

January 22, 2010

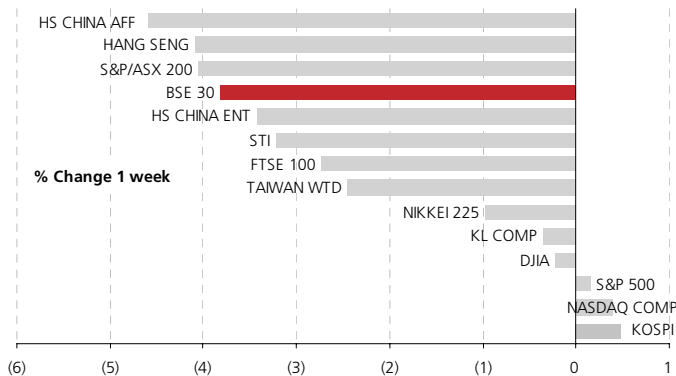
BSE-30: 17,051

**Positive earnings momentum, weak market momentum.** During the past week, the BSE-30 Index lost 530 points (3%) to close at 17,051. Reliance Industries (to report earnings today), Larsen and Toubro (disappointing revenues partially supported by strong margins) and ONGC (one-offs items impact otherwise in-line operating performance) were the major laggards, contributing 300 points to the Index decline on the back of weaker-than-expected earnings (or expectations thereof). However, the earnings season has been positive so far with leading Information Technology and Banking stocks reporting better-than-expected earnings and growth. We have revised our BSE-30 Index earnings growth to 2.3% from 4.5% for FY2010E and 20.9% from 21.2% for FY2011E.

#### Market highlights for the week ending Thursday, January 21, 2010

- Largest gainers: Mahindra Life Space Developer (15%), Havells India (8%), Sun TV Network (8%)
- Largest losers: Punj Lloyd (-11%), Hindustan Petroleum (-10%), IVRCL (-10%)

#### Relative performance of regional indices (% Change 1 week)



Note:  
Returns are adjusted for currency changes

Source: Bloomberg, Kotak Institutional Equities

#### Flows in emerging markets

| Date                                      | Taiwan     | Indonesia   | Philippines | Thailand    | India        | Total      |
|---|------------|-------------|-------------|-------------|--------------|------------|
| <b>Investments in past week (US\$ mn)</b> |            |             |             |             |              |            |
| 13-Jan-10                                 | (95)       | (12)        | (4)         | (12)        | (10)         | (133)      |
| 14-Jan-10                                 | 334        | (6)         | (14)        | 31          | (30)         | 314        |
| 15-Jan-10                                 | 334        | 17          | 19          | 5           | (195)        | 180        |
| 18-Jan-10                                 | 107        | (32)        | 11          | (51)        | 65           | 99         |
| 19-Jan-10                                 | -          | 15          | (2)         | (6)         | (99)         | (92)       |
| <b>Total</b>                              | <b>679</b> | <b>(19)</b> | <b>10</b>   | <b>(34)</b> | <b>(269)</b> | <b>368</b> |

Source: SEBI, Kotak Institutional Equities

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# OUR TOP RECOMMENDATIONS

## Kotak Institutional Equities, Top-10, March fiscal year-ends, 2009-11E

| Companies                     | Sector            | Rating | Mkt cap.<br>(US\$ mn) | CMP<br>(Rs)   | Target<br>(Rs) | EPS (Rs) |       |       | P/E (X) |       |       | EV/EBDITA (X) |       |       |
|-------------------------------|-------------------|--------|-----------------------|---------------|----------------|----------|-------|-------|---------|-------|-------|---------------|-------|-------|
|                               |                   |        |                       |               |                | 2009     | 2010E | 2011E | 2009    | 2010E | 2011E | 2009          | 2010E | 2011E |
| State Bank of India           | Banking           | BUY    | 29,307                | 2,124         | 2,400          | 143.7    | 154.8 | 174.4 | 14.8    | 13.7  | 12.2  | —             | —     | —     |
| Oil & Natural Gas Corporation | Energy            | ADD    | 52,988                | 1,140         | 1,200          | 90.8     | 90.1  | 107.8 | 12.6    | 12.7  | 10.6  | 4.7           | 4.5   | 3.8   |
| Infosys Technologies          | Technology        | BUY    | 32,747                | 2,625         | 3,000          | 102.4    | 108.5 | 124.2 | 25.6    | 24.2  | 21.1  | 19.4          | 17.1  | 13.8  |
| Hindustan Unilever            | Consumer products | BUY    | 12,161                | 257           | 320            | 9.5      | 10.6  | 12.2  | 27.0    | 24.3  | 21.1  | 20.6          | 18.1  | 15.7  |
| ITC                           | Consumer products | BUY    | 20,024                | 245           | 290            | 8.7      | 10.8  | 12.8  | 28.2    | 22.7  | 19.1  | 17.3          | 14.1  | 11.9  |
| Reliance Infrastructure       | Utilities         | BUY    | 5,286                 | 1,074         | 1,250          | 62.7     | 63.7  | 68.6  | 17.1    | 16.9  | 15.7  | 21.5          | 19.7  | 15.7  |
| Jaiprakash Associates         | Diversified       | ADD    | 6,905                 | 151           | 170            | 2.0      | 4.3   | 7.1   | 75.4    | 35.1  | 21.2  | 27.8          | 17.3  | 15.1  |
| Tata Power                    | Utilities         | ADD    | 7,278                 | 1,357         | 1,485          | 50.2     | 57.9  | 71.9  | 27.0    | 23.5  | 18.9  | 12.5          | 14.2  | 12.9  |
| Larsen & Toubro               | Industrials       | ADD    | 19,906                | 1,524         | 1,650          | 50.1     | 58.5  | 72.2  | 30.4    | 26.1  | 21.1  | 19.6          | 14.8  | 12.4  |
| <b>PSU bank basket</b>        |                   |        |                       |               |                |          |       |       |         |       |       |               |       |       |
| Bank of Baroda                | Banking           | ADD    | 4,370                 | 550           | 560            | 60.9     | 68.5  | 71.0  | 9.0     | 8.0   | 7.7   | —             | —     | —     |
| Corporation Bank              | Banking           | BUY    | 1,399                 | 449           | 515            | 62.3     | 61.1  | 60.8  | 7.2     | 7.4   | 7.4   | —             | —     | —     |
| Punjab National Bank          | Banking           | BUY    | 6,195                 | 904           | 930            | 98.0     | 110.4 | 118.6 | 9.2     | 8.2   | 7.6   | —             | —     | —     |
| Union Bank                    | Banking           | BUY    | 2,888                 | 263           | 310            | 34.2     | 34.8  | 37.7  | 7.7     | 7.6   | 7.0   | —             | —     | —     |
| <b>BSE-30</b>                 |                   |        |                       | <b>17,051</b> |                |          |       |       |         |       |       |               |       |       |

Source: Company, Bloomberg, Kotak Institutional Equities estimates

# OUR MODEL PORTFOLIO

## Kotak Institutional Equities Model Portfolio

| Company                       | 21-Jan     |        | Weightage (%) |             | Diff.        |
|-------------------------------|------------|--------|---------------|-------------|--------------|
|                               | Price (Rs) | Rating | BSE-30        | KS reco.    | (bps)        |
| Hero Honda                    | 1,653      | REDUCE | 1.3           | —           | (125)        |
| Mahindra & Mahindra           | 1,145      | ADD    | 1.9           | 2.4         | 50           |
| Maruti Suzuki                 | 1,453      | SELL   | 1.6           | 1.1         | (50)         |
| Tata Motors                   | 783        | ADD    | 2.0           | —           | (205)        |
| <b>Automobiles</b>            |            |        | <b>6.8</b>    | <b>3.5</b>  | <b>(330)</b> |
| Bank of Baroda                | 550        | ADD    | —             | 1.0         | 100          |
| Corporation Bank              | 449        | BUY    | —             | 1.0         | 100          |
| Punjab National Bank          | 904        | BUY    | —             | 1.0         | 100          |
| State Bank of India           | 2,124      | BUY    | 5.0           | 6.5         | 150          |
| Union Bank                    | 263        | BUY    | —             | 1.0         | 100          |
| <b>PSU Banking</b>            |            |        | <b>5.0</b>    | <b>10.5</b> | <b>550</b>   |
| HDFC                          | 2,437      | ADD    | 5.1           | 1.6         | (350)        |
| HDFC Bank                     | 1,712      | ADD    | 5.0           | 2.0         | (300)        |
| ICICI Bank                    | 853        | ADD    | 7.5           | 7.5         | —            |
| <b>Pvt. Banking/Financing</b> |            |        | <b>17.7</b>   | <b>11.2</b> | <b>(650)</b> |
| ACC                           | 942        | REDUCE | 0.7           | —           | (72)         |
| Grasim Industries             | 2,661      | REDUCE | 1.4           | —           | (140)        |
| Jaiprakash Associates         | 151        | ADD    | 1.4           | 2.9         | 150          |
| <b>Cement</b>                 |            |        | <b>3.5</b>    | <b>2.9</b>  | <b>(62)</b>  |
| Hindustan Unilever            | 257        | BUY    | 2.2           | 3.2         | 100          |
| ITC                           | 245        | BUY    | 5.1           | 6.6         | 150          |
| <b>Consumers</b>              |            |        | <b>7.3</b>    | <b>9.8</b>  | <b>250</b>   |
| Oil & Natural Gas Corporation | 1,140      | ADD    | 4.0           | 5.5         | 150          |
| Reliance Industries           | 1,054      | SELL   | 12.3          | 6.2         | (605)        |
| <b>Energy</b>                 |            |        | <b>16.2</b>   | <b>11.7</b> | <b>(455)</b> |
| Bharat Heavy Electricals      | 2,292      | ADD    | 3.1           | 2.6         | (50)         |
| NRCL                          | 354        | BUY    | —             | 1.0         | 100          |

Note:

(a) Weights are with respect to January 7, 2010 prices.

Source: Company, Bloomberg, Kotak Institutional Equities estimates

| Company                         | 21-Jan     |        | Weightage (%) |              | Diff.        |
|---------------------------------|------------|--------|---------------|--------------|--------------|
|                                 | Price (Rs) | Rating | BSE-30        | KS reco.     | (bps)        |
| Larsen & Toubro                 | 1,524      | ADD    | 6.9           | 7.9          | 100          |
| Nagarjuna Construction Co.      | 167        | BUY    | —             | 1.0          | 100          |
| <b>Industrials/Construction</b> |            |        | <b>10.0</b>   | <b>12.5</b>  | <b>250</b>   |
| Hindalco Industries             | 163        | BUY    | 1.8           | 2.3          | 50           |
| Sterlite Industries             | 822        | ADD    | 2.6           | 2.6          | —            |
| Tata Steel                      | 648        | BUY    | 3.1           | 2.6          | (50)         |
| <b>Metals</b>                   |            |        | <b>7.5</b>    | <b>7.5</b>   | <b>—</b>     |
| Biocon                          | 282        | BUY    | —             | 0.5          | 50           |
| Piramal Healthcare              | 356        | NR     | —             | 0.5          | 50           |
| Sun Pharmaceuticals             | 1,465      | ADD    | 1.0           | 1.0          | —            |
| <b>Pharmaceuticals</b>          |            |        | <b>1.0</b>    | <b>2.0</b>   | <b>100</b>   |
| DLF                             | 364        | SELL   | 1.2           | —            | (120)        |
| <b>Real estate</b>              |            |        | <b>1.2</b>    | <b>—</b>     | <b>(120)</b> |
| Infosys Technologies            | 2,625      | BUY    | 9.4           | 10.4         | 100          |
| TCS                             | 771        | BUY    | 3.2           | 3.2          | —            |
| Wipro                           | 709        | ADD    | 1.5           | 2.5          | 100          |
| <b>Technology</b>               |            |        | <b>14.1</b>   | <b>16.1</b>  | <b>200</b>   |
| Bharti Airtel                   | 322        | REDUCE | 3.3           | —            | (332)        |
| Reliance Communications         | 185        | SELL   | 1.0           | —            | (101)        |
| <b>Telecom</b>                  |            |        | <b>4.3</b>    | <b>—</b>     | <b>(433)</b> |
| NTPC                            | 224        | NR     | 2.1           | 1.1          | (100)        |
| Reliance Infrastructure         | 1,074      | BUY    | 1.3           | 2.8          | 150          |
| Tata Power                      | 1,357      | ADD    | 1.9           | 3.4          | 150          |
| <b>Utilities</b>                |            |        | <b>5.4</b>    | <b>7.4</b>   | <b>200</b>   |
| <b>Cash</b>                     |            |        | <b>—</b>      | <b>5.0</b>   | <b>500</b>   |
| <b>BSE-30</b>                   |            |        | <b>17,051</b> | <b>100.0</b> | <b>100.0</b> |
|                                 |            |        |               |              | <b>—</b>     |

# SENSEX VALUATION SUMMARY

## Valuation summary of BSE-30 sectors, March fiscal year-ends, 2009-11E

|                               | Mkt-cap.<br>(US\$ mn) | EPS growth (%) |            |            |             | PER (X)     |             |             | EV/EBITDA (X) |             |             | Price/BV (X) |            | Div Yield (%) |            | RoE (%)     |             |
|-------------------------------|-----------------------|----------------|------------|------------|-------------|-------------|-------------|-------------|---------------|-------------|-------------|--------------|------------|---------------|------------|-------------|-------------|
|                               |                       | 2008           | 2009       | 2010E      | 2011E       | 2009        | 2010E       | 2011E       | 2009          | 2010E       | 2011E       | 2009         | 2010E      | 2009          | 2010E      | 2009        | 2010E       |
| Automobiles                   | 33,349                | 4.3            | (30.8)     | 106.9      | 10.3        | 40.3        | 19.5        | 17.6        | 22.4          | 11.9        | 10.6        | 4.8          | 3.6        | 0.7           | 0.8        | 12.0        | 18.7        |
| Banking                       | 81,817                | 43.9           | 16.7       | 13.4       | 18.8        | 21.6        | 19.1        | 16.1        | —             | —           | —           | 2.8          | 2.5        | 1.2           | 1.3        | 12.8        | 12.9        |
| Cement                        | 9,148                 | 25.7           | (15.0)     | 29.2       | (16.9)      | 13.0        | 10.0        | 12.1        | 7.0           | 5.2         | 5.7         | 2.5          | 2.1        | 1.8           | 1.8        | 19.3        | 20.6        |
| Consumers                     | 32,185                | 15.5           | 8.6        | 19.3       | 17.3        | 27.7        | 23.3        | 19.8        | 18.4          | 14.6        | 12.4        | 8.9          | 7.7        | 2.2           | 2.4        | 32.0        | 33.1        |
| Diversified                   | 6,905                 | 20.7           | (30.8)     | 115.0      | 65.5        | 75.4        | 35.1        | 21.2        | 24.1          | 16.2        | 14.4        | 4.8          | 3.9        | —             | —          | 6.4         | 11.2        |
| Energy                        | 119,806               | 13.9           | 0.5        | 1.2        | 29.9        | 15.9        | 15.7        | 12.1        | 7.9           | 7.0         | 5.6         | 2.2          | 1.9        | 1.6           | 1.7        | 13.6        | 12.4        |
| Industrials                   | 44,290                | 21.3           | 19.4       | 27.9       | 21.6        | 33.6        | 26.3        | 21.6        | 19.6          | 14.7        | 12.1        | 7.2          | 5.3        | 0.7           | 0.8        | 21.6        | 20.3        |
| Metals                        | 34,282                | 10.5           | (0.3)      | (48.5)     | 92.2        | 12.3        | 23.8        | 12.4        | 8.0           | 10.0        | 6.7         | 2.1          | 1.6        | 0.8           | 0.5        | 17.1        | 6.7         |
| Pharmaceuticals               | 6,593                 | 89.6           | 22.3       | (34.3)     | 13.1        | 16.7        | 25.4        | 22.5        | 13.0          | 18.2        | 15.4        | 4.2          | 3.7        | 0.9           | 0.9        | 25.3        | 14.7        |
| Property                      | 13,362                | 304.6          | (42.3)     | (51.0)     | 27.8        | 13.6        | 27.7        | 21.7        | 12.8          | 17.0        | 15.0        | 2.5          | 2.4        | 0.8           | 0.8        | 18.8        | 8.6         |
| Technology                    | 88,067                | 19.1           | 15.9       | 18.7       | 17.4        | 27.3        | 23.0        | 19.6        | 20.0          | 15.9        | 12.8        | 8.3          | 6.5        | 0.8           | 1.1        | 30.3        | 28.3        |
| Telecom                       | 34,870                | 74.9           | 21.6       | (19.1)     | (9.4)       | 10.4        | 12.9        | 14.2        | 7.3           | 7.6         | 7.5         | 2.2          | 1.9        | 0.6           | 0.7        | 20.9        | 14.5        |
| Utilities                     | 52,613                | 9.9            | 14.5       | 13.2       | 12.5        | 22.8        | 20.1        | 17.9        | 13.7          | 12.9        | 12.0        | 2.8          | 2.5        | 1.4           | 1.6        | 12.4        | 12.7        |
| <b>BSE-30 Index</b>           | <b>557,288</b>        | <b>27.9</b>    | <b>3.7</b> | <b>2.3</b> | <b>20.9</b> | <b>19.6</b> | <b>19.1</b> | <b>15.8</b> | <b>11.3</b>   | <b>10.3</b> | <b>8.7</b>  | <b>3.2</b>   | <b>2.7</b> | <b>1.1</b>    | <b>1.3</b> | <b>16.3</b> | <b>14.2</b> |
| <b>BSE-30 ex-Energy</b>       | <b>437,482</b>        | <b>34.2</b>    | <b>4.9</b> | <b>2.7</b> | <b>17.6</b> | <b>20.9</b> | <b>20.3</b> | <b>17.3</b> | <b>13.1</b>   | <b>12.0</b> | <b>10.3</b> | <b>3.7</b>   | <b>3.1</b> | <b>1.0</b>    | <b>1.1</b> | <b>17.5</b> | <b>15.1</b> |
| <b>BSE-30 ex-Energy, Com.</b> | <b>394,051</b>        | <b>39.8</b>    | <b>6.9</b> | <b>9.8</b> | <b>13.7</b> | <b>22.6</b> | <b>20.6</b> | <b>18.1</b> | <b>15.0</b>   | <b>12.9</b> | <b>11.4</b> | <b>4.0</b>   | <b>3.4</b> | <b>1.0</b>    | <b>1.2</b> | <b>17.5</b> | <b>16.4</b> |
| <b>BSE-30 ex-Technology</b>   | <b>469,221</b>        | <b>29.0</b>    | <b>2.4</b> | <b>0.2</b> | <b>21.4</b> | <b>18.6</b> | <b>18.5</b> | <b>15.3</b> | <b>10.4</b>   | <b>9.6</b>  | <b>8.2</b>  | <b>2.9</b>   | <b>2.5</b> | <b>1.2</b>    | <b>1.3</b> | <b>15.4</b> | <b>13.2</b> |

