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### EQUITY MARKETS

India	Change %			
	12-Dec	1-day	1-mo	3-mo
Sensex	15,870	(2.1)	(7.7)	(3.8)
Nifty	4,765	(2.1)	(7.8)	(3.7)
<b>Global/Regional indices</b>				
Dow Jones	12,021	(1.3)	(1.1)	8.7
Nasdaq Composite	2,612	(1.3)	(2.5)	4.7
FTSE	5,428	(1.8)	(2.1)	5.8
Nikkie	8,526	(1.5)	0.1	(1.0)
Hang Seng	18,370	(1.1)	(4.0)	(3.5)
KOSPI	1,869	(1.6)	0.3	3.1
<b>Value traded – India</b>				
Cash (NSE+BSE)	110		126	127
Derivatives (NSE)	1,424		1,181	1,233
Deri. open interest	1,244		1,271	1,286

#### Forex/money market

	Change, basis points			
	12-Dec	1-day	1-mo	3-mo
Rs/US\$	52.6	73	223	538
10yr govt bond, %	8.4	(9)	(51)	15

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

	9-Dec	MTD	CYTD
FIs	(56)	408	(92)
MFs	(42)	(28)	(282)

#### Top movers -3mo basis

Best performers	Change, %			
	12-Dec	1-day	1-mo	3-mo
TTMT IN Equity	177.4	(3.1)	(2.3)	27.0
WPRO IN Equity	414.8	2.4	8.5	26.0
INFO IN Equity	2740.3	1.1	(1.3)	23.3
TCS IN Equity	1180.4	0.7	4.4	18.8
CIPLA IN Equity	323.9	(0.6)	12.9	12.8
<b>Worst performers</b>				
SUEL IN Equity	21.7	(3.1)	(37.3)	(44.6)
ADE IN Equity	314.1	(3.2)	(31.6)	(43.6)
WLCO IN Equity	70.0	4.4	(27.3)	(43.0)
HDIL IN Equity	57.9	(3.2)	(36.4)	(42.0)
ESOIL IN Equity	59.9	(10.7)	(26.2)	(33.8)

DECEMBER 12, 2011

**UPDATE**

 Coverage view: **Attractive**

 Price (Rs): **392**

 Target price (Rs): **535**

 BSE-30: **15,870**

**Gas Pass(port).** GAIL's recent agreement with Sabine Pass Liquefaction LLC for 3.5 mtpa of LNG imports over 20 years will likely allay concerns on the utilization of new gas pipelines in the long term. We expect investor sentiment to improve as the current stock price is ascribing nil value to the new gas pipelines given the unexpected sharp decline in domestic gas supply. We maintain our BUY rating on the stock given 36% potential upside to our SOTP-based target price of ₹535.

**Company data and valuation summary**

GAIL (India)

**Stock data**

52-week range (Rs) (high,low) 538-367

Market Cap. (Rs bn) 496.6

**Shareholding pattern (%)**

Promoters 57.3

FIs 14.3

MFs 3.6

**Price performance (%)**

	1M	3M	12M
Absolute	(5.7)	(4.3)	(20.5)
Rel. to BSE-30	2.2	(0.5)	(2.3)

**Forecasts/Valuations**

	2011	2012E	2013E
EPS (Rs)	28.2	31.8	33.8
EPS growth (%)	13.8	12.8	6.5
P/E (X)	13.9	12.3	11.6
Sales (Rs bn)	324.6	292.7	311.8
Net profits (Rs bn)	35.7	40.3	42.9
EBITDA (Rs bn)	59.9	66.5	78.0
EV/EBITDA (X)	8.0	8.4	7.6
ROE (%)	17.5	17.1	15.8
Div. Yield (%)	1.9	2.2	2.4

**Contract for 3.5 mtpa of LNG imports over 20 years**

GAIL India has signed a Sales and Purchase Agreement (SPA) with Sabine Pass Liquefaction LLC for 3.5 mtpa of LNG imports over 20 years. The LNG supply is expected to begin from CY2017E after the commissioning of train four in Sabine Pass liquefaction terminal. The contract also has an extension option for 10 years beyond the initial 20 years. We note that the agreement is subject to final investment decision of Phase II of Sabine Pass liquefaction terminal. The construction work for two trains in the first phase is expected to start in the near term. GAIL will also buy bridge volumes of about 0.2 mtpa from train two which is scheduled to deliver first gas in CY2016E.

**Some fillip to the sagging sentiment on future of gas transmission**

GAIL's recently concluded contract of 3.5 mtpa of LNG (equivalent to ~13 mcm/d of natural gas supply) will give some fillip to the sagging sentiment for its transmission business. We admit that the gas supply from the Sabine Pass Liquefaction facility is some time away. However, we see this development as giving some visibility to the source of gas supply to feed GAIL's new pipeline network which might suffer from low utilization levels in the initial years. GAIL is planning to import LNG through its (1) Dabhol terminal in the west coast which will improve utilization level for Dabhol-Bangalore pipeline and (2) proposed LNG terminal in the east coast which may potentially benefit Surat-Paradip pipeline and other new pipelines in the northern hinterland.

**Not much to lose as the current stock price is not giving value to new pipeline network**

We see the recent announcement of a tie-up of 3.5 mtpa of LNG imports as positive for sentiment towards GAIL's stock. The current valuations suggest that the market is not ascribing any value to its new pipelines given concerns of potentially low utilization levels for a protracted period. Exhibit 1 gives our reverse valuation exercise which implies a negative value of ₹12/share for the new pipelines versus end-FY2011 capital wip of ₹46/share.

**Maintain BUY rating with SOTP-based target price of ₹535**

We maintain our BUY rating on GAIL given 36% potential upside to our SOTP-based target price of ₹535 based on FY2013E estimates. We do not see meaningful risks to our gas transmission volumes assumptions for FY2012-13E at 119 mcm/d and 125 mcm/d. Key downside risk stems from higher-than-expected subsidy burden.

**QUICK NUMBERS**

- 3.5 mtpa of contracted LNG imports for 20 years
- LNG prices linked to Henry Hub gas price
- 36% upside from current levels

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### Favorable pricing given linkage to Henry Hub gas prices

We believe the LNG pricing is favorable for GAIL given its linkage to Henry Hub gas prices, which allays concerns on (1) volatility and (2) upside risks associated with LNG contracts having linkage to crude oil prices.

### Several initiatives towards energy security

We are enthused by recent initiatives taken by GAIL to secure gas supply. These include (1) entry into shale gas opportunity through acquisition of 20% interest in Carrizo's Eagle Ford shale acreage, (2) setting up a wholly-owned subsidiary company viz. GAIL Global (Singapore) Pte. Ltd. in Singapore for sourcing LNG, trading of LNG and petrochemicals and overseas investment and (3) recent tie-up with Sabine Pass for supply of 3.5 mtpa of LNG over 20 years. We see these initiatives as positive (though small) steps towards addressing India's burgeoning energy security problem.

#### Current stock price is implying nil value to new gas pipelines

Reverse valuation for GAIL, FY2012E basis (₹/share)

	Valuation base (Rs bn)		Multiples (X)		EV (Rs bn)		Value (Rs/share)
	Market value	EBITDA	EV/RC	EV/EBITDA	Replacement/ market value	EBITDA basis	
<b>1. Valuation of extant businesses</b>							
Natural gas/LPG transportation (a)		41.7		6.0		250	197
LPG production (b)		10.0		5.0		50	40
Petrochemicals (c)		14.5		6.0		87	69
Value of extant businesses (A)							305
<b>2. Valuation of investments</b>							
ONGC shares (@Rs257/share)		53		1.0		53	42
Others (@cmp or book value)		47		1.0		47	37
Value of investments (B)							79
<b>3. Valuation of E&amp;P segment</b>							
Estimated value of Myanmar gas		14		1.0		14	11
Estimated value of Cambay (CB-ONN-2001/1) oil		6		1.0		6	4
Value of E&P segment (C)							15
<b>Enterprise value (A) + (B) + (C)</b>							<b>399</b>
Net debt/(cash) (d)						(4)	(5)
<b>Fair value excluding potential value from new gas pipelines</b>							<b>404</b>
<b>Implied value of new gas pipelines</b>							<b>(12)</b>

Notes:

- (a) Based on 2QFY12 reported EBIT for gas transmission segment.
- (b) Based on LPG production and estimated subsidy burden for FY2012E.
- (c) Based on 1HFY12 reported EBIT for petrochemical segment.
- (d) Adjusted net debt as on March 31, 2011.

Source: Company, Kotak Institutional Equities estimates

## Key assumptions behind GAIL model, March fiscal year-ends, 2007-2014E

	2007	2008	2009	2010	2011	2012E	2013E	2014E
<b>Volumes</b>								
<b>Natural gas transportation, gross (mcm/day)</b>								
HBJ pipeline	32	32	32	32	32	32	32	32
Dahej-Vijaypur-GREP upgradation						4	9	13
Dadri-Bawana-Nangal (transmitted and sold)				1	2	3	3	5
Dadri-Bawana-Nangal (transmitted)					1	4	7	10
Chainsa-Jhajjar-Hissar (transmitted and sold)					2	2	6	5
Chainsa-Jhajjar-Hissar (transmitted)					1	3	5	10
Other pipelines (transmitted)					16	16	16	16
Other pipelines	39	40	39	49	39	38	35	35
<b>Regassified LNG</b>								
Dahej-Vijaipur pipeline (transmitted and sold)	6	9	9	15	13	13	13	13
Dahej-Vijaipur pipeline (transmitted)	4	6	6	10	13	13	13	13
Dahej-Uran pipeline (transmitted and sold)		6	9	12	6	6	6	6
Dahej-Uran pipeline (transmitted)					6	6	6	6
Panvel-Dabhol pipeline (transmitted and sold)		4	6	8	3	3	3	3
Panvel-Dabhol pipeline (transmitted)					5	5	5	5
Dabhol-Bangalore pipeline							2	5
Kochi-Bangalore/Mangalore pipeline							2	5
Elimination of double-counted volumes (a)	(3)	(15)	(18)	(21)	(20)	(28)	(37)	(46)
<b>Total gas transmission</b>	<b>77</b>	<b>82</b>	<b>83</b>	<b>107</b>	<b>118</b>	<b>119</b>	<b>125</b>	<b>135</b>
<b>Total gas sales</b>					<b>83</b>	<b>84</b>	<b>91</b>	<b>101</b>
<b>LPG (000 tons)</b>								
Sold	1,037	1,039	1,092	1,101	1,073	1,165	1,165	1,165
Transported	2,490	2,754	2,744	3,160	3,337	3,300	3,350	3,350
<b>Petrochemicals (000 tons)</b>								
<b>Polyethylene</b>								
Domestic sales	337	381	423	410	420	440	445	480
Exports	10	10	—	—	—	—	—	—
<b>Total petrochemicals</b>	<b>347</b>	<b>391</b>	<b>423</b>	<b>410</b>	<b>420</b>	<b>440</b>	<b>445</b>	<b>480</b>
<b>Prices</b>								
<b>Natural gas (Rs/cubic meter)</b>								
Natural gas ceiling price	4.21	4.21	4.59	5.75	7.55	7.71	7.71	7.71
Regassified LNG including transportation	6.93	6.44	7.05	2.24	2.23	2.18	2.18	2.18
<b>Transmission plus marketing charges</b>								
HBJ pipeline, Dahej-Vijaipur pipeline (from FY2007)	0.99	0.96	1.05	1.08	1.26	1.26	1.26	1.26
Dahej-Vijaypur-GREP upgradation				1.95	1.95	1.95	1.95	1.95
Dadri-Bawana-Nangal				0.79	0.79	0.79	0.79	0.79
Chainsa-Jhajjar-Hissar				0.55	0.55	0.55	0.55	0.55
Dahej-Vijaipur, Dahej-Uran, Panvel-Dabhol pipeline	0.99	1.03	1.04	1.26	1.26	1.21	1.21	1.21
Dabhol-Bangalore pipeline							2.13	2.13
Kochi-Bangalore/Mangalore pipeline							1.55	1.55
Other pipelines	0.40	0.42	0.44	0.44	0.46	0.46	0.46	0.46
<b>LPG</b>								
LPG (US\$/ton)	531	702	685	612	749	970	885	843
<b>Transmission charges (Rs/ton)</b>								
Jamnagar-Loni	1,522	1,522	1,522	1,522	1,522	1,522	1,522	1,522
Vizag-Secunderabad	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
<b>Other assumptions</b>								
Polyethylene, HDPE (US\$/ton)	1,315	1,500	1,360	1,340	1,415	1,480	1,430	1,405
Import tariff, Polyethylene	5%	5%	5%	5%	5%	5%	5%	5%
Import tariff, LPG	0%	0%	0%	0%	0%	0%	0%	0%
Exchange rate (Rs/US\$)	45.3	40.3	45.8	47.4	45.6	47.3	49.8	48.5
Subsidy losses	14,880	13,137	17,812	13,267	21,112	37,076	29,490	24,608

Note:

(a) Gas transported through the HVJ or DV pipeline and then to smaller pipelines.

