	21.7	10.5	6.7	5.5	5.8	3.4	2.7	1.2	0.9	0.8	1.3	2.3	2.6	11.4	16.1	16.9	900	48.2	1.6
PSL	285	BUY	12,436	271	44	21.1	45.6	64.5	4.2	116.1	41.5	13.5	6.3	4.4	6.7	4.9	3.6	2.2	1.7	1.3	1.8	2.1	2.6	11.3	15.4	18.4	500	75.2	0.2
Sintex	278	BUY	45,095	983	163	19.5	23.4	31.2	58	19.6	33.5	14.2	11.9	8.9	12.5	8.9	6.4	2.7	1.8	1.6	0.3	0.5	0.7	14.0	14.8	15.9	460	65.8	2.1
Welspun Gujarat Stahl Rohren	257	REDUCE	48,478	1,057	189	20.6	29.2	47.4	94.5	41.9	62.7	12.5	8.8	5.4	10.8	5.8	3.6	2.8	2.0	1.4	0.9	1.9	2.2	27.1	26.0	31.3	360	40.2	5.4
Others			**575,132**	**12,538**					**20.0**	**96.5**	**57.2**	**29.0**	**14.8**	**9.4**	**15.1**	**9.4**	**7.3**	**3.5**	**2.7**	**2.1**	**0.4**	**0.6**	**0.7**	**12.0**	**18.3**	**22.6**			
KS universe (b)			**30,753,864**	**670,434**					**23.8**	**14.7**	**24.6**	**15.8**	**13.8**	**11.0**	**9.9**	**8.6**	**7.1**	**2.8**	**2.3**	**2.0**	**1.4**	**1.5**	**1.8**	**17.7**	**16.8**	**17.9**			
KS universe (b) ex-Energy			**23,541,960**	**513,215**					**28.6**	**12.1**	**17.9**	**15.9**	**14.1**	**12.0**	**11.0**	**9.6**	**8.4**	**3.0**	**2.5**	**2.1**	**1.3**	**1.5**	**1.7**	**19.0**	**17.6**	**17.7**			
KS universe (d) ex-Energy & ex-Commodities			**21,191,662**	**461,978**					**33.1**	**12.9**	**23.2**	**18.0**	**15.9**	**12.9**	**13.8**	**11.6**	**9.7**	**3.3**	**2.8**	**2.4**	**1.3**	**1.4**	**1.7**	**18.6**	**17.5**	**18.3**			

Note:

(a) 2007 means calendar year 2006, similarly for 2008 and 2009 for these particular companies.

(b) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.

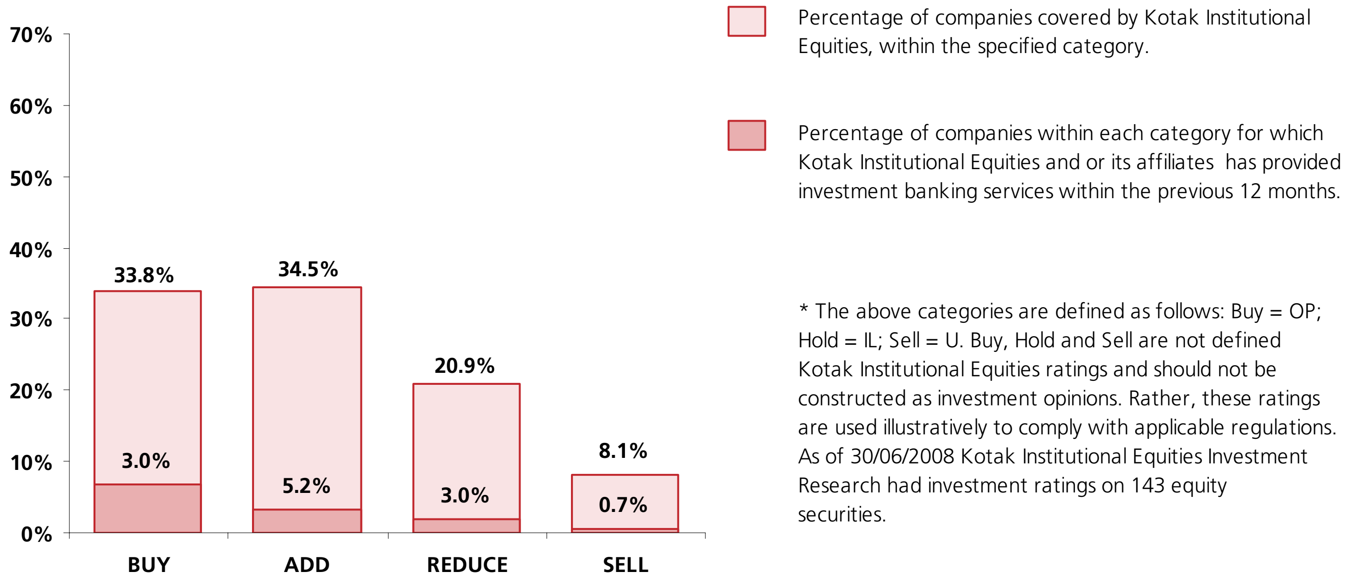
(c) Rupee-US Dollar exchange rate (Rs/US$)= 45.87

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



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Source: Kotak Institutional Equities. As of June 30, 2008

Ratings and other definitions/identifiers

Rating system

Definitions of ratings

BUY. We expect this stock to outperform the BSE Sensex by 10% over the next 12 months.
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REDUCE: We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months.
SELL: We expect this stock to underperform the BSE Sensexby more than 10% over the next 12 months.

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

Other definitions

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