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Bharti Airtel: Be wary of stretched optimism

Bajaj Hindusthan: 3QFY10 lower than estimates; retain SELL

Updates

Banks/Financial Institutions: RBI discussion on new bank licenses puts industrial houses in the reckoning

News Round-up

- ▶ Reliance Industries Ltd (RIL IN) is planning to resume the sale of treasury shares held by its Petroleum Trust. The trust would be offloading around 40 mn of the 120 mn shares it holds in the next few days. *(BSTD)*
- ▶ Reliance Industries Ltd (RIL IN) plans to reopen all of its fuel stations in the country and is currently selling petrol and diesel at the same rates as state firms. *(FNLE)*
- ▶ SAIL (SAIL IN), JSW Steel (JSTL IN), JSPL (JSP IN) and RNRL (RNR IN) are in talks to form a joint venture company to buy coal assets abroad, the first such public-private partnership initiative in India for securing the vital steel-making input. *(BSTD)*
- ▶ Reliance Infra (RELI IN) eyes pact with China road developer. Jiangsu Provincial Transportation Engineering Group Company (JTEG) will hold 26% stake in JV, ADAG arm will keep the rest. *(FNLE)*
- ▶ Educomp Solutions (EDSL IN) has picked up a strategic stake in engineering test prep player Vidya Mandir Classes (VMC) for USD 7 mn. *(BSTD)*
- ▶ SCI (SCI IN) said that its board had approved a plan to sell up to 20% stake in the company. The sale will include a follow-on offer of fresh shares and a stake sale by the government. *(BSTD)*
- ▶ Yes Bank (YES IN) is planning to buy 1% in the United Stock Exchange (USE), which plans to go live with currency trading this month. *(BSTD)*
- ▶ Ashok Leyland (AL IN) has bagged a USD 26mn order from People's Leasing Co. in Sri Lanka for supplying 1000 buses. *(ECNT)*
- ▶ IDFC (IDFC IN) has completed capital raising of around USD 744.69mn as approved by the board of directors & shareholders. It raised USD 564.68mn through QIP. QIP was done at INR 168.25 per share. It has also raised USD 178.73mn capital through a preferential issue of compulsory convertible cumulative preference shares to Actic & Khazanah to the extent of USD 97.87mn & 80.85mn. *(ECNT)*
- ▶ Tata Motors (TTMT IN) will launch its electric Indica and Ace EV in Europe this fiscal. *(THBL)*
- ▶ NTPC Ltd (NATP IN) has entered into a long-term fuel supply agreement with Singareni Collieries Company Ltd (SCCL) for supply of coal to the Ramagundam super thermal power station for 20 years. *(THBL)*
- ▶ SAIL (SAIL IN) is looking at reviving Fertilizer Corporation of India's Sindri plant. *(THBL)*
- ▶ Bharat Petroleum Corporation (BPCL IN) is preparing the blueprint for a five-year strategy called "Dream Plan" targets refining capacity of 50 mn tonnes in next five years. *(THBL)*

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

EQUITY MARKETS

India	Change %			
	11-Aug	1-day	1-mo	3-mo
Sensex	18,070	(0.8)	0.7	5.1
Nifty	5,421	(0.7)	0.7	5.1
Global/Regional indices				
Dow Jones	10,379	(2.5)	1.6	(4.8)
Nasdaq Composite	2,209	(3.0)	0.5	(8.9)
FTSE	5,245	(2.4)	1.5	(2.6)
Nikkie	9,102	(2.1)	(4.7)	(12.4)
Hang Seng	21,039	(1.2)	2.8	4.1
KOSPI	1,738	(1.2)	0.2	4.5
Value traded – India				
Cash (NSE+BSE)	209		172	169
Derivatives (NSE)	914		663	853
Deri. open interest	1,614		1,387	1,271

Forex/money market

	Change, basis points			
	11-Aug	1-day	1-mo	3-mo
Rs/US\$	46.7	31	(8)	140
10yr govt bond, %	7.8	-	19	24
Net investment (US\$m)				
	10-Aug		MTD	CYTD
FIs	133		710	11,187
MFs	(83)		(135)	(282)

Top movers -3mo basis

Best performers	Change, %			
	11-Aug	1-day	1-mo	3-mo
HPCL IN Equity	465.7	3.1	(2.3)	40.6
BOI IN Equity	438.1	0.5	18.4	30.5
APNT IN Equity	2680.6	0.5	13.6	30.5
IDEA IN Equity	71.2	0.8	1.6	29.8
BHFC IN Equity	336.3	(2.1)	1.1	28.2
Worst performers				
RNR IN Equity	39.0	(0.9)	(11.5)	(21.1)
PUNJ IN Equity	118.6	(1.1)	(14.4)	(18.9)
ABAN IN Equity	858.7	(2.5)	(0.5)	(17.0)
IH IN Equity	95.9	(1.0)	(9.5)	(16.4)
SUEL IN Equity	57.3	(1.5)	(2.9)	(14.4)

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RESULT

Coverage view: **Cautious**

Price (Rs): **321**

Target price (Rs): **305**

BSE-30: **18,070**

Be wary of stretched optimism. Bharti reported an in-line quarter on revenues and EBITDA, while net income fell short of estimates on account of forex losses and one-off acquisition related expenses. Even as we take a more benign view on domestic wireless volume growth, we do not buy the argument of a stable competitive environment for the time being. The Street's high expectations on the Zain turnaround and 3G upside potential pose risks of disappointment as well. Reiterate REDUCE.

Company data and valuation summary

Bharti Airtel

Stock data

52-week range (Rs) (high,low)	485-230
Market Cap. (Rs bn)	1,217.7

Shareholding pattern (%)

Promoters	67.9
FIs	16.7
MFs	3.5

Price performance (%)

	1M	3M	12M
Absolute	3.9	12.6	(16.2)
Rel. to BSE-30	2.5	6.8	(30.1)

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	23.6	20.0	20.7
EPS growth (%)	5.8	(15.6)	3.9
P/E (X)	13.6	16.1	15.5
Sales (Rs bn)	418.5	619.7	720.9
Net profits (Rs bn)	89.8	75.8	78.7
EBITDA (Rs bn)	167.6	218.9	261.6
EV/EBITDA (X)	7.7	8.5	7.0
ROE (%)	24.4	16.5	14.7
Div. Yield (%)	0.0	0.0	0.0

1QFY11 results – in line, on balance

Bharti reported consolidated revenues, EBITDA and net income of Rs122 bn, Rs45 bn, and Rs16.8 bn, respectively, for the June 2010 quarter. We note that (1) the company moved to IFRS accounting (from US GAAP, earlier) for the quarter which led to line-by-line proportionate consolidation of Indus towers, among other changes, and (2) Zain Africa was consolidated for a period of 23 days during the quarter. Even as revenues and EBITDA were within 0.5% of our estimates, net income of Rs16.8 bn (down 18% qoq, 32% yoy) came in well below our estimates on account of forex losses of Rs2.16 bn and acquisition related expenses of Rs982 mn. We discuss other aspects of the earnings report and segmental performance later in the note.

Recent rise in stock price builds in optimism on several counts; we see risks of disappointment

We believe that the recent strength in Bharti's stock price builds in a fair bit of optimism on several counts, including – (1) stability in India wireless competitive scenario, (2) non-acceptance of or substantial dilution in the recent TRAI recommendations, (3) Zain turnaround in line with Bharti management's stated target, and (4) potential upside from 3G launch. We see risk of disappointment on each of these counts.

While we appreciate the fact that the robust growth in minutes reported in the past two quarters by incumbent GSM players (Bharti, Vodafone, and Idea) have beat expectations, we highlight that the same has come at the cost of higher-than-expected RPM decline in each of these quarters. More important, we would be wary of looking at the traffic reversal and lack of headline tariff cuts in recent months as an indicator of competitive stability in the market. Our outlook on competitive intensity in the market remains cautious, as we do not see any change in the underlying premise of hyper-completion – over-capacity in the system, meaningful stake in the game (even more so, post their 3G investments) for the likes of RCOM, TTSL for them to give up on their ambition of revenue market share gains, and the price-sensitive Indian wireless customer. We expect another round of intense competitive action in the market over the next few quarters, possibly triggered by 3G, MNP, or more new 2G rollouts.

Also, we continue to find it difficult to build a positive NPV business case for Bharti's Africa foray or 3G investments.

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1QFY11 Results – detailed analysis

Consolidated results – in line with expectations

Bharti's reported revenues and EBITDA of Rs122 bn, and Rs45 bn, respectively, were in line with our expectations. We note that 1QFY11 financials are not strictly comparable on a qoq or yoy basis, as Bharti consolidated 23 days of Africa operations for 1QFY11. On an ex-Africa basis, Bharti's like-on-like (IFRS to IFRS) revenues and EBITDA were Rs112.7 bn (+4.9% qoq), and Rs42.4 bn (+3.9% qoq), respectively. Consolidated net income of Rs16.8 bn was down 18% qoq on account of forex losses of Rs2.16 bn during the quarter versus a gain of Rs1.6 bn in the previous quarter. EBITDA margins for the quarter were 36.7%, down 220 bps qoq, primarily on account of (1) Zain consolidation, (2) provision made for higher spectrum charges.

We note that Bharti moved to IFRS accounting from US GAAP earlier, from 1QFY11. This led to a couple of key changes in the earnings report – (1) Indus towers is now consolidated line-by-line on a proportionate basis versus the company accounting for the proportionate net income below the PBT line earlier, and (2) reclassification of reporting segments – the key one being that the company now includes its captive NLD business in the reported mobile services segment, instead of the Enterprise segment, as earlier.

Wireless (India and South Asia) segment – results confirm market share gain trends for incumbents

For the wireless segment, Bharti reported revenues of Rs88.2 bn, up 6% qoq and 5% yoy. EBITDA margins for this segment declined 50 bps qoq to 35.9%, impacted by provision made for an increase in spectrum charges (as per DoT notification – the operators have challenged the same and the case is pending with TDSAT). More importantly, from an operational perspective, Bharti reported another quarter of strong, better-than-expected minutes growth (+10% qoq to 190 bn min, versus our estimated 7% growth), and weaker-than-expected RPM (Rs.45/min, down 4.7% qoq, versus our estimated 2% decline). Bharti's results confirm a trend of traffic reversal towards incumbents; the company also indicated some seasonality benefits, especially on roaming revenues.

We do note the irony of strong volume growth for incumbents. Round 1 of the ongoing competitive tussle in the Indian wireless market appears to be going the incumbents' way – traffic appears to have shifted back to the incumbent networks as they matched the challengers' tariff levels. Sub-optimal network utilization may however, force some of the new players to drop tariffs further, looking for churning minutes from incumbents – that's the only option (and only hope of surviving) apart from selling out for a new player, in our view. We do not rule out another round of tariff war in the industry.

Telemedia segment – strong performance

Bharti's Telemedia segment reported revenues of Rs9 bn, up 5.3% qoq and 4.8% yoy. ARPU in this segment grew 2.6% sequentially after several quarters of decline. The company attributed the increase in ARPU to increased adoption of higher-bandwidth BB services. OPM in the telemedia segment expanded 70 bps qoq.

Enterprise segment – disappointing quarter

As noted earlier in the note, reported financials for the Enterprise segment now do not include Bharti's captive NLD business, which is now reported under the mobile services segment. The company reported a weak quarter of operating performance for this segment, with revenues declining 5.4% qoq to Rs10.2 bn, and EBITDA declining 23% qoq to Rs2.5 bn (OPM was down a sharp 540 bps qoq).

Passive infrastructure segment – in line with expectations

With the move to IFRS, Bharti now consolidated Indus line by line on a proportionate basis. Revenues for this segment (standalone Bharti Infratel + 42% of Indus) grew 4.9% qoq to Rs20.4 bn. EBITDA margins for the quarter were 35.5% (down 160 bps qoq). Tower rollout pace as well as pace of tenancy addition for both Bharti Infratel and Indus towers, however, was a tad below expectations; this reflects the impact of equipment import ban in the June 2010 quarter, in our view.

Bharti Africa (earlier Zain Africa) – weak underlying operating trends

1QFY11 marked the third consecutive quarter of weak operational performance for Bharti Africa – revenues (for the full quarter on a pro-rated basis, derived from Bharti's reported numbers for 23 days) were Rs37.9 bn, down 3% qoq. EBITDA declined 7% qoq to Rs10.4 bn, as OPM declined 110 bps qoq to 27.5%. Bharti reported MOU of 103 minutes, and ARPU of US\$7.4 for its African operations. Bharti Africa has a network footprint of 10,840 sites.

