kotak® Institutional Equities

INDIA DAILY

June 21, 2010

Contents

Updates

News Round-up

- The BSE has acquired the controlling stake in CDSL by purchasing 16% more from three banks. *(BSTD)*
- Reliance Industries Ltd (RIL IN) plans to enter the power business, and will bid for ultra mega power projects (UMPPs). *(THBL SAT)*
- Anil Ambani-led Reliance Broadcast Network (RBN) said it had signed an initial agreement for a 50:50 joint venture with US-based CBS Corporation, to launch general entertainment television channels in India. *(BSTD)*
- Reliance Power (RPWR IN) has started generating power from the second unit of Rosa thermal power project. *(ECNT-Sat)*
- DrReddy's Laboratories (DRRD IN) is exploring the option of demerging its domestic formulations business and unlocking values. Several multinational drug firms have already begun talks on a potential deal for the USD 212 mn business. *(BSTD-Sat)*
- ICICI Bank (ICICIBC IN) to get control of 58 branches of a regional rural bank sponsored by Bank of Rajasthan (BOR IN). *(THBL)*
- ITC LTD (ITC IN) is planning to launch the iconic global brand "Lucky Strike". *(THBL)*
- ITC Ltd (ITC IN) plans to issue bonus shares in the ratio of 1:1 to mark the company's 100th anniversary in August this year. *(BSTD-Sat)*
- In a letter to the telecom regulator, Bharti Airtel (BHARTI IN) has contended that its allocation of spectrum beyond 6.2 Mhz was by government policy. *(BSTD)*
- Kishore Biyani's Group and Tata Teleservices (TTLS IN) today started mobile telephony services under the brand name T24 (talk 24 hours). Beginning with Andhra Pradesh, the service will be sold through Futures Group's retail outlets in 75 cities and 65 rural destinations in the country. *(BSTD-Sat)*
- Future Group plans to invest USD 127.65mn over the next 18 months for expansion of its hyper markets retail chain Big Bazaar, and its already started identifying locations in various cities for this purpose. *(ECNT-Sat)*
- L&T's (LT IN) electrical division to double sales to USD 1.7 bn. The electric business division (EBG) operating company generates a turnover of about USD 744 mn. *(BSTD)*
- IDFC (IDFC IN) has decided to rope in a financial institution as a strategic partner in its AMC. IDFC is likely to divest a 26% stake to global fund managers. *(ECNT)*

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

EQUITY MARKETS

		Change %		
India	**18-Jun**	**1-day**	**1-mo**	**3-mo**
Sensex	17,571	(0.3)	6.8	(0.0)
Nifty	5,263	(0.2)	6.7	(0.0)
Global/Regional indices				
Dow Jones	10,451	0.2	2.5	(2.7)
Nasdaq Composite	2,310	0.1	3.6	(2.7)
FTSE	5,251	(0.1)	3.7	(7.1)
Nikkie	10,132	1.4	3.6	(6.4)
Hang Seng	20,287	0.7	3.8	(5.1)
KOSPI	1,733	1.2	8.3	2.8
Value traded – India				
Cash (NSE+BSE)	186		167	175
Derivatives (NSE)	987		946	735
Deri. open interest	1,502		1,406	1,321

Forex/money market

		Change, basis points		
	18-Jun	**1-day**	**1-mo**	**3-mo**
Rs/US$	46.2	(13)	59	68
10yr govt bond, %	7.6	-	18	(29)
Net investment (US$mn)				
	17-Jun		**MTD**	**CYTD**
FIIs	117		773	5,373
MFs	(63)		161	(282)

Top movers -3mo basis

		Change, %		
Best performers	**18-Jun**	**1-day**	**1-mo**	**3-mo**
IBULL IN Equity	135.1	(3.1)	(7.5)	31.1
BJFIN IN Equity	403.9	(10.0)	(11.7)	22.5
BJAUT IN Equity	2281.6	(0.4)	8.7	22.3
UNTP IN Equity	190.3	0.4	15.3	21.4
DIVI IN Equity	763.5	(0.9)	10.6	20.7
Worst performers				
ABAN IN Equity	731.0	0.0	7.3	(40.1)
GRASIM IN Equity	1759.5	(1.2)	(28.3)	(39.6)
EDSL IN Equity	515.9	(0.8)	6.4	(32.9)
PUNJ IN Equity	123.9	(1.8)	(6.1)	(28.8)
NMDC IN Equity	265.0	(0.1)	(3.3)	(26.5)

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kotak Institutional Equities

Reliance Industries (RIL)

Energy

SELL

JUNE 21, 2010

UPDATE

Coverage view: Cautious

Price (Rs): 1,054

Target price (Rs): 985

BSE-30: 17,571

The new old or the old new? RIL identified several initiatives—some new, some old—as future growth drivers at its recent Annual General Meeting (AGM). These include previously announced projects, a new polyester complex and new areas of power and telecom. The new projects play on RIL's traditional strengths of solid execution, vertical integration and financial capabilities. However, none of these initiatives barring E&P look like they could earn high returns and thus, create significant value, in our view.

Company data and valuation summary

Reliance Industries

Stock data			
52-week range (Rs) (high,low)			1,185-841
Market Cap. (Rs bn)			3,137.7
Shareholding pattern (%)			
Promoters			41.1
FIIs			21.3
MFs			2.6
Price performance (%)	**1M**	**3M**	**12M**
Absolute	5.9	(3.5)	3.3
Rel. to BSE-30	(0.9)	(3.4)	(14.6)

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	49.6	62.9	80.2
EPS growth (%)	(1.8)	26.6	27.5
P/E (X)	21.2	16.8	13.1
Sales (Rs bn)	1,924.6	2,495.6	2,624.2
Net profits (Rs bn)	162.4	205.6	262.2
EBITDA (Rs bn)	309.4	397.9	449.7
EV/EBITDA (X)	11.4	8.5	7.0
ROE (%)	11.4	13.2	15.3
Div. Yield (%)	1.3	1.6	2.0

Several new and old initiatives announced in recent AGM

RIL has identified several new and old initiatives as future growth drivers. These include (1) previously announced projects such as a coke gasification plant and 1.5 mtpa olefins cracker based on refinery off-gases, (2) new 0.9 mtpa polyester complex with supporting PTA, PX plants, (3) ongoing E&P projects, (4) retailing and (5) new areas of power and telecom.

Large projects, excellent execution and financial strength—a good combination

RIL's new initiatives and projects largely play on its traditional strengths of solid execution of large-scale projects, vertical integration and financial capabilities. However, they are unlikely to add meaningfully to RIL's valuation in the short term given their long-gestation nature. We are surprised with RIL's continued muted approach to its E&P business; the same reflected in the recent AGM also with no new announcement on some of its more prospective blocks.

None of the new initiatives look like they could generate significant value (CROCI - WACC)

We note that most of the projects in the traditional chemicals and refining areas announced by RIL are capital-intensive projects in mature businesses. Their world-scale size and integration may bestow on them some competitive advantages large projects are the norm these days. More important, feedstock ownership (including in the case of power) remains elusive; the new cracker may be fairly competitive with gas-based Middle East projects though. We note that RIL's historical ROACE and CROCI have been moderately above its WACC despite returns being boosted by fiscal and taxation benefits.

Retain SELL on rich valuation, weak cycles for another 12-24 months

We retain our SELL rating on RIL stock noting the stock is trading 7% above our 12-month fair valuation of Rs985 and close to our FY2012E-based SOTP valuation of Rs1,060. We do not see any short-term triggers for the stock and note that chemical and refining margins continue to be weak. We also ascribe US$4.5 bn value for potential gas discoveries in KG D-3, KG D-9 and MN D-4 blocks.

QUICK NUMBERS

- New PX/PTA and 0.9 mtpa polyester projects announced
- Target of 10X growth in revenues in five years in retailing
- FY1996-2010 average ROACE and CROCI of 15.9% and 17%

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Key highlights of AGM

RIL identified several new growth areas in its recent AGM. We detail the same below.

- **Chemicals.** RIL is building a 1.4 mtpa PX facility at Jamnagar, which would feed a 2.3 mtpa PTA plant, which in turn (along with MEG from a new olefins cracker) will feed a 0.54 mtpa PET plant and a 0.36 mtpa PFY plant. It also reinitiated plans for a 1.5 mtpa olefins cracker based on refinery off-gases at its Jamnagar complex. It had announced this project in October 2007 and seems to have scaled it down from the original 2 mtpa olefins capacity.

- **Refining.** Reliance also reaffirmed its plans to build a coke gasification plant at its Jamnagar complex. This is also an old project, which was announced in October 2007 with an original completion date of CY2012. The timing of the project is not yet clear. RIL has not shared the size of the coke gasification facility but it had earlier announced the project size at 6 mtpa. We assume that it is unchanged.

- **E&P.** RIL management announced accelerated development of its NEC-25, CB-10 and CBM blocks. However, RIL has postponed development of these blocks in the past and we doubt NEC-25 can come into production before FY2015; the block is still in an appraisal stage and the Mahanadi basin area lacks offshore infrastructure and onshore pipeline connectivity. RIL had guided for the start of production in FY2012 in its 2QFY08 analyst meeting, the last one we attended. RIL is still conducting exploratory drilling in the CB-10 block and this may come into production by FY2013-14 given that it is an onshore block and gas distribution infrastructure exists in the Cambay basin area. In the case of the Sohagpur CBM block, the management had earlier guided for the start of production in FY2010.

- **Retail. RIL management gave details of the recent initiatives in retailing and outlined a target of 10X growth in business (presumably revenues) in the next five years.**

- **Power.** RIL announced its entry into the power sector through large investments in coal, hydel and nuclear (as and when the opportunity becomes available) projects.

- **Telecom.** RIL's management stated that it will follow an asset-light model for its BWA (broadband wireless access) service and it sees tremendous opportunities to provide wireless broadband services in India given broadband's low penetration (about 9 mn subscribers currently) and growth potential.

Our observations

We would await details on the initiatives with respect to capex and the execution schedule before incorporating them in our earnings model. We give our preliminary observations on the initiatives below.

- **The new initiatives are in an early stage.** We note that the power and telecom businesses are entirely new and would take time to fructify. Even the petrochemical and refining projects are unlikely to contribute to revenues before FY2014 at the earliest. We have not factored any of the new chemical or refining projects and/or production from the aforementioned E&P blocks in our earnings model (up to FY2014E currently). However, we ascribe value to E&P blocks (also to KG D-3, KG D-9 and MN D-4) in our SOTP-based valuation models.

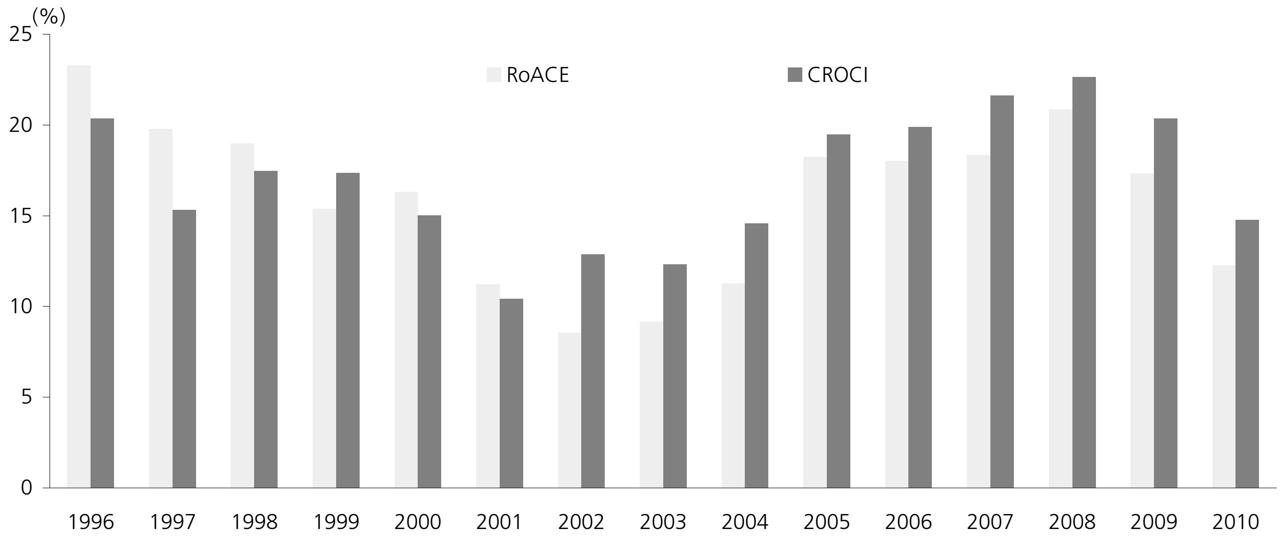
- **Projects are based on RIL's traditional strengths of excellent execution and financing capabilities.** We note that RIL's new projects play on RIL's traditional strengths of solid execution and financing capabilities. The world-scale size of the new projects and integration would result in moderate competitive advantages. However, we note that most new projects around the world in the mature businesses of chemicals and refining are of similar size and scale.

