kotak® Institutional Equities

INDIA DAILY

September 19, 2008

EQUITY MARKETS

India	18-Sep	1-day	1-mo	3-mo
		Change, %		
Sensex	13,316	0.4	(8.4)	(11.7)
Nifty	4,038	0.7	(7.6)	(10.3)
Global/Regional indices				
Dow Jones	11,020	3.9	(2.9)	(8.7)
FTSE	4,880	(0.7)	(8.3)	(14.5)
Nikkie	11,859	3.2	(7.8)	(16.1)
Hang Seng	18,878	7.1	(7.8)	(17.2)
KOSPI	1,451	4.2	(5.8)	(16.6)

Value traded - India

	18-Sep		1-mo	3-mo
			Moving avg, Rs bn	
Cash (NSE+BSE)	232.5		168.6	176.2
Derivatives (NSE)	741.0		396.8	474
Deri. open interest	868.7		788	868

Contents

Updates

Larsen & Toubro: Challenges in meeting order book growth guidance; keeping pace so far, only if, we include infra projects too

ICICI Bank: Negative news flow will likely lead to underperformance in the near term

Satyam Computer Services: Revenue growth concerns and other negative news factored in the stock price. BUY, on valuations

Zee Entertainment Enterprises: Zee TV ratings improve; reduce ad revenue estimates due to fierce competition

Economy: Inflation exhibiting hysteresis on agro-supply bottlenecks and statistical reasons

Forex/money market

	18-Sep	1-day	1-mo	3-mo
		Change, basis points		
Rs/US$	46.4	(11)	287	341
6mo fwd prem, %	0.7	(25)	71	24

Net investment (US$mn)

	17-Sep		MTD	CYTD
FIIs	(331)		-	(7,299)
MFs	88		-	2,501

Top movers -3mo basis

Best performers	18-Sep	1-day	1-mo	3-mo
		Change, %		
BANK OF BARODA	327	5.6	26.5	36.2
BHARAT PETROLEU	348	3.5	10.8	30.0
HINDUSTAN PETROI	241	1.5	10.8	24.6
BAJAJ AUTO LIMITE	617	1.4	12.7	20.4
STATE BANK OF INI	1,567	2.3	8.6	20.5
Worst performers				
HOUSING DEVELOP	208	(3.1)	(33.7)	(54.1)
INDIABULLS REAL ES	191	(8.8)	(38.5)	(49.0)
INDIABULLS FINANC	189	(0.7)	(32.7)	(43.0)
NMDC LIMITED	207	(7.4)	(38.0)	(44.5)
INFRASTRUCTURE D	75	(4.0)	(20.4)	(41.5)

News Roundup

Corporate

- Tata Motors said the Karnataka government has assured its full support and offered 1,000 acre of land, if the company was willing to relocate the Nano project to Karnataka from West Bengal. (FE)
- The Tata group may exercise its option to buy out AIG's 26% stake in the life and non-life insurance ventures if the US government sells AIG's business to other insurance companies. (ET)
- Lupin Ltd has acquired a majority stake in Pharma Dynamics, a South African generic company. Though the Mumbai-based pharmaceutical company did not disclose the size of the transaction, it is understood to be somewhere around $25 mn. (The Telegraph)

Economic and political

- Finance Minister P. Chidambaram on Thursday assured investors and the people at large that there was "no cause for any alarm" on account of the US financial crisis as Indian banks were largely insulated from the consequent global turmoil. (Hindu)
- India has decided to allow the publication of local editions of foreign news and current affairs magazines, lowering a significant hurdle to entry of more foreign news media into the country. The changes, announced by the Indian cabinet, reiterated the 26% cap on foreign direct investment into Indian news print ventures. (Mint)
- The department of telecommunications on Thursday clarified that foreign telecom companies can bid for 3G spectrum without teaming up with an Indian partner. Only on winning a bid, for applying for unified access service licence they would be required to partner with an Indian company in accordance with the foreign direct investment requirement. (FE)

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

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Industrials

LART.BO, Rs2553	
Rating	BUY
Sector coverage view	Neutral
Target Price (Rs)	3,200
52W High -Low (Rs)	4690 - 2100
Market Cap (Rs bn)	756.7

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	293.5	399.9	528.0
Net Profit (Rs bn)	22.2	34.2	43.9
EPS (Rs)	75.9	115.4	146.2
EPS gth	*20.8*	*52.1*	*26.7*
P/E (x)	33.6	22.1	17.5
EV/EBITDA (x)	21.0	13.2	10.4
Div yield (%)	0.7	0.8	0.8

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	-	-	-
FIIs	18.3	1.8	(0.1)
MFs	6.9	3.6	1.8
UTI	9.0	38.7	36.8
LIC	16.8	7.5	5.6

Larsen & Toubro: Challenges in meeting order book growth guidance; keeping pace so far, only if, we include infra projects too

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- **Order booking keeping pace with guidance so far, only if, we include infrastructure development projects as implied orders**
- **Base affect of large Mumbai airport order last year as well as slowdown observed in financial closure activity would put further pressure**
- **Maintain BUY post >7% correction in the past week with revised target price of Rs3,200**

We highlight that based on the order booking so far reported by L&T, there may be challenges in meeting the 30% yoy order book growth guidance. So far, the order booking has kept pace, only if, we include large infrastructure development projects also for which actual construction has not been awarded to the parent entity. Excluding these implied infrastructure development orders, L&T has announced an order inflow of Rs103 bn in 1HFY09 so far, versus announcement of orders worth Rs94 bn in 1HFY09 (a growth of only about 10%—far below 30% growth guidance). We highlight oncoming challenges on this front from (1) base affect of a large order from Mumbai airport last year in 2H and (2) our observation of slowdown in financial closure activity by private sector corporate. We have revised our target price to Rs3,200 from Rs3,600 earlier based on (1) revision in standalone business valuation to Rs2,440 from Rs2,800 earlier (implies a P/E of 20X FY2010E earnings and (2) changes in subsidiary valuation to Rs542 from Rs580 earlier based on revision in target multiples for subsidiaries in line with changes in market multiples for respective sectors. We maintain BUY on L&T, particularly post steep correction of >7% in the past fortnight. Key risks include (1) potential order booking slowdown, (2) execution challenges, (3) potential hiccups in ramp up of new businesses and (4) margin pressures. Key catalysts include (1) building businesses in areas such as power equipment manufacturing, shipbuilding, (2) stronger-than-expected execution in the near term, (3) Infrastructure development upside and (4) increasing international presence.

Order book keeping pace with guidance so far, but only if we include infrastructure development projects as implied orders

L&T has announced order inflows of Rs157 bn in 1HFY09 so far versus order announcement of Rs94 bn in 1HFY08. We have included two infrastructure development projects as implied orders in our calculation i.e. (1) recent award of three BOT road projects worth Rs43 bn in Gujarat from Gujarat Roads Development Corporation and (2) development of integrated commercial complex at Seawoods, Mumbai. If we do not infrastructure development orders then L&T has announced an order inflow of Rs103 bn in 1HFY09 so far, versus announcement of orders worth Rs94 bn in 1HFY09 (a growth of only about 10%) (see Exhibit 1).

Limitations of the above analysis are (1) L&T typically does not announce smaller orders that is receives through press releases (in FY2008 announced order accumulated to Rs300 bn versus total reported order booking of Rs420 bn), (2) reliance on press release for calculating order booking may be imprecise because the inclusion of order in the reported order book and its associated press release does not necessarily happen at the same time.

L&T had announced a total order inflow of Rs175 bn in 1HFY2008 and has to achieve an additional order inflow of Rs104 bn in 2QFY09 to achieve the guidance of 30% growth. L&T has so far announced an order inflow of Rs77 bn in 2QFY09 (including BOT road project worth Rs43 bn recently won in Gujarat).

Base effect of a large order from Mumbai airport in 2HFY08 would further aggravate pressure on yoy order book growth for the full year

We highlight that L&T had booked a large order worth Rs55 bn from Mumbai International Airport in 2HFY08 which constituted about 13% to the total order inflows of L&T. We so not foresee any such large order from any other airport development project in the current year. This, in our view, makes it difficult for L&T to achieve the guidance of 30% yoy growth in order booking in FY2009E.

Order book growth likely to run into further rough weather based on current financial closure and envisaged capital spending data

We highlight that during FY2008 financial closures for projects by private corporate sector was roughly flat over the level achieved in FY2007 (see Exhibit 1). We believe slowdown in financial closure activity is leading indicator of slowdown in capital expenditure activity in the country and may imply lower growth for engineering and EPC companies over the next two to three years. We believe financial closures in FY2009E may be lower than the financial closures achieved in FY2008 levels as well led by (1) higher interest costs prevailing currently versus average for FY2008 and (2) deepening of macroeconomic concerns since end FY2008. This would also lead to absolute yoy decline in envisaged capital expenditure in FY2010E based on (a) flat financial closures in FY2008, (b) probable decline in financial closures in FY2009E over FY2008, (c) likely lower external commercial borrowings (contributed to capital spending of Rs0.37 tn in FY2008—15% of total spending) and (d) lower raising from equity issuances as well (capital spending of Rs0.1 tn in FY2008—3.5% of total spending) (see Exhibit 2).

However, large one-off order inflows, particularly in the power segment may tilt the balance during remainder of the year

We highlight that if L&T is able to win large orders in the power segment for BTG equipment supply, particularly in the bulk tendering from central utilities then it may still be able to meet the order book guidance. Bulk tendering involves invitation of bids by NTPC for sourcing equipment for its seven power plants expected to go on-stream during 11th and 12th Plans. While the winning bidder (L1) in first four projects would get orders, the remaining three projects would go to L2. BTG equipment for four units of 800 MW each could be worth Rs80 bn, accounting for about 20% of FY2008 order booking.

Maintain BUY, particularly post steep correction in the past week with revised target price of Rs3,200

We have marginally revised our estimates for consolidated earnings for FY2009E and FY2010E to Rs115 (from Rs117 earlier) and Rs146 (from Rs149 earlier). We have revised our standalone FY2009E and FY2010E earnings projection to Rs96 (from Rs97.7 earlier) and Rs123.5 (from Rs126 earlier). We have revised our target price to Rs3,200 from Rs3,600 earlier based on (1) revision in standalone business valuation to Rs2,440 from Rs2,800 earlier (our target price implies a P/E of 19X FY2010E earnings and (2) changes in subsidiary valuation to Rs542 from Rs580 earlier based on revision in target multiples for subsidiaries in line with changes in market multiples for respective sectors. We maintain BUY on L&T, particularly post steep correction of >7% in the past fortnight (see Exhibit 3).

Key risks emerge from (1) potential order booking slowdown affecting medium term growth prospects based on tougher macro-environment and decline in envisaged capital spending by private corporates, (2) execution challenges in a tight demand-supply environment for technical and managerial skills, (3) potential hiccups in ramp up of several new business segments such as defense, power equipment manufacturing and shipbuilding, (4) possible margin pressures led by commodity price increases.

Key catalysts include (1) Visibility on building sizeable businesses in related segments of engineering such as power equipment manufacturing, shipbuilding, defense and hydro-power construction, further diversifying its revenue, (2) stronger-than-expected execution in the near term, (3) Infrastructure development upside by equity participation in projects through L&T IDPL, (4) potential for increasing international presence, particularly in the Middle-East.

Exhibit 1. Order inflows not keeping pace with 30% growth guidance if we do not inlcude infra-development orders

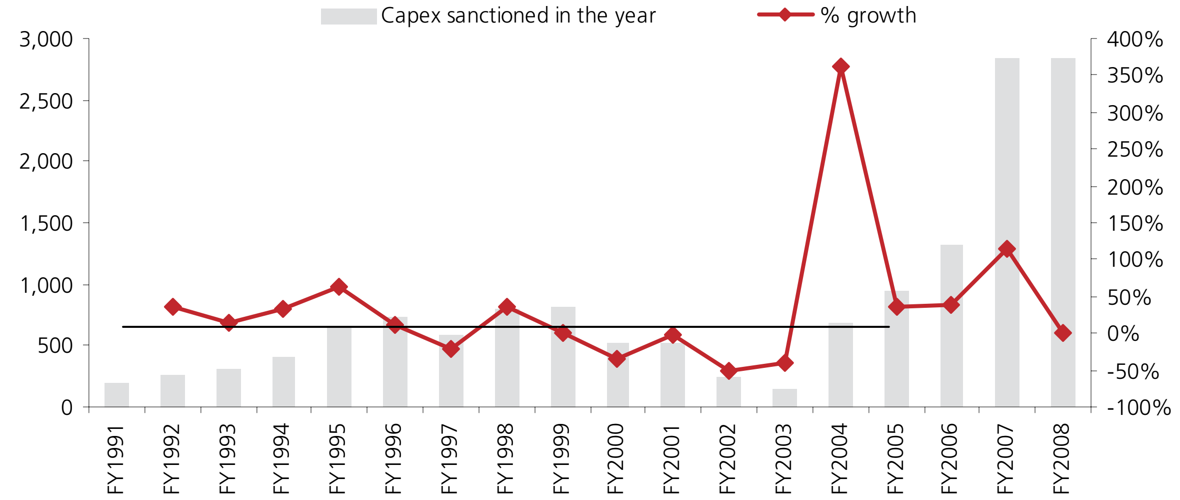
Major orders booked by L&T since beginning of FY2007