Other highlights

- ▶ Capex for the quarter was Rs18.4 bn, 14% of the company's guided capex of US\$3 bn for FY2011E. The company indicated that its capex plans got impacted by delays in security clearances for equipment import in the previous quarter. The company's capex guidance includes US\$1.7-2 bn for its India business (ex-towers), US\$300-350 mn for its tower business, and US\$800 mn for its Africa business.
- ▶ Bharti intends to launch its 3G networks by end-CY2010, provided the DoT allots 3G spectrum on time (1st week of Sep, 2010). Bharti capitalized Rs460 mn of 3G-related interest cost during the quarter.
- ▶ Bharti announced another acquisition in Africa – Telecom Seychelles, for an EV of US\$62 mn. This expands the company's presence in Africa to 16 countries.

Earnings Model changes

We have moved our model to IFRS and now include Bharti Africa and 3G/BWA as part of our earnings estimates. Movement to a new accounting standard makes discussion of new estimates versus the earlier ones meaningless. Exhibit 4 depicts a condensed version of our revised financial estimates, Exhibit 5 gives the segmental break-up of our forecasts, while Exhibit 6 gives the key assumptions driving the estimates for India and Africa wireless businesses.

Our revised consolidated revenues for FY2011E, 12E and 13E stand at Rs620 bn, Rs721 bn, and Rs797 bn respectively. Revised EBITDA estimates are Rs219 bn, Rs262 bn, and Rs298 bn for the three years. We now forecast an EPS of Rs20/share for FY2011E, Rs20.7/share for FY2012E, and Rs24.2/share for FY2013E.

Reiterate REDUCE with a revised end-FY2012E target price of Rs305/share

We have revised our target price on the stock upwards to Rs305/share, from Rs290/share earlier. We note that our earlier target price was based on end-FY2011E DCF and the increase in our target price is primarily on account of rollover to end-FY2012E DCF. We also note that we now include Indus in our consolidated DCF and no longer assign a separate value to Bharti's Indus stake. At our target price, the stock would trade at 6.7X FY2012E EV/EBITDA. We reiterate our Cautious coverage view on the sector and REDUCE rating on Bharti.

Exhibit 1: Bharti 1QFY11 performance, IFRS, March fiscal year-ends (Rs mn)

(Rs mn)	1QFY10	4QFY10	1QFY11	qoq (%)	yoy (%)
Consolidated results					
Revenues	104,143	107,491	122,308	13.8	17.4
Operating costs	(61,301)	(65,688)	(77,419)	17.9	26.3
EBITDA	42,842	41,803	44,889	7.4	4.8
EBITDA margin (%)	41.1	38.9	36.7		
Depreciation and Amortization	(14,754)	(16,953)	(19,467)	14.8	31.9
EBIT	28,088	24,850	25,422	2.3	(9.5)
EBIT margin (%)	27.0	23.1	20.8		
Net finance (cost)/income	1,395	570	(3,650)	(740.4)	(361.6)
Acquisition related cost	-	(976)	(982)		
PBT	29,483	24,444	20,790	(14.9)	(29.5)
Tax provision	(4,305)	(3,415)	(3,750)	9.8	(12.9)
PAT before minority interest	25,178	21,029	17,040	(19.0)	(32.3)
Minority interest	(433)	(553)	(153)	(72.3)	(64.7)
Equity in earnings of affiliates	-	(32)	(71)		
Reported net income	24,745	20,444	16,816	(17.7)	(32.0)
Segmental performance					
Wireless					
Revenues	84,301	83,174	88,237	6.1	4.7
EBITDA	34,106	30,237	31,710	4.9	(7.0)
OPM (%)	40.5	36.4	35.9		
ARPU (Rs/sub/month)	278	220	215	(2.3)	(22.7)
MOU (min/sub/month)	478	468	480	2.6	0.4
RPM (Rs/min)	0.58	0.47	0.45	(4.7)	(23.0)
EPM (Rs/min)	0.24	0.17	0.17	(4.8)	(31.3)
Total minutes (bn)	140.7	172.8	190.4	10.2	35.3
Telemedia services					
Revenues	8,551	8,511	8,960	5.3	4.8
EBITDA	3,466	3,684	3,938	6.9	13.6
OPM (%)	40.5	43.3	44.0		
Long distance + Enterprise					
Revenues	11,627	10,768	10,186	(5.4)	(12.4)
EBITDA	2,942	3,221	2,497	(22.5)	(15.1)
OPM (%)	25.3	29.9	24.5		
Passive infra business					
Revenues	15,937	19,459	20,412	4.9	28.1
EBITDA	5,201	7,224	7,240	0.2	39.2
OPM (%)	32.6	37.1	35.5		
Others					
Revenues	1,027	2,094	1,949	(6.9)	89.8
EBITDA	(2,213)	(2,504)	(2,359)	(5.8)	6.6
OPM (%)	(215.5)	(119.6)	(121.0)		
Mobile services Africa					
Revenues			9,583		
EBITDA			2,635		
EBIT			653		
EBITDA margin (%)			27.5		
Subscribers (mn)			36.4		
Total minutes (bn)			3.7		
ARPU (US\$/sub/month)			7.4		
Other Africa - holding investments in mobile operations in Africa					
Total revenues		-	-		
EBITDA before Acquisition Related Cost		-	(13)		
Acquisition Related Cost		511	906		
EBITDA after Acquisition Related Cost		(511)	(919)		

Note:

(a) Mobile Africa financials are for 23 days for the quarter

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: Bharti Africa Jun 2010 derived results (Rs mn)

	Jun-09	Mar-10	Jun-10	Change (%)		Reported	KIE estimates	vs estimates
				qoq	yoy			
Revenues	41,087	38,987	37,915	(2.7)	(7.7)	9,583	10,149	(5.6)
Operating costs	(27,425)	(27,829)	(27,490)	(1.2)	0.2	(6,948)	(7,176)	(3.2)
EBITDA	13,662	11,158	10,425	(6.6)	(23.7)	2,635	2,974	(11.4)
EBITDA margin (%)	33.3	28.6	27.5				29.3	

Note:

(a) June 2010 full quarter numbers are pro-rated using the reported Zain numbers for 23 days

Source: Company, Kotak Institutional Equities estimates

Exhibit 3: Our end-March 2012E DCF-based price target for Bharti Airtel is Rs305/share

Discounted cash flow value for Bharti Airtel (Rs mn)

	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
EBITDA	218,886	261,644	297,845	328,994	357,483	385,082	406,378	426,439	445,772	464,078	481,893
Tax	(16,853)	(19,105)	(24,174)	(29,396)	(34,991)	(41,581)	(47,346)	(53,349)	(59,752)	(66,496)	(73,700)
Change in working capital	81,290	5,967	(4,596)	(9,663)	(2,238)	(4,649)	(6,944)	(8,570)	(10,081)	(11,540)	(12,820)
Post-tax operating cash flow	283,323	248,505	269,074	289,935	320,254	338,851	352,088	364,520	375,939	386,042	395,374
Capex	(151,053)	(183,861)	(170,038)	(163,385)	(161,920)	(164,413)	(169,416)	(173,151)	(175,433)	(177,712)	(180,652)
Free cash flow	132,270	64,644	99,036	126,550	158,333	174,438	182,672	191,369	200,505	208,330	214,721
end-FY2012E											
PV of cash flows	894,248						WACC and growth in perpetuity assumptions				
PV of terminal value	878,753						Terminal growth - g (%)				
EV	1,773,001						WACC (%)				
Net debt	615,236						4.5				
Equity value (Rs mn)	1,157,766						13.0				
Equity value (Rs/share)	305										
Equity value (US\$ mn)	25,169										
Exit FCF multiple (X)	12.3										
Exit EBITDA multiple (X)	5.5										
Key assumptions (%)	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Revenue growth	48.1	16.3	10.5	8.9	7.0	6.0	5.1	4.6	4.2	3.9	3.6
EBITDA growth	30.6	19.5	13.8	10.5	8.7	7.7	5.5	4.9	4.5	4.1	3.8
EBITDA margin	-	-	-	-	-	-	-	-	-	-	-
Capex/sales	24.4	25.5	21.3	18.8	17.4	16.7	16.4	16.0	15.6	15.2	14.9
Return on avg. capital employed	12.2	9.8	10.8	11.6	12.5	13.5	14.1	14.8	15.6	16.5	17.6

Source: Kotak Institutional Equities estimates

Source: Kotak Institutional Equities estimates

Exhibit 4: Bharti - condensed financials, IFRS, March fiscal year-ends (Rs mn)

	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Profit and loss statement									
Revenues	418,472	619,723	720,856	796,816	867,521	928,422	984,188	1,034,097	1,081,806
EBITDA	167,633	218,886	261,644	297,845	328,994	357,483	385,082	406,378	426,439
EBIT	104,798	117,501	130,877	150,072	166,008	180,372	194,445	202,493	209,546
PBT	105,136	93,629	100,555	120,870	139,982	159,052	180,789	197,274	213,394
Recurring PAT	89,765	75,796	78,717	91,948	104,177	115,996	129,370	139,427	150,112
Recurring EPS (Rs/share)	23.6	20.0	20.7	24.2	27.4	30.5	34.1	36.7	39.5
Balance sheet									
Total Equity	447,225	524,001	605,451	702,147	812,733	936,793	1,076,000	1,225,928	1,385,974
Borrowings	101,898	667,784	667,784	587,784	487,784	415,886	365,886	315,886	265,886
Other liabilities	161,817	305,782	326,794	333,498	334,353	341,176	344,823	345,303	343,831
Total equity and liabilities	710,940	1,497,567	1,600,029	1,623,429	1,634,870	1,693,855	1,786,709	1,887,118	1,995,691
Net fixed assets	482,629	663,132	731,254	768,547	783,974	783,811	772,615	753,174	724,460
Net intangibles	59,890	628,475	613,447	598,420	583,392	568,365	553,337	538,310	523,282
Cash and equivalents	25,323	32,548	66,870	56,705	57,228	122,343	233,125	360,578	505,795
Other assets	143,098	173,411	188,457	199,757	210,276	219,336	227,632	235,057	242,154
Total assets	710,940	1,497,567	1,600,029	1,623,429	1,634,870	1,693,855	1,786,709	1,887,118	1,995,691
Cash flow statement									
Operating cash flow after working capital changes		283,323	248,505	269,074	289,935	320,254	338,851	352,088	364,520
Capex		(151,053)	(183,861)	(170,038)	(163,385)	(161,920)	(164,413)	(169,416)	(173,151)
Free cash flow		132,270	64,644	99,036	126,550	158,333	174,438	182,672	191,369
Acquisitions		(699,420)	—	—	—	—	—	—	—
Borrowings		565,886	—	(80,000)	(100,000)	(71,898)	(50,000)	(50,000)	(50,000)
Others		8,490	(30,322)	(29,202)	(26,026)	(21,321)	(13,656)	(5,220)	3,849
Total change in cash balances		7,225	34,322	(10,165)	523	65,115	110,782	127,453	145,218

Source: Kotak Institutional Equities estimates

Exhibit 5: Bharti - segmental financials, IFRS, March fiscal year-ends (Rs mn)

	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Revenues									
Wireless - India and South Asia	331,275	377,989	419,311	464,414	499,489	527,411	550,402	567,611	583,026
Telemedia services	34,154	37,347	40,224	42,749	44,940	46,812	48,383	49,667	50,680
Enterprise	44,798	44,798	49,278	54,206	59,626	65,589	72,148	79,362	87,299
Passive Infra	70,852	89,789	101,636	113,553	121,354	127,233	132,259	136,798	141,332
Others	5,825	8,272	10,588	12,917	14,854	16,340	17,974	19,771	21,748
Wireless - Africa		138,550	189,411	208,010	235,077	260,426	285,342	309,409	332,171
Gross revenues	486,904	696,745	810,447	895,848	975,340	1,043,811	1,106,507	1,162,618	1,216,257
Intersegment eliminations	(68,432)	(77,022)	(89,591)	(99,032)	(107,819)	(115,388)	(122,319)	(128,522)	(134,451)
Net revenues	418,472	619,723	720,856	796,816	867,521	928,422	984,188	1,034,097	1,081,806
EBITDA									
Wireless - India and South Asia	128,053	133,294	144,587	164,541	178,472	189,542	198,830	206,156	213,146
Telemedia services	14,729	16,433	17,699	18,810	19,773	20,597	21,288	21,854	22,299
Enterprise	12,578	10,976	11,975	13,064	14,251	15,545	16,955	18,491	20,166
Passive Infra	24,523	31,874	40,479	45,928	49,505	52,170	54,139	55,841	57,718
Others	(9,754)	(9,926)	(11,646)	(12,917)	(13,369)	(13,072)	(12,582)	(12,851)	(13,049)
Wireless - Africa		39,045	61,819	72,032	84,295	96,909	110,912	121,575	131,063
Intersegment eliminations	(2,496)	(2,809)	(3,268)	(3,612)	(3,933)	(4,209)	(4,461)	(4,688)	(4,904)
Total EBITDA	167,633	218,886	261,644	297,845	328,994	357,483	385,082	406,378	426,439
EBITDA margin (%)									
Wireless - India and South Asia	38.7	35.3	34.5	35.4	35.7	35.9	36.1	36.3	36.6
Telemedia services	43.1	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0
Enterprise	28.1	24.5	24.3	24.1	23.9	23.7	23.5	23.3	23.1
Passive Infra	34.6	35.5	39.8	40.4	40.8	41.0	40.9	40.8	40.8
Others	(167.5)	(120.0)	(110.0)	(100.0)	(90.0)	(80.0)	(70.0)	(65.0)	(60.0)
Wireless - Africa		28.2	32.6	34.6	35.9	37.2	38.9	39.3	39.5
Total EBITDA	40.1	35.3	36.3	37.4	37.9	38.5	39.1	39.3	39.4

