kotak® Institutional Equities

INDIA DAILY

September 23, 2008

Contents

Results

Updates

News Roundup

Corporate

- The **Children's Investment Fund** (TCI), an activist hedge fund, is reliably learnt to be planning legal action against **Vedanta Resources** for its recent restructuring proposal, on the ground that it is skewed against minority shareholders. (ET)
- **Balaji** has signed an exclusive content production deal with southern broadcaster **Sun Network**. (BS)
- **BSNL** will hive off its nearly 35,000 towers into a separate company (as private operators have done) and will move towards business process engineering, wherein BSNL would revamp its entire process of customer acquisition, so that a new telephone connection can be given in a day instead of seven now. (FE)
- **Haryana Power Generation Corporation** Ltd (HPGCL) and **Indraprastha Power Generation Co** Ltd (IPGCL) are jointly floating a company for development of a Madhya Pradesh-located coal block— Haryana-based thermal power plants can look forward to an enhanced flow of coal supply. (BS)

Economic and political

- In a significant relaxation of external commercial borrowings (ECB) rules, the government has allowed infrastructure companies to repatriate up to US$500 mn, up from US$100 mn, and eased interest rate ceilings by 100 bps on longer-term loans. (BS)
- The commerce and industry ministry has recommended that the Maharashtra government take back the land acquisition notification that it had issued in Raigad for the MahaMumbai SEZ. (BS)

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

EQUITY MARKETS

		Change, %		
India	**22-Sep**	**1-day**	**1-mo**	**3-mo**
Sensex	13,995	(0.3)	(2.8)	(2.1)
Nifty	4,223	(0.5)	(2.4)	(1.0)
Global/Regional indices				
Dow Jones	11,016	(3.3)	(5.3)	(7.0)
FTSE	5,236	(1.4)	(4.9)	(7.6)
Nikkie	12,091	1.4	(4.5)	(12.8)
Hang Seng	19,178	(2.3)	(6.0)	(15.6)
KOSPI	1,455	(0.3)	(2.8)	(15.2)

Value traded - India

			Moving avg, Rs bn	
	22-Sep		**1-mo**	**3-mo**
Cash (NSE+BSE)	163.2		168.6	176.2
Derivatives (NSE)	581.9		443.3	585
Deri. open interest	897.1		832	867

Forex/money market

		Change, basis points		
	22-Sep	**1-day**	**1-mo**	**3-mo**
Rs/US$	45.4	(26)	197	239
6mo fwd prem, %	0.7	(25)	71	24

Net investment (US$mn)

	19-Sep		**MTD**	**CYTD**
FIIs	290		-	(7,299)
MFs	37		-	2,501

Top movers -3mo basis

		Change, %		
Best performers	**22-Sep**	**1-day**	**1-mo**	**3-mo**
BANK OF BARODA	307	(5.1)	20.7	44.9
RELIANCE CAPITAL	1,274	0.3	2.4	37.2
STATE BANK OF INI	1,567	0.1	16.6	30.1
PUNJ LLOYD LIMITE	294	(5.6)	8.0	30.0
BANK OF INDIA	290	2.4	12.5	29.4
Worst performers				
HOUSING DEVELOP	223	(0.6)	(27.8)	(41.5)
INDIABULLS REAL ES	226	0.6	(20.3)	(38.5)
STERLITE INDUSTRIE	460	(1.8)	(26.6)	(37.7)
JSW STEEL LIMITED	596	0.3	(21.9)	(37.7)
TATA STEEL LIMITE	494	3.0	(16.8)	(33.8)

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Retail

PART.BO, Rs304	
Rating	BUY
Sector coverage view	Neutral
Target Price (Rs)	400
52W High -Low (Rs)	875 - 283
Market Cap (Rs bn)	52.3

Financials

June y/e	2008	2009E	2010E
Sales (Rs bn)	50.5	75.7	102.0
Net Profit (Rs bn)	1.3	2.1	3.2
EPS (Rs)	8.0	12.1	18.4
EPS gth	*95.9*	*51.9*	*53.7*
P/E (x)	37.9	25.2	16.6
EV/EBITDA (x)	13.8	9.6	7.7
Div yield (%)	0.2	0.3	0.3

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	46.5	-	-
FIIs	23.8	0.2	0.0
MFs	10.8	0.5	0.3
UTI	-	-	(0.2)
LIC	-	-	(0.2)

Pantaloon Retail: Operational outperformance but interest costs a matter of concern

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- **4QFY08 standalone net profits in line with KIE despite 12% lower-than-expected net sales**
- **Standalone EBITDA margins at 10.2% versus KIE's 7.2%, highest in the past 12 quarters**
- **Subsidiary EBITDA losses double to Rs1.6 bn, mainly on account of new businesses, HSRIL turns EBITDA positive**
- **Revise SOTP-based target price to Rs400 and retain BUY rating**

Pantaloon Retail (PRIL's) 4QFY08 standalone results were mixed. While net sales, at Rs13.8 bn (35% yoy growth), were 12% lower than KIE, net profit at Rs325 mn were in line with estimates due to lower fixed costs. EBITDA at Rs1.4 bn (149% yoy growth) was 25% better than KIE, with EBITDA margins of 10.2% versus 8.4% in 3QFY08 as the company benefited due to lower staff and other fixed overheads. High interest costs (53% higher qoq and 45% higher than estimates), however, are a concern as PRIL's standalone debt increased to Rs2.1 bn versus Rs1.3 bn last year. Consolidated FY2008 sales, at Rs58.4 bn, were 68% higher yoy with EBITDA of Rs3 bn (125% growth yoy) and margins of 5.1% versus 3.9% in FY2007. EBITDA losses in subsidiaries doubled to Rs1.6 bn led by increased losses in new insurance business, offset by marginal EBITDA profits in Home Solutions (HSRIL). We revise our estimates to reflect the decent margin performance consistently shown by PRIL over the past few quarters. On the other hand, we also calibrate our assumptions of retail store additions given the tough macro environment, especially in the realty sector. We thus set a new target price of Rs 400 (Rs 460 earlier) and retain BUY rating.

4QFY08 standalone net profits in line with KIE despite 12% lower-than-expected net sales

PRIL's 4QFY08 standalone results were mixed. Net sales grew 35% yoy to Rs13.8 bn versus and were 12% lower than KIE expectations of Rs15.74 bn. This was partly led by lower-than-expected total retail space, which came in at 7.9 mn sq. ft in FY2008 versus our expectation of 8.2 mn sq. ft. Net profit, however, were in line at Rs325 mn (80% yoy growth) as the company benefitted from lower-than-expected fixed costs.

Standalone EBITDA grew 149% yoy to Rs1.4 bn and was 25% higher than KIE estimates. EBITDA margins were 10.2% in the quarter versus 8.4% in 3QFY08 and 5.6% in 4QFY07 as the company benefitted from lower-than-expected fixed costs and despite average lease rentals having increased to Rs50 per sq. ft per month at end FY2008 from estimated Rs45 per sq. ft in FY2007. Staff costs and other overheads were around 20.2% of sales versus 21.2% in 3QFY08 and 24% in 4QFY07.

We believe the current results counter some skepticism over PRIL's ability to sustain better cost management. PRIL, over the past eight quarters, has consistently demonstrated its ability to leverage its relatively high cost base to increase margins. We thus make suitable adjustments to our assumptions accordingly.

Net profit was in line despite higher EBITDA due to 45% higher-than-expected interest costs. Interest costs increased 53% qoq to Rs655 mn and the total debt in the standalone entity has increased to Rs21.7 bn in FY2008 versus Rs13 bn in FY2007.

Subsidiary EBITDA losses double to Rs1.6 bn contributed largely by new businesses, HSRIL turns EBITDA positive

Consolidated FY2008 sales, at Rs58.4 bn, were 68% higher yoy with EBITDA of Rs3 bn (125% growth yoy) and margins of 5.1% versus 3.9% in FY2007. Although consolidated EBITDA margins in FY2008 increased to 5.1% from 3.9% in FY2007, total EBITDA losses in subsidiaries doubled to Rs1.6 bn from Rs816 mn in FY2007. This was led by primarily new initiatives especially the insurance business and in Future Capital.

HSRIL sales were Rs9.6 bn in FY2008 versus around Rs3.2 bn in FY2007. Total retail space under HSRIL as at end June '08 was 1.8 mn sq. ft. PAT losses in HSRIL increased to Rs600 mn versus around Rs409 mn in FY2007. More important, HSRIL has finally turned EBITDA-positive with margins of 2% against losses of Rs324 mn in FY2007 respectively. This has primarily come about due to better product mix, with share of lower-margin electronic segment declining to around 60% from almost 100% last year. This is better than our expectation of positive-turnaround by 1QFY09E and reinforces our expectation that HSRIL should turn PAT-positive from FY2009E.

Earnings revisions

Revised earnings estimates to factor in 4QFY08 results. We revise our earnings estimates 20%, 10% and 8% lower in FY2009E, FY2010E and FY2011E respectively mainly on account of higher interest costs. We have also adjusted for operations which are summarized below:

1. **Lower retail space addition by 10% between FY2009-11E.** We reduce our total standalone retail space addition by 10% to 18 mn sq ft. from around 20mn earlier to incorporate possible execution delays in retail space built-up. We note that PRIL's total retail space addition in FY2008 is 4% lower than our original estimates. We also highlight that recent interactions with other retailers have indicated a distinct slowdown in retail development due to the current tough macro conditions and also due to confusion of softening lease rentals. While PRIL is better placed as compared to other retailers due to its "locked-in" retail space and size, we believe that PRIL would also get impacted due to adverse realty markets.

   We highlight that our current estimates of retail space addition would be around 20% lower than management estimates by FY2011E. Our sensitivity to total retail space addition shows that a 10% lower retail space addition from our current levels would reduce our FY2010E earnings by 5%.

2. **Maintain same-store-sales (SSS) assumptions.** We maintain our SSS assumptions of 7-8% growth between FY2009-11E. We highlight that our assumptions are conservative given the estimated 11-12% SSS growth in FY2008 and estimated 11% YTD till August '2008. Channel checks indicate that most retailers are facing pressure on sales and footfalls due to adverse economic conditions. We also note that PRIL's August SSS sales were favorably impacted due to the special promotions offered by PRIL at its Big Bazaar/Food Bazaar outlets (around 75% of our total standalone sales) which may not be sustainable, in our view.

3. **Reduce our fixed cost assumptions.** We reduce our fixed cost assumptions (% of net sales) 60-80 bps to factor in the improved performance in PRIL over the last few quarters. We highlight that we continue to model a 8% p.a increase in lease rental costs but reduce our estimates on staff/marketing spends.

   We note that PRIL has finally realigned its finished inventory valuations to industry peers and now values finished inventory "at cost" rather than at "retail pric less mark-up" which tended to inflate inventory. This has resulted in an expected one-off inventory write-off of Rs743.7 mn (post tax Rs409 mn) which the company has accounted through reserves. We estimate the impact of this write-off to be around 15-20 bps, which we now incorporate in our estimates.

The net effect of the above mentioned operational changes leads to a marginal increase in EBITDA of 3% for FY2010E and FY2011E.

4. **Increase our interest cost assumptions.** The total debt in PRIL standalone has increased to Rs21.7 bn, a sharp increase from Rs13 bn in FY2007 and higher than our estimate of Rs15 bn debt in FY2008. We also increase our cost of debt assumptions to around 13% from around 11% earlier, given the recent hardening of interest rates in the country.

5. **Maintain our HSRIL estimates despite better-than expected operating performance in FY2008 .** We maintain our estimates of HSRIL, including retail space addition and SSS growth. We highlight that we estimate SSS in HSRIL to grow at around 5% p.a and expect HSRIL to break-even at PAT level in FY2009E. We thus expect total HSRIL retail space of 4.6 mn sq. ft and total sales of Rs38.5 bn in FY2011E.

Our new SOTP-based target price is Rs400 and we retain our BUY rating

Our revised value for PRIL standalone business is Rs270 (Rs318 earlier), which is P/E based on our new EPS estimates of Rs11.3 (Rs14.2), Rs17.9 (Rs19.9) and Rs21.8 (Rs23.7) for FY2009E, FY2010E and FY2011E, respectively, and valued at 15X FY2010E (16X earlier). We maintain our valuations on HSRIL at 10X FY2010E EV/ EBITDA (Rs 71 per share) and take a 20% holding discount to FCHL's current market valuations. We retain our BUY rating.