Source: Company, Kotak Institutional Equities estimates

We value GAIL stock at ₹535 per share

Sum-of-the-parts valuation of GAIL, FY2013E basis (₹ bn)

	Valuation base (Rs bn)		Multiples (X)		EV (Rs bn)		EV (Rs/share)
	Other	EBITDA	Other	EV/EBITDA	Other	EBITDA basis	
<b>Natural gas transportation</b>							
HVJ pipeline	52				52		41
DV pipeline	41				41		32
DUPD pipeline	29				29		23
DBN pipeline	38				38		30
CGJH pipeline	19				19		15
DV GREP pipeline	180				180		142
DB pipeline	66				66		52
KBM pipeline	45				45		35
Short distance pipelines		5.9		5.0		29	23
<b>Total natural gas transportation</b>							<b>394</b>
<b>Other businesses</b>							
LPG transportation		3.7		6.0		22	18
LPG production		13.7		5.0		68	54
Petrochemicals		15.5		5.0		78	61
Oil and gas upstream	19		1.0		19		15
<b>Total other business segments</b>							<b>148</b>
<b>Investments</b>							
ONGC shares	78		0.8		63		49
Others	47		0.8		38		30
<b>Investments</b>	<b>125</b>		<b>0.8</b>		<b>100</b>		<b>79</b>
<b>Total</b>						<b>198</b>	<b>620</b>
Net debt/(cash)					106	106	83
<b>Implied value of share (Rs/share)</b>							<b>537</b>

Source: Kotak Institutional Equities estimates

GAIL (India) Ltd: Profit model, balance sheet, cash model of GAIL, March fiscal year-ends, 2007-2014E (₹ mn)

	2007	2008	2009	2010	2011	2012E	2013E	2014E
<b>Profit model (Rs mn)</b>								
Net sales	160,472	180,082	237,760	249,964	324,586	292,744	311,821	332,752
<b>EBITDA</b>	<b>30,649</b>	<b>39,275</b>	<b>40,647</b>	<b>46,688</b>	<b>54,718</b>	<b>62,587</b>	<b>74,040</b>	<b>81,862</b>
Other income	5,450	5,564	7,966	5,411	5,186	3,890	3,936	4,303
Interest	(1,071)	(796)	(870)	(700)	(829)	(1,849)	(5,413)	(6,801)
Depreciation	(5,754)	(5,710)	(5,599)	(5,618)	(6,503)	(7,802)	(11,371)	(13,721)
<b>Pretax profits</b>	<b>29,274</b>	<b>38,333</b>	<b>42,144</b>	<b>45,781</b>	<b>52,572</b>	<b>56,826</b>	<b>61,191</b>	<b>65,643</b>
Tax	(7,941)	(12,525)	(13,941)	(13,750)	(14,352)	(12,330)	(11,942)	(13,450)
Deferred taxation	(190)	(10)	(62)	(636)	(2,437)	(4,196)	(6,341)	(6,240)
<b>Net profits</b>	<b>24,619</b>	<b>26,015</b>	<b>28,037</b>	<b>31,398</b>	<b>35,611</b>	<b>40,300</b>	<b>42,908</b>	<b>45,953</b>
<b>Earnings per share (Rs)</b>	<b>19.4</b>	<b>20.5</b>	<b>22.1</b>	<b>24.8</b>	<b>28.1</b>	<b>31.8</b>	<b>33.8</b>	<b>36.2</b>
<b>Balance sheet (Rs mn)</b>								
Total equity	113,929	130,049	147,696	167,990	192,533	220,303	249,205	279,679
Deferred taxation liability	13,187	13,197	13,259	13,896	16,332	20,528	26,869	33,109
Total borrowings	13,379	12,659	12,001	14,804	23,100	96,900	131,700	115,500
Current liabilities	45,512	60,604	81,548	103,784	88,149	67,579	68,587	70,102
<b>Total liabilities and equity</b>	<b>186,007</b>	<b>216,509</b>	<b>254,505</b>	<b>300,473</b>	<b>320,115</b>	<b>405,310</b>	<b>476,361</b>	<b>498,390</b>
Cash	26,604	44,730	34,562	41,715	21,314	17,230	19,911	23,273
Other current assets	50,851	59,370	87,804	95,412	90,148	97,198	104,240	106,817
Total fixed assets	93,913	97,500	114,767	142,616	182,827	265,057	326,386	342,475
Investments	14,638	14,909	17,373	20,730	25,825	25,825	25,825	25,825
<b>Total assets</b>	<b>186,007</b>	<b>216,509</b>	<b>254,505</b>	<b>300,473</b>	<b>320,115</b>	<b>405,310</b>	<b>476,361</b>	<b>498,390</b>
<b>Free cash flow (Rs mn)</b>								
Operating cash flow, excl. working capital	23,920	33,692	30,456	33,480	42,110	45,160	52,817	58,853
Working capital changes	(10,151)	(388)	(5,573)	12,454	(12,420)	(27,619)	(6,034)	(1,062)
Capital expenditure	(20,449)	(12,419)	(25,535)	(35,702)	(46,322)	(86,783)	(68,833)	(27,052)
Investments	(205)	(270)	(2,464)	(3,358)	(5,095)	—	—	—
Other income	3,884	4,042	5,243	4,705	4,090	3,890	3,936	4,303
<b>Free cash flow</b>	<b>(3,002)</b>	<b>24,658</b>	<b>2,127</b>	<b>11,580</b>	<b>(17,637)</b>	<b>(65,352)</b>	<b>(18,114)</b>	<b>35,042</b>
<b>Ratios (%)</b>								
Debt/equity	10.5	8.8	7.5	8.1	11.1	40.2	47.7	36.9
Net debt/equity	(10.4)	(22.4)	(14.0)	(14.8)	0.9	33.1	40.5	29.5
ROAE (%)	20.5	19.2	18.4	18.3	18.2	17.9	16.6	15.6
<b>ROACE (%)</b>	<b>16.1</b>	<b>17.8</b>	<b>17.5</b>	<b>17.2</b>	<b>16.9</b>	<b>14.6</b>	<b>12.5</b>	<b>12.1</b>
<b>Key assumptions</b>								
Gas transmission volumes (mcm/d)	77	82	83	107	118	119	125	135
Petrochemical sales volumes (000 tons)	347	391	423	410	420	440	445	480
LPG sales volumes (000 tons)	1,037	1,039	1,092	1,101	1,073	1,165	1,165	1,165
LPG transmission volumes (000 tons)	2,490	2,754	2,744	3,160	3,337	3,300	3,350	3,350
Subsidy losses (Rs mn)	14,880	13,137	17,812	13,267	21,112	37,076	29,490	24,608

Source: Company, Kotak Institutional Equities estimates

DECEMBER 12, 2011

UPDATE

BSE-30: 15,870

**Narrow framing of potential regulatory impact risky.** Street's recent rush to 'price in' potential negative regulatory developments for the Indian telcos, especially for the incumbents, surprises us on two counts – (1) this risk has been around for several months now, and (2) focusing on absolute negative first-order impact on individual players amounts to narrow framing and does not take into consideration the second-order impact on the industry and reaction from the industry. Also, we believe it could take a while for final word on these issues, given the recourses available to the telcos. Increased pessimism provides a good opportunity to accumulate Bharti and Idea.

#### Event – latest Telecom Commission meeting

Telecom Commission (TC), the decision-making body within the DOT, came close to its final decisions on a few regulatory issues, per media reports. These decisions include

- ▶ Liberal M&A norms – we do not have the details on what 'liberal' means. If it pertains only to relaxed 'market share ceiling' norms, we would not attach much importance to it. Issues around financial levies in case of an M&A event are more pertinent, in our view.
- ▶ Uniform revenue share at 8% of AGR; to be applicable to towercos as well – a uniform license fee structure from the current 'differential rate across licenses and circles' structure is near-certain, in our view. Uncertainty looms around (1) the uniform revenue share level, (2) whether towercos, VAS companies, etc. would be brought under the license fee regime, and (3) whether towerco rentals would be allowed as AGR deductible for the telcos. Media reports on the latest meeting suggest that the TC has decided to keep the uniform license fees at 8% of AGR (most telcos pay between 8.5% and 9.0% of AGR on UAS license currently) and also to include towercos in the license fee regime. The 8% levels would be neutral versus the current scenario (negative with respect to TRAI's 6% proposal), while license fees on towercos (without deductibility for telcos) would be a negative.
- ▶ One-time excess spectrum charge (retrospective) for GSM spectrum holdings >6.2 MHz – a very likely event given the Government's fiscal situation and budgeted telecom sector non-revenue inflows for FY2012E. Potential negative impact of Rs12/share for Bharti and Rs6/share for Idea.
- ▶ Allow spectrum sharing with strict riders – these riders could be in the form of higher spectrum fee on sharing operators. It is unclear from media reports if there are other riders and whether they would apply only to 3G ICR (the hot issue of contention between the Government and the operators) or to 2G ICR as well (any riders on 2G ICR would be negative for challengers, especially TTSL, Aircel, and Uninor).

#### Our view – refrain from taking a 'narrow frame' approach

- ▶ The TC decision is not the final word on regulatory policy. Exhibit 1 gives the regulatory and adjudicatory framework for the Indian telecom sector. We believe operators would use the recourses available (appeal in TDSAT and then the courts) and these proceedings could delay the final verdict further.
- ▶ Some of the other important issues like spectrum renewal pricing and reforming were not discussed in the TC meeting. These are the two issues that can alter the relative dynamics of the sector and hence, the most important ones, in our view.

