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#### Daily Alerts

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#### News Round-up

- ▶ Foreign investors get more leeway. Foreigners allowed to invest in mutual funds. Cap of USD 10 bn proposal; Sebi to notify final rules by August 1. (BSTD)
- ▶ The finance ministry has decided to allow foreign direct investment (FDI) in proprietary trading, despite the RBI's opposition. RBI feels allowing foreign companies into this business may affect financial stability. (BSTD)
- ▶ RBI will announce the first quarterly review of monetary policy on July 26. This will be done in a meeting with the chief executives of major banks. (ECNT)
- ▶ More than 11 months after Vedanta Resources announced purchase of a majority stake in Cairn India (CAIR IN) from Cairn Energy, the two companies have announced new deal terms. Vedanta will not pay Cairn Energy a non-compete fee. This will provide it a cushion for taking the royalty hit on production from the Barmer block. Besides, the deal would be in two tranches. First 10% and then 30%, of which only the second would be subject to government approval. (BSTD)
- ▶ The first tranche of 10% of Cairn India (CAIR IN), will be completed on or before July 11. The removal of non-compete and associated fee was expected to result in a 5.3% fall in post-tax proceeds. It will lower the effective price from USD 8.66 (INR 405) a share to USD 7.85 (INR 355) a share. (BSTD)
- ▶ The Calcutta High Court turned down Tata Motors'(TTMT IN) plea to pass an interim order restraining the West Bengal Government from "distributing" the vested 'Nano' project land. (THBL)
- ▶ Bharti Airtel (BHARTI IN) launches 3G global video calling. (FNLE)
- ▶ Torrent Pharmaceuticals (TRP IN) plans to launch 35-40 drugs in Brazil in the next two years. (BSTD)
- ▶ Trent (TRENT IN) is in talks with the Spanish retailer Inditex to bring fashion brand Massimo Dutti to India. (BSTD)
- ▶ International Finance Corporation (IFC) has acquired a minority 3.38% stake in Simran Wind Project, a wholly owned subsidiary of Techno Electric & Engineering Company Ltd, at an investment of USD 5 mn. (BSTD)

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

### EQUITY MARKETS

India	Change %		
	27-Jun	1-day	1-mo 3-mo
Sensex (2.8)	18,412	0.9	0.8
Nifty (2.8)	5,527	1.0	0.9
<b>Global/Regional indices</b>			
Dow Jones (1.3)	12,044	0.9	(3.2)
Nasdaq Composite	2,688	1.3	(3.9) (1.6)
FTSE	5,722	0.4	(3.6) (3.1)
Nikkie	9,682	1.1	1.7 2.1
Hang Seng	22,131	0.4	(4.3) (4.1)
KOSPI	2,095	1.2	(0.2) 1.9
<b>Value traded – India</b>			
Cash (NSE+BSE)	142	127	142
Derivatives (NSE)	1,634	775	1,737
Deri. open interest	1,501	1,024	1,522

#### Forex/money market

	Change, basis points			
	27-Jun	1-day	1-mo	3-mo
Rs/US\$	45.0	4	(13)	20
10yr govt bond, %	8.3	1	(18)	27

#### Net investment (US\$mn)

	24-Jun	MTD	CYTD
FIs	227	(288)	(528)
MFs	13	218	(282)

#### Top movers -3mo basis

	Change, %			
	27-Jun	1-day	1-mo	3-mo
<b>Best performers</b>				
RBXY IN Equity	538.9	0.7	5.2	23.5
HH IN Equity	1852.2	(0.7)	0.1	23.4
APNT IN Equity	3114.2	4.5	3.6	23.2
HPCL IN Equity	415.4	5.8	11.3	22.8
DIVI IN Equity	761.2	0.6	1.5	18.9

#### Worst performers

POWF IN Equity	184.4	3.4	(7.6)	(25.8)
SHTF IN Equity	600.8	0.2	(14.2)	(24.2)
TCOM IN Equity	188.2	(0.3)	(12.5)	(23.8)
UT IN Equity	30.3	0.2	(8.3)	(22.8)
RECL IN Equity	193.1	2.8	(4.6)	(22.1)

JUNE 28, 2011

**UPDATE**

 Coverage view: **Cautious**

 Price (Rs): **24**

 Target price (Rs): **30**

 BSE-30: **18,412**

**Attractive valuations, improving pace of execution.** We reiterate our BUY rating on NHPC, as the CMP offers an attractive entry point with 30% upside to our target price of Rs30/share and reasonable trading multiples—0.9X P/B and 10X P/E on FY2013E. We are encouraged by the improved run-rate of capex that will likely translate into timely execution, even as we draw comfort from low-cost hydro generation that insulates the company from coal availability as well as offtake risk.

**Company data and valuation summary**

NHPC				Forecasts/Valuations		
Stock data				2011	2012E	2013E
52-week range (Rs) (high,low)	34-22		EPS (Rs)	1.3	1.9	2.3
Market Cap. (Rs bn)	289.1		EPS growth (%)	(27.2)	39.6	20.8
<b>Shareholding pattern (%)</b>				P/E (X)	17.4	12.5
Promoters	86.4		Sales (Rs bn)	49.6	58.8	69.1
FIs	1.7		Net profits (Rs bn)	16.6	23.2	28.0
MFs	0.6		EBITDA (Rs bn)	34.5	46.9	56.0
<b>Price performance (%)</b>		<b>1M</b>	<b>3M</b>	<b>12M</b>	EV/EBITDA (X)	12.9
Absolute	(5.4)	0.4	(17.5)	ROE (%)	6.3	8.2
Rel. to BSE-30	(6.2)	2.6	(21.3)	Div. Yield (%)	1.8	2.2
					2.6	

**Valuation attractive; CMP ascribes no value to growth portfolio**

NHPC offers a stable stream of operational cash flows driven by regulated returns on 5,270 MW of operational capacity (valued at Rs12.5/share) while investment and cash and equivalents account for another Rs11/share. The current market price, thus, implies limited value to the growth portfolio aggregating to 4.5 GW of capacity already under advance stages of construction. NHPC is trading at attractive valuations of 0.9X FY2013E book and 10X on FY2013E EPS and offers a stable stream of operational cashflow driven by regulated returns on 5,270 MW of operational capacity. We reiterate our BUY rating on NHPC with a target price of Rs30.

**Uptick in capex run rate encouraging, commissioning could drive stock performance**

NHPC has significantly upped its capex run rate with an estimated consolidated capex of Rs47 bn in FY2011 against Rs33 bn in FY2010. In our view, this signals an uptick in execution and augurs well for estimated capacity addition of 3.2 GW (effective) in FY2012-14E period. NHPC has just added 120 MW (Sewa II) in the past four years and, in our view, the incremental commissioning of capacities in the next few years could be a strong catalyst for the stock as it would restore investor faith in NHPC's delivery credentials which has admittedly taken a hit due to this long draught of capacity addition. We, however, do not rule out marginal slippages in commissioning owing to uncertainties inherent in the implementation of hydropower projects and highlight this as a key risk to our earnings and valuation estimates.

**Recently introduced water charges likely to be a pass through**

Jammu and Kashmir Government, as per the provisions of J&K Water Resources Act 2010, has started levying charges for usage of water in the state which directly impacts the hydro plants located in J&K. NHPC made a provisioning of Rs1.4 bn in FY2011 towards water charges payable to the state government. However, the management has indicated that it is confident of getting this charge approved by CERC and accordingly passed on to the beneficiaries. Current CERC regulations allow for pass through of taxes on raw materials for thermal power projects and any charge on usage of water should come under the ambit of raw material tax and should be a pass through, in our view.

 Murtuza Arsiwalla  
 murtuza.arsiwalla@kotak.com  
 Mumbai: 6634-1125

 Shubham Satyarth  
 shubham.satyarth@kotak.com  
 Mumbai: 6634-1320

 Kotak Institutional Equities Research  
 kotak.research@kotak.com  
 Mumbai: +91-22-6634-1100

### RoE to improve as capacities come on stream

NHPC earns effective yield on operational equity of 18-20% compared to the 15.5% RoE assured under the CERC-based tariff guidelines. The incremental returns are contributed by capacity incentives and savings, secondary energy sale and unscheduled interchange charges. However, large investments in low-income yielding treasury bonds and capital work in progress for future development projects draw down the overall return profile for NHPC. We note that as the projects commission, a bulk of CWIP will convert into return-yielding operational equity thus giving a boost to NHPC's overall RoE. We estimate NHPC's RoE to increase from extant levels of 6.5% to 10.6% by FY2015E.

### Relatively better placed to weather the macro headwinds

Hydro generation insulates NHPC from any adverse movement in either pricing or availability of fuel—a macro concern across most other utilities in the generation space. NHPC's generation is contingent on external factors such as water flow, though risk to earnings is limited since NHPC sells through regulated route under a cost-plus environment. Further, offtake risk is limited for NHPC as hydro-based generation makes NHPC one of the lowest cost producers of power in India. Deteriorating financials of State Electricity Boards (SEBs) have raised questions on their ability to buy high-cost power, and NHPC ranks highest in the merit order of dispatch.

Exhibit 1: Our SOTP-based valuation yields a target price of Rs30/share  
SOTP, NHPC (Rs mn, Rs/share)

	Value (Rs mn)	Value per share (Rs/share)
SOTP of power projects (Rs mn)	233,854	19
Cash (Rs mn)	111,816	9
Investments (Rs mn)	10,219	1
Loans and advances (Rs mn)	17,137	1
<b>Total value (Rs mn)</b>	<b>373,025</b>	<b>30</b>

Source: Kotak Institutional Equities estimates

Exhibit 2: NHPC is trading at 0.9X P/B on FY2013E net worth  
Valuation of NHPC at CMP.

	2010	2011	2012	2013	2014	2015	2016
<b>Valuations (at CMP)</b>							
			533096-IN				23.4
No. of shares	12,301	12,301	12,301	12,301	12,301	12,301	12,301
Book value (Rs)	20	22	23	25	27	29	31
Networth	241,564	264,625	282,732	303,479	326,832	351,605	377,703
Market cap	287,837	287,837	287,837	287,837	287,837	287,837	287,837
<b>P/B (X)</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>
EPS	1.9	1.3	1.9	2.3	2.3	2.8	3.1
<b>P/E (X)</b>	<b>13</b>	<b>17</b>	<b>12</b>	<b>10</b>	<b>10</b>	<b>8</b>	<b>8</b>
RoE (%)	10	7	9	10	9	11	11
RoCE (%)	7	5	7	7	8	9	9
Net debt	101,620	125,063	90,459	75,229	50,843	1,515	(51,889)
EV	389,457	412,900	378,296	363,066	338,680	289,352	235,949
<b>EV/EBITDA (X)</b>	<b>9.4</b>	<b>12.0</b>	<b>8.1</b>	<b>6.5</b>	<b>4.7</b>	<b>3.7</b>	<b>3.1</b>

Source: Company, Kotak Institutional Equities estimates

Exhibit 3: Effective RoE to increase as more operational equity replaces CWIP equity  
Effective RoE of NHPC (%)

	2010	2011E	2012E	2013E	2014E	2015E
Regulated return on equity (%)	15.5	15.5	15.5	15.5	15.5	15.5
<b>Incremental return</b>						
Capacity incentive and savings	0.1	0.8	1.0	1.3	1.4	1.5
Secondary energy sale	0.5	1.1	1.0	1.0	1.0	1.1
UI	0.9	1.2	1.1	1.1	1.2	1.3
<b>Effective return on operational equity</b>	<b>17.0</b>	<b>18.6</b>	<b>18.6</b>	<b>18.9</b>	<b>19.2</b>	<b>19.3</b>
Return from other income	5.0	5.2	6.6	6.0	5.6	5.8
<b>Effective RoE</b>	<b>10.3</b>	<b>6.8</b>	<b>7.8</b>	<b>8.3</b>	<b>9.5</b>	<b>10.5</b>

Source: Company, Kotak Institutional Equities estimates

Exhibit 4: Execution slippages could be a dampener, though capex incurred comforting  
Details of NHPC's projects under construction

