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News Roundup

Corporate

- Anil Ambani's Reliance Power Ltd., which raised Rs 11,560 crore in India's biggest initial public offering, closed at a discount of 17% on debut. The stock had a volatile run on the market on Monday—opening at a 27.4% premium at Rs 548 and closing at Rs 373.95 on the Bombay Stock Exchange, as a global equities meltdown forced investors away from equities across markets. (BS)
- Bangalore-based Biocon, the Rs 1,000-crore biotechnology company, has acquired a 70% stake in Germany-based pharmaceutical distribution company AxiCorp for Rs 174 crore (\$30 million). (BS)
- Firming up his plans to offer telephony over the WiMax platform, Anil Ambani has acquired a 10% stake in Sequans Communications, a French WiMax chip manufacturer. (BS)

Economic and political

- Two of the India's largest banks, State Bank of India (SBI) and Canara Bank, cut their benchmark prime lending rate by 25 basis points to stoke demand for credit, which has slowed more than seven percentage points over the financial year so far. (BS)
- The finance ministry has said the exemption from securities transaction tax should not be provided in the case of International Financial Service Centers. Income tax benefits available to offshore banking units in IFSCs should be withdrawn, the ministry said. (ET)
- The Department of Telecommunications has mooted a proposal for increasing additional spectrum charges and has also suggested slashing of one-time fixed spectrum charges. The spectrum charges under the new proposal are lower than the earlier suggestions of the Telecom Regulatory Authority of India. (BS)
- The party may soon be over for investors coming into India from Cyprus. The double taxation avoidance agreement between the two countries is all set to lose the capital gains tax exemption benefit. Now, both individuals and companies of Cyprus would have to pay capital gains tax at the rate of 10%. (ET)

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

EQUITY MARKETS

	Change, %			
	11-Feb	1-day	1-mo	3-mo
India				
Sensex	16,631	(4.8)	(20.1)	(12.0)
Nifty	4,857	(5.1)	(21.7)	(14.2)
Global/Regional indices				
Dow Jones	12,182	(0.5)	(3.4)	(6.6)
Nasdaq Composite	2,305	0.5	(5.5)	(12.3)
FTSE	5,768	(0.3)	(7.0)	(8.5)
Nikkie	13,017	(1.4)	(7.8)	(16.5)
Hang Seng	22,616	(3.6)	(16.8)	(23.9)
KOSPI	1,641	(3.3)	(12.0)	(20.1)
Value traded - India				
		Moving avg, Rs bn		
	11-Feb	1-mo	3-mo	
Cash (NSE+BSE)	198.0	233.6	117.5	
Derivatives (NSE)	394.2	843.6	544	
Deri. open interest	702.8	1,286	938	

Forex/money market

	Change, basis points			
	11-Feb	1-day	1-mo	3-mo
Rs/US\$	39.7	5	39	34
6mo fwd prem, %	0.7	(25)	71	24
10yr govt bond, %	7.5	(3)	(21)	(48)

Net investment (US\$m)

	7-Feb	MTD	CYTD
FIs	(42)	1,249	(4,271)
MFs	(20)	(69)	1,923

Top movers -3mo basis

	Change, %			
	11-Feb	1-day	1-mo	3-mo
Best performers				
Rashtriya Chem	84	(5.0)	(27.7)	44.9
Punjab Tractors	236	(8.8)	(28.5)	24.0
Thomas Cook	69	(4.5)	(29.6)	21.7
BPCL	417	(4.7)	(4.2)	17.4
Apollo Tyres	43	(7.5)	(14.1)	16.1
Worst performers				
MRF	4,497	(4.1)	(29.0)	(42.4)
Moser Baer	174	(8.1)	(39.9)	(36.0)
Titan Inds	1,024	(3.5)	(34.7)	(35.4)
Arvind Mills	46	(8.8)	(38.8)	(34.1)
Thermax	588	(2.2)	(24.4)	(32.9)