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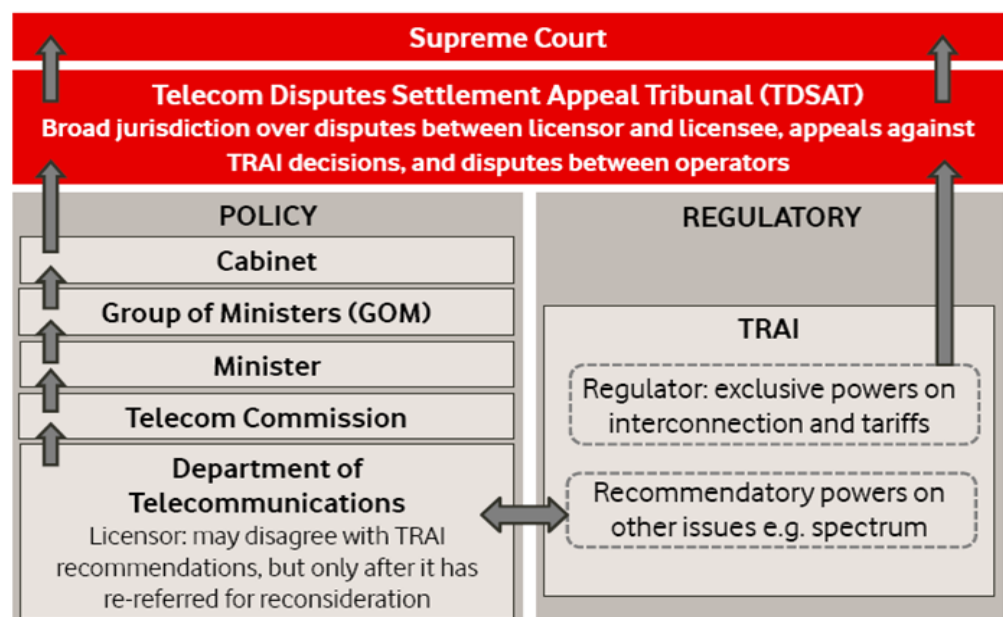
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**Bottom line** – even as we present the impact of various regulatory negatives (and positives) based on the latest of the ‘of late, blink and you miss’ regulatory news flow, we believe it is important to appreciate how each of these regulatory events impacts the relative competitive dynamics in the industry and not just focus on the absolute negatives. We say this for two reasons –

- ▶ The industry as a whole is not in a position to take substantial cost burden without passing it on to the consumer – any regulatory negative that increases the cost burden for the industry as a whole (spectrum renewal pricing, roaming abolition, etc.) will be passed on in the form of higher tariffs, in our view. One can argue that these impact the incumbents more than the challengers – we believe it is important to look beyond the absolute levels of impact on various players and also look at the negatives in relation to the relative ‘absorption’ ability.
- ▶ An absolute financial negative on a Bharti, Vodafone or an Idea need not be seen as a relative positive event for the challengers because it does nothing to improve the challengers’ competitive positioning in the marketplace. Challengers need to find a way to shore up their balance sheets to take advantage of the negatives for incumbents.

Also important to note, from the Government perspective, is the impact of any regulatory decision on BSNL and MTNL. Financial position of both has deteriorated meaningfully in recent years and any substantial regulatory burden (and anything around spectrum would be substantial for BSNL and MTNL given their large quality spectrum holdings) would bring these companies close to a bail-out situation. Exhibit 8 gives key financials of BSNL and MTNL. To illustrate the potential burden on BSNL and MTNL, we note that excess spectrum charges (per the formula proposed by TRAI and likely approved by the TC) for BSNL and MTNL work out to Rs97.9 bn and Rs14.2 bn, respectively.

Exhibit 1: Regulatory and adjudicatory framework for the Indian telecom sector



Source: Vodafone



Exhibit 2: Impact of various potential positives and negatives on Bharti (Rs/share), with refarming

	Per share impact
<b>Negatives</b>	
One time excess spectrum charge	(12)
<b>Charges on spectrum renewal (NPV of the impact)</b>	<b>(25)</b>
Change in roaming regulations	(27)
Spectrum refarming	(32)
5 paise reduction in termination charges	(21)
8% license fee for towercos	(11)
<b>Total negatives</b>	<b>(128)</b>
<b>Positives</b>	
Reduction in license fees	5
Lower USO fee from meeting rural rollout obligations	34
<b>Total positives</b>	<b>39</b>
<b>Net impact (Rs/share)</b>	<b>(89)</b>

Source: Kotak Institutional Equities estimates

Exhibit 3: Impact of various potential positives and negatives on Bharti (Rs/share), without refarming

	Per share impact
<b>Negatives</b>	
One time excess spectrum charge	(12)
<b>Charges on spectrum renewal (NPV of the impact)</b>	<b>(32)</b>
Change in roaming regulations	(27)
Spectrum refarming	—
5 paise reduction in termination charges	(21)
8% license fee for towercos	(11)
<b>Total negatives</b>	<b>(103)</b>
<b>Positives</b>	
Reduction in license fees	5
Lower USO fee from meeting rural rollout obligations	34
<b>Total positives</b>	<b>39</b>
<b>Net impact (Rs/share)</b>	<b>(64)</b>

Source: Kotak Institutional Equities estimates

Exhibit 4: Impact of various potential positives and negatives on Idea (Rs/share), with refarming

	Per share impact
<b>Negatives</b>	
One time excess spectrum charge	(6)
<b>Charges on spectrum renewal (NPV of the impact)</b>	<b>(24)</b>
Change in roaming regulations	(11)
Spectrum refarming	(21)
5 paise reduction in termination charges	(12)
8% license fees for towercos	(3)
<b>Total negatives</b>	<b>(76)</b>
<b>Positives</b>	
Reduction in license fees	3
Lower USO fee from meeting rural rollout obligations	16
<b>Total positives</b>	<b>19</b>
<b>Net impact (Rs/share)</b>	<b>(57)</b>

Source: Kotak Institutional Equities estimates

Exhibit 5: Impact of various potential positives and negatives on Idea (Rs/share), without refarming

	Per share impact
<b>Negatives</b>	
One time excess spectrum charge	(6)
<b>Charges on spectrum renewal (NPV of the impact)</b>	<b>(32)</b>
Change in roaming regulations	(11)
Spectrum refarming	—
5 paise reduction in termination charges	(12)
8% license fees for towercos	(3)
<b>Total negatives</b>	<b>(63)</b>
<b>Positives</b>	
Reduction in license fees	3
Lower USO fee from meeting rural rollout obligations	16
<b>Total positives</b>	<b>19</b>
<b>Net impact (Rs/share)</b>	<b>(44)</b>

Source: Kotak Institutional Equities estimates

Exhibit 6: One-time excess spectrum payout, player-wise (Rs mn)

Player	Payout (Rs mn)
Bharti	46,618
Idea	18,643
RCOM	1,180
Vodafone	21,036
BSNL	97,920
MTNL	14,230
Aircel	5,351
Loop	2,086

Source: TRAI, Kotak Institutional Equities

Exhibit 7: Key financials for MTNL, BSNL (Rs mn)

	2009	2010	2011	1QFY12	2QFY12
<b>MTNL</b>					
<b>Income statement</b>					
Revenues	44,120	37,472	38,028	8,430	8,606
EBITDA	2,472	(14,035)	(11,100)	(3,326)	(3,187)
EBIT	(4,776)	(21,358)	(25,260)	(6,890)	(6,773)
Net income	1,815	(24,968)	(28,267)	(8,500)	(8,640)
Employee costs (as % of rev)	46.3	92.6	85.3	100.6	93.1
<b>Balance sheet</b>					
Net debt / (cash)	(48,028)	(48,754)	73,155		
<b>BSNL</b>					
<b>Income statement</b>					
Revenues	301,694	279,134	270,447		
EBITDA	47,819	33,838	11,584		
EBIT	(37,415)	(58,130)	(85,671)		
Net income	5,749	(18,227)	(63,843)		
Employee costs (as % of rev)	37.7	48.2	51.0		
<b>Balance sheet</b>					
Net debt / (cash)	(347,205)	(288,097)	(6,543)		

Source: Companies, Kotak Institutional Equities

Exhibit 8: Indian telecom companies valuation analysis, March fiscal year-ends, 2009-2013E

	Price (Rs)		P/E (X)					EV/EBITDA (X)				
	12-Dec-11	Target price (Rs)	2009	2010	2011	2012E	2013E	2009	2010	2011	2012E	2013E
Bharti	342	445	15.3	14.5	21.5	21.9	13.0	9.0	8.2	9.6	7.7	5.8
Idea	82	115	28.3	30.1	30.2	36.3	16.5	10.9	9.9	9.9	7.7	5.8
MTNL	25	30	10.4	(1.6)	(2.4)	(2.7)	(3.0)	(19.0)	2.3	1.4	0.5	(0.3)
RCOM	74	80	2.5	3.3	11.3	18.2	18.2	6.1	6.1	5.9	7.0	5.9
TCOM	189	200	109.2	(6.6)	(7.6)	(6.8)	(5.9)	8.3	12.3	10.7	8.1	7.8
	KS rating	Market cap. (US\$ bn)	Revenues (Rs bn)					EBITDA (Rs bn)				
			2009	2010	2011	2012E	2013E	2009	2010	2011	2012E	2013E
Bharti	ADD	24.7	370	418	595	719	842	152	168	200	247	315
Idea	ADD	5.2	101	124	155	194	235	28	34	38	52	68
MTNL	SELL	0.3	45	37	38	40	42	2	(9)	(7)	(5)	(4)
RCOM	SELL	2.9	223	215	224	208	232	86	72	84	68	78
TCOM	REDUCE	1.0	100	110	119	139	149	13	10	12	19	21
	Net Income (Rs bn)					EPS (Rs/share)						
	2009	2010	2011	2012E	2013E	2009	2010	2011	2012E	2013E		
Bharti	84	90	60	59	100	22.3	23.6	15.9	15.6	26.3		
Idea	9	9	9	7	16	2.90	2.73	2.72	2.26	4.98		
MTNL	1	(10)	(7)	(6)	(5)	2.4	(15.6)	(10.4)	(9.1)	(8.4)		
RCOM	60	47	13	8	8	29.3	22.6	6.5	4.1	4.0		
TCOM	0	(8)	(7)	(8)	(9)	1.7	(28.6)	(24.9)	(27.6)	(32.0)		

Source: Bloomberg, Kotak Institutional Equities estimates

DECEMBER 12, 2011

UPDATE

BSE-30: 15,870

**October IIP: Slowdown now visible in almost all the sectors.** For the first time since June 2009, October IIP growth contracted at (-)5.1%, down from 2% (revised up from 1.9%) in September. The weakness was led by a sharp contraction in capital goods production and relatively more moderate contractions in intermediate goods and consumer goods. While these were reflected in the manufacturing sector contracting by 6%, the festive month impact in terms of loss of some days of production and also the destocking impact from the previous month might explain some of this sharp drop.

#### Manufacturing sector production growth plummets

Manufacturing production growth came in at (-)6%, the lowest since March 2009 (-7.2%). While some part of the weakness is due to the base effect, the sequential drop in the index for October cannot be denied. On a mom basis manufacturing contracted by (-)5.8%. This compares with mom growth of 2.5% in October last year. Two-digit breakdown indicated contraction in 'textiles' (11%), 'chemicals and chemical products' (6.7%), 'coke, refined petroleum products and nuclear fuels' (3.5%), 'electrical machinery and apparatus' (58.8%), 'machinery and equipment' (12.1%) and 'motor vehicles and semi-trailers' (7.1%). These sectors cumulate to around 45% of the manufacturing sector. Mining production continued to be weak with a growth of (-)7.2% even as the index level picked up from September. The weakness in the mining sector was already indicated in the eight sector core production data that showed coal mining contracting 9% in October. Electricity production grew 5.6% and was the only sector which showed a positive number on a yoy basis.

#### Contraction in all sectors on a use-based classification

Production in all sectors (from a use-based classification) contracted in October on a yoy basis; something which has not been seen since the start of this new series. Capital goods sector was the worst performer with production contracting by 25.5% yoy. Intermediate goods contracted by 4.7% while consumer durables contracted by 0.3%. The contraction in consumer durables was more muted than indicated by passenger cars production contracting 28.1% in October. November passenger cars sales grew by 16.1% while CV sales were higher by 37%; likely to be positives for consumer durables and capital goods production numbers in November. Consumer non-durables continued to be weak at (-)1.3%.

#### Growth estimates face some downward risks; RBI to keep policy on hold

We do acknowledge the much slower-than-expected growth for the Indian economy and had consequently downgraded our growth target for FY2012E to 7.1% as recent as on November 21, 2011. Based on the recent IIP release, there could be some further downside risks to the growth trajectory. However, we would keep our projection for FY2012E on status quo at this point, noting that the services sector PMI jumped back to an expansionary zone to 53.2 for November 2011 from two previous months of a contraction zone. November sales of both passenger cars and CVs have been better and one can be hopeful of the agricultural incomes post *kharif* marketing season to provide some positivity to domestic consumption.