Note:

(1) EV/EBITDA excludes banks.

Source: Company, Kotak Institutional Equities estimates

# NIFTY VALUATION SUMMARY

## Valuation summary of Nifty sectors, March fiscal year-ends, 2009-11E

|                               | Mkt cap.<br>(US\$ mn) | EPS growth (%) |            |            |             | PER (X)     |             |             | EV/EBITDA (X) |             |             | Price/BV (X) |            | Div yield (%) |            | RoE (%)     |             |
|-------------------------------|-----------------------|----------------|------------|------------|-------------|-------------|-------------|-------------|---------------|-------------|-------------|--------------|------------|---------------|------------|-------------|-------------|
|                               |                       | 2008           | 2009       | 2010E      | 2011E       | 2009        | 2010E       | 2011E       | 2009          | 2010E       | 2011E       | 2009         | 2010E      | 2009          | 2010E      | 2009        | 2010E       |
| Automobiles                   | 33,349                | 4.3            | (30.8)     | 106.9      | 10.3        | 40.3        | 19.5        | 17.6        | 22.4          | 11.9        | 10.6        | 4.8          | 3.6        | 0.7           | 0.8        | 12.0        | 18.7        |
| Banking                       | 105,707               | 43.2           | 21.3       | 13.0       | 17.1        | 20.2        | 17.9        | 15.3        | —             | —           | —           | 2.8          | 2.4        | 1.2           | 1.3        | 14.0        | 13.6        |
| Consumers                     | 32,185                | 15.5           | 8.6        | 19.3       | 17.3        | 27.7        | 23.3        | 19.8        | 18.4          | 14.6        | 12.4        | 8.9          | 7.7        | 2.2           | 2.4        | 32.0        | 33.1        |
| Cement                        | 12,761                | 14.7           | (12.7)     | 24.9       | (18.4)      | 13.5        | 10.8        | 13.3        | 7.3           | 5.7         | 6.3         | 2.6          | 2.2        | 2.0           | 1.8        | 19.0        | 19.8        |
| Energy                        | 146,752               | 11.1           | (0.4)      | 7.8        | 32.2        | 17.5        | 16.2        | 12.3        | 8.4           | 7.4         | 5.9         | 2.1          | 1.9        | 1.5           | 1.7        | 12.2        | 11.8        |
| Industrials                   | 55,795                | 24.9           | 14.0       | 1.6        | 35.2        | 31.2        | 30.7        | 22.7        | 17.2          | 15.1        | 12.0        | 6.0          | 4.7        | 0.6           | 0.7        | 19.1        | 15.2        |
| Metals                        | 47,803                | 14.5           | 12.2       | (34.3)     | 65.5        | 13.8        | 21.1        | 12.7        | 8.8           | 10.1        | 7.0         | 2.7          | 2.0        | 0.6           | 0.4        | 19.2        | 9.4         |
| Property                      | 17,858                | 193.6          | (39.9)     | (45.7)     | 25.9        | 14.3        | 26.4        | 21.0        | 13.2          | 16.4        | 14.4        | 2.8          | 2.2        | 0.6           | 0.6        | 19.5        | 8.5         |
| Pharmaceuticals               | 17,039                | 55.8           | (30.8)     | 26.5       | 24.0        | 37.0        | 29.3        | 23.6        | 26.5          | 19.4        | 15.9        | 5.4          | 4.6        | 0.6           | 0.8        | 14.6        | 15.7        |
| Telecom                       | 38,772                | 76.9           | 18.9       | (19.8)     | (10.5)      | 10.9        | 13.6        | 15.2        | 7.3           | 7.6         | 7.5         | 2.0          | 1.8        | 0.5           | 0.6        | 18.6        | 13.1        |
| Technology                    | 93,663                | 15.2           | 16.4       | 17.1       | 18.2        | 26.7        | 22.8        | 19.3        | 19.5          | 15.7        | 12.6        | 7.9          | 6.3        | 1.0           | 1.2        | 29.5        | 27.6        |
| Utilities                     | 60,579                | 10.9           | 16.1       | 16.1       | 13.0        | 25.6        | 22.1        | 19.5        | 15.5          | 14.9        | 14.1        | 2.8          | 2.6        | 1.2           | 1.4        | 10.9        | 11.5        |
| <b>NIFTY</b>                  | <b>669,168</b>        | <b>26.9</b>    | <b>4.4</b> | <b>4.4</b> | <b>21.8</b> | <b>20.3</b> | <b>19.4</b> | <b>15.9</b> | <b>12.0</b>   | <b>11.2</b> | <b>9.4</b>  | <b>3.1</b>   | <b>2.7</b> | <b>1.1</b>    | <b>1.2</b> | <b>15.5</b> | <b>13.8</b> |
| <b>NIFTY ex-Energy</b>        | <b>522,416</b>        | <b>33.8</b>    | <b>6.1</b> | <b>3.2</b> | <b>18.0</b> | <b>21.2</b> | <b>20.6</b> | <b>17.4</b> | <b>13.9</b>   | <b>13.3</b> | <b>11.4</b> | <b>3.6</b>   | <b>3.0</b> | <b>1.0</b>    | <b>1.1</b> | <b>17.1</b> | <b>14.7</b> |
| <b>NIFTY ex-Energy ex Com</b> | <b>474,613</b>        | <b>37.3</b>    | <b>5.2</b> | <b>9.4</b> | <b>13.4</b> | <b>22.4</b> | <b>20.5</b> | <b>18.1</b> | <b>15.4</b>   | <b>14.0</b> | <b>12.6</b> | <b>3.8</b>   | <b>3.2</b> | <b>1.0</b>    | <b>1.2</b> | <b>16.8</b> | <b>15.6</b> |

Note:

(a) Following companies are excluded: Power Grid and SAIL.

Source: Company, Kotak Institutional Equities estimates

# REGIONAL VALUATION SUMMARY

## Valuation summary of regional indices, Calendar year-ends, 2008-10E

Earnings growth (%), P/E (X) and PEG ratio of regional indices

|                                | Index               | Earnings growth (%) |             |             | P/E (X)     |             |             | PEG ratio (X) |            |
|--------------------------------|---------------------|---------------------|-------------|-------------|-------------|-------------|-------------|---------------|------------|
|                                |                     | 2008                | 2009E       | 2010E       | 2008        | 2009E       | 2010E       | 2008          | 2009E      |
| Brazil                         | MSCI BRAZIL         | (18.5)              | (5.4)       | 25.7        | 16.1        | 17.1        | 13.6        | NA            | 0.7        |
| China                          | V/B/E/S CHINA       | (18.8)              | 27.0        | 29.6        | 35.9        | 24.8        | 19.1        | 1.3           | 0.8        |
| Hong Kong                      | V/B/E/S HONG KONG   | (48.1)              | 14.0        | 13.2        | 24.2        | 17.0        | 15.0        | 1.7           | 1.3        |
| India                          | MSCI INDIA          | (16.9)              | 11.2        | 28.2        | 24.2        | 21.7        | 16.9        | 2.2           | 0.8        |
| Korea                          | MSCI KOREA          | (38.9)              | 58.7        | 33.5        | 21.6        | 13.6        | 10.2        | 0.4           | 0.4        |
| Malaysia                       | MSCI MALAYSIA       | (13.0)              | (19.3)      | 21.5        | 15.5        | 19.1        | 15.7        | NA            | 0.9        |
| Mexico                         | MSCI MEXICO         | (28.2)              | 19.7        | 18.8        | 20.9        | 17.6        | 14.8        | 1.1           | 0.9        |
| Russia                         | MSCI RUSSIA         | (3.3)               | (34.6)      | 34.9        | 7.7         | 11.8        | 8.8         | NA            | 0.3        |
| Taiwan                         | MSCI TAIWAN         | (69.2)              | 50.5        | 67.8        | 42.7        | 28.2        | 16.8        | NA            | 0.4        |
| Thailand                       | MSCI THAILAND       | 14.6                | 21.0        | 14.1        | 15.8        | 13.0        | 11.4        | 0.8           | 0.9        |
| <b>Asia - Emerging markets</b> | <b>MSCI EM ASIA</b> | <b>(32.0)</b>       | <b>26.4</b> | <b>31.3</b> | <b>22.8</b> | <b>18.0</b> | <b>13.7</b> | <b>0.9</b>    | <b>0.6</b> |

Source: Thomson Datastream

# VALUATION SUMMARY OF BRICS SECTORS (1)

## Valuation summary of BRICs sectors, Calendar year-ends, 2008-10E

| Index              |   | Earnings growth (%) |        |       | P/E (X) |       |       | PEG ratio (X) |       |
|--------------------|---|---------------------|--------|-------|---------|-------|-------|---------------|-------|
|                    |   | 2008                | 2009E  | 2010E | 2008    | 2009E | 2010E | 2008          | 2009E |
| <b>Banking</b>     |   |                     |        |       |         |       |       |               |       |
| Russia             | MSCI Russia Banks Industry Group          | (19.4)              | (86.8) | NA    | 18.8    | 142.1 | 15.9  | NA            | NA    |
| India              | MSCI India Banks Industry Group           | 10.4                | 15.5   | 22.1  | 25.8    | 22.4  | 18.3  | 1.7           | 1.0   |
| China              | MSCI China Banks Industry Group           | 29.4                | 16.2   | 23.7  | 15.1    | 12.9  | 10.5  | 0.9           | 0.5   |
| Brazil             | MSCI Brazil Banks Industry Group          | (16.8)              | 5.2    | 25.2  | 16.2    | 15.4  | 12.3  | 3.1           | 0.6   |
| <b>Consumers</b>   |   |                     |        |       |         |       |       |               |       |
| Russia             | MSCI Russia Consumer Staples Sector       | (27.4)              | 34.6   | 40.2  | 41.1    | 30.6  | 21.8  | 1.2           | 0.8   |
| India              | MSCI India Consumer Discretionary Sector  | (10.3)              | 58.2   | 13.8  | 27.3    | 17.3  | 15.2  | 0.5           | 1.3   |
| China              | MSCI China Consumer Discretionary Sector  | (20.4)              | 15.6   | 18.2  | 27.7    | 23.9  | 20.2  | 1.8           | 1.3   |
| Brazil             | MSCI Brazil Consumer Discretionary Sector | (6.4)               | 96.4   | 44.0  | 35.9    | 18.3  | 12.7  | 0.4           | 0.4   |
| <b>Energy</b>      |   |                     |        |       |         |       |       |               |       |
| Russia             | MSCI Russia Energy Sector                 | 2.9                 | (23.9) | 13.9  | 6.1     | 8.0   | 7.0   | NA            | 0.6   |
| India              | MSCI India Energy Sector                  | (1.1)               | 10.8   | 33.4  | 19.2    | 17.3  | 13.0  | 1.8           | 0.5   |
| China              | MSCI China Energy Sector                  | 0.8                 | (3.1)  | 23.6  | 15.1    | 15.5  | 12.6  | NA            | 0.7   |
| Brazil             | MSCI Brazil Energy Sector                 | 54.9                | (21.3) | 19.3  | 11.5    | 14.6  | 12.2  | NA            | 0.8   |
| <b>Industrials</b> |   |                     |        |       |         |       |       |               |       |
| India              | MSCI India Industrials Sector             | (72.4)              | 173.8  | 68.9  | 106.3   | 38.8  | 23.0  | 0.6           | 0.6   |
| China              | MSCI China Industrials Sector             | (67.4)              | 40.8   | 41.8  | 37.7    | 26.3  | 18.5  | 0.9           | 0.6   |
| <b>Metals</b>      |   |                     |        |       |         |       |       |               |       |
| Russia             | MSCI Russia Metals & Mining Industry      | (24.7)              | (80.8) | 195.7 | 7.6     | 39.6  | 13.4  | NA            | 0.2   |
| India              | MSCI India Metals & Mining Industry       | (34.6)              | (16.2) | 64.5  | 17.4    | 20.7  | 12.6  | NA            | 0.3   |
| China              | MSCI China Metals & Mining Industry       | (57.9)              | 5.8    | 104.2 | 37.3    | 35.3  | 17.3  | 6.4           | 0.3   |
| Brazil             | MSCI Brazil Metals & Mining Industry      | (21.8)              | (43.2) | 55.3  | 13.1    | 23.1  | 14.9  | NA            | 0.4   |

