kotak® Institutional Equities

INDIA DAILY

February 19, 2009

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News Roundup

Corporate

- The Government-appointed board of **Satyam Computer Services** Ltd on Wednesday sought the **Company Law Board**'s nod to induct a strategic investor. The Satyam board also sought the CLB's permission for the allotment of preferential shares and an increase in the authorised share capital of the company to upto Rs200 crore from the current Rs80 crore. *(BL)*
- Meanwhile, hectic lobbying for board seats in **Maytas Infra** has begun, a day after the government decided to move the Company Law Board (CLB) to oust the current board of Maytas Infra. IFCI, which holds 17% stake in Maytas Infra, on Wednesday pitched for a seat on the new board of Maytas Infra, whenever it is reconstituted. *(ET)*
- Low-cost carriers **SpiceJet, IndiGo** and **GoAir** have cut fares sharply, just a week after they abruptly raised these following a 20 to 25 per cent slump in sales. The effective cut in overall fares, (including taxes and surcharges) comes to above 20%. *(BS)*

Economic and political

- **India's fiscal deficit** would shoot to about 7.8 per cent if off-budget items like bonds issued to oil companies are included, said Planning Commission Deputy Chairman Montek Singh Ahluwalia. (Finance Minister Pranab Mukherjee on February 16 projected a fiscal deficit of 6 per cent, without including the off-budget items.) *(BS)*
- The Indian Government has termed as "economically irrational" the provisions that debar US companies from hiring people holding H-1B visas if they take help under US$787 bn economic bail out package, which President Barack Obama has signed into law. *(ET)*
- Reserve Bank of India Governor D. Subbarao yesterday said that there was room to cut interest rates further. "There certainly is room for cutting rates. The question is whether we should cut rates or not, when should we cut rates and by how much," he told reporters in Tokyo. *(BS)*

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

EQUITY MARKETS

		Change, %		
India	**18-Feb**	**1-day**	**1-mo**	**3-mo**
Sensex	9,015	(0.2)	(3.3)	0.9
Nifty	2,776	0.2	(1.8)	3.5
Global/Regional indices				
Dow Jones	7,556	0.0	(8.8)	(10.3)
FTSE	4,007	(0.7)	(3.4)	(4.8)
Nikkie	7,561	0.4	(8.4)	(8.6)
Hang Seng	12,873	(1.1)	(3.5)	0.4
KOSPI	1,102	(1.0)	(4.3)	8.3

Value traded - India

			Moving avg, Rs bn	
	18-Feb		**1-mo**	**3-mo**
Cash (NSE+BSE)	105.9		113.8	64.4
Derivatives (NSE)	411.0		327.2	433
Deri. open interest	595.0		522	524

Forex/money market

		Change, basis points		
	18-Feb	**1-day**	**1-mo**	**3-mo**
Rs/US$	49.9	0	129	(9)
10yr govt bond, %	6.1	(3)	8	(139)

Commodity market

		Change, %		
	18-Feb	**1-day**	**1-mo**	**3-mo**
Gold (US$/OZ)	977.5	(0.7)	16.9	33.1
Silver (US$/OZ)	14.3	(0.4)	28.0	54.5
Crude (US$/BBL)	39.2	0.3	(9.9)	(19.5)

Net investment (US$mn)

	17-Feb		**MTD**	**CYTD**
FIIs	(121)		19	(1,035)
MFs	(97)		(154)	(333)

Top movers -3mo basis

		Change, %		
Best performers	**18-Feb**	**1-day**	**1-mo**	**3-mo**
Steel Authority Of I	83	0.5	0.6	41.1
Jindal Steel & Powe	1,005	3.1	16.8	40.7
Acc Limited	561	3.4	11.7	40.2
Bajaj Auto Limited	496	4.2	(0.7)	35.7
Power Finance Corp	138	2.4	5.7	31.9
Worst performers				
Housing Developme	79	2.1	(28.4)	(19.8)
Satyam Computer S	49	(3.3)	90.4	(79.2)
Glenmark Pharmac	138	(2.2)	(46.6)	(56.6)
Aban Offshore Limi	397	(4.0)	(33.9)	(49.3)
Punj Lloyd Limited	87	(1.3)	(23.9)	(43.8)

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Others

UNPO.BO, Rs99	
Rating	BUY
Sector coverage view	N/A
Target Price (Rs)	140
52W High -Low (Rs)	185 - 65
Market Cap (Rs bn)	45.7

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	35.2	48.2	53.3
Net Profit (Rs bn)	3.9	5.1	6.8
EPS (Rs)	9.3	11.4	14.8
EPS gth	*30.2*	*21.7*	*30.4*
P/E (x)	10.6	8.7	6.7
EV/EBITDA (x)	6.8	5.1	3.5
Div yield (%)	1.0	1.5	2.0

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
(2.9)	5.7	(38.2)	(38.9)

Shareholding, December 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	28.0	-	-
FIIs	35.5	0.4	0.2
MFs	19.6	1.0	0.8
UTI	-	-	(0.2)
LIC	-	-	(0.2)

United Phosphorus: Playing the global field

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- **Attractive player in an attractive market**
- **Adjusted earnings growth of 17% in FY2010E**
- **Valuations look attractive after recent price correction; SOTP-based price target of Rs140**
- **Key risks: Acquisition-driven growth model and increasing regulatory scrutiny**

United Phosphorous (UPL) has entrenched itself in global generic crop protection, having diversified effectively across crop types and geographies. We believe this will provide stability amidst the volatility inherent in a business dependent on weather patterns. UPLs low manufacturing costs and significant entry barriers in developed markets make the stock an attractive investment. We initiate coverage on the stock with a BUY recommendation.

Attractive player in an attractive market

The global generic pesticide industry is attractive given its growth prospects, high barriers to entry and the cache of patent slated for expiry over the next three years. We believe UPL's access to low-cost manufacturing and increasing distribution capability position it well to ride this opportunity. UPL has been involved in over 20 company and product acquisitions since 1994, most notably, Advanta in the seeds business and Cerexagri in crop protection.

Adjusted earnings growth of 17% in FY2010E

We forecast 10% growth in sales in FY2010E with a steady expansion in EBITDA margin driven by the integration of Cerexagri into UPL and lower input prices. FY2009E estimates include losses related to forex of Rs860 mn. We forecast EBITDA margin of 22% in FY2010-11E. We expect RoE to decline in FY2009E due to forex losses and our assumption of conversion of outstanding FCCBs into equity capital. Warrants issued to the founder family will be considered as shares if money is received by UPL before April 2009.

Valuations look attractive after recent price correction; SOTP-based price target of Rs140

We arrive at a 12-month price target for UPL of Rs140 based on an SOTP calculation of its earnings stream in various continents. We believe this is a better approach than using a single PE number for the entire company as there is significant difference in profitability across geographies. We have looked at average PE ratios for companies operating in these locations to arrive at the appropriate multiple.

Key risks: Acquisition-driven growth model and increasing regulatory scrutiny

The most important risks are regulatory risks in form of approval of products that UPL sells or wants to sell in developed countries. Commodity prices may impact UPL significantly, especially at times of high volatility—as in 2HFY08. The acquisition-driven growth model of UPL faces risks of over-paying, lack of cultural fit and of unknown liabilities becoming a reality at a later date.

UPL—Forecasts and valuation, March fiscal year-ends, 2007-2011E (Rs mn)

	Net sales		EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs)	(%)	(%)	(X)
2007	23,112	38.5	4,285	20.0	2,897	34.0	6.7	8.8	19.2	14.8
2008	35,155	52.1	4,905	14.5	3,945	36.2	8.4	9.3	20.0	11.8
2009E	48,233	37.2	9,477	93.2	5,117	29.7	11.1	19.0	18.7	8.9
2010E	53,271	10.4	11,450	20.8	6,844	33.7	14.8	20.4	20.0	6.7
2011E	58,964	10.7	12,334	7.7	8,012	17.1	17.3	19.4	19.7	5.7

Source: Company, Kotak Institutional Equities estimates.

	PAT (Rs mn)		P/E	Valuation (Rs mn)	
	FY2010E	FY2011E	(X)	FY2010E	FY2011E
India	1,212	1,445	6.0	7,275	8,670
North America	1,689	1,913	6.9	11,652	13,199
Europe	2,035	2,400	7.2	14,651	17,284
RoW	1,589	1,981	6.3	10,012	12,482
Seeds	245	282	8.0	1,959	2,253
Total	**6,770**	**8,021**		**45,548**	**53,888**
Value per share (Rs)				99	117
Cash per share (Rs)				12	28
Share price target (Rs)					**139**

Source: Kotak Institutional Equities estimates.

UPL—abridged profit model, balance sheet, cash model, March fiscal year-ends, 2007-2011E (Rs mn)

	2007	2008	2009E	2010E	2011E
Profit model					
Net revenues	**23,112**	**35,155**	**48,233**	**53,271**	**58,964**
EBITDA	**4,285**	**4,905**	**9,477**	**11,450**	**12,334**
EBITDA margin (%)	23.8	19.6	18.9	22.1	21.6
Other income	1,598	2,462	(426)	400	480
Depreciation	1,656	1,522	1,764	2,075	2,200
Net finance cost	1,046	1,688	1,694	2,000	1,400
PBT	**3,181**	**4,156**	**5,593**	**7,775**	**9,214**
Tax	525	424	678	1,166	1,474
Minority interests	—	10	10	10	10
Share of profit/(loss) in associate	242	222	213	245	282
Reported net profit	**2,897**	**3,945**	**5,117**	**6,844**	**8,012**
Balance sheet					
Total equity	14,954	22,380	30,228	36,009	42,692
Total debt	19,593	15,683	12,926	12,926	12,926
Minority interests	49	60	70	79	89
Deferred tax liabilities	744	1,116	1,276	1,676	2,076
Total liabiilities and equity	**35,339**	**39,238**	**44,500**	**50,691**	**57,784**
Net fixed assets incl CWIP	18,758	16,556	16,452	16,277	15,977
Investments	3,910	4,070	4,070	4,070	4,070
Net current assets	8,067	10,166	14,778	15,795	16,115
Cash	4,604	8,446	9,200	14,549	21,622
Total assets	**35,339**	**39,238**	**44,500**	**50,691**	**57,784**
Ratios					
Diluted EPS (Rs)	6.7	8.4	11.1	14.8	17.3
ROE (%)	19.2	20.0	18.7	20.0	19.7
Debt/equity (%)	131	70	43	36	30

Source: Company, Kotak Institutional Equities estimates.

