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### EQUITY MARKETS

India	Change %		
	12-Oct	1-day	1-mo 3-mo
Sensex	16,958	2.6	3.0 (8.8)
Nifty	5,099	2.5	3.2 (8.7)
<b>Global/Regional indices</b>			
Dow Jones	11,519	0.9	3.7 (7.8)
Nasdaq Composite	2,605	0.8	2.9 (6.9)
FTSE	5,442	0.9	5.2 (7.9)
Nikkei	8,828	1.0	2.5 (11.4)
Hang Seng	18,496	0.9	(2.8) (15.6)
KOSPI	1,826	0.9	0.7 (14.3)
<b>Value traded – India</b>			
Cash (NSE+BSE)	148	132	137
Derivatives (NSE)	1,392	1,233	1,553
Deri. open interest	1,211	1,286	1,258

#### Forex/money market

	Change, basis points			
	12-Oct	1-day	1-mo	3-mo
Rs/US\$	49.0	(1)	136	443
10yr govt bond, %	8.8	5	47	46

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

	11-Oct	MTD	CYTD
FIs	37	(394)	(544)
MFs	70	32	(282)

#### Top movers -3mo basis

Best performers	Change, %			
	12-Oct	1-day	1-mo	3-mo
ACEM IN Equity	149.4	3.1	2.6	21.3
ACC IN Equity	1140.5	0.6	8.2	19.3
IDEA IN Equity	95.1	(0.3)	(3.9)	17.3
MM IN Equity	807.7	1.1	3.3	12.6
UTCEM IN Equity	1110.7	2.4	(0.2)	12.0
<b>Worst performers</b>				
IVRC IN Equity	39.5	2.7	(5.8)	(42.7)
RCAPT IN Equity	352.2	3.2	(12.3)	(40.4)
HDIL IN Equity	98.7	3.6	(1.0)	(39.1)
IBREL IN Equity	75.6	3.2	(3.3)	(36.1)
ESOIL IN Equity	81.1	2.9	(10.3)	(36.1)

OCTOBER 12, 2011

#### RESULT

Coverage view: **Attractive**

Price (Rs): **2,679**

Target price (Rs): **3,000**

BSE-30: **16,958**

**On balance, positive.** Infosys reported an in-line operational quarter; however, substantial revision in earnings guidance, led by Rupee depreciation, surprised us positively. After a series of execution hiccups, Infosys is finally getting back on track. New organization structure with reduced number of P&Ls, people movement across roles, greater volume focus, aggressive deal participation, and investments in consulting are important enablers that will lead to catch up with peers on revenue growth. We increase FY2012/13E EPS estimate by 5%/1% and TP to Rs3,000 (Rs2,900 earlier). BUY.

#### Company data and valuation summary

Infosys Technologies

##### Stock data

52-week range (Rs) (high,low) 3,499-2,162

Market Cap. (Rs bn) 1,537.9

##### Shareholding pattern (%)

Promoters 16.0

FIs 51.5

MFs 4.8

##### Price performance (%)

Absolute 1M 3M 12M

21.9 (4.0) (12.0)

Rel. to BSE-30 18.6 4.2 4.8

##### Forecasts/Valuations

	2011	2012E	2013E
EPS (Rs)	119.7	141.1	161.9
EPS growth (%)	10.5	17.8	14.8
P/E (X)	22.4	19.0	16.5
Sales (Rs bn)	275.0	333.7	376.1
Net profits (Rs bn)	68.7	81.0	93.0
EBITDA (Rs bn)	89.6	104.5	116.3
EV/EBITDA (X)	15.2	12.7	11.0
ROE (%)	28.0	28.4	27.3
Div. Yield (%)	2.2	1.7	1.9

#### Volume growth encouraging after a long time

Revenue momentum at Infosys is finally building up after a series of execution challenges over the past few quarters and 'lack of active participation in deals' which weakened the order book. Infosys reported decent volumes growth of 4.5% in 2QFY12. Revenues growth of 4.5% qoq (5% constant currency) to US\$1,746 mn was broad-based barring very strong qoq growth in the low-base healthcare vertical. EBITDA margins increased by 190 bps qoq to 31% due to Rupee depreciation and offshore pricing gain; note Infosys has not utilized any levers to shore up margins. Net income of Rs19.1 bn (+11% qoq, +10% yoy) was marginally lower than our estimate.

#### Revenue guidance unchanged on constant currency, a strong indicator

Infosys reduced FY2012E revenue guidance by 1% to 17-19% from 18-20% earlier. Confidence of sustained growth reflects in the strong 3.2-5.4% qoq growth guidance for 3Q and the implied 3.3-5.6% growth in 4Q. Infosys could have very easily assumed a flat March quarter citing macro uncertainty, that is has chosen not to do so reflects the strength of demand environment for offshore players. EPS guidance revision to Rs143-145 from Rs128-130 is primarily Rupee driven; guidance is based on Re/US\$ rate of 48.98 for 2H. We believe that the company has adequate buffers to deliver EPS in this range even if Rupee was to appreciate a tad from these levels.

#### Getting execution engine back on track; BUY for a turnaround

Infosys' performance has been impacted by a series of execution challenges including staffing, lack of flexibility in strategic contracts and reorganization distractions (these concerns were construed as business model challenges by the Street). However, several factors indicate that turnaround is around the corner for Infosys including (1) strong deal pipeline and wins and (2) positive management commentary, (3) improvement in utilization rates and reduction in attrition rates and (4) strong recruitment. Foundation for turnaround was led by reorganization which has accelerated decision making, tightening of sales execution, increased flexibility on deal structures and aggressive deal participation. We revise FY2012/13E EPS to Rs141/162 from Rs134/160 earlier; our estimates are based on a Re/US\$ rate of 46.6/45.6. BUY; TP revised to Rs3,000/share.

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### What could have prompted strong back-ended revenue growth guidance?

Infosys' strong 3.2% to 5.4% revenue growth guidance for 3QFY12 and implied 3.3% to 5.6% guidance for 4Q has surprised us and possibly the Street. Discretionary spending is at the weakest, especially in the March quarter. In fact, Infosys has not grown volumes higher than 5.5% even once in the past five years. This does beg a question on what could have prompted such a strong 2H guidance when the company struggled to achieve upper end of guidance in a seasonally strong 2QFY12 (and has missed or barely achieved upper end of the guidance for the past three quarters). We believe that the following factors could have prompted this

- ▶ Strong contract wins which may ramp up in 3QFY12E and may spill over to 4QFY12E.
- ▶ Element of seasonality may have been reduced due to weak growth in 1HFY12; magnitude of wind down of discretionary projects would have a relatively lower impact on revenue growth in 2HFY12E.
- ▶ A new normal wherein guidance is realistic and performance within the range is considered acceptable within the company.
- ▶ Setting the bar high for the organization through an aggressive guidance after three quarters of tepid, weaker-than-peers growth.

We model revenue growth of 18.5% for FY2012E.

### Healthy pricing increase

Infosys' offshore pricing increased 3.1% qoq, 3.5% in constant currency. Admittedly it is difficult to take a view on pricing trends on just one quarter data; there could be various factors that may lead to volatility in pricing. However, it is encouraging that pricing on a yoy basis has also increased by a material 9%. We are also encouraged by revision in margin decline guidance to 50-100 bps from 300 bps decline at the beginning of the year with part of the revision led by operational efficiencies. We also note that the company has not pulled in any levers to manage margins in 2QFY12. **We believe that new strategic deals may not be margin dilutive even if Infosys is relatively aggressive on contract terms or pricing, if the execution engine is managed efficiently.**

### Broad-based growth after a long time

Infosys' growth over the past few quarters has been impacted by some problem verticals. Such problem verticals use up management bandwidth to fix the challenges. Broad-based growth in 2QFY12 is encouraging in our view with even the perennial problem vertical of telecom reporting healthy 2.5% qoq growth.

### Key assumptions for FY2012E guidance

Infosys has maintained its earlier assumptions on volume and pricing in its revised FY2012E guidance. The 90 bps reduction in US\$ revenue growth guidance is purely on account of revised cross-currency assumptions. The sharp 10%+ increase in FY2012E EPS guidance is primarily driven by revised Re/US\$ assumptions. This also reflects in the revised margin decline guidance – now at 50-100 bps yoy versus 250 bps earlier.

### Key revision to our estimates

We have revised our FY2012E/13E EPS estimates upwards to Rs141/162 from Rs134/160 earlier. Our estimates are based on a Re/US\$ rate of 46.6 for FY2012E and an unchanged Rs45.6 for FY2013E. We note that we build in Re/US\$ assumption of Rs47.5 for 2HFY12E versus Rs48.98 assumed by the company. We have broadly maintained our revenue growth assumption for FY2012E and FY2013E – at 18.5% and 15%, respectively. Our margin assumptions stand revised upwards by 70 bps and 30 bps for FY2012E and FY2013E – 31.3% and 30.9%, respectively.

### Other details

- ▶ Infosys maintained its gross hiring guidance of 45,000 for FY2012E. It hired a gross 15,352 employees in 2QFY12 taking the total in 1HFY12 to 25,274.
- ▶ The company has made 23,000 campus offers till date for FY2013E.
- ▶ Outstanding hedges at end-June 2011 stood at US\$742 mn, flat qoq.
- ▶ Attrition on a quarterly annualized basis came down to 20.6% from 21.5% in the previous quarter – this is still outside the company's comfort zone.
- ▶ The company has combined all its platform-based solutions under one umbrella and launched these under a new brand – Infosys EDGE.

#### Key changes to estimates, March fiscal year-ends, 2012E-2013E (Rs mn)

	New		Old		Change (%)	
	2012E	2013E	2012E	2013E	2012E	2013E
<b>Revenues</b>	<b>333,708</b>	<b>376,095</b>	<b>322,047</b>	<b>376,496</b>	<b>3.6</b>	<b>(0.1)</b>
EBITDA	104,465	116,278	98,468	115,081	6.1	1.0
Depreciation	(9,429)	(10,621)	(9,164)	(10,613)	2.9	0.1
EBIT	95,036	105,658	89,304	104,468	6.4	1.1
<b>Net Profit</b>	<b>80,980</b>	<b>92,958</b>	<b>77,065</b>	<b>92,029</b>	<b>5.1</b>	<b>1.0</b>
<b>EPS (Rs/ share)</b>	<b>141.1</b>	<b>161.9</b>	<b>134.3</b>	<b>160.3</b>	<b>5.1</b>	<b>1.0</b>
<b>Revenues (US\$ mn)</b>	<b>7,162</b>	<b>8,245</b>	<b>7,195</b>	<b>8,254</b>	<b>(0.5)</b>	<b>(0.1)</b>
<b>Revenue growth (%)</b>	<b>18.5</b>	<b>15.1</b>	<b>19.1</b>	<b>14.7</b>		
<b>Volume Growth (%)</b>	<b>12.9</b>	<b>16.3</b>	<b>14.2</b>	<b>16.4</b>		
<b>Billing Rates (US\$/ manmonth)</b>						
Onsite	12,804	12,740	12,982	12,852	(1.4)	(0.9)
Offshore	4,762	4,738	4,671	4,625	1.9	2.5
<b>Margins (%)</b>						
EBITDA	31.3	30.9	30.6	30.6		
EBIT	28.5	28.1	27.7	27.7		
Rs/ US\$ rate	46.6	45.6	44.8	45.6	4.1	0.0

Source: Kotak Institutional Equities estimates

Infosys 2QFY12 Results (consolidated IFRS)

Rs mn	2QFY11	1QFY12	2QFY12	% chg.		2QFY12E	Deviation	Comments
				qoq	yoy			
<b>Revenues (US\$ mn)</b>	<b>1,495</b>	<b>1,672</b>	<b>1,746</b>	<b>4.5</b>	<b>16.8</b>	<b>1,753</b>	<b>(0.4)</b>	
<b>Revenues</b>	<b>69,470</b>	<b>74,850</b>	<b>80,990</b>	<b>8.2</b>	<b>16.6</b>	<b>81,267</b>	<b>(0.3)</b>	Revenues of US\$1,746 mn, growth of 4.5% qoq - marginally lower than our estimate and upper-end of the company guidance. Revenue growth was volume-led; volume growth was 4.5% qoq; cross-currency pressure was absorbed by improvement in offshore pricing
Software Development Costs	(37,540)	(43,540)	(45,110)	3.6	20.2	(46,361)	(2.7)	
<b>Gross profit</b>	<b>31,930</b>	<b>31,310</b>	<b>35,880</b>	<b>14.6</b>	<b>12.4</b>	<b>34,906</b>	<b>2.8</b>	
Selling and marketing exp	(3,800)	(3,980)	(4,560)	14.6	20.0	(4,277)	6.6	
Administration exp	(4,980)	(5,580)	(6,180)	10.8	24.1	(5,882)	5.1	
Total SG&A Expenses	(8,780)	(9,560)	(10,740)	12.3	22.3	(10,159)	5.7	
<b>EBITDA</b>	<b>23,150</b>	<b>21,750</b>	<b>25,140</b>	<b>15.6</b>	<b>8.6</b>	<b>24,746</b>	<b>1.6</b>	EBITDA margins up 190 bps qoq to 31%, 50 bps better than our expectation of 30.5%.
Depreciation	(2,170)	(2,240)	(2,330)	4.0	7.4	(2,263)	2.9	
EBIT	20,980	19,510	22,810	16.9	8.7	22,483	1.5	
Other Income	2,670	4,430	3,870	(12.6)	44.9	4,849	(20.2)	
Profit Before Tax	23,650	23,940	26,680	11.4	12.8	27,332	(2.4)	
Provision for Tax	(6,280)	(6,730)	(7,620)	13.2	21.3	(7,653)	(0.4)	
<b>Net Profit</b>	<b>17,370</b>	<b>17,210</b>	<b>19,060</b>	<b>10.7</b>	<b>9.7</b>	<b>19,679</b>	<b>(3.1)</b>	
<b>Net Profit- Reported</b>	<b>17,370</b>	<b>17,210</b>	<b>19,060</b>	<b>10.7</b>	<b>9.7</b>	<b>19,679</b>	<b>(3.1)</b>	
Tax rate (%)	26.6	28.1	28.6			28.0		
EPS (Rs/ share)	30.3	30.0	33.2	10.7	9.7	34.3	<b>(3.1)</b>	
No of shares outstanding (mn)	574.0	574.0	574.0			574.0		
<b>As % of revenues</b>								
Gross Profit Margin (%)	46.0	41.8	44.3			43.0		
Operating Margin	33.3	29.1	31.0			30.5		
EBIT Margin	30.2	26.1	28.2			27.7		
Selling Expenses	5.5	5.3	5.6			5.3		
Admin Expenses (%)	7.2	7.5	7.6			7.2		
SG&A Expenses (%)	12.6	12.8	13.3			12.5		
<b>Billing Rates (US\$/annum)</b>								
Onsite	150,669	155,186	152,651	(1.6)	1.3			
Offshore	52,796	55,840	57,548	3.1	9.0			
<b>Volumes growth</b>	<b>7.2</b>	<b>4.0</b>	<b>4.5</b>					
<b>Revenue Mix (%)</b>								
Onsite	54.7	50.7	49.9					
Offshore	45.3	49.3	50.1					
<b>Total Employees</b>	<b>122,468</b>	<b>133,560</b>	<b>141,822</b>	<b>6.2</b>	<b>15.8</b>			
<b>Guidance (consolidated)</b>								
	<b>3QFY12E</b>		<b>FY2012E</b>					
			Lower end	Upper end				
Revenues (Rs bn)	88.26	90.12	335.0	340.9				
Growth (%)	24.2	26.8	21.8	24.0				
Revenues (US\$ mn)	1802	1840	7,080	7,200				FY2012E US\$ revenue growth guidance revised down to 17.1-19.1% from 18-20% earlier
Growth (%)	3.2	5.4	17.1	19.1				3QFY12E revenue growth guidance at 3.2-5.4% qoq, impressive in our view
EPS (a)	38.51	39.2	143.0	145.3				FY2012E Re EPS guidance revised upwards to Rs145 at the upper-end versus Rs130.1 previously, primarily led by revised currency assumptions.
Growth (%)	23.6	25.8	19.7	21.6				
Guidance based on Re/ US\$ rate of 48.98 for 2HFY12								

Source: Company, Kotak Institutional Equities estimates

## Key assumptions driving Infosys earnings model, March fiscal year-ends, 2009-2013E

	2009	2010	2011	2012E	2013E
<b>Key assumptions</b>					
<b>Revenue growth (US\$ terms) (%)</b>	<b>11.7</b>	<b>2.9</b>	<b>25.8</b>	<b>18.5</b>	<b>15.1</b>
<b>Volume growth yoy (%) (IT only)</b>	<b>14.8</b>	<b>7.4</b>	<b>25.0</b>	<b>12.9</b>	<b>16.3</b>
<b>Pricing change yoy (%)</b>					
Onsite	(1.8)	0.0	5.4	1.8	(0.5)
Offshore	(1.8)	(5.1)	(3.1)	5.9	(0.5)
Blended	(3.1)	(4.2)	1.1	5.1	(1.3)
<b>Total employees (#)</b>	<b>104,850</b>	<b>113,796</b>	<b>130,820</b>	<b>149,843</b>	<b>166,109</b>
<b>Employee additions</b>	<b>13,663</b>	<b>8,946</b>	<b>17,024</b>	<b>19,023</b>	<b>16,266</b>
<b>SG&amp;A expense as % of revenues</b>	<b>12.6</b>	<b>12.4</b>	<b>12.7</b>	<b>12.9</b>	<b>12.4</b>
<b>Re/US\$ rate</b>	<b>46.5</b>	<b>47.4</b>	<b>45.5</b>	<b>46.6</b>	<b>45.6</b>

Source: Kotak Institutional Equities estimates

## Revenue growth was broad-based across verticals and large service lines

	Revenues	Growth	
	(US\$ mn)	(qoq)	(yoy)
<b>Total revenues</b>	<b>1,746</b>	<b>4.5</b>	<b>16.7</b>
<b>Geographical split of revenues</b>			
North America	1,140	6.3	15.8
Europe	358	0.6	9.8
India	38	(11.6)	22.3
ROW	210	5.4	36.0
<b>Vertical split of revenues</b>			
Insurance, Banking and Financial services	616	4.2	16.4
Manufacturing	353	4.0	24.7
Retail	272	1.2	26.4
Telecom	182	2.5	(8.7)
Energy and Utilities	100	4.5	5.6
Transportation & Logistics	30	(1.3)	10.2
Services	98	21.9	25.7
Others	96	8.4	36.6
<b>Service line split of revenues</b>			
Application development	299	11.0	27.9
Application maintenance	377	1.2	7.3
Business Process Management	94	4.5	12.5
Consulting and Package Implementation	431	2.4	11.7
Infrastructure Management	101	2.7	9.2
Product Engineering Services	59	11.0	58.7
System Integration	105	(0.5)	22.9
Testing Services	143	14.2	25.9
Others	63	14.0	27.3
Product revenues	73	5.1	16.7