- **Lack of feedstock advantage means limited value creation above the investment amount.** We note that RIL does not have feedstock advantages in power (it will have to depend on competitive bidding for UMPP projects or imported coal), petrochemicals and refining given that it lacks cheap crude oil/naphtha or ethane-rich gas. The new refinery off-gas based cracker may be competitive with gas-based ME crackers. RIL would find it challenging to create meaningful value in its traditional businesses over a cycle, in our view.

Exhibit 1 shows that RIL's ROACE and CROCI have been moderately ahead of its WACC in FY1996-2010. We adjust for other income (adjusted for tax) in the numerator and cash, investments and C-WIP in the denominator to compute RIL's financial returns. We clarify that RIL's historical returns would also be boosted by (1) low taxation (see Exhibit 2, which shows RIL's cash and effective tax rates for FY1996-2010) due to various tax exemptions and (2) sales tax incentives, which boosted RIL's refining returns in FY2001-2007.

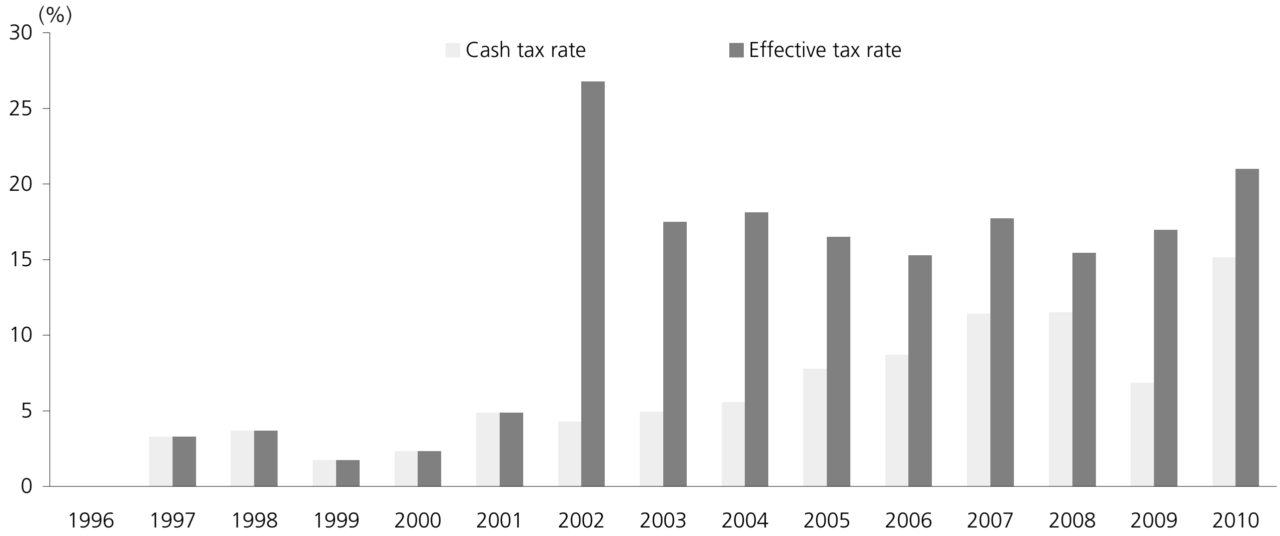
RIL's ROACE and CROCI have averaged 16% and 17% in FY1996-2010

RoACE and CROCI for RIL, March fiscal year-ends, 1996-2010 (%)



Source: Company, Kotak Institutional Equities estimates

Lower tax rates historically due to various tax exemptions
Cash tax rate and effective tax rate for RIL, March fiscal year-ends, 1996-2010 (%)



Source: Company, Kotak Institutional Equities estimates

- **Slowdown in E&P activities.** We are surprised by the muted approach to E&P over the past 1-2 years. We believe RIL can deliver much higher project IRRs or financial returns in the E&P business. However, most of RIL's E&P projects have suffered from delays, some as much as 2-3 years. This perhaps reflects the nature of the E&P business with its large amount of inherent uncertainty. Nonetheless, we are surprised by the slow progress in proven blocks such as NEC-25 and Sohagpur (CBM block). Exhibit 3 shows the status of E&P activity in various RIL blocks.

Slowdown in E&P activity
Drilling status of RIL's key blocks

Blocks	Drilling schedule	E&P activity status	
NEC-OSN-97/2 (NEC-25)	Six wells drilling program is in progress	1	Drilled three successful wells (AJ2, AJ3 and AJ5)
		2	Recently spud AJ6, AJ7 and AJ9 exploration wells
GS-OSN-2000/1	Appraisal drilling postponed to August 2010	1	Acquired 1,216 sq. kms of 3D seismic data from the block
		2	Recently carried out advanced technical and geophysical studies
		3	Currently undertaking Phase-II of the work program
AS-ONN-2000/1	Drilling postponed to mid-2011	1	Concluded interpretation of around 400 line kms (LKM) of 2D seismic data
		2	To drill one exploration well in CY2010-11E
CY-DWN-2001/2 (D-5)	Commencement of drilling program in April 2010	1	Drilled three wells; struck hydrocarbon in one
		2	Abandoned second well due to a technical snag
KG-DWN-2001/1 (D-9)	Re-commencement of exploration drilling in 2HCY10	1	Acquired and processed 3,440 sq. kms of 3D seismic data
		2	Drilled the first (A-1) of four exploration wells; plugged and abandoned
		3	Plans to drill one exploration well in CY2010E and two exploration wells in CY2011E
KG-DWN-2003/1 (D-3)	Appraisal program from December 2010	1	Drilled three successful exploration wells (Dhirubhai 39, 41 and 44)
		2	Pre-drilled fourth well G1 and will re-enter later to target depth
		3	Acquired 1,150 sq. kms of 3D seismic data
		4	To drill three exploration wells by CY2011E; two-well appraisal program from December 2010
MN-DWN-2003/1 (D-4)	Five-well drilling program postponed to October 2010	1	Acquired 3,600 sq. kms of 3D seismic data
		2	Three wells indentified for drilling
		3	To drill a total of fifteen exploratory wells under MWP

Source: Indian Petro, Kotak Institutional Equities estimates

Also, it does not appear that RIL is scaling up its E&P effort significantly looking at the availability of rigs with RIL. Exhibit 4 gives the status of RIL's deep-water drilling rigs. RIL has surprisingly sublet two of its six extant rigs, which perhaps shows that it is unlikely to step up deep-water exploration over the next few months. It also let go of Deepwater Expedition rig in late May 2010 due to mechanical issues with the blow-out preventer of the rig. This rig was drilling in RIL's KG D-3 block. Also, RIL has not renewed the contract for one of its extant rigs Deepwater Frontier, whose term expires in August 2011. The company has plans to sublet Deepwater Frontier to ONGC for one year from July, 2010. On the other hand, RIL has received Dhirubhai Deepwater KG2 from Transocean recently and will also receive Discoverer India over the next few months.

Current status of rigs reflects slowdown in E&P activity

Details of availability of drilling rigs for RIL

Rig name	Owner	Day rate (US$'000)	Current status	Start date	End date
Discoverer 534	Transocean	250	Repaired recently after technical snags; Drilling in KG D-6	Dec-2007	Jan-2011
Deepwater Frontier	Transocean	477	Planning to sublet to ONGC for one year from July, 2010	Aug-2008	Aug-2011
Blackford Dolphin (a)	Dolphin Drilling	398	Sublet to opertaor in either Brazil or Congo	Feb-2010	Dec-2011
Dhirubhai DW KG1	Transocean	495-510	Sublet to ONGC for four years	Jul-2009	5 years
Dhirubhai DW KG2	Transocean	495-510	Mobilized in eastern offshore assets	Mar-2010	5 years
Discoverer India	Transocean	537-557	Commissioning by 4QCY10	4QCY2010	7-10 years

Note:
(a) Blackford Dolphin was sublet to Tullow Oil in Ghana, then it drilled at RIL's Oman block before coming to India on January 30, 2010.

Source: Indian Petro, Kotak Institutional Equities estimates

Exhibits 5 and 6 give our SOTP-based valuation model for RIL based on FY2011E and FY2012E estimates and Exhibit 7 presents its financials.

SOTP valuation of Reliance is Rs915 per share on FY2011E estimates

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

	Valuation base (Rs bn)		Multiple (X)		EV	Valuation
	Other	EBITDA	Multiple	EV/EBITDA	(Rs bn)	(Rs/share)
Chemicals		96		7.0	675	228
Refining & Marketing		131		7.5	981	331
Oil and gas—producing (PMT and Yemen)		18		5.0	92	31
Gas—producing and developing (DCF-based) (a)	816				816	276
KG D-6	464				464	157
NEC-25	92				92	31
CBM	53				53	18
KG D-3	56				56	19
KG D-9	84				84	29
MN D-4	66				66	22
Oil—KG-DWN-98/3 (b)	81				81	27
Investments other than valued separately	105				105	35
Loans & advances to affiliates	4				4	1
Cash with subsidiary from sale of treasury shares	86				86	29
Retailing	52		80%		42	14
SEZ development	30		80%		24	8
Total enterprise value					**2,905**	**981**
Net debt adjusted for 50% of C-WIP of E&P assets					202	68
Implied equity value					**2,704**	**913**

Note:
(a) We value KG D-6, NEC-25, CBM, KG D-3, KG D-9 and MN D-4 blocks on DCF.
(b) 180 mn bbls of recoverable reserves based on gross OOIP of 0.5 bn bbls.
(c) We use 2.976 bn shares (excluding treasury shares) for per share computations.

Source: Kotak Institutional Equities estimates

SOTP valuation of Reliance is Rs1,060 per share on FY2012E estimates
Sum-of-the-parts valuation of Reliance Industries, FY2012E basis (Rs)

	Valuation base (Rs bn)		Multiple (X)		EV	Valuation
	Other	**EBITDA**	**Multiple**	**EV/EBITDA**	**(Rs bn)**	**(Rs/share)**
Chemicals		103		7.0	718	242
Refining & Marketing		151		7.5	1,134	383
Oil and gas—producing (PMT and Yemen)		20		5.0	98	33
Gas—producing and developing (DCF-based) (a)	800				800	270
KG D-6	400				400	135
NEC-25	99				99	34
CBM	53				53	18
KG D-3	69				69	23
KG D-9	100				100	34
MN D-4	79				79	27
Oil—KG-DWN-98/3 (b)	81				81	27
Investments other than valued separately	105				105	35
Loans & advances to affiliates	4				4	1
Cash with subsidiary from sale of treasury shares	86				86	29
Retailing	52		80%		42	14
SEZ development	30		80%		24	8
Total enterprise value					**3,091**	**1,044**
Net debt adjusted for 50% of C-WIP of E&P assets					(35)	(12)
Implied equity value					**3,126**	**1,056**

Note:
(a) We value KG D-6, NEC-25, CBM, KG D-3, KG D-9 and MN D-4 blocks on DCF.
(b) 180 mn bbls of recoverable reserves based on gross OOIP of 0.5 bn bbls.
(c) We use 2.976 bn shares (excluding treasury shares) for per share computations.

