kotak® Institutional Equities

INDIA DAILY

November 10, 2008

EQUITY MARKETS

India	7-Nov	1-day	1-mo	3-mo
		Change, %		
Sensex	9,964	2.4	(5.4)	(34.3)
Nifty	2,973	2.8	(9.4)	(34.4)
Global/Regional indices				
Dow Jones	8,944	2.9	5.8	(23.8)
FTSE	4,365	2.2	11.0	(20.5)
Nikkie	9,054	5.5	9.4	(31.2)
Hang Seng	15,148	6.4	2.4	(30.8)
KOSPI	1,134	(0.1)	(8.7)	(27.7)

Value traded - India

	7-Nov		1-mo	3-mo
			Moving avg, Rs bn	
Cash (NSE+BSE)	126.6		147.3	157.9
Derivatives (NSE)	369.6		597.7	499
Deri. open interest	517.1		696	718

Contents

Updates

News Roundup

Corporate

- Despite mounting troubles and losses at home, US auto major **General Motors** will not slow down its planned investments for India and will introduce two new cars next year - the premium **Chevrolet Cruze** sedan and a new compact car priced under its **Spark** model, which could become a close rival to **Maruti**'s M800 model in terms of price. *(ET)*
- Government has asked **Reliance Industries** to supply natural gas from its eastern offshore KG-D6 fields to the beleaguered **Dabhol** power plant in Maharashtra as imported LNG was proving costlier for the nation's biggest gas-fired plant. (BS)
- Having secured 70.34% stake in, and management control of, **Zandu Pharmaceutical Works** Ltd, **Emami** Ltd has invited members of the Parikh family, who ran Zandu till now, to join its restructured board as independent directors. *(Mint)*

Economic and political

- India's depleting foreign exchange reserves are likely to be shored up through a credit line offered by developed nations, such as the US, as part of the plan for a new international financial architecture that is currently being negotiated among G-20 (Group of Twenty) nations in the wake of the global financial crisis.*(Mint)*
- China today announced a whopping $570 billion stimulus package to boost domestic demand and a slew of macro-economic measures to ease credit crunch to offset the adverse impact on its economy from the global economic crisis. Under the package, the government promised to loosen credit conditions, cut taxes and embark on a massive infrastructure spending programme. *(BS)*

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

Forex/money market

	7-Nov	1-day	1-mo	3-mo
		Change, basis points		
Rs/US$	47.8	0	(66)	564
6mo fwd prem, %	0.7	(25)	71	24
10yr govt bond, %	7.7	-	(36)	(139)

Commodity market

	7-Nov	1-day	1-mo	3-mo
		Change, %		
Gold (US$/OZ)	749.3	1.7	(11.8)	(12.5)
Silver (US$/OZ)	10.3	2.0	1.9	(33.0)
Crude (US$/BBL)	59.3	4.1	(22.2)	(47.2)

Net investment (US$mn)

	6-Nov		MTD	CYTD
FIIs	(103)		250	(12,508)
MFs	(25)		(51)	3,528

Top movers -3mo basis

Best performers	7-Nov	1-day	1-mo	3-mo
		Change, %		
Bank Of Baroda	292	6.3	4.9	2.0
Hindustan Unilever	250	1.9	12.6	3.2
Bharat Petroleum C	331	6.4	(2.6)	4.5
Financial Techn (Ind	-	-	-	-
Punjab National Bar	496	5.4	7.7	(0.8)
Worst performers				
Housing Developme	117	(0.2)	27.1	(69.8)
Bajaj Finserv Ltd	128	5.0	(34.5)	(75.2)
Unitech Limited	51	2.5	(38.7)	(71.1)
Suzlon Energy Limit	71	17.4	(24.2)	(71.3)
Tata Steel Limited	190	1.9	(34.1)	(71.0)

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Strategy

Sector coverage view	N/A

2QFY09 results review—better-than-expected results primarily due to banking

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- **Reported 2QFY09 PAT for BSE-30 (ex-Energy) stocks grew 10.6% versus our expected 2.6%**
- **Banking and metal companies contributed to positive surprise**
- **We model 5.7% earnings growth for FY2009E and 8.1% for FY2010E for BSE-30 Index (ex-Energy)**

2QFY09's reported earnings for BSE-30 (ex-Energy) stocks grew by 10.6% (versus our expectations of 2.6% yoy) driven by the better-than-expected performance of banking and metal companies. We now see limited risk to our BSE-30 Index FY2009E earnings forecast after several earnings downgrades during 2QFY09 earnings season. We note that the required earnings of BSE-30 Index for 2HFY09E is 7.5% (11.2% growth in 1HFY09) to meet our FY2009E earnings growth estimate. We retain our end-CY2009 BSE-30 Index target of 13,000. We reiterate our positive view of the Indian market based on (1) attractive valuations, (2) relatively strong GDP and earnings growth with limited downside risks, (3) a stable financial system and (4) solid long-term growth potential.

Ex-Energy earnings growth exceeds our expectations. Exhibit 1 shows that 2QFY09 ex-Energy earnings growth significantly exceeded our estimated earnings growth. Earnings of KIE universe (ex–Energy) increased by 11.4% yoy versus our expected 2.8% yoy. Earnings growth of banking and metals companies surpassed our expectations. We have discussed major sectors which have surprised us (positive or negative) in 2QFY09 below.

We note that 2QFY09 growth (BSE-30 Index ex–Energy) is down significantly from 30.4% in 2QFY08 and 17.7% in 1QFY09 (see Exhibit 2). The steep decline in PAT yoy growth reflects a sharp compression in EBITDA margins, which in turn, reflects a steep yoy increase in input costs. EBITDA margin declined by 750 bps yoy to 11.3% for KIE universe stocks (see Exhibit 3)

2QFY09 earnings review. Exhibit 4 shows sectors that threw up positive or negative surprises in 2FY09 results. We discuss the sectors that significantly departed from our net profit growth expectations. Exhibit 5 shows comprehensive sector-wise analysis of 2QFY09 earnings season.

- **Automobiles (expected growth: -23.2%; reported growth: -3.9%).** The automobiles sector outperformed our expectations mainly due to performance of Tata Motors. The company reported better-than-expected 2QFY09 net income of Rs3.5 bn (our expectation was Rs2.7 bn) driven mainly by a lower tax rate. Ex-Tata Motors, the performance of automobile companies was in line with our expectations. Operating margins for most automobile companies continued to decline due to high raw material costs. However, Hero Honda was an exception, posting 45% yoy improvement in EBITDA on the back of a 35% increase in volumes.
- **Banking (expected growth: +1%; reported growth: +25.9%).** Most of the public banks reported net interest income (NII) growth of over 20% yoy in 2QFY09, which was a significant improvement over the past four quarters. Key trends discernible from the results were (1) incremental loan growth was higher than the deposit mobilization in 2QFY09, (2) net interest margin (NIM) improved as banks increased their prime lending rate (PLR) by 125-150 bps in 2QFY09.

- **Construction (expected growth: +7.3%; reported: +37.2%).** The earnings surprise was driven by (1) IVRCL—higher-than-expected revenues and margins probably aided by Rs1 bn of revenues booked based on escalation in commodity prices, (2) Punj Lloyd—higher revenue growth likely supported by 8% average rupee depreciation and (3) Nagarjuna—better-than-expected execution.

- **Consumers (expected growth: +15.1%; reported growth: +6.1%).** FMCG companies' EBIDTA margins were impacted during the quarter due to input cost inflation not being sufficiently neutralized through price increases. Lack of pricing power in the case of certain home and personal care categories as well as processed foods including malted food drinks contributed to the weaker-than-expected performance. However, Tata Tea has chosen to grow volume market share by maintaining its retail prices while the nearest competitor has increased prices.

- **Energy (expected net profit: Rs77.7 bn; actual net profit: Rs-24.3 bn).** Energy companies reported weaker-than-expected results in 2QFY09.

  Upstream. ONGC's subsidy loss for 2QFY09 at Rs127 bn was significantly higher than our expectation of Rs98 bn (same as 1QFY09 subsidy loss). The subsidy loss in 1QFY09 was based on the share of upstream companies being restricted to Rs112 bn (1/4 of Rs450 bn fixed for FY2009). We had expected similar subsidy burden in 2QFY09 assuming the subsidy-sharing mechanism adopted in 1QFY09 would continue. However, contrary to expectations, the subsidy burden was significantly higher than 1QFY09. We believe that the subsidy burden for 2QFY09 is based on the erstwhile 33.33% burden on upstream companies.

  Downstream. BPCL, HPCL and IOCL reported significantly higher-than-expected losses led by inadequate compensation from the government in the form of oil bonds. The oil companies had booked oil bonds of Rs244 bn (1/4 of Rs946 bn) based on 50% of the gross under-recoveries in 1QFY09. We had expected the amount of oil bonds to remain flat in 2QFY09; however, the oil companies booked oil bonds of Rs206 bn in 2QFY09, which corresponds to 47% of the gross under-recoveries.

- **Industrials (expected growth: +19.3%; reported growth: -11.3%).** The disappointment in the industrial sector was largely due to (1) weaker-than-expected 2QFY09 results of Suzlon Energy and (2) margin compression in case of most of the industrial companies. Suzlon Energy reported 2QFY09 net profit of Rs1.5 bn versus our estimate of Rs4.8 bn. Exhibit 3 shows the margin trend of industries under our coverage universe.

- **Metals (expected growth: -6.9%; reported growth: +21%).** The earnings of steel companies were ahead of our expectations mainly on account of higher-than-expected average realizations and higher volume sales. In case of JSP, earnings were ahead of our estimates on account of improved performance from the power business. Sesa Goa's net income was driven largely by higher spot and contract prices for iron ore as well as a 14% yoy increase in volumes.

  In case of non-ferrous companies, earnings beat our expectations mainly on account of higher average realizations on a yoy basis. Higher copper and zinc output resulted in higher-than-expected revenues/earnings for Sterlite. Hindalco's copper business reported higher earnings on account of higher by-product realizations while the aluminum business EBIT grew mainly on account of higher output as a result of the expansion of smelting capacity at the Hirakud smelter. We highlight that the impact of the sharp decline in aluminum and zinc prices was not felt in 2QFY09 as prices started coming off only in Sep-Oct '08.

- **Media (expected growth: +12.2%; reported growth: -31.9%).** The disappointment in case of the media sector's earnings was largely due to Dish TV, which reported 2QFY09 net loss of Rs1.5 bn versus our Rs1.1 bn estimate. The weaker-than-expected results reflect the 10% qoq fall in Dish TV's DTH ARPUs to Rs170 in 2QFY09 versus Rs188 in 1QFY09 and much below our Rs197 estimate. Excluding Dish TV's poor results, 2QFY09 media sector net profit was Rs2.5 bn, marginally below our Rs2.6 bn estimate.

- **Pharmaceuticals (expected growth: +45.5%; reported growth: +38.6%).** The aggregate earnings of the pharmaceutical sector were impacted by (1) MTM losses (due to rupee depreciation) and (2) loss reported by Ranbaxy Laboratories. Ranbaxy reported loss of Rs4 bn in 3QCY08 due to (1) MTM forex loss on FCCBs (2) higher SG&A expenses due to one-time expense of US$9 mn (3) forex loss on forward covers, options and (4) inventory write-down related to its US business.

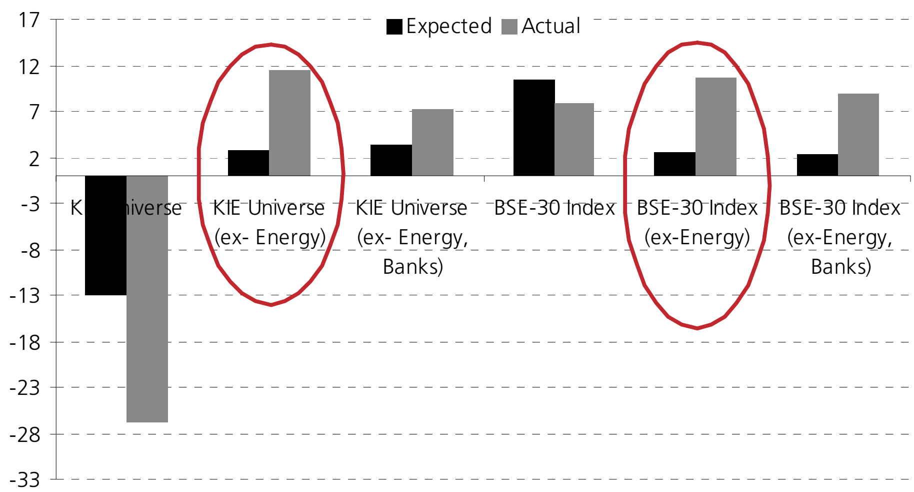
  Revenue growth remained strong across all generic and CMO/CRO companies boosted by rupee depreciation. In India, yoy revenue growth remains robust with Sun, Glenmark, Piramal growing faster than the market this quarter.

Limited risk to our revised FY2009E earnings growth estimate. We see limited risks to our FY2009E earnings forecast of BSE-30 Index after several earnings downgrades (see Exhibit 6) during 2QFY09 earnings season. Exhibit 7 shows the required growth (sector-wise) for the BSE-30 Index for 2HFY09E to meet our FY2009E estimates; the required growth is 7.5% versus11.2% growth in 1HFY09. The sectors where we assume sharp earnings deceleration in 2HFY09 include (1) Banking (earnings growth—2HFY09E: -0.5%, 1HFY09: 17.1%), (2) cement (earnings growth—2HFY09E: -37.9%, 1HFY09: -9.8%), (3) metals (earnings growth—2HFY09E: -4.7%, 1HFY09: +26.5%) and (4) property (earnings growth—2HFY09E: -11.7%, 1HFY09: +7.3%). There are few sectors (automobiles, consumers, technology and utilities) where we expect 2HFY09E earnings growth to exceed 1HFY09.

Exhibit 8 shows the number of upgrades during 2QFY09 earnings season. The number of rating upgrades far exceeds downgrades despite the severe downgrades to earnings. This reflects that stock prices have corrected significantly in the past two months ahead of 2QFY09 results, which has resulted in attractive valuations for several stocks even on our reduced earnings estimates post 2QFY09 results.

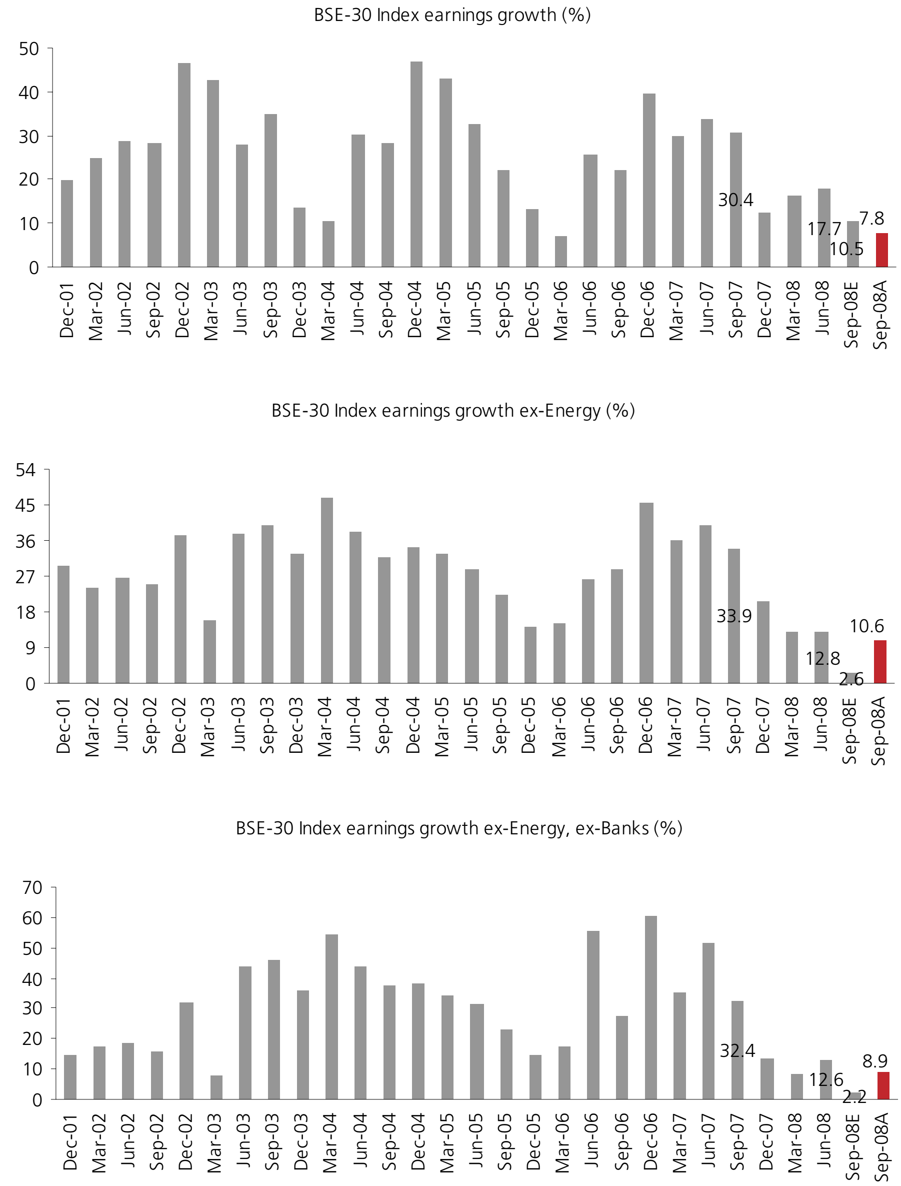
Ex-Energy earnings growth significantly exceeded our earnings forecast

Expected versus actual earnings growth for 2QFY09 (%)



Source: Company, Kotak Institutional Equities estimates

2QFY09 earnings of BSE-30 Index (ex-Energy) exceeded our expectations
Earnings growth of BSE-30 Index (%)



Source: Company, Kotak Institutional Equities estimates.

