kotak® Institutional Equities

INDIA DAILY

December 15, 2009

EQUITY MARKETS

India	14-Dec	Change % 1-day	1-mo	3-mo
Sensex	17,098	(0.1)	1.5	3.9
Nifty	5,106	(0.2)	2.1	4.4
Global/Regional indices				
Dow Jones	10,501	0.3	2.2	8.4
Nasdaq Composite	2,212	1.0	2.0	5.2
FTSE	5,315	1.0	0.4	5.4
Nikkie	10,087	(0.2)	3.2	(1.3)
Hang Seng	21,884	(0.9)	(3.0)	4.9
KOSPI	1,662	(0.2)	5.7	0.5
Value traded - India				
Cash (NSE+BSE)	166.6		201.5	225.0
Derivatives (NSE)	736.9		722.8	580
Deri. open interest	1,131.1		1,085	1,020

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Update

Bank of Baroda: Support from Abu Dhabi reduces asset quality concerns, reiterate ADD

Property: Under-construction commercial projects may delay recovery

News Round-up

- The government has set an ambitious target to mop up around USD 2.35 bn from the proposed divestment of 5% stake in utility giant NTPC Ltd (NATP IN), as against the original target of USD 1.75 bn. (ET)
- The GMR Group is in an advanced stage of talks with Temasek Holdings and ICICI Bank to raise USD 257 mn to support the expansion plans of its power generation arm GMR Energy, two persons privy to the discussions said. (ET)
- GMR Holdings, part of the diversified GMR Group has completed the sale of its entire stake of 20 percent in GMR Ferro Alloys to the Dubai based Cronimet Mercon Invest Ltd. (BL)
- Advance Tax numbers for the quarter ended December that have trickled in so far indicate companies such as Reliance, HUL, L&T, Hindalco, Grasim, century Textiles and GSK Pharma have paid higher tax in Q3 this year than the corresponding period of the previous fiscal. (ET)
- Headline inflation rate, as measured by the wholesale price index, surged to 4.78 % in November, primarily due to consistently rising prices of primary articles, especially food items. Inflation in October stood at 1.34 % and at 8.48 % in November 2008. (BS)
- Reliance Industries (RIL IN), in its efforts to gain control over LyondellBasell, is looking to team up with the unsecured creditors and bond holders of the bankrupt Dutch petrochemicals giant. Sources close to the development said the move came after the LyondellBasell management filed an updates rescue plan last week that centered on a USD 2.5 bn cash infusion by the company's former owner and two investors, despite receiving an unbinding offer from RIL for an acquisition. (BS)
- RCom (RCOM IN) is looking to sell its undersea fiber optic network and network businesses, hoping to raise around USD 3 bn in cash, three sources with direct knowledge of the matter said. However, a Reliance spokesperson said : "We vehemently deny these speculations and rumours." (BS)
- GlaxoSmithkline Consumer Healthcare (SKN IN) has resumed operations of its factory in Andhra Pradesh, which it had earlier shut due to the political unrest in the state. (BS)
- Suven Life Sciences (SVLS IN) has received two patents from Canadian Intellectual Property Office corresponding to two new chemical entities for treatment of disorders associated with neurodegenerative diseases & these patents are valid up to 2022. (FE)
- The government is likely to ease the incidence of minimum alternate tax, or MAT, on infrastructure companies. The department of revenue plans to change the proposed direct tax code to exempt these companies from MAT for the first few years since they execute projects with long gestation periods. (BS)
- Godrej Properties fixed the issue price for its initial public offer at INR 490 a share at the lower-end of the price band, to garner over USD 97 mn. (BS)

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

Forex/money market

	14-Dec	Change, basis points 1-day	1-mo	3-mo
Rs/US$	46.7	16	50	(201)
10yr govt bond, %	7.6	(2)	21	30
Net investment (US$mn)				
	11-Dec		**MTD**	**CYTD**
FIIs	74		1,313	16,943
MFs	(12)		(253)	(974)

Top movers -3mo basis

Best performers	14-Dec	Change, % 1-day	1-mo	3-mo
RBXY IN Equity	516.8	3.8	25.3	50.4
UNSP IN Equity	1319.8	(2.9)	13.3	48.5
SESA IN Equity	369.3	(2.0)	6.8	40.8
IH IN Equity	93.4	(1.3)	6.9	38.6
ADE IN Equity	425.3	(0.1)	5.7	33.4
Worst performers				
RCOM IN Equity	181.3	(1.3)	4.4	(39.6)
IBULL IN Equity	134.1	0.3	3.5	(29.6)
TCOM IN Equity	340.3	(3.4)	(8.4)	(29.4)
BHARTI IN Equity	319.6	(3.6)	5.8	(23.1)
PUNJ IN Equity	205.0	(0.5)	(3.4)	(22.8)

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Bank of Baroda (BOB)

Banks/Financial Institutions

ADD

DECEMBER 15, 2009

UPDATE

Coverage view: Attractive

Price (Rs): 509

Target price (Rs): 560

BSE-30: 17,098

Support from Abu Dhabi reduces asset quality concerns, reiterate ADD. Bank of Baroda's (BoB) stock has corrected by about 10% from its peak on concerns regarding its exposure to the Middle East (particularly Dubai World). A recent statement of financial support for Dubai World by Abu Dhabi is likely to mitigate some of these concerns. We reiterate ADD as (1) valuations at 1.2X PBR FY2011E are reasonable for about 18-20% RoEs likely over the next two years, (2) our assumptions are fairly modest and factor a sharp increase in NPLs along with modest core income growth.

Company data and valuation summary

Bank of Baroda

Stock data			
52-week range (Rs) (high,low)			564-170
Market Cap. (Rs bn)			185.9
Shareholding pattern (%)			
Promoters			53.8
FIIs			16.3
MFs			11.1
Price performance (%)	1M	3M	12M
Absolute	(6.2)	8.8	98.6
Rel. to BSE-30	(7.5)	3.2	12.5

Forecasts/Valuations	2009	2010E	2011E
EPS (Rs)	60.9	68.5	71.1
EPS growth (%)	12.5	12.4	3.9
P/E (X)	8.3	7.4	7.2
NII (Rs bn)	51.2	58.5	71.4
Net profits (Rs bn)	22.3	25.0	26.0
BVPS	309.6	366.2	425.1
P/B (X)	1.6	1.4	1.2
ROE (%)	21.4	20.3	18.0
Div. Yield (%)	1.8	2.0	2.1

Middle east exposure is about 7% of loan book

Bank of Baroda has an exposure of Rs100 bn (7% of loan book) to the Middle East, of which around Rs45 bn is to the Dubai region. Overall exposure to the real estate sector is around Rs6 bn (0.4% of loan book) in the Middle East region and credit to Dubai World is to the tune of US$200 mn—US$100 mn is due in 2011 and US100 mn is due in 2013. The gross NPL ratio of the Middle East exposure is around 0.4% and has been fully provided for (nil net NPLs). Further, the management claims that performance of the Middle East credit accounts continues to be as per the terms of agreement and that there are no overdues on any of the accounts

Support by Abu Dhabi reduces some of the likely concerns

Abu Dhabi has announced US$10 bn of support for Dubai World to help it avoid defaulting on a US$ 4.1 bn bond payment in the current year. We view this as positive as it should allay concerns of lenders to Dubai World, including Bank of Baroda. This could be a trigger for Bank of Baroda's stock given its sound fundamentals and attractive valuation.

Even assuming a stressed scenario, impact likely to be marginal

Even assuming a 50% write-off for its exposure to Dubai World, the net impact for Bank of Baroda is likely to be about US$67 mn (67% of US$100 mn exposure). This is about 2% of its net worth as of FY2011E. This is unlikely to impact earnings until FY2011E. Hence, the impact on our fair value estimates is also likely to be marginal if this scenario were to pan out.

Our assumptions on BoB's asset quality is conservative

BoB's reported asset quality continued to remain healthy as of September 2009—gross NPL ratio of 1.3% with coverage ratio of 79%. The specific loan-loss provisions and standard asset provisions were around 1.1X of gross NPLs and provide reasonable buffer against adverse shocks on its loan portfolio. Restructured assets were at Rs45 bn as of September 2009, up by Rs3 bn during the quarter. Overall restructured assets are Rs45 bn (3% of the loan book, facility wise), as of September 2009. There was a slippage of Rs1.5 bn of restructured assets in 2QFY10.

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We currently assume gross NPLs to increase to Rs55 bn (1.8X increase) by March 2011 from Rs20 bn as of September 2009 given the uncertain economic environment. This assumption on slippages likely accounts for the credit risk that the company may be exposed to. We retain our ADD rating on the stock with a target price of Rs560 and advise investors to increase exposure to the stock as the fundamentals of the company are unlikely to be impacted by this crisis.

Core performance continues to remain fairly strong

BoB has been reporting healthy core operational performance, i.e. margins and fee income. The company's NIM has shown a sharp improvement in 2QFY10 of 26 bps to 2.63% as it focuses on reducing reliance on bulk deposits on the liabilities side (helps cost of funds) and on short-term bulk advances (positive for yield on lending).

This strategy has implied that the domestic loan book has barely increased during the March-September 2009—Rs3 bn increase during 1HFY10 on a loan book size of Rs1.1 tn as of September 2009. The high-yielding sectors, however, have recorded strong growth in 1HFY10: retail loans (up Rs17 bn in 1HFY10 and 21% yoy), SSI credit (up Rs20 bn and 31% yoy) and agriculture loans (up Rs16 bn and 24% yoy). This focus on higher yielding assets allowed BoB to improve its yield on domestic advances to 10.23% in 2QFY10 from 10.1% in 1QFY10 despite the pressure on interest rates.

On the liability side, the growth in low-cost CASA deposits continues to remain impressive—growth in CASA deposits has been in line with the overall growth in domestic deposits and the CASA ratio has marginally improved to 36.2% as of September 2009 from 35.9% a year ago.

The company now has all its branches on core banking solutions and has been increasing its thrust on improving its contribution from non-interest sources. The growth in non-interest income (ex-treasury and recoveries) was a healthy 20% yoy in 2QFY10 and 32% yoy in FY2009, sustaining this trend could be a positive for its earnings. We currently expect BoB's core fee income to grow by 12% yoy in FY2010E and FY2011E, which may be exceeded in the event the company is able to sustain the growth rate of the past few quarters.

