Kotak Institutional Equities

INDIA DAILY

December 17, 2007

EQUITY MARKETS

India	14-Dec	Change, % 1-day	1-mo	3-mo
Sensex	20,031	(0.4)	1.7	29.2
Nifty	6,048	(0.2)	2.4	34.6
Global/Regional indices				
Dow Jones	13,340	(1.3)	1.2	(0.5)
Nasdaq Composite	2,636	(1.2)	(0.1)	2.1
FTSE	6,397	0.5	1.7	3.5
Nikkie	15,482	(0.2)	2.2	(4.0)
Hang Seng	27,085	(1.7)	(1.9)	10.1
KOSPI	1,875	(1.0)	(2.6)	0.2

Value traded - India

	14-Dec		Moving avg, Rs bn 1-mo	3-mo
Cash (NSE+BSE)	281.8		270.9	272.9
Derivatives (NSE)	613.3		682.7	471.8
Deri. open interest	1,155.7		992.4	844.5

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Economy: Inflation jumps to 3.75% on base effects, price rise in fuels with non-administered prices

Banks/Financial Institutions: Private banks increase auto loan rates to protect margins, improve profitability

Telecom: Increase in competition near-certain; timing uncertain. Pricing risks too significant to ignore

Forex/money market

	14-Dec	Change, basis points 1-day	1-mo	3-mo
Rs/US$	39.3	-	0	(121)
6mo fwd prem, %	0.7	(25)	71	24
10yr govt bond, %	7.9	2	(1)	4

Net investment (US$mn)

	13-Dec		MTD	CYTD
FIIs	268		752	16,899
MFs	9		119	759

Top movers -3mo basis

Best performers	14-Dec	Change, % 1-day	1-mo	3-mo
Neyveli Lignite	249	(1.5)	15.4	150.0
Reliance Energy	1,909	(0.1)	4.6	110.3
MRF	7,534	(5.0)	4.1	100.1
Engineers India	926	(3.6)	0.0	91.0
Tata Tele	61	(0.6)	39.2	84.5
Worst performers				
i-Flex	1,554	(1.1)	9.9	(18.6)
Container Corp	1,806	0.6	(4.6)	(17.9)
Infosys	1,647	(0.7)	1.4	(8.8)
Glaxosmithkline	1,085	4.6	5.2	(4.7)
Moser Baer	291	-	6.0	(3.5)

News Roundup

Corporate

- AES, the US power company, plans to build power plants worth US$2.8 bn in India, marking the biggest move by a foreign company into the country's electricity sector since the high-profile failure of Enron more than six years ago. (BS)
- Ford Motor Co is poised to name Tata Motors the preferred bidder for its Jaguar and Land Rover brands. (FE quoting Sunday Times, London)
- Tata Steel's US$11.3 bn acquisition of Corus Group Plc, which propelled it as the world's sixth-largest steelmaker, has been ranked among the 10 best business deals of 2-7 by Time magazine. (BS)
- Undeterred by the opposition to the entry of big retail companies into Kerala, Spencer's Retail-- a part of the Rs13,500 crore RPG Group, has lined up major expansion plans in the state. (BS)

Economic and political

- Budget 2008-09 is expected to see more measures to raise tax compliance, according to finance ministry officials, rather than a cut in direct tax rates. (BS)

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

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Real Estate

IVR.BO, Rs480	
Rating	BUY
Sector coverage view	Neutral
Target Price (Rs)	600
52W High -Low (Rs)	550-338
Market Cap (Rs bn)	30.8

Financials

March y/e	2007E	2008E	2009E
Sales (Rs bn)	1.5	1.5	6.1
Net Profit (Rs bn)	0.2	0.3	1.6
EPS (Rs)	4.6	5.2	25.1
EPS gth	*17.4*	*12.9*	*383.3*
P/E (x)	107.5	95.2	19.7
EV/EBITDA (x)	93.0	65.4	12.4
Div yield (%)	-	-	-

IVR Prime Urban Developers: Solid foundation for growth- Initiating coverage with BUY rating and target price of Rs600

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- **Large land reserves of 75.4 mn sq. ft primarily in South India**
- **41.8 mn sq. ft of land reserves in Sriperumbudur, an upcoming industrial town near Chennai**
- **Initiate coverage with BUY rating and target price of Rs600**

Solid foundation for growth. We expect PUDL to benefit from the construction bandwidth and experience of IVRCL Infrastructures (IVRCL). Rapid execution of projects in upcoming locations is likely to drive revenues and earnings of PUDL, in our view. We initiate coverage with a BUY rating and a price target of Rs600.

Leverage IVRCL's pan-India construction bandwidth and experience

We expect PUDL to benefit from pan-India construction bandwidth and brand recognition of IVRCL Infrastructures. Over the past five years, IVRCL has executed more than 15 mn sq. ft of real estate projects mainly comprising townships and residential developments (11.5 mn sq. ft) as well as commercial developments (2.5 mn sq. ft). Furthermore, IVRCL's network of contractors and suppliers will likely provide PUDL with market intelligence for land acquisition.

Large land reserves in upcoming areas of South India

With 75 mn sq. ft of saleable area, PUDL is ideally positioned to participate in the strong growth we expect in South India's real estate sector. A large part of its land reserves (41.8 mn sq. ft) is in Sriperumbudur, near Chennai, where we expect the number of people employed to rise to 180,000 in four years from 10,000 at present. This, in turn, should drive demand for commercial and residential space.

We initiate with a target price of Rs600; BUY rating

Our target price of Rs600 is based on March 2009 NAV of Rs610. We model PUDL's net income to increase to Rs3.9 bn in FY2010E from Rs207 mn in FY2007, driven by an increase in revenues to Rs14.7 bn from Rs1.5 bn in the same period. We expect PUDL to develop and sell 4.9 mn sq. ft of developed real estate in FY2010E.

Key risks: Property prices, interest rates, land cost

(1) A sharp decline in property prices may pose risks to our earnings forecasts—property prices have risen sharply over the past two years, reducing affordability; (2) A sharp increase in interest rates may curtail demand for housing—finance companies have raised lending rates by 150-200 bps over the past 12 months; (3) In addition to the advance payments the company has made, it still to make payments amounting to Rs6.5 bn.

Industrials

SUZL.BO, Rs1959	
Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	2,250
52W High -Low (Rs)	2161 - 932
Market Cap (Rs bn)	591.0

Financials

March y/e	2007	2008E	2009E
Sales (Rs bn)	79.9	131.9	192.0
Net Profit (Rs bn)	8.6	11.9	20.8
EPS (Rs)	30.0	39.6	68.8
EPS gth	*14.2*	*31.8*	*73.9*
P/E (x)	65.2	49.5	28.4
EV/EBITDA (x)	44.2	29.8	19
Div yield (%)	0.2	0.3	0.3

Shareholding, September 2007

	Pattern	% of Portfolio	Over/(under) weight
Promoters	69.0	-	-
FIIs	21.3	1.0	(0.0)
MFs	1.8	0.5	(0.5)
UTI	-	-	(1.0)
LIC	-	-	(1.0)

Suzlon Energy: PTC not extended in the US; maintain target price and rating

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- **PTC extension bill defeated in the US Senate by one vote**
- **PTC expiry has affected capacity additions in the past**
- **Various states in the US have their own renewable energy targets**
- **Several factors may mitigate the negative impact of PTC expiry**
- **Maintain target price of Rs2,250 and ADD rating**

The US Senate has refused to extend Production Tax Credit (PTC) for a further two years (it is slated to expire on December 31, 2008). Historically, whenever the PTC has been withdrawn, wind energy capacity additions in the US have been strongly affected. 21 states in the US have implemented independent legislation or Renewable Energy Portfolio Standards (RPS) requiring distribution utilities to mandatorily purchase a certain portion of power supplied from renewable sources. There are several factors which indicate that the negative impact of the non-extension of PTC may not be so severe this time, as (1) we believe this provision has a strong likelihood of being extended through legislation at a later date, (2) various states have their own RPS, (3) Suzlon has orders from the US with implementation extending well into CY2009, (4) the cost of wind power has been falling and this itself could support wind power installations. We maintain our target price of Rs2,250 and our ADD rating.