Source: Kotak Institutional Equities estimates

Exhibit 6: Bharti - key assumptions driving our model, IFRS, March fiscal year-ends (Rs mn)

	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
India wireless									
End-period subs (mn)	127,619	163,715	188,275	205,465	217,532	226,113	232,562	237,409	241,409
Total traffic (bn min)	610	842	965	1,057	1,125	1,175	1,214	1,243	1,267
RPM (Rs/min)	0.529	0.434	0.416	0.417	0.418	0.419	0.420	0.422	0.423
ARPU (Rs/sub/month)	243	209	190	187	185	185	186	186	186
MOU (Rs/sub/month)	459	482	457	448	443	441	441	441	441
Africa wireless									
End-period subs (mn)	40,265	51,682	65,916	81,183	96,182	110,920	125,796	140,931	155,612
ARPU (US\$/sub/month)	7.7	6.7	5.8	5.2	4.9	4.8	4.6	4.5	4.4
EBITDA margin (%)	29.0	28.2	32.6	34.6	35.9	37.2	38.9	39.3	39.5

Source: Kotak Institutional Equities estimates

AUGUST 12, 2010

RESULT

Coverage view: **Cautious**

Price (Rs): **118**

Target price (Rs): **99**

BSE-30: **18,070**

3QFY10 lower than estimates; retain SELL. BJH reported a subdued 3QFY10 with (1) lower-than-estimated realizations, (2) lower sales in the power segment as the co-gen facility could not be utilized fully in 3QFY10 but with (3) higher-than-estimated volumes in the sugar segment. We factor in lower-than-estimated 3QFY10 in our FY2010 estimates and reduce our FY2010E EBITDA estimates to Rs6.4 bn from Rs7.5 bn earlier. We retain our FY2011 estimates and our sell on BJH with a target price of Rs 99 at 5.5X FY11 EV/EBITDA.

Company data and valuation summary

Bajaj Hindustan

Stock data

52-week range (Rs) (high,low) 243-98

Market Cap. (Rs bn) 22.7

Shareholding pattern (%)

Promoters 41.8

FIs 15.9

MFs 1.6

Price performance (%)

Absolute (0.8) 8.0 (38.4)

Rel. to BSE-30 (1.5) 2.8 (48.8)

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	4.9	9.9	8.9
EPS growth (%)	52.3	101.0	(9.9)
P/E (X)	24.1	12.0	13.3
Sales (Rs bn)	41.5	44.1	48.3
Net profits (Rs bn)	0.9	1.9	1.7
EBITDA (Rs bn)	6.4	7.9	7.2
EV/EBITDA (X)	8.6	6.2	5.9
ROE (%)	4.2	7.9	6.5
Div. Yield (%)	0.6	0.6	0.6

QUICK NUMBERS

- EBITDA down 49% qoq

- Power EBIT down 84% qoq

Slips to a net loss in 3QFY10 on lower sugar profitability and co-gen revenues

BJH reported loss of Rs149 mn in 3QFY10 versus our estimated PAT of Rs135 mn. EBITDA for 3QFY10 came at Rs729 mn versus our estimates at Rs1.2 bn. The reasons for lower profitability are

- ▶ Lower PBIT in the sugar segment at Rs63 mn vs our estimates at Rs225 mn despite volumes being higher (2,48,400 T vs estimates of 1,80,000 T) than our estimates. This was due to marginally lower realizations (Rs27.7/Kg vs estimated Rs28/kg) and higher costs
- ▶ Lower sales in the power segment at 19 mn units due to inability to utilize the co-gen division in the quarter due to only 4 days of crushing.

We expect the price to be stable from here

The price of white sugar M-grade has remained range bound in the last quarter and we expect that to continue in the near future barring large surprises on the SY11 sugar production estimates of 24 mn T. Also, the government has recently stepped in to control the steep fall in the prices by – (1) increasing the stock holding limits for the bulk users to 15 days from 10 days and (2) moving to monthly sale quotas from weekly quotas.

Maintain SELL with revised target price of Rs99 at 5.5X FY2011E EV/EBITDA

We retain our SELL rating with a revised target price of Rs99 based on 5.5x FY2011E EBITDA which is at a 10% discount to peers, SHRS and BRCM, due to relatively lower return ratios. The stock is currently trading at an FY2011E EV/EBITDA, P/E and P/BV of 6.7X, 11X, 0.9X respectively. BJH's P/BV multiple of 0.9x FY2011E is clearly towards its lower band excluding the Sept 2008 – March 2009 lows. We have not factored in any valuation for the power business pending (1) clarity on BJH's ultimate holding in the currently 100% subsidiary and (2) some further visible progress on implementation. We are lowering our FY2010E EBITDA and PAT estimates by 14.6% and 50% respectively while retaining FY2011E estimates.

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Weak 4QFY10 likely to follow

BJH is carrying inventory of 6,54,600 T of white sugar at Rs27.26/kg (net of excise) and 3,07,500 T of raw sugar at Rs27/kg. With sugar prices hovering between Rs29/kg and Rs27/kg in the past month and little hope of improvement in the short term before the start of the new crushing season, we would expect a subdued 4QFY10.

Higher costs, lower co-gen revenues impact 3QFY10

BJH, interim results (SA), September fiscal year-ends (Rs mn)

	3QFY10	3QFY10E	3QFY09	2QFY10	(% change)			9 months		
					KIE est.	yoy	qoq	FY2010	FY2009	Chng. (%)
Net revenues	7,278	6,070	3,993	6,320	19.9	82.3	15.2	19,889	11,939	66.6
Total expenditure	(6,549)	(4,822)	(2,634)	(4,884)	35.8	148.6	34.1	(15,573)	(8,979)	73.4
(Decrease)/ Increase in stock	(1,564)		(2,134)	13,095	—	(26.7)	NM	14,964	1,245	NM
Material consumed	(4,284)		(35)	(16,698)	—	12,106.0	NM	(27,656)	(8,151)	239.3
Employee expenses	(244)		(234)	(436)	—	4.3	(44.2)	(995)	(883)	12.7
Other expenses	(457)		(214)	(845)	—	113.4	(45.9)	(1,886)	(1,190)	58.5
forex fluctuation	—	—	(18)	—				(10)	(18)	
EBITDA	729	1,248	1,359	1,435	(41.6)	(46.3)	(49.2)	4,316	2,960	45.8
Margins (%)	10.0	20.6	34.0	22.7				21.7	24.8	
Other income	148	1	3	1	14,660.0	NM	18,350.0	180	3	NA
Depreciation	(528)	(480)	(477)	(461)	9.9	10.7	14.5	(1,499)	(1,508)	(0.6)
EBIT	349	769	886	975	(54.6)	(60.6)	NM	2,997	1,455	106.0
Margins (%)	4.8	12.7	22.2	15.4				15.1	12.2	
Net Interest	(707)	(600)	(499)	(650)	17.8	41.8	8.8	(1,813)	(1,610)	12.6
Extraordinary item	—	—	338	—				—	1,206	
Reported PBT	(358)	169	725	325	(311.3)	(149.4)	(210.0)	1,184	1,050	NA
Tax	(209)	(34)	(124)	(7)	516.2	68.0	2,758.9	(153)	(177)	(13.4)
Reported PAT	(149)	135	601	318	(210.1)	(124.8)	(146.9)	1,030	873	NA
Adjusted PAT	(149)	135	321	318	(210.1)	(146.5)	(146.9)	-	-	NA

Source: Company, Kotak Institutional Equities

Lower profitability in the sugar and the co-gen segment

BJH, segmental interim results (SA), Sept fiscal year-ends (Rs mn)

	3QFY10	3QFY09	2QFY10	(% change)		9mmonths		
				yoy	qoq	FY2010	FY2009	Chng. (%)
Segmental revenues								
Sugar	7,026	3,661	5,645	91.9	NA	18,687	11,299	65.4
Distillery	364	240	352	51.5	NA	868	751	15.7
Power	223	16	1,047	1,321.7	(78.7)	1,695	821	106.4
Segment results (before tax and interest)								
Sugar	63	951	272	(93.4)	(76.9)	1,689	1,002	68.5
Distillery	99	1	103	NA	NA	166	(79)	NA
Power	138	(51)	901	(368.5)	(84.7)	1,363	525	159.6
Segment EBIT (%)								
Sugar	0.9	26.0	4.8			9.0	8.9	
Distillery	27.2	0.2	29.2			19.1	(10.5)	
Power	61.8	(327.4)	86.0			80.4	63.9	

Source: Company

Retain SELL rating with a target price of Rs99 at 5.5X FY2011E EV/EBITDA

We retain our SELL rating with a target price of Rs99 based on 5.5X FY2011E EBITDA which is at a 10% discount to its Indian peers (SHRS and BRCM) due to lower return ratios and within the trading range of Brazilian peers. The stock is currently trading at an FY2011E EV/EBITDA, P/E and P/BV of 6.7X, 11X, 0.9X respectively. At our target price, BJH would trade at a P/E of 10X FY2011E earnings and a 0.8X P/BV multiple.

We continue to favor EBITDA multiples as our valuation methodology considering (1) strong cyclicality in earnings and (2) large disparity in capital structures of companies. We do not favor P/BV or EV/ton due to (1) different levels of capacity utilization due to availability or non-availability of cane making a capacity based evaluation less relevant and (2) High differences and yoy volatility in return ratios. We do not prefer an EPS multiple due to (1) its high sensitivity to various factors like sugar and cane prices, (2) Impact of high leverage for some of the companies and (3) tax benefits from brought forward losses which will get exhausted over the next couple of years.

BJH's P/BV multiple of 0.9X FY2011E is clearly towards its lower band excluding the Sept 2008 – March 2009 lows. We have not factored in any valuation for the power business pending (1) clarity on BJH's ultimate holding in the 100% subsidiary and (2) some further visible progress on implementation.

Upside risk only in the case of government policy action

We see a lack of upside triggers for the stock especially given its relative-to-peers high financial and operating leverage and lower return ratios. We see a lack of visible upside triggers for sugar prices on account of a) higher domestic production which would be enough to meet domestic demand of 23 mn tons b) higher production in Brazil c) The market having just entered the down phase of the sugar cycle (while typically lasts 2-3 years), we see upside risk only in the case of positive changes in the existing government policies like re-imposition of import duties and the much talked about decontrol of the sugar sector. Import duty is likely to be imposed in the next sugar season. The current notification is valid only till Dec 30, 2010 after which the import duty on white sugar would be back at 60% barring fresh notification from the government. Even raw sugar imported would have equal export obligation on the respective companies.