Source: Thomson Datastream

## VALUATION SUMMARY OF BRICS SECTORS (2)

### Valuation summary of BRICs sectors, Calendar year-ends, 2008-10E

| Index             |  | Earnings growth (%) |        |        | P/E (X) |       |       | PEG ratio (X) |       |
|-------------------|--|---------------------|--------|--------|---------|-------|-------|---------------|-------|
|                   |  | 2008                | 2009E  | 2010E  | 2008    | 2009E | 2010E | 2008          | 2009E |
| <b>Property</b>   |  |                     |        |        |         |       |       |               |       |
| India             | MSCI India Real Estate Industry Group                        | (48.3)              | (47.7) | 44.3   | 16.2    | 30.9  | 21.4  | NA            | 0.7   |
| China             | MSCI China Real Estate Industry Group                        | (10.0)              | 11.3   | 30.9   | 18.5    | 16.6  | 12.7  | 1.6           | 0.5   |
| <b>Technology</b> |  |                     |        |        |         |       |       |               |       |
| India             | MSCI India Software & Services Industry Group                | 8.8                 | (0.5)  | 15.3   | 23.6    | 23.7  | 20.5  | NA            | 1.6   |
| China             | MSCI China Software & Services Industry Group                | 62.4                | 62.9   | 43.1   | 91.6    | 56.2  | 39.3  | 1.5           | 1.3   |
| Brazil            | MSCI Brazil Software & Services Industry Group               | 70.7                | 11.2   | 12.4   | 15.0    | 13.5  | 12.0  | 1.3           | 1.1   |
| <b>Telecom</b>    |  |                     |        |        |         |       |       |               |       |
| Russia            | MSCI Russia Diversified Telecommunications Services Industry | (63.9)              | 153.1  | 43.4   | 39.6    | 15.7  | 10.9  | 0.3           | 0.4   |
| India             | MSCI India Telecommunication Services Sector                 | 2.8                 | (31.1) | (10.6) | 7.5     | 10.9  | 12.2  | NA            | NA    |
| China             | MSCI China Telecommunication Services Sector                 | 22.3                | (4.2)  | 0.8    | 12.3    | 12.9  | 12.8  | NA            | 17.1  |
| Brazil            | MSCI Brazil Telecommunication Services Sector                | (29.3)              | (2.2)  | 67.6   | 16.4    | 20.4  | 12.1  | NA            | 0.3   |
| <b>Utilities</b>  |  |                     |        |        |         |       |       |               |       |
| India             | MSCI India Utilities Sector                                  | 9.9                 | 10.3   | 13.0   | 24.5    | 20.9  | 18.5  | 2.4           | 1.6   |
| China             | MSCI China Utilities Sector                                  | (80.7)              | 409.7  | 16.7   | 76.4    | 17.5  | 15.0  | 0.2           | 1.0   |
| Brazil            | MSCI Brazil Utilities Sector                                 | 11.7                | (9.5)  | 15.3   | 11.2    | 12.3  | 10.7  | NA            | 0.8   |

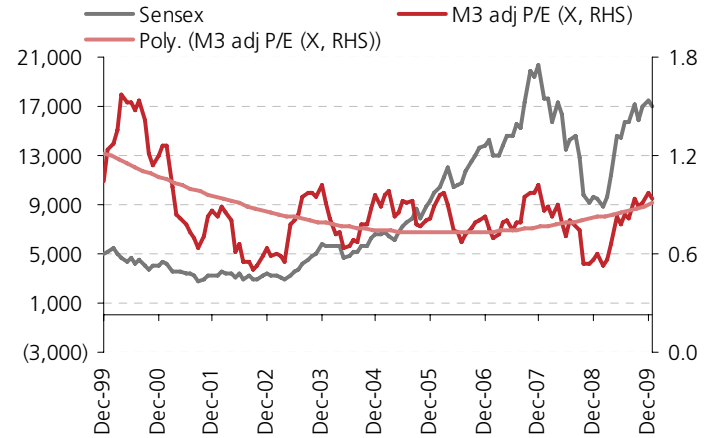
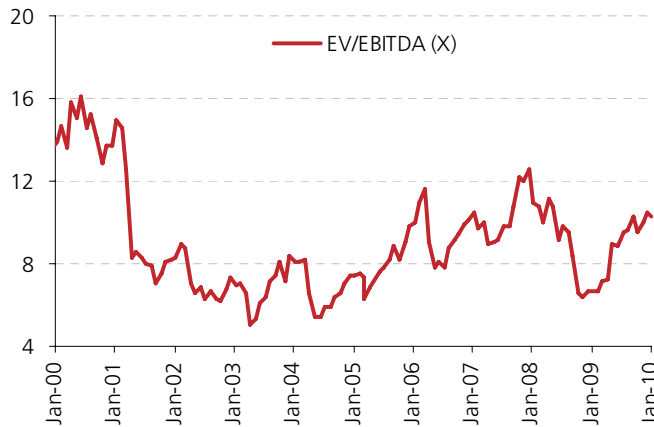
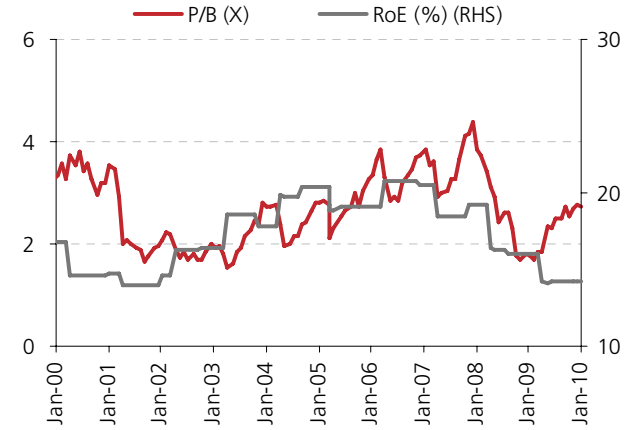
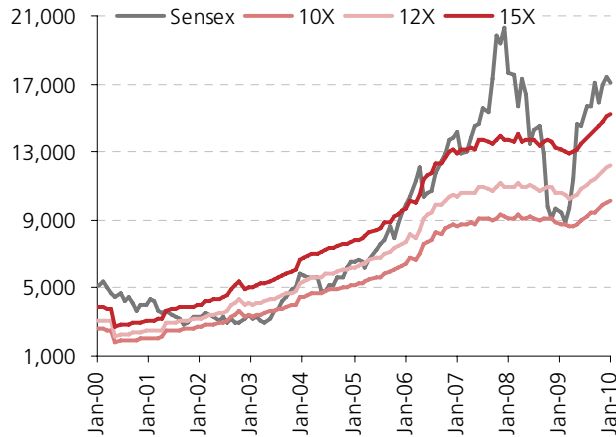
Source: Thomson Datastream



# BSE-SENSEX KEY PARAMETERS

## Key fundamental indicators of BSE-30 Index

BSE-30 Index P/B, EV/EBITDA and 12-month forward rolling P/E, January 2000- current



Source: Bloomberg, RBI, Kotak Institutional Equities

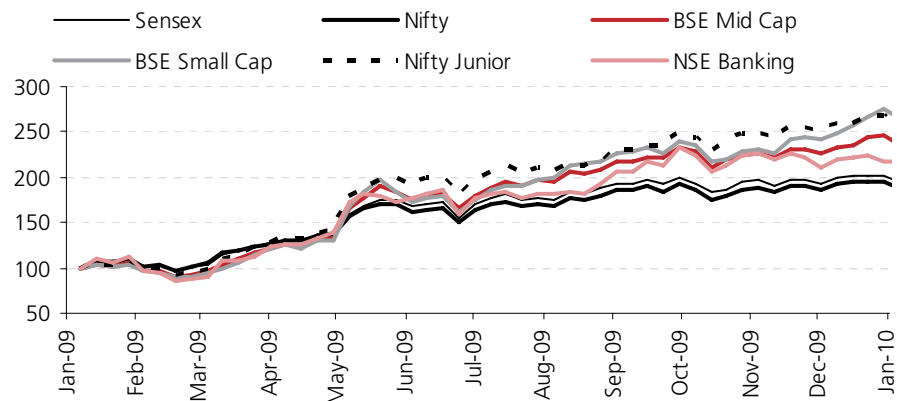
## MARKET PERFORMANCE

- PERFORMANCE OF BENCHMARK INDICES
- PERFORMANCE OF GLOBAL INDICES
- PRICING PERFORMANCE OF SENSEX SECTORS
- TOP GAINERS AND LOSERS (STOCKS UNDER KOTAK COVERAGE)
- TECHNICAL INDICATORS

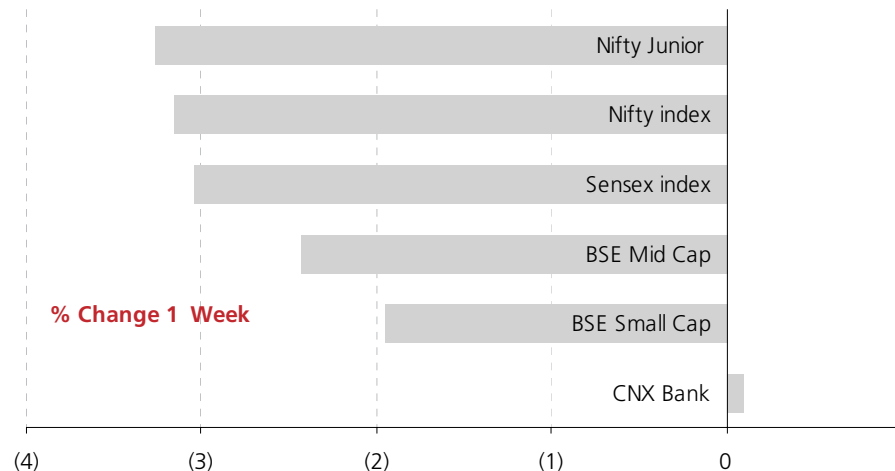
# RELATIVE PERFORMANCE OF INDIAN MARKETS

## Key performance of benchmark indices

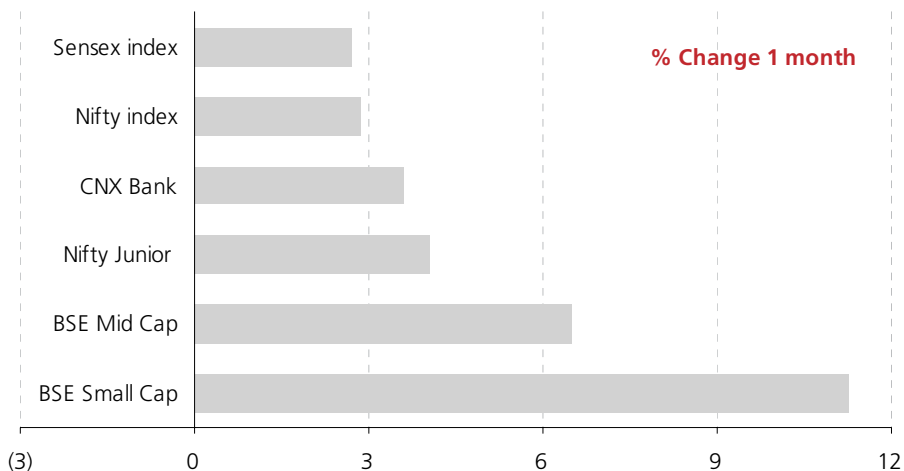
(base 100 as of January, 2009)



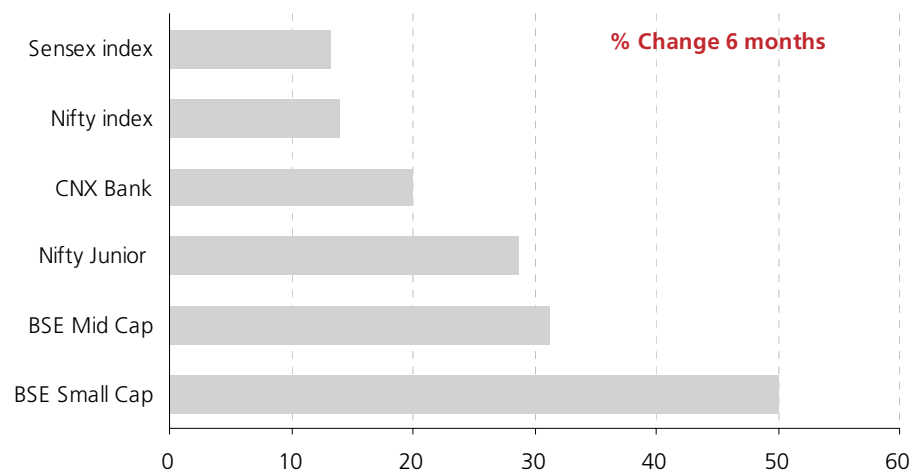
## Weekly performance of the benchmark indices



## 1-month performance of the benchmark indices



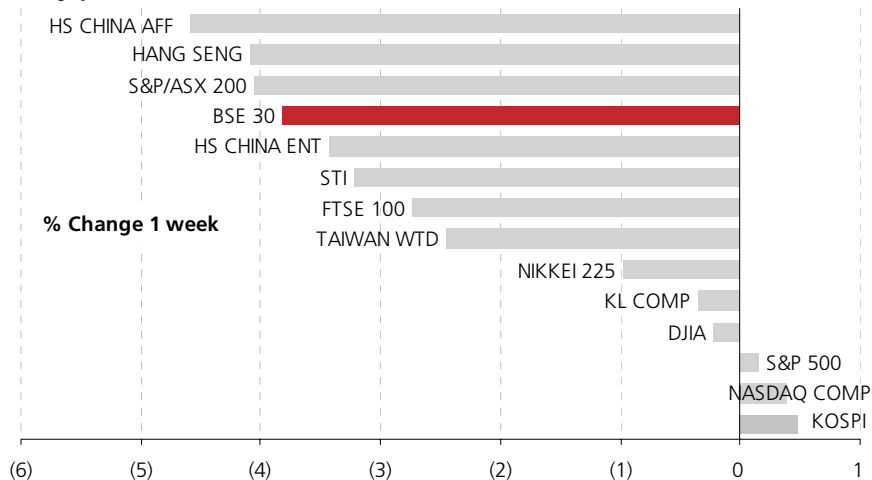
## 6-month performance of the benchmark indices



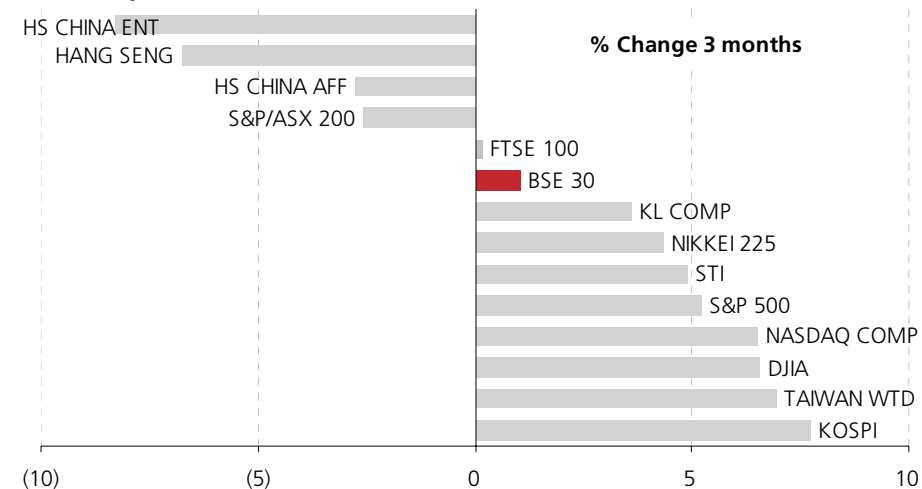
Source: Bloomberg, Kotak Institutional Equities

# BSE-SENSEX VERSUS REGIONAL INDICES

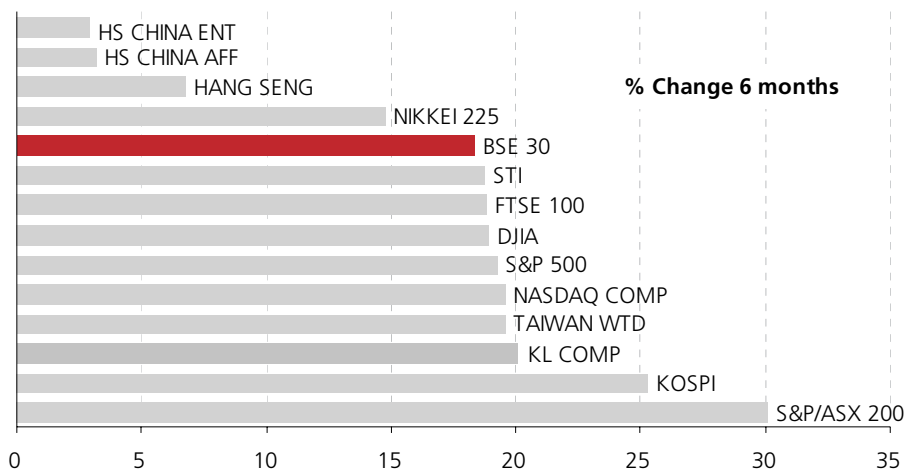
## Weekly performance



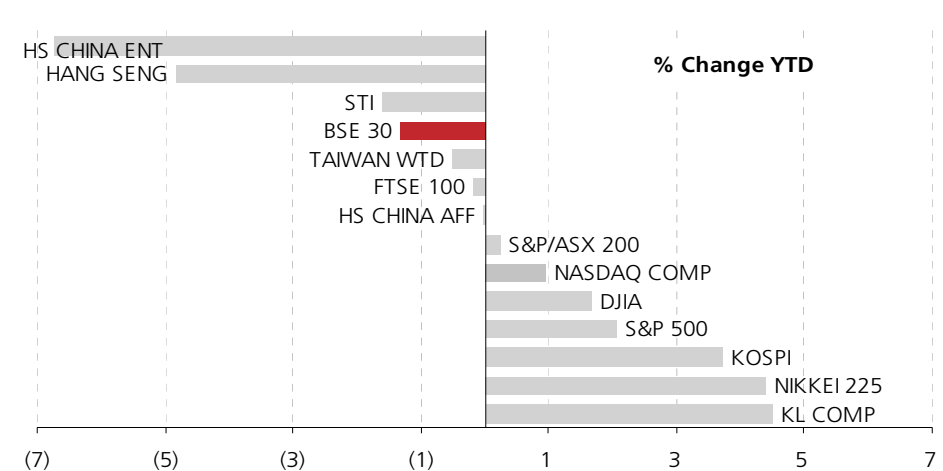
## 3-month performance



## 6-month performance



## CYTD performance



Note:

