kotak® Institutional Equities

INDIA DAILY

March 23, 2009

EQUITY MARKETS

India	20-Mar	1-day	1-mo	3-mo
		Change, %		
Sensex	8,967	(0.4)	1.4	(7.4)
Nifty	2,807	(0.0)	2.6	(5.4)
Global/Regional indices				
Dow Jones	7,278	(1.7)	2.3	(13.6)
FTSE	3,843	0.7	(0.2)	(9.7)
Nikkie	8,090	1.8	9.1	(5.8)
Hang Seng	12,834	(2.3)	(2.6)	(9.8)
KOSPI	1,192	1.8	8.4	4.1

Value traded - India

	20-Mar		1-mo	3-mo
			Moving avg, Rs bn	
Cash (NSE+BSE)	116.7		110.8	97.4
Derivatives (NSE)	436.5		431.5	507
Deri. open interest	717.3		615	657

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Updates

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News Roundup

- **DLF Ltd**, the country's largest listed realty company, will acquire **DLF Asset Ltd** (DAL), the real estate investment trust owned by promoters K P Singh and his family, for an enterprise value (equity plus debt) of around Rs 7,000 crore. The move is aimed at repaying some of DAL's debt and to bring commercial properties under the flagship company to generate an annual income of around Rs 600 crore in the form of lease rentals from 2009-10. DAL currently earns around Rs 325 crore from lease rentals. *(BS)*

- Norway's **Telenor Group** on Friday injected the first tranche of Rs1,250 crore in **Unitech Wireless**, for a 33.5 per cent stake. Telenor's remaining investment of Rs 4,870 crore will be made in three tranches during 2009. In all, Telenor will infuse Rs6,120 crore of new equity into Unitech Wireless to acquire 67.25 per cent stake. The balance stake will be held by Unitech Ltd. *(BL)*

- The **Board of Control of Cricket in India** (BCCI) stands to lose around Rs200 crore as a result of the decision to shift the second edition of its prestigious and profitable Indian Premier League (IPL) Twenty20 tournament to either South Africa or England. The decision follows the inability expressed by various state governments to provide security for the event, which overlaps with the general elections. *(BS)*

- Anil Dhirubhai Ambani Group-owned **Delhi Airport Metro Express**, a special-purpose vehicle floated by **Reliance Infrastructure** for building the airport metro express line connecting the heart of the capital with the international airport, has managed to raise Rs 2,500 crore as part funding for the project. *(ET)*

- Global rice stocks carried over to the current annual year are projected to be at a seven-year high of 118 mt. They are 9 mt higher than last year and highest since 2002, according to FAO. Prices of rice, too, are expected to drop in view of the economic downturn but the decline may result in problems for the producers. *(BL)*

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

Forex/money market

	20-Mar	1-day	1-mo	3-mo
		Change, basis points		
Rs/US$	50.7	25	92	266
10yr govt bond, %	6.5	(3)	47	128

Commodity market

	20-Mar	1-day	1-mo	3-mo
		Change, %		
Gold (US$/OZ)	949.5	(0.3)	(4.3)	13.0
Silver (US$/OZ)	13.7	(0.2)	(4.9)	33.9
Crude (US$/BBL)	50.4	0.8	26.4	32.5

Net investment (US$mn)

	19-Mar		MTD	CYTD
FIIs	39		(520)	(2,241)
MFs	(9)		46	(390)

Top movers -3mo basis

Best performers	20-Mar	1-day	1-mo	3-mo
		Change, %		
Maruti Suzuki India	711	(2.7)	12.9	38.6
Jindal Steel & Powe	1,141	(0.8)	14.4	36.0
National Aluminium	230	1.1	16.6	23.5
Gmr Infrastructure	88	1.6	12.1	19.0
Hero Honda Motors	998	0.7	8.8	23.2
Worst performers				
Housing Developme	74	(2.5)	(5.2)	(49.5)
Satyam Computer S	44	(1.2)	(3.5)	(68.8)
Aban Offshore Limi	326	2.3	(9.4)	(54.0)
Glenmark Pharmac	143	(0.5)	3.6	(51.7)
Punj Lloyd Limited	81	2.7	(4.4)	(46.8)

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Technology

TCS.BO, Rs510	
Rating	REDUCE
Sector coverage view	Cautious
Target Price (Rs)	550
52W High -Low (Rs)	1057 - 415
Market Cap (Rs bn)	498.9

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	228.6	281.6	321.6
Net Profit (Rs bn)	50.2	52.1	57.3
EPS (Rs)	51.3	53.2	58.5
EPS gth	*21.5*	*3.8*	*10.0*
P/E (x)	9.9	9.6	8.7
EV/EBITDA (x)	7.9	6.6	5.8
Div yield (%)	2.7	3.7	4.6

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
7.5	(0.7)	(33.5)	(37.2)

Shareholding, December 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	76.2	-	-
FIIs	10.5	1.1	(0.6)
MFs	2.3	1.2	(0.6)
UTI	-	-	(1.7)
LIC	2.3	0.9	(0.8)

Tata Consultancy Services: Downgrade revenue estimates. Growth to trail peers

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- **Revenue growth will likely trail peers in FY2010E**
- **Operating margins likely to be under pressure**
- **Valuation discount to Infosys likely to sustain**

We reduce our revenue estimates for TCS but increase our EPS estimates on the back of significant revision in the Re/US$ forecast by KIE's economist. We model a 0.3% decline in revenues for FY2010E (-3.5% organic), growth of 14.3% in FY2011E and 12% in FY2012E. A reduction in revenue estimates is driven by delays in decision making and a weaker counter-cyclical trend. However, we increase our EPS estimates to Rs58.5 for FY2010E (10% growth), and Rs62.8 (+7.3% yoy) for FY2011E led by revision in Re/US$ forecast to 53.2 and 53, respectively. We maintain our negative bias on the stock noting (1) revenue growth in FY2010E will once again be lower than peers on account of greater exposure to the troubled client base and mature clients; (2) fewer levers to manage operating margins; pricing pressure will likely be higher than peers and (3) longer collection cycle exposing to greater risks on bad debts and ROE profile. We retain our REDUCE rating with an end-March 2010 DCF-based target price of Rs550/ share.

Revenue growth will likely trail peers in FY2010E. TCS' FY2009E revenue growth of 7% will likely be lower than other players such as Infosys (+12%) and Wipro (+18.6%, 15% organic). Our recent conversations with the head of BFS and telecom vertical of TCS re-affirmed greater challenges for the company within the weak near-term demand environment. The head of the BFS practice indicated that it would take significant effort to maintain revenues in FY2010E at FY2009E levels. Our conversations with the Head of Telecom practice also indicated growth challenges in the developed markets. We maintain that TCS has a significant challenge managing risks from its high revenue-contributing "troubled" client base. Further, high offshore penetration in key accounts of TCS makes further offshorization challenging—growth will more likely be driven by an uptick in IT spending or vendor consolidation. TCS is banking on vendor consolidation deals to sustain revenues—the company indicated that 3-4 major decisions would be finalized in March-April 2009. We forecast organic revenue decline of 3.5% to US$5.8 bn in FY2010E. This compares with our flat revenue forecast for Infosys and Wipro.

Operating margins likely to be under pressure. We believe that TCS faces the following incremental challenges in protecting margins (1) TCS' greater exposure to clients under distress and clients having strong program management office exposes it to greater pressure than peers. We model a greater percentage of clients demanding pricing concession as compared to peers. We model 5-6% like-on-like pricing decline in FY2010E for TCS versus 3-4% for Infosys and 4-5% for Wipro; (2) change in business mix with greater proportion of revenues accruing from APAC market and system integration contracts. We model an OPM decline of 150 bps in FY2010E for TCS versus 110 bps for Infosys and 70 bps for Wipro. Slippages on execution on complex large deals signed over the last 24-month can create additional headwinds, though to TCS' credit, its execution engine and capability to structure such deals are unmatched in the industry.

Low base, change in Re/US$ forecasts drive FY2010E earnings upgrade. KIE's economist now forecasts an average Re/US$ rate of 53.25 for FY2010E and Rs53 in FY2011E versus 48 and 47 earlier. We update our model for the change in this Re/US$ forecast. As a result, our FY2010E EPS increases by 5.1% to Rs58.5 and FY2011E EPS by 8.2% to Rs62.8, despite the downgrade in US$ revenue estimates. We also note that TCS' FY2009E EPS was impacted by 13% on aggressive hedging; the company has subsequently reduced its hedges. We forecast a forex loss of Rs3.5 bn in FY2010E and Rs1 bn in FY2011E. We maintain our REDUCE rating on the stock with a 12-month DCF based target price of Rs550/share.

TCS: key changes to FY2009E-11E estimates

	New			Old			Change (%)		
Rs mn	FY2009E	FY2010E	FY2011E	FY2009E	FY2010E	FY2011E	FY2009E	FY2010E	FY2011E
Revenues	**281,633**	**321,557**	**366,308**	**279,774**	**299,896**	**336,369**	**0.7**	**7.2**	**8.9**
EBIT	66,749	71,332	77,657	66,357	65,503	71,134	0.6	8.9	9.2
Net Profit	**52,095**	**57,288**	**61,493**	**52,760**	**54,485**	**56,830**	**(1.3)**	**5.1**	**8.2**
EPS (Rs/ share)	**53.2**	**58.5**	**62.8**	**53.9**	**55.7**	**58.1**	**(1.3)**	**5.1**	**8.2**
Revenues (US$ mn)	**6,067**	**6,049**	**6,915**	**6,092**	**6,313**	**7,232**	**(0.4)**	**(4.2)**	**(4.4)**
Revenue growth (%)	**7.1**	**(0.3)**	**14.3**	**7.5**	**3.6**	**14.6**			
Re/$ rate	**46.4**	**53.2**	**53.0**	**45.9**	**47.5**	**46.5**	**1.1**	**11.9**	**13.9**
EBIT margin	**23.7**	**22.2**	**21.2**	**23.7**	**21.8**	**21.1**			

Source: Kotak Institutional Equities estimates

TCS continues to underperform on core business

	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
YoY US$ revenue growth (%)											
TCS	37	36	42	41	39	43	37	**29**	**20**	**13**	**(0)**
Infosys	39	42	47	45	40	37	32	**32**	**25**	**19**	**8**
YoY Rupee net income growth (%)											
TCS	33	44	47	47	37	26	20	**7**	**5**	**1**	**2**
Infosys	50	53	51	51	29	18	20	**21**	**24**	**30**	**34**
YoY Rupee EBITDA growth (%)											
TCS	21	39	40	44	26	17	10	**4**	**20**	**27**	**28**
Infosys	34	51	39	44	22	16	16	**23**	**36**	**40**	**46**

Source: Companies, Kotak Institutional Equities

TCS' DSO continues to be highest in the peer group

Days sales outstanding (including unbilled revenues) for tier-I Indian IT companies (days of sales)

	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
TCS	**90**	**89**	**94**	**98**	**95**	**100**	**105**	**100**	**95**
Wipro	72	67	68	63	61	66	66	67	68
Infosys	62	66	67	66	66	75	75	72	67
HCLT	70	68	69	77	72	77	79	80	82
Cognizant	63	68	71	70	67	74	77	75	71

Source: Companies

Profit model, balance sheet, cash model of TCS, 2007-2011E, March fiscal year-ends (Rs mn)