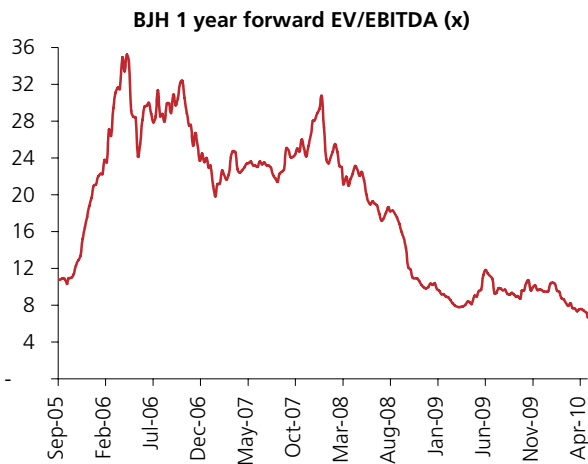
We value BJH at Rs99/share

BJH, EV/EBITDA based valuation, September fiscal year-ends (Rs mn)

EBITDA-FY2011E	7,939
EV/EBITDA (X)	5.5
EV	43,664
Net debt-FY2011E	24,802
Equity Value	18,862
Fully diluted shares (mn)	191
Value per share (Rs)	99
Target price (Rs)	99
Current price (Rs)	109
Potential return (%)	(10)
Earlier target price	150
Change in target price	-34%
Current valuation	
EV/EBITDA (X)	5.8
P/E (x)	11.0
P/BV (x)	0.9
Target valuation	
P/E (x)	9.9
P/BV (x)	0.8

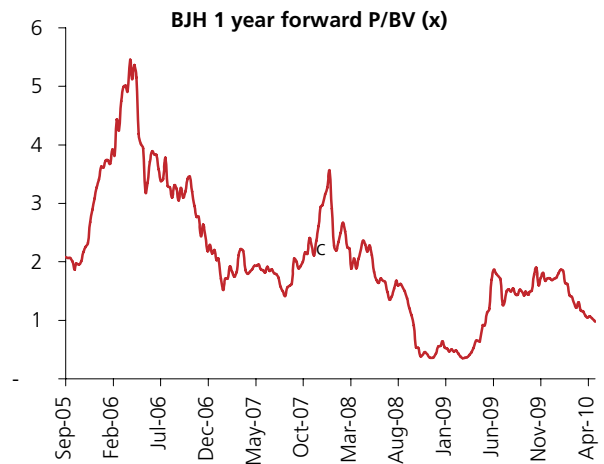
Source: estimates

Trading range for BJH has been very volatile
One-year forward rolling EV/EBITDA trend for BJH



Source: Bloomberg, Kotak Institutional Equities

Trading range for BJH has been very volatile
One-year forward rolling P/BV trend for BJH



Source: Bloomberg, Kotak Institutional Equities

Brazilian sugar companies trade in a band of 5-6.5X Sept 2011E earnings
Relative valuations, global sugar companies

Company	11-Aug-10		Year-end	Mkt Cap. (US\$ mn)	EV/EBITDA (X)			PER (X)			EV/Sales (X)		
	Price (local)	Currency			LFY	FY1	FY2	LFY	FY1	FY2	LFY	FY1	FY2
Brazil													
Acucar Guarani	4.3	BRL	Mar	692	6.2	5.0	4.8	NM	11.1	17.9	1.4	1.4	1.2
Cosan	24.1	BRL	Mar	5,550	8.5	6.5	7.2	NM	12.5	16.2	1.0	0.9	0.7
Sao Martinho	16.5	BRL	Mar	1,054	7.0	6.2	6.1	NM	23.3	28.0	2.2	2.1	2.0
Average Brazil					7.2	5.9	6.0	NM	15.6	20.7	1.5	1.4	1.3
Europe													
Agrana	71.8	EUR	Feb	790	8.7	7.0	6.8	NM	15.1	13.0	0.8	0.6	0.7
Suedzucker	14.5	EUR	Feb	2,129	7.1	5.7	5.8	13.7	12.5	11.6	0.8	0.7	0.7
Tate & Lyle	4.4	GBP	Mar	1,305	19.8	6.3	6.7	104.2	1,052.4	964.3	0.8	0.8	0.9
Average Europe					11.8	6.3	6.5	59.0	360.0	329.7	0.8	0.7	0.8
Africa													
Illovo	26.7	ZAR	Mar	1,679	7.5	7.1	6.0	16.5	14.7	12.9	1.4	1.5	1.4
Tongaat Hulett	100.2	ZAR	Dec	1,420	7.0	5.8	5.1	3.7	11.4	9.7	1.5	1.2	1.1
Average Africa					7.2	6.5	5.5	10.1	13.1	11.3	1.5	1.4	1.2
Others													
CSR	1.7	AUD	Mar	2,885	7.7	5.0	6.5	NM	12.8	11.4	0.9	0.8	1.1
Khon Kaen Sugar	11.6	THB	Oct	563	16.0	12.7	9.9	20.0	22.3	16.8	2.1	2.2	1.7
Average Others					11.9	8.8	8.2	20.0	17.5	14.1	1.5	1.5	1.4

Source: Bloomberg

Reduce FY10E numbers to factor in subdued 3QFY10

We are cutting our FY10E for BJH to factor in lower-than-expected results in 3QFY10 while we are retaining our estimates for FY11. We have adjusted the average sugar realizations for FY10 assuming prices remain at current levels for the forthcoming quarter.

Reduce FY10 estimates; FY11 estimates retained
BJH, change in estimates, September fiscal year-ends (Rs mn)

	2010E		Change(%)	2011E
	New	Old		New
Sugar price (Rs / kg)	29.5	30.6	(3.5)	26.6
Sugar cane cost (Rs/ton)	247	247	-	190
Sugar sales ('000 tons)	13,000	13,000	-	15,000
Revenues (Rs mn)	41,494	42,662	(2.7)	44,060
EBITDA (Rs mn)	6,364	7,457	(14.7)	7,939
PAT (Rs mn)	941	1,860	(49.4)	1,891
EPS (Rs)	4.9	9.7	(49.4)	9.9

Source: estimates, Kotak Institutional Equities

Operating assumptions

BJH, key operating assumptions (consol), September fiscal year ends, 2007-11E (Rs mn)

	2007	2008	2009E	2010E	2011E
Sugar segment					
Sugarcane crushed (lac tons)	133.6	114.8	67.3	77.0	113.6
Average recovery ratio (%)	9.8	9.9	9.0	9.4	10.0
Sugar produced (lac tons)	13.1	11.4	6.1	7.3	11.3
Raw sugar imports (lac tons)	—	—	—	7	4
Sugar sold (lac tons)	10.7	10.7	8.3	13.0	15.0
Average realisation (Rs/kg)	14.5	16.3	22.5	29.5	26.6
Sugarcane cost (Rs/qrtl)	95	137	155	247	190
Landed cost of raw sugar (US\$ c/lb)	—	—	—	18.1	19.0
Distillery segment					
Alcohol produced (mn ltrs)	88	139	48	97	127
Alcohol sold (mn ltrs)	88	150	49	94	115
Average realisation (Rs/ltr)	22.3	24.0	26.7	27.0	28.0
Co-generation segment					
External sales (lac units)	76	1,103	977	1,630	2,011
Average realisation (Rs/unit)	3.0	3.2	3.1	4.0	4.1

Source: Company, Kotak Institutional Equities

Summary financials

BJH, Profit model, balance sheet, cash model (consol), September fiscal year-ends 2007-11E (Rs mn)

	2007	2008	2009	2010E	2011E
Profit model					
Total income	17,805	20,701	20,259	41,494	44,060
EBITDA	1,907	2,308	4,214	6,364	7,939
Interest (expense)/income	(915)	(2,071)	(2,781)	(2,515)	(1,984)
Depreciation	(1,611)	(2,799)	(3,457)	(3,190)	(3,262)
Other income	323	(370)	3,076	234	259
Reported PBT	(295)	(2,932)	1,051	893	2,952
Tax	201	980	(456)	(54)	(996)
Profit after tax	(94)	(1,951)	595	839	1,956
Adjusted PAT	20	(1,779)	618	941	1,891
Diluted earnings per share (Rs)	0.1	(12.6)	3.2	4.9	9.9
Balance sheet					
Total equity	14,060	12,014	21,135	22,486	24,221
Deferred taxation liability	1,045	39	486	540	928
Minority interest	226	673	651	548	613
Total borrowings	35,934	43,351	40,563	35,544	29,454
Current liabilities	10,129	11,693	10,997	14,829	13,559
Total liabilities and equity	61,395	67,770	73,832	73,949	68,775
Cash	2,674	1,740	1,273	4,062	3,718
Other current assets	17,875	24,181	28,657	28,643	27,201
Net fixed assets	40,846	41,848	43,901	41,243	37,853
Investments	1	1	1	1	1
Total assets	61,395	67,770	73,832	73,949	68,774
Free cash flow					
Operating cash flow, excl. working capital	1,472	1,025	2,142	2,997	5,346
Working capital changes	(1,379)	(4,474)	(4,208)	4,716	1,705
Capital expenditure	(16,969)	(3,082)	(1,604)	(532)	126
Investment changes	(3,497)	(560)	(461)	—	—
Other income	3	8	817	234	259
Free cash flow	(20,369)	(7,083)	(3,315)	7,414	7,437
Ratios (%)					
EBITDA margin	10.7	11.1	20.8	15.3	18.0
Net debt/equity	220.2	345.2	181.7	136.7	102.3
Net debt/EBITDA	17.4	18.0	9.3	4.9	3.2
RoAE	0.1	(13.1)	3.7	4.2	7.9
RoACE	1.0	(0.8)	2.3	4.2	5.6
CRoCI	3.3	4.0	5.1	7.6	9.3

Source: Company, Kotak Institutional Equities

AUGUST 11, 2010

UPDATE

BSE-30: 18,070

RBI discussion on new bank licenses puts industrial houses in the reckoning.

RBI yesterday released a discussion paper on the issue of new bank licenses. The paper appears to consider industrial houses at par with NBFCs as potential recipients of licenses. Other issues aired for discussion in the paper are capital, ownership (promoter and foreigners) and business models. We view this as a progressive paper, but don't see the RBI to be in a hurry to issue banking licenses. In sum, we gather that new licenses may be limited (2-3) and financial inclusion is likely to be a key deciding factor.

Providing debate at the highest level; exploring all options before issuing guidelines

The much awaited paper on the roadmap for granting new licenses shed little light on the path to be taken forward by RBI. Fresh debate on promoter type (industrial or otherwise) and ownership pattern, business model, capital required indicates that RBI has explored all options. The RBI seems intent on promoting financial inclusion and this is likely to be a key factor in awarding new licenses. The feedback process is expected to be completed by September 30, 2010 and thereafter, the final guidelines will be issued. We believe fresh licensees will be limited and the whole process might consume at least 6-12 months.

The issue of awarding bank licenses to industrial houses has been on RBI's radar

We believe that one big change is that RBI is willing to debate whether industrial houses can promote banks, which hitherto was clearly not on RBI's minds. In the discussion revolves around type of promoters - industrial houses or NBFCs and RBI has not taken any definite stance on either. RBI has given credence to the success exhibited by industrial houses in other regulated sectors and the role they can play as a banking entity. The option of reviving RRB's through industrial houses seems like a good plan given their relatively low systemic risk and long experience.

No clear winners; systemic risks rule our real estate businesses

Under a broad spectrum of discussions, we don't see any clear winners emerging. However, RBI has been fairly explicit that entities with real estate businesses would be disallowed given associated systemic risks seen in the past. Specialised institutions like infrastructure finance and microfinance can benefit from converting themselves to a bank but perhaps, in doing so, their primary purpose for being could be defeated or significantly diluted. Issues on statutory requirement forbearance will remain (SLR, CRR, priority, loan diversification), which would be critical for NBFCs to convert into banks.

Other highlights from the discussion paper

A few key themes that we believe would be driving factors: (1) net worth for all banks including new banks would be raised from a minimum of Rs3 bn – many small private banks may need to raise capital; most banks are anyways in a capital raising mode (2) foreign shareholding below 50% for new players (up to 10 years) would reduce sources of funding opportunity (3) thrust for financial inclusion remains but RBI is conscious that profitability should not be impacted

Some likely winners could be....

The thrust on financial inclusion suggests Shriram group and Mahindra Finance meet the criteria set forth by the RBI. Micro finance companies also fit the bill and could be likely candidates. We expect LIC to be a strong contender as well given its strong brand equity and rural reach. Amongst companies, almost all larger houses would be interested in setting up banks – tough call for RBI whether who will get the preference. We are sure that many other players will apply and do not rule out a surprise candidate from a non-banking field.

QUICK NUMBERS

- Opportunities for all barring real estate
- Feedback to be sent by September 30th
- Detailed guidelines to be drafted post discussion with various stakeholders

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Five key issues being discussed

In the latest paper for granting fresh licenses, RBI is seeking discussion on five key issues.

- ▶ Types of promoters: Industrial and business houses and NBFCs
- ▶ Minimum capital requirement for new banks and promoters contribution
- ▶ Minimum and maximum control by promoters/other shareholders
- ▶ Foreign shareholding
- ▶ Business model

Types of promoters: Industrial house and NBFC

Industrial house: Possibility of a license is high but can be extremely onerous to fulfill regulatory requirements

We believe RBI is not completely averse to granting a license to an industrial house, however, its conditions could be too onerous to be fulfilled by most industrial houses. Also, the process of amendments to the various acts/statutes the RBI would require to control the banking entity could be protracted. Even considerations like taking over RRB's can be fraught with regulatory hurdles.

From the discussion paper, we believe that RBI is not completely averse to giving bank licenses to industrial houses given (1) nearly 88% of countries don't have explicit restrictions, (2) the achievements by Indian industrial houses in building and nurturing new businesses in highly regulated sectors such as telecom and power, infrastructure, (3) the widely-held equity of these listed entities as well regulatory compliance to SEBI, (4) the achievements in other financial products such as insurance and mutual funds and (5) they are an important source of capital, especially during financial shocks.

However, RBI does acknowledge that several issues need to be addressed: (1) Conflicts of interest, (2) adverse or distorted lending practices, (3) complex shareholding pattern and inability to assess the strength of the promoter (4) multiple regulators given an industrial house.

Some of the safeguards proposed which need to be deliberated/will include:

- ▶ Industrial/business houses that directly or indirectly engage in real estate can't obtain a license as they are highly sensitive.
- ▶ Assessing the strength and background of the promoter, transparency of the corporate structure and diversified ownership of the industrial/business house
- ▶ The idea of an independent board with the RBI retaining the option to supersede, if required
- ▶ Intra group exposure to be disallowed to prevent conflicts of interest and protect depositors
- ▶ Intermediate step to allow these houses to take over RRB's before setting up banks.
- ▶ Option of taking over RRBs before becoming full-fledged banks.