	Total capacity (MW)	Design energy (mn units)	COD			Project execution cost (Rs bn)		Remarks
			Initial	Revised	Assumed	Latest	Original	
Teesta Low Dam III	132	594	FY2007	FY2011	Mar-12	14.1	7.7	Work held up at site from May-July 2010 due to local issues. Frequent interruption of work
Teesta Low Dam IV	160	720	FY2010	FY2012	Sep-11	14.6	10.6	Work held up at site from May-July 2010 due to local issues. Frequent interruption of work
Uri II	240	1,124	FY2010	FY2011	Apr-12	17.0	17.2	Work affected by earthquake and landslides
Parbati II	800	3,109	FY2010	XIth plan	Mar-13	40.8	39.2	E&M work on power house has nowbeen resumed
Chamera III	231	1,108	FY2011	FY012	May-11	19.4	14.1	T&G erection for Unit 3 in progress
Nimmo-Bazgo	45	239	FY2011	FY2012	Aug-11	9.1	6.1	Delay in supply of E&M and HM parts by BHEL due to civil disturbance in Kashmir.
Parbati III	520	1,963	FY2011	FY2012	Sep-11	21.0	23.0	Delay in award of E&M contract
Chutak	44	213	FY2011	FY2012	Aug-11	9.8	6.2	Delay in supply of E&M and HM parts by BHEL due to civil disturbance in Kashmir.
Subansiri (Lower)	2,000	7,422	FY2011	XIth plan	Sep-13	81.6	62.9	Plagued by law and order problems
Kishanganga	330	1,350	FY2017	FY2017	Jun-16	36.4	36.4	Progress affected due to civil disturbance in Kashmir
<b>Total</b>	<b>4,502</b>	<b>17,842</b>				<b>263.9</b>	<b>223.4</b>	

Source: CEA, Company, Kotak Institutional Equities

Exhibit 5: Profit model, balance sheet, cash model of NHPC 2008-15E, March fiscal year-ends (Rs mn)

	2008	2009	2010	2011	2012E	2013E	2014E	2015E
<b>Profit model</b>								
Net revenues	29,726	34,767	52,273	49,650	58,828	69,082	89,384	97,133
<b>EBITDA</b>	<b>22,150</b>	<b>23,110</b>	<b>41,290</b>	<b>34,524</b>	<b>46,890</b>	<b>56,043</b>	<b>72,190</b>	<b>77,417</b>
Other income	4,572	5,953	6,473	9,858	12,084	12,868	13,644	14,134
Interest expense	(6,377)	(7,760)	(7,394)	(6,709)	(11,244)	(13,197)	(22,107)	(19,891)
Depreciation	(5,455)	(6,441)	(12,827)	(11,666)	(12,538)	(14,914)	(18,927)	(22,149)
<b>Pretax profits</b>	<b>14,890</b>	<b>14,863</b>	<b>27,542</b>	<b>26,008</b>	<b>35,191</b>	<b>40,800</b>	<b>44,800</b>	<b>49,510</b>
Tax	(1,896)	(1,552)	(3,475)	(6,934)	(7,094)	(8,219)	(9,538)	(10,644)
Deferred taxation	—	—	(1,292)	(1,011)	(2,223)	(1,660)	(3,912)	(1,400)
Minority interest	(1,533)	(1,462)	(1,020)	(1,466)	(2,700)	(2,917)	(2,692)	(2,804)
<b>Net income</b>	<b>11,462</b>	<b>11,849</b>	<b>21,756</b>	<b>16,597</b>	<b>23,173</b>	<b>28,004</b>	<b>28,658</b>	<b>34,663</b>
Extraordinary items	—	—	—	6,565	—	—	—	—
Reported profit	11,462	11,849	21,756	23,162	23,173	28,004	28,658	34,663
<b>Earnings per share (Rs)</b>	<b>1.0</b>	<b>1.1</b>	<b>1.9</b>	<b>1.3</b>	<b>1.9</b>	<b>2.3</b>	<b>2.3</b>	<b>2.8</b>
<b>Balance sheet</b>								
Paid-up common stock	111,825	111,825	123,007	123,007	123,007	123,007	123,007	123,007
Total shareholders' equity	189,310	197,678	251,072	273,880	289,765	308,852	328,293	351,667
Advance against depreciation (AAD)	13,033	14,245	15,398	15,076	13,112	11,968	10,825	9,682
Minority interest	13,968	14,944	15,895	17,357	20,058	22,975	25,667	28,471
Total borrowings	128,555	149,310	163,515	167,716	218,228	216,449	201,581	186,713
Deferred tax liabilities	—	—	2,521	2,774	4,997	6,656	10,568	11,968
<b>Total liabilities and equity</b>	<b>344,865</b>	<b>376,177</b>	<b>448,402</b>	<b>476,803</b>	<b>546,158</b>	<b>566,900</b>	<b>576,935</b>	<b>588,501</b>
Net fixed assets	236,171	238,323	223,016	221,576	269,067	284,109	387,231	365,082
Capital work-in progress	74,098	105,050	140,620	177,427	154,950	150,277	36,824	45,420
Investments	20,468	17,912	33,455	43,194	10,219	7,654	5,090	2,525
Miscellaneous expenses not w/o	3	23	—	—	—	—	—	—
Cash	23,459	26,061	61,895	42,653	127,769	141,220	150,739	185,199
Net current assets (incl. cash)	14,124	14,868	51,311	34,606	111,923	124,860	147,790	175,473
<b>Total assets</b>	<b>344,865</b>	<b>376,177</b>	<b>448,402</b>	<b>476,803</b>	<b>546,158</b>	<b>566,900</b>	<b>576,935</b>	<b>588,501</b>
<b>Free cash flow</b>								
Operating cash flow, excl. working capital	20,594	20,964	39,277	36,223	38,671	46,352	53,046	59,873
Working capital changes	5,017	1,858	(608)	(2,538)	7,799	514	(13,411)	6,777
Capital expenditure	(35,265)	(39,545)	(33,090)	(47,032)	(37,552)	(25,284)	(8,596)	(8,596)
<b>Free cash flow</b>	<b>(9,654)</b>	<b>(16,723)</b>	<b>5,579</b>	<b>(13,347)</b>	<b>8,918</b>	<b>21,582</b>	<b>31,039</b>	<b>58,053</b>
<b>Ratios</b>								
Net debt/equity (%)	0	34	33	26	24	23	21	20
Return on equity (%)	6.7	6.5	10.3	6.6	8.6	9.7	9.3	10.6
Book value per share (Rs)	16	17	20	22	23	25	27	29
<b>ROCE (%)</b>	<b>5.7</b>	<b>5.7</b>	<b>7.4</b>	<b>4.9</b>	<b>6.7</b>	<b>7.4</b>	<b>8.2</b>	<b>9.0</b>

Source: Company, Kotak Institutional Equities estimates

**JUNE 27, 2011**
**UPDATE**

Coverage view: **Attractive**

Price (Rs): **128**

Target price (Rs): **160**

BSE-30: **18,412**

**Moderating growth, margins buffer.** We believe that IDFC's loan growth will moderate to about 25% yoy in FY2012E from 50% in FY2011. Traction in roads will somewhat offset lower volumes in telecom and power. On the positive side, margins will likely better expectations and can provide a positive surprise on the back of easing competitive intensity and lower bulk borrowings rates. We are revising our estimates and price target to Rs160 (Rs170 earlier), reiterate ADD rating. Post recent correction, the stock trades at 10.4X PER and 1.4X PBR FY2013E.

**Company data and valuation summary**

IDFC				Forecasts/Valuations			2011	2012E	2013E
<b>Stock data</b>									
52-week range (Rs) (high,low)	218-111			EPS (Rs)			8.8	10.1	12.2
Market Cap. (Rs bn)	192.2			EPS growth (%)			18.8	15.1	21.0
<b>Shareholding pattern (%)</b>				P/E (X)			14.5	12.6	10.4
Promoters	0.0			NII (Rs bn)			16.5	20.8	25.0
FIs	51.1			Net profits (Rs bn)			12.8	15.2	18.4
MFs	3.8			BVPS			69.1	82.5	92.0
<b>Price performance (%)</b>				P/B (X)			1.8	1.5	1.4
Absolute	1M	3M	12M	ROE (%)			14.7	13.3	14.0
	(7.4)	(18.0)	(24.3)	Div. Yield (%)			1.2	1.5	1.9
Rel. to BSE-30	(8.1)	(16.2)	(27.7)						

**Loan growth will be back-ended**

IDFC's loan book will remain somewhat stable for next 1-2 quarters as the investments in infrastructure have slowed down. The company expects growth to be back-ended in FY2012E. Rise in interest rates, regulatory uncertainty (resulting in delay for award of projects) and environmental approvals have affected the pace of growth. We are modeling 22-24% loan growth over the next two years (25-35% earlier). While capex in power sector moderates, we expect growth in roads (on a low base) to pick up over the next few quarters.

**Better-than-expected scenario for NIM**

We are raising our NIM estimates for IDFC by 10-15 bps. We now expect IDFC's margins to decline by 10 bps yoy. The decline in spread will be higher at 50 bps yoy in FY2012E; the recent capital issuance will provide cushions to margins.

- ▶ The competitive intensity between lenders has eased considerably with the rise in PLR/base rate by public banks and more specifically SBI. IDFC is now better-placed to pass on rise in lending rates to its customers.
- ▶ After a sharp rise, a decline in CP rates over the last few days provides some comfort on the liability side. While we expect bulk borrowings rates to remain volatile in the near term, this is the first sign of topping off of interest rates. IDFC has guided for stable yoy spreads unlike a guidance of declining spreads in the past.

**Revising estimates, retain ADD with price target of Rs160**

We are revising down our estimates by 4-5% to factor lower loan growth. Higher NIM will somewhat offset the decline in NII due to lower loan growth. We have also reduced our estimates for IDFC Capital (SSKI) to factor lower investment banking and broking income. We are revising our price target to Rs160 (from Rs170 earlier) to factor lower core income. At our price target, IDFC will trade at 1.8X PBR and 13.5X PER FY2013E.

Nischint Chawathe  
nischint.chawathe@kotak.com  
Mumbai: 6634-1545

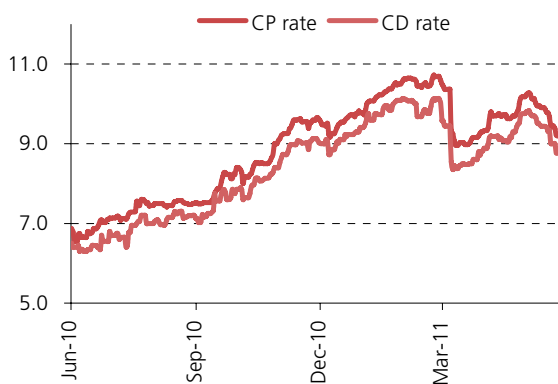
Manish Karwa  
manish.karwa@kotak.com  
Mumbai: 6634-1350

M.B. Mahesh  
mb.mahesh@kotak.com  
Mumbai: 6634-1231

Kotak Institutional Equities Research  
kotak.research@kotak.com  
Mumbai: +91-22-6634-1100

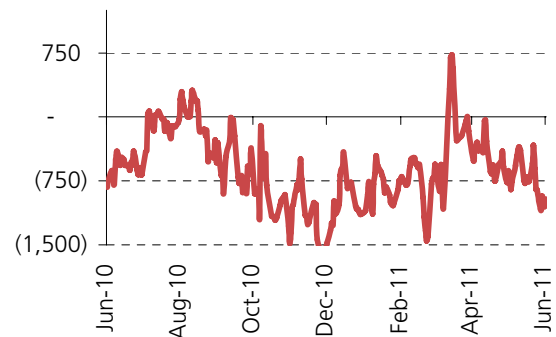
- ▶ We value the core business at 1.9X PBR FY2013E for medium-term RoE of about 17%. Core RoEs will, however, remain low at about 15-16% in FY2012E and FY2013E due to sub-optimal leverage.
- ▶ We value IDFC AMC at Rs10 bn, i.e. 3.5% of FY2013E AUMs—we are modeling about 15-20% yoy growth in AUMs. Notably, in December 2010, IDFC entered into an agreement with Natixis to sell 25% stake at a valuation of Rs9.3 bn.
- ▶ We value IDFC's alternative funds at about 10% of AUMs. The India Development Fund (first PE fund) is in the money and hence valued at 25% of AUMs.