(a) Returns are adjusted for the currency changes

Source: Bloomberg, BSE, Kotak Institutional Equities

# SECTORAL PERFORMANCE

## Market performance of Sensex sectors, January 21, 2010

|                   | Mkt cap.<br>(US\$ m) | Change (%)   |            |             |             | Relative change (%) |       |        |        |
|-------------------|----------------------|--------------|------------|-------------|-------------|---------------------|-------|--------|--------|
|                   |                      | 1-Day        | 1-mo       | 6-mo        | 1-Year      | 1-Day               | 1-mo  | 6-mo   | 1-Year |
| Automobiles       | 33,349               | (1.4)        | 2.7        | 41.4        | 219.4       | 1.0                 | 0.0   | 24.9   | 64.5   |
| Banking           | 81,817               | (2.5)        | (0.1)      | 15.6        | 96.2        | (0.1)               | (2.7) | 2.1    | 1.0    |
| Consumers         | 32,185               | (0.8)        | (1.1)      | 5.1         | 23.9        | 1.6                 | (3.7) | (7.1)  | (36.2) |
| Cement            | 9,148                | (1.2)        | 12.2       | 5.4         | 109.7       | 1.2                 | 9.2   | (6.9)  | 8.0    |
| Diversified       | 6,905                | (3.0)        | 6.2        | 3.3         | 242.0       | (0.5)               | 3.4   | (8.8)  | 76.1   |
| Energy            | 119,806              | (2.0)        | 1.0        | 5.6         | 81.0        | 0.4                 | (1.6) | (6.7)  | (6.8)  |
| Industrials       | 44,290               | (5.5)        | (2.6)      | 6.1         | 90.6        | (3.0)               | (5.1) | (6.3)  | (1.9)  |
| Metals            | 34,282               | (2.3)        | 7.9        | 54.1        | 252.6       | 0.1                 | 5.0   | 36.2   | 81.5   |
| Pharmaceuticals   | 6,593                | (0.6)        | (2.5)      | 16.6        | 32.7        | 1.8                 | (5.1) | 3.0    | (31.7) |
| Property          | 13,362               | (2.7)        | 2.2        | 5.1         | 121.5       | (0.3)               | (0.5) | (7.1)  | 14.0   |
| Telecom           | 34,908               | (2.3)        | 1.9        | (23.6)      | 5.6         | 0.1                 | (0.8) | (32.5) | (45.6) |
| Technology        | 88,067               | (1.5)        | 5.4        | 51.5        | 168.2       | 0.9                 | 2.6   | 33.9   | 38.1   |
| Utilities         | 52,613               | (2.9)        | 3.8        | 10.0        | 37.7        | (0.5)               | 1.1   | (2.9)  | (29.1) |
| <b>Sensex sum</b> | <b>557,326</b>       | <b>(2.4)</b> | <b>2.7</b> | <b>13.2</b> | <b>94.2</b> |                     |       |        |        |

Source: Bloomberg, Kotak Institutional Equities

# TOP GAINERS AND LOSERS

## Top gainers and losers (stocks in Kotak Institutional Equities universe)

### 1-week performance

| Top Gainers                     |          | Top Losers                |          |
|---------------------------------|----------|---------------------------|----------|
| Company                         | % Change | Company                   | % Change |
| 1 Mahindra Life Space Developer | 15.4     | 1 Punj Lloyd              | (10.8)   |
| 2 Havells India                 | 7.6      | 2 Hindustan Petroleum     | (10.4)   |
| 3 Sun TV Network                | 7.5      | 3 IVRCL                   | (9.5)    |
| 4 Consolidated Construction Co. | 5.6      | 4 UltraTech Cement        | (9.4)    |
| 5 Bajaj Auto                    | 5.2      | 5 Suzlon Energy           | (9.2)    |
| 6 Federal Bank                  | 5.1      | 6 Dr Reddy's Laboratories | (9.2)    |
| 7 Puravankara Projects          | 4.2      | 7 Mindtree                | (8.8)    |
| 8 Sobha                         | 3.7      | 8 Piramal Healthcare      | (8.8)    |
| 9 Mahindra & Mahindra Financial | 3.4      | 9 BGR Energy Systems      | (8.7)    |
| 10 Sintex                       | 2.9      | 10 Larsen & Toubro        | (8.6)    |

### CYTD performance

| Top Gainers                     |          | Top Losers               |          |
|---------------------------------|----------|--------------------------|----------|
| Company                         | % Change | Company                  | % Change |
| 1 Sobha                         | 21.3     | 1 Lanco Infratech        | (15.8)   |
| 2 Mahindra Life Space Developer | 17.4     | 2 Indiabulls Real Estate | (11.7)   |
| 3 Puravankara Projects          | 16.4     | 3 Jagran Prakashan       | (10.2)   |
| 4 Sun TV Network                | 14.2     | 4 Hindustan Petroleum    | (10.1)   |
| 5 Federal Bank                  | 14.0     | 5 Bharat Petroleum       | (9.8)    |
| 6 DishTV                        | 13.4     | 6 Larsen & Toubro        | (9.1)    |
| 7 India Cements                 | 10.8     | 7 HDFC                   | (8.9)    |
| 8 JSW Steel                     | 11.0     | 8 Suzlon Energy          | (8.4)    |
| 9 CESC                          | 10.8     | 9 Bajaj Hindustan        | (8.3)    |

### 1- month performance

| Top Gainers                     |          | Top Losers                |          |
|---------------------------------|----------|---------------------------|----------|
| Company                         | % Change | Company                   | % Change |
| 1 Sobha                         | 30.0     | 1 Lanco Infratech         | (9.7)    |
| 2 SREI                          | 21.8     | 2 Hindustan Petroleum     | (9.3)    |
| 3 Puravankara Projects          | 19.7     | 3 Piramal Healthcare      | (8.6)    |
| 4 Sun TV Network                | 18.1     | 4 Mindtree                | (7.3)    |
| 5 Mahindra Life Space Developer | 17.3     | 5 Dr Reddy's Laboratories | (6.9)    |
| 6 National Aluminium Co.        | 16.6     | 6 Ranbaxy Laboratories    | (6.4)    |
| 7 Siemens                       | 14.7     | 7 Hexaware Technologies   | (6.3)    |
| 8 JSW Steel                     | 14.4     | 8 Jindal Steel and Power  | (6.0)    |
| 9 Hindalco Industries           | 14.3     | 9 Larsen & Toubro         | (5.7)    |
| 10 Shriram Transport            | 14.3     | 10 Bharat Petroleum       | (5.7)    |

### 1-year performance

| Top Gainers              |          | Top Losers            |          |
|--------------------------|----------|-----------------------|----------|
| Company                  | % Change | Company               | % Change |
| 1 Tata Motors            | 489.0    | 1 Tata communications | (18.9)   |
| 2 JSW Steel              | 474.4    | 2 Suzlon Energy       | (9.3)    |
| 3 Sesa Goa               | 449.4    |                       |          |
| 4 Havells India          | 414.2    |                       |          |
| 5 Jindal Steel and Power | 398.4    |                       |          |
| 6 Tech Mahindra          | 382.7    |                       |          |
| 7 Jindal Saw             | 369.6    |                       |          |
| 8 Lanco Infratech        | 362.6    |                       |          |
| 9 Mphasis BFL            | 360.4    |                       |          |
| 10 Hexaware Technologies | 353.0    |                       |          |

Source: Kotak Institutional Equities

# TECHNICAL INDICATORS

## Volume momentum analysis

### Volume Positive Momentum (5-day volume v/s 30-day volume)

| Company                       | 5-day average |            | Price Change (%) |
|-------------------------------|---------------|------------|------------------|
|                               | volumes       | % increase | (1 month basis)  |
| Sun TV Network                | 865,467       | 211        | 18.1             |
| Mahindra Life Space Developer | 206,387       | 169        | 17.3             |
| DishTV                        | 16,879,190    | 129        | 15.4             |
| Dishman Pharma & Chemicals    | 574,534       | 115        | 10.0             |
| HT Media                      | 528,621       | 109        | 8.0              |
| Indian Overseas Bank          | 2,298,781     | 100        | 0.1              |

### Volume Negative Momentum (5-day volume v/s 30-day volume)

| Company                  | 5-day average |            | Price Change (%) |
|--------------------------|---------------|------------|------------------|
|                          | volumes       | % decrease | (1 month basis)  |
| Godrej Consumer Products | 49,681        | (68)       | 3.1              |
| Phoenix Mills            | 109,961       | (68)       | 10.4             |
| Ranbaxy Laboratories     | 687,065       | (55)       | (6.4)            |
| Tata Tea                 | 82,953        | (54)       | 5.8              |
| PSL                      | 367,408       | (51)       | 2.8              |
| Sadbhav Engineering      | 13,320        | (51)       | 2.8              |

| Date   | Sensex | Avg daily<br>value traded<br>(US\$ mn) | Institutional participation<br>in total turnover |     |
|--------|--------|--|--|-----|
|        |        |  | FII%   | MF% |
| Jan-09 | 9,424  | 3,233                                  | 11.8   | 4.1 |
| Feb-09 | 8,692  | 2,653                                  | 11.4   | 3.3 |
| Mar-09 | 9,709  | 3,374                                  | 11.8   | 4.1 |
| Apr-09 | 11,403 | 4,624                                  | 10.5   | 3.4 |
| May-09 | 14,625 | 5,235                                  | 13.3   | 3.5 |
| Jun-09 | 14,494 | 6,380                                  | 9.8  | 3.4 |
| Jul-09 | 15,670 | 5,049                                  | 11.5   | 3.8 |
| Aug-09 | 15,667 | 4,759                                  | 10.3   | 3.5 |
| Sep-09 | 17,126 | 5,035                                  | 12.4   | 3.5 |
| Oct-09 | 15,896 | 5,079                                  | 13.9   | 4.0 |
| Nov-09 | 16,926 | 4,589                                  | 11.2   | 3.5 |
| Dec-09 | 17,465 | 4,616                                  | 11.3   | 3.8 |
| Jan-10 | 17,051 | 5,149                                  | 11.6   | 3.3 |

Source: Bloomberg, Kotak Institutional Equities

## EARNINGS MOMENTUM

- UPGRADES/DOWNGRADES IN EARNINGS IN PAST MONTH
- TOP CHANGES IN TARGET PRICES IN THE PAST MONTH
- CHANGES IN RATINGS IN THE PAST MONTH



# CHANGES IN OUR EARNING ESTIMATES

## Changes in earning estimates in the past one week

### FY2010 earning upgrades (KIE) (1 week)

| Company                          | % Change |
|----------------------------------|----------|
| 1 Mahindra Life Space Developer  | 51.3     |
| 2 Shree Cement                   | 27.4     |
| 3 Sesa Goa                       | 16.6     |
| 4 GAIL (India)                   | 7.7      |
| 5 Polaris Software Lab           | 7.0      |
| 6 Jaiprakash Associates          | 6.7      |
| 7 Mindtree                       | 5.6      |
| 8 TCS                            | 5.3      |
| 9 HT Media                       | 4.9      |
| 10 Mahindra & Mahindra Financial | 3.9      |
| 11 Welspun Gujarat Stahl Rohren  | 3.7      |
| 12 Biocon                        | 3.4      |
| 13 Wipro                         | 3.2      |
| 14 Axis Bank                     | 2.8      |
| 15 Shriram Transport             | 2.7      |
| 16 Dr Reddy's Laboratories       | 1.8      |
| 17 United Phosphorus             | 1.3      |

### FY2011 earnings upgrades (KIE) (1 week)

| Company                          | % Change |
|----------------------------------|----------|
| 1 Sesa Goa                       | 34.0     |
| 2 Mahindra Life Space Developer  | 28.6     |
| 3 Shriram Transport              | 18.0     |
| 4 Shree Cement                   | 17.0     |
| 5 Polaris Software Lab           | 16.4     |
| 6 Welspun Gujarat Stahl Rohren   | 14.1     |
| 7 TCS                            | 9.7      |
| 8 Dr Reddy's Laboratories        | 9.6      |
| 9 Shree Renuka Sugars            | 9.1      |
| 10 Wipro                         | 6.4      |
| 11 JSW Steel                     | 6.3      |
| 12 GAIL (India)                  | 5.3      |
| 13 Axis Bank                     | 4.7      |
| 14 Mahindra & Mahindra Financial | 4.4      |
| 15 Biocon                        | 4.2      |
| 16 Sobha                         | 3.4      |
| 17 ICICI Bank                    | 3.2      |
| 18 HT Media                      | 2.9      |
| 19 Mindtree                      | 2.9      |
| 20 Tata Power                    | 2.3      |

### FY2010 earning downgrades (KIE) (1 week)

| Company                         | % Change |
|---------------------------------|----------|
| 1 Petronet LNG                  | (19.8)   |
| 2 JSW Steel                     | (15.1)   |
| 3 Oil & Natural Gas Corporation | (12.5)   |
| 4 Tata Power                    | (8.6)    |
| 5 India Infoline                | (8.1)    |
| 6 Larsen & Toubro               | (5.9)    |
| 7 UltraTech Cement              | (4.1)    |

### FY2011 earnings downgrades (KIE) (1 week)

| Company                         | % Change |
|---------------------------------|----------|
| 1 Oil & Natural Gas Corporation | (15.6)   |
| 2 Larsen & Toubro               | (12.8)   |
| 3 UltraTech Cement              | (12.7)   |
| 4 Jaiprakash Associates         | (4.1)    |
| 5 India Infoline                | (3.0)    |

Source:Kotak Institutional Equities estimates

# CHANGES IN EARNINGS ESTIMATES

## Changes in earnings estimates in the past one month

### FY2010 earnings upgrades (KIE) (1 month)

| Company                          | % Change |
|----------------------------------|----------|
| 1 Mahindra Life Space Developer  | 51.3     |
| 2 Shree Cement                   | 27.4     |
| 3 Sesa Goa                       | 16.6     |
| 4 Mahindra & Mahindra            | 14.4     |
| 5 Hindustan Zinc                 | 11.7     |
| 6 GAIL (India)                   | 7.7      |
| 7 Polaris Software Lab           | 7.0      |
| 8 Jaiprakash Associates          | 6.7      |
| 9 Mindtree                       | 5.6      |
| 10 TCS                           | 5.3      |
| 11 HT Media                      | 4.9      |
| 12 Mahindra & Mahindra Financial | 3.9      |
| 13 Welspun Gujarat Stahl Rohren  | 3.7      |
| 14 Biocon                        | 3.4      |
| 15 Wipro                         | 3.2      |
| 16 Axis Bank                     | 2.8      |
| 17 Shriram Transport             | 2.7      |
| 18 Infosys Technologies          | 2.5      |

### FY2011 earnings upgrades (KIE) (1 month)

| Company                          | % Change |
|----------------------------------|----------|
| 1 Sesa Goa                       | 34.0     |
| 2 Mahindra Life Space Developer  | 28.6     |
| 3 Mahindra & Mahindra            | 19.5     |
| 4 Shriram Transport              | 18.0     |
| 5 Shree Cement                   | 17.0     |
| 6 Polaris Software Lab           | 16.4     |
| 7 Welspun Gujarat Stahl Rohren   | 14.1     |
| 8 Hindustan Zinc                 | 12.2     |
| 9 Castrol India (a)              | 10.6     |
| 10 TCS                           | 9.7      |
| 11 Dr Reddy's Laboratories       | 9.6      |
| 12 Shree Renuka Sugars           | 9.1      |
| 13 Wipro                         | 6.4      |
| 14 JSW Steel                     | 6.3      |
| 15 GAIL (India)                  | 5.3      |
| 16 Axis Bank                     | 4.7      |
| 17 Mahindra & Mahindra Financial | 4.4      |
| 18 Biocon                        | 4.2      |
| 19 Infosys Technologies          | 3.8      |
| 20 Sobha                         | 3.4      |
| 21 ICICI Bank                    | 3.2      |