NBFCs: Will their core mandate be lost in the process of conversion?

We believe that RBI is fairly comfortable with existing NBFCs converting into banks as they are already regulated by RBI and they have the experience of managements providing services that are similar in nature. However, the RBI is concerned that the specialized services (infrastructure, microfinance etc) offered would reduce on conversion into banks as these services would hardly strengthen the banking system.

We believe that, on conversion, these entities may not necessarily deviate from their core competence; however, there could be some dilution during transition as the new entities may need to fulfill statutory banking requirements (CRR, SLR, priority sector lending, provisioning policy, loan diversification). In the past, HDFC has highlighted that SLR and CRR requirements upon a conversion into a bank will pressure their financials (even with access to cheaper funds). However, some of the larger NBFCs are into retail services where there is no sector ceiling for lending.

Minimum capital requirement: Not a big challenge for Indian Banks

We believe this could be relatively non-contentious in the overall scheme of discussion as promoters would be able to raise capital, if required. Yes Bank, the last greenfield banking license issued in India, started off with a net worth of about Rs2 bn in FY2005 but the bank has been able to continuously raise capital taking its current networth to about Rs31 bn. Hence, we don't think the availability of capital would be a constraint given the opportunity available in the sector.

Higher capital could indeed deter large participation, but banking has been relatively profitable for most participants and this is unlikely to be an entry barrier. Also, RBI has used the current platform to discuss the minimum networth for existing players to be increased from Rs3 bn. It has not given a minimum requirement, but it can be onerous if raised substantially, especially for banks like City Union Bank, Lakshmi Vilas Bank, Dhanalakshmi Bank who have net worth below Rs10 bn as of FY2010.

High initial capital required raises the entry barrier

Proposed	Options
Higher than Rs 3 bn (or)	Rs. 2 bn initially to be raised to Rs 3 bn in 3 years
Minimum of Rs 10 bn (or)	Likely to raise minimum capital at over Rs 3 bn for all participants
Staggered capital from Rs 5 bn to about Rs 10 bn in 5 years	

Source: RBI, Kotak Institutional Equities

Share ownership pattern for promoters and others

RBI is looking at all opportunities from the perspective of diverse ownership patterns: (1) High ownership structure but dilutive in nature, (2) capped ownership structure and (3) deferred increase in ownership structure. We have seen models being successful at first but the rest remains untested. Deferred ownership, the third option, can be expensive for successful promoters while low ownership may not necessarily incentivize promoters.

Options available on ownership pattern for new banks

Current	Options
For promoters: Minimum 40% with lock-in period of 5 years. Promoters/other shareholders to divest /dilute to 10% or below at a later date	Retain current option of minimum 40% for promoters but dilute after completing 5 year lock-in. Other shareholders at 10% with permission on reaching 5% from RBI
Higher shareholding permitted on exception basis	5% initially with option to increase to about 20% in the long run
	Allow promoters to maintain 40%
	Staggered ownership pattern depending upon network

Source: Kotak Institutional Equities

Foreign ownership in banks to be restricted to 50% up to 10 years

RBI is looking at preventing foreign ownership in banks to up to 50% for the first 10 years possibly as an attempt to (1) prevent any form of back door entry for foreign ownership and (2) nurturing domestic banking ownership given the success of the larger private banks like ICICI Bank, HDFC Bank and Axis Bank.

Business model can push thrust financial inclusion

Apart from seeking a business model that would fulfill the regulatory requirement, especially in priority sector lending/branch network, RBI can seek a business model that with a thrust on financial inclusion. However, we believe a model built around financial inclusion may not necessarily lead to desired results, especially given the higher fixed investment costs and lower returns/growth that banks may have in the initial stages. If such a plan is approved, then it could be for an entity that has experience in retail products (such as vehicle/housing loans, micro finance, telecom).

June 2010: Earnings announcement calendar

Mon	Tue	Wed	Thu	Fri	Sat
9-Aug	10-Aug				
		Bharti Airtel	Apollo Hospitals	Ackruti City	Lanco Infratech
		Bosch	Cummins India	Adani Enterprises	National Aluminium
		Financial Technologies	Divis Laboratories	Cipla	Unitech
		Videocon Industries	Hindustan Copper	Gammon India	
		Bajaj Hindustan	Indiabulls Real Estate	Koutons Retail	
		Parsvnath Developer	Moser Baer	Patel Engineering	
			MTNL	Reliance Communications	
			Ranbaxy Laboratories	Suzlon Energy	
			Shree Renuka Sugar	Wockhardt	
			State Bank of India		
			Tata Power		
			Tata Steel		

Source: BSE, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	11-Aug-10		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US\$ mn)
Automobiles																													
Ashok Leyland	70	ADD	93,453	2,001	1,330	2.8	4.3	5.9	84.5	52.3	37.5	24.9	16.3	11.9	14.4	10.8	8.6	2.3	2.1	1.9	2.1	1.4	1.4	10.9	13.5	16.7	78	11.0	9.1
Bajaj Auto	2,558	ADD	370,092	7,925	145	117.7	169.0	189.5	160.1	43.6	12.2	21.7	15.1	13.5	14.1	10.7	9.3	12.6	7.4	5.0	0.8	0.8	0.8	70.9	61.4	44.0	2,650	3.6	14.0
Bharat Forge	336	ADD	80,395	1,722	239	0.7	12.4	19.7	(92.0)	1,705.4	59.1	489.2	27.1	17.0	20.2	9.0	5.6	2.1	2.0	1.8	—	—	—	0.9	0.4	0.1	360	7.1	4.8
Hero Honda	1,866	SELL	372,730	7,981	200	111.8	115.3	130.1	74.1	3.1	12.8	16.7	16.2	14.4	10.7	10.7	9.0	10.3	7.2	5.4	1.6	1.7	1.9	59.1	52.5	42.8	1,800	(3.6)	19.7
Mahindra & Mahindra	627	BUY	373,330	7,994	595	33.9	44.1	51.7	125.8	30.1	17.3	18.5	14.2	12.1	12.2	10.2	8.6	4.6	3.7	3.0	1.5	1.5	1.5	30.0	29.0	27.3	760	21.2	25.6
Maruti Suzuki	1,215	REDUCE	351,193	7,520	289	86.4	77.6	88.3	104.9	(10.2)	13.9	14.1	15.7	13.8	7.5	7.8	6.7	2.9	2.5	2.1	0.5	0.4	0.5	23.3	17.3	16.7	1,200	(1.3)	22.3
Tata Motors	1,007	ADD	630,393	13,499	626	23.8	27.1	35.0	137.8	13.5	29.4	42.2	37.2	28.8	18.6	17.2	14.9	3.4	3.0	2.6	1.4	0.5	0.5	8.6	8.6	9.1	1,150	14.2	90.2
Automobiles		Cautious	2,271,586	48,642					109.9	19.4	17.3	22.3	18.7	15.9	13.0	11.5	9.7	4.3	3.6	3.0	1.2	0.9	1.0	19.4	19.1	18.6			
Banks/Financial Institutions																													
Andhra Bank	144	BUY	69,767	1,494	485	21.6	22.9	26.7	60.1	6.4	16.4	6.7	6.3	5.4	—	—	—	1.6	1.3	1.1	3.5	3.7	4.3	26.0	23.1	22.7	180	25.1	4.3
Axis Bank	1,289	ADD	522,310	11,184	405	62.1	78.1	98.3	22.7	25.9	25.9	20.8	16.5	13.1	—	—	—	3.3	2.8	2.4	0.9	1.2	1.5	19.2	18.3	19.9	1,500	16.4	47.1
Bank of Baroda	762	BUY	278,587	5,965	366	83.7	95.1	115.7	37.3	13.7	21.7	9.1	8.0	6.6	—	—	—	2.0	1.7	1.4	2.0	2.2	2.7	24.4	23.0	23.3	950	24.6	8.9
Bank of India	438	REDUCE	230,377	4,933	526	33.1	49.9	58.1	(42.1)	50.9	16.4	13.2	8.8	7.5	—	—	—	1.8	1.6	1.3	1.6	2.4	2.8	14.2	19.0	19.2	460	5.0	7.7
Canara Bank	483	ADD	198,194	4,244	410	73.7	82.2	98.3	45.8	11.6	19.5	6.6	5.9	4.9	—	—	—	1.6	1.3	1.0	1.7	2.1	2.5	22.4	20.8	20.8	580	20.0	6.3
Corporation Bank	580	BUY	83,144	1,780	143	82.0	88.0	102.6	31.8	7.3	16.6	7.1	6.6	5.7	—	—	—	1.4	1.2	1.1	2.8	3.1	3.6	22.0	20.2	20.2	700	20.8	1.0
Federal Bank	326	ADD	55,765	1,194	171	27.2	36.4	49.0	(7.2)	34.1	34.4	12.0	8.9	6.7	—	—	—	1.2	1.1	1.0	1.5	2.1	2.8	10.3	12.6	15.2	360	10.4	6.2
HDFC	2,999	ADD	860,971	18,436	287	98.4	116.1	138.9	22.7	17.9	19.6	30.5	25.8	21.6	—	—	—	5.7	5.0	4.4	1.2	1.4	1.6	20.0	20.6	21.7	3,450	15.0	38.1
HDFC Bank	2,090	BUY	956,455	20,481	458	64.4	87.2	113.8	22.1	35.4	30.5	32.4	24.0	18.4	—	—	—	4.4	3.9	3.3	0.6	0.8	1.0	16.1	17.3	19.5	2,400	14.9	31.4
ICICI Bank	972	REDUCE	1,083,505	23,201	1,115	36.1	45.2	57.3	6.9	25.3	26.6	26.9	21.5	17.0	—	—	—	2.1	2.0	1.8	1.2	1.5	1.9	8.0	9.5	11.3	1,000	2.9	82.0
IDFC	178	ADD	259,732	5,562	1,458	8.4	9.4	11.2	44.9	12.4	18.7	21.2	18.9	15.9	—	—	—	3.7	2.4	2.0	0.8	1.0	1.2	16.6	15.5	14.3	205	15.1	24.8
India Infoline	99	BUY	30,899	662	312	8.1	7.2	8.7	59.2	(11.9)	21.6	12.2	13.8	11.4	—	—	—	1.9	1.6	1.4	3.2	1.5	2.1	16.4	12.9	14.4	120	21.1	4.0
Indian Bank	228	ADD	98,009	2,099	430	35.1	32.4	44.1	25.5	(7.7)	36.2	6.5	7.0	5.2	—	—	—	1.5	1.3	1.1	2.9	2.6	3.5	24.1	18.8	21.7	280	22.8	4.0
Indian Overseas Bank	126	BUY	68,509	1,467	545	13.0	16.7	24.8	(46.7)	29.0	48.4	9.7	7.5	5.1	—	—	—	1.1	1.0	0.8	2.8	3.1	3.4	9.6	11.6	15.4	160	27.2	4.0
J&K Bank	809	BUY	39,248	840	48	105.7	119.3	139.9	25.1	12.8	17.3	7.7	6.8	5.8	—	—	—	1.3	1.2	1.0	2.7	3.1	3.6	18.2	17.9	18.3	930	14.9	0.9
UC Housing Finance	1,214	ADD	115,346	2,470	95	69.7	100.7	109.9	11.5	44.5	9.1	17.4	12.1	11.1	—	—	—	3.6	3.0	2.5	1.2	1.8	1.9	23.6	25.5	23.2	1,250	2.9	20.4
Mahindra & Mahindra Financial	623	BUY	59,789	1,280	96	35.9	46.4	56.2	60.0	29.4	21.2	17.4	13.4	11.1	—	—	—	3.5	3.0	2.5	1.2	1.6	1.9	21.5	23.5	23.8	590	(5.3)	1.9
Oriental Bank of Commerce	395	ADD	98,838	2,116	251	45.3	57.8	66.8	25.3	27.6	15.5	8.7	6.8	5.9	—	—	—	1.4	1.2	1.0	2.3	2.9	3.4	14.5	16.5	16.9	430	9.0	5.2
PFC	319	SELL	365,680	7,830	1,148	20.5	22.9	27.6	53.5	11.9	20.3	15.6	13.9	11.6	—	—	—	2.8	2.5	2.2	1.6	1.8	2.2	18.8	18.3	19.2	275	(13.7)	3.7
Punjab National Bank	1,102	BUY	347,448	7,440	315	123.9	133.4	163.3	26.4	7.7	22.4	8.9	8.3	6.7	—	—	—	2.1	1.8	1.5	2.0	2.5	3.0	26.2	23.2	23.7	1,300	18.0	8.7
Reliance Capital	774	NR	190,639	4,082	246	12.9	13.7	9.8	(67.3)	6.5	(28.6)	60.2	56.6	79.2	—	—	—	2.8	2.7	2.7	0.8	0.7	0.5	4.7	4.8	3.4	—	(100.0)	40.5
Rural Electrification Corp.	318	ADD	314,286	6,730	987	20.3	25.3	31.2	23.2	24.5	23.4	15.7	12.6	10.2	—	—	—	2.8	2.5	2.1	2.0	2.4	2.9	22.0	21.0	22.5	325	2.1	13.3
Shriram Transport	725	ADD	161,821	3,465	223	39.2	53.4	64.8	30.1	36.4	21.3	18.5	13.6	11.2	—	—	—	4.4	3.7	3.1	1.6	2.2	2.7	28.4	28.2	28.4	700	(3.5)	4.6
SREI	93	NR	10,827	232	116	8.3	7.9	9.9	17.8	(4.8)	25.8	11.2	11.8	9.4	—	—	—	0.9	0.9	0.8	1.3	1.3	1.3	11.1	10.5	12.3	—	—	4.5
State Bank of India	2,600	BUY	1,650,441	35,341	635	144.4	170.9	210.6	0.5	18.3	23.2	18.0	15.2	12.3	—	—	—	2.5	2.2	1.9	1.2	1.2	1.3	14.8	15.5	16.7	2,900	11.6	92.5
Union Bank	321	BUY	162,118	3,471	505	41.1	45.7	56.9	20.2	11.3	24.5	7.8	7.0	5.6	—	—	—	1.8	1.5	1.2	1.7	1.9	2.4	26.2	23.7	24.1	400	24.6	4.5
Yes Bank	301	BUY	102,070	2,186	340	15.0	17.7	22.5	46.7	18.2	26.6	20.0	16.9	13.4	—	—	—	3.3	2.8	2.4	0.5	0.6	0.7	20.3	18.0	19.3	350	16.5	19.3
Banks/Financial Institutions		Attractive	8,414,773	180,188					14.8	19.4	23.0	16.7	14.0	11.4	—	—	—	2.6	2.3	2.0	1.3	1.6	1.9	15.5	16.1	17.2			
Cement																													
ACC	842	ADD	158,261	3,389	188	83.2	66.0	72.4	47.9	(20.7)	9.8	10.1	12.8	11.6	5.3	6.0	4.8	2.5	2.2	1.9	3.2	2.8	2.8	29.3	20.0	19.2	920	9.2	7.2
Ambuja Cements	121	SELL	183,522	3,930	1,522	8.0	8.4	8.9	11.4	5.3	5.1	15.1	14.3	13.6	8.3	7.9	6.8	2.6	2.3	2.1	1.6	1.7	1.8	19.3	17.8	16.5	108	(10.4)	4.9
Grasim Industries	1,903	ADD	174,472	3,736	92	301.0	229.0	273.3	26.1	(23.9)	19.4	6.3	8.3	7.0	4.0	4.4	3.4	1.4	1.2	1.1	1.7	1.8	1.8	22.9	15.7	16.3	2,200	15.6	7.9
India Cements	106	SELL	32,637	699	307	10.0	8.7	10.6	(43.5)	(13.1)	21.1	10.6	12.2	10.1	5.9	7.3	4.9	0.8	0.7	0.7	2.0	3.0	3.0	8.2	6.7	7.7	95	(10.6)	2.3