Bank of Baroda has seen higher growth in higher yielding assets like retail, SME and agricultural sectors
Deposit and advances break-up, March fiscal year-ends, 1QFY09-2QFY10 (Rs bn)

	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	% chg
Deposits	1,549	1,611	1,686	1,924	1,986	2,074	28.7
Domestic	1,238	1,310	1,365	1,514	1,544	1,606	22.6
CASA ratio (%)	36.9	35.9	36.1	34.9	35.1	36.2	
Foreign	311	301	321	410	442	467	55.6
Advances	1,112	1,188	1,272	1,440	1,427	1,489	25.4
Domestic	853	906	981	1,093	1,066	1,096	21.0
Retail loans	167	177	188	197	202	214	20.6
Home loans	73	76	79	83	87	94	23.3
SME	121	127	137	147	151	167	31.4
Farm credit	137	149	156	170	180	186	24.3
Foreign	259	282	291	347	361	393	39.5

Source: Company

Reported asset quality has remained healthy for the company and it is well capitalized
Asset quality and capital adequacy ratios, March fiscal year-ends, 1QFY09-2QFY10

	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	% chg
Asset quality details							
Gross NPLs (Rs bn)	20.9	19.5	19.2	18.4	20.7	19.6	0.1
Gross NPLs (%)	1.9	1.6	1.5	1.3	1.6	1.3	
Net NPLs (Rs bn)	5.8	5.0	4.7	4.5	3.8	4.1	(19.3)
Net NPLs (%)	0.5	0.4	0.4	0.3	0.3	0.3	
Provision coverage (%)	72.5	74.3	75.4	75.5	81.7	79.3	
Capital adequacy details (%)							
CAR	13.0	12.9	13.2	14.1	14.6	14.7	
Tier I	7.9	7.8	8.5	8.5	8.8	8.9	
Tier II	5.2	5.1	4.7	5.6	5.8	5.8	

Source: Company, Kotak Institutional Equities

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Source: Company, Kotak Institutional Equities

Bank of Baroda growth rates and key ratios, March year-ends 2007-2011E

	2007	2008	2009E	2010E	2011E
Growth rates (%)					
Net loan	40.6	22.6	31.6	14.0	18.0
Total Asset	26.2	25.5	26.6	15.7	15.5
Deposits	33.4	21.7	26.5	18.9	16.9
Current	17.9	18.4	23.6	18.9	16.9
Savings	16.3	13.3	18.8	13.1	16.9
Fixed	43.6	25.3	29.5	20.8	16.9
Net interest income	17.4	3.3	31.0	14.2	22.0
Loan loss provisions	10.8	57.4	(34.9)	107.9	50.9
Total other income	14.9	49.8	29.8	(8.4)	4.6
Net fee income	31.0	14.2	35.0	12.0	12.0
Net capital gains	(46.0)	290.9	69.1	(50.0)	(15.6)
Net exchange gains	34.3	16.5	30.0	10.0	10.0
Operating expenses	6.7	17.1	20.0	11.7	10.0
Employee expenses	7.9	12.5	27.0	10.0	8.0
Key ratios (%)					
Yield on average earning assets	7.6	7.7	7.7	7.3	7.4
Yield on average loans	8.3	8.8	8.9	8.2	8.3
Yield on average investments	8.2	7.2	7.1	7.3	7.3
Average cost of funds	4.7	5.4	5.4	5.1	5.1
Interest on deposits	4.6	5.3	5.3	5.1	5.1
Difference	**2.9**	**2.3**	**2.3**	**2.1**	**2.3**
Net interest income/earning assets	2.9	2.6	2.6	2.5	2.6
New provisions/average net loans	0.6	0.7	0.3	0.6	0.7
Interest income/total income	75.9	72.2	73.7	75.0	77.0
Fee income to total income	9.2	9.1	9.6	10.1	9.7
Operating expenses/total income	51.0	55.0	51.5	51.2	47.4
Tax rate	38.2	35.0	34.4	33.0	35.0
Dividend payout ratio	24.6	20.4	14.8	14.8	14.8
Share of deposits					
Current	7.9	7.7	7.5	7.5	7.5
Fixed	66.8	68.8	70.4	71.5	71.5
Savings	25.3	23.5	22.1	21.0	21.0
Loans-to-deposit ratio	66.9	70.2	74.8	73.5	75.5
Equity/assets (EoY)	6.0	6.1	5.6	5.6	5.5
Dupont analysis (%)					
Net interest income	3.0	2.4	2.5	2.4	2.5
Loan loss provisions	0.3	0.4	0.2	0.4	0.5
Net other income	1.1	1.3	1.3	1.0	0.9
Operating expenses	2.0	1.9	1.8	1.6	1.6
Invt. depreciation	0.3	0.0	0.3	(0.1)	0.0
(1- tax rate)	62.1	65.0	66.6	67.0	65.0
ROA	0.8	0.9	1.1	1.0	0.9
Average assets/average equity	15.9	18.0	19.6	19.9	19.6
ROE	12.7	16.0	21.4	20.3	18.0

Source: Company, Kotak Institutional Equities estimates

Bank of Baroda income statement and balance sheet, March year-ends 2007-2011E (Rs mn)

	2007	2008	2009E	2010E	2011E
Income statement					
Total interest income	92,126	118,135	150,916	173,104	204,612
Loans	59,374	84,130	111,974	127,561	153,477
Investments	27,689	27,373	33,107	40,542	45,755
Cash and deposits	5,064	6,632	5,836	5,002	5,380
Total interest expense	54,266	79,017	99,682	114,607	133,235
Deposits from customers	49,861	74,044	91,875	107,032	126,468
Net interest income	37,861	39,118	51,234	58,497	71,377
Loan loss provisions	4,032	6,347	4,131	8,588	12,957
Net interest income (after prov.)	33,829	32,771	47,104	49,909	58,420
Other income	13,689	20,507	26,626	24,391	25,512
Net fee income	4,729	5,402	7,455	8,350	9,352
Net capital gains	1,362	5,322	9,001	4,500	3,800
Net exchange gains	2,393	2,788	3,724	4,096	4,506
Operating expenses	25,443	29,793	35,761	39,952	43,934
Employee expenses	16,441	18,488	23,481	25,829	27,896
Depreciation on investments	5,442	418	5,368	(3,000)	0
Other Provisions	219	1,000	123	—	—
Pretax income	16,414	22,068	32,479	37,348	39,998
Tax provisions	6,278	7,716	11,157	12,325	13,999
Net Profit	**10,265**	**14,355**	**22,272**	**25,023**	**25,999**
% growth	24	40	55	12	4
PBT - treasury gains + provisions	22,660	24,510	33,098	38,436	49,155
% growth	27	8	35	16	28
Balance sheet					
Cash and bank balance	182,804	222,993	240,871	259,310	278,665
Cash	6,734	8,810	9,990	9,990	9,990
Balance with RBI	57,402	84,887	95,974	114,412	133,767
Balance with banks	14,316	13,945	14,034	14,034	14,034
Net value of investments	349,436	438,701	524,459	617,562	671,319
Govt. and other securities	253,888	335,480	401,347	504,116	557,873
Shares	5,495	7,758	6,061	6,061	6,061
Debentures and bonds	26,963	26,033	30,140	30,140	30,140
Net loans and advances	836,209	1,067,013	1,439,859	1,682,952	2,018,981
Fixed assets	10,888	24,270	23,468	25,000	23,093
Net leased assets	—	—	—	—	—
Net Owned assets	10,888	24,270	23,468	25,000	23,093
Other assets	52,125	43,018	45,781	45,781	45,781
Total assets	1,431,462	1,795,995	2,274,067	2,630,604	3,037,839
Deposits	1,249,160	1,520,341	1,923,970	2,288,248	2,675,343
Borrowings and bills payable	55,182	110,635	139,713	112,791	112,791
Other liabilities	40,620	54,580	82,029	82,029	82,029
Total liabilities	1,344,962	1,685,556	2,145,712	2,483,069	2,870,164
Paid-up capital	3,655	3,655	3,655	3,655	3,655
Reserves & surplus	82,844	106,784	124,700	143,880	164,020
Total shareholders' equity	86,499	110,439	128,355	147,536	167,675

Source: Company, Kotak Institutional Equities estimates

CAUTIOUS

DECEMBER 15, 2009

UPDATE

BSE-30: 17,098

Under-construction commercial projects may delay recovery. We analyze trends in commercial real estate and observe substantial potential supply. The leasing trend has showed some improvement with a slight improvement in guidance by IT companies but not enough to absorb substantial under-construction supply. We believe substantial potential supply will likely result in (1) delay in new commercial project launches and (2) stable pricing environment, thus resulting in limited NAV upgrades.

Finished commercial supply to delay new commercial projects

As per PropEquity, there is an estimated 62.3 mn sq. ft of leasable commercial space to get completed in CY2010E and 45.6 mn sq. ft in CY2011E across Mumbai, NCR, Bangalore, Pune, Chennai and Hyderabad (Exhibit 1) with potential absorption significantly below these levels. This will likely result in (1) larger vacancies and (2) project completion delays, thus pushing back supply creation. Demand trends indicate pick up in commercial activity in 3QCY09 but the absorption levels remain at sub-50%, thus increasing the quantum of inventory (Exhibit 2). As per Cushman and Wakefield data, we see weakest commercial absorption in NCR where absorption levels were below 25% while Mumbai and Bangalore were relatively better placed as far as commercial demand is concerned.

- **Reasons for supply overhang:** As at end-FY2008, total IT employees were 2 mn and various companies were expanding facilities based on 25+% projected growth in employees (Exhibit 3). Thus, commercial construction took place with potential incremental employees of 1.1 mn in FY2008-10E while actual employee accretion is 40% of projected demand. These projects assumed a18-24-month construction cycle. Significantly lower-than-estimated employee growth has led to a substantial amount of unfinished commercial projects. Some planned commercial projects have been converted into residential projects by developers, others have slowed down.

- **Increasing competition: We also see increasing competition even as demand supply dynamics don't look very favorable.** We see more IT companies likely to use projects developed by group real estate companies. A case in example is Tata Realty which is developing IT SEZs at 8 locations all over India – Hinjewadi, Trivandrum, Kochi, Ahmadabad, Hyderabad, Kolkata, Nagpur and Mangalore where Tata Consultancy Services (TCS) will likely be the anchor tenant.

Demand for commercial space picking up slowly; more significant improvement needed

We believe that commercial demand will take another 2-3 quarters to pick, however enquiries for commercial real estate space have increased considerably. We estimate a total commercial space demand of 25 mn sq. ft in FY2010E and 33 mn sq. ft in FY2011E as shown in Exhibit 3. We highlight below the leasing status for projects by various developers which show that though demand is picking up slowly, supply still remains substantial.

- Ishaan has shown an improvement in leasing with 0.7 mn sq. ft getting leased in 1HFY10 in comparison to 0.6 mn sq. ft of cancellations in 2HFY09. Ishaan has a leased portfolio of 3.1 mn sq. ft as of Sept 2009 and has another 2.9 mn sq. ft to be leased.

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- Leasing remained weak in UCP projects. Only 0.7 mn sq. ft of area had been leased out of the completed area of 1.5 mn sq. ft as of March 2009 (total leasable area of 21 mn sq. ft). UCP could lease only 0.1 mn sq. ft of incremental space during the period Sept 2008-March 2009.

- IBREL has seen pick-up in enquiries for 'One Indiabulls Center' in 2QFY10. IBREL has leased ~1msf as of 2QFY10 out of the total 1.9 mn sq. ft and has seen rentals stabilizing at Rs175/sq.ft. IBREL is building another commercial project of 1.5 mn sq. ft.

- DLF management has highlighted that leasing remains subdued but enquiries have improved significantly and has indicated that recovery will take another 2-3 quarters. DLF has 17 mn sq. ft of office space under construction as of 2QFY10. DLF has booked revenues of sale of commercial real estate of 14 mn sq. ft to DAL while operational leased spaced is 6 mn sq. ft.

Commercial demand leveraged to IT hiring, which is improving

We highlight that IT demand is a major component of total commercial demand in India and any pick-up in IT/ITes hiring will increase the demand for commercial space. Exhibit 5 shows that net additions for the IT companies under KIE coverage have increased to 6,190 in 2QFY10 from 1,927 in 1QFY10. Management commentary on hiring guidance has also turned a little positive in 2QFY10 compared to 1QFY10. Infosys and TCS have been revised upwards their hiring guidance for FY2010E in 2QFY10 as shown in Exhibit 4. Going forward, KIE projects 15% growth in employees for IT companies under coverage in FY2011E which will likely result in demand for commercial space. KIE projects IT employee additions of 38,939 and 87,620 in FY2010E and FY2011E, below the peak net addition of 100,000+ in FY2007 and FY2008.

Pricing has been soft—likely to remain soft as supply overhang remains

Our commercial rental index in Exhibit 10 shows that rentals in 3QCY09 are below 1QCY07 rentals. Rentals have either stabilized or have fallen slightly in 3QCY09. We expect prices to remain stable/weak across locations going forward keeping in view that (1) demand pick-up is slow and (2) substantial inventory of ready and under construction commercial space. Exhibit 11 shows that rentals peaked out in the period 1QCY08-2QCY08 across India. We observe that rentals had increased more than 30% in Mumbai, Hyderabad and Kolkata in the period 1QCY07-2QCY08. However, post 2QCY08, rentals have corrected in all places with maximum correction in Pune and NCR. Rentals in Bangalore, Hyderabad and Kolkata continue to remain above 1QCY07 levels.

