kotak® Institutional Equities

INDIA DAILY

April 08, 2009

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ICICI Bank: Asset quality to drive stock price performance; near-term operational environment to remain challenging

Tata Chemicals: Soda ash situation remains fluid - meeting with management

News Roundup

- The country's largest real estate developer **DLF** expects to raise around Rs900 crore in the next three months by selling at least eight hotel plots across the country. (ET)
- **Fortis Healthcare** said it was open to acquiring rivals, including **Wockhardt Hospitals**, owned by Habil Khorakiwala. Fortis, owned by Shivinder Mohan Singh, on April 2 had sought the Securities and Exchange Board of India's permission to raise Rs 1,000 crore from sale of rights. (BS)
- **Hindalco Industries Ltd**, which has placed a Rs 2,010-crore order on **BHEL** for the supply of boilers and turbine-generators for its 900 MW Mahan project, has put it as a condition in the letter of intent that BHEL should not source components from China. (BL)
- The board of the Luxembourg-based **European Investment Bank** (EIB) has approved a £340 million (Rs 2,500 crore) loan to the Tatas-owned **Jaguar Land Rover** (JLR) to support efforts to make low-emission cars. (BS)
- **Carritt Moran**, the second-largest tea auctioneer in the world, has started discussions with investors for selling a stake in the employee-managed company. The move follows a default in payment obligations and a move by the Tea Board of India to call in consultants AF Ferguson & Co to suggest reforms in the system of tea auctions and settling payment obligations. (BS)
- State-run **Oil and Natural Gas Corporation** (ONGC) has deferred a decision on hiring a drilling rig from **Reliance Industries** (RIL), even as Chinese and European firms have emerged as suitors for the ultra deepsea drillship. (BS)

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

EQUITY MARKETS

		Change, %		
India	**6-Apr**	**1-day**	**1-mo**	**3-mo**
Sensex	10,535	1.8	26.5	9.9
Nifty	3,257	1.4	24.3	11.5
Global/Regional indices				
Dow Jones	7,790	(2.3)	17.5	(11.2)
FTSE	3,931	(1.6)	11.3	(12.8)
Nikkie	8,674	(1.8)	20.9	(2.3)
Hang Seng	14,929	(0.5)	25.2	3.6
KOSPI	1,286	(1.1)	21.9	6.7
Value traded - India				
			Moving avg, Rs bn	
	6-Apr		**1-mo**	**3-mo**
Cash (NSE+BSE)	194.6		136.5	123.1
Derivatives (NSE)	484.5		487.4	394
Deri. open interest	700.8		582	493

Forex/money market

		Change, basis points		
	6-Apr	**1-day**	**1-mo**	**3-mo**
Rs/US$	50.1	5	(176)	129
10yr govt bond, %	7.0	8	72	88

Commodity market

		Change, %		
	6-Apr	**1-day**	**1-mo**	**3-mo**
Gold (US$/OZ)	881.4	0.0	(6.2)	2.8
Silver (US$/OZ)	12.3	0.5	(7.8)	10.9
Crude (US$/BBL)	50.4	(0.2)	13.2	12.0

Net investment (US$mn)

	2-Apr		**MTD**	**CYTD**
FIIs	173		-	(1,522)
MFs	3		-	(261)

Top movers -3mo basis

		Change, %		
Best performers	**6-Apr**	**1-day**	**1-mo**	**3-mo**
Maruti Suzuki India	799	0.6	23.0	41.4
Hero Honda Motors	1,064	3.3	14.6	37.4
Bharat Forge Limite	121	12.1	48.5	32.9
Essar Oil Ltd	119	47.6	91.6	43.5
Financial Techn (Ind	676	(0.7)	52.1	31.7
Worst performers				
Housing Developme	111	9.0	62.3	2.3
Satyam Computer S	45	13.3	7.2	12.3
Aban Offshore Limi	418	2.9	80.6	(40.8)
Glenmark Pharmac	178	11.8	38.8	(34.7)
Indiabulls Financial S	93	0.2	8.9	(32.8)

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Energy

Sector coverage view	Neutral

Company	Rating	Price, Rs 6-Apr	Target
Reliance Inds	REDUCE	1,672	1,625
ONGC	ADD	887	950
IOC	REDUCE	406	525
BPCL	SELL	374	425
HPCL	SELL	260	300
GAIL	REDUCE	256	240
Castrol	BUY	335	390
Petronet LNG	ADD	46	52
Cairn	BUY	203	225
GSPL	REDUCE	42	45

India Energy Monthly, April 2009

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- **Crude prices: Crude prices rallied in the later half of March**
- **Global refining margins: Refining margins collapse led by sharp contraction in gasoline cracks**
- **India marketing margins: Margins on diesel continue to remain positive**

Crude prices: Crude prices rallied in the later half of March

Crude prices remained stable in the beginning of the month as a downward revision of world oil demand for CY2009 was offset by lower OPEC production in February 2009- which showed high OPEC compliance (~80%) with the announced production cuts. However, crude prices rallied from mid-March led by (1) announcement by Fed to buy US$300 bn of long-dated treasuries, (2) subsequent weakening of dollar and (3) increasing investor optimism. The light-heavy differential declined further with the differential between Dated Brent and Dubai crude at US$1.3/bbl versus US$3.6/bbl in CY2008. LOBS prices have declined further by US$50-105/ton (across various grades).

Global refining margins: Refining margins collapse led by sharp contraction in gasoline cracks

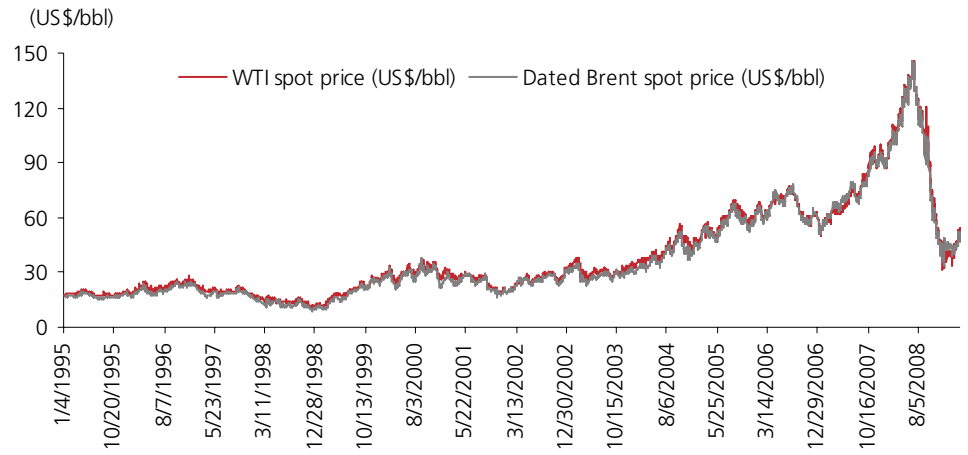
Singapore complex refining margins collapsed in March 2009 led by a decline in product cracks-(1) gasoline cracks declined to US$8.7/bbl (versus US$15.1/bbl in February 2009), (2) fuel oil to -US$7/bbl (versus -US$2.9/bbl) and (3) naphtha cracks declined to US$0.1/bbl (versus US$2.5/bbl). We compute Singapore complex gross refining margins at US$0.3/bbl in March, down from US$4.0/bbl in February 2009. We expect refining margins to remain subdued led by start of 600,000 b/d of refining capacity in China in 2QCY09E. We estimate India refining margins for April 2009 at US$0.7/bbl, down from US$3.4/bbl in March 2009.

India marketing margins: Margins on diesel continue to remain positive

Marketing margins on diesel declined moderately to Rs4.7/liter (versus Rs5.6/liter in March and -Rs7.8/liter FY2009) led by rise in global price for diesel and unchanged domestic retail prices. However, marketing margins for gasoline improved to Rs0.04/liter (versus -Rs0.8/liter in March and -Rs4.4/liter FY2009) led by decline in global prices for gasoline. We compute subsidy losses on LPG and kerosene at Rs115/cylinder and Rs10.8/liter for April 2009 compared to Rs163/cylinder and Rs10.7/liter in March 2009.

Crude prices have recovered in the recent month

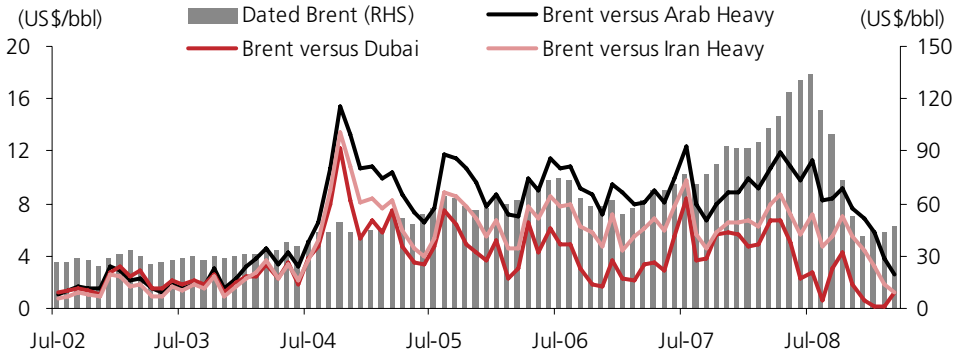
WTI and Dated Brent spot prices (US$/bbl)



Source: Bloomberg, Kotak Institutional Equities

Light-heavy differential has contracted significantly

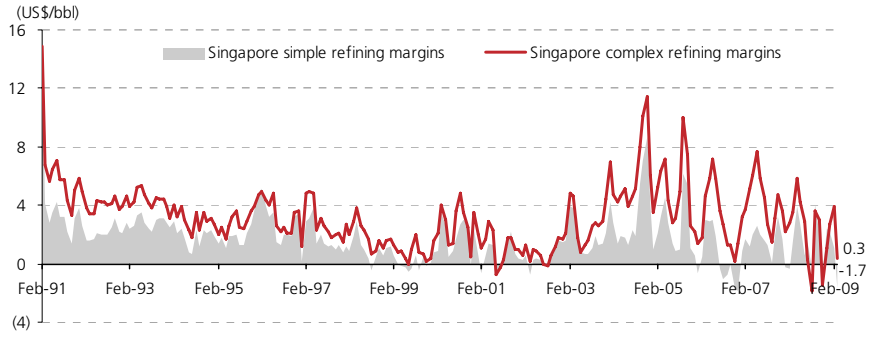
Light-heavy differential (US$/bbl)



Source: Bloomberg, Kotak Institutional Equities

Refining margins have collapsed in the recent month

Singapore refining margins (US$/bbl)



Simple refining margins, March fiscal year-ends (US$/bbl)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 YTD
1Q	1.29	0.51	0.30	1.05	1.69	3.02	2.52	2.25	2.40	(1.14)
2Q	2.47	0.45	0.07	1.20	3.13	2.78	(0.70)	0.99	1.71	
3Q	1.74	1.06	1.44	1.57	6.46	2.22	(1.25)	2.32	1.31	
4Q	0.21	(0.03)	2.98	2.88	2.08	1.09	1.25	0.25	0.65	
Average	**1.43**	**0.50**	**1.20**	**1.67**	**3.34**	**2.28**	**0.45**	**1.45**	**1.52**	**(1.14)**

Complex refining margins, March fiscal year-ends (US$/bbl)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 YTD
1Q	1.86	1.34	0.79	1.24	4.57	4.93	6.24	6.58	4.31	0.73
2Q	3.96	0.58	0.14	2.35	5.80	6.11	2.46	2.91	0.66	
3Q	2.25	1.22	1.56	3.23	9.04	3.94	0.98	3.91	1.04	
4Q	1.60	0.65	3.70	5.44	5.02	2.77	4.11	2.78	2.36	
Average	**2.42**	**0.95**	**1.55**	**3.06**	**6.10**	**4.44**	**3.45**	**4.05**	**2.09**	**0.73**

Weekly margins				
Current	**-1 Wk**	**-2 Wk**	**-3 Wk**	**-4 Wk**
(1.14)	(1.01)	(1.73)	(2.01)	(1.94)

Weekly margins				
Current	**-1 Wk**	**-2 Wk**	**-3 Wk**	**-4 Wk**
0.73	1.04	0.54	(0.47)	0.18

Singapore refining margins, March fiscal year-ends (US$/bbl)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 YTD
Simple	1.43	0.50	1.20	1.67	3.34	2.28	0.45	1.45	1.52	(1.14)
Complex	1.86	1.34	0.79	1.24	4.57	4.93	3.45	4.05	2.09	0.73

Source: Bloomberg, Kotak Institutional Equities

Gross refining margins for a typical Indian refinery based on Arab Gulf fob prices (US$/bbl), Prices (US$/ton)

															Quarterly averages, fiscal year-end			
	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Jun-05	Apr-09	4Q 2009	3Q 2009	4Q 2009	1Q 2010
Product prices																		
LPG	804	804	871	880	907	780	782	565	357	348	461	430	365		404	568	413	365
Naphtha	848	894	998	1,094	1,096	950	809	460	253	257	359	393	396		308	507	336	396
Gasoline	908	975	1,086	1,160	1,127	952	873	640	384	311	396	452	431		353	632	386	431
Jet fuel	968	1,070	1,236	1,277	1,282	1,049	926	680	564	450	473	404	406		461	723	442	406
Kerosene	968	1,070	1,236	1,277	1,282	1,049	926	680	564	450	473	404	406		461	723	442	406
Diesel	924	1,017	1,172	1,221	1,214	959	850	589	478	415	424	352	374		420	639	397	374
Fuel oil	481	515	572	611	692	642	567	378	219	207	241	246	234		224	388	231	234
Bitumen	491	525	582	621	702	652	577	388	229	217	251	256	244		234	398	241	244
Crude oil prices																		
Crude oil-Brent	756	804	905	955	977	831	723	532	389	304	326	316	342		315	548	315	342
Crude oil-Dubai	706	755	868	939	958	826	701	501	375	299	326	315	333		312	526	313	333
Refining margins on fob basis																		
Weighted average product price	821	892	1,015	1,067	1,081	897	795	546	398	346	383	352	355		365	580	361	355
Crude oil--Brent & Dubai 33:67 mix	723	772	880	944	964	828	708	511	380	301	326	315	336		313	533	314	336
Gross refining margin (US$/ton)	98	120	135	123	117	69	87	35	19	46	57	37	20		51	47	47	20
Gross refining margin (US$/bbl)	**13.4**	**16.5**	**18.5**	**16.8**	**16.0**	**9.4**	**11.9**	**4.8**	**2.5**	**6.3**	**7.9**	**5.1**	**2.7**		**7.1**	**6.4**	**6.4**	**2.7**
Net refining margin	**6.5**	**9.1**	**10.0**	**7.8**	**6.7**	**1.5**	**5.1**	**(0.1)**	**(1.1)**	**3.4**	**4.7**	**2.1**	**(0.5)**		**4.1**	**1.3**	**3.4**	**(0.5)**
Tariff protected refining margins in India plus freight																		
Weighted average product price	803	882	957	1,088	1,115	1,121	933	829	572	421	368	406	374	377	387	607	383	377
Crude oil--Brent & Dubai 50:50 Mix	713	770	822	936	964	985	847	725	526	392	312	338	327	348	325	548	326	348
Gross refining margin (US$/ton)	90	111	136	152	150	137	86	104	47	29	56	68	47	30	62	60	57	30
Gross refining margin (US$/bbl)	**12.4**	**15.3**	**18.6**	**20.8**	**20.6**	**18.7**	**11.8**	**14.2**	**6.4**	**3.9**	**7.7**	**9.3**	**6.5**	**4.1**	**8.5**	**8.2**	**7.8**	**4.1**
Net refining margin (7% internal consumption)	**5.5**	**7.9**	**10.7**	**11.8**	**11.3**	**9.3**	**3.7**	**7.2**	**1.3**	**0.2**	**4.7**	**6.1**	**3.4**	**0.7**	**5.4**	**2.9**	**4.7**	**0.7**

Source: Kotak Institutional Equities estimates

Marketing margins on diesel remain positive despite recent retail price cuts

Calculation of marketing margins/subsidy of key products

	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	Average (Fiscal years) 2007	2008	2009	2010 YTD
International price (US$/ton)																	
LPG	804	804	871	880	907	780	782	565	357	348	461	430	365	667	687	666	365
Gasoline	908	975	1,086	1,160	1,127	952	873	640	384	311	396	452	431	730	801	772	431
Kerosene	968	1,070	1,236	1,277	1,282	1,049	926	680	564	450	473	404	406	716	907	865	406
Diesel	924	1,017	1,172	1,221	1,214	959	850	589	478	415	424	352	374	668	842	801	374
India IPP price (incl. transport) (a)																	
LPG (Rs/cylinder)	556	580	631	635	655	606	644	497	350	345	424	418	370	480	538	529	370
Gasoline (Rs/liter)	30.5	34.2	37.4	39.5	38.6	34.7	34.1	25.6	15.9	13.3	16.4	19.4	18.5	24.9	29.1	28.3	18.5
Kerosene (Rs/liter)	33.2	38.3	44.8	46.1	46.5	40.5	38.4	28.8	24.1	19.7	20.6	18.7	18.7	25.1	34.6	33.3	18.7
Diesel (Rs/liter)	34.3	39.5	44.6	46.1	46.1	38.7	36.8	26.2	21.4	18.9	19.3	17.0	17.9	25.3	33.8	32.4	17.9
India retail price without taxes																	
LPG (Rs/cylinder)	232	232	273	280	280	280	280	280	280	280	256	256	256	232	268	267	256
Gasoline (Rs/liter)	21.7	21.7	26.2	26.9	26.9	26.9	26.9	26.9	23.4	22.8	18.6	18.6	18.6	20.4	24.4	23.9	18.6
Kerosene (Rs/liter)	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Diesel (Rs/liter)	22.5	22.5	25.7	26.2	26.2	26.2	26.2	26.2	24.7	24.4	22.6	22.6	22.6	21.7	24.8	24.6	22.6
Marketing margin or (subsidy) (b)																	
LPG (Rs/cylinder)	**(324)**	**(349)**	**(358)**	**(356)**	**(375)**	**(326)**	**(364)**	**(217)**	**(70)**	**(64)**	**(168)**	**(162)**	**(115)**	**(248)**	**(270)**	**(262)**	**(115)**
Gasoline (Rs/liter)	**(8.7)**	**(12.5)**	**(11.2)**	**(12.6)**	**(11.7)**	**(7.8)**	**(7.2)**	**1.3**	**7.5**	**9.1**	**2.2**	**(0.8)**	**0.0**	**(4.6)**	**(4.7)**	**(4.4)**	**0.0**
Kerosene (Rs/liter)	**(25.2)**	**(30.3)**	**(36.8)**	**(38.1)**	**(38.5)**	**(32.5)**	**(30.4)**	**(20.9)**	**(16.1)**	**(11.6)**	**(12.6)**	**(10.7)**	**(10.8)**	**(17.1)**	**(26.7)**	**(25.3)**	**(10.8)**
Diesel (Rs/liter)	**(11.8)**	**(17.0)**	**(19.0)**	**(19.9)**	**(19.9)**	**(12.6)**	**(10.7)**	**(0.0)**	**3.2**	**5.3**	**3.3**	**5.6**	**4.7**	**(3.6)**	**(9.0)**	**(7.8)**	**4.7**

Source: Industry data, Kotak Institutional Equities estimates

Media

SUTV.BO, Rs174	
Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	200
52W High -Low (Rs)	400 - 122
Market Cap (Rs bn)	68.7

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	8.7	10.4	12.5
Net Profit (Rs bn)	3.3	3.6	4.3
EPS (Rs)	8.3	9.2	11.0
EPS gth	*30.7*	*10.9*	*19.2*
P/E (x)	21.0	19.0	15.9
EV/EBITDA (x)	11.2	10.0	8.7
Div yield (%)	1.4	2.3	3.4

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
12.0	5.9	(1.3)	(41.2)

Media

ZEEN.BO, Rs35	
Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	40
52W High -Low (Rs)	67 - 24
Market Cap (Rs bn)	8.3

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	3.7	5.3	6.7
Net Profit (Rs bn)	0.4	0.5	0.5
EPS (Rs)	1.5	2.0	2.3
EPS gth	*396.2*	*28.9*	*13.6*
P/E (x)	22	17.3	15.2
EV/EBITDA (x)	12.1	9.7	8.2
Div yield (%)	1.2	1.2	1.3

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
19.4	0.3	(1.8)	(29.8)

Sun TV Network, Zee News: Rich valuations, competitive pressures a concern for Sun TV; Zee News a better bet

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- **Rising intensity of competition in Telugu and Kannada markets a cause for concern**
- **Continued pressure in FM radio business, greater uncertainty in movie business**
- **Zee News (ZEEN) channels, notably Zee Telugu, doing well in their respective markets**
- **Downgrade Sun TV to ADD with 12-month DCF-based TP of Rs200 (Rs215 previously); retain BUY on ZEEN with 12-month DCF-based TP of Rs40 (Rs38 previously)**

We have revised our earnings and 12-month DCF-based target price for Sun TV Network to Rs200 (Rs215 previously) to reflect (1) lackluster performance of Sun TV channels amidst rising competitive intensity in the Telugu, Kannada and Malayalam markets, (2) pressure on ad rates and ad revenues in FY2010E-2011E given weak ratings performance and challenging ad revenue market, (2) continued disappointing performance of its FM radio business and (4) greater uncertainty in movie production business with the entry into 'high-risk low-return' blockbuster segment. Our revised FY2010E-2012E EPS estimates are Rs11.0 (Rs11.4 previously), Rs12.7 (Rs13.2) and Rs14.6 (Rs15.2); the stock is richly valued at 15.9X and 15.0X FY2010E consolidated and standalone (ex. FM radio) EPS estimates. We believe ZEEN to be a better bet given the apparent buoyancy in the regional and television ad revenue markets demonstrated by (1) continued stellar performance of its Marathi and Bengali channels (flagship and flanking), (2) strong ratings gains made by Zee Telugu and Zee Kannada and (3) positive impact of election spending on its news channel bouquet; we believe losses due to the continued lackluster performance of Zee Tamil are already built into the price though it is a cause for concern. Our revised FY2010E-2012E EPS estimates are Rs2.3 (Rs2.1 previously), Rs2.7 (Rs2.5) and Rs3.7 (Rs3.5); the stock is valued at 15.2X FY2010E consolidated EPS estimates but at 6.4X FY2010E EBITDA (ex. near-term losses in new Zee Tamil channel).