Metals

HALC.BO, Rs42	
Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	55
52W High -Low (Rs)	191 - 38
Market Cap (Rs bn)	72.9

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	600.1	692.5	475.5
Net Profit (Rs bn)	24.2	13.5	4.1
EPS (Rs)	13.8	7.7	2.4
EPS gth	*(10.0)*	*(44.4)*	*(69.2)*
P/E (x)	3.0	5.4	17.6
EV/EBITDA (x)	5.4	4.9	6.8
Div yield (%)	-	-	-

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
(17.9)	(17.2)	(65.4)	(74.4)

Shareholding, December 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	36.1	-	-
FIIs	21.1	0.4	0.1
MFs	3.2	0.3	(0.0)
UTI	-	-	(0.3)
LIC	8.8	0.7	0.3

Hindalco: Novelis—Steady operational results, however, concerns remain. Maintain ADD

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- **3QFY09 net loss at US$1.8 bn, mainly on account of impairment charges, derivative losses**
- **EBITDA at US$69 mn flat qoq down 54.3% yoy**
- **Maintain ADD rating with TP of Rs55/share (Rs65 earlier)**

Novelis reported 3QFY09 net loss of US$1.8 bn. Adjusted for impairment loss of US$1.5 bn and derivative losses of US$472 mn, the net loss would have been US$65 mn versus net loss of US$6 mn in 3QFY08. The company reported a yoy decline of 260 bps in EBITDA margin led largely by (1) a 26% decline in aluminium prices and (2) a 15% decline in overall shipments. Ideally, given that Novelis has booked significant losses of US$866 mn on account of metal price ceilings over the past three years and given that the current aluminium prices are significantly below contract rates, Novelis should be making significant gains on account of the ceiling contracts, Novelis has informed that it has hedged all its exposure on account of the contracts and would in fact incur a loss of US$151 mn over the remaining period is a significant negative surprise. Given the continued low profitability outlook, we continue to value Novelis at 0.5X its adjusted book value. We maintain our ADD rating on the stock with a TP of Rs55/share (Rs65/share earlier).

3QFY09 net loss at US$1.8 bn led by impairment charges, derivative losses

Novelis reported 3QFY09 net loss of US$1.8 bn. The sharp decline in earnings was mainly on account of (1) a goodwill impairment charge of US$1.5 bn, (2) unrealized derivative loss of US$472 mn. Adjusted for these items, Novelis reported net loss of US$65 mn versus net loss/profit of US$6 mn in 3QFY08. Novelis reported inventory write-down of US$34 mn for 3QFY09 on account of a sharp fall in LME prices.

Goodwill impairment of US$1.5 bn

In accordance with FASB accounting guidelines, Novelis has recorded a US$1.5 bn charge based on its assessment of impact on its business due to the recent deterioration in the global economic environment and resulting decrease in the market capitalization of Hindalco and the valuation of its publicly traded 7.25% Senior Notes. Calculation of the goodwill is based on a combination of market approach, income approach and build-up approach. Due to the complexities in determining the fair values, the computation of goodwill is not yet final and is just a fair estimate at this stage.

Metal price ceiling losses – Strategy gone awfully wrong

Novelis had entered into metal price ceiling contracts with some of its can customers in 2005 due to intense market competition at that time. The average price at which these ceiling contracts were entered into is estimated at US$1,800/ton. However, due a sharp surge in LME aluminium prices over the past three years and since these contracts were not hedged, Novelis consistently incurred losses on these accounts which was US$460 mn in FY2007, US$230 mn in FY2008 and US$176 mn in 9MFY2009. Ideally, given that aluminium is now quoting at below US1,400/ton, it should be booking significant gains on these contracts. However, Novelis has hedged all the outstanding metal ceiling contract volumes and would in fact be booking a loss of US$151 mn on account of hedging losses from these contracts—based on the December 31, 2008 aluminium price of US$1,455/ton.

Slowdown impacting volumes

3QFY09 net sales at US$2.1 bn were down 20% from US$2.7 bn. This was mainly due to (1) a sharp 26% decrease in LME price, (2) lower volumes on account of reduced demand in North America, Asia and Europe—volumes declined 11%, 25% and 18% respectively in 3QFY09 versus 3QFY08. Meanwhile, overall shipments declined 15% in 3QFY09 to 659 kt versus 772 kt in the corresponding period of the previous year.

Decline in costs failed to offset lower realizations; EBITDA margin down 260 bps

The cost of goods sold during 3QFY09 was down US$451 mn on an absolute basis—however, as a percentage of net sales, it increased to 93% from 90% previously. Novelis also managed to reduce its SG&A costs by US$27 mn on account of reduction in employee related costs. However, the lower costs were not enough to offset a sharp decline in LME realizations even as average aluminium prices were down 26% in 3QFY09 on a yoy basis. Consequently, 3QFY09 EBITDA margin at 1.9% decline 260 bps resulting in 3QFY09 EBITDA at US$69 mn versus US$151 mn in the corresponding period last year.

Volumes decline as user industries face a slowdown

The company reported a 13% yoy decline in shipments of flat rolled products in 3QFY09 to 633 kt from 730 kt in 3QFY08. The company has indicated that shipments were impacted by the recent credit crisis and the economic downturn resulting in lower demand from automotive, construction and industrial companies which are the key end-users of Novelis' products. Meanwhile, can sheet shipments also declined as manufacturers resorted to inventory reduction.

Short-term liquidity to be under pressure

Novelis expects cash outflows relating to derivative instruments to the extent of US$580 mn till the end of FY2010, of which US$260 mn in 4QFY09E. However, of this, US$160 mn relates to hedges on account of metal price ceilings (not recoverable) while the balance would be recovered through customers albeit with a 30-60 day lag. Novelis has taken an unsecured credit facility of US$100 mn from a group company to improve its liquidity position—it has already drawn down US$75 mn. The management expects short term liquidity to be under pressure on account of (1) lower sales on account of slowdown in economic conditions, (2) impact of declining LME on future derivative settlements resulting in cash outflows in the near-term and (3) higher working capital requirements on account of customer payment delays and higher inventory. We note that Novelis has a long-term debt repayment obligation of only US$22 mn in the next 12 months.

Valuation

We value Hindalco's domestic aluminium and copper smelting businesses at 5X FY2010E EBITDA (bottom cycle earnings) and Novelis at 0.5X adjusted price/book. We have adjusted the SPV debt of US$1 bn taken for the acquisition of Novelis. However, we have not factored in the fact that Hindalco has a very aggressive volume expansion plan of adding 3 mtpa of alumina refining and 1 mtpa of aluminium smelting over the next three years. While earnings would continue to weaken over the next few quarter due to depressed aluminium prices at 0.5X price/book the risks appear to be priced. We maintain our ADD rating on the stock with TP of Rs55/share (Rs 65/share earlier).

Novelis, Interim results, March fiscal year-ends (US$ mn)

	3Q 2009	2Q 2009	3Q 2008	% change qoq	% change yoy
Operating matrix					
Shipments (kt) (including ingots)	659	808	772	(18.4)	(14.6)
Aluminium prices (US$/ton)	1,863	2,837	2,520	(34.3)	(26.1)
Quarterly results					
Revenue	**2,176**	**2,959**	**2,735**	(26.5)	(20.4)
Expenditure	**(2,107)**	**(2,890)**	**(2,584)**		
Cost of goods sold	(2,023)	(2,791)	(2,474)		
SG&A	(73)	(89)	(99)		
R&D	(11)	(10)	(11)		
EBITDA	**69**	**69**	**151**	—	(54.3)
Other income	—	—	—		
Depreciation	(107)	(107)	(108)		
EBIT	(38)	(38)	43		
Interest	(44)	(41)	(47)		
Pre-tax profits	(82)	(79)	(4)		
Extra-ordinary items reported	(1,946)	(193)	(43)		
Pre-tax profits - reported	**(2,028)**	**(272)**	**(47)**		
Taxes	199	169	(26)		
Minority interest	9	—	—		
Net income	**(1,820)**	**(103)**	**(73)**	1,667.0	2,393.2
Adjusted net income for taxes	**(65)**	**(30)**	**(6)**		
EBITDA analysis					
Reported EBITDA	69	69	151		
Add: Can sheet losses in N.A.	24	74	45		
Less: Reversal of provision	(53)	(61)	(76)		
Underlying EBITDA	**40**	**82**	**120**	(51.2)	(66.7)
Less: Metal price lag	-	(8)	(9)		
EBITDA adjusted for metal price lag	**40**	**90**	**129**	(55.6)	(69.0)
Calculations					
Realization (US$/ton)	3,222	3,587	3,444	(10.2)	(6.5)
Underlying EBITDA (US$/ton)	61	101	155	(40.2)	(61.0)
EBITDA margins (%)	1.9	2.8	4.5		

Source: Company, Kotak Institutional Equities.