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Strategy

Sector coverage view

N/A

Too risky given very high volatility

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- **Closing all trades due to high volatility and large movement in stock prices**
- **Trade 1: Long Ranbaxy, short Glenmark—gross return +8.5%**
- **Trade 2: Long Sterlite, short NALCO—gross return -4.9%**
- **Trade 3: Long Hindalco and Sesa Goa, short Tata Steel—gross return -10.3%**

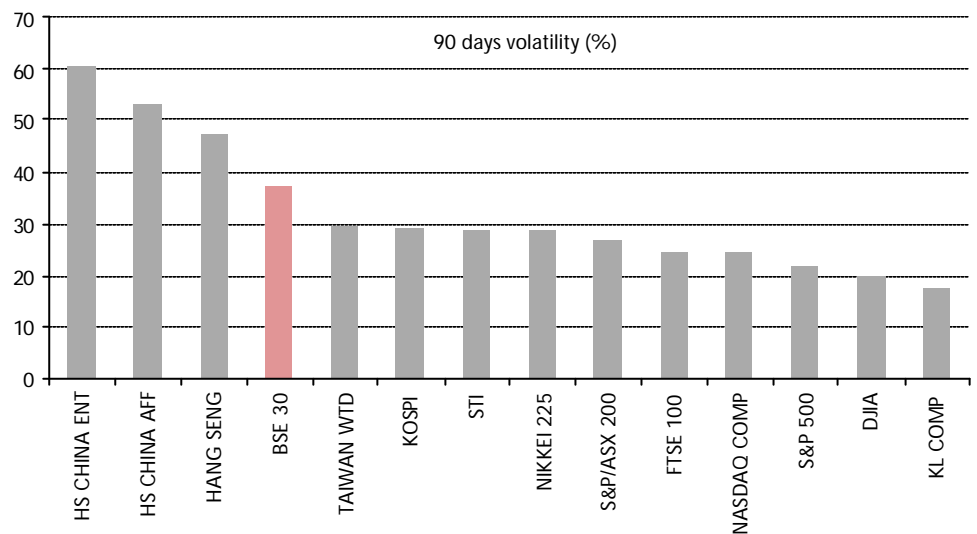
Closing all trades due to high volatility and large movement in stock prices

We are closing all our trades owing to high volatility and large movement in stock prices irrespective of fundamentals and drivers. We note that risk-to-reward ratio has significantly increased with BSE-30 Index being one of the most volatile markets (90 days volatility) among regional indices (see Exhibit 1).

We are closing our Long Ranbaxy, Short Glenmark with a gross positive return of 8.5%, Long Sterlite, Short NALCO with a gross negative return of 4.9% and Long Hindalco and Sesa Goa, Short Tata Steel with a gross negative return of 10.3%.

Exhibit 1: BSE-30 Index is one of the most volatile market over past 3 months

Annualized standard deviation/volatility of returns over past 90 days (%)



Source: Bloomberg.

Exhibit 2: Alpha-Bet trades

Statistics of trades, current price, initiation price, gross expected/actual return

	Stock	Current price (Rs)	Initiation price (Rs)	Return (%)
Closed trades (10 January-11 February 2008)				
Long	Ranbaxy	366	398	(8.2)
Short	Glenmark	449	538	(16.7)
Return (%)				8.5
Closed trades (10 January-11 February 2008)				
Long	Sterlite	700	1,015	(31.1)
Short	NALCO	354	479	(26.1)
Return (%)				(4.9)
Closed trades (14 November 2007-11 February 2008)				
Long	Hindalco Industries	153	218	(29.7)
Long	Sesa Goa	2,849	3,636	(21.6)
Short	Tata Steel	726	858	(15.4)
Return (%)				(10.3)
Closed trades (10 January-23 January 2008)				
Long	HPCL	256	333	(23.2)
Short	IOCL	452	684	(33.9)
Return (%)				10.7
Closed trades (14 November-31 December 2007)				
Long	IVRCL	554	511	8.5
Long	Nagarjuna Construction Co.	353	292	20.8
Short	Siemens	1,893	1,881	0.7
Return (%)				14.0
Closed trades (14 November-29 November 2007)				
Long	Bharti Airtel	916	860	6.5
Short	Reliance Communications	665	725	(8.2)
Return (%)				14.7
Closed trades (14 November-29 November 2007)				
Long	HCL Tech.	313	302	3.9
Short	ZEEL	282	313	(9.9)
Return (%)				13.8

Source: Bloomberg, Kotak Institutional Equities estimates.

