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Updates

Reliance Industries: All came tumbling down

Real Estate: Analyzing competitive intensity in NCR

News Round-up

- ▶ The state-owned **MTNL** is looking at expanding its operations to the African continent, after losing ground to nimble private operators in its home turf. The company, which runs telecom operation in India's two main metros, New Delhi and Mumbai, has joined the race to acquire majority stake in **Zambia Telecommunications Company** (Zamtel). (ET)
- ▶ Diversified firm **Siemens** today said the company, in consortium with Siemens AG, has bagged an order worth Rs403 crore from Qatar-based **Ezdan Real Estate** QSC for power related works. (BS)
- ▶ Private carrier **Kingfisher Airlines**, which is facing a legal case from oil PSU **BPCL** over payment default, today offered in the Bombay High Court an out-of-court settlement. The court adjourned the matter for hearing on October 15 after BPCL's counsel sought time to respond. (BS)
- ▶ **Provogue India** has invested over Rs1,500 crore for setting up six new malls, which would be developed by its real estate arm, **Prozone Enterprises**, and come up in the next two years. (BS)
- ▶ **Essar Oilfields** Services expects to tie up Rs1,250 crore funding for two jack-up rigs by the end of this month, a senior company official said. A consortium of Indian banks led by IDBI Bank are understood to be involved in the syndication. The rigs are expected to join EOSL fleet by end-2011. (BL)
- ▶ Mobile handset maker **China Wireless Technologies** today forayed into the Indian dual-sim smart-phone market in partnership with **Reliance Communications** (RCom), aiming to clock Rs800 crore revenue in the next five years. (BS)
- ▶ **Inflation fell to 0.70 per cent** for the week ending September 26 from 0.83 per cent in the previous week on slight easing of food prices over the week. The wholesale price index-based inflation stood below one per cent mark for the fourth consecutive week after rising from sub-zero levels in the first week of September. (BL)
- ▶ The country's largest liquor maker, **United Spirits**, today said its shareholders has approved raising up to US\$350 million (Rs1,622.62 crore) to repay part of its debt. The shareholders authorised the board of directors to raise the said amount by evaluating various options, including qualified institutional placement and issuing securities in accordance with the Sebi guidelines. (BS)

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

EQUITY MARKETS

India	Change %			
	8-Oct	1-day	1-mo	3-mo
Sensex	16,844	0.2	4.1	22.4
Nifty	5,002	0.3	3.9	22.6
Global/Regional indices				
Dow Jones	9,787	0.6	2.5	19.6
Nasdaq Composite	2,124	0.6	3.1	21.2
FTSE	5,155	0.9	3.0	24.0
Nikkie	9,892	0.6	(4.1)	6.5
Hang Seng	21,537	0.2	3.3	21.1
KOSPI	1,639	1.4	1.9	14.5
Value traded - India				
Cash (NSE+BSE)	270.1	246.6	242.2	
Derivatives (NSE)	697.3	675.8	666	
Deri. open interest	979.4	926	715	

Forex/money market

	Change, basis points			
	8-Oct	1-day	1-mo	3-mo
Rs/US\$	46.3	(34)	(212)	(255)
10yr govt bond, %	7.2	(8)	(16)	23
Net investment (US\$m)				
	7-Oct	MTD	CYTD	
FIs	165	243	12,414	
MFs	(156)	(355)	187	

Top movers -3mo basis

	Change, %			
	8-Oct	1-day	1-mo	3-mo
Best performers				
ABAN IN Equity	1626.0	1.1	6.4	131.8
TTMT IN Equity	589.3	5.5	5.8	116.2
BHFC IN Equity	276.1	2.3	27.4	104.7
HDIL IN Equity	363.2	6.1	13.1	79.9
JSTL IN Equity	911.7	3.3	24.7	73.1
Worst performers				
BHARTI IN Equity	334.0	(6.9)	(18.4)	(16.1)
IDEA IN Equity	62.3	(2.6)	(21.7)	(10.6)
ADE IN Equity	647.6	(1.9)	(1.8)	(9.7)
MTNL IN Equity	82.3	(1.0)	(11.8)	(9.4)
ICEM IN Equity	130.6	(0.2)	(1.0)	(6.7)

OCTOBER 09, 2009

UPDATE

Coverage view: **Cautious**

Price (Rs): **2,120**

Target price (Rs): **1,750**

BSE-30: **16,844**

All came tumbling down. The recent collapse in chemical and refining margins and appreciation in the Indian rupee pose large downside risks to our below-consensus estimates for FY2010E and consensus estimates for FY2011E. We are less sanguine than the street about any sustained recovery in refining margins over the next 12-24 months. We would advocate selling the stock at current levels. Our 12-month SOTP-based fair valuation of the stock remains at Rs1,750.

Company data and valuation summary

Reliance Industries

Stock data		Forecasts/Valuations			
		2009	2010E	2011E	
52-week range (Rs) (high,low)	2,535-930	EPS (Rs)	101.2	104.2	150.7
Market Cap. (Rs bn)	3,088.3	EPS growth (%)	(3.6)	3.0	44.5
Shareholding pattern (%)		P/E (X)	20.9	20.3	14.1
Promoters	42.4	Sales (Rs bn)	1,499.7	1,641.5	1,868.8
FIs	19.6	Net profits (Rs bn)	157.3	171.2	247.5
MFs	2.7	EBITDA (Rs bn)	239.8	318.1	408.3
Price performance (%)		EV/EBITDA (X)	13.7	9.9	7.3
Absolute	1M 3M 12M	ROE (%)	15.1	13.5	17.2
Rel. to BSE-30	(2.3) 14.4 28.6	Div. Yield (%)	0.5	0.7	0.8
	(6.1) (6.6) (13.5)				

Fundamentals have worsened of late; recent sharp rupee appreciation another negative

Our FY2010E and FY2011E below-consensus estimates face significant risk from recent developments: (1) a collapse in chemical and refining margins and (2) a sharp appreciation in the value of the Indian rupee versus the USD. RIL's 1QFY10 blended margin of US\$6.8/bbl and extremely weak margins of the past few months shows that our US\$7.8/bbl refining margin estimate for FY21010E may be optimistic. Also, a Re1/US\$ appreciation in the value of the rupee impacts our earnings estimates negatively by 2.9-3.6%.

Positive developments in E&P critical to support stock price and sentiment

We believe positive developments in the E&P segment are critical to support RIL's stock price and sentiment in light of the low scope for positive surprises in the chemical and refining segment. However, we highlight the wide gap between the current stock price (which reflects expectations regarding Reliance's E&P segment) and our fair valuation; the current stock price is implying US\$19 bn for potential new discoveries, which seems very high to us. This translates into 50 tcf of additional gas reserves—note that we already ascribe value for RIL's KG D-3, KG D-9 and MN D-4 blocks.