Sun TV—Rich valuations and operational challenges may lead underperformance. We believe the rising competitive pressure on Sun TV channels in their respective markets (Telugu, Kannada and Malayalam), weak ad revenue market (though regional and television ad spends are likely to be relatively robust) and continued weak operational performance of its FM radio business will likely result in weak financial performance in the near term (FY2010E-2011E). We have revised our FY2010E-2012E EPS estimates downwards to Rs11.0 (Rs11.4 previously), Rs12.7 (Rs13.2) and Rs14.6 (Rs15.2) on account of (1) moderate reduction in FY2010E-2011E ad and broadcast revenues and (2) revised FM radio business financials. We discuss the operational pressures being faced by the company in greater detail below.

- **Telugu, Kannada and Malayalam markets.** Exhibits 1-4 present the ratings performance of Sun TV channels (Gemini, Udaya and Surya) versus competition in their respective markets. We highlight the consistent decline in ratings of flagship Sun TV channels in the last few quarters though they continue to maintain their leadership position (except Malayalam). This has resulted in pressure on ad and broadcast revenues as well as content costs of Sun TV; Sun TV ad and broadcasts revenues increased 16% yoy in 3QFY09 (versus 28% yoy growth in FY2008) while content costs increased over 50% in 3QFY09 (versus flat yoy growth in FY2008), reflecting the competitive pressures on the company.

- **Underperforming FM radio business.** We have revised our FY2010E-2011E revenue estimates for Sun's FM radio business (Kal FM and South-Asia FM) to Rs291 mn (Rs539 mn previously) and Rs535 mn (Rs1.0 bn). Sun TV has been a laggard in its radio rollout with most of its stations becoming operational only in 3QFY09-1QFY10 and we expected the impact of new radio stations to be visible in FY2010E-2011E; however, a weak ad revenue market has dashed any hopes of a turnaround in the radio business by FY2011E and we now expect it to achieve EBIT breakeven only in FY2012E. Moreover, the high cost of music royalty will likely hurt margins given that its radio stations are present in low revenue potential cities (33 out of 41 stations in B & C class cities). We model radio losses in FY2010E and FY2011E at Rs481 mn (Rs195 mn previously) and Rs175 mn (Rs17 mn positive), respectively.

- **Greater uncertainty in the movie production business.** We have been modestly positive on Sun's entry into the movie production business (Sun Pictures) with its focus on small-to-medium budget cinema given (1) the free marketing platform for the movie business and (2) monetization of ancillary revenue streams (C&S telecast and FM radio) through Sun TV's strong broadcasting platforms in the South-Indian markets (see our note "*Sun Pictures a credible experiment by Sun TV for entry into new verticals*" dated November 24, 2008). Sun TV has now decided to enter the 'high-risk' blockbuster movie segment with the acquisition of 'Kuselan' from Eros International. Sun TV management has been very reluctant to talk about the acquisition; we believe the South-Indian market is relatively small and constrained (regulated ticket prices, modest number of multiplexes versus North and West) for even a successful big-budget movie to generate high returns.

  However, Sun TV continues to maintain its strong leadership position in the Tamil market despite entry of new competition (Kalaignar TV and Zee Tamizh); we highlight that about 45-50% of Sun's revenue is generated by the Tamil market, which remains relatively insulated from competition given the strong position of Sumangli Cable Vision (SCV, group company) in the C&S distribution market in the state. Sun Direct (group company engaged in the DTH distribution) is also ramping up its presence in the South Indian market, which will likely result in robust subscription revenue growth for Sun TV but from a low base.

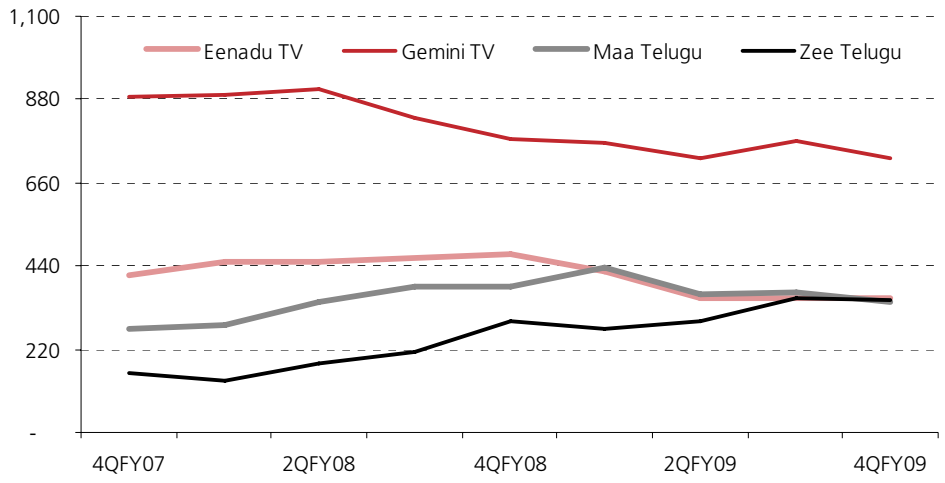
ZEEN—strong operational performance likely to translate into financial results. We remain positive on the prospects of ZEEN given (1) its leadership position and continued strong ratings in key markets (Marathi and Bengali), (2) robust rating gains in Telugu and Kannada markets, which will result in strong ad and subscription revenue growth but with a lag, (3) positive impact of election spending on its bouquet of national and regional news channels and (4) investment in new channels (Zee Talkies and Akash Bangla), which is starting to bear fruit. Exhibit 5 compares the operational and financial performance of Sun TV and ZEEN; ZEEN is trading at a large EV gap versus Sun TV despite strong and improving operational performance. ZEEN is reasonably valued at 6.4X FY2010E EBITDA excluding the near-term losses from its emerging Tamil channel. We have fine-tuned our FY2010E-2012E EPS estimates upwards to Rs2.3 (Rs2.1 previously), Rs2.7 (Rs2.5) and Rs3.7 (Rs3.5).

- **Marathi and Bengali markets.** Exhibits 6-7 present the GRPs of key channels in the Marathi and Bengali market. Zee Marathi and Bengali continue to maintain their ratings performance despite the entry of new competition in the market (Star Pravah and Star Jalsha). Moreover, the recent investments that Zee News made in Zee Talkies (movie channel acquired from Zee Entertainment) and Akash Bangla (26% stake with operational control) are starting to bear fruit with improved ratings performance. Together with its news channels, ZEEN has captured about 40-50% share of these markets.

- **Telugu and Kannada markets.** Zee Telugu and Zee Kannada continue to make rapid strides in their respective markets (see Exhibits 1-2) with ratings and ranking gains in their respective markets. Zee Telugu attained the joint second position (with Eenadu TV) while Zee Kannada is placed in third position but has closed the gap with ETV Kannada. The strong rating gains made by these channels will reflect in financial performance (but with a lag that is typical in media buying) with (1) strong ad revenue growth (market share gains) and subscription revenues (cable and DTH operators will start making payments to Zee News for its channels given their popularity) in FY2010E-2011E.
- **News channels.** The strong bouquet of national and regional news channels will benefit from higher viewership and election as spending (~Rs8-9 bn) during the Indian General Elections 2009 (April-May 2009), which will likely support its ad revenues for 4QFY09-1QFY10 given the general ad revenue slowdown in the market. In the long run, Zee News will be the beneficiary of likely consolidation in the Hindi News market with a large number of financially weak players that may not be able to survive the ad revenue slowdown in FY2010E.
- **Subscription revenues.** Exhibit 8 presents our expected growth in subscriber base and domestic subscription revenues of ZEEN; we model 25% CAGR in ZEEN's domestic subscription revenues but believe the growth can surprise positively given (1) stronger-than-expected growth in DTH subscribers in India and (2) incremental contribution from Zee Telugu and Zee Kannada. Tata Sky, the second largest DTH provider in India (~3.0 mn subscribers), has recently received feeds of Zee Telugu and Zee Kannada for carriage, after a surprisingly protracted dispute with Zee News in TDSAT.

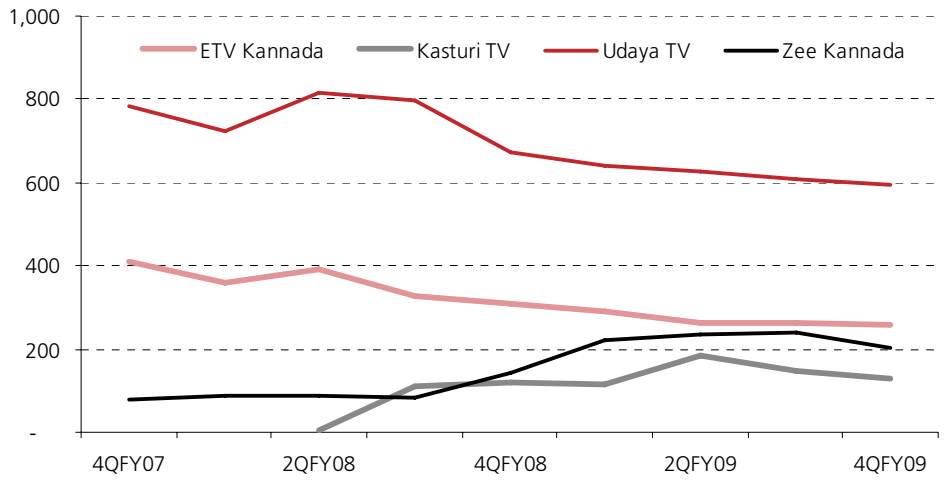
  However, the continued under-performance of its Tamil channel remains a key area of concern. The channel was launched recently (November 2008) and we would not like to comment on the success or failure of a channel based solely on its initial performance. We model a conservative market share for Zee Tamil in the long run and expect EBITDA breakeven to take longer than 3-5 years guided by the management, which we believe is the bear-case scenario for the channel. The alternate and likely scenarios could be (1) perceptive improvement in performance of the channel with its carriage deal with SCV or (2) closure of the channel if its performance does not pick up in the next 9-12 months (ZEEL, another group company, plans to close its loss making channel Zee Next after 15 months of operation). We believe the investment in Zee Tamil (along with other investments), resulting in a Rs2 bn increase in ZEEN's debt between FY2008-2010E, is already factored in the stock price/enterprise value.

Trends in all-India GRPs for key Telugu language channels (%)



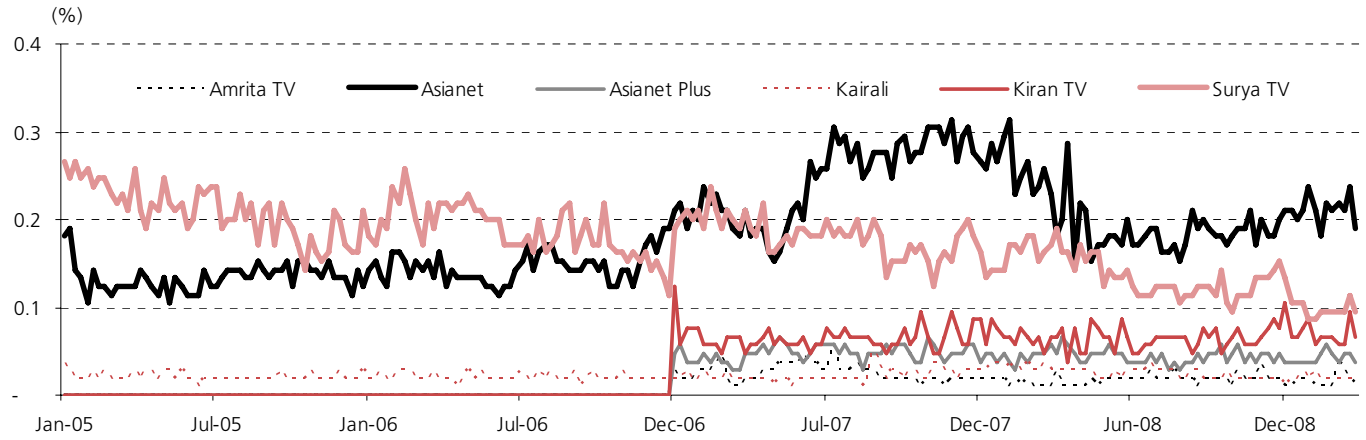
Source: TAM Media Research, compiled by Kotak Institutional Equities

Trends in all-India GRPs for key Kannada language channels (%)



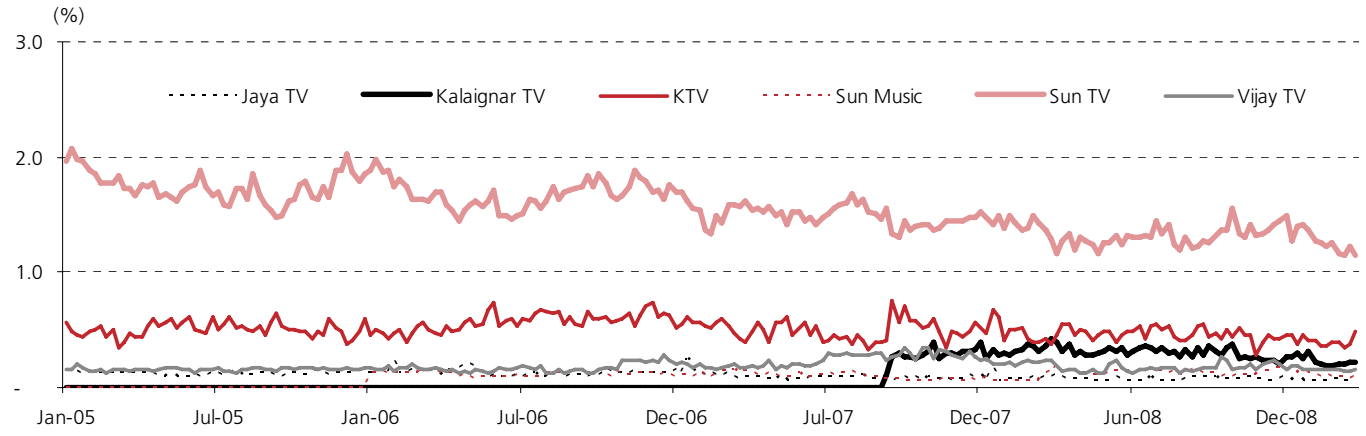
Source: TAM Media Research, compiled by Kotak Institutional Equities

Prime-time (7:30-11:30 PM) ratings of major Malayalam channels (%)



Source: TAM Media Research, compiled by Kotak Institutional Equities

Prime-time (7:30-11:30 PM) ratings of major Tamil channels (%)



Source: TAM Media Research, compiled by Kotak Institutional Equities

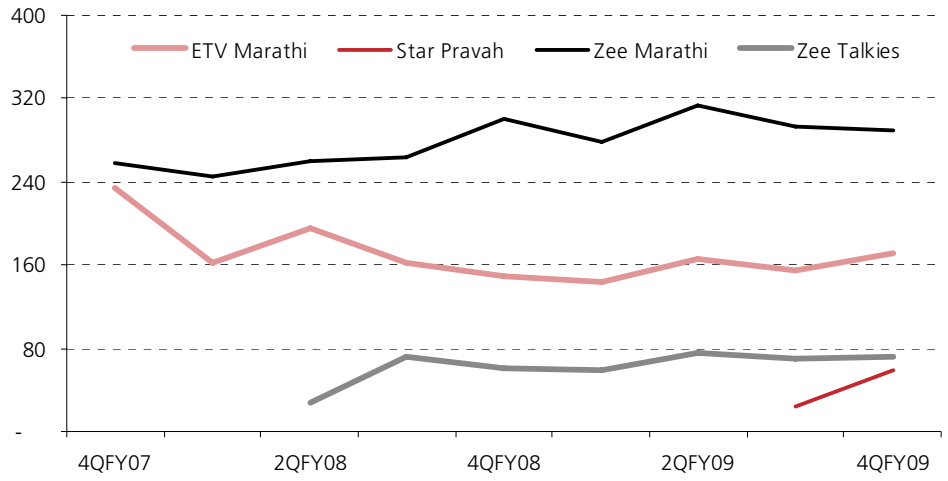
Operational and financial comparison of Sun TV Network and Zee News

		Position	
Market	**Market size (Rs bn)**	**Sun TV**	**ZEEN**
Tamil	5.8	Leader	Present
Telugu	4.3	Leader	Runners-up
Bengali	2.7	NA	Leader
Kannada	2.3	Leader	2nd runners-up
Marathi	2.1	NA	Leader
Malyalam	1.8	Runners-up	NA
Financial performance			
Market cap (Rs bn)		68,747	8,272
FY2010E EV (Rs bn)		65,175	10,461
FY2010E EBITDA (Rs bn)		6,970	1,165
FY2010E EV/EBITDA		9.4	9.0
Adj. FY2010E EBITDA (Rs bn) (a)		7,240	1,637
Adj. FY2010E EV/EBITDA		**9.0**	**6.4**

Notes:
(a) Excluding the financials of recently launched Zee Tamil.

