kotak® Institutional Equities

INDIA DAILY

July 6, 2010

Contents

New releases

News Round-up

- India's Communications Minister, A Raja wants free spectrum for BSNL, MTNL (MTNL IN). *(BSTD)*
- GTL Infrastructure (GTLI IN) may give new shares worth as much as USD 3bn, more than triple its market value, to Reliance Comm. (RCOM IN) in exchange for the company's mobile-phone towers. *(ECNT)*
- M&M (MM IN) plans to setup a 250 acre special economic zone (SEZ) catering to aerospace sector near Bangalore International Airport. *(ECNT)*
- Escorts Ltd (ESC IN) has bagged an order worth USD 39 mn to supply 1,430 units of its premium range of Farmtrac tractors to Tanzania. *(BSTD)*
- Havells (HAVL IN) would relaunch 'Sylvania' brand in India, 17 years after it was discontinued, after investing USD 25 mn in marketing and network expansion this year. *(BSTD)*
- Fortis (FORH IN) revokes 10% of pledged shares. Reduces stake in Fortis Healthcare Ltd to 31%. *(BSTD)*
- Orchid Chemicals & Pharmaceuticals Ltd (OCP IN) has received the tentative approval from the USFDA for its Abbreviated New Drug Application for its generic drug Gemifloxacin Mesylate tablets in 320 mg strength. *(BSTD)*
- Cairn India (CAIR IN) crossed the 100,000 barrel mark of crude oil production from Rajasthan after IOC began buying oil from this prolific oilfields. *(BSTD)*
- Essar Steel merger complete. The earlier debt that was scattered in Essar Steel Hazira Ltd, Essar Steel Orissa Ltd, Hazira Plate Ltd and Hazira Pipe Mill Ltd will now all get consolidated into the books of Essar Steel Ltd. *(BSTD)*
- Tata Auto Comp Systems to exit JVs, raise funds for Tata Motors (TTMT IN). *(BSTD)*
- Karnataka Bank (KBL IN) eyes export credit of USD 468 mn. *(THBL)*

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

EQUITY MARKETS

		Change %		
India	**5-Jul**	**1-day**	**1-mo**	**3-mo**
Sensex	17,441	(0.1)	1.9	(2.8)
Nifty	5,236	(0.0)	2.0	(2.4)
Global/Regional indices				
Dow Jones	9,686	(0.5)	(2.5)	(11.7)
Nasdaq Composite	2,092	(0.5)	(5.7)	(13.9)
FTSE	4,824	(0.3)	(5.9)	(16.6)
Nikkie	9,161	(1.1)	(7.5)	(18.8)
Hang Seng	19,778	(0.3)	(0.0)	(8.2)
KOSPI	1,654	(1.3)	(0.6)	(4.2)
Value traded – India				
Cash (NSE+BSE)	104		170	174
Derivatives (NSE)	358		641	591
Deri. open interest	1,290		1,215	1,063

Forex/money market				
		Change, basis points		
	5-Jul	**1-day**	**1-mo**	**3-mo**
Rs/US$	46.8	(1)	(31)	234
10yr govt bond, %	7.6	9	6	(19)
Net investment (US$mn)				
	2-Jul		**MTD**	**CYTD**
FIIs	(50)		115	6,815
MFs	19		-	(282)

Top movers -3mo basis				
		Change, %		
Best performers	**5-Jul**	**1-day**	**1-mo**	**3-mo**
HPCL IN Equity	466.5	(1.8)	27.0	51.4
IOCL IN Equity	398.8	(0.6)	12.4	35.9
BPCL IN Equity	658.8	(1.2)	13.6	30.0
BJFIN IN Equity	428.6	(0.5)	(8.8)	25.0
TT IN Equity	120.4	(0.3)	10.6	24.1
Worst performers				
ABAN IN Equity	812.8	(2.6)	16.1	(34.0)
TATA IN Equity	471.8	(0.7)	(2.8)	(31.4)
EDSL IN Equity	528.5	0.4	(4.2)	(30.4)
RNR IN Equity	46.3	(27.6)	(14.7)	(29.5)
SESA IN Equity	346.8	(0.0)	(6.1)	(27.0)

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kotak Institutional Equities

YES Bank (YES)

Banks/Financial Institutions

BUY

JULY 06, 2010

INITIATING COVERAGE

Coverage view: Attractive

Price (Rs): 268

Target price (Rs): 335

BSE-30: 17,441

Say "Yes" to growth. Yes Bank is entering the next phase of growth, with a focus on building its CASA franchise and balance sheet diversification. A strong macro environment, coupled with a high quality management team, enthuse a lot of confidence of capturing the big growth opportunity. We like its focus on profitability, reflected in its high return ratios (RoAs at 1.6% and RoEs at 20%) and negligible NPLs, despite the strong growth. We initiate coverage with a BUY rating and TP of Rs335.

Company data and valuation summary

Yes Bank

Stock data			
52-week range (Rs) (high,low)			300-121
Market Cap. (Rs bn)			91.6
Shareholding pattern (%)			
Promoters			27.2
FIIs			42.8
MFs			2.6
Price performance (%)	1M	3M	12M
Absolute	(3.4)	4.5	87.7
Rel. to BSE-30	(8.5)	5.6	57.0

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	15.0	17.9	22.7
EPS growth (%)	46.7	18.9	27.0
P/E (X)	18.0	15.1	11.9
NII (Rs bn)	7.9	11.5	15.0
Net profits (Rs bn)	4.8	6.1	7.7
BVPS	91.0	106.7	126.7
P/B (X)	3.0	2.5	2.1
ROE (%)	20.3	18.1	19.4
Div. Yield (%)	0.5	0.7	0.8

Premium valuation yet to capture the high growth phase and operating metrics

Yes Bank trades at 2.5X FY2011E BV and 15X FY2011E EPS. We believe that the premium valuations are yet to fully capture its above-industry growth and its consistent track record on all parameters (profitability, asset quality, etc.). We believe that the bank has all the requisite characteristics and ability to replicate the success of other private banks like Axis Bank and HDFC Bank.

Strong operating metrics but building liability franchisee will be critical

Operating metrics are impressive with NIMs at 3%, diversified fee income sources (>40% of total revenues), low credit costs and cost-income ratio (<40%). RoEs and RoAs are currently amongst the highest in the industry at 20%+ and 1.5%+. However, risks remain on the liability franchise with low CASA ratio (absolute growth overshadowed by balance sheet growth) and dependence on wholesale funds. Version 2.0, the next growth wave for the bank, looks to increase CASA ratio (about 400 bps/year) and increase retail deposits. However, lack of a strong parentage and acceptability of Yes Bank as a brand would be a key risk.

Strong growth thus far; corporate focused; diversifying in new verticals

Yes Bank is one of the fast emerging Indian banks with nearly 75% CAGR in loans (0.7% of market share) and 70% CAGR growth in earnings over the past four years. The bank has built its niche around corporate banking and is focusing on select sectors while providing the entire value chain in those niche sectors. Having achieved some scale (150 branches), the bank is now diversifying into SMEs and thereafter into retail, which is likely to sustain growth. We expect 35% CAGR in loans over the next two years.

Experienced management delivering growth, stable asset quality and scalability

One of the key strengths for Yes Bank has been its experienced management (stable team that delivered consistent growth/operating metrics with negligible impact on asset quality), which has been drawn from various private and foreign banks. Given this track record and the ability to scale its business model rapidly at relatively lower costs, we are confident that the bank would be able to achieve its critical milestones in Phase 2 of its growth cycle.

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Strategy

India

INDIA

JULY 05, 2010

NEW RELEASE

BSE-30: 17,441

June 2010 quarter earnings preview. We expect the earnings of KIE universe to grow by 13.9% yoy but decline 13.1% qoq led by Automobiles, Industrials, Metals, Pharmaceuticals and Property stocks while Cement, Energy and Telecom sectors are likely to weigh down earnings. Yoy comparisons of financial performance of R&M companies are not meaningful due to fluctuations in the timing and quantum of compensation from the government; we expect the earnings of KIE universe on an ex-Energy basis to increase by 25.8% yoy. We expect 1QFY11E/2QCY10E earnings of the BSE-30 Index to increase by 24.1% yoy and earnings of the BSE-30 Index (ex-Energy) to increase by 28.7% yoy.

Earnings of BSE-30 Index likely to grow by 24.1% yoy

Sector-wise earnings of Kotak coverage companies

	Sales growth (%)		EBITDAM (%)			PAT growth (%)	
	yoy	**qoq**	**Jun-09**	**Mar-10**	**Jun-10 (E)**	**yoy**	**qoq**
Automobiles	41.0	(6.4)	13.4	13.7	12.9	39.8	(8.3)
Banking	28.0	(2.4)	—	—	—	13.0	1.9
Cement	(3.9)	(7.2)	32.9	26.0	29.0	(18.3)	6.6
Construction	2.2	(3.0)	10.2	(1.9)	9.5	(30.0)	133.0
Consumers	11.3	(0.2)	22.3	21.1	22.0	10.0	3.9
Energy	51.6	8.3	15.7	14.8	10.4	(14.3)	(29.3)
Industrials	22.0	(36.4)	9.3	14.2	11.1	53.9	(51.3)
Infrastructure	10.9	1.2	32.4	28.8	34.3	(8.8)	(23.3)
Media	27.6	5.4	31.8	34.9	35.9	40.3	14.5
Metals	31.3	(1.7)	10.8	24.7	23.8	581.0	(14.9)
Others	5.1	(2.9)	17.4	19.2	19.4	18.5	0.9
Pharmaceuticals	15.4	1.3	18.3	26.6	22.2	52.8	(9.2)
Property	58.6	3.9	45.4	39.8	41.6	36.6	(1.7)
Retail	27.0	(14.4)	9.0	7.6	9.2	42.2	(12.4)
Sugar	41.5	(8.9)	22.4	18.3	16.5	5.5	(34.7)
Technology	12.6	4.0	25.9	26.6	26.1	10.1	(3.5)
Telecom	0.3	3.5	36.7	29.3	28.9	(43.4)	(20.0)
Utilities	5.6	1.6	22.2	20.4	24.4	10.4	10.7
Kotak coverage	**32.4**	**0.0**	**17.0**	**17.1**	**15.1**	**13.9**	**(13.1)**
Kotak coverage ex-Energy	**18.9**	**(6.4)**	**17.9**	**18.9**	**19.3**	**25.8**	**(7.0)**
BSE 30 Index	**32.6**	**(1.7)**	**22.3**	**21.4**	**21.2**	**24.1**	**(4.1)**
BSE 30 Index ex-Energy	**18.0**	**(7.1)**	**18.3**	**19.8**	**20.0**	**28.7**	**(9.2)**

Source: Company, Kotak Institutional Equities estimates

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We expect Automobiles, Industrials and Metals to lead robust earnings growth in 1QFY11E/2QCY10E

Sector-wise expectations for June 2010 quarter results

	Key points	Key points
Automobiles	Most auto companies will likely show healthy yoy gains in EBITDA, but sequential comparisons are likely to be negative. We expect only Bajaj to show a slight sequential improvement in EBITDA. Primary drivers for the sequential decline would be (1) sequentially lower volumes and (2) higher costs related to raw materials and emissions.	We expect the qoq absolute EBITDA declines to be most severe for CV manufacturers as sequentially lower volumes could hit them the most. We believe Bajaj Auto is most likely to surprise on the upside. Our 100 bps sequential margin decline assumption for M&M could prove conservative given the sequential increase in higher margin tractor volumes.
Banking	Loan growth has remained strong during the quarter at near 20% yoy. While a large part is driven by loans for 3G and BWA, we believe there is a pick-up in other sectors as well. However, deposit growth at 13% is lower than expected, resulting in significantly lower liquidity; banks have turned net borrowers. Almost all large banks, with the exception of ICICI Bank, will likely report strong growth in loans and core earnings. We expect NIMs to remain strong yoy but decline qoq due to the impact of higher interest on saving accounts.	Asset quality will be the key aspect to monitor in 1QFY11E, especially for public banks. We expect higher slippages to continue for most banks during 1QFY11, but this is likely to be the peak quarter for slippages. Private banks will likely report strong trends in asset quality. Amongst private banks, we expect Axis Bank and HDFC Bank to report strong NII as well as earnings growth, while amongst public banks, PNB and BOB will likely deliver superior performance. However, yoy comparisons are likely to appear weak due to very high treasury gains during 1QFY10.
Cement	Cement prices revived strongly in the month of April 2010, particularly in the South, which saw price increases in excess of Rs30/bag. However, a softening of cement prices in the latter two months will partially offset the benefits of price increases taken in April 2010.	Cement volumes are likely to remain sedate during the quarter due to a timely onset of the monsoon, bringing an early halt to construction activity compared to the same period last year. Lower volumes and higher input cost will partially negate the positive impact of higher qoq cement prices.
Chemicals	Decline in global chemical margins qoq will be negative for the profitability of the chemical segment of Reliance Industries.	
Consumers	Continued good demand conditions in Tier-II and Tier-III towns and expectations of a normal monsoon will likely drive sales growth in 1QFY11. We expect HUL to report sales growth of 9% yoy, primarily led by volume growth. Adspends are expected to be higher during the quarter as the competitive intensity in the sector remains elevated. The paints industry is in a sweet spot as demand conditions are favorable (shorter repainting cycle) and the industry is keen to defend gross margins through price increases.	We expect 15% yoy sales growth in ITC's cigarette segment led by pricing; volumes will likely be marginally negative. ITC FMCG losses will likely be marginally higher qoq due to the launch expenses of new category entries. Colgate's toothpaste business will likely exhibit 12% yoy volume growth but flat volumes in the toothpowder business. Judicious price adjustments, increases in below-the-line activities and benefits of operating leverage are key triggers to be watched.
Energy	**Upstream oil**: ONGC will likely report a qoq increase in revenues and net income due to (1) higher crude prices (+US$2/bbl) and (2) higher APM gas prices, partially mitigated by higher subsidy loss in 1QFY11E. We assume that upstream companies will bear 30% of the overall subsidy burden. GAIL will likely report a qoq decline in EBITDA due to higher subsidy burden which will be partly mitigated by higher LPG/petchem prices.	**Downstream oil**: Performance of R&M companies will depend on the contribution from government and upstream companies. We estimate under-recoveries of Rs219 bn for the industry for 1QFY11. We assume the government will bear 63% of the gross under-recoveries. We estimate refining margins to be lower qoq.
Industrials	**Industrials**: Expect strong execution growth in BHEL based on large order backlog (consistent with provisional numbers). Expect continued pick-up in execution in L&T, seen in the previous quarter, based on visible traction in order inflows in segments such as process and infrastructure. Positive traction in industrial capex activity may also bode well for companies with exposure to industrial capex such as ABB, Siemens; they may report moderate revenue growth. We expect Suzlon to report low sales of about 250 MW, combined with high interest cost would lead to a net loss during the quarter.	**Construction**: Strong order backlog to drive revenue growth. Expect IVRCL to report strong revenue growth as issue of Andhra-related orders abates (only 17% of backlog). Expect Punj to report moderate revenue growth; however, subsidiary-related one-off losses will likely continue to adversely impact earnings. **Infrastructure**: Pick-up in airport traffic and generation from operating power plants would boost revenue growth for GMR and GVK. However, net profit would continue to be adversely impacted by higher interest and depreciation costs. Pick-up in port volumes to drive revenue growth for MPSEZ.
Media	**Television**: We expect strong yoy growth in EBITDA of broadcasters led by (1) recovery in advertising revenue market, (2) robust growth in subscription revenues, (3) relatively stable cost structure but most important, (4) favorable base as 1QFY10 was trough of the advertising cycle. The strong sports calendar (IPL, FIFA World Cup) will likely impact advertising revenues of other channels. Dish TV will likely report (1) strong volume growth driven by IPL and FIFA WC but with (2) continued high subsidy burden. ZEEL's results are not comparable yoy given the merger of ZEEN R-GECs effective 4QFY10.	**Print**: We expect modest yoy revenue growth driven by (1) recovery in regional advertising revenue market, (2) contribution from new media initiatives by key newspaper publishers (JAGP, DBCL, HTML) in their core markets but unfavorable base on account of (3) National Elections in 1QFY10, which contributed incrementally to advertising revenues of print media company (JAGP, DBCL). Continued subdued newsprint prices as well as sustained positive impact of cost rationalization during 2HFY09-1HFY10 will likely result in continued high EBITDA margins and growth for a couple of quarters.
Metals	**Ferrous:** Expect profitability of steel companies to improve in 1QFY11 as steel price hikes preceded the impact of raw material cost increases. We forecast EBITDA/ton increase for JSPL, JSW Steel and Tata Steel (including Corus). Focus of investors would however shift to concerns on weakening demand, excess capacity and impact of raw material price increases. We expect 2QFY11 to be materially weaker as companies bear the impact of lower steel prices and raw material price increase.	**Non-Ferrous:** We expect sequential decline in earnings of non-ferrous companies on account of decline in commodity prices. We forecast sequential earnings decline for all covered companies. Hindalco's earnings are less sensitive to metal prices noting that it derives close to 60% of EBITDA from steady conversion margin businesses. Hindustan Zinc's performance will likely be impacted by lower zinc prices in the near term but offset in the medium term from capacity expansion and commissioning of its silver refinery. Sterlite also remains a play on strong volume growth though it is more vulnerable to commodity prices than other players.
Pharmaceuticals	**Generics**: We expect DRL, Lupin, Ranbaxy and SUN to report strong sales from the US due to new product approvals. We expect the Indian market growth rate to pick up for Cipla, Ranbaxy, DRL and Cadila post the poor growth rates reported in FY2010. We exclude exclusivity sales of generic Valtrex and Protonix for Ranbaxy and SUN, respectively.	**CMO/CROs**: We expect CMOs/CROs such as Divis, Dishman, Jubilant, Biocon to report sales in line with sales reported in 4QFY10 and expect sales to be stronger in 2HFY11E. We expect EBITDA margin to pick up qoq for Biocon, Dishman due to higher proportion of sales from higher value added business such as contract research and CRAMS from India, respectively.
Property	Most real estate companies will show better yoy results on account of (1) low base effect in 1QFY10 and (2) improvement in execution and success of new project launches. We expect improvement in qoq performance as new projects launched in FY2010 will likely start contributing to revenues from 1QFY11.	We model similar interest cost capitalization as in 4QFY10. We highlight that commercial sales continue to be very weak, which will likely impact revenues of DLF and UT negatively. We expect better pricing environment in new luxury residential launches, which will be a positive for DLF.
Technology	We expect strong 5.2-6.7% constant currency revenue growth for the Tier-I companies (4.1-5.7% in US$) for the June 2010 quarter. EBITDA margins will likely be down sequentially on account of wage hikes and supply pressure in the laterals market. We also expect net income growth for all Tier-I companies (except Wipro) to lag revenue growth on account of higher forex losses (or lower forex gains) and increase in tax rates.	We expect Infosys to up its FY2011E US$ revenue growth guidance to 18-20% from 16-18%, and Re EPS growth guidance to 5-9% from -2 to 2%. Key areas of focus would be (1) trends in and commentary on discretionary spends; (2) supply-side metrics (hiring numbers, attrition rates, utilization rates) and commentary on the same from various managements.
Telecom	There have been no headline tariff reductions while pressure on tariffs continued through special tariff vouchers (STV). We expect a decline in RPM qoq, albeit at a reduced pace, after a sharp drop in the last quarter. Minutes growth to remain strong as incumbents pull back traffic from the new operators.	Key areas of focus would be (1) commentary on 3G strategy, (2) status of Chinese equipment import restrictions, (3) underlying minutes growth, (4) non-voice revenues, and (5) movement in cost line items.
Utilities	Upward revision in prices of domestic coal as well as rising prices of imported coal to inflate revenue growth for most utilities companies under coverage. Merchant tariffs to perk up as the demand for power rises in the peak summer months.	EPC business to drive revenue growth for Reliance Infrastructure as execution of power projects of Reliance Power gains momentum. Lanco to benefit from merchant sale of entire 300 MW capacity at Amarkantak I although commissioning of power capacities is likely to yield lower revenue growth for Lanco's construction business. Adani Power to benefit from commercial sale from 660 MW at Mundra I.