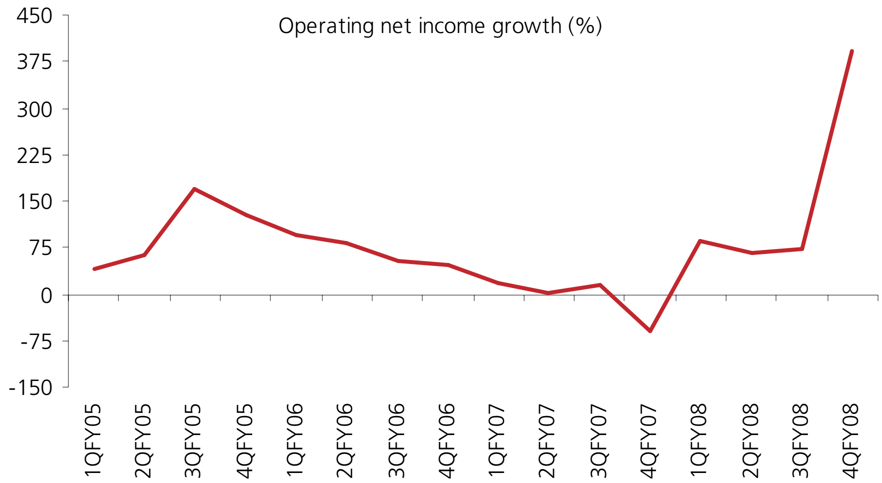
Interim Results of Pantaloon retail, June fiscal year-ends (Rs mn)

		YoY			QoQ				
	SA 2009E	4Q2008	4Q2007	% chg	4Q2008	3Q2008	% chg	SA2008A	Consol 2008A
Net sales	**76,179**	**13,814**	**10,196**	**35**	**13,814**	**13,543**	**2**	**50,489**	**58,405**
Total expenditure	(69,722)	(12,402)	(9,629)	29	(12,402)	(12,402)	0	(45,884)	(55,400)
Raw materials	(53,097)	(9,607)	(7,208)	33	(9,607)	(9,526)	1	(35,122)	(39,093)
Staff Costs	(4,266)	(674)	(579)	17	(674)	(725)	(7)	(2,741)	(4,456)
Other expenditure	(12,360)	(2,121)	(1,842)	15	(2,121)	(2,151)	(1)	(8,021)	(11,851)
EBITDA	**6,456**	**1,413**	**568**	**149**	**1,413**	**1,141**	**24**	**4,605**	**3,005**
EBITDA margin (%)	8.5	10.2	5.6		10.2	8.4		9.1	5.1
Operating other income	40	1	0	95	1	17	(96)	38	259
Depreciation	(1,150)	(254)	(126)	101	(254)	(223)	14	(834)	(1,182)
Net finance cost	(2,320)	(655)	(337)	94	(655)	(429)	53	(1,853)	(2,236)
PBT	**3,027**	**505**	**105**	**380**	**505**	**506**	**(0)**	**1,956**	**(153)**
Extraordinaries (b)		0	177	(100)		0		0	0
Tax	(1,079)	(178)	(95)	87	(178)	(185)	(4)	(697)	(473)
Prior period/Minorities ('c)			(6)	(100)	0	0		0	0
Reported PAT	**1,948**	**326**	**181**	**80**	**326**	**321**	**2**	**1,259**	**(626)**
Operating net income (a)	**1,948**	**325**	**66**	**392**	**325**	**321**	**1**	**1,259**	**(628)**
Income tax rate (%)	36	35	34		35	37		36	(309)

Notes:
a) Operating net income is after adjusting the tax impact on extraordinary item.
b) Extraordinaries represent profit on sale of investments

Source: Company data; compiled by Kotak Institutional Equities

Operating Net Income growth in 4Q08 has increased sharply in the quarter
Year-over-Year growth in operating net income, June fiscal year-ends (%)



Source: Company data; compiled by Kotak Institutional Equities

Performance of key subsidiaries, June fiscal year-ends (Rs mn)

		Total PAT	
	% stake	**2008**	**2007**
HSRIL	73.3	(600)	(409)
Future Generali Insurance	74.0	(470)	(58)
Future Capital Holdings	55.0	(280)	2
Future Bazaar	99.7	(95)	(173)
Future Media	100.0	(65)	(41)

Source: Company; Kotak Institutional equities estimates

Segment revenue, June fiscal year-ends (Rs m

Revenue	**4Q2008**	**4Q2007**	**% chg**	**2008**	**2007**	**% chg**
Lifestyle retailing	3,606	2,438	48	14,261	9,448	51
Value retailing	9,993	6,603	51	36,107	22,400	61
Home retailing	2,647	1,223	116	9,766	3,045	221
Total	**16,246**	**10,264**	**58**	**60,134**	**34,893**	**72**
less: SIS and consignment sales	946	569	66	4,666	1,758	165
Total retail sales	**15,300**	**9,695**	**58**	**55,468**	**33,135**	**67**

Source: Company data; compiled by Kotak Institutional Equities

Our SOTP-based value is Rs400

	Equity value	Per share value	Basis
PF standalone value (Rs/share)	17.9	268	15X FY2010E EPS
Value of Home Solutions (Rs mn)	11,710	71	10X FY2010E EV/EBITDA
Value of stake in Future Capital Holdings (Rs mn)	9,166	53	20% holding discount to current market price
Value of stake in Future Ventures		-	
Value of other businesses		-	None
Total (Rs per share)		**392**	

Source: Kotak Institutional equities estimates.

Key changes in estimates for 2009/11E, June fiscal year-ends, (Rs mn)

	New			Old			Change (%)		
	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E
Total retail space (mn sq. ft)	11.4	13.9	17.9	12.5	15.3	19.8	(8.8)	(9.2)	(9.4)
Net Sales	76,179	103,139	130,173	81,305	110,326	139,455	(6)	(7)	(7)
COS	(53,097)	(72,100)	(91,121)	(56,575)	(77,020)	(97,503)	(6)	(6)	(7)
Gross Profit	23,082	31,039	39,052	24,731	33,306	41,952	(7)	(7)	(7)
EBITDA	**6,456**	**8,412**	**10,213**	**6,439**	**8,176**	**9,944**	**0**	**3**	**3**
EBITDA margin	8.5	8.2	7.8	7.9	7.4	7.1			
Interest and Fin Costs	(2,320)	(2,242)	(2,647)	(1,705)	(1,680)	(2,115)	36	33	25
Profit/Loss Before Tax	**2,987**	**4,731**	**5,794**	**3,652**	**5,126**	**6,117**	**(18)**	**(8)**	**(5)**
PAT	**1,948**	**3,071**	**3,755**	**2,440**	**3,415**	**4,069**	**(20)**	**(10)**	**(8)**

Source: Kotak Instituitonal Equities estimates

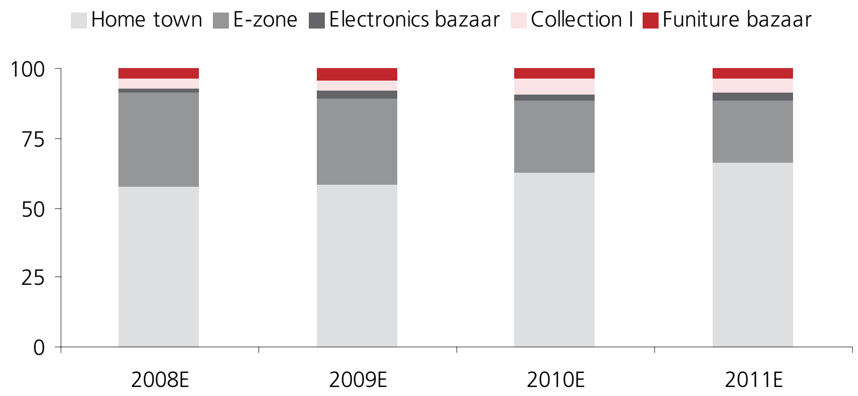
Our sensitivity shows that a 10% decline in retail space could impact 2010 profits by 5%

Sensitivity analysis of earnings to total retail space, June fiscal year-ends (Rs mn)

	Pessimistic				KIE				Optimistic			
			yoy (%)				yoy (%)				yoy (%)	
	2009E	2010E	2009E	2010E	2009E	2010E	2009E	2010E	2009E	2010E	2009E	2010E
Sales (Rs mn)	74,760	99,409	48	33	76,179	103,139	51	35	77,597	106,869	54	38
Total retail space (000 sq.ft)	11,018	13,319	39	21	11,406	13,963	44	22	11,794	14,607	49	24
EBITDA (Rs mn)	6,354	8,151	38	28	6,456	8,412	40	30	6,558	8,673	42	32
EBITDA margins (%)	8.5	8.2			8.5	8.2			8.5	8.1		
PAT (Rs mn)	1,887	2,910	(3)	54	1,948	3,071	0	58	2,010	3,232	3	61
PAT margin (%)	2.5	2.9			2.6	3.0			2.6	3.0		

Source: Kotak Institutional equities estimates

We expect Home town sales to contribute 67% of total HSRIL sales by FY2011E
% share of various formats to total HSRIL sales, June fiscal year-ends, 2008-11 (%)



Source: Kotak Institutional Equities estimates.

Pantaloon Retail: Abridged Profit model, balance sheet, cash model, March fiscal year-ends, 2005-11E, (Rs mn)

	2005	2006	2007	2008E	2009E	2010E	2011E
Profit Model (Rs mn)							
Total income (inc. other op. income)	**10,516**	**18,690**	**32,367**	**50,489**	**76,179**	**103,139**	**130,173**
EBITDA	**866**	**1,432**	**2,156**	**4,605**	**6,456**	**8,412**	**10,213**
EBITDA margin (%)	*8.2*	*7.7*	*6.7*	*9.1*	*8.5*	*8.2*	*7.8*
Depreciation	(133)	(208)	(369)	(834)	(1,150)	(1,439)	(1,773)
Other Income (inc. extraordinaries)	13	43	30	32	38	40	40
EBIT	**746**	**1,267**	**1,817**	**3,803**	**5,344**	**7,013**	**8,481**
Net finance cost	(244)	(335)	(898)	(1,853)	(2,320)	(2,242)	(2,647)
Profit before tax	**502**	**932**	**920**	**1,950**	**3,025**	**4,771**	**5,834**
Tax	**(145)**	**(277)**	**(610)**	**(697)**	**(1,079)**	**(1,700)**	**(2,079)**
Adjusted net profit	**386**	**642**	**611**	**1,259**	**1,948**	**3,071**	**3,755**
Diluted EPS (Rs)	**8.8**	**4.8**	**4.2**	**8.0**	**11.3**	**17.9**	**21.8**
Balance Sheet (Rs mn)							
Total Equity	2,215	5,269	10,923	17,056	26,498	29,397	32,808
Deferred tax liability	130	279	558	931	1,155	1,347	1,515
Total borrowings	2,862	6,014	12,996	21,496	18,496	18,496	24,496
Current liabilites & provisions	1,449	2,623	3,596	5,348	7,793	10,368	12,967
Total Liabilities and equity	**6,656**	**14,185**	**28,073**	**44,831**	**53,943**	**59,609**	**71,786**
Cash	215	218	1,630	10,604	9,940	7,228	8,646
Current assets excl. cash	3,824	8,606	15,865	20,660	28,409	34,842	43,165
Total net fixed assets	2,295	3,955	8,057	11,046	13,074	15,018	17,455
Investments	319	1,406	2,520	2,520	2,520	2,520	2,520
Miscellaneous expenditure	3	—	—	—	—	—	—
Total assets	**6,656**	**14,185**	**28,072**	**44,830**	**53,942**	**59,608**	**71,786**
Free cash flow (Rs mn)							
Operating cash flow, excl. working capital	583	1,013	1,848	2,466	3,322	4,702	5,695
Working capital	(1,009)	(2,244)	(6,286)	(3,043)	(5,303)	(3,859)	(5,723)
Capital expenditure	(682)	(1,868)	(4,461)	(3,823)	(3,177)	(3,383)	(4,210)
Free cash flow	**(1,109)**	**(3,100)**	**(8,899)**	**(4,400)**	**(5,159)**	**(2,539)**	**(4,238)**

Source: Company, Kotak Instituitonal Equities estimates

Energy

RELI.BO, Rs2039	
Rating	RS
Sector coverage view	Cautious
Target Price (Rs)	-
52W High -Low (Rs)	3298 - 1764
Market Cap (Rs bn)	2,680

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	1,334	1,813	2,681
Net Profit (Rs bn)	142.5	160.2	249.0
EPS (Rs)	101.7	105.8	158.3
EPS gth	*23.0*	*4.0*	*49.5*
P/E (x)	20	19.3	12.9
EV/EBITDA (x)	12.0	9.6	5.8
Div yield (%)	0.6	0.7	1.0

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	44.2	-	-
FIIs	21.0	9.7	0.8
MFs	2.8	7.1	(1.8)
UTI	-	-	(8.9)
LIC	5.1	10.8	1.9

Reliance Industries: Oil, gas and then some more

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- **KG D-6 update: Oil production commenced, gas production delayed moderately**
- **No change in valuations (Rs1,700 plus option value of new E&P discoveries) based on recent announcements**
- **Next events—legal dispute with RNRL and eight more discoveries in D-6 block**

We see the September 21 announcements regarding oil and gas production from RIL's KG D-6 block as largely on expected lines. We believe the more important developments pertain to (1) outcome of ongoing legal dispute with RNRL and (2) approval of the DGH of a development plan for eight additional discoveries in the KG D-6 block. We see the former being neutral-to-negative for RIL's stock price and the latter as adding about Rs50/share to the fair value of RIL stock. We estimate the fair value of RIL stock at around Rs1,700 without any option value for new E&P discoveries.

September 21 announcements largely on expected lines. RIL stated that KG D-6 production would increase to 550,000 boe/d in the next six quarters. This is as per previous disclosures of 80 mcm/d of gas from D1 and D3 discoveries and 40,000 b/d of oil production from MA-1 field. However, gas production from KG D-6 block (D1 and D3 discoveries) will commence from 1QCY09, which would suggest a delay of 1-2 months versus previous disclosures. We see a modest impact on FY2009E earnings but do not see this as relevant in the context of RIL's valuations. We model gas production from the KG D-6 block at 20 mcm/d (we will have to reduce this in light of the above-mentioned delay), 70 mcm/d and 90 mcm/d for FY2009E, FY2010E and FY2011E.

Ongoing legal dispute—arguments on gas pricing can cut both ways. We believe that any claim by RIL or acceptance by the government that US$4.2/mn BTU is the price for computation of profit petroleum and taxes may weaken considerably RIL's case versus RNRL. There is still some ambiguity about the US$4.2/mn BTU price approved by the Empowered Group of Ministers (EGOM)—whether it is the selling price or only a price for determining the government's share of profit petroleum. A section of the street and media believes that RIL's selling price can be above US$4.2/mn BTU as the US$4.2/mn BTU price is valid for computation of government's share of profit petroleum and taxes only.

We note that RNRL can claim that (1) the price of US$4.2/mn BTU is valid for computation of the government's share of profit petroleum and taxes only and (2) the disputed US$2.34/mn BTU price for sale of gas to RNRL need not be approved by the government. RIL has argued previously that the government has rejected the US$2.34/mn BTU since it has approved a price of US$4.2/mn BTU as per a decision of the EGOM.

As per press reports, an (unnamed) official of RIL recently stated that RIL can sell its gas at a higher price than the government-approved price of US$4.2/mn BTU. "The empowered group of ministers (EGoM) on pricing and utilization of New Exploration Licensing Policy (NELP) gas approved the pricing formula on September 12, 2007, for determination of the government's share (profit petroleum) and not the selling price," an official source said, as per a report in the press (Infraline, September 22, 2008).

