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News Roundup

Corporate

- **Kingfisher Airlines** has defaulted on payment of lease rentals to **GE Commercial Aviation Services** (GECAS) for four A320s, according to a complaint filed by the US company with India's aviation regulator. Upset at the default, GECAS, one of the world's top aircraft lessors, has asked the Directorate General for Civil Aviation (DGCA) for permission to repossess the aircraft and has demanded that the aircraft be de-registered from the airline. (ET)
- The US subsidiary of **Sun Pharmaceuticals, Caraco Pharmaceutical Laboratories**, has received a warning letter from the Food and Drug Administration (FDA). The US drug regulator has pointed to "technical inadequacies" during an inspection at Caraco's Detroit facility in May 2008. As a result, Caraco will not receive further marketing approvals until the FDA is satisfied with compliance. (BS, see our analysis inside)
- US mobile phone maker **Motorola Inc.** has said its India operations will face job cuts as part of a plan to shed 3,000 jobs, or about 5% of its global workforce. The company did not specify the number of employees to be given pink slip in the country. (Mint)
- The country's biggest maker of wind-turbine generators, **Suzlon Energy Ltd**, said it's in talks with **Martifer SGPS SA** to set a new payment schedule for buying its 22.4% stake in REpower Systems AG. According to the original schedule, company had to complete the purchase of Martifer's stake in **REpower** for 270 million (Rs1,655 crore) by 15 December. (Mint)
- Technology solutions company **NDS Group Plc.** said on Tuesday it will invest \$150 million (Rs729 crore) in India to fund expansion in the backdrop of the growing digitization of pay TV in the country. It has already invested at least \$120 million in India operations. (Mint)
- **Tata Motors**-owned **Jaguar Land Rover** has announced plans to axe 400 more jobs in view of the current global economic downturn. The 400 redundancies are on top of the 198 job losses JLR recently announced as part of its "annual efficiency drive". (ET)

Economic and political

- State-owned commercial banks, which account for around 96 per cent of the domestic credit market, have agreed to cut benchmark prime lending rates (PLR) 0.75 percentage points to stoke growth. Private sector banks (also appear) set to join the rate cut bandwagon. (BS)
- At least 30% Indian gems and jewellery players, with headquarters either in Mumbai and Gujarat, have been forced to close down their US offices as demand has come to a standstill. There are close to 700 offices of Indian outfits in the US and more than 200 offices have been closed down, most of them in the last four months. (ET)

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

EQUITY MARKETS

India	Change, %			
	4-Nov	1-day	1-mo	3-mo
Sensex	10,631	2.8	(15.1)	(27.1)
Nifty	3,142	3.2	(17.7)	(28.5)
Global/Regional indices				
Dow Jones	9,625	3.3	(6.8)	(14.7)
FTSE	4,640	4.4	(6.8)	(12.8)
Nikkie	9,372	2.8	(14.3)	(27.4)
Hang Seng	15,010	4.3	(15.1)	(31.6)
KOSPI	1,195	3.6	(15.8)	(22.2)
Value traded - India				
	Moving avg, Rs bn			
	4-Nov	1-mo	3-mo	
Cash (NSE+BSE)	157.8	146.1	161.3	
Derivatives (NSE)	337.6	449.8	434	
Deri. open interest	498.1	675	621	

Forex/money market

	Change, basis points			
	4-Nov	1-day	1-mo	3-mo
Rs/US\$	47.7	0	(12)	549
6mo fwd prem, %	0.7	(25)	71	24
10yr govt bond, %	7.6	7	(69)	(163)

Commodity market

	Change, %			
	4-Nov	1-day	1-mo	3-mo
Gold (US\$/OZ)	758.3	(0.7)	(9.2)	(13.3)
Silver (US\$/OZ)	10.2	(0.5)	(8.7)	(38.2)
Crude (US\$/BBL)	64.7	(1.3)	(26.8)	(44.6)

Net investment (US\$m)

	3-Nov	MTD	CYTD
	FIs	189	-
MFs	(16)	-	3,591

Top movers -3mo basis

Best performers	Change, %			
	4-Nov	1-day	1-mo	3-mo
Union Bank Of India	149	9.6	2.2	(0.5)
Hindustan Unilever	247	4.2	(3.7)	3.0
Bank Of Baroda	286	15.4	(3.4)	(4.3)
Hdfc Bank Limited	1,113	3.9	(12.8)	(6.1)
Financial Techn (Ind	-	-	-	-

Worst performers

Housing Developme	145	4.3	(11.0)	(63.2)
Suzlon Energy Limit	55	21.0	(62.4)	(77.0)
Bajaj Finserv Ltd	122	1.9	(65.0)	(73.9)
Unitech Limited	56	14.9	(49.9)	(69.1)
Tata Steel Limited	240	6.3	(39.0)	(64.5)