PTC extension bill defeated in the US Senate by one vote

The US Senate has refused to extend Production Tax Credit (PTC) for renewable power for a further two years, by defeating the Reid Amendment (by 1 vote only). Thus, as per current applicable regulations, PTC would expire on December 31, 2008. Earlier, the PTC was scheduled to expire on December 31, 2007, but was extended by a year in December 2006. PTC allows credit of 1.9 cents per KWH of electricity produced by wind power producers for the first 10 years of operation. It is a production-linked incentive (which the power producer subtracts from the taxes it is required to pay) unlike depreciation (capex) related incentives available in India.

PTC expiry has affected capacity additions in the past

Historically, whenever the PTC has been withdrawn, wind energy capacity additions have been strongly affected in the USA market (Exhibit 1). From 1999 to 2004, the PTC expired thrice and on each occasion wind power capacity additions declined significantly. Due to non-extension of PTC in 2003, wind power capacity addition fell to 389 MW in 2004 (from 1687 MW in 2003). Capacity addition increased to 2,431 MW in 2005 (PTC was extended in April 2004). Thus, the extension of the PTC was important for avoiding cyclicality in the industry and for providing the stability needed to enable long-term planning by utilities.

Various states in the US have their own renewable energy targets

21 states in the US and the District of Columbia have implemented independent legislation or Renewable Energy Portfolio Standards (RPS) requiring distribution utilities to mandatorily purchase a portion of their power from renewable sources. The prescribed portion of power that utilities are compulsorily to procure from renewable energy (as per RPS) is increasing (Exhibit 2). RPS have likely contributed in encouraging usage of wind power as most of the states with highest existing wind power installations in the US are those which have such standards (Exhibit 3). RPS could hence still spur capacity addition without fiscal incentives (of PTC). Similar legislation was envisaged at the Federal level (requiring utilities to generate or buy 15-20% renewable energy by the year 2020) but it has not yet been taken up.

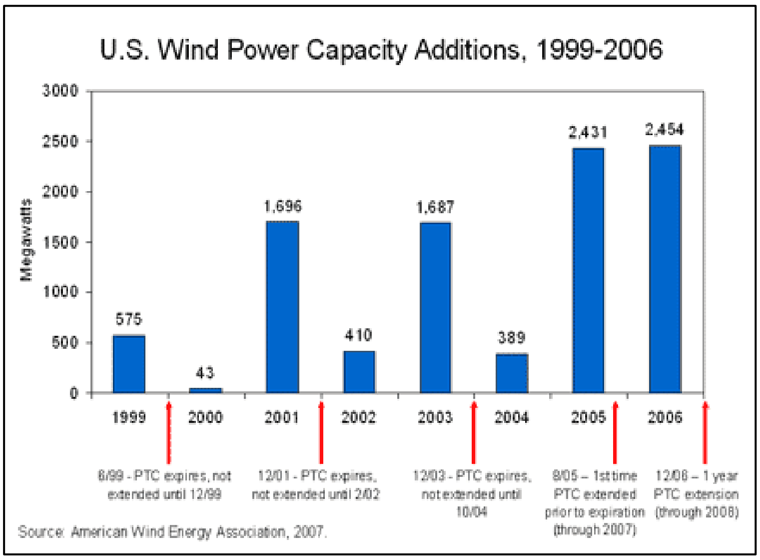
Several factors may mitigate the negative impact of PTC expiry

There are several factors which we believe indicate that the negative impact of the non-extension of PTC this time may not be so severe (1) the Reid Amendment or some alternate legislation providing similar benefits to wind power may yet be incorporated by December 31, 2008. We estimate the burden on the US budget of this legislation for CY2009 to be less than US$1 bn (Exhibit 4) and considering the growing world-wide importance of green and clean energy, we believe this provision has a strong likelihood of extension in a later legislation, (2) Various states have RPS that have successfully encouraged wind power capacity additions (as discussed above), (3) Suzlon has orders from the US with implementation extending well into CY2009, which indicates that customers are comfortable placing orders with Suzlon despite the uncertainty of availability of PTC when their turbines are installed (Exhibit 5), (4) The cost of wind power electricity has been falling and this itself could support wind power installations. It has been reported that in several open traded markets for electricity, wind related electricity has quoted lower than conventional power. This is to be expected as there is no variable cost of production and it is better to produce and sell at whatever price when suitable production conditions are available.

Maintain target price of Rs2,250 and ADD rating

Though negative in terms of sentiment, we do not estimate a significant negative impact on Suzlon due to (1) the reasons stated above, (2) geographical diversity of Suzlon's operations and (3) the growing global importance for clean and renewable energy. USA is one of the biggest markets for Suzlon and we estimate that 1,921 MW of orders come from the USA out of a total order book of 3,251 MW. However, our EPS estimate for FY2009 is likely not at risk as the orders placed are independent of PTC extension. We maintain our target price of Rs2,250 and our ADD rating. We note that Vestas stock price closed almost flat on Friday (Vestas is the second largest supplier in the US market, Exhibit 6).

Exhibit 1: PTC expiry has led to slowdown in wind power capacity additions in the US market



Source: American Wind Energy Association, 2007.

Exhibit 2: RPS have increasingly enhanced the procurement requirements of renewable energy
RPS requirements adopted in 21 states and the District of Columbia