Eight additional discoveries in the D-6 block may have option value of Rs50/ share. RIL and its partner Niko have submitted a development plan for eight additional discoveries in the KG D-6 block to the DGH. Full details on capex, production, production profile and schedule of production are not yet available but the capex is US$3 bn as per various press reports. We can roughly ascribe about one-third of our computed value for D1 and D3 fields (Rs259/share) to the eight discoveries based on US$3 bn capex for the new discoveries and US$9 bn for D1 and D3 discoveries and factoring for time value of money; the new discoveries will likely commence production after 3-4 years. We note that we already model production of 18 tcf of gas from D1 and D6 discoveries (versus official announced production of 11.3 tcf) based on capex of US$9 bn, which means we are already building in some buffer in our NPV computation of RIL's DG block.

The market is ascribing ~US$4 bn to potential oil and gas discoveries

Estimation of implied valuation of new businesses of Reliance Industries (US$ bn)

		Comments
1. Valuation of extant businesses		**Chemicals, RIL refinery, extant oil and gas**
FY2008 EPS of Reliance (Rs)	105.0	FY2008 EPS included about Rs17 of adventitious gains
FY2008 EPS adjusted for treasury shares (Rs)	121.7	Adjusted for 199 mn treasury shares
Effective tax rate in FY2008 (%)	15.4	
FY2008 EPS adjusted for tax rate	95.0	Normalized for 34% tax rate for extant earnings
Appropriate P/E multiple (X)	8.0	Generous given above mid-cycle margins, earnings and cost of equity of 12.5%
Valuation of extant businesses (Rs)	**760**	
Valuation of extant businesses	**22**	**Reasonable in the context of replacement value, returns**
2. Valuation of investments		**RPL, others (without Reliance Retail)**
Reliance Petroleum	384	3.167 bn shares at current market value of Rs152
Others and cash at end-FY2008E	69	
Total value of investments	**453**	
Valuation of RIL ex-new E&P, retailing, SEZs	**1,213**	
Current stock price	2,039	
3. Valuation of new businesses		**Emerging E&P business, retailing, SEZs**
Market-ascribed value of new businesses	**826**	
Market-ascribed value of new businesses (US$ bn)	**24**	
Estimated valuation of retailing (US$ bn)	2.0	Valued at 2X of amount invested; RIL has invested ~US$1 bn equity in Reliance Retail as of end-FY2008
Estimated valuation of SEZs (US$ bn)	1.4	Value will take time to emerge
Market-ascribed value of emerging E&P business	**21**	**Seems reasonable to us based on official reserves, announced discoveries**
Estimated value of Reliance's stake in KG D-6 (gas)	7.5	Based on gas production of 17.9 tcf, US$8.8 bn capex, US$4.2/mn BTU net price
Estimated value of Reliance's stake in KG D-6 (oil)	1.8	0.5 bn bbls of OOIP assumed versus current announced reserves of 180 mn bbls
Estimated value of Reliance's stakes in NEC-25	1.6	Based on 5.1 tcf of production, US$1.15 bn capex, US$4.5/mn BTU
Estimated value of Reliance's stakes in CBM	1.4	Based on 2.8 tcf of production
Implied value of new discoveries	**8**	

Source: Kotak Institutional Equities estimates

Reliance's current stock price is implying additional recoverable reserves of ~17 tcf of gas today
Valuation of Reliance's E&P segment and implied valuation for potential discoveries (US$ bn)

		Commnets
DCF valuation of KG D-6 block, gas for D1 & D3 fields	7.5	15.4 tcf of net recoverable gas reserves
Valuation of KG D-6 block, oil for MA-1 field	1.8	450 mn bbls of net proved reserves of oil at EV/bbl of US$10
Valuation of Reliance's stakes in NEC-25	1.6	4.6 tcf of net recoverable gas reserves
Valuation of Reliance's stakes in CBM blocks	1.4	2.8 tcf of net recoverable gas reserves
Total valuation of extant announced reserves	**12**	
Total recoverable reserves (tcf)	**25**	
Implied valuation of E&P segment	21	
Implied valuation of new E&P discoveries	8	
Implied additional recoverable reserves in stock price (tcf)	**17**	**This is what Reliance needs to announce today**
# of years from discovery to production	6	KG D-6 first gas discovered in Oct-02, production in 2HFY09
Cost of capital (%)	12.0	
Additional gas reserves required to be added in six years (tcf)	**34**	**This is what Reliance needs to bring in production in six years**

Note:
(a) The above exercise assumes for simplicity that all future gas and oil discovery would have similar PSC terms as the KG D-6 block.

Source: Kotak Institutional Equities estimates

SOTP valuation of Reliance is Rs1,725 per share on FY2010E estimates
Sum-of-the-parts valuation of Reliance Industries, FY2010E basis (Rs)

	Valuation base (Rs bn)		Multiple (X)		EV	Value share
	Other	EBITDA	Muliple	EV/EBITDA	(Rs bn)	(Rs)
Chemicals		66		6.0	397	289
Refining & Marketing		100		5.5	551	401
Oil and gas—producing		33		4.0	133	97
Gas—developing (DCF-based) (a)	572	—	100%	—	572	416
Oil—KG-DWN-98/3 (b)	97	—	100%	—	97	71
Investments						
RPL (3.167 bn shares at Rs152)	482	—	100%	—	482	350
Others	2	—	100%	—	2	1
Retailing	42	—	2.0	—	84	61
SEZ development	75	—	100%	—	75	54
Total					**2,295**	**1,740**
PV of refining division's future sales tax incentives					2	2
Total value					**2,297**	**1,742**
Net debt					26	19
Implied equity value					**2,271**	**1,724**

Note:
(a) We value the KG D-6 gas find on DCF and offshore Orissa (NEC-25) and CBM discoveries based on KG D-6's valuation.
(b) 180 mn bbls of recoverable reserves based on gross OOIP of 0.5 bn bbls.
(c) Net debt reflects a standalone (without RPL) scenario; however, we consolidate for RPL otherwise as it a 71% subsidiary.
(d) We use 1.374 bn shares (excluding treasury shares) for our per share computation.

Source: Kotak Institutional Equities estimates

Valuation of Reliance Industries stock (Rs)

	FY2010E EPS (Rs)	P/E (X)	Valuation (Rs/share)	Comments
Chemicals, refining, E&P (a) (b)	181	9	1,631	Consolidated FY2010E EPS including Reliance Petroleum
Valuation based on FY2010E EPS			**1,538**	**12.5% discount rate; discounted to September, 2009**
E&P (higher reserves in KG-DWN-98/3, other blocks)			—	We model 0.93 tcf of gas per annum production in perpetuity
E&P (NEC-25, CBM)			88	Based on KG D-6 reserves and valuation
New chemical projects (PX, new olefins complex)			26	
Investments			122	
Other investments			1	
Retailing			61	US$2 bn valuation based on 2X amount invested in Reliance Retail as of end-FY2008
SEZ development			60	SEZs will require investment for the first few years
12-month fair valuation			**1,773**	

Notes:
(a) FY2010E EPS is Rs158 on 1.573 bn shares after considering conversion of 120 mn warrants issued to the major shareholder.
(b) FY2010E EPS is adjusted for treasury shares or computed using 1.372 bn shares.

Source: Kotak Institutional Equities estimates

RIL consolidated with RPL: Profit model, balance sheet, cash model, March fiscal year-ends, 2003-2012E (Rs mn)

	2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E
Profit model (Rs mn)										
Net sales	451,133	510,715	656,223	809,113	1,114,927	1,334,430	1,813,149	2,681,280	2,636,824	2,612,150
EBITDA	**75,808**	**91,148**	**123,820**	**139,991**	**198,462**	**233,056**	**273,966**	**443,110**	**416,725**	**426,986**
Other income	10,012	11,381	14,498	6,829	4,783	8,953	13,065	12,379	14,503	22,151
Interest	(15,552)	(14,347)	(14,687)	(8,770)	(13,247)	(15,509)	(22,624)	(20,903)	(7,730)	4,387
Depreciation & depletion	(28,371)	(32,470)	(37,235)	(34,009)	(48,152)	(48,471)	(62,663)	(87,513)	(93,730)	(100,714)
Pretax profits	41,897	55,711	86,397	104,041	141,846	178,028	201,744	347,072	329,769	352,810
Extraordinary items	7,845	7,300	4,290	3,000	2,000	47,335	—	—	—	—
Tax	(2,459)	(3,510)	(7,050)	(9,307)	(16,574)	(26,520)	(39,739)	(76,555)	(80,542)	(91,381)
Deferred taxation	(6,240)	(7,900)	(7,920)	(7,040)	(9,196)	(8,999)	1,294	1,039	5,558	9,114
Minority interest	—	—	—	—	—	—	(3,145)	(22,559)	(18,879)	(19,554)
Net profits	41,043	51,601	75,717	90,693	118,076	189,844	160,154	248,998	235,905	250,988
Adjusted net profits	**34,570**	**45,623**	**72,135**	**88,152**	**116,434**	**147,869**	**160,154**	**248,998**	**235,905**	**250,988**
Earnings per share (Rs)	**24.8**	**32.7**	**51.7**	**63.3**	**80.1**	**101.7**	**105.8**	**158.3**	**149.9**	**159.5**
Balance sheet (Rs mn)										
Total equity	303,744	344,525	404,033	430,543	673,037	847,853	1,137,402	1,349,861	1,548,655	1,738,945
Deferred taxation liability	26,848	34,748	42,668	49,708	69,820	78,725	77,432	76,393	70,836	61,722
Minority interest	—	—	—	—	33,622	33,622	36,277	52,684	65,986	71,961
Total borrowings	197,583	209,447	187,846	218,656	332,927	493,072	361,633	245,126	115,804	75,477
Currrent liabilities	109,666	122,855	171,315	164,545	192,305	251,427	316,168	362,576	356,672	348,781
Total liabilities and equity	**637,842**	**711,574**	**805,863**	**863,452**	**1,301,712**	**1,704,700**	**1,928,911**	**2,086,642**	**2,157,953**	**2,296,885**
Cash	1,472	2,242	36,087	21,461	18,449	42,822	32,955	31,859	66,745	149,204
Current assets	227,809	218,159	248,438	224,283	286,566	402,721	509,224	628,918	622,056	614,726
Total fixed assets	340,863	351,460	350,823	626,745	899,403	1,081,638	1,176,712	1,178,345	1,181,633	1,230,435
Investments	67,227	139,714	170,515	(9,038)	97,294	177,519	210,019	247,519	287,519	302,519
Deferred expenditure	472	—	—	—	—	—	—	—	—	—
Total assets	**637,842**	**711,574**	**805,863**	**863,452**	**1,301,712**	**1,704,700**	**1,928,911**	**2,086,641**	**2,157,953**	**2,296,885**
Free cash flow (Rs mn)										
Operating cash flow, excl. working capital	67,072	83,301	107,002	119,520	164,285	180,718	202,104	339,114	318,111	324,895
Working capital	(17,614)	20,265	46,875	(32,188)	(13,075)	(31,071)	(41,763)	(73,286)	958	(561)
Capital expenditure	(37,043)	(43,191)	(52,440)	(94,273)	(247,274)	(239,691)	(137,877)	(83,838)	(86,675)	(134,420)
Investments	(34,204)	(68,430)	(48,192)	(32,364)	(105,760)	(78,953)	(32,500)	(37,500)	(40,000)	(15,000)
Other income	5,219	5,902	3,032	5,159	4,143	6,132	13,065	12,379	14,503	22,151
Free cash flow	**(16,569)**	**(2,153)**	**56,276**	**(34,146)**	**(197,681)**	**(162,865)**	**3,029**	**156,869**	**206,897**	**197,064**
Ratios (%)										
Debt/equity	59.8	55.2	42.1	45.5	44.8	53.2	29.8	17.2	7.2	4.2
Net debt/equity	59.3	54.6	34.0	41.1	42.3	48.6	27.1	15.0	3.0	(4.1)
RoAE	10.7	12.7	17.6	19.9	20.1	18.3	15.3	19.2	15.7	14.8
RoACE	**8.8**	**9.7**	**13.0**	**13.8**	**13.9**	**12.6**	**11.7**	**17.1**	**14.8**	**14.4**

Source: Kotak Institutional Equities estimates

Consumer products

Sector coverage view	Attractive

		Price, Rs	
Company	Rating	22-Sep	Target
Hindustan Unile	ADD	250	280
ITC	BUY	195	230
Nestle India	ADD	1,667	1,900
Colgate-Palmo	REDUCE	398	420
SmithKilne Cor	BUY	618	800
Asian Paints	ADD	1,152	1,240
Jyothy Laborat	ADD	400	740
Tata Tea	BUY	701	1,100
Godrej Consun	ADD	120	140

Market visit update: Good tidings for home and personal care

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- **The price-table of shampoo sachets likely to go up**
- **Detergents business in oligopoly territory; time to reap profits**
- **Beneficiaries are Hindustan Unilever (ADD, Rs249, TP: Rs280) and Godrej Consumer (ADD, Rs118, TP: Rs140)**

On our recent channel check trip, we visited Henkel, CavinKare, and Power Soaps in Chennai. Unorganized players have mostly exited and will likely re-enter only after volatility in input costs subside. We believe that there are oligopolistic trends seen in detergents (in terms of product pricing) and the category is in a sweet spot with gross margins likely returning to over 25% (from the current 20-25%) in CY09E. We see sustaining strong rural demand and relative faster growth for price-pointed packs across categories. While the smaller packs bring in lower gross margins, it is positive as the growth in price-pointed packs indicates higher consumer recruitment or increase in the frequency-of-use occasions. While there are concerns on potential downtrading effects in FMCG categories, we are yet to see any evidence. With the continued uptick in rural demand and due to coinage issues (the availability and acceptance 50p coin on the decline), we believe that the time has come for price-point upgradation; particularly in shampoo. This will be beneficial for all players in the shampoo business—upgrading the 50p price-point to Re1 can add 1% to sales and 4% to the EPS of HUL. We have an 'attractive' view of the consumer sector, beneficiaries are Hindustan Unilever (ADD, Rs249, TP: Rs280) and Godrej Consumer (ADD, Rs118, TP: Rs140).