DLF NAV increases by 11% for 100 bps compression

As confidence on economic confidence has increased there has been a rapid compression of cap rates. We observe that cap rates for CapitaMall Trust have shrunk to 6% in Dec 2009 from a peak of 12% in March 2009 while commercial REITs in Singapore are trading at a cap rate of 7-8%. Compression of cap rates will be more positive for real estate companies with a higher proportion of commercial and retail portfolio. Exhibit 13 shows the sensitivity of NAV to cap rates for the companies under coverage. We have assumed a cap rate of 10% for retail properties and 9% for commercial properties in our models. Our NAV for DLF increases by 11% to Rs357 if there is a compression of 100 bps in the base cap rates. NAV for Unitech and IBREL increases by 8% for a compression of 100 bps from base cap rate.

Supply of 62.3 mn sq. ft of leasable commercial space in CY2010E
Supply and absorption data from PropEquity, CY2010-CY2012E

	CY2010E	CY2011E	CY2012E	Total
	Supply	Supply	Supply	Supply
Lease				
Pune	6.0	4.6	1.0	11.6
NCR	12.2	7.1	12.3	31.7
Mumbai	9.3	7.1	6.2	22.6
Hyderabad	13.6	5.9	7.3	26.8
Bangalore	9.6	5.2	3.2	18.0
Chennai	11.6	15.6	6.0	33.2
Total	**62.3**	**45.6**	**35.9**	**143.9**
Sale				
Pune	2.1	0.9	0.0	3.1
NCR	8.6	6.5	9.8	24.8
Mumbai	7.9	4.1	1.2	13.3
Hyderabad	0.3	2.5	0.0	2.8
Bangalore	0.1	0.6	0.0	0.7
Chennai	1.4	0.0	0.0	1.4
Total	**20.4**	**14.6**	**11.0**	**46.1**

Source: PropEquity, Kotak Institutional Equities

Demand pick-up remain subdued
Commercial supply and absorption (mn sq. ft), CY2004-3QCY2008

	Total		NCR		Mumbai		Hyd		Blore		Chennai	
(mn sq. ft)	Supply	Absorption	Supply	Absorption	Supply	Absorption	Supply	Absorption	Supply	Absorption	Supply	Absorption
2005	25.4	24.3	3.2	4.5	4.2	3.1	3.4	2.7	8.5	7.8	3.3	3.1
2006	34.2	34.9	6.4	6.4	4.5	4.5	3.5	3.8	11.4	11.1	4.9	4.5
2007	47.5	42.2	9.0	7.7	5.0	5.5	4.0	4.6	12.0	13.5	10.0	5.5
1Q2008	12.9	8.6	3.2	0.5	2.1	3.6	0.3	0.2	3.9	2.2	0.4	0.7
2Q2008	16.4	8.1	4.2	1.9	4.0	2.8	0.6	0.1	3.7	2.0	2.4	0.8
3Q2008	18.6	8.4	5.1	2.9	1.7	1.4	0.8	0.2	3.8	1.2	3.2	1.7
4Q2008	10.3	9.0	0.8	2.2	1.4	0.5	1.8	0.6	0.4	4.3	3.2	0.3
1Q2009	10.7	5.6	2.2	0.4	2.4	0.9	0.0	0.3	2.4	1.9	1.0	1.0
2Q2009	12.6	5.7	3.0	0.6	1.9	1.0	1.1	0.9	0.8	0.9	2.2	1.0
3Q2009	15.7	7.9	2.1	0.4	3.6	2.9	3.0	0.6	1.4	1.8	2.4	0.9

Source: Cushman & Wakefield, Kotak Institutional Equities

Growth in IT/ITes to drive commercial demand
Estimation of commercial area required, FY2010-11E, March fiscal year-ends

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009E	2010E	2011E
IT employees (in '000)												
IT, Engineering and R&D, Software product exports	110	162	170	205	296	390	513	690	860	946	993	1,093
IT-enabled services exports	42	70	106	180	216	316	415	553	700	812	893	1,027
Domestic sector	132	198	246	285	318	352	365	378	450	518	585	672
Total	**284**	**430**	**522**	**670**	**830**	**1,058**	**1,293**	**1,621**	**2,010**	**2,276**	**2,471**	**2,792**
Addition space required (mn sq. ft)												
Total space required in India (assuming 100 sq. ft/ employee)		15	9	15	16	23	24	33	39	27	20	32
IT space required (assuming 33% built to suit)		10	6	10	11	15	16	22	26	18	13	21
Other commercial space		6	4	7	7	10	10	15	18	15	12	12
Total commercial space required		**16**	**10**	**16**	**18**	**25**	**26**	**36**	**44**	**32**	**25**	**33**
Growth rate in employee additions(%)												
IT, Engineering and R&D, Software product exports		47	5	21	44	32	32	35	25	10	5	10
IT enabled services Exports		67	51	70	20	46	31	33	27	16	10	15
Domestic sector		50	24	16	12	11	4	4	19	15	13	15
Total		**51**	**21**	**28**	**24**	**27**	**22**	**25**	**24**	**13**	**9**	**13**

Source: Kotak Institutional Equities

Hiring guidance has improved slightly in 2QFY10
Hiring guidance by IT companies

	Comments on hiring guidance for 2HFY10E
Tata Consultancy Services	**1) Increased hiring guidance by 2,000 from 1QFY10 (18,000) to 2QFY10 (20,000)**
	2) Has given ~25,000 campus offers for next year and indicated phased joining starting Sept 2009 quarter
Infosys Technologies	**1) Increased hiring guidance by 2,000 from 1QFY10 (18,000- 16,000 from campus and 1,000 from US/UK) to 2QFY10 (20,000)**
Wipro	**1) It would honor all its 2009 batch campus commitments (12,600 offers) over the coming two quarters and would also visit campuses for 2010 batch offers in 4QFY10.**
Cognizant	**1) Has indicated that it would start visiting campus again**

Source: Kotak Institutional Equities

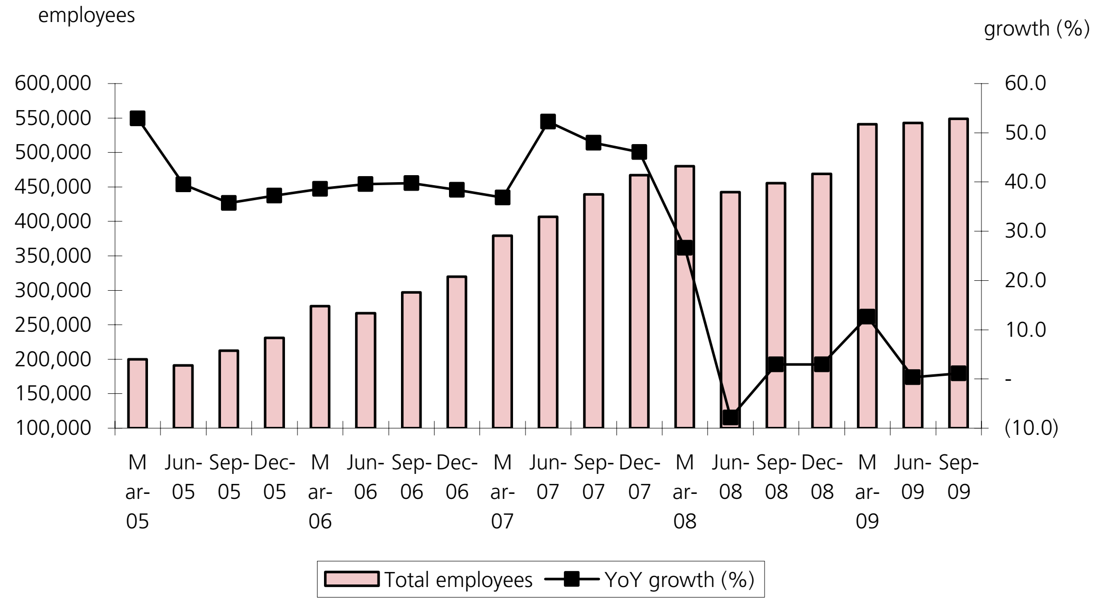
We see slight increase in net additions for IT companies in 2QFY10

Employee base and net change for Indian technology companies

	Mar-04	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	Jun-09	Sep-09	FY2010E	FY2011E
Employee strength at end of period										
Tata Consultancy Services	30,121	45,714	66,480	89,419	111,407	143,761	141,642	141,962	147,892	171,336
Infosys Technologies	25,634	36,750	52,715	72,241	91,187	104,850	103,905	105,453	110,592	126,086
Wipro	28,502	41,857	53,742	67,818	82,122	84,020	85,000	85,000	97,348	114,108
HCL Technologies	14,783	22,034	29,948	40,149	49,802	54,026	54,216	54,443	58,626	67,302
Cognizant	10,490	17,050	26,750	43,450	57,990	63,700	64,100	68,000	66,885	76,918
Patni	7,373	10,462	12,148	13,096	15,152	14,540	13,780	13,607	14,815	16,296
Polaris	4,976	6,003	6,092	8,668	10,093	9,238	9,192	8,805	9,026	9,578
Hexaware	2,579	4,044	4,124	5,751	6,927	5,296	5,041	5,006	4,183	4,350
Tech Mahindra	-	5,617	10,493	19,749	22,884	24,972	25,482	26,515	26,060	29,472
Mindtree Consulting	-	2,016	3,128	4,162	5,640	6,091	7,693	7,450	8,441	9,826
Mphasis BFL	6,278	8,375	11,414	14,679	27,037	30,383	32,753	32,753	35,948	42,164
Total	**130,736**	**199,922**	**277,034**	**379,182**	**480,241**	**540,877**	**542,804**	**548,994**	**579,816**	**667,435**
Growth (%)		*52.9*	*38.6*	*36.9*	*26.7*	*12.6*	*0.4*	*1.1*	*7.2*	*15.1*
Net addition/(reduction)									**yoy**	**yoy**
Tata Consultancy Services		15,593	20,766	22,939	21,988	32,354	(2,119)	320	4,131	23,444
Infosys Technologies		11,116	15,965	19,526	18,946	13,663	(945)	1,548	5,742	15,494
Wipro		13,355	11,885	14,076	14,304	1,898	980	-	13,328	16,760
HCL Technologies		7,251	7,914	10,201	9,653	4,224	190	227	4,600	8,676
Cognizant		6,560	9,700	16,700	14,540	5,710	400	3,900	3,185	10,033
Patni		3,089	1,686	948	2,056	(612)	(760)	(173)	275	1,481
Polaris		1,027	89	2,576	1,425	(855)	(46)	(387)	(212)	552
Hexaware		1,465	80	1,627	1,176	(1,631)	(255)	(35)	(1,113)	167
Tech Mahindra		5,617	4,876	9,256	3,135	2,088	510	1,033	1,088	3,412
Mindtree Consulting		2,016	1,112	1,034	1,478	451	1,602	(243)	2,350	1,385
Mphasis BFL		2,097	3,039	3,265	12,358	3,346	2,370	-	5,565	6,216
Total Recruitment		**69,186**	**77,112**	**102,148**	**101,059**	**60,636**	**1,927**	**6,190**	**38,939**	**87,620**

Source: Company, Kotak Institutional Equities

Quarterly IT hiring trends show sharp yoy decline in FY2009
Employees and yoy growth (%), March 2005-Sept 2009



Source: Company, Kotak Institutional Equities

Leasing status for Ishaan has picked up in 1HF2010
Area under lease (mn sq. ft), 1HFY2009-1HFY2010

	Under construction (mn sq. ft)	Area leased (mn sq. ft)	(%)
1HFY2009	6.7	3.0	45.0
2HFY2009	6.0	2.4	40.0
1HFY2010 (Sept 2009)	6.0	3.1	52.0

Source: Company, Kotak Institutional Equities

Leasing status for UCP remains weak
Area completed and leased (mn sq. ft), 1HFY2009-2HFY2009

	Leasable area	Area completed		Area leased	
	(mn sq. ft)	(mn sq. ft)	(%)	(mn sq. ft)	(%)
1HFY2009	21.4	1.3	5.9	0.6	2.9
2HFY2009 (March 2009)	21.4	1.5	6.8	0.7	3.3