	2007	2008	2009E	2010E	2011E
Profit model					
Revenues	**186,332**	**228,614**	**281,633**	**321,557**	**366,308**
Cost of sales	(104,126)	(126,194)	(157,024)	(181,782)	(211,504)
SG&A expenses	(35,762)	(48,769)	(57,859)	(68,443)	(77,146)
EBIT	**46,444**	**53,651**	**66,749**	**71,332**	**77,657**
Other income	1,944	4,450	(4,866)	(909)	1,502
Pre-tax profits	**48,389**	**58,101**	**61,883**	**70,423**	**79,159**
Provision for tax	(6,701)	(7,494)	(9,221)	(12,372)	(16,987)
Recurring net income	**41,688**	**50,607**	**52,662**	**58,051**	**62,173**
Equity in earnings of affiliates	44	8	(6)	4	1
Minority Interest	(417)	(424)	(561)	(767)	(681)
Reported net income	**41,271**	**50,183**	**52,101**	**57,284**	**61,492**
EPS (Rs)	**42.2**	**51.3**	**53.2**	**58.5**	**62.8**
Balance Sheet					
Shareholders funds	89,661	123,820	155,001	185,479	218,194
Borrowings	6,023	6,727	—	—	—
Minority interest	2,121	2,300	2,861	3,628	4,309
Other non-current liabilities	884	756	931	1,063	1,211
Total liabilities	**98,688**	**133,602**	**158,793**	**190,171**	**223,715**
Net fixed assets	22,912	30,214	38,237	40,638	45,509
Goodwill	9,744	11,105	23,731	23,731	23,731
Intangibles	4,234	3,633	12,089	12,089	12,089
Investments	12,661	26,475	14,475	14,475	14,475
Other non-current assets	6,245	10,427	12,832	14,652	16,689
Cash and bank balances	12,291	10,352	10,033	30,734	52,808
Net current assets excluding cash	30,601	41,396	47,395	53,850	58,413
Total assets	**98,688**	**133,602**	**158,793**	**190,171**	**223,715**
Cashflow statement					
Operating profit before working capital changes	43,614	51,903	63,078	66,052	68,417
Change in working capital/other adjustments	(10,809)	(17,144)	(7,864)	(8,139)	(6,450)
Capital expenditure	(11,632)	(12,340)	(13,573)	(9,493)	(12,618)
Acquisitions net of cash & tangible assets taken over	(2,496)	(1,568)	(21,083)	—	—
Investments	(5,574)	(13,815)	12,000	—	—
Free cash flow	**13,102**	**7,037**	**32,559**	**48,420**	**49,349**

Source: Company data, Kotak Institutional Equities estimates

Pharmaceuticals

Sector coverage view			Attractive

		Price, Rs	
Company	**Rating**	**20-Mar**	**Target**
Ranbaxy	ADD	145	340
Dr. Reddy's	BUY	422	700
Cipla	ADD	198	260
Sun Pharma	BUY	1,036	1,800
Biocon	BUY	119	235
Piramal Health	BUY	185	340
Divi's	BUY	921	1,450
Glenmark Phai	BUY	143	390
Dishman Pharr	BUY	91	280
Jubilant	BUY	91	300
Lupin	BUY	599	1,100

Indian Generics companies: Revision in estimates due to new currency forecasts

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- **We revise estimates for generics due to new currency forecasts**
- **We prefer companies with low international borrowings and high exposure to Rupee depreciation. Sun Pharma fits the bill**
- **We upgrade CIPLA to ADD from REDUCE with a price target of Rs260. Cipla has managed to reduce forex related losses in FY2010**

We revise estimates for Indian generics companies due to KIE's new currency forecasts for Rs/US$ at 53 for FY2010-11E. While the outlook for the sector remains bullish as an aging world tries to reduce healthcare costs, we think investors will have to select Indian companies that are present in defendable and growing niches. Growth, necessary in a commodity industry, through the M&A route may not be an option for Indian companies in the current economic scenario though a couple of global companies are up for sale. Our preferred picks are Sun Pharma and Lupin due to their niche focus. We change our rating on Cipla to ADD as it appears to have moved on from its errors of judgement in currency management in FY2009E. The company's Indore SEZ will likely start in April '09. As it ramps up over the next 12 months, Cipla's tax rate will begin to fall.

Be Big, be niche or be dead. This is how Greg Perry (Director of European Generic Association) spells out the strategic option for the generics industry worldwide. In the Indian context, we think the option of growth through M&A is fraught with difficulty. That leaves such companies with the option of focusing on niche segments (geographical markets, therapeutic segments, delivery differentiation). Alternatively, such companies could sell out to global innovator companies that may be interested in expanding in emerging markets.

From an investors' perspective, this means core portfolio status can be given only to companies that have dominant market shares of growing niche segments. In this context, we note Sun Pharma's focus on chronic segments and segments with high entry barriers, Glenmark's focus on difficult-to-make products and Lupin's focus on expertise on fermentation-based products. Glenmark may have to rebuild investor confidence with strong operating performance over the next couple of quarters if it is to counter the impact of the currency decline in Russian and Brazilian markets and delayed investor communication.

In this environment, we prefer companies with low debt/equity ratios and low international debt and high exposure to Rupee depreciation. Sun and Cipla score well on these fronts. Lupin has hedged an undeclared amount of sales at Rs46/$. All three companies have a strong presence in the finished dosage segment. This segment typically has pricing power and benefits when raw material prices fall as all gains are not passed on to consumers.

Sun Pharma

- Sun Pharma's share price suffered as investors have been worried about the US FDA's warning letter for Caraco, continuing uncertainty with Taro acquisition and profitability of core business, excluding the high-margin generic Protonix.

- Caraco revealed that inspection of its packaging facility at Farmington Hills in Michigan was initiated on December 15, 2008 as a part of pre-approval inspections. At the conclusion of that inspection, Caraco was issued a notice on Form 483. Caraco has filed a response to this letter. Caraco believes that it has responded adequately to the FDA's concerns and corrective measures have been put in place. On October 31, 2008, Caraco received a warning letter from the FDA for its Detroit plant. The letter was issued as a follow up to the last FDA inspection of the manufacturing facility in Detroit. Caraco responded to the warning letter on November 24 and the Detroit District FDA acknowledged the response on December 22. It noted that Caraco's corrective actions will be evaluated during FDA's next inspection. At this time, no further meetings were deemed necessary by FDA.

- Revenues for December 08 were generally lower than forecast. In the RoW market, one-time sales helped beat forecasts. Sun markets finished dosages in around 30-35 markets in rest of the world and reported sales of US$63 mn (8% of total sales) from these markets in FY2008. CIS, Brazil, Mexico, Sri Lanka and South Africa are the key ROW markets for Sun. The top five countries comprise less than 50% of sales from Row markets. The business from ROW markets is largely retail sales and includes a very small proportion of sales from institutional channels. In some of these countries, Sun has its own infrastructure while in others it markets through exclusive agents and dedicated field force.

- In Taro's case, The Tel Aviv District Court has decided the matter in favor of Sun Pharma but Taro appealed the decision to Supreme Court of Israel. All parties are now attempting to find a solution through mediation. We believe that Sun Pharma will get a favorable decision.

- We estimate comparable sales growth of 32% in FY2010E driven by the US market. We expect revenues to start from facilities that Sun has purchased in the past. These are Able Labs (New Jersey) and Chattem Chemicals. Reported sales growth will be 10% since we do not include revenues from generic Protonix in FY2010E.

- We forecast adjusted EBITDA margins at 43.5% for FY2010E (FY2009E margins at 46.4%) and 40.8% for FY2011E. Indian business margins will continue to remain steady in the next couple of years while international business will gain from Rupee depreciation as Sun does not have a large hedged position. There are no exclusivity opportunities built in forecasts for FY2010E and FY2011E.

- Sun's EPS from its base business is forecast to show EPS of Rs61.2 in FY2009, which will rise to Rs83 and Rs91 in FY2010E and FY2011E. Thus, we are looking for nearly 50% EPS growth over the next two years.

- Sun has a clean balance sheet and is net cash positive . (net cash per share of Rs100 at end of FY2009E rising to Rs230 at end of FY2011E). This does not include impact of potential Taro deal.

- We arrive at a price target based on 20X forward earnings multiple for Indian business, 16.5X for the US business of Caraco and Sun Pharma and 16X for RoW finished dosage business. We add net cash per share to arrive at our target price of Rs1,800.

Lupin

- After a stellar 2008 till October, Lupin's share price suffered as investors have been focused on the US FDA form 483 letter for the company's Mandideep plant. Lupin reiterated that nothing is pending from its side. The management is waiting to meet US FDA and hope that the issue could be resolved fully in the next two months.

- Foreign currency hedges for future revenues – Lupin has hedged for multi year sales. Most of these hedges are for the near term at about Rs46. This could impact FY2010 sales and profits but there is no clarity on the amounts hedged. Since Lupin will be collecting at a lower rate for a part of its revenues, we have included Rs400m as losses on foreign exchange in FY2010. This number may turn out to be materially different since Lupin has not provided sufficient information on this score.

- Revenues for December 08 were generally line with forecasts. Lupin currently markets 21 products in the US and is the market leader in seven of them. 20% of the revenues were from branded segment comprising the Suprax franchise and Aerochamber Plus which Lupin started marketing in a co-promotion agreement with Forest last quarter.
- We estimate sales growth of 25% in FY2010E driven by US market. Lupin's CFO has recently mentioned that Lupin expects 20% sales growth in FY2010. He expects margin of 20% including other income, our margin forecast is 19%.
- We forecast adjusted EBITDA margins at 24.5% for FY2010E (FY2009E margins at 22.4%) and 24.4% for FY2011E. Indian business margin will continue to remain steady in the next couple of year while international business will gain from the Rupee depreciation as there are no exclusivity opportunities built into forecasts for FY2010E and FY2011E.
- We are forecasting 24% EPS growth in FY2010E, followed by muted 13% growth in FY2011E. This is largely due to the absence of tailwind Rupee depreciation in FY2011E.
- Gross debt of Lupin at end December 08 was about Rs12.5bn, including Rs3.5 bn of FCCB. Its net worth is likely to reach Rs20 bn by end of FY2009. Of this debt, Rs2 bn is long term debt taken in Japan with interest cost of 1% payable over 3-5 years. Rs7 bn is the working capital loan. Lupin has about Rs1 bn cash on hand. Lupin's FCCB are due for repayment on December 28, 2010.
- At end March 08, Lupin had net intangible assets of Rs1.87 bn. Following recent acquisitions in Germany, South Africa and Australia, we expect the number to have increased by another Rs2 bn. Under Indian GAAP, they are recognized only if it is probable that the future economic benefits that are attributable to these assets will flow to the company and can be measured reliably. They are recorded at cost and carried at cost less accumulated amortization and impairment losses if any. Lupin has not recorded any amortization for goodwill on acquisition in FY2008 income statement. Lupin believes that no impairment charges are likely to be necessary in FY2009 since all its acquisitions are profitable.
- We arrive at price target based on 16X forward earnings multiple for Indian business and 15X for US business. We believe clarity on Mandideep plant issue would act as a catalyst for share price.