Smaller FMCG players are looking forward to the prospect of sustained commodity correction

On our recent channel check trip, we visited Henkel, CavinKare, and Power Soaps in Chennai. Smaller, regional players are looking forward to the prospect of sustained commodity correction. However, the unorganized players have mostly exited the system and will likely re-enter only after volatility in input costs subside. Organized sector (MNCs + regional players) seems to have gained substantially—an example is the combined 5% market share gains by the top-3 players in detergents business. We see oligopolistic trends in detergents; category is entering a sweet spot with gross margins likely returning to over 25% (from the current 20-25%) in CY2009E. The emerging cost comfort will likely see players refocusing on product innovations in detergents; we expect increased focus on pre- and post-wash categories and efforts to upgrade the consumer.

Crude palm oil (key input for soaps) prices have corrected 25% in the last two months and are 50% below the peak touched in March 2008. We estimate CPO to account for about 16% of HUL's input costs; a 10% correction in price adds 70 bps to EBITDA and 4% to EPS. For GCPL, we estimate CPO to account for about 49% of input costs; a 10% correction in price adds 160 bps to EBITDA and 8% to EPS. However, significant margin expansion in soaps is unlikely given (1) industry volumes growth of -1% in soaps, the chances of a price cut to stimulate demand is high and (2) likely increase in advertisement and promotion to block ITC's task of building personal care brands.

Higher sales of price-pointed packs is positive

Our channel checks indicate strong rural demand and relative faster growth for price-pointed packs (Re1, Rs2, Rs5 etc). While, the smaller packs bring in lower gross margins (about half of large packs), we view this as a significantly positive trend as the growth in price-pointed packs indicate higher consumer recruitment (bringing new consumer into the branded fold) or increasing the frequency of use occasions (shampooing once a week to twice a week). While there are concerns about potential downtrading effects in FMCG categories, we are yet to see any evidence of the same based on our channel checks and discussions with company managements.

The price-table of shampoo sachets likely to go up

\With continued uptick in rural demand and due to coinage issues (the availability and acceptance 50p coin on the decline), we believe that the time has come for price-point upgradation; particularly in shampoo. This will be beneficial for all players in shampoo business, particularly for HUL. We estimate the contribution of 50p, Re1, Rs2 and Rs3 price-points to HUL's shampoo sales at 15%, 22%, 12% and 15%, respectively. For instance, upgrading the 50p price-point to Re1 can add 1% to sales and 4% to EPS of HUL.

Over two-thirds of shampoos in India are sold though sachets across price points spanning 50p, Re1, Rs2 and Rs3. CavinKare is the market leader in key states of Andhra Pradesh, Uttar Pradesh, Karnataka and Tamilnadu—these states together accounts for 70% of rural shampoo market. About 45% of CavinKare's leading brand 'Chik' is sold at the 50p price-point (total sales of 'Chik' is Rs2 bn). AOS (Alpha Olefin Sulphate) and SLES (Sodium Laureth Sulfate) are the key ingredients in shampoo, the prices of which have moved in line with crude oil in the last few years. The margins of these packs were hit severely in the past few years as the companies could neither increase the prices (being price-pointed packs) nor effect any pack size reduction (the standard size of 3.5 ml is the minimum required for one wash).

Detergents business in oligopoly territory; time to reap in profits

Our discussion with Henkel and Power suggest uptrading from the unorganized segment resulting in high-growth for branded players. We believe that players like HUL, P&G, Ghadi etc are well positioned to continue good growth in the category (over 15%). Smaller unorganized players have lost out in the last two years due to (1) implementation of VAT (because of the 'registered dealer' requirement under VAT regulations) (2) non-availability of key raw materials and (3) input inflation. We highlight that the risk of marginal players re-emerging is real in case input costs correct significantly. However, the cost efficiency measures already implemented, moving away from pack-sizes (for example 'Wheel' and other brands in the low-end has moved away from 500gm and 1 kg pack-size and retails at various pack-size points of 340 gm, 630 gm etc) will help companies manage margins to their advantage.

We believe that there are oligopolistic trends seen in detergents (in terms of product pricing) and the category is in a sweet spot with gross margins likely returning to over 25% (from the current 20-25%) in CY09E. The bitter price battle between HUL and P&G from 2004 coupled with a tough input cost scenario (caustic soda, soda ash, linear alkyl benzene) had brought down the profitability of this category to ~15% gross margin levels. We believe that with P&G gaining substantially in urban areas and in distribution depth in rural, the tidings are favorable in this category for a sustained margin improvement.

Cost savings on some ingredients like perfumes, structural changes to formulation (for example, usage of only as much bleach as is needed for washing efficacy) will also help the industry improve the margin profile of the category. We further highlight that the structural cost efficiency measures implemented by companies over the past three years has likely increased their cost competitiveness. Moreover, as the industry comes out of a difficult period (in terms of cost inflation), the likelihood of margin expansion in the medium term is high.

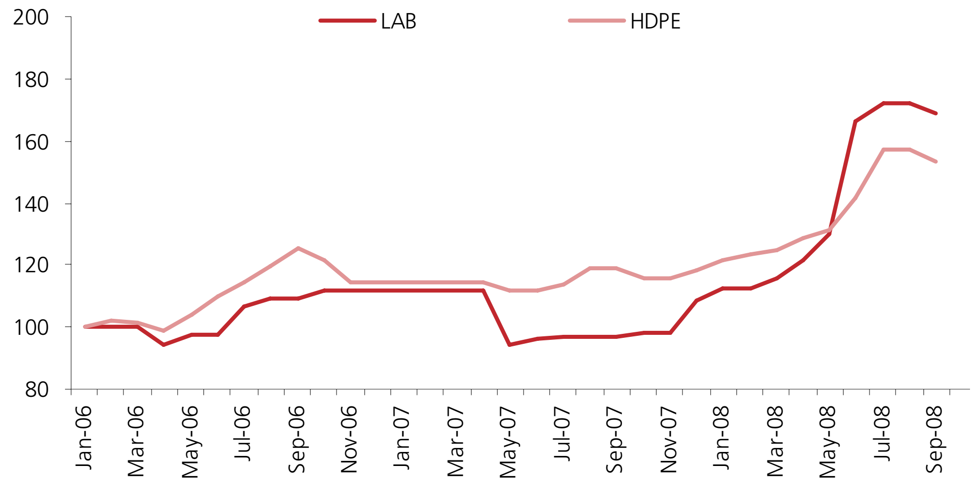
Time for more product innovations in detergents category

The emerging cost comfort will likely see players refocusing on product innovations, brand extensions and investments in building newer segments. The acute cost inflation of the past three years resulted in companies channelizing the focus towards cost management. Recent examples of renewed focus are the launch of 'Rin Matic' (first ever mid-price detergent for semi-automatic washing machines) and the attempt to upgrade the 'Wheel' consumer by launching 'Wheel Gold' at about 10% price premium to 'Wheel Blue'. We expect increased focus on pre and post wash categories and efforts to upgrade the consumer. Jyothy Laboratories' launch of 'Ujala Stiff n Shine' (fabric stiffener), Reckitt Benckiser's 'Vanish' (stain remover) and HUL's 'Comfort' (fabric softener with lasting perfume as the differentiator) are recent examples.

We have an 'attractive' view of the consumer sector and the beneficiaries discussed in this note are Hindustan Unilever (ADD, Rs249, TP: Rs280) and Godrej Consumer (ADD, Rs118, TP: Rs140).

Cost comfort emerging in key inputs for detergents and personal products

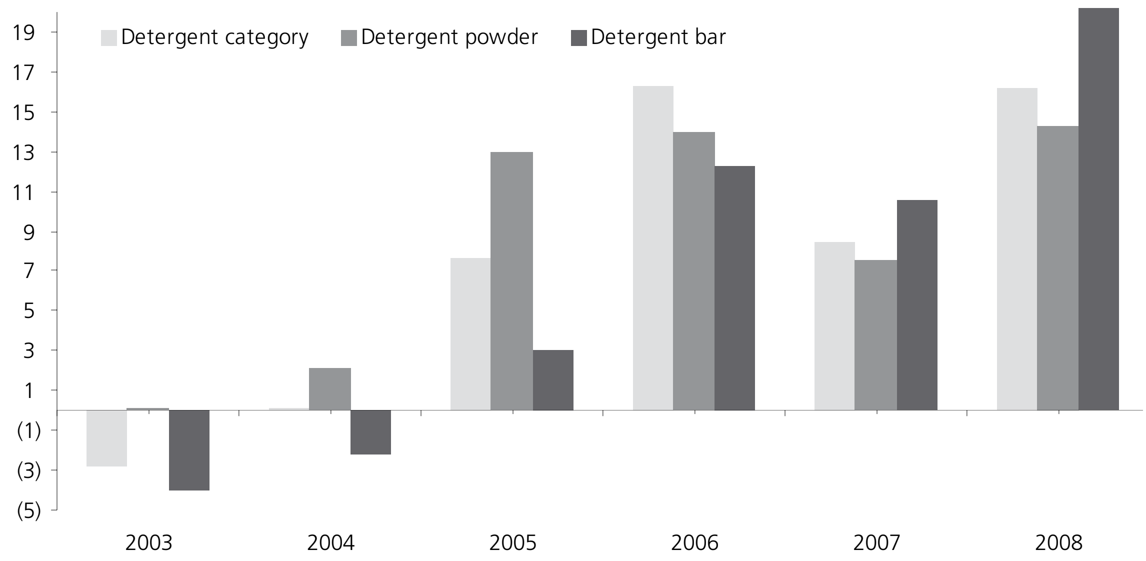
Key raw material price trends (Monthly average, January 2006 = Index 100)



Source: Bloomberg, Reliance Industries, Kotak Institutional Equities.

Price increases, market consolidation and uptrading are driving higher growth in detergents

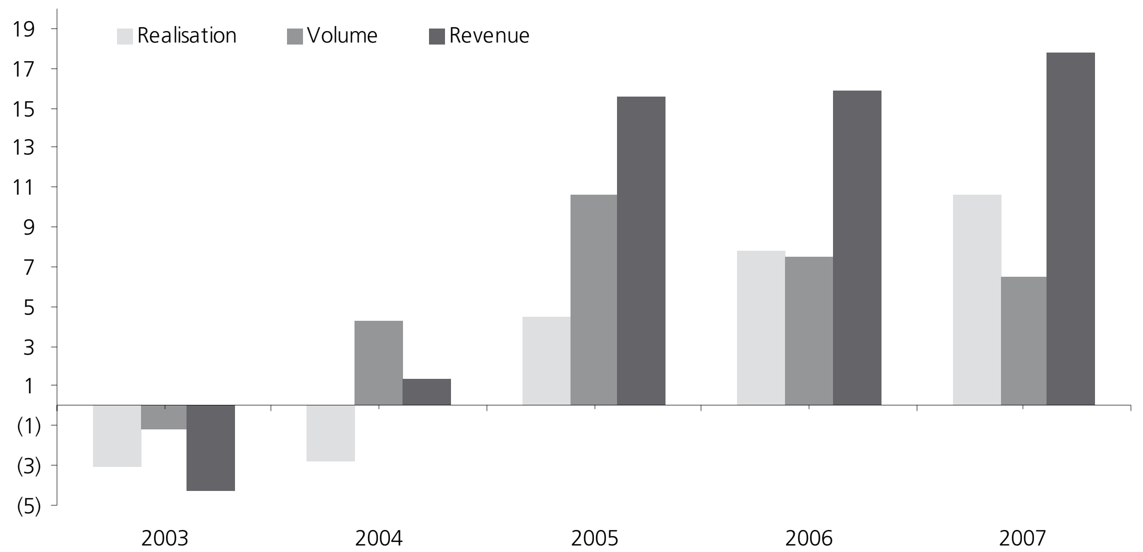
Value market growth rates (%)



Source: Market sources, Kotak Institutional Equities.

Uptrading and mix improvement likely drive higher detergent sales growth for HUL

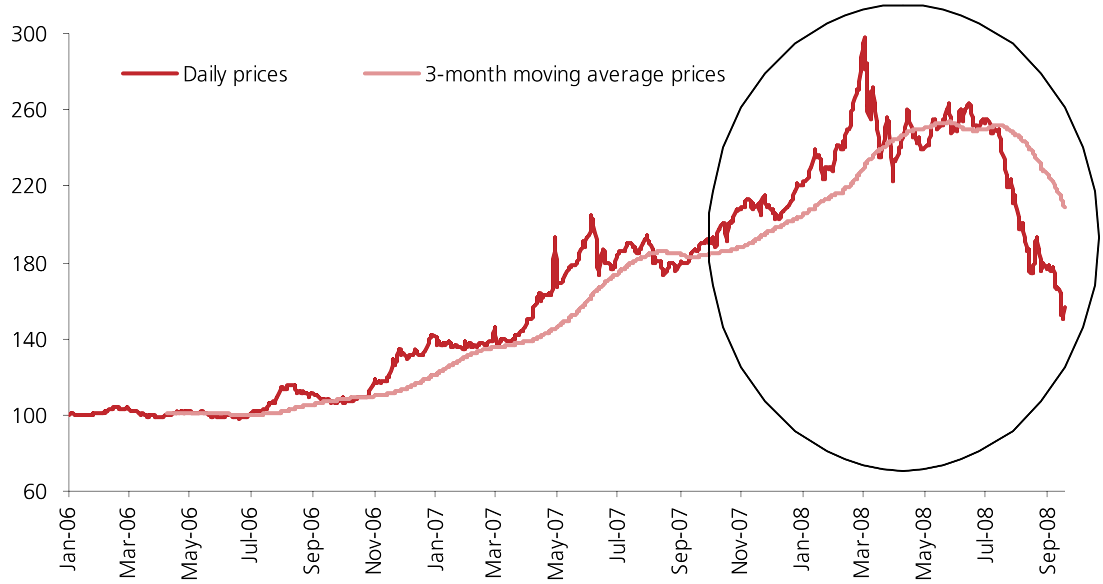
Volume, realisation and revenue growth (%)



Source: Company, Kotak Institutional Equities.