Minor changes to earnings model to factor merger of RPET with RIL

We have fine-tuned our earnings model to incorporate (1) the recently-completed merger of RPET with RIL versus consolidation of 70.4% of RPET's financials previously and (2) stronger rupee-dollar assumptions. Our revised FY2010E, FY2011E and FY2012E EPS are Rs104, Rs151 and Rs192 versus Rs109, Rs158 and Rs199 previously. Our SOTP-based valuation on FY2011E estimates comes to Rs1,750, thereby suggesting a 17% potential downside to our target price from current levels.

QUICK NUMBERS

- **Chemical margins have fallen 14%-18% in the past four weeks**
- **Refining margins have collapsed by US\$2.5/bbl in the past four weeks**
- **Stock price implying 50 tcf of new gas discoveries**

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Chemical and refining margins tumble; put earnings to risk

The recent collapse in chemical and refining margins highlight significant downside risks to our earnings assumptions and fair valuation from weaker-than-expected chemical and refining cycles. We are already below consensus estimate for FY2010E at Rs104 with consensus at Rs123. We see (1) significant downside risks to earnings if chemical and refining margins persist at current levels and (2) limited scope of earnings upgrades in the case of RIL's E&P segment.

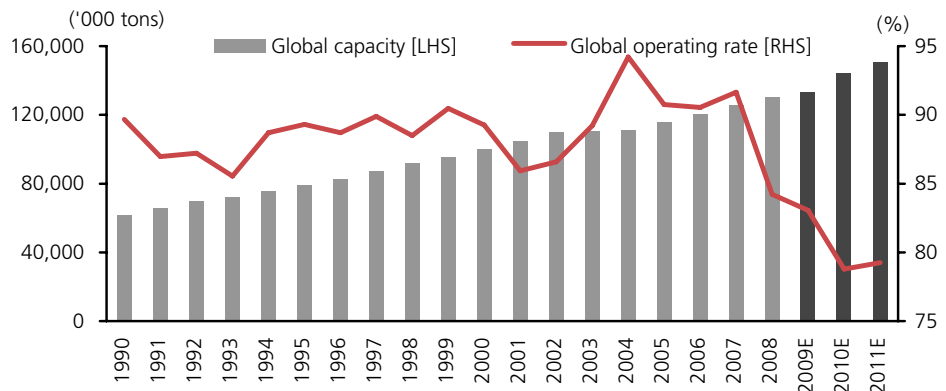
- **Chemicals margins.** Exhibit 1 shows that chemical margins have fallen 14-18% in the past four weeks led by the start of new cost-competitive chemical capacities in the Middle East, particularly in Saudi Arabia—PetroRabigh (1.3 mtpa) and Yansab (1.3 mtpa); SHARQ is expected to commence operations in December 2009.. We expect chemical margins to be weaker in CY2010E/FY2011E yoy given larger supply-demand mismatch. Exhibit 2 shows our projected sharp decline in global capacity utilization rates for ethylene, the main building block of petrochemicals, due to start of several new large ethylene crackers in China, Iran and Saudi Arabia.

Chemical margins have plummeted in the last four weeks Asia chemical margins, calendar year-ending, (US\$/ton)

	Annual average prices					Quarterly average				3Q09 vs 2Q09 (%)	Monthly average				Recent				
	2005	2006	2007	2008	2009	4Q08	1Q09	2Q09	3Q09		Jun	Jul	Aug	Sep	Sep 4	Sep 11	Sep 18	Sep 25	Oct 2
Ethylene chain																			
Ethylene – naphtha	389	549	441	336	262	123	203	232	349	50.3	233	413	312	323	394	342	280	276	190
HDPE – 1.015 x ethylene	147	88	171	258	301	332	302	380	219	(42.3)	286	170	261	227	202	200	236	267	297
LLDPE – 1.015 x ethylene	175	87	185	317	325	433	322	367	286	(22.0)	314	244	332	282	262	255	306	302	362
LDPE – 1.015 x ethylene	243	94	291	422	335	525	308	396	301	(24.1)	338	257	346	299	282	260	321	332	392
HDPE – naphtha	548	655	629	611	574	463	515	624	583	(6.5)	531	598	588	563	612	557	530	556	499
LLDPE – naphtha	577	654	643	670	598	563	535	611	650	6.4	560	672	659	618	672	612	600	591	564
LDPE – naphtha	644	660	749	775	608	656	521	640	664	3.9	584	684	673	636	692	617	615	621	594
Propylene chain																			
Propylene – naphtha	424	509	373	353	327	144	239	327	415	26.8	257	434	438	372	427	382	325	356	304
PP – 1.01 x propylene	154	125	244	265	171	338	176	218	119	(45.3)	209	127	94	136	125	120	171	131	151
PP – naphtha	587	645	628	630	507	488	422	554	544	(1.7)	475	572	543	518	562	512	505	496	464
Styrene chain																			
Benzene – naphtha	339	278	325	153	111	72	(14)	140	206	46.5	135	260	194	163	170	171	165	148	112
Styrene – 0.81 x benzene	131	139	163	131	181	139	212	203	130	(35.9)	165	92	168	129	129	115	129	142	150
– 0.29 x ethylene																			
Polystyrene – 0.98 styrene	125	90	132	161	134	275	140	110	152	38.4	94	135	127	196	188	180	193	223	175
PS – naphtha	670	649	730	571	514	533	427	527	590	12.0	476	594	585	591	609	574	578	603	512
Vinyl chain																			
EDC – (0.3 x ethylene)	99	11	85	35	113	10	22	138	179	29.3	161	173	199	165	188	199	129	144	117
PVC – 1.025 x ethylene	281	249	294	405	279	409	323	250	264	5.6	251	245	258	290	253	247	323	335	378
+ 0.864 x EDC																			
PVC – naphtha	326	250	249	199	257	296	240	235	298	27.0	211	323	274	297	317	287	270	316	289
Polyester/intermediates																			
PSF – 0.85 x PTA – 0.34 x MEG	247	240	324	347	291	380	250	328	296	(9.6)	374	233	212	443	—	—	454	—	—
PFY – 0.85 x PTA – 0.34 x MEG	398	391	541	578	410	524	332	438	459	5.0	509	378	392	608	—	—	619	—	—
PTA – 0.67 x PX	201	124	123	126	166	163	148	151	199	31.4	153	182	206	208	220	199	213	202	222
PX – naphtha	414	572	435	337	456	312	431	534	402	(24.7)	387	460	452	294	335	299	258	283	247
MEG – naphtha	384	270	419	105	67	138	71	37	93	149.1	(38)	105	99	76	84	79	57	85	83
MEG – 0.6 x ethylene	345	174	433	235	116	213	115	105	128	21.5	65	88	169	127	93	126	139	151	203

