kotak® Institutional Equities

INDIA DAILY

January 9, 2013

Contents

Daily Alerts

Change in Reco

Bajaj Auto: Downgrade to REDUCE

- Re-rating of the stock will be driven by an increase in market share in the two-wheeler segment
- We expect an increase of 170 bps yoy in EBITDA margins in FY2014

Sector

Metals & Mining: 3QFY13E preview - no festivities this season

- Not much to cheer - domestic and global slowdown will lead to another weak/muted quarter
- Steel: Slowdown in demand, subdued prices and high-cost inventory - a recipe for weak quarter
- Non-ferrous: Marginally higher LME and sequential improvement in production
- Forex losses (including MTM) will impact net income; few names to report losses
- Remain Cautious; select names offer upside

EQUITY MARKETS

		Change %		
India	**8-Jan**	**1-day**	**1-mo**	**3-mo**
Sensex	19,743	0.3	1.6	5.5
Nifty	6,002	0.2	1.6	5.7
Global/Regional indices				
Dow Jones	13,329	(0.4)	1.3	(1.9)
Nasdaq Composite	3,092	(0.2)	3.8	(0.7)
FTSE	6,054	(0.2)	2.4	3.6
Nikkie	10,486	(0.2)	10.1	19.6
Hang Seng	23,211	0.4	4.6	10.9
KOSPI	1,997	(0.1)	2.0	0.9
Value traded – India				
Cash (NSE+BSE)	142		40	14
Derivatives (NSE)	1,019		1,300	1,025
Deri. open interest	1,367		1,429	1,422

Forex/money market				
		Change, basis points		
	8-Jan	**1-day**	**1-mo**	**3-mo**
Rs/US$	55.0	2	63	223
10yr govt bond, %	8.0	(3)	(27)	(34)
Net investment (US$mn)				
	7-Jan		**MTD**	**CYTD**
FIIs	181		1,078	1,078
MFs	(56)		(65)	(282)

Top movers -3mo basis				
		Change, %		
Best performers	**8-Jan**	**1-day**	**1-mo**	**3-mo**
UT IN Equity	37.9	6.0	8.1	53.1
UNSP IN Equity	1874.9	(2.1)	(2.2)	48.8
IBULL IN Equity	325.1	(1.4)	20.8	40.2
UNBK IN Equity	275.8	0.4	9.3	39.9
RCOM IN Equity	84.1	2.6	14.0	36.4
Worst performers				
GMRI IN Equity	21.0	2.2	9.4	(17.8)
MMTC IN Equity	637.6	0.0	(5.6)	(16.3)
BHFC IN Equity	261.0	(0.6)	0.1	(14.7)
NMDC IN Equity	163.7	0.1	3.3	(13.7)
EDSL IN Equity	149.8	3.2	(3.4)	(13.1)

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kotak Institutional Equities

Bajaj Auto (BJAUT)

Automobiles

REDUCE

JANUARY 09, 2013

CHANGE IN RECO.

Coverage view: Attractive

Price (Rs): 2,198

Target price (Rs): 2,100

BSE-30: 19,743

Downgrade to REDUCE. We downgrade the stock to REDUCE as we see limited triggers for its re-rating from current levels. We believe an increase in market share in the domestic motorcycle segment could be limited as competitors line up more launches in the 100cc segment while the stock already factors a sharp recovery in exports and operating margins. The stock trades at historical highs, ignoring potential risk to market share in the domestic motorcycle segment.

Company data and valuation summary

Bajaj Auto

Stock data			
52-week range (Rs) (high,low)			2,229-1,407
Market Cap. (Rs bn)			635.8
Shareholding pattern (%)			
Promoters			50.0
FIIs			14.9
MFs			2.7
Price performance (%)	1M	3M	12M
Absolute	13.2	25.3	51.7
Rel. to BSE-30	11.7	20.5	22.2

Forecasts/Valuations	2013	2014E	2015E
EPS (Rs)	110.3	139.3	159.2
EPS growth (%)	6.3	26.3	14.3
P/E (X)	19.9	15.8	13.8
Sales (Rs bn)	202.1	238.6	272.4
Net profits (Rs bn)	31.9	40.3	46.1
EBITDA (Rs bn)	41.0	52.1	58.5
EV/EBITDA (X)	15.4	12.0	10.6
ROE (%)	46.0	45.5	41.3
Div. Yield (%)	2.0	2.5	2.9

Re-rating of the stock will be driven by an increase in market share in the two-wheeler segment

The stock trades at a 16X multiple on our FY2014E earnings, close to its highest multiple since it re-listed in 2008. We have built a sharp recovery in exports (+20% yoy) in FY2014 and ~170 bps yoy increase in EBITDA margins due to the benefit of a weak Rupee, which limits earnings surprises. Stock re-rating will depend on Bajaj Auto's ability to increase market share in the domestic two-wheeler segment, which we believe is unlikely, given new launches by Honda in the 100cc segment after expected capacity expansion from 2.8 mn to 4 mn units in March 2013. We believe the penetration of two wheelers in India (~23% on a household basis) is likely to reach 65-70% by FY2020-22 (assuming volume CAGR of 7-8%). Volume growth could saturate faster than the market expects, which limits further expansion in valuation multiples of the stock. We believe Bajaj Auto has potential to grow in the export market, especially Africa, but competition is likely to escalate in Africa as the market matures and per capita income rises.

We expect an increase of 170 bps yoy in EBITDA margins in FY2014

We expect Bajaj Auto's EBITDA margins to increase by ~170 bps yoy in FY2014 driven by a recovery in motorcycle exports. The company hedged its exports at an average USD/INR rate of 49 in FY2013; therefore we expect 8-10% benefit in export realizations due to a weaker Rupee. We expect Bajaj Auto to retain 50% of the Rupee benefit and pass on the rest to its distributors. A sharper-than-expected recovery in the premium motorcycle segment and the three-wheeler segment could lead to improvement in EBITDA margins. We factor 10% yoy growth in the domestic three-wheeler segment due to the opening-up of new permits in Delhi and some other states. We expect pricing to remain stable in the domestic motorcycle segment as we expect industry growth to recover to 10-11% over FY2014-15.

We retain our target price of Rs2,100 based on 15X multiple on our FY2014 earnings estimates. We have made modest changes to our earnings estimates after changes made by our economist in the USD/INR rate.

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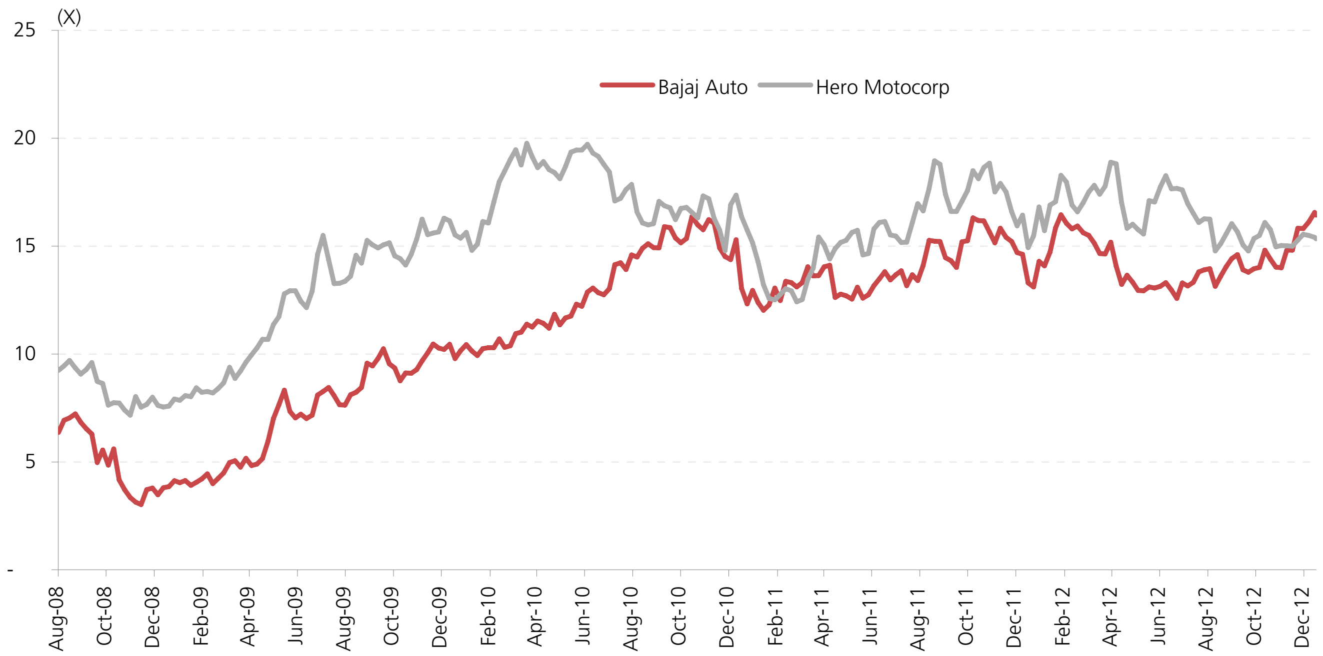
Downgrade to REDUCE as valuations reach a historical high

We downgrade Bajaj Auto to REDUCE (from ADD) as valuations have reached a historical high. Bajaj Auto trades at 16X PE multiple on FY2014 earnings estimates, a historical high. We believe further re-rating of the stock is unlikely given an increase in competitive intensity in the domestic two-wheeler segment, which will limit market share gains for Bajaj Auto, in our view. We believe the stock also factors a sharp recovery in exports growth in FY2014 and EBITDA margin expansion of 200 bps due to a weak Rupee. We have maintained our target price of Rs2,100 based on 15X PE multiple on our FY2014 earnings estimates.

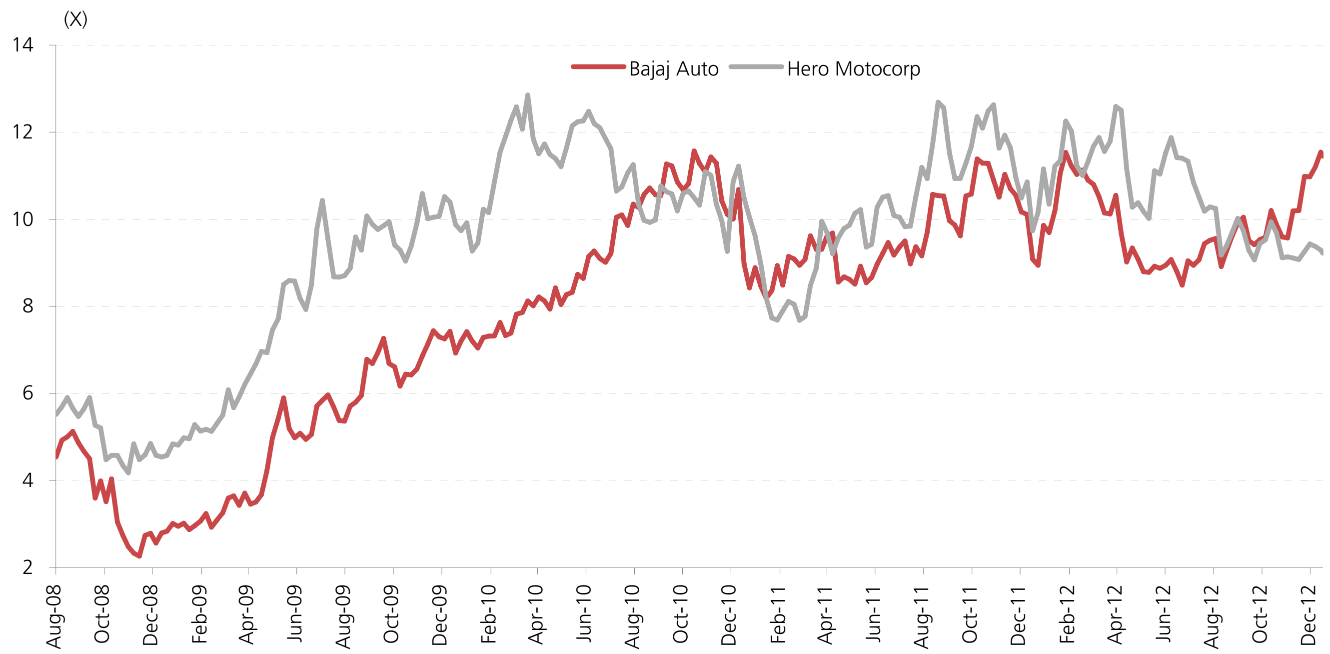
Bajaj Auto has traded at a discount to Hero Motocorp since it re-listed in 2008 but over the past few months the stock has re-rated and now trades at a premium to Hero Motocorp. While we agree Bajaj Auto should trade at a premium to Hero Motocorp due to strong pricing power in the premium motorcycle segment and strong brand presence in export markets, we believe both stocks do not factor any loss in market share due to incremental launches by Honda in the 100cc segment. Honda will increase its capacity from 2.8 mn to 4mn by March 2013 when its new Bangalore plant comes up, which will help Honda to launch more bikes in the 100cc segment and we expect both Bajaj Auto and Hero Motocorp to lose market share to Honda. The success of Dream Yuga indicates Honda has strong brand recall and a superior product to challenge Hero Motocorp and Bajaj Auto in the executive segment.

Exhibit 1: 12-month forward P/E multiple for Bajaj Auto and Hero Motocorp, March fiscal year-ends, (X)



Source: Bloomberg, Company, Kotak Institutional Equities estimates

Exhibit 2: 12-month forward EV/EBITDA multiple for Bajaj Auto and Hero Motocorp, March fiscal year-ends, (X)



Source: Bloomberg, Company, Kotak Institutional Equities estimates

Market-share gain looks unlikely as competition targets the executive segment

Bajaj Auto has gained ~300 bps market share from its lows in April-May 2012, driven mainly by Discover 100 and Discover 125cc ST. We believe Bajaj Auto and Hero Motocorp are likely to lose market share to Honda as Honda launches more products in the 100cc category. Honda is expanding capacity from 2.8 mn to 4 mn from March 2013 and plans to launch more fuel-efficient 100cc bikes to target the executive segment (which forms 65% of India's motorcycle market).

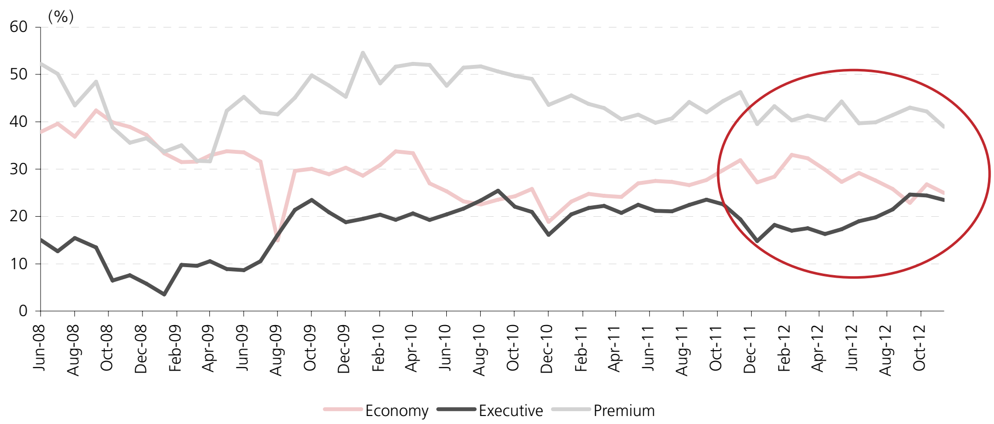
Bajaj launched new Discover 100cc T, which claims to have best-in-class mileage and higher power than competing 100cc bikes. Bajaj has priced the vehicle at a significant premium to its competitors (see Exhibit 6). We believe mileage will be key to the success of this product as customers will pay a premium only if the product manages to give higher mileage than other bikes. A quick calculation suggests that if the product delivers 87 kmpl mileage (which we believe will be much lower under normal traffic conditions) a customer will save ~Rs10,000 over 60,000 kms compared with Dream Yuga (which delivers mileage of 72 kmpl). This could be a key selling point for the product. However, we believe under normal conditions the mileage will not be significantly higher than that of Dream Yuga.