STATE	RENEWABLES REQUIREMENT	NOTES
Arizona	EXPANSION OF EXISTING RPS: 15% by 2025	30% of the requirement must be met by local onsite renewables installed by homes and businesses.
California	EXPANSION OF EXISTING RPS: Changed to 20% by 2010 in 2006. The previous state requirement was 20% by 2017.	Currently, 12% of electricity in state from renewables.
Connecticut	10% by 2010	wind, solar, sustainable biomass, landfill gas, or fuel cells.
Delaware	10% by 2019	Solar Thermal Electric, Wind, Photovoltaics, Landfill Gas, Biomass.
Colorado	EXPANSION OF EXISTING RPS: In 2007, the RPS changed to 20% by 2020. The previous requirement was 10% by 2015.	Wind, Photovoltaics, Landfill Gas, Biomass, Geothermal Electric.
District of Columbia	11% by 2022, Tier system. 1.5% from Tier 1 by 2007, increasing gradually to 11% by 2022. 2.5% from Tier 2 by 2007, decreasing gradually to 0% by 2020.	Tier 1: wind, solar, biomass, geothermal, methane, tidal, fuel cells. Tier 2: hydro, waste energy, includes a solar set-aside.
Hawaii	7% by end of 2003; 8% by end of 2005; 10% by end of 2010; 15% by end of 2015; 20% by end of 2020 (including existing renewables)	Wind, Photovoltaics, Landfill Gas, Biomass, Hydroelectric, Renewable Transportation Fuels, Geothermal Electric, Geothermal Heat Pumps, Municipal Solid Waste, Cogeneration, etc.
Iowa	Requires investor-owned utilities to contract a combined total of 105 megawatts (MW) of their generation from renewable resources, including small hydropower facilities.	Wind, Photovoltaics, Biomass, Hydroelectric, Municipal Solid Waste.
Illinois (goal)	8% by 2013 (approved by Illinois Commerce Commission in July 2005 but pending implementation). State has goal of 8% by 2013 in place.	Under the ICC-approved RPS, 75% of the renewable energy generated to meet the state's goal should come from wind.
Maine	30% of retail sales in 2000 and thereafter as a condition of relicensing.	Wind, solar, geothermal, tidal, hydro, biomass, municipal solid waste under 100 MW, and qualified small power generation facilities. [Note that renewables, mainly hydro, currently account for approximately 50% of Maine's electricity mix).
Maryland	7.5% by 2019 under a tiered system.	Two-tiered system: Tier 1: Wind, solar, wave. Tier 2: Hydroelectric, poultry litter, waste energy.
Massachusetts	1% of sales in new renewables in 2003 or 1 year after any renewable is within 10% of average spot market price, and increasing by 0.5% per year to 4% by 2009 and 1% per year thereafter.	Wind, advanced biomass, landfill gas, solar, geothermal or wave/tidal technologies.
Minnesota	EXPANSION OF EXISTING RPS: 25% by 2025. For Xcel Energy 30% by 2020. For other electricity providers: goal of 25% by 2025.	Of the 30% renewables required of Xcel Energy by 2020, "at least" 25% must be generated by wind power and "the remaining" 5% by other eligible renewables
Montana	15% by 2015.	Wind, Solar Thermal Electric, Photovoltaics, Landfill Gas, Biomass.
Nevada	EXPANSION OF EXISTING RPS: In 2007, the RPS changed to 20% by 2015 from the previous state requirement of 5% by 2003, rising by 2% every two years until reaching 15% by 2013.	A minimum of 5% must be from solar.
New Jersey	EXPANSION OF EXISTING RPS: In 2006, the state requirement of 0.5% effective 2001, increasing to 1% by 2006, then increasing by 0.5% per year to 4% by 2012,was replaced with 22.5% by 2021 and thereafter.	Two-tiered system. Class 1: wind, solar, fuel cells, geothermal, wave/tidal, landfill/methane gas, and sustainably harvested biomass. Class 2: hydro or resource recovery facilities.
New Mexico	EXPANSION OF EXISTING RPS: In 2007, the RPS changed to 5% by 2006, increasing to 10% by 2011, 15% by 2015 and 20% by 2020. Rural electric cooperatives: 5% by 2015, increasing to 10% by 2020.	Solar Thermal Electric, Photovoltaics, Landfill Gas, Wind, Biomass, Hydroelectric, Geothermal Electric, Zero emission technology with substantial long-term production potential, Anaerobic Digestion, Fuel Cells using Renewable Fuels.
New York	25% by 2013	Wind, photovoltaics, landfill gas, biomass, hydroelectric, fuel cells, cogeneration, biogas, liquid biofuel, anaerobic digestion, tidal energy, wave energy, ocean thermal, ethanol, methanol, biodiesel.
Pennsylvania	18% by 2020 (8% from Tier 1, 10% from Tier 2). For Tier 1, 1.5% by 2007 increasing 0.5% per year.	Tier 1: wind, solar, geothermal, biomass, coal bed methane and fuel cells. Tier 2: waste coal, municipal solid waste, large hydro, coal gasification. Includes a solar set-aside of 0.5% by 2020.
Rhode Island	16% by end of 2019	Wind, Photovoltaics, Biomass, Geothermal Electric, Small Hydroelectric, Tidal Energy, Wave Energy, Ocean Thermal, Fuel Cells, (Renewable Fuels).
Texas	EXPANSION OF EXISTING RPS: In 2005, RPS requirement of 2,000 MW by 2009 was expanded to 5,580 MW by 2015.	Wind, solar, geothermal, hydroelectric, wave or tidal energy, and biomass or biomass-based waste products including landfill gas. Establishes a credit trading program administered by ERCOT.
Vermont (goal)	10% by 2012 (not a requirement, but an established goal.)	If the goal is not met by 2012, the percentage of new load growth will become a mandatory standard.
Washington	3% by 2012, 9% by 2016, and 15% by 2020	Wind, solar, geothermal, landfill gas, water, wave, ocean or tidal power, biodiesel, municipal solid waste and gas from sewage treatment plants.
Wisconsin	EXPANSION OF EXISTING RPS: In 2006, state requirement of 2.2% by 2010 raised to 10% by 2015.	Wind, solar, biomass, geothermal, tidal, fuel cells and small hydro.

Source: American Wind Energy Association.

Exhibit 3: RPS has likely contributed to the increased usage of wind power

Wind power installations in various US states (MW)

State	Existing	Under Construction	Rank (Existing)
Texas	3,953	1,358	1
California	2,376	45	2
Iowa	992	383	3
Washington	958	331	4
Minnesota	898	453	5
Colorado	630	436	6
Oklahoma	595	95	7
New Mexico	496	-	8
Oregon	438	462	9
New York	390	317	10
Illinois	388	420	11
Kansas	364	101	12
Wyoming	288	61	13
Pennsylvania	259	105	14
North Dakota	178	297	15
Montana	146	20	16
Idaho	75	-	17
Nebraska	73	-	18
West Virginia	66	164	19
Hawaii	63	-	20
Missouri	57	106	21
Wisconsin	53	244	22
South Dakota	44	140	23
Maine	42	-	24
Tennessee	29	-	25
New Jersey	8	-	26
Ohio	7	-	27
Vermont	6	-	28
Massachusetts	5	3	29
Michigan	3	53	30
Alaska	2	-	31
New Hampshire	1	-	32
Utah	1	-	33
Rhode Island	1	-	34
Arkansas	0	-	35
Arizona	-	-	36
Indiana	-	131	37
Maryland	-	-	38
Nevada	-	-	39
Virginia	-	-	40
Mississippi	-	-	41
South Carolina	-	-	42
North Carolina	-	-	43
Kentucky	-	-	44
Louisiana	-	-	45
Alabama	-	-	46
Connecticut	-	-	47
Delaware	-	-	48
Florida	-	-	49
Georgia	-	-	50

Note:

States with RPS

States with RPS as goals

Source: American Wind Energy Association, Kotak Institutional Equities.

Exhibit 4: We estimate the cost of PTC to be less than US$ 1bn on the US budget

Cumulative installed capacity of wind in USA after CY2008	21,583
Electricity production (mn KWH)	47,267
PTC burden on US budget (US$ bn)	0.9

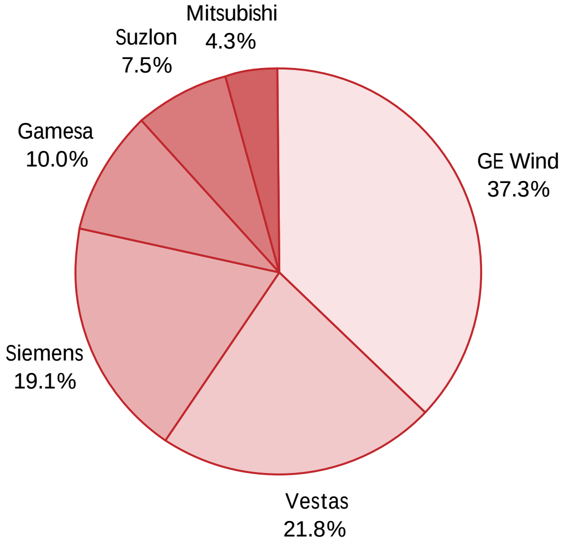
Source: Kotak Institutional Equities estimates.

Exhibit 5: Orders for deliveries beyond CY08 have been placed by utilities in the US
Major orders booked by the Suzlon group from US utilities for deliveries in CY09

Announcement date	Customer	Capacity (MW)	Delivery schedule (MW) CY08	Delivery schedule (MW) CY09
8-Oct-07	Horizon Wind of Houston, Texas, USA	400.0	200.0	200.0
29-Jun-07	PPM Energy of Portland, Oregon, USA	300.0	-	300.0
6-Jun-07	Edison Mission Group of Irvine, California, USA	630.0	315.0	315.0
3-May-07	PPM Energy of Portland, Oregon, USA	400.0	300.0	100.0
	Total	**1,730.0**	**815.0**	**915.0**

Source: Company, Kotak Institutional equities estimates.

Exhibit 6. Vestas is the 2nd largest supplier in the US market
Wind power equipment market share in the US in 2006



Source: BTM Consult Aps - March 2007

Utilities

TTPW.BO, Rs1301	
Rating	ADD
Sector coverage view	Cautious
Target Price (Rs)	1,450
52W High -Low (Rs)	1449 - 483
Market Cap (Rs bn)	303.1

Financials

March y/e	2007	2008E	2009E
Sales (Rs bn)	64.8	75.1	82.4
Net Profit (Rs bn)	5.7	7.5	9.9
EPS (Rs)	26.6	32.2	42.5
EPS gth	*(0.1)*	*21.9*	*32.7*
P/E (x)	48.9	40.3	30.6
EV/EBITDA (x)	28.4	26.2	23
Div yield (%)	0.6	0.7	0.7

Shareholding, September 2007

	Pattern	% of Portfolio	Over/(under) weight
Promoters	35.5	-	-
FIIs	17.3	0.4	(0.1)
MFs	4.8	0.6	0.2
UTI	-	-	(0.4)
LIC	11.0	1.3	0.8

Tata Power: Cool coal—coal mines adding value

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- **Tremendous value creation from Bumi (now at Rs431/share).**
- **Further upside from coal exists**
- **Tata Power plans to multiply its generation capacity fourfold to 10 GW in the next five years**
- **SOTP-based target price of Rs1,450/share**

We have increased the value attributed to Tata Power's (TPC) 30% stake in Bumi Resources to reflect the higher prices (prevailing and forecast) of coal as well as the higher valuations being ascribed to coal companies. Our discussion with the management confirmed that two recent transactions are not interdependent , i.e. (1) purchase of stake in coal mines owned by Bumi Resources and (2) the contract for 10 mn tpa of coal from Bumi Resources. Accordingly, we now value TPC's stake in coal mines in line with market valuations ascribed to Bumi Resources. Earlier, we were using the dividend servicing capability (on our assumptions on coal prices which have turned out to be fairly conservative). We value TPC's stake in coal mines at Rs431/share (Rs86/share previously). Our revised target price of Rs1,450/share (Rs1,070/share previously) offers 11% upside to the current market price. We retain our ADD rating on the stock.