Significant cost comfort emerging in soaps category, expect higher brand investments

Malaysian Crude palm oil price trends (January 2006 = Index 100)



Source: Bloomberg, Kotak Institutional Equities

HUL: Profit model, balance sheet, cash model 2005-2009E, December year-ends (Rs mn)

	2006	2007	2008E	2009E
Profit model (Rs mn)				
Net sales	121,034	137,178	162,860	186,989
EBITDA	**16,621**	**18,874**	**22,756**	**27,805**
Other income	3,545	4,627	4,469	4,905
Interest	(107)	(255)	(225)	(75)
Depreciation	(1,302)	(1,384)	(1,531)	(1,813)
Extraordinary items	3,155	1,581	0	0
Pretax profits	18,757	21,862	25,470	30,823
Tax	(2,950)	(3,782)	(4,558)	(6,077)
Deferred taxation	(268)	(389)	(931)	(1,192)
Net profit	**15,539**	**17,690**	**19,981**	**23,554**
Earnings per share (Rs)	**7.0**	**8.0**	**9.2**	**10.8**
Balance sheet (Rs mn)				
Total equity	27,235	14,392	15,473	16,747
Total borrowings	726	885	885	885
Currrent liabilities	45,231	51,110	56,369	64,001
Total liabilities and equity	**73,191**	**66,387**	**72,727**	**81,633**
Cash	4,169	2,009	822	2,658
Current assets	27,527	30,765	32,963	37,421
Total fixed assets	15,110	17,081	20,117	23,922
Investments	24,139	14,408	17,632	17,632
Deferred tax asset	2,245	2,124	1,193	1
Total assets	**73,191**	**66,387**	**72,727**	**81,633**
Free cash flow (Rs mn)				
Operating cash flow, excl. working capital	20,209	20,860	22,550	26,703
Working capital	(471)	3,092	4,192	2,083
Capital expenditure	(1,576)	(3,355)	(4,567)	(5,617)
Investments	(4,309)	9,294	(3,224)	0
Free cash flow	**13,852**	**29,890**	**18,951**	**23,168**
Key assumptions				
Revenue Growth (%)	9.4	13.3	18.7	14.8
EBITDA Margin(%)	13.9	14.0	14.0	14.9
EPS Growth (%)	18.3	13.8	14.5	17.9

Source: Kotak Institutional Equities estimates.

GCPL: Profit model, balance sheet, 2007-2010E, March fiscal year-ends (Rs mn)

	2007	2008	2009E	2010E
Profit model (Rs mn)				
Net sales	9,515	11,026	12,439	13,850
EBITDA	**1,797**	**2,148**	**2,330**	**2,615**
Other income	66	60	334	275
Interest	(135)	(151)	(54)	(19)
Depreciation	(142)	(182)	(211)	(261)
Extraordinary items	99	0	0	0
Pretax profits	1,684	1,875	2,400	2,611
Tax	(243)	(283)	(344)	(408)
Net profits (reported)	**1,440**	**1,592**	**2,056**	**2,203**
Earnings per share (Rs)	**5.9**	**7.1**	**8.0**	**8.5**
Balance sheet (Rs mn)				
Total equity	1,220	1,687	6,825	7,820
Total borrowings	1,736	1,871	945	945
Currrent liabilities	2,617	3,227	3,121	3,425
Deferred tax liability	80	89	109	109
Total liabilities and equity	**5,653**	**6,874**	**11,001**	**12,299**
Cash	475	426	481	1,317
Current assets	2,300	3,093	2,481	2,875
Total fixed assets	1,992	2,399	2,659	3,578
Investments	0	0	5,345	4,495
Goodwill	886	956	35	35
Total assets	**5,653**	**6,874**	**11,001**	**12,299**
Key assumptions				
Revenue Growth (%)	36.0	15.9	12.8	11.3
EBITDA Margin(%)	18.9	19.5	18.7	18.9
EPS Growth (%)	12.6	18.7	13.0	7.1

Source: Kotak Institutional Equities estimates.