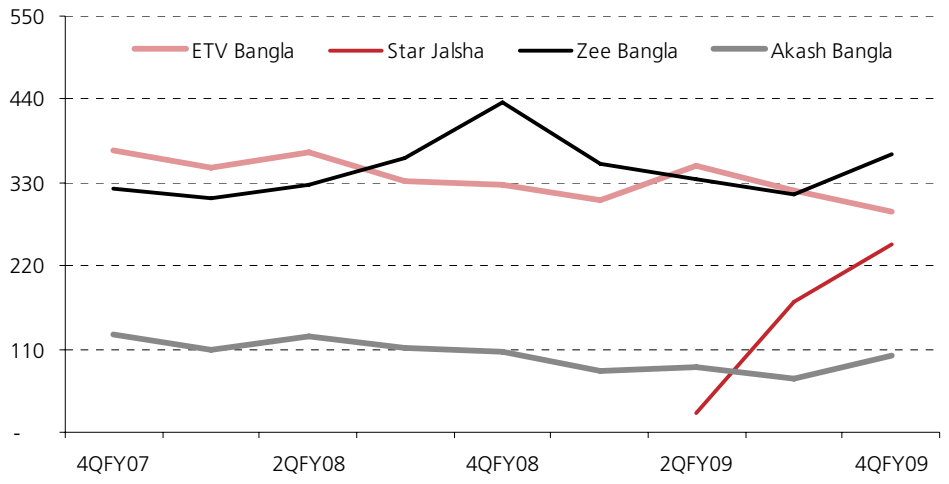
Source: TAM Media Research, Kotak Institutional Equities estimates

Trends in all-India GRPs for key Marathi language channels (%)



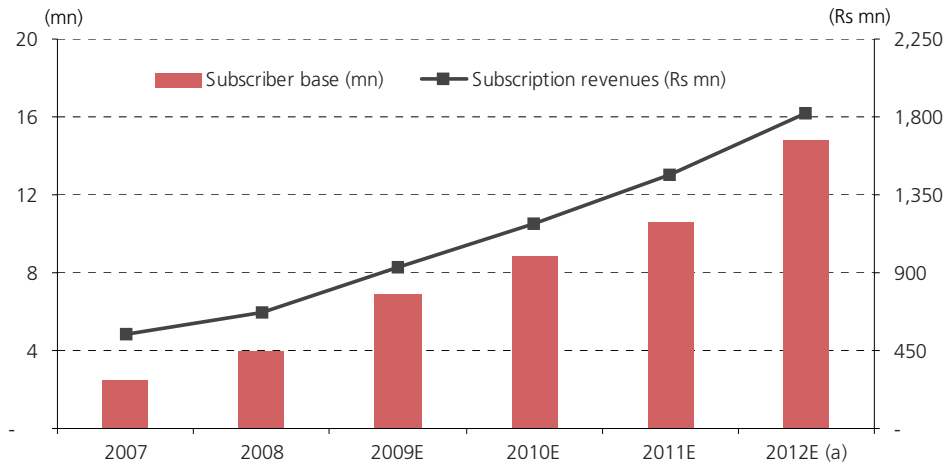
Source: TAM Media Research, compiled by Kotak Institutional Equities

Trends in all-India GRPs for key Bengali language channels (%)



Source: TAM Media Research, compiled by Kotak Institutional Equities

Subscriber base and domestic subscription revenues of ZEEN, March fiscal year-ends



Notes:
(a) We model Zee Tamizh to turn pay starting FY2012E.

Source: Company, Kotak Institutional Equities estimates

Consolidated profit model, balance sheet, cash model of SunTV Network, March fiscal year-ends, 2006-2012E (Rs mn)

	2006	2007	2008	2009E	2010E	2011E	2012E
Profit model (Rs mn)							
Net sales	3,219	6,780	8,699	10,440	12,549	14,645	16,807
EBITDA	**2,035**	**3,874**	**5,261**	**6,005**	**6,970**	**8,134**	**9,253**
Other income	172	411	556	534	498	455	490
Interest (expense)/income	(65)	(64)	(159)	(50)	(12)	(9)	(9)
Depreciation	(147)	(294)	(377)	(641)	(864)	(840)	(807)
Amortization	—	(56)	(148)	(214)	(214)	(214)	(174)
Pretax profits	**1,995**	**3,871**	**5,133**	**5,635**	**6,378**	**7,525**	**8,753**
Tax-cash	(709)	(1,509)	(1,947)	(2,074)	(2,130)	(2,537)	(2,961)
Tax-deferred	16	108	(67)	(132)	(48)	(31)	(24)
Minority interest	—	(9)	148	124	120	44	(24)
Net profits after minority interests	**1,302**	**2,461**	**3,267**	**3,624**	**4,321**	**5,001**	**5,744**
Earnings per share (Rs)	**5.3**	**6.3**	**8.3**	**9.2**	**11.0**	**12.7**	**14.6**
Balance sheet (Rs mn)							
Total equity	3,071	11,932	14,485	16,393	17,947	19,260	20,393
Deferred Tax	32	(56)	11	144	192	223	247
Total borrowings	2,333	867	695	50	—	—	—
Currrent liabilities	741	1,693	2,516	2,586	2,757	2,876	3,001
Total capital	**6,209**	**14,478**	**18,311**	**19,653**	**21,257**	**22,676**	**23,981**
Cash	732	6,494	4,297	3,385	3,573	4,048	4,441
Current assets	2,440	3,221	4,542	6,362	7,617	8,926	10,119
Total fixed assets	2,830	3,543	5,048	5,938	6,274	6,083	5,976
Intangible assets	206	1,220	2,620	2,165	1,990	1,816	1,642
Total assets	**6,209**	**14,478**	**18,311**	**19,653**	**21,257**	**22,676**	**23,981**
Free cash flow (Rs mn)							
Operating cash flow, excl. working capital	1,722	3,239	4,091	5,010	6,009	7,054	8,041
Working capital	(251)	(1,992)	(1,235)	(1,750)	(1,083)	(1,190)	(1,069)
Capital expenditure	(2,091)	(433)	(1,811)	(1,250)	(1,200)	(650)	(700)
Investments	(326)	(849)	(3,837)	(929)	(1,180)	(1,466)	(1,758)
Other income	80	402	523	534	498	455	490
Free cash flow	**(619)**	**814**	**1,046**	**2,011**	**3,726**	**5,214**	**6,272**
Ratios (%)							
Debt/equity	76.0	7.3	4.8	—	—	—	—
Net debt/equity	52.1	(47.2)	(24.9)	(20.3)	(19.9)	(21.0)	(21.8)
RoAE	36.1	32.9	24.8	23.4	24.9	26.6	28.6
RoACE	**26.6**	**26.8**	**24.2**	**23.9**	**25.3**	**27.3**	**29.5**

Source: Kotak Institutional Equities estimates

Consolidated profit model, balance sheet and cash model of Zee News, March fiscal year-ends, 2007-2012E (Rs mn)

	2007	2008	2009E	2010E	2011E	2012E	2013E
Profit model (Rs mn)							
Net sales	2,405	3,675	5,251	6,708	8,009	9,547	10,919
EBITDA	**77**	**678**	**931**	**1,165**	**1,414**	**1,821**	**2,167**
Interest income	131	14	34	43	31	32	33
Interest expense	(51)	(5)	(116)	(226)	(265)	(298)	(314)
Depreciation	(52)	(85)	(91)	(123)	(142)	(158)	(178)
Pretax profits	**104**	**601**	**757**	**859**	**1,038**	**1,397**	**1,707**
Tax-cash	(53)	(247)	(256)	(300)	(384)	(509)	(632)
Tax-deferred	7	15	(22)	(12)	(4)	(1)	2
Minority interest	16	2	(2)	(4)	(5)	(6)	(8)
Net profits after minority interests	**75**	**371**	**478**	**543**	**645**	**881**	**1,069**
Earnings per share (Rs)	**0.3**	**1.5**	**2.0**	**2.3**	**2.7**	**3.7**	**4.5**
Balance sheet (Rs mn)							
Total equity	1,813	2,071	2,437	2,840	3,289	3,918	4,678
Deferred Tax	1	(18)	3	15	19	20	18
Minority interest	36	51	53	57	61	67	75
Total borrowings	13	117	1,717	2,117	2,417	2,717	2,717
Currrent liabilities	973	1,407	1,676	1,862	2,125	2,408	2,664
Total capital	**2,835**	**3,628**	**5,886**	**6,890**	**7,911**	**9,130**	**10,153**
Cash	41	39	459	269	228	294	250
Current assets	1,501	2,013	2,799	3,516	4,195	4,977	5,671
Total fixed assets	808	812	971	1,048	1,056	1,098	1,145
Investments	484	764	1,657	2,058	2,433	2,762	3,086
Total assets	**2,835**	**3,628**	**5,886**	**6,890**	**7,911**	**9,130**	**10,153**
Free cash flow (Rs mn)							
Operating cash flow, excl. working capital	7	555	559	639	765	1,014	1,220
Working capital	(273)	(306)	(518)	(531)	(416)	(499)	(438)
Capital expenditure	(300)	(96)	(250)	(200)	(150)	(200)	(225)
Investments	964	(279)	(893)	(401)	(375)	(329)	(325)
Other income	122	—	34	43	31	32	33
Free cash flow	**(566)**	**154**	**(209)**	**(92)**	**199**	**315**	**557**
Ratios (%)							
Debt/equity	0.7	5.6	70.4	74.5	73.5	69.3	58.1
Net debt/equity	(1.5)	3.7	51.6	65.1	66.6	61.9	52.7
RoAE	8.2	19.2	21.3	20.5	20.9	24.3	24.8
RoACE	**1.5**	**18.2**	**16.8**	**14.5**	**14.9**	**17.1**	**17.8**

Source: Kotak Institutional Equities estimates

Industrials

BHEL.BO, Rs1531	
Rating	REDUCE
Sector coverage view	Attractive
Target Price (Rs)	1,475
52W High -Low (Rs)	1935 - 981
Market Cap (Rs bn)	749.6

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	193.0	251.5	313.4
Net Profit (Rs bn)	28.6	30.1	43.2
EPS (Rs)	58.4	61.4	88.3
EPS gth	*22.9*	*5.2*	*43.8*
P/E (x)	26.2	24.9	17.3
EV/EBITDA (x)	14.0	13.2	9.4
Div yield (%)	1.0	0.9	1.2

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
16.8	6.2	4.3	(10.7)

Shareholding, December 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	67.7	-	-
FIIs	16.0	2.5	0.0
MFs	6.0	4.4	1.9
UTI	-	-	(2.5)
LIC	2.3	1.3	(1.2)

BHEL: Ordering activity for FY2009-12E may have peaked already

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- **95GW of XIIth plan over 80GW of XIth plan implies sedate growth in the medium term**
- **Order inflows of Rs500 bn/yr possible – however, we may have already seen the peak**
- **Company agrees there could be sharp margin expansion**
- **Working capital deteriorates marginally despite advances and non-cash provisions**
- **Retain REDUCE based on valuation, emerging domestic competition, execution risk and potential for underperformance as economic outlook improves**

The XIIth plan of 95 GW over 80 GW of XIth plan implies modest growth opportunity over the medium-term unless exports and industry ramp up significantly. Also, we believe Rs500 bn/year is possible, but we may have seen the peak of ordering activity in FY2009, particularly as 45% of the coal-based capacity in XIIth plan may have already been ordered. Other key takeaways include (1) possible sharp margin expansion (though the company stopped short of a commitment), (2) a deterioration in working capital, even though marginal, which has taken place despite strong customer advances and non-cash provisions, (3) a portion of the expanded capacity will become available from June, however, the full benefit would have to wait till January CY2010E, (4) competition is low currently, however, we believe it would ramp up with bulk tendering activity. We reiterate our REDUCE rating based on (a) high valuations - trades at high FY2010E P/E and EV/EBITDA of 17.4X and 11.6X, respectively, limiting upside from current levels, (b) emerging domestic competition, (c) execution risk based on constrained capacity and (d) potential for underperformance as economic outlook improves.

95GW of XIIth plan over 80GW of XIth plan implies sedate growth in the medium term unless exports and industry ramp up significantly

In keeping with our expectations, the company expects about 95 GW of execution in the XIIth plan (Exhibit 1) versus about 80 GW in the XIth plan. We highlight that this implies sedate yoy growth of below 5% in the domestic power segment over the medium term unless exports and the industry segment ramp up significantly. Near–term growth (i.e. over next three years), however, would be strong led by ramp up of the pace of execution to meet XIth plan targets. We highlight that both exports as well as industry are relatively smaller segments as (a) BHEL achieved physical exports order worth Rs32.7 bn (about 5.5% of total order booking in the year) and (b) BHEL achieved industry segment order inflows of Rs102.5 bn (about 17% of total order inflows for the year. A substantial ramp up in exports may also be limited by technology alliances which may limit export opportunity to relatively smaller countries.

Notably, based on plant-wise order tracking, we believe that a total coal-based capacity of 25.8 GW for XIIth plan has already been ordered versus likely total coal-based capacity of about 58 GW (Exhibits 2-4). Thus, only about 31 GW or so of further coal-based thermal power capacity may need to be ordered.

Order inflows of Rs500 bn each year possible – but the bulk of ordering for the medium term is complete

We highlight that despite substantial progress made in XIIth plan ordering activity, we believe that BHEL's guidance of Rs500 bn of ordering over next 2-3 years may be achievable based on following sector-wise contributions:

a) **Balance order for coal-based capacity.** We believe that BHEL would have an annual order booking of Rs180 bn, assuming (a) high 70% market share from balance 31 GW of ordering remaining for XIIth plan, (b) rate of about Rs25 mn/MW and (c) likely spread of ordering over three years.

b) **Spares business.** We estimate spares orders worth Rs31 bn in FY2010E, ramping to about Rs42 bn in FY2012E (Exhibit 5)

c) **Exports.** Export orders may be worth about Rs50 bn each year (versus about Rs32.7 bn in FY2009E

d) **Industry segment.** Industry orders of about Rs120 bn versus 102 bn in FY2009E (assuming 15% growth)

e) **Other segments of capacity addition.** Order booking from gas-based, hydro and nuclear power plants—about Rs65 bn of order booking each year for next three years. This estimated is based on (a) contribution from gas-based - 60% market share in a gas-based capacity of 8.7 GW at a rate of Rs15 mn/MW, (b) contribution from hydro-based - 60% market share in hydro power capacity of 22 GW at a rate of Rs10 mn/MW (40% may already have been ordered) and (c) contribution from nuclear-based - 70% market share in nuclear power capacity of 7.2 GW at a rate of Rs10 mn/MW (30% may already have been ordered).

However, we simultaneously believe that FY2009E may have seen the peak of ordering activity for the next several years unless exports ramp up significantly, so as to go materially beyond Rs50 bn assumed in the above analysis.

Management seemed to agree with our view of sharp margin expansion next year, but made no commitment. We highlight that we have built in 480 bps of margin expansion on a yoy basis and have arrived at EBITDA margin of 18.9% in FY2010E versus about 14.1% reported by the company in FY2009E. We highlight that a large part of our margin expansion is based on the absence of one-off employee provisions next year and commodities contribute only 60-75 bps to our margin expansion argument. The management stated that the entire wage provision requirement of Rs17.3 bn (comprised of (1) Rs6.6 bn gratuity related provisions and (2) total arrears based on turnover of Rs10.7 bn) has been completed. The effect of lower provisions would be seen immediately visible from 1QFY10E, however, the impact of lower material prices (potential increase margins by about 200 bps yoy) is likely to be visible from 2QFY10E only. Management highlighted possibility of margin expansion but did not commit itself to a profit growth figure higher than 25% along with about 20-25% revenue growth.

Working capital deteriorates marginally despite being buoyed by order-book-led customer advances and non-cash provisions. We highlight that BHEL has reported working capital of about 10-12 days of sales versus -10 days of sales at the end of FY2008. We believe that there has been marginal deterioration despite support from (a) strong order booking during the year which led to strong customer advances - BHEL customer advances have grown to Rs151.1 bn from Rs113.9 bn at the end of FY2008 and (b) BHEL has made non-cash provisions of Rs17.28 bn in FY2009E, which would also contribute to working capital efficiency measured at a net level in terms of number of days of sales.

BHEL highlighted that debtor and inventory levels (Rs74.71 bn) have remained relatively flat at 209 and 99 days of sales, respectively. Advances from customers have increased slightly from 215 days to about 220 days of sales.

Partial effects of capacity expansion to be seen from June; however, the full effect only from Jan' 10. The management highlighted that partial effects of the capacity expansion program would be witnessed from June 2009. However, the full impact of the capacity expansion to 15 GW would come in only from January 2010. The company has incurred capital expenditure of Rs11 bn in FY2009 and expects to incur a capex of about Rs12.5 bn in FY2010E as well.

Low competition likely to intensify with bulk tendering activity. The BHEL management highlighted that in the sub-critical segment, the company faces practically no competition and does not expect any new competition for the next 2-3 years. The competition that the company faces is from the Chinese players in the super-critical segment for 660 MW. The management also highlighted that even though several utilities are planning for super-critical units, sub-critical is more cost effective and hence emphasis is likely to shift back to sub-critical units where it has a higher market share.

We believe that competition is visible, as evident from split of Krishnapatnam order as well as recent half-way split of order from NPCIL's for eight 700 MW boilers. We believe that further competition would become visible with the bulk tendering activity of central utilities. The company highlighted that it expects bulk orders of 11 super-critical sets from NTPC and DVC in 2QFY2010E. If the company is L1 they would win 6 of the orders else they would be awarded 5 of the 11 if they match the L1 bid.

BHEL marginally missed our revenue and margins (adjusted for higher provisions) expectations in 4QFY09E. Based on flash results for 4QFY09, we believe that BHEL has reported net revenues of Rs92 bn (up 28% yoy) versus our expectation of Rs94.5 bn (Exhibits 6 and 7). We believe that BHEL may have achieved EBITDA of Rs14 bn in 4QFY09 on an unadjusted basis versus our expectation of Rs17.9 bn. This is primarily led by employee provisioning of about Rs17.28 bn versus our estimate of employee provisioning of Rs13.07 bn during FY2009E.

Downgrade to REDUCE based on valuation, creeping domestic competition, execution risk and potential for underperformance as economic outlook improves

We maintain our earnings estimates and DCF-based target price of Rs1,475/share. We reiterate REDUCE rating on the stock based on

a) **High valuations.** BHEL trades at high P/E valuations of 17.4X and 15X FY2010E and FY2011E respectively, and at EV/EBITDA of 11.6X and 9X FY2010E and FY2011E respectively. Such high valuation limit upside from current levels.

b) **Trading above target price.** We highlight that the stock is currently trading above our 12-month fair valuation of Rs1,475/ share

c) **Emerging domestic competition.** We believe that apart from imports-based competition, even domestic competition is ramping up for BHEL and would lead to pressure on margins and market share in the medium term.

d) **Execution risk based on constrained capacity.** While BHEL has a very strong backlog, the focus is on ability to execute that backlog. BHEL faces risk of missing on execution expectations based on slow pace of capacity addition.

e) **Potential for underperformance as economic outlook improves.** We highlight that in the past, BHEL has outperformed quite well in a crisis environment because of its public sector ecosystem. However, as the economic outlook improves, BHEL may underperform peers for whom the improvement in environment implies an uptick in business fundamentals itself. Thus BHEL may lag in terms of stock performance.