**CP rates have eased in the last few days**  
CP and CD rates, June 2010-June 2011 (%)



Source: FIMDA

**Liquidity deficit remains high**  
Net Reverse Repo amount outstanding, June 2010-June 2011 (Rs bn)

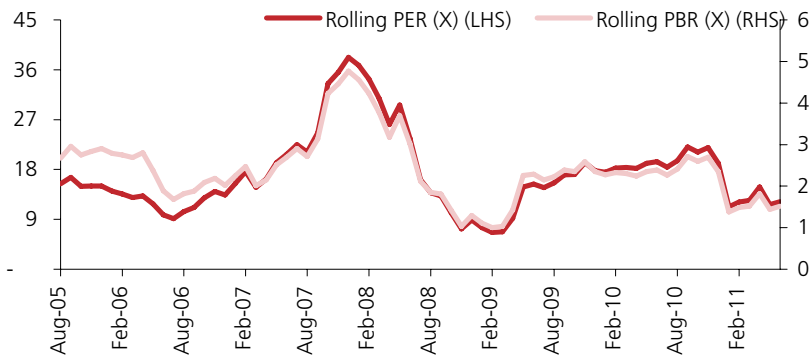


Source: FIMDA

### IDF—structurally positive; IDFC is well-placed

We believe that IDFC is best-placed to promote/ sponsor infrastructure debt fund (IDFs). The company has already promoted a project equity fund with a corpus of US\$930 mn. Last week, the Ministry of Finance finalized the structure of IDF. An IDF can be set up as a trust (as an MF) or as a company (NBFC). Akin to a project equity fund, IDF would refinance projects that are completed and in operations for one year. The government expects IDFs to attract long-term funds from pension and insurance companies and can be supported by external credit enhancement. The regulators (RBI for NBFCs and SEBI for MFs) will likely release detailed guidelines for IDFs.

IDFC- 1-year fwd rolling PER and PBR (X)  
August 2005-April 2011



Source: Bloomberg, Kotak Institutional Equities estimates

IDFC: Sum-of-the parts based valuation  
March fiscal year-end, 2013E

	Valuation (Rs mn)	Value per share (Rs)	Comments
IDFC (core)	191,234	127	Based on residual growth model- implies 1.9X core PBR for medium term RoE of 17%
IDFC (Private equity)	7,702	5	10% of FY2013E AUM - US\$1.8 bn
IDFC (Project equity)	7,000	5	10% of FY2013E AUM - US\$1.4 bn
IDFC MF	10,080	7	4% of FY2013E AUMs
IDFC Capital	7,470	5	10X FY2013E PAT
IDFC's investment in NSE	10,200	7	12X FY2013E PER
Value of market investments	10,894	7	At book value
<b>Total</b>	<b>234,398</b>	<b>163</b>	

Source: Kotak Institutional Equities estimates

### Roads sector well-placed at this juncture—key takeaways from KIE infrastructure conference

The energy sector has driven about half of IDFC's loan growth in FY2011 while the share of roads was about 30%. IDFC's management has highlighted that the traction in the road sector is relatively stronger and hence, the latter will play a bigger role over the next few quarters. Notably, during 4QFY11, over 50% of the incremental disbursements were driven by the transportation sector. Companies, consultants and rating agencies now seem to be relatively more positive on the road sector though growth may be below Planning Commission estimates. We highlight some of the takeaways from the KIE Infrastructure conference hosted in Mumbai last week.

- ▶ According to IRB, most large projects (>Rs15-20 bn) can earn 16-20% IRRs. Key assumptions in bidding include (1) traffic growth of about 5-7%, (2) interest rate of 10-11%, and (3) cost of capital of 12%. IRB and IL&FS would primarily focus on large-sized projects which have lesser competition—15 odd qualified bidders and 4-5 serious bids. Further, IL&FS believes that the uniform distribution of awards by NHAI would benefit the road sector and may lead to saner bidding in future awards.



- ▶ Smaller projects have seen aggressive bidding. According to IL&FS, promoters have bid aggressively (at single-digit IRRs) even for annuity projects; projects in the range of Rs3-10 bn have seen as many as 40 players bidding.
- ▶ Infrastructure companies are not worried about access to bank credit. Slowing credit in other sectors and enough headroom for growth (before breaching limits) will likely drive bank funding.
- ▶ Rating agencies are not much concerned on the road sector as traffic projections in most projects are in line with their assumptions and most projects on the road front seem to be on schedule, as of now.
- ▶ The Government is aiming to augment long-term debt funds for infrastructure through tax-free bonds, infrastructure debt funds (including credit enhancement) so that pension funds can invest in infrastructure projects; take out financing scheme of IIFCL. Last week, the Ministry of Finance announced the structure for infrastructure debt fund (as discussed above).

#### Concerns on power sector—key takeaways from KIE infrastructure conference

- ▶ According to rating agencies, most of the projects in the power sector are in the moratorium period and hence, there are no large worries on debt servicing as of now. Even in the medium term, prospective projects which have strong promoter backing should not face an issue. However, there have been some issues that are not monitored closely for power projects, which have a higher reliance on merchant power.
- ▶ Feedback Infrastructure maintained that most of the new linkage-based plants will manage about 50% of their normative requirement (85% PLF) for the next 2-3 years from Coal India and would have to resort to coal imports. Further, state electricity boards would be unwilling to purchase high-cost power (unless operating in scenario of approaching assembly or general elections) which would render the merchant capacities running on imported coal an unviable option. The scenario is likely to get worse when the pace of commissioning gathers momentum.

## IDFC - old and new estimates

March fiscal year-ends, 2012-13E (Rs mn)

	Old estimates		New estimates		Old vs New (%)	
	2012E	2013E	2012E	2013E	2012E	2013E
<b>Net interest income</b>	<b>21,103</b>	<b>25,995</b>	<b>20,780</b>	<b>24,962</b>	<b>(2)</b>	<b>(4)</b>
NIM (%)	3.8	3.7	3.9	3.9	-	-
Treasury and bank bal.	92,474	100,077	92,474	100,077	-	-
Cash and bank	24,281	24,828	24,281	24,828	-	-
Treasury book	68,193	75,248	68,193	75,248	-	-
Infrastructure loans	510,791	630,828	464,609	578,127	(9)	(8)
Loan loss provisions	1,773	2,283	1,680	2,085	(5)	(9)
Other income	8,723	10,795	7,860	10,122	(10)	(6)
Fee income	7,087	8,549	6,224	7,875	(12)	(8)
Capital gains	1,636	2,247	1,636	2,247	-	-
Operating expenses	6,741	8,302	6,422	8,122	(5)	(2)
Employee expenses	3,960	5,132	3,715	5,056	(6)	(1)
<b>PBT</b>	<b>21,571</b>	<b>26,465</b>	<b>20,798</b>	<b>25,136</b>	<b>(4)</b>	<b>(5)</b>
Tax	5,776	7,057	5,561	6,695	(4)	(5)
<b>Net profit</b>	<b>15,795</b>	<b>19,408</b>	<b>15,236</b>	<b>18,441</b>	<b>(4)</b>	<b>(5)</b>
<b>PBT-treasury+provisions</b>	<b>20,948</b>	<b>25,742</b>	<b>20,082</b>	<b>24,216</b>	<b>(4)</b>	<b>(6)</b>

Source: Kotak Institutional Equities estimates

IDFC (consolidated), key ratios  
March fiscal year-ends, 2007-13E (%)

	2007	2008	2009	2010	2011E	2012E	2013E
<b>Income Statement growth rate (%)</b>							
Operating income	64	70	38	4	30	35	24
Net fund based income	51	63	35	26	42	26	20
Fee income	160	64	8	16	30	(3)	27
On AUM	84	5	287	(8)	25	7	15
Other operating income	7	29	(15)	81	(30)	(30)	37
Operating expenses	43	228	55	9	30	20	26
<b>Net profit</b>	<b>60</b>	<b>21</b>	<b>1</b>	<b>44</b>	<b>17</b>	<b>19</b>	<b>21</b>
Core operating profit (PBT-treasury+provisions)	84	42	16	26	37	20	21
<b>Balance Sheet growth rate (%)</b>							
<b>Assets</b>							
Investments	52	174	40	(24)	44	9	9
Infrastructure loans	37	43	3	22	50	24	24
<b>Total assets</b>	<b>44</b>	<b>61</b>	<b>7</b>	<b>13</b>	<b>43</b>	<b>20</b>	<b>21</b>
<b>Liabilities</b>							
Loan funds	57	57	7	13	41	23	24
<b>Total liabilities</b>	<b>52</b>	<b>55</b>	<b>6</b>	<b>13</b>	<b>41</b>	<b>20</b>	<b>23</b>
<b>Shareholders equity</b>	<b>14</b>	<b>90</b>	<b>10</b>	<b>14</b>	<b>48</b>	<b>19</b>	<b>11</b>
<b>Key ratios (%)</b>							
<b>Yield on</b>							
Earning assets exld treasury assets	9.1	10.2	11.3	10.7	10.5	10.7	11.0
Earning assets incl treasury income and assets	9.7	10.5	11.1	10.9	10.4	10.5	10.9
Infrastructure loans	9.3	10.2	11.8	11.3	11.1	11.3	11.5
Interest on bank deposits	8.4	16.0	10.0	12.7	105.3	156.8	151.8
Average cost of funds	7.2	8.1	9.1	7.8	7.5	8.1	8.4
Capital gains to eqty investments	21.3	20.6	10.1	14.1	10.2	7.6	9.9
<b>NIM (excl capital gains)</b>	<b>2.8</b>	<b>3.0</b>	<b>3.2</b>	<b>3.6</b>	<b>4.0</b>	<b>3.9</b>	<b>3.9</b>
Employee .exp to income	0.5	1.1	1.3	1.3	1.3	13.0	14.4
Operating expnses/ income	9.0	18.9	24.8	20.7	21.2	22.4	23.1
<b>Du Pont (%age of average assets)</b>							
Net interest income	2.8	3.0	3.1	3.6	3.9	3.8	3.8
Loan loss provisions	0.1	0.3	0.5	0.4	0.6	0.3	0.3
Other operating income	2.7	2.7	2.1	2.6	2.1	1.5	1.6
Operating expenses	0.5	1.1	1.3	1.3	1.3	1.2	1.2
<b>ROA</b>	<b>4.1</b>	<b>3.2</b>	<b>2.6</b>	<b>3.3</b>	<b>3.1</b>	<b>2.8</b>	<b>2.8</b>
Average assets/average equity	5.5	5.5	5.0	4.9	4.8	4.7	5.0
<b>ROE</b>	<b>22.6</b>	<b>17.6</b>	<b>12.9</b>	<b>16.6</b>	<b>14.7</b>	<b>13.3</b>	<b>14.0</b>

Source: Company, Kotak Institutional Equities estimates

IDFC (consolidated): Income statement and balance sheet  
March fiscal year-ends, 2007-13E (Rs mn)

	2007	2008	2009	2010	2011E	2012E	2013E
Total income	16,917	27,928	36,338	39,446	49,337	62,395	77,900
Operating income	12,778	21,700	30,032	31,132	40,322	54,275	67,518
Dividend	91	62	542	1,321	147	130	137
Other charges	136	101	-	15	15	15	15
<b>Net fund based income</b>	<b>4,223</b>	<b>6,866</b>	<b>9,237</b>	<b>11,630</b>	<b>16,487</b>	<b>20,780</b>	<b>24,962</b>
Less: provisions for NPLs	174	688	1,495	1,304	2,347	1,680	2,085
Net fund based income post provisions	4,049	6,178	7,742	10,326	14,140	19,100	22,877
Fee income	2,406	3,944	4,253	4,951	6,415	6,224	7,875
SSKI		1,873	1,070	1,793	2,001	1,691	2,217
On guarantees/commissions- standalone	656	1,515	1,032	1,184	1,940	1,890	2,607
Fees on AMC	528	556	2,150	1,975	2,474	2,643	3,051
Net operating income	8,137	12,288	13,835	18,608	22,895	26,960	32,999
Operating expenses	745	2,447	3,795	4,121	5,350	6,422	8,122
Profit before tax	7,444	9,959	10,254	14,519	17,805	20,798	25,136
Tax	1,235	2,463	2,697	3,611	4,991	5,561	6,695
<b>Net profit</b>	<b>6,209</b>	<b>7,496</b>	<b>7,557</b>	<b>10,908</b>	<b>12,814</b>	<b>15,236</b>	<b>18,441</b>
% growth	60	21	1	44	17	19	21
Minority interest	—	143	62	-	-	-	-
<b>Net profit post minority interest</b>	<b>6,209</b>	<b>7,353</b>	<b>7,495</b>	<b>10,908</b>	<b>12,814</b>	<b>15,236</b>	<b>18,441</b>
PBT - treasury	5,710	7,675	8,200	11,157	15,205	18,902	22,630
% chg	112	34	7	36	36	24	20
PBT - treasury + provisions	5,884	8,363	9,695	12,190	16,751	20,082	24,216
No. of shares	1,126	1,294	1,295	1,301	1,458	1,506	1,506
<b>Balance Sheet</b>							
<b>Assets</b>							
Mutual Funds	3,477	7,148	100	1,378	1,376	1,376	1,376
Equity Shares	6,147	12,606	19,652	20,910	15,882	16,676	17,509
Venture Capital Units	954	1,273	2,983	3,784	5,308	5,397	5,926
Infrastructure loans	139,155	199,024	205,918	250,270	375,520	464,609	578,127
Current assets	18,287	28,674	17,950	31,954	28,340	28,832	29,379
Fixed assets	486	3,812	4,438	4,330	4,470	4,427	4,647
Other assets	854	953	1,393	1,743	1,830	1,922	2,018
<b>Total assets</b>	<b>178,506</b>	<b>286,600</b>	<b>305,583</b>	<b>345,830</b>	<b>493,190</b>	<b>590,055</b>	<b>712,854</b>
<b>Liabilities</b>							
Subordinated debt (unsecured)	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Loan funds	137,136	214,784	228,791	258,940	364,940	447,856	555,779
Current liabilities and provisions	5,561	9,484	8,622	10,290	17,670	11,420	12,037
<b>Total liabilities</b>	<b>149,197</b>	<b>230,767</b>	<b>243,913</b>	<b>275,730</b>	<b>389,110</b>	<b>465,776</b>	<b>574,316</b>
Paid-up capital	11,259	12,943	12,953	13,006	14,584	15,061	15,061
Reserves and surplus	18,049	42,889	48,717	57,094	89,496	109,218	123,477
<b>Shareholders equity</b>	<b>29,308</b>	<b>55,832</b>	<b>61,670</b>	<b>70,100</b>	<b>104,080</b>	<b>124,279</b>	<b>138,538</b>