Banking**ICBK.BO, Rs1036**

Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	1,200
52W High -Low (Rs)	1465 - 791
Market Cap (Rs bn)	1,145

Financials

March y/e	2007	2008E	2009E
Sales (Rs bn)	134.5	166.5	220.7
Net Profit (Rs bn)	31.1	38.1	50.5
EPS (Rs)	34.6	36.7	45.7
EPS <i>gth</i>	5.6	6.2	24.3
P/E (x)	29.9	28.2	22.7
P/B (x)	4.7	2.3	2.3
Div yield (%)	0.8	0.8	1.1

Shareholding, September 2007

	% of		Over/(under)
	Pattern	Portfolio	weight
Promoters	-	-	-
FIs	70.2	9.6	6.6
MFs	5.2	4.4	1.4
UTI	-	-	(3.0)
LIC	7.3	5.6	2.6

ICICI Bank: Concerns relating to personal loan portfolio overdone, correction provides buying opportunity

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- **We believe the price correction over the past month is overdone and likely reflects concerns on unsecured retail loan portfolio**
- **Valuation adjusted for write-off of unsecured loans is attractive at 14.6X PER and 1.5X PBR FY2009 (standalone)**
- **We recommend investors buy into current weakness**

ICICI Bank stock has corrected 28% and under-performed the market by 7% over the past month. We believe this fall was led not just by the decline in the stock market but also concerns relating to its sub-prime portfolio. We remain positive on ICICI Bank, and believe the bank will benefit in a falling rate environment. The stock trades at 14.6X PER and 1.5X PBR FY2009 (standalone). Adjusted for the sub-prime losses (domestic market), the stock trades at 1.6X PBR FY2009, and we recommend investors buy into current weakness.

Personal loan losses concerns overdone: ICICI Bank has been booking losses on its sub-prime loan book (domestic market) over the past few quarters. The outstanding loan in this category now stands at Rs15 bn, down from Rs50 bn at its peak. Given the high losses, the company has exited this business and has been selling down these loans. Given the nature of the loss, we focus on the hit to its book value rather than the earnings. Our book value estimate for FY2008 for ICICI Bank standalone will stand reduced to Rs362- Rs369 per share {assuming write-off of 20% (best case) to 100% (worse case)} vis-à-vis our current estimate of Rs371.

Mark-to-market losses on CDO likely fully reflected: ICICI Bank has an exposure of Rs60bn in the international CDO market, all of which is against underlying Indian corporate paper. Over the past two quarters ICICI Bank has taken a MTM hit of Rs2.7 bn on this exposure due to the increase in spread in the international market. This loss will likely be written-back if the bank does not sell down these loans and holds these till maturity.

Beneficiary of falling interest rate: Around 53% of ICICI Bank's interest paying liabilities (in domestic market) are bulk in nature. Both, a falling interest rate environment and shift to retail deposits on the back of its branch expansion, will likely enable the bank to reduce cost of deposits more than its lending rates. ICICI Bank will likely open close to 400 new branches over the next two quarters, a 40% jump in its network.

Subsidiaries value will likely increase over time: We believe that over the next three to five years, contribution from ICICI Bank subsidiaries will likely continue to increase. The five key subsidiaries, which could add value include, ICICI Prudential Life (17% of FY2009 SOTP estimate), ICICI Lombard General Insurance (3.5%), ICICI Venture, AMC business and ICICI Securities. Other important subsidiaries include the bank in the UK and Canada and the housing finance company in India. In our estimates, contribution of all key subsidiaries to ICICI Bank SOTP stands at 36% and 40% based on FY2009 and FY2010, respectively.