Exhibit 1. Broad contours of the XIIth plan suggest execution of the order of 95 GW, tallying with demand side projection as well

Total projects in the XIIth Plan (FY2012-13 to FY2016-17) - Likely to be taken up for commissioning (MW)

Estimated generation capacity at the end of XIth plan (MW)	200,000
Estimated GDP growth rate FY20013-17 (%)	8
GDP growth/ Electricity elasticity (X)	1
Required generation capacity, CAGR growth (%)	8.0
Generation capacity requried to be set up (MW)	93,886

	Thermal				Hydro	Nuclear	Total
	Coal			Gas			
	Supercritical	Subcritical	Total				
Centre	7,344	5,937	13,281	4,550	13,986	7,200	**39,017**
NTPC	7,344	675	8,019	4,550	4,546	1,800	**18,915**
NHPC	-	-	-	-	5,950	-	**5,950**
DVC	-	1,638	1,638	-	-	-	**1,638**
Others	-	3,624	3,624	-	3,491	5,400	**12,515**
State	520	19,944	20,464	1,185	4,174	-	**25,823**
Private	3,260	4,203	7,463	2,932	4,189	-	**14,584**
Ultra mega power projects	15,885	-	15,885	-	-	-	**15,885**
Total	**27,009**	**30,084**	**57,093**	**8,667**	**22,349**	**7,200**	**95,309**

Source: CEA, Kotak Institutional Equities

Exhibit 2. BHEL has won almost won all recent public sector contracts and its track record in private sector has improved

List of projects awarded so far which are likely to be taken up for commissioning during XIIth plan

	Plant Name	State	Agency	Sector	Ultimate Capacity	XI plan capacity	XII plan capacity	Awarded to
Equipment order placed	BARH-I	BIH	NTPC	C	1,980	1,320	660	Russia
	DIMAPUR	NAG	Naga-ED	S	23	-	23	BHEL
	MAUDA	MAH	NTPC	C	1,000	-	1,000	BHEL
	ENNORE-JV	TN	NTPC	C	1,000	-	1,000	BHEL
	BARH - II	BIH	NTPC	C	1,320	-	1,320	BHEL
	NABINAGAR	BIH	NTPC	C	1,000	750	250	BHEL
	BARSINGSAR Ext	RAJ	NLC	C	250	-	250	BHEL
	TUTICORIN JV	TN	NLC	C	1,000	-	1,000	BHEL
	KALISINDH	RAJ	RRVUNL	S	1,200	-	1,200	BGR Energy
	CHANDRAPUR	MAH	IPP	P	1,000	-	1,000	BHEL
	MALWA	MP	MPGENCO	S	1,200	-	1,200	BHEL
	KRISHNAPATNAM	AP	APGENCO	S	1,600	-	1,600	BHEL
	KAKATIYA	AP	APGENCO	S	500	-	500	BHEL
	STERLITE TPP ENERGY	ORISSA	IPP	P	2,400	600	1,800	SEPCO III, China
	MARWA	CHG	IPP	S	1,000	500	500	BHEL
	MUNDRA TPP PH 3	GUJ	IPP	P	1,980	-	1,980	SEPCO III, China
	MUNDRA UMPP	GUJ	IPP	P	4,000	1,600	2,400	Doosan and Toshiba
	TIRORA TPP, PH 1	MAH	IPP	P	1,320	-	1,320	SCMEC, China
	TIRORA TPP, PH 2	MAH	IPP	P	660	-	660	SCMEC, China
	BINA	MP	IPP	P	500	-	500	BHEL
	VINDHYACHAL STPP	MP	NTPC	C	1,000	-	1,000	BHEL
	RIHAND	UP	NTPC	C	1,000	-	1,000	BHEL
	RAIGARH	CHG	IPP	P	2,400	-	2,400	BHEL
	JHAJJAR	HAR	HPGCL	S	1,320	-	1,320	Chinese equipment player
	Subtotal						**25,883**	
Equipment order yet to be placed	Tilaiya	JHAR	Reliance Power	P	4,000	-	4,000	
	Krishnapatnam	AP	Reliance Power	P	4,000	-	4,000	
	ULTRA Mega Sasan	MP	Reliance Power	P	3,960	-	3,960	
	Total				**42,613**	**4,770**	**37,843**	

Source: CEA, News flows, Kotak Institutional Equities

Exhibit 3. About 45% of coal-based thermal power capacity may already have been ordered

Total projects in the XIIth Plan (FY2012-13 to FY2016-17) - Already awarded (MW)

	Thermal				Total
	Coal			Gas	
	Supercritical	Subcritical	Total		
Centre	1,980	5,500	7,480	-	**7,480**
NTPC	1,980	4,250	6,230		**6,230**
NHPC			-		**-**
DVC			-		**-**
Others		1,250	1,250		**1,250**
State	2,920	3,400	6,320	23	**6,343**
Private	3,960	8,100	12,060	-	**12,060**
Total	**8,860**	**17,000**	**25,860**	**23**	**25,883**

Total projects in the XIIth Plan (FY2012-13 to FY2016-17) - Awarded to BHEL (MW)

	Thermal				Total
	Coal			Gas	
	Supercritical	Subcritical	Total		
Centre	1,320	5,500	6,820	-	**6,820**
NTPC	1,320	4,250	5,570		**5,570**
NHPC			-		**-**
DVC			-		**-**
Others		1,250	1,250		**1,250**
State	1,600	2,200	3,800	23	**3,823**
Private		3,900	3,900	-	**3,900**
Total	**2,920**	**11,600**	**14,520**	**23**	**14,543**

Total projects in the XIIth Plan (FY2012-13 to FY2016-17) - BHEL's market share of projects already awarded

	Thermal				Total
	Coal			Gas	
	Supercritical	Subcritical	Total		
Centre	66.7	100.0	91.2		**91.2**
NTPC	66.7	100.0	89.4		**89.4**
NHPC					
DVC					
Others		100.0	100.0		**100.0**
State	54.8	64.7	60.1	100.0	**60.3**
Private	-	48.1	32.3		**32.3**
Total	**33.0**	**68.2**	**56.1**	**100.0**	**56.2**

Source: CEA, Kotak Institutional Equities

Exhibit 4. XIth plan ordering activity is out of the way, with BHEL capturing a market share of 62% in coal-based thermal power projects

Projects in the XIth plan - Under construction/ commissioned (MW)

	Thermal				Hydro	Nuclear	Total
	Coal			Gas			
	Supercritical	Subcritical	Total				
Centre	3,300	16,420	19,720	726	8,654	3,380	**32,480**
NTPC	3,300	10,220	13,520				**13,520**
NHPC							
DVC		5,450	5,450				**5,450**
Others		750	750	726		3,380	**4,856**
State	-	20,828	20,828	2,223	3,482	-	**26,533**
Private	5,560	10,009	15,569	2,057	3,491	-	**21,117**
Total	**8,860**	**47,257**	**56,117**	**5,006**	**15,627**	**3,380**	**80,130**

Projects in the XIth plan - Under construction/ commissioned with BHEL having the order, (MW)

	Thermal				Hydro	Nuclear	Total
	Coal			Gas			
	Supercritical	Subcritical	Total				
Centre	-	15,530	15,530	726	4,270	-	**20,526**
NTPC		9,480	9,480		1,400		**10,880**
NHPC					1,870		**1,870**
DVC		5,300	5,300				**5,300**
Others		750	750	726	1,000		**2,476**
State	-	16,778	16,778	1,757	473	-	**19,008**
Private	-	2,390	2,390	-	1,022	-	**3,412**
Total	**-**	**34,698**	**34,698**	**2,483**	**5,765**	**-**	**42,946**

Projects in the XIth plan - BHEL's market share for under construction/ commissioned projects (%)

	Thermal				Hydro	Nuclear	Total
	Coal			Gas			
	Supercritical	Subcritical	Total				
Centre	-	94.6	78.8	100.0	49.3	-	**63.2**
NTPC		92.8	70.1				**80.5**
NHPC							
DVC		97.2	97.2				**97.2**
Others		100.0	100.0	100.0			**51.0**
State		80.6	80.6	79.0	13.6		**71.6**
Private		23.9	15.4		29.3		**16.2**
Total	**-**	**73.4**	**61.8**	**49.6**	**36.9**	**-**	**53.6**

Source: CEA, Kotak Institutional Equities

Exhibit 5. We would expect the spares and R&M business to ramp upto Rs42 bn by FY2012E

Estimation of ramp-up of spares business with cumulative installed capacity, March fiscal year-ends 2005-2012E (Rsmn)

	2005	2006	2007	2008	2009	2010	2011	2012
BHEL installed generation capacity (MW)	74,780	76,741	80,781	85,786	94,559	103,331	114,056	124,781
BHEL estimated additional installation (MW)	3,648	1,961	4,040	5,005	8,773	8,773	10,725	10,725
Spares and R&M order (Rs bn)	0.0	18.5	32.2	23.6	27.3	31.3	36.3	41.7
Spares as proportion of installed capacity (Rs mn/MW)	0.0	0.2	0.4	0.3	0.3	0.3	0.3	0.3
Assumed inflation rate (%)					5	5	5	5

Source: Kotak Institutional Equities estimates, Company data

Exhibit 6. We believe BHEL may have underperformed marginally versus our estimates on revenues and margins (post adjustment for higher provisions)
BHEL 4QFY09 flash results - key numbers (Rs mn)

	yoy			qoq			yoy		
	4QFY09Flash	4QFY08	% change	4QFY09Flash	3QFY09	% change	FY2009Flash	FY2008	% change
Net revenues	**91,979**	**72,020**	***27.7***	**91,979**	**60,223**	***52.7***	**248,920**	**193,655**	***28.5***
Raw material consumption	(51,748)	(38,012)	*36.1*	(51,748)	(35,050)	*47.6*	(143,932)	(106,622)	*35.0*
Staff cost	(17,780)	(11,661)	*52.5*	(17,780)	(9,202)	*93.2*	(44,833)	(31,459)	*42.5*
Other items	(8,508)	(8,714)	*(2.4)*	(8,508)	(5,764)	*47.6*	(25,161)	(21,905)	*14.9*
Total Expenditure	**(78,036)**	**(58,387)**	***33.7***	**(78,036)**	**(50,016)**	***56.0***	**(213,926)**	**(159,987)**	***33.7***
Operating profit	**13,943**	**13,634**	***2.3***	**13,943**	**10,207**	***36.6***	**34,994**	**33,668**	***3.9***
Other income	4,737	4,242	*11.7*	4,737	3,063	*54.6*	13,789	13,962	*(1.2)*
EBIDTA	18,680	17,875	*4.5*	18,680	13,270	*40.8*	48,784	47,630	*2.4*
Interest	(12)	(42)	*(72.2)*	(12)	(179)	*(93.4)*	(238)	(354)	*(32.8)*
Depreciation	(911)	(827)	*10.2*	(911)	(865)	*5.4*	(3,246)	(2,972)	*9.2*
PBT	**17,757**	**17,006**	***4.4***	**17,757**	**12,226**	***45.2***	**45,300**	**44,304**	***2.2***
Tax	(5,274)	(5,897)	*(10.6)*	(5,274)	(4,321)	*22.1*	(14,910)	(15,711)	*(5.1)*
PAT	**12,483**	**11,109**	***12.4***	**12,483**	**7,906**	***57.9***	**30,390**	**28,593**	***6.3***
Key ratios (%)									
Raw Material to Sales	56.3	52.8		56.3	58.2		57.8	55.1	
Staff Cost to sales	19.3	16.2		19.3	15.3		18.0	16.2	
Other exp to sales	9.3	12.1		9.3	9.6		10.0	11.3	
Operating profit margin	**15.2**	**18.9**		**15.2**	**16.9**		**14.1**	**17.4**	
EBIDTA margin	20.3	24.8		20.3	22.0		19.6	24.6	
Effective tax rate	29.7	34.7		29.7	35.3		32.9	35.5	
PBT margin	19.3	23.6		19.3	20.3		18.2	22.9	
PAT margin	13.6	15.4		13.6	13.1		12.2	14.8	

Source: Company, Kotak Institutional Equities estimates

Exhibit 7. BHEL has missed our expectations essentially led by higher employee costs because of provisions
BHEL 4QFY09 slash results versus our expectations (Rs mn)

		yoy	
	4QFY09Flash	4QFY09E	% change
Net revenues	**91,979**	**94,638**	***(2.8)***
Raw material consumption	(51,748)	(52,364)	*(1.2)*
Staff cost	(17,780)	(15,794)	*12.6*
Other items	(8,508)	(8,554)	*(0.5)*
Total Expenditure	**(78,036)**	**(76,712)**	***1.7***
Operating profit	**13,943**	**17,926**	***(22.2)***
Other income	4,737	4,737	-
EBIDTA	18,680	22,662	*(17.6)*
Interest	(12)	(12)	-
Depreciation	(911)	(911)	-
PBT	**17,757**	**21,739**	***(18.3)***
Tax	(5,274)	(7,860)	*(32.9)*
PAT	**12,483**	**13,880**	***(10.1)***
Key ratios (%)			
Raw Material to Sales	56.3	55.3	
Staff Cost to sales	19.3	16.7	
Other exp to sales	9.3	9.0	
Operating profit margin	**15.2**	**18.9**	
EBIDTA margin	20.3	23.9	
Effective tax rate	29.7	36.2	
PBT margin	19.3	23.0	
PAT margin	13.6	14.7	

Source: Company, Kotak Institutional Equities estimates

Banking

ICBK.BO, Rs375	
Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	420
52W High -Low (Rs)	971 - 252
Market Cap (Rs bn)	417.0

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	160.5	157.9	163.0
Net Profit (Rs bn)	41.6	36.4	33.7
EPS (Rs)	39.9	32.7	30.3
EPS gth	*15.4*	*(18.1)*	*(7.4)*
P/E (x)	9.4	11.5	12.4
P/B (x)	0.9	0.8	0.8
Div yield (%)	2.9	2.6	2.3

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
39.3	(19.9)	(17.4)	(54.0)

Shareholding, December 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	-	-	-
FIIs	63.7	7.4	5.6
MFs	7.9	4.3	2.5
UTI	-	-	(1.9)
LIC	8.8	3.8	2.0

ICICI Bank: Asset quality to drive stock price performance; near-term operational environment to remain challenging

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- **Trend in retail NPLs unlikely to worsen significantly, but non-retail NPLs could rise. Asset quality would be the biggest driver for stock price performance**
- **Fee income growth likely to be under stress**
- **Margins to improve given the sharp reduction in wholesale rates, focus on retail liabilities and slower asset growth, but benefit likely to be back-ended in FY2010**
- **Valuations remain attractive, but near-term operational environment to remain challenging. Retain ADD rating with a target of Rs420 (earlier Rs465)**

We believe that asset quality issues would be the key driver for ICICI Bank's stock price performance over the next few quarters. The trend in retail NPLs is unlikely to worsen sharply from current levels (addition to NPLs to moderate), we remain concerned about corporate (including international) delinquencies, where restructuring is likely to be the initial option. Earnings are likely to remain weak in the near term due to subdued NII growth, decline in fee income, lower treasury income and higher provisions. We assume delinquencies to be at 2.7% in FY2010E and 2.5% in FY2011E. This would result in gross NPL ratio rising to 7% (assuming ICICI Bank does not write off loans) and net NPL ratio rising to 2.9% by March 2010E. Consequently, provision charges are likely to rise to about 180 bps of average loans over next two years. We have reduced our earnings estimates by 5% for FY2009E and 8% in FY2010E, due to lower fees and lower treasury gains. Revise price target to Rs420 but retain ADD rating given inexpensive valuations of 0.7X PBR and 9.0XPER FY2010E

Asset quality issues would be the biggest driver of stock price performance

We expect the concerns on liquidity, growth, mark-to-market losses for ICICI Bank to recede and investor focus to shift to asset quality over the next few months. The trend of retail NPLs is likely to show moderation (addition to NPLs is likely to moderate); with the exception of personal loan and credit cards segments (even here we do not expect a worsening in trend from the current levels). However, the non-retail loan segment is likely to experience heightened stress. Various news reports pertaining to restructuring of various corporate loans are likely indicators of stress on this portfolio. It is quite probable that some of these restructured corporate accounts could face genuine business risks and result in higher NPLs for the company over a period of time. The international loan book could also be exposed to similar risks.

Trend in underlying asset quality for retail asset unlikely to get worse

We expect the gross NPL ratio in the retail segment to rise to 8% by March 2010 from the 5.6% as of December 2008. It is our assessment that the gross NPL ratio of the retail segment for ICICI Bank is likely to rise due to the stagnation of the loan book rather than a worsening of the underlying asset quality. Our rationale:

1) Retail loans backed by collateral (especially mortgages and auto) do not have large asset quality issues. Our recent channel checks for the auto loan segment suggest that the behavior of the car loan portfolio has not seen a sharp deterioration in recent months. The mortgage segment has not seen a sharp rise in delinquencies for the banking industry, thus far.

2) Slippages in the non-collateral segment (i.e. credit cards and personal loans) continue to remain high and trend in this segment has taken a turn for the worse in the past few months. Since ICICI Bank has slowed down disbursement growth in the uncollateralized segment over the last 12-18 months, the pace of NPL addition is likely to get lower as the portfolio gets seasoned.

Corporate NPLs are likely to rise; restructuring is the initial option

The asset quality of the non-retail segment of ICICI Bank has been fairly robust, thus far, in line with the trend observed at other Indian banks. However, risks on this segment are likely higher in the current environment and the various newspaper reports of companies approaching banks to restructure the loans extended to them are reflective of this trend. The regulatory relaxation provided by RBI is likely to enable ICICI Bank to restructure some of these stressed assets and defer the recognition of NPLs for a few quarters—similar as in the case of other banks. ICICI Bank already has Rs50 bn (2.4% of parent loan book) of restructured assets (Dabhol exposure is included as part of restructured assets).

Note that on restructured assets, the bank continues to accrue interest and thus, at the time of recognition (assuming that some accounts will eventually become NPLs), the interest component also needs to be reversed and the impact on profitability would be much larger than actual loan amount. We expect the gross non-retail NPLs to rise to 6.9% by March 2010E for ICICI Bank (inclusive of restructured assets), from the current level of 3.1%.

Asset quality rather than MTM losses to be key concern on international book

ICICI Bank has been an active player in overseas acquisitions by Indian corporates or has been actively involved in the overseas funds raised (ECBs/FCCBs) by corporates. It is quite likely that there could be some slippages in these exposures over the next few quarters. We currently assume gross NPL ratio in the international book to rise to about 5% and gross NPL ratio on the non-India book rising closer to 10% by March 2010. International loans account for 36% of ICICI Bank's consolidated loan book of US$49 bn as of December 2008. International loans on ICICI Bank's standalone book are about 62% of total consolidated international loan exposure while the subsidiaries account for the remainder 38%. The management has indicated that the 10% of the ICICI Bank (standalone) international book is to non-India entities while about 20% of the loans on the international subsidiaries are to non–India entities. The credit risk on these loans is fairly low as per the management. However, we assume higher delinquencies in our assumptions, on the back of the higher risk of the international book.

Earnings trend to be weaker-than-expected earlier

Fees to decline across the board

Fee income has been the key revenue driver for ICICI Bank in the recent past. However, the fee income growth was largely driven by fees from a rapidly expanding international business (M&A and transaction based) and distribution business (especially insurance). With the deal flow having almost stopped on the international side, coupled with declining distribution revenues, we believe fee income growth is likely to decline sharply over the next few quarters.

We estimate that out of total fee revenues, split between the corporate and retail segments is 50:50. Lending related fees are about 10%, which will be impacted by the slower lending activity. Distribution business contributes about 10% of total fees and is also likely to be under stress. Syndication and deal related fees, which are a large part of corporate fees, are likely to remain subdued for ICICI Bank given the moderation in activity in the international segment. We expect fees to decline by 28% yoy in 4QFY09E and by 1% yoy in FY2010E.

Treasury revenues are also likely to be muted

We reduce our earning estimates for treasury on back of a sharp rise in Gsec yields since January 2009. While ICICI Bank would have booked some gains in 4QFY09, we believe that it is likely to be neutralized by the MTM losses on its AFS portfolio (ICICI Bank recognizes MTM losses in the treasury line). In line with our view of higher yields in the Gsec market, we reduce our FY2010E treasury earnings to Rs6 bn from Rs8 bn earlier.

Margins to improve, but likely to be back-ended in FY2010

We expect margins to start improving for ICICI Bank from 2QFY10E, as the impact of wholesale deposit repricing starts benefiting ICICI Bank. In the interim, the impact of high cost funding made in 3QFY09 and priority loans acquisitions (made in 4QFY09) are likely to have a negative impact on NIM for ICICI Bank. The company has been increasing its focus on improving its liability profile by increasing its reliance on retail deposits and slowing down overall credit growth. These efforts are likely to bear fruition over the next 4-6 quarters and result in better margins. We expect the NIM of the company to improve to 2.49% in FY2010E and 2.68% in FY2011E from the 2.3% it is likely to report in FY2009E.

Earnings reduced by 8% in FY2010E to factor in lower fees and treasury gains

We are reducing our earnings estimates for ICICI Bank by 5% for FY2009E and 8% in FY2010E to order to factor in lower fees and lower treasury gains. In line with the higher NPL trend, we are building in NPL provisions of 180 bps of average loans for ICICI Bank in FY2010E and FY2011E. As provisioning trend is expected to remain high, we reduce our FY2011E estimates by 11%.

Valuations remain attractive

Even as we highlight the muted growth in core operational income of ICICI Bank over the next few years, we maintain ADD on ICICI Bank as valuations are compelling. Adjusted for valuation of subsidiaries, the stock trades at 0.7X FY2010E PBR. We are reducing our target price by 10%, on back of earnings reduction over the next couple of years. We have also reduced our valuations of subsidiaries as we cut target price of ICICI Prudential Life by 8% to account for the sharper-than-expected slowdown in new business premium in FY2010E.

ICICI Bank has not been growing its retail loan book over last few 6 quarters

Movement in retail loans, March fiscal year-ends, 3QFY07-3QFY09 (Rs bn)

	3QFY07	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09	3QFY09
Retail Loans	1,179	1,277	1,274	1,310	1,323	1,317	1,320	1,210	1,145
Secured Loans	959	1,068	1,046	1,064	1,053	1,063	1,044	972	927
Unsecured Loans	220	208	228	246	270	254	276	238	218
Retail % of total loans	68	65	64	63	61	58	59	55	54

Source: Company.