CIPLA

- Cipla shares have beaten the Sensex YTD2009 as it is seen to have avoided the riskier markets of Russia and Latin America. Its business model is seen to be more predictable and less risky compared to other Indian companies. We would remind investors that Cipla has its own set of risks since it provides manufacturing services to its clients.
- At the beginning of FY2009, Cipla had taken a forward cover of about US$440 mn at Rs42/US$. On December 31, 2008, the outstanding amount of contracts is US$190 mn. This could further fall to US$130m by April 09. Cipla had borrowed short-term foreign currency loans of US$170 mn of which about US$95 mn has been hedged. Due to the repayment of debt and usage of contracts, we expect significant decline in forex related losses from March 2009. We forecast these losses to decline from Rs2,400 mn in FY2009E to Rs490 mn in FY2010E.
- Cipla's December revenues were below our forecast. Both Indian and international sales were lower than KIE. EBITDA margin beat expectation due to lower than expected material costs.
- Cipla has received approval for HFA inhalers in the European market. These are for budesonide in Germany and Portugal, and salbutamol in Denmark and Portugal and beclomethasone in Portugal. Cipla has developed eight HFAs for the EU, and six have been submitted to the regulatory agencies. Cipla is in the process of initiating clinical trials on the dry powder inhalers for the European market as well.

- Cipla is in discussions with the Commerce Ministry and Goa State government regarding its Goa SEZ—for which, construction stopped a year ago on the back of strong local opposition to the SEZ. Cipla has invested about Rs1.5 bn in this project. Its alternative Indore project is nearing completion and Cipla expects to start production in April 2009.
- We estimate sales growth of 26% in FY2010E, driven by international markets. Indian sales are forecast to increase 14%. Cipla expects to launch its first generic biological in 2010. The first product has already completed trials. Animal trials are complete and it is due for human trials. Cipla will be involved in product marketing while development is done by Avesthgen.
- We forecast adjusted EBITDA margins at 27.5% for FY2010E from 26% in FY2009E. Indian business margins will continue to remain steady in the next couple of year while international business will gain from partly from Rupee depreciation. There are no exclusivity opportunities built in forecasts for FY2010E and FY2011E.
- We forecast 21% growth in Cipla's earnings adjusted for forex related losses in FY2010.
- Cipla has a healthy balance sheet. We expect it to have debt of Rs10 bn against net worth of Rs43 bn at the end of FY2009E. Thus, it will have a comfortable debt/equity ratio of 23% which will improve further in the next two years.
- We arrive at price target based on 20X forward earnings multiple for Indian business, 15X for its international business. API business is valued at 12X forward earnings. We think the stock will start performing strongly after the FY2009E results as its currency position will become known. Announcements relating to the commencement of the Indore facility could be another catalyst.

Glenmark Pharma

- Glenmark's share price has suffered as its management delayed reducing guidance for FY2009 till mid January though the rationale for this were already apparent by end 2008. The management has talked of growth in FY2010, but share price movements suggest that market remains skeptical.
- In 3QFY09E, sales in Latin America declined to US$12 mn due to currency depreciation as Brazilian Real fell ~20% against US$. This led to lower inventories being carried by distributors. Glenmark believes that destocking by the distribution channel led to a loss of one month's sales this quarter. Glenmark is maintaining a cautious stance and supplying to the top six distributors, accounting for 80% of sales in the CIS markets. It does not expect bad debts in Russia/CIS but payments are taking longer than normal.
- In the US, the largest market for Glenmark, performance has suffered due to slower approvals of ANDAs. Glenmark's guidance indicates the launch of 20 products in the US in FY2009E and filing of 30 ANDAs. The number of approvals is likely to slip. Some of the products to be launched in FY2009E are likely to be controlled release finished dosages. These will have lower competition and higher and stable margins. Till date, it has a portfolio of 37 generic products in the US.
- While it continues to seek a partner for its molecules, Glenmark finds that the current financial situation makes it difficult to conclude deals in FY2009E and FY2010E. Company guidance for R&D costs is based on the assumption that it may have to incur all expenses itself. The management is keen to maximize upfront payment in these deals so that the level of commitment of the partner will be higher.
- Glenmark is in active discussions with potential partners for European rights of Oglemilast. Diabetes molecule will complete phase II trials by April 2009 and here too Glenmark expects to find a partner for development. The management expects phase III trials to start in 2H2009. We have not included any income from such deals in FY2009-11.

- We estimate sales growth of 28% in FY2010E driven by international market. We expect revenues in US to reach US$208 mn in FY2010 from US$180 mn in FY2009E. Generic revenues in Latin America and dosage sales in Russia and CIS are expected to grow in mid 20s despite the current economic environment. Glenmark has not found problems related to inventory or debtors in these markets though the collection from debtors has slowed down.
- We forecast adjusted EBITDA margins at 28.9% for FY2010E from FY2009E margins at 30.3% FY2011E margin are forecast to remain about 28%. Glenmark will gain from increasing use of infrastructure created in Brazil and Russia. Business will be more focused on cost savings and presence in non profitable countries may be reduced.
- We forecast 19% growth in PAT in FY2010E followed by 24% increase in FY2011E. These forecasts do not include any one-time or event-driven upside.
- Glenmark has a comfortable debt/equity ratio of 54% and we do not expect it to have any problems with servicing and repaying debt and interest.
- At end March 08, Glenmark has net intangible assets of Rs4.3 bn. Following recent acquisitions of brands in Europe, we expect the number to have increased to Rs6.7 bn. Under Indian GAAP, they are recognized only if it is probable that the future economic benefits that are attributable to these assets will flow to the company and can be measured reliably. They are recorded at cost and carried at cost less accumulated amortization and impairment losses if any. Glenmark charges amortization for brands acquired in its income statement. We believe no impairment charges are likely to be necessary in FY2009.
- Despite running a high margin operation, we use lower multiples for Glenmark as the management needs to build investor confidence. While it had a robust record over the past few years, it needs to repair the damage caused in 2009. This would need at least a couple of quarters of credible performance. We arrive at a price target based on 15X forward earnings multiple for Indian business and 14X for US business.

Dr. Reddy's Labs

- DRL's share price suffered as investors continue to worry about the pricing scenario in Germany and potential write-offs related to intangible assets created on the acquisition of betapharm. Revenues in US and Indian market have grown slower than expected. Currency depreciation in Russia and CIS gave one more reason for anxiety in the past couple of months.
- We believe the German market will remain a challenge but its change into a volume driven market offers hope of growth for DRL, especially since it will now use Indian facilities for manufacturing. While the growth rate in markets such as Russia could be slower in 2009 than seen in the past, we believe DRL will manage to have profitable growth ,avoiding losses relating to inventory and debtors that accompany high uncontrolled growth.
- Company continued to guide towards 25% continuing sales growth, maintaining gross margins at above 50% (YTD gross margins at 52%) and R&D expenses at under 7% of sales (YTD R&D costs at 6%). While DRL gave no guidance for FY2010E, the management is clearly more confident about growth than in the past.
- DRL believes it has entered a period where consistent sales and profit growth can be expected. They expect that in North America, DRL will have at least one opportunity with high-margin potential every year for the next five years. In 2008, it was generic Imitrex and in 2009 it is likely to be omeprazole OTC version.
- Revenues for December 08 were generally lower than forecast. Only exception was the sales of generic Imitrex in USA. With several new players getting approval in January, these sales are likely to fall sharply from 4Q FY2009. Our revenue forecast for FY2010 includes US$50m from omeprazole OTC opportunity. We built in 30% EBITDA margin for the product.

- We estimate comparable sales growth of 21% in FY2010E which is comparable to growth rate in FY2009E. Growth rate will likely fall to 18% in FY2011E. DRL is focusing on building its international portfolio beyond Russia and CIS in emerging markets. However, the company will follow the path of profitable growth due to current economic scenario and not expand in markets that do not meet its profitability criteria.
- We forecast adjusted EBITDA margins at 26% for FY2010E from FY2009E margins at 24%. We are increasing our margin expansion assumption in Germany to 19% from 15% as the benefits of moving away from German manufacturing will become visible. We are building in forex related losses of Rs910 mn in FY2009E falling to Rs200 mn in FY2010E. FY2010 includes US$50 mn revenues from omeprazole OTC, but there are no exclusivity opportunities built in forecasts for FY2011E.
- DRL EPS from business (excluding Germany and Us exclusivity opportunity) is forecast to show EPS of Rs29.2 in FY2009, which will rise to Rs38 and Rs41 in FY2010E and FY2011E. FY2010E will gain from weakening Rupee but there is limited gain in FY2011E.
- DRL will have a healthy debt/equity ratio at end of FY2009 with debt of Rs18 bn and equity of Rs49 bn. However, its problem is with goodwill valued at Rs21 bn (under Indian GAPP). DRL writes off this amount over 5-20 years but the question is if the amount related to German acquisition needs to be written off in an accelerated way due to changes in business environment. We think 4Q FY2009 results will provide for this write off though its size remains difficult to estimate. If DRL chooses to write off a substantial portion of this goodwill, debt/equity ratio will worsen. This write off may not have much impact on share price, in our view, as all Indian companies who have made acquisitions in the past two years will have to face similar problems.
- We arrive at price target based on 19X forward earnings multiple for Indian business, 15X for US, Russia and RoW business, 13.5X for German business. Share price will remain volatile in May ahead of speculation relating to size of amortization related to betapharm acquisition.

Ranbaxy

- Ranbaxy share price suffered as investors have been worried about US FDA allegations of falsification of data from the Paonta Sahib facility and the import ban which was placed last year on products from this facility. The FDA has halted the review of all drug applications relying on data submitted from this facility. However, the FDA has admitted that it has not identified any health risks associated with the currently marketed Ranbaxy products. FDA will assess the validity of the data and information in all of Ranbaxy's affected applications which contain data developed at the Paonta Sahib site. The outcome of these investigations and potential downside for share price is a new risk for shareholders. Resolution of these problems could take several months, at least.
- 4Q2008 revenues at US$387 mn grew 6% yoy in rupee terms and were flat qoq. Sales in USA were US$90 mn in 4QCY08, down 13% yoy, boosted by (1) omeprazole OTC exclusivity which garnered a market share of 43% and (2) sales from existing inventory. India finished dosage registered 4% yoy sales growth in 4QCY08. The reported growth rate in the Indian market has been very poor with yoy sales growth in the range of 1-8% for the first three quarters for 2008. Revenues from Europe at US$74 mn declined qoq from US$83 mn in 3Q2008. Sales declined yoy in all the European markets due to (1) pricing pressure (2) competitive pressure (3) currency depreciation in some countries
- We expect US sales to decline 30% in dollar terms in CY2009E to US$284 mn from US$339 mn reported in 2008 due to the due to the import ban put in place in mid-September on 30 products from the two facilities of Paonta Sahib and Dewas.
- We estimate comparable sales growth of 20% for CY2009 driven by emerging markets of Russia, Latin America, Middle East and Latin America. We forecast decline in revenues for US, Europe in CY2009. We expect sales growth in India to average 9% in CY2009 after dismal performance of 4% in CY2008.