Source: Company, Kotak Institutional Equities

## Utilization continues to be below company's targeted range

Utilization	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Including trainees (%)	65.2	64.3	64.6	66.2	67.4	71.9	73.6	70.9	65.6	67.4	68.5
Change qoq (bps)	(172)	(93)	33	<b>159</b>	<b>119</b>	<b>452</b>	<b>170</b>	<b>(270)</b>	<b>(530)</b>	<b>180</b>	<b>110</b>
Excluding trainees (%)	72.8	68.3	71.3	74.7	75.8	78.0	81.4	80.5	73.4	73.3	76.3
Change qoq (bps)	(58)	<b>(446)</b>	<b>296</b>	<b>337</b>	<b>116</b>	<b>217</b>	<b>340</b>	<b>(90)</b>	<b>(710)</b>	<b>(10)</b>	<b>300</b>

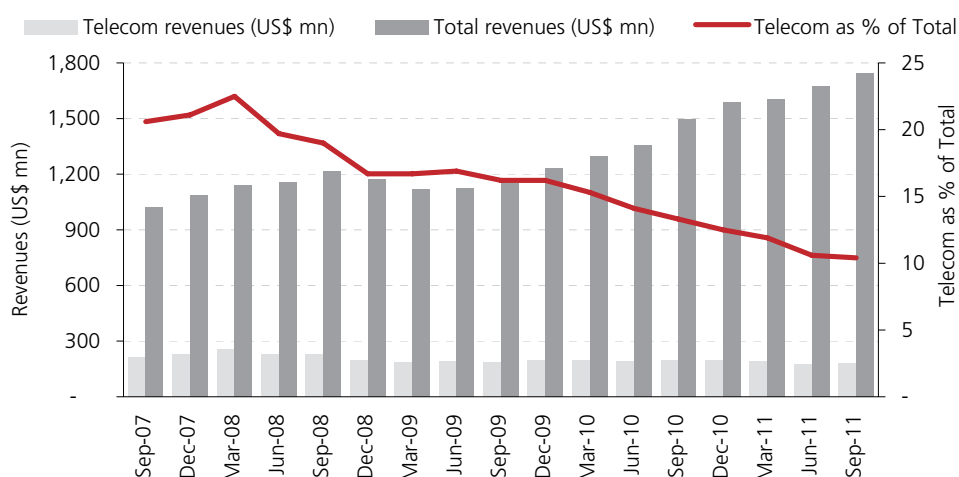
Source: Company, Kotak Institutional Equities

Slippages in DSO continue to disappoint

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Receivables days	58.6	56.2	54.2	52.8	52.9	55.8	54.0	54.9	57.8	58.7	60.4
Unbilled revenues days	12.0	14.4	12.7	12.6	12.7	15.4	13.7	12.4	15.4	16.7	16.3
Total	70.6	70.6	66.9	65.4	65.6	71.2	67.7	67.3	73.2	75.4	76.6
Change qoq (# days)	3.6	<b>(0.1)</b>	<b>(3.6)</b>	<b>(1.5)</b>	<b>0.2</b>	<b>5.5</b>	<b>(3.5)</b>	<b>(0.5)</b>	<b>5.9</b>	<b>2.2</b>	<b>1.2</b>

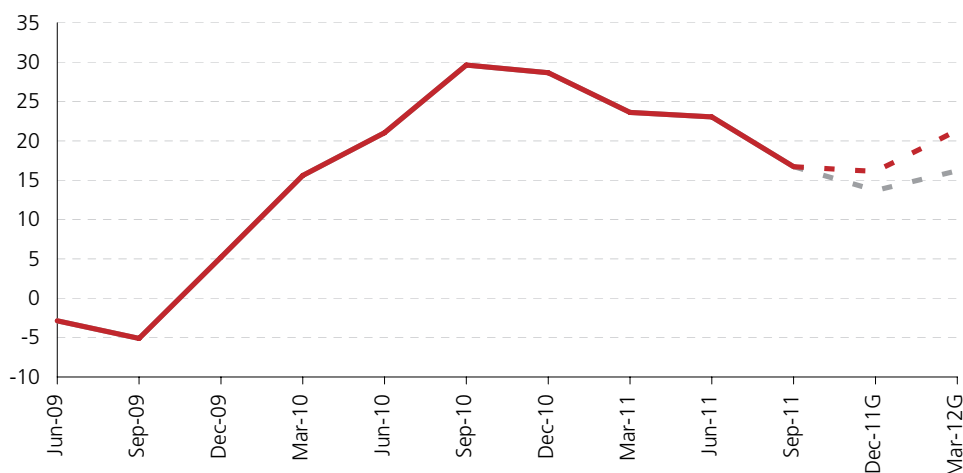
Source: Company, Kotak Institutional Equities

Telecom vertical's growth in revenues encouraging



Source: Company, Kotak Institutional Equities

Infosys likely to enter FY2013E with an accelerating YoY revenue growth trajectory (%)



Source: Company, Kotak Institutional Equities

## Infosys: Quarterly operating metrics

	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
<b>Revenues (US\$ mn)</b>	<b>1,122</b>	<b>1,154</b>	<b>1,232</b>	<b>1,296</b>	<b>1,358</b>	<b>1,496</b>	<b>1,585</b>	<b>1,602</b>	<b>1,671</b>	<b>1,746</b>
Revenues (Rs mn)	54,720	55,850	57,410	59,440	61,980	69,470	71,060	72,500	74,850	80,990
Exchange rate (Re/US\$)	48.8	48.4	46.6	45.9	45.6	46.4	44.8	45.3	44.8	46.4
<b>Revenue by verticals (%)</b>										
Insurance, Banking and Financial services	33.0	33.5	34.6	34.8	36.1	35.4	36.2	35.7	35.4	35.3
Manufacturing	20.5	19.3	19.3	20.2	19.5	18.9	19.6	20.4	20.3	20.2
Retail	13.2	14.1	13.1	13.0	13.2	14.4	14.5	14.5	16.1	15.6
Telecom	16.9	16.2	16.2	15.3	14.1	13.3	12.5	11.9	10.6	10.4
Energy and Utilities	5.7	5.9	6.1	5.8	6.0	6.3	6.1	5.8	5.7	5.7
Transportation & Logistics	2.3	2.3	1.8	1.8	1.8	1.8	1.8	2.1	1.8	1.7
Services	4.9	5.0	5.1	4.9	4.8	5.2	5.0	5.2	4.8	5.6
Others	3.5	3.7	3.8	4.2	4.5	4.7	4.3	4.4	5.3	5.5
<b>Revenue by service offerings (%)</b>										
ADM	42.5	40.8	42.3	39.6	40.8	39.1	38.1	38.1	38.4	38.7
- Application development	19.3	18.1	17.8	16.8	16.9	15.6	15.6	16.1	16.1	17.1
- Application maintenance	23.2	22.7	24.5	22.8	23.9	23.5	22.5	22.0	22.3	21.6
Business Process Management	6.1	6.2	5.9	6.2	5.7	5.6	5.6	5.6	5.4	5.4
Consulting and Package Implementation	24.4	23.8	23.3	26.0	24.9	25.8	25.9	25.4	25.2	24.7
Infrastructure Management	6.6	7.8	7.1	7.2	6.9	6.2	6.0	6.1	5.9	5.8
Product Engineering Services	2.4	2.3	2.4	1.8	2.1	2.5	2.6	2.4	3.2	3.4
System Integration	3.8	4.4	4.1	4.5	4.2	5.7	5.6	6.1	6.3	6.0
Testing Services	6.2	6.2	6.5	6.6	7.3	7.6	7.6	7.3	7.5	8.2
Others	4.0	4.4	4.5	3.1	3.4	3.3	3.3	3.6	3.3	3.6
Product revenues	4.0	4.1	3.9	5.0	4.7	4.2	5.3	5.4	4.8	4.2
<b>Revenue by geography (%)</b>										
North America	64.7	65.9	66.6	66.1	67.3	65.8	64.7	63.7	64.2	65.3
Europe	24.7	23.2	21.9	22.5	20.3	21.8	21.8	22.1	21.3	20.5
India	0.9	1.2	1.2	1.4	1.7	2.1	2.2	2.7	2.6	2.2
ROW	9.7	9.7	10.3	10.0	10.7	10.3	11.3	11.5	11.9	12.0
<b>Revenue by project type (%)</b>										
Fixed price	40.7	40.4	40.6	41.9	41.1	42.1	43.3	42.8	40.8	39.3
Time and Material	59.3	59.6	59.4	58.1	58.9	57.9	56.7	57.2	59.2	60.7
<b>Client metrics</b>										
Top client contribution to revenues (%)	4.5	4.6	4.7	4.6	4.9	4.7	4.6	4.7	4.5	4.6
Top 5 client contribution to revenues (%)	16.3	16.5	17.6	15.8	15.4	15.8	15.4	15.4	15.9	15.9
Top 10 client contribution to revenues (%)	25.8	26.2	27.5	25.8	26.1	26.7	25.7	24.9	25.2	25.2
Number of active clients	569	571	568	575	590	592	612	620	628	647
New clients added in the period	27	35	32	47	38	27	40	34	26	45
Repeat business %	98.7	98.0	97.0	95.4	99.4	98.4	97.6	97.0	99.2	98.5
Million \$ clients	330	330	336	338	341	337	350	366	374	388
5 Million \$ clients	151	150	152	159	170	173	180	187	183	188
20 Million \$ clients	61	59	60	59	60	66	68	73	80	80
50 Million \$ clients	19	21	22	26	26	27	29	28	32	35
100 Million \$ clients	4	5	6	6	8	10	11	11	11	11
<b>Per-capita productivity (IT Services and Consulting) - Reported (US\$)</b>										
Onsite	140,612	142,438	145,290	144,452	146,086	150,669	152,759	153,881	155,186	152,651
Offshore	55,654	55,974	56,387	54,903	52,672	52,796	54,175	56,130	55,840	57,548
Blended	80,713	81,021	81,889	80,624	79,351	81,864	83,212	85,293	86,298	86,754
<b>Currency-wise revenues (%)</b>										
USD	72.3	73.2	73.9	73.5	74.8	73.1	72.4	71.3	71.6	72.7
GBP	10.0	9.7	8.4	8.7	6.8	7.0	7.4	7.4	6.4	6.9
Euro	7.8	7.3	6.6	6.2	6.0	6.7	7.3	7.4	7.5	6.7
AUD	5.1	5.9	6.3	5.9	5.7	6.5	6.7	7.0	7.5	7.4
<b>Utilization measures (IT Services and Consulting)</b>										
Including trainees	64.3	64.6	66.2	67.4	71.9	73.6	70.9	65.6	67.4	68.5
Excluding trainees	68.3	71.3	74.7	75.8	78.0	81.4	80.5	73.4	73.3	76.3
<b>Employee metrics</b>										
Total Employees (Consolidated)	103,905	105,453	109,882	113,796	114,822	122,468	127,779	130,820	133,560	141,822
S/W professionals (IT Services & Consulting)	80,613	82,533	87,578	89,947	90,926	98,446	104,187	123,811	126,129	115,419
Trainees	5,344	6,798	9,479	8,389	6,772	11,002	11,619	8,565	7,624	12,512
Infosys BPO	16,670	16,033	16,874	17,932	18,609	18,560	17,978	18,113	18,816	19,765
Gross additions	3,538	6,069	8,719	9,313	8,859	14,264	11,067	8,930	9,922	15,352
Net additions	(945)	1,548	4,429	3,914	1,026	7,646	5,311	3,041	2,740	8,262
Laterals hired	390	1,064	1,420	2,041	2,942	4,138	5,212	3,591	4,044	2,318
<b>LTM Attrition (Standalone)</b>	<b>11.1</b>	<b>10.9</b>	<b>11.6</b>	<b>13.4</b>	<b>15.8</b>	<b>17.1</b>	<b>17.5</b>	<b>17.0</b>	<b>15.8</b>	<b>15.6</b>
<b>Attrition quarterly annualized (Standalone)</b>	<b>17.2</b>	<b>17.3</b>	<b>15.9</b>	<b>19.3</b>	<b>27.4</b>	<b>22.3</b>	<b>18.4</b>	<b>18.2</b>	<b>21.7</b>	<b>20.6</b>

Source: Company, Kotak Institutional Equities



Profit model, balance sheet, cash model of Infosys Technologies, March fiscal year-ends, 2009-2013E (Rs mn)

	2009	2010	2011	2012E	2013E
<b>Profit model</b>					
<b>Revenues</b>	<b>216,930</b>	<b>227,420</b>	<b>275,010</b>	<b>333,708</b>	<b>376,095</b>
Cost of sales	(117,650)	(120,710)	(150,540)	(186,346)	(213,043)
SG&A expenses	(27,330)	(28,100)	(34,830)	(42,896)	(46,774)
<b>EBITDA</b>	<b>71,950</b>	<b>78,610</b>	<b>89,640</b>	<b>104,465</b>	<b>116,278</b>
Depreciation	(7,610)	(9,050)	(8,130)	(9,429)	(10,621)
<b>EBIT</b>	<b>64,340</b>	<b>69,560</b>	<b>81,510</b>	<b>95,036</b>	<b>105,658</b>
Other income	4,730	9,430	12,110	17,682	19,962
<b>Pre-tax profits</b>	<b>69,070</b>	<b>78,990</b>	<b>93,620</b>	<b>112,718</b>	<b>125,619</b>
Provision for tax	(10,270)	(16,810)	(24,900)	(31,737)	(32,661)
<b>Recurring net income</b>	<b>58,800</b>	<b>62,180</b>	<b>68,720</b>	<b>80,980</b>	<b>92,958</b>
Extraordinaries	1,080	480	—	—	—
<b>Reported net income</b>	<b>59,880</b>	<b>62,660</b>	<b>68,720</b>	<b>80,980</b>	<b>92,958</b>
<b>EPS (Rs)</b>	<b>102.4</b>	<b>108.3</b>	<b>119.7</b>	<b>141.1</b>	<b>161.9</b>
<b>Balance Sheet</b>					
Shareholders funds	182,540	230,490	259,760	310,809	370,307
Deferred tax liability/(assets)	(1,260)	(2,000)	(3,210)	(3,210)	(3,210)
Borrowings	—	—	—	—	—
Minority interest	—	—	—	—	—
<b>Total liabilities</b>	<b>181,280</b>	<b>228,490</b>	<b>256,550</b>	<b>307,599</b>	<b>367,097</b>
Gross block	70,930	78,390	85,010	102,447	115,407
Accumulated depreciation	(24,160)	(28,930)	(32,660)	(42,089)	(52,710)
Net block	46,770	49,460	52,350	60,357	62,697
CWIP	6,770	4,090	5,250	5,250	5,250
Net fixed assets	53,540	53,550	57,600	65,607	67,947
Cash and bank balances	112,460	124,480	171,030	206,443	258,559
Net current assets excluding cash	15,280	50,460	27,920	35,549	40,591
<b>Total assets</b>	<b>181,280</b>	<b>228,490</b>	<b>256,550</b>	<b>307,599</b>	<b>367,097</b>
<b>Cashflow statement</b>					
Operating profit before WC changes	71,950	78,610	89,640	104,465	116,278
Change in WC/other adjustments	(3,390)	(250)	(17,720)	(7,629)	(5,043)
Capital expenditure	(13,270)	(6,750)	(13,080)	(17,437)	(12,960)
Taxes paid	(9,020)	(17,530)	(28,460)	(31,737)	(32,661)
<b>Free cash flow</b>	<b>46,270</b>	<b>54,080</b>	<b>30,380</b>	<b>47,663</b>	<b>65,614</b>

Source: Company, Kotak Institutional Equities estimates

**OCTOBER 12, 2011**
**UPDATE**
**Coverage view: *Attractive***
**Price (Rs): 467**
**Target price (Rs): 560**
**BSE-30: 16,958**

**US GAAP report reaffirms the strong retail story.** We analyze the US GAAP report for HDFC Bank for FY2011. Key takeaways: (1) Risk-adjusted margins improved sharply in FY2011, especially in retail. (2) Deposit profile remains strong led by higher share of retail deposits primarily from its corporate salary account base. (3) Asset quality trends appear healthy with sharp improvements, specifically in the retail segment. However, valuations at 3.1X book and 17X FY2013 EPS delivering RoEs in the range of 18-19% levels and EPS growth of 28% CAGR for FY2011-13E, appear to factor in most positives; retain ADD.

**Company data and valuation summary**

HDFC Bank

**Stock data**

52-week range (Rs) (high,low) 520-396

Market Cap. (Rs bn) 1,086.7

**Shareholding pattern (%)**

Promoters 23.3

FIs 46.6

MFs 4.4

**Price performance (%)**

	1M	3M	12M
Absolute	(0.5)	(5.8)	(1.9)
Rel. to BSE-30	(3.1)	2.3	16.9

**Forecasts/Valuations**

	2011	2012E	2013E
EPS (Rs)	16.9	21.9	27.6
EPS growth (%)	31.0	29.5	26.5
P/E (X)	27.7	21.4	16.9
Nil (Rs bn)	105.4	124.3	157.2
Net profits (Rs bn)	39.3	50.8	64.3
BVPS	109.1	126.0	147.3
P/B (X)	4.3	3.7	3.2
ROE (%)	16.7	18.6	20.2
Div. Yield (%)	0.7	0.9	1.2

**Risk-adjusted margins at peak, will likely moderate**

We expect the current risk-adjusted NIM (NIM less loan-loss provisions) performance to moderate, especially in retail assets, by about 30 bps by FY2013E as slippages start to rise and pressure on NIM continues. FY2011 saw risk-adjusted NIM at a cyclical high (retail margins improved by 120 bps to 7% and corporate risk-adjusted NIMs improved by 40 bps to 1.2%). We note that lending yields moderated by 50 bps to 10.2% (KS calc)—retail yields declined by about 70 bps to 12.2% but wholesale lending yields improved by 10 bps to 8% during this period.