Source: Platts, Kotak Institutional Equities

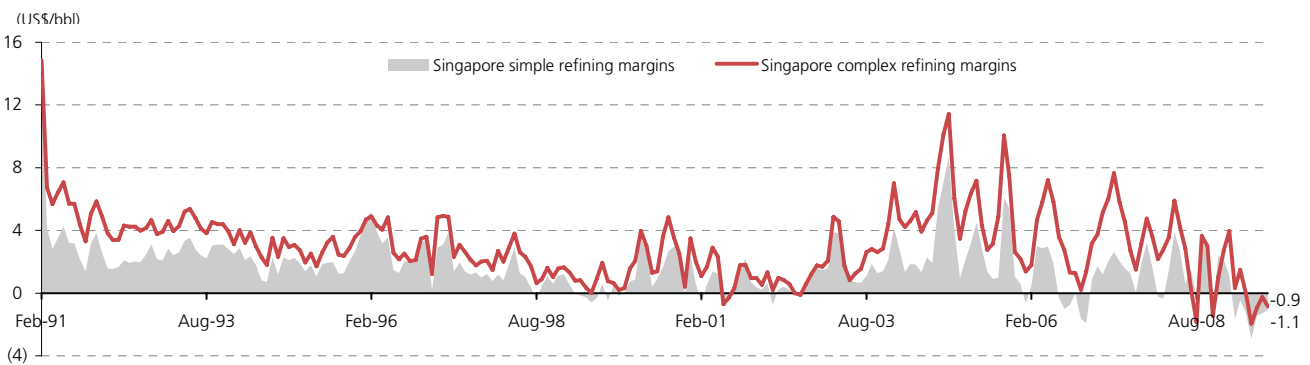
Continued steep decline in operating rates through CY2010E
Ethylene capacity and operating rates, 1990-2011E



Source: CMAI Global, Kotak Institutional Equities estimates

- ▶ **Refining margins.** Exhibit 3 shows that refining margins have fallen by US\$2.5/bbl in the past four weeks led by seasonally weak demand and a ramp-up in production at recently-commissioned refineries in China and India (including RPET). We expect refining margins to remain subdued over the next 12-24 months. We note that global oil demand of 0.7 mn b/d over CY2008-11E will be far lower than (1) our expected increase in refining capacity (4.5 mn b/d in CY2008-11E) and (2) increase in OPEC NGLs supply (1.9 mn b/d in CY2008-11E).

Refining margins have collapsed in the recent weeks
Singapore refining margins (US\$/bbl)



Simple refining margins, March fiscal year-ends (US\$/bbl)										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 YTD
1Q	1.3	0.5	0.3	1.0	1.7	3.0	2.5	2.3	2.4	(1.5)
2Q	2.5	0.4	0.1	1.2	3.1	2.8	(0.7)	1.0	1.7	(1.3)
3Q	1.7	1.1	1.4	1.6	6.5	2.2	(1.2)	2.3	1.3	(1.8)
4Q	0.2	(0.0)	3.0	2.9	2.1	1.1	1.2	0.2	0.7	
Average	1.4	0.5	1.2	1.7	3.3	2.3	0.5	1.5	1.5	(1.4)

Complex refining margins, March fiscal year-ends (US\$/bbl)										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 YTD
1Q	1.9	1.3	0.8	1.2	4.6	4.9	6.2	6.6	4.3	(0.1)
2Q	4.0	0.6	0.1	2.3	5.8	6.1	2.5	2.9	0.7	(0.7)
3Q	2.3	1.2	1.6	3.2	9.0	3.9	1.0	3.9	1.0	(2.1)
4Q	1.6	0.6	3.7	5.4	5.0	2.8	4.1	2.8	2.4	
Average	2.4	0.9	1.5	3.1	6.1	4.4	3.4	4.0	2.1	(0.5)

Weekly margins				
Current	-1 Wk	-2 Wk	-3 Wk	-4 Wk
(1.8)	(1.7)	(1.5)	(1.1)	0.0

Weekly margins				
Current	-1 Wk	-2 Wk	-3 Wk	-4 Wk
(2.1)	(1.7)	(1.3)	(0.9)	0.5

Source: Bloomberg, Kotak Institutional Equities

- ▶ **E&P.** We see limited scope of earnings upgrades in RIL's E&P segment. We model gas production of 45 mcm/d, 80 mcm/d and 88 mcm/d in FY2010E, FY2011E and FY2012E against a theoretical maximum of 88-90 mcm/d from RIL's KG D-6 gas block. We note that current gas production is about 37 mcm/d and 1QFY10 production, the first quarter of gas production, was 19 mcm/d. For gas from KG D-6 block, we assume US\$4.2/mn BTU, the government-fixed price, for all the three years.

Fine-tuned earnings model to factor in full merger

We have fine-tuned our earnings estimates of FY2010E, FY2011E and FY2012E to Rs104, Rs151 and Rs192, respectively, from Rs109, Rs158 and Rs199 previously (consolidated with RPET). We use 1.64 bn shares for computation of EPS (including 184 mn treasury shares). The reduced estimates reflect our revised assumption of a stronger rupee versus our previous assumptions. We discuss our key assumptions below.

- ▶ **Chemical segment.** Exhibit 4 gives our assumptions of key chemical prices and margins for RIL.

Key chemical prices and margins assumptions, March fiscal year-ends, 2004-12E

	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
Chemical prices									
LDPE	740	1,150	1,130	1,360	1,600	1,400	1,150	1,175	1,275
LLDPE	700	990	1,125	1,350	1,575	1,330	1,060	1,075	1,175
HDPE	700	970	1,100	1,340	1,500	1,275	1,060	1,075	1,175
Polypropylene	750	1,000	1,170	1,350	1,470	1,300	1,000	1,025	1,125
PVC	680	910	825	890	1,100	925	725	775	875
PFY	1,210	1,300	1,350	1,400	1,550	1,485	1,225	1,300	1,325
PSF	1,050	1,175	1,265	1,360	1,475	1,320	1,150	1,225	1,250
Paraxylene	585	780	900	1,225	1,200	1,085	975	1,000	900
Chemical margins									
LLDPE—naphtha	450	600	655	820	850	655	600	500	575
HDPE—naphtha	450	580	630	810	775	600	600	500	575
PP—naphtha	500	610	700	820	745	625	540	450	525
PVC—1.025 x (0.235 x ethylene + 0.864 x	258	218	264	247	396	401	259	371	471
POY—naphtha	960	910	880	870	825	810	765	725	725
PSF—naphtha	800	785	795	830	750	645	690	650	650
PX—naphtha	335	390	430	695	475	410	515	425	300
POY—0.85 x PTA—0.34 x MEG	462	334	353	329	364	496	367	425	450
PSF—0.85 x PTA—0.34 x MEG	302	209	268	289	289	331	292	350	375
PTA—0.67 x PX	208	237	222	89	121	133	97	80	147

Source: Company, Kotak Institutional Equities estimates

- ▶ **Refining segment.** We assume blended refining margin for RIL's refineries at US\$7.8/bbl in FY2010E, US\$9.8/bbl in FY2011E and US\$10.4/bbl in FY2012E. Exhibit 5 gives our major assumptions for the refinery segment of RIL. We assume RIL will use natural gas to run its two refineries, which would enhance its refining margins by about US\$2/bbl in FY2011E and FY2012E.