Source: Company, Kotak Institutional Equities

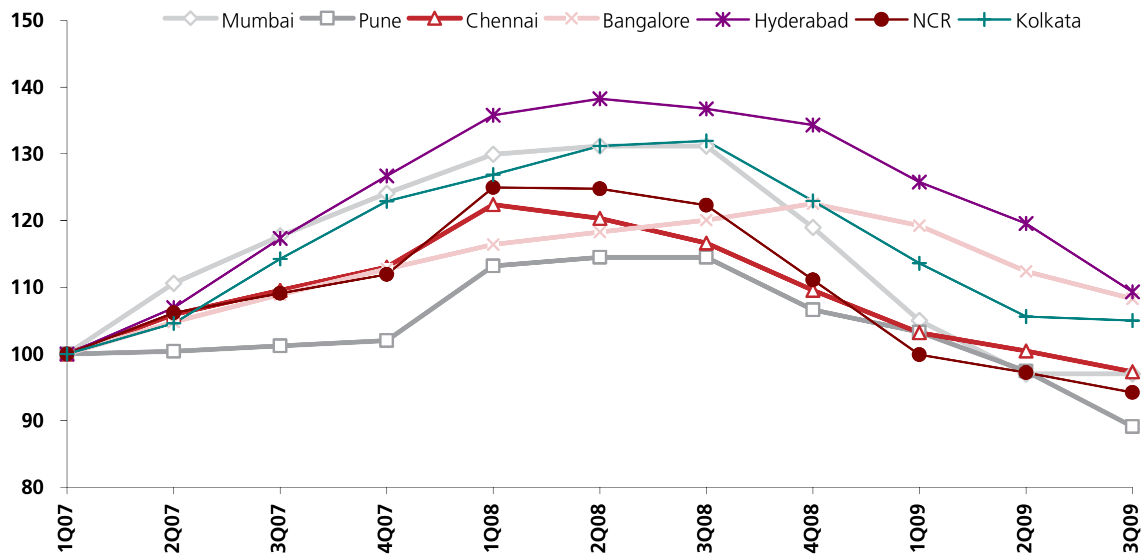
Leasing status for Ascendas REIT
Details of leasing status (mn sq. ft), FY2009-1HFY2010

	Portfolio (mn sq. ft)	Area leased (mn sq. ft)
2HFY2009	4.8	4.7
1HFY2010	4.8	4.7

	Expired (mn sq. ft)	Renewed (mn sq. ft)	New leases (mn sq. ft)	Total concluded (mn sq. ft)	Net addition (mn sq. ft)
FY2009	1.2	1.0	0.5	1.6	0.4
1HFY2010	0.2	0.2	0.1	0.4	0.1

Source: Company, Kotak Institutional Equities

Commercial rental index has fallen to below 1QCY07 levels
Commercial rental index, 1QCY07-3QCY09



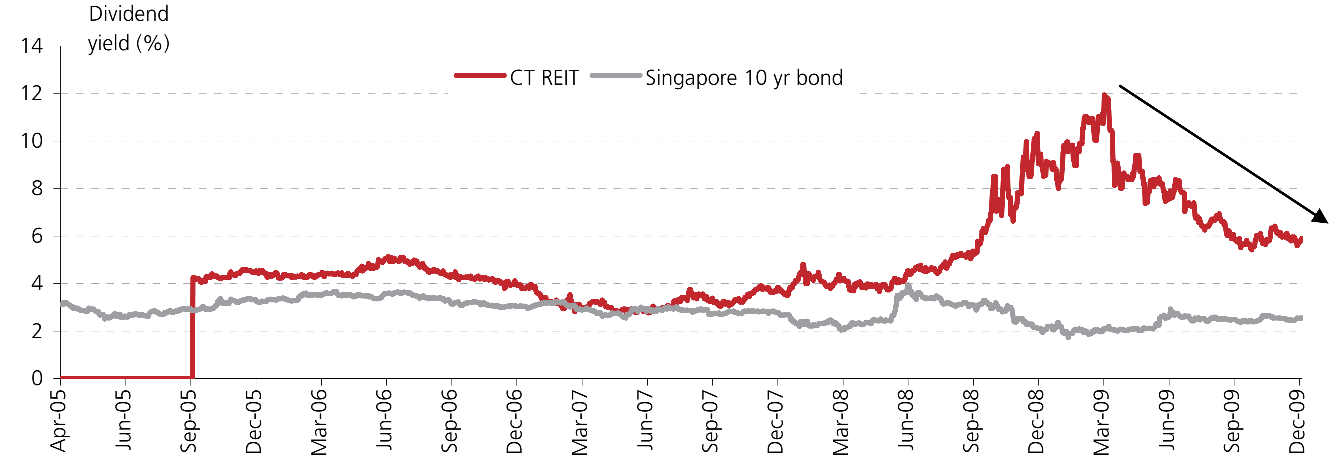
Source: Cushman & Wakefield, Kotak Institutional Equities

Commercial rental index has fallen below 1QCY07 levels
Commercial rental index, 1QCY07-3QCY09

	Mumbai	Pune	Chennai	Bangalore	Hyd	NCR	Kolkata
1Q07	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2Q07	110.6	100.4	105.9	104.8	106.9	106.2	104.6
3Q07	117.7	101.2	109.5	108.9	117.3	109.1	114.2
4Q07	124.1	102.0	113.0	112.8	126.7	111.9	122.9
1Q08	129.9	113.2	122.4	116.4	135.8	125.0	126.9
2Q08	131.2	114.5	120.3	118.3	138.3	124.8	131.2
3Q08	131.2	114.5	116.6	120.1	136.7	122.3	131.9
4Q08	118.9	106.6	109.6	122.5	134.3	111.1	122.9
1Q09	105.0	103.3	103.2	119.2	125.8	99.9	113.6
2Q09	97.0	97.4	100.4	112.4	119.6	97.2	105.6
3Q09	97.0	89.1	97.3	108.3	109.3	94.2	105.0

Source: Cushman & Wakefield, Kotak Institutional Equities

Cap rates have fallen sharply for Singapore REITs
Dividend yield (%) movement for 2 Singapore REITs



Source: Bloomberg, Kotak Institutional Equities

DLF NAV increase by 11% for a 100 bps compression in base cap rate
NAV sensitivity to cap rate compression

	NAV (Rs/share)				
	Cap rate (%)				
	8	**9**	**10**	**11**	**12**
DLF*	340	326	315	306	298
Unitech*	67	65	62	60	59
HDIL	400	396	392	389	386
Phoenix Mills	404	362	329	301	278

* The sensitivity is only for the commercial portion

Sensitivity for both commercial and retail

	NAV (Rs/share)				
	Cap rate (%)				
	Base-2%	**Base-1%**	**Base**	**Base+1%**	**Base+2%**
DLF	397	357	326	301	280
Unitech	76	70	65	61	57
IBREL	337	312	289	270	255

Note: Commercial base (9%), retail (10%)