- We forecast adjusted EBITDA margins at 18% for CY2009E vs 16% in CY2008.
- Ranbaxy's EPS from base business is forecast at Rs9 in CY2009E and Rs17 in CY2010E. We include forex losses of Rs4.6 bn in CY2009E vs Rs11 bn reported in CY2008.
- Ranbaxy has incurred huge forex losses in 2008 on account of (1) forex loans of around US$500 mn including US$440 mn of FCCBs (loss of Rs3.8 bn estimated in CY2009E vs Rs7.7 bn loss reported in CY2008) (2) hedged position of around US$1.5 bn These are multiple hedges for 5-7 years (loss of Rs800 mn estimated in CY2009E vs Rs3.2 bn reported in CY2008)
- We assume that FCCB will not be converted into equity shares since there is a wide gap between current share price and the price for conversion. Since Ranbaxy is sitting on cash from issue of new equity shares to Daiichi, there is no risk that Ranbaxy will be unable to repay the bondholder.
- Ranbaxy trades at 16X CY2009E earnings. Our SOTP-based share price target includes (1) present value of patent challenge products of nearly Rs110 and (2) business share value of Rs220. The recent US FDA decision to halt review of all ANDAs relying on data submitted from this facility may reduce or eliminate the value of patent challenge products comprising generic Lipitor, Nexium, Valtrex, Flomax. However, Ranbaxy management has maintained that it does not expect to lose these opportunities and will refile from alternative approved sites to ensure conversion of these settlements to cash flows. Ranbaxy has received approval for Immitrex and two other products in 2009 and this provides us some comfort that these may not be lost opportunities. The first opportunity to watch out for will be generic Valtex to be launched mid 2009 which contributes Rs9 to our share price target. We maintain our ADD rating, with a price target of Rs340. The stock remains a high risk call with volatility likely from decisions of US regulators

Key calls

	Price	Rating	Target price	Earlier target price	Revised EPS (INR)		Previous EPS (INR)		P/E (X)	
	(INR)		(INR)	(INR)	FY2010E	FY2011E	FY2010E	FY2011E	FY2010E	FY2011E
Cipla	197	ADD	260	220	14.7	16.0	12.9	14.8	13.4	12.3
DRL	436	BUY	700	675	39.9	45.8	37.8	48.9	10.9	9.5
Glenmark	143	BUY	390	390	18.2	22.5	17.4	22.8	7.9	6.4
Lupin	627	BUY	1,110	950	65.3	73.6	59.5	70.7	9.6	8.5
Ranbaxy	146	ADD	340	340	8.9	17.3	13.0	15.0	16.4	8.5
Sun Pharma	1,022	BUY	1,800	1,675	85.7	94.0	76.7	87.1	11.9	10.9

Cipla—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	34,382	18.7	8,462	4.4	6,680	9.9	8.6	20.1	25.6	22.9
2008	40,104	16.6	8,557	1.1	7,010	4.9	9.0	13.3	20.1	21.8
2009E	50,140	25.0	13,058	52.6	7,584	8.2	9.8	18.1	18.9	20.2
2010E	63,385	26.4	17,446	33.6	11,446	50.9	14.7	20.9	24.2	13.4
2011E	74,566	17.6	18,962	8.7	12,408	8.4	16.0	19.6	22.1	12.3

Source: Company data, Kotak Institutional Equities.

DRL—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	64,229	173.7	18,164	264.1	9,659	558.3	60.9	21.9	31.8	7.2
2008	49,142	(23.5)	11,061	(39.1)	4,381	(54.6)	26.1	6.7	10.3	16.7
2009E	64,548	31.4	15,579	40.8	4,411	0.7	26.2	10.2	9.4	16.6
2010E	73,431	13.8	19,099	22.6	6,707	52.1	39.9	12.7	13.0	10.9
2011E	85,223	16.1	21,111	10.5	7,700	14.8	45.8	12.8	13.2	9.5

Source: Company data, Kotak Institutional Equities.

Glenmark—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	11.0
2008	16,937	62.2	6,360	92.7	6,321	104.4	25.8	23.6	57.4	5.6
2009E	22,561	33.2	8,030	26.3	4,077	(35.5)	15.8	19.6	21.9	9.1
2010E	30,525	35.3	11,528	43.6	4,832	18.5	18.2	20.5	19.8	7.9
2011E	37,268	22.1	13,811	19.8	5,971	23.6	22.5	21.5	20.2	6.4

Source: Company data, Kotak Institutional Equities.

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

	Net sales		Adjusted EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth(%)	(Rs mn)	Growth(%)	(Rs mn)	Growth(%)	(Rs)	(%)	(%)	(X)
2007	20,137	18.8	4,281	28.2	3,086	78.4	38.2	14.9	41.2	16.4
2008	27,064	34.4	6,015	40.5	4,082	32.3	49.8	17.6	37.9	12.6
2009E	36,845	36.1	8,261	37.3	4,497	10.2	50.8	18.5	27.4	12.3
2010E	46,144	25.2	11,313	37.0	5,786	28.7	65.3	20.6	26.0	9.6
2011E	52,122	13.0	12,704	12.3	6,521	12.7	73.6	20.2	24.0	8.5

Source: Company, Kotak Institutional Equities estimates.

Ranbaxy—Forecasts and valuation, December fiscal year-ends, 2006-2010E

	Net sales		Adjusted EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs)	(%)	(%)	(X)
2006	60,183	18.1	11,529	84.0	5,103	95.0	13.7	10.4	20.3	10.7
2007	67,440	12.1	11,045	(4.2)	8,705	70.6	23.3	6.8	32.3	6.3
2008E	72,218	7.1	11,624	5.2	(9,146)	NM	(8.1)	5.7	(8.8)	NM
2009E	87,326	20.9	15,662	34.7	3,873	NM	8.9	7.2	5.9	16.4
2010E	101,264	16.0	18,267	16.6	7,809	101.6	17.3	7.7	9.2	8.5

Source: Company, Kotak Institutional Equities estimates.

SUN—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	21,321	30.3	9,163	42.3	7,843	36.8	41.7	16.1	36.0	24.5
2008	33,565	57.4	18,236	99.0	14,869	89.6	74.7	32.2	38.3	13.7
2009E	40,909	21.9	22,389	22.8	17,976	20.9	86.8	30.1	31.1	11.8
2010E	45,002	10.0	23,854	6.5	17,749	(1.3)	85.7	24.3	24.3	11.9
2011E	52,911	17.6	26,275	10.1	19,472	9.7	94.0	22.2	21.9	10.9

Source: Company data, Kotak Institutional Equities estimates.