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Strategy

Sector coverage view

N/A

A few good picks

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- **Attractive investment opportunities after severe price correction**
- **15 picks from our coverage list of 71 mid-cap. stocks**
- **Key selection criteria—low valuations and high RoE with reasonable leverage**
- **Most of the risks priced in; macro-environment improving broadly**

We believe the recent severe correction in prices of most mid-cap. stocks provides attractive entry opportunities in some of them. We select 15 mid-cap. stocks from our coverage list of 71 mid-cap. stocks (<US\$1.5 bn market capitalization) based on their solid business models, attractive valuations, high returns and limited risks to near-term earnings.

Attractive investment opportunities after severe price correction

We see attractive investment opportunities in several solid mid-cap. stocks following the severe correction in prices of most mid-cap. stocks over the past few months. The CNXMIDCAP Index has fallen 63% CYTD and now trades at 6.8X F2010E EPS, the lowest in the past three years.

15 picks from our coverage list of 71 mid-cap. stocks

We present 15 stocks based on a combination of (1) solid business models, (2) strong management, (3) robust balance sheets, (4) high earnings growth with low downside risks to earnings and (5) attractive valuations. We restrict our selection to stocks under our coverage with market cap. below US\$1.5 bn.

Key selection criteria—low valuations and high RoE with reasonable leverage

We identify opportunities based on three parameters—(1) low P/E multiple, (2) FY2010E P/B less than one and (3) RoE greater than 20% with reasonable leverage. We believe these companies are currently trading near trough valuations. We key catalysts as (1) delivery of strong earnings growth and (2) return of stability in broader financial markets.

Most of the risks priced in; macro-environment improving broadly

We believe most of the risks pertaining to (1) increasing interest cost, (2) demand slowdown, and (3) commodity price increase already reflect in the current stock prices. Improving macro-economic variables such as (1) improving liquidity due to active steps of India's central bank, (2) declining inflation, (3) stable-to-softening interest rates and (4) falling commodity prices will support earnings growth and address near-term funding issues (if any).

Pharmaceuticals**SUN.BO, Rs1055**

Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	1,870
52W High -Low (Rs)	1558 - 870
Market Cap (Rs bn)	218.6

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	33.6	44.8	49.4
Net Profit (Rs bn)	14.9	18.8	17.9
EPS (Rs)	74.7	90.9	86.4
EPS <i>gth</i>	78.9	21.7	(5.0)
P/E (x)	14.1	11.6	12.2
EV/EBITDA (x)	11.7	8.7	8.4
Div yield (%)	1.0	1.0	1.3

Shareholding, June 2008

	% of Pattern Portfolio	Over/(under) weight
Promoters	63.7	-
FII's	20.5	1.0
MFI's	3.6	0.9
UTI	-	(0.8)
LIC	-	(0.8)

Sun Pharmaceuticals : Caraco receives FDA warning letter, market may have over reacted

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- **Caraco receives warning letter; some of the observations are repeated from observations in the June 2008 warning letter**
- **Caraco continues to receive approvals (8 ANDAs approved YTD) and Sun received one last night**
- **No impact on revenues and production expected. Caraco expects to reply within the next two weeks**
- **Maintain BUY rating with an SOTP-based target price of Rs1,870**
- **Use weakness in stock to BUY**

On October 31, 2008, Caraco received a warning letter from the FDA. The company was also issued a notice on Form 483 in June 2008. The observations set forth in this warning letter include, among other things, the inadequate and untimely investigation by the quality control unit of certain incidents at the facility contrary to the company's standard operating procedures. The FDA considered some of its observations to be repeat observations. According to the company, the problem relates to a previous incident of mixing up of APIs at the material dispensing stage. This was noted during the production process and the material was never converted into finished products. During the recent inspection, FDA asked Caraco about internal control it has put in place to avoid a repeat of this. Caraco has received approvals for seven ANDAs relating to two products since the inspection that concluded in June 2008. We maintain our BUY rating with an SOTP-based target price of Rs1,870. Use weakness in the stock to BUY; Sun Pharmaceuticals remains one of our top two picks in large cap pharma.

Caraco received warning letter from FDA for its Detroit plant. On October 31, 2008, Caraco received a warning letter from the FDA. The letter was issued as a follow up to the last FDA inspection of the manufacturing facility in Detroit. At the time of publishing this note, the letter was not available on the US FDA website and we are not aware of precise issues raised by FDA. We would comment on the seriousness of the issues raised once this letter is available.