Tremendous value creation from Bumi (now at Rs431/share). We value TPC's 30% stake in the coal business of PT Bumi Resources TBK (Bumi) at US$2.1 bn—8X P/B of its equity investment of US$250 mn. The prevailing spot prices of coal as well as the long-term sustainable coal price assumptions being used by analysts have moved up sharply since the acquisition of stake by TPC. The valuation of coal companies (including PT Bumi Resources) has also risen several times during this period. TPC management has indicated that the two transactions—(1) purchase of stake in coal mines owned by Bumi Resources and (2) the contract for 10 mn tpa of coal from Bumi Resources—are not interdependent. The stake in Bumi Resources thus only acts as a hedge against the requirement of imported coal for the Mundra UMPP. With a targeted production level of 100 mn tonnes in five years, a 30% stake in Bumi Resources gives TPC an economic benefit of 30 mn tonnes. Out of this, 12 mn tonnes of coal acts as a natural hedge for coal required for the Mundra UMPP. Thus, TPC will enjoy an economic benefit of ~18% (18 mn tonnes out of 100 mn tonnes) in the coal mines in Indonesia. We subtract the debt taken for acquisition (US$1.05 bn) of these coal mines to arrive at a value of US$2.5 bn (Rs431/share).

TPC had acquired a 30% stake in the coal business of Bumi for a consideration of US$1.3 bn. TPWR has correspondingly entered into a fuel supply agreement for 10 mtpa of high grade coal to be exported from Bumi's mines—Arutmin and Kalimantan for a period of 10 years.

Further upside from coal exists. We note that the changing dynamics of the global coal trade has made the Bumi acquisition fairly attractive for TPC with potential more upsides. (1) We have used the consensus target price of IDR 6,664 while the range of target prices set by analysts for Bumi Resources reach as high as IDR 10,500. (2) The bids submitted by TPC for the Mundra UMPP have about 46% of the energy charge as escalable charge (linked to index on commissioning of the project). Thus, after the commissioning of the Mundra UMPP, the unhedged quantity of coal for TPC would decline to 54% of 12 mn tonnes or 6.5 mn tonnes. Thus, TPC would have economic benefit of 23.5% (30 mn tonnes – 6.5 mn tonnes) of the targeted 100 mn tpa production. TPC has not clarified whether their contract with Bumi assures them of the pricing of coal. We therefore assume market-linked pricing for the contract with the 30% stake providing a natural hedge.

Tata Power plans to multiply its generation capacity fourfold to 10 GW in the next five years. TPC is implementing the imported coal based 4,000 MW Ultra Mega Power Project at Mundra in Gujarat which it won through competitive bidding. We note visible progress in other power projects – 250 MW imported coal based power plant at Trombay, 100 MW DG sets for Mumbai, 120 MW met coke based project at Haldia, 120 MW thermal power plant for Tata Steel, 100 MW wind power in Maharashtra and the 1,050 MW Maithon Right Bank Thermal Power Project in JV with Damodar Valley Corporation. TPC plans to implement 1600-2400 MW imported coal based power project in Maharashtra. TPC is also likely to participate in the competitive bidding for the UMPP in Jharkhand.

SOTP based target price of Rs1,450/share. The operating businesses of TPC contribute Rs230/share to our target price. This comprises Rs152/share for the Mumbai licence area valued using DCF (implying 2X P/B), Rs39/share for generation assets at Jojobera (P/B of 2X), Rs14/share for 51% stake in Tala transmission project (P/B of 1.4X) and Rs26/share for the 49% stake in Delhi distribution business of NDPL (implied P/B of 1.5X). We value TPC's 49% stake in Tata BP Solar at Rs66/share. The telecom investments are valued at Rs323/share. We use DCF-to-equity to assign Rs144/share, Rs28/share and Rs26/share as the likely value enhancement from Mundra UMPP (4,000 MW), Maithon JV (1,050 MW) and merchant power (500 MW) respectively. We value TPC's 30% stake in Bumi at Rs431/share based on our expectations of dividend servicing through the SPV structure. Value enhancement from new projects (50% likelihood scenario) contributes additional Rs156/share.

Tata Power Sum-of-the-parts valuation

	Methodology	Key assumptions/comments	Per share value (Rs)
Mumbai (Generation, transmission & distribution business)	**DCFe** Disc. Rate: 10% Term. Yr. Grth: 2%	The business enjoys very high predictability of cash flows.	152
Jojobera generation business	**DCFe** Disc. Rate: 10% Term. Yr. Grth: 0%	The project enjoys pretty lucrative terms in its PPA: Assured RoE of 16% plus incentive on PLF higher than 75%. We assign a value of 2x book as FCFe likely to be 20% Capacity (MW) 428 Equity (Rs bn) 4.5 Assumed cost/MW 35 Attributable debt (Rsbn) 6.0 Total Cost (Rs bn) 15.0	39
Powerlinks Transmission Ltd.	**Price/Book (x)**	We value the equity investment at 1.4X book: The project will likely earn a regulated RoE of 14% as per the Central Electricity Regulatory Commission (CERC) tariff guideline for inter-state transmission project.	14
Delhi Distcom (NDPL)	**DCF** Disc. Rate: 11% Term. Yr. Grth: 4%	NDPL earns 16% RoE provided it meets cetain A,T&C loss reduction benchmarks. It is also incentivized by way of higher returns in the event of bettering the benchmarks Equity invested in NDPL Rs bn 1.8 NDPL reserves (attr.) Rs bn 2.1	25
Tata BP Solar	**EV/Sales (X)**	8X EV/Sales on FY07 as compared to 17X for comparable standalone PV manufacturers; an additional 40% group company discount built in	66
Investments	**Various**	Total value (Rs bn) / Rs/share: Telecom 55.9 240 TCS/Tata Sons 17.1 73 Others 2.2 9	323
Investible surplus on books	**Market value**	Marketable securities & cash on books (Rs bn)	46
Bumi Resources	**DCF**	Based on market cap of PT Bumi Resources	431
Mundra UMPP	**DCF-equity**	Levelized tariff of Rs2.26/unit for 25 years	144
Maithon	**DCF-equity**	1050 MW project; 14% RoE + efficiency gains	28
Merchant power plant	**DCF-equity**	500 MW; P/B of 2.5X with a levelized tariff of Rs2.26/unit	26
Value enhancement from future projects -assuming 50% probability			156
Total			**1449**

Source: Company data, Kotak Institutional Equities estimates.