### FY2010 earnings downgrades (KIE) (1 month)

| Company                         | % Change |
|---------------------------------|----------|
| 1 Petronet LNG                  | (19.8)   |
| 2 JSW Steel                     | (15.1)   |
| 3 Sintex                        | (14.8)   |
| 4 Oil & Natural Gas Corporation | (12.5)   |
| 5 Tata Power                    | (8.6)    |
| 6 India Infoline                | (8.1)    |
| 7 Larsen & Toubro               | (5.9)    |

### FY2011 earnings downgrades (KIE) (1 month)

| Company                         | % Change |
|---------------------------------|----------|
| 1 DishTV                        | (18.0)   |
| 2 Oil & Natural Gas Corporation | (15.6)   |
| 3 Larsen & Toubro               | (12.8)   |
| 4 UltraTech Cement              | (12.7)   |
| 5 SREI                          | (5.7)    |
| 6 Jaiprakash Associates         | (4.1)    |
| 7 Sadbhav Engineering           | (3.9)    |

Source:Kotak Institutional Equities estimates

# CHANGES IN OUR TARGET PRICES

## Changes in target prices in the past one month

| Upgrades in target prices (1 month) |                               |          |       |       |
|-------------------------------------|-------------------------------|----------|-------|-------|
|                                     | Company                       | % Change | New   | Old   |
| 1                                   | Jindal Saw                    | 67.9     | 235   | 140   |
| 2                                   | Petronet LNG                  | 40.6     | 90    | 64    |
| 3                                   | Polaris Software Lab          | 28.0     | 160   | 125   |
| 4                                   | Hindustan Zinc                | 27.3     | 1,400 | 1,100 |
| 5                                   | JSW Steel                     | 26.9     | 850   | 670   |
| 6                                   | TCS                           | 24.1     | 900   | 725   |
| 7                                   | Wipro                         | 23.0     | 830   | 675   |
| 8                                   | Sobha                         | 20.4     | 295   | 245   |
| 9                                   | Mahindra & Mahindra Financial | 18.6     | 415   | 350   |
| 10                                  | Axis Bank                     | 18.4     | 1,160 | 980   |
| 11                                  | Mindtree                      | 17.9     | 825   | 700   |
| 12                                  | Mahindra & Mahindra           | 17.7     | 1,265 | 1,075 |
| 13                                  | Welspun Gujarat Stahl Rohren  | 16.7     | 245   | 210   |
| 14                                  | Dr Reddy's Laboratories       | 15.2     | 1,140 | 990   |
| 15                                  | Shriram Transport             | 13.6     | 500   | 440   |
| 16                                  | Castrol India (a)             | 13.6     | 625   | 550   |
| 17                                  | HDFC Bank                     | 12.5     | 1,800 | 1,600 |
| 18                                  | Shree Cement                  | 9.1      | 2,400 | 2,200 |
| 19                                  | Mahindra Life Space Developer | 8.0      | 470   | 435   |
| 20                                  | Infosys Technologies          | 7.1      | 3,000 | 2,800 |
| 21                                  | Tata Power                    | 6.1      | 1,485 | 1,400 |
| 22                                  | Biocon                        | 5.3      | 300   | 285   |
| 23                                  | DishTV                        | 5.0      | 42    | 40    |
| 24                                  | Shree Renuka Sugars           | 4.0      | 260   | 250   |
| 25                                  | Bharat Heavy Electricals      | 3.1      | 2,500 | 2,425 |
| 26                                  | Jaiprakash Associates         | 3.0      | 170   | 165   |
| 27                                  | HDFC                          | 1.9      | 2,700 | 2,650 |
| 28                                  | GAIL (India)                  | 1.4      | 370   | 365   |
| 29                                  | ICICI Bank                    | 1.1      | 890   | 880   |

| Downgrades in target prices (1 month) |                               |          |       |       |
|---------------------------------------|-------------------------------|----------|-------|-------|
|                                       | Company                       | % Change | New   | Old   |
| 1                                     | Oil & Natural Gas Corporation | (9.4)    | 1,200 | 1,325 |
| 2                                     | Larsen & Toubro               | (4.3)    | 1,650 | 1,725 |
| 3                                     | India Infoline                | (2.9)    | 170   | 175   |
| 4                                     | UltraTech Cement              | (2.7)    | 900   | 925   |

Source: Kotak Institutional Equities estimates

# CHANGES IN OUR RATINGS

## Changes in ratings over the past one month

| Company name                  |                  | Rating  |          |
|-------------------------------|------------------|---------|----------|
|                               |                  | Current | Previous |
| Bharat Petroleum              | Rating Suspended | RS      | ADD      |
| Dr Reddy's Laboratories       | Downgraded       | REDUCE  | BUY      |
| GAIL (India)                  | Downgraded       | REDUCE  | ADD      |
| Hindustan Petroleum           | Rating Suspended | RS      | BUY      |
| Indian Oil Corporation        | Rating Suspended | RS      | BUY      |
| Oil & Natural Gas Corporation | Downgraded       | ADD     | BUY      |
| Sadbhav Engineering           | Downgraded       | ADD     | BUY      |
| Sobha                         | Downgraded       | REDUCE  | ADD      |
| UltraTech Cement              | Downgraded       | REDUCE  | BUY      |

| Company name |          | Rating  |          |
|--------------|----------|---------|----------|
|              |          | Current | Previous |
| HDFC Bank    | Upgraded | ADD     | REDUCE   |
| Petronet LNG | Upgraded | ADD     | REDUCE   |
| Tata Motors  | Upgraded | ADD     | SELL     |
| TCS          | Upgraded | BUY     | ADD      |

Source: Kotak Institutional Equities estimates

## FLOWS

- TREND IN EQUITY FLOWS
- FII FLOWS IN OTHER EMERGING MARKETS
- IPO ANALYSIS
- BULK DEALS
- DELIVERY POSITION ANALYSIS
- NIFTY DELIVERY

# TREND IN EQUITY FLOWS

## Net investments by mutual funds and FIIs in the cash market (US\$ mn)

|               | FII          | MF           |
|---------------|--------------|--------------|
| CY1999        | 1,537        | 0            |
| CY2000        | 1,462        | (150)        |
| CY2001        | 2,807        | (1,059)      |
| CY2002        | 751          | (634)        |
| CY2003        | 6,658        | 114          |
| CY2004        | 8,382        | (216)        |
| CY2005        | 10,776       | 2,932        |
| CY2006        | 8,632        | 3,561        |
| CY2007        | 17,335       | 1,512        |
| CY2008        | (13,336)     | 3,128        |
| CY2009        | 17,854       | (1,273)      |
| <b>CY2010</b> | <b>1,381</b> | <b>(454)</b> |
| Jan           | 1,381        | (454)        |

## Net foreign flows in the Derivatives market (US\$ mn)

|               | Index Futures | Stock Futures |
|---------------|---------------|---------------|
| CY2004        | (91)          | (796)         |
| CY2005        | (676)         | (668)         |
| CY 2006       | 345           | (3,690)       |
| CY2007        | (772)         | (11,600)      |
| CY2008        | 2,453         | (994)         |
| CY2009        | (1,560)       | (2,232)       |
| <b>CY2010</b> | <b>(559)</b>  | <b>(831)</b>  |
| Jan           | (559)         | (831)         |

Source: Bloomberg, Kotak Institutional Equities

# FII FLOWS IN OTHER EMERGING MARKETS

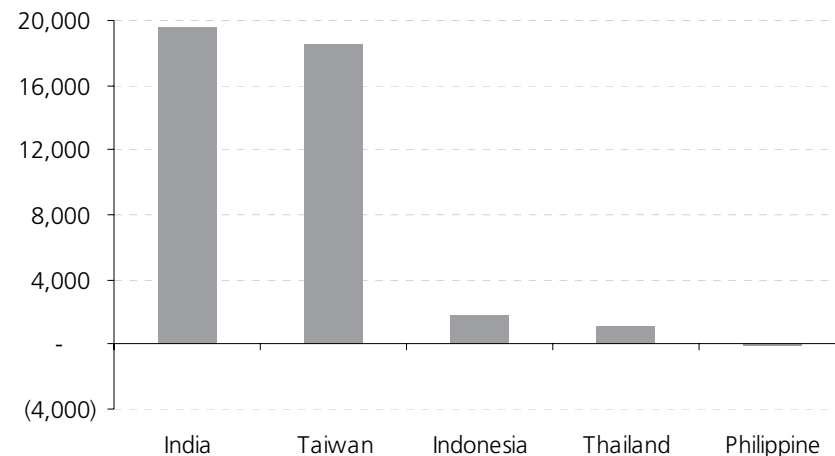
## FII flows in the various countries (US\$ mn)

Flows in the cash markets

| Date         | Taiwan       | Indonesia  | Philippine | Thailand | India        |
|--------------|--------------|------------|------------|----------|--------------|
| 22-Dec-09    | 301.9        | 14.7       | 5.5        | 22.2     | 48.1         |
| 21-Dec-09    | 183.0        | 21.1       | (5.8)      | (26.6)   | (55.2)       |
| 22-Dec-09    | 301.9        | 14.7       | 5.5        | 22.2     | 48.1         |
| 23-Dec-09    | 342.5        | 15.7       | 2.1        | 8.0      | 288.9        |
| 24-Dec-09    | 467.4        | -          | -          | (1.9)    | 173.5        |
| 29-Dec-09    | 159.8        | 50.1       | 12.9       | 3.5      | 82.4         |
| 30-Dec-09    | 339.1        | 22.2       | -          | (8.0)    | 75.7         |
| 31-Dec-09    | 286.5        | -          | -          | -        | 178.7        |
| 4-Jan-10     | 271.2        | 41.6       | 9.0        | (8.4)    | 150.9        |
| 5-Jan-10     | 361.0        | 67.1       | 10.8       | 11.4     | 229.9        |
| 6-Jan-10     | 300.5        | 75.6       | 8.9        | 14.7     | 181.9        |
| 7-Jan-10     | 322.7        | 32.9       | 0.3        | 32.7     | 65.9         |
| 8-Jan-10     | 244.0        | 33.7       | (1.3)      | (15.7)   | 32.9         |
| 11-Jan-10    | 285.4        | 24.3       | 1.4        | (6.2)    | 1,045.9      |
| 12-Jan-10    | 3.2          | 58.0       | 3.6        | (9.5)    | (57.7)       |
| 13-Jan-10    | (94.9)       | (12.3)     | (4.0)      | (11.8)   | (9.5)        |
| 14-Jan-10    | 333.9        | (6.2)      | (14.4)     | 30.8     | (30.0)       |
| 15-Jan-10    | 333.6        | 16.8       | 19.4       | 4.6      | (194.6)      |
| 18-Jan-10    | 106.7        | (32.1)     | 10.6       | (50.5)   | 64.5         |
| 19-Jan-10    | -            | 15.2       | (1.9)      | (6.5)    | (99.0)       |
| <b>Total</b> | <b>4,850</b> | <b>453</b> | <b>63</b>  | <b>5</b> | <b>2,221</b> |

Source: Bloomberg

## Net investments by FIIs in the cash market (US\$ mn) over last 1 year



# IPO ANALYSIS

## Market performance since IPO/ Follow on offering

| Name                         | Shares<br>(mn) | Price<br>(Rs) | Value<br>(Rs mn) | Date of<br>Listing | Price |        | Performance (%) |               |
|------------------------------|----------------|---------------|------------------|--------------------|-------|--------|-----------------|---------------|
|                              |                |               |                  |                    | Day 1 | Latest | Day 1           | Since Listing |
| MBL Infrastructures Ltd.     | 6              | 180           | 1,026            | 1/11/2010          | 207   | 220    | 15              | 22            |
| DB Corp Ltd                  | 18             | 212           | 3,853            | 1/6/2010           | 266   | 252    | 25              | 19            |
| Godrej Properties            | 9              | 490           | 4,621            | 1/5/2010           | 537   | 501    | 10              | 2             |
| JSW Energy Ltd               | 270            | 100           | 26,982           | 1/4/2010           | 101   | 113    | 1               | 13            |
| Cox & Kings                  | 18             | 330           | 6,104            | 12/11/2009         | 425   | 418    | 29              | 27            |
| Astec Lifesciences           | 8              | 82            | 615              | 11/25/2009         | 84    | 82     | 2               | 0             |
| Den Networks                 | 19             | 195           | 3,621            | 11/24/2009         | 163   | 185    | (16)            | (5)           |
| Indiabulls Power             | 340            | 45            | 15,291           | 10/30/2009         | 40    | 34     | (12)            | (24)          |
| Thinksoft Global Services    | 4              | 125           | 456              | 10/26/2009         | 164   | 463    | 32              | 271           |
| Euro Multivision             | 9              | 75            | 660              | 10/15/2009         | 54    | 32     | (29)            | (57)          |
| Pipavav Shipyard             | 85             | 58            | 4,956            | 10/9/2009          | 57    | 55     | (2)             | (5)           |
| Oil India                    | 26             | 1,050         | 27,773           | 9/30/2009          | 1,141 | 1,198  | 9               | 14            |
| Globus Spirits               | 8              | 100           | 750              | 9/23/2009          | 91    | 96     | (9)             | (4)           |
| Jindal Cotex                 | 12             | 75            | 934              | 9/22/2009          | 87    | 91     | 16              | 21            |
| NHPC                         | 1,677          | 36            | 60,385           | 9/1/2009           | 37    | 34     | 2               | (6)           |
| Adani Power                  | 302            | 100           | 30,165           | 8/20/2009          | 100   | 101    | 0               | 1             |
| Raj Oil Mills                | 10             | 120           | 1,140            | 8/12/2009          | 119   | 75     | (1)             | (37)          |
| Excel Infoways               | 6              | 85            | 482              | 8/3/2009           | 96    | 58     | 13              | (32)          |
| Mahindra Holidays & Resorts  | 9              | 300           | 2,780            | 7/16/2009          | 317   | 454    | 6               | 51            |
| Rishabhdev Technocable       | 9              | 33            | 297              | 6/29/2009          | 27    | 15     | (18)            | (55)          |
| Edserv Softsystems           | 4              | 60            | 238              | 3/2/2009           | 138   | 286    | 130             | 376           |
| Alkali Metals                | 3              | 103           | 263              | 11/6/2008          | 173   | 131    | 68              | 27            |
| Chemcel Bio-Tech             | 15             | 16            | 246              | 10/13/2008         | 5     | 11     | (67)            | (34)          |
| 20 Microns                   | 4              | 55            | 239              | 10/6/2008          | 34    | 46     | (39)            | (17)          |
| Austral Coke & Projects      | 7              | 196           | 1,423            | 9/4/2008           | 23    | 9      | (88)            | (95)          |
| Resurgere Mines & Minerals   | 4              | 270           | 1,202            | 9/1/2008           | 534   | 96     | 98              | (64)          |
| Nu Tek India                 | 5              | 192           | 864              | 8/27/2008          | 199   | 41     | 4               | (79)          |
| Vishal Information Technolo  | 3              | 150           | 419              | 8/11/2008          | 13    | 13     | (91)            | (91)          |
| Birla Cotsyn (India)         | 103            | 14            | 1,442            | 7/30/2008          | 1     | 1      | (93)            | (90)          |
| Somi Conveyor Beltings       | 6              | 35            | 218              | 7/24/2008          | 26    | 15     | (26)            | (59)          |
| Ksk Energy Ventures          | 35             | 240           | 8,307            | 7/14/2008          | 192   | 193    | (20)            | (20)          |
| Lotus Eye Care Hospital      | 10             | 38            | 380              | 7/1/2008           | 36    | 32     | (6)             | (16)          |
| First Winner Industries      | 6              | 125           | 688              | 7/8/2008           | 89    | 30     | (29)            | (76)          |
| Archidply Industries         | 7              | 74            | 490              | 7/4/2008           | 51    | 40     | (31)            | (45)          |
| Avon Corporation             | 14             | 10            | 137              | 7/3/2008           | 12    | 8      | 19              | (20)          |
| Sejal Architectural Glass Lt | 9              | 115           | 1,057            | 7/1/2008           | 81    | 55     | (29)            | (52)          |
| Bafna Pharmaceuticals        | 6              | 40            | 256              | 6/27/2008          | 39    | 32     | (4)             | (19)          |
| Niraj Cement Structurals     | 3              | 190           | 618              | 6/19/2008          | 190   | 44     | 0               | (77)          |
| Anu'S Laboratories           | 4              | 210           | 802              | 6/4/2008           | 13    | 8      | (94)            | (96)          |
| Gokul Refoils & Solvent      | 7              | 195           | 1,396            | 6/4/2008           | 36    | 58     | (81)            | (70)          |
| Aishwarya Telecom            | 4              | 35            | 140              | 5/7/2008           | 91    | 58     | 160             | 67            |
| Kiri Dyes And Chemicals      | 4              | 150           | 563              | 4/22/2008          | 159   | 754    | 6               | 402           |
| Titagarh Wagons              | 2              | 540           | 1,287            | 4/21/2008          | 707   | 420    | 31              | (22)          |
| Sita Shree Food Products     | 11             | 30            | 315              | 4/7/2008           | 44    | 10     | 46              | (67)          |
| Gammon Infrastructure Projec | 17             | 167           | 2,764            | 4/3/2008           | 32    | 25     | (81)            | (85)          |
| V-Guard Industries           | 8              | 82            | 656              | 3/13/2008          | 76    | 88     | (7)             | 7             |
| Rural Electrification Corp   | 156            | 105           | 16,393           | 3/12/2008          | 121   | 265    | 16              | 153           |
| Gss America Infotech         | 3              | 400           | 1,399            | 3/7/2008           | 501   | 324    | 25              | (19)          |
| Irb Infrastructure Developer | 51             | 185           | 9,446            | 2/25/2008          | 190   | 255    | 3               | 38            |
| Tulsi Extrusions             | 6              | 85            | 485              | 2/25/2008          | 141   | 31     | 66              | (64)          |
| Bang Overseas                | 4              | 207           | 725              | 2/20/2008          | 174   | 51     | (16)            | (75)          |
| Shriram Epc                  | 5              | 300           | 1,500            | 2/20/2008          | 287   | 229    | (5)             | (24)          |
| Onmobile Global              | 11             | 440           | 4,796            | 2/19/2008          | 518   | 436    | 18              | (1)           |
| Knr Constructions            | 8              | 170           | 1,339            | 2/18/2008          | 155   | 123    | (9)             | (27)          |
| Cords Cable Industries       | 3              | 135           | 416              | 2/13/2008          | 139   | 51     | 3               | (62)          |
| J.Kumar Infraprojects        | 7              | 110           | 715              | 2/12/2008          | 103   | 180    | (6)             | 63            |
| Reliance Power               | 260            | 450           | 117,000          | 2/11/2008          | 233   | 153    | (48)            | (66)          |
| Future Capital Holdings      | 6              | 765           | 4,914            | 2/1/2008           | 910   | 203    | 19              | (74)          |
| Porwal Auto Components       | 5              | 75            | 375              | 1/14/2008          | 80    | 13     | 6               | (82)          |