Bajaj Auto has lost market share in the premium segment over the past two years but the share has stabilized at about 40%. We expect Bajaj to maintain its dominance in this segment as competitors focus on the executive segment.

We don't expect any deterioration in pricing in the two-wheeler segment as we expect industry growth to recover to low double digits over FY2014-15 due to pent-up demand, moderating inflation and decrease in cost of ownership of vehicles as we expect income growth to outpace the increase in bike prices.

Exhibit 3: Bajaj Auto has increased market share in the executive segment after it launched Discover 125ST

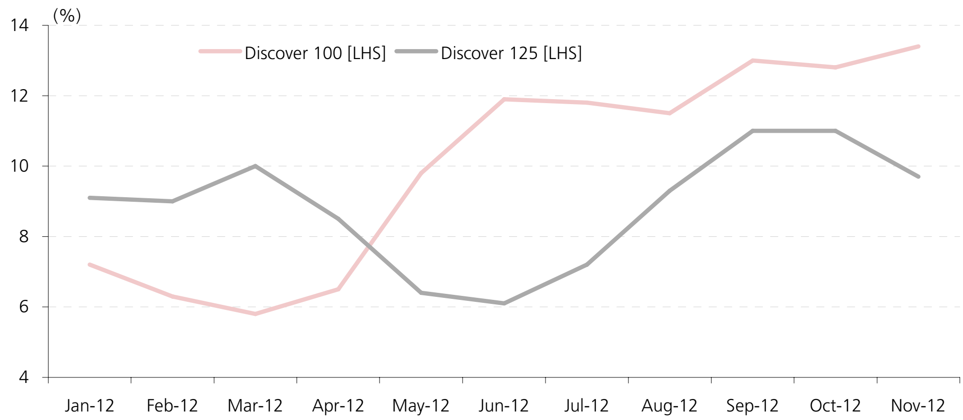
Bajaj Auto's monthly market share in different segments, June 2008-November 2012, (%)



Source: CRISIL, Kotak Institutional Equities

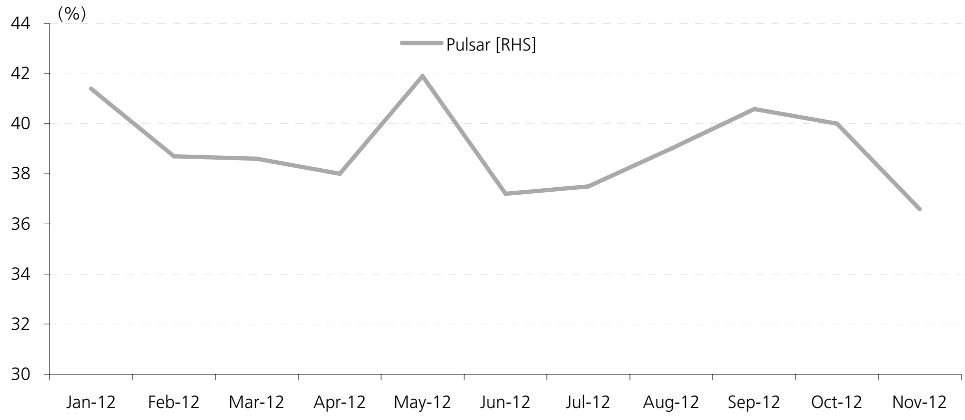
Exhibit 4: Bajaj Auto has increased its share in the executive segment in recent months

Monthly market share in the executive segment, Bajaj Auto, January-November 2012, (%)



Source: CRISIL, Kotak Institutional Equities

Exhibit 5: Bajaj Auto has lost market share in the premium segment over the past few years
Monthly market share in the premium segment, Bajaj Auto, January-November 2012, (%)



Source: CRISIL, Kotak Institutional Equities

Exhibit 6: Comparison of the recently launched Discover 100T with its peer group

Model	Price ('000 Rs)	Engine (cc)	Power (bhp)	Torque (Nm)	Mileage (kmpl)
Discover 100T	50.5	100	10.2	9.2	*87
Discover 125ST	54.2	125	13.0	10.8	60
Passion Pro	45.1	97	7.5	8.0	68
Passion Plus	44.0	97	7.5	8.0	68
Splendour Pro	43.9	97	7.4	8.0	70
Splendour Plus	43.0	97	7.5	7.2	70
Dream Yuga	48.1	109	8.5	8.9	72

Notes:
(a) Prices are ex-showroom prices Delhi.
(b) * Mileage of Discover 100T as claimed by the company under test conditions.
(c) Mileage for rest of the models is the average of mileage for city and highway traffic.

Source: Overdrive, Kotak Institutional Equities

Exhibit 7: We expect domestic motorcycle industry volumes to grow by 11% in FY2014
Domestic motorcycle volume estimates, March fiscal year-ends, 2011-15 (mn units)

	2011	2012	2013E	2014E	2015E
Economy	1.6	1.9	2.1	2.4	2.5
Executive	5.8	6.5	6.6	7.4	8.3
Premium	1.6	1.7	1.7	1.8	2.0
Total volumes	**9.0**	**10.1**	**10.4**	**11.6**	**12.8**
YoY change (%)					
Economy		20.1	15.0	10.0	6.0
Executive		12.3	1.0	12.0	12.0
Premium		4.0	0.0	8.0	10.0
Total		**12.1**	**3.4**	**10.9**	**10.5**
Playerwise volume estimates (mn units)					
Economy	**1.6**	**1.9**	**2.1**	**2.4**	**2.5**
Hero	0.7	0.8	1.0	1.1	1.2
Bajaj	0.4	0.5	0.6	0.7	0.7
TVS	0.4	0.5	0.4	0.4	0.5
Executive	**5.8**	**6.5**	**6.6**	**7.4**	**8.3**
Hero	3.9	4.5	4.4	4.7	5.1
Bajaj	1.2	1.3	1.2	1.3	1.4
Honda	0.5	0.6	0.9	1.2	1.5
Premium	**1.6**	**1.7**	**1.7**	**1.8**	**2.0**
Hero	0.3	0.3	0.2	0.2	0.2
Bajaj	0.8	0.7	0.8	0.9	0.9
Honda	0.1	0.2	0.3	0.4	0.4
Yamaha	0.2	0.3	0.3	0.3	0.3
TVS	0.1	0.1	0.1	0.1	0.1
Total volumes	**9.0**	**10.1**	**10.4**	**11.6**	**12.8**
Hero	4.9	5.7	5.6	6.0	6.5
Bajaj	2.4	2.6	2.6	2.8	3.0
Honda	0.7	0.8	1.1	1.6	1.9
TVS	2.4	2.6	0.5	0.6	0.6
Yamaha	0.7	0.8	0.3	0.3	0.4
Segmental market shares (%)					
Economy					
Hero	46.5	44.7	46.6	46.6	46.6
Bajaj	24.7	28.7	29.9	29.9	29.9
TVS	27.2	25.0	18.5	18.5	18.5
Executive					
Hero	66.5	68.7	66.7	63.9	61.6
Bajaj	21.2	20.1	17.6	17.0	16.4
Honda	9.2	9.3	12.9	16.7	18.1
Premium					
Bajaj	48.7	42.1	44.2	46.4	45.5
Hero	20.6	19.4	14.6	12.1	11.6
Yamaha	11.0	15.3	14.8	13.7	13.5
Honda	7.5	9.4	15.1	19.4	19.7
TVS	8.8	8.5	8.5	7.5	7.3
Domestic motorcycle market share (%)					
Hero	54.6	56.0	54.1	52.2	50.8
Bajaj	26.8	25.5	24.4	24.3	23.7
Honda	7.3	7.7	10.6	13.7	14.8
TVS	7.0	6.2	5.2	4.9	4.8
Yamaha	3.1	3.5	3.2	2.9	2.8

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: We expect capacity utilization of the two-wheeler industry to be above 80%, which negates risk of pricing pressure

Capacity utilization of the two-wheeler industry, March fiscal year-ends, 2010-15E (units)

	2010	2011	2012	2013E	2014E	2015E
Hero Motocorp						
Production	4.6	5.4	6.3	6.2	6.6	7.2
Capacity	5.4	6.2	7.0	7.0	8.3	9.0
Capacity utilization (%)	85.1	87.9	89.6	88.2	80.5	79.6
Bajaj Auto						
Production	2.5	3.4	3.8	3.9	4.4	5.0
Capacity	3.9	4.6	4.6	4.6	5.6	5.6
Capacity utilization (%)	65.2	74.0	83.7	85.0	79.3	89.1
Honda Motorcycles						
Production	1.3	1.6	2.1	3.1	3.9	4.5
Capacity	2.0	2.0	2.8	4.0	4.0	4.6
Capacity utilization (%)	63.9	82.5	75.4	76.9	96.4	98.0
TVS Motors						
Production	1.5	2.0	2.1	2.0	2.2	2.4
Capacity	2.9	2.9	2.9	2.9	2.9	2.9
Capacity utilization (%)	52.4	70.2	74.1	70.4	75.6	81.4
Yamaha						
Production	0.3	0.4	0.5	0.5	0.6	0.7
Capacity	0.7	0.7	0.7	0.7	1.1	1.1
Capacity utilization (%)	43.5	55.7	76.6	76.9	53.9	62.5
Suzuki						
Production	0.2	0.3	0.3	0.4	0.5	0.5
Capacity	0.4	0.4	0.4	0.5	0.9	0.9
Capacity utilization (%)	52.8	78.3	96.4	91.0	53.3	59.7
Others						
Production	0.1	0.2	0.2	0.2	0.2	0.2
Capacity	0.2	0.4	0.4	0.4	0.4	0.4
Capacity utilization (%)	55.2	54.5	57.7	57.7	60.6	63.6
Total production	**10.5**	**13.4**	**15.5**	**16.3**	**18.4**	**20.4**
Capacity	15.4	17.1	18.7	20.0	23.1	24.4
Capacity utilization (%)	68.3	78.2	82.6	81.7	79.8	83.8

Source: Company, Kotak Institutional Equities estimates

EBITDA margins are likely to expand, driven by recovery in exports

We expect Bajaj Auto's EBITDA margins to increase by ~170 bps yoy in FY2014, driven by recovery in motorcycle exports. The company hedged its exports at an average USD/INR rate of 49 in FY2013, therefore we expect 8-10% benefit in export realizations due to a weaker Rupee. We expect Bajaj Auto to retain 50% of the Rupee benefit and pass on the rest to its distributors. A sharper-than-expected recovery in the premium motorcycle segment and three-wheeler segment could lead to improvement in EBITDA margins. We factor 10% yoy growth in the domestic three-wheeler segment due to the opening-up of new permits in Delhi and other states.

Exhibit 9: We increase our earnings estimates by ~2% over FY2013-14 due to improvement in EBITDA margins
Bajaj Auto, earnings revision table, March fiscal year-ends, 2013-14E (Rs mn)

	New estimates		Old estimates		% change	
	2013E	2014E	2013E	2014E	2013E	2014E
Domestic 2 wh	2,552,373	2,813,523	2,552,373	2,813,523	-	-
Domestic 3 wh	222,869	245,156	222,869	245,156	-	-
Export 2 wh	1,356,383	1,627,660	1,356,383	1,627,660	-	-
Export 3 wh	268,471	308,742	268,471	308,742	-	-
Volumes (units)	**4,400,097**	**4,995,081**	**4,400,097**	**4,995,081**	**-**	**-**
Average net realization (Rs)	47,716	49,298	47,716	49,174	0.0	0.3
Net sales (including operating income)	209,957	246,250	209,957	245,629	0.0	0.3
EBITDA	40,964	52,131	39,973	50,943	2.5	2.3
EBITDA margin (%)	19.5	21.2	19.0	20.7		
Adjusted net profit	**31,924**	**40,308**	**31,221**	**39,465**	**2.3**	**2.1**
EPS (Rs)	**110.3**	**139.3**	**107.9**	**136.4**	**2.3**	**2.1**

Source: Kotak Institutional Equities estimates

Exhibit 10: We expect Bajaj Auto's volumes to rise by ~14% yoy in FY2014
Volume assumptions, March fiscal year-ends, 2010-15E (mn units)

	2010	2011	2012	2013E	2014E	2015E
Motorcycles	**2,506,845**	**3,387,043**	**3,834,405**	**3,908,756**	**4,441,183**	**4,991,797**
Domestic	**1,781,748**	**2,414,606**	**2,566,757**	**2,552,373**	**2,813,523**	**3,038,605**
< 125 cc	928,878	1,159,190	1,128,360	1,128,360	1,218,629	1,316,119
> 125 cc	852,870	1,255,416	1,438,397	1,424,013	1,594,895	1,722,486
Exports	**725,097**	**972,437**	**1,267,648**	**1,356,383**	**1,627,660**	**1,953,192**
< 125 cc	533,126	639,733	832,428	890,698	1,068,838	1,282,605
> 125 cc	191,971	332,704	435,220	465,685	558,822	670,587
Total 2-wheelers	**2,511,696**	**3,387,043**	**3,834,405**	**3,908,756**	**4,441,183**	**4,991,797**
Domestic 3-Wheelers	**176,027**	**205,627**	**202,979**	**222,869**	**245,156**	**269,671**
Passenger 3-wheelers	164,493	201,270	195,141	218,558	240,414	264,455
Goods 3-wheelers	11,534	4,357	7,838	4,311	4,742	5,216
Exports	164,909	231,281	312,176	268,471	308,742	345,791
Total 3-wheelers	**340,936**	**436,908**	**515,155**	**491,340**	**553,898**	**615,462**
Total vehicles	**2,852,632**	**3,823,951**	**4,349,560**	**4,400,097**	**4,995,081**	**5,607,260**
Growth (yoy %)						
Motorcycles	**31.4**	**35.1**	**13.2**	**1.9**	**13.6**	**12.4**
Domestic	**39.6**	**35.5**	**6.3**	**(0.6)**	**10.2**	**8.0**
< 125 cc	114.7	24.8	(2.7)	-	8.0	8.0
> 125 cc	1.1	47.2	14.6	(1.0)	12.0	8.0
Exports	**14.8**	**34.1**	**30.4**	**7.0**	**20.0**	**20.0**
< 125 cc	40.7	20.0	30.1	7.0	20.0	20.0
> 125 cc	(23.9)	73.3	30.8	7.0	20.0	20.0
Total 2-wheelers	**30.8**	**34.9**	**13.2**	**1.9**	**13.6**	**12.4**
Domestic 3-Wheelers	**29.9**	**16.8**	**(1.3)**	**9.8**	**10.0**	**10.0**
Passenger 3-wheelers	31.3	22.4	(3.0)	12.0	10.0	10.0
Goods 3-wheelers	13.1	(62.2)	79.9	(45.0)	10.0	10.0
Exports	18.6	40.2	35.0	(14.0)	15.0	12.0
Total 3-wheelers	**24.2**	**28.1**	**17.9**	**(4.6)**	**12.7**	**11.1**
Total vehicles	**30.0**	**34.0**	**13.7**	**1.2**	**13.5**	**12.3**