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	20-Mar-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Automobiles																													
Bajaj Auto	558	REDUCE	80,762	1,595	145	52.2	50.7	61.5	(58.9)	(2.9)	21.4	10.7	11.0	9.1	6.6	6.4	5.2	5.1	4.1	3.2	3.6	3.6	3.6	21.0	41.0	39.4	615	10.2	1.4
Hero Honda	998	ADD	199,231	3,933	200	48.5	62.6	79.1	12.8	29.1	26.4	20.6	15.9	12.6	11.3	8.8	6.9	6.4	5.1	4.0	1.9	2.0	2.0	34.0	35.9	35.7	950	(4.8)	9.3
Mahindra & Mahindra	356	ADD	91,755	1,812	258	38.1	18.6	31.3	(2.0)	(51.2)	68.4	9.3	19.2	11.4	7.2	12.7	8.4	2.1	1.8	1.5	3.1	2.6	2.7	27.8	10.8	15.1	330	(7.2)	7.0
Maruti Suzuki	711	ADD	205,465	4,057	289	59.9	48.4	56.4	10.8	(19.1)	16.4	11.9	14.7	12.6	5.2	6.2	5.3	2.4	2.1	1.8	0.7	0.7	0.7	22.2	15.2	15.3	715	0.6	19.3
Tata Motors	161	SELL	89,530	1,768	556	36.5	18.5	19.0	(22.4)	(49.2)	2.7	4.4	8.7	8.5	3.7	8.7	6.5	1.0	0.5	0.6	6.5	—	—	24.7	9.1	7.3	120	(25.4)	10.0
Automobiles		**Cautious**	**666,743**	**13,164**					**(2.4)**	**(23.9)**	**21.9**	**10.4**	**13.6**	**11.2**	6.0	8.0	6.3	**2.5**	**1.9**	**1.7**	**2.5**	**1.6**	**1.6**	**24.2**	**14.3**	**14.9**			
Banks/Financial Institutions																													
Andhra Bank	42	ADD	20,200	399	485	11.9	12.4	10.8	7.0	4.9	(12.9)	3.5	3.3	3.8	—	—	—	0.7	0.6	0.6	9.6	7.5	6.5	18.0	17.4	13.6	75	80.1	0.3
Axis Bank	342	ADD	122,480	2,418	358	32.2	46.8	53.1	37.7	45.3	13.3	10.6	7.3	6.5	—	—	—	1.5	1.3	1.2	1.7	2.6	3.0	17.6	17.8	17.6	750	119.0	30.3
Bank of Baroda	204	ADD	74,531	1,471	366	39.3	52.0	50.5	39.8	32.4	(2.9)	5.2	3.9	4.0	—	—	—	0.9	0.7	0.7	3.9	5.2	5.0	14.6	16.3	14.2	330	61.8	5.2
Bank of India	198	ADD	104,052	2,054	526	40.6	54.1	49.9	76.6	33.1	(7.7)	4.9	3.7	4.0	—	—	—	1.3	1.0	0.9	2.0	2.9	2.6	27.6	28.2	21.1	330	66.8	10.4
Canara Bank	147	REDUCE	60,291	1,190	410	38.2	45.8	38.2	10.1	19.9	(16.6)	3.9	3.2	3.9	—	—	—	0.8	0.7	0.7	5.4	4.1	4.1	15.0	16.7	12.4	220	49.6	4.1
Corporation Bank	166	BUY	23,782	470	143	51.3	62.3	55.8	37.2	21.6	(10.4)	3.2	2.7	3.0	—	—	—	0.6	0.5	0.4	6.3	7.7	6.9	18.4	19.6	15.4	310	87.0	0.5
Federal Bank	133	BUY	22,688	448	171	34.4	31.7	31.6	0.5	(7.7)	(0.3)	3.9	4.2	4.2	—	—	—	0.6	0.5	0.5	3.0	4.4	4.4	13.6	13.1	11.8	280	111.1	1.2
Future Capital Holdings	97	BUY	6,130	121	63	(4.5)	4.5	28.8	(689.8)	(198.6)	546.1	(21.5)	21.8	3.4	—	—	—	0.8	0.8	0.7	—	—	—	(6.7)	3.8	21.4	440	353.8	0.4
HDFC	1,411	REDUCE	404,942	7,995	287	85.8	75.0	85.4	38.2	(12.6)	14.0	16.4	18.8	16.5	—	—	—	3.4	2.9	2.6	1.8	1.6	1.8	27.8	16.7	16.8	1,550	9.9	57.5
HDFC Bank	839	BUY	355,265	7,014	423	46.0	53.5	65.6	28.7	16.4	22.5	18.2	15.7	12.8	—	—	—	3.1	2.4	2.1	0.8	1.2	1.3	17.7	17.3	17.5	1,250	48.9	35.3
ICICI Bank	323	ADD	359,451	7,097	1,113	39.9	34.3	32.8	15.4	(14.0)	(4.5)	8.1	9.4	9.9	—	—	—	0.8	0.7	0.7	3.4	3.2	2.8	11.7	8.0	7.3	465	43.9	114.4
IDFC	52	ADD	67,045	1,324	1,294	5.7	6.0	6.3	3.0	5.3	5.9	9.1	8.7	8.2	—	—	—	1.2	1.1	1.0	2.3	2.0	2.1	17.6	13.2	12.7	75	44.8	11.2
India Infoline	52	ADD	14,901	294	287	5.6	4.9	4.3	85.6	(12.0)	(12.5)	9.3	10.5	12.0	—	—	—	1.2	1.2	1.2	2.3	5.4	4.8	20.7	11.5	9.8	60	15.7	3.2
Indian Bank	76	BUY	32,684	645	430	22.5	27.4	28.0	33.9	21.4	2.4	3.4	2.8	2.7	—	—	—	0.7	0.6	0.5	3.9	4.6	4.7	23.4	22.1	19.1	195	156.4	1.2
Indian Overseas Bank	44	BUY	23,808	470	545	22.1	26.5	21.7	19.2	20.1	(18.1)	2.0	1.6	2.0	—	—	—	0.5	0.4	0.3	8.6	9.4	8.6	27.2	26.4	18.0	120	174.6	1.1
J&K Bank	224	ADD	10,840	214	48	74.2	82.7	72.3	31.2	11.4	(12.6)	3.0	2.7	3.1	—	—	—	0.5	0.5	0.5	6.9	7.7	6.7	16.8	16.5	12.9	480	114.7	0.1
LIC Housing Finance	205	BUY	17,411	344	85	45.5	58.1	58.5	38.7	27.6	0.8	4.5	3.5	3.5	—	—	—	0.9	0.8	0.7	4.9	6.2	6.3	—	—	—	330	61.1	3.3
Mahindra & Mahindra Financial	218	SELL	20,814	411	95	20.8	18.5	22.6	32.6	(11.2)	22.0	10.5	11.8	9.7	—	—	—	1.7	1.5	1.3	2.1	2.1	2.6	16.9	12.8	14.2	190	(13.0)	0.1
Oriental Bank of Commerce	101	ADD	25,317	500	251	23.9	36.5	27.3	(27.6)	52.7	(25.0)	4.2	2.8	3.7	—	—	—	0.5	0.4	0.4	4.7	7.2	5.4	6.2	13.8	8.9	200	97.9	2.8
PFC	128	ADD	147,431	2,911	1,148	11.4	12.2	15.8	2.4	7.3	29.7	11.3	10.5	8.1	—	—	—	1.5	1.4	1.2	2.7	3.0	3.7	13.5	13.6	15.5	145	12.9	1.6
Punjab National Bank	333	BUY	104,870	2,070	315	65.0	91.6	89.9	33.0	40.9	(1.8)	5.1	3.6	3.7	—	—	—	1.1	0.9	0.8	3.9	5.5	5.4	18.0	21.7	18.5	650	95.4	12.2
Rural Electrification Corp	92	BUY	79,034	1,560	859	10.9	15.3	17.7	9.8	40.4	15.5	8.4	6.0	5.2	—	—	—	1.3	1.1	1.0	3.3	5.3	6.2	17.1	19.8	19.9	125	35.8	1.5
Shriram Transport	184	REDUCE	37,336	737	203	19.2	28.6	27.0	85.7	49.0	(5.6)	9.6	6.4	6.8	—	—	—	2.1	1.8	1.5	2.7	4.7	4.6	26.9	28.8	23.6	215	16.9	0.9
SREI	32	ADD	3,704	73	116	11.4	7.3	6.9	57.4	(36.2)	(5.7)	2.8	4.4	4.6	—	—	—	0.6	0.3	0.3	3.8	7.2	8.8	23.1	13.1	11.5	50	57.0	0.8
State Bank of India	955	BUY	602,865	11,903	631	106.6	135.3	125.5	23.5	27.0	(7.3)	9.0	7.1	7.6	—	—	—	1.4	1.3	1.2	2.3	2.3	2.4	16.8	16.3	13.4	1,600	67.6	79.3
Union Bank	131	BUY	66,044	1,304	505	27.5	34.6	33.3	64.0	25.9	(3.6)	4.8	3.8	3.9	—	—	—	0.9	0.8	0.7	3.1	4.0	3.8	26.8	27.5	21.7	220	68.3	3.5
Banks/Financial Institutions		**Attractive**	**2,807,914**	**55,438**					**36.9**	**22.5**	**(0.8)**	**8.4**	**6.9**	**6.9**	**—**	**—**	**—**	**1.3**	**1.1**	**1.0**	**2.6**	**2.9**	**3.0**	**15.3**	**16.3**	**15.0**			
Cement																													
ACC	544	REDUCE	102,545	2,025	189	64.1	56.0	44.4	13.0	(12.5)	(20.8)	8.5	9.7	12.2	4.4	4.2	5.7	2.3	1.9	1.8	4.3	4.3	4.3	33.3	25.6	17.4	550	1.2	7.5
Ambuja Cements	70	REDUCE	105,881	2,090	1,522	7.6	7.6	5.8	(11.2)	0.2	(23.7)	9.2	9.2	12.0	4.7	5.0	5.8	2.1	1.7	1.6	3.7	4.3	2.7	26.6	20.8	14.1	60	(13.7)	2.7
Grasim Industries	1,465	ADD	134,289	2,651	92	284.6	221.6	171.9	32.6	(22.1)	(22.4)	5.1	6.6	8.5	3.4	4.1	4.4	1.5	1.2	1.1	2.1	2.3	2.3	33.1	20.3	13.8	1,400	(4.4)	8.3
India Cements	95	ADD	26,707	527	282	24.5	22.7	19.8	n/a	(7.3)	(12.8)	3.9	4.2	4.8	3.6	3.3	3.4	0.8	0.7	0.6	1.9	2.2	2.2	25.8	15.7	14.7	130	37.2	2.3
Shree Cement	610	BUY	21,252	420	35	90.2	129.9	72.5	99.5	44.0	(44.2)	6.8	4.7	8.4	2.8	2.8	3.5	3.2	2.0	1.7	1.3	1.3	1.3	56.9	53.2	21.7	850	39.3	0.3
UltraTech Cement	472	ADD	59,079	1,166	125	81.4	71.4	62.3	28.5	(12.2)	(12.8)	5.8	6.6	7.6	4.1	4.5	4.5	1.8	1.4	1.2	1.6	1.7	1.7	45.2	28.9	20.4	550	16.6	0.9
Cement		**Cautious**	**449,753**	**8,880**					**19.3**	**(9.9)**	**(22.4)**	**6.4**	**7.1**	**9.2**	**3.8**	**4.1**	**4.7**	**1.7**	**1.4**	**1.3**	**2.9**	**3.1**	**2.7**	**26.8**	**20.2**	**14.0**			
Consumer (Discretionary)																													
Radico Khaitan	57	REDUCE	5,861	116	102	2.2	2.6	3.3	(41.4)	15.0	26.3	25.5	22.2	17.6	10.4	10.7	9.1	2.3	2.1	1.9	1.0	—	—	11.7	10.0	11.4	65	13.6	0.4