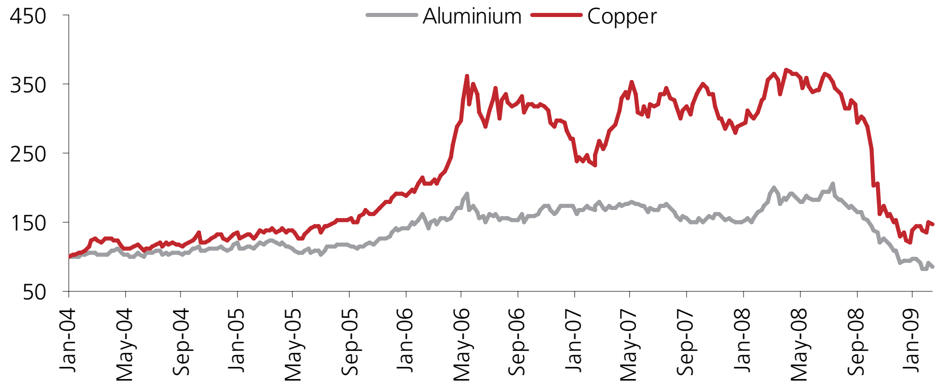
Hindalco Ind. SOTP-based target-price, 2010E ba

	EBITDA (Rs bn)	EV/EBITDA (X)	EV (Rs bn)	Stake (%)	Attributable EV (Rs bn)	Value (Rs/share)
Hindalco Ind. (India)	25	5.0	123	100.0	123	73
ABML (a)				51.0	1	0.4
Novelis Inc. (b)						22
Total enterprise value					**124**	**95**
Less: Debt					**71**	**41**
Hindalco Ind. (India)					23	13
AV Minerals (SPV)					48	28
Resultant market capitalization						**54**
Target price (Rs/share)						**55**

Notes:
(a) Stake in ABML is valued based on market-capitalization of ABML.
(b) We have valued Novelis at 0.3X P/B given low profitability of the business

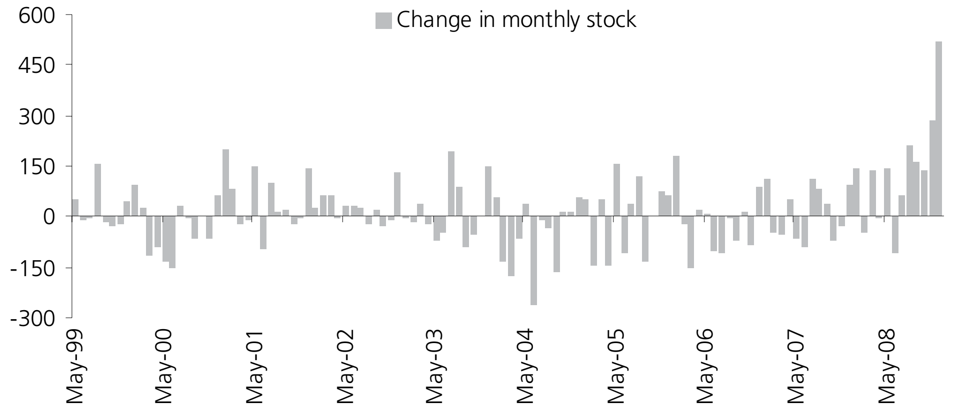
Source: Kotak Institutional Equities estimates.

Commodity prices-back to where they started from
LME metals prices (indexed), Sterlite stock price chart (indexed), March fiscal year-ends



Source: Bloomberg

Aluminium inventory has jumped to 15-year highs in the last few months
Reported change in aluminium inventory (monthly, '000 tons)



Source: CRU, Kotak Institutional Equities

Hindalco (consolidated), Profit model, balance sheet and cash flow model, March fiscal year-ends, 2007-2011E (Rs mn)

	2007	2008	2009E	2010E	2011E
Profit model (Rs mn)					
Net sales	193,161	600,128	692,547	475,484	570,537
EBITDA	**44,306**	**66,351**	**61,223**	**41,706**	**53,613**
Other income	4,091	6,560	5,402	5,740	5,878
Interest	(3,135)	(18,491)	(17,966)	(14,165)	(14,593)
Depreciaiton	(8,646)	(24,565)	(24,714)	(23,701)	(23,672)
Profit before tax	**36,616**	**29,855**	**22,522**	**8,204**	**19,849**
Taxes	(10,064)	(4,355)	(9,199)	(4,194)	(5,544)
Reported net income	**27,030**	**26,238**	**13,323**	**4,011**	**14,306**
Minority interest	(161)	(2,206)	(134)	(129)	(129)
Share in profit/(loss) of associates	(12)	(159)	1,157	1,118	1,118
Adjusted net income	**26,858**	**23,873**	**14,347**	**5,000**	**15,295**
Fully diluted EPS (Rs)	**15.3**	**13.6**	**8.2**	**2.9**	**8.7**
Balance sheet (Rs mn)					
Equity	133,653	172,819	309,785	294,595	297,931
Deferred tax liability	11,630	39,351	42,083	41,746	42,515
Total Borrowings	84,429	323,524	253,519	254,115	282,765
Current liabilities	38,459	172,180	148,595	117,362	130,617
Minority interest	8,503	16,154	16,287	16,416	16,545
Total liabilities	**276,673**	**724,027**	**770,269**	**724,234**	**770,373**
Net fixed assets	111,247	280,880	303,527	318,639	335,569
Goodwill on consolidation	-	88,329	88,329	88,329	88,329
Investments	78,741	140,076	142,111	135,632	135,632
Cash	10,345	17,169	15,020	18,753	23,525
Other current assets	76,340	197,573	220,824	162,422	186,860
Total assets	**276,673**	**724,027**	**770,269**	**724,234**	**770,373**
Free cash flow (Rs mn)					
Operating cash flow excl. working capital	39,607	46,417	50,601	36,136	46,693
Working capital changes	(5,347)	7,582	(46,834)	27,168	(11,183)
Capital expenditure	(21,905)	(27,507)	(22,647)	(15,112)	(16,930)
Free cash flow	**12,354**	**26,493**	**(18,881)**	**48,192**	**18,580**
Ratios					
Debt/equity (incl. goodwill on consolidation) (X)	0.6	1.6	0.8	0.8	0.9
Debt/equity (excl. goodwill on consolidation) (X)	0.6	2.7	1.0	1.1	1.2
Net debt/equity (X)	0.5	2.5	0.9	0.9	1.0
RoAE (%)	18.5	17.7	7.4	2.0	6.1
RoACE (%)	**12.2**	**11.3**	**4.7**	**2.3**	**4.7**

Source: Company, Kotak Institutional Equities estimates

Banking

SREI.BO, Rs37	
Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	50
52W High -Low (Rs)	191 - 31
Market Cap (Rs bn)	4.3

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	2.7	4.0	3.8
Net Profit (Rs bn)	1.3	0.8	0.8
EPS (Rs)	11.4	7.3	6.9
EPS gth	*57.4*	*(36.2)*	*(5.7)*
P/E (x)	3.3	5.1	5.4
P/B (x)	0.7	0.4	0.4
Div yield (%)	3.2	6.2	7.5

Pricing performance

Perf-1m	Perf-3m	Perf-6m	Perf-1y
(9.5)	(12.1)	(67.0)	(79.3)

Shareholding, December 2008

	Pattern	% of Portfolio	Over/(under) weight
Promoters	25.1	-	-
FIIs	46.8	0.0	0.0
MFs	5.1	0.0	0.0
UTI	-	-	-
LIC	-	-	-

Srei Infrastructure Finance: To participate in light rail project—ability to fund equity commitment is crucial

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- **Srei will lead a consortium to implement a light rail transmit system in Kolkata**
- **Srei's economic stake in the project is not yet clear, large equity commitment will be a concern**
- **Near-term stock performance may be under pressure due to a difficult operating environment for core business and Srei's large equity commitments**

A consortium led by Srei Infrastructure Finance (Srei) including Chez based Amex group and West Bengal Transport Infrastructure Ltd. (a West Bengal State Government undertaking) will implement a light rail transmit project in Kolkatta for an estimated cost of Rs60 bn. However, Srei's economic stake in this business is not clear at this stage. A large equity commitment for this project will likely exert pressure on Srei's balance sheet and hence will be negative, in our view. Srei had outstanding equity investments of ~Rs2 bn in various road projects as on December 2008. The management has highlighted that it will need to make further equity investments of ~Rs1.5 bn over next 18 months in various road projects and Quipo Telecom (to retain 3% stake in the merged Quippo Telecom). Srei had a standalone networth of Rs7 bn as on December 2008. Thus, the residual equity available for making further investments or supporting the NBFC business is limited to about Rs3.5 bn.

Srei Infrastructure finance—Sum of parts based valuation

	Stake (%)	Value of the firm (Rs mn)	Value per share (Rs)	Comments
Project related business and stake in subsidiary		7,295	63	Residual growth model assuming 15% cost of equity
Investments in Quipo	15%			
Quipo Telecom	12%	12,000	12	Pre-merger valuation
Total fair value			**75**	
Discount to fair value			35%	
Target price			**49**	

Source: Kotak Institutional equities estimates.