According to the company, the problem relates to a previous incident where APIs were mixed up at the material dispensing stage. This was noted during the production process and the material was never converted into finished products. Therefore, never reached American patients.

During the recent inspection, FDA noticed papers relating to the incident and asked Caraco about internal controls the company has put in place to avoid a repeat of the situation. In addition, the FDA also sought documentary proof that all products sold by Caraco contained API as mentioned in the product label. FDA is now in the process of reviewing all these past records to satisfy themselves that quality standards were maintained. Sun expects to revert to US FDA in the next two weeks. It is not possible to surmise as to how long the FDA will take to arrive at a decision.

Until the company's responses to the observations have been clarified and explanations provided to the satisfaction of the FDA, the FDA may, in the near term, withhold approval of pending new drug applications listing the facility as the manufacturer.

Caraco continues to receive ANDA approvals (eight ANDAs relating to three products approved YTD) Caraco filed one NDA relating to one product and four ANDAs relating to three products with the FDA YTD and has received approval for eight ANDAs relating to three products YTD. This brings Caraco's total number of ANDAs pending approval to 23 (including four tentative approvals relating to 19 products and one NDA product pending approval). 19 out of 96 ANDAs of Sun Pharma that are now pending approval with FDA are from Caraco.

Caraco's present product portfolio includes 53 prescription products, in 115 strengths, in various package sizes. These include both Caraco manufactured products as well as products distributed for Sun. The products cover the following therapeutic areas: hypertension, arthritis, epilepsy, diabetes, depression and pain management.

The FDA concluded an inspection in June 2008 and seven approvals relating to two products have been received since June 2008. The inspection in June 2008 was a general cGMP inspection and pre-approval inspection for three products. The company was issued a notice on Form 483. Caraco has responded accordingly and has received approvals for seven ANDAs relating to two products since the inspection that concluded in June 2008.

Several measures have been taken to improve compliance as below

- Caraco has invested in more automation for improved quality and increase in output with less human intervention
- During FY2008, and currently in FY2009, in addition to its own internal audits, Caraco has retained independent companies to audit its laboratory as well as manufacturing areas
- The company continues to grow its analytical staff, currently at 69 employees, thereby enabling the laboratory to better cope with an increased workload with improved timeliness, higher quality, and increased cGMP compliance
- The company continues to provide external training to employees as a supplement to internal training in order to improve and maintain systems of operation. All audits are based on a historical look back and offer improvements based on Caraco's future requirements. The audits also included follow up on recommendations of best practices made by the FDA.
- The lab facility has also undergone major upgrades, including a significant increase in working space to improve analyst efficiency and safety. Additional lab instruments and equipment have been purchased which will enable increased compliance with cGMP requirements, cut future costs by enabling in-house rather than contract analyses, and speed sample testing.

Caraco guides towards FY2009E sales growth of 25%. In the recently concluded quarterly results release, Caraco management stated, "Our internal efforts, combined with Sun Pharma, in developing new products continue to pick up momentum and should permit us to grow at the level of our guidance. The current level of growth is at a high level which may not be sustainable. Based on our current distribution and sale and marketing agreements with Sun Pharma and our internal portfolio of products and future approved products, we believe we will achieve 25% growth in sales for Fiscal 2009, compared to Fiscal 2008. "

Maintain BUY rating with a SOTP-based target price of Rs1,870. We believe the stock has corrected on the back of this news and do not see any more downside till further clarity emerges from US FDA. Sun Pharma own 76% of Caraco (market cap around US\$350 mn). Since the stock closed down around 5%, removing US\$235 of Sun's market cap, we believe the risk of a further decline in share price is limited. The market has effectively eliminated the entire value of Caraco holding from Sun Pharma's market capitalization. This, we think, is an over-reaction since Caraco continues to be in business. We continue to rate Sun Pharma a BUY and advise investors to use this weakness to accumulate the stock.