EBITDA margin remained under pressure in 2QFY09

Comparison of EBITDA margin for KIE universe stocks (%)

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08A	Sep-08E
Automobiles	13.2	13.0	10.4	9.3	9.3	10.0
Banking	—	—	—	—	—	—
Cement	32.0	31.5	28.6	29.0	24.2	26.8
Construction	9.4	8.0	10.2	8.6	9.1	8.9
Consumer (Discretionary)	15.3	14.4	15.0	18.2	16.1	16.4
Consumers	21.1	22.4	18.5	19.3	18.8	20.8
Energy	14.8	10.7	8.9	9.7	2.8	6.7
Industrials	14.0	14.0	15.8	10.2	11.3	13.4
Media	27.6	27.0	25.1	25.2	22.0	24.3
Metals	35.0	35.2	35.9	37.8	32.9	32.2
Others	15.7	17.9	18.7	14.9	15.1	15.7
Pharmaceuticals	20.6	21.8	26.1	24.3	21.3	23.2
Property	60.5	63.7	59.3	60.0	57.0	56.7
Retail	9.7	8.7	9.4	9.6	10.9	9.4
Technology	23.5	23.9	23.7	23.4	25.1	23.6
Telecom	37.6	37.2	38.6	38.1	36.1	38.1
Utilities	28.1	26.5	22.8	20.8	21.2	20.5
KIE universe	**18.8**	**16.7**	**15.8**	**15.2**	**11.3**	**12.9**

Source: Kotak Institutional Equities estimates

Banking sector's 2QFY09 net income outperformed most versus expectations

Performance of sectors versus expectations (KIE universe) in 1QFY09/2QCY08

Revenues: Sectors posting positive surprises	Companies	Net sales (Rs mn)		Change
	(#)	Actual	Expected	(%)
Metals	8	299,875	247,707	21.1
Banking	24	235,473	209,999	12.1
Utilities	5	160,544	147,991	8.5
Construction	5	57,098	52,674	8.4
Cement	6	87,926	83,691	5.1

Revenues: Sectors posting negative surprises	Companies	Net sales (Rs mn)		Change
	(#)	Actual	Expected	(%)
Energy	10	2,309,505	2,667,665	(13.4)
Property	8	57,356	63,155	(9.2)
Consumers (Discretionary)	3	14,400	15,179	(5.1)
Industrials	8	225,974	238,113	(5.1)
Telecom	5	190,503	194,618	(2.1)

Operating profits: Sectors posting positive surprises	Companies	Operating profits (Rs mn)		Change
	(#)	Actual	Expected	(%)
Metals	8	98,569	79,838	23.5
Retail	3	3,232	2,733	18.3
Utilities	5	34,012	30,283	12.3
Construction	5	5,192	4,663	11.4
Technology	11	69,533	65,131	6.8

Operating profits: Sectors posting negative surprises	Companies	Operating profits (Rs mn)		Change
	(#)	Actual	Expected	(%)
Energy	10	64,979	178,785	(63.7)
Industrials	8	25,511	31,943	(20.1)
Media	5	3,350	3,700	(9.5)
Consumers	8	21,658	23,867	(9.3)
Property	8	32,695	35,813	(8.7)

PAT: Sectors posting positive surprises	Companies	PAT (Rs mn)		Change
	(#)	Actual	Expected	(%)
Metals	0	65,307	50,212	30.1
Construction	0	2,665	2,084	27.9
Automobiles	0	16,559	13,228	25.2
Banking	0	100,003	80,181	24.7
Utilities	0	22,938	20,819	10.2

PAT: Sectors posting negative surprises	Companies	PAT (Rs mn)		Change
	(#)	Actual	Expected	(%)
Energy	0	(24,376)	77,724	(131.4)
Media	0	917	1,511	(39.3)
Industrials	0	17,550	23,611	(25.7)
Consumers	0	16,835	18,273	(7.9)
Pharmaceuticals	0	14,766	15,475	(4.6)

Source: Kotak Institutional Equities estimates

Banking and metal companies significantly exceeded our earnings forecast

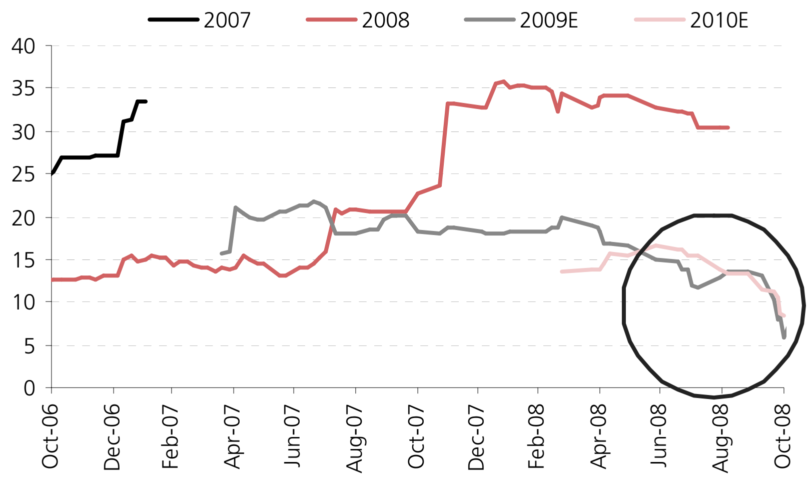
Comprehensive sector-wise analysis of 2QFY09 earnings season

	Sep-07	Jun-08	Sep-08A	Sep-08E	A versus E (%)	Growth (%) Yoy	Growth (%) Qoq
Automobiles	17,222	14,347	16,559	13,228	25.2	(3.9)	15.4
Banking	79,409	74,268	100,003	80,181	24.7	25.9	34.7
Cement	16,110	16,327	13,508	13,189	2.4	(16.1)	(17.3)
Construction	1,942	2,118	2,665	2,084	27.9	37.2	25.8
Consumers (Discretionary)	930	1,502	1,064	1,112	(4.3)	14.5	(29.1)
Consumers	15,872	17,038	16,835	18,273	(7.9)	6.1	(1.2)
Energy	153,660	132,392	(24,376)	77,724	(131.4)	(115.9)	(118.4)
Industrials	19,775	13,732	17,550	23,611	(25.7)	(11.3)	27.8
Media	1,347	1,552	917	1,511	(39.3)	(31.9)	(40.9)
Metals	53,973	63,385	65,307	50,212	30.1	21.0	3.0
Others	9,930	5,235	5,871	6,150	(4.5)	(40.9)	12.2
Pharmaceuticals	10,656	14,701	14,766	15,475	(4.6)	38.6	0.4
Property	28,073	27,750	27,169	27,680	(1.8)	(3.2)	(2.1)
Retail	787	788	1,274	907	40.4	62.0	61.8
Technology	42,877	45,294	51,237	50,723	1.0	19.5	13.1
Telecom	33,394	41,697	40,341	42,140	(4.3)	20.8	(3.3)
Utilities	25,005	25,362	22,938	20,819	10.2	(8.3)	(9.6)
KIE universe	**510,963**	**497,488**	**373,629**	**445,020**	**(16.0)**	**(26.9)**	**(24.9)**
BSE-30 Index	**309,067**	**331,973**	**333,309**	**341,395**	**(2.4)**	**7.8**	**0.4**
BSE-30 Index (Ex Energy)	**220,530**	**227,544**	**244,005**	**226,293**	**7.8**	**10.6**	**7.2**

Source: Company, Kotak Institutional Equities estimates

Sensex (ex-energy) earnings growth has declined sharply in the past quarter

Expected growth in sensex ex-energy earnings for FY2008, FY2009E and FY2010E (%)



Source: Kotak Institutional Equities estimates

Implied growth for 2HFY09E (based on current FY2009E estimate) is low at 7.5%

Comparison of implied 2HFY09E earnings with 1HFY09 earnings (%)

	Net profit (Rs mn)		Implied growth for 2HFY09	1HFY09 growth
	2HY09E	2HY08	(%)	(%)
Automobiles	21,015	24,263	(13.4)	(27.0)
Banking	83,446	83,895	(0.5)	17.1
Cement	12,552	20,206	(37.9)	(9.8)
Consumers	28,046	26,059	7.6	2.1
Energy	213,119	189,856	12.3	14.6
Industrials	42,368	34,657	22.3	27.6
Metals	58,354	61,203	(4.7)	26.5
Others	4,603	3,657	25.9	35.4
Pharmaceuticals	3,330	3,246	2.6	(178.5)
Property	38,119	43,156	(11.7)	7.3
Technology	91,713	76,686	19.6	18.5
Telecom	79,123	64,514	22.6	26.4
Utilities	44,740	39,047	14.6	(7.4)
BSE-30 Index	**720,528**	**670,444**	**7.5**	**11.2**
BSE-30 Index (Ex Energy)	**507,409**	**480,587**	**5.6**	**9.8**

Note:

(1) We have used standalone numbers for Hindalco, Tata Steel, ONGC, Reliance Industries, L&T, Grasim, JPA and Reliance Infrastructure as our FY2009E are based on consolidated financials and their interim results are reported on standalone basis.

(2) Highlighted cells indicates that KIE expects higher growth in 2HFY09E versus 1HFY09.

Source Company, Kotak Institutional Equities estimates

Major changes in ratings after the results announcement

		New	Old
Upgrades			
Aban offshore	Upgraded	BUY	ADD
BGR Energy Systems	Upgraded	ADD	REDUCE
Bharat Heavy Electricals	Upgraded	BUY	ADD
Cairn India	Upgraded	BUY	ADD
Corporation Bank	Upgraded	BUY	ADD
Indian Overseas Bank	Upgraded	BUY	ADD
Mphasis BFL	Upgraded	REDUCE	SELL
PFC	Upgraded	ADD	REDUCE
Puravankara Projects	Upgraded	ADD	REDUCE
Ranbaxy Laboratories	Upgraded	ADD	REDUCE
Shriram Transport	Upgraded	ADD	REDUCE
State Bank of India	Upgraded	BUY	ADD
Sterlite Industries	Upgraded	BUY	REDUCE
Sun TV Network	Upgraded	BUY	ADD
Tata Steel	Upgraded	ADD	REDUCE
Welspun Gujarat Stahl Rohren	Upgraded	BUY	REDUCE
Zee Entertainment Enterprises	Upgraded	BUY	ADD
Downgrades	Upgraded	ADD	REDUCE
DishTV	Downgraded	REDUCE	BUY
Glaxo Smithkline Consumer	Downgraded	ADD	BUY
Hindalco Industries	Downgraded	SELL	REDUCE
Hindustan unilever	Downgraded	REDUCE	ADD
ITC	Downgraded	ADD	BUY
Larsen & Toubro	Downgraded	ADD	BUY
Maruti Suzuki	Downgraded	REDUCE	ADD
Sesa Goa	Downgraded	ADD	BUY

Source: Kotak Institutional Equities estimates

Valuation summary of BSE-30 sectors

	Mkt cap.	Adj mkt cap.	EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Div. yield (%)		RoE (%)		
	(US$ mn)	(US$ mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2008	2009E	2010E
Automobiles	7,716	4,667	6.0	(17.5)	(7.8)	7.8	9.5	10.3	5.3	6.7	6.5	1.7	1.2	1.1	2.7	3.4	21.6	12.5	10.4
Banking	46,496	33,942	43.9	7.2	5.7	14.9	13.9	13.1	—	—	—	2.0	1.8	1.6	1.6	1.6	13.3	12.8	11.9
Cement	3,906	2,645	25.7	(16.8)	(16.5)	4.9	5.9	7.0	3.0	3.3	3.6	1.1	1.0	0.9	3.9	4.0	23.4	16.5	12.4
Consumers	25,181	15,349	14.9	8.3	15.4	24.6	22.7	19.7	17.0	14.3	12.4	8.6	7.6	6.7	3.0	2.7	34.8	33.5	34.0
Diversified	2,180	1,308	20.7	43.0	50.9	17.1	12.0	7.9	10.6	8.6	8.0	2.1	1.8	1.5	0.0	0.0	12.2	14.9	18.8
Energy	66,778	23,441	12.8	25.7	26.0	9.4	7.4	5.9	4.5	3.5	2.6	1.7	1.4	1.2	2.7	3.3	18.0	18.2	20.0
Industrials	25,195	14,763	23.7	30.8	29.2	23.7	18.1	14.0	13.8	10.3	8.2	5.3	4.1	3.3	1.0	1.6	22.4	22.7	23.7
Metals	9,128	5,294	13.2	(6.9)	(17.8)	3.3	3.5	4.3	3.9	4.1	4.4	0.5	0.5	0.4	2.7	2.4	16.2	12.8	9.7
Pharmaceuticals	1,921	1,345	70.5	(104)	NA	10.5	(238)	15.4	8.7	24.3	5.7	3.1	1.6	0.9	3.5	4.8	29.0	(0.7)	6.1
Property	10,022	1,503	304.9	(3.2)	6.2	6.1	6.3	5.9	5.8	5.9	4.9	2.4	1.8	1.5	1.8	2.5	39.9	29.3	24.7
Technology	37,798	20,931	19.3	20.1	9.3	12.5	10.4	9.5	8.8	7.0	5.9	3.9	3.1	2.5	2.7	2.9	31.2	29.7	26.8
Telecom	36,056	12,619	74.9	18.5	22.5	13.6	11.5	9.3	9.1	7.6	6.0	3.3	2.6	2.1	0.3	0.5	24.6	22.8	22.0
Utilities	32,446	8,148	9.7	3.2	7.3	16.7	16.2	15.1	9.8	10.5	10.7	2.0	1.8	1.7	2.1	2.1	11.9	11.2	11.1
BSE-30	**304,824**	**145,954**	**27.9**	**11.1**	**13.6**	**11.5**	**10.4**	**9.1**	**6.6**	**6.0**	**5.1**	**2.2**	**1.8**	**1.6**	**2.0**	**2.3**	**19.1**	**17.6**	**17.3**
BSE-30 ex-Energy	**238,046**	**122,513**	**34.6**	**5.7**	**8.1**	**12.3**	**11.6**	**10.8**	**7.7**	**7.4**	**6.7**	**2.4**	**2.0**	**1.7**	**1.9**	**2.0**	**19.6**	**17.3**	**16.2**
BSE-30 ex-Energy, Com.	**225,013**	**114,574**	**39.7**	**9.1**	**12.9**	**14.3**	**13.1**	**11.6**	**9.5**	**8.6**	**7.4**	**2.9**	**2.4**	**2.0**	**1.8**	**2.0**	**20.1**	**18.3**	**17.6**

Note:
(1) EV/EBITDA excludes Banking sector.
(2) We model nominal amount of treasury income for the Banking sector.

Source: Kotak Institutional Equities estimates

Consumer products

ITC.BO, Rs175	
Rating	ADD
Sector coverage view	Cautious
Target Price (Rs)	200
52W High -Low (Rs)	239 - 132
Market Cap (Rs bn)	658.2

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	139.5	158.9	188.9
Net Profit (Rs bn)	31.2	33.1	37.7
EPS (Rs)	8.3	8.8	10.0
EPS gth	*15.4*	*6.2*	*13.9*
P/E (x)	21.1	19.9	17.4
EV/EBITDA (x)	13.4	12.2	10.7
Div yield (%)	2.0	2.1	2.3

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	-	-	-
FIIs	14.2	1.5	(0.4)
MFs	3.0	1.8	(0.2)
UTI	11.9	57.4	55.5
LIC	14.3	7.2	5.3

ITC : Meeting with cigarette industry expert—our convictions intact about resilience of cigarette business

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- **Likely impact of 3-4% on volumes due to ban on smoking in public places, strong underlying volume growth in filter cigarettes provides buffer**
- **Recent tough measures against cigarette industry seems to be based on WHO dictat; while the measures are irreversible, they can be diluted significantly**
- **'Filterisation' of cigarette industry likely enhance stickiness and hence better pricing power—pungency of filter cigarette is vastly different to a bidi**

We estimate the volume impact of the recent ban on smoking in public places to be 3-4%. Sources indicate that the ban is implemented (in letter and spirit) only in the top-4 metros which are likely account for about 10% of ITC's cigarette volumes; towns/ villages with less than 50,000 population account for about 60%. Our channel checks indicate volume growth for ITC (even after the implementation of ban w.e.f October 2) in the month of October (yoy)—on the back of 5-6% growth in September month (yoy). The current 'filterisation' of the industry has likely enhanced the pricing power for cigarette manufacturers— pungency of filter cigarette is vastly different to that of bidis. We highlight that ITC's earnings are more sensitive to price increases and mix changes than volumes—the CAGR growth in volume and price increases over the period 1994-2008 has been 3.5% and 9%. We expect ITC to post 12% earnings growth in 2HFY09E after a flat 1HFY09. We forecast EPS of Rs8.8/share (6% growth) and Rs10.0/share (14% growth) for FY2009E and FY2010E, respectively. Our estimates are conservative and are 6% and 7% below consensus for FY2009E and FY2010E, respectively. We however retain our ADD rating and target price of Rs200/share.