Date	Customer	Sector	Size of order (Rs bn)	Nature of Work
18-Sep-08	Gujarat Road Development Corp.	Infrastructure	43	Four-laning of three road stretches of 500 Km
10-Sep-08	Petrobras, Brazil	Process	6.9	Manufacture and supply of hydrating reactors and coke drums
12-Aug-08	Hindustan Zinc	Process	5.2	EPC order for leaching, purification and zinc electrolysis plant
12-Aug-08	SAIL-RSP expansion	Process	5.9	EPC order for 360 SqM sinter plant
12-Aug-08	Tata Steel	Process	6.0	Pellet plant at Jamshedpur
12-Aug-08	Tata Steel	Process	9.8	Blast furnace at Jamshedpur
8-Jul-08	Indian Railways	Others	10.5	Setting up a caste steel wheel manufacturing plant in Saran, Bihar
7-Jul-08	M/s. JSW Power Transco Ltd	Power	4.5	Transmission line order
30-Jun-08	Andhra Pradesh Power Development Company Ltd	Power	15.6	Steam turbine generator package
20-Jun-08	Coastal Gujarat Power Ltd ; HPCL Mittal Energy Ltd, Bathinda ; Kuwait National Petroleum Company, Kuwait (KNPC); UHDE, Germany; PTT Asahi Chem Co. Ltd, Thailand	Others	10.0	High-tech equipment and systems
20-May-08	Oman Electricity & Transmission Company and Muscat Electricity Distribution Co.	Power	1.1	Construction of substations and associated transmission lines
20-May-08	Abu Dhabi Water & Electricity Authority	Infrastructure	5.2	Supply and construction of five 33/11 kV GIS substations and 33kV cabling works
5-May-08	Power Grid Corporation of India Limited	Power	3.4	Construction of 755km. Of transmission lines
21-Apr-08	CIDCO	Others	10.0	Development of "Integrated Commercial Complex at Seawoods, Navi Mumbai
15-Apr-08	Bombay Dyeing	Others	3.0	Development of 9 mn Sq. ft at Spring Mills complexes at Worli and Wadala
8-Apr-08	Government of Rajasthan, Bhushan Steel-Orissa, SAIL Bokaro Steel Plant and the Damodar Valley Corporation (DVC)	Others	16.9	Water supply projects, sinter plant and cold roll mill and a coal handling plant
	Total large order booking in FY2009 so far		**156.9**	
31-Mar-2008	Hindustan Petroleum Corporation Ltd	Oil & gas	5.8	LSTK of lube oil base stock plant
18-Mar-2008	Hebi Coal and Electricity Co. Ltd	Process	1.7	Supply of coal gasifier and syngas cooler assembly for methanol plant
11-Mar-2008	Oil & Natural Gas Corporation	Oil & gas	0.7	Setting up of SCADA system for Onshore Control Centres for offshore operations
5-Mar-2008	Jaypee Powergrid Ltd and Power Grid Corporation	Power	4.6	Transmission line projects
21-Feb-2008	Cairn India	Oil & gas		EPC services for export crude oil insulated and gas pipeline from Barmer to Salaya
18-Feb-2008	Oil & Natural Gas Corporation	Oil & gas	12.5	EPC of offshore platforms at Mumbai High South field
14-Feb-2008	Qatar General Electricity and Water Corporation	Power	3.1	Design, supply, installation and commissioning of five 66/11 substations at Qatar
8-Feb-2008	SAIL, IISCO Steel Plant, Burnpur	Process	11.1	Construction of Coal & Coke Handling Plant and Base Mix Preparation plant
23-Jan-2008	Transmission and distribution companies in the Middle-east	Power	10.6	Cosntruction of substations, switchgears and grid stations among others
21-Jan-2008	Kuwait National Petroleum Company	Oil & gas	17.0	Manufacture of 22 hydrocracker & atmospheric residue desulphurisation reactors
10-Jan-2008	Kingston Properties and others	Others	35.0	Construction of IT parks, hotels and malls
7-Jan-2008	Cairn India	Oil & gas	13.0	Construction works for Northern Area Development Project, Barmer, Rajasthan
26-Dec-2007	Muscat Golf Course Project LLC	Others	4.3	Township development
26-Dec-2007	Dhofar Power Co. and Muscat Electricity Distribution Co.	Power	3.2	Electrical substations & associated works in Oman
19-Dec-2007	Mumbai Metropolitan Region Development Authority	Infrastructure	2.9	Access road from Western Express Highway to the International Airport, Mumbai
19-Nov-2007	Delhi Metro Railway Corporation	Infrastructure	1.4	Underground Twin Tunnel with Shanghai Urban Construction (Group) Corporation
15-Nov-2007	SAIL - Bokaro Steel Plant	Process	3.6	Blast Furnace Rebuild in consortium with Paul Wurth
1-Nov-2007	Mumbai international Airport Pvt Ltd	Infrastructure	55.0	Integrated passenger terminal, airside and landside works at Mumbai airport
18-Oct-2007	NTPC and Andhra Pradesh state government agencies	Power & Infrastructure	4.5	Simhadri Coal Handling Plant and water supply/sanitation projects
10-Oct-2007	Methanol Chemical Company, Saudi Arabia	Process	2.3	Setting up high technology Methyl Amines & Dimethyl Formamide Plants
9-Oct-2007	Indian Oil Corporation	Oil & gas	6.9	EPC of sulphur recovery units
17-Sep-2007	Rashtriya Chemicals and Fertilizers Limited	Process	0.8	Methanol Reformer Package as a part of 'Trombay Methanol Revamp Project'
14-Sep-2007	Steel Authority of India Limited	Process	7.6	Turnkey sinter plant project in consortium with Outotec GmbH, Germany
5-Sep-2007	Bhushan Steel Limited	Process	12.1	2.5 mn TPA blast furnace in Orissa in consortium with Paul Wurth, Italy
4-Sep-2007	Indian Oil Corporation Limited and Liaoning Huajin Chemical	Oil & gas	2.7	2 separate orders - both are capacity expansion projects
23-Aug-2007	RollDock BV, Netherlands	Shipbuilding	2.7	Construction of two ships
13-Aug-2007	Delhi Metro Railway Corporation	Infrastructure	2.0	Construction of underground station and a tunnel as part of Phase II of the project
17-Jul-2007	Tata Steel	Process	9.8	Supply and installation of blast furnace
16-Jul-2007	Tata Steel	Process	6.2	Supply & installation of sinter plant and other packages
16-Jul-2007	Various companies in the Gulf	Process	7.2	Manufacture and supply of process modules for handling & processing of gas
13-Jul-2007	Abu Dhabi Water & Electricity Authority	Infrastructure	3.7	Design and commissioning of substations
13-Jul-2007	Power Grid Corporation of India Limited	Infrastructure	2.0	Turnkey construction of substations
13-Jul-2007	Different entities in the water and utilities sector	Infrastructure	2.9	Various projects in the water sector
10-Jul-2007	Indian Oil Corporation Limited	Process	5.4	Order for motor spirit quality upgradation unit
21-Jun-2007	BigLift Shipping BV, Netherlands	Others	3.8	Construction of two ships
19-Jun-2007	Victory Heights Golf Residential and Development LLC, UAE	Others	6.1	Residential building project in Dubai, in JV with Eastern Contracting LLC
12-Jun-2007	Oil & Natural Gas Corporation	Oil & gas	8.8	Re-construction of offshore facilities at NQ complex in Mumbai High north field
12-Jun-2007	Steel Authority of India Limited	Power	1.1	Turnkey construction of substation and associated transmission networks
7-Jun-2007	ENOC Processing Company LLC, Dubai	Process	2.1	Mechanical erection of new process plants
18-May-2007	Irrigation & Command Area Development Dept, Govt of AP	Infrastructure	2.7	Engineer-Procure-Construct lift irrigation
8-May-2007	Abu Dhabi Water & Electricity Authority	Infrastructure	2.1	Supply and installation of power cables and fibre optic cables
25-Apr-2007	Nakheel, UAE	Others	2.0	Residential project in Dubai
	Total large order booking in FY2008		**292.8**	

Source: Company data, Kotak Institutional equities estimates.

Exhibit 2. Financial closure during FY2008 flat over FY2007, halting an exceptionally strong run - cyclical slowdown?

Capital expenditure sanctioned assistance by commercial banks/ term lending institutions - FY1991 to FY2008 (Rs bn)



Source: Reserve Bank of India

Exhibit 3: SOTP valuation results in a target price of Rs3,200/share

	Original invt (Rs mn)	Mkt value (Rs mn)	Implied val on FY10 estimates (X) P/E	P/B	EV/EBIDTA	L&T's stake %	Value of L&T's stake (Rs mn)	Value per share of L&T (Rs)	Basis of valuation
Core company valuation			**19.8**	**4.3**	**14.0**		**733,434**	**2,509**	**FY10 based DCF**
Key subsidiaries - services	5,792	42,575					42,575	150	
L&T Finance	4,910	13,901	7.7	1.3	NA	100	13,901	49	Relative P/E
L&T Infotech	883	28,674	8.3	2.4	5.1	100	28,674	101	Relative P/E
Key subsidiaries - manufacturing	1,079	49,260					25,458	152	
Tractor Engineers	3	1,655	11.3	1.9	8.4	100	1,655	6	Relative P/E
Associate companies*	1,076	47,605	11.3	NA	NA	50	23,803	84	Relative P/E
Power equipment JVwth MHI	7,500	34,448	NA	NA	NA	51	17,569	62	DCF of the JV
Infrastructure SPVs	10,989	54,943				79	43,405	153	P/B
Other subsidiaries	11,087						16,630	59	P/B
Total subsidiaries	**24,592**						**128,067**	**514**	
UltraTech Cement	143	7,593					6,454	23	15% discount to market value
Other associate companies	76	153					153	1	2X investment
Integrated JVs	759	1,517					1,517	5	2X investment
Total associates and IJVs	**978**	**9,263**					**8,124**	**29**	
Financial investments	**44,731**	**44,731**					**44,731**	**158**	**Book value**
Grand total	**70,301**	**53,994**	**41.3**	**8.0**			**914,357**	**3,210**	

Source: Company data, Kotak Institutional Equities estimates.

Banking

ICBK.BO, Rs577	
Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	650
52W High -Low (Rs)	1465 - 513
Market Cap (Rs bn)	642.2

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	169.5	181.6	226.1
Net Profit (Rs bn)	41.6	37.7	46.7
EPS (Rs)	39.9	33.9	42.0
EPS gth	*15.4*	*(15.1)*	*23.8*
P/E (x)	14	17.0	13.7
P/B (x)	1.4	1.3	1.2
Div yield (%)	1.9	1.5	1.8

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	-	-	-
FIIs	67.7	7.2	5.1
MFs	6.0	3.4	1.4
UTI	-	-	(2.0)
LIC	8.2	4.0	2.0

ICICI Bank: Negative news flow will likely lead to underperformance in the near term

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- **Near-term concerns on international exposure likely to put pressure on stock performance**
- **Reduce target price to Rs650 from Rs870 earlier due to concerns on international book**
- **Retain ADD rating on reasonable valuations**

ICICI Bank valuations appear attractive even under a stress-case scenario and we remain positive over its long-term prospects, however, we are concerned about near-term concerns relating to its international book, which, we believe, will lead to underperformance in this stock which has significant over-ownership (5.1%). ICICI Bank has nearly US$6 bn of investments in the international bond market, which accounts for 6% of consolidated assets. Given the unfolding events in the international markets, credit default swap for key international financials have expanded significantly over the past few trading sessions, increasing the risk of MTM hit. We find it difficult to estimate the eventual hit ICICI Bank will take on its international operations, and therefore to estimate an appropriate fair value for the stock. We therefore provide a picture of the stock's sensitivity to various recovery levels—at this uncertain time, we are assuming a 50% hit on its international bond portfolio and zero value for the UK and Canada subsidiary for the purpose of our fair value estimate. We believe there is value at the current stock price levels (6.6X PER and 0.6X PBR FY2009), but we expect the heightened risk perception to sustain pressure on the stock. We reduce our target price for the stock to Rs650 from Rs870 to factor in these developments and retain ADD rating on the stock.

Our sensitivity analysis shows that capital adequacy will be comfortable. Our analysis shows that with at 50% hit, ICICI Bank's capital adequacy will be comfortable at around 12.3% (based on risk-weighted assets as of June 30, 2008). The company's book value would, in this scenario, come off to Rs256 per share from Rs340 per share for the standalone entity (assuming an equivalent amount is invested in the UK subsidiary).

Most of the exposure in UK subsidiary. ICICI Bank UK and Canada have an exposure of around US$5 bn and US$1 bn, respectively. We believe nearly 65% of its exposure in Canada is to treasury paper and the MTM hit will largely be concentrated in its UK subsidiary. ICICI Bank's UK subsidiary has an exposure of US$80 mn in senior debt to Lehman. The company expects to recover around 50% of this on liquidation. The bank also has an exposure of US$25 mn to AIG. The company does not provide details of exposure to other companies, but all of the UK investments was to financials and mortgage-backed securities, which increases the risk of MTM hits in this choppy market.

MTM hit in FY2008 was US$435 mn. ICICI Bank had taken MTM hit of US$435 mn in FY2008-US$220 mn on CDO and US$215 mn on investment book. Of this, US$235 mn was on international subsidiaries (US$220 mn in its UK subsidiary) and US$170 mn on the India book. ICICI Bank has reduced its exposure to international credit derivative products to US$80 mn, from US$600 mn.

Movement of credit default spreads on 1 yr senior debt paper (bps)

	Mar-07	Mar-08	Chg in spreads March 08 over March 2007	Jun-08	15-Sep-08	17-Sep-08	Chg in spreads since Septermber 15, 2008
AIG	5.8	211.3	205.5	235.4	3,389.3	1,373.0	(2,016.3)
Citi Bank	2.3	173.3	171.1	83.7	183.6	265.9	82.3
Morgan Stanley	7.0	230.0	223.0	265.6	682.3	1,346.9	664.6
Merill	6.0	337.5	331.5	292.0	468.5	749.9	281.4
UBS	1.9	119.9	118.0	68.9	99.9	194.2	94.3
Goldman Sachs	13.0	166.7	153.7	121.2	306.9	841.7	534.8
Lehman Brothers	7.0	333.1	326.1	437.3			
Standard Chartered	1.1	35.9	34.8	30.4	39.8	49.8	10.0

Source: Bloomberg.

Sensitivity analysis of book value to MTM losses on international book
March fiscal year-ends, 2008 (Rs bn)

Networth	465
Investments in subsidiaries	85
Investment book of international subsidiaries	253
Sensitivity analysis for hit on international investment book	
Networth of standalone entity assuming	
25% hit on international investment book	332
50% hit on international investment book	285
75% hit on international investment book	237
100% hit on international investment book	190
Book value of standalone entity (Rs)	
Current investment book value	341
25% hit on international investment book	299
50% hit on international investment book	256
75% hit on international investment book	213
100% hit on international investment book	171

Source: Company, Kotak Institutional Equities estimates.

ICICI Bank value based on SOTP

	ICICI Share (%)	Vaiue per share	Valuation methodoly adopted
Value of ICICI standalone	**100**	381	Based on residual income model
Less: MTM hits			
Subsidiaries			
ICICI Financial Services	**100**	**204**	
ICICI Prudential Life	74	175	18X NBAP+EV
General Insurance	74	15	2X FY2008 PBR
Mutual Fund	51	14	5% of FY2009 AUMs of Rs600 bn
Other subsidiaries/associates			
ICICI Securities Ltd	100	20	PER of 15X FY2008 EPS
ICICI Securities Primary Dealer	100	1	PBR of 1X FY2007 BVPS
ICICI Homes Ltd	100	16	PBR of 2X FY2008 BVPS
ICICI Bank UK	100	0	
ICICI Bank Canada	100	0	
ICICI Bank Euroasia	100	4	PBR of 2X FY2007 BVPS
3i	11	1	Market value
Venture capital/MF	100	11	12% of AUM current AUM estimated at US$2.6bn
ICICI One Source	25	3	Market value
ARCIL	30	2	Based on value assigned by IDFC at Rs7.15bn
NSE	6	6	Based on value assigned by recent divestment to FT. NSE valued @ Rs125 bn
Value of subsidiaries		**269**	
Value of company		**650**	

Source: Company, Kotak Instititional Equities estimates.