Corporate and international loan book is growing over last few quarters from the parent book

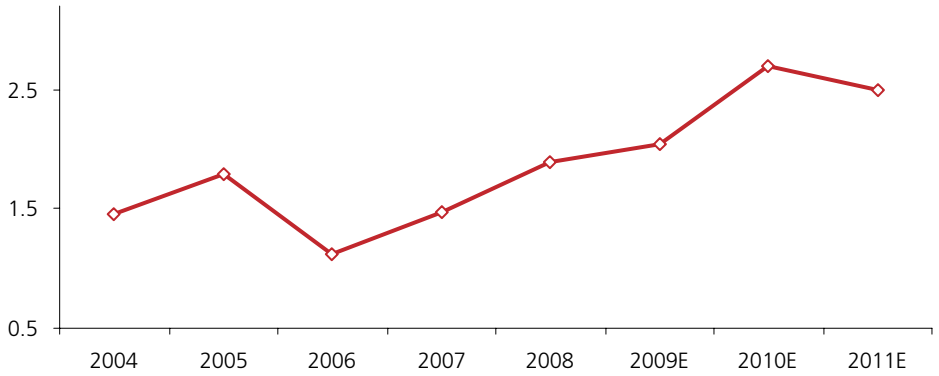
Movement in non retail and international loans, March fiscal year-ends, 3QFY07-3QFY09 (Rs bn)

	3QFY07	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09	3QFY09
Non Retail Loans	548	682	709	761	832	940	921	1,010	980
of which International	208	244	325	370	453	477	566	577	553
International % of total parent loans	12	12	16	18	21	21	25	26	26

Source: Company.

Incremental delinquencies continue to remain high

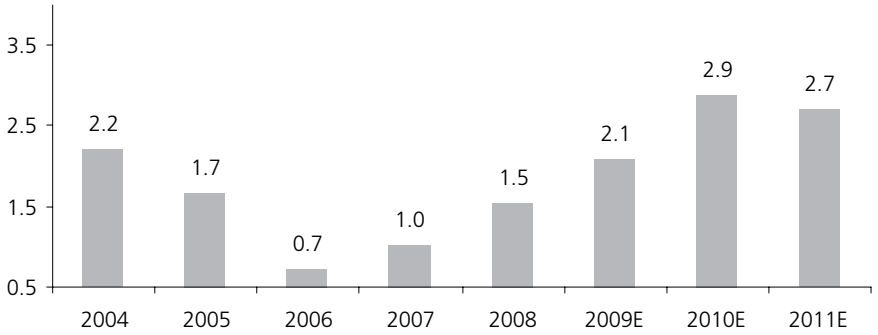
Incremental slippage as proportion of opening advances, March fiscal year-ends, 2004-2011E (%)



Source: Company, Kotak Institutional Equities estimates.

Net NPLs to rise fast, on back of high slippages

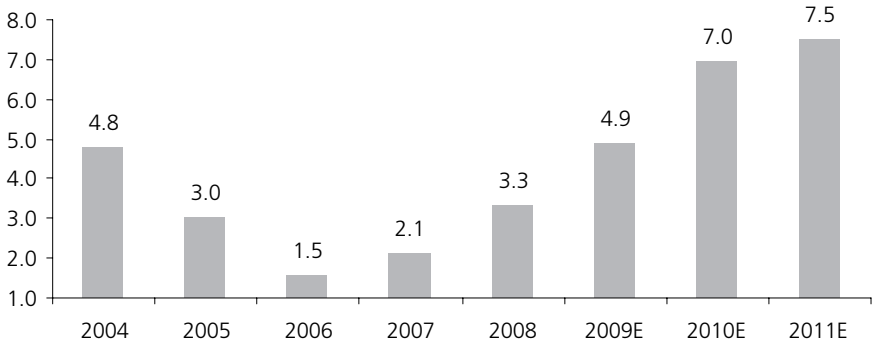
Net NPLs as proportion of loans, March fiscal year-ends, 2004-2011E (%)



Source: Company, Kotak Institutional Equities estimates.

Gross NPLs (assuming no write-offs) to rise sharply led by non-retail loans

Gross NPLs as proportion of loans, March fiscal year-ends, 2004-2011E (%)



Source: Company, Kotak Institutional Equities estimates.

NPLs are high in retail currently; we expect corporate NPLs to rise fast

NPL details as of December 2008

	3QFY09 (Rs bn)	3QFY09E (%)
Gross NPLs	96	4.5
Provisions and w/off	52	2.4
Net NPLs	45	2.1
Gross NPLs in retail	66	5.6
Gross NPLs in non-retail	31	3.1
Net NPLs in retail	29	2.5
Net NPLs (unsecured)	16	7.4
Net NPLs in non-retail	16	1.6

Source: Company, Kotak Institutional Equities estimates.

NPLs have been showing a steady increase since 3QFY07

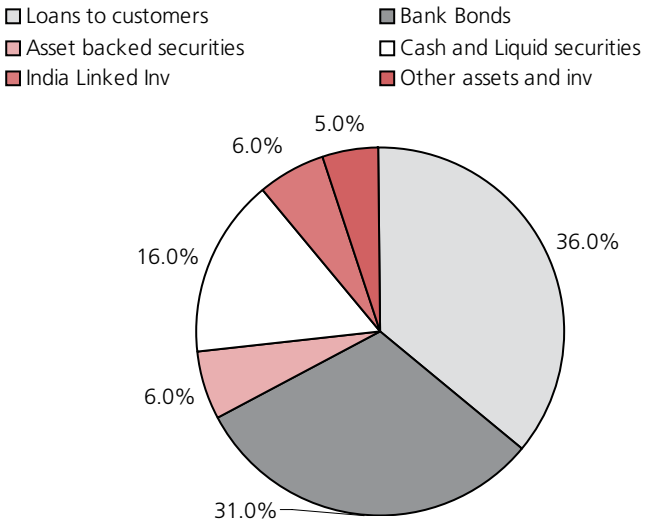
Movement in NPLs and provisions, March fiscal year-ends, 1QFY07-3QFY09 (Rs bn)

	1QFY07	2QFY07	3QFY07	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09	3QFY09
Gross NPLs	33	37	44	49	60	67	72	84	93	103	96
Provisions and w/off	20	22	25	28	33	37	39	48	52	60	52
Net NPLs	13	15	19	20	27	30	33	36	41	43	45

Source: Company.

Breakup of UK Asset Book - Total Assets of US$ 7.6 bn

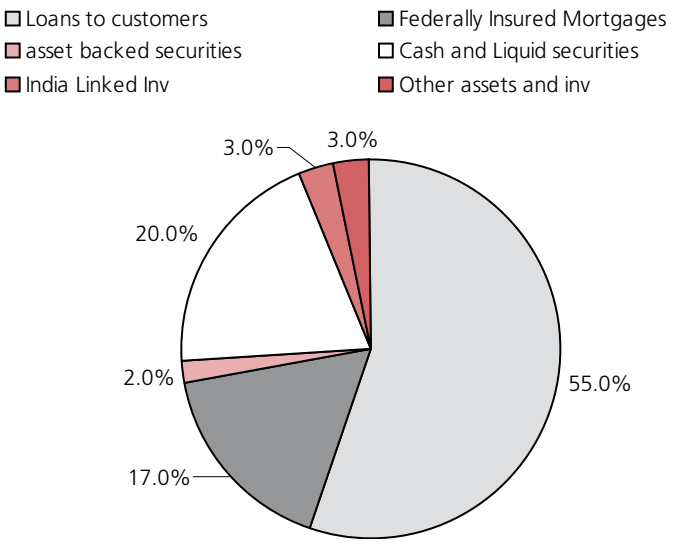
UK Asset book breakup as of December 2008 (%)



Source: Company.

Breakup of Canada asset book - Total Assets of Canadian $ 6.5 bn

Canada asset book breakup as of December 2008 (%)



Source: Company.

ICICI Bank (Old and new estimates)

March fiscal year-ends, 2009-2011E (Rs mn)

	Old estimates			New estimates			% change in estimates		
	2009E	**2010E**	**2011E**	**2009E**	**2010E**	**2011E**	**2009E**	**2010E**	**2011E**
Net interest income	81,782	87,262	105,410	81,993	84,476	90,157	0.3	(3.2)	(14.5)
Spread	1.7	1.9	2.3	1.7	1.9	2.1			
NIM (%)	2.3	2.5	2.8	2.3	2.5	2.7			
Customer assets (Rs bn)	2,291	2,417	2,712	2,314	2,216	2,386	1.0	(8.3)	(12.0)
Loan loss provisions	37,836	38,521	39,751	36,241	39,183	39,972	(4.2)	1.7	0.6
Other income	80,257	87,012	98,063	75,925	78,554	89,584	(5.4)	(9.7)	(8.6)
Fee income	59,977	66,462	76,908	60,145	59,504	68,429	0.3	(10.5)	(11.0)
Treasury income	8,000	8,000	8,000	3,500	6,500	8,000	(56.3)	(18.8)	-
Operating expenses	71,171	84,358	100,326	71,110	76,270	83,462	(0.1)	(9.6)	(16.8)
Employee expenses	20,258	22,165	26,532	20,258	20,318	22,110	-	(8.3)	(16.7)
PBT	51,618	49,982	61,983	49,153	46,163	54,894	(4.8)	(7.6)	(11.4)
Tax	13,421	13,495	17,355	12,780	12,464	15,370	(4.8)	(7.6)	(11.4)
Net profit	**38,198**	**36,487**	**44,627**	**36,373**	**33,699**	**39,523**	**(4.8)**	**(7.6)**	**(11.4)**
PBT-treasury+provisions	**81,455**	**80,503**	**93,733**	**81,895**	**78,846**	**86,866**	**0.5**	**(2.1)**	**(7.3)**

Source: Kotak Institutional Equities estimates.

	ICICI Share (%)	FY2010	Valuation methodoly adopted
Value of ICICI standalone	**100**	**262**	Based on Residual growth model
Subsidiaries			
ICICI Financial Services	**94**	**129**	
ICICI Prudential Life	74*	106	16X NBAP, margin assumed is 13%
General Insurance	74*	9	1X FY2008 PBR
Mutual Fund	51*	14	3% of AUMs
Other subsidiaries/associates			
ICICI Securities Ltd	100	7	PER of 5X FY2008 EPS
ICICI Securities Primary Dealer	100	1	PBR of 1X FY2008 BVPS
ICICI Homes Ltd	100	8	PBR of 1X FY2008 BVPS
ICICI Bank UK	100	0	
ICICI Bank Canada	100	0	
ICICI Bank Euroasia	100	0	
Venture capital/MF	100	9	10% of AUM of US$2 bn
Value of subsidiaries		**154**	
Value of company		**416**	

Source: Company, Kotak Instititional Equities estimates.

Forecasts and valuation for ICICI Bank

March fiscal year-ends, 2005-2011E

	PAT (Rs bn)	EPS (Rs)	P/E (X)	BVPS (Rs)	P/B (X)	RoE (%)	EPS excl. dividend (Rs)	P/E (standalone) (X)	BVPS (standalone) (Rs)	P/B (standalone) (X)
2005	20.1	27.2	13.8	170	2.2	19.5	24.7	9.0	142	1.6
2006	25.4	32.8	11.4	250	1.5	14.6	28.4	7.8	217	1.0
2007	31.1	34.6	10.8	270	1.4	13.4	29.6	7.5	225	1.0
2008	41.6	39.9	9.4	418	0.9	11.7	28.9	7.7	341	0.6
2009E	36.4	32.7	11.5	439	0.9	7.6	27.7	8.0	333	0.7
2010E	33.7	30.3	12.4	459	0.8	6.7	24.8	8.9	340	0.7
2011E	39.5	35.5	10.6	484	0.8	7.5	29.5	7.5	361	0.6

Source: Company, Bloomberg, Kotak Institutional Equities.

ICICI Bank, growth rates, key ratios and Du Pont analysis, March fiscal year-ends, 2007-2011E

	2007	2008	2009E	2010E	2011E
Growth rates (%)					
Net loan growth	34.0	15.2	(1.7)	(3.7)	8.0
Customer assets growth	38.6	17.6	(6.6)	(4.3)	7.7
Corporate loans	33.0	30.4	6.8	0.1	11.8
Total retail loans	34.8	3.2	(10.2)	(8.3)	3.0
Deposits growth	39.6	6.0	(13.1)	0.6	5.6
Borrowings growth	43.8	19.1	17.2	(22.4)	6.2
Net interest income	46.8	10.1	12.3	3.0	6.7
Loan loss provisions	172.6	25.1	34.2	8.1	2.0
Non-interest income	26.5	28.4	(13.2)	3.5	14.0
Net fee income	44.3	29.4	7.3	(1.1)	15.0
Net capital gains	48.7	62.5	(80.7)	85.7	23.1
Total income	35.8	19.3	(1.6)	3.2	10.3
Operating expenses	28.3	21.9	(12.8)	7.3	9.4
Employee expenses	49.4	28.6	(2.6)	0.3	8.8
DMA	9.5	1.2	(58.2)	5.2	18.7
Asset management measures (%)					
Yield on average earning assets	8.4	9.0	8.9	8.3	8.1
Interest on advances	9.4	10.7	10.2	9.6	9.6
Interest on investments	7.8	7.8	7.5	6.6	6.1
Average cost of funds	6.3	7.3	7.2	6.4	6.0
Interest on deposits	5.9	7.7	7.4	6.4	5.9
Other interest	7.4	6.3	6.8	6.5	6.3
Difference	**2.1**	**1.7**	**1.7**	**1.9**	**2.1**
Net interest income/earning assets	2.4	2.1	2.3	2.5	2.7
New provisions/average net loans	1.3	1.3	1.6	1.8	1.8
Loans-to-deposit ratio	64.1	67.5	69.8	72.3	73.8
Share of deposits					
Current	9.3	10.1	9.2	10.5	11.5
Fixed	78.2	73.9	71.3	67.3	63.7
Savings	12.5	16.0	19.5	22.2	24.8
Tax rate	14.7	17.8	26.0	27.0	28.0
Dividend payout ratio	29.0	29.5	30.0	28.0	25.0
ROA decomposition - % of average assets					
Net interest income	2.2	2.0	2.1	2.2	2.4
Loan loss provisions	0.7	0.7	0.9	1.0	1.1
Net other income	2.3	2.3	1.9	2.1	2.4
Operating expenses	2.3	2.2	1.8	2.1	2.3
Invt. Depreciation	0.0	—	—	—	—
(1- tax rate)	85.3	82.2	74.0	73.0	72.0
ROA	**1.0**	**1.1**	**0.9**	**0.9**	**1.1**
Average assets/average equity	12.8	10.5	8.2	7.5	7.2
ROE	**13.4**	**11.7**	**7.6**	**6.7**	**7.5**

Source: Company, Kotak Institutional Equities estimates.

ICICI Bank, income statement and balance sheet, March fiscal year-ends, 2007-2011E

	2007	2008	2009E	2010E	2011E
Total interest income	229,943	307,883	316,815	280,767	273,508
Interest on advances	160,963	226,010	228,706	209,583	212,616
Interest on investments	59,885	74,660	76,393	64,512	55,525
Total interest expense	163,585	234,842	234,822	196,290	183,351
Deposits from customers	116,477	182,759	168,411	135,732	130,655
Net interest income	66,358	73,041	81,993	84,476	90,157
Loan loss provisions	21,593	27,010	36,241	39,183	39,972
Net interest income (after prov.)	**44,765**	**46,031**	**45,751**	**45,293**	**50,184**
Other income	68,126	87,452	75,925	78,554	89,584
Net fee income	43,309	56,053	60,145	59,504	68,429
Net capital gains	11,152	18,121	3,500	6,500	8,000
Miscellaneous income	2,741	656	1,000	1,000	1,000
Operating expenses	66,906	81,542	71,110	76,270	83,462
Employee expense	16,167	20,789	20,258	20,318	22,110
DMA	15,239	15,427	6,446	6,780	8,045
Pretax income	36,480	50,561	49,153	46,163	54,894
Tax provisions	5,378	8,984	12,780	12,464	15,370
Net Profit	**31,102**	**41,577**	**36,373**	**33,699**	**39,523**
% growth	22.4	33.7	(12.5)	(7.4)	17.3
PBT+provision-treasury gains	**46,439**	**60,829**	**83,308**	**80,260**	**88,279**
% growth	51.6	31.0	37.0	(3.7)	10.0
Balance sheet (Rs mn)					
Cash and bank balance	371,213	380,411	270,410	263,363	273,344
Cash	20,670	28,478	24,755	24,909	26,316
Balance with RBI	166,399	265,297	157,339	146,222	154,796
Balance with banks	20,362	12,049	10,000	10,000	10,000
Outside India	162,783	74,587	78,316	82,232	82,232
Net value of investments	912,578	1,114,543	1,145,846	1,034,280	1,022,836
Investments in India	867,540	1,051,164	1,073,534	950,986	933,070
Govt. and other securities	673,682	753,777	889,220	767,899	749,983
Shares	19,373	29,201	29,201	29,201	29,201
Subsidiaries	26,072	46,383	58,883	63,883	63,883
Debentures and bonds	24,628	18,872	15,097	15,097	15,097
Net loans and advances	1,958,656	2,256,161	2,218,097	2,135,594	2,305,760
Corporate loans	866,656	1,129,531	1,206,782	1,208,239	1,350,950
Total retail loans	1,092,000	1,126,630	1,011,315	927,355	954,810
Fixed assets	39,234	41,089	40,514	45,811	54,525
Net leased assets	10,032	7,971	6,775	5,759	4,895
Net owned assets	29,202	33,118	33,739	40,052	49,630
Other assets	164,899	205,746	185,172	185,172	203,689
Total assets	**3,446,581**	**3,997,951**	**3,860,040**	**3,664,219**	**3,860,154**
Deposits	2,305,102	2,444,311	2,124,732	2,137,948	2,258,699
Borrowings and bills payable	752,449	896,494	1,051,054	815,508	866,228
Preference capital	3,500	3,500	3,500	3,500	-
Other liabilities	145,897	192,444	192,444	196,293	196,293
Total liabilities	**3,203,448**	**3,533,249**	**3,371,730**	**3,153,249**	**3,321,220**
Paid-up capital	8,990	11,127	11,127	11,127	11,127
Reserves & surplus	234,140	453,575	477,183	499,843	527,807
Total shareholders' equity	**243,130**	**464,702**	**488,309**	**510,970**	**538,933**

Source: Company, Kotak Institutional Equities estimates.

Others

TTCH.BO, Rs154	
Rating	BUY
Sector coverage view	N/A
Target Price (Rs)	190
52W High -Low (Rs)	126 - 53
Market Cap (Rs bn)	36.3

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	59.8	120.4	74.1
Net Profit (Rs bn)	9.6	6.0	5.7
EPS (Rs)	39.6	25.5	24.3
EPS gth	*89.8*	*(35.7)*	*(4.7)*
P/E (x)	3.9	6.1	6.3
EV/EBITDA (x)	5.8	4.1	3.4
Div yield (%)	0.8	1.2	6.5

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
20.9	29.3	40.2	(8.8)

Shareholding, December 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	29.2	-	-
FIIs	10.3	0.1	(0.1)
MFs	10.5	0.4	0.3
UTI	-	-	(0.1)
LIC	11.7	0.4	0.3

Tata Chemicals: Soda ash situation remains fluid - meeting with management

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- **Soda ash situation remains fluid, however, margins expected to remain steady**
- **Production of DAP resumes; steady-state margins expected to remain between 5-8%**
- **Maintain BUY rating with price target unchanged at Rs190**

TCL management believes the soda ash market remains fluid with (1) volume contraction being seen in USA, Europe (2) increase in idle Chinese capacities remaining an imminent threat to prices. TCL has taken an average price increase of US$20 for long term contracts in soda ash starting CY2009. We have not factored this into our estimates and believe this will provide an upside to our numbers. Margins in soda ash are expected to remain steady due to (1) an increase in contracted prices (2) lower energy costs. TCL has resumed production of DAP at its Haldia plant and believes the situation has normalized for now with stabilization in DAP prices and decline in feedstock costs of phosphoric acid. TCL is still to formulate its policy towards accounting treatment of forex losses post the recent change in accounting norms AS11. We leave our estimates unchanged. Adjusted for forex losses, we expect EPS of Rs40 in FY2009E declining to Rs25 in FY2010E. The stock is trading at 7X FY2010 earnings estimate. Maintain BUY rating with a price target of Rs190.

