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#### News Round-up

- ▶ Retail FDI on hold. Fearful of an adjournment motion without sufficient numerical support in the two Houses of Parliament, the government today had to concede significant political ground the allies and the Opposition and confessed it had put in abeyance the policy to allow Foreign Direct Investment (FDI) in the retail sector. (BSTD-Sun)
- ▶ Govt to weigh restrictions on Fx outflows. (ECNT)
- ▶ Life Insurers may have to list on completion of 10 years. (ECNT)
- ▶ Power Ministry's objection derails share buyback plan. (ECNT)
- ▶ ONGC (ONGC IN) to invest USD 396 mn in oil field in western offshore. (FNLE-Sat)
- ▶ The Oil Ministry and its technical arm, the Directorate of Hydrocarbons has refused approval to Reliance Industries Ltd (RIL IN) USD 1.529 billion investment plan to develop satellite fields to offset fall in gas output at its flagging KG-D6 block. (THBL SAT)
- ▶ Ril (RIL IN), Oil ministry clash over pricing of CBM (Coal Based Mithane). (ECNT)
- ▶ Tata Steel Europe will soon get its own coal from mines in Mozambique, which it owns jointly with Rio Tinto, scheduled to start production in March. (BSTD-Sat)
- ▶ Despite a rise in interest rates and the deteriorating macroeconomic environment, private sector lender IndusInd Bank (IIB IN) said it was hopeful of a 25-30% growth in advances in the current financial year. (BSTD-Mon)
- ▶ JSW Steel (JSTL IN) plans to establish a 1-million-tonne a year coke oven plant and a 4-million tonne a year pellet plant at the Dolvi steel complex of its arm JSW Ispat Steel Ltd, in a bid to help accelerate the turnaround of the later. (THBL-Sun)
- ▶ BOI (BOI IN) picks up 51% in Bharti Axa Investment Managers.(THBL-Sun)
- ▶ NTPC Ltd (NTPC IN) said it may invest in Coal India Ltd (COAL IN) should the company guarantee additional supplies. (THBL SAT)
- ▶ SAIL (SAIL IN),kobe steel likely to finalise JV soon. (ECNT)
- ▶ GMR Infrastructure (GMRI IN) is understood to be working towards expanding its partnership with Malaysian oil & gas major Petronas, for its power division. (BSTD-Mon)
- ▶ SAIL (SAIL IN) is likely to finalise within a month, a joint venture with Japan's Kobe Steel for a 0.5 million tonne (mt) mill in West Bengal to manufacture special grade steel. (BSTD-Mon)

Source: ECNT= Economic Times, BSTD = Business Standard, FNLE = Financial Express, THBL = Business Line.

### EQUITY MARKETS

India	Change %			
	2-Dec	1-day	1-mo	3-mo
Sensex	16,847	2.2	(4.1)	0.8
Nifty	5,050	2.3	(4.4)	0.7
<b>Global/Regional indices</b>				
Dow Jones	12,019	(0.0)	0.3	6.9
Nasdaq Composite	2,627	0.0	(2.2)	5.9
FTSE	5,552	1.1	0.5	8.8
Nikkei	8,680	0.4	(1.4)	(1.2)
Hang Seng	19,130	0.5	(3.6)	(2.5)
KOSPI	1,914	(0.1)	(0.7)	7.2
<b>Value traded – India</b>				
Cash (NSE+BSE)	125		125	129
Derivatives (NSE)	1,135		995	832
Deri. open interest	1,153		1,177	1,150

#### Forex/money market

	Change, basis points			
	2-Dec	1-day	1-mo	3-mo
Rs/US\$	51.1	(27)	192	531
10yr govt bond, %	8.7	-	(25)	31

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

	1-Dec	MTD	CYTD
FII	175	-	(500)
MFs	(48)	-	(282)

#### Top movers -3mo basis

		Change, %			
		2-Dec	1-day	1-mo	3-mo
<b>Best performers</b>					
TTMT	IN Equity	191.9	4.9	2.0	27.4
POWF	IN Equity	180.5	6.5	10.0	23.5
HUVR	IN Equity	394.9	1.1	4.0	23.5
WPRO	IN Equity	391.8	1.4	5.4	21.8
ACC	IN Equity	1214.0	3.6	(0.8)	21.1
<b>Worst performers</b>					
WLCO	IN Equity	72.3	4.7	(31.2)	(40.8)
SUEL	IN Equity	23.8	1.5	(35.4)	(40.4)
HDIL	IN Equity	65.0	3.4	(35.8)	(39.7)
ADE	IN Equity	338.7	9.5	(26.7)	(36.3)
RCAPT	IN Equity	302.1	4.2	(19.2)	(29.7)

DECEMBER 05, 2011

**UPDATE**

Coverage view: **Cautious**

Price (Rs): **1,715**

Target price (Rs): **1,665**

BSE-30: **16,847**

**Management meeting takeaways.** We met Bajaj Auto's CFO Kevin D'Sa to understand his views on the industry. He indicated that the domestic 2-wheeler industry is likely to grow at a slower pace in the Dec-March 2012 period while exports continue to remain buoyant. EBITDA margins are also likely to be boosted by sharp depreciation of the INR versus the US\$ despite the down trading witnessed in the domestic market. We maintain our SELL rating on the stock due to rich valuations.

### Company data and valuation summary

Bajaj Auto

Stock data				Forecasts/Valuations			
52-week range (Rs) (high,low)				2011			
1,824-1,166				2012E			
Market Cap. (Rs bn)				2013E			
496.2				EPS (Rs)			
Shareholding pattern (%)				EPS growth (%)			
Promoters				P/E (X)			
50.0				Sales (Rs bn)			
FII's				Net profits (Rs bn)			
16.0				EBITDA (Rs bn)			
MFs				EV/EBITDA (X)			
2.9				ROE (%)			
Price performance (%)				Div. Yield (%)			
1M				3M			
Absolute				12M			
(0.2)				5.3			
Rel. to BSE-30				29.2			
3.4				5.2			

### Domestic 2-wheeler industry volume growth to moderate in 2HFY12

- Management retained its volume guidance of 4.5 mn units for FY2012E. The management cautioned that the domestic 2-wheeler industry is likely to grow at a slower pace in 2HFY12 versus 1HFY12 at 10% yoy. However, the company continues to witness strong traction in export markets and is likely to exceed 1.5 mn unit sales of exports in FY2012E. The company believes penetration levels in India are still low and the domestic 2-wheeler industry will grow at 10-12% CAGR over the next 5-7 years given the lack of adequate public transportation in India.
- Bajaj Auto plans to focus more on exports and gain market share in Africa and Latin American countries. Penetration of 2-wheelers in Africa and Latin American markets is still very low and the company is working on increasing this. The company is also planning to set up a manufacturing plant in Brazil and compete with Honda. It has no immediate plans to enter China.
- Company also indicated that EBITDA margins are likely to be boosted by rupee depreciation vs. USD. Their average INR/USD realization in exports was 47.8 in 2QFY12 and they are likely to benefit further in 3QFY12 as INR/USD rate average would be close to 50 during 3QFY12 and they have entered into range forward contracts between Rs47-51/dollar.
- The company has plans to launch a new range of Pulsar bikes in Feb 2012 and KTM bikes in 4QFY12. The new Pulsar bikes are likely to be much more powerful and fuel efficient than existing bikes.
- We maintain our SELL rating on the stock as we believe it is reasonably valued after factoring in strong volume growth in export markets and low double digit volume growth in the domestic market. The stock trades at 14.4X PE on our FY2013E EPS.