Technology

SATY.BO, Rs336	
Rating	BUY
Sector coverage view	Neutral
Target Price (Rs)	500
52W High -Low (Rs)	544 - 305
Market Cap (Rs bn)	229.0

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	84.7	111.8	132.8
Net Profit (Rs bn)	16.9	22.0	25.6
EPS (Rs)	25.2	32.2	37.5
EPS gth	*17.7*	*27.6*	*16.5*
P/E (x)	13	10.4	8.9
EV/EBITDA (x)	10.1	7.2	5.7
Div yield (%)	2.9	3.6	4.2

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	8.6	-	-
FIIs	67.1	3.0	2.1
MFs	5.6	1.3	0.5
UTI	-	-	(0.9)
LIC	2.5	0.5	(0.3)

Satyam Computer Services: Revenue growth concerns and other negative news factored in the stock price. BUY, on valuations

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- **Concerns on revenue growth driven by negative news flow on specific clients and the recent GBP/USD and EUR/USD movements**
- **Re depreciation versus the US$ provides support to EPS guidance**
- **Undemanding valuations; reiterate BUY, on valuations**

We see the recent steep correction in Satyam's stock price (down 20.3% over the past week) as an opportunity to enter the stock. Valuations at 10.4X FY2009E and 8.9X FY2010E EPS appear undemanding, even in the backdrop of negative news flow on specific clients, and hiring-related issues. Slowdown in revenue momentum (after a stupendous FY2008) is a given, though the concerns on the extent of it have been exacerbated by recent client-specific issues (notably Merrill Lynch) and the company's US$ guidance miss in 1QFY09. We highlight the key concerns on the revenue front—(1) loss of business as a result of recent client-specific developments; we believe that impact, if any, will likely be spread over several quarters and hence not meaningful for FY2009E, (2) delay in decision making has impacted closure of large deals and (3) slower-than-expected ramp-up on specific deals. We believe the market is already building in a possibility of the company not achieving its FY2009E revenue guidance. We see little risk to meeting FY2009E EPS guidance (Rs31.83-32.35/share). EPS growth in FY2010E hinges on two key variables—pricing and Re/US$ rate. Reiterate BUY.

Stock price correction more than reflects the recent negative news flow, in our view. We believe the recent correction in Satyam's stock price more than factors in the slew of negative news flow over the past week. While the client-specific negative news viz. Merrill Lynch (~2% of revenues) takeover by Bank of America, trouble at AIG (<0.1% of revenues) and Lehman Brothers' (also <0.1% of revenues) bankruptcy filing may have business implications, some of the negative news flow on employee hiring (and firing) related issues appear more a case of ineffective handling of media affairs from Satyam and inaccurate reporting by the media. The company has denied the news on company firing 4,000 employees, as reported by a leading India news daily. The company indicates that around 400 employees have left the company, either voluntarily or based on performance issues. Nevertheless, we see the sharp downward move in the stock price as an over-reaction, and find the valuations undemanding at current levels.

Concerns on revenue growth driven by multiple factors, some not justified, in our view. Reduced confidence on Satyam's ability to achieve its FY2009E revenue growth guidance (24-26%) and street expectations has been driven by a multitude of factors including (1) client-specific issues (discussed in the paragraph above), (2) 1QFY2009 revenue guidance miss; the company missed the upper end of its revenue guidance for the June '08 quarter (US$628 mn) by 1.5%, (3) deferrals in joining dates of campus recruits—our channel checks indicate that the company has deferred the fresher joining dates to as late as Mar '09 and (4) cross-currency movements—depreciation of GBP, Euro, and AU$ versus the US$ (the three currencies form around 22-23% of Satyam's invoicing, with US$ invoicing at ~70%); the cross-currency movements can impact Satyam's FY2009E revenues by 1.2-1.8%, if the currencies stay at the current levels versus the US$.

Our discussions with heads of strategic deals group and SAP practice provide mixed signals on demand environment. Our recent discussions with the company management (heads of strategic deals group, and SAP practice) reaffirmed the cautionary stance on demand environment in North America (and increasingly some parts of Europe) even as they continue to witness increasing traction in some of the newer geographies like the Middle East, Eastern Europe and Asia Pacific and the manufacturing vertical. We expect manufacturing vertical to be a key driver of growth for the company (as well as the industry in general) over the next few quarters. We find Satyam better positioned than peers noting leadership in SAP services, strong engineering services practice and an enviable reference base. We highlight the key takeaways from the discussions below

1. **SAP practice.** With 5,500 SAP consultants, Satyam has the largest SAP practice among the Indian IT service providers. The company continues to see robust momentum in its SAP practice driven, rather surprisingly, by continued traction in the US market as well as pick-up in demand from the Middle East and Asia-Pacific regions; the company did highlight concerns on demand slowdown in Europe, though. While Satyam has reaped the benefits of its investments in this practice (verticalization, investments in domain expertise and NetWeaver platform, driving global partner status, etc.) over the past couple of years, increased focus of other tier-I peers on this practice (highlighted by Infosys' proposes acquisition of Axon) would likely test the company's ability to maintain its success ratio in deal bids over the coming quarters.

2. **Large deals**. Steady pipeline (in terms of # of deals and TCV of deals), newer opportunities likely to emerge from the downturn (driven largely by vendor consolidation and re-assessment of outsourcing strategies), and increasing deal sizes in some of the newer geographies (especially the Middle East and parts of Asia) were the key trends in the large deals space as being witnessed by Satyam management. We highlight that a good number of large deal wins and ramp-ups (GM, Nissan, Applied Materials, Qantas, Nestle) contributed significantly to Satyam's industry-leading revenue growth in FY2008. Slowdown in decision making cycle has likely meant fewer new deal closures, also reflecting in the slowing revenue momentum, in our view. We, however, continue to remain positive on the investments made by Satyam in driving its large deals strategy.

Revenue guidance range of 24-26% will likely be met. Our discussions with the company indicate that the billing for July and August months have been consistent with the plan. We believe the company would achieve September quarter guidance. The street concern has been on the back-ended nature of the FY2009 guidance with an implied growth of 5.2% in Q3 and Q4 to meet 26% US$ revenue growth guidance. We believe that company may achieve at-least the lower end its revenue growth guidance. We highlight the key factors driving our view—

1. June quarter saw healthy pick in new deal wins (US$100 mn+) especially in the manufacturing vertical—Arcelor Mittal, a large automotives group and a large SAP roll out,

2. The company continues to see strong momentum in its package implementation (especially SAP) practice in some of the newer geographies and manufacturing vertical

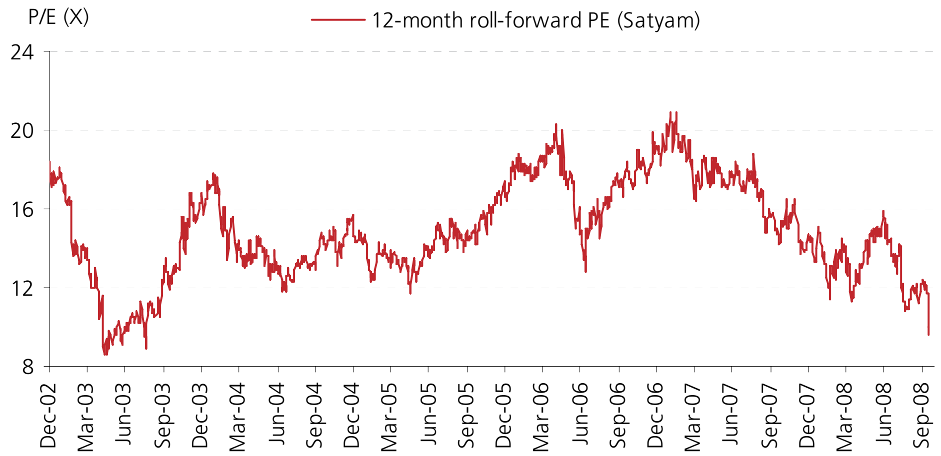
3. Revenue impact of ML acquisition (if any) may not happen immediately and would likely be spread over next several quarters; our channel checks indicate flat billing from this account for the June and Sep '08 quarters (at Mar '08 levels)

Cross-currency exchange rate movements remain the key risk to our view. Any further appreciation in US$ versus GBP/EUR/AU$ will likely make meeting revenue guidance challenging. We shall review our FY2009E US$ revenue growth estimate (at 26% currently, closer to the upper end of the company guidance) over the next few weeks.

Re depreciation versus the US$ provides support to EPS guidance. We see little risk to Satyam's FY2009E EPS guidance (Rs31.83-32.35), despite challenges on the revenues front, given the sharp depreciation in the Rupee versus the US$ over the past month. We highlight Satyam had based its EPS guidance (post Jun '08 results) on an average Re/US$ realization of 42.78 for the fiscal. A 1% depreciation in the Re/US$ rate has a positive impact of ~1.5% on EPS; the recent Re depreciation, if sustained for a few more weeks should provide ample cushion to Satyam's EPS guidance. We also highlight that Satyam had reduced its outstanding hedges to US$675 mn at end-Jun '08 (slightly higher than a quarter of receivables) and will not take a meaningful hedging loss hit. Our FY2009E EPS guidance of Rs32.2 is based on an average Re/US$ realization of 42 for FY2009.

Undemanding valuations drive our positive stance on the stock. BUY. Post the recent correction, Satyam is now trading at 10.4X FY2009E and 8.9X FY2010E EPS. The current valuations imply a FCF growth to perpetuity of 6.5%, undemanding in our view. Maintain our BUY rating with a DCF-based target price of Rs500/share.

Satyam now trades at 9.6X 12-month forward earnings, close to multi-year low



Source: Bloomberg, Kotak Institutional Equities estimates

Despite the decelaration in yoy growth, we expect package implementation to drive revenue growth for Satyam

Satyam's revenues from package implementation practice

	1QFY07	2QFY07	3QFY07	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09
Revenues (US$ mn)	121.8	134.3	150.4	166.0	190.6	217.9	241.1	262.5	266.0
% of revenues	40.3	40.4	42.0	42.6	44.2	45.0	45.0	45.1	44.7
Growth qoq (%)	9.3	10.3	12.0	10.4	14.8	14.3	10.6	8.9	1.3
Growth yoy (%)	**37.2**	**33.8**	**41.7**	**49.0**	**56.5**	**62.2**	**60.3**	**58.2**	**39.6**

Source: Company, Kotak Institutional Equities

Satyam continues to be a strong player in the manufacturing vertical

	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08
Revenues (US$ mn)											
Satyam Computer Services	74	82	84	89	97	106	112	115	124	137	137
Tata Consultancy Services	117	119	127	133	148	157	140	159	166	176	146
Infosys Technologies	79	86	96	104	105	111	126	142	158	187	213
Wipro (a)	45	47	50	54	58	64	137	152	184	202	203
As % of revenues											
Satyam Computer Services	27.6	28.9	27.8	26.7	27.1	27.2	25.9	23.7	23.2	23.5	23.1
Tata Consultancy Services	17.7	16.4	16.0	15.3	15.2	15.1	12.4	12.7	12.5	13.0	10.7
Infosys Technologies	14.1	14.5	14.5	14.0	12.8	12.9	13.6	13.9	14.6	16.4	18.4
Wipro (a)	9.5	9.2	9.3	9.1	9.0	9.3	17.6	17.7	18.8	19.6	19.0

Note:
(a) Includes healthcare from June 2007 quarter. Wipro changed its reporting structure starting June 2007 quarter

Source: Companies, Kotak Institutional Equities

Satyam's large deal focus has resulted in some significant deal wins
List of large deals annouced by Satyam in the past 2-3 years

Deal	Size (US$ mn)	Country
GM	150	North America
Nissan	100	North America
Qantas	54	Australia
Applied Materials	200	North America
Nestle	75	Switzerland
Large retailer	100	
Reuters (a)		UK

Note:
(a) As a sub-contractor to Fujitsu

Source: Company reports, Kotak Institutional Equities estimates

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

	2007	2008	2009E	2010E	2011E
Profit model					
Revenues	**64,851**	**84,735**	**111,824**	**132,776**	**155,579**
Personnel expenses	(38,602)	(52,595)	(68,323)	(82,643)	(97,547)
Other operating expenses	(10,872)	(13,792)	(18,885)	(21,612)	(24,802)
EBITDA	**15,377**	**18,348**	**24,615**	**28,521**	**33,231**
Depreciation	(1,373)	(1,484)	(1,636)	(2,035)	(2,522)
EBIT	**14,004**	**16,864**	**22,980**	**26,485**	**30,709**
Other income	1,833	2,671	2,594	3,865	3,335
Interest expenses	(159)	(201)	(184)	(168)	-
Pre-tax profits	**15,678**	**19,334**	**25,390**	**30,182**	**34,044**
Provision for tax	(1,520)	(2,304)	(3,025)	(4,112)	(6,430)
PAT	**14,158**	**17,030**	**22,364**	**26,070**	**27,614**
Share of loss in associates	1	—	—	—	—
Reported PAT	**14,159**	**17,030**	**22,364**	**26,070**	**27,614**
EPS (Rs)	**21.4**	**25.2**	**32.2**	**37.5**	**39.7**
Balance Sheet					
Shareholders funds	57,526	72,392	89,569	109,568	130,266
Deferred tax liability/(assets)	(437)	(872)	(872)	(872)	(872)
Borrowings	1,479	2,167	—	—	—
Minority interest	—	—	—	—	—
Total liabilities	**58,568**	**73,687**	**88,698**	**108,696**	**129,394**
Gross block	15,054	19,602	27,113	31,703	36,888
Accumulated depreciation	(9,848)	(11,417)	(13,453)	(15,974)	(19,028)
Net block	5,207	8,185	13,660	15,728	17,860
CWIP	3,017	4,610	4,586	4,586	4,586
Net fixed assets	8,223	12,794	18,246	20,315	22,446
Cash and bank balances	39,914	45,024	50,953	65,171	79,837
Net current assets excluding cash	10,431	15,868	19,498	23,210	27,111
Total assets	**58,568**	**73,687**	**88,698**	**108,696**	**129,394**
Cashflow statement					
Operating profit before working capital changes	14,687	18,532	24,615	28,521	33,231
Change in working capital/other adjustments	(2,925)	(5,438)	(3,630)	(3,712)	(3,901)
Capital expenditure	(3,854)	(3,572)	(7,488)	(4,590)	(5,185)
Investments	(262)	(2,446)	—	—	—
Free cash flow	**7,646**	**7,077**	**13,498**	**20,218**	**24,145**

Source: Company data, Kotak Institutional Equities estimates

Media

ZEE.BO, Rs200	
Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	240
52W High -Low (Rs)	410 - 169
Market Cap (Rs bn)	86.5

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	18.4	21.9	25.5
Net Profit (Rs bn)	3.9	4.5	6.0
EPS (Rs)	8.9	10.5	13.9
EPS gth	*62.6*	*17.8*	*32.7*
P/E (x)	22.5	19.1	14.4
EV/EBITDA (x)	16.4	12.3	9.3
Div yield (%)	1.0	1.3	1.8

Shareholding, June 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	41.5	-	-
FIIs	26.0	0.3	0.1
MFs	12.6	0.9	0.6
UTI	-	-	(0.3)
LIC	8.2	0.5	0.2

Zee Entertainment Enterprises: Zee TV ratings improve; reduce ad revenue estimates due to fierce competition

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- **Zee TV ratings improve but fierce competition precludes large ad rate hike**
- **Reduce ad revenue and earnings estimates to factor in increase in competition**
- **Retain ADD rating with 12-month DCF-based TP of Rs240 (Rs260 previously)**

ZTV, ZEEL's flagship Hindi general entertainment (GE) channel, improved its GRPs to 212 this week from 195 in the previous week. Colors, the Hindi GE channel by Viacom-18, significantly improved its GRPs to 198 this week from 159 in the previous week; Colors has established its fiction programming and the ratings gap between Colors and the lead channels, Star Plus and ZTV, has narrowed significantly over the past few weeks. We have revised our FY2009E, FY2010E and FY2011E earnings estimates for ZEEL to Rs10.2 (Rs10.5 previously), Rs12.9 (Rs13.9) and Rs16.0 (Rs17.4) to factor in (1) stronger-than-expected competition and (2) increased levels of high-value inventory in the Hindi GE segment, which will likely divert some ad revenues to new channels (Colors, Imagine) and preclude large rate hikes for ZTV going forward. We retain our ADD rating on the stock with 12-month DCF-based TP of Rs240 (Rs260 previously) given (1) likely strong growth in subscription revenues driven by DTH, (2) diversified channel bouquet of ZEEL and (3) potential positive action on Zee Next. Key risks are further decline in ZTV/ZEEL ratings and thus, lower-than-expected ad revenues.