**Deposit franchise impressive led by retail deposits**

A high share of retail deposits (steady at about 65% levels) underpins HDFC Bank's deposit franchise. Retail deposits reported healthy growth in acquisitions, especially in corporate salary accounts. As of March 2011, salary accounts contributed about 52% of the total savings customers though its contribution to overall savings deposits is lower at about 31%. HDFC Bank saw the top 13% of its savings customers contributing to 68% of its total retail deposits in FY2011. Healthy presence in critical centers should give advantage in maintaining higher CASA.

**Corporate NPLs rise in FY2011; LLP to rise on the back of higher slippages in FY2012-13E**

In FY2011, retail NPLs (KS calc) declined to 1.1% (1.8% in FY2010) while wholesale NPLs (KS calc) increased by 30 bps yoy to 1.4%. FY2011 saw lower write-offs as compared to FY2010 resulting in lower loan-loss provisions. We estimate LLP to increase to about 1.1% by FY2013E as we expect slippages to rise in the retail portfolio which are currently witnessing one of the lowest slippage levels.

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### Valuations remain high; maintain ADD

We maintain our target price at ₹560 valuing the bank at 3.8X FY2013E book and 20X EPS. We expect the premium multiples to be maintained given the limited risk to its retail/working capital loan book, consistent earnings growth and comfort on the liability franchise. Our ADD rating is driven by moderate for HDFC Bank and better risk return tradeoff for other banks. We believe that the balance sheet is well-positioned to deliver RoEs in the range of 18-19% levels and 28% EPS growth for FY2011-13E.

### Differences in accounting resulting in higher earnings in US GAAP

We note that the following analysis includes significant differences in accounting methods between Indian GAAP and US GAAP. Net profits under Indian GAAP are 3% above what was reported under US GAAP in FY2011. This is mainly due to some key differences in accounting for credit losses (including tax benefits), classification/valuation of investments, income tax (including ESOPs and deferred tax benefits), loan origination fees/costs, and derivative instruments, among others. On NPLs, the difference between gross NPLs of Indian and US GAAP is higher by 20% levels primarily due to accounting of restructured loans and selected exposures currently classified as standard in Indian GAAP.

#### Difference in certain accounting practices resulting in lower PAT under US GAAP

Key financial data, March fiscal year-ends, 2006-11

	Indian GAAP (Rs bn)						US GAAP (Rs bn)						Difference (%)					
	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
Net interest income	25	35	52	74	84	106	24	37	55	73	81	108	(6.1)	6.5	4.9	(1.7)	(4.1)	2.1
Non interest income	12	17	24	36	42	46	12	15	20	34	43	47	(2.4)	(9.4)	(14.4)	(7.1)	1.9	2.1
Total revenues	38	51	76	110	126	152	36	52	75	106	124	155	(4.9)	1.3	(1.1)	(3.4)	(2.1)	2.1
Expenses	25	35	53	77	82	92	23	36	56	84	87	92	(9.6)	2.6	4.7	8.4	5.3	(0.5)
PBT	13	16	23	33	44	60	13	16	20	23	37	63	4.4	(1.3)	(14.8)	(30.9)	(15.8)	6.1
PAT	9	11	16	23	30	40	9	11	13	15	25	42	5.2	(3.0)	(16.8)	(32.5)	(17.9)	3.4
Loans	351	469	634	990	1,262	1,608	395	537	715	986	1,297	1,623	12.7	14.3	12.8	(0.4)	2.8	0.9
Gross NPL	5	7	9	20	18	17	5	6	9	20	19	21	(6.0)	(4.9)	(2.7)	0.2	6.0	21.9

Source: Company, Kotak Institutional Equities

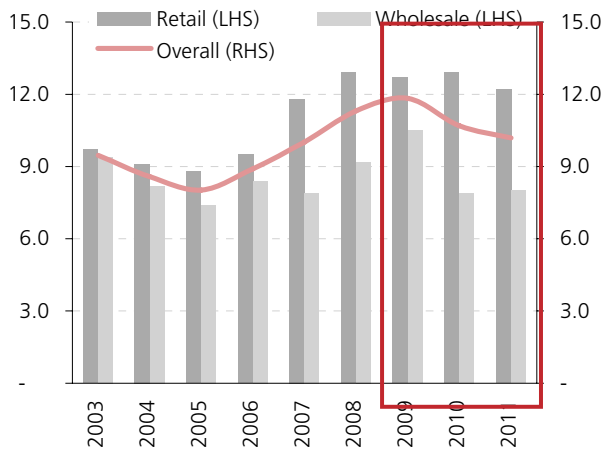
### Risk-adjusted NIMs to decline in FY2012-13E as pressure builds up on slippages

We expect the current risk-adjusted NIM (NIM less loan-loss provisions) performance to moderate, especially in retail assets. We are building risk-adjusted NIMs to decline by about 15 bps each in FY2012-13E. FY2011 saw risk-adjusted NIMs at a near-term cyclical high. Overall risk-adjusted retail NIMs improved by 120 bps to 7% while corporate risk-adjusted NIMs improved by 40 bps to 1.2%. We note that lending yields have moderated by 50 bps to 10.2% (KS calc). Retail assets saw lending yields decline by about 70 bps to 12.2% while wholesale lending yields improved by 10 bps to 8%.

We expect mixed trends in lending yields for FY2012-13E though risk-adjusted NIM is expected to decline during this period. Lending yields can improve in FY2012E: (1) Retail asset composition is not witnessing any further change with the unsecured book maintained at 20% of retail loans (as against a decline in earlier years) and low yielding housing loans stabilizing at 13% of retail loans. Lending yields in these portfolios have stabilized with an upward bias across products. (2) Wholesale loan yields have improved in recent quarters and we expect further improvement in FY2012E as the full impact of recent rate hikes is reflected in this portfolio.

### Lending yields in the retail portfolio have declined while corporate loans have held steady

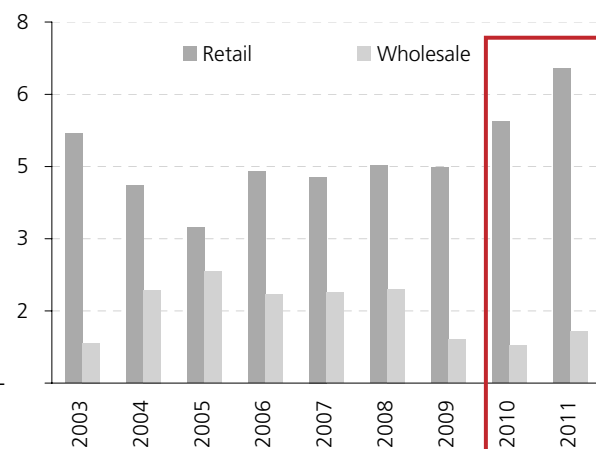
Yield (KS calc) on loans for retail, wholesale and overall, March fiscal year-ends, 2003-11 (%)



Source: Company, Kotak Institutional Equities

### Risk-adjusted NIM shows further improvement for retail while wholesale remains flat in FY2011

Yield (KS calc) on loans adjusted for credit losses for retail and wholesale, March fiscal year-ends, 2003-11 (%)



Source: Company, Kotak Institutional Equities

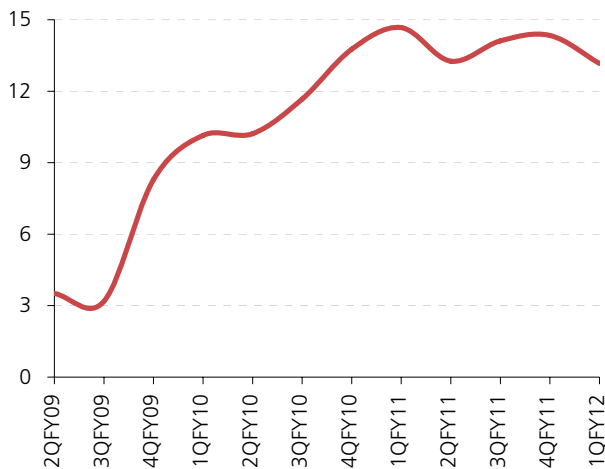
### Expect lending yields in retail assets to stabilize

Break-up of retail loans, March fiscal year-ends, 2003-11 (%)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Car loans / CV / CE	51.7	55.3	38.1	41.3	43.9	45.3	38.2	39.8	37.8
Retail business banking	—	5.9	9.8	8.6	17.1	19.5	21.3	19.7	18.7
Personal loans	16.9	14.4	18.2	20.8	18.0	16.3	14.5	12.4	12.8
Housing loans	—	—	—	—	—	—	8.2	12.0	14.3
Credit card	2.6	3.4	6.1	6.0	6.3	7.2	6.3	5.2	6.1
Two wheeler	3.6	3.6	9.2	12.8	7.0	4.2	3.1	2.5	2.5
Loan against shares	17.7	12.8	11.0	7.7	4.0	3.0	1.2	1.2	1.2
Other retail loans	7.5	4.6	7.5	2.8	3.7	4.5	7.2	7.1	6.5
<b>Personal/credit cards/2W</b>	<b>23.1</b>	<b>21.4</b>	<b>33.6</b>	<b>39.6</b>	<b>31.3</b>	<b>27.7</b>	<b>24.0</b>	<b>20.1</b>	<b>21.4</b>

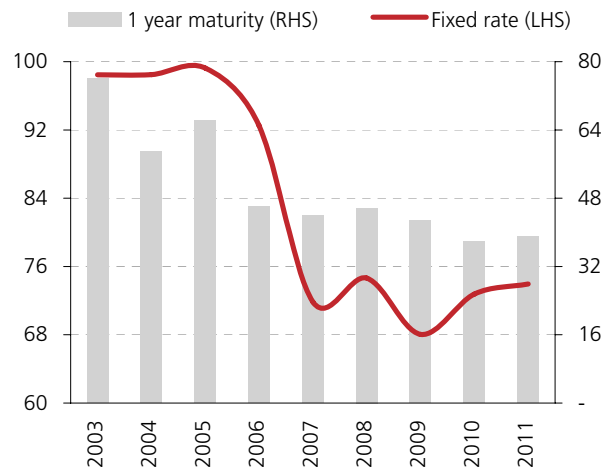
Source: Company, Kotak Institutional Equities

**Proportion of housing loans has stabilized at about 14%**  
 Housing loans to overall retail loans, March fiscal year-ends, 2QFY09-1QFY12 (%)



Source: Company, Kotak Institutional Equities

**Proportion of fixed interest rate loans is about 74%**  
 Fixed interest rate loans and 1-year maturity of fixed loans/total loans, March fiscal year-ends, 2003-11 (%)



Source: Company, Kotak Institutional Equities

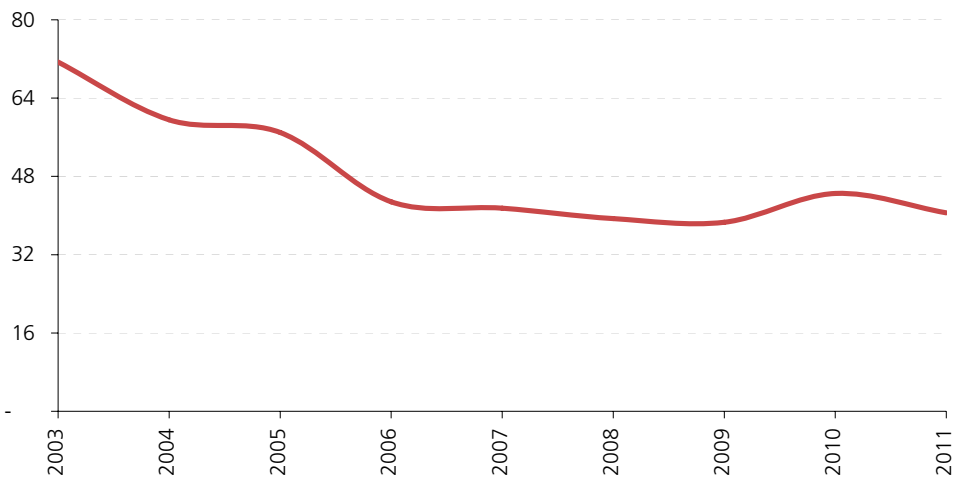
**Share of fixed rate loans and maturity pattern maintained in FY2011**

Over the past few years, the overall proportion of fixed rate loans has been maintained at 70-75% levels as the bank has a higher share of fixed interest rate retail asset products. We note that the overall proportion of fixed rate loans maturing in 1 year is about 40% of the overall loans (53% of the fixed rate loans).

**Corporate loans decline in FY2011: Mumbai is the bank’s focus area**

Overall proportion of corporate loans (reported as per US GAAP) was at 41% (FY2010 was at 45%), marginally different from that reported under Indian GAAP where the non-retail loan proportion was at 50% (FY2010 was at similar levels). HDFC Bank continues to see a majority of loans being originated (note that end use of these loans could be at different regions) from the western regions. Mumbai and western markets combine accounts for over 45% of its overall loans. South and North, in line with business opportunity, continue to remain the other key geographies for the bank while the acquisition of CBoP (Bank of Punjab in the North and Lord Krishna Bank in the South) may have accelerated growth in these regions. Its market share in Mumbai has doubled to 4.6% in the past five years driven partly by higher corporate activity.

**Corporate loans as proportion of total loans declined in FY2011**  
March fiscal year-ends, 2003-11 (%)



Source: Company, Kotak Institutional Equities

**Loan book concentration continues in Mumbai**

Regional break-up of loans, March fiscal year-ends, 2003-11 (%)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mumbai	29.2	26.5	27.8	20.0	26.7	24.7	26.5	29.6	27.9
West (ex Mumbai)	14.5	17.2	20.4	18.0	15.1	21.8	18.0	17.7	17.6
North	19.0	22.1	27.6	24.2	24.0	18.5	23.2	22.2	24.1
East	12.1	9.9	10.2	8.8	6.7	6.9	6.1	6.0	4.5
South	25.3	24.3	14.1	29.0	27.6	28.1	25.3	23.0	23.0
Foreign	—	—	—	—	—	—	0.8	1.5	2.8
<b>Banks share in Mumbai</b>	<b>1.7</b>	<b>2.1</b>	<b>2.3</b>	<b>1.8</b>	<b>2.6</b>	<b>2.5</b>	<b>3.4</b>	<b>4.6</b>	<b>4.5</b>

Source: Company, Kotak Institutional Equities

### CASA ratio healthy—acquisition drive maintained; deposit costs to increase

HDFC Bank is at a comfortable standpoint from a deposit perspective. CASA ratio is attractive at about 50%; acquisition of new clients driven by branch expansion is going at a healthy pace and the bank has an attractive base of salary accounts.

FY2011 saw the costs of deposits for time deposits declining 100 bps to 6.4% as the repricing exercise continued to favor banks. We expect these rates to increase as the recent hikes in deposit rates will fully reflect in FY2012E. The deposit ageing profile of the bank's term deposits shows that nearly 75% the total term balances over ₹0.1 mn (86% of the total term deposits) is less than 1-year.

Cost of funds set to increase but not sharply as the bank has a healthy share of retail deposits  
Interest across various instruments, March fiscal year-ends, 2003-11 (%)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Savings deposits	3.1	2.7	2.6	2.7	2.7	2.6	2.7	2.8	3.5
Time deposits	7.7	6.2	5.6	6.0	6.8	8.4	8.5	7.4	6.4
Short term borrowings	6.7	4.3	4.1	4.7	6.4	5.9	6.2	3.6	5.3
Long term debt	10.4	10.3	7.3	8.4	8.1	8.2	8.0	8.4	8.1
Total cost of funds (ex CA)	6.8	5.1	4.4	4.7	5.6	6.5	6.9	5.9	5.5

Source: Company, Kotak Institutional Equities

Deposit profile offers comfort on costs at current levels  
March fiscal year-ends, 2011 (%)

Maturity	Proportion to deposits		Cumulative (%)
	Deposits (Rs bn)	>0.1 mn (%)	
Upto 3 months	329	37.8	37.8
3-6 months	120	13.8	51.5
6 Months-1 year	217	24.8	76.3
More than 1 year	206	23.7	100.0
<b>Total deposits &gt; 0.1 mn</b>	<b>872</b>		
<b>Total time deposits</b>	<b>942</b>		

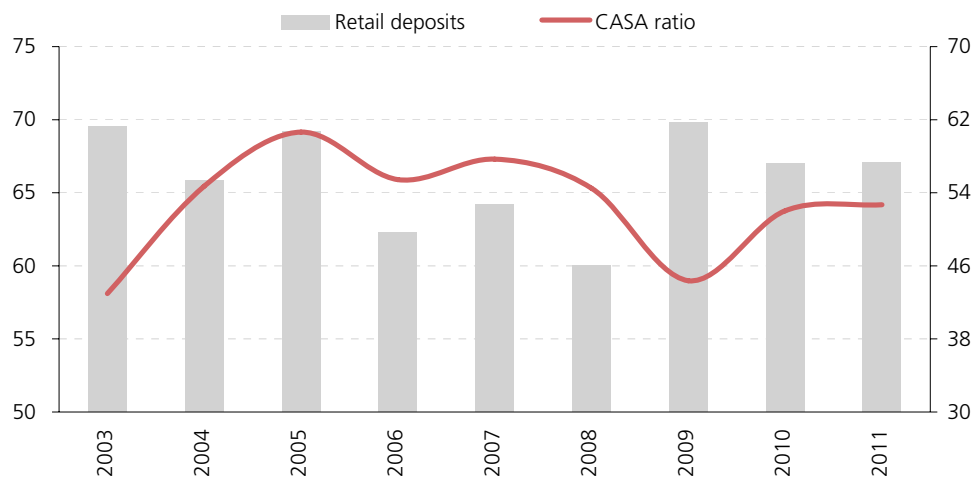
Source: Company, Kotak Institutional Equities

### Higher retail deposits and CASA ratio offer comfort on sharp rise in funding costs

Overall the higher proportion of retail deposits compared to its peers offer comfort against a sharp and volatile change in deposit rates. Proportion of retail deposits have been steady at about 65% levels (FY2010 was at 67%) over the past five years. This coupled with a high CASA ratio (50% levels) offer comfort for the bank to maintain deposit costs at comfortable levels despite a sharp rise in cost of term deposits rates. As mentioned earlier, the combination of a strong and better granularity of deposit offers comfort in the bank maintaining high CASA ratio.