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### Management meeting takeaways

We met Bajaj Auto's management for its outlook on the company's 2-wheeler business over the next couple of years. Key takeaways are as follows:

- ▶ The management retained its volume guidance of 4.5 mn units for FY2012E. The management cautioned that the domestic 2-wheeler industry is likely to grow at a slower pace in 2HFY12 versus 1HFY12 at 10% yoy. However, the company continues to witness strong traction in export markets and is likely to exceed 1.5 mn unit sales of exports in FY2012E.
- ▶ The company believes 2-wheeler penetration in India is not very high given the lack of adequate public transportation which is likely to drive higher penetration of 2-wheelers in rural India. The company expects a 10-12% CAGR in domestic 2-wheeler industry over the next 5-7 years.
- ▶ Bajaj Auto plans to focus more on exports and gain market share in Africa and Latin American countries. Penetration of 2 wheelers in Africa and Latin American markets is still very low and company is working on increasing this. The company is also planning to set up a manufacturing plant in Brazil and compete with Honda. The company has no immediate plans to enter China.
- ▶ The company acknowledges that the 3-wheeler business could come under threat from passenger 4 wheelers like Magic Iris in future and hence it has planned to launch a 4 wheeler in October 2012 - first in export market and then in India to protect its dominant share in the passenger 3-wheeler market. The company expects near-term volume growth to be sedate given the opening up of permits by the Karnataka, Gujarat and Delhi governments.
- ▶ The company also indicated that EBITDA margins are likely to be boosted by the INR depreciation versus the USS. Their average INR/USD realization in exports was 47.8 in 2QFY12 and they are likely to benefit further in 3QFY12 as the INR/USD rate average would be close to 50 during 3QFY12 and they have entered into range forward contracts at Rs47-51/USD.
- ▶ The company has plans to launch new range of Pulsar bikes in Feb 2012 and KTM bikes in 4QFY12. New Pulsar bikes are likely to be much more powerful and fuel efficient than existing bikes.
- ▶ The company also indicated that it has not seen much reduction in its raw material costs due to sharp depreciation of Rs/USD.
- ▶ We maintain our SELL rating on the stock as we believe it is reasonably valued after factoring in strong volume growth in export markets and low double-digit volume growth in the domestic market. The stock trades at 14.4X PE on our FY2013E EPS.

We estimate a 15% earnings CAGR over FY2011-2013E

Bajaj Auto profit and loss, balance sheet and cash flow statement, March fiscal year ends, 2007-2014E (Rs mn)

	2009	2010	2011	2012E	2013E	2014E
<b>Profit model (Rs mn)</b>						
Net sales	84,369	115,085	159,981	196,340	223,763	256,120
<b>EBITDA</b>	<b>12,097</b>	<b>26,175</b>	<b>34,168</b>	<b>40,612</b>	<b>43,992</b>	<b>50,300</b>
Other income	1,043	976	3,339	4,152	6,092	7,802
Interest	(210)	(60)	(17)	-	-	-
Depreciation	(1,298)	(1,365)	(1,228)	(1,489)	(1,595)	(1,681)
<b>Profit before tax</b>	<b>11,632</b>	<b>25,726</b>	<b>36,262</b>	<b>43,275</b>	<b>48,489</b>	<b>56,421</b>
Extra-ordinary items	(2,071)	(1,624)	7,246	-	-	-
Taxes	(3,016)	(7,075)	(10,110)	(11,684)	(14,062)	(16,362)
<b>Net profit</b>	<b>6,545</b>	<b>17,027</b>	<b>33,398</b>	<b>31,591</b>	<b>34,427</b>	<b>40,059</b>
<b>Adjusted net profit</b>	<b>7,963</b>	<b>18,171</b>	<b>26,152</b>	<b>31,591</b>	<b>34,427</b>	<b>40,059</b>
<b>Adjusted earnings per share (Rs)</b>	<b>27.5</b>	<b>62.8</b>	<b>90.4</b>	<b>109.2</b>	<b>119.0</b>	<b>138.4</b>
<b>Balance sheet (Rs mn)</b>						
Equity	18,697	29,283	49,102	67,150	88,034	114,549
Deferred tax liability	42	17	297	297	297	297
Total borrowings	15,700	13,386	3,252	3,146	3,146	3,146
Current liabilities	24,376	28,579	39,553	45,911	49,691	54,023
<b>Total liabilities</b>	<b>58,814</b>	<b>71,265</b>	<b>92,204</b>	<b>116,504</b>	<b>141,168</b>	<b>172,015</b>
Net fixed assets	15,481	15,211	15,483	16,244	17,399	17,967
Investments	18,085	40,215	47,952	65,702	83,702	101,702
Cash	1,369	1,014	5,565	4,360	7,290	16,565
Other current assets	21,884	14,824	23,161	30,156	32,735	35,738
Miscellaneous expenditure	1,996	-	43	43	43	43
<b>Total assets</b>	<b>58,814</b>	<b>71,265</b>	<b>92,204</b>	<b>116,504</b>	<b>141,168</b>	<b>172,015</b>
<b>Free cash flow (Rs mn)</b>						
Operating cash flow excl. working capital	8,870	18,874	24,352	24,946	27,834	32,546
Working capital changes	(4,744)	8,498	(4,215)	(636)	1,201	1,328
Capital expenditure	(3,861)	(1,078)	(1,614)	(2,250)	(2,750)	(2,250)
<b>Free cash flow</b>	<b>265</b>	<b>26,293</b>	<b>18,523</b>	<b>22,060</b>	<b>26,285</b>	<b>31,624</b>
<b>Ratios</b>						
EBITDA margin (%)	14.3	22.7	21.4	20.7	19.7	19.6
PAT margin (%)	9.4	15.8	16.3	16.1	15.4	15.6
Debt/equity (X)	0.8	0.5	0.1	0.0	0.0	0.0
Net debt/equity (X)	0.8	0.4	(0.0)	(0.0)	(0.0)	(0.1)
Book Value (Rs/share)	64.6	101.2	169.7	232.0	304.2	395.8
RoAE (%)	37.7	70.9	84.9	54.1	44.2	39.4
<b>RoACE (%)</b>	<b>18.7</b>	<b>42.5</b>	<b>64.7</b>	<b>46.3</b>	<b>37.1</b>	<b>33.0</b>

Source: Company, Kotak Institutional Equities estimates

**Outflows from India continue as the 'risk' trade unwinds.** Our foreign fund-flow tracker offers a comprehensive view of market flow activity in India and among its emerging market peers. Using a top-down approach, we analyze country flows and the underlying factors which affect them such as fund flows and country allocations for different fund types.

### Country flows – Indian outflows amount to US\$2.9 bn in the past six months

As the 'risk' trade unwinds, outflows from India continue to mount. In the past month, India has witnessed outflows worth US\$397 mn for the universe of funds tracked by EPFR. This cumulatively adds up to US\$2.9 bn of outflows in the past six months. In the past 12 months, estimated net asset allocations of ETF's in India have dropped ~30% on the back of market corrections and large redemptions. Most of the EM region witnessed outflows, ETF flows in China and Taiwan were contrastingly positive last month. South Korea, on the other hand, witnessed ETF outflows worth US\$420 mn during November.

### Country allocations – Indian allocations for Asia ex-Japan funds hovers in the range of 10-11%

Allocations to India by Asia ex-Japan have been at 10.4% in October in favor of China which saw allocations rise 0.9% during October. Allocations by BRIC funds to India have remained volatile falling 1.5% MoM as cash balances and Brazilian exposure takes precedent. On a 12-month basis, allocations to India are down for Asia ex-Japan funds (from 12.2% to 10.4%) and BRIC funds (from 16.1% to 13.1%).

### Fund flows – High ETF activity in the Asia ex-Japan region

In the Asia ex-Japan universe of funds, ETF activity dominates flows. Six of the top-10 inflows/outflows featured exchange-traded funds. Interestingly, total ETF flows in regions like China and Taiwan were in contrast to the net outflows for these regions. In the Indian context, HSBC GIF India Equity Fund continued to witness outflows as AUM is down 18% MoM. We underscore the relatively strong inflows worth US\$42 mn into the iShares S&P India Nifty 50 Index Fund. This may not appear not substantial on an absolute basis, but we note that the inflows are equivalent to 25% of the total fund size.