Source: Kotak Institutional Equities estimates

CAUTIOUS

JULY 05, 2010

UPDATE

BSE-30: 17,441

1QFY11E preview – return to normalcy, likely short-lived. We anticipate a return to normalcy in the key wireless metrics for the listed telcos – robust qoq minutes growth of 6-10% (minus the bounce-back spike seen in 4QFY10) and moderate RPM decline (2-4% sequentially). This will likely translate into 4-5% qoq wireless revenue growth. Moderate margin decline and higher below-EBITDA expense items will mean pressure on net profits. We reiterate our Cautious coverage view on the sector.

1QFY11E preview – a return to 'normalcy' in the absence of headline tariff cuts

Exhibits 1, 2, and 3 give our June 2010 quarter earnings preview for Bharti, RCOM and Idea, respectively. From a sector perspective, we expect a return to sequential revenue and EBITDA growth, driven by improvement in the wireless segment. In the absence of meaningful new network launches (rollout impacted by Chinese equipment import restrictions, to some extent) and major tariff cuts, we expect a reasonable quarter for the wireless segments of incumbents. We discuss our company-wise estimates below

- **Bharti**. We note that our estimates (1) are based on US GAAP; Bharti is likely to move to IFRS from this quarter. This would lead to two big changes, among others – no intangible amortization charge, and line-by-line consolidation (42%) of Indus towers, and (2) do not factor in Zain – Bharti will likely consolidate Zain for a period of 23 days. That said, on a like-on-like US GAAP basis, we estimate a 3.4% qoq increase in consolidated revenues and 2.9% in EBITDA for 1QFY11E to Rs104 bn and Rs39.3 bn, respectively. For the wireless segment, we estimate 7% qoq minutes growth, 2% RPM decline, 4% revenue growth, and 50 bps EBITDA decline. Sequential drop in hedging gains will drive a modest 1.6% qoq decline in reported net profits.
- **RCOM**. We estimate 3.2% qoq growth in revenues and 2.1% in EBITDA at the consolidated level to Rs52.5 bn and Rs16.4 bn, respectively. For the wireless segment, we expect a 3.8% qoq growth in revenues on the back of 6.2% growth in minutes, and 2.2% qoq decline in RPM. We shall keenly monitor the performance of non-wireless segments, after a couple of poor quarters.
- **Idea**. We note that Idea will consolidate 100% of Spice for the full quarter versus only part of the quarter in March 2010. We expect Idea to report a revenue growth of 4.5% qoq to Rs35 bn, and EBITDA growth of 1.7% qoq to Rs8.8 bn for the Jun 2010 quarter. We estimate qoq minutes growth of 14% on a reported basis, and an RPM decline of 2% qoq.

Return to normalcy could be short-lived; we remain Cautious

In the run-up to what should be a decent quarter after a few poor ones for the incumbent wireless operators, one would do well not to forget that – network over-capacity is a reality, still an unresolved issue, and will remain so till the 'excess' capacity finds either – (1) 'users'; this can happen, but only with further price cuts at this level of capacity, in our view or (2) 'buyers' – oh-the-oft-mentioned consolidation theme, which faces regulatory challenges, and has its own associated costs.

The best scenario for the industry would be a natural 'capacity shut-down' by bleeding (mostly new) operators, as this would solve the 'excess' capacity issue without the associated costs of consolidation. The 'let them (new players) bleed to death' is also the strategy that the incumbents appear to have adopted, in our view. However, even if this scenario were to pan out, we caution that the battle for survival could force further aggression on pricing (the only 'weapon' a new operator has) from the new operators in the interim. We remain Cautious on the sector.

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Bharti - 1QFY11E performance, US GAAP, March fiscal year-ends (Rs mn)

(Rs mn)	1QFY10	4QFY10	1QFY11E	qoq (%)	yoy (%)
Consolidated results					
Revenues	**99,416**	**100,557**	**104,009**	**3.4**	**4.6**
Operating costs	(57,898)	(62,335)	(64,694)	3.8	11.7
EBITDA	**41,518**	**38,222**	**39,315**	**2.9**	**(5.3)**
EBITDA margin (%)	**41.8**	**38.0**	**37.8**		
Depreciation and Amortization	(14,330)	(15,928)	(16,375)	2.8	14.3
EBIT	**27,188**	**22,294**	**22,940**	**2.9**	**(15.6)**
EBIT margin (%)	**27.3**	**22.2**	**22.1**		
Net finance (cost)/income	2,660	2,291	984	(57.0)	(63.0)
PBT	29,848	24,584	23,924	(2.7)	(19.8)
Tax provision	(4,442)	(3,452)	(3,351)	(2.9)	(24.6)
PAT before minority interest	25,406	21,132	20,573	(2.6)	(19.0)
Minority interest	(479)	(583)	(530)	(9.1)	10.7
Equity in earnings of affiliates	240	2	176		
Repoted net income	**25,167**	**20,551**	**20,218**	**(1.6)**	**(19.7)**
Segmental performance					
Wireless					
Revenues	82,285	81,975	85,177	3.9	3.5
EBITDA	27,183	23,969	24,446	2.0	(10.1)
OPM (%)	33.0	29.2	28.7		
ARPU (Rs/sub/month)	278	220	215	(2.3)	(22.7)
MOU (min/sub/month)	478	468	466	(0.3)	(2.4)
RPM (Rs/min)	0.58	0.47	0.46	(2.0)	(20.8)
EPM (Rs/min)	0.19	0.14	0.13	(4.7)	(31.6)
Total minutes (bn)	140.7	172.8	184.9	7.0	31.4
Telemedia services					
Revenues	8,550	8,510	8,595	1.0	0.5
EBITDA	3,463	3,702	3,739	1.0	8.0
OPM (%)	40.5	43.5	43.5		
Long distance + Enterprise					
Revenues	20,982	20,738	21,153	2.0	0.8
EBITDA	10,246	9,846	9,942	1.0	(3.0)
OPM (%)	48.8	47.5	47.0		
Passive infra business					
Revenues	8,020	9,552	10,030	5.0	25.1
EBITDA	3,557	4,507	4,614	2.4	29.7
OPM (%)	44.4	47.2	46.0		
Others					
Revenues	1,027	2,094	2,241	7.0	118.2
EBITDA	(2,136)	(2,920)	(1,904)	(34.8)	(10.8)
OPM (%)	(208.0)	(139.4)	(85.0)		

Source: Company, Kotak Institutional Equities estimates

RCOM - 1QFY11E performance, Indian GAAP, March fiscal year-ends (Rs mn)

(Rs mn)	1QFY10	4QFY10	1QFY11E	qoq (%)	yoy (%)
Consolidated results					
Revenues	**61,452**	**50,928**	**52,538**	**3.2**	**(14.5)**
Operating costs	(36,927)	(34,908)	(36,175)	3.6	(2.0)
EBITDA	**24,525**	**16,020**	**16,362**	**2.1**	**(33.3)**
EBITDA margin (%)	**39.9**	**31.5**	**31.1**		
Depreciation and Amortization	(11,144)	(10,847)	(8,894)	(18.0)	(20.2)
EBIT	**13,381**	**5,173**	**7,468**	**44.4**	**(44.2)**
EBIT margin (%)	**21.8**	**10.2**	**14.2**		
Net finance (cost)/income	6,094	8,119	2,218	(72.7)	(63.6)
PBT	19,475	13,292	9,686	(27.1)	(50.3)
Tax provision	(2,267)	(1,923)	(1,337)	(30.5)	(41.0)
PAT before minority interest	17,208	11,369	8,349	(26.6)	(51.5)
Minority interest	(842)	826	(257)	(131.1)	(69.5)
Repoted net income	**16,366**	**12,195**	**8,092**	**(33.6)**	**(50.6)**
Segmental performance					
Wireless					
Revenues	47,931	40,900	42,453	3.8	(11.4)
EBITDA	18,489	11,815	11,972	1.3	(35.2)
OPM (%)	38.6	28.9	28.2		
ARPU (Rs/sub/month)	210	139	133	(4.5)	(36.8)
MOU (min/sub/month)	365	318	311	(2.4)	(14.9)
RPM (Rs/min)	0.58	0.44	0.43	(2.2)	(25.7)
EPM (Rs/min)	0.22	0.13	0.12	(4.6)	(45.7)
Total minutes (bn)	83.3	93.5	99.3	6.2	19.2
Long distance segment					
Revenues	18,844	20,278	20,609	1.6	9.4
EBITDA	4,515	3,555	3,813	7.2	(15.6)
OPM (%)	24.0	17.5	18.5		
Broadband segment					
Revenues	6,842	6,798	6,841	0.6	(0.0)
EBITDA	2,994	2,526	2,565	1.6	(14.3)
OPM (%)	43.8	37.2	37.5		
Others					
Revenues	3,031	2,845	3,135	10.2	3.4
EBITDA	(1,381)	(1,759)	(1,787)	1.6	29.4
OPM (%)	(45.6)	(61.8)	(57.0)		

Source: Company, Kotak Institutional Equities estimates

Idea - 1QFY11E quarterly performance (Rs mn)

	1QFY10	4QFY10	1QFY11E	qoq (%)	yoy (%)
Idea Cellular (standalone)					
Revenues	28,883	33,011			
EBITDA	**7,700**	**8,328**			
EBIT	3,636	3,400			
PAT	**3,074**	**2,764**			
EBITDA margin (%)	26.7	25.2			
EBIT margin (%)	12.6	10.3			
Wireless ARPU (Rs/sub/month)	232	185	179	(3.3)	(22.9)
Wireless MOU (min/sub/month)	399	398	393	(1.3)	(1.6)
Wireless RPM (Rs/min)	0.58	0.46	0.46	(2.0)	(21.7)
Wireless EPM (Rs/min)	0.16	0.12			
Idea Cellular (consolidated, with Spice and Indus)					
Revenues	**29,759**	**33,477**	**34,990**	**4.5**	**17.6**
Standalone	28,883	33,011	35,455	7.4	22.8
Spice	1,359	989	-		
Indus	1,990	2,335	2,475	6.0	24.4
Eliminations	(2,472)	(2,858)	(2,940)	2.9	18.9
Costs					
Interconnection costs	(4,221)	(5,064)	(5,354)		
License fee and spectrum charges	(3,369)	(3,578)	(3,779)		
Network operating costs	(7,506)	(8,564)	(8,993)		
Employee costs	(1,446)	(1,558)	(1,680)		
SG&A expenses	(4,619)	(6,079)	(6,403)		
Total	**(21,160)**	**(24,843)**	**(26,208)**		
EBITDA	**8,600**	**8,634**	**8,783**	**1.7**	**2.1**
EBITDA margin (%)	**28.9**	**25.8**	**25.1**		
EBIT	4,044	2,967	2,988	0.7	(26.1)
PAT	**2,971**	**1,545**	**1,698**	**9.9**	**(42.9)**
Extraordinaries		**1,120**	**-**		
Reported net income		**2,665**	**1,698**		

Source: Kotak Institutional Equities

kotak Institutional Equities

Banks/Financial Institutions

India

ATTRACTIVE

JULY 6, 2010

UPDATE

BSE-30: 17,441

1QFY11E preview. BFSI is likely to see yet another impressive quarter in terms of core earnings, on the back of strong credit offtake (up 20% yoy) and steady margins (despite the impact of higher cost of savings deposits). NPL trends are likely to be crucial, especially for public banks—we expect slippage to remain high in 1Q. Earnings are likely to be strong for private banks, but moderate for public banks as treasury gains are likely to be subdued. Our top picks are HDFC Bank, Axis Bank, HDFC, SBI and BOB.

Loan growth has picked up sharply to 20% yoy

Loan growth has picked up considerably over the past three months: 20% yoy as of June 18, 2010 from 13% yoy in December 2009 and 17% in March 2010. Over the past three months, loans have increased by Rs700 bn i.e.2.2%, with a fortnight left in 1QFY11. Strong macros and rising inflation are seeing higher credit requirement from companies, which should result in over 20% credit growth in FY2011E. However, deposit growth has been very weak and is increasingly becoming a matter of concern at just 14% yoy.