Likely impact of 3-4% on volumes due to ban on smoking in public places

We came back with our convictions intact about ITC's cigarette business after meeting an industry expert. While it's early days to assess the impact of the recent ban on public smoking, we estimate it to curtail 3-4% of overall volumes. Sources indicate that the recent notification is implemented (in letter and in spirit) only in the leading metros (Mumbai, Delhi, Chennai, and Kolkata) and in hotels, pubs, office buildings, malls etc. For ITC, we believe that the affected smokers are, typically, in the 'Kings' segment, which accounts for about 10-12% of overall ITC's cigarette volumes. Assuming a 30% reduction in consumption, it works out to about 3% volume loss for ITC at an aggregate level. We highlight that the 'Kings' segment has not undergone any effective price increase at the consumer level in the past 18 months (except 'Classic' brand)—and therefore, ITC is well positioned to manage the earnings growth through a price increase, if need be. We further highlight that the top 4 metros likely account for about 10% of ITC's cigarette volumes and small towns (towns/villages with less than 50,000 population) account for about 60% of overall volumes.

Strong underlying volume growth in filter cigarettes provides buffer

Our channel checks indicate that the company has seen volume growth at an aggregate level even in the month of October (yoy)—on the back of 5-6% growth in September month (yoy). Strong underlying volume growth in filters will likely help ITC post flat volumes for FY09E, an effective 7% price increase implemented in 1HFY09 and mix improvement of 8% will provide value growth. While we remain confident of the resilience of the cigarette business, which has undergone severe strictures in two successive Finance Bills—VAT in FY2008 and the structural shift in excise regime in FY2009—we keenly await the outcome of the recent ban on cigarette smoking in public places (imposed w.e.f. October 2, 2008). We highlight that ITC's earnings are more sensitive to price increases and mix changes than volumes—the CAGR growth in volume and price increases over the period 1994-2008 has been 3.5% and 9%.

We further highlight that the current 'filterisation' of the cigarette industry has likely enhanced the pricing power for cigarette manufacturers. The earlier 'plains' (non-filter) smoker used to smoke a mix of cigarettes as well bidis. However, it is very difficult to smoke a filter cigarette and a bidi as the pungency of both the products are very different. This, in turn, will likely give cigarette manufacturers better pricing power.

Graphic illustrations on packaging likely to only marginally impact volumes

We believe that the graphic warnings do not materially impact cigarette sales as—(1) two-thirds of industry sales (a higher proportion in rural areas) are in the form of single stick sales (thus the consumer does not carry the pack with these warnings) and (2) globally, there is little evidence to suggest the contrary. The Government of India had earlier notified the Cigarettes and other Tobacco Products (Packaging and Labelling) Rules, 2007 (COPTA), the implementation of which was put on hold. These rules governing the packaging and labeling of tobacco products will result in introduction of graphic health warnings "Smoking Kills" (on smoking forms of tobacco products) as well as "Tobacco Kills" (on smokeless/chewing and other forms of tobacco products).

The implementation of this proposal was delayed by over two years and the latest date expected is December 1, 2008. The Supreme Court, in a hearing on November 18, will likely decide upon the implementation of pictorial warnings as well as validity of the recent public smoking (ban) notification. Sources suggest that the pictorial warnings, if implemented, may likely have a requirement to print the warning in local language as well. While this can entail supply chain challenges for ITC in near-term (as the number of SKUs goes up 25X), we believe that the company can manage this effectively as each cigarette brand has only two SKUs (10s and 20s).

ITC's margins unlikely to be stressed by tobacco prices

The prices of tobacco in Koyyalagudem auctions in Andhra Pradesh are up about 80% in 2008. Supply disruptions in Zimbabwe due to racial unrest are noted as the prime reason for the price increases. We believe the impact on ITC's financials will be marginal due to—(1) raw material cost accounting for about 7-8% (only) of ITC's cigarette sales and (2) the company typically maintains inventory of about 18 months at any point in time to protect itself from any natural calamity shocks as well as the need to 'age' the tobacco for certain brands. We believe ITC needs to take a price increase of only 3% in FY2010E to fully neutralize input-cost inflation.

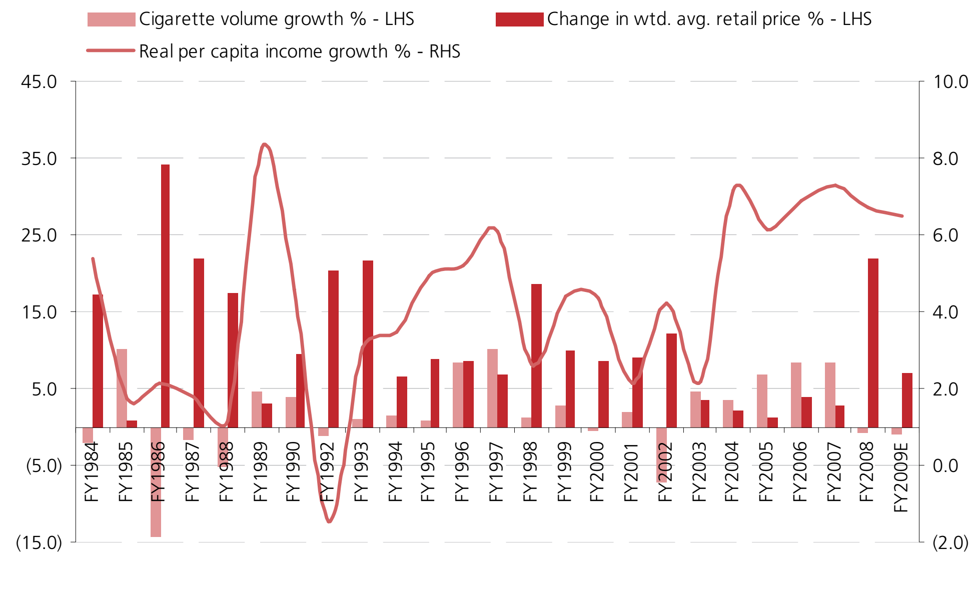
Retain ADD with a target price of Rs200/share

We expect ITC to post 12% earnings growth in 2HFY09E after a flat 1HFY09. We forecast EPS of Rs8.8/share (6% growth) and Rs10.0/share (14% growth) for FY09E and FY10E respectively. Our estimates are conservative and are 6% and 7% below consensus for FY09E and FY10E. At the current market price of Rs175, the stock is trading at 17XFY10E. In the past three years, the stock has traded at an average PE of 23X and has remained in the 15X-30X band. At our DCF-based target price of Rs200, the stock would trade at 20XFY10E.

Key triggers to watch out are (1) better-than-expected overall cigarette volumes, (2) moderate taxation regime in next year's budget (which will be likely in June/July 2009), (3) replicating the successes of the foods segment in personal care business (including news flow on market share gains).

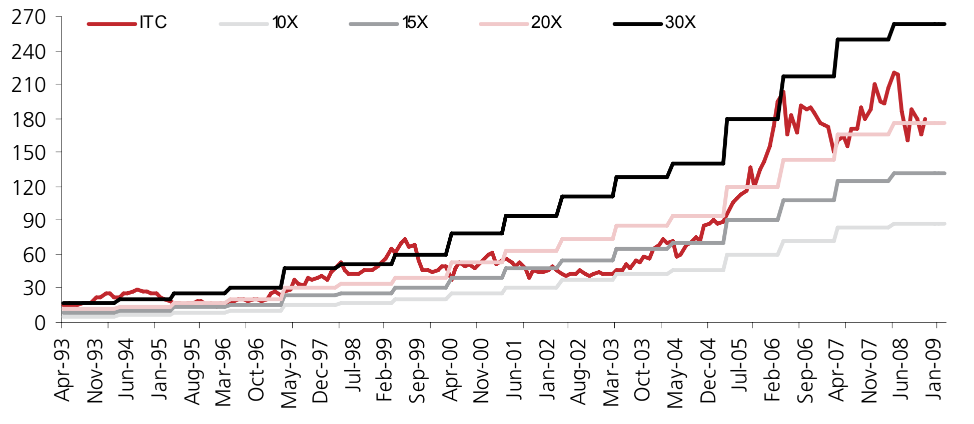
Cigarette volumes has remained resilient due to sustaining real per capita income growth

Cigarette volumes growth, average retail price increase and real per capita income growth (%)



Source: Company data, Kotak Institutional Equities estimates.

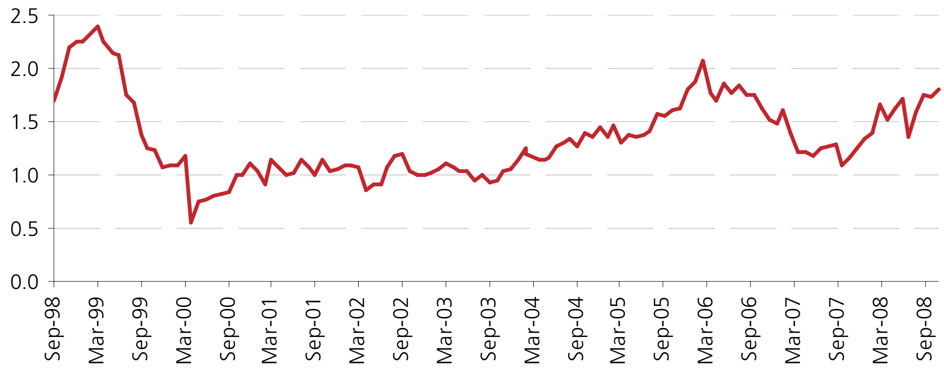
ITC - P/E bands (one year forward)



Source : Kotak Institutional Equities

Good defensive characteristics demonstrated by the stock in CY2008

Relative P/E of ITC over Sensex (x)



Source : Kotak Institutional Equities

ITC: Profit model, balance sheet, cash flow model 2006-2010E, March fiscal year-ends (Rs mn)

	2006	2007	2008	2009E	2010E
Profit model (Rs mn)					
Net sales	97,905	123,693	139,475	158,869	188,904
EBITDA	**33,274**	**39,700**	**44,165**	**48,255**	**54,323**
Other income	2,899	3,365	6,109	6,364	7,577
Interest	(158)	(169)	(173)	(130)	(130)
Depreciation	(3,323)	(3,629)	(4,385)	(5,376)	(6,093)
Pretax profits	32,692	39,267	45,717	49,114	55,677
Tax	(10,276)	(12,267)	(14,517)	(15,990)	(17,939)
Net profits	**22,416**	**27,000**	**31,200**	**33,123**	**37,738**
Extraordinary items	(63)	0	0	0	0
Earnings per share (Rs)	**6.0**	**7.2**	**8.3**	**8.8**	**10.0**
Balance sheet (Rs mn)					
Total equity	90,615	104,371	120,577	137,180	157,296
Deferred taxation liability	3,248	4,729	5,451	5,451	5,451
Total borrowings	1,197	2,009	2,144	2,144	2,144
Currrent liabilities	35,781	38,576	44,323	45,747	51,081
Total liabilities and equity	**130,840**	**149,684**	**172,495**	**190,522**	**215,973**
Cash	8,558	9,002	5,703	11,025	18,277
Current assets	43,061	53,896	64,490	71,088	81,723
Total fixed assets	44,051	56,109	72,956	79,065	86,627
Investments	35,170	30,678	29,346	29,346	29,346
Total assets	**130,840**	**149,684**	**172,495**	**190,522**	**215,973**
Free cash flow (Rs mn)					
Operating cash flow, excl. working capital	25,638	31,040	36,574	38,734	44,139
Working capital	(5,469)	(8,667)	(6,634)	(2,228)	(3,166)
Capital expenditure	(6,013)	(15,702)	(21,239)	(11,491)	(13,663)
Investments	3,577	4,492	1,332	0	0
Free cash flow	**17,734**	**11,164**	**10,033**	**25,015**	**27,310**
Ratios (%)					
Net debt/equity	-34%	-24%	-15%	-17%	-20%
Return on equity	26%	28%	28%	26%	26%
RoCE	77%	57%	42%	36%	35%
Key assumptions					
Sales growth	28.2%	26.3%	12.8%	13.9%	18.9%
EBITDA margins	34.0%	32.1%	31.7%	30.4%	28.8%
EPS growth	28.3%	20.1%	15.1%	6.2%	13.9%

Source: Kotak Institutional Equities estimates.

Proposed pictorial warnings are watered down version of original proposal

Source : Ministry of Health, GOI

Industrials

SUZL.BO, Rs71	
Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	125
52W High -Low (Rs)	460 - 40
Market Cap (Rs bn)	110.6

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	136.8	185.7	226.9
Net Profit (Rs bn)	10.3	11.2	16.4
EPS (Rs)	6.6	7.2	10.5
EPS gth	*9.5*	*9.0*	*46.4*
P/E (x)	10.7	9.9	6.7
EV/EBITDA (x)	6.2	8.4	6.6
Div yield (%)	1.4	1.4	1.4

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	65.8	-	-
FIIs	21.0	0.7	0.1
MFs	2.7	0.5	(0.1)
UTI	-	-	(0.6)
LIC	-	-	(0.6)

Suzlon Energy : Vestas results takeaways - growth momentum and aggressive medium-term targets on track

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- **Vestas remains on course to meet CY2008 expectations and remain optimistic on CY2009; prima facie the broad sector momentum remain unaffected**
- **No order cancellations, deferrals etc. so far from customers; downplays concerns related to affect of credit crisis**
- **Bullish on long-term prospects, making large investments to be 10GW by 2010 with China and USA markets as key focus areas**
- **We maintain our BUY based on relatively inexpensive valuations on conservative estimates; deferral of Martifer stake deal is the critical risk**

We highlight that Vestas results and conference call gave out positive signals for the sector: (1) Vestas maintained its guidance for CY2008 of EUR 5.7 bn in revenues and EBIT margins of 10%-12% (2) it also proffered guidance for revenues of EUR7.2 bn (26% yoy revenue growth) and EBIT margins of 11%-13% for CY2009E, (3) Vestas claimed that, to date, no customer has withdrawn from a firm and unconditional order and (4) remained bullish on long-term prospects with the aim to achieve 10 GW by 2010 versus 4,974 MW in CY2007. We also highlight that Suzlon has outperformed the Sensex by 55% since October 31, 2008. We highlight that deferral of deal with Martifer to buy Repower stake in December 2008 to May 2009 would be a catalyst to watch for, as that helps the company conserve the cash outflow in tight near-term conditions. We maintain our BUY rating as we highlight that our estimates are conservative and Suzlon has a fair chance of exceeding the estimates once the confidence of customers is restored. Key downside risks for Suzlon arise from (1) execution hiccups, (2) margin pressures and (3) unfavorable currency movement.

On course to meet CY2008 expectations and remain optimistic on CY2009

Vestas has maintained its guidance for CY2008 of EUR5.7 bn in revenues and EBIT margins of 10%-12%. They also guided for revenues of EUR 7.2 bn (26% yoy revenue growth) and EBIT margins of 11%-13% for CY2009E. Vestas reported strong 3QCY09 quarterly numbers with revenues of for 3QCY08 Euro 1.8 bn (up 53% yoy) and a profit after tax of EUR 97 mn (up 47% yoy). For 9MCY08, Vestas reported revenues of Euro3.5 bn (up about 20% yoy) with an EBIT margin of 8% (yoy expansion of about 100 bps). The order intake was 4,613 MW during 9MCY08 with announced order inflow of 392 MW in 3QCY09. The order backlog amounted to 5,848 MW (up 48% yoy) at the end of September 2008, with Europe accounting for 62% and the Americas and Asia/Pacific accounting for 24% and 14%, respectively. In the longer term, Vestas expects a more even distribution of revenue between the three geographic segments, particularly with increasing focus on China and USA. (Exhibits 1 & 2).

No order cancellations, deferrals etc so far from customers; downplays concerns related to affect of credit crisis

Vestas claimed that to date, no customer has withdrawn from a firm and unconditional order. For all orders above EUR 15 mn (about 75% of total inflows) the company conducts contract review work where all parameters related to risk, pricing, milestone payment, etc are reviewed and no reservations of capacity are made without commitment from the client. We highlight that there may be a difference in order book quality of Vestas and Suzlon and thus the fact that Vestas has so far not faced problems can not be directly correlated for Suzlon as well. However, we highlight that 21% of Suzlon's order booking originates from customers that are also the customers of Vestas. (Exhibit 3).

Strong parentage and financial position of top 3 customers minimizes risk of order cancellations/ deferrals for Suzlon

We highlight that the top three customers of Suzlon, who contribute to 63% of order inflows, have a strong parentage with healthy financials (Exhibit 4). These clients include (1) PPM Energy, Portland, Oregon, USA (part of Iberdrola Renovables), (2) Horizon Wind, Houston, Texas, USA (part of EDP Renováveis, S.A) and (3) Edison Mission, Irvine, California, USA (part of Edison Mission Group). These are among the top 5 wind energy companies in the US and have a combined wind installed capacity in US of 4589 MW. All these firms have an excellent track record with a diversified asset base and strong financial position. All the three parent firms have a comfortable net debt/equity ratio of less than 1.3X with it being as low as 0.02X for Iberdrola Renovables. Therefore, we believe that the orders received from these firms have a low probability of cancellation and/or deferral due to credit unavailability issues.

Remain bullish on long-term prospects and making large investments to be 10GW by 2010

Vestas aims that by 2010 it will, together with its sub-suppliers, be able to manufacture, ship and install 10 GW (target of "10 in 10"). In 2007, Vestas shipped a total of 4,974 MW. In order to achieve this target Vestas is significantly investing to ramp up its capacity. Vestas expects to invest about EUR1.2 bn in CY2009E almost double than that envisaged for CY2008E (EUR 620 mn). Total investments in organic growth will amount to EUR 2.5bn for the period 2005-2009

With dominance in Europe already, US and China remain the key; majority of investments in these two markets

Vestas already has a strong position in Europe with 49% of sales of this global major originating from Europe in 9MCY08 (Exhibit 5). USA and China are going to be the key focus markets for Vestas in the future. The company is very positive on the US President–elect Barack Obama whose stated priorities for 2009 are "Turning around the economy and energy independence" and plans to invest US$700 mn in the country in CY2009E. Investments in the USA are being made although the PTC scheme has only been extended until the end of 2009. This probably led by good long-term growth prospects for the US market, where 30 states currently have their own targets for renewable energy's share of the energy mix.