TCL management hosted a meeting with sell-side analysts that we attended. The meeting was addressed by CEO Mr. Mukundan and CFO Mr. Ghose. Timing of the meeting was a bit surprising since FY2009 results are to be announced in May. TCL did not pre-announce earnings or unveil any new deal. TCL mentioned that there was a significant interest from the sell-side in meeting the management and hosting a group meeting was better use of their time instead of 1*1 meetings.

Soda ash situation remains fluid, however, margins expected to remain steady. TCL mentioned that the soda ash situation is fluid with (1) volume contraction being seen in USA, Europe (2) increase in idle Chinese capacities remaining an imminent threat to prices. China is currently operating at 70% capacity utilization and at near-cash cost levels of production (US$170-190 mt). TCL maintains that any irrational behavior by Chinese players could destabilize the current situation. TCL mentioned that the industry is witnessing volume decline of 10-15% globally. TCL has categorized the markets of India, US, Canada, UK, South Africa as "home markets" and will defend its sales in these markets aggressively in light of any destabilization in prices. We factor in a 12% decline in total soda ash volumes in FY2010E.

However, there are certain mitigating factors which may lend stability to the situation. (1) TCL believes that the specter of significant volume shrinkage for them in developing markets of Africa and Asia, has now receded as a result of production cuts by China driven by a decline in domestic demand. (2) The slowdown in the auto and float glass segments is being countered to some extent by increased demand from container glass and powder detergents. Consumers are downgrading from liquid to powder detergents in developed markets.

Soda ash segment margins are expected to remain steady due to:

1) Increase in contracted prices. Approximately 100% of BMGL's volumes and 60% of GCIP volumes are contracted. TCL has taken an average price increase of US$20 for long term contracts in soda ash starting CY2009. We have not factored this into our estimates and believe this will provide an upside to our numbers. We will wait for some time to see that these prices hold. In India, exposure to detergents segment comprises 60% of sales where volumes have not seen any slowdown.

2) Lower energy costs. In UK, TCL has long-term contracts for energy requirements. In the US, it can pass on an increase in energy costs to customers based on a certain pre-defined formula.

3) Improvement in margins in Magadi. Although prices are fixed for production out of Magadi, profitability declined in 9MFY09, due to lower sales volumes on the back of credit tightening for its customers. (80% of volumes exported). TCL confirmed that Magadi is now contributing positively at EBITDA level driven by decline in energy costs and freight costs as faster decline in freight rates vis-à-vis energy cost makes it possible to route material to other geographies.

4) Out of TCL's total soda ash capacity of 5.5 mt, 3.2 mt is natural soda ash for which the cash cost of production is near US$60-70 mt vs synthetic cost of US$170-190 mt. Even if prices were to collapse, TCL's exposure to low cost soda ash capacity (owns 35% of global natural soda ash capacity) makes it the most capable of withstanding a slowdown

5) Domestic soda ash pricing have declined by 6% in late FY2009 although demand is stable. However, since Mithapur facility has access to its own limestone quarries and salt pans, TCL is better equipped to handle any further decline in prices.

Production of DAP resumes; steady-state margins expected to remain between 5-8%

With DAP prices normalizing and rapidly declining phosphoric acid prices, TCL has resumed DAP production at Haldia plant. Since fixed cost is 30% of total cost, plant closure in 3QFY09 was a viable option. Due to delays in DAP ordering in the US and South America, DAP prices declined with excess supply. With major fertilizer companies now having cut back on DAP production, prices are normalizing.

Other takeaways.

1) **TCL is still to formulate its policy towards accounting treatment of forex losses** post the recent change in accounting norms. (forex losses of Rs3 bn reported YTD)

2) **There will be a small amount of inventory write-off on account of DAP business likely in 4QFY09E**

3) **Goodwill on GCIP acquisition (Rs46 bn) will be tested for impairment.** We believe an impairment charge is unlikely since cash flows of GCIP remain strong. With the recently taken price hike and decline in energy costs, we believe margins will expand further.

4) **Planned capex of Rs1 bn in FY2010E.** TCL has cut back on its capex programmed to Rs4bn for three years starting FY2009E out of which Rs2.2 bn has been spent on urea plant at Babrala. It plans to spend Rs500mn on its Haldia plant in FY2010E. Increase in capacity at its Mithapur soda ash plant to 1.2 mt has been put on hold.

5) **Biofuel plant to be commissioned in 2H2009.** Financial impact will be minimal since it's a small plant.

Valuation and target price unchanged. We arrive at price target of Rs190 for TCL based on an SOTP calculation for its two businesses – chemicals and crop nutrition. We use PE multiple of 5X for chemicals and 8x for fertilizers for earnings 12 months forward. We add 70% value of long- term investments made by TCL in various listed and unlisted Tata group companies. The share price has moved from Rs119 since we launched coverage on 23rd March to Rs154. We think TCL's management meeting will help address some of the investor concerns relating to soda ash business which is critical to sentiments and share price movement in the short term. We retain our BUY rating and price target of Rs190.

TCL—Forecasts and valuation, March fiscal year-ends, 2007-2011E (Rs mn)

	Net sales		EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs)	(%)	(%)	(X)
2007	57,538	45.2	9,438	38.8	5,080	18.6	20.9	15.8	21.2	7.4
2008	59,757	3.9	9,277	(1.7)	9,644	89.8	39.6	9.4	30.7	3.9
2009E	120,429	101.5	22,114	138.4	5,994	(37.8)	25.5	18.7	17.2	6.0
2010E	71,998	(40.2)	17,493	(20.9)	5,490	(8.4)	23.3	12.8	13.3	6.6
2011E	76,422	6.1	18,025	3.0	6,458	17.6	27.5	13.2	14.0	5.6

Source: Company, Kotak Institutional Equities estimates.

TCL—abridged profit model, balance sheet, March fiscal year-ends, 2007-2011E (Rs mn)

	2007	2008	2009E	2010E	2011E
Profit model					
Net revenues	**57,538**	**59,757**	**120,429**	**71,998**	**76,422**
EBITDA	**9,438**	**9,277**	**22,114**	**17,493**	**18,025**
EBITDA margin (%)	16.4	15.5	18.4	24.3	23.6
Other income	1,726	6,909	(3,946)	148	751
Depreciation	2,739	3,138	4,301	4,500	4,750
Net finance cost	944	1,289	3,816	4,000	3,300
PBT	**7,481**	**11,759**	**10,051**	**9,141**	**10,726**
Tax	2,401	2,115	2,853	2,651	3,218
(Profit)/loss in minority interest	—	—	(1,204)	(1,000)	(1,050)
Reported net profit	**5,080**	**9,644**	**5,994**	**5,490**	**6,458**
Balance sheet					
Total equity	25,718	37,185	46,589	50,915	56,260
Total debt	18,642	48,505	58,084	47,825	45,518
Minority interests	—	—	1,204	2,204	3,254
Net Deferred tax liabilities	2,511	2,837	2,842	2,842	2,842
Total liabiilities and equity	**46,871**	**88,526**	**108,719**	**103,787**	**107,874**
Net fixed assets incl CWIP	30,561	33,712	35,505	32,005	28,255
Goodwill on consolidation	7,632	46,492	46,492	46,492	46,492
Investments	7,753	4,174	4,174	4,174	4,174
Net current assets	(619)	(2,620)	15,547	7,798	10,300
Cash	1,545	6,767	7,000	13,317	18,653
Total assets	**46,871**	**88,526**	**108,719**	**103,787**	**107,874**
Ratios					
Diluted EPS (Rs)	20.9	39.6	25.5	23.3	27.5
ROE (%)	21.2	30.7	17.2	13.3	14.0
Debt/equity (%)	72.5	130.4	124.7	93.9	80.9

Source: Company, Kotak Institutional Equities estimates.

Interim results- TCL , March fiscal year-ends (Rs mn)

	4QFY08	3QFY09	4QFY09E	Growth (%, yoy)	Growth (%, qoq)
Net sales	**14,348**	**35,100**	**16,879**	**18**	**(52)**
Op. costs	13,302	30,984	11,616	(13)	(63)
EBITDA	**1,047**	**4,116**	**5,262**	**403**	**28**
Interest(net)	315	988	1,000	217	1
Depreciation	793	1,102	1,150	45	4
Other income	5,703	(242)	(1,200)	NM	NM
PBT	**5,641**	**1,784**	**1,912**	**(66)**	**7**
Tax	364	472	478	31	1
PAT	**5,277**	**1,311**	**1,434**	**(73)**	**9**
Minority interest	0	400	250	NM	(37)
Reported PAT	**5,277**	**912**	**1,184**	**(78)**	**30**
Fertilizer business	**5,068**	**20,987**	**3,089**	**(39)**	**(85)**
India	4,627	19,667	2,639	**(43)**	**(87)**
IMACID	441	1,320	450	2	(66)
Chemical business (Global)	**9,636**	**14,472**	**13,790**	**43**	**(5)**
Brunner Mond Group (UK)	4,910	5,500	5,668	15	3
GCIP (USA)	0	3,710	3,699	NM	(0)
India	4,818	5,401	4,423	(8)	(18)
Adjustments	(92)	(139)	0	NM	NM
Total	**14,703**	**35,460**	**16,879**	15	(52)

Source: Company data, Kotak Institutional Equities.