United Breweries	88	REDUCE	21,052	416	240	2.1	1.9	2.4	(2.2)	(11.4)	31.0	41.6	47.0	35.9	13.0	10.3	7.9	3.5	2.0	1.9	—	—	—	8.0	3.6	5.4	85	(3.1)	0.4
United Spirits	648	BUY	61,032	1,205	94	28.9	32.7	48.0	(52.0)	13.2	46.9	22.4	19.8	13.5	10.6	10.3	8.8	2.7	2.6	2.0	0.3	0.3	0.4	14.0	13.5	16.8	900	38.9	51.0
Consumer (Discretionary)		**Neutral**	**87,945**	**1,736**					**(3.6)**	**15.4**	**40.5**	**25.8**	**22.3**	**15.9**	**10.9**	**10.3**	**8.7**	**2.8**	**2.2**	**1.9**	**0.2**	**0.2**	**0.3**	**10.9**	**9.9**	**12.3**			
Consumer products																													
Asian Paints	745	REDUCE	71,465	1,411	96	39.3	35.7	44.3	40.4	(9.2)	24.3	19.0	20.9	16.8	11.4	12.5	9.6	7.4	6.4	5.4	2.3	2.3	2.7	45.0	34.2	36.2	800	7.4	0.9
Colgate-Palmolive (India)	460	ADD	62,557	1,235	136	17.1	20.4	23.5	16.5	19.4	15.5	27.0	22.6	19.6	22.4	19.8	16.3	34.2	37.1	41.1	2.8	4.0	4.6	100.1	157.8	200.3	490	6.5	1.2
GlaxoSmithkline Consumer (a)	606	ADD	25,498	503	42	38.7	44.8	50.4	26.9	15.8	12.6	15.7	13.5	12.0	8.0	7.3	6.3	3.8	3.3	2.8	2.0	2.4	2.7	27.4	26.7	25.6	700	15.5	0.1
Godrej Consumer Products	118	ADD	30,534	603	258	7.1	6.7	8.7	18.7	(5.5)	31.2	16.8	17.8	13.5	14.6	15.8	11.0	17.2	4.6	4.0	3.0	3.4	3.4	109.6	42.1	43.1	160	35.2	0.4
Hindustan Unilever	233	REDUCE	508,469	10,039	2,179	8.1	9.2	10.7	15.4	12.9	17.0	28.7	25.4	21.7	23.2	20.3	16.6	35.3	32.8	30.4	4.6	3.7	4.4	85.2	134.3	145.7	245	5.0	16.1
ITC	169	ADD	637,649	12,589	3,769	8.3	8.7	9.8	15.4	4.6	12.8	20.4	19.5	17.3	13.0	12.0	10.6	5.1	4.5	4.0	2.1	2.2	2.4	27.7	25.4	25.2	200	18.2	15.4
Jyothy Laboratories	60	ADD	4,365	86	73	6.5	7.2	10.6	(8.6)	10.2	47.3	9.2	8.3	5.7	5.4	4.8	3.2	1.3	1.1	1.0	3.9	3.9	4.9	13.5	13.0	16.5	127	111.1	
Nestle India (a)	1,520	ADD	146,576	2,894	96	44.5	56.4	68.1	31.3	26.8	20.7	34.2	26.9	22.3	20.6	17.0	14.3	28.4	21.8	17.0	1.8	2.3	2.7	94.8	91.4	85.4	1,740	14.5	0.7
Tata Tea	536	BUY	33,118	654	62	54.2	60.1	67.7	3.9	10.9	12.7	9.9	8.9	7.9	4.4	4.8	3.7	0.7	0.7	0.6	6.5	3.2	3.6	11.9	10.3	10.8	940	75.5	1.2
Consumer products		**Cautious**	**1,520,231**	**30,014**					**17.1**	**8.7**	**15.9**	**22.9**	**21.1**	**18.2**	**15.1**	**14.0**	**11.9**	**7.1**	**6.2**	**5.5**	**3.0**	**2.9**	**3.2**	**31.0**	**29.6**	**30.5**			
Constructions																													
Consolidated Construction Co.	115	ADD	4,244	84	37	24.0	22.3	27.2	67.6	(7.4)	22.1	4.8	5.2	4.2	3.3	3.6	3.1	0.9	0.8	0.7	2.2	2.8	3.4	27.7	16.8	17.8	190	65.4	0.0
IVRCL	113	BUY	15,248	301	135	15.5	14.9	16.1	27.2	(4.0)	8.0	7.2	7.5	7.0	6.8	6.2	5.1	0.9	0.8	0.8	1.3	0.7	0.7	14.4	11.9	11.5	175	55.3	8.4
Nagarjuna Construction Co.	49	BUY	11,248	222	229	7.2	7.3	8.8	14.5	2.5	19.7	6.9	6.7	5.6	5.0	5.4	4.8	0.7	1.3	0.6	2.3	2.7	3.3	12.6	10.3	11.3	100	103.7	2.2
Punj Lloyd	81	REDUCE	26,086	515	323	10.0	9.6	16.4	323.5	(4.0)	71.5	8.1	8.4	4.9	5.1	6.5	4.0	1.0	0.8	0.7	0.4	0.5	0.9	16.8	10.8	16.3	105	30.2	17.3
Sadbhav Engineering	324	BUY	4,242	84	13	40.5	46.2	57.6	68.2	13.9	24.8	8.0	7.0	5.6	5.8	4.6	3.9	1.4	1.2	1.0	1.2	1.5	1.9	16.5	16.7	18.1	650	100.7	0.1
Construction		**Attractive**	**61,069**	**1,206**					**94.7**	**(1.7)**	**37.3**	**7.3**	**7.4**	**5.4**	**5.3**	**5.8**	**4.3**	**0.9**	**0.8**	**0.7**	**1.1**	**1.2**	**1.5**	**12.5**	**11.1**	**13.4**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	20-Mar-09		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Energy																													
Bharat Petroleum	333	SELL	109,148	2,155	328	41.3	0.0	42.0	(21.1)	(99.9)	NA	8.1	NA	7.9	3.9	7.2	4.2	0.8	0.9	0.8	1.3	—	5.6	11.8	0.0	10.2	425	27.6	5.6
Cairn india	176	BUY	329,931	6,514	1,871	(0.1)	4.2	4.4	(105)	(3,628)	5.2	(1,480)	42	39.9	40.7	24.2	18.1	1.1	1.0	1.0	—	—	—	(0.1)	2.5	2.5	225	27.6	12.7
Castrol India (a)	305	ADD	37,661	744	124	17.6	21.3	25.8	44.4	20.7	21.3	17.3	14.3	11.8	9.4	8.0	6.6	9.1	8.3	7.5	4.6	4.9	5.9	52.2	61.0	66.8	390	28.0	0.3
GAIL (India)	221	ADD	280,016	5,528	1,268	20.4	23.3	19.7	21.0	14.2	(15.6)	10.8	9.5	11.2	5.3	5.0	6.3	2.0	1.7	1.6	3.0	3.3	3.0	18.1	18.3	13.8	240	8.7	8.8
GSPL	38	BUY	21,639	427	563	1.8	1.4	2.4	10.1	(22.4)	68.6	21.3	27.5	16.3	7.3	7.6	5.0	1.7	1.7	1.5	1.3	1.0	1.7	8.8	6.2	9.7	45	17.0	1.6
Hindustan Petroleum	238	SELL	80,718	1,594	339	33.5	(10.5)	30.2	(16.4)	(131.5)	(386.8)	7.1	(22.6)	7.9	6.8	6.7	4.5	0.7	0.7	0.6	1.3	—	5.0	9.6	(2.9)	7.6	300	26.0	7.0
Indian Oil Corporation	385	REDUCE	453,684	8,957	1,179	61.3	24.3	46.8	31.0	(60.3)	92.1	6.3	15.8	8.2	3.9	7.8	4.2	1.0	0.9	0.9	1.4	—	4.7	17.4	6.2	10.3	525	36.5	3.2
Oil & Natural Gas Corporation	755	BUY	1,614,860	31,883	2,139	92.7	103.9	103.9	9.1	12.0	0.0	8.1	7.3	7.3	2.9	2.6	2.3	1.6	1.4	1.3	4.2	4.5	4.8	19.6	19.5	17.2	900	19.2	27.9
Petronet LNG	38	ADD	28,500	563	750	6.3	5.5	5.9	—	(12.6)	6.6	6.0	6.9	6.4	4.1	6.0	4.7	1.5	1.3	1.1	3.9	3.9	3.9	26.7	19.2	17.2	52	36.8	1.8
Reliance Industries	1,339	ADD	1,838,722	36,302	1,373	105.0	101.0	127.8	25.5	(3.8)	26.5	12.8	13.3	10.5	8.5	8.0	5.0	2.1	1.7	1.4	0.9	1.0	1.2	19.0	14.7	16.0	1,500	12.0	169.1
Reliance Petroleum	83	NR	374,850	7,401	4,500	-	(0.0)	9.0	n/a	n/a	n/a	n/a	n/a	9.3	n/a	n/a	7.8	2.8	2.8	2.3	—	—	2.4	—	(0.0)	27.0	-	(100.0)	26.2
Energy		**Neutral**	**5,169,729**	**102,068**					**12.9**	**(7.0)**	**32.3**	**10.8**	**11.6**	**8.8**	**5.5**	**5.8**	**4.2**	**1.6**	**1.4**	**1.2**	**2.0**	**2.0**	**2.9**	**14.9**	**11.9**	**14.2**			
Industrials																													
ABB	370	SELL	78,374	1,547	212	23.2	25.8	23.6	44.5	11.3	(8.8)	15.9	14.3	15.7	9.0	8.3	8.6	4.8	3.7	3.1	0.6	0.6	0.8	34.8	29.4	21.6	325	(12.1)	4.4
BGR Energy Systems	121	REDUCE	8,726	172	72	12.1	15.3	20.7	(67.4)	26.1	35.4	10.0	7.9	5.9	5.9	4.7	4.2	1.8	1.6	1.3	1.7	2.0	2.8	31.4	21.3	23.9	165	36.1	0.7
Bharat Electronics	816	ADD	65,248	1,288	80	102.0	105.5	111.8	11.2	3.4	6.0	8.0	7.7	7.3	3.2	2.6	2.2	2.0	1.6	1.4	2.5	3.1	3.1	27.7	23.1	20.8	950	16.5	0.9
Bharat Heavy Electricals	1,378	ADD	674,583	13,319	490	58.4	64.9	92.6	22.9	11.2	42.5	23.6	21.2	14.9	12.4	11.0	7.9	6.3	5.1	4.1	1.1	1.0	1.4	29.2	26.6	30.5	1,475	7.0	42.5
Crompton Greaves	126	BUY	46,355	915	367	11.2	13.9	15.6	43.0	24.7	12.1	11.3	9.1	8.1	6.3	5.7	4.9	3.6	2.7	2.1	1.3	1.4	1.5	36.1	33.6	28.9	170	34.4	2.0
Larsen & Toubro	585	REDUCE	346,789	6,847	593	37.9	48.2	51.6	20.8	27.1	7.0	15.4	12.1	11.3	11.0	8.4	7.6	2.9	2.2	1.8	1.4	1.7	1.9	22.7	20.6	17.6	650	11.1	50.6
Maharashtra Seamless	129	BUY	9,116	180	71	29.4	37.4	37.9	(23.5)	27.6	1.2	4.4	3.5	3.4	2.5	2.1	2.0	0.8	0.7	0.6	3.9	4.3	4.4	19.7	21.1	18.0	215	66.3	0.3
Siemens	220	REDUCE	74,024	1,461	337	18.2	14.2	15.7	60.4	(22.2)	10.5	12.1	15.5	14.0	6.5	6.4	7.1	4.0	3.2	2.8	1.1	1.6	2.0	39.9	23.1	21.3	220	0.2	4.6