Major assumptions of refinery division, March fiscal year-ends, 2004-2012E (US\$/bbl)

	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
Rupee-dollar exchange rate	46.0	45.0	44.3	45.3	40.3	45.8	47.3	46.0	46.0
Blended net refining margin (US\$/bbl)						11.5	7.8	9.8	10.4
RIL refinery									
Import tariff on crude (%)	10.0	10.2	5.1	5.1	1.4	1.1	0.7	0.7	0.7
Refinery yield (per bbl of crude throughput)	35.5	46.2	61.9	75.3	97.4	104.6	63.9	67.1	67.9
Cost of inputs (per bbl of crude throughput)	27.8	34.3	49.5	63.5	82.4	92.4	55.4	56.6	56.7
Landed cost of inputs	30.5	37.8	52.1	66.7	83.5	93.4	55.8	57.0	57.1
Net refining margin	5.0	8.4	9.8	11.8	15.0	12.2	8.5	10.6	11.1
Crude throughput (mn tons)	29.6	31.5	30.5	31.8	31.8	32.0	32.0	32.0	32.0
Fuel and loss-own fuel used (%)	7.6	7.6	7.6	8.0	8.0	8.0	6.0	2.6	2.6
Fuel & loss equivalent-gas used (%)						—	2.0	5.4	5.4
Cost of natural gas used (US\$/mn BTU)						1.1	5.2	5.2	5.2
Domestic sales of gasoline and diesel (mn tons)	5.7	4.0	3.7	2.4	1.3	—	3.3	3.5	3.5
Exports of gasoline and diesel (mn tons)	7.6	10.2	10.0	12.3	14.1	16.6	13.3	13.7	13.7
Marketing volumes of auto fuels (mn tons)		0.8	3.3	1.9	0.8	—	3.3	3.5	3.5
Marketing margin of auto fuels (Rs/ton)		1,647	700	(1,190)	(1,633)		1,515	1,529	1,529
RPET refinery									
Refinery yield (US\$/bbl)						47.9	55.9	59.1	59.8
Cost of crude (US\$/bbl)						42.2	49.1	50.1	50.1
Landed cost of crude (US\$/bbl)						42.2	49.1	50.1	50.1
Net refining margin (US\$/bbl)						5.7	6.9	9.0	9.7
Crude throughput (mn tons)						3.6	23.0	29.0	29.0
Fuel and loss (mn tons)						0.3	1.4	0.8	0.8
Production of main products (mn tons)						3.3	21.6	28.2	28.2
Fuel and loss-own fuel used (%)						8.0	6.0	2.6	2.6
Fuel & loss equivalent-gas used (%)						—	2.0	5.4	5.4
Cost of natural gas (US\$/mn BTU)						5.3	5.3	5.3	5.3

Note:

(a) Refining margins do not include sales tax incentives.

Source: Company, Kotak Institutional Equities estimates

- ▶ **E&P segment.** We model a selling price of US\$4.2/mn BTU for KG D-6 gas in FY2010-12E and assume that RIL will sell gas to NTPC (12 mcm/d) and RNRL (28 mcm/d) at the lower price of US\$2.34/mn BTU from FY2013E for 17 years. We model gas production at KG D-6 at 45 mcm/d for FY2010E, 80 mcm/d for FY2011E and 88 mcm/d for FY2012E.
- ▶ **Forex rate.** We assume a rupee-US dollar exchange rate at Rs47.25/US\$ for FY2010E, Rs46/US\$ for FY2011E and Rs46/US\$ for FY2012E versus Rs48/US\$ for FY2010E, Rs47.75/US\$ for FY2011E and Rs47.5/US\$ for FY2012E previously.

SOTP valuation at Rs1,750 including option value of prospective blocks

Exhibit 6 is our SOTP-based fair valuation of RIL stock. Exhibits 7 and 8 give our reverse valuation exercise for RIL stock. We compute the implied value of new E&P discoveries at US\$19 bn. This would translate into 50 tcf of additional gas reserves. We note that we have already included 27.1 tcf of net recoverable gas reserves of D3, D4 and D9 in our reverse value exercise.

SOTP valuation of Reliance is Rs1,750 per share on FY2011E estimates

Sum-of-the-parts valuation of Reliance Industries, FY2011E basis (Rs)

	Valuation base (Rs bn)		Multiple (X)		EV (Rs bn)	Valuation (Rs/share)
	Other	EBITDA	Multiple	EV/EBITDA		
Chemicals		75		7.0	523	359
Refining & Marketing		150		7.0	1,048	719
Oil and gas—producing		27		5.0	133	91
Gas—developing (DCF-based) (a)	677	—	100%	—	677	464
Oil—KG-DWN-98/3 (b)	86	—	100%	—	86	59
Investments	27	—	100%	—	27	19
Loans & advances to affiliates less accounts payables to affiliates	83	—	100%	—	83	57
Retailing	60	—	80%	—	48	33
SEZ development	62	—	80%	—	50	34
Total enterprise value					2,676	1,835
Net debt					133	91
Implied equity value					2,543	1,744

Note:

(a) We value the KG D-6, NEC-25, KG D-3, KG D-9 and MN D-4 gas discoveries on DCF and CBM discoveries based on KG D-6's valuation.

(b) 180 mn bbls of recoverable reserves based on gross OOIP of 0.5 bn bbls.

(c) Net debt is for 'merged' entity.

(d) We use 1.458 bn shares post merger of RPET with RIL (excluding treasury shares) for per share computations.

Source: Kotak Institutional Equities estimates

RIL stock price is implying US\$19 bn of new discoveries of hydrocarbons in the future

Estimation of implied valuation of new businesses of Reliance Industries (US\$ bn)