Source: Kotak Institutional Equities estimates

RIL: Profit model, balance sheet, cash model, March fiscal year-ends, 2006-2014E (Rs mn)

	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E
Profit model (Rs mn)									
Net sales	809,113	1,114,927	1,334,430	1,418,475	1,924,610	2,495,632	2,624,219	2,724,442	2,738,544
EBITDA	**139,991**	**198,462**	**233,056**	**233,139**	**305,807**	**394,344**	**446,093**	**475,950**	**474,360**
Other income	6,829	4,783	8,953	20,599	24,605	22,242	18,850	29,700	49,547
Interest	(8,770)	(11,889)	(10,774)	(17,452)	(19,972)	(24,183)	(9,511)	(6,497)	(5,555)
Depreciation & depletion	(34,009)	(48,152)	(48,471)	(51,953)	(104,965)	(131,342)	(125,123)	(143,021)	(147,844)
Pretax profits	104,041	143,205	182,764	184,332	205,474	261,062	330,310	356,132	370,507
Extraordinary items	3,000	2,000	47,335	—	—	—	—	—	—
Tax	(9,307)	(16,574)	(26,520)	(12,634)	(31,118)	(54,394)	(70,513)	(85,076)	(91,336)
Deferred taxation	(7,040)	(9,196)	(8,999)	(18,605)	(12,000)	(1,061)	2,425	12,624	18,010
Net profits	90,693	119,434	194,580	153,093	162,357	205,606	262,222	283,679	297,181
Adjusted net profits	**88,152**	**117,789**	**152,605**	**153,093**	**162,357**	**205,606**	**262,222**	**283,679**	**297,181**
Earnings per share (Rs)	**31.6**	**40.5**	**52.5**	**50.6**	**49.6**	**62.9**	**80.2**	**86.7**	**90.9**
Balance sheet (Rs mn)									
Total equity	430,543	673,037	847,853	1,263,730	1,371,706	1,512,531	1,695,575	1,885,681	2,089,288
Deferred taxation liability	49,708	69,820	78,725	97,263	109,263	110,324	107,899	95,276	77,265
Minority interest	—	33,622	33,622	—	—	—	—	—	—
Total borrowings	218,656	332,927	493,072	739,045	624,947	337,340	130,999	128,774	128,514
Currrent liabilities	164,545	192,305	251,427	357,019	404,148	383,752	400,931	411,346	411,771
Total liabilities and equity	**863,452**	**1,301,712**	**1,704,700**	**2,457,057**	**2,510,064**	**2,343,947**	**2,335,404**	**2,521,076**	**2,706,838**
Cash	21,461	18,449	42,822	221,765	134,626	19,215	49,827	290,474	545,981
Current assets	224,283	286,566	402,721	325,358	489,165	503,780	517,367	530,380	531,775
Total fixed assets	626,745	899,403	1,081,638	1,693,869	1,653,987	1,588,666	1,535,924	1,467,935	1,396,795
Investments	(9,038)	97,294	177,519	216,065	232,286	232,286	232,286	232,286	232,286
Deferred expenditure	—	—	—	—	—	—	—	—	—
Total assets	**863,452**	**1,301,712**	**1,704,700**	**2,457,057**	**2,510,064**	**2,343,947**	**2,335,403**	**2,521,076**	**2,706,838**
Free cash flow (Rs mn)									
Operating cash flow, excl. working capital	119,520	164,285	180,718	174,508	222,605	311,559	360,290	381,159	373,474
Working capital	(32,188)	(13,075)	(31,071)	(37,983)	(53,015)	(35,011)	3,591	(2,597)	(971)
Capital expenditure	(94,273)	(247,274)	(239,691)	(247,128)	(219,427)	(61,550)	(65,645)	(72,772)	(71,754)
Investments	(32,364)	(105,760)	(78,953)	(10,392)	14,206	—	—	—	—
Other income	5,159	4,143	6,132	16,195	22,043	22,242	18,850	29,700	49,547
Free cash flow	**(34,146)**	**(197,681)**	**(162,865)**	**(104,800)**	**(13,587)**	**237,240**	**317,087**	**335,490**	**350,296**
Ratios (%)									
Debt/equity	45.5	44.8	53.2	54.3	42.2	20.8	7.3	6.5	5.9
Net debt/equity	41.1	42.3	48.6	38.0	33.1	19.6	4.5	(8.2)	(19.3)
RoAE	19.9	20.3	18.9	13.6	11.8	13.5	15.5	15.2	14.5
RoACE	**13.8**	**13.9**	**12.7**	**11.2**	**9.3**	**11.2**	**13.9**	**13.8**	**13.0**

Source: Company, Kotak Institutional Equities estimates kotak Institutional Equities

Jaiprakash Associates (JPA)

Others

BUY

JUNE 21, 2010

UPDATE

Coverage view:

Price (Rs): 129

Target price (Rs): 183

BSE-30: 17,571

Cement business continues to garner market share. Stabilization of capacities in parts of West and Central India has allowed Jaiprakash Associates to become a more dominant player in the cement sector in India. While diversification into unrelated business of fertilizer is not enthusing, we are encouraged by the unabated execution in the power and real estate subsidiaries. We have revised our earnings to factor higher execution of internal projects, while maintaining our BUY rating and PT of Rs183/share.

Company data and valuation summary

Jaiprakash Associates

Stock data			
52-week range (Rs) (high,low)			180-108
Market Cap. (Rs bn)			274.1
Shareholding pattern (%)			
Promoters			46.0
FIIs			26.0
MFs			4.8
Price performance (%)	1M	3M	12M
Absolute	9.5	(16.1)	(3.5)
Rel. to BSE-30	2.5	(16.0)	(20.3)

Forecasts/Valuations	2010	2011E	2012E
EPS (Rs)	1.5	5.9	7.9
EPS growth (%)	(27.2)	305.4	34.4
P/E (X)	88.4	21.8	16.2
Sales (Rs bn)	65.3	94.1	118.2
Net profits (Rs bn)	3.1	12.6	16.9
EBITDA (Rs bn)	25.1	38.7	56.0
EV/EBITDA (X)	22.0	14.0	10.3
ROE (%)	4.1	13.9	16.3
Div. Yield (%)	0.0	0.0	0.0

Cement market shares inches to 7% on all-India basis

Aggressive commissioning of capacities continues to allow JAL to report higher-than-industry volume growth—53% YTD and improving its all-India market share by 210 bps to 7% in comparison to the same period last year. JAL currently has operational cement capacity of 16.6 mn tpa, which it aims to increase to 23 mn tpa over the next few months, earning it a place amongst the Top-5 cement manufacturers in the country. We currently factor in cement volumes of 15 mn tons in FY2011E and 18 mn tons in FY2012E, and a speedier stabilization of units will likely lead to higher-than-estimated volume growth.

Fertilizer foray unrelated to current business, but not significant

JAL has announced its likely foray in the countries deficit fertilizer sector and has evinced an interest to enter into a joint venture with Duncan Industries Ltd, in order to revive the latter's 0.7 mn tpa naptha-based urea fertilizer plant at Panki in Uttar Pradesh. We note that the said plant has been shut since October 2005, and will likely commence commercial operation upon conversion to a gas-based capacity as per the current policy of the government. As per media reports, the JV will assume the entire debt of Rs5.5 bn and will incur another Rs4.5 bn to refurbish the currently defunct plant. JAL has previously undertaken such transactions such as its acquisition of the Bina Power plant from the Aditya Birla group and acquisition of the cement capacities of the Cement Corporation of India.

Maintain BUY rating and target price of Rs183/share

We maintain our BUY rating and target price of Rs183/share based on September 2011 valuations. Our SOTP-based target price of Rs183/share includes (1) cement business valued at 7X EV/EBITDA at Rs133 bn; (2) construction business valued at 7X EV/EBITDA at Rs124 bn; (3) September 11-based NAV of the real estate business at Rs108 bn (including option value for Jaypee Sports City of Rs10.2 bn) and (4) DCF-equity of power projects at Rs145 bn. JAL also has net debt of Rs165 bn for financing the cement, construction and roads business. Our revised earnings estimate of Rs6/share (Rs8 previously) for FY2011E and Rs8/share (Rs11 previously) for FY2012E factor further elimination of construction revenues in consolidated earnings.

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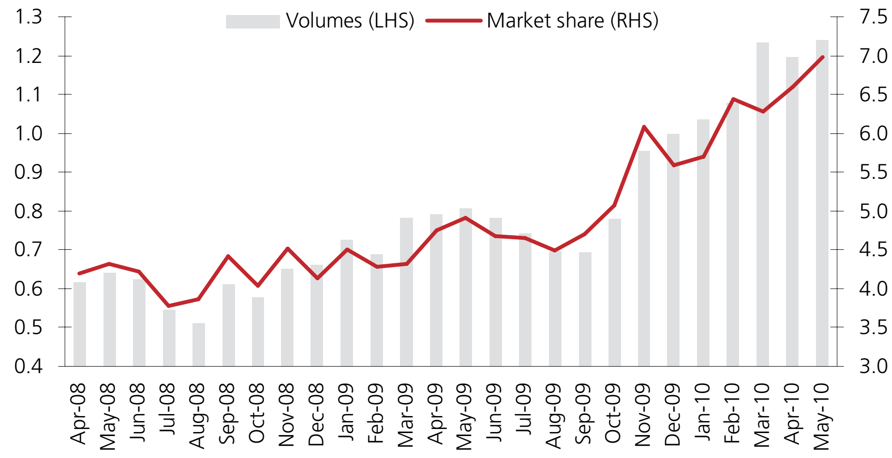
Cement market share has been steadily increasing
Cement volumes and market share of Jaiprakash Associates Ltd, Q1FY2008-Q4FY2010

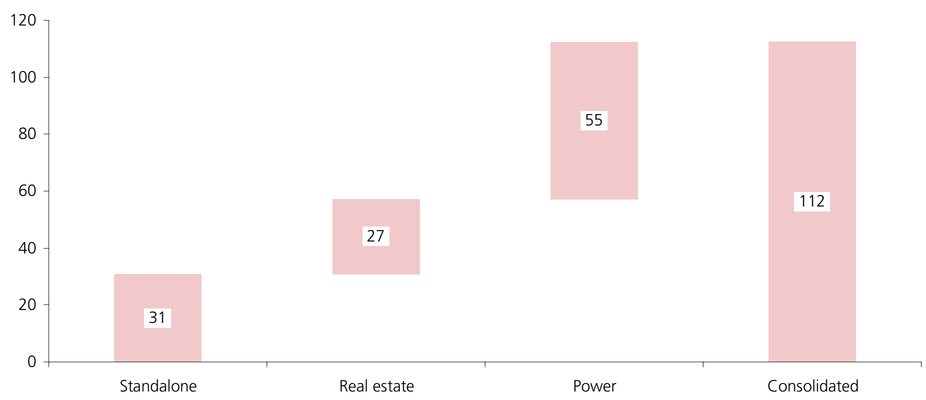


Source: CMA, Kotak Institutional Equities

Capex continues unabated—strong execution in power business

JAL incurred a capex of ~Rs112 bn in FY2010 of which Rs31 bn was incurred in the standalone entity, Rs27 bn in the real estate and the balance Rs55 bn can be attributed to the growing power portfolio of the company. We are encouraged by the steady execution of projects across business verticals and believe that capex of Rs293 bn incurred over the last three years will likely start bearing operational cash flows and address the high leverage of the company. JAL also infused Rs11 bn as investment in FY2010. Exhibit below highlights the capex incurred in the various business entities.

JAL incurred a capex of Rs112 bn across business segments
Division-wise break up of capex for JAL, FY2010 (Rs bn)



Source: Company, Kotak Institutional Equities

Construction—execution largely dominated by internal execution, depresses consolidated earnings

In FY2010, JAL reported standalone construction revenues of Rs53 bn, however eliminations in consolidated revenues were to the tune of Rs49 bn (largely attributable to the construction segment), leading to little revenues accruing to reported consolidated earnings. In addition, taxes paid on construction earnings further depress consolidated earnings as the tax expenses do not get eliminated on consolidation. We note that JAL paid current tax equivalent to 58% on consolidated PBT and total tax rate of 63% in FY2010.

We have revised our consolidated earnings estimates to reflect the domination of project execution by internal projects, and now factor external projects to contribute 16% or Rs12 bn of the overall construction revenues of Rs78 bn.