The company also believes in the strong growth potential in China and is creating a separate business unit for China geography independent from the other Asia/Pacific countries. Out of the EUR 1.2 bn about EUR1 bn will be invested in property, plant and equipment, primarily in factories in the USA, Spain and China and the R&D centres in Denmark and the UK.

Vestas highlight competition from Chinese equipment suppliers as a potential risk going forward

Apart from highlighting usual sectoral issues such as PTC extension, commodity price volatility, Vestas has highlighted risk related to Chinese competition (Exhibits 6 & 7): "*The number of providers and sub-suppliers, especially from China, will grow, leading to intensified competition in all links of the value chain going forward*". We highlight that China has large number of players manufacturing wind turbines greater that 1 MW and Chinese players particularly commanded about 50% of the rapidly growing market in CY2007, led by Goldwind, Sinovel and Dongfang.

Vestas cites political commitment towards cause of climate change and thus renewable energy despite financial crisis

Vestas has highlighted the political commitment towards the cause of climate change and renewable energy remains steadfast in spite of the current financial crisis. Vestas cites senior European leaders such as French President, Nicolas Sarkozy and British Prime Minister, Gordon Brown maintaining that climate change remains a top priority despite the financial crisis. Vestas also cites energy President-elect Mr. Obama saying that energy independence is critical issue for the US economy.

We maintain our Buy based on relatively inexpensive valuations; deferral of Martifer stake deal is the critical risk

We highlight that stock has outperformed by 55% in the week since October 31, 2008 and maintain our BUY rating on the stock.

We highlighting that Suzlon is attempting to conserve cash outflow in the near-term and has already taken steps such as (a) deferral of domination agreement with Repower and (b) Dropping tower manufacturing plant from the original capex scheme, saving 25% of original capex of Rs26 bn. However, additionally, Suzlon would also need to defer the deal (December 15 is the original timeline as per the current agreement) with Martifer to save the near-term cash outflow of about Rs17 bn to May 2009. We highlight that payment of entire agreement amount of Euro270 mn to Martifer is guaranteed by a bank guarantee exercisable in May 2009.

Key upside risks arise from stronger-than-expected execution in FY2010E by Suzlon arising from (1) global momentum in wind power equipment demand, (2) strong platform of Suzlon in terms of breadth and depth of manufacturing, marketing and R&D capabilities and (3) significant expansion in vertically integrated capacity that creates opportunities for Suzlon to gain market share in a strong growth market. Key downside risks for Suzlon arise from (1) hiccups in execution, (2) margin pressure related to commodity price fluctuation and unfavorable currency movement, (3) delays in implementation of large capacity expansion plans, across Suzlon, Hansen and Repower, (5) emergence of competitors, especially from low-cost manufacturing countries like China.

Exhibit 1. Vestas 3QCY08 key numbers (EUR mn)

	yoy			9 month		
	3QCY08	3QCY07	% change	9MCY08	9MCY07	% change
Income from operations	**1,759**	**1,150**	**53.0**	**3,554**	**2,977**	**19.4**
Expenditure	(1,599)	(1,048)	52.6	(3,268)	(2,765)	18.2
COGS	(1,455)	(973)	49.5	(2,899)	(2,521)	15.0
R&D Costs	(36)	(22)	63.6	(97)	(75)	29.3
Sales and distribution costs	(51)	(18)	183.3	(125)	(67)	86.6
Admin Expenses	(57)	(35)	62.9	(147)	(102)	44.1
EBIT	**160**	**102**	**56.9**	**286**	**212**	**34.9**
Interest & finance charges	(25)	(4)	525.0	(15)	(12)	25.0
PBT	**135**	**98**	**37.8**	**271**	**200**	**35.5**
Tax	(38)	(32)	18.8	(76)	(66)	15.2
PAT	**97**	**66**	**47.0**	**195**	**134**	**45.5**
Key ratios						
COGS/ sales	82.7	84.6		81.6	84.7	
Gross profit margin	**17.3**	**15.4**		**18.4**	**15.3**	
R&D costs/ sales	2.0	1.9		2.7	2.5	
Sales and distribution costs/ sales	2.9	1.6		3.5	2.3	
Admin Expenses/sales	3.2	3.0		4.1	3.4	
EBIT margin	**9.1**	**8.9**		**8.0**	**7.1**	
Tax rate	28.1	32.7		28.0	33.0	
PAT margin	5.5	5.7		5.5	4.5	
PBT Margin	7.7	8.5		7.6	6.7	

Source: Company

Exhibit 2. Vestas actual results and guidance, calendar year-ends

	Guidance		Actuals	
	2009	2008	2007	2006
Revenues	7,200	5,700	4,861	3,854
Revenue growth (%)	26	17	26	
EBIT margin (%)	11-13%	10-12%	9.10%	5.20%
Net Working capital	Max 10%	Max 10%	-1%	3%
Market share (%)		25%	23%	28%
Investment in fixed assets	1000	500	265	153%

Source: Company, Kotak Institutional Equities

Exhibit 3. Major orders booked by Vestas in CY2008 so far

Announcement date	Customer	Country	Product Configuration MW	Capacity MW
30-Oct-08	SN Power	Chile	2.0	46.0
16-Oct-08	China Guangdong Nuclear Wind Power Co. Ltd.	China	0.9	98.6
15-Oct-08	EDP Renováveis	Spain	3.0	54.0
			1.8	45.0
15-Oct-08	ŞAkenerji Elektrik Üretim A.	Turkey	3.0	15.0
6-Oct-08	Raiffeisen Energy & Environment GmbH (REE)	Bulgaria	2.0	32.0
1-Oct-08	IVPC Power 5, the project company of IVPC	Italy	3.0	15.0
			2.0	40.0
			1.8	46.8
	Total large order booking in 4QCY08 so far			**392.4**
22-Sep-08	Gargaú Energética S.A., a subsidiary of Ecopart Investimentos	Brazil	1.7	28.1
28-Aug-08	Vattenfall Vindkraft Sverige AB,	Sweden	2.0	100.0
21-Aug-08	CNOOC (Beijing) Energy Investment Co. Ltd	China	2.0	48.0
4-Aug-08	Austrian Wind Power GmbH, a company owned by the BEWAG	Czech Republic	2.0	18.0
4-Aug-08	FCG (Putian) Wind Power Co., Ltd	China	2.0	40.0
24-Jul-08	China Guangdong Nuclear Wind Power Co. Ltd	China	0.9	85.0
15-Jul-08		Spain	2.0	50.0
			1.8	28.8
9-Jul-08	ENEL Erelis	France	2.0	18.0
8-Jul-08		USA		
3-Jul-08	EOLE-RES	France	2.0	48.0
	Total large order booking in 3QCY08			**463.9**
27-Jun-08	Datang (Chifeng) Renewable Power Co., Ltd	China	2.0	100.0
27-Jun-08	Enel Unión Fenosa Renovables (EUFER)	Spain	2.0	16.0
			1.8	50.4
20-Jun-08		Spain	2.0	24.0
			1.8	88.2
18-Jun-08	WINDCO Spa, project company belonging to Electrabel of the SUEZ Group	Italy	2.0	62.0
			0.9	4.3
16-Jun-08	ŞBELEN Elektrik Üretim A.	Turkey	3.0	30.0
6-Jun-08	New Energy Options (NEO)	Brazil	1.7	151.8
2-Jun-08	Alliant Energy Corporation	USA	1.7	500.0
30-May-08	Eolia Renovables	Spain	2.0	74.0
27-May-08	TransAlta	Canada	3.0	66.0
27-May-08	Trinacria Eolica S.r.l. IVPC	Italy		46.0
7-May-08	ŞBorasco Enerji ve Kimya A.	Turkey	3.0	45.0
5-May-08	REnInvest	Greece	0.9	28.9
11-Apr-08	Enersis SGPS, S.A.	Portugal	3.0	102.0
10-Apr-08	EDF Energies Nouvelles (EDF-EN)			123.0
4-Apr-08	Placed by one of the top five utilities in Spain	Spain	3.0	30.0
			2.0	50.0
			1.8	34.2
1-Apr-08	RES Skandinavien AB, a wholly owned subsidiary of Renewable Energy Systems Limited (RES)	Sweden	1.8	5.4
			2.0	90.0
	Total large order booking in 2QCY08			**1,721.1**
3-Mar-08	E.ON Climate & Renewables	USA	1.7	179.9
29-Feb-08	Catalana d'Energíes Renovables, S.L. (CATER)	Spain	1.8	57.6
27-Feb-08	Vortex Energy Group	Poland	3.0	48.0
			2.0	34.0
18-Feb-08	SUEZ Renewable Energy	Canada	3.0	99.0
18-Feb-08	EAB Projektbau GmbH	Poland	2.0	32.0
18-Feb-08	Vindkompaniet AB	Sweden	2.0	36.0
13-Feb-08	TransAlta Wind	Canada	3.0	66.0
22-Jan-08	Isolux Ingeniería, S.A.	Spain	2.0	24.0
22-Jan-08	Elecnor	Spain	2.0	30.0
14-Jan-08	Vortex Energy Group	Poland	2.0	32.0
4-Jan-08	China Guangdong Nuclear Wind Power Co. Ltd	China	0.9	197.2
2-Jan-08	RES Americas, Inc	USA	3.0	99.0
	Total large order booking in 1QCY08			**934.7**
	Total large order booking in CY2008 so far			**3,512.0**

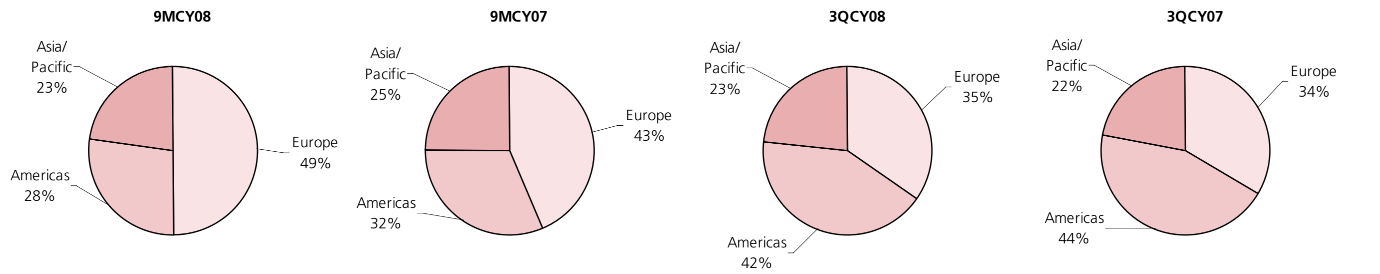
Source: Company

Exhibit 4. Details of key customers of Suzlon Energy

	PPM Energy Portland, Oregon, USA	Horizon Wind Houston, Texas, USA	Edison Mission Group Irvine, California, USA
Parent company	Iberdrola Renovables	EDP Renováveis, S.A.	Edison Mission Group
Total wind installed capacity in US (MW	1,982	2,041	566
Total wind installed capacity in world wide (MW)	7,607	4,155	NA
Parent company financials	**(in US$ mn)**	**(in EUR mn)**	**(in EUR mn)**
Shareholders Funds	11,599	7,251	9,654
Debt	746	10,064	9,534
Deferred tax liability (net)	1,602	(70)	5,310
Other non-current assets	537	6,784	9,302
Total sources of funds	**14,484**	**24,029**	**33,800**
Fixed assets	14,368	23,891	17,403
Investments	301	957	11,125
Cash and bank balance	566	865	1,441
Net current assets	(750)	(3,268)	(938)
Other non-current assets	-	1,584	4,769
Total application of funds	**14,484**	**24,029**	**33,800**
Net debt	181	9,200	8,093
Debt/Equity (X)	0.06	1.39	0.99
Net debt/Equity (X)	0.02	1.27	0.84

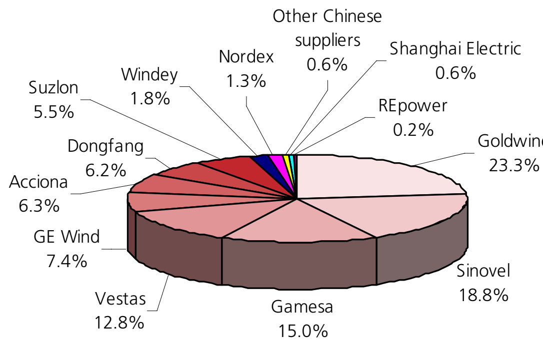
Source: Company websites

Exhibit 5. Europe remains the dominant market for Suzlon however that is likely to change with increasing focus on USA and China
Geaographical breakup of MW sales for Vestas



Source: Company

Exhibit 6. Chinese companies commanded about 50% of the rapidly growing domestic market and can give European majors a run for money in global markets going forward
Market share of wind turbine suppliers in China, CY2007 (%)



Source: BTM-Consult ApS - March 2008.

Exhibit 7. About 17 Chinese suppliers have greater than 1 MW design; Goldwind, Sinovel and Dongfang are the key players
List of Chinese wind turbine suppliers

SN	Manufacturer	Location	Type of turbine (KW)	2007 installed capacity (MW)
			600	257
			750	499
1	Goldwind Science & Technology	Urumqi, Xinjiang	1,200	1
			1,500	74
2	Sinovel Windtech	Dalian, Liaoning	1,500	671
3	Dongfang Steam Turbine	Deyang,Sichuan	1,500	222
4	Hadian Wind Power	Harbin, Heilongjiang	1,200	
5	Baoding Huide	Baoding,Hebei	1,000	1
6	Shanghai Electric Group	Shanghai	1,250	23
7	SUT Wind Power Research Center	Shenyang, Liaoning	200/600	
			1,000/1,500	
8	CSIC(Chongqing) Haizhuang	Chongqing	850	2
			2,000	2
9	Guangdong Mingyang	Zhongshan Guangdong	1,500	2
10	Hunan XEMC	Xiangtan, Hunan	2,000	8
11	Beijing Beizhong	Beijing	2,000	
12	Nantong Kailian	Nantong, Jiangsu	2,000	
			600	
13	Zhejiang huayi	Yueqing, Zhejiang	780	
			1,500	
14	CPC New Unite	Changzhou,Jiansu	1,500	9
15	CSR	Zhuzhou, Hunan	1,650	2
16	Shanghai Wind Power Co.Ltd	Shanghai	1,000/1,250	
17	Huachuang Wind Power Co.Ltd	Shenyang, Liaoning	1,500	3

Source: CHECC & BTM-Consult ApS - March 2008.

Exhibit 8. Comparison of wind power companies (Euro)

Company	Price (Euro)	Mcap (Mn Euro)	Sales (Mn Euro)	EPS (Euro)			PER (X)			EV/EBIDTA (X)		
			2008	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E
Vestas	34.5	6,382	5,845	1.6	2.6	3.4	21.9	13.4	10.2	11.4	7.3	5.8
Gamesa	11.4	2,774	3,655	0.9	1.0	1.3	12.7	11.0	9.1	5.3	5.8	5.1
Nordex	11.5	769	1,090	0.7	0.7	0.8	15.5	16.2	14.7	11.2	7.3	5.1
RePower	105.5	949	1,075	2.4	4.7	1.7	43.4	22.3	60.6	26.1	10.2	14.1
Suzlon	**70.6**	**995**	**1,195**	**6.6**	**3.8**	**10.5**	**6.8**	**11.8**	**4.2**	**4.8**	**7.0**	**5.4**

Note: Suzlon's market price and EPS are in INR, while mkt cap and sales are converted into Euros

Source: Bloomberg, Kotak Insttutional Equities estimates

Pharmaceuticals

GLEN.BO, Rs306	
Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	725
52W High -Low (Rs)	736 - 211
Market Cap (Rs bn)	81.3

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	16.9	26.2	37.7
Net Profit (Rs bn)	6.3	9.4	11.8
EPS (Rs)	25.8	36.5	44.3
EPS gth	*98.4*	*41.3*	*21.2*
P/E (x)	11.8	8.4	6.9
EV/EBITDA (x)	10.6	6.4	5.3
Div yield (%)	0.0	0.0	0.1

Glenmark Pharmaceuticals : Management reiterates guidance; US generics to drive growth in 2HFY09E

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- **PAT guidance unchanged for FY2009-10E at US$210 mn and US$282 mn, KIE estimate remains lower for FY2010E**
- **KIE PAT maintained for FY2009-10E. Difference between KIE and management forecasts due to exchange rate**
- **US generics to drive growth in 2HFY09E with 15 launches**
- **Company indicates GRC 8200 has the potential to be best in class**
- **Maintain BUY rating with price target of Rs725. Reiteration of profit guidance and bullish comments on research pipeline may drive share price in the short term**

Glenmark held its meeting with analysts on November 7. The management reiterated PAT guidance for FY2009-10E at US$210 mn and US$282 mn. We think US generics will be the key growth driver in 2HFY09E led by 15 product launches (five launched in 1HFY09). Glenmark is aiming to file 24 ANDAs in 2HFY09E in US (10 filed ytd), 30% of filings in FY2009E to be made in niche categories of hormones, dermatology, controlled substances. We maintain FY2009-10E KIE PAT estimates. Differences between company and KIE PAT estimates are due to exchange rate variations. The management gave a detailed update on the research pipeline and believes GRC 8200 is a 'best in class' compound. The stock trades at 7X FY2010E and 6X FY2011E estimated earnings. We continue to rate the stock a BUY with a price target of Rs725. We urge investors to build long term positions at current price

PAT guidance for FY2009-10E at US$210 mn and US$282 mn. Management reiterated guidance given earlier. Revenue guidance maintained at US$673 mn and US$932 mn for FY20090-10E.