Source: Company, Kotak Institutional Equities estimates

JUNE 27, 2011

UPDATE

BSE-30: 18,241

**Where have all the girls gone?** Analysis of newly released data from the 66th round of the National Sample Survey Organization (NSSO) survey reveals (1) stagnation in employment creation as women drop out of the workforce, (2) an increasing dependency ratio, and (3) increased 'casualization'. On the brighter side, (1) manufacturing jobs are being generated and (2) wage increases significantly overshadow consumer price inflation. India needs a better job-creating machine.

### Unemployment falls; female labor force participation falls even more dramatically

Unemployment rate has fallen dramatically (see Exhibit 1) between the two NSSO surveys (66th round covering 100,957 households over the period July 2009 to June 2010 and 61st round covering 79,306 households over July 2004 to June 2005), whether measured on usual status (to 2% from 2.3%) or current daily status (to 6.6% from 8.2%). There has been a dramatic fall in the labor force participation ratio (LFPR) of women in both rural areas (to 26.5% from 33.3%) and urban (to 14.6% from 17.8%). Less than one in four women now works, down from three in 10.

### Men replace women as few new jobs created; dependency ratio rises

Reading the survey numbers along with the recently released Census findings (for more, please refer our April 4 note: "*Census 2011: More of the same*"), the fall in the overall workforce participation ratio (WPR, driven by the fall in female LFPR) has meant that only 4 mn new employment opportunities have been created between the two survey periods (while the population rose by 91 mn). As fewer active workers fend for an increasing population, the dependency ratio has risen to 1.6 from 1.2 over the two survey periods (see Exhibit 2).

### Casualization of labor is increasing, even as manufacturing is creating jobs

A larger proportion of workers across both rural areas (at 38.6% from 34.6%) and urban (at 17.5% from 11.8%) have become 'casual labor', even as the proportion of 'self-employed' and 'regular wage/salaried' falls (see Exhibit 3). Manufacturing created 16 mn employment opportunities (of which 12 mn for rural males) even as agriculture lost 17 mn workers (as 20 mn rural women went out). Tertiary sector created 5 mn opportunities, almost all for males.

### Wages have risen strongly across India, beating consumer price inflation

The brightest sign for workers across the country is that average wage rates over the country (across both urban and rural, and men and women) have risen between 11.4-15.1% per annum over the survey periods, which compares very favorably with the consumer price inflation of 8.5% per annum between the two survey periods (see Exhibit 4). Urban India has seen better wage hikes than rural India in the 'regular wage/salaried' segment while the 'casual laborer' in rural India saw a marginally better rise than his urban counterpart.

### India needs to create better and more employment opportunities

We note that women in rural areas receive ₹69 for casual labor in works other than public works, while in public works (whether under MGNREGS or otherwise), they receive close to ₹87. There is limited data to say whether rural women are moving to public works: in FY2011, women comprised 48% of the person-days in MGNREGS). India needs to create a significantly better and larger number of employment opportunities for both men and women so as to ably harness the upcoming 'demographic dividend'.

### QUICK NUMBERS

- **Less than one in four women now works; down from three in 10**
- **Only 4 mn new employment opportunities even as population rose by 91 mn**
- **Wages have risen between 11.4-15.1% pa, compared to consumer price inflation of 8.5% pa**

Akhilesh Tilotia  
akhilesh.tilotia@kotak.com  
Mumbai: 6634-1139

### Understanding the terminology

Labor-force refers to persons who were either 'employed' or 'unemployed'. The labor-force participation rate (LFPR), as represented in the exhibits below, is defined as the number of persons in the labor-force per 100 persons. Similarly, the number of persons/person-days employed per 100 persons/person-days is referred to as work-force participation rates (WFPR) or worker-population ratio (WPR).

Employment and unemployment were measured, with three different approaches, viz., usual status approach (us), current weekly status approach (cws) and current daily status approach (cds) by using three different reference periods. For the usual status approach, the reference period was one year and that for current weekly status approach was one week. The current daily status was determined based on the activities pursued by persons on each day of the reference week. In the survey, information on usual principal activity (ps) as well as usual subsidiary activities (ss) pursued by the sample persons was collected.

**Exhibit 1: Unemployment falls; female labor force participation falls even more dramatically**

Employment statistics, various NSSO rounds, June year-ends, 2005 and 2010

NSS - 66th round	Rural			Urban			Rural+Urban		
	Male	Female	Person	Male	Female	Person	Male	Female	Person
Labor force participation ratio	55.6	26.5	41.4	55.9	14.6	36.2	55.7	23.3	40.0
Workforce participation ratio	54.7	26.1	40.8	54.3	13.8	35.0	54.6	22.8	39.2
Persons unemployed	0.9	0.4	0.7	1.6	0.8	1.2	1.1	0.5	0.8
Unemployment rate (ps+ss)	1.6	1.6	1.6	2.8	5.7	3.4	2.0	2.3	2.0
Unemployment rate (cws)	6.4	8.0	6.8	5.1	9.1	5.8	6.1	8.2	6.6
<b>NSS - 61st round</b>									
Labor force participation ratio	55.5	33.3	44.6	57.0	17.8	38.2	55.9	29.4	43.0
Workforce participation ratio	54.6	32.7	43.9	54.9	16.6	36.5	54.7	28.7	42.0
Persons unemployed	0.9	0.6	0.7	2.2	1.2	1.7	1.2	0.8	1.0
Unemployment rate (ps+ss)	1.6	1.8	1.7	3.8	6.9	4.5	2.2	2.6	2.3
Unemployment rate (cws)	8.0	8.7	8.2	7.5	11.6	8.3	7.8	9.2	8.2
<b>Difference</b>									
Labor force participation ratio	0.1	-6.8	-3.2	-1.1	-3.2	-2.0	-0.2	-6.1	-3.0
Workforce participation ratio	0.1	-6.6	-3.1	-0.6	-2.8	-1.5	-0.1	-5.9	-2.8
Persons unemployed	-	-0.2	-	-0.6	-0.4	-0.5	-0.1	-0.3	-0.2
Unemployment rate (ps+ss)	-	-0.2	-0.1	-1.0	-1.2	-1.1	-0.2	-0.3	-0.3
Unemployment rate (cws)	-1.6	-0.7	-1.4	-2.4	-2.5	-2.5	-1.7	-1.0	-1.6

Source: NSSO-66th round, KIE calculations

Exhibit 2: Men replace women as few new jobs created; dependency ratio rises  
Employment statistics and dependency ratios, June year-ends, 2005 and 2010

Population (mn)	Rural			Urban			Rural+Urban		
	Male	Female	Person	Male	Female	Person	Male	Female	Person
Census 2011	449	425	874	177	160	337	627	584	1,211
Census 2001	172	161	333	360	336	696	532	497	1,029
Derived population of 2006	416	393	808	164	148	312	579	541	1,120
Difference	34	32	66	13	12	25	47	44	91

Labor force participation (mn)									
2011	250	113	362	99	23	122	349	136	484
2006	231	131	361	93	26	119	324	157	482
Difference	19	-18	1	6	-3	3	25	-21	3

Workforce participation (mn)									
2011	246	111	357	96	22	118	342	133	475
2006	227	128	355	90	25	114	317	153	470
Difference	19	-18	2	6	-2	4	25	-20	4

Dependency ratio (X)									
2011									1.6
2006									1.2
Difference									0.4

Memo:									
Proportion (2001, %)	37	35	72	15	13	28	52	48	100

Source: Census of India, NSSO- 61st and 66th round, KIE calculations

Exhibit 3: Casualization of labor is increasing

Employment status, various NSSO rounds, June year-ends, 2005 and 2010 (%)

NSS - 66th round	Rural	Urban
Self employed	54.2	41.1
Casual labor	38.6	17.5
Regular wage/salaried	7.3	41.4
<b>Total</b>	<b>100.1</b>	<b>100.0</b>

NSS - 61st round	Rural	Urban
Self employed	56.5	43.4
Casual labor	34.6	11.8
Regular wage/salaried	8.8	44.8
<b>Total</b>	<b>99.9</b>	<b>100.0</b>

Difference		
Self employed	-2.3	-2.3
Casual labor	4.0	5.7
Regular wage/salaried	-1.5	-3.4

Source: NSSO-61st and 66th rounds, KIE calculations

**Exhibit 4: Manufacturing is creating jobs**

Employment status, various NSSO rounds, June year-ends, 2005 and 2010

	Percentage				Numbers (mn)			
	Rural		Urban		Rural		Urban	
	Male	Female	Male	Female	Male	Female	Male	Female
<b>NSS - 66th round</b>								
Agriculture (primary)	63	79	6	14	157	89	6	3
Secondary (manufacturing)	19	13	35	33	47	15	35	8
Tertiary	18	8	59	53	45	9	58	12
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>250</b>	<b>113</b>	<b>99</b>	<b>23</b>
<b>NSS - 61st round</b>								
Agriculture (primary)	67	83	6	18	153	109	6	5
Secondary (manufacturing)	15	10	34	32	35	13	31	8
Tertiary	18	7	60	50	42	9	56	13
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>231</b>	<b>131</b>	<b>93</b>	<b>26</b>
<b>Difference</b>								
Agriculture (primary)	-4	-4	-0	-4	4	-20	0	-1
Secondary (manufacturing)	4	3	1	1	12	1	3	-1
Tertiary	-0	2	-1	3	3	1	2	-1

Source: NSSO-61st and 66th rounds, Census of India, KIE calculations

**Exhibit 5: Wages have risen strongly across India, beating consumer price inflation**

Wages, various NSSO rounds, June year-ends, 2005 and 2010 (%)

	Rural			Urban		
	Male	Female	Person	Male	Female	Person
<b>NSS - 66th round</b>						
Regular wage/salaried	249	156	232	377	309	365
Casual labor						
- other than public works	102	69	93	132	77	122
- in public works (other than MGNREGS)	98	86				
- in public works (MGNREGS)	91	87				
<b>NSS - 61st round</b>						
Regular wage/salaried	145	90	134	203	153	194
Casual labor	57	36		76	44	
<b>Compounded annual increase (% pa)</b>						
Regular wage/salaried	11.4	11.7	11.6	13.1	15.1	13.5
Casual labor	12.5	13.8		11.8	11.7	
Consumer price inflation index	8.5	8.5	8.5	8.5	8.5	8.5