		Comments
1. Valuation of extant businesses		Chemicals, RIL refinery, extant oil and gas
FY2009 EPS of Reliance (standalone) (Rs)	101	FY2009 EPS
FY2009 EPS adjusted for treasury shares (Rs)	109	Adjusted for 184 mn treasury shares and shares issued on merger of RPET
Effective tax rate in FY2009 (%)	16.5	
FY2009 EPS adjusted for tax rate	86	Normalized for 34% tax rate for extant earnings
Appropriate P/E multiple (X)	7	Reasonable given near peak-cycle margins, earnings in FY2009 and cost of equity of 12.5%
Valuation of extant businesses excluding RPET (Rs)	602	
Valuation of extant businesses excluding RPET	19	Reasonable in the context of replacement value, returns
FY2011E earnings of RPET (US\$ bn)	1	
FY2011E EPS of RPET (Rs)	28	
Appropriate P/E multiple (X)	9	
Valuation of RPET refinery (Rs)	248	
Valuation of extant businesses (including RPET) (Rs)	850	
Valuation of extant businesses	27	
2. Valuation of investments		Others (without Reliance Retail)
Other investments (Rs)	23	
Valuation of RIL ex-new E&P, retailing, SEZs (Rs)	873	
Current stock price	2,120	
3. Valuation of new businesses		Emerging E&P business, retailing, SEZs
Market-ascribed value of new businesses	1,247	
Market-ascribed value of new businesses (US\$ bn)	39	
Estimated valuation of retailing (US\$ bn)	1.0	Valued at 0.8X of amount invested (Rs60 bn) at end-FY2009E
Estimated valuation of SEZs (US\$ bn)	1.1	Value will take time to emerge
Market-ascribed value of emerging E&P business	37	Seems high based on official reserves, announced discoveries
Estimated value of Reliance's stake in KG D-6 (gas)	8.4	Based on gas production of 18.3 tcf, US\$8.8 bn capex and sale of 40 mcm/d of gas to RNRL and NTPC at US\$2.34/mn BTU
Estimated value of Reliance's stake in KG D-6 (oil)	1.8	0.5 bn bbls of OOIP assumed versus current announced reserves of 180 mn bbls
Estimated value of Reliance's stakes in NEC-25	2.7	Based on 5.3 tcf of production, US\$1.5 bn capex, US\$4.5/mn BTU
Estimated value of Reliance's stakes in KG D-3	0.9	Based on 9.6 tcf of production, US\$4.7 bn capex, US\$4.5/mn BTU
Estimated value of Reliance's stakes in MN D-4	1.0	Based on 10.2 tcf of production, US\$4.9 bn capex, US\$4.5/mn BTU
Estimated value of Reliance's stakes in KG D-9	1.4	Based on 10.9 tcf of production, US\$4.9 bn capex, US\$4.5/mn BTU
Estimated value of Reliance's stakes in CBM	1.6	Based on 2.8 tcf of production
Implied value of new discoveries	19	

Source: Kotak Institutional Equities estimates

Reliance's current stock price is implying additional recoverable reserves of ~50 tcf of gas today

		Comments
DCF valuation of KG D-6 block, gas for D1 & D3 fields	10.4	15.4 tcf of net recoverable gas reserves
Valuation of KG D-6 block, oil for MA-1 field	1.8	450 mn bbls of net proved oil reserves at EV/bbl of US\$10
Valuation of Reliance's stakes in NEC-25	2.7	4.6 tcf of net recoverable gas reserves
Valuation of Reliance's stakes in KG D-3, MN D-4 and KG D-9	3.2	27.1 tcf of net recoverable gas reserves
Valuation of Reliance's stakes in CBM blocks	1.6	2.8 tcf of net recoverable gas reserves
Total valuation of extant announced reserves	20	
Total recoverable reserves (tcf)	51	
Implied valuation of new E&P discoveries	19	
Implied additional recoverable reserves in stock price (tcf)	50	This is what Reliance needs to announce today
# of years from discovery to production	6	KG D-6 first gas discovered in Oct-02, production in 2HFY09
Cost of capital (%)	12	
Additional gas reserves required to be added in six years (tcf)	99	This is what Reliance needs to bring in production in six years

Note:

(a) The above exercise assumes that all future gas and oil discovery would have similar PSC terms as the KG D-6 block.

Source: Kotak Institutional Equities estimates

Reliance's earnings have high leverage to refining margins

Sensitivity of RIL's earnings (merged) to key variables

	Fiscal 2010E			Fiscal 2011E			Fiscal 2012E		
	Downside	Base case	Upside	Downside	Base case	Upside	Downside	Base case	Upside
Rupee-dollar exchange rate									
Rupee-dollar exchange rate	46.3	47.3	48.3	45.0	46.0	47.0	45.0	46.0	47.0
Net profits (Rs mn)	165,019	171,214	177,408	239,362	247,461	255,559	306,190	315,364	324,539
EPS (Rs)	100.5	104.2	108.0	145.7	150.7	155.6	186.4	192.0	197.6
% upside/(downside)	(3.6)		3.6	(3.3)		3.3	(2.9)		2.9
Chemical prices									
Change in prices (%)	(5.0)		5.0	(5.0)		5.0	(5.0)		5.0
Net profits (Rs mn)	166,344	171,214	176,084	243,434	247,461	251,488	311,044	315,364	319,684
EPS (Rs)	101.3	104.2	107.2	148.2	150.7	153.1	189.4	192.0	194.6
% upside/(downside)	(2.8)		2.8	(1.6)		1.6	(1.4)		1.4
Blended refining margins (US\$/bbl)									
Margins (US\$/bbl)	6.8	7.8	8.8	8.8	9.8	10.8	9.4	10.4	11.4
Net profits (Rs mn)	155,922	171,214	186,493	230,592	247,461	264,324	298,523	315,364	332,202
EPS (Rs)	94.9	104.2	113.5	140.4	150.7	160.9	181.7	192.0	202.2
% upside/(downside)	(8.9)		8.9	(6.8)		6.8	(5.3)		5.3

Source: Kotak Institutional Equities estimates

RIL merged with RPL: Profit model, balance sheet, cash model, March fiscal year-ends, 2004-2012E (Rs mn)