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	4-Nov-08 Price (Rs)	Rating	Mkt cap. (US\$ mn)	shares (mn)	EPS (Rs)		EPS growth (%)		PER (X)		EV/EBITDA (X)		Price/BV (X)		Dividend yield (%)		RoE (%)		Target price (Rs)	Upside (%)	ADV-F 3mo (US\$ mn)												
					2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E				2010E											
Automobiles																																	
Bajaj Auto	470	ADD	67,958	1,427	145	59.3	65.9	69.8	(53.4)	11.0	5.9	7.9	7.1	6.7	5.7	5.3	4.9	4.3	3.4	2.8	4.3	4.3	4.3	4.3	21.0	42.6	36.5	610	29.9	—			
Hero Honda	733	REDUCE	146,440	3,075	200	48.5	56.8	63.2	12.8	17.2	11.3	15.1	12.9	11.6	9.5	8.6	8.0	4.7	3.9	3.2	2.6	2.7	2.7	2.7	34.0	33.1	30.4	770	5.0	9.9			
Mahindra & Mahindra	400	ADD	103,253	2,168	238	38.1	27.5	25.3	(2.0)	(27.7)	(8.0)	10.5	14.5	15.8	8.0	11.2	9.9	2.3	1.9	1.6	0.7	2.3	2.4	2.4	27.8	18.2	14.0	410	2.5	6.3			
Maruti/Suzuki	616	REDUCE	177,952	3,737	289	59.9	50.3	57.5	10.8	(16.0)	14.0	10.3	12.2	10.7	5.9	6.5	5.6	2.1	1.8	1.6	0.8	0.8	0.8	0.8	22.2	15.7	15.6	650	5.6	16.5			
Tata Motors	194	SELL	122,467	2,572	631	32.1	27.2	20.0	(31.6)	(15.3)	(26.4)	9.1	9.7	9.7	4.6	6.3	7.0	1.4	0.6	0.7	4.7	7.2	7.2	7.2	24.7	13.8	7.8	180	(7.2)	11.0			
Automobiles																																	
Caution																																	
Automobiles/Financial Institutions																																	
Andhra Bank	49	REDUCE	23,765	499	485	11.9	11.6	12.1	7.0	(2.4)	(4.7)	4.1	4.2	4.0	—	—	—	—	—	—	0.8	0.7	0.6	0.6	8.2	5.9	6.2	18.0	16.3	15.3	65	32.7	0.9
Axis Bank	640	REDUCE	229,095	4,811	358	32.2	39.7	51.8	37.7	23.2	30.5	19.9	16.1	12.4	—	—	—	—	—	—	2.8	2.4	2.1	0.9	1.2	1.5	17.6	15.2	17.5	750	17.1	71.3	
Bank of Baroda	286	BUY	104,614	2,197	366	39.3	40.9	43.7	39.8	4.1	6.8	7.3	7.0	6.6	—	—	—	—	—	—	1.2	1.0	0.9	2.8	2.9	3.1	14.6	13.0	12.7	330	15.3	9.4	
Bank of India	276	BUY	144,968	3,044	526	40.6	48.0	46.3	76.6	18.2	(3.6)	6.8	5.7	5.9	—	—	—	—	—	—	1.8	1.4	1.2	1.4	1.8	1.8	27.6	25.4	20.1	370	34.2	22.9	
Canara Bank	177	REDUCE	72,755	1,528	410	36.2	40.0	38.3	10.1	4.8	(4.3)	4.6	4.4	4.6	—	—	—	—	—	—	1.0	0.8	0.7	4.5	3.4	3.4	15.0	14.7	12.6	220	24.0	4.2	
Central Bank of India	40	SELL	16,125	339	404	11.6	9.4	17.1	(24.6)	(18.6)	81.0	3.4	4.2	2.3	—	—	—	—	—	—	0.8	0.5	0.4	5.0	—	—	15.3	11.6	16.7	55	37.8	0.4	