Source: NSSO-61st and 66th rounds, Bloomberg, KIE calculations



## Kotak Institutional Equities: Valuation summary of key Indian companies

Company	27-Jun-11		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E			
<b>Automobiles</b>																													
Ashok Leyland	49	SELL	65,184	1,447	1,330	4.7	4.2	4.7	68.2	(10.8)	11.7	10.3	11.6	10.4	7.3	7.9	7.1	1.5	1.3	1.2	2.0	2.0	2.0	21.3	16.4	16.3	52	6.1	6.4
Bajaj Auto	1,383	ADD	400,327	8,889	289	90.6	99.8	109.8	44.2	10.2	10.0	15.3	13.9	12.6	14.3	12.9	11.7	8.1	6.2	4.9	2.9	2.9	2.9	85.0	50.8	43.1	1,550	12.1	14.5
Bharat Forge	306	ADD	72,578	1,612	237	11.9	18.3	23.0	1,324.3	54.0	25.6	25.7	16.7	13.3	11.5	8.5	7.0	3.2	2.7	2.3	1.1	—	—	7.8	14.6	16.7	355	16.1	2.1
Exide Industries	162	ADD	137,658	3,057	850	7.3	8.8	10.8	15.4	20.1	23.4	22.2	18.5	15.0	15.6	13.1	10.8	5.0	4.1	3.3	0.8	0.8	0.8	25.0	24.4	24.5	175	8.1	5.3
Hero Honda	1,852	REDUCE	369,884	8,213	200	99.3	108.5	127.6	(11.1)	9.2	17.5	18.6	17.1	14.5	12.2	9.0	7.5	7.9	8.2	7.8	5.7	3.8	3.8	56.5	62.5	60.8	1,722	(7.0)	22.9
Mahindra & Mahindra	693	ADD	425,686	9,452	614	41.7	43.9	48.9	22.7	5.2	11.4	16.6	15.8	14.2	12.8	11.7	10.3	4.0	3.4	2.9	1.7	1.7	1.7	27.3	23.2	22.0	770	11.1	27.2
Maruti Suzuki	1,153	BUY	333,029	7,394	289	79.2	84.5	103.2	(8.4)	6.7	22.2	14.6	13.6	11.2	9.1	8.3	6.1	2.4	2.0	1.7	0.5	0.5	0.6	17.6	16.1	16.9	1,515	31.4	12.2
Tata Motors	978	REDUCE	650,204	14,437	665	136.0	123.6	134.4	737.9	(9.1)	8.8	7.2	7.9	7.3	5.2	5.5	5.0	3.3	2.5	1.9	2.0	1.5	1.5	66.1	36.2	29.6	1,060	8.4	61.0
<b>Automobiles</b>		<b>Cautious</b>	<b>2,454,551</b>	<b>54,500</b>					<b>88.2</b>	<b>0.6</b>	<b>12.8</b>	<b>12.3</b>	<b>12.2</b>	<b>10.8</b>	<b>8.3</b>	<b>8.0</b>	<b>7.0</b>	<b>3.9</b>	<b>3.2</b>	<b>2.6</b>	<b>2.3</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>26.1</b>	<b>24.3</b>			
<b>Banks/Financial Institutions</b>																													
Andhra Bank	135	BUY	75,320	1,672	560	22.6	23.7	27.9	5.0	4.7	17.6	5.9	5.7	4.8	—	—	—	1.2	1.0	0.9	4.1	4.3	5.0	23.2	19.0	19.5	190	41.2	2.3
Axis Bank	1,306	BUY	536,337	11,909	411	82.5	99.2	121.1	33.0	20.2	22.1	15.8	13.2	10.8	—	—	—	2.8	2.4	2.0	1.1	1.3	1.6	19.3	19.7	20.5	1,700	30.1	50.0
Bank of Baroda	885	BUY	347,769	7,722	393	108.0	116.4	139.6	29.1	7.8	19.9	8.2	7.6	6.3	—	—	—	1.8	1.5	1.2	1.9	2.0	2.4	25.3	21.1	21.3	1,250	41.2	8.3
Bank of India	420	ADD	229,969	5,106	547	45.5	59.9	69.6	37.4	31.6	16.2	9.2	7.0	6.0	—	—	—	1.4	1.2	1.1	1.9	2.5	3.0	17.3	19.0	19.0	500	19.0	11.2
Canara Bank	523	ADD	231,866	5,148	443	90.9	87.1	108.6	23.3	(4.2)	24.7	5.8	6.0	4.8	—	—	—	1.3	1.1	0.9	2.1	2.3	2.3	23.2	17.8	19.0	600	14.6	13.3
Corporation Bank	521	ADD	77,198	1,714	148	95.4	96.1	114.1	16.4	0.7	18.7	5.5	5.4	4.6	—	—	—	1.1	0.9	0.8	3.8	3.7	4.4	21.9	18.5	19.0	630	20.9	1.1
Federal Bank	449	ADD	76,759	1,704	171	34.3	44.9	57.0	26.3	31.0	26.7	13.1	10.0	7.9	—	—	—	1.5	1.4	1.2	1.9	2.5	3.1	12.0	14.3	16.2	500	11.4	5.7
HFDC	675	REDUCE	989,497	21,971	1,467	24.1	27.9	31.8	22.4	15.9	14.1	28.0	24.2	21.2	—	—	—	5.7	5.0	3.9	1.3	1.5	1.8	21.7	22.2	21.4	725	7.5	44.8
HFDC Bank	2,416	ADD	1,124,055	24,958	465	84.4	110.2	140.4	31.0	30.6	27.3	28.6	21.9	17.2	—	—	—	4.4	3.8	3.3	0.7	0.9	1.1	16.7	18.7	20.5	2,800	15.9	43.4
ICICI Bank	1,079	ADD	1,243,275	27,605	1,152	44.7	57.5	68.3	23.9	28.6	18.8	24.1	18.8	15.8	—	—	—	2.3	2.1	1.9	1.3	1.6	1.9	9.7	11.6	12.7	1,270	17.7	91.6
IDFC	128	ADD	192,176	4,267	1,506	8.8	10.1	12.2	4.8	15.1	21.0	14.5	12.6	10.4	—	—	—	1.8	1.5	1.4	1.2	1.5	1.9	14.7	13.3	14.0	160	25.4	23.8
India Infoline	88	ADD	28,685	637	327	7.4	6.8	8.4	(9.3)	(8.3)	24.4	11.9	13.0	10.4	—	—	—	1.7	1.4	1.3	3.1	1.6	2.0	12.9	12.0	13.0	100	14.0	1.9
Indian Bank	220	BUY	94,356	2,095	430	38.8	43.9	53.8	10.5	13.1	22.6	5.7	5.0	4.1	—	—	—	1.2	1.0	0.8	3.4	3.6	4.4	22.3	21.2	21.9	300	36.6	2.2
Indian Overseas Bank	148	BUY	91,699	2,036	619	17.3	23.5	30.7	33.6	35.4	30.9	8.5	6.3	4.8	—	—	—	1.1	1.0	0.8	3.4	2.9	3.1	12.7	14.6	16.8	190	28.2	3.0
IndusInd Bank	269	BUY	125,272	2,782	466	12.4	14.8	17.8	45.3	19.5	20.2	21.7	18.2	15.1	—	—	—	3.4	3.0	2.6	0.7	0.9	1.1	20.0	16.8	17.6	315	17.1	4.1
J&K Bank	880	ADD	42,666	947	48	126.9	136.9	152.9	20.1	7.9	11.7	6.9	6.4	5.8	—	—	—	1.2	1.1	1.0	3.0	3.2	3.6	19.0	17.8	17.4	900	2.3	0.7
LIC Housing Finance	234	ADD	111,233	2,470	475	20.5	22.4	27.6	47.2	9.0	23.3	11.4	10.5	8.5	—	—	—	2.7	2.3	1.9	1.9	2.1	2.5	25.8	23.3	24.0	270	15.3	32.5
Mahindra & Mahindra Financial	616	BUY	63,100	1,401	102	45.2	56.5	67.1	26.0	25.0	18.8	13.6	10.9	9.2	—	—	—	2.6	2.2	1.9	1.6	2.0	2.4	22.0	21.4	21.6	825	34.0	2.7
Oriental Bank of Commerce	336	BUY	97,915	2,174	292	51.5	56.8	65.8	13.7	10.3	15.8	6.5	5.9	5.1	—	—	—	1.0	0.9	0.8	3.1	3.4	3.9	15.5	14.2	14.8	430	28.1	5.2
PFC	184	REDUCE	243,396	5,404	1,320	22.8	24.7	30.1	11.0	8.2	22.0	8.1	7.5	6.1	—	—	—	1.6	1.2	1.0	2.1	2.7	3.3	18.3	17.9	17.6	250	35.6	16.2
Punjab National Bank	1,066	BUY	337,577	7,495	317	139.9	166.4	201.5	13.0	18.9	21.1	7.6	6.4	5.3	—	—	—	1.6	1.4	1.2	3.2	3.9	2.4	23.5	23.7	1,500	40.8	6.9	
Reliance Capital	556	REDUCE	136,927	3,040	246	9.3	16.5	24.6	(25.3)	77.0	49.6	59.8	33.8	22.6	—	—	—	2.0	1.9	1.8	0.7	1.2	1.8	3.3	5.7	8.2	600	7.9	20.1
Rural Electrification Corp.	193	ADD	190,665	4,233	987	26.0	29.3	32.8	28.1	12.7	12.2	7.4	6.6	5.9	—	—	—	1.5	1.3	1.2	3.9	5.1	5.7	21.5	21.2	20.9	250	29.5	13.5
Shriram Transport	601	REDUCE	134,051	2,976	223	55.1	65.5	77.2	40.8	18.8	17.9	10.9	9.2	7.8	—	—	—	2.8	2.3	1.9	1.8	2.2	2.6	28.1	26.7	25.8	700	16.5	15.2
SKS Microfinance	351	REDUCE	25,872	574	74	15.7	(39.1)	3.9	(41.8)	(349.4)	(109.9)	22.4	(9.0)	90.6	—	—	—	1.5	1.7	1.6	—	—	—	8.3	(17.4)	1.9	350	(0.4)	6.1
State Bank of India	2,326	BUY	1,477,008	32,795	635	130.2	113.1	266.4	(9.9)	63.7	25.0	17.9	10.9	8.7	—	—	—	2.3	1.9	1.6	1.5	1.5	1.6	12.6	19.2	20.4	2,900	24.7	143.8
Union Bank	314	BUY	164,614	3,655	524	39.5	50.9	61.9	(3.9)	29.1	21.5	8.0	6.2	5.1	—	—	—	1.5	1.3	1.1	3.0	3.8	4.6	20.9	22.3	22.9	425	35.4	4.4
Yes Bank	313	BUY	108,779	2,415	347	21.5	25.9	32.7	43.2	20.7	26.3	14.6	12.1	9.6	—	—	—	2.9	2.4	2.0	0.8	1.0	1.2	21.7	21.5	22.5	420	34.0	19.1
<b>Banks/Financial Institutions</b>		<b>Attractive</b>	<b>8,598,035</b>	<b>190,908</b>					<b>19.6</b>	<b>23.6</b>	<b>22.2</b>	<b>14.2</b>	<b>11.5</b>	<b>9.4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2.2</b>	<b>1.9</b>	<b>1.7</b>	<b>1.6</b>	<b>1.8</b>	<b>2.2</b>	<b>15.9</b>	<b>16.9</b>	<b>17.8</b>			
<b>Cement</b>																													
ACC	982	REDUCE	184,442	4,095	188	55.6	63.8	79.1	(33.2)	14.8	24.1	17.7	15.4	12.4	10.7	8.6	6.5	2.7	2.4	2.1	3.6	2.4	2.4	17.5	18.2	19.4	1,050	7.0	6.2
Ambuja Cements	132	SELL	200,954	4,462	1,522	7.9	8.4	10.9	(1.5)	6.6	29.2	16.7	15.7	12.2	10.1	8.6	6.4	2.6	2.3	2.1	1.6	1.7	1.8	16.6	15.8	18.3	145	9.8	10.4
Grasim Industries	2,070	BUY	18																										