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	22-Sep-08		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Automobiles																													
Bajaj Auto	608	ADD	87,895	1,934	145	59.3	58.7	63.2	(53.4)	(1.1)	7.8	10.2	10.4	9.6	7.1	7.2	6.6	5.5	4.4	3.6	3.3	3.3	3.3	21.0	41.5	36.4	630	3.7	—
Hero Honda	817	REDUCE	163,205	3,591	200	48.5	59.9	66.1	12.8	23.5	10.4	16.9	13.7	12.4	10.6	9.6	8.7	5.2	4.3	3.5	2.3	2.4	2.4	34.0	34.6	31.1	790	(3.3)	7.0
Mahindra & Mahindra	554	ADD	143,065	3,147	258	38.1	36.9	37.2	(2.0)	(2.9)	0.6	14.6	15.0	14.9	10.6	10.3	9.5	3.2	2.5	2.1	2.0	1.7	1.7	27.8	22.0	17.8	640	15.5	5.7
Maruti Suzuki	721	ADD	208,456	4,586	289	59.9	60.0	65.1	10.8	0.2	8.4	12.0	12.0	11.1	6.8	6.5	5.9	2.4	2.0	1.7	0.6	0.6	0.6	22.1	18.3	16.8	790	9.5	16.0
Tata Motors	415	SELL	241,407	5,311	581	47.4	25.1	22.3	0.9	(47.1)	(10.9)	8.8	16.6	18.6	8.4	9.7	9.7	2.7	1.0	1.2	2.4	3.1	3.1	24.3	9.8	7.4	425	2.3	9.3
Automobiles		**Cautious**	**844,028**	**18,569**					**(0.8)**	**(5.2)**	**3.0**	**12.9**	**13.6**	**13.2**	8.4	8.6	8.0	**3.1**	**2.1**	**1.9**	**2.0**	**2.1**	**2.1**	**24.3**	**15.4**	**14.0**			
Banks/Financial Institutions																													
Andhra Bank	60	REDUCE	28,955	637	485	11.9	10.1	11.6	7.0	(15.0)	15.0	5.0	5.9	5.1	—	—	—	0.9	0.8	0.8	6.7	4.2	4.9	18.0	14.3	14.8	65	8.9	0.8
Axis Bank	705	REDUCE	252,150	5,547	358	32.2	35.8	55.1	37.7	11.0	53.9	21.9	19.7	12.8	—	—	—	3.1	2.6	2.2	0.8	1.0	1.5	17.6	13.8	18.7	750	6.4	62.9
Bank of Baroda	307	ADD	112,327	2,471	366	39.3	34.7	42.6	39.8	(11.6)	22.6	7.8	8.9	7.2	—	—	—	1.3	1.1	1.0	2.6	2.3	2.8	14.6	11.1	12.6	310	0.9	7.1
Bank of India	290	BUY	152,594	3,357	526	40.6	41.6	49.8	76.6	2.4	19.6	7.1	7.0	5.8	—	—	—	1.9	1.5	1.2	1.4	1.5	1.8	27.6	22.4	22.0	375	29.2	27.0
Canara Bank	221	REDUCE	90,549	1,992	410	38.2	23.4	38.6	10.1	(38.6)	64.7	5.8	9.4	5.7	—	—	—	1.3	1.1	1.0	3.6	3.2	3.4	15.0	8.9	13.6	210	(4.9)	3.7
Central Bank of India	53	SELL	21,601	475	404	11.6	5.6	16.3	(24.6)	(52.1)	194.4	4.6	9.6	3.3	—	—	—	1.0	0.7	0.6	3.7	—	—	15.3	7.9	16.7	55	2.9	0.5
Corporation Bank	277	ADD	39,682	873	143	51.3	44.8	53.6	37.2	(12.5)	19.6	5.4	6.2	5.2	—	—	—	0.9	0.8	0.7	3.8	3.3	4.0	18.4	14.4	15.4	355	28.3	0.4
Federal Bank	223	BUY	38,200	840	171	34.4	20.8	32.4	0.5	(39.4)	55.6	6.5	10.7	6.9	—	—	—	1.0	0.9	0.8	1.8	1.7	2.7	13.6	8.8	12.5	275	23.1	1.8
Future Capital Holdings	329	BUY	20,826	458	63	(4.5)	4.5	28.8	(689.8)	(198.6)	546.1	(73.0)	74.0	11.5	—	—	—	2.9	2.8	2.2	—	—	—	(6.7)	3.8	21.4	440	33.6	1.3
HDFC	2,332	ADD	669,440	14,728	287	85.8	83.7	100.1	38.2	(2.4)	19.6	27.2	27.9	23.3	—	—	—	5.6	4.8	4.2	1.1	1.1	1.3	27.8	18.6	19.3	2,350	0.8	70.0
HDFC Bank	1,301	BUY	550,570	12,113	423	46.0	52.5	67.4	28.7	14.1	28.4	28.3	24.8	19.3	—	—	—	4.8	3.7	2.6	0.5	0.7	1.0	17.7	17.0	16.9	1,300	(0.1)	49.0
ICICI Bank	636	ADD	707,385	15,562	1,113	39.9	33.9	42.0	15.4	(15.1)	23.8	15.9	18.8	15.1	—	—	—	1.5	1.4	1.3	1.7	1.3	1.7	11.7	7.9	9.2	650	2.2	147.9
IDFC	82	ADD	105,680	2,325	1,294	5.7	6.8	8.1	2.9	19.2	19.0	14.4	12.1	10.1	—	—	—	1.9	1.7	1.5	1.5	1.5	1.7	17.6	14.9	15.7	100	22.5	29.2
India Infoline	106	ADD	37,106	816	350	5.6	6.7	9.8	85.6	19.1	47.4	19.0	15.9	10.8	7.4	8.0	6.1	3.0	1.9	1.7	0.9	1.3	2.0	20.7	14.9	17.0	155	46.2	4.7
Indian Bank	134	ADD	57,740	1,270	430	22.5	19.5	25.6	33.9	(13.3)	30.8	6.0	6.9	5.3	—	—	—	1.3	1.1	1.0	2.2	1.9	2.4	23.4	16.4	18.4	140	4.2	2.8
Indian Overseas Bank	106	ADD	57,722	1,270	545	22.1	18.9	22.5	19.2	(14.2)	18.7	4.8	5.6	4.7	—	—	—	1.2	1.0	0.9	3.5	4.7	5.2	27.2	19.7	20.1	130	22.7	1.1
J&K Bank	463	ADD	22,432	494	48	74.2	75.7	77.5	31.2	2.0	2.4	6.2	6.1	6.0	—	—	—	1.1	0.9	0.8	3.3	3.4	3.5	16.8	15.2	13.9	750	62.1	0.4
LIC Housing Finance	321	ADD	27,258	600	85	45.5	56.5	59.5	38.7	24.1	5.3	7.0	5.7	5.4	—	—	—	1.4	1.2	1.0	3.1	3.9	4.1	-	-	-	380	18.5	4.7
Mahindra & Mahindra Financial	257	SELL	24,506	539	95	20.8	22.9	27.2	32.6	10.1	18.7	12.3	11.2	9.4	—	—	—	2.0	1.7	1.5	1.8	2.2	2.6	16.9	15.7	16.6	215	(16.4)	0.1
Oriental Bank of Commerce	173	ADD	43,431	955	251	23.9	26.3	30.7	(27.6)	10.3	16.4	7.3	6.6	5.7	—	—	—	0.9	0.8	0.7	2.7	3.0	3.5	6.2	10.9	11.7	200	15.4	1.9
PFC	130	REDUCE	148,693	3,271	1,148	11.4	13.0	15.8	2.6	14.3	21.1	11.4	10.0	8.2	—	—	—	1.5	1.3	1.2	1.2	1.4	1.7	13.4	13.6	14.6	130	0.3	3.4
Punjab National Bank	516	BUY	162,633	3,578	315	65.0	69.2	79.8	33.0	6.5	15.2	7.9	7.5	6.5	—	—	—	1.7	1.4	1.2	2.5	2.7	3.1	18.0	16.7	17.1	650	26.0	10.3
SREI	85	BUY	11,404	251	134	11.4	5.5	8.1	57.4	(51.8)	47.8	7.4	15.4	10.4	—	—	—	1.8	0.9	0.9	1.2	2.7	3.3	23.1	11.6	12.5	160	88.1	0.7
State Bank of India	1,567	ADD	989,451	21,768	631	106.6	93.5	119.2	23.5	(12.2)	27.4	14.7	16.8	13.1	—	—	—	2.3	2.1	1.8	1.4	1.4	1.4	16.8	11.5	13.4	1,700	8.5	80.1
Union Bank	150	BUY	75,540	1,662	505	27.5	20.8	29.3	64.1	(24.2)	40.9	5.4	7.2	5.1	—	—	—	1.0	0.9	0.8	2.7	2.1	2.9	26.8	17.4	20.9	200	33.7	3.6
Banks/Financial Institutions		**Attractive**	**4,447,875**	**97,853**					**36.3**	**(3.3)**	**28.1**	**13.7**	**14.2**	**11.1**	**—**	**—**	**—**	**2.1**	**1.8**	**1.6**	**1.5**	**1.5**	**1.7**	**15.3**	**12.9**	**14.4**			
Cement																													
ACC	627	REDUCE	118,324	2,603	189	64.1	61.2	47.7	13.0	(4.5)	(22.0)	9.8	10.3	13.2	5.1	5.2	6.8	2.6	2.3	2.1	3.7	3.7	3.7	33.3	25.3	17.5	610	(2.8)	8.5
Ambuja Cements	85	REDUCE	128,793	2,833	1,522	7.6	8.0	6.6	(11.2)	6.4	(17.5)	11.2	10.5	12.7	5.7	6.4	6.9	2.6	2.0	1.8	3.1	3.5	2.5	26.6	21.7	15.4	95	12.3	3.3
Grasim Industries	1,937	ADD	177,613	3,907	92	284.6	257.6	240.4	32.6	(9.5)	(6.7)	6.8	7.5	8.1	4.0	4.1	3.9	1.5	1.3	1.1	1.6	1.7	1.7	25.3	18.3	14.5	2,320	19.8	4.8
India Cements	128	ADD	36,008	792	282	24.5	19.1	19.9	n/a	(21.8)	4.1	5.2	6.7	6.4	3.9	4.2	3.6	1.1	0.9	0.8	1.5	1.7	1.7	25.9	15.8	14.4	160	25.2	3.1
Shree Cement	550	BUY	19,171	422	35	85.9	98.5	60.0	90.0	14.7	(39.0)	6.4	5.6	9.2	2.7	2.4	2.4	2.9	2.0	1.7	1.3	1.5	1.5	53.5	42.5	20.5	1,080	96.3	0.4
UltraTech Cement	559	BUY	70,045	1,541	125	81.4	80.6	59.1	28.5	(0.9)	(26.7)	6.9	6.9	9.5	4.8	4.7	5.5	2.2	1.7	1.4	1.4	1.5	1.5	45.2	32.1	18.9	700	25.2	1.0
Cement		**Cautious**	**549,955**	**12,099**					**19.0**	**(4.8)**	**(15.2)**	**7.9**	**8.3**	**9.8**	**4.4**	**4.6**	**4.9**	**1.9**	**1.6**	**1.4**	**2.3**	**2.5**	**2.3**	**24.5**	**19.1**	**14.3**			
Consumer (Discretionary)																													
Radico Khaitan	60	REDUCE	7,065	155	118	3.4	3.2	3.8	8.4	(7.0)	21.5	17.7	19.0	15.6	8.7	8.7	8.0	1.4	1.3	1.2	0.7	0.7	0.7	9.4	8.1	9.0	91	51.5	0.4
United Breweries	146	REDUCE	35,023	771	240	1.9	2.4	4.4	(11.6)	25.7	82.1	76.6	60.9	33.5	18.9	14.7	11.1	6.1	3.3	3.1	—	—	—	8.3	7.1	9.6	160	9.7	0.2
United Spirits	1,315	BUY	123,125	2,709	94	40.0	45.5	59.1	50.8	13.7	29.8	32.8	28.9	22.3	16.0	14.0	12.1	5.2	4.2	3.7	0.0	0.0	0.0	18.8	17.9	19.4	1,600	21.7	7.7
Consumer (Discretionary)		**Attractive**	**165,213**	**3,635**					**35.8**	**11.7**	**34.1**	**34.4**	**30.8**	**22.9**	**15.8**	**13.7**	**11.7**	**4.8**	**3.8**	**3.3**	**0.0**	**0.0**	**0.1**	**14.0**	**12.3**	**14.3**			
Consumer products																													
Asian Paints	1,152	ADD	110,452	2,430	96	38.3	44.3	52.4	36.1	15.8	18.2	30.1	26.0	22.0	18.1	15.2	12.6	11.4	9.2	7.4	1.3	1.5	1.7	43.5	40.2	38.3	1,240	7.7	1.2
Colgate-Palmolive (India)	398	REDUCE	54,152	1,191	136	17.3	19.2	22.4	18.4	10.6	17.0	23.0	20.8	17.8	18.1	15.3	12.9	28.9	24.6	21.0	3.3	3.6	4.2	100.8	128.5	128.3	420	5.5	0.9
GlaxoSmithkline Consumer (a)	618	BUY	25,990	572	42	38.5	45.5	53.8	27.4	18.4	18.3	16.1	13.6	11.5	8.4	6.9	5.6	3.9	3.3	2.9	2.1	2.4	2.9	27.3	27.3	27.3	800	29.4	0.2
Godrej Consumer Products	120	ADD	30,986	682	258	7.3	8.0	8.5	22.9	9.0	6.9	16.4	15.1	14.1	14.3	11.3	10.1	14.5	4.4	3.9	2.9	3.3	3.3	100.9	46.1	39.3	140	16.6	0.1
Hindustan Unilever	250	ADD	543,712	11,962	2,177	8.1	9.2	10.8	15.4	12.9	17.9	30.7	27.2	23.1	24.9	20.8	17.1	37.8	35.1	32.5	4.3	3.5	4.1	85.2	134.3	146.7	280	12.1	16.0
ITC	195	BUY	729,595	16,051	3,742	8.0	9.1	10.4	11.3	13.3	14.3	24.3	21.4	18.7	16.0	14.1	12.1	5.9	5.2	4.5	1.8	1.9	2.1	26.9	26.6	26.4	230	17.9	23.0
Jyothy Laboratories	400	ADD	5,811	128	15	31.0	42.1	68.3	(12.8)	35.8	62.3	12.9	9.5	5.9	8.8	6.2	3.6	1.6	1.3	1.1	2.3	2.6	2.9	11.5	13.1	17.9	740	84.8	
Nestle India (a)	1,667	ADD	160,744	3,536	96	44.5	58.6	70.2	31.3	31.7	19.7	37.5	28.4	23.8	22.6	17.6	14.6	31.2	23.6	18.3	1.6	2.1	2.6	94.8	94.5	86.9	1,900	14.0	1.3
Tata Tea	701	BUY	43,371	954	62	54.1	63.3	67.3	3.6	17.2	6.2	13.0	11.1	10.4	5.0	4.5	3.9	0.9	0.9	0.8	2.1	2.5	2.7	9.7	9.4	9.4	1,100	56.8	1.6
Consumer products		**Attractive**	**1,704,814**	**37,506**					**15.0**	**15.2**	**15.8**	**26.2**	**22.7**	**19.6**	**17.4**	**14.9**	**12.7**	**7.9**	**6.9**	**6.0**	**2.6**	**2.5**	**2.9**	**30.3**	**30.3**	**30.8**			
Constructions																													
Consolidated Construction Co.	501	BUY	18,500	407	37	24.0	34.2	44.9	67.6	42.4	31.1	20.8	14.6	11.2	13.6	8.8	6.6	4.1	3.3	2.7	0.5	1.0	1.3	27.7	25.0	26.4	700	39.8	0.0
IVRCL	250	BUY	33,865	745	135	16.0	17.1	22.8	29.2	6.5	33.2	15.6	14.6	11.0	12.1	9.0	7.0	2.1	1.8	1.6	0.6	0.3	0.3	14.8	13.5	15.6	415	65.9	6.8
Nagarjuna Construction Co.	116	BUY	26,666	587	229	7.2	8.1	10.6	14.5	13.4	30.2	16.2	14.3	11.0	10.6	8.9	7.7	1.7	3.1	1.4	1.0	1.2	1.4	12.6	11.3	13.3	195	67.5	5.3
Punj Lloyd	294	BUY	95,012	2,090	323	10.0	14.7	20.8	323.5	46.9	42.1	29.4	20.0	14.1	15.1	10.7	8.1	3.5	2.8	2.5	0.1	0.2	0.3	16.8	16.1	19.4	350	19.1	30.2
Sadbhav Engineering	770	BUY	10,083	222	13	40.5	62.6	78.1	68.2	54.4	24.8	19.0	12.3	9.9	11.2	6.9	5.3	3.4	2.4	2.0	0.5	0.6	0.8	16.3	19.6	20.5	1,100	42.9	0.1
Construction		**Attractive**	**184,127**	**4,051**					**95.2**	**30.4**	**36.0**	**21.9**	**16.8**	**12.3**	**13.1**	**9.6**	**7.5**	**2.8**	**2.4**	**2.0**	**0.4**	**0.5**	**0.6**	**12.6**	**14.3**	**16.5**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	22-Sep-08		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Energy																													
Bharat Petroleum	338	REDUCE	110,656	2,434	328	39.8	40.7	38.3	(24.0)	2.1	(5.9)	8.5	8.3	8.8	3.4	3.7	2.8	0.8	0.8	0.7	1.3	1.2	1.2	11.4	10.4	8.9	360	6.7	5.6
Cairn india	220	ADD	411,786	9,059	1,868	(0.1)	3.9	20.3	(105)	(3,390)	418	(1,850)	56	10.9	51.5	22.9	7.6	1.4	1.2	1.1	—	—	—	(0.1)	2.3	10.9	245	11.1	33.3
Castrol India (a)	335	ADD	41,463	912	124	20.1	23.6	24.1	64.6	17.5	2.1	16.7	14.2	13.9	9.7	8.4	8.2	10.1	9.4	8.7	4.2	5.4	5.4	59.5	68.5	65.2	350	4.4	0.4
GAIL (India)	418	BUY	353,313	7,773	846	30.8	36.8	42.0	21.7	19.5	14.3	13.6	11.4	9.9	7.8	7.0	6.9	2.5	2.1	1.8	2.4	2.6	3.1	18.2	19.2	18.7	470	12.5	14.2
GSPL	57	ADD	31,934	703	563	1.8	3.6	5.1	8.5	103.8	40.2	32.0	15.7	11.2	10.1	7.1	5.0	2.6	2.3	2.0	0.9	1.8	2.5	8.7	15.3	18.8	69	21.6	2.4
Hindustan Petroleum	232	REDUCE	78,552	1,728	339	33.5	26.1	33.4	(16.4)	(21.9)	27.7	6.9	8.9	6.9	5.7	3.7	2.2	0.6	0.6	0.5	1.3	1.0	1.3	9.6	6.8	7.9	260	12.2	5.3
Indian Oil Corporation	382	REDUCE	450,559	9,912	1,179	60.5	40.9	61.8	29.2	(32.5)	51.2	6.3	9.4	6.2	4.3	7.9	7.4	1.0	0.9	0.8	1.5	1.3	1.9	17.2	10.1	13.5	500	30.9	3.8
Oil & Natural Gas Corporation	1,060	BUY	2,266,579	49,865	2,139	92.0	131.5	147.3	8.2	42.9	12.0	11.5	8.1	7.2	4.4	3.3	2.9	2.2	1.9	1.6	3.0	3.4	4.2	19.4	24.2	22.8	1,300	22.7	50.1
Petronet LNG	56	ADD	41,625	916	750	6.3	5.8	6.5	—	(7.6)	10.5	8.8	9.5	8.6	5.6	6.9	5.7	2.2	1.8	1.5	2.7	2.7	2.7	26.7	20.2	18.6	70	26.1	2.1
Reliance Industries	2,039	RS	2,680,173	58,964	1,314	101.7	105.8	158.3	23.0	4.0	49.5	20.0	19.3	12.9	12.0	9.6	5.8	3.0	2.6	2.0	0.6	0.7	1.0	18.5	15.5	19.8	—	—	249.9
Reliance Petroleum	152	REDUCE	684,225	15,053	4,500	(1.1)	2.4	16.9	n/a	n/a	617.4	n/a	64.4	9.0	n/a	31.3	7.4	5.1	4.7	3.2	—	—	1.3	(3.5)	7.6	42.8	150	(1.3)	84.6
Energy		**Cautious**	**7,150,864**	**157,319**					**10.7**	**23.0**	**44.0**	**15.4**	**12.5**	**8.7**	**7.6**	**6.6**	**4.9**	**2.2**	**1.9**	**1.6**	**1.5**	**1.6**	**2.2**	**14.5**	**14.9**	**18.5**			
Industrials																													
ABB	835	REDUCE	176,869	3,891	212	23.2	28.6	35.4	44.5	23.2	23.7	36.0	29.2	23.6	21.3	16.9	13.2	10.9	8.2	6.3	0.3	0.3	0.4	34.8	32.1	30.3	875	4.8	9.8
BGR Energy Systems	285	REDUCE	20,513	451	72	12.3	18.3	23.2	(67.1)	49.5	26.7	23.2	15.5	12.3	14.2	9.5	8.2	4.1	3.3	2.7	0.4	0.6	0.8	30.1	23.5	24.1	325	14.1	3.4
Bharat Electronics	886	ADD	70,848	1,559	80	102.1	104.4	111.1	11.3	2.3	6.4	8.7	8.5	8.0	3.3	3.0	2.6	2.1	1.8	1.5	2.8	2.8	2.8	27.9	23.1	20.9	1,200	35.5	1.5
Bharat Heavy Electricals	1,686	ADD	825,257	18,156	490	58.4	73.1	96.9	22.9	25.1	32.6	28.9	23.1	17.4	15.6	12.2	9.3	7.7	6.1	4.9	0.9	0.9	1.2	29.2	29.5	31.1	2,000	18.6	75.4
Dredging Corporation	419	REDUCE	11,718	258	28	55.3	48.7	57.0	(8.3)	(12.0)	17.2	7.6	8.6	7.3	4.0	3.7	3.0	0.9	0.9	0.8	3.6	3.6	3.6	12.5	10.3	11.1	475	13.5	0.1
Larsen & Toubro	2,571	BUY	761,797	16,760	296	75.9	115.4	146.2	20.8	52.1	26.7	33.9	22.3	17.6	21.1	13.3	10.5	6.4	4.4	3.5	0.7	0.8	0.8	22.7	23.4	22.2	3,200	24.5	113.1
Maharashtra Seamless	281	BUY	19,840	436	71	31.4	37.5	44.7	(18.3)	19.6	19.1	9.0	7.5	6.3	5.4	4.8	4.0	1.7	1.4	1.2	1.6	2.0	2.4	20.9	20.8	20.7	390	38.6	0.8
Siemens	489	REDUCE	165,023	3,631	337	18.2	18.8	25.9	60.4	3.1	38.0	26.9	26.1	18.9	15.7	15.0	10.6	9.0	7.0	5.3	0.5	0.6	0.6	39.9	30.2	32.0	570	16.5	7.2
Suzlon Energy	199	ADD	311,196	6,846	1,567	6.6	11.4	17.7	9.5	73.5	55.1	30.2	17.4	11.2	15.1	11.5	8.8	3.4	2.8	2.2	0.5	0.5	0.5	16.3	17.7	22.1	300	51.1	39.3
Industrials		**Neutral**	**2,363,062**	**51,987**					**24.0**	**33.8**	**32.2**	**27.8**	**20.7**	**15.7**	**15.9**	**11.9**	**9.3**	**5.7**	**4.4**	**3.5**	**0.8**	**0.8**	**1.0**	**20.6**	**21.2**	**22.3**			
Infrastructure																													
IRB Infrastructure	129	BUY	42,924	944	332	3.4	7.3	15.7	150.9	111.5	116.3	37.7	17.8	8.2	13.6	12.5	5.9	2.6	2.2	1.7	—	—	—	10.7	13.4	23.3	195	51.0	0.6
Media																													