ICICI Bank—impact on financials due to non-recovery of unsecured personal loans

March fiscal year-ends, 2008E

	Current estimate	Post write-off	% chg
Case I: 20% write-off of Rs15 bn of unsecured loans			
PAT (Rs mn)	38,091	36,141	(5.1)
EPS (Rs)	36.7	34.9	(5.1)
BPS (Rs)	426.5	424.6	(0.4)
EPS (ex-dividend from subs) (Rs)	32.0	30.1	(5.9)
BPS(Standalone bank) (Rs)	371.0	369.1	(0.5)
Case II: 50% write-off Rs15 bn of unsecured loans			
PAT (Rs mn)	38,091	33,216	(12.8)
EPS (Rs)	36.7	32.0	(12.8)
BPS (Rs)	426.5	421.8	(1.1)
EPS (ex-dividend from subs) (Rs)	32.0	27.3	(14.7)
BPS(Standalone bank) (Rs)	371.0	366.3	(1.3)
Case III: 100% write-off Rs15 bn of unsecured loans			
PAT (Rs mn)	38,091	28,341	(25.6)
EPS (Rs)	36.7	27.3	(25.6)
BPS (Rs)	426.5	417.1	(2.2)
EPS (ex-dividend from subs) (Rs)	32.0	22.6	(29.4)
BPS(Standalone bank) (Rs)	371.0	361.6	(2.5)

Source: Kotak Institutional Equities estimates.

Industrials**ABB.BO, Rs1259**

Rating	REDUCE
Sector coverage view	Attractive
Target Price (Rs)	1,575
52W High -Low (Rs)	1670 - 638
Market Cap (Rs bn)	266.8

Financials

December y/e	2006	2007E	2008E
Sales (Rs bn)	42.7	61.5	86.2
Net Profit (Rs bn)	3.4	5.2	7.6
EPS (Rs)	16.1	24.7	36.0
EPS <i>gth</i>	55.6	54.0	45.4
P/E (x)	78.4	50.9	35.0
EV/EBITDA (x)	47.3	30.4	20.6
Div yield (%)	0.2	0.2	0.2

Shareholding, September 2007

	% of	Over/(under)
	Pattern	Portfolio
		weight
Promoters	52.1	-
FIs	17.8	0.6
MFs	4.0	0.8
UTI	-	-
LIC	8.2	1.5

ABB: Recent stock price correction offers good entry opportunity, revise rating to ADD

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- **Recent Rs3.3 bn order may mark a revival in Power Grid ordering activity; highlight strong investment outlook in T&D infrastructure**
- **ABB had recently committed US\$100 mn capacity and range expansion program**
- **Well-positioned to leverage growth opportunities from T&D capex**
- **Recent stock price correction offers good entry opportunity; revise rating to ADD**

Power Grid has recently placed orders worth Rs3.3 bn with ABB. In our view, the ordering activity is likely to remain strong, driven by the strong investment outlook in T&D infrastructure in the XIth Plan. We reiterate our view that ABB is very well-positioned to leverage the strong sectoral opportunities led by (1) limited competition, (2) strong support of global parent, and (3) strong execution capabilities. We revise our rating to ADD (from REDUCE earlier), based on the recent stock price correction.

Recent Rs3.3 bn order marks revival in Power Grid ordering activity; highlight strong investment outlook in T&D infrastructure

Power Grid has recently placed orders worth Rs3.3 bn on ABB for turnkey substation solutions and other power equipments. The orders are expected to be executed over the next 24 months. This order marks a revival in ordering activity by PGCIL after a lull over the past few months. In our view the ordering activity is expected to remain strong, driven by the strong investment outlook in T&D infrastructure in the XIth Plan. The inter-regional transmission capacity envisaged at the end of the XIth Plan is about 37,000MW and total investments of about Rs1,400 bn are planned. We believe a significant portion of the orders are likely to be placed over the next couple of years led by (1) the need to keep pace with the enhanced generation capacity that is likely to come up by the end of the plan period, and (2) the need for improvement of national grid reliability. Regulatory reforms and government schemes like rural electrification are likely to enhance investments in distribution (expected to be over Rs2,374 bn during the XIth Plan, (Exhibits 1-3). Strong industrial capital expenditure across industries such as cement, metals, oil & gas, and petrochemicals providing opportunities for growth of both power as well as automation solutions business.