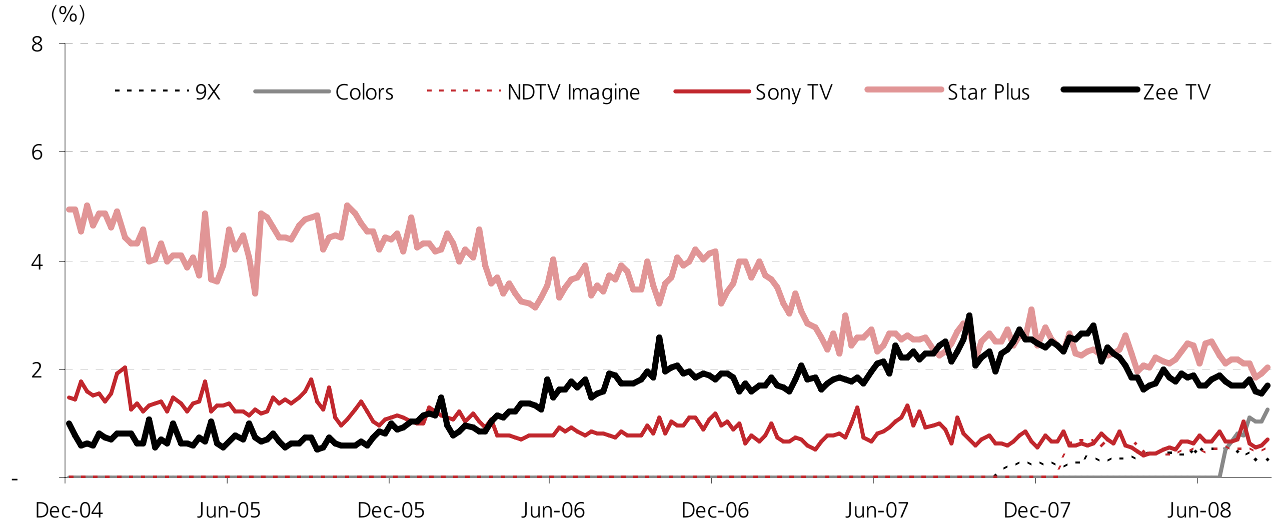
ZTV ratings improve but Colors close behind. Exhibit 1 shows the decline in primetime TRP ratings of ZTV over the past few months. We note ZTV's GRPs improved to 212 this week from 195 in the previous week but Colors has now significantly reduced the ratings gap with ZTV (see Exhibit 2); Colors' GRPs increased to 198 this week from 159 in the previous week, with significant contribution from its weekday fiction programming. ZTV benefits from a very strong fiction portfolio during weekdays (see Exhibit 3) and advertisers are willing to pay the premium for the large reach of target audience delivered by its programs. ZTV's non-fiction programming ('Ek Se Badhkar Ek', 'SaReGaMaPa') has not delivered TRP ratings as per expectations and the channel plans to revamp its content slate, a situation we will monitor closely.

The emerging broadcasters, Colors and NDTV Imagine, have successfully established their weekday fiction programming, which is likely to put pressure on ZTV if it is unable to defend its market share with improved programming and marketing. According to media buying agencies, the success of emerging broadcasters has led to (1) market fragmentation (incremental ad spends diverted to new channels) and (2) pricing pressure for extant broadcasters (ZTV and STAR Plus), which precludes further rate hikes going forward. We have revised our FY2009E, FY2010E and FY2011E ad revenue estimates for ZEEL to Rs11.1 bn (Rs11.3 bn previously), Rs12.3 bn (Rs13 bn) and Rs13.8 bn (Rs14.8 bn), respectively.

Positive view on subscription revenue (DTH), potential positive action on Zee Next. We expect strong growth (29% CAGR for FY2008-2011E) in ZEEL's domestic subscription revenues driven by adoption of DTH. We note that ZEEL has a strong bouquet of channels including Hindi GEC (ZTV), Cinema (Zee Cinema), Sports (Ten Sports and Zee Sports) and English (Zee Café and Zee Studio), which will help garner a greater share of subscription revenues from an increasingly-addressable subscriber base. ZEEL has already stated its plans to restructure Zee Next, where it will restrict its investment to Rs2 bn and sell a majority stake to a strategic partner to fund the rest. We note that our earnings model incorporates Zee Next's financials (losses) in perpetuity; our FY2009E and FY2010E EPS estimates increase to Rs11.2 and Rs13.9 from Rs10.2 and Rs12.9 without the expected losses from Zee Next.

The leadership position of STAR Plus and ZTV is threatened by Colors, the new channel by Viacom-18

Primetime (7:30-11:30 PM) ratings for Hindi general entertainment channels (%)



Source: TAM Media Research, compiled by Kotak Institutional Equities

GRPs (gross rating points) of Hindi general entertainment channels based on 30-minute slots

	Week beginning:	20-Jul-08	27-Jul-08	03-Aug-08	10-Aug-08	17-Aug-08	24-Aug-08	31-Aug-08	07-Sep-08
	Hindi GE GRPs post-Colors launch								
1	9X	87	86	81	75	81	62	61	56
2	**Colors**	**81**	**116**	**137**	**128**	**163**	**153**	**159**	**198**
3	NDTV Imagine	94	87	91	90	91	75	76	74
4	Sahara One	69	62	76	61	70	74	66	66
5	Sony TV	99	96	99	130	96	86	90	98
6	Star One	87	89	93	93	87	79	84	78
7	**Star Plus**	**315**	**321**	**316**	**311**	**312**	**275**	**282**	**289**
8	UTV Bindass	18	17	16	18	16	15	17	17
9	**Zee TV**	**216**	**217**	**212**	**209**	**220**	**205**	**195**	**212**
	Total	**1,066**	**1,090**	**1,120**	**1,116**	**1,135**	**1,025**	**1,029**	**1,088**

Source: TAM Media Research, compiled by Kotak Institutional Equities

Weekday and weekend primetime (7:30-11:30 PM) ratings of Hindi GE channels (%)

	Week beginning:	20-Jul-08	27-Jul-08	03-Aug-08	10-Aug-08	17-Aug-08	24-Aug-08	31-Aug-08	07-Sep-08
Weekday (Monday-Friday) primetime (7.30 - 11.30 PM)									
1	9X	0.44	0.41	0.40	0.38	0.39	0.27	0.30	0.25
2	**Colors**	**0.66**	**0.82**	**0.94**	**0.90**	**1.14**	**1.19**	**1.26**	**1.55**
3	NDTV Imagine	0.55	0.55	0.59	0.61	0.58	0.48	0.52	0.54
4	Sahara One	0.46	0.43	0.52	0.41	0.51	0.59	0.49	0.46
5	Sony TV	0.58	0.52	0.53	0.53	0.50	0.39	0.46	0.44
6	Star One	0.65	0.62	0.61	0.65	0.65	0.61	0.60	0.63
7	**Star Plus**	**2.30**	**2.31**	**2.40**	**2.40**	**2.43**	**2.06**	**2.09**	**2.13**
8	UTV Bindass	0.04	0.05	0.05	0.04	0.04	0.06	0.06	0.08
9	**Zee TV**	**2.02**	**1.98**	**1.99**	**1.96**	**2.13**	**1.86**	**1.81**	**1.95**
	Total	**7.70**	**7.69**	**8.03**	**7.88**	**8.37**	**7.51**	**7.59**	**8.03**
Weekend (Sunday-Saturday) primetime (7.30 - 11.30 PM)									
1	9X	0.76	0.90	0.52	0.38	0.65	0.40	0.56	0.38
2	Colors	0.17	0.33	0.47	0.41	1.03	0.59	0.45	0.49
3	NDTV Imagine	0.58	0.27	0.38	0.31	0.38	0.35	0.34	0.39
4	Sahara One	0.22	0.15	0.17	0.14	0.17	0.14	0.20	0.20
5	**Sony TV**	**0.89**	**1.00**	**1.09**	**2.22**	**1.00**	**0.90**	**0.91**	**1.31**
6	Star One	0.59	0.57	0.65	0.54	0.48	0.40	0.39	0.34
7	**Star Plus**	**1.60**	**1.82**	**1.66**	**1.32**	**1.28**	**1.34**	**1.40**	**1.82**
8	UTV Bindass	0.15	0.06	0.05	0.08	0.06	0.05	0.07	0.06
9	**Zee TV**	**1.14**	**1.01**	**1.01**	**1.02**	**0.95**	**0.96**	**0.91**	**1.01**
	Total	**6.10**	**6.11**	**6.00**	**6.42**	**6.00**	**5.13**	**5.23**	**6.00**

Source: TAM Media Research, compiled by Kotak Institutional Equities

Our DCF-based valuation of ZEEL is Rs240

DCF analysis for ZEEL (Rs mn)

	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2019E
EBITDA	**6,789**	**8,271**	**10,052**	**11,982**	**13,973**	**15,366**	**16,769**	**18,302**	**19,535**			
Tax expense	(2,283)	(3,032)	(3,645)	(4,461)	(5,396)	(6,129)	(6,898)	(7,667)	(8,433)			
Changes in working capital	(1,827)	(1,497)	(1,379)	(1,475)	(1,464)	(1,269)	(1,260)	(1,307)	(1,341)			
Cash flow from operations	**2,678**	**3,742**	**5,028**	**6,046**	**7,113**	**7,968**	**8,611**	**9,327**	**9,761**			
Capital expenditure	(200)	(200)	(225)	(225)	(250)	(250)	(275)	(275)	(300)			
Free cash flow	**2,434**	**3,474**	**4,712**	**5,708**	**6,731**	**7,576**	**8,181**	**8,924**	**9,302**	**9,906**	**10,550**	**11,236**
Discounted cash flow- now	2,288	2,903	3,500	3,767	3,949	3,950	3,792	3,675	3,405	3,224		
Discounted cash flow-1 year forward		3,265	3,937	4,239	4,442	4,444	4,266	4,136	3,831	3,627	3,433	
Discounted cash flow-2 year forward			4,429	4,769	4,999	4,999	4,799	4,653	4,311	4,080	3,862	3,656

	Now	+ 1-year	+ 2-years
Total PV of free cash flow (a)	34,452	39,621	44,559
PV of terminal value (b)	57,220	60,939	64,900
Total company value (a) + (b)	91,672	100,559	109,459
Net debt/(cash)	(2,307)	(4,869)	(8,472)
Value to equity holders	93,978	105,429	117,930
Value to equity holders (Rs/share)	**216**	**243**	**271**
Assumptions for WACC and growth in perpetuity			
Growth from 2017 to perpetuity (%)	6.5		
FCF multiple (X)	**16.7**		
Exit EV/EBITDA multiple (X)	**9.6**		
WACC (%)	**12.5**		

Source: Kotak Institutional Equities estimates.

Consolidated profit and loss statement for Zee Telefilms, March fiscal year-ends, 2004-2006, ZEEL, 2007-2012E (Rs mn)

	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E
Revenues									
National Hindi (Zee TV)	2,539	1,826	2,119	3,303	5,081	5,843	6,136	6,893	7,791
National Hindi (Zee Cinema)	756	914	996	1,574	1,814	2,177	2,487	2,819	3,186
Niche channels (English, Music, Zee Next)	965	956	1,081	400	504	681	969	1,217	1,438
Regional channels	1,365	1,324	1,486	—	—	—	—	—	—
Zee Sports + Taj TV	—	—	72	1,279	1,033	1,430	1,646	1,858	2,088
Cable TV (Siti)	220	266	261	—	—	—	—	—	—
Overseas - ZMWL	460	505	557	526	468	534	540	546	545
Others	50	(92)	(6)	(47)	406	447	491	516	542
Advertisement	**6,355**	**5,698**	**6,566**	**7,035**	**9,307**	**11,112**	**12,269**	**13,848**	**15,591**
Domestic pay-TV	2,173	2,696	2,801	3,113	3,446	4,481	5,966	7,350	8,757
Overseas	2,569	2,909	3,030	3,933	3,949	4,550	4,832	5,003	5,117
Domestic subscription	1,168	1,002	978	—	—	—	—	—	—
Others	115	(74)	364	(399)	41	—	—	—	—
Subscription revenues	**6,026**	**6,533**	**7,174**	**6,648**	**7,436**	**9,031**	**10,798**	**12,353**	**13,874**
Education	131	106	162	205	235	386	418	460	506
Others	1,190	742	2,641	1,271	1,376	1,279	1,406	1,475	1,548
Total revenues	**13,702**	**13,079**	**16,544**	**15,159**	**18,354**	**21,808**	**24,891**	**28,136**	**31,518**
Programming/Content	(2,520)	(2,611)	(4,247)	(4,783)	(5,173)	(6,346)	(7,302)	(8,402)	(9,326)
Broadcasting	(618)	(675)	(515)	(564)	(605)	(626)	(647)	(642)	(638)
Distribution	(1,837)	(1,534)	(2,565)	(1,967)	(1,953)	(2,112)	(2,222)	(2,281)	(2,313)
Other direct operating	—	—	(262)	(766)	(88)	(126)	(142)	(156)	(172)
Employees	(727)	(858)	(1,089)	(1,017)	(1,438)	(1,907)	(2,075)	(2,250)	(2,419)
SG&A	(3,691)	(3,051)	(3,431)	(2,858)	(3,675)	(3,903)	(4,232)	(4,353)	(4,668)
Total expenses	**(9,393)**	**(8,728)**	**(13,848)**	**(11,955)**	**(12,931)**	**(15,020)**	**(16,620)**	**(18,084)**	**(19,536)**
EBITDA	**4,309**	**4,351**	**2,695**	**3,204**	**5,423**	**6,789**	**8,271**	**10,052**	**11,982**
Other income	776	521	639	747	1,138	974	999	1,191	1,472
Interest expense	(583)	(207)	(188)	(334)	(516)	(698)	(75)	—	—
Depreciation	(320)	(329)	(360)	(185)	(232)	(286)	(327)	(334)	(346)
Amortization	—	—	—	—	—	—	—	—	—
Pretax profits	**4,183**	**4,336**	**2,787**	**3,432**	**5,813**	**6,779**	**8,867**	**10,908**	**13,109**
Extraordinary items	26	(140)	19	—	(26)	574	—	—	—
Tax	(1,103)	(1,123)	(528)	(926)	(1,794)	(2,085)	(3,006)	(3,645)	(4,461)
Deferred tax	54	99	(9)	(76)	168	1	7	9	11
Minority interest	(192)	(50)	(117)	(58)	(328)	(280)	(273)	(333)	(385)
Net income	**2,969**	**3,123**	**2,153**	**2,373**	**3,833**	**4,989**	**5,596**	**6,939**	**8,274**
Recurring net income	**2,942**	**3,263**	**2,134**	**2,373**	**3,859**	**4,415**	**5,596**	**6,939**	**8,274**
Fully diluted EPS	**7.1**	**7.5**	**4.9**	**5.5**	**8.9**	**10.2**	**12.9**	**16.0**	**19.1**
Key ratios									
EBITDA growth (%)	**14.7**	**1.0**	**(38.1)**	**18.9**	**69.3**	**25.2**	**21.8**	**21.5**	**19.2**
EPS growth (%)	**18.2**	**5.2**	**(34.6)**	**11.2**	**62.6**	**14.4**	**26.7**	**24.3**	**19.2**
EBITDA margin (%)	31.5	33.3	16.3	21.1	29.5	31.1	33.2	35.7	38.0
Tax rate (%)	24.9	24.4	19.1	29.2	28.1	28.3	33.8	33.3	33.9
Shares o/s year end (mn)	412	412	413	434	434	434	434	434	434
Shares o/s fully diluted (mn)	412	435	435	435	435	435	435	434	434