DishTV	32	BUY	15,887	350	500	(9.6)	(8.9)	(4.4)	n/a	(7.8)	(50.7)	(3.3)	(3.6)	(7.2)	(9.3)	(10.0)	66.2	(3.5)	(6.2)	(3.0)	—	—	—	167.9	125.6	71.3	56	76.1	4.2
HT Media	116	BUY	27,243	599	234	4.3	4.2	7.5	4.7	(2.0)	77.1	26.9	27.4	15.5	15.3	15.2	8.5	3.1	2.9	2.5	0.3	0.3	0.7	12.2	11.0	17.2	175	50.5	0.3
Jagran Prakashan	71	BUY	21,293	468	301	3.3	3.1	5.0	33.5	(6.3)	63.3	21.7	23.2	14.2	12.1	12.3	7.8	4.0	3.8	3.4	2.8	2.6	3.5	18.7	16.6	25.1	95	34.4	0.3
Sun TV Network	228	REDUCE	89,673	1,973	394	8.3	9.7	12.0	30.7	16.7	23.6	27.4	23.5	19.0	14.5	12.1	9.9	5.9	5.1	4.6	1.1	1.3	2.6	24.8	24.2	26.1	260	14.3	1.3
Zee Entertainment Enterprises	205	ADD	89,055	1,959	434	8.9	10.5	13.9	62.6	17.8	32.7	23.1	19.6	14.8	16.8	12.7	9.6	3.1	2.8	2.5	1.0	1.2	1.7	14.2	15.1	17.8	240	16.8	6.1
Media		**Attractive**	**243,151**	**5,349**					**24.0**	**16.8**	**92.0**	**48.7**	**41.7**	**21.7**	**19.4**	**15.6**	**10.2**	**4.6**	**3.9**	**3.6**	**1.0**	**1.2**	**2.0**	**9.4**	**9.4**	**16.6**			
Metals																													
Hindalco Industries	111	REDUCE	192,540	4,236	1,742	13.1	16.2	14.6	(10.9)	23.5	(9.9)	8.4	6.8	7.6	5.3	4.2	4.0	1.1	0.6	0.7	1.2	1.6	1.6	14.3	12.7	9.4	150	35.7	10.5
National Aluminium Co.	387	REDUCE	249,541	5,490	644	25.2	30.3	33.5	(31.8)	20.0	10.6	15.4	12.8	11.6	8.1	6.9	5.5	2.7	2.3	2.0	1.9	1.9	1.9	18.4	19.4	18.7	370	(4.5)	5.6
Jindal Steel and Power	1,508	BUY	232,112	5,106	154	80.4	111.6	117.0	83.2	38.9	4.8	18.8	13.5	12.9	12.1	9.0	8.2	5.4	3.8	2.8	—	—	—	34.3	32.8	25.1	2,900	92.4	23.4
JSW Steel	596	ADD	110,658	2,434	186	92.0	103.1	146.8	35.7	12.0	42.4	6.5	5.8	4.1	5.1	5.4	3.9	1.1	0.9	0.8	3.1	3.1	3.1	21.2	18.1	21.0	1,040	74.6	16.3
Hindustan Zinc	485	ADD	205,076	4,512	423	104.0	72.2	71.5	(1.0)	(30.6)	(1.0)	4.7	6.7	6.8	3.2	3.9	3.4	1.7	1.4	1.2	1.5	1.5	2.1	44.0	22.5	18.4	750	54.5	3.1
Sesa Goa	123	BUY	97,106	2,136	787	18.8	22.6	23.2	144.6	19.7	2.7	6.5	5.5	5.3	4.2	3.3	2.8	3.5	2.3	1.7	2.8	3.2	4.1	68.6	50.8	36.9	195	58.1	36.7
Sterlite Industries	460	SELL	326,049	7,173	708	63.7	52.3	51.5	(23.3)	(17.9)	(1.6)	7.2	8.8	8.9	4.1	4.0	3.5	1.4	1.2	1.1	—	—	—	26.6	14.8	12.6	460	(0.0)	33.7
Tata Steel	494	REDUCE	406,063	8,933	822	75.7	116.9	106.1	43.8	54.4	(9.3)	6.5	4.2	4.7	5.0	4.4	4.4	1.1	0.9	0.8	2.9	2.6	2.6	46.3	35.6	28.4	520	5.3	67.7
Metals		**Cautious**	**1,819,145**	**40,021**					**12.3**	**13.1**	**(0.4)**	**7.7**	**6.8**	**6.9**	**5.2**	**4.7**	**4.3**	**1.6**	**1.2**	**1.1**	**1.6**	**1.6**	**1.7**	**20.2**	**18.2**	**15.5**			
Pharmaceutical																													
Biocon	190	BUY	18,980	418	100	22.5	24.5	32.0	9.4	8.5	31.0	8.4	7.8	5.9	5.0	4.6	3.5	1.3	1.2	1.0	0.2	0.2	0.2	17.6	15.7	18.2	615	224.0	1.0
Cipla	228	REDUCE	177,572	3,907	777	9.0	10.5	12.2	4.9	16.2	16.4	25.3	21.8	18.7	18.5	16.6	14.0	4.7	4.1	3.5	0.9	1.1	1.3	20.1	20.1	20.3	230	0.7	8.0
Dishman Pharma & chemicals	329	BUY	26,787	589	81	14.7	19.7	27.7	30.5	34.1	40.1	22.4	16.7	11.9	16.4	12.4	9.1	4.7	3.7	2.9	0.0	0.0	0.0	26.8	24.8	27.3	515	56.4	0.4
Divi's Laboratories	1,415	BUY	91,364	2,010	65	56.6	77.9	103.6	85.6	37.7	33.0	25.0	18.2	13.7	21.6	14.9	10.7	10.7	6.9	4.7	0.1	0.1	0.1	52.9	46.5	41.3	2,330	64.6	3.8
Dr Reddy's Laboratories	529	BUY	89,014	1,958	168	26.1	33.8	41.0	(57.2)	29.6	21.5	20.3	15.7	12.9	9.7	7.7	6.6	2.0	1.8	1.6	0.7	0.8	0.8	10.3	12.0	13.0	790	49.3	6.8
Glenmark Pharmaceuticals	591	BUY	157,226	3,459	266	25.8	32.4	41.9	98.3	25.4	29.3	22.9	18.3	14.1	19.5	14.5	11.0	10.6	5.8	4.2	0.0	0.0	0.0	58.2	40.6	35.1	770	30.2	6.4
Jubilant Organosys	307	BUY	55,619	1,224	181	22.1	19.5	35.5	69.9	(11.6)	81.6	13.9	15.7	8.7	11.2	12.4	7.9	3	2.3	2.1	0.4	0.7	0.8	30.4	18.8	27.5	700	128.1	0.4
Piramal Healthcare	330	BUY	68,980	1,518	209	17.6	20.0	26.5	65.4	13.5	32.5	18.8	16.5	12.5	13.7	11.3	8.7	6.3	4.9	3.7	1.3	1.2	1.4	30.6	33.3	33.8	530	60.6	1.2
Ranbaxy Laboratories	347	REDUCE	145,606	3,203	419	23.3	9.8	15.5	70.4	(58.1)	58.7	14.9	35.6	22.4	12.4	14.9	8.1	4.8	2.3	1.4	2.2	3.0	3.8	29.8	9.1	9.2	420	20.9	55.5
Sun Pharmaceuticals	1,422	BUY	295,721	6,506	208	71.5	84.3	77.5	71.3	17.9	(8.1)	19.9	16.9	18.4	16.2	12.7	13.1	5.5	4.2	3.5	0.6	0.8	0.9	37.6	29.7	22.0	1,780	25.2	19.6
Pharmaceuticals		**Attractive**	**1,126,870**	**24,791**					**34.1**	**8.3**	**24.5**	**20.2**	**18.6**	**15.0**	**14.6**	**12.6**	**9.9**	**4.7**	**3.5**	**2.6**	**0.7**	**0.9**	**1.2**	**23.4**	**18.6**	**17.7**			
Property																													
Housing Development & Infrastruc	223	BUY	61,504	1,353	275	51.2	56.6	63.6	118.6	10.6	12.3	4.4	3.9	3.5	5.3	4.9	4.1	1.7	1.2	1.0	1.7	3.6	3.6	64.5	36.3	30.7	610	173.2	41.7
DLF	421	BUY	718,021	15,796	1,705	43.8	49.8	55.1	244.6	13.9	10.5	9.6	8.5	7.6	8.8	7.5	6.0	3.7	2.7	2.1	1.2	1.7	2.4	63.2	36.6	30.8	660	56.7	70.0
IVR Prime Urban Developers	135	BUY	8,689	191	64	27.0	15.5	17.1	552.0	(42.6)	10.8	5.0	8.8	7.9	3.2	7.2	7.3	0.9	0.8	0.8	3.0	3.7	5.2	31.9	9.6	10.0	360	165.8	0.2
Mahindra Life Space Developer	375	BUY	15,772	347	42	12.7	13.9	19.0	208.4	8.9	37.4	29.4	27.0	19.7	62.7	21.0	12.3	1.8	1.7	1.7	0.8	1.0	1.0	6.4	6.5	8.5	810	116.2	0.5
Phoenix Mills	155	BUY	22,484	495	145	2.6	4.4	11.6	(59.8)	68.1	162.1	58.9	35.0	13.4	50.6	23.2	8.3	1.6	1.5	1.3	—	—	—	5.0	4.4	10.6	350	125.4	0.9
Puravankara Projects	168	REDUCE	35,855	789	213	11.3	14.0	16.7	67.4	24.8	19.1	14.9	12.0	10.0	19.8	16.8	12.6	2.9	2.5	2.2	0.6	2.4	3.6	32.9	22.4	23.1	220	31.0	0.7
Sobha	201	REDUCE	14,675	323	73	31.7	30.2	33.2	42.9	(4.7)	9.8	6.3	6.7	6.1	8.7	7.6	7.2	1.5	1.2	1.0	3.2	2.0	2.0	25.3	20.0	18.6	250	24.2	1.5
Unitech	129	REDUCE	208,742	4,592	1,623	9.7	12.0	15.0	20.3	24.5	24.7	13.3	10.7	8.6	10.7	8.8	7.3	6.2	4.2	3.1	0.8	1.6	3.1	58.4	46.8	41.9	190	47.7	32.6
Property		**Neutral**	**1,085,742**	**23,886**					**168.7**	**14.1**	**14.0**	**9.7**	**8.5**	**7.5**	**9.0**	**7.7**	**6.3**	**3.4**	**2.5**	**2.0**	**1.1**	**1.8**	**2.6**	**34.7**	**29.8**	**26.8**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Retail																													
Pantaloon Retail	304	BUY	52,333	1,151	172	8.0	12.1	18.4	93.1	50.4	52.2	37.9	25.2	16.6	13.8	9.6	7.7	3.1	2.0	1.8	0.2	0.3	0.3	8.5	9.1	10.8	400	31.4	1.1
Titan Industries	1,173	BUY	52,053	1,145	44	35.1	41.1	49.8	55.2	17.3	21.0	33.5	28.5	23.6	22.5	17.5	14.1	11.1	8.5	6.6	0.7	0.8	0.9	37.7	33.6	31.6	1,350	15.1	2.4
Vishal Retail	351	ADD	7,855	173	22	18.1	21.6	35.6	37.2	19.2	65.2	19.4	16.3	9.8	10.2	7.0	5.3	2.9	2.5	2.0	-	-	-	20.2	16.2	22.1	485	38.3	0.1
Retail			**112,241**	**2,469**					**31.8**	**36.2**	**40.7**	**34.9**	**25.6**	**18.2**	**15.8**	**11.1**	**8.7**	**4.6**	**3.1**	**2.7**	**0.4**	**0.5**	**0.6**	**13.2**	**12.2**	**14.9**			
Technology																													
HCL Technologies	233	REDUCE	162,005	3,564	695	15.3	22.3	25.4	(19.0)	46.0	13.8	15.3	10.4	9.2	8.6	6.9	5.7	3.3	2.7	2.3	3.4	3.4	3.4	21.4	28.1	27.3	250	7.3	4.4
Hexaware Technologies	34	SELL	4,840	106	142	7.7	4.7	5.6	(13.7)	(38.2)	18.5	4.4	7.2	6.1	1.4	1.1	0.6	0.7	0.6	0.6	4.7	4.7	4.7	15.1	9.4	10.4	50	46.8	0.4
Infosys Technologies	1,630	BUY	935,563	20,582	574	79.1	102.1	118.1	18.0	29.1	15.7	20.6	16.0	13.8	16.3	12.3	9.9	6.8	5.2	4.1	2.0	1.5	1.8	36.1	36.8	33.1	2,100	28.8	80.2
Mphasis BFL	209	SELL	43,658	960	208	12.2	15.6	18.5	67.6	27.3	18.8	17.1	13.4	11.3	10.2	8.0	6.5	3.8	0.5	2.6	1.7	1.9	2.1	23.6	25.6	25.4	220	5.1	2.0
Mindtree	335	BUY	13,143	289	39	26.1	35.7	43.4	14.8	36.5	21.7	12.8	9.4	7.7	10.8	6.6	5.0	2.5	2.0	1.6	0.8	1.1	1.3	21.3	23.5	22.9	550	64.1	0.5
Patni Computer Systems	198	SELL	27,494	605	139	33.4	25.2	29.7	29.7	(24.5)	17.7	5.9	7.8	6.7	2.9	2.6	1.7	1.0	0.9	0.9	1.0	1.2	1.4	19.2	11.7	12.7	260	31.4	1.6
Polaris Software Lab	78	SELL	7,628	168	98	7.4	10.1	11.8	(27.6)	36.0	16.2	10.4	7.7	6.6	4.9	3.5	2.7	1.2	1.0	0.9	2.3	2.3	2.3	11.7	14.3	14.8	90	16.0	5.7
Satyam Computer Services	353	BUY	240,479	5,291	682	25.2	32.2	37.5	17.7	27.6	16.5	14.0	10.9	9.4	10.8	7.7	6.1	3.3	2.7	2.2	2.8	3.4	4.0	26.0	27.1	25.7	500	41.8	39.0
TCS	767	REDUCE	750,398	16,509	979	51.3	58.7	67.9	21.5	14.5	15.6	15.0	13.1	11.3	12.1	10.2	8.5	6.1	4.7	3.9	1.8	2.7	3.5	47.0	40.8	37.8	900	17.4	24.5
Tech Mahindra	656	BUY	81,761	1,799	125	59.1	74.8	89.4	25.7	26.7	19.4	11.1	8.8	7.3	9.8	6.1	4.5	6.5	3.6	2.4	0.6	—	0.9	70.7	55.8	41.6	900	37.2	4.3
Wipro	415	ADD	601,315	13,229	1,450	22.2	27.5	33.5	12.6	23.6	21.8	18.7	15.1	12.4	14.9	11.1	8.7	4.6	3.8	3.1	1.5	2.0	2.5	27.9	27.6	27.4	490	18.2	11.0
Technology		**Neutral**	**2,868,282**	**63,102**					**16.1**	**23.8**	**17.0**	**16.6**	**13.4**	**11.5**	**12.8**	**9.9**	**8.0**	**4.9**	**3.9**	**3.2**	**2.0**	**2.1**	**2.6**	**29.5**	**29.0**	**27.6**			
Telecom																													
Bharti Airtel Ltd	809	REDUCE	1,535,022	33,770	1,898	35.3	47.0	57.0	65.0	33.2	21.1	22.9	17.2	14.2	13.9	10.1	7.8	6.8	4.9	3.6	—	0.5	0.7	39.1	32.9	29.1	840	3.9	81.9
IDEA	82	REDUCE	217,068	4,775	2,639	3.9	4.6	5.5	78.5	15.7	20.8	20.8	18.0	14.9	12.1	9.0	7.5	6.1	4.6	3.5	—	—	—	36.4	29.1	26.6	100	21.6	15.7
MTNL	90	REDUCE	56,637	1,246	630	6.0	6.5	7.0	(25.2)	7.7	8.2	15.0	13.9	12.8	1.2	1.3	1.3	0.5	0.5	0.5	6.7	6.7	6.7	2.7	2.9	3.2	100	11.2	3.4
Reliance Communications	370	SELL	763,267	16,792	2,064	25.0	28.6	34.8	76.4	14.1	21.9	14.8	12.9	10.6	10.5	9.0	7.1	2.7	2.2	1.8	0.2	—	-	16.1	19.9	19.8	390	5.5	85.4
Tata Communications	459	REDUCE	130,872	2,879	285	10.9	12.0	13.3	(36.3)	9.2	11.2	41.9	38.4	34.6	17.5	16.3	14.1	2.0	1.9	1.8	1.0	1.1	1.4	4.4	4.7	4.9	430	(6.4)	3.1
Telecom		**Cautious**	**2,702,865**	**59,463**					**61.9**	**23.9**	**20.6**	**19.2**	**15.5**	**12.8**	**12.2**	**9.6**	**7.5**	**3.7**	**3.0**	**2.5**	**0.4**	**0.6**	**0.6**	**19.4**	**19.6**	**19.3**			
Transportation																													
Container Corporation	877	ADD	114,051	2,509	130	57.7	67.5	75.0	7.8	17.0	11.0	15.2	13.0	11.7	10.4	8.8	7.4	3.6	3.0	2.5	1.4	1.6	1.8	25.8	24.9	23.1	950	8.3	1.2
Gateway Distriparks	89	BUY	10,235	225	115	6.4	8.1	10.8	(5.0)	26.5	33.5	13.8	10.9	8.2	9.6	7.2	5.5	1.5	1.4	1.2	3.3	3.7	3.8	10.8	12.9	15.8	125	41.0	0.8
GE Shipping	331	BUY	50,417	1,109	152	105.9	72.7	48.2	77.6	(31.3)	(33.7)	3.1	4.6	6.9	4.6	5.6	6.3	1.2	1.0	0.9	4.5	5.5	3.6	43.2	23.4	13.7	500	51.0	2.6
Jet Airways	430	SELL	37,092	816	86	(76.5)	(123.3)	96.4	(2,857)	71	206.7	(5.6)	(3.5)	4.5	57.2	17.0	6.0	0.8	1.1	0.9	—	—	1.6	(19.5)	(26.5)	21.5	450	5.5	1.2
Transportation		**Neutral**	**211,795**	**4,659**					**3.9**	**(42.9)**	**162.9**	**11.9**	**20.9**	**7.9**	**11.9**	**9.9**	**6.4**	**1.7**	**1.6**	**1.4**	**2.0**	**2.4**	**2.3**	**13.9**	**7.7**	**17.4**			
Utilities																													
CESC	285	BUY	35,544	782	125	27.8	28.2	31.1	(23.3)	1.4	10.4	10.2	10.1	9.1	5.2	6.1	7.1	1.1	1.0	0.9	1.4	1.4	1.7	12.5	10.6	10.5	500	75.7	1.4
Lanco Infratech	224	BUY	49,884	1,097	222	16.0	18.7	31.3	88.4	17.4	67.1	14.1	12.0	7.2	12.1	15.3	12.9	2.5	2.1	1.6	(2.6)	—	—	20.2	18.9	25.2	530	136.2	15.4
NTPC	182	REDUCE	1,498,613	32,969	8,245	8.9	9.5	10.3	3.5	6.7	8.0	20.3	19.1	17.6	14.6	15.7	15.6	2.8	2.6	2.4	2.0	2.1	2.8	14.4	14.2	14.3	179	(1.5)	30.9
Reliance Infrastructure	879	BUY	202,947	4,465	231	37.6	49.4	50.0	13.9	31.3	1.2	23.4	17.8	17.6	29.9	27.0	24.7	1.2	1.2	1.2	0.7	0.8	0.9	-	-	-	1,250	42.2	99.3
Reliance Power	161	REDUCE	385,166	8,474	2,397	0.4	2.1	2.6	—	443.9	25.2	422.6	77.7	62.0	—	—	—	2.8	2.6	2.6	—	—	—	1.2	3.5	4.3	180	12.0	39.6
Tata Power	1,026	BUY	239,043	5,259	233	29.7	38.1	39.9	11.6	28.5	4.6	34.6	26.9	25.7	23.7	21.1	21.6	3.2	2.5	2.2	0.9	0.9	0.9	10.0	10.3	9.0	1,540	50.1	29.0
Utilities		**Attractive**	**2,411,197**	**53,046**					**8.8**	**14.8**	**10.1**	**24.8**	**21.6**	**19.6**	**17.5**	**19.2**	**19.7**	**2.5**	**2.3**	**2.2**	**1.3**	**1.5**	**1.9**	**10.1**	**10.7**	**11.0**			
Others																													
Aban Offshore	2,406	ADD	93,017	2,046	39	72.3	263.4	482.1	(1,066)	264.4	83.0	33.3	9.1	5.0	17.1	8.2	5.4	10.6	4.4	2.4	0.1	0.4	0.6	51.7	59.4	53.6	2,700	12.2	18.9
Aditya Birla Nuvo	1,125	ADD	105,016	2,310	93	22.9	26.6	29.2	(5.6)	16.0	9.8	49.2	42.4	38.6	21.7	19.5	18.0	3.1	2.9	2.8	0.5	0.6	0.6	6.4	7.1	7.4	2,000	77.7	2.8
Educomp Solutions	3,707	ADD	70,497	1,551	19	35.2	46.2	112.0	114	31.5	142.4	105.5	80.2	33.1	55.7	25.9	14.4	23.4	9.3	7.7	0.1	0.1	0.3	33.5	17.4	26.2	3,650	(1.5)	21.7
Jaiprakash Associates	130	BUY	161,762	3,559	1,242	4.9	7.6	11.6	6.5	54.7	53.5	26.6	17.2	11.2	15.4	10.8	10.2	3.3	2.6	2.3	0.0	0.0	0.0	15.4	17.5	22.6	255	95.9	52.9
Jindal Saw	609	BUY	37,319	821	61	57.7	90.7	110.4	(50)	57.0	21.7	10.5	6.7	5.5	5.8	3.4	2.7	1.2	0.9	0.9	1.3	2.3	2.6	11.4	16.1	16.9	900	47.9	1.6
PSL	278	BUY	12,122	267	44	21.1	45.6	64.5	4.2	116.1	41.5	13.2	6.1	4.3	6.6	4.8	3.6	2.2	1.6	1.2	1.8	2.2	2.7	11.3	15.4	18.4	500	79.8	0.2
Sintex	307	BUY	49,946	1,099	163	19.5	23.4	31.2	58	19.6	33.5	15.7	13.1	9.9	13.7	9.8	7.0	3.0	1.9	1.8	0.3	0.4	0.6	14.0	14.8	15.9	460	49.7	2.1
Welspun Gujarat Stahl Rohren	255	REDUCE	48,194	1,060	189	20.6	29.2	47.4	94.5	41.9	62.7	12.4	8.8	5.4	10.7	5.8	3.6	2.8	2.0	1.4	0.9	1.9	2.2	27.1	26.0	31.3	360	41.0	5.4
Others			**577,873**	**12,713**					**20.0**	**96.5**	**57.2**	**29.1**	**14.8**	**9.4**	**15.1**	**9.4**	**7.3**	**3.5**	**2.7**	**2.1**	**0.4**	**0.6**	**0.7**	**12.0**	**18.3**	**22.6**			
KS universe (b)			**30,612,024**	**673,465**					**23.8**	**14.7**	**24.6**	**15.7**	**13.7**	**11.0**	**9.8**	**8.5**	**7.1**	**2.8**	**2.3**	**2.0**	**1.4**	**1.5**	**1.8**	**17.7**	**16.8**	**17.9**			
KS universe (b) ex-Energy			**23,461,160**	**516,146**					**28.6**	**12.1**	**17.9**	**15.8**	**14.1**	**12.0**	**11.0**	**9.6**	**8.4**	**3.0**	**2.5**	**2.1**	**1.4**	**1.5**	**1.7**	**19.0**	**17.6**	**17.7**			
KS universe (d) ex-Energy & ex-Commodities			**21,092,059**	**464,025**					**33.1**	**12.9**	**23.3**	**17.9**	**15.8**	**12.9**	**13.7**	**11.5**	**9.6**	**3.3**	**2.8**	**2.3**	**1.3**	**1.4**	**1.7**	**18.6**	**17.5**	**18.3**			