## INDIA

DECEMBER 05, 2011

UPDATE

BSE-30: 16,847

### QUICK NUMBERS

- India outflows worth US\$397 mn in the past month
- Indian allocations for BRIC funds down; Asia ex-Japan at 10.4%
- Flow activity in the Asia ex-Japan region dominated by ETFs

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## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

	2-Dec-11		Mkt cap.		O/S	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)	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	(Rs)	(%)	(US\$ mn)	
Automobiles																														
Ashok Leyland	25	SELL	66,517	1,302	2,661	2.4	2.0	2.4	68.1	(14.0)	18.0	10.5	12.3	10.4	7.4	7.8	6.9	1.5	1.4	1.3	4.0	4.0	4.0	21.8	17.0	18.6	26	4.0	2.9	
Bajaj Auto	1,715	SELL	496,191	9,709	289	90.4	109.2	119.0	43.9	20.8	9.0	19.0	15.7	14.4	14.5	12.2	11.2	10.0	7.4	5.6	2.3	2.3	2.3	84.9	54.1	44.2	1,665	(2.9)	15.9	
Bharat Forge	270	ADD	64,059	1,253	237	12.5	16.7	19.8	1,402.1	32.8	18.7	21.5	16.2	13.7	10.2	8.2	7.1	2.9	2.4	2.1	1.3	—	—	8.2	14.3	15.2	315	16.7	1.5	
Exide Industries	118	SELL	100,428	1,965	850	7.5	4.5	6.1	18.0	(39.5)	35.6	15.9	26.2	19.3	11.4	17.5	13.3	3.7	3.3	3.0	1.3	1.1	1.1	25.5	13.4	16.3	100	(15.4)	6.3	
Hero Motocorp	2,081	SELL	415,566	8,132	200	99.3	120.5	135.4	(11.1)	21.3	12.4	20.9	17.3	15.4	13.9	12.5	10.5	8.9	7.6	6.4	5.0	3.4	3.4	56.5	67.0	60.0	1,900	(8.7)	27.3	
Mahindra & Mahindra	750	BUY	460,408	9,009	614	41.7	43.9	49.0	22.7	5.3	11.6	18.0	17.1	15.3	13.8	12.9	11.2	4.3	3.6	3.1	1.5	1.3	1.3	27.3	23.1	21.7	845	12.7	32.2	
Maruti Suzuki	992	ADD	286,690	5,610	289	79.2	60.3	90.5	(8.4)	(23.9)	50.1	12.5	16.5	11.0	7.4	10.0	5.9	2.0	1.8	1.6	0.8	0.8	0.8	17.6	11.8	15.7	1,240	25.0	17.3	
Tata Motors	192	ADD	638,068	12,485	3,325	27.2	25.0	27.4	737.9	(8.1)	9.7	7.1	7.7	7.0	5.1	5.0	4.6	3.3	2.4	1.8	2.0	1.5	1.5	66.1	36.5	30.0	195	1.6	62.1	
Automobiles		Cautious	2,561,347	50,119					82.8	(2.5)	15.0	12.5	12.8	11.1	8.3	8.0	6.9	3.9	3.2	2.6	2.3	1.8	1.8	31.1	24.9	23.5				
Banks/Financial Institutions																														
Andhra Bank	100	BUY	56,182	1,099	560	22.6	24.0	25.1	5.0	6.0	4.5	4.4	4.2	4.0	—	—	—	0.9	0.8	0.7	5.5	5.8	6.1	23.2	19.3	17.6	170	69.3	1.5	
Axis Bank	1,006	BUY	426,853	8,352	424	82.5	96.1	111.8	33.0	16.4	16.3	12.2	10.5	9.0	—	—	—	2.2	1.9	1.6	1.3	1.6	1.9	19.3	19.8	19.6	1,500	49.1	52.3	
Bajaj Finserv	447	ADD	64,715	1,266	145	78.2	62.7	61.4	102.3	(19.8)	(2.1)	5.7	7.1	7.3	—	—	—	1.8	1.3	1.1	2.8	2.8	2.8	37.2	21.8	16.4	650	45.3	2.0	
Bank of Baroda	731	BUY	287,064	5,617	393	108.0	110.1	127.0	29.1	1.9	15.4	6.8	6.6	5.8	—	—	—	1.5	1.3	1.1	2.6	2.7	3.1	25.9	20.5	20.2	1,100	50.5	7.3	
Bank of India	341	BUY	186,356	3,647	547	45.5	45.2	63.3	37.4	(0.7)	40.2	7.5	7.5	5.4	—	—	—	1.2	1.0	0.9	2.4	2.4	3.3	17.3	14.6	18.0	450	32.1	4.6	
Canara Bank	444	BUY	196,515	3,845	443	90.9	80.9	101.5	23.3	(10.9)	25.4	4.9	5.5	4.4	—	—	—	1.1	0.9	0.8	2.5	2.7	2.7	23.2	16.7	18.1	550	24.0	6.0	
Corporation Bank	353	BUY	52,349	1,024	148	95.4	95.9	109.2	16.3	0.6	13.9	3.7	3.7	3.2	—	—	—	0.7	0.6	0.6	5.7	5.7	6.5	21.9	18.5	18.3	600	69.8	0.6	
Federal Bank	396	BUY	67,803	1,327	171	34.3	43.1	55.1	26.3	25.7	27.7	11.5	9.2	7.2	—	—	—	1.4	1.2	1.1	2.1	2.7	3.4	12.0	13.7	15.8	500	26.1	2.6	
HDFC	668	REDUCE	979,302	19,163	1,467	24.1	27.8	31.6	22.4	15.4	13.7	27.7	24.0	21.1	—	—	—	5.7	5.0	3.8	1.3	1.6	1.8	21.7	22.1	21.3	725	8.6	34.6	
HDFC Bank	466	ADD	1,083,976	21,211	2,326	16.9	22.0	28.1	31.0	30.2	27.8	27.6	21.2	16.6	—	—	—	4.3	3.7	3.2	0.7	0.9	1.2	16.7	18.7	20.5	560	20.2	36.3	
ICICI Bank	788	BUY	907,289	17,753	1,152	44.7	52.6	57.3	23.9	17.5	9.0	17.6	15.0	13.7	—	—	—	1.6	1.5	1.4	1.8	2.0	2.2	9.7	10.6	10.8	1,100	39.6	89.7	