Source: Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	14-Dec-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2009	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS growth (%) 2009	EPS growth (%) 2010E	EPS growth (%) 2011E	PER (X) 2009	PER (X) 2010E	PER (X) 2011E	EV/EBITDA (X) 2009	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	Price/BV (X) 2009	Price/BV (X) 2010E	Price/BV (X) 2011E	Dividend yield (%) 2009	Dividend yield (%) 2010E	Dividend yield (%) 2011E	RoE (%) 2009	RoE (%) 2010E	RoE (%) 2011E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Automobiles																													
Ashok Leyland	51	ADD	67,847	1,452	1,330	1.5	2.9	3.2	(57.8)	87.8	12.6	33.3	17.8	15.8	18.1	10.1	9.1	1.8	1.7	1.6	2.0	2.0	2.0	6.2	11.2	10.5	47	(7.8)	5.9
Bajaj Auto	1,784	BUY	258,094	5,524	145	45.2	102.6	125.0	(13.4)	126.9	21.8	39.4	17.4	14.3	20.7	10.5	8.8	13.8	8.6	5.8	1.1	1.1	1.1	37.7	60.7	48.3	1,750	(1.9)	9.3
Hero Honda	1,684	REDUCE	336,375	7,199	200	64.2	103.0	112.9	32.4	60.5	9.6	26.2	16.3	14.9	15.6	10.0	8.7	8.5	6.1	4.7	1.2	1.3	1.3	36.4	43.7	35.5	1,580	(6.2)	16.2
Mahindra & Mahindra	1,040	ADD	306,503	6,560	295	30.0	60.4	64.4	(19.8)	101.3	6.5	34.6	17.2	16.1	24.3	11.6	10.6	5.8	4.0	3.2	0.9	0.9	0.9	17.4	28.5	21.9	1,075	3.4	27.4
Maruti Suzuki	1,609	SELL	465,131	9,955	289	42.2	79.4	83.3	(29.6)	88.2	5.0	38.2	20.3	19.3	23.2	11.9	10.7	4.9	4.0	3.3	0.2	0.3	0.3	13.5	21.7	18.8	1,250	(22.3)	32.9
Tata Motors	711	SELL	405,908	8,687	571	10.0	25.9	29.2	(78.2)	158.0	12.9	70.9	27.5	24.4	25.7	14.2	12.6	3.1	2.4	2.1	0.8	0.8	0.8	9.1	14.3	11.4	465	(34.6)	71.6
Automobiles		**Cautious**	**1,839,857**	**39,376**					**(30.7)**	**103.0**	**10.9**	**39.4**	**19.4**	**17.5**	**21.7**	**11.8**	**10.5**	**4.9**	**3.8**	**3.2**	**0.8**	**0.9**	**0.9**	**12.5**	**19.4**	**18.0**			
Banks/Financial Institutions																													
Andhra Bank	112	BUY	54,247	1,161	485	13.5	15.4	13.7	13.5	14.1	(10.7)	8.3	7.3	8.2	—	—	—	1.5	1.3	1.1	4.0	2.7	2.5	18.9	19.0	14.9	125	11.8	3.6
Axis Bank	995	ADD	377,974	8,089	380	50.6	61.6	71.1	56.9	21.8	15.5	19.7	16.2	14.0	—	—	—	3.7	2.4	2.1	1.0	1.2	1.5	19.1	17.9	16.8	980	(1.5)	51.9
Bank of Baroda	509	ADD	185,907	3,979	366	60.9	68.5	71.1	55.1	12.4	3.9	8.3	7.4	7.2	—	—	—	1.6	1.4	1.2	1.8	2.0	2.1	21.4	20.3	18.0	560	10.1	10.2
Bank of India	382	REDUCE	200,899	4,300	526	57.2	45.1	49.0	40.7	(21.1)	8.7	6.7	8.5	7.8	—	—	—	1.7	1.5	1.3	2.1	1.6	1.8	29.2	18.6	17.4	360	(5.8)	16.8
Canara Bank	391	ADD	160,495	3,435	410	50.5	56.5	59.4	32.4	11.8	5.2	7.7	6.9	6.6	—	—	—	1.6	1.3	1.2	2.0	2.0	2.6	18.3	17.6	16.2	410	4.7	8.6
Corporation Bank	432	BUY	62,001	1,327	143	62.3	61.1	60.8	21.5	(2.0)	(0.5)	6.9	7.1	7.1	—	—	—	1.3	1.1	1.0	2.9	2.8	2.8	19.6	16.7	14.8	515	19.1	0.7
Federal Bank	245	BUY	41,826	895	171	29.3	31.4	38.8	(14.8)	7.5	23.2	8.4	7.8	6.3	—	—	—	1.0	0.9	0.8	2.0	2.2	2.7	12.1	11.8	13.2	340	39.0	3.9
HDFC	2,680	ADD	762,269	16,314	284	80.2	99.6	117.1	(6.4)	24.1	17.6	33.4	26.9	22.9	—	—	—	5.8	5.3	4.7	1.1	1.3	1.5	18.2	20.0	20.8	2,650	(1.1)	45.6
HDFC Bank	1,757	REDUCE	794,403	17,002	452	52.8	64.7	85.0	17.6	22.5	31.5	33.3	27.2	20.7	—	—	—	5.3	3.7	3.3	0.5	0.7	0.9	16.9	16.1	16.8	1,600	(9.0)	30.1
ICICI Bank	851	ADD	947,076	20,269	1,113	33.8	37.3	45.6	(15.4)	10.6	22.1	25.2	22.8	18.7	—	—	—	1.9	1.8	1.7	1.3	1.4	1.8	7.8	8.2	9.5	850	(0.1)	119.9
IDFC	162	REDUCE	209,446	4,483	1,295	5.8	8.4	9.1	1.9	45.7	8.4	27.9	19.2	17.7	—	—	—	3.4	3.0	2.6	0.7	0.9	0.9	12.9	16.5	15.6	145	(10.3)	33.9
India Infoline	134	BUY	41,703	893	312	5.1	8.4	9.4	(8.7)	63.7	12.9	26.2	16.0	14.2	—	—	—	3.4	2.8	2.2	1.9	2.7	1.6	11.9	19.0	19.1	175	30.8	10.0
Indian Bank	171	BUY	73,362	1,570	430	28.0	32.4	34.1	24.1	15.9	5.4	6.1	5.3	5.0	—	—	—	1.3	1.1	0.9	2.9	3.3	3.5	22.9	22.2	19.9	225	31.8	5.0
Indian Overseas Bank	111	BUY	60,391	1,292	545	24.3	22.7	14.7	10.3	(6.9)	(34.9)	4.6	4.9	7.5	—	—	—	1.0	0.9	0.8	4.7	3.4	3.7	22.1	16.1	9.5	150	35.3	6.0
J&K Bank	587	BUY	28,453	609	48	84.5	93.4	101.8	13.8	10.5	9.0	6.9	6.3	5.8	—	—	—	1.3	1.1	1.0	2.9	3.2	3.5	16.7	16.2	15.6	700	19.3	0.7
LIC Housing Finance	795	ADD	71,547	1,531	90	62.5	86.1	86.0	37.3	37.7	(0.1)	12.7	9.2	9.2	—	—	—	2.2	1.9	1.6	1.6	2.4	2.5	27.2	21.7	22.7	950	19.5	31.9
Mahindra & Mahindra Financial	310	BUY	29,677	635	96	22.4	30.7	35.6	7.5	36.9	16.0	13.8	10.1	8.7	—	—	—	2.1	1.8	1.6	1.8	2.5	2.9	15.4	18.7	19.0	350	12.9	1.8
Oriental Bank of Commerce	249	REDUCE	62,397	1,335	251	36.1	39.4	39.4	51.4	8.9	0.0	6.9	6.3	6.3	—	—	—	1.0	0.9	0.8	2.9	3.2	3.2	13.7	12.7	11.7	280	12.4	6.0
PFC	259	SELL	296,871	6,354	1,148	13.3	18.7	20.9	17.4	40.2	11.9	19.4	13.8	12.4	—	—	—	2.7	2.4	2.1	1.5	1.8	2.0	18.9	17.5	17.3	200	(22.7)	4.4
Punjab National Bank	914	BUY	288,313	6,170	315	98.0	110.4	118.6	50.9	12.6	7.5	9.3	8.3	7.7	—	—	—	2.2	1.8	1.5	2.1	2.4	2.6	25.8	24.0	21.7	930	1.7	12.7
Reliance Capital	846	ADD	208,153	4,455	246	39.3	17.7	17.5	(5.6)	(55.1)	(1.1)	21.5	47.9	48.4	—	—	—	3.1	2.9	2.8	0.7	0.3	0.3	15.3	6.3	5.9	875	3.5	82.0
Rural Electrification Corp.	252	NR	216,496	4,633	859	16.5	21.2	23.1	50.7	28.9	8.7	15.3	11.9	10.9	—	—	—	3.0	2.5	2.2	0.8	1.7	1.8	21.2	23.2	21.3	-		6.0
Shriram Transport	448	ADD	94,802	2,029	212	30.1	35.6	40.9	56.7	18.4	14.8	14.9	12.6	11.0	—	—	—	4.2	3.5	3.0	1.1	2.4	2.7	29.6	29.4	28.0	440	(1.8)	2.5
SREI	78	BUY	9,053	194	116	7.0	8.7	8.4	(24.7)	23.4	(3.6)	11.1	9.0	9.3	—	—	—	0.9	0.8	0.7	1.3	1.5	1.5	12.8	11.9	11.4	115	47.7	2.2
State Bank of India	2,247	BUY	1,426,512	30,530	635	143.7	154.8	174.4	34.8	7.7	12.7	15.6	14.5	12.9	—	—	—	2.5	2.2	1.9	1.3	1.3	1.4	17.1	15.9	15.8	2,400	6.8	155.8
Union Bank	267	BUY	134,968	2,889	505	34.2	34.8	37.7	24.5	1.8	8.2	7.8	7.7	7.1	—	—	—	1.9	1.6	1.3	1.9	1.9	2.1	27.2	22.6	20.5	310	16.0	5.6
Banks/Financial Institutions		**Attractive**	**6,839,239**	**146,372**					**27.0**	**11.3**	**11.2**	**15.7**	**14.1**	**12.7**	**—**	**—**	**—**	**2.5**	**2.2**	**1.9**	**1.3**	**1.5**	**1.7**	**16.0**	**15.3**	**15.1**			
Cement																													
ACC	858	REDUCE	161,267	3,451	188	56.3	84.1	53.3	(12.2)	49.4	(36.7)	15.3	10.2	16.1	7.7	5.3	7.0	3.1	2.5	2.2	2.7	2.7	2.7	24.7	30.1	16.8	800	(6.8)	9.7
Ambuja Cements	99	REDUCE	151,172	3,235	1,522	7.2	8.1	6.2	(5.0)	12.2	(23.7)	13.8	12.3	16.1	7.5	6.9	8.1	2.5	2.2	2.0	3.0	1.9	2.2	19.7	19.4	13.2	85	(14.4)	8.4
Grasim Industries	2,458	REDUCE	225,333	4,823	92	238.6	284.8	270.7	(16.2)	19.4	(4.9)	10.3	8.6	9.1	6.0	4.6	4.6	1.9	1.6	1.4	1.4	1.4	1.4	21.1	20.6	16.7	2,325	(5.4)	13.6
India Cements	120	REDUCE	34,005	728	282	17.8	15.7	13.0	n/a	(11.4)	(17.6)	6.8	7.6	9.3	4.9	4.5	4.9	0.9	0.8	0.8	1.5	1.8	2.7	14.8	12.1	9.2	110	(8.6)	6.2
Shree Cement	1,852	BUY	64,505	1,381	35	174.7	209.9	195.6	93.7	20.1	(6.8)	10.6	8.8	9.5	7.1	5.1	4.8	5.4	3.3	2.4	0.6	0.6	0.6	65.7	46.0	29.4	2,200	18.8	1.2
UltraTech Cement	899	BUY	111,935	2,396	124	78.8	94.0	73.9	(3.1)	19.2	(21.3)	11.4	9.6	12.2	6.7	5.3	6.0	2.6	2.1	1.8	0.7	0.9	0.9	31.1	28.3	18.1	925	2.9	5.5
Cement		**Neutral**	**748,216**	**16,013**					**(8.0)**	**20.7**	**(17.7)**	**11.6**	**9.6**	**11.7**	**6.6**	**5.2**	**5.7**	**2.3**	**1.9**	**1.7**	**1.8**	**1.6**	**1.7**	**20.0**	**20.0**	**14.5**			
Consumer products																													
Asian Paints	1,712	ADD	164,258	3,515	96	38.6	66.8	75.6	(1.7)	73.0	13.3	44.4	25.6	22.6	26.5	15.9	13.7	14.4	11.9	9.9	1.0	2.1	2.4	36.6	52.9	49.6	1,840	7.4	1.7
Colgate-Palmolive (India)	677	REDUCE	92,128	1,972	136	21.6	29.9	33.4	26.3	38.3	12.0	31.4	22.7	20.3	25.9	18.8	15.5	42.6	38.3	34.4	2.2	3.5	4.0	155.1	177.6	178.5	700	3.3	2.1
GlaxoSmithkline Consumer (a)	1,339	ADD	56,308	1,205	42	44.8	61.6	72.3	15.8	37.6	17.3	29.9	21.7	18.5	17.4	12.9	11.1	7.3	6.2	5.3	1.1	1.7	2.4	26.8	31.0	31.0	1,500	12.0	0.6
Godrej Consumer Products	274	ADD	70,825	1,516	258	6.7	10.9	12.6	(5.3)	63.0	15.6	41.0	25.2	21.8	28.4	17.7	14.1	12.4	7.2	5.9	1.5	1.5	1.5	46.9	36.4	30.0	270	(1.6)	0.9
Hindustan Unilever	268	BUY	583,115	12,480	2,179	9.5	10.6	12.2	19.0	11.1	15.0	28.1	25.3	22.0	21.5	18.9	16.4	28.3	25.3	22.6	3.3	3.5	4.1	112.4	105.9	108.9	320	19.6	16.7
ITC	251	BUY	944,791	20,220	3,769	8.7	10.8	12.8	2.8	24.4	18.6	28.9	23.3	19.6	17.8	14.4	12.2	6.5	5.6	4.8	1.5	1.6	1.8	25.3	27.3	27.6	290	15.7	25.7
Jyothy Laboratories	164	ADD	11,894	255	73	5.5	10.4	12.8	(12.9)	88.4	22.7	29.7	15.7	12.8	20.0	10.2	7.8	3.3	2.8	2.4	1.4	1.8	2.1	10.6	17.3	19.7	170	3.7	
Nestle India (a)	2,620	ADD	252,585	5,406	96	58.6	77.2	93.1	31.0	31.8	20.6	44.7	33.9	28.1	28.5	22.6	19.1	53.4	43.1	35.0	1.6	2.1	2.6	126.7	140.5	137.3	3,000	14.5	1.6
Tata Tea	934	BUY	57,765	1,236	62	53.7	64.8	70.9	14.7	20.7	9.4	17.4	14.4	13.2	10.5	9.4	8.0	1.2	1.1	1.1	1.9	2.3	2.5	9.4	10.7	10.9	1,200	28.5	4.7
Consumer products		**Attractive**	**2,233,669**	**47,805**					**10.4**	**25.7**	**16.7**	**30.6**	**24.4**	**20.9**	**20.1**	**16.1**	**13.7**	**9.0**	**7.8**	**6.7**	**2.0**	**2.3**	**2.6**	**29.3**	**31.9**	**32.3**			
Constructions																													
IVRCL	348	BUY	47,164	1,009	135	16.7	19.7	23.6	7.4	18.1	19.7	20.9	17.7	14.8	14.5	10.9	9.0	2.6	2.3	2.0	0.2	0.2	0.2	13.2	13.8	14.4	410	17.7	20.4
Nagarjuna Construction Co.	157	BUY	40,181	860	257	6.7	7.8	10.0	(6.3)	15.8	28.7	23.3	20.1	15.6	13.7	10.5	9.2	2.4	1.8	1.7	0.7	1.0	1.3	9.4	10.3	11.1	180	14.9	7.8
Punj Lloyd	205	REDUCE	69,471	1,487	339	(7.2)	13.7	16.6	(172.4)	(289.7)	20.9	(28.4)	15.0	12.4	22.0	9.0	7.3	2.8	1.9	1.7	0.1	0.3	0.4	(8.6)	15.3	14.6	240	17.1	31.7
Sadbhav Engineering	998	BUY	12,472	267	13	51.1	55.3	77.4	26.2	8.0	40.0	19.5	18.1	12.9	13.2	10.3	8.2	3.5	3.0	2.5	0.4	0.5	0.6	18.0	16.6	19.1	1,025	2.7	0.3