### HDFC Bank has one of the highest proportions of retail deposits

Retail deposits to total deposits and CASA ratio, March fiscal year-ends, 2003-11 (%)



Source: Company, Kotak Institutional Equities

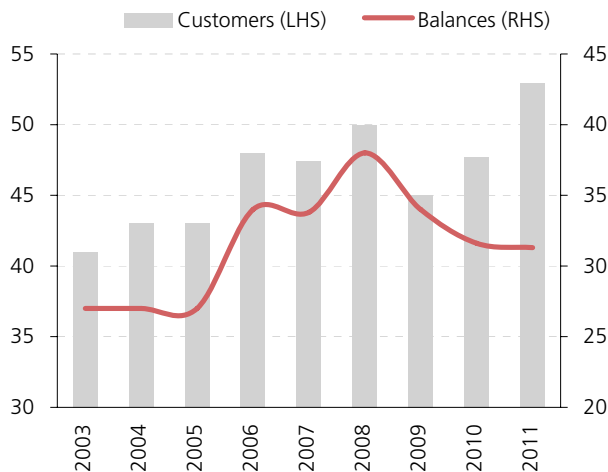
### Salary accounts: Contribution to overall retail deposits declined marginally

HDFC Bank continues to enjoy a strong franchise which has resulted in garnering a strong share of corporate salary accounts. This has given a strong base of savings account growth. As of FY2011, salary accounts contribute to 52% of its total savings customers, a ratio which has remained consistent since FY2006. However, contribution to overall savings deposits has declined in the past four years to 31% in FY2011 as compared to 38% in FY2008. The average balances in these accounts have witnessed a marginal negative growth in this period which has resulted in this decline compared to the bank's overall balance growth in savings account.

HDFC Bank saw the top 13% of its savings customers contributing 68% of its total retail deposits in FY2011 as compared to 62% of retail deposits in FY2009. On an average, we note that the top 10% of its savings customers contribute about 60% of the overall retail deposits.

#### Reliance on corporate salary accounts declined in recent years

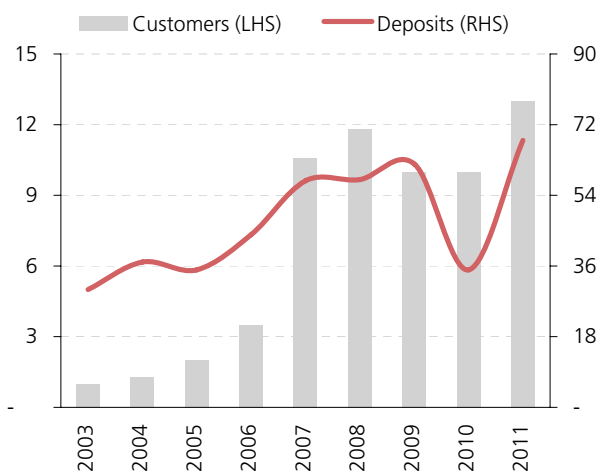
Corporate salary accounts to total savings account and their contribution total savings, March fiscal year-ends, 2003-11 (%)



Source: Company, Kotak Institutional Equities

#### Concentration of deposits has declined even in retail in FY2011

Proportion of retail customers and their contribution to retail deposits, March fiscal year-ends, 2003-11 (%)



Source: Company, Kotak Institutional Equities

### Asset quality remains strong; corporate book shows increase in NPLs

Segment-wise reporting is a bit more granular in Indian reporting but they lack historical data. Overall gross NPLs is currently at about 1.3% (KS calc) in FY2011 (1.04% under Indian GAAP in 1QFY12) compared to 1.9% in FY2009 and 1.5% in FY2010. In FY2011, retail NPLs declined to 1.1% compared to 2.4% in FY2009 and 1.8% in FY2010 while wholesale NPLs increased marginally by 30 bps yoy to 1.4%. Write-offs have reduced (implied as provisions to be kept in the books when loan are reported), indicating lower pressure on earnings. However, on the back of sharp rise in interest rates and slowdown in the economy, we see loan-loss provisions to increase on the bank. We factor loan-loss provisions at 0.9-1.1% of loans in FY2012-13E.

#### Break-up of NPL reported in annual report

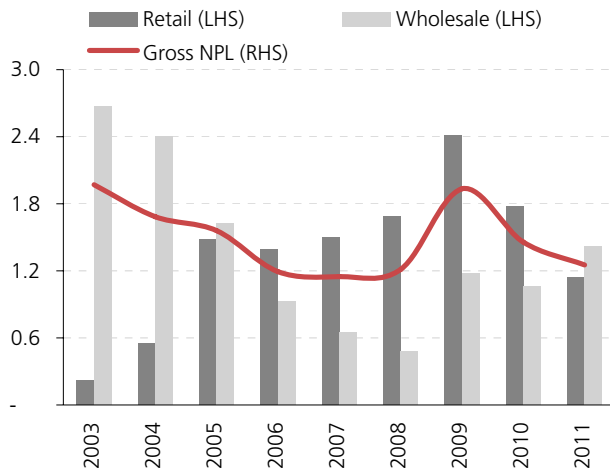
NPL segment-wise as reported under Indian GAAP, March fiscal year-ends, 2010-11 (%)

Segment	2010	2011
Agriculture and allied	0.9	0.5
Industry	1.5	1.7
Services	3.9	1.6
Personal loans	1.1	0.6

Source: Company



**Lower slippages and high write-off to result in lower retail NPL**  
Break-up of NPL, March fiscal year-ends, 2003-11 (%)



Notes:  
(1) Gross NPL ratio has been calculated as gross non-performing loans to gross loan assets of respective categories.

Source: Company, Kotak Institutional Equities

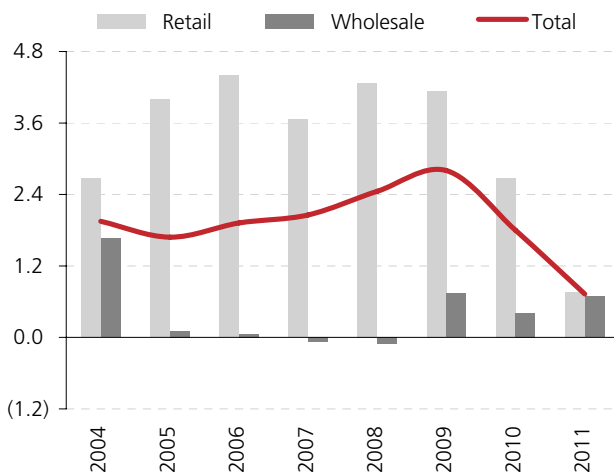
**Provision coverage ratio stands comfortable at over 70%**  
Provision coverage ratio, March fiscal year-ends, 2003-11 (%)



Notes:  
(1) PCR: Specific allocation reserve/Gross NPL

Source: Company, Kotak Institutional Equities

**Loan-loss provisions (LLP) moderated in FY2011**  
LLP for retail, wholesale and total loans, March fiscal year-ends, 2004-11 (%)



Source: Company, Kotak Institutional Equities

**Write-off reduce with decline of unsecured, integration of CBoP and improvement in macro environment**  
Write-off of provisions, March fiscal year-ends, 2004-11 (%)



Notes:  
(1) Provision released on account of write-off/opening loans

Source: Company, Kotak Institutional Equities

**Limited concern on earnings growth: Multiple levers at play**

We broadly maintain our earnings and expect 28% earnings CAGR for FY2011-13E. FY2012E would see earnings growth driven by lower provisions and subdued revenue growth (18% levels) on the back of margin moderation and lower fee income. FY2011 saw the bank making higher provisions for (1) improving coverage ratio to 83% (from 78%), (2) ₹6.7 bn (50 bps of loans) of floating provisions, (3) contingent provisions for MFI, change in accounting for MTM (client related) and certain CBoP-related expenses.

### Strong lending yields in retail assets have enabled HDFC Bank make superior margins

Key data points from retail segment, March fiscal year-ends, 2003-11 (%)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Net interest revenue</b>	4,530	7,160	9,728	18,177	26,226	38,103	59,014	70,855	88,619
<b>Less: Provision for credit losses</b>	123	919	2,925	4,956	8,387	13,607	18,278	16,586	5,586
Net interest revenue after credit losses	4,408	6,241	6,803	13,221	17,840	24,497	40,736	54,268	83,034
Non-interest revenue	1,743	2,607	6,234	10,072	12,703	17,846	26,353	30,417	39,287
Non-interest expense	4,350	6,250	8,889	14,482	22,494	34,862	54,560	59,621	70,459
<b>Income before income tax</b>	<b>1,800</b>	<b>2,598</b>	<b>4,148</b>	<b>8,811</b>	<b>8,048</b>	<b>7,480</b>	<b>12,530</b>	<b>25,065</b>	<b>51,862</b>
Segmental average assets	79,682	142,643	197,122	281,584	390,733	507,900	850,978	935,427	1,191,386
Loans	34,414	73,252	112,666	229,301	318,606	441,312	620,394	732,984	980,145
Growth in net interest revenue		58.0	35.9	86.9	44.3	45.3	54.9	20.1	25.1
Growth in net interest revenue (credit loss)		41.6	9.0	94.3	34.9	37.3	66.3	33.2	53.0
Growth in income before tax		44.3	59.7	112.4	(8.7)	(7.1)	67.5	100.0	106.9
<b>Yield on loans</b>	<b>9.7</b>	<b>9.1</b>	<b>8.8</b>	<b>9.5</b>	<b>11.8</b>	<b>12.9</b>	<b>12.7</b>	<b>12.9</b>	<b>12.2</b>
Interest income on loans	2,016	4,830	8,305	14,864	29,662	46,794	73,875	79,462	97,085
Credit costs to opening loans		2.7	4.0	4.4	3.7	4.3	4.1	2.7	0.8
Average loans	20,847	52,904	94,399	157,272	250,819	361,791	579,838	615,331	798,520
<b>NIM - calc</b>	<b>5.7</b>	<b>5.0</b>	<b>4.9</b>	<b>6.5</b>	<b>6.7</b>	<b>7.5</b>	<b>6.9</b>	<b>7.6</b>	<b>7.4</b>

Source: Company, Kotak Institutional Equities

The wholesale segment for HDFC Bank has been reasonably attractive with lower NPLs but also with lower margins compared to retail segment. The average lending yields have fallen sharply from FY2009 but banks have taken corrective measures in FY2011 by increasing lending yields in recent period.

### Lending yields in wholesale segment has put pressure on margins in the wholesale segment

Key data points from wholesale segment, March fiscal year-ends, 2003-2010 (%)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Net interest revenue</b>	2,155	5,112	5,659	6,239	8,907	14,009	10,894	10,168	18,846
<b>Less: Provision for credit losses</b>	619	1,425	123	76	(137)	(239)	2,117	1,608	4,036
Net interest revenue after credit losses	1,536	3,687	5,536	6,163	9,044	14,248	8,776	8,560	14,810
Non-interest revenue	1,468	966	1,657	2,093	2,764	3,793	6,376	5,566	6,342
Non-interest expense	1,182	1,522	1,824	2,802	4,065	6,969	7,888	8,016	10,851
<b>Income before income tax</b>	<b>1,822</b>	<b>3,132</b>	<b>5,369</b>	<b>5,454</b>	<b>7,743</b>	<b>11,071</b>	<b>7,264</b>	<b>6,109</b>	<b>10,301</b>
Segmental average assets	172,542	178,753	224,054	313,603	452,510	681,767	911,207	1,023,020	1,287,234
Loans	85,752	107,924	149,259	171,626	226,139	286,769	390,652	587,957	668,606
Growth in net interest revenue		137.2	10.7	10.3	42.8	57.3	(22.2)	(6.7)	85.4
Growth in net interest revenue (credit loss)		140.0	50.1	11.3	46.7	57.5	(38.4)	(2.5)	73.0
Growth in income before tax		71.9	71.4	1.6	42.0	43.0	(34.4)	(15.9)	68.6
<b>Yield on loans</b>	<b>9.4</b>	<b>8.2</b>	<b>7.4</b>	<b>8.4</b>	<b>7.9</b>	<b>9.2</b>	<b>10.5</b>	<b>7.9</b>	<b>8.0</b>
Interest income on loans	5,789	6,875	8,127	13,989	17,162	25,802	43,407	38,903	56,635
Credit costs to opening loans		1.7	0.1	0.1	(0.1)	(0.1)	0.7	0.4	0.7
Average loans	61,615	83,624	110,520	166,438	216,544	279,631	412,202	491,143	709,423
<b>NIM - calc</b>	<b>1.2</b>	<b>2.9</b>	<b>2.5</b>	<b>2.0</b>	<b>2.0</b>	<b>2.1</b>	<b>1.2</b>	<b>1.0</b>	<b>1.5</b>

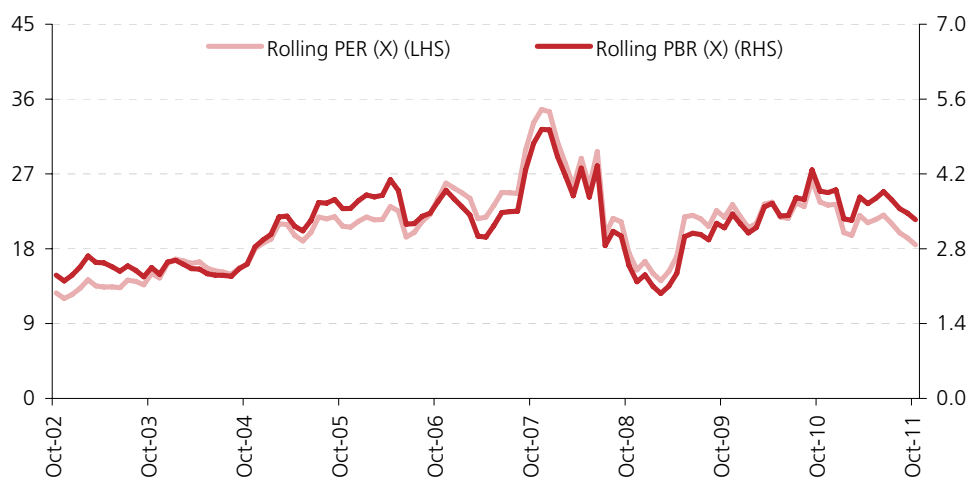
Source: Company, Kotak Institutional Equities

Overall business continues to remain attractive despite volatile yield movement in wholesale and higher credit costs in retail  
Key data points of overall business, March fiscal year-ends, 2003-11 (%)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Net interest revenue</b>	7,646	12,608	15,986	23,906	36,917	54,836	72,882	80,931	108,402
<b>Less: Provision for credit losses</b>	742	2,343	3,048	5,032	8,250	13,368	20,395	18,194	9,622
Net interest revenue after credit losses	6,904	10,265	12,938	18,874	28,666	41,468	52,487	62,737	98,780
Non-interest revenue	4,397	4,698	8,212	12,148	15,000	20,347	33,603	42,900	46,815
Non-interest expense	6,058	8,369	11,414	17,847	27,426	42,262	63,155	68,411	82,370
<b>Income before income tax</b>	<b>5,244</b>	<b>6,593</b>	<b>9,735</b>	<b>13,175</b>	<b>16,240</b>	<b>19,553</b>	<b>22,935</b>	<b>37,226</b>	<b>63,226</b>
Segmental average assets	280,513	364,304	447,252	633,506	873,614	1,252,096	1,851,880	2,013,130	2,559,956
Loans	120,167	181,175	261,925	400,928	544,745	728,081	1,011,046	1,320,941	1,648,750
Growth in net interest revenue		64.9	26.8	49.5	54.4	48.5	32.9	11.0	33.9
Growth in net interest revenue (credit loss)		48.7	26.0	45.9	51.9	44.7	26.6	19.5	57.5
Growth in income before tax		25.7	47.7	35.3	23.3	20.4	17.3	62.3	69.8
<b>Yield on loans</b>	<b>9.5</b>	<b>8.6</b>	<b>8.0</b>	<b>8.9</b>	<b>10.0</b>	<b>11.3</b>	<b>11.8</b>	<b>10.7</b>	<b>10.2</b>
Interest income on loans	7,805	11,705	16,431	28,854	46,824	72,596	117,282	118,365	153,720
Credit costs to opening loans		2.0	1.7	1.9	2.1	2.5	2.8	1.8	0.7
Average loans	82,461	136,527	204,919	323,710	467,363	641,422	992,040	1,106,474	1,507,943
NIM - calc	2.7	3.5	3.6	3.8	4.2	4.4	3.9	4.0	4.2
<b>NIM (Reported)</b>	<b>3.3</b>	<b>3.8</b>	<b>3.8</b>	<b>4.1</b>	<b>4.4</b>	<b>5.1</b>	<b>4.6</b>	<b>4.6</b>	<b>4.8</b>

Source: Company, Kotak Institutional Equities

Rolling PER and PBR for HDFC Bank  
October 2002-October 2011, (X)