We maintain KIE FY2009-10E PAT estimates at US$209 mn and US$262 mn. Differences between company and KIE PAT estimates are due to the exchange rate (Rs45 vs company exchange rate of Rs40) and inclusion of forex gains in FY2009E in our estimates.

Excluding post-tax research income of US$63 mn for FY2009-10E, Glenmark has proffered guidance for PAT of US$147 mn for FY2009E and US$219 mn for FY2010E. This is based on an exchange rate of Rs40/US$. Based on our exchange rate assumption of Rs45/$, we estimate it to be US$149 mn and US$202 mn.

While some investors may be skeptical about the guidance, we believe that Glenmark management has delivered on its guidance in the past and its current guidance has to be taken at face value.

Glenmark reported PAT of 1.15 bn in 1Q and Rs1.17 bn in 2Q. It is worth noting that the tax rate was negative in 1Q and 32% in 2Q and forex gains of Rs420 mn were included in 2Q. We model PAT for Glenmark to rise to Rs1.54 bn in 3Q and Rs2.22 bn in 4Q. This is based on expansion of EBITDA margin from ~35% to 37% in 3Q and 40% in 4Q. The biggest risk to forecast is delay in approvals from USFDA.

US generics to drive growth in 2HFY09E with 15 launches. We think US generics will be the key growth driver in 2HFY09E led by 15 product launches. (5 launched in 1HFY09E with 3 launched since Sept'2008) The company reported US$87 mn of sales from US in 1HFY09 and to meet its guidance will have to deliver US$120 mn in 2HFY09E. The bunching of product approvals in 2HFY09E is similar to the situation other US generic companies are facing. Companies such as Watson have also guided towards a number of product approvals coming through in last quarter of this year.

Glenmark is targeting to complete 34 ANDA filings in FY2009E which will take its cumulative total to 95 ANDAs pending approval with USFDA including 4 FTF's. 30% of the filings to be made in FY2009E and 40% in FY2010E will be in niche categories of hormones, dermatology, controlled substances. As these products get approved, we think this will drive EBITDA margins upwards for the company going forward (see Exhibit 3).

Management maintains research income guidance of US$69 mn and guides towards out licensing 2 compounds in FY2009E. Glenmark currently has eight compounds in clinics (excluding GRC 8200) and is working on out licensing deals for four of them (1) European partner for Oglimelast (2) GRC 8200 (3) GRC 10693 (4) GRC 15300 (replacement candidate for GRC 17173).

Management guidance indicates the closing two of these deals in FY2009E. GRC 8200 and Oglemilast are expected to complete phase II trials by 2HFY10E. We now exclude the value of pain control molecule GRC 6211 in our target price derivation. This has reduced valuation of research pipeline by Rs42. We include Rs82 per share in share price target for asthma and diabetes compound (see Exhibit 2).

Company indicates GRC 8200 has the potential to be best in class. Glenmark illustrated the potential of GRC 8200 by describing it as "atorvastatin of DPP-IV class". Despite being the fourth or fifth entrant to the market, based on recent clinical data the company believes it has better efficacy than competing DPP-IVs (such as Merck's Januvia currently being marketed or other compounds under development). GRC 8200 has not exhibited skin reactions which have affected other molecules in this class such as Novartis's Galvus and is the most potent in its class. This is clearly a new development as most of the market, ourselves included, was treating the product as an "also-ran". Glenmark is suggesting that it has a derby winner on hand. This can be confirmed only by further clinical data which may be available in 2009. We are not changing our assumptions regarding profit potential for the product till we see this data.

What is the market price implying? We think that the current market capitalization is indicating that the company's entire research pipeline is treated at zero value. Our price target of Rs725 includes value of research pipeline of Rs82. Glenmark at a price of Rs305 is trading at 7X FY2010E and 6X FY2011E estimated earnings including research milestones. We have always believed that best time to start owning Glenmark is when market is assigning zero value to its research pipeline. We value Glenmark's business excluding research at Rs646 in a year's time. We forecast EPS excluding research income of Rs34 for FY2010E rising to Rs44.5 in FY2011E. Thus, at current share price Glenmark is trading at 9X FY2010E and 7X FY2011E.

Forecasts and valuation, March fiscal year-ends, 2007-2011E

	Net sales		Adjusted EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs)	(%)	(%)	(X)
2007	10,442	62.4	3,300	140.9	3,093	258.0	13.0	17.8	58.5	23.4
2008	16,937	62.2	6,360	92.7	6,321	104.4	25.8	23.6	57.4	11.8
2009E	26,164	54.5	10,556	66.0	9,397	48.7	36.5	26.6	44.1	8.4
2010E	37,692	44.1	14,259	35.1	11,768	25.2	44.3	24.9	35.5	6.9
2011E	47,221	25.3	17,862	25.3	14,484	23.1	54.5	24.3	31.5	5.6

Source: Company data, Kotak Institutional Equities.

ANDAs filings (Includes partner filings)

	Till FY2007	FY2008	1H2009	2H2009	FY2010E	Total
First to file (Para Ivs)	3	6	1	2	3	15
XRs	1	6	2	4	10	23
Dermatology	2	10	2	7	8	29
Controlled Substances	4	4	0	3	4	15
Hormones		3	0	4	5	12
Oncology					5	5
Immediate release	29	32	5	4	4	74
Total	39	61	10	24	39	
Niche filings (% of total)	**26**	**48**	**50**	**83**	**90**	

Source: Company data.

SOTP based price target, FY2010-FY2011E

	PAT (Rs mn)		P/E	Valuation (Rs mn)	
	2010E	2011E	(X)	2010E	2011E
Generics					
India API	207	276	10.0	2,069	2,762
International API	442	476	10.0	4,422	4,762
Oncology	150	225	16.5	2,483	3,712
US	4,749	6,176	16.5	78,357	101,906
Europe generics	60	96	15.0	903	1,446
Total	**5,609**	**7,250**		**88,234**	**114,587**
Specialty					
India	1,415	1,700	18.0	25,472	30,594
Africa, Asia, Russia	1,113	1,628	15.0	16,695	24,423
Latin America	636	835	15.0	9,540	12,525
Europe branded	331	418	15.0	4,966	6,266
Total	**3,495**	**4,581**		**56,672**	**73,809**
Value per share (Rs)					
Generics				332	431
Specialty (incl NCE)				295	360
Cash per share				5	35
Combined share price target					**728**

Source: Company data, Kotak Institutional Equities.

Media

Sector coverage view	Attractive

Company	Rating	Price, Rs 7-Nov	Target
ZEEL	BUY	142	205
HTML	BUY	69	130
Sun TV	BUY	157	205
Dish TV	REDUCE	17	20
JAGP	BUY	51	84

IRS 2008 Round 2 analysis: strong gains for HT Media but subdued numbers for Jagran

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- **HT Media (HTML) registers meaningful readership gains in Delhi, Mumbai**
- **Stable readership for Jagran Prakashan (JAGP) in core UP market**
- **Retain positive bias on HTML (12-month DCF-based TP: Rs130) and JAGP (TP: Rs84)**

Our analysis of readership data of IRS 2008 Round 2 reveals that (1) readership of English dailies has declined marginally (-3% versus 2008 Round 1) but Hindi dailies largely maintained their readership, (2) HTML's English newspaper's (HT) readership increased meaningfully in both the key Delhi and Mumbai markets (3) HTML's Hindi newspaper's (Hindustan) readership increased substantially across its four key markets and (4) JAGP's Dainik Jagran's (DJ) readership was stable in the key UP market, though its overall readership declined marginally due to strong competition in certain markets. However, we are reluctant to use readership data to make investment decisions and rely on circulation data as a better measure. Our view of strong entry barriers in the print media segment is reinforced by just marginal changes in readership and no changes in leadership of top newspapers despite strong competition. We retain our 12-month, DCF-based target prices of Rs130 and Rs84 for HTML and JAGP. Key downside risks stem from lower-than-expected ad revenues.

IRS 2008 Round 2 analysis

We give below the key findings of IRS 2008 Round 2 for various newspaper publishers in India. However, we would clarify that surveys typically have sampling and extrapolation limitations. We rely on ABC circulation data for our modeling purposes; ABC data is certified, the process of measurement of circulation is rigorous and more reliable, in our view.

1. **English readership.** Total readership (TR) of daily English newspapers declined marginally by 3% in 2008 R2 to 31.7 mn from 32.8 mn in 2008 R1. Exhibit 1 gives a list of English dailies and their readership. The Times of India (TOI, Bennett, Coleman & Co.) continues to be the leader with average issue readership (AIR) of 6.71 mn. HT, the flagship daily of HTML, reported a daily readership of 3.52 mn, a strong 8% increase from 2008 R1.

   Hindi readership. Total readership (TR) of daily Hindi newspapers was flat at 129.2 mn in 2008 R2 from 129 mn in 2008 R1. Exhibit 2 gives a list of Hindi dailies and their readership. Dainik Jagran (DJ), the flagship daily of JAGP, continues to be the market leader with a daily readership of 16.3 mn. Hindustan, the Hindi daily from HTML, was in third position with a daily readership of 9.2 mn in 2008 R2, a robust 4% increase from 2008 R1.

   Impact on ad revenues. We note that total readership of English dailies has declined 1% to 31.7 mn in 2008 R2 from 32.1 mn in 2007 R1; we are surprised by the decline in readership given the new product launches and expansion by all Major English newspapers in their core and new markets. We do not think that overall readership is on a decline and the decline as measured by IRS may reflect factors that may not be negative for ad revenues of newspapers. (1) Several newspapers have chosen to withdraw from uneconomic regions (smaller towns) or reduced circulation to control costs without affecting ad revenues. (2) Lower readership does not translate into lower ad revenues since the lost readership reflects marginal readers; advertisers are anyway reluctant to pay for such readership. (3) The quality of readership is improving with the growth in the economy, which will make up for the modest decline in readership numbers.

2. **HTML—HT regains leadership position in Delhi and takes rapid strides in Mumbai.** HTML's flagship English newspaper (HT) witnesses strong gains (see Exhibit 3) in the core Delhi market, regaining the leadership position from its main competitor TOI. HT's readership in Delhi increased 8% to 2.01 mn from 1.86 mn in the previous round. HT's competitor TOI's readership declined 8% to 1.94 mn from 2.11 mn previously.

   In the Mumbai market, HT's readership increased 35% to 0.56 mn in 2008 R2 versus 0.42 mn in 2008 R1. HT and DNA (Mumbai readership of 0.71 mn in 2008 R2, a marginal gain of 5%) continue to close the gap with TOI, which had a Mumbai readership of 1.55 mn. Exhibit 4 compares the readership of major English Dailies across key states.

   Hindustan—gains readership in Delhi and Bihar-Jharkhand. Hindustan's readership increased 4% to 9.2 mn from 8.9 mn in IRS 2008 R1. Hindustan's gain was most impressive in (1) Delhi where its readership increased 17% to 1.1 mn and (2) Bihar-Jharkhand where its readership increased 4% to 5.8 mn in 2008 R2 (see Exhibit 3). The renewed focus on the Hindi market, especially the expansion in existing and new states (UP), is starting to show results. However, pushback from strong players in UP (DJ, Amar Ujala) and rising newsprint prices will likely impact Hindustan's expansion.

   Mint business newspaper gains over competition. Competition has intensified for the second position in the business news segment with the entry of Mint, HTML's flagship business newspaper. As per R2 2008, Mint has already cemented its second position (see Exhibit 5) with a readership of 0.14 mn, a 39% increase over the previous round. However, ABC circulation data paints a different picture with Business Standard (BS) and Hindu Business Line (HBL) ahead of Mint; we highlight that Mint is currently present in only 5 cities versus 10-12 each for BS and HBL.

3. **JAGP—modest decline in readership of Dainik Jagran (DJ).** DJ's readership dropped to 16.3 mn in 2008 R2 from 16.7 mn in 2008 R1. Hindustan gained marginally in UP and Dainik Bhaskar gained in Punjab at the expense of DJ (see Exhibit 6); the loss was partially compensated by DJ's gain in readership in Haryana, Madhya Pradesh and Uttaranchal. More important, DJ retained its readership in the key UP market. JAGP's ability to hold on to its readership base in UP given aggressive expansion by Hindustan would be critical. Exhibit 7 presents readership data of major Hindi dailies in the major Hindi-speaking states.

Average Issue Readership (AIR) ranking of English dailies ('000)

		yoy			ror		
Rank	**Newspaper**	**R2 2008**	**R2 2007**	**chg (%)**	**R2 2008**	**R1 2008**	**chg (%)**
1	The Times Of India	6,712	6,830	(2)	6,712	6,790	(1)
2	Hindustan Times	3,523	3,320	6	3,523	3,276	8
3	Hindu	2,121	2,236	(5)	2,121	2,244	(5)
4	Deccan Chronicle	1,151	1,260	(9)	1,151	1,225	(6)
5	Telegraph	1,019	1,016	—	1,019	1,009	1
6	Mumbai Mirror	895	752	19	895	775	15
7	The Economic Times	752	774	(3)	752	743	1
8	DNA	710	632	12	710	676	5
9	Mid-day	535	543	(1)	535	571	(6)
10	The New Indian Express	438	537	(18)	438	529	(17)
	Top 5 players	**14,526**	**14,662**	**(1)**	**14,526**	**14,544**	**(0)**
	Next 5 players	**3,330**	**3,238**	**3**	**3,330**	**3,294**	**1**

Note:
(a) Fieldwork period for R2 2008: July 2007 to June 2008.
(b) Fieldwork period for R1 2008: January 2007 to December 2007.
(c) Fieldwork period for R2 2007: July 2006 to June 2007.

Source: Indian Readership Survey, compiled by Kotak Institutional Equities

Average Issue Readership (AIR) ranking of Hindi dailies ('000)

		yoy			ror		
Rank	**Newspaper**	**R2 2008**	**R2 2007**	**chg (%)**	**R2 2008**	**R1 2008**	**chg (%)**
1	Dainik Jagran	16,293	16,880	(3)	16,293	16,738	(3)
2	Dainik Bhaskar	13,000	12,934	1	13,000	12,934	1
3	Hindustan	9,213	8,605	7	9,213	8,878	4
4	Amar Ujala	8,073	8,290	(3)	8,073	8,302	(3)
5	Rajasthan Patrika	6,671	7,403	(10)	6,671	7,331	(9)
6	Punjab Kesari	3,319	3,718	(11)	3,319	3,622	(8)
7	Navbharat Times	2,141	2,371	(10)	2,141	2,283	(6)
8	Navabharat (Mah/Cha)	1,353	1,506	(10)	1,353	1,560	(13)
9	Aj	1,272	1,597	(20)	1,272	1,450	(12)
10	Prabhat Khabar	1,238	1,429	(13)	1,238	1,303	(5)
	Top 5 players	**53,250**	**54,112**	**(2)**	**53,250**	**54,183**	**(2)**
	Next 5 players	**9,323**	**10,621**	**(12)**	**9,323**	**10,218**	**(9)**

Note:
(a) Fieldwork period for R2 2008: July 2007 to June 2008.
(b) Fieldwork period for R1 2008: January 2007 to December 2007.
(c) Fieldwork period for R2 2007: July 2006 to June 2007.

Source: Indian Readership Survey, compiled by Kotak Institutional Equities

Trends in AIR of HT Media publications and competitors in key markets ('000)

	HT Media			Competition			
	R2 2008	R1 2008	chg (%)	R2 2008	R1 2008	chg (%)	Name
Hindustan Times							
Delhi/NCR	2,011	1,862	8	1,935	2,113	(8)	The Times of India
Maharashtra	563	417	35	710	676	5	DNA
Punjab	120	111	8	283	254	11	The Tribune
Uttar Pradesh	254	293	(13)	476	474	—	The Times of India
Hindustan							
Bihar	4,564	4,384	4	2,505	2,756	(9)	Dainik Jagran
Delhi/NCR	1,104	947	17	728	863	(16)	Punjab Kesari
Jharkhand	1,216	1,164	4	923	966	(4)	Prabhat Khabar
Uttar Pradesh	2,193	2,150	2	6,166	6,138	—	Amar Ujala

Note:
(a) Fieldwork period for R2 2008: July 2007 to June 2008.
(b) Fieldwork period for R1 2008: January 2007 to December 2007.

Source: Indian Readership Survey, compiled by Kotak Institutional Equities

Average Issue Readership (AIR) of English dailies in key English-speaking states ('000)

	Deccan Chronicle	Deccan Herald	DNA	Hindu	Hindustan Times	Mid-day	Mumbai Mirror	Telegraph	Times of India	Total
Andhra Pradesh	**822**	—	—	374	—	—	—	—	192	**1,388**
Delhi/NCR	—	—	—	—	2,011	—	—	—	**1,935**	**3,946**
Karnataka	—	422	—	—	—	—	—	—	**514**	**936**
Kerela	—	—	—	**338**	—	—	—	—	—	**338**
Maharashtra	—	—	710	—	563	535	895	—	**1,903**	**4,606**
Tamil Nadu	328	—	—	**1,145**	—	—	—	—	—	**1,473**
Uttar Pradesh	—	—	—	—	254	—	—	—	**476**	**730**
West Bengal	—	—	—	—	—	—	—	**816**	486	**1,302**
Total	**1,150**	**422**	**710**	**1,857**	**2,828**	**535**	**895**	**816**	**5,506**	**14,719**

Note:
(a) Fieldwork period for R2 2008: July 2007 to June 2008.