Construction		**Attractive**	**169,288**	**3,623**					**(70.6)**	**356.6**	**23.4**	**77.3**	**16.9**	**13.7**	**16.7**	**9.8**	**8.2**	**2.7**	**2.0**	**1.8**	**0.3**	**0.5**	**0.6**	**3.5**	**12.1**	**13.1**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	14-Dec-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2009	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS growth (%) 2009	EPS growth (%) 2010E	EPS growth (%) 2011E	PER (X) 2009	PER (X) 2010E	PER (X) 2011E	EV/EBITDA (X) 2009	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	Price/BV (X) 2009	Price/BV (X) 2010E	Price/BV (X) 2011E	Dividend yield (%) 2009	Dividend yield (%) 2010E	Dividend yield (%) 2011E	RoE (%) 2009	RoE (%) 2010E	RoE (%) 2011E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Energy																													
Bharat Petroleum	621	ADD	203,445	4,354	328	20.6	75.0	64.3	(50.1)	264.1	(14.3)	30.1	8.3	9.6	6.0	4.3	4.5	1.5	1.3	1.2	1.2	5.3	4.6	5.3	17.7	13.7	675	8.8	8.6
Cairn india	271	REDUCE	513,428	10,988	1,897	6.4	21.8	29.0	50	240	32.8	42	12	9.3	26.0	8.2	6.6	1.5	1.5	1.5	—	7.4	9.2	3.6	12.0	15.9	225	(16.9)	16.6
Castrol India (a)	558	ADD	69,047	1,478	124	21.3	33.2	36.5	20.8	55.7	10.1	26.2	16.8	15.3	15.1	10.1	9.1	15.4	13.6	12.0	2.7	4.3	4.7	61.2	85.8	83.3	550	(1.5)	1.5
GAIL (India)	420	ADD	532,318	11,393	1,268	22.2	21.0	22.3	8.7	(5.0)	6.1	18.9	19.9	18.8	10.3	11.5	11.7	3.3	3.0	2.8	1.7	1.9	1.9	17.5	14.8	14.4	365	(13.0)	16.1
GSPL	96	REDUCE	53,804	1,151	563	2.2	6.9	12.0	21.9	213.6	74.5	43.5	13.9	8.0	14.3	7.1	4.5	4.0	3.4	2.8	0.8	2.5	6.3	9.6	26.5	38.5	90	(5.9)	9.8
Hindustan Petroleum	396	BUY	134,333	2,875	339	17.0	64.0	61.1	(49.3)	277.1	(4.5)	23.4	6.2	6.5	3.6	2.3	2.4	1.1	1.0	0.9	1.3	6.6	6.3	4.4	15.6	13.5	525	32.5	9.3
Indian Oil Corporation	324	BUY	769,495	16,469	2,372	9.8	47.6	38.2	(67.9)	383.2	(19.6)	32.9	6.8	8.5	8.8	4.5	4.1	1.6	1.4	1.3	1.2	6.2	4.9	4.8	21.2	15.3	400	23.3	7.9
Oil India	1,240	BUY	281,776	6,031	227	101.1	108.5	123.3	—	7.3	13.6	12.3	11.4	10.1	5.7	4.0	3.1	2.8	2.0	1.8	2.3	3.5	4.2	20.1	16.0	17.3	1,275	2.8	—
Oil & Natural Gas Corporation	1,203	BUY	2,573,295	55,073	2,139	89.6	103.0	127.8	(3.4)	15.0	24.2	13.4	11.7	9.4	4.8	4.1	3.3	2.2	2.0	1.8	2.7	3.0	3.7	16.6	16.9	18.8	1,325	10.1	30.9
Petronet LNG	72	REDUCE	54,225	1,161	750	6.9	6.7	8.0	—	(3.6)	20.7	10.5	10.9	9.0	7.5	7.2	6.1	2.4	2.0	1.7	2.4	2.8	3.1	23.9	19.2	19.6	64	(11.5)	4.5
Reliance Industries	1,068	SELL	3,115,210	66,671	2,917	50.6	48.3	68.8	(3.7)	(4.5)	42.4	21.1	22.1	15.5	13.9	10.7	7.9	2.3	2.0	1.8	0.6	0.6	0.8	13.6	10.9	13.8	900	(15.7)	198.3
Energy		**Cautious**	**8,300,375**	**177,643**					**(9.8)**	**44.6**	**18.1**	**18.5**	**12.8**	**10.8**	**8.3**	**6.2**	**5.1**	**2.1**	**1.9**	**1.7**	**1.4**	**2.7**	**3.1**	**11.5**	**14.8**	**15.8**			
Industrials																													
ABB	754	REDUCE	159,758	3,419	212	25.8	21.6	30.4	11.3	(16.6)	41.3	29.2	35.0	24.8	17.3	19.6	14.0	7.5	6.4	5.2	0.3	0.4	0.4	29.2	19.8	23.3	660	(12.5)	5.8
BGR Energy Systems	500	ADD	35,989	770	72	16.0	24.3	32.9	32.2	51.4	35.5	31.2	20.6	15.2	17.7	12.0	9.5	6.4	5.1	4.0	0.6	0.8	1.1	22.3	27.6	29.7	530	6.0	1.7
Bharat Electronics	1,882	ADD	150,596	3,223	80	103.8	117.7	126.2	1.8	13.4	7.2	18.1	16.0	14.9	9.5	7.8	7.0	3.8	3.2	2.8	1.0	1.3	1.3	20.7	22.0	20.1	1,625	(13.7)	2.7
Bharat Heavy Electricals	2,410	ADD	1,179,523	25,244	490	63.9	92.5	113.1	9.4	44.8	22.2	37.7	26.0	21.3	20.7	14.6	11.8	9.1	7.2	5.8	0.7	0.8	1.0	26.4	30.9	30.1	2,425	0.6	46.7
Crompton Greaves	410	BUY	150,178	3,214	367	15.3	20.7	23.7	37.3	35.2	14.1	26.7	19.8	17.3	14.2	10.8	9.3	8.2	6.1	4.7	0.5	0.7	0.7	35.9	35.3	30.5	400	(2.4)	7.0
Larsen & Toubro	1,700	ADD	1,021,647	21,865	601	50.1	57.1	74.0	32.1	13.9	29.6	33.9	29.8	23.0	21.6	16.4	13.2	6.7	4.6	3.8	0.6	0.6	0.7	21.7	18.4	18.4	1,725	1.5	66.8
Maharashtra Seamless	346	BUY	24,386	522	71	35.9	36.9	39.6	22.2	2.8	7.4	9.6	9.4	8.7	5.4	4.8	4.2	1.8	1.5	1.4	1.6	1.6	2.1	20.3	17.8	16.5	335	(3.1)	1.2
Siemens	560	REDUCE	188,810	4,041	337	14.2	16.1	22.8	(22.2)	13.5	41.9	39.5	34.8	24.5	19.0	16.4	14.5	8.4	6.9	5.7	0.5	1.1	0.8	23.3	21.8	25.5	515	(8.0)	6.6
Suzlon Energy	83	REDUCE	138,640	2,967	1,679	7.2	(2.4)	2.6	9.9	(133.1)	(210.5)	11.4	(34.5)	31.2	7.9	13.4	8.8	1.3	1.2	1.2	—	—	0.2	11.5	(3.6)	3.8	80	(3.1)	88.5
Voltas	171	BUY	56,440	1,208	331	6.9	9.5	10.8	29.8	37.3	14.0	24.7	18.0	15.8	13.6	9.7	8.2	7.1	5.6	4.5	0.9	1.5	1.7	33.4	35.0	31.8	200	17.2	6.7
Industrials		**Attractive**	**3,105,966**	**66,473**					**13.5**	**8.6**	**32.8**	**30.7**	**28.2**	**21.3**	**16.9**	**14.3**	**11.5**	**6.0**	**4.7**	**4.0**	**0.6**	**0.8**	**0.9**	**19.7**	**16.8**	**18.8**			
Infrastructure																													
GMR Infrastructure	69	ADD	126,157	2,700	1,834	0.8	0.5	0.4	(33.5)	(38.3)	(6.8)	89.6	145.2	155.8	19.6	14.2	10.5	1.5	1.3	1.2	—	—	—	4.4	2.6	2.4	68	(1.2)	9.7
GVK Power & Infrastructure	47	ADD	74,144	1,587	1,579	0.8	0.8	1.0	(20.6)	2.5	34.2	61.6	60.1	44.8	54.7	19.3	17.5	3.2	2.3	2.3	—	—	0.6	4.8	4.5	5.1	50	6.5	16.4
IRB Infrastructure	245	ADD	81,379	1,742	332	5.3	10.6	13.5	54.3	101.2	27.0	46.3	23.0	18.1	23.1	11.8	10.6	4.5	3.6	3.0	0.5	—	—	10.1	17.3	18.0	200	(18.3)	9.4
Infrastructure		**Attractive**	**281,680**	**6,028**					**22.5**	**15.7**	**19.3**	**50.1**	**43.3**	**36.3**	**24.5**	**14.4**	**11.8**	**2.3**	**1.8**	**1.7**	**0.1**	**—**	**0.2**	**4.5**	**4.2**	**4.6**			
Media																													
DishTV	42	ADD	44,184	946	1,063	(6.6)	(1.8)	(0.6)	(31.9)	(72.5)	(64.4)	(6.3)	(23.0)	(64.6)	(40.0)	36.9	16.9	(7.1)	9.1	10.6	—	—	—	83.9	275.0	NA	40	(3.7)	6.9
HT Media	140	ADD	32,865	703	235	0.8	5.4	7.1	(80.5)	540.7	31.9	165.6	25.9	19.6	37.4	12.7	10.3	3.8	3.5	3.1	0.2	0.7	1.4	2.3	14.0	16.7	135	(3.5)	0.6
Jagran Prakashan	124	ADD	37,345	799	301	3.0	5.9	6.8	(6.6)	93.7	15.9	40.8	21.0	18.2	23.2	12.5	10.6	6.7	6.1	5.4	1.6	2.9	3.0	16.7	30.3	31.7	130	4.8	0.8
Sun TV Network	328	REDUCE	129,298	2,767	394	9.1	12.1	14.6	9.5	32.7	20.8	36.1	27.2	22.5	19.1	15.6	12.6	7.3	6.3	5.5	0.8	1.2	1.8	22.5	25.3	26.3	295	(10.1)	1.8
Zee Entertainment Enterprises	263	NR	114,055	2,441	434	8.4	10.2	12.5	(4.8)	20.8	22.5	31.1	25.8	21.0	21.5	18.9	15.0	3.3	3.0	2.7	0.8	1.0	1.2	11.8	12.5	14.0	-		8.5
Zee News	59	NR	14,136	303	240	1.9	2.4	3.3	20.4	30.0	35.1	31.7	24.4	18.0	15.5	12.0	9.4	5.8	4.8	4.0	0.7	0.7	1.2	20.1	22.1	24.7	-		2.6
Media		**Neutral**	**371,883**	**7,959**					**(21.0)**	**157.0**	**37.7**	**87.8**	**34.2**	**24.8**	**27.0**	**16.7**	**12.9**	**5.9**	**4.5**	**4.1**	**0.7**	**1.1**	**1.5**	**6.7**	**13.3**	**16.7**			
Metals																													
Hindalco Industries	140	BUY	267,875	5,733	1,911	2.8	4.3	12.6	(77.9)	54.6	194.1	50.6	32.7	11.1	14.8	9.5	7.1	1.4	0.8	0.8	—	—	—	9.6	5.7	7.6	135	(3.7)	34.7
National Aluminium Co.	382	SELL	246,030	5,265	644	19.7	8.3	27.1	(22.0)	(57.9)	226.9	19.3	46.0	14.1	9.5	19.0	6.6	2.4	2.3	2.0	1.3	0.5	0.5	12.8	5.1	15.1	310	(18.8)	1.8
Jindal Steel and Power	724	SELL	671,394	14,369	928	196.9	41.1	49.0	138.0	(79.1)	19.2	3.7	17.6	14.8	14.3	11.5	9.3	8.6	5.8	4.2	0.1	0.1	0.1	50.9	39.7	33.0	530	(26.8)	75.5
JSW Steel	975	SELL	182,354	3,903	187	13.1	80.2	88.1	(84.7)	510.1	9.8	74.2	12.2	11.1	11.6	6.9	7.1	2.0	1.5	1.2	0.1	0.3	0.5	11.7	14.7	12.5	670	(31.3)	62.7
Hindustan Zinc	1,186	BUY	501,038	10,723	423	64.6	79.7	93.9	(38.0)	23.4	17.8	18.4	14.9	12.6	14.8	10.6	7.8	3.4	2.8	2.3	0.3	0.4	0.4	20.2	20.4	19.8	1,100	(7.2)	13.2
Sesa Goa	369	REDUCE	302,975	6,484	821	24.7	22.2	29.1	30.2	(10.0)	30.9	15.0	16.6	12.7	11.1	11.0	7.9	6.6	4.6	3.5	0.7	0.9	0.9	52.4	32.4	30.9	265	(28.2)	73.8
Sterlite Industries	839	ADD	705,006	15,088	840	46.8	37.7	45.3	(25.8)	(19.4)	20.1	17.9	22.3	18.5	13.3	10.8	8.1	2.6	1.9	1.7	—	—	—	14.0	9.9	9.8	780	(7.0)	48.3
Tata Steel	545	BUY	483,190	10,341	887	110.1	29.7	73.4	45.3	(73.0)	147.1	4.9	18.3	7.4	5.6	10.6	6.0	1.6	1.6	1.3	2.6	1.5	1.5	24.0	7.2	19.4	600	10.2	128.1
Metals		**Cautious**	**3,359,862**	**71,907**					**(1.3)**	**(22.8)**	**52.9**	**14.7**	**19.0**	**12.4**	**9.9**	**10.4**	**7.3**	**2.8**	**2.1**	**1.8**	**0.6**	**0.4**	**0.5**	**18.8**	**11.2**	**14.6**			
Pharmaceutical																													
Biocon	277	BUY	55,460	1,187	200	4.7	14.1	17.3	(79.9)	200.5	23.1	59.1	19.7	16.0	23.6	11.2	9.4	3.6	3.2	2.8	—	—	0.0	6.2	17.5	18.8	285	2.8	6.8
Cipla	342	ADD	274,760	5,880	803	9.9	12.6	15.1	10.0	26.5	20.7	34.5	27.3	22.6	26.1	18.5	15.8	6.3	4.7	4.1	0.6	0.7	0.7	19.0	19.9	19.3	285	(16.7)	15.7
Cadila Healthcare	660	BUY	90,055	1,927	136	22.2	33.4	38.6	8.3	50.3	15.8	29.7	19.8	17.1	16.2	12.6	11.0	7.3	5.7	4.6	0.7	1.0	1.2	26.9	32.9	29.8	700	6.1	0.9
Dishman Pharma & chemicals	226	BUY	18,406	394	81	18.0	18.6	22.4	22.1	3.3	20.7	12.6	12.2	10.1	9.5	8.7	7.1	2.6	2.2	1.8	—	—	—	22.7	19.3	19.5	265	17.1	2.8
Divi's Laboratories	654	ADD	42,216	903	65	31.9	19.0	30.0	19.7	(40.4)	57.8	20.5	34.4	21.8	8.1	9.6	6.9	6.9	5.9	4.9	—	—	0.0	39.6	18.5	24.5	550	(15.9)	5.9
Dr Reddy's Laboratories	1,104	BUY	186,962	4,001	169	32.4	54.4	60.8	24.3	67.8	11.8	34.1	20.3	18.2	14.4	11.6	9.8	5.3	4.3	3.6	0.6	0.6	0.7	13.6	23.3	21.5	990	(10.3)	14.9
GlaxoSmithkline Pharmaceuticals (a)	1,603	REDUCE	135,792	2,906	85	54.6	60.1	66.1	13.8	10.0	10.0	29.3	26.7	24.3	16.6	15.0	13.3	8.6	7.3	6.3	—	—	—	31.3	29.7	27.9	1,450	(9.6)	1.1
Glenmark Pharmaceuticals	266	NR	72,850	1,559	274	11.1	12.1	16.5	(57.0)	9.3	36.2	23.9	21.9	16.1	14.8	12.6	10.0	4.6	3.2	2.7	—	—	—	17.7	16.2	17.7	-		9.0
Jubilant Organosys	338	BUY	57,829	1,238	171	16.6	28.2	31.2	(26.1)	70.2	10.6	20.4	12.0	10.9	17.5	9.9	8.4	4.5	3.3	2.6	—	—	0.5	16.2	33.8	30.0	300	(11.3)	4.0
Lupin	1,446	ADD	128,100	2,742	89	60.2	75.7	83.9	21.0	25.8	10.8	24.0	19.1	17.2	21.5	16.8	13.8	8.9	5.5	4.4	0.8	0.9	1.0	37.1	36.1	28.7	1,430	(1.1)	7.8
Piramal Healthcare	400	BUY	83,631	1,790	209	17.3	21.5	28.3	(1.9)	24.4	31.7	23.2	18.6	14.1	16.3	12.2	9.6	6.3	5.0	3.9	1.0	1.1	1.1	26.2	30.2	31.1	425	6.2	2.9
Ranbaxy Laboratories	517	REDUCE	221,382	4,738	428	(12.3)	11.2	17.6	(152.8)	(191.4)	56.7	(42.0)	NA	29.3	(97.2)	23.8	17.9	7.5	7.0	5.9	—	0.8	0.8	(13.6)	11.3	16.4	210	(59.4)	21.3
Sun Pharmaceuticals	1,455	ADD	301,427	6,451	207	87.8	57.7	65.2	17.6	(34.3)	13.1	16.6	25.2	22.3	12.9	18.1	15.3	4.2	3.7	3.3	0.9	0.9	0.9	30.2	15.9	15.9	1,400	(3.8)	16.5
Pharmaceuticals		**Attractive**	**1,668,869**	**35,717**					**(18.2)**	**31.8**	**21.4**	**30.6**	**23.2**	**19.1**	**19.3**	**14.8**	**12.3**	**5.6**	**4.5**	**3.8**	**0.5**	**0.7**	**0.7**	**18.2**	**19.5**	**19.9**			