## Kotak Institutional Equities: Valuation summary of key Indian companies

Company	27-Jun-11		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target Price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E				
<b>Consumer products</b>																														
Asian Paints	3,114	REDUCE	298,713	6,633	96	80.8	94.6	111.4	13.0	17.1	17.7	38.5	32.9	28.0	25.7	20.9	17.2	14.6	11.3	9.1	1.0	0.9	1.1	43.9	40.0	36.8	2,900	(6.9)	9.5	
Colgate-Palmolive (India)	927	SELL	126,079	2,799	136	29.6	34.3	39.2	(4.9)	16.0	14.1	31.3	27.0	23.7	27.1	23.4	19.6	32.8	28.6	23.5	2.4	2.8	3.0	113.4	113.2	108.9	900	(2.9)	1.6	
Dabur India	114	ADD	197,184	4,378	1,731	3.3	3.7	4.3	13.4	11.8	16.5	34.7	31.0	26.6	27.3	22.3	19.3	15.2	11.7	9.3	1.0	1.1	1.3	51.5	43.3	39.5	110	(3.4)	5.6	
Glaosmithkline Consumer (a)	2,432	ADD	102,260	2,271	42	71.3	85.4	101.5	28.8	19.8	18.9	34.1	28.5	23.9	24.6	20.8	17.3	11.0	8.9	7.2	2.1	1.1	1.4	32.2	33.5	32.5	2,700	11.0	0.6	
Godrej Consumer Products	408	BUY	132,138	2,934	324	14.6	18.1	22.4	29.1	23.7	23.6	27.9	22.6	18.2	22.5	16.9	13.5	7.4	6.7	5.9	1.1	0.8	0.8	34.6	31.3	34.4	510	24.9	1.9	
Hindustan Unilever	323	ADD	698,470	15,509	2,159	9.6	11.3	13.4	2.1	17.7	17.9	33.6	28.6	24.2	27.8	23.8	19.5	26.5	22.7	19.4	2.4	2.9	3.4	80.6	85.8	86.5	340	5.1	15.3	
ITC	194	ADD	1,490,165	33,087	7,697	6.5	8.0	9.1	22.1	23.1	13.5	29.9	24.3	21.4	20.2	16.4	14.2	9.4	8.0	6.9	2.3	1.9	2.3	34.3	37.3	36.2	230	18.8	32.1	
Jubilant Foodworks	817	SELL	52,720	1,171	65	11.2	14.7	20.0	98.7	31.7	35.9	73.2	55.6	40.9	44.0	29.9	22.5	27.5	18.4	12.7	—	—	—	46.5	39.7	36.7	550	(32.7)	26.4	
Jyothy Laboratories	205	ADD	16,521	367	81	10.5	11.7	13.3	(5.0)	11.4	14.2	19.6	17.6	15.4	17.1	12.8	10.4	2.5	2.3	2.1	2.9	2.3	2.9	12.3	13.3	14.0	240	17.1	1.0	
Marico	146	ADD	89,196	1,980	612	4.2	5.5	6.5	10.9	29.4	18.6	34.6	26.7	22.5	23.1	18.3	15.4	9.5	7.4	5.9	0.5	0.7	0.8	32.8	31.8	29.5	160	9.7	0.9	
Nestle India (a)	3,949	REDUCE	380,722	8,453	96	86.8	104.6	123.9	16.7	20.5	18.4	45.5	37.8	31.9	30.3	24.6	20.4	44.5	32.1	24.1	1.2	1.5	1.8	116.5	98.7	86.3	3,500	(11.4)	2.8	
Tata Global Beverages	92	ADD	56,924	1,264	618	4.0	6.0	6.8	(34.6)	52.6	13.0	23.3	15.2	13.5	9.0	7.7	6.6	1.1	1.1	1.1	2.2	3.3	3.7	6.5	9.6	10.4	110	19.5	2.9	
Titan Industries	212	REDUCE	188,211	4,179	888	5.3	6.5	7.7	83.9	24.0	17.5	40.2	32.5	27.6	29.4	22.5	18.6	17.3	13.0	10.3	0.6	1.1	1.4	51.3	45.8	41.6	240	13.2	45.5	
United Spirits	943	ADD	118,473	2,631	126	29.5	39.2	50.6	8.3	32.8	29.0	31.9	24.1	18.6	16.3	12.5	10.7	2.7	2.5	2.2	0.3	0.3	0.4	9.1	10.7	12.5	1,300	37.8	7.8	
<b>Consumer products</b>																														
<b>Constructions</b>																														
IVRCL	67	BUY	17,970	399	267	5.9	7.9	9.8	(25.2)	33.6	24.5	11.4	8.5	6.8	7.3	6.3	5.7	0.9	0.8	0.7	0.6	0.6	0.6	8.2	10.1	11.3	125	85.7	5.9	
Nagarjuna Construction Co.	79	BUY	20,270	450	257	6.4	7.0	8.9	(10.7)	10.5	25.8	12.4	11.2	8.9	9.0	8.2	7.3	0.9	0.8	0.8	2.5	2.5	2.5	7.1	7.4	8.9	140	77.2	2.4	
Punj Lloyd	67	REDUCE	22,701	504	340	(1.5)	5.2	8.2	(56.6)	(449.2)	57.5	(45.0)	12.9	8.2	8.8	6.5	5.5	0.8	0.7	0.7	(0.1)	0.7	1.1	(1.7)	5.8	8.5	75	12.2	11.1	
Sadbhav Engineering	136	BUY	20,415	453	150	8.0	10.0	12.1	55.1	25.4	21.1	17.1	13.6	11.3	10.4	8.6	7.2	3.2	2.6	2.1	0.4	0.4	0.4	18.6	19.2	19.0	190	39.6	0.6	
<b>Construction</b>																														
<b>Energy</b>																														
Aban Offshore	518	BUY	22,553	501	44	116.2	103.6	104.0	9.0	(10.8)	0.3	4.5	5.0	5.0	7.0	6.5	6.6	1.0	0.9	0.8	0.7	0.8	0.9	29.2	19.9	16.5	775	49.5	13.3	
Bharat Petroleum	664	ADD	240,044	5,330	362	45.7	46.0	60.0	(20.7)	0.6	30.5	14.5	14.4	11.1	10.1	8.9	7.0	1.6	1.5	1.4	2.1	2.3	3.0	10.8	10.1	12.2	800	20.5	9.8	
Cairn India	309	REDUCE	588,454	13,066	1,902	33.3	61.8	63.1	501.1	85.6	2.0	9.3	5.0	4.9	6.8	3.6	3.1	1.4	1.2	1.1	—	1.6	6.5	16.9	25.9	22.7	340	9.9	58.4	
Castrol India (a)	500	SELL	123,751	2,748	247	19.8	20.7	21.3	28.7	4.6	2.7	25.2	24.1	23.5	16.0	15.9	15.2	24.0	22.0	20.8	3.0	3.2	3.4	100.5	95.0	90.9	385	(23.1)	1.8	
GAIL (India)	457	ADD	580,203	12,883	1,268	28.1	39.9	41.5	13.4	42.2	3.9	16.3	11.5	11.0	10.2	8.3	7.7	2.8	2.3	2.0	1.6	2.4	2.5	17.4	21.1	18.5	570	24.6	10.8	
GSPL	90	REDUCE	50,745	1,127	563	9.0	8.1	9.0	23.1	(10.3)	11.9	10.0	11.2	10.0	6.5	6.7	6.1	2.2	1.9	1.6	1.1	1.8	3.0	25.5	18.2	17.4	92	2.0	2.6	
Hindustan Petroleum	415	ADD	140,825	3,127	339	45.7	32.5	43.5	(11.4)	(28.8)	33.9	9.1	12.8	9.5	3.6	4.0	3.3	0.9	0.8	0.8	3.4	2.4	3.2	10.1	6.5	8.1	500	20.4	8.0	
Indian Oil Corporation	348	ADD	844,198	18,744	2,428	31.8	31.8	36.9	(35.4)	0.2	16.0	10.9	10.9	9.4	8.4	7.7	6.1	1.4	1.3	1.2	2.7	2.8	3.2	12.9	12.0	12.8	435	25.1	5.3	
Oil India	1,355	BUY	325,864	7,235	240	120.1	187.1	191.4	4.3	55.8	2.3	11.3	7.2	7.1	4.8	3.0	2.6	1.9	1.6	1.4	2.8	4.3	4.4	16.2	21.6	19.2	1,760	29.9	2.4	
Oil & Natural Gas Corporation	284	BUY	2,431,487	53,988	8,556	25.2	39.8	40.0	9.9	57.8	0.4	11.3	7.1	7.1	4.3	3.2	2.8	1.7	1.4	1.3	3.1	4.4	4.6	14.7	20.6	18.0	370	30.2	32.9	
Petronet LNG	141	SELL	106,088	2,356	750	8.1	9.3	9.5	50.5	15.0	1.8	17.4	15.2	14.9	10.3	9.3	9.5	3.5	3.0	2.6	1.4	2.1	2.1	20.9	20.2	17.7	105	(25.8)	5.5	
Reliance Industries	872	REDUCE	2,598,091	57,687	2,981	62.0	68.0	70.9	24.8	9.8	4.2	14.1	12.8	12.3	7.6	6.7	6.1	1.6	1.4	1.3	0.9	1.0	1.1	13.0	12.9	12.0	1,020	17.0	88.8	
<b>Energy</b>																														
<b>Industrials</b>																														
ABB	849	SELL	179,868	3,994	212	3.0	21.1	27.3	(82.2)	606.1	29.6	284.4	40.3	31.1	207.5	27.2	20.4	7.4	6.5	5.5	0.2	0.4	0.4	2.6	17.1	19.1	700	(17.5)	1.8	
BGR Energy Systems	453	REDUCE	32,691	726	72	44.8	45.8	46.9	60.0	2.2	2.6	10.1	9.9	9.7	6.5	5.9	5.4	3.4	2.7	2.2	2.0	2.0	2.1	39.0	30.6	25.4	470	3.8	7.1	
Bharat Electronics	1,557	ADD	124,568	2,766	80	102.9	120.8	133.9	7.0	17.4	10.8	15.1	12.9	11.6	9.0	6.5	5.6	2.5	2.1	1.9	1.6	1.6	1.6	17.2	17.7	17.2	1,850	18.8	1.1	
Bharat Heavy Electricals	1,968	REDUCE	963,204	21,387	490	122.8	134.6	150.1	39.7	9.6	11.5	16.0	14.6	13.1	10.7	9.7	8.2	4.8	3.8	3.1	1.3	1.5	1.6	33.3	29.1	26.4	2,100	6.7	34.1	
Crompton Greaves	258	BUY	165,539	3,676	642	14.3	15.8	18.4	11.5	10.1	16.6	18.0	16.4	14.0	11.9	9.8	8.0	5.0	4.0	3.2	0.8	0.8	0.9	31.7	27.2	25.4	310	20.1	7.9	
Larsen & Toubro	1,787	ADD	1,081,190	24,006	605	69.3	84.1	102.9	19.5	21.4	22.4	25.8	21.2	17.4	17.0	12.4	10.4	4.1	3.4	2.9	0.7	0.8	0.8	17.2	17.4	17.9	1,875	5.0	71.9	
Maharashtra Seamless	371	ADD	26,156	581	71	46.6	42.4	47.2	20.6	(9.0)	11.4	8.0	8.7	7.9	4.0	4.2	3.4	1.0	0.9	0.9	2.3	2.3	2.5	13.4	11.2	11.6	418	12.7	0.3	
Siemens	883	REDUCE	297,679	6,610	337	22.4	31.7	33.6	39.5	41.3	5.9	39.3	27.8	26.3	23.3	17.7	16.4	9.2	7.3	6.0	0.6	0.7	0.8	25.2	29.3	25.2	860	(2.6)	10.5	
Suzlon Energy	48	REDUCE	76,339	1,695	1,594	(6.0)	(0.0)	4.6	(2.8)	(99.9)	(62,927.5)	(8.0)	(6,582.4)	10.5	29.4	9.6	6.3	1.2	1.2	1.1	—	—	—	0.4	(14.4)	(0.0)	11.1	5.5	14.8	26.2
Tecpro Systems	247	BUY	12,487	277	50</																									