Source: Kotak Institutional Equities estimates

Consolidated profit model, balance sheet, cash model of Zee Telefilms 2006 and of ZEEL 2007-2012E, March fiscal year-ends (Rs mn)

	2006	2007	2008	2009E	2010E	2011E	2012E
Profit model (Rs mn)							
Total revenues	**16,544**	**15,159**	**18,354**	**21,808**	**24,891**	**28,136**	**31,518**
EBITDA	**2,695**	**3,204**	**5,423**	**6,789**	**8,271**	**10,052**	**11,982**
Other income	639	747	1,138	974	999	1,191	1,472
Interest	(188)	(334)	(516)	(698)	(75)	—	—
Depreciation	(360)	(185)	(232)	(286)	(327)	(334)	(346)
Amortization	—	—	—	—	—	—	—
Pretax profits	**2,787**	**3,432**	**5,813**	**6,779**	**8,867**	**10,908**	**13,109**
Extraordinary items	19	—	(26)	574	—	—	—
Tax	(528)	(926)	(1,794)	(2,085)	(3,006)	(3,645)	(4,461)
Deferred tax	(9)	(76)	168	1	7	9	11
Minority interest	(117)	(58)	(328)	(280)	(273)	(333)	(385)
Net income	**2,153**	**2,373**	**3,833**	**4,989**	**5,596**	**6,939**	**8,274**
Recurring net income	**2,134**	**2,373**	**3,859**	**4,415**	**5,596**	**6,939**	**8,274**
Earnings per share (Rs)	**4.9**	**5.5**	**8.9**	**10.2**	**12.9**	**16.0**	**19.1**
Balance sheet (Rs mn)							
Total equity	21,286	26,181	28,611	32,078	35,745	40,293	45,715
Deferred tax balance	(148)	(75)	(243)	(244)	(251)	(260)	(271)
Minority interest	458	819	1,117	1,398	1,670	2,003	2,388
Total borrowings	4,901	3,226	3,866	2,111	—	—	—
Currrent liabilities	4,346	5,106	6,279	6,987	7,458	7,961	8,370
Total capital	**30,844**	**35,256**	**39,629**	**42,329**	**44,622**	**49,997**	**56,202**
Cash	1,286	955	1,652	1,902	2,354	5,956	10,398
Current assets	13,574	17,133	19,856	22,392	24,360	26,242	28,127
Net fixed assets	12,948	14,841	15,605	15,520	15,392	15,283	15,162
Investments	3,024	2,326	2,515	2,515	2,515	2,515	2,515
Deferred expenditure	12	2	—	—	—	—	—
Total assets	**30,844**	**35,256**	**39,629**	**42,329**	**44,622**	**49,997**	**56,202**
Free cash flow (Rs mn)							
Operating cash flow, excl. working capital	1,931	1,812	3,898	4,580	5,190	6,407	7,521
Working capital	(3,950)	(486)	(1,622)	(1,827)	(1,497)	(1,379)	(1,475)
Capital expenditure	(383)	(460)	(1,019)	(200)	(200)	(225)	(225)
Investments	418	(4,289)	(1,511)	—	—	—	—
Other income	488	469	876	974	999	1,191	1,472
Free cash flow	**(1,496)**	**(2,954)**	**622**	**3,527**	**4,491**	**5,994**	**7,293**
Revenue model (Rs mn)							
Advertising revenues	6,566	7,035	9,307	11,112	12,269	13,848	15,591
Subscription-domestic	2,801	3,113	3,446	4,481	5,966	7,350	8,757
Subscription-overseas	3,030	3,933	3,949	4,550	4,832	5,003	5,117
Subscription-cable	978	—	—	—	—	—	—
Others	3,168	1,078	1,652	1,666	1,824	1,935	2,054
Total revenues	**16,544**	**15,159**	**18,354**	**21,808**	**24,891**	**28,136**	**31,518**

Source: Kotak Institutional Equities estimates

Economy

Sector coverage view N/A

Inflation exhibiting hysteresis on agro-supply bottlenecks and statistical reasons

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- **Headline inflation stays almost flat (12.14% for the week-ended Sep 6 versus 12.10% in the preceding week)**
- **Price level still increasing (0.12% over the week versus 0.21% in the past week) in spite of global commodity price fall**
- **In our view, statistical reporting problems may be biasing WPI numbers upward**
- **Agro-supply bottlenecks also adding to inflation as both primary and manufactured food prices rise 1.6% in the past two weeks**

Contrary to street expectation that inflation may fall to 12.03% and our expectations of a much sharper fall based on known fact that steel prices were cut sharply during Sep 1-6, '08, overall price level and inflation and rose marginally in the week-ended Sep 6, '08. WPI data released captured a steel price fall of only 0.77% over the week, in contrast to our expectation of about 5% fall based on price cut information from the steel industry. Had this been captured in WPI (other prices remaining as in the data released), inflation rate would have dropped to 11.93%. In our view, the hysteresis or persistence being seen in high inflation may be partly statistical and partly the result of sustained pressure in some agro and agro-based commodities. We stay with our call that inflation may stay flat at around 12% in 3QFY09 but fall rapidly in 4QFY09 to about 9% by the end-FY09.

Jump in fruit prices play spoilsport in reaping fruits of commodity price fall

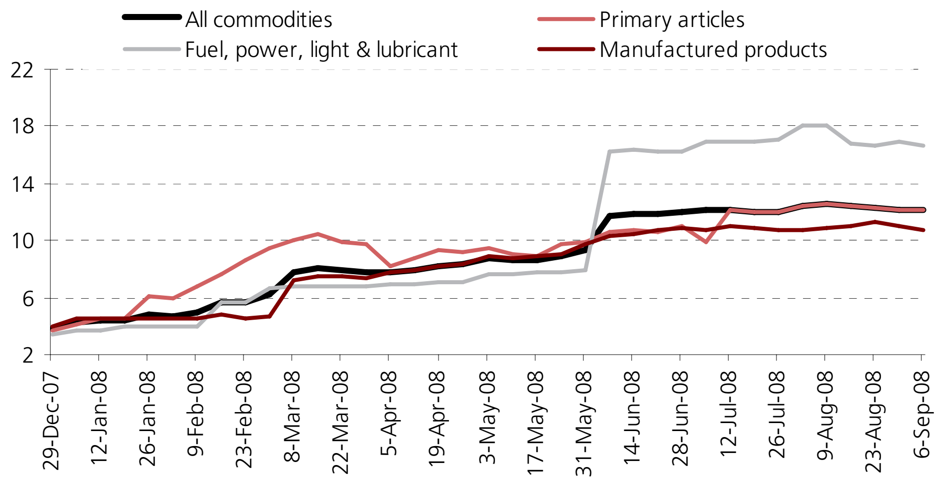
Primary articles prices increased 1% over the week and became the key driver for keeping inflation elevated (see Exhibit 1). WPI data over the past two weeks has shown prices pressures in primary food as well as manufactured food articles. The fruit prices jumped an unprecedented 10.1% over a single week and played a spoil sports in reaping the benefits of global commodity price fall which is reflecting some pass-through to the Indian domestic prices. Cereals (+0.8%), pulses (+0.9%), vegetables (+0.5%) also added to primary articles price pressures over the week. Amongst manufactured food items, common salt (+1.5%), oil cakes (+1.8%) and several other articles contributed to the price pressures. Agro input price pressures were also reflected in jute textiles (+2.4%), though cotton textiles prices fell (-1.6%). Besides, basic heavy organic chemicals prices declined sharply (-3.4%).

Inflation trajectory unchanged: flat in >11.5 and <13% range in 3QFY09

We stay with our assessment that headline inflation rate may stay flat at around the current level for most part of 3QFY09, but drop to around 9% by the end of FY2009 (see Exhibit 2). We need further evidence on pass-through of global commodity price correction to Indian prices to change this trajectory. Current evidence suggests considerable hysteresis and when juxtaposed against the sharp rupee depreciation of about 14% in FY2009 so far suggests that inflation may correct only in 4QFY09 on the back of very strong favorable base effects.

Exhibit 1: Inflation tapers off across major groups

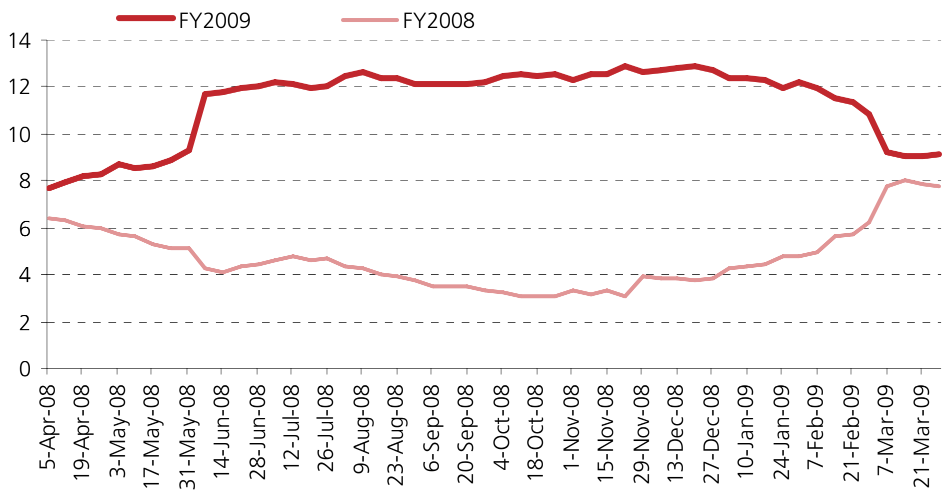
WPI inflation rate for major groups (yoy %)



Source: Office of the Economic Advisor, Ministry of Commerce & Industry, Government of India

Exhibit 2: Expect inflation to stay flat in 3QFY09; fall in 4QFY09

Headline inflation rate, FY2008 and FY2009E (actaul till September 6, 2008; estimates thereafter) (%)