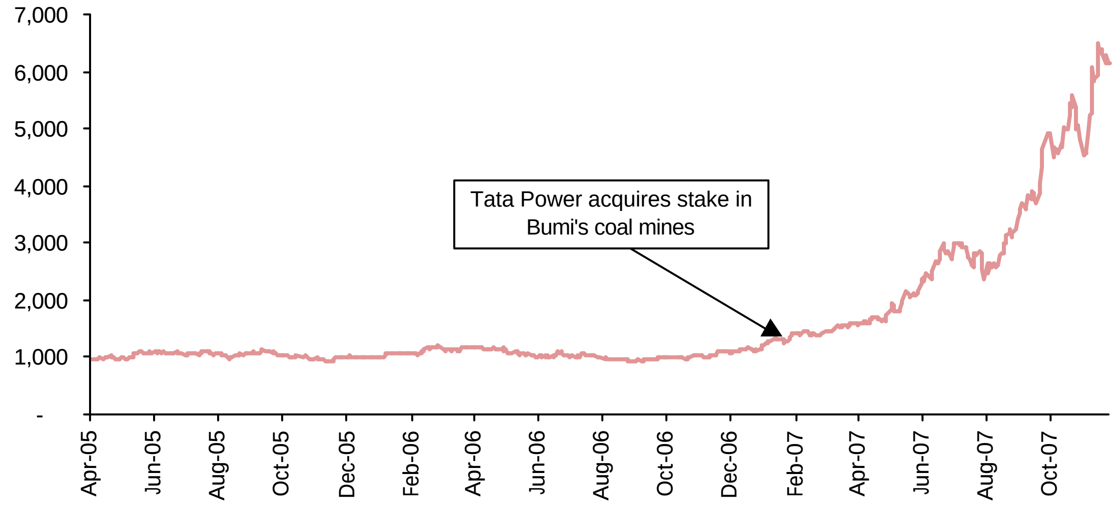
Valuation of TPC's stake in coal mines in Indonesia

	At current market price (IDR)	At consensus target price (IDR)
	5,900	**6,664**
Market cap of Bumi Resources-USD bn (a)	**12.25**	**13.84**
Full value of coal resources- Arutmin and Kalimantan (b)= (a)/70%	17.50	19.77
FY2012 est. coal production at Arutmin and Kalimantan (mn tonnes)	100	100
TPC's economic share (30%)	30	30
TPC's requirement of imported coal (for Mundra UMPP)	12	12
TPC's net economic benefit from coal (mn tonnes)	18	18
TPC's net economic benefit from coal (%) (f)	**18**	**18**
Value of TPC stake (g) = (b)X(f)	3.15	3.56
Debt taken for acquisition of coal mines (US$ bn) (h)	1.05	1.05
Attributable equity value of coal mines for TPC (US$ bn) = (g) - (h)	2.10	2.51
Per share value (Rs)	**360.6**	**430.6**

Source: Bloomberg, Kotak Institutional Equities estimates.

Valuation of coal companies has increased many times since Tata Power's acquisition earlier in the year

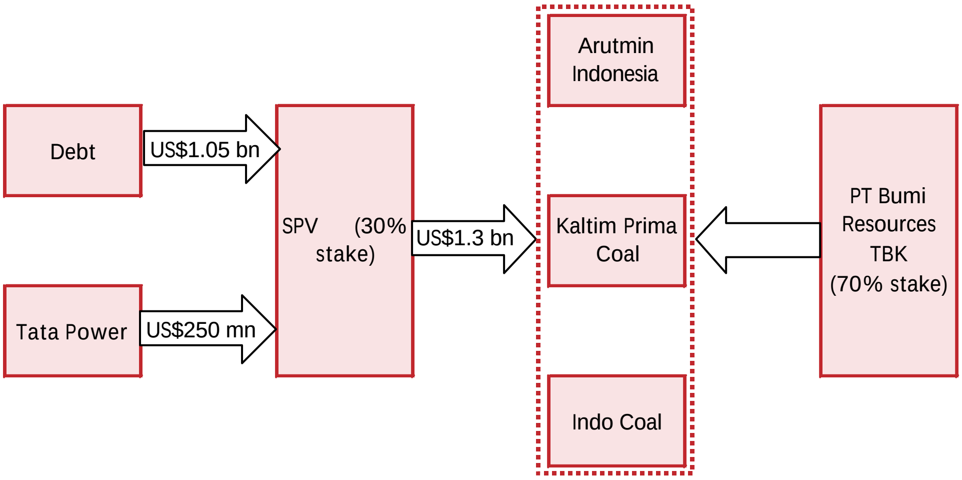
Share price of Bumi Resources (IDR)



Source: Bloomberg, Kotak Institutional Equities.

ata Power has taken 30% stake in the coal business of PT Bumi Resources for US$1.3 bn

wnership structure of the coal business of BT Bumi Resources TBK



urce: Company data, Kotak Institutional Equities

Economy

Sector coverage view	N/A

Inflation jumps to 3.75% on base effects, price rise in fuels with non-administered prices

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- **Headline inflation jumped to 3.75% from 3.01% in the preceding week**
- **Jump largely due to the base effect, which explains 61% of the increase over the week**
- **Fuels with non-administered prices to stoke inflationary fire**
- **We expect headline inflation to be contained at around 4% by end of FY2008**

Headline inflation jumps to 3.75% for week-ended Dec.1, 2007 from 3.01% a week ago

Base effects accounted for 61% or 45 bps increase in inflation rate over the week, while actual price rise accounted for 29 bps rise. Headline inflation touched its highest level in 14-weeks, the highest pace in this quarter (Exhibit 1).

In spite of the freeze on administered prices in fuels, price rise in other fuels stoke inflation

Inflation rose above the expected base effects mainly due to the surge in the prices of fuels. Inflation for 'fuel, power, light and lubricants (weight of 14.23% in the WPI basket)' jumped to 1.92% from -0.18% in the preceding week. Prices of some mineral oils being jacked up over the preceding week contributed to the rise in inflation—aviation turbine fuel (ATF) (+16.1%), naphtha (+ 8.5%), bitumen(+5.5%). Most fuel items have administered prices fixed by the government and are revised at will. In the case of fuels for which prices are not administered, domestic prices have not been sufficiently flexible. As such, a 1:1 correspondence with global prices has not always been seen (Exhibit 2). For the week ending December 1, where WPI for mineral oils has jumped, the Indian basket had dropped by 5.1%.

Primary articles prices, mainly those of fruits and vegetables, also increased over the week, but the price level for manufacturing changed very little.

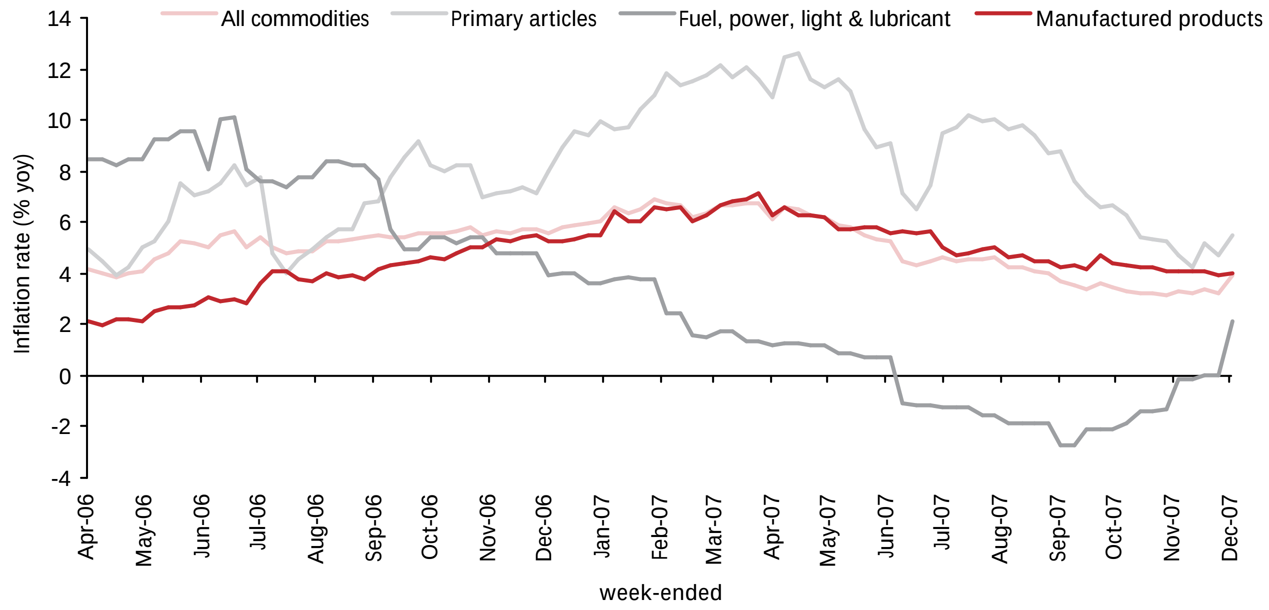
We expect headline inflation at end of FY2008 to be contained at around 4%

The increase in inflation is in line with our projections. In our Economy report of November 5, 2007, "*India story to continue*", we had said that headline inflation rate would remain in the 4.0-4.5% range at the end of FY2008. We still see the path of future inflation relatively benign. Headline inflation at year end may be around 4.0% in spite of jump this week. Some further increase in inflation is likely in mid-February. However, end-year inflation could still be about one full percentage point lower than the RBI projection of about 5%.