## Kotak Institutional Equities: Valuation summary of key Indian companies

Company	27-Jun-11		Mkt cap.		O/S shares (mm)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	(Rs)	(%)	(US\$ mn)
<b>Media</b>																													
DB Corp	235	BUY	42,697	948	182	14.2	14.6	17.5	33.5	2.8	19.8	16.6	16.1	13.4	10.6	9.6	8.0	5.2	4.4	4.0	1.7	2.6	4.3	35.1	29.8	31.4	320	36.2	0.2
DishTV	89	ADD	94,474	2,098	1,062	(1.8)	(0.0)	1.2	(27.5)	(97.2)	(2,583.4)	(49.7)	(1,787.6)	72.0	43.5	20.3	13.6	44.9	46.1	28.1	—	—	—	(62.3)	(2.5)	48.5	85	(4.4)	5.9
Eros International	172	BUY	15,910	353	93	12.7	16.2	20.3	31.4	28.1	24.7	13.5	10.6	8.5	9.9	7.9	5.9	2.3	1.9	1.5	—	—	—	25.0	19.4	19.7	230	34.1	0.9
Hindustan Media Ventures	143	BUY	10,501	233	73	7.3	9.0	12.1	198.7	22.8	35.0	19.5	15.9	11.8	9.5	8.3	6.0	2.6	2.2	2.0	—	—	2.1	22.3	15.1	17.7	220	53.7	0.2
HT Media	166	ADD	38,975	865	235	7.7	8.9	11.0	26.3	15.3	23.6	21.5	18.7	15.1	10.4	8.8	6.8	2.8	2.6	2.4	1.2	2.4	3.6	15.0	14.4	16.6	190	14.6	0.4
Jagran Prakashan	122	BUY	36,740	816	301	6.8	7.6	8.9	17.2	11.1	17.1	17.8	16.0	13.7	10.2	9.2	7.8	5.3	4.7	4.2	2.9	3.3	4.1	31.5	30.9	32.3	170	39.3	0.3
Sun TV Network	359	ADD	141,435	3,140	394	19.6	22.5	26.7	48.5	14.8	18.8	18.3	15.9	13.4	11.0	9.5	7.9	5.9	5.1	4.6	2.4	3.3	4.5	36.6	35.9	37.6	480	33.7	21.9
Zee Entertainment Enterprises	142	BUY	138,536	3,076	978	5.7	7.1	8.4	7.3	24.9	18.5	24.8	19.9	16.8	17.0	13.0	10.8	3.3	3.2	3.1	1.0	1.1	1.3	13.8	16.4	18.8	180	27.1	6.2
<b>Media</b>		<b>Neutral</b>	<b>519,268</b>	<b>11,530</b>					<b>49.8</b>	<b>27.7</b>	<b>25.4</b>	<b>26.5</b>	<b>20.8</b>	<b>16.6</b>	<b>14.2</b>	<b>11.4</b>	<b>9.1</b>	<b>4.8</b>	<b>4.4</b>	<b>4.0</b>	<b>1.4</b>	<b>1.8</b>	<b>2.5</b>	<b>18.0</b>	<b>21.0</b>	<b>23.9</b>			
<b>Metals &amp; Mining</b>																													
Coal India	398	BUY	2,512,650	55,790	6,316	17.3	24.5	28.6	13.6	41.7	16.8	23.0	16.2	13.9	13.9	10.8	8.9	7.2	5.6	4.5	1.3	1.8	2.2	35.1	38.9	35.8	460	15.6	35.5
Hindalco Industries	174	ADD	333,227	7,399	1,914	12.8	18.2	18.6	(36.0)	42.7	2.1	13.6	9.5	9.4	7.3	6.7	7.0	1.1	1.0	0.9	0.9	0.9	0.9	9.7	11.4	10.5	235	35.0	29.2
Hindustan Zinc	133	BUY	561,503	12,467	4,225	11.6	14.6	16.0	21.8	25.1	9.5	11.4	9.1	8.3	7.3	4.8	3.7	2.4	1.9	1.6	0.8	0.8	0.8	24.2	24.3	21.5	170	27.9	5.5
Jindal Steel and Power	638	REDUCE	596,457	13,244	934	40.2	51.3	58.6	5.1	27.6	14.2	15.9	12.5	10.9	11.4	9.1	8.5	3.9	3.0	2.3	0.3	0.3	0.3	30.8	29.3	25.7	700	9.6	16.0
JSW Steel	883	REDUCE	219,256	4,868	248	78.6	87.4	113.7	(2.2)	11.2	30.0	11.2	10.1	7.8	7.3	5.4	5.1	1.2	0.9	0.8	1.2	1.0	1.0	11.9	10.3	11.4	990	12.1	23.2
National Aluminium Co.	82	SELL	210,303	4,670	2,577	4.1	5.0	5.3	36.3	20.5	6.0	19.7	16.3	15.4	10.5	8.3	7.4	1.9	1.8	1.6	1.8	1.8	1.8	9.9	11.1	11.0	7.6	(6.9)	0.8
Sesa Goa	286	REDUCE	254,544	5,652	890	47.5	41.9	36.7	60.6	(11.8)	(12.3)	6.0	6.8	7.8	3.1	4.7	5.1	2.0	1.6	1.3	1.4	1.4	1.4	36.6	23.2	17.2	305	6.6	18.1
Sterite Industries	161	BUY	540,722	12,006	3,362	15.2	20.1	22.3	26.2	32.2	11.4	10.6	8.0	7.2	7.1	4.6	3.9	1.3	1.1	1.0	0.7	0.7	0.7	13.0	15.1	14.6	210	30.6	18.1
Tata Steel	589	BUY	572,500	12,712	971	76.0	70.8	85.8	(2,278.5)	(6.9)	21.2	7.7	8.3	6.9	6.7	6.3	5.4	1.6	1.4	1.2	2.0	—	—	24.9	17.8	18.4	750	27.3	48.5
<b>Metals &amp; Mining</b>		<b>Attractive</b>	<b>5,801,162</b>	<b>128,807</b>					<b>39.3</b>	<b>22.3</b>	<b>12.7</b>	<b>14.0</b>	<b>11.4</b>	<b>10.2</b>	<b>8.7</b>	<b>7.1</b>	<b>6.3</b>	<b>2.6</b>	<b>2.2</b>	<b>1.8</b>	<b>1.2</b>	<b>1.2</b>	<b>1.3</b>	<b>18.6</b>	<b>18.9</b>	<b>18.1</b>			
<b>Pharmaceutical</b>																													
Apollo Hospitals	472	BUY	62,418	1,386	132	13.9	17.6	21.8	27.0	26.9	23.5	33.9	26.7	21.7	15.6	12.2	10.3	3.4	3.0	2.5	—	—	—	10.0	11.4	12.2	565	19.7	0.7
Biocon	358	BUY	71,510	1,588	200	18.4	21.6	24.2	23.8	17.4	12.3	19.5	16.6	14.8	11.2	9.6	8.5	3.4	2.9	2.5	—	—	—	19.4	19.4	18.7	480	34.2	3.6
Cipla	331	REDUCE	266,008	5,906	803	12.1	16.3	18.8	(12.0)	35.4	15.4	27.5	20.3	17.6	22.3	15.8	13.3	4.0	3.4	3.0	0.8	0.8	0.8	15.4	18.2	—	330	(0.4)	8.9
Cadila Healthcare	909	BUY	186,137	4,133	205	34.7	42.2	51.7	40.6	21.4	22.7	26.2	21.6	17.6	22.5	16.8	13.4	8.6	6.6	5.1	0.7	0.9	1.1	37.5	34.5	32.8	1,130	24.3	1.9
Dishman Pharma & chemicals	89	SELL	7,259	161	81	9.8	8.0	9.4	(31.8)	(18.7)	17.2	9.1	11.2	9.5	9.6	7.3	6.5	0.8	0.8	0.7	—	—	—	9.6	7.2	7.9	95	6.4	0.2
Divi's Laboratories	761	BUY	100,939	2,241	133	32.4	40.3	46.2	25.7	24.4	14.7	23.5	18.9	16.5	19.2	14.3	12.1	5.6	4.7	4.0	—	—	—	25.9	27.1	26.2	900	18.2	5.8
GlaxoSmithKline Pharmaceuticals (a)	2,327	REDUCE	197,066	4,376	85	68.3	80.2	91.8	15.5	17.5	14.4	34.1	29.0	25.4	22.9	19.8	16.8	10.1	9.2	8.4	1.7	2.1	2.4	30.9	33.3	34.7	2,300	(1.1)	1.4
Glenmark Pharmaceuticals	318	REDUCE	85,932	1,908	270	17.0	18.4	24.3	33.5	8.7	32.1	18.8	17.3	13.1	20.9	14.9	12.0	4.2	3.4	2.8	—	—	—	20.8	22.0	23.6	330	3.7	4.8
Jubilant Life Sciences	180	REDUCE	28,594	635	159	14.4	16.4	19.3	(45.6)	13.7	17.4	12.4	10.9	9.3	10.5	8.6	7.8	1.3	1.2	1.1	1.1	1.4	1.9	12.3	11.5	12.2	195	8.6	0.6
Lupin	447	ADD	199,228	4,424	446	19.3	20.4	25.2	26.1	5.8	23.3	23.1	21.8	17.7	19.4	16.1	13.1	6.0	4.9	4.0	0.7	0.8	0.9	29.5	25.0	25.2	500	12.0	10.2
Ranbaxy Laboratories	539	SELL	226,877	5,038	421	40.8	18.8	21.9	478.2	(54.0)	16.6	13.2	28.7	24.6	16.2	19.9	16.7	4.0	3.5	3.0	—	—	—	34.5	13.2	13.4	450	(16.5)	11.2
Sun Pharmaceuticals	492	ADD	509,101	11,304	1,036	17.5	19.5	22.7	34.4	10.9	16.6	28.0	25.3	21.7	23.8	20.3	16.7	4.9	4.2	3.6	0.7	0.8	1.0	22.9	19.6	19.6	515	4.8	10.2
<b>Pharmaceuticals</b>		<b>Cautious</b>	<b>2,275,717</b>	<b>50,529</b>					<b>26.0</b>	<b>8.1</b>	<b>3.8</b>	<b>24.5</b>	<b>22.7</b>	<b>21.8</b>	<b>18.5</b>	<b>14.9</b>	<b>14.4</b>	<b>3.8</b>	<b>3.3</b>	<b>3.1</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>15.6</b>	<b>14.5</b>	<b>14.2</b>			
<b>Property</b>																													
DLF	214	ADD	367,690	8,164	1,715	9.1	11.9	15.7	(14.5)	31.3	31.8	23.6	18.0	13.7	15.8	12.5	9.5	1.4	1.3	1.2	0.9	1.2	1.4	5.4	7.5	9.2	270	25.9	32.3
Housing Development & Infrastructure	155	ADD	68,245	1,515	441	19.8	28.9	34.6	24.3	46.0	19.7	7.8	5.3	4.5	9.9	5.1	4.1	0.7	0.6	0.5	—	0.6	1.0	10.0	12.4	12.8	190	22.8	20.9
Indiabulls Real Estate	109	RS	43,885	974	402	4.0	8.5	15.4	(1,095.5)	114.1	81.5	27.5	12.8	7.1	17.6	14.4	6.3	0.4	0.4	0.3	—	—	0.6	1.4	2.9	5.0	—	—	11.4
Mahindra Life Space Developer	349	ADD	14,244	316	41	25.0	29.7	37.2	30.3	18.9	25.4	14.0	11.8	9.4	10.8	7.6	5.5	1.4	1.3	1.1	1.4	1.3	1.4	10.4	11.2	12.7	470	34.7	0.3
Oberoi Realty	235	BUY	77,342	1,717	330	15.7	20.0	28.0	14.7	27.6	39.7	14.9	11.7	8.4	11.0	7.6	4.7	2.3	2.0	1.6	0.4	0.6	1.1	19.9	18.2	21.3	315	34.3	0.3
Phoenix Mills	194	BUY	28,049	623	145	6.3	7.5	10.7	52.5	18.4	43.8	30.7	25.9	18.0	22.4	18.6	13.7	1.7	1.7	1.6	0.8	1.0	1.0	5.8	6.6	8.9	300	54.9	0.3
Puravankara Projects	88	REDUCE	18,696	415	213	5.5	9.1	11.2	(18.9)	65.2	22.4	15.9	9.6	7.8	20.2	10.2	8.4	1.2	1.1	1.0	1.1	1.7	2.3	8.0	12.1	13.4	110	25.6	0.2
Sobha Developers	259	BUY	25,354	563	98	18.7	23.4	27.7	33.0	25.0	18.5	13.8																	

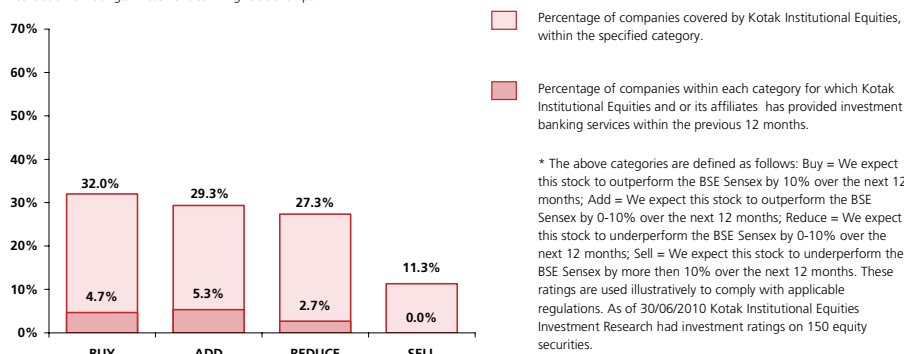
## Kotak Institutional Equities: Valuation summary of key Indian companies