Property																													
DLF	383	SELL	646,878	13,844	1,691	26.7	13.1	16.8	(42.0)	(50.9)	27.8	14.3	29.1	22.8	14.3	19.1	16.8	2.7	2.5	2.3	0.8	0.8	1.0	20.7	8.9	10.6	320	(16.3)	121.5
Housing Development & Infrastructure	348	ADD	120,127	2,571	345	21.3	12.3	24.0	(58.5)	(42.0)	94.9	16.4	28.2	14.5	12.2	20.6	8.7	2.7	1.8	1.5	—	0.9	1.5	18.7	9.9	15.5	350	0.7	107.2
Indiabulls Real Estate	218	ADD	87,267	1,868	401	0.8	1.6	4.0	(95.4)	109.7	151.7	287.6	137.1	54.5	(55)	(139.3)	66.0	1.3	1.0	1.0	—	—	—	0.3	0.8	1.8	285	31.0	47.4
Mahindra Life Space Developer	353	BUY	14,847	318	42	10.4	12.5	15.8	(38.5)	20.5	26.3	34.1	28.3	22.4	52.5	25.1	16.0	1.7	1.6	1.5	1.1	1.1	1.1	4.8	5.7	6.9	435	23.2	0.5
Phoenix Mills	192	BUY	27,789	595	145	5.0	5.8	8.3	57.7	15.6	42.8	38.4	33.2	23.3	44.9	27.0	18.2	1.9	1.8	1.7	0.5	0.5	0.8	4.9	5.5	7.4	230	19.9	1.1
Puravankara Projects	94	REDUCE	20,030	429	213	6.8	8.3	7.9	(39.8)	22.4	(4.8)	13.9	11.3	11.9	20.4	12.8	12.1	1.5	1.4	1.3	—	2.1	2.1	11.5	12.7	11.1	100	6.6	1.1
Sobha	233	ADD	22,815	488	98	15.1	13.4	14.9	(52.3)	(11.3)	11.3	15.4	17.3	15.6	15.0	12.5	11.9	2.1	1.3	1.2	1.3	1.7	1.7	10.4	9.3	8.2	245	5.3	2.9
Unitech	86	SELL	211,418	4,525	2,446	7.4	3.9	4.4	(28.7)	(46.5)	12.0	11.7	22.0	19.6	18.7	16.4	14.2	4.1	2.0	1.7	—	—	—	27.3	11.2	9.2	65	(24.8)	118.1
Property		**Neutral**	**1,151,171**	**24,637**					**(42.4)**	**(39.4)**	**37.4**	**16.7**	**27.6**	**20.1**	**16.1**	**19.1**	**15.0**	**2.5**	**2.0**	**1.8**	**0.5**	**0.6**	**0.9**	**15.2**	**7.2**	**9.0**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	14-Dec-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2009	EPS (Rs) 2010E	EPS (Rs) 2011E	EPS growth (%) 2009	EPS growth (%) 2010E	EPS growth (%) 2011E	PER (X) 2009	PER (X) 2010E	PER (X) 2011E	EV/EBITDA (X) 2009	EV/EBITDA (X) 2010E	EV/EBITDA (X) 2011E	Price/BV (X) 2009	Price/BV (X) 2010E	Price/BV (X) 2011E	Dividend yield (%) 2009	Dividend yield (%) 2010E	Dividend yield (%) 2011E	RoE (%) 2009	RoE (%) 2010E	RoE (%) 2011E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Retail																													
Titan Industries	1,298	REDUCE	57,617	1,233	44	44.3	53.1	61.9	26.4	19.8	16.7	29.3	24.5	21.0	17.6	15.6	13.0	10.0	7.5	5.8	0.8	0.8	0.9	37.5	35.1	31.4	1,200	(7.6)	1.7
Retail		**Neutral**	**57,617**	**1,233**					**26.4**	**19.8**	**16.7**	**29.3**	**24.5**	**21.0**	**17.6**	**15.6**	**13.0**	**10.0**	**7.5**	**5.8**	**0.8**	**0.8**	**0.9**	**34.1**	**30.8**	**27.9**			
Sugar																													
Bajaj Hindustan	208	SELL	39,745	851	191	(12.6)	(1.0)	23.7	(8,831.1)	(92.1)	(2,471.7)	(16.5)	(208.2)	8.8	42.3	13.3	6.4	3.3	1.9	1.5	0.2	0.3	0.3	(13.1)	(1.2)	19.3	150	(27.8)	29.6
Balrampur Chini Mills	142	ADD	36,373	778	256	3.1	7.6	14.0	(220.6)	147.4	83.5	46.0	18.6	10.1	15.1	9.6	6.3	3.2	2.9	2.3	0.2	—	0.3	7.4	16.2	25.3	140	(1.4)	19.5
Shree Renuka Sugars	208	BUY	69,726	1,492	335	4.3	6.9	27.2	23.9	60.4	294.1	48.4	30.2	7.7	29.4	16.6	4.8	7.9	4.3	2.4	0.1	0.5	0.2	17.2	18.4	40.2	250	20.1	19.9
Sugar		**Attractive**	**145,844**	**3,121**					**(25.3)**	**2,436.2**	**322.7**	**907.0**	**35.8**	**8.5**	**26.6**	**13.2**	**5.6**	**4.5**	**2.9**	**2.1**	**0.2**	**0.4**	**0.2**	**0.5**	**8.2**	**24.3**			
Technology																													
HCL Technologies	343	REDUCE	238,142	5,097	695	17.5	16.6	22.9	14.5	(5.0)	37.9	19.6	20.6	15.0	10.9	10.0	8.9	4.1	3.8	3.2	3.5	3.5	3.5	20.9	19.5	23.0	300	(12.4)	10.8
Hexaware Technologies	97	REDUCE	13,963	299	144	4.1	9.1	9.8	(46.4)	122.1	7.9	23.7	10.7	9.9	8.8	4.8	4.5	2.1	1.8	1.5	0.5	1.0	1.0	8.6	18.2	16.9	80	(17.7)	2.4
Infosys Technologies	2,499	BUY	1,434,283	30,696	574	102.4	104.5	118.0	29.6	2.0	12.9	24.4	23.9	21.2	18.4	17.2	14.6	7.9	6.4	5.3	0.9	1.0	1.3	36.7	29.4	27.3	2,500	0.1	70.7
Mphasis BFL	696	REDUCE	145,151	3,106	208	14.2	43.6	47.6	15.7	207.5	9.2	49.1	16.0	14.6	37.4	12.7	11.3	10.1	6.2	4.5	0.6	0.5	0.6	22.8	48.1	35.5	570	(18.1)	16.3
Mindtree	677	BUY	27,866	596	41	13.2	46.8	53.6	(50.5)	253.5	14.5	51.1	14.5	12.6	8.7	10.9	7.9	5.1	3.7	2.9	0.3	0.3	0.8	5.5	29.7	26.0	700	3.4	2.5
Patni Computer Systems	460	REDUCE	59,113	1,265	129	26.8	36.5	41.0	(19.3)	36.1	12.4	17.2	12.6	11.2	8.8	6.6	6.5	2.4	1.9	1.8	0.4	1.6	1.8	16.2	16.0	16.7	410	(10.9)	11.0
Polaris Software Lab	174	SELL	17,134	367	99	13.2	14.5	13.9	76.6	10.5	(4.6)	13.2	11.9	12.5	5.9	6.5	6.9	2.2	1.9	1.7	1.6	1.2	1.2	18.2	17.2	14.4	125	(28.0)	9.2
TCS	705	ADD	1,380,022	29,535	1,957	26.4	32.8	37.4	3.1	24.1	14.0	26.7	21.5	18.9	18.8	16.0	14.0	8.8	7.0	5.8	1.0	1.4	2.1	36.9	36.2	33.6	725	2.8	36.4
Wipro	659	ADD	962,800	20,606	1,462	25.7	30.5	35.4	15.8	18.6	15.8	25.6	21.6	18.6	18.9	16.0	13.5	6.4	5.1	4.3	0.6	1.3	1.6	26.9	26.4	25.0	675	2.5	18.5
Technology		**Neutral**	**4,278,473**	**91,567**					**15.3**	**17.6**	**14.6**	**25.1**	**21.4**	**18.7**	**17.7**	**15.2**	**13.2**	**7.1**	**5.7**	**4.7**	**1.0**	**1.3**	**1.7**	**28.1**	**26.5**	**25.4**			
Telecom																													
Bharti Airtel	320	REDUCE	1,213,331	25,967	3,797	22.3	23.8	21.7	26.4	6.4	(8.8)	14.3	13.4	14.7	8.5	8.0	7.8	3.9	3.0	2.5	0.6	0.9	1.2	31.4	25.1	18.6	300	(6.1)	123.4
IDEA	58	REDUCE	180,955	3,873	3,104	2.9	2.0	1.2	(26.5)	(32.2)	(38.0)	20.1	29.6	47.7	7.7	7.9	8.2	1.3	1.3	1.2	—	—	—	10.4	4.4	2.9	45	(22.8)	14.2
MTNL	75	SELL	46,967	1,005	630	2.4	(2.4)	(3.2)	(66.3)	(199.6)	32.8	31.0	(31.1)	(23.5)	(0.6)	1.3	0.9	0.4	0.4	0.4	1.3	—	—	1.2	(1.3)	(1.7)	50	(32.9)	1.8
Reliance Communications	181	SELL	374,207	8,009	2,064	31.6	14.9	13.0	19.4	(52.8)	(12.9)	5.7	12.2	14.0	7.0	8.8	8.2	0.9	0.8	0.8	0.4	—	—	18.9	7.3	5.9	150	(17.3)	55.2
Tata Communications	340	REDUCE	96,986	2,076	285	13.6	14.0	15.2	24.0	3.2	8.2	25.1	24.3	22.4	10.8	9.8	9.1	1.4	1.4	1.3	1.5	1.9	2.2	5.4	5.2	5.5	400	17.5	3.0
Telecom		**Cautious**	**1,912,445**	**40,930**					**16.6**	**(20.9)**	**(10.4)**	**11.4**	**14.3**	**16.0**	**7.9**	**8.3**	**8.0**	**1.8**	**1.6**	**1.5**	**0.6**	**0.7**	**0.9**	**15.8**	**11.2**	**9.1**			
Transportation																													
Container Corporation	1,231	ADD	159,960	3,423	130	60.9	65.7	82.4	5.5	7.8	25.5	20.2	18.7	14.9	14.6	13.3	10.2	4.3	3.6	3.1	1.1	1.2	1.5	22.8	21.0	22.4	1,250	1.6	2.0
Transportation		**Cautious**	**159,960**	**3,423**					**5.5**	**7.8**	**25.5**	**20.2**	**18.7**	**14.9**	**14.6**	**13.3**	**10.2**	**4.3**	**3.6**	**3.1**	**1.1**	**1.2**	**1.5**	**21.0**	**19.5**	**20.7**			
Utilities																													
CESC	395	ADD	49,300	1,055	125	32.3	37.9	42.0	16.2	17.4	11.0	12.2	10.4	9.4	(0.4)	(0.9)	(0.8)	0.9	0.6	0.6	7.3	11.0	13.2	11.7	11.9	11.6	375	(5.0)	2.4
Lanco Infratech	598	ADD	143,771	3,077	241	14.5	21.1	35.4	(1.9)	44.8	68.1	41.1	28.4	16.9	22.2	19.3	9.5	6.9	4.1	3.3	—	—	—	16.4	16.8	20.2	475	(20.5)	25.8
NTPC	208	REDUCE	1,715,057	36,705	8,245	9.8	11.1	12.4	5.3	13.2	11.4	21.2	18.7	16.8	17.5	14.2	12.8	2.9	2.7	2.5	1.7	2.0	2.2	14.3	14.9	15.2	190	(8.7)	16.1
Reliance Infrastructure	1,058	BUY	239,516	5,126	226	62.7	63.7	68.6	66.7	1.6	7.8	16.9	16.6	15.4	21.1	19.5	15.5	1.4	1.3	1.2	0.7	0.8	0.9	4.9	6.1	7.8	1,250	18.2	58.7
Reliance Power	147	REDUCE	351,244	7,517	2,397	1.0	2.5	3.1	—	141.5	24.4	143.7	59.5	47.8	—	—	—	2.5	2.4	2.3	—	—	—	1.8	4.2	5.0	160	9.2	11.8
Tata Power	1,347	ADD	332,585	7,118	247	50.2	63.3	70.3	57.5	26.1	11.1	26.9	21.3	19.2	12.5	13.7	13.3	3.3	2.6	2.3	0.8	0.9	1.0	12.0	13.7	12.8	1,400	3.9	16.1
Utilities		**Attractive**	**2,831,472**	**60,599**					**16.3**	**17.4**	**14.6**	**21.2**	**18.0**	**15.7**	**15.2**	**13.9**	**12.1**	**2.5**	**2.2**	**2.0**	**1.4**	**1.7**	**2.0**	**11.9**	**12.3**	**13.0**			
Others																													
Aban Offshore	1,244	BUY	54,021	1,156	43	96.9	181.6	300.2	34	87.3	65.3	12.8	6.8	4.1	12.2	8.3	5.8	3.0	1.4	1.1	0.3	0.3	0.3	26.9	21.5	27.9	1,500	20.6	66.5
Havells India	432	REDUCE	25,981	556	60	5.1	12.2	19.5	(81)	NA	60.1	NA	35.4	22.1	12.4	10.9	9.2	4.3	5.0	4.2	0.6	0.6	0.6	4.6	13.0	20.5	210	(51.4)	2.5
Jaiprakash Associates	228	ADD	320,984	6,870	1,406	3.0	6.0	11.1	(39)	101.5	84.2	76.2	37.8	20.5	28.0	17.4	14.6	4.9	3.8	3.3	—	—	—	7.3	11.4	17.3	250	9.5	80.5
Jindal Saw	182	ADD	49,957	1,069	274	17.2	14.3	15.8	39	(16.6)	10.2	10.6	12.7	11.5	6.7	7.1	6.2	1.4	1.3	1.2	0.6	0.4	0.4	13.4	10.0	10.4	140	(23.1)	20.6
PSL	162	BUY	8,679	186	53	22.2	29.3	24.7	5	32.0	(15.9)	7.3	5.5	6.6	5.0	3.8	3.2	1.3	0.9	0.9	2.5	4.0	4.0	11.9	12.3	11.1	175	7.8	1.4
Sintex	246	BUY	33,516	717	136	24.0	25.0	27.9	23	4.0	11.7	10.2	9.8	8.8	8.7	7.5	6.1	1.8	1.5	1.3	0.4	0.5	0.5	17.6	15.5	14.7	280	14.0	3.8
Tata Chemicals	315	ADD	76,804	1,644	243	26.6	22.2	27.9	(33)	(16.5)	25.4	11.9	14.2	11.3	7.1	6.5	5.5	1.6	1.5	1.4	2.8	2.8	2.8	17.9	13.1	14.7	300	(4.9)	3.2
Welspun Gujarat Stahl Rohren	268	REDUCE	50,554	1,082	189	17.3	24.2	20.2	(16)	39.7	(16.4)	15.5	11.1	13.3	8.3	6.2	6.8	2.8	2.2	1.8	0.8	0.6	0.7	17.7	21.7	14.8	210	(21.6)	17.8
United Phosphorus	161	BUY	74,493	1,594	463	10.1	11.0	14.4	20	9.5	31.1	16.0	14.6	11.1	9.9	8.5	6.9	2.8	2.2	1.9	0.9	0.9	1.2	19.3	16.2	17.6	180	11.8	6.2
Others			**694,989**	**14,874**					**(6.2)**	**27.8**	**39.5**	**21.8**	**17.1**	**12.2**	**12.6**	**10.0**	**8.6**	**2.9**	**2.3**	**2.0**	**0.6**	**0.6**	**0.6**	**13.1**	**13.4**	**16.0**			
KS universe (b)			**39,804,729**	**851,894**					**1.5**	**15.9**	**17.9**	**19**	**16.8**	**14.2**	**12.2**	**10.2**	**8.6**	**3.0**	**2.5**	**2.2**	**1.1**	**1.5**	**1.7**	**15.3**	**15.1**	**15.7**			
KS universe (b) ex-Energy			**31,504,354**	**674,250**					**5.1**	**7.9**	**17.8**	**19.7**	**18.3**	**15.5**	**14.2**	**12.6**	**10.6**	**3.3**	**2.8**	**2.4**	**1.0**	**1.2**	**1.4**	**16.9**	**15.2**	**15.6**			
KS universe (d) ex-Energy & ex-Commodities			**27,396,277**	**586,330**					**7.1**	**12.6**	**15.4**	**21.0**	**18.6**	**16.1**	**16.2**	**13.7**	**11.8**	**3.5**	**2.9**	**2.6**	**1.1**	**1.2**	**1.5**	**16.5**	**15.6**	**15.9**			