Source: Company, Kotak Institutional Equities estimates

Exhibit 11: We expect earnings CAGR to increase to 15% over FY2013-15
Bajaj Auto profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2010-15E (Rs mn)

	2010	2011	2012	2013E	2014E	2015E
Profit model (Rs mn)						
Net sales	115,085	158,968	188,803	202,105	238,615	272,366
EBITDA	**26,175**	**34,138**	**40,284**	**40,964**	**52,131**	**58,520**
Other income	976	3,339	2,997	5,513	6,312	8,112
Interest	(60)	(17)	(222)	—	—	—
Depreciation	(1,365)	(1,228)	(1,456)	(1,513)	(1,671)	(1,723)
Profit before tax	**25,726**	**36,232**	**41,602**	**44,964**	**56,771**	**64,910**
Extra-ordinary items	(1,624)	7,246	(1,340)	—	—	—
Taxes	(7,075)	(10,080)	(10,221)	(13,039)	(16,464)	(18,824)
Net profit	**17,027**	**33,397**	**30,041**	**31,924**	**40,308**	**46,086**
Adjusted net profit	**18,171**	**26,152**	**30,041**	**31,924**	**40,308**	**46,086**
Adjusted earnings per share (Rs)	**62.8**	**90.4**	**103.8**	**110.3**	**139.3**	**159.2**
Balance sheet (Rs mn)						
Equity	29,283	49,102	60,411	77,395	98,840	123,358
Deferred tax liability	17	297	484	484	484	484
Total borrowings	13,386	4,855	2,546	2,546	2,546	2,546
Current liabilities	28,579	38,222	47,370	49,041	53,801	59,600
Total liabilities	**71,265**	**92,476**	**110,811**	**129,466**	**155,671**	**185,988**
Net fixed assets	15,211	15,483	14,914	15,900	16,730	17,257
Investments	40,215	47,219	48,828	70,702	90,702	110,702
Cash	1,014	2,288	16,538	9,198	11,747	18,741
Other current assets	14,824	27,443	30,211	33,345	36,172	38,969
Miscellaneous expenditure	—	43	320	320	320	320
Total assets	**71,265**	**92,476**	**110,811**	**129,466**	**155,671**	**185,988**
Free cash flow (Rs mn)						
Operating cash flow excl. working capital	18,874	24,352	28,802	25,585	34,344	39,186
Working capital changes	8,498	(8,215)	797	(1,464)	1,934	3,002
Capital expenditure	(1,078)	(2,006)	(1,090)	(2,500)	(2,500)	(2,250)
Free cash flow	**26,293**	**14,131**	**28,509**	**21,621**	**33,777**	**39,938**
Ratios						
EBITDA margin (%)	21.9	20.5	20.3	19.5	21.2	20.8
PAT margin (%)	15.8	16.5	15.9	15.8	16.9	16.9
Book Value (Rs/share)	101.2	169.7	208.7	267.4	341.5	426.3
RoAE (%)	70.9	84.9	54.5	46.0	45.5	41.3
RoACE (%)	**42.5**	**63.6**	**47.5**	**38.9**	**39.3**	**35.3**

Source: Company, Kotak Institutional Equities estimates

kotak Institutional Equities

Metals & Mining

India

CAUTIOUS

JANUARY 09, 2013

UPDATE

BSE-30: 19,743

3QFY13E preview—no festivities this season. We expect deterioration in performance from steel companies and a sequential improvement (marginal) from non-ferrous companies. A combination of low prices, muted demand and high-cost inventories will result in margin squeeze. To top it all, MTM forex losses (3.5% decline in INR/US$ closing rate) will hurt net profit further and few names (Tata Steel, JSW Steel) will likely report net losses. Non-ferrous will witness improved profitability on marginally higher prices (1.5-2%) and production gains. We retain our Cautious coverage view on the sector. NMDC and Sterlite are our top picks.

Not much to cheer—domestic and global slowdown will lead to another weak/muted quarter

We expect a non-eventful quarter and weak/muted earnings performance. Global steel prices, after declining in 2QFY13, remained subdued through Oct-Nov with recovery attempts (more on push side) towards Dec 2012. Domestic steel prices followed suit. Domestic demand deteriorated with build of inventory, courtesy slowdown in economic activity. We expect sequential EBITDA decline for steel companies except JSPL led by decline in steel prices.

Steel: Slowdown in demand, subdued prices and high-cost inventory—a recipe for weak quarter

Steel companies will likely report weak performance due to a combination of (1) muted volumes; we expect decline for JSW (due to poor iron ore availability and shutdown of one of the Corex furnaces) and modest growth for Tata Steel and (2) sequential decline in steel prices of Rs1,500/ton. We expect companies to report Rs1,000-1,500/ton decline in realization; the decline is likely to be more prominent for JSW and Tata Steel. We expect gains from lower coking coal costs (US$170/ton, -25% qoq) will not reflect fully in performance due to carry-over inventory of ~45-60 days and long-term price agreements. We expect EBITDA/ton to decline by 3-7% on a qoq basis.

Non-ferrous: Marginally higher LME and sequential improvement in production

Non-ferrous companies will report sequential improvement in profits on gains from higher LME prices and increased production from stable raw-material supplies/operations. Realizations will be aided by higher average LME for aluminium/zinc, which increased 3.2/3.9% qoq, partly offset by 1.7% increase in average INR/US$ rate. Improved availability/higher usage of linkage thermal coal will also lead to cost reductions on a sequential basis. In copper, lower acid realizations will offset gains from higher production. We expect sequential growth in EBITDA for all except Sterlite.

Forex losses (including MTM) will impact net income; few names to report losses

Depreciation of the Rupee by 3.5% based on quarterly closing rate can potentially lead to an Fx hit. Among steel companies, we expect JSW Steel to report MTM forex loss of Rs3.2 bn (against 2QFY13 forex gain of Rs4.2 bn) and a net loss of Rs1.3 bn. Net profit of non-ferrous companies will be impacted on two counts—(1) due to high imports and related creditors, Rupee decline will impact operational EBITDA, more so in case of copper businesses and (2) MTM losses.

Remain Cautious; select names offer upside

We maintain our Cautious view on steel because (1) weak domestic demand will impede production ramp-ups/lower realizations (2) challenges around iron-ore availability for non-integrated companies will limit capacity utilization and (3) global steel prices could remain subdued due to overcapacity across regions, though there could be near-term upsides. NMDC and Sterlite are our key picks in the metals and mining segment.

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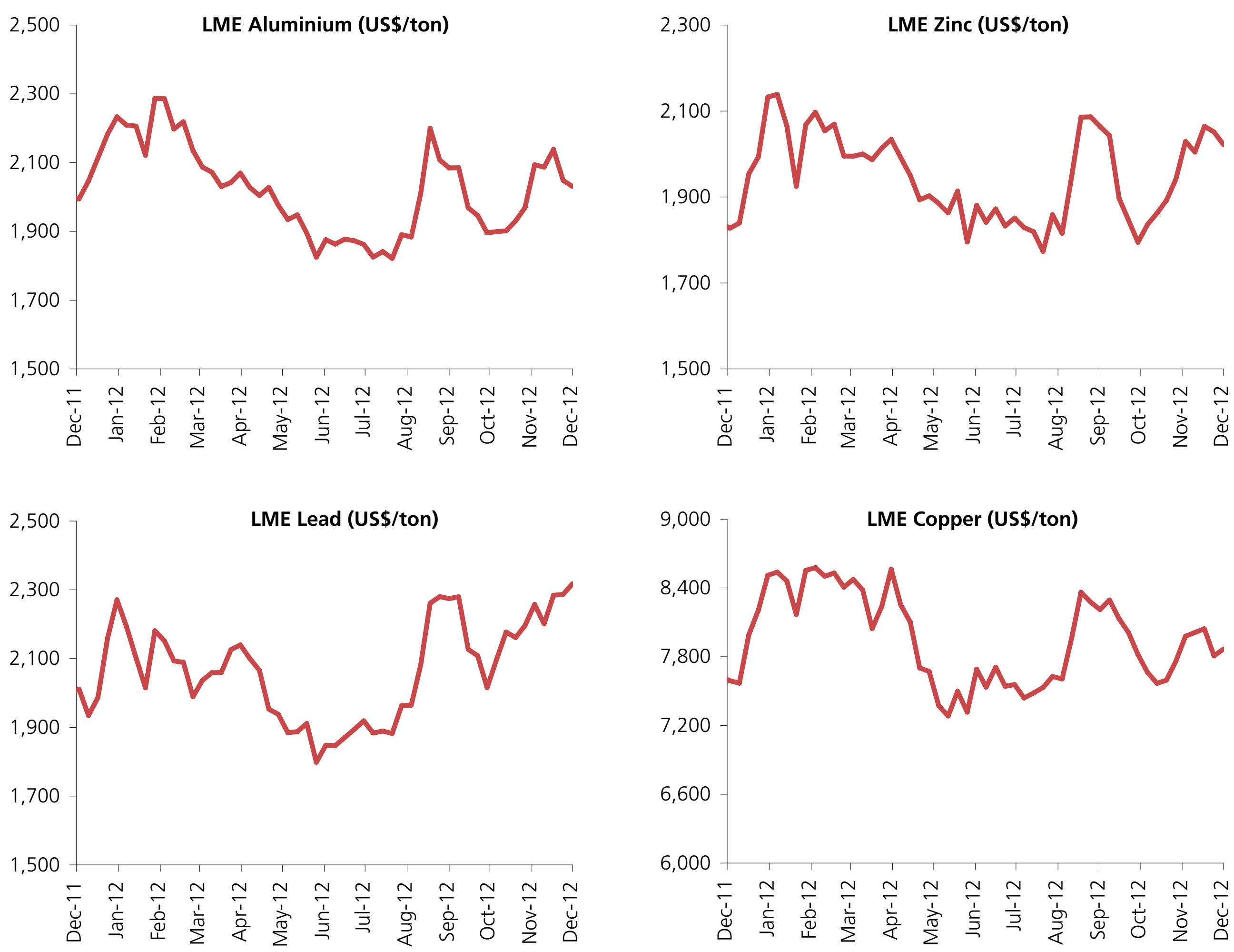
Exhibit 1: Non-ferrous price trend

				Change (%)		Implied Rupee realization			Change (%)	
	3QFY12	2QFY13	3QFY13	yoy	qoq	3QFY12	2QFY13	3QFY13	yoy	qoq
Aluminium	2,096	1,924	1,999	(4.6)	3.9	106,844	106,030	108,253	1.3	2.1
Zinc	1,906	1,888	1,947	2.2	3.2	97,182	104,044	105,461	8.5	1.4
Lead	1,993	1,980	2,197	10.2	11.0	101,577	109,117	118,959	17.1	9.0
Copper	7,512	7,716	7,913	5.3	2.6	382,932	425,315	428,535	11.9	0.8

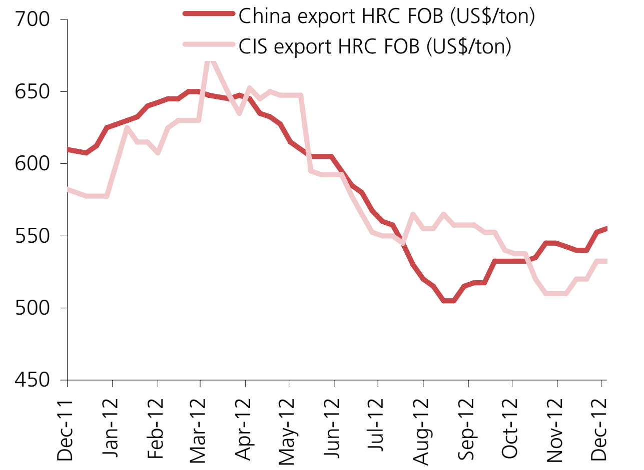
Source: Bloomberg, Kotak Institutional Equities

Exhibit 2: LME non-ferrous metals price movements (US$/ton)



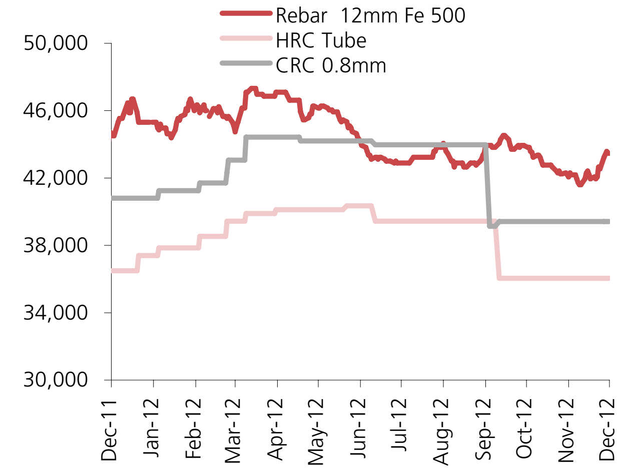
Source: Bloomberg, Kotak Institutional Equities

Exhibit 3: International steel prices remain subdued with marginal recoveries at the end of 3QFY13



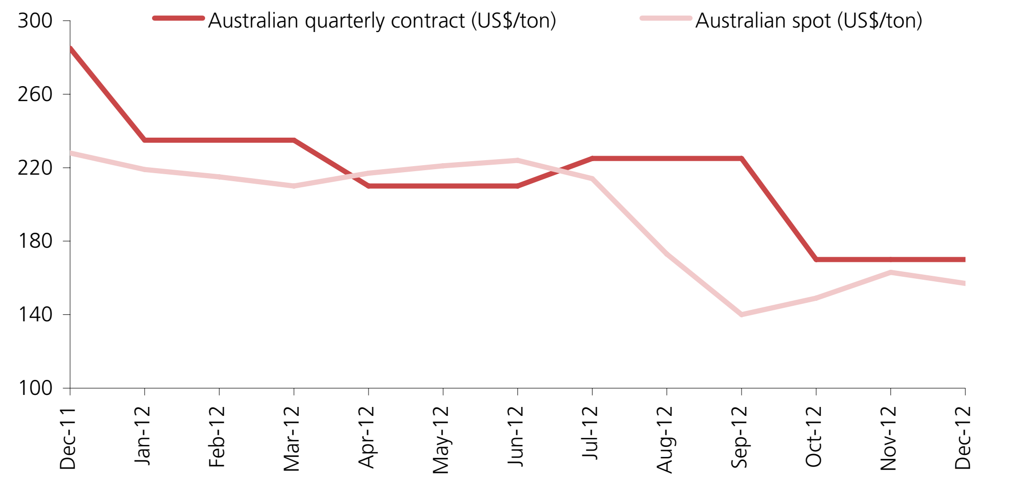
Source: Bloomberg, Kotak Institutional Equities

Exhibit 4: Domestic steel prices declined along with global prices, flats declined more than longs