ABB is well-positioned to leverage the high-growth opportunities

We reiterate our view that ABB is very well-positioned to leverage the strong sectoral opportunities led by (1) High-end technological requirements of the products it supplies, limiting competition to a few players, and (2) Strong support of global parent (in the nature of technology and management bandwidth), (3) Opportunity to cater to demand growth in other geographies as the Indian operations offer a low-cost sourcing platform for the global entity, (4) Strong execution capabilities (average revenue growth of about 43% over the three-year period CY2004-06), and (5) likely beneficiary of an appreciating Rupee as it is a sizeable net importer of components (raw materials comprise about 75% of its revenues, of which approximately 35% is usually imported through a mix of US\$ and Euros while exports constitute only 10% of revenues, in our estimate).

ABB had recently committed US\$100 mn capacity and range expansion program

ABB had recently committed an investment program of US \$100 mn for capacity and range expansion over the next 2-3 years, to support the growth momentum in the Indian business. Expansion plans on the anvil include (a) new greenfield facilities for manufacturing low voltage products, power electronics, small power transformers and distribution automation products, (b) doubling its production capacity for high voltage (HV) breakers, instrument transformers and HT (high tension) machines, (c) expand the capacity of large power transformers to 17000 MVA, and (d) manufacturing 765 kV equipment in India, to support the country's power infrastructure needs.

Recent stock price correction offers good entry opportunity; revise rating to ADD (from REDUCE earlier)

We revise our rating to ADD (from REDUCE earlier), based on the recent stock price correction. ABB's stock price has declined 20% over the past three months and it has underperformed the Sensex by 7.1% during this period. ABB is currently trading at a P/E multiple of 35X and EV/EBITDA of 22X based on Dec '08 earnings and P/E of 27X and EV/EBITDA of 17X based on Dec '09 earnings. Our Dec '09 earnings estimates project a CAGR of 38%, 46% and 43% in revenues, EBITDA and EPS, respectively, over the three-year period CY2006-09E. We highlight that ABB has been trading at about 47% premium (average of past three years) over BHEL based on 12-month rolling forward P/E multiples (Exhibit 5). The premium had contracted to a low of 18% on the 1st of February 2008 and has regained to 43% since then (Exhibit 4).

Exhibit 1. Significant increase in inter-regional transmission capacity planned during FY2008E-12E

Inter-regional power transmission capacity (MW)

	Power transmission capacity (MW)		
	Existing	Proposed additions during FY2008E-12E	Total target
East-South	3,100	500	3,600
East-North	3,800	7,500	11,300
East-West	1,800	4,700	6,500
East-NorthEast	1,250	1,200	2,450
North-West	2,100	5,500	7,600
West-South	1,700	1,000	2,700
NorthEast-North		3,000	3,000
Total All India	13,750	23,400	37,150

Source: CEA, Kotak Institutional Equities estimates.

Exhibit 2 Total fund requirement for transmission system development during 11th Plan (Rs bn)

Central sector (Inter State Transmission System)	750
State sector (State Transmission System)	650
Total	1,400

Source: Ministry of Power, Kotak Institutional Equities estimates.