IDFC	115	ADD	174,177	3,408	1,509	8.8	10.3	12.1	4.6	17.1	18.2	13.2	11.2	9.5	—	—	—	1.7	1.4	1.3	1.9	1.8	2.1	14.7	13.6	13.9	150	29.9	15.6	
India Infoline	60	SELL	19,696	385	327	7.4	3.5	5.0	(9.3)	(52.3)	41.1	8.2	17.1	12.1	—	—	—	1.2	1.0	1.0	5.1	1.2	1.8	12.9	6.4	8.1	70	16.2	0.8	
Indian Bank	196	BUY	84,149	1,647	430	38.8	40.9	48.3	10.5	5.5	18.1	5.0	4.8	4.1	—	—	—	1.1	0.9	0.8	3.8	3.9	4.6	22.3	19.9	20.1	300	53.2	1.2	
Indian Overseas Bank	94	BUY	58,008	1,135	619	17.3	20.1	29.1	33.6	15.8	45.1	5.4	4.7	3.2	—	—	—	0.7	0.6	0.5	5.3	4.5	5.0	12.7	12.7	16.3	160	70.7	1.3	
IndusInd Bank	275	BUY	128,047	2,506	466	12.4	15.6	18.2	45.2	26.1	16.6	22.2	17.6	15.1	—	—	—	3.5	3.1	2.7	0.7	0.9	1.1	20.8	18.1	17.8	325	18.3	3.1	
J&K Bank	814	ADD	39,473	772	48	126.9	149.9	160.5	20.1	18.1	7.1	6.4	5.4	5.1	—	—	—	1.1	1.0	0.9	3.2	3.8	4.0	19.0	19.4	18.0	950	16.7	0.4	
LIC Housing Finance	234	ADD	111,162	2,175	475	20.5	22.9	27.5	47.2	11.4	20.4	11.4	10.2	8.5	—	—	—	2.8	2.4	2.0	1.9	2.1	2.5	25.8	23.7	23.9	260	11.1	15.1	
Mahindra & Mahindra Financial	668	BUY	68,448	1,339	102	45.2	55.7	70.7	26.1	23.2	26.9	14.8	12.0	9.5	—	—	—	2.8	2.5	2.1	1.5	1.8	2.3	22.0	21.1	22.8	825	23.5	1.4	
Muthoot Finance	175	BUY	64,923	1,270	371	15.7	21.6	26.7	108.4	37.1	23.7	11.1	8.1	6.5	—	—	—	4.9	2.1	1.6	—	—	—	51.5	36.7	28.1	230	31.6	—	
Oriental Bank of Commerce	275	BUY	80,132	1,568	292	51.5	48.0	59.5	13.7	(6.9)	23.9	5.3	5.7	4.6	—	—	—	0.8	0.7	0.6	3.8	3.5	4.4	15.5	12.1	13.6	430	56.6	3.3	
PFC	180	BUY	238,189	4,661	1,320	22.8	19.4	28.2	11.1	(15.1)	45.8	7.9	9.3	6.4	—	—	—	1.6	1.2	1.1	2.2	2.1	3.1	18.4	14.3	17.0	225	24.7	11.8	
Punjab National Bank	916	BUY	290,311	5,681	317	140.0	157.0	181.8	13.0	12.2	15.8	6.5	5.8	5.0	—	—	—	1.4	1.2	1.0	2.4	3.5	4.0	24.4	22.7	22.1	1,350	47.3	8.3	
Reliance Capital	302	ADD	74,365	1,455	246	9.3	12.6	24.2	(25.3)	35.8	91.7	32.5	23.9	12.5	—	—	—	1.1	1.0	1.0	1.2	1.7	3.2	3.3	4.4	8.1	470	55.6	28.4	
Rural Electrification Corp.	199	BUY	195,997	3,835	987	26.0	29.0	32.5	28.1	11.5	12.3	7.6	6.9	6.1	—	—	—	1.5	1.3	1.2	3.8	4.2	4.7	21.5	20.8	20.4	240	20.9	9.2	
Shriram Transport	542	REDUCE	120,886	2,365	223	55.1	61.2	69.1	40.8	11.0	12.9	9.8	8.9	7.8	—	—	—	2.5	2.1	1.8	1.2	2.3	2.6	28.1	25.2	23.6	630	16.3	5.9	
SKS Microfinance	103	RS	7,583	148	74	15.7	(89.1)	(27.5)	(41.8)	(667.7)	(69.1)	6.6	(1.2)	(3.7)	—	—	—	0.4	0.7	0.8	—	—	—	8.3	(44.7)	(19.3)	—	—	2.0	
State Bank of India	1,887	BUY	1,198,148	23,445	635	130.2	174.8	251.1	(9.9)	34.3	43.7	14.5	10.8	7.5	—	—	—	1.8	1.6	1.4	1.8	1.9	2.0	12.6	16.0	19.9	2,600	37.8	146.7	
Union Bank	224	BUY	117,319	2,296	524	39.5	43.0	56.1	(3.9)	9.0	30.3	5.7	5.2	4.0	—	—	—	1.1	0.9	0.8	3.6	3.9	5.1	20.9	19.0	21.2	340	52.0	4.7	
Yes Bank	290	BUY	100,742	1,971	347	20.9	26.2	31.9	39.6	25.3	21.5	13.9	11.1	9.1	—	—	—	2.7	2.2	1.8	0.9	1.1	1.3	21.1	21.8	21.9	420	44.7	15.9	
Banks/Financial Institutions		Attractive	7,480,158	146,368					20.0	12.6	25.6	12.2	10.9	8.6	—	—	—	2.0	1.7	1.5	1.8	2.0	2.3	16.0	15.7	17.0				
Cement																														
ACC	1,214	SELL	228,086	4,463	188	55.6	57.3	69.0	(33.2)	3.1	20.4	21.8	21.2	17.6	13.5	12.2	9.5	3.3	3.0	2.7	2.9	1.9	1.9	17.5	16.5	17.4	980	(19.3)	7.3	
Ambuja Cements	161	SELL	244,493	4,784	1,522	7.9	7.9	9.8	(1.5)	(0.2)	24.8	20.4	20.4	16.4	12.5	11.4	9.0	3.1	2.8	2.6	1.3	1.4	1.5	16.6	14.8	16.8	135	(15.9)	7.2	
Grasim Industries	2,451	BUY	224,838	4,400	92	232.0	254.4	271.5	(22.9)	9.7	6.7	10.6	9.6	9.0	6.4	5.0	4.4	1.5	1.4	1.2	0.8	1.4	1.4	15.7	15.0	14.1	2,900	18.3	3.6	
India Cements	76	ADD	23,207	454	307																									