	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E
Profit model (Rs mn)									
Net sales	510,715	656,223	809,113	1,114,927	1,334,430	1,499,690	1,641,542	1,868,791	1,975,191
EBITDA	91,148	123,820	139,991	198,462	233,056	236,220	314,530	404,744	481,110
Other income	11,381	14,498	6,829	4,783	8,953	20,570	29,364	27,912	37,833
Interest	(14,347)	(14,687)	(8,770)	(11,889)	(10,774)	(17,450)	(43,849)	(30,001)	(16,554)
Depreciation & depletion	(32,470)	(37,235)	(34,009)	(48,152)	(48,471)	(51,720)	(91,718)	(100,753)	(112,030)
Pretax profits	55,711	86,397	104,041	143,205	182,764	187,620	208,327	301,901	390,359
Extraordinary items	7,300	4,290	3,000	2,000	47,335	(3,700)	—	—	—
Tax	(3,510)	(7,050)	(9,307)	(16,574)	(26,520)	(21,290)	(29,438)	(59,626)	(85,359)
Deferred taxation	(7,900)	(7,920)	(7,040)	(9,196)	(8,999)	(9,000)	(7,675)	5,185	10,364
Minority interest	—	—	—	—	—	—	—	—	—
Net profits	51,601	75,717	90,693	119,434	194,580	153,630	171,214	247,461	315,364
Adjusted net profits	45,623	72,135	88,152	117,789	152,605	156,721	171,214	247,461	315,364
Earnings per share (Rs)	33	52	63	81	105	101	104	151	192
Balance sheet (Rs mn)									
Total equity	344,525	404,033	430,543	673,037	847,853	1,165,258	1,330,513	1,533,315	1,788,174
Deferred taxation liability	34,748	42,668	49,708	69,820	78,725	87,725	95,401	90,215	79,851
Minority interest	—	—	—	33,622	33,622	—	—	—	—
Total borrowings	209,447	187,846	218,656	332,927	493,072	710,346	489,502	357,878	222,056
Current liabilities	122,855	171,315	164,545	192,305	251,427	301,513	237,495	248,482	249,753
Total liabilities and equity	711,574	805,863	863,452	1,301,712	1,704,700	2,264,841	2,152,912	2,229,890	2,339,834
Cash	2,242	36,087	21,461	18,449	42,822	257,951	155,827	225,146	354,389
Current assets	218,159	248,438	224,283	286,566	402,721	483,779	495,357	523,332	531,129
Total fixed assets	351,460	350,823	626,745	899,403	1,081,638	1,333,592	1,312,208	1,291,893	1,264,797
Investments	139,714	170,515	(9,038)	97,294	177,519	189,519	189,519	189,519	189,519
Deferred expenditure	—	—	—	—	—	—	—	—	—
Total assets	711,574	805,863	863,452	1,301,712	1,704,700	2,264,841	2,152,912	2,229,890	2,339,834
Free cash flow (Rs mn)									
Operating cash flow, excl. working capital	83,301	107,002	119,520	164,285	180,718	168,460	233,589	309,617	372,605
Working capital	20,265	46,875	(32,188)	(13,075)	(31,071)	(30,973)	(75,595)	(16,988)	(6,527)
Capital expenditure	(43,191)	(52,440)	(94,273)	(247,274)	(239,691)	(238,171)	(74,636)	(73,025)	(82,167)
Investments	(68,430)	(48,192)	(32,364)	(105,760)	(78,953)	(12,000)	—	—	—
Other income	5,902	3,032	5,159	4,143	6,132	20,570	29,364	27,912	37,833
Free cash flow	(2,153)	56,276	(34,146)	(197,681)	(162,865)	(92,114)	112,722	247,516	321,744
Ratios (%)									
Debt/equity	55.2	42.1	45.5	44.8	53.2	56.7	34.3	22.0	11.9
Net debt/equity	54.6	34.0	41.1	42.3	48.6	36.1	23.4	8.2	(7.1)
RoAE	12.7	17.6	19.9	20.3	18.9	14.8	13.1	16.6	18.4
RoACE	9.7	13.0	13.8	13.9	12.7	9.8	10.4	13.6	15.7

Source: Company, Kotak Institutional Equities estimates

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New launches in NCR raise competitive pitch. We visited two micro markets in NCR (Noida, Gurgaon) and observed high competitive intensity with a large number of new launches in FY2010E. We believe prices are not likely to increase sharply in the NCR market in the near term considering the large supply of finished inventory and new launches. Developers have been able to attract good demand for new projects which have been priced 30-35% down from their mid-2007 peak levels.

Large number of new launches; bigger land banks

We visited two residential micro markets in NCR (Gurgaon and Noida) to understand the pricing scenario and pace of construction. NCR market is amongst the two largest real estate markets in India with potential launched supply of 337 mn sq. ft across 394 projects in Gurgaon/Noida/Greater Noida/Faridabad/Sonipat/Ghaziabad as per PropEquity (Exhibit 1). Developers have launched 29 projects with 17.8 mn sq. ft in Gurgaon and 16 projects with 17.2 mn sq. ft in Noida in CYTD2009. These projects do not include the many re-launches which have also taken place. Exhibit 2,3 summarizes the new launches in Gurgaon and Noida. Some of the key highlights of the new launches are below.

- ▶ Gurgaon has seen a large pickup in new launches—six in Sept 2009, four in Aug 2009 and six in July 2009. Similarly, there have been a large number of new launches in Noida— four in Sept 2009, two in Aug 2009 and two in July 2009.
- ▶ Jaypee launched Kosmos in Sec 134, Noida which was very successful as it was priced at sub Rs3,000/sq. ft when the average prices in the region were above Rs4,000/sq. ft. We expect Jaypee to continue to launch new projects in that region since it has 1,250 acres on the expressway.
- ▶ A number of these new projects are on large land banks and hence future phases shall likely come in the future. Exhibit 4 shows that for a large proportion of projects launched portion is around 40%.

Launches across price range by various developers: Discounts bring in the buyers

We have seen a demand pickup in the first half of FY2010E on account of price cuts by developers for existing projects and new launches at discounted prices.

- ▶ New launches in NCR are happening at different price points catering to different buyer segments. IREO has launched Grand Arch at Rs4,500/sq. ft in September 2009 and has been able to establish a premium image. Pricing differs from location to location in Gurgaon with prices of Rs1,130/sq. ft in Dharuhera to Rs5,000 in Sec 65.
- ▶ In Noida, Jaypee has initiated the pricing cuts and also has the highest market share in residential supply. Other key players in the region are Unitech, 3C Group and Amrapali. We see lesser variance in prices across Noida compared to the Gurgaon market.

Currently we see competition increasing meaningfully with, (1) new players able to establish premium image (IREO), (2) real estate PE funds launching projects (IREO, Millennium Spire), (3) successful large project launches by relatively new entrants in residential real estate (Jaypee, BPTP, Raheja Developers), and (4) new players entering the real estate space (Indiabulls, Gardenia, Pioneer Urban etc.)

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Construction activity does not correspond with the pace of launches

We observe large delays in residential projects in Gurgaon in existing projects and construction activity pickup has been slow, in our view. We believe projects generally get delayed on account of these two main reasons

- ◆ Developer collects a large portion of total cost upfront and uses a part of these cash flows to invest in a larger projects. Till a year ago, most customer payments were time-linked and not construction-linked. In such a scenario, a delay in the other projects can lead to a shortage of funds for completing the existing project.
- ◆ A large portion of the project is sold to intermediaries rather than actual end-users at a small-upfront deposit. In such a scenario, intermediaries are not in a position to give further installments and projects do not even begin construction.

We observed that most Unitech projects have been delayed by a couple of years in Gurgaon. Many of these projects are currently seeing customer activism. Construction activity has picked up recently but remains at slow pace. We observe that construction activity has not started for any project (including launches by Unitech) launched in the past six months. Unitech has launched 3 projects in Gurgaon and 2 projects in Noida but currently construction activity has not started in any of these newly launched projects.

Supply from projects nearing completion/new launches limit price increase

We believe the large quantum of supply in the NCR residential market will likely prevent prices from moving up in the near term. We highlight in Exhibit 4 that there are a lot of existing projects in NCR where the developer shall launch more phases in the future. As per PropEquity, we can expect an additional 10,000 units in the existing projects in Gurgaon and 6,000 units in Noida. With such large supply expected in the markets supplemented with new launches by different developers, prices are unlikely to move up sharply. Also, in addition to that, a number of projects will get completed (Exhibit 5) in the next 6-12 months adding to the supply of ready to occupy flats.