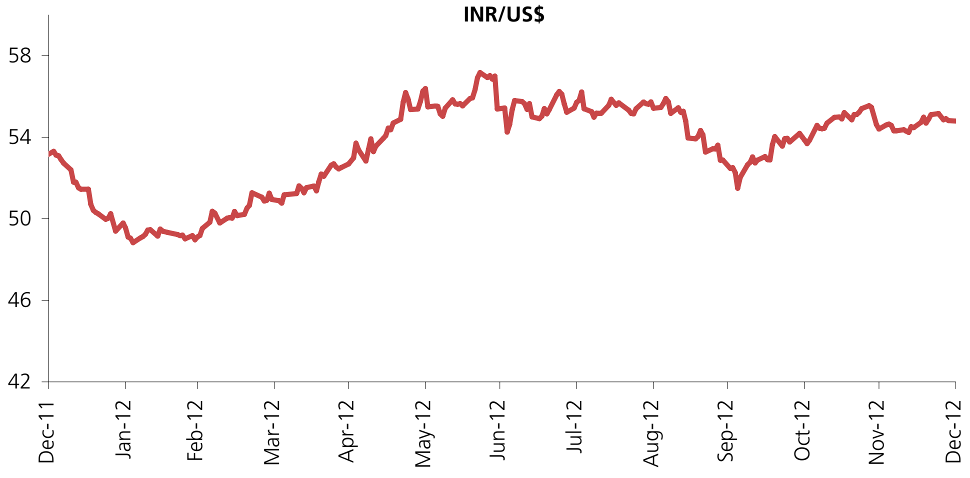
Source: Steelprices India, Kotak Institutional Equities

Exhibit 5: Hard coking coal prices declined from US$225/ton in 2QFY13 to US$170/ton in 3QFY13



Source: CRU, Kotak Institutional Equities

Exhibit 6: Rupee depreciated during the quarter; closing rate was lower by 3.5% qoq though average INR/US$ rate increased 1.7% qoq



Source: Bloomberg, Kotak Institutional Equities

Exhibit 7: Results preview for ferrous companies (Rs mn)

				Change (%)		
	3QFY12	2QFY13	3QFY13E	yoy	qoq	
FERROUS						
Jindal Steel and Power - Standalone						
Net Sales	32,983	35,890	36,490	10.6	1.7	We expect steel and pellet sales to increase to 664,000 tons and 545,000 tons.
EBITDA	9,955	12,607	12,852	29.1	1.9	
EBIT	7,852	10,118	10,338	31.7	2.2	
Net profit	4,611	5,822	5,956	29.2	2.3	
Steel deliveries ('000 tonnes)	591	639	665	12.5	4.0	Decline in steel and pellet prices will offset gains from higher volumes. We expect JSPL to report flat EBITDA sequentially.
Metallic deliveries ('000 tonnes)	39	25	10	(74.0)	(60.4)	
Power sales (mn units)	1,182	1,457	1,501	27.0	3.0	
Jindal Steel and Power - consolidated						
Net Sales	43,577	46,552	46,992	7.8	0.9	We expect muted EBITDA performance due to (1) marginally lower steel and pellet realizations and (2) low PLF at Jindal Power, a subsidiary of JSP.
EBITDA	17,421	16,964	17,356	(0.4)	2.3	
EBIT	14,108	13,274	13,629	(3.4)	2.7	
Net profit	9,967	8,973	9,609	(3.6)	7.1	We expect net profit of Rs2.7 bn at Jindal Power, compared to Rs2.6 bn in 2QFY13.
Steel deliveries ('000 tonnes)	591	639	665	12.5	4.0	
Power (mn units)	3,000	3,335	3,401	13.4	2.0	
JSW Steel - standalone						
Net Sales	78,765	88,709	76,715	(2.6)	(13.5)	We expect 9% sequential decline in crude steel production at 1,965 kt due to capital repairs at one of the Corex furnaces and limited iron-ore availability.
EBITDA	12,526	15,252	12,539	0.1	(17.8)	
EBIT	8,090	11,222	8,277	2.3	(26.2)	
Net profit	1,682	8,223	642	(61.9)	(92.2)	
Steel deliveries ('000 tonnes)	1,908	2,170	1,949	2.1	(10.2)	We expect EBITDA/ton to decline 7% sequentially due to Rs1,500/ton decline in blended realizations, partly offset by US$15/ton savings in coking coal. We expect PAT to be impacted by forex losses of Rs3.1 bn.
Average realisation/tonne (US$)	809	742	727	(10.2)	(2.0)	
EBITDA/tonne (US$)	129	128	119	(7.7)	(6.8)	
JSW Steel - consolidated						
Net Sales	84,047	94,752	82,902	(1.4)	(12.5)	We expect sequential EBITDA to decline 14% and company to report a net loss of Rs1,347 mn due to lower EBITDA and MTM forex losses.
EBITDA	13,174	15,313	13,158	(0.1)	(14.1)	
EBIT	8,212	10,121	7,914	(3.6)	(21.8)	
Net profit before extraordinaries	2,898	4,167	785	(72.9)	(81.2)	We forecast JSW's share of loss in Ispat at Rs1,340 mn. We expect steel deliveries at Ispat at 670 kt, EBITDA at Rs600 mn, forex loss of Rs1.75 bn and net loss of Rs2.8 bn.
Net profit	(479)	6,913	(1,347)	181.3	(119.5)	
Steel deliveries ('000 tonnes)	1,908	2,170	1,949	2.1	(10.2)	
Sesa Goa						
Net Sales	26,043	2,885	2,892	(88.9)	0.3	Iron-ore operations have halted with the continuing ban on mining in Karnataka and Goa. We expect a modest 0.1 mn tons of shipments from the Karnataka mines.
EBITDA	10,852	58	(225)	(102.1)	(487.4)	
EBIT	10,769	(134)	(422)	(103.9)	215.7	
Net profit	6,915	5,220	4,849	(29.9)	(7.1)	We expect revenue largely from the pig iron and met coke division. We expect losses at the EBITDA level. Net income will comprise consolidation of a proportionate share of earnings in Cairn India.
Saleable ore ('000 dmt)	5,040	200	0.1	(100.0)	(99.9)	
Average realisation/tonne (US$)	84	83	55	(33.9)	(33.1)	
Tata Steel - Standalone						
Net Sales	83,819	91,506	94,416	12.6	3.2	India business profitability will decline marginally to US$256/ton from US$264/ton in 2QFY13 led by lower realization in long products and marginal decline in flat prices. Blended realization is likely to decline by US$7/ton qoq.
EBITDA	26,306	25,162	25,341	(3.7)	0.7	
EBIT	23,152	23,646	22,824	(1.4)	(3.5)	
Net profit	14,213	13,508	12,491	(12.1)	(7.5)	Cost inefficiencies are likely to continue due to a delay in commissioning coke oven batteries, forcing the company to buy coke from the open market. We expect steel production of 2 mn tons but weak offtake will to lead to inventory build-up and relatively lower steel deliveries of 1.83 mn tons.
Steel deliveries ('000 tonnes)	1,622	1,730	1,830	12.8	5.8	
Average realisation/tonne (US$)	1,013	960	953	(6.0)	(0.7)	
EBITDA/tonne (US$)	309	264	256	(17.2)	(3.1)	
Tata Steel - Consolidated						
Net Sales	331,031	341,327	327,720	(1.0)	(4.0)	We expect another weak quarter with a likely increase in EBITDA loss of US$10/ton at Corus, from US$2/ton in 2QFY13.
EBITDA	17,173	23,101	21,268	23.8	(7.9)	
EBIT	6,916	11,769	9,835	42.2	(16.4)	
Net profit	(6,027)	(3,639)	(4,626)	(23.2)	27.1	
Steel deliveries ('000 tonnes)	5,840	6,070	6,020	3.1	(0.8)	Consolidated loss to be led by continued weak performance in international subsidiaries, including Corus.
Average realisation/tonne (US$)	1,111	1,020	1,005	(9.6)	(1.5)	
EBITDA/tonne (US$)	58	69	65	13.1	(5.5)	
NMDC						
Net Sales	28,220	26,118	21,562	(23.6)	(17.4)	Volumes are likely to decline yoy (-15%) and qoq (-8%) to 5.4 mn tons due to lower lump sales from Chhattisgarh.
EBITDA	22,607	19,347	16,459	(27.2)	(14.9)	
EBIT	22,263	19,016	16,127	(27.6)	(15.2)	
Net profit	18,588	16,786	13,695	(26.3)	(18.4)	We expect blended realizations to decline 9% qoq to Rs4,030/ton. Lower realizations and volumes will lead to earnings decline.
Saleable ore ('000 dmt)	6,296	5,870	5,352	(15.0)	(8.8)	
Average realisation/tonne (US$)	88	81	74	(15.4)	(7.8)	

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Result preview for non-ferrous companies (Rs mn)

				Change (%)		
	3QFY12	2QFY13	3QFY13E	yoy	qoq	
NON - FERROUS						
Hindalco Industries						
Net Sales	66,470	61,635	68,318	2.8	10.8	We expect EBITDA to recover from a decline in 1HFY13 led by (1) higher aluminum and copper production at 140,000 tons and 84,000 tons and (2) improved aluminum realizations on higher LME prices (+4% qoq).
EBITDA	7,149	5,153	7,204	0.8	39.8	
EBIT	6,303	4,749	6,907	9.6	45.4	
Net profit	4,507	3,589	4,904	8.8	36.6	We expect copper EBIT at Rs2.1 bn and aluminum EBIT at Rs3.4 bn, other income at Rs1.5 bn
Primary aluminium ('000 tonnes)	146	128	135	(7.9)	5.3	
Copper cathodes ('000 tonnes)	88	78	90	2.2	15.6	
Aluminium EBITDA/tonne (US$)	594	427	644	8.4	50.8	
Novelis						
Net Sales (US$ mn)	2,462	2,441	2,200	(10.6)	(9.9)	A seasonally weak quarter coupled with demand slowdown will result in lower volumes. We expect marginal decline (yoy) in EBITDA/ton due to pricing pressure and lower volumes.
EBITDA (US$ mn)	213	277	198	(6.8)	(28.4)	
Net profit (US$ mn)	(12)	49	30	NM	(38.8)	
Shipments ('000 t)	682	754	675	(1.0)	(10.5)	We expect EBITDA to decline on qoq and yoy (marginal) basis.
Adj. EBITDA/tonne (US$)	312	367	294	(5.9)	(20.0)	
Hindustan Zinc						
Net Sales	27,868	28,655	30,612	9.8	6.8	We expect 10% sequential recovery in mined metal production. Production of 1HFY13 was impacted by higher strip ratio as mining at Rampura Agucha mine moved to narrower ore body; we expect progress towards normalization in 3QFY13. Metal concentrate production will improve sequentially but will not reflect in sales volumes.
EBITDA	14,023	14,431	14,810	5.6	2.6	
EBIT	16,251	18,083	18,327	12.8	1.3	
Net profit	12,736	15,398	15,578	22.3	1.2	
Refined Zinc ('000 tonnes)	190	162	176	(7.3)	8.7	
Refined Lead ('000 tonnes)	27	26	30	11.1	15.4	Higher metal sales will not reflect in improvement in EBITDA due to treatment of low margin brought-out concentrate from last quarter.
Silver (kg)	57,595	82,000	82,000	42.4	—	
National Aluminium Co.						
Net Sales	14,486	16,083	15,148	4.6	(5.8)	Disruption in the bauxite mine impacted alumina production; we expect a 36% sequential decline in alumina sales volumes to 124,000 tons.
EBITDA	639	(59)	788	23.2	NM	
EBIT	713	93	980	37.5	NM	
Net profit	512	5	649	26.7	NM	The aluminum smelting business will continue to be impacted by high power costs.
Aluminium deliveries ('000 tonnes)	98	103	100	2.3	(2.7)	
Sterlite Industries						
Net Sales	103,037	111,026	110,891	7.6	(0.1)	We expect a sequential decline in EBITDA from (1) evacuation issues at Sterlite Energy that would cause 30% qoq decline in the power segment EBITDA to Rs2.1 bn, (2) 10% qoq decline in Zinc International EBITDA to Rs3.5 bn from lower zinc-lead production and (3) 20% qoq decline in the copper segment EBITDA to Rs2.7 bn due to non-recurrence of earlier quarter forex gains and lower acid realization.
EBITDA	23,183	25,270	24,018	3.6	(5.0)	
EBIT	18,608	20,050	18,745	0.7	(6.5)	
Net profit	9,135	17,427	13,159	44.0	(24.5)	
Copper cathodes ('000 tonnes)	84	87	90	7.1	3.4	
Aluminum ('000 tonnes)	63	60	60	(4.8)	—	
Power wheeled units (mn units)	1,997	2,474	2,180	9.2	(11.9)	Net income is likely to decline 25% sequentially due to lower other income. We note that 2QFY13 other income includes forex gain of Rs2.2 bn. In addition, higher losses a VAL will impact net income.
Refined Zinc ('000 tonnes)	190	162	176	(7.3)	8.7	
Refined Lead ('000 tonnes)	27	26	30	11.1	15.4	
Silver (kg)	57,595	82,000	82,000	42.4	—	

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: Metals comparative valuation summary, March fiscal year-ends, 2011-14E

Company	Market cap. (US$ mn)	CMP (Rs) 8-Jan	Target price (Rs)	Rating	EPS (Rs) 2011	EPS (Rs) 2012	EPS (Rs) 2013E	EPS (Rs) 2014E	P/E (X) 2011	P/E (X) 2012	P/E (X) 2013E	P/E (X) 2014E
Hindalco Industries	4,626	133	115	SELL	12.8	17.7	14.7	14.0	10.4	7.5	9.0	9.5
Hindustan Zinc	10,818	141	155	ADD	11.6	13.1	13.8	14.7	12.1	10.8	10.2	9.6
Jindal Steel and Power	7,737	456	420	REDUCE	40.2	42.4	37.3	43.6	11.3	10.7	12.2	10.5
JSW Steel	3,426	845	585	SELL	78.6	24.1	68.9	66.7	10.8	35.1	12.3	12.7
National Aluminium Co.	2,366	51	50	SELL	4.1	3.4	3.2	3.6	12.2	15.0	16.0	14.1
Sesa Goa	3,152	200	203	ADD	48.6	31.0	27.8	28.0	4.1	6.4	7.2	7.1
Sterlite Industries	7,255	119	122	ADD	15.0	14.4	16.2	16.9	7.9	8.3	7.3	7.0
Tata Steel	7,645	433	400	ADD	69.5	26.1	14.0	48.7	6.2	16.6	30.9	8.9
NMDC	11,783	164	190	BUY	16.4	18.5	17.0	19.1	10.0	8.9	9.6	8.6

Company	EV/EBITDA (X) 2011	EV/EBITDA (X) 2012	EV/EBITDA (X) 2013E	EV/EBITDA (X) 2014E	Price/BV (X) 2011	Price/BV (X) 2012	Price/BV (X) 2013E	Price/BV (X) 2014E	RoE (%) 2011	RoE (%) 2012	RoE (%) 2013E	RoE (%) 2014E
Hindalco Industries	5.7	7.1	8.2	8.5	0.9	0.8	0.7	0.7	9.7	11.1	8.5	7.5
Hindustan Zinc	8.1	6.9	6.5	5.1	2.6	2.2	1.9	1.9	24.1	22.4	20.0	18.3
Jindal Steel and Power	8.9	8.8	9.1	8.2	3.0	2.4	2.0	2.0	30.6	24.6	15.6	17.8
JSW Steel	7.2	5.9	6.3	6.5	1.1	1.1	1.0	1.0	13.6	3.2	8.8	8.0
National Aluminium Co.	4.9	7.0	6.4	5.2	1.2	1.1	1.1	1.1	10.0	7.6	6.8	7.4
Sesa Goa	1.5	5.7	24.4	16.5	1.4	1.1	1.0	1.0	40.7	19.3	14.8	13.1
Sterlite Industries	6.0	5.3	4.0	3.1	1.0	0.9	0.8	0.8	13.0	12.1	11.2	10.7
Tata Steel	5.6	8.0	7.9	6.1	1.2	1.0	1.0	1.0	22.8	6.4	3.2	10.6
NMDC	5.5	5.0	5.5	4.5	3.4	2.7	2.3	1.9	38.8	33.5	25.3	24.1

Note:
(1) EV/EBITDA for Sterlite Industries is proportionate EV/EBITDA.