Source: GOI, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	18-Sep-08		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Automobiles																													
Bajaj Auto	617	ADD	89,291	2,108	145	59.3	58.7	63.2	(53.4)	(1.1)	7.8	10.4	10.5	9.8	7.2	7.3	6.7	5.6	4.5	3.7	3.2	3.2	3.2	21.0	41.5	36.4	630	2.1	—
Hero Honda	840	REDUCE	167,648	3,958	200	48.5	59.9	66.1	12.8	23.5	10.4	17.3	14.0	12.7	10.9	9.9	8.9	5.4	4.4	3.6	2.3	2.4	2.4	34.0	34.6	31.1	790	(5.9)	6.7
Mahindra & Mahindra	550	ADD	141,878	3,349	258	38.1	36.9	37.2	(2.0)	(2.9)	0.6	14.4	14.9	14.8	10.5	10.3	9.4	3.2	2.5	2.1	2.0	1.7	1.8	27.8	22.0	17.8	640	16.4	6.2
Maruti Suzuki	717	ADD	207,184	4,891	289	59.9	60.0	65.1	10.8	0.2	8.4	12.0	11.9	11.0	6.7	6.5	5.9	2.4	2.0	1.7	0.6	0.6	0.6	22.1	18.3	16.8	790	10.2	16.7
Tata Motors	416	SELL	241,843	5,709	581	47.4	25.1	22.3	0.9	(47.1)	(10.9)	8.8	16.6	18.6	8.4	9.7	9.7	2.7	1.0	1.2	2.4	3.1	3.1	24.3	9.8	7.4	425	2.2	9.7
Automobiles		**Cautious**	**847,845**	**20,015**					**(0.8)**	**(5.2)**	**3.0**	**13.0**	**13.7**	**13.3**	8.4	8.6	8.1	**3.2**	**2.1**	**1.9**	**2.0**	**2.1**	**2.1**	**24.3**	**15.4**	**14.0**			
Banks/Financial Institutions																													
Andhra Bank	58	REDUCE	28,324	669	485	11.9	10.1	11.6	7.0	(15.0)	15.0	4.9	5.8	5.0	—	—	—	0.9	0.8	0.7	6.8	4.3	5.0	18.0	14.3	14.8	65	11.3	0.9
Axis Bank	679	REDUCE	242,742	5,730	358	32.2	35.8	55.1	37.7	11.0	53.9	21.1	19.0	12.3	—	—	—	3.0	2.5	2.1	0.8	1.0	1.5	17.6	13.8	18.7	750	10.5	67.0
Bank of Baroda	327	ADD	119,546	2,822	366	39.3	34.7	42.6	39.8	(11.6)	22.6	8.3	9.4	7.7	—	—	—	1.4	1.2	1.1	2.4	2.2	2.7	14.6	11.1	12.6	310	(5.2)	7.1
Bank of India	281	BUY	148,019	3,494	526	40.6	41.6	49.8	76.6	2.4	19.6	6.9	6.8	5.7	—	—	—	1.9	1.5	1.2	1.4	1.5	1.8	27.6	22.4	22.0	375	33.2	28.8
Canara Bank	213	REDUCE	87,289	2,061	410	38.2	23.4	38.6	10.1	(38.6)	64.7	5.6	9.1	5.5	—	—	—	1.2	1.1	0.9	3.8	3.3	3.5	15.0	8.9	13.6	210	(1.4)	3.9
Central Bank of India	53	SELL	21,460	507	404	11.6	5.6	16.3	(24.6)	(52.1)	194.4	4.6	9.6	3.2	—	—	—	1.0	0.7	0.6	3.8	—	—	15.3	7.9	16.7	55	3.6	0.6
Corporation Bank	267	ADD	38,355	905	143	51.3	44.8	53.6	37.2	(12.5)	19.6	5.2	6.0	5.0	—	—	—	0.9	0.8	0.7	3.9	3.4	4.1	18.4	14.4	15.4	355	32.8	0.5
Federal Bank	209	BUY	35,660	842	171	34.4	20.8	32.4	0.5	(39.4)	55.6	6.1	10.0	6.4	—	—	—	0.9	0.8	0.8	1.9	1.9	2.9	13.6	8.8	12.5	275	31.9	2.0
Future Capital Holdings	322	BUY	20,371	481	63	(4.5)	4.5	28.8	(689.8)	(198.6)	546.1	(71.4)	72.4	11.2	—	—	—	2.8	2.7	2.2	—	—	—	(6.7)	3.8	21.4	440	36.6	1.4
HDFC	2,131	ADD	611,517	14,436	287	85.8	83.7	100.1	38.2	(2.4)	19.6	24.8	25.4	21.3	—	—	—	5.1	4.4	3.9	1.2	1.2	1.4	27.8	18.6	19.3	2,350	10.3	73.8
HDFC Bank	1,224	BUY	517,998	12,228	423	46.0	52.5	67.4	28.7	14.1	28.4	26.6	23.3	18.2	—	—	—	4.5	3.5	2.4	0.6	0.8	1.0	17.7	17.0	16.9	1,300	6.2	51.3
ICICI Bank	577	ADD	642,182	15,160	1,113	39.9	33.9	42.0	15.4	(15.1)	23.8	14.5	17.0	13.7	—	—	—	1.4	1.3	1.2	1.9	1.5	1.8	11.7	7.9	9.2	650	12.6	152.8
IDFC	75	REDUCE	96,684	2,282	1,294	5.7	6.7	8.1	2.9	18.4	20.3	13.2	11.1	9.2	—	—	—	1.7	1.6	1.4	1.6	2.4	2.8	17.6	14.9	16.1	125	67.3	30.7
India Infoline	102	ADD	35,811	845	350	5.6	6.7	9.8	85.6	19.1	47.4	18.3	15.4	10.4	7.1	7.7	5.9	2.9	1.9	1.7	1.0	1.4	2.1	20.7	14.9	17.0	155	51.4	5.1
Indian Bank	131	ADD	56,386	1,331	430	22.5	19.5	25.6	33.9	(13.3)	30.8	5.8	6.7	5.1	—	—	—	1.3	1.1	0.9	2.3	1.9	2.5	23.4	16.4	18.4	140	6.7	3.0
Indian Overseas Bank	110	ADD	60,064	1,418	545	22.1	18.9	22.5	19.2	(14.2)	18.7	5.0	5.8	4.9	—	—	—	1.2	1.1	0.9	3.4	4.5	5.0	27.2	19.7	20.1	130	17.9	1.2
J&K Bank	473	ADD	22,956	542	48	74.2	75.7	77.5	31.2	2.0	2.4	6.4	6.3	6.1	—	—	—	1.1	1.0	0.8	3.3	3.3	3.4	16.8	15.2	13.9	750	58.4	0.4
LIC Housing Finance	318	ADD	26,999	637	85	45.5	56.5	59.5	38.7	24.1	5.3	7.0	5.6	5.3	—	—	—	1.4	1.2	1.0	3.1	3.9	4.1	-	-	-	380	19.6	5.2
Mahindra & Mahindra Financial	252	SELL	24,058	568	95	20.8	22.9	27.2	32.6	10.1	18.7	12.1	11.0	9.3	—	—	—	1.9	1.7	1.5	1.8	2.3	2.7	16.9	15.7	16.6	215	(14.8)	0.1
Oriental Bank of Commerce	174	ADD	43,619	1,030	251	23.9	26.3	30.7	(27.6)	10.3	16.4	7.3	6.6	5.7	—	—	—	0.9	0.8	0.7	2.7	3.0	3.5	6.2	10.9	11.7	200	14.9	1.9
PFC	121	REDUCE	138,937	3,280	1,148	11.4	13.0	15.8	2.6	14.3	21.1	10.6	9.3	7.7	—	—	—	1.4	1.2	1.1	1.3	1.5	1.8	13.4	13.6	14.6	130	7.4	3.8
Punjab National Bank	517	BUY	162,996	3,848	315	65.0	69.2	79.8	33.0	6.5	15.2	8.0	7.5	6.5	—	—	—	1.7	1.4	1.2	2.5	2.7	3.1	18.0	16.7	17.1	650	25.7	10.8
SREI	84	BUY	11,284	266	134	11.4	5.5	8.1	57.4	(51.8)	47.8	7.4	15.3	10.3	—	—	—	1.7	0.9	0.9	1.2	2.7	3.3	23.1	11.6	12.5	160	90.1	0.7
State Bank of India	1,567	ADD	989,262	23,354	631	106.6	93.5	119.2	23.5	(12.2)	27.4	14.7	16.8	13.1	—	—	—	2.3	2.1	1.8	1.4	1.4	1.4	16.8	11.5	13.4	1,700	8.5	82.6
Union Bank	150	BUY	75,793	1,789	505	27.5	20.8	29.3	64.1	(24.2)	40.9	5.5	7.2	5.1	—	—	—	1.0	0.9	0.8	2.7	2.1	2.9	26.8	17.4	20.9	200	33.3	3.9
Banks/Financial Institutions		**Attractive**	**4,258,313**	**100,527**					**36.3**	**(3.0)**	**28.6**	**13.0**	**13.5**	**10.5**	**—**	**—**	**—**	**2.0**	**1.7**	**1.5**	**1.6**	**1.6**	**1.8**	**15.3**	**12.9**	**14.6**			
Cement																													
ACC	604	REDUCE	113,873	2,688	189	64.1	61.2	47.7	13.0	(4.5)	(22.0)	9.4	9.9	12.7	4.9	5.0	6.5	2.5	2.2	2.0	3.9	3.9	3.9	33.3	25.3	17.5	610	1.1	9.2
Ambuja Cements	81	REDUCE	123,236	2,909	1,522	7.6	8.0	6.6	(11.2)	6.4	(17.5)	10.7	10.1	12.2	5.4	6.1	6.6	2.4	1.9	1.7	3.2	3.7	2.6	26.6	21.7	15.4	95	17.4	3.7
Grasim Industries	1,884	ADD	172,730	4,078	92	284.6	257.6	240.4	32.6	(9.5)	(6.7)	6.6	7.3	7.8	3.9	4.0	3.8	1.5	1.2	1.1	1.7	1.8	1.8	25.3	18.3	14.5	2,320	23.2	5.3
India Cements	125	ADD	35,290	833	282	24.5	19.1	19.9	n/a	(21.8)	4.1	5.1	6.5	6.3	3.8	4.1	3.5	1.0	0.9	0.8	1.5	1.7	1.7	25.9	15.8	14.4	160	27.8	3.5
Shree Cement	545	BUY	18,979	448	35	85.9	98.5	60.0	90.0	14.7	(39.0)	6.3	5.5	9.1	2.7	2.3	2.3	2.8	2.0	1.7	1.3	1.5	1.5	53.5	42.5	20.5	1,080	98.2	0.5
UltraTech Cement	536	BUY	67,139	1,585	125	81.4	80.6	59.1	28.5	(0.9)	(26.7)	6.6	6.6	9.1	4.6	4.6	5.3	2.1	1.6	1.4	1.4	1.5	1.5	45.2	32.1	18.9	700	30.6	1.1
Cement		**Cautious**	**531,247**	**12,541**					**19.0**	**(4.8)**	**(15.2)**	**7.6**	**8.0**	**9.4**	**4.3**	**4.5**	**4.7**	**1.9**	**1.5**	**1.3**	**2.4**	**2.6**	**2.4**	**24.5**	**19.1**	**14.3**			
Consumer (Discretionary)																													
Radico Khaitan	62	REDUCE	7,324	173	118	3.4	3.2	3.8	8.4	(7.0)	21.5	18.3	19.7	16.2	9.0	9.0	8.2	1.5	1.4	1.3	0.7	0.7	0.7	9.4	8.1	9.0	91	46.2	0.4
United Breweries	137	REDUCE	32,911	777	240	1.9	2.4	4.4	(11.6)	25.7	82.1	71.9	57.2	31.4	17.9	13.8	10.4	5.7	3.1	2.9	—	—	—	8.3	7.1	9.6	160	16.7	0.2
United Spirits	1,281	BUY	119,959	2,832	94	40.0	45.5	59.1	50.8	13.7	29.8	32.0	28.2	21.7	15.7	13.7	11.9	5.1	4.1	3.6	0.0	0.0	0.0	18.8	17.9	19.4	1,600	24.9	8.3
Consumer (Discretionary)		**Attractive**	**160,194**	**3,782**					**35.8**	**11.7**	**34.1**	**33.3**	**29.8**	**22.3**	**15.5**	**13.4**	**11.4**	**4.7**	**3.7**	**3.2**	**0.0**	**0.0**	**0.1**	**14.0**	**12.3**	**14.3**			
Consumer products																													
Asian Paints	1,170	ADD	112,212	2,649	96	38.3	44.3	52.4	36.1	15.8	18.2	30.6	26.4	22.3	18.4	15.5	12.9	11.6	9.3	7.6	1.3	1.5	1.7	43.5	40.2	38.3	1,240	6.0	1.4
Colgate-Palmolive (India)	364	REDUCE	49,529	1,169	136	17.3	19.2	22.4	18.4	10.6	17.0	21.0	19.0	16.2	16.5	14.0	11.7	26.4	22.5	19.2	3.6	3.9	4.6	100.8	128.5	128.3	420	15.3	1.0
GlaxoSmithkline Consumer (a)	619	BUY	26,022	614	42	38.5	45.5	53.8	27.4	18.4	18.3	16.1	13.6	11.5	8.4	6.9	5.6	3.9	3.3	2.9	2.1	2.4	2.9	27.3	27.3	27.3	800	29.3	0.2
Godrej Consumer Products	115	ADD	29,773	703	258	7.3	8.0	8.5	22.9	9.0	6.9	15.8	14.5	13.6	13.7	10.8	9.7	13.9	4.3	3.7	3.0	3.5	3.5	100.9	46.1	39.3	140	21.4	0.1
Hindustan Unilever	241	ADD	524,115	12,373	2,177	8.1	9.2	10.8	15.4	12.9	17.9	29.6	26.2	22.3	24.0	20.0	16.4	36.4	33.9	31.3	4.4	3.6	4.3	85.2	134.3	146.7	280	16.3	16.6
ITC	186	BUY	694,612	16,398	3,742	8.0	9.1	10.4	11.3	13.3	14.3	23.1	20.4	17.8	15.2	13.3	11.4	5.6	4.9	4.3	1.9	2.0	2.2	26.9	26.6	26.4	230	23.9	23.7
Jyothy Laboratories	382	ADD	5,540	131	15	31.0	42.1	68.3	(12.8)	35.8	62.3	12.3	9.1	5.6	8.4	5.9	3.3	1.5	1.2	1.0	2.5	2.8	3.1	11.5	13.1	17.9	740	93.9	
Nestle India (a)	1,672	ADD	161,212	3,806	96	44.5	58.6	70.2	31.3	31.7	19.7	37.6	28.5	23.8	22.6	17.6	14.6	31.2	23.7	18.4	1.6	2.1	2.5	94.8	94.5	86.9	1,900	13.6	1.1
Tata Tea	701	BUY	43,334	1,023	62	54.1	63.3	67.3	3.6	17.2	6.2	13.0	11.1	10.4	5.0	4.5	3.9	0.9	0.9	0.8	2.1	2.5	2.7	9.7	9.4	9.4	1,100	57.0	1.8
Consumer products		**Attractive**	**1,646,348**	**38,866**					**15.0**	**15.2**	**15.8**	**25.3**	**21.9**	**18.9**	**16.8**	**14.4**	**12.2**	**7.7**	**6.6**	**5.8**	**2.7**	**2.6**	**3.0**	**30.3**	**30.3**	**30.8**			
Constructions																													
Consolidated Construction Co.	500	BUY	18,485	436	37	24.0	34.2	44.9	67.6	42.4	31.1	20.8	14.6	11.1	13.6	8.7	6.6	4.1	3.3	2.7	0.5	1.0	1.3	27.7	25.0	26.4	700	39.9	0.0
IVRCL	235	BUY	31,801	751	135	16.0	17.1	22.8	29.2	6.5	33.2	14.6	13.8	10.3	11.5	8.5	6.7	2.0	1.7	1.5	0.6	0.3	0.3	14.8	13.5	15.6	415	76.6	7.2
Nagarjuna Construction Co.	110	BUY	25,188	595	229	7.4	8.1	10.6	13.4	9.9	30.2	14.9	13.5	10.4	10.2	8.6	7.4	1.6	2.9	1.3	1.0	1.2	1.5	13.0	11.3	13.3	195	77.4	5.6
Punj Lloyd	292	BUY	94,333	2,227	323	10.0	14.7	20.8	323.5	46.9	42.1	29.2	19.9	14.0	15.0	10.6	8.1	3.4	2.8	2.5	0.1	0.2	0.3	16.8	16.1	19.4	350	20.0	31.1
Sadbhav Engineering	686	BUY	8,986	212	13	40.5	62.6	78.1	68.2	54.4	24.8	16.9	11.0	8.8	10.1	6.2	4.6	3.1	2.2	1.8	0.6	0.7	0.9	16.3	19.6	20.5	1,100	60.3	0.2
Construction		**Attractive**	**178,793**	**4,221**					**93.6**	**29.6**	**36.0**	**21.1**	**16.3**	**12.0**	**12.8**	**9.3**	**7.3**	**2.7**	**2.3**	**2.0**	**0.4**	**0.5**	**0.6**	**12.7**	**14.3**	**16.5**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	18-Sep-08 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Energy																													
Bharat Petroleum	348	REDUCE	114,115	2,694	328	39.8	40.7	38.3	(24.0)	2.1	(5.9)	8.7	8.6	9.1	3.5	3.8	2.8	0.9	0.9	0.7	1.3	1.2	1.1	11.4	10.4	8.9	360	3.4	5.9
Cairn india	207	ADD	387,036	9,137	1,868	(0.1)	3.9	20.3	(105)	(3,390)	418	(1,738)	53	10.2	48.4	21.5	7.1	1.3	1.2	1.0	—	—	—	(0.1)	2.3	10.9	245	18.2	36.9
Castrol India (a)	317	ADD	39,169	925	124	20.1	23.6	24.1	64.6	17.5	2.1	15.8	13.4	13.1	9.1	8.0	7.7	9.5	8.9	8.3	4.4	5.7	5.7	59.5	68.5	65.2	350	10.5	0.4
GAIL (India)	400	BUY	338,387	7,988	846	30.8	36.8	42.0	21.7	19.5	14.3	13.0	10.9	9.5	7.5	6.7	6.7	2.4	2.1	1.7	2.5	2.7	3.2	18.2	19.2	18.7	470	17.5	14.8
GSPL	53	ADD	29,543	697	563	1.8	3.6	5.1	8.5	103.8	40.2	29.6	14.5	10.4	9.5	6.7	4.6	2.4	2.1	1.8	1.0	1.9	2.7	8.7	15.3	18.8	69	31.4	2.5
Hindustan Petroleum	241	REDUCE	81,670	1,928	339	33.5	26.1	33.4	(16.4)	(21.9)	27.7	7.2	9.2	7.2	5.8	3.8	2.3	0.7	0.6	0.6	1.2	1.0	1.2	9.6	6.8	7.9	260	7.9	5.7
Indian Oil Corporation	404	REDUCE	476,858	11,257	1,179	60.5	40.9	61.8	29.2	(32.5)	51.2	6.7	9.9	6.5	4.4	8.1	7.5	1.1	1.0	0.8	1.4	1.3	1.8	17.2	10.1	13.5	500	23.7	4.1
Oil & Natural Gas Corporation	1,002	BUY	2,142,630	50,581	2,139	92.0	131.5	147.3	8.2	42.9	12.0	10.9	7.6	6.8	4.1	3.1	2.7	2.1	1.8	1.5	3.2	3.6	4.5	19.4	24.2	22.8	1,300	29.8	53.6
Petronet LNG	57	ADD	42,975	1,015	750	6.3	5.8	6.5	—	(7.6)	10.5	9.1	9.8	8.9	5.7	7.1	5.9	2.3	1.9	1.6	2.6	2.6	2.6	26.7	20.2	18.6	70	22.2	2.3
Reliance Industries	1,938	RS	2,547,616	60,142	1,314	101.7	105.8	158.3	23.0	4.0	49.5	19.1	18.3	12.2	11.5	9.1	5.5	2.9	2.5	1.9	0.6	0.8	1.1	18.5	15.5	19.8	—	—	263.9
Reliance Petroleum	146	REDUCE	657,900	15,531	4,500	(1.1)	2.4	16.9	n/a	n/a	617.4	n/a	62.0	8.6	n/a	30.3	7.1	4.9	4.5	3.1	—	—	1.4	(3.5)	7.6	42.8	150	2.6	92.8
Energy		**Cautious**	**6,857,899**	**161,896**					**10.7**	**23.0**	**44.0**	**14.7**	**12.0**	**8.3**	**7.3**	**6.3**	**4.8**	**2.1**	**1.8**	**1.5**	**1.5**	**1.7**	**2.3**	**14.5**	**14.9**	**18.5**			
Industrials																													
ABB	808	REDUCE	171,264	4,043	212	23.2	28.6	35.4	44.5	23.2	23.7	34.8	28.3	22.9	20.6	16.3	12.7	10.5	8.0	6.1	0.3	0.4	0.4	34.8	32.1	30.3	875	8.3	10.4
BGR Energy Systems	267	REDUCE	19,206	453	72	12.3	18.3	23.2	(67.1)	49.5	26.7	21.8	14.6	11.5	13.3	9.0	7.8	3.8	3.1	2.5	0.4	0.7	0.9	30.1	23.5	24.1	325	21.8	3.6
Bharat Electronics	872	ADD	69,788	1,647	80	102.1	104.4	111.1	11.3	2.3	6.4	8.5	8.4	7.9	3.2	2.9	2.5	2.1	1.8	1.5	2.9	2.9	2.9	27.9	23.1	20.9	1,200	37.6	1.6
Bharat Heavy Electricals	1,614	ADD	789,865	18,646	490	58.4	73.1	96.9	22.9	25.1	32.6	27.6	22.1	16.7	14.8	11.6	8.9	7.3	5.9	4.6	0.9	1.0	1.3	29.2	29.5	31.1	2,000	24.0	80.0
Dredging Corporation	416	REDUCE	11,642	275	28	55.3	48.7	57.0	(8.3)	(12.0)	17.2	7.5	8.5	7.3	3.9	3.7	2.9	0.9	0.9	0.8	3.6	3.6	3.6	12.5	10.3	11.1	475	14.2	0.1
Larsen & Toubro	2,553	BUY	756,685	17,863	296	75.9	115.4	146.2	20.8	52.1	26.7	33.6	22.1	17.5	21.0	13.2	10.4	6.4	4.3	3.4	0.7	0.8	0.8	22.7	23.4	22.2	3,200	25.3	120.4
Maharashtra Seamless	278	BUY	19,636	464	71	31.4	37.5	44.7	(18.3)	19.6	19.1	8.9	7.4	6.2	5.3	4.7	4.0	1.7	1.4	1.2	1.6	2.0	2.4	20.9	20.8	20.7	390	40.1	0.9
Siemens	492	REDUCE	166,001	3,919	337	18.2	18.8	25.9	60.4	3.1	38.0	27.0	26.2	19.0	15.8	15.1	10.7	9.0	7.0	5.4	0.5	0.6	0.6	39.9	30.2	32.0	570	15.8	7.4
Suzlon Energy	210	ADD	328,981	7,766	1,567	6.6	11.4	17.7	9.5	73.5	55.1	31.9	18.4	11.9	15.9	12.1	9.2	3.6	3.0	2.3	0.5	0.5	0.5	16.3	17.7	22.1	300	42.9	42.5
Industrials		**Neutral**	**2,333,069**	**55,077**					**24.0**	**33.8**	**32.2**	**27.4**	**20.5**	**15.5**	**15.7**	**11.8**	**9.2**	**5.6**	**4.3**	**3.5**	**0.8**	**0.8**	**1.0**	**20.6**	**21.2**	**22.3**			
Infrastructure																													
IRB Infrastructure	128	BUY	42,492	1,003	332	3.4	7.3	15.7	150.9	111.5	116.3	37.3	17.6	8.2	13.5	12.4	5.9	2.6	2.2	1.7	—	—	—	10.7	13.4	23.3	195	52.5	0.6
Media																													