Consumer price inflation declining

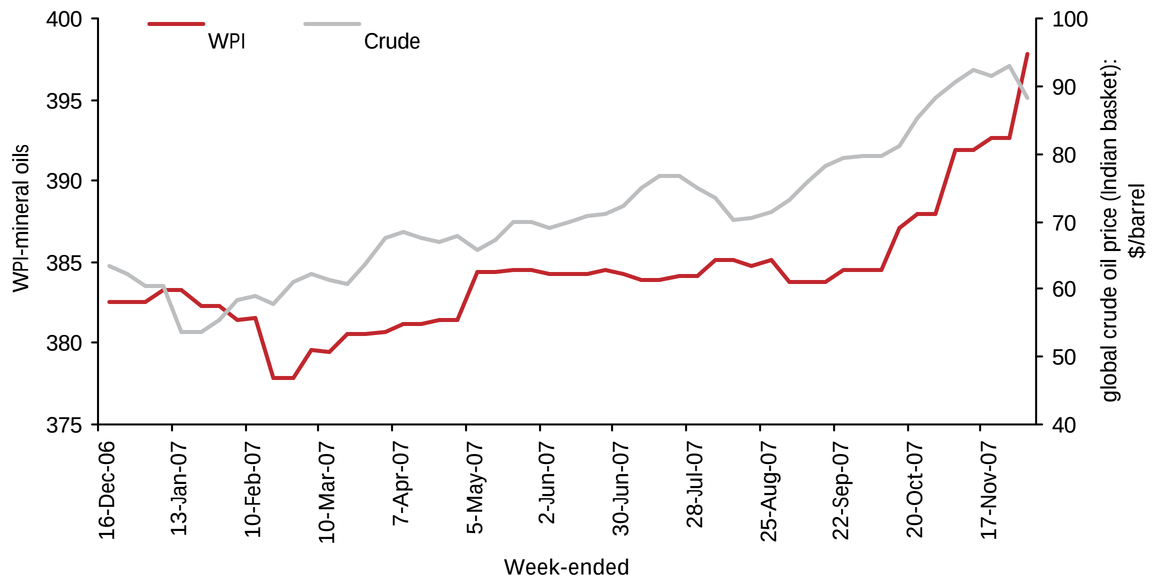
While WPI inflation remains benign, the CPI inflation has fallen markedly since August 2007 (Exhibit 3). As such, the inflation data of this week would not significantly affect the rate cut chances in January 2008. We expect the central bank to see a much larger information set for its decision.

Exhibit 1: Inflation surges on base effects; increase in prices of ATF, naphtha, bitumen and fruits & vegetables
WPI inflation rate for major groups



Source: Office of the Economic Advisor, Ministry of Commerce & Industry, Government of India

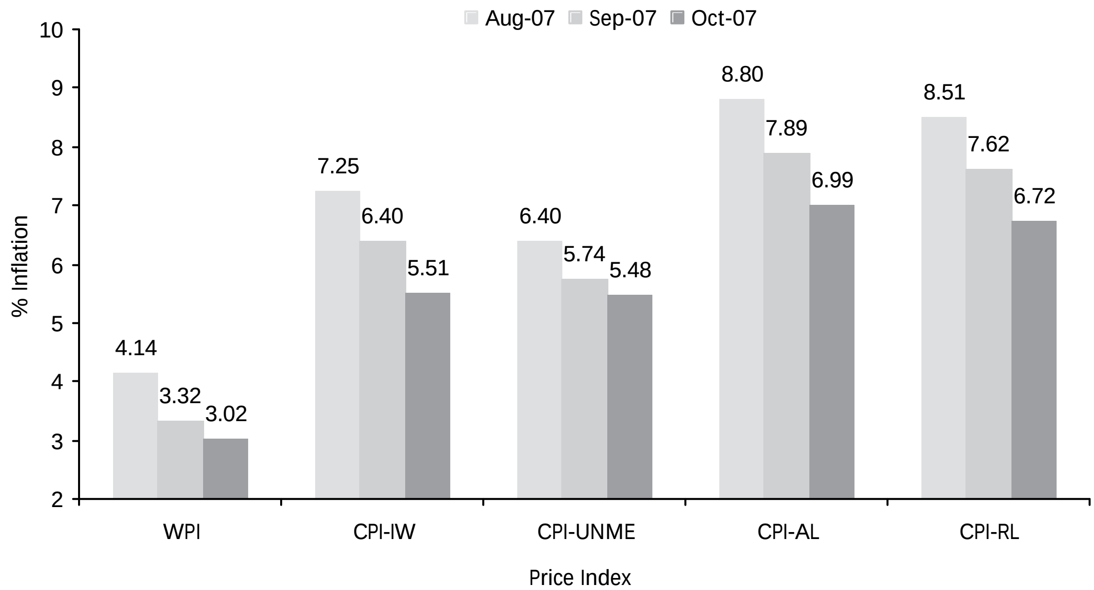
Exhibit 2: Lagged adjustment of domestic oil prices to global prices result in less than 1:1 correspondence
Wholesale Price Index for Mineral Oils; Global price for Indian basket of crude oil



Source: Ministry of Commerce & Industry, Bloomberg

Exhibit 3: CPI inflation drops from high levels

Inflation based on various price indices



Source: Ministry of Commerce & Industry; Labour Bureau of Government of India

Banking

Sector coverage view	Attractive

Company	Rating	Price, Rs 14-Dec	Target
SBI	ADD	2,411	2,000
HDFC	REDUCE	3,059	2,200
HDFC Bank	REDUCE	1,729	1,300
ICICI Bank	ADD	1,207	1,200
Corp Bk	BUY	433	470
BoB	ADD	432	375
PNB	BUY	681	620
OBC	REDUCE	275	240
Canara Bk	SELL	314	250
LIC Housing	ADD	377	345
Axis Bank	ADD	994	850
IOB	ADD	186	150
SREI	BUY	216	240
MMFSL	ADD	298	265
Andhra	BUY	110	120
IDFC	SELL	226	145
PFC	SELL	261	150
Federal Bank	ADD	327	330
J&K Bank	ADD	844	850
India Infoline	ADD	1,455	1,300
Indian Bank	SELL	206	145
Union Bank	BUY	206	230

Private banks increase auto loan rates to protect margins, improve profitability

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- **Interest rates on auto loans likely to increase by 25-50 bps in the near-term**
- **Banks have increased processing charges for new loans, demanded an increase in subvention from auto manufacturers in some cases and have withdrawn from riskier markets**
- **Increase in rates and other steps likely to enable banks to improve their profitability**

Based on our recent interactions with auto financiers, we believe that interest rates on auto loans will likely remain high in the near-term, and increase by 25-50 bps in the immediate short term. Likely increase in cost of funding and delinquencies are the key reasons. In addition to the rate increase, banks have increased processing charges for new loans, are demanding an increase in subvention from auto manufacturers in some cases and have withdrawn from riskier markets. Amongst key players, volume growth for ICICI Bank will likely be flat, excepting for HDFC Bank, where we see an increase of 35-40% as the latter has gained market share. These loans account for close to 10% and 13% of ICICI Bank and HDFC Bank loan books, respectively. The increase in rates will likely enable banks to improve margin and profitability.

Delinquencies have increased in the auto segment.

Most banks in the auto finance (both 2W and car loans) business have reported a 15-25 bps rise in delinquencies over the past six months.

The prime reasons for the increase are: (a) increase in lending rates, (b) lack of discipline at yhe dealership level (in 2W) relating to documentation of new loans-leading to issues for tracking errant borrowers and (c) greater regulatory and judicial scrutiny of recovery mechanisms, slowing down recoveries of loans.