Source: Kotak Institutional Equities

**HDFC Bank growth rates and key ratios**  
 March fiscal year-ends, 2009-2014E (%)

	2009	2010	2011	2012E	2013E	2014E
<b>Growth rates (%)</b>						
Net loan	55.9	27.3	27.1	21.6	22.3	21.1
Customer assets growth	40.4	26.8	26.2	21.5	22.2	21.0
Retail loans to Customer assets	61.8	57.6	49.9	43.9	29.9	25.1
Net fixed assets	44.6	24.5	2.6	4.2	1.4	(1.3)
Cash and bank balance	18.5	71.0	(0.9)	22.2	18.8	18.4
Total Asset	37.6	21.4	24.7	26.9	26.0	26.3
Deposits	41.7	17.2	24.6	26.1	23.4	22.2
Current	(1.1)	30.9	24.8	13.2	17.2	22.2
Savings	73.3	1.1	22.9	37.5	28.2	24.4
Fixed	33.5	42.9	27.2	17.8	19.1	17.7
Net interest income	34.5	13.0	25.7	17.9	26.5	30.1
Loan loss provisions	42.0	12.3	(26.1)	11.3	42.3	27.4
Total other income	44.2	15.7	13.9	20.6	24.6	17.8
Net fee income	43.3	15.2	27.1	11.5	21.3	17.8
Net capital gains	58.2	(9.8)	(115.2)	(252.0)	125.0	-
Net exchange gains	111.4	2.0	50.9	20.0	22.0	25.0
Operating expenses	47.7	4.2	24.1	19.2	22.4	24.2
Employee expenses	72.0	2.3	23.9	21.7	21.7	25.5
<b>Key ratios (%)</b>						
Yield on average earning assets	10.8	8.3	8.4	8.9	9.0	8.9
Yield on average loans	15.0	10.8	10.6	11.1	11.4	11.3
Yield on average investments	7.4	6.8	7.2	7.4	7.4	7.5
Average cost of funds	6.7	4.6	4.5	5.4	5.8	5.8
Interest on deposits	6.6	4.5	4.3	5.3	5.7	5.7
<b>Difference</b>	<b>4.1</b>	<b>3.7</b>	<b>3.9</b>	<b>3.4</b>	<b>3.2</b>	<b>3.1</b>
Net interest income/earning assets	4.9	4.3	4.4	4.2	4.1	4.2
New provisions/average net loans	2.1	1.7	1.0	0.9	1.1	1.1
Interest income/total income	69.3	68.8	70.9	70.4	70.7	72.7
Fee income to total income	22.9	23.2	24.2	22.7	21.9	20.4
Fees income to PBT	74.5	66.0	61.8	53.3	51.0	46.7
Net trading income to PBT	11.6	8.0	(0.9)	1.1	1.9	1.5
Exchange inc./PBT	18.1	14.2	15.8	14.7	14.1	13.7
Operating expenses/total income	51.7	47.3	48.1	48.3	46.9	46.1
Operating expenses/assets	3.5	2.8	2.9	2.7	2.6	2.6
Operating profit /AWF	1.9	2.0	2.5	2.5	2.5	2.5
Tax rate	32.0	31.3	32.5	32.5	32.5	32.5
Dividend payout ratio	18.9	18.6	19.6	19.6	19.6	19.6
<b>Share of deposits</b>						
Current	19.9	22.2	22.3	20.0	19.0	19.0
Fixed	55.6	48.0	47.3	51.6	53.6	54.6
Savings	24.4	29.8	30.4	28.4	27.4	26.4
Loans-to-deposit ratio	69.2	75.2	76.7	74.0	73.3	72.6
Equity/assets (EoY)	8.2	9.7	9.2	8.3	7.7	7.3
<b>Asset quality trends (%)</b>						
Gross NPL	2.0	1.4	1.0	1.2	1.4	1.5
Net NPL	0.6	0.3	0.2	0.2	0.4	0.5
Slippages	5.4	2.6	1.1	1.4	1.7	1.7
Provision coverage (ex writeoff)	67.8	78.4	82.5	82.7	72.6	69.8
<b>Dupont analysis (%)</b>						
Net interest income	4.7	4.1	4.2	3.9	4.0	4.1
Loan loss provisions	1.1	1.0	0.6	0.5	0.6	0.6
Net other income	2.1	1.9	1.7	1.7	1.6	1.5
Operating expenses	3.6	2.9	3.1	2.7	2.6	2.6
Invnt. depreciation	-	-	-	-	-	-
(1- tax rate)	68.0	68.7	67.5	67.5	67.5	67.5
ROA	1.4	1.5	1.6	1.6	1.6	1.6
Average assets/average equity	11.9	11.1	10.7	11.5	12.5	13.4
ROE	16.9	16.1	16.7	18.6	20.2	22.1

Source: Company, Kotak Institutional Equities estimates

HDFC Bank P&L and balance sheet  
March fiscal year-ends, 2009-2014E (₹ mn)

	2009	2010	2011	2012E	2013E	2014E
<b>Income statement</b>						
Total interest income	163,323	161,729	199,282	263,799	342,038	429,994
Loans	121,368	120,983	150,850	196,662	246,182	297,267
Investments	40,080	39,813	46,754	64,829	92,288	130,847
Cash and deposits	1,876	933	1,678	2,307	3,568	1,881
Total interest expense	89,111	77,863	93,851	139,519	184,794	225,491
Deposits from customers	80,155	69,977	80,283	125,678	166,497	204,657
Net interest income	74,212	83,866	105,431	124,279	157,244	204,503
Loan loss provisions	17,263	19,391	14,330	15,953	22,703	28,926
Net interest income (after prov.)	56,949	64,475	91,101	108,326	134,541	175,577
Other income	32,906	38,077	43,352	52,272	65,135	76,741
Net fee income	24,573	28,306	35,967	40,118	48,649	57,285
Net capital gains	3,826	3,451	(526)	800	1,800	1,800
Net exchange gains	5,986	6,103	9,208	11,050	13,481	16,851
Operating expenses	55,328	57,645	71,529	85,265	104,375	129,602
Employee expenses	22,382	22,892	28,360	34,507	42,010	52,708
Depreciation on investments	-	-	-	-	-	-
Other Provisions	1,528	2,010	4,731	-	-	-
Pretax income	32,999	42,898	58,193	75,333	95,301	122,716
Tax provisions	10,549	13,410	18,929	24,504	30,999	39,916
Net Profit	22,449	29,488	39,264	50,829	64,302	82,800
% growth	41.2	31.4	33.2	29.5	26.5	28.8
Operating profit	47,964	60,847	77,780	90,486	116,204	149,842
% growth	36.1	26.9	27.8	16.3	28.4	28.9
<b>Balance sheet</b>						
Cash and bank balance	175,066	299,424	296,688	362,416	430,455	509,816
Cash	15,862	24,353	29,980	32,977	36,275	39,903
Balance with RBI	119,410	130,480	221,029	283,759	348,499	424,233
Balance with banks	9,051	7,092	12,046	12,046	12,046	12,046
Net value of investments	588,252	586,154	709,294	1,041,535	1,451,658	2,036,733
Govt. and other securities	521,566	510,499	536,513	869,638	1,279,761	1,864,836
Shares	397	1,035	935	935	935	935
Debentures and bonds	19,428	11,393	5,348	5,348	5,348	5,348
Net loans and advances	988,830	1,258,306	1,599,827	1,945,312	2,379,092	2,880,175
Fixed assets	16,989	21,150	21,706	22,624	22,936	22,643
Net leased assets	-	-	-	-	-	-
Net Owned assets	16,989	21,150	21,706	22,624	22,936	22,643
Other assets	63,568	59,551	146,011	148,303	150,824	153,597
<b>Total assets</b>	<b>1,832,706</b>	<b>2,224,586</b>	<b>2,773,526</b>	<b>3,520,190</b>	<b>4,434,965</b>	<b>5,602,964</b>
Deposits	1,428,116	1,674,044	2,085,864	2,630,247	3,246,003	3,965,398
Borrowings and bills payable	120,860	188,414	200,302	225,586	255,927	292,336
Other liabilities	133,257	146,902	233,567	371,360	590,444	938,778
<b>Total liabilities</b>	<b>1,682,233</b>	<b>2,009,361</b>	<b>2,519,733</b>	<b>3,227,193</b>	<b>4,092,374</b>	<b>5,196,512</b>
Paid-up capital	4,254	4,577	4,652	4,652	4,652	4,652
Reserves & surplus	146,219	210,648	249,140	288,344	337,939	401,800
<b>Total shareholders' equity</b>	<b>150,473</b>	<b>215,225</b>	<b>253,793</b>	<b>292,996</b>	<b>342,591</b>	<b>406,452</b>

Source: Company, Kotak Institutional Equities estimates

OCTOBER 12, 2011

UPDATE

BSE-30: 16,958

**August IIP: Clear signs of slowdown.** The August outturn of IIP pointed to signs of moderation in the economy with growth at 4.1% against consensus expectations of 4.7%. Intermediate goods and consumer durables have continued to see weak growth. Seen in conjunction with other indicators like the manufacturing PMI and the trend in excise duty collections, industrial production is clearly slowing. However, we do not expect a hard landing of the economy as enablers from the fiscal side as also higher rural incomes keep the domestic consumption momentum intact. July IIP growth was revised to 3.8% from 3.3%.

#### Manufacturing sector grows at 4.5%; mining production contracts by 3.4%

In line with our expectations of a tepid growth in August, the manufacturing sector grew by 4.5% on a yoy basis even as it contracted by 2.8% mom. In fact, on a sectoral basis all three sectors (mining, manufacturing and electricity) fell from July levels. This is not entirely unexpected given the monsoons in August (seasonal effect) and a general slowdown in the economy. At a 2-digit level, sectors like 'basic metals' (11.2%), 'radio, TV and communication equipment & apparatus' (12.5%) and 'other transport equipment' (12.1%) showed strong growth while 'textiles' (-3.8%) and 'machinery and equipment n.e.c.' (-0.7%) have continued to be weak. Mining sector contracted by 3.4% (contraction of 6% mom) after a growth of 1.5% in July. Electricity sector came in at 9.5%, higher than 8.9% indicated in core sectors production release.

#### Signs of slowdown in economy showing in consumer durables and intermediate goods

From a use-based perspective the signs of slowdown are more evident. Consumer durables production grew by 4.6% but more importantly it saw contraction of 9.6% on an mom basis. Passenger cars production, which forms a significant part of this index, contracted by 9.3% in August and 9.4% in September which is likely to negatively affect consumer durables index in September too. Intermediate goods continued to remain muted at 1.3%, up from (-)0.5% in July. Capital goods production came in at 3.9% while basic goods came in at 5.4%.

#### Growth slowdown is being indicated by other key variables

Along with the IIP being on a moderating path, other key leading indicators point towards a slower growth. The manufacturing PMI has dipped close to the contraction zone of 50 (see Exhibit 1), while the services PMI is already below 50. Excise duty collections growth, which has historically been closely correlated with industrial production, is also on a downward trend (see Exhibit 2). We also expect that earnings growth for the BSE-30 companies (ex-energy) to be lower in 2QFY12E compared to 1QFY12, indicative of the pressures faced by the companies (see Exhibit 3). Concerns on the investment cycle due to high interest costs and low investor confidence (due to an almost full policy paralysis from the government) is also likely to keep growth bias on the lower side.

#### A policy dilemma for the RBI – need to now choose between inflation and growth

Inflation is still expected to be high (September print likely at 9.86%). However, growth concerns have now increased, also clearly evident in some of the lead indicators that we follow. On the other hand, the momentary return to risk appetite notwithstanding, the overall concerns of a global slowdown and European debt issues are unlikely to be resolved soon. Even as the RBI's stance of monetary policy might not change due to the high inflation levels, it may be ideal for the RBI to pause now and assess the implications of the previous policy hikes, especially in an atmosphere of heightened risks to global growth and thus a possible downward bias to energy prices in the medium term. Thus, the RBI could lean towards a pause on October 25.

#### QUICK NUMBERS

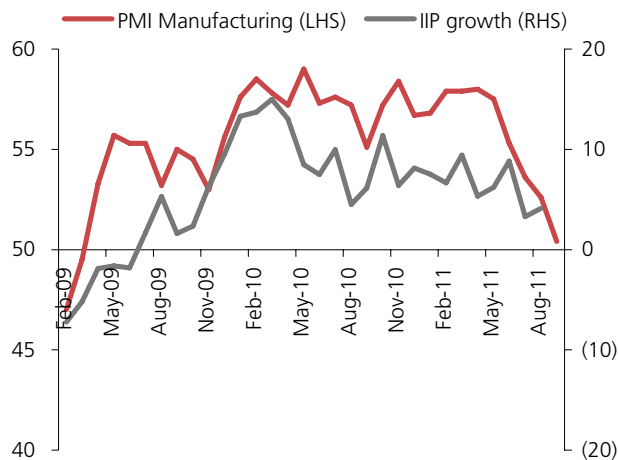
- **August IIP growth at 4.1%; July revised to 3.8%**
- **Manufacturing sector growth at 4.5%; consumer durables sector growth at 4.6%**
- **RBI rhetoric starting to point to a 25 bps hike**

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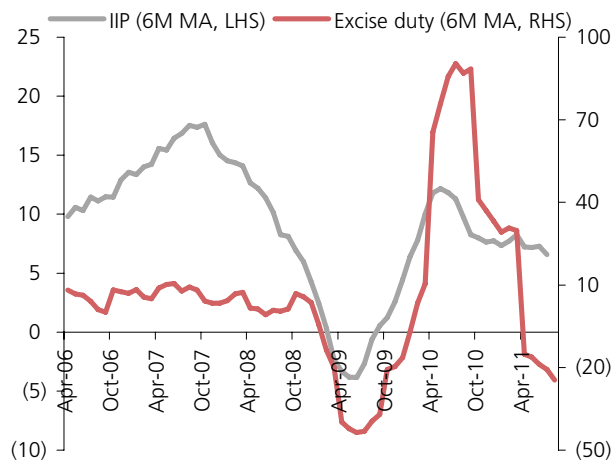
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**Exhibit 1: PMI manufacturing poised to indicate contraction**  
Trend in PMI manufacturing index (X) and IIP growth (%)



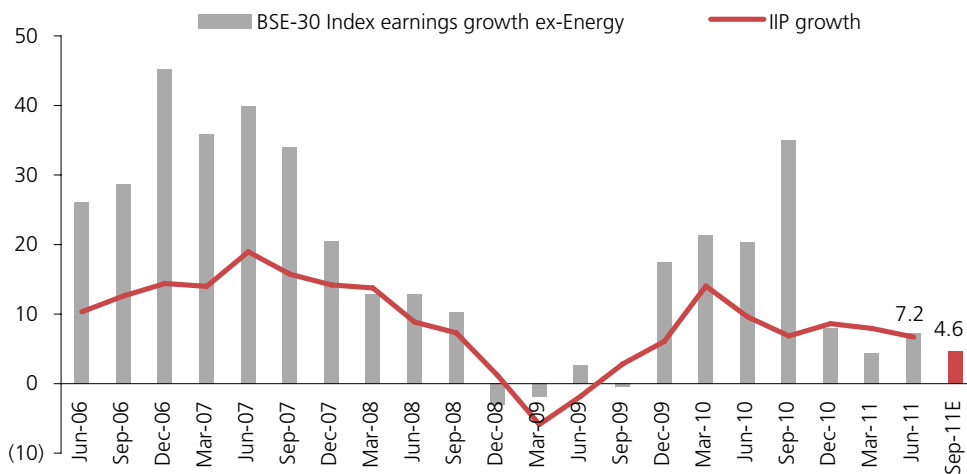
Source: Bloomberg, CEIC, Kotak Economic Research

**Exhibit 2: Excise duty collection growth has steadily declined**  
Trend in excise duty collection growth and IIP growth (%)



Source: CEIC, Kotak Economic Research

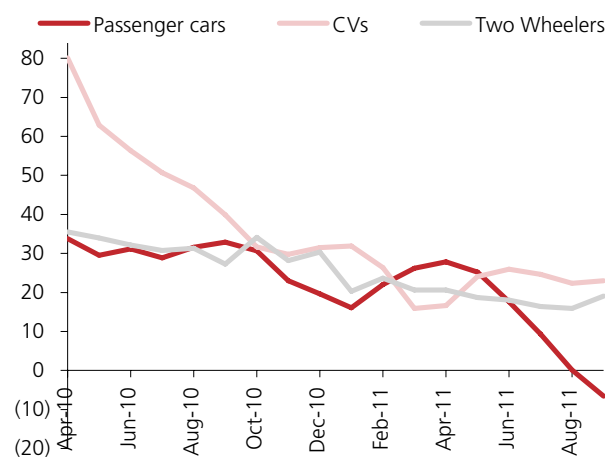
**Exhibit 3: We expect earnings of BSE-30 (ex-energy) index to grow by 4.6%**  
Earnings growth in BSE-30 ex-energy index and IIP growth (%)



Source: CEIC, Kotak Institutional Equities estimates

**Exhibit 4: Passenger car sales likely to be a drag on consumer durables index**

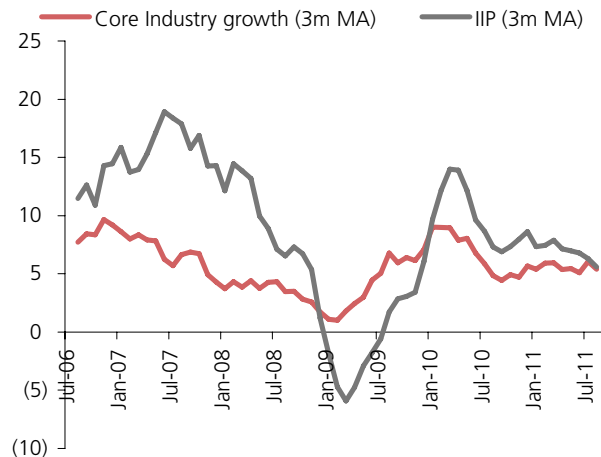
Passenger cars, CVs and 2-wheelers production growth (3M MA, %)



Source: CEIC, Kotak Economic Research

**Exhibit 5: Upside bias for IIP growth is limited as core sectors growth remains muted**

Core IIP growth and IIP growth (3M MA, %)



Source: CEIC, Kotak Institutional Equities

**Exhibit 6: IIP growth remains muted**

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

	Mining (%)			Manufacturing (%)			Electricity (%)			General (%)		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
<b>Weights (%)</b>	<b>10.5</b>			<b>79.4</b>			<b>10.2</b>			<b>100.0</b>		
April	3.1	9.2	1.6	(3.6)	14.5	5.7	7.1	6.5	6.5	(1.9)	13.0	5.3
May	3.2	7.8	1.8	(2.9)	8.9	6.3	3.2	6.2	10.3	(1.6)	8.5	6.2
June	13.0	7.0	(1.1)	(4.5)	7.9	10.3	7.9	3.6	7.9	(1.8)	7.4	8.9
July	7.6	8.7	1.5	0.6	10.8	3.1	4.2	3.7	13.1	1.7	10.1	3.8
August	9.0	5.9	(3.4)	4.3	4.6	4.5	10.6	1.0	9.5	5.3	4.5	4.1
September	5.0	4.3		0.6	6.8		7.5	1.8		1.6	6.1	
October	7.1	6.1		1.6	12.4		4.0	8.8		2.3	11.4	
November	7.9	6.9		6.6	6.5		1.8	4.6		6.3	6.4	
December	7.6	5.9		10.2	8.7		5.5	5.9		9.5	8.1	
January	11.6	1.7		14.5	8.1		5.5	10.5		13.3	7.5	
February	8.2	1.1		15.3	7.5		7.3	6.8		13.7	6.7	
March	11.1	0.3		16.3	11.0		8.3	7.2		15.0	9.4	
<b>April-August (FYTD)</b>	<b>7.0</b>	<b>7.7</b>	<b>0.1</b>	<b>(1.3)</b>	<b>9.3</b>	<b>6.0</b>	<b>6.6</b>	<b>4.2</b>	<b>9.5</b>	<b>0.3</b>	<b>8.6</b>	<b>5.6</b>

Source: CMIE, Kotak Economic Research



**Exhibit 7: Consumer durables growth rebound fails to sustain**  
 Use-based classification of IIP growth, March fiscal year-ends, 2010-2012 (%)