Source: Bloomberg, Kotak Institutional Equities

## Forthcoming IPO/Follow on offerings

| Company Name                     | Issue |
|----------------------------------|-------|
| Jindal Power                     | IPO   |
| Sterlite Energy                  | IPO   |
| Reliance Infratel                | IPO   |
| Emaar Mgf Land                   | IPO   |
| Sahara Prime City                | IPO   |
| Rural Electrification Corp.      | FPO   |
| Lodha Developers                 | IPO   |
| Ambience                         | IPO   |
| Jaypee Infratech                 | IPO   |
| Btp                              | IPO   |
| DB Realty                        | IPO   |
| Oberoi Realty                    | IPO   |
| Prestige Estates Projects        | IPO   |
| Hathway Cable & Datacom          | IPO   |
| IL&FS Transportation Networks    | IPO   |
| Glenmark Generics                | IPO   |
| Gujarat Pipavav Port             | IPO   |
| Neptune Developers               | IPO   |
| Dq Entertainment (International) | IPO   |
| Kumar Urban Development          | IPO   |
| Nitesh Estates                   | IPO   |
| Great Eastern Energy Corp.       | IPO   |
| Indosolar                        | IPO   |
| Eros International Media         | IPO   |
| United Bank Of India             | IPO   |
| Ashoka Buildcon                  | IPO   |
| Shree Ganesh Jewellery House     | IPO   |
| BS Transcomm                     | IPO   |
| Vascon Engineers                 | IPO   |
| Tara Health Foods                | IPO   |
| Amr Constructions                | IPO   |
| P.N.C.Infratech                  | IPO   |
| Pradip Overseas                  | IPO   |

Source: Primedatabase



# BULK DEALS

## Major bulk deals

| Date      | Compnay                   | Action | Quantity  | Value |         | Exchange |
|-----------|---------------------------|--------|-----------|-------|---------|----------|
|           |                           |        |           | Price | (Rs mn) |          |
| 15-Jan-10 | Parenteral Drug           | SELL   | 1,970,000 | 155   | 305     | BSE      |
| 14-Jan-10 | PIPAVAVSHIP               | SELL   | 5,000,000 | 55    | 275     | BSE      |
| 14-Jan-10 | Pipavav Shipyard Ltd      | SELL   | 5,000,000 | 55    | 275     | NSE      |
| 15-Jan-10 | Bharati Shipyard Limited  | BUY    | 634,000   | 320   | 203     | NSE      |
| 15-Jan-10 | ABG Shipyard Limited      | BUY    | 668,513   | 279   | 186     | NSE      |
| 13-Jan-10 | Shilpa Medicare           | SELL   | 850,000   | 200   | 170     | BSE      |
| 14-Jan-10 | Orbit Corporation Limited | BUY    | 283,000   | 320   | 91      | NSE      |
| 20-Jan-10 | S. Kumars Nationwide Ltd  | BUY    | 1,375,000 | 48    | 65      | NSE      |
| 13-Jan-10 | Sasken Comm               | BUY    | 310,000   | 185   | 57      | BSE      |
| 14-Jan-10 | Dev Credit Bank           | SELL   | 1,220,154 | 40    | 48      | BSE      |
| 14-Jan-10 | Magma Fincorp Limited     | BUY    | 190,000   | 216   | 41      | NSE      |
| 15-Jan-10 | Tantia Constructions Limi | BUY    | 213,205   | 145   | 31      | NSE      |
| 20-Jan-10 | Subex Limited             | SELL   | 367,994   | 82    | 30      | NSE      |
| 13-Jan-10 | Shilpa Medicare           | SELL   | 150,000   | 200   | 30      | BSE      |
| 20-Jan-10 | Sakthi Sugars Ltd.        | SELL   | 302,012   | 92    | 28      | NSE      |
| 14-Jan-10 | Sunderam Multi            | BUY    | 600,000   | 46    | 27      | BSE      |
| 13-Jan-10 | Sunderam Multi            | BUY    | 600,000   | 46    | 27      | BSE      |
| 13-Jan-10 | Shilpa Medicare           | BUY    | 113,418   | 200   | 23      | BSE      |
| 13-Jan-10 | Subex                     | SELL   | 250,000   | 78    | 20      | BSE      |
| 13-Jan-10 | Camson Bio                | BUY    | 150,000   | 104   | 16      | BSE      |
| 20-Jan-10 | Zicom Electronic Security | BUY    | 125,000   | 121   | 15      | NSE      |
| 15-Jan-10 | Tantia Constr             | SELL   | 85,000    | 145   | 12      | BSE      |
| 13-Jan-10 | Uniphos Enter             | SELL   | 204,778   | 31    | 6       | BSE      |
| 14-Jan-10 | Southern Onlin            | BUY    | 232,350   | 27    | 6       | BSE      |
| 14-Jan-10 | Vikas Granaries           | SELL   | 91,850    | 39    | 4       | BSE      |
| 13-Jan-10 | Autolite India            | SELL   | 100,000   | 36    | 4       | BSE      |
| 13-Jan-10 | Autolite India            | BUY    | 86,394    | 36    | 3       | BSE      |
| 18-Jan-10 | RISHABHDEV                | SELL   | 160,000   | 16    | 3       | BSE      |
| 13-Jan-10 | Gujarat Auto              | SELL   | 6,470     | 288   | 2       | BSE      |
| 18-Jan-10 | Brushman India            | SELL   | 100,000   | 17    | 2       | BSE      |

Source: BSE, NSE

# DELIVERY POSITIONS

## Top increase/(decrease) in delivery percentage

### Increase in delivery % (KIE universe)

| Name                         | Delivery %    |              |
|------------------------------|---------------|--------------|
|                              | Previous week | Current week |
| Zee Entertainment Enterprise | 33            | 79           |
| Cairn India Limited          | 28            | 63           |
| Glaxosmithkline Consumer Hea | 64            | 99           |
| Canara Bank                  | 33            | 63           |
| Indian Bank                  | 39            | 69           |
| BGR Energy Systems Limited   | 22            | 52           |
| Gail India Ltd               | 32            | 61           |
| Colgate Palmolive (India)    | 49            | 78           |
| Dr. Reddy'S Laboratories     | 43            | 72           |

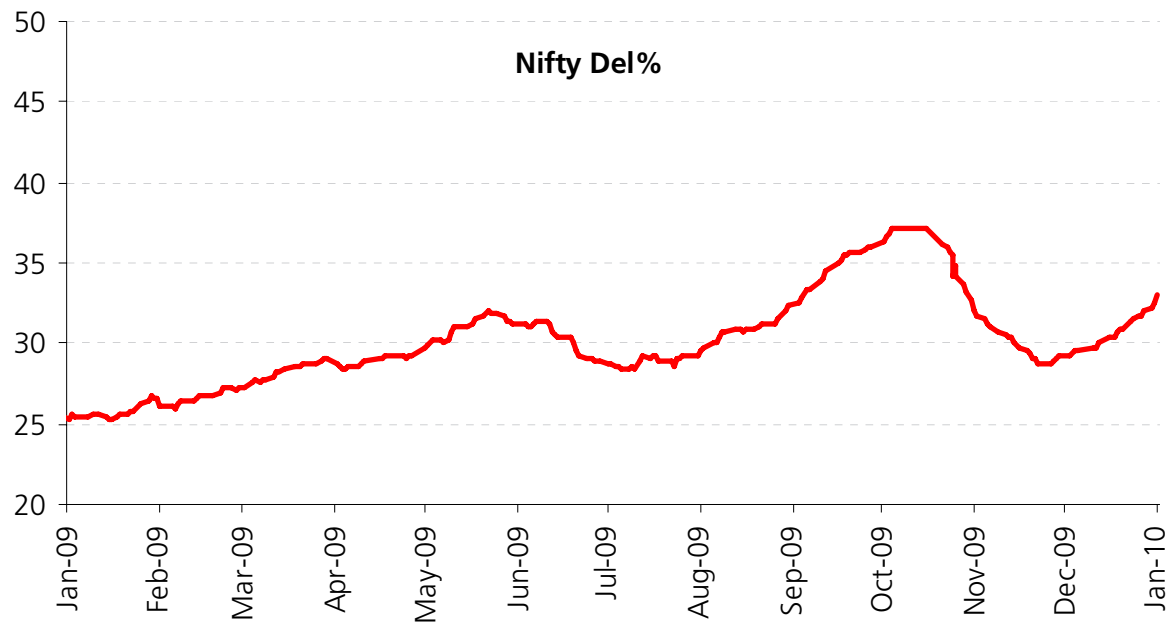
### Decrease in delivery % (KIE universe)

| Name                        | Delivery %    |              |
|-----------------------------|---------------|--------------|
|                             | Previous week | Current week |
| Container Corp Of India Ltd | 99            | 46           |
| Pantaloon Retail India Ltd  | 81            | 35           |
| Bank Of India               | 61            | 20           |
| Tata Consultancy Svs Ltd    | 62            | 27           |
| Siemens India Limited       | 68            | 34           |
| Oil India Ltd               | 91            | 60           |
| Gvk Power & Infrastructure  | 72            | 41           |
| Hcl Technologies Ltd        | 50            | 24           |
| Crompton Greaves Limited    | 63            | 38           |

Source: Bloomberg, Kotak Institutional Equities

# NIFTY DELIVERY

Nifty delivery percentage

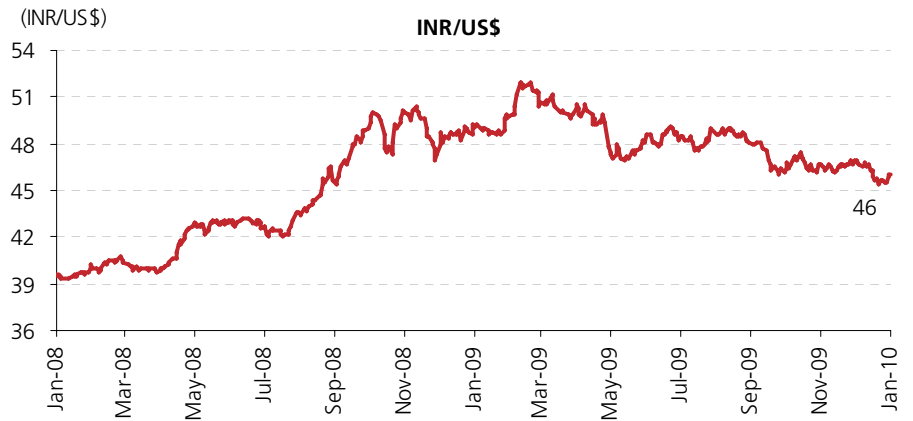
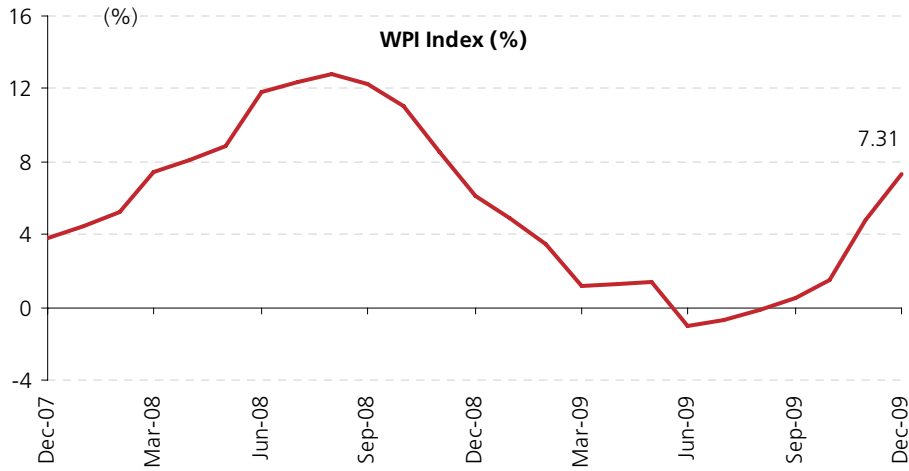
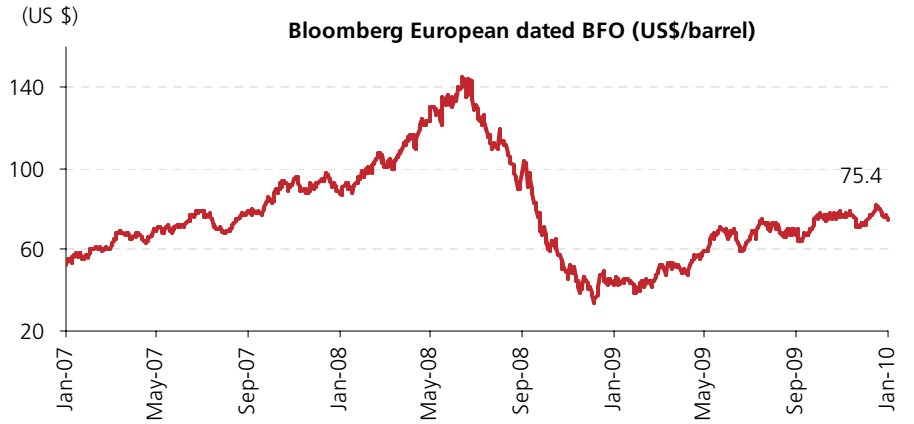
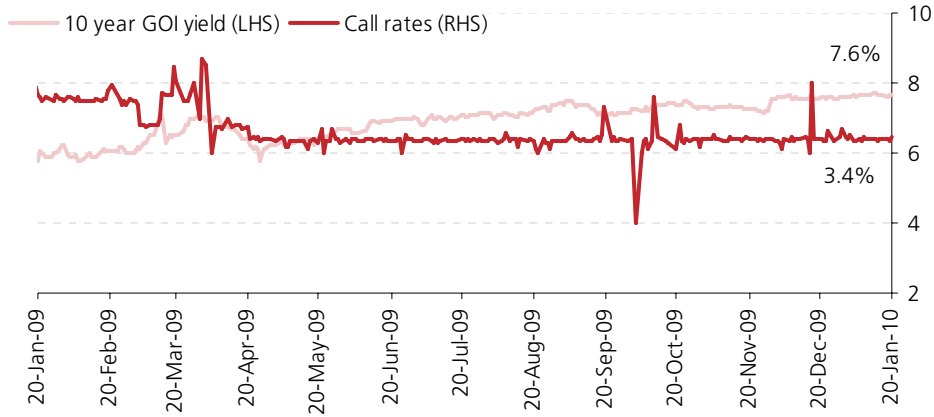