Based on our discussion with financiers, it appears that delinquency levels will increase by a further 25-50 bps, especially because of the slowdown in the collection drive.

Increase in participation from Reliance could pose risk.

New players in the auto finance market like Axis Bank and Reliance are offering 100 bps discount on the rates offered by the top three financiers.

We believe this strategy is unsustainable as has been demonstrated by the experience of the auto financiers over the last four years. ICICI Bank had followed a similar strategy in the past, but is now focusing on profitability and less on volume growth.
The top three financiers currently account for 75% market share in the auto financing business and are unlikely to be impacted by the cheaper loan strategy of the two players Axis Bank and Reliance.

Telecom

Sector coverage view			Cautious

		Price, Rs	
Company	**Rating**	**14-Dec**	**Target**
Bharti	REDUCE	953	790
Rcom	SELL	760	550
MTNL	SELL	186	135
VSNL	REDUCE	651	550
Idea Cellular	SELL	140	120

Increase in competition near certain; timing uncertain. Pricing risks too significant to ignore

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- **Spectrum tightening appears certain now; could lead to entry of 3-4 new players in all circles**
- **Timing of spectrum release by Defense still uncertain; expect aggressive land-grab tactics from extant players**
- **The longer the delay in spectrum release, the weaker the economics for new entrants**

Media newsflow and our conversations with industry participants over the past few days indicate the increased likelihood of (1) a significant tightening of subscriber-linked spectrum allocation norms (for GSM spectrum) and (2) grant of new licenses and allotment of 1800MHz spectrum to new players. However, we would emphasize that the timing of entry of new players in the market remains contingent on the actual release of 20MHz spectrum by the defense; this can take at least 3-6 months. While this may be a near-term positive for Bharti, we recommend investors to focus on the long-term deterioration in fundamentals. We believe that the key fall-outs of these developments could be a substantial increase in capex and introduction of lower denomination plans by incumbents to gain as much market share as possible before competition from new players kicks in. Both these can pressure current super normal profitability. We retain our REDUCE, SELL and SELL ratings for Bharti, RCOM and Idea, respectively. Our 12-month DCF-based target prices are Rs790, Rs550 and Rs120, respectively.

Spectrum tightening appears certain now; could lead to entry of 3-4 new players in all circles. Our conversations with industry participants suggest that the Government has largely decided in favor of a more stringent spectrum allocation policy (more number of subscribers for the same amount of spectrum). We note some of the recent news-flow that indicates the increased likelihood of license grant and spectrum allotment to new players:

1. The Telecom Disputes Settlement and Appellate Tribunal (TDSAT) has refused to stay the issuance of new licenses to those who had applied before September 25.
2. The DoT has indicated that it has kick-started the process of issuing new licenses and is currently processing the license applications of all those who had applied for UASL license before September 25, 2007.
3. In the ongoing India Telecom conference in New Delhi, the Prime Minister also stressed on the need of spectrum allocation in a transparent and equitable manner to new entrants for encouraging competitiveness.
4. COAI also pulled out of the spectrum review committee set up by the telecom ministry to debate the recent spectrum allotment recommendations by the TRAI and the TEC. We presume that this indicates a failure of the GSM body to secure dilution in the recommended norms.

We note that the COAI (GSM industry body) is considering approaching the Delhi High court to seek a stay on the issue of new licenses in the GSM segment. However, it is generally difficult to challenge the government's decisions on policy issues given that the government has the right to reframe policies, if required. We believe that acceptance of TRAI norms on subscriber-linked spectrum allocation could lead to an entry of 3-4 new players across circles (see Exhibit 1).

Timing of spectrum release by Defense still uncertain; expect aggressive land-grab tactics from extant players. Our channel checks indicate that the timing of spectrum (20MHz) release by the Defense remains uncertain and may take at least another 3-6 months. We note that the Defense has set down stringent requirements for the optical-fiber network that have to be met before it releases the spectrum; laying down of the fiber and testing has to be complete in all the circles before spectrum can be allotted to new players/incumbents (depending on the outcome of current imbroglio). We expect the extant players (especially Bharti and Vodafone-Essar) to up the ante during this phase to garner maximum market share before new competition kicks in. We expect rapid network expansion and aggressive pricing tactics to be employed by these players over the coming months. More important, we note that delay in spectrum release will likely weaken the economics for new entrants, an issue we discuss in detail below.

The longer the delay in spectrum release, the weaker the economics for new entrants. We believe that any new entrant (a new player or an existing player entering a new circle) will likely face significant challenges in the form of (1) reduced addressable market (2) deteriorating quality of incremental subscribers, with urban markets already deeply penetrated; and (3) higher capex per subscriber in the rural markets. Our analysis of Idea's entry in the Mumbai circles suggests that Idea will likely need to garner 17% net subscriber market share over the next 10 years to generate an IRR of 12.5%, its cost of capital (see Exhibit 2). Also, the delay in spectrum allocation will have a dual negative impact in the form of reduced addressable market and weaker incremental subscriber profile, deteriorating the economics further in our view. While one can argue that MNP introduction will likely provide the new operators a means to target high-end subscribers of existing players, we believe that aggression on that front could increase the subscriber acquisition and retention costs for the industry as a whole, a situation not too beneficial to anyone. Exhibit 3 depicts the impact of MNP introduction in Finland on churn rates and ARPU on TeliaSonera, the country's leading wireless operator.

MNP—consultation paper likely to floated soon. We expect TRAI to float a consultation paper on modalities of implementation of MNP. The key points for discussion would be (1) stage-wise plan for implementing MNP; (2) cost and capex sharing formula between various operators and (3) porting mechanism, timeframe for implementing porting request and cost recovery from the consumer. We believe that friction point between regulator and operators would be sharing of capex among operators. Completion of the above mentioned process may take three months in our view. We expect implementation of MNP in the first phase in metros to take 9-12 months.

Release of 20 MHz of spectrum can accommodate 2-4 new players in most circles, if TRAI's recent recommendations are accepted
Additional spectrum requirements of existing GSM operators based on March-2010 subs estimates

	Bharti	Reliance	BSNL/MTNL	VOD/Essar	Idea	Aircel	Spice	BPL	Total	# of new players feasible with 20 MHz
Metro										
Calcutta	2.0	—	—	0.2					2.2	4
Chennai	—		—	—		—			—	4
Delhi	2.4		—	2.4	—				4.8	3
Mumbai	—		—	2.4				—	2.4	4
Circle A										
Andhra Pradesh	1.2		—	1.8	—				3.0	3
Gujarat	1.8		—	0.2	1.8				3.8	3
Karnataka	2.4		—	—			—		2.4	4
Maharashtra	3.8		—	1.8	—				5.6	3
Tamil Nadu	1.8		—	1.8		—			3.6	3
Circle B										
Haryana	—		—	—	—				—	4
Kerala	—		—	—	—				—	4
Madhya Pradesh	3.8	—	—		—				3.8	3
Punjab	—		—	—			—		—	4
Rajasthan	1.8		—	1.8	—				3.6	3
Uttar Pradesh (east)	1.8		—	2.0	—				3.8	3
Uttar Pradesh (west)	1.8		—	1.8	—				3.6	3
West Bengal and A&N islands	3.6	—	—	3.6		1.8			9.0	2
Circle C										
Assam	—	—	—			1.8			1.8	4
Bihar	2.0	—	1.8			1.8			5.6	3
Himachal Pradesh	—	—	—		—	—			—	4
North East	1.8	1.8	—			1.8			5.4	3
Orissa	—	—	—			1.8			1.8	4
J&K	—		—			—			—	4

Source: COAI, Kotak Institutional Equities estimates.