	Basic goods			Capital goods			Intermediate goods			Consumer goods			Consumer durables			Consumer non-durables		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
<b>Weights (%)</b>	<b>45.7</b>			<b>8.8</b>			<b>15.7</b>			<b>29.8</b>			<b>8.5</b>			<b>21.3</b>		
April	1.1	6.7	7.2	(14.2)	35.5	6.6	(0.9)	11.8	3.9	(1.2)	13.8	3.2	9.3	23.3	1.6	(7.7)	6.7	4.6
May	1.6	3.4	7.5	(9.9)	15.8	6.2	(1.6)	11.7	0.1	(2.4)	7.4	7.2	0.9	14.7	5.1	(4.8)	1.9	9.0
June	7.2	3.9	7.5	(23.2)	3.7	38.2	(0.7)	8.6	0.6	(1.1)	13.3	2.3	1.1	21.3	1.5	(2.6)	7.5	3.0
July	3.4	4.5	9.5	(15.3)	40.7	(13.8)	0.6	8.5	(0.5)	8.0	5.7	7.7	12.7	14.8	9.0	4.7	(0.9)	6.6
August	4.7	3.8	5.4	(1.0)	4.7	3.9	7.3	5.9	1.3	8.5	4.6	3.7	9.8	8.1	4.6	7.4	1.8	2.8
September	2.1	3.5		(2.7)	7.2		6.6	4.6		1.4	9.6		5.6	14.2		(1.9)	5.9	
October	3.0	9.8		(4.3)	21.0		6.1	9.7		3.4	9.4		7.2	14.3		0.4	5.1	
November	6.0	5.7		(8.1)	25.7		8.0	4.3		12.8	0.7		30.6	7.2		2.0	(4.4)	
December	5.8	7.8		4.9	20.2		12.4	8.1		15.1	3.6		46.5	7.8		0.2	0.6	
January	8.8	7.7		14.3	5.4		14.2	7.4		18.6	8.3		57.4	12.5		-	5.0	
February	5.6	5.6		39.4	(5.7)		10.3	6.3		16.6	13.4		28.9	18.2		8.7	9.7	
March	7.3	6.5		48.6	14.5		10.9	3.1		12.6	13.3		13.0	14.9		12.4	11.9	
<b>April-August (FYTD)</b>	<b>3.6</b>	<b>5.0</b>	<b>7.4</b>	<b>(13.1)</b>	<b>18.9</b>	<b>7.2</b>	<b>0.8</b>	<b>9.2</b>	<b>1.0</b>	<b>2.2</b>	<b>8.9</b>	<b>4.8</b>	<b>6.7</b>	<b>16.3</b>	<b>4.3</b>	<b>(0.9)</b>	<b>3.4</b>	<b>5.2</b>

Source: CMIE, Kotak Economic Research

## September 2011: Results calendar

Mon	Tue	Wed	Thu	Fri	Sat
<b>10-Oct</b>	<b>11-Oct</b>	<b>12-Oct</b>	<b>13-Oct</b>	<b>14-Oct</b>	<b>15-Oct</b>
		Amtek India	Kajaria Ceramics	Balaji Telefilms	Oberoi Realty
		Bajaj Corp	Piramal Life Sciences	Gateway Distriparks	Reliance Industries
		Development Credit Bank	Praj Industries	Geojit BNP Paribas	
		Infosys			
<b>17-Oct</b>	<b>18-Oct</b>	<b>19-Oct</b>	<b>20-Oct</b>	<b>21-Oct</b>	<b>22-Oct</b>
HDFC	Chambal Fertilisers	Bajaj Finance	Bajaj Auto	3I Infotech	Axis Bank
ING Vysya Bank	Chennai Petroleum	Bajaj Finserv	Bajaj Holding & Investments	Asian Paints	Binani Industries
Magma Fincorp	Coromandel International	Crompton Greaves	Biocon	Federal Bank	Polaris
Mahindra Life Space Developers	CRISIL	Dish TV	Cairn India	GCPL	Syndicate Bank
Mindtree	Edelweiss Financial Services	Eclerx Services	DB Corp	HCC	
Motilal Oswal Financial Services	HCL Technologies	HDFC Bank	Deepak Fertilisers	HT Media	
Persistent Systems	Hero Motocorp	Hindustan Zinc	Dewan Housing Finance	JSW Steel	
South Indian Bank	IFCI	Indraprastha Gas	Dhanlaxmi Bank	Kansai Nerolac	
TCS	Indusind Bank	Mastek	Exide Industries	L&T	
Zee Entertainment Enterprises	Jet Airways	Rallis India	Hexaware Technologies	Shoppers Stop	
	Jindal Steel & Power	Torrent Power	HMVL		
	Kirloskar Brothers	Zee News	MRF		
	NIIT Technologies		Piramal Healthcare		
	Patni Computer Systems		SREI		
	Petronet LNG		Thermax		
	Torrent Pharmaceuticals		Ultratech Cement		
			Yes Bank		
<b>24-Oct</b>	<b>25-Oct</b>	<b>26-Oct</b>	<b>27-Oct</b>	<b>28-Oct</b>	<b>29-Oct</b>
MMFSL	Dr Reddy's Laboratories				Mahindra Holidays & Resorts
Container Corp	Kotak Mahindra Bank				Maruti Suzuki
JM Financial	NTPC				
Pfizer					
Titan Industries					
<b>31-Oct</b>	<b>1-Nov</b>	<b>2-Nov</b>	<b>3-Nov</b>	<b>4-Nov</b>	<b>5-Nov</b>
BPCL	ACC			Marico	
Bata India	Aditya Birla Nuvo				
Castrol India					
Central Bank of India					
Colgate Palmolive					
Dabur India					
Gujarat Pipavav Port					
Hindustan Unilever					
ICICI Bank					
Karnataka Bank					
Wipro					
<b>7-Nov</b>	<b>8-Nov</b>	<b>9-Nov</b>	<b>10-Nov</b>	<b>11-Nov</b>	<b>12-Nov</b>
	ABB	Ranbaxy Laboratories	VA Tech Wabag	Dishman Pharma	

Source: BSE, NSE, Kotak Institutional Equities

## Kotak Institutional Equities: Valuation summary of key Indian companies

Company	12-Oct-11		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E				
<b>Automobiles</b>																														
Apollo Tyres	58	BUY	29,464	602	504	8.7	7.7	9.6	(26.1)	(11.7)	24.3	6.7	7.6	6.1	5.3	4.5	4.0	1.1	1.0	0.8	0.9	0.8	0.9	20.1	15.0	16.1	85	45.4	4.1	
Ashok Leyland	25	SELL	66,118	1,351	2,661	2.4	2.1	2.4	68.1	(11.9)	12.8	10.5	11.9	10.5	7.4	7.7	7.0	1.5	1.4	1.3	4.0	4.0	4.0	21.8	17.4	18.2	26	4.6	3.8	
Bajaj Auto	1,586	SELL	459,061	9,377	289	90.4	103.3	113.0	43.9	14.3	9.4	17.6	15.4	14.0	13.4	12.1	11.4	9.3	7.0	5.4	2.5	2.5	2.5	84.9	51.9	43.4	1,585	(0.1)	15.0	
Bharat Forge	285	ADD	67,619	1,381	237	12.5	16.0	20.2	1,402.1	27.9	25.8	22.7	17.8	14.1	10.6	8.7	7.3	3.0	2.6	2.2	1.2	—	—	—	8.2	14.0	15.1	320	12.3	2.5
Exide Industries	135	SELL	115,133	2,352	850	7.5	6.8	7.9	18.0	(8.9)	17.0	18.2	20.0	17.1	13.1	14.2	12.4	4.2	3.6	3.1	1.1	0.9	0.9	25.5	19.4	19.5	120	(11.4)	6.7	
Hero Motocorp	2,001	SELL	399,570	8,162	200	99.3	111.1	128.2	(11.1)	11.8	15.4	20.1	18.0	15.6	13.3	13.2	10.7	8.6	8.8	8.4	5.2	3.5	3.5	56.5	63.5	60.3	1,800	(10.0)	22.9	
Mahindra & Mahindra	808	ADD	495,897	10,130	614	41.7	46.9	52.2	22.7	12.5	11.2	19.4	17.2	15.5	14.8	12.6	11.1	4.6	3.8	3.2	1.4	1.2	1.2	27.3	24.5	22.6	900	11.4	33.3	
Maruti Suzuki	1,086	ADD	313,702	6,408	289	79.2	66.0	90.3	(8.4)	(16.7)	36.8	13.7	16.4	12.0	8.4	9.4	6.4	2.2	2.0	1.7	0.7	0.7	0.7	17.6	12.9	15.5	1,240	14.2	13.4	
Tata Motors	181	ADD	600,994	12,276	3,325	27.2	23.1	23.9	737.9	(15.0)	3.6	6.6	7.8	7.6	4.9	5.5	5.2	3.1	2.3	1.8	2.1	1.6	1.6	66.1	34.2	27.3	180	(0.4)	55.3	
<b>Automobiles</b>		<b>Cautious</b>	<b>2,547,557</b>	<b>52,039</b>					<b>82.8</b>	<b>(4.5)</b>	<b>11.7</b>	<b>12.4</b>	<b>13.0</b>	<b>11.7</b>	<b>8.2</b>	<b>8.5</b>	<b>7.5</b>	<b>3.9</b>	<b>3.2</b>	<b>2.7</b>	<b>2.3</b>	<b>1.9</b>	<b>1.9</b>	<b>31.1</b>	<b>24.7</b>	<b>23.0</b>				
<b>Banks/Financial Institutions</b>																														
Andhra Bank	122	BUY	68,045	1,390	560	22.6	24.2	27.5	5.0	6.9	13.5	5.4	5.0	4.4	—	—	—	1.0	0.9	0.8	4.5	4.8	5.5	23.2	19.4	19.2	190	56.3	1.7	
Axis Bank	1,093	BUY	448,870	9,169	411	82.5	98.9	119.7	33.0	19.8	21.1	13.2	11.1	9.1	—	—	—	2.2	2.0	1.7	1.3	1.5	1.9	19.3	19.7	20.3	1,700	55.5	53.6	
Bajaj Finserv	531	ADD	76,883	1,570	145	78.2	62.7	61.4	102.3	(19.8)	(2.1)	6.8	8.5	8.7	—	—	—	2.4	1.6	1.3	2.4	2.4	2.4	37.2	21.8	16.4	650	22.3	3.0	
Bank of Baroda	757	BUY	297,178	6,070	393	108.0	109.5	129.1	29.1	1.4	17.9	7.0	6.9	5.9	—	—	—	1.5	1.3	1.1	2.5	2.6	3.0	25.9	20.4	20.5	1,250	65.2	7.3	
Bank of India	328	BUY	179,734	3,671	547	45.5	54.0	70.7	37.4	18.7	30.9	7.2	6.1	4.6	—	—	—	1.1	1.0	0.8	2.5	2.9	3.8	17.3	17.2	19.5	470	43.1	5.9	
Canara Bank	450	BUY	199,372	4,073	443	90.9	86.3	108.7	23.3	(5.0)	25.9	5.0	5.2	4.1	—	—	—	1.1	0.9	0.8	2.4	2.7	2.7	23.2	17.7	19.0	600	33.3	7.3	
Corporation Bank	410	BUY	60,667	1,239	148	95.4	93.4	114.1	16.3	(2.1)	22.2	4.3	4.4	3.6	—	—	—	0.8	0.7	0.6	4.9	4.8	5.8	21.9	18.1	19.2	630	53.8	0.7	
Federal Bank	378	ADD	64,724	1,322	171	34.3	44.5	55.4	26.3	29.8	24.3	11.0	8.5	6.8	—	—	—	1.3	1.2	1.0	2.2	2.9	3.6	12.0	14.2	15.8	500	32.1	3.4	
HDFC	670	REDUCE	982,676	20,073	1,467	24.1	27.8	31.9	22.4	15.6	14.6	27.8	24.1	21.0	—	—	—	5.7	5.0	3.8	1.3	1.6	1.8	21.7	22.1	21.5	730	9.0	36.3	
HDFC Bank	467	ADD	1,086,651	22,197	2,326	16.9	21.9	27.6	31.0	29.5	26.5	27.7	21.4	16.9	—	—	—	4.3	3.7	3.2	0.7	0.9	1.2	16.7	18.6	20.2	560	19.9	35.9	
ICICI Bank	860	BUY	990,220	20,227	1,152	44.7	58.0	63.1	23.9	29.7	8.8	19.2	14.8	13.6	—	—	—	1.8	1.7	1.5	1.6	2.0	2.2	9.7	11.7	11.8	1,100	28.0	78.6	
IDFC	123	BUY	186,020	3,800	1,509	8.8	9.9	12.0	4.6	12.8	21.6	14.1	12.5	10.2	—	—	—	1.8	1.5	1.4	1.7	1.6	2.0	14.7	13.1	13.9	150	21.7	21.1	
India Infoline	73	SELL	23,831	487	327	7.4	4.8	6.5	(9.3)	(34.5)	33.8	9.9	15.1	11.3	—	—	—	1.4	1.2	1.1	4.2	1.4	1.9	12.9	8.7	10.3	70	(4.0)	1.0	
Indian Bank	209	BUY	89,607	1,830	430	38.8	42.0	50.9	10.5	8.2	21.2	5.4	5.0	4.1	—	—	—	1.1	1.0	0.8	3.6	3.8	4.6	22.3	20.4	21.0	300	43.9	1.5	
Indian Overseas Bank	98	BUY	60,699	1,240	619	17.3	21.1	27.3	33.6	22.0	29.1	5.7	4.6	3.6	—	—	—	0.7	0.7	0.6	5.1	4.3	4.7	12.7	13.3	15.3	190	93.7	1.7	
IndusInd Bank	258	BUY	120,243	2,456	466	12.4	15.2	17.7	45.2	22.6	16.4	20.8	17.0	14.6	—	—	—	3.3	2.9	2.5	0.8	1.0	1.1	20.8	17.7	17.4	325	25.9	3.2	
J&K Bank	787	ADD	38,156	779	48	126.9	141.8	152.8	20.1	11.8	7.7	6.2	5.5	5.1	—	—	—	1.1	1.0	0.8	3.3	3.7	4.0	19.0	18.4	17.3	950	20.7	0.6	
LIC Housing Finance	229	ADD	108,645	2,219	475	20.5	22.9	27.5	47.2	11.4	20.4	11.1	10.0	8.3	—	—	—	2.8	2.3	1.9	1.9	2.1	2.6	25.8	23.7	23.9	260	13.7	18.9	
Mahindra & Mahindra Financial	642	BUY	65,800	1,344	102	45.2	56.4	69.2	26.1	24.8	22.7	14.2	11.4	9.3	—	—	—	2.7	2.3	2.0	1.6	1.9	2.4	22.0	21.4	22.3	825	28.5	0.9	
Muthoot Finance	170	BUY	63,177	1,291	371	15.7	21.6	26.7	108.4	37.1	23.7	10.8	7.9	6.4	—	—	—	4.7	2.1	1.6	—	—	—	51.5	36.7	28.1	230	35.2	—	
Oriental Bank of Commerce	302	BUY	88,214	1,802	292	51.5	55.6	65.4	13.7	8.0	17.6	5.9	5.4	4.6	—	—	—	0.9	0.8	0.7	3.4	3.7	4.4	15.5	13.9	14.7	430	42.2	3.7	
PFC	151	BUY	199,772	4,081	1,320	22.8	23.4	28.3	11.1	2.4	21.3	6.6	6.5	5.3	—	—	—	1.3	1.0	0.9	2.6	3.1	3.7	18.4	17.0	16.7	225	48.7	15.1	
Punjab National Bank	986	BUY	312,329	6,380	317	140.0	163.0	201.5	13.0	16.5	23.6	7.0	6.0	4.9	—	—	—	1.6	1.3	1.1	2.2	3.4	4.2	24.4	23.5	24.2	1,500	52.2	7.6	
Reliance Capital	352	REDUCE	86,685	1,771	246	9.3	16.5	24.8	(25.3)	77.0	50.4	37.8	21.4	14.2	—	—	—	1.2	1.2	1.1	1.1	1.9	2.8	3.3	5.7	8.3	470	33.5	27.8	
Rural Electrification Corp.	181	ADD	178,273	3,642	987	26.0	29.0	32.5	28.1	11.5	12.3	7.0	6.2	5.5	—	—	—	1.4	1.2	1.1	4.2	4.6	5.2	21.5	20.8	20.4	240	32.9	11.1	
Shriram Transport	626	REDUCE	139,619	2,852	223	55.1	65.6	75.3	40.8	19.0	14.8	11.4	9.5	8.3	—	—	—	2.9	2.5	2.1	1.1	2.1	2.4	28.1	26.8	25.2	700	11.9	7.4	
SKS Microfinance	219	RS	16,112	329	74	15.7	(39.1)	3.9	(41.8)	(349.4)	(109.9)	13.9	(5.6)	56.4	—	—	—	0.9	1.1	1.0	—	—	—	—	—	8.3	(17.4)	1.9	—	7.9
State Bank of India	1,872	BUY	1,188,750	24,283	635	130.2	195.6	256.1	(9.9)	50.3	30.9	14.4	9.6	7.3	—	—	—	1.8	1.6	1.3	1.8	1.9	2.0	12.6	17.8	20.0	2,750	46.9	126.9	
Union Bank	246	BUY	129,196	2,639	524	39.5	50.2	60.4	(3.9)	27.1	20.5	6.2	4.9	4.1	—	—	—	1.2	1.0	0.8	3.8	4.8	5.8	20.9	21.9	22.5	425	72.5	5.1	
Yes Bank	272	BUY	94,459	1,930	347	21.5	26.2	32.3	43.2	22.1	23.3	12.7	10.4	8.4	—	—	—	2.5	2.1	1.7	0.9	1.1	1.4	21.7	21.7	22.2	420	54.4	16.5	
<b>Banks/Financial Institutions</b>		<b>Attractive</b>	<b>7,644,607</b>	<b>156,156</b>					<b>20.1</b>	<b>20.0</b>	<b>22.6</b>																			