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

Company	18-Feb-09 Price (Rs)	Rating	Mkt cap. (Rs mn)	Mkt cap. (US$ mn)	O/S shares (mn)	EPS (Rs) 2008	EPS (Rs) 2009E	EPS (Rs) 2010E	EPS growth (%) 2008	EPS growth (%) 2009E	EPS growth (%) 2010E	PER (X) 2008	PER (X) 2009E	PER (X) 2010E	EV/EBITDA (X) 2008	EV/EBITDA (X) 2009E	EV/EBITDA (X) 2010E	Price/BV (X) 2008	Price/BV (X) 2009E	Price/BV (X) 2010E	Dividend yield (%) 2008	Dividend yield (%) 2009E	Dividend yield (%) 2010E	RoE (%) 2008	RoE (%) 2009E	RoE (%) 2010E	Target price (Rs)	Upside (%)	ADVT-3mo (US$ mn)
Automobiles																													
Bajaj Auto	496	REDUCE	71,691	1,436	145	59.3	62.1	67.8	(53.4)	4.7	9.1	8.4	8.0	7.3	6.0	5.9	5.1	4.5	3.7	3.0	4.0	4.0	4.0	21.0	40.1	36.3	470	(5.1)	1—
Hero Honda	932	REDUCE	186,210	3,730	200	48.5	60.2	74.4	12.8	24.3	23.5	19.2	15.5	12.5	12.1	10.2	8.6	6.0	4.9	3.8	2.0	2.1	2.1	34.0	34.8	34.3	890	(4.6)	8.6
Mahindra & Mahindra	285	ADD	73,533	1,473	258	38.1	18.6	31.2	(2.0)	(51.2)	67.9	7.5	15.3	9.1	6.0	10.7	7.2	1.7	1.5	1.2	3.8	3.3	3.4	27.8	10.8	15.1	330	15.8	4.7
Maruti Suzuki	617	SELL	178,284	3,571	289	59.9	45.0	50.7	10.8	(24.8)	12.6	10.3	13.7	12.2	5.9	7.4	6.3	2.1	1.8	1.6	0.8	0.8	0.8	22.2	14.2	14.1	435	(29.5)	16.2
Tata Motors	133	SELL	74,173	1,486	556	36.5	18.0	18.5	(22.4)	(50.7)	2.8	3.7	7.4	7.2	3.2	8.2	6.2	0.8	0.4	0.5	7.8	-	-	24.7	8.8	7.1	120	(10.0)	8.4
Automobiles		**Cautious**	**583,891**	**11,695**					**(0.8)**	**(25.3)**	**18.1**	**8.9**	**12.0**	**10.1**	5.9	8.3	6.7	**2.2**	**1.7**	**1.5**	**2.9**	**1.8**	**1.9**	**24.6**	**14.4**	**14.7**			
Banks/Financial Institutions																													
Andhra Bank	52	ADD	25,147	504	485	11.9	12.4	10.8	7.0	4.9	(12.9)	4.4	4.2	4.8	—	—	—	0.8	0.7	0.7	7.7	6.0	5.2	18.0	17.4	13.6	75	44.6	0.3
Axis Bank	394	ADD	141,027	2,825	358	32.2	46.8	53.1	37.7	45.3	13.3	12.2	8.4	7.4	—	—	—	1.7	1.5	1.4	1.4	2.3	2.6	17.6	17.8	17.6	750	90.2	34.7
Bank of Baroda	228	ADD	83,468	1,672	366	39.3	52.0	50.5	39.8	32.4	(2.9)	5.8	4.4	4.5	—	—	—	1.0	0.8	0.8	3.5	4.6	4.5	14.6	16.3	14.2	330	44.5	5.7
Bank of India	221	ADD	116,201	2,328	526	40.6	54.1	49.9	76.6	33.1	(7.7)	5.4	4.1	4.4	—	—	—	1.5	1.1	1.0	1.8	2.6	2.4	27.6	28.2	21.1	330	49.4	12.0
Canara Bank	179	REDUCE	73,411	1,470	410	38.2	45.8	38.2	10.1	19.9	(16.6)	4.7	3.9	4.7	—	—	—	1.0	0.9	0.9	4.5	3.4	3.4	15.0	16.7	12.4	220	22.9	4.4
Corporation Bank	166	BUY	23,875	478	143	51.3	62.3	55.8	37.2	21.6	(10.4)	3.2	2.7	3.0	—	—	—	0.6	0.5	0.4	6.3	7.7	6.9	18.4	19.6	15.4	310	86.2	0.5
Federal Bank	134	BUY	22,901	459	171	34.4	31.7	31.6	0.5	(7.7)	(0.3)	3.9	4.2	4.2	—	—	—	0.6	0.5	0.5	3.0	4.4	4.4	13.6	13.1	11.8	280	109.1	1.2
Future Capital Holdings	129	BUY	8,143	163	63	(4.5)	4.5	28.8	(689.8)	(198.6)	546.1	(28.5)	28.9	4.5	—	—	—	1.1	1.1	0.9	—	—	—	(6.7)	3.8	21.4	440	241.6	0.4
HDFC	1,362	REDUCE	391,035	7,832	287	85.8	75.0	85.4	38.2	(12.6)	14.0	15.9	18.2	15.9	—	—	—	3.3	2.8	2.5	1.8	1.7	1.9	27.8	16.7	16.8	1,550	13.8	60.3
HDFC Bank	876	BUY	370,969	7,431	423	46.0	53.5	66.9	28.7	16.4	24.9	19.1	16.4	13.1	—	—	—	3.2	2.5	2.2	0.8	1.1	1.3	17.7	17.3	17.8	1,350	54.0	38.6
ICICI Bank	370	ADD	411,135	8,235	1,113	39.9	34.3	34.3	15.4	(14.0)	(0.0)	9.3	10.8	10.8	—	—	—	0.9	0.8	0.8	3.0	2.8	2.6	11.7	8.0	7.6	500	35.3	100.1
IDFC	56	ADD	71,963	1,441	1,294	5.7	6.0	6.3	3.0	5.3	5.9	9.8	9.3	8.8	—	—	—	1.3	1.2	1.1	2.2	1.9	1.9	17.6	13.2	12.7	75	34.9	13.6
India Infoline	51	ADD	14,671	294	287	5.6	4.9	4.3	85.6	(12.0)	(12.5)	9.1	10.4	11.9	—	—	—	1.2	1.2	1.1	2.3	5.5	4.9	20.7	11.5	9.8	60	17.5	3.6
Indian Bank	102	BUY	43,751	876	430	22.5	27.4	28.0	33.9	21.4	2.4	4.5	3.7	3.6	—	—	—	1.0	0.8	0.7	2.9	3.4	3.5	23.4	22.1	19.1	195	91.6	1.2
Indian Overseas Bank	53	BUY	28,929	579	545	22.1	26.5	21.6	19.2	20.0	(18.3)	2.4	2.0	2.5	—	—	—	0.6	0.5	0.4	7.1	9.4	10.3	27.2	26.5	18.2	120	126.0	1.1
J&K Bank	274	ADD	13,284	266	48	74.2	82.7	72.3	31.2	11.4	(12.6)	3.7	3.3	3.8	—	—	—	0.7	0.6	0.6	5.7	6.3	5.5	16.8	16.5	12.9	480	75.2	0.1
LIC Housing Finance	201	BUY	17,076	342	85	45.5	58.1	58.5	38.7	27.6	0.8	4.4	3.5	3.4	—	—	—	0.9	0.8	0.7	5.0	6.4	6.4	-	-	-	330	64.3	5.3
Mahindra & Mahindra Financial	192	SELL	18,302	367	95	20.8	18.5	22.6	32.6	(11.2)	22.0	9.2	10.4	8.5	—	—	—	1.5	1.3	1.2	2.4	2.4	2.9	16.9	12.8	14.2	190	(1.1)	0.2
Oriental Bank of Commerce	112	ADD	28,048	562	251	23.9	36.5	27.3	(27.6)	52.7	(25.0)	4.7	3.1	4.1	—	—	—	0.6	0.4	0.4	4.2	6.5	4.9	6.2	13.8	8.9	200	78.7	2.9
PFC	138	ADD	158,679	3,178	1,148	11.4	12.2	15.8	2.4	7.3	29.7	12.2	11.3	8.7	—	—	—	1.6	1.5	1.3	2.5	2.8	3.4	13.5	13.6	15.5	145	4.9	1.7
Punjab National Bank	364	BUY	114,865	2,301	315	65.0	91.6	89.9	33.0	40.9	(1.8)	5.6	4.0	4.1	—	—	—	1.2	1.0	0.9	3.6	5.0	4.9	18.0	21.7	18.5	650	78.4	10.4
Shriram Transport	184	REDUCE	37,357	748	203	19.2	28.6	27.0	85.7	49.0	(5.6)	9.6	6.4	6.8	—	—	—	2.1	1.8	1.5	2.7	4.7	4.6	26.9	28.8	23.6	215	16.9	1.5
SREI	37	ADD	4,332	87	116	11.4	7.3	6.9	57.4	(36.2)	(5.7)	3.3	5.1	5.4	—	—	—	0.7	0.4	0.4	3.2	6.2	7.5	23.1	13.1	11.5	50	34.2	0.4
State Bank of India	1,071	BUY	676,242	13,545	631	106.6	135.3	125.5	23.5	27.0	(7.3)	10.0	7.9	8.5	—	—	—	1.6	1.4	1.4	2.0	2.0	2.1	16.8	16.3	13.4	1,600	49.4	100.5
Union Bank	128	BUY	64,655	1,295	505	27.5	34.6	33.3	64.0	25.9	(3.6)	4.7	3.7	3.8	—	—	—	0.9	0.7	0.7	3.1	4.1	3.9	26.8	27.5	21.7	220	71.9	4.0
Banks/Financial Institutions		**Attractive**	**2,959,466**	**59,278**					**37.4**	**22.0**	**(0.8)**	**9.2**	**7.5**	**7.6**	**—**	**—**	**—**	**1.4**	**1.2**	**1.1**	**2.4**	**2.6**	**2.7**	**15.3**	**16.2**	**15.0**			
Cement																													
ACC	561	REDUCE	105,865	2,120	189	64.1	56.0	44.4	13.0	(12.5)	(20.8)	8.8	10.0	12.6	4.5	4.3	5.9	2.4	2.0	1.9	4.1	4.2	4.2	33.3	25.6	17.4	550	(2.0)	6.1
Ambuja Cements	69	REDUCE	105,424	2,112	1,522	7.6	7.6	5.8	(11.2)	0.2	(23.7)	9.2	9.1	12.0	4.6	5.0	5.8	2.1	1.7	1.6	3.7	4.3	2.7	26.6	20.8	14.1	60	(13.4)	2.7
Grasim Industries	1,345	ADD	123,282	2,469	92	284.6	221.6	171.9	32.6	(22.1)	(22.4)	4.7	6.1	7.8	3.2	3.8	4.1	1.3	1.1	1.0	2.3	2.5	2.5	33.1	20.3	13.8	1,400	4.1	7.0
India Cements	103	ADD	29,145	584	282	24.5	22.7	19.8	n/a	(7.3)	(12.8)	4.2	4.6	5.2	3.8	3.5	3.6	0.8	0.8	0.7	1.8	2.1	2.1	25.8	15.7	14.7	130	25.7	2.6
Shree Cement	544	BUY	18,948	380	35	90.2	129.9	72.5	99.5	44.0	(44.2)	6.0	4.2	7.5	2.5	2.5	3.1	2.9	1.8	1.5	1.5	1.5	1.5	56.9	53.2	21.7	850	56.3	0.2
UltraTech Cement	420	BUY	52,634	1,054	125	81.4	70.9	54.2	28.5	(12.9)	(23.5)	5.2	5.9	7.7	3.7	4.1	4.6	1.6	1.3	1.1	1.8	1.9	1.9	45.2	29.5	17.9	525	24.9	1.2
Cement		**Cautious**	**435,298**	**8,719**					**19.3**	**(9.2)**	**(24.6)**	**6.2**	**6.9**	**9.1**	**3.7**	**4.0**	**4.6**	**1.7**	**1.4**	**1.2**	**3.0**	**3.2**	**2.8**	**26.8**	**20.3**	**13.7**			
Consumer (Discretionary)																													