Based on this IIP data alone, we do not expect the RBI to immediately relent on its anti-inflationary stance and reduce the repo rate. We also do not expect the RBI to cut CRR and infuse liquidity into the system on a more sustained basis. We expect the RBI to stay on a pause mode with repo rate at 8.5% on December 16, though the tone could be towards a bit more dovish on growth concerns. Further, unless suddenly determined by global risk aversion, the RBI is likely to stay on a pause mode till inflation declines to a more comfortable level of 5-6%.

#### QUICK NUMBERS

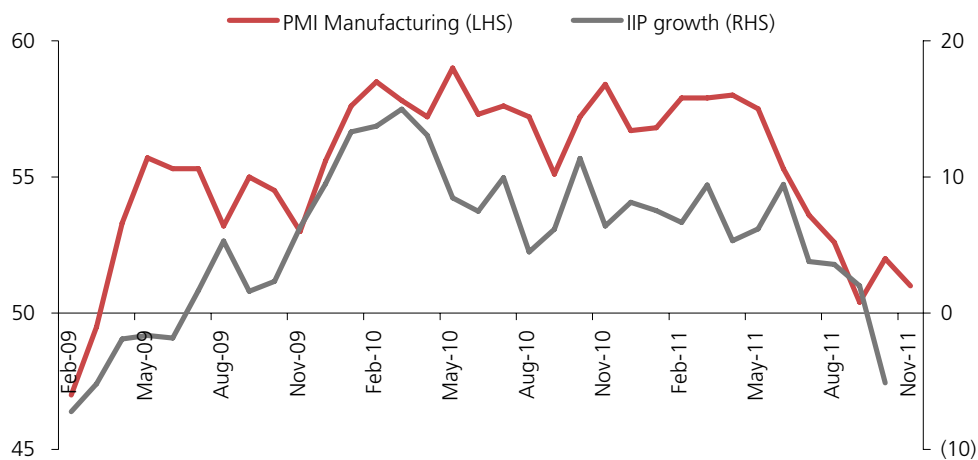
- **October IIP contracted by 5.1%, manufacturing sector contraction at 6%**
- **Capital goods sector contracts 25.5% in October; all other used-based sectors witness negative growth**
- **RBI to stay on a pause mode for now, could exhibit some softness in stance**

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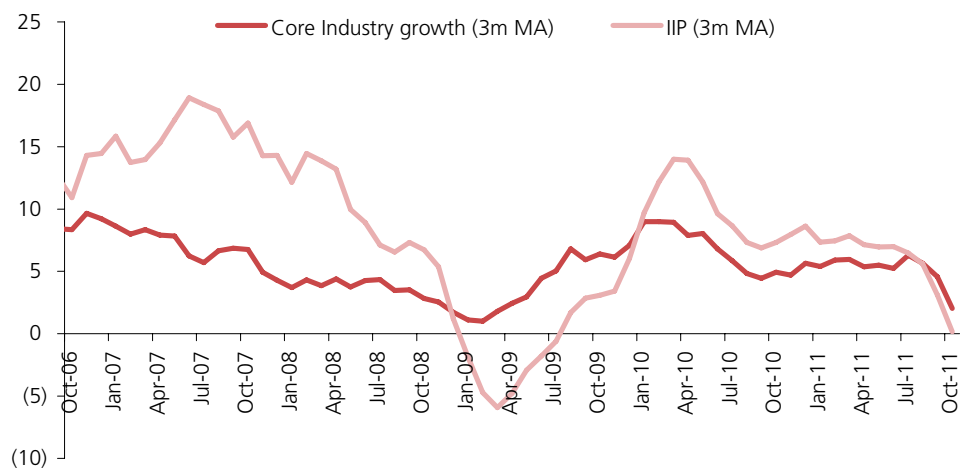
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**With PMI manufacturing close to 50-mark, industrial production is expected to remain weak**  
Trend in PMI manufacturing (X, LHS) and IIP growth (%), RHS)



Source: Bloomberg, CEIC, Kotak Economic Research

**Weakness in core sector reflecting in the overall production**  
Trends in core industry growth and IIP growth (%)



Source: CEIC, Kotak Economic Research

## Industrial production starts to contract

Sectoral classification of IIP growth, March fiscal year-ends, 2010-2012 (%)

	Mining (%)			Manufacturing (%)			Electricity (%)			General (%)		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
<b>Weights (%)</b>	<b>10.5</b>			<b>79.4</b>			<b>10.2</b>			<b>100.0</b>		
April	3.1	9.2	1.6	(3.6)	14.5	5.7	7.1	6.5	6.5	(1.9)	13.0	5.3
May	3.2	7.8	1.8	(2.9)	8.9	6.3	3.2	6.2	10.3	(1.6)	8.5	6.2
June	13.0	7.0	(1.4)	(4.5)	7.9	11.2	7.9	3.6	7.9	(1.8)	7.5	9.5
July	7.6	8.7	0.6	0.6	10.8	3.1	4.2	3.7	13.1	1.7	10.1	3.8
August	9.0	5.9	(4.1)	4.3	4.6	4.1	10.6	1.0	9.5	5.3	4.5	3.6
September	5.0	4.3	(7.1)	0.6	6.8	2.4	7.5	1.8	9.0	1.6	6.2	2.0
October	7.1	6.1	(7.2)	1.6	12.4	(6.0)	4.0	8.8	5.6	2.3	11.4	(5.1)
November	7.9	6.9		6.6	6.5		1.8	4.6		6.3	6.4	
December	7.6	5.9		10.2	8.7		5.5	5.9		9.5	8.1	
January	11.6	1.7		14.5	8.1		5.5	10.5		13.3	7.5	
February	8.2	1.1		15.3	7.5		7.3	6.8		13.7	6.7	
March	11.1	0.3		16.3	11.0		8.3	7.2		15.0	9.4	
<b>April-October (FYTD)</b>	<b>6.8</b>	<b>7.0</b>	<b>(2.2)</b>	<b>(0.6)</b>	<b>9.4</b>	<b>3.7</b>	<b>6.3</b>	<b>4.5</b>	<b>8.8</b>	<b>0.8</b>	<b>8.7</b>	<b>3.5</b>

Source: CEIC, Kotak Economic Research

## Contraction visible across all sectors

Use-based classification of IIP growth, March fiscal year-ends, 2010-2012 (%)

	Basic goods			Capital goods			Intermediate goods			Consumer goods			Consumer durables			Consumer non-durables		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
<b>Weights (%)</b>	<b>45.7</b>			<b>8.8</b>			<b>15.7</b>			<b>29.8</b>			<b>8.5</b>			<b>21.3</b>		
April	1.1	6.7	7.2	(14.2)	35.5	6.6	(0.9)	11.8	3.9	(1.2)	13.8	3.2	9.3	23.3	1.6	(7.7)	6.7	4.6
May	1.6	3.4	7.5	(9.9)	15.8	6.2	(1.6)	11.7	0.1	(2.4)	7.4	7.2	0.9	14.7	5.1	(4.8)	1.9	9.0
June	7.2	3.9	7.8	(23.2)	3.7	38.7	(0.7)	8.6	1.6	(1.1)	13.3	3.1	1.1	21.3	1.6	(2.6)	7.5	4.4
July	3.4	4.5	10.0	(15.3)	40.7	(13.7)	0.6	8.5	(0.1)	8.0	5.7	6.4	12.7	14.8	9.0	4.7	(0.9)	4.1
August	4.7	3.8	5.2	(1.0)	4.7	4.1	7.3	5.9	1.9	8.5	4.6	2.3	9.8	8.1	5.5	7.4	1.8	(0.6)
September	2.1	3.5	4.0	(2.7)	7.2	(6.5)	6.6	4.6	1.3	1.4	9.6	4.3	5.6	14.2	9.2	(1.9)	5.9	(0.2)
October	3.0	9.8	(0.1)	(4.3)	21.0	(25.5)	6.1	9.7	(4.7)	3.4	9.4	(0.8)	7.2	14.3	(0.3)	0.4	5.1	(1.3)
November	6.0	5.7		(8.1)	25.7		8.0	4.3		12.8	0.7		30.6	7.2		2.0	(4.4)	
December	5.8	7.8		4.9	20.2		12.4	8.1		15.1	3.6		46.5	7.8		0.2	0.6	
January	8.8	7.7		14.3	5.4		14.2	7.4		18.6	8.3		57.4	12.5		-	5.0	
February	5.6	5.6		39.4	(5.7)		10.3	6.3		16.6	13.4		28.9	18.2		8.7	9.7	
March	7.3	6.5		48.6	14.5		10.9	3.1		12.6	13.3		13.0	14.9		12.4	11.9	
<b>April-October (FYTD)</b>	<b>3.3</b>	<b>5.5</b>	<b>5.9</b>	<b>(10.1)</b>	<b>17.2</b>	<b>(0.3)</b>	<b>2.8</b>	<b>8.6</b>	<b>0.5</b>	<b>2.3</b>	<b>9.1</b>	<b>3.7</b>	<b>6.6</b>	<b>15.7</b>	<b>4.5</b>	<b>(0.9)</b>	<b>3.9</b>	<b>2.9</b>