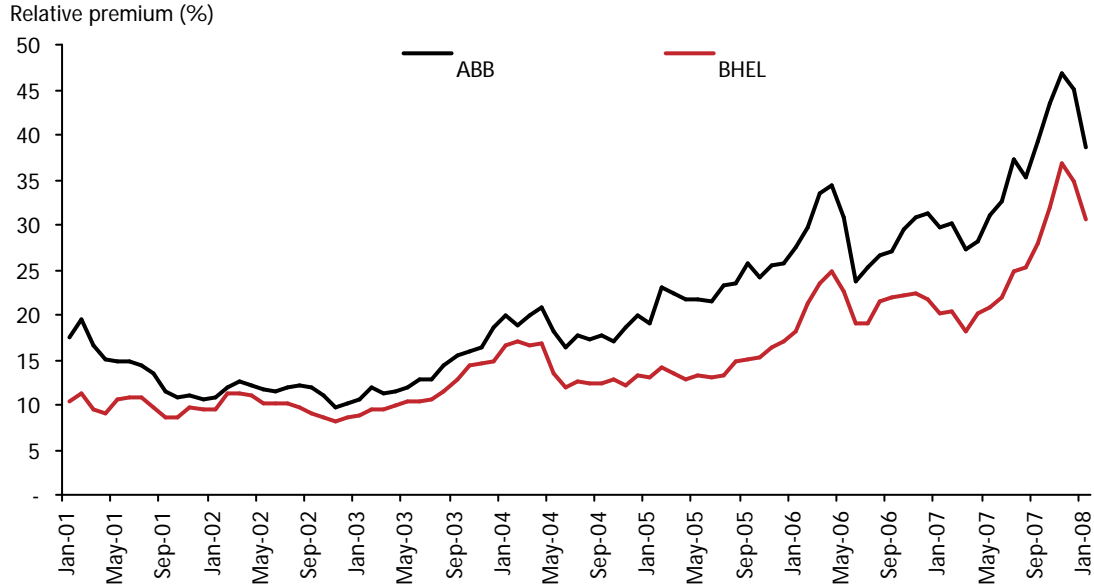
Exhibit 3. Investments required in distribution

SN	Segment	Units	Physical 2007-12E ('000s)	Financial 2007-12E (Rs bn)
I	Lines			
	(i) 33KV	Ckt Kms	150	81
	(ii) 11KV	Ckt Kms	675	203
	(iii) LV	Ckt Kms	675	152
II	Sub-Station			
	(i) 33/11 KV	MVA	130	260
	(ii) 11/0.4 KV	MVA	162	518
III	Capacitors	MVAR	16	8
IV	Service Connections to			
	(i) Domestic	Nos.	70,000	116
	(ii) Commercial	Nos.	3,500	7
	(iii) Industrial	Nos.	4,800	25
	Total (I to IV)	Nos.		1,369
V	A. Re-conductoring of Lines	Ckt Kms	3,000	610
	B. Augmentation of S/Ss	MVA	198	394
	Total (V)			1,004
	Grand Total			2,374

Source: Ministry of Power, Kotak Institutional Equities estimates.

Exhibit 4: ABB has traded at an average premium of about 47% to BHEL valuations over the past three years

P/E multiples of ABB and BHEL based on 12-month forward rolling EPS, Feb-05 to Jan-08



Source: Bloomberg, Kotak Institutional Equities.

Banking

Sector coverage view Attractive

Company	Rating	Price, Rs	
		11-Feb	Target
HDFC	REDUCE	2,638	2,450
HDFC Bank	ADD	1,410	1,500
ICICI Bank	ADD	1,036	1,200
Corp Bk	BUY	311	470
BoB	ADD	365	400
PNB	BUY	607	650
OBC	SELL	269	240
Canara Bk	REDUCE	288	250
LIC Housing	ADD	258	350
Axis Bank	REDUCE	928	850
IOB	ADD	161	150
Shriram Transf	REDUCE	385	335
SREI	BUY	190	240
MMFSL	REDUCE	308	290
Andhra	BUY	84	115
IDFC	SELL	188	150
PFC	SELL	171	150
Centurion Bank	REDUCE	48	45
Federal Bank	BUY	299	340
J&K Bank	ADD	651	850
India Infoline	ADD	1,023	1,400
Indian Bank	SELL	204	170
Union Bank	BUY	188	250

PSU banks appear to have acted on ministry advice, cut PLR

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- Some key public banks have cut their lending rates, including the benchmark PLR
- We also expect deposit rates to be reduced
- We believe banks earnings are generally more buoyant in a falling rate environment supported by higher treasury gains and lower NPLs