With heavy competition, we observed most new projects using lower pricing to attract customers. In Noida, Jaypee launching at sub-Rs3,000 level has put a pricing cap on most projects in Noida. In Gurgaon, we found new project launches at a 10-15% discount to launches in the previous six months, indicating that pricing stability has still not been achieved.

Selling projects in NCR market—unique methodology

Most projects in NCR market are currently being sold through the following process.

- ▶ Brokers approach developers or vice versa for feedback on launching a project in a particular area.
- ▶ Pre-pre-launch through soft mailers and agents/brokers to determine the 'right' pricing for the project.
- ▶ Pre-launch of the project which would mean an "official" launch of the project. In most cases, developers apply for final regulatory approvals at this stage.
- ▶ The actual launch of the project would mean start of the construction for the project which would begin only after all regulatory approvals are in place. Developers tend to go in for an actual launch only after they have been able to sell a significant portion of their inventory, sufficient to fund construction and approvals as well.

DLF and Unitech look expensive on all possible parameters

- ▶ **NAV.** DLF is quoting at 30%+ premium to NAV (Rs320/share) while Unitech is quoting at 60%+ premium (Rs60/share).
- ▶ **P/B.** Despite RoEs in the region of 10%, DLF is quoting at 2.4X FY2011E book value of Rs170 and Unitech is quoting at 2X FY2011E book value of Rs48 with a RoE of 10.1%.
- ▶ **P/E.** DLF is quoting at FY2011E P/E of 23X while Unitech is quoting at FY2011E P/E of 21X.

We have a SELL rating on DLF with target price of Rs320 and SELL rating on Unitech with target price of Rs60/share.

337 mn sq. ft of supply in NCR market

Market size of different micro markets in NCR

Location	Area	
	(mn sq. ft)	Projects
Ghaziabad	64.3	99
Gurgaon	129.8	144
Noida	40.4	39
Greater Noida	25.0	32
Sonepat	13.3	14
Faridabad	64.5	66
Total	337.3	394

Source: PropEquity, Kotak Institutional Equities

New launches in Gurgaon

Project details

Developer	Project Name	Location	Launch	Total Units	Project size	Price
					(sq. ft)	(Rs/sq. ft)
Gurgaon						
Falcon Builders	Gulmohar woods	Dharuhera	Jan-09	5,000	4,025,000	1,527
Pioneer Urban land	Pioneer Park	Sec 61	Jan-09	884	1,657,000	2,761
M2K	Spring Floors	Sec 50	Jan-09	100	155,000	2,805
M2K	Freedom Apartments	Dharuhera	Feb-09	300	171,000	1,487
Nineex Developers	Ninex Corona	Sec 37	Feb-09	350	651,000	1,800
IBREL	Centrum Park	Sec 103	Mar-09	200	300,000	2,400
Vatika	Iris,Emillia and Primrose Floors	Sec 82	Mar-09	1,600	1,836,800	2,977
Dwarkadhis Buildwell	Dwarkadhis City	Dharuhera	Apr-09	300	520,000	1,130
Mariners Buildcon	Neptunes Haven	Sec 67	Apr-09	200	350,000	2,425
Unitech	The Residences	Sec 33	Apr-09	1,344	1,600,000	3,507
Ramprastha Builders	The Views	Sec 37	May-09	273	400,000	2,558
Emaar MGF	Emerald Hills-Villas	Sec 65	Jun-09	12	82,000	5,140
Pareena Infrastructure	Bellevue Floors	Ardee City	Jul-09	36	55,000	3,600
Pal Infrastructure	Neillia Elite	Sec 95	Jul-09	450	630,000	1,790
Pal Infrastructure	Neillia Floors	Sec 95	Jul-09	56	74,000	1,605
Roots Developer	The Courtyard	Sec 48	Jul-09	150	250,000	3,235
Unitech	Sunbreeze	Sec 69	Jul-09	1,400	2,200,000	2,720
Emaar MGF	Emerald Estate	Sec 65	Aug-09	440	515,000	3,199
Radiant Buildwell	Pragati Heights	Sec 70A	Aug-09	180	285,000	2,300
Sare Group	Royal Greens-Crescent Parc	Sec 92	Aug-09	360	378,000	1,397
Millenium Spire	Spire South	Sec 68	Aug-09	400	485,000	2,340
Emaar MGF	Emerald Floors-Premier	Sec 65	Sep-09	108	195,000	3,599
Ireo	Grand Arch	Golf Course Rd	Sep-09	250	545,000	4,750
Orchid Infrastructure	Orchid Island(Mayfield Gardens)	Sec 51	Sep-09	198	341,500	3,499
Rahejas Developers	Shilas-Apartments	Sec 109	Sep-09	200	260,000	2,575
Rahejas Developers	Shilas-Floors	Sec 109	Sep-09	60	175,000	2,575
Unitech	Vistas	Sec 70A	Sep-09	100	155,000	2,764
Millenium Spire	Spire Central	Sec 106	Oct-09	400	485,000	2,160
Tulip Infrastructure	Tulip White	Sec 69	Oct-09	200	265,000	2,400
				15,551	19,041,300	2,656

Source: PropEquity, Kotak Institutional Equities

New launches in Noida

Project details

Developer	Project Name	Location	Launch	Total Units	Project size	Price
					(sq. ft)	(Rs/sq. ft)
Noida						
Amrapali Group	Eden Park	Sec 50	Feb-09	300	540,000	3,700
Antriksh Engineers and Builders	Antriksh IT Residency	Sec 106	Mar-09	400	520,000	2,200
Divine India Infrastructure	Divine Meadows	Sec 108	Mar-09	408	538,000	3,300
Mahagun	Maple	Sec 50	Mar-09	240	537,000	3,750
Prateek Buildtech	Prateek Fedora	Sec 61	Mar-09	250	418,000	3,500
Supertech Ltd	Apex	Sec 93A	May-09	336	420,000	3,400
Unitech	Unihomes	Sec 117	Jun-09	1,900	1,490,000	2,960
Jaypee	Kosmos	Sec 134	Jul-09	5,700	5,928,000	2,975
3C Group	Lotus Boulevard	Sec 100	Jul-09	1,680	2,256,000	2,925
Gardenia India	Glory	Sec 46	Aug-09	400	780,000	2,850
Unitech	Uniworld Gardens	Sec 117	Aug-09	300	362,000	3,095
Jaypee	Kosmos Heights	Sec 134	Sep-09	304	520,000	2,975
3C Group	Lotus Boulevard Espacia	Sec 100	Sep-09	138	310,000	3,050
TGB Group	Meghdutam	Sec 50	Sep-09	155	410,000	4,750
Amrapali Group	Pan Oasis	Sec 70	Sep-09	1,100	1,485,000	3,300
Ajnara Farms	Homes 121	Sec 121	Oct-09	570	730,000	2,430
				14,181	17,244,000	3,198