Source: CEIC, Kotak Economic Research

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	12-Dec-11		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E				
<b>Automobiles</b>																														
Ashok Leyland	25	SELL	66,916	1,272	2,661	2.4	2.0	2.4	68.1	(14.0)	18.0	10.6	12.3	10.4	7.4	7.8	6.9	1.5	1.4	1.3	4.0	4.0	4.0	21.8	17.0	18.6	26	3.4	2.9	
Bajaj Auto	1,631	SELL	472,040	8,973	289	90.4	109.2	119.0	43.9	20.8	9.0	18.0	14.9	13.7	13.7	11.6	10.6	9.6	7.0	5.3	2.5	2.5	2.5	84.9	54.1	44.2	1,665	2.1	15.3	
Bharat Forge	255	ADD	60,535	1,151	237	12.5	16.7	19.8	1,402.1	32.8	18.7	20.3	15.3	12.9	9.7	7.8	6.7	2.7	2.3	2.0	1.3	—	—	8.2	14.3	15.2	315	23.5	1.7	
Exide Industries	119	SELL	101,490	1,929	850	7.5	4.5	6.1	18.0	(39.5)	35.6	16.0	26.5	19.5	11.5	17.7	13.4	3.7	3.4	3.0	1.3	1.1	1.1	25.5	13.4	16.3	100	(16.2)	5.8	
Hero Motocorp	1,977	SELL	394,727	7,504	200	99.3	120.5	135.4	(11.1)	21.3	12.4	19.9	16.4	14.6	13.1	11.7	9.9	8.5	7.3	6.1	5.3	3.5	3.5	56.5	67.0	60.0	1,900	(3.9)	25.1	
Mahindra & Mahindra	683	BUY	419,454	7,974	614	41.7	43.9	49.0	22.7	5.3	11.6	16.4	15.6	13.9	12.6	11.8	10.2	3.9	3.3	2.8	1.7	1.4	1.4	27.3	23.1	21.7	845	23.7	30.0	
Maruti Suzuki	958	ADD	276,824	5,262	289	79.2	60.3	90.5	(8.4)	(23.9)	50.1	12.1	15.9	10.6	7.1	9.6	5.6	2.0	1.8	1.5	0.8	0.8	0.8	17.6	11.8	15.7	1,240	29.4	16.9	
Tata Motors	177	ADD	589,689	11,210	3,325	27.2	25.0	27.4	737.9	(8.1)	9.7	6.5	7.1	6.5	4.8	4.8	4.3	3.0	2.2	1.7	2.2	1.6	1.6	66.1	36.5	30.0	195	10.0	60.8	
<b>Automobiles</b>																														
<b>Cautious</b>																														
			<b>2,412,375</b>	<b>45,858</b>					<b>82.8</b>	<b>(2.5)</b>	<b>15.0</b>	<b>11.8</b>	<b>12.1</b>	<b>10.5</b>	<b>7.8</b>	<b>7.6</b>	<b>6.6</b>	<b>3.7</b>	<b>3.0</b>	<b>2.5</b>	<b>2.5</b>	<b>2.0</b>	<b>2.0</b>	<b>31.1</b>	<b>24.9</b>	<b>23.5</b>				
<b>Banks/Financial Institutions</b>																														
Andhra Bank	95	BUY	52,936	1,006	560	22.6	24.0	25.1	5.0	6.0	4.5	4.2	3.9	3.8	—	—	—	0.8	0.7	0.6	5.8	6.2	6.4	23.2	19.3	17.6	170	79.7	1.4	
Axis Bank	970	BUY	411,768	7,828	424	82.5	96.1	111.8	33.0	16.4	16.3	11.8	10.1	8.7	—	—	—	2.2	1.8	1.6	1.4	1.7	2.0	19.3	19.8	19.6	1,500	54.6	49.7	
Bajaj Finserv	421	ADD	60,939	1,158	145	78.2	62.7	61.4	102.3	(19.8)	(2.1)	5.4	6.7	6.9	—	—	—	1.7	1.3	1.0	3.0	3.0	3.0	37.2	21.8	16.4	650	54.3	1.5	
Bank of Baroda	713	BUY	280,131	5,325	393	108.0	107.7	122.3	29.1	(0.3)	13.6	6.6	6.6	5.8	—	—	—	1.4	1.2	1.1	2.7	2.7	3.0	25.9	20.1	19.5	1,100	54.2	7.1	
Bank of India	332	BUY	181,595	3,452	547	45.5	45.2	63.3	37.4	(0.7)	40.2	7.3	7.3	5.2	—	—	—	1.1	1.0	0.9	2.4	2.4	3.4	17.3	14.6	18.0	450	35.6	4.3	
Canara Bank	420	BUY	186,149	3,539	443	90.9	80.9	101.5	23.3	(10.9)	25.4	4.6	5.2	4.1	—	—	—	1.0	0.9	0.8	2.6	2.9	2.9	23.2	16.7	18.1	550	30.9	5.8	
Corporation Bank	347	BUY	51,379	977	148	95.4	95.9	109.2	16.3	0.6	13.9	3.6	3.6	3.2	—	—	—	0.7	0.6	0.5	5.8	5.8	6.6	21.9	18.5	18.3	600	73.0	0.6	
Federal Bank	383	BUY	65,554	1,246	171	34.3	43.1	55.1	26.3	25.7	27.7	11.2	8.9	7.0	—	—	—	1.3	1.2	1.1	2.2	2.8	3.6	12.0	13.7	15.8	500	30.5	2.6	
HDFC	647	REDUCE	949,598	18,051	1,467	78.2	24.1	27.8	31.6	22.4	15.4	13.7	26.9	23.3	20.5	—	—	—	5.5	4.8	3.7	1.4	1.6	1.9	21.7	22.1	21.3	725	12.0	32.6
HDFC Bank	432	ADD	1,005,004	19,105	2,326	16.9	22.0	28.1	31.0	30.2	27.8	25.6	19.7	15.4	—	—	—	4.0	3.4	2.9	0.8	1.0	1.3	16.7	18.7	20.5	560	29.6	34.9	
IICICI Bank	707	BUY	814,452	15,482	1,152	44.7	52.6	57.3	23.9	17.5	9.0	15.8	13.5	12.3	—	—	—	1.5	1.4	1.3	2.0	2.2	2.4	9.7	10.6	10.8	1,100	55.6	88.7	
IDFC	105	ADD	157,657	2,997	1,509	8.8	10.3	12.1	4.6	17.1	18.2	11.9	10.2	8.6	—	—	—	1.5	1.3	1.1	2.1	2.0	2.3	14.7	13.6	13.9	150	43.5	14.7	
India Infoline	57	SELL	18,633	354	327	7.4	3.5	5.0	(9.3)	(52.3)	41.1	7.7	16.2	11.5	—	—	—	1.1	1.0	0.9	5.4	1.3	1.9	12.9	6.4	8.1	70	22.8	0.8	
Indian Bank	190	BUY	81,592	1,551	430	38.8	40.9	48.3	10.5	5.5	18.1	4.9	4.6	3.9	—	—	—	1.0	0.9	0.7	4.0	4.1	4.8	22.3	19.9	20.1	300	58.0	1.1	
Indian Overseas Bank	87	BUY	53,738	1,022	619	17.3	20.1	29.1	33.6	15.8	45.1	5.0	4.3	3.0	—	—	—	0.7	0.6	0.5	5.7	4.9	5.4	12.7	12.7	16.3	160	84.2	1.2	
IndusInd Bank	256	BUY	119,101	2,264	466	12.4	15.6	18.2	45.2	26.1	16.6	20.6	16.4	14.0	—	—	—	3.3	2.8	2.5	0.8	1.0	1.2	20.8	18.1	17.8	325	27.2	3.2	
J&K Bank	814	ADD	39,473	750	48	126.9	149.9	160.5	20.1	18.1	7.1	6.4	5.4	5.1	—	—	—	1.1	1.0	0.9	3.2	3.8	4.0	19.0	19.4	18.0	950	16.7	0.4	
LIC Housing Finance	221	ADD	104,964	1,995	475	20.5	22.9	27.5	47.2	11.4	20.4	10.8	9.7	8.0	—	—	—	2.7	2.3	1.9	2.0	2.2	2.7	25.8	23.7	23.9	260	17.6	14.3	
Mahindra & Mahindra Financial	667	BUY	68,382	1,300	102	45.2	55.7	70.7	26.1	23.2	26.9	14.8	12.0	9.4	—	—	—	2.8	2.4	2.1	1.5	1.8	2.3	22.0	21.1	22.8	825	23.6	1.3	
Muthoot Finance	172	BUY	63,697	1,211	371	15.7	21.6	26.7	108.4	37.1	23.7	10.9	7.9	6.4	—	—	—	4.8	2.1	1.6	—	—	—	51.5	36.7	28.1	230	34.1	—	
Oriental Bank of Commerce	261	BUY	76,266	1,450	292	51.5	48.0	59.5	13.7	(6.9)	23.9	5.1	5.4	4.4	—	—	—	0.7	0.7	0.6	4.0	3.7	4.6	15.5	12.1	13.6	430	64.5	3.2	
PFC	149	BUY	196,940	3,744	1,320	22.8	19.4	28.2	11.1	(15.1)	45.8	6.5	7.7	5.3	—	—	—	1.3	1.0	0.9	2.7	2.6	3.8	18.4	14.3	17.0	225	50.8	11.9	
Punjab National Bank	893	BUY	282,882	5,377	317	140.0	157.0	181.8	13.0	12.2	15.8	6.4	5.7	4.9	—	—	—	1.4	1.2	1.0	2.5	3.6	4.2	24.4	22.7	22.1	1,350	51.2	7.9	
Reliance Capital	282	ADD	69,294	1,317	246	9.3	12.6	24.2	(25.3)	35.8	91.7	30.2	22.3	11.6	—	—	—	1.0	1.0	0.9	1.3	1.8	3.4	3.3	4.4	8.1	470	67.0	26.1	
Rural Electrification Corp.	171	BUY	169,189	3,216	987	26.0	29.0	32.5	28.1	11.5	12.3	6.6	5.9	5.3	—	—	—	1.3	1.2	1.0	4.4	4.8	5.4	21.5	20.8	20.4	240	40.1	8.9	
Shriram Transport	526	REDUCE	117,282	2,229	223	55.1	61.2	69.1	40.8	11.0	12.9	9.5	8.6	7.6	—	—	—	2.4	2.1	1.7	1.3	2.3	2.6	28.1	25.2	23.6	630	19.9	5.3	
SKS Microfinance	113	RS	8,312	158	74	15.7	(89.1)	(27.5)	(41.8)	(667.7)	(69.1)	7.2	(1.3)	(4.1)	—	—	—	0.5	0.7	0.8	—	—	—	8.3	(44.7)	(19.3)	—	—	2.0	
State Bank of India	1,773	BUY	1,125,694	21,399	635	130.2	174.8	251.1	(9.9)	34.3	43.7	13.6	10.1	7.1	—	—	—	1.7	1.5	1.3	1.9	2.0	2.1	12.6	16.0	19.9	2,600	46.7	144.0	
Union Bank	206	BUY	108,065	2,054	524	39.5	43.0	56.1	(3.9)	9.0	30.3	5.2	4.8	3.7	—	—	—	1.0	0.8	0.7	3.9	4.2	5.5	20.9	19.0	21.2	340	65.0	4.5	
Yes Bank	283	BUY	98,138	1,866	347	20.9	26.2	31.9	39.6	25.3	21.5	13.5	10.8	8.9	—	—	—	2.6	2.1	1.8	0.9	1.1	1.3	21.1	21.8	21.9	420	48.6	15.6	
<b>Banks/Financial Institutions</b>																														
<b>Attractive</b>																														
			<b>7,018,804</b>	<b>133,425</b>					<b>20.0</b>	<b>12.5</b>	<b>25.5</b>	<b>11.5</b>	<b>10.2</b>	<b>8.1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>	<b>1.9</b>	<b>2.1</b>	<b>2.5</b>	<b>16.0</b>	<b>15.7</b>	<b>17.0</b>				
<b>Cement</b>																														
ACC	1,121	SELL	210,5																											

### Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	12-Dec-11		Mkt cap.		O/S shares (mm)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E			
<b>Consumer products</b>																													
Asian Paints	2,828	SELL	271,280	5,157	96	80.8	97.0	111.8	13.0	20.1	15.2	35.0	29.2	25.3	23.3	20.0	15.7	13.2	10.1	8.1	1.1	1.0	1.2	43.9	40.8	36.6	2,900	2.5	3.7
Colgate-Palmolive (India)	1,009	SELL	137,217	2,608	136	29.6	32.5	39.1	(4.9)	9.9	20.3	34.1	31.0	25.8	29.7	26.6	21.5	35.7	36.3	29.0	2.2	2.8	2.7	113.4	116.1	124.9	900	(10.8)	1.5
Dabur India	96	REDUCE	167,511	3,184	1,740	3.3	3.6	4.4	12.8	11.3	19.9	29.5	26.5	22.1	23.8	20.0	16.8	12.8	9.9	7.9	1.2	1.3	1.6	51.2	42.9	40.3	105	9.1	2.6
GlaxoSmithkline Consumer (a)	2,583	ADD	108,625	2,065	42	71.3	86.6	104.1	28.8	21.5	20.1	36.2	29.8	24.8	26.2	23.1	19.3	11.6	9.8	8.2	1.9	1.5	1.8	32.2	34.8	35.2	2,900	12.3	1.2
Godrej Consumer Products	391	ADD	126,540	2,405	324	14.9	17.6	22.5	31.3	18.6	27.6	26.3	22.2	17.4	22.5	17.2	12.9	7.3	5.4	4.4	1.3	0.8	0.8	35.9	28.6	29.1	510	30.4	1.8
Hindustan Unilever	383	ADD	827,712	15,734	2,159	9.9	11.8	14.2	4.8	19.7	19.7	38.8	32.4	27.1	33.2	26.6	21.2	31.4	27.0	23.2	2.0	2.6	3.1	66.3	89.8	92.4	420	9.6	23.1
ITC	196	ADD	1,505,412	28,617	7,681	6.4	7.9	9.0	20.7	22.5	14.1	30.6	25.0	21.9	20.2	17.0	14.7	9.0	7.8	6.8	2.3	1.9	2.3	39.2	34.9	34.3	230	17.3	29.4
Jubilant Foodworks	748	SELL	49,079	933	66	11.2	16.1	23.6	99.6	43.8	46.5	66.8	46.4	31.7	40.9	25.5	17.6	25.6	16.5	10.9	—	—	—	46.6	43.2	41.3	750	0.2	25.4
Jyothy Laboratories	151	ADD	11,719	223	78	10.3	8.5	11.2	(6.2)	(17.7)	31.3	14.6	17.7	13.5	11.0	27.2	19.5	1.7	1.7	1.6	4.0	3.1	3.9	12.3	9.8	12.1	200	32.4	0.2
Marico	143	ADD	87,848	1,670	615	3.9	5.0	6.5	(12.8)	28.1	30.2	36.8	28.7	22.1	22.7	20.3	15.6	9.4	7.4	5.8	0.5	0.5	0.6	30.3	29.2	29.7	175	22.6	1.1
Nestle India (a)	4,213	SELL	406,185	7,721	96	86.8	106.6	125.0	16.7	22.8	17.3	48.5	39.5	33.7	32.3	26.2	21.8	47.5	33.7	25.1	1.2	1.4	1.7	116.5	99.7	85.4	3,600	(14.5)	2.1
Tata Global Beverages	88	ADD	54,141	1,029	618	4.0	5.6	6.6	(34.6)	42.6	16.8	22.1	15.5	13.3	8.5	8.8	6.9	1.1	1.1	1.0	2.3	3.3	3.8	6.5	8.9	10.0	110	25.6	2.0
Titan Industries	180	ADD	159,802	3,038	888	4.8	6.8	8.3	69.1	40.4	22.0	37.2	26.5	21.7	27.1	18.3	14.4	14.7	10.9	8.4	0.7	1.3	1.7	47.1	47.2	43.5	240	33.3	17.2
United Spirits	708	ADD	88,858	1,689	126	35.3	37.5	45.2	29.5	6.2	20.4	20.0	18.9	15.7	14.0	11.8	10.5	2.1	1.9	1.7	0.4	0.3	0.5	11.2	10.7	11.6	950	34.3	8.6
<b>Consumer products</b>																													
<b>Attractive</b>			<b>4,001,929</b>	<b>76,075</b>					<b>16.3</b>	<b>20.4</b>	<b>17.9</b>	<b>33.3</b>	<b>27.7</b>	<b>23.5</b>	<b>23.4</b>	<b>19.4</b>	<b>16.1</b>	<b>10.3</b>	<b>8.8</b>	<b>7.6</b>	<b>1.8</b>	<b>1.8</b>	<b>2.1</b>	<b>31.0</b>	<b>31.9</b>	<b>32.4</b>			
<b>Constructions</b>																													
JVRCL	33	BUY	8,918	170	267	5.9	4.2	5.0	(25.2)	(28.5)	18.5	5.6	7.9	6.7	5.5	6.6	5.9	0.4	0.4	0.4	1.8	1.2	1.2	8.2	5.5	6.2	59	76.6	4.0
Nagarjuna Construction Co.	38	BUY	9,802	186	257	6.4	4.1	5.5	(29.7)	(35.5)	32.7	6.0	9.3	7.0	6.8	7.2	6.5	0.4	0.4	0.4	2.7	5.2	5.2	7.1	4.4	5.7	85	122.5	0.9
Punjab Lloyds	45	REDUCE	15,349	292	340	(1.5)	3.4	6.5	(56.6)	(328.7)	90.7	(30.4)	13.3	7.0	11.8	6.6	5.6	0.5	0.5	0.5	(0.1)	0.7	1.3	(1.7)	3.8	6.9	60	32.7	4.0
Sadbhav Engineering	113	BUY	16,951	322	150	7.8	10.8	11.9	51.0	38.9	10.6	14.6	10.5	9.5	8.9	7.2	6.6	2.6	2.1	1.8	0.5	0.5	0.5	18.1	20.4	18.6	180	59.2	0.2
<b>Construction</b>																													
<b>Attractive</b>			<b>51,020</b>	<b>970</b>					<b>(1.1)</b>	<b>27.8</b>	<b>35.7</b>	<b>13.2</b>	<b>10.3</b>	<b>7.6</b>	<b>8.0</b>	<b>6.8</b>	<b>6.0</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>1.0</b>	<b>1.6</b>	<b>1.8</b>	<b>4.8</b>	<b>5.9</b>	<b>7.5</b>			
<b>Energy</b>																													
Aban Offshore	350	BUY	15,244	290	44	134.2	96.5	115.8	25.9	(28.1)	19.9	2.6	3.6	3.0	6.4	7.0	6.3	0.7	0.8	0.7	1.0	1.1	1.3	33.3	24.4	22.7	635	81.3	6.9
Bharat Petroleum	544	RS	196,533	3,736	362	38.9	33.0	49.5	(32.5)	(15.2)	49.9	14.0	16.5	11.0	9.5	9.2	7.3	1.3	1.2	1.2	2.6	2.0	3.0	9.2	7.3	10.4	—	—	5.5
Caim india	301	REDUCE	572,486	10,883	3,313	41.8	50.6	501.1	25.4	(21.2)	21.2	9.0	7.2	5.9	6.6	5.2	4.0	1.4	1.2	1.1	—	1.7	5.0	16.9	18.3	20.0	315	4.7	14.6
Castrol India (a)	399	SELL	98,615	1,875	247	19.8	19.7	21.6	28.5	(0.6)	9.9	20.1	20.3	18.4	12.7	13.7	12.2	19.1	17.8	16.5	3.8	3.9	4.3	100.2	91.0	93.0	410	2.8	0.6
GAIL (India)	392	BUY	496,610	9,440	1,268	28.2	31.8	33.8	13.8	12.8	6.5	13.9	12.3	11.6	8.8	8.9	8.0	2.4	2.1	1.8	1.9	2.2	2.4	17.5	17.1	15.8	535	36.7	8.7
GSPL	83	REDUCE	46,441	883	563	8.9	9.1	8.6	21.7	2.1	(5.2)	9.3	9.1	9.6	6.1	5.6	5.7	2.0	1.7	1.5	1.2	2.2	3.1	25.2	20.4	16.6	93	12.7	2.1
Hindustan Petroleum	286	RS	96,821	1,841	339	40.8	14.0	28.7	(20.8)	(65.8)	105.7	7.0	20.5	9.9	3.2	4.6	3.3	0.6	0.6	0.6	4.9	1.5	3.1	9.0	2.8	5.6	—	—	5.5
Indian Oil Corporation	269	RS	653,361	12,420	2,428	32.4	14.7	33.0	(34.0)	(54.8)	125.1	8.3	18.4	8.2	8.2	8.9	6.0	1.1	1.1	1.0	3.5	1.8	3.7	13.3	5.6	11.9	—	—	3.4
Oil India	1,146	BUY	275,484	5,237	240	120.0	156.3	186.6	4.2	30.3	19.4	9.5	7.3	6.1	4.4	2.5	2.0	1.6	1.4	1.2	3.3	4.1	5.0	16.2	18.5	19.2	1,720	50.1	1.9
Oil & Natural Gas Corporation	257	BUY	2,202,190	41,863	8,556	24.7	34.4	37.9	7.4	39.5	10.2	10.4	7.5	6.8	3.9	3.2	2.5	1.5	1.3	1.2	3.4	4.3	4.7	14.3	17.6	17.1	355	37.9	19.2
Petronet LNG	153	SELL	114,825	2,183	750	8.1	13.3	12.8	50.3	64.1	(3.5)	18.9	11.5	11.9	11.0	8.0	8.3	3.8	3.0	2.5	1.3	2.0	2.0	20.9	28.1	21.9	135	(11.8)	7.7
Reliance Industries	728	BUY	2,168,678	41,226	2,981	62.0	69.6	74.0	24.8	12.3	6.2	11.7	10.4	9.8	6.5	5.3	4.8	1.3	1.2	1.1	1.1	1.2	1.4	13.2	12.5	10.00	37.5	80.5	
<b>Energy</b>																													
<b>Attractive</b>			<b>6,937,289</b>	<b>131,875</b>					<b>11.6</b>	<b>12.8</b>	<b>16.7</b>	<b>10.3</b>	<b>9.2</b>	<b>7.9</b>	<b>5.8</b>	<b>5.0</b>	<b>4.1</b>	<b>1.4</b>	<b>1.3</b>	<b>1.1</b>	<b>2.2</b>	<b>2.5</b>	<b>3.3</b>	<b>13.8</b>	<b>13.9</b>	<b>14.6</b>			
<b>Industrials</b>																													
ABB	585	SELL	124,051	2,358	212	3.0	11.7	22.7	(82.2)	291.5	94.5	196.2	50.1	25.8	140.9	33.2	16.7	5.1	4.8	4.2	0.3	0.6	0.6	2.6	9.9	17.3	515	(12.0)	1.8
BGR Energy Systems	221	REDUCE	15,923	303	72	44.8	34.8	27.8	60.0	(22.2)	(20.2)	4.9	6.3	7.9	3.5	4.4	3.9	1.7	1.4	1.2	4.5	3.2	2.5	39.0	24.0	16.4	300	36.0	4.6
Bharat Electronics	1,528	ADD	122,256	2,324	80	107.3	127.2	134.5	11.6	18.6	5.7	14.2	12.0	11.4	6.3	5.8	4.5	2.4	2.1	1.8	1.4	1.6	1.6	18.2	18.3	16.9	1,850	21.1	0.7
Bharat Heavy Electricals	258	REDUCE	631,358	12,002	2,448	24.6	25.0	25.4	39.7	1.9	1.4	10.5	10.3	10.2	6.7	6.8	6.4	3.1	2.6	2.1	2.4	2.1	2.1	33.3	27.3	22.9	310	20.2	21.3
Crompton Greaves	121	ADD	77,718	1,477	642	14.3	9.3	11.2	11.5	(34.8)	20.1	8.5	13.0	10.8	5.4	7.7	6.2	2.4	2.1	1.8	2.0	1.2	1.3	31.7	17.0	17.7	160	32.1	6.3
Larsen & Toubro	1,196	REDUCE	727,911	13,837	609	67.7	77.5	86.7	18.1	14.5	11.9	17.7	15.4	13.8	13.3	10.4	9.6	2.8	2.3	2.0	1.2	1.2	1.2</						



## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	12-Dec-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	(Rs)	(%)	(US\$ mn)
<b>Media</b>																													
DB Corp	199	BUY	36,509	694	183	14.1	11.6	14.2	32.7	(18.0)	22.9	14.1	17.2	14.0	9.2	10.1	8.3	4.4	4.0	3.6	2.0	3.0	4.0	35.0	24.4	27.2	320	60.6	0.1
DishTV	59	BUY	62,876	1,195	1,063	(1.8)	(0.2)	1.1	(27.7)	(89.8)	(733.5)	(33.1)	(326.2)	51.5	29.5	12.3	9.2	100.2	144.7	38.0	—	—	—	(81.9)	(36.3)	116.8	90	52.2	5.1
Eros International	213	REDUCE	20,687	393	97	11.8	15.6	19.6	19.0	32.7	25.6	18.1	13.6	10.9	12.6	9.6	6.9	3.1	2.5	2.0	—	—	—	24.9	20.1	20.3	270	26.5	2.2
Hindustan Media Ventures	130	BUY	9,548	182	73	7.3	10.1	12.2	198.0	39.0	20.6	17.8	12.8	10.6	8.5	7.2	5.4	2.5	2.1	1.8	0.8	0.8	1.5	23.3	17.9	18.4	220	69.1	0.1
HT Media	125	ADD	29,410	559	235	7.6	8.5	10.4	24.8	11.7	22.2	16.4	14.7	12.0	7.4	6.3	4.9	2.1	2.0	1.9	1.6	3.2	4.8	14.9	13.8	15.9	190	51.8	0.2
Jagran Prakashan	98	BUY	31,072	591	316	6.8	6.7	8.0	16.7	(1.4)	18.7	14.4	14.6	12.3	8.6	8.4	7.1	4.4	4.0	3.6	3.6	3.6	5.1	32.8	28.5	30.8	160	62.8	0.2
Sun TV Network	265	BUY	104,490	1,986	394	19.5	20.0	23.8	48.1	2.5	18.9	13.6	13.2	11.1	8.1	7.7	6.5	4.3	3.8	3.4	3.3	3.8	5.3	36.5	32.1	33.8	400	50.9	6.5
Zee Entertainment Enterprises	121	BUY	118,676	2,256	978	5.8	6.2	7.7	10.0	6.4	23.3	20.8	19.5	15.8	13.9	12.8	10.1	2.8	2.7	2.6	1.1	1.1	1.3	14.2	14.3	16.9	160	31.9	3.0
<b>Media</b>		<b>Neutral</b>	<b>413,269</b>	<b>7,856</b>					<b>50.8</b>	<b>13.0</b>	<b>27.8</b>	<b>20.9</b>	<b>18.5</b>	<b>14.5</b>	<b>11.1</b>	<b>9.6</b>	<b>7.7</b>	<b>3.9</b>	<b>3.5</b>	<b>3.2</b>	<b>1.7</b>	<b>2.0</b>	<b>2.8</b>	<b>18.4</b>	<b>19.1</b>	<b>22.2</b>			
<b>Metals &amp; Mining</b>																													
Coal India	304	ADD	1,920,175	36,502	6,316	17.3	22.9	27.4	13.6	32.1	20.0	17.6	13.3	11.1	10.0	7.5	6.2	5.5	4.4	3.5	1.3	2.3	2.7	35.1	36.5	34.9	380	25.0	31.4
Hindalco Industries	124	ADD	236,586	4,497	1,915	12.8	15.4	16.0	(36.0)	20.6	4.1	9.7	8.0	7.7	5.6	6.5	6.1	0.8	0.7	0.7	1.2	1.2	1.2	9.7	9.7	9.3	150	21.4	25.4
Hindustan Zinc	121	ADD	512,704	9,746	4,225	11.6	12.8	14.2	21.8	9.5	11.3	10.4	9.5	8.5	6.6	5.5	4.1	2.3	1.9	1.6	0.8	2.1	2.1	24.3	22.0	20.7	145	19.5	1.8
Jindal Steel and Power	506	REDUCE	472,569	8,983	934	40.2	41.5	47.9	5.1	3.3	15.5	12.6	12.2	10.5	9.5	8.9	8.1	3.3	2.7	2.1	0.3	0.3	0.3	30.9	24.5	22.6	565	11.7	21.8
JSW Steel	551	SELL	124,470	2,366	226	78.6	25.4	104.3	(2.2)	(67.7)	310.5	7.0	21.7	5.3	5.8	6.4	5.6	0.8	0.7	0.7	2.2	1.8	1.8	13.6	10.3	13.2	600	8.9	30.8
National Aluminium Co.	51	SELL	130,795	2,486	2,577	4.2	3.5	3.9	36.4	(16.7)	13.1	12.2	14.7	13.0	5.0	6.0	4.9	1.2	1.1	1.1	3.0	3.0	3.0	9.9	7.8	8.5	55	8.4	0.3
Sesa Goa	172	REDUCE	153,843	2,925	895	47.0	39.3	39.4	59.8	(16.4)	0.2	3.7	4.4	4.4	3.0	3.6	2.8	1.2	1.0	0.8	2.3	2.3	2.4	36.8	19.5	17.6	215	25.0	12.9
Sterlite Industries	98	BUY	329,902	6,271	3,361	15.2	13.2	15.2	26.2	(12.9)	15.2	6.5	7.4	6.4	4.0	3.4	2.7	0.8	0.7	0.7	1.1	1.3	1.3	13.0	10.2	10.7	155	57.9	15.5
Tata Steel	385	BUY	374,430	7,118	971	75.3	47.5	68.1	(2,258.1)	(36.9)	43.2	5.1	8.1	5.7	5.4	6.6	5.1	1.1	0.9	0.8	3.1	3.1	3.1	24.7	10.4	15.0	590	53.1	46.8
<b>Metals &amp; Mining</b>		<b>Cautious</b>	<b>4,255,473</b>	<b>80,895</b>					<b>39.1</b>	<b>1.2</b>	<b>18.1</b>	<b>10.3</b>	<b>10.2</b>	<b>8.6</b>	<b>6.5</b>	<b>6.3</b>	<b>5.3</b>	<b>2.0</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>2.0</b>	<b>2.2</b>	<b>19.0</b>	<b>16.7</b>	<b>17.0</b>			
<b>Pharmaceutical</b>																													
Apollo Hospitals	623	ADD	86,581	1,646	139	13.2	17.1	21.2	21.0	29.3	24.0	47.1	36.4	29.4	21.3	16.0	13.7	4.5	3.4	3.0	—	—	—	9.8	10.3	10.5	650	4.3	2.8
Biocon	309	BUY	61,730	1,173	200	18.4	17.6	20.2	23.9	(4.1)	14.3	16.8	17.5	15.3	9.6	9.8	8.5	3.0	2.7	2.4	—	—	—	19.4	16.4	16.7	445	44.2	1.4
Cipla	324	REDUCE	260,026	4,943	803	12.3	14.8	17.1	(10.0)	20.4	15.0	26.3	21.8	19.0	22.8	16.0	13.0	3.9	3.4	3.0	0.9	0.9	1.1	15.4	16.4	17.0	310	(4.3)	8.6
Cadila Healthcare	700	REDUCE	143,334	2,725	205	34.7	38.2	45.1	40.6	9.9	18.2	20.2	18.3	15.5	17.6	15.0	11.8	6.6	5.2	4.2	0.9	1.0	1.2	37.5	31.7	29.0	860	22.8	1.3
Dishman Pharma & chemicals	37	REDUCE	3,009	57	81	9.8	6.3	8.7	(31.8)	(36.1)	38.3	3.8	5.9	4.3	6.9	6.3	5.3	0.3	0.3	0.3	—	—	—	9.6	5.7	7.5	55	48.6	0.1
Divi's Laboratories	737	ADD	97,829	1,860	133	32.4	36.5	45.3	25.7	12.9	23.9	22.8	20.2	16.3	18.8	14.8	11.7	5.4	4.7	4.0	—	—	—	25.9	24.9	26.4	845	14.6	1.9
Dr Reddy's Laboratories	1,569	REDUCE	266,633	5,069	170	64.9	82.8	98.9	932.5	27.5	19.4	24.2	18.9	15.9	17.0	12.7	10.6	5.8	4.6	3.7	0.7	0.8	0.9	24.8	27.1	25.8	1,660	5.8	10.2
GlaxoSmithkline Pharmaceuticals (a)	1,864	SELL	157,899	3,002	85	68.3	75.5	83.3	15.5	10.6	10.3	27.3	24.7	22.4	17.8	17.0	14.8	8.1	8.3	7.7	2.1	2.7	3.1	30.9	33.2	35.7	1,930	3.5	1.0
Glenmark Pharmaceuticals	307	ADD	83,031	1,578	270	17.0	24.7	23.3	33.6	45.8	(5.6)	18.1	12.4	13.2	20.2	14.7	11.1	4.1	3.1	2.6	—	—	—	20.6	28.4	21.3	395	28.7	3.6
Jubilant Life Sciences	173	REDUCE	27,583	524	159	14.4	19.3	26.4	(45.6)	34.0	36.8	12.0	9.0	6.5	10.3	6.9	6.6	1.2	1.1	1.0	1.2	1.2	1.7	12.3	17.7	16.0	210	21.3	0.6
Lupin	435	ADD	194,874	3,704	448	19.2	21.0	26.2	25.6	9.2	24.8	22.6	20.7	16.6	19.0	17.1	12.5	5.8	4.7	3.8	0.7	0.8	1.0	29.5	25.7	26.1	530	21.9	7.1
Ranbaxy Laboratories	406	SELL	171,804	3,266	423	40.6	21.1	42.4	474.9	(48.0)	100.5	10.0	19.2	9.6	12.3	12.5	7.4	3.0	2.8	2.2	—	—	—	34.5	15.3	25.7	420	3.4	7.9
Sun Pharmaceuticals	505	ADD	522,823	9,939	1,036	17.5	20.8	26.7	34.4	18.7	28.1	28.8	24.3	18.9	24.5	17.9	14.1	5.1	4.2	3.5	0.7	0.8	1.0	21.0	20.8	22.4	590	16.9	9.6
<b>Pharmaceuticals</b>		<b>Neutral</b>	<b>2,077,157</b>	<b>39,486</b>					<b>43.1</b>	<b>9.0</b>	<b>26.0</b>	<b>21.8</b>	<b>20.0</b>	<b>15.8</b>	<b>17.5</b>	<b>13.8</b>	<b>10.7</b>	<b>3.5</b>	<b>3.0</b>	<b>2.5</b>	<b>0.7</b>	<b>0.8</b>	<b>1.0</b>	<b>16.0</b>	<b>15.0</b>	<b>16.1</b>			
<b>Property</b>																													
DLF	204	ADD	350,458	6,662	1,715	9.1	11.9	15.7	(14.5)	31.3	31.8	22.5	17.2	13.0	15.4	12.1	9.2	1.3	1.3	1.2	1.0	1.2	1.5	5.4	7.5	9.2	270	32.1	29.2
Housing Development & Infrastructure	58	BUY	25,512	485	441	19.8	24.8	32.7	24.2	25.0	32.1	2.9	2.3	1.8	4.0	5.2	3.4	0.3	0.2	0.2	—	1.7	2.6	10.0	10.7	12.4	150	159.3	16.9
Indiabulls Real Estate	53	RS	21,439	408	402	4.0	8.5	15.4	(1,095.5)	114.1	81.5	13.4	6.3	3.5	10.7	8.4	3.6	0.2	0.2	0.2	1—	0.9	1.3	1.4	2.9	5.0	—	—	8.1
Mahindra Life Space Developer	259	BUY	10,549	201	41	24.9	30.8	37.5	30.2	23.7	21.6	10.4	8.4	6.9	7.7	5.5	4.0	1.0	0.9	0.8	1.9	1.7	1.9	10.4	11.6	12.7	450	74.1	0.0
Oberoi Realty	220	BUY	72,496	1,378	330	15.7	17.2	27.4	14.8	9.7	59.3	14.0	12.8	8.0	10.1	8.8	4.8	2.2	1.9	1.6	0.5	0.7	1.1	19.9	15.8	21.4	310	41.0	0.2
Phoenix Mills	178	BUY	25,710	489	145	6.3	7.4	10.7	53.0	17.2	44.1	28.1	23.9	16.6	20.8	17.4	13.0	1.6	1.5	1.4	1.0	1.1	1.1	5.8	6.6	8.9	300	69.0	0.1
Puravankara Projects	62	REDUCE	13,296	253	213	5.5	9.0	10.9	(18.9)	62.8	21																		

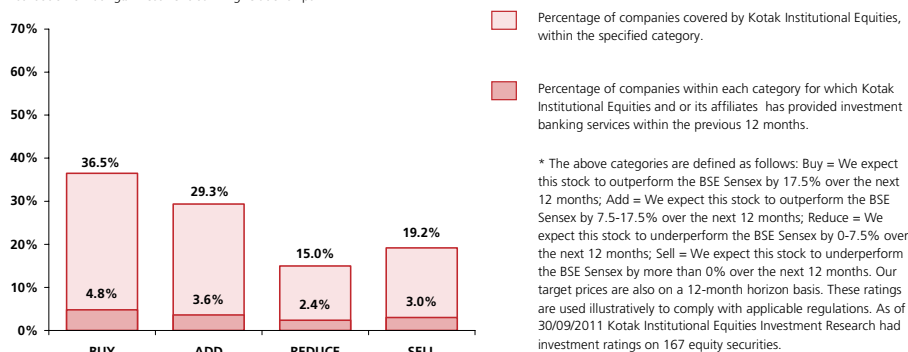
**Kotak Institutional Equities: Valuation summary of KIE Universe stocks**