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	11-Aug-10		Mkt cap.		O/S shares (mm)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)
Consumer products																														
Asian Paints	2,681	BUY	257,118	5,506	96	71.5	89.0	107.1	85.3	24.4	20.4	37.5	30.1	25.0	23.1	18.8	15.4	16.0	12.5	10.0	1.0	1.4	1.7	51.8	47.9	45.4	3,000	11.9	4.8	
Colgate-Palmolive (India)	848	REDUCE	115,295	2,469	136	31.1	34.5	39.6	44.2	10.9	14.6	27.2	24.6	21.4	22.3	18.2	15.6	35.4	30.1	25.8	2.4	3.1	3.5	156.1	132.3	129.4	830	(2.1)	2.3	
Dabur India	202	REDUCE	174,688	3,741	866	5.8	6.8	8.2	28.1	17.6	20.8	34.8	29.6	24.5	25.8	20.7	17.2	16.6	13.6	11.2	1.5	1.8	2.1	54.3	51.1	50.7	210	4.1	3.9	
GlaxoSmithKline Consumer (a)	1,820	ADD	76,549	1,639	42	55.4	68.6	81.3	23.6	23.9	18.6	32.9	26.5	22.4	18.2	15.7	12.9	8.6	7.1	6.0	1.0	1.2	1.5	27.9	29.0	28.7	2,000	9.9	0.7	
Godrej Consumer Products	360	ADD	116,476	2,494	324	11.3	13.0	17.3	69.5	14.4	33.1	31.8	27.8	20.8	25.2	19.8	14.9	12.1	6.6	6.0	1.1	0.9	0.9	44.6	31.0	30.4	400	—	2.8	
Hindustan Unilever	261	REDUCE	569,966	12,205	2,182	9.4	10.2	11.8	(0.9)	8.4	15.3	27.7	25.6	22.2	18.9	18.1	15.1	22.1	19.1	16.5	2.9	3.2	3.7	71.1	80.2	80.0	250	(4.3)	10.8	
ITC	155	BUY	1,185,452	25,384	7,651	5.3	6.3	7.3	22.6	18.2	15.8	29.2	24.7	21.3	17.7	15.5	13.1	8.0	6.7	5.8	3.2	1.8	1.9	29.2	31.1	30.5	165	6.5	24.0	
Jubilant Foodworks	441	REDUCE	28,176	603	64	5.5	9.7	12.1	340.6	75.7	24.6	79.6	45.3	36.4	42.4	25.6	17.9	24.0	15.7	11.0	—	—	—	46.6	41.8	35.4	370	(16.1)	9.1	
Jyothy Laboratories	283	NR	20,519	439	73	11.0	12.9	15.3	99.6	17.0	18.3	25.6	21.9	18.5	19.8	15.1	12.4	5.1	4.3	3.7	1.7	1.2	1.7	18.6	20.2	20.5	—	—	1.3	
Nestle India (a)	2,828	REDUCE	272,673	5,839	96	74.4	86.6	104.8	27.0	16.4	20.9	38.0	32.6	27.0	25.1	21.8	18.5	46.9	37.4	29.8	1.7	2.2	2.6	136.0	127.5	122.9	3,000	6.1	1.8	
Tata Global Beverages	114	ADD	70,436	1,508	618	6.6	7.4	8.4	23.4	11.1	13.8	17.2	15.5	13.6	11.1	9.0	8.1	1.4	1.3	1.2	1.9	2.1	2.4	10.9	11.4	12.0	125	10	4.1	
Consumer products	Attractive		2,958,845	63,359					24.2	16.4	17.5	30.1	25.9	22.1	19.4	16.9	14.1	10.2	8.5	7.3	2.4	2.0	2.3	33.9	32.9	33.3				
Constructions																														
IVRCL	158	BUY	42,094	901	267	7.8	10.3	12.4	(7.7)	32.4	19.7	20.2	15.2	12.7	11.0	9.0	7.7	2.1	1.8	1.6	0.3	0.3	0.3	10.9	12.8	13.5	215	36.4	7.6	
Nagarjuna Construction Co.	161	BUY	41,323	885	257	7.1	11.5	14.3	6.1	61.1	24.1	22.6	14.0	11.3	11.2	8.5	7.0	1.8	1.7	1.5	1.0	1.2	1.2	9.3	12.5	13.9	210	30.4	3.3	
Punj Lloyd	119	REDUCE	40,175	860	339	(12.9)	9.8	12.0	79.2	(175.4)	22.4	(9.2)	12.1	9.9	34.7	6.8	6.2	1.3	1.2	1.1	(0.1)	0.4	0.9	(15.8)	10.3	11.4	140	18.1	12.4	
Sadbhav Engineering	1,463	BUY	21,950	470	15	43.1	62.0	84.0	(15.8)	43.9	35.5	34.0	23.6	17.4	18.6	12.1	9.8	5.3	3.6	3.0	0.2	0.4	0.4	13.3	14.1	17.4	1,575	7.6	0.2	
Construction	Attractive		145,542	3,117					(96.9)	14,481	24.4	2,149.6	14.7	11.9	15.7	8.2	7.1	1.9	1.7	1.5	0.4	0.6	0.7	0.1	11.3	12.5				
Energy																														
Aban Offshore	859	ADD	37,351	800	43	94.5	154.1	139.3	(2.5)	63.0	(9.6)	9.1	5.6	6.2	8.4	6.7	6.6	1.7	1.5	1.3	0.4	0.4	0.5	21.7	33.1	22.9	935	8.9	56.2	
Bharat Petroleum	660	ADD	238,743	5,112	362	62.1	57.4	65.7	201	(8)	14.5	11	12	10.1	5.8	5.6	5.1	1.7	1.5	1.4	2.1	2.9	3.3	15.6	13.0	13.5	690	4.5	27.6	
Cairn india	332	SELL	630,268	13,496	1,897	5.5	20.5	36.0	29.0	270.6	75.1	60.0	16.2	9.2	47.2	9.7	5.9	1.8	1.6	1.5	—	—	4.5	3.1	10.7	17.0	270	(18.7)	17.3	
Castrol India (a)	470	REDUCE	116,296	2,490	247	15.4	20.7	21.2	45	34	2.4	31	23	22.2	18.2	14.1	13.6	25.3	23.7	22.5	2.7	3.5	3.6	83.8	107.4	103.7	380	(19.2)	1.1	
GAIL (India)	448	BUY	568,723	12,178	1,268	24.8	27.2	40.2	11.7	10.1	47.4	18.1	16.5	11.2	10.1	10.2	8.3	3.1	2.8	2.4	1.7	1.9	2.8	17.4	17.0	21.6	550	22.7	17.5	
GSPL	110	SELL	61,869	1,325	562	7.4	7.2	8.0	235	(3)	12.1	15	15	13.7	7.6	7.4	6.2	3.6	3.0	2.7	0.9	1.6	2.9	27.3	21.4	20.8	83	(24.5)	4.3	
Hindustan Petroleum	466	ADD	157,860	3,380	339	52.6	53.5	58.6	210.1	1.8	9.5	8.9	8.7	7.9	3.2	3.2	2.9	1.2	1.1	1.0	2.6	3.6	3.9	13.3	12.2	12.1	535	14.9	34.2	
Indian Oil Corporation	376	ADD	912,666	19,543	2,428	49.9	38.8	41.1	407	(22)	5.9	8	10	9.2	5.1	5.1	4.6	1.7	1.5	1.4	3.5	3.1	3.3	22.7	15.6	15.1	415	10.4	17.3	
Oil India	1,374	BUY	330,312	7,073	240	115.1	133.6	153.4	13.8	16.1	14.8	11.9	10.3	9.0	5.1	4.0	3.3	2.2	2.0	1.7	2.5	3.2	3.7	16.7	18.1	18.3	1,550	12.8	7.4	
Oil & Natural Gas Corporation	1,237	BUY	2,646,659	56,674	2,139	91.4	116.6	136.1	1	27	16.7	14	11	9.1	4.9	4.2	3.3	2.0	1.8	1.6	2.7	3.4	3.9	14.6	16.8	17.6	1,480	19.6	38.2	
Petronet LNG	109	REDUCE	81,488	1,745	750	5.4	5.8	7.9	(22.0)	8.1	35.3	20.1	18.6	13.8	11.5	10.6	8.7	3.2	2.8	2.4	1.6	1.8	2.5	15.9	15.1	17.8	86	(20.8)	5.1	
Reliance Industries	983	SELL	2,926,152	62,659	2,976	49.6	59.0	74.4	(2)	19	26.2	20	17	13.2	10.1	7.8	6.5	2.0	1.8	1.6	0.7	0.8	1.0	11.4	12.3	13.9	1,060	7.8	107.0	
Energy	Cautious		8,708,386	186,475					38.1	16.2	22.0	14.4	12.4	10.2	7.1	5.9	4.9	2.0	1.8	1.6	1.8	2.1	2.8	13.8	14.4	15.8				
Industrials																														
ABB	776	REDUCE	164,483	3,522	212	16.7	18.3	33.1	(35.2)	9.3	80.7	46.4	42.4	23.5	26.5	24.3	13.5	6.8	6.0	4.9	0.3	0.4	0.4	15.6	15.0	23.0	725	(6.6)	6.9	
BGR Energy Systems	793	BUY	57,114	1,223	72	16.0	28.0	39.7	32.2	74.6	41.9	49.5	28.3	20.0	27.8	16.1	11.6	10.1	8.1	6.2	0.4	0.9	1.0	22.3	31.8	35.1	950	19.8	3.9	
Bharat Electronics	1,754	REDUCE	140,348	3,005	80	93.9	107.3	122.4	(9.6)	14.3	14.1	18.7	16.4	14.3	9.0	7.5	6.3	3.2	2.8	2.4	1.4	1.4	1.4	17.9	18.0	17.9	1,835	4.6	2.0	
Bharat Heavy Electricals	2,499	REDUCE	1,223,188	26,192	490	88.1	116.3	135.4	37.9	32.1	16.4	28.4	21.5	18.5	15.9	12.1	10.3	7.7	6.1	4.9	0.8	1.0	1.2	29.9	31.5	29.2	2,600	4.1	27.9	
Crompton Greaves	283	BUY	181,352	3,883	642	12.8	14.0	16.3	46.5	9.0	16.6	22.0	20.2	17.3	12.7	11.3	9.4	7.2	5.6	4.4	0.4	0.7	0.8	37.9	31.1	28.2	320	13.2	8.2	
Larsen & Toubro	1,814	ADD	1,092,090	23,385	602	57.9	71.7	89.0	15.6	23.8	24.1	31.3	25.3	20.4	17.5	13.8	11.6	4.9	4.1	3.5	0.7	0.7	0.8	18.6	17.7	18.5	2,075	14.4	57.1	
Maharashtra Seamless	412	BUY	29,058	622	71	40.2	43.6	49.8	12.1	8.5	14.2	10.2	9.4	8.3	5.5	4.8	3.8	1.8	1.6	1.4	1.5	1.9	2.4	19.3	17.9	17.7	450	9.2	0.4	
Siemens	690	REDUCE	232,556	4,980	337	25.2	27.0	31.9	56.4	7.3	18.0	27.4	25.5	21.6	16.6	15.0	12.4	6.8	5.7	4.7	0.7	0.8	0.9	27.6	24.2	23.8	635	(7.9)	6.4	
Suzlon Energy	57	REDUCE	91,249	1,954	1,594	(5.9)	0.3	5.3	(182.3)	(104.4)	1,931.8	(9.6)	220.7	10.9	16.8	8.7	5.6	0.8	0.8	0.8	—	—	0.3	(8.8)	0.4					