Pick-up in credit growth coupled with lower liquidity will support margins

We expect margins to remain strong for the sector during 1QFY11E despite the drag from higher costs of savings deposits and the full impact of CRR increase. However, on the positive side, excess liquidity in the system has been used up for credit and there seems to be enough pricing power for banks to pass on the additional costs. Nevertheless, sequentially, we expect margins to decline marginally for all banks, but on a yoy basis, margins are likely to remain strong reflecting in strong NII growth for the sector.

Strong core growth, but lower treasury gains and higher provisions

We expect NII growth of 29% yoy for banks under coverage (overall NII growth to be at 32% for public banks and 18% for new private banks). Public banks are expected to report strong NII growth with SBI, BOB and Union Bank reporting the best set of numbers. Amongst private banks, ICICI Bank is likely to report subdued NII, on the back of its lower loan book and steady margins. Axis and HDFC Bank expected to report strong core earnings. Fee income is likely to remain strong for all banks under coverage. However, treasury gains will remain marginal given the upward yield movement. We expect somewhat higher slippages for public banks resulting in higher provisions during 1Q.

Net earnings to remain strong for private banks; moderate for public banks

On the back of higher provisions and lower treasury gains, we expect net earnings to remain moderate for public banks. For private banks, provisioning impact is likely to be much lower compared to the corresponding quarter and hence we expect strong earnings growth. Overall, we expect public banks (under coverage) to report growth in earnings of 6% yoy and private banks 25% yoy.

NBFCs; Another strong quarter; benefits of easy liquidity to continue for 1Q

Despite somewhat tighter liquidity conditions, we expect the benefits of easier liquidity to continue to support earnings and margins for NBFCs. We expect most NBFCs to report core earnings growth of about 25-30% yoy on the back of strong (20-25%) loan growth and robust margins. Results to watch: REC (PAT growth estimate: 31% yoy), LIC HF (PAT growth estimate: 54% yoy), Shriram Transport Finance (PAT growth estimate: 51% yoy) and Mahindra Finance (PAT growth estimate: 66% yoy).

QUICK NUMBERS

- Loan growth has picked up to 20% yoy
- Margins to remain steady despite headwinds
- BOB, PNB, HDFC Bank to report strong core, while ICICI Bank, BOI will disappoint

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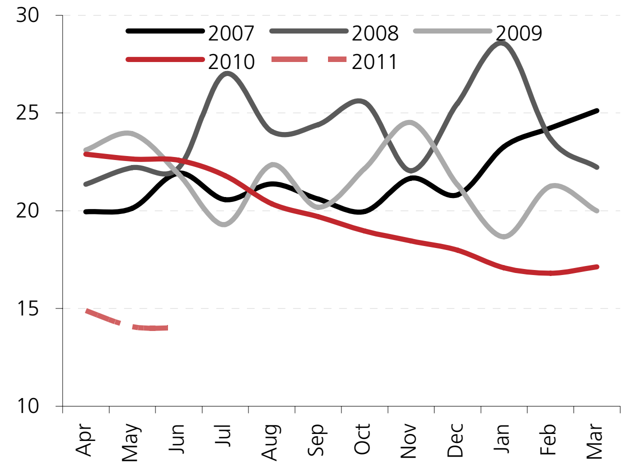
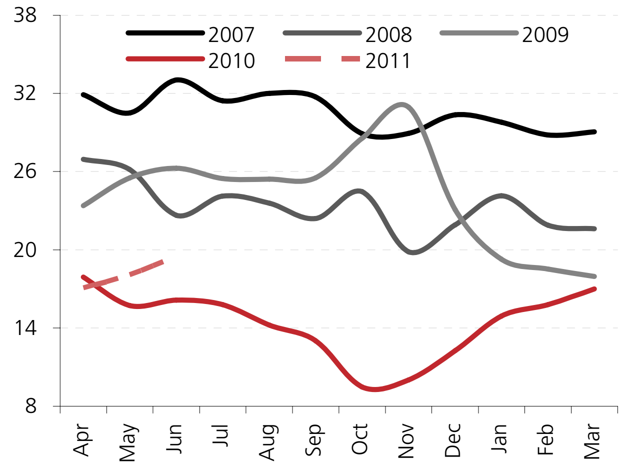
Deposit growth has trended downwards at 15%
Yoy growth in deposits (%)



Source: Kotak Institutional Equities

Incremental loan demand has improved in recent months
Yoy growth in advances, March fiscal year-ends (%)



Source: Kotak Institutional Equities

NII growth momentum to continue in 1QFY11
Yoy growth in NII, March fiscal year-ends, 4QFY09-1QFY11 (%)

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11
Public banks						
Andhra Bank	15.3	20.4	13.5	23.5	66.0	49.5
Bank of Baroda	43.0	7.9	22.5	9.5	18.6	41.5
Bank of India	17.8	10.1	3.4	(1.8)	8.3	15.3
Canara Bank	41.7	26.7	14.3	18.8	22.4	24.2
Corporation Bank	6.4	23.7	23.8	25.4	49.4	38.0
Indian Bank	30.1	36.7	11.3	21.3	39.9	24.8
IOB	13.1	16.4	8.2	3.6	16.5	8.4
OBC	5.3	8.4	7.6	53.7	114.7	96.5
PNB	25.7	28.9	22.4	18.4	31.0	34.8
State Bank of India	0.9	4.3	2.8	9.7	38.8	31.1
Union Bank	20.1	(1.0)	(11.5)	(5.6)	50.7	62.9
Old private banks						
Federal Bank	15.9	2.8	(0.6)	(0.9)	27.7	37.1
J&K Bank	11.7	17.6	(3.6)	12.0	23.2	19.8
New private banks						
Axis Bank	24.6	29.0	25.9	45.1	41.4	34.9
HDFC Bank	12.8	7.7	4.8	12.4	27.0	29.2
ICICI Bank	2.9	(5.0)	(5.2)	3.4	(4.9)	1.1

Source: Company, Kotak Institutional Equities

Treasury gains in line with 4QFY10; shift from AFS to HTM to reduce opportunity

Despite a reasonably volatile quarter, we don't expect banks to have substantially leveraged this opportunity as most banks have shifted from AFS to HTM in the first half of the quarter. We expect banks to report treasury income broadly in line with 4QFY10 and don't expect banks to report any provisions.

- During the quarter, the yield curve flattened further with the 10-year and 5-year declining by 27 bps while the two year has increased by 9 bps and 1 year G-Sec increased by 50 bps.

- We believe most banks have sufficient cushion up to 7.8% and thus, there is likelihood of some marginal losses for public banks. However, gains on the equity portfolio could partly compensate for losses on the debt portfolio.

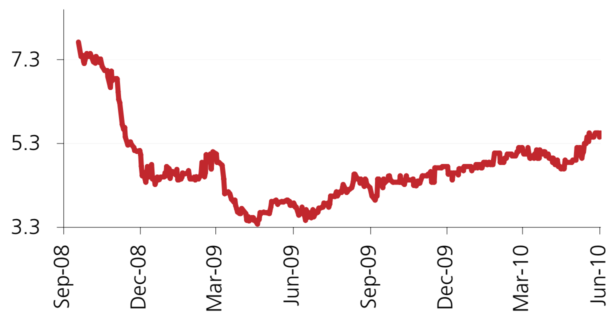
Fee income growth is likely to remain steady for public banks (loan-based fees should also pick-up on the back of traction in the lending business).

Treasury income for the quarter likely to be inline with 4QFY10
March fiscal year-ends, 4QFY09 - 1QFY11E (Rs mn)

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11
Public banks						
Andhra Bank	1,624	1,280	950	520	530	400
Bank of Baroda	3,009	2,554	1,205	1,367	2,068	2,000
Bank of India	2,240	2,400	1,511	1,365	661	727
Canara Bank	3,490	282	4,358	2,950	1,140	1,036
Corporation Bank	2,909	1,854	747	368	119	119
Indian Bank	578	1,029	299	773	75	298
IOB	3,170	340	1,500	173	372	310
OBC	1,569	2,363	1,047	510	275	945
PNB	2,384	3,585	1,504	1,570	2,186	1,093
State Bank of India	15,089	7,088	5,454	4,370	4,256	4,000
Union Bank	2,270	2,090	2,180	1,310	150	700
Old private banks						
Federal Bank	348	579	293	166	42	105
J&K Bank	406	668	507	408	136	163
New private banks						
Axis Bank	1,660	3,260	2,240	1,700	1,030	1,200
HDFC Bank	2,436	2,560	1,629	(265)	(473)	100
ICICI Bank	2,140	7,140	2,970	(260)	1,960	2,000

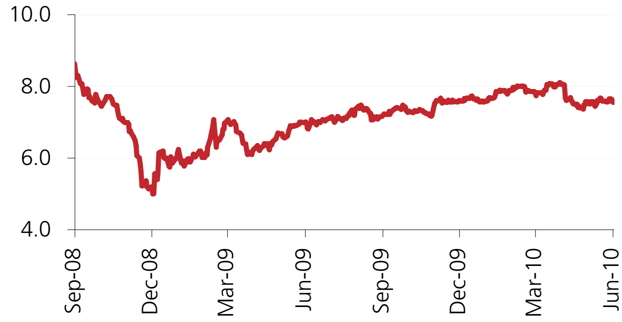
Source: Companies, Kotak Institutional Equities estimates

Yields have seen a sharper rise at the shorter end in 1QFY11
Yield of 1-year Gsec (%)



Source: Bloomberg

Yield at the longer end has declined qoq
Yield of 10-year Gsec (%)



Source: Bloomberg

Non-interest income (ex-treasury) likely to show a reasonable growth
Yoy growth in non -interest income (ex-treasury), March fiscal year-ends, 4QFY09 -1QFY11E (%)

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11
Public banks						
Andhra Bank	(7.6)	(8.0)	(3.6)	15.2	36.8	29.6
Bank of Baroda	16.8	5.7	23.8	5.1	16.1	25.0
Bank of India	(5.2)	(18.5)	(16.9)	(29.3)	17.0	57.1
Canara Bank	(18.9)	14.1	36.4	17.6	19.8	12.1
Corporation Bank	4.5	13.6	51.4	35.4	28.9	38.9
Indian Bank	(13.6)	12.7	(1.2)	21.6	21.8	12.0
IOB	40.2	36.8	(1.4)	28.2	(19.9)	3.9
OBC	41.0	7.7	52.7	43.3	29.6	35.7
PNB	32.2	37.7	(12.3)	(5.0)	16.0	39.8
State Bank of India	27.3	31.1	36.6	14.8	27.2	20.6
Union Bank	8.5	49.6	5.7	14.7	43.8	25.7
Old private banks						
Federal Bank	10.4	(14.4)	(4.1)	(0.9)	9.2	20.0
J&K Bank	30.4	25.9	41.4	63.8	48.9	40.0
New private banks						
Axis Bank	32.9	23.1	27.9	32.3	22.2	25.0
HDFC Bank	61.9	17.4	28.2	24.3	9.2	21.7
ICICI Bank	(33.6)	(35.5)	(24.8)	10.4	16.1	23.3

Source: Companies, Kotak Institutional Equities estimates

Asset quality; key aspect to watch

Retail NPLs have already peaked and incremental addition to NPLs is much lower currently. Even in the corporate segment, new NPL formation is unlikely to be significant and may largely emanate from the pool of restructured loans, but is likely to be a key factor.

We don't expect any sharp deterioration in the sector but expect the overall NPL level to rise. The impact of the agri debt waiver (which banks got a breather from RBI till June, 2010) and slippage from restructured assets will get reflected in this quarter and the next. Incremental restructuring has been low and we understand from bankers that most restructured loans have been 'performing' well and are servicing their liabilities.

Provisions would continue at high levels especially for public sector banks for any additional benefit provided to the loan waiver schemes while large private banks would see a decline sequentially. With the revised norms for reaching 70% provision coverage ratio, ICICI Bank and SBI can make lower provisions.

NPL provisions will remain at elevated levels for all public banks while decline for private banks
Loan loss provisions of banks, March fiscal year-ends,4QFY09-1QFY11E (Rs mn)

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11
Public banks						
Andhra Bank	921	380	478	502	1,690	1,408
Bank of Baroda	2,030	3,171	1,737	2,447	2,318	2,000
Bank of India	1,920	1,780	4,698	4,465	6,600	5,162
Canara Bank	2,500	2,160	2,430	3,710	5,780	3,853
Corporation Bank	400	600	847	1,019	986	1,020
Indian Bank	243	1,400	350	320	3,110	1,728
IOB	1,900	820	1,320	2,325	4,726	2,626
OBC	708	1,000	378	457	3,480	2,000
PNB	2,337	2,730	565	3,290	5,770	4,808
State Bank of India	11,787	12,342	9,974	4,437	21,868	12,000
Union Bank	2,700	2,860	1,020	500	2,610	2,860
Old private banks						
Federal Bank	516	932	1,588	839	773	966
J&K Bank	626	800	97	200	584	720
New private banks						
Axis Bank	2,730	3,700	4,989	3,580	1,797	2,200
HDFC Bank	6,000	6,310	5,941	4,379	2,750	2,613
ICICI Bank	10,845	13,237	10,000	10,000	9,898	8,500

Source: Companies, Kotak Institutional Equities estimates

Reported earnings to be subdued due to lower treasury and higher provisions

Reported profitability is likely to remain subdued for most banks (except for the private banks), on the back of a very strong base of 1QFY10. The corresponding quarter had seen strong treasury earnings and lower provisions, which is unlikely to be the case now. PNB, BoB, Canara Bank, OBC and Union Bank are expected to show relatively better growth yoy while Bank of India, IOB and to some extent SBI would show disappointing growth. Private banks are expected to report an impressive growth mainly due to a sharp decline in loan loss provisions, impact of capital raised (Axis Bank and HDFC Bank) and balance sheet growth.

PAT likely to decline for select banks due to lower treasury gains and higher loan loss provisions
Yoy growth in PAT, March fiscal year-ends, 4QFY09-1QFY11E (%)

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11
Public banks						
Andhra Bank	61.9	230.1	69.6	29.5	19.4	(12.4)
Bank of Baroda	172.3	84.8	60.4	17.5	20.4	16.9
Bank of India	7.2	4.0	(57.6)	(53.5)	(47.2)	(35.1)
Canara Bank	55.2	353.0	72.0	50.1	(30.0)	18.5
Corporation Bank	26.7	41.8	52.3	18.9	19.9	2.0
Indian Bank	63.1	52.4	31.4	25.9	4.0	16.2
IOB	5.4	17.9	(51.0)	(73.8)	(60.5)	(63.3)
OBC	NA	16.8	14.3	14.8	61.9	34.3
PNB	59.2	62.4	31.1	0.5	31.1	29.2
State Bank of India	45.6	42.0	10.2	0.0	(31.9)	1.6
Union Bank	(10.8)	93.7	39.7	(20.5)	27.6	18.4
Old private banks						
Federal Bank	11.0	100.1	(11.6)	(45.9)	2.3	22.8
J&K Bank	31.5	(11.0)	15.9	16.0	52.6	(19.6)
New private banks						
Axis Bank	60.9	70.3	32.0	31.0	31.5	25.0
HDFC Bank	33.9	30.5	30.2	31.6	32.6	33.5
ICICI Bank	(35.3)	20.6	2.6	(13.4)	35.2	25.0

Source: Companies, Kotak Institutional Equities estimates

NBFCs: Business in sweet spot

We expect most NBFCs to report core earnings growth of about 25-30% yoy on the back of strong (20-25%) loan growth and robust margins. Borrowings cost has moved up for most players' qoq yet lower than 1QFY10 levels. Recent capital issuance in select players (REC, Shriram Transport Finance) will also drive margins. Unlike banks, NPL provisions have been low for most players and the improving business environment will augur well for asset quality performance in the near term as well. Results to look for: REC (PAT growth estimate: 31% yoy), LIC HF (PAT growth estimate: 54% yoy), Shriram Transport Finance (PAT growth estimate: 51% yoy) and Mahindra Finance (PAT growth estimate: 66% yoy).