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

	2-Dec-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	price (Rs)	(%)	(US\$ mn)
Consumer products																													
Asian Paints	2,858	SELL	274,182	5,365	96	80.8	97.0	111.8	13.0	20.1	15.2	35.4	29.5	25.6	23.6	20.2	15.9	13.4	10.2	8.2	1.1	1.0	1.2	43.9	40.8	36.6	2,900	1.5	3.8
Colgate-Palmolive (India)	1,001	SELL	136,108	2,663	136	29.6	32.5	39.1	(4.9)	9.9	20.3	33.8	30.8	25.6	29.4	26.4	21.3	35.4	36.0	28.7	2.2	2.8	2.7	113.4	116.1	124.9	900	(10.1)	1.6
Dabur India	95	SELL	166,032	3,249	1,740	3.3	3.7	4.4	12.8	12.7	20.6	29.2	25.9	21.5	23.6	19.6	16.3	12.6	9.8	7.7	1.2	1.4	1.6	51.2	43.3	40.8	110	15.3	2.8
GlaxoSmithKline Consumer (a)	2,489	ADD	104,662	2,048	42	71.3	86.6	104.1	28.8	21.5	20.1	34.9	28.7	23.9	25.2	22.2	18.5	11.2	9.4	7.9	2.0	1.5	1.8	32.2	34.8	35.2	2,900	16.5	1.5
Godrej Consumer Products	397	ADD	128,303	2,511	324	14.9	17.6	22.5	31.3	18.6	27.6	26.6	22.5	17.6	22.8	17.4	13.1	7.4	5.5	4.4	1.3	0.8	0.8	35.9	28.6	29.1	510	28.6	1.9
Hindustan Unilever	395	ADD	852,762	16,686	2,159	9.9	11.8	14.2	4.8	19.7	19.7	40.0	33.4	27.9	34.3	27.4	21.9	32.4	27.9	23.9	1.9	2.5	3.0	66.3	89.8	92.4	420	6.4	24.4
ITC	207	ADD	1,586,059	31,035	7,681	6.4	7.9	9.0	20.7	22.5	14.1	32.2	26.3	23.1	21.4	17.9	15.5	9.5	8.2	7.1	2.2	1.8	2.2	33.2	34.9	34.3	230	11.4	30.9
Jubilant Foodworks	830	SELL	54,474	1,066	66	11.2	16.1	23.6	99.6	43.8	46.5	74.1	51.5	35.2	45.4	28.4	19.6	28.4	18.3	12.0	—	—	—	46.6	43.2	41.3	750	(9.7)	27.9
Jyothy Laboratories	146	ADD	11,362	222	78	10.3	8.5	11.2	(6.2)	(17.7)	31.3	14.2	17.2	13.1	10.6	26.4	19.0	1.7	1.6	1.5	4.1	3.2	4.0	12.3	9.8	12.1	200	36.6	0.3
Marico	148	ADD	90,925	1,779	615	3.9	5.0	6.5	(12.8)	28.1	30.2	38.1	29.8	22.8	23.5	21.0	16.1	9.7	7.6	6.0	0.4	0.5	0.6	30.3	29.2	29.7	175	18.4	1.2
Nestle India (a)	4,223	SELL	407,135	7,967	96	86.8	106.6	125.0	16.7	22.8	17.3	48.6	39.6	33.8	32.4	26.2	21.9	47.6	33.7	25.2	1.1	1.4	1.7	116.5	99.7	85.4	3,600	(14.7)	2.2
Tata Global Beverages	92	ADD	56,738	1,110	618	4.0	5.6	6.6	(34.6)	42.6	16.8	23.2	16.3	13.9	9.0	9.3	7.3	1.1	1.1	1.1	2.2	3.1	3.6	6.5	8.9	10.0	110	19.9	2.2
Titan Industries	191	ADD	169,967	3,326	888	4.8	6.8	8.3	69.1	40.4	22.0	39.5	28.2	23.1	28.9	19.5	15.4	15.6	11.6	8.9	0.7	1.2	1.6	47.1	47.2	43.5	240	25.4	18.1
United Spirits	714	ADD	89,706	1,755	126	35.3	37.5	45.2	29.5	6.2	20.4	20.2	19.0	15.8	14.1	11.8	10.6	2.1	1.9	1.7	0.4	0.3	0.5	11.2	10.7	11.6	950	33.0	8.3
Consumer products	Attractive		4,128,415	80,783					16.3	20.4	17.9	34.4	28.5	24.2	24.1	20.0	16.6	10.7	9.1	7.8	1.7	1.7	2.1	31.0	31.9	32.4			
Constructions																													
IVRCL	37	BUY	9,839	193	267	5.9	4.2	5.0	(25.2)	(28.5)	18.9	6.2	8.7	7.4	5.7	6.8	6.0	0.5	0.5	0.4	1.7	1.1	1.1	8.2	5.5	6.2	59	60.1	4.7
Nagarjuna Construction Co.	40	BUY	10,340	202	257	6.4	4.1	5.5	(29.7)	(35.5)	32.7	6.3	9.8	7.4	6.9	7.3	6.5	0.4	0.4	0.4	2.6	5.0	5.0	7.1	4.4	5.7	85	110.9	1.0
Punj Lloyd	50	REDUCE	17,030	333	340	(1.5)	3.4	6.5	(56.6)	(328.7)	90.7	(33.8)	14.8	7.7	12.2	6.7	5.8	0.6	0.6	0.5	(0.1)	0.6	1.1	(1.7)	3.8	6.9	60	19.6	4.4
Sadbhav Engineering	115	BUY	17,228	337	150	7.8	10.8	11.9	51.0	38.9	10.6	14.8	10.7	9.6	9.0	7.3	6.6	2.7	2.2	1.8	0.5	0.5	0.5	18.1	20.4	18.6	180	56.6	0.2
Construction	Attractive		54,438	1,065					(1.1)	27.8	35.7	14.1	11.0	8.1	8.2	6.9	6.1	0.7	0.6	0.6	0.9	1.5	1.7	4.8	5.9	7.5			
Energy																													
Aban Offshore	367	BUY	15,977	313	44	134.2	96.5	115.8	25.9	(28.1)	19.9	2.7	3.8	3.2	6.4	7.1	6.4	0.7	0.8	0.7	1.0	1.1	1.2	33.3	24.4	22.7	635	73.0	7.4
Bharat Petroleum	558	RS	201,559	3,944	362	38.9	33.0	49.5	(32.5)	(15.2)	49.9	14.3	16.9	11.3	9.7	9.4	7.4	1.3	1.3	1.2	2.5	1.9	2.9	9.2	7.3	10.4	—	—	5.6
Cairn india	317	REDUCE	603,403	11,807	1,903	33.3	41.8	50.6	501.1	25.4	21.2	9.5	7.6	6.3	7.0	5.5	4.2	1.5	1.3	1.2	—	1.6	4.7	16.9	18.3	20.0	315	(0.7)	11.9
Castrol India (a)	423	SELL	104,661	2,048	247	19.8	19.7	21.6	28.5	(0.6)	9.9	21.4	21.5	19.6	13.6	14.6	13.0	20.3	18.9	17.6	3.5	3.7	4.0	100.2	91.0	93.0	410	(3.1)	0.7
GAIL (India)	398	BUY	505,426	9,890	1,268	28.2	31.8	33.8	13.8	12.8	6.5	14.1	12.5	11.8	8.9	9.0	8.1	2.4	2.1	1.8	1.9	2.1	2.4	17.5	17.1	15.8	535	34.3	8.4
GSPL	91	SELL	51,082	1,000	563	8.9	9.1	8.6	21.7	2.1	(5.2)	10.2	10.0	10.5	6.6	6.1	6.1	2.3	1.9	1.6	1.1	2.0	2.8	25.2	20.4	16.6	93	2.4	2.4
Hindustan Petroleum	292	RS	98,923	1,936	339	40.8	14.0	28.7	(20.8)	(65.8)	105.7	7.1	20.9	10.2	3.2	4.7	3.4	0.6	0.6	0.6	4.8	1.5	3.0	9.0	2.8	5.6	—	—	5.9
Indian Oil Corporation	268	RS	649,962	12,718	2,428	32.4	14.7	33.0	(34.0)	(54.8)	125.1	8.3	18.3	8.1	8.1	8.9	6.0	1.1	1.1	1.0	3.5	1.8	3.7	13.3	5.6	11.9	—	—	3.5
Oil India	1,143	BUY	274,786	5,377	240	120.0	156.3	186.6	4.2	30.3	19.4	9.5	7.3	6.1	4.4	2.5	1.9	1.6	1.4	1.2	3.3	4.1	5.0	16.2	18.5	19.2	1,720	50.5	1.9
Oil & Natural Gas Corporation	268	BUY	2,293,734	44,883	8,556	24.7	34.4	37.9	7.4	39.5	10.2	10.9	7.8	7.1	4.1	3.3	2.7	1.6	1.4	1.2	3.3	4.1	4.5	14.3	17.6	17.1	355	32.4	21.8
Petronet LNG	165	SELL	123,563	2,418	750	8.1	13.3	12.8	50.3	64.1	(3.5)	20.3	12.4	12.8	11.7	8.5	8.8	4.1	3.3	2.6	1.2	1.8	1.8	20.9	28.1	21.9	135	(18.1)	7.7
Reliance Industries	812	BUY	2,420,721	47,368	2,981	62.0	69.6	74.0	24.8	12.3	6.2	13.1	11.7	11.0	7.2	6.0	5.5	1.5	1.3	1.2	1.0	1.1	1.2	13.0	13.2	12.5	1,000	23.1	87.6
Energy	Attractive		7,343,798	143,700					11.6	12.8	16.7	10.9	9.7	8.3	6.1	5.2	4.3	1.5	1.4	1.2	2.1	2.4	3.1	13.8	13.9	14.6			
Industrials																													
ABB	619	SELL	131,118	2,566	212	3.0	11.7	22.7	(82.2)	291.5	94.5	207.4	53.0	27.2	149.3	35.1	17.7	5.4	5.1	4.4	0.3	0.5	0.5	2.6	9.9	17.3	515	(16.8)	1.8
BGR Energy Systems	271	REDUCE	19,524	382	72	44.8	34.8	27.8	60.0	(22.2)	(20.2)	6.0	7.8	9.7	4.2	5.1	4.7	2.1	1.7	1.5	3.7	2.6	2.1	39.0	24.0	16.4	300	10.9	4.7
Bharat Electronics	1,506	ADD	120,472	2,357	80	107.3	127.2	134.5	11.6	18.6	5.7	14.0	11.8	11.2	6.1	5.6	4.3	2.3	2.0	1.8	1.4	1.7	1.7	18.2	18.3	16.9	1,850	22.9	0.8
Bharat Heavy Electricals	283	REDUCE	691,814	13,537	2,448	24.6	25.0	25.4	39.7	1.9	1.4	11.5	11.3	11.1	7.5	7.5	7.1	3.4	2.8	2.4	2.2	1.9	1.9	33.3	27.3	22.9	310	9.7	22.3
Crompton Greaves	132	ADD	84,838	1,660	642	14.3	9.3	11.2	11.5	(34.8)	20.1	9.2	14.2	11.8	5.9	8.5	6.8	2.6	2.2	1.9	1.8	1.1	1.2	31.7	17.0	17.7	160	21.0	6.6
Larsen & Toubro	1,310	REDUCE	797,776	15,611	609	67.7	77.5	86.7	18.1	14.5	11.9	19.4	16.9	15.1	14.2	11.1	10.2	3.0	2.5	2.2	1.1	1.1	1.1	17.0	16.2	15.4	1,360	3.8	69.5
Maharashtra Seamless	336	BUY	23,723	464	71	46.1	41.6	46.7	19.3	(9.7)	12.3	7.3	8.1	7.2	3.8	3.8	3.1	0.9	0.9	0.8	2.5	2.5	2.8	13.3	11.1	11.5	460	36.8	0.4
Siemens	723	SELL	246,186	4,817	340	25.5	27.2	30.5	13.6	6.6	12.1	28.4	26.6	23.7	19.5	16.7	14.9	6.3	5.3	4.5	0.7	0.8	0.8	24.2	21.7	20.7	640	(11.5)	3.0
Suzlon Energy	24	REDUCE	41,544	813	146	(6.0)	1.9	3.8	(4.6)	(132.4)	96.6	(4.0)	12.2	6.2	16.7	6.1	5.1	0.6	0.6	0.5	—	0.8	0.8	(15.8)	4.9	9.2	40	68.1	12.7
Tecpro Systems	179	ADD	9,052	177	50	27.0	29.9	31.5	24.2	10.7	5.3	6.6	6.0	5.7	4.5	5.0	4.												



## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

	2-Dec-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target		ADVT-3mo	
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	price (Rs)	Upside (%)	(US\$ mn)	
Media																														
DB Corp	209	BUY	38,296	749	183	14.1	11.6	14.2	32.7	(18.0)	22.9	14.8	18.1	14.7	9.6	10.6	8.7	4.6	4.2	3.8	1.9	2.9	3.8	35.0	24.4	27.2	320	53.1	0.1	
DishTV	68	BUY	72,603	1,421	1,063	(1.8)	(0.2)	1.1	(27.7)	(89.8)	(733.5)	(38.3)	(376.6)	59.5	33.6	14.1	10.5	115.7	167.0	43.8	—	—	—	(81.9)	(36.3)	116.8	90	31.8	5.3	
Eros International	230	REDUCE	22,291	436	97	11.8	15.6	19.6	19.0	32.7	25.6	19.5	14.7	11.7	13.6	10.3	7.5	3.3	2.7	2.1	—	—	—	24.9	20.1	20.3	270	17.4	2.6	
Hindustan Media Ventures	127	BUY	9,306	182	73	7.3	10.1	12.2	198.0	39.0	20.6	17.4	12.5	10.4	8.2	7.0	5.2	2.4	2.1	1.8	0.8	0.8	1.6	23.3	17.9	18.4	220	73.5	0.1	
HT Media	124	ADD	29,046	568	235	7.6	8.5	10.4	24.8	11.7	22.2	16.2	14.5	11.9	7.3	6.2	4.8	2.1	1.9	1.8	1.6	3.2	4.9	14.9	13.8	15.9	190	53.7	0.2	
Jagran Prakashan	103	BUY	32,526	636	316	6.8	6.7	8.0	16.7	(1.4)	18.7	15.1	15.3	12.9	9.0	8.8	7.4	4.6	4.1	3.8	3.4	3.4	4.9	32.8	28.5	30.8	160	55.6	0.2	
Sun TV Network	282	BUY	110,973	2,171	394	19.5	20.0	23.8	48.1	2.5	18.9	14.4	14.1	11.8	8.7	8.2	7.0	4.6	4.0	3.6	3.1	3.6	5.0	36.5	32.1	33.8	400	42.0	6.3	
Zee Entertainment Enterprises	127	BUY	124,154	2,429	978	5.8	6.2	7.7	10.0	6.4	23.3	21.7	20.4	16.5	14.6	13.5	10.7	2.9	2.8	2.7	1.1	1.0	1.2	14.2	14.3	16.9	160	26.1	3.2	
Media		Neutral	439,196	8,594					50.8	13.0	27.8	22.3	19.7	15.4	11.9	10.3	8.3	4.1	3.8	3.4	1.6	1.9	2.7	18.4	19.1	22.2				
Metals & Mining																														
Coal India	335	ADD	2,113,771	41,361	6,316	17.3	22.9	27.4	13.6	32.1	20.0	19.3	14.6	12.2	11.3	8.5	7.2	6.0	4.8	3.8	1.2	2.0	2.5	35.1	36.5	34.9	380	13.6	31.9	
Hindalco Industries	135	ADD	259,277	5,073	1,915	12.8	15.4	16.0	(36.0)	20.6	4.1	10.6	8.8	8.4	5.9	6.8	6.4	0.9	0.8	0.8	1.1	1.1	1.1	9.7	9.7	9.3	150	10.8	25.8	
Hindustan Zinc	126	ADD	531,928	10,409	4,225	11.6	12.8	14.2	21.8	9.5	11.3	10.8	9.9	8.9	7.0	5.9	4.3	2.4	2.0	1.7	0.8	2.0	2.0	24.3	22.0	20.7	145	15.2	1.9	
Jindal Steel and Power	534	REDUCE	498,589	9,756	994	40.2	41.5	47.9	5.1	3.3	15.5	13.3	12.9	11.1	9.9	9.2	8.4	3.5	2.8	2.3	0.3	0.3	0.3	30.9	24.5	22.6	565	5.9	23.3	
JSW Steel	637	SELL	143,906	2,816	226	78.6	25.4	104.3	(2.2)	(67.7)	310.5	8.1	25.1	6.1	6.2	6.8	5.9	0.9	0.9	0.8	1.9	1.6	1.6	13.6	10.3	13.2	600	(5.8)	32.7	
National Aluminium Co.	55	SELL	141,104	2,761	2,577	4.2	3.5	3.9	36.4	(16.7)	13.1	13.2	15.8	14.0	5.6	6.7	5.6	1.3	1.2	1.2	2.7	2.7	2.7	9.9	7.8	8.5	55	0.5	0.3	
Sesa Goa	190	REDUCE	170,216	3,331	895	47.0	39.3	39.4	59.8	(16.4)	0.2	4.1	4.8	4.8	3.3	4.0	3.2	1.3	1.1	0.9	2.1	2.1	2.2	36.8	19.5	17.6	215	13.0	13.8	
Sterlite Industries	109	BUY	367,883	7,199	3,361	15.2	13.2	15.2	26.2	(12.9)	15.2	7.2	8.3	7.2	4.5	3.8	3.0	0.9	0.8	0.7	1.0	1.2	1.2	13.0	10.2	10.7	155	41.6	16.5	
Tata Steel	419	BUY	407,118	7,966	971	75.3	47.5	68.1	(2,258.1)	(36.9)	43.2	5.6	8.8	6.2	5.6	6.8	5.3	1.1	1.0	0.9	2.8	2.8	2.8	24.7	10.4	15.0	590	40.8	49.6	
Metals & Mining		Cautious	4,633,792	90,672					39.1	1.2	18.1	11.2	11.1	9.4	7.1	6.8	5.7	2.1	1.8	1.6	1.3	1.8	2.0	19.0	16.7	17.0				
Pharmaceutical																														
Apollo Hospitals	669	ADD	92,874	1,817	139	13.2	17.1	21.2	21.0	29.3	24.0	50.5	39.1	31.5	22.8	17.2	14.7	4.8	3.7	3.2	—	—	—	9.8	10.3	10.5	650	(2.8)	1.8	
Biocon	324	BUY	64,840	1,269	200	18.4	17.6	20.2	23.9	(4.1)	14.3	17.6	18.4	16.1	10.1	10.3	9.0	3.1	2.9	2.5	—	—	—	19.4	16.4	16.7	445	37.3	1.5	
Cipla	331	REDUCE	265,767	5,200	803	12.3	14.8	17.1	(10.0)	20.4	15.0	26.9	22.3	19.4	23.3	16.4	13.3	4.0	3.5	3.1	0.8	0.9	1.1	15.4	16.4	17.0	310	(6.3)	8.9	
Cadila Healthcare	700	REDUCE	143,334	2,805	205	34.7	38.2	45.1	40.6	9.9	18.2	20.2	18.3	15.5	17.6	15.0	11.8	6.6	5.2	4.2	0.9	1.0	1.2	37.5	31.7	29.0	860	22.8	1.3	
Dishman Pharma & chemicals	44	REDUCE	3,538	69	81	9.8	6.3	8.7	(31.8)	(36.1)	38.3	4.4	6.9	5.0	7.3	6.6	5.6	0.4	0.4	0.4	—	—	—	9.6	5.7	7.5	55	26.4	0.1	
Divi's Laboratories	764	ADD	101,299	1,982	133	32.4	36.5	45.3	25.7	12.9	23.9	23.6	20.9	16.9	19.5	15.3	12.1	5.6	4.8	4.1	—	—	—	25.9	24.9	26.4	845	10.7	1.9	
Dr Reddy's Laboratories	1,577	REDUCE	268,103	5,246	170	64.9	82.8	98.9	932.5	27.5	19.4	24.3	19.0	15.9	17.1	12.8	10.6	5.8	4.6	3.7	0.7	0.8	0.9	24.8	27.1	25.8	1,660	5.2	10.3	
GlaxoSmithkline Pharmaceuticals (a)	1,926	SELL	163,113	3,192	85	68.3	75.5	83.3	15.5	10.6	10.3	28.2	25.5	23.1	18.5	17.7	15.4	8.4	8.6	8.0	2.1	2.6	3.0	30.9	33.2	35.7	1,930	0.2	1.1	
Glenmark Pharmaceuticals	318	ADD	85,965	1,682	270	17.0	24.7	23.3	33.6	45.8	(5.6)	18.7	12.9	13.6	20.8	15.1	11.4	4.2	3.2	2.6	—	—	—	20.6	28.4	21.3	395	24.3	3.8	
Jubilant Life Sciences	180	REDUCE	28,642	560	159	14.4	19.3	26.4	(45.6)	34.0	36.8	12.5	9.3	6.8	10.5	7.1	6.7	1.3	1.2	1.0	1.1	1.1	1.7	12.3	17.7	16.0	210	16.8	0.7	
Lupin	470	ADD	210,673	4,122	448	19.2	21.0	26.2	25.6	9.2	24.8	24.4	22.4	17.9	20.5	18.5	13.4	6.3	5.1	4.2	0.6	0.7	1.0	29.5	25.7	26.1	530	12.8	7.7	
Ranbaxy Laboratories	442	SELL	187,142	3,662	423	40.6	11.5	20.6	474.9	(71.8)	80.2	10.9	38.6	21.4	13.4	25.0	18.3	3.3	3.2	2.8	—	—	—	34.5	8.5	13.9	435	(1.7)	8.0	
Sun Pharmaceuticals	533	ADD	552,130	10,804	1,036	17.5	20.8	26.7	34.4	18.7	28.1	30.4	25.6	20.0	26.0	19.0	15.0	5.3	4.5	3.7	0.7	0.8	0.9	21.0	20.8	22.4	590	10.7	10.3	
Pharmaceuticals		Neutral	2,167,420	42,411					43.1	4.7	22.0	22.7	21.7	17.8	18.3	15.0	12.0	3.6	3.1	2.7	0.7	0.8	0.9	16.0	14.5	15.2				
Property																														
DLF	223	ADD	383,121	7,497	1,715	9.1	11.9	15.7	(14.5)	31.3	31.8	24.6	18.8	14.2	16.2	12.8	9.7	1.5	1.4	1.3	0.9	1.1	1.3	5.4	7.5	9.2	270	20.8	31.3	
Housing Development & Infrastructure	65	BUY	28,643	560	441	19.8	24.8	32.7	24.2	25.0	32.1	3.3	2.6	2.0	4.2	5.4	3.5	0.3	0.3	0.2	—	1.5	2.3	10.0	10.7	12.4	150	130.9	17.9	
Indiabulls Real Estate	66	RS	26,427	517	402	4.0	8.5	15.4	(1,095.5)	114.1	81.5	16.5	7.7	4.3	12.2	9.7	4.2	0.2	0.2	0.2	—	0.8	1.1	1.4	2.9	5.0	—	—	7.2	
Mahindra Life Space Developer	275	BUY	11,235	220	41	24.9	30.8	37.5	30.2	23.7	21.6	11.0	8.9	7.3	8.3	5.9	4.3	1.1	1.0	0.9	1.8	1.6	1.8	10.4	11.6	12.7	450	63.5	0.1	
Oberoi Realty	230	BUY	75,776	1,483	330	15.7	17.2	27.4	14.8	9.7	59.3	14.6	13.3	8.4	10.7	9.3	5.0	2.3	2.0	1.6	0.4	0.6	1.1	19.9	15.8	21.4	310	34.9	0.2	
Phoenix Mills	194	BUY	28,100	550	145	6.3	7.4	10.7	53.0	17.2	44.1	30.7	26.2	18.2	22.7	18.9	14.2	1.8	1.7	1.6	0.9	1.0	1.0	5.8	6.6	8.9	300	54.6	0.1	
Puravankara Projects	68	REDUCE	14,513	284	213	5.5	9.0	10.9	(18.9)	62.8	21.5	12.3	7.6	6.2	17.3	9.5	8.0	0.9	0.9	0.8	1.5	2.2	2.9	8.0	12.0	13.1	80	17.6	0.0	
Sobha Developers	238	BUY	23,320	456	98	18.8	18.9	27.4	33.8	0.5	44.9	12.6	12.6	8.7	11.2	10.3	7.1	1.2	1.1	1.0	1.3	1.5	1.7	10.2	9.5	12.6	350	47.2	0.5	
Unitech	24	RS	63,314	1,239	2,616	2.3	2.3	2.3	(23.4)	0.2	(3.0)	10.4	10.4	10.7	12.7	10.8	9.1	0.5	0.5	0.5	—	0.8	1.2	5.4	5.0	4.4	—	—	12.9	
Property		Cautious	692,451	13,550					5.3	35.7	33.9	16.2	11.9	8.9	13.0	10.3	7.4	1.0	0.9	0.8	0.8	1.1	1.4	6.1	7.6	9.3				



## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

	2-Dec-11		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	price (Rs)	(%)	(US\$ mn)
Sugar																													
Shree Renuka Sugars	33	REDUCE	22,089	432	670	10.5	1.4	0.9	214.7	(87.0)	(37.7)	3.1	24.2	38.7	6.9	6.8	6.6	0.9	0.9	0.9	3.0	3.0	3.0	34.4	3.7	2.3	55	66.9	9.8
Sugar		Cautious	22,089	432					214.7	(87.0)	(37.7)	3.1	24.2	38.7	6.9	6.8	6.6	0.9	0.9	0.9	3.0	3.0	3.0	28.3	3.7	2.3			
Technology																													
HCL Technologies	417	REDUCE	293,844	5,750	705	22.9	33.0	38.7	30.4	44.2	17.3	18.2	12.6	10.8	11.1	7.7	6.5	3.5	2.7	2.2	1.8	1.9	1.9	21.0	23.2	22.8	450	8.0	10.8
Hexaware Technologies	84	ADD	24,365	477	290	3.0	8.6	9.5	(36.8)	191.2	10.8	28.4	9.8	8.8	21.4	7.9	5.3	2.5	2.2	1.9	1.8	3.6	3.9	9.3	24.0	23.1	100	19.2	2.8
Infosys Technologies	2,694	BUY	1,546,442	30,260	574	119.7	145.6	175.0	10.5	21.6	20.2	22.5	18.5	15.4	15.3	12.4	9.9	6.0	4.9	4.1	2.2	1.7	2.1	28.0	29.2	29.2	3,300	22.5	79.8
Mahindra Satyam	70	REDUCE	82,438	1,613	1,176	4.2	7.5	8.1	68.9	79.5	7.0	16.7	9.3	8.7	12.1	5.4	3.9	4.8	3.2	2.3	—	—	—	27.6	41.0	30.8	80	14.1	6.7
Mindtree	411	ADD	16,894	331	41	24.7	44.3	51.2	(52.7)	79.6	15.5	16.6	9.3	8.0	9.3	6.1	4.5	2.2	1.8	1.6	0.6	1.1	3.7	14.4	21.3	21.0	500	21.8	0.5
Mphasis BFL	315	SELL	66,430	1,300	211	51.8	39.0	34.6	18.8	(24.6)	(11.4)	6.1	8.1	9.1	5.1	6.7	6.0	2.0	1.7	1.5	1.3	1.4	1.6	38.6	22.8	17.3	310	(1.7)	1.9
Polaris Software Lab	126	REDUCE	12,572	246	100	19.3	20.8	23.2	25.7	7.8	11.3	6.5	6.1	5.4	3.5	2.4	1.7	1.2	1.0	0.9	2.9	3.1	3.3	20.2	18.4	17.6	145	15.0	1.7
TCS	1,178	BUY	2,305,582	45,115	1,957	44.5	54.5	66.6	26.8	22.4	22.1	26.5	21.6	17.7	20.0	15.4	12.4	9.1	7.5	6.1	1.5	1.9	2.3	37.8	38.0	37.9	1,260	7.0	41.6
Tech Mahindra	578	SELL	72,841	1,425	126	48.0	75.2	80.0	(26.3)	56.5	6.5	12.0	7.7	7.2	8.2	8.8	7.2	2.2	1.9	1.7	0.7	0.7	1.7	20.2	27.2	25.3	600	3.8	2.8
Wipro	392	ADD	961,477	18,814	2,454	21.6	22.6	26.4	14.5	4.7	16.9	18.1	17.3	14.8	13.4	11.6	9.8	4.0	3.4	2.9	1.1	1.2	1.5	24.3	21.2	21.0	410	4.6	12.9
Technology		Attractive	5,443,078	106,508					17.0	19.3	18.2	21.2	17.8	15.0	15.3	12.3	10.0	5.6	4.6	3.8	1.8	1.7	2.0	26.2	25.9	25.5			
Telecom																													
Bharti Airtel	391	ADD	1,483,343	29,025	3,798	15.9	15.6	26.3	(32.6)	(1.8)	68.3	24.5	25.0	14.8	10.5	8.4	6.4	3.0	2.7	2.3	—	—	—	13.3	11.5	16.7	445	13.9	44.0
IDEA	97	ADD	320,255	6,267	3,303	2.7	2.3	5.0	(0.5)	(16.9)	120.0	35.6	42.9	19.5	11.3	8.7	6.6	2.6	2.5	2.2	—	—	—	7.6	5.9	11.9	115	18.6	13.1
MTNL	27	SELL	17,168	336	630	(10.4)	(9.1)	(8.4)	(33.7)	(11.9)	(8.1)	(2.6)	(3.0)	(3.2)	1.3	1.7	2.1	0.2	0.2	0.2	—	—	—	(6.1)	(5.7)	(5.5)	30	10.1	0.4
Reliance Communications	77	SELL	159,650	3,124	2,064	6.5	4.1	4.0	(71.1)	(37.8)	(0.4)	11.9	19.1	19.2	5.9	7.0	5.9	0.4	0.4	0.4	—	—	—	3.2	2.0	2.0	80	3.4	15.3
Tata Communications	197	REDUCE	56,088	1,098	285	(24.9)	(27.6)	(32.0)	(13.0)	11.0	15.8	(7.9)	(7.1)	(6.1)	10.8	8.3	7.9	1.6	2.2	4.1	—	—	—	(17.5)	(25.8)	(46.7)	200	1.6	0.8
Telecom		Cautious	2,036,503	39,849					(45.8)	(10.9)	79.1	29.4	33.1	18.5	9.6	8.3	6.4	1.8	1.7	1.5	—	—	—	6.0	5.1	8.3			
Utilities																													
Adani Power	73	REDUCE	175,661	3,437	2,393	2.4	6.0	12.3	200.7	154.3	105.5	31.2	12.3	6.0	33.9	12.9	5.4	2.8	2.1	1.6	—	—	—	8.5	19.7	30.2	81	10.4	1.2
CESC	260	BUY	32,533	637	125	39.1	37.8	41.4	13.1	(3.4)	9.5	6.7	6.9	6.3	4.6	6.0	6.1	0.7	0.6	0.6	1.5	1.8	1.9	10.8	9.6	9.6	400	53.6	1.0