Source: Indian Readership Survey, compiled by Kotak Institutional Equities

Trends in AIR of HT Mint and other business publications ('000)

	IRS			ABC		
	R2 2008	R1 2008	chg (%)	R2 2008	R1 2008	chg (%)
Dainik Jagran						
Economic Times	752	743	1	741	752	(1)
Business Standard	NA	NA	—	184	170	8
Hindu Business Line	77	88	(13)	156	147	6
HT Mint (e)	139	100	39	130	115	13

Note:
(a) Fieldwork period for IRS R2 2008: July 2007 to June 2008.
(b) Fieldwork period for IRS R1 2008: January 2007 to December 2007.
(c) Fieldwork period for ABC R2 2008: January 2008 to June 2008.
(d) Fieldwork period for ABC R1 2008: July 2007 to December 2007.
(e) Circulation data for HT Mint as provided by HT Media management.

Source: Indian Readership Survey, compiled by Kotak Institutional Equities

Trends in AIR of Jagran Prakashan publications and competitors in key markets ('000)

	Jagran Prakashan			Competition			
	R2 2008	R1 2008	chg (%)	R2 2008	R1 2008	chg (%)	Name
Dainik Jagran							
Bihar	2,505	2,756	(9)	4,564	4,384	4	Hindustan
Delhi/NCR	579	606	(4)	728	863	(16)	Punjab Kesari
Haryana	965	925	4	1,370	1,320	4	Dainik Bhaskar
Jharkhand	869	851	2	923	966	(4)	Prabhat Khabar
Madhya Pradesh	433	375	15	522	571	(9)	Navbharat
Punjab	930	989	(6)	1,075	1,153	(7)	Punjab Kesari
Uttar Pradesh	9,193	9,158	—	6,166	6,138	—	Amar Ujala
Uttaranchal	555	511	9	826	847	(2)	Amar Ujala

Note:
(a) Fieldwork period for R2 2008: July 2007 to June 2008.
(b) Fieldwork period for R1 2008: January 2007 to December 2007.

Source: Indian Readership Survey, compiled by Kotak Institutional Equities

Average Issue Readership (AIR) data of Hindi dailies in key Hindi-speaking states ('000)

	Aj	Amar Ujala	Dainik Bhaskar	Dainik Jagran	Hindustan	Navbharat	Navbharat Times	Prabhat Khabar	Punjab Kesari	Rajasthan Patrika	Total
Bihar	365	—	—	2,505	**4,564**	—	—	242	—	—	**7,676**
Chhattisgarh	—	—	**1,095**	—	—	746	—	—	—	—	**1,841**
Delhi/NCR	—	—	—	579	1,104	—	**1,539**	—	728	—	**3,950**
Haryana	—	—	**1,370**	965	—	—	—	—	845	—	**3,180**
Jharkhand	—	—	—	869	**1,216**	—	—	923	—	—	**3,008**
Madhya Pradesh	—	—	**3,125**	433	—	522	—	—	—	—	**4,080**
Maharashtra	—	—	463	—	—	**553**	507	—	—	—	**1,523**
Punjab	—	257	712	930	—	—	—	—	**1,075**	—	**2,974**
Rajasthan	—	—	5,823	—	—	—	—	—	—	**6,570**	**12,393**
Uttar Pradesh	819	6,166	—	**9,193**	2,193	—	—	—	—	—	**18,371**
Uttaranchal	—	**826**	—	555	—	—	—	—	—	—	**1,381**
Total	**1,184**	**7,249**	**12,588**	**16,029**	**9,077**	**1,821**	**2,046**	**1,165**	**2,648**	**6,570**	**60,377**

Note:
(a) Fieldwork period for R2 2008: July 2007 to June 2008.

Source: Indian Readership Survey, compiled by Kotak Institutional Equities

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	7-Nov-08		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Automobiles																													
Bajaj Auto	414	ADD	59,856	1,251	145	59.3	65.9	69.8	(53.4)	11.0	5.9	7.0	6.3	5.9	5.1	4.8	4.4	3.7	3.0	2.4	4.8	4.8	4.8	21.0	42.6	36.5	610	47.4	—
Hero Honda	752	REDUCE	150,134	3,138	200	48.5	56.8	63.2	12.8	17.2	11.3	15.5	13.2	11.9	9.8	8.8	8.2	4.8	4.0	3.3	2.5	2.7	2.7	34.0	33.1	30.4	770	2.4	#N/A
Mahindra & Mahindra	370	ADD	95,446	1,995	258	38.1	27.5	25.3	(2.0)	(27.7)	(8.0)	9.7	13.4	14.6	7.5	10.6	9.4	2.2	1.7	1.5	3.0	2.5	2.6	27.8	18.2	14.0	410	10.9	#N/A
Maruti Suzuki	599	REDUCE	173,241	3,621	289	59.9	50.3	57.5	10.8	(16.0)	14.4	10.0	11.9	10.4	5.7	6.4	5.4	2.0	1.7	1.5	0.8	0.8	0.8	22.2	15.7	15.6	650	8.4	16.5
Tata Motors	158	SELL	99,609	2,082	631	32.1	27.2	20.0	(31.6)	(15.3)	(26.4)	4.9	5.8	7.9	3.9	5.7	6.3	1.1	0.5	0.6	5.8	8.9	8.9	24.7	13.8	7.8	180	14.1	#N/A
Automobiles		**Cautious**	**578,286**	**12,086**					**(0.8)**	**(8.6)**	**(2.0)**	**8.9**	**9.7**	**9.9**	5.9	6.8	6.5	**2.2**	**1.6**	**1.4**	**2.9**	**3.4**	**3.4**	**24.6**	**16.2**	**14.1**			
Banks/Financial Institutions																													
Andhra Bank	51	REDUCE	24,590	514	485	11.9	11.6	12.1	7.0	(2.4)	4.7	4.3	4.4	4.2	—	—	—	0.8	0.7	0.6	7.9	5.7	6.0	18.0	16.3	15.3	65	28.2	0.8
Axis Bank	582	REDUCE	208,044	4,348	358	32.2	39.7	51.8	37.7	23.2	30.5	18.0	14.6	11.2	—	—	—	2.5	2.2	1.9	1.0	1.3	1.7	17.6	15.2	17.5	750	29.0	70.1
Bank of Baroda	292	ADD	106,825	2,233	366	39.3	40.9	43.7	39.8	4.1	6.8	7.4	7.2	6.7	—	—	—	1.2	1.1	1.0	2.7	2.8	3.0	14.6	13.0	12.7	330	12.9	#N/A
Bank of India	271	BUY	142,418	2,977	526	40.6	48.0	46.3	76.6	18.2	(3.6)	6.7	5.6	5.8	—	—	—	1.8	1.4	1.1	1.5	1.9	1.8	27.6	25.4	20.1	370	36.6	23.2
Canara Bank	193	REDUCE	78,987	1,651	410	38.2	40.0	38.3	10.1	4.8	(4.3)	5.0	4.8	5.0	—	—	—	1.1	0.9	0.8	4.2	3.1	3.1	15.0	14.7	12.6	220	14.2	4.3
Central Bank of India	38	SELL	15,378	321	404	11.6	9.4	17.1	(24.6)	(18.6)	81.0	3.3	4.0	2.2	—	—	—	0.7	0.5	0.4	5.3	—	—	15.3	11.6	16.7	55	44.5	0.4
Corporation Bank	216	BUY	30,961	647	143	51.3	51.3	51.5	37.2	0.2	0.3	4.2	4.2	4.2	—	—	—	0.7	0.6	0.6	4.9	4.9	4.9	18.4	16.3	14.6	310	43.6	#N/A
Federal Bank	148	BUY	25,279	528	171	34.4	26.6	29.8	0.5	(22.7)	12.2	4.3	5.6	5.0	—	—	—	0.7	0.6	0.5	2.7	3.3	3.8	13.6	11.1	11.4	300	103.0	1.5
Future Capital Holdings	208	BUY	13,151	275	63	(4.5)	4.5	28.8	(689.8)	(198.6)	546.1	(46.1)	46.7	7.2	—	—	—	1.8	1.7	1.4	—	—	—	(6.7)	3.8	21.4	440	111.5	0.9
HDFC	1,702	ADD	488,396	10,207	287	85.8	78.0	97.1	38.2	(9.0)	24.5	19.8	21.8	17.5	—	—	—	4.1	3.5	3.1	1.5	1.4	1.7	27.8	17.4	18.9	2,200	29.3	#N/A
HDFC Bank	1,090	BUY	461,299	9,641	423	46.0	55.6	68.9	28.7	20.9	23.9	23.7	19.6	15.8	—	—	—	4.0	3.1	2.2	0.7	0.9	1.1	17.7	17.9	17.1	1,350	23.9	53.6
ICICI Bank	432	ADD	481,011	10,053	1,113	39.9	36.2	39.2	15.4	(9.3)	8.2	10.8	11.9	11.0	—	—	—	1.0	1.0	0.9	2.6	2.1	2.3	11.7	8.4	8.6	450	4.1	#N/A
IDFC	67	ADD	87,042	1,819	1,294	5.7	6.4	7.2	3.0	13.3	11.8	11.8	10.4	9.3	—	—	—	1.6	1.4	1.2	1.8	1.7	1.8	17.6	14.2	14.2	85	26.4	21.9
India Infoline	56	ADD	16,036	335	287	5.6	6.3	6.2	85.6	12.0	(1.2)	10.0	8.9	9.0	2.3	4.1	3.7	1.3	1.2	1.1	2.1	2.4	2.4	20.7	14.1	12.9	70	25.4	3.3
Indian Bank	136	ADD	58,363	1,220	430	22.5	22.8	23.5	33.9	1.0	3.1	6.0	6.0	5.8	—	—	—	1.3	1.1	1.0	2.2	2.1	2.2	23.4	18.8	16.7	160	17.8	2.7
Indian Overseas Bank	83	BUY	45,355	948	545	22.1	21.9	20.1	19.2	(0.6)	(8.5)	3.8	3.8	4.1	—	—	—	0.9	0.8	0.7	4.5	6.0	6.6	27.2	22.5	17.7	130	56.2	1.1
J&K Bank	339	ADD	16,436	344	48	74.2	76.3	72.8	31.2	2.8	(4.7)	4.6	4.4	4.7	—	—	—	0.8	0.7	0.6	4.6	4.7	4.5	16.8	15.3	13.1	500	47.5	0.3
LIC Housing Finance	230	ADD	19,549	409	85	45.5	54.6	56.2	38.7	19.8	2.9	5.0	4.2	4.1	—	—	—	1.0	0.9	0.7	4.3	5.2	5.4	—	—	—	325	41.3	2.8
Mahindra & Mahindra Financial	190	SELL	18,121	379	95	20.8	16.8	22.3	32.6	(19.5)	33.3	9.1	11.3	8.5	—	—	—	1.5	1.3	1.1	2.4	2.2	2.9	16.9	11.7	14.2	190	(0.1)	0.1
Oriental Bank of Commerce	148	ADD	37,193	777	251	23.9	44.0	30.0	(27.6)	84.3	(31.8)	6.2	3.4	4.9	—	—	—	0.8	0.6	0.5	3.2	5.9	4.0	6.2	17.8	10.9	200	34.7	2.0
PFC	112	ADD	127,976	2,675	1,148	11.4	12.6	15.7	2.4	10.7	24.9	9.8	8.9	7.1	—	—	—	1.3	1.1	1.0	3.1	1.5	1.9	13.5	13.3	14.8	140	25.6	2.4
Punjab National Bank	496	BUY	156,327	3,267	315	65.0	81.5	86.0	33.0	25.4	5.5	7.6	6.1	5.8	—	—	—	1.6	1.3	1.1	2.6	3.3	3.5	18.0	19.5	18.0	650	31.1	11.3
Shriram Transport	214	ADD	43,419	907	203	19.2	28.4	29.7	85.7	48.2	4.5	11.1	7.5	7.2	—	—	—	2.5	2.1	1.7	2.3	4.0	4.3	26.9	28.6	25.8	305	42.7	0.9
SREI	52	BUY	6,047	126	116	11.4	7.6	7.6	57.4	(33.5)	(0.2)	4.5	6.8	6.8	—	—	—	0.9	0.6	0.5	2.3	4.4	5.4	23.1	13.9	12.8	100	92.3	0.5
State Bank of India	1,249	BUY	788,549	16,481	631	106.6	116.5	105.2	23.5	9.4	(9.7)	11.7	10.7	11.9	—	—	—	1.9	1.7	1.5	1.7	1.7	1.8	16.8	14.2	11.6	1,600	28.1	#N/A
Union Bank	155	BUY	78,369	1,638	505	27.5	30.9	31.0	64.1	12.6	0.2	5.7	5.0	5.0	—	—	—	1.1	0.9	0.8	2.6	3.0	3.0	26.8	24.9	20.7	220	41.8	4.9
Banks/Financial Institutions		**Attractive**	**3,575,118**	**74,720**					**36.9**	**12.3**	**5.7**	**10.9**	**9.7**	**9.2**	**—**	**—**	**—**	**1.7**	**1.5**	**1.3**	**2.0**	**2.0**	**2.1**	**15.4**	**15.0**	**13.9**			
Cement																													
ACC	480	REDUCE	90,519	1,892	189	64.1	56.2	44.5	13.0	(12.3)	(20.8)	7.5	8.5	10.8	3.8	3.9	5.3	2.0	1.8	1.6	4.8	4.9	4.9	33.3	23.5	16.7	550	14.6	#N/A
Ambuja Cements	56	REDUCE	85,938	1,796	1,522	7.6	7.8	5.4	(11.2)	2.8	(30.0)	7.5	7.3	10.4	3.8	3.8	4.9	1.7	1.4	1.3	4.6	5.3	3.8	26.6	21.0	12.8	60	6.3	2.9
Grasim Industries	1,046	ADD	95,899	2,004	92	284.6	230.8	197.7	32.6	(18.9)	(14.3)	3.7	4.5	5.3	2.6	3.1	3.0	0.8	0.7	0.6	2.9	3.2	3.2	25.0	16.3	12.1	1,700	62.5	#N/A
India Cements	90	BUY	25,255	528	282	24.5	22.7	20.2	n/a	(7.3)	(10.8)	3.7	3.9	4.4	3.4	2.9	3.1	0.7	0.6	0.6	2.0	2.4	2.4	25.8	18.6	14.6	145	61.8	1.9
Shree Cement	430	BUY	14,980	313	35	90.2	109.1	71.3	99.5	21.0	(34.6)	4.8	3.9	6.0	2.7	3.2	3.0	2.3	1.5	1.2	1.9	1.9	1.9	56.9	46.6	22.9	850	97.7	0.3
UltraTech Cement	350	BUY	43,841	916	125	81.4	71.0	54.7	28.5	(12.8)	(22.9)	4.3	4.9	6.4	3.3	3.5	3.9	1.4	1.1	0.9	2.2	2.3	2.3	45.2	28.8	18.2	550	57.1	1.0
Cement		**Cautious**	**356,432**	**7,449**					**19.3**	**(10.3)**	**(20.5)**	**5.1**	**5.7**	**7.2**	**3.2**	**3.4**	**3.7**	**1.2**	**1.0**	**0.9**	**3.6**	**3.9**	**3.5**	**24.3**	**18.2**	**12.9**			
Consumer (Discretionary)																													
Radico Khaitan	60	REDUCE	6,112	128	102	2.2	1.7	3.3	(41.4)	(24.7)	93.1	26.6	35.3	18.3	10.7	11.6	9.4	2.4	2.3	2.0	1.0	-	-	11.7	6.7	11.7	65	9.0	0.4
United Breweries	93	REDUCE	22,324	467	240	2.1	2.2	2.7	(2.2)	2.5	24.4	44.2	43.1	34.6	13.6	10.7	8.8	3.7	2.1	2.0	—	—	—	8.0	4.4	5.8	105	12.9	0.2
United Spirits	804	BUY	75,285	1,573	94	40.0	40.1	52.4	50.8	0.1	30.9	20.1	20.1	15.3	11.8	10.4	9.1	3.2	3.2	2.4	0.0	0.0	0.0	18.8	15.9	17.7	1,050	30.6	8.7
Consumer (Discretionary)		**Neutral**	**103,721**	**2,168**					**31.3**	**(1.9)**	**31.9**	**22.3**	**22.8**	**17.3**	**12.0**	**10.5**	**9.1**	**3.2**	**2.6**	**2.2**	**0.1**	**0.0**	**0.0**	**14.4**	**11.2**	**13.0**			
Consumer products																													
Asian Paints	953	ADD	91,455	1,911	96	39.5	45.2	50.9	40.4	14.5	12.6	24.1	21.1	18.7	14.5	12.8	10.9	9.3	7.5	6.1	1.6	1.8	2.1	44.6	40.4	36.9	1,075	12.7	0.9
Colgate-Palmolive (India)	375	REDUCE	50,984	1,066	136	17.1	19.1	21.7	16.8	11.7	13.8	21.9	19.6	17.2	18.2	16.0	13.7	27.8	27.5	27.2	3.5	4.3	4.9	100.4	141.4	159.6	400	6.7	#N/A
GlaxoSmithkline Consumer (a)	550	ADD	23,128	483	42	38.7	44.4	49.3	26.9	14.7	11.2	14.2	12.4	11.1	7.2	6.5	5.5	3.5	3.0	2.6	2.2	2.6	2.9	27.4	26.5	25.1	700	27.3	0.2
Godrej Consumer Products	109	ADD	28,185	589	258	7.1	7.3	8.7	18.7	3.0	20.3	15.5	15.0	12.5	13.6	13.5	10.1	15.9	4.2	3.6	3.3	3.7	3.7	109.6	45.0	42.2	140	28.2	0.1
Hindustan Unilever	250	REDUCE	543,712	11,364	2,177	8.1	9.1	10.7	15.4	12.1	17.8	30.7	27.4	23.3	24.9	21.2	17.9	37.8	35.2	32.5	4.3	3.4	4.1	85.2	133.3	145.6	245	(1.9)	#N/A
ITC	175	ADD	658,188	13,756	3,769	8.3	8.8	10.0	15.4	6.2	13.9	21.1	19.9	17.4	13.4	12.2	10.7	5.2	4.6	4.0	2.0	2.1	2.3	27.7	25.7	25.6	200	14.5	#N/A
Jyothy Laboratories	240	ADD	3,483	73	15	31.0	42.1	68.3	(12.8)	35.8	62.3	7.7	5.7	3.5	4.9	3.2	1.5	0.9	0.8	0.7	3.9	4.4	4.9	11.5	13.1	17.9	740	208.3	
Nestle India (a)	1,383	ADD	133,377	2,788	96	44.5	56.4	68.1	31.3	26.8	20.7	31.1	24.5	20.3	18.7	15.4	13.0	25.8	19.8	15.4	2.0	2.5	3.0	94.8	91.4	85.4	1,740	25.8	#N/A
Tata Tea	515	BUY	31,845	666	62	54.1	63.3	67.3	3.6	17.2	6.2	9.5	8.1	7.7	3.7	3.1	2.6	0.7	0.6	0.6	2.9	3.4	3.6	9.7	9.4	9.4	1,100	113.6	1.3
Consumer products		**Cautious**	**1,564,357**	**32,695**					**17.1**	**11.0**	**15.5**	**23.6**	**21.3**	**18.4**	**15.4**	**13.7**	**11.9**	**7.2**	**6.3**	**5.6**	**2.9**	**2.7**	**3.1**	**30.6**	**29.6**	**30.2**			
Constructions																													
Consolidated Construction Co.	310	BUY	11,456	239	37	24.0	28.1	36.9	67.6	16.8	31.4	12.9	11.0	8.4	8.5	6.4	4.9	2.5	2.1	1.8	0.8	1.3	1.7	27.7	20.9	22.9	425	37.1	0.1
IVRCL	139	BUY	18,794	393	135	15.5	16.7	21.8	27.2	7.4	30.3	8.9	8.3	6.4	7.8	6.6	5.2	1.2	1.0	0.9	1.0	0.6	0.6	14.4	13.2	15.0	270	94.5	6.8
Nagarjuna Construction Co.	66	BUY	15,085	315	229	7.2	8.1	10.6	14.5	13.4	30.2	9.2	8.1	6.2	7.4	6.4	5.7	1.0	1.8	0.8	1.7	2.0	2.4	12.6	11.3	13.3	150	127.8	4.3