Company	12-Dec-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	(Rs)	(%)	(US\$ mn)
<b>Sugar</b>																													
Shree Renuka Sugars	29	REDUCE	19,173	364	670	10.5	1.4	0.9	214.7	(87.0)	(37.7)	2.7	21.0	33.6	6.7	6.6	6.4	0.8	0.8	0.8	3.5	3.5	3.5	34.4	3.7	2.3	55	92.3	9.5
<b>Sugar</b>		<b>Cautious</b>	<b>19,173</b>	<b>364</b>					<b>214.7</b>	<b>(87.0)</b>	<b>(37.7)</b>	<b>2.7</b>	<b>21.0</b>	<b>33.6</b>	<b>6.7</b>	<b>6.6</b>	<b>6.4</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>28.3</b>	<b>3.7</b>	<b>2.3</b>			
<b>Technology</b>																													
HCL Technologies	414	REDUCE	291,553	5,542	705	22.9	33.0	38.7	30.4	44.2	17.3	18.1	12.5	10.7	11.0	7.6	6.5	3.5	2.7	2.2	1.8	1.9	1.9	21.0	23.2	22.8	450	8.8	10.2
Hexaware Technologies	85	ADD	24,582	467	290	3.0	8.6	9.5	(36.8)	191.2	10.8	28.7	9.8	8.9	21.7	8.0	5.4	2.5	2.2	1.9	1.8	3.5	3.8	9.3	24.0	23.1	100	18.1	2.7
Infosys	2,740	BUY	1,572,904	29,900	574	119.7	145.6	175.0	10.5	21.6	20.2	22.9	18.8	15.7	15.6	12.6	10.1	6.1	5.0	4.2	2.2	1.7	2.0	28.0	29.2	29.2	3,300	20.4	76.7
Mahindra Satyam	64	REDUCE	75,205	1,430	1,176	4.2	7.5	8.1	68.9	79.5	7.0	15.2	8.5	7.9	10.5	4.7	3.3	4.4	2.9	2.1	—	—	—	27.6	41.0	30.8	80	25.1	5.8
Mindtree	407	ADD	16,740	318	41	24.7	44.3	51.2	(52.7)	79.6	15.5	16.5	9.2	7.9	9.2	6.0	4.4	2.2	1.8	1.6	0.6	1.1	3.8	14.4	21.3	21.0	500	22.9	0.5
Mphasis	325	SELL	68,538	1,303	211	51.8	39.0	34.6	18.8	(24.6)	(11.4)	6.3	8.3	9.4	5.3	7.0	6.2	2.1	1.8	1.5	1.2	1.4	1.5	38.6	22.8	17.3	310	(4.7)	1.8
Polaris Software Lab	126	REDUCE	12,552	239	100	19.3	20.8	23.2	25.7	7.8	11.3	6.5	6.0	5.4	3.5	2.4	1.7	1.2	1.0	0.9	2.9	3.1	3.3	20.2	18.4	17.6	145	15.2	1.5
TCS	1,180	BUY	2,310,181	43,916	1,957	44.5	54.5	66.6	26.8	22.4	22.1	26.5	21.6	17.7	20.1	15.4	12.5	9.2	7.5	6.1	1.5	1.8	2.3	37.8	38.0	37.9	1,260	6.7	39.0
Tech Mahindra	544	SELL	68,538	1,303	126	48.0	75.2	80.0	(26.3)	56.5	6.5	11.3	7.2	6.8	7.8	8.4	6.8	2.0	1.8	1.6	0.7	0.7	1.8	20.2	27.2	25.3	600	10.3	2.5
Wipro	415	ADD	1,017,797	19,348	2,454	21.6	22.6	26.4	14.5	4.7	16.9	19.2	18.4	15.7	14.2	12.4	10.4	4.2	3.6	3.0	1.0	1.1	1.4	24.3	21.2	21.0	410	(1.1)	13.0
<b>Technology</b>		<b>Attractive</b>	<b>5,517,910</b>	<b>104,893</b>					<b>17.0</b>	<b>19.3</b>	<b>18.2</b>	<b>21.5</b>	<b>18.0</b>	<b>15.2</b>	<b>15.5</b>	<b>12.5</b>	<b>10.2</b>	<b>5.6</b>	<b>4.7</b>	<b>3.9</b>	<b>1.7</b>	<b>1.6</b>	<b>2.0</b>	<b>26.2</b>	<b>25.9</b>	<b>25.5</b>			
<b>Telecom</b>																													
Bharti Airtel	342	ADD	1,299,918	24,711	3,798	15.9	15.6	26.3	(32.6)	(1.8)	68.3	21.5	21.9	13.0	9.6	7.7	5.8	2.7	2.4	2.0	—	—	—	13.3	11.5	16.7	445	30.0	44.3
IDEA	82	ADD	271,531	5,162	3,303	2.7	2.3	5.0	(0.5)	(16.9)	120.0	30.2	36.3	16.5	10.0	7.8	5.8	2.2	2.1	1.8	—	—	—	7.6	5.9	11.9	115	39.9	13.3
MTNL	25	SELL	15,813	301	630	(10.4)	(9.1)	(8.4)	(33.7)	(11.9)	(8.1)	(2.4)	(2.7)	(3.0)	1.4	1.9	2.4	0.2	0.2	0.2	—	—	—	(6.1)	(5.7)	(5.5)	30	19.5	0.4
Reliance Communications	74	SELL	151,910	2,888	2,064	6.5	4.1	4.0	(71.1)	(37.8)	(0.4)	11.3	18.2	18.2	5.8	6.9	5.8	0.4	0.4	0.4	—	—	—	3.2	2.0	2.0	80	8.7	13.9
Tata Communications	189	REDUCE	53,851	1,024	285	(24.9)	(27.6)	(32.0)	(45.8)	(10.9)	79.1	25.9	29.1	16.3	8.9	7.7	5.9	1.6	1.5	1.4	—	—	—	(17.5)	(25.8)	(46.7)	200	5.8	0.7
<b>Telecom</b>		<b>Cautious</b>	<b>1,793,024</b>	<b>34,085</b>					<b>(45.8)</b>	<b>(10.9)</b>	<b>79.1</b>	<b>25.9</b>	<b>29.1</b>	<b>16.3</b>	<b>8.9</b>	<b>7.7</b>	<b>5.9</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6.0</b>	<b>5.1</b>	<b>8.3</b>			
<b>Utilities</b>																													
Adani Power	73	REDUCE	174,704	3,321	2,393	2.4	6.0	12.3	200.7	154.3	105.5	31.0	12.2	5.9	33.8	12.8	5.4	2.8	2.1	1.6	—	—	—	8.5	19.7	30.2	81	11.0	1.1
CESC	214	BUY	26,786	509	125	39.1	37.8	41.4	13.1	(3.4)	9.5	5.5	5.7	5.2	4.0	5.4	5.7	0.6	0.5	0.5	1.9	2.2	2.3	10.8	9.6	9.6	400	86.6	1.1
JSW Energy	42	REDUCE	69,372	1,319	1,640	5.1	3.1	3.4	12.9	(40.6)	12.6	8.2	13.9	12.3	10.4	10.5	6.5	1.2	1.1	1.0	(2.4)	—	—	16.1	8.5	8.8	53	25.3	1.0
Lanco Infratech	11	BUY	24,342	463	2,223	1.6	1.9	2.6	(22.6)	14.7	36.9	6.6	5.8	4.2	9.7	10.0	7.1	0.5	0.5	0.4	—	—	—	9.2	8.4	10.3	39	256.2	3.2
NHPC	22	ADD	264,466	5,027	12,301	1.3	2.1	2.2	(27.2)	52.4	5.4	15.9	10.5	9.9	11.6	8.8	7.7	1.0	0.9	0.9	2.8	2.6	2.7	6.4	9.2	9.1	29	34.9	1.9
NTPC	164	REDUCE	1,348,546	25,635	8,245	10.9	11.5	12.7	4.2	5.2	10.2	15.0	14.2	12.9	11.4	11.9	10.5	2.0	1.8	1.6	2.3	2.1	2.3	13.6	13.2	13.3	180	10.1	7.9
Reliance Infrastructure	385	BUY	102,216	1,943	265	58.0	57.2	76.8	(6.5)	(1.4)	34.2	6.6	6.7	5.0	9.5	6.2	5.8	0.4	0.4	0.4	1.9	2.7	2.9	6.8	10.3	9.0	920	138.7	13.6
Reliance Power	82	SELL	229,459	4,362	2,805	2.7	2.7	3.2	(0.2)	(1.9)	18.6	30.2	30.7	25.9	123.8	47.2	22.2	1.4	1.3	1.2	—	—	—	4.9	4.3	4.9	87	6.4	6.3
Tata Power	88	BUY	218,325	4,150	2,468	7.6	7.1	8.2	21.5	(6.5)	14.1	11.6	12.4	10.8	9.9	7.9	8.2	1.5	1.4	1.3	1.6	1.7	1.9	13.8	11.6	12.1	125	41.3	7.8
<b>Utilities</b>		<b>Cautious</b>	<b>2,458,215</b>	<b>46,730</b>					<b>4.3</b>	<b>10.4</b>	<b>20.1</b>	<b>14.4</b>	<b>13.0</b>	<b>10.9</b>	<b>12.5</b>	<b>10.8</b>	<b>8.7</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>1.7</b>	<b>1.7</b>	<b>1.9</b>	<b>9.9</b>	<b>10.1</b>	<b>11.1</b>			
<b>Others</b>																													
Carborundum Universal	144	REDUCE	26,901	511	187	9.1	11.6	12.5	67.7	26.6	7.8	15.8	12.4	11.5	9.8	7.2	6.6	3.2	2.6	2.2	1.3	1.7	1.8	25.2	25.9	23.4	155	7.7	0.1
Havells India	435	ADD	54,246	1,031	125	24.5	27.5	30.5	334.1	12.0	10.8	17.7	15.8	14.3	11.4	10.1	8.7	7.6	5.5	4.1	0.6	0.6	0.7	53.9	40.4	32.8	450	3.5	2.5
Jaiprakash Associates	60	BUY	128,119	2,435	2,126	6.0	6.4	6.9	230.2	5.9	7.6	10.0	9.5	8.8	11.3	8.3	7.4	1.2	1.1	1.0	—	—	—	13.3	12.0	11.7	105	74.3	25.0
Jet Airways	237	BUY	20,495	390	86	(10.1)	(69.1)	7.0	(91.0)	588	(110.1)	(23.6)	(3.4)	34.0	9.6	11.6	7.4	1.3	2.1	1.9	—	—	—	(5.0)	—	—	500	110.6	8.1
SpiceJet	20	BUY	8,695	165	441	2.5	(5.4)	3.0	(1.8)	(317.9)	(154.4)	7.9	(3.6)	6.7	11.4	(8.8)	9.5	2.7	5.9	3.1	—	—	—	(96.1)	(102.5)	61.4	50	153.8	1.2
Tata Chemicals	348	REDUCE	88,579	1,684	255	26.2	32.9	38.8	(0.7)	25.4	17.9	13.2	10.6	9.0	7.9	5.5	4.7	1.6	1.4	1.3	2.9	3.5	4.3	16.9	18.6	19.5	365	5.0	2.1
United Phosphorus	133	BUY	61,512	1,169	462	12.3	15.8	20.0	3.9	28.3	26.3	10.8	8.4	6.7	6.6	4.5	3.8	1.7	1.4	1.2	1.5	2.3	2.6	18.0	18.3	19.9	220	65.2	3.2
<b>Others</b>			<b>388,546</b>	<b>7,386</b>					<b>233.8</b>	<b>(6.7)</b>	<b>57.6</b>	<b>13.7</b>	<b>14.7</b>	<b>9.3</b>	<b>9.9</b>	<b>8.1</b>	<b>6.6</b>	<b>1.7</b>	<b>1.5</b>	<b>1.3</b>	<b>1.1</b>	<b>1.3</b>	<b>1.6</b>	<b>12.1</b>	<b>10.4</b>	<b>14.4</b>			

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As of September 30, 2011

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