Corporation Bank	219	BUY	31,427	660	143	51.3	51.3	51.5	37.2	0.2	0.3	4.3	4.3	4.3	—	—	—	—	—	—	0.7	0.7	0.6	4.8	4.8	4.8	18.4	16.3	14.6	310	41.5	0.5	
Federal Bank	142	BUY	24,227	509	171	34.4	26.6	29.8	0.5	(22.7)	12.2	4.1	5.3	4.7	—	—	—	—	—	—	0.6	0.6	0.5	2.8	3.5	3.9	13.6	11.1	11.4	300	111.8	1.5	
Future Capital Holdings	198	BUY	12,515	263	63	(4.5)	4.5	28.8	(89.8)	(198.6)	546.1	(43.9)	44.5	6.9	—	—	—	—	—	—	1.7	1.7	1.3	—	—	—	(6.7)	3.8	21.4	440	122.3	0.9	
HDFC	1,919	ADD	550,796	11,567	287	85.8	78.0	97.1	38.2	(9.0)	24.5	24.2	24.6	19.8	—	—	—	—	—	—	4.6	4.0	3.5	1.3	1.2	1.5	27.8	17.4	18.9	2,200	14.6	79.9	
HDFC Bank	1,113	BUY	470,971	9,890	423	46.0	55.6	68.9	28.7	20.9	23.9	22.4	20.0	16.2	—	—	—	—	—	—	4.1	3.2	2.2	0.6	0.9	1.1	17.7	17.9	17.1	1,350	21.3	54.1	
ICICI Bank	458	ADD	509,384	10,697	1,113	39.9	36.2	39.2	15.4	(9.3)	8.2	11.5	12.6	11.7	—	—	—	—	—	—	1.1	1.0	1.0	2.4	2.0	2.1	11.7	8.4	8.6	450	(1.7)	173.2	
IDFC	70	ADD	90,148	1,893	294	5.7	6.4	7.2	3.0	13.3	11.8	12.3	10.8	9.7	—	—	—	—	—	—	1.6	1.4	1.3	1.7	1.6	1.8	17.6	14.2	14.2	85	22.0	22.1	
India Infoline	63	ADD	17,962	377	287	5.6	6.3	6.2	85.6	12.0	(1.2)	11.2	10.0	10.1	2.7	4.6	4.2	1.5	1.3	1.2	1.9	2.2	2.1	2.0	2.1	20.7	14.1	12.9	70	12.0	3.4		
Indian Bank	135	ADD	58,062	1,219	430	22.5	22.8	23.5	33.9	1.0	3.1	6.0	5.9	5.8	—	—	—	—	—	—	1.3	1.1	1.0	2.2	2.2	2.2	23.4	18.8	16.7	160	18.4	2.8	
Indian Overseas Bank	84	BUY	45,491	955	545	22.1	21.9	20.1	19.2	(0.6)	(8.5)	3.8	3.8	4.2	—	—	—	—	—	—	0.9	0.8	0.7	4.5	6.0	6.5	27.2	22.5	17.7	130	55.7	1.1	
J&K Bank	283	ADD	18,565	390	48	74.2	76.3	72.8	31.2	2.8	4.7	5.2	5.0	5.3	—	—	—	—	—	—	0.9	0.8	0.7	4.0	4.2	4.0	16.8	15.3	13.1	500	30.6	0.3	
LIC Housing Finance	243	ADD	20,675	434	85	45.5	54.6	56.2	38.7	19.8	2.9	5.3	4.5	4.3	—	—	—	—	—	—	1.1	0.9	0.8	4.1	4.9	5.1	—	—	—	325	33.6	3.0	
Mahindra & Mahindra Financial	196	SELL	18,679	392	95	20.8	16.6	22.3	32.6	(19.5)	33.3	9.4	11.7	8.8	—	—	—	—	—	—	1.5	1.3	1.2	2.3	2.1	2.9	16.9	11.7	14.2	190	(3.1)	0.1	
Oriental Bank of Commerce	141	ADD	35,314	742	251	23.9	44.0	30.0	(27.6)	84.3	(31.8)	5.9	3.2	4.7	—	—	—	—	—	—	0.7	0.6	0.5	3.3	6.2	4.3	6.2	17.8	10.9	200	41.9	2.1	
PFC	114	ADD	131,362	2,759	1,148	11.4	12.6	15.7	2.4	10.7	24.9	10.1	9.1	7.3	—	—	—	—	—	—	1.3	1.2	1.1	1.5	1.9	1.5	13.3	13.3	14.8	140	22.3	2.5	