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	7-Nov-08 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Energy																													
Bharat Petroleum	331	REDUCE	108,427	2,266	328	41.3	30.4	42.8	(21.2)	(26.4)	41.0	8.0	10.9	7.7	3.9	4.4	3.3	0.8	0.8	0.7	1.3	0.9	1.3	11.8	7.9	10.1	370	11.9	#N/A
Cairn india	143	BUY	266,368	5,567	1,868	(0.1)	3.9	16.7	(105)	(3,332)	334	(1,196)	37	8.5	33.4	18.2	5.9	0.9	0.8	0.7	—	—	—	(0.1)	2.3	9.1	240	68.3	19.1
Castrol India (a)	280	ADD	34,619	724	124	20.1	23.1	25.2	64.6	15.1	8.8	13.9	12.1	11.1	8.0	6.9	6.3	8.4	8.0	7.7	5.0	6.4	7.1	59.5	67.8	70.7	380	35.7	#N/A
GAIL (India)	214	REDUCE	271,263	5,669	1,268	20.4	27.5	27.9	21.0	35.1	1.4	10.5	7.8	7.7	5.3	4.6	5.7	1.9	1.6	1.4	3.1	3.7	3.7	18.1	21.4	18.5	240	12.2	#N/A
GSPL	30	BUY	16,771	351	563	1.8	2.7	3.7	10.1	47.6	37.7	16.5	11.2	8.1	6.1	5.8	4.2	1.4	1.2	1.1	1.7	2.5	3.4	8.8	11.5	14.2	60	101.3	2.3
Hindustan Petroleum	219	REDUCE	74,192	1,551	339	33.5	26.0	33.6	(16.4)	(22.3)	29.0	6.5	8.4	6.5	6.5	5.2	3.6	0.6	0.6	0.5	1.4	1.1	1.4	9.6	6.8	8.0	270	23.4	#N/A
Indian Oil Corporation	368	REDUCE	434,049	9,072	1,179	61.3	32.4	53.8	31.0	(47.2)	66.0	6.0	11.4	6.8	3.8	7.9	6.2	1.0	0.9	0.8	1.5	0.9	1.5	17.4	8.1	12.1	450	22.3	3.8
Oil & Natural Gas Corporation	740	BUY	1,582,776	33,080	2,139	92.7	129.8	141.7	9.1	40.0	9.2	8.0	5.7	5.2	2.8	2.2	1.8	1.6	1.3	1.1	4.3	5.4	6.1	19.6	24.0	22.3	1,125	52.0	49.2
Petronet LNG	38	ADD	28,538	596	750	6.3	6.0	7.1	—	(5.7)	18.7	6.0	6.4	5.4	4.1	5.4	4.3	1.5	1.3	1.0	3.9	3.9	3.9	26.7	20.6	20.3	60	57.7	1.3
Reliance Industries	1,221	REDUCE	1,676,090	35,030	1,373	101.7	99.7	150.6	23.0	(2.0)	51.0	12.0	12.2	8.1	7.9	6.7	3.7	1.9	1.6	1.3	1.0	1.1	1.6	18.5	14.7	19.1	1,325	8.5	249.6
Reliance Petroleum	85	REDUCE	383,400	8,013	4,500	(1.1)	2.4	17.0	n/a	n/a	596.6	n/a	34.9	5.0	n/a	19.7	4.7	2.9	2.6	1.8	—	—	2.3	(3.5)	7.8	42.9	100	17.4	48.6
Energy		**Neutral**	**4,876,493**	**101,919**					**11.5**	**17.2**	**43.1**	**10.4**	**8.9**	**6.2**	**5.2**	**4.8**	**3.6**	**1.5**	**1.3**	**1.1**	**2.2**	**2.5**	**3.2**	**14.6**	**14.4**	**17.9**			
Industrials																													
ABB	497	REDUCE	105,329	2,201	212	23.2	25.5	29.8	44.5	10.0	16.6	21.4	19.5	16.7	12.3	11.0	9.1	6.5	5.1	4.0	0.4	0.6	0.7	34.8	29.2	26.9	500	0.6	7.3
BGR Energy Systems	190	ADD	13,644	285	72	12.1	17.6	23.2	(67.4)	45.3	31.9	15.6	10.8	8.2	10.0	7.0	6.1	2.9	2.4	1.9	1.1	1.5	2.0	31.4	24.2	26.0	275	45.1	0.7
Bharat Electronics	664	ADD	53,120	1,110	80	102.0	105.5	111.8	11.2	3.4	6.0	6.5	6.3	5.9	2.3	1.7	1.4	1.6	1.3	1.1	3.1	3.8	3.8	27.7	23.1	20.8	950	43.1	1.1
Bharat Heavy Electricals	1,403	BUY	686,723	14,353	490	58.4	72.2	98.0	22.9	23.7	35.6	24.0	19.4	14.3	12.7	9.9	7.5	6.4	5.1	4.0	1.1	1.1	1.5	29.2	29.2	31.5	1,475	5.1	78.8
Larsen & Toubro	870	ADD	515,856	10,781	593	37.9	52.4	63.4	20.8	38.1	21.1	22.9	16.6	13.7	15.1	10.6	8.9	4.4	3.3	2.7	1.0	2.3	2.3	22.7	22.4	21.6	1,050	20.6	98.0
Maharashtra Seamless	181	BUY	12,780	267	71	29.4	37.4	37.9	(23.5)	27.6	1.2	6.2	4.8	4.8	3.8	3.1	2.9	1.1	0.9	0.8	2.8	3.1	3.1	19.7	21.1	18.0	250	38.0	0.8
Siemens	296	REDUCE	99,816	2,086	337	18.2	18.8	23.4	60.4	3.1	24.5	16.3	15.8	12.7	9.1	8.6	6.6	5.4	4.2	3.3	0.8	1.0	0.9	39.9	30.2	29.3	370	25.0	6.2
Suzlon Energy	71	BUY	110,627	2,312	1,567	6.6	7.2	10.5	9.5	9.0	46.4	10.7	9.9	6.7	6.2	8.4	6.6	1.2	1.1	0.9	1.4	1.4	1.4	16.3	11.8	15.3	125	77.1	42.8
Industrials		**Neutral**	**1,597,896**	**33,396**					**24.6**	**21.9**	**27.5**	**19.1**	**15.7**	**12.3**	**11.0**	**9.1**	**7.4**	**4.0**	**3.2**	**2.6**	**1.1**	**1.6**	**1.8**	**20.8**	**20.6**	**21.5**			
Infrastructure																													
IRB Infrastructure	81	BUY	26,755	559	332	3.4	5.8	12.5	150.9	68.9	116.3	23.5	13.9	6.4	9.7	9.6	4.6	1.6	1.4	1.1	—	—	—	10.7	10.9	19.6	145	80.1	0.5
Media																													
DishTV	17	REDUCE	10,982	230	644	(9.6)	(7.8)	(4.2)	n/a	(19.1)	(45.7)	(1.8)	(2.2)	(4.0)	(7.0)	(3.8)	(15.4)	(2.4)	5.9	(5.1)	—	—	—	167.9	375.0	NA	20	17.3	3.9
HT Media	69	BUY	16,163	338	234	4.3	3.1	6.0	4.7	(28.8)	94.1	16.0	22.4	11.5	8.8	9.9	5.6	1.9	1.8	1.6	0.6	0.6	1.2	12.2	8.1	14.4	130	88.4	0.2
Jagran Prakashan	50	BUY	15,059	315	301	3.3	3.2	4.6	33.5	(2.8)	45.2	15.4	15.8	10.9	8.3	8.8	6.1	2.8	2.7	2.4	4.0	3.8	4.6	18.7	17.2	23.2	84	68.0	0.2
Sun TV Network	157	BUY	61,752	1,291	394	8.3	9.4	11.1	30.7	13.1	18.9	18.9	16.7	14.1	9.7	8.5	7.2	4.1	3.6	3.3	1.6	2.6	3.5	24.8	23.8	25.0	205	30.8	0.6
Zee Entertainment Enterprises	142	BUY	61,762	1,291	434	8.9	9.7	12.0	62.6	9.1	24.0	16.0	14.7	11.9	11.8	9.8	7.9	2.1	1.8	1.7	1.4	1.7	2.2	14.2	13.8	15.3	205	43.9	#N/A
Media		**Attractive**	**165,718**	**3,464**					**24.0**	**(10.2)**	**87.3**	**33.2**	**37.0**	**19.8**	**13.2**	**11.6**	**8.2**	**3.1**	**2.5**	**2.4**	**1.5**	**2.0**	**2.7**	**9.2**	**6.7**	**12.0**			
Metals																													
Hindalco Industries	60	SELL	105,683	2,209	1,753	13.8	9.5	7.3	(10.0)	(30.9)	(23.8)	4.4	6.3	8.3	5.9	5.2	5.7	0.5	0.3	0.4	—	—	—	14.4	10.6	7.1	40	(33.7)	14.2
National Aluminium Co.	165	BUY	106,376	2,223	644	25.3	20.4	21.2	(31.5)	(19.4)	3.9	6.5	8.1	7.8	2.6	3.4	2.7	1.1	1.0	0.9	3.6	3.6	3.6	18.3	13.3	12.7	230	39.3	4.4
Jindal Steel and Power	735	BUY	113,123	2,364	154	91.1	87.5	77.7	101.5	(3.9)	(11.2)	8.1	8.4	9.5	6.4	5.9	6.3	2.7	2.0	1.6	0.6	0.8	1.0	43.8	27.2	19.1	1,250	70.1	21.1
JSW Steel	285	ADD	52,975	1,107	186	92.0	103.1	146.8	35.7	12.0	42.4	3.1	2.8	1.9	3.4	3.9	2.8	0.5	0.5	0.4	6.5	6.5	6.5	21.2	18.1	21.0	1,040	264.7	11.4
Hindustan Zinc	317	ADD	134,090	2,802	423	104.0	77.2	55.9	(1.0)	(25.8)	(27.6)	3.1	4.1	5.7	2.2	2.7	4.0	1.1	0.9	0.8	1.6	2.4	3.2	43.6	23.5	14.3	400	26.0	2.2
Sesa Goa	80	ADD	62,861	1,314	787	18.9	22.0	13.3	145.9	16.3	(39.8)	4.2	3.6	6.0	2.8	2.3	3.3	2.2	1.6	1.4	4.4	8.8	8.8	67.7	50.5	24.4	100	25.2	26.0
Sterlite Industries	246	BUY	174,219	3,641	708	64.3	45.7	38.1	(22.6)	(28.9)	(16.7)	3.8	5.4	6.5	3.3	4.4	5.5	0.7	0.7	0.6	—	—	—	26.1	13.3	10.3	415	68.8	32.8
Tata Steel	190	ADD	155,767	3,256	822	75.7	89.7	74.6	43.8	18.5	(16.9)	2.5	2.1	2.5	3.6	3.8	4.0	0.4	0.4	0.3	7.6	6.8	6.9	46.3	29.9	22.6	285	50.4	54.6
Metals		**Cautious**	**905,093**	**18,916**					**13.2**	**(8.3)**	**(14.0)**	**3.8**	**4.1**	**4.8**	**3.8**	**4.0**	**4.3**	**0.8**	**0.6**	**0.6**	**2.7**	**3.0**	**3.2**	**19.9**	**15.3**	**11.9**			
Pharmaceutical																													
Biocon	120	BUY	23,980	501	200	23.3	9.5	16.4	126.0	(59.0)	71.7	5.1	12.6	7.3	6.5	6.0	4.7	1.6	1.5	1.4	0.1	0.1	0.1	17.6	15.7	19.6	260	116.8	0.7
Cipla	184	REDUCE	143,177	2,992	777	9.0	10.3	12.7	4.9	13.8	23.3	20.4	17.9	14.6	15.0	13.3	11.1	3.8	3.3	2.8	1.1	1.4	1.6	20.1	19.7	21.0	220	19.4	#N/A
Dishman Pharma & chemicals	137	BUY	11,179	234	81	14.7	15.4	28.1	30.5	4.6	82.8	9.3	8.9	4.9	8.7	8.2	5.0	1.9	1.6	1.2	0.0	0.0	0.0	26.8	19.9	29.0	400	191.0	0.4
Divi's Laboratories	1,255	BUY	81,007	1,693	65	53.2	80.1	101.4	85.8	50.5	26.7	23.6	15.7	12.4	19.2	12.5	9.5	9.5	6.0	4.2	0.1	0.1	0.1	49.8	47.4	40.0	1,980	57.8	4.9
Dr Reddy's Laboratories	408	BUY	69,055	1,443	169	26.1	26.4	36.6	(57.2)	1.2	38.7	15.7	15.5	11.2	7.8	6.8	5.6	1.5	1.4	1.3	0.9	1.0	1.0	10.3	9.5	12.0	675	65.4	#N/A
Glenmark Pharmaceuticals	306	BUY	81,258	1,698	266	25.8	36.5	44.3	98.4	41.3	21.2	11.8	8.4	6.9	10.6	6.4	5.3	5.4	2.9	2.1	0.0	0.0	0.1	57.4	44.1	35.5	725	137.2	6.5
Jubilant Organosys	175	BUY	31,719	663	181	22.1	11.0	29.6	69.9	(50.4)	170.2	7.9	16.0	5.9	7.9	12.4	6.1	2.5	1.8	1.6	0.7	0.9	1.2	37.0	14.9	32.2	475	171.4	0.3
Lupin	691	BUY	61,233	1,280	89	49.8	48.9	59.7	30.2	(1.9)	22.2	13.9	14.1	11.6	16.2	11.4	9.3	4.7	3.0	2.6	1.3	1.4	1.7	37.9	28.4	24.2	950	37.4	2.7
Piramal Healthcare	219	BUY	45,677	955	209	17.7	18.3	25.9	66.8	3.3	41.1	12.3	11.9	8.5	9.4	8.7	6.4	4.2	3.3	2.5	1.9	1.8	2.1	30.9	30.0	34.1	410	87.6	1.3
Ranbaxy Laboratories	219	ADD	91,693	1,916	419	23.3	(0.9)	12.2	70.4	NA	NA	9.4	NA	17.9	8.7	24.3	5.7	3.1	1.6	0.9	3.5	4.8	6.1	29.8	(0.9)	8.0	340	55.4	#N/A
Sun Pharmaceuticals	1,193	BUY	247,121	5,165	207	74.7	90.9	86.4	78.9	21.7	(5.0)	16.0	13.1	13.8	13.4	10.0	9.8	4.8	3.6	2.9	0.9	0.9	1.1	38.3	32.3	24.2	1,870	56.7	27.9
Pharmaceuticals		**Attractive**	**887,099**	**18,540**					**34.1**	**(1.2)**	**34.7**	**14.8**	**15.0**	**11.1**	**11.2**	**10.2**	**7.5**	**3.6**	**2.7**	**2.0**	**1.1**	**1.3**	**1.6**	**24.5**	**17.9**	**18.4**			
Property																													
DLF	281	BUY	478,366	9,998	1,705	46.1	44.6	47.4	263.2	(3.2)	6.2	6.1	6.3	5.9	6.0	6.1	5.1	2.4	1.8	1.5	1.8	2.5	2.5	66.5	33.4	27.6	440	56.8	63.2
Housing Development & Infrastruc	117	BUY	32,274	675	275	51.2	44.8	42.1	118.6	(12.5)	(5.9)	2.3	2.6	2.8	3.5	4.0	3.8	0.9	0.7	0.6	3.3	4.3	5.1	64.5	29.5	22.3	380	224.4	42.8
Indiabulls Real Estate	157	BUY	42,899	897	273	16.4	6.8	7.5	2,383.9	(58.6)	10.4	9.6	23.1	20.9	(1,523.8)	51.2	13.6	0.8	0.6	0.6	0.2	0.0	0.0	10.6	2.9	2.8	275	74.8	37.5
IVR Prime Urban Developers	45	BUY	2,874	60	64	27.0	2.9	9.7	552.8	(89.4)	238.9	1.7	15.6	4.6	0.4	19.6	7.5	0.3	0.3	0.3	8.9	11.2	15.6	31.9	1.8	6.3	170	279.5	0.1
Mahindra Life Space Developer	192	BUY	8,072	169	42	16.8	13.1	17.1	307.7	(22.2)	30.9	11.4	14.7	11.2	20.9	14.5	7.4	0.9	0.9	0.9	1.4	2.0	2.0	8.4	6.1	7.6	500	160.5	0.4
Phoenix Mills	59	BUY	8,495	178	145	12.4	5.5	12.0	89.5	(55.9)	119.9	4.7	10.7	4.9	6.0	9.1	3.3	0.6	0.6	0.5	—	—	—	22.1	5.4	10.9	280	377.4	0.7
Puravankara Projects	56	ADD	11,984	250	213	11.2	10.1	10.8	67.3	(10.6)	7.6	5.0	5.6	5.2	8.6	11.4	10.7	1.0	0.9	0.8	3.6	3.6	5.3	34.2	17.0	16.2	120	113.7	0.4