Source: Company, Kotak Institutional Equities estimates

December 2012: Results calendar

Mon	Tue	Wed	Thu	Fri	Sat	Sun
7-Jan	**8-Jan**	**9-Jan**	**10-Jan**	**11-Jan**	**12-Jan**	**13-Jan**
		IndusInd Bank	Sintex	Bajaj Corp	Geojit BNP	Petronet LNG
				Infosys		
				CMC		
14-Jan	**15-Jan**	**16-Jan**	**17-Jan**	**18-Jan**	**19-Jan**	**20-Jan**
TCS	Bajaj Finserv	Bajaj Auto	Exide Industries	HDFC Bank		
	Bajaj Finance	Bajaj Holdings	HCL Technologies	MMFSL		
	Axis Bank		Hero Motocorp	Mindtree		
	South Indian Bank					
21-Jan	**22-Jan**	**23-Jan**	**24-Jan**	**25-Jan**	**26-Jan**	**27-Jan**
HDFC		Karnataka Bank	Dhanlakshmi Bank	Maruti Suzuki		Persistent Systems
Asian Paints			Coromandel International			
28-Jan	**29-Jan**	**30-Jan**	**31-Jan**	**1-Feb**	**2-Feb**	**3-Feb**
ING Vysya Bank	Dabur India	Central Bank of India	Godrej Consumers			
IL & FS Investment Managers		Colgate Palmolive				