SOTP-based valuation of Jaiprakash Associates Ltd

			Value	
Business	**Methodology**	**Comments**	**(Rs bn)**	**(Rs/share)**
Cement	EV/EBITDA (X)	7X FY2011E EBITDA	133	70
Construction	EV/EBITDA (X)	7X FY2011E EBITDA	124	65
Real estate	NAV	Base case assumption of flat prices till FY2010 and 5% growth in realisation beyond that for 1,250 acre township at Noida and 8 mn sq. ft at Jaypee Greens	108	56
Power	DCF-to-equity	3,377 MW of attributable power portfolio, of which 511 MW is already under operation	145	76
Hotels	Market value	7X FY2011E EBITDA	5.2	3
Net debt	Book value	Net debt for cement, construction and real estate business	(165)	(86)
Total			**351**	**183**

Source: Kotak Institutional Equities estimates

Profit model, balance sheet, cash model of Jaiprakash Associates Ltd, March fiscal year ends, 2007-2012E (Rs mn)

	2007	2008	2009	2010E	2011E	2012E
Profit model						
Net revenues	39,328	41,872	47,063	65,256	94,082	118,238
EBITDA	**14,592**	**16,819**	**17,243**	**25,053**	**38,747**	**56,044**
Other income	987	2,195	2,612	2,632	1,736	1,387
Interest (expense)/income	(4,587)	(5,579)	(7,062)	(12,864)	(11,188)	(14,937)
Depreciation	(2,596)	(3,188)	(3,326)	(4,722)	(5,435)	(7,351)
Pretax profits	**8,395**	**10,247**	**9,467**	**10,099**	**23,860**	**35,144**
Tax	(2,408)	(2,200)	(3,432)	(5,914)	(6,946)	(13,673)
Deferred taxation	(65)	(762)	(899)	(458)	(3,100)	(613)
Minority interest	(882)	(1,202)	(923)	(627)	(1,246)	(3,962)
Net income	**5,040**	**6,084**	**4,213**	**3,100**	**12,568**	**16,896**
Extraordinary items	492	684	(10)	8,100	—	—
Reported profit	5,532	6,768	4,203	11,201	12,568	16,896
Earnings per share (Rs)	**3.1**	**3.3**	**2.0**	**1.5**	**5.9**	**7.9**
Balance sheet						
Paid-up common stock	2,192	2,343	2,804	4,249	4,249	4,249
Total shareholders' equity	29,286	49,772	65,963	85,403	95,968	110,861
Deferred taxation liability	5,824	7,101	8,787	11,979	15,079	15,692
Minority interest	4,591	7,025	7,153	10,064	14,693	21,754
Total borrowings	81,062	114,872	193,202	352,711	317,796	347,793
Total liabilities and equity	**120,762**	**178,770**	**275,105**	**460,156**	**443,536**	**496,100**
Net fixed assets	61,172	69,388	99,951	133,239	172,443	219,012
Capital work-in progress	27,390	62,250	96,347	170,811	144,028	140,342
Investments	77	1,203	10,964	10,566	10,566	10,566
Cash	18,230	24,622	39,214	84,852	64,223	68,047
Net current assets (excl. cash)	13,514	20,788	28,198	59,926	51,514	57,370
Net current assets (incl. cash)	32,122	45,929	67,843	145,540	116,499	126,179
Total assets	**120,762**	**178,770**	**275,105**	**460,156**	**443,536**	**496,100**
Free cash flow						
Operating cash flow, excl. working capital	5,334	9,905	6,739	14,375	20,613	27,434
Working capital changes	688	(7,274)	(7,410)	(31,729)	8,413	(5,856)
Capital expenditure	(24,654)	(45,993)	(68,390)	(112,474)	(17,856)	(50,234)
Free cash flow	**(18,633)**	**(43,362)**	**(69,060)**	**(129,827)**	**11,170**	**(28,656)**
Ratios						
Net debt/equity (%)	181	161	210	282	233	225
Return on equity (%)	15	13	7	4	12	15
Book value per share (Rs)	21	32	35	45	51	58
ROCE (%)	**9**	**8**	**4**	**2**	**5**	**7**

Source: Company, Kotak Institutional Equities estimates

Change in estimates for Jaiprakash Associates (consolidated), March fiscal year-ends, 2011-12E (Rs mn)

	Revenues			EBITDA			Net profit		
	Old	New	% Chg.	Old	New	% Chg.	Old	New	% Chg.
2011E	99,082	94,082	(5.0)	41,764	40,483	(3.1)	16,960	12,568	(25.9)
2012E	128,238	118,238	(7.8)	60,432	57,431	(5.0)	23,021	16,896	(26.6)

Source: Kotak Institutional Equities estimates

JUNE 21, 2010

UPDATE

BSE-30: 17,571

The end of IRDA-SEBI tussle removes uncertainty and boosts industry prospects.

We believe that the recent clarification by the Government to consider ULIPs as insurance policies ends the regulatory uncertainty, thereby enabling the industry to now focus on business growth and profitability. The SEBI-IRDA tussle over the last few months had increased uncertainty on regulatory control on ULIPs, therefore raising concerns on the long-term profitability of the private players. We believe that this development also indicates Government's keen interest to promote the sector and will augur well for insurance stocks as investors resume focus on the sector.

SEBI-IRDA tussle ends, Government empowers IRDA

Over the weekend, the Government promulgated an ordinance to clarify that life insurance business shall include any unit-linked insurance policy or scrips or any such instruments. Thus, IRDA will retain regulatory control over unit-linked policies (ULIPs), thereby ending the debate over the ownership of these products. The Government will amend three Acts viz. RBI Act 1934, Insurance Act 1938, SEBI Act 1992, Securities Contract Regulations Act 1956; and the bills will be introduced in the monsoon session of the Parliament. We believe that the move ends regulatory uncertainty, thereby driving business prospects for private sector players. Key listed insurance players – Aditya Birla Nuvo, Max NY Life, Reliance Life. Other banks/NBFCs with strong insurance businesses – HDFC Ltd, ICICI Bank and SBI.

Government's action encouraging, positive for the industry

While industry experts had criticized the ambiguity on the ownership of ULIPs and the SEBI-IRDA tussle, Government's bold move to amend the regulations and end the debate is clearly a positive surprise. We believe that this also indicates Government keenness to resolve such issues in the interest of the industry. In order to sort all issues on jurisdiction regarding hybrid products, the Government has proposed to constitute a high-level committee under the chairmanship of the Union Finance Minister. The committee will comprise chiefs of all four of regulatory bodies – RBI, SEBI, IRDA and PFRDA will be the members and Secretary to Department of Financial Services.

The backdrop of the SEBI-IRDA tussle

In April 2010, after a series of discussions with insurance companies and IRDA, SEBI banned 14 insurance companies including large private players from issuing unit-linked products; LIC was excluded from the ban. According to SEBI, unit-linked products are akin to mutual fund schemes and hence need its approval. IRDA issued a clarification that it has jurisdiction over the products and hence insurance companies can continue their business. After the intervention of the Finance Ministry, it was decided that the issue will be sorted out in the courts. SEBI then issued a clarification to the insurance companies that they can continue with their existing products though new products will require its approval; this was again refuted by IRDA.

We believe that SEBI's move to ban ULIPs stems from its intention to end mis-selling of retail investments products. In August 2009, SEBI had banned entry load on mutual fund schemes. In the past, the entry load was largely passed on to the distributor as a compensation for originating the business. This likely led to mis-selling and high churning of funds. SEBI asked financial distributors to collect separate distribution fees from the customers. This move has likely been a disincentive for distributors to sell mutual fund products.

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IRDA has also initiated steps to regulate ULIPs

In October 2009, IRDA capped the charges on new insurance policies to 3% for policies up to 10 years and 2.25% for policies over 10 years. All policies which did not comply with the cap had to be withdrawn with effect from January 2010. Fund management charges are capped at 1.35% (included within the aforesaid limit) but mortality and guarantee charges have been excluded from the cap.

In May 2010, IRDA proposed to reduce surrender charges on products to 15% from up to 100% earlier. Till CY2009, insurance companies could levy surrender charges up to 100% for first 3 years. This period was increased to 5 years from January 2010 (subsequent to the regulation on 'cap on charges'). In May 2010, IRDA introduced a draft regulation to cap the surrender charges at 15% within the first 5 years. Select insurance companies (primarily SBI) have low persistency and high surrender/lapsations in the first year. The cap on surrender charges will likely reduce the income on lapsed policies and discourage mis-selling in the industry.

According to news reports, IRDA will likely review the terms on ULIPs to make it more attractive to investors. The ratio of risk cover to annual premium may be hiked to 10X from 5X.

Other developments - direct tax code reduces regulatory arbitrage

The direct tax code proposes that income from insurance policies will be treated under the EET method (i.e. contributions, accumulations are exempt from tax while withdrawals are taxed). Currently, insurance enjoys an EEE treatment, i.e. withdrawals from insurance are also not taxed. Insurance investments will then be at par with other investment avenues, viz. investments in mutual funds and direct equities.

Insurance business adds significant value to parent companies
Value addition to parent's SOTP from insurance business (Rs/share of holding co.)

Insurance company	Parent/Holding company	Economic value assumed (%)	Fair value (based on FY2011E) (Rs/share)	% of parents market price (%)
Bajaj Allianz	Bajaj Finserv	38	343	85
Birla Sun Life	Aditya Birla Nuvo	74	717	87
HDFC Standard Life	HDFC Ltd	74	262	10
ICICI Bank	ICICI Bank	74	143	15
Max India	Max India	74	192	108
Reliance Life	Reliance Cap.	100	435	58
SBI Life	SBI Ltd	74	138	7

Source: Kotak Institutional Equities estimates

Sensitivity on valuation of the insurance business
Valuation of entire insurance business (Rs bn)

Aditya Birla Nuvo

	Margin (%)					
Multiple (X)	11.0	12.0	13.0	15.0	18.0	21.0
17.2	103	109	114	125	141	157
18.2	107	113	118	130	147	164
19.2	110	116	122	134	152	170
20.2	114	120	126	139	158	177
22.2	121	128	135	148	169	190

Bajaj Finserv

	Margin (%)					
Multiple (X)	11.0	12.0	13.0	15.0	18.0	20.0
17.1	122	129	135	148	167	180
18.1	127	133	140	154	174	188
19.1	131	138	145	159	181	195
20.1	135	142	150	165	188	203
22.1	143	151	160	176	201	218

ICICI Bank

	Margin (%)					
Multiple (X)	12.0	13.0	14.0	15.0	18.0	20.0
16.7	203	213	223	232	261	280
17.7	210	220	231	241	271	292
18.7	217	228	239	249	282	303
19.7	224	235	247	258	292	314
21.7	238	250	263	275	313	337

HDFC Ltd.

	Margin (%)					
Multiple (X)	11.5	12.5	13.5	15.5	18.5	20.5
17.3	95	100	105	115	131	141
18.3	98	104	109	120	136	147
19.3	102	107	113	125	142	153
20.3	105	111	117	129	147	159
22.3	112	119	125	138	158	171

Max Ltd

	Margin (%)					
Multiple (X)	10.5	11.5	12.5	15.0	18.0	20.0
18.2	65	68	72	80	90	97
19.2	67	71	74	83	94	101
20.2	69	73	76	86	97	104
21.2	71	75	79	88	100	108
23.2	75	79	83	94	107	115

Reliance Capital

	Margin (%)					
Multiple (X)	11.0	12.0	13.0	15.5	18.5	20.5
16.0	98	104	109	124	142	154
17.0	102	108	114	130	149	161
18.0	106	112	119	136	156	169
19.0	110	117	124	141	162	176
21.0	118	126	133	153	176	191

SBI Ltd

	Margin (%)					
Multiple (X)	9.0	10.0	11.0	14.0	17.0	20.0
15.1	106	113	120	143	165	187
16.1	110	118	126	149	173	196
17.1	114	123	131	156	181	206
18.1	119	128	137	163	190	216
20.1	128	137	147	177	206	236

Source: Kotak Institutional Equities estimates

Likely price range based on fair value
Value addition to parents SOTP from insurance business (Rs per share of holding company)

Aditya Birla Nuvo

	Margin (%)					
Multiple (X)	11.0	12.0	13.0	15.0	18.0	21.0
17.2	607	639	670	733	828	923
18.2	627	661	694	761	861	961
19.2	648	683	718	788	894	1,000
20.2	668	705	742	816	927	1,039
22.2	708	749	790	871	994	1,116

Bajaj Finserv

	Margin (%)					
Multiple (X)	11.0	12.0	13.0	15.0	18.0	20.0
17.1	290	305	320	350	396	426
18.1	299	316	332	364	412	444
19.1	309	326	343	377	428	462
20.1	319	337	355	390	444	480
22.1	339	358	378	417	476	515

ICICI Bank

	Margin (%)					
Multiple (X)	12.0	13.0	14.0	15.0	18.0	20.0
16.7	122	127	133	139	156	168
17.7	126	132	138	144	162	174
18.7	130	136	143	149	168	181
19.7	134	141	148	154	175	188
21.7	142	150	157	165	187	202

HDFC Ltd.