Some key PSU banks have cut their PLR by 25bps, while some of them have cut rates on select products like housing before their meeting with the finance minister today. This precedes any rate cut by the RBI and has not been accompanied by a similar cut in deposit rates. We believe there could be some pressure on the banks to cut lending rates given concerns relating to growth and election a year from now. We believe most banks will follow suit but with a simultaneous cut in their deposit rates. The immediate impact of cut in PLR will mean some margin pressure as the deposit repricing works with a lag. However, the repayment of high cost bulk deposits by most banks in 4QFY08 and 1QFY09 may provide cushion on margin. We believe banks earnings are generally more buoyant in a falling rate environment supported by higher treasury gains and lower NPLs. We retain our positive view on the banking sector and buy into current weakness. Our top picks are: PNB (BUY), Union Bank (BUY), Andhra Bank (BUY), Bank of Baroda (ADD), IOB (ADD), ICICI Bank (ADD), HDFC Bank (ADD), and Federal Bank (BUY).

Valuations of certain banks are attractive post the recent correction in their stock prices

Valuations of key banks, March fiscal year-ends

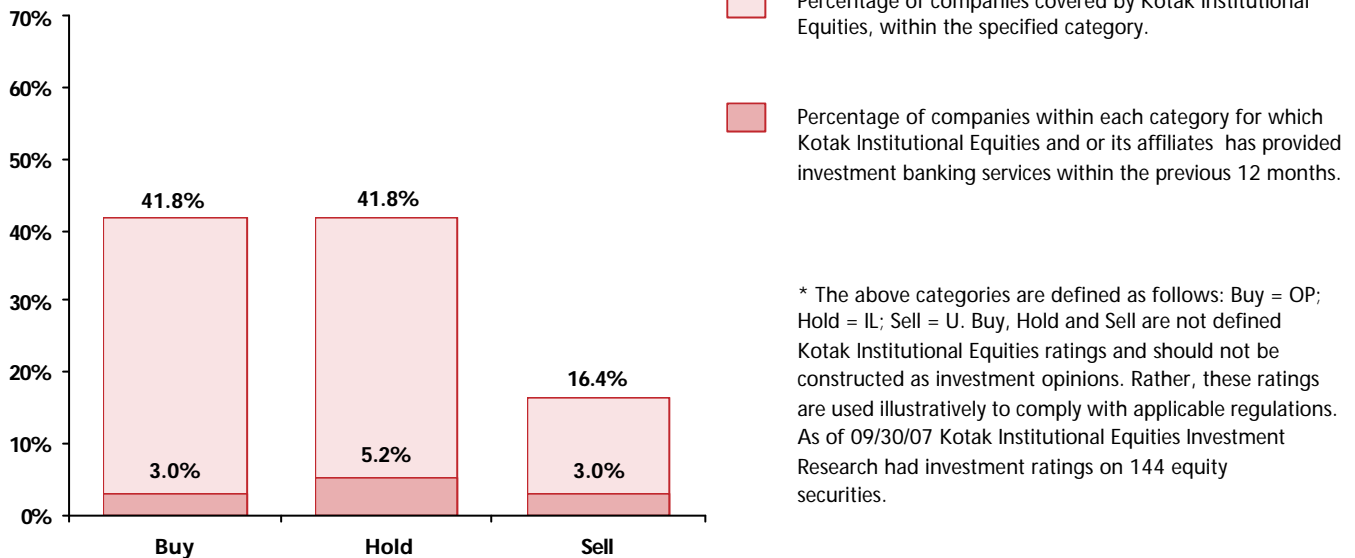
	Reco.	Traget price	Price	Market	EPS (Rs)			PER (X)			ABVPS (Rs)			APBR (X)			RoE (%)			Dividend Yield (%)		
		(Rs)	(Rs)	US \$bn	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E
Public banks																						
Andhra Bank	BUY	115	84	1.0	11.1	12.7	12.9	7.6	6.6	6.5	62	65	73	1.4	1.3	1.1	17.8	19.0	17.8	4.5	4.5	4.6
BoB	ADD	400	365	3.3	28.1	39.6	40.4	13.0	9.2	9.0	213	237	267	1.7	1.5	1.4	12.4	16.1	15.0	1.9	2.2	2.2
Canara Bank	REDUCE	250	288	3.0	34.7	38.0	30.4	8.3	7.6	9.5	173	211	239	1.7	1.4	1.2	16.3	14.6	10.9	2.1	2.3	2.4
Central Bank	ADD	130	101	1.0	15.4	15.3	15.3	6.6	6.6	6.6	52	71	82	2.0	1.4	1.2	18.3	17.8	14.5	3.0	3.0	3.0
Corporation Bank	BUY	470	311	1.1	37.4	46.9	49.3	8.3	6.6	6.3	244	274	312	1.3	1.1	1.0	15.0	17.0	16.0	2.9	3.0	3.2
Indian Bank	SELL	170	204	2.2	16.8	27.9	24.8	12.1	7.3	8.2	70	87	104	2.9	2.4	2.0	26.4	33.8	25.0	1.5	3.4	3.0
IOB	ADD	150	161	2.2	18.5	22.3	22.7	8.7	7.2	7.1	63	77	94	2.6	2.1	1.7	28.1	28.1	24.1	2.2	2.4	2.6