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	11-Aug-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E			
Infrastructure																													
Container Corporation	1,381	REDUCE	179,522	3,844	130	61.1	74.3	85.9	0.3	21.7	15.6	22.6	18.6	16.1	16.0	13.0	10.9	4.1	3.6	3.1	1.0	1.2	1.4	19.6	20.6	20.5	1,250	(9.5)	1.7
GMR Infrastructure	61	ADD	222,220	4,758	3,667	0.4	0.2	0.1	(43.8)	(48.9)	(40.0)	140.6	275.3	458.4	24.3	15.7	14.7	2.1	1.8	1.8	—	—	—	2.4	1.2	0.7	65	7.3	5.4
GVK Power & Infrastructure	43	BUY	67,906	1,454	1,579	0.8	1.1	1.4	6.7	33.5	32.4	52.9	39.6	29.9	18.2	16.7	17.1	2.1	2.1	2.0	—	0.7	0.7	4.7	5.3	6.7	54	25.6	5.1
IRB Infrastructure	286	RS	95,089	2,036	332	9.7	12.6	12.1	83.8	29.2	(3.7)	29.4	22.8	23.6	13.7	12.2	11.3	4.1	3.2	2.5	—	—	—	15.6	15.7	11.9	—	—	8.4
Mundra Port and SEZ	798	REDUCE	321,864	6,892	403	16.7	21.9	34.1	55.7	31.0	56.1	47.8	36.5	23.4	35.6	23.3	16.8	9.1	7.7	6.0	—	—	—	20.8	22.9	28.9	750	(6.0)	5.7
Infrastructure		Attractive	886,601	18,985					16.3	21.2	26.0	42.7	35.2	27.9	22.2	16.4	14.2	3.7	3.2	2.9	—	—	0.3	8.7	9.1	10.3			
Media																													
DB Corp	254	BUY	46,149	988	182	10.6	13.0	15.7	286.5	22.4	21.0	23.9	19.5	16.1	13.3	11.0	9.0	7.1	5.8	5.0	0.8	1.2	1.6	40.3	32.6	33.2	290	14.2	0.3
DishTV	49	ADD	52,160	1,117	1,063	(2.5)	(1.8)	0.1	(62.0)	(28.8)	(107.4)	(19.6)	(27.6)	375.0	64.7	26.0	13.8	12.7	23.5	22.1	—	—	—	249.3	(59.7)	6.1	47	(4.2)	3.9
HT Media	170	NR	40,056	858	235	6.1	7.7	9.2	623.3	25.9	19.8	27.9	22.2	18.5	14.0	11.7	9.7	4.1	3.7	3.3	0.6	1.2	2.3	15.6	17.5	18.9	—	—	0.4
Jagran Prakashan	116	BUY	35,041	750	301	5.9	6.6	7.7	92.3	12.3	17.8	19.9	17.7	15.0	12.0	10.3	8.8	5.7	5.2	4.8	3.0	3.4	4.3	30.1	30.8	33.3	140	20.3	1.5
Sun TV Network	477	REDUCE	187,858	4,023	394	13.1	18.0	22.5	44.8	36.9	25.2	36.3	26.5	21.2	20.6	15.3	12.3	9.7	8.2	6.8	1.6	1.6	1.9	28.4	33.7	35.1	420	(11.9)	2.1
Zee Entertainment Enterprises	309	REDUCE	134,235	2,874	435	10.6	11.8	14.4	25.0	12.0	21.5	29.3	26.1	21.5	21.8	17.3	13.8	3.6	3.4	3.3	0.8	0.9	1.2	13.1	13.8	16.0	270	(12.6)	8.8
Media		Neutral	495,499	10,610					185.5	35.8	37.2	40.8	30.0	21.9	19.6	15.1	11.8	6.0	5.5	5.0	1.1	1.3	1.7	14.7	14.8	22.8			
Metals																													
Hindalco Industries	165	ADD	314,940	6,744	1,914	5.7	13.6	15.5	(64.5)	139.5	14.2	29.0	12.1	10.6	7.6	7.6	7.9	1.4	1.3	1.2	0.8	0.8	0.8	10.3	11.1	11.5	200	21.5	40.5
Hindustan Zinc	1,127	BUY	476,257	10,198	423	95.6	102.5	116.0	48.2	7.2	13.1	11.8	11.0	9.7	7.7	6.2	4.4	2.5	2.1	1.7	0.5	0.5	0.5	24.1	20.8	19.4	1,240	10.0	4.3
Jindal Steel and Power	654	REDUCE	609,260	13,046	931	38.4	50.9	56.0	17.3	32.7	9.9	17.1	12.8	11.7	11.8	8.5	7.1	5.4	3.8	2.9	0.2	0.4	0.4	37.8	34.9	28.0	625	(4.5)	25.3
JSW Steel	1,113	REDUCE	280,780	6,012	252	80.4	68.5	108.5	481.1	(14.8)	58.5	13.8	16.2	10.3	10.5	8.9	5.9	2.6	1.6	1.2	0.6	0.8	0.9	16.0	12.0	13.3	1,075	(3.4)	52.6
National Aluminium Co.	423	SELL	272,221	5,829	644	10.1	28.0	27.7	(49.0)	178.6	(1.2)	42.0	15.1	15.3	18.6	7.3	6.7	2.5	2.2	1.9	0.5	0.5	0.5	6.1	15.4	13.3	320	(24.3)	0.9
Sesa Goa	370	REDUCE	329,546	7,057	890	29.6	58.6	46.3	23.5	98.4	(21.0)	12.5	6.3	8.0	10.3	4.4	4.4	4.1	2.5	2.0	1.0	1.0	1.0	35.8	41.5	23.7	340	(8.2)	70.6
Sterlite Industries	172	ADD	579,045	12,399	3,362	12.0	14.2	19.3	2.8	18.4	35.5	14.3	12.1	8.9	9.2	8.1	5.0	1.6	1.4	1.2	0.5	0.5	0.5	12.9	12.2	14.6	210	21.9	40.8
Tata Steel	520	BUY	461,670	9,886	887	3.2	78.7	93.5	(97.1)	2,331.6	18.7	160.6	6.6	5.6	17.7	5.9	5.0	1.8	1.5	1.2	1.5	1.5	1.5	1.1	24.7	23.8	700	34.6	101.4
Metals		Cautious	3,323,719	71,172					(28.9)	79.8	13.4	18.6	10.3	9.1	10.9	6.9	5.7	2.3	1.8	1.5	0.7	0.7	0.7	12.4	17.9	16.9			
Pharmaceutical																													
Biocon	320	BUY	63,920	1,369	200	14.8	17.8	22.0	216.4	19.8	23.7	21.5	18.0	14.5	12.5	10.4	8.6	3.6	3.1	2.6	—	—	0.1	17.9	18.8	20.0	400	25.2	3.8
Cipla	313	REDUCE	251,435	5,384	803	13.5	12.8	15.6	35.9	(4.9)	21.9	23.2	24.4	20.0	17.2	16.2	13.5	4.3	3.7	3.3	0.8	0.8	0.8	19.9	16.3	17.4	280	(10.6)	8.0
Cadila Healthcare	624	REDUCE	127,712	2,735	205	24.7	33.2	37.7	66.9	34.2	13.7	25.2	18.8	16.5	16.5	12.6	11.2	7.8	5.9	4.6	0.8	1.1	1.2	36.0	35.8	31.3	580	(7.0)	1.5
Dishman Pharma & chemicals	208	BUY	16,909	362	81	14.4	17.2	28.8	(19.7)	19.4	67.0	14.4	12.1	7.2	10.5	8.7	6.2	2.1	1.8	1.5	—	—	—	15.5	16.3	22.7	300	44.3	0.5
Divi's Laboratories	753	ADD	99,536	2,131	132	25.8	34.3	43.9	(18.3)	33.3	27.9	29.2	21.9	17.2	21.8	16.1	12.3	6.6	5.4	4.4	—	—	—	24.8	27.2	28.4	800	6.2	2.8
Dr Reddy's Laboratories	1,314	REDUCE	222,595	4,766	169	48.1	66.7	70.8	48.3	38.8	6.1	27.3	19.7	18.6	15.1	11.4	10.6	5.9	4.7	3.8	0.5	0.6	0.7	22.2	26.3	22.6	1,150	(12.5)	16.3
GlaxoSmithkline Pharmaceuticals (a)	1,958	REDUCE	165,870	3,552	85	59.1	69.7	79.2	8.1	18.0	13.5	33.1	28.1	24.7	18.9	16.0	13.8	9.3	7.9	6.8	—	—	—	29.8	30.4	29.4	1,880	(4.0)	1.8
Glenmark Pharmaceuticals	270	NR	74,013	1,585	274	12.7	19.2	20.3	14.7	50.6	5.6	21.2	14.1	13.3	13.7	8.9	8.5	3.1	2.6	2.2	—	—	—	16.7	19.9	17.6	—	—	3.8
Jubilant Organosys	347	BUY	55,111	1,180	159	26.5	31.8	38.9	49.0	19.8	22.4	13.1	10.9	8.9	9.5	8.6	6.9	2.5	2.0	1.7	0.6	0.7	0.9	26.3	21.7	21.1	400	15.3	2.6
Lupin	1,834	ADD	162,221	3,474	88	77.0	99.1	127.6	27.9	28.7	28.7	23.8	18.5	14.4	20.4	14.8	11.3	7.0	5.3	4.0	0.7	0.8	0.8	36.6	33.0	32.2	2,000	9.1	7.2
Piramal Healthcare	480	REDUCE	100,253	2,147	209	22.4	13.3	9.5	29.7	(40.4)	(28.9)	21.4	35.9	50.5	15.6	5.9	3.7	6.0	1.1	0.9	1.1	1.3	0.7	30.7	140.7	16.5	490	2.2	28.4
Ranbaxy Laboratories	447	SELL	191,645	4,104	428	7.1	28.0	11.7	(128.4)	297.1	(58.3)	63.4	16.0	38.3	15.6	9.3	18.5	4.9	3.8	3.6	—	0.9	0.9	6.9	24.6	9.1	220	(50.8)	9.2
Sun Pharmaceuticals	1,748	REDUCE	362,035	7,752	207	65.2	80.0	85.1	(25.7)	22.6	6.4	26.8	21.9	20.5	20.3	15.8	14.0	4.4	3.7	3.2	0.8	0.8	0.8	17.8	18.8	17.2	1,685	(3.6)	7.1
Pharmaceuticals		Attractive	1,893,254	40,541					44.3	31.3	5.1	26.4	20.1	19.1	16.4	12.4	11.6	5.0	3.6	3.0	0.5	0.6	0.6	18.9	17.8	15.8			
Property																													
DLF	316	ADD	539,189	11,546	1,708	9.6	16.3	25.1	(64.0)	69.4	53.8	32.8	19.3	12.6	20.7	13.1	9.9	2.0	1.9	1.7	0.9	0.9	1.6	6.4	9.9	13.8	340	7.7	45.6
Housing Development & Infrastructure	274	ADD	105,543	2,260	385	12.4	14.2	16.7	(41.2)	14.2	17.9	22.1	19.4	16.4	10.9	12.4	8.2	1.5	1.3	1.2	1.0	1.8	1.8	10.0	9.3	9.9	318	16.0	33.3
Indiabulls Real Estate	181	RS	72,683	1,556	401	1.6	4.0	8.0	109.7	151.7	101.7	114.2	45.4	22.5	(93.2)	45.4	11.8	0.8	0.8	0.8	0.0	0.0	0.0	0.8					