Radico Khaitan	70	REDUCE	7,152	143	102	2.2	2.6	3.3	(41.4)	15.0	26.3	31.1	27.1	21.4	11.7	11.9	10.1	2.9	2.6	2.3	0.8	—	—	11.7	10.0	11.4	65	(6.9)	0.4
United Breweries	81	REDUCE	19,420	389	240	2.1	1.9	2.4	(2.2)	(11.4)	31.0	38.4	43.3	33.1	12.3	9.6	7.4	3.2	1.8	1.7	—	—	—	8.0	3.6	5.4	85	5.1	0.0
United Spirits	592	BUY	55,725	1,116	94	28.9	32.7	48.0	(52.0)	13.2	46.9	20.5	18.1	12.3	10.1	9.9	8.4	2.4	2.4	1.8	0.3	0.3	0.4	14.0	13.5	16.8	900	52.1	34.4
Consumer (Discretionary)		**Neutral**	**82,297**	**1,648**					**(3.6)**	**15.4**	**40.5**	**24.1**	**20.9**	**14.9**	**10.5**	**10.0**	**8.4**	**2.6**	**2.1**	**1.8**	**0.3**	**0.2**	**0.3**	**10.9**	**9.9**	**12.3**			
Consumer products																													
Asian Paints	795	REDUCE	76,256	1,527	96	39.3	35.7	44.3	40.4	(9.2)	24.3	20.3	22.3	17.9	12.2	13.3	10.3	7.9	6.9	5.8	2.1	2.2	2.5	45.0	34.2	36.2	800	0.6	1.0
Colgate-Palmolive (India)	451	ADD	61,312	1,228	136	17.1	20.4	23.5	16.5	19.4	15.5	26.4	22.1	19.2	22.0	19.4	16.0	33.5	36.4	40.3	2.9	4.1	4.7	100.1	157.8	200.3	490	8.7	0.8
GlaxoSmithkline Consumer (a)	615	ADD	25,864	518	42	38.7	44.8	50.4	26.9	15.8	12.6	15.9	13.7	12.2	8.2	7.4	6.4	3.9	3.3	2.9	2.0	2.4	2.7	27.4	26.7	25.6	700	13.8	0.1
Godrej Consumer Products	129	ADD	33,386	669	258	7.1	6.7	8.7	18.7	(5.5)	31.2	18.3	19.4	14.8	15.9	17.2	12.0	18.8	5.1	4.4	2.8	3.1	3.1	109.6	42.1	43.1	160	23.7	0.3
Hindustan Unilever	253	REDUCE	552,385	11,064	2,179	8.1	9.2	10.7	15.4	12.9	17.0	31.2	27.6	23.6	25.3	22.1	18.1	38.4	35.7	33.0	4.2	3.4	4.0	85.2	134.3	145.7	245	(3.3)	17.4
ITC	180	ADD	678,538	13,591	3,769	8.3	8.7	9.8	15.4	4.6	12.8	21.7	20.8	18.4	13.9	12.8	11.3	5.4	4.8	4.2	1.9	2.1	2.2	27.7	25.4	25.2	200	11.1	17.2
Jyothy Laboratories	53	ADD	3,875	78	73	6.5	7.2	10.6	(8.6)	10.2	47.3	8.2	7.4	5.0	4.6	4.1	2.7	1.1	1.0	0.9	4.4	4.4	5.5	13.5	13.0	16.5	127	137.8	
Nestle India (a)	1,501	ADD	144,730	2,899	96	44.5	56.4	68.1	31.3	26.8	20.7	33.7	26.6	22.0	20.3	16.8	14.1	28.1	21.5	16.7	1.8	2.3	2.8	94.8	91.4	85.4	1,740	15.9	0.8
Tata Tea	530	BUY	32,763	656	62	54.2	60.1	67.7	3.9	10.9	12.7	9.8	8.8	7.8	4.4	4.7	3.7	0.7	0.7	0.6	6.6	3.3	3.7	11.9	10.3	10.8	940	77.4	1.2
Consumer products		**Cautious**	**1,609,110**	**32,231**					**17.1**	**8.7**	**15.9**	**24.3**	**22.3**	**19.3**	**16.0**	**14.8**	**12.6**	**7.5**	**6.6**	**5.9**	**2.9**	**2.7**	**3.1**	**31.0**	**29.6**	**30.5**			
Constructions																													
Consolidated Construction Co.	128	ADD	4,747	95	37	24.0	22.3	27.2	67.6	(7.4)	22.1	5.3	5.8	4.7	3.7	4.0	3.3	1.0	0.9	0.8	1.9	2.5	3.1	27.7	16.8	17.8	190	47.9	0.0
IVRCL	111	BUY	15,024	301	135	15.5	14.9	16.1	27.2	(4.0)	8.0	7.1	7.4	6.9	6.8	6.1	5.1	0.9	0.8	0.8	1.3	0.7	0.7	14.4	11.9	11.5	175	57.7	12.0
Nagarjuna Construction Co.	47	BUY	10,790	216	229	7.2	7.3	8.8	14.5	2.5	19.7	6.6	6.4	5.4	4.8	5.2	4.7	0.7	1.3	0.6	2.4	2.9	3.4	12.6	10.3	11.3	100	112.3	2.6
Punj Lloyd	87	REDUCE	27,994	561	323	10.0	9.6	16.4	323.5	(4.0)	71.5	8.7	9.0	5.3	5.4	6.7	4.1	1.0	0.9	0.8	0.4	0.5	0.8	16.8	10.8	16.3	105	21.3	23.5
Sadbhav Engineering	315	BUY	4,130	83	13	40.5	46.2	57.6	68.2	13.9	24.8	7.8	6.8	5.5	5.7	4.5	3.9	1.4	1.1	1.0	1.2	1.6	1.9	16.5	16.7	18.1	650	106.2	0.1
Construction		**Attractive**	**62,686**	**1,256**					**94.7**	**(1.7)**	**37.3**	**7.5**	**7.6**	**5.6**	**5.4**	**5.9**	**4.4**	**0.9**	**0.8**	**0.7**	**1.1**	**1.2**	**1.5**	**12.5**	**11.1**	**13.4**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	18-Feb-09		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Energy																													
Bharat Petroleum	415	SELL	136,177	2,728	328	41.1	37.9	34.3	(21.6)	(7.9)	(9.5)	10.1	11.0	12.1	4.5	4.3	3.8	1.0	1.0	0.9	1.1	0.9	0.8	11.8	9.7	8.0	400	(3.7)	6.1
Cairn india	153	BUY	286,339	5,735	1,871	(0.1)	4.2	5.0	(105)	(3,619)	20	(1,284)	36	30.5	35.4	20.8	15.1	1.0	0.9	0.8	—	—	—	(0.1)	2.5	2.8	225	47.0	13.7
Castrol India (a)	313	ADD	38,656	774	124	17.6	21.3	25.8	44.4	20.7	21.3	17.7	14.7	12.1	9.7	8.2	6.8	9.4	8.6	7.7	4.5	4.8	5.8	52.2	61.0	66.8	390	24.7	0.3
GAIL (India)	200	REDUCE	253,314	5,074	1,268	20.4	22.9	22.4	21.0	12.2	(1.9)	9.8	8.7	8.9	4.7	4.6	6.3	1.8	1.6	1.4	3.3	4.0	4.0	18.1	18.0	15.8	230	15.2	9.9
GSPL	33	BUY	18,375	368	563	1.8	1.4	2.4	10.1	(22.4)	68.6	18.1	23.3	13.8	6.5	6.9	4.6	1.5	1.4	1.3	1.5	1.2	2.0	8.8	6.2	9.7	45	37.8	1.5
Hindustan Petroleum	301	SELL	102,161	2,046	339	33.5	14.7	32.0	(16.4)	(56.1)	118.1	9.0	20.5	9.4	7.6	6.2	3.8	0.8	0.8	0.7	1.0	0.4	1.0	9.6	3.9	7.9	285	(5.4)	8.1
Indian Oil Corporation	455	REDUCE	537,062	10,757	1,179	61.3	32.3	53.4	31.0	(47.4)	65.4	7.4	14.1	8.5	4.4	8.5	6.3	1.2	1.1	1.0	1.2	0.7	1.2	17.4	8.0	12.0	550	20.8	3.8
Oil & Natural Gas Corporation	671	BUY	1,434,765	28,738	2,139	92.7	102.0	107.2	9.1	10.0	5.1	7.2	6.6	6.3	2.5	2.2	1.9	1.4	1.3	1.1	4.8	5.1	5.7	19.6	19.2	17.8	900	34.2	34.1
Petronet LNG	35	ADD	26,588	533	750	6.3	5.5	5.9	—	(12.6)	6.6	5.6	6.4	6.0	3.8	5.8	4.5	1.4	1.2	1.0	4.2	4.2	4.2	26.7	19.2	17.2	52	46.7	1.7
Reliance Industries	1,295	REDUCE	1,778,241	35,618	1,373	105.0	101.1	106.3	25.5	(3.7)	5.2	12.3	12.8	12.2	8.3	7.6	5.5	2.0	1.7	1.4	0.9	1.1	1.2	19.0	14.7	13.4	1,400	8.1	210.7
Reliance Petroleum	81	REDUCE	365,175	7,314	4,500	-	(0.0)	6.5	n/a	n/a	n/a	n/a	n/a	12.4	n/a	n/a	9.4	2.7	2.7	2.4	—	—	2.5	-	(0.0)	20.4	85	4.7	30.6
Energy		**Neutral**	**4,976,854**	**99,687**					**12.9**	**(1.2)**	**18.9**	**10.4**	**10.6**	**8.9**	**5.3**	**5.5**	**4.4**	**1.5**	**1.3**	**1.2**	**2.1**	**2.2**	**2.7**	**14.9**	**12.5**	**13.5**			
Industrials																													
ABB	405	SELL	85,802	1,719	212	23.2	25.5	27.3	44.5	10.0	6.8	17.5	15.9	14.9	9.9	8.8	8.3	5.3	4.1	3.3	0.5	0.7	0.8	34.8	29.2	24.9	425	5.0	4.2
BGR Energy Systems	143	REDUCE	10,292	206	72	12.1	15.3	20.7	(67.4)	26.1	35.4	11.8	9.3	6.9	6.9	5.4	4.7	2.2	1.8	1.5	1.4	1.7	2.4	31.4	21.3	23.9	165	15.4	0.7
Bharat Electronics	881	ADD	70,484	1,412	80	102.0	105.5	111.8	11.2	3.4	6.0	8.6	8.4	7.9	3.6	2.9	2.6	2.1	1.8	1.5	2.3	2.8	2.8	27.7	23.1	20.8	950	7.8	1.1
Bharat Heavy Electricals	1,398	BUY	684,520	13,711	490	58.4	64.9	92.6	22.9	11.2	42.5	23.9	21.5	15.1	12.6	11.2	8.1	6.4	5.2	4.1	1.1	1.0	1.4	29.2	26.6	30.5	1,475	5.5	51.7
Crompton Greaves	124	BUY	45,548	912	367	11.2	13.9	15.6	43.0	24.7	12.1	11.1	8.9	7.9	6.2	5.7	4.8	3.5	2.6	2.0	1.3	1.4	1.5	36.1	33.6	28.9	170	36.8	2.2
Larsen & Toubro	652	REDUCE	386,411	7,740	593	37.9	48.5	55.3	20.8	27.8	14.1	17.2	13.4	11.8	12.0	8.9	8.0	3.3	2.5	2.1	1.3	3.1	3.1	22.7	20.9	19.4	750	15.0	58.6
Maharashtra Seamless	121	BUY	8,562	172	71	29.4	37.4	37.9	(23.5)	27.6	1.2	4.1	3.2	3.2	2.4	2.0	1.9	0.8	0.6	0.5	4.1	4.6	4.7	19.7	21.1	18.0	215	77.1	0.3
Siemens	218	REDUCE	73,518	1,473	337	18.2	14.2	15.7	60.4	(22.2)	10.5	12.0	15.4	13.9	6.4	6.4	7.0	4.0	3.2	2.8	1.1	1.6	2.0	39.9	23.1	21.3	220	0.9	5.6