- **Pressure on spreads not yet visible**. We expect margins to remain stable or rise yoy for most NBFCs during 1QFY11. A sharp decline in interest rates in the system in 2QFY10-4QFY10 has likely aided margins. Interest rates have sharply moved up in the lower end of the yield curve during April and May 2010 as systemic liquidity tightened thereby raising marginal borrowings cost for most players. The impact has been more pronounced on NBFCs engaged in short-to-medium-term loans, we note the impact on auto finance companies under our coverage. Interest rates at the longer-end of the yield curve have reported a marginal rise. Consequently, margins will decline qoq during 1QFY10. Margins have been at peak levels for most NBFCs over the past 2-3 quarters and we are modeling a decline in margins. Yet, average margins in FY2011E will likely remains over mid-cycle levels.

- **Loan growth has been strong.** The business environment has been strong for most NBFC. We expect most NBFCs to deliver 20-25% loan growth during the quarter. We believe the business environment will continue to remain strong (or better in segments like infrastructure) and hence support earnings growth at NBFCs. A strong macro environment will also likely help companies pass-on higher borrowings cost to consumers.

Valuation of companies have become expensive post run-up in stock prices
Valuations of key banks, March fiscal year-ends,2009-2011E

		Price (Rs)	Market cap.	EPS (Rs)			PER (X)			BVPS (Rs)			PBR (X)			RoE (%)		
	Reco.	2-Jul-10	US $bn	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E
Public banks																		
Andhra Bank	BUY	130	1.3	21.6	22.4	23.8	6.0	5.8	5.4	91	107	125	1.4	1.2	1.0	26	23	21
Bank of Baroda	BUY	716	5.6	83.7	93.2	114.7	8.6	7.7	6.2	376	450	540	1.9	1.6	1.3	24	23	23
Bank of India	REDUCE	357	4.0	33.1	42.6	56.6	10.8	8.4	6.3	243	275	318	1.5	1.3	1.1	14	16	19
Canara Bank	ADD	451	4.0	73.7	77.0	93.6	6.1	5.9	4.8	309	375	454	1.5	1.2	1.0	22	20	20
Corporation Bank	BUY	515	1.6	81.6	86.7	100.3	6.3	5.9	5.1	403	469	545	1.3	1.1	0.9	22	20	20
Indian Bank	BUY	221	2.0	35.1	36.9	44.7	6.3	6.0	4.9	155	184	219	1.4	1.2	1.0	25	22	22
IOB	BUY	103	1.2	13.0	13.2	23.7	7.9	7.8	4.3	119	130	150	0.9	0.8	0.7	10	9	15
OBC	ADD	320	1.7	45.3	58.5	68.9	7.1	5.5	4.6	292	337	390	1.1	1.0	0.8	15	17	17
PNB	BUY	1,046	7.1	123.8	128.0	156.5	8.4	8.2	6.7	515	613	733	2.0	1.7	1.4	26	23	23
SBI	BUY	2,265	30.8	144.4	170.9	210.6	15.7	13.3	10.8	1,039	1,172	1,343	2.2	1.9	1.7	15	15	17
SBI incl. banking subs	BUY	2,265	30.8	174.1	200.9	200.9	13.0	11.3	11.3	1,276	1,441	1,612	1.8	1.6	1.4	15	15	15
SBI (core banking business)	BUY	2,265	30.8	136.1	171.6	191.7	16.6	13.2	11.8	949	1,082	1,253	2.4	2.1	1.8	15	17	17
Union Bank	BUY	311	3.4	41.1	46.1	57.4	7.6	6.7	5.4	174	213	262	1.8	1.5	1.2	26	24	24
Old private banks																		
Federal Bank	BUY	330	1.2	27.2	38.7	48.0	12.1	8.5	6.9	274	305	343	1.2	1.1	1.0	10	13	15
J&K Bank	BUY	830	0.9	105.7	123.8	154.5	7.9	6.7	5.4	621	715	831	1.3	1.2	1.0	18	19	20
New private banks																		
Axis Bank	ADD	1,237	10.8	62.1	78.5	100.5	19.9	15.8	12.3	396	457	535	3.1	2.7	2.3	19	18	20
HDFC Bank	BUY	1,913	18.8	64.4	84.1	110.4	29.7	22.7	17.3	470	536	622	4.1	3.6	3.1	16	17	19
ICICI Bank	REDUCE	840	20.1	36.1	47.5	58.4	23.3	17.7	14.4	463	492	528	1.8	1.7	1.6	8	10	11
ICICI standalone	REDUCE	553	13.2	32.8	43.9	54.4	16.9	12.6	10.2	348	377	413	1.6	1.5	1.3	10	12	14
Non-banks																		
HDFC	ADD	2,916	18.1	98.4	116.9	140.8	29.6	24.9	20.7	529	598	682	5.5	4.9	4.3	20	21	22
HDFC core	ADD	1,661	10.3	83.0	97.9	118.0	20.0	17.0	14.1	227	287	362	7.3	5.8	4.6	25	31	38
IDFC	ADD	180	5.0	8.2	9.1	11.8	22.0	19.8	15.2	54	77	86	3.3	2.3	2.1	16	15	15
India Infoline	BUY	95	0.6	8.1	8.9	10.0	11.7	10.6	9.4	56	62	68	1.7	1.5	1.4	15	16	17
LIC Hsg Fin	ADD	968	2.0	69.7	93.2	104.2	13.9	10.4	9.3	357	426	504	2.7	2.3	1.9	24	24	22
Mahindra Finance	BUY	457	0.8	35.7	42.6	49.8	12.8	10.7	9.2	180	212	249	2.5	2.2	1.8	21	22	22
Power Finance Corporation	REDUCE	294	7.2	20.5	22.5	25.9	14.4	13.1	11.4	118	134	152	2.5	2.2	1.9	19	18	18
Shriram Transport	ADD	585	2.1	39.2	49.1	62.4	14.9	11.9	9.4	172	204	245	3.4	2.9	2.4	28	26	28
Srei Infrastructure finance	NR	81	0.2	8.3	7.9	9.9	9.7	10.2	8.1	102	109	117	0.8	0.7	0.7	11	11	12
Rural Electrification Corp.	ADD	294	6.2	20.3	24.6	30.7	14.5	11.9	9.6	112	128	148	2.6	2.3	2.0	22	20	22
Future Capital Holdings	BUY	218	0.3							120			1.8			2.6		4.2
Reliance Capital	ADD	757	4.0	39.3	13.8	16.1	18.2	19.2	54.9	273	279	288	1.1	1.1	1.0	5.0	5.7	4.8

Source: Companies, Bloomberg, Kotak Institutional Equities estimates

Stock prices of most banks have corrected in the past few days

Stock price performance—absolute and relative (%)

	Price		Change in price (%)					Relative performance to sensex (%)					52 week high	52 week low
	2-Jul-10	Rating	1 month	3 month	6 month	12 month	Ytd	1 month	3 month	6 month	12 month	Ytd	(Rs)	(Rs)
Public banks														
Andhra Bank	130	BUY	(3.4)	19.4	24.2	62.1	24.2	(7.3)	20.4	24.2	36.1	24.2	145	74
Bank of Baroda	716	BUY	0.5	10.2	39.2	65.6	39.2	(3.6)	11.3	39.2	39.0	39.2	755	360
Bank of India	357	REDUCE	9.0	3.1	(7.2)	2.8	(7.2)	4.5	4.3	(7.2)	(13.7)	(7.2)	475	295
Canara Bank	451	ADD	11.3	9.2	16.1	65.8	16.1	6.7	10.4	16.1	39.2	16.1	459	235
Corporation Bank	515	BUY	(2.8)	7.5	22.2	55.7	22.2	(6.8)	8.7	22.2	30.7	22.2	590	271
Indian Bank	221	BUY	(1.8)	26.1	26.4	56.0	26.4	(5.9)	27.0	26.5	30.9	26.5	237	113
IOB	103	BUY	16.4	11.9	(6.5)	18.4	(6.5)	11.6	13.1	(6.5)	(0.6)	(6.5)	141	75
OBC	320	ADD	(1.6)	(0.9)	28.0	80.1	28.0	(5.6)	0.4	28.0	51.2	28.0	357	152
PNB	1,046	BUY	5.7	3.0	15.4	56.7	15.4	1.4	4.2	15.5	31.5	15.5	1,145	598
SBI	2,265	BUY	0.3	7.7	(0.2)	28.7	(0.2)	(3.8)	8.9	(0.2)	8.1	(0.2)	2,630	1,511
Union Bank	311	BUY	6.9	2.6	17.7	26.2	17.7	2.5	3.9	17.7	5.9	17.7	349	200
Old private banks														
Federal Bank	330	BUY	(1.4)	24.6	40.1	32.8	40.1	(5.5)	25.5	40.1	11.5	40.1	355	211
J&K Bank	830	BUY	10.5	23.9	43.0	71.4	43.0	5.9	24.9	43.0	43.9	43.0	872	402
New private banks														
Axis Bank	1,237	ADD	3.0	5.4	25.1	44.9	25.1	(1.2)	6.6	25.1	21.7	25.1	1,320	705
HDFC Bank	1,913	BUY	3.2	(1.4)	12.4	27.5	12.4	(1.0)	(0.1)	12.4	7.0	12.4	2,010	1,333
ICICI Bank	840	REDUCE	(0.3)	(11.8)	(4.2)	14.5	(4.2)	(4.4)	(10.4)	(4.2)	(3.9)	(4.2)	1,010	606
Non-banks														
HDFC	2,916	ADD	7.6	4.8	9.0	21.3	9.0	3.2	6.0	9.0	1.8	9.0	3,040	1,950
IDFC	180	ADD	15.4	11.8	16.5	32.1	16.5	10.7	12.9	16.5	10.9	16.5	184	115
LIC Housing Finance	968	ADD	3.3	9.8	20.6	54.1	20.6	(1.0)	11.0	20.7	29.4	20.7	1,049	519
MMFS	457	BUY	9.1	22.0	33.5	72.6	33.5	4.6	23.0	33.5	44.9	33.5	484	210
PFC	294	REDUCE	1.9	12.7	12.5	41.6	12.5	(2.3)	13.8	12.5	18.8	12.5	307	185
Shriram Transport	585	ADD	0.3	11.6	20.0	101.1	20.0	(3.8)	12.8	20.0	68.8	20.0	645	284
SREI	81	NR	(3.0)	2.3	3.7	1.4	3.7	(7.0)	3.5	3.7	(14.8)	3.7	94	45
Rural Electrification Corp.	294	ADD	6.5	14.0	20.9	69.5	20.9	2.1	15.1	20.9	42.3	20.9	309	147

Source: Bloomberg

Quarterly result expectations of companies under coverage

	Jun-09	Mar-10	Jun-10E	Change (%) yoy	Change (%) qoq	Comments
Banking						
Andhra Bank						
Net interest income	4,414	6,562	6,598	49.5	0.6	Strong NII growth to continue (49% yoy) despite the impact of revised savings rates. Loan loss provisions at about 110 bps
Operating profit	2,102	4,273	4,267	103.0	(0.1)	
Treasury income (net)	1,790	460	346	(80.7)	(24.7)	
Loan loss provision	380	1,690	1,408	270.6	(16.7)	PAT growth (12% decline yoy) to be lower mainly due to lower non interest income
PAT	2,562	2,403	2,244	(12.4)	(6.6)	
Extraordinaries	-	-	-	-	-	
PAT-reported	2,562	2,403	2,244	(12.4)	(6.6)	
Axis Bank						
Net interest income	10,456	14,601	14,026	34.1	(3.9)	NIMs to get impacted due to savings rates, priority sector loans of 4Q having the full impact in 1Q
Operating profit	8,504	12,808	11,164	31.3	(12.8)	
Treasury income (net)	3,260	1,030	1,200	(63.2)	16.5	
Loan provision	3,700	1,797	2,200	(40.5)	22.4	Strong growth of fee income to continue. Asset quality likely to remain comfortable with lower delinquencies
PAT	5,621	7,649	7,013	24.8	(8.3)	
Extraordinaries	-	-	-	-	-	
PAT-reported	5,621	7,649	7,013	24.8	(8.3)	
Bank of Baroda						
Net interest income	12,047	17,450	17,052	41.5	(2.3)	NII growth to remain impressive at 42% yoy with broadly stable margins
Operating profit	7,508	13,382	12,065	60.7	(9.8)	
Treasury income (net)	6,152	1,451	1,383	(77.5)	(4.7)	
Loan loss provision	3,171	2,318	2,000	(36.9)	(13.7)	Earnings growth at 17% despite lower treasury gains mainly due to normalised tax assumption (1QFY10 was at 48%)
PAT	6,854	9,063	8,014	16.9	(11.6)	
Extraordinaries	-	-	-	-	-	
PAT-reported	6,854	9,063	8,014	16.9	(11.6)	
Bank of India						
Net interest income	13,006	15,517	15,002	15.3	(3.3)	NII pressure to remain with the impact of savings rate. Maintaing credit costs at 1.2% of loans
Operating profit	7,256	13,154	10,612	46.2	(19.3)	
Treasury income (net)	3,680	(400)	1,367	(62.9)	(441.8)	
Loan loss provision	1,780	6,600	4,450	150.0	(32.6)	Earnings to decline due to lower treasury gains and higher provisions
PAT	5,843	4,279	4,289	(26.6)	0.2	
Extraordinaries	-	-	-	-	-	
PAT-reported	5,843	4,279	4,289	(26.6)	0.2	
Canara Bank						
Net interest income	12,915	15,976	16,035	24.2	0.4	NII growth to remain healthy at 24% yoy while margins to remain stable at 2.6-2.7% levels (adjusting for impact of savings)
Operating profit	8,932	13,171	12,094	35.4	(8.2)	
Treasury income (net)	282	(360)	536	90.5	(249.0)	
Loan provision	2,160	5,780	3,853	78.4	(33.3)	PAT growth at 18% higher than other public sector banks mainly due to lower treasury gains reported in 1QFY10.
PAT	5,553	5,031	6,583	18.5	30.8	
Extraordinaries	-	-	-	-	-	
PAT-reported	5,553	5,031	6,583	18.5	30.8	
Corporation Bank						
Net interest income	4,676	6,398	6,453	38.0	0.9	NII growth likely to be healthy at 38% yoy (flat qoq), on a low base of last year and better margins currently
Operating profit	3,197	4,726	4,748	48.5	0.5	
Treasury income (net)	1,566	59	59	(96.2)	-	
Loan provision	600	986	1,020	70.0	3.4	PAT may be lower by 2% yoy on account of likely higher credit costs and lower treasury gains.
PAT	2,613	3,123	2,666	2.0	(14.6)	
Extraordinaries	-	-	-	-	-	
PAT-reported	2,613	3,123	2,666	2.0	(14.6)	
Federal Bank						
Net interest income	2,901	4,097	3,976	37.1	(2.9)	Margins to decline with impact of savings rate. Loan growth to remain healthy
PBT	1,908	3,215	3,200	67.7	(0.5)	
Treasury income (net)	1,288	96	159	(87.6)	65.6	
Loan provision	932	773	966	3.6	25.0	Asset quality pressure to remain while PAT growth would be higher due to base impact
PAT	1,364	1,169	1,675	22.8	43.4	
Extraordinaries	-	-	-	-	-	
PAT-reported	1,364	1,169	1,675	22.8	43.4	