Company	27-Jun-11		Mkt cap.		O/S shares (mm)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target Price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)		
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E					
<b>Sugar</b>																															
Bajaj Hindustan	66	REDUCE	15,109	335	228	(8.0)	(1.2)	2.1	(348.8)	(85.6)	(282.4)	(8.2)	(57.2)	31.3	18.4	7.5	6.3	0.5	0.5	0.5	0.9	0.9	0.9	(6.0)	(0.9)	1.6	65	(1.7)	1.9		
Balrampur Chini Mills	59	BUY	15,213	338	257	0.8	8.3	8.4	(89.9)	974.0	1.0	76.4	7.1	7.0	11.0	4.7	3.7	1.1	1.0	0.9	0.8	0.8	0.8	1.5	14.8	13.1	80	35.0	1.7		
Shree Renuka Sugars	61	BUY	41,027	911	670	10.5	4.3	5.9	214.7	(59.5)	37.9	5.8	14.4	10.4	8.5	6.5	5.4	1.7	1.5	1.4	1.6	1.6	1.6	34.4	11.1	13.8	75	22.5	7.3		
<b>Sugar</b>		<b>Cautious</b>	<b>71,349</b>	<b>1,584</b>					<b>18.4</b>	<b>(17.0)</b>	<b>39.1</b>	<b>12.5</b>	<b>15.1</b>	<b>10.9</b>	<b>11.1</b>	<b>6.5</b>	<b>5.4</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>8.4</b>	<b>6.1</b>	<b>8.4</b>					
<b>Technology</b>																															
HCL Technologies	490	REDUCE	345,697	7,676	705	23.1	30.8	36.4	31.9	33.4	18.1	21.2	15.9	13.5	12.9	9.9	8.3	4.4	3.7	3.1	1.5	1.6	1.6	22.1	25.4	25.5	490	(0.1)	10.0		
Hexaware Technologies	69	BUY	20,094	446	291	3.0	6.6	7.4	(36.5)	122.6	11.3	23.2	10.4	9.4	17.8	8.0	6.5	2.1	1.8	1.6	2.1	1.8	2.2	9.4	18.5	17.9	80	15.9	2.4		
Infosys Technologies	2,871	BUY	1,647,983	36,591	574	119.7	144.8	172.6	10.5	20.9	19.2	24.0	19.8	16.6	16.5	13.4	11.0	6.3	5.3	4.4	2.1	1.5	1.8	28.0	29.0	28.7	3,450	20.2	102.7		
Mahindra Satyam	85	REDUCE	99,372	2,206	1,176	4.2	4.9	6.1	68.9	17.0	23.2	20.1	17.2	14.0	15.9	9.1	7.1	5.8	4.3	3.3	—	—	—	27.6	28.8	26.9	80	(5.3)	14.0		
Mindtree	359	REDUCE	14,758	328	41	24.7	33.9	38.6	(52.7)	37.3	14.0	14.5	10.6	9.3	8.1	6.1	4.9	1.9	1.6	1.5	0.7	0.9	3.2	14.4	16.6	16.7	370	3.2	0.3		
Mphasis BFL	438	SELL	92,223	2,048	211	51.8	36.6	36.0	18.8	(29.2)	(1.7)	8.5	11.9	12.1	7.2	9.0	7.9	2.8	2.3	2.0	0.9	1.0	1.1	38.6	21.3	17.7	360	(17.7)	4.6		
Polaris Software Lab	182	SELL	18,130	403	100	19.3	18.9	20.9	25.7	(2.2)	10.8	9.4	9.6	8.7	6.1	5.0	4.3	1.8	1.5	1.3	2.0	2.1	2.3	20.2	16.9	16.4	175	(3.8)	4.1		
TCS	1,151	BUY	2,251,954	50,002	1,957	44.4	54.2	63.1	26.3	22.2	16.5	25.9	21.2	18.2	19.6	15.3	13.0	8.9	7.3	6.0	1.5	1.9	2.2	37.6	37.8	36.2	1,350	17.3	42.9		
Tech Mahindra	701	REDUCE	88,282	1,960	126	48.8	66.3	70.8	(25.2)	36.0	6.7	14.4	10.6	9.9	9.8	8.8	2.6	2.3	2.0	0.6	0.6	1.4	20.5	23.9	22.3	665	(5.1)	4.4			
Wipro	423	ADD	1,037,183	23,029	2,454	21.6	24.2	27.5	14.5	11.9	13.8	19.6	17.5	15.4	14.5	12.3	10.3	4.3	3.6	3.1	1.0	1.2	1.4	24.3	22.5	21.6	525	24.2	11.8		
<b>Technology</b>		<b>Attractive</b>	<b>5,659,905</b>	<b>125,671</b>					<b>16.9</b>	<b>17.9</b>	<b>15.9</b>	<b>22.1</b>	<b>18.7</b>	<b>16.1</b>	<b>15.9</b>	<b>13.0</b>	<b>10.9</b>	<b>5.8</b>	<b>4.8</b>	<b>4.1</b>	<b>1.7</b>	<b>1.6</b>	<b>1.8</b>	<b>26.4</b>	<b>25.9</b>	<b>25.2</b>					
<b>Telecom</b>																															
Bharti Airtel	396	REDUCE	1,503,850	33,391	3,798	15.9	19.7	24.5	(32.6)	23.9	24.1	24.9	20.1	16.2	10.6	8.1	6.7	3.1	2.7	2.3	—	—	—	13.3	14.3	15.3	345	(12.9)	38.4		
IDEA	76	REDUCE	251,381	5,582	3,303	2.7	1.6	3.1	(1.0)	(40.1)	19.5	28.1	47.0	24.5	9.5	8.3	6.6	2.0	2.0	1.8	—	—	—	7.6	4.4	7.9	65	(14.6)	6.0		
MTNL	43	SELL	26,807	595	630	(10.4)	(9.1)	(8.4)	(33.7)	(11.9)	(8.1)	(4.7)	(5.1)	(0.1)	(0.1)	(0.1)	0.3	0.3	0.3	—	—	—	(6.1)	(5.7)	(5.5)	35	(17.7)	0.9			
Reliance Communications	94	SELL	201,310	4,470	2,133	6.3	7.1	9.7	(68.0)	12.0	37.6	15.0	13.4	9.7	6.1	5.1	0.6	0.5	0.5	—	—	—	—	—	—	3.4	4.1	5.4	95	0.6	16.9
Tata Communications	188	REDUCE	53,637	1,191	285	15.2	15.7	15.9	8.2	3.5	1.5	12.4	12.0	11.8	5.8	5.5	5.1	0.7	0.7	0.7	4.0	4.5	4.8	5.5	5.5	5.4	205	8.9	1.4		
<b>Telecom</b>		<b>Cautious</b>	<b>2,036,984</b>	<b>45,229</b>					<b>(42.4)</b>	<b>17.1</b>	<b>31.0</b>	<b>25.3</b>	<b>21.6</b>	<b>16.5</b>	<b>9.2</b>	<b>7.8</b>	<b>6.4</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>7.0</b>	<b>7.6</b>	<b>9.1</b>					
<b>Utilities</b>																															
Adani Power	110	REDUCE	240,454	5,339	2,180	2.4	15.2	16.8	200.4	544.8	10.5	46.9	7.3	6.6	33.3	6.5	4.7	3.8	2.5	1.8	—	—	—	8.5	41.6	32.0	120	8.8	1.9		
CESC	281	BUY	35,101	779	125	37.7	42.5	51.3	9.1	12.7	20.8	7.4	6.6	5.5	5.4	5.8	5.5	0.7	0.7	0.6	1.7	1.9	2.1	10.5	10.7	11.5	440	56.6	0.8		
JSW Energy	67	SELL	109,962	2,442	1,640	5.1	6.6	5.5	12.9	28.9	(16.2)	13.1	10.1	12.1	13.1	7.2	6.1	1.9	1.6	1.4	(1.5)	—	—	16.1	17.5	12.6	74	10.4	2.2		
Lanco Infratech	23	BUY	51,685	1,148	2,223	2.0	4.0	4.6	(5.8)	97.6	15.9	11.6	5.9	5.1	10.5	8.0	7.3	1.3	1.0	0.8	—	—	—	12.2	19.6	18.3	54	132.3	7.9		
NHPC	24	BUY	289,067	6,418	12,301	1.3	1.9	2.3	(27.2)	39.6	20.8	17.4	12.5	10.3	12.9	8.8	7.1	1.1	1.0	0.9	1.8	2.2	2.6	6.3	8.2	9.4	30	27.7	2.7		
NTPC	182	REDUCE	1,504,385	33,403	8,245	11.0	11.9	12.7	5.3	7.4	6.8	16.5	15.4	14.4	13.6	12.4	11.6	2.2	2.0	1.8	2.1	1.9	2.1	13.7	13.5	13.3	200	9.6	10.0		
Reliance Infrastructure	522	BUY	139,659	3,101	267	58.0	66.6	73.3	(6.5)	14.8	10.0	9.0	7.8	7.1	9.1	5.0	3.7	0.6	0.6	0.5	1.8	2.0	2.2	6.4	10.5	11.5	975	86.7	19.6		
Reliance Power	115	SELL	321,742	7,144	2,805	2.7	3.8	3.1	(5.0)	40.1	(17.9)	42.3	30.2	36.8	248.6	105.8	17.5	2.0	1.9	1.8	—	—	—	4.9	6.3	4.9	110	(4.1)	6.9		
Tata Power	1,287	ADD	317,738	7,055	247	76.4	107.9	121.0	20.2	41.2	12.1	16.8	11.9	10.6	12.5	10.0	8.0	2.2	1.9	1.7	1.1	1.2	1.3	13.9	17.2	16.7	1,480	15.0	6.9		
<b>Utilities</b>		<b>Cautious</b>	<b>3,009,793</b>	<b>66,829</b>					<b>5.0</b>	<b>35.8</b>	<b>8.0</b>	<b>17.5</b>	<b>12.9</b>	<b>11.9</b>	<b>15.6</b>	<b>10.9</b>	<b>8.9</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.6</b>	<b>10.1</b>	<b>12.3</b>	<b>12.0</b>					
<b>Others</b>																															
Carbonium Universal	282	BUY	26,326	585	93	17.8	18.0	22.1	62.9	1.3	23.1	15.9	15.7	12.7	10.0	9.1	7.5	3.2	2.7	2.3	1.3	1.3	1.6	21.4	20.0	20.9	300	6.4	0.3		
Havells India	385	REDUCE	48,082	1,068	125	22.7	27.3	31.1	302.5	19.8	13.9	16.9	14.1	12.4	11.1	9.3	7.9	7.1	4.8	3.6	0.6	0.7	0.8	51.3	40.7	33.2	440	14.2	4.3		
Jaiprakash Associates	80	BUY	177,480	3,941	2,214	5.5	5.8	5.8	214.7	5.2	(0.3)	14.6	13.8	13.9	11.4	9.7	9.5	1.8	1.6	1.5	—	—	—	13.2	12.3	11.1	135	68.4	23.3		
Jet Airways	483	BUY	41,706	926	86	(10.1)	31.6	70.8	(85.6)	(414)	124.2	(48.0)	15.3	6.8	9.1	7.6	6.0	2.4	2.1	1.6	—	—	—	(5.0)	14.6	26.5	650	34.5	10.5		
Sintex	168	SELL	45,723	1,015	272	17.0	19.2	20.3	40.2	13.4	5.7	9.9	8.7	8.3	7.9	7.0	6.2	1.8	1.5	1.3	0.8	0.8	0.9	17.9	16.9	15.1	170	1.1	6.7		
SpiceJet	34	BUY	13,682	304	403	2.4	3.2	4.6	(4.2)	32.1	41.6	13.9	10.6	7.5	9.5	11.1	7.8	4.4	3.1	2.2	—	—	—	(653)	34.4	34.4	65	91.5	3.3		
Tata Chemicals	366	REDUCE	93,254	2,071	255	26.1	32.6	38.6	(1.3)	25.1	18.2	14.0	11.2	9.5	8.1	5.9	5.1	1.7	1.5	1.3	2.7	3.3	4.1	16.9	18.5	19.5	380	3.8	3.2		
United Phosphorus	155	BUY	71,371	1,585	462	12.4	17.5	20.3	4.0	41.5	15.9	12.5	8.8	7.6	7.4	5.1	4.3	1.9	1.6	1.4	1.3	1.9	2.3	17.9	19.7	19.5	220	42.3	4.1		
<b>Others</b>			<b>517,624</b>	<b>11,493</b>					<b>125.4</b>	<b>25.3</b>	<b>18.0</b>	<b>14.</b>																			

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As of June 30, 2010

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### Corporate Office

Kotak Securities Ltd.  
Bakhtawar, 1st Floor  
229, Nariman Point  
Mumbai 400 021, India  
Tel: +91-22-6634-1100

### Overseas Offices

Kotak Mahindra (UK) Ltd  
6th Floor, Portoken House  
155-157 The Minories  
London EC 3N 1 LS  
Tel: +44-20-7977-6900 / 6940

Kotak Mahindra Inc  
50 Main Street, Suite No.310  
Westchester Financial Centre  
White Plains, New York 10606  
Tel:+1-914-997-6120

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