Suzlon Energy	42	REDUCE	65,342	1,309	1,567	6.6	6.9	4.3	9.5	4.4	(37.5)	6.3	6.1	9.7	4.2	6.7	8.2	0.7	0.6	0.6	2.3	1.2	1.2	16.3	11.0	6.2	60	43.9	46.6
Industrials		**Cautious**	**1,430,479**	**28,653**					**25.3**	**12.8**	**16.4**	**16.3**	**14.5**	**12.4**	**9.4**	**8.4**	**7.3**	**3.4**	**2.8**	**2.4**	**1.3**	**1.7**	**2.0**	**21.1**	**19.3**	**18.9**			
Infrastructure																													
IRB Infrastructure	106	ADD	35,164	704	332	3.4	6.6	13.9	150.9	92.3	111.2	30.9	16.1	7.6	11.7	10.2	5.3	2.1	1.9	1.4	—	—	—	10.7	12.4	21.4	130	22.9	0.3
Media																													
DishTV	26	REDUCE	16,650	334	644	(9.6)	(7.4)	(4.1)	n/a	(23.1)	(44.2)	(2.7)	(3.5)	(6.2)	(9.7)	(12.4)	(59.8)	(3.7)	(2.6)	(7.8)	—	—	—	167.9	86.7	NA	22	(14.9)	2.1
HT Media	53	BUY	12,427	249	234	4.3	3.1	4.8	4.7	(28.5)	53.7	12.3	17.2	11.2	6.6	7.8	5.1	1.4	1.4	1.3	0.8	0.8	1.5	12.2	8.2	11.8	115	116.8	0.1
Jagran Prakashan	53	BUY	16,098	322	301	3.3	2.9	4.1	33.5	(9.7)	38.7	16.4	18.2	13.1	9.0	10.0	7.1	3.0	2.8	2.6	3.7	2.7	3.8	18.7	15.9	20.4	75	40.3	0.0
Sun TV Network	170	BUY	67,072	1,343	394	8.3	9.3	11.4	30.7	12.0	23.0	20.5	18.3	14.9	10.9	9.7	8.0	4.4	4.0	3.6	1.5	2.4	3.5	24.8	23.6	25.8	215	26.3	2.6
Zee Entertainment Enterprises	112	BUY	48,581	973	434	8.9	8.2	9.3	62.6	(7.5)	13.7	12.6	13.7	12.0	9.4	9.8	8.7	1.6	1.5	1.4	1.8	2.1	2.4	14.2	11.8	12.2	145	29.4	5.5
Zee News	30	BUY	7,253	145	240	1.5	1.9	2.1	396.2	24.0	6.9	19.6	15.8	14.7	10.6	8.9	7.9	3.4	2.9	2.6	1.3	1.3	1.7	19.2	20.5	18.9	38	25.6	0.2
Media		**Attractive**	**168,081**	**3,367**					**30.8**	**(17.1)**	**68.2**	**31.4**	**37.8**	**22.5**	**12.8**	**12.6**	**9.0**	**3.0**	**2.8**	**2.4**	**1.6**	**1.9**	**2.6**	**9.5**	**7.3**	**10.5**			
Metals																													
Hindalco Industries	42	ADD	72,909	1,460	1,753	13.8	7.7	2.4	(10.0)	(44.4)	(69.2)	3.0	5.4	17.6	5.4	4.9	6.8	0.3	0.2	0.2	—	—	—	14.4	10.3	5.2	55	32.2	8.7
National Aluminium Co.	197	SELL	126,639	2,537	644	25.3	19.7	10.3	(31.5)	(22.2)	(47.8)	7.8	10.0	19.1	3.3	4.6	5.8	1.3	1.2	1.2	3.1	1.8	1.0	18.3	12.7	6.2	135	(31.3)	2.5
Jindal Steel and Power	1,005	BUY	154,677	3,098	154	101.8	92.4	78.9	123.0	(9.2)	(14.6)	9.9	10.9	12.7	8.2	7.4	8.1	3.6	2.7	2.2	0.5	0.6	0.7	43.8	28.3	18.9	1,250	24.4	18.2
JSW Steel	209	SELL	39,028	782	187	86.1	8.7	21.5	16.1	(89.9)	146.2	2.4	23.9	9.7	4.5	7.0	7.2	0.4	0.4	0.3	6.7	1.0	1.0	20.7	10.2	3.9	185	(11.3)	5.1
Hindustan Zinc	322	BUY	136,098	2,726	423	104.0	66.5	59.0	(1.0)	(36.1)	(11.2)	3.1	4.8	5.5	1.1	1.5	1.6	1.1	0.9	0.8	1.6	2.3	3.1	43.6	20.8	15.7	470	45.9	2.7
Sesa Goa	89	BUY	70,222	1,407	787	19.0	23.2	18.3	146.0	22.6	(21.3)	4.7	3.8	4.9	2.3	2.2	2.0	2.5	1.6	1.3	3.0	3.9	3.9	67.8	50.5	28.9	115	28.9	12.0
Sterlite Industries	255	BUY	180,347	3,612	708	64.3	49.1	40.5	(22.6)	(23.8)	(17.5)	4.0	5.2	6.3	3.3	5.0	6.4	0.8	0.7	0.6	-	-	-	26.1	14.0	10.6	365	43.4	21.9
Tata Steel	171	BUY	140,355	2,811	822	75.7	107.1	69.8	43.8	41.4	(34.8)	2.3	1.6	2.4	3.6	3.0	3.7	0.4	0.3	0.3	8.5	7.5	7.6	46.3	33.7	20.2	300	75.7	45.5
Metals		**Attractive**	**920,274**	**18,433**					**12.7**	**(7.7)**	**(30.4)**	**3.9**	**4.2**	**6.0**	**3.7**	**4.0**	**4.9**	**0.8**	**0.6**	**0.6**	**2.5**	**2.2**	**2.2**	**19.9**	**14.5**	**9.4**			
Pharmaceutical																													
Biocon	103	BUY	20,580	412	200	23.3	5.0	14.5	126.0	(78.4)	186.6	4.4	20.4	7.1	5.5	8.4	4.3	1.4	1.3	1.2	0.1	0.1	0.1	17.6	6.6	17.3	230	123.5	0.4
Cipla	192	REDUCE	149,512	2,995	777	9.0	10.0	12.9	4.9	11.0	29.1	21.3	19.2	14.9	15.7	14.1	11.0	4.0	3.5	3.0	1.0	1.3	1.6	20.1	19.3	21.5	220	14.4	5.6
Dishman Pharma & chemicals	123	BUY	9,975	200	81	14.7	12.6	20.7	30.5	(14.3)	64.4	8.3	9.7	5.9	8.1	8.1	5.4	1.7	1.5	1.2	0.0	0.0	0.0	26.8	16.6	22.9	250	103.8	0.2
Divi's Laboratories	868	BUY	56,010	1,122	65	53.2	65.3	72.2	85.8	22.6	10.5	16.3	13.3	12.0	13.3	10.3	8.6	6.6	4.5	3.4	0.1	0.1	0.1	49.8	40.4	32.2	1,300	49.8	5.3
Dr Reddy's Laboratories	398	BUY	67,363	1,349	169	26.1	28.7	37.8	(57.2)	10.0	31.7	15.3	13.9	10.5	7.6	6.3	5.2	1.5	1.4	1.2	0.9	1.0	1.0	10.3	10.3	12.2	675	69.5	3.8
Glenmark Pharmaceuticals	138	BUY	36,741	736	266	25.8	16.3	17.4	98.4	(37.1)	6.8	5.3	8.5	8.0	5.3	6.2	5.7	2.4	1.6	1.4	0.1	0.1	0.1	57.4	22.4	18.9	390	182.2	8.9
Jubilant Organosys	117	BUY	20,903	419	179	22.4	(3.9)	21.7	72.3	(117.4)	(659)	5.2	(30.1)	5.4	6.1	22.7	6.7	1.6	1.5	1.4	1.0	1.4	1.8	37.0	(5.8)	29.8	300	156.4	0.4
Lupin	604	BUY	53,513	1,072	89	49.8	49.6	59.5	30.2	(0.4)	20.0	12.1	12.2	10.2	14.4	10.9	8.7	4.2	2.6	2.2	1.5	1.6	1.9	37.9	26.9	24.0	950	57.3	1.2
Piramal Healthcare	173	BUY	36,230	726	209	17.7	15.7	20.9	66.8	(11.7)	33.1	9.8	11.1	8.3	7.7	8.7	6.3	3.3	2.7	2.2	2.4	2.3	2.6	30.9	26.1	29.5	340	96.1	0.9
Ranbaxy Laboratories	205	ADD	85,805	1,719	419	23.3	(8.1)	13.0	70.4	NA	NA	8.8	NA	15.8	8.3	(122.3)	6.1	2.9	1.7	1.0	3.7	5.0	5.8	32.3	(8.8)	8.4	340	66.1	7.9
Sun Pharmaceuticals	1,038	BUY	215,080	4,308	207	74.7	86.0	76.7	78.9	15.2	(10.8)	13.9	12.1	13.5	11.6	9.1	9.2	4.1	3.2	2.6	1.0	1.1	1.3	38.3	30.9	22.1	1,675	61.3	17.8
Pharmaceuticals		**Attractive**	**#VALUE!**	**#VALUE!**					**34.1**	**(25.7)**	**46.7**	**#####**	**#####**	**#####**	**#VALUE!**	**######**	**#####**	**#####**	**#####**	**#####**	**#####**	**#####**	**#####**	**24.5**	**14.3**	**16.3**			
Property																													
DLF	159	REDUCE	270,637	5,421	1,705	46.1	30.9	22.8	263.2	(33.0)	(26.3)	3.4	5.1	7.0	3.8	6.3	7.0	1.4	1.1	1.0	2.5	2.5	2.5	66.5	24.0	15.1	190	19.7	90.0
Housing Development & Infrastruc	79	REDUCE	21,819	437	275	51.2	30.6	19.8	118.6	(40.1)	(35.3)	1.5	2.6	4.0	2.9	6.0	6.8	0.6	0.5	0.5	4.9	6.3	7.6	64.5	21.2	12.1	120	51.5	51.2
Indiabulls Real Estate	97	ADD	24,875	498	258	16.4	3.0	3.4	2,383.9	(81.5)	11.6	5.9	31.7	28.4	(610.4)	(5.8)	7.1	0.4	0.4	0.4	0.3	0.1	0.0	10.6	1.3	1.3	180	86.4	32.0
Mahindra Life Space Developer	111	BUY	4,679	94	42	16.8	10.2	10.8	307.7	(39.2)	5.3	6.6	10.9	10.3	12.0	15.4	8.0	0.5	0.5	0.5	2.4	3.5	3.5	8.4	4.8	4.9	410	268.5	0.4
Phoenix Mills	58	BUY	8,336	167	145	12.4	5.4	7.3	89.5	(56.7)	34.7	4.6	10.7	7.9	3.8	11.2	6.2	0.6	0.6	0.5	1.7	1.7	1.7	22.1	5.3	6.8	210	264.9	0.1
Puravankara Projects	38	REDUCE	8,121	163	213	11.2	7.6	7.5	67.3	(32.1)	(2.2)	3.4	5.0	5.1	6.7	10.3	9.8	0.7	0.6	0.6	5.3	-	5.3	34.2	12.9	11.4	55	44.5	0.3
Sobha	81	REDUCE	5,916	118	73	31.7	15.9	11.9	42.9	(50.0)	(24.8)	2.6	5.1	6.8	6.3	7.6	10.7	0.6	0.5	0.5	8.0	4.9	4.9	25.3	11.0	7.8	90	10.9	0.4
Unitech	29	SELL	47,240	946	1,623	10.3	6.9	5.5	28.5	(33.4)	(20.5)	2.8	4.2	5.3	5.3	6.9	8.3	1.3	1.0	0.8	0.9	-	-	59.9	26.8	17.2	24	(17.5)	61.3
Property		**Cautious**	**391,622**	**7,844**					**190.6**	**(36.1)**	**(24.8)**	**3.2**	**5.1**	**6.8**	**4.2**	**6.6**	**7.4**	**1.1**	**0.9**	**0.8**	**2.4**	**2.2**	**2.4**	**32.5**	**17.2**	**11.8**			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation Summary of Key Indian Companies