Idea would need to take 17% of net additions to achieve IRR of 12.5%; we model its share of net additions at 10%
Hypothetical model of Idea's operations in Mumbai circle and share of net additions to earn WACC, March fiscal year-ends, 2007-2023E (Rs mn)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Revenues	**399**	**1,267**	**2,067**	**2,636**	**3,111**	**3,569**	**3,994**	**4,399**	**4,787**	**5,027**	**5,278**	**5,542**	**5,819**	**6,110**	**6,416**
Subscribers (mn)	0.2	0.5	0.7	0.9	1.0	1.1	1.2	1.3	1.3						
Idea market share (%)	1.6	3.2	4.1	4.7	5.1	5.5	5.8	6.1	6.3						
Idea share of net adds (%)	**9.2**	**16.6**	**16.6**	**16.6**	**16.6**	**16.6**	**16.6**	**16.6**	**16.6**						
Blended ARPU (Rs)	290	284	281	281	284	290	296	302	308						
Growth yoy (%)		(2.0)	(1.0)	—	1.0	2.0	2.0	2.0	2.0						
EBITDA margin (%)	(40)	(10)	15	20	25	30	35	37	39						
EBITDA	**(159)**	**(127)**	**310**	**527**	**778**	**1,071**	**1,398**	**1,628**	**1,867**	**1,960**	**2,058**	**2,161**	**2,269**	**2,383**	**2,502**
Depreciation	(270)	(518)	(518)	(518)	(518)	(518)	(518)	(518)	(518)	(518)	(518)	(518)	(518)	(518)	(518)
Pre-tax profits	(429)	(644)	(208)	10	260	553	880	1,110	1,349	1,443	1,541	1,644	1,752	1,865	1,984
Effective tax rate (%)	—	—	—	—	—	—	—	—	—	24	24	24	24	24	34
Tax (Rs mn)	—	—	—	—	—	—	—	—	—	(343)	(367)	(391)	(417)	(444)	(675)
Operating cash flow	**(159)**	**(127)**	**310**	**527**	**778**	**1,071**	**1,398**	**1,628**	**1,867**	**1,617**	**1,692**	**1,770**	**1,853**	**1,939**	**1,828**
Entry fees	(2,030)														
Capex	(6,740)	—	—	—	—	—	—	—	—	(129)	(194)	(259)	(324)	(388)	(611)
Cash outflow	(8,770)	—	—	—	—	—	—	—	—	(129)	(194)	(259)	(324)	(388)	(611)
Free cash flow	**(8,929)**	**(127)**	**310**	**527**	**778**	**1,071**	**1,398**	**1,628**	**1,867**	**1,488**	**1,498**	**1,511**	**1,529**	**1,551**	**1,217**
FCF for IRR	**(8,929)**	**(127)**	**310**	**527**	**778**	**1,071**	**1,398**	**1,628**	**1,867**	**1,488**	**1,498**	**1,511**	**1,529**	**1,551**	**16,221**
IRR (%)	**12.5**														
Key assumptions:															
Terminal year growth rate (%)	5.0														
WACC	12.5														
Maintenance capex as % of revenues	10.0														

Note:
(a) We assume Idea will claim Section 80 IA taxation benefits from the sixth year of its operations.

Source: Kotak Institutional Equities estimates.

Introduction of MNP saw a sharp increase in churn and substantial pricing pressure for the Finnish telecom operators

MNP case study: Finland

	Dec-03	Mar-04	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05	Dec-05
# of subscribers	4,749	4,789	4,829	4,891	4,950	5,066	5,128	5,209	5,292
# of mobile number portings		381	300	211	321	564	366	319	215
Portings as % of subs base		**8.0**	**6.2**	**4.3**	**6.5**	**11.3**	**7.2**	**6.2**	**4.1**
Blended churn, leading operator (%)	**20**	**37**	**31**	**22**	**26**	**34**	**29**	**25**	**18**
Blended ARPU, leading operator (US$/sub/month)	**46**	**47**	**48**	**47**	**44**	**40**	**38**	**37**	**35**
MOU, leading operator (min/sub/month)	**164**	**236**	**249**	**258**	**267**	**265**	**285**	**278**	**281**
RPM, leading operator (US cents)	**28.2**	**20.0**	**19.1**	**18.4**	**16.4**	**15.0**	**13.3**	**13.1**	**12.6**
EBITDA margin of the leading operator (%)	**35.3**	**38.4**	**38.8**	**40.5**	**33.0**	**33.3**	**27.8**	**35.0**	**29.5**

Increased churn led to severe pricing competition resulting in a sharp decline in revenue per minute (RPM) of the leading operator, Teliasonera

Note:

(1) MNP was launched in Finland in July 2003.

(2) Handset subsidy on 2G handsets is banned in Finland. 3G handset subsidies have been allowed since April 2006.

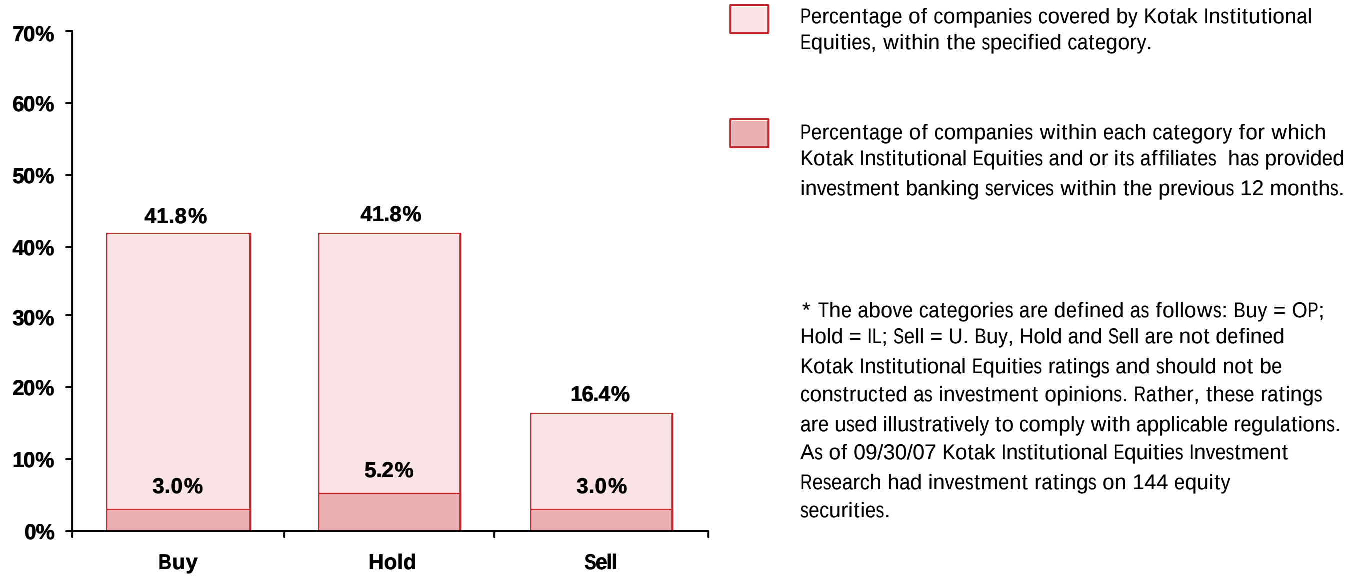
(3) Finland is among the few countries in the world where handset bundling is not allowed/ popular. This reflected in the high number of ports in Finland compared to other countries.

Source: NUMPAC 2006, Telegeography, Kotak Institutional Equities.

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

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



* The above categories are defined as follows: Buy = OP; Hold = IL; Sell = U. Buy, Hold and Sell are not defined Kotak Institutional Equities ratings and should not be constructed as investment opinions. Rather, these ratings are used illustratively to comply with applicable regulations. As of 09/30/07 Kotak Institutional Equities Investment Research had investment ratings on 144 equity securities.

Source: Kotak Institutional Equities. As of September 30, 2007

Ratings and other definitions/identifiers

New rating system

Definitions of ratings

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

Old rating system

Definitions of ratings

OP = Outperform. We expect this stock to outperform the BSE Sensex over the next 12 months.
IL = In-Line. We expect this stock to perform in line with the BSE Sensex over the next 12 months.
U = Underperform. We expect this stock to underperform the BSE Sensex over the next 12 months.

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

Other definitions

Coverage view. The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: Attractive (A), Neutral (N), Cautious (C).

Other ratings/identifiers

NR = Not Rated. The investment rating and target price, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.
CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.
NC = Not Covered. Kotak Securities does not cover this company.
RS = Rating Suspended. Kotak Securities Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
NA = Not Available or Not Applicable. The information is not available for display or is not applicable.
NM = Not Meaningful. The information is not meaningful and is therefore excluded.

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