Source: Companies, Kotak Institutional Equities estimates

Quarterly result expectations of companies under coverage

	Jun-09	Mar-10	Jun-10E	Change (%) yoy	Change (%) qoq	Comments
HDFC						
Net operational income	8,813	13,327	10,598	20.2	(20.5)	Retail business will continue to be strong, driven by strong macro and a favourable base
PBT	7,798	12,658	9,425	20.9	(25.5)	
Treasury income (net)	513	454	500	(2.6)	10.1	
Loan provision	-	-	-	-	-	Spreads will likely moderate qoq yet remain strong
PAT	5,648	9,263	6,880	21.8	(25.7)	
Extraordinaries	-	-	-	-	-	Spreads will likely moderate qoq yet remain strong
PAT-reported	5,648	9,263	6,880	21.8	(25.7)	
HDFC Bank						
Net interest income	18,556	23,514	23,969	29.2	1.9	Margins to remain stable for the quarter (adjusting for revised rate for savings balances) and NII growth to remain impressive at 29% yoy
PBT	12,348	15,768	14,645	18.6	(7.1)	
Treasury income (net)	2,560	(473)	100	(96.1)	(121.1)	
Loan provision	6,310	2,750	2,613	(58.6)	(5.0)	Fee income to be lower at 21% yoy. Earnings growth at 33% yoy mainly due to sharp decline in loan loss provisions.
PAT	6,061	8,366	8,092	33.5	(3.3)	
Extraordinaries	-	-	-	-	-	
PAT-reported	6,061	8,366	8,092	33.5	(3.3)	
ICICI Bank						
Net interest income	19,853	20,349	19,863	0.1	(2.4)	Margins to somewhat lower sequentially; this coupled with declining loan book, will result in subdued NII trend
Operating profit	18,151	28,355	21,533	18.6	(24.1)	
Treasury income (net)	7,140	1,960	2,000	(72.0)	2.0	
Loan provision	13,237	9,898	8,500	(35.8)	(14.1)	Provisioning costs to start declining; but treasury income also to be lower. Earnings to be higher by 23% yoy due to a subdued base
PAT	8,782	10,056	10,824	23.2	7.6	
Extraordinaries	-	-	-	-	-	
PAT-reported	8,782	10,056	10,824	23.2	7.6	
IDFC						
Net operational income	4,679	5,971	5,594	19.6	(6.3)	Loan growth likely to remain strong at about 30% yoy
Operating profit	3,718	3,008	4,352	17.0	44.6	
Treasury income (net)	-	-	-	-	-	
Loan provision	3,999	4,981	4,844	21.1	(2.8)	NIMs likely to soften marginally due to rising borrowings costs
PAT	2,724	2,265	3,264	19.8	44.1	
Extraordinaries	-	-	-	-	-	
PAT-reported	2,724	2,265	3,264	19.8	44.1	
Indian Bank						
Net interest income	7,377	9,341	9,207	24.8	(1.4)	NII growth to remain healthy at 24% but margins to come down qoq because of revised savings balances
Operating profit	5,467	8,908	7,385	35.1	(17.1)	
Treasury income (net)	1,029	790	173	(83.2)	(78.0)	
Loan provision	1,400	3,110	1,728	23.4	(44.4)	PAT growth likely at 16% yoy on account of lower treasury income and higher provisioning burden. Restructured assets would be the key monitorable item
PAT	3,317	4,100	3,855	16.2	(6.0)	
Extraordinaries	-	-	-	-	-	
PAT-reported	3,317	4,100	3,855	16.2	(6.0)	
India Infoline						
Net sales	2,562	3,097	2,579	0.6	(16.7)	Cash market volumes have been weak- will impact broking business
Operating profit	-	-	-	-	-	
EBIT	957	1,028	979	2.3	(4.8)	
PBT	816	791	734	(10.1)	(7.2)	Pace of growth in lending business will drive earnings
PAT	516	522	492	(4.7)	(5.8)	
Extraordinaries	-	-	-	-	-	
PAT-reported	516	522	492	(4.7)	(5.8)	
Indian Overseas Bank						
Net interest income	7,684	8,204	8,329	8.4	1.5	NII growth to remain muted but we expect pick-up in credit qoq at 3%
Operating profit	3,394	4,182	3,770	11.1	(9.9)	
Treasury income (net)	1,880	502	440	(76.6)	(12.4)	
Loan provision	820	4,726	2,626	220.2	(44.4)	Trend on asset quality and loan loss provisions would be key factors driving earnings for the quarter.
PAT	3,018	1,274	1,109	(63.3)	(13.0)	
Extraordinaries	-	-	-	-	-	
PAT-reported	3,018	1,274	1,109	(63.3)	(13.0)	

Source: Company, Kotak Institutional Equities estimates

Quarterly result expectations of companies under coverage

	Jun-09	Mar-10	Jun-10E	Change (%) yoy	Change (%) qoq	Comments
HDFC						
Net operational income	8,813	13,327	10,598	20.2	(20.5)	Retail business will continue to be strong, driven by strong macro and a favourable base
PBT	7,798	12,658	9,425	20.9	(25.5)	
Treasury income (net)	513	454	500	(2.6)	10.1	
Loan provision	-	-	-	-	-	Spreads will likely moderate qoq yet remain strong
PAT	5,648	9,263	6,880	21.8	(25.7)	
Extraordinaries	-	-	-	-	-	Spreads will likely moderate qoq yet remain strong
PAT-reported	5,648	9,263	6,880	21.8	(25.7)	
HDFC Bank						
Net interest income	18,556	23,514	23,969	29.2	1.9	Margins to remain stable for the quarter (adjusting for revised rate for savings balances) and NII growth to remain impressive at 29% yoy
PBT	12,348	15,768	14,645	18.6	(7.1)	
Treasury income (net)	2,560	(473)	100	(96.1)	(121.1)	
Loan provision	6,310	2,750	2,613	(58.6)	(5.0)	Fee income to be lower at 21% yoy. Earnings growth at 33% yoy mainly due to sharp decline in loan loss provisions.
PAT	6,061	8,366	8,092	33.5	(3.3)	
Extraordinaries	-	-	-	-	-	
PAT-reported	6,061	8,366	8,092	33.5	(3.3)	
ICICI Bank						
Net interest income	19,853	20,349	19,863	0.1	(2.4)	Margins to somewhat lower sequentially; this coupled with declining loan book, will result in subdued NII trend
Operating profit	18,151	28,355	21,533	18.6	(24.1)	
Treasury income (net)	7,140	1,960	2,000	(72.0)	2.0	
Loan provision	13,237	9,898	8,500	(35.8)	(14.1)	Provisioning costs to start declining; but treasury income also to be lower. Earnings to be higher by 23% yoy due to a subdued base
PAT	8,782	10,056	10,824	23.2	7.6	
Extraordinaries	-	-	-	-	-	
PAT-reported	8,782	10,056	10,824	23.2	7.6	
IDFC						
Net operational income	4,679	5,971	5,594	19.6	(6.3)	Loan growth likely to remain strong at about 30% yoy
Operating profit	3,718	3,008	4,352	17.0	44.6	
Treasury income (net)	-	-	-	-	-	
Loan provision	3,999	4,981	4,844	21.1	(2.8)	NIMs likely to soften marginally due to rising borrowings costs
PAT	2,724	2,265	3,264	19.8	44.1	
Extraordinaries	-	-	-	-	-	
PAT-reported	2,724	2,265	3,264	19.8	44.1	
Indian Bank						
Net interest income	7,377	9,341	9,207	24.8	(1.4)	NII growth to remain healthy at 24% but margins to come down qoq because of revised savings balances
Operating profit	5,467	8,908	7,385	35.1	(17.1)	
Treasury income (net)	1,029	790	173	(83.2)	(78.0)	
Loan provision	1,400	3,110	1,728	23.4	(44.4)	PAT growth likely at 16% yoy on account of lower treasury income and higher provisioning burden. Restructured assets would be the key monitorable item
PAT	3,317	4,100	3,855	16.2	(6.0)	
Extraordinaries	-	-	-	-	-	
PAT-reported	3,317	4,100	3,855	16.2	(6.0)	
India Infoline						
Net sales	2,562	3,097	2,579	0.6	(16.7)	Cash market volumes have been weak- will impact broking business
Operating profit	-	-	-	-	-	
EBIT	957	1,028	979	2.3	(4.8)	
PBT	816	791	734	(10.1)	(7.2)	Pace of growth in lending business will drive earnings
PAT	516	522	492	(4.7)	(5.8)	
Extraordinaries	-	-	-	-	-	
PAT-reported	516	522	492	(4.7)	(5.8)	
Indian Overseas Bank						
Net interest income	7,684	8,204	8,329	8.4	1.5	NII growth to remain muted but we expect pick-up in credit qoq at 3%
Operating profit	3,394	4,182	3,770	11.1	(9.9)	
Treasury income (net)	1,880	502	440	(76.6)	(12.4)	
Loan provision	820	4,726	2,626	220.2	(44.4)	Trend on asset quality and loan loss provisions would be key factors driving earnings for the quarter.
PAT	3,018	1,274	1,109	(63.3)	(13.0)	
Extraordinaries	-	-	-	-	-	
PAT-reported	3,018	1,274	1,109	(63.3)	(13.0)	

Source: Company, Kotak Institutional Equities estimates

Quarterly result expectations of companies under coverage

	Jun-09	Mar-10	Jun-10E	Change (%) yoy	Change (%) qoq	Comments
Shriram Transport						
Net interest income	4,848	6,472	6,303	30.0	(2.6)	Truck loans will continue to grow at 25%+
Operating profit	2,469	4,125	3,814	54.5	(7.5)	
Treasury income (net)	-	-	-	-	-	
Loan provision	-	-	-	-	-	Capital issuance, lower borrowings costs (yoy) to aid margins
PAT	1,644	2,643	2,479	50.8	(6.2)	Capital issuance, lower borrowings costs (yoy) to aid margins
Extraordinaries	-	-	-	-	-	
PAT-reported	1,644	2,643	2,479	50.8	(6.2)	
State Bank of India						
Net interest income	50,249	67,217	65,852	31.1	(2.0)	Growth in NII will continue to remain impressive at 31% yoy with better pricing power and lower liquidity on the balance sheet
Operating profit	28,261	46,415	44,266	56.6	(4.6)	
Treasury income (net)	19,094	3,900	4,000	(79.1)	2.6	
Loan provision	12,342	21,868	13,000	5.3	(40.6)	Earnings likely to driven by the quantum of loan loss provisions; we expect earnings growth of 6% as loan loss provisions are likely to be higher
PAT	23,304	18,668	24,686	5.9	32.2	
Extraordinaries	-	-	-	-	-	
PAT-reported	23,304	18,668	24,686	5.9	32.2	
Union Bank						
Net interest income	8,016	13,961	12,556	56.6	(10.1)	Margins to decline qoq due to lower investment yields and impact of savings rates. NII growth to remain strong at 57% yoy
Operating profit	5,392	10,825	9,335	73.1	(13.8)	
Treasury income (net)	3,440	(140)	700	(79.7)	(600.0)	
Loan provision	2,860	2,610	2,860	-	9.6	Asset quality will remain the key monitorable for the bank. Loan loss provisions to remain at about 100 bps for the quarter
PAT	4,422	5,935	5,022	13.6	(15.4)	
Extraordinaries	-	-	-	-	-	
PAT-reported	4,422	5,935	5,022	13.6	(15.4)	