	18-Feb-09		Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
Company	Price (Rs)	Rating	(Rs mn)	(US$ mn)	(mn)	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E	(Rs)	(%)	(US$ mn)
Retail																													
Pantaloon Retail	158	REDUCE	25,225	505	159	7.9	8.3	10.2	90.0	4.4	23.3	20.0	19.2	15.6	10.1	8.1	7.3	1.4	1.3	1.2	0.5	0.5	0.6	8.2	6.7	7.8	165	4.2	0.9
Titan Industries	764	REDUCE	33,905	679	44	35.1	41.4	46.5	55.2	18.2	12.2	21.8	18.4	16.4	14.8	11.3	9.8	7.2	5.5	4.4	1.0	1.2	1.4	37.7	33.8	29.7	930	21.8	3.0
Vishal Retail	48	ADD	1,073	21	22	18.1	10.6	10.8	37.2	(41.2)	1.9	2.6	4.5	4.4	4.7	4.5	3.6	0.4	0.4	0.3	—	—	—	20.2	8.3	7.8	75	56.6	0.2
Retail			**60,203**	**1,206**					**31.9**	**5.4**	**15.8**	**18.7**	**17.7**	**15.3**	**10.6**	**8.4**	**7.4**	**2.3**	**2.1**	**1.9**	**0.8**	**0.9**	**1.1**	**12.4**	**12.1**	**12.5**			
Technology																													
HCL Technologies	109	REDUCE	75,512	1,513	695	15.3	18.7	17.3	(19.0)	22.4	(7.7)	7.1	5.8	6.3	3.2	4.0	3.7	1.5	1.2	1.1	7.4	11.0	11.0	21.4	21.3	18.1	140	28.9	4.0
Hexaware Technologies	29	SELL	4,164	83	142	7.7	4.1	3.0	(13.7)	(46.4)	(27.8)	3.8	7.1	9.9	0.8	1.2	2.1	0.6	0.6	0.6	3.1	3.4	3.4	15.1	8.6	6.3	25	(14.7)	1.2
Infosys Technologies	1,179	BUY	676,631	13,553	574	79.1	101.6	107.7	18.0	28.5	5.9	14.9	11.6	10.9	11.3	8.1	7.2	4.9	3.7	3.0	2.8	2.1	2.2	36.1	36.6	30.5	1,500	27.2	53.4
Mphasis BFL	151	REDUCE	31,461	630	208	12.2	22.3	23.4	67.6	81.7	5.0	12.3	6.8	6.5	7.3	4.3	3.4	2.7	0.3	1.7	2.3	2.7	3.0	23.6	34.6	28.4	190	25.9	0.7
Mindtree	206	BUY	8,117	163	40	26.7	21.0	37.1	12.3	(21.6)	76.9	7.7	9.8	5.5	6.8	3.1	2.9	1.5	1.3	1.0	1.3	—	—	21.3	11.9	17.8	400	94.6	0.2
Patni Computer Systems	103	SELL	13,247	265	128	33.2	26.8	17.5	29.2	(19.3)	(34.7)	3.1	3.8	5.9	(0.0)	(0.0)	(0.3)	0.5	0.6	0.5	2.1	1.8	3.4	19.2	16.2	7.9	130	26.0	0.3
Polaris Software Lab	46	SELL	4,561	91	98	7.4	14.9	12.7	(27.6)	100.0	(14.9)	6.2	3.1	3.7	2.3	0.9	0.8	0.7	0.6	0.5	3.8	3.8	3.8	11.7	20.4	15.0	50	7.8	1.9
TCS	481	REDUCE	470,467	9,423	979	51.3	53.9	55.7	21.5	5.1	3.3	9.4	8.9	8.6	7.4	6.2	5.9	3.8	3.0	2.6	2.9	3.9	4.6	47.0	37.8	32.1	550	14.4	19.5
Tech Mahindra	239	BUY	29,754	596	125	59.1	67.6	58.7	25.7	14.5	(13.2)	4.0	3.5	4.1	3.5	2.0	1.9	2.4	1.4	1.1	2.3	2.5	2.6	70.7	53.1	31.6	320	34.0	1.9
Wipro	209	ADD	305,850	6,126	1,462	22.2	25.1	26.2	12.6	12.8	4.3	9.4	8.3	8.0	7.4	5.7	5.0	2.4	2.0	1.7	3.0	3.5	3.8	27.9	25.7	22.6	280	33.8	10.0
Technology		**Cautious**	**1,619,764**	**32,444**					**15.7**	**17.0**	**2.2**	**10.4**	**8.9**	**8.7**	**7.7**	**5.9**	**5.4**	**3.1**	**2.5**	**2.1**	**3.1**	**3.3**	**3.7**	**30.3**	**28.4**	**24.4**			
Telecom																													
Bharti Airtel Ltd	641	BUY	1,216,269	24,362	1,898	35.3	44.2	52.1	65.0	25.1	18.0	18.1	14.5	12.3	11.1	8.3	7.0	5.4	4.0	3.0	—	0.6	0.9	39.1	31.4	27.5	725	13.1	63.4
IDEA	48	REDUCE	154,212	3,089	3,236	3.9	2.6	2.8	78.5	(33.2)	6.0	12.1	18.1	17.0	9.3	6.3	5.8	4.4	1.2	1.1	—	—	—	36.4	10.1	6.7	55	15.4	4.8
MTNL	66	SELL	41,643	834	630	7.1	4.0	4.1	(11.0)	(44.3)	2.6	9.3	16.6	16.2	1.1	3.4	2.5	0.3	0.4	0.4	6.1	9.1	9.1	3.5	1.6	1.6	50	(24.4)	1.1
Reliance Communications	162	SELL	335,300	6,716	2,064	26.5	26.7	22.2	86.4	0.7	(16.5)	6.1	6.1	7.3	5.8	6.6	6.2	1.2	1.0	0.9	0.5	—	—	16.8	18.4	12.9	200	23.1	58.8
Tata Communications	401	REDUCE	114,356	2,291	285	10.9	13.6	14.0	(36.3)	24.0	3.2	36.6	29.5	28.6	15.3	12.7	11.5	1.7	1.7	1.6	1.1	1.2	1.6	4.4	5.4	5.2	400	(0.3)	2.9
Telecom		**Cautious**	**1,861,781**	**37,292**					**65.7**	**12.7**	**3.2**	**12.9**	**11.4**	**11.1**	**8.9**	**7.7**	**6.7**	**2.5**	**1.9**	**1.6**	**0.5**	**0.8**	**0.9**	**19.6**	**16.7**	**14.8**			
Transportation																													
Container Corporation	652	REDUCE	84,701	1,697	130	57.7	68.3	72.9	7.8	18.3	6.8	11.3	9.5	8.9	7.5	6.2	5.6	2.7	2.2	1.9	2.0	2.4	2.5	25.8	25.3	22.6	800	22.8	0.5
Transportation		**Cautious**	**84,701**	**1,697**					**7.8**	**18.3**	**6.8**	**11.3**	**9.5**	**8.9**	**7.5**	**6.2**	**5.6**	**2.7**	**2.2**	**1.9**	**2.0**	**2.4**	**2.5**	**23.6**	**23.1**	**20.9**			
Utilities																													
CESC	197	BUY	24,612	493	125	27.8	31.9	36.9	(23.3)	14.9	15.8	7.1	6.2	5.3	3.7	3.5	4.7	0.8	0.7	0.6	2.0	2.3	2.7	12.5	11.7	11.9	385	95.4	0.7
Lanco Infratech	119	BUY	26,487	531	222	14.8	15.2	19.9	75.2	2.6	30.9	8.0	7.8	6.0	8.1	16.0	10.8	1.4	1.2	1.0	—	—	—	19.7	16.9	18.5	320	168.6	7.3
NTPC	176	REDUCE	1,454,500	29,134	8,245	9.3	9.0	9.7	7.9	(3.2)	7.9	18.9	19.5	18.1	13.1	14.1	13.4	2.7	2.5	2.3	2.0	2.0	2.1	14.9	13.2	13.1	160	(9.3)	28.0
Reliance Infrastructure	501	BUY	115,744	2,318	231	37.6	59.9	56.2	13.9	59.4	(6.2)	13.3	8.4	8.9	8.9	9.0	9.2	0.7	0.7	0.6	1.3	1.5	1.7	4.3	6.2	6.7	970	93.5	84.2
Reliance Power	100	REDUCE	240,275	4,813	2,397	0.4	1.3	2.5	—	252.9	82.7	263.6	74.7	40.9	—	—	—	1.8	1.7	1.7	—	—	—	1.3	2.3	4.2	120	19.7	12.2
Tata Power	754	BUY	167,826	3,362	223	31.8	65.8	95.2	19.5	106.7	44.5	23.7	11.5	7.9	11.6	8.8	8.4	1.9	1.6	1.4	1.4	1.5	1.6	9.6	15.4	18.8	1,140	51.2	10.9
Utilities		**Attractive**	**2,029,444**	**40,650**					**12.2**	**13.2**	**14.0**	**20.2**	**17.9**	**15.7**	**12.6**	**13.5**	**13.3**	**2.1**	**1.9**	**1.8**	**1.6**	**1.6**	**1.7**	**10.3**	**10.7**	**11.3**			
Others																													
Aban Offshore	397	REDUCE	15,021	301	38	72.3	140.2	342.5	(1,066)	94.0	144.3	5.5	2.8	1.2	11.0	7.6	4.2	1.7	0.9	0.5	0.9	1.0	1.3	51.7	44.2	52.4	500	26.1	11.2
Educomp Solutions	2,115	BUY	40,217	806	19	35.2	64.2	108.1	114	82.7	68.3	60.2	32.9	19.6	32.0	14.5	8.9	13.1	5.5	4.4	0.1	0.3	0.4	33.5	23.4	24.3	2,550	20.6	76.7
Havells India	113	REDUCE	6,823	137	61	26.6	(1.0)	10.3	40	(103.7)	####	4.2	####	11.0	5.0	6.7	5.8	1.0	0.9	0.9	2.1	2.9	3.7	33.7	(0.9)	8.5	120	6.4	0.2
Jaiprakash Associates	69	BUY	96,207	1,927	1,403	4.9	5.3	7.1	7	8.6	33.4	14.0	12.9	9.7	11.5	10.1	8.6	1.9	1.7	1.5	0.0	0.0	0.0	15.4	13.9	16.3	105	53.2	39.6
Jindal Saw	172	BUY	10,549	211	61	66.6	86.9	82.9	(43)	30.6	(4.7)	2.6	2.0	2.1	2.5	1.2	0.8	0.4	0.3	0.3	4.2	7.6	8.7	12.5	14.4	12.3	500	190.7	0.4
PSL	71	BUY	3,103	62	44	21.1	24.3	43.7	4	15.3	79.6	3.4	2.9	1.6	3.2	3.5	2.7	0.6	0.5	0.4	7.2	7.0	8.4	11.3	10.6	14.2	145	103.7	0.1
Welspun Gujarat Stahl Rohren	67	BUY	12,629	253	189	20.6	20.9	21.0	94	1.5	0.7	3.3	3.2	3.2	5.3	3.7	3.1	0.7	0.6	0.5	1.9	2.7	1.8	27.1	20.0	17.3	100	49.5	3.5
Others			**184,550**	**3,697**					**24.3**	**49.0**	**41.3**	**10.6**	**7.1**	**5.1**	**8.9**	**7.0**	**5.4**	**1.5**	**1.2**	**1.0**	**0.7**	**1.0**	**1.1**	**14.5**	**17.1**	**20.0**			
KS universe (b)			**#VALUE!**	**#VALUE!**					**25.9**	**2.6**	**4.4**	**#####**	**#####**	**#####**	**#VALUE!**	**######**	**#####**	**#####**	**#####**	**#####**	**#####**	**#####**	**#####**	**18.0**	**15.5**	**14.5**			
KS universe (b) ex-Energy			**#VALUE!**	**#VALUE!**					**30.7**	**3.8**	**(0.0)**	**#####**	**#####**	**#####**	**#VALUE!**	**######**	**#####**	**#####**	**#####**	**#####**	**#####**	**#####**	**#####**	**19.3**	**16.7**	**14.9**			
KS universe (d) ex-Energy & ex-Commodities			**#VALUE!**	**#VALUE!**					**35.9**	**6.9**	**6.6**	**#####**	**#####**	**#####**	**#VALUE!**	**######**	**#####**	**#####**	**#####**	**#####**	**#####**	**#####**	**#####**	**18.9**	**17.0**	**16.0**			