	Margin (%)					
Multiple (X)	11.5	12.5	13.5	15.5	18.5	20.5
17.3	220	232	244	268	303	327
18.3	228	241	253	278	316	341
19.3	236	249	262	289	329	355
20.3	244	258	272	300	341	369
22.3	260	275	290	321	367	397

Max Ltd

	Margin (%)					
Multiple (X)	10.5	11.5	12.5	15.0	18.0	20.0
18.2	164	172	181	202	227	244
19.2	169	177	186	209	235	253
20.2	173	183	192	216	244	262
21.2	178	188	198	222	252	272
23.2	188	199	210	236	269	290

Reliance Capital

	Margin (%)					
Multiple (X)	11.0	12.0	13.0	15.5	18.5	20.5
16.0	357	379	400	454	519	562
17.0	372	395	418	475	544	590
18.0	387	411	435	496	569	617
19.0	402	427	453	517	594	645
21.0	431	460	488	559	644	700

SBI Ltd

	Margin (%)					
Multiple (X)	9.0	10.0	11.0	14.0	17.0	20.0
15.1	111	119	126	150	173	196
16.1	115	124	132	157	181	206
17.1	120	129	138	164	190	216
18.1	125	134	143	171	199	227
20.1	134	144	155	185	216	247

Source: Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	18-Jun-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)
Automobiles																													
Ashok Leyland	63	ADD	83,276	1,803	1,330	2.8	3.9	5.0	84.5	37.5	29.7	22.2	16.1	12.4	13.2	10.1	8.6	2.1	2.0	1.8	2.4	1.6	1.6	11.1	12.7	15.0	60	(4.2)	9.9
Bajaj Auto	2,282	ADD	330,103	7,148	145	117.5	159.9	173.2	159.8	36.1	8.3	19.4	14.3	13.2	12.3	9.8	8.9	10.4	6.6	4.7	0.9	0.9	0.9	66.6	54.8	39.8	2,330	2.1	11.8
Hero Honda	2,021	SELL	403,574	8,739	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	(10.9)	23.9
Mahindra & Mahindra	619	BUY	358,145	7,756	578	34.9	39.0	43.9	132.5	11.7	12.5	17.7	15.9	14.1	11.7	10.4	9.2	4.4	3.6	2.9	1.5	1.5	1.6	30.0	24.9	22.8	630	1.7	28.5
Maruti Suzuki	1,351	ADD	390,482	8,456	289	86.4	94.1	104.2	104.9	8.9	10.8	15.6	14.4	13.0	8.4	7.8	6.8	3.3	2.7	2.3	0.4	0.5	0.5	23.3	20.6	18.9	1,400	3.6	19.0
Tata Motors	802	ADD	478,017	10,351	596	23.9	27.2	35.5	138.9	13.5	30.6	33.5	29.5	22.6	13.1	13.1	11.5	2.3	2.1	1.8	0.7	0.7	0.7	8.1	7.5	8.6	900	12.2	100.2
Automobiles		**Cautious**	**2,043,597**	**44,254**					**118.1**	**16.4**	**14.3**	**20.1**	**17.2**	**15.1**	**11.5**	**10.5**	**9.2**	**4.0**	**3.3**	**2.7**	**1.0**	**1.0**	**1.1**	**19.9**	**19.1**	**18.2**			
Banks/Financial Institutions																													
Andhra Bank	134	BUY	65,039	1,408	485	21.0	21.1	25.4	56.1	0.6	20.0	6.4	6.3	5.3	—	—	—	1.4	1.2	1.0	3.1	3.2	3.8	24.4	20.2	20.7	160	19.3	6.0
Axis Bank	1,212	ADD	490,910	10,631	405	62.1	77.4	98.5	22.7	24.7	27.3	19.5	15.7	12.3	—	—	—	3.1	2.7	2.3	1.0	1.2	1.6	18.9	18.1	19.9	1,360	12.3	52.3
Bank of Baroda	704	BUY	257,496	5,576	366	83.7	89.8	111.0	37.3	7.3	23.6	8.4	7.8	6.3	—	—	—	1.9	1.6	1.3	2.1	2.3	2.8	24.4	21.8	22.6	825	17.1	10.9
Bank of India	333	REDUCE	175,261	3,795	526	33.1	42.7	56.7	(42.1)	28.9	32.8	10.1	7.8	5.9	—	—	—	1.4	1.2	1.0	2.1	2.7	3.6	14.2	16.4	19.1	360	8.0	5.9
Canara Bank	417	ADD	170,847	3,700	410	73.7	77.0	93.6	45.8	4.5	21.4	5.7	5.4	4.5	—	—	—	1.3	1.1	0.9	1.9	2.4	2.9	23.0	19.6	20.1	500	20.0	6.7
Corporation Bank	550	BUY	78,855	1,708	143	81.6	86.7	100.3	31.1	6.3	15.7	6.7	6.3	5.5	—	—	—	1.4	1.2	1.0	3.0	3.2	3.7	21.9	19.9	19.8	650	18.2	1.1
Federal Bank	327	BUY	55,953	1,212	171	27.2	38.7	48.0	(7.2)	42.3	24.2	12.0	8.5	6.8	—	—	—	1.2	1.1	1.0	1.5	2.2	2.7	10.3	13.4	14.8	360	10.0	5.3
HDFC	2,930	ADD	841,361	18,220	287	98.4	118.2	143.7	22.7	20.1	21.5	29.8	24.8	20.4	—	—	—	5.5	4.9	4.3	1.2	1.4	1.7	20.0	21.0	22.4	3,200	9.2	41.4
HDFC Bank	1,992	BUY	911,687	19,743	458	64.4	84.1	110.4	22.1	30.6	31.2	30.9	23.7	18.0	—	—	—	4.2	3.7	3.2	0.6	0.8	1.0	16.1	16.7	19.1	2,200	10.5	33.0
ICICI Bank	869	REDUCE	969,174	20,987	1,115	36.1	46.5	58.0	6.9	28.9	24.7	24.1	18.7	15.0	—	—	—	1.9	1.8	1.7	1.4	1.8	2.2	8.1	9.8	11.5	980	12.7	96.2
IDFC	169	ADD	219,869	4,761	1,301	8.2	9.2	11.2	41.1	12.9	21.9	20.7	18.3	15.1	—	—	—	3.1	2.8	2.4	0.9	1.0	1.2	16.1	16.0	17.1	180	6.5	18.8
India Infoline	96	BUY	29,808	645	312	8.1	8.9	10.0	59.2	9.8	12.5	11.8	10.7	9.5	—	—	—	1.9	1.6	1.3	3.3	2.0	2.4	16.4	15.9	16.1	140	46.4	3.5
Indian Bank	222	BUY	95,194	2,061	430	35.1	35.5	43.8	25.5	1.1	23.6	6.3	6.2	5.1	—	—	—	1.4	1.2	1.0	2.7	2.8	3.4	24.0	20.3	21.2	280	26.4	4.2
Indian Overseas Bank	100	BUY	54,643	1,183	545	13.0	15.4	26.4	(46.7)	18.9	71.3	7.7	6.5	3.8	—	—	—	0.8	0.8	0.6	4.1	4.5	4.9	9.6	10.6	16.3	120	19.6	3.5
J&K Bank	793	BUY	38,455	833	48	105.7	112.3	140.6	25.1	6.3	25.2	7.5	7.1	5.6	—	—	—	1.3	1.2	1.0	2.8	2.9	3.7	17.3	16.9	18.5	850	7.2	0.5
LIC Housing Finance	996	ADD	94,648	2,050	95	69.7	93.2	104.2	11.4	33.8	11.7	14.3	10.7	9.6	—	—	—	2.9	2.5	2.1	1.5	2.0	2.3	23.6	23.8	22.4	1,050	5.4	21.7
Mahindra & Mahindra Financial	456	BUY	43,752	947	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	332	ADD	83,167	1,801	251	45.3	52.8	58.6	25.3	16.5	11.0	7.3	6.3	5.7	—	—	—	1.2	1.0	0.9	2.7	3.2	3.6	14.1	15.4	15.3	400	20.5	4.7
PFC	290	SELL	333,083	7,213	1,148	20.5	22.5	25.9	53.5	9.9	15.1	14.2	12.9	11.2	—	—	—	2.6	2.3	2.0	1.8	1.9	2.2	18.8	18.0	18.2	240	(17.3)	2.5
Punjab National Bank	1,037	BUY	326,874	7,078	315	123.8	128.0	156.5	26.3	3.4	22.2	8.4	8.1	6.6	—	—	—	2.0	1.7	1.4	2.1	2.5	3.0	26.4	22.7	23.3	1,150	10.9	7.7
Reliance Capital	735	ADD	180,841	3,916	246	13.8	16.1	14.1	(64.9)	17.0	(12.4)	53.2	45.5	51.9	—	—	—	2.6	2.6	2.5	0.9	0.9	0.8	5.0	5.7	4.8	875	19.1	33.7
Rural Electrification Corp.	289	ADD	285,454	6,182	987	20.3	24.6	30.7	23.2	21.2	24.9	14.3	11.8	9.4	—	—	—	2.6	2.3	2.0	2.2	2.6	3.2	22.0	20.5	22.2	300	3.8	14.5
Shriram Transport	595	ADD	132,724	2,874	223	39.2	49.1	62.4	30.1	25.4	27.2	15.2	12.1	9.5	—	—	—	3.6	3.1	2.6	2.0	2.5	3.1	28.4	26.1	27.8	600	0.9	4.8
SREI	80	NR	9,321	202	116	8.3	7.9	9.9	17.8	(4.8)	25.8	9.7	10.2	8.1	—	—	—	0.8	0.7	0.7	1.5	1.5	1.5	11.1	10.5	12.3	—	—	4.5
State Bank of India	2,373	BUY	1,506,317	32,619	635	144.4	178.1	223.0	0.5	23.4	25.2	16.4	13.3	10.6	—	—	—	2.3	2.0	1.8	1.7	1.8	1.9	14.8	16.1	17.8	2,700	13.8	99.2
Union Bank	315	BUY	158,935	3,442	505	41.1	45.8	57.3	20.2	11.5	25.0	7.7	6.9	5.5	—	—	—	1.8	1.5	1.2	1.7	2.1	2.7	26.2	23.7	24.3	380	20.8	4.9
Banks/Financial Institutions		**Attractive**	**7,609,669**	**164,787**					**14.4**	**17.4**	**24.2**	**15.3**	**13.0**	**10.5**	**—**	**—**	**—**	**2.4**	**2.1**	**1.8**	**1.5**	**1.8**	**2.1**	**15.5**	**16.0**	**17.4**			
Cement																													
ACC	862	SELL	161,971	3,507	188	83.2	61.8	63.4	47.9	(25.7)	2.6	10.4	13.9	13.6	5.6	6.5	5.7	2.5	2.2	2.0	2.7	2.7	2.7	29.3	19.4	17.7	830	(3.7)	9.3
Ambuja Cements	118	SELL	179,184	3,880	1,522	8.0	7.9	8.1	11.4	(1.8)	2.6	14.7	15.0	14.6	8.2	8.5	7.7	2.6	2.3	2.0	1.6	1.8	1.8	19.3	16.7	15.3	98	(16.7)	6.3
Grasim Industries	1,760	ADD	161,329	3,494	92	301.0	240.1	282.0	26.1	(20.2)	17.5	5.8	7.3	6.2	3.8	3.8	2.9	1.3	1.1	1.0	1.9	2.0	2.0	22.9	16.4	16.7	2,150	22.2	9.6
India Cements	113	SELL	34,801	754	307	10.0	10.4	11.3	n/a	3.1	9.1	11.3	10.9	10.0	5.6	5.6	5.4	0.8	0.8	0.7	1.9	2.8	2.8	8.2	7.7	8.0	110	(3.0)	4.2
Shree Cement	2,016	BUY	70,239	1,521	35	208.0	221.1	242.5	19.0	6.3	9.7	9.7	9.1	8.3	4.7	4.6	3.7	3.9	2.7	2.0	0.5	0.5	0.5	48.0	35.0	28.1	2,550	26.5	0.9
UltraTech Cement	960	SELL	119,523	2,588	124	88.2	67.1	77.2	12.0	(23.9)	15.0	10.9	14.3	12.4	5.6	6.4	5.3	2.2	1.9	1.7	0.9	0.9	0.9	26.6	16.8	16.7	940	(2.1)	3.1