Punjab National Bank	485	BUY	153,048	3,214	315	65.0	81.5	86.0	33.0	25.4	5.5	7.5	6.0	5.6	—	—	—	—	—	—	1.6	1.3	1.1	2.7	3.4	3.5	18.0	19.5	18.0	650	33.9	11.3	
Shriram Transport	214	ADD	43,320	914	203	19.2	28.4	29.7	85.7	48.2	4.5	11.2	7.5	7.2	—	—	—	—	—	—	2.5	2.1	1.7	2.3	4.0	4.3	26.9	28.6	25.8	305	42.3	0.9	
Shree Cement	56	BUY	6,953	138	116	11.4	7.6	7.6	57.4	(33.5)	(0.2)	4.9	7.4	7.4	—	—	—	—	—	—	1.0	0.6	0.6	2.1	4.1	5.0	23.1	13.9	12.8	100	77.5	0.5	
State Bank of India	1,321	BUY	834,015	17,514	631	106.6	116.5	105.2	23.5	9.4	(9.7)	12.4	11.3	12.6	—	—	—	—	—	—	2.0	1.8	1.6	1.6	1.7	1.6	16.8	14.2	11.6	1,600	21.1	105.8	
Union Bank	149	BUY	75,035	1,576	505	27.5	30.9	31.0	64.1	12.6	0.2	5.4	4.8	4.8	—	—	—	—	—	—	1.0	0.9	0.8	2.7	3.1	3.1	26.8	24.9	20.7	220	48.1	4.8	
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Comment																																	
ACC	507	REDUCE	95,716	2,010	189	64.1	56.2	44.5	13.0	(23.3)	(20.8)	7.9	9.0	11.4	4.0	4.2	5.6	2.1	1.9	1.7	4.6	4.6	4.6	4.6	4.6	39.3	23.5	16.7	550	8.4	5.6		
Ambuja Cements	63	REDUCE	95,910	2,014	1,522	7.6	7.8	5.4	(11.2)	2.8	(30.0)	8.3	8.1	11.6	4.2	4.3	5.5	1.9	1.5	1.4	4.1	4.7	3.4	2.6	2.1	4.7	3.4	2.6	21.0	12.8	60	(4.8)	3.0
Grasim Industries	1,131	ADD	103,724	2,178	52	284.6	230.8	197.7	32.6	(18.9)	(14.3)	4.0	4.9	5.7	2.8	3.2	3.1	0.9	0.7	0.7	2.7	2.9	2.9	2.9	2.9	25.0	16.3	12.1	1,700	50.3	4.6		
India Cements	91	BUY	25,650	539	282	24.5	22.7	20.2	n/a	(7.3)	(10.8)	3.7	4.0	4.5	3.5	3.0	3.2	0.7	0.7	0.6	2.0	2.3	2.3	2.3	2.3	25.8	18.6	14.6	145	59.3	2.0		
Shree Cement	425	BUY	14,809	311	35	90.2	109.1	71.3	99.5	21.0	(34.6)	4.7	3.9	6.0	2.7	3.2	2.9	2.3	1.5	1.2	1.9	1.9	1.9	1.9	1.9	56.9	46.6	22.9	850	100.0	0.3		
UltraTech Cement	373	BUY	46,753	982	125	81.4	71.0	54.7	28.5	(12.8)	(22.9)	4.6	5.3	6.8	3.5	3.7	4.1	1.4	1.2	1.0	2.0	2.2	2.2	2.2	2.2	45.2	28.8	18.2	550	47.4	1.0		
Consumer (Discretionary)																																	
Caution																																	
382,562																																	
Comment																																	
Radio Khatan	60	REDUCE	6,184	130	102	2.2	1.7	3.3	(41.4)	(24.7)	93.1	26.9	35.7	18.5	10.7	11.6	9.4	2.5	2.3	2.1	1.0	—	—	—	—	11.7	6.7						