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	6-Apr-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Automobiles																													
Bajaj Auto	655	REDUCE	94,833	1,893	145	52.2	50.7	61.5	(58.9)	(2.9)	21.4	12.5	12.9	10.6	7.6	7.4	6.0	5.9	4.8	3.8	3.1	3.1	3.1	21.0	41.0	39.4	615	(6.2)	1.6
Hero Honda	1,064	REDUCE	212,471	4,241	200	48.5	63.1	81.5	12.8	30.1	29.2	22.0	16.9	13.1	12.2	9.4	7.2	6.8	5.5	4.2	1.8	1.9	1.9	34.0	36.1	36.5	950	(10.7)	11.3
Mahindra & Mahindra	460	ADD	118,649	2,368	258	38.1	21.6	34.7	(2.0)	(43.2)	60.6	12.1	21.3	13.3	9.0	14.4	8.4	2.7	2.3	1.9	2.4	2.0	2.1	27.8	12.2	16.9	450	(2.1)	8.7
Maruti Suzuki	799	REDUCE	230,940	4,609	289	59.9	46.6	58.0	10.8	(22.2)	24.5	13.3	17.1	13.8	6.0	7.3	6.0	2.7	2.4	2.0	0.6	0.6	0.6	22.2	14.7	15.8	780	(2.4)	21.2
Tata Motors	210	SELL	116,879	2,333	556	36.5	18.5	19.0	(22.4)	(49.2)	2.7	5.8	11.3	11.0	4.4	9.9	7.3	1.3	0.7	0.8	4.9	—	—	24.7	9.1	7.3	120	(42.9)	14.8
Automobiles		**Cautious**	**773,772**	**15,443**					**(2.4)**	**(23.5)**	**25.5**	**12.0**	**15.7**	**12.5**	7.0	9.2	6.9	**2.9**	**2.3**	**1.9**	**2.2**	**1.4**	**1.4**	**24.2**	**14.4**	**15.4**			
Banks/Financial Institutions																													
Andhra Bank	50	ADD	24,105	481	485	11.9	12.3	11.5	7.0	3.6	(6.5)	4.2	4.0	4.3	—	—	—	0.8	0.7	0.7	8.0	6.2	5.8	18.0	17.2	14.4	75	50.9	0.3
Axis Bank	435	ADD	155,693	3,107	358	32.2	46.8	53.1	37.7	45.3	13.3	13.5	9.3	8.2	—	—	—	1.9	1.7	1.5	1.3	2.0	2.3	17.6	17.8	17.6	750	72.3	35.5
Bank of Baroda	240	ADD	87,763	1,752	366	39.3	50.2	50.4	39.8	27.8	0.5	6.1	4.8	4.8	—	—	—	1.0	0.9	0.8	3.3	4.3	4.3	14.6	15.7	14.3	330	37.4	5.9
Bank of India	229	ADD	120,171	2,398	526	40.6	59.2	51.3	76.6	45.7	(13.4)	5.6	3.9	4.5	—	—	—	1.5	1.1	1.0	1.7	2.7	2.3	27.6	30.5	21.2	330	44.4	11.3
Canara Bank	168	REDUCE	68,880	1,375	410	38.2	44.7	38.2	10.1	17.1	(14.4)	4.4	3.8	4.4	—	—	—	1.0	0.8	0.8	4.8	3.6	3.6	15.0	16.3	12.4	220	31.0	4.2
Corporation Bank	187	BUY	26,880	536	143	51.3	61.3	55.8	37.2	19.7	(9.1)	3.7	3.1	3.4	—	—	—	0.6	0.5	0.5	5.6	6.7	6.1	18.4	19.3	15.4	310	65.4	0.6
Federal Bank	159	BUY	27,109	541	171	34.4	32.0	34.0	0.5	(6.9)	6.4	4.6	5.0	4.7	—	—	—	0.7	0.6	0.6	2.5	3.8	4.0	13.6	13.2	12.7	280	76.7	1.3
Future Capital Holdings	115	BUY	7,284	145	63	(4.5)	4.5	28.8	(689.8)	(198.6)	546.1	(25.5)	25.9	4.0	—	—	—	1.0	1.0	0.8	—	—	—	(6.7)	3.8	21.4	440	281.9	0.5
HDFC	1,698	REDUCE	487,477	9,729	287	85.8	76.8	85.8	38.2	(10.5)	11.8	19.8	22.1	19.8	—	—	—	4.1	3.5	3.2	1.5	1.4	1.5	27.8	17.1	16.9	1,550	(8.7)	63.8
HDFC Bank	1,064	BUY	450,441	8,990	423	46.0	53.5	65.6	28.7	16.4	22.5	23.1	19.9	16.2	—	—	—	3.9	3.1	2.6	0.7	0.9	1.0	17.7	17.3	17.5	1,250	17.5	39.3
ICICI Bank	375	ADD	417,032	8,323	1,113	39.9	32.7	30.0	15.4	(18.1)	(8.4)	9.4	11.5	12.5	—	—	—	0.9	0.8	0.8	2.9	2.6	2.2	11.7	7.6	6.7	465	24.1	135.4
IDFC	65	ADD	84,712	1,691	1,294	5.7	6.0	6.3	3.0	6.1	5.1	11.5	10.9	10.3	—	—	—	1.5	1.4	1.2	1.8	1.6	1.7	17.6	13.3	12.7	75	14.6	10.2
India Infoline	65	ADD	18,537	370	287	5.6	5.0	4.0	85.6	(10.4)	(19.4)	11.5	12.9	16.0	—	—	—	1.5	1.5	1.4	1.8	4.5	3.6	20.7	11.7	9.2	60	(7.0)	3.0
Indian Bank	90	BUY	38,744	773	430	22.5	26.0	26.9	33.9	15.6	3.4	4.0	3.5	3.3	—	—	—	0.9	0.7	0.6	3.3	3.7	3.8	23.4	21.1	18.5	195	116.3	1.1
Indian Overseas Bank	50	BUY	27,186	543	545	22.1	25.5	20.8	19.2	15.3	(18.3)	2.3	2.0	2.4	—	—	—	0.6	0.5	0.4	7.5	8.3	7.5	27.2	25.5	17.5	120	140.5	1.2
J&K Bank	353	ADD	17,115	342	48	74.2	82.8	72.2	31.2	11.5	(12.7)	4.8	4.3	4.9	—	—	—	0.8	0.7	0.7	4.4	4.9	4.3	16.8	16.5	12.9	480	36.0	0.1
LIC Housing Finance	250	BUY	21,215	423	85	45.5	58.9	59.3	38.7	29.3	0.8	5.5	4.2	4.2	—	—	—	1.1	1.0	0.8	4.0	5.2	5.2	—	—	—	330	32.2	3.2
Mahindra & Mahindra Financial	202	SELL	19,236	384	95	20.8	19.5	22.6	32.6	(6.5)	16.0	9.7	10.4	8.9	—	—	—	1.5	1.4	1.2	2.3	2.4	2.8	16.9	13.5	14.2	190	(5.9)	0.0
Oriental Bank of Commerce	120	ADD	30,015	599	251	23.9	34.2	27.6	(27.6)	43.5	(19.5)	5.0	3.5	4.3	—	—	—	0.6	0.4	0.5	3.9	5.7	4.6	6.2	13.0	9.0	200	66.9	3.1
PFC	140	ADD	161,032	3,214	1,148	11.4	12.0	15.8	2.4	5.6	31.7	12.3	11.7	8.9	—	—	—	1.6	1.5	1.3	2.5	2.7	3.4	13.5	13.4	15.5	145	3.3	1.5
Punjab National Bank	450	BUY	141,965	2,833	315	65.0	90.7	90.7	33.0	39.6	(0.0)	6.9	5.0	5.0	—	—	—	1.5	1.2	1.1	2.9	4.0	4.0	18.0	21.5	18.6	650	44.4	16.5
Rural Electrification Corp.	98	BUY	84,143	1,679	859	10.9	15.2	17.7	9.8	38.8	16.8	9.0	6.5	5.5	—	—	—	1.4	1.2	1.0	3.1	5.0	5.8	17.1	19.6	19.9	125	27.6	1.3
Shriram Transport	183	REDUCE	37,133	741	203	19.2	28.6	27.0	85.7	49.0	(5.6)	9.5	6.4	6.8	—	—	—	2.1	1.8	1.5	2.7	4.7	4.6	26.9	28.8	23.6	215	17.6	0.8
SREI	31	ADD	3,611	72	116	11.4	7.3	6.9	57.4	(36.2)	(5.7)	2.7	4.3	4.5	—	—	—	0.6	0.3	0.3	3.9	7.4	9.0	23.1	13.1	11.5	50	61.0	1.1
State Bank of India	1,125	BUY	710,246	14,175	631	106.6	135.5	124.1	23.5	27.2	(8.4)	10.6	8.3	9.1	—	—	—	1.7	1.5	1.4	1.9	1.9	2.0	16.8	16.3	13.3	1,600	42.3	86.7
Union Bank	158	BUY	79,758	1,592	505	27.5	36.7	31.2	64.0	33.6	(14.9)	5.8	4.3	5.1	—	—	—	1.1	0.9	0.8	2.5	3.5	3.0	26.8	29.0	20.2	220	39.3	3.8
Banks/Financial Institutions		**Attractive**	**3,347,482**	**66,809**					**36.9**	**22.3**	**(1.6)**	**10.1**	**8.2**	**8.4**	**—**	**—**	**—**	**1.5**	**1.3**	**1.2**	**2.2**	**2.4**	**2.5**	**15.3**	**16.3**	**14.9**			
Cement																													
ACC	582	REDUCE	109,403	2,183	188	64.1	56.3	45.6	13.0	(12.2)	(19.0)	9.1	10.3	12.8	4.7	5.1	6.1	2.4	2.1	1.9	4.0	4.0	4.0	33.3	24.7	18.2	550	(5.5)	8.5
Ambuja Cements	72	REDUCE	109,687	2,189	1,522	7.6	7.6	5.8	(11.2)	0.2	(23.7)	9.5	9.5	12.5	4.8	5.2	6.0	2.2	1.8	1.6	3.6	4.2	2.6	26.6	20.8	14.1	60	(16.7)	3.0
Grasim Industries	1,567	REDUCE	143,719	2,868	92	284.6	225.7	188.5	32.6	(20.7)	(16.5)	5.5	6.9	8.3	3.6	4.2	4.3	1.6	1.3	1.2	2.0	2.1	2.1	33.1	20.7	14.9	1,500	(4.3)	9.3
India Cements	110	ADD	31,132	621	282	24.5	22.7	19.8	n/a	(7.3)	(12.8)	4.5	4.9	5.6	4.0	3.7	3.8	0.9	0.8	0.7	1.6	1.9	1.9	25.8	15.7	14.7	130	17.7	3.0
Shree Cement	716	BUY	24,956	498	35	90.2	129.9	72.5	99.5	44.0	(44.2)	7.9	5.5	9.9	3.2	3.2	4.0	3.8	2.4	2.0	1.1	1.1	1.1	56.9	53.2	21.7	850	18.7	0.3
UltraTech Cement	538	ADD	67,384	1,345	125	81.4	71.4	62.3	28.5	(12.2)	(12.8)	6.6	7.5	8.6	4.5	5.0	5.0	2.1	1.6	1.4	1.4	1.5	1.5	45.2	28.9	20.4	550	2.2	1.1
Cement		**Cautious**	**486,281**	**9,705**					**19.3**	**(9.3)**	**(20.2)**	**7.0**	**7.7**	**9.6**	**4.1**	**4.5**	**4.9**	**1.9**	**1.6**	**1.4**	**2.6**	**2.9**	**2.5**	**26.8**	**20.3**	**14.3**			
Consumer (Discretionary)																													
Radico Khaitan	66	REDUCE	6,716	134	102	2.2	2.6	3.3	(41.4)	15.0	26.3	29.2	25.4	20.1	11.3	11.5	9.8	2.7	2.4	2.2	0.9	—	—	11.7	10.0	11.4	65	(0.8)	0.5
United Breweries	101	REDUCE	24,173	482	240	2.1	1.9	2.4	(2.2)	(11.4)	31.0	47.8	53.9	41.2	14.5	11.5	8.9	4.0	2.3	2.2	—	—	—	8.0	3.6	5.4	85	(15.6)	0.4
United Spirits	664	BUY	62,562	1,249	94	28.9	32.7	48.0	(52.0)	13.2	46.9	23.0	20.3	13.8	10.7	10.4	8.9	2.7	2.7	2.0	0.3	0.3	0.4	14.0	13.5	16.8	900	35.5	58.1
Consumer (Discretionary)		**Neutral**	**93,451**	**1,865**					**(3.6)**	**15.4**	**40.5**	**27.4**	**23.7**	**16.9**	**11.3**	**10.7**	**9.0**	**3.0**	**2.3**	**2.1**	**0.2**	**0.2**	**0.2**	**10.9**	**9.9**	**12.3**			
Consumer products																													
Asian Paints	784	REDUCE	75,153	1,500	96	39.3	35.7	44.3	40.4	(9.2)	24.3	20.0	22.0	17.7	12.0	13.1	10.1	7.8	6.8	5.7	2.2	2.2	2.6	45.0	34.2	36.2	800	2.1	0.9
Colgate-Palmolive (India)	447	ADD	60,796	1,213	136	17.1	20.4	23.5	16.5	19.4	15.5	26.2	21.9	19.0	21.8	19.2	15.9	33.2	36.1	39.9	2.9	4.1	4.7	100.1	157.8	200.3	490	9.6	1.5
GlaxoSmithkline Consumer (a)	709	ADD	29,815	595	42	38.7	44.8	50.4	26.9	15.8	12.6	18.3	15.8	14.1	9.7	8.8	7.6	4.5	3.8	3.3	1.7	2.1	2.3	27.4	26.7	25.6	700	(1.3)	0.2
Godrej Consumer Products	129	ADD	33,206	663	258	7.1	6.7	8.7	18.7	(5.5)	31.2	18.2	19.3	14.7	15.8	17.1	12.0	18.7	5.0	4.3	2.8	3.1	3.1	109.6	42.1	43.1	160	24.4	0.4
Hindustan Unilever	227	REDUCE	495,610	9,891	2,179	8.1	9.2	10.7	15.4	12.9	17.0	28.0	24.8	21.2	22.6	19.8	16.2	34.4	32.0	29.6	4.7	3.8	4.5	85.2	134.3	145.7	245	7.7	19.2
ITC	180	ADD	677,596	13,524	3,769	8.3	8.7	9.8	15.4	4.6	12.8	21.7	20.8	18.4	13.8	12.8	11.3	5.4	4.8	4.2	1.9	2.1	2.2	27.7	25.4	25.2	200	11.2	17.5
Jyothy Laboratories	72	ADD	5,258	105	73	6.5	7.2	10.6	(8.6)	10.2	47.3	11.1	10.0	6.8	6.8	6.1	4.2	1.6	1.3	1.2	3.2	3.2	4.0	13.5	13.0	16.5	127	75.3	
Nestle India (a)	1,600	ADD	154,270	3,079	96	44.5	56.4	68.1	31.3	26.8	20.7	36.0	28.4	23.5	21.7	17.9	15.1	29.9	22.9	17.9	1.7	2.1	2.6	94.8	91.4	85.4	1,740	8.7	0.9
Tata Tea	590	BUY	36,495	728	62	54.2	60.1	67.7	3.9	10.9	12.7	10.9	9.8	8.7	4.9	5.3	4.1	0.8	0.8	0.7	5.9	2.9	3.3	11.9	10.3	10.8	940	59.3	1.3
Consumer products		**Cautious**	**1,568,198**	**31,298**					**17.1**	**8.7**	**15.9**	**23.6**	**21.8**	**18.8**	**15.6**	**14.4**	**12.3**	**7.3**	**6.4**	**5.7**	**3.0**	**2.8**	**3.1**	**31.0**	**29.6**	**30.5**			
Constructions																													
Consolidated Construction Co.	112	ADD	4,156	83	37	24.0	22.3	27.2	67.6	(7.4)	22.1	4.7	5.1	4.1	3.3	3.6	3.0	0.9	0.8	0.7	2.2	2.9	3.5	27.7	16.8	17.8	190	69.0	0.0
IVRCL	155	BUY	20,912	417	135	15.5	14.9	16.1	27.2	(4.0)	8.0	9.9	10.3	9.6	8.4	7.4	6.2	1.3	1.1	1.0	0.9	0.5	0.5	14.4	11.9	11.5	175	13.3	8.4
Nagarjuna Construction Co.	70	BUY	16,105	321	229	7.2	7.3	8.8	14.5	2.5	19.7	9.8	9.6	8.0	6.3	6.5	5.7	1.0	1.9	0.9	1.6	1.9	2.3	12.6	10.3	11.3	100	42.2	2.3
Punj Lloyd	107	REDUCE	34,512	689	323	10.0	9.6	16.4	323.5	(4.0)	71.5	10.7	11.1	6.5	6.3	7.6	4.7	1.3	1.1	1.0	0.3	0.4	0.7	16.8	10.8	16.3	105	(1.6)	16.9
Sadbhav Engineering	328	ADD	4,102	82	13	40.5	43.8	54.3	68.2	8.2	23.8	8.1	7.5	6.0	5.7	5.2	4.5	1.4	1.2	1.0	1.2	1.5	1.8	16.5	15.9	16.8	550	67.6	0.1
Construction		**Attractive**	**79,786**	**1,592**					**94.7**	**(2.2)**	**37.0**	**9.6**	**9.8**	**7.1**	**6.5**	**6.8**	**5.1**	**1.2**	**1.1**	**1.0**	**0.9**	**0.9**	**1.2**	**12.5**	**11.1**	**13.4**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	6-Apr-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Energy																													
Bharat Petroleum	374	SELL	122,737	2,450	328	41.3	0.0	42.0	(21.1)	(99.9)	NA	9.1	NA	8.9	4.2	7.6	4.5	0.9	1.0	0.9	1.2	—	5.0	11.8	0.0	10.2	425	13.5	5.5
Cairn india	203	BUY	379,603	7,576	1,871	(0.1)	4.2	4.4	(105)	(3,628)	5.2	(1,702)	48	45.9	46.8	28.2	20.6	1.3	1.1	1.1	—	—	—	(0.1)	2.5	2.5	225	10.9	14.1
Castrol India (a)	335	BUY	41,456	827	124	17.6	21.3	25.6	44.4	20.7	20.2	19.0	15.7	13.1	10.5	8.8	7.4	10.1	9.2	8.3	4.2	4.5	5.4	52.2	60.9	66.3	390	16.3	0.3
GAIL (India)	256	REDUCE	325,174	6,490	1,268	20.4	23.3	19.7	21.0	14.2	(15.6)	12.6	11.0	13.0	6.3	5.9	7.3	2.3	2.0	1.8	2.6	2.9	2.6	18.1	18.3	13.8	240	(6.4)	10.3
GSPL	42	REDUCE	23,750	474	563	1.8	1.9	2.5	10.1	4.4	30.5	23.4	22.4	17.2	7.8	8.2	5.3	1.9	1.8	1.6	1.2	1.2	1.6	8.8	8.2	9.8	45	6.6	1.6
Hindustan Petroleum	260	SELL	88,075	1,758	339	33.5	(10.5)	30.2	(16.4)	(131.5)	(386.8)	7.8	(24.6)	8.6	7.0	6.9	4.7	0.7	0.7	0.7	1.2	—	4.6	9.6	(2.9)	7.6	300	15.5	6.8
Indian Oil Corporation	406	REDUCE	479,217	9,564	1,179	61.3	24.3	46.8	31.0	(60.3)	92.1	6.6	16.7	8.7	4.1	8.1	4.4	1.1	1.0	0.9	1.4	—	4.5	17.4	6.2	10.3	525	29.2	3.1
Oil & Natural Gas Corporation	887	ADD	1,896,765	37,856	2,139	92.7	103.9	103.9	9.1	12.0	0.0	9.6	8.5	8.5	3.5	3.2	2.9	1.9	1.7	1.5	3.6	3.8	4.1	19.6	19.5	17.2	950	7.1	30.0
Petronet LNG	46	ADD	34,538	689	750	6.3	5.5	5.9	—	(12.6)	6.6	7.3	8.3	7.8	4.8	6.8	5.3	1.8	1.5	1.3	3.3	3.3	3.3	26.7	19.2	17.2	52	12.9	1.4
Reliance Industries	1,672	REDUCE	2,295,107	45,806	1,373	105.0	98.9	136.9	25.5	(5.8)	38.4	15.9	16.9	12.2	10.4	9.9	6.1	2.6	2.1	1.7	0.7	0.8	1.0	19.0	14.4	17.1	1,625	(2.8)	188.0
Reliance Petroleum	104	NR	469,350	9,367	4,500	—	(0.0)	9.0	n/a	n/a	n/a	n/a	n/a	11.6	n/a	n/a	9.3	3.5	3.5	2.9	—	—	1.9	—	(0.0)	27.0	-	(100.0)	22.6
Energy		**Neutral**	**6,155,770**	**122,857**					**12.9**	**(7.7)**	**36.6**	**12.9**	**14.0**	**10.2**	**6.5**	**6.8**	**5.0**	**1.9**	**1.6**	**1.5**	**1.7**	**1.7**	**2.5**	**14.9**	**11.8**	**14.5**			
Industrials																													
ABB	446	SELL	94,575	1,888	212	23.2	25.8	23.6	44.5	11.3	(8.8)	19.2	17.3	19.0	11.0	10.1	10.4	5.8	4.5	3.8	0.5	0.5	0.6	34.8	29.4	21.6	325	(27.2)	4.9
BGR Energy Systems	156	REDUCE	11,250	225	72	12.1	15.3	20.7	(67.4)	26.1	35.4	12.9	10.2	7.5	7.5	5.9	5.1	2.4	2.0	1.6	1.3	1.6	2.2	31.4	21.3	23.9	165	5.6	0.7
Bharat Electronics	939	REDUCE	75,092	1,499	80	102.0	97.8	104.6	11.2	(4.0)	6.9	9.2	9.6	9.0	4.0	3.5	3.2	2.2	1.9	1.7	2.2	2.7	2.7	27.7	21.6	19.9	950	1.2	0.9
Bharat Heavy Electricals	1,531	REDUCE	749,553	14,960	490	58.4	61.4	88.3	22.9	5.2	43.8	26.2	24.9	17.3	14.0	13.2	9.4	7.0	5.7	4.6	1.0	0.9	1.2	29.2	25.2	29.5	1,475	(3.7)	48.1
Crompton Greaves	127	ADD	46,666	931	367	11.2	14.0	15.2	43.0	25.3	8.4	11.4	9.1	8.4	6.3	5.4	4.8	3.6	2.7	2.1	1.3	1.4	1.4	36.1	33.7	28.1	140	10.0	4.7
Larsen & Toubro	770	REDUCE	456,557	9,112	593	37.9	48.2	51.6	20.8	27.1	7.0	20.3	16.0	14.9	13.7	10.3	9.3	3.9	2.9	2.4	1.1	1.3	1.4	22.7	20.6	17.6	650	(15.6)	54.4
Maharashtra Seamless	152	BUY	10,724	214	71	29.4	37.4	37.9	(23.5)	27.6	1.2	5.2	4.1	4.0	3.1	2.5	2.4	0.9	0.8	0.7	3.3	3.7	3.7	19.7	21.1	18.0	215	41.4	0.4
Siemens	270	REDUCE	90,932	1,815	337	18.2	14.2	15.7	60.4	(22.2)	10.5	14.8	19.0	17.2	8.2	8.3	9.1	4.9	4.0	3.4	0.9	1.3	1.6	39.9	23.1	21.3	220	(18.4)	5.2
Suzlon Energy	56	REDUCE	87,984	1,756	1,567	6.6	7.0	6.1	9.5	6.6	(13.1)	8.5	8.0	9.2	5.2	7.6	7.5	1.0	0.8	0.8	1.7	0.9	0.9	16.3	11.3	8.7	60	6.9	-
Industrials		**Cautious**	**1,623,333**	**32,399**					**25.3**	**10.3**	**15.9**	**18.5**	**16.8**	**14.5**	**10.6**	**9.6**	**8.3**	**3.9**	**3.2**	**2.6**	**1.1**	**1.1**	**1.4**	**21.1**	**18.8**	**18.3**			
Infrastructure																													
IRB Infrastructure	94	ADD	31,242	624	332	3.4	5.6	10.4	150.9	63.5	85.5	27.4	16.8	9.0	10.7	10.3	5.9	1.9	1.7	1.4	—	—	—	10.7	10.6	16.8	110	17.0	0.7
Media																													
DishTV	28	REDUCE	18,100	361	644	(9.6)	(7.3)	(4.1)	n/a	(23.9)	(44.4)	(2.9)	(3.8)	(6.9)	(10.3)	(13.5)	(76.6)	(4.0)	(2.8)	(8.9)	—	—	—	167.9	86.1	NA	22	(21.7)	2.8
HT Media	59	BUY	13,926	278	234	4.3	2.9	4.1	4.7	(32.3)	39.3	13.7	20.3	14.6	7.5	9.1	6.4	1.6	1.5	1.4	0.7	0.7	1.3	12.2	7.8	10.2	100	68.2	0.1
Jagran Prakashan	59	BUY	17,905	357	301	3.3	2.9	4.1	33.5	(11.4)	40.5	18.3	20.6	14.7	10.1	11.4	8.0	3.3	3.1	2.9	3.4	2.4	3.4	18.7	15.6	20.3	75	26.2	0.1
Sun TV Network	174	ADD	68,747	1,372	394	8.3	9.2	11.0	30.7	10.9	19.2	21.0	19.0	15.9	11.2	10.0	8.7	4.6	4.0	3.7	1.4	2.3	3.4	24.8	23.4	24.9	200	14.6	0.7
Zee Entertainment Enterprises	117	BUY	50,532	1,009	434	8.9	8.2	9.2	62.6	(7.8)	12.4	13.1	14.2	12.7	9.7	10.3	9.1	1.7	1.5	1.4	1.7	2.0	2.2	14.2	11.8	12.0	145	24.4	6.0
Zee News	35	BUY	8,272	165	240	1.5	2.0	2.3	396.2	28.9	13.6	22.3	17.3	15.2	12.1	9.7	8.2	3.9	3.3	2.8	1.2	1.2	1.4	19.2	21.3	20.5	40	15.9	0.3
Media		**Attractive**	**177,482**	**3,542**					**30.8**	**(17.6)**	**62.5**	**33.1**	**40.2**	**24.7**	**13.5**	**13.4**	**9.8**	**3.2**	**2.9**	**2.5**	**1.5**	**1.8**	**2.5**	**9.5**	**7.2**	**10.1**			
Metals																													
Hindalco Industries	60	ADD	105,420	2,104	1,753	13.8	7.7	2.4	(10.0)	(44.4)	(69.2)	4.4	7.8	25.5	5.9	5.4	7.5	0.5	0.3	0.3	—	—	—	14.4	10.3	5.2	55	(8.6)	7.4
National Aluminium Co.	231	SELL	149,061	2,975	644	25.3	19.7	10.3	(31.5)	(22.2)	(47.8)	9.1	11.7	22.5	4.1	5.7	7.2	1.6	1.4	1.4	2.6	1.5	0.9	18.3	12.7	6.2	135	(41.6)	1.8
Jindal Steel and Power	1,281	BUY	197,201	3,936	154	82.7	179.7	171.6	80.5	117.2	(4.5)	15.5	7.1	7.5	11.7	5.1	5.0	4.5	2.7	2.0	—	0.5	0.6	35.4	48.4	31.0	1,400	9.3	21.3
JSW Steel	311	SELL	58,200	1,162	187	86.1	8.7	45.7	16.1	(89.9)	423.3	3.6	35.6	6.8	5.1	7.7	6.1	0.6	0.6	0.5	4.5	0.6	0.6	20.7	10.2	7.9	185	(40.5)	7.5
Hindustan Zinc	489	BUY	206,407	4,119	423	104.0	63.8	64.0	(1.0)	(38.6)	0.2	4.7	7.7	7.6	2.4	4.1	3.5	1.7	1.4	1.2	1.0	1.5	2.0	43.6	20.0	17.0	490	0.3	3.2
Sesa Goa	106	BUY	83,172	1,660	787	19.0	23.7	19.6	146.0	24.8	(17.0)	5.6	4.5	5.4	2.9	2.7	2.6	2.9	1.9	1.5	2.5	3.3	3.3	67.8	51.2	30.5	115	8.8	13.5
Sterlite Industries	386	BUY	273,762	5,464	708	64.3	48.0	46.6	(22.6)	(25.4)	(2.9)	6.0	8.0	8.3	2.5	4.2	4.2	1.2	1.1	1.0	—	—	—	26.1	13.8	12.2	400	3.5	25.1
Tata Steel	236	BUY	193,702	3,866	822	75.7	130.7	56.1	43.8	72.5	(57.1)	3.1	1.8	4.2	3.9	3.0	4.1	0.5	0.4	0.4	6.1	5.5	5.5	46.3	38.1	15.6	290	23.1	46.7
Metals		**Attractive**	**1,266,925**	**25,285**					**12.0**	**6.1**	**(33.2)**	**5.4**	**5.1**	**7.6**	**4.2**	**4.1**	**4.8**	**1.1**	**0.8**	**0.8**	**1.8**	**1.6**	**1.6**	**19.8**	**16.3**	**10.0**			
Pharmaceutical																													
Biocon	152	BUY	30,380	606	200	23.3	5.6	16.0	126.0	(76.1)	187.0	6.5	27.3	9.5	8.5	11.9	6.0	2.1	1.9	1.7	0.1	0.0	0.1	17.6	7.3	18.8	235	54.7	0.6
Cipla	221	ADD	172,015	3,433	777	9.0	9.8	14.7	4.9	8.2	50.9	24.5	22.7	15.0	18.0	16.4	11.4	4.6	4.0	3.3	0.9	1.1	1.4	20.1	18.9	24.2	260	17.5	5.5
Dishman Pharma & chemicals	97	BUY	7,910	158	81	14.7	11.4	24.8	30.5	(22.7)	118.0	6.6	8.6	3.9	7.0	7.7	4.3	1.4	1.2	0.9	0.0	0.0	0.0	26.8	15.1	27.1	280	187.9	0.2
Divi's Laboratories	920	BUY	59,412	1,186	65	53.2	65.2	75.1	85.8	22.5	15.2	17.3	14.1	12.3	14.1	10.9	8.8	7.0	4.8	3.5	0.1	0.1	0.1	49.8	40.3	33.3	1,450	57.5	6.4
Dr Reddy's Laboratories	514	BUY	86,981	1,736	169	26.1	26.2	39.9	(57.2)	0.6	52.1	19.7	19.6	12.9	9.5	8.3	6.1	1.9	1.8	1.6	0.7	0.8	0.8	10.3	9.4	13.0	700	36.2	4.1
Glenmark Pharmaceuticals	178	BUY	47,402	946	266	25.8	15.8	18.2	98.4	(38.7)	14.7	6.9	11.3	9.8	6.6	7.8	6.6	3.1	2.1	1.8	0.1	0.0	0.0	57.4	21.9	19.8	390	118.7	9.4
Jubilant Organosys	103	BUY	18,420	368	179	22.4	(5.5)	21.7	72.3	(124.7)	(492)	4.6	(18.6)	4.7	5.7	25.2	6.5	1.4	1.4	1.3	1.2	1.6	2.0	37.0	(8.4)	30.4	300	191.0	0.2
Lupin	641	BUY	56,742	1,132	89	49.8	50.8	65.3	30.2	2.0	28.7	12.9	12.6	9.8	15.1	11.2	8.6	4.4	2.7	2.3	1.5	1.5	1.8	37.9	27.4	26.0	1,100	71.7	1.7
Piramal Healthcare	208	BUY	43,420	867	209	17.7	14.8	21.3	66.8	(16.7)	44.4	11.7	14.1	9.7	9.0	10.5	7.3	4.0	3.5	2.8	2.0	1.9	2.2	30.9	19.5	32.1	340	63.7	2.0
Ranbaxy Laboratories	183	ADD	76,564	1,528	419	23.3	(8.1)	8.9	70.4	NA	NA	7.8	NA	20.5	7.6	(111.1)	7.3	2.5	1.5	0.9	4.1	5.6	6.5	32.3	(8.8)	5.9	340	86.1	12.7
Sun Pharmaceuticals	1,070	BUY	221,583	4,422	207	74.7	86.8	85.7	78.9	16.3	(1.3)	14.3	12.3	12.5	12.0	9.4	8.6	4.3	3.2	2.6	1.0	1.0	1.3	38.3	31.1	24.3	1,800	68.2	14.9
Pharmaceuticals		**Attractive**	**820,828**	**16,382**					**34.1**	**(27.3)**	**57.6**	**13.7**	**18.8**	**11.9**	**10.5**	**12.3**	**7.9**	**3.3**	**2.6**	**2.0**	**1.2**	**1.4**	**1.6**	**24.5**	**14.1**	**17.1**			
Property																													
DLF	209	REDUCE	356,899	7,123	1,705	46.1	30.0	22.7	263.2	(35.0)	(24.4)	4.5	7.0	9.2	4.7	8.0	9.2	1.8	1.5	1.3	1.9	1.9	1.9	66.5	23.1	14.8	190	(9.2)	69.7
Housing Development & Infrastruc	111	REDUCE	30,497	609	275	51.2	30.6	19.8	118.6	(40.1)	(35.3)	2.2	3.6	5.6	3.4	7.0	7.9	0.8	0.7	0.7	3.5	4.5	5.4	64.5	21.2	12.1	120	8.4	29.3
Indiabulls Real Estate	115	ADD	29,551	590	258	16.4	3.0	3.5	2,383.9	(81.9)	17.0	7.0	38.5	32.9	(847.3)	(20.7)	15.9	0.5	0.4	0.4	0.2	0.0	0.0	10.6	1.2	1.3	180	56.9	20.6
Mahindra Life Space Developer	163	BUY	6,840	137	42	16.8	10.2	10.8	307.7	(39.2)	5.3	9.7	15.9	15.1	17.6	23.6	13.1	0.8	0.8	0.8	1.6	2.4	2.4	8.4	4.8	4.9	410	152.1	0.5
Phoenix Mills	85	BUY	12,239	244	145	3.2	5.4	7.3	(51.7)	70.0	34.7	26.7	15.7	11.7	21.1	17.0	8.9	0.9	0.8	0.8	1.2	1.2	1.2	5.6	5.3	6.8	210	148.5	0.2
Puravankara Projects	44	REDUCE	9,316	186	213	11.2	7.6	7.5	67.3	(32.1)	(2.2)	3.9	5.7	5.8	7.3	11.1	10.5	0.8	0.7	0.6	4.6	—	4.6	34.2	12.9	11.4	55	26.0	0.3
Sobha	88	REDUCE	6,423	128	73	31.7	15.9	11.9	42.9	(50.0)	(24.8)	2.8	5.5	7.4	6.5	7.7	10.9	0.6	0.6	0.6	7.4	4.5	4.5	25.3	11.0	7.8	90	2.2	0.3
Unitech	37	SELL	59,659	1,191	1,623	10.3	6.9	5.5	28.5	(33.4)	(20.5)	3.6	5.3	6.7	5.9	7.6	9.0	1.7	1.3	1.1	0.7	—	—	59.9	26.8	17.2	24	(34.7)	45.7