Cement		**Neutral**	**727,046**	**15,744**					**19.3**	**(15.5)**	**10.4**	**9.5**	**11.2**	**10.2**	**5.1**	**5.5**	**4.5**	**1.9**	**1.7**	**1.5**	**1.7**	**1.8**	**1.8**	**20.5**	**15.1**	**14.6**			
Consumer products																													
Asian Paints	2,384	BUY	228,649	4,951	96	71.6	82.1	98.1	85.4	14.7	19.5	33.3	29.0	24.3	20.8	17.9	14.6	14.1	11.3	9.1	1.1	1.4	1.7	51.6	44.5	42.5	2,300	(3.5)	2.6
Colgate-Palmolive (India)	828	REDUCE	112,548	2,437	136	29.7	33.0	37.6	37.6	11.1	13.9	27.9	25.1	22.0	20.7	18.2	15.5	35.2	27.6	22.1	2.4	2.7	3.1	150.2	122.2	109.9	760	(8.2)	2.4
Dabur India	186	BUY	161,260	3,492	866	5.8	6.8	8.2	28.1	17.6	20.8	32.1	27.3	22.6	23.8	19.1	15.8	15.3	12.6	10.4	1.7	1.9	2.3	54.3	51.1	50.7	200	7.4	2.1
GlaxoSmithkline Consumer (a)	1,738	ADD	73,071	1,582	42	55.4	70.0	82.9	23.6	26.5	18.4	31.4	24.8	21.0	17.3	14.6	11.9	8.2	6.8	5.6	1.0	1.3	1.6	27.9	29.6	29.2	1,800	3.6	1.0
Godrej Consumer Products	346	NR	106,572	2,308	308	8.7	9.8	11.6	29.7	13.2	18.2	39.9	35.2	29.8	28.2	25.2	21.2	9.1	8.0	7.9	1.2	1.2	1.2	30.7	24.1	27.8	—	—	3.6
Hindustan Unilever	258	REDUCE	561,757	12,165	2,179	9.7	10.4	11.8	1.7	7.3	14.0	26.6	24.8	21.8	17.9	16.9	14.2	22.0	19.0	16.4	2.9	3.3	3.8	91.6	82.2	80.8	230	(10.8)	14.0
ITC	295	BUY	1,111,363	24,067	3,769	10.8	12.4	14.5	24.4	15.4	16.9	27.4	23.7	20.3	16.9	14.9	12.5	7.8	6.7	5.7	3.4	1.9	2.0	29.9	32.2	32.1	315	6.8	22.3
Jubilant Foodworks	305	REDUCE	19,747	428	65	5.5	7.7	9.7	340.6	39.3	25.3	55.0	39.5	31.5	29.7	20.8	14.7	16.8	11.8	8.6	—	—	—	46.6	35.1	31.5	290	(4.8)	17.3
Jyothy Laboratories	253	ADD	18,349	397	73	11.0	12.9	15.3	99.6	17.0	18.3	22.9	19.6	16.6	17.6	13.3	10.9	4.5	3.8	3.3	1.9	1.4	1.9	18.6	20.2	20.5	230	(9.0)	1.1
Nestle India (a)	2,952	ADD	284,610	6,163	96	74.4	87.0	105.5	27.0	17.0	21.3	39.7	33.9	28.0	26.2	23.2	20.0	49.0	38.9	30.7	1.6	2.1	2.5	136.0	127.8	122.7	3,000	1.6	2.3
Tata Tea	1,132	BUY	69,997	1,516	62	66.2	73.5	83.7	23.4	11.1	13.8	17.1	15.4	13.5	11.0	9.0	8.0	1.4	1.3	1.2	1.9	2.1	2.4	10.9	11.4	12.0	1,250	10.4	3.0
Consumer products		**Attractive**	**2,747,922**	**59,506**					**23.4**	**13.8**	**16.9**	**28.9**	**25.4**	**21.7**	**18.6**	**16.4**	**13.8**	**9.8**	**8.5**	**7.3**	**2.6**	**2.1**	**2.4**	**34.0**	**33.4**	**33.8**			
Constructions																													
IVRCL	182	BUY	48,529	1,051	267	7.8	10.3	12.4	(7.7)	32.4	19.7	23.3	17.6	14.7	12.2	10.0	8.5	2.4	2.1	1.9	0.2	0.2	0.2	10.9	12.8	13.5	215	18.3	8.6
Nagarjuna Construction Co.	186	BUY	47,699	1,033	257	7.1	11.5	14.3	6.1	61.1	24.1	26.1	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	3.8
Punj Lloyd	124	REDUCE	41,971	909	339	(12.9)	9.8	12.0	79.2	(175.4)	22.4	(9.6)	12.7	10.4	35.5	7.0	6.4	1.4	1.2	1.1	(0.1)	0.3	0.8	(15.8)	10.3	11.4	140	13.0	13.3
Sadbhav Engineering	1,166	BUY	17,492	379	15	43.1	62.0	84.0	(15.8)	43.9	35.5	27.1	18.8	13.9	15.4	9.9	8.2	4.2	2.8	2.4	0.3	0.5	0.5	13.3	14.1	17.4	1,450	24.3	0.4
Construction		**Attractive**	**155,691**	**3,371**					**(96.9)**	**14,480.9**	**24.4**	**2,299.5**	**15.8**	**12.7**	**16.5**	**8.6**	**7.5**	**2.0**	**1.8**	**1.6**	**0.3**	**0.5**	**0.7**	**0.1**	**11.3**	**12.5**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	18-Jun-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)
Energy																													
Bharat Petroleum	522	RS	188,615	4,084	362	63.3	53.6	59.2	207.3	(15.3)	10.4	8.2	9.7	8.8	4.8	4.8	4.4	1.3	1.2	1.1	2.7	3.4	3.7	15.9	12.2	12.3	—	—	9.6
Cairn india	306	SELL	580,567	12,572	1,897	5.3	28.5	40.0	—	433	40.5	57	11	7.6	44.8	7.3	5.2	1.7	1.5	1.3	—	—	4.9	3.0	14.6	18.1	250	(18.3)	19.4
Castrol India (a)	422	REDUCE	104,241	2,257	247	15.4	19.6	20.6	44.6	27.0	5.3	27.4	21.5	20.4	16.2	13.2	12.4	22.6	21.2	19.5	3.0	3.7	3.8	83.8	101.6	99.2	365	(13.4)	1.4
GAIL (India)	472	ADD	599,293	12,978	1,268	24.8	26.4	37.1	11.7	6.8	40.5	19.1	17.9	12.7	10.7	11.0	9.0	3.3	2.9	2.5	1.6	1.8	2.5	17.4	16.5	20.2	485	2.7	17.8
GSPL	94	REDUCE	52,645	1,140	562	7.4	8.9	9.1	234.7	21.5	1.3	12.7	10.5	10.3	6.6	5.6	5.0	3.1	2.5	2.2	1.1	2.4	3.9	27.3	26.3	22.5	80	(14.5)	3.9
Hindustan Petroleum	340	RS	115,331	2,497	339	54.7	44.6	56.3	222.7	(18.6)	26.4	6.2	7.6	6.0	2.3	2.7	2.2	0.9	0.8	0.7	3.5	4.1	5.2	13.9	10.1	11.7	—	—	8.1
Indian Oil Corporation	334	RS	811,785	17,579	2,428	49.9	34.3	35.7	406.8	(31.3)	4.2	6.7	9.8	9.4	4.6	5.5	4.7	1.5	1.4	1.3	3.9	3.1	3.2	22.7	13.9	13.3	—	—	6.5
Oil India	1,267	BUY	304,620	6,597	240	115.1	127.0	140.6	—	10.3	10.7	11.0	10.0	9.0	4.5	3.8	3.2	2.1	1.8	1.6	2.7	3.1	3.4	16.7	17.3	17.0	1,350	6.6	3.4
Oil & Natural Gas Corporation	1,193	BUY	2,551,692	55,257	2,139	91.4	121.9	129.5	1.3	33.3	6.2	13.0	9.8	9.2	4.7	4.0	3.4	1.9	1.7	1.5	2.8	3.5	3.6	14.6	17.5	16.7	1,375	15.3	29.7
Petronet LNG	78	REDUCE	58,613	1,269	750	5.4	6.2	7.9	—	14.9	28.0	14.5	12.6	9.9	9.2	7.6	6.6	2.3	2.0	1.7	2.2	2.6	3.5	15.9	15.9	17.6	82	4.9	4.2
Reliance Industries	1,054	SELL	3,137,746	67,948	2,976	49.6	62.9	80.2	(1.8)	26.6	27.5	21.2	16.8	13.1	10.7	8.1	6.7	2.1	1.9	1.7	1.4	1.8	2.2	11.4	13.2	15.3	985	(6.6)	126.0
Energy		**Cautious**	**8,505,148**	**184,179**					**33.5**	**19.3**	**17.1**	**14.2**	**11.9**	**10.1**	**6.9**	**5.9**	**4.9**	**2.0**	**1.8**	**1.6**	**2.1**	**2.5**	**3.1**	**13.8**	**14.9**	**15.7**			
Industrials																													
ABB	861	REDUCE	182,527	3,953	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)	7.4
BGR Energy Systems	758	BUY	54,580	1,182	72	16.0	28.0	39.7	32.2	74.6	41.9	47.3	27.1	19.1	26.6	15.4	11.1	9.7	7.7	5.9	0.4	0.9	1.0	22.3	31.8	35.1	800	5.5	2.6
Bharat Electronics	1,791	REDUCE	143,248	3,102	80	93.9	111.8	127.4	(9.6)	19.1	13.9	19.1	16.0	14.1	9.2	7.4	6.2	3.2	2.8	2.4	1.4	1.4	1.4	17.9	18.7	18.5	1,790	(0.0)	3.4
Bharat Heavy Electricals	2,417	ADD	1,183,243	25,623	490	92.0	115.8	136.2	44.1	25.8	17.7	26.3	20.9	17.7	14.6	11.4	9.3	7.3	5.8	4.6	0.8	1.0	1.2	30.8	30.7	28.9	2,500	3.4	32.1
Crompton Greaves	253	BUY	162,312	3,515	642	12.8	13.3	15.8	46.5	3.2	19.0	19.7	19.1	16.0	11.4	10.4	8.6	6.2	4.9	3.9	0.7	0.7	0.8	36.8	28.5	26.8	290	14.6	8.5
Larsen & Toubro	1,799	BUY	1,080,875	23,406	601	58.1	71.2	90.4	16.0	22.4	27.0	30.9	25.3	19.9	16.5	14.0	11.5	4.8	4.0	3.4	0.6	0.7	0.8	18.6	17.5	18.7	1,900	5.6	53.9
Maharashtra Seamless	388	BUY	27,383	593	71	40.2	43.6	49.8	12.1	8.5	14.2	9.7	8.9	7.8	5.1	4.4	3.5	1.7	1.5	1.3	1.6	2.0	2.6	19.3	17.9	17.7	450	15.9	0.7
Siemens	730	REDUCE	246,110	5,330	337	25.0	29.6	34.3	55.2	18.6	16.0	29.2	24.7	21.3	17.3	14.1	11.9	7.2	5.9	4.9	0.7	0.8	0.9	27.3	26.3	25.1	635	(13.0)	7.4
Suzlon Energy	57	REDUCE	90,054	1,950	1,594	(5.9)	0.3	5.3	(182.3)	(104.4)	1,931.8	(9.5)	217.8	10.7	16.7	8.6	5.6	0.8	0.8	0.8	—	—	0.4	(8.8)	0.4	7.5	70	23.9	28.7
Thermax	706	BUY	84,120	1,822	119	21.7	29.4	37.6	(10.4)	35.4	27.7	32.5	24.0	18.8	17.3	13.4	10.5	7.7	6.4	5.2	0.5	1.2	1.5	24.9	29.1	30.5	750	6.2	1.0
Voltas	190	REDUCE	62,691	1,358	331	10.9	11.3	12.6	57.4	3.8	12.1	17.4	16.8	15.0	10.2	9.0	7.7	5.9	4.8	3.9	1.6	1.8	2.0	38.3	31.3	28.8	200	5.5	4.1
Industrials		**Attractive**	**3,317,143**	**71,833**					**3.7**	**33.5**	**27.4**	**30.6**	**22.9**	**18.0**	**15.3**	**12.1**	**9.7**	**5.0**	**4.2**	**3.5**	**0.7**	**0.9**	**1.0**	**16.2**	**18.4**	**19.7**			
Infrastructure																													