Source: Companies, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

	5-Jul-10		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)	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US$ mn)
Automobiles																													
Ashok Leyland	66	ADD	87,134	1,863	1,330	2.8	4.1	5.5	84.5	46.1	34.3	23.2	15.9	11.8	13.7	9.9	8.2	2.2	2.0	1.8	2.3	1.5	1.5	11.1	13.4	16.2	60	(8.4)	9.7
Bajaj Auto	2,445	ADD	353,744	7,562	145	117.5	166.0	182.9	159.8	41.3	10.1	20.8	14.7	13.4	13.0	9.9	8.8	11.0	6.7	4.7	0.8	0.8	0.8	66.6	56.3	41.0	2,330	(4.7)	11.1
Bharat Forge	292	ADD	70,142	1,499	240	0.7	11.4	18.7	(92.0)	1,553.7	64.6	424.2	25.7	15.6	21.4	10.1	7.0	1.9	1.7	1.6	—	—	—	0.9	13.9	18.2	335	14.8	3.5
Hero Honda	2,022	SELL	403,843	8,633	200	111.8	121.5	135.7	74.1	8.7	11.7	18.1	16.6	14.9	11.7	11.0	9.4	11.2	7.7	5.7	1.5	1.6	1.8	59.1	56.6	43.8	1,800	(11.0)	20.9
Mahindra & Mahindra	610	BUY	352,882	7,543	578	34.9	40.7	48.7	132.5	16.6	19.7	17.5	15.0	12.5	11.5	9.8	8.2	4.4	3.5	2.8	1.6	1.5	1.6	30.0	25.9	24.7	680	11.5	26.8
Maruti Suzuki	1,396	ADD	403,473	8,625	289	86.4	94.1	104.2	104.9	8.9	10.8	16.2	14.8	13.4	8.8	8.1	7.0	3.4	2.8	2.3	0.4	0.5	0.5	23.3	20.6	18.9	1,400	0.3	19.6
Tata Motors	763	ADD	455,004	9,726	596	23.9	27.2	35.5	138.9	13.5	30.6	31.9	28.1	21.5	12.7	12.7	11.1	2.2	2.0	1.7	0.7	0.8	0.8	8.1	7.5	8.6	900	17.9	94.6
Automobiles		**Cautious**	**2,126,223**	**45,452**					**109.8**	**21.0**	**17.4**	**20.8**	**17.2**	**14.7**	**11.8**	**10.3**	**8.8**	**3.9**	**3.2**	**2.7**	**1.0**	**1.0**	**1.1**	**18.6**	**18.6**	**18.1**			
Banks/Financial Institutions																													
Andhra Bank	130	BUY	63,099	1,349	485	21.0	21.1	25.4	56.1	0.6	20.0	6.2	6.2	5.1	—	—	—	1.3	1.2	1.0	3.2	3.2	3.9	24.4	20.2	20.7	160	23.0	5.6
Axis Bank	1,236	ADD	500,775	10,705	405	62.1	77.4	98.5	22.7	24.7	27.3	19.9	16.0	12.6	—	—	—	3.1	2.7	2.3	1.0	1.2	1.5	18.9	18.1	19.9	1,360	10.0	51.2
Bank of Baroda	715	BUY	261,480	5,590	366	83.7	89.8	111.0	37.3	7.3	23.6	8.5	8.0	6.4	—	—	—	1.9	1.6	1.3	2.1	2.2	2.8	24.4	21.8	22.6	825	15.3	10.8
Bank of India	365	REDUCE	191,748	4,099	526	33.1	42.7	56.7	(42.1)	28.9	32.8	11.0	8.5	6.4	—	—	—	1.5	1.3	1.1	1.9	2.5	3.3	14.2	16.4	19.1	360	(1.3)	5.9
Canara Bank	456	ADD	187,145	4,001	410	73.7	77.0	93.6	45.8	4.5	21.4	6.2	5.9	4.9	—	—	—	1.5	1.2	1.0	1.8	2.2	2.6	23.0	19.6	20.1	500	9.5	7.0
Corporation Bank	520	BUY	74,523	1,593	143	81.6	86.7	100.3	31.1	6.3	15.7	6.4	6.0	5.2	—	—	—	1.3	1.1	1.0	3.2	3.4	3.9	21.9	19.9	19.8	650	25.1	1.1
Federal Bank	331	BUY	56,578	1,209	171	27.2	38.7	48.0	(7.2)	42.3	24.2	12.2	8.6	6.9	—	—	—	1.2	1.1	1.0	1.5	2.2	2.7	10.3	13.4	14.8	360	8.8	5.5
HDFC	2,939	ADD	843,917	18,040	287	98.4	118.2	143.7	22.7	20.1	21.5	29.9	24.9	20.5	—	—	—	5.6	4.9	4.3	1.2	1.4	1.7	20.0	21.0	22.4	3,200	8.9	38.1
HDFC Bank	1,915	BUY	876,670	18,740	458	64.4	84.1	110.4	22.1	30.6	31.2	29.7	22.8	17.3	—	—	—	4.1	3.6	3.1	0.6	0.8	1.1	16.1	16.7	19.1	2,200	14.9	29.5
ICICI Bank	841	REDUCE	937,177	20,034	1,115	36.1	46.5	58.0	6.9	28.9	24.7	23.3	18.1	14.5	—	—	—	1.8	1.7	1.6	1.4	1.8	2.3	8.1	9.8	11.5	980	16.6	91.5
IDFC	180	ADD	234,440	5,012	1,301	8.2	9.2	11.2	41.1	12.9	21.9	22.1	19.6	16.0	—	—	—	3.3	2.9	2.6	0.9	0.9	1.1	16.1	16.0	17.1	195	8.2	22.1
India Infoline	94	BUY	29,169	624	312	8.1	8.9	10.0	59.2	9.8	12.5	11.5	10.5	9.3	—	—	—	1.8	1.5	1.3	3.4	2.0	2.5	16.4	15.9	16.1	140	49.7	3.7
Indian Bank	223	BUY	95,882	2,050	430	35.1	35.5	43.8	25.5	1.1	23.6	6.4	6.3	5.1	—	—	—	1.4	1.2	1.0	2.7	2.7	3.4	24.0	20.3	21.2	280	25.5	4.1
Indian Overseas Bank	103	BUY	56,005	1,197	545	13.0	15.4	26.4	(46.7)	18.9	71.3	7.9	6.7	3.9	—	—	—	0.9	0.8	0.7	4.0	4.4	4.8	9.6	10.6	16.3	120	16.7	3.9
J&K Bank	829	BUY	40,184	859	48	105.7	112.3	140.6	25.1	6.3	25.2	7.8	7.4	5.9	—	—	—	1.4	1.2	1.1	2.7	2.8	3.5	17.3	16.9	18.5	850	2.6	0.5
LIC Housing Finance	978	ADD	92,905	1,986	95	69.7	93.2	104.2	11.4	33.8	11.7	14.0	10.5	9.4	—	—	—	2.9	2.4	2.0	1.5	2.1	2.3	23.6	23.8	22.4	1,050	7.4	19.3
Mahindra & Mahindra Financial	456	BUY	43,747	935	96	35.7	42.6	49.8	59.3	19.3	16.8	12.8	10.7	9.2	—	—	—	2.6	2.2	1.9	1.7	2.0	2.3	21.4	21.7	21.6	500	9.7	1.1
Oriental Bank of Commerce	322	ADD	80,736	1,726	251	45.3	52.8	58.6	25.3	16.5	11.0	7.1	6.1	5.5	—	—	—	1.2	1.0	0.9	2.8	3.3	3.7	14.1	15.4	15.3	400	24.1	4.3
PFC	297	REDUCE	341,002	7,289	1,148	20.5	22.5	25.9	53.5	9.9	15.1	14.5	13.2	11.5	—	—	—	2.6	2.3	2.0	1.7	1.9	2.2	18.8	18.0	18.2	240	(19.2)	2.8
Punjab National Bank	1,075	BUY	338,856	7,244	315	123.8	128.0	156.5	26.3	3.4	22.2	8.7	8.4	6.9	—	—	—	2.1	1.8	1.5	2.0	2.4	2.9	26.4	22.7	23.3	1,150	7.0	7.8
Reliance Capital	749	ADD	184,251	3,939	246	13.8	16.1	14.1	(64.9)	17.0	(12.4)	54.2	46.3	52.9	—	—	—	2.7	2.6	2.5	0.9	0.9	0.8	5.0	5.7	4.8	875	16.9	36.7
Rural Electrification Corp.	293	ADD	289,750	6,194	987	20.3	24.6	30.7	23.2	21.2	24.9	14.5	11.9	9.6	—	—	—	2.6	2.3	2.0	2.2	2.5	3.1	22.0	20.5	22.2	300	2.2	14.5
Shriram Transport	584	ADD	130,303	2,785	223	39.2	49.1	62.4	30.1	25.4	27.2	14.9	11.9	9.4	—	—	—	3.5	3.0	2.5	2.0	2.5	3.2	28.4	26.1	27.8	600	2.7	4.3
SREI	82	NR	9,483	203	116	8.3	7.9	9.9	17.8	(4.8)	25.8	9.8	10.3	8.2	—	—	—	0.8	0.7	0.7	1.5	1.5	1.5	11.1	10.5	12.3	—	—	3.9
State Bank of India	2,273	BUY	1,442,765	30,841	635	144.4	178.1	223.0	0.5	23.4	25.2	15.7	12.8	10.2	—	—	—	2.2	1.9	1.7	1.8	1.8	1.9	14.8	16.1	17.8	2,700	18.8	97.7
Union Bank	312	BUY	157,622	3,369	505	41.1	45.8	57.3	20.2	11.5	25.0	7.6	6.8	5.4	—	—	—	1.8	1.5	1.2	1.8	2.1	2.7	26.2	23.7	24.3	380	21.8	4.4
Banks/Financial Institutions		**Attractive**	**7,651,378**	**163,561**					**14.7**	**17.5**	**24.2**	**15.2**	**12.9**	**10.4**	**—**	**—**	**—**	**2.4**	**2.1**	**1.8**	**1.5**	**1.8**	**2.1**	**15.5**	**16.1**	**17.4**			
Cement																													
ACC	863	SELL	162,122	3,466	188	83.2	61.8	63.4	47.9	(25.7)	2.6	10.4	14.0	13.6	5.6	6.6	5.7	2.5	2.2	2.0	2.7	2.7	2.7	29.3	19.4	17.7	830	(3.8)	8.4
Ambuja Cements	114	SELL	173,094	3,700	1,522	8.0	7.9	8.1	11.4	(1.8)	2.6	14.2	14.5	14.1	7.9	8.2	7.4	2.5	2.2	2.0	1.7	1.9	1.9	19.3	16.7	15.3	98	(13.8)	5.5
Grasim Industries	1,828	ADD	167,646	3,584	92	301.0	240.1	282.0	26.1	(20.2)	17.5	6.1	7.6	6.5	3.9	3.9	3.0	1.3	1.2	1.0	1.8	1.9	1.9	22.9	16.4	16.7	2,150	17.6	8.9
India Cements	107	SELL	32,698	699	307	10.0	10.4	11.3	(43.5)	3.1	9.1	10.6	10.3	9.4	5.4	5.4	5.2	0.8	0.7	0.7	2.0	3.0	3.0	8.2	7.7	8.0	110	3.3	3.0
Shree Cement	1,958	BUY	68,197	1,458	35	208.0	221.1	242.5	19.0	6.3	9.7	9.4	8.9	8.1	4.6	4.4	3.5	3.7	2.6	2.0	0.5	0.5	0.5	48.0	35.0	28.1	2,550	30.3	0.7
UltraTech Cement	867	SELL	107,933	2,307	124	88.2	67.1	77.2	12.0	(23.9)	15.0	9.8	12.9	11.2	5.1	5.7	4.7	2.0	1.7	1.5	0.9	0.9	0.9	26.6	16.8	16.7	940	8.4	2.5
Cement		**Neutral**	**711,690**	**15,214**					**19.3**	**(15.5)**	**10.4**	**9.3**	**11.0**	**9.9**	**5.0**	**5.3**	**4.4**	**1.9**	**1.7**	**1.5**	**1.7**	**1.8**	**1.8**	**20.5**	**15.1**	**14.6**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