Note:
(1) For banks we have used adjusted book values.
(2) 2009 means calendar year 2008, similarly for 2010 and 2011 for these particular companies.
(3) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.
(4) Rupee-US Dollar exchange rate (Rs/US$)= 46.73

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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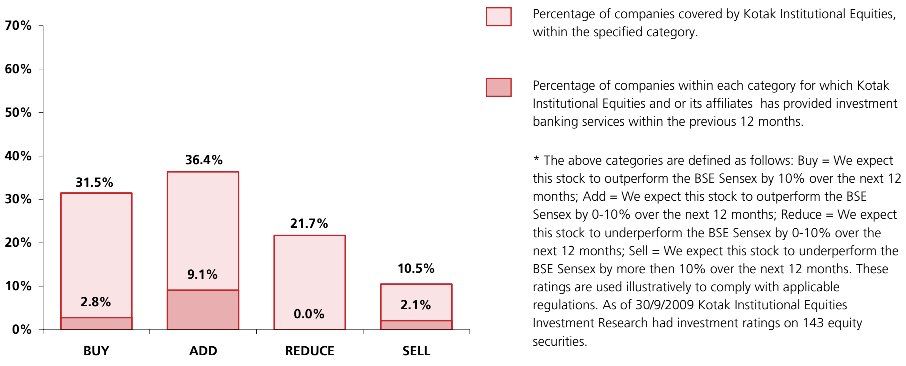
Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



* 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 30/9/2009 Kotak Institutional Equities Investment Research had investment ratings on 143 equity securities.

Source: Kotak Institutional Equities

As of September 30, 2009

Ratings and other definitions/identifiers

Rating system

Definitions of ratings

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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.

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