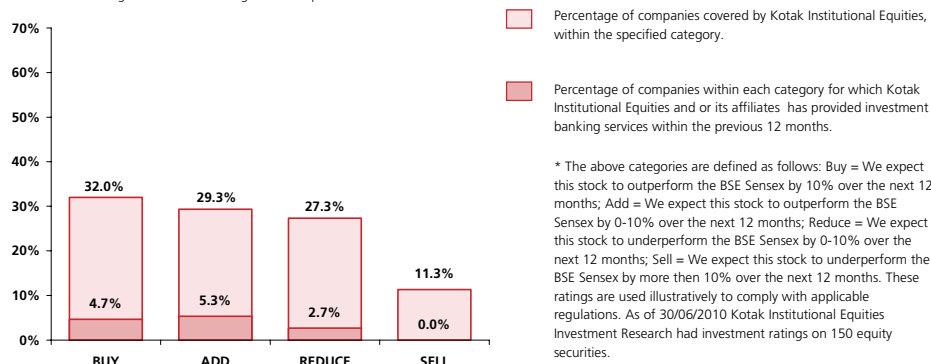
Kotak Institutional Equities: Valuation summary of key Indian companies

Company	11-Aug-10 Price (Rs)	Rating	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
			(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E			
Retail																													
Titan Industries	2,773	ADD	123,085	2,636	44	57.3	83.4	110.2	29.3	45.6	32.2	48.4	33.2	25.2	30.8	22.4	17.1	16.7	11.9	8.5	0.5	0.4	0.5	38.7	41.8	39.4	3,000	8.2	4.8
Retail		Neutral	123,085	2,636					29.3	45.6	32.2	48.4	33.2	25.2	30.8	22.4	17.1	16.7	11.9	8.5	0.5	0.4	0.5	34.5	35.8	33.8			
Sugar																													
Bajaj Hindustan	118	SELL	22,666	485	191	4.9	9.9	8.9	52.3	101.0	(9.9)	24.1	12.0	13.3	8.3	6.0	5.7	1.0	0.9	0.8	0.6	0.6	0.6	4.2	7.9	6.5	99	(16.4)	5.7
Balrampur Chini Mills	84	ADD	21,670	464	257	4.3	10.4	7.0	(43.2)	140.4	(32.7)	19.5	8.1	12.0	9.0	5.5	6.0	1.6	1.4	1.3	0.5	0.5	0.5	8.2	17.9	10.9	93	10.2	5.0
Shree Renuka Sugars	67	BUY	44,709	957	670	9.9	7.6	7.8	196.4	(23.2)	3.1	6.7	8.8	8.5	4.6	5.2	4.5	1.8	1.5	1.2	0.6	0.5	0.5	32.0	18.1	15.7	76	13.9	13.0
Sugar		Cautious	89,046	1,907					80.5	11.3	(9.3)	10.3	9.2	10.2	6.4	5.6	5.2	1.4	1.2	1.1	0.6	0.5	0.5	13.9	13.4	10.9			
Technology																													
HCL Technologies	407	REDUCE	280,623	6,009	690	17.5	24.5	30.1	0.2	39.7	23.0	23.2	16.6	13.5	11.3	9.9	8.1	4.0	3.4	2.9	1.0	1.0	1.5	19.3	22.0	21.2	390	(4.1)	11.9
Hexaware Technologies	78	REDUCE	11,233	241	144	9.3	5.0	9.4	127.7	(46.3)	87.7	8.4	15.6	8.3	4.2	9.7	4.9	1.3	1.2	1.1	1.3	1.3	1.3	17.8	8.2	14.0	72	(7.9)	2.3
Infosys Technologies	2,811	BUY	1,613,457	34,549	574	108.3	124.1	150.0	5.7	14.5	20.9	25.9	22.7	18.7	18.9	15.5	12.6	7.0	5.8	4.8	0.9	1.2	1.5	30.1	28.0	28.0	3,100	10.3	56.1
Mphasis BFL	615	REDUCE	128,201	2,745	208	43.6	49.0	45.6	207.5	12.5	(7.0)	14.1	12.5	13.5	11.2	10.0	9.1	5.5	3.9	3.1	0.6	0.7	0.7	48.1	36.4	25.8	550	(10.6)	7.6
Mindtree	533	REDUCE	21,928	470	41	52.2	32.6	51.6	294.3	(37.5)	58.1	10.2	16.3	10.3	8.8	9.3	6.1	3.3	2.7	2.2	0.4	0.6	1.0	35.2	19.2	23.7	550	3.2	0.9
Patni Computer Systems	452	REDUCE	60,200	1,289	133	36.6	41.3	37.5	36.4	12.8	(9.1)	12.4	11.0	12.1	6.1	5.2	4.3	1.7	1.6	1.4	1.6	1.8	1.7	18.2	15.1	12.4	450	(0.4)	6.2
Polaris Software Lab	175	SELL	17,462	374	100	15.4	19.1	18.8	16.9	24.3	(1.7)	11.4	9.2	9.3	5.6	7.3	6.2	2.0	1.7	1.5	2.0	2.1	2.2	18.6	20.1	17.2	180	2.8	4.5
TCS	858	BUY	1,679,571	35,965	1,957	35.1	42.1	48.2	32.8	19.8	14.5	24.4	20.4	17.8	18.5	14.9	12.3	8.0	6.6	5.5	2.3	2.0	2.2	37.6	35.6	33.9	965	12.5	29.8
Wipro	419	ADD	1,025,031	21,949	2,447	18.9	22.3	25.7	22.1	18.1	15.6	22.2	18.8	16.3	16.8	13.5	11.2	5.2	4.3	3.5	0.9	1.1	1.3	26.5	25.0	23.7	465	11.0	13.5
Technology		Attractive	4,837,706	103,591					22.7	17.4	16.0	23.2	19.7	17.0	16.7	13.8	11.4	6.1	5.1	4.2	1.4	1.4	1.7	26.4	25.7	24.9			
Telecom																													
Bharti Airtel	321	REDUCE	1,217,700	26,075	3,798	23.6	20.0	20.7	5.8	(15.6)	3.9	13.6	16.1	15.5	7.7	8.5	7.0	2.9	2.4	2.1	-	-	-	24.4	16.5	14.7	305	(4.9)	51.9
IDEA	71	REDUCE	234,946	5,031	3,300	2.7	2.2	1.5	(5.8)	(19.7)	(30.8)	26.0	32.5	46.9	8.8	9.7	8.2	2.1	1.9	1.9	-	-	-	7.2	6.2	4.2	55	(22.8)	12.5
MTNL	66	SELL	41,297	884	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(4.2)	(6.3)	(7.2)	(0.5)	(0.6)	(0.8)	0.4	0.4	0.4	-	-	-	(8.5)	(6.1)	(5.7)	50	(23.7)	3.2
Reliance Communications	173	SELL	368,713	7,895	2,133	22.1	14.1	18.2	(30.2)	(36.2)	29.1	7.8	12.3	9.5	7.2	8.0	6.0	1.0	0.9	0.8	0.4	-	-	11.7	7.4	8.9	175	1.2	43.3
Tata Communications	325	REDUCE	92,625	1,983	285	14.0	15.2	15.7	3.2	8.2	3.5	23.2	21.4	20.7	9.4	8.7	8.3	1.3	1.3	1.2	2.0	2.3	2.6	5.2	5.5	5.5	225	(30.8)	2.4
Telecom		Cautious	1,955,280	41,869					(15.9)	(21.0)	9.5	13.8	17.5	15.9	8.0	8.7	7.0	1.8	1.6	1.5	0.2	0.1	0.1	12.8	9.2	9.2			
Utilities																													
Adani Power	141	ADD	307,598	6,587	2,180	0.8	4.3	17.4	-	455.1	300.9	180.1	32.4	8.1	136.9	23.8	7.0	5.6	4.8	3.0	-	-	-	4.4	15.9	45.5	146	3.5	2.8
CESC	389	ADD	48,650	1,042	125	35.2	37.3	44.3	9.3	5.7	18.9	11.0	10.4	8.8	7.0	5.9	6.3	1.2	1.0	0.9	1.1	1.2	1.4	11.1	10.4	11.3	466	19.7	2.0
Lanco Infratech	67	BUY	160,173	3,430	2,405	2.0	3.7	5.0	35.1	87.6	34.9	33.9	18.1	13.4	20.2	8.5	8.1	4.7	3.7	2.9	-	-	-	15.8	21.2	22.7	77	15.6	6.8
NHPC	31	REDUCE	378,863	8,113	12,301	1.9	1.3	1.6	74.9	(27.5)	20.6	16.6	22.9	19.0	10.7	11.5	8.9	1.5	1.4	1.4	1.8	1.1	1.4	9.7	6.4	7.4	28	(9.1)	5.6
NTPC	196	REDUCE	1,616,523	34,615	8,245	10.8	12.5	14.7	9.6	16.2	17.4	18.2	15.7	13.4	13.9	12.2	10.2	2.5	2.3	2.1	2.1	2.4	2.8	14.5	15.4	16.6	210	7.1	9.2
Reliance Infrastructure	1,095	ADD	269,351	5,768	246	61.8	65.0	84.5	(1.5)	5.3	30.0	17.7	16.8	13.0	19.0	16.7	11.7	1.4	1.3	1.2	0.8	0.8	0.9	6.3	7.3	10.1	1,160	6.0	46.0
Reliance Power	156	SELL	373,534	7,999	2,397	2.9	3.1	5.3	179.7	9.8	70.0	54.6	49.7	29.3	226.8	35.4	2.6	2.5	2.3	-	-	-	-	4.8	5.1	8.1	135	(13.4)	20.4
Tata Power	1,334	ADD	329,388	7,053	247	60.2	69.2	88.5	20.1	15.0	27.8	22.2	19.3	15.1	13.9	12.5	10.8	2.5	2.3	2.0	0.9	1.0	1.1	12.9	12.5	14.3	1,420	6.4	10.1
Utilities		REDUCE	3,484,080	74,606					23.5	15.6	37.5	22.1	19.1	13.9	17.4	14.5	10.7	2.3	2.2	1.9	1.3	1.4	1.7	10.6	11.3	13.9			
Others																													
Havells India	699	SELL	42,070	901	60	5.3	31.6	45.0	3.7	497.9	42.6	132.3	22.1	15.5	18.0	11.1	9.1	11.6	7.6	5.2	0.4	0.4	0.4	6.6	41.6	39.7	497	(28.9)	7.1
Jaiprakash Associates	121	BUY	257,269	5,509	2,129	1.5	5.5	7.4	(27.2)	279.8	34.1	83.0	21.8	16.3	21.4	15.7	11.2	3.0	2.6	2.3	-	-	-	4.1	12.8	14.9	170	40.7	28.1
Jindal Saw	206	ADD	60,711	1,300	294	25.0	18.6	17.9	110.8	(25.4)	(4.0)	8.3	11.1	11.5	5.4	6.1	5.9	1.6	1.3	1.2	0.5	0.4	0.4	20.5	12.9	11.1	256	24.0	3.3
PSL	135	BUY	7,215	154	53	22.9	25.4	28.2	3.3	10.6	11.0	5.9	5.3	4.8	3.3	2.8	2.9	0.8	0.7	0.6	4.8	4.8	5.2	12.6	11.7	12.0	182	34.9	0.6
Sintex	373	BUY	50,906	1,090	136	24.1	28.3	33.3	0.5	17.4	17.5	15.5	13.2	11.2	12.7	8.6	7.3	2.4	2.0	1.7	0.3	0.3	0.4	15.5	15.3	15.2	380	1.9	4.6
Tata Chemicals	362	REDUCE	88,131	1,887	243	26.4	33.2	37.5	(27.1)	25.8	12.7	13.7	10.9	9.7	7.1	6.1	5.2	1.9	1.6	1.4	2.4	2.5	2.5	16.0	18.7	18.3	360	(0.6)	3.6
Welspun Corp	247	ADD	50,669	1,085	205	32.0	27.0	25.6	85.2	(15.7)	(5.4)	7.7	9.1	9.7	4.4	4.8	4.6	1.6	1.3	1.2	0.9	0.9	0.9	24.8	15.6	12.8	286	16.0	5.1
United Phosphorus	185	BUY	85,482	1,830	463	11.9	13.8	17.4	18.8	15.8	25.9	15.5	13.4	10.6	8.9	8.1	6.5	2.5	2.2	1.8	0.8	1.1	1.1	17.7	17.2	18.3	225	21.8	8.3
Others																													

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Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of June 30, 2010

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