Container Corporation	1,276	REDUCE	165,835	3,591	130	61.1	74.3	85.9	0.3	21.7	15.6	20.9	17.2	14.8	14.7	11.9	9.9	3.8	3.3	2.8	1.1	1.3	1.5	19.6	20.6	20.5	1,250	(2.0)	1.6
GMR Infrastructure	56	ADD	206,819	4,479	3,667	0.4	0.2	0.1	(43.8)	(48.9)	(40.0)	130.9	256.2	426.6	23.2	15.0	14.0	2.0	1.7	1.7	—	—	—	2.4	1.2	0.7	65	15.2	5.9
GVK Power & Infrastructure	43	BUY	68,459	1,482	1,579	0.8	1.1	1.4	6.7	33.5	32.4	53.3	39.9	30.1	18.3	16.7	17.2	2.2	2.1	2.0	—	0.7	0.7	4.7	5.3	6.7	54	24.6	6.0
IRB Infrastructure	279	RS	92,863	2,011	332	9.7	12.6	12.1	83.8	29.2	(3.7)	28.7	22.2	23.1	13.5	12.0	11.1	4.0	3.1	2.5	—	—	—	15.6	15.7	11.9	—	—	5.0
Mundra Port and SEZ	714	REDUCE	288,233	6,242	403	15.1	24.1	35.7	40.8	59.5	48.4	47.3	29.7	20.0	30.5	19.6	13.9	7.9	6.1	4.6	—	—	—	18.5	23.2	26.1	725	1.5	13.8
Infrastructure		**Attractive**	**822,208**	**17,805**					**12.7**	**29.5**	**24.1**	**40.9**	**31.5**	**25.4**	**20.6**	**15.2**	**13.1**	**3.4**	**2.9**	**2.6**	**—**	**—**	**0.4**	**8.4**	**9.2**	**10.2**			
Media																													
DB Corp	248	ADD	44,946	973	181	10.6	12.9	15.7	276.4	21.0	22.3	23.3	19.3	15.8	12.9	10.7	8.4	6.4	5.1	4.4	0.8	1.6	2.4	38.2	29.6	29.9	280	13.1	10.1
DishTV	43	ADD	45,673	989	1,063	(2.5)	(1.2)	0.6	(61.6)	(52.4)	(146.5)	(17.0)	(35.8)	77.0	66.4	21.5	11.6	11.2	16.3	13.4	—	—	—	248.6	(37.1)	19.1	45	4.8	3.1
HT Media	153	NR	35,896	777	235	6.1	7.8	9.4	623.3	27.0	20.9	25.0	19.7	16.3	12.5	10.4	8.5	3.7	3.3	3.0	0.7	1.3	2.6	15.6	17.6	19.2	—	—	0.2
Jagran Prakashan	125	ADD	37,737	817	301	5.8	6.4	7.5	91.9	9.5	16.7	21.5	19.6	16.8	12.9	11.4	9.8	6.2	5.5	4.9	2.8	2.8	3.2	30.0	29.8	31.0	130	3.8	0.7
Sun TV Network	403	REDUCE	158,834	3,440	394	13.1	17.9	22.8	44.8	36.0	27.5	30.7	22.5	17.7	17.4	13.0	10.3	8.2	6.9	5.7	1.9	1.9	2.2	28.4	33.5	35.5	420	4.2	1.6
Zee Entertainment Enterprises	295	REDUCE	127,987	2,772	434	10.5	12.0	14.7	24.4	14.4	22.2	28.1	24.5	20.1	20.9	16.5	13.1	3.5	3.3	3.2	0.8	1.0	1.2	13.0	14.1	16.4	265	(10.1)	9.2
Media		**Neutral**	**451,072**	**9,768**					**183.3**	**41.2**	**36.3**	**37.3**	**26.4**	**19.4**	**17.9**	**13.7**	**10.6**	**5.4**	**5.0**	**4.4**	**1.3**	**1.4**	**1.9**	**14.5**	**18.8**	**22.9**			
Metals																													
Hindalco Industries	145	ADD	278,192	6,024	1,914	5.7	12.5	14.7	(64.5)	119.8	18.2	25.6	11.7	9.9	7.7	8.3	8.6	1.3	1.1	1.0	0.9	0.9	0.9	10.3	10.2	11.0	190	30.7	41.4
Hindustan Zinc	974	BUY	411,525	8,912	423	95.6	117.5	133.2	48.2	22.8	13.4	10.2	8.3	7.3	6.2	4.3	2.8	2.2	1.7	1.4	0.6	0.6	0.6	24.2	23.5	21.4	1,400	43.7	4.3
Jindal Steel and Power	672	SELL	623,374	13,499	928	38.5	48.7	50.8	17.2	26.5	4.3	17.5	13.8	13.2	10.9	8.8	8.3	5.4	3.9	3.0	0.2	0.2	0.2	37.3	33.0	25.7	575	(14.4)	32.8
JSW Steel	1,039	REDUCE	206,434	4,470	199	80.4	106.4	136.9	447.0	32.3	28.7	12.9	9.8	7.6	8.2	6.9	5.6	1.8	1.5	1.2	0.9	0.5	0.5	15.4	16.4	17.3	1,150	10.7	55.4
National Aluminium Co.	426	SELL	274,251	5,939	644	10.1	28.0	27.7	(49.0)	178.6	(1.2)	42.3	15.2	15.4	18.7	7.4	6.8	2.5	2.2	1.9	0.5	0.5	0.5	6.1	15.4	13.3	320	(24.8)	1.7
Sesa Goa	354	REDUCE	314,688	6,815	890	29.6	61.4	62.4	32.2	107.6	1.8	12.0	5.8	5.7	9.7	3.5	2.8	4.1	2.4	1.7	0.8	0.8	0.8	36.7	48.0	34.1	420	18.7	78.4
Sterlite Industries	678	ADD	570,095	12,345	840	48.1	67.6	83.3	21.9	40.6	23.2	14.1	10.0	8.1	10.7	7.7	5.7	1.6	1.4	1.2	0.5	0.5	0.5	13.0	14.4	15.4	875	29.0	49.8
Tata Steel	474	BUY	420,406	9,104	887	3.2	78.7	93.5	(97.1)	2,331.6	18.7	146.3	6.0	5.1	17.0	5.7	4.8	1.7	1.3	1.1	1.7	1.7	1.7	1.1	24.7	23.8	700	47.8	107.8
Metals		**Cautious**	**3,098,965**	**67,108**					**(28.9)**	**89.5**	**13.6**	**17.3**	**9.1**	**8.0**	**10.5**	**6.5**	**5.5**	**2.1**	**1.8**	**1.5**	**0.7**	**0.7**	**0.7**	**12.4**	**19.2**	**18.0**			
Pharmaceutical																													
Biocon	310	BUY	62,020	1,343	200	14.7	18.3	22.4	212.6	24.8	22.7	21.2	16.9	13.8	12.1	10.1	8.2	3.5	3.0	2.5	—	—	0.1	17.9	19.3	20.3	345	11.3	3.9
Cipla	338	REDUCE	271,468	5,879	803	13.5	12.8	15.6	35.9	(4.9)	21.9	25.1	26.4	21.6	18.6	17.5	14.6	4.6	4.0	3.5	0.7	0.7	0.7	19.9	16.3	17.4	280	(17.2)	11.5
Cadila Healthcare	638	REDUCE	130,578	2,828	205	24.7	29.6	34.9	66.9	20.0	17.6	25.8	21.5	18.3	16.6	14.0	12.1	8.1	6.2	5.0	0.8	0.9	1.1	36.1	32.8	30.3	535	(16.1)	1.5
Dishman Pharma & chemicals	208	BUY	16,901	366	81	14.4	17.2	28.8	(19.7)	19.4	67.0	14.4	12.1	7.2	10.5	8.7	6.2	2.1	1.8	1.5	—	—	—	15.5	16.3	22.7	300	44.4	0.8
Divi's Laboratories	763	ADD	100,878	2,185	132	25.8	34.3	43.9	(18.3)	33.3	27.9	29.6	22.2	17.4	22.1	16.3	12.5	6.7	5.5	4.5	—	—	—	24.8	27.2	28.4	800	4.8	3.6
Dr Reddy's Laboratories	1,422	REDUCE	240,830	5,215	169	48.1	66.7	70.8	48.3	38.8	6.1	29.6	21.3	20.1	16.3	12.4	11.5	6.4	5.1	4.1	0.5	0.6	0.6	22.2	26.3	22.6	1,150	(19.1)	14.9
GlaxoSmithkline Pharmaceuticals (a)	2,085	REDUCE	176,602	3,824	85	59.1	69.1	79.2	8.1	17.0	14.5	35.3	30.2	26.3	20.3	17.4	14.8	9.9	8.4	7.2	—	—	—	29.8	30.2	29.5	1,800	(13.7)	1.7
Glenmark Pharmaceuticals	270	NR	73,946	1,601	274	12.7	17.4	19.2	14.3	37.4	10.2	21.3	15.5	14.0	12.9	9.2	8.8	3.2	2.7	2.3	—	—	—	16.8	18.5	—	—	—	5.9
Jubilant Organosys	348	BUY	55,285	1,197	159	26.5	33.7	39.3	49.0	27.1	16.7	13.1	10.3	8.9	9.6	8.5	7.0	2.5	2.0	1.7	0.6	0.7	0.9	26.3	22.0	21.1	400	14.9	2.6
Lupin	1,881	ADD	166,651	3,609	89	76.9	104.1	122.5	27.8	35.3	17.6	24.4	18.1	15.4	20.9	15.2	11.9	7.2	5.4	4.1	0.7	0.8	0.8	36.6	34.4	30.7	1,920	2.1	6.9
Piramal Healthcare	488	REDUCE	101,908	2,207	209	23.4	13.4	11.0	35.5	(42.9)	(17.6)	20.8	36.5	44.3	15.4	5.7	3.8	6.0	1.1	0.9	1.1	1.2	0.7	32.1	141.2	16.6	490	0.5	31.4
Ranbaxy Laboratories	440	SELL	188,689	4,086	428	7.1	28.0	11.7	(128.4)	297.1	(58.3)	62.4	15.7	37.7	15.4	9.2	18.3	4.8	3.8	3.5	—	0.9	0.9	6.9	24.6	9.1	220	(50.1)	11.0
Sun Pharmaceuticals	1,713	REDUCE	354,869	7,685	207	65.2	67.7	77.6	(25.7)	3.8	14.6	26.3	25.3	22.1	19.8	17.8	15.0	4.3	3.8	3.3	0.8	0.8	0.8	17.8	16.2	16.2	1,560	(9.0)	8.9
Pharmaceuticals		**Attractive**	**1,940,625**	**42,024**					**44.6**	**26.6**	**6.1**	**27.0**	**21.3**	**20.1**	**16.8**	**13.0**	**12.2**	**5.1**	**3.7**	**3.1**	**0.5**	**0.6**	**0.6**	**19.0**	**17.3**	**15.6**			
Property																													
DLF	283	ADD	482,818	10,455	1,708	9.6	16.3	25.1	(64.0)	69.4	53.8	29.3	17.3	11.3	19.1	12.1	9.1	1.8	1.7	1.5	1.1	1.1	1.8	6.4	9.9	13.8	340	20.3	57.0
Indiabulls Real Estate	147	RS	59,061	1,279	401	1.6	4.0	8.0	109.7	151.7	101.7	92.8	36.9	18.3	(50)	26.1	6.7	0.6	0.7	0.6	—	—	—	0.8	1.8	3.5	285	93.6	22.4
Mahindra Life Space Developer	431	ADD	18,113	392	42	18.9	20.3	27.5	82.4	7.3	35.8	22.8	21.3	15.7	18.9	15.6	8.4	1.9	1.8	1.7	0.9	0.9	0.9	8.4	8.5	10.7	540	25.4	1.5
Phoenix Mills	217	BUY	31,482	682	145	5.1	7.7	8.7	2.5	51.0	13.5	42.7	28.3	24.9	32.9	21.1	17.6	2.0	1.9	1.8	0.5	0.7	0.9	4.8	7.0	7.5	260	19.6	1.0
Puravankara Projects	105	REDUCE	22,388	485	213	6.4	8.2	8.1	(5.2)	28.4	(2.0)	16.3	12.7	13.0	20.7	13.9	13.8	1.6	1.4	1.3	1.9	1.9	1.9	10.0	11.9	10.7	110	4.9	0.7
Sobha	285	ADD	27,963	606	98	14.4	17.5	24.7	(4.8)	21.1	41.6	19.8	16.3	11.5	15.0	12.0	7.4	1.6	1.5	1.3	0.7	1.4	1.4	9.8	9.4	12.2	325	14.0	2.3
Unitech	71	SELL	184,702	4,000	2,616	3.4	4.3	5.6	(54.2)	26.3	30.2	20.9	16.6	12.7	19.0	13.0	8.2	1.7	1.5	1.4	—	—	2.1	9.7	9.4	11.1	72	2.0	58.7