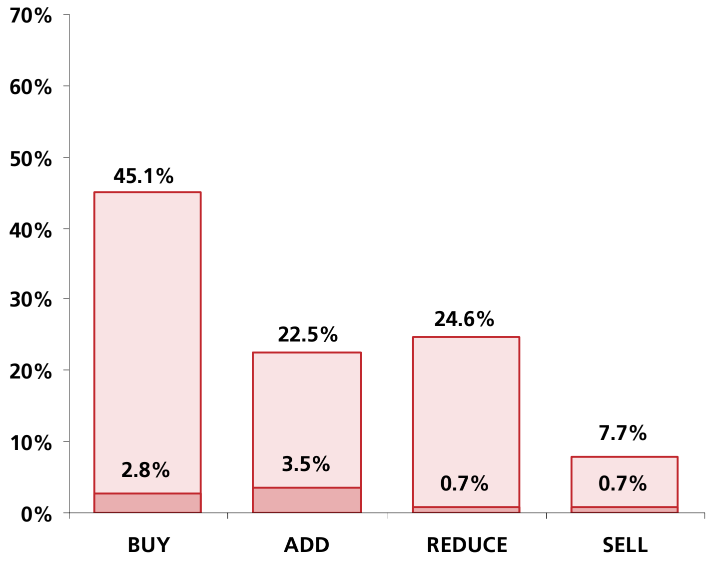
Note:
(1) For banks we have used adjusted book values.
(2) 2008 means calendar year 2007, similarly for 2009 and 2010 for these particular companies.
(3) EV/Sales & EV/EBITDA for KS universe excludes Banking Sector.
(4) Rupee-US Dollar exchange rate (Rs/US$)= 0.00

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



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

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

* The above categories are defined as follows: Buy = We expect this stock to 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 then 10% over the next 12 months. These ratings are used illustratively to comply with applicable regulations. As of 31/12/2008 Kotak Institutional Equities Investment Research had investment ratings on 142 equity securities.

Source: Kotak Institutional Equities

As of December 31, 2008

Ratings and other definitions/identifiers

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 Sensexby more than 10% 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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