Note:
(a) 2007 means calendar year 2006, similarly for 2008 and 2009 for these particular companies.
(b) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.
(c) Rupee-US Dollar exchange rate (Rs/US$)= 45.45

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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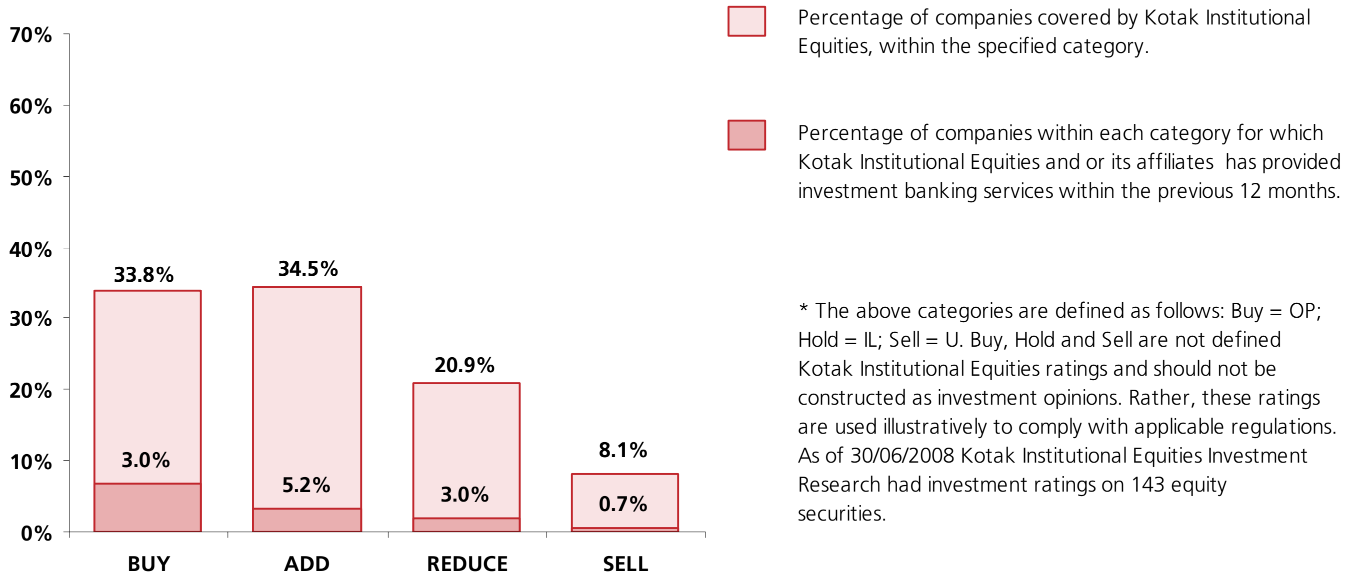
Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



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Source: Kotak Institutional Equities. As of June 30, 2008

Ratings and other definitions/identifiers

Rating system

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

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