Source: PropEquity, Kotak Institutional Equities

More than 10,000 units in Gurgaon and 6,000 units in Noida yet to come into market

Project details

Developer	Project Name	Project size (sq. ft)	Prices (Rs/sq. ft)	Units	
				Launched	Total
Gurgaon					
Trehan Home Developers	Apna Ghar	220,000	1,425	200	900
Indiabulls Real estate	Centrum Park	300,000	2,400	200	750
Ansal Buildwell	Florence Abode	270,000	5,895	384	800
Ireo	Grand Arch	545,000	4,750	250	840
Parkwood developers	Meadows Green	230,000	2,975	120	400
Nineex Developers	Ninex Corona	651,000	1,800	350	650
Orchid Infrastructure	Orchid Island (Mayfield Gardens)	341,500	3,499	198	1200
Pioneer Urban Land	Pioneer Park	1,657,000	2,761	884	2284
Millenium Spire	Spire Central	485,000	2,160	400	1200
Millenium Spire	Spire South	485,000	2,340	400	2000
Raheja Developers	Vedaanta	824,000	2,900	429	550
Vatika	City Homes (India Next)	733,000	2,762	556	1000
Unitech	Karma Lake	340,000	13,950	54	246
Unitech	Sunbreeze	550,000	2,739	350	1400
unitech	Vistas	155,000	2,764	100	600
				4,875	14,820
Noida					
Supertech Ltd	34 Pavilion	300,000	4,000	210	396
Assotech Ltd	Celeste Towers	222,000	8,500	68	120
Gardenia India	Glory	780,000	2,850	400	1,600
Gaursons India	Grandeur	837,000	3,300	450	600
Ajnara Farms	Homes 121	730,000	2,430	570	1,600
3C Group	Lotus Boulevard	2,256,000	2,925	1,680	4,000
3C Group	Lotus Boulevard Espacia	310,000	3,050	138	138
Amrapali Group	Pan Oasis	1,485,000	3,300	1,100	2,200
				4,616	10,654

Source: PropEquity, Kotak Institutional Equities

Projects nearing completion in NCR

Project details

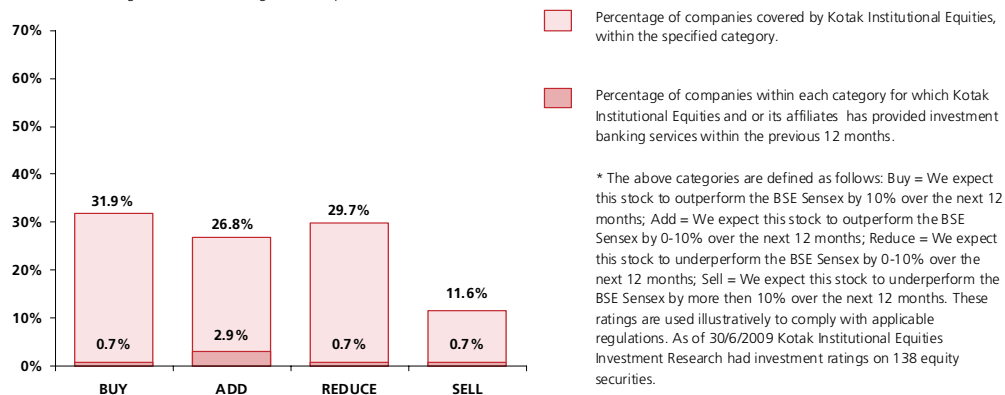
Developer	Project Name	Location	Total Units	Project size (Rs/sq. ft)	Prices (Rs/sq. ft)	Completion
Noida						
Supertech Ltd	Bluestone	Sec 93A	80	257,000	3,700	Oct-09
Antriksh Engineers	Antriksh Green	Sec 50	140	363,000	4,790	Dec-09
Omaxe	Grand Woods	Sec 93B	1,243	1,895,000	4,200	Dec-09
Antriksh Engineers	Antriksh Green	Sec 52	164	310,000	4,800	Dec-10
Omaxe	Grand Woods	Sec 93B	156	858,000	5,650	Dec-10
Omaxe	Twin Tower	Sec 50	142	450,000	5,500	Dec-10
Gurgaon						
Ansal Buildwell	Royale Residency	Sushant Lok II	100	123,000	3,574	Sep-09
BPTP	Freedom Park Life	Sec 57	573	1,155,000	3,350	Nov-09
Bestech Group	Park View Residency	Sec 3	680	874,000	3,400	Dec-09
JMD Builders	JMD Garden	Sohna Road	508	1,000,000	3,375	Dec-09
Landmark Group	Golden Heights	Dharuhera	600	1,000,000	1,445	Dec-09
Eros Group	Grand Mansion	Sec 49	130	806,000	7,241	Jan-10
Clarion Properties	Legend-Villas	Sec 57	32	180,000	6,100	Jan-10
M2K	White House	Sec 57	170	328,000	4,000	Jan-10
Unitech	Karma Lake	Sec 78	54	340,000	13,950	Jan-10
Ansal Buildwell	Florence Abode	Sushant Lok III	48	270,000	5,895	Mar-10
Emaar MGF	The Palm Springs	Sec 54	230	840,000	7,200	Mar-10
AEZ Group	Aloha	Sec 57	183	510,000	4,285	Apr-10
Clarion Properties	Legend	Sec 57	450	1,170,000	4,000	Apr-10
Unitech	World Spa	NH8 (Iffco chowk)	500	2,525,000	7,000	Apr-10
Orchid Infrastructures	Orchid Petals-Villas	Sohna Road	32	144,000	5,500	May-10
Unitech	Fresco-Nirvana Country	South City II	798	1,282,000	4,700	Jul-10
Vatika	Vatika City	Sohna Road	1,400	3,080,000	3,850	Jul-10
Vipul	Vipul Gardens	Dharuhera	580	1,060,000	2,300	Jul-10
SS Group	Radiance Residency	Sohna Road	256	372,000	3,262	Aug-10
Pareena Infrastructure	Bellevue Floors	Ardee City	36	55,000	3,600	Sep-10
Falcon Builders	Mughal Ranches - Apts	Dharuhera	200	200,000	2,483	Sep-10
Emaar MGF	Palm Drive-Villas	Sec 66	24	110,000	7,797	Sep-10
DLF	The Belaire	DLF Phase V	564	1,940,000	7,375	Sep-10
Ardee Infrastructure	Palm Grove Heights	Ardee City	540	1,269,000	4,000	Oct-10

Source: PropEquity, Kotak Institutional Equities

"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: Sanjeev Prasad, Puneet Jain."

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of June 30, 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.

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

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

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

Other definitions

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