Source: Bloomberg, Kotak Institutional Equities

## ECONOMIC INDICATORS

# ECONOMIC INDICATORS

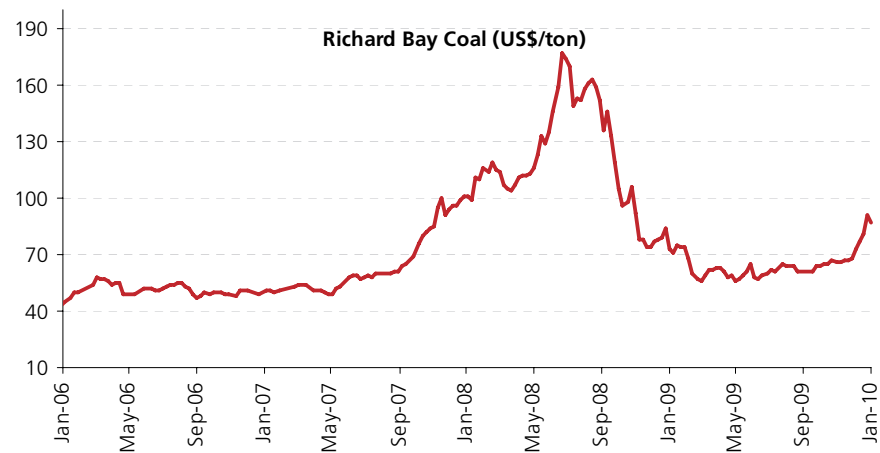
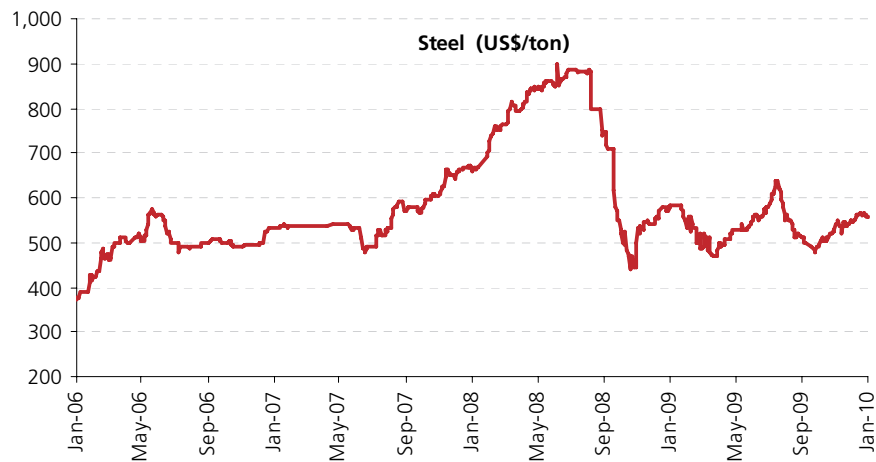
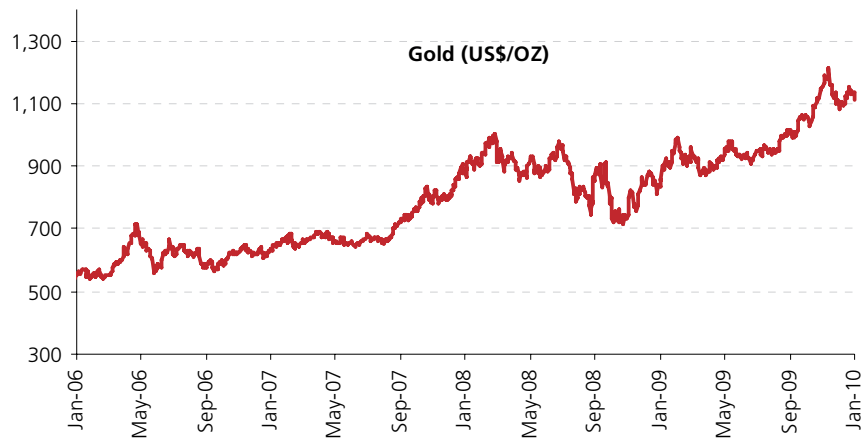
## Key economic parameters



Source: Bloomberg, Kotak Institutional Equities

# COMMODITIES

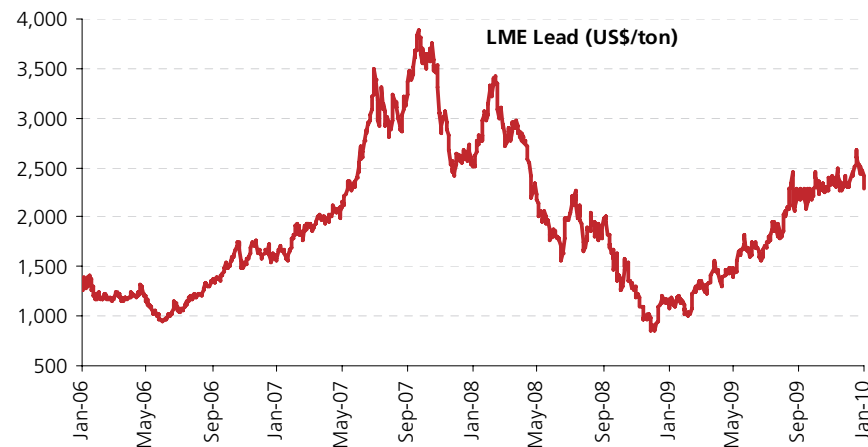
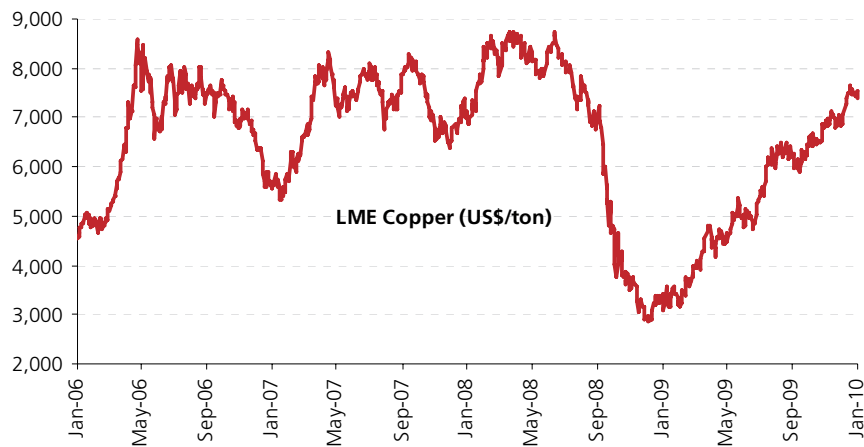
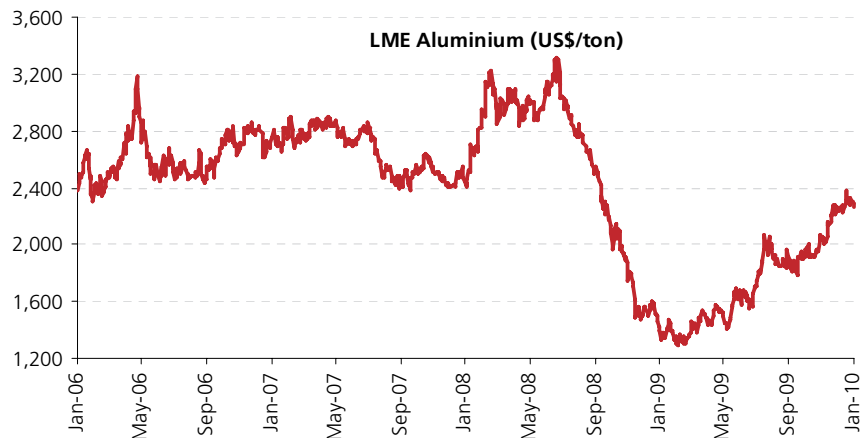
## Prices of key commodities