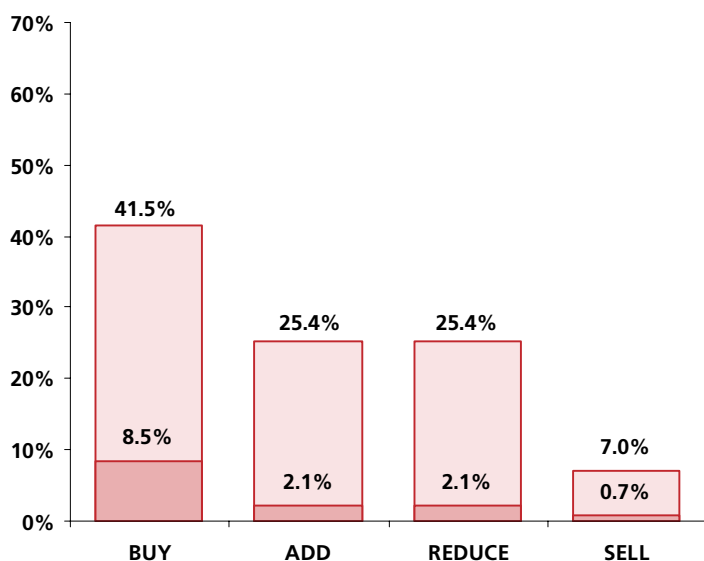
Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	4-Nov-08 Price (Rs)	Rating	Cautious	702,709	14,757	O/S shares		EPS (Rs)		EPS growth (%)		PER (X)		EV/EBITDA (X)		Price/BV (X)		Dividend yield (%)		RoE (%)		Target Upside (%)	ADVT-3mo (US\$ mn)									
						(mm)	(US\$ mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E			2010E								
Retail																																
Pantaloon Retail	237	BUY				172	80	12.1	18.4	93.1	50.4	52.2	29.5	19.6	12.9	11.3	7.8	6.3	2.4	1.5	1.4	0.2	0.3	0.4	8.5	9.1	10.8	370	56.0	1.8		
Titan Industries	953	BUY				44	35.1	49.8	56.6	55.2	42.1	13.6	27.2	19.1	16.8	18.4	12.0	10.1	9.0	6.5	4.9	0.8	1.0	1.2	37.7	39.3	33.2	1,280	34.3	3.0		
Vishal Retail	87	ADD				1,941	41	22	18.1	21.6	35.6	37.2	19.2	65.2	4.8	4.0	2.4	5.4	4.4	3.7	0.7	0.6	0.5	—	—	20.2	16.2	22.1	485	459.7	0.1	
Retail						85,039				318	48.2	35.6	26.4	17.8	13.1	12.5	8.4	6.7	3.5	2.3	2.0	0.5	0.7	0.8	13.2	13.1	15.3					
Technology																																
HCL Technologies	167	REDUCE				695	15.3	20.6	21.7	(19.0)	35.0	34.1	10.9	8.1	7.7	5.8	4.2	3.8	2.4	1.8	1.6	4.8	4.8	4.8	21.4	23.8	22.7	200	19.7	4.0		
Hexaware Technologies	20	SELL				60	142	7.7	2.9	3.8	(13.7)	62.4	32.1	2.6	7.0	5.3	(0.3)	0.9	0.6	0.4	0.4	0.4	0.4	0.4	8.0	8.0	15.1	5.8	7.4	25	24.7	0.2
Infosys Technologies	1,332	BUY				574	79.1	100.8	108.8	18.0	27.5	7.9	16.8	13.2	12.2	13.0	9.8	8.6	5.5	4.3	3.4	2.5	1.8	2.0	36.1	36.4	30.9	1,600	20.1	73.6		
Mphasis BFL	151	REDUCE				663	208	12.2	22.3	23.4	67.6	18.7	5.0	12.4	6.8	6.5	7.3	4.3	2.7	0.3	1.7	2.3	2.6	3.0	23.6	34.6	28.4	190	25.5	1.6		
Mindtree	265	BUY				145	26	26.7	30.7	39.6	12.3	14.7	29.0	9.9	8.6	6.7	5.8	3.2	2.8	1.3	1.0	0.8	1.5	—	—	17.2	17.8	45.0	70.0	0.4		
Patni Computer Systems	139	SELL				375	129	33.2	26.3	30.8	29.2	(20.8)	16.9	4.2	5.3	4.5	0.9	1.0	0.1	0.6	0.6	0.5	1.6	1.9	2.2	19.2	14.1	12.0	160	15.2	1.0	
Polaris Software Lab	47	SELL				98	98	7.4	12.8	11.6	(27.6)	71.6	(9.6)	6.4	3.7	4.1	2.4	1.3	1.1	0.7	0.6	0.5	3.7	3.7	11.7	17.8	14.1	70	47.8	3.0		
Satyam Computer Services	277	BUY				682	25.2	33.7	35.5	17.7	33.3	5.3	11.0	8.2	7.8	8.0	5.2	4.4	2.6	2.1	1.7	3.5	4.3	5.1	26.0	28.2	24.2	400	44.3	35.2		
TCS	509	REDUCE				10,450	979	51.3	56.4	63.0	21.5	10.0	11.6	9.9	9.0	8.1	7.9	6.4	5.8	4.0	3.2	2.6	2.8	3.9	5.0	47.0	39.3	35.6	650	27.8	24.6	
Tech Mahindra	323	BUY				846	125	59.1	76.4	85.0	25.7	29.4	11.2	5.5	4.2	3.8	4.8	2.6	1.7	3.2	1.8	1.2	1.7	1.9	19.9	70.7	58.0	40.9	700	116.4	3.2	
Wipro	263	ADD				8,005	381,205	22.2	26.0	28.7	12.6	17.0	10.4	11.8	10.1	9.2	9.3	6.8	5.9	2.9	2.4	2.0	2.4	2.9	3.3	27.9	26.3	24.3	360	36.9	12.1	
Technology						2,052,640				16.1	21.4	9.2	11.9	9.8	9.0	8.9	6.6	5.8	3.5	2.3	2.7	3.0	3.4	29.4	28.3	25.6						
Telecom																																
Bharti Airtel Ltd	717	BUY				1,360,699	28,575	35.3	45.3	55.1	65.0	28.3	21.7	20.3	15.8	13.0	12.3	9.3	7.2	6.0	4.3	3.2	—	0.6	0.8	39.1	31.9	28.5	800	11.6	89.1	
IDEA	51	REDUCE				3,442	3,236	3.9	3.3	3.4	78.5	(17.6)	5.7	12.8	15.6	14.7	9.7	6.1	5.4	4.6	1.2	1.1	—	—	—	36.4	12.0	8.0	70	38.2	11.2	