Source: BSE, NSE, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

	8-Jan-13		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)	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	(Rs)	(%)	(US$ mn)
Automobiles																													
Apollo Tyres	89	BUY	44,990	818	504	8.1	11.7	14.0	(7.0)	43.8	20.0	11.0	7.6	6.4	6.2	4.7	4.0	1.4	1.2	1.0	0.5	0.7	0.9	15.6	19.0	19.1	110	23.2	6.0
Ashok Leyland	27	ADD	71,040	1,292	2,661	2.1	1.9	2.6	(10.6)	(9.0)	34.2	12.6	13.8	10.3	8.0	8.3	7.0	1.5	1.5	1.4	3.7	3.7	3.7	17.7	15.2	19.0	29	8.6	3.9
Bajaj Auto	2,198	REDUCE	636,231	11,570	289	103.8	110.3	139.3	14.9	6.3	26.3	21.2	19.9	15.8	15.4	15.4	12.0	10.4	8.2	6.4	2.0	2.0	2.5	54.5	46.0	45.5	2,100	(4.5)	13.8
Bharat Forge	261	REDUCE	61,923	1,126	237	17.4	13.8	19.1	38.5	(20.3)	37.9	15.0	18.9	13.7	8.3	9.1	7.5	2.5	2.3	2.0	0.4	0.4	0.4	15.1	14.2	13.2	270	3.5	2.3
Exide Industries	149	SELL	126,225	2,295	850	5.4	6.9	7.9	(27.2)	27.2	14.7	27.4	21.5	18.8	18.4	14.1	12.6	4.1	3.6	3.2	1.0	1.2	1.4	15.9	18.0	18.2	115	(22.6)	5.1
Hero Motocorp	1,881	SELL	375,656	6,831	200	119.1	115.0	124.3	19.9	(3.4)	8.1	15.8	16.4	15.1	12.0	12.4	10.3	6.8	5.4	4.4	1.6	1.8	2.0	61.8	43.8	36.5	1,700	(9.6)	11.9
Mahindra & Mahindra	958	ADD	588,396	10,700	614	45.1	53.2	59.3	8.1	17.9	11.4	21.2	18.0	16.2	16.2	12.9	11.4	4.6	4.0	3.4	1.2	1.7	1.9	24.6	24.7	23.4	1,000	4.4	20.6
Maruti Suzuki	1,575	SELL	475,731	8,651	302	56.6	62.9	83.6	(28.6)	11.1	32.9	27.8	25.0	18.8	22.5	17.9	12.4	3.1	2.8	2.5	0.5	0.5	0.5	11.1	11.7	13.8	1,100	(30.2)	19.2
Motherson Sumi Systems	197	BUY	115,836	2,106	588	4.6	8.9	15.4	(31.9)	94.5	72.9	43.1	22.1	12.8	19.0	12.2	5.8	6.2	5.4	3.7	1.1	1.0	2.5	15.5	25.9	34.3	180	(8.6)	1.9
Tata Motors	314	BUY	1,010,887	18,383	3,218	44.6	41.8	51.7	58.7	(6.3)	23.8	7.0	7.5	6.1	5.8	5.1	4.0	3.0	2.3	1.7	1.3	2.0	1.6	54.8	31.9	32.3	350	11.4	53.8
Automobiles		**Attractive**	**3,506,915**	**63,774**					**25.8**	**1.3**	**22.9**	**13.3**	**13.2**	**10.7**	**9.6**	**8.5**	**6.6**	**4.0**	**3.2**	**2.6**	**1.3**	**1.7**	**1.7**	**29.7**	**24.6**	**24.4**			
Banks/Financial Institutions																													
Andhra Bank	128	ADD	71,878	1,307	560	24.0	22.0	23.2	6.1	(8.4)	5.2	5.3	5.8	5.5	—	—	—	1.0	1.0	0.9	4.3	3.9	4.1	19.2	15.5	14.6	120	(6.6)	2.3
Axis Bank	1,360	ADD	562,081	10,222	413	102.7	108.5	112.9	24.4	5.6	4.1	13.2	12.5	12.0	—	—	—	2.5	2.2	1.9	1.2	1.2	1.3	20.3	18.2	16.4	1,420	4.4	42.0
Bajaj Finserv	914	SELL	132,295	2,406	145	94.8	74.4	75.3	21.3	(21.5)	1.1	9.6	12.3	12.1	—	—	—	2.6	1.9	1.7	1.6	1.6	1.6	32.2	18.1	14.7	740	(19.1)	3.1
Bank of Baroda	882	REDUCE	363,868	6,617	412	121.4	114.1	118.7	12.4	(6.0)	4.0	7.3	7.7	7.4	—	—	—	1.4	1.3	1.2	1.9	2.2	2.3	21.7	16.7	15.3	770	(12.7)	9.7
Bank of India	365	BUY	209,728	3,814	575	46.6	52.4	58.1	2.5	12.4	10.8	7.8	7.0	6.3	—	—	—	1.2	1.1	1.0	1.9	2.1	2.4	15.0	14.4	14.1	340	(6.9)	5.5
Canara Bank	513	REDUCE	227,237	4,132	443	74.1	68.4	77.4	(18.5)	(7.7)	13.2	6.9	7.5	6.6	—	—	—	1.2	1.2	1.0	2.1	2.3	2.3	15.4	12.7	13.0	420	(18.1)	7.6
Corporation Bank	481	BUY	71,176	1,294	148	101.7	92.9	110.5	6.6	(8.6)	18.8	4.7	5.2	4.4	—	—	—	0.9	0.9	0.8	4.3	3.9	4.6	19.5	15.6	16.4	480	(0.1)	0.8
Federal Bank	520	ADD	88,979	1,618	171	45.4	46.2	48.1	32.3	1.7	4.2	11.5	11.3	10.8	—	—	—	1.6	1.5	1.3	1.7	1.8	1.8	14.4	13.1	12.4	515	(1.0)	5.1
HDFC	840	SELL	1,287,103	23,406	1,532	27.9	31.9	37.8	15.8	14.2	18.5	30.1	26.4	22.2	—	—	—	6.8	5.1	4.5	1.3	1.4	1.7	22.7	22.1	21.7	690	(17.9)	38.4
HDFC Bank	670	SELL	1,572,868	28,603	2,347	22.0	28.7	36.4	30.4	30.3	27.0	30.4	23.4	18.4	—	—	—	5.3	4.5	3.9	0.6	0.8	1.1	18.7	20.7	22.3	590	(12.0)	28.7
ICICI Bank	1,180	ADD	1,359,748	24,727	1,153	56.1	64.9	63.6	25.4	15.6	(2.0)	21.0	18.2	18.6	—	—	—	2.3	2.1	2.0	1.4	1.6	1.6	11.2	11.9	10.8	1,140	(3.4)	54.7
IDFC	180	ADD	272,830	4,961	1,512	10.3	12.5	14.9	17.2	21.9	18.7	17.5	14.4	12.1	—	—	—	2.2	2.0	1.8	1.3	1.4	1.6	13.7	14.6	15.5	165	(8.5)	19.2
India Infoline	88	REDUCE	28,781	523	327	4.5	7.7	8.5	(38.3)	68.5	10.5	19.4	11.5	10.4	—	—	—	1.6	1.4	1.3	1.5	3.0	1.6	7.7	13.1	12.7	70	(20.6)	1.3
Indian Bank	215	BUY	92,487	1,682	430	39.6	39.8	41.8	1.2	0.7	5.0	5.4	5.4	5.1	—	—	—	1.1	1.0	0.9	3.5	3.4	3.6	19.4	17.0	15.7	260	20.8	1.2
Indian Overseas Bank	94	REDUCE	74,559	1,356	797	13.2	14.7	20.5	(24.0)	11.9	39.3	7.1	6.3	4.6	—	—	—	0.8	0.8	0.7	4.8	3.7	5.1	9.9	9.5	12.2	75	(19.8)	2.1
IndusInd Bank	434	ADD	225,464	4,100	520	17.2	19.1	21.9	38.5	11.1	14.9	25.3	22.8	19.8	—	—	—	5.1	3.1	2.8	0.5	0.7	0.8	20.1	16.9	14.6	430	(0.9)	8.3
J&K Bank	1,317	REDUCE	63,869	1,161	48	165.6	199.0	183.3	30.6	20.2	(7.9)	8.0	6.6	7.2	—	—	—	1.6	1.3	1.2	2.5	3.1	2.8	21.2	21.6	17.2	1,260	(4.3)	2.5
LIC Housing Finance	289	NR	146,158	2,658	505	18.1	22.1	28.4	(11.8)	22.2	28.6	16.0	13.1	10.2	—	—	—	2.6	2.3	2.0	1.2	1.5	2.0	18.6	18.3	20.2	—	—	14.7
L&T Finance Holdings	93	SELL	158,615	2,884	1,715	2.7	3.5	4.7	(5.6)	33.6	32.0	34.9	26.1	19.8	—	—	—	3.3	3.0	2.6	—	—	—	11.9	12.0	13.9	60	(35.1)	13.8
Mahindra & Mahindra Financial	1,192	ADD	135,502	2,464	114	60.4	77.6	91.8	33.6	28.5	18.2	19.7	15.4	13.0	—	—	—	4.7	3.1	2.6	1.1	1.5	1.8	22.8	23.5	21.1	1,100	(7.7)	4.8
Muthoot Finance	231	NR	85,754	1,559	372	24.0	25.7	25.1	52.4	7.1	(2.5)	9.6	9.0	9.2	—	—	—	2.9	2.2	1.8	1.7	—	—	41.9	29.8	22.7	—	—	—
Oriental Bank of Commerce	351	REDUCE	102,262	1,860	292	39.1	52.7	57.1	(24.0)	34.6	8.4	9.0	6.7	6.1	—	—	—	1.1	1.0	0.9	2.3	3.0	3.3	9.9	12.3	12.2	325	(7.3)	4.7
PFC	206	ADD	272,178	4,950	1,319	23.0	28.8	31.5	0.9	25.3	9.1	9.0	7.2	6.6	—	—	—	1.4	1.2	1.2	2.9	3.6	4.0	16.9	17.3	16.7	220	6.6	9.2
Punjab National Bank	896	REDUCE	303,938	5,527	339	144.0	139.6	153.6	2.9	(3.0)	10.0	6.2	6.4	5.8	—	—	—	1.3	1.3	1.0	2.5	2.4	2.6	21.1	16.7	16.1	800	(10.7)	11.5
Reliance Capital	502	ADD	123,486	2,246	246	21.1	36.7	21.7	126.7	74.0	(41.0)	23.8	13.7	23.2	—	—	—	1.1	1.1	1.0	1.5	2.2	1.3	5.7	8.0	4.5	450	(10.3)	33.7
Rural Electrification Corp.	258	REDUCE	254,302	4,625	987	28.6	35.7	39.1	10.0	24.9	9.7	9.0	7.2	6.6	—	—	—	1.8	1.7	1.6	2.9	3.6	4.0	20.5	22.1	20.9	234	(9.1)	8.2
Shriram City Union Finance	1,087	NR	60,127	1,093	55	65.4	83.0	100.6	34.7	26.9	21.2	16.6	13.1	10.8	—	—	—	3.5	2.7	2.1	0.6	1.0	1.3	23.3	23.0	22.9	—	—	0.9
Shriram Transport	769	ADD	171,595	3,120	223	56.4	59.5	71.5	2.3	5.6	20.2	13.6	12.9	10.8	—	—	—	2.9	2.6	2.3	0.9	1.5	1.9	23.1	20.4	20.9	710	(7.7)	4.7
SKS Microfinance	179	RS	13,088	238	73	(189.0)	(32.2)	0.5	(1,304.4)	(83.0)	(101.4)	(0.9)	(5.6)	397.1	—	—	—	3.0	5.7	5.1	—	—	—	(122.9)	(70.7)	1.4	—	—	2.4
State Bank of India	2,493	ADD	1,673,140	30,426	671	174.5	209.2	218.7	34.0	19.9	4.6	14.3	11.9	11.4	—	—	—	2.5	2.4	2.1	1.6	1.7	1.7	15.7	15.7	14.6	2,400	(3.7)	98.3
Union Bank	276	ADD	151,814	2,761	551	32.3	37.5	40.6	(18.2)	16.3	8.1	8.5	7.3	6.8	—	—	—	1.4	1.3	1.1	2.9	2.7	2.9	14.9	15.1	14.5	285	3.4	8.6
Yes Bank	500	ADD	176,370	3,207	353	27.7	33.2	39.6	32.1	19.9	19.3	18.1	15.1	12.6	—	—	—	3.8	3.1	2.6	0.8	1.0	1.1	23.1	22.7	22.4	415	(16.9)	18.8
Banks/Financial Institutions		**Cautious**	**10,533,280**	**191,549**					**14.6**	**14.6**	**10.0**	**14.5**	**12.7**	**11.5**	**—**	**—**	**—**	**2.4**	**2.2**	**1.9**	**1.5**	**1.7**	**1.8**	**16.4**	**17.0**	**16.7**			
Cement																													
ACC	1,418	SELL	266,348	4,844	188	57.1	73.6	79.7	7.8	28.9	8.2	24.8	19.3	17.8	14.3	10.4	9.0	3.5	3.1	2.8	2.3	1.7	1.7	16.9	18.4	17.5	1,300	(8.3)	7.5
Ambuja Cements	202	SELL	307,520	5,592	1,522	7.8	10.6	12.7	(1.2)	36.2	20.0	25.9	19.0	15.9	15.1	11.2	9.2	3.5	3.2	2.9	1.1	1.4	1.9	14.6	18.2	19.5	180	(10.9)	8.5
Grasim Industries	3,182	ADD	291,890	5,308	92	288.6	335.4	363.9	24.4	16.2	8.5	11.0	9.5	8.7	7.3	5.7	4.8	1.7	1.5	1.3	1.1	1.1	1.1	16.7	16.7	15.7	3,600	13.1	4.5
India Cements	92	ADD	28,245	514	307	9.0	9.8	14.1	373.8	9.5	44.2	10.3	9.4	6.5	5.3	4.8	3.7	0.7	0.6	0.6	2.3	3.5	3.5	6.9	7.3	9.8	105	14.2	3.1
Shree Cement	4,544	SELL	158,302	2,879	35	159.6	252.2	281.8	179.3	58.0	11.7	28.5	18.0	16.1	8.8	10.1	8.4	5.9	4.6	3.7	0.4	0.4	0.4	24.3	28.8	25.6	3,340	(26.5)	2.0
UltraTech Cement	2,019	SELL	553,388	10,063	274	89.3	107.8	124.7	99.0	20.8	15.6	22.6	18.7	16.2	13.9	11.1	9.2	3.8	3.2	2.6	0.5	0.5	0.5	20.8	20.8	19.9	1,600	(20.8)	7.5
Cement		**Cautious**	**1,605,693**	**29,200**					**40.8**	**24.7**	**13.7**	**19.6**	**15.7**	**13.8**	**10.8**	**8.8**	**7.3**	**2.9**	**2.5**	**2.2**	**1.0**	**1.0**	**1.1**	**14.9**	**16.1**	**15.9**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	8-Jan-13 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2012	EPS (Rs) 2013E	EPS (Rs) 2014E	EPS growth (%) 2012	EPS growth (%) 2013E	EPS growth (%) 2014E	PER (X) 2012	PER (X) 2013E	PER (X) 2014E	EV/EBITDA (X) 2012	EV/EBITDA (X) 2013E	EV/EBITDA (X) 2014E	Price/BV (X) 2012	Price/BV (X) 2013E	Price/BV (X) 2014E	Dividend yield (%) 2012	Dividend yield (%) 2013E	Dividend yield (%) 2014E	RoE (%) 2012	RoE (%) 2013E	RoE (%) 2014E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Consumer products																													
Asian Paints	4,394	SELL	421,481	7,665	96	99.9	114.3	133.9	23.6	14.4	17.2	44.0	38.5	32.8	30.8	26.3	22.0	16.4	12.9	10.2	0.9	0.8	0.8	42.9	38.9	35.7	3,300	(24.9)	5.3
Bajaj Corp.	239	BUY	35,179	640	148	8.1	10.9	12.5	16.5	33.4	15.5	29.3	22.0	19.0	30.2	20.8	17.5	8.2	7.1	6.1	1.7	2.2	2.6	29.9	34.7	34.5	225	(5.7)	0.5
Colgate-Palmolive (India)	1,545	SELL	210,123	3,821	136	32.8	39.5	46.1	10.9	20.4	16.6	47.1	39.1	33.5	40.6	32.8	27.7	48.3	39.4	34.4	1.6	1.8	2.2	109.0	111.0	109.7	1,150	(25.6)	3.0
Dabur India	129	ADD	226,006	4,110	1,753	3.7	4.5	5.2	12.6	21.1	15.7	35.0	28.9	25.0	27.8	22.4	18.8	12.9	10.2	8.3	1.0	1.2	1.4	41.4	40.1	37.0	140	8.6	2.5
GlaxoSmithkline Consumer	3,858	RS	162,236	2,950	42	86.0	108.5	126.4	20.8	26.1	16.4	44.8	35.5	30.5	35.6	30.0	25.5	14.2	11.8	10.0	0.9	1.2	1.5	34.4	36.2	35.3	—	—	2.2
Godrej Consumer Products	725	ADD	234,473	4,264	324	17.7	22.3	28.5	18.7	26.2	27.7	41.0	32.5	25.4	28.4	22.0	17.2	8.3	6.7	5.7	0.7	0.7	0.7	25.2	24.2	28.0	760	4.9	2.4
Hindustan Unilever	526	REDUCE	1,134,784	20,636	2,159	11.9	15.4	16.8	23.9	29.5	8.6	44.1	34.1	31.3	37.6	29.7	24.9	32.3	27.7	23.9	1.7	2.4	2.6	83.4	87.5	82.5	510	(2.9)	19.7
ITC	286	ADD	2,220,162	40,374	7,771	7.9	9.5	11.2	23.7	19.3	18.4	36.0	30.2	25.5	25.5	20.8	17.2	11.3	10.0	8.6	1.6	1.8	2.0	35.5	36.6	37.7	330	15.5	30.3
Jubilant Foodworks	1,303	SELL	85,464	1,554	66	16.4	23.0	34.7	46.1	40.8	50.6	79.6	56.5	37.5	45.4	32.1	22.4	28.8	19.1	12.7	—	—	—	44.0	40.6	40.6	1,000	(23.2)	8.3
Jyothy Laboratories	163	ADD	26,731	486	164	2.8	4.3	7.5	(73.3)	53.8	76.2	59.1	38.4	21.8	38.6	21.3	14.9	4.4	4.0	3.3	—	—	—	6.1	10.8	16.6	195	19.4	0.7
Marico	231	ADD	149,046	2,710	645	5.2	6.6	8.0	34.2	27.4	20.6	44.4	34.9	28.9	32.0	23.7	19.1	12.8	9.8	7.6	0.3	0.4	0.5	31.0	32.3	30.0	240	3.8	1.5
Nestle India	4,895	SELL	471,950	8,582	96	104.6	113.0	139.2	20.5	8.0	23.2	46.8	43.3	35.2	30.9	26.7	21.5	37.0	27.6	19.9	1.0	1.1	1.2	94.7	73.0	65.7	4,000	(18.3)	2.4
Speciality Restaurants	187	ADD	8,784	160	47	4.9	6.3	8.5	7.6	28.2	34.9	38.2	29.8	22.1	24.2	19.1	13.7	7.6	5.6	4.5	—	—	—	16.2	14.0	12.2	200	6.9	0.7
Tata Global Beverages	164	BUY	101,263	1,841	618	5.4	6.5	7.7	36.3	19.7	19.6	30.4	25.4	21.2	17.9	13.8	11.6	1.8	1.7	1.6	1.1	1.3	1.6	7.8	8.6	9.9	165	0.8	11.9
Titan Industries	272	ADD	241,611	4,394	888	6.7	8.4	10.4	36.5	25.8	23.1	40.6	32.3	26.2	27.8	21.4	16.8	16.7	12.6	8.8	0.8	1.1	0.4	47.9	44.4	39.5	325	19.4	9.0
United Breweries	897	SELL	237,132	4,312	264	4.8	8.8	13.8	(17.2)	84.3	55.9	187.1	101.5	65.1	59.7	42.1	30.4	17.3	16.1	13.5	0.1	0.2	0.3	9.3	15.9	21.9	700	(21.9)	18.7
United Spirits	1,875	ADD	238,559	4,338	127	15.8	36.8	64.8	(55.4)	133.6	76.0	118.9	50.9	28.9	30.1	19.3	15.2	5.1	2.9	2.6	0.1	0.5	0.3	4.5	7.3	11.0	1,500	(20.0)	124.9
Consumer products		**Cautious**	**6,204,983**	**112,838**					**19.3**	**24.1**	**20.5**	**42.5**	**34.3**	**28.4**	**29.9**	**23.8**	**19.4**	**12.7**	**10.4**	**8.9**	**1.2**	**1.5**	**1.6**	**29.8**	**30.3**	**31.2**			
Constructions																													
IVRCL	46	REDUCE	12,403	226	267	0.9	3.3	6.1	(84.7)	265.1	85.8	51.5	14.1	7.6	10.4	7.3	5.9	0.6	0.6	0.6	0.9	0.9	0.9	1.2	4.3	7.6	43	(7.4)	8.6
NCC	60	ADD	15,369	279	257	1.4	2.4	3.0	(78.0)	73.5	25.1	42.7	24.6	19.7	9.3	8.6	9.0	0.6	0.6	0.6	0.5	1.0	1.7	1.5	2.6	3.1	55	(8.2)	2.0
Punj Lloyd	61	REDUCE	20,801	378	340	3.3	3.9	7.6	(322.9)	18.7	94.5	18.5	15.6	8.0	10.3	6.9	5.9	0.7	0.7	0.6	0.2	0.6	1.1	3.8	4.5	8.2	60	(2.0)	3.5
Sadbhav Engineering	137	BUY	20,576	374	150	9.3	5.3	9.1	20.4	(42.8)	69.4	14.7	25.6	15.1	8.4	11.6	8.3	2.6	2.4	2.1	0.4	0.4	0.4	17.9	9.4	13.9	180	31.5	0.3
Construction		**Cautious**	**69,149**	**1,257**					**(19.2)**	**16.4**	**75.0**	**22.1**	**19.0**	**10.9**	**9.7**	**7.8**	**6.8**	**0.9**	**0.8**	**0.8**	**0.5**	**0.7**	**1.0**	**3.9**	**4.3**	**7.1**			
Energy																													
Aban Offshore	399	RS	17,360	316	44	68.3	70.9	92.0	(49.1)	3.8	29.9	5.8	5.6	4.3	8.2	7.2	6.5	0.6	0.6	0.5	0.9	1.1	1.3	12.3	13.2	13.8	—	—	3.5
Bharat Petroleum	381	ADD	275,313	5,007	723	18.3	30.3	20.9	(5.7)	65.1	(31.1)	20.8	12.6	18.2	11.2	7.6	9.4	1.7	1.5	1.5	1.4	2.4	1.7	8.1	12.2	7.8	410	7.7	5.3
Cairn india	343	ADD	655,000	11,911	1,907	41.6	61.4	56.0	25.0	47.5	(8.7)	8.3	5.6	6.1	6.2	3.9	4.0	1.3	1.2	1.1	—	3.6	4.7	17.7	22.4	18.4	370	7.7	21.8
Castrol India	312	SELL	154,130	2,803	495	9.5	9.2	10.2	(4.4)	(3.0)	11.2	32.9	34.0	30.6	22.6	23.5	20.9	28.1	27.0	25.2	2.4	2.4	2.6	87.9	81.1	85.4	200	(35.8)	1.1
GAIL (India)	365	ADD	462,424	8,409	1,268	28.8	31.2	31.4	2.3	8.4	0.6	12.6	11.7	11.6	8.2	7.6	7.2	2.0	1.7	1.6	2.4	2.6	2.6	15.7	15.1	13.5	420	15.2	6.1
GSPL	79	ADD	44,649	812	563	9.3	8.5	8.1	4.7	(8.6)	(5.2)	8.5	9.3	9.8	5.2	5.3	5.2	1.6	1.4	1.2	1.3	1.3	1.3	20.7	15.8	13.0	85	7.1	1.3
Hindustan Petroleum	323	REDUCE	109,585	1,993	339	26.8	10.2	23.5	(34.4)	(61.8)	129.2	12.1	31.6	13.8	2.7	3.6	2.9	0.7	0.7	0.6	2.6	1.0	2.2	5.4	2.0	4.5	315	(2.6)	3.9
Indian Oil Corporation	281	ADD	683,104	12,422	2,428	32.9	18.3	24.3	1.3	(44.3)	32.7	8.6	15.4	11.6	7.1	8.4	7.1	1.1	1.1	1.0	1.8	1.4	2.7	13.0	6.8	8.5	280	(0.5)	2.0
Oil India	476	BUY	286,075	5,202	601	57.3	58.5	62.2	19.5	2.1	6.2	8.3	8.1	7.7	3.2	2.8	2.2	1.5	1.3	1.2	4.0	4.4	4.8	17.2	15.5	14.9	565	18.7	1.0
Oil & Natural Gas Corporation	290	ADD	2,481,956	45,135	8,556	32.8	29.9	33.1	33.1	(8.8)	10.6	8.8	9.7	8.8	3.7	4.0	3.4	1.5	1.3	1.2	3.4	3.4	3.8	16.8	13.5	13.5	300	3.4	15.1
Petronet LNG	167	ADD	124,950	2,272	750	14.1	15.0	14.2	70.7	6.6	(5.6)	11.8	11.1	11.7	8.0	7.8	7.0	3.2	2.5	2.1	1.5	1.7	1.8	29.7	24.8	19.0	180	8.0	3.5
Reliance Industries	851	REDUCE	2,535,788	46,114	2,981	61.3	61.8	60.2	(1.1)	0.9	(2.7)	13.9	13.8	14.1	8.1	8.8	8.2	1.4	1.3	1.2	1.0	1.0	1.0	11.7	10.8	9.7	775	(8.9)	47.5
Energy		**Neutral**	**7,830,334**	**142,396**					**12.9**	**(2.1)**	**3.6**	**10.3**	**10.6**	**10.2**	**5.9**	**6.0**	**5.3**	**1.4**	**1.3**	**1.2**	**2.0**	**2.4**	**2.7**	**13.9**	**12.5**	**11.8**			
Industrials																													
ABB	726	SELL	153,750	2,796	212	8.7	11.4	20.1	192.0	31.1	76.0	83.3	63.5	36.1	53.2	37.8	22.6	6.1	5.7	5.1	0.4	0.5	0.5	7.4	9.3	14.9	500	(31.1)	0.7
BGR Energy Systems	268	REDUCE	19,310	351	72	31.1	27.9	33.9	(30.7)	(10.1)	21.5	8.6	9.6	7.9	5.9	5.3	4.9	1.7	1.5	1.3	2.6	2.1	2.5	21.7	16.9	18.0	280	4.6	1.2
Bharat Electronics	1,319	REDUCE	105,532	1,919	80	106.3	110.7	125.7	(0.9)	4.1	13.5	12.4	11.9	10.5	7.3	5.7	4.2	1.8	1.6	1.5	1.6	2.3	2.3	15.3	14.3	14.6	1,300	(1.5)	1.0
Bharat Heavy Electricals	244	SELL	596,970	10,856	2,448	28.8	28.5	21.9	17.1	(1.0)	(23.0)	8.5	8.6	11.1	5.8	5.9	6.9	2.4	2.0	1.7	2.6	2.5	1.9	30.9	24.9	16.4	205	(15.9)	16.5
Crompton Greaves	123	BUY	78,937	1,435	642	5.7	4.1	10.1	(60.0)	(28.6)	147.4	21.5	30.1	12.2	9.5	12.5	7.3	2.2	2.1	1.8	1.1	1.2	1.4	10.6	7.1	16.1	155	26.0	6.0
Cummins India	529	ADD	146,570	2,665	277	22.0	25.4	29.8	(0.9)	15.3	17.3	24.0	20.8	17.7	22.1	17.9	15.0	7.2	6.3	5.6	2.1	2.4	2.8	30.7	31.1	32.0	525	(0.7)	1.8
Kalpataru Power Transmission	99	BUY	15,208	277	153	13.3	13.6	15.5	(4.1)	2.0	14.2	7.5	7.3	6.4	5.0	4.9	4.5	0.8	0.8	0.7	1.5	1.5	1.5	10.7	9.8	10.3	120	21.1	0.5
KEC International	67	BUY	17,263	314	257	6.9	6.8	8.9	(14.1)	(1.8)	31.9	9.8	9.9	7.5	5.9	6.6	5.5	1.5	1.3	1.2	1.8	1.5	2.0	16.4	14.1	16.4	80	19.1	0.4
Larsen & Toubro	1,567	REDUCE	959,570	17,450	612	75.7	83.0	93.1	12.4	9.7	12.2	20.7	18.9	16.8	16.0	14.0	12.1	3.1	2.6	2.2	0.9	0.9	0.9	16.1	14.9	14.2	1,625	3.7	42.7