DishTV	31	BUY	15,487	366	500	(9.6)	(8.9)	(4.4)	n/a	(7.8)	(50.7)	(3.2)	(3.5)	(7.1)	(9.1)	(9.8)	65.1	(3.4)	(6.1)	(2.9)	—	—	—	167.9	125.6	71.3	56	80.6	4.6
HT Media	119	BUY	27,911	659	234	4.3	4.2	7.5	4.7	(2.0)	77.1	27.5	28.1	15.9	15.7	15.5	8.7	3.2	2.9	2.6	0.3	0.3	0.7	12.2	11.0	17.2	175	46.9	0.3
Jagran Prakashan	75	BUY	22,452	530	301	3.3	3.1	5.0	33.5	(6.3)	63.3	22.9	24.4	15.0	12.8	13.0	8.2	4.2	4.0	3.6	2.7	2.5	3.3	18.7	16.6	25.1	95	27.4	0.3
Sun TV Network	214	REDUCE	84,175	1,987	394	8.3	9.7	12.0	30.7	16.7	23.6	25.8	22.1	17.9	13.5	11.3	9.2	5.6	4.8	4.3	1.2	1.4	2.8	24.8	24.2	26.1	260	21.7	1.6
Zee Entertainment Enterprises	200	ADD	86,540	2,043	434	8.9	10.5	13.9	62.6	17.8	32.7	22.5	19.1	14.4	16.4	12.3	9.3	3.1	2.7	2.4	1.0	1.3	1.8	14.2	15.1	17.8	240	20.2	6.9
Media		**Attractive**	**236,566**	**5,585**					**24.0**	**16.8**	**92.0**	**47.4**	**40.6**	**21.1**	**18.9**	**15.2**	**9.9**	**4.5**	**3.8**	**3.5**	**1.1**	**1.2**	**2.0**	**9.4**	**9.4**	**16.6**			
Metals																													
Hindalco Industries	113	REDUCE	196,024	4,628	1,742	13.1	16.2	14.6	(10.9)	23.5	(9.9)	8.6	7.0	7.7	5.4	4.2	4.1	1.1	0.7	0.7	1.2	1.6	1.6	14.3	12.7	9.4	150	33.3	11.1
National Aluminium Co.	371	REDUCE	239,039	5,643	644	25.2	30.3	33.5	(31.8)	20.0	10.6	14.7	12.3	11.1	7.7	6.6	5.2	2.6	2.2	1.9	2.0	2.0	2.0	18.4	19.4	18.7	370	(0.3)	5.9
Jindal Steel and Power	1,389	BUY	213,814	5,048	154	80.4	111.6	117.0	83.2	38.9	4.8	17.3	12.4	11.9	11.2	8.4	7.6	5.0	3.5	2.6	—	—	—	34.3	32.8	25.1	2,900	108.8	25.0
JSW Steel	598	ADD	111,169	2,624	186	92.0	103.1	146.8	35.7	12.0	42.4	6.5	5.8	4.1	5.1	5.4	3.9	1.1	0.9	0.8	3.1	3.1	3.1	21.2	18.1	21.0	1,040	73.8	17.4
Hindustan Zinc	480	ADD	202,773	4,787	423	104.0	72.2	71.5	(1.0)	(30.6)	(1.0)	4.6	6.6	6.7	3.1	3.9	3.4	1.7	1.4	1.1	1.6	1.6	2.1	44.0	22.5	18.4	750	56.3	3.5
Sesa Goa	104	BUY	81,716	1,929	787	18.8	22.6	23.2	144.6	19.7	2.7	5.5	4.6	4.5	3.5	2.7	2.2	3.0	1.9	1.4	3.4	3.9	4.8	68.6	50.8	36.9	195	87.9	37.8
Sterlite Industries	455	SELL	322,046	7,603	708	63.7	52.3	51.5	(23.3)	(17.9)	(1.6)	7.1	8.7	8.8	4.0	4.0	3.5	1.4	1.2	1.0	—	—	—	26.6	14.8	12.6	460	1.2	34.7
Tata Steel	460	REDUCE	377,910	8,921	822	75.7	116.9	106.1	43.8	54.4	(9.3)	6.1	3.9	4.3	4.9	4.3	4.2	1.0	0.8	0.7	3.2	2.8	2.8	46.3	35.6	28.4	520	13.1	72.5
Metals		**Cautious**	**1,744,491**	**41,183**					**12.3**	**13.1**	**(0.4)**	**7.4**	**6.6**	**6.6**	**5.0**	**4.6**	**4.2**	**1.5**	**1.2**	**1.0**	**1.6**	**1.6**	**1.7**	**20.2**	**18.2**	**15.5**			
Pharmaceutical																													
Biocon	185	BUY	18,460	436	100	22.5	24.5	32.0	9.4	8.5	31.0	8.2	7.5	5.8	4.8	4.5	3.4	1.2	1.1	1.0	0.2	0.2	0.2	17.6	15.7	18.2	615	233.2	1.2
Cipla	217	REDUCE	168,711	3,983	777	9.0	10.5	12.2	4.9	16.2	16.4	24.1	20.7	17.8	17.6	15.9	13.4	4.5	3.9	3.4	0.9	1.2	1.4	20.1	20.1	20.3	230	6.0	8.4
Dishman Pharma & chemicals	317	BUY	25,754	608	81	14.7	19.7	27.7	30.5	34.1	40.1	21.5	16.0	11.5	15.9	12.0	8.9	4.5	3.5	2.8	0.0	0.0	0.0	26.8	24.8	27.3	515	62.6	0.3
Divi's Laboratories	1,372	BUY	88,559	2,091	65	56.6	77.9	103.6	85.6	37.7	33.0	24.3	17.6	13.2	21.0	14.4	10.3	10.4	6.7	4.6	0.1	0.1	0.1	52.9	46.5	41.3	2,330	69.8	4.4
Dr Reddy's Laboratories	519	BUY	87,240	2,059	168	26.1	33.8	41.0	(57.2)	29.6	21.5	19.9	15.4	12.6	9.5	7.6	6.4	1.9	1.7	1.6	0.7	0.8	0.8	10.3	12.0	13.0	790	52.3	7.4
Glenmark Pharmaceuticals	560	ADD	148,998	3,517	266	25.8	32.4	41.9	98.3	25.4	29.3	21.7	17.3	13.4	18.5	13.8	10.4	10.1	5.5	4.0	0.0	0.0	0.0	58.2	40.6	35.1	770	37.4	6.8
Jubilant Organosys	309	BUY	55,918	1,320	181	22.1	19.5	35.5	69.9	(11.6)	81.6	14.0	15.8	8.7	11.2	12.4	7.9	3	2.3	2.1	0.4	0.7	0.8	30.4	18.8	27.5	700	126.8	0.4
Piramal Healthcare	316	BUY	66,075	1,560	209	17.6	20.0	26.5	65.4	13.5	32.5	18.0	15.8	11.9	13.2	10.9	8.3	6.0	4.6	3.5	1.3	1.3	1.4	30.6	33.3	33.8	530	67.6	1.3
Ranbaxy Laboratories	341	REDUCE	143,091	3,378	419	23.3	9.8	15.5	70.4	(58.1)	58.7	14.6	35.0	22.0	12.2	14.7	7.9	4.8	2.2	1.4	2.2	3.1	3.9	29.8	9.1	9.2	420	23.0	66.4
Sun Pharmaceuticals	1,399	BUY	290,875	6,867	208	71.5	84.3	77.5	71.3	17.9	(8.1)	19.6	16.6	18.1	16.0	12.4	12.9	5.4	4.1	3.4	0.6	0.8	1.0	37.6	29.7	22.0	1,780	27.3	19.6
Pharmaceuticals		**Attractive**	**1,093,682**	**25,819**					**34.1**	**8.3**	**24.5**	**19.6**	**18.1**	**14.5**	**14.2**	**12.2**	**9.6**	**4.6**	**3.4**	**2.6**	**0.8**	**1.0**	**1.2**	**23.4**	**18.6**	**17.7**			
Property																													
Housing Development & Infrastruc	208	BUY	57,178	1,350	275	51.2	56.6	63.6	118.6	10.6	12.3	4.1	3.7	3.3	5.0	4.6	3.9	1.6	1.2	0.9	1.9	3.9	3.9	64.5	36.3	30.7	610	193.9	44.7
DLF	396	BUY	674,812	15,930	1,705	43.8	49.8	55.1	244.6	13.9	10.5	9.0	7.9	7.2	8.3	7.1	5.7	3.4	2.5	2.0	1.3	1.8	2.5	63.2	36.6	30.8	660	66.7	73.3
IVR Prime Urban Developers	133	BUY	8,561	202	64	27.0	15.5	17.1	552.0	(42.6)	10.8	4.9	8.6	7.8	3.1	7.1	7.2	0.9	0.8	0.8	3.0	3.7	5.2	31.9	9.6	10.0	360	169.8	0.3
Mahindra Life Space Developer	371	BUY	15,612	369	42	12.7	13.9	19.0	208.4	8.9	37.4	29.1	26.8	19.5	62.0	20.8	12.2	1.8	1.7	1.6	0.8	1.0	1.0	6.4	6.5	8.5	810	118.4	0.6
Phoenix Mills	143	BUY	20,718	489	145	2.6	4.4	11.6	(59.8)	68.1	162.1	54.3	32.3	12.3	46.3	21.4	7.6	1.4	1.4	1.2	—	—	—	5.0	4.4	10.6	350	144.6	0.8
Puravankara Projects	164	REDUCE	34,895	824	213	11.3	14.0	16.7	67.4	24.8	19.1	14.5	11.6	9.8	19.4	16.4	12.4	2.8	2.4	2.1	0.6	2.4	3.7	32.9	22.4	23.1	220	34.6	0.7
Sobha	217	REDUCE	15,831	374	73	31.7	30.2	33.2	42.9	(4.7)	9.8	6.8	7.2	6.5	9.0	7.9	7.4	1.6	1.3	1.1	3.0	1.8	1.8	25.3	20.0	18.6	250	15.1	1.6
Unitech	122	REDUCE	197,785	4,669	1,623	9.7	12.0	15.0	20.3	24.5	24.7	12.6	10.1	8.1	10.2	8.5	7.0	5.9	4.0	3.0	0.8	1.6	3.3	58.4	46.8	41.9	190	55.9	35.2
Property		**Neutral**	**1,025,392**	**24,207**					**168.7**	**14.1**	**14.0**	**9.2**	**8.0**	**7.1**	**8.5**	**7.4**	**6.0**	**3.2**	**2.4**	**1.9**	**1.2**	**1.9**	**2.7**	**34.7**	**29.8**	**26.8**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	18-Sep-08		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Retail																													
Pantaloon Retail	302	BUY	51,963	1,227	172	8.0	14.2	19.9	93.2	76.5	39.9	37.6	21.3	15.2	14.7	9.5	7.8	3.0	1.9	1.7	0.2	0.3	0.3	8.6	10.7	11.5	460	52.2	1.1
Titan Industries	1,106	BUY	49,099	1,159	44	35.1	41.1	49.8	55.2	17.3	21.0	31.6	26.9	22.2	21.2	16.5	13.3	10.4	8.0	6.3	0.7	0.9	1.0	37.7	33.6	31.6	1,350	22.1	2.5
Vishal Retail	364	ADD	8,159	193	22	18.1	21.6	35.6	37.2	19.2	65.2	20.1	16.9	10.2	10.4	7.1	5.4	3.0	2.6	2.0	-	-	-	20.2	16.2	22.1	485	33.2	0.2
Retail			**109,221**	**2,578**					**31.9**	**47.4**	**35.2**	**33.9**	**23.0**	**17.0**	**16.0**	**10.9**	**8.6**	**4.5**	**3.0**	**2.6**	**0.4**	**0.5**	**0.6**	**13.2**	**13.1**	**15.3**			
Technology																													
HCL Technologies	213	REDUCE	147,861	3,491	695	15.3	22.3	25.4	(19.0)	46.0	13.8	13.9	9.5	8.4	7.8	6.1	5.1	3.0	2.5	2.1	3.8	3.8	3.8	21.4	28.1	27.3	250	17.5	5.4
Hexaware Technologies	33	SELL	4,733	112	142	7.7	4.7	5.6	(13.7)	(38.2)	18.5	4.3	7.0	5.9	1.3	1.0	0.5	0.7	0.6	0.6	4.8	4.8	4.8	15.1	9.4	10.4	50	50.2	0.4
Infosys Technologies	1,525	BUY	875,580	20,670	574	79.1	102.1	118.1	18.0	29.1	15.7	19.3	14.9	12.9	15.1	11.4	9.1	6.3	4.9	3.8	2.2	1.6	1.9	36.1	36.8	33.1	2,100	37.7	84.0
Mphasis BFL	214	SELL	44,544	1,052	208	12.2	15.6	18.5	67.6	27.3	18.8	17.4	13.7	11.5	10.4	8.2	6.7	3.9	0.5	2.7	1.6	1.9	2.1	23.6	25.6	25.4	220	3.0	2.2
Mindtree	328	BUY	12,870	304	39	26.1	35.7	43.4	14.8	36.5	21.7	12.5	9.2	7.6	10.6	6.5	4.9	2.4	1.9	1.6	0.8	1.1	1.3	21.3	23.5	22.9	550	67.6	0.5
Patni Computer Systems	191	SELL	26,507	626	139	33.4	25.2	29.7	29.7	(24.5)	17.7	5.7	7.6	6.4	2.7	2.4	1.6	1.0	0.9	0.8	1.0	1.2	1.4	19.2	11.7	12.7	260	36.3	1.7
Polaris Software Lab	74	SELL	7,284	172	98	7.4	10.1	11.8	(27.6)	36.0	16.2	9.9	7.3	6.3	4.6	3.3	2.5	1.1	1.0	0.9	2.4	2.4	2.4	11.7	14.3	14.8	90	21.5	6.1
Satyam Computer Services	336	BUY	228,953	5,405	682	25.2	32.2	37.5	17.7	27.6	16.5	13.3	10.4	8.9	10.1	7.2	5.7	3.2	2.6	2.1	2.9	3.6	4.2	26.0	27.1	25.7	500	48.9	40.7
TCS	721	REDUCE	705,725	16,660	979	51.3	58.7	67.9	21.5	14.5	15.6	14.1	12.3	10.6	11.4	9.5	8.0	5.7	4.5	3.6	1.9	2.9	3.8	47.0	40.8	37.8	900	24.8	26.4
Tech Mahindra	634	BUY	78,976	1,864	125	59.1	74.8	89.4	25.7	26.7	19.4	10.7	8.5	7.1	9.5	5.9	4.3	6.3	3.5	2.3	0.6	—	1.0	70.7	55.8	41.6	900	42.0	4.7
Wipro	397	ADD	576,158	13,601	1,450	22.2	27.5	33.5	12.6	23.6	21.8	17.9	14.5	11.9	14.3	10.6	8.3	4.5	3.6	3.0	1.6	2.0	2.6	27.9	27.6	27.4	490	23.3	11.5
Technology		**Neutral**	**2,709,190**	**63,956**					**16.1**	**23.8**	**17.0**	**15.7**	**12.7**	**10.8**	**12.0**	**9.3**	**7.5**	**4.6**	**3.7**	**3.0**	**2.1**	**2.3**	**2.8**	**29.5**	**29.0**	**27.6**			
Telecom																													
Bharti Airtel Ltd	761	REDUCE	1,444,776	34,107	1,898	35.3	47.0	57.0	65.0	33.2	21.1	21.6	16.2	13.4	13.1	9.6	7.3	6.4	4.6	3.4	—	0.5	0.8	39.1	32.9	29.1	840	10.3	83.4
IDEA	75	REDUCE	198,198	4,679	2,639	3.9	4.6	5.5	78.5	15.7	20.8	19.0	16.4	13.6	11.3	8.4	7.0	5.6	4.2	3.2	—	—	—	36.4	29.1	26.6	100	33.2	16.6
MTNL	87	REDUCE	54,747	1,292	630	6.0	6.5	7.0	(25.2)	7.7	8.2	14.5	13.4	12.4	1.0	1.1	1.0	0.5	0.5	0.5	6.9	6.9	6.9	2.7	2.9	3.2	100	15.1	3.7
Reliance Communications	356	SELL	734,990	17,351	2,064	25.0	28.6	34.8	76.4	14.1	21.9	14.2	12.5	10.2	10.1	8.7	6.9	2.6	2.1	1.8	0.2	—	-	16.1	19.9	19.8	390	9.5	91.3
Tata Communications	434	REDUCE	123,590	2,918	285	10.9	12.0	13.3	(36.3)	9.2	11.2	39.6	36.3	32.6	16.5	15.4	13.3	1.9	1.8	1.7	1.0	1.2	1.5	4.4	4.7	4.9	430	(0.8)	3.3
Telecom		**Cautious**	**2,556,302**	**60,347**					**61.9**	**23.9**	**20.6**	**18.1**	**14.6**	**12.1**	**11.6**	**9.1**	**7.2**	**3.5**	**2.9**	**2.3**	**0.4**	**0.6**	**0.7**	**19.4**	**19.6**	**19.3**			
Transportation																													
Container Corporation	826	ADD	107,344	2,534	130	57.7	67.5	75.0	7.8	17.0	11.0	14.3	12.2	11.0	9.7	8.2	6.9	3.4	2.8	2.3	1.5	1.7	1.9	25.8	24.9	23.1	950	15.0	1.3
Gateway Distriparks	85	BUY	9,802	231	115	6.4	8.1	10.8	(5.0)	26.5	33.5	13.2	10.5	7.8	9.2	6.9	5.3	1.4	1.3	1.2	3.5	3.9	4.0	10.8	12.9	15.8	125	47.2	0.9
GE Shipping	309	BUY	47,059	1,111	152	105.9	72.7	48.2	77.6	(31.3)	(33.7)	2.9	4.2	6.4	4.3	5.3	6.1	1.1	0.9	0.8	4.9	5.9	3.9	43.2	23.4	13.7	500	61.8	2.8
Jet Airways	440	SELL	37,951	896	86	(76.5)	(123.3)	96.4	(2,857)	71	206.7	(5.7)	(3.6)	4.6	57.5	17.0	6.0	0.8	1.1	0.9	—	—	1.6	(19.5)	(26.5)	21.5	450	2.7	1.5
Transportation		**Neutral**	**202,156**	**4,772**					**3.9**	**(42.9)**	**162.9**	**11.4**	**19.9**	**7.6**	**11.5**	**9.6**	**6.2**	**1.6**	**1.5**	**1.3**	**2.1**	**2.5**	**2.4**	**13.9**	**7.7**	**17.4**			
Utilities																													
CESC	277	BUY	34,645	818	125	27.8	28.2	31.1	(23.3)	1.4	10.4	10.0	9.8	8.9	5.1	5.9	6.9	1.1	1.0	0.9	1.4	1.5	1.8	12.5	10.6	10.5	500	80.3	1.2
Lanco Infratech	234	BUY	51,907	1,225	222	16.0	18.7	31.3	88.4	17.4	67.1	14.6	12.5	7.5	12.4	15.5	13.0	2.6	2.1	1.7	(2.5)	—	—	20.2	18.9	25.2	530	127.0	17.5
NTPC	174	REDUCE	1,435,123	33,879	8,245	8.9	9.5	10.3	3.5	6.7	8.0	19.5	18.2	16.9	14.0	15.2	15.2	2.7	2.5	2.3	2.1	2.2	3.0	14.4	14.2	14.3	179	2.8	32.8
Reliance Infrastructure	848	BUY	195,904	4,625	231	37.6	49.4	50.0	13.9	31.3	1.2	22.6	17.2	17.0	29.1	26.3	24.1	1.2	1.2	1.1	0.8	0.9	1.0	-	-	-	1,250	47.3	104.2
Reliance Power	156	REDUCE	374,500	8,841	2,397	0.4	2.1	2.6	—	443.9	25.2	410.9	75.5	60.3	—	—	—	2.7	2.6	2.5	—	—	—	1.2	3.5	4.3	180	15.2	42.7
Tata Power	946	BUY	220,427	5,204	233	29.7	38.1	39.9	11.6	28.5	4.6	31.9	24.8	23.7	22.3	19.9	20.4	2.9	2.3	2.0	1.0	1.0	1.0	10.0	10.3	9.0	1,540	62.8	30.1
Utilities		**Attractive**	**2,312,506**	**54,592**					**8.8**	**14.8**	**10.1**	**23.8**	**20.7**	**18.8**	**16.9**	**18.6**	**19.2**	**2.4**	**2.2**	**2.1**	**1.4**	**1.5**	**2.0**	**10.1**	**10.7**	**11.0**			
Others																													
Aban Offshore	2,399	ADD	92,733	2,189	39	72.3	263.4	482.1	(1,066)	264.4	83.0	33.2	9.1	5.0	17.1	8.2	5.3	10.6	4.4	2.4	0.1	0.4	0.6	51.7	59.4	53.6	2,700	12.6	20.0
Aditya Birla Nuvo	1,054	ADD	98,363	2,322	93	22.9	26.6	29.2	(5.6)	16.0	9.8	46.0	39.7	36.2	20.6	18.5	17.1	2.9	2.7	2.6	0.6	0.6	0.6	6.4	7.1	7.4	2,000	89.7	2.9
Educomp Solutions	3,324	ADD	63,219	1,492	19	35.2	46.2	112.0	114	31.5	142.4	94.6	71.9	29.7	50.0	23.2	13.0	21.0	8.3	6.9	0.1	0.1	0.3	33.5	17.4	26.2	3,650	9.8	21.5
Jaiprakash Associates	127	BUY	157,351	3,715	1,242	4.9	7.6	11.6	6.5	54.7	53.5	25.9	16.7	10.9	15.1	10.7	10.0	3.2	2.6	2.2	0.0	0.0	0.0	15.4	17.5	22.6	255	101.3	55.3
Jindal Saw	621	BUY	38,074	899	61	57.7	90.7	110.4	(50)	57.0	21.7	10.8	6.8	5.6	5.9	3.5	2.7	1.3	0.9	0.9	1.3	2.3	2.6	11.4	16.1	16.9	900	45.0	1.8
PSL	278	BUY	12,096	286	44	21.1	45.6	64.5	4.2	116.1	41.5	13.2	6.1	4.3	6.6	4.8	3.6	2.2	1.6	1.2	1.8	2.2	2.7	11.3	15.4	18.4	500	80.1	0.3
Sintex	255	BUY	41,447	978	163	19.5	23.4	31.2	58	19.6	33.5	13.1	10.9	8.2	11.6	8.3	5.9	2.5	1.6	1.5	0.3	0.5	0.7	14.0	14.8	15.9	460	80.4	2.3
Welspun Gujarat Stahl Rohren	254	REDUCE	47,958	1,132	189	20.6	29.2	47.4	94.5	41.9	62.7	12.4	8.7	5.4	10.7	5.8	3.6	2.8	2.0	1.4	0.9	1.9	2.2	27.1	26.0	31.3	360	41.7	5.8
Others			**551,241**	**13,013**					**20.0**	**96.5**	**57.2**	**27.8**	**14.1**	**9.0**	**14.7**	**9.1**	**7.1**	**3.3**	**2.6**	**2.0**	**0.4**	**0.6**	**0.7**	**12.0**	**18.3**	**22.6**			
KS universe (b)			**29,396,947**	**693,979**					**23.8**	**14.7**	**24.7**	**15.1**	**13.1**	**10.5**	**9.5**	**8.2**	**6.8**	**2.7**	**2.2**	**1.9**	**1.4**	**1.6**	**1.9**	**17.7**	**16.8**	**18.0**			
KS universe (b) ex-Energy			**22,539,048**	**532,083**					**28.6**	**12.2**	**18.0**	**15.2**	**13.5**	**11.5**	**10.6**	**9.3**	**8.1**	**2.9**	**2.4**	**2.0**	**1.4**	**1.5**	**1.8**	**19.0**	**17.6**	**17.7**			
KS universe (d) ex-Energy & ex-Commodities			**20,263,309**	**478,360**					**33.1**	**13.0**	**23.4**	**17.2**	**15.2**	**12.3**	**13.2**	**11.1**	**9.3**	**3.2**	**2.7**	**2.3**	**1.4**	**1.5**	**1.8**	**18.6**	**17.5**	**18.3**			