OBC	SELL	240	269	1.7	33.0	32.4	34.5	8.2	8.3	7.8	188	205	229	1.4	1.3	1.2	10.9	9.9	10.1	1.7	1.8	1.9
PNB	BUY	650	607	4.8	48.8	56.7	62.3	12.4	10.7	9.7	289	337	404	2.1	1.8	1.5	15.5	16.0	15.5	2.1	1.7	1.8
Union Bank	BUY	250	188	2.4	16.7	22.7	26.2	11.2	8.3	7.2	82	108	128	2.3	1.7	1.5	19.2	22.1	21.4	1.9	2.4	2.8
Old private banks																						
Federal Bank	BUY	340	299	1.3	34.2	38.5	32.1	8.7	7.8	9.3	161	227	251	1.9	1.3	1.2	21.2	14.8	13.2	1.3	1.6	2.1
J&K Bank	ADD	850	651	0.8	56.6	73.3	74.6	11.5	8.9	8.7	371	432	496	1.8	1.5	1.3	14.4	16.6	14.9	1.8	2.3	2.3
New private banks																						
Axis Bank	REDUCE	850	928	8.4	23.4	32.8	42.2	39.7	28.3	22.0	106	242	279	8.7	3.8	3.3	21.0	17.8	16.0	0.6	0.7	0.9
CBOP	REDUCE	45	48	2.3	0.8	1.0	1.5	57.2	46.1	32.9	9	11	12	5.5	4.4	3.9	11.5	10.1	12.7	0.0	0.0	0.0
HDFC Bank	ADD	1,500	1,410	12.6	35.7	48.4	64.4	39.5	29.1	21.9	201	335	385	7.0	4.2	3.7	19.5	18.3	17.9	0.5	0.7	0.9
ICICI Bank	ADD	1,200	1,036	28.6	34.6	36.7	45.7	29.9	28.2	22.7	270	427	459	3.8	2.4	2.3	13.4	10.7	10.3	1.0	0.9	1.1
ICICI standalone	ADD	768	596	16.4	29.6	32.0	40.8	20.1	18.6	14.6	225	371	391	2.6	1.6	1.5	13.4	10.7	10.7			

Source: Bloomberg, Companies, 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: Sanjeev Prasad, Tabassum Inamdar, Lokesh Garg."

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities.

As of September 30, 2007

Ratings and other definitions/identifiers

New rating system

Definitions of ratings

BUY. We expect this stock to outperform the BSE Sensex by 10% over the next 12 months.

ADD. We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months.

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

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

Old rating system

Definitions of ratings

OP = Outperform. We expect this stock to outperform the BSE Sensex over the next 12 months.

IL = In-Line. We expect this stock to perform in line with the BSE Sensex over the next 12 months.

U = Underperform. We expect this stock to underperform the BSE Sensex over the next 12 months.

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

Other definitions

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

Other ratings/identifiers

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