Suzlon Energy	38	REDUCE	59,779	1,180	1,567	6.6	7.0	4.5	9.5	6.6	(36.4)	5.8	5.4	8.6	4.0	6.5	7.2	0.7	0.6	0.5	2.5	1.3	1.3	16.3	11.3	6.4	60	57.3	35.3
Industrials		**Cautious**	**1,362,994**	**26,910**					**25.3**	**13.0**	**13.4**	**15.6**	**13.8**	**12.1**	**8.9**	**8.0**	**7.1**	**3.3**	**2.6**	**2.2**	**1.3**	**1.3**	**1.6**	**21.1**	**19.2**	**18.3**			
Infrastructure																													
IRB Infrastructure	81	ADD	26,938	532	332	3.4	6.6	13.9	150.9	92.3	111.2	23.6	12.3	5.8	9.7	8.6	4.5	1.6	1.4	1.1	—	—	—	10.7	12.4	21.4	130	60.4	0.6
Media																													
DishTV	25	REDUCE	16,103	318	644	(9.6)	(7.4)	(4.1)	n/a	(23.1)	(44.2)	(2.6)	(3.4)	(6.0)	(9.4)	(12.2)	(58.2)	(3.6)	(2.5)	(7.5)	—	—	—	167.9	86.7	NA	22	(12.0)	2.5
HT Media	45	BUY	10,647	210	234	4.3	3.1	4.8	4.7	(28.5)	53.7	10.5	14.7	9.6	5.6	6.7	4.4	1.2	1.2	1.1	0.9	0.9	1.8	12.2	8.2	11.8	115	153.0	0.1
Jagran Prakashan	50	BUY	14,998	296	301	3.3	2.9	4.1	33.5	(9.7)	38.7	15.3	16.9	12.2	8.3	9.3	6.6	2.8	2.6	2.4	4.0	3.0	4.1	18.7	15.9	20.4	75	50.6	0.0
Sun TV Network	164	BUY	64,531	1,274	394	8.3	9.3	11.4	30.7	12.0	23.0	19.8	17.6	14.3	10.5	9.3	7.7	4.3	3.8	3.5	1.5	2.4	3.7	24.8	23.6	25.8	215	31.3	1.2
Zee Entertainment Enterprises	100	BUY	43,357	856	434	8.9	8.2	9.3	62.6	(7.5)	13.7	11.3	12.2	10.7	8.4	8.8	7.8	1.5	1.3	1.2	2.0	2.3	2.6	14.2	11.8	12.2	145	45.0	5.3
Zee News	30	BUY	7,157	141	240	1.5	1.9	2.1	396.2	24.0	6.9	19.3	15.6	14.6	10.5	8.8	7.8	3.4	2.9	2.5	1.3	1.3	1.7	19.2	20.5	18.9	38	27.3	0.3
Media		**Attractive**	**156,792**	**3,096**					**30.8**	**(17.1)**	**68.2**	**29.3**	**35.3**	**21.0**	**12.0**	**11.8**	**8.4**	**2.8**	**2.6**	**2.2**	**1.7**	**2.1**	**2.8**	**9.5**	**7.3**	**10.5**			
Metals																													
Hindalco Industries	48	ADD	83,512	1,649	1,753	13.8	7.7	2.4	(10.0)	(44.4)	(69.2)	3.5	6.2	20.2	5.6	5.1	7.1	0.4	0.2	0.2	—	—	—	14.4	10.3	5.2	55	15.4	6.6
National Aluminium Co.	230	SELL	148,352	2,929	644	25.3	19.7	10.3	(31.5)	(22.2)	(47.8)	9.1	11.7	22.4	4.1	5.6	7.2	1.6	1.4	1.3	2.6	1.5	0.9	18.3	12.7	6.2	135	(41.4)	1.8
Jindal Steel and Power	1,141	BUY	175,701	3,469	154	101.8	92.4	78.9	123.0	(9.2)	(14.6)	11.2	12.4	14.5	9.2	8.2	9.0	4.1	3.0	2.5	0.4	0.5	0.6	43.8	28.3	18.9	1,250	9.5	19.5
JSW Steel	187	SELL	35,016	691	187	86.1	8.7	45.7	16.1	(89.9)	423.3	2.2	21.4	4.1	4.4	6.9	5.5	0.4	0.3	0.3	7.5	1.1	1.1	20.7	10.2	7.9	185	(1.2)	4.6
Hindustan Zinc	415	BUY	175,372	3,462	423	104.0	63.8	64.0	(1.0)	(38.6)	0.2	4.0	6.5	6.5	1.8	3.0	2.6	1.4	1.2	1.0	1.2	1.8	2.4	43.6	20.0	17.0	490	18.1	2.9
Sesa Goa	87	BUY	68,608	1,355	787	19.0	23.7	19.6	146.0	24.8	(17.0)	4.6	3.7	4.4	2.2	2.1	1.8	2.4	1.5	1.2	3.0	4.0	4.0	67.8	51.2	30.5	115	32.0	10.7
Sterlite Industries	317	BUY	224,451	4,431	708	64.3	48.0	46.6	(22.6)	(25.4)	(2.9)	4.9	6.6	6.8	1.8	3.2	3.2	0.9	0.9	0.8	—	—	—	26.1	13.8	12.2	400	26.3	20.2
Tata Steel	176	BUY	144,876	2,860	822	75.7	130.7	56.1	43.8	72.5	(57.1)	2.3	1.3	3.1	3.6	2.8	3.7	0.4	0.3	0.3	8.2	7.3	7.4	46.3	38.1	15.6	290	64.5	38.8
Metals		**Attractive**	**1,055,887**	**20,847**					**12.7**	**(0.1)**	**(35.4)**	**4.4**	**4.4**	**6.9**	**3.7**	**3.9**	**4.6**	**0.9**	**0.7**	**0.6**	**2.2**	**1.9**	**1.9**	**19.9**	**15.6**	**9.3**			
Pharmaceutical																													
Biocon	119	BUY	23,820	470	200	23.3	5.6	16.0	126.0	(76.1)	187.0	5.1	21.4	7.5	6.5	9.3	4.6	1.6	1.5	1.3	0.1	0.0	0.1	17.6	7.3	18.8	235	97.3	0.5
Cipla	198	ADD	153,632	3,033	777	9.0	9.8	14.7	4.9	8.2	50.9	21.9	20.3	13.4	16.1	14.7	10.2	4.1	3.6	3.0	1.0	1.3	1.5	20.1	18.9	24.2	260	31.5	5.0
Dishman Pharma & chemicals	91	BUY	7,401	146	81	14.7	11.4	24.8	30.5	(22.7)	118.0	6.2	8.0	3.7	6.8	7.4	4.1	1.3	1.1	0.9	0.0	0.0	0.0	26.8	15.1	27.1	280	207.7	0.1
Divi's Laboratories	921	BUY	59,467	1,174	65	53.2	65.2	75.1	85.8	22.5	15.2	17.3	14.1	12.3	14.1	10.9	8.8	7.0	4.8	3.6	0.1	0.1	0.1	49.8	40.3	33.3	1,450	57.4	5.9
Dr Reddy's Laboratories	422	BUY	71,474	1,411	169	26.1	26.2	39.9	(57.2)	0.6	52.1	16.2	16.1	10.6	8.0	7.0	5.0	1.6	1.5	1.3	0.9	0.9	0.9	10.3	9.4	13.0	700	65.7	3.7
Glenmark Pharmaceuticals	143	BUY	37,937	749	266	25.8	15.8	18.2	98.4	(38.7)	14.7	5.5	9.0	7.9	5.4	6.5	5.6	2.5	1.7	1.4	0.1	0.0	0.1	57.4	21.9	19.8	390	173.3	8.8
Jubilant Organosys	91	BUY	16,321	322	179	22.4	(5.5)	21.7	72.3	(124.7)	(492)	4.1	(16.5)	4.2	5.3	24.2	6.2	1.3	1.2	1.1	1.3	1.8	2.3	37.0	(8.4)	30.4	300	228.4	0.2
Lupin	599	BUY	53,043	1,047	89	49.8	50.8	65.3	30.2	2.0	28.7	12.0	11.8	9.2	14.3	10.6	8.1	4.1	2.5	2.2	1.6	1.6	1.9	37.9	27.4	26.0	1,100	83.7	1.6
Piramal Healthcare	185	BUY	38,759	765	209	17.7	14.8	22.1	66.8	(16.4)	49.0	10.5	12.5	8.4	8.1	9.5	6.5	3.5	3.0	2.3	2.3	2.2	2.4	30.9	24.9	31.4	340	83.3	1.6
Ranbaxy Laboratories	145	ADD	60,933	1,203	419	23.3	(8.1)	8.9	70.4	NA	NA	6.2	NA	16.3	6.6	(92.0)	5.3	2.0	1.2	0.7	5.2	7.1	8.2	32.3	(8.8)	5.9	340	133.8	11.5
Sun Pharmaceuticals	1,036	BUY	214,655	4,238	207	74.7	86.8	85.7	78.9	16.3	(1.3)	13.9	11.9	12.1	11.6	9.0	8.3	4.1	3.1	2.5	1.0	1.1	1.3	38.3	31.1	24.3	1,800	73.7	14.9
Pharmaceuticals		**Attractive**	**737,443**	**14,560**					**34.1**	**(27.3)**	**57.9**	**12.3**	**16.9**	**10.7**	**9.5**	**11.1**	**7.1**	**3.0**	**2.4**	**1.8**	**1.3**	**1.5**	**1.8**	**24.5**	**14.0**	**17.1**			
Property																													
DLF	172	REDUCE	292,373	5,772	1,705	46.1	30.0	22.7	263.2	(35.0)	(24.4)	3.7	5.7	7.6	4.1	6.9	8.0	1.5	1.2	1.1	2.3	2.3	2.3	66.5	23.1	14.8	190	10.8	74.2
Housing Development & Infrastruc	74	REDUCE	20,249	400	275	51.2	30.6	19.8	118.6	(40.1)	(35.3)	1.4	2.4	3.7	2.8	5.9	6.6	0.6	0.5	0.4	5.2	6.8	8.2	64.5	21.2	12.1	120	63.3	36.6
Indiabulls Real Estate	97	ADD	24,862	491	258	16.4	3.0	3.4	2,383.9	(81.5)	11.6	5.9	31.7	28.4	(609.7)	(5.8)	7.1	0.4	0.4	0.4	0.3	0.1	0.0	10.6	1.3	1.3	180	86.5	23.1
Mahindra Life Space Developer	118	BUY	4,954	98	42	16.8	10.2	10.8	307.7	(39.2)	5.3	7.0	11.5	10.9	12.7	16.4	8.7	0.6	0.5	0.5	2.3	3.3	3.3	8.4	4.8	4.9	410	248.0	0.5
Phoenix Mills	56	BUY	8,176	161	145	3.2	5.4	7.3	(51.7)	70.0	34.7	17.8	10.5	7.8	12.9	10.9	6.1	0.6	0.5	0.5	1.8	1.8	1.8	5.6	5.3	6.8	210	272.0	0.1
Puravankara Projects	40	REDUCE	8,569	169	213	11.2	7.6	7.5	67.3	(32.1)	(2.2)	3.6	5.3	5.4	6.9	10.6	10.0	0.7	0.6	0.6	5.0	—	5.0	34.2	12.9	11.4	55	37.0	0.3
Sobha	76	REDUCE	5,548	110	73	31.7	15.9	11.9	42.9	(50.0)	(24.8)	2.4	4.8	6.4	6.2	7.4	10.5	0.5	0.5	0.5	8.5	5.3	5.3	25.3	11.0	7.8	90	18.3	0.3
Unitech	27	SELL	43,669	862	1,623	10.3	6.9	5.5	28.5	(33.4)	(20.5)	2.6	3.9	4.9	5.2	6.8	8.1	1.2	0.9	0.8	0.9	—	—	59.9	26.8	17.2	24	(10.8)	50.8