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	7-Nov-08 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Property		**Cautious**	**675,248**	**14,113**					**193.3**	**(7.7)**	**5.0**	**5.5**	**6.0**	**5.7**	**6.0**	**6.0**	**5.1**	**1.8**	**1.4**	**1.2**	**1.9**	**2.6**	**3.2**	**32.1**	**23.2**	**20.4**			
Retail																													
Pantaloon Retail	238	BUY	40,873	854	172	8.0	12.1	18.4	93.1	50.4	52.2	29.6	19.7	12.9	11.3	7.8	6.3	2.4	1.5	1.4	0.2	0.3	0.4	8.5	9.1	10.8	370	55.7	1.7
Titan Industries	919	BUY	40,798	853	44	35.1	49.8	56.6	55.2	42.1	13.6	26.2	18.5	16.2	17.7	11.6	9.7	8.7	6.2	4.8	0.9	1.0	1.2	37.7	39.3	33.2	1,280	39.3	2.9
Vishal Retail	80	ADD	1,786	37	22	18.1	21.6	35.6	37.2	19.2	65.2	4.4	3.7	2.2	5.3	4.3	3.6	0.7	0.6	0.4	—	—	—	20.2	16.2	22.1	485	508.2	0.1
Retail			**83,457**	**1,744**					**31.8**	**48.2**	**35.6**	**25.9**	**17.5**	**12.9**	**12.3**	**8.2**	**6.6**	**3.4**	**2.3**	**2.0**	**0.5**	**0.7**	**0.8**	**13.2**	**13.1**	**15.3**			
Technology																													
HCL Technologies	165	REDUCE	114,640	2,396	695	15.3	20.6	21.7	(19.0)	35.0	5.4	10.8	8.0	7.6	5.7	4.1	3.8	2.3	1.8	1.6	4.8	4.8	4.8	21.4	23.8	22.7	200	21.2	#N/A
Hexaware Technologies	21	SELL	2,928	61	142	7.7	2.9	3.8	(13.7)	(62.4)	32.1	2.7	7.2	5.4	(0.2)	0.9	0.6	0.4	0.4	0.4	4.4	7.8	7.8	15.1	5.8	7.4	25	21.4	0.2
Infosys Technologies	1,263	BUY	724,847	15,149	574	79.1	100.8	108.8	18.0	27.5	7.9	16.0	12.5	11.6	12.2	9.2	8.1	5.3	4.0	3.2	2.6	1.9	2.1	36.1	36.4	30.9	1,600	26.7	#N/A
Mphasis BFL	163	REDUCE	34,067	712	208	12.2	22.3	23.4	67.6	81.7	5.0	13.3	7.3	7.0	7.9	4.7	3.8	2.9	0.4	1.8	2.1	2.4	2.8	23.6	34.6	28.4	190	16.3	1.5
Mindtree	253	BUY	6,587	138	26	26.7	30.7	39.6	12.3	14.7	29.0	9.5	8.2	6.4	5.5	3.1	2.7	1.2	1.0	0.8	1.6	—	—	—	17.2	17.8	450	77.9	0.4
Patni Computer Systems	139	SELL	17,922	375	129	33.2	26.3	30.8	29.2	(20.8)	16.9	4.2	5.3	4.5	0.9	1.0	0.1	0.6	0.6	0.5	1.6	1.9	2.2	19.2	14.1	12.0	160	14.8	1.4
Polaris Software Lab	46	SELL	4,502	94	98	7.4	12.8	11.6	(27.6)	71.6	(9.6)	6.1	3.6	4.0	2.3	1.3	1.0	0.7	0.6	0.5	3.8	3.8	3.8	11.7	17.8	14.1	70	52.8	2.7
Satyam Computer Services	276	BUY	188,475	3,939	682	25.2	33.7	35.5	17.7	33.3	5.3	10.9	8.2	7.8	7.9	5.2	4.3	2.6	2.1	1.7	3.5	4.3	5.1	26.0	28.2	24.2	400	44.7	35.6
TCS	525	REDUCE	513,917	10,741	979	51.3	56.4	63.0	21.5	10.0	11.6	10.2	9.3	8.3	8.2	6.7	6.0	4.2	3.3	2.7	2.7	3.8	4.8	47.0	39.3	35.6	650	23.8	24.6
Tech Mahindra	325	BUY	40,544	847	125	59.1	76.4	85.0	25.7	29.4	11.2	5.5	4.3	3.8	4.8	2.6	1.8	3.2	1.8	1.2	1.7	1.8	1.9	70.7	58.0	40.9	700	115.1	3.3
Wipro	260	ADD	376,855	7,876	1,450	22.2	26.0	28.7	12.6	17.0	10.4	11.7	10.0	9.1	9.2	6.7	5.8	2.9	2.4	2.0	2.4	3.0	3.4	27.9	26.3	24.3	360	38.5	#N/A
Technology		**Cautious**	**2,025,286**	**42,328**					**16.1**	**21.4**	**9.2**	**11.7**	**9.7**	**8.8**	**8.7**	**6.5**	**5.7**	**3.4**	**2.7**	**2.3**	**2.8**	**3.0**	**3.5**	**29.4**	**28.3**	**25.6**			
Telecom																													
Bharti Airtel Ltd	648	BUY	1,229,934	25,706	1,898	35.3	45.3	55.1	65.0	28.3	21.7	18.4	14.3	11.8	11.2	8.4	6.5	5.5	3.9	2.9	—	0.6	0.9	39.1	31.9	28.5	800	23.4	89.9
IDEA	48	REDUCE	154,050	3,220	3,236	3.9	3.3	3.4	78.5	(17.6)	5.7	12.1	14.6	13.8	9.3	5.8	5.1	4.3	1.1	1.0	—	—	—	36.4	12.0	8.0	70	47.1	11.1
MTNL	70	REDUCE	44,195	924	630	7.1	5.1	5.5	(11.0)	(28.4)	7.6	9.8	13.7	12.7	1.4	2.1	1.9	0.4	0.4	0.4	5.7	8.6	8.6	3.5	2.2	2.4	80	14.0	#N/A
Reliance Communications	228	SELL	469,874	9,820	2,064	26.1	26.3	33.1	84.3	0.5	25.8	8.7	8.7	6.9	7.4	7.3	5.9	1.6	1.4	1.1	0.3	—	—	16.8	18.3	18.7	265	16.4	61.3
Tata Communications	489	REDUCE	139,308	2,912	285	10.9	13.6	14.0	(36.3)	24.0	3.2	44.6	36.0	34.9	18.6	15.3	13.9	2.1	2.0	2.0	0.9	1.0	1.3	4.4	5.4	5.2	370	(24.3)	#N/A
Telecom		**Cautious**	**2,037,361**	**42,581**					**65.7**	**16.3**	**21.0**	**14.1**	**12.1**	**10.0**	**9.6**	**7.9**	**6.3**	**2.8**	**2.1**	**1.7**	**0.4**	**0.7**	**0.8**	**19.6**	**17.0**	**17.3**			
Transportation																													
Container Corporation	685	REDUCE	89,036	1,861	130	57.7	69.4	74.2	7.8	20.3	6.8	11.9	9.9	9.2	7.7	6.2	5.5	2.8	2.3	1.9	1.8	2.2	2.3	25.8	25.6	22.8	800	16.8	1.5
Transportation		**Cautious**	**89,036**	**1,861**					**7.8**	**20.3**	**6.8**	**11.9**	**9.9**	**9.2**	**7.7**	**6.2**	**5.5**	**2.8**	**2.3**	**1.9**	**1.8**	**2.2**	**2.3**	**23.5**	**23.3**	**21.0**			
Utilities																													
CESC	220	BUY	27,473	574	125	27.8	28.2	31.1	(23.3)	1.4	10.4	7.9	7.8	7.1	4.1	4.9	6.0	0.9	0.8	0.7	1.8	1.8	2.2	12.5	10.6	10.5	450	104.6	1.6
Lanco Infratech	169	BUY	37,480	783	222	14.8	17.5	26.0	75.2	18.2	48.3	11.4	9.6	6.5	9.6	12.7	10.6	2.0	1.7	1.3	—	—	—	19.7	19.2	23.0	370	119.5	9.0
NTPC	151	REDUCE	1,248,363	26,091	8,245	9.3	9.0	9.7	7.9	(3.2)	7.9	16.2	16.8	15.6	11.3	12.2	11.7	2.3	2.1	2.0	2.3	2.3	2.4	14.9	13.2	13.1	160	5.7	31.2
Reliance Infrastructure	559	BUY	129,136	2,699	231	37.6	53.6	56.8	13.9	42.6	6.0	14.9	10.4	9.8	21.5	17.2	17.0	0.8	0.8	0.7	1.1	1.3	1.5	4.3	6.2	6.6	1,250	123.5	#N/A
Reliance Power	117	REDUCE	280,785	5,868	2,397	0.4	2.1	2.6	—	443.9	25.2	308.0	56.6	45.2	—	—	—	2.0	1.9	1.9	—	—	—	1.2	3.5	4.3	180	53.6	24.1
Tata Power	735	BUY	171,163	3,577	233	29.7	38.1	39.9	11.6	28.5	4.6	24.8	19.3	18.4	18.4	16.6	17.5	2.3	1.8	1.6	1.2	1.3	1.3	10.0	10.3	9.0	1,230	67.4	20.7
Utilities		**Attractive**	**1,894,401**	**39,593**					**12.1**	**7.9**	**9.7**	**18.9**	**17.5**	**16.0**	**13.2**	**15.0**	**15.7**	**2.0**	**1.8**	**1.7**	**1.7**	**1.7**	**1.8**	**10.4**	**10.3**	**10.4**			
Others																													
Aban Offshore	970	BUY	37,505	784	39	72.3	211.1	456.6	(1,066)	192.1	116.3	13.4	4.6	2.1	12.7	6.9	3.9	4.3	1.8	1.0	0.4	1.0	1.5	51.7	49.3	53.1	1,700	75.2	18.8
Educomp Solutions	2,554	BUY	48,576	1,015	19	35.2	63.9	108.1	114	81.7	69.2	72.7	40.0	23.6	38.5	16.5	10.3	15.8	6.6	5.4	0.1	0.2	0.4	33.5	23.3	24.3	2,550	(0.2)	31.2
Havells India	171	BUY	10,349	216	61	26.6	19.7	34.5	40	(25.9)	75.1	6.4	8.7	5.0	6.0	6.0	4.2	1.5	1.3	0.9	1.4	1.8	2.4	33.7	16.5	22.2	365	113.5	0.4
Jaiprakash Associates	88	BUY	104,065	2,175	1,188	4.9	7.3	11.0	7	49.5	50.9	17.9	12.0	7.9	12.0	9.1	8.5	2.1	1.8	1.5	0.0	0.0	0.0	15.4	16.1	20.5	205	134.0	46.0
Jindal Saw	398	BUY	24,434	511	61	66.6	86.9	82.9	(43)	30.6	(4.7)	6.0	4.6	4.8	4.5	2.7	2.4	0.9	0.6	0.6	1.8	3.3	3.8	12.5	14.4	12.3	500	25.5	1.7
PSL	102	BUY	4,439	93	44	21.1	43.6	58.3	4	106.9	33.7	4.8	2.3	1.7	3.7	3.1	2.2	0.8	0.6	0.5	5.0	5.9	7.4	11.3	15.0	17.5	280	174.9	0.2
Sintex	213	BUY	34,565	722	163	19.5	23.4	31.2	58	19.6	33.5	10.9	9.1	6.8	9.9	7.1	5.0	2.1	1.3	1.2	0.4	0.6	0.9	14.0	14.8	15.9	460	116.3	1.9
Welspun Gujarat Stahl Rohren	121	BUY	22,861	478	189	20.6	25.9	36.6	94	25.9	41.6	5.9	4.7	3.3	6.9	4.2	2.8	1.3	1.0	0.8	1.5	3.1	3.3	27.1	23.9	26.6	220	81.7	4.0
Others			**286,793**	**5,994**					**28.6**	**81.0**	**51.6**	**14.6**	**8.1**	**5.3**	**10.3**	**6.9**	**5.3**	**2.1**	**1.6**	**1.2**	**0.5**	**0.9**	**1.2**	**14.4**	**19.7**	**23.1**			
KS universe (b)			**21,843,350**	**456,526**					**25.6**	**9.9**	**17.3**	**11.1**	**10.1**	**8.6**	**7.1**	**6.6**	**5.6**	**2.0**	**1.7**	**1.4**	**1.9**	**2.2**	**2.5**	**17.9**	**16.4**	**16.7**			
KS universe (b) ex-Energy			**16,966,857**	**354,607**					**30.8**	**7.6**	**8.5**	**11.3**	**10.5**	**9.7**	**8.1**	**7.6**	**7.0**	**2.2**	**1.8**	**1.6**	**1.9**	**2.0**	**2.3**	**19.3**	**17.2**	**16.2**			
KS universe (d) ex-Energy & ex-Commodities			**15,705,332**	**328,241**					**35.8**	**11.8**	**13.6**	**13.2**	**11.8**	**10.4**	**10.2**	**9.0**	**7.8**	**2.5**	**2.1**	**1.8**	**1.8**	**1.9**	**2.2**	**18.9**	**17.5**	**17.1**			

Note:
(a) 2007 means calendar year 2006, similarly for 2008 and 2009 for these particular companies.
(b) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.
(c) Rupee-US Dollar exchange rate (Rs/US$)= 47.85

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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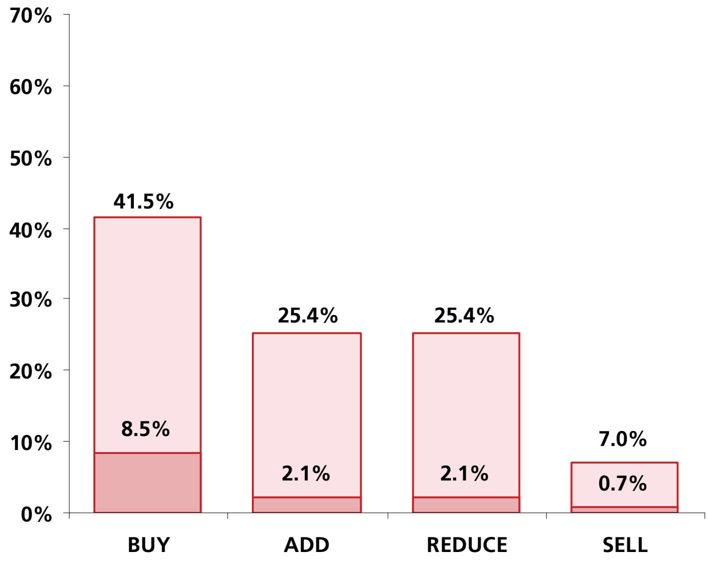
Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Percentage of companies covered by Kotak Institutional Equities, within the specified category.

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* The above categories are defined as follows: Buy = OP; Hold = IL; Sell = U. Buy, Hold and Sell are not defined Kotak Institutional Equities ratings and should not be constructed as investment opinions. Rather, these ratings are used illustratively to comply with applicable regulations. As of 30/09/2008 Kotak Institutional Equities Investment Research had investment ratings on 143 equity securities.

Source: Kotak Institutional Equities

As of September 30, 2008

Ratings and other definitions/identifiers

Rating system

Definitions of ratings

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

Our target price are also on 12-month horizon basis.

Other definitions

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

Other ratings/identifiers

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