**Kotak Institutional Equities: Valuation summary of key Indian companies**

Company	12-Oct-11		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E			
<b>Consumer products</b>																													
Asian Paints	3,175	SELL	304,569	6,221	96	80.8	94.6	111.4	13.0	17.1	17.7	39.3	33.6	28.5	26.2	21.4	17.5	14.9	11.5	9.2	1.0	0.9	1.1	43.9	40.0	36.8	2,900	(8.7)	4.6
Colgate-Palmolive (India)	999	SELL	135,911	2,776	136	29.6	34.1	38.8	(4.9)	15.0	14.1	33.8	29.3	25.7	29.4	25.6	21.5	35.4	36.0	28.7	2.2	3.0	2.7	113.4	121.6	124.2	900	(9.9)	1.7
Dabur India	100	SELL	174,734	3,569	1,740	3.3	3.7	4.4	12.8	14.1	18.8	30.7	26.9	22.7	24.8	20.4	17.2	13.3	10.3	8.1	1.1	1.3	1.6	51.2	43.8	40.6	110	9.6	2.7
GlaxoSmithKline Consumer (a)	2,369	ADD	99,646	2,035	42	71.3	83.2	104.0	28.8	16.7	25.0	33.2	28.5	22.8	23.9	20.6	17.2	10.7	9.1	7.6	2.1	1.6	2.0	32.2	33.5	35.5	2,900	22.4	1.1
Godrej Consumer Products	400	ADD	129,533	2,646	324	14.9	18.4	22.7	31.3	23.4	23.8	26.9	21.8	17.6	23.0	16.0	12.2	7.5	5.3	4.3	1.3	0.8	0.8	35.9	28.7	27.0	510	27.4	2.4
Hindustan Unilever	329	ADD	711,210	14,528	2,159	9.9	11.3	13.3	4.8	14.1	17.7	33.3	29.2	24.8	28.3	24.7	20.2	27.0	23.4	20.2	2.3	2.9	3.4	66.3	85.9	87.5	370	12.3	19.1
ITC	204	ADD	1,566,857	32,006	7,681	6.4	8.0	9.1	20.7	24.9	19.1	31.8	25.5	22.5	21.1	17.2	15.0	9.4	8.0	7.0	2.2	1.8	2.2	33.2	35.5	34.4	230	12.7	35.4
Jubilant Foodworks	900	SELL	58,893	1,203	65	11.2	16.6	24.1	99.6	48.6	45.1	80.4	54.1	37.3	49.0	30.0	21.0	30.7	19.6	12.8	—	—	—	46.6	44.2	41.6	750	(16.7)	29.1
Jyothy Laboratories	140	ADD	11,276	230	81	10.5	9.4	11.8	(5.0)	(10.1)	25.2	13.3	14.8	11.9	10.5	9.2	7.6	1.7	1.6	1.5	4.2	3.3	4.2	12.3	11.1	12.9	220	57.3	0.4
Marico	145	ADD	88,645	1,811	612	4.2	5.4	7.1	10.9	27.3	32.6	34.4	27.0	20.3	22.9	18.5	14.0	9.5	7.4	5.7	0.5	0.6	0.9	32.8	31.3	32.2	185	27.6	1.1
Nestle India (a)	4,217	SELL	406,604	8,306	96	86.8	103.6	123.2	16.7	19.3	18.9	48.6	40.7	34.2	32.3	26.5	21.8	47.5	34.5	26.1	1.2	1.4	1.7	116.5	98.3	86.8	3,500	(17.0)	2.1
Tata Global Beverages	88	ADD	54,481	1,113	618	4.0	6.0	7.1	(34.6)	52.6	17.6	22.3	14.6	12.4	8.6	7.3	6.1	1.1	1.1	1.0	2.3	3.5	4.1	6.5	9.6	10.8	120	36.2	4.0
Titan Industries	220	ADD	195,313	3,990	888	4.9	7.4	8.8	71.7	51.5	17.8	44.7	29.5	25.1	32.7	20.6	16.9	18.0	12.8	9.7	0.6	1.0	1.4	47.8	50.5	44.0	240	9.1	17.6
United Spirits	859	ADD	107,848	2,203	126	29.5	39.2	50.6	8.3	32.8	29.0	29.1	21.9	17.0	15.3	11.7	10.1	2.5	2.2	2.0	0.4	0.3	0.4	9.1	10.7	12.5	1,100	28.1	4.9
<b>Consumer products Neutral 4,045,523 82,638 16.3 21.8 17.2 33.8 27.7 23.7 15.6 19.1 16.1 10.4 8.8 7.6 1.8 1.8 2.1 30.8 31.9 32.0</b>																													
<b>Constructions</b>																													
IVRCL	39	BUY	10,534	215	267	5.9	5.7	6.6	(25.2)	(4.1)	15.6	6.7	7.0	6.0	5.8	5.6	5.4	0.5	0.5	0.5	1.0	1.0	1.0	8.2	7.3	7.9	75	90.1	5.2
Nagarjuna Construction Co.	57	BUY	14,535	297	257	6.4	5.9	7.7	(29.7)	(7.8)	30.8	8.9	9.6	7.4	7.8	7.3	6.9	0.6	0.6	0.6	3.5	3.5	3.5	7.1	6.3	7.8	100	76.5	1.3
Punj Lloyd	57	REDUCE	19,339	395	340	(1.5)	5.5	7.4	(56.6)	(467.8)	34.9	(38.4)	10.4	7.7	12.8	5.7	5.0	0.6	0.6	0.6	(0.1)	0.8	1.1	(1.7)	6.1	7.7	65	14.1	5.6
Sadbhav Engineering	131	BUY	19,679	402	150	7.8	10.8	11.9	51.0	38.9	10.6	16.9	12.2	11.0	10.1	8.1	7.4	3.1	2.5	2.0	0.5	0.5	0.5	18.1	20.4	18.6	180	37.1	0.3
<b>Construction Attractive 64,087 1,309 (1.1) 67.6 23.4 16.5 9.9 8.0 8.7 6.4 5.9 0.8 0.8 0.7 1.1 1.4 1.5 4.8 7.6 8.7</b>																													
<b>Energy</b>																													
Aban Offshore	409	BUY	17,792	363	44	134.2	99.1	102.6	25.9	(26.1)	3.5	3.0	4.1	4.0	6.5	6.9	6.5	0.8	0.8	0.7	0.9	1.0	1.1	33.3	21.9	17.9	670	63.9	7.3
Bharat Petroleum	672	ADD	242,919	4,962	362	38.9	54.0	55.1	(32.5)	38.9	1.9	17.3	12.4	12.2	10.9	7.7	7.3	1.6	1.5	1.4	2.1	2.6	2.7	9.2	11.8	11.2	780	16.1	5.9
Cairn india	283	REDUCE	539,003	11,010	1,902	33.3	40.4	49.3	501.1	21.2	22.2	8.5	7.0	5.7	6.2	4.4	3.6	1.3	1.2	1.1	—	1.8	5.3	16.9	17.7	19.5	295	4.1	11.8
Castrol India (a)	474	SELL	117,198	2,394	247	19.8	21.9	22.3	28.5	10.8	1.6	23.9	21.6	21.3	15.3	14.4	14.0	22.7	20.7	19.6	3.2	3.6	3.8	100.2	100.2	94.7	425	(10.3)	1.1
GAIL (India)	420	BUY	532,381	10,875	1,268	28.2	34.3	36.0	13.8	21.8	4.9	14.9	12.2	11.7	9.4	9.0	8.0	2.5	2.2	1.9	1.8	2.1	2.4	17.5	18.4	16.5	560	33.4	9.7
GSPL	104	SELL	58,509	1,195	563	8.9	8.5	8.4	21.7	(4.0)	(1.2)	11.7	12.2	12.3	7.4	7.2	7.0	2.6	2.2	1.9	1.0	1.6	2.4	25.2	19.3	16.4	92	(11.5)	5.1
Hindustan Petroleum	360	ADD	121,942	2,491	339	40.8	20.3	33.9	(20.8)	(50.4)	67.3	8.8	17.8	10.6	4.0	4.8	3.4	0.8	0.7	0.7	3.9	1.7	2.9	9.0	4.1	6.5	430	19.5	6.6
Indian Oil Corporation	309	BUY	749,508	15,310	2,428	32.4	28.4	32.1	(34.0)	(12.5)	12.9	9.5	10.9	9.6	8.9	7.8	6.8	1.3	1.2	1.1	3.1	2.8	3.2	13.3	10.8	11.3	385	24.7	3.8
Oil India	1,311	BUY	315,254	6,440	240	120.0	171.7	190.1	4.2	43.1	10.7	10.9	7.6	6.9	5.5	3.1	2.5	1.9	1.6	1.4	2.9	4.2	4.6	16.2	20.1	19.4	1,750	33.5	1.9
Oil & Natural Gas Corporation	271	BUY	2,314,695	47,282	8,556	24.7	37.2	40.8	7.4	50.8	9.7	11.0	7.3	6.6	4.1	3.1	2.5	1.6	1.4	1.2	3.2	4.4	5.2	14.3	19.1	18.3	380	40.5	25.7
Petronet LNG	160	SELL	119,813	2,447	750	8.1	11.5	11.4	50.3	41.3	(0.7)	19.7	13.9	14.0	11.4	9.2	9.4	4.0	3.3	2.7	1.3	1.9	1.9	20.9	24.6	20.2	125	(21.8)	12.0
Reliance Industries	850	BUY	2,532,807	51,737	2,981	62.0	69.2	71.1	24.8	11.7	2.7	13.7	12.3	11.9	7.5	6.6	6.0	1.6	1.4	1.2	0.9	1.1	1.2	13.0	13.1	12.0	1,000	17.7	89.5
<b>Energy Attractive 7,661,821 156,507 11.6 25.0 7.2 11.4 9.1 8.5 6.3 5.1 4.4 1.6 1.4 1.3 2.0 2.6 3.2 13.8 15.3 14.8</b>																													
<b>Industrials</b>																													
ABB	679	SELL	143,886	2,939	212	3.0	21.1	27.3	(82.2)	606.1	29.6	227.5	32.2	24.9	164.6	21.7	16.2	5.9	5.2	4.4	0.3	0.5	0.5	2.6	17.1	19.1	700	3.1	1.7
BGR Energy Systems	344	Reduce	24,825	507	72	44.8	40.4	39.0	60.0	(9.7)	(3.5)	7.7	8.5	8.8	5.2	4.7	4.4	2.6	2.1	1.8	2.9	2.4	2.3	39.0	27.4	21.9	400	16.3	5.1
Bharat Electronics	1,540	ADD	123,180	2,516	80	107.3	121.7	135.5	11.6	13.5	11.3	14.4	12.6	11.4	6.4	5.3	3.9	2.4	2.1	1.8	1.4	1.6	1.6	18.2	17.6	17.1	1,875	21.8	1.2
Bharat Heavy Electricals	338	REDUCE	827,289	16,899	2,448	24.6	25.3	27.5	39.7	3.0	8.5	13.8	13.4	12.3	9.2	8.5	7.7	4.1	3.3	2.8	1.8	1.6	1.7	33.3	27.6	24.6	360	6.5	30.1
Crompton Greaves	165	BUY	105,719	2,160	642	14.3	10.3	12.7	11.5	(28.0)	23.2	11.5	16.0	13.0	7.5	9.2	7.3	3.2	2.8	2.3	1.5	1.0	1.0	31.7	18.6	19.5	200	21.4	17.2
Larsen & Toubro	1,444	REDUCE	878,936	17,954	609	67.7	79.2	91.7	18.1	16.9	15.9	21.3	18.2	15.7	15.2	11.6	10.4	3.3	2.7	2.4	1.0	1.0	1.0	17.0	16.5	16.2	1,625	12.6	65.3
Maharashtra Seamless	337	BUY	23,793	486	71	46.1	41.6	46.7	19.3	(9.7)	12.3	7.3	8.1	7.2	3.8	3.8	3.1	0.9	0.9	0.8	2.5	2.5	2.8	13.3	11.1	11.5	460	36.4	0.2
Siemens	847	SELL	285,457	5,831	337	22.4	28.9	32.5	39.5	28.8	12.3	37.7	29.3	26.1	22.3	18.7	16.3	8.8	7.2	5.9	0.6	0.7	0.8	25.2	26.9	24.8	830	(2.0)	3.0
Suzlon Energy	38	SELL	66,418	1,357	1,746	(6.0)	1.8	3.																					

## Kotak Institutional Equities: Valuation summary of key Indian companies

Company	12-Oct-11		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E				
<b>Media</b>																														
DB Corp	200	BUY	36,638	748	183	14.1	13.0	15.5	32.7	(8.1)	19.9	14.2	15.4	12.9	9.2	9.1	7.5	4.4	3.9	3.5	2.0	3.0	4.0	35.0	26.9	28.6	330	65.1	0.8	
DishTV	78	ADD	82,684	1,689	1,062	(1.8)	0.0	1.3	(27.5)	(101.9)	3,944.0	(43.5)	2,350.4	58.1	38.5	17.7	11.9	39.3	38.7	23.2	—	—	—	(62.3)	1.7	49.9	100	28.5	6.9	
Eros International	250	ADD	24,206	494	97	11.8	15.8	19.9	19.0	34.0	25.9	21.2	15.8	12.6	14.8	11.2	8.1	3.6	2.9	2.3	—	—	—	24.9	20.2	20.5	270	8.1	2.6	
Hindustan Media Ventures	135	BUY	9,908	202	73	7.3	9.1	10.9	198.0	24.0	20.1	18.5	14.9	12.4	8.9	7.8	6.1	2.6	2.2	2.0	0.7	0.7	1.5	23.3	16.1	16.9	210	55.6	0.1	
HT Media	143	ADD	33,652	687	235	7.6	8.5	10.4	24.8	11.7	22.2	18.8	16.8	13.8	8.8	7.5	5.9	2.4	2.3	2.1	1.4	2.8	4.2	14.9	13.8	15.9	190	32.7	0.5	
Jagran Prakashan	104	BUY	32,969	673	316	6.8	6.7	8.0	16.7	(1.4)	18.7	18.7	15.3	15.5	13.1	9.1	8.9	7.5	4.7	4.2	3.9	3.4	3.4	4.8	32.8	28.5	30.8	160	53.5	0.3
Sun TV Network	276	BUY	108,668	2,220	394	19.5	21.0	25.1	48.1	7.7	19.2	14.1	13.1	11.0	8.5	7.5	6.3	4.5	3.9	3.5	3.2	3.6	5.1	36.5	33.4	34.8	440	59.6	8.0	
Zee Entertainment Enterprises	113	BUY	110,800	2,263	978	5.8	6.2	7.7	10.0	6.4	23.3	19.4	18.2	14.8	12.9	11.8	9.4	2.6	2.5	2.4	1.2	1.2	1.4	14.2	14.3	16.9	160	41.3	5.2	
<b>Media</b>		<b>Neutral</b>	<b>439,524</b>	<b>8,978</b>					<b>50.8</b>	<b>17.2</b>	<b>27.0</b>	<b>22.3</b>	<b>19.0</b>	<b>15.0</b>	<b>11.9</b>	<b>10.2</b>	<b>8.1</b>	<b>4.1</b>	<b>3.5</b>	<b>3.3</b>	<b>1.6</b>	<b>1.9</b>	<b>2.7</b>	<b>18.2</b>	<b>19.4</b>	<b>22.4</b>				
<b>Metals &amp; Mining</b>																														
Coal India	338	ADD	2,134,615	43,604	6,316	17.3	24.1	29.3	13.6	39.1	21.9	19.5	14.0	11.5	11.4	8.3	6.8	6.1	4.8	3.8	1.2	2.1	2.6	35.1	38.2	36.7	454	34.3	34.7	
Hindalco Industries	133	ADD	254,107	5,191	1,915	12.8	18.3	17.6	(36.0)	43.3	(4.0)	10.4	7.2	7.5	5.8	5.7	6.0	0.9	0.8	0.7	1.1	1.1	1.1	9.7	11.4	10.0	175	31.9	27.4	
Hindustan Zinc	119	BUY	501,719	10,249	4,225	11.6	13.1	14.7	21.8	12.7	11.8	10.2	9.0	8.1	6.4	4.8	3.5	2.2	1.8	1.5	0.8	0.8	0.8	24.3	22.2	20.4	160	34.7	2.8	
Jindal Steel and Power	517	REDUCE	482,659	9,859	934	40.2	43.5	52.9	5.1	8.2	21.6	12.9	11.9	9.8	9.7	9.0	7.7	3.4	2.7	2.1	0.3	0.3	0.3	30.9	25.5	24.4	595	15.2	23.8	
JSW Steel	610	SELL	137,871	2,816	226	78.6	70.2	107.5	(2.2)	(10.7)	53.1	7.8	8.7	5.7	6.1	6.5	5.5	0.8	0.8	0.7	2.0	2.0	2.0	13.6	9.3	12.9	660	8.2	38.8	
National Aluminium Co.	63	SELL	161,464	3,298	2,577	4.1	5.0	4.8	36.3	20.5	(4.1)	15.1	12.5	13.1	7.0	5.5	5.3	1.4	1.3	1.3	2.4	2.4	2.4	9.9	11.1	10.0	65	3.8	0.5	
Sesa Goa	229	SELL	204,841	4,184	895	47.0	40.1	41.6	59.8	(14.6)	3.7	4.9	5.7	5.5	4.0	4.2	3.4	1.6	1.3	1.0	1.7	1.7	1.8	36.8	22.1	17.9	230	0.5	17.6	
Sterlite Industries	120	BUY	403,848	8,249	3,361	15.2	17.0	19.0	26.2	12.0	11.5	7.9	7.1	6.3	4.9	3.7	3.1	1.0	0.9	0.8	0.9	0.9	0.9	13.0	13.0	12.8	185	54.0	18.2	
Tata Steel	444	BUY	431,403	8,812	971	75.3	68.7	76.9	(2,258.1)	(8.8)	12.0	5.9	6.5	5.8	5.8	6.0	5.1	1.2	1.0	0.8	2.7	1.8	1.8	24.7	15.5	15.7	625	40.7	50.1	
<b>Metals &amp; Mining</b>		<b>Attractive</b>	<b>4,712,529</b>	<b>96,262</b>					<b>39.1</b>	<b>13.9</b>	<b>15.1</b>	<b>11.4</b>	<b>10.0</b>	<b>8.7</b>	<b>7.2</b>	<b>6.3</b>	<b>5.4</b>	<b>2.2</b>	<b>1.8</b>	<b>1.5</b>	<b>1.2</b>	<b>1.6</b>	<b>1.8</b>	<b>19.0</b>	<b>18.2</b>	<b>17.8</b>				
<b>Pharmaceutical</b>																														
Apollo Hospitals	496	ADD	68,912	1,408	139	13.2	17.8	21.4	21.0	34.5	19.9	37.5	27.9	23.2	17.1	12.9	10.7	3.6	2.7	2.4	—	—	—	9.8	10.7	10.5	650	31.0	1.2	
Biocon	351	BUY	70,250	1,435	200	18.4	19.4	21.4	23.9	5.6	10.3	19.1	18.1	16.4	11.0	10.5	9.5	3.4	3.0	2.7	—	—	—	19.4	17.9	17.4	445	26.7	2.7	
Cipla	286	REDUCE	229,876	4,696	803	12.3	14.5	16.5	(10.0)	17.5	13.7	23.2	19.8	17.4	20.1	14.3	11.8	3.4	3.1	2.7	1.0	1.0	1.2	15.4	16.0	16.5	310	8.3	8.0	
Cadila Healthcare	752	REDUCE	153,991	3,146	205	34.7	38.2	45.1	40.6	10.0	18.1	21.7	19.7	16.7	18.8	16.0	12.6	7.1	5.6	4.4	0.8	1.0	1.2	37.5	31.7	29.6	900	19.7	2.3	
Dishman Pharma & chemicals	60	REDUCE	4,872	100	81	9.8	8.0	8.7	(31.8)	(18.3)	8.0	6.1	7.5	6.9	8.1	6.1	5.6	0.6	0.5	0.5	—	—	—	9.6	7.2	7.3	70	16.9	0.2	
Divi's Laboratories	740	ADD	98,121	2,004	133	32.4	36.7	45.0	25.7	13.5	22.4	22.9	20.1	16.4	18.9	14.5	11.8	5.5	4.7	4.0	—	—	—	25.9	25.0	26.2	830	12.2	2.2	
Dr Reddy's Laboratories	1,530	REDUCE	260,098	5,313	170	64.9	80.0	98.5	932.5	23.2	23.2	23.6	19.1	15.5	16.6	12.5	10.2	5.7	4.5	3.6	0.7	0.8	0.9	24.8	26.3	25.9	1,660	8.5	11.8	
GlaxoSmithkline Pharmaceuticals (a)	2,047	REDUCE	173,391	3,542	85	68.3	78.2	88.6	15.5	14.6	13.3	30.0	26.2	23.1	19.9	17.6	15.1	8.9	8.2	7.5	2.0	2.4	2.8	30.9	32.6	33.9	2,220	8.4	1.5	
Glenmark Pharmaceuticals	300	ADD	81,165	1,658	270	17.0	26.2	23.5	33.6	54.5	(10.3)	17.7	11.5	12.8	19.9	13.2	11.3	4.0	3.0	2.5	—	—	—	20.6	29.8	21.2	395	31.6	4.5	
Jubilant Life Sciences	186	REDUCE	29,622	605	159	14.4	16.5	22.7	(45.6)	14.5	37.6	12.9	11.3	8.2	10.6	8.5	7.2	1.3	1.2	1.1	1.1	1.1	1.6	12.3	11.7	14.2	205	10.2	0.8	
Lupin	462	ADD	207,199	4,232	448	19.2	20.6	26.3	25.6	7.2	27.5	24.0	22.4	17.6	20.1	17.4	12.9	6.2	5.1	4.1	0.6	0.8	1.0	29.5	25.3	26.2	530	14.6	9.7	
Ranbaxy Laboratories	516	SELL	218,368	4,461	423	40.6	16.9	20.8	475.0	(58.3)	22.7	12.7	30.5	24.8	15.6	26.4	20.6	3.9	3.4	3.0	—	—	—	34.5	11.9	12.8	435	(15.7)	7.2	
Sun Pharmaceuticals	484	ADD	501,282	10,240	1,036	17.5	20.4	24.3	34.4	16.3	19.2	27.6	23.7	19.9	23.4	18.8	15.2	4.9	4.1	3.5	0.7	0.8	1.0	21.0	20.2	20.7	560	15.7	11.3	
<b>Pharmaceuticals</b>		<b>Cautious</b>	<b>2,169,869</b>	<b>44,324</b>					<b>43.1</b>	<b>5.3</b>	<b>18.6</b>	<b>22.7</b>	<b>21.6</b>	<b>18.2</b>	<b>17.6</b>	<b>14.6</b>	<b>11.8</b>	<b>3.6</b>	<b>3.1</b>	<b>2.7</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>16.0</b>	<b>14.4</b>	<b>14.7</b>				
<b>Property</b>																														
DLF	236	BUY	405,325	8,280	1,715	9.1	11.9	15.7	(14.5)	31.3	31.8	26.0	19.8	15.1	16.8	13.3	10.1	1.5	1.5	1.4	0.8	1.0	1.3	5.4	7.5	9.2	270	14.2	35.6	
Housing Development & Infrastructure	99	BUY	43,922	897	445	19.8	28.7	34.3	24.0	44.8	19.7	5.0	3.4	2.9	5.2	3.6	3.1	0.5	0.4	0.3	—	1.0	1.5	10.0	12.3	12.7	150	52.0	20.6	
Indiabulls Real Estate	76	RS	30,389	621	402	4.0	8.5	15.4	(1,095.5)	114.1	81.5	19.0	8.9	4.9	13.4	10.8	4.7	0.3	0.2	0.2	—	0.7	0.9	1.4	2.9	5.0	—	—	8.8	
Mahindra Life Space Developer	287	BUY	11,708	239	41	24.9	30.8	37.5	30.2	23.7	21.6	11.5	9.3	7.6	8.7	6.2	4.6	1.1	1.0	0.9	1.7	1.6	1.7	10.4	11.6	12.7	450	56.8	0.2	
Oberoi Realty	233	BUY	76,666	1,566	330	15.7	20.0	28.0	14.8	27.6	39.7	14.8	11.6	8.3	10.9	7.5	4.7	2.3	2.0	1.6	0.4	0.6	1.1	19.9	18.2	21.3	315	35.5	0.3	
Phoenix Mills	200	BUY	28,998	592	145	6.3	7.4	10.7	53.0	17.2	44.1	31.6	27.0	18.7	23.4	19.5	14.6	1.8	1.7	1.6	0.9	1.0	1.0	5.8	6.6	8.9	300	49.9	0.1	
Puravankara Projects	73	ADD	15,559	318	213	5.5	9.0	10.9	(18.9)	62.8	21.5	13.2																		