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	6-Apr-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Property		**Cautious**	**511,424**	**10,207**					**187.5**	**(36.7)**	**(23.4)**	**4.3**	**6.8**	**8.8**	**5.0**	**8.0**	**9.2**	**1.4**	**1.1**	**1.0**	**1.9**	**1.7**	**1.9**	**32.1**	**16.8**	**11.7**			
Retail																													
Pantaloon Retail	169	REDUCE	26,954	538	159	7.9	8.3	10.2	90.0	4.4	23.3	21.4	20.5	16.6	10.4	8.4	7.5	1.5	1.4	1.3	0.5	0.5	0.6	8.2	6.7	7.8	165	(2.5)	1.3
Titan Industries	843	REDUCE	37,409	747	44	35.1	41.9	48.7	55.2	19.6	16.1	24.0	20.1	17.3	16.3	12.3	10.5	7.9	6.0	4.8	0.9	1.1	1.3	37.7	34.1	30.7	830	(1.5)	2.9
Vishal Retail	40	ADD	898	18	22	18.1	10.6	10.8	37.2	(41.2)	1.9	2.2	3.8	3.7	4.6	4.4	3.5	0.3	0.3	0.3	—	—	—	20.2	8.3	7.8	75	87.0	0.1
Retail			**65,261**	**1,302**					**31.9**	**6.0**	**17.9**	**20.3**	**19.1**	**16.2**	**11.3**	**8.8**	**7.7**	**2.5**	**2.3**	**2.1**	**0.7**	**0.8**	**1.0**	**12.4**	**12.1**	**12.8**			
Sugar																													
Balrampur Chini Mills	58	BUY	14,783	295	256	3.1	6.5	7.0	(272.9)	106.5	8.0	18.4	8.9	8.3	8.5	5.1	4.4	1.5	1.3	1.1	1.0	1.1	1.4	7.6	13.5	12.7	70	21.0	3.2
Shree Renuka Sugars	97	BUY	27,156	542	280	3.9	8.2	8.4	(87.3)	107.7	2.8	24.6	11.9	11.5	13.3	6.3	5.9	3.1	2.4	2.0	0.3	0.8	1.0	19.9	24.5	20.6	100	3.1	8.5
Bajaj Hindustan	55	SELL	7,827	156	141	(2.6)	(6.0)	0.8	375.9	126.2	NA	(21.0)	(9.3)	68.6	14.4	8.5	5.5	0.6	0.7	0.6	1.3	—	0.5	(6.8)	(7.0)	4.6	36	(35.0)	3.4
Sugar			**49,766**	**993**					**526.3**	**96.1**	**38.3**	**29.5**	**15.0**	**10.9**	**12.0**	**6.7**	**5.3**	**1.6**	**1.4**	**1.3**	**0.6**	**0.8**	**1.0**	**5.3**	**9.5**	**11.7**			
Technology																													
HCL Technologies	112	REDUCE	77,736	1,551	695	15.3	16.6	13.5	(19.0)	8.8	(18.6)	7.3	6.7	8.3	3.4	4.1	4.0	1.6	1.2	1.1	7.2	10.7	10.7	21.4	18.3	13.3	110	(1.7)	3.2
Hexaware Technologies	27	SELL	3,852	77	142	7.7	4.1	3.0	(13.7)	(46.4)	(27.8)	3.5	6.6	9.1	0.5	0.9	1.9	0.5	0.6	0.6	3.4	3.7	3.7	15.1	8.6	6.3	25	(7.7)	2.0
Infosys Technologies	1,414	BUY	811,665	16,199	574	79.1	101.8	112.0	18.0	28.8	10.0	17.9	13.9	12.6	13.9	9.8	8.4	5.9	4.5	3.6	2.4	1.8	1.9	36.1	36.7	31.6	1,500	6.1	52.4
Mphasis BFL	205	REDUCE	42,657	851	208	12.2	14.2	32.6	67.6	15.7	129.8	16.7	14.4	6.3	10.0	10.9	4.3	3.7	3.0	2.1	1.7	2.0	2.2	23.6	22.8	39.5	190	(7.1)	1.8
Mindtree	241	BUY	9,523	190	40	26.7	21.0	37.1	12.3	(21.6)	76.9	9.0	11.5	6.5	7.9	3.5	3.3	1.8	1.5	1.2	1.1	—	—	21.3	11.9	17.8	400	65.9	1.5
Patni Computer Systems	137	SELL	17,632	352	128	33.2	26.8	17.5	29.2	(19.3)	(34.7)	4.1	5.1	7.8	0.9	0.8	0.8	0.6	0.7	0.6	1.6	1.3	2.6	19.2	16.2	7.9	130	(5.3)	0.8
Polaris Software Lab	54	SELL	5,284	105	98	7.4	14.9	12.7	(27.6)	100.0	(14.9)	7.2	3.6	4.2	2.9	1.2	1.2	0.8	0.7	0.6	3.3	3.3	3.3	11.7	20.4	15.0	50	(7.0)	2.1
TCS	580	REDUCE	567,153	11,319	979	51.3	53.2	58.5	21.5	3.8	10.0	11.3	10.9	9.9	9.0	7.5	6.7	4.6	3.7	3.1	2.4	3.2	4.0	47.0	37.4	33.7	550	(5.1)	18.0
Tech Mahindra	309	BUY	38,525	769	125	59.1	67.6	58.7	25.7	14.5	(13.2)	5.2	4.6	5.3	4.6	2.8	2.7	3.1	1.9	1.4	1.7	1.9	2.0	70.7	53.1	31.6	320	3.5	3.3
Wipro	270	ADD	394,009	7,864	1,462	22.2	25.3	26.9	12.6	13.9	6.0	12.1	10.6	10.0	9.7	7.5	6.4	3.0	2.7	2.2	2.2	1.5	2.8	27.9	26.6	23.8	280	3.9	9.2
Technology		**Neutral**	**1,968,036**	**39,278**					**15.5**	**14.8**	**7.2**	**12.7**	**11.0**	**10.3**	**9.6**	**7.4**	**6.5**	**3.8**	**3.1**	**2.6**	**2.5**	**2.5**	**3.1**	**30.4**	**28.3**	**25.0**			
Telecom																													
Bharti Airtel	660	ADD	1,252,140	24,990	1,898	35.3	44.2	48.9	65.0	25.1	10.8	18.7	14.9	13.5	11.4	8.6	7.5	5.6	4.1	3.1	—	0.6	0.9	39.1	31.4	26.0	675	2.3	63.7
IDEA	53	REDUCE	172,821	3,449	3,236	3.9	2.6	2.1	78.5	(33.2)	(21.0)	13.5	20.2	25.6	10.1	7.0	6.7	4.9	1.3	1.2	—	—	—	36.4	10.1	5.1	50	(6.4)	5.5
MTNL	70	SELL	44,195	882	630	7.1	4.0	4.1	(11.0)	(44.3)	2.6	9.8	17.6	17.2	1.4	4.5	3.3	0.4	0.4	0.4	5.7	8.6	8.6	3.5	1.6	1.6	50	(28.7)	0.9
Reliance Communications	218	SELL	450,472	8,991	2,064	26.5	26.7	20.1	86.4	0.7	(24.7)	8.2	8.2	10.9	7.2	7.9	7.5	1.6	1.3	1.2	0.3	0.4	—	16.8	18.4	11.7	150	(31.3)	47.5
Tata Communications	545	REDUCE	155,339	3,100	285	10.9	13.6	14.0	(36.3)	24.0	3.2	49.8	40.1	38.9	20.6	17.0	15.5	2.3	2.3	2.2	0.8	0.9	1.2	4.4	5.4	5.2	400	(26.6)	2.2
Telecom		**Cautious**	**2,074,967**	**41,412**					**65.7**	**12.7**	**(4.8)**	**14.4**	**12.8**	**13.4**	**9.8**	**8.4**	**7.7**	**2.8**	**2.1**	**1.9**	**0.4**	**0.7**	**0.8**	**19.6**	**16.7**	**13.8**			
Transportation																													
Container Corporation	715	REDUCE	92,910	1,854	130	57.7	63.4	67.8	7.8	9.8	7.0	12.4	11.3	10.5	8.4	7.5	6.7	2.9	2.5	2.1	1.8	2.0	2.1	25.8	23.6	21.4	735	2.8	0.8
Transportation		**Cautious**	**92,910**	**1,854**					**7.8**	**9.8**	**7.0**	**12.4**	**11.3**	**10.5**	**8.4**	**7.5**	**6.7**	**2.9**	**2.5**	**2.1**	**1.8**	**2.0**	**2.1**	**23.6**	**21.7**	**19.9**			
Utilities																													
CESC	237	BUY	29,560	590	125	27.8	31.9	36.9	(23.3)	14.9	15.8	8.5	7.4	6.4	4.4	4.1	5.2	0.9	0.8	0.7	1.7	1.9	2.2	12.5	11.7	11.9	385	62.7	0.7
Lanco Infratech	170	BUY	37,858	756	222	14.8	14.6	17.1	75.2	(1.3)	16.6	11.5	11.6	10.0	9.7	20.7	15.9	2.1	1.7	1.4	—	—	—	19.7	16.2	15.8	265	55.6	4.8
NTPC	185	REDUCE	1,522,113	30,378	8,245	9.3	9.3	10.9	7.9	0.1	16.7	19.8	19.8	16.9	13.8	13.8	12.7	2.8	2.6	2.4	1.9	1.9	2.2	14.9	13.6	14.6	180	(2.5)	25.8
Reliance Infrastructure	613	BUY	141,432	2,823	231	37.6	59.9	56.2	13.9	59.4	(6.2)	16.3	10.2	10.9	11.9	11.1	11.1	0.9	0.8	0.8	1.0	1.2	1.4	4.3	6.2	6.7	970	58.4	82.7
Reliance Power	116	REDUCE	278,862	5,566	2,397	0.4	1.3	2.5	—	252.9	82.7	305.9	86.7	47.5	—	—	—	2.1	2.0	1.9	—	—	—	1.3	2.3	4.2	120	3.1	10.4
Tata Power	859	BUY	191,121	3,814	223	31.8	65.2	90.2	19.5	104.6	38.4	27.0	13.2	9.5	12.6	9.5	9.1	2.2	1.8	1.6	1.3	1.3	1.4	9.6	15.0	17.5	1,000	16.5	10.5
Utilities		**Attractive**	**2,200,946**	**43,927**					**12.2**	**15.5**	**18.5**	**21.9**	**19.0**	**16.0**	**13.8**	**14.1**	**13.7**	**2.3**	**2.1**	**1.9**	**1.5**	**1.5**	**1.7**	**10.3**	**10.9**	**11.9**			
Others																													
Aban Offshore	418	REDUCE	15,849	316	38	72.3	142.4	185.5	(1,066)	97.0	30.3	5.8	2.9	2.3	11.0	7.7	5.8	1.8	1.0	0.7	0.9	1.0	1.2	51.7	44.5	37.6	300	(28.3)	21.2
Educomp Solutions	2,398	BUY	45,607	910	19	35.2	64.2	108.1	114	82.7	68.3	68.2	37.3	22.2	36.2	16.5	10.1	14.8	6.2	5.0	0.1	0.2	0.4	33.5	23.4	24.3	2,550	6.3	83.1
Havells India	153	REDUCE	9,265	185	61	26.6	(1.0)	10.3	40	(103.7)	(1,135)	5.8	(154.3)	14.9	5.7	7.7	6.7	1.4	1.3	1.2	1.6	2.1	2.7	33.7	(0.9)	8.5	120	(21.6)	0.2
Jaiprakash Associates	98	BUY	136,907	2,732	1,403	4.9	5.3	7.1	7	8.6	33.4	19.9	18.3	13.7	13.9	11.9	10.0	2.8	2.4	2.1	0.0	0.0	0.0	15.4	13.9	16.3	105	7.6	37.7
Jindal Saw	192	BUY	10,525	210	55	64.8	67.8	48.2	(44)	4.6	(28.9)	3.0	2.8	4.0	2.8	2.5	2.3	0.4	0.3	0.3	2.5	2.6	2.1	12.2	11.4	7.4	300	56.4	0.6
PSL	84	BUY	3,654	73	44	21.1	24.3	43.7	4	15.3	79.6	4.0	3.4	1.9	4.8	4.5	3.8	0.5	0.4	0.4	10.7	9.5	9.5	11.3	10.6	14.2	145	72.9	0.1
Sintex	117	BUY	15,990	319	136	19.5	21.3	22.5	60	8.9	5.7	6.0	5.5	5.2	5.4	4.5	4.0	1.0	0.8	0.7	0.9	1.1	1.3	14.0	15.0	13.8	125	6.7	2.9
Tata Chemicals	154	BUY	36,263	724	235	39.6	25.5	24.3	90	(35.7)	(4.7)	3.9	6.1	6.3	5.8	4.1	3.4	1.7	1.4	1.2	0.8	1.2	0.8	30.7	17.2	13.7	190	23.2	1.3
Welspun Gujarat Stahl Rohren	83	BUY	15,753	314	189	20.6	20.9	21.0	94	1.5	0.7	4.1	4.0	4.0	5.8	4.1	3.4	0.9	0.7	0.6	1.6	2.2	1.5	27.1	20.0	17.3	100	19.8	4.7
United Phosphorus	105	BUY	48,648	971	462	9.3	11.4	14.8	30	21.7	30.4	11.3	9.3	7.1	7.2	5.4	3.7	2.2	1.6	1.4	0.9	1.4	1.9	20.0	18.7	20.0	140	33.0	1.0
Others			**338,463**	**6,755**					**42.5**	**17.1**	**13.6**	**10.2**	**8.7**	**7.7**	**8.4**	**7.0**	**5.9**	**1.7**	**1.4**	**1.2**	**1.1**	**1.2**	**1.3**	**16.9**	**15.8**	**15.6**			
KS universe (b)			**23,726,323**	**473,532**					**26.0**	**2.5**	**7.3**	**12**	**11.7**	**10.9**	**7.7**	**7.8**	**6.8**	**2.1**	**1.8**	**1.6**	**1.7**	**1.8**	**2.1**	**17.9**	**15.4**	**14.8**			
KS universe (b) ex-Energy			**17,570,553**	**350,675**					**30.8**	**5.8**	**(0.8)**	**11.7**	**11.1**	**11.2**	**8.3**	**8.3**	**7.9**	**2.2**	**1.9**	**1.7**	**1.8**	**1.8**	**2.0**	**19.2**	**16.9**	**14.9**			
KS universe (d) ex-Energy & ex-Commodities			**15,817,347**	**315,684**					**36.0**	**6.6**	**6.6**	**13.3**	**12.4**	**11.7**	**10.3**	**10.0**	**8.8**	**2.5**	**2.1**	**1.9**	**1.7**	**1.8**	**2.0**	**18.7**	**16.8**	**15.9**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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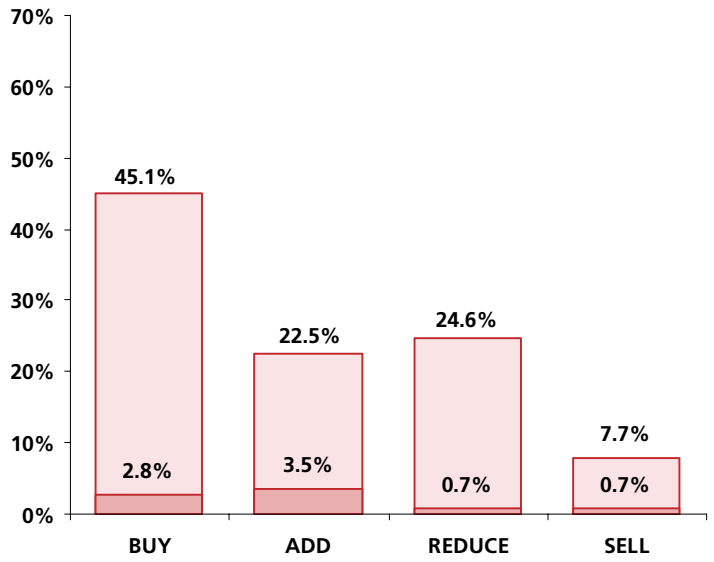

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Source: Kotak Institutional Equities

As of December 31, 2008

Ratings and other definitions/identifiers

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Definitions of ratings

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