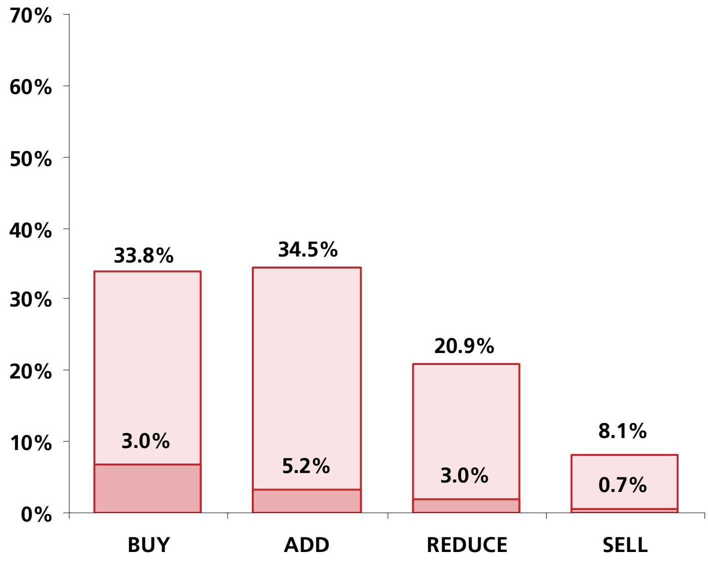
Note:
(a) 2007 means calendar year 2006, similarly for 2008 and 2009 for these particular companies.
(b) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.
(c) Rupee-US Dollar exchange rate (Rs/US$)= 42.36

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: Lokesh Garg, Tabassum Inamdar, Kawaljeet Saluja, Sanjeev Prasad, Mridul Saggar."

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 = OP; Hold = IL; Sell = U. Buy, Hold and Sell are not defined Kotak Institutional Equities ratings and should not be constructed as investment opinions. Rather, these ratings are used illustratively to comply with applicable regulations. As of 30/06/2008 Kotak Institutional Equities Investment Research had investment ratings on 143 equity securities.

Source: Kotak Institutional Equities. As of June 30, 2008

Ratings and other definitions/identifiers

Rating system

Definitions of ratings

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

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

Other definitions

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Other ratings/identifiers

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