	5-Jul-10		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)	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US$ mn)
Consumer products																													
Asian Paints	2,330	BUY	223,450	4,777	96	71.6	82.1	98.1	85.4	14.7	19.5	32.6	28.4	23.7	20.3	17.5	14.3	13.8	11.0	8.9	1.2	1.5	1.7	51.6	44.5	42.5	2,300	(1.3)	2.4
Colgate-Palmolive (India)	842	REDUCE	114,472	2,447	136	29.7	33.0	37.6	37.6	11.1	13.9	28.3	25.5	22.4	21.0	18.6	15.8	35.8	28.0	22.5	2.4	2.7	3.0	150.2	122.2	109.9	760	(9.7)	2.4
Dabur India	202	BUY	175,121	3,744	866	5.8	6.8	8.2	28.1	17.6	20.8	34.9	29.7	24.6	25.9	20.8	17.2	16.6	13.7	11.2	1.5	1.8	2.1	54.3	51.1	50.7	200	(1.1)	2.4
GlaxoSmithkline Consumer (a)	1,805	ADD	75,917	1,623	42	55.4	70.0	82.9	23.6	26.5	18.4	32.6	25.8	21.8	18.0	15.2	12.5	8.5	7.0	5.9	1.0	1.3	1.5	27.9	29.6	29.2	1,800	(0.3)	0.9
Godrej Consumer Products	348	NR	107,096	2,289	308	8.7	9.8	11.6	29.7	13.2	18.2	40.1	35.4	29.9	28.4	25.3	21.3	9.1	8.0	7.9	1.2	1.2	1.2	30.7	24.1	27.8	—	—	3.4
Hindustan Unilever	266	REDUCE	580,064	12,400	2,179	9.7	10.4	11.8	1.7	7.3	14.0	27.5	25.6	22.5	18.5	17.5	14.7	22.7	19.6	16.9	2.9	3.2	3.6	91.6	82.2	80.8	230	(13.6)	13.4
ITC	302	BUY	1,138,686	24,341	3,769	10.8	12.4	14.5	24.4	15.4	16.9	28.0	24.3	20.8	17.3	15.3	12.8	8.0	6.9	5.9	3.3	1.8	2.0	29.9	32.2	32.1	315	4.3	22.1
Jubilant Foodworks	331	REDUCE	21,446	458	65	5.5	7.7	9.7	340.6	39.3	25.3	59.7	42.8	34.2	32.3	22.6	16.0	18.2	12.8	9.3	—	—	—	46.6	35.1	31.5	290	(12.3)	12.7
Jyothy Laboratories	256	ADD	18,599	398	73	11.0	12.9	15.3	99.6	17.0	18.3	23.2	19.9	16.8	17.9	13.5	11.1	4.6	3.9	3.3	1.8	1.4	1.8	18.6	20.2	20.5	230	(10.3)	1.3
Nestle India (a)	3,085	REDUCE	297,423	6,358	96	74.4	87.0	105.5	27.0	17.0	21.3	41.5	35.4	29.2	27.4	24.3	20.9	51.2	40.6	32.1	1.6	2.0	2.4	136.0	127.8	122.7	3,000	(2.7)	2.3
Tata Tea	120	BUY	74,455	1,592	618	6.6	7.4	8.4	23.4	11.1	13.8	18.2	16.4	14.4	11.6	9.5	8.5	1.5	1.4	1.3	1.8	2.0	2.3	10.9	11.4	12.0	125	3.8	3.8
Consumer products		**Attractive**	**2,826,729**	**60,426**					**23.4**	**13.8**	**16.9**	**29.7**	**26.2**	**22.4**	**19.2**	**16.9**	**14.2**	**10.1**	**8.7**	**7.6**	**2.5**	**2.1**	**2.3**	**34.0**	**33.4**	**33.8**			
Constructions																													
IVRCL	185	BUY	49,424	1,057	267	7.8	10.3	12.4	(7.7)	32.4	19.7	23.7	17.9	14.9	12.4	10.2	8.6	2.4	2.2	1.9	0.2	0.2	0.2	10.9	12.8	13.5	215	16.2	7.5
Nagarjuna Construction Co.	186	BUY	47,673	1,019	257	7.1	11.5	14.3	6.1	61.1	24.1	26.0	16.2	13.0	12.6	9.5	7.8	2.1	1.9	1.7	0.9	1.1	1.1	9.3	12.5	13.9	210	13.0	3.9
Punj Lloyd	133	REDUCE	45,207	966	339	(12.9)	9.8	12.0	79.2	(175.4)	22.4	(10.3)	13.7	11.2	37.0	7.3	6.6	1.5	1.3	1.2	(0.1)	0.3	0.8	(15.8)	10.3	11.4	140	4.9	12.8
Sadbhav Engineering	1,294	BUY	19,403	415	15	43.1	62.0	84.0	(15.8)	43.9	35.5	30.0	20.9	15.4	16.8	10.8	8.9	4.7	3.2	2.6	0.3	0.5	0.5	13.3	14.1	17.4	1,450	12.1	0.3
Construction		**Attractive**	**161,707**	**3,457**					**(96.9)**	**14,481**	**24.4**	**2,388.3**	**16.4**	**13.2**	**16.9**	**8.8**	**7.7**	**2.1**	**1.8**	**1.6**	**0.3**	**0.5**	**0.7**	**0.1**	**11.3**	**12.5**			
Energy																													
Aban Offshore	813	ADD	35,356	756	43	94.5	172.3	103.6	(2.5)	82.3	(39.8)	8.6	4.7	7.8	8.3	6.1	6.7	1.6	0.9	0.8	0.4	0.4	0.5	21.7	20.8	11.1	900	10.7	48.9
Bharat Petroleum	659	ADD	238,164	5,091	362	63.5	54.3	67.6	208	(14)	24.5	10	12	9.7	5.8	5.9	5.0	1.7	1.5	1.4	2.1	2.7	3.4	16.0	12.3	13.9	660	0.2	19.3
Cairn india	295	SELL	560,080	11,973	1,897	5.3	28.5	40.0	24.3	433.4	40.5	55.3	10.4	7.4	43.3	7.1	5.0	1.6	1.4	1.3	—	—	5.1	3.0	14.6	18.1	250	(15.3)	17.2
Castrol India (a)	430	REDUCE	106,442	2,275	247	15.4	19.6	20.6	45	27	5.3	28	22	20.9	16.5	13.5	12.7	23.1	21.6	19.9	2.9	3.6	3.7	83.8	101.6	99.2	365	(15.2)	1.3
GAIL (India)	465	ADD	589,843	12,609	1,268	24.8	26.2	38.8	11.7	5.8	48.0	18.8	17.8	12.0	10.5	11.0	8.6	3.2	2.9	2.5	1.6	1.8	2.7	17.4	16.3	21.1	495	6.5	18.5
GSPL	105	REDUCE	58,776	1,256	562	7.4	8.9	9.1	235	22	1.3	14	12	11.5	7.3	6.1	5.5	3.4	2.8	2.5	1.0	2.1	3.5	27.3	26.3	22.5	80	(23.4)	4.3
Hindustan Petroleum	466	ADD	158,131	3,380	339	54.7	45.0	62.0	222.7	(17.9)	38.0	8.5	10.4	7.5	3.2	3.7	2.9	1.2	1.1	1.0	2.6	3.0	4.2	13.9	10.3	13.0	500	7.2	23.8
Indian Oil Corporation	399	ADD	968,266	20,698	2,428	49.9	34.0	37.4	407	(32)	10.0	8	12	10.7	5.4	6.4	5.3	1.8	1.6	1.5	3.3	2.6	2.8	22.7	13.8	14.0	410	2.8	15.2
Oil India	1,411	BUY	339,257	7,252	240	115.1	130.7	152.0	13.8	13.5	16.3	12.3	10.8	9.3	5.3	4.2	3.4	2.3	2.0	1.8	2.4	3.1	3.5	16.7	17.8	18.2	1,440	2.1	7.0
Oil & Natural Gas Corporation	1,285	BUY	2,749,325	58,771	2,139	91.4	124.9	141.1	1	37	12.9	14	10	9.1	5.1	4.3	3.5	2.1	1.8	1.6	2.6	3.3	3.7	14.6	17.9	18.0	1,450	12.8	35.4
Petronet LNG	78	REDUCE	58,800	1,257	750	5.4	5.5	8.2	(22.0)	2.6	47.8	14.5	14.2	9.6	8.9	8.4	6.7	2.3	2.0	1.8	2.2	2.6	3.5	15.9	14.3	18.6	82	4.6	4.3
Reliance Industries	1,068	SELL	3,179,261	67,962	2,976	49.6	62.9	80.2	(2)	27	27.5	22	17	13.3	10.8	8.2	6.8	2.1	2.0	1.8	1.4	1.7	2.1	11.4	13.2	15.3	985	(7.8)	121.5
Energy		**Cautious**	**9,041,702**	**193,281**					**33.2**	**20.8**	**20.8**	**15.0**	**12.4**	**10.2**	**7.3**	**6.2**	**5.1**	**2.1**	**1.9**	**1.7**	**2.0**	**2.3**	**3.1**	**13.8**	**15.0**	**16.3**			
Industrials																													
ABB	861	REDUCE	182,549	3,902	212	16.7	23.3	37.2	(35.2)	39.2	59.8	51.5	37.0	23.1	29.5	21.8	13.5	7.5	6.4	5.1	0.2	0.4	0.4	15.6	18.8	24.7	840	(2.5)	7.0
BGR Energy Systems	716	BUY	51,534	1,102	72	16.0	28.0	39.7	32.2	74.6	41.9	44.6	25.6	18.0	25.1	14.5	10.6	9.1	7.3	5.6	0.4	1.0	1.1	22.3	31.8	35.1	800	11.8	2.9
Bharat Electronics	1,750	REDUCE	140,008	2,993	80	93.9	111.8	127.4	(9.6)	19.1	13.9	18.6	15.7	13.7	8.9	7.2	6.0	3.1	2.7	2.4	1.4	1.4	1.4	17.9	18.7	18.5	1,790	2.3	2.9
Bharat Heavy Electricals	2,360	REDUCE	1,155,071	24,692	490	88.1	113.1	137.5	37.9	28.4	21.6	26.8	20.9	17.2	14.9	11.2	9.2	7.3	5.8	4.6	0.8	1.0	1.2	29.9	30.8	29.8	2,500	6.0	29.7
Crompton Greaves	252	BUY	161,735	3,457	642	12.8	13.3	15.8	46.5	3.2	19.0	19.6	19.0	16.0	11.4	10.4	8.5	6.2	4.8	3.9	0.7	0.7	0.8	36.8	28.5	26.8	290	15.0	7.7
Larsen & Toubro	1,791	BUY	1,076,277	23,007	601	58.1	71.2	90.4	16.0	22.4	27.0	30.8	25.2	19.8	16.5	13.9	11.4	4.8	4.0	3.4	0.6	0.7	0.8	18.6	17.5	18.7	1,900	6.1	54.6
Maharashtra Seamless	395	BUY	27,845	595	71	40.2	43.6	49.8	12.1	8.5	14.2	9.8	9.0	7.9	5.2	4.5	3.6	1.7	1.5	1.3	1.5	2.0	2.5	19.3	17.9	17.7	450	14.0	0.4
Siemens	715	REDUCE	241,019	5,152	337	25.0	29.6	34.3	55.2	18.6	16.0	28.6	24.2	20.8	16.9	13.8	11.6	7.1	5.8	4.8	0.7	0.8	0.9	27.3	26.3	25.1	635	(11.2)	7.0
Suzlon Energy	58	REDUCE	92,524	1,978	1,594	(5.9)	0.3	5.3	(182.3)	(104.4)	1,931.8	(9.8)	223.8	11.0	16.9	8.7	5.7	0.8	0.9	0.8	—	—	0.3	(8.8)	0.4	7.5	70	20.6	27.6
Thermax	752	BUY	89,631	1,916	119	21.7	29.4	37.6	(10.4)	35.4	27.7	34.6	25.6	20.0	18.6	14.4	11.3	8.2	6.8	5.5	0.5	1.1	1.4	24.9	29.1	30.5	750	(0.3)	1.0
Voltas	204	REDUCE	67,486	1,443	331	10.9	11.3	12.6	57.4	3.8	12.1	18.8	18.1	16.1	11.1	9.8	8.4	6.3	5.1	4.3	1.5	1.6	1.8	38.3	31.3	28.8	200	(2.0)	4.6
Industrials		**Attractive**	**3,285,679**	**70,237**					**1.8**	**34.8**	**29.0**	**30.9**	**22.9**	**17.8**	**15.4**	**12.0**	**9.6**	**4.9**	**4.2**	**3.5**	**0.7**	**0.9**	**1.0**	**16.0**	**18.3**	**19.9**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	5-Jul-10 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS (Rs) 2012E	EPS growth (%) 2010E	EPS growth (%) 2011E	EPS growth (%) 2012E	PER (X) 2010E	PER (X) 2011E	PER (X) 2012E	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	EV/EBITDA (X) 2012E	Price/BV (X) 2010E	Price/BV (X) 2011E	Price/BV (X) 2012E	Dividend yield (%) 2010E	Dividend yield (%) 2011E	Dividend yield (%) 2012E	RoE (%) 2010E	RoE (%) 2011E	RoE (%) 2012E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Infrastructure																													
Container Corporation	1,418	REDUCE	184,370	3,941	130	61.1	74.3	85.9	0.3	21.7	15.6	23.2	19.1	16.5	16.5	13.4	11.3	4.2	3.7	3.1	1.0	1.2	1.4	19.6	20.6	20.5	1,250	(11.9)	1.8
GMR Infrastructure	60	ADD	218,737	4,676	3,667	0.4	0.2	0.1	(43.8)	(48.9)	(40.0)	138.4	270.9	451.2	24.1	15.5	14.5	2.1	1.8	1.8	—	—	—	2.4	1.2	0.7	65	9.0	6.0
GVK Power & Infrastructure	44	BUY	69,248	1,480	1,579	0.8	1.1	1.4	6.7	33.5	32.4	53.9	40.4	30.5	18.4	16.8	17.3	2.2	2.1	2.0	—	0.7	0.7	4.7	5.3	6.7	54	23.1	5.8
IRB Infrastructure	264	RS	87,728	1,875	332	9.7	12.6	12.1	83.8	29.2	(3.7)	27.1	21.0	21.8	12.9	11.5	10.7	3.8	2.9	2.3	—	—	—	15.6	15.7	11.9	—	—	4.7
Mundra Port and SEZ	733	REDUCE	295,778	6,323	403	15.1	24.1	35.7	40.8	59.5	48.4	48.6	30.5	20.5	31.2	20.1	14.3	8.1	6.3	4.7	—	—	—	18.5	23.2	26.1	725	(1.1)	6.8
Infrastructure		**Attractive**	**855,861**	**18,295**					**12.7**	**29.5**	**24.1**	**42.5**	**32.8**	**26.4**	**21.3**	**15.7**	**13.5**	**3.6**	**3.0**	**2.7**	**—**	**—**	**0.4**	**8.4**	**9.2**	**10.2**			
Media																													
DB Corp	235	ADD	42,587	910	181	10.6	12.9	15.7	276.4	21.0	22.3	22.1	18.3	14.9	12.2	10.1	8.0	6.1	4.9	4.1	0.9	1.7	2.6	38.2	29.6	29.9	280	19.3	0.3
DishTV	45	ADD	48,013	1,026	1,063	(2.5)	(1.2)	0.5	(62.6)	(49.9)	(141.4)	(18.4)	(36.7)	88.7	59.9	21.8	11.9	11.6	16.9	14.2	—	—	—	250.2	(37.4)	17.4	47	4.1	3.5
HT Media	145	NR	33,981	726	235	6.1	7.8	9.4	623.3	27.0	20.9	23.7	18.7	15.4	11.8	9.8	8.0	3.5	3.1	2.8	0.7	1.4	2.8	15.6	17.6	19.2	—	—	0.2
Jagran Prakashan	124	ADD	37,240	796	301	5.8	6.4	7.5	91.9	9.5	16.7	21.2	19.3	16.6	12.8	11.2	9.6	6.1	5.5	4.9	2.8	2.8	3.2	30.0	29.8	31.0	130	5.1	0.7
Sun TV Network	430	REDUCE	169,514	3,624	394	13.1	17.9	22.8	44.8	36.0	27.5	32.7	24.1	18.9	18.6	13.8	11.0	8.7	7.4	6.1	1.7	1.7	2.1	28.4	33.5	35.5	420	(2.4)	1.7
Zee Entertainment Enterprises	294	REDUCE	127,531	2,726	434	10.5	12.0	14.7	24.4	14.4	22.2	28.0	24.4	20.0	20.8	16.4	13.1	3.4	3.3	3.1	0.8	1.0	1.2	13.0	14.1	16.4	265	(9.8)	9.4
Media		**Neutral**	**458,864**	**9,809**					**185.0**	**40.2**	**36.2**	**37.8**	**26.9**	**19.8**	**18.2**	**13.9**	**10.8**	**5.5**	**5.0**	**4.5**	**1.2**	**1.4**	**1.8**	**14.6**	**18.7**	**22.8**			
Metals																													
Hindalco Industries	142	ADD	271,111	5,795	1,914	5.7	12.6	15.1	(64.5)	122.5	19.4	25.0	11.2	9.4	7.6	8.1	8.3	1.2	1.1	1.0	1.0	1.0	1.0	10.3	10.4	11.2	185	30.6	41.4
Hindustan Zinc	944	BUY	398,680	8,522	423	95.6	117.5	133.2	48.2	22.8	13.4	9.9	8.0	7.1	5.9	4.0	2.6	2.1	1.7	1.4	0.6	0.6	0.6	24.2	23.5	21.4	1,400	48.4	4.2
Jindal Steel and Power	616	SELL	571,550	12,218	928	38.5	48.7	50.8	17.2	26.5	4.3	16.0	12.7	12.1	10.1	8.1	7.5	5.0	3.6	2.8	0.2	0.2	0.2	37.3	33.0	25.7	575	(6.6)	31.1
JSW Steel	1,029	REDUCE	204,417	4,370	199	80.4	106.4	136.9	447.0	32.3	28.7	12.8	9.7	7.5	8.2	6.9	5.5	1.8	1.4	1.2	0.9	0.5	0.5	15.4	16.4	17.3	1,150	11.8	53.3
National Aluminium Co.	427	SELL	274,863	5,876	644	10.1	28.0	27.7	(49.0)	178.6	(1.2)	42.4	15.2	15.4	18.8	7.4	6.8	2.5	2.2	1.9	0.5	0.5	0.5	6.1	15.4	13.3	320	(25.0)	1.4
Sesa Goa	347	REDUCE	308,549	6,596	890	29.6	61.4	62.4	32.2	107.6	1.8	11.7	5.7	5.6	9.5	3.4	2.8	4.0	2.4	1.7	0.9	0.9	0.9	36.7	48.0	34.1	420	21.1	80.1
Sterlite Industries	160	ADD	538,537	11,512	3,362	12.0	16.9	20.8	21.9	40.6	23.2	13.3	9.5	7.7	10.2	7.5	5.6	1.5	1.3	1.2	2.2	2.2	2.2	13.2	15.0	16.4	220	37.3	49.4
Tata Steel	472	BUY	418,631	8,949	887	3.2	78.7	93.5	(97.1)	2,331.6	18.7	145.7	6.0	5.0	16.9	5.7	4.8	1.6	1.3	1.1	1.7	1.7	1.7	1.1	24.7	23.8	700	48.4	109.7
Metals		**Cautious**	**2,986,338**	**63,838**					**(28.9)**	**89.6**	**13.7**	**16.7**	**8.8**	**7.7**	**10.2**	**6.3**	**5.3**	**2.1**	**1.7**	**1.4**	**1.0**	**1.0**	**1.0**	**12.4**	**19.4**	**18.3**			
Pharmaceutical																													
Biocon	315	BUY	62,940	1,345	200	14.7	18.7	23.0	212.6	27.7	23.0	21.5	16.8	13.7	12.3	10.3	8.4	3.5	3.0	2.6	—	—	0.1	17.9	19.7	20.7	345	9.6	3.9
Cipla	337	REDUCE	270,825	5,789	803	13.5	12.8	15.6	35.9	(4.9)	21.9	25.0	26.3	21.6	18.5	17.4	14.6	4.6	4.0	3.5	0.7	0.7	0.7	19.9	16.3	17.4	280	(17.0)	10.6
Cadila Healthcare	658	REDUCE	134,632	2,878	205	24.7	29.6	34.9	66.9	20.0	17.6	26.6	22.2	18.9	17.1	14.4	12.5	8.4	6.4	5.1	0.8	0.9	1.1	36.1	32.8	30.3	535	(18.6)	1.6
Dishman Pharma & chemicals	211	BUY	17,173	367	81	14.4	17.2	28.8	(19.7)	19.4	67.0	14.6	12.2	7.3	10.6	8.8	6.2	2.2	1.9	1.5	—	—	—	15.5	16.3	22.7	300	42.1	0.7
Divi's Laboratories	770	ADD	101,750	2,175	132	25.8	34.3	43.9	(18.3)	33.3	27.9	29.9	22.4	17.5	22.3	16.5	12.6	6.8	5.6	4.5	—	—	—	24.8	27.2	28.4	800	3.9	3.2
Dr Reddy's Laboratories	1,461	REDUCE	247,547	5,292	169	48.1	66.7	70.8	48.3	38.8	6.1	30.4	21.9	20.6	16.8	12.7	11.8	6.6	5.2	4.3	0.5	0.5	0.6	22.2	26.3	22.6	1,150	(21.3)	15.0
GlaxoSmithkline Pharmaceuticals (a)	2,169	REDUCE	183,755	3,928	85	59.1	69.1	79.2	8.1	17.0	14.5	36.7	31.4	27.4	21.2	18.2	15.5	10.3	8.8	7.5	—	—	—	29.8	30.2	29.5	1,800	(17.0)	1.4
Glenmark Pharmaceuticals	273	NR	74,780	1,599	274	12.7	19.2	20.3	14.7	50.6	5.6	21.4	14.2	13.5	13.8	9.0	8.6	3.2	2.6	2.2	—	—	—	16.7	19.9	17.6	—	—	5.1
Jubilant Organosys	372	BUY	59,009	1,261	159	26.5	33.7	39.3	49.0	27.1	16.7	14.0	11.0	9.4	10.0	8.9	7.3	2.6	2.2	1.8	0.5	0.7	0.8	26.3	22.0	21.1	400	7.6	3.0
Lupin	1,925	ADD	170,549	3,646	89	76.9	104.1	122.5	27.8	35.3	17.6	25.0	18.5	15.7	21.3	15.5	12.2	7.3	5.5	4.2	0.7	0.8	0.8	36.6	34.4	30.7	1,920	(0.3)	6.9
Piramal Healthcare	501	REDUCE	104,761	2,239	209	23.4	13.4	11.0	35.5	(42.9)	(17.6)	21.4	37.5	45.5	15.8	6.2	4.5	6.2	1.1	1.0	1.1	1.2	0.7	32.1	141.2	16.6	490	(2.2)	31.6
Ranbaxy Laboratories	460	SELL	197,128	4,214	428	7.1	28.0	11.7	(128.4)	297.1	(58.3)	65.2	16.4	39.4	16.0	9.6	19.0	5.0	4.0	3.7	—	0.9	0.9	6.9	24.6	9.1	220	(52.2)	10.7
Sun Pharmaceuticals	1,740	REDUCE	360,430	7,705	207	65.2	67.7	77.6	(25.7)	3.8	14.6	26.7	25.7	22.4	20.1	18.1	15.3	4.3	3.8	3.4	0.8	0.8	0.8	17.8	16.2	16.2	1,560	(10.4)	8.5
Pharmaceuticals		**Attractive**	**1,985,280**	**42,439**					**44.7**	**27.3**	**5.9**	**27.6**	**21.7**	**20.5**	**17.2**	**13.3**	**12.4**	**5.2**	**3.8**	**3.2**	**0.5**	**0.6**	**0.6**	**18.9**	**17.3**	**15.6**			
Property																													
DLF	281	ADD	479,658	10,253	1,708	9.6	16.3	25.1	(64.0)	69.4	53.8	29.2	17.2	11.2	19.0	12.0	9.0	1.8	1.7	1.5	1.1	1.1	1.8	6.4	9.9	13.8	340	21.1	51.4
Indiabulls Real Estate	155	RS	62,251	1,331	401	1.6	4.0	8.0	109.7	151.7	101.7	97.8	38.9	19.3	(60)	30.6	7.9	0.7	0.7	0.7	—	—	—	0.8	1.8	3.5	285	83.7	20.9
Mahindra Life Space Developer	455	ADD	19,116	409	42	18.9	20.3	27.5	82.4	7.3	35.8	24.1	22.4	16.5	20.1	16.7	9.1	2.0	1.9	1.7	0.9	0.9	0.9	8.4	8.5	10.7	540	18.8	1.5
Phoenix Mills	217	BUY	31,381	671	145	5.1	7.7	8.7	2.5	51.0	13.5	42.6	28.2	24.8	32.8	21.0	17.6	2.0	1.9	1.8	0.5	0.7	0.9	4.8	7.0	7.5	260	20.0	1.0
Puravankara Projects	108	REDUCE	23,050	493	213	6.4	8.2	8.1	(5.2)	28.4	(2.0)	16.8	13.1	13.4	21.1	14.2	14.0	1.6	1.5	1.4	1.9	1.9	1.9	10.0	11.9	10.7	110	1.9	0.6
Sobha	288	ADD	28,218	603	98	14.4	17.5	24.7	(4.8)	21.1	41.6	20.0	16.5	11.6	15.1	12.1	7.4	1.6	1.5	1.4	0.7	1.4	1.4	9.8	9.4	12.2	325	12.9	2.3
Unitech	72	SELL	189,411	4,049	2,616	3.4	4.3	5.6	(54.2)	26.3	30.2	21.5	17.0	13.0	19.4	13.3	8.4	1.8	1.5	1.4	—	—	2.1	9.7	9.4	11.1	72	(0.6)	56.8
Property		**Cautious**	**833,084**	**17,809**					**(52.9)**	**57.8**	**46.6**	**28.9**	**18.3**	**12.5**	**19.7**	**12.7**	**9.0**	**1.6**	**1.5**	**1.4**	**0.7**	**0.8**	**1.6**	**5.5**	**8.0**	**10.8**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	5-Jul-10 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS (Rs) 2012E	EPS growth (%) 2010E	EPS growth (%) 2011E	EPS growth (%) 2012E	PER (X) 2010E	PER (X) 2011E	PER (X) 2012E
Retail														
Titan Industries	2,330	ADD	103,447	2,211	44	62.7	76.1	96.2	41.5	21.3	26.5	37.2	30.6	24.2
Retail		**Neutral**	**103,447**	**2,211**					**41.5**	**21.3**	**26.5**	**37.2**	**30.6**	**24.2**
Sugar														
Bajaj Hindustan	116	SELL	22,284	476	191	9.7	9.9	8.9	201.1	2.2	(10.4)	12.0	11.7	13.1
Balrampur Chini Mills	84	ADD	21,632	462	257	3.7	10.4	7.0	(51.9)	183.7	(32.7)	22.9	8.1	12.0
Shree Renuka Sugars	68	BUY	45,781	979	670	9.9	7.6	7.8	196.4	(23.2)	3.1	6.9	9.0	8.7
Sugar		**Cautious**	**89,696**	**1,917**					**96.1**	**2.5**	**(9.4)**	**9.5**	**9.3**	**10.2**
Technology														
HCL Technologies	355	REDUCE	245,123	5,240	690	17.8	25.1	28.5	2.0	40.6	13.6	19.9	14.2	12.5
Hexaware Technologies	77	REDUCE	11,126	238	144	9.3	5.1	9.4	127.7	(45.4)	84.0	8.3	15.2	8.2
Infosys Technologies	2,743	BUY	1,574,740	33,663	574	108.3	125.2	150.5	5.7	15.6	20.2	25.3	21.9	18.2
Mphasis BFL	607	REDUCE	126,533	2,705	208	43.6	49.0	45.6	207.5	12.5	(7.0)	13.9	12.4	13.3
Mindtree	565	REDUCE	23,241	497	41	52.2	38.9	51.6	294.3	(25.5)	32.6	10.8	14.5	10.9
Patni Computer Systems	514	REDUCE	68,485	1,464	133	36.6	42.3	38.6	36.4	15.6	(8.7)	14.1	12.2	13.3
Polaris Software Lab	185	SELL	18,400	393	100	15.4	19.1	18.6	16.9	24.3	(2.7)	12.0	9.7	9.9
TCS	739	BUY	1,446,371	30,919	1,957	35.1	41.1	46.3	32.8	16.9	12.8	21.0	18.0	15.9
Wipro	390	ADD	954,322	20,400	2,447	18.9	21.9	25.0	22.1	16.2	14.4	20.7	17.8	15.6
Technology		**Attractive**	**4,468,340**	**95,518**					**22.9**	**16.7**	**14.2**	**21.4**	**18.3**	**16.0**
Telecom														
Bharti Airtel	267	REDUCE	1,015,668	21,712	3,798	24.0	21.4	24.2	7.5	(10.8)	13.2	11.1	12.5	11.0
IDEA	59	REDUCE	195,843	4,186	3,300	2.7	1.3	2.3	(5.8)	(51.7)	71.9	21.7	44.9	26.1
MTNL	65	SELL	40,635	869	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(4.1)	(6.2)	(7.1)
Reliance Communications	186	SELL	395,582	8,456	2,133	22.1	14.1	18.2	(30.2)	(36.2)	29.1	8.4	13.2	10.2
Tata Communications	260	REDUCE	74,200	1,586	285	14.0	15.2	15.7	3.2	8.2	3.5	18.6	17.2	16.6
Telecom		**Cautious**	**1,721,928**	**36,809**					**(15.1)**	**(19.8)**	**20.7**	**12.0**	**15.0**	**12.4**
Utilities														
Adani Power	126	ADD	275,552	5,890	2,180	0.8	4.9	16.4	-	524.1	235.3	161.3	25.9	7.7
CESC	375	ADD	46,807	1,001	125	35.2	42.2	45.7	9.3	19.6	8.4	10.6	8.9	8.2
Lanco Infratech	67	BUY	160,053	3,421	2,405	2.0	3.6	4.5	35.1	82.2	26.4	33.9	18.6	14.7
NTPC	200	REDUCE	1,648,681	35,243	8,245	10.6	12.4	14.7	7.8	16.8	18.9	18.9	16.2	13.6
Reliance Infrastructure	1,189	ADD	292,443	6,251	246	61.8	62.7	80.3	(1.5)	1.6	28.0	19.2	18.9	14.8
Reliance Power	181	SELL	433,812	9,273	2,397	2.5	3.1	5.1	141.5	24.4	66.1	73.5	59.1	35.6
Tata Power	1,309	ADD	323,156	6,908	247	60.2	69.2	88.5	20.1	15.0	27.8	21.7	18.9	14.8
Utilities		**Attractive**	**3,180,503**	**67,989**					**15.3**	**23.9**	**36.7**	**23.8**	**19.2**	**14.0**
Others														
Havells India	640	SELL	38,499	823	60	5.3	31.6	45.0	3.7	497.9	42.6	121.1	20.3	14.2
Jaiprakash Associates	126	BUY	268,445	5,738	2,129	1.5	5.9	7.9	(27.2)	305.4	34.4	86.6	21.4	15.9
Jindal Saw	198	ADD	58,123	1,242	294	27.5	19.3	17.9	121.9	(29.8)	(7.2)	7.2	10.2	11.0
PSL	125	BUY	6,680	143	53	22.9	25.4	28.2	3.3	10.6	11.0	5.4	4.9	4.4
Sintex	315	BUY	42,962	918	136	24.1	29.8	34.3	0.5	23.5	15.1	13.1	10.6	9.2
Tata Chemicals	324	ADD	78,824	1,685	243	26.4	32.4	37.3	(27.1)	22.6	15.1	12.3	10.0	8.7
Welspun Gujarat Stahl Rohren	228	REDUCE	46,775	1,000	205	25.1	23.0	24.4	44.9	(8.1)	5.8	9.1	9.9	9.3
United Phosphorus	180	BUY	83,376	1,782	463	11.9	15.6	19.0	18.8	30.2	22.1	15.1	11.6	9.5
Others			**623,684**	**13,332**					**11.6**	**40.3**	**19.3**	**19.4**	**13.8**	**11.6**
KS universe (b)			**43,112,132**	**921,593**					**12.9**	**23.3**	**20.9**	**18.5**	**15.0**	**12.4**
KS universe (b) ex-Energy			**34,070,430**	**728,312**					**7.2**	**24.2**	**20.9**	**19.7**	**15.9**	**13.2**
KS universe (d) ex-Energy & ex-Commodities			**30,372,403**	**649,260**					**13.6**	**18.3**	**22.7**	**20.7**	**17.5**	**14.2**