JSW Energy	45	REDUCE	73,636	1,441	1,640	5.1	3.1	3.4	12.9	(40.6)	12.6	8.7	14.7	13.1	10.7	10.8	6.7	1.3	1.2	1.1	(2.2)	—	—	16.1	8.5	8.8	53	18.0	1.1
Lanco Infratech	13	BUY	27,899	546	2,223	1.6	1.9	2.6	(22.6)	14.7	36.9	7.6	6.6	4.8	9.9	10.2	7.2	0.6	0.5	0.5	—	—	—	9.2	8.4	10.3	39	210.8	3.6
NHPC	23	ADD	281,072	5,500	12,301	1.3	2.1	2.2	(27.2)	52.4	5.4	16.9	11.1	10.5	12.1	9.1	8.0	1.1	1.0	0.9	2.6	2.5	2.6	6.4	9.2	9.1	29	26.9	2.0
NTPC	173	REDUCE	1,425,229	27,888	8,245	10.9	11.5	12.7	4.2	5.2	10.2	15.8	15.0	13.6	12.0	12.4	10.9	2.1	1.9	1.7	2.2	2.0	2.2	13.6	13.2	13.3	180	4.1	8.5
Reliance Infrastructure	413	BUY	109,642	2,145	265	58.0	57.2	76.8	(6.5)	(1.4)	34.2	7.1	7.2	5.4	10.0	6.5	6.1	0.5	0.4	0.4	1.7	2.5	2.7	6.8	10.3	9.0	920	122.5	14.3
Reliance Power	90	SELL	252,882	4,948	2,805	2.7	2.7	3.2	(0.2)	(1.9)	18.6	33.3	33.9	28.6	134.0	50.9	23.5	1.5	1.4	1.4	—	—	—	4.9	4.3	4.9	87	(3.5)	6.8
Tata Power	98	BUY	240,910	4,714	2,468	7.6	7.1	8.2	21.5	(6.5)	14.1	12.8	13.7	12.0	10.4	8.3	8.6	1.6	1.5	1.4	1.4	1.5	1.7	13.8	11.6	12.1	125	28.1	8.5
Utilities		Cautious	2,619,464	51,257					4.3	10.4	20.1	15.3	13.9	11.6	13.1	11.2	9.1	1.5	1.4	1.3	1.6	1.6	1.8	9.9	10.1	11.1			
Others																													
Carborundum Universal	156	ADD	29,219	572	187	9.1	11.3	12.8	67.7	24.1	12.8	17.1	13.8	12.2	12.3	8.6	7.6	3.4	2.8	2.4	1.2	1.5	1.7	20.7	22.3	21.3	180	15.2	0.1
Havells India	426	ADD	53,092	1,039	125	24.5	27.5	30.5	334.1	12.0	10.8	17.3	15.5	14.0	11.2	10.0	8.6	7.5	5.4	4.0	0.6	0.6	0.7	53.9	40.4	32.8	450	5.8	2.4
Jaiprakash Associates	67	BUY	143,110	2,800	2,126	6.0	6.4	6.9	230.2	5.9	7.6	11.2	10.6	9.8	11.6	8.6	7.6	1.3	1.2	1.1	—	—	—	13.3	12.0	11.7	105	56.0	26.1
Jet Airways	259	BUY	22,398	438	86	(10.1)	(69.1)	7.0	(91.0)	588	(110.1)	(25.8)	(3.8)	37.2	9.7	11.7	7.5	1.4	2.2	2.1	—	—	—	(5.0)	—	—	500	92.7	8.6
SpiceJet	22	BUY	9,732	190	441	2.5	(5.4)	3.0	(1.8)	(317.9)	(154.4)	8.8	(4.1)	7.5	12.9	(9.2)	9.7	3.0	6.6	3.5	—	—	—	(961)	(102.5)	61.4	50	126.8	1.4
Tata Chemicals	353	REDUCE	89,891	1,759	255	26.2	32.9	38.8	(0.7)	25.4	17.9	13.4	10.7	9.1	7.9	5.6	4.8	1.6	1.5	1.3	2.8	3.4	4.3	16.9	18.6	19.5	365	3.4	2.2
United Phosphorus	137	BUY	63,360	1,240	462	12.3	15.8	20.0	3.9	28.3	26.3	11.1	8.7	6.9	6.8	4.7	3.9	1.7	1.5	1.3	1.5	2.2	2.6	18.0	18.3	19.9	220	60.3	3.3
Others			410,801	8,038					233.8	(6.8)	58.1	14.5	15.5	9.8	10.2	8.3	6.8	1.8	1.6	1.4	1.0	1.3	1.5	12.1	10.4	14.4			
KS universe (b)			43,955,348	860,099					18.5	10.2	21.1	15.0	13.6	11.2	9.7	8.5	7.1	2.3	2.0	1.8	1.6	1.7	2.0	15.4	15.0	16.0			
KS universe (b) ex-Energy			36,611,550	716,399					20.7	9.4	22.4	16.2	14.8	12.1	11.4	10.0	8.2	2.6	2.3	2.0	1.5	1.6	1.8	16.0	15.4	16.5			
KS universe (d) ex-Energy & ex-Commodities			30,860,412	603,863					19.3	10.9	23.5	17.3	15.6	12.6	12.9	11.0	9.0	2.7	2.4	2.1	1.5	1.5	1.8	15.5	15.2	16.4			

Notes:

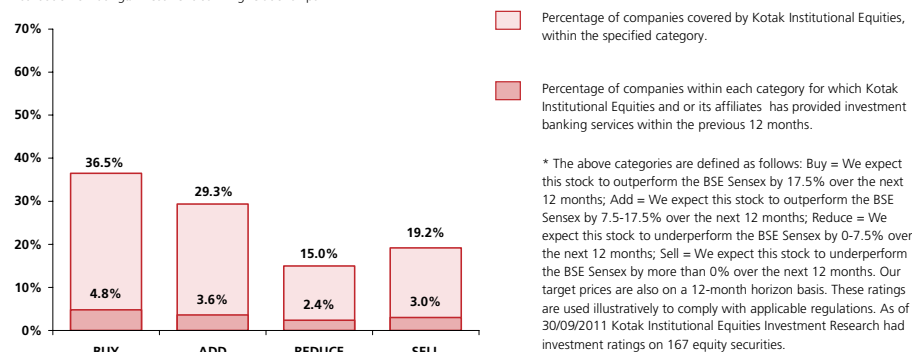
(a) For banks we have used adjusted book values.

(b) 2010 means calendar year 2009, similarly for 2011 and 2012 for these particular companies.

(c) EV/Sales &amp; EV/EBIT

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As of September 30, 2011

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

**REDUCE.** We expect this stock to deliver 0-7.5% returns over the next 12 months.

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