Maharashtra Seamless	274	BUY	19,322	351	71	43.9	33.9	39.1	(9.0)	(22.6)	15.3	6.2	8.1	7.0	3.9	4.4	3.5	0.7	0.7	0.6	2.7	2.5	2.9	11.5	8.3	9.2	400	46.0	0.1
Siemens	680	SELL	239,430	4,354	352	13.6	23.3	27.4	(46.6)	71.2	17.6	50.0	29.2	24.8	30.8	17.2	14.3	5.6	4.9	4.2	0.3	0.7	0.8	11.7	17.9	18.3	575	(15.5)	2.8
Suzlon Energy	18	RS	32,792	596	1,777	(4.0)	(3.7)	(0.4)	(34.1)	(6.0)	(88.1)	(4.6)	(4.9)	(41.7)	8.1	8.2	6.6	0.6	0.7	0.8	—	1.1	1.1	(11.7)	(13.7)	(1.8)	—	—	7.9
Tecpro Systems	152	ADD	7,662	139	50	24.4	25.1	27.6	(9.6)	2.9	9.9	6.2	6.0	5.5	4.9	5.1	4.6	1.0	0.9	0.8	—	—	—	17.1	15.3	14.8	200	31.8	0.1
Thermax	617	REDUCE	73,539	1,337	119	32.9	26.5	31.6	4.0	(19.5)	19.4	18.8	23.3	19.5	12.6	15.1	12.1	4.5	4.0	3.5	1.1	1.4	1.5	26.6	18.2	19.2	510	(17.4)	0.9
Voltas	108	REDUCE	35,803	651	331	9.4	7.4	8.3	(3.4)	(21.2)	11.6	11.5	14.5	13.0	9.3	10.2	8.2	2.4	2.2	2.0	1.5	2.1	2.3	21.7	15.6	15.8	115	6.2	3.7
Industrials		**Cautious**	**2,501,657**	**45,493**					**6.1**	**4.0**	**5.1**	**16.5**	**15.9**	**15.1**	**11.3**	**10.6**	**9.8**	**2.7**	**2.4**	**2.1**	**1.4**	**1.4**	**1.4**	**16.6**	**15.1**	**14.1**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	8-Jan-13	Rating	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
	Price (Rs)		(Rs mn)	(US$ mn)	(mn)	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	(Rs)	(%)	(US$ mn)
Infrastructure																													
Adani Port and SEZ	137	BUY	277,298	5,043	2,017	5.5	5.9	8.8	20.0	8.3	48.8	25.2	23.2	15.6	21.8	15.8	11.7	5.6	4.7	3.7	0.8	0.9	1.2	23.8	21.9	26.6	160	16.4	3.4
Container Corporation	960	ADD	124,738	2,268	130	67.5	75.2	83.2	(0.1)	11.4	10.7	14.2	12.8	11.5	9.5	8.5	7.5	2.2	2.0	1.8	1.6	1.8	2.0	16.6	16.4	16.1	1,000	4.2	0.9
GMR Infrastructure	21	RS	81,740	1,486	3,892	(1.1)	0.4	0.4	236.7	(132.7)	(3.8)	(18.5)	56.7	59.0	18.6	8.2	5.7	0.9	0.7	0.6	—	—	—	(5.8)	1.9	1.8	—	—	4.7
Gujarat Pipavav Port	48	REDUCE	23,084	420	483	1.4	1.4	2.2	(212.6)	4.1	58.4	35.3	33.9	21.4	15.1	13.8	12.1	2.9	1.9	1.8	—	—	—	10.4	7.0	10.2	52	8.9	0.4
GVK Power & Infrastructure	14	RS	22,662	412	1,579	0.4	1.0	3.5	(60.3)	165.6	243.1	36.9	13.9	4.0	26.5	12.9	7.5	0.7	0.5	0.4	-	2.4	5.6	1.8	3.9	11.1	—	—	2.7
IRB Infrastructure	136	BUY	45,118	820	332	15.1	12.2	12.5	10.8	(19.0)	2.5	9.0	11.1	10.8	7.1	7.3	6.4	1.5	1.0	0.9	—	—	—	18.1	11.0	9.1	170	25.2	9.4
Infrastructure		**Cautious**	**574,641**	**10,450**					**(2.9)**	**36.8**	**38.2**	**26.6**	**19.5**	**14.1**	**16.7**	**11.0**	**8.0**	**2.1**	**1.7**	**1.5**	**0.7**	**0.9**	**1.2**	**8.0**	**8.7**	**10.6**			
Media																													
DB Corp	238	BUY	43,692	795	183	11.0	11.6	14.3	(14.5)	4.9	24.1	21.6	20.6	16.6	12.5	11.5	9.5	4.7	4.3	4.0	2.1	2.5	3.3	23.0	21.9	24.9	260	9.1	0.2
DishTV	78	ADD	83,067	1,511	1,064	(1.0)	0.4	1.4	(45.3)	(143.5)	212.8	(77.0)	177.3	56.7	18.7	13.7	11.1	(88.5)	(176.9)	83.4	—	—	—	694.0	(66.6)	557	85	8.8	6.7
Eros International	204	ADD	18,733	341	92	16.5	18.8	20.5	31.9	13.8	9.5	12.4	10.9	9.9	9.1	7.6	7.0	2.2	1.8	1.5	—	—	—	20.0	18.5	16.8	230	12.6	3.1
Hindustan Media Ventures	148	BUY	10,895	198	73	8.9	10.5	11.0	22.3	17.4	5.0	16.6	14.2	13.5	9.2	7.7	6.8	2.5	2.2	2.0	0.7	1.3	2.7	15.9	16.3	15.4	180	21.3	0.0
HT Media	104	ADD	24,484	445	235	7.0	6.1	8.2	(8.4)	(13.3)	34.6	14.8	17.0	12.7	6.4	6.9	4.8	1.5	1.5	1.4	0.4	1.9	3.8	11.0	8.8	11.2	120	15.3	0.3
Jagran Prakashan	114	BUY	35,910	653	316	5.6	6.0	7.0	(17.4)	6.7	16.8	20.2	18.9	16.2	11.2	10.4	9.0	4.8	4.4	4.0	3.1	3.1	3.1	24.5	24.3	25.8	130	14.5	0.3
Sun TV Network	442	REDUCE	174,242	3,169	394	17.6	17.5	19.9	(10.0)	(0.3)	13.5	25.1	25.2	22.2	15.9	15.3	13.6	6.5	6.0	5.5	2.1	2.3	2.7	28.6	25.9	27.0	390	(11.8)	9.3
Zee Entertainment Enterprises	224	REDUCE	212,800	3,870	950	6.0	7.3	8.9	(0.5)	20.6	22.0	37.2	30.8	25.3	26.7	21.2	17.0	4.6	4.4	4.2	0.6	0.7	0.9	13.0	14.9	17.3	190	(15.2)	10.1
Media		**Neutral**	**603,824**	**10,981**					**(1.5)**	**15.8**	**22.4**	**31.4**	**27.2**	**22.2**	**16.5**	**14.4**	**12.1**	**5.2**	**4.8**	**4.4**	**1.2**	**1.4**	**1.7**	**16.4**	**17.5**	**19.6**			
Metals & Mining																													
Coal India	360	BUY	2,275,470	41,380	6,316	23.2	24.8	28.4	34.4	6.5	14.5	15.5	14.5	12.7	9.9	8.6	7.2	5.4	4.3	3.5	2.8	2.1	2.4	38.0	32.8	30.4	404	12.1	11.6
Hindalco Industries	133	SELL	254,708	4,632	1,915	17.7	14.7	14.0	38.8	(16.9)	(5.1)	7.5	9.0	9.5	7.3	8.4	8.7	0.8	0.7	0.7	1.1	1.1	1.1	11.1	8.5	7.5	115	(13.5)	14.5
Hindustan Zinc	141	ADD	595,725	10,833	4,225	13.2	14.0	14.7	13.2	6.1	4.9	10.7	10.1	9.6	6.9	6.4	5.1	2.2	1.9	1.6	1.7	1.8	1.8	22.6	20.3	18.3	155	9.9	2.3
Jindal Steel and Power	456	REDUCE	426,035	7,748	935	42.4	32.6	43.6	5.6	(23.2)	33.8	10.7	14.0	10.5	8.8	9.0	8.2	2.4	2.0	1.7	0.4	0.4	0.4	24.8	15.7	17.8	420	(7.8)	17.2
JSW Steel	845	SELL	188,637	3,430	223	24.1	68.9	66.7	(69.3)	185.9	(3.1)	35.1	12.3	12.7	5.9	6.3	6.5	1.1	1.0	1.0	0.9	1.2	1.2	8.2	9.8	8.0	585	(30.8)	14.5
National Aluminium Co.	51	SELL	130,279	2,369	2,577	3.4	3.2	3.6	(19.7)	(5.9)	13.2	15.0	15.9	14.1	7.1	6.5	5.2	1.1	1.1	1.0	2.0	2.0	2.0	7.6	6.8	7.4	50	(1.1)	0.2
NMDC	164	BUY	648,823	11,799	3,965	18.5	17.0	19.1	12.6	(8.1)	12.7	8.9	9.6	8.6	5.0	5.5	4.5	2.7	2.3	1.9	2.7	3.1	3.1	33.3	25.3	24.1	190	16.1	11.9
Sesa Goa	200	ADD	173,559	3,156	869	31.0	27.8	28.0	(36.2)	(10.5)	0.9	6.4	7.2	7.1	6.0	25.3	17.3	1.1	1.0	0.9	2.3	0.6	0.6	11.1	0.6	2.1	203	1.7	5.8
Sterlite Industries	119	ADD	399,479	7,265	3,361	15.8	16.2	16.9	3.9	2.7	4.2	7.5	7.3	7.0	4.4	3.8	3.1	0.9	0.8	0.7	1.7	1.7	1.7	12.1	11.2	10.7	122	2.7	12.1
Tata Steel	433	ADD	420,961	7,655	971	17.2	14.0	48.7	(72.3)	(18.7)	247.1	25.1	30.9	8.9	8.1	8.0	6.1	1.0	1.0	0.9	2.8	2.8	2.8	6.4	3.2	10.6	400	(7.7)	31.5
Metals & Mining		**Cautious**	**5,513,677**	**100,267**					**0.5**	**(0.5)**	**15.0**	**11.8**	**11.8**	**10.3**	**7.3**	**7.3**	**6.3**	**2.0**	**1.8**	**1.6**	**2.2**	**1.9**	**2.1**	**17.0**	**15.1**	**15.3**			
Pharmaceutical																													
Apollo Hospitals	804	ADD	111,847	2,034	139	15.8	22.0	29.2	19.3	39.6	32.6	50.9	36.5	27.5	21.8	18.1	14.5	4.4	3.9	3.6	—	0.7	0.9	9.6	11.5	13.6	820	2.0	7.5
Biocon	295	ADD	58,940	1,072	200	17.1	16.9	20.7	(6.9)	(1.0)	22.0	17.2	17.4	14.3	9.8	10.3	8.3	2.6	2.4	2.1	1.7	1.7	2.1	15.7	14.2	15.7	287	(2.6)	3.3
Cipla	430	REDUCE	344,855	6,271	803	14.0	19.8	20.0	13.5	41.4	0.9	30.7	21.7	21.5	20.9	15.4	14.1	4.5	3.8	3.3	0.5	0.6	0.7	15.7	17.0	16.6	400	(6.9)	13.5
Cadila Healthcare	895	ADD	183,251	3,332	205	31.9	32.8	47.1	(8.2)	3.0	43.5	28.1	27.3	19.0	21.5	18.1	13.2	7.1	6.0	4.9	0.8	0.9	1.3	27.5	23.9	28.4	943	5.4	2.1
Divi's Laboratories	1,078	REDUCE	143,048	2,601	133	40.2	49.5	58.9	24.0	23.1	19.0	26.8	21.8	18.3	20.3	16.4	13.1	6.7	5.6	4.7	1.2	1.5	1.7	27.1	28.1	28.0	1,130	4.8	7.5
Dr Reddy's Laboratories	1,908	ADD	324,723	5,905	170	84.0	101.5	106.0	29.4	20.8	4.5	22.7	18.8	18.0	14.3	12.5	11.7	5.7	4.6	3.8	0.7	0.7	0.7	23.4	24.7	21.8	1,940	1.7	10.9
GlaxoSmithkline Pharmaceuticals	2,187	SELL	185,329	3,370	85	74.3	79.8	90.3	8.8	7.5	13.2	29.4	27.4	24.2	21.1	20.5	17.4	9.6	9.1	8.5	2.1	2.2	2.9	32.4	34.0	36.2	1,900	(13.1)	1.3
Glenmark Pharmaceuticals	543	REDUCE	146,903	2,671	271	21.9	22.3	28.3	31.1	1.8	27.0	24.8	24.4	19.2	27.6	17.1	13.4	6.1	5.0	4.1	0.4	0.5	0.6	20.7	22.7	23.6	510	(6.0)	5.1
Lupin	598	ADD	267,284	4,861	447	19.5	28.3	29.6	1.2	45.4	4.6	30.7	21.1	20.2	21.7	13.3	12.5	6.5	5.2	4.3	0.5	0.8	0.8	23.9	28.0	23.8	600	0.3	8.5
Ranbaxy Laboratories	508	SELL	214,477	3,900	422	(18.5)	38.8	23.5	(145.7)	309.1	(39.5)	(27.4)	13.1	21.7	15.0	9.9	14.9	7.5	5.0	4.1	—	—	—	(68.5)	45.6	20.8	482	(5.2)	6.8
Sun Pharmaceuticals	754	REDUCE	781,288	14,208	1,036	25.0	28.5	33.3	42.5	14.1	16.7	30.2	26.5	22.7	22.4	14.4	14.7	5.9	5.0	4.3	0.6	0.7	0.8	21.9	20.4	20.3	664	(12.0)	10.6
Pharmaceuticals		**Attractive**	**2,761,944**	**50,226**					**(9.5)**	**51.6**	**6.8**	**33.7**	**22.2**	**20.8**	**19.5**	**14.3**	**13.6**	**5.8**	**4.8**	**4.1**	**0.7**	**0.8**	**1.0**	**17.2**	**21.8**	**19.8**			
Real Estate																													
DLF	237	NR	406,525	7,393	1,715	7.1	12.7	16.9	(22.1)	79.7	33.1	33.5	18.7	14.0	16.5	12.5	9.7	1.5	1.4	1.3	1.0	1.3	1.5	4.5	7.6	9.5	—	—	29.6
Housing Development & Infrastructure	118	NR	49,526	901	419	22.0	28.8	28.8	11.3	30.5	0.2	5.4	4.1	4.1	5.8	5.2	4.7	0.5	0.4	0.4	—	1.3	1.7	8.3	10.8	9.6	—	—	36.1
Mahindra Life Space Developer	418	NR	17,068	310	41	29.4	29.8	34.3	18.0	1.3	15.1	14.2	14.0	12.2	14.0	11.1	10.6	1.5	1.4	1.3	1.1	1.2	1.3	11.2	10.4	11.0	—	—	0.5
Oberoi Realty	294	NR	96,842	1,761	330	14.1	14.3	22.4	(10.5)	1.4	57.3	20.9	20.6	13.1	17.4	13.5	8.5	2.6	2.4	2.1	0.7	0.8	1.0	13.1	12.0	16.9	—	—	0.5
Phoenix Mills	256	NR	37,044	674	145	7.3	10.7	11.5	14.9	46.9	7.9	35.2	23.9	22.2	26.7	18.7	17.9	2.2	2.1	1.9	0.8	0.8	0.8	6.4	8.9	9.0	—	—	0.6
Sobha Developers	389	NR	38,162	694	98	21.4	25.1	37.4	13.8	17.1	49.2	18.2	15.5	10.4	10.6	9.6	6.7	1.9	1.7	1.5	1.3	1.3	1.3	10.9	11.7	15.6	—	—	1.0
Unitech	38	NR	99,158	1,803	2,616	0.9	1.8	2.3	(56.1)	84.8	32.7	39.9	21.6	16.3	36.5	20.0	15.5	0.8	0.8	0.8	0.3	0.3	0.3	2.1	3.7	4.7	—	—	23.4
Real Estate		**Cautious**	**802,181**	**14,588**					**(7.0)**	**50.1**	**2.9**	**20.3**	**13.5**	**13.1**	**13.4**	**10.2**	**9.7**	**1.3**	**1.2**	**1.2**	**0.9**	**1.2**	**1.3**	**6.4**	**8.8**	**9.0**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	8-Jan-13	Rating	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
	Price (Rs)		(Rs mn)	(US$ mn)	(mn)	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E	(Rs)	(%)	(US$ mn)
Technology																													
HCL Technologies	635	REDUCE	453,811	8,253	715	34.6	46.8	50.0	51.2	35.5	6.8	18.4	13.6	12.7	11.4	8.6	7.9	4.6	3.5	2.9	1.2	1.3	1.3	25.1	28.9	25.2	575	(9.4)	12.4
Hexaware Technologies	89	REDUCE	26,107	475	294	9.1	10.9	10.0	207.9	20.3	(8.2)	9.8	8.1	8.9	8.3	5.8	6.0	2.6	2.3	2.1	4.5	6.1	5.6	26.9	29.7	24.3	90	1.2	5.2
Infosys	2,344	REDUCE	1,345,456	24,467	574	144.9	160.5	168.5	21.0	10.8	5.0	16.2	14.6	13.9	10.6	9.4	8.4	4.3	3.6	3.1	2.0	2.2	2.3	29.0	26.9	24.1	2,350	0.3	49.4
Mahindra Satyam	106	ADD	124,597	2,266	1,176	10.2	10.2	11.1	142.3	0.1	9.1	10.4	10.4	9.5	9.4	5.8	5.1	4.2	3.0	2.4	—	—	2.1	50.4	33.8	28.2	120	13.3	6.9
Mindtree	700	ADD	28,823	524	41	53.1	71.1	77.4	115.1	34.0	8.8	13.2	9.8	9.0	9.8	5.8	5.5	3.0	2.4	2.1	0.8	2.0	3.3	25.2	27.4	24.8	750	7.1	1.5
Mphasis	399	SELL	84,015	1,528	211	39.0	37.6	37.7	(24.6)	(3.7)	0.4	10.2	10.6	10.6	8.5	7.9	7.7	2.2	1.9	1.8	1.6	4.3	4.7	22.8	19.0	17.4	375	(5.9)	1.0
Polaris Financial Technology	116	REDUCE	11,545	210	100	20.8	21.7	19.9	7.4	4.7	(8.2)	5.6	5.3	5.8	3.1	2.5	2.3	0.9	0.8	0.7	3.4	3.5	3.7	18.1	16.2	13.3	120	3.6	0.8
TCS	1,300	REDUCE	2,544,849	46,278	1,957	54.4	69.5	76.1	22.0	27.8	9.5	23.9	18.7	17.1	17.0	13.6	12.2	7.8	6.4	5.3	1.9	2.1	2.3	36.8	37.6	34.0	1,225	(5.8)	24.5
Tech Mahindra	926	ADD	118,116	2,148	128	80.1	96.0	104.8	63.5	19.9	9.1	11.6	9.6	8.8	14.7	10.0	9.1	2.9	2.5	2.2	0.4	0.6	0.9	28.4	28.8	27.3	1,025	10.6	9.5
Wipro	398	REDUCE	977,856	17,782	2,456	22.7	26.4	28.3	5.2	16.4	7.2	17.5	15.1	14.1	12.1	9.9	8.9	3.4	2.9	2.5	1.2	1.5	1.6	21.2	20.9	19.2	375	(5.8)	10.6
Technology		**Cautious**	**5,715,176**	**103,931**					**21.2**	**19.5**	**7.3**	**18.4**	**15.4**	**14.3**	**12.9**	**10.5**	**9.5**	**4.8**	**4.0**	**3.4**	**1.7**	**2.0**	**2.2**	**26.0**	**25.7**	**23.6**			
Telecom																													
Bharti Airtel	330	ADD	1,254,347	22,810	3,798	11.2	8.1	12.9	(29.6)	(27.8)	59.7	29.4	40.8	25.5	8.1	7.5	6.4	2.5	2.4	2.2	—	0.5	0.4	8.6	5.9	8.9	325	(1.6)	27.2
IDEA	111	ADD	367,327	6,680	3,303	2.2	3.3	6.0	(19.6)	52.3	81.4	50.8	33.4	18.4	9.9	8.3	6.5	2.8	2.6	2.3	—	—	—	5.7	8.1	13.2	101	(9.2)	4.4
MTNL	28	RS	17,483	318	630	(9.1)	(8.4)	(8.3)	(11.9)	(8.1)	(1.7)	(3.0)	(3.3)	(3.4)	0.1	0.2	0.2	0.2	0.2	0.2	—	—	—	(5.7)	(5.5)	(5.8)	—	—	1.3
Reliance Communications	84	SELL	173,479	3,155	2,064	4.5	2.8	4.1	(31.0)	(37.9)	46.5	18.7	30.1	20.6	9.4	8.0	7.0	0.5	0.5	0.5	—	—	—	2.4	1.6	2.2	50	(40.5)	18.0
Tata Communications	247	REDUCE	70,523	1,282	285	(27.9)	(34.1)	(23.7)	12.0	22.3	(30.4)	(8.9)	(7.3)	(10.4)	10.0	8.4	7.4	3.1	4.9	9.2	—	—	—	(27.0)	(52.1)	(61.4)	220	(11.1)	1.0
Telecom		**Neutral**	**1,883,159**	**34,245**					**(34.4)**	**(28.4)**	**101.7**	**41.5**	**57.9**	**28.7**	**8.8**	**7.8**	**6.6**	**1.7**	**1.6**	**1.6**	—	—	**0.3**	**4.0**	**2.8**	**5.4**			
Utilities																													
Adani Power	64	SELL	139,956	2,545	2,180	(0.4)	(7.4)	(1.9)	(118.0)	1,645.4	(74.3)	(151.4)	(8.7)	(33.7)	37.7	47.5	13.9	2.3	3.3	3.6	—	—	—	(1.5)	(31.3)	(10.2)	33	(48.6)	3.7
CESC	317	REDUCE	39,555	719	125	21.7	26.0	32.3	(9.3)	19.6	24.1	14.6	12.2	9.8	8.7	8.9	6.0	0.6	0.6	0.6	—	1.6	1.7	4.5	5.2	6.2	294	(7.1)	5.0
JSW Energy	68	SELL	111,766	2,032	1,640	2.0	4.7	5.4	(60.6)	131.8	15.5	33.7	14.6	12.6	15.3	8.7	6.6	2.0	1.7	1.5	—	—	—	5.8	12.6	12.8	54	(20.8)	2.2
Lanco Infratech	15	RS	32,567	592	2,223	(0.5)	(0.7)	1.0	(131.8)	39.2	(233.2)	(28.0)	(20.1)	15.1	10.8	10.5	7.0	0.7	0.7	0.7	—	—	—	(2.5)	(3.6)	4.8	—	—	5.5
NHPC	25	ADD	307,519	5,592	12,301	2.5	2.0	2.3	84.5	(21.6)	17.1	10.0	12.8	10.9	9.6	11.6	9.3	1.1	1.0	1.0	2.7	2.1	2.5	11.1	8.2	9.0	27	8.0	6.0
NTPC	157	ADD	1,298,248	23,609	8,245	10.8	12.7	13.7	(1.1)	17.4	7.8	14.6	12.4	11.5	11.9	10.2	9.3	1.8	1.6	1.5	2.1	2.4	2.6	12.6	13.6	13.5	180	14.3	8.2
Power Grid	116	ADD	539,132	9,804	4,630	7.1	8.1	10.0	22.9	14.3	23.8	16.5	14.4	11.6	12.9	11.6	9.2	2.3	2.1	1.9	1.8	2.1	2.6	14.6	15.1	16.9	140	20.2	6.9
Reliance Infrastructure	567	BUY	149,164	2,713	263	60.3	56.8	59.8	4.0	(5.8)	5.3	9.4	10.0	9.5	11.2	5.1	4.5	0.6	0.6	0.6	1.8	2.0	2.0	8.9	10.1	9.4	904	59.4	19.2
Reliance Power	97	SELL	270,975	4,928	2,805	3.1	3.7	3.2	14.0	19.8	(13.2)	31.3	26.1	30.1	70.2	27.6	20.0	1.5	1.5	1.4	—	—	—	5.0	5.7	4.7	79	(18.2)	12.2
Tata Power	110	ADD	270,284	4,915	2,468	4.6	3.4	6.0	(40.6)	(26.8)	77.3	23.8	32.5	18.3	11.5	9.4	7.4	2.0	2.0	1.8	1.4	1.6	1.6	8.1	6.1	10.4	113	3.2	5.8
Utilities		**Attractive**	**3,159,166**	**57,450**					**(1.8)**	**0.3**	**23.2**	**16.4**	**16.4**	**13.3**	**13.5**	**11.6**	**9.3**	**1.6**	**1.5**	**1.4**	**1.7**	**1.8**	**2.0**	**9.5**	**9.0**	**10.2**			
Others																													
Carborundum Universal	148	BUY	27,678	503	187	11.6	9.1	12.5	27.0	(21.4)	37.4	12.7	16.2	11.8	7.8	8.9	6.7	2.6	2.3	1.9	1.4	1.1	1.5	24.8	16.3	19.4	180	21.9	0.4
Coromandel International	265	SELL	74,838	1,361	283	22.6	23.2	23.4	(7.9)	2.5	0.9	11.7	11.4	11.3	9.4	9.3	6.9	3.1	2.7	2.3	2.6	2.8	2.9	27.8	23.7	20.6	260	(1.8)	0.7
Havells India	649	REDUCE	81,010	1,473	125	31.5	31.7	37.3	28.2	0.8	17.6	20.6	20.5	17.4	13.0	11.7	10.1	8.0	5.5	4.4	1.0	1.1	1.2	45.6	31.8	28.2	580	(10.7)	3.1
Jaiprakash Associates	99	BUY	211,156	3,840	2,126	2.9	6.6	10.7	(51.5)	127.3	60.9	34.0	14.9	9.3	13.9	9.0	7.0	1.8	1.7	1.4	—	—	—	5.6	11.7	16.6	100	0.7	31.7
Jet Airways	588	SELL	50,797	924	86	(184.6)	(11.0)	25.7	1,735.6	(94)	(333.9)	(3.2)	(53.6)	22.9	(671.5)	11.8	8.2	38.8	140.4	19.7	—	—	—	(164.4)	(113.4)	150.8	350	(40.5)	36.4
Rallis India	149	BUY	28,947	526	194	5.1	6.7	8.6	(21.6)	32	27.4	29.2	22.1	17.4	14.8	12.8	9.6	5.2	4.6	3.9	1.5	1.5	1.5	20.4	20.9	24.1	155	4.1	1.3
SpiceJet	46	BUY	22,064	401	484	(13.7)	0.2	2.6	(649.9)	(101.6)	1,045.0	(3.3)	203.7	17.8	(5.4)	23.3	10.0	(14.4)	(51.5)	27.2	(2.0)	(3.9)	(3.4)	(721)	(11.1)	645.7	50	9.8	4.3
Tata Chemicals	376	BUY	95,787	1,742	255	32.9	35.3	40.4	28.2	7.4	14.3	11.4	10.6	9.3	6.2	5.6	4.9	1.4	1.2	1.1	2.7	2.7	2.7	12.3	11.7	11.9	360	(4.2)	4.1
United Phosphorus	138	REDUCE	63,544	1,156	462	12.0	15.0	16.0	(0.4)	24.9	6.5	11.4	9.2	8.6	6.1	5.5	5.0	1.5	1.3	1.2	1.8	1.8	1.8	14.5	16.0	15.0	120	(12.8)	5.2
Others			**655,822**	**11,926**					**(67.8)**	**266.8**	**38.3**	**56.3**	**15.3**	**11.1**	**13.3**	**8.7**	**6.9**	**2.4**	**2.1**	**1.8**	**1.0**	**1.0**	**1.1**	**4.2**	**13.6**	**16.2**			
KS universe (b)			**53,921,602**	**980,571**					**9.2**	**9.2**	**12.4**	**16.2**	**14.9**	**13.2**	**10.2**	**9.3**	**8.0**	**2.5**	**2.2**	**2.0**	**1.5**	**1.7**	**1.8**	**15.3**	**15.0**	**15.1**			
KS universe (b) ex-Energy			**46,091,267**	**838,175**					**8.2**	**12.6**	**14.7**	**18.0**	**16.0**	**13.9**	**12.1**	**10.4**	**8.8**	**2.8**	**2.5**	**2.2**	**1.4**	**1.5**	**1.7**	**15.8**	**15.8**	**16.1**			
KS universe (d) ex-Energy & ex-Commodities			**38,971,898**	**708,709**					**9.1**	**15.1**	**14.7**	**19.4**	**16.8**	**14.7**	**13.7**	**11.3**	**9.6**	**3.0**	**2.7**	**2.4**	**1.3**	**1.5**	**1.6**	**15.6**	**16.0**	**16.3**			