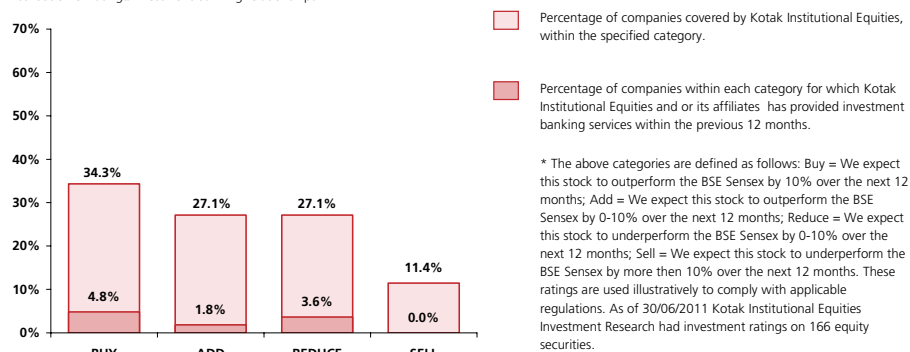
**Kotak Institutional Equities: Valuation summary of key Indian companies**

Company	12-Oct-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo			
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E	(Rs)	(%)	(US\$ mn)			
<b>Sugar</b>																																
Bajaj Hindustan	37	REDUCE	8,462	173	228	1.9	3.7	1.6	(28.7)	90.5	(57.3)	19.2	10.1	23.6	16.8	5.6	5.3	0.3	0.3	0.3	1.6	1.6	1.6	1.7	2.7	1.1	60	61.9	1.7			
Balrampur Chini Mills	46	BUY	11,248	230	247	6.7	4.0	7.7	111.0	(40.5)	94.0	6.8	11.4	5.9	10.4	8.2	5.5	0.7	0.7	0.7	1.7	1.6	1.6	11.6	6.5	11.9	80	75.6	1.4			
Shree Renuka Sugars	56	BUY	37,441	765	670	10.5	6.4	5.0	214.7	(39.4)	(21.0)	5.3	8.8	11.1	8.2	6.4	5.3	1.5	1.3	1.2	1.8	1.8	1.8	34.4	16.1	11.4	75	34.3	8.4			
<b>Sugar</b>		<b>Cautious</b>	<b>57,151</b>	<b>1,167</b>					<b>122.4</b>	<b>(24.7)</b>	<b>(7.4)</b>	<b>7.1</b>	<b>9.4</b>	<b>10.1</b>	<b>10.4</b>	<b>6.4</b>	<b>5.3</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>11.6</b>	<b>8.1</b>	<b>7.0</b>						
<b>Technology</b>																																
HCL Technologies	419	SELL	295,536	6,037	705	22.9	29.5	32.8	30.4	28.9	11.3	18.3	14.2	12.8	11.1	8.6	7.7	3.5	3.0	2.6	1.8	1.9	1.9	21.0	22.6	21.7	375	(10.5)	10.9			
Hexaware Technologies	88	ADD	25,454	520	290	3.0	7.5	7.3	(36.8)	154.4	(3.4)	29.7	11.7	12.1	22.6	10.3	8.7	2.6	2.4	2.2	1.7	3.4	3.7	9.3	21.3	18.6	80	(8.7)	3.6			
Infosys Technologies	2,679	BUY	1,537,947	31,416	574	119.7	141.1	161.9	10.5	17.8	14.8	22.4	19.0	16.5	15.2	12.7	11.0	5.9	4.9	4.2	2.2	1.7	1.9	28.0	28.4	27.3	3,000	12.0	87.9			
Mahindra Satyam	74	SELL	87,200	1,781	1,176	4.2	6.7	7.0	68.9	58.4	4.7	17.7	11.1	10.6	13.2	6.7	5.3	5.1	3.5	2.6	—	—	—	27.6	37.1	28.2	70	(5.6)	9.3			
Mindtree	367	ADD	15,106	309	41	24.7	35.2	37.2	(52.7)	42.4	5.8	14.9	10.4	9.9	8.3	6.4	5.1	1.9	1.7	1.5	0.7	1.0	3.0	14.4	17.2	16.1	375	2.2	1.6			
Mphasis BFL	339	SELL	71,456	1,460	211	51.8	38.6	30.0	18.8	(25.5)	(22.2)	6.6	8.8	11.3	5.5	6.6	7.1	2.2	1.8	1.6	1.2	1.3	1.5	38.6	22.3	14.8	300	(11.5)	3.6			
Patni Computer Systems	290	ADD	38,668	790	133	42.6	25.9	27.2	16.5	(39.3)	5.2	6.8	11.2	10.7	3.6	3.9	2.7	1.2	1.1	1.0	22.7	1.8	1.9	18.4	8.2	10.2	300	3.3	1.2			
Polaris Software Lab	132	REDUCE	13,135	268	100	19.3	18.8	19.0	25.7	(2.6)	0.7	6.8	7.0	7.0	3.8	2.9	2.5	1.3	1.1	1.0	2.8	3.0	3.1	20.2	16.8	14.8	130	(1.3)	2.1			
TCS	1,079	ADD	2,111,917	43,140	1,957	44.5	52.8	61.1	26.8	18.6	15.6	24.2	20.4	17.7	18.3	15.0	12.5	8.4	6.9	5.7	1.7	2.0	2.3	37.8	36.9	35.2	1,160	7.5	48.5			
Tech Mahindra	585	SELL	73,672	1,505	126	48.8	72.1	75.5	(25.2)	47.8	4.7	12.0	8.1	7.7	8.3	7.3	2.2	1.9	1.7	0.7	0.7	1.7	20.5	26.0	23.8	600	2.6	3.5				
Wipro	351	ADD	860,250	17,572	2,454	21.6	22.4	24.5	14.5	3.9	9.1	16.2	15.6	14.3	11.9	10.6	9.3	3.6	3.0	2.6	1.2	1.3	1.5	24.3	21.1	19.7	370	5.5	12.1			
<b>Technology</b>		<b>Attractive</b>	<b>5,130,341</b>	<b>104,797</b>					<b>17.1</b>	<b>14.6</b>	<b>11.8</b>	<b>20.0</b>	<b>17.4</b>	<b>15.6</b>	<b>14.4</b>	<b>12.2</b>	<b>10.5</b>	<b>5.2</b>	<b>4.4</b>	<b>3.7</b>	<b>1.9</b>	<b>1.7</b>	<b>2.0</b>	<b>26.2</b>	<b>25.2</b>	<b>23.9</b>						
<b>Telecom</b>																																
Bharti Airtel	373	ADD	1,417,264	28,950	3,798	15.9	18.2	28.0	(32.6)	14.5	53.7	23.4	20.5	13.3	10.1	7.9	5.9	2.9	2.5	2.1	—	—	—	13.3	13.3	17.4	460	23.3	47.5			
IDEA	95	ADD	313,979	6,414	3,303	2.7	2.7	5.1	(0.5)	(1.4)	89.2	34.9	35.4	18.7	11.1	8.5	6.4	2.6	2.4	2.1	—	—	—	7.6	7.0	12.0	115	21.0	19.3			
MTNL	31	SELL	19,247	393	630	(10.4)	(9.1)	(8.4)	(33.7)	(11.9)	(8.1)	(2.9)	(3.3)	(3.6)	1.0	1.3	1.6	0.2	0.2	0.2	—	—	—	(6.1)	(5.7)	(5.5)	35	14.6	0.8			
Reliance Communications	77	SELL	163,884	3,348	2,133	6.3	2.6	5.2	(71.1)	(59.4)	103.2	12.2	30.0	14.8	6.0	6.4	5.5	0.4	0.4	0.4	—	—	—	—	—	—	3.2	1.3	2.7	80	4.1	19.3
Tata Communications	183	REDUCE	52,212	1,067	285	(24.9)	(28.8)	(34.0)	(13.0)	15.6	18.1	(7.4)	(6.4)	(5.4)	10.5	9.2	9.1	1.5	2.1	3.8	—	—	—	(17.5)	(27.0)	(50.2)	180	(1.7)	1.1			
<b>Telecom</b>		<b>Neutral</b>	<b>1,966,586</b>	<b>40,171</b>					<b>(45.8)</b>	<b>0.6</b>	<b>71.4</b>	<b>28.4</b>	<b>28.3</b>	<b>16.5</b>	<b>9.4</b>	<b>7.8</b>	<b>6.1</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6.0</b>	<b>5.7</b>	<b>8.9</b>						
<b>Utilities</b>																																
Adani Power	79	REDUCE	189,422	3,869	2,393	2.4	11.0	15.0	200.7	368.5	35.8	33.6	7.2	5.3	35.0	7.3	4.7	3.0	2.0	1.4	—	—	—	8.5	33.5	31.8	100	26.3	3.5			
CESC	273	BUY	34,120	697	125	37.7	42.5	51.3	9.1	12.7	20.8	7.2	6.4	5.3	5.7	5.4	0.7	0.7	0.6	1.8	2.0	2.2	10.5	10.7	11.5	440	61.1	1.5				
JSW Energy	51	REDUCE	83,066	1,697	1,640	5.1	4.8	4.7	12.9	(6.2)	(1.8)	9.9	10.5	10.7	11.3	7.5	5.9	1.5	1.3	1.1	(2.0)	—	—	16.1	13.0	11.3	60	18.5	1.9			
Lanco Infratech	16	BUY	35,012	715	2,223	2.0	3.0	3.4	(5.8)	47.2	16.6	7.8	5.3	4.6	8.3	7.8	7.3	0.9	0.7	0.6	—	—	—	12.2	15.0	14.6	45	185.7	6.2			
NHPC	24	ADD	290,297	5,930	12,301	1.3	1.8	2.1	(27.2)	36.0	16.3	17.5	12.9	11.1	13.0	9.8	7.9	1.1	1.0	0.9	1.7	2.1	2.4	6.3	8.0	8.8	30	27.1	2.1			
NTPC	177	REDUCE	1,462,745	29,879	8,245	11.0	11.2	12.0	5.3	1.4	6.8	16.1	15.8	14.8	13.3	12.7	11.9	2.1	2.0	1.8	2.1	1.9	2.0	13.7	12.8	12.6	180	1.5	10.0			
Reliance Infrastructure	417	BUY	110,491	2,257	265	58.0	64.1	76.3	(6.5)	10.5	19.0	7.2	6.5	5.5	7.0	3.7	2.7	0.5	0.4	0.4	2.3	2.5	2.7	6.4	11.2	12.2	920	120.8	14.0			
Reliance Power	84	SELL	236,468	4,830	2,805	2.7	2.9	2.9	(5.0)	7.6	(0.5)	31.1	28.9	29.0	165.4	70.6	14.8	1.5	1.4	1.3	—	—	—	4.9	4.9	4.7	88	4.4	6.4			
Tata Power	101	BUY	249,796	5,103	2,468	7.6	8.5	9.2	21.5	10.7	8.8	13.2	11.9	11.0	10.6	8.4	8.7	1.7	2.0	2.6	13.8	14.8	16.8	13.8	15.5	20.8	135	33.4	9.2			
<b>Utilities</b>		<b>Cautious</b>	<b>2,691,418</b>	<b>54,977</b>					<b>5.1</b>	<b>20.2</b>	<b>12.8</b>	<b>15.6</b>	<b>13.0</b>	<b>11.5</b>	<b>14.1</b>	<b>10.5</b>	<b>8.8</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>2.7</b>	<b>2.8</b>	<b>3.1</b>	<b>10.1</b>	<b>11.3</b>	<b>11.8</b>						
<b>Others</b>																																
Carborundum Universal	156	SELL	14,624	299	93	18.3	18.9	21.0	67.7	3.7	10.6	8.6	8.3	7.5	6.8	5.8	5.1	1.7	1.5	1.3	2.5	2.5	2.8	20.7	18.4	17.8	290	85.4	0.1			
Havells India	349	REDUCE	43,590	890	125	24.5	25.8	28.8	334.1	5.1	11.5	14.2	13.5	12.1	9.5	8.8	7.6	6.1	4.4	3.3	0.7	0.8	0.9	53.9	37.6	30.9	370	5.9	2.3			
Jaiprakash Associates	75	BUY	160,015	3,269	2,126	6.0	6.3	7.2	230.2	3.9	15.6	12.5	12.0	10.4	11.9	10.3	9.8	1.5	1.3	1.2	—	—	—	13.3	11.7	12.3	115	52.8	26.6			
Jet Airways	240	BUY	20,702	423	86	(10.1)	(69.1)	7.0	(91.0)	588	(110.1)	(23.9)	(3.5)	34.3	9.6	11.6	7.4	1.3	2.1	2.0	—	—	—	(5.0)	—	—	500	108.5	10.2			
SpiceJet	21	BUY	9,070	185	441	2.5	(3.0)	3.3	(1.8)	(220.2)	(210.4)	8.2	(6.9)	6.2	11.9	(16.9)	9.1	2.8	2.9	2.0	—	—	—	(96.1)	(41.6)	37.7	50	143.3	2.2			

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Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of June 30, 2011

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**ADD.** We expect this stock to deliver 7.5-17.5% returns over the next 12 months.

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