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	20-Mar-09		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)
Property		**Cautious**	**408,399**	**8,063**					**187.5**	**(36.7)**	**(23.4)**	**3.4**	**5.4**	**7.1**	**4.3**	**7.0**	**8.0**	**1.1**	**0.9**	**0.8**	**2.3**	**2.2**	**2.3**	**32.1**	**16.8**	**11.6**			
Retail																													
Pantaloon Retail	138	REDUCE	22,031	435	159	7.9	8.3	10.2	90.0	4.4	23.3	17.5	16.7	13.6	9.4	7.6	6.8	1.2	1.2	1.1	0.6	0.6	0.7	8.2	6.7	7.8	165	19.3	1.3
Titan Industries	726	REDUCE	32,238	636	44	35.1	41.9	48.7	55.2	19.6	16.1	20.7	17.3	14.9	14.2	10.6	9.0	6.8	5.2	4.1	1.1	1.3	1.5	37.7	34.1	30.7	830	14.3	2.9
Vishal Retail	30	ADD	665	13	22	18.1	10.6	10.8	37.2	(41.2)	1.9	1.6	2.8	2.7	4.4	4.2	3.4	0.2	0.2	0.2	—	—	—	20.2	8.3	7.8	75	152.5	0.1
Retail			**54,934**	**1,085**					**31.9**	**6.0**	**17.9**	**17.1**	**16.1**	**13.6**	**10.0**	**7.9**	**6.9**	**2.1**	**1.9**	**1.7**	**0.9**	**1.0**	**1.2**	**12.4**	**12.1**	**12.8**			
Sugar																													
Balrampur Chini Mills	45	BUY	11,563	228	256	3.1	6.5	7.0	(272.9)	106.5	8.0	14.4	7.0	6.5	7.5	4.4	3.7	1.2	1.0	0.9	1.3	1.5	1.8	7.6	13.5	12.7	70	54.7	3.3
Shree Renuka Sugars	81	BUY	22,733	449	280	3.9	8.2	8.4	(87.3)	107.7	2.8	20.6	9.9	9.7	11.7	5.4	5.1	2.6	2.0	1.6	0.3	0.9	1.2	19.9	24.5	20.6	100	23.2	8.0
Bajaj Hindustan	43	SELL	6,109	121	141	(2.6)	(6.0)	0.8	375.9	126.2	NA	(16.4)	(7.2)	53.5	13.9	8.2	5.3	0.5	0.5	0.5	1.6	—	0.7	(6.8)	(7.0)	4.6	36	(16.7)	5.0
Sugar			**40,405**	**798**					**526.3**	**96.1**	**38.3**	**24.0**	**12.2**	**8.8**	**11.0**	**6.1**	**4.8**	**1.3**	**1.2**	**1.0**	**0.8**	**0.9**	**1.3**	**5.3**	**9.5**	**11.7**			
Technology																													
HCL Technologies	104	REDUCE	72,454	1,430	695	15.3	18.7	17.3	(19.0)	22.4	(7.7)	6.8	5.6	6.0	3.1	3.8	3.5	1.5	1.1	1.0	7.7	11.5	11.5	21.4	21.3	18.1	140	34.3	3.1
Hexaware Technologies	27	SELL	3,788	75	142	7.7	4.1	3.0	(13.7)	(46.4)	(27.8)	3.5	6.5	9.0	0.5	0.9	1.8	0.5	0.6	0.6	3.4	3.8	3.8	15.1	8.6	6.3	25	(6.2)	1.8
Infosys Technologies	1,296	BUY	744,019	14,689	574	79.1	101.8	112.0	18.0	28.8	10.0	16.4	12.7	11.6	12.6	8.9	7.5	5.4	4.1	3.3	2.6	1.9	2.1	36.1	36.7	31.6	1,500	15.7	48.0
Mphasis BFL	188	REDUCE	39,217	774	208	12.2	14.2	32.6	67.6	15.7	129.8	15.4	13.3	5.8	9.2	10.0	3.9	3.4	2.7	2.0	1.9	2.1	2.4	23.6	22.8	39.5	190	1.0	1.5
Mindtree	234	BUY	9,225	182	40	26.7	21.0	37.1	12.3	(21.6)	76.9	8.7	11.1	6.3	7.6	3.4	3.2	1.7	1.5	1.2	1.1	—	—	21.3	11.9	17.8	400	71.3	1.1
Patni Computer Systems	121	SELL	15,507	306	128	33.2	26.8	17.5	29.2	(19.3)	(34.7)	3.6	4.5	6.9	0.4	0.4	0.2	0.6	0.7	0.5	1.8	1.5	2.9	19.2	16.2	7.9	130	7.7	0.7
Polaris Software Lab	47	SELL	4,610	91	98	7.4	14.9	12.7	(27.6)	100.0	(14.9)	6.3	3.1	3.7	2.4	1.0	0.8	0.7	0.6	0.5	3.7	3.7	3.7	11.7	20.4	15.0	50	6.6	2.0
TCS	510	REDUCE	498,895	9,850	979	51.3	53.2	58.5	21.5	3.8	10.0	9.9	9.6	8.7	7.9	6.6	5.8	4.0	3.2	2.7	2.7	3.7	4.6	47.0	37.4	33.7	550	7.9	16.4
Tech Mahindra	276	BUY	34,370	679	125	59.1	67.6	58.7	25.7	14.5	(13.2)	4.7	4.1	4.7	4.1	2.4	2.3	2.7	1.7	1.2	1.9	2.2	2.3	70.7	53.1	31.6	320	16.0	2.8
Wipro	231	ADD	337,795	6,669	1,462	22.2	25.3	26.9	12.6	13.9	6.0	10.4	9.1	8.6	8.3	6.4	5.4	2.6	2.3	1.9	2.6	1.8	3.3	27.9	26.6	23.8	280	21.2	9.0
Technology		**Cautious**	**1,759,880**	**34,746**					**15.5**	**15.8**	**7.8**	**11.3**	**9.8**	**9.1**	**8.5**	**6.6**	**5.7**	**3.4**	**2.8**	**2.3**	**2.8**	**2.8**	**3.4**	**30.4**	**28.6**	**25.4**			
Telecom																													
Bharti Airtel Ltd	569	BUY	1,080,664	21,336	1,898	35.3	44.2	48.9	65.0	25.1	10.8	16.1	12.9	11.6	9.9	7.4	6.5	4.8	3.5	2.7	—	0.7	1.1	39.1	31.4	26.0	675	18.5	59.9
IDEA	46	REDUCE	149,843	2,958	3,236	3.9	2.6	2.1	78.5	(33.2)	(21.0)	11.7	17.5	22.2	9.1	6.1	6.1	4.2	1.1	1.1	—	—	—	36.4	10.1	5.1	50	8.0	4.7
MTNL	64	SELL	40,478	799	630	7.1	4.0	4.1	(11.0)	(44.3)	2.6	9.0	16.1	15.7	0.9	2.9	2.1	0.3	0.3	0.3	6.2	9.3	9.3	3.5	1.6	1.6	50	(22.2)	0.8
Reliance Communications	159	SELL	328,076	6,477	2,064	26.5	26.7	20.1	86.4	0.7	(24.7)	6.0	6.0	7.9	5.7	6.5	6.4	1.1	1.0	0.8	0.5	0.5	—	16.8	18.4	11.7	150	(5.6)	47.1
Tata Communications	462	REDUCE	131,585	2,598	285	10.9	13.6	14.0	(36.3)	24.0	3.2	42.2	34.0	33.0	17.6	14.5	13.2	2.0	1.9	1.8	1.0	1.1	1.4	4.4	5.4	5.2	400	(13.4)	1.8
Telecom		**Cautious**	**1,730,645**	**34,169**					**65.7**	**12.7**	**(4.8)**	**12.0**	**10.6**	**11.2**	**8.3**	**7.2**	**6.6**	**2.3**	**1.8**	**1.5**	**0.5**	**0.8**	**1.0**	**19.6**	**16.7**	**13.8**			
Transportation																													
Container Corporation	670	REDUCE	87,145	1,721	130	57.7	68.3	72.9	7.8	18.3	6.8	11.6	9.8	9.2	7.8	6.4	5.8	2.7	2.3	1.9	1.9	2.3	2.4	25.8	25.3	22.6	800	19.3	0.7
Transportation		**Cautious**	**87,145**	**1,721**					**7.8**	**18.3**	**6.8**	**11.6**	**9.8**	**9.2**	**7.8**	**6.4**	**5.8**	**2.7**	**2.3**	**1.9**	**1.9**	**2.3**	**2.4**	**23.6**	**23.1**	**20.9**			
Utilities																													
CESC	194	BUY	24,213	478	125	27.8	31.9	36.9	(23.3)	14.9	15.8	7.0	6.1	5.2	3.6	3.4	4.6	0.8	0.7	0.6	2.1	2.4	2.7	12.5	11.7	11.9	385	98.7	0.6
Lanco Infratech	123	BUY	27,254	538	222	14.8	14.6	17.1	75.2	(1.3)	16.6	8.3	8.4	7.2	8.2	19.3	14.9	1.5	1.2	1.0	—	—	—	19.7	16.2	15.8	265	116.2	4.7
NTPC	178	REDUCE	1,463,982	28,904	8,245	9.3	9.3	10.9	7.9	0.1	16.7	19.0	19.0	16.3	13.2	13.3	12.2	2.7	2.5	2.3	2.0	2.0	2.3	14.9	13.6	14.6	180	1.4	24.1
Reliance Infrastructure	483	BUY	111,553	2,202	231	37.6	59.9	56.2	13.9	59.4	(6.2)	12.8	8.1	8.6	8.4	8.6	8.9	0.7	0.7	0.6	1.3	1.5	1.7	4.3	6.2	6.7	970	100.8	76.6
Reliance Power	101	REDUCE	241,713	4,772	2,397	0.4	1.3	2.5	—	252.9	82.7	265.2	75.1	41.1	—	—	—	1.8	1.7	1.7	—	—	—	1.3	2.3	4.2	120	19.0	9.2
Tata Power	668	BUY	148,639	2,935	223	31.8	65.2	99.1	19.5	104.9	51.9	21.0	10.2	6.7	10.7	8.3	7.6	1.7	1.4	1.2	1.6	1.6	1.8	9.6	15.2	19.5	1,000	49.8	9.8
Utilities		**Attractive**	**2,017,353**	**39,829**					**12.2**	**15.5**	**20.2**	**20.1**	**17.4**	**14.5**	**12.6**	**13.0**	**12.6**	**2.1**	**1.9**	**1.7**	**1.6**	**1.6**	**1.9**	**10.3**	**10.9**	**12.0**			
Others																													
Aban Offshore	326	REDUCE	12,358	244	38	72.3	140.2	342.5	(1,066)	94.0	144.3	4.5	2.3	1.0	10.7	7.4	4.1	1.4	0.8	0.4	1.1	1.2	1.5	51.7	44.2	52.4	500	53.3	14.6
Educomp Solutions	1,914	BUY	36,408	719	19	35.2	64.2	108.1	114	82.7	68.3	54.5	29.8	17.7	29.0	13.1	8.0	11.8	5.0	4.0	0.1	0.3	0.5	33.5	23.4	24.3	2,550	33.2	82.4
Havells India	128	REDUCE	7,758	153	61	26.6	(1.0)	10.3	40	(103.7)	#####	4.8	(129.2)	12.5	5.3	7.1	6.2	1.1	1.1	1.0	1.9	2.6	3.2	33.7	(0.9)	8.5	120	(6.4)	0.1
Jaiprakash Associates	80	BUY	112,277	2,217	1,403	4.9	5.3	7.1	7	8.6	33.4	16.3	15.0	11.3	12.5	10.8	9.2	2.3	1.9	1.7	0.0	0.0	0.0	15.4	13.9	16.3	105	31.3	35.1
Jindal Saw	156	BUY	9,595	189	61	66.6	86.9	82.9	(43)	30.6	(4.7)	2.3	1.8	1.9	2.4	1.1	0.7	0.3	0.2	0.2	4.6	8.4	9.6	12.5	14.4	12.3	500	219.6	0.4
PSL	63	BUY	2,756	54	44	21.1	24.3	43.7	4	15.3	79.6	3.0	2.6	1.4	4.2	4.1	3.3	0.4	0.3	0.3	14.2	12.6	12.6	11.3	10.6	14.2	145	129.2	0.1
Sintex	93	BUY	12,735	251	136	19.5	21.3	22.5	60	8.9	5.7	4.8	4.4	4.1	4.6	3.8	3.4	0.8	0.7	0.6	1.1	1.3	1.6	14.0	15.0	13.8	125	34.0	2.6
Welspun Gujarat Stahl Rohren	70	BUY	13,252	262	189	20.6	20.9	21.0	94	1.5	0.7	3.4	3.4	3.3	5.4	3.8	3.2	0.8	0.6	0.5	1.9	2.6	1.8	27.1	20.0	17.3	100	42.5	3.5
United Phosphorus	88	BUY	40,818	806	462	9.3	11.4	14.8	30	21.7	30.4	9.5	7.8	6.0	6.1	4.6	3.0	1.8	1.3	1.1	1.1	1.7	2.3	20.0	18.7	20.0	190	115.1	0.9
Others			**275,837**	**5,446**					**42.9**	**19.9**	**30.8**	**8.3**	**6.9**	**5.3**	**7.6**	**6.2**	**4.9**	**1.4**	**1.1**	**0.9**	**1.4**	**1.7**	**1.8**	**17.0**	**16.1**	**17.9**			
KS universe (b)			**20,478,036**	**404,305**					**26.0**	**2.3**	**6.9**	**10.3**	**10.1**	**9.5**	**6.7**	**6.9**	**6.0**	**1.9**	**1.6**	**1.4**	**2.0**	**2.1**	**2.5**	**17.9**	**15.4**	**14.7**			
KS universe (b) ex-Energy			**15,308,307**	**302,237**					**30.9**	**5.2**	**(0.2)**	**10.2**	**9.7**	**9.7**	**7.4**	**7.4**	**7.1**	**2.0**	**1.6**	**1.5**	**2.0**	**2.1**	**2.3**	**19.2**	**16.8**	**14.9**			
KS universe (d) ex-Energy & ex-Commodities			**13,802,666**	**272,511**					**36.1**	**7.1**	**7.4**	**11.6**	**10.8**	**10.1**	**9.1**	**8.9**	**7.8**	**2.2**	**1.8**	**1.6**	**2.0**	**2.0**	**2.3**	**18.8**	**16.9**	**16.1**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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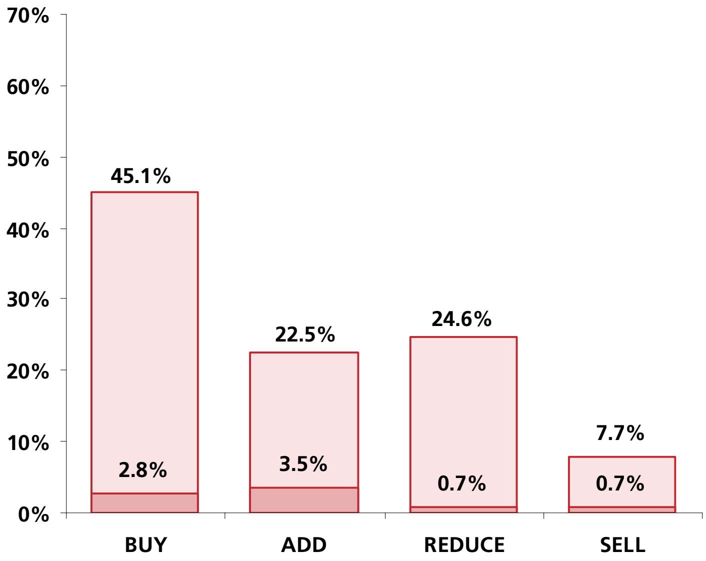

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Source: Kotak Institutional Equities

As of December 31, 2008

Ratings and other definitions/identifiers

Rating system

Definitions of ratings

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