Company	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	EV/EBITDA (X) 2012E	Price/BV (X) 2010E	Price/BV (X) 2011E	Price/BV (X) 2012E	Dividend yield (%) 2010E	Dividend yield (%) 2011E	Dividend yield (%) 2012E	RoE (%) 2010E	RoE (%) 2011E	RoE (%) 2012E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Retail															
Titan Industries	26.4	20.7	16.1	13.1	9.8	7.4	0.4	0.5	0.6	40.7	36.6	34.8	2,400	3.0	3.9
Retail	**26.4**	**20.7**	**16.1**	**13.1**	**9.8**	**7.4**	**0.4**	**0.5**	**0.6**	**35.2**	**32.0**	**30.5**			
Sugar															
Bajaj Hindustan	7.0	5.8	5.5	0.9	0.8	0.8	0.6	0.6	0.6	8.1	7.5	6.3	99	(15.0)	6.8
Balrampur Chini Mills	9.6	5.5	6.0	1.6	1.4	1.3	0.5	0.5	0.5	7.0	18.1	11.0	92	9.2	6.8
Shree Renuka Sugars	4.7	5.3	4.6	1.8	1.5	1.3	0.6	0.5	0.5	32.0	18.1	15.7	76	11.2	15.8
Sugar	**6.2**	**5.6**	**5.2**	**1.4**	**1.2**	**1.1**	**0.6**	**0.5**	**0.5**	**14.9**	**13.3**	**10.8**			
Technology															
HCL Technologies	10.1	8.7	7.2	3.8	3.2	2.7	1.1	1.1	1.7	20.8	24.9	23.3	370	4.2	13.4
Hexaware Technologies	4.1	8.4	4.5	1.3	1.2	1.1	1.3	1.3	1.3	17.8	8.4	14.0	72	(7.0)	2.7
Infosys Technologies	18.4	15.1	12.3	6.8	5.6	4.7	0.9	1.3	1.5	30.1	28.2	28.0	3,100	13.0	65.8
Mphasis BFL	11.1	9.9	9.0	5.4	3.9	3.1	0.6	0.7	0.7	48.1	36.4	25.8	550	(9.4)	9.4
Mindtree	9.3	8.9	6.3	3.5	2.8	2.3	0.4	0.7	0.9	35.2	21.4	23.1	550	(2.6)	2.3
Patni Computer Systems	7.3	6.4	5.6	1.9	1.8	1.6	1.4	1.6	1.5	18.2	15.8	12.8	450	(12.5)	6.2
Polaris Software Lab	6.0	7.7	6.6	2.1	1.8	1.6	1.9	2.0	2.1	18.6	20.1	17.0	180	(2.5)	3.1
TCS	16.1	13.1	10.8	6.9	5.7	4.8	2.7	2.2	2.5	37.6	34.8	32.8	900	21.8	30.8
Wipro	15.6	12.8	10.6	4.9	4.0	3.3	0.9	1.1	1.3	26.5	24.6	23.2	465	19.2	15.5
Technology	**15.5**	**12.9**	**10.6**	**5.7**	**4.7**	**3.9**	**1.5**	**1.5**	**1.8**	**26.7**	**25.8**	**24.6**			
Telecom															
Bharti Airtel	6.3	5.9	5.0	2.3	2.0	1.7	1.1	1.5	1.9	24.1	17.0	16.5	290	8.4	43.6
IDEA	7.7	7.7	6.3	1.7	1.7	1.6	—	—	—	7.2	3.8	6.3	50	(15.8)	9.3
MTNL	(0.4)	(0.5)	(0.7)	0.4	0.4	0.4	—	—	—	(8.5)	(6.1)	(5.7)	50	(22.5)	2.6
Reliance Communications	7.5	8.4	6.3	1.0	0.9	0.9	0.4	—	—	11.7	7.4	8.9	175	(5.7)	38.7
Tata Communications	7.6	7.0	6.7	1.0	1.0	1.0	2.5	2.9	3.3	5.2	5.5	5.5	225	(13.6)	1.3
Telecom	**7.1**	**7.0**	**5.7**	**1.5**	**1.4**	**1.3**	**0.9**	**1.0**	**1.2**	**12.7**	**9.3**	**10.2**			
Utilities															
Adani Power	125.3	17.2	6.2	5.0	4.2	2.7	—	—	—	4.4	17.8	43.0	130	2.8	3.4
CESC	6.8	6.2	7.0	1.1	1.0	0.9	1.2	1.4	1.5	11.1	11.7	11.4	439	17.2	1.9
Lanco Infratech	20.2	8.6	8.4	4.7	3.7	3.0	—	—	—	15.8	20.6	21.0	70	5.2	9.5
NTPC	14.7	12.4	10.4	2.6	2.4	2.2	2.0	2.3	2.8	14.2	15.3	16.6	200	0.0	11.0
Reliance Infrastructure	20.5	19.7	13.4	1.5	1.4	1.3	0.7	0.8	0.9	6.3	7.3	10.1	1,100	(7.5)	48.3
Reliance Power		100.8	36.7	3.0	2.9	2.7	—	—	—	4.2	5.0	7.8	128	(29.3)	22.0
Tata Power	13.7	12.4	10.7	2.5	2.3	2.0	0.9	1.1	1.1	12.9	12.5	14.3	1,420	8.5	10.6
Utilities	**19.5**	**14.9**	**11.1**	**2.6**	**2.4**	**2.1**	**1.2**	**1.4**	**1.6**	**10.8**	**12.3**	**14.9**			
Others															
Havells India	16.8	10.3	8.4	10.6	7.0	4.7	—	—	—	6.6	41.6	39.7	480	(25.0)	8.3
Jaiprakash Associates	21.8	13.9	10.2	3.1	2.8	2.4	—	—	—	4.1	13.9	16.3	183	45.1	34.4
Jindal Saw	5.2	5.9	5.7	1.5	1.3	1.1	—	—	—	20.5	12.9	11.1	243	23.0	5.6
PSL	3.1	2.6	2.8	0.7	0.7	0.6	5.2	5.2	5.6	12.6	11.7	12.0	175	40.1	0.6
Sintex	9.5	7.2	6.0	2.0	1.7	1.4	—	—	—	15.1	15.6	15.2	380	20.7	3.6
Tata Chemicals	6.6	5.6	4.8	1.7	1.5	1.3	2.7	2.8	2.8	16.0	18.4	18.3	360	11.1	3.1
Welspun Gujarat Stahl Rohren	5.1	5.2	4.6	1.6	1.4	1.2	0.9	0.9	1.0	20.6	14.8	13.5	245	7.6	8.5
United Phosphorus	8.7	7.3	5.8	2.4	2.1	1.7	0.8	1.1	1.1	17.7	19.0	19.5	250	38.7	9.0
Others	**11.1**	**8.9**	**7.4**	**2.3**	**2.0**	**1.7**	**0.7**	**0.7**	**0.7**	**12.0**	**14.5**	**14.9**			
KS universe (b)	**11.3**	**9.2**	**7.7**	**2.7**	**2.4**	**2.1**	**1.4**	**1.5**	**1.9**	**14.8**	**16.0**	**16.9**			
KS universe (b) ex-Energy	**13.7**	**10.9**	**9.0**	**3.0**	**2.6**	**2.2**	**1.2**	**1.3**	**1.5**	**15.2**	**16.3**	**17.1**			
KS universe (d) ex-Energy & ex-Commodities	**15.3**	**12.7**	**10.4**	**3.2**	**2.8**	**2.4**	**1.3**	**1.3**	**1.6**	**15.4**	**15.9**	**17.0**			

Note:
(1) For banks we have used adjusted book values.
(2) 2010 means calendar year 2009, similarly for 2011 and 2012 for these particular companies.
(3) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.
(4) Rupee-US Dollar exchange rate (Rs/US$)= 46.78

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: Sanjeev Prasad, Manish Karwa, Rohit Chordia."

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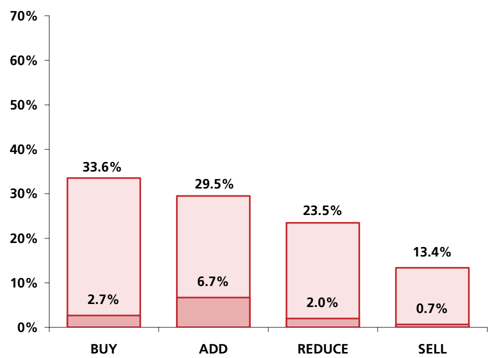

Percentage of companies covered by Kotak Institutional Equities, within the specified category.

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* The above categories are defined as follows: Buy = We expect this stock to outperform the BSE Sensex by 10% over the next 12 months; Add = We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months; Reduce = We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months; Sell = We expect this stock to underperform the BSE Sensex by more then 10% over the next 12 months. These ratings are used illustratively to comply with applicable regulations. As of 31/03/2010 Kotak Institutional Equities Investment Research had investment ratings on 149 equity securities.

Source: Kotak Institutional Equities — As of March 31, 2010

Ratings and other definitions/identifiers

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

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