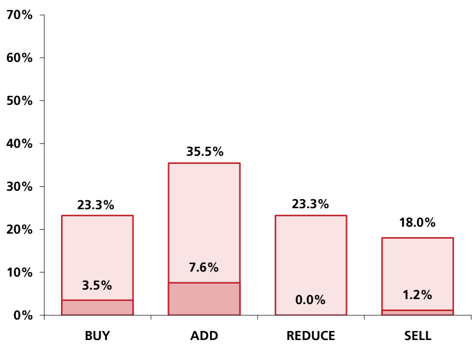
Notes:
(a) For banks we have used adjusted book values.
(b) 2012 means calendar year 2011, similarly for 2013 and 2014 for these particular companies.
(c) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.
(d) Rupee-US Dollar exchange rate (Rs/US$)= 54.99

Source: Company, Bloomberg, Kotak Institutional Equities estimates

"Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Kawaljeet SalujaHitesh Goel."

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



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

Percentage of companies within each category for which Kotak Institutional Equities and or its affiliates has provided investment banking services within the previous 12 months.

* The above categories are defined as follows: Buy = We expect this stock to deliver more than 15% returns over the next 12 months; Add = We expect this stock to deliver 5-15% returns over the next 12 months; Reduce = We expect this stock to deliver -5-+5% returns over the next 12 months; Sell = We expect this stock to deliver less than -5% returns over the next 12 months. Our target prices are also on a 12-month horizon basis. These ratings are used illustratively to comply with applicable regulations. As of 30/09/2012 Kotak Institutional Equities Investment Research had investment ratings on 172 equity securities.

Source: Kotak Institutional Equities

As of September 30, 2012

Ratings and other definitions/identifiers

Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5-+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our target prices are also on a 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, Neutral, Cautious.**

Other ratings/identifiers

NR = Not Rated. The investment rating and target price, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.

NC = Not Covered. Kotak Securities does not cover this company.

RS = Rating Suspended. Kotak Securities Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

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