MTNL	72	REDUCE				951	630	7.1	5.1	5.5	(11.0)	(28.4)	7.6	10.1	14.0	13.1	1.6	2.3	2.1	0.4	0.4	0.4	5.6	8.3	8.3	3.5	2.2	2.4	80	11.3	2.6	
Reliance Communications	250	SELL				10,856	2,064	26.1	26.3	33.1	84.3	0.5	25.8	9.6	9.5	7.6	8.0	7.8	6.2	1.8	1.5	1.2	0.3	—	—	16.8	18.3	18.7	265	5.8	62.9	
Tata Communications	521	REDUCE				3,116	285	10.9	13.6	14.0	(56.3)	24.0	3.2	47.6	38.3	37.2	19.7	16.3	14.8	2.2	2.2	2.1	0.9	1.0	1.2	4.4	5.4	5.2	370	(28.9)	4.1	
Telecom						46,940				65.7	16.3	21.0	15.5	13.3	11.0	10.5	8.6	6.8	3.0	2.3	1.9	0.4	0.6	0.8	19.6	17.0	17.2					
Transportation																																
Container Corporation	647	REDUCE				1,767	130	57.7	69.4	74.2	7.8	20.3	6.8	11.2	9.3	8.7	7.2	5.8	5.1	2.6	2.2	1.8	1.9	2.3	2.4	25.8	25.6	22.8	800	23.6	1.5	
Transportation						1,767				7.8	20.3	6.8	11.2	9.3	8.7	7.2	5.8	5.1	2.6	2.2	1.8	1.9	2.3	2.4	23.5	23.3	21.0					
Utilities																																
CECS	227	BUY				596	125	—	—	—	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	4.2	5.0	6.1	0.9	0.8	0.7	1.8	1.8	2.2	12.5	10.6	10.5	450	98.2	1.6	
Lanco InfraTech	171	BUY				800	222	14.8	17.5	26.0	75.2	18.2	48.3	11.6	9.8	6.6	9.7	12.8	10.7	2.1	1.7	1.4	—	—	—	19.7	19.2	23.0	370	115.9	9.0	
NTPC	152	REDUCE				26,302	8,245	9.3	9.0	9.7	7.9	(3.2)	7.9	16.3	16.8	15.6	11.3	12.2	11.7	2.3	2.1	2.0	2.3	2.3	2.4	14.9	13.2	13.1	160	5.3	31.9	
Reliance Infrastructure	543	BUY				2,634	231	37.6	53.6	56.8	13.9	42.6	6.0	14.4	10.1	9.6	21.1	16.9	16.7	0.8	0.7	0.7	1.2	1.3	1.5	4.3	6.2	6.6	1,250	130.1	77.2	
Reliance Power	123	REDUCE				289,968	6,173	2.397	0.4	2.1	2.6	—	443.9	25.2	32.5	59.3	47.3	—	—	—	—	—	—	—	—	1.2	3.5	4.3	180	46.8	25.0	
Tata Power	753	BUY				175,345	3,682	23.3	29.7	38.1	39.9	11.6	28.5	4.6	25.4	19.7	18.9	18.7	16.9	17.7	2.3	1.8	1.6	1.2	1.3	1.3	10.0	10.3	9.0	1,230	63.4	21.5
Utilities						1,913,692				40,188			12.1	7.9	9.7	19.1	17.7	16.1	13.3	10.4	1.7	1.7	1.7	1.7	1.8	10.4	10.3	10.4				
Others																																
Aban Offshore	986	BUY				38,129	801	72.3	211.1	456.6	(1,066)	192.1	116.3	13.6	4.7	2.2	12.8	6.9	4.0	4.3	1.9	1.0	0.4	1.0	0.4	1.0	51.7	49.3	53.1	1,700	72.4	18.8
Educomp Solutions	2,589	BUY				49,243	1,034	19	35.2	63.9	108.1	114	81.7	69.2	73.7	40.5	24.0	39.0	16.8	10.5	16.0	6.7	5.4	0.1	0.2	0.4	33.5	23.3	24.3	2,550	(1.5)	29.8
Havells India	187	BUY				238	61	26.6	19.7	34.5	40	(25.9)	75.1	7.0	9.5	5.4	6.3	6.3	4.4	1.7	1.4	1.0	1.3	1.7	2.2	33.7	16.5	22.2	365	95.2	0.4	
Jaiprakash Associates	90	BUY				106,441	2,235	1,188	4.9	7.3	11.0	7	49.5	50.9	18.3	12.2	8.1	12.1	9.2	8.6	2.1	1.8	1.5	0.0	0.0	0.0	15.4	16.1	20.5	205	128.8	46.8
Jindal Saw	431	BUY				26,427	555	61	66.6	86.9	82.9	(43)	30.6	(4.7)	6.5	5.0	5.2	4.8	2.9	2.7	0.9	0.7	0.7	1.7	3.0	3.5	12.5	14.4	12.3	500	16.0	1.7
PSL	114	BUY				4,962	104	44	21.1	43.6	58.3	4																				

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As of September 30, 2008

Ratings and other definitions/identifiers

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