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

	18-Jun-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)
Retail																													
Titan Industries	2,197	ADD	97,541	2,112	44	62.7	76.1	96.2	41.5	21.3	26.5	35.1	28.9	22.8	24.9	19.5	15.2	12.4	9.2	7.0	0.5	0.5	0.6	40.7	36.6	34.8	2,400	9.2	4.0
Retail		**Neutral**	**97,541**	**2,112**					**41.5**	**21.3**	**26.5**	**35.1**	**28.9**	**22.8**	**24.9**	**19.5**	**15.2**	**12.4**	**9.2**	**7.0**	**0.5**	**0.5**	**0.6**	**35.2**	**32.0**	**30.5**			
Sugar																													
Bajaj Hindustan	111	SELL	21,193	459	191	9.7	9.9	8.9	—	2.2	(10.4)	11.4	11.1	12.4	6.9	5.7	5.3	0.9	0.8	0.8	0.6	0.6	0.6	8.1	7.5	6.3	99	(10.6)	7.9
Balrampur Chini Mills	78	ADD	20,091	435	257	3.7	10.4	7.0	—	183.7	(32.7)	21.3	7.5	11.2	9.1	5.2	5.6	1.5	1.3	1.2	0.6	0.6	0.6	7.0	18.1	11.0	92	17.6	7.5
Shree Renuka Sugars	67	BUY	44,642	967	670	9.9	7.6	7.8	196.4	(23.2)	3.1	6.7	8.8	8.5	4.6	5.2	4.5	1.8	1.5	1.2	0.6	0.5	0.5	32.0	18.1	15.7	76	14.0	17.7
Sugar		**Cautious**	**85,926**	**1,861**					**96.1**	**2.5**	**(9.4)**	**9.1**	**8.9**	**9.8**	**6.0**	**5.4**	**5.0**	**1.4**	**1.2**	**1.1**	**0.6**	**0.6**	**0.6**	**14.9**	**13.3**	**10.8**			
Technology																													
HCL Technologies	389	REDUCE	268,583	5,816	690	17.8	25.1	28.5	2.0	40.6	13.6	21.8	15.5	13.7	11.1	9.5	7.9	4.2	3.5	2.9	1.0	1.0	1.5	20.8	24.9	23.3	370	(4.9)	8.7
Hexaware Technologies	77	REDUCE	11,083	240	144	9.3	5.1	9.4	127.7	(45.4)	84.0	8.3	15.1	8.2	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	(6.7)	2.8
Infosys Technologies	2,786	BUY	1,599,279	34,632	574	108.3	125.2	150.5	5.7	15.6	20.2	25.7	22.3	18.5	18.8	15.4	12.5	6.9	5.7	4.7	0.9	1.2	1.5	30.1	28.2	28.0	3,100	11.3	71.3
Mphasis BFL	589	REDUCE	122,748	2,658	208	43.6	49.0	45.6	207.5	12.5	(7.0)	13.5	12.0	12.9	10.7	9.6	8.7	5.2	3.8	3.0	0.6	0.7	0.8	48.1	36.4	25.8	550	(6.6)	9.9
Mindtree	557	REDUCE	22,930	497	41	52.2	38.9	51.6	294.3	(25.5)	32.6	10.7	14.3	10.8	9.1	8.8	6.2	3.4	2.8	2.3	0.4	0.7	0.9	35.2	21.4	23.1	550	(1.3)	2.7
Patni Computer Systems	559	REDUCE	74,493	1,613	133	36.6	42.3	38.6	36.4	15.6	(8.7)	15.3	13.2	14.5	8.3	7.3	6.5	2.1	2.0	1.8	1.3	1.5	1.4	18.2	15.8	12.8	450	(19.5)	5.8
Polaris Software Lab	178	SELL	17,791	385	100	15.4	19.1	18.6	16.9	24.3	(2.7)	11.6	9.3	9.6	5.8	7.4	6.3	2.0	1.7	1.5	2.0	2.1	2.2	18.6	20.1	17.0	180	0.9	3.5
TCS	783	BUY	1,532,879	33,195	1,957	35.1	41.1	46.3	32.8	16.9	12.8	22.3	19.1	16.9	17.1	13.9	11.5	7.3	6.1	5.1	2.6	2.1	2.4	37.6	34.8	32.8	900	14.9	33.8
Wipro	410	ADD	1,002,155	21,702	2,447	18.9	21.9	25.0	22.1	16.2	14.4	21.7	18.7	16.4	16.4	13.5	11.1	5.1	4.2	3.5	0.9	1.1	1.3	26.5	24.6	23.2	465	13.5	16.0
Technology		**Attractive**	**4,651,940**	**100,738**					**22.9**	**16.7**	**14.2**	**22.3**	**19.1**	**16.7**	**16.2**	**13.5**	**11.1**	**5.9**	**4.9**	**4.1**	**1.4**	**1.5**	**1.7**	**26.7**	**25.8**	**24.6**			
Telecom																													
Bharti Airtel	265	REDUCE	1,006,174	21,789	3,798	24.0	21.4	24.2	7.5	(10.8)	13.2	11.0	12.4	10.9	6.2	5.9	5.0	2.3	1.9	1.7	1.1	1.5	1.9	24.1	17.0	16.5	290	9.5	47.3
IDEA	54	REDUCE	176,869	3,830	3,300	2.7	1.3	2.3	(5.8)	(51.7)	71.9	19.6	40.6	23.6	7.1	7.1	5.8	1.6	1.5	1.4	—	—	—	7.2	3.8	6.3	50	(6.7)	9.8
MTNL	64	SELL	40,478	877	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(4.1)	(6.2)	(7.0)	(0.4)	(0.5)	(0.7)	0.4	0.4	0.4	—	—	—	(8.5)	(6.1)	(5.7)	50	(22.2)	2.5
Reliance Communications	185	SELL	393,770	8,527	2,133	22.1	14.1	18.2	(30.2)	(36.2)	29.1	8.4	13.1	10.2	7.5	8.3	6.3	1.0	0.9	0.9	0.4	—	—	11.7	7.4	8.9	140	(24.2)	32.4
Tata Communications	255	REDUCE	72,590	1,572	285	14.0	15.2	15.7	3.2	8.2	3.5	18.2	16.8	16.2	7.5	6.9	6.5	1.0	1.0	1.0	2.6	2.9	3.3	5.2	5.5	5.5	225	(11.7)	1.4
Telecom		**Cautious**	**1,689,880**	**36,594**					**(15.1)**	**(19.8)**	**20.7**	**11.8**	**14.7**	**12.2**	**7.0**	**6.9**	**5.6**	**1.5**	**1.4**	**1.2**	**0.9**	**1.0**	**1.3**	**12.7**	**9.3**	**10.2**			
Utilities																													
Adani Power	123	ADD	268,249	5,809	2,180	0.8	4.9	16.4	—	524.1	235.3	157.0	25.2	7.5	122.7	16.9	6.1	4.9	4.1	2.7	—	—	—	4.4	17.8	43.0	130	5.6	10.1
CESC	385	ADD	48,075	1,041	125	34.1	43.3	46.7	5.6	27.0	7.9	11.3	8.9	8.2	6.5	6.3	7.0	1.1	1.0	0.9	1.1	1.4	1.5	10.7	12.1	11.7	455	18.2	2.0
Lanco Infratech	68	BUY	164,622	3,565	2,405	2.0	3.6	4.5	35.1	82.2	26.4	34.9	19.1	15.1	20.5	8.7	8.5	4.8	3.8	3.1	—	—	—	15.8	20.6	21.0	70	2.3	10.1
NTPC	201	REDUCE	1,655,689	35,854	8,245	10.6	12.4	14.7	7.8	16.8	18.9	19.0	16.2	13.7	14.7	12.5	10.4	2.6	2.4	2.2	2.0	2.3	2.7	14.2	15.3	16.6	200	(0.4)	12.1
Reliance Infrastructure	1,163	ADD	286,181	6,197	246	61.8	62.7	80.3	(1.5)	1.6	28.0	18.8	18.5	14.5	20.1	19.3	13.2	1.5	1.4	1.3	0.7	0.8	0.9	6.3	7.3	10.1	1,100	(5.4)	44.0
Reliance Power	170	SELL	406,849	8,810	2,397	2.5	3.1	5.1	—	24.4	66.1	68.9	55.4	33.4	—	—	—	2.8	2.7	2.5	—	—	—	4.2	5.0	7.8	128	(24.6)	17.4
Tata Power	1,270	BUY	313,480	6,788	247	60.2	76.1	95.3	20.1	26.4	25.2	21.1	16.7	13.3	13.5	11.4	9.8	2.4	2.2	1.9	0.9	1.1	1.2	12.9	13.6	15.2	1,500	18.1	10.4
Utilities		**Attractive**	**3,143,145**	**68,065**					**15.1**	**25.4**	**36.3**	**23.5**	**18.8**	**13.8**	**19.2**	**14.6**	**11.0**	**2.5**	**2.3**	**2.1**	**1.2**	**1.4**	**1.7**	**10.8**	**12.4**	**15.0**			
Others																													
Aban Offshore	731	ADD	31,798	689	43	94.5	172.3	103.6	(2.5)	82.3	(39.8)	7.7	4.2	7.1	8.1	6.0	6.5	1.4	0.8	0.7	0.5	0.5	0.5	21.7	20.8	11.1	900	23.1	45.8
Havells India	617	SELL	37,100	803	60	5.3	31.6	45.0	3.7	497.9	42.6	116.7	19.5	13.7	16.3	10.1	8.2	10.2	6.7	4.6	0.4	0.4	0.4	6.6	41.6	39.7	480	(22.2)	10.5
Jaiprakash Associates	129	BUY	274,086	5,935	2,129	1.5	8.0	10.8	(27.2)	447.1	35.7	88.4	16.2	11.9	22.0	13.3	9.5	3.2	2.7	2.3	—	—	—	4.1	18.3	20.8	183	42.1	36.5
Jindal Saw	198	ADD	58,182	1,260	294	27.5	19.3	17.9	121.9	(29.8)	(7.2)	7.2	10.2	11.0	5.2	5.9	5.7	1.5	1.3	1.1	0.5	0.4	0.4	20.5	12.9	11.1	243	22.9	6.9
PSL	126	BUY	6,720	146	53	22.9	25.4	28.2	3.3	10.6	11.0	5.5	5.0	4.5	3.2	2.6	2.8	0.7	0.7	0.6	5.2	5.2	5.6	12.6	11.7	12.0	175	39.2	0.6
Sintex	302	BUY	41,181	892	136	24.1	29.8	34.3	0.5	23.5	15.1	12.5	10.1	8.8	9.2	7.0	5.8	1.9	1.6	1.3	0.4	0.4	0.4	15.1	15.6	15.2	380	26.0	4.0
Tata Chemicals	309	ADD	75,113	1,627	243	28.6	30.1	35.9	7.4	5.1	19.3	10.8	10.3	8.6	6.2	5.6	4.7	1.6	1.4	1.2	2.9	2.9	2.9	17.2	17.3	17.9	340	10.1	3.2
Welspun Gujarat Stahl Rohren	240	REDUCE	49,282	1,067	205	25.1	23.0	24.4	44.9	(8.1)	5.8	9.6	10.4	9.8	5.3	5.4	4.8	1.7	1.4	1.3	0.8	0.9	0.9	20.6	14.8	13.5	245	2.1	10.4
United Phosphorus	190	BUY	88,049	1,907	463	11.9	15.6	19.0	18.8	30.2	22.1	15.9	12.2	10.0	9.2	7.6	6.2	2.6	2.2	1.8	0.8	1.0	1.0	17.7	19.0	19.5	250	31.4	7.9
Others			**661,511**	**14,325**					**21.0**	**54.0**	**13.2**	**17.9**	**11.6**	**10.3**	**10.5**	**8.3**	**7.1**	**2.3**	**1.9**	**1.6**	**0.7**	**0.7**	**0.7**	**12.7**	**15.9**	**15.6**			
KS universe (b)			**42,575,556**	**921,974**					**13.2**	**23.0**	**19.6**	**18.3**	**14.9**	**12.4**	**11.1**	**9.1**	**7.7**	**2.7**	**2.4**	**2.1**	**1.4**	**1.5**	**1.8**	**14.9**	**16.0**	**16.7**			
KS universe (b) ex-Energy			**34,070,408**	**737,795**					**7.5**	**24.3**	**20.4**	**19.7**	**15.9**	**13.2**	**13.6**	**10.8**	**9.0**	**3.0**	**2.6**	**2.3**	**1.2**	**1.3**	**1.5**	**15.3**	**16.4**	**17.1**			
KS universe (d) ex-Energy & ex-Commodities			**30,244,398**	**654,943**					**14.0**	**18.4**	**22.1**	**20.6**	**17.4**	**14.2**	**15.1**	**12.6**	**10.3**	**3.2**	**2.8**	**2.4**	**1.3**	**1.3**	**1.6**	**15.5**	**16.0**	**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$)= 46.18

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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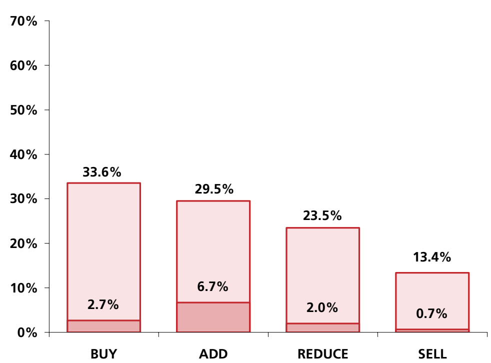
Distribution of ratings/investment banking relationships



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Source: Kotak Institutional Equities As of March 31, 2010

Ratings and other definitions/identifiers

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