Source: Bloomberg, Kotak Institutional Equities

# COMMODITIES

## Prices of key commodities



Source: Bloomberg, Kotak Institutional Equities

## KOTAK VALUATION SUMMARY



# VALUATION SUMMARY

## Kotak Institutional Equities Universe

| Company   | 21-Jan-10  |        | Mkt cap.  |           | O/S         | EPS (Rs) |       |       | EPS growth (%) |        |        | PER (X) |       |       | EV/EBITDA (X) |       |       | Price/BV (X) |       |       | Dividend yield (%) |       |       | RoE (%) |       |       | Target | Upside | ADV-      |
|---|------------|--------|-----------|-----------|-------------|----------|-------|-------|----------------|--------|--------|---------|-------|-------|---------------|-------|-------|--------------|-------|-------|--------------------|-------|-------|---------|-------|-------|--------|--------|-----------|
|   | Price (Rs) | Rating | (Rs mn)   | (US\$ mn) | shares (mn) | 2009     | 2010E | 2011E | 2009           | 2010E  | 2011E  | 2009    | 2010E | 2011E | 2009          | 2010E | 2011E | 2009         | 2010E | 2011E | 2009               | 2010E | 2011E | 2009    | 2010E | 2011E | (Rs)   | (%)    | (US\$ mn) |
| <b>Automobiles</b>  |            |        |           |           |             |          |       |       |                |        |        |         |       |       |               |       |       |              |       |       |                    |       |       |         |       |       |        |        |           |
| Ashok Leyland   | 54         | ADD    | 71,373    | 1,551     | 1,330       | 1.5      | 2.9   | 3.2   | (57.8)         | 87.8   | 12.6   | 35.1    | 18.7  | 16.6  | 18.9          | 10.5  | 9.5   | 1.9          | 1.8   | 1.7   | 1.9                | 1.9   | 1.9   | 6.2     | 11.2  | 10.5  | 47     | (12.4) | 6.8       |
| Bajaj Auto  | 1,798      | BUY    | 260,155   | 5,654     | 145         | 45.2     | 110.0 | 133.6 | (13.4)         | 143.1  | 21.5   | 39.7    | 16.4  | 13.5  | 20.9          | 10.1  | 9.0   | 13.9         | 8.4   | 5.6   | 1.1                | 1.1   | 1.1   | 37.7    | 63.7  | 49.3  | 1,875  | 4.3    | 9.7       |
| Hero Honda  | 1,653      | REDUCE | 330,144   | 7,175     | 200         | 64.2     | 103.0 | 112.9 | 32.4           | 60.5   | 9.6    | 25.8    | 16.0  | 14.6  | 15.3          | 9.8   | 8.5   | 8.4          | 6.0   | 4.6   | 1.2                | 1.3   | 1.3   | 36.4    | 43.7  | 35.5  | 1,580  | (4.4)  | 18.1      |
| Mahindra & Mahindra   | 1,145      | ADD    | 337,436   | 7,333     | 295         | 30.0     | 69.1  | 77.0  | (19.8)         | 130.2  | 11.4   | 38.1    | 16.6  | 14.9  | 26.6          | 11.1  | 10.1  | 6.4          | 4.2   | 3.3   | 0.8                | 0.8   | 0.8   | 17.4    | 31.7  | 24.8  | 1,265  | 10.5   | 27.7      |
| Maruti Suzuki   | 1,453      | SELL   | 419,845   | 9,124     | 289         | 42.2     | 79.4  | 83.3  | (29.6)         | 88.2   | 5.0    | 34.4    | 18.3  | 17.4  | 20.7          | 10.6  | 9.5   | 4.4          | 3.6   | 3.0   | 0.2                | 0.3   | 0.3   | 13.5    | 21.7  | 18.8  | 1,250  | (14.0) | 30.0      |
| Tata Motors   | 783        | ADD    | 447,152   | 9,718     | 571         | 10.0     | 26.2  | 30.1  | (78.2)         | 161.0  | 15.0   | 78.1    | 29.9  | 26.0  | 27.8          | 15.1  | 13.2  | 3.4          | 2.6   | 2.4   | 0.7                | 0.7   | 0.7   | 9.1     | 14.4  | 11.6  | 810    | 3.5    | 74.0      |
| <b>Automobiles</b>  |            |        |           |           |             |          |       |       |                |        |        |         |       |       |               |       |       |              |       |       |                    |       |       |         |       |       |        |        |           |
| <b>Cautious 1,866,105 40,554 (30.7) 111.1 12.2 40.0 18.9 16.9 22.0 11.6 10.3 5.0 3.8 3.1 0.8 0.9 0.9 12.5 20.0 18.6</b> |            |        |           |           |             |          |       |       |                |        |        |         |       |       |               |       |       |              |       |       |                    |       |       |         |       |       |        |        |           |
| <b>Banks/Financial Institutions</b>   |            |        |           |           |             |          |       |       |                |        |        |         |       |       |               |       |       |              |       |       |                    |       |       |         |       |       |        |        |           |
| Andhra Bank   | 110        | BUY    | 53,108    | 1,154     | 485         | 13.5     | 15.4  | 13.7  | 13.5           | 14.1   | (10.7) | 8.1     | 7.1   | 8.0   | —             | —     | —     | 1.5          | 1.3   | 1.1   | 4.1                | 2.8   | 2.5   | 18.9    | 19.0  | 14.9  | 125    | 14.2   | 3.4       |
| Axis Bank   | 1,061      | ADD    | 403,282   | 8,764     | 380         | 50.6     | 63.3  | 74.5  | 56.9           | 25.1   | 17.7   | 21.0    | 16.8  | 14.2  | —             | —     | —     | 3.9          | 2.5   | 2.2   | 0.9                | 1.2   | 1.5   | 19.1    | 18.4  | 17.5  | 1,160  | 9.3    | 45.3      |
| Bank of Baroda  | 550        | ADD    | 201,077   | 4,370     | 366         | 60.9     | 68.5  | 71.0  | 55.1           | 12.4   | 3.8    | 9.0     | 8.0   | 7.7   | —             | —     | —     | 1.8          | 1.5   | 1.3   | 1.6                | 1.8   | 1.9   | 21.4    | 20.3  | 18.0  | 560    | 1.8    | 10.4      |
| Bank of India   | 383        | REDUCE | 201,530   | 4,380     | 526         | 57.2     | 45.1  | 49.0  | 40.7           | (21.1) | 8.7    | 6.7     | 8.5   | 7.8   | —             | —     | —     | 1.7          | 1.5   | 1.3   | 2.1                | 1.6   | 1.8   | 29.2    | 18.6  | 17.4  | 360    | (6.1)  | 8.5       |
| Canara Bank   | 396        | ADD    | 162,442   | 3,530     | 410         | 50.5     | 56.5  | 59.4  | 32.4           | 11.8   | 5.2    | 7.8     | 7.0   | 6.7   | —             | —     | —     | 1.6          | 1.4   | 1.2   | 2.0                | 2.0   | 2.5   | 18.3    | 17.6  | 16.2  | 410    | 3.5    | 7.4       |
| Corporation Bank  | 449        | BUY    | 64,396    | 1,399     | 143         | 62.3     | 61.1  | 60.8  | 21.5           | (2.0)  | (0.5)  | 7.2     | 7.4   | 7.4   | —             | —     | —     | 1.3          | 1.2   | 1.0   | 2.8                | 2.7   | 2.7   | 19.6    | 16.7  | 14.8  | 515    | 14.7   | 0.7       |
| Federal Bank  | 269        | BUY    | 45,939    | 998       | 171         | 29.3     | 31.4  | 38.8  | (14.8)         | 7.5    | 23.2   | 9.2     | 8.5   | 6.9   | —             | —     | —     | 1.1          | 1.0   | 0.9   | 1.9                | 2.0   | 2.5   | 12.1    | 11.8  | 13.2  | 340    | 26.6   | 3.7       |
| HDFC  | 2,437      | ADD    | 693,205   | 15,065    | 284         | 80.2     | 99.6  | 117.1 | (6.4)          | 24.1   | 17.6   | 30.4    | 24.5  | 20.8  | —             | —     | —     | 5.3          | 4.8   | 4.2   | 1.2                | 1.4   | 1.7   | 18.2    | 20.0  | 20.8  | 2,700  | 10.8   | 43.6      |
| HDFC Bank   | 1,712      | ADD    | 773,766   | 16,816    | 452         | 52.8     | 64.8  | 84.4  | 17.6           | 22.8   | 30.2   | 32.4    | 26.4  | 20.3  | —             | —     | —     | 5.1          | 3.6   | 3.2   | 0.5                | 0.7   | 0.9   | 16.9    | 16.1  | 16.7  | 1,800  | 5.2    | 32.3      |
| ICICI Bank  | 853        | ADD    | 949,302   | 20,630    | 1,113       | 33.8     | 37.3  | 45.6  | (15.4)         | 10.6   | 22.1   | 25.3    | 22.8  | 18.7  | —             | —     | —     | 1.9          | 1.8   | 1.7   | 1.3                | 1.4   | 1.8   | 7.8     | 8.2   | 9.5   | 890    | 4.4    | 110.7     |
| IDFC  | 154        | REDUCE | 199,278   | 4,331     | 1,295       | 5.8      | 8.4   | 9.1   | 1.9            | 45.7   | 8.4    | 26.6    | 18.3  | 16.8  | —             | —     | —     | 3.2          | 2.8   | 2.5   | 0.8                | 0.9   | 1.0   | 12.9    | 16.5  | 15.6  | 145    | (5.8)  | 26.8      |
| India Infoline  | 134        | BUY    | 41,734    | 907       | 312         | 5.1      | 7.7   | 9.2   | (8.7)          | 50.4   | 19.2   | 26.2    | 17.4  | 14.6  | —             | —     | —     | 3.4          | 2.8   | 2.3   | 1.9                | 2.5   | 1.6   | 11.9    | 17.6  | 18.7  | 170    | 27.0   | 7.8       |
| Indian Bank   | 175        | BUY    | 75,231    | 1,635     | 430         | 28.0     | 32.4  | 34.1  | 24.1           | 15.9   | 5.4    | 6.3     | 5.4   | 5.1   | —             | —     | —     | 1.4          | 1.1   | 1.0   | 2.9                | 3.2   | 3.4   | 22.9    | 22.2  | 19.9  | 225    | 28.5   | 3.9       |
| Indian Overseas Bank  | 109        | BUY    | 59,438    | 1,292     | 545         | 24.3     | 22.7  | 14.7  | 10.3           | (6.9)  | (34.9) | 4.5     | 4.8   | 7.4   | —             | —     | —     | 1.0          | 0.8   | 0.8   | 4.8                | 3.4   | 3.8   | 22.1    | 16.1  | 9.5   | 150    | 37.5   | 3.9       |
| J&K Bank  | 575        | BUY    | 27,902    | 606       | 48          | 84.5     | 93.4  | 101.8 | 13.8           | 10.5   | 9.0    | 6.8     | 6.2   | 5.7   | —             | —     | —     | 1.2          | 1.1   | 0.9   | 2.9                | 3.2   | 3.5   | 16.7    | 16.2  | 15.6  | 700    | 21.7   | 0.6       |
| LIC Housing Finance   | 821        | ADD    | 73,882    | 1,606     | 90          | 62.5     | 86.1  | 85.9  | 37.3           | 37.6   | (0.2)  | 13.1    | 9.5   | 9.6   | —             | —     | —     | 3.7          | 2.3   | 1.9   | 1.6                | 2.3   | 2.4   | 26.2    | 27.3  | 21.7  | 950    | 15.7   | 23.7      |
| Mahindra & Mahindra Financial   | 359        | BUY    | 34,366    | 747       | 96          | 22.4     | 30.7  | 35.6  | 7.5            | 36.9   | 16.0   | 16.0    | 11.7  | 10.1  | —             | —     | —     | 2.4          | 2.1   | 1.8   | 1.5                | 2.1   | 2.5   | 15.4    | 18.7  | 19.0  | 415    | 15.6   | 1.6       |
| Oriental Bank of Commerce   | 247        | REDUCE | 61,896    | 1,345     | 251         | 36.1     | 39.4  | 39.4  | 51.4           | 8.9    | 0.0    | 6.8     | 6.3   | 6.3   | —             | —     | —     | 1.0          | 0.9   | 0.8   | 3.0                | 3.2   | 3.2   | 13.7    | 12.7  | 11.7  | 280    | 13.3   | 4.5       |
| PFC   | 272        | SELL   | 312,079   | 6,782     | 1,148       | 13.3     | 18.7  | 20.9  | 17.4           | 40.2   | 11.9   | 20.4    | 14.5  | 13.0  | —             | —     | —     | 2.8          | 2.5   | 2.2   | 1.5                | 1.7   | 1.9   | 18.9    | 17.5  | 17.3  | 200    | (26.4) | 4.8       |
| Punjab National Bank  | 904        | BUY    | 285,081   | 6,195     | 315         | 98.0     | 110.4 | 118.6 | 50.9           | 12.6   | 7.5    | 9.2     | 8.2   | 7.6   | —             | —     | —     | 2.2          | 1.8   | 1.5   | 2.2                | 2.4   | 2.6   | 25.8    | 24.0  | 21.7  | 930    | 2.9    | 10.9      |
| Reliance Capital  | 860        | ADD    | 211,636   | 4,599     | 246         | 39.3     | 17.7  | 17.5  | (5.6)          | (55.1) | (1.1)  | 21.9    | 48.7  | 49.2  | —             | —     | —     | 3.1          | 3.0   | 2.8   | 0.7                | 0.3   | 0.3   | 15.3    | 6.3   | 5.9   | 875    | 1.8    | 71.4      |
| Shriram Transport   | 503        | ADD    | 116,430   | 2,530     | 232         | 30.1     | 36.6  | 48.3  | 56.7           | 21.6   | 32.0   | 16.7    | 13.7  | 10.4  | —             | —     | —     | 5.2          | 3.0   | 2.6   | 0.9                | 2.2   | 2.9   | 29.6    | 26.5  | 25.1  | 500    | (0.6)  | 3.5       |
| SRI   | 86         | BUY    | 9,954     | 216       | 116         | 7.0      | 8.3   | 7.9   | (24.7)         | 17.8   | (4.8)  | 12.2    | 10.3  | 10.8  | —             | —     | —     | 1.0          | 0.8   | 0.8   | 1.2                | 1.4   | 1.4   | 12.8    | 11.1  | 10.5  | 115    | 34.3   | 2.8       |
| State Bank of India   | 2,124      | BUY    | 1,348,549 | 29,307    | 635         | 143.7    | 154.8 | 174.4 | 34.8           | 7.7    | 12.7   | 14.8    | 13.7  | 12.2  | —             | —     | —     | 2.3          | 2.1   | 1.8   | 1.4                | 1.4   | 1.5   | 17.1    | 15.9  | 15.8  | 2,400  | 13.0   | 136.8     |
| Union Bank  | 263        | BUY    | 132,871   | 2,888     | 505         | 34.2     | 34.8  | 37.7  | 24.5           | 1.8    | 8.2    | 7.7     | 7.6   | 7.0   | —             | —     | —     | 1.9          | 1.6   | 1.3   | 1.9                | 1.9   | 2.1   | 27.2    | 22.6  | 20.5  | 310    | 17.8   | 5.1       |
| <b>Banks/Financial Institutions</b>   |            |        |           |           |             |          |       |       |                |        |        |         |       |       |               |       |       |              |       |       |                    |       |       |         |       |       |        |        |           |
| <b>Attractive 6,766,249 147,044 27.0 11.6 11.5 15.5 13.9 12.5 — — — 2.5 2.1 1.9 1.4 1.5 1.7 16.1 15.3 15.1</b>          |            |        |           |           |             |          |       |       |                |        |        |         |       |       |               |       |       |              |       |       |                    |       |       |         |       |       |        |        |           |
| <b>Cement</b>   |            |        |           |           |             |          |       |       |                |        |        |         |       |       |               |       |       |              |       |       |                    |       |       |         |       |       |        |        |           |
| ACC   | 942        | REDUCE | 176,983   | 3,846     | 188         | 56.3     | 84.1  | 53.3  | (12.2)         | 49.4   | (36.7) | 16.7    | 11.2  | 17.7  | 8.5           | 5.9   | 7.8   | 3.4          | 2.7   | 2.4   | 2.5                | 2.5   | 2.5   | 24.7    | 30.1  | 16.8  | 800    | (15.1) | 10.7      |
| Ambuja Cements  | 109        | REDUCE | 166,243   | 3,613     | 1,522       | 7.2      | 8.1   | 6.2   | (5.0)          | 12.2   | (23.7) | 15.2    | 13.5  | 17.8  | 8.2           | 7.6   | 8.9   | 2.7          | 2.4   | 2.2   | 2.7                | 1.7   | 2.0   | 19.7    | 19.4  | 13.2  | 85     | (22.2) | 7.2       |
| Grasim Industries   | 2,661      | REDUCE | 243,973   | 5,302     | 92          | 238.6    | 284.8 | 270.7 | (16.2)         | 19.4   | (4.9)  | 11.2    | 9.3   | 9.8   | 6.4           | 4.9   | 4.9   | 2.1          | 1.8   | 1.5   | 1.3                | 1.3   | 1.3   | 21.1    | 20.6  | 16.7  | 2,325  | (12.6) | 12.2      |
| India Cements   | 120        | REDUCE | 33,779    | 734       | 282         | 17.8     | 15.7  | 13.0  | n/a            | (11.4) | (17.6) | 6.7     | 7.6   | 9.2   | 4.9           | 4.5   | 4.9   | 0.9          | 0.8   | 0.8   | 1.5                | 1.8   | 2.7   | 14.8    | 12.1  | 9.2   | 110    | (8.0)  | 5.9       |
| Shree Cement  | 2,116      | BUY    | 73,721    | 1,602     | 35          | 174.8    | 267.3 | 228.9 | 93.8           | 52.9   | (14.4) | 12.1    | 7.9   | 9.2   | 7.9           | 4.8   | 4.4   | 6.1          | 3.5   | 2.5   | 0.5                | 0.5   | 0.5   | 65.7    | 56.1  | 31.8  | 2,400  | 13.4   | 0.8       |
| UltraTech Cement  | 945        | REDUCE | 117,693   | 2,558     | 124         | 78.8     | 90.1  | 64.5  | (3.1)          | 14.3   | (28.4) | 12.0    | 10.5  | 14.6  | 7.1           | 5.8   | 7.1   | 2.7          | 2.2   | 1.9   | 0.6                | 0.9   | 0.9   | 31.1    | 27.3  | 16.2  | 900    | (4.8)  | 4.5       |
| <b>Cement</b>   |            |        |           |           |             |          |       |       |                |        |        |         |       |       |               |       |       |              |       |       |                    |       |       |         |       |       |        |        |           |
| <b>Neutral 812,392 17,565 (8.0) 23.1 (19.3) 12.6 10.3 12.7 7.1 5.5 6.1 2.5 2.1 1.8 1.7 1.5 1.6 20.0 20.3 14.4</b>       |            |        |           |           |             |          |       |       |                |        |        |         |       |       |               |       |       |              |       |       |                    |       |       |         |       |       |        |        |           |
| <b>Consumer products</b>  |            |        |           |           |             |          |       |       |                |        |        |         |       |       |               |       |       |              |       |       |                    |       |       |         |       |       |        |        |           |
| Asian Paints  | 1,812      | ADD    | 173,811   | 3,777     | 96          | 38.6     | 66.8  | 75.6  | (1.7)          | 73.0   | 13.3   | 46.9    | 27.1  | 24.0  | 28.0          | 16.8  | 14.5  | 15.2         | 12.6  | 10.5  | 1.0                | 2.0   | 2.3   | 36.6    | 52.9  | 49.6  | 1,840  | 1.5    | 1.8       |
| Colgate-Palmolive (India)   | 692        | REDUCE | 94,161    | 2,046     | 136         | 21.6     | 29.9  | 33.4  | 26.3           | 38.3   | 12.0   | 32.1    | 23.2  | 20.7  | 26.5          | 19.2  | 15.9  | 43.5         | 39.1  | 35.2  | 2.2                | 3.5   | 3.9   | 155.1   | 177.6 | 1     |        |        |           |

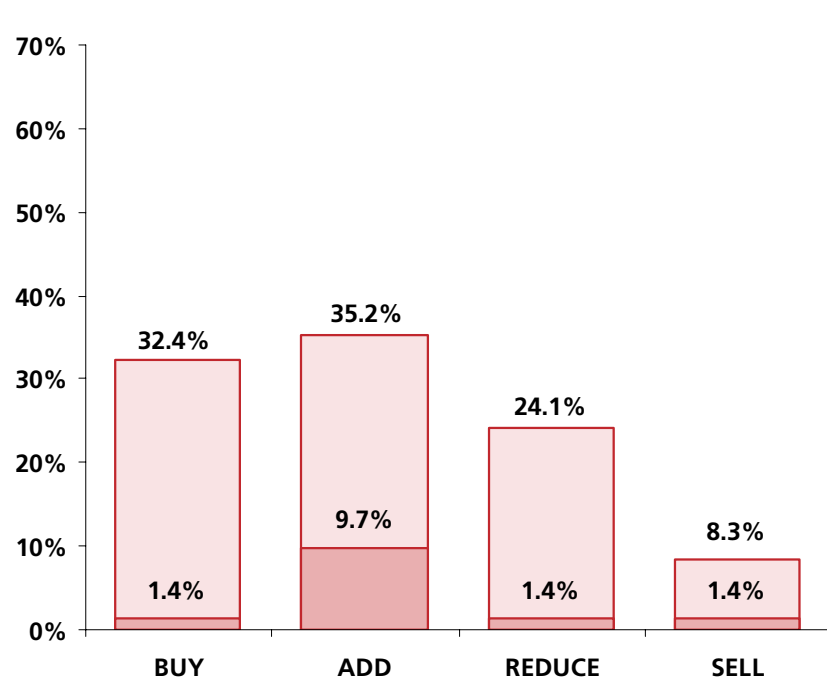




# DISCLOSURES

## Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



- Percentage of companies covered by Kotak Institutional Equities, within the specified category.
- Percentage of companies within each category for which Kotak Institutional Equities and or its affiliates has provided investment banking services within the previous 12 months.

\* The above categories are defined as follows: Buy = We expect this stock to outperform the BSE Sensex by 10% over the next 12 months; Add = We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months; Reduce = We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months; Sell = We expect this stock to underperform the BSE Sensex by more than 10% over the next 12 months. These ratings are used illustratively to comply with applicable regulations. As of 31/12/2009 Kotak Institutional Equities Investment Research had investment ratings on 145 equity securities.

Source: Kotak Institutional Equities

As of December 31, 2009

## Kotak Securities company-specific disclosures

Kotak Securities Limited and or its affiliates have received during the last 12 months compensation for investment banking services from the following companies, Mahindra & Mahindra Limited, Tata Motors Limited, Pantaloon Retail.

# RATINGS AND OTHER DEFINITIONS/IDENTIFIERS

## New rating system

### Definitions of ratings

**BUY:** We expect this stock to outperform the BSE Sensex by 10% over the next 12 months.

**ADD:** We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months.

**REDUCE:** We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months.

**SELL:** We expect this stock to underperform the BSE Sensex by more than 10% over the next 12 months

## Old rating system

**OP** = Outperform. We expect this stock to outperform the BSE Sensex over the next 12 months.

**IL** = In-Line. We expect this stock to perform in line with the BSE Sensex over the next 12 months.

**U** = Underperform. We expect this stock to underperform the BSE Sensex over the next 12 months.

### Other